

Economic Conditions

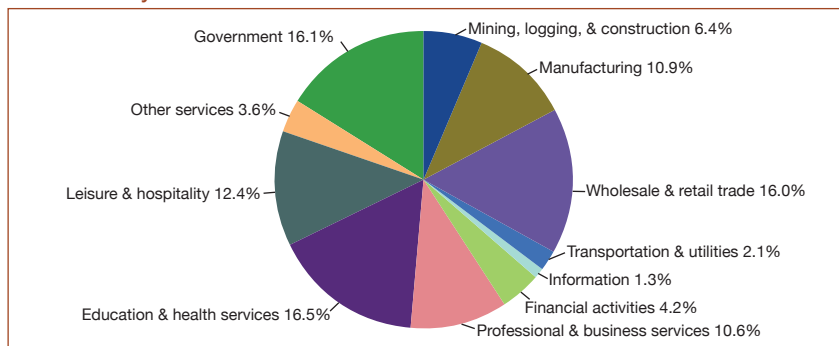
The economy in the Santa Rosa HMA emerged from the recent economic recession during 2014, when the 191,000 jobs exceeded the prerecession high of 189,900 averaged during 2007. Since the economy began to recover in 2011, every payroll sector in the HMA has expanded. The education and health services sector, the largest sector in the HMA (Figure 1), has added an average of 1,400 jobs, or 4.9 percent annually since 2011. The government sector also expanded, by an average of 900 jobs, or 3.2 percent, annually, because local governments added 1,000 jobs, or 4.2 percent, annually. Currently, local government payrolls of 26,300 jobs are nearly 10 percent above the prerecession peak of 24,100 jobs averaged during 2007. Since 2010, the fastest growing sector has been the mining, logging, and

construction sector, with annual gains averaging 5.7 percent, or 600 jobs, all in the construction subsector.

During 2000, the manufacturing sector was the largest nonfarm payroll sector in the HMA, contributing more than 16 percent of all jobs; however, by 2010, the sector had fallen to fifth largest, a rank that it still holds today. From 2002 through 2003, the economy in the HMA lost an average of 2,900 jobs, or 1.6 percent, annually, and manufacturing payrolls fell by an average of 2,500 jobs, or 8.8 percent, annually, constituting more than 86 percent of the net job losses during those 2 years. Electronics manufacturer Agilent Technologies, the largest employer in Sonoma County in 2001 with more than 5,000 employees, reported only 2,600 employees in 2003. Agilent Technologies, now known as Keysight Technologies, had approximately 1,300 employees in the HMA as of 2016 and was the fourth largest employer (Table 2). From 2004 through 2007, nonfarm payrolls in the HMA grew an average of 2,000 jobs, or 1.1 percent, annually, led by the professional and business services sector, which expanded by an average of 1,000 jobs, or 4.9 percent, annually. Also, the government sector expanded, adding an average of 700 jobs annually, because a gain of 800 jobs in local governments offset a loss of 100 jobs with the state of California. Federal government payrolls remained stable during this period.

The economy in the HMA began to soften during 2008, the same year the national economy started to lose jobs. From 2008 through 2010, nonfarm payrolls fell an average of 7,400 jobs, or 4.1 percent, annually, including a 1-year drop of 14,300 jobs, or 7.7

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



Note: Based on 12-month averages through March 2017.

Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Santa Rosa HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaiser Permanente	Education & health services	2,640
Graton Resort & Casino	Leisure & hospitality	2,000
St. Joseph Health System	Education & health services	1,578
Keysight Technologies	Manufacturing	1,300
Safeway, Inc.	Wholesale & retail trade	1,200
Sutter Medical Center of Santa Rosa	Education & health services	936
Amy's Kitchen, Inc.	Manufacturing	870
Medtronic, Inc.	Manufacturing	840
Jackson Family Wine	Manufacturing	800
Cyan, Inc.	Manufacturing	750

Note: Excludes local school districts.

Source: North Bay Business Journal: Book of Lists, 2016

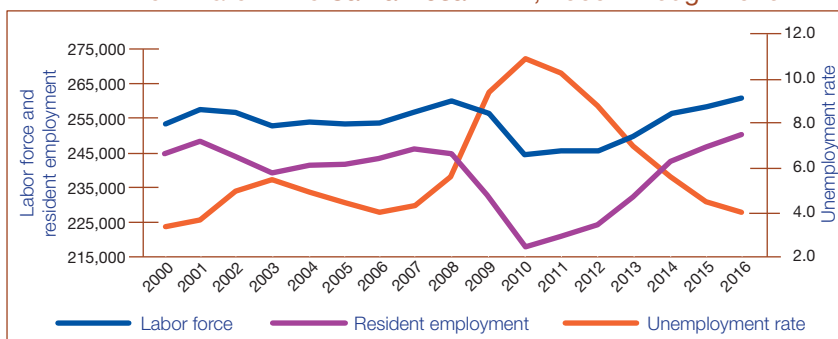
percent during 2009, the same year nonfarm payrolls for the nation contracted 4.3 percent. Every nonfarm payroll sector in the HMA contracted during this 3-year period, except the education and health services sector, which expanded an average of 600 jobs annually, or 2.4 percent. Among declining sectors, the mining, logging, and construction sector fell an average of 1,900 jobs annually, or almost 15 percent. Nearly all jobs lost in this sector were in the construction subsector, in part, because of declining residential construction. Employment in the professional and business services and the government sectors fell an average of 1,400 jobs each, or 6.5- and 4.8-percent annual rates, respectively. Lower consumer spending led to decreased tax revenue, resulting in layoffs in the local government subsector. The wholesale and retail trade sector, where employment fell an average of 1,300 jobs annually from 2008 through 2010, also was impacted. Nearly 70 percent of lost jobs were in the retail trade subsector. The manufacturing sector continued to decline by an average of 700 jobs, or 3.3 percent, annually. Because of these job losses, the unemployment rate in the HMA peaked at 10.8 percent during 2010 (Figure 2).

Although the manufacturing sector as a whole has declined since 2000,

some industries within the sector are performing well, including the HMA's well-known wine industry. From 2000 through 2010, durable goods manufacturing declined from nearly two-thirds to less than one-half of all manufacturing jobs, as jobs in nondurable goods manufacturing increased their share. From the beginning to the end of the decade, the number of nondurable manufacturing jobs, primarily food and beverage manufacturing, was unchanged, averaging 11,000 jobs during 2000 and 2010. Since 2010, durable goods manufacturing jobs have continued to fall, but nondurable goods manufacturing jobs have expanded 3.6 percent annually. From 2010 through 2016, employment at Sonoma County wineries rose by 180 jobs annually, or nearly 3 percent, and the number of wineries rose from 247 to 336 (Quarterly Census of Employment and Wages). Craft beer brewing has become a major component of manufacturing employment in the HMA, in which the number of breweries increased from 1 in 2010 to 13 in 2016. The Russian River Brewing Company is scheduled to break ground in May 2017 on a new production facility and taproom in Windsor, with a development cost of approximately \$35 million, and expects to add more than 100 jobs when open in 2018. Craft beer outlets, such as the taproom opening in Windsor, and more than 400 wineries in the HMA contribute to tourism; during 2015 (the most recent data available), they supported more than 17,900 jobs in the HMA (Sonoma County).

In addition to supporting manufacturing and tourism, wineries in the HMA have a big impact on agriculture, and grapes are the primary crop grown in Sonoma County. The gross production

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Santa Rosa HMA, 2000 Through 2016



Source: U.S. Bureau of Labor Statistics

value for agriculture in 2016 was \$898 million, of which grapes comprised 65 percent and the second largest crop, market milk, comprised about 16 percent (Sonoma County Crop Report). Although the value of agriculture produced in the HMA is high, and more than one-half of the land in Sonoma County is agricultural (2014 California Department of Conservation), agricultural jobs make up a small

portion of the workforce. During 2016 (the most recent data available), agricultural workers, who are not captured in nonfarm payroll data, in the HMA totaled 5,275, which would be nearly 3 percent of the nonfarm payroll count.

As of April 1, 2017, nonfarm payrolls in the HMA total 202,400 jobs, a gain of 4,300 jobs, or 2.2 percent, from a year earlier (Table 3) and nearly 7 percent above the prerecession high of 189,900 jobs averaged during 2007. Growth during the previous 12 months occurred in the professional and business services and the education and health services sectors, which added 1,100 and 1,000 jobs, or 5.4- and 3.1-percent gains, respectively. The construction subsector added 900 jobs, a 7.3-percent expansion, and was the fastest growing sector or subsector. The education and health services sector, which has led job growth since 2000 (Figure 3), has also led the recovery in the HMA since 2010. Recently, growth in education and health services employment is in outpatient care

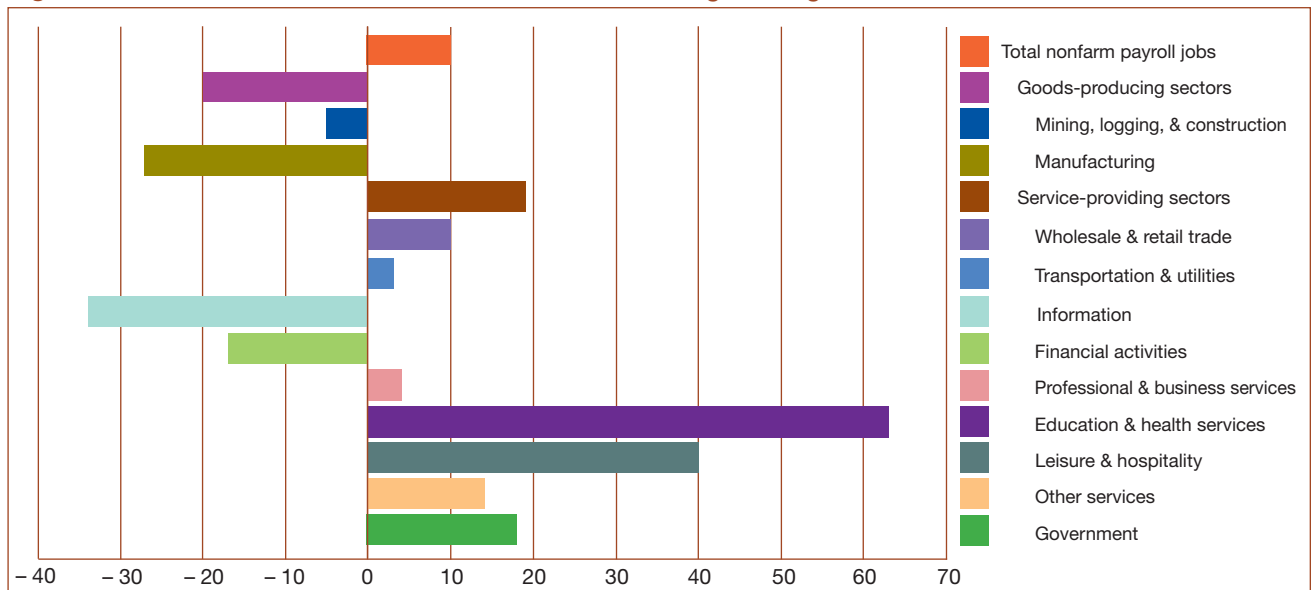
Table 3. 12-Month Average Nonfarm Payroll Jobs in the Santa Rosa HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	March 2016	March 2017		
Total nonfarm payroll jobs	198,100	202,400	4,300	2.2
Goods-producing sectors	34,200	34,900	700	2.0
Mining, logging, & construction	12,000	12,900	900	7.5
Manufacturing	22,200	22,000	-200	-0.9
Service-providing sectors	163,900	167,600	3,700	2.3
Wholesale & retail trade	32,400	32,400	0	0.0
Transportation & utilities	4,200	4,200	0	0.0
Information	2,700	2,700	0	0.0
Financial activities	8,200	8,400	200	2.4
Professional & business services	20,400	21,500	1,100	5.4
Education & health services	32,400	33,400	1,000	3.1
Leisure & hospitality	24,800	25,000	200	0.8
Other services	7,100	7,300	200	2.8
Government	31,800	32,600	800	2.5

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2016 and March 2017.

Source: U.S. Bureau of Labor Statistics

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



Note: Current is based on 12-month averages through March 2017.

Source: U.S. Bureau of Labor Statistics

centers, which rose from 57 in 2014 to 82 in 2016, with jobs growing from 3,450 in 2014 to 4,575 in 2016 (Quarterly Census of Employment and Wages). Sutter Health and Sutter Health Plus in Santa Rosa and Petaluma uses outpatient care centers that complement the Sutter Medical Center of Santa Rosa, which opened in late 2014 with a development cost of \$284 million. The Sutter Medical Center of Santa Rosa was developed to meet the hospital seismic safety law of California from 1994. Although new hiring at the hospital is modest, more than 1,500 temporary jobs were added for construction. One nonfarm payroll sector declined during the past 12 months. The manufacturing sector fell by 200 jobs, or 0.9 percent, following the addition of 1,200 jobs, or 5.6 percent, a year earlier when it was the fastest growing sector in the HMA. Medical technology developer Direct Flow Medical Inc. closed in late November 2016 and laid off approximately 250 employees, primarily in the manufacturing sector. Because of improved economic conditions in the HMA, the unemployment rate during the 12 months ending March 2017 was 3.8 percent, down from 4.3 percent a year earlier.

Average weekly wages for all salaries grew an average 4.1 percent, in the HMA from 2014 to 2016, compared

with 2.2-percent annual gains nationally (Quarterly Census of Employment and Wages). Local officials identified a shortage of workers in the HMA, and a lack of housing options hinders employers' ability to fill existing positions. Table DP-1 at the end of this report provides additional employment and demographic data.

During the 3-year forecast period, non-farm payrolls are expected to expand an average of 1.8 percent annually. Employment growth is expected to continue in nondurable manufacturing production, as wineries and craft brewing continue to expand, also leading to additional tourism. In November 2016, the Graton Resort & Casino, the second-largest employer in the HMA, opened a 200-room hotel in Rohnert Park and is in the process of filling 300 new jobs. The Sonoma-Marín Area Rail Transit (SMART), a new rail transit system, is scheduled to open its initial 43-mile segment between the Sonoma County Airport and downtown San Rafael in the summer of 2017, with an initial development cost of \$550 million and an economic impact of nearly \$300 million on the HMA so far. An expected southern extension, scheduled for construction in 2018, to Larkspur would increase tourism from the San Francisco metropolitan area (SMART officials).

Population and Households

Although changes in economic performance in the Santa Rosa HMA impact population dynamics, housing affordability and availability have also become influencing factors,

primarily since 2012. In addition, officials expect the opening of the SMART rail system to increase in-migration to the HMA because of

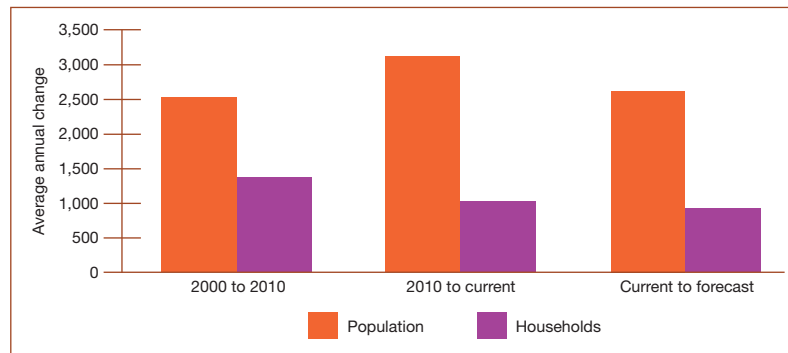
easier commuting to employment opportunities in the San Francisco metropolitan area.

As of April 1, 2017, the population of the HMA is estimated at 505,600, with growth averaging 3,100 annually, or 0.6 percent, since 2010. This follows growth averaging 0.5 percent annually, or 2,525 people, from 2000 to 2010 (Figure 4). Approximately 70 percent of the population lives in the nine incorporated cities of the HMA, the largest and fastest growing of which is Santa Rosa, with a 2016 population of 175,667, or approximately 35 percent of the total HMA population. Since 2010, average net in-migration of 1,950 people annually to the HMA has contributed nearly two-thirds of population gains compared with 23 percent during the previous decade (Figure 5). From 2001 to 2005, a period that

included the 2-year economic downturn from 2002 through 2003, the population increased by 1,025, or 0.2 percent, and net out-migration totaled 950 people annually (intercensal population estimates for the State of California Department of Finance). Starting in 2005 and continuing through mid-2007, net out-migration slowed, averaging 350 people annually, and population growth rose to 1,725, or 0.4 percent, annually, corresponding with increasing nonfarm payroll jobs. From 2007 to 2012, net in-migration occurred, averaging 1,675 people annually, and population growth rose to 3,350 people, or 0.7 percent. From 2012 to 2015, increased net in-migration averaged 2,725 people annually and caused population growth to rise to 0.8 percent, or 3,800 people, annually. Some of this increase is because of the widening gap in sales housing affordability between the HMA and nearby Marin, Napa, and San Francisco Counties. From 2012 through 2015, average sales prices for single-family homes in Marin, Napa, and San Francisco Counties were 51 percent, 20 percent, and 56 percent higher than in the HMA, respectively. By contrast, during 2006, corresponding figures were 39 percent, 12 percent, and 33 percent. Since 2015, net in-migration has fallen to 1,550 people annually, leading to population growth averaging 0.5 percent, or 2,525. This recent decline is, at least partially, because the average sales price differential with nearby counties is less pronounced.

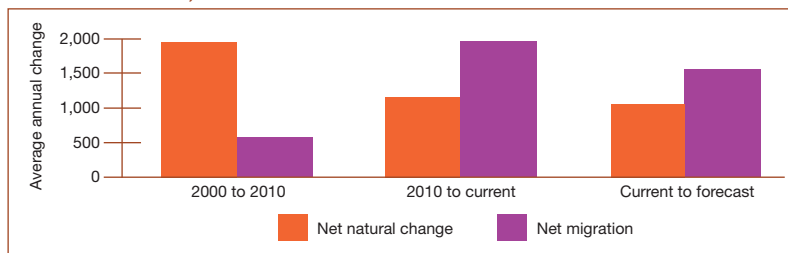
Currently, an estimated 193,000 households are in the HMA, an average increase of 1,025, or 0.5 percent, since 2010. This rate is below the average of 1,350 households added annually during the previous decade, a rate of 0.8 percent annually. The trend toward

Figure 4. Population and Household Growth in the Santa Rosa HMA, 2000 to Forecast



Notes: The current date is April 1, 2017. The forecast date is April 1, 2020.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Santa Rosa HMA, 2000 to Forecast



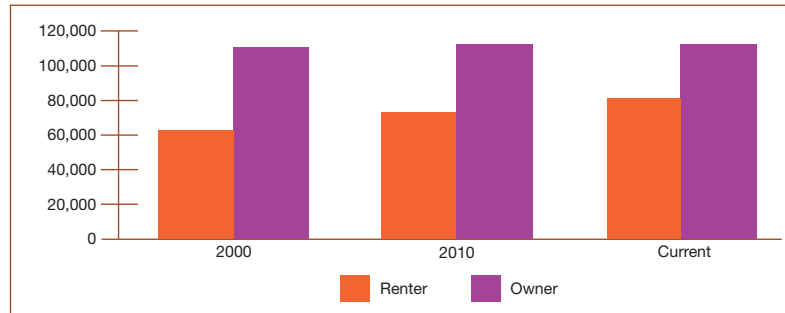
Notes: The current date is April 1, 2017. The forecast date is April 1, 2020.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

slower household formation began in the later part of the decade during the economic downturn, at least partially from a lack of affordable housing options, causing younger adults to delay establishing independent living arrangements. All net household growth in the HMA since 2010 has been renter households because of

distress in the sales housing market first due to the foreclosure crisis, then from generally high sales prices. Although foreclosure rates have declined since their peak in 2010, they remain slightly above prerecession levels. The homeownership rate in the HMA is estimated at 58.1 percent as of April 1, 2017, lower than the rate of 60.4 percent in April 2010. Figure 6 shows the number of households by tenure in the HMA.

During the 3-year forecast period, population and household growth is expected to slow slightly, to an average of 2,600 people and 900 households annually, or 0.5 percent a year for each, partly because of lower forecast economic growth in the HMA. In addition, continued tight housing markets may limit net in-migration.

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



Note: The current date is April 1, 2017.

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

Housing Market Trends

Sales Market

The sales housing market in the Santa Rosa HMA is tight, with a vacancy rate estimated at 0.9 percent, down from 1.9 percent from 2010. The elevated sales vacancy rate for the HMA in 2010 was primarily because of foreclosures impacting existing owner households. Foreclosure rates, which began to increase in the HMA and the nation during 2007, reached their peak during 2010. Since 2010, the rate of foreclosures has dropped, and fewer single-family homes were permitted and built, allowing the sales market to reach tight conditions. In addition, vacant single-family homes met demand for rental units. During March 2017, 2.8 months of home inventory was on the market, down

from 3 months a year earlier (California Association of Realtors®). As of April 1, 2017, 0.7 percent of home loans in the HMA was seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 0.9 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent and REO loans peaked in February 2010 at 7.6 percent, the same month the national rate peaked at 8.6 percent.

New home sales in the HMA remain below prerecession levels and below the post-recession peak recorded during 2013. New home sales in the HMA averaged 920 from 2000 through 2006,

Housing Market Trends

Sales Market *Continued*

dropped to 840 in 2007, and fell nearly 60 percent to 350 during 2008 when economic conditions softened (CoreLogic, Inc., with adjustments by the analyst). During the recession and beyond, new home sales stabilized at an average of 250 annually from 2008 through 2012. Sales rose 36 percent, to 360 during 2013, the most recent high sales count recorded. Because of generally lower inventory levels and the inability of households to afford to purchase, new home sales averaged 160 annually for the next 3 years, before increasing 36 percent during the 12 months ending March 2017, to 210.

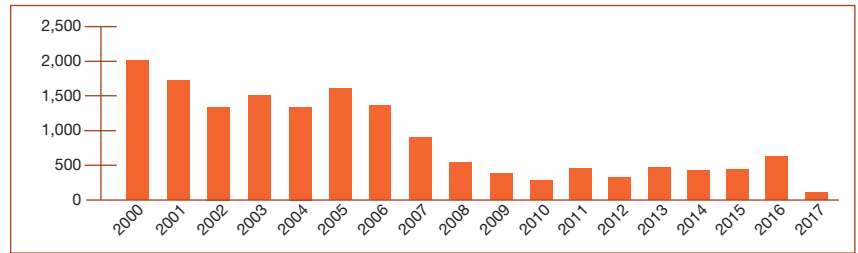
New home sales prices averaged \$589,900 during the 12 months ending March 2017, up nearly 13 percent from the \$522,900 average price a year earlier. Since recording a post-recession low of \$351,700 during 2011, new home sales prices have risen more than 10 percent annually. During the previous decade, new home sales prices rose an average of nearly 16 percent annually from 2000 to the peak of \$702,200 during 2005, before falling 11 percent annually from 2005 through 2011, to \$351,700.

Existing home sales totaled 6,800 during the 12 months ending March 2017, approximately 4 percent fewer than during the 12 months ending March 2016. Part of the decline is because distressed home sales (REO and short sales) fell 24 percent; regular, nondistressed resales fell nearly 3 percent. Existing home sales peaked in 2004, when 10,750 home sales were recorded, before declining at an average annual rate of 23 percent for the next 3 years to a low of 4,900 homes sold during 2007. Existing home sales then rose 11 percent annually for 2 years until 2009, partially replacing new home sales in the HMA, which

continued to fall through 2010. After a 4-percent decline during 2010, existing home sales increased 12 percent annually for 2 years, to 7,175 during 2012, and stabilized, averaging 6,850 sales annually from 2012 through 2016. A lack of available inventory contributes to the declining sales count. The average sales price of an existing home, including distressed sales, during the 12 months ending March 2017, was \$592,100, more than 7 percent above the average a year earlier and slightly higher than the new home sales price average during the 12 months ending March 2017. Although the foreclosure rate among homeowners in the HMA decreased to near-normal levels, high renter demand continues to compete with buyers for available existing single-family homes in the HMA.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, totaled 570 during the 12 months ending March 2017, up 34 percent from the previous 12 months (preliminary data). Since emerging from the recent recession, home purchases have remained relatively low, and builders in the HMA have constructed fewer homes, contributing to the current tight home sales market conditions. The recent low in single-family permitting was during 2010, when 290 homes were permitted. This drop in single-family permitting corresponded with the recent highest annual rate of foreclosures in the HMA, the highest unemployment rate, and the second-lowest average sales price levels for new and existing homes. During 2011, single-family homes permitted rose 56 percent, to 450 units permitted, and remained steady through 2016, averaging 450 units permitted annually (Figure 7).

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



Notes: Includes townhomes. Current includes data through March 2017.

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

During the previous decade, 2,025 single-family homes were permitted in 2000, and permitting fell an average of 18 percent annually, to 1,350 single-family homes permitted in 2002, because of deteriorating economic conditions in the HMA. Despite a continued drop in employment during 2003, the number of homes permitted grew 11 percent, to 1,500, and averaged 1,425 homes permitted annually from 2003 through 2006. After 2006, as the national economy entered a recession during 2007 and the economy in the HMA followed, single-family homebuilding declined an average of 32 percent annually to 290 homes permitted during 2010.

Developers are responding to current sales market conditions in the HMA, but a shortage of new and existing homes for sale led to efforts to speed construction projects and add more homes to existing proposals. In Rohnert

Park, work began on what is expected to total 1,600 new single-family homes in the University District. Currently, builders are beginning construction on the neighborhoods of Magnolia at University District, Cypress at University District, and Mulberry at University District, where new homes will start at \$550,000, \$590,000, and \$620,000, respectively. In Santa Rosa, Aria Place Homes is under way, with approximately 50 homes sold, in a development that will total approximately 110. Starting sales prices for single-family homes are in the mid-\$500,000s. The city of Santa Rosa set a target of 5,000 new sales and rental housing units to be built during the next 8 years, with up to one-half to be affordable units. For sales housing, affordable homes would be for sale to households earning less than 120 percent of the Area Median Income (AMI) of \$82,600 for a family of four.

During the next 3 years, demand for 1,375 new homes is expected in the HMA (Table 1). The 230 homes currently under construction will meet part of the demand during the first year. A portion of the 13,000 other vacant units in the HMA may reenter the market and satisfy some of the forecast demand. Demand is expected to be strongest for homes priced from \$550,000 to \$649,999 (Table 4).

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

Price Range (\$)		Units of Demand	Percent of Total
From	To		
550,000	649,999	320	25.0
650,000	749,999	260	20.0
750,000	999,999	260	20.0
1,000,000	1,499,999	260	20.0
1,500,000	and higher	190	15.0

Notes: The 230 homes currently under construction and a portion of the estimated 13,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Demand for 100 mobile homes during the forecast period is excluded from this table. The forecast period is April 1, 2017, to April 1, 2020.

Source: Estimates by analyst

Rental Market

The rental housing market in the Santa Rosa HMA is currently tight, with a vacancy rate estimated at 3.2 percent (Figure 8), down from 5.2 percent during 2010 when the rental market was balanced. New apartment construction increased from low levels during the recent recession but has not been sufficient to meet demand, resulting in the declining rental vacancy rate, rapid rent growth, and the conversion of single-family homes to renter use. In the HMA, approximately 53 percent of all renter households lived in single-family homes during 2015, up from 52 percent during 2010 and the same 52 percent in 2007 (2015, 2010, and 2007 American Community Survey, 1-year data). However, the number of renter households living in single-family homes grew 3.3 percent annually from 2007 to 2010 and a further 0.9 percent annually from 2010 to 2015. This growth in single-family rentals only slightly outpaced increased occupancy in the simultaneously tightening apartment market.

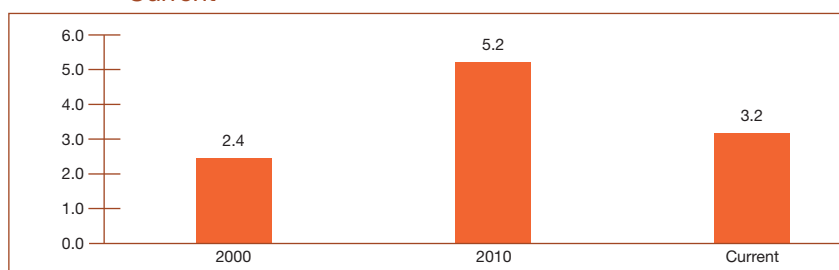
During the first quarter of 2017, the apartment market vacancy rate was 3.5 percent, down from 3.8 percent a year earlier (Reis, Inc.). These rates are slightly higher than in recent years. From 2009 through 2014, annual apartment vacancy rates in the HMA averaged 2.5 percent because of a shift

to renter tenure among new households and a significant number of existing households affected by the foreclosure crisis. The average rent for an apartment during the first quarter of 2017 was \$1,623, nearly 5 percent higher than the \$1,548 average rent during the first quarter of 2016. Since 2010, average apartment rents in the HMA have increased 6.6 percent annually, compared with the national average rate of 3.7 percent annually.

In August 2016, the city of Santa Rosa enacted rent control measures, which would impact tenants living in apartment properties built before February 1, 1995. The rent control, if instituted, would be effective only in the city of Santa Rosa. Tenants in single-family homes, duplexes, or owner-occupied triplexes would be exempt. Rents would be rolled back to the amount in effect on January 1, 2016, with an annual rent increase cap of 3 percent going forward. Landlords would have the ability to request larger rent increases on a case-by-case basis. Whenever a new tenant moves in, the rent ceiling would reset to the market, and the 3-percent cap would go into effect. Opponents of the measure submitted petitions to force a referendum vote tentatively scheduled for June 2017.

Multifamily production, as measured by the number of units permitted, totaled 160 during the 12 months ending March 2017, compared with 350 units during the previous 12 months ending March 2016 (preliminary data). From 2010 through 2015, multifamily production averaged 380 units annually, including peak production years when 500 and 520 units were permitted during 2012 and 2013, respectively

Figure 8. Rental Vacancy Rates in the Santa Rosa HMA, 2000 to Current



Note: The current date is April 1, 2017.

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

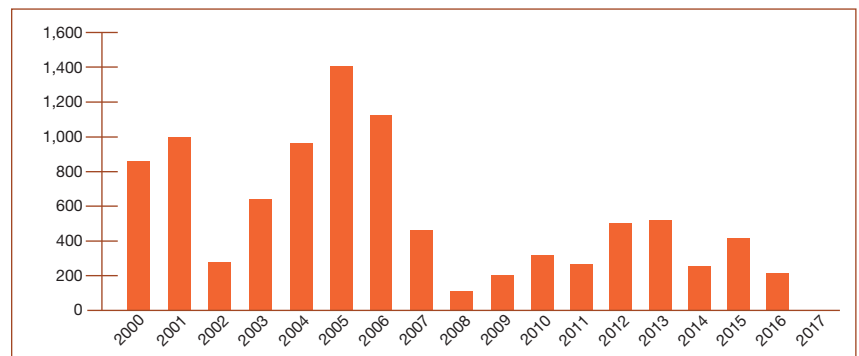
(Figure 9). During 2000 and 2001, 930 units were permitted on average, and multifamily production dropped sharply during 2002, when only 280 units were permitted and nonfarm payrolls fell. Permitting rose during 2003 and 2004, averaging 800 units annually, and nonfarm payrolls increased starting in 2004. Multifamily permitting reached recent highs during 2005 and 2006, when 1,250 units were permitted annually, and nonfarm payrolls steadily expanded. Permitting slowed to 460 units during 2007 when the economy began to slow. As economic conditions nationally and in the HMA declined during 2008, only 100 units were permitted, rising to 190 during 2009. Condominiums were not a large element of multifamily permitting in the HMA, contributing 136 units, or 16 percent, of multifamily permitting during 2001; 368 units, or 30 percent, of multifamily permitting during 2005; 83 units, or 23 percent, of multifamily permitting during 2007; and 64 units, or one-third, of multifamily permitting during 2009. Since 2000, more than 90 percent of multifamily units permitted have been apartments in the HMA.

Currently under construction is the second phase of Addison Ranch

Apartments in Petaluma, where 86 units are scheduled for completion in late summer 2017. Rents have not been announced. At the existing phase, one- and two-bedroom apartments are listed starting at \$1,858 and \$2,215, respectively. The first phase of Addison Ranch is fully occupied. Also in Petaluma, The Artisan Apartments opened in early 2016 and includes 144 one-, two-, and three-bedroom apartments, starting at \$2,313, \$2,798, and \$3,300, respectively. In Santa Rosa, Crossroads Apartments, an affordable property, is currently under construction with an estimated completion during April 2018. Rents will be made affordable to extremely low-income households (households earning 30 percent or less of AMI), and some units will be reserved for formerly homeless persons.

During the 3-year forecast period, demand is estimated for 1,700 new market-rate rental units (Table 1), and demand will be strongest during the first year of the forecast period. Currently, 200 new apartment units are under construction, which will satisfy some of the forecast demand. Table 5 provides estimated demand by bedroom size and rent level during the forecast period.

Figure 9. Multifamily Units Permitted in the Santa Rosa HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2017; no multifamily units had been permitted in 2017.

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

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Santa Rosa 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
1,250 to 1,449	40	1,500 to 1,699	130	1,750 to 1,949	200	2,250 to 2,449	150
1,450 or more	40	1,700 to 1,899	170	1,950 to 2,149	270	2,450 to 2,649	200
		1,900 or more	130	2,150 or more	200	2,650 or more	150
Total	85	Total	420	Total	680	Total	510

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 200 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2017, to April 1, 2020.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	244,927	218,100	250,300	- 1.2	2.2
Unemployment rate	3.4%	10.8%	3.8%		
Nonfarm payroll jobs	184,600	167,600	202,400	- 1.0	3.1
Total population	458,614	483,878	505,600	0.5	0.6
Total households	172,403	185,825	193,000	0.8	0.5
Owner households	110,475	112,280	112,200	0.2	0.0
Percent owner	64.1%	60.4%	58.1%		
Renter households	61,928	73,545	80,800	1.7	1.4
Percent renter	35.9%	39.6%	41.9%		
Total housing units	183,153	204,572	209,700	1.1	0.4
Owner vacancy rate	0.8%	1.9%	0.9%		
Rental vacancy rate	2.4%	5.2%	3.2%		
Median Family Income	\$55,900	\$80,200	\$73,600	3.7	- 1.4

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is April 1, 2017.

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: 4/1/2017—Estimates by the analyst
Forecast period: 4/1/2017–4/1/2020—Estimates by the analyst

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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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_SantaRosaCA_17.pdf.

Contact Information

Gabriel A. Labovitz, Economist
Chicago HUD Regional Office
312-913-8014
gabe.a.labovitz@hud.gov

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 the Economic and Market Analysis Division within HUD. 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.