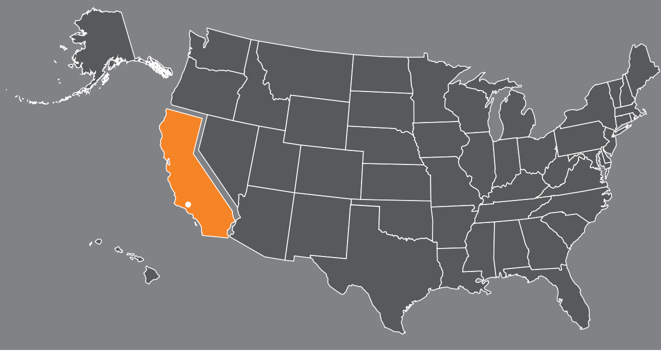
HUD PD&R Housing Market Profiles

Santa Maria-Santa Barbara, California

Quick Facts About Santa Maria-Santa Barbara

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: slightly tight.**
- **The Santa Maria-Santa Barbara metropolitan area is a popular tourist destination in the southern California region, receiving more than 6 million visitors annually since 2012 who have collectively spent an average of $1.98 billion a year (California Travel and Tourism Commission). Tourism supports approximately 19,600 jobs in the metropolitan area and is among the largest industries, after health care.**



By Wendy Ip | As of May 1, 2016

Overview

The Santa Maria-Santa Barbara, CA Metropolitan Statistical Area (hereafter, Santa Barbara metropolitan area) is coterminous with Santa Barbara County, California, and is part of the greater Central Coast tricounty area that consists of San Luis Obispo, Santa Barbara, and Ventura Counties. The metropolitan area's proximity to the Pacific Coast and nutrient-rich soil, particularly in the Santa Maria and Santa Ynez Valleys, has supported growth in wine production and tourism, two prominent industries. The 190 vineyards in the metropolitan area support more than 9,150 full-time jobs and $544 million in wages (Stonebridge Research Group LLC) and, along with the University of California, Santa Barbara (UCSB), are among the key drivers that attract residents to the area.

- As of May 1, 2016, the estimated population of the Santa Barbara metropolitan area is 449,300, increasing by 4,850, or 1.1 percent, annually since 2011, the greatest increase of any multiyear period in more than a decade. Strong economic conditions during most of the period since 2011 supported average net in-migration of 2,025 people annually.

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- Annual population growth averaged 3,200 people, or 0.8 percent, from 2000 to 2003, when low home sales prices in the metropolitan area contributed to average net in-migration of 430 people annually.
- From 2003 to 2011, a surge in home sales prices of 28 percent a year during the early-to-mid 2000s and the subsequent weak economic conditions from the Great Recession contributed to high levels of net out-migration to neighboring counties. Net out-migration averaged 1,225 people a year, which decreased overall population growth to an average of 2,050 people, or 0.5 percent, the lowest level of growth since 2000.

Economic Conditions

The economy of the Santa Barbara metropolitan area has expanded at a strong pace during most of the period since 2011, achieving a full recovery from the recession by 2014. Nonfarm payrolls have risen an average 2.1 percent a year since 2011, far surpassing a period of economic expansion that occurred from 2003 through 2007, when payroll growth averaged 1.0 percent annually.

During the 3 months ending April 2016—

- Nonfarm payrolls averaged 184,100 jobs, an increase of 4,900 jobs, or 2.7 percent, compared with the number of jobs during the same 3-month period in 2015, resulting from growth in 9 of the 11 sectors. That level of growth is among the highest since 2000 and surpassed the peak in 2005, when payrolls grew by 3,000 jobs, or 1.8 percent.

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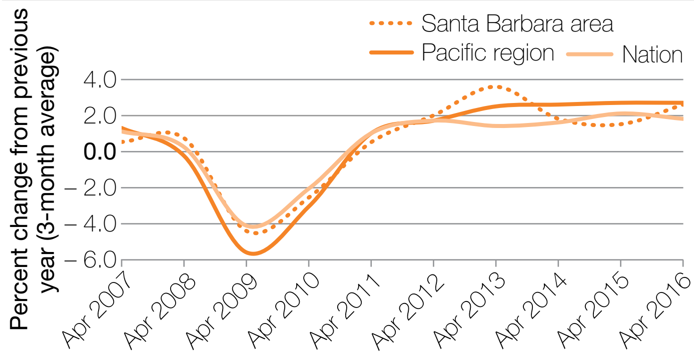
During the 3 months ending April 2016, nonfarm payrolls in the Santa Barbara area increased at a rate similar to that of the Pacific region but higher than that of the nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Five sectors in the Santa Barbara area grew more than 2 percent during the 3 months ending April 2016.

	3 Months Ending		Year-Over-Year Change	
	April 2015 (thousands)	April 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	179.2	184.1	4.9	2.7
Goods-producing sectors	21.4	22.3	0.9	4.2
Mining, logging, and construction	8.7	9.0	0.3	3.4
Manufacturing	12.7	13.2	0.5	3.9
Service-providing sectors	157.8	161.8	4.0	2.5
Wholesale and retail trade	23.8	24.5	0.7	2.9
Transportation and utilities	3.6	3.6	0.0	0.0
Information	4.5	4.4	– 0.1	– 2.2
Financial activities	6.5	6.3	– 0.2	– 3.1
Professional and business services	22.4	22.5	0.1	0.4
Education and health services	25.3	26.6	1.3	5.1
Leisure and hospitality	26.1	27.6	1.5	5.7
Other services	5.8	5.8	0.0	0.0
Government	39.8	40.5	0.7	1.8
	(percent)	(percent)		
Unemployment rate	5.5	5.1		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

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- The most significant gains were in the leisure and hospitality and the education and health services sectors, up by 1,500 and 1,300 jobs, or 5.7 and 5.1 percent, respectively, in the 3 months ending April 2015.
- Nearly 70 percent of the growth in the education and health services sector was attributed to growth in the health care and social assistance industry, up by 900 jobs, or 4.1 percent.
- Job growth in the leisure and hospitality sector has been supported by the opening of 15 restaurants since February 2016, partly contributing to the 1,000-job, or 5.5-percent, increase in the food services and drinking places industry.
- Job losses occurred in the financial activities and the information sectors, down by 200 and 100 jobs, or 3.1 and 2.2 percent, respectively, from the 3 months ending April 2015. Stronger sales housing market conditions reduced the number of jobs needed to service delinquent mortgages, leading to a 100-job decline in the finance and insurance industry. Heightened enforcement of seasonal housing restrictions beginning in mid-2015 has affected the short-term rental market, contributing to a 100-job loss in the real estate and the rental and leasing industries. In the information sector, 50 call center layoffs at Fusion Contact Centers that began in late 2015 contributed to the decrease in the sector from a year ago.

Health care remains a prominent industry in the Santa Barbara metropolitan area, with growth bolstered by the Affordable Care Act, which has expanded access to health care and resulted in greater need for medical staff. Two hospital expansions in the Cottage Health System—Goleta Valley Cottage Hospital and Santa Barbara Cottage Hospital—have either been completed or are under way to allow for greater patient capacity within the metropolitan area. The total number of jobs that will be added has yet to be announced. Goleta Valley Cottage Hospital opened in September 2015, with a medical office currently under way and to be complete by August 2016. The expansion of Santa Barbara Cottage Hospital is expected to be complete in 2018. As of August 2016, the Cottage Health System added 130 jobs. In addition, the number of employment announcements for registered nurses remained the highest among all employment types in the Santa Barbara metropolitan area, totaling approximately 390 jobs as of April 2016 (California Employment Development Department).

Largest employers in the Santa Barbara area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Dignity Health Central Coast	Education and health services	4,475
Cottage Health System	Education and health services	2,800
Chumash Casino Resort	Leisure and hospitality	1,700

Note: Excludes local school districts.
Source: 2015 *Pacific Coast Business Times*

Sales Market Conditions

The sales housing market in the Santa Barbara metropolitan area is currently balanced, with an estimated sales vacancy rate of 1.2 percent, a decrease from 1.7 percent in 2010, when conditions were soft. During the 12 months ending April 2016, new home sales (including single-family homes, townhomes, and condominiums) increased from a year ago, whereas new home prices decreased because of a greater number of more affordable homes being sold, particularly in the city of Santa Maria, where new development has been strongest in the past year. Existing home sales also increased from a year ago, resulting from a reduction in existing home sales prices, after nearly 3 years of unsustainable price growth that had previously dampened sales. The reduction in existing home prices was attributed to a decrease in regular resale prices, although real estate owned (REO) home prices rose. As sales market conditions improved, the percentage of home loans in the Santa Barbara metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status declined from 1.8 percent in March 2015 to 1.2 percent in March 2016, the latest data available (CoreLogic, Inc.). The current rate is lower than the 1.5-percent rate for California and the 3.0-percent rate for the nation. Compared with rates in the tricounty area, the rate for Santa Barbara is the same as for Ventura County, also at 1.2 percent, but higher than for San Luis Obispo, at 0.9 percent.

During the 12 months ending April 2016—

- New home sales increased 15 percent, or 50 homes, to 390 homes sold, compared with the 12 months ending April 2015 and were up from the average of 150 homes sold annually from 2008 through 2011, when market conditions were weak (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). New home sales have returned to levels similar to those in 2007 but remain 33 percent below the peak from 2005 through 2006, when an average of 580 homes sold.
- Existing home sales totaled 3,525, up 9 percent from the 3,225 homes sold during the 12-month period ending April 2015 and up 16 percent from the average of 3,050 homes sold annually from 2008 through 2011. The growth in existing home sales resulted from a 10-percent, or 300-home, increase in regular resales that offset a 7-percent, or 20-home, decline in REO

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sales. Regular resales are 76 percent higher than the average of 1,875 homes sold annually from 2008 through 2011, whereas REO sales are 82 percent lower than the average of 1,175 sold annually during the same period.

- The average sales price for new homes was $529,000, a decrease of 6 percent compared with the average price of $565,100 during the previous year. Despite the recent decline, the average new home sales price is 7 percent above the average price of $496,900 from 2008 through 2011.
- The average sales price for existing homes was $837,700, a nearly 1-percent decline compared with $843,300 during the 12 months ending April 2015. The decline resulted from a 3-percent decrease in regular resale prices, from $873,500 to $851,700. The average sales price for existing homes was 40 percent higher than the average price of $597,500 from 2008 through 2011 but 2 percent lower than the average price of $851,900 from 2005 through 2006.

Single-family home construction activity, as measured by the number of single-family homes permitted, slowed during the 12 months ending April 2016, partly resulting from the California-wide drought that has recently restricted development.

- The number of single-family homes permitted slowed to 100 during the 12 months ending April 2016 compared with 310 a year earlier (preliminary data).
- In 2007, the number of single-family homes permitted was 470 before construction activity declined to an average of 210 annually from 2008 through 2012. Single-family home construction activity began to increase in 2013 and averaged 380 homes annually from 2013 through 2015.
- Notable single-family developments under construction are in the communities of Harvest Glen in Santa Maria, with 139 homes at buildout, and Vineyard Village in the Santa Ynez Valley, with 154

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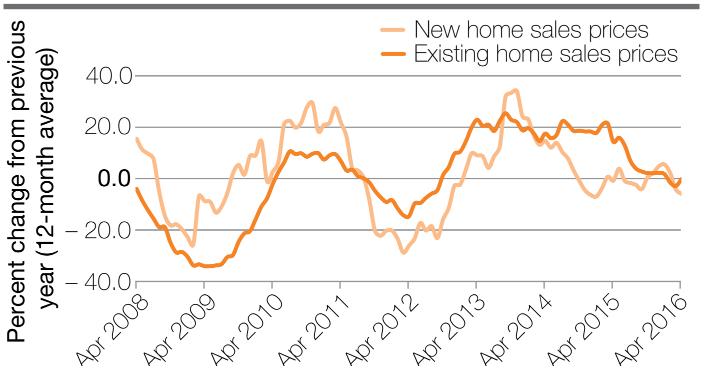
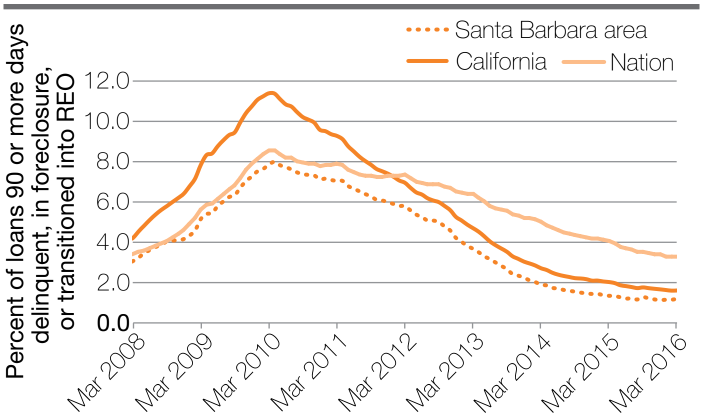
New and existing home sales prices in the Santa Barbara area declined during the 3 months ending April 2016 after a peak in price growth in 2013.



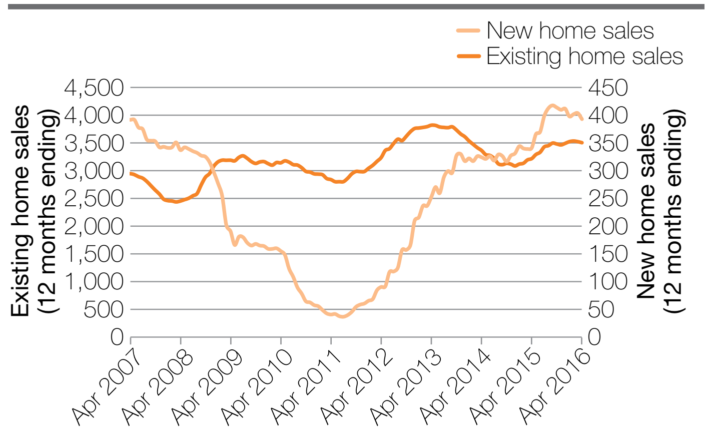
Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The rate of seriously delinquent loans and REO properties in the Santa Barbara area has declined since 2010.



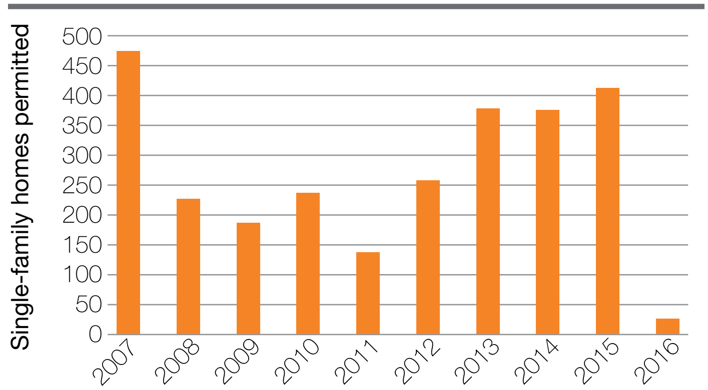
REO = real estate owned.
Source: CoreLogic, Inc.

New and existing home sales in the Santa Barbara area increased during the 3 months ending April 2016 and exceeded or were similar to sales volumes in 2007.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Single-family home permitting in the Santa Barbara area decreased in early 2016 after 3 years of higher construction levels.



Note: Includes preliminary data from January 2016 through April 2016.
Source: U.S. Census Bureau, Building Permits Survey

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homes at buildout. At Harvest Glen, approximately 35 homes have been completed since construction began in 2014, with 4 homes currently under way, and prices that start at $385,000 for a three-bedroom, single-family home. At the Vineyard Village, approximately 20 homes have been completed, and 18 are currently under way. Prices for homes at Vineyard Village start at $386,000 for a two-bedroom townhome. Full completion of the Harvest Glen and Vineyard Village communities is expected by 2020.

Apartment Market Conditions

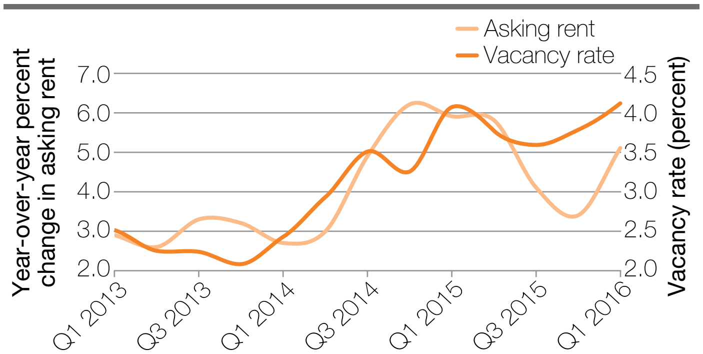
Rental housing market conditions in the Santa Barbara metropolitan area currently are slightly tight. The increase in the number of renter households since 2010 has outpaced both the construction of new rental units and the conversion of single-family homes to rental units.

- The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) is 4.2 percent as of May 1, 2016, a decrease from 4.5 percent in 2010.
- Net in-migration and strong job growth have continued to support household growth, and rental absorption has approximated 350 units a year since 2010.
- The apartment market, which represents 60 percent of all rental units, had a 4.1-percent vacancy rate in the first quarter of 2016, unchanged from a year earlier (Reis, Inc.). The vacancy rate continued to be low despite the more than 800 apartments completed since the first quarter of 2014.
- The average monthly apartment asking rent was $1,457 in the first quarter of 2016, an increase of $71, or 5 percent, from the first quarter of 2015.

Multifamily construction activity, as measured by the number of multifamily units permitted, slowed recently, partly in response to development restrictions imposed during the recent and ongoing drought.

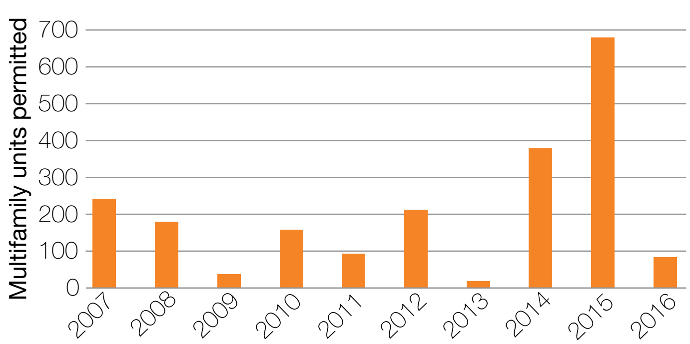
- During the 12 months ending April 2016, approximately 140 multifamily units were permitted compared with 430 units permitted during the same period a year ago (preliminary data).
- Multifamily construction averaged 530 units annually during 2014 and 2015, the highest level since 2007. The growth was partly in response to the increased in-migration since 2011 that has caused the rental market to tighten considerably given previous lower levels of development.
- From 2007 through 2013, the rate of multifamily construction was low, averaging 140 units permitted a year.
- Approximately 90 percent of apartments currently under construction are in the cities of Goleta, Santa Maria, and Santa Barbara.
- Several apartment developments are under way but have yet to announce rents, including Hollister Village, with 266 units, which began construction in 2015, with completion expected by mid-2016. In Santa Maria, the 272-unit Hancock Terrace Apartments, which began construction in 2015, currently is leasing for opening by mid-2016. The development is the largest in Santa Maria and will consist of studio units and one-, two-, and three-bedroom units. The 89-unit Mirasol Apartments began construction in 2015 under the city of Santa Barbara Average Unit-Size Density (AUD) program, which supports the construction of smaller, more affordable residential units near transit and within easy walking distance to commercial services and parks. Mirasol Apartments is expected to be complete by mid-2016. Recently completed apartments include the 266-unit Hollister Village in the city of Goleta, close to UCSB, which opened in 2015 with rents for one- and two-bedroom units at $2,270 and $2,775, respectively.

A greater number of new apartments in the Santa Barbara area has contributed to an increase in rents and vacancy rates since the fourth quarter of 2013.



Source: Reis, Inc.

Multifamily permitting in the Santa Barbara area decreased in early 2016 after 2 years of higher construction activity.



Note: Includes preliminary data from January 2016 through April 2016.
Source: U.S. Census Bureau, Building Permits Survey