

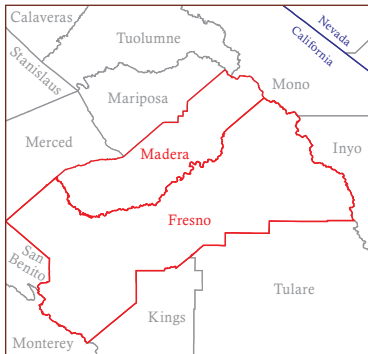


Fresno-Madera, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2012



Housing Market Area



The Fresno-Madera Housing Market Area (HMA), in the San Joaquin Valley region of California, comprises the Fresno, CA and the Madera-Chowchilla, CA Metropolitan Statistical Areas (MSAs). For purposes of this analysis, the HMA is divided into three submarkets. The Fresno-Clovis submarket, in Fresno County, includes the cities of Fresno and Clovis; the Balance of Fresno County submarket includes the remaining portions of Fresno County; and the Madera County submarket is coterminous with Madera County.

Summary

Economy

Total payroll jobs in the Fresno-Madera HMA declined 0.2 percent during the 12 months ending April 2012 after declining or remaining unchanged each year since 2008. Modest job growth averaging 1.7 percent annually is expected during the 3-year forecast period. Table DP-1, at the end of this report, provides additional employment data for the HMA.

Sales Market

The sales housing market in the HMA is currently soft. The current sales vacancy rate is estimated at 2.4 percent, down slightly from 2.5 percent in 2010. Demand is expected for 9,525 new homes during the forecast period

(Table 1). The 500 homes under construction and a portion of the estimated 15,750 other vacant units currently in the HMA that might return to the market will satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is balanced, with an overall vacancy rate of 6.2 percent, down from 6.9 percent in 2010. The market has improved since 2010, because continued reduced levels of production coupled with increasing rental demand allowed for the absorption of vacant units. During the forecast period, the 560 units currently under construction will satisfy some of the expected demand for 2,100 additional units in the HMA (Table 1).

Market Details

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Table 1. Housing Demand in the Fresno-Madera HMA, 3-Year Forecast, May 1, 2012 to May 1, 2015

	Fresno-Madera HMA		Fresno-Clovis Submarket		Balance of Fresno County Submarket		Madera County Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	9,525	2,100	5,500	1,220	3,025	650	1,000	230
Under Construction	500	560	420	270	40	140	40	150

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2012. A portion of the estimated 15,750 other vacant units in the HMA will likely satisfy some of the forecast demand. Includes an estimated demand for 75 mobile homes in the Balance of Fresno County submarket.

Source: Estimates by analyst

Economic Conditions

After remaining unchanged in 2011, total payrolls in the Fresno-Madera HMA declined by 800 jobs, or 0.2 percent, to 368,800 jobs during the 12 months ending April 2012 (Table 2). During the same period, the unemployment rate declined from 16.6 to 16.0 percent. Before the recent decline, the unemployment rate increased from an 8.4-percent average from 2005 through 2007 to a

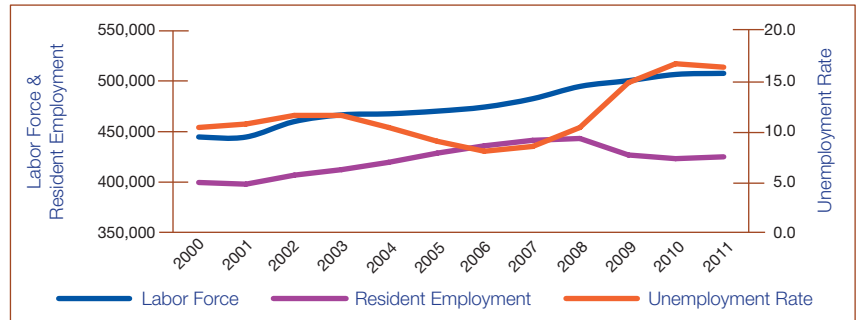
16.7-percent high in 2010 (Figure 1). The HMA lost a total of 31,900 jobs from 2007 through 2010, or an average of 2.7 percent annually, with declines occurring in every sector except education and health services, which increased by a total of 2,000 jobs. The greatest declines during the downturn occurred in the mining, logging, and construction, the wholesale and retail trade, and the manufacturing sectors, which declined by a respective total of 10,300, 5,800, and 4,500 jobs, or an average of 14.5, 3.6, and 4.8 percent annually. Declines in the construction subsector during this period were largely the result of reduced building activity because of weakening in the local housing market. From 2001 through 2007, total payrolls in the HMA increased by an average of 6,400 jobs, or 1.8 percent, annually. Growth during this period occurred in every sector except the information and other services sectors. The fastest job growth occurred in the mining, logging, and construction sectors, which increased by an average of 950 jobs, or 5.3 percent, annually and benefited from record levels of new home construction.

Table 2. 12-Month Average Total Payroll Jobs in the Fresno-Madera HMA, by Sector

	12 Months Ending April 2011	12 Months Ending April 2012	Percent Change
Total Payroll Jobs	369,600	368,800	- 0.2
Total Farm Payroll Jobs	57,400	56,000	- 2.4
Total Nonfarm Payroll Jobs	312,300	312,900	0.2
Goods Producing	40,100	40,250	0.4
Mining, Logging, & Construction	13,150	12,900	- 1.9
Manufacturing	26,950	27,350	1.5
Service Providing	272,200	272,600	0.2
Wholesale & Retail Trade	48,750	49,900	2.5
Transportation & Utilities	11,750	11,750	- 0.1
Information	3,675	3,550	- 3.2
Financial Activities	14,050	13,850	- 1.4
Professional & Business Services	29,550	29,700	0.5
Education & Health Services	46,900	47,550	1.4
Leisure & Hospitality	29,550	30,150	1.9
Other Services	10,750	10,750	- 0.3
Government	77,200	75,400	- 2.3

Notes: Based on 12-month averages through April 2011 and April 2012. Numbers may not add to totals because of rounding.

Source: California Employment Development Corporation

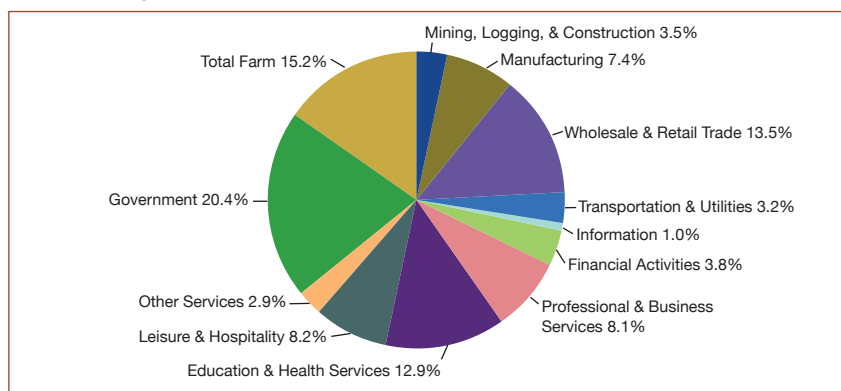
Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Fresno-Madera HMA, 2000 Through 2011

Source: California Employment Development Corporation

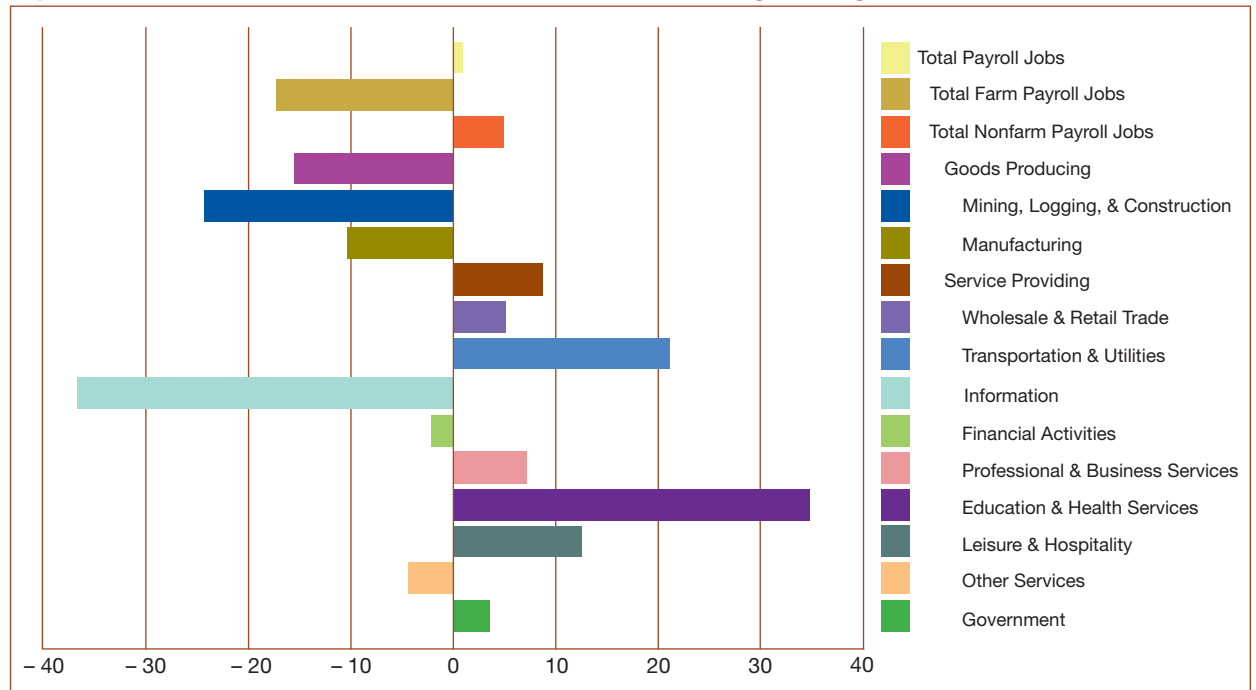
During the 12 months ending April 2012, the greatest payroll declines concentrated in the two largest sectors, the government and farm sectors. The government sector, which accounts for 20 percent of total payrolls in the HMA (Figure 2), recorded the greatest decrease, of 1,800 jobs, or 2.3 percent, to 75,400 jobs, in part because declining tax revenues forced job cuts by local governments. The HMA is the home of California State University, Fresno, which employs 1,671 faculty and staff and has an annual economic impact of \$484 million on the San Joaquin Valley economy, according to the university. Farm employment, the second largest sector in the HMA, declined by 1,400 jobs, or 2.4 percent, to 56,000 jobs. As of 2010 (the most recent data available), the total gross production

value of agricultural commodities in the HMA was \$7.3 billion, a 16-percent increase from the previous year. Fruits and nuts, vegetables, and livestock and poultry accounted for approximately 50, 20, and 20 percent of the total value of crops in 2010, respectively. Despite relatively steady increases in production values, the farm sector has shed 11,500 jobs since 2000 because increasing automation in the industry has resulted in demand for fewer laborers (Figure 3).

Gains in several sectors partially offset payroll declines during the 12 months ending April 2012. The wholesale and retail trade sector added the most jobs and was the fastest growing sector in the HMA, increasing by 1,200 jobs, or 2.5 percent, to 49,900 jobs. The retail and wholesale trade subsectors added approximately 700 and 500 jobs, respectively. The area is home to a number of fruit, vegetable, and other grocery wholesalers, which benefited from the recent increases in crop values in the HMA. In addition, increased local retail sales helped the retail trade subsector; taxable sales in Fresno and Madera Counties increased approximately 8 and 11 percent, respectively, during the first quarter of 2012 compared with taxable sales during the first quarter of 2011. The education

Figure 2. Current Total Payroll Jobs in the Fresno-Madera HMA, by Sector

Notes: Based on 12-month averages through April 2012. Includes agricultural employment.
Source: California Employment Development Corporation

Figure 3. Sector Growth in the Fresno-Madera HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through April 2012.

Source: California Employment Development Corporation

and health services, leisure and hospitality, manufacturing, and professional and business services sectors grew by 650, 600, 400, and 150 jobs, or 1.4, 1.9, 1.5, and 0.5 percent, respectively, during the 12 months ending April 2012. Community Medical Centers, the largest private employer in the HMA with 6,000 employees (Table 3), including 2,425 nurses and 1,482

physicians, is in the education and health services sector, the only sector in the HMA to have added jobs each year since 2000.

During the 3-year forecast period, total payrolls are expected to increase by an average of 6,300 jobs, or 1.7 percent, annually. Modest job growth is expected to resume during the first year of the forecast period and continue as the area economy recovers from the recent economic downturn. The education and health services and the wholesale and retail trade sectors are likely to continue to lead growth. The overall growth rate, however, is expected to remain much less than the 2.3-percent average annual rate recorded from 2005 through 2007, because of continued weakness in farm sector and local government subsector employment.

Table 3. Major Employers in the Fresno-Madera HMA

Name of Employer	Payroll Sector	Number of Employees
Fresno County	Government	6,500
Community Medical Centers	Education & Health Services	6,000
City of Fresno	Government	3,780
Kaiser Permanente®	Education & Health Services	2,603
Pelco by Schneider Electric	Manufacturing	2,150
Saint Agnes Medical Center	Education & Health Services	2,031
California State University, Fresno	Government	1,671
The Quinn Group, Inc.	Manufacturing	1,178
State Center Community College District	Government	1,155
Foster Farms®	Farm	1,100

Note: Excludes local school districts.

Source: Fresno Economic Development Corporation

Population and Households

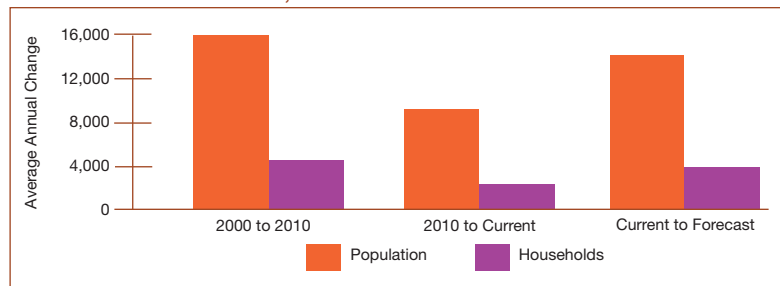
From April 2010 to the current date, the population of the Fresno-Madera HMA increased by an estimated 8,975, or 0.8 percent, annually to 1.1 million (Figure 4) compared with an average increase of 15,900, or 1.6 percent, annually from 2000 through 2010. Population growth in the HMA slowed in recent years as a result of weak economic conditions that began in 2008. Net in-migration averaged 4,450 people annually and accounted for approximately 28 percent of the population increase during the 2000s; however, since 2010, population growth has been entirely the result of net natural increase (resident births minus resident deaths), and net out-migration has averaged 2,925 people annually (Figure 5).

The Fresno-Clovis submarket, with an estimated population of 604,900

as of May 1, 2012, accounts for approximately 55 percent of the total population in the HMA. Since 2010, the population of the submarket has also been the fastest growing in the HMA, increasing by an average of 7,000, or 1.2 percent, annually compared with an increase of 9,425, or 1.8 percent, annually during the 2000s. Population growth in the submarket has not slowed as significantly as in the other submarkets in the HMA, in part because job gains in the HMA during the economic downturn were primarily in the education and health services sector, which has an employment base principally in the cities of Fresno and Clovis. Despite overall net out-migration in the HMA since 2010, the submarket recorded average net in-migration of 1,475 people annually during this period.

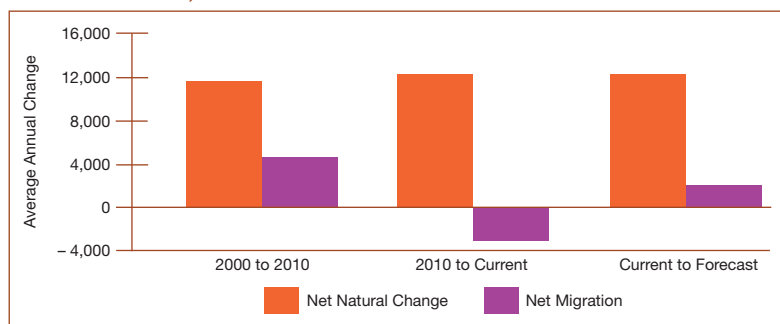
Since 2010, the population of the Balance of Fresno County submarket has increased by an average of 1,325, or 0.4 percent, annually to 342,900 compared with the average increase of 3,700, or 1.2 percent, annually during the 2000s. The population of the Madera County submarket grew by an average of 740, or 0.5 percent, annually to 152,400 compared with growth averaging 2,775, or 2.1 percent, annually between 2000 and 2010. The Balance of Fresno County and the Madera County submarkets have recorded respective average net out-migration of 3,575 and 840 people annually since 2010. Net out-migration has occurred each year since 2004 in the Balance of Fresno County submarket, whereas out-migration began in 2008 in the Madera County submarket. Both of these submarkets are heavily dependent on agriculture and have been adversely affected by recent declines in farm employment

Figure 4. Population and Household Growth in the Fresno-Madera HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Fresno-Madera HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

in the HMA, which caused some residents to seek work in the Fresno-Clovis submarket or in areas outside of the HMA.

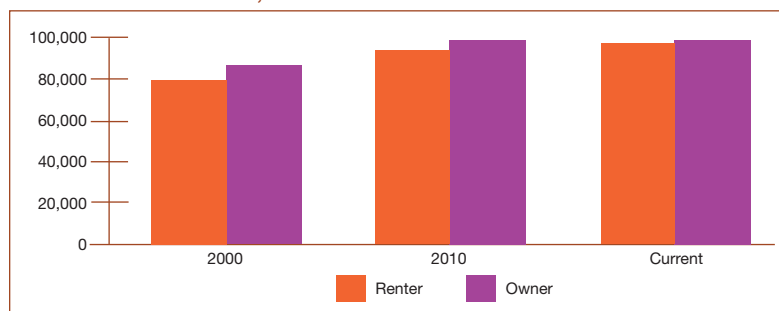
Population growth in the HMA occurred in all major age groups during the past decade, but growth was fastest among the population of residents ages 55 and older, which grew at an average rate of 3.6 percent annually from 2000 through 2010. The slowest growth, of 1.1 percent annually, occurred among residents younger than age 19 and those ages 35 to 54; the population of residents ages 20 to 34 grew at an average rate of 2.1 percent annually. During the same time, the percentage of residents ages 55 and older in the HMA increased from approximately 17 to approximately 20 percent. These demographic changes, which occurred in each of the submarkets, were in part because of the increased out-migration of younger residents seeking employment opportunities in other areas, coupled with the increased in-migration of older residents from nearby counties attracted by the many medical facilities and other services available in the HMA.

As the economy begins to recover during the forecast period, net in-migration to the HMA is expected to

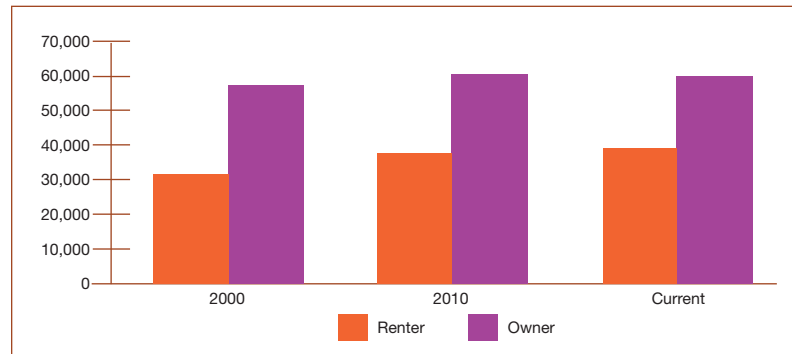
increase, and the population of the HMA is expected to grow at a faster rate compared with growth since 2010. Population growth in the HMA is expected to increase by 14,000 people, or 1.3 percent, annually during the 3-year forecast period, with net in-migration accounting for approximately 15 percent of the increase. The populations of the Balance of Fresno County and the Madera County submarkets are expected to increase an average of 1.0 and 0.9 percent annually, respectively, with net out-migration continuing, albeit at a reduced annual pace averaging 1,500 and 200 people, respectively. Population growth is expected to remain strongest in the Fresno-Clovis submarket, where it is forecast to increase 1.5 percent annually, with net in-migration averaging 3,700 people annually because of continued job growth in the education and health services and the wholesale and retail trade sectors.

Household growth in the HMA, which has averaged 0.7 percent annually since 2010, is expected to increase to average 1.1 percent annually during the forecast period, a pace slightly slower than that of population growth. Figures 6, 7, and 8 show the number of households by tenure in each of the submarkets from 2000 to the current date. The homeownership rate in the HMA decreased from 57.7 percent in 2000, to 56.0 percent in 2010, to 55.0 percent as of the current date, with declines in each of the three submarkets. The Fresno-Clovis submarket has the lowest homeownership rate, 50.6 percent, in the HMA, whereas the Balance of Fresno County and the Madera County submarkets have homeownership rates of 60.4 and 62.5 percent, respectively.

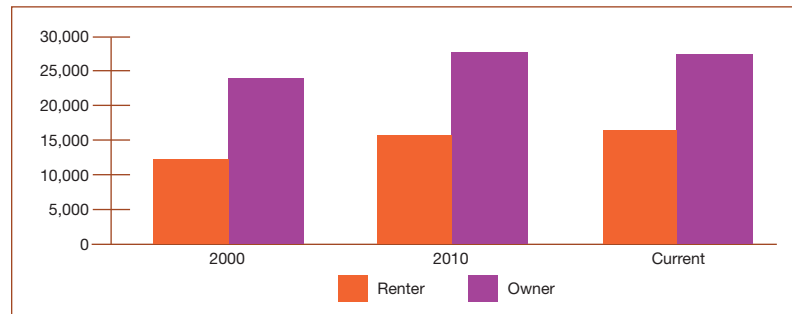
Figure 6. Number of Households by Tenure in the Fresno-Clovis Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Balance of Fresno County Submarket, 2000 to Current

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Madera County Submarket, 2000 to Current

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Fresno-Clovis Submarket

The sales housing market in the Fresno-Clovis submarket is soft, with a current estimated vacancy rate of 2.4 percent, down slightly from 2.5 percent in 2010 (Table DP-2, at the end of this report). Despite modest gains during the 12 months ending April 2012, existing single-family home sales remained at relatively low levels during the past 5 years because of a combination of stricter lending requirements and a sluggish local economy. According to Hanley Wood, LLC, the number of existing single-family homes sold increased 7 percent, to

6,800 homes, during the 12 months ending April 2012 compared with a decline of 6 percent during the previous 12 months. Existing single-family home sales totaled 10,100 in 2005 before declining to average 6,050 from 2006 through 2008, during the lowest point of the housing market downturn in the submarket. From 2009 through 2010, existing single-family home sales averaged 6,800 annually.

The average sales price of an existing single-family home in the Fresno-Clovis submarket declined 4 percent,

Housing Market Trends

Sales Market—Fresno-Clovis Submarket *Continued*

to \$167,100, during the 12 months ending April 2012 after a decline of approximately 2 percent during the previous 12 months. Existing single-family home sales prices peaked at \$319,100 in 2006 before declining nearly 50 percent to their current levels; from 2009 through 2011 existing single-family home sales prices averaged \$178,400. Much of the decline in existing single-family home sales prices during this period is because of a significantly increased number of REO (Real Estate Owned) sales. In 2005 and 2006, before the housing market downturn, REO sales accounted for less than 1 percent of all existing single-family home sales. By the end of 2007, however, this figure rose to 11 percent, and from 2008 through 2010, REO sales accounted for approximately 59 percent of all existing single-family home sales. REO sales accounted for 52 percent of all existing single-family home sales during the 12 months ending April 2012, down from 57 percent during the previous 12 months. The average price of a single-family REO sale in the submarket during the 12 months ending April 2012 was \$139,400, nearly 30 percent less than the \$197,200 average price of a non-REO single-family resale. According to LPS Applied Analytics, as of April 2012, 7.4 percent of home loans in Fresno County were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 9.3 percent in April 2011.

Despite a modest gain in the number of existing single-family homes sold during the 12 months ending April 2012, the number of new single-family homes sold in the Fresno-Clovis submarket declined approximately 12 percent, to 900 homes, during the same period. New single-family home sales have declined each year since

peaking at 3,325 homes sold in 2006, with an average of 1,350 homes sold annually from 2009 through 2011. The 12-percent decline during the most recent 12 months, however, represents the smallest year-over-year rate of decline since 2006; from 2007 through 2010, new single-family home sales declines averaged nearly 25 percent annually. The average sales price of a new single-family home declined 1 percent, to \$243,000, during the 12 months ending April 2012 after a decline of approximately 7 percent during the previous 12 months. New single-family home sales prices have declined 40 percent since peaking at \$407,600 in 2006 and averaged \$258,000 from 2009 through 2011.

In response to the slowdown in new home sales, single-family homebuilding activity, as measured by the number of single-family building permits issued, declined significantly in the Fresno-Clovis submarket during the past 4 years. Based on preliminary data, during the 12 months ending April 2012, the number of single-family homes permitted increased by 50, or less than 5 percent, to 1,150 homes compared with the number permitted during the previous 12-month period. Single-family homebuilding activity peaked during the 2004-through-2006 period at an average of 3,550 homes permitted annually, then declined significantly from 2006 through 2010 (Figure 9), when an average of 1,900 permits were issued annually.

New condominiums sales in the Fresno-Clovis submarket have declined significantly since the beginning of the housing market downturn in 2007. From 2005 through 2007, new condominium sales averaged 280 annually and accounted for approximately 9 percent of total new home sales.

Housing Market Trends

Sales Market—Fresno-Clovis Submarket *Continued*

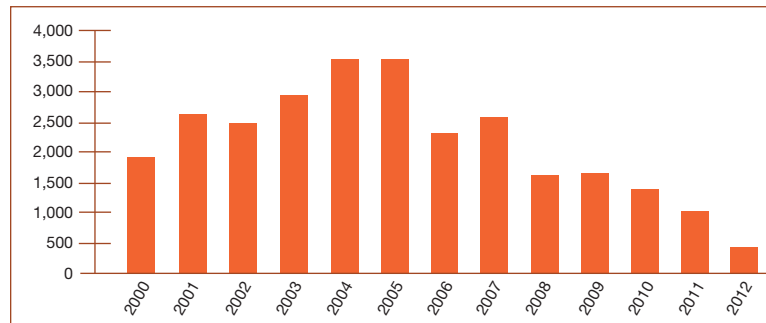
Since 2008, however, only 40 new condominiums have sold in the submarket, and none sold during the 12 months ending April 2012. The average new condominium sales price in the submarket declined from \$173,700 from 2005 through 2007 to \$165,000 from 2008 through the current date, representing an average decrease of approximately 1 percent annually.

Despite the significant reduction in new condominium sales, existing condominium sales in the submarket increased to 600 during the 12 months ending April 2012, up 58 percent from 380 during the previous 12 months. The recent increase in existing condominium sales, which are at their highest level since 2006, was in part

because of the low cost of purchasing a condominium relative to a single-family home. The average existing condominium sales price during the 12 months ending April 2012 was \$92,900, down 3 percent from the previous 12 months and nearly 45 percent less than the average sales price of an existing single-family home. An increase in the number of REO sales contributed to recent existing condominium sales price declines. Before 2007, REO sales of condominiums in the submarket were virtually nonexistent; however, since 2008, REO sales have accounted for 45 percent of all existing condominium sales. REO sales peaked at 61 percent of all existing condominium sales in 2010 before declining to 33 percent during the 12 months ending April 2012. The average condominium REO sales price in the submarket during the 12 months ending April 2012 was \$62,200, approximately 50 percent less than the \$125,500 average price of a regular condominium resale.

During the next 3 years, demand in the Fresno-Clovis submarket is estimated for 5,500 new homes (Table 1). Because of the current supply of vacant homes and relatively slow employment growth, demand for new homes is expected to remain below the levels recorded in the early-to-mid 2000s. The 420 homes currently under construction and a portion of the estimated 4,600 other vacant units that may reenter the market will satisfy some of the forecast demand. Prices for new units currently start at \$100,000. Table 4 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the submarket during the forecast period.

Figure 9. Single-Family Building Permits Issued in the Fresno-Clovis Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Fresno-Clovis Submarket, May 1, 2012 to May 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	199,999	830	15.0
200,000	249,999	1,050	19.0
250,000	299,999	1,100	20.0
300,000	349,999	880	16.0
350,000	399,999	660	12.0
400,000	499,999	610	11.0
500,000	and higher	390	7.0

Note: The 420 homes currently under construction and a portion of the estimated 4,600 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Fresno-Clovis Submarket

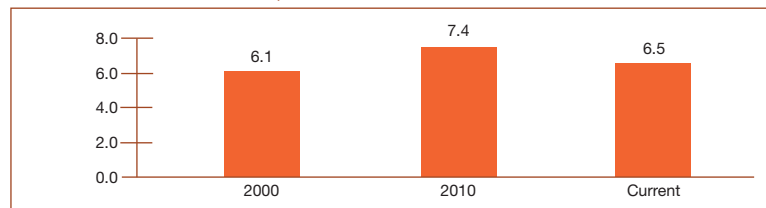
The rental housing market in the Fresno-Clovis submarket is balanced, with an estimated current overall vacancy rate of 6.5 percent (Figure 10), down from 7.4 percent in 2010. Traditional apartment complexes (five or more units) are estimated to account for approximately 40 percent of the total rental housing stock in the submarket and single-family rental homes to account for approximately 35 percent compared with approximately 45 and 30 percent, respectively, in 2000. The remaining units consist primarily of two-, three-, and four-unit structures.

Because the softness in the sales housing market has led to an increased number of single-family homes available for rent, the apartment rental market in the Fresno-Clovis submarket

is tighter than the overall rental market. According to Reis, Inc., the apartment vacancy rate in the Fresno-Madera HMA, of which the submarket accounts for an estimated 80 percent of traditional apartment units, was 3.5 percent during the first quarter of 2012, down from 4.8 percent during the first quarter of 2011. From 2008 through 2010, the apartment vacancy rate in the HMA averaged 5.4 percent. The average apartment rent increased approximately 1 percent, to \$820, during the first quarter of 2012 compared with the average rent during the first quarter of 2011, reversing a trend of declines during the previous 2 years. From 2008 through 2010, rents declined an average of less than 1 percent annually.

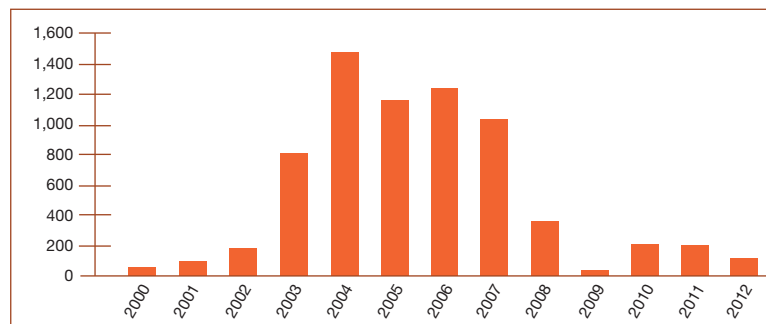
Builders responded to improved apartment market conditions during the past year by increasing multifamily production in the Fresno-Clovis submarket. Based on preliminary data, during the 12 months ending April 2012, the number of multifamily units permitted increased to 260 from 40 units permitted during the previous 12-month period. Multifamily building activity, as measured by the number of units permitted, averaged 1,225 units annually from 2004 through 2007, before the economic downturn and tighter lending standards. By comparison, permitting activity declined to average 200 units annually from 2008 through 2010 (Figure 11). Approximately 10 percent of the multifamily units permitted in the submarket from 2004 through 2007 were estimated to be townhomes or condominiums intended for owner

Figure 10. Rental Vacancy Rates in the Fresno-Clovis Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 11. Multifamily Building Permits Issued in the Fresno-Clovis Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

occupancy. Since 2008, this percentage is estimated to have declined to less than 5 percent.

Recently completed projects in the Fresno-Clovis submarket include Fulton Village, a 46-unit, mixed-use rental project in downtown Fresno that includes single-level apartment units, multilevel townhome units, and nearly 3,600 square feet of two-level commercial space, and Parc Grove Commons II, a 215-unit, income-restricted apartment complex in an infill lot in the central part of the city of Fresno that serves individuals and families who make between 30 and 50 percent of the area median income. Among the projects currently under construction are two senior housing projects in the city of Fresno. Palm View Gardens, a 74-unit apartment complex for seniors, is expected to be complete in mid-2012, and The Terraces at San Joaquin Gardens, a 168-unit skilled nursing facility, is expected to be complete in early 2014. The high proportion of senior housing projects currently under

construction in the Fresno-Clovis submarket is likely in part because of the growing population of residents age 55 and older.

During the next 3 years, demand is expected for 1,220 additional market-rate rental units in the submarket (Table 1). Demand for new units is expected to begin in the second year of the forecast period, after the market absorbs the 270 units currently under construction. Production levels during the forecast period are expected to be much greater than the levels recorded during the past 5 years and to reflect increased demand for rental housing caused in part by increased immigration and a continuing shift away from homeownership in the HMA. Rents for new units are projected to start at \$750 for an efficiency unit, \$950 for a one-bedroom unit, \$1,050 for a two-bedroom unit, and \$1,250 for a three-bedroom unit. Table 5 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Fresno-Clovis Submarket, May 1, 2012 to May 1, 2015

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
750 to 949	10	950 to 1,149	170	1,050 to 1,249	200	1,250 to 1,449	75
950 to 1,149	10	1,150 to 1,349	150	1,250 to 1,449	120	1,450 to 1,649	45
1,150 to 1,349	10	1,350 to 1,549	75	1,450 to 1,649	100	1,650 to 1,849	30
1,350 to 1,549	10	1,550 to 1,749	50	1,650 to 1,849	50	1,850 to 2,049	20
1,550 or more	10	1,750 or more	50	1,850 or more	25	2,050 or more	20
Total	60	Total	490	Total	490	Total	180

Notes: Numbers may not add to totals because of rounding. The 270 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Balance of Fresno County Submarket

The sales housing market in the Balance of Fresno County submarket is soft, with a current estimated vacancy rate of 2.1 percent, down slightly from 2.2 percent in 2010 (Table DP-3, at the end of this report). Despite modest gains during the most recent 12 months, existing home sales (which include both single-family homes and condominiums) have remained at relatively low levels during the past 5 years because of a combination of stricter lending requirements and a sluggish local economy. According to Hanley Wood, LLC, the number of existing homes sold increased 5 percent, to 2,025 homes, during the 12 months ending April 2012 after a decline of 1 percent during the previous 12 months. A peak of 2,600 existing homes sold in the submarket in 2005, before existing home sales decreased to average 1,500 from 2006 through 2008, during the period of lowest sales in the submarket. From 2009 through 2010, existing home sales averaged 1,875 annually.

The average sales price of an existing home sold declined 7 percent, to \$160,300, during the 12 months ending April 2012 after remaining unchanged during the previous 12 months. Existing home sales prices peaked at \$293,700 in 2007 before declining approximately 45 percent to their current levels; from 2009 through 2011 existing home sales prices averaged \$178,700. Much of the decline in existing home sales prices during this period was because of a significantly increased number of REO sales. In 2005 and 2006, before the housing market downturn,

REO sales accounted for less than 1 percent of all existing home sales in the Balance of Fresno County submarket. By the end of 2007, however, this figure had risen to 7 percent, and from 2008 through 2010 REO sales accounted for approximately 57 percent of all existing home sales. During the 12 months ending April 2012, REO sales remained elevated and accounted for 54 percent of existing home sales. The average REO sales price in the submarket during the 12 months ending April 2012 was \$125,900, approximately 60 percent less than the \$201,200 average price of a non-REO resale.

Despite a modest increase in the number of existing homes sold during the 12 months ending April 2012, the number of new homes sold declined approximately 14 percent, to 290 homes, during the same period. New home sales have declined each year since peaking at 1,375 homes sold in 2006. From 2007 through 2010, new home sales declines averaged nearly 25 percent annually. The average price of a new home sold increased 3 percent, to \$258,300, during the 12 months ending April 2012 after an increase of approximately 15 percent during the previous 12 months. Average new home sales prices remain 15 percent less than the peak of \$303,100 recorded in 2006 but are 9 percent more than the average of \$237,100 recorded from 2009 through 2011. Condominium sales do not comprise a significant part of the sales market in the Balance of Fresno County submarket, accounting for less than 1 percent of total new and existing home sales since 2005.

Housing Market Trends

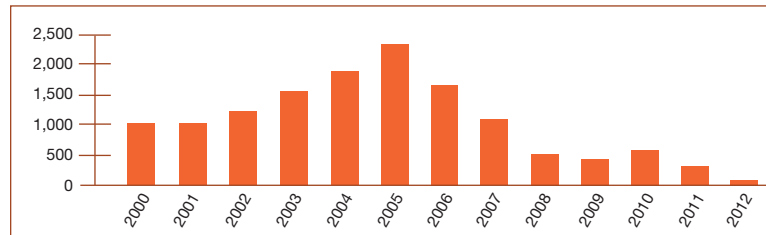
Sales Market—Balance of Fresno County Submarket *Continued*

In response to the slowdown in new home sales, single-family homebuilding activity, as measured by the number of single-family building permits issued, declined significantly during the past 5 years. Based on preliminary data,

during the 12 months ending April 2012, the number of single-family building permits issued remained essentially unchanged at 130 homes compared with the number issued during the previous 12-month period. Building activity peaked in 2004 and 2005 at an average of 2,100 homes permitted annually, then declined each year from 2006 through 2010 (Figure 12), when an average of 820 permits were issued annually.

During the next 3 years, demand is estimated for 3,025 new homes (Table 1) in the Balance of Fresno County Submarket. Because of the current supply of vacant units and the sluggish economy, demand for new homes is expected to remain below the levels of construction recorded in the early-to-mid 2000s. The 40 homes currently under construction and a portion of the estimated 7,500 other vacant units that may reenter the market will satisfy some of the forecast demand. Prices for new units currently start at \$100,000. Table 6 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the submarket during the forecast period.

Figure 12. Single-Family Building Permits Issued in the Balance of Fresno County Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Balance of Fresno County Submarket, May 1, 2012 to May 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	199,999	440	15.0
200,000	249,999	560	19.0
250,000	299,999	590	20.0
300,000	349,999	470	16.0
350,000	399,999	350	12.0
400,000	499,999	320	11.0
500,000	and higher	210	7.0

Note: The 40 homes currently under construction and a portion of the estimated 7,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Balance of Fresno County Submarket

The rental housing market in the Balance of Fresno County submarket is balanced, with an estimated current overall vacancy rate of 5.5 percent (Figure 13), down from 5.9 percent in 2010. Traditional apartment complexes (five or more units) are estimated to account for approximately 15 percent of the total rental housing stock in the submarket and single-family homes to account for approximately 55 percent compared with approximately 20 and

50 percent, respectively, in 2000. The remaining units consist primarily of two-, three-, and four-unit structures and mobile homes for rent. Apartment market conditions in the submarket are similar to those in the Fresno-Clovis submarket; however, traditional apartment complexes in the submarket account for only an estimated 15 percent of all traditional apartments in the Fresno-Madera HMA.

Housing Market Trends

Rental Market—Balance of Fresno County Submarket *Continued*

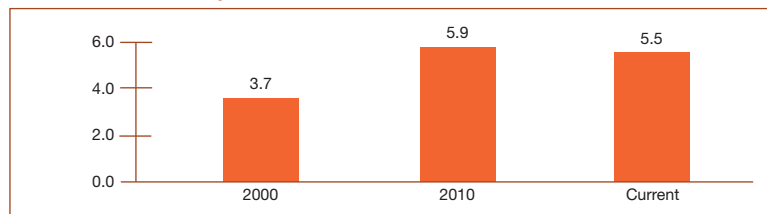
Despite modest improvement in rental market conditions, multifamily production levels in the Balance of Fresno County submarket were essentially unchanged during the past year and remain low compared with those of the past decade. Based on preliminary data, during the 12 months ending April 2012, the number of multifamily units permitted increased by 15, to 25 units, compared with the number permitted during the previous 12-month period. Multifamily building activity, as measured by the number of units permitted, averaged 390 units annually from 2003 through 2005 before declining to average 140 units annually from 2006 through 2010 (Figure 14). During this period, the many vacant single-family homes offered for rent satisfied much of the demand for rental units.

Recently constructed multifamily properties in the Balance of Fresno County submarket include Cordova Apartments, an 81-unit income-restricted property in Selma, approximately 15

miles southeast of the city of Fresno, and Alicante Apartments, an 81-unit, income-restricted property completed in 2008 in Huron, approximately 50 miles southwest of the city of Fresno. Cordova, which was completed in December 2010, contains two-, three-, and four-bedroom units with rents ranging from approximately \$340 for a two-bedroom unit to \$940 for a four-bedroom unit. Among properties currently under construction in the submarket is Avila Avenue Apartments, a 33-unit affordable apartment community in Parlier, approximately 20 miles southeast of the city of Fresno, that is expected to be complete in early 2013.

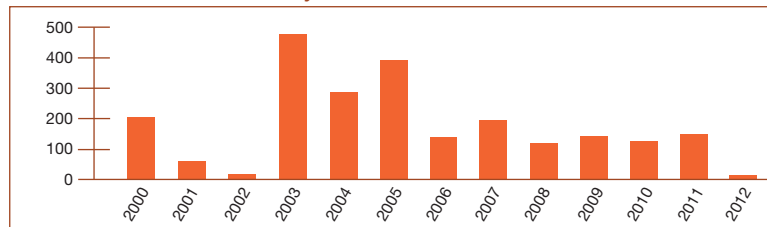
During the next 3 years, demand is expected for 650 additional market-rate rental units in the Balance of Fresno County submarket (Table 1). Demand for new units is expected to begin in the second year of the forecast period after the market absorbs the 140 units currently under construction. Production levels during the forecast period are expected to be somewhat greater than during the past 6 years and reflect the increased demand for rental housing because of increased in-migration and a continuing shift away from homeownership in the HMA. An expected decline in the number of single-family homes available for rent as the sales market begins to improve is also expected to contribute to increased production. Rents for new units are expected to start at \$750 for efficiencies, \$950 for one-bedroom units, \$1,050 for two-bedroom units, and \$1,250 for three-bedroom units Table 7 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Figure 13. Rental Vacancy Rates in the Balance of Fresno County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 14. Multifamily Building Permits Issued in the Balance of Fresno County Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through April 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Balance of Fresno County Submarket, May 1, 2012 to May 1, 2015

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
750 or more	35	950 to 1,149	90	1,050 to 1,249	100	1,250 to 1,449	40
		1,150 to 1,349	80	1,250 to 1,449	65	1,450 to 1,649	25
		1,350 to 1,549	40	1,450 to 1,649	50	1,650 to 1,849	15
		1,550 to 1,749	25	1,650 to 1,849	25	1,850 to 2,049	10
		1,750 or more	25	1,850 or more	15	2,050 or more	10
Total	35	Total	260	Total	260	Total	100

Notes: Numbers may not add to totals because of rounding. The 140 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Madera County Submarket

The sales housing market in the Madera County submarket is soft, with a current estimated vacancy rate of 3.0 percent, down slightly from 3.1 percent in 2010 (Table DP-4, at the end of this report). Despite modest gains during the most recent 12 months, existing home sales (which include both single-family homes and condominiums) have remained at relatively low levels during the past 5 years because of a combination of stricter lending requirements and a sluggish local economy. According to Hanley Wood, LLC, the number of existing homes sold increased 6 percent, to 1,750 homes, during the 12 months ending April 2012 after a decline of 25 percent during the previous 12 months. Existing home sales in the submarket peaked at 2,400 in 2005 before dropping to average 1,250 from 2006 through 2008, during the period of fewest sales in the submarket. From 2009 through 2010, existing home sales averaged 2,075 annually.

The average sales price of an existing home declined 7 percent, to \$138,300, during the 12 months ending April 2012 after increasing 3 percent during the previous 12 months. Existing home sales prices peaked at \$318,700 in 2007

before declining approximately 57 percent to their current levels; from 2009 through 2011 existing home sales prices averaged \$145,600. Much of the decline in existing home sales prices during this period is because of a significantly increased number of REO sales. In 2005 and 2006, before the housing market downturn, REO sales accounted for less than 1 percent of all existing home sales in the Madera County submarket. By the end of 2007, however, this figure had risen to 7 percent, and from 2008 through 2010 REO sales accounted for approximately 70 percent of all existing home sales. REO sales accounted for 58 percent of existing home sales during the 12 months ending April 2012, down from 64 percent during the previous 12 months. The average REO sales price in the submarket during the 12 months ending April 2012 was \$118,100, approximately 30 percent less than the \$165,800 average price of a non-REO resale. According to LPS Applied Analytics, as of April 2012, 8.5 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 11.3 percent in April 2011.

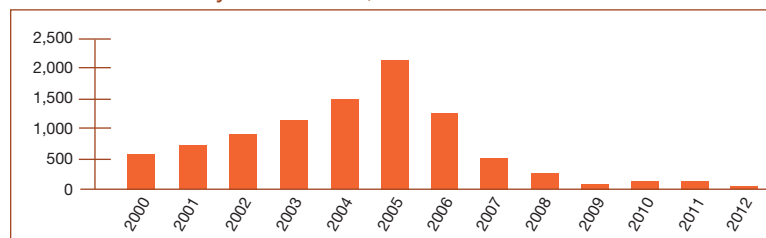
During the 12 months ending April 2012, the number of new homes sold in the Madera County submarket increased approximately 55 percent, to 100 homes. New home sales began to increase during 2011 after 4 years of declines that started in 2007; the annual number of new homes sold peaked at approximately 1,125 in 2006 before declining to 60 in 2010. The average new home sales price increased 10 percent, to \$170,400, during the 12 months ending April 2012 after a decline of approximately 14 percent during the previous 12 months. Despite the recent increase, average new home sales prices remain more than 50 percent less than the peak of \$344,900 recorded in 2006 and less than 1 percent less than the

average of \$171,500 recorded from 2009 through 2011. Condominiums are not a significant part of the sales market in the submarket, accounting for less than 1 percent of total new and existing home sales since 2005.

Despite the recent increase in new home sales, single-family home builders remain cautious in the Madera County submarket. Single-family homebuilding activity, as measured by the number of single-family building permits issued, declined during the most recent 12 months after remaining essentially unchanged in 2010 and 2011. Based on preliminary data, during the 12 months ending April 2012, the number of single-family building permits issued declined by 20, to 95 homes permitted, compared with the number issued during the previous 12-month period. Building activity peaked in 2004 and 2005 at an average of 1,800 homes permitted annually; however, single-family building activity declined each year from 2006 through 2009 (Figure 15), when an average of 510 homes were permitted annually.

During the next 3 years, demand is estimated for 1,000 new homes in the Madera County submarket (Table 1). Because of the current supply of vacant units and the sluggish economy, demand for new homes is expected to remain below early-to-mid 2000s levels. The 40 homes currently under construction and a portion of the estimated 3,650 other vacant units that may reenter the market will satisfy some of the forecast demand. Prices for new units currently start at \$100,000. Table 8 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the submarket during the forecast period.

Figure 15. Single-Family Building Permits Issued in the Madera County Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Madera County Submarket, May 1, 2012 to May 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	199,999	140	14.0
200,000	249,999	170	17.0
250,000	299,999	190	19.0
300,000	349,999	190	19.0
350,000	399,999	140	14.0
400,000	499,999	120	12.0
500,000	and higher	50	5.0

Note: The 40 homes currently under construction and a portion of the estimated 3,650 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

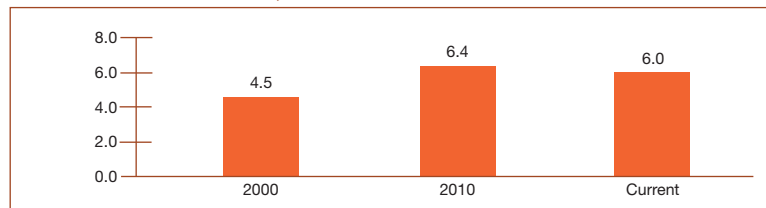
Rental Market—Madera County Submarket

The rental housing market in the Madera County submarket is balanced, with an estimated current overall vacancy rate of 6.0 percent (Figure 16), down from 6.4 percent in 2010. Traditional apartment complexes are estimated to account for approximately 15 percent of the total rental housing stock in the submarket and single-family homes to account for approximately 60 percent compared with approximately 20 and 55 percent, respectively, in 2000. The remaining units consist primarily of two-, three-, and four-unit structures and mobile homes for rent. Apartment market conditions in the submarket are similar to those recorded in the Fresno-Clovis submarket; however, traditional apartment complexes in this submarket are estimated to account for less than 5 percent of all traditional apartments in the Fresno-Madera HMA.

Builders responded to improved rental market conditions during the past year by increasing multifamily production in the Madera County submarket. Based on preliminary data, during the 12 months ending April 2012, the number of multifamily units permitted increased significantly, to 120 units, compared with the fewer than 10 units permitted during the previous 12-month period. Multifamily building activity in the submarket declined to average only 15 units annually in 2007 and 2008 before increasing to average 70 units annually from 2009 through 2010 (Figure 17). Multifamily production levels in the Madera County submarket, which are very modest, did not decline as significantly as in the other two submarkets, and the number of units permitted during the most recent 12 months is only 20 percent less than the average of 150 units permitted annually during the peak years of 2004 through 2006.

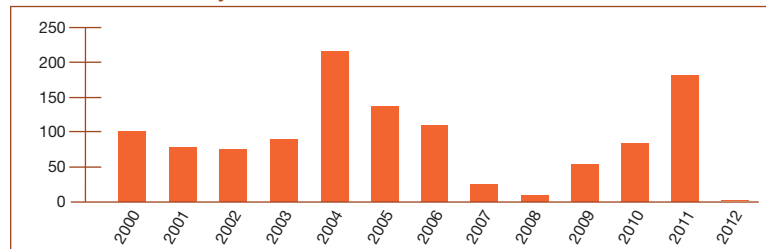
Recently completed projects in the Madera County submarket include Shasta Villas apartments, a multiphase, income-restricted project in Chowchilla, in far northwestern Madera County, approximately 15 miles from the city of Madera. After the November 2010 completion of the second phase, the project consists of approximately 120 affordable units with rents ranging from approximately \$280 for a one-bedroom unit to approximately \$380 for a three-bedroom unit. Among the projects currently under construction is Arborpoint Apartments, a 49-unit low-income housing tax credit (LIHTC) project in the city of Madera that is expected to be complete in early 2013.

Figure 16. Rental Vacancy Rates in the Madera County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Building Permits Issued in the Madera County Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through April 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market—Madera County Submarket *Continued*

During the next 3 years, demand is expected for 230 additional market-rate rental units in the Madera County submarket (Table 1). Demand for new units is not expected to begin until the third year of the forecast period, after the market absorbs the 150 units currently under construction. Production levels during the forecast period are expected to remain similar to

recent levels. Rents for new units are expected to start at \$750 for efficiencies, \$950 for one-bedroom units, \$1,050 for two-bedroom units, and \$1,250 for three-bedroom units. Table 9 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Madera County Submarket, May 1, 2012 to May 1, 2015

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
750 or more	10	950 to 1,149	30	1,050 to 1,249	35	1,250 to 1,449	15
		1,150 to 1,349	30	1,250 to 1,449	25	1,450 to 1,649	10
		1,350 to 1,549	15	1,450 to 1,649	20	1,650 or more	15
		1,550 to 1,749	10	1,650 or more	15		
		1,750 or more	10				
Total	10	Total	90	Total	90	Total	35

Notes: Numbers may not add to totals because of rounding. The 150 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profiles

Table DP-1. Fresno-Madera HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	398,000	422,800	426,900	0.6	0.7
Unemployment Rate	10.2%	16.7%	16.0%		
Nonfarm Payroll Jobs	365,400	368,100	368,800	0.1	0.1
Total Population	922,516	1,081,315	1,100,000	1.6	0.8
Total Households	289,095	332,708	337,400	1.4	0.7
Owner Households	166,729	186,417	185,600	1.1	-0.2
Percent Owner	57.7%	56.0%	55.0%		
Renter Households	122,366	146,291	151,800	1.8	1.8
Percent Renter	42.3%	44.0%	45.0%		
Total Housing Units	311,154	364,671	367,800	1.6	0.4
Owner Vacancy Rate	1.6%	2.5%	2.4%		
Rental Vacancy Rate	5.4%	6.9%	6.2%		

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through April 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Fresno-Clovis Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	496,168	590,296	604,900	1.8	1.2
Total Households	164,426	191,768	195,400	1.6	0.9
Owner Households	85,579	98,561	98,950	1.4	0.2
Percent Owner	52.0%	51.4%	50.6%		
Rental Households	78,847	93,207	96,450	1.7	1.7
Percent Renter	48.0%	48.6%	49.4%		
Total Housing Units	174,275	206,594	209,200	1.7	0.6
Owner Vacancy Rate	1.9%	2.5%	2.4%		
Rental Vacancy Rate	6.1%	7.4%	6.5%		
Median Family Income	\$37,200	\$53,100	\$55,500	3.6	1.5

Notes: Numbers may not add to totals because of rounding. Median family incomes are for Fresno County in 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Balance of Fresno County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	303,239	340,154	342,900	1.2	0.4
Total Households	88,514	97,623	98,400	1.0	0.4
Owner Households	57,216	60,130	59,400	0.5	-0.6
Percent Owner	64.6%	61.6%	60.4%		
Rental Households	31,298	37,493	39,000	1.8	1.9
Percent Renter	35.4%	38.4%	39.6%		
Total Housing Units	96,492	108,937	109,400	1.2	0.2
Owner Vacancy Rate	1.3%	2.2%	2.1%		
Rental Vacancy Rate	3.7%	5.9%	5.5%		
Median Family Income	\$37,200	\$53,100	\$55,500	3.6	1.5

Notes: Numbers may not add to totals because of rounding. Median family incomes are for Fresno County in 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Madera County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	123,109	150,865	152,400	2.1	0.5
Total Households	36,155	43,317	43,600	1.8	0.3
Owner Households	23,934	27,726	27,265	1.5	-0.8
Percent Owner	66.2%	64.0%	62.5%		
Rental Households	12,221	15,591	16,340	2.5	2.3
Percent Renter	33.8%	36.0%	37.5%		
Total Housing Units	40,387	49,140	49,150	2.0	0.0
Owner Vacancy Rate	1.7%	3.1%	3.0%		
Rental Vacancy Rate	4.5%	6.4%	6.0%		
Median Family Income	\$37,200	\$52,600	\$54,600	3.5	1.3

Notes: Numbers may not add to totals because of rounding. Median family incomes are for 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 5/1/2012—Analyst’s estimates
Forecast period: 5/1/2012–5/1/2015—Analyst’s estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_Fresno-MaderaCA_13.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.