

Housing Market Profile

Pacific • HUD Region IX



Stockton, California

The Stockton metropolitan area is located in Central Valley, about 70 miles east of San Francisco. Consisting of San Joaquin County, the Stockton area had an estimated population of 705,400 as of July 1, 2012, reflecting a 1.2-percent average annual growth rate since the 2010 Census. Net natural increase (resident births minus resident deaths) has accounted for nearly 70 percent of the population gain since 2010.

Economic conditions in the metropolitan area are beginning to recover. After declining each year since 2008, nonfarm payrolls during the 12 months ending May 2012 increased by 2,600 jobs to average 188,700, a 1.4-percent gain compared with the number of jobs during the previous 12-month period. By comparison, payrolls declined 5.3 percent in 2009 and 2.7 percent in 2010. During the 12 months ending May 2012, the trade, transportation, and utilities, the education and health services, and the manufacturing sectors added 1,700, 700, and 600 jobs, increases of 3.5, 2.2, and 3.5 percent, respectively. Construction payrolls remained unchanged during the past 24 months, despite work on the new \$1.03 billion California Health Care Facility–Stockton, a 1,722-bed medical facility for patient-inmates, which has created about 500 construction jobs since work began in May 2011. The government sector had the largest decline during the most recent 12 months with a decrease of 800 jobs, a 2.2-percent change. Job losses occurred primarily at the local level because the city of Stockton needed to cut staff for the past 2 years in an effort to balance its budget before ultimately filing for bankruptcy protection in June 2012. The average unemployment rate for the 12 months ending May 2012 was 16.1 percent, down from the 17.3-percent rate for the previous 12-month period.

The trade, transportation, and utilities, the government, and the manufacturing sectors are the largest in the metropolitan area, with 26-, 19-, and 10-percent shares of total nonfarm payrolls, respectively. With a port on the San Joaquin River in the city of Stockton, the county is well situated for logistics and warehousing activities. The Defense Distribution Depot San Joaquin, which distributes goods for military bases throughout the Western United States and the greater Pacific basin, is the largest single public employer in the county, with 1,500 jobs. The top 10 private employers include 4 hospitals, with St. Joseph Medical Center as the largest, with 2,500 employees. The next 2 largest private employers include

Blue Shield of California, a health insurance provider with 1,600 employees, and Safeway Inc., a food retailer with 1,400 employees at its distribution center. Agriculture is also a significant component, providing about 8 percent of all jobs and producing nearly \$2 billion of crops in 2010, with milk, grapes, and walnuts being the top three products.

Sales housing market conditions in the Stockton metropolitan area are currently balanced, with a 1.6-percent vacancy rate. According to CoreLogic®, existing sales totaled 10,850 homes during the 12 months ending April 2012, reflecting a 3-percent decrease compared with sales during the previous 12-month period. Sales housing market activity had peaked with 13,750 homes sold in 2005, while average home sales prices continued to increase to \$411,600 in 2006. During 2007, foreclosures increased quickly and REO (Real Estate Owned) homes and short sales exerted downward pressure on home sales prices. The number of REO home sales and short sales collectively constituted 57 percent of all existing home sales in the most recent 12-month period, down from 65 percent during the previous 12-month period. During the 12 months ending April 2012, the average sales price for existing homes was \$186,500 for a short sale, \$163,400 for a nondistressed resale, and \$146,600 for an REO home, which reflected decreases of 2, 6, and 6 percent, respectively, compared with average home sales prices in the preceding 12-month period. The share of loans in the foreclosure process and seriously delinquent mortgages has diminished since 2010 but remains elevated. In April 2012, 3.5 percent of all active loans were in the foreclosure process and 8.7 percent of all loans were reported as 90 or more days delinquent, down from 5.3 and 17.7 percent, respectively, in January 2010. Sales activity of new homes declined 11 percent to 750 homes sold in the 12-month period ending April 2012 and the average home sales price increased by nearly 1 percent to \$263,600. Some subdivisions are testing the market with small home sales price increases in each new phase.

As sales of new homes began to decline in 2005, builders immediately curtailed new home construction, as measured by the number of building permits issued. From 2000 through 2005, an average of 5,650 permits for single-family homes was issued annually, which declined to an average annual level of 2,825 permits from 2006 through 2007. New construction activity began to stabilize in 2008 when an average of nearly 800 single-family permits was issued each year from 2008 through 2010. Based on preliminary data, during the 12 months ending May 2012,



800 permits were issued for single-family homes, down 3 percent from the number issued during the preceding 12-month period.

Multifamily construction activity, as measured by the number of units permitted, has been low since 2008. From 2000 through 2007, an average of 260 multifamily units was permitted annually. The average annual number of permits issued declined to 20 multifamily units from 2008 through 2010 and 0 units were permitted in 2009. Based on preliminary data, during the 12 months ending May 2012, 0 multifamily permits were issued compared with 164 units permitted during the previous 12-month period. Of the units permitted in the 12 months ending May 2011, 152 were in the Juniper Apartments, a low-income housing tax credit project that is now under

construction in Manteca. After the project is completed at the end of the summer of 2012, the units will be available to households earning no more than 60 percent of the Area Median Income.

The decline in multifamily construction activity has caused the apartment rental market to tighten considerably since 2010, and apartment market conditions continue to be tight. According to Reis, Inc., the overall apartment rental vacancy rate was 3.1 percent in the first quarter of 2012, down from 3.5 percent in the first quarter of 2011. Overall apartment rents averaged \$890 in the first quarter of 2012, nearly 2 percent greater than rents in the same quarter of the previous year. Asking rents averaged approximately \$770 for a one-bedroom unit, \$970 for a two-bedroom unit, and \$1,200 for a three-bedroom unit.