COMPREHENSIVE HOUSING MARKET ANALYSIS

Santa Maria-Santa Barbara, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2016

Housing Market Area

The Santa Maria-Santa Barbara Housing Market Area (hereafter, the Santa Barbara HMA) is coterminous with the Santa Maria-Santa Barbara, CA Metropolitan Statistical Area. The HMA, which comprises Santa Barbara County in southern California, is part of the greater Central Coast tricounty area that includes San Luis Obispo, Santa Barbara, and Ventura Counties. The HMA's nutrient-rich soil, particularly in the Santa Maria and Santa Ynez Valleys, and proximity to the Pacific coast have supported growth in world-class wine production and tourism, two prominent industries.

Market Details

Summary

Economy

Economic conditions have strengthened in the Santa Barbara HMA since 2010. Nonfarm payrolls increased by 4,800 jobs, or 2.7 percent, to 183,300 jobs during the 12 months ending July 2016, with the most significant growth occurring in the leisure and hospitality, the education and health services, and the government sectors. Nonfarm payrolls are expected to grow an average of 1.9 percent a year during the 3-year forecast period, led by expansions in industries related to health care and tourism.

Sales Market

Sales housing market conditions in the HMA are balanced, with an estimated 1.1-percent vacancy rate, down from 1.7 percent in 2010. During the next 3 years, demand is estimated for 1,950 new homes, with demand increasing slightly in the second and third years of the forecast period (Table 1). The 40 homes under construction in the HMA and a portion of the 6,125 other vacant units that may reenter the market will satisfy some of the forecast demand.

Rental Market

The current rental housing market conditions in the HMA are tight, and the vacancy rate is estimated at 3.9 percent. Since 2010, the increase in renter households has outpaced the construction of rental units and the conversion of single-family homes, townhomes, and condominiums to rental units. During the forecast period, demand in the HMA is expected for 1,075 new market-rate rental units; the 320 rental units currently under construction will meet part of the demand in the first year of the forecast period (Table 1).

Table 1. Housing Demand in the Santa Maria-Santa Barbara HMA During the Forecast Period

	Santa Maria-Santa Barbara HMA	
	Sales Units	Rental Units
Total demand	1,950	1,075
Under construction	40	320

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2016. A portion of the estimated 6,125 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is August 1, 2016, to August 1, 2019.

Source: Estimates by analyst

Economic Conditions

The Santa Barbara HMA economy is renowned for agriculture and tourism, with further support from the military defense, education, and healthcare industries. Agriculture is the largest goods-producing industry in the HMA, with more than one-half of HMA open land dedicated to agriculture (City of Goleta). The economic impact on the local economy of the nearly 1,500 farms throughout the HMA is significant, increasing from $1.5 billion in 2000 to $2.8 billion in 2015 (County of Santa Barbara). Farm employment has accounted for 10 percent of all HMA jobs since 2000 and has increased each year by an average 500 jobs, or 2.8 percent, annually (State of California Employment Development Department), helping to support the economy during periods of contraction. Wine grapes are one of the primary agricultural commodities produced. The 190 vineyards in the HMA support more than 9,150 full-time jobs and contribute $544 million in wages (Wine Institute). The Californiawide drought that began in 2012 and is expected to last through 2016 had virtually no impact on farm employment, which increased by 400 jobs, or 1.8 percent, to 21,300 jobs during the 12 months ending July 2016. Drought-tolerant wine grapes, which produce a more complex-flavored wine during periods of drought, contributed to stable job growth in the HMA. The production of wine also supported nonfarm payrolls through vineyard-related tourism and nondurable goods production.

Overall, economic conditions in the HMA strengthened during the 12 months ending July 2016. Nonfarm payrolls increased by 4,800 jobs, or 2.7 percent, from the previous 12 months, to 183,300 jobs (Table 2). More than 70 percent of the gain occurred in the leisure and hospitality, education and health services, and government sectors, up by 1,400, 1,100, and 900 jobs, or 5.3, 4.3, and 2.3 percent, respectively. The completion of the $160 million expansion of the Chumash Casino Resort in May 2016 contributed to growth, adding 250 jobs in the leisure and hospitality sector. Gains in the education and health services sector during the past 12 months were supported by the opening of the Goleta Valley Cottage Hospital in September 2015. The hospital is part of Cottage Health, among the largest employers in the HMA (Table 3). Growth in the state and the local government

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

	12 Months Ending		Absolute Change	Percent Change
	July 2015	July 2016		
Total nonfarm payroll jobs	178,500	183,300	4,800	2.7
Goods-producing sectors	21,600	22,400	800	3.7
Mining, logging, & construction	8,800	9,100	300	3.4
Manufacturing	12,700	13,300	600	4.7
Service-providing sectors	157,300	161,100	3,800	2.4
Wholesale & retail trade	24,200	24,700	500	2.1
Transportation & utilities	3,600	3,600	0	0.0
Information	4,400	4,300	– 100	– 2.3
Financial activities	6,400	6,300	– 100	– 1.6
Professional & business services	22,400	22,300	– 100	– 0.4
Education & health services	25,400	26,500	1,100	4.3
Leisure & hospitality	26,200	27,600	1,400	5.3
Other services	5,800	5,900	100	1.7
Government	38,800	39,700	900	2.3

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through July 2015 and July 2016.
Source: U.S. Bureau of Labor Statistics

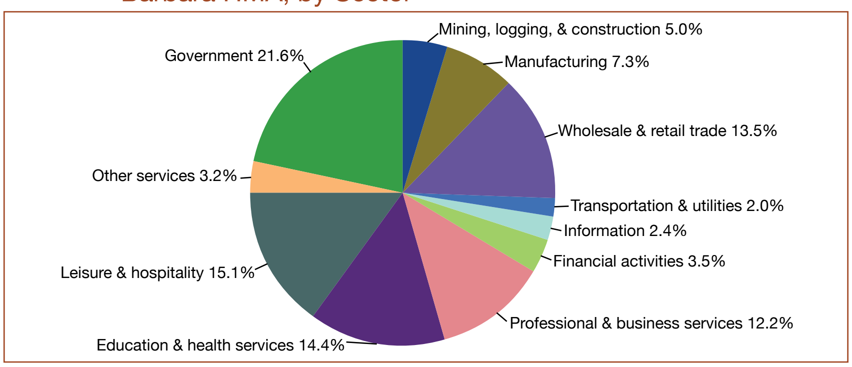
Table 3. Major Employers in the Santa Maria-Santa Barbara HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Vandenberg Air Force Base	Government	5,200
University of California, Santa Barbara	Government	4,325
Cottage Health	Education & health services	3,000
Santa Barbara City College	Government	2,750
Zodiac Aerospace	Manufacturing	2,300
Dignity Health Central Coast	Education & health services	1,750
Chumash Casino Resort	Leisure & hospitality	1,700
Allen Hancock College	Education & health services	1,475
Raytheon Company	Manufacturing	1,100
Sansum Clinic	Education & health services	1,000

Notes: Excludes local school districts. Data include 2,675 military personnel, who are generally not included in nonfarm payroll survey data.
Sources: Pacific Coast Business Times*, 2016; Vandenberg Air Force Base*

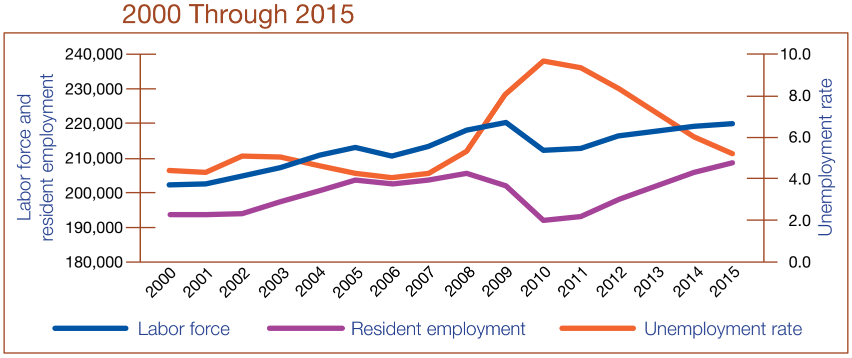
subsectors accounted for the entire increase in the government sector, and jobs in the federal government subsector remained unchanged. The government sector is the largest sector in the HMA (Figure 1). The Vandenberg Air Force Base (AFB) and the University of California, Santa Barbara (UCSB), the two largest employers in the HMA, had a combined annual economic impact of more than $2.7 billion on the HMA in 2015 (UCSB; Vandenberg AFB). Overall nonfarm payroll gain was partly offset by decreases in the financial activities, information, and professional and business services sectors, which were down by 100 jobs each, or 1.6, 2.3, and 0.4 percent, respectively. Approximately one-half of the reduction in the financial activities sector resulted from fewer jobs needed to service delinquent mortgages and a contraction in the market for seasonal homes. Beginning in mid-2015, heightened enforcement of restrictions on seasonal housing in the HMA contributed to job losses in the real estate and the rental and leasing industry. In the information sector, 50 call center layoffs at Fusion Contact Centers that began in late 2015 contributed to the decline from a year earlier.

Figure 1. Current Nonfarm Payroll Jobs in the Santa Maria-Santa Barbara HMA, by Sector



Note: Based on 12-month averages through July 2016.
Source: U.S. Bureau of Labor Statistics

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Santa Maria-Santa Barbara HMA, 2000 Through 2015



Source: U.S. Bureau of Labor Statistics

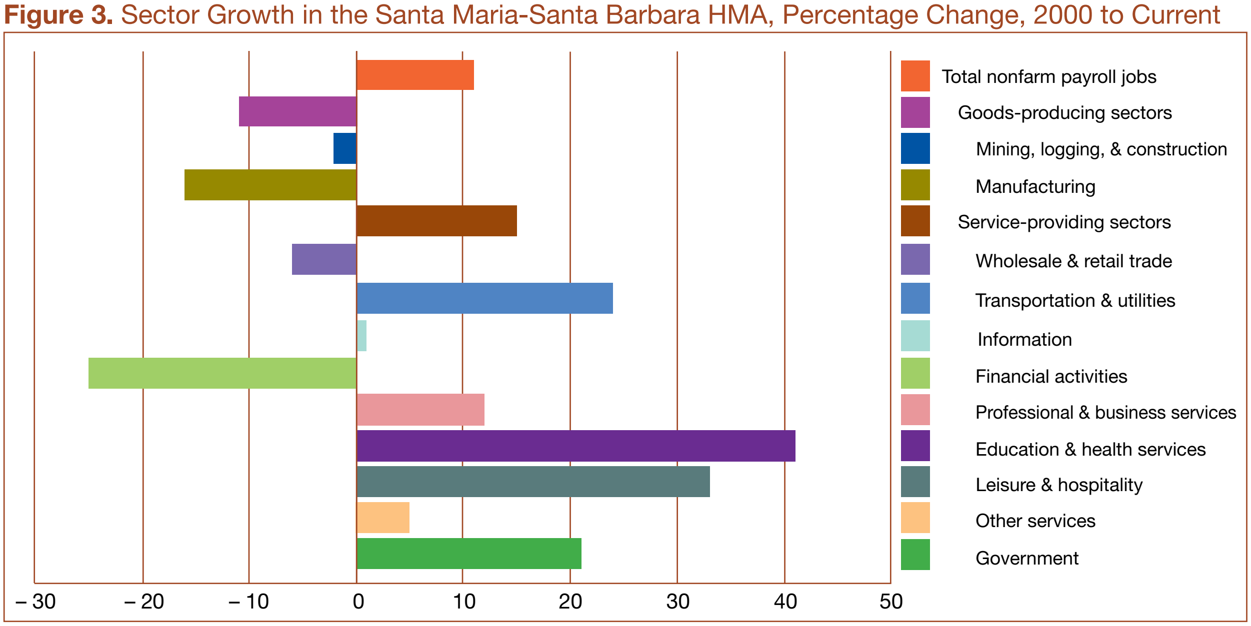
As economic conditions strengthened during the 12 months ending July 2016, the average unemployment rate declined to 5.0 percent, down from 5.5 percent during the previous 12 months. The current unemployment rate is above the 4.3-percent rate for San Luis Obispo County but below the 5.3-percent rate for Ventura County; both counties are also part of the tri-county area. Figure 2 shows trends in the labor force, resident employment, and the average unemployment rate in the HMA from 2000 through 2015.

Since 2000, the Santa Barbara HMA economy has contracted twice: (1) a brief decline during 2002 and (2) a significant decline from 2008 through 2010. During 2002, nonfarm payrolls decreased by 800 jobs, or 0.5 percent. Payroll reductions were concentrated in the manufacturing sector, down 1,700 jobs, or 11.3 percent. The closure of the Northrop Grumman Corporation plant in the city of Goleta, leading to 200 layoffs, contributed to the loss. Despite the economic contraction, the government sector remained strong during 2002, increasing by 1,300 jobs, or 3.8 percent, partly offsetting the overall decrease. The second contraction occurred from 2008 through 2010, when an average of 3,500 jobs were lost each year as a result of the contraction of the housing and financial markets. Approximately 70 percent of the losses were concentrated in the construction and retail trade subsectors and the finance and insurance industry. Following the economic contraction, nonfarm payroll growth in the HMA has averaged 3,600 jobs, or 2.1 percent, annually since 2011, more jobs than from 2003 through 2007, when nonfarm payrolls increased by an average of 1,700 jobs, or 1.0 percent, annually. The fast pace of growth since 2011 has led to the economy's more than fully recovering the number of jobs lost by the end of 2014. The economic recovery was predominately supported by job growth in the education and health services, leisure and hospitality, and wholesale and retail trade sectors, accounting for more than one-half of the nonfarm payroll job gain. Figure 3 shows nonfarm payroll growth by sector since 2000.

Overall, since 2000, the education and health services and the leisure and hospitality sectors have led nonfarm payroll growth, increasing by an average of 500 and 400 jobs, or 2.2 and 1.8 percent, a year, respectively. Both sectors combined have accounted for three-fourths of the total net increase in nonfarm payrolls since 2000. Nearly the entire growth in the education and health services sector since 2000 has been in the health care and social assistance subsector, which employs approximately 13 percent of the HMA nonfarm workforce and in which additional growth is expected during the next 3 years. Expansions underway include the Santa Barbara Cottage Hospital, excepted to be complete in 2018, and the Goleta Valley Cottage Hospital medical office, with completion planned at the end of August 2016. Although total jobs to be added at both developments have not been announced, Cottage Health plans to add 130 jobs in the HMA within a year. In addition, job announcements for registered nurses are the highest among all jobs types in the HMA, totaling approximately 430 jobs as of July 2016 (State of California Employment Development Department).

In the leisure and hospitality sector, the wine industry and proximity to

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



Note: Current is based on 12-month averages through July 2016.
Source: U.S. Bureau of Labor Statistics

the Pacific coast support tourism, attracting more than 6 million visitors who spent $2.06 billion in 2015 (California Travel and Tourism Commission). Since 2000, the only decline in the sector occurred from 2009 through 2010, when an average of 600 jobs, or 2.6 percent, were lost annually. Since 2011, the pace of job growth in the sector has accelerated to an average of 1,000 jobs, or 4.2 percent, annually. Growth in the sector is expected to continue during the next 3 years with the completion of five hotels currently under construction throughout the HMA. Construction of the Hilton Garden Inn is currently under way, with completion expected in September 2016, adding 80 jobs, and construction of the remaining four hotels is expected to be complete by the end of the 3-year forecast period, adding another 290 jobs.

During the forecast period, nonfarm payrolls are expected to increase an average of 1.9 percent, or by 3,500 jobs, annually, with the greatest growth to occur in industries related to health care and tourism. The majority of nonfarm payroll growth is anticipated to occur in in the cities of Goleta, Santa Maria, and Santa Barbara, the economic center of the HMA.

Population and Households

The population of the Santa Barbara HMA is estimated at 450,400 as of August 1, 2016. The HMA accounts for approximately 30 percent of the population in the Central Coast tricounty area. The cities of Santa Barbara and Santa Maria have the largest populations in the HMA, with 93,190 and 104,404 residents, respectively, as of January 2016 (State of California Department of Finance). Other population centers include the cities of Goleta and Lompoc, with more than 30,000 residents each, and the unincorporated areas, which include Isla Vista and areas in the Santa Ynez Valley, with a combined 143,088 residents.

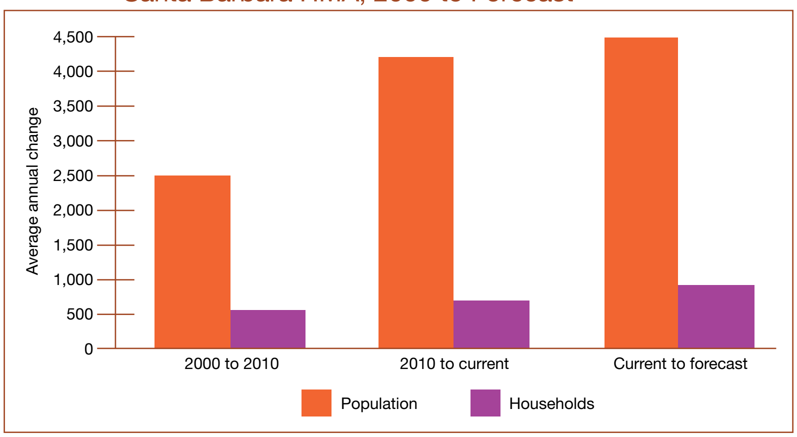
Since 2000, employment conditions and housing prices in major metropolitan areas in southern and northern California have been factors that have influenced migration trends and overall HMA population growth. Students moving to the HMA to attend UCSB have also influenced growth. From 2000 to 2003, housing prices in the HMA were relatively low and similar to prices throughout the Central Coast tricounty area. Population growth in the HMA averaged 3,125 people, or 0.8 percent, annually, and net in-migration averaged 350 people, despite the brief economic contraction in 2002. During this period, enrollment at UCSB increased by an average of 300 students a year, with approximately 85 percent of new students coming from outside the HMA (UCSB). Overall, residents were mainly coming from Los Angeles, Orange, San Luis Obispo, and Santa Clara Counties (Internal Revenue Service migration data). People also moved from neighboring Kern County for agricultural work.

By the end of 2003, HMA home prices had escalated 52 percent compared with prices at the start of the decade and were at least 14 percent higher than prices in neighboring San Luis Obispo and Ventura Counties. The surge in prices led to net out-migration, averaging 1,225 people annually nearly every year from 2003 to 2011, a period that spans both the housing boom and subsequent economic contraction. As a result, population growth slowed to an average of 2,050 people, or 0.5 percent, annually. Residents were mainly moving to San Luis Obispo and Ventura Counties for more affordable housing and the San Jose and Los Angeles metropolitan areas for greater employment opportunities. Enrollment growth at UCSB, which averaged 210 students a year, did little to support in-migration during this period.

By 2011, a reduction in home prices, improving economic conditions, and continued stability of agricultural employment led to net in-migration, which has averaged 2,000 people a year since 2011. As a result, population growth averaged 4,825 people, or 1.1 percent, a year from 2011 to the current date, which is the highest rate of annual growth since 2000. Residents have been coming from Los Angeles and San Luis Obispo Counties, offsetting continued out-migration to Ventura County, where home prices are 16 percent lower. Enrollment at UCSB, which has increased since 2013, averaging 450 students a year, has supported migration during this period. Net natural change (resident births minus resident deaths) accounted for 59 percent of the population growth since 2011 compared with 89 percent of overall growth from 2000 to 2003 and all of the growth from 2003 to 2011.

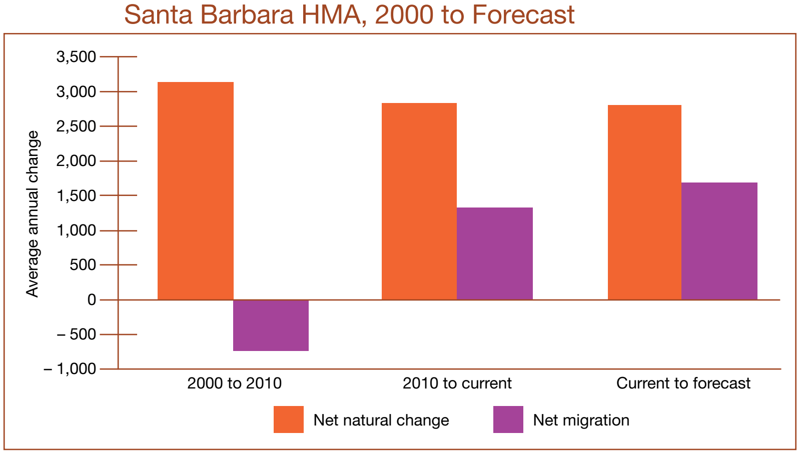
During the next 3 years, the population of the HMA is expected to increase by an average of 4,475, or 1.0 percent, a year (Figure 4), reflecting continued net in-migration from economic growth. The population is estimated to reach 463,800 by the end of the 3-year forecast period. Growth is expected to be strong in the cities of Goleta, Santa Barbara, Santa Maria, and places in the Santa Ynez Valley. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

Figure 4. Population and Household Growth in the Santa Maria-Santa Barbara HMA, 2000 to Forecast



Notes: The current date is August 1, 2016. The forecast date is August 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Santa Maria-Santa Barbara HMA, 2000 to Forecast



Notes: The current date is August 1, 2016. The forecast date is August 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

The number of households in the Santa Barbara HMA has increased by 670, or 0.5 percent, annually since 2010, up from an average increase of 550, or 0.4 percent, annually during the 2000s as a result of higher population growth since 2011. The number of renter households since 2010 has increased (Figure 6), with approximately 9 percent of that growth attributed to an increase in student households.

Figure 6. Number of Households by Tenure in the Santa Maria-Santa Barbara HMA, 2000 to Current

Note: The current date is August 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The proportion of renter households is currently 49.3 percent, up from 47.3 percent in 2010. As with population growth, household growth has been the strongest in the cities of Santa Barbara and Santa Maria and in the unincorporated areas in Santa Ynez Valley.

During the forecast period, the number of households in the HMA is expected to increase by an average of 880, or 0.6 percent, annually. The proportion of renter households is expected to increase to nearly 50 percent by the end of the forecast period, continuing the trend that has been ongoing since 2000. Student household growth is expected to slow and account for 5 percent of renter household growth during the forecast period because of the completion of on-campus student dormitories. Household growth is expected to result in a total of 149,000 households in the HMA by the end of the forecast period.

Housing Market Trends

Sales Market

The Santa Barbara HMA sales housing market is balanced and has improved from soft conditions that began during 2007 and lasted through 2011. The soft market was in response to stringent lending standards and the weaker economy during most of the 2007-to-2011 period. The current estimated sales vacancy rate is 1.1 percent, down from 1.7 percent in 2010. The decline in the vacancy rate resulted from improved economic conditions that enabled households to purchase homes and a decrease in home construction since the late 2000s. The inventory of homes for sale is low, at an average of 1,775 during the 12 months ending June 2016, down from a peak of 3,125 during 2008, when the sales market was weak (CoreLogic, Inc.). The number of months homes remain on the market is low, averaging 2.5 months, compared with 4.3 months during 2008. Despite improved sales market conditions, the homeownership rate has declined since 2010 by 2 percentage points, to 50.7 percent (Table DP-1 at the end of the report) because of greater renter household growth.

During the period of weak sales market conditions that lasted from 2007 through 2011, an average of 3,125 new and existing single-family homes, townhomes, and condominiums sold annually (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The number of homes sold was down from an average of 4,300 homes sold annually from 2005 through 2006, when market conditions were stronger. The decrease in sales reflects reductions in regular resales and new home sales of 48 and 67 percent, respectively. These reductions were partly offset by a more than 100-percent increase in real estate owned (REO) home sales that resulted from the weakening of the sales market.

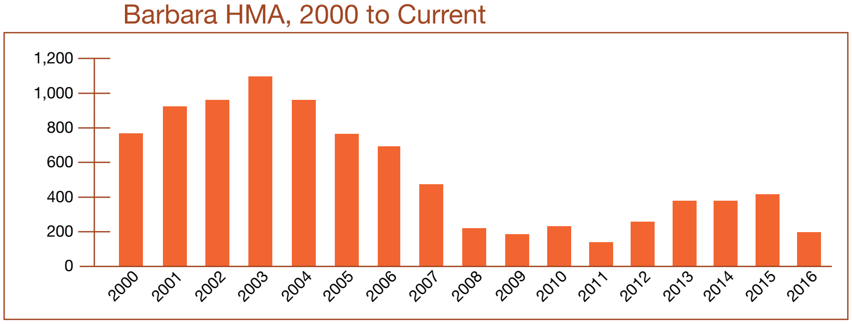
By 2012, the sales market began to improve as the economy continued to recover and the population expanded at a faster pace. From 2012 through 2015, new and existing home sales averaged 3,950, which is 26 percent more than the average number of homes sold from 2007 through 2011. Nearly the entire increase resulted from an average 14-percent, or 330-home, annual surge in regular resales that partly offset a 32-percent, or 200-home, annual decline in REO home sales. During the 12 months ending July 2016, home sales increased 3 percent, or by 90 homes, entirely because of a 4-percent increase in regular resales. Partly offsetting the increase was a 4-percent decline in new home sales from reduced development in response to drought conditions and from a continued decrease in REO home sales, down 12 percent. The share of condominiums has been less than 10 percent of total sales since the mid-2000s and has been concentrated in the city of Santa Barbara, where housing demand is strong and where the amount of available land is scarcer compared with other parts of the HMA.

The average new and existing home sales price decreased 4 percent during the 12 months ending July 2016, to $794,700, after 2 years of accelerated price growth averaging 14 percent a year. The current average sales price in the HMA is more than the $654,200 averaged during the housing downturn from 2007 through 2011 and is near the $811,600 averaged during the peak years from 2005 through 2006. Despite the recent decrease, the current average sales price in the HMA is 20 percent more than the average price in Ventura County.

The improvement in the sales housing market since 2012 has led to a reduction in the rate of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and REO properties in the HMA. As of June 2016, 1.1 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 1.2 percent in June 2015 (CoreLogic, Inc.). The current rate of seriously delinquent loans for the HMA is lower than the 1.5-percent rate for California and the 3.0-percent rate for the nation. By comparison, San Luis Obispo and Ventura Counties, the other two counties in the tricounty area, have rates of 0.8 and 1.2 percent, respectively.

Since 2000, more than 80 percent of all single-family home construction in the HMA has occurred in the city of Santa Maria and in the unincorporated areas, including those in Santa Ynez Valley, because of the amount of available land in both areas. Homebuilding activity, as measured by the number of single-family homes permitted, remains at low levels compared with levels in the early-to-mid 2000s (Figure 7). From 2000 through 2005, an average of 900 homes were permitted annually before permitting slowed 10 percent, to 690 homes in 2006, despite relatively strong market conditions that year. By 2007, permitting declined an additional 32 percent, to 470 homes, when the market began to soften and, by 2008, economic and sales market conditions had weakened considerably, and an average of 190 homes were permitted a year from 2008 through 2011. As the sales market began to improve, an average of 350 homes were permitted annually from 2012 through 2015. Prolonged drought conditions, which limit the amount of development that can occur because of restrictions on the amount of available water that can be allocated to new homes, have contributed to lower levels of development despite higher levels of in-migration and a continued strengthening of the sales market. During the 12 months ending July 2016, 360 homes were permitted compared with 400 homes permitted during the same period a year earlier (preliminary data; analyst's estimates).

Figure 7. Single-Family Homes Permitted in the Santa Maria-Santa Barbara HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Significant single-family developments under construction are concentrated in the cities of Santa Maria and Goleta and areas in the Santa Ynez Valley. The Harvest Glen community in the city of Santa Maria has 4 homes under construction, has 34 homes that have been completed, and will have 139 homes at buildout by 2020. Prices start at $385,000 for a three-bedroom, single-family home. In Goleta, construction is expected to begin on Los Carneros in mid-August 2016, with 56 single-family homes and 265 townhomes and condominiums at buildout. Homes are already being sold, with prices starting at the upper $400,000s for a one-bedroom condominium and the upper $700,000s for a three-bedroom single-family home. Vineyard Village in the Santa Ynez Valley began construction in late 2015, with 18 homes under way, 20 homes completed, and 154 homes planned at buildout. Prices start at $386,000 for a two-bedroom townhome. Completion is expected beyond the 3-year forecast period.

During the next 3 years, demand is estimated for 1,950 new homes in the HMA (Table 1). Demand is expected to increase in the second and third years of the forecast period in response to continued economic growth. The 40 homes currently under construction will meet a portion of demand during the first year. In addition, some of the estimated 6,125 other vacant units in the HMA may return to the sales market and satisfy a portion of the demand. Table 4 shows estimated demand by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Santa Maria-Santa Barbara HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
385,000	484,999	780	40.0
485,000	684,999	580	30.0
685,000	884,999	390	20.0
885,000	and higher	190	10.0

Notes: The 40 homes currently under construction and a portion of the estimated 6,125 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is August 1, 2016, to August 1, 2019.

Source: Estimates by analyst

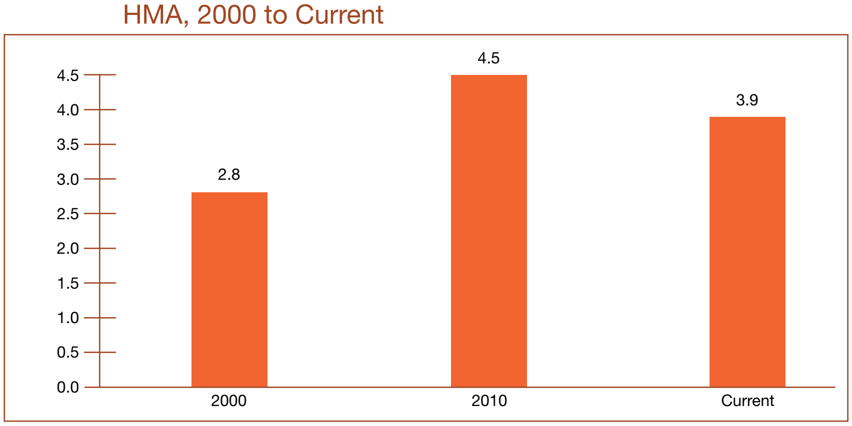
Rental Market

The rental housing market in the Santa Barbara HMA is tight. The current overall rental vacancy rate is estimated at 3.9 percent, down from 4.5 percent in 2010 (Figure 8), because renter household growth exceeded both the development of rental units and the conversion of sales and seasonal housing units to the rental market.

Approximately 43 percent of occupied single-family homes in the HMA were rentals in 2013, the most representative year, up slightly from 42 percent in 2010 (2013 and 2010 American Community Survey [ACS] 1-year data). The slight increase reflects investor purchases of distressed homes converted to rental use. A portion of investor purchases during this period was also made available to the seasonal housing market (which is often more profitable), reducing growth in the number of single-family homes in the rental market. In 2015, greater enforcement of restrictions on seasonal housing caused an increase in the number of seasonal homes converted to rental use, but these homes were quickly absorbed (Santa Barbara Association of Realtors®). Vacancy rates for single-family homes during June 2016 (the most recent data available) ranged from 1.2 percent for a four-bedroom home to 3.2 percent for a one-bedroom home (CoreLogic, Inc.) and were down by at least 0.5 percentage points from a year earlier. Average rents for single-family homes across the number of bedrooms increased from 1 to 11 percent compared with rents during the previous 12 months and range from $2,357 for a one-bedroom home to $3,605 for a four-bedroom home.

More than one-half of rental housing in the HMA in 2013, or 55 percent of all occupied rental units, were apartments (2013 ACS 1-year data). As of the second quarter of 2016, the apartment vacancy rate was 4.1 percent, up from 2.9 percent a year ago (Reis, Inc.). An increase in the number of apartment completions during the past year led to an easing in the apartment market. Average rents,

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

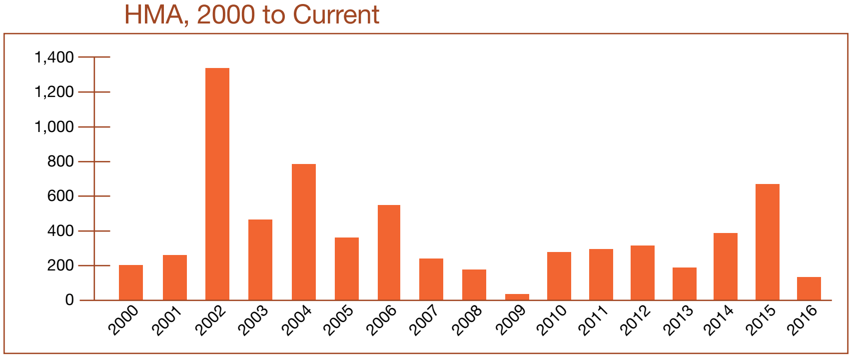


Note: The current date is August 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst however, increased 13 percent, to $1,488, from $1,322 a year ago. Rent growth was estimated to be greatest in the Santa Maria Reis, Inc.-defined market area, up nearly 10 percent, to $1,400, from $1,275 because of the completion of new luxury apartments. The vacancy rate in the Santa Maria market area increased to 3.4 from 2.1 percent. The Isla Vista and Goleta Reis, Inc.-defined market area, which is closest in proximity to UCSB and jobs in the high-technology industry, is among the tightest in the HMA; the vacancy rate decreased to 2.6 percent from 4.1 percent a year earlier, and rents increased 4 percent, to $2,400. Student households currently constitute approximately 5 percent of renter households in the HMA and 25 percent in the city of Goleta. Growth in student enrollment has been steady since 2013, averaging 450 students a year (UCSB). Since 2010, a net increase in available student dormitories, up by 570 beds, and student-oriented apartments, up by 360 units, has only partly met the increase in student enrollment. The current student housing demand is met, in part, by the 5,857 dormitory beds on the UCSB campus and by 1,872 UCSB apartments. An approximate 12,300 remaining students live in the cities of Goleta and Santa Barbara and in the area of Isla Vista (UCSB 2015–16), causing the market to be tight in these areas. Starting in late 2014, UCSB began construction on a 1,003-bed dormitory, which is expected to be complete by March 2017. The newest completed student-oriented apartments include the 48-unit The Loop Isla Vista Apartments and the 21-unit ICON apartments in Goleta, both of which opened in 2012. Rents are by the room and range from $1,050 to $1,420 a month.

Since 2000, approximately 40 percent of all multifamily construction activity in the HMA has occurred in the city of Santa Maria because of greater land availability. An additional 50 percent of construction has occurred in the city of Santa Barbara and the unincorporated area, including Isla Vista and places in Santa Ynez Valley. Multifamily permitting activity, as measured by the number of multifamily units permitted, in general, has been low during most of the period since 2007 (Figure 9), except for a surge in development in 2015. From 2000 through 2001, multifamily permitting averaged 230 units a year before increasing to 1,325 units in 2002. By 2003, net out-migration from the HMA led to a reduction in the number of multifamily units permitted, which averaged 540 units a year from 2003 through 2006. From 2007 through 2013, the number of multifamily units permitted decreased further to an average of 220 units a year. This 7-year period of significantly lower levels of multifamily development, along with net in-migration during part of that period, led to a tightening of apartment market conditions. By 2014, developers began to respond and the number of units permitted increased to 380 before surging to 670 units in 2015. Approximately

Figure 9. Multifamily Units Permitted in the Santa Maria-Santa Barbara HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

10 percent of the multifamily units constructed since 2000 have been condominiums, a proportion that has remained fairly constant despite the contraction in the sales market. During the 12 months ending July 2016, 420 multifamily units were permitted compared with 550 units permitted during the previous 12 months (CBRE Group, Inc.; U.S. Census Bureau; local planning offices).

Approximately 150 income-restricted housing units have been in development in the HMA in the past year, and this segment of the rental market remains the tightest. Affordable apartment developments that were recently completed include 40 low-income housing tax credit units in the city of Santa Barbara that were complete in June 2016. Developments underway in the city of Goleta include the 16-unit Villa La Esperanza, which will be complete in September 2016, and the 70-unit Village at Los Carneros, which will be complete in early 2017. The 27-unit family apartments at the Golden Inn & Village development, in the Santa Ynez Valley, are expected to be complete in October 2016. The need for affordable housing is partly the result of the growing number of households that work in the agricultural industry and support jobs in tourism. During the next 5 years, plans are under way to add an additional 180 affordable units in the HMA.

Market-rate apartments that were recently completed or are under construction are concentrated in the cities of Goleta, Santa Barbara, and Santa Maria. The 266-unit Hollister Village in the city of Goleta opened in early 2016, with rents for one- and two-bedroom units at $2,270 and $2,775, respectively. Hancock Terrace in Santa Maria began construction in mid-2015, with 268 units that will open later in August 2016. In the city of Santa Barbara, the 33-unit Arlington Village is expected to be complete in early 2017. Rents at these developments have yet to be announced. For newly completed market-rate studio, one-bedroom, two-bedroom, and three-bedroom units in the HMA, rents start at $1,000, $1,325, $1,450, and $1,675, respectively.

During the 3-year forecast period, demand is estimated for 1,075 new rental units in the HMA (Table 1). Similar to demand in the sales market, demand in the rental market is expected to increase in the second and the third years of the forecast period as job growth continues to support more net in-migration. The 320 units currently under construction will satisfy a portion of the rental housing demand during the first year of the forecast period. Table 5 shows estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Santa Maria-Santa Barbara HMA During the Forecast Period

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
1,000 to 1,199	95	1,325 to 1,524	170	1,450 to 1,649	220	1,675 to 1,874	190
1,200 or more	10	1,525 to 1,724	80	1,650 to 1,849	110	1,875 to 2,074	95
		1,725 or more	15	1,850 or more	35	2,075 or more	30
Total	110	Total	270	Total	370	Total	320

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 320 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2016, to August 1, 2019.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	193,699	191,680	210,000	– 0.1	1.6
Unemployment rate	4.4%	9.7%	5.0%		
Nonfarm payroll jobs	164,900	163,300	183,300	– 0.1	2.1
Total population	399,347	423,895	450,400	0.6	1.0
Total households	136,622	142,104	146,350	0.4	0.5
Owner households	76,611	74,827	74,150	– 0.2	– 0.1
Percent owner	56.1%	52.7%	50.7%		
Renter households	60,011	67,277	72,200	1.1	1.1
Percent renter	43.9%	47.3%	49.3%		
Total housing units	142,901	152,834	156,200	0.7	0.3
Owner vacancy rate	0.8%	1.7%	1.1%		
Rental vacancy rate	2.8%	4.5%	3.9%		
Median Family Income	$52,100	$70,400	$72,800	3.1	0.7

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through July 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is August 1, 2016.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 8/1/2016—Analyst's estimates
Forecast period: 8/1/2016–8/1/2019—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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 huduser.gov/publications/pdf/CMARtables_SantaMaria_SantaBarbaraCA_16.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 huduser.gov/portal/ushmc/chma_archive.html.