

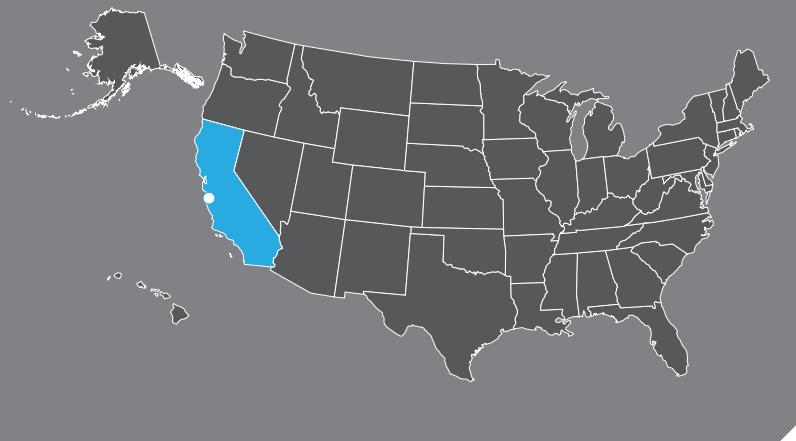
HUD PD&R Housing Market Profiles

Salinas, California



Quick Facts About Salinas

- Current sales market conditions: tight
- Current apartment market conditions: tight but improving
- The Salinas metropolitan area is known as the “Salad Bowl of the World,” growing almost one-half of the lettuce, one-third of the spinach, and more than four-fifths of the artichokes in the nation (University of California, Davis).



By Rhine Islam | As of November 1, 2022

Overview

The Salinas metropolitan area includes Monterey County, in the central coast region of California, and is coterminous with the Salinas Metropolitan Statistical Area. Known for tourist attractions—including Fisherman’s Wharf, the Cannery, and the Monterey Bay Aquarium—the metropolitan area attracts more than 3 million visitors a year (County of Monterey).

- As of November 1, 2022, the population of the metropolitan area is estimated at 438,000, an average annual decrease of 130 people since July 2018. By contrast, the population increased by an average of 1,900 people, or 0.4 percent, annually from 2015 to 2018 (U.S. Census Bureau population estimates as of July 1).
- Net out-migration has averaged 2,700 people a year since 2018, up significantly from the average annual net out-migration of 1,550 people from 2015 to 2018. An increase in housing costs between the two periods contributed to the higher level of net out-migration.
- Due largely to an increased number of deaths associated with the COVID-19 pandemic, net natural increase has

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averaged 2,525 annually in the metropolitan area since 2018, down from the average of 3,450 a year from 2015 to 2018.

- Housing affordability has declined in the metropolitan area since 2016. The median household income increased 29 percent from 2016 to 2021, but the median rent and

median home sales price increased at faster respective rates of 34 and 49 percent during the same period (American Community Survey 1-year estimates; CoreLogic, Inc., with adjustments by the analyst).

Economic Conditions

The economy in the Salinas metropolitan area has mostly recovered from the downturn in 2020 that stemmed from efforts to limit the spread of COVID-19. By October 2022, the metropolitan area had recovered 98 percent of the jobs lost in March and April 2020; by contrast, jobs had fully recovered on the national level by May 2022 (monthly data, not seasonally adjusted). Sectors hit hardest by the pandemic, such as the leisure and hospitality sector, are still struggling to fully recover. Nonfarm payrolls for the sector were 7.9 percent lower during October 2022 compared with October 2019, before the pandemic. Agriculture employment (not included in nonfarm payroll job totals), which is significant in the local economy, averaged 62,800 jobs during the 3 months ending October 2022 and had an annual economic impact of \$11.7 billion on the regional economy in 2018 (California Employment Development Department [EDD]; County of Monterey Agriculture).

During the 3 months ending October 2022 —

- Nonfarm payrolls averaged 141,800 in the metropolitan area, an increase of 2,100 jobs, or 1.5 percent, compared

with the same period a year ago and 3.7 percent lower than the number of jobs during the 3 months ending October 2019, before the COVID-19 pandemic. For comparison, nonfarm payrolls in the metropolitan area grew an average of 1.0 percent annually from 2011 through 2014, after recovering from the Great Recession, and grew an average of 2.3 percent annually from 2015 through 2019, a period of accelerated economic growth.

- The leisure and hospitality sector was the fastest growing, increasing by 1,600 jobs, or 7.1 percent, from the previous year. The strong gains in this sector were partially due to the continued relaxing of pandemic-related restrictions.
- The government, the education and health services, and the other services sectors added the next highest level of jobs, with increases of 1,000, 700, and 300 jobs, or 2.9, 3.4, and 6.1 percent, respectively.
- The unemployment rate declined significantly to an average of 4.3 percent, down from 5.9 percent a year ago but still

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During the third quarter of 2022, jobs in the Salinas metropolitan area increased in 6 of the 11 nonfarm payroll sectors.

	3 Months Ending		Year-Over-Year Change	
	October 2021 (Thousands)	October 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	139.7	141.8	2.1	1.5
Goods-Producing Sectors	12.0	12.3	0.3	2.5
Mining, Logging, & Construction	6.7	6.7	0.0	0.0
Manufacturing	5.3	5.6	0.3	5.7
Service-Providing Sectors	127.8	129.5	1.7	1.3
Wholesale & Retail Trade	21.4	21.5	0.1	0.5
Transportation & Utilities	3.8	3.7	-0.1	-2.6
Information	0.9	0.9	0.0	0.0
Financial Activities	4.1	4.1	0.0	0.0
Professional & Business Services	15.5	13.7	-1.8	-11.6
Education & Health Services	20.4	21.1	0.7	3.4
Leisure & Hospitality	22.6	24.2	1.6	7.1
Other Services	4.9	5.2	0.3	6.1
Government	34.1	35.1	1.0	2.9
Unemployment Rate	5.9%	4.3%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

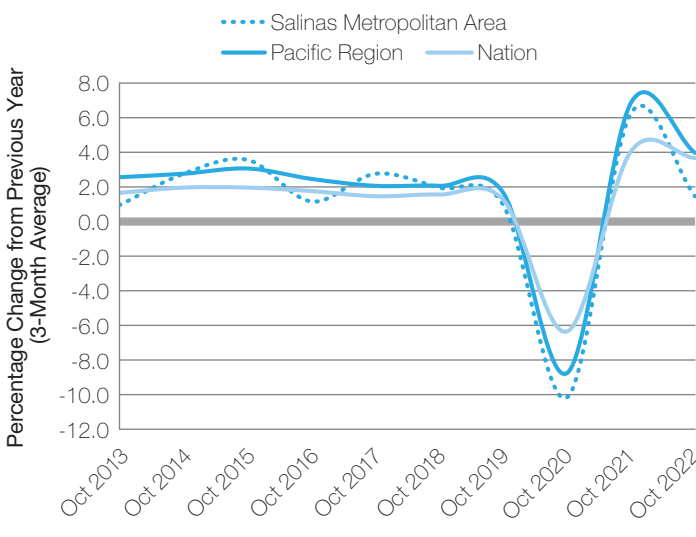


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above the average of 4.0 percent during the 3 months ending October 2019. By comparison, the national unemployment rate was 3.5 percent, down from 4.7 percent a year ago and equal to the prepandemic rate.

The COVID-19 pandemic severely impacted tourism and agriculture in the Salinas metropolitan area. Even before the pandemic, both industries faced labor shortages due to low wages and a high cost of living. Tourism is one of the top

After experiencing a higher rate of job growth than the nation in the previous year, the Salinas metropolitan area job growth rate fell below the Pacific region and national rates during the 3 months ending October 2022.



Source: U.S. Bureau of Labor Statistics

industries in the metropolitan area, with travel spending totaling \$2.5 billion in 2021, up 67 percent from 2020 but still below the recent high of \$3.2 billion in 2019 (Visit California). The Monterey County Convention & Visitors Bureau presented its 10-year multibillion dollar Tourism Enhancement Plan in September 2022, which aims to increase extended stays and engagement with local community partners. The agriculture industry experienced a shock from March to May 2020, when COVID-19 countermeasures closed school cafeterias and restaurants. Agricultural employment, which, before the pandemic, was growing faster than nonfarm payrolls, fell sharply from 5.5-percent month-over-month growth in February to a 41.1-percent decline in April (California EDD). Although agricultural employment has rebounded, the industry still faces challenges, including an aging workforce and a lack of available housing for seasonal workers. The 2018 Farmworker Housing Study and Action Plan for the Salinas Valley and Pajaro Valley found that about 33,000 new housing units were needed to alleviate existing overcrowding of individuals and households employed in agriculture.

Largest Employers in the Salinas Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Bud of California	Agriculture	4,000–5,000
County of Monterey	Government	4,000–5,000
Salinas Valley Memorial Hospital	Education & Health Services	2,000–3,000

Notes: Employers in the agriculture industry are not included in nonfarm payrolls. Excludes local school districts.

Source: California Employment Development Department

Sales Market Conditions

The sales housing market in the Salinas metropolitan area is tight, largely due to limited for-sale inventory, but conditions are starting to ease as net out-migration continues and the inventory of homes for sale increases. The current sales vacancy rate is estimated at 0.9 percent, down from 2.5 percent in April 2010. High sales housing demand has been partly driven by the relatively lower home prices compared with nearby metropolitan areas. Most net in-migration to the metropolitan area comes from neighboring Santa Clara and Santa Cruz counties, where the average sales price for homes was 55 and 12 percent higher, respectively, than the average sales price in the Salinas metropolitan area during the 12 months ending September 2022 (CoreLogic, Inc.; Internal Revenue Service county-to-county migration data). However, rising interest rates since the start of 2022 have caused homes for sale to remain on the market longer.

During October 2022, a 4.0-month supply of homes was available for sale, up significantly from a 1.3-month supply in October 2021, and the average number of days on the market increased from 50 to 85 during that period. The rate of mortgage loans that were seriously delinquent or in real estate owned status was 0.6 percent in September 2022, down from 1.5 percent in September 2021. The rate has declined nearly every month after reaching a high of 3.4 percent in August 2020. The current rate in the Salinas metropolitan area is lower than both the 0.7-percent rate for California and the 1.3-percent rate for the nation.

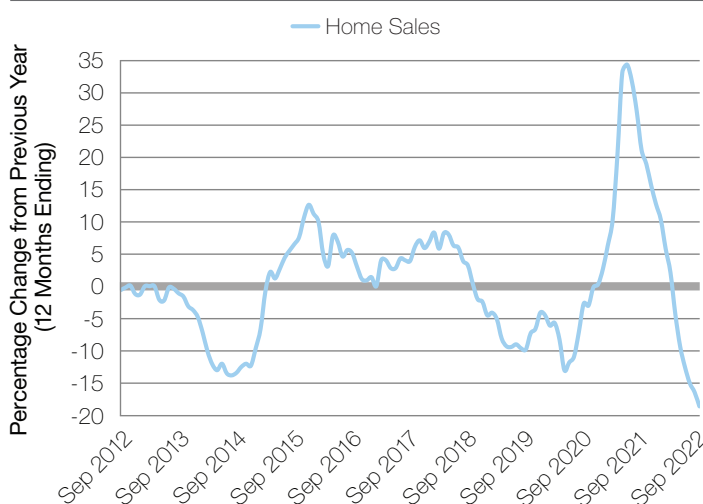
- During the 12 months ending September 2022, home sales totaled 3,675, down 19 percent from a year earlier; by comparison, home sales were relatively unchanged from 2015 through 2019 (CoreLogic, Inc.).

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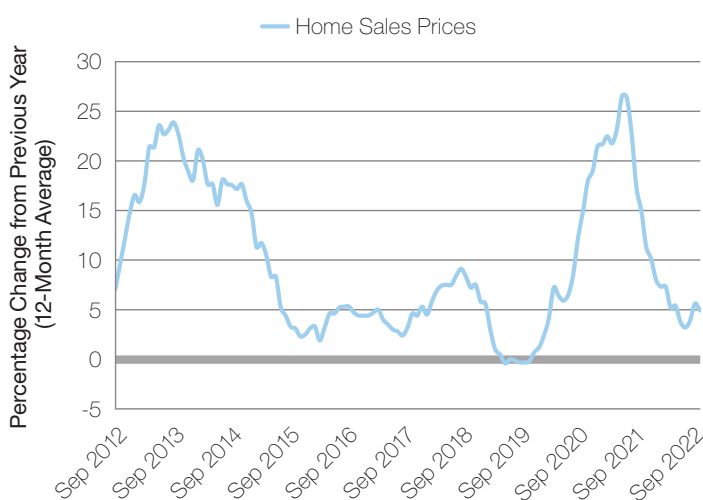
- The average home sales price rose to \$1.0 million, an increase of 5 percent from a year earlier during the 12 months ending September 2022, similar to the average rate of 4 percent annually from 2015 through 2019.
- More homebuilding activity occurs in the coastal region of the metropolitan area, such as the city of Marina and the Salinas Valley, than the Monterey Peninsula, which includes the cities of Monterey and Carmel. The Peninsula lacks available sources of clean water, whereas the Salinas Valley has to balance homebuilding with land used for commercial purposes.

Home sales in the Salinas metropolitan area have fallen during the past year due, at least in part, to rising mortgage rates.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

In the Salinas metropolitan area, home sales price growth has sharply declined from the previous year.



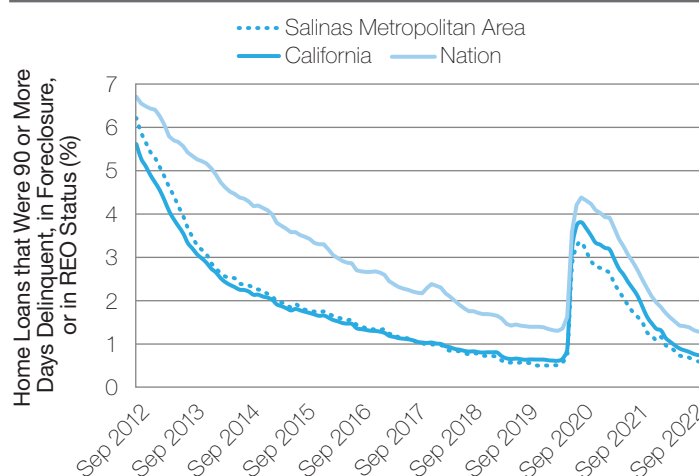
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

- The National Association of Home Builders/Wells Fargo Housing Opportunity Index for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the local median income. In the Salinas metropolitan area, only 5.9 percent of homes sold in the third quarter of 2022 were affordable to families earning the local median income, down from 13.4 percent in 2019.

As the economy and housing market improved following the Great Recession, single-family homebuilding activity began to rise in the mid-2010s. In contrast to counties of neighboring

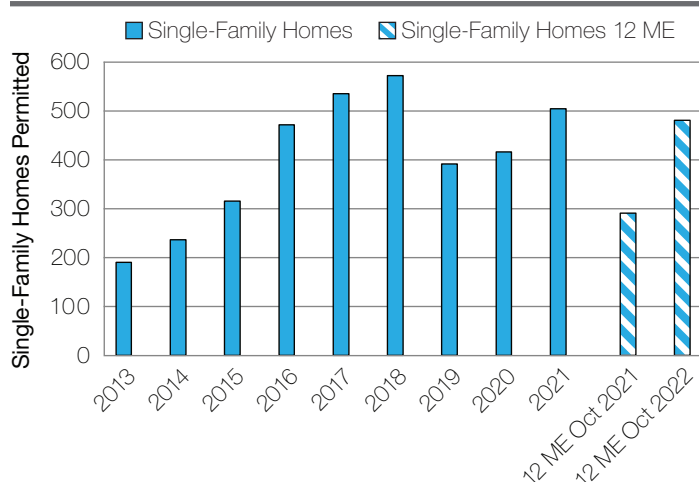
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The rate of seriously delinquent home loans and REO properties in the Salinas metropolitan area has been consistently below the national rate since at least 2012.



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

The number of single-family homes permitted in the Salinas metropolitan area during the past 12 months is approaching previous highs after declining slightly in 2019.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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metropolitan areas, such as Santa Cruz and San Luis Obispo, the number of single-family homes permitted in the metropolitan area did not decline in 2020 due to the pandemic.

- Approximately 480 single-family homes were permitted during the 12 months ending October 2022, an increase of 190 homes from the previous 12 months (preliminary data).
- Single-family permitting averaged 170 homes annually from 2011 through 2014 and increased to an average of 460 homes permitted from 2015 through 2019.

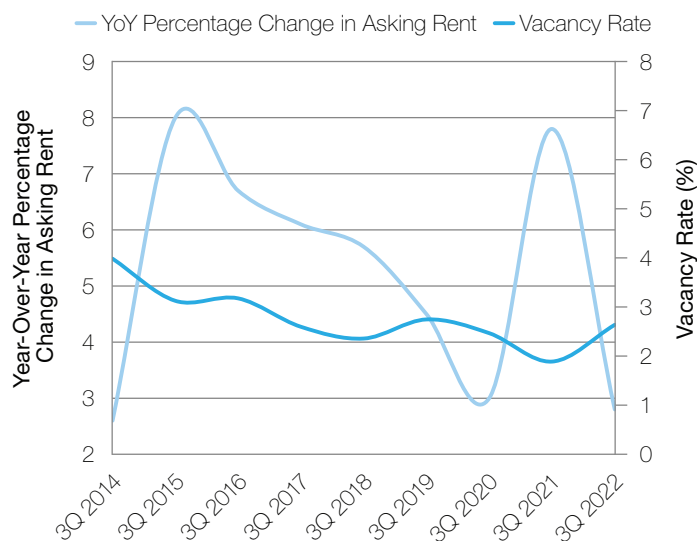
Apartment Market Conditions

Apartment market conditions in the Salinas metropolitan area are currently tight but improving, partly due to relatively high levels of multifamily home permitting since 2015. Despite an increase in multifamily construction activity since 2015, the apartment market in the metropolitan area remains persistently tight due to years of underbuilding. The number of additional housing units required to accommodate the existing need in the metropolitan area, as estimated by the 2014–2023 Housing Element, is significantly higher than the number of multifamily units permitted on average (Association of Monterey Bay Area Governments). For context, average annual multifamily homes permitted since 2014, a period of heightened building activity, have represented only 28 percent of the additional units needed.

- During the third quarter of 2022, the apartment vacancy rate in the Salinas metropolitan area was 2.6 percent, up from 1.9 percent a year ago but slightly below the average rate of 2.8 percent from 2015 through 2019 (CoStar Group).
- The average apartment rent was \$1,960 during the third quarter of 2022, up 3 percent from a year ago and approximately 23 percent above the average rent of \$1,600 from 2016 to 2019.
- During the third quarter of 2022, the Inland Monterey County CoStar-defined market area (hereafter, market area) had the lowest apartment vacancy rate and fastest rent growth of the six market areas that make up the metropolitan area, at 1.4 and 5.0 percent, respectively. In contrast, the Elkhorn/Pajaro market area had the highest apartment vacancy rate and slowest rent growth, at 4.3 and 1.3 percent, respectively, during the same period.
- The Inland Monterey County and Elkhorn/Pajaro apartment market areas tightened significantly during the pandemic. In the Inland Monterey County market area, the apartment vacancy rate declined to an average of 0.6 percent from 2020 through 2021, compared with 2 percent from 2015

- Since 2015, 32 percent of new home construction has been concentrated in the city of Marina, compared with 35 percent in the entire subregion of Salinas Valley. No large-scale new home communities have been built in the Peninsula in recent years (Zonda).
- One of the most recent communities built in the metropolitan area is The Enclave, in the city of Seaside. The development is made up of 60 homes with prices ranging from \$1.7 million to \$2.2 million per home.

During the third quarter of 2022, year-over-year rent growth slowed sharply while the apartment vacancy rate increased.



3Q = third quarter. YoY = year-over-year.
Source: CoStar Group

through 2019. Likewise, in the Elkhorn/Pajaro market area, the vacancy rate declined to 2.9 percent from 4 percent between these two periods.

Multifamily construction activity, as measured by the number of multifamily units permitted, has increased since 2015. The 390 multifamily units permitted in 2021 were the highest annual total since 2007, with most building occurring in the cities of Marina and Seaside.

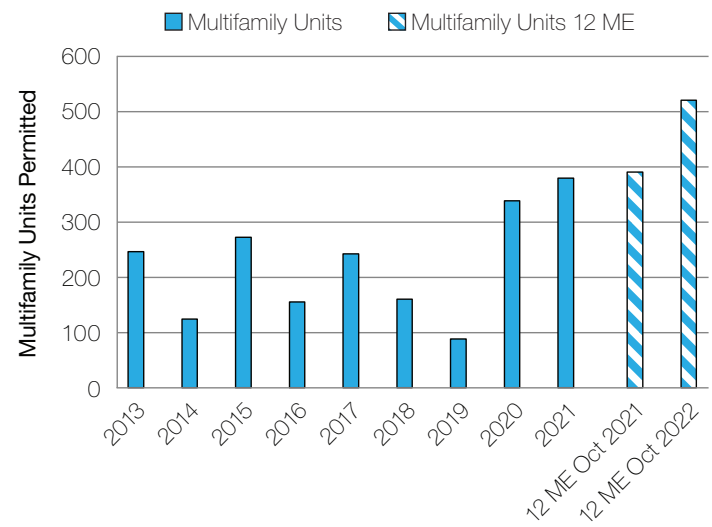
- During the 12 months ending October 2022, approximately 520 multifamily units were permitted in the Salinas metropolitan area, four times more than the 130 units permitted during the previous 12 months (preliminary data, with adjustments by the analyst).

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- An average of 180 multifamily units were permitted annually from 2015 through 2019, up from an average of 100 units permitted each year from 2011 through 2014.
- The largest apartment property under construction in the metropolitan area is the 140-unit Terracina at The Dunes, an affordable apartment community in the city of Marina and part of The Dunes master-planned community, a 1,240-home development on the former Fort Ord. The property is expected to be completed in 2024, with prices not yet determined.
- Despite the relatively high level of building activity, a significant housing shortage, particularly of affordable units, exists within the metropolitan area. As a result, employers are helping to provide much-needed housing for their workers. Examples of such housing include Spreckels Crossing, an 800-bed farmworker complex for Tanimura & Antle farmworkers.

The number of multifamily units permitted in the Salinas metropolitan area during the past 12 months reached new highs.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Peninsula	The Monterey Peninsula, also known as “the Peninsula,” anchors the northern portion of the Central Coast of California and is made up of the cities of Carmel, Monterey, Pacific Grove, and Pebble Beach.
Salinas Valley	The Salinas Valley is one of the most productive agricultural regions in California. Cities in the Salinas Valley include Castroville, King City, Salinas, and Spreckels.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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