

Housing Market Profile

Pacific • HUD Region IX



Sacramento--Arden--Arcade--Roseville, California

The Sacramento--Arden-Arcade--Roseville metropolitan area, which extends from the California Central Valley to the Nevada border at Lake Tahoe, includes El Dorado, Placer, Sacramento, and Yolo Counties and the state capital, the city of Sacramento. The metropolitan area has an estimated 2.2 million residents as of January 1, 2012. With the recent economic weakness, the rate of population growth has slowed to 0.8 percent a year since the 2010 Census. In comparison, the average population growth rate was 1.2 percent annually from 2006 through 2010, primarily because of higher rates of net in-migration to the metropolitan area.

The economy in the Sacramento--Arden-Arcade--Roseville metropolitan area has recorded nonfarm payroll job losses every month since April 2008, but the rate of decline has slowed. During 2011, nonfarm payrolls decreased by 5,725 jobs to 802,200 jobs, a 0.7-percent loss compared with nonfarm payrolls in 2010. In comparison, the rate of job decline was 5.7 percent from 2008 to 2009 and 2.8 percent from 2009 to 2010. During 2011, the education and health services, leisure and hospitality, and professional and business services sectors added 2,425, 1,425, and 460 jobs, increases of 2.4, 1.8, and 0.5 percent, respectively. The three largest private employers in the metropolitan area are all healthcare providers, led by Kaiser Permanente®, with payrolls of 9,900, Sutter Health Sacramento Sierra Region with payrolls of 7,250, and Catholic Healthcare West/Mercy Health care with payrolls of 6,975. Every other sector posted losses, the greatest of which, a decrease of 4,475 jobs, or 1.9 percent, came in the government sector. Of those losses, the local government subsector accounted for 60 percent, because of budget cuts. The average unemployment rate during 2011 was 11.9 percent, less than the 12.6-percent rate in 2010 but up from the 5.3-percent rate recorded during 2007, before job losses began.

The metropolitan area is largely dependent on the government sector, which provides about 224,800 jobs, or 28 percent of total nonfarm payrolls. Although the California government increased expenditures by 5 percent in fiscal year (FY) 2011, total expenditures remain 14 percent below the FY 2008 level. State government employment began

to contract in 2009 and averaged 110,100 jobs during 2011, down 0.9 percent compared with state government employment in 2010. The University of California, Davis (UC Davis), in Yolo County, which has approximately 28,400 faculty and staff, is the leading public-sector employer in the metropolitan area. According to the university, UC Davis generates an annual economic impact in the metropolitan area of nearly \$3 billion and enrolled 32,000 students in the fall 2011 semester. Major projects at UC Davis include the \$55.2 million Tercero South, housing for 590 students that is now under construction, and the \$89 million Vet Med 3B facility, which is in the design stage.

The sales housing market remains soft in the Sacramento--Arden-Arcade--Roseville metropolitan area. After the housing bubble burst in 2006, subsequent foreclosure activity destabilized the market further, because REO (Real Estate Owned) homes and short sales exerted downward pressure on prices. Foreclosure activity has been diminishing but remains high. According to Core-Logic, Inc., the percentage of home loans that were 90 or more days delinquent, in foreclosure, or in REO in the metropolitan area decreased from 10.2 percent in November 2010 to 7.8 percent in November 2011. By comparison, such loans represented 1.2 percent of all mortgage loans in November 2006. According to data from Hanley Wood, LLC, existing home sales totaled 34,000 in the metropolitan area during the 12-month period ending November 2011, up 6 percent compared with sales during the previous 12 months, and the proportion of those sales that were REO decreased from 50 to 45 percent. During the same period, the median sales price of non-REO homes decreased 8 percent, to \$215,600, and the median sales price of REO homes declined 14 percent, to \$147,100. During the 12-month period ending November 2011, new home sales activity in the metropolitan area declined 23 percent to 1,650 homes sold, and the median price decreased 5 percent to \$286,200.

In response to increased sales competition from REO homes, builders have reduced new home construction activity, as measured by the number of building permits issued. Based on preliminary data, during 2011, single-family building permits were issued for 1,875 homes, a 14-percent decline from 2010. The number of single-family permits issued has decreased each year since 2004 and averaged about 2,175 homes annually in 2009 and 2010.



Multifamily construction, as measured by the number of units permitted, has recently increased after 3 consecutive years of declines. Based on preliminary data, 620 multifamily units were permitted during 2011, up 15 percent compared with the 540 units permitted in 2010. Before the recent increase, builders had reduced new construction activity, in part, because of slower sales in the new home market. According to the McGraw-Hill Construction Pipeline database, 3,375 condominiums and townhomes were permitted during the peak years of 2005 and 2006, representing 51 percent of all multifamily units permitted during those years. Beginning in 2007, the proportion of condominiums and townhomes declined to approximately 30 percent of all multifamily units, and an estimated 20 percent of these units were converted to rental use during construction or shortly after being offered for sale. The most recent of these conversions is Alexan Midtown Apartments, a 275-unit complex completed in December 2010 in midtown Sacramento, with rents starting at \$1,300 for a one-bedroom unit and \$1,625 for a two-bedroom unit.

The apartment rental housing market has tightened in the past year from slightly soft conditions and is now

balanced. Even with the recent trend of converting condominiums to apartment units, fewer units have entered the rental housing market. From 2008 through 2010, new apartment completions averaged 600 units annually compared with 1,500 units annually in the 2005-through-2007 period. According to MPF Research, the metropolitan area had a 4.8-percent overall apartment rental vacancy rate in the third quarter of 2011, lower than the 5.6-percent rate in the third quarter of 2010. The tightest submarkets in the third quarter of 2011 were the Roseville/Rocklin and Orangevale/Fair Oaks/Folsom areas, with vacancy rates of less than 4 percent each. The softest submarkets were Carmichael and North Sacramento, with vacancy rates of more than 6 percent. For the Sacramento--Arden-Arcade--Roseville metropolitan area, MPF Research indicates an average overall apartment rent of \$930 in the third quarter of 2011, up more than 3 percent from rents during the same quarter the previous year. Average asking rents ranged from \$750 in the Carmichael submarket to \$1,125 in the Orangevale/Fair Oaks/Folsom submarket. Average asking rents in the metropolitan area in the third quarter of 2011 were \$810 for a one-bedroom unit, \$970 for a two-bedroom unit, and \$1,250 for a three-bedroom unit.