

Construction Trends

Construction Data

Construction activity is a major component of the economy and contributes greatly to increases in assessed property values. This article will discuss how construction activity is measured, analyze trends before and after the Great Recession, and review 2014 city and county data.

The Construction Industry Research Board (CIRB) publishes construction data derived from building permits. CIRB data includes residential housing units and values for cities, counties, and the state, breaking out single family and multifamily (such as duplexes, apartments, and condominiums) permit components. They also tabulate nonresidential permit valuations by type of activity. Board of Equalization staff (BOE) analyzed annual CIRB data for 2014 and prior years.

As an economic indicator, housing is commonly analyzed in terms of physical units. Numbers of units, especially for single-family homes, are often associated with sales of home furnishings, furniture, and landscaping materials, along with other purchases. Nonresidential construction is measured in terms of permit valuations, owing to the greater variety in sizes and types of nonresidential buildings compared to residential buildings.

Summary

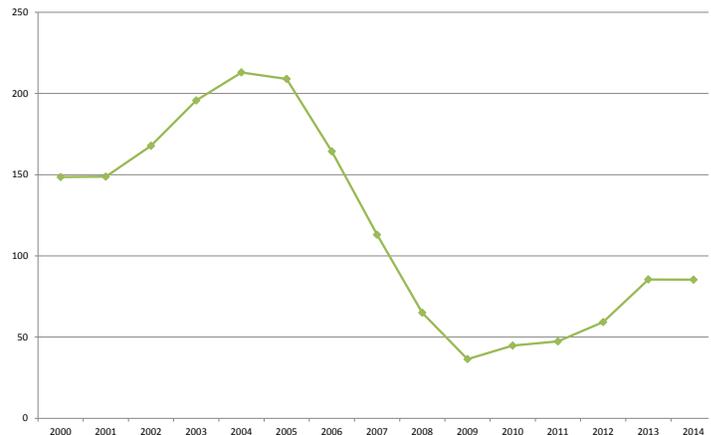
BOE research staff found that:

- Residential construction activity is not yet back to pre-recession levels.
- Since the recession, proportionately more apartment and other multifamily dwelling units are being built compared to single family homes.
- Nonresidential construction is back to pre-recession levels.
- Alterations and additions are important components of construction values, especially for nonresidential construction.
- Nonresidential construction in 2014 was especially strong in the San Francisco Bay area.

Residential Construction

Residential housing units fell from annual levels of over 200,000 units prior to the recession to an all-time low of 36,000 units in 2009 (See Chart 1). Housing permits increased to 85,000 by 2014, but remain far below typical levels prior to the recession.

Chart 1
California Residential Housing Units
(Thousands of Units)



Types of Residences

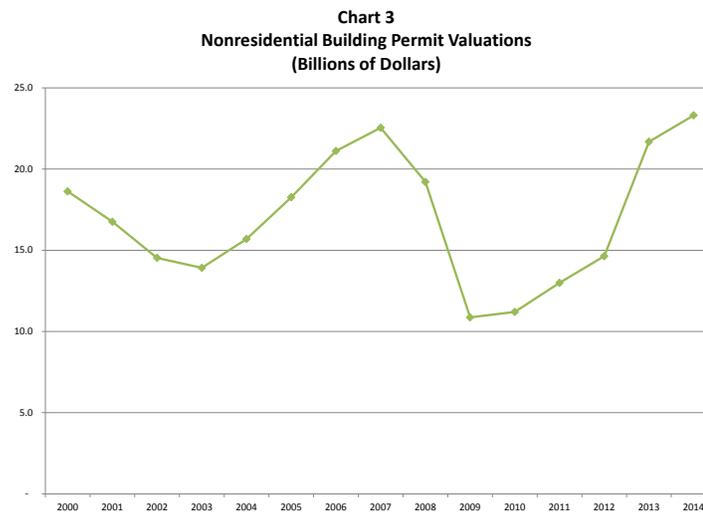
The composition of residential construction has changed in recent years. Single family homes dominated residential construction prior to 2007. They typically accounted for more than 70 percent of residential units built, with apartments and other multifamily units comprising the remaining 30 percent. However, in recent years, the share of multifamily home permits has increased greatly, accounting for close to 60 percent of all permits in 2014. This is nearly double the typical pre-2007 share. Chart 2 shows this changing tendency.

Chart 2
Multifamily Shares of Total Housing Units



Nonresidential Construction

Unlike residential construction, nonresidential building valuations have returned to their pre-recession levels. Chart 3 shows this recovery.



Types of Nonresidential Construction

Table 1 shows California nonresidential construction values by type of building in 2014. Apart from the general "Alterations" category, retail construction led the list. Retail building accounted for 11.2 percent of all nonresidential construction in 2014. Offices followed retail at 9.0 percent.

Trends by Type

Data prior to 2014 reveal much variation in trends for different types of nonresidential building activity. All major types of nonresidential construction have grown rapidly since reaching lows in 2009 or 2010. However, only parking structures, other types of buildings, and alterations to existing buildings surpassed their 2007 levels by 2014.

Table 1*

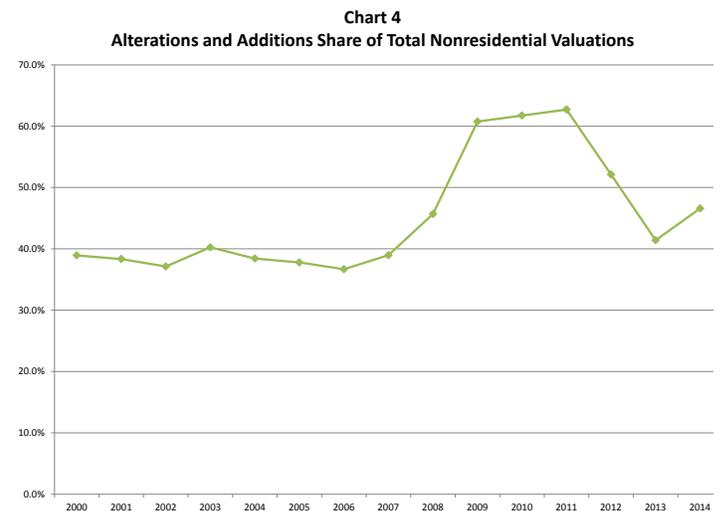
2014 CA Nonresidential Building Construction

Category	Billions of Dollars	Percentage of Total CA Nonresidential Building Construction
Alterations	\$11.06	46.6%
Retail	2.67	11.2%
Offices	2.12	9.0%
Other	1.64	6.9%
Parking Garages	1.42	6.0%
Nonbuildings	1.18	5.0%
Industrial	1.12	4.7%
Public Works	0.84	3.5%
Hotels and Motels	0.72	3.0%
Residential Garages	0.25	1.0%
Recreational	0.25	1.0%
Hospitals	0.19	0.8%
Schools	0.14	0.6%
Churches	0.09	0.4%
Service Stations	0.04	0.2%
Total Nonresidential	\$23.71	100.0%

* Detail may not add to total due to rounding.

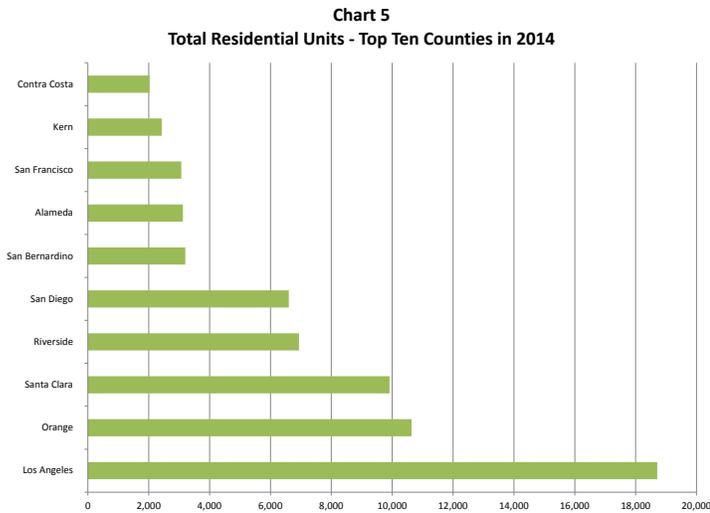
Alterations and Additions

In addition to new construction activity, building values include alterations and additions. These values, while less visible, are significant, and their shares of total construction values vary greatly with economic conditions. In recent years, alterations and additions have accounted for over 20 percent of residential values. Current nonresidential alterations are close to 50 percent of total nonresidential valuations, as shown in Chart 4.



Regional Residential Construction

The 2014 data shows new home and apartment construction was greatest in Los Angeles County, with 18,700 new units. As shown in Chart 5, Orange County followed a distant second at 10,600. Other top counties include Santa Clara, Riverside, and San Diego.



As for cities, Los Angeles topped the list for total residential units, followed by San Jose and Irvine (See Table 2). As shown in Table 3, Irvine had the most newly constructed single family homes, followed by Los Angeles and Bakersfield. Los Angeles, San Jose, and San Francisco led cities in multifamily units (Table 4).

Table 2

Top Ten Cities in 2014 Total Residential Units	
Los Angeles	11,670
San Jose	4,464
Irvine	3,322
San Francisco	3,070
San Diego	2,545
Santa Clara	1,687
Bakersfield	1,666
Anaheim	1,343
Milpitas	1,195
Dublin	1,179

Table 3

Top Ten Cities in 2014 Single Family Residential Units	
Irvine	1,660
Los Angeles	1,602
Bakersfield	1,340
San Diego	722
Roseville	644
Fresno	584
Indio	516
Elk Grove	485
Clovis	483
Dublin	481

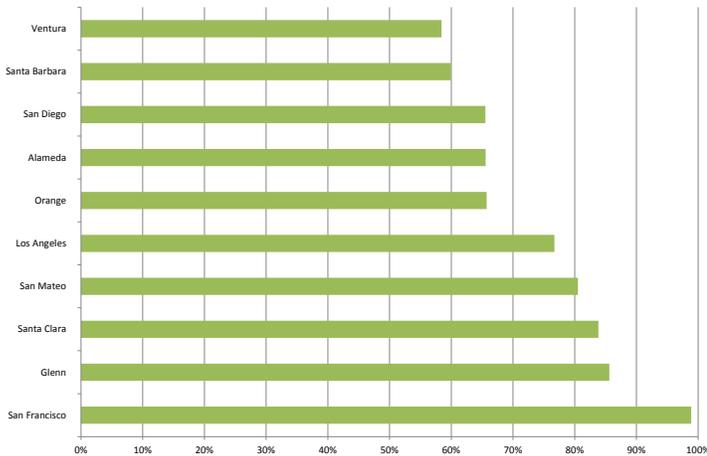
Table 4

Top Ten Cities in 2014 Multifamily Residential Units	
Los Angeles	10,068
San Jose	4,074
San Francisco	3,035
San Diego	1,823
Irvine	1,662
Santa Clara	1,645
Anaheim	1,310
Milpitas	1,025
Huntington Beach	989
Chula Vista	927

Regional Multifamily Shares

Multifamily shares of residential construction varied greatly by county in 2014. In many large urban counties, multifamily shares were well above the statewide average of 57 percent. For example, multifamily units comprised virtually all new residential construction in San Francisco (99 percent). Santa Clara, San Mateo, and Los Angeles counties also had much greater shares of multifamily unit construction, as shown in Chart 6. Major cities with over 80 percent of multifamily construction included Anaheim, Santa Clara, (98% each), San Jose (91%), and Los Angeles (86%).

Chart 6
Multifamily Shares of Total Residential Units - Top Ten Counties in 2014



Regional Nonresidential Construction

Table 5 shows 2014 nonresidential construction values for the top ten counties. Compared to residential construction, nonresidential construction tends to be more concentrated in large urban counties. The percentage of nonresidential construction in some counties, such as Los Angeles, Orange, and San Diego, approximated their shares of the California population. However, nonresidential construction in the Bay Area counties of Santa Clara, San Francisco, and San Mateo greatly exceeded their respective population shares.

Nonresidential values for the top ten cities in 2014 are shown in Table 6. San Francisco Bay area cities are well represented, with six of them in the top ten.

Table 5
Top Ten Counties in 2014 Nonresidential Valuations

County	Billions of Dollars	Percent of CA	Percent of CA Population
Los Angeles	\$6.6	28.2%	26.2%
Santa Clara	2.6	11.1%	4.9%
Orange	2.0	8.5%	8.1%
San Diego	1.9	8.1%	8.3%
San Francisco	1.6	6.7%	2.2%
Alameda	1.0	4.4%	4.1%
San Mateo	1.0	4.3%	1.9%
Kern	1.0	4.1%	2.3%
San Bernardino	1.0	4.1%	5.4%
Riverside	0.8	3.5%	6.0%

Table 6
Top Ten Cities in 2014 Nonresidential Valuations

Los Angeles	\$3,084,811,759
San Francisco	\$1,584,024,022
San Diego	\$1,443,598,005
Irvine	\$578,400,469
San Jose	\$504,165,451
Sunnyvale	\$504,143,004
Santa Clara	\$500,401,868
Fremont	\$397,151,433
Mountain View	\$362,447,298
Anaheim	\$315,869,215

Contact Us

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www.boe.ca.gov/news/epcont.htm

Online Resources

For more information about topics covered in this publication and previous issues, please visit any of the websites listed below.

Construction Industry Research Board
www.myhcf.org/go/cirb/

California Department of Finance
www.dof.ca.gov

Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters
www.phil.frb.org/research-and-data/real-time-center/survey-of-professional-forecasters/

National Association for Business Economics
www.nabe.com

U.S. Bureau of Economic Analysis
www.bea.gov

U.S. Bureau of Labor Statistics
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