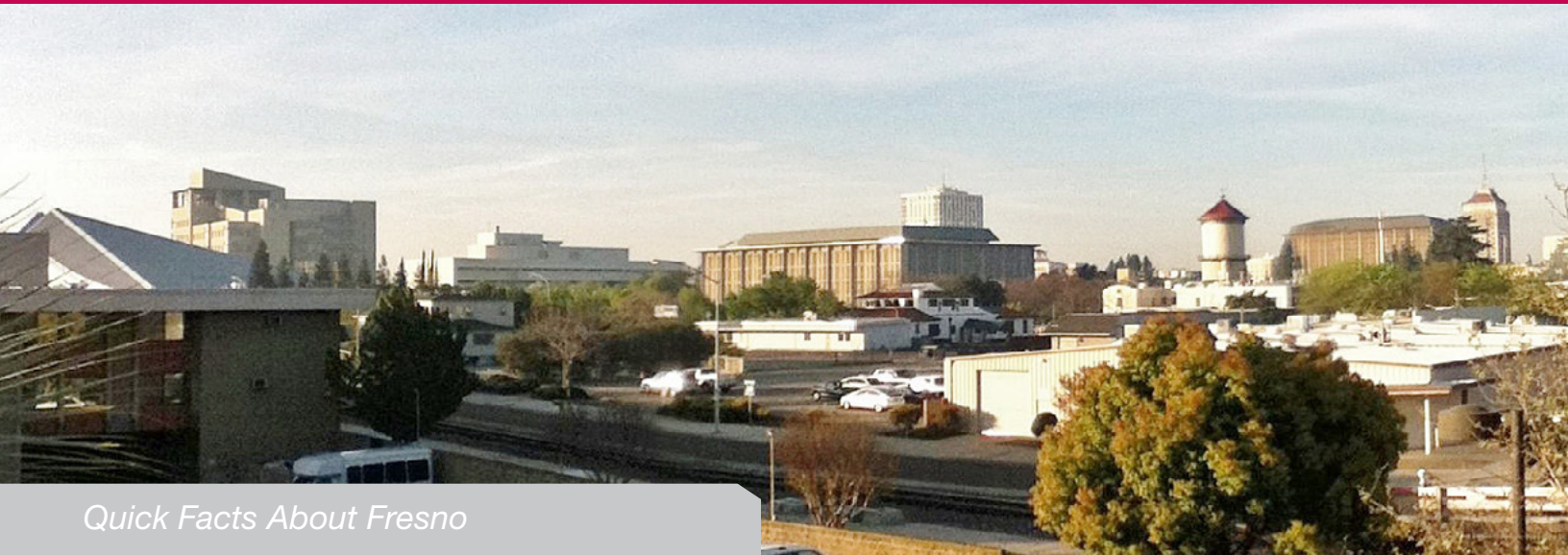


# HUD PD&R Housing Market Profiles

## Fresno, California



### Quick Facts About Fresno

- Current sales market conditions: soft.
- Current apartment market conditions: tight.
- As of 2012, Fresno County, at \$5 billion, had the highest agricultural sales of any county in the nation (USDA National Agricultural Statistics Service, 2012 Census of Agriculture; most recent data available).



By Ikuo J. Nakano | As of September 1, 2016

## Overview

The Fresno, CA Metropolitan Statistical Area (hereafter, Fresno metropolitan area) is coterminous with Fresno County in the Central Valley of California. In addition to having an emphasis on agriculture, the metropolitan area is home to significant healthcare and federal, state, and local government jobs. Downtown revitalization will benefit from construction of the first segment of a \$68 billion high-speed rail line, which will run through central Fresno (*The Business Journal*). Planning for the construction of this project is currently under way.

- As of September 1, 2016, the population of the Fresno metropolitan area is estimated at 990,600, an average annual increase of 9,500, or 1.0 percent, since April 2010.
- Net natural increase (resident births minus resident deaths) and international in-migration have accounted for all of the population growth since 2010, offsetting average domestic out-migration of 2,200 people annually between 2010 and 2015 (the latest data available). The primary reason for out-migration was to seek employment opportunities elsewhere in California.



PD&R

Payrolls in 8 of the 11 sectors increased in the Fresno area during the 3 months ending August 2016.

	3 Months Ending		Year-Over-Year Change	
	August 2015 (thousands)	August 2016 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	324.4	335.1	10.7	3.3
Goods-producing sectors	42.5	43.1	0.6	1.4
Mining, logging, and construction	15.9	15.7	-0.2	-1.3
Manufacturing	26.6	27.4	0.8	3.0
Service-providing sectors	282.0	292.0	10.0	3.5
Wholesale and retail trade	50.8	53.0	2.2	4.3
Transportation and utilities	12.3	12.7	0.4	3.3
Information	4.0	3.8	-0.2	-5.0
Financial activities	13.1	13.5	0.4	3.1
Professional and business services	31.6	31.3	-0.3	-0.9
Education and health services	60.0	62.3	2.3	3.8
Leisure and hospitality	32.3	32.8	0.5	1.5
Other services	11.5	11.7	0.2	1.7
Government	66.4	70.8	4.4	6.6
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	9.5	9.1		

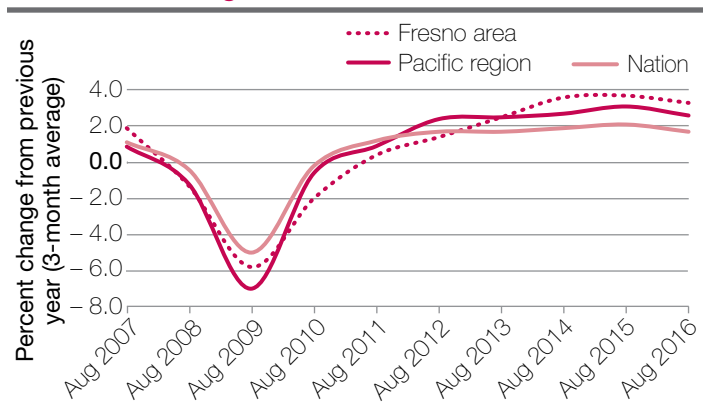
Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

The Great Recession, which began nationally in the fourth quarter of 2007, had a nearly immediate effect on economic conditions in the Fresno metropolitan area. By the 3 months ending August 2008, nonfarm payrolls had dropped to 313,500, a decline of 4,250 jobs, or 1.3 percent, from the same period in 2007. During the economic downturn, nonfarm payrolls declined by an average of 8,500 jobs, or 2.8 percent, annually from 2007 through 2010. After reaching a low of 289,400 jobs during the 3 months ending August 2010, nonfarm payroll jobs in the Fresno metropolitan area began to increase. During the economic recovery, from 2011 through 2014, nonfarm payrolls increased by an average of 7,125 jobs, or 2.4 percent, a year to 312,700, still less than the prerecession annual high of 316,100 in 2007. The mining, logging, and construction sector led growth, increasing by an average 6.7 percent a year. The economic recovery was also supported by the professional and business services, leisure and hospitality, and other services sectors, which had average annual growth rates of 4.8, 4.1, and 3.5 percent, respectively. The average unemployment rate during the 3 months ending August 2016 was 9.1 percent, down from 9.5 percent during the same 3-month period in 2015. Although unemployment in the metropolitan area remains higher than the national rate of 4.8 percent and the statewide rate of 5.4 percent, the current level is down from the 18.2-percent rate during the 3 months ending March 2010, the highest unemployment rate ever recorded in the metropolitan area.

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During the 3 months ending August 2016, nonfarm payroll growth in the Fresno area surpassed growth for the Pacific region and the nation.



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

### Largest employers in the Fresno area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Community Medical Centers	Education and health services	4,775
Ruiz Food Products, Inc.	Manufacturing	2,500
California State University, Fresno	Government	2,050

Note: Excludes local school districts.  
Source: Moody's Analytics



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During the 3 months ending August 2016—

- Nonfarm payrolls averaged 335,100 jobs, reflecting an increase of 10,700 jobs, or 3.3 percent, from the number of jobs during the same 3-month period in 2015, resulting from growth in all but three sectors.
- The government sector had the greatest job growth, in absolute numbers, adding 4,400 jobs, a 6.6-percent increase, to 70,800 jobs from the 3 months ending August 2015. Job gains occurred at all levels of government.

- The second largest numerical job growth occurred in the education and health services sector, which added 2,300 jobs, or 3.8 percent. The wholesale and retail trade sector expanded by 2,200 jobs.
- Total farm employment reached 56,550, a 3.9-percent gain from the 3 months ending August 2015.

## Sales Market Conditions

Sales housing market conditions in the Fresno metropolitan area currently are soft, with an estimated vacancy rate of 1.2 percent because of high unemployment since the Great Recession (December 2007 to June 2009) and the severity of the foreclosure crisis in the metropolitan area. The metropolitan area continues to have a relatively high percentage of real estate owned (REO) sales. During the 12 months ending August 2016, 11 percent of existing home sales were REO properties. The rate was down from 12 percent in the previous 12 months. At the height of the foreclosure crisis in 2008, REO sales in the Fresno metropolitan area accounted for 51 percent of all existing sales. Although REO sales in the metropolitan area have continued to decline since 2008, the proportion remains higher than the statewide proportion of 7 percent. As of July 2016 (the latest data available), 2.0 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or had transitioned into REO status, down from 2.4 percent in July 2015. The July rate is higher than the 1.4 percent rate in California but lower than the 2.8-percent rate for the nation and substantially lower than the 12.7-percent peak in the metropolitan area during January 2010 (CoreLogic, Inc.).

During the 12 months ending August 2016—

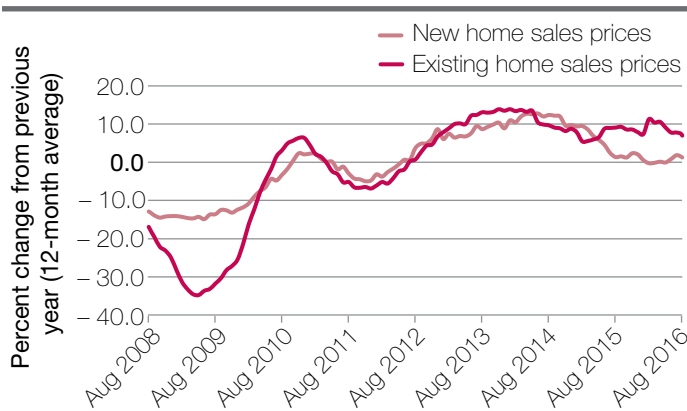
- Sales of new and existing homes increased 5 percent each, to 1,800 and 10,850, respectively, compared with sales during the 12 months ending August 2015 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- The average sales price of a new home was \$316,750, a 1-percent increase from \$312,700 during the previous 12 months but 15 percent less than the prerecession high of \$374,300 during the 12-month period ending August 2006.

- The average sales price for existing homes rose by \$16,550, or 7 percent, to \$257,300, up from \$236,700 during the 12 months ending August 2015. Existing home sales prices have recovered from a low of \$173,300 during the 12 months ending August 2011 but remain less than the high of \$311,000 during the 12 months ending August 2007.

Single-family home construction activity, as measured by the number of single-family homes permitted, has declined slightly as a result of soft sales market conditions.

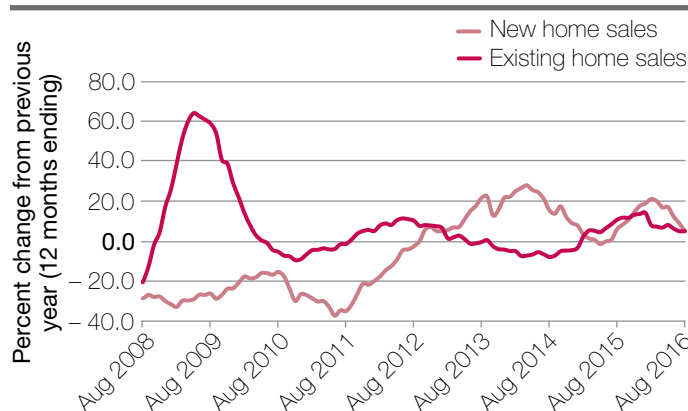
- During the 12 months ending August 2016, 1,975 single-family homes were permitted (preliminary data), declining 1 percent from the 2,000 homes permitted during the 12 months ending August 2015.
- From 2007 through 2014, the number of single-family homes permitted averaged 2,050 annually, 65 percent fewer than the 5,875 homes permitted in 2005, the highest year for single-family permits in the metropolitan area.
- Recently completed developments include Olive Lane, with four- and five-bedroom single-family detached homes priced from \$263,000 to \$293,000, and Copper River Ranch, with three- and four-bedroom homes starting at \$408,500 and \$470,900, respectively. Copper River Ranch is the only gated community built in the Fresno metropolitan area during the past 8 years.

New home sales price growth in the Fresno area decreased during the 12 months ending August 2016.



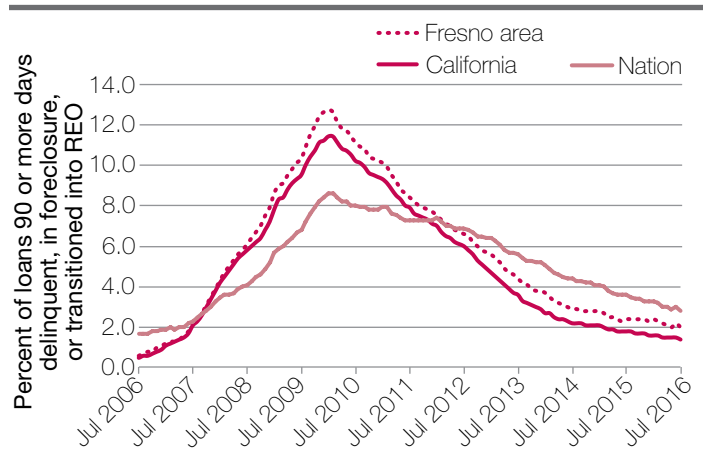
Note: Includes single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Growth in the number of new home sales in the Fresno area has declined since the 12 months ending March 2016.



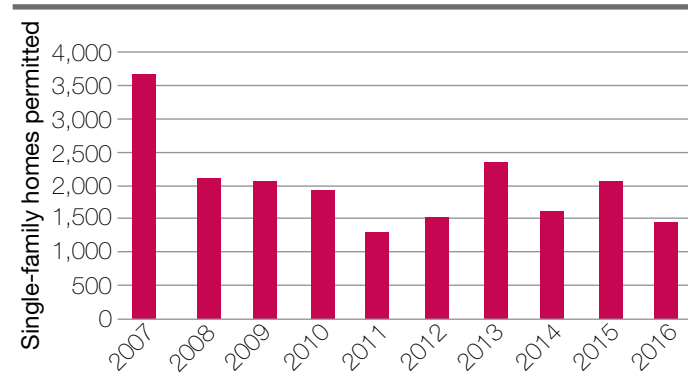
Note: Includes single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The percentage of seriously delinquent loans and REO properties in the Fresno area has been declining since January 2010.



REO = real estate owned.  
Source: CoreLogic, Inc.

Single-family permitting in the Fresno area rose in 2015 after decreasing in 2014.



Note: Includes preliminary data from January 2016 through August 2016.  
Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

The apartment market conditions in the Fresno metropolitan area currently are tight. Apartment vacancy rates have remained below 5 percent since the third quarter of 2015. Rental vacancy rates also are low for single-family homes, which represent approximately 42 percent of the rental housing market but generally have higher rents for comparably sized units.

- During the second quarter of 2016, the apartment vacancy rate was 4.2 percent, down from 5.0 percent during the second quarter of 2015 (Axiometrics Inc.).

- The effective apartment rent increased 11.0 percent, to \$909, in the second quarter of 2016 from \$819 in the second quarter of 2015.
- Effective rent in the metropolitan area has increased an average 4.4 percent each year since the second quarter of 2012 after declining an average 1.8 percent annually from 2009 through 2011 as a result of the recession.

Multifamily construction activity, as measured by the number of units permitted, rose to 300 units during the 12 months ending August 2016 from 170 units in the 12 months ending August 2015 (preliminary data).

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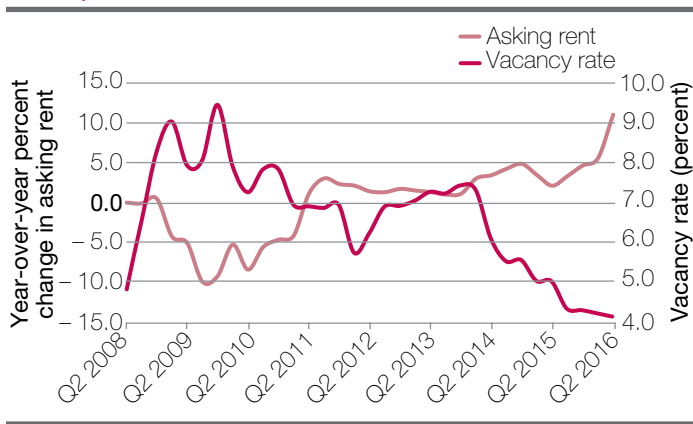


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- From 2003 through 2006, the number of multifamily units permitted averaged 1,475 a year. By comparison, an average of 440 multifamily units a year were permitted from 2007 through 2014.
- Phase 1 of the 64-unit mixed-income Fresno Edison Apartments is currently under construction by the Fresno Housing Authority. The development contains one-, two-, three-, and four-bedroom units and is scheduled for completion in late 2016. Proposed rents at this property are not yet available.

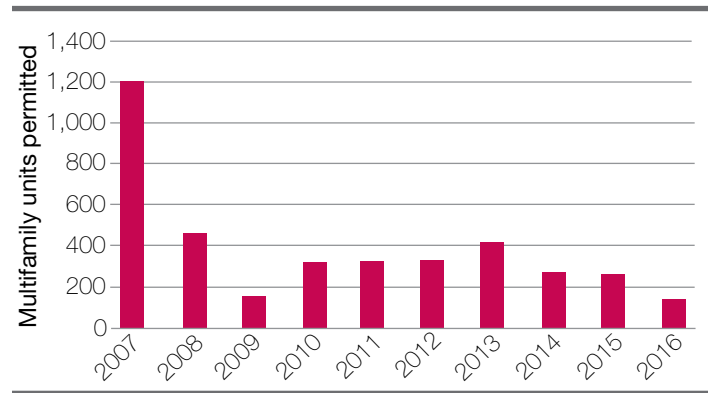
- Currently in lease up is the 88-unit The Lede in downtown Fresno. The development contains studio, one-, and two-bedroom apartments and live/work units, with monthly rents ranging from \$875 to \$2,800.
- Another new property is the 160-unit Boulder Creek apartments, completed in 2014. Monthly rents at the property start at \$1,145, \$1,395, and \$1,595, for one-, two-, and three-bedroom units, respectively.

Apartment effective rents in the Fresno area have increased since the second quarter of 2011, and the vacancy rate has remained below 5 percent since the third quarter of 2015.



Source: Axiometrics Inc.

Multifamily permitting in the Fresno area rose in 2013 but declined in 2014 and 2015.



Note: Includes preliminary data from January 2016 through August 2016.

Source: U.S. Census Bureau, Building Permits Survey

