

Los Angeles Metropolitan Division Series Focus on: San Gabriel Valley, California

U.S. Department of Housing and Urban Development Office of Policy Development and Research



Housing Market Area





The San Gabriel Valley Housing Market Area (HMA) is part of Los Angeles County, which is coterminous with the Los Angeles-Long Beach-Glendale, CA Metropolitan Division (hereafter, Los Angeles division). Situated in eastern Los Angeles County, the HMA is a center for high-technology production, education, and healthcare in the southern California region, a 10-county area that stretches from San Luis Obispo to the Mexican border.

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Summary

Economy

Economic conditions in the San Gabriel Valley HMA have been influenced by overall growth in the Los Angeles division, where conditions have strengthened since 2010, although growth recently slowed, a similar trend as in the southern California region and the nation. Nonfarm payrolls in the division increased during the 12 months ending October 2017 by 62,000 jobs, or 1.4 percent, to nearly 4.44 million jobs. An estimated 16 percent of total jobs in the division are in the San Gabriel Valley HMA, a proportion that has been nearly unchanged since 2000. During the 3-year forecast period, nonfarm payrolls in the division are expected to increase an average of 1.8 percent a year, partly supported by economic expansions in the HMA.

Sales Market

Sales housing market conditions in the HMA are balanced, with an estimated 1.0-percent vacancy rate, down from 1.2 percent in 2010. During the next

3 years, demand is estimated for 4,175 new homes (Table 1), accounting for 21 percent of total demand in the Los Angeles division. Demand is expected to slow slightly in the second and third years of the forecast period because of a slowdown in owner household growth. The 490 homes under construction in the HMA will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are tight, and the vacancy rate is estimated at 3.0 percent, down from 5.3 percent in 2010. The increase in renter households since 2010 has outpaced the construction of rental units and the conversion of single-family homes, townhomes, and condominiums to rental use. During the forecast period, demand in the HMA is expected for 5,000 new market-rate rental units (Table 1), accounting for 15 percent of demand in the Los Angeles division. The 440 rental units currently under construction will meet part of the demand in the first year of the forecast period.

Table 1. Housing Demand in the Los Angeles Division* and San Gabriel Valley HMA During the Forecast Period

	Los Angel	es Division*	San Gabriel Valley HMA		
	Sales Units	Sales Units Rental Units		Rental Units	
Total demand	20,175	33,350	4,175	5,000	
Under construction	2,740	10,390	490	440	

^{*} Los Angeles-Long Beach-Glendale, CA Metropolitan Division.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2017. The forecast period is November 1, 2017, to November 1, 2020.

Source: Estimates by analyst

Economic Conditions

he San Gabriel Valley HMA is an economic hub of the Los Angeles division, supported by industries in high-technology (high-tech) production, higher education, healthcare, professional services, and trade. The HMA is home to the National Aeronautics and Space Administration (NASA) Jet Propulsion Laboratory (JPL), a leading national center for robotic exploration of the solar system, which the California Institute of Technology (Caltech) manages through federal funding.

Table 2. Major Employers in the San Gabriel Valley HMA

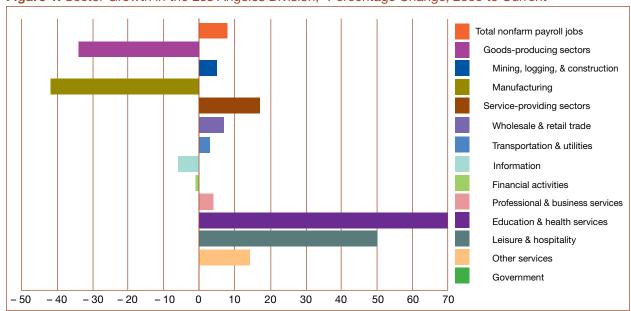
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaiser Permanente®	Education & health services	9,275
Southern California Edison	Transportation & utilities	6,750
Jet Propulsion Labroatory	Government	6,000
California Institute of Technology	Government	3,900
Pomona Valley Hospital Medical Center	Education & health services	3,250
Huntington Hospital	Education & health services	3,200
AT&T Inc.	Information	2,525
California State Polytechic Univeristy, Pomona	Government	2,325
Wal-Mart Stores, Inc.	Wholesale & retail trade	1,750
Pasadena City College	Government	1,625

Note: Excludes local school districts.

Sources: City of Azusa, 2017; City of Covina, 2017; City of Irwindale, 2017; City of Montebello, 2017; City of Pasadena, 2017; City of Pomona, 2017

Currently, JPL and Caltech are among the largest employers in the HMA, with 6,000 and 3,900 employees, respectively (Table 2), and are in the top 40 largest employers in the Los Angeles division. JPL has been at the center of the southern California aerospace industry since the early 1900s, and Caltech research and graduates support advancements in the industry. By the 1980s, approximately 40 percent of American missiles and space business were in the southern California region, and the industry as a whole employed approximately 500,000 people in the region (NASA). The aerospace manufacturing, space exploration, and higher education industries account for approximately 23,950 jobs in the HMA, with a combined revenue of \$550 million (San Gabriel Valley Economic Partnership [SGVEP], 2017). In the Los Angeles division, high-tech production remains important to the economy despite reductions in manufacturing jobs since 2000 (Figure 1), and Northrop Grumman Corporation

Figure 1. Sector Growth in the Los Angeles Division,* Percentage Change, 2000 to Current



^{*} Los Angeles-Long Beach-Glendale, CA Metropolitan Division.

Notes: Current is based on 12-month averages through October 2017. During this period, payrolls in the government sector showed no net change.

Source: U.S. Bureau of Labor Statistics

and The Boeing Company remain among the largest employers in the division with 16,600 and 13,300 employees, respectively (Table 3). Strong gains in the education and health services sector, the largest sector in the division (Figure 2) and the HMA, offset part of the decline in the manufacturing sector. Payrolls in the HMA have accounted for an estimated 16 percent of all jobs in the Los Angeles division since 2000. Approximately 21 and 18 percent, respectively, of the labor force and resident workers in the division live in the HMA (SGVEP, 2017). In addition, approximately 10 and 3 percent of HMA residents have jobs in San Bernardino and Orange Counties, respectively (2010–2015 American Community Survey 5-year

Table 3. Major Employers in the Los Angeles Division*

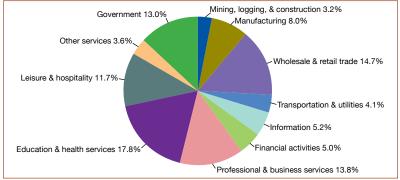
Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of California, Los Angeles	Government	46,250
Kaiser Permanente®	Education & health services	37,000
University of Southern California	Government	19,150
Northrop Grumman Corporation	Manufacturing	16,600
Target Corporation	Wholesale & retail trade	15,000
The Kroger Co.	Wholesale & retail trade	13,500
The Boeing Company	Manufacturing	13,300
Bank of America Corporation	Financial activities	13,000
Providence Health & Services	Education & health services	13,000
Walt Disney World Resort	Leisure & hospitality	12,500

^{*} Los Angeles-Long Beach-Glendale, CA Metropolitan Division.

Note: Excludes local school districts.

Sources: City of Glendale, 2016; Los Angeles Business Journal Book of Lists, 2017; Los Angeles City Controller, 2016

Figure 2. Current Nonfarm Payroll Jobs in the Los Angeles Division,* by Sector



^{*} Los Angeles-Long Beach-Glendale, CA Metropolitan Division. Note: Based on 12-month averages through October 2017. Source: U.S. Bureau of Labor Statistics

data). Overall, growth in the greater Los Angeles division, for which annual data are readily available, influenced economic trends in the San Gabriel Valley HMA.

The economy of the Los Angeles division since 2000 has expanded only by an average of 18,700 jobs, or 0.4 percent, a year, mostly because two periods of economic expansion one during the early to mid-2000s and another since 2010—offset two contractions. The first contraction occurred from 2002 through 2003, when nonfarm payrolls declined by an average of 33,400 jobs, or 0.8 percent, a year to nearly 4.1 million in response to the national downturn in the technology industry. Approximately 40 percent of the net decline in payrolls resulted from layoffs at companies involved in high-tech production, in which industries lost a combined 13,500 jobs, or 7.5 percent, a year. By 2004, the economy began to strengthen, and payroll growth was up by an average of 46,400 jobs, or 1.1 percent, annually from 2004 through 2007. More than 85 percent of the entire net gain occurred in the education and health services, the professional and business services, and the wholesale and retail trade sectors, up respectively by 19,400, 10,900, and 10,400 jobs, or 3.4, 1.9, and 1.7 percent, annually. The mining, logging, and construction sector had the largest percentage gain, up an average of 3.9 percent, or by 5,700 jobs, annually, entirely because of gains in the construction subsector partly resulting from greater residential building activity from strong sales housing market conditions during most of the period. Overall, job growth in the division increased at the same rate as the nation during

the period but was below the rate of growth in the southern California region, which expanded by an average of 1.6 percent a year.

The Great Recession began by the end of 2007, and payrolls in the division declined by an average of 110,200 jobs, or 2.7 percent, a year from 2008 through 2010 to 3.9 million. Approximately 82 percent of the net losses occurred in the manufacturing, the mining, logging, and construction, the professional and business services, and the wholesale and retail trade sectors. A 15,500-job reduction in apparel manufacturing caused by company relocations accounted for 62 percent of the decline in the manufacturing sector. Three-fourths of the loss in the mining, logging, and construction sector resulted from reductions in the construction subsector in response to reduced housing development. Overall, the rate of job loss in the division was much more severe than in the southern California region and the nation during the period, which were down averages of 1.8 and 1.1 percent, respectively, a year.

Table 4. 12-Month Average Nonfarm Payroll Jobs in the Los Angeles Division,* by Sector

	10 Mainth	a - Fadina		
	12 Monti	ns Ending_	Absolute	Percent
	October 2016	October 2017	Change	Change
Total nonfarm payroll jobs	4,377,200	4,439,200	62,000	1.4
Goods-producing sectors	498,200	498,000	- 200	0.0
Mining, logging, & construction	136,600	141,800	5,200	3.8
Manufacturing	361,600	356,300	- 5,300	- 1.5
Service-providing sectors	3,879,000	3,941,100	62,100	1.6
Wholesale & retail trade	648,100	650,700	2,600	0.4
Transportation & utilities	179,700	180,700	1,000	0.6
Information	228,600	229,600	1,000	0.4
Financial activities	219,700	221,200	1,500	0.7
Professional & business services	604,400	613,400	9,000	1.5
Education & health services	763,900	789,500	25,600	3.4
Leisure & hospitality	507,200	517,800	10,600	2.1
Other services	152,600	159,300	6,700	4.4
Government	574,900	579,000	4,100	0.7

^{*} Los Angeles-Long Beach-Glendale, CA Metropolitan Division.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through October 2016 and October 2017.

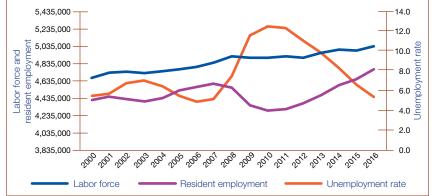
Source: U.S. Bureau of Labor Statistics

Following the economic contraction, nonfarm payrolls in the division expanded by an average of 71,700 jobs, or 1.8 percent, annually from 2011 through 2015 to nearly 4.3 million, which was faster than growth during the previous decade. This pace led to nonfarm payrolls in the division surpassing prerecessionary levels by the end of 2015. Gains in the education and health services, the leisure and hospitality, and the professional and business services sectors predominately supported job growth during the period. These three sectors accounted for nearly 70 percent of the total job gain from 2011 through 2015. As in the expansion of the early to mid-2000s, the Los Angeles division economy grew at a similar pace as the nation, which was up an average of 1.7 percent a year but was below the pace of the southern California region, which was up an average of 2.1 percent a year.

Since 2015, nonfarm payrolls in the division have continued to expand but at a slower pace. Payrolls were up by 62,000 jobs, or 1.4 percent, to nearly 4.44 million jobs during the 12 months ending October 2017 compared with the previous 12-month period (Table 4). Continued losses in the manufacturing sector contributed to the lower level of growth in the division. Manufacturing payrolls declined by 5,300 jobs, or 1.5 percent during the past 12 months, led by further contractions in the apparel manufacturing industry, which was down by 2,900 jobs, or 7.5 percent. The closure of American Apparel® earlier in 2017 contributed to more than three-fourths of job declines in the industry. Boeing in El Segundo also contributed to job losses in the manufacturing sector, with more than 420 layoffs since early 2016 because

of company restructuring. Gains in the education and health services, the leisure and hospitality, and the professional and business services sectors, which were up by 25,600, 10,600, and 9,000 jobs, or 3.4, 2.1, and 1.5 percent, respectively, offset losses. Part of the gain in the education and health services sector was attributed to the opening of the \$700 million expansion of the University of Southern California (USC) in the fall of 2017, with a portion of the expected 8,000 permanent jobs filled. In the leisure and hospitality sector, the opening of the 889-room Inter-Continental Los Angeles Downtown hotel in the Wilshire Grand Center in early 2017 added a portion of the anticipated 1,750 permanent jobs. A recent trend of strong visitor growth, up nearly 4 percent in 2016 to 47.5 million visitors compared with the previous year, as spending increased 6 percent to a record \$21.9 billion, supported gains in the leisure and hospitality sector (Los Angeles Tourism & Convention Board). In the professional and business services sector, the addition of 6,200 jobs, or 2.2 percent, in the scientific and technical services industry attributed to nearly 70 percent of the job gain in the sector. Professional staffing agencies, including

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Los Angeles Division,* 2000 Through 2016



^{*} Los Angeles-Long Beach-Glendale, CA Metropolitan Division. Source: U.S. Bureau of Labor Statistics

Robert Half International Inc. and Randstad USA, have added approximately 2,000 jobs throughout the division since 2016 in response to greater demand for professional services (State of California Employment Development Department). Overall, growth in the division was slightly lower compared with the southern California region and the nation, which were up 1.5 percent each.

As the economy of the Los Angeles division continued to expand during the 12 months ending October 2017, the average unemployment rate decreased to 4.7 percent, down from 5.4 percent a year earlier. The current unemployment rate is below the 4.9-percent rate for the southern California region but above the 4.4-percent rate for the nation. The unemployment rate in the division decreased because of slightly higher growth in resident employment relative to the labor force. Figure 3 shows trends in the labor force, resident employment, and the average unemployment rate in the division from 2000 through 2016.

During the 3-year forecast period, nonfarm payrolls in the division are expected to increase by an average of 87,650 jobs, or 1.8 percent, annually, higher than recent growth because of reduced losses in manufacturing. Expansions in the education and health services sector are anticipated to contribute to overall payroll gains in both the division and HMA during the next 3 years. The \$700 million USC expansion is expected to continue filling the 8,000 permanent jobs through the forecast period and beyond. In the HMA, Kaiser Permanente® is currently constructing a new medical center in the city of Irwindale, with plans for completion in 2019, and will start construction on a new medical

school in the city of Pasadena in 2018. The first class of up to 50 students is expected by 2019, with plans to accommodate up to 300 students in subsequent years. Total jobs added by these two developments have yet to

be announced. In the manufacturing sector, the Gilead Sciences, Inc. pharmaceutical facility is expected to add up to 500 jobs in the HMA during the forecast period, supporting growth in the sector.

Population and Households

he population of the San Gabriel Valley HMA is estimated at nearly 1.91 million as of November 1, 2017. The cities of Pasadena and Pomona are the largest cities in the HMA, with 143,300 and 155,300 residents, respectively, as of January 2017 (State of California Department of Finance). Other population centers in the HMA include the cities of Alhambra, El Monte, and West Covina, with more than 86,000 residents each. Overall, the HMA accounts for approximately 19 percent of the population in the Los Angeles division, which has a current population estimated at nearly 10.3 million (Table DP-1 at the end of this report).

Since 2000, economic conditions, mortgage lending standards, and housing prices have influenced trends in migration and overall population growth in both the HMA and the greater Los Angeles division. Net natural increase (resident births minus resident deaths) accounted for all the net population growth in the HMA because of year-over-year net outmigration, similar to the trend in the Los Angeles division. Students attending colleges and universities within the HMA, including California State Polytechnic University, Pomona (Cal Poly Pomona) and Caltech in Pasadena, predominately come from

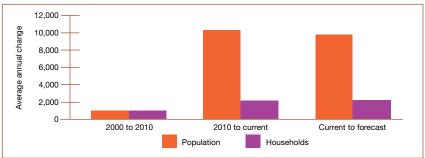
commuting distances, and even though they may be renter households, enrollment changes at HMA universities do not significantly affect migration.

From 2000 to 2003, a period that encompasses the economic decline of the early 2000s, population growth in the HMA averaged 12,250 people, or 0.7 percent, a year, while net out-migration from the HMA averaged 5,600 people a year. By the end of 2003, the decline in the economy began to wind down and lenient mortgagelending standards and subsequent economic growth supported increased homebuying and a surge in residents moving away from the HMA and the Los Angeles division. Residents mainly moved to neighboring Riverside and San Bernardino Counties (Internal Revenue Service migration data), where average housing sales prices were 46 percent lower. From 2003 to 2008, net out-migration surged to an average of 21,950 people a year, leading to an average annual population decline of 4,625, or 0.3 percent, annually, the highest rate of decline since 2000. The draw of residents away from the HMA to purchase homes elsewhere slowed slightly by the end of 2008, as the economy and housing markets in parts of the southern California region began to

weaken. From 2008 to 2010, net out-migration slowed to an average of 19,700 people annually, and the decline in population growth averaged 4,025 people, or 0.2 percent, a year.

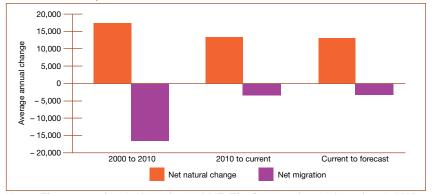
As economic conditions began to improve by the end of 2010 and housing sales prices in the HMA were 26 percent lower than the peak in 2006, net out-migration slowed and has remained at lower levels despite home-price appreciation in subsequent years. Net out-migration slowed to an average of 3,000 people a year since 2010, contributing to population growth averaging 10,250 people, or 0.6 percent, annually, nearly returning to the higher levels of growth during the early 2000s.

Figure 4. Population and Household Growth in the San Gabriel Valley HMA, 2000 to Forecast



Notes: The current date is November 1, 2017. The forecast date is November 1, 2020. Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the San Gabriel Valley HMA, 2000 to Forecast



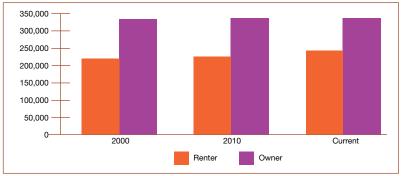
Notes: The current date is November 1, 2017. The forecast date is November 1, 2020. Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

During the next 3 years, the population of the HMA is expected to increase by an average of 9,675, or 0.5 percent, a year (Figure 4), reflecting continued net out-migration from home price appreciation and resulting in slightly slower population growth compared with the period since 2010. The population of the HMA is estimated to reach 1.93 million by the end of the 3-year forecast period and account for 19 percent of the total population of the Los Angeles division. Figure 5 shows components of population change in the HMA from 2000 to the forecast date.

Lower levels of net out-migration from the HMA since 2010 have contributed to greater household growth compared with the 2000s. The number of households in the HMA was up by an average of 2,050, or 0.4 percent, annually since 2010 compared with an average of 1,000, or 0.2 percent, annually during the 2000s. Total owner and renter HMA households account for 22 and 13 percent, respectively, of owner and renter households in the greater Los Angeles division. The proportion of renter households in the HMA is currently 42.0 percent, up from 40.1 percent in 2010, partly because higher home sales prices suppressed homeownership. Less than 5 percent of renter household growth in the HMA has been attributed to student households. Figure 6 shows the number of households by tenure in the HMA since 2000.

During the forecast period, the number of households in the HMA is expected to grow by an average of 2,075, or 0.4 percent, annually to 582,200, accounting for 17 percent of total households in the Los Angeles

Figure 6. Number of Households by Tenure in the San Gabriel Valley HMA, 2000 to Current



Note: The current date is November 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by

analyst

division. The proportion of renter households in the HMA is expected to increase to nearly 43 percent of total households by the end of the forecast period and continue to account for 13 percent of total renter households in the Los Angeles division. Student household growth in the HMA is expected to continue to account for less than 5 percent of renter household growth during the next 3 years.

Housing Market Trends

Sales Market

The sales housing market in the San Gabriel Valley HMA is balanced and has improved every year since the end of the sales market contraction that occurred from the end of 2007 through 2011. The estimated sales vacancy rate is currently 1.0 percent, down from 1.2 percent in 2010 (Table DP-2). The decrease in the vacancy rate partly resulted from a 47-percent reduction in the inventory of homes for sale from a peak of 11,100 during 2008, when the market was weakest, to 5,875 during the 12 months ending October 2017 (CoreLogic, Inc.). A reduction in home construction since the late 2000s and a greater number of investor purchases of homes for sale contributed to a reduction in inventory. As sales market conditions improved, the number of months that homes remained on the market declined to an average of 2.1 months during the 12 months ending October 2017 compared with a peak of 3.6 months during 2008. Despite the improvement in the sales market, the homeownership rate has decreased by

nearly 2 percentage points since 2010 to 58.0 percent because of greater renter household growth.

During the sales market contraction from 2007 through 2011, an average of 14,300 new and existing singlefamily homes, townhomes, and condominiums sold annually in the HMA (CoreLogic, Inc., with adjustments by the analyst). The number of homes sold was down 46 percent from an average of 26,450 homes sold annually from 2000 through 2006, which was the highest average since 2000 despite greater levels of net out-migration during part of the period. Lenient mortgage lending standards allowed a larger proportion of households to purchase homes during the early to mid-2000s, contributing to higher sales levels. As lending standards tightened and the economy contracted by the end of the 2000s, home sales from 2007 through 2011 declined, and regular resale and new home sales were reduced by 9,650 and 500, respectively, or 52 percent each. Growth in real

Sales Market Continued

estate owned (REO) home sales, which rose from an average of 270 sold annually from 2000 through 2006 to an average of 2,900 sold annually from 2007 through 2011 offset reductions in regular resale and new home sales. Part of the gain in REO sales was attributed to an increasing share of investor purchases, which rose from 6 percent in 2000 to 13 percent by the end of 2011.

By 2012, the sales market began to improve following nearly 2 years of significantly lower net out-migration and stronger economic growth. From 2012 through 2015, new and existing home sales averaged 15,600, partly supported by an average annual gain of 1,450 regular resales, or 13 percent, that offset an average annual reduction of 650 REO sales, or 36 percent. Since 2015, home sales have continued to increase, and during the 12 months ending August 2017, 16,500 homes sold, up 2 percent from the 12 months ending August 2016. The entire gain was attributed to a 590-home, or 4-percent, increase in regular resales that offset a 200-home, or 43-percent, decline in REO sales. Overall, approximately 80 percent of home sales since the mid-2000s have been either singlefamily or townhomes, with condominiums sales accounting for the remaining 20 percent (Metrostudy, A Hanley Wood Company). Condominium sales are generally concentrated in the city of Pasadena, the location of major employers and where available land is scarcer, and in locations near commuter rail along the San Gabriel Mountain foothills that connect the HMA to jobs throughout the Los Angeles division.

The average new and existing home sales price rose 4 percent during the 12 months ending August 2017 to

\$696,600, following more than 6 consecutive years of price growth that averaged 8 percent annually. Home prices averaged \$505,100 during the housing downturn from 2007 through 2011, before increasing each year to near the prerecessionary peak of \$634,100 by 2014. As prices rose from 2012 onward, the spread between the HMA home prices and prices in neighboring counties rose. The current average sales price in the HMA is approximately \$363,400, higher than the average price of homes in neighboring Riverside and San Bernardino Counties, up from an average difference of approximately \$232,000 from 2007 through 2011. The greater difference in home prices contributed to residents moving from the HMA. Although home prices in the HMA are higher compared with neighboring counties, the HMA is one of the more affordable housing markets in the Los Angeles division, with an average sales price that is 11 percent lower than average prices in the Los Angeles division as a whole.

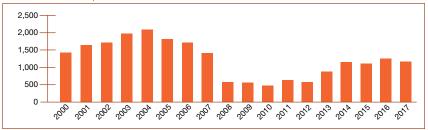
The overall improvement in the sales housing market since 2012 has led to a reduction in the rate of seriously delinquent home loans (loans that are 90 or more days delinquent or in foreclosure) and REO properties in the HMA. As of September 2017, 1.0 percent of home loans in the HMA was seriously delinquent or had transitioned into REO status, down from 1.3 percent in September 2016 and a peak of 9.3 percent in February 2010 (CoreLogic, Inc.). The current rate is below the 1.1-percent rate for the Los Angeles division and the 2.2-percent rate for the nation but is the same as the 1.0-percent rate for California.

Since 2000, single-family home construction has been concentrated in

unincorporated parts of the HMA and, in recent years, along the foothills of the San Gabriel Mountains, including the city of Azusa. Overall, the HMA accounted for 20 percent of all single-family building activity in the Los Angeles division. Homebuilding activity, as measured by the number of single-family homes permitted, is lower than levels during the early to mid-2000s but has been stable (Figure 7). From 2000 through 2006, an average of 1,775 homes were permitted annually before slowing 20 percent to 1,425 homes in 2007. Permitting slowed even further to an average of 560 homes annually from 2008 through 2012, a period that included the Great Recession and sales market contraction. As the sales market began to improve by the end of 2012, the number of homes permitted rose to 890 in 2013, before averaging 1,175 homes permitted annually from 2014 through 2016. During the 12 months ending October 2017, 1,175 homes were permitted compared with 1,225 homes permitted during the same period a year earlier (preliminary data; estimates by the analyst).

Significant single-family developments under construction have been concentrated along the foothills of the San Gabriel Mountains, influenced, in part, by the construction of the Metro Gold Line Foothill Extension,

Figure 7. Single-Family Homes Permitted in the San Gabriel Valley HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through October 2017. Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

a commuter rail line that will facilitate commuting to and from downtown Los Angeles. The Rosedale masterplanned community in the city of Azusa is planned for 1,250 homes in eight neighborhoods at buildout, with approximately 1,100 homes already completed. Bradford at Rosedale, with 52 homes at buildout, is currently under way in the Rosedale masterplanned community, with 23 homes that have been completed since 2016 and 20 homes currently under construction. Prices start in the mid-\$800,000s for four-bedroom homes. Additional developments under way include Avenue, with 33 townhomes, and Glendora Place, with 106 townhomes. Both developments began construction in 2016 with buildout anticipated in the next 3 years. Avenue has 3 homes completed and 9 homes under construction with prices that start in the high \$400,000s for three-bedroom townhomes. Glendora Place has 14 homes completed and 35 homes under construction with prices that start in the high \$400,000s for twobedroom townhomes. In the city of Pasadena, the Villas at Ambassador Gardens is under way, with 18 luxury three-bedroom townhomes starting at \$2 million.

During the next 3 years, demand is estimated for 4,175 new homes in the HMA (Table 1), accounting for 21 percent of total demand in the Los Angeles division. Demand is expected to slow in the second and third years of the 3-year forecast period in response to continued price pressures. The 490 homes currently under construction will meet a portion of demand during the first year. Table 5 shows estimated demand by price range.

Table 5. Estimated Demand for New Market-Rate Sales Housing in the San Gabriel Valley HMA During the Forecast Period

Price Range (\$)		Units of	Percent	
From	То	Demand	of Total	
430,000	529,999	840	20.0	
530,000	629,999	1,250	30.0	
630,000	729,999	1,050	25.0	
730,000	829,999	630	15.0	
830,000	and higher	420	10.0	

Notes: The 490 homes currently under construction in the HMA will likely satisfy some of the forecast demand. The forecast period is November 1, 2017, to November 1, 2020. Source: Estimates by analyst

Rental Market

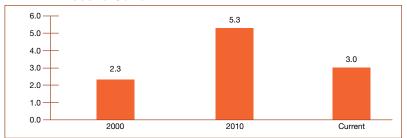
The rental housing market in the San Gabriel Valley HMA is tight. The overall rental vacancy rate currently is estimated at 3.0 percent, down from 5.3 percent in 2010 (Figure 8). The vacancy rate declined, because renter household growth exceeded growth in the rental inventory despite greater apartment construction and inventory of single-family homes for rent.

An estimated 45 percent of occupied single-family homes in the HMA were rentals in 2015, up from 41 percent in 2010, representing an additional 8,400 rental homes since 2010. Despite higher home sales prices and stronger sales market conditions, the conversion of single-family homes to rental use for investment purposes continued, and they provide an affordable housing option for families, especially as home sales prices exceeded previous peak levels. Vacancy rates for single-family

rental homes during September 2017 ranged from 1.6 percent for a fourbedroom home to 2.0 percent for a two-bedroom home but rose in all bedroom categories by 0.3 to 0.5 percentage point from a year earlier (CoreLogic, Inc.). Despite the increase, the market for single-family homes remains tight. Average rents for one-, two-, and four-bedroom single-family homes rose from 1 to 6 percent, compared with rents during the previous 12 months, and ranged from \$2,075 for a one-bedroom home to \$3,475 for a four-bedroom home. Average rents for three-bedroom homes declined 3 percent from a year earlier, however, to \$2,750.

An estimated 50 percent of rental housing in 2015 was apartments. As of October 2017, the apartment vacancy rate was 3.3 percent, up from 3.1 percent a year ago but down from 5.5 percent in 2010 (Reis, Inc.). Renter household growth outpaced apartment completions since 2010, causing the apartment market to tighten. The average rent rose 5 percent in October 2017 to \$1,555, from \$1,479 a year earlier, and was up an average of 3 percent a year from 2010 through 2016. Rents were highest in the Reis-defined Pasadena market area, with an average rent of \$1,949, up

Figure 8. Rental Vacancy Rates in the San Gabriel Valley HMA, 2000 to Current



Note: The current date is November 1, 2017.

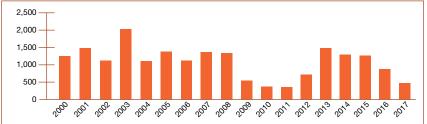
Sources: 2000 and 2010-2000 Census and 2010 Census; current-estimates by

analyst

6 percent from a year earlier. The market area is home to Caltech and major employers but has the highest vacancy rate in the HMA at 5.4 percent, up from 5.0 percent a year earlier, partly from nearly 460 apartment completions in the past year. The tightest segment of the HMA was the Arcadia-Duarte-El Monte market area, close to the city of Pasadena, which has a vacancy rate of 2.0 percent, down from 2.2 percent a year earlier. The market area remains the most affordable in the HMA despite the average rent increasing 3 percent to \$1,327 from \$1,293 a year ago. In the Claremont-Pomona-La Verne market area, home to Cal Poly Pomona, the vacancy rate decreased to 3.2 percent from 3.8 percent a year earlier, while the average rent was up 3 percent to \$1,573.

Of the 27 colleges and universities in the HMA, the most significant in terms of rental market impact are Cal Poly Pomona and Caltech. Of the more than 25,300 Cal Poly Pomona students as of 2016, only 9 percent live on campus in residence halls or university-affiliated apartments (Cal Poly Pomona data). Cal Poly Pomona has 11 student-oriented housing communities comprising nearly 2,175 campus-owned beds. Student enrollment is anticipated to increase an average of 3 percent, or approximately 770 students a year

Figure 9. Multifamily Units Permitted in the San Gabriel Valley HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through October 2017. Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

during the next 3 years. Plans to construct additional dormitory housing will provide 980 beds during the 3-year forecast period. Caltech has approximately 2,250 students as of 2016, with a greater proportion that live on campus. The university has 194 beds in two residence halls and 550 beds in apartment-style student housing. Currently, no plans exist to build additional housing on the Caltech campus, and anticipated student enrollment growth for the next 3 years is unknown.

Since 2000, the HMA has accounted for approximately 10 percent of all multifamily building activity in the Los Angeles division; nearly 40 percent of building activity has occurred in the city of Pasadena and a combined 20 percent in the cities of Arcadia and Pomona. Multifamily permitting activity, as measured by the number of multifamily units permitted, has generally returned to higher levels during most years since 2013 (Figure 9) and is nearly comparable with the early-to-mid-2000s levels. From 2000 through 2008, multifamily permitting averaged 1,350 units a year. By 2009, a period during the Great Recession, the number of units permitted declined to 530 before averaging a decade low of 350 units a year in 2010 and 2011. As household growth expanded and economic conditions began to improve, the number of multifamily units permitted rose to 690 units in 2012 before averaging 1,350 units a year from 2013 through 2015. Nearly 20 percent of multifamily units constructed since 2011 have been condominiums, a proportion that is similar to the early 2000s, because of improving sales market conditions, which is higher than an average of 7 percent a year from 2008 through 2010. During the

12 months ending October 2017, approximately 590 multifamily units were permitted compared with 940 units permitted during the previous year (CBRE Group Inc.; U.S. Census Bureau; local planning offices). Overall permitting slowed partly because of a 67-percent reduction in permitting in the city of Pasadena, where apartment vacancy rates are the highest in the HMA. Despite this decrease, the city of Pasadena accounts for the largest proportion of recent and current multifamily development in the HMA.

Market-rate apartments that were recently completed or under construction in the HMA are concentrated in the city of Pasadena. Recently completed developments include the first phase of The Hudson, with 82 units that opened in May 2017. Rents for studio, one-, and two-bedroom units start at \$2,215, \$2,925, and \$3,180 respectively. Monaco Terrace, with 21 townhome-style units, opened in January 2017, with rents for two-bedroom units starting at \$6,000. Developments under construction include the second

phase of The Hudson, with 91 units, that is expected to be complete in December 2017, and the 201-unit 25 W. Walnut Street, with completion expected in early 2018. Rents at both properties have yet to be announced. Overall, rents for newly completed market-rate units in the HMA start at \$1,500, \$1,850, \$2,200, and \$2,700 for studio, one-, two-, and three-bedroom units respectively.

During the forecast period, demand is estimated for 5,000 new market-rate rental units in the HMA (Table 1), accounting for 15 percent of demand in the Los Angeles division. Demand is expected to increase slightly in the second and the third year of the forecast, as sales price pressures restrict homeownership. The 440 units currently under construction will satisfy a portion of rental housing demand during the first year of the forecast period. Table 6 shows estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 6. Estimated Demand for New Market-Rate Rental Housing in the San Gabriel Valley HMA During the Forecast Period

Zero Bedro	Zero Bedrooms One Bedroom		Two Bedrooms		Three or More Bedrooms		
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
1,500 to 1,699	400	1,850 to 2,049	1,575	2,200 to 2,399	1,400	2,700 to 2,899	180
1,700 or more	100	2,050 or more	680	2,400 or more	600	2,900 or more	75
Total	500	Total	2,250	Total	2,000	Total	250

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 440 units currently under construction will likely satisfy some of the estimated demand. The forecast period is November 1, 2017, to November 1, 2020.

Source: Estimates by analyst

Data Profiles

Table DP-1. Los Angeles Division,* Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	4,425,623	4,302,274	4,870,000	- 0.3	1.8
Unemployment rate	5.4%	12.5%	4.7%		
Nonfarm payroll jobs	4,124,900	3,922,800	4,439,000	- 0.5	1.8
Total population	9,519,338	9,818,605	10,297,000	0.3	0.6
Total households	3,133,774	3,241,204	3,383,000	0.3	0.6
Owner households	1,499,744	1,544,749	1,538,000	0.3	- 0.1
Percent owner	47.9%	47.7%	45.5%		
Renter households	1,634,030	1,696,455	1,845,000	0.4	1.1
Percent renter	52.1%	52.3%	54.5%		
Total housing units	3,270,909	3,445,076	3,543,000	0.5	0.4
Owner vacancy rate	1.6%	1.7%	1.1%		
Rental vacancy rate	3.3%	5.8%	3.3%		
Median Family Income	\$51,300	\$62,100	\$62,400	1.9	0.1

^{*} Los Angeles-Long Beach-Glendale, CA Metropolitan Division.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through October 2017. Median Family Incomes are for 1999, 2009, and 2016. The current date is November 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. San Gabriel Valley HMA Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	1,817,695	1,827,308	1,905,000	0.1	0.6
Total households	550,459	560,422	576,000	0.2	0.4
Owner households	332,134	335,804	333,800	0.1	- 0.1
Percent owner	60.3%	59.9%	58.0%		
Rental households	218,325	224,618	242,200	0.3	1.0
Percent renter	39.7%	40.1%	42.0%		
Total housing units	567,235	586,664	596,300	0.3	0.2
Owner vacancy rate	1.1%	1.2%	1.0%		
Rental vacancy rate	2.3%	5.3%	3.0%		

Notes: Numbers may not add to totals because of rounding. The current date is November 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census 2010: 4/1/2010—U.S. Decennial Census

Current date: 11/1/2017—Estimates by the analyst Forecast period: 11/1/2017–11/1/2020—

Estimates by the analyst

The metropolitan division definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As

a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_SanGabrielValleyCA_18.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.