

Housing Market Profile

Pacific • HUD Region IX



Fresno, California

The Fresno metropolitan area, located in the San Joaquin Valley region of California, comprises Fresno County. As of 2007 (the most recent data available), Fresno was the most productive agricultural county in the country, with output totaling \$5.3 billion. As of April 1, 2012, the population of the metropolitan area was estimated at 946,900, an average annual increase of approximately 8,225, or 0.9 percent, since April 2010. From 2006 through 2010, population increased at an average annual rate of 13,100, or 1.4 percent. In-migration to the metropolitan area slowed considerably during the past 2 years because of weak economic conditions. According to the California Employment Development Department (CEDDD), 10 companies employ more than 1,000 people in the metropolitan area: 5 agriculture-related companies, 2 business services companies, 2 hospitals, and California State University, Fresno (Fresno State).

The economy of the metropolitan area began to recover during the past 12 months. Nonfarm payrolls increased by 700 jobs, or 0.3 percent, to 280,400 jobs during the 12 months ending February 2012, following 3 years of declines during which the economy lost nearly 27,000 jobs. The largest nonfarm payroll gains during the past 12 months occurred in the trade, education and health services, and leisure and hospitality sectors, which grew by 1,000, 900, and 600 jobs, respectively. The government sector, which accounts for 25 percent of nonfarm payrolls in the metropolitan area, recorded the largest decline, down 1,600 jobs, or 2.4 percent, to 65,300 jobs because local and state governments responded to declining tax revenues by reducing staffing levels. Fresno State employs 1,100 faculty and staff and has an annual economic impact of \$484 million on the regional economy. Other losses occurred in the construction subsector, information sector, and financial activities sector which declined by 300, 200, and 200 jobs, respectively. Total farm employment in the metropolitan area, as recorded by the CEDDD, declined by 500 jobs, or 1.1 percent, to 46,200 jobs during the 12 months ending February 2012. During the same period, the unemployment rate declined from 16.8 to 16.4 percent, but it remains much higher than the average rate of 10.5 percent recorded from 2006 through 2009.

Home sales market conditions in the Fresno metropolitan area are currently soft. The sales vacancy rate is estimated to be 2.1 percent, down slightly from 2.4 percent in April

2010. Recent job losses and tight mortgage lending standards have combined to reduce demand for new homes. Based on data from Hanley Wood, LLC, during the 12 months ending March 2012, new and existing home sales in the metropolitan area totaled approximately 10,500, a 4-percent increase from the 10,050 homes sold during the previous 12-month period but 15 percent below the average of 12,400 homes sold annually from 2005 through 2009. During the 12 months ending March 2012, the average sales price of new and existing homes declined by 7 percent, to about \$168,300, from \$180,800 during the previous 12 months. The average home sales price is nearly 50 percent below the 2006 peak of \$328,700. According to data from LPS Applied Analytics, in February 2012, 7.4 percent of the total home loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 7.8 percent in February 2011 and 12.5 percent in February 2010.

Home construction activity, as measured by the number of single-family building permits issued, increased in the metropolitan area but remains well below levels recorded earlier in the decade. During the 12 months ending February 2012, according to preliminary data, permits were issued for 1,275 single-family homes, an 11-percent increase from the 1,150 permits issued during the previous 12 months. By comparison, an average of 2,075 homes was permitted annually from 2008 through 2009. After peaking at 5,875 homes permitted in 2005, single-family home construction activity declined each year through 2010. One subdivision currently under construction is Harlan Ranch, a 400-acre, master-planned community in Clovis, in northeastern Fresno County. Development began in 2006 and, upon completion, is planned to have approximately 1,300 homes, 400 apartment units, 60 live/work units with workspace on the ground floor, and 14 acres of commercial areas. New homes range from 1,200 to 3,700 square feet, with prices starting at approximately \$180,000.

The weaker economy and slower population growth have led to reduced production of new multifamily units since 2008, following a surge in building activity during the middle of the past decade. Based on preliminary data, during the 12 months ending February 2012, approximately 240 multifamily units were permitted, up significantly from the 40 units permitted during the previous 12 months. Multifamily construction activity peaked at an average of 1,425 units permitted annually from 2003 through 2007 then fell to an average of 310 units annually from 2008 through 2009. Condominiums and townhomes are



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estimated to account for less than 3 percent of all multifamily units in the metropolitan area; however, they have accounted for more than 15 percent of all multifamily units under construction or completed since 2006, according to data from the McGraw-Hill Construction Pipeline database. Among multifamily rental projects recently completed is Fulton Village, a 46-unit, mixed-use development with rents starting at \$695. The complex, located in downtown Fresno, contains a mixture of single-level units and multilevel townhome-style units, including multilevel live/work units, and 4,300 square feet of commercial space.

The rental housing market in the Fresno metropolitan area is currently balanced. Rental market conditions have improved since 2008 because apartment production declined, which allowed the supply of vacant available units to be absorbed. According to Reis, Inc., in the fourth quarter of 2011, the combined apartment vacancy rate in Fresno and neighboring Madera Counties was 3.7 percent compared with the 5.1-percent rate recorded in the fourth quarter of 2010. According to Reis, Inc., in the fourth quarter of 2011, the average apartment rent in Fresno and Madera Counties increased from approximately \$800 to \$810, or 1 percent, compared with the rents recorded during the fourth quarter of 2010.