

HUD PD&R Housing Market Profiles

Santa Maria-Santa Barbara, California



Quick Facts About Santa Maria-Santa Barbara

- Current sales market conditions: tight
- Current rental market conditions: slightly tight
- The Santa Barbara metropolitan area, known as the American Riviera, is a popular tourist destination and home to scenic beaches, the Santa Ynez mountains, and seven wine-producing regions. The metropolitan area is also home to the University of California, Santa Barbara, a major research institution and employer.



Santa Barbara, California

By Mildred Jara Ramirez | As of July 1, 2021

Overview

The Santa Maria-Santa Barbara, CA Metropolitan Statistical Area (hereafter, Santa Barbara metropolitan area) is coterminous with Santa Barbara County and located along the Pacific coast in southern California, approximately 100 miles north of the city of Los Angeles. The economy of the Santa Barbara metropolitan area is characterized by traditionally strong leisure and hospitality, professional and business services, and government sectors. In the leisure and hospitality sector, the wine production industry, which includes 16,000 acres of vineyards and more than 275 wineries, and the beach communities situated along 110 miles of coastline both attracted 7.2 million visitors and accounted for \$1.9 billion in visitor revenue each year before the COVID-19 pandemic (Santa Barbara Vintners Association and Visit Santa Barbara, 2019–2020). The metropolitan area is also a hub for technology companies and startups, which are part of the professional and business services sector. Nearly 70 software and technology companies, including Amazon.com, Inc., are located in downtown Santa Barbara. Vandenberg Space Force Base and the University of California, Santa Barbara are the top two employers in the metropolitan area and contribute to jobs in the government sector of the economy.

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- As of July 1, 2021, the estimated population of the Santa Barbara metropolitan area was nearly 445,400, representing an average annual increase of 550, or 0.1 percent, since 2015. By comparison, population growth averaged 4,150 people, or 1.0 percent, a year from 2011 to 2015 (Census Bureau population estimates as of July 1).
- Population growth has slowed since 2015 because rising housing costs have contributed to an average annual net out-migration of 1,600 people. By comparison, from 2011

to 2015, lower housing costs and strong economic growth following the Great Recession resulted in net in-migration, which averaged 1,400 people a year and contributed to stronger population growth.

- Despite job losses caused by the Great Recession, population growth was also strong from 2007 to 2011, averaging 3,550 people, or 0.9 percent, annually. During that period, a decline in the average home sales price supported net in-migration that averaged 280 people a year.

Economic Conditions

Economic conditions in the Santa Barbara metropolitan area have been improving following a sharp decline in jobs during early 2020 that resulted from countermeasures taken to slow the spread of COVID-19. Job recovery has occurred during the past year as restrictions on businesses were gradually lifted, and the economy fully reopened by June 2021. Approximately 65 percent of the 31,100 jobs lost in March and April 2020 were recovered in June 2021 (not seasonally adjusted). Before the pandemic, nonfarm payrolls in the metropolitan area increased by an average of 3,300 jobs, or 1.9 percent, annually from 2011 through 2019.

nearly 5.0 percent below levels reached during the second quarter of 2019.

- The professional and business services sector led job gains, increasing by 6,600 jobs, or 22.6 percent, from a year ago. Job growth in the professional, scientific, and technical services industry was strong, up by 1,400 jobs, or 12.0 percent, compared with no change during the second quarter of 2020 and with an increase of 500 jobs, or 4.8 percent, during the second quarter of 2019. In late 2020, Raytheon Company, in the city of Goleta, began hiring for more than 100 new jobs, including hardware and systems engineers; that hiring continued into the current 3-month period.
- Leisure and hospitality was the fastest growing sector, increasing 31.5 percent, or by 5,300 jobs, from a year ago

During the second quarter of 2021 —

- Nonfarm payrolls averaged 184,700 jobs, an increase of 15,100 jobs, or 8.9 percent, from the second quarter of 2020. Despite strong job growth, nonfarm payrolls remained

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During the second quarter of 2021, jobs in the Santa Barbara metropolitan area increased in 9 of the 11 nonfarm payroll sectors.

	Second Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	169.6	184.7	15.1	8.9
Goods-Producing Sectors	20.8	21.4	0.6	2.9
Mining, Logging, & Construction	9.3	9.6	0.3	3.2
Manufacturing	11.5	11.8	0.3	2.6
Service-Providing Sectors	148.8	163.3	14.5	9.7
Wholesale & Retail Trade	20.1	22.5	2.4	11.9
Transportation & Utilities	3.1	3.3	0.2	6.5
Information	3.9	3.9	0.0	0.0
Financial Activities	6.7	6.6	-0.1	-1.5
Professional & Business Services	29.2	35.8	6.6	22.6
Education & Health Services	27.1	28.0	0.9	3.3
Leisure & Hospitality	16.8	22.1	5.3	31.5
Other Services	4.9	5.6	0.7	14.3
Government	37.0	35.5	-1.5	-4.1
Unemployment Rate	12.3%	5.7%		

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



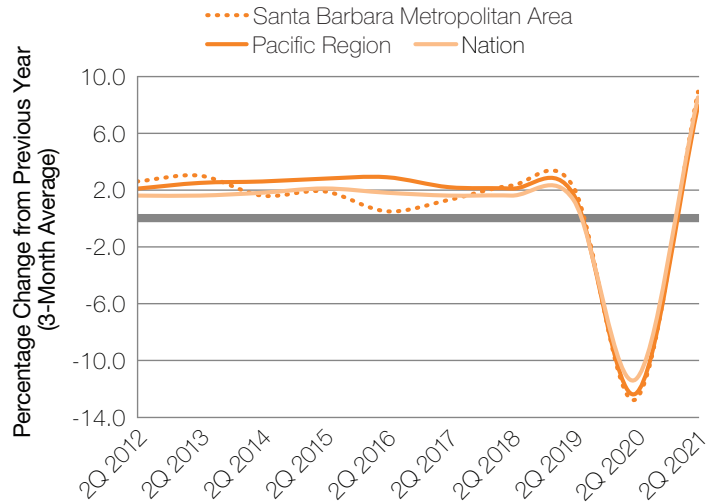
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as occupancy restrictions on hotels, restaurants, wineries, and bars were lifted. Nonfarm payrolls in the accommodation and the food services and drinking places industries rose by 500 and 4,800 jobs, or 15.8 and 42.1 percent, respectively.

- The unemployment rate in the Santa Barbara metropolitan area averaged 5.7 percent, down from 12.3 percent during the second quarter of 2020 and up from 3.2 percent during the second quarter of 2019.

COVID-19 had a substantial impact on the leisure and hospitality sector in the Santa Barbara metropolitan area, which declined from being the third largest sector in the economy to being the fourth largest sector. Before the coronavirus pandemic, overnight visitation—or visitors staying in paid lodging overnight—accounted for approximately \$1 billion, or 54 percent, of all annual tourism-related revenue in the metropolitan area (Visit Santa Barbara, 2019–2020). Pandemic-related hotel occupancy restrictions and closures, both temporary and permanent, resulted in a 50-percent unemployment rate for workers in the hotel industry and a loss of more than \$170 million in hotel revenue. The tourism industry has been recovering as COVID-19 restrictions on businesses were gradually lifted and the economy fully reopened. Incentives to encourage local tourism were created, including a program called “Visit Santa Maria Valley,” which gave tourists \$100 vouchers to visit and spend two or more nights at a hotel in the area. The voucher had to be used in the Santa Maria Valley wineries, breweries, or restaurants. Despite a fully reopened economy and high demand for labor from businesses, jobs in the leisure and hospitality sector have not reached prepandemic levels due to a tight labor market. Some restaurants and hotels are offering signing bonuses as incentives to attract employees. The Hilton Santa Barbara Beachfront Resort has nearly 40 open positions and is offering a \$300 signing bonus to new employees.

After declining during the second quarter of 2020, nonfarm payrolls in the Santa Barbara metropolitan area started to increase at nearly the same pace as in the Pacific region and the nation.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

Largest Employers in the Santa Barbara Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vandenberg Space Force Base	Government	9,200
University of California, Santa Barbara	Government	6,268
Dignity Health Central Coast Medical	Education and Health Services	4,825

Notes: Excludes local school districts. Data for the Vandenberg Space Force Base include military personnel, who are generally not included in nonfarm payroll survey data.
Source: Moody's Analytics

Sales Market Conditions

The sales housing market in the Santa Barbara metropolitan area is tight, with an estimated sales vacancy rate of 0.9 percent, down from 1.7 percent in April 2010. An increase in homebuying and a low inventory of homes for sale contributed to the tight market conditions. During June 2021, a 1.4-month supply of homes were available for sale, down from 2.2 months in June 2020 (CoreLogic, Inc.). Strong demand for homes in the metropolitan area occurred during the pandemic, partly due to a rise in remote work coupled with historically low mortgage interest rates. During the 12 months ending June 2021, 5,250 new and existing homes—including single-family homes, townhomes, and condominiums—were sold, a 30-percent increase from the

4,050 homes sold a year earlier (Zonda). Total home sales rose significantly due to an increase in existing home sales that offset a decline in new home sales, whereas home sales prices rose for both existing and new homes. During the 12 months ending June 2021, the average sales price of new and existing homes increased 37 percent, to \$1.25 million, compared with a 9-percent increase during the previous 12-month period.

The recent economic contraction caused by the COVID-19 pandemic has contributed to an increase in the percentage of home loans in the metropolitan area that are seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status. The share

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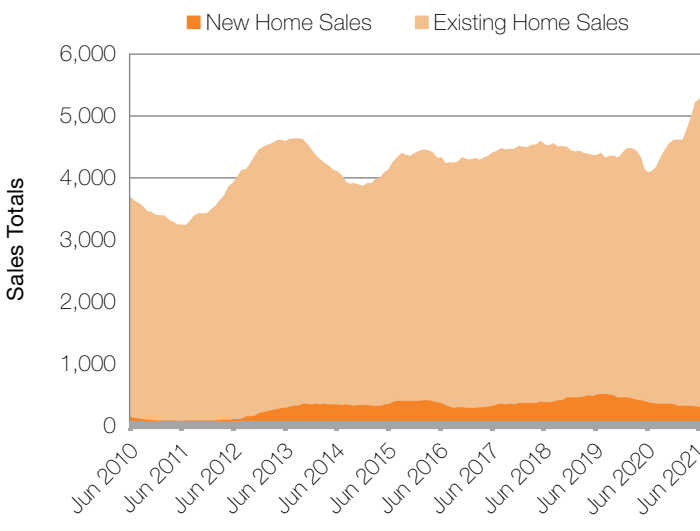
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increased to 2.3 percent in May 2021 from 0.7 percent in May 2020 (CoreLogic, Inc.). The percentage has been declining nearly every month after reaching a high of 3.6 percent in July 2020. The May 2021 rate in the Santa Barbara metropolitan area was lower than the 2.6-percent rate for California and the 3.3-percent rate for the nation.

During the 12 months ending June 2021 —

- Existing home sales in the metropolitan area increased substantially, totaling 4,975 homes sold—up 35 percent from the 3,700 homes sold during the previous 12-month period (Zonda). By comparison, existing home sales declined 4 percent during the 12 months ending June 2020. Existing home sales were generally stable from 2015 through 2019, averaging 4,025 homes sold annually.
- The average sales price for existing homes was \$1.28 million, up 37 percent from the \$932,000 average sales price a year earlier and 51 percent higher than the average annual price of \$847,700 from 2015 through 2019.
- New home sales totaled 270 homes, a decline of 23 percent from the 350 new homes sold during the previous 12-month period and nearly 32 percent lower than the average of 400 homes sold annually from 2017 through 2019, when single-family home construction was relatively high.
- The average new home sales price was \$727,500, approximately 3 percent above the \$707,900 average sales

The increase in existing home sales in the Santa Barbara metropolitan area during the past year contributed to an overall increase in total home sales that offset a decline in new home sales.

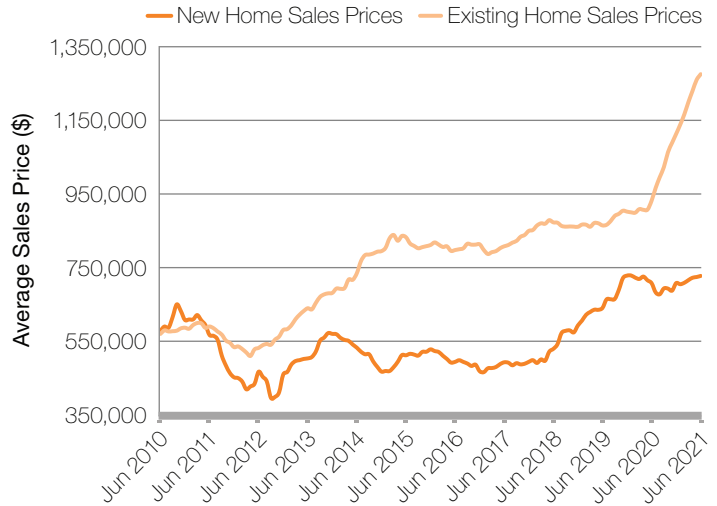


Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

price during the previous 12-month period and 14 percent higher than the average sales price during the 12 months ending June 2019. New home sales prices are generally lower than existing sales prices due to a greater number of homes being built in relatively less expensive parts of the metropolitan area.

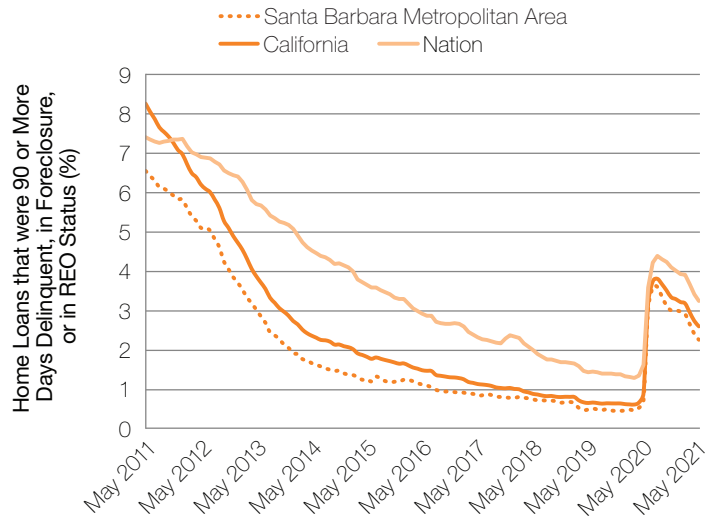
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The average sales price for existing homes in the Santa Barbara metropolitan area has been higher than the average new home sales price since June 2011.



Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

Despite a sharp increase in the proportion of seriously delinquent home loans and REO properties in the Santa Barbara metropolitan area in mid-2020, the proportion remains below the state and national rates.



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

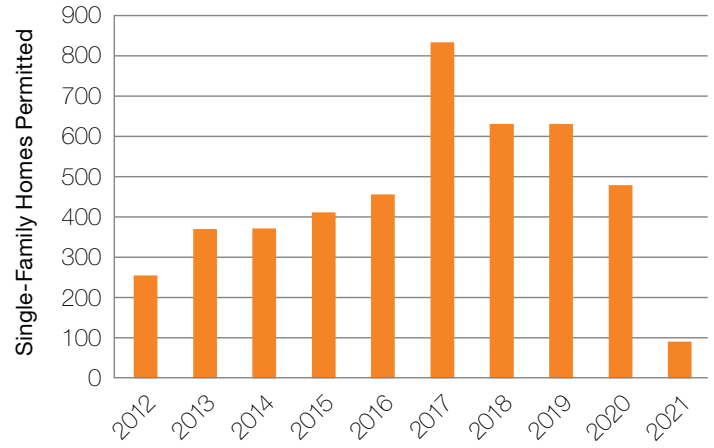


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New home construction, as measured by the number of single-family homes permitted, has generally slowed after reaching a peak in 2017, but remains slightly elevated compared with the early to mid-2010s in response to low levels of inventory of existing homes for sale and strong sales market conditions.

- During the 12 months ending June 2021, approximately 160 single-family homes were permitted, down 10 percent from the nearly 180 homes permitted during the 12 months ending June 2020 (preliminary data, not all jurisdictions reporting).
- After reaching a peak of 830 homes permitted in 2017, home sales construction slowed to an average of 630 homes permitted a year during 2018 and 2019. Despite this slowdown, single-family home construction was above the average of 370 homes permitted annually from 2012 through 2016.
- Notable new home construction is concentrated in the northern part of the Santa Barbara metropolitan area, where home prices are generally lower. The Groves and The Meadows at Rice Ranch are two single-family home communities underway in the city of Orcutt that will include 77 and 401 three-bedroom homes, respectively, with prices starting at \$919,000 and \$835,000.
- Pasadera Homes, a master-planned community with 800 single-family homes planned at buildout, is underway in the city of Guadalupe, also in the northern portion of the

Single-family home permitting in the Santa Barbara metropolitan area has been gradually lower nearly every year after peaking in 2017 but remains relatively higher than levels during the early to mid-2010s.



Note: Includes preliminary data from January 2021 through June 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

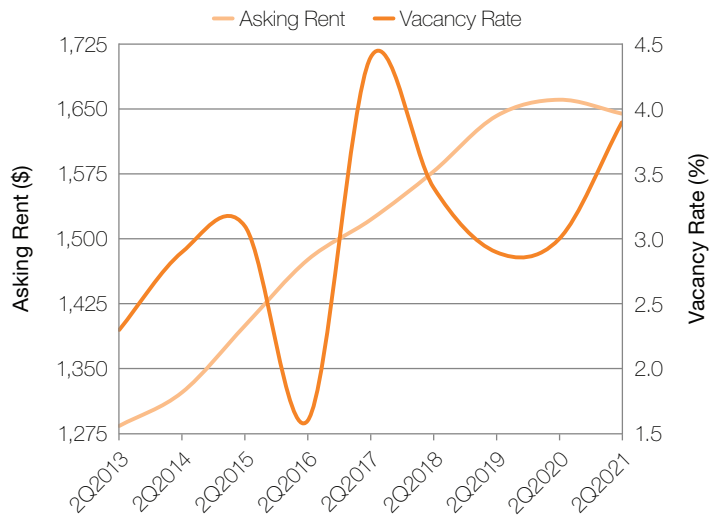
metropolitan area, with 371 homes completed in the first two phases of construction. The Paseo Collection, phase one of Pasadera Homes, consists of 154 homes with prices starting at \$374,200. The Cielo Collection, phase two of Pasadera Homes, consists of 217 homes and has prices starting at \$419,765.

Rental Market Conditions

Rental housing market conditions in the Santa Barbara metropolitan area are slightly tight compared with tight conditions a year ago but remain tighter than conditions in 2010. The recent economic contraction and increased apartment construction since 2019 have contributed to an easing of market conditions.

- The overall rental vacancy rate (including single-family homes, mobile homes, and apartments) was estimated at 4.1 percent as of July 1, 2021, down from 4.5 percent in 2010.
- The apartment market in the metropolitan area was also slightly tight, with a vacancy rate of 3.9 percent during the second quarter of 2021, up from 3.0 percent a year earlier but below the recent peak of 4.4 percent during the second quarter of 2017 (Moody's Analytics REIS).
- During the second quarter of 2021, the average apartment asking rent was \$1,645, a 1-percent decline from \$1,661 during the second quarter of 2020, when property managers

During the second quarter of 2021, the apartment vacancy rate rose in the Santa Barbara metropolitan area, whereas the average asking rent declined slightly.



2Q = second quarter. Source: Moody's Analytics REIS

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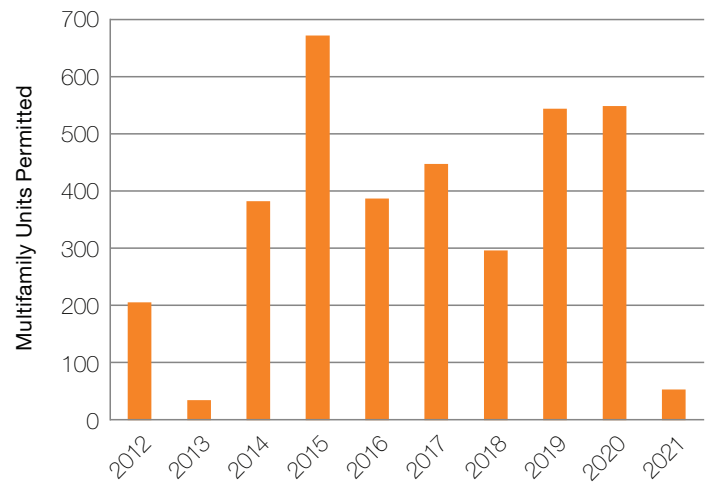
reduced rents in response to the economic impact during the COVID-19 pandemic and to keep vacancy rates from rising further.

- Before the onset of the pandemic, average asking rents in the metropolitan area had been rising annually from 2011 through 2019, with increases that ranged from 2 to 6 percent.

Multifamily construction in the Santa Barbara metropolitan area, as measured by the number of units permitted, has increased since 2019 in response to tight apartment market conditions.

- During the 12 months ending June 2021, approximately 55 multifamily units were permitted, an increase from the fewer than 5 units permitted during the previous 12-month period (preliminary data, not all jurisdictions reporting).
- After averaging 380 units a year from 2016 through 2018, multifamily permitting increased to an average of 550 units a year during 2019 and 2020. By comparison, permitting from 2012 through 2015 averaged only 320 units a year.
- Cortona Point apartments, a 176-unit apartment community under construction in the city of Goleta, will have prices ranging from \$2,695 to \$2,764 for one-bedroom units, \$3,295 to \$3,605 for two-bedroom units, and \$3,979 to \$4,150 for three-bedroom units. The completion of the entire property is expected by late 2021.

Multifamily permitting in the Santa Barbara metropolitan area was high during 2019 and 2020 but lower than the peak in 2015.



Note: Includes preliminary data from January 2021 through June 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

- Recently completed multifamily developments include Azure, a 318-unit apartment community in the city of Santa Maria that opened in 2020, with rents for studios and one-, two-, and three-bedroom units starting at \$1,950, \$2,181, \$2,404, and \$2,980, respectively.

