

HUD PD&R Housing Market Profiles

Santa Rosa-Petaluma, California



Quick Facts About Santa Rosa

- Current sales market conditions: slightly tight
- Current apartment market conditions: slightly tight
- Sonoma County is one of the largest wine-producing areas in northern California. The county has more than 425 wineries and exported more than 2.5 million cases of wine in 2021 (Roche Winery).



Santa Rosa, California

By [Rhine Islam](#) | As of November 1, 2023

Overview

The Santa Rosa metropolitan area is coterminous with Sonoma County in northern California and is approximately 60 miles north of the city of San Francisco. The metropolitan area is a major tourist destination and home to many wineries, farmlands, and outdoor spaces for recreational activities. Tourism in the metropolitan area was severely impacted by the COVID-19 pandemic but has since recovered.

- As of November 1, 2023, the population of the metropolitan area is estimated at 483,500, representing an average decrease of 1,475, or 0.3 percent, annually since April 2020. By comparison, from 2010 to 2020, the population increased by an average of 500, or 0.1 percent, annually (U.S. Census Bureau and estimates by the analyst).
- Since 2020, net natural change has fallen to an average decrease of 20 people annually, compared with an average increase of 830 people a year from 2010 to 2020 (Census Bureau and estimates by the analyst). Net natural change became negative largely because of an increase in the elderly population. The proportion of the population aged 65 years and older in the metropolitan area increased

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from 14 percent in 2010 to 22 percent in 2022 (American Community Survey [ACS] 1-year estimates).

- Net out-migration has declined to an average of 1,475 people annually since 2020. In comparison, net out-migration

averaged 4,625 people a year from 2017 to 2020, largely due to the impact of the Tubbs Fire of 2017. The recovery of jobs lost during the pandemic and an increase in the available housing inventory has led to slowing out-migration.

Economic Conditions

Economic conditions in the Santa Rosa metropolitan area are currently strong. The metropolitan area was, however, relatively slow to recover from the downturn in 2020 that stemmed from the COVID-19 pandemic. By October 2022, the metropolitan area had fully recovered the jobs lost in March and April 2020; in comparison, nationwide payrolls recovered 5 months earlier (monthly data, not seasonally adjusted). The hardest hit sector in the metropolitan area was the leisure and hospitality sector, which currently accounts for 13 percent of total nonfarm payrolls, slightly higher than the 10-percent national share. Prior to the pandemic, growth in the leisure and hospitality sector was strong, with an average increase of 630 jobs, or 2.8 percent, annually from 2010 through 2019. In 2020, the leisure and hospitality sector lost 7,100 jobs, or 27.5 percent. Since then, the sector has steadily improved, with payrolls exceeding the prepandemic high in June 2022 (monthly data, not seasonally adjusted). During the 3 months ending October 2023, the sector was one of the fastest growing sectors in the metropolitan area, increasing by 2,000 jobs, or 7.8 percent, from the previous year. In 2022, direct visitor spending was estimated at \$2.3 billion, representing an increase of 17 percent from 2021 but a smaller 3-percent increase from 2019 (Sonoma

County Economic Development Board). The Sonoma County Transient Occupancy Tax (TOT) collected from hotel stays totaled \$67.1 million in 2022, the highest annual TOT revenue ever collected in the county. Tourism is expected to continue to increase in the metropolitan area due partly to an expansion of the Graton Resort & Casino that is expected to double the size of the existing gaming floor, add more than 200 hotel rooms, and include a large performance theater and rooftop restaurant. The expansion is one of the largest commercial construction projects in the county in recent years and, upon completion, will add to the already large workforce at the resort.

As of the 3 months ending October 2023—

- Nonfarm payrolls averaged 212,400 in the metropolitan area, reflecting an increase of 6,000 jobs, or 2.9 percent, compared with the same period a year ago. For comparison, nonfarm payrolls in the metropolitan area grew an average of 2.4 percent annually from 2010 through 2019, when economic conditions were also strong.
- The education and health services sector is the largest sector in the metropolitan area and added the highest

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During the past year, nonfarm payrolls declined in only two job sectors in the Santa Rosa metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	October 2022 (Thousands)	October 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	206.4	212.4	6.0	2.9
Goods-Producing Sectors	41.2	41.6	0.4	1.0
Mining, Logging, & Construction	16.8	17.3	0.5	3.0
Manufacturing	24.5	24.2	-0.3	-1.2
Service-Providing Sectors	165.1	170.9	5.8	3.5
Wholesale & Retail Trade	30.4	29.9	-0.5	-1.6
Transportation & Utilities	4.6	4.8	0.2	4.3
Information	2.6	2.6	0.0	0.0
Financial Activities	8.1	8.7	0.6	7.4
Professional & Business Services	24.8	25.2	0.4	1.6
Education & Health Services	35.5	37.7	2.2	6.2
Leisure & Hospitality	25.8	27.8	2.0	7.8
Other Services	7.4	7.7	0.3	4.1
Government	26.0	26.7	0.7	2.7
Unemployment Rate	2.9%	3.7%		

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

Source: U.S. Bureau of Labor Statistics



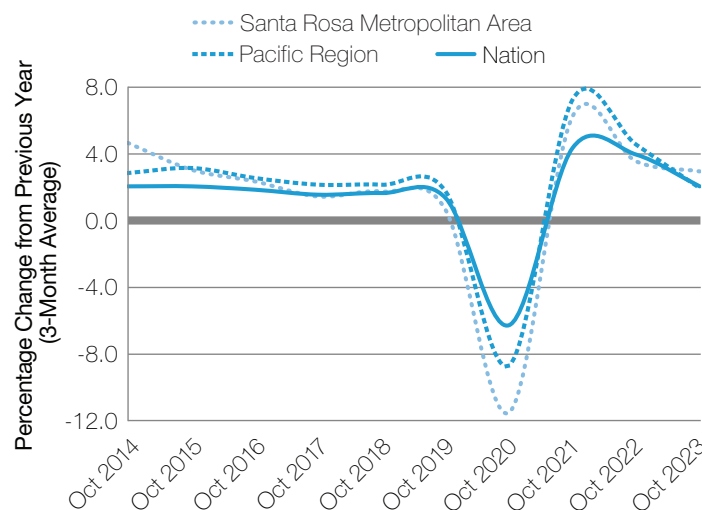
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number of jobs, with an increase of 2,200 jobs, or 6.2 percent. The relatively large share of older residents in the metropolitan area has generated increased demand for health care. As of 2022, 22 percent of residents in the metropolitan area were aged 65 and older, compared with a 16-percent share in California and a 17-percent share nationwide (ACS 1-year estimates).

- The average unemployment rate increased to 3.7 percent, up from 2.9 percent a year ago and above the 2.5-percent rate during the 3 months ending October 2019. By comparison, the national unemployment rate was also 3.7 percent during the past 3 months, up from 3.5 percent a year ago and 3.5 percent during the 3 months ending October 2019.

Wine production in the Santa Rosa metropolitan area has a significant effect on the local economy and is heavily integrated with several of the largest sectors and industries, including manufacturing, tourism, and agriculture. The wine industry supports more than 54,000 full-time jobs, or 25 percent of total jobs in the county (Sonoma County Vintners). In 2020, the COVID-19 pandemic had a negative impact on wine tourism and direct wine shipments. During this time, many wineries offered virtual tastings and events to help make up for financial losses related to the decline in winery visits. Since then, wine tourism has increased substantially, and the gross regional product of the wine industry now exceeds prepandemic numbers. In 2022, the gross regional product associated with the wine industry was \$1.22 billion, compared with \$1.19 billion in 2019.

During the 3 months ending October 2023, the rate of job growth in the Santa Rosa metropolitan area decreased from the previous year but was above the rates in the Pacific region and the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Santa Rosa Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
County of Sonoma	Government	4,175
Kaiser Permanente	Education & Health Services	2,675
St. Joseph Health, Sonoma County	Education & Health Services	2,500

Note: Excludes local school districts.
Source: Santa Rosa Metro Chamber

Sales Market Conditions

The sales housing market in the Santa Rosa metropolitan area is slightly tight, with a sales vacancy rate of 0.8 percent—slightly lower than the 1.0-percent rate in April 2020. In the past year, conditions have begun to ease, and the inventory of homes for sale has risen to a 2.8-month supply during October 2023 from a 2.1-month supply in October 2022 (CoreLogic, Inc.). During the same period, the average number of days on the market increased from 80 to 100. Despite the recent population decline in the metropolitan area, home demand is high, due partly to demand for second homes. Sonoma County is approximately a 1-hour drive north of the city of San Francisco and is a popular location for Bay Area residents to own a second home. During the pandemic, second-home purchases in Sonoma County became increasingly prevalent because more people had the ability to telework. Second-home sales

represent a significant share of all home sales in many parts of the county. Approximately 66 and 64 percent of all home sales in the community of Guerneville and the city of Healdsburg, respectively, were for non-owner-occupied homes during the first half of 2023 (Sonoma County). The city of Healdsburg is known as the “food capital” of Sonoma County, and the community of Guerneville is close to the Russian River and offers many recreational opportunities. Although second-home sales remain a large share of overall sales in the county, they are estimated to have declined in the past year because many large employers in the Bay Area have issued return-to-office mandates.

The rate of seriously delinquent mortgages and real estate owned properties in the Santa Rosa metropolitan area has remained at very low levels since 2022. The rate was 0.4 percent in October 2023, down from 0.5 percent in October 2022. The rate has

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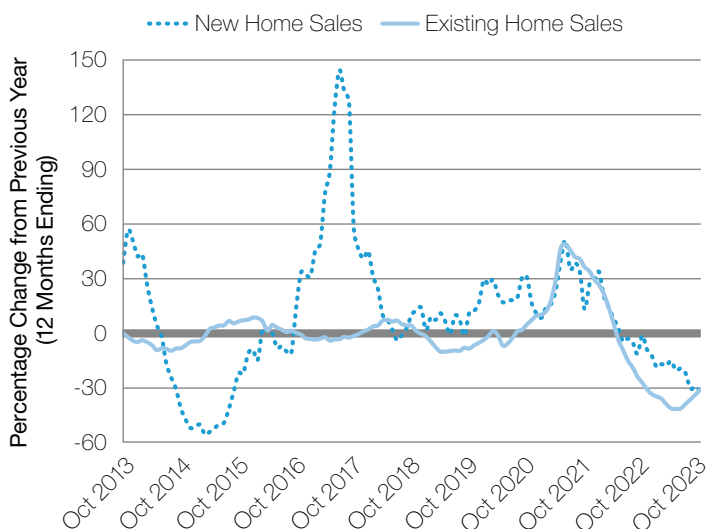
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declined every month after reaching a high of 3.2 percent in August 2020. The current rate in the Santa Rosa metropolitan area is lower than both the 0.6-percent rate for California and the 1.0-percent rate for the nation.

During the 12 months ending October 2023—

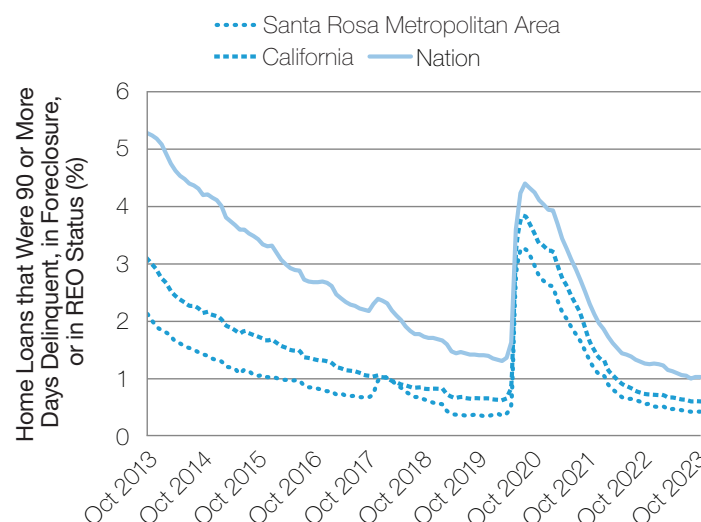
- Existing home sales in the metropolitan area decreased 31 percent to 4,625 homes from the 6,725 homes sold during the previous 12-month period (CoreLogic, Inc.). By comparison, existing home sales increased an average of 2 percent annually from 5,575 during 2010 to 6,500 during 2019, when strong job growth contributed to relatively high levels of in-migration.
- The average sales price for existing homes was \$859,700, up 2 percent from the \$847,000 average sales price a year earlier. Year-over-year price growth is down from 12 percent during the 12 months ending October 2022. By comparison, the average sales price for existing homes increased 6 percent annually on average from 2010 through 2019.
- New home sales totaled 330 homes, representing a decline of 32 percent from the 490 new homes sold during the previous 12-month period. New home construction and sales are down partly because of a shortage of construction workers.
- The average sales price for a new home was \$895,200, up 6 percent from \$844,100 a year earlier. During the previous 12 months, year-over-year price growth was 9 percent. By comparison, the average sales price for existing homes increased 7 percent annually on average from 2010 to 2019.

New and existing home sales in the Santa Rosa metropolitan area continued to fall during the 12 months ending October 2023.



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

The number of seriously delinquent mortgages and REO properties in the Santa Rosa metropolitan area has remained below the state and national rates for the past 10 years.

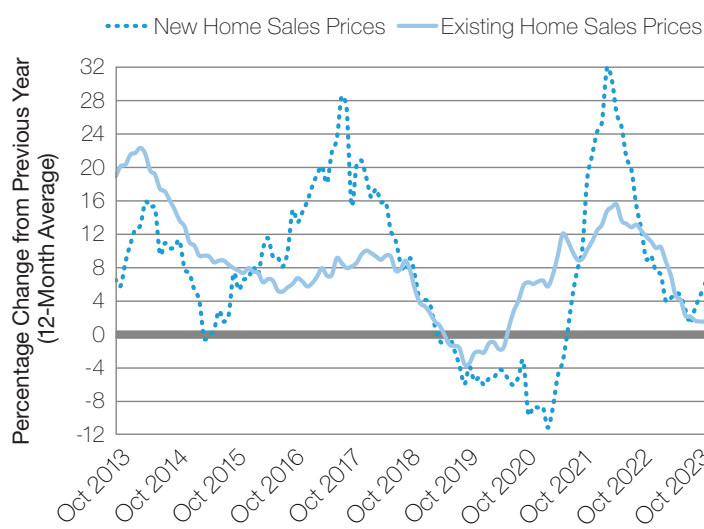


REO = real estate owned.
Source: CoreLogic, Inc.

Homebuilding activity in the Santa Rosa metropolitan area, as measured by the number of single-family homes permitted, increased during the past year. Permitting in the years immediately after the Tubbs Fire in 2017 spiked when homeowners began to rebuild. Approximately 5 percent of the home inventory in the metropolitan area was destroyed by the fire.

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Year-over-year price growth for new and existing homes slowed during the 12 months ending October 2023 in the Santa Rosa metropolitan area.

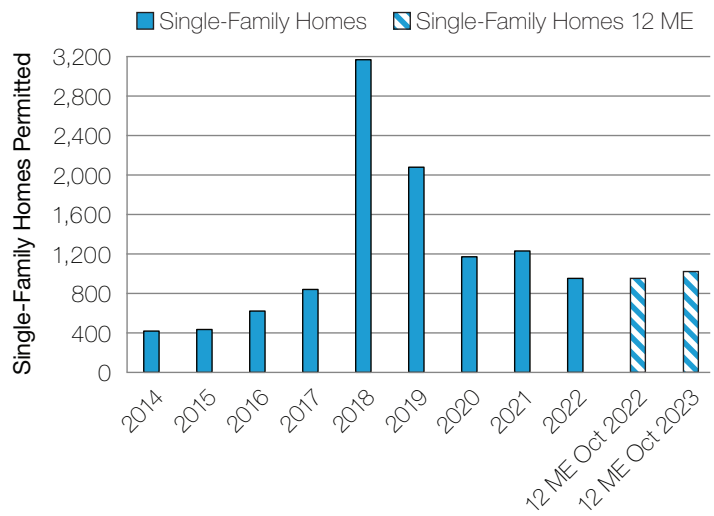


Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

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- Approximately 1,025 single-family homes were permitted during the 12 months ending October 2023, reflecting an increase of 75 homes from the 950 permitted during the previous 12 months (preliminary data, with adjustments by the analyst).
- Single-family home permitting averaged 480 homes annually from 2010 through 2017 and increased to an average of 1,900 homes permitted from 2018 through 2021.
- The city of Santa Rosa accounted for the majority of single-family home construction from 2010 through 2022. The city is one of the more densely populated areas in the county and accounted for the majority of homes destroyed during the Tubbs Fire.
- Recent home construction has included notable development activity south of the city of Santa Rosa. One of the most recently completed developments in the metropolitan area is the Seasons at University District community in the city of Rohnert Park. The community is a part of the University District master-planned community. New home sales prices start at \$871,100 for three-bedroom homes.

The number of single-family homes permitted in the Santa Rosa metropolitan area increased during the 12 months ending October 2023.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

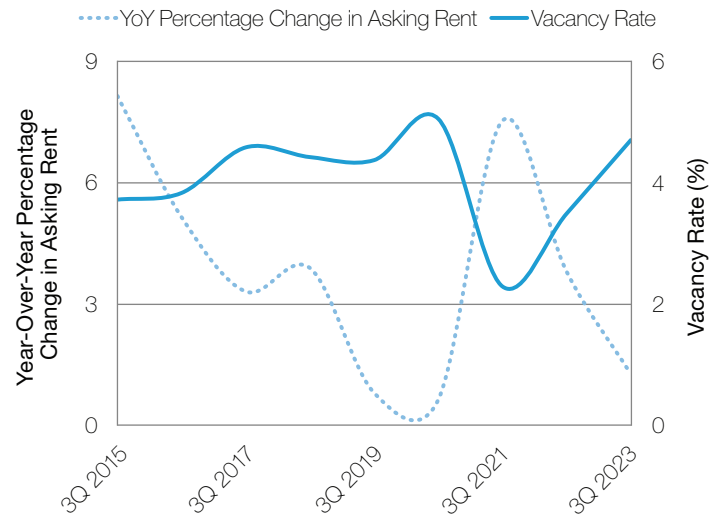
Apartment Market Conditions

Apartment market conditions in the Santa Rosa metropolitan area are currently slightly tight. Despite an increase in multifamily construction activity since 2021, the apartment market in the metropolitan area has remained persistently tight because of low multifamily construction activity for most of the past decade.

During the third quarter of 2023—

- The stabilized apartment vacancy rate in the Santa Rosa metropolitan area was 4.7 percent, up significantly from 3.5 percent a year ago but only slightly higher than the third quarter average rate of 4.1 percent from 2010 through 2019 (CoStar Group).
- The average apartment rent was \$2,159, up 1 percent from a year ago but approximately 34 percent above the third quarter average rent of \$1,608 from 2010 through 2019.
- The suburban CoStar Group-defined Rohnert Park market area (hereafter, market area) had the highest stabilized apartment vacancy rate at 6.9 percent and was the only one of seven market areas where rents declined. In contrast, the Petaluma market area, with more wineries and businesses, had the highest rent growth at 2 percent.
- Housing affordability in the metropolitan area is low. Nearly one-half of all rental households in Sonoma County are

Rent slowed significantly, and stabilized vacancy rates increased in the Santa Rosa metropolitan area during the third quarter of 2023.



3Q = third quarter. YoY = year-over-year.

Source: CoStar Group

cost-burdened, meaning that more than 30 percent of their total income goes toward shelter and utility costs (ACS 5-year estimates; Consolidated Planning/CHAS Data, 2016–20).

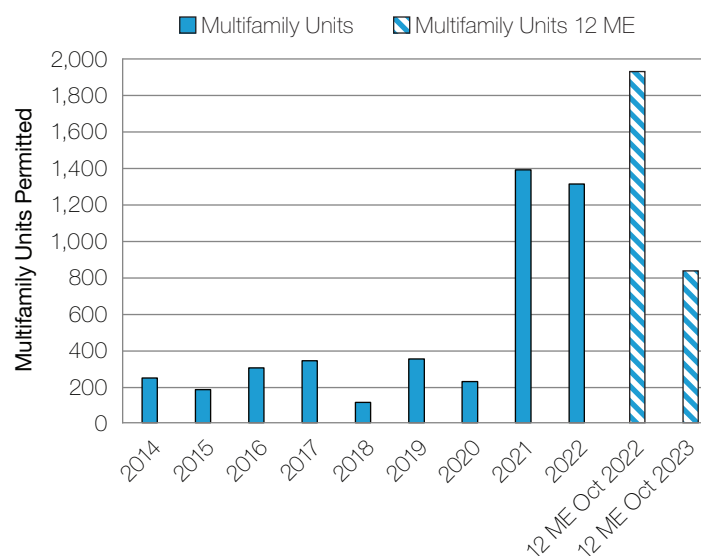
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Multifamily construction activity was relatively low from 2014 through 2020 before increasing to high levels since 2021. Most multifamily construction activity is in the city of Santa Rosa. Since 2010, the city has accounted for nearly 97 percent of multifamily permitting in the metropolitan area.

- During the 12 months ending October 2023, approximately 830 multifamily units were permitted in the Santa Rosa metropolitan area, representing a significant decrease from the 1,925 units permitted during the previous 12 months (preliminary data, with adjustments by the analyst).
- An average of 270 multifamily units were permitted annually from 2010 through 2020, significantly less than the 1,400 multifamily units permitted in 2021.
- The largest apartment property under construction in the metropolitan area is the Fountaingrove Inn Apartments, with 240 market-rate units in the city of Santa Rosa. Construction is expected to be complete in mid-2025.
- Recently completed developments include the 180-unit La Via Apartments complex in the city of Petaluma. Rents start at \$2,486 for studio units, \$2,670 for one-bedroom units, and \$3,070 for two-bedroom units.

The number of multifamily units permitted in the Santa Rosa metropolitan area decreased significantly from recent years during the 12 months ending October 2023.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—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

Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including only those that are stabilized.
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 Change	Resident births minus resident deaths.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
San Francisco Bay Area (Bay Area)	Nine counties in the San Jose-San Francisco-Oakland Combined Statistical Area, including Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.
Stabilized	A property is stabilized once a 90-percent or above occupancy rate is reached, or at least 18 months pass since the property was changed from under construction to existing on the CoStar Group website.

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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