



Santa Rosa-Petaluma, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2013



Housing Market Area



The Santa Rosa-Petaluma Housing Market Area (HMA), coterminous with Sonoma County, California, is approximately 50 miles north of San Francisco. For purposes of this analysis, the HMA is divided into two submarkets. The City of Santa Rosa submarket comprises the city of Santa Rosa, and the Balance of Sonoma County submarket consists of Sonoma County excluding the city of Santa Rosa.

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Summary

Economy

Economic conditions in the Santa Rosa-Petaluma HMA began to improve in 2011, after the area experienced 3 consecutive years of job losses from 2008 through 2010. Total nonfarm payrolls increased by 1,700 jobs, or 1.0 percent, to 170,600 jobs during 2012, up from 168,900 jobs in 2011. Modest, 1.6-percent annual job growth is expected during the 3-year forecast period. Table DP-1 at the end of this report provides additional employment and population data for the HMA.

Sales Market

The sales housing market in the HMA is soft but improving. The current sales vacancy rate is estimated at 1.4 percent, down from 1.9 percent as of April 2010. Demand is expected for 2,260

new homes during the forecast period (Table 1). The 170 homes currently under construction and a portion of the estimated 12,000 other vacant units in the HMA that might enter the market will satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is balanced, with an estimated overall vacancy rate of 4.0 percent, down from 5.2 percent in 2010. The market has tightened since 2010, as relatively low levels of multifamily construction, coupled with increasing rental demand, allowed for the absorption of vacant units. During the forecast period, the 250 units currently under construction will satisfy some of the expected demand for 1,640 new units in the HMA (Table 1).

Table 1. Housing Demand in the Santa Rosa-Petaluma HMA, 3-Year Forecast, January 1, 2013, to January 1, 2016

	Santa Rosa-Petaluma HMA		City of Santa Rosa Submarket		Balance of Sonoma County Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	2,260	1,640	520	700	1,740	940
Under construction	170	250	50	130	120	120

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2013. A portion of the estimated 12,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Since 2000, the economy of the Santa Rosa-Petaluma HMA has experienced two separate periods of substantial job losses. From 2001 to 2003, nonfarm payrolls in the HMA declined from 189,800 to 183,200 jobs, an average decrease of 3,300 jobs, or 1.8 percent, a year. The manufacturing sector accounted for nearly 80 percent of job losses during the period, because several electronics companies in the southern part of the HMA, a region referred to as “Telecom Valley,” experienced layoffs or closures. Agilent Technologies, Inc., which was the largest employer in the HMA in 2001, declined from 6,000 employees in 2001 to 2,600 employees in 2003. In total, the manufacturing sector decreased by an average of 2,550 jobs, or 8.8 percent, annually during the period, declining from the largest nonfarm payroll sector in the HMA at 30,400 jobs, or 16 percent of total nonfarm payrolls, in 2001 to the third largest sector at 25,300 jobs, or 14 percent of total nonfarm payrolls, in 2003. The electronics manufacturing industry in the HMA continued to decline from 2003 through 2007, as Agilent Technologies, Inc., reduced its workforce

by an additional 1,100 employees, and the manufacturing sector decreased by an average of 830 jobs, or 3.4 percent, annually. Total nonfarm payrolls increased, however, by an average of 1,800 jobs, or 1.0 percent, annually from 2003 through 2007. The professional and business services and the government sectors added the most jobs, expanding by an average of 1,025 and 650 jobs, or 5.0 and 2.2 percent, a year, respectively. Softening housing market conditions and the nationwide economic downturn contributed to another period of job losses in the HMA from 2008 through 2010, when total nonfarm payrolls declined by an average of 7,900 jobs, or 4.3 percent, annually. The construction subsector led job losses in the HMA during the period, decreasing by an average of 1,825 jobs, or 14.8 percent, a year. Declines in consumer spending and decreased tax revenue resulted in significant layoffs in the local government subsector and the wholesale and retail trade sector. The government sector declined by an average of 1,425 jobs, or 4.8 percent, annually, and the wholesale and retail trade sector declined by an average of 1,275 jobs, or 4.1 percent, annually, as taxable sales in the HMA fell an average of 6 percent a year, from \$7.9 billion in 2007 to \$6.5 billion in 2010.

Economic conditions in the HMA improved during the past 2 years. After expanding by 2,200 jobs, or 1.3 percent, in 2011, nonfarm payrolls increased by 1,700 jobs, or 1.0 percent, to 170,600 jobs in 2012 (Table 2). The leisure and hospitality sector added the most jobs, expanding by 1,400 jobs, or 6.8 percent. In addition, hotel occupancy tax revenue in the HMA increased to \$23.6 million, a 9-percent increase from \$21.6 million in 2011 (Sonoma

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

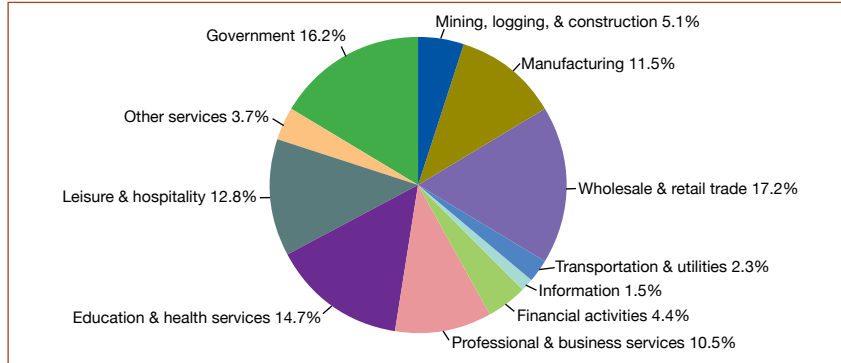
	12 Months Ending December 2011	12 Months Ending December 2012	Percent Change
Total nonfarm payroll jobs	168,900	170,600	1.0
Goods-producing sectors	28,900	28,400	- 1.8
Mining, logging, & construction	8,800	8,800	0.1
Manufacturing	20,200	19,600	- 2.6
Service-providing sectors	140,000	142,200	1.6
Wholesale & retail trade	28,600	29,400	2.9
Transportation & utilities	3,800	3,900	3.1
Information	2,500	2,600	4.4
Financial activities	7,600	7,400	- 2.3
Professional & business services	18,000	17,900	- 0.6
Education & health services	24,500	25,100	2.6
Leisure & hospitality	20,500	21,900	6.8
Other services	6,100	6,300	3.6
Government	28,400	27,600	- 2.8

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

Source: U.S. Bureau of Labor Statistics

County Economic Development Board). The wholesale and retail trade sector averaged 29,400 jobs, or 17.2 percent of all nonfarm payrolls, in 2012 (Figure 1) after increasing by 800 jobs, or 2.9 percent, from 28,600

Figure 1. Current Nonfarm Payroll Jobs in the Santa Rosa-Petaluma HMA, by Sector



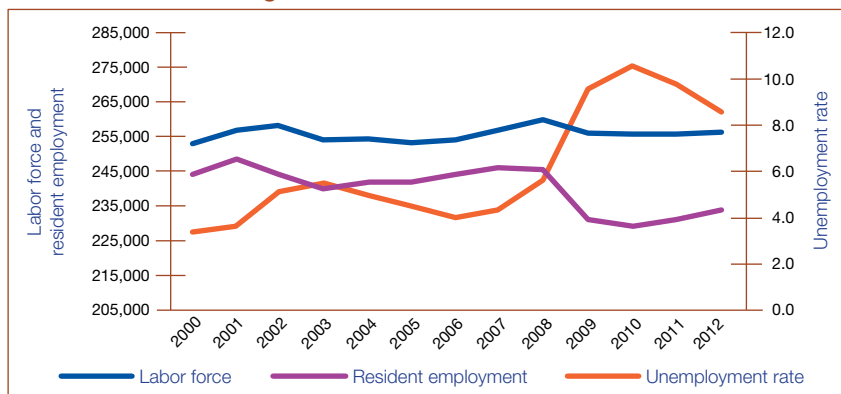
Note: Based on 12-month averages through December 2012.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Santa Rosa-Petaluma HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
County of Sonoma	Government	3,500
Kaiser Permanente®	Education & health services	2,850
St. Joseph Health System	Education & health services	2,250
Sutter Medical Center of Santa Rosa	Education & health services	1,500
City of Santa Rosa	Government	1,400
Safeway, Inc.	Wholesale & retail trade	1,200
Agilent Technologies, Inc.	Manufacturing	1,175
Amy's Kitchen, Inc.	Manufacturing	900
Medtronic, Inc.	Manufacturing	840
Kendall-Jackson Wine Estates, Ltd.	Manufacturing	640

Note: Excludes local school districts.
Sources: North Bay Business Journal: Book of Lists, October 2012; California State Controller's Office

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Santa Rosa-Petaluma HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

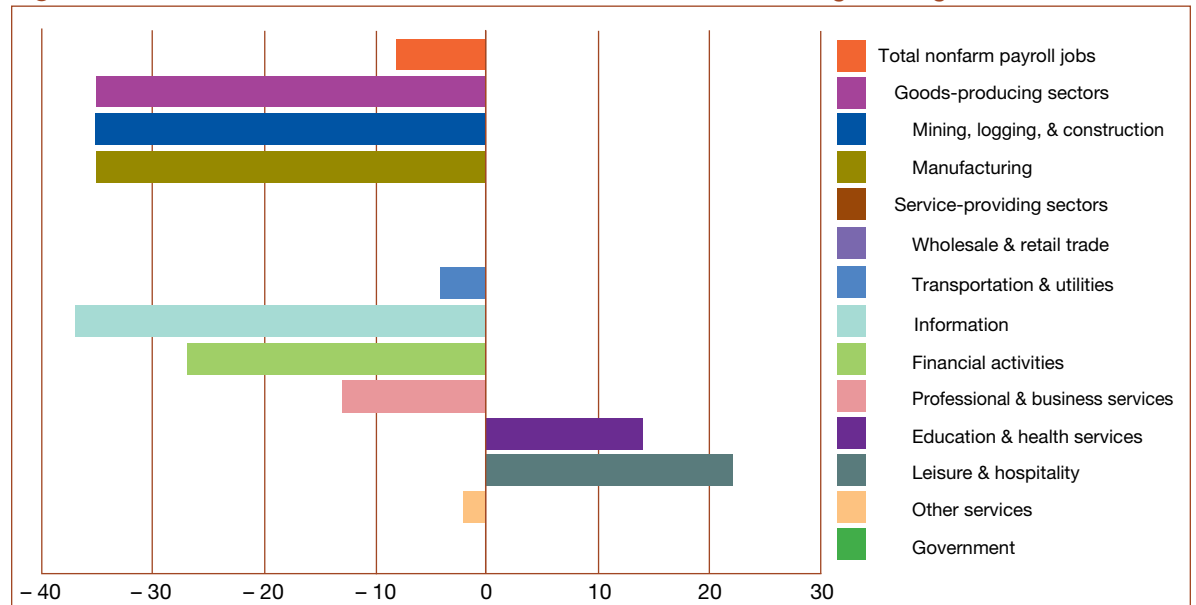
jobs in 2011. The retail trade subsector added 500 jobs during the period. Anchored by Safeway, Inc., which employs 1,200 workers, the wholesale and retail trade sector has been the largest sector in the HMA since 2010. The education and health services sector expanded by 600 jobs, or 2.6 percent, in 2012, partially because of job growth at the three largest private employers in the HMA: Kaiser Permanente, St. Joseph Health System, and Sutter Medical Center of Santa Rosa, which employ 2,850, 2,250, and 1,500 people, respectively (Table 3). By contrast, local government cutbacks caused the government sector to decline by 800 jobs, or 2.8 percent, in 2012, the greatest decline of any sector in the HMA. The county of Sonoma has lost approximately 780 jobs since 2008 but remains the largest employer in the HMA, with 3,500 employees. The unemployment rate in the HMA averaged 8.6 percent in 2012, down from 9.8 percent in 2011 and 10.5 percent in 2010. Figure 2 shows labor force, resident employment, and unemployment rate trends in the HMA from 2000 through 2012.

During the next 3 years, job growth is expected to average 1.6 percent a year. Several projects currently underway are expected to contribute to gains during the forecast period. Construction of the Graton Rancheria Casino and Hotel, which has generated an estimated 900 jobs since it began in June 2012, is projected to conclude by the end of 2013. On completion, the 534,000-square-foot complex will employ as many as 2,000 people. Development of the Sonoma-Marín Area Rail Transit train system, which began in early 2012, is projected to support as many as 1,500 construction jobs until it is complete in 2016.

Job gains in the education and health services sector are expected during the next 3 years as population growth and the aging of the resident population are expected to generate increased demand for health care. The median age of residents in the HMA in 2011 was 40.2 years, compared with the national median age of 37.2 years (2011 American Community Survey [ACS] 1-year sample). The new 80,000-square-foot Sutter Medical Center of Santa Rosa, which broke

ground in late 2012, is expected to contribute 1,500 construction jobs in the HMA until it is complete, which may be as early as the fall of 2014. The leisure and hospitality sector, which is driven by visitors to more than 370 wineries in the HMA, was the fastest growing sector from 2000 through 2012 (Figure 3) and is also expected to expand during the forecast period, with improving worldwide economic conditions generating increased demand for tourism.

Figure 3. Sector Growth in the Santa Rosa-Petaluma HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through December 2012. During this period, jobs in the overall service-providing sectors and in the wholesale & retail trade and the government sectors showed no net change.

Source: U.S. Bureau of Labor Statistics

Population and Households

Employment growth, along with migration from neighboring counties, has significantly affected population growth in the Santa Rosa-Petaluma HMA since 2000. From 2000 to 2007, the population expanded from 458,614 to 467,356, an average increase of less than 1 percent a year.

Net out-migration from the HMA averaged 1,425 people a year during the period, largely because of significant job losses associated with electronics manufacturers in the southern part of the Balance of Sonoma County submarket. By comparison, population growth averaged 5,775

people, or 1.2 percent, a year from 2007 to 2010. Relatively affordable housing attracted new residents, particularly from nearby Marin and San Francisco Counties where, from 2007 to 2010, average home prices were more than double those in the HMA. Net in-migration averaged 3,925 people a year and accounted for 60 percent of total population growth during that period. The percentage of HMA residents commuting to jobs in Marin or San Francisco Counties rose from 11.6 percent (2007 ACS 1-year sample) to 12.4 percent (2010 ACS 1-year sample).

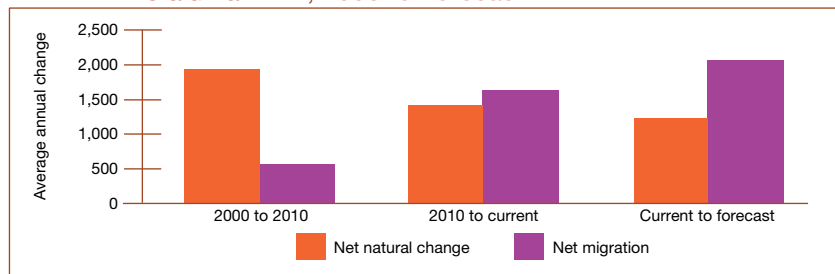
As of January 1, 2013, the population of the HMA is estimated at 492,300, representing an average annual increase of 3,075, or 0.6 percent, since 2010. Although economic conditions in the HMA have improved since 2010, net in-migration is estimated to

have decreased to an average of 1,625 people a year (Figure 4). The decline in net-in migration was partly because of a decrease in the difference between home prices in Marin County and the HMA. The average home sales price in Marin County was 119 percent more than in the HMA in 2010 but only 104 percent more than in the HMA in 2012. During the forecast period, the population of the HMA is expected to increase by an average of 3,300, or 0.7 percent, a year as economic conditions improve and contribute to a modest increase in net in-migration (Figure 5).

The population of the City of Santa Rosa submarket increased by an average of 1,850, or 1.2 percent, annually from 2000 to 2010. Population growth in the submarket was hindered by job losses, particularly in the government sector, in the late 2000s. The population of the submarket is currently estimated at 170,800, an average annual increase of 1,075, or 0.6 percent, since 2010. The Balance of Sonoma County submarket, with an estimated current population of 321,500, accounts for approximately 65 percent of the total population of the HMA. The submarket population expanded by only 670, or 0.2 percent, a year from 2000 through 2010. The submarket, particularly the southern portion, has received most of the net in-migration to the HMA since the late 2000s, however, and the population increased by an average of 1,975, or 0.6 percent, a year since 2010.

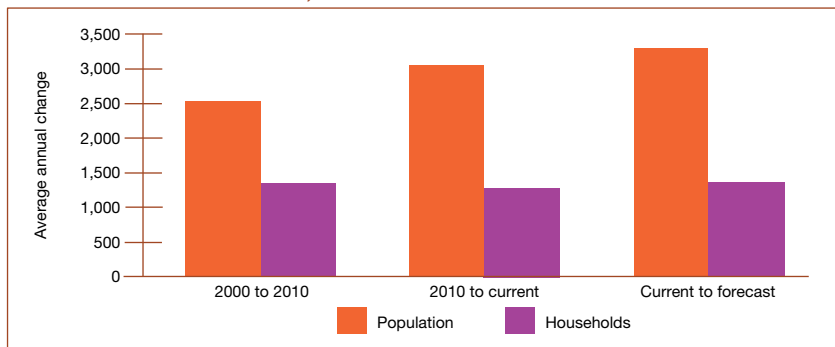
The number of households in the HMA increased from 172,403 in 2000 to 185,825 in 2010, or an average of 0.8 percent a year. Since 2010, the number of households has increased 0.7 percent a year, to 189,400

Figure 4. Components of Population Change in the Santa Rosa-Petaluma HMA, 2000 to Forecast



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

Figure 5. Population and Household Growth in the Santa Rosa-Petaluma HMA, 2000 to Forecast

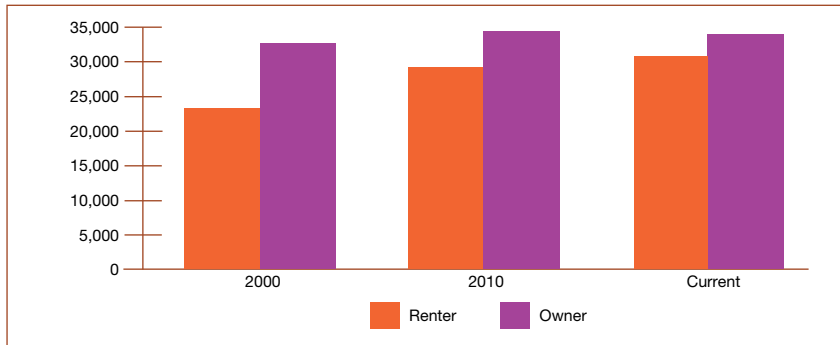


Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

households as of the current date. During the forecast period, the growth in households is expected to average 1,350, or 0.7 percent, a year. Because of a large number of home foreclosures

in the late 2000s, the homeownership rate in the HMA decreased from 64.1 percent in 2000 to 60.4 percent in 2010. During that period, the number of owner households expanded less than 1 percent a year, whereas the number of renter households increased 1.7 percent a year. The number of owner households is estimated to have decreased slightly since 2010, whereas the number of rental households is estimated to have increased 1.9 percent a year. Although foreclosure rates have declined significantly since 2010, they remain elevated relative to historical levels. The homeownership rate in the HMA is estimated at 59.1 percent as of January 1, 2013, with declines in both submarkets. The City of Santa Rosa submarket has an estimated homeownership rate of 52.4 percent, down from 54.1 percent in 2010, and the Balance of Sonoma County submarket has an estimated homeownership rate of 62.5 percent, down from 63.7 percent in 2010. Figures 6 and 7 show the number of households by tenure in each submarket from 2000 to the current date.

Figure 6. Number of Households by Tenure in the City of Santa Rosa Submarket, 2000 to Current



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

Figure 7. Number of Households by Tenure in the Balance of Sonoma County Submarket, 2000 to Current



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

Housing Market Trends

Sales Market—City of Santa Rosa Submarket

The sales housing market in the City of Santa Rosa submarket is soft but improving, with an estimated sales vacancy rate of 1.6 percent as of January 2013, down from 2.0 percent as of April 2010 (Table DP-2 at the end of this report). The number of homes sold and the average home

sales price both increased during 2012 from a year earlier, but they remain less than the peak levels recorded during the mid-2000s. The number of existing homes sold increased by 300 homes, or 14 percent, to 2,450 homes sold during 2012 after remaining unchanged in 2011 (Hanley Wood,

LLC). Existing home sales averaged 2,525 a year from 2005 through 2007 but declined to an average of 2,400 a year from 2008 through 2010.

The average sales price of an existing home in the submarket increased 5 percent, to \$349,300, during 2012 after a 5-percent decline, to \$333,800, in 2011. Existing home sales prices peaked at an average of \$598,200 in 2006, but declined to an average of \$411,100 from 2007 through 2009 and declined again, to \$350,700 in 2010. The average sales price of existing homes has been greatly influenced by the number of REO (Real Estate Owned) sales since 2007. REO sales accounted for less than 1 percent of existing home sales in 2006. From 2007 through 2010, however, the REO share of existing home sales averaged 39 percent, with a peak of 50 percent in 2008. REO sales accounted for 25 percent of all existing home sales in 2012, down from 40 percent in 2011. The average price of an REO sale in the submarket was \$285,300 during 2012, or 23 percent less than the \$370,400 average price for a non-REO resale.

The number of new homes sold in the submarket declined 10 percent, to 130, during 2012. New home sales peaked at 520 in 2007 but declined each year from 2008 through 2010. A total of 140 new homes sold in 2011, up from

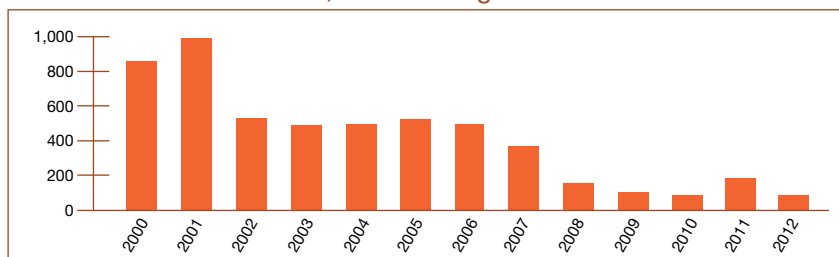
65 in 2010. The average sales price of a new home increased 12 percent, to \$379,100, in 2012 after decreasing 10 percent in 2011. New home sales prices, which are down 49 percent since peaking at \$735,800 in 2005, declined each year from 2006 through 2009 because of weakening economic conditions.

Although home sales prices increased in the submarket, single-family homebuilding, as measured by the number of homes permitted, continues to decline as many developers remain cautious. During 2012, 85 single-family homes were permitted (preliminary data), down from 190 in 2011. Single-family homebuilding activity, which peaked at 1,000 homes permitted in 2001, averaged 510 homes permitted a year from 2002 through 2005 but subsequently declined each year from 2006 through 2010 as the home sales market softened (Figure 8).

Soft sales market conditions have resulted in few single-family home developments since the late 2000s, but Meritage Homes is continuing construction activity at Ragle Ranch, which opened near the southeast corner of the Sonoma County Fairgrounds in May 2011. To date, 30 of the planned 140 homes have sold at an average price of \$402,800. Homes within the development range from three to four bedrooms and from 1,425 to 2,875 square feet.

During the next 3 years, demand for 520 new homes is expected in the submarket (Table 1). Because of the relatively large supply of vacant homes currently available for sale, demand for new homes is expected to remain less than the levels recorded in the early 2000s to mid-2000s. The 50 homes currently under construction and a

Figure 8. Single-Family Building Permits Issued in the City of Santa Rosa Submarket, 2000 Through 2012



Notes: Includes townhomes. Includes data through December 2012.

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

Housing Market Trends

Sales Market—City of Santa Rosa Submarket *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the City of Santa Rosa Submarket, January 1, 2013, to January 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
225,000	274,999	45	10.0
275,000	324,999	55	12.0
325,000	374,999	65	14.0
375,000	424,999	95	21.0
425,000	474,999	65	14.0
475,000	524,999	55	12.0
525,000	574,999	40	9.0
575,000	and higher	35	8.0

Notes: Numbers may not add to totals because of rounding. The 50 homes currently under construction and a portion of the estimated 1,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

portion of the estimated 1,500 other vacant units that may enter the market will satisfy some of the forecast demand. Prices for new homes currently start at \$225,000. Table 4 presents detailed information on the estimated demand for new market-rate sales housing, by price range, in the submarket during the forecast period.

Rental Market—City of Santa Rosa Submarket

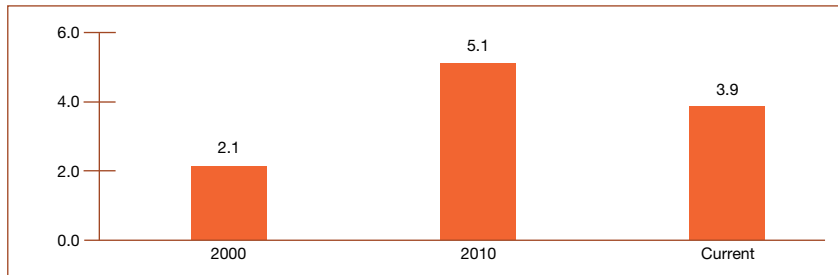
The rental housing market in the City of Santa Rosa submarket is balanced, as relatively low levels of multifamily construction and increased demand for rental housing have allowed for the absorption of excess units since 2010. As of January 2013, the overall

vacancy rate is estimated at 3.9 percent (Figure 9), down from 5.1 percent in 2010.

Improving rental market conditions caused an increase in multifamily construction, as measured by the number of units permitted, but multifamily construction remains much less than peak levels. In 2012, 130 multifamily units were permitted (preliminary data), up from 70 in 2011. The number of multifamily units permitted averaged 510 units a year from 2005 through 2007. By comparison, multifamily permitting totaled 50 units in 2008 and averaged only 70 units each year from 2009 through 2011 because of the economic downturn and tighter lending requirements (Figure 10).

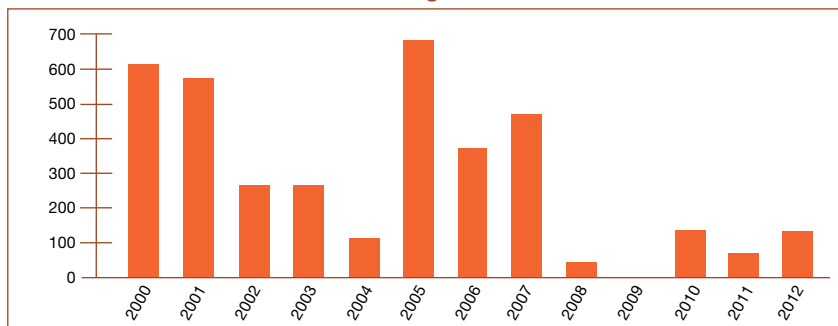
Income-restricted projects have accounted for 160, or 76 percent, of the 205 multifamily units permitted in the submarket since 2010. Acacia Lane Senior Apartments, which opened in May 2012, is a low-income, age-restricted project funded through the HUD Section 202 program that consists of 45 one-bedroom units for seniors with incomes at or below

Figure 9. Rental Vacancy Rates in the City of Santa Rosa Submarket, 2000 to Current



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

Figure 10. Multifamily Units Permitted in the City of Santa Rosa Submarket, 2000 Through 2012



Notes: Excludes townhomes. Includes data through December 2012.

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

Housing Market Trends

Rental Market—City of Santa Rosa Submarket *Continued*

50 percent of the Area Median Income (AMI). Rents currently range from \$590 to \$730. Construction of the 52-unit Humboldt Apartments, which began in late 2012, is expected to be complete during the last 6 months of 2013. The project is designated for households with incomes at or below 60 percent of AMI, with rents ranging from \$750 for a one-bedroom unit to \$1,250 for a three-bedroom unit.

During the next 3 years, demand is expected for 700 additional market-rate

rental units in the submarket (Table 1). The 130 units currently under construction will likely meet some of this demand. Rents for new units are projected to start at \$920 for an efficiency unit, \$1,125 for a one-bedroom unit, \$1,375 for a two-bedroom unit, and \$1,675 for a three-bedroom unit. Table 5 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the City of Santa Rosa Submarket, January 1, 2013, to January 1, 2016

Zero Bedrooms		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	Monthly Gross Rent (\$)	Units of Demand
920 to 1,119	25	1,125 to 1,324	160	1,375 to 1,574	130	1,675 to 1,874	80
1,120 or more	10	1,325 to 1,524	50	1,575 to 1,774	55	1,875 to 2,074	55
		1,525 or more	40	1,775 or more	55	2,075 or more	45
Total	35	Total	250	Total	250	Total	180

Notes: Numbers may not add to totals because of rounding. The 130 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Balance of Sonoma County Submarket

The sales housing market in the Balance of Sonoma County submarket is soft but improving, as relatively low levels of new home construction, improving economic conditions, and declining foreclosure activity have contributed to absorption of excess housing inventory since 2010. As of January 2013, the sales vacancy rate is estimated at 1.3 percent, down from 1.8 percent as of April 2010 (Table DP-3 at the end of this report). The number of homes sold and the average home sales price both increased during 2012 but remain less than the peak levels recorded during the mid-2000s. The number of existing homes sold increased by 500 homes, or 18 percent, to 3,300 homes during 2012

compared with an increase of 180 homes, or 7 percent, in 2011 (Hanley Wood, LLC). Existing home sales averaged 3,350 a year from 2005 through 2007 but declined to an average of 2,650 homes sold each year from 2008 through 2010, during the worst of the sales market downturn in the submarket.

The average sales price of an existing home in the submarket increased by approximately \$29,900, or 8 percent, to \$424,000 during 2012 after declining 9 percent in 2011. Existing home sales prices peaked at an average of \$632,000 from 2005 through 2007, but they declined to an average of \$456,200 from 2008 through 2010 and again to \$394,100 in 2011. Much of

the change in the average sales price of existing homes is because of the number of REO sales. REO sales accounted for 2 percent of existing home sales from 2005 through 2007. From 2008 through 2010, however, the REO share of home sales rose to 35 percent, with a peak of 38 percent in 2009. REO sales accounted for 23 percent of all existing home sales in 2012, down from 33 percent in 2011. The average price of an REO home sale in the submarket was \$300,000 during 2012, or 35 percent less than the \$462,000 average price for a non-REO resale. As of December 2013, 4.0 percent of home loans in Sonoma County were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 5.9 percent in December 2011 and 7.4 percent in December 2010 (LPS Applied Analytics).

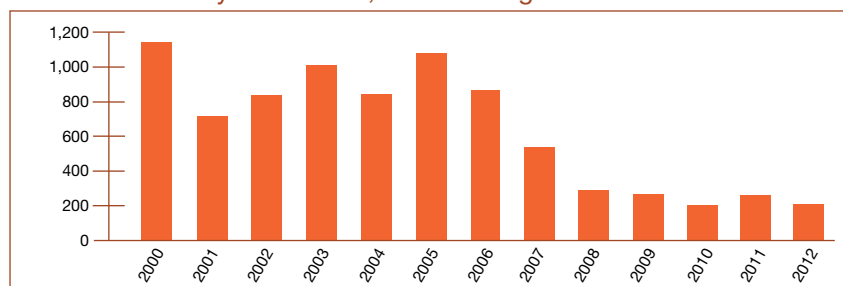
The number of new homes sold in the submarket increased from 80 in 2011 to 130 during 2012. New home sales peaked at 480 in 2006, then declined each year from 2007 through 2011. The average sales price of a new home increased 6 percent, to \$413,600, in 2012 after increasing 3 percent in 2011. New home sales prices are down 40 percent since peaking at \$684,000 in 2006; new home prices averaged \$439,800 from 2008 through 2010.

The largest new home development currently under construction in the submarket, Quarry Heights, in Petaluma, consists of two projects being developed by KB Home. The first, Sterling Hills at Quarry Heights, is a single-family home development with 120 of 130 planned homes yet to be built. The current homes range from three to four bedrooms and from 1,850 to 2,175 square feet, with an average sales price of \$530,600. The second project, Stone Ridge at Quarry Heights, is a townhome development with 120 of a planned 140 homes yet to be built. The existing townhomes range in size from two to three bedrooms and from 2,025 to 2,175 square feet, with an average sales price of \$415,100.

Despite increasing new home sales prices, single-family homebuilding, as measured by the number of homes permitted, is relatively subdued in the submarket, as many home builders remain cautious. During 2012, 210 single-family homes were permitted (preliminary data), down 9 percent from 230 homes permitted in 2011. Single-family homebuilding activity peaked at an average of 980 homes permitted each year from 2002 through 2005 but subsequently declined to an average of 600 homes permitted each year from 2006 through 2008 and declined again to an average of 250 homes permitted each year from 2009 through 2011 (Figure 11).

During the next 3 years, demand in the submarket is expected for 1,740 new homes (Table 1). Because of the relatively large current supply of vacant for-sale homes, demand for new homes is expected to remain less than the levels recorded during the

Figure 11. Single-Family Homes Permitted in the Balance of Sonoma County Submarket, 2000 Through 2012



Notes: Includes townhomes. Includes data through December 2012.

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

Housing Market Trends

Sales Market—Balance of Sonoma County Submarket *Continued*

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Balance of Sonoma County Submarket, January 1, 2013, to January 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
225,000	274,999	190	11.0
275,000	324,999	210	12.0
325,000	374,999	240	14.0
375,000	424,999	300	17.0
425,000	474,999	240	14.0
475,000	524,999	230	13.0
525,000	574,999	190	11.0
575,000	and higher	140	8.0

Notes: Numbers may not add to totals because of rounding. The 120 homes currently under construction and a portion of the estimated 10,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

peak from 2005 through 2007. The 120 homes currently under construction and a portion of the estimated 10,500 other vacant units that may enter the market will likely satisfy some of the forecast demand. Prices for new homes currently start at \$225,000. Demand is expected to be greatest in the \$375,000-to-\$425,000 range. Table 6 presents detailed information on the estimated demand for new market-rate sales housing by price range in the submarket during the forecast period.

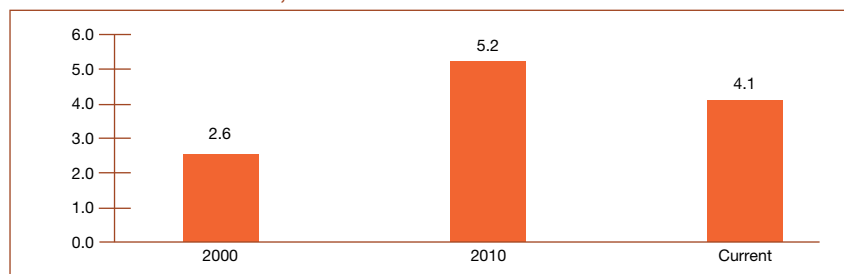
Rental Market—Balance of Sonoma County Submarket

Despite modest population growth, the rental housing market in the Balance of Sonoma County submarket is balanced because of relatively low levels of multifamily construction and strong rental household growth during the past 2 years. As of January 2013, the overall rental vacancy rate is estimated at 4.1 percent, down from 5.2 percent in 2010 (Figure 12). The apartment rental market is tighter than the overall rental market. The submarket accounts for an estimated 52 percent of the apartment inventory in the HMA. The apartment vacancy rate in the Santa Rosa-Petaluma HMA averaged 2.8 percent in the fourth quarter of 2012, down from 3.8 percent in the fourth

quarter of 2011 and 4.2 percent in the fourth quarter of 2010 (Axiometrics, Inc.). The average apartment rent in the HMA was \$1,350 during the fourth quarter of 2012, up 4 percent from \$1,300 during the fourth quarter of 2011 and up 13 percent from \$1,200 during the fourth quarter of 2010. The relative tightness of the apartment market as compared with the overall rental market is attributable to an increased number of single-family homes available for rent, caused by soft sales market conditions. Single-family homes represented 46 percent of all rental units in the submarket (2011 ACS 1-year sample), up from 44 percent (2005 ACS 1-year sample).

Improving rental market conditions have resulted in increased multifamily construction, as measured by the number of units permitted, in the submarket since 2010. The number of units permitted remains much less than peak levels, however. In 2012, 110 multifamily units were permitted (preliminary data), up 57 percent from 70

Figure 12. Rental Vacancy Rates in the Balance of Sonoma County Submarket, 2000 to Current



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

Housing Market Trends

Rental Market—Balance of Sonoma County Submarket *Continued*

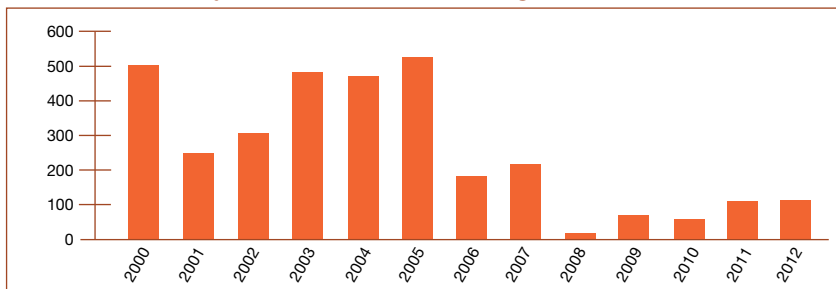
units permitted in 2011. Multifamily permitting averaged 490 units each year during the 3-year peak from 2003 through 2005. Multifamily construction declined to approximately 180 units permitted in 2006 and averaged 50 units permitted each year from 2007 through 2010 because of the economic downturn and tighter lending requirements for multifamily developers (Figure 13).

Recent multifamily construction in the submarket primarily consists of developments for low-income households, as 160 units, or 70 percent, of the 230 multifamily units permitted since 2011 are income restricted. The 43-unit Valley Oaks Apartments in the city of Sonoma and the 66-unit Logan Place in Petaluma, which were permitted in 2011, are designated for renter households with incomes at or

below 50 percent of AMI. Construction of the Valley Oaks Apartments is nearing completion, with occupancy beginning in April 2013. Rents will range from \$425 for a one-bedroom unit to \$1,075 for a three-bedroom unit. Logan Place is currently projected to open in September 2013 with rents ranging from \$430 for a studio unit to \$1,050 for a three-bedroom unit. The most recent project to be permitted, Kellgren Senior Apartments, funded by the HUD Section 202 program, was permitted in November 2012 and is expected to be complete in early 2014. The development will consist of 49 one-bedroom units for seniors with incomes at or below 50 percent of AMI, with rents projected to range from \$580 to \$690 a month.

During the next 3 years, demand is expected for 940 additional market-rate rental units in the submarket (Table 1). The 120 units currently under construction will likely absorb some of this demand. Rents for new units are projected to start at \$880 for an efficiency unit, \$1,075 for a one-bedroom unit, \$1,325 for a two-bedroom unit, and \$1,625 for a three-bedroom unit. Table 7 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Figure 13. Multifamily Units Permitted in the Balance of Sonoma County Submarket, 2000 Through 2012



Notes: Excludes townhomes. Includes data through December 2012.

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

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Balance of Sonoma County Submarket, January 1, 2013, to January 1, 2016

Zero Bedrooms		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	Monthly Gross Rent (\$)	Units of Demand
880 to 1,079	20	1,075 to 1,274	150	1,325 to 1,524	230	1,625 to 1,824	130
1,080 or more	10	1,275 to 1,474	45	1,525 to 1,724	100	1,825 to 2,024	80
		1,475 or more	30	1,725 or more	70	2,025 or more	70
Total	30	Total	220	Total	400	Total	280

Notes: Numbers may not add to totals because of rounding. The 120 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Table DP-1. Santa Rosa-Petaluma HMA, Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	244,755	229,466	234,900	-0.6	1.2
Unemployment rate	3.4%	10.5%	8.6%		
Nonfarm payroll jobs	186,100	166,700	170,600	-1.1	1.2
Total population	458,614	483,878	492,300	0.5	0.6
Total households	172,403	185,825	189,400	0.8	0.7
Owner households	110,475	112,280	111,900	0.2	-0.1
Percent owner	64.1%	60.4%	59.1%		
Renter households	61,928	73,545	77,500	1.7	1.9
Percent renter	35.9%	39.6%	40.9%		
Total housing units	183,421	204,572	206,200	1.1	0.3
Owner vacancy rate	0.8%	1.9%	1.4%		
Rental vacancy rate	2.4%	5.2%	4.0%		
Median Family Income	\$55,900	\$80,200	\$81,500	3.7	0.8

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2012. Median Family Incomes are for 1999, 2009, and 2011.

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

Table DP-2. City of Santa Rosa Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	149,260	167,815	170,800	1.2	0.6
Total households	56,036	63,590	64,750	1.3	0.7
Owner households	32,798	34,427	33,900	0.5	-0.6
Percent owner	58.5%	54.1%	52.4%		
Rental households	23,238	29,163	30,850	2.3	2.1
Percent renter	41.5%	45.9%	47.6%		
Total housing units	57,578	67,396	68,050	1.6	0.4
Owner vacancy rate	0.7%	2.0%	1.6%		
Rental vacancy rate	2.1%	5.1%	3.9%		

Note: Numbers may not add to totals because of rounding.

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

Table DP-3. Balance of Sonoma County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	309,354	316,063	321,500	0.2	0.6
Total households	116,367	122,235	124,700	0.5	0.7
Owner households	77,677	77,853	77,950	0.0	0.0
Percent owner	66.8%	63.7%	62.5%		
Rental households	38,690	44,382	46,700	1.4	1.9
Percent renter	33.2%	36.3%	37.5%		
Total housing units	125,843	137,176	138,200	0.9	0.3
Owner vacancy rate	0.8%	1.8%	1.3%		
Rental vacancy rate	2.6%	5.2%	4.1%		

Note: Numbers may not add to totals because of rounding.

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: 1/1/2013—Analyst’s estimates
Forecast period: 1/1/2013–1/1/2016—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_SantaRosa-PetalumaCA_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.