

# HUD PD&R Housing Market Profiles

## Santa Maria-Santa Barbara, California

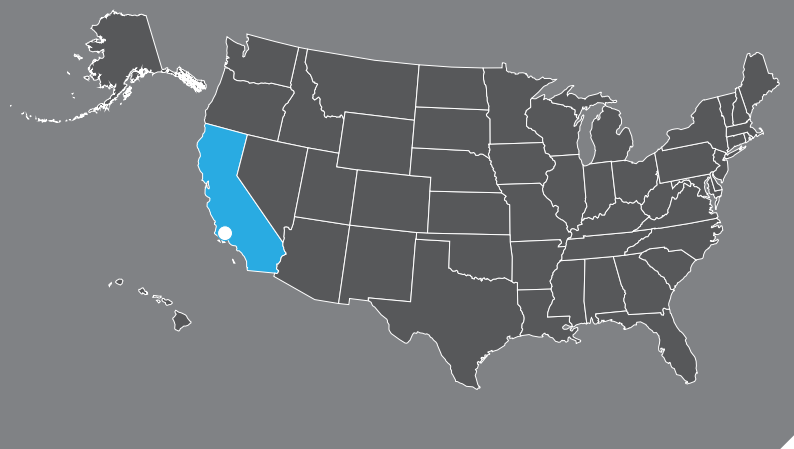


### Quick Facts About Santa Maria-Santa Barbara

Santa Barbara, California

By Rhine Islam | As of January 1, 2023

- Current sales market conditions: tight
- Current apartment market conditions: very tight
- The Santa Barbara metropolitan area, known as the American Riviera, is a popular tourist destination offering a quintessential beach city atmosphere, outdoor recreational activities, and a variety of local wineries.



### 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. Known for tourist attractions—including scenic beaches, the Santa Ynez mountains, and the CSU Channel Islands University Park—Santa Barbara's South Coast attracts more than 7 million visitors a year (Visit Santa Barbara). The publicly funded University of California, Santa Barbara (UCSB) is the largest employer in the metropolitan area, with more than 6,850 employees and an annual economic impact of \$2.28 billion on the regional economy (Beacon Economics).

- As of January 1, 2023, the population of the metropolitan area is estimated at 445,600, reflecting an average annual decrease of 520, or 0.1 percent, since July 2018. By contrast, the population increased by an average of 1,400, or 0.3 percent, annually from 2015 to 2018 (U.S. Census Bureau population estimates as of July 1).
- As a result of a sharp increase in housing costs, net out-migration has averaged 2,375 people a year since 2018,

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- up significantly from the average annual net out-migration of 900 people from 2015 to 2018.
- Due largely to an increased number of deaths associated with the COVID-19 pandemic, net natural increase (resident births minus resident deaths) has averaged 1,850 people annually in the metropolitan area since 2018, down from an average of 2,300 people a year from 2015 to 2018.

- Housing affordability has declined in the metropolitan area since 2018. The median household income increased 10 percent from 2018 to 2021, but the average home sales price increased at a faster rate of 33 percent during the same period (American Community Survey 1-year estimates; CoreLogic, Inc., with adjustments by the analyst).

## Economic Conditions

The economy in the Santa Barbara metropolitan area has significantly recovered from the downturn in 2020 that stemmed from efforts to limit the spread of COVID-19. By October 2022, the metropolitan area had fully recovered the jobs lost in March and April 2020; by contrast, jobs had fully recovered nationally by April 2022 (monthly data, not seasonally adjusted). The leisure and hospitality sector, which was hit notably hard by the pandemic, is among the four sectors in the metropolitan area that currently exceed prepandemic job levels. Nonfarm payrolls for the sector were 1.4 percent higher during December 2022 compared with December 2019, before the pandemic. Despite the increase in jobs, many businesses had closed permanently during the pandemic, and newer businesses are struggling to maintain the leases on their workspaces and retain workers due to the high cost of living in the county. The local McDonald's,

Brasil Arts Café, and The Natural Café are among longtime popular businesses in downtown Santa Barbara that closed in 2022 (Noozhawk).

During the 3 months ending December 2022—

- Nonfarm payrolls averaged 200,300 in the metropolitan area, representing an increase of 7,600 jobs, or 3.9 percent, compared with the same period a year ago. The number of jobs was 1.0 percent higher than during the 3 months ending December 2019, before the COVID-19 pandemic. For comparison, nonfarm payrolls in the metropolitan area grew an average of 2.0 percent annually from 2011 through 2015, a period of accelerated economic growth, and slowed to an average of 1.7-percent annual growth from 2016 through 2019.

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**During the fourth quarter of 2022, jobs in the Santa Barbara metropolitan area increased in 8 of the 11 nonfarm payroll sectors.**

|                                  | 3 Months Ending              |                              | Year-Over-Year Change   |         |
|----------------------------------|------------------------------|------------------------------|-------------------------|---------|
|                                  | December 2021<br>(Thousands) | December 2022<br>(Thousands) | Absolute<br>(Thousands) | Percent |
| <b>Total Nonfarm Payrolls</b>    | 192.7                        | 200.3                        | 7.6                     | 3.9     |
| Goods-Producing Sectors          | 21.8                         | 22.2                         | 0.4                     | 1.8     |
| Mining, Logging, & Construction  | 9.7                          | 10.0                         | 0.3                     | 3.1     |
| Manufacturing                    | 12.1                         | 12.3                         | 0.2                     | 1.7     |
| Service-Providing Sectors        | 170.9                        | 178.1                        | 7.2                     | 4.2     |
| Wholesale & Retail Trade         | 23.9                         | 23.6                         | -0.3                    | -1.3    |
| Transportation & Utilities       | 4.1                          | 4.1                          | 0.0                     | 0.0     |
| Information                      | 4.1                          | 4.2                          | 0.1                     | 2.4     |
| Financial Activities             | 6.9                          | 6.8                          | -0.1                    | -1.4    |
| Professional & Business Services | 33.8                         | 35.2                         | 1.4                     | 4.1     |
| Education & Health Services      | 28.6                         | 30.2                         | 1.6                     | 5.6     |
| Leisure & Hospitality            | 26.4                         | 29.0                         | 2.6                     | 9.8     |
| Other Services                   | 6.0                          | 6.5                          | 0.5                     | 8.3     |
| Government                       | 37.1                         | 38.6                         | 1.5                     | 4.0     |
| <b>Unemployment Rate</b>         | 4.0%                         | 3.0%                         |                         |         |

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

Source: U.S. Bureau of Labor Statistics

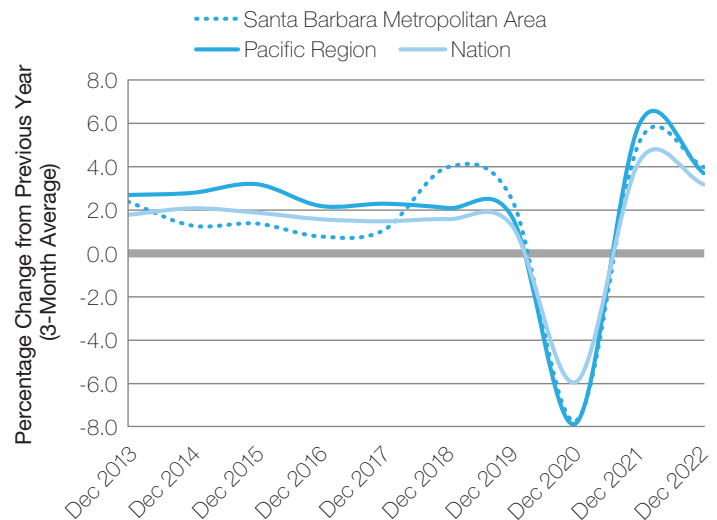


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- The leisure and hospitality sector was the fastest-growing sector, increasing by 2,600 jobs, or 9.8 percent, from the previous year. The strong gains in this sector were partially due to the increase in visitors to the metropolitan area. The city of Santa Barbara collected \$3.21 million in transient occupancy taxes for September 2022, 40 percent higher than the previous year.
- The education and health services, the government, and the professional and business services sectors added the next-highest levels of jobs, with increases of 1,600, 1,500, and 1,400 jobs, or 5.6, 4.0, and 4.1 percent, respectively.
- The unemployment rate declined significantly to an average of 3.0 percent, down from both the average of 4.0 percent a year ago and from the average of 3.3 percent during the 3 months ending December 2019. By comparison, the national unemployment rate was 3.3 percent, down from 3.9 percent a year ago and equal to the prepandemic rate.

The government sector had some of the largest job losses in the metropolitan area during the pandemic. By July 2020, nonfarm payrolls in the government sector had lost 7,600 jobs, split evenly between the state and local government subsectors. In the local government subsector, schools in Santa Barbara County faced the highest losses. State-funded institutions such as UCSB and Allan Hancock College had job losses of 700 and 180, respectively. For context, prior to the pandemic, state-level colleges increased their employee headcounts, adding 1,900 new positions between 2012 and 2019 (County of Santa Barbara). In recent months, the sector has recovered with funding from the federal government and the reopening of local schools and universities. The recovery has not been full, however; UCSB still has 200 fewer employees than in 2019.

During the 3 months ending December 2022, the rate of job growth in the Santa Barbara metropolitan area declined from the previous year but was above the rates for both the Pacific region and the nation.



Source: U.S. Bureau of Labor Statistics

### Largest Employers in the Santa Barbara Metropolitan Area

| Name of Employer                        | Nonfarm Payroll Sector      | Number of Employees |
|---|-----------------------------|---------------------|
| University of California, Santa Barbara | Government                  | 6,850               |
| County of Santa Barbara                 | Government                  | 4,600               |
| Cottage Health                          | Education & Health Services | 4,075               |

Note: Excludes local school districts.

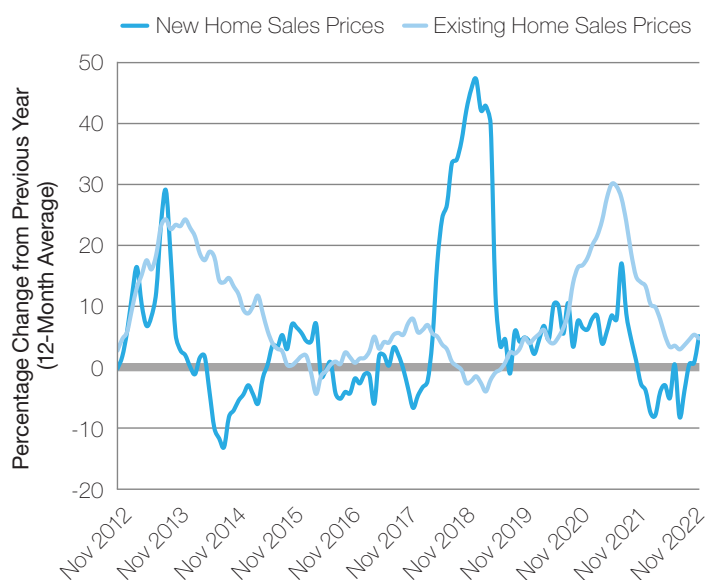
Source: Santa Barbara South Coast Chamber of Commerce



## Sales Market Conditions

The sales housing market in the Santa Barbara metropolitan area is currently tight, largely because of limited for-sale inventory; conditions have begun to ease, however, as net out-migration has continued and the inventory of homes for sale has risen. The current sales vacancy rate is estimated at 1.3 percent, down from 1.7 percent in April 2010. During December 2022, a 5.1-month supply of homes was available for sale, up significantly from a 0.9-month supply in December 2021, and the average number of days on the market more than doubled from 50 to 110 during that period (CoreLogic, Inc.). During the 12 months ending November 2022, the average home sales price was \$1.10 million, 24 percent higher than the respective averages of \$887,900 and \$890,000 in nearby San Luis Obispo and Ventura Counties. The difference in price made migration to neighboring counties a financially attractive option for residents in the metropolitan area. In 2019, San Luis Obispo and Ventura Counties were the destinations for a combined 20 percent of residents leaving the metropolitan area (IRS Migration Data). The rate of mortgage loans that were seriously delinquent or in REO (real estate owned) status was 0.5 percent in November 2022, down from 1.1 percent in November 2021. The rate has declined nearly every month after reaching a high of 3.6 percent in August 2020. The current rate in the Santa Barbara metropolitan area is lower than both the 0.7-percent rate for California and the 1.2-percent rate for the nation.

**In the Santa Barbara metropolitan area, existing home sales price growth slowed, whereas new home sales price growth increased from the previous year during the 12 months ending November 2022.**



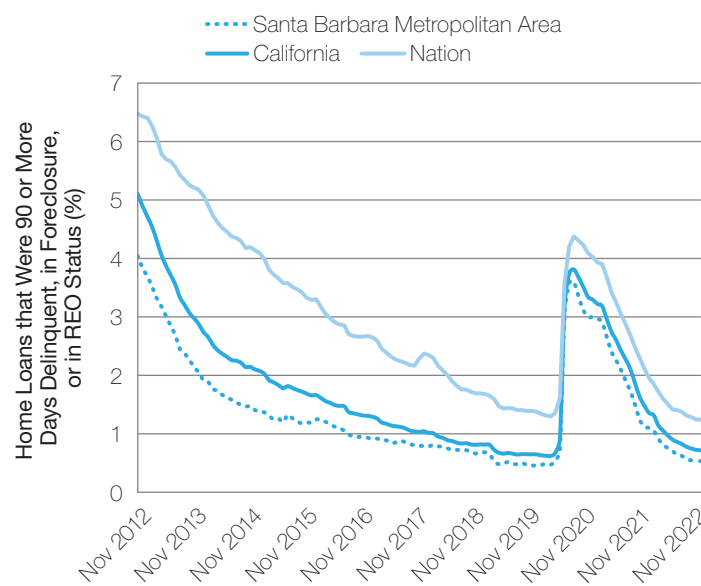
Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

During the 12 months ending November 2022 —

- Existing home sales in the metropolitan area decreased 28 percent to 3,600 homes from the 5,000 homes sold during the previous 12-month period (CoreLogic, Inc.). By comparison, existing home sales increased 6 percent during the 12 months ending November 2020 and were generally stable from 2016 through 2019, averaging 4,275 homes sold annually.
- The average sales price for existing homes was \$1.10 million, up 5 percent from the \$1.05 million average sales price a year earlier; that increase represents a sharp slowdown from the 14-percent increase during the previous year. By comparison, the average sales price for existing homes increased an average of 3 percent annually from 2016 through 2019.
- New home sales totaled 85 homes, reflecting a decline of 37 percent from the 130 new homes sold during the previous 12-month period and 76 percent lower than the average of 340 homes sold annually from 2016 through 2019.
- The average new home sales price was \$812,200, approximately 5 percent above the \$773,100 average sales price during the previous 12-month period and

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**The percentage of mortgages that were seriously delinquent or had transitioned to REO status was consistently lower in the Santa Barbara metropolitan area than in both the state of California and the nation since the early 2010s.**



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

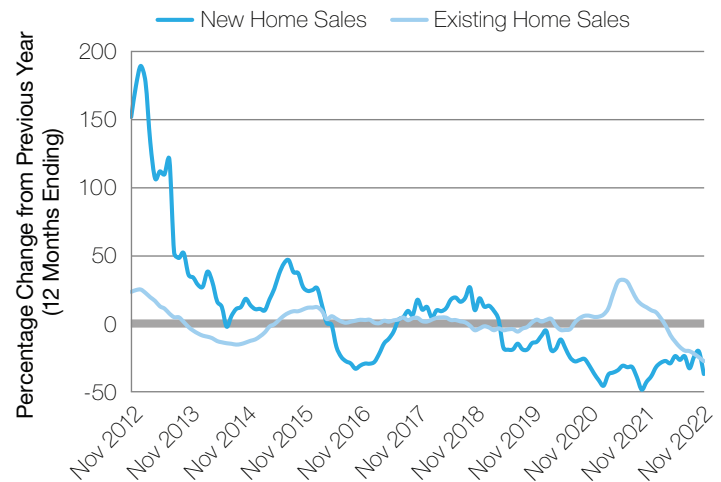
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9 percent higher than the average sales price during the 12 months ending November 2019. New home sales prices are generally lower than existing sales prices due to a greater number of homes being built in relatively less expensive parts of the metropolitan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

As the economy improved and the housing market tightened following the Great Recession, single-family homebuilding activity began to rise in the mid-2010s. The number of single-family homes permitted decreased during the past year after new highs in recent years.

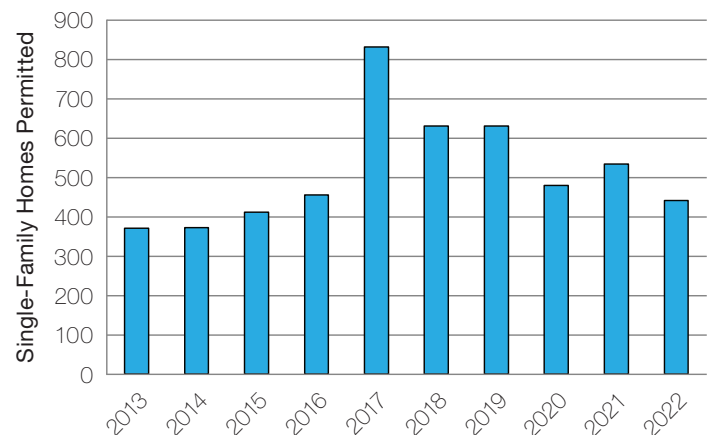
- Approximately 440 single-family homes were permitted during 2022, representing a decrease of 95 homes from 2021 (preliminary data, with adjustments by the analyst).
- Single-family permitting averaged 280 homes annually from 2011 through 2014 and increased to an average of 590 homes permitted from 2015 through 2019.
- One of the most recent new home communities built in the metropolitan area is Purisima Hills in the city of Lompoc. The development includes 44 homes, with prices ranging from \$590,000 to \$671,900.
- The Santa Barbara County Association of Governments has selected seven projects to be considered for funding under the Regional Early Action Plan in an effort to increase affordable housing, promote alternative transportation, and support infrastructure (SBCAG). The projects include improving downtown infrastructure in the city of Santa Maria, developing regional bicycle and pedestrian data maps, and constructing a prototype of a 3D-printed house.

**New and existing home sales in the Santa Barbara metropolitan area fell during the 12 months ending November 2022, partly because of rising mortgage rates.**



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

**The number of single-family homes permitted in the Santa Barbara metropolitan area declined from the previous year during 2022.**



Sources: U.S. Census Bureau, Building Permits Survey; 2013–20—final data and estimates by the analyst; 2021–22—preliminary data and estimates by the analyst

## Apartment Market Conditions

Apartment market conditions in the Santa Barbara metropolitan area are currently very tight. Despite an increase in multifamily construction activity since 2015, the apartment market in the metropolitan area has remained persistently tight because of several years of very low multifamily permitting activity in the late 2000s and early 2010s.

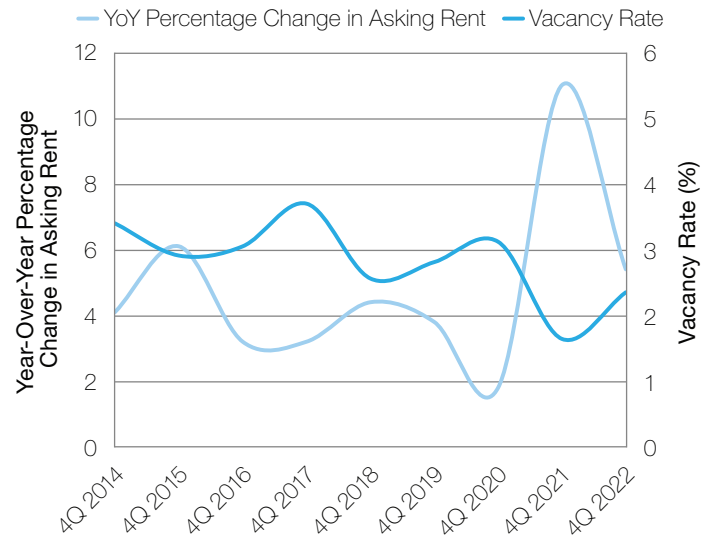
During the fourth quarter of 2022—

- The apartment vacancy rate in the Santa Barbara metropolitan area was 2.4 percent, up from 1.6 percent a year ago but below the average rate of 3.0 percent from 2015 through 2019 (CoStar Group).
- The average apartment rent was \$2,293, up 5 percent from a year ago and approximately 28 percent above the average rent of \$1,790 from 2015 through 2019.
- The Santa Barbara CoStar-defined market area (hereafter, market area), which includes the UCSB campus and downtown area, had the lowest apartment vacancy rate and the highest average rent of the three market areas that make up the metropolitan area, at 1.7 percent and \$2,497, respectively. In contrast, the Santa Maria market area, a densely populated agricultural suburb known for its wineries, had the highest apartment vacancy rate and the slowest rent growth, at 3.6 and 1.3 percent, respectively, during the same period.
- The average apartment rent in Santa Barbara County was 14 percent higher than in San Luis Obispo County, and rent growth was 2 percentage points higher. In contrast, the average apartment rent in Santa Barbara County was 5 percent lower than in Ventura County, and rent growth was 5 percentage points higher.

Multifamily construction activity, as measured by the number of multifamily units permitted, has been at high levels since 2015. The 860 multifamily units permitted in 2022 were the most since 2002, and the majority of construction activity occurred in the city of Santa Maria.

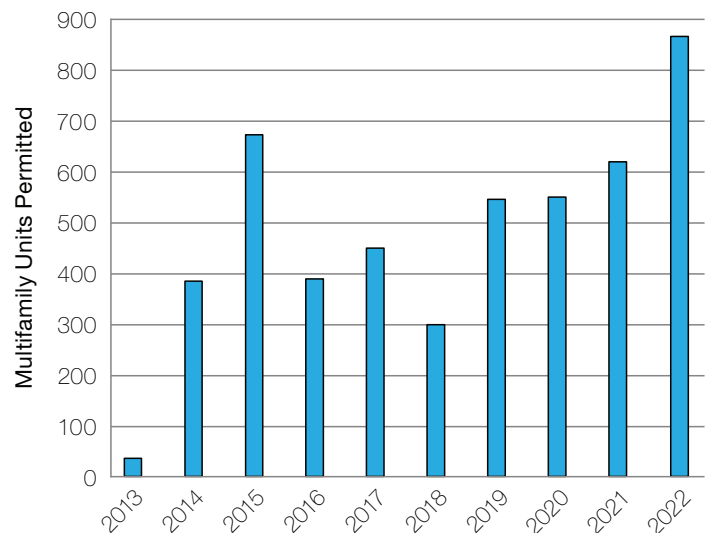
- During 2022, approximately 860 multifamily units were permitted in the Santa Barbara metropolitan area, reflecting an increase of 250 units from 2021 (preliminary data, with adjustments made by the analyst).
- An average of 470 multifamily units were permitted annually from 2015 through 2019, up from an average of 180 units permitted each year from 2011 through 2014.
- The largest apartment property currently under construction in the metropolitan area is the 170-unit Lakeview Promenade, a mixed-use development in the city of Santa Maria.

**Rent growth slowed and vacancy rates increased in the Santa Barbara metropolitan area during the fourth quarter of 2022.**



4Q = fourth quarter. YoY = year-over-year.  
Source: CoStar Group

**During 2022, the number of multifamily units permitted in the Santa Barbara metropolitan area was at the highest level since 1985.**



Sources: U.S. Census Bureau, Building Permits Survey; 2013–20—final data and estimates by the analyst; 2021–22—preliminary data and estimates by the analyst

- Recently completed developments include the 50-unit addition to the Vandenberg Senior Residence in the city of Santa Maria. Rooms range from studios to two-bedroom apartments.

## 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. |
| Existing Home Sales            | Includes resales, short sales, and REO sales.   |
| Home Sales/Home Sales Prices   | Includes single-family home, townhome, and condominium sales.   |
| Net Natural Increase           | Resident births minus resident deaths.  |
| 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. |
|----|---|