Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from first tuesday

May 2018 • Vol. 7 • Issue 5 • ***Low vacancies to spur more residential construction***

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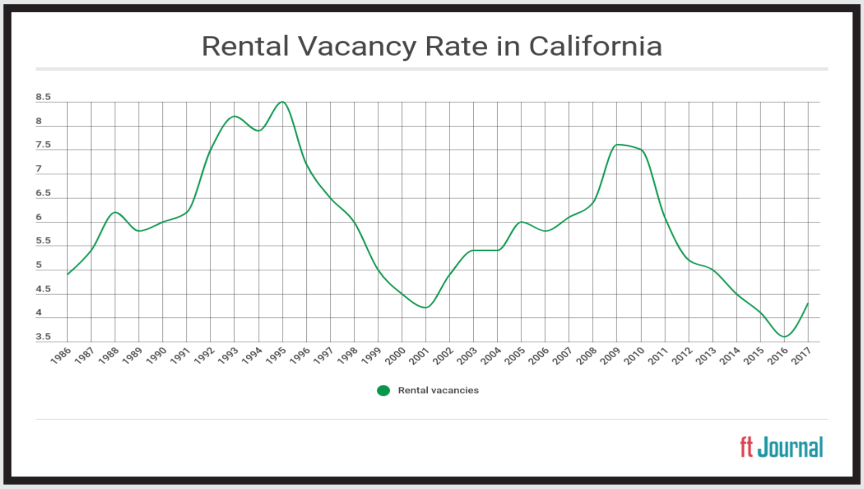
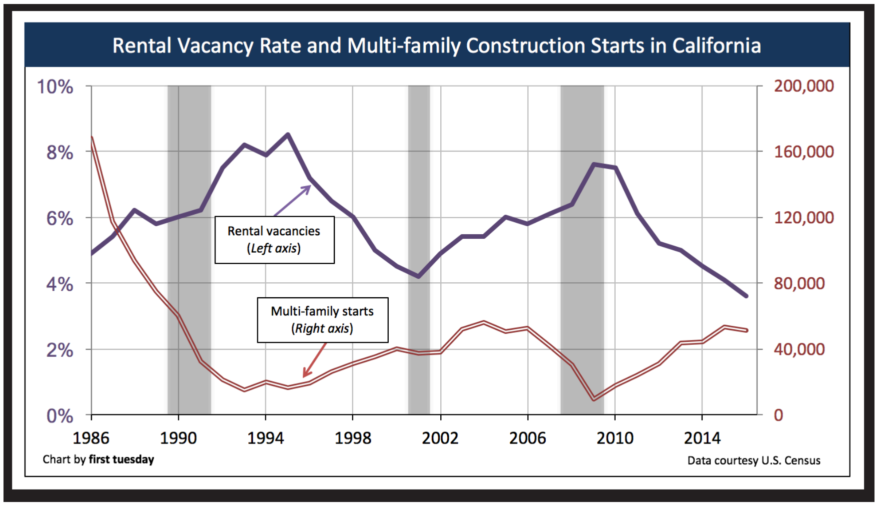
Rental vacancies up from their low point

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

In 2017, an average of 4.3% of rental units were vacant at any given time. This is a slight increase from 2016, when rent vacancies were at an historic low. Rental vacancies last peaked during the **2008 recession** at nearly 8%. For economic perspective, a healthy rental vacancy rate in California is around 5.5%.

Rental vacancies will remain low in 2018, as **demand** for housing continues to outstrip the construction and availability of added rental units. Vacancies will begin to rise by the end of this decade in response to more construction followed then by a shifting demand to homeownership.





Insufficient 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 2017, **building permits** were taken out for 53,800 units. This is a small increase of just 6% over 2016, not enough to meet current demand, much less the demand of our growing population.

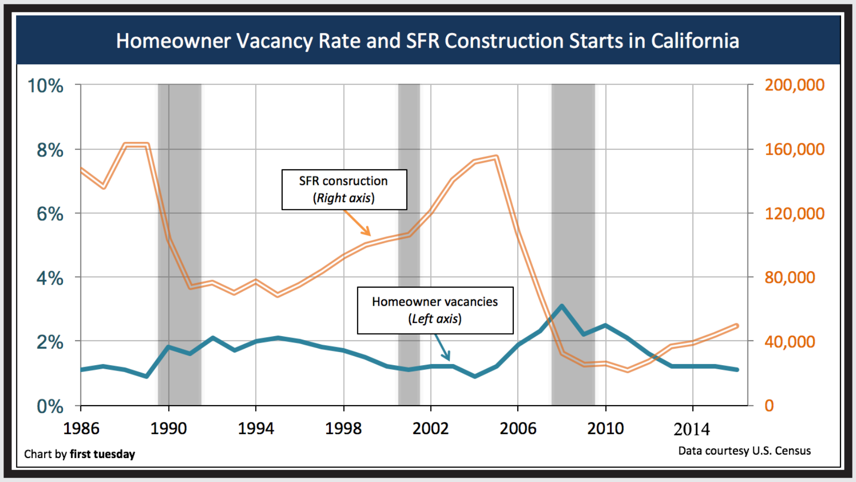
Multi-family construction will likely increase at a quicker pace in 2018-2019. New legislation enabling cities to enact **higher density** zoning for the construction of more low- and mid-tier housing units will help builders in this effort. With more multi-family construction, rents will fall back toward the recommended 33% of incomes, helping future homebuyers save for their down payments.

Homeowner vacancies flat-to-down

This chart shows California's average homeowner vacancy rate (the blue line) and the number of new **single family residential (SFR) construction** (the orange line) started each year.

58,000 permits were taken out for new SFRs in California during 2017, 17% more than the prior year. But the rise of new SFRs starts is insufficient to encourage turnover and in turn drive up the **homeowner vacancy rate**, which remained a low 1.1% in 2017. This low homeowner vacancy rate is reflected in the low for-sale inventory.

Buyer demand for SFRs continues to rise in 2018 and will continue in the coming years. To match this demand with sales, more construction needs to occur, which is expected to peak around 2020-2021. This coincides with the **demand convergence** from retiring Baby Boomers and first-time homebuyers, pushing the housing market into another boom.



Click on any chart for more information!

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