# HUD PD&R Housing Market Profiles

## Anaheim-Santa Ana-Irvine, California

### Quick Facts About Anaheim-Santa Ana-Irvine

- **Current sales market conditions: balanced.**
- **Current rental market conditions: slightly tight.**
- **Employment in construction increased significantly in the past year, with current and future developments that will continue to bolster growth in tourism, health care, and high technology, including a combined $200 million in total hotel construction in the Anaheim Resort™ district, the $250 million Great Wolf Lodge® Indoor Waterpark Resort, the $50 million Hoag Memorial Hospital Presbyterian expansion, and the $128 million Broadcom Corporation headquarters in Irvine.**

By Wendy Lynn Ip | As of May 1, 2015

## Overview

The Anaheim-Santa Ana-Irvine (hereafter, Anaheim) metropolitan division is conterminous with Orange County, California, and is part of the greater Los Angeles-Long Beach-Anaheim metropolitan area. Orange County is the third most populous county in California and the sixth most populous county in the nation. As a regional center for health care, education, and the development of technology, the metropolitan division is also one of the most popular tourist destinations in the nation and received more visitors during 2014 than in any other year since 2000. The economic impact of tourism on the metropolitan division was $10.7 billion during 2014, surpassing the prerecession peak of nearly $8.4 billion in 2007 (Anaheim/Orange County Visitor & Convention Bureau).

- As of May 1, 2015, the estimated population of the Anaheim metropolitan division was 3.15 million, an increase of 28,150, or 0.9 percent, annually since 2011, the greatest increase in more than a decade. Strong economic conditions since 2011 supported average net in-migration of 7,600 people annually.
- Population growth averaged only 3,100 people, or 0.1 percent, from 2003 to 2007, when lenient mortgage lending standards and relatively lower priced homes in neighboring Riverside and San Bernardino Counties contributed to an average net out-migration of 22,300 people annually.
- From 2007 to 2011, weak economic conditions from the Great Recession and tight mortgage lending standards contributed to a slowing of net out-migration to neighboring counties. Net out-migration averaged 7,475 people a year, resulting in net population growth averaging 17,150 people, or 0.6 percent.

## Four sectors in the Anaheim area grew more than 5 percent during the 3 months ending April 2015.

| | 3 Months Ending | | Year-Over-Year Change | |
|---|---|---|---|---|
| | April 2014 (thousands) | April 2015 (thousands) | Absolute (thousands) | Percent |
| Total nonfarm payrolls | 1,478.8 | 1,530.6 | 51.8 | 3.5 |
| Goods-producing sectors | 238.4 | 247.1 | 8.7 | 3.6 |
| Mining, logging, and construction | 80.5 | 85.8 | 5.3 | 6.6 |
| Manufacturing | 157.9 | 161.3 | 3.4 | 2.2 |
| Service-providing sectors | 1,240.3 | 1,283.5 | 43.2 | 3.5 |
| Wholesale and retail trade | 226.0 | 229.6 | 3.6 | 1.6 |
| Transportation and utilities | 26.3 | 27.8 | 1.5 | 5.7 |
| Information | 24.4 | 24.0 | – 0.4 | – 1.6 |
| Financial activities | 112.4 | 116.7 | 4.3 | 3.8 |
| Professional and business services | 270.8 | 282.1 | 11.3 | 4.2 |
| Education and health services | 189.4 | 199.4 | 10.0 | 5.3 |
| Leisure and hospitality | 190.1 | 196.0 | 5.9 | 3.1 |
| Other services | 46.6 | 50.4 | 3.8 | 8.2 |
| Government | 154.2 | 157.6 | 3.4 | 2.2 |
| | (percent) | (percent) | | |
| Unemployment rate | 5.7 | 4.4 | | |

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

# Economic Conditions

Economic conditions have strengthened in the Anaheim metropolitan division since 2011. Nonfarm payroll growth exceeded 2.0 percent annually from the end of 2010 through April 2015, surpassing a period of strong economic expansion that occurred from 2003 through 2007, when payroll growth averaged of 1.7 percent annually.

During the 3 months ending April 2015—

- Nonfarm payrolls averaged 1.53 million jobs, an increase of 51,800 jobs, or 3.5 percent, compared with the number of jobs during the same 3-month period in 2014, resulting from growth in 10 of the 11 sectors. The level of growth surpassed the peak of 2005, when payrolls increased by 34,600 jobs, or 2.4 percent.
- The most significant gains were in the professional and business services, the education and health services, and the leisure and hospitality sectors, which increased by 11,300, 10,000, and 5,900 jobs, or 4.2, 5.3, and 3.1 percent, respectively, from the 3 months ending April 2014. The construction subsector also contributed to payroll growth, up by 5,300 jobs, or 6.6 percent.
- The number of jobs in the professional and business services sector increased because of growth in high-technology companies involved in the development of electronic and integrated

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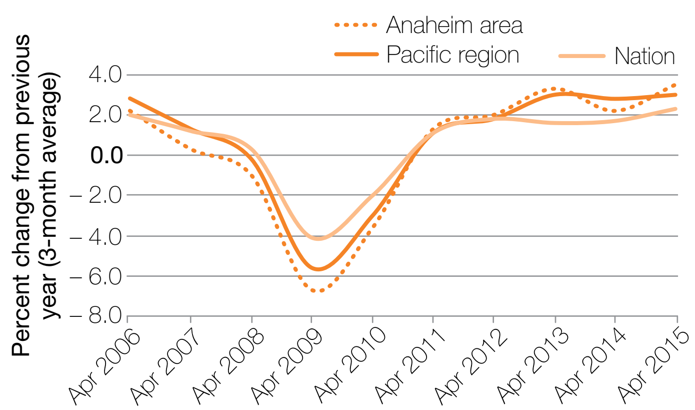
## Nonfarm payrolls in the Anaheim area have increased at a higher rate than in the Pacific region and the nation since 2014, largely because of expansions in tourism, health care, and construction.




Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

## Largest employers in the Anaheim area

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|---|---|---|
| The Walt Disney Company | Leisure and hospitality | 26,000 |
| University of California, Irvine | Government | 22,250 |
| St. Joseph Health | Education and health services | 12,050 |

Note: Excludes local school districts.
Source: 2014 *Orange County Business Journal*

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circuit chips and biotechnology (*Orange County Business Journal*; California Employment Development Department). Jobs in the professional, scientific, and technical industry increased by 6,200 jobs, or 5.1 percent, from a year ago.

- The health care and social assistance industry increased by 6,900 jobs, or 4.2 percent. The completion of the $185 million Neuroscience & Spine Institute at Mission Hospital that opened in September 2014, adding 120 jobs, contributed to job growth in the education and health services sector.
- In the leisure and hospitality sector, an increase in employment at The Walt Disney Company by 1,000 jobs, or 4.0 percent, during the past year and the completion of nine hotels in the Anaheim Resort™ district contributed to overall job gains.
- Job losses occurred only in the information sector, which decreased by 400 jobs, or 1.6 percent, from the 3 months ending April 2014. The net decline in jobs resulted in part from the closure of Verizon Wireless in Irvine that led to more than 1,200 layoffs during the past year.

Nonresidential construction during the past year, including the construction of hospital facilities and hotels, and higher levels of residential construction has supported job growth in the construction subsector. The construction of nine hotels that were recently completed in the Anaheim Resort™ district added approximately 1,700 construction jobs during the past year. Job growth is expected to continue with the $180 million expansion of the Anaheim Convention Center that will commence in June 2015, adding 1,860 construction jobs through the project completion in 2017.

# Sales Market Conditions

The sales housing market in the Anaheim metropolitan division is currently balanced, with an estimated sales vacancy rate of 1.1 percent, a decrease from 1.4 percent in 2010. During the 12 months ending April 2015, new home sales remained steady from a year ago, and new home prices increased because of the number of new luxury homes sold, particularly in the cities of Irvine and Brea, where new development has been strongest in the past year. A reduction in existing inventory and an escalation in prices since 2012 have led to a decrease in the number of existing home sales from a year ago. The increase in the average existing home sales price was partly attributed to a decline in the number of real estate owned (REO) home sales since 2012. REO home sales prices average approximately $141,000 less than the price of regular resales. The percentage of home loans in the Anaheim metropolitan division that was seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into REO status declined from 1.7 percent in April 2014 to 1.3 percent in April 2015 (Black Knight Financial Services, Inc.). The current rate is lower than the 2.0-percent rate for California and the 4.2-percent rate for the nation. The number of seriously delinquent loans and REO properties was 3,750 in April 2015, a decrease of 1,475, or 28 percent, compared with the number in April 2014.

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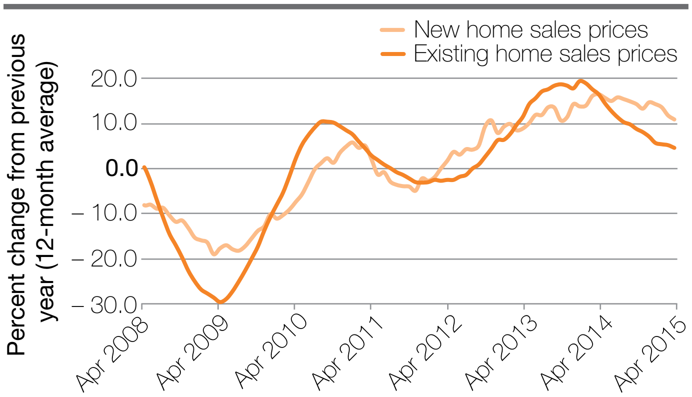
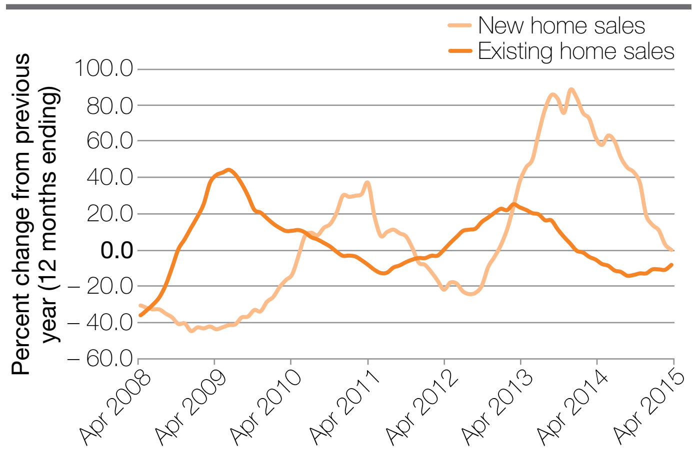
### New and existing sales prices in the Anaheim area continued increasing but at a slower pace during the 3 months ending April 2015.




Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

### Existing home sales in the Anaheim area declined during the 3 months ending April 2015 because of declines in inventory and REO property sales.




Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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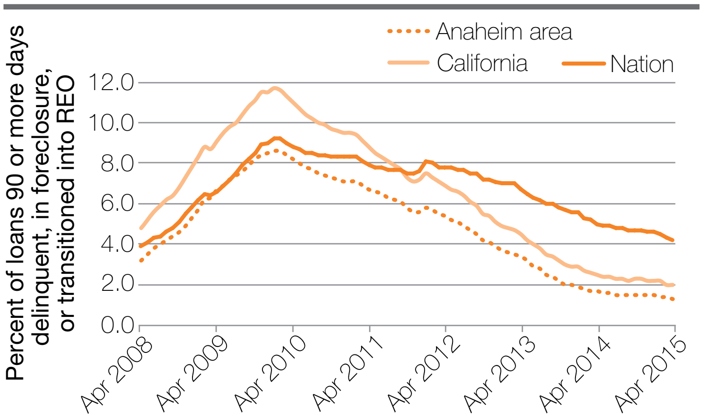
During the 12 months ending April 2015—

- Despite rising mortgage interest rates and an increase in new home sales prices, new home sales held steady, totaling 3,825 homes sold, unchanged from the 12 months ending April 2014 and up 78 percent from the average of 2,150 homes sold annually from 2008 through 2011 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Existing home sales totaled 28,700, a decrease of 2,550 homes sold, or 8 percent, from the 31,250 homes sold during the 12-month period ending April 2014 but up 13 percent from the average of 25,450 homes sold annually from 2008 through 2011. The decline in existing home sales resulted from declines in REO sales of 32 percent, or 725 homes, and regular resales of 6 percent, or 1,825 homes. Despite the decline, regular resales are 52 percent more than the average of 17,850 homes sold annually during 2008 through 2011, and REO sales are 80 percent less than the average of 7,575 homes sold during the same period.
- The average sales price for new homes was $905,200, an increase of $88,700, or 11 percent, compared with the average price during the previous year. The average new home sales price exceeded the prerecessionary average peak price of $857,900 that prevailed from 2005 through 2007.
- The average sales price for existing homes was $718,500, an increase of $13,400, or 5 percent, compared with the average price during the 12 months ending April 2014. The average sales price for existing homes was also slightly below the average price of $725,700 from 2005 through 2007 but 28 percent higher than the average price of $562,700 from 2008 through 2011.

Single-family home construction activity, as measured by the number of single-family homes permitted, slowed during the 12 months ending April 2015 but remains approximate to prerecessionary levels.

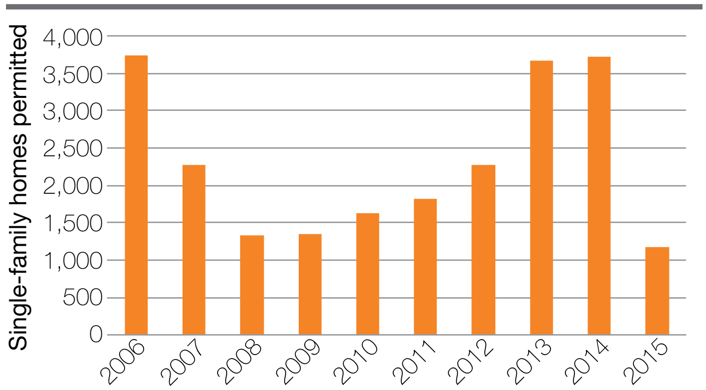
- The number of single-family homes permitted decreased to 3,550 during the 12 months ending April 2015 compared with 3,700 homes permitted a year earlier (preliminary data).
- Single-family construction activity averaged 4,225 homes permitted annually from 2004 through 2006 before declining 60 percent to an average of 1,775 homes a year from 2007 through 2012.
- Notable single-family developments under construction include the master-planned communities of Blackstone, in Brea, with 795 homes at buildout and the Villages of Irvine, with approximately 9,000 homes at buildout. At Blackstone, approximately 300 homes have been completed since construction began in 2011, and prices currently start at $969,900 for homes in the Emerald Heights neighborhood. Full completion of the Blackstone community is expected during 2017. At the Villages of Irvine, approximately 1,000 homes are currently under way, and 1,000 have already been completed. Prices for homes in the Villages of Irvine start in the high $900,000s.

## The decrease in seriously delinquent loans in the Anaheim area during the 3 months ending April 2015 was the primary cause of the reduction in REO sales.




REO = real estate owned.
Source: Black Knight Financial Services, Inc.

## Single-family home permitting in the Anaheim area attained levels in 2013 and 2014 that were similar to those of the mid-2000s.




Note: Includes preliminary data from January 2015 through April 2015.
Source: U.S. Census Bureau, Building Permits Survey

# Rental Market Conditions

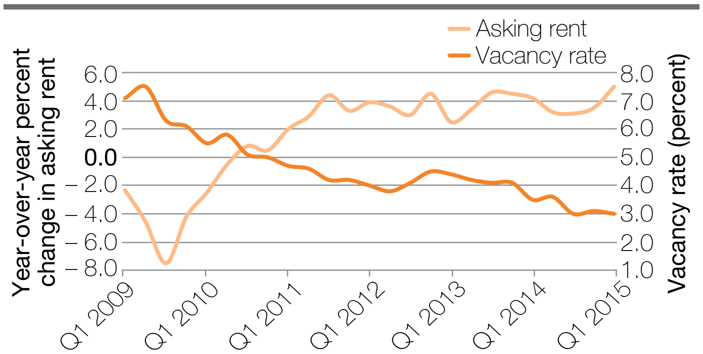
Rental housing market conditions in the Anaheim metropolitan division are currently slightly tight. The increase in the number of renter households since 2010 has outpaced the construction of new rental units and the conversion of single-family homes to rental units.

- The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) was 4.5 percent as of May 1, 2015, a decrease from 5.9 percent in 2010.
- The apartment market, which represents 69 percent of all rental units, is tight, with a 3.0-percent vacancy rate in the first quarter of 2015, a decrease from 3.5 percent a year earlier (MPF Research). Vacancy rates continued to decline despite the more than 4,800 apartments constructed since the first quarter of 2014. Net in-migration and strong job growth continued to support household growth, and apartment absorption continued at approximately 7,100 units since the first quarter of 2014.
- The average monthly apartment asking rent was $1,736 in the first quarter of 2015, an increase of $82, or 5 percent, from the first quarter of 2014.

Multifamily construction activity, as measured by the number of multifamily units permitted, slowed in the past year but is at a higher level than during the period from 2008 through 2012.

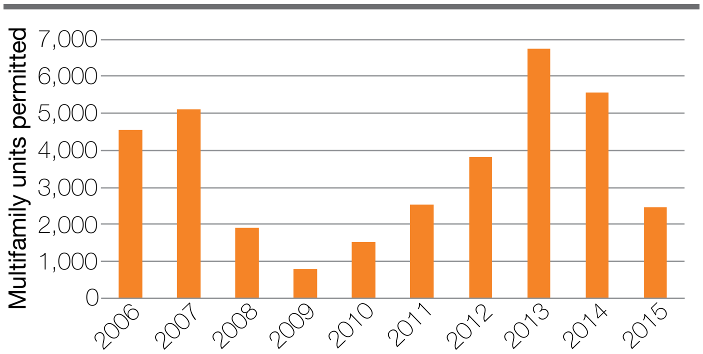
- Multifamily construction, as measured by the number of multifamily units permitted, averaged 4,825 units annually during 2006 and 2007 before declining to an average of 1,400 from 2008 through 2010 in response to stringent lending standards that restricted development.
- Multifamily construction averaged 3,175 units permitted a year during 2011 and 2012, before reaching a peak of 6,750 units permitted in 2013. The increase was partly in response to increased in-migration since 2011 and an increase in the proportion of renter households from 41.4 percent in 2011 to 42.5 percent in 2013 (2011 and 2013 American Community Survey 1-year data).
- During the 12 months ending April 2015, approximately 6,175 multifamily units were permitted compared with 6,225 units permitted during the same period a year ago (preliminary data).
- Nearly 60 percent of apartments under construction are in the cities of Anaheim and Irvine. The Platinum Triangle neighborhood in Anaheim is among the largest redevelopment areas in the metropolitan division undergoing multifamily construction, with 9,050 units approved since 2008, of which approximately 2,650 units have been completed. Developments under construction include the 395-unit second phase of Platinum Gateway. In the city of Irvine, construction of the 326-unit 2801 Kelvin and the 156-unit Avalon Irvine is under way. All three projects are expected to be complete by late 2015. Rents for newly constructed, market-rate studio, one-bedroom, two-bedroom, and three-bedroom units start at $1,600, $1,700, $2,000, and $2,475, respectively, in the Anaheim metropolitan division.

### As vacancy rates have continued to decline in the Anaheim area, average asking rent has increased more than 2 percent annually since 2011.




Source: MPF Research

### Beginning in 2013, multifamily building levels showed builders' response to tightening rental market conditions in the Anaheim area.




Note: Includes preliminary data from January 2015 through April 2015.
Source: U.S. Census Bureau, Building Permits Survey