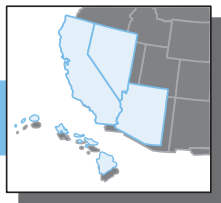


Housing Market Profile

Pacific • HUD Region IX



Santa Rosa-Petaluma, California

The Santa Rosa-Petaluma metropolitan area, coterminous with Sonoma County, is approximately 50 miles north of San Francisco. The estimated population of the metropolitan area as of January 1, 2013, was 492,500, reflecting an average annual increase of 3,125, or 0.6 percent, since April 2010. Net in-migration represented 47 percent of total population growth during the period. Relatively affordable housing and improving economic conditions attracted new residents, particularly from nearby Marin and San Francisco Counties, where, in 2012, home sales prices were approximately 130 and 95 percent greater, respectively, than in the metropolitan area.

Economic conditions in the metropolitan area have improved since 2010. Continuing a trend that began in 2011, total nonfarm payrolls increased to 173,200 jobs during the 12 months ending November 2012, up 3,600 jobs, or 2.1 percent, from 169,600 jobs during the previous 12-month period. The greatest job gains were in the manufacturing sector, which increased by 1,200 jobs, or 5.6 percent, to 21,600 jobs, but employment in the sector remains well below its peak of 30,400 jobs in 2001. Electronics manufacturing highlighted gains in the sector, with General Dynamics Corporation, Biosearch Technologies, Inc., and Agilent Technologies expanding by 120, 90, and 50 jobs, respectively. The manufacturing sector lost an average of 1,400 jobs, or 5.2 percent, each year from 2002 through 2007 because of layoffs associated with electronics manufacturing. Budget cutbacks in the local government subsector continued to partially offset job growth in the metropolitan area, as the government sector declined by 300 jobs, or 1.3 percent, during the 12 months ending November 2012. Kaiser Permanente® and St. Joseph Health are currently the two largest private employers in the metropolitan area, with 2,800 and 2,500 employees, respectively. Construction of the Graton Rancheria Casino and Hotel, which began in June 2012, generated 900 jobs in the city of Rohnert Park. When complete in late 2013, the facility will employ an estimated 2,000 workers. During the 12 months ending November 2012, the unemployment rate declined to 8.5 percent from 9.9 percent a year earlier.

As of November 2012, the home sales market in the Santa Rosa-Petaluma metropolitan area was soft but improving, with an estimated vacancy rate of 1.4 percent,

down from 1.9 percent in April 2010. According to Hanley Wood, LLC, during the 12 months ending November 2012, 6,825 new and existing homes sold, up 15 percent compared with the 5,900 sold a year earlier and up 13 percent from the average of 6,050 sold annually from 2008 through 2010. The average home sales price in the metropolitan area was \$385,300 during the 12 months ending November 2012, a 6-percent increase from \$364,100 a year earlier but a 6-percent decrease from the average of \$409,700 from 2008 through 2010. Since 2011, a decrease in the number of REO (Real Estate Owned) home sales has contributed to the increase in the average home sales price. REO sales accounted for 25 percent of all existing home sales during the 12 months ending November 2012, down from 36 percent during the previous 12-month period. According to LPS Applied Analytics, as of November 2012, 4.3 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 5.8 percent in November 2011.

Based on preliminary data, single-family home construction activity, as measured by the number of single-family homes permitted, decreased to 280 homes permitted in the metropolitan area during the 12 months ending November 2012, a 33-percent decline compared with the 420 homes permitted during the previous 12 months. After peaking at an average of 1,475 homes permitted annually from 2003 through 2005, single-family home construction activity declined in each successive year through 2010.

Multifamily construction activity, as measured by the number of units permitted, has increased in the metropolitan area since 2008 but remains well below a 3-year peak of 850 units permitted per year from 2003 through 2005. Based on preliminary data, during the 12 months ending November 2012, 230 multifamily units were permitted, up from 130 permitted during the previous 12-month period. An average of 110 units were permitted each year from 2008 through 2010.

The rental housing market in the Santa Rosa-Petaluma metropolitan area was tight as of November 2012, with relatively low levels of multifamily construction contributing to declining vacancy rates and increasing rents since 2010. According to Axiometrics Inc., the apartment vacancy rate was 2.8 percent in the fourth quarter of 2012, down from 3.8 percent in the fourth quarter of 2011. The average effective rent was \$1,350 in the fourth quarter of 2012, up 5 percent from \$1,300





during the fourth quarter of 2011 and up 14 percent from \$1,200 during the fourth quarter of 2010. The estimated overall vacancy rate as of January 1, 2013, was 3.7 percent, down from 5.2 percent in April 2010. Single-family homes have become an increasingly important part of the rental market because of relatively high foreclosure

rates since 2009. According to the 2011 American Community Survey (ACS) 1-year data, single-family homes accounted for approximately 43 percent of all rental units in the metropolitan area, up from 41 percent, according to the 2009 ACS 1-year data.