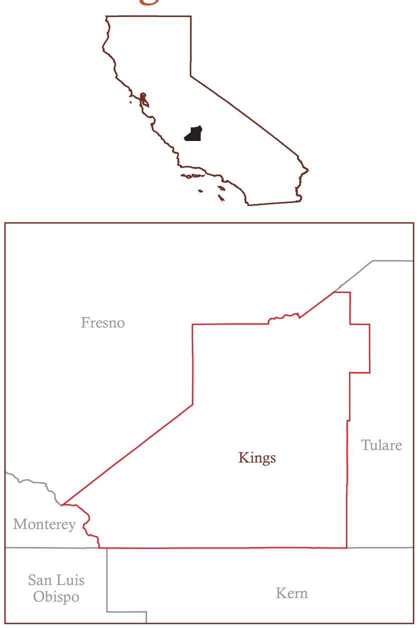
COMPREHENSIVE HOUSING MARKET ANALYSIS

Hanford-Corcoran, California

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

Housing Market Area



The Hanford-Corcoran Housing Market Area (HMA), which is coterminous with Kings County, is located approximately 30 miles south of Fresno in the San Joaquin Valley. The HMA is home to Naval Air Station (NAS) Lemoore and three California Department of Corrections and Rehabilitation (CDCR) facilities. In 2010, agriculture accounted for 91 percent of all land use and $1.7 billion of revenue in the HMA.

Market Details

Summary

Economy

Economic conditions in the Hanford-Corcoran HMA are currently weak, but a trend of job losses that began in 2009 ended in 2011. Nonfarm payroll job growth in the education and health services, wholesale and retail trade, and leisure and hospitality sectors offset losses in the manufacturing, professional and business services, and government sectors. During 2011, nonfarm payrolls averaged 35,750 jobs, an increase of 100 jobs, or 0.4 percent, from 2010. Economic growth is expected to remain slow during the next 3 years.

Sales Market

The sales housing market in the HMA is currently soft. During 2011, 1,275 new and existing homes sold, a 9-percent increase compared with the 1,175 homes sold in 2010. The average home sales price declined 9 percent, to $157,000. Demand is expected for 860 new homes during the 3-year forecast period (Table 1). A portion of the approximately 1,200 other vacant units may return to the sales market and satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently balanced, with an estimated 5.1-percent overall vacancy rate, down from 5.3 percent in 2010. Despite slow population growth, rental market conditions have improved because of decreasing homeownership and a lack of multifamily construction. Demand is expected for 400 new rental units during the forecast period (Table 1).

Table 1. Housing Demand in the Hanford-Corcoran HMA, 3-Year Forecast, January 1, 2012 to January 1, 2015

	Hanford-Corcoran HMA	
	Sales Units	Rental Units
Total Demand	860	400
Under Construction	65	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2012. A portion of the estimated 1,200 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

After steady growth from 2000 through 2008, economic conditions in the Hanford-Corcoran HMA are currently weak. From 2000 through 2008, nonfarm payrolls in the HMA expanded from 30,200 to 37,600 jobs, an average annual increase of 920 jobs, or 3.1 percent. During that period, the expansion of three CDCR facilities, hiring by Adventist Health, and the growth of several food processing operations drove job gains. The expansions contributed to job gains in the government, education and health services, and manufacturing sectors, which had average annual increases of 370, 200, and 190 jobs, or 3.0, 7.1, and 5.2 percent, respectively. A late-decade decline in milk prices, however, resulted in average annual losses of 550 food processing jobs, or 12.9 percent of total manufacturing sector payrolls, in 2009 and 2010. In addition to those losses, prison employment reductions contributed to a 600-job, or 3.8-percent, decline in the government sector in 2010. In total, nonfarm payrolls had an average annual decline of 1,000 jobs, or 2.7 percent, in 2009 and 2010. Nonfarm payrolls averaged 35,750 jobs in 2011, an increase of 100 jobs, or 0.4 percent, compared with 35,650 in 2010 (Table 2). The unemployment rate averaged 16.1 percent in 2011, down from 16.5 percent in 2010, but still is much greater than the 8.9-percent national average. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2011.

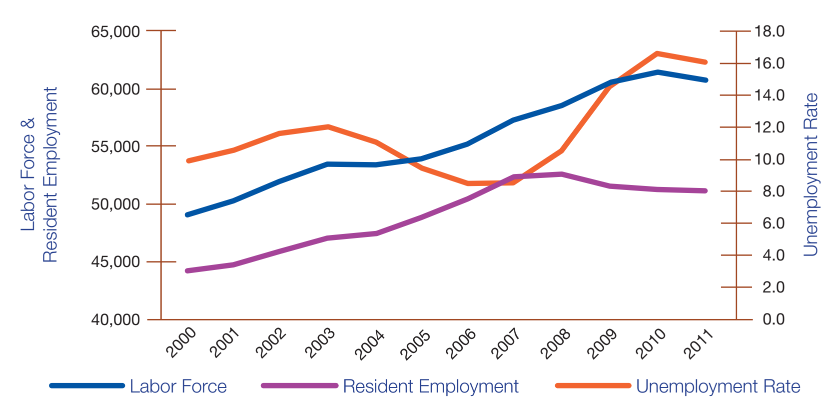
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Hanford-Corcoran HMA, by Sector

	12 Months Ending December 2010	12 Months Ending December 2011	Percent Change
Total Nonfarm Payroll Jobs	35,650	35,750	0.4
Goods Producing	4,875	4,650	– 4.9
Mining, Logging, & Construction	840	880	4.0
Manufacturing	4,050	3,775	– 6.8
Service Providing	30,750	31,150	1.2
Wholesale & Retail Trade	4,375	4,525	3.4
Transportation & Utilities	800	870	8.3
Information	200	200	0.0
Financial Activities	900	930	3.7
Professional & Business Services	1,700	1,575	– 6.9
Education & Health Services	4,500	4,700	4.1
Leisure & Hospitality	2,750	2,850	3.9
Other Services	500	530	6.7
Government	15,000	14,950	– 0.5

Notes: Based on 12-month averages through December 2010 and December 2011. Numbers may not add to totals because of rounding. Does not include agricultural jobs.

Source: U.S. Bureau of Labor Statistics

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



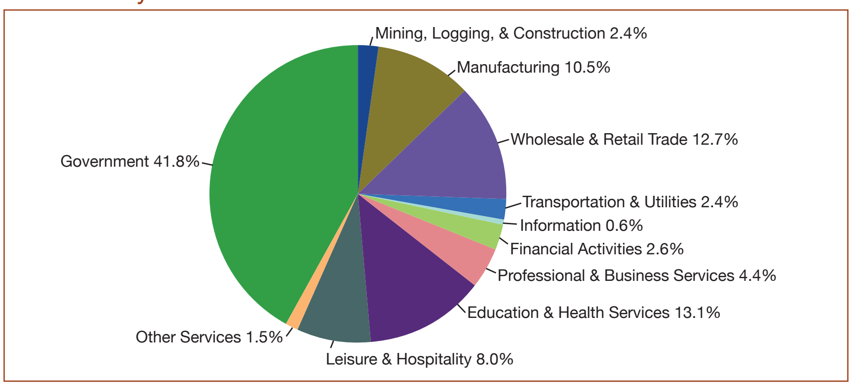
Source: U.S. Bureau of Labor Statistics

Anchored by NAS Lemoore and the CDCR facilities, the government sector is the largest in the HMA, averaging 14,950 jobs, or 41.8 percent of total nonfarm payrolls, in 2011 (Figure 2). Despite losses in both 2010 and 2011, the sector has expanded by an average of 220 jobs, or 1.6 percent, annually since 2000 (Figure 3). NAS Lemoore accounted for an increase of 1,200 jobs in the government sector in 2011, up from 900 in 2000, because of the addition of four new fleet squadrons between 2001 and 2004. According to estimates produced by the Department of Defense, the economic impact of the facility totaled 13,550 jobs, including 6,100 military personnel not included in nonfarm payroll totals, and more than $980 million of revenue during fiscal year 2008. No notable expansions or reductions of the facility are planned during the 3-year forecast period.

Growth of the CDCR facilities drove employment gains in the government sector from 2000 through 2008, when the total prison population in the HMA expanded from 17,800 to 20,300, a 14-percent increase, and CDCR employment in the HMA grew from 4,725 to 5,800 jobs, a 23-percent increase. During that period, the government sector expanded from 12,500 to 15,500 jobs, an average annual increase of 380 jobs, or 2.7 percent. A 2009 federal court order required California to reduce existing prison populations and, as of 2011, the total prison population in the HMA had declined to 16,800. As a result, CDCR employment in the HMA declined from 5,800 jobs in 2009 to 5,400 jobs in 2011, an average annual decrease of 200 jobs, or 3.5 percent. During the same period, the number of jobs in the government sector decreased from 15,600 to 14,900, an average annual decrease of 350 jobs, or 2.3 percent. Although the timing and magnitude have yet to be determined, additional prison population reductions and possible local government subsector budget cuts are expected to result in decreased employment in the sector during the forecast period.

Agriculture—in particular, the production of milk, cotton, nuts, and tomatoes—is an important economic driver in the HMA and accounted for an annual average of 35,800 jobs in 2011, according to the California Employment Development Department.

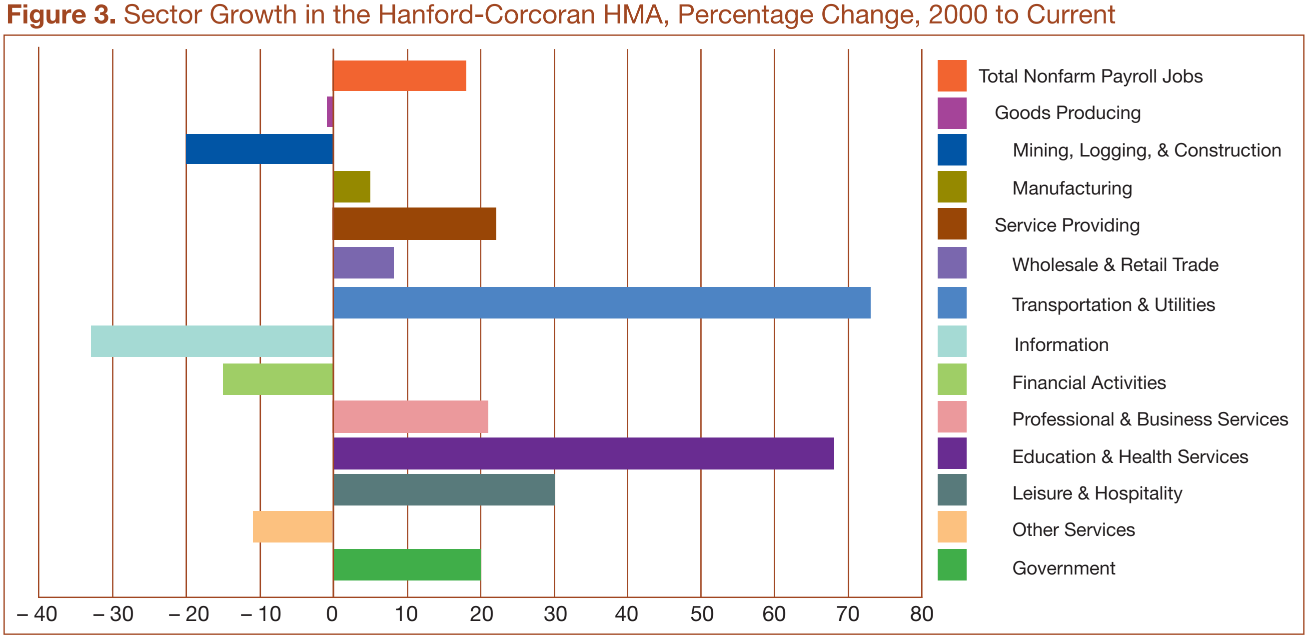
Figure 2. Current Nonfarm Payroll Jobs in the Hanford-Corcoran HMA, by Sector



Notes: Based on 12-month averages through December 2011. Does not include agricultural jobs.

Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Hanford-Corcoran HMA, Percentage Change, 2000 to Current



Notes: Based on 12-month averages through December 2011. Does not include agricultural jobs.

Source: U.S. Bureau of Labor Statistics

Spurred by a 58-percent increase in milk prices, largely in response to increased exports to Asia, from December 2000 through December 2007, agricultural employment had expanded from 7,650 jobs in 2000 to 9,300 jobs in 2007, an average annual increase of 240 jobs, or 2.8 percent. From December 2007 through December 2009, however, milk prices declined 30 percent in response to increased foreign competition, particularly from New Zealand, and decreased demand caused by softening economic conditions in both domestic and foreign markets. As a result, agricultural employment averaged only 6,500 jobs in 2009, an average annual decline of 1,400 jobs, or 16.3 percent, from 2007. Milk prices have again increased as of December 2011, and agricultural employment averaged 6,700 jobs in 2011, an average annual increase of 100 jobs, or 1.5 percent, from 2009.

Table 3. Major Employers in the Hanford-Corcoran HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
California Department of Corrections and Rehabilitation	Government	5,400
Adventist Health	Education & Health Services	2,200
Naval Air Station Lemoore	Government	1,475
Olam International	Manufacturing	1,425
J.G. Boswell Company	Agriculture (see note)	1,400
Del Monte Corporation	Manufacturing	1,250
Tachi Palace Hotel & Casino	Government	1,200
Leprino Foods Company	Manufacturing	1,150
Warmerdam Packing, LLC	Manufacturing	650
Marquez Brothers International, Inc.	Manufacturing	325

Notes: Excludes local school districts. Agriculture industry employers are not included in nonfarm payrolls.

Sources: Kings County Economic Development Corporation; California Department of Corrections and Rehabilitation; NAS Lemoore

Because of the large presence of agriculture in the HMA, food manufacturing and processing accounted for 85 percent of the 4,050 jobs in the manufacturing sector in 2010. Olam International, which took over operation of a tomato processing facility near Lemoore in 2009, and Del Monte Corporation, which operates a tomato processing plant in Hanford, are the largest employers in the manufacturing sector in the HMA, with 1,425 and 1,250 employees, respectively (Table 3). In total, the HMA produced $1.7 billion of dairy products, crops, and livestock in 2010, up 31 percent compared with $1.3 billion in 2009.

The education and health services sector is the second largest nonfarm payroll sector in the HMA and accounted for 4,700 jobs in 2011, a 4.1-percent increase compared with 4,500 jobs in 2010. Between 2000 and 2011, the sector expanded by an average of 175 jobs, or 4.8 percent, annually. Adventist Health is the largest employer in the sector and, after completing the Adventist Medical Center-Hanford in 2010, employs 2,200 people in the HMA.

Nonfarm payrolls are expected to decline by an average of 70 jobs, or 0.2 percent, annually during the 3-year forecast period. Payrolls are projected to decline by an average of 300 jobs, or 0.7 percent, per year during the first and second years but increase by 400 jobs, or 1 percent, in the third year of the forecast period.

Population and Households

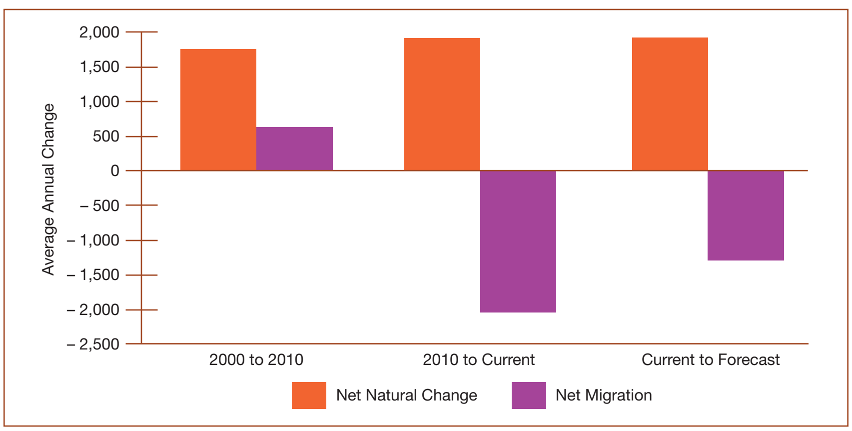
From 2000 through 2010, the population of the Hanford-Corcoran HMA grew from 129,461 to 152,982, an average annual increase of 2,350, or 1.7 percent. Population growth averaged 2,775 people, or 2 percent, per year from 2000 through 2008, when CDCR expansions and employment gains in the agriculture and manufacturing sectors generated an average in-migration of 1,075 people annually. From 2008 through 2010, growth slowed to an average of 570 people, or 0.4 percent, per year because CDCR population reductions and declining employment in the HMA resulted in an average out-migration of 1,325 people annually. Net natural change (resident births minus resident deaths) accounted for approximately 74 percent of the population growth from 2000 through 2010 (Figure 4).

The city of Hanford is the largest population center in the HMA and accounted for 35 percent of all HMA residents in 2010. Between 2000 and 2010, the city's population expanded from 41,686 to 53,967, an average annual increase of 1,125, or 2.6 percent. The city of Corcoran, home to two of the CDCR facilities, was the fastest growing population center in the HMA from 2000 to 2010, however, expanding from 14,458 to 24,813 residents, a 5.5-percent average annual increase.

As of January 1, 2012, the population of the HMA was estimated at 152,700, largely unchanged from April 2010. An 11-percent reduction in prison population, from 18,250 to 16,450, contributed to net out-migration that offset net natural change during that period. Additional CDCR reductions and other possible cutbacks in the government sector are projected to curb population gains during the next 2 years, but improving economic conditions are expected to contribute to population growth in the third year of the forecast period. Population growth in the HMA is expected to average 600 people, or 0.4 percent, per year during the forecast period (Figure 5).

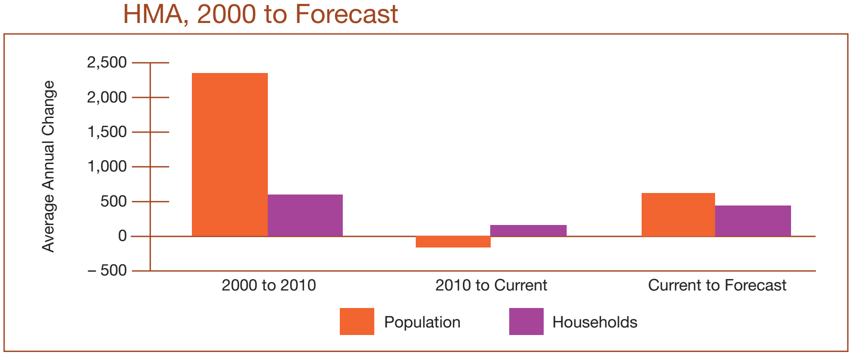
Between 2000 and 2010, the number of households in the HMA increased from 34,418 to 41,233, an average annual increase of 680, or 1.8 percent. Weak economic conditions caused household growth to slow, however, to an average annual increase of 150 households, or 0.4 percent, from April 2010 through January 2012.

Figure 4. Components of Population Change in the Hanford-Corcoran HMA, 2000 to Forecast



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

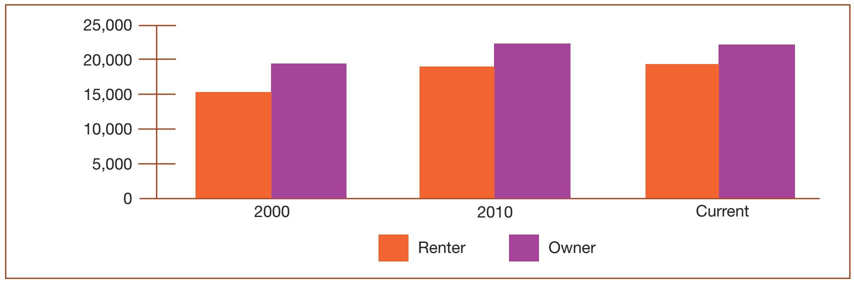
Figure 5. Population and Household Growth in the Hanford-Corcoran HMA, 2000 to Forecast



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

The number of households in the HMA is expected to increase by an average of 450, or 1.1 percent, annually during the forecast period. See Table DP-1 at the end of this report for household growth in the HMA by tenure from 2000 through the current date. Figure 6 shows the number households by tenure since 2000.

Figure 6. Number of Households by Tenure in the Hanford-Corcoran HMA, 2000 to Current



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

Housing Market Trends

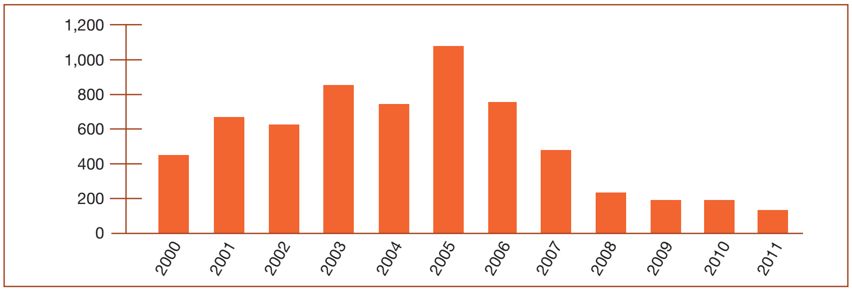
Sales Market

The home sales market in the Hanford-Corcoran HMA is currently soft because of slow household growth, weak economic conditions, and tighter lending requirements. The sales vacancy rate is currently estimated at 2.2 percent, largely unchanged from 2010. According to Hanley Wood, LLC, new home sales decreased to 95 during 2011 compared with the 110 homes sold during 2010 and an average of 320 new homes sold each year from 2007 through 2009. The average sales price for new homes decreased to $215,700 in 2011, down 3 percent from $222,800 during 2010 and 27 percent from an average of $295,700 from 2007 through 2009.

Existing home sales increased to 1,175 homes in 2011, up 9 percent compared with the 1,075 home sales reported during 2010 and 20 percent compared with the average of 970 homes sold per year from 2007 through 2009. The average sales price for existing homes declined to $152,200 in 2011, a 9-percent decrease from $166,800 in 2010 and a 30-percent decrease from $217,300 from 2007 through 2009. The sales price decline is largely due to an 18-percent increase in REO (Real Estate Owned) sales to 620 homes during 2011, up from 560 during 2010. REO activity accounted for 53 percent of existing home sales during 2011, up slightly from 52 percent during the previous year. According to LPS Applied Analytics, in December 2011, 7.3 percent of home loans in the HMA were 90 or more days delinquent, in foreclosure, or in REO, down from 9.2 percent as of December 2010 and less than the 7.6-percent national average.

In response to softening market conditions, single-family home construction activity, as measured by the number of building permits issued, has slowed since 2005 (Figure 7). Based on preliminary data, the number of single-family homes permitted declined to approximately 80 during 2011 compared with the 95 homes permitted during 2010. Single-family building permits averaged 410 homes permitted each year from 2006 through 2009 after averaging 730 homes each year from 2000 through 2005. More than 60 percent of the preliminary single-family homebuilding permits in the HMA in 2011 were for homes in Hanford.

Figure 7. Single-Family Building Permits Issued in the Hanford-Corcoran HMA, 2000 to 2011



Notes: Includes townhomes. Includes data through December 2011.

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

During the 3-year forecast period, demand is estimated for 860 new market-rate sales units in the HMA (Table 1). The 65 homes under construction will meet a portion of this demand, and some of the estimated 1,200 other vacant units may return to the sales housing market and satisfy a portion of the demand during the forecast period. Demand is expected to be strongest in the second and third years of the forecast period and is projected to be greatest in the $230,000-to-$259,999 price range (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Hanford-Corcoran HMA, January 1, 2012 to January 1, 2015

Price Range ($)		Units of Demand	Percent of Total
From	To		
110,000	139,999	60	7.0
140,000	169,999	85	10.0
170,000	199,999	110	13.0
200,000	229,999	150	17.0
230,000	259,999	150	18.0
260,000	289,999	150	17.0
290,000	319,999	120	14.0
320,000	and higher	35	4.0

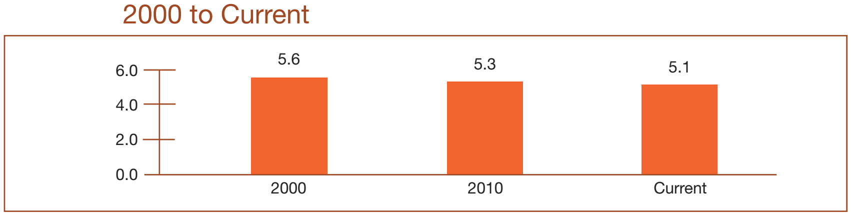
Note: The 65 homes currently under construction and a portion of the estimated 1,200 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market

Despite slower population growth, the rental housing market in the Hanford-Corcoran HMA is currently balanced, because low levels of multifamily construction continue to exert downward pressure on rental vacancy rates. As of January 1, 2012, the overall rental vacancy rate was estimated at 5.1 percent, down from 5.3 percent in 2010 (Figure 8).

Figure 8. Rental Vacancy Rates in the Hanford-Corcoran HMA, 2000 to Current



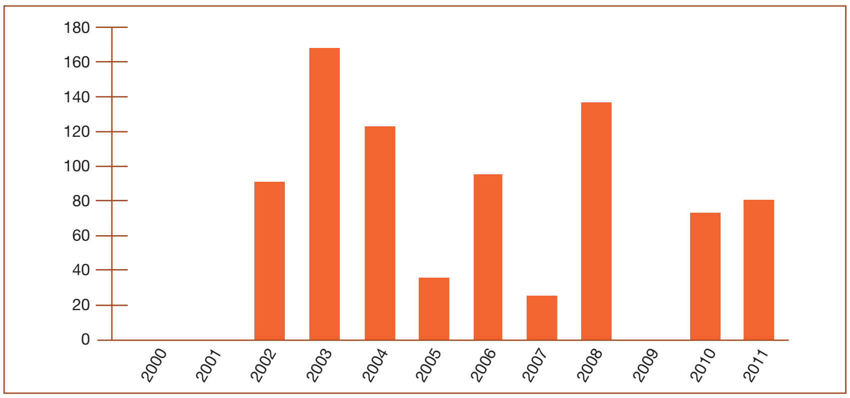
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The apartment vacancy rate decreased to 2.5 percent during the fourth quarter of 2011, down from 4.4 percent in the fourth quarter of 2010, as reported by Reis, Inc. The average asking rent increased by 2 percent to $750 during the fourth quarter of 2011, up from $740 a year earlier. As of January 1, 2012, average rents were estimated at $700 for a one-bedroom, $820 for a two-bedroom, and $1,150 for a three-bedroom unit. According to the 2010 American Community Survey, single-family homes account for approximately 60 percent of rental units in the HMA.

Multifamily construction, as measured by the number of units permitted, averaged 85 units per year from 2006 through 2008. No multifamily units were permitted in 2009 and only 70 were permitted in 2010 (Figure 9). Tierra Vista, a 48-unit apartment project in Hanford, and Valley Gardens, a 20-unit apartment project located between Hanford and Lemoore, accounted for nearly all of the multifamily units permitted in 2010. Both projects were completed in 2010. Cinnamon Villas, an 80-unit housing development for seniors in Lemoore, accounted for all of the multifamily units permitted in 2011, but construction of the project has yet to begin.

During the 3-year forecast period, demand is estimated for 400 new rental units in the HMA (Table 1). Table 5 shows the estimated demand by rent level for new market-rate rental housing during the forecast period.

Figure 9. Multifamily Building Permits Issued in the Hanford-Corcoran HMA, 2000 to 2011



Notes: Excludes townhomes. Includes data through December 2011.

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

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Hanford-Corcoran HMA, January 1, 2012 to January 1, 2015

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
750 or more	100	880 to 1,079	200	1,225 or more	90
		1,080 or more	10		
Total	100	Total	210	Total	90

Notes: Numbers may not add to totals because of rounding. The 80 units that have been permitted but are not currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Hanford-Corcoran HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total Resident Employment	44,302	51,224	51,100	1.5	– 0.2
Unemployment Rate	10.0%	16.5%	16.1%		
Nonfarm Payroll Jobs	30,200	35,600	35,750	1.7	0.4
Total Population	129,461	152,982	152,700	1.7	– 0.1
Total Households	34,418	41,233	41,500	1.8	0.4
Owner Households	19,253	22,329	22,100	1.5	– 0.6
Percent Owner	55.9%	54.2%	53.3%		
Renter Households	15,165	18,904	19,400	2.2	1.5
Percent Renter	44.1%	45.8%	46.7%		
Total Housing Units	36,563	43,867	44,250	1.8	0.5
Owner Vacancy Rate	1.8%	2.1%	2.2%		
Rental Vacancy Rate	5.6%	5.3%	5.1%		
Median Family Income	$34,400	$51,700	$52,900	4.2	2.3

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2011. Median family incomes are for 1999, 2009, and 2010.

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: 1/1/2012—Analyst's estimates

Forecast period: 1/1/2012–1/1/2015—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 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_Hanford-CorcoranCA_12.pdf.

Contact Information

Casey Blount, Economist
San Francisco HUD Regional Office
415–489–6520
casey.m.blount@hud.gov

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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.