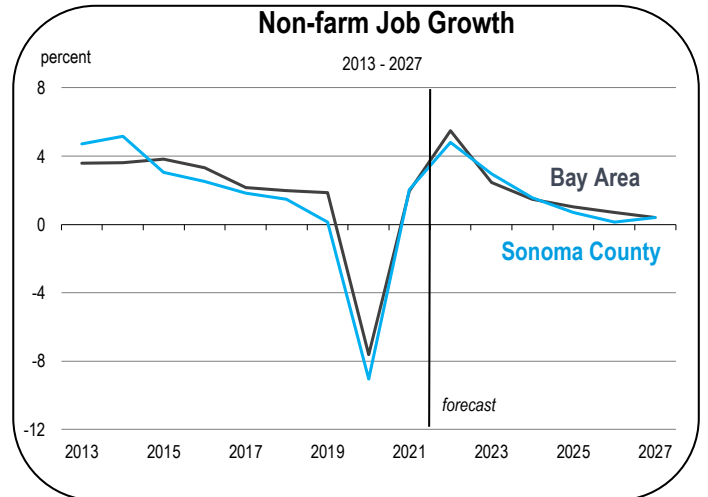


# Sonoma County Economic Forecast

## Forecast Summary

- Over 9,000 jobs will be restored in Sonoma County in 2022, which will account for a complete labor market recovery from the 2020 pandemic recession.
- Employment gains in 2022 will be largest in leisure services, which will recover 4,000 jobs, construction, retail trade, healthcare, and professional business services.
- There are an estimated 6,800 vineyard workers in Sonoma County. Winery workers comprise 7,700 jobs, and wine wholesaling positions total 1,250 workers, as of June 2022. Consequently, the industry represents a major employment force in the County.
- The Sonoma County unemployment rate averaged 5.5 percent in 2021. It is forecast to average 2.8 percent in 2022.
- The Sonoma County population is expected to increase gradually over the forecast period.
- An average of 1,600 homes will be built each year over the forecast period, which includes approximately 30 percent of the fire builds from the 2017 Sonoma Complex fires.
- Home prices rose 9.8 percent in 2021. The median selling value of a single-family home is on pace to increase 8 percent in 2022 even though selling values have declined between April and October of this year. The median home price for a single-family detached home in October 2022 was \$797,500.
- Homes in Sonoma County are more affordable than other parts of the Bay Area, but are still too expensive for most households in the county.

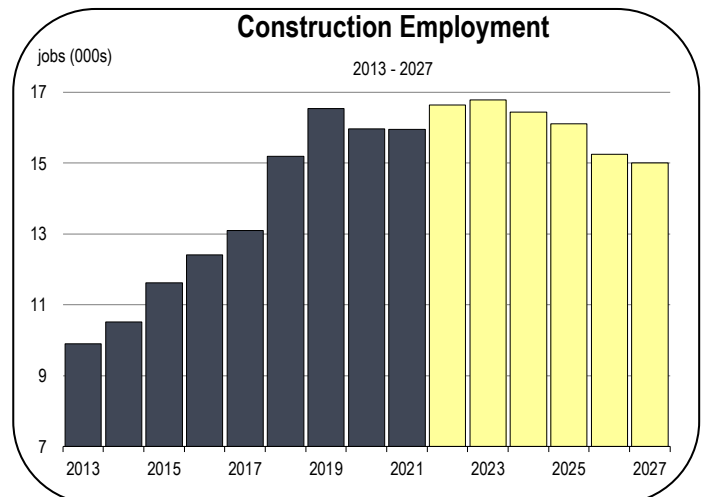
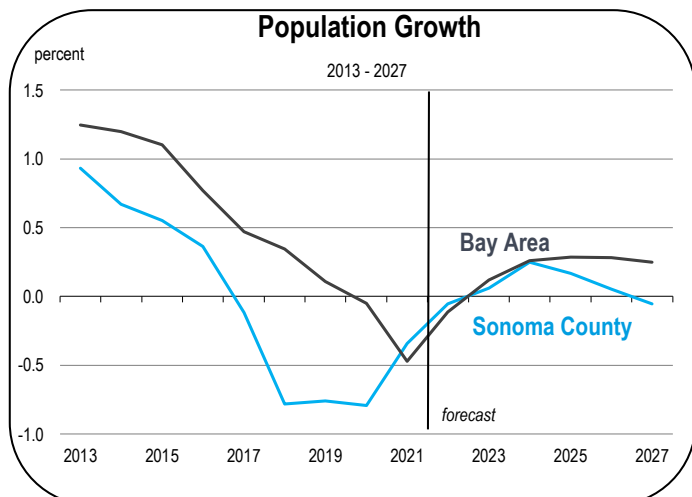


## Job Growth

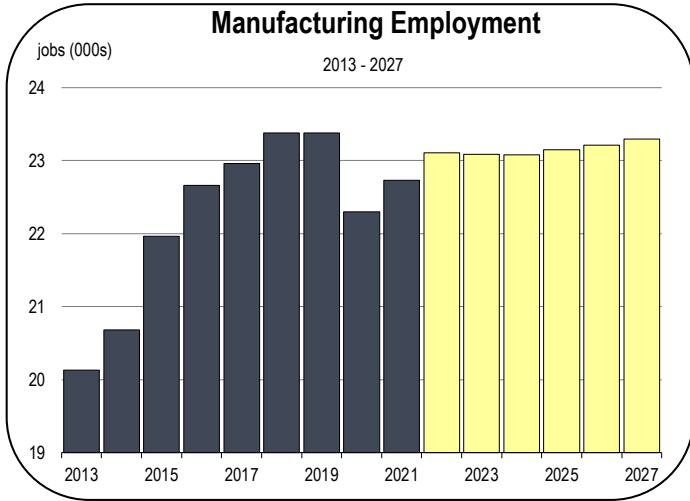
- Total employment in Sonoma County will expand by 4.8 percent in 2022, and 2.8 percent in 2023.
- Between 2022 and 2027, employment growth will average 1.7 percent per year, a rate similar to the greater Bay Area labor market.

## Construction Employment

- The construction sector will add nearly 700 new jobs in 2022, a 4.3 percent increase.
- The construction sector will remain at record high workforce levels through 2025 because (1) a large proportion of the rebuilds from the 2017 fires will continue, and (2) the entitlement pipeline of new homes in Santa Rosa remains prolific.



# Sonoma County Economic Forecast



## Manufacturing Employment

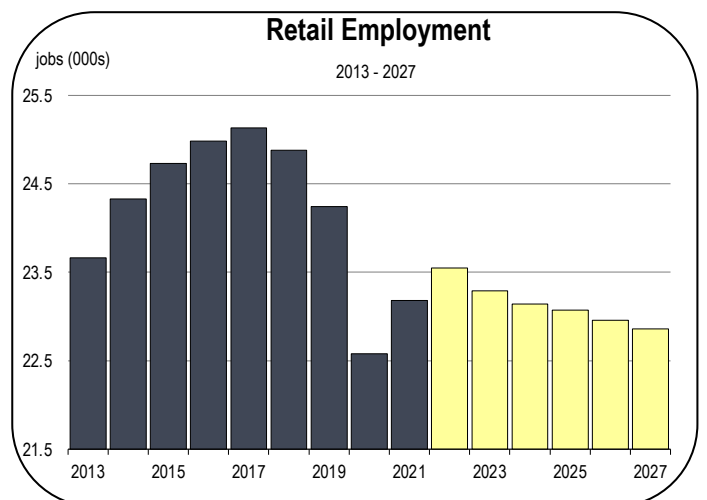
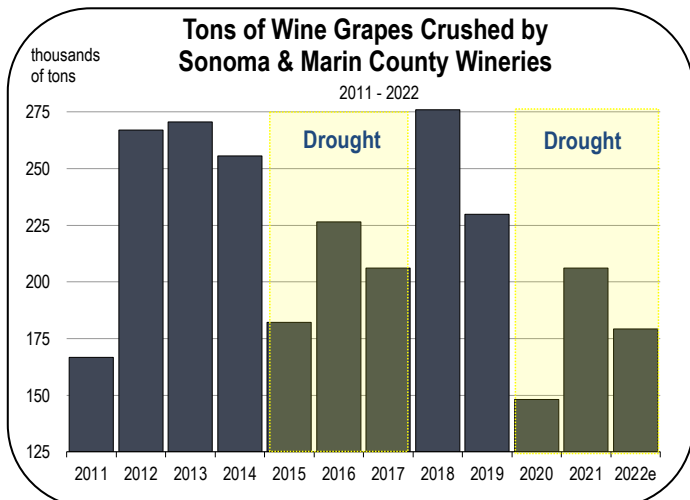
- Wineries account for 33 percent of all manufacturing jobs in Sonoma County because wineries are considered beverage manufacturers.
- The 2021 and 2022 grape harvests are expected to be excellent vintage years. The grape yield was slightly lighter than average, but the depth of flavor due to the drought, is expected to result in higher quality and higher priced products.
- The 2021 grape harvest in Sonoma yielded 202,304 tons of wine grapes. This is an increase of over 50,000 tons from the 2020 total of 148,085 tons. However, production is still below the previous 10-year average of 222,912 tons. The 2022 harvest was estimated at 175,000 tons.
- The total value of the 2021 harvest was \$541 million, representing an increase of 51 percent from the total 2020 value. The 2022 harvest quality is being referred to as “stellar” according to the North Bay Business Journal.

Weighted Average Prices Paid for Wine Grapes in 2021	Dollars per Ton	Percent Change from 2020
Cabernet Sauvignon	\$2,728	10.9
Pinot Noir	\$3,518	11.8
Merlot	\$1,960	23.3
Zinfandel	\$3,113	18.6
Syrah	\$2,871	16.1
Chardonnay	\$2,284	-1.2
Sauvignon Blanc	\$1,730	11.3

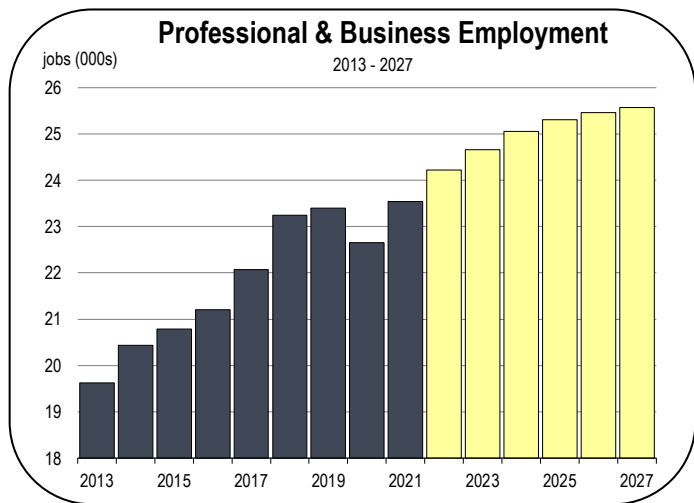
- Sonoma Cabernet Sauvignon was priced at an average of \$2,739 per ton in 2021, compared to \$2,352 in 2020. Prices as a whole went up in 2021 as grapes rebounded from the fires and smoke exposure experienced in 2020.

## Retail Trade Employment

- The retail sector rebounded sharply in 2021 and 2022, restoring 600 and 500 jobs respectively, accounting for a 5.0 percent increase in employment. More completed housing and a surge in wine country tourism have been responsible for the growth of retail employment in the larger commerce centers of Santa Rosa, Rohnert Park and Petaluma.
- Following 2022, automation and the transition to online shopping will minimize the extent to which retail jobs will be necessary in grocery, department, and other retail operations over the forecast period.



# Sonoma County Economic Forecast

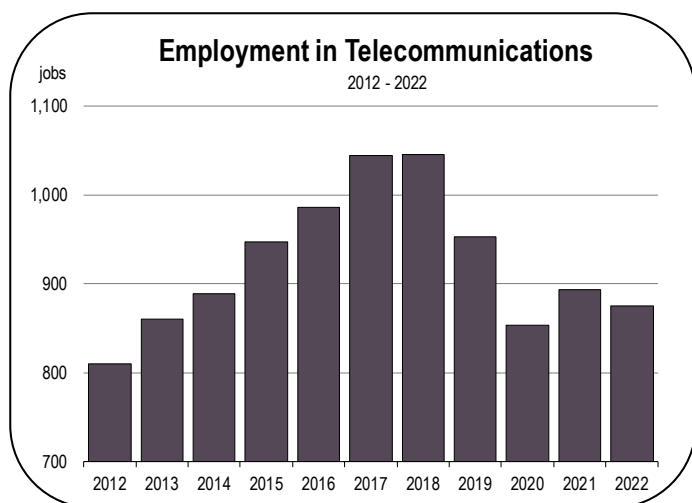
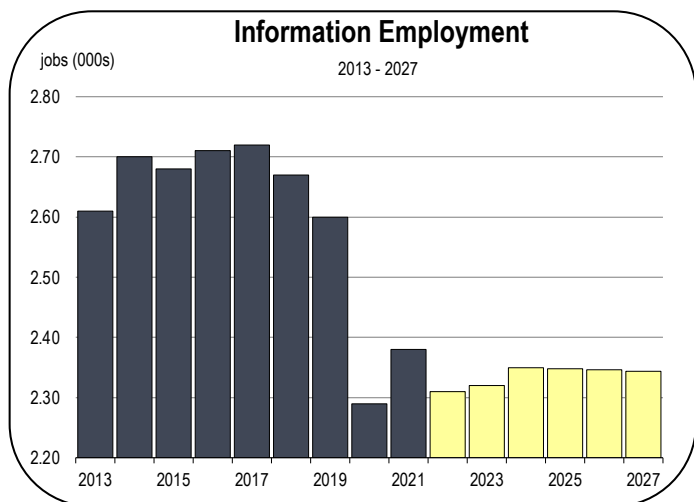


## Professional and Business Services Employment

- Employment in the professional and business services industry reinstated 900 jobs in 2021, an increase of 4 percent. In 2022 another 700 jobs will be created.
- Over the long term, growth is expected to be strongest in professional, scientific, and technology services.

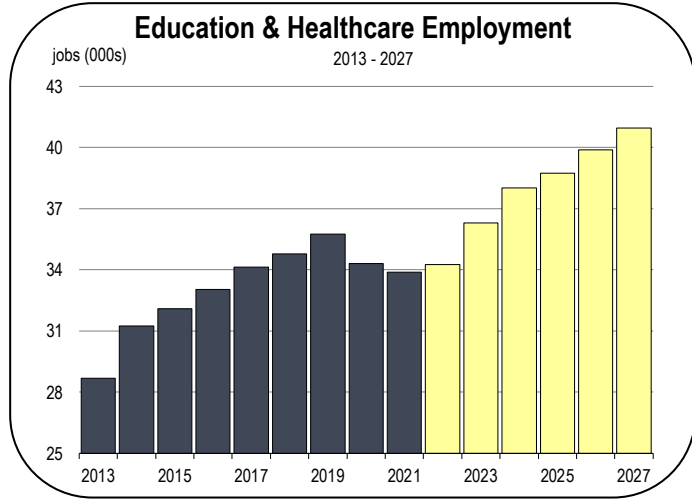
## Information Employment

- In Sonoma County, the information sector is very small and is primarily comprised of telecommunications companies and firms that publish newspapers, magazines, and books.
- The telecommunications industry is anchored by AT&T, which has 600 employees in Sonoma County.
- Most subsectors in the information industry are in long term patterns of decline. After a partial rebound in 2021, stagnation is expected in overall staffing levels.



## Private Education and Healthcare Employment

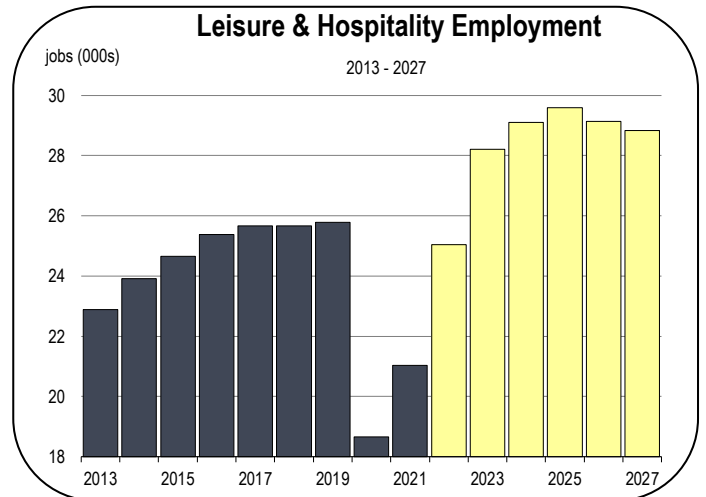
- The private healthcare and education industries were characterized by large job losses in 2020, which have continued into 2021.
- Some of the largest employers in the County are healthcare companies. Kaiser is the largest private employer in Santa Rosa with a headcount of 3,508. St. Joseph Health has 2,500 workers, and Sutter Regional Hospital has a staff of 1,050.
- The recovery in healthcare positions began in mid-2021 and continues through 2022. Because of the demographics of the county, a vibrant forecast for job creation occurs over the 2023 to 2027 period. The delay in job creation is largely due to the sluggish return of the labor force in Sonoma County, an issue frustrating many California counties.



# Sonoma County Economic Forecast

## Leisure and Hospitality Employment

- The sector is the second largest in terms of workforce. Of the 26,000 people working in this industry, 19,000 are in food services, or bars and restaurants.
- In the spring and summer months, 70 to 80 percent of hotel rooms are occupied on any given day, with close to 100 percent occupancy on weekends. During the first half of 2022 average hotel occupancy was higher than in 2021 by a few percentage points every month. Hotel occupancy has principally rebounded but has not yet eclipsed the high utilization levels recorded in 2019.
- Wine tourism in Sonoma County began rebounding in 2021. An estimated 9.9 million visitors spent \$1.97 billion in 2021, an increase of 58 percent compared to 2020, but visitor spending still lags the 2019 record levels.
- Local Sonoma County and City revenue generated by the local tourism industry (\$198 million in 2021) is used to help support regional parks, economic development, arts and culture, education, roads, public safety, education, and affordable housing.

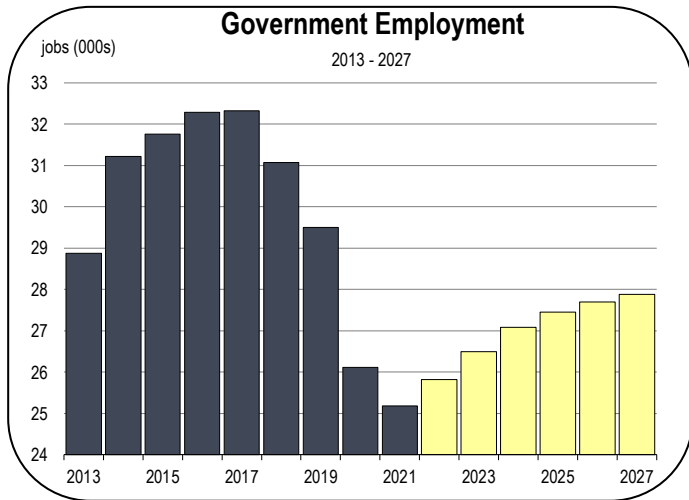


- Employment is on pace to add 4,000 jobs to this sector in 2022. Wine tourism remains strong even though wine tasting prices have substantially risen relative to the pre-pandemic period. An estimated 85 percent of Sonoma wineries now require reservations. The average per person tasting room price is \$37 in 2022.



Wine tourism is a substantial driver of leisure and hospitality employment.

# Sonoma County Economic Forecast

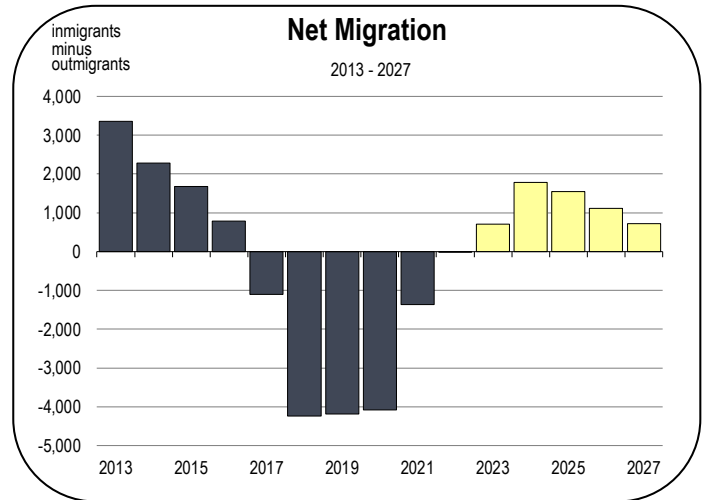
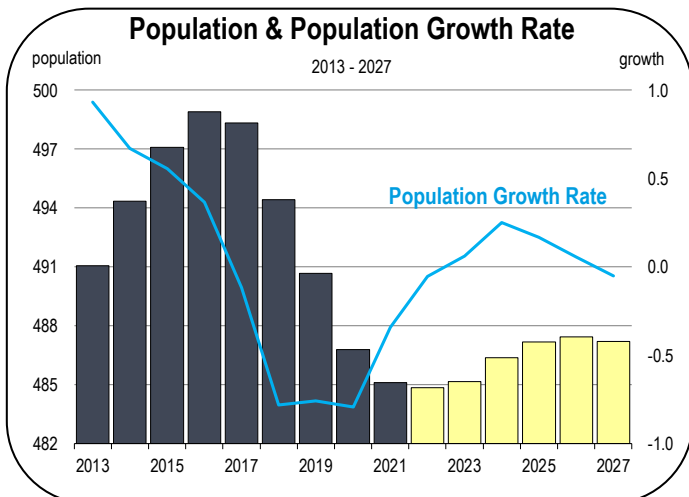


## Government Employment

- Employment within the state and local government sector declined by 3,600 jobs in 2020. The sector then added 750 positions in 2021 and is on pace to recover another 650 jobs in 2022.
- A return to previous peak employment levels is not part of the forecast because a portion of local public sector employment had been added as a result of the rebuilding effort from the 2017 fires. That effort is now mostly complete. Furthermore, K-12 student enrollments have been in steep decline since 2018 and will limit the need to increase or replace K-12 staffing in the county.

## Population Growth

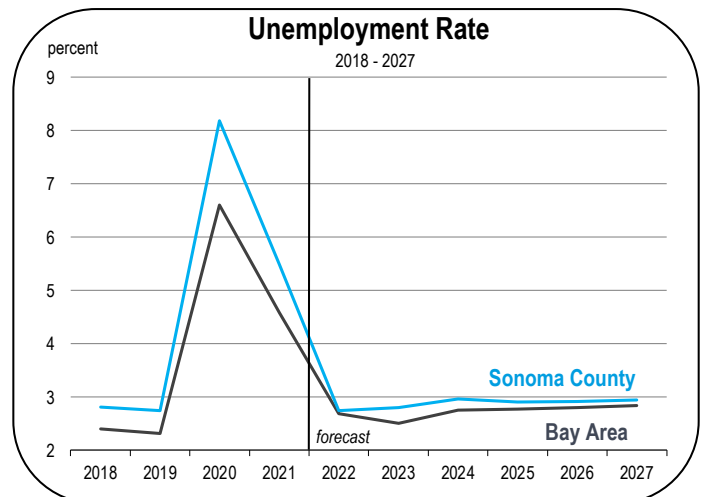
- In 2018 and 2019, outmigration was driven by wildfires. In 2020 outmigration was largely a result of the Coronavirus Recession. More than 1,300 net migrants left Sonoma County in 2021.
- The Sonoma County population is expected to grow slightly over the next 5 years, due largely to residents returning to rebuilt homes.



- Net migration is expected to rise by approximately 6,000 new or returning residents between 2022 and 2027.
- Sonoma County has an older population base with a low birth rate, and the number of deaths is expected to exceed the number of births, placing a drag on population growth towards the end of the forecast.

## Unemployment and Inflation Rates

- The unemployment rate in Sonoma County averaged 5.5 percent in 2021, which is similar to the composite rate for the Bay Area.
- An unemployment rate below 4.0 percent signifies a fully employed workforce in Sonoma County.
- The unemployment rate is expected to average 2.8 percent in 2022 and 3.0 percent in 2023.
- Inflation soared in 2021 and is expected to remain elevated in 2022 and 2023.

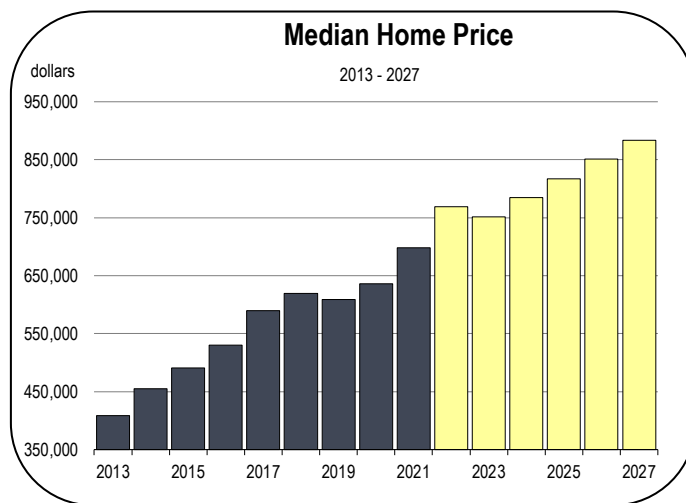


# Sonoma County Economic Forecast

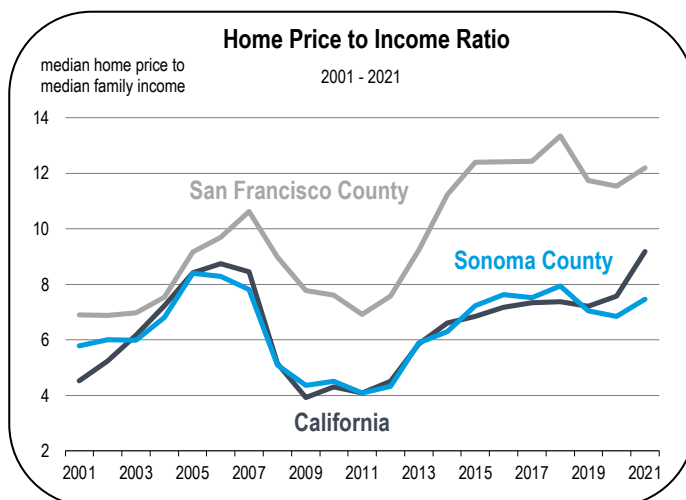
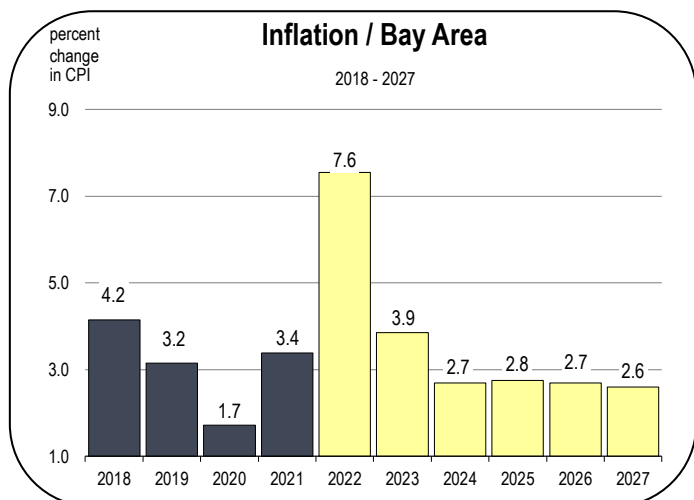
- During 2022 and into 2023, there will be a number of factors that will contribute to higher-than-normal inflation. The most prominent will be:
  - Spending by consumers and the federal government that was especially prolific in 2021 and 2022
  - Global supply chain interruptions (from the pandemic) that have raised the cost of production for many businesses
  - Sharp increases in the cost of housing and energy
  - Labor market recruitment challenges that have led to surging wage increases
- Combined, these factors have pushed 2022 inflation to its highest rate in 40 years. Ultimately, inflation reduces the purchasing power of households and negatively impacts consumer confidence, limiting the growth potential of the economy in 2022 and 2023.
- However, inflation will gradually decelerate in 2023 as supply chains are restored, and the impending economic slowdown moderates the demand for labor and wage increases. Average inflation rates eventually decline to 3 percent again by 2024.

## Home Prices and New Housing Production

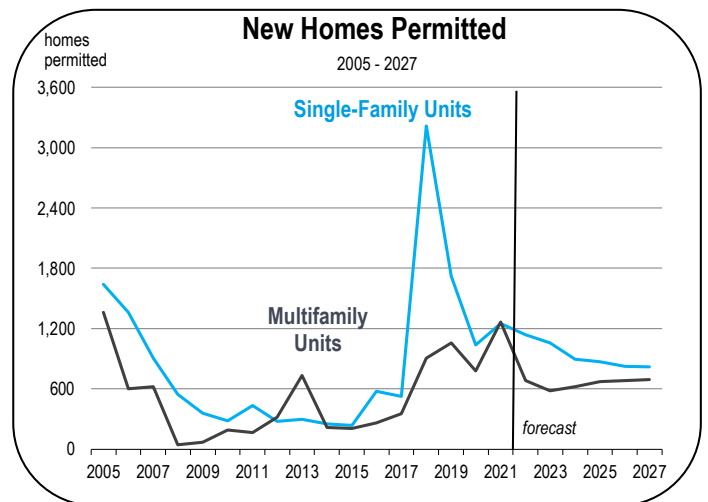
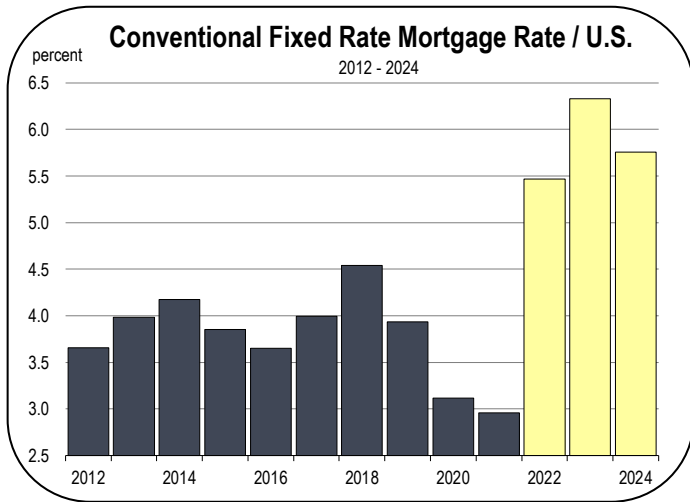
- In 2021 the median housing price for all single family and condominium units in Sonoma County was \$675,600. For single family detached housing, the median price was \$767,300.
- Homes in Sonoma County cost approximately half as much as homes in San Francisco or Marin County, and are substantially less expensive than the East Bay.
- The median price is on pace to rise 8 percent in 2022, despite declining monthly median prices during the second half of the year. The median price is forecast to contract 1 to 2 percent in 2023.



- The typical household in Sonoma County needs to spend 30 percent of its income to afford the median price home. In San Francisco and other parts of the Bay Area, families often spend more than 50 percent of income on mortgage payments or rent.
- From 2016 to 2021, an average of 2,150 new homes were started per year in Sonoma County. Approximately 75 percent were single-family homes, and most of the new housing production from 2018 to 2020 were fire rebuilds.
- Housing production is expected to average 1,600 homes per year from 2022 to 2027, consisting primarily of single-family homes.
- New housing production will be insufficient to circumvent future affordability issues in the county. With elevated interest rates this year and likely in 2024, together with low levels of housing inventory, home prices are still forecast to rise after 2023.



# Sonoma County Economic Forecast



- New housing development has represented a principal growth engine for Sonoma County in recent years. The surge in new housing permits as a result of the 2017 Sonoma Complex fire rebuilds is approximately two-thirds complete. However, more new housing is slated for the county.
- In the last year, The Association of Bay Area Governments (ABAG) assigned Sonoma County a total of 14,562 housing units to build over the 2023-2031 period. This assignment comes from the Regional Housing Needs Assessment program of the Housing and Community Development Department.
- Santa Rosa and the Unincorporated Sonoma County Area have the largest housing assignments at 4,685 and 3,881 units respectively. The previous 8-year-cycle required only 515 units in the Unincorporated Sonoma County area by HCD.
- Santa Rosa has a spate of residential projects proposed and in its entitlement pipeline. The list of the principal developments include:
  - Santa Rosa Avenue (119 multifamily units)
  - 420 Mendocino Avenue (116 units)
  - 556 Ross Street (109 units)
  - 704 Bennett Valley Road (62 units)
  - 3575 Mendocino Avenue (532 multifamily units)
  - Dutton Meadows Subdivision (137 single-family units)
  - Fountaingrove Inn Apartments (244 multifamily units)
  - Mosaic Apartments (147 units)
  - Riverfront 2020 (134 homes, 120 room hotel)
  - Brody Ranch (199 single family and condos)
  - Pullman Phase II (40 unit apartment building)
  - Quarry Heights (272 homes)
  - North River Apartments (184 units)
  - 425 Humboldt Street (95 apartment units)

- Petaluma also has a myriad of projects in planning or under construction:
  - In Planning:
    - Scannell Mixed Use (275 units)
    - Oyster Cove (132 units)
  - Approved:
    - Riverview Apartments (264 units)
    - Haystack Pacifica (182 units)
    - Meridian at Corona Station (131 units)
  - Under Construction:
    - Riverfront (134 single-family units)
    - North River Apartments (184 units)



Riverfront in Petaluma Currently Under Construction





# Sonoma County Economic Forecast

## Socioeconomic Indicators

