

Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from [first tuesday](#)
 May 2017 • Vol. 6 • Issue 5 • **Low housing vacancies point to future construction**

Presented by

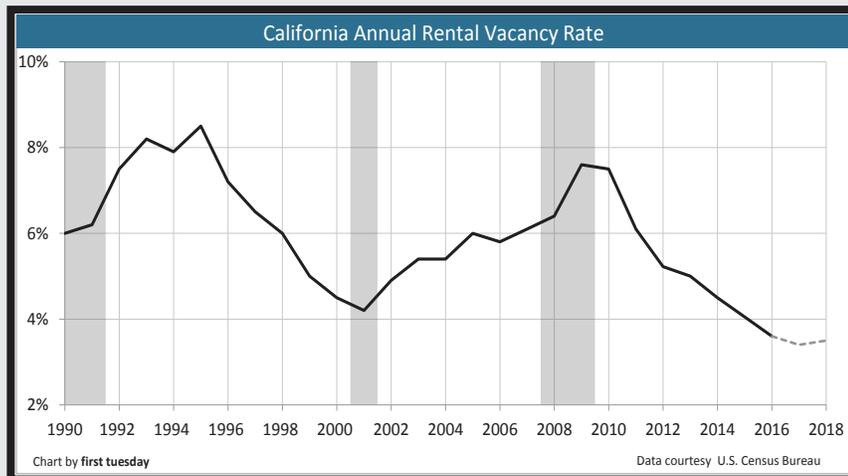
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Rental vacancies at their lowest

This chart shows the average **rental vacancy rate** in California each year.

In 2016, an average of 3.6% of rental units were vacant at any given time. This is very low, down from 4.1% in 2015. Rental vacancies last peaked during the **2008 recession** at nearly 8%. For perspective, a healthy rental vacancy rate is around 5.5%.

Rental vacancies will likely continue to decrease in 2017, but are expected to level off and eventually rise slightly before the end of this decade. But for this to happen, **construction** of new units will have to rise.

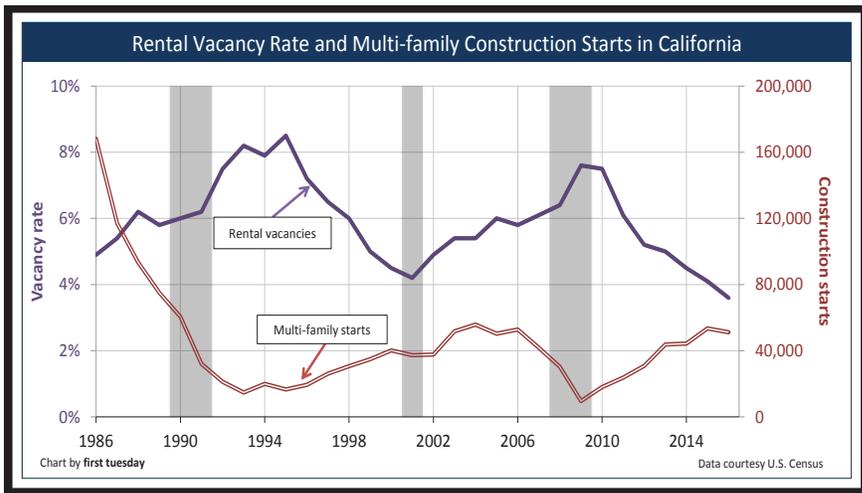


Not enough multi-family construction

This chart displays California's annual rental vacancy rate (the purple line) alongside the number of **multi-family units** started each year (the red line).

In 2016, building permits were taken out for 51,200 new SFRs in California. This is a slight dip from the previous year when 53,500 new multi-family units were started. But more — not less — **new construction** is needed to reverse the unhealthy decline in the vacancy rate.

Multi-family construction will likely increase at a slow pace in 2017-2018. Builders continue to be held back by strict **zoning laws** that prohibit density in desirable areas. Once legislation catches up to the needs of today's growing population of renters, more multi-family units will be built and the rental vacancy rate will finally rise.

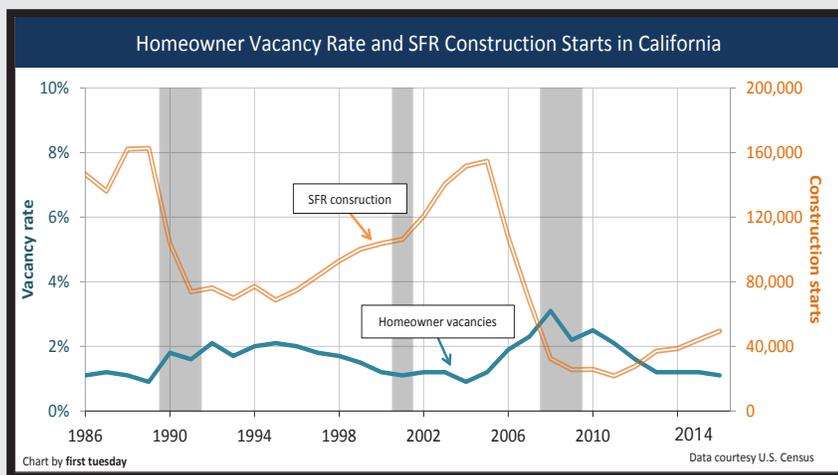


Homeowner vacancies dip slightly

This chart shows California's average homeowner vacancy rate (the blue line) and the number of new **single family residences (SFRs)** (the orange line) built each year in the state.

In 2016, building permits were taken out for 49,400 new SFRs, up from 44,100 new SFRs in 2015. In the same year the average homeowner vacancy rate was 1.1%, down slightly from 1.2% in 2015. This is slightly below average for **homeowner vacancies**, but not so low as to indicate an unhealthy housing supply.

As demand for SFRs continues to increase in the coming years, SFR construction will rise, bringing homeowner vacancies back up to average levels. The next peak for residential construction in California is expected around 2020-2021, when the **demand convergence** of retiring Baby Boomers and first-time homebuyers will push the housing market to its next boom.



Click on any chart
for more information!