

SAN JOAQUIN COUNTY HOUSING MARKET: RECENT TRENDS AND FUTURE NEEDS

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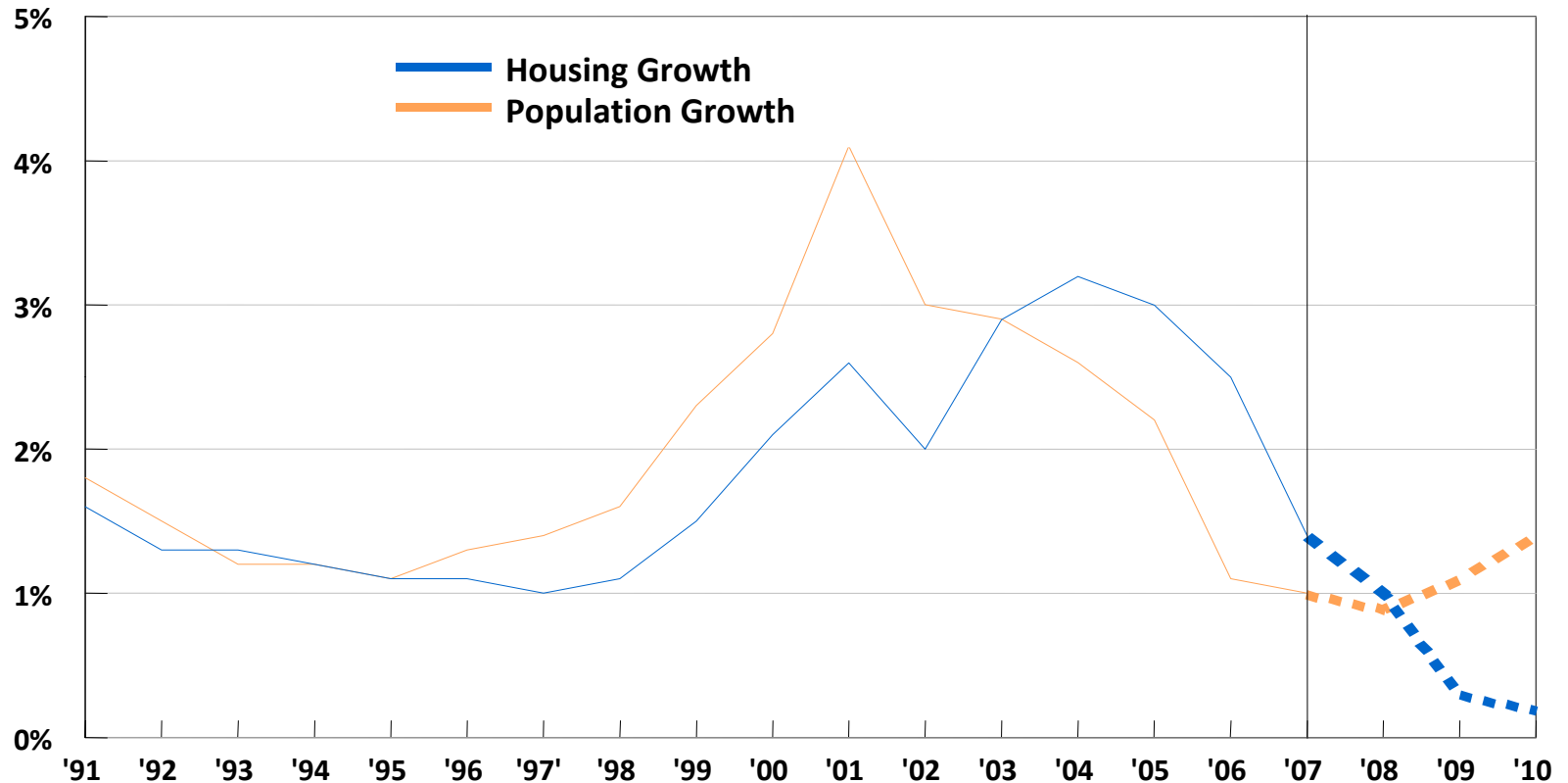
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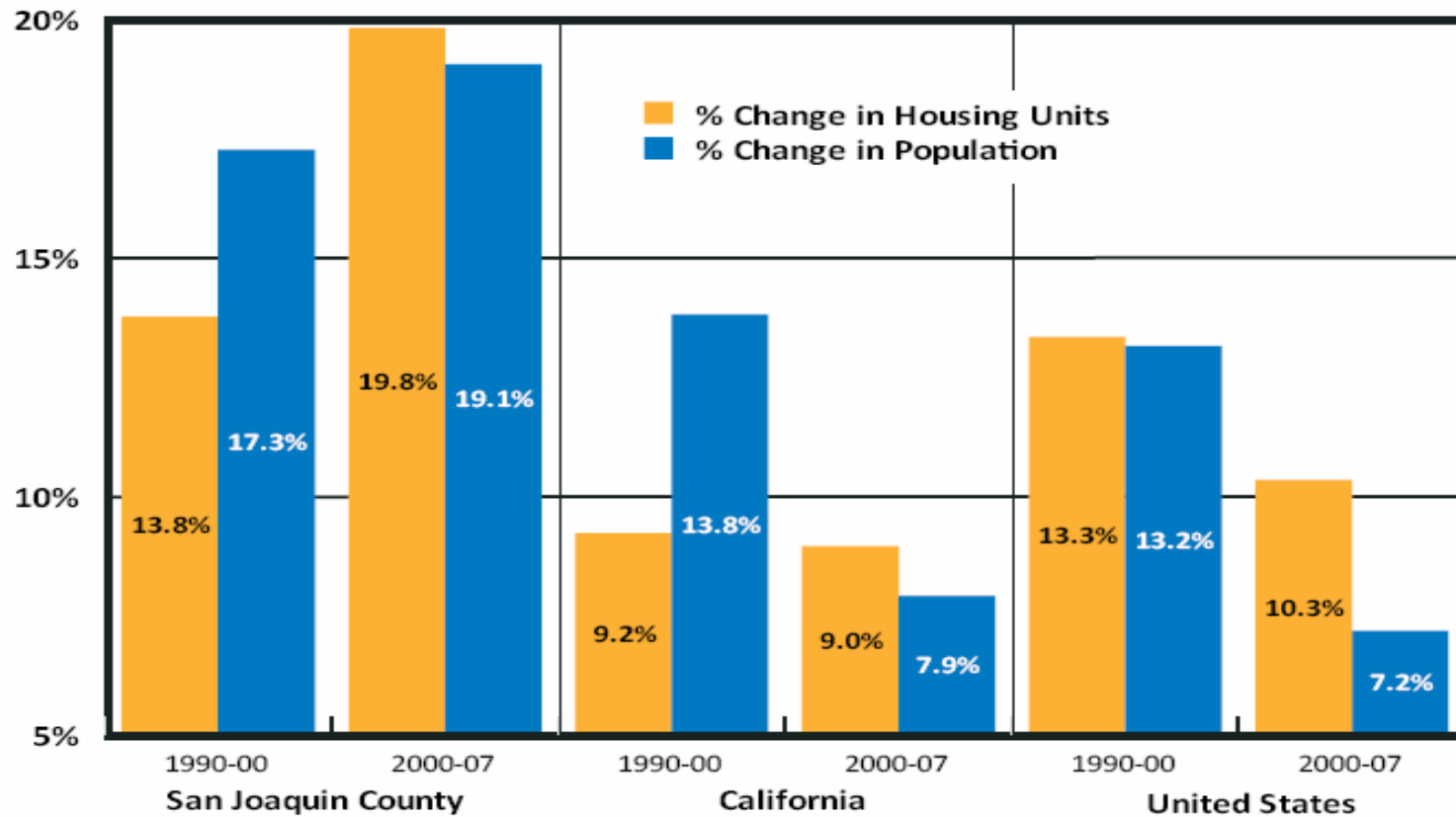
Homebuilding and Population



Sources: Numbers prior to 2008 are from the U.S. Population and Housing Estimates, while numbers for 2008 and beyond are forecast from the Business Forecasting Center.

Homebuilding and Population

Figure 2. Changes in Housing Units vs. Changes in Population

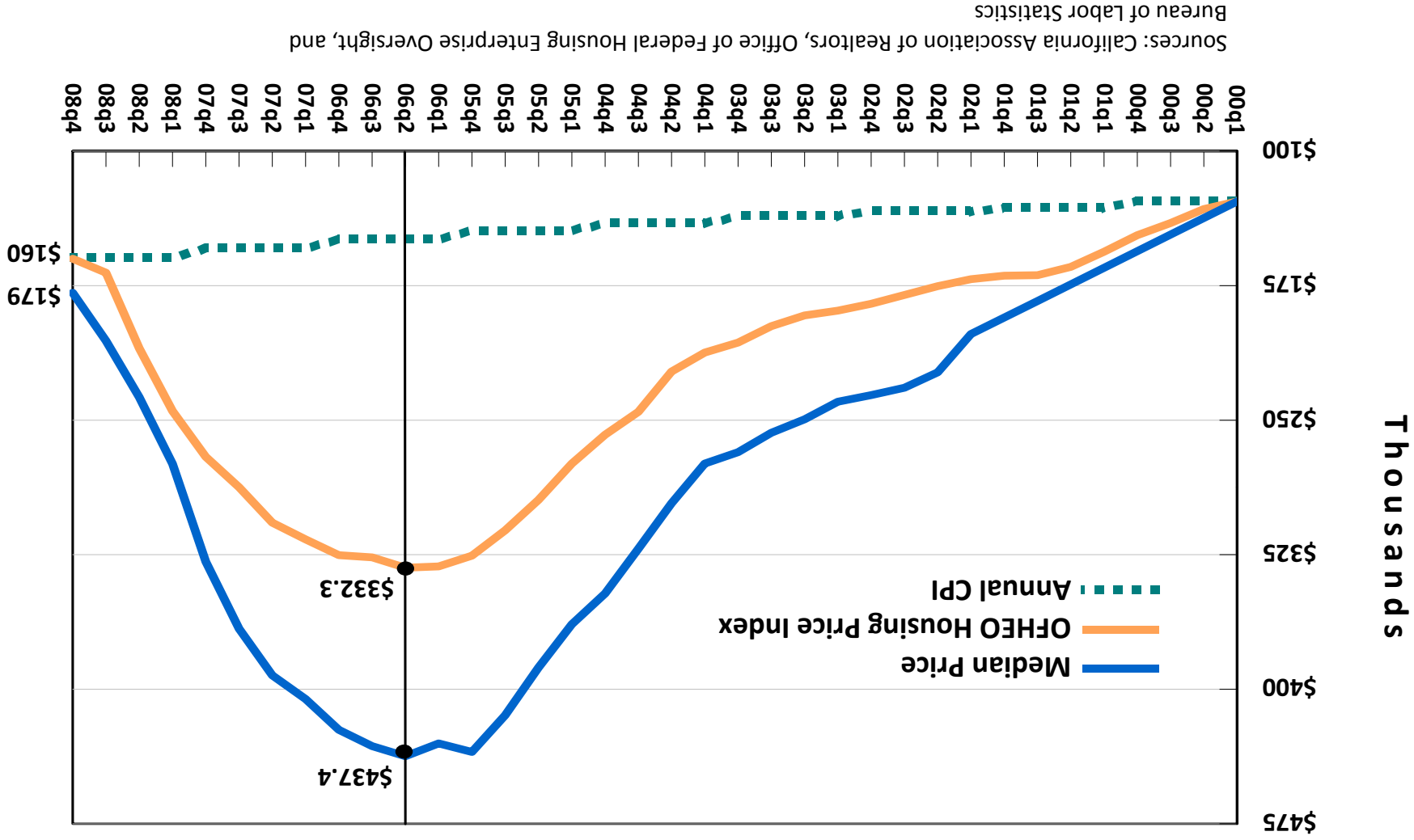


Data sources: 1990 and 2000 Censuses and 2007 American Community Survey

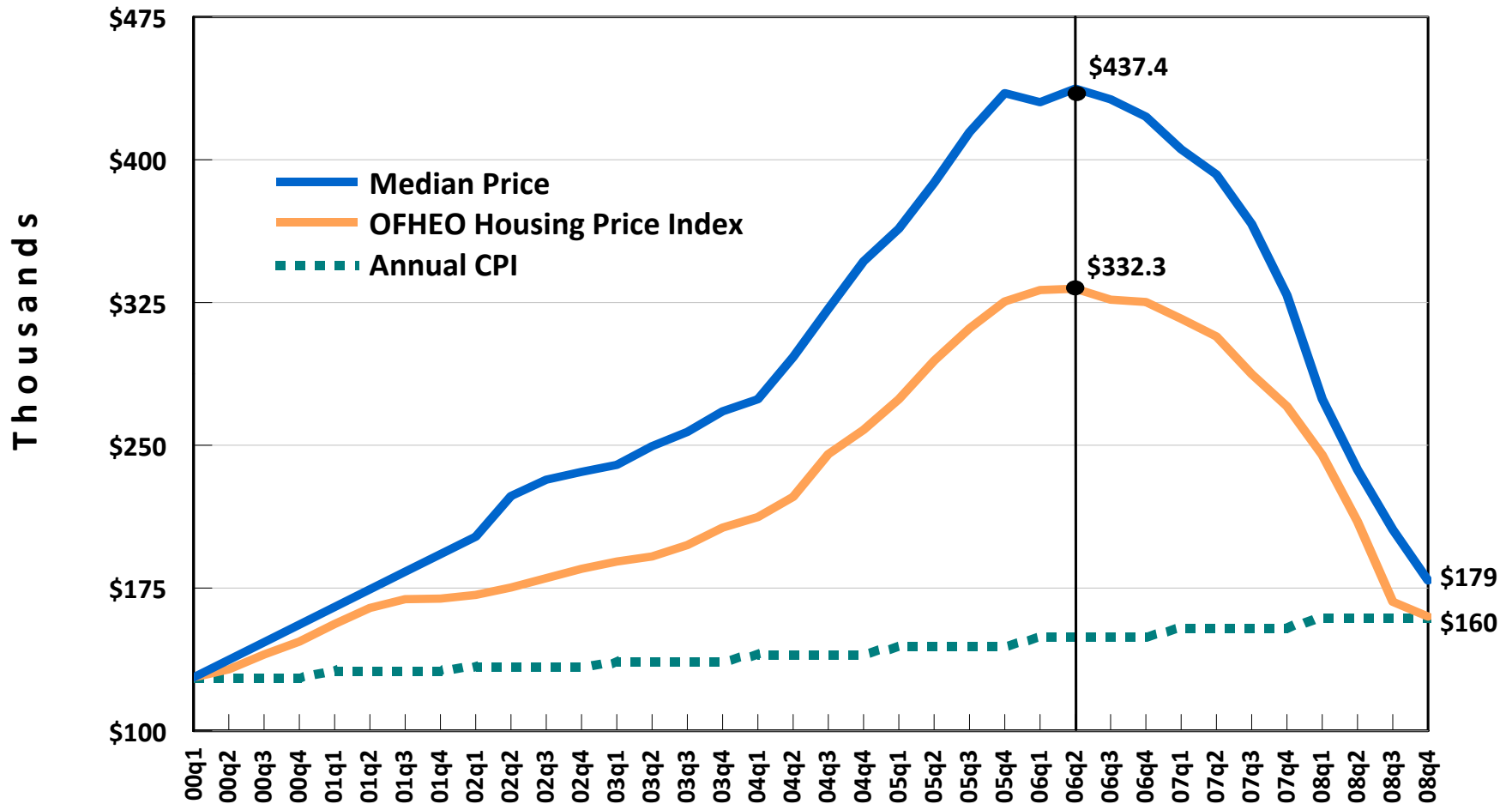
End of the Boom: Housing in 2007

Characteristic	San Joaquin	United States	California
Median HH Income	\$52,500	\$50,700	\$59,900
Median Home Price	\$399,500	\$194,300	\$532,300
Median Rent	\$902	\$789	\$1,078
Vacant Housing Units	8.5%	12.1%	8.3%
Vacant Rental Units	5.7%	7.9%	4.7%

Upside Down Home Prices



Home prices over the decade

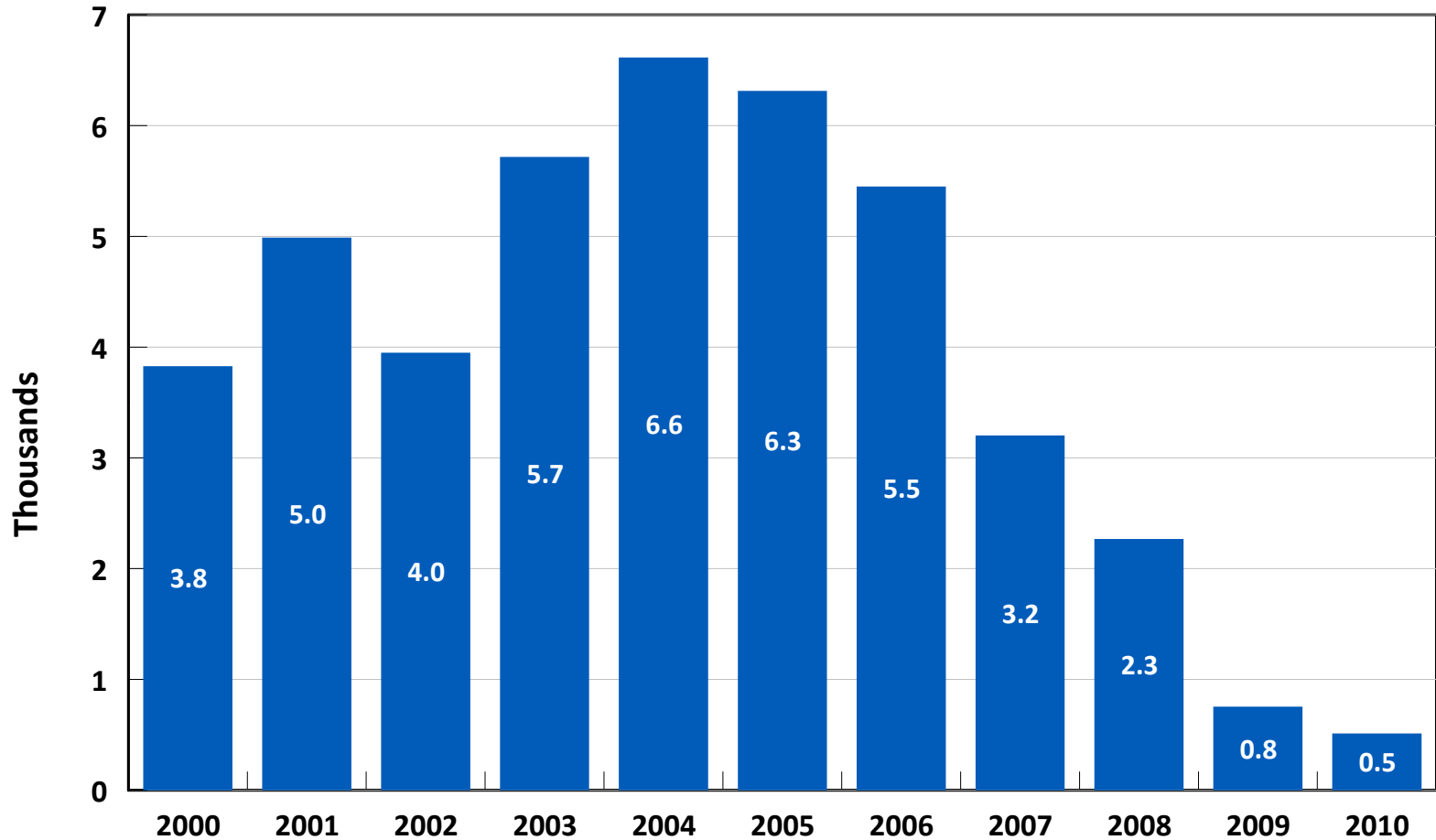


Sources: California Association of Realtors, Office of Federal Housing Enterprise Oversight, and Bureau of Labor Statistics

Where are we now

- Home prices are back to normal levels.
- Rents have stalled, but will only decline slightly as homes move to rental market and incomes and inflation slowly catch up.
- Foreclosures will stay high for several years, perhaps even after prices begin to recover.
- Excess housing inventory in San Joaquin County is relatively small, and building has stopped.

New Housing Units (thousands)

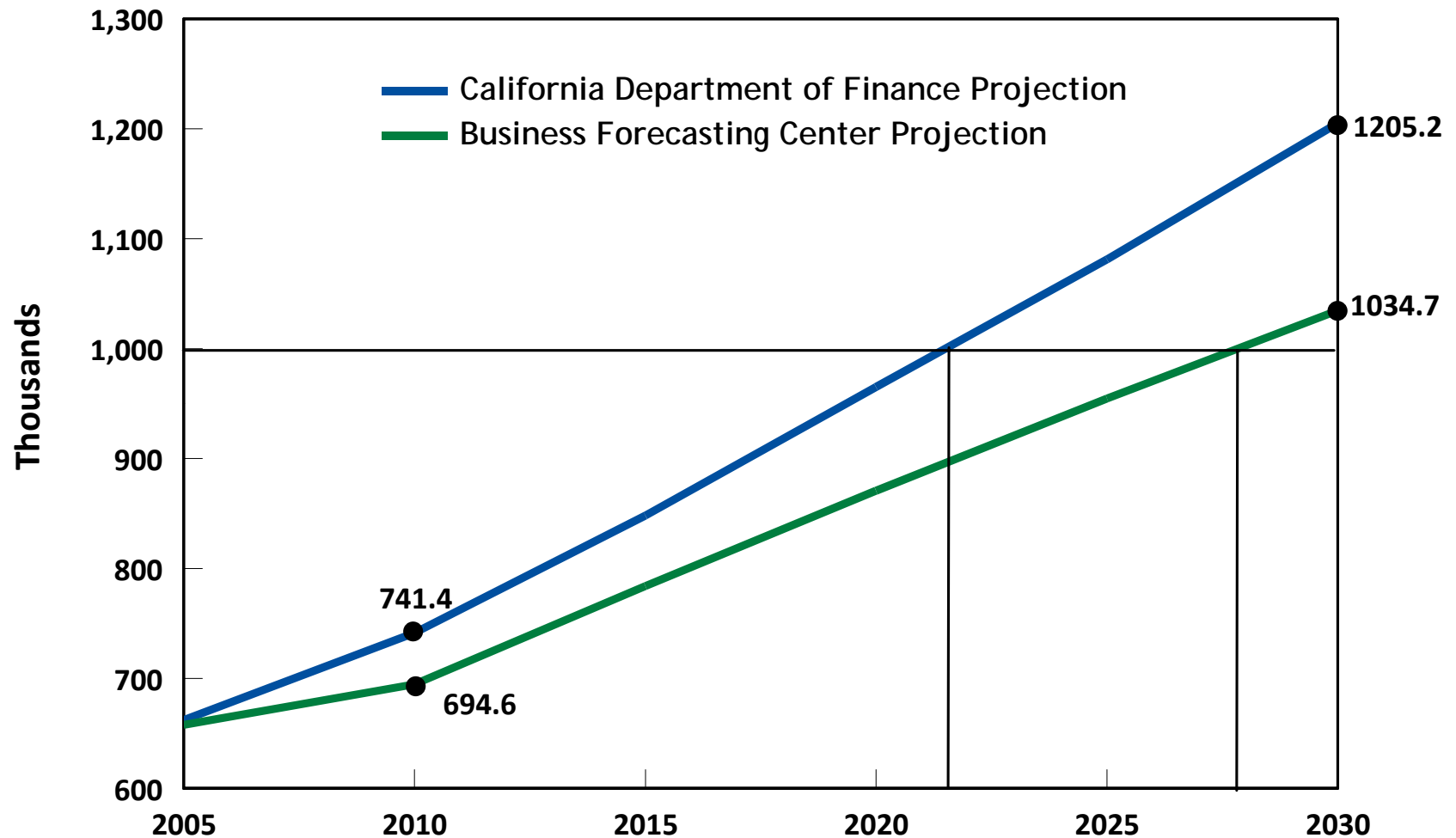


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Looking Forward: Housing Needs

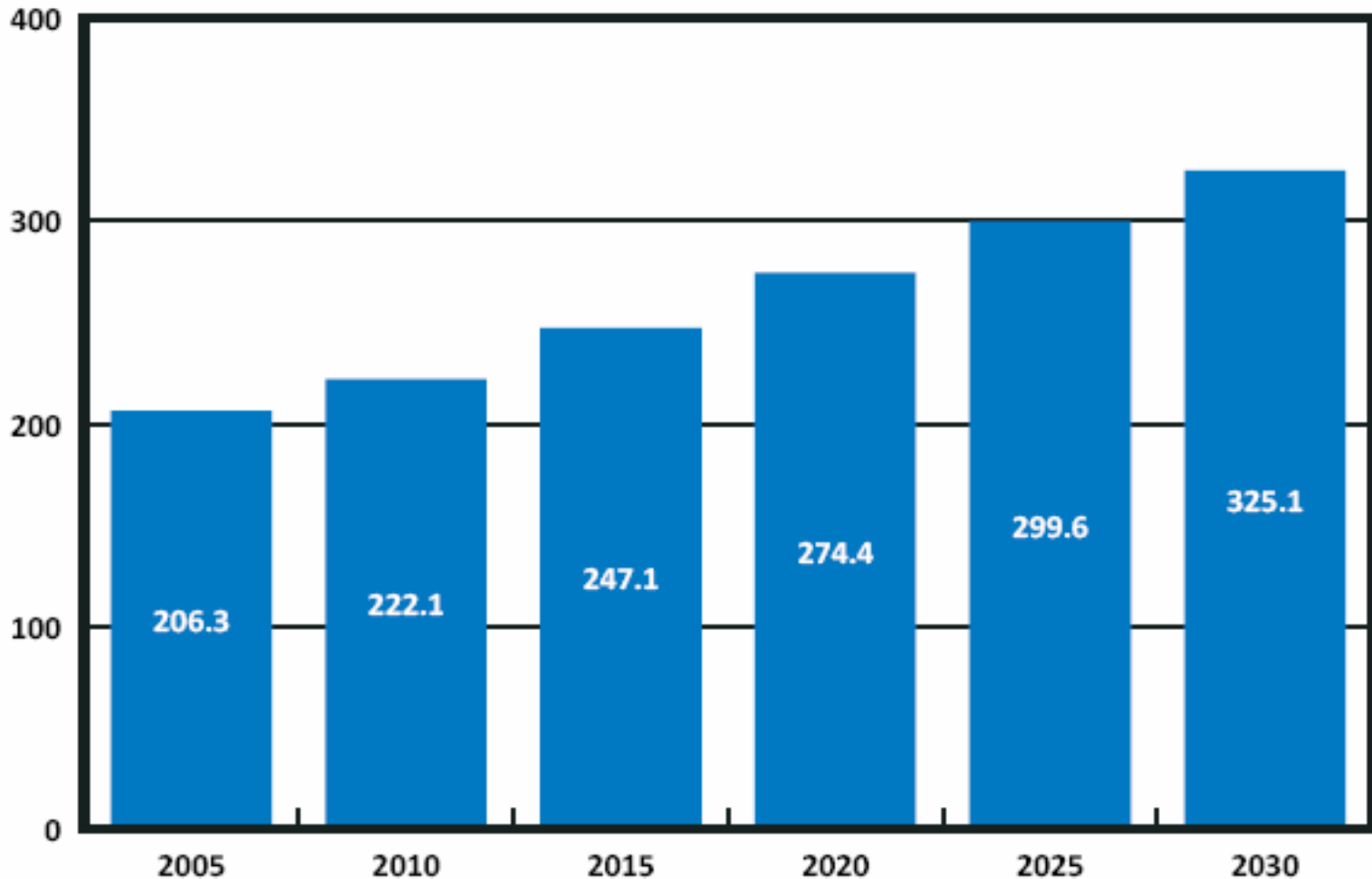
- Building has stopped. Excess housing inventory will clear in 2010.
- After 2010: New Households Demand Housing
- Factors Impacting Household Formation
 - ▣ Population Growth (+)
 - ▣ Age: large population in teens/twenties (+)
 - ▣ Demographics: more Hispanic and Asian residents (-)
 - ▣ Housing Costs: more affordable housing encourages migration and new household formation (?)
 - ▣ Economy: Jobs and income (?)

San Joaquin Population Forecasts

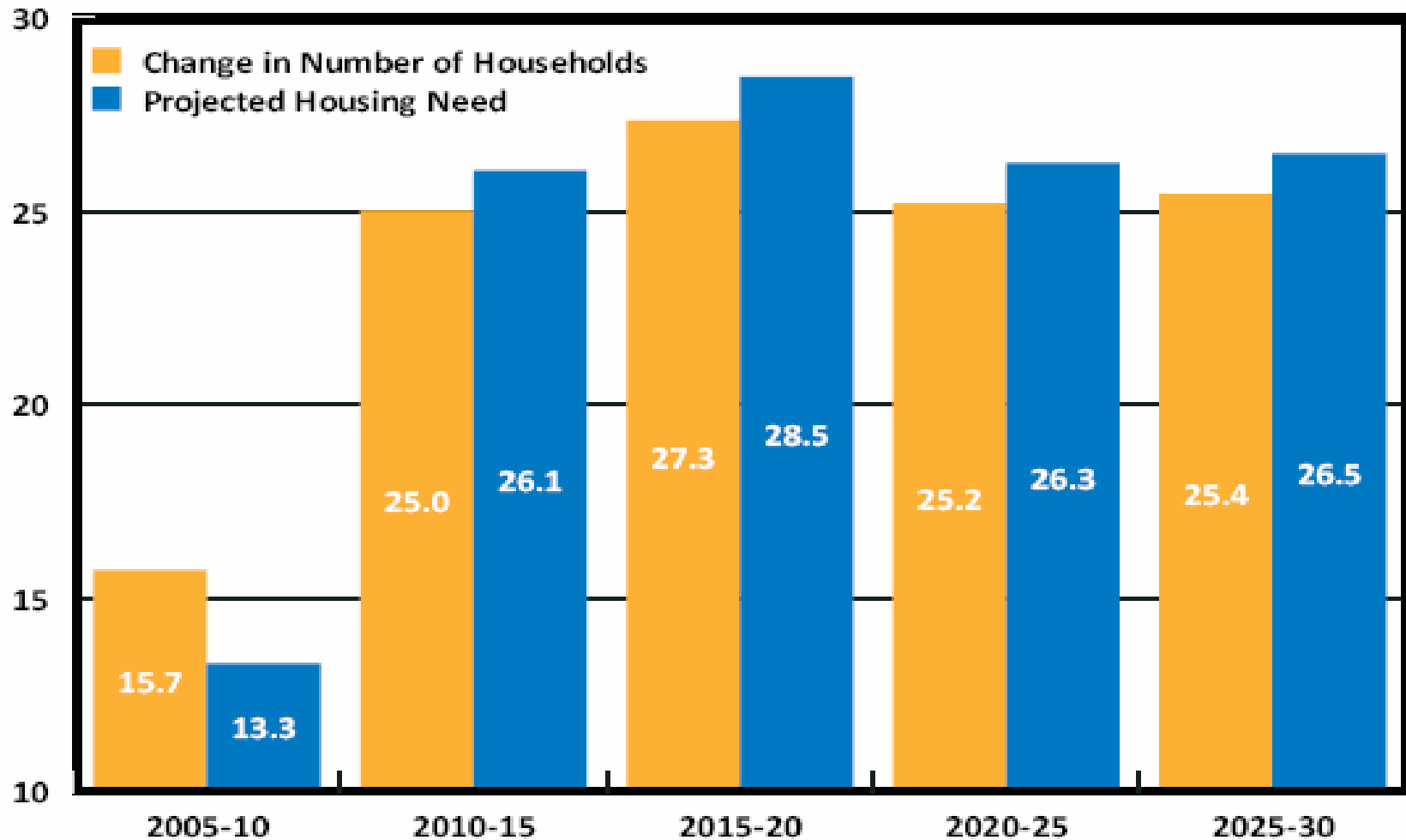


Sources: Business Forecasting Center and California Department of Finance

San Joaquin Household Forecast

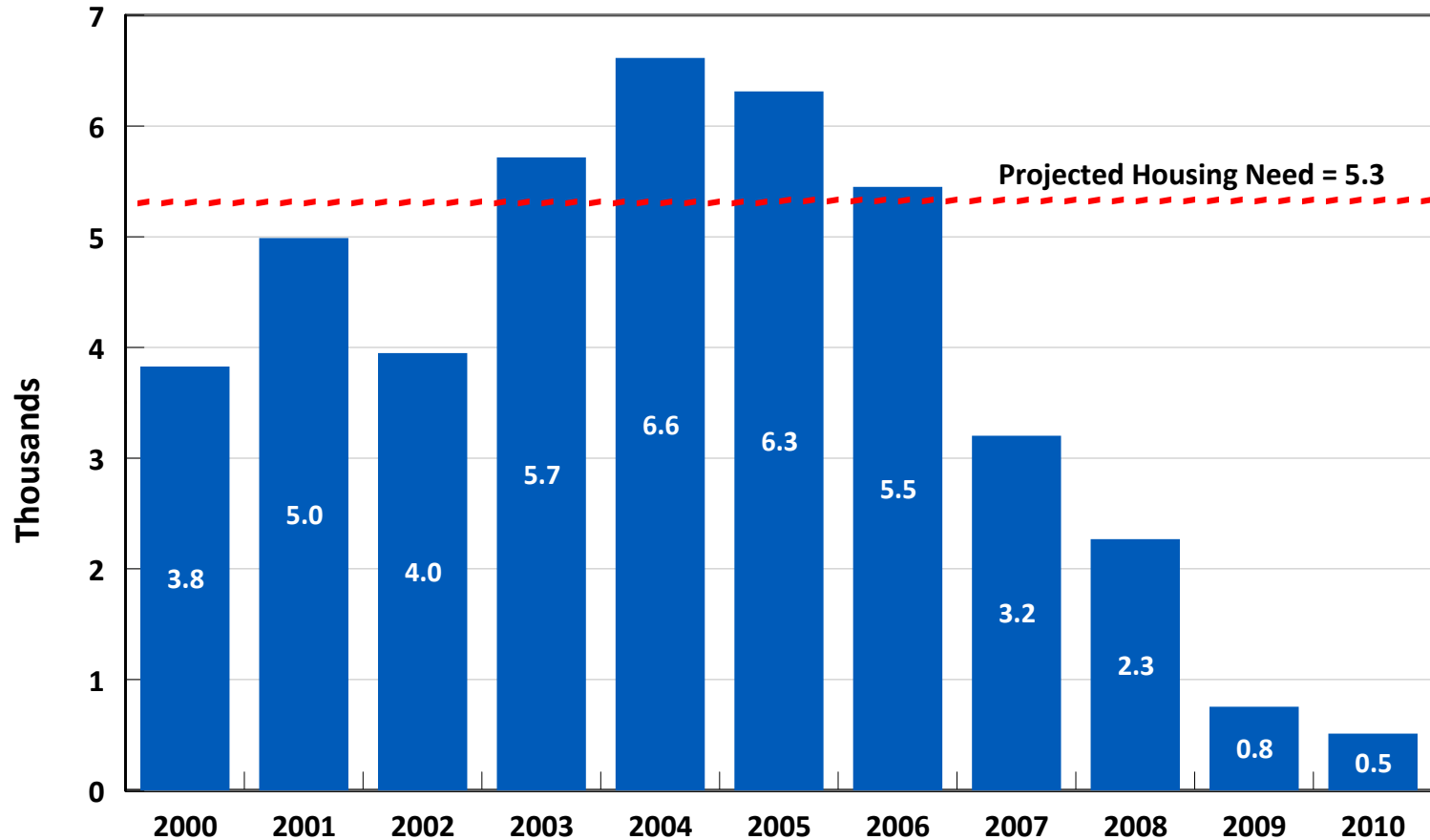


After 2010: Housing Needs average 5,300 units annually.



Data source: Business Forecasting Center, 2008

Housing Needs Compared to Recent Home Building

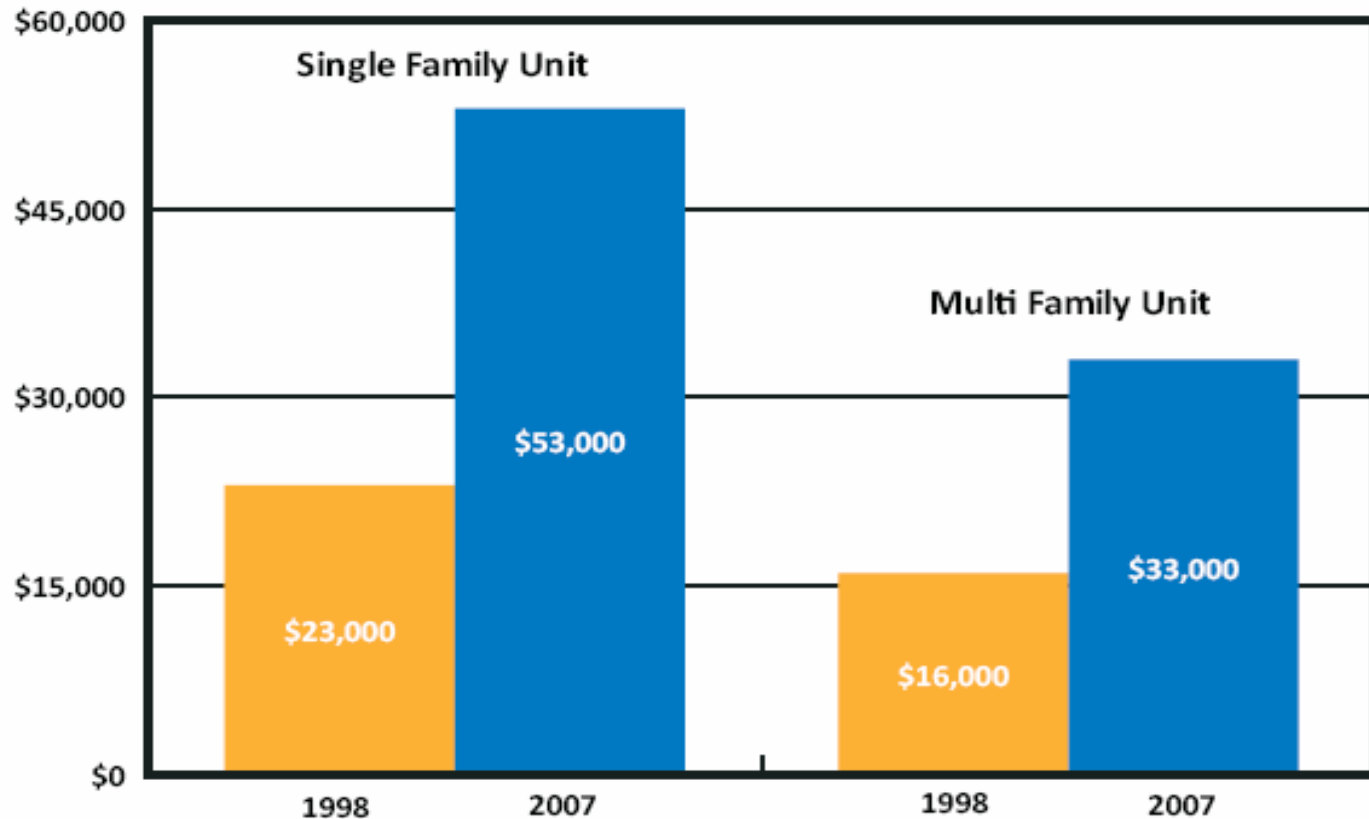


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Will the market supply 5,300 units per year?

- 5,300 is a conservative estimate of need. DOF population forecast results in need of 7,300 units.
- Supply has never exceeded 5,000 units without:
 - ▣ sub-prime lending
 - ▣ median home price above \$250k.
- Currently building about 500 units annually.
- Unless building costs decrease or home prices rebound by at least 25%, new housing will remain below estimated needs.

Impact Fees More Than Doubled



Note: Fees are approximate and averaged across Stockton, Tracy, and Manteca.

Sources: California Department of Housing and Community Development, San Joaquin Partnership, and Business Forecasting Center.

Reconsidering Impact Fees

- Impact fees can be good policy.
- Current fees are high:
 - ▣ About 1/3 of median home price
 - ▣ Exceed median annual household income
 - ▣ Equal to 30 years of property taxes on existing home
- Now that prices have fallen, the burden of fees is much larger. A good time to consider adjustments:
 - ▣ Defer payment until occupancy.
 - ▣ Fees as a function of value rather than fixed per unit.
 - ▣ Eliminate some fees.

Conclusion

- San Joaquin County needs more housing.
 - ▣ Foreclosures are driven by price boom and bust, not overbuilding.
- Eventually, San Joaquin County will once again be building 5,000+ units per year.
- If nothing changes, 2015 or later after housing shortage and affordability problems appear again.



Thank you.



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