



Salinas, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2012



Housing Market Area



The Salinas Housing Market Area (HMA), which consists of Monterey County, is located on the central coast of California, approximately 120 miles south of San Francisco. The HMA is home to the Defense Language Institute Foreign Language Center (DLIFLC) and Naval Postgraduate School (NPS), which have a combined annual economic impact of more than \$140 million, according to the Department of Defense.

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Summary

Economy

Economic conditions in the Salinas HMA have been weak since 2008 but are beginning to improve. During the 12 months ending March 2012, nonfarm payrolls increased by 800 jobs, or 0.7 percent, to 122,500 jobs, compared with a gain of 430 jobs, or 0.4 percent, during the previous 12 months. The economy in the HMA is primarily based on the government, leisure and hospitality, and trade sectors. Agriculture also plays a significant role in the local economy. During the next 3 years, nonfarm payrolls are expected to increase by an average of 860 jobs, or 0.7 percent, annually.

Sales Market

The sales housing market in the HMA is soft, with an estimated vacancy rate of 2.0 percent, down from the 2.5-percent rate in April 2010. Demand is estimated for 1,450 new homes during the forecast period; the 90 homes under construction will meet a portion of that demand (Table 1). In addition, an estimated 8,025 other vacant units are

in the HMA, a portion of which may re-enter the market and satisfy some of the demand.

Rental Market

Rental housing market conditions are currently balanced, with an overall rental vacancy rate estimated at 4.5 percent, down from the 4.9-percent rate in April 2010. During the forecast period, demand is estimated for 2,225 new rental units (Table 1). The 70 rental units currently under construction will satisfy some of the forecast rental demand.

Table 1. Housing Demand in the Salinas HMA, 3-Year Forecast, April 1, 2012 to April 1, 2015

	Salinas HMA	
	Sales Units	Rental Units
Total Demand	1,450	2,225
Under Construction	90	70

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2012. A portion of the estimated 8,025 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the HMA have remained weak since nonfarm payroll job losses began in 2008 but are starting to improve. During the 12 months ending March 2012, the HMA added 800 nonfarm payrolls jobs, an increase of 0.7 percent, compared with the number of jobs during the previous 12 months (Table 2). From 2008 through 2011, nonfarm payrolls contracted from 128,200 to 121,500 jobs, an average

annual decline of 2,225 jobs, or 1.7 percent. Job declines during this period resulted from the national housing crisis, when the largest job losses occurred in the construction subsector and financial activities sector, which had average annual declines of 730 and 430 jobs, or 12.0 and 7.9 percent, respectively. The national economic recession also contributed to significant declines in the trade and the leisure and hospitality sectors, because tourism into the area slowed. During the same period, the trade sector experienced an average annual decline of 370 jobs, or 1.7 percent, and the leisure and hospitality sector declined at an average annual rate of 330 jobs, or 1.6 percent. From 2004 through 2007, before the housing market declined, annual nonfarm payroll growth averaged 600 jobs and was led by increases in the government and the leisure and hospitality sectors, which had average annual increases of 400 and 270 jobs, respectively, or 1.3 percent each. Figure 1 illustrates growth by sector in the HMA from 2000 to the current

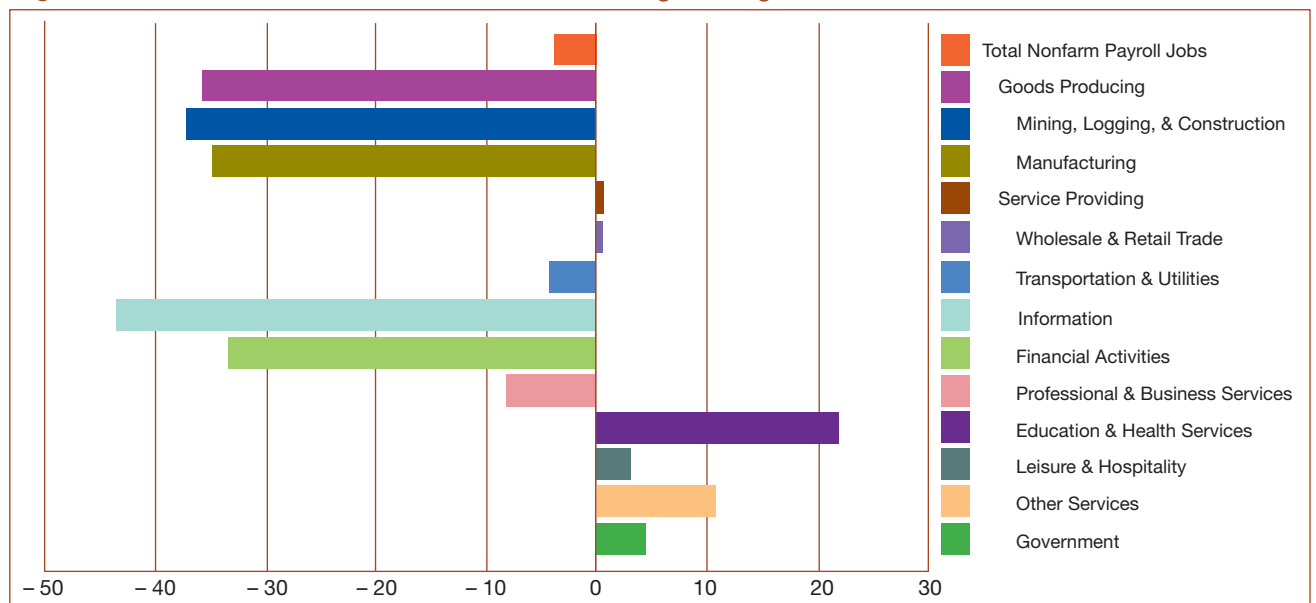
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Salinas HMA, by Sector

	12 Months Ending March 2011	12 Months Ending March 2012	Percent Change
Total Nonfarm Payroll Jobs	121,700	122,500	0.7
Goods Producing	9,875	9,700	-1.8
Mining, Logging, & Construction	4,250	4,025	-5.1
Manufacturing	5,625	5,675	0.7
Service Providing	111,800	112,800	0.9
Wholesale & Retail Trade	20,300	21,100	3.9
Transportation & Utilities	3,325	3,350	0.8
Information	1,650	1,600	-3.5
Financial Activities	4,250	4,200	-1.0
Professional & Business Services	11,650	11,850	1.6
Education & Health Services	13,500	13,650	1.1
Leisure & Hospitality	20,050	20,650	2.9
Other Services	4,625	4,650	0.5
Government	32,450	31,750	-2.2

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

Source: U.S. Bureau of Labor Statistics

Figure 1. Sector Growth in the Salinas HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2012.

Source: U.S. Bureau of Labor Statistics

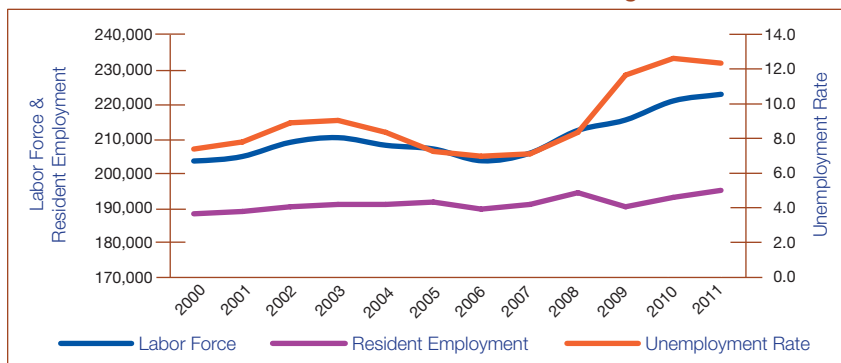
date. Recent employment gains have decreased the unemployment rate. The unemployment rate averaged 12 percent during the 12 months ending March 2012, down from the 12.6-percent rate recorded during the previous 12 months, but still significantly higher than the current 8.7-percent national rate. Figure 2 shows trends in the labor force, resident employment, and unemployment rate from 2000 through 2011.

The government sector is the largest in the HMA, accounting for nearly 26 percent of total nonfarm payrolls (Figure 3). During the 12 months ending March 2012, the government sector lost 700 jobs, or 2.2 percent, because of cuts in local government

resulting from the loss of state re-development funds. The DLIFLC and NPS, both of which are located on the Presidio of Monterey, have a major impact on the local economy. According to the Department of Defense, the combined economic impact of DLIFLC and NPS totals more than \$140 million, annually. NPS, which grants engineering, master's, and doctoral degrees to active-duty officers from all branches of the U.S. Military, U.S. government civilians, and members of foreign militaries, enrolled 2,825 students during the fall of 2010 (the latest data available) and employed approximately 1,325 faculty and staff, most of whom are civilians. DLIFLC enrolls nearly 3,500 active and reserve duty officers, foreign military students, and U.S. government civilians and employs approximately 2,000 instructors annually. No notable expansions or reductions are planned for either facility during the 3-year forecast period.

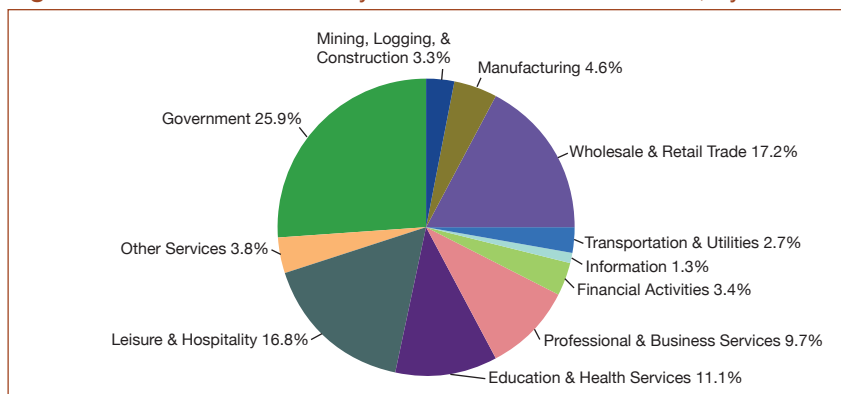
During the 12 months ending March 2012, the largest employment gains occurred in the trade and the leisure and hospitality sectors, which added 800 and 600 jobs, or 3.9 and 2.9 percent, respectively. The trade sector is the second largest in the HMA, with an average of 21,100 jobs during the 12 months ending March 2012, representing 17 percent of total nonfarm payrolls, and the leisure and hospitality is the third largest sector, with an average of 20,650 jobs, or nearly 17 percent of total nonfarm payrolls. The Monterey Peninsula, which includes the coastal cities of Carmel, Monterey, and Del Rey Oaks, is a popular tourist destination because of attractions such as Big Sur, Pebble Beach Golf Course, and the scenic 17-Mile Drive, located along

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Salinas HMA, 2000 Through 2011



Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Salinas HMA, by Sector



Note: Current is based on 12-month averages through March 2012.

Source: U.S. Bureau of Labor Statistics

the Pacific coastline and Del Monte Forest. According to the California Travel and Tourism Commission, the economic impact of direct travel spending in the HMA during 2010 (the latest data available) totaled \$2.02 billion, an increase of \$26 million, or 1.3 percent, compared with travel spending in 2009.

Agriculture, a significant economic driver in the HMA, accounted for an average of 47,300 jobs during the 12 months ending March 2012, according to the California Employment Development Department. Five of the top ten employers in the county are in the agriculture sector, including Dole Food Company, Inc., with 5,175 employees; Tanimura and Antle, Inc., with 3,000 employees; and Fresh Express, Fresh Food, with 2,400 employees (Table 3). During the 12 months ending March 2012, the agriculture

sector added 2,100 jobs, a 4.7-percent increase compared with the number of jobs during the previous 12-month period. Known as the “Salad Bowl of the World,” the Salinas HMA produces more than 59 percent of the nation’s lettuce. According to the County of Monterey Agriculture Commissioner, during 2010, the latest data available, the agriculture production value of crops in the HMA totaled more than \$4 billion. The top three crops, strawberries, leaf lettuce, and head lettuce, accounted for nearly one-half of the production value in the HMA, at nearly \$2 billion during 2010. In October 2011, the city of Salinas received a \$3.5 million federal grant to replace aging wastewater pipelines, which would benefit several grower-shippers, processors, and cooling companies. The city expects the expansion will aid in retaining 2,000 jobs and adding another 2,000 jobs through relocations and expansions in the area. Construction timelines on the project, however, have not yet been determined and are dependent on economic conditions.

The national and statewide housing and economic recovery continues, which should bring resurgence in the tourism and trade sectors and continue to boost nonfarm payroll growth. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 860 jobs, or 0.7 percent, annually.

Table 3. Major Employers in the Salinas HMA

Name of Employer	Payroll Sector	Number of Employees
Dole Food Company, Inc.	Agriculture (see note)	5,175
County of Monterey	Government	4,425
Tanimura and Antle, Inc.	Agriculture (see note)	3,000
Fresh Express, Fresh Food	Agriculture (see note)	2,400
Escamilla & Sons, Inc., Spreckels	Agriculture (see note)	2,050
Defense Language Institute Foreign Language Center	Government	2,000
Salinas Valley Memorial Healthcare System	Government	1,900
D'Arrigo Brothers Company of California	Agriculture (see note)	1,800
HSBC	Financial Activities	1,550
Naval Postgraduate School	Government	1,325

Notes: Excludes local school districts. Employers in the agriculture industry are not included in nonfarm payrolls.

Sources: Economy.com; Salinas Valley Chamber of Commerce

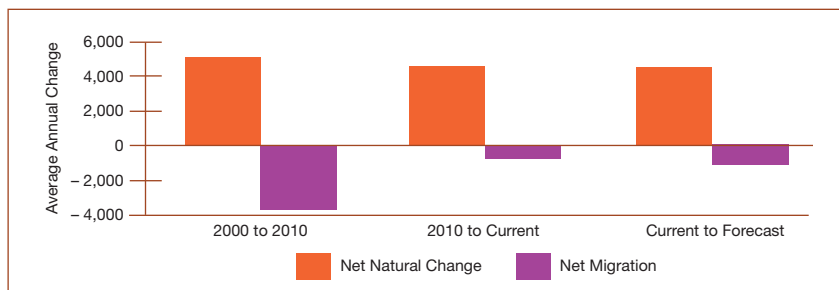
Population and Households

The population of the Salinas HMA is currently estimated at 422,600, representing an average annual increase of 3,775, or 0.9 percent, from the 2010 Census (Table DP-1 at the end of this report). From 2000 through 2010, population growth in the HMA averaged 1,325 people, or 0.3 percent. Net natural change (resident births minus deaths) accounted for all the population growth, because net out-migration averaged 3,675 people annually during the same period. Figure 4 shows the components of population change in the HMA from 2000 through the forecast period. Because of declines in agriculture employment, net out-migration was most significant from 2004 through 2007, averaging 7,275 people annually, which resulted in an average decline in the population of 2,625 people, or 0.6 percent, annually during this period. Based on data from the Internal Revenue Service, from 2004 through

2007, 52 percent of residents who migrated out of the HMA migrated into other counties in California, primarily agriculturally based central valley counties such as Fresno, Bakersfield, and San Benito. During the same period, agriculture employment in the HMA declined by an average of 100 jobs per year, or 0.2 percent, but agriculture employment in Fresno, Bakersfield, and San Benito Counties increased at an average annual rate of 700, 2,025, and 70 jobs, or 1.5, 5.1, and 2.6 percent, respectively. Agriculture employment in the HMA grew to an average annual increase of 870 jobs, or 2 percent, from 2009 through 2011, and net in-migration rebounded with an average of 2,125 people migrating into the HMA annually. The population is forecast to grow by an estimated average of 3,400, or 0.8 percent, annually during the 3-year forecast period.

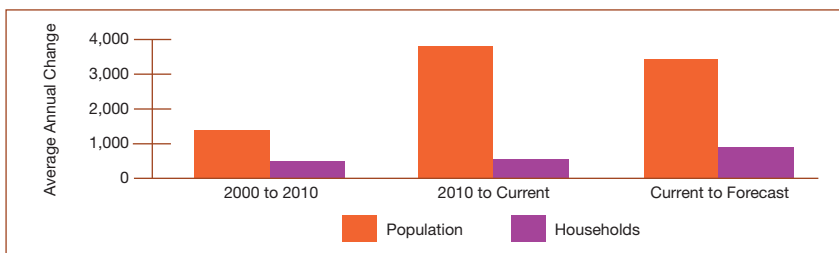
From 2000 through 2010, the number of households in the HMA increased by an average of 470 households, or 0.4 percent, annually to 125,946. Figure 5 shows trends in population and household growth from 2000 through the forecast period. Household growth remained relatively unchanged from 2010 through the current date, averaging 480 households, or 0.4 percent, annually. The foreclosure crisis has influenced the homeownership decline in the HMA. Of the estimated current 126,900 households, nearly one-half are owner households, down from 55 percent in 2000 and 51 percent in 2010. Figure 6 shows the number of households by tenure from 2000 to the current date. The number of households is expected to grow by an average of 900, or 0.7 percent, annually during the forecast period.

Figure 4. Components of Population Change in the Salinas HMA, 2000 to Forecast

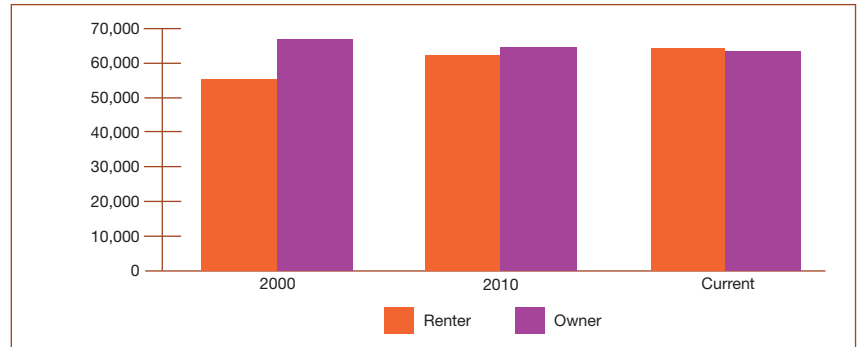


Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Salinas HMA, 2000 to Forecast



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

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

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

Housing Market Trends

Sales Market

The sales housing market in the HMA is currently soft because of high unemployment and tight lending standards. The new and existing average home sales price reached a peak in 2007, at \$757,500, according to Hanley Wood, LLC; the price then declined by an average annual rate of 34 percent during the next 2 years and averaged \$330,400 in 2009. From 2009 through 2011, the average sales price increased at an average rate of 10 percent a year. During the 12 months ending March 2012, the new and existing average home sales price was \$392,600. Based on data from the Monterey County Multiple Listing Service (MLS), the average sales price during 2011 in the Monterey Peninsula community, which includes the coastal cities of Carmel, Monterey, and Pebble Beach and is dominated by the tourism industry and military presence, was \$814,700. By comparison, the average sales price during 2011 in the Salinas Inland Valley community, which is agriculturally

based and includes the cities of Salinas, Soledad, and King City, was \$215,600.

During the 12 months ending March 2012, 70 new homes sold compared with 80 homes sold during the previous 12 months. The average sales price of a new home decreased by 18 percent to \$282,900. The size of the decrease is an improvement, however, from the 45-percent decline in new home sales during the previous 12 months, spurred by a 6-percent increase in the average new home sales price. New home sales peaked from 2005 through 2006, when an average of 650 new homes sold annually and the average home sales price was \$573,600. Existing home sales declined by 9 percent, from 6,150 to 5,600 homes sold, and the average sales price rose 3 percent to \$394,000 during the 12 months ending March 2012. Existing home sales peaked from 2008 through 2009, when an average of 7,725 existing

homes sold and the average sales price was \$414,300. During the 12 months ending March 2012, Real Estate Owned (REO) sales accounted for 26 percent of total home sales in the HMA, down slightly from 27 percent a year earlier. Foreclosure activity in the Salinas HMA is also decreasing. According to LPS Applied Analytics, in March 2012, 7.7 percent of home loans in the HMA were 90 or more days delinquent, in foreclosure, or in REO, down from the 10.5-percent rate recorded a year earlier. This rate compares with 7.1 percent for California and 7.8 percent nationwide.

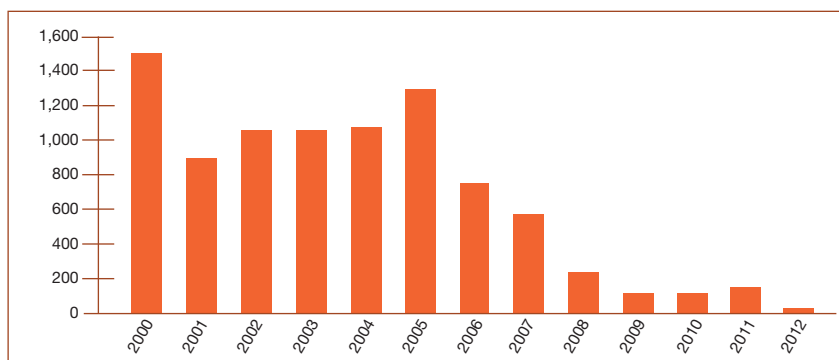
According to preliminary data on building permits issued, approximately 140 single-family homes were permitted during the 12 months ending March 2012 compared with 105 units permitted during the previous 12 months. Single-family homebuilding activity peaked from 2000 through 2005, when an average of 1,150 homes was permitted annually. From 2006 through 2010, single-family home construction declined significantly, to an average of 360 homes permitted annually (Figure 7). The Summerfield subdivision, located in

the city of Soledad, recently began construction, with plans for 300 single-family homes, starting at \$209,000, to be completed during the next 8 years. The East Garrison mixed-used development has plans to build up to 1,400 housing units on the former Fort Ord. During the first phase of construction, which is expected to begin by the end of 2013, construction is planned for 296 single-family homes and 60 townhomes.

Developers should be aware that the California American Water Supply Company (CalAm), which supplies water to cities along the Monterey Peninsula, has been issued a cease-and-desist order to halt water pumping from the Carmel River by 2017. As a result, a moratorium on new and expanded water connections for CalAm customers has been issued, limiting developments in the Monterey Peninsula to those that have an alternate and guaranteed water source (as the East Garrison project does).

As local economic conditions improve, demand is estimated for 1,450 new homes during the 3-year forecast period. As the current excess vacant homes and the 90 homes currently under construction are absorbed, demand for sales units is expected to be marginal in the first year but significantly higher during the second and third years of the forecast period. In addition, a portion of the estimated 8,025 other vacant units may satisfy some of the forecast demand. Table 4 illustrates demand for new market-rate sales housing by price range.

Figure 7. Single-Family Building Permits Issued in the Salinas HMA, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.

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

Housing Market Trends

Sales Market *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Salinas HMA, April 1, 2012 to April 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	249,999	510	35.0
250,000	399,999	440	30.0
400,000	599,999	170	12.0
600,000	799,999	75	5.0
800,000	999,999	45	3.0
1,000,000	and higher	220	15.0

Note: The 90 homes currently under construction and a portion of the estimated 8,025 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

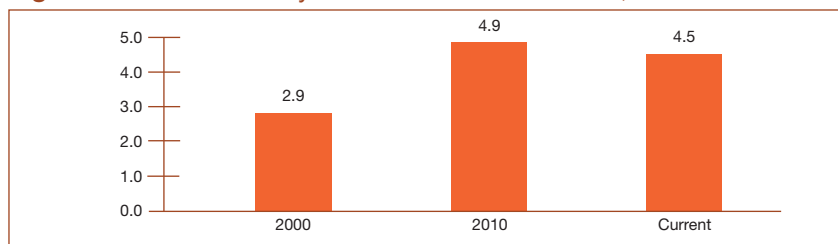
Rental Market

The rental housing market in the Salinas HMA is currently balanced to tight, with an overall estimated rental vacancy rate of 4.5 percent, because of increased rental demand from former owner households that went through the foreclosure process. Figure 8 shows the overall rental vacancy rate for 2000, 2010, and the current date. According to Axiometrics, Inc., the apartment vacancy rate remained at

5.4 percent during the first quarter of 2012, unchanged from a year earlier. The average monthly apartment rent increased by 2 percent, to \$1,125, during the same period. Minimum rents for newly constructed one-, two-, and three-bedroom units in the area are estimated at \$1,000, \$1,300, and \$1,600, respectively. According to the 2010 American Community Survey, 43 percent of the rental market consists of single-family homes, unchanged from the 2000 Census.

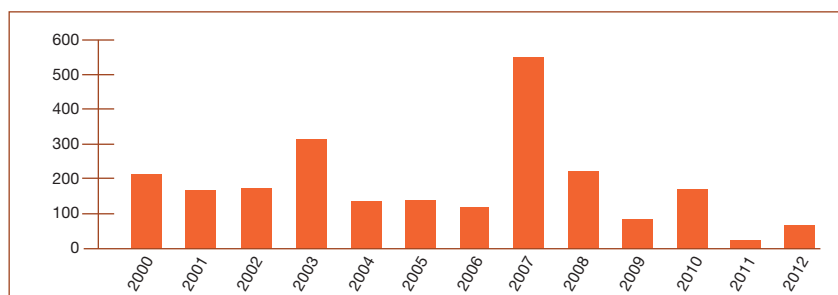
Based on annual building permit data, multifamily construction peaked in 2007, when 540 multifamily units were permitted compared with an average of 160 units a year from 2008 through 2010 (Figure 9). According to preliminary data, 90 multifamily units were permitted during the 12 months ending March 2012 compared with 60 permitted during the previous 12 months. The Manzanita Place Apartments is a 65-unit complex located in the proposed East Garrison development on the former Fort Ord. The project, a low-income housing tax credit project that targets families earning between 50 and 60 percent of Area Median Income, has monthly rents ranging between \$430 and \$1,150.

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



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

Figure 9. Multifamily Building Permits Issued in the Salinas HMA, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

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

Housing Market Trends

Rental Market *Continued*

The Salinas HMA also has a significant military presence that affects household tenure. Approximately 2,450 military households occupy rental housing units within the HMA. The 2,550 privatized rental military units, located on the Ord Military Community and in La Mesa Village, meet most of the demand for family military housing. Because of the nature of the 1- to 2-year military training programs offered at DLIFIC

and NPS, military housing demand is predominantly for rental units.

Demand is estimated for 2,225 new rental units during the 3-year forecast period. Rental demand is expected to be higher in the first and second years of the forecast period. The 70 units currently under construction will meet a portion of the forecast rental demand. Table 5 presents demand for new market-rate rental housing by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Salinas HMA, April 1, 2012 to April 1, 2015

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
1,000 to 1,199	660	1,300 to 1,499	950	1,600 to 1,799	360
1,200 or more	75	1,500 or more	170	1,800 or more	20
Total	730	Total	1,125	Total	380

Notes: Numbers may not add to totals because of rounding. The 70 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	188,246	192,959	198,200	0.2	2.2
Unemployment Rate	7.4%	12.7%	12.0%		
Nonfarm Payroll Jobs	127,300	121,600	122,500	-0.5	0.6
Total Population	401,762	415,057	422,600	0.3	0.9
Total Households	121,236	125,946	126,900	0.4	0.4
Owner Households	66,213	64,077	63,150	-0.3	-0.7
Percent Owner	54.6%	50.9%	49.8%		
Renter Households	55,023	61,869	63,750	1.2	1.5
Percent Renter	45.4%	49.1%	50.2%		
Total Housing Units	131,708	139,048	139,200	0.5	0.1
Owner Vacancy Rate	1.4%	2.5%	2.0%		
Rental Vacancy Rate	2.9%	4.9%	4.5%		
Median Family Income	\$51,169	\$67,300	\$66,100	2.8	-1.8

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

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: 4/1/2012—Analyst’s estimates
Forecast period: 4/1/2012–4/1/2015—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_SalinasCA_12.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.