



Santa Barbara-Santa Maria-Goleta, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2012



Housing Market Area



The Santa Barbara-Santa Maria-Goleta Housing Market Area (HMA) (hereafter, the Santa Barbara HMA), which consists of Santa Barbara County, is on the coast of California, approximately 100 miles northwest of Los Angeles. The HMA is a tourist and resort destination; according to the California Travel and Tourism Commission, during 2010 (the latest data available), the economic impact of direct travel spending totaled \$1.5 billion.

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Summary

Economy

Economic conditions in the Santa Barbara HMA improved during the past 2 years after 3 years of job losses. During the 12 months ending July 2012, nonfarm payrolls increased by 2,900 jobs, or 1.8 percent. Job gains in the professional and business services sector led job growth during the past 2 years; these gains occurred because of expanding businesses such as Sonos, Inc., a maker of wireless home audio systems. During the 3-year forecast period, nonfarm payrolls are expected to grow an average of 1.9 percent annually.

Sales Market

The sales housing market in the HMA is balanced, with an estimated vacancy rate of 1.3 percent. During the 12 months ending July 2012, new and existing home sales increased 22 percent, according Hanley Wood, LLC. Demand is estimated for 930 new homes during the forecast period (Table 1). The 190 homes under construction and a portion of the estimated 6,400 other vacant units in the HMA that may reenter the market will satisfy some of the demand.

Rental Market

Rental housing market conditions in the HMA are slightly tight, with an overall rental vacancy rate estimated at 3.9 percent, down from 4.5 percent in April 2010. According to RealFacts, during the second quarter of 2012, the apartment vacancy rate was 4.1 percent, down from 5.4 percent a year earlier. During the forecast period, demand is estimated for 900 rental units (Table 1). The 200 rental units currently under construction will satisfy some of the forecast rental demand.

Table 1. Housing Demand in the Santa Barbara HMA,* 3-Year Forecast, August 1, 2012, to August 1, 2015

	Santa Barbara HMA*	
	Sales Units	Rental Units
Total Demand	930	900
Under Construction	190	200

* Santa Barbara-Santa Maria-Goleta HMA. Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2012. A portion of the estimated 6,400 other vacant units in the HMA will likely satisfy some of the forecast demand. Source: Estimates by analyst

Economic Conditions

Economic conditions in the Santa Barbara HMA are continuing to improve for the second consecutive year after 3 years of job losses. During the 12 months ending July 2012, the HMA added 2,900 jobs, an increase of 1.8 percent compared with the number of jobs recorded during the previous 12 months (Table 2). Employment

began to recover during the 12 months ending July 2011, when nonfarm payrolls increased by 1,350 jobs, or 0.8 percent, compared with the number of jobs recorded during the previous 12 months, primarily because of growth in the professional and business services sector. Growth during the past 2 years has been predominantly led by this sector, as job gains in most other sectors of the economy remained flat. During the 12 months ending July 2012, the professional and business services sector added 2,600 jobs, an increase of 11.4 percent, partly because of growing businesses such as Sonos, Inc., a maker of wireless home audio systems, which recently raised \$135 million in capital, \$45 million of which will be used to continue to expand its business. No estimate of how many jobs this expansion will add is available. Figure 1 shows the percentage change in sector growth from 2000 to the current date. The current unemployment rate is 8.3 percent, down from 9.1 percent during the previous

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Santa Barbara HMA,* by Sector

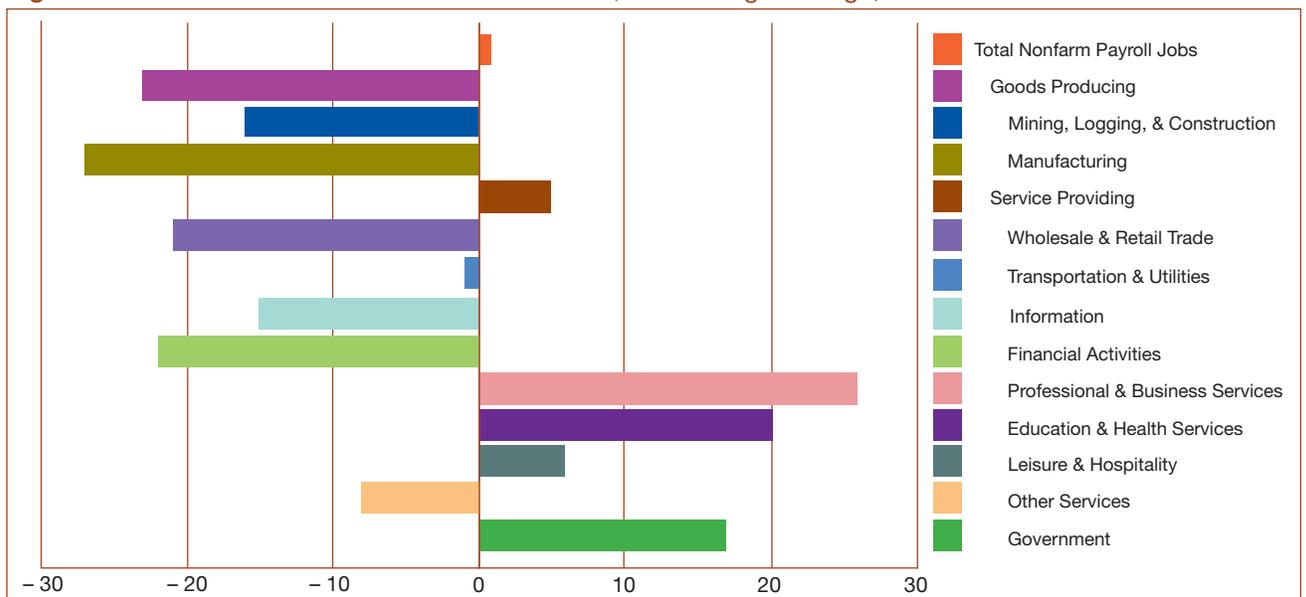
	12 Months Ending July 2011	12 Months Ending July 2012	Percent Change
Total Nonfarm Payroll Jobs	163,300	166,200	1.8
Goods Producing	19,400	19,400	0.4
Mining, Logging, & Construction	7,800	7,800	-0.5
Manufacturing	11,500	11,600	1.0
Service Providing	143,900	146,800	2.0
Wholesale & Retail Trade	21,800	20,800	-4.7
Transportation & Utilities	2,800	2,900	4.8
Information	3,500	3,700	4.0
Financial Activities	6,500	6,600	0.6
Professional & Business Services	22,900	25,500	11.4
Education & Health Services	21,300	22,000	3.0
Leisure & Hospitality	22,000	22,000	-0.2
Other Services	5,200	5,100	-1.3
Government	37,900	38,300	1.1

* Santa Barbara-Santa Maria-Goleta HMA.

Notes: Based on 12-month averages through July 2011 and July 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Sector Growth in the Santa Barbara HMA,* Percentage Change, 2000 to Current



* Santa Barbara-Santa Maria-Goleta HMA.

Note: Current is based on 12-month averages through July 2012.

Source: U.S. Bureau of Labor Statistics

12 months. Figure 2 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2011.

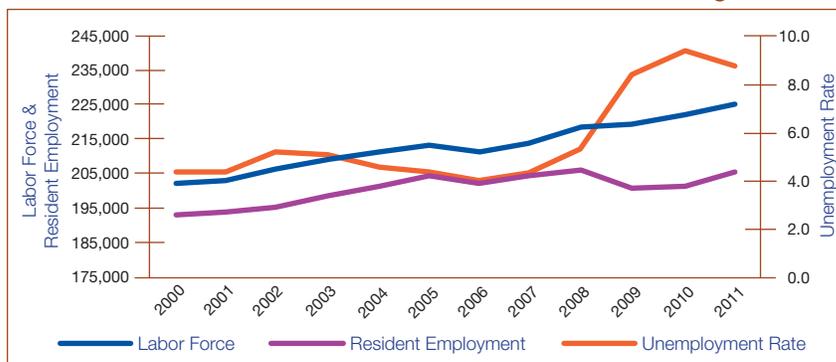
After average annual job gains from 2002 through 2006 because of booming residential and commercial construction, nonfarm payrolls in the HMA declined by an average of 3,925 jobs, or 2.3 percent, annually from 2007 through 2010, when construction activity slowed. More than one-half of the job losses during this period were concentrated in the construction subsector and the wholesale and retail trade sector, which lost an average of 1,175 and 1,075 jobs annually, or 11.1 and 4.2 percent, respectively. The construction subsector is, however, expected to recover within the 3-year forecast period because of several ongoing projects in the HMA, including an \$800 million retrofit project at Goleta Valley Cottage Hospital, which will add 120 units of workforce housing and improve the seismic safety of the current facility; the new Ocean Science Education Building at the University of California, Santa Barbara (UCSB); and an expansion of the Marian Regional Medical Center, which will add a new four-story building to increase the number of beds 42 percent and expand several departments including

emergency, dietary services, and pharmacy. Although these projects are not expected to add any permanent positions, they will add an unspecified number of construction jobs in the interim.

Because of the popularity of its beaches and growing wine industry, the HMA is a popular tourist destination. The leisure and hospitality sector is tied with the education and health services sector for the third largest sector, with an average of 22,000 employees during the 12 months ending July 2012, accounting for 13.2 percent of total nonfarm payrolls. According to the Santa Barbara Conference & Visitors Bureau and Film Commission, as of 2008, the latest data available, the HMA attracted more than 10.5 million visitors to the area annually. The California Travel and Tourism Commission reported that the economic impact of direct travel spending in the HMA during 2010 (the latest data available) totaled \$1.5 billion, an increase of \$113 million, or 8 percent, from 2009. In line with the economic expansion that occurred from 2002 through 2006, the leisure and hospitality sector increased by an average of 430 jobs annually, or 2 percent, from 2002 through 2006. As economic conditions deteriorated, the sector lost an average annual 330 jobs, or 1.5 percent, from 2007 through 2010. Job losses in the sector are slowing and during the 12 months ending July 2012, growth in the leisure and hospitality sector remained relatively flat, declining by 50 jobs, or 0.2 percent.

The government sector is the largest in the HMA and accounts for 23 percent of total nonfarm payrolls (Figure 3). During the 12 months ending July 2012, the government sector

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Santa Barbara HMA,* 2000 Through 2011



* Santa Barbara-Santa Maria-Goleta HMA.

Source: U.S. Bureau of Labor Statistics

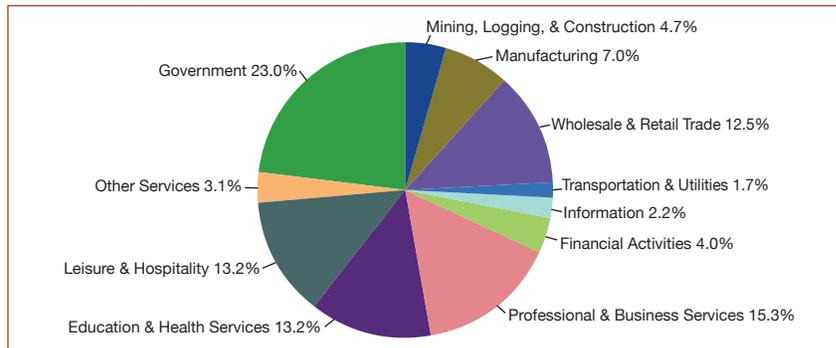
added 400 jobs, an increase of 1.1 percent from the previous 12 months. The three largest employers in the HMA are in the government sector, including Vandenberg Air Force Base (AFB), which employs 2,900 military service members and 3,875 civilians (Table 3). According to a 2004 study by UCSB's Economic Forecast Project, Vandenberg AFB had an annual economic impact of \$1.7 billion on the local economy. UCSB also has a significant economic impact in the government sector; as of the fall 2011 semester (the latest data available), the university employed more than 1,050 faculty and 3,275 staff and enrolled approximately 22,200 students.

No major changes in deployments are expected for Vandenberg AFB, but enrollment at UCSB is expected to decline slightly because of quicker graduation rates during the 3-year forecast period.

Accounting for an average of 19,300 jobs during the 12 months ending July 2012, agriculture also plays a significant role in the HMA's local economy. According to data from the State of California Employment Development Department, the HMA added 1,000 agriculture jobs during the most recent 12 months, a 5.3-percent increase compared with the number of agriculture jobs recorded during the previous 12-month period. Job gains are largely because of the commercial expansion of Windset Farms®, which is currently constructing two state-of-the-art hydroponic greenhouses and a packing plant in the Santa Maria Valley to harvest and package its organic tomatoes and peppers. Windset Farms® expects to construct two additional greenhouses and add 200 new employees when the expansion is complete in 2014. According to the County of Santa Barbara's Agriculture Commissioner's Office, during 2011, the latest data available, the agriculture production value of crops in the HMA totaled nearly \$2 billion.

Continued growth in the professional and business services sector and recovery in the construction subsector and the leisure and hospitality sector are expected to further reduce unemployment in the HMA. During the 3-year forecast period, nonfarm payrolls are expected to grow faster during the second and third years and increase by an average of 2,400 jobs, or 1.9 percent a year.

Figure 3. Current Nonfarm Payroll Jobs in the Santa Barbara HMA,* by Sector



* Santa Barbara-Santa Maria-Goleta HMA.

Note: Based on 12-month averages through July 2012.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Santa Barbara HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vandenberg Air Force Base	Government	6,775
University of California, Santa Barbara	Government	4,325
County of Santa Barbara	Government	4,025
Cottage Health System	Education & Health Services	3,450
Santa Barbara City College	Government	2,250
City of Santa Barbara	Government	1,675
Raytheon Company	Manufacturing	1,450
Marian Regional Medical Center	Education & Health Services	1,425

* Santa Barbara-Santa Maria-Goleta HMA.

Notes: Excludes local school districts. The employment count for Vandenberg Air Force Base includes military personnel.

Source: County of Santa Barbara Comprehensive Annual Financial Report, June 30, 2011

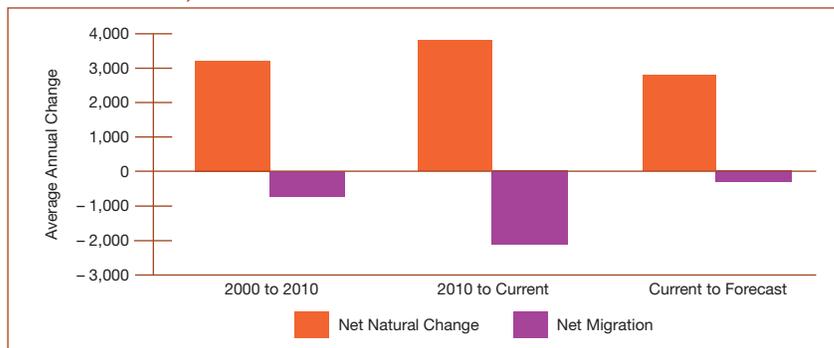
Population and Households

The population of the Santa Barbara HMA is currently estimated at 427,900, representing an average annual increase of 1,725, or 0.4 percent, since 2010 (see Table DP-1 at the end of this report). From 2000 through 2003, population growth was strong and the HMA added an average of 2,025 people, or 0.8 percent annually, according to data from the California Department of Finance. From 2004 through 2006, population growth slowed to an average of 550 people a year, or 0.3 percent, as an average of 2,125 people migrated out of the HMA because of rising housing costs. See Figure 4 for components of population change in the HMA from 2000 through the forecast period. According to data from Hanley Wood, LLC, the average

new and existing home sales price in the HMA was \$786,400 from 2005 through 2006 (data from before 2005 are unavailable). According to data from the Internal Revenue Service, approximately 34 percent of the net out-migration that occurred from 2004 through 2006 was to adjacent Ventura County. During this same period, the average new and existing home sales price in Ventura County was about 15 percent less than it was in the HMA, at \$671,400. From 2008 through 2011, as the new and existing home sales price in the HMA declined to an average of \$573,900, population growth increased to an average of 1,700 people annually, or 0.5 percent, and net out-migration slowed to an average of 1,100 people annually. During the 3-year forecast period, population growth is expected to average 2,425 people, or 0.6 percent, annually.

Currently, an estimated 143,400 households reside in the HMA. The number of households grew by an average of 550, or 0.4 percent, annually from 2000 to 2010. Despite slowing population growth, household growth has remained relatively stable, and the HMA added an average of 560 households, or 0.4 percent, from 2010 through the current date. The stability of household growth during the most current period is partly because of new household formations that were made possible by lower housing prices. Figure 5 illustrates the number of households by tenure in the HMA for 2000, 2010, and the current date. During the 3-year forecast period, household growth is expected to maintain this stability and add an average of 570 households annually, or 0.4 percent. Figure 6 shows population and household growth in the HMA from 2000 to the forecast date.

Figure 4. Components of Population Change in the Santa Barbara HMA,* 2000 to Forecast



* Santa Barbara-Santa Maria-Goleta HMA.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

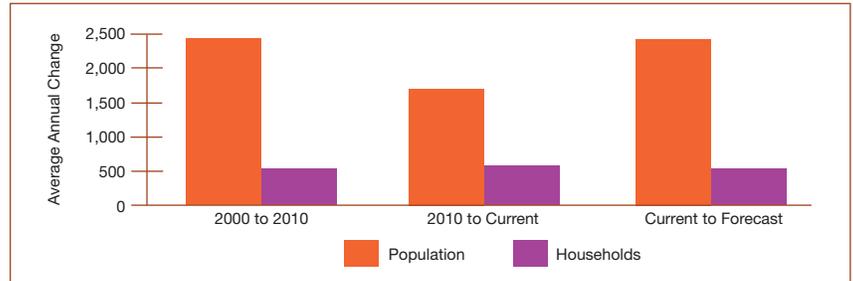
Figure 5. Number of Households by Tenure in the Santa Barbara HMA,* 2000 to Current



* Santa Barbara-Santa Maria-Goleta HMA.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Santa Barbara HMA,* 2000 to Forecast



* Santa Barbara-Santa Maria-Goleta HMA.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

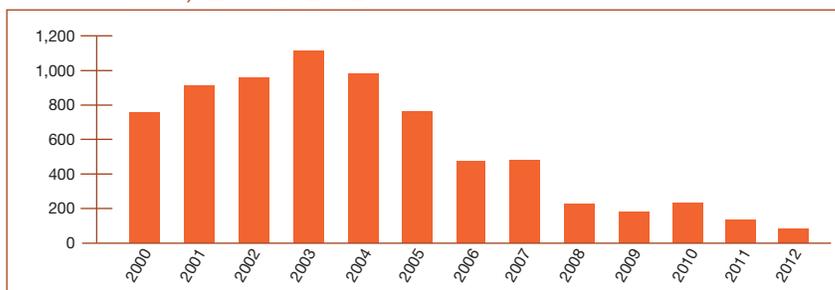
Sales Market

The sales housing market in the Santa Barbara HMA is balanced. The current estimated sales vacancy rate is 1.3 percent, down from 1.7 percent during 2010, because home sales have improved during the past 12 months. According to Hanley Wood, LLC, new and existing home sales were up 22 percent, to 3,775 homes sold, during the 12 months ending July 2012 compared with the number sold during the previous 12 months. The increase in sales was due to a 24-percent increase in existing home sales, to 3,750 homes sold, and the average existing home sales price

declined 10 percent, to \$517,200, during the same period. From the 12 months ending July 2011 to the 12 months ending July 2012, new home sales declined from 50 to 25 homes and the average sales price of a new home increased 5 percent, to \$673,700. Sales of new and existing homes peaked in 2005, when 5,500 homes sold, and bottomed out in 2007, when 3,100 homes sold. During the 12 months ending July 2012, the percentage of existing home sales that were REO (Real Estate Owned) declined slightly, to 34 percent from 35 percent during the previous 12-month period, but it remained significantly greater than the 2-percent average annual REO rate recorded during 2006 and 2007.

Single-family home construction activity, as measured by the number of single-family homes permitted, slowed during the past 5 years compared with the number of homes permitted during the first part of the decade (Figure 7). From 2007 through

Figure 7. Single-Family Building Permits Issued in the Santa Barbara HMA,* 2000 to 2012



* Santa Barbara-Santa Maria-Goleta HMA.

Notes: Includes townhomes. Includes data through July 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

2011, single-family home construction activity averaged 250 homes permitted annually, down 72 percent from the average of 880 homes permitted annually from 2000 through 2006. Based on preliminary data, during the 12 months ending July 2012, construction activity declined to 90 single-family homes permitted, down from 150 during the previous 12 months. Single-family developments under construction include Rice Ranch and Westgate Ranch, both in the city of Santa Maria. The Rice Ranch subdivision is currently under construction, with plans for a mix of 700 single-family and duplex

or triplex units priced between \$375,000 and \$800,000. Currently, Rice Ranch has completed 195 single-family units and expects the entire development to be completed within the next 5 to 7 years. Westgate Ranch is a mixed-use development with 168 single-family homes and 211 apartment units. Single-family home prices start at \$250,000. Construction on 20 units during the third phase of development on the single-family component began in May 2012 and is expected to be complete within the 3-year forecast period.

During the next 3 years, demand is estimated for 930 new homes in the HMA (Table 1). The 190 homes currently under construction and a portion of the 6,400 other vacant units in the HMA that may reenter the market will satisfy some of the demand. Demand will be stronger during the second and third years of the forecast period and is expected to concentrate in the \$200,000-to-\$599,999 price range. Table 4 shows the estimated demand for market-rate sales housing by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Santa Barbara HMA,* August 1, 2012, to August 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	20	2.0
200,000	399,999	280	30.0
400,000	599,999	370	40.0
600,000	799,999	140	15.0
800,000	999,999	95	10.0
1,000,000	and higher	30	3.0

* Santa Barbara-Santa Maria-Goleta HMA.

Note: The 190 homes currently under construction and a portion of the estimated 6,400 other vacant units in the HMA will likely satisfy some of the forecast demand.

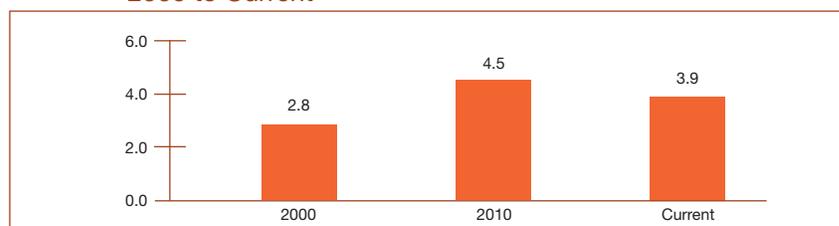
Source: Estimates by analyst

Rental Market

Rental housing market conditions in the Santa Barbara HMA are currently slightly tight. The current estimated 3.9-percent rental vacancy rate is down from the 4.5-percent rate recorded in 2010. The decline in the vacancy

rate is because of an increase in the growth rate of renter households, from 1.1 percent annually from 2000 to 2010 to 1.5 percent annually since 2010, without similar increases in apartment construction. See Figure 8 for rental vacancy rates in 2000, 2010, and the current date. According to RealFacts, during the second quarter of 2012, the apartment vacancy rate in the HMA was 4.1 percent, down from 5.4 percent during the second quarter of 2011. The average apartment rent increased 1 percent, to \$1,230, during the same period.

Figure 8. Rental Vacancy Rates in the Santa Barbara HMA,* 2000 to Current



* Santa Barbara-Santa Maria-Goleta HMA.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends
 Rental Market *Continued*

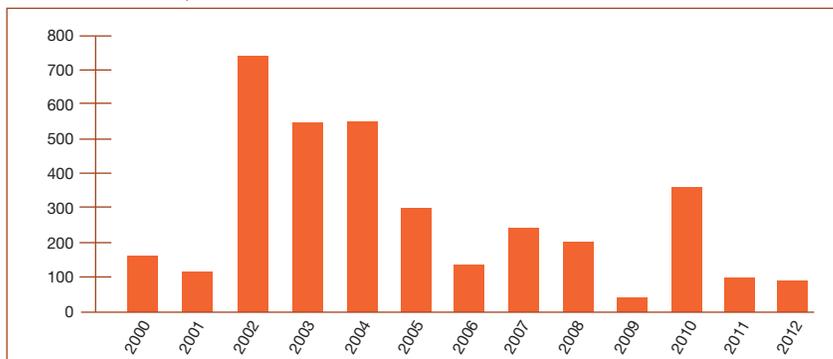
Multifamily construction activity, as measured by the number of units permitted, has declined since peaking from 2002 through 2004, when an average of 610 units were permitted annually. Although multifamily construction increased significantly in 2010, when 360 units were permitted, it has since resumed a downward trend (Figure 9). During the 12 months ending July 2012, 60 multifamily units were permitted compared with the 100 units permitted during the previous 12-month period, according to preliminary data. The 211 apartment units in the Siena at Westgate Ranch development will begin construction soon and completion is expected within the 3-year forecast period. Rents and construction timelines have not yet been established. The second phase of Willow Springs Apartments in the city of Goleta has also begun construction. The development plans to add 100 apartment units to the existing 235-unit rental community within the 3-year forecast period. Rents for the Willow Springs Apartments range from \$1,740 to \$1,845 for a one-bedroom/one-bathroom unit, from \$2,230 to \$2,315 for a two-bedroom/two-bathroom unit, and from \$2,410 to \$2,495 for a three-bedroom/two-bathroom unit.

In addition to the Siena and Willow Springs apartment projects, the Sierra Madre Apartments, a mixture of student and faculty housing on the UCSB campus, plans to begin construction in the spring of 2013 and be complete by the fall of 2014. The 151-unit complex will house 515 students in a 115-unit structure and the remaining 36 units will be designated for faculty housing in a separate structure. The student component of the apartment project is designed to alleviate some of the increased housing demand that the university has so far met by converting double dorm rooms into triples. An estimated 14,100 UCSB students live off campus, accounting for roughly 20 percent of the total population in renter-occupied units. Enrollment has risen 11 percent since 2000, but, because of budgetary restrictions and quicker graduation rates, the university expects enrollment to drop by 2,200 students, to 20,000, during the forecast period. Because of reduced enrollment during the forecast period, this apartment project may result in a softening of the rental market.

Although the HMA also has a significant military presence, the housing needs of the estimated 1,850 military households are met by privatized housing units and in barracks on base.

Rents in the HMA for newly completed one-, two-, and three-bedroom apartments start at \$1,200, \$1,400, and \$1,600, respectively. Despite these minimum rents, which may reflect rents in northern cities of the HMA, such as Santa Maria and Lompoc, demand is greater in the higher rent ranges because apartments are concentrated in the coastal city of Goleta and the county area known as Isla Vista to accommodate UCSB students.

Figure 9. Multifamily Building Permits Issued in the Santa Barbara HMA,* 2000 to 2012



* Santa Barbara-Santa Maria-Goleta HMA.

Notes: Excludes townhomes. Includes data through July 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market *Continued*

Table 5 shows estimated demand by rent level for new market-rate rental housing in the HMA during the forecast period. During the forecast period, demand is expected for 900

new rental units (Table 1). The 200 apartment units currently under construction will satisfy a portion of that demand.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Santa Barbara HMA,* August 1, 2012, to August 1, 2015

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,200 to 1,399	40	1,400 to 1,599	25	1,800 to 1,999	15
1,400 to 1,599	25	1,600 to 1,799	55	2,000 to 2,199	15
1,600 or more	200	1,800 to 1,999	110	2,200 or more	65
		2,000 or more	350		
Total	270	Total	540	Total	90

* Santa Barbara-Santa Maria-Goleta HMA.

Notes: Numbers may not add to totals because of rounding. The 200 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Santa Barbara HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	193,564	201,566	209,400	0.4	2.4
Unemployment Rate	4.4%	9.4%	8.3%		
Nonfarm Payroll Jobs	164,700	161,800	166,200	-0.2	1.7
Total Population	399,347	423,895	427,900	0.6	0.4
Total Households	136,622	142,104	143,400	0.4	0.4
Owner Households	76,611	74,827	73,800	-0.2	-0.6
Percent Owner	56.1%	52.7%	51.5%		
Renter Households	60,011	67,277	69,600	1.1	1.5
Percent Renter	43.9%	47.3%	48.5%		
Total Housing Units	142,901	152,834	153,600	0.7	0.2
Owner Vacancy Rate	0.8%	1.7%	1.3%		
Rental Vacancy Rate	2.8%	4.5%	3.9%		
Median Family Income	\$54,042	\$70,400	\$71,400	2.7	1.4

* Santa Barbara-Santa Maria-Goleta HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through July 2012. Median family incomes are for 1999, 2009, and 2010.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 8/1/2012—Analyst’s estimates
Forecast period: 8/1/2012–8/1/2015—Analyst’s estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_SantaBarbaraCA_13.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.