

The Performance of California's Housing Market in the 1990s

The State weathered a significant recession during the early 1990s; by 1998, the State's economy had generally recovered. In several regions (notably the Bay Area, Sacramento and portions of the Greater Los Angeles Region), employment growth has led to a recovery of incomes, and migration levels have returned to pre-recession levels. However, the recession and subsequent recovery have impacted housing markets throughout the State. The relative strength of housing markets, measured by homeownership, rental and house prices, and vacancies reveal the underlying conditions currently faced by households throughout the State.

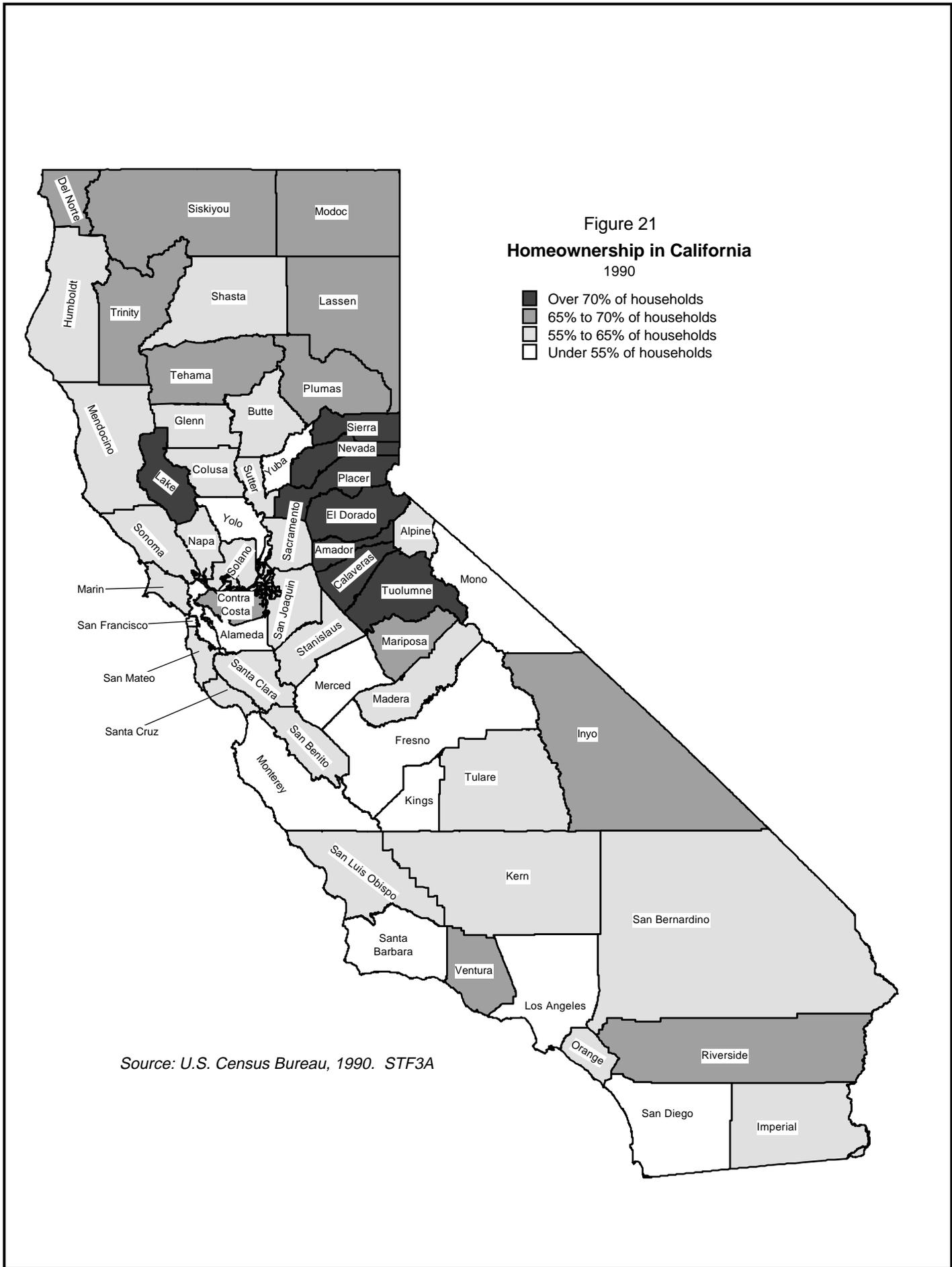
Homeownership

California has a low rate of homeownership. The national homeownership rate stood at about 64.2 percent in 1990, and 11 states had homeownership rates that exceeded 70 percent. California's homeownership rate (55.6 percent) was one of the lowest in the nation; only three states (New York, Hawaii, and Nevada) had lower rates.

This is not to indicate that homeownership rates in the State are uniformly low. Homeownership rates were only high in the non-metropolitan portion of the State – these were the only areas that exceeded the national average in 1990 (see Figure 21). Ownership rates in the non-metropolitan regions within the State paralleled national rates, while metropolitan rates reached only about 55 percent. The Central-Southern California and Northern California Non-metropolitan regions had the highest overall ownership rates (70.5 and 66.1 percent respectively). Ownership throughout the Northern California Region paralleled national figures, with an average ownership rate of 63.3 percent within the region.

However, all other regions in the State had homeownership rates that were below 60 percent, and with few exceptions, individual counties in these regions followed respective region-wide trends. In the Sacramento Region, while the overall ownership rate was about 58.8 percent, both Placer and El Dorado counties had homeownership rates that exceeded 70 percent, and though owners in Sacramento County accounted for approximately 56.6 percent of households, ownership in the Sacramento MSA was only slightly below 60 percent. The remaining counties in the region all experienced ownership rates that were between 52 and 58 percent. In the Central Coast Region, the three less urbanized counties (San Benito, San Luis Obispo, and Santa Cruz), had ownership rates in the 60 to 61 percent range, while Monterey and Santa Barbara counties had rates below the statewide average (50.7 and 54.7 percent respectively). Ownership in the Central Valley Region averaged 57.7 percent, with individual counties ranging from 54.3 percent to nearly 65 percent.

Homeownership rates in the Greater Los Angeles, San Diego and Bay Area regions were lowest in the State (54, 53.8 and 56 percent respectively). In the Greater Los Angeles Region, with the exception of Los Angeles County (where ownership units were 48.2 percent of total units), all other urban counties had ownership rates that were at least 60 percent. In the Bay Area Region, with the exception of Alameda and San Francisco counties (where ownership units accounted for 53.3 and 34.5 percent of units, respectively), ownership was also strong, generally ranging between 59.1 and 67.6 percent of housing units. In general, homeownership patterns in 1990 revealed a pattern of higher rates in outlying non-metropolitan areas and the suburban counties near the major urban counties within the State. Homeownership rates also tended to be lower along the coastal areas.



Detailed information on homeownership rates is not available consistently within the State since Census information published in 1990. As part of the Current Population Survey (CPS) conducted by the Census Bureau, estimates of homeownership are reported for the State and several metropolitan areas. Since this information is collected from a sample of housing units within the nation, State and metropolitan areas, it is subject to variability over time. For many areas within the State, the estimates may vary by about 4 percent in an individual time period. For example, the homeownership rate is estimated at 54.8 for Sacramento in 1997 – the actual rate may vary from about 51.1 to 58.5 percent (with 95 percent confidence). Thus, the figures presented in the following discussion should not be taken as exact estimates of the underlying homeownership rates within the State, but instead should be viewed as general indicators of underlying trends (see Table 13). In addition, based on comparisons to 1990 Census information, these figures appear to systematically underestimate homeownership within the State. These variations are often significant – in the Oakland Metropolitan Statistical Area (MSA), Census figures are 8 percent higher, while in Sacramento, Census data were over 10 percent higher. Conversely, both San Francisco and San Jose Census figures were lower by 1 and 7 percent respectively.

Homeownership has continued to increase in the nation, rising by about 2.5 percent between 1991 and 1997. Based on Housing Vacancy Survey data, the national homeownership rate reached about 65.7 percent by 1997. Given the relatively high rate of ownership outside of metropolitan areas, it is not surprising that the strongest increases were evident within metropolitan areas – while rising, homeownership rates still remain about 15 percent lower inside of metropolitan areas. According to this data, California continues to lag national trends in homeownership. While overall homeownership increased, the relative pace in California was below the rate of increase at the national level (2.2 percent in California). Moreover, given the depth of the recession in California during the early 1990s, these figures (which indicate a rising rate through most of the recession) may overestimate homeownership changes in the early part of the decade. On the whole, it appears that the rate of homeownership within the State has risen since the turn of the decade, but only modestly (certainly less than 3 percent from the 1990 to 1997 period). Based on the CPS sample, overall homeownership within the State is approximately 57 percent in 1997.

These dampened changes at the State level are mirrored within the metropolitan areas of the State. With the exception of the Oakland MSA (with a homeownership rate that was significantly below Census reported data), underlying homeownership rates in each metropolitan area tend to follow overall State trends. That is, all metropolitan areas exhibit changes in homeownership that are well below metropolitan changes within the nation. Declines are reported in Los Angeles, the San Francisco MSA and Sacramento. However, in the case of Sacramento, there is a mismatch between 1990 Census and CPS data. It may be that the CPS is underestimating the relative growth in the area; however, the relative change is fairly small in the area. Only in the Oakland MSA did homeownership increase significantly. However, given the divergence between Census and CPS information in 1990, this growth may be significantly overestimated as well.

In summary, while there appears to have been a modest increase in the level of homeownership within the State, this growth has been modest, rising more slowly than national trends in homeownership. Given construction trends, it appears that homeownership has risen by no more than 1.5 (rising to 57 by 1997). If this is the case, the State has added more than one-half million homeowners throughout the 1990s.

Table 13
Estimated Homeownership for Selected Areas 1987 to 1997¹

	Estimated Homeownership Rates (in Percent) ²											Percentage Change 1987 to 1997	Percentage Change 1991 to 1997
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997		
US Average	64.0	63.8	63.9	64.2	63.9	64.1	64.0	64.0	64.7	65.4	65.7	2.2%	2.5%
US Average, Inside Metros	61.4	61.3	61.3	na	61.4	61.6	61.5	61.7	62.7	63.4	63.7	3.3%	3.7%
US Average, Outside Metros	72.8	72.6	72.8	na	73.2	72.8	72.6	72.0	72.7	73.5	73.7	1.0%	0.7%
California	54.3	54.4	53.6	55.6	54.5	55.3	56.0	55.5	55.4	55.0	55.7	1.3%	2.2%
Los Angeles MSA	48.6	48.5	47.4	48.2	48.0	48.5	48.7	48.9	48.1	46.8	47.7	-3.7%	-0.6%
Oakland MSA	59.1	59.4	56.2	58.8	53.9	52.2	55.7	58.1	57.0	57.2	59.3	-3.2%	10.0%
Sacramento MSA	53.1	49.4	51.7	59.7	56.0	60.4	63.7	59.0	58.3	56.9	54.8	7.2%	-2.1%
San Bernardino/Riverside MSA	64.9	66.6	65.3	65.2	60.1	63.8	64.7	62.6	61.8	62.9	60.9	-3.1%	1.3%
San Diego MSA	55.0	51.7	48.7	53.8	51.2	55.5	55.4	56.6	57.8	54.9	55.2	-0.2%	0.7%
San Francisco MSA	48.2	52.8	52.3	48.3	53.8	53.5	49.9	47.9	53.8	50.4	48.9	4.6%	-9.1%
San Jose MSA	55.4	61.2	63.4	59.1	62.4	63.7	63.7	60.7	58.7	59.6	63.8	7.6%	2.2%

Note: 1. Estimated homeownership rates based on Current Population Survey data for respective years.
2. Standard errors for metropolitan areas based on sample size: Los Angeles (.6), Oakland (1.6), Sacramento (1.9), San Bernardino/Riverside (1.4), San Diego (1.5), San Francisco (1.8), San Jose (1.9)

Source: US Census, STF3A and Housing Vacancy Survey, Fourth Quarter, 1997

Housing Vacancy Rates

Willing buyers and sellers all interact in the housing market through competition for vacant housing units. When vacancy rates are low, households will compete for the available supply, bidding up both rents and prices within the housing market. Conversely, when vacancies are high, landlords and sellers will tend to reduce rents or prices to improve the relative value of a property, hopefully to entice buyers in the market to take their units. Thus, vacancy rates offer one of the powerful signals of the relative health of housing markets, highlighting the relative balance between supply and demand for housing.

1990 Vacancy Estimates

Overall Vacancy Rates

California entered the decade with an overall vacancy rate of 7.17 percent. Overall vacancies were extremely high in California's non-metropolitan areas (about 17.3 percent), driven largely by the prevalence of second- or vacation-homes in non-metropolitan areas. The Central-Southern Non-metropolitan California Region was notably high – it experienced overall vacancies nearly twice the total non-metropolitan rate, with individual counties experiencing vacancies in nearly two-thirds of housing units. While metropolitan areas experienced overall vacancies of about 6.78 percent, individual regions varied. Overall vacancies in the Bay Area were approximately 5 percent, while San Diego and the Central Valley regions both experienced relatively lower vacancies than statewide averages (6.22 and 6.37 percent respectively). The Greater Los Angeles Region entered the decade with overall vacancies at about 7.4 percent, though the underlying vacancy in individual counties varied from about 5.5 percent to almost 17 percent. The Sacramento Region experienced the highest overall vacancy rate among the metropolitan regions, with an overall vacancy of about 8.5 percent at the turn of the decade. The remaining regions (the Central Coast and Northern California) experienced overall vacancies near statewide rates (7.9 and 6.9 percent respectively).

However, these regional averages mask systematic variation within counties within the State (see Figure 22 and Table 14). Thus, while overall vacancies are high in the non-metropolitan counties, both Humboldt and Mendocino counties experienced vacancies that were under 10 percent, and several non-metropolitan counties, including San Benito, Glenn, Kings, and Tehama counties, all had relatively low overall vacancy rates (6.6, 5.5, 5.5, and 8.3 respectively). In the Greater Los Angeles Region, overall vacancy levels were polar – while Los Angeles, Orange, and Ventura counties all had relatively low rates (5.5, 5.5, and 4.9 percent respectively), the Riverside/San Bernardino area had rates nearly three times these levels (16.9 and 14.3 percent respectively).

In general, overall vacancies were relatively low throughout the Bay Area, with only San Francisco, Sonoma and Napa experiencing rates that were above 6 percent (7, 7.5 and 6.5 percent respectively). San Mateo and Santa Clara counties experienced overall vacancies below 4 percent (3.9 and 3.7 percent respectively), only matched in Yolo County (3.8 percent). In the Central Valley Region, with two exceptions, overall vacancies were less than 7 percent (Madera and Kern counties had respective overall vacancies of 8 and 8.6 percent respectively). In the Central Coast Region, rates varied from about 6 percent (in Santa Barbara County) to over 11 percent overall vacancies in San Luis Obispo County.

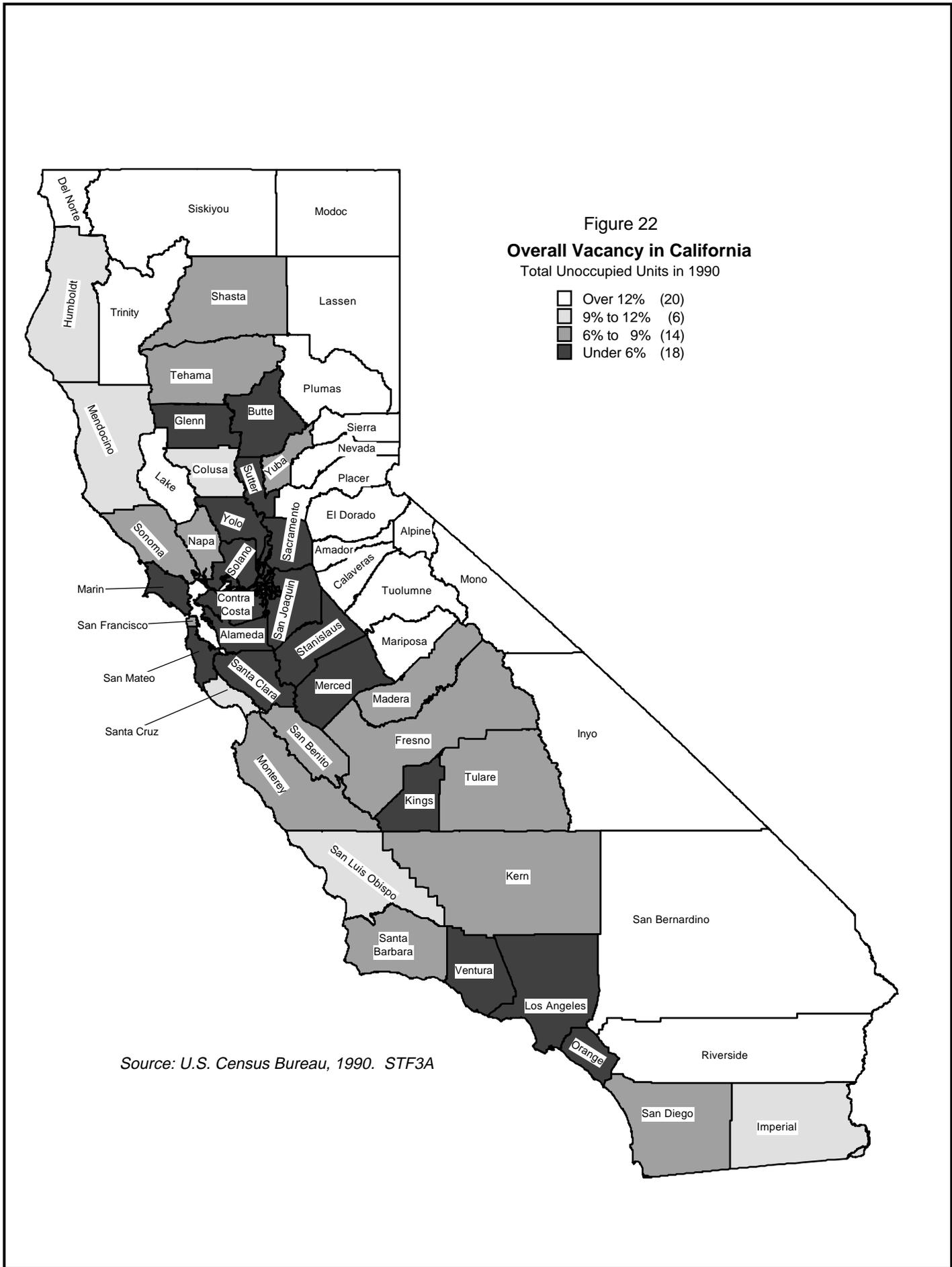


Table 14
Vacancy Rates for California Counties
1990

	Rental Vacancy Rate	Owner Vacancy Rate	Unavailable Units (Share of Total Stock)	Overall Vacancy Rate
Metropolitan Areas				
Greater Los Angeles Metro				
Los Angeles County	6.03%	1.81%	1.51	5.49%
Orange County	6.71%	1.73%	1.77	5.49%
Riverside County	9.99%	4.92%	10.99	16.90%
San Bernardino County	8.83%	3.18%	9.48	14.31%
Ventura County	5.04%	1.90%	1.94	4.89%
Imperial County*	<u>5.24%</u>	<u>1.55%</u>	<u>7.25</u>	<u>10.17%</u>
Total Greater Los Angeles Metro Region	6.55%	2.28%	3.28	7.43%
Bay Area				
San Francisco County	5.82%	1.66%	2.67	6.97%
Marin County	3.79%	1.70%	2.32	4.76%
San Mateo County	4.48%	1.56%	1.21	3.92%
Alameda County	5.56%	1.35%	1.56	4.88%
Contra Costa County	6.64%	1.65%	1.76	5.02%
Santa Clara County	4.59%	1.39%	1.01	3.71%
Sonoma County	5.26%	1.60%	4.63	7.48%
Solano County	6.13%	2.11%	1.52	5.11%
Napa County	4.67%	1.79%	3.81	6.53%
Total Bay Area Region	5.34%	1.55%	1.86	5.03%
Sacramento				
Sacramento County	6.87%	1.43%	1.72	5.52%
Placer County	7.16%	1.53%	14.93	17.69%
El Dorado County	5.08%	2.05%	21.45	23.77%
Sutter County	4.38%	0.80%	2.09	4.35%
Yuba County	4.99%	0.56%	4.33	6.91%
Yuba	4.68%	0.70%	3.14	5.55%
Yolo County	<u>3.72%</u>	<u>0.99%</u>	<u>1.54</u>	<u>3.83%</u>
Total Sacramento Region	6.33%	1.42%	5.22	8.54%
Central Valley				
Fresno County	5.66%	1.53%	2.84	6.21%
Madera County	3.77%	1.51%	5.80	7.98%
Kern County	6.59%	1.99%	4.92	8.64%
San Joaquin County	4.52%	1.65%	2.05	4.88%
Stanislaus County	4.85%	2.08%	1.91	5.04%
Merced County	3.47%	0.96%	3.22	5.27%
Tulare County	4.46%	1.03%	4.49	6.81%
Kings County*	<u>5.62%</u>	<u>1.43%</u>	<u>2.35</u>	<u>5.71%</u>
Total Central Valley Region	5.22%	1.64%	3.29	6.37%
San Diego Region				
	6.31%	1.96%	2.29	6.22%
Central Coast Region				
Monterey County	3.75%	2.31%	3.91	6.81%
San Luis Obispo County	5.71%	2.69%	7.36	11.00%
Santa Barbara County	5.07%	1.90%	2.78	6.04%
Santa Cruz County	4.64%	2.04%	6.14	9.05%
San Benito County*	<u>3.52%</u>	<u>2.82%</u>	<u>0.04</u>	<u>6.61%</u>
Total Central Coast Region	4.67%	2.22%	4.69	7.86%

Table 14 (continued)
Vacancy Rates for California Counties
1990

	Rental Vacancy Rate	Owner Vacancy Rate	Unavailable Units (Share of Total Stock)	Overall Vacancy Rate
Northern California Region				
Butte County	4.09%	1.20%	3.59	5.85%
Shasta County	3.74%	1.59%	5.33	7.57%
Tehama County*	5.23%	1.05%	6.07	8.33%
Glenn County*	2.09%	1.00%	4.08	5.45%
Colusa County*	<u>4.66%</u>	<u>0.67%</u>	<u>8.88</u>	<u>10.85%</u>
Total Northern California Region	3.99%	1.29%	4.71	6.91%
NON-METROPOLITAN AREAS				
Northern California Non-metropolitan Region				
Del Norte County*	8.90%	2.83%	7.50	12.14%
Humboldt County*	4.97%	1.26%	6.58	9.22%
Mendocino County*	5.33%	1.18%	7.00	9.60%
Lake County*	6.40%	3.92%	24.30	27.82%
Siskiyou County*	7.65%	2.18%	10.46	14.08%
Modoc County*	8.07%	3.62%	16.37	20.57%
Trinity County*	10.01%	2.55%	28.06	31.62%
Lassen County*	10.59%	1.69%	13.55	17.52%
Plumas County*	7.62%	2.18%	29.12	31.96%
Sierra County*	12.42%	1.66%	35.04	38.32%
Nevada County*	<u>5.69%</u>	<u>1.82%</u>	<u>15.24</u>	<u>17.65%</u>
Total Northern California Non-metropolitan Region	6.31%	2.01%	13.71	16.74%
Central-Southern California Region				
Amador County*	5.31%	1.90%	15.58	17.92%
Alpine County*	55.14%	2.27%	47.54	65.88%
Calaveras County*	6.20%	3.58%	31.05	33.96%
Tuolumne County*	5.73%	2.27%	26.22	28.66%
Mariposa County*	14.48%	2.07%	22.38	27.22%
Mono County*	37.56%	5.12%	51.07	62.86%
Inyo County*	<u>4.78%</u>	<u>3.26%</u>	<u>9.76</u>	<u>13.17%</u>
Total Central-Southern California Region	12.50%	2.75%	27.11	31.37%
All Metropolitan Areas	6.05%	1.96%	3.06	6.78%
*Non-Metropolitan Areas	6.76%	1.99%	14.09	17.30%
Total State	6.07%	1.96%	3.48	7.17%

Source: 1990 Census, STF 3A

Finally, in the Sacramento Region, overall vacancies in Placer and El Dorado counties were over twice region-wide averages (17.7 and 23.8 percent respectively), while Sutter, Yolo and Sacramento counties were significantly below region-wide averages (4.4, 3.8 and 5.5 percent respectively).

Thus, while regional overall vacancy rates varied significantly, these overall figures mask significant variation within the counties within the regions. Individual county estimates were often between two and three times that of regional totals. Notwithstanding this variation, the State entered the decade with lower overall vacancies in the Bay Area (particularly Santa Clara County) and low overall rates in the San Diego, Central Valley and Northern California regions – between 1/2 and 1 percent below statewide averages. On the other hand, non-metropolitan areas were almost uniformly at least twice as high as statewide averages (and up to nearly 10 times greater). Finally, in both the Greater Los Angeles and Sacramento regions, rates in surrounding suburban counties were generally significantly higher than statewide averages while the key urban counties had relatively lower overall vacancy rates.

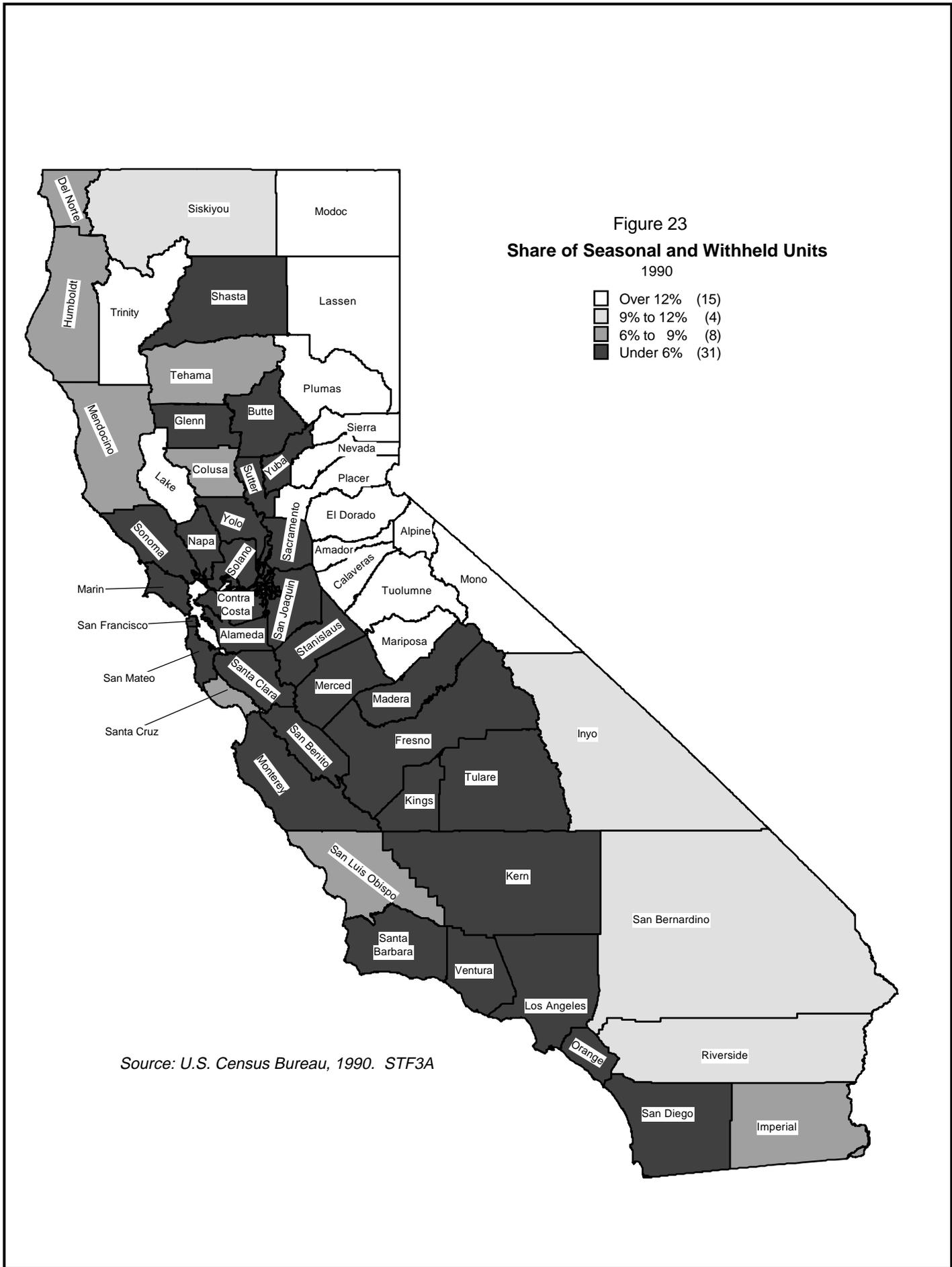
Variations in Vacancy by Tenure

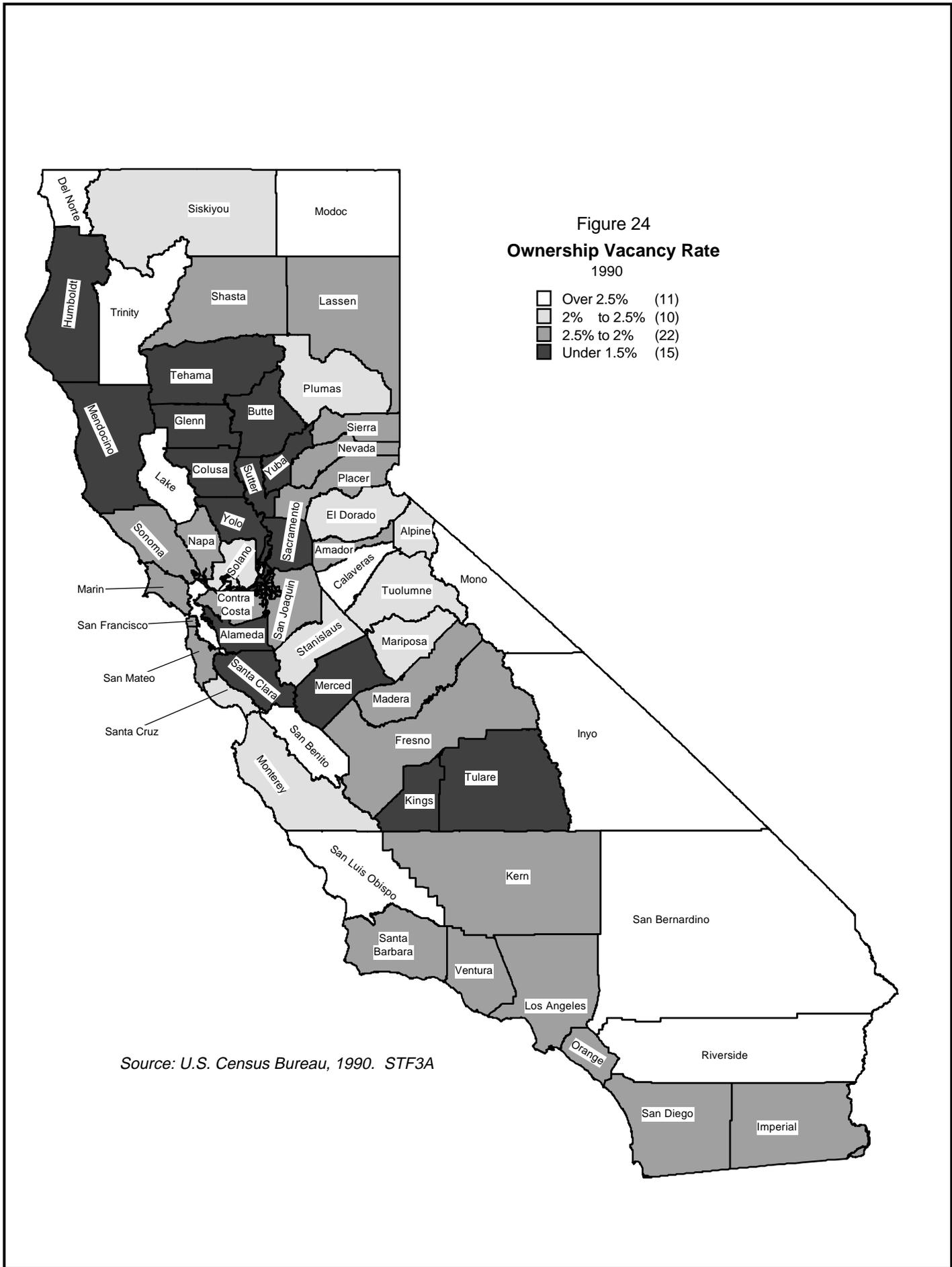
Overall vacancy rates provide an indication of the amount of unoccupied housing stock. However, they do not provide detail on the underlying nature of these vacant units. In reality, units may be vacant because they are available for rent or sale, or they may be vacant but unavailable due to their status as second-homes or other seasonally occupied housing units.

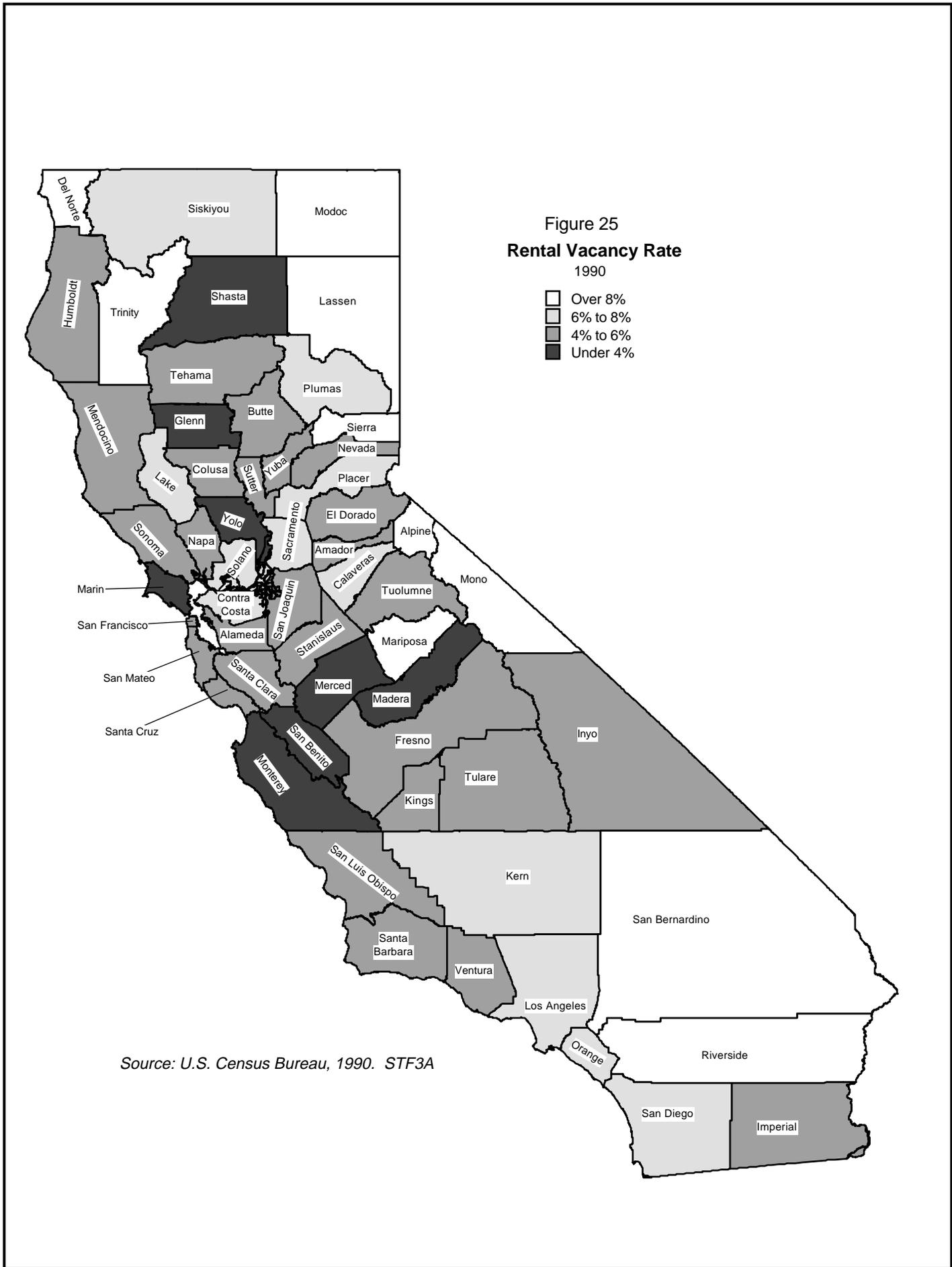
When housing stock is adjusted by the potential for occupancy by households, vacancy variations within the State are magnified. For example, while about 3.5 percent of State housing was withheld from the market, housing markets within individual counties varied extensively – from almost none in San Benito County to over one-half of the total housing stock in Mono County (see Figure 23 and Table 14). Second-homes and other units withheld from the market were generally a more significant portion of the stock in the non-metropolitan regions, accounting for about 14 percent of overall stock versus 3 percent in metropolitan areas. In general, overall vacancies in the eastern portion of the State were more likely to be influenced by seasonal vacancies (particularly second-homes), with lesser impacts in San Luis Obispo and the Northern Coastal areas. Further, with the exception of areas with strong second-home markets in the mountain areas, the entire Central Valley Area (including the Central Valley and Sacramento regions) experienced relatively low shares of units that are withheld from the market. In addition, in the Greater Los Angeles and Bay Area regions, with the exception of the San Bernardino/Riverside Area, units withheld from the market were consistently a low proportion of aggregate housing stock, as was true in the San Diego Region.

Once units withheld from the market are eliminated from the vacancy calculations, and vacant units are characterized by the tenure of prospective residents, underlying vacancy rates are generally significantly less. For instance, owner vacancies in 1990 averaged slightly under 2 percent in California (1.96 percent), generally considered a “reasonable” vacancy rate (see Figure 24). However, these rates varied significantly by region. In particular, rates were extremely low throughout the Northern California, Sacramento, Bay Area and Central Valley regions, while the ownership vacancy rate in the Greater Los Angeles Region was relatively high, driven particularly by high ownership vacancies in the Riverside/San Bernardino Area.

While the overall rental vacancy rate for the State was about 6 percent in 1990, rental vacancy rates also varied significantly (see Figure 25). Again, several regions in the State had relatively low rental vacancy rates, particularly counties in the Central Valley, Central Coast and the Bay Area, all with







Source: U.S. Census Bureau, 1990. STF3A

average vacancy rates below 6 percent. In the Bay Area Region, Santa Clara, San Mateo, Napa and Marin counties all experienced rental vacancy rates below 5 percent. In the Central Valley Region, Stockton-Lodi, Modesto, Merced and the Visalia-Tulare-Porterville areas experienced vacancies below 5 percent. In addition, vacancies were relatively low throughout the Central Coast and Northern California regions. However, in the Greater Los Angeles Region, overall rental vacancy rates were relatively high, particularly in the Riverside/San Bernardino Area, and to a lesser extent in Los Angeles and Orange counties. The Sacramento and the San Diego regions had average rental vacancies slightly over 6 percent, though both Sacramento and Placer counties had rental vacancies of about 7 percent. Finally, rental vacancies in the non-metropolitan regions of the State were relatively high, particularly in the Central-Southern California Region (averaging 12.5 percent rental vacancies), and to a lesser degree, the Northern California Non-metropolitan Region (although four counties had rental vacancy rates below statewide averages, vacancies in three counties were above 10 percent).

Thus, entering the decade, both owner and rental vacancy rates for the Bay Area and Northern California regions were consistently low, while the Greater Los Angeles Region generally experienced vacancy rates slightly above statewide rates. Central Valley Region rates were generally below State averages, while the Central Coast Region experienced higher ownership vacancies but rental vacancies below State average. In general the Northern California Non-metropolitan Region and Central Southern California regions had markets with rental vacancy rates significantly above the statewide average.

Post 1990 Vacancy Estimates

Information on overall vacancy levels is not consistently available for areas within California after the Census. Though estimates of rental vacancy rates are available for several metropolitan areas of the State (prepared by both public and private data sources), these data are divergent (see Table 15). The US Census Bureau (through the Housing Vacancy Survey) estimates that overall rental vacancy levels in California declined in the 1995 to 1997 period, though they continued to remain higher than 1990 levels.

Available evidence suggests that vacancy levels within metropolitan areas have declined since the turn of the decade.⁹ Alternative sources consistently place estimates for the Bay Area Region housing market below 5 percent in 1997, with both San Francisco and San Jose rental vacancy rates well below 4 percent since 1995. In addition, the Sacramento market had a rental vacancy rate that was about 6 percent in 1997. Moreover, the rental vacancy estimate for the San Diego area declined since the middle of the decade, reaching 5 percent (or less) by 1997. In the Southern California region, rental vacancy levels in Los Angeles County have fallen below 1990 levels, reaching slightly over 6 percent in 1997. In Orange County, vacancy rates appear to have fallen since the mid-1990s to 1997, falling below 5 percent. In the San Bernardino/Riverside Area rental vacancies were consistently reported at 8 percent or more in 1997.

There is broad agreement on two points; rental vacancy rates are relatively low within the Bay Area and relatively higher in the Greater Los Angeles Region, particularly in the San Bernardino/Riverside Area. Most other metropolitan areas including San Diego and Sacramento fall between these two extremes.

Table 15
Estimated Rental Vacancy Rates for US, California and Key California Metropolitan Areas by Alternative Sources
 1990 to 1997

	1990	1991	1992	1993	1994	1995	1996	1997
Merrill Lynch/RealFacts								
Los Angeles	10.1%	9.7%	9.4%	8.9%	7.2%	6.5%	6.4%	6.2%
San Bernardino-Riverside	7.9%	7.2%	6.9%	6.1%	5.6%	6.1%	6.8%	8.0%
Orange County	7.9%	7.2%	6.9%	6.1%	5.6%	5.9%	5.1%	4.7%
Oakland	4.3%	3.6%	4.6%	5.1%	4.9%	4.1%	3.5%	4.4%
San Francisco	6.2%	3.6%	3.6%	3.8%	3.2%	2.1%	2.6%	3.3%
San Jose	4.1%	3.4%	3.7%	3.8%	3.5%	1.5%	2.3%	3.5%
San Diego	9.3%	8.5%	8.0%	7.7%	5.9%	5.1%	5.1%	4.5%
Sacramento	8.0%	7.3%	6.9%	6.9%	7.4%	5.9%	6.1%	6.4%
US Census								
US Average	7.2%	7.4%	7.4%	7.3%	7.4%	7.6%	7.8%	7.7%
California	6.0%	6.2%	7.5%	8.2%	7.9%	8.5%	7.2%	6.5%
American Housing Survey								
Los Angeles						7.8%		
Anaheim					9.1%			
San Bernardino-Riverside					17.4%			
Oakland				9.5%				
San Francisco				6.0%				
San Jose				5.0%				
San Diego					11.7%			
Sacramento							10.2%	

SOURCE: US Census, STF3A; US Census Bureau, Housing Vacancy Survey, Annual Statistics, 1997
 Merrill Lynch, California Apartment Markets, 1997, American Housing Survey, various years.

Public information on Central Valley Region rental vacancies is generally not available for rental vacancy rates. Private data sources¹⁰ report information on vacancy levels for investment grade rental projects in about half of counties in the State (see Table 16). These estimates are generally biased, in that they tend to reflect professionally managed properties where underlying occupancy rates will tend to only loosely reflect underlying vacancy dynamics in individual markets. For this reason, these estimates should not be taken to indicate marketwide vacancy rates, but they do offer insight into the relative condition of rental markets throughout these areas. Nonetheless, reported occupancy rates tend to confirm the presence of relatively low rental vacancies throughout the Bay Area, with progressively lower occupancy levels along the Central Coast, San Diego, Sacramento, the Greater Los Angeles regions, and finally the counties within the Central Valley Region, respectively.

Residential Construction vs. Household Growth

To gauge the vitality of housing markets throughout the State, the relative balance between housing construction (excluding new manufactured home sales) and household change in individual counties can be assessed. Since the relative balance between household and unit growth influences housing markets, these estimates are indicative of the changing balance within individual housing markets, though it is necessary to adjust this analysis to account for relative vacancy levels for these markets at the beginning of the decade. Statewide, the underlying ratio of household growth to total building permits from 1990 to 1997 was .83 (see Figure 26) – in other words, for every 100 households that were attracted to the area, there were only 83 housing permits. These estimates do not include manufactured home placements, thus underestimating total housing activity (particularly for areas with high manufactured home placements). Manufactured homes account for an additional 7 units per 100 households statewide during this same period.

Variations in this underlying ratio give an indication of the relative balance of housing supply and demand in individual counties in the State. Figure 26 illustrates four alternative conditions for counties – low vacancy levels entering the decade with relatively low or high permits in relation to household growth during the current decade, and relatively high vacancy levels entering the decade with alternative permit levels in relation to household growth during the current decade.

- Those counties on the bottom left-hand side of the Figure (low entering vacancy levels and relatively low permits in relation to households) reflect those locations with potentially the “tightest” housing markets. Thus, based on this assessment, overall market conditions in Orange, Ventura and Los Angeles counties in the Greater Los Angeles Region, San Diego, San Mateo, Alameda and Contra Costa counties in the Bay Area, Sutter, San Benito and Stanislaus counties all are projected to have reduced overall vacancy levels during the decade. To a lesser degree, Santa Clara, Butte, and Santa Barbara counties continue to have relatively tight housing markets.
- Those areas in the upper left quadrant of the Figure had relatively low overall vacancy, but had permit activities that, to varying degrees, were adequate to respond to household growth.

Table 16
Average Vacancy Rates for Institutional Apartment Complexes
 Various Counties, 1990 to 1997

County	Average Vacancy Rate for Reported Apartment Complexes										Data Included in Estimate	
	1990	1991	1992	1993	1994	1995	1996	Projects	Total Units	Minimum Size		
Alameda	3.9%	3.4%	3.9%	4.6%	4.7%	3.5%	3.0%	326	42,482	40+		
Santa Clara	3.9%	3.4%	3.7%	3.8%	3.5%	1.5%	2.3%	457	67,335	40+		
Marin	4.5%	3.5%	3.1%	3.8%	2.6%	2.6%	4.5%	379	5,576	40+		
San Francisco	8.1%	5.7%	5.5%	4.5%	3.9%	2.4%	2.4%	33	13,903	40+		
Napa	4.8%	3.5%	3.5%	4.5%	4.0%	0.8%	2.7%	11	1,329	40+		
Ventura	na	na	na	na	3.1%	4.5%	3.9%	64	14,027	100+		
San Mateo	2.5%	2.7%	3.1%	3.5%	3.1%	2.0%	2.0%	124	20,267	40+		
Contra Costa	4.3%	3.9%	4.5%	5.2%	5.3%	5.1%	4.3%	201	29,182	75+		
Santa Barbara	na	na	na	na	na	na	2.3%	26	4,225	100+		
Sonoma	7.9%	5.1%	3.3%	4.3%	4.9%	3.1%	2.9%	47	7,034	40+		
Monterey	na	na	na	9.3%	8.7%	3.1%	4.3%	23	3,241	40+		
Placer	na	na	6.9%	3.7%	4.5%	3.2%	4.8%	18	3,645	75+		
Orange	na	na	7.4%	6.1%	5.8%	5.9%	5.1%	460	106,545	100+		
Yolo	na	na	na	10.0%	15.5%	4.9%	4.7%	20	2,639	75+		
Los Angeles	na	na	7.1%	6.9%	7.1%	6.5%	6.4%	379	87,350	100+		
San Diego	na	na	na	na	6.1%	5.1%	5.1%	413	85,493	100+		
San Joaquin	na	na	na	7.2%	6.1%	5.6%	5.4%	37	6,420	75+		
Sacramento	na	na	6.9%	7.0%	7.2%	6.0%	6.4%	247	48,726	75+		
San Bernardino	na	na	7.3%	6.5%	5.7%	5.2%	6.9%	133	31,707	100+		
Stanislaus	na	na	na	8.0%	7.4%	5.3%	6.0%	41	6,685	75+		
Riverside	na	na	8.4%	7.8%	7.4%	6.5%	6.6%	105	23,583	100+		
Solano	6.8%	6.1%	4.1%	5.1%	5.8%	5.0%	6.2%	63	9,147	40+		
Fresno	na	na	na	7.6%	6.9%	8.4%	8.3%	35	5,856	75+		
Merced	na	na	na	8.3%	7.7%	8.6%	12.7%	12	1,522	75+		
Santa Cruz	na	na	na	3.9%	na	na	na	10	1,178	40+		

Source: RealFacts, 1998.

- Those counties on the right hand side of the figure had relatively high overall vacancies entering the decade. For those areas in the upper right-hand quadrant, overall market conditions should be “looser,” since the number of permits is generally more than adequate to accommodate new household growth.
- Finally, for those areas in the bottom right-hand corner of the Figure, the overall vacancy rate was high at the beginning of the decade, and it is not clear how much underlying vacancy levels tightened (since permit levels were not sufficient to produce enough units to meet the household growth during the decade).

In general, this analysis indicates a relative tightening of the housing markets through much of the Bay Area, increasing tightness in the Los Angeles and San Diego areas, as well as the portions of the Central Valley Region. Non-metropolitan areas within the State continue to have high overall vacancy levels. The Sacramento and Central Valley regions generally lie somewhere between these extremes, tending to more closely approximate overall statewide response during the decade. If the ratio of household change to building permits is compared to population change, results generally remain consistent with the prior analysis (see Figure 27).

Two important factors could impact this analysis. This analysis does not account for the correspondence of housing structure type with the needs of households. The underlying demand for multifamily vs. single-family units is influenced by demographic, income and dominant housing characteristics within individual counties, outside the scope of this analysis. However, by comparing the relative concentration of multifamily housing in 1990 to overall permit activities, it is possible to assess the relative nature of permit activity in relation to existing patterns in individual counties (see Figure 28).

- Those areas below the line of equality experienced lower levels of multifamily activities during the decade.
- Those areas above this line had relatively greater concentration of multifamily construction during the decade.

Throughout much of the State, multifamily activities have been significantly below that implied by the underlying composition within counties at the beginning of the decade.

Available evidence on vacancy levels is in broad agreement with other indicators of market conditions within the State – all revealing a relatively tight Bay Area housing market, tightening housing market conditions in the Greater Los Angeles and San Diego regions’ markets, and relatively high vacancy rates that persist throughout most of the Central Valley, Northern California regions. In addition, they point to generally high vacancy rates throughout the non-metropolitan areas of the State.

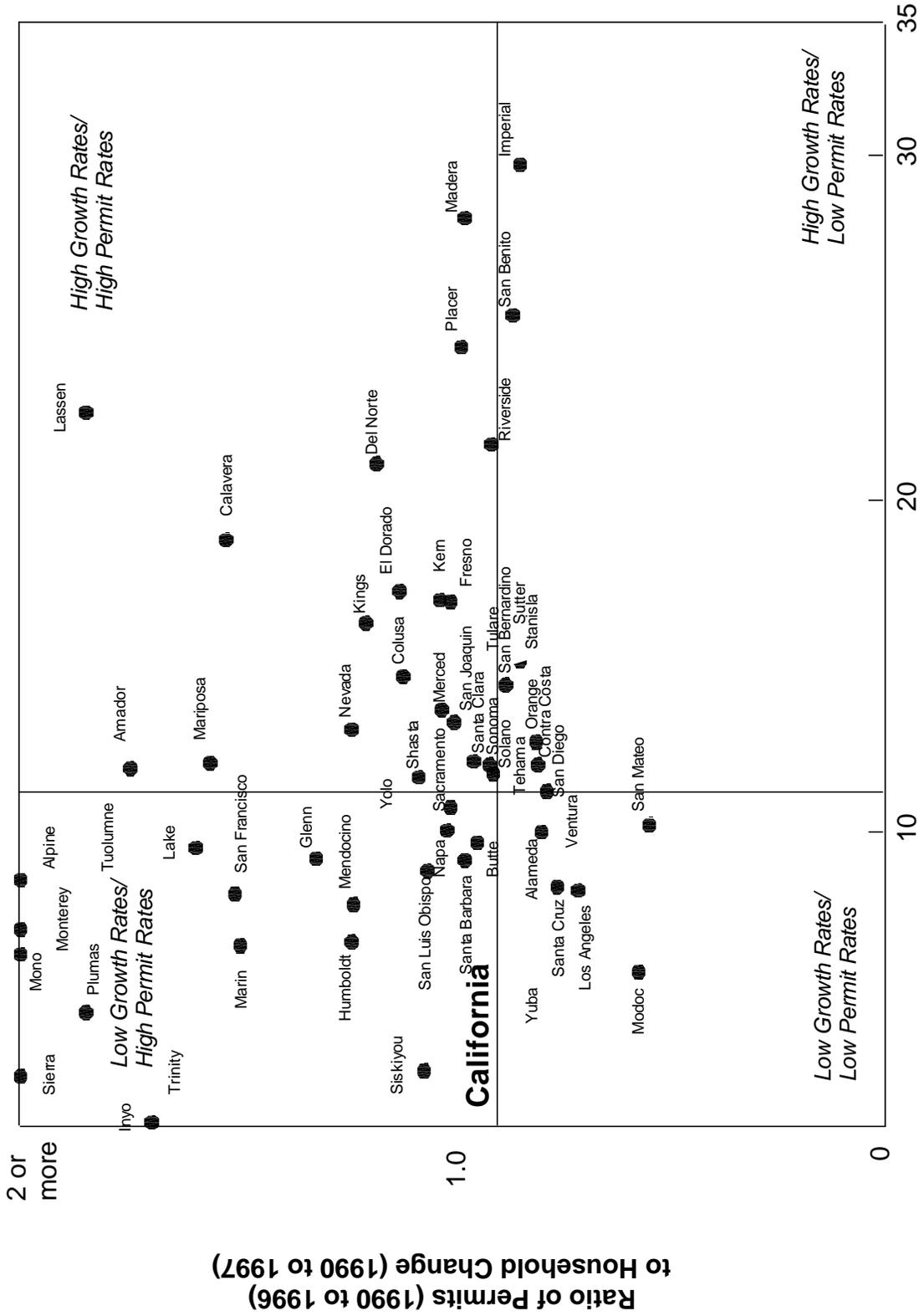
Price Movements for Ownership Housing

Housing prices within the State have been influenced by economic conditions in the State.¹¹ Overall, median nominal new home prices rose about 7 percent through the decade, rising from about \$182,000 at the turn of the decade to nearly \$220,000 by November, 1997 (see Figure 29). In contrast, median sales prices for existing homes declined by about 1.6 percent during the January 1990 to November 1997 period (\$188,000 and \$183,000 respectively).

Figure 27

Population vs. Permit Activities In California Counties (1990 to 1997)

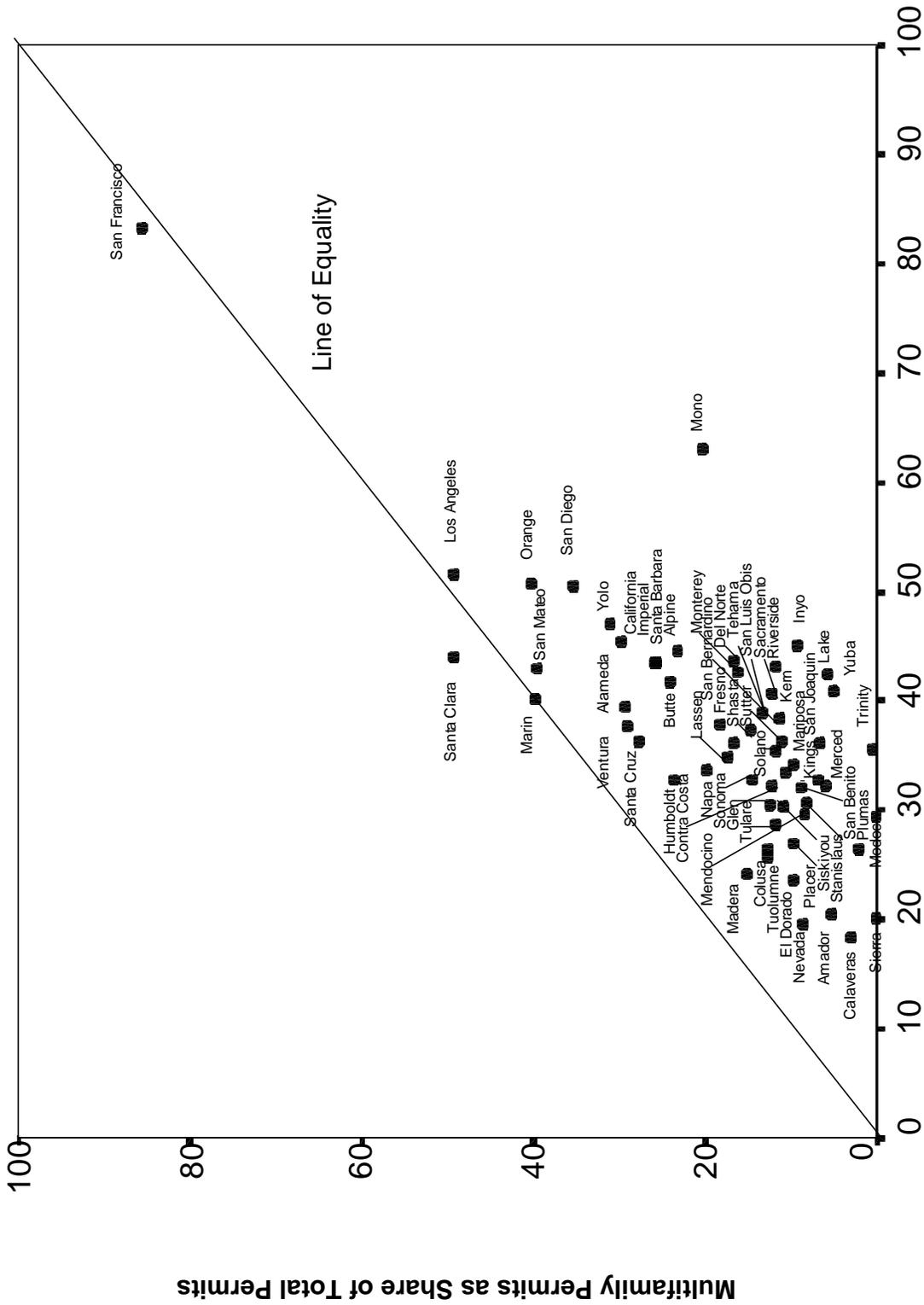
Permits include Building Permits adjusted by demolitions plus manufactured homes.



Percentage Change in Population 1990 to 1997

Source: U.S. Census, Building Permits; California Department of Finance

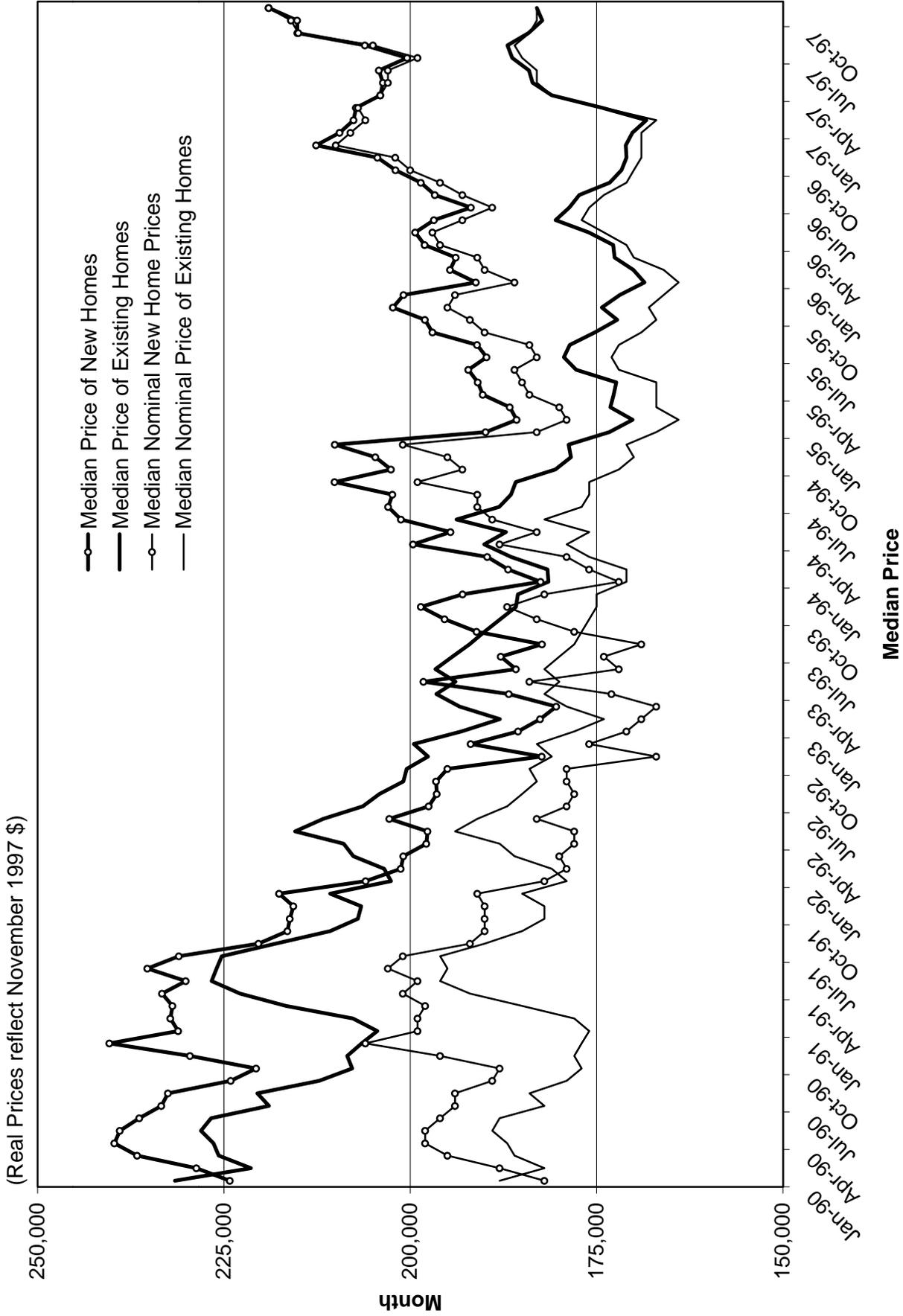
Figure 28
Multifamily Permit Activity as Share of Total Permit Activity (1990 to 1996)
 vs. 1990 Multifamily as Share of Total Units



1990 Multifamily as Share of Total Units

Source: 1990 U.S. Census, SFT3a; Building Permit Activities.

Figure 29
Median Real New And Existing Home Prices in California
 1990 to 1997



NOTE: Home Prices Adjusted by CPI for Urban Wage and Clerical Workers, Less Shelter for Los Angeles (1982=1984=100), adjusted to November 1997.
 Source: DataQuik

However, these averages mask variation within the decade. Throughout the early part of the decade, prices for both new and existing home resale prices were depressed, down by nearly 3 percent through 1993. Since 1993, existing home prices have recovered lost ground, while new home prices have increased significantly. Further, while the number of existing home sales has returned to 1990 levels by the end of 1997, new home sales remain about 26 percent less than 1990 levels (although it appears that recent home sales appear to have picked up significantly in the 1998 period).

The level of sales activities in individual counties within the State varied significantly between 1990 and 1997 activity (see Table 17 and Table 18).

- New home sales in 1997 throughout most of the Greater Los Angeles Region remained between 35 and 45 percent of 1990 levels (except in Ventura County, where new home sales increased by about 68 percent), while existing home sales were also down by between 6 and 17 percent (except in Orange and Ventura counties, where the number of transactions increased by about 10 percent).
- In the Bay Area Region, sale transactions for both new and existing homes rose through much of the Region, though outlying areas (particularly Sonoma, Solano and Napa counties) lagged significantly.
- In the Sacramento Region, transactions for existing housing at the end of 1997 remained far below 1990 levels, while transactions for new homes increased in outlying areas (although from a small base in 1990).
- In the Central Valley Region, only Kern and San Joaquin had returned to 1990 new home sales levels by late 1997, though existing home sales remained uniformly below 1990 levels throughout the Central Valley. Finally, in San Diego County, 1997 sales activities (both new homes and resales of existing homes) were about 10 percent under 1990 levels.

While overall nominal prices in the State were relatively stagnant within the State, the relative health of local markets varied. Thus, while the number of transactions in the Greater Los Angeles Region remained below 1990 levels, nominal prices for new construction increased in both Orange and Los Angeles counties between 1990 and 1997 (1.7 and 9.6 percent respectively). All other areas experienced a decline in nominal prices for existing homes. New home prices in the Region were uniformly below 1990 levels. Further, when prices are adjusted for inflation, real prices for existing and new homes remained between 10 and 30 percent below 1990 levels. However, the Greater Los Angeles Region was not alone in this decline – with two exceptions, real prices declined throughout the State in the 1990 to 1997 period (these exceptions include new home prices in both San Francisco and Fresno counties).

During 1997, real prices rose through much of the State (see Table 19 and Table 20). Overall, the inflation-adjusted median prices for new homes and resales in the State increased by 4.2 and 5.1 percent respectively. In particular, prices rose significantly throughout most of the Bay Area – in Santa Clara, San Mateo and San Francisco counties, after adjusting for inflation, median existing home prices rose by 10, 7.3 and 7.5 percent, respectively. New home prices in San Francisco and San Mateo rose to the greatest extent in the State (42.1 and 19.6 percent respectively), though only four counties in the Region experienced a decline in real prices for new homes and only Solano County experienced a decline in resale prices. Similarly, in the Greater Los Angeles Region, median

Table 17
Annual Resale Transactions in Selected California Counties
 1990 to 1997

	1990	1991	1992	1993	1994	1995	1996	1997	1990 to 1996 to 1997		1990 to 1997	
									1993	1997	1997	
Los Angeles	68,362	55,482	51,107	55,995	64,106	59,210	64,859	63,770	-18.1	-0.5	-1.7	-6.7
Orange County	22,459	18,330	17,605	21,247	23,965	19,759	23,740	24,896	-5.4	3.9	4.9	10.9
Riverside	20,367	10,851	10,690	12,318	14,990	14,678	17,441	16,855	-39.5	12.4	-3.4	-17.2
San Bernardino	21,560	15,313	14,656	15,658	16,090	16,471	18,924	18,448	-27.4	14.7	-2.5	-14.4
Ventura	6,307	5,955	6,284	7,092	7,247	6,215	6,679	6,912	12.4	-4.6	3.5	9.6
San Francisco	2,991	3,203	3,445	3,185	3,469	3,090	3,687	3,694	6.5	6.5	0.2	23.5
Marin	3,205	3,075	2,955	2,755	2,742	2,305	2,738	3,198	-14.0	16.6	16.8	-0.2
San Mateo	5,039	5,307	5,947	5,627	6,105	4,980	6,556	6,397	11.7	4.8	-2.4	26.9
Alameda	10,419	10,416	11,135	10,155	10,988	9,582	11,093	11,650	-2.5	6.0	5.0	11.8
Contra Costa	8,486	8,624	9,676	9,153	9,792	8,607	9,811	10,630	7.9	8.6	8.3	25.3
Santa Clara	11,953	12,691	12,727	12,287	13,741	12,390	14,848	14,254	2.8	3.7	-4.0	19.3
Sonoma	5,529	4,562	4,861	4,700	4,748	4,121	4,804	5,033	-15.0	6.0	4.8	-9.0
Solano	5,470	4,022	4,220	4,198	4,148	3,303	3,867	3,900	-23.3	-6.0	0.9	-28.7
Napa	1,265	869	937	860	873	784	876	1,009	-32.0	15.6	15.2	-20.2
Sacramento	17,049	10,691	10,910	11,502	10,908	9,606	11,557	12,407	-32.5	13.7	7.4	-27.2
El Dorado	2,543	1,843	1,796	1,780	1,863	1,584	1,812	1,744	-30.0	-6.4	-3.8	-31.4
Placer	4,015	2,639	3,054	3,320	2,994	2,630	3,034	3,081	-17.3	2.9	1.5	-23.3
Fresno	7,884	6,917	7,102	7,209	6,071	5,322	5,463	5,117	-8.6	-15.7	-6.3	-35.1
Madera	885	685	862	915	845	744	812	799	3.4	-5.4	-1.6	-9.7
Kern	5,520	5,031	5,136	5,876	5,497	5,239	5,856	5,169	6.4	-6.0	-11.7	-6.4
San Joaquin	5,050	4,182	4,094	4,441	3,992	3,472	4,010	3,872	-12.1	-3.0	-3.4	-23.3
Stanislaus	4,049	3,081	3,490	4,009	3,640	3,256	3,716	3,340	-1.0	-8.2	-10.1	-17.5
San Diego	24,437	18,101	18,789	21,493	21,363	18,006	21,403	22,097	-12.0	3.4	3.2	-9.6
Statewide	264,844	211,870	211,478	225,775	240,177	215,352	254,569	269,768	-14.8	12.3	6.0	1.9

Source: DataQuik, 1998

Table 18
New Construction Transactions in Selected California Counties
 1990 to 1997

	Total Annual Sales of New Construction										Change in Purchase Activities					
	1990	1991	1992	1993	1994	1995	1996	1997	1990 to 1993	1994 to 1997	1996 to 1997	1990 to 1997				
Los Angeles	7,846	8,892	6,395	3,520	5,044	4,398	4,757	4,712	-36%	-7%	-1%	-40%				
Orange County	8,078	6,257	4,599	4,033	6,723	6,069	6,473	5,289	-17%	-21%	-18%	-35%				
Riverside	9,659	5,014	5,054	3,479	5,741	4,738	5,853	5,388	-41%	-6%	-8%	-44%				
San Bernardino	5,290	5,701	4,284	2,809	4,112	3,161	3,381	3,241	-22%	-21%	-4%	-39%				
Ventura	1,105	1,228	945	847	1,705	1,582	2,048	1,860	54%	9%	-9%	68%				
San Francisco	338	394	386	223	294	246	418	383	-13%	30%	-8%	13%				
Marin	150	137	40	44	64	44	88	154	-57%	141%	75%	3%				
San Mateo	379	288	190	203	288	577	695	759	-24%	164%	9%	100%				
Alameda	2,302	2,192	1,198	887	1,816	1,764	2,440	3,213	-21%	77%	32%	40%				
Contra Costa	3,425	3,048	2,376	1,816	3,112	2,836	3,193	2,775	-9%	-11%	-13%	-19%				
Santa Clara	1,592	1,645	1,367	1,261	2,236	1,910	2,880	3,268	40%	46%	13%	105%				
Sonoma	1,717	1,197	761	540	1,169	827	679	751	-32%	-36%	11%	-56%				
Solano	2,152	1,325	959	666	1,364	1,045	1,072	1,050	-37%	-23%	-2%	-51%				
Napa	311	265	198	97	150	193	245	122	-52%	-18%	-50%	-61%				
Sacramento	8,102	3,906	3,476	2,707	2,135	2,502	2,923	2,908	-74%	36%	-1%	-64%				
El Dorado	138	148	182	99	89	186	316	403	-36%	353%	28%	192%				
Placer	1,185	824	656	606	700	1,301	1,755	2,078	-41%	197%	18%	75%				
Fresno	2,007	1,653	1,853	1,817	615	1,221	1,014	1,449	-69%	136%	43%	-28%				
Madera	145	155	82	35	48	81	92	89	-67%	85%	-3%	-39%				
Kern	831	662	1,038	838	666	1,230	1,630	1,228	-20%	84%	-25%	48%				
San Joaquin	1,235	1,388	965	697	651	1,184	1,548	1,419	-47%	118%	-8%	15%				
Stanislaus	2,018	1,776	1,540	623	618	758	935	726	-69%	17%	-22%	-64%				
San Diego	6,383	5,091	5,123	3,761	5,505	4,590	5,512	5,704	-14%	4%	3%	-11%				
Statewide	72,155	57,805	47,458	34,351	48,738	46,127	54,287	53,079	-32%	9%	-2%	-26%				

Source: DataQuik, 1998

Table 19
Average Annual Resale Prices for Selected Counties in California
1990 to 1997

(All values expressed in November, 1997 \$)	Average Inflation Adjusted Price ¹										Inflation Adjusted Changes in Price ¹						Nominal Changes in Price					
	1990	1991	1992	1993	1994	1995	1996	1997	1990 to 1993	1994 to 1997	1996 to 1997	1990 to 1997	1990 to 1993	1994 to 1997	1996 to 1997	1990 to 1997						
	241,159	232,684	216,099	196,678	184,242	171,101	167,993	172,810	-18.4	-6.2	2.9	-28.3	-8.9	-1.0	4.2	-14.2						
Los Angeles	281,545	263,695	247,385	231,291	220,719	207,703	205,015	213,401	-17.8	-3.3	4.1	-24.2	-8.3	2.0	5.4	-9.3						
Orange County	159,438	151,190	144,677	139,939	133,698	125,836	123,014	124,882	-12.2	-6.6	1.5	-21.7	-1.9	-1.5	2.8	-6.1						
Riverside	150,213	148,737	142,659	137,699	131,808	123,504	119,622	119,632	-8.3	-9.2	0.0	-20.4	2.3	-4.3	1.3	-4.7						
San Bernardino	275,556	251,686	234,535	219,542	207,110	199,242	199,575	210,326	-20.3	1.6	5.4	-23.7	-11.1	7.2	6.7	-8.6						
Ventura	335,995	320,017	300,239	282,169	281,944	271,291	274,944	295,486	-16.0	4.8	7.5	-12.1	-7.4	11.2	9.5	4.2						
San Francisco	395,019	350,013	339,318	333,935	346,430	349,361	339,494	356,965	-15.5	3.0	5.1	-9.6	-6.6	9.3	7.0	7.2						
Marin	350,948	339,158	318,493	301,650	308,818	299,217	305,083	327,465	-14.0	6.0	7.3	-6.7	-5.2	12.5	9.3	10.6						
San Mateo	280,399	247,582	234,327	222,577	215,860	208,538	211,697	221,344	-20.6	2.5	4.6	-21.1	-12.4	8.8	6.5	-6.4						
Alameda	265,862	248,434	245,884	230,423	227,548	213,739	211,550	220,138	-13.3	-3.3	4.1	-17.2	-4.2	2.7	6.0	-1.7						
Contra Costa	309,200	292,496	277,305	266,395	262,803	261,612	270,391	299,140	-13.8	13.8	10.6	-3.3	-4.9	20.8	12.6	14.7						
Santa Clara	235,388	217,013	208,165	207,132	201,962	197,665	195,080	202,020	-12.0	0.0	3.6	-14.2	-2.8	6.2	5.5	1.8						
Sonoma	175,121	169,921	166,736	162,228	158,975	150,701	144,099	141,823	-7.4	-10.8	-1.6	-19.0	2.3	-5.3	0.2	-3.9						
Solano	248,623	204,073	200,935	191,121	189,319	177,514	172,628	182,035	-23.1	-3.8	5.4	-26.8	-15.0	2.1	7.5	-13.0						
Napa	154,063	151,943	146,596	137,302	126,673	117,521	112,822	110,403	-10.9	-12.8	-2.1	-28.3	-0.4	-8.0	-0.9	-14.2						
Sacramento	160,005	165,662	162,071	156,919	153,929	142,560	141,548	147,952	-1.9	-3.9	4.5	-7.5	9.6	1.5	5.8	10.7						
El Dorado	198,766	194,662	185,444	177,402	170,396	164,149	162,025	166,203	-10.7	-2.5	2.6	-16.4	-0.2	2.9	3.8	0.2						
Placer	99,348	101,726	107,977	101,239	94,865	90,616	88,565	86,909	1.9	-8.4	-1.9	-12.5	13.4	-3.3	-0.7	4.4						
Fresno	101,555	105,370	117,962	103,629	103,073	98,343	96,825	97,356	2.0	-5.5	0.5	-4.1	13.6	-0.3	1.8	14.5						
Madera	100,377	102,319	104,249	94,343	87,747	83,414	81,711	80,659	-6.0	-8.1	-1.3	-19.6	4.8	-3.0	-0.1	-4.0						
Kern	148,051	147,512	146,372	137,166	127,501	119,998	116,425	118,081	-7.4	-7.4	1.4	-20.2	3.3	-2.2	2.7	-4.6						
San Joaquin	136,598	133,038	128,775	119,311	112,632	106,648	102,612	101,070	-12.7	-10.3	-1.5	-26.0	-2.4	-5.3	-0.3	-11.4						
Stanislaus	215,561	207,420	196,172	188,389	182,422	173,230	173,117	179,545	-12.6	-1.6	3.7	-16.7	-2.3	3.9	5.0	-0.2						
San Diego	220,482	216,735	205,125	191,475	185,484	174,538	173,948	181,258	-13.2	-2.3	4.2	-17.8	-3.0	3.1	5.5	-1.6						
Statewide																						

Note: 1. Annual Averages based on weighted average of median prices on a monthly basis in each area.
Prices adjusted based on CPI for Urban Wage Earners and Clerical Workers, Los Angeles and San Francisco Areas (1982-84=100), adjusted to November, 1997 \$.

Source: DataQuik, 1998

Table 20
Average Annual New Construction Prices in Selected California Counties
 1990 to 1997

(All values expressed in November, 1997 \$)	Average Inflation Adjusted Prices ¹										Inflation Adjusted Price Changes ¹					Nominal Price Changes				
	1990	1991	1992	1993	1994	1995	1996	1997	1990 to 1993	1994 to 1997	1996 to 1997	1990 to 1993	1994 to 1997	1996 to 1997	1990 to 1993	1994 to 1997	1996 to 1997			
	Los Angeles	250,114	220,379	184,444	172,377	175,900	185,854	211,836	228,162	-31.1	29.7	7.7	-8.8	-20.6	38.1	-2.6	38.1	9.3	9.6	
Orange County	284,358	279,163	253,320	248,792	229,807	229,774	229,042	240,890	-12.5	4.8	5.2	-15.3	-0.5	2.2	-0.5	2.2	6.3	1.7		
Riverside	192,171	182,639	158,499	147,501	150,183	144,518	149,849	152,755	-23.2	1.7	1.9	-20.5	-13.0	9.4	-13.0	9.4	3.1	-4.8		
San Bernardino	193,336	201,992	169,917	155,683	153,636	147,246	148,469	157,921	-19.5	2.8	6.4	-18.3	-9.4	8.6	-9.4	8.6	7.5	-1.6		
Ventura	340,320	307,491	281,087	250,116	266,570	246,857	243,337	251,186	-26.5	-5.8	3.2	-26.2	-17.2	6.9	-17.2	6.9	3.6	-11.4		
San Francisco	263,624	254,828	278,063	302,665	243,653	258,242	210,023	298,484	14.8	22.5	42.1	13.2	25.4	5.4	25.4	5.4	46.1	32.3		
Marin	490,546	453,186	389,722	438,554	450,013	395,944	508,370	406,463	-10.6	-9.7	-20.0	-17.1	-7.7	1.2	-7.7	1.2	-17.2	-6.6		
San Mateo	383,019	366,619	324,200	319,271	266,186	333,871	286,648	342,966	-16.6	28.8	19.6	-10.5	-0.7	7.6	-0.7	7.6	21.2	6.9		
Alameda	327,818	317,338	291,815	288,730	306,718	293,260	295,230	291,131	-11.9	-5.1	-1.4	-11.2	-1.7	5.1	-1.7	5.1	-1.0	3.3		
Contra Costa	258,068	238,306	220,352	218,149	222,390	209,982	216,103	219,756	-15.5	-1.2	1.7	-14.8	-5.4	6.5	-5.4	6.5	2.7	0.8		
Santa Clara	360,475	325,239	287,723	280,797	297,876	303,246	319,954	331,039	-22.1	11.1	3.5	-8.2	-11.0	23.0	-11.0	23.0	4.6	9.4		
Sonoma	227,470	227,416	230,628	209,999	236,627	194,053	194,423	218,048	-7.7	-7.9	12.2	-4.1	1.3	10.1	1.3	10.1	11.6	11.5		
Solano	229,123	239,099	212,178	178,977	204,506	175,156	176,951	176,464	-21.9	-13.7	-0.3	-23.0	-12.4	4.3	-12.4	4.3	1.8	-8.6		
Napa	373,191	264,418	243,254	215,029	210,029	224,910	231,285	227,405	-42.4	8.3	-1.7	-39.1	-34.9	15.6	-34.9	15.6	1.2	-24.8		
Sacramento	186,832	184,814	165,093	150,936	151,681	146,943	143,626	146,666	-19.2	-3.3	2.1	-21.5	-8.0	2.5	-8.0	2.5	3.4	-5.7		
El Dorado	243,076	266,503	228,028	229,844	225,817	198,540	208,681	218,422	-5.4	-3.3	4.7	-10.1	9.8	0.6	9.8	0.6	4.0	10.4		
Placer	226,487	219,534	196,852	176,960	177,762	184,524	187,861	192,103	-21.9	8.1	2.3	-15.2	-12.4	17.5	-12.4	17.5	3.4	3.0		
Fresno	120,216	134,080	135,559	134,842	124,750	122,645	128,099	123,339	12.2	-1.1	-3.7	2.6	23.8	-0.6	23.8	-0.6	-2.5	23.1		
Madera	116,900	116,031	118,685	135,085	129,104	104,484	100,596	103,226	15.6	-20.0	2.6	-11.7	14.7	-7.1	14.7	-7.1	3.6	6.6		
Kern	132,758	135,481	121,857	119,288	112,590	113,811	106,922	103,869	-10.1	-7.7	-2.9	-21.8	3.9	-9.9	3.9	-9.9	-1.0	-6.4		
San Joaquin	207,124	201,856	188,163	143,419	169,206	146,198	145,621	153,084	-30.8	-9.5	5.1	-26.1	-21.5	12.4	-21.5	12.4	6.1	-11.8		
Stanislaus	167,843	150,436	135,521	129,618	136,134	122,630	118,810	122,086	-22.8	-10.3	2.8	-27.3	-12.5	-0.7	-12.5	-0.7	3.9	-13.1		
San Diego	265,624	240,168	220,158	208,999	209,603	203,491	204,754	209,544	-21.3	0.0	2.3	-21.1	-9.7	3.9	-9.7	3.9	2.5	-6.1		
Statewide	232,146	226,139	197,403	201,726	189,190	193,107	198,532	208,570	-13.1	10.2	5.1	-10.2	-2.8	10.3	-2.8	10.3	5.9	7.1		

Note: 1. Annual Averages based on weighted average of median prices on a monthly basis in each area.
 Prices adjusted based on CPI for Urban Wage Earners and Clerical Workers, Los Angeles and San Francisco Areas (1982-84=100), adjusted to November, 1997 \$.

Source: DataQuik, 1998

home prices, adjusted for inflation, increased throughout the Region, with strong increases, particularly for new home prices. In San Diego, prices rose more modestly, though median prices for both new and existing homes increased by between 2 and 4 percent during the year. In the Sacramento Region, price movements were similar. However, the Central Valley Region had divergent experiences – in Madera and San Joaquin, prices for both new and existing homes rose modestly, while Stanislaus, Kern and Fresno counties generally experienced slight declines in median new and existing home prices (although Stanislaus County resale price averages did rise modestly during the past year).

In summary, while inflation-adjusted home prices throughout the State remained below 1990 levels, prices rose in the 1993 to 1997 period, and through most of the Bay Area, Los Angeles, Sacramento and San Diego prices rose in 1997. In the Bay Area, there has been a longer-term trend of rising prices. However, while new prices in Los Angeles rose between 1993 and 1997, sales prices for existing homes were weaker. In both the Central Valley and Sacramento, home prices lagged during the second half of the decade, though in many areas, upward pressure on prices was evident, though not uniformly through the regions.

Rental Price Movements

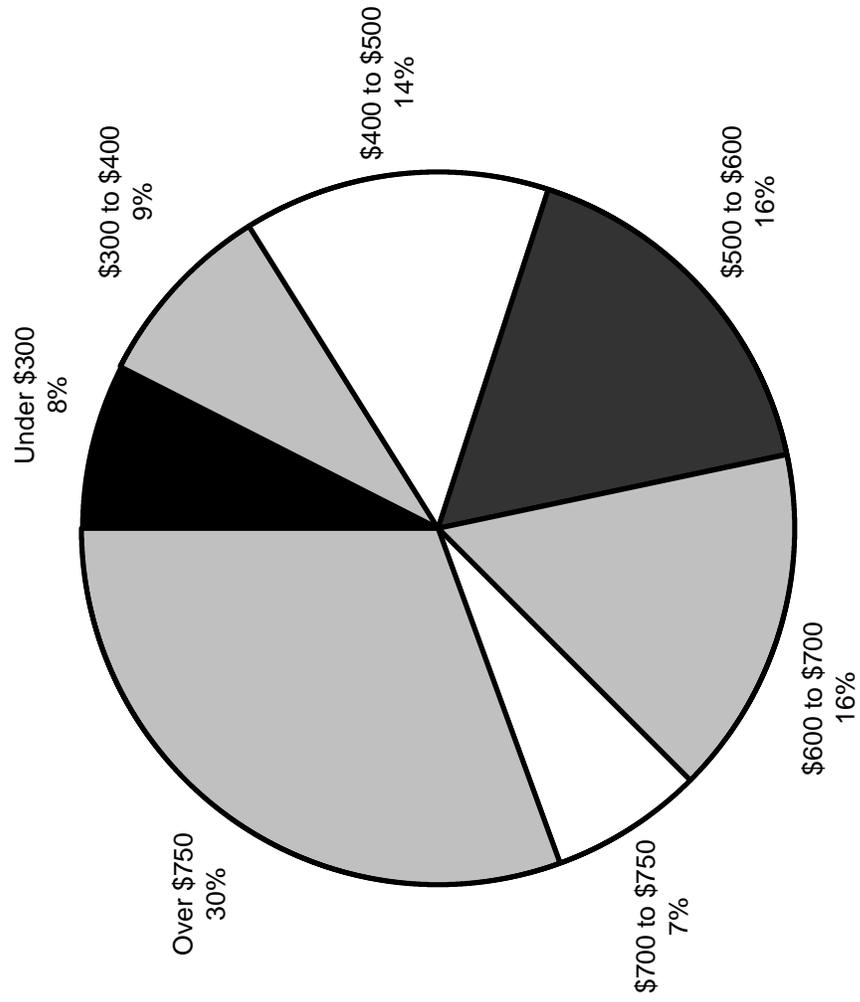
There is no denying that rents in California are high; in 1990, two states had median rent levels that were greater than \$600 – Hawaii and California (with median rent levels of \$650 and \$620 respectively). In fact, only three other states had rent levels within 10 percent of California (three of the seven states with median rent levels above \$500). For those states with lowest median rents, Californians could count on paying up to twice the rent in 1990. In California, the underlying rent structure is strongly tilted to relatively higher priced rentals – about 30 percent of rental units cost in excess of \$750 monthly, or about \$900 in current dollars (see Figure 30).

However, rental costs for individual counties within the State were strongly related to location (see Figure 31).

- The highest rents in the State were centered in counties along the Pacific Ocean, evident throughout the Bay Area and Central Coast regions, as well as the coastal portion of the Greater Los Angeles Region, where inflation-adjusted median rents exceeded \$750 (in 1997 dollars).
- San Diego, the inland portion of the Greater Los Angeles Region and much of the Sacramento Region, had rents one step below the Coastal areas (with median rent levels generally in the \$600 to \$750 range).
- Rent levels throughout the Central Valley Region, much of the Central-Southern California Region, the coastal portion of the Northern California non-metropolitan Region and the more urbanized portions of the Northern California Region had median average inflation-adjusted rents in the \$450 to \$600 range.
- Only seven counties in the State had median rents (inflation-adjusted) that were below \$450. The lowest median rent within the State was above statewide median for eight states.

Information on rent movements since 1990 is not consistently available at either the State or county level. However, private data firms do collect and report on rental market conditions for local housing markets within the State.¹² Published data generally does not reflect a broad cross-section of

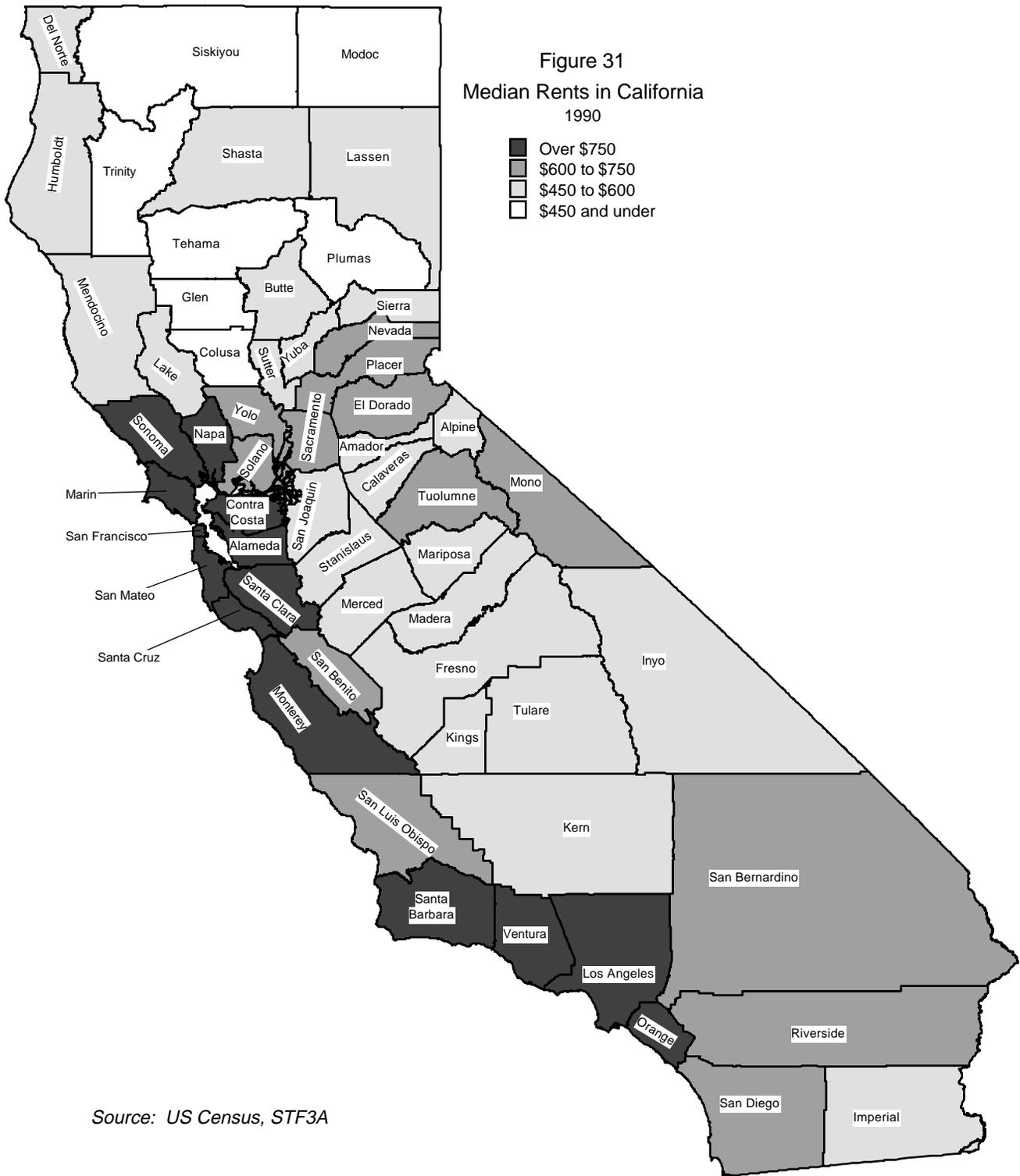
Figure 30
Composition of Gross Rents for Rental Housing Stock, 1990



Average: \$661

Median: \$620

Source: US Census, STF3A



Source: US Census, STF3A

overall housing stock – they are concentrated in the State’s larger institutional-grade apartment complexes (both by size and condition) and coverage is stronger in the larger urban metropolitan areas (particularly the Bay Area and the Greater Los Angeles Regions). Thus, while private data sources track the “upscale” apartment market, they do not provide insight into the “lower” end of the market. To the degree that the submarkets within locations tend to track each other, this information provides an assessment for relative changes throughout the rental market.¹³ This study does not purport to establish a direct link. Unfortunately, information for all aspects of the rental market are simply not available. More research is needed to determine the relationship between that reported here and overall rental market operations. For these reasons, the following discussion should be taken as indicative of underlying rental market conditions – the lower end of the rental market may not strictly reflect the discussion that follows.

Changes in asking rents within the regions varied from 1990 to 1997 (see Table 21). Focusing on the 1995 to 1997 period, these data generally reveal a strong upward pressure was evident in the Bay Area. This was particularly true in San Francisco and surrounding counties, as well as the Santa Clara market. Outlying suburban markets (Sonoma, Solano, and Napa) increased, but generally with asking rents at rates significantly below closer in counties. For the counties ringing the Bay Area from San Francisco south, there was a strong run-up of asking prices during the 1995 to 1997 period, rising by more than 20 percent (after adjustment for inflation). Given the relatively weak housing permit activity in the areas around San Francisco (including counties in both the San Francisco and Oakland MSAs), this trend is not likely to abate in the short term. In the Santa Clara County area, there was stronger permit activity in the 1995 to 1997 period, possibly leading to some fall-off in the relative pace of increase in asking rents in the near future. The lag between economic recovery and residential construction activities appears to have generated a short-term squeeze in the market – as construction catches up with demand, it is not clear that asking rents will continue to rise precipitously, particularly in the San Jose area. These estimates are consistent with press reports that highlight significant rent increases throughout the Silicon Valley area and shortfalls of construction to meet underlying demand fueled by the strong economic recovery in the Bay Area.

While rent increases have been more moderate in San Diego in the 1995 to 1997 period, rents rose modestly. However, employment in the San Diego Region did not mirror statewide recovery during the past two years; this lower economic performance will likely dampen the rate of increase, although asking rents in 1997 reflected increases only exceeded by the Bay Area.

Similarly, in the Sacramento Region, asking rents rose, albeit at slower rates than either the Bay Area or San Diego regions. Given ongoing weakness in housing permit activities in the Sacramento Region, the 1997 upswing in asking prices will likely remain until additions to stock work their way through approvals and construction.

The rental market in the Greater Los Angeles Region continued to emerge from the recession in 1997. In selected counties (particularly Los Angeles and Orange counties), inflation-adjusted asking rents increased modestly during the 1995 to 1997 period. The recovery from the recession occurred earlier in Orange County, increasing demand for rental units, with a greater increase in asking rents than elsewhere in the Region. However, asking rents in both Riverside and San Bernardino Counties remained flat or declined in the 1995 to 1997 period (on an inflation-adjusted basis), and high overall vacancy rates continued to moderate rent movements in the area through the end of 1997. While overall vacancy rates in the Ventura County area were relatively low, continued weakness in the local economy held back rents in the County in the 1995 to 1996 period, through improvements appeared to have led to a modest recovery of rents in 1997.

Table 21
Average Movement in Asking Rents for Selected Housing Stock in Various California Counties
 1990 to 1997

Area	Census: Median Average 1990	1990	1991	1992	1993	1994	1995	1996	1997	Change 1995 to 1997	Change 1996 to 1997
Los Angeles Region											
Los Angeles	750	N/A	N/A	907	904	903	891	911	927	4.1%	1.7%
Orange	947	N/A	N/A	897	883	872	864	876	926	7.2%	5.8%
Riverside	686	N/A	N/A	N/A	677	669	626	613	633	1.0%	3.4%
San Bernardino	666	N/A	N/A	N/A	787	780	734	657	665	-9.4%	1.2%
Ventura	904	N/A	N/A	N/A	N/A	1,037	973	851	862	-11.5%	1.2%
Bay Area Region											
San Francisco	779	1,316	1,283	1,286	1,266	1,284	1,303	1,550	1,764	35.4%	13.8%
Marin	983	1,170	1,128	1,081	1,053	1,061	1,075	1,176	1,252	16.5%	6.5%
San Mateo	922	1,105	1,069	989	972	966	1,002	1,149	1,211	20.8%	5.4%
Alameda	747	904	877	844	829	820	828	897	954	15.2%	6.3%
Contra Costa	805	855	839	818	799	795	791	828	869	9.8%	4.9%
Santa Clara	926	1,016	1,000	937	920	918	968	1,159	1,231	27.1%	6.2%
Sonoma	770	848	825	791	761	753	751	747	787	4.8%	5.4%
Solano	704	772	757	728	718	721	710	703	719	1.3%	2.2%
Napa	754	755	738	719	715	703	690	661	692	0.4%	4.8%
Sacramento Region											
Sacramento	632	N/A	N/A	644	619	607	599	603	624	4.3%	3.4%
Placer	689	N/A	N/A	724	693	694	701	712	742	5.9%	4.3%
Yolo	611	N/A	N/A	823	820	817	770	730	822	6.7%	12.5%
San Diego											
San Diego	732	N/A	N/A	741	732	740	728	744	785	7.8%	5.5%
Central Valley Region											
Fresno	520	N/A	N/A	N/A	467	466	509	485	480	-5.9%	-1.0%
Merced	515	N/A	N/A	N/A	511	505	489	484	472	-3.5%	-2.5%
San Joaquin	586	N/A	N/A	N/A	647	643	596	584	584	-2.1%	0.0%
Stanislaus	578	N/A	N/A	N/A	535	534	534	523	526	-1.6%	0.5%
Central Coast Region											
Monterey	749	N/A	N/A	N/A	825	763	747	773	810	8.4%	4.7%
Santa Barbara	784	N/A	N/A	N/A	N/A	N/A	N/A	728	722	N/A	-0.8%
Santa Cruz	854	N/A	N/A	880	822	867	878	940	985	12.2%	4.9%

Source: US Census STF3A, 1990; RealFacts, 1998.

Rents in the Central Coast Region were high at the start of the decade, and based on asking rents, generally rose from 1990 to 1997 (although not as precipitously as Bay Area rents). It is likely that continued low levels of multifamily construction limited growth in rental stock, fueling price increases in the Central Coast Region.

Finally, asking rents and occupancy levels for the Central Valley Region generally remain weak. Rent levels reflect the continued economic lag of the Region in relation to other portions of the State. Despite the fact that high migration into the area has been coupled with low construction rates, it appears that housing supplies continue to outpace demand.

As indicated earlier, this assessment cannot fully measure rental price movements, particularly at the “bottom” of the rental market. While upwards price movements almost certainly have increased prices on the lower priced rental stock, the inverse may not be true. Flat or decreasing rents in “investment grade” properties do not necessarily lead to reduced rents in lower priced rental units. Given the numeric increase in lower-income households in the State and ongoing declines in lower priced rentals, rents for lower priced rental units in the State have likely increased. Additional research is needed to further explore the movement of rental price movements for “affordable” rental units in the State.