Housing Market Profile

Pacific • HUD Region IX

Salinas, California

The Salinas metropolitan area, coterminous with Monterey County, California, is located on California's central coast, about 120 miles south of San Francisco. As of April 1, 2012, the population of the metropolitan area was estimated at 424,400, an average annual increase of 4,675, or 1.1 percent, since April 1, 2010. By comparison, significant net out-migration resulted in an average decline of 2,625 people annually from 2003 through 2006. The three largest private employers in the metropolitan area are Dole Food Company, Inc.; Tanimura & Antle, Inc.; and Fresh Express, Fresh Food, with 5,175, 3,000, and 2,400 employees, respectively. The metropolitan area is also home to the Defense Language Institute Foreign Language Center (DLIFLC), with 3,500 military students and 3,875 employees, and the Naval Postgraduate School (NPS), with 1,500 military students and 2,800 employees. According to the Department of Defense, the combined annual economic impact on the local economy of DLIFLC and NPS is estimated at more than $140 million.

Economic conditions have been weak since 2009 but are improving. According to the California Employment Development Department, total payroll employment, which includes agricultural employment, increased by 2,925 jobs, or 1.7 percent, during the 12 months ending March 2012. The metropolitan area, known as the "Salad Bowl of the World," produces 59 percent of the nation's lettuce. Agriculture is the largest employment sector, with an average of 47,275 jobs during the 12 months ending March 2012, representing 28 percent of total payroll employment. The sector led job growth during the past 12 months, adding 2,125 jobs, a 4.7-percent increase. The largest number of job losses occurred in the government sector, which lost 700 jobs, or 2.2 percent, primarily because of cuts in local government as a result of the loss of state redevelopment funds. The average unemployment rate fell during the 12 months ending March 2012, declining from 12.6 to 11.8 percent.

The home sales market in the metropolitan area is soft because of high unemployment and tight lending standards. Based on data from Hanley Wood, LLC, during the 12 months ending March 2012, sales of new and existing single-family homes totaled 5,675, a 9-percent decline compared with the 6,225 homes sold during the previous 12 months. Home sales in the metropolitan area averaged about 5,500 a year from 2005 through 2006 and 4,075 a year from 2008 through 2011. The average sales price increased by 2 percent, to $392,600, during the 12 months ending March 2012. The home sales price averaged $864,900 from 2005 through 2008 and $534,000 from 2009 through 2011. Based on data from the Monterey County Multiple Listing Service, during 2011, the average sales price in the Monterey Peninsula community, which includes the coastal cities of Carmel, Monterey, and Pebble Beach and is dominated by the tourism industry and military presence, was $814,700. By comparison, the average sales price in the Salinas Inland Valley community, which is agriculturally based and includes the cities of Salinas, Soledad, and King City, was $215,600. According to LPS Applied Analytics, in March 2012, 7.7 percent of mortgage loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), lower than the 10.5-percent rate in March 2011 but higher than the 7.1-percent rate for California in March 2012.

Preliminary data indicate that single-family home construction, measured by the number of homes permitted, increased by 30 homes, to approximately 130 homes, during the 12 months ending February 2012. From 2006 through 2010, an average of 360 homes was permitted annually, down from an average of 1,150 homes permitted annually from 2000 through 2005. The Summerfield subdivision recently began construction in the city of Soledad, with plans to complete 300 single-family homes starting at $209,000 during the next 8 years.

The Salinas metropolitan area has a strong military presence; military households make up 4 percent of its 63,700 renter households. The current demand for military housing is primarily met by privatized military housing units on the Ord Military Community and La Mesa Village.

Rental market conditions in the metropolitan area are balanced. According to Axiometrics Inc., during the first quarter of 2012, the apartment vacancy rate was 5.4 percent, down from 6.0 percent a year earlier. The average rent increased by 2 percent, or $25, to $1,125 during the same period. Average rents for newly constructed one-, two-, and three-bedroom units are estimated at $1,000, $1,300, and $1,600, respectively. Based on preliminary data, during the 12 months ending February 2012, 25 multifamily units were permitted compared with the 65 units permitted during the previous 12 months. Multifamily construction averaged 150 units permitted annually from 2008 through 2010.