

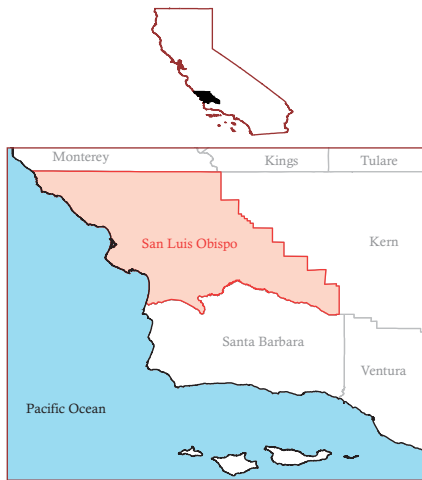
San Luis Obispo-Paso Robles-Arroyo Grande, California



U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2015



Housing Market Area



The San Luis Obispo-Paso Robles-Arroyo Grande Housing Market Area (hereafter, the San Luis Obispo HMA) is coterminous with the San Luis Obispo-Paso Robles-Arroyo Grande, CA Metropolitan Statistical Area. The HMA, which comprises San Luis Obispo 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 is the third largest producer of wine in California, and the HMA's proximity to the Pacific Coast and nutrient-rich soil, particularly in the Edna and Arroyo Grande Valleys, supports wine production and tourism, two prominent HMA industries.

Summary

Economy

Economic conditions have strengthened in the San Luis Obispo HMA since 2010. Nonfarm payrolls increased by 3,200 jobs, or 2.9 percent, to 112,100 jobs, during the 12 months ending August 2015, with the most significant growth occurring in the education and health services sector. 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 1.0-percent vacancy rate, down from 2.1 percent in 2010. During the next 3 years, demand is estimated for 2,500 new homes, with demand slowing slightly from the first through the third years of the forecast period (Table 1). The 310 homes under construction in the HMA and a portion of the 10,500 other vacant units that may reenter the market will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are currently tight, and the vacancy rate is estimated at 4.5 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 610 new market-rate rental units; the 130 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 San Luis Obispo HMA* During the Forecast Period

	San Luis Obispo HMA*	
	Sales Units	Rental Units
Total demand	2,500	610
Under construction	310	130

*San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2015. A portion of the estimated 10,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is September 1, 2015, to September 1, 2018.

Source: Estimates by analyst

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The San Luis Obispo HMA economic base comprises agriculture, government, health care, and tourism. Since 2000, the HMA has become notable for wine production, and the number of wineries in the HMA has increased from 50 in 2000 to approximately 220 currently. Vineyards support more than 8,100 full-time jobs and \$241 million a year in wages in the HMA (City of Paso Robles). Although vineyards are found throughout the HMA, they are concentrated in and around the city of Paso Robles, home to 170 wineries. The economic impact of the wine industry on the HMA was \$1.79 billion in 2007 (the latest data available; MKF Research LLC). In addition, the prominence of agriculture impacts nonfarm payrolls through nondurable goods manufacturing, and farm and nonfarm payrolls have shared similar periods of expansion and contraction. Farm jobs in the HMA remained stable at 4,700 jobs during the 12 months ending August 2015 (California Employment Development Department) despite the California-wide drought that began

in 2012 and escalated to exceptional-drought status in 2014. Drought-tolerant wine grapes, which produce a more complex-flavored wine during dry periods, helped to support stable job growth in the HMA. In contrast, farm jobs in neighboring Kings and Kern Counties declined by a total of 740 jobs compared with the number of jobs during the previous year. The stability of farm jobs in the HMA has supported population and household growth from neighboring counties to the HMA and is expected to continue supporting growth beyond the end of the drought (County of San Luis Obispo).

Overall, economic conditions in the HMA have strengthened during the 12 months ending August 2015. Nonfarm payrolls increased by 3,200 jobs, or 2.9 percent, from the previous 12 months, to 112,100 jobs (Table 2). The largest growth occurred in the education and health services sector, which increased by 1,000 jobs, or 7.1 percent, mostly a result of an increase in the number of people seeking health services. Increases equaling 400 jobs each were also notable in 5 of the 11 sectors. Overall nonfarm payroll gain was partly offset by declines in the financial activities and the government sectors, the only sectors with job losses, which decreased by 100 jobs each, or 2.4 and 0.4 percent, respectively. In the financial activities sector, an improvement in the economy during the past year bolstered the sales housing market but reduced the number of jobs needed to service delinquent mortgages. The net decline in the government sector was led by a decrease of 500 jobs in the local government subsector during the past year because of cuts to payrolls at local schools. Despite the decline, the government sector remains the largest sector in

Table 2. 12-Month Average Nonfarm Payroll Jobs in the San Luis Obispo HMA,* by Sector

	12 Months Ending		Absolute Change	Percent Change
	August 2014	August 2015		
Total nonfarm payroll jobs	108,900	112,100	3,200	2.9
Goods-producing sectors	13,000	13,800	800	6.2
Mining, logging, & construction	6,400	6,800	400	6.3
Manufacturing	6,700	6,900	200	3.0
Service-providing sectors	95,900	98,400	2,500	2.6
Wholesale & retail trade	16,500	16,600	100	0.6
Transportation & utilities	4,000	4,400	400	10.0
Information	1,400	1,400	0	0.0
Financial activities	4,100	4,000	-100	-2.4
Professional & business services	11,800	12,200	400	3.4
Education & health services	14,100	15,100	1,000	7.1
Leisure & hospitality	16,600	17,000	400	2.4
Other services	5,100	5,500	400	7.8
Government	22,300	22,200	-100	-0.4

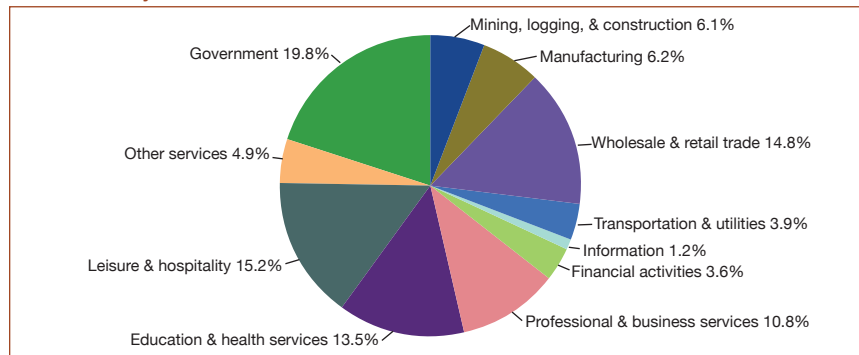
* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through August 2014 and August 2015. Excludes jobs in agriculture.

Source: U.S. Bureau of Labor Statistics

the HMA (Figure 1). The largest employer in the HMA is California Polytechnic State University (Cal Poly), which employs 4,450 people (Table 3) and had an economic impact of \$1.4 billion on the HMA and the northern Santa Barbara County area during 2013 (Productive Impact LLC).

Figure 1. Current Nonfarm Payroll Jobs in the San Luis Obispo HMA,* by Sector



* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: Based on 12-month averages through August 2015. Excludes jobs in agriculture.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the San Luis Obispo HMA*

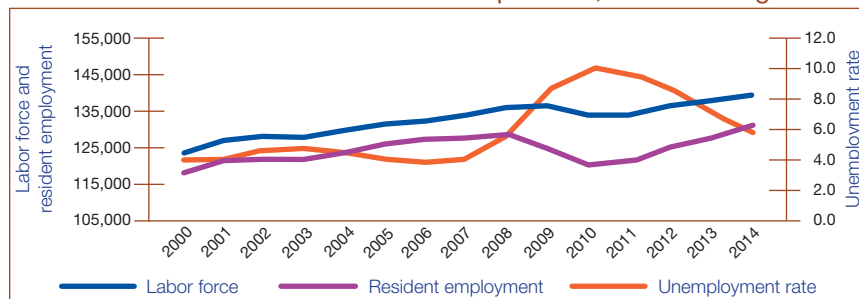
Name of Employer	Nonfarm Payroll Sector	Number of Employees
California Polytechnic State University	Government	4,450
Department of State Hospitals, Atascadero	Government	2,000
Pacific Gas and Electric Company	Transportation & utilities	1,900
California Men's Colony	Government	1,550
Tenet Healthcare	Education & health services	1,275
Compass Health, Inc.	Education & health services	1,200
Dignity Health Central Coast	Education & health services	860
MINDBODY	Professional & business services	650
California Department of Transportation	Government	540
California Department of Parks and Recreation	Government	440

* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Note: Excludes local school districts.

Source: 2015 Pacific Coast Business Times

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the San Luis Obispo HMA,* 2000 Through 2014



* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Source: U.S. Bureau of Labor Statistics

As economic conditions strengthened during the 12 months ending August 2015, the average unemployment rate declined to 4.9 percent, down from 5.9 percent during the previous 12 months. The current unemployment rate in the HMA is the lowest rate in the tricounty area; Santa Barbara and Ventura Counties have unemployment rates of 5.4 and 5.9 percent, respectively. Figure 2 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2014.

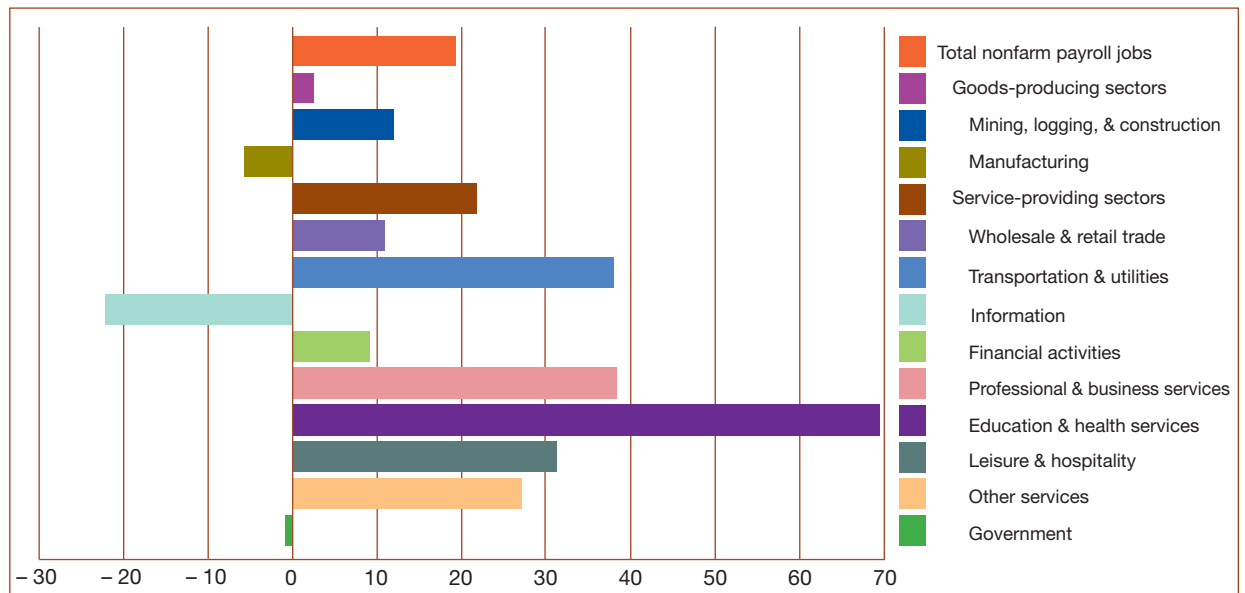
Since 2000, the San Luis Obispo HMA economy has contracted twice, with a slight decline during 2003 and a significant decline from 2008 through 2010. During 2003, nonfarm payrolls declined by 200 jobs, or 0.2 percent. Payroll declines were concentrated in the government sector, down 600 jobs, or 4.7 percent, because of a projected shortfall in revenue that led to budget cuts, mainly in local government educational services. Despite the economic contraction, the leisure and hospitality and the education and health services sectors remained strong during 2003, increasing by 500 and 400 jobs, or 3.6 and 3.9 percent, respectively. During the second contraction from 2008 through 2010, an average of 2,400 jobs were lost a year as a result of the collapse of the housing and financial markets. Two-thirds of the losses were concentrated in the construction, local government, and retail trade subsectors. Following the economic contraction, nonfarm payroll growth in the HMA has averaged 3,200 jobs, or 3.1 percent, annually since 2011, more than from 2004 through 2007, when nonfarm payrolls increased by an average of 1,500 jobs, or 1.5 percent, annually. Because of the fast pace of growth, the economy had more than fully

recovered the number of jobs lost by the end of 2013. The economic recovery was predominately supported by job growth in the education and health services, the professional and business services, and the leisure and hospitality sectors, accounting for one-half of the nonfarm payroll job gain. Figure 3 shows nonfarm payroll growth by sector since 2000.

Nonfarm payroll growth since 2000 has been led by the education and health services and the leisure and hospitality sectors, which have increased by an average of 400 and 300 jobs, or 3.7 and 1.8 percent a year, respectively. Both sectors combined accounted for more than one-half of the total net increase in nonfarm payrolls since 2000. Approximately 95 percent of the growth in the education and health services sector since 2000 was in the healthcare and social assistance industry, which employs approximately 12 percent of the HMA workforce and in which additional growth is expected during the next 3 years. The largest private

employers in the HMA include Tenet Healthcare, Compass Health, Inc., and Dignity Health Central Coast, with 1,275, 1,200, and 860 employees, respectively. The Affordable Care Act has expanded access to health care, resulting in a need for more medical staff. In the HMA and Santa Barbara County, CenCal Health expects to enroll 30,000 new members in Medi-Cal by the end of 2015 (CenCal Health). To accommodate this increase, CenCal Health has already added 100 primary care physicians and specialists to its system. In addition, three hospitals under Dignity Health Central Coast are expanding to provide greater patient capacity: (1) French Hospital Medical Center, (2) Arroyo Grande Community Hospital, and (3) Marian Regional Medical Center. The total number of jobs that will be added has not been announced, but completion of these expansions is expected at the end of 2015. In addition, job vacancy announcements for registered nurses remained the highest among all job vacancies in the HMA,

Figure 3. Sector Growth in the San Luis Obispo HMA,* Percentage Change, 2000 to Current



* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: Current is based on 12-month averages through August 2015. Excludes jobs in agriculture.

Source: U.S. Bureau of Labor Statistics

totaling approximately 420 jobs as of August 2015 (California Employment Development Department).

In the leisure and hospitality sector, the wine industry, which supports tourism, attracted approximately 2.9 million visitors annually from 2011 to 2013 (Visit San Luis Obispo County). Since 2000, the only decline in the sector occurred from 2008 through 2010, when an average of 300 jobs, or 1.9 percent, were lost annually. Since 2011, the pace of job growth in the sector has accelerated to an average of 500 jobs, or 3.5 percent, annually. Growth in the sector is expected to continue at a steady pace during the next 3 years with the completion of a number of hotels throughout the HMA, six of which are in the city of Paso Robles. The Ayres Hotel and La Quinta Inn and Suites are currently under way, with completion expected

in late 2015, adding 120 jobs, and the remaining four hotels are expected to be complete by the end of the forecast period, adding another 260 jobs.

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.9 percent, or by 2,100 jobs, annually, with the greatest growth expected to occur in industries related to health care and tourism. Growth in the economy is expected to be higher in the first year of the forecast period, slowing through the third year, when the economy reaches a plateau. Most nonfarm payroll growth is expected to occur in the cities of San Luis Obispo, the economic center of the HMA, and Paso Robles, an area with expanding hotels and services. Additional growth is expected to occur in the cities of Arroyo Grande and Atascadero.

Population and Households

The population of the San Luis Obispo HMA is estimated at 275,400 as of September 1, 2015. The HMA accounts for approximately 20 percent of the population in the Central Coast tricounty area. The city of San Luis Obispo is the county seat and the largest city in the HMA, with 45,800 residents as of January 2015 (California Department of Finance). Other population centers include the cities of Paso Robles and Atascadero, with more than 25,000 residents each.

Since 2000, most people moving to the HMA have come from Los Angeles, Orange, Santa Barbara, and Ventura Counties (Internal Revenue Service migration data), where home

sales prices averaged approximately \$120,000 more than in the HMA. People also moved from neighboring Kern and Kings Counties for agricultural work in the northern part of the HMA (County of San Luis Obispo). Nearly 40 percent of the population growth since 2000 has occurred in the northern city of Paso Robles, where the wine industry is concentrated, and the cities of Atascadero and San Luis Obispo, with the remaining 60 percent occurring in the unincorporated portion of the HMA (California Department of Finance).

From 2001 to 2008, less stringent mortgage lending standards and relatively lower-priced housing in the

Population and Households *Continued*

HMA helped maintain net in-migration, which averaged 1,600 people; during this period, the population increased by an average of 2,175, or 0.8 percent, annually. As the economy contracted during late 2000s, population growth slowed. From 2008 to 2013, population growth averaged 950 people, or 0.4 percent, annually. During this period, more people sought employment opportunities in the northern part of California. As a result, net in-migration slowed to an average of 470 people annually, leading to the

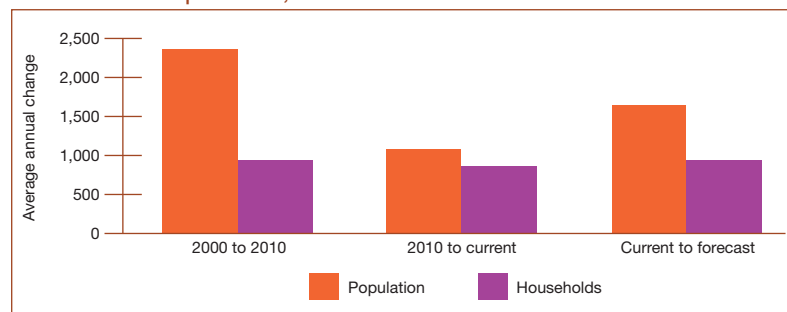
lowest level of population growth since 1990. Net natural change (resident births minus resident deaths) accounted for approximately 51 percent of the population growth from 2008 to 2013 compared with 31 percent from 2001 to 2007.

By 2013, the HMA economy fully recovered from the economic downturn and home prices escalated throughout California. The relatively lower prices of homes in the HMA, the stability of agricultural employment, and strong nonfarm payroll growth have led to net in-migration averaging 1,350 people a year since 2013, resulting in population growth that has averaged 1,750 people, or 0.6 percent, a year.

During the next 3 years, the population of the HMA is expected to increase by an average of 1,675, or 0.6 percent, a year (Figure 4), reflecting a moderation of net in-migration in the second and third years of the forecast period, and is expected to reach 280,400 by the end of the forecast period. Growth is expected to be strong in the cities of Paso Robles and San Luis Obispo and in the community of Nipomo. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

The number of households in the San Luis Obispo HMA has increased by 850, or 0.8 percent, annually since 2010, down from the average increase of 930 households, or 1.0 percent, annually during the 2000s, as a result of slower population growth during the late 2000s. As with the population, household growth has been the strongest in the cities of Atascadero, Paso Robles, and San Luis Obispo and in the community of Nipomo.

Figure 4. Population and Household Growth in the San Luis Obispo HMA,* 2000 to Forecast

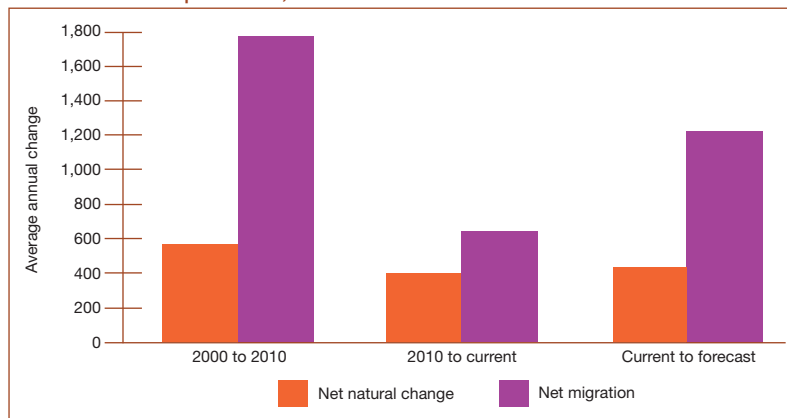


* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: The current date is September 1, 2015. The forecast date is September 1, 2018.

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

Figure 5. Components of Population Change in the San Luis Obispo HMA,* 2000 to Forecast



* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: The current date is September 1, 2015. The forecast date is September 1, 2018.

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

During the forecast period, the number of households in the HMA is expected to increase by an average of 870, or 0.8 percent, annually. The proportion of renter households is expected to increase during the forecast

period, continuing the trend that has been ongoing since 2000. Household growth is expected to result in 109,200 households in the HMA by the end of the forecast period.

Housing Market Trends

Sales Market

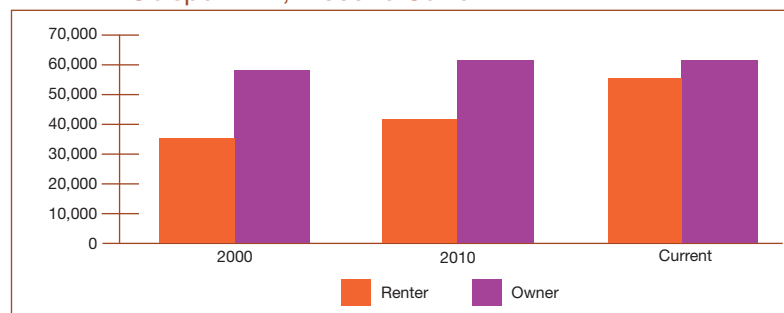
The San Luis Obispo HMA sales housing market is balanced and has improved from soft conditions that began during 2008 and continued through 2012 in response to stringent lending standards and the weaker economy during most of the period. The estimated sales vacancy rate is currently 1.0 percent, down from 2.1 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. Although the number of owner households has declined since 2010 (by only 80 a year to 60,550 owner households as of the current date [Figure 6]), a relatively larger increase in the

number of renter households has led to a decline in the homeownership rate of nearly 3 percentage points, to 56.8 percent (see Table DP-1 at the end of the report).

During the period of weak sales market conditions that lasted from 2008 through 2012, an average of 2,725 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 3,975 homes sold annually from 2005 through 2007, when market conditions were stronger. The decrease in sales reflected reductions in regular resale and new home sales of 44 and 65 percent, respectively, mostly because of decreased home sales in Paso Robles. These reductions were partly offset by a 22-percent increase in real estate owned (REO) home sales that resulted from the weakening of the sales market. The cities of Atascadero and Paso Robles accounted for 50 percent of the increase in REO home sales from 2008 through 2012.

By 2013, the sales market began to improve as the economy achieved a full recovery and the population expanded at a faster pace. During 2013

Figure 6. Number of Households by Tenure in the San Luis Obispo HMA,* 2000 to Current



* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Note: The current date is September 1, 2015.

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

Housing Market Trends

Sales Market *Continued*

and 2014, new and existing home sales averaged 3,800, or 39-percent higher than average sales from 2008 through 2012. Nearly the entire gain in sales resulted from a 74-percent, or 1,350-home, surge in regular resales that offset a 40-percent decline in REO home sales. During the 12 months ending August 2015, new and existing home sales increased 3 percent, or by 120 homes, with gains in regular resales and new home sales of 4 and 21 percent, respectively. Partly offsetting the increase in new and existing home sales was a 26-percent decline in REO home sales. Approximately 75 percent of new home sales since 2013 have been in the cities of Atascadero and San Luis Obispo, and the community of Nipomo. Regular resales and REO home sales have been concentrated in Paso Robles, where the inventory of these homes is among the largest in the HMA. The share of condominiums has been less than 10 percent of total sales since the mid-2000s, and sales have been concentrated in the city of San Luis Obispo.

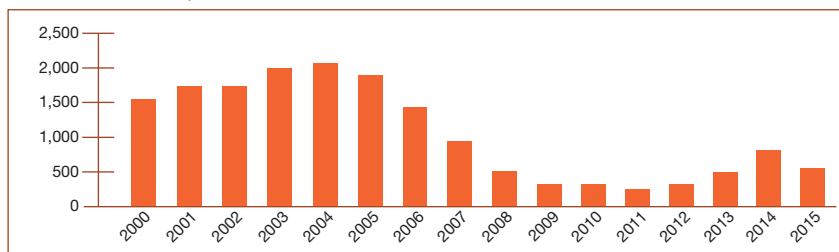
As sales market conditions improved, the average new and existing home sales price increased 6 percent during the 12 months ending August 2015, to \$543,100. Current sales prices in the HMA are greater than the \$461,100 averaged during the housing downturn from 2008 through 2012,

but they remain less than the \$622,900 averaged during the peak years from 2005 through 2007. Housing markets elsewhere in California have also strengthened, and the average home sales price increased 3 percent statewide during the 12 months ending August 2015. Despite the recent increase, the current average sales price in the HMA is 20 percent or more below average prices in Santa Barbara, Ventura, and Los Angeles Counties. These counties have accounted for the greatest proportion of net in-migration to the HMA, partly because of the relative affordability of housing.

The improvement in the sales housing market since 2013 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 August 2015, 1.0 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 1.3 percent in August 2014 (Black Knight Financial Services, Inc.). The rate for the HMA is currently lower than the 2.0-percent rate for California and the 4.2-percent rate for the nation. It is also the lowest in the tricounty area; Santa Barbara and Ventura Counties have rates of 1.4 and 1.6 percent, respectively.

Despite improved sales market conditions, 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. From 2000 through 2005, an average of 1,800 homes were permitted annually before permitting declined 24 percent, to 1,375 homes, in 2006 and declined an additional 33 percent, to 920 homes, in 2007 (Figure 7). The sales market was tightest in 2005, and,

Figure 7. Single-Family Homes Permitted in the San Luis Obispo HMA,* 2000 to Current



* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: Includes townhomes. Current includes data through August 2015.

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

Housing Market Trends

Sales Market *Continued*

although sales market conditions were relatively strong during 2006 and 2007, development began to slow partly because of water restrictions that limited development. By 2008, economic and sales market conditions had weakened considerably, and an average of 370 homes were permitted a year from 2008 through 2013. During the 12 months ending August 2015, 810 homes were permitted compared with 710 homes permitted during the same period a year earlier (preliminary data; analyst's estimates).

Significant single-family developments under construction are in the cities of Paso Robles and San Luis Obispo and the communities of Nipomo and San Miguel. The Serra Meadows community in the city of San Luis Obispo has 10 homes under construction, has 119 homes that are complete, and will have 179 homes at buildout. Prices start at the high \$500,000s. In downtown San Luis Obispo, construction has begun on Marsh Street Brownstones, consisting of 73 luxury townhomes. Completion is expected in 2017 and prices start at \$1.0 million. In Paso Robles, the 23-townhome Arbor Ridge has begun construction, with completion

expected in 2018. In Nipomo, the Monarch Dunes community began construction on 1,320 single-family homes in the early 2000s; 850 homes are complete. The newest neighborhoods under way include Trilogy at Monarch Dunes, with plans for 619 single-family homes starting at \$537,000 for a two-bedroom home. In San Miguel, the Heritage Ranch Village has 2,900 homes planned at buildout, with 2,100 homes already complete. Plans currently are to build 357 single-family homes, at approximately 60 to 100 homes a year, with buildout expected by 2022. Prices for these homes have yet to be announced.

During the next 3 years, demand is estimated for 2,500 new homes in the HMA (Table 1). Demand is expected to slow slightly by the end of the third year as growth in the economy plateaus, slowing the level of net in-migration. The 310 homes currently under construction will meet a portion of demand during the first year. In addition, some of the estimated 10,500 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 San Luis Obispo HMA* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
390,900	490,499	380	15.0
490,500	590,499	630	25.0
590,500	690,499	880	35.0
690,500	790,499	250	10.0
790,500	890,499	250	10.0
890,500	and higher	130	5.0

* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: The 310 homes currently under construction and a portion of the estimated 10,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is September 1, 2015, to September 1, 2018.

Source: Estimates by analyst

Rental Market

The rental housing market in the San Luis Obispo HMA is tight. The overall rental vacancy rate currently is estimated at 4.5 percent, down from 5.5 percent in 2010 (Figure 8), because renter household growth exceeded both the development of rental units and the conversion of sales units to the rental market. The apartment vacancy rate was 4.0 percent during August 2015 compared with 2.4 percent during August 2014, and the average market rent increased 4 percent, from \$995 to \$1,031 (Reis, Inc.).

Approximately 31 percent of single-family homes in the HMA were rentals in 2014 (2014 American Community Survey 1-year data), up from 26 percent in 2000 (2000 Census). The greater percentage of single-family homes for rent partly resulted from an increase in investor purchases of distressed homes for rental use. Apartments accounted for most of the remaining rental housing stock in 2014, or approximately 42 percent.

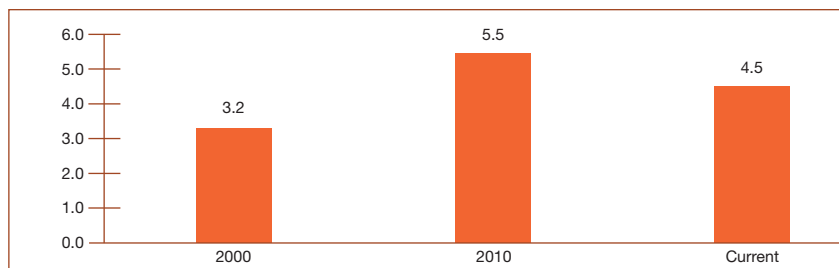
Since 2000, approximately 40 percent of all apartment construction activity in the HMA has occurred in the cities of San Luis Obispo and Paso Robles. Multifamily development

has been supported by the strength of the wine industry and related jobs in tourism in Paso Robles and by the overall strength of job growth and the student population in San Luis Obispo.

Student households comprise approximately 5 percent of renter households in the HMA, with a concentration in the city of San Luis Obispo, where Cal Poly is located. Student housing demand is primarily met by the 6,239 dormitory beds on the Cal Poly campus, by an additional 6,800 beds in off-campus apartments, and by single-family homes in neighborhoods surrounding the university. Only 28 percent of existing homes sold in 2013 and 2014 in neighborhoods surrounding the university were owner occupied, with the remaining purchased by investor companies who rent homes out to students (San Luis Obispo Association of Realtors®). Starting in late 2015, Cal Poly plans to begin construction of a 1,475-bed dormitory, which is expected to be complete by the fall of 2018. The new dormitory is expected to provide additional housing to existing students and an anticipated 600-student increase a year at Cal Poly for the next 7 years.

Multifamily permitting activity has fluctuated since 2000, but recent activity has not fully regained the peak levels attained from the early 2000s to the mid-2000s, despite an increase in renter household growth. The limited availability of water has led to overall limited development in the HMA, except in the city of San Luis Obispo because it currently has enough sources of water to meet its development projection. From 2000

Figure 8. Rental Vacancy Rates in the San Luis Obispo HMA,* 2000 to Current



* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Note: The current date is September 1, 2015.

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

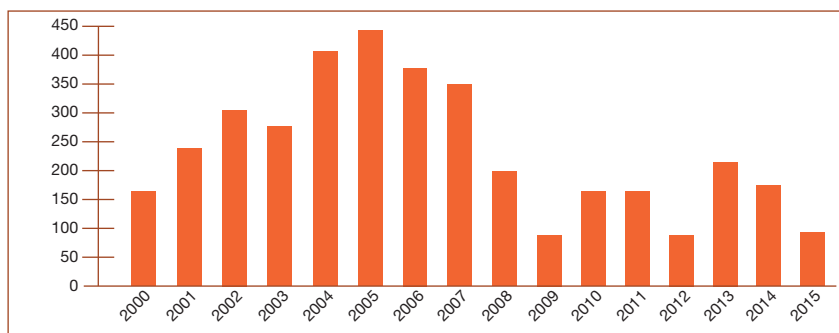
through 2005, multifamily permitting increased by an average of 55 units a year and reached a decade high of 440 units before slowing to an average of 360 units a year during 2006 and 2007 (Figure 9). The number of multifamily units permitted decreased further, averaging 140 units from 2008 through 2012. This 4-year period of significantly lower levels of multifamily development led to a tightening of apartment market conditions, but, by 2013, developers began to respond and permits increased slightly to an average of 190 units a year in 2013 and 2014. Approximately 16 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 August 2015, 130 multifamily units were permitted compared with 180 units permitted during the previous 12 months (CB Richard Ellis; U.S. Census Bureau; local planning offices).

Approximately 340 income-restricted housing units have been either completed or planned in the HMA in the past year, and this segment of the rental market remains the tightest.

Developments under construction include South Street Family Apartments in the city of San Luis Obispo, with 43 units that will be complete in early 2016. In Templeton, Rolling Hills Phase II is expected to be complete in late 2015, with 40 low-income housing tax credit (LIHTC) units. Additional affordable apartment developments include 150 LIHTC units in the Oak Park Redevelopment area of Paso Robles that were complete in early 2015. The need for affordable housing in Paso Robles is partly the result of the growing number of households that work in the wine industry and related support jobs in tourism. During the next 5 years, plans include adding 150 LIHTC units in the Oak Park area to meet the anticipated demand.

Market-rate apartments under construction are concentrated in the city of San Luis Obispo. Palomar Apartments began construction in mid-2015, with 33 studio apartments geared toward housing the Cal Poly student population. The 69-unit Junction, geared toward both students and young professionals, will comprise both studio and one-bedroom units, with completion expected in 2016. In downtown San Luis Obispo, small-scale mixed-use developments, comprising 10- to 20-unit apartments situated over commercial buildings, have increased during the past 3 years. Monterey Place, with 23 units over commercial space is currently under construction, with completion expected in 2016. Rents at all developments have yet to be announced. For newly completed market-rate studio, one-, two-, and three-bedroom units in the HMA, rents start at \$960, \$1,050, \$1,250, and \$1,400, respectively.

Figure 9. Multifamily Units Permitted in the San Luis Obispo HMA,* 2000 to Current



* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: Excludes townhomes. Current includes data through August 2015.

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

Housing Market Trends

Rental Market *Continued*

During the 3-year forecast period, demand is estimated for 610 new rental units in the HMA (Table 1). Similar to the sales market, demand is expected to slow slightly by the end of the third year as job growth and net in-migration moderate from higher levels. The 130 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 San Luis Obispo 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
960 to 1,159	110	1,050 to 1,249	130	1,250 to 1,449	130	1,400 to 1,599	25
1,160 or more	45	1,250 to 1,449	45	1,450 to 1,649	65	1,600 to 1,799	25
		1,450 or more	10	1,650 or more	20	1,800 or more	10
Total	150	Total	180	Total	210	Total	60

* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 130 units currently under construction will likely satisfy some of the estimated demand. The forecast period is September 1, 2015, to September 1, 2018.

Source: Estimates by analyst

Data Profile

Table DP-1. San Luis Obispo HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	117,613	120,348	134,100	0.2	2.3
Unemployment rate	4.0%	10.0%	4.9%		
Nonfarm payroll jobs	94,400	97,300	112,100	0.3	3.1
Total population	246,681	269,637	275,400	0.9	0.4
Total households	92,739	102,016	106,600	1.0	0.8
Owner households	57,001	60,920	60,550	0.7	-0.1
Percent owner	61.5%	59.7%	56.8%		
Renter households	35,738	41,096	46,050	1.4	2.1
Percent renter	38.5%	40.3%	43.2%		
Total housing units	102,275	117,315	119,900	1.4	0.4
Owner vacancy rate	1.1%	2.1%	1.0%		
Rental vacancy rate	3.2%	5.5%	4.5%		
Median Family Income	\$48,000	\$70,800	\$77,000	4.0	1.7

* San Luis Obispo-Paso Robles-Arroyo Grande HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2015. Median Family Incomes are for 1999, 2009, and 2014. The current date is September 1, 2015.

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: 9/1/2015—Analyst’s estimates
 Forecast period: 9/1/2015–9/1/2018—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_SanLuisObispo-PasoRobles-ArroyoGrandeCA_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.