



**Sonoma County  
Economic Development Board**



# Demographics

2024

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# Highlights

## Female-owned businesses

- 42% of businesses in the County are either female-owned or equally female/male owned establishments.
- Growth of women-owned businesses has outpaced that of male-owned businesses since 2019.

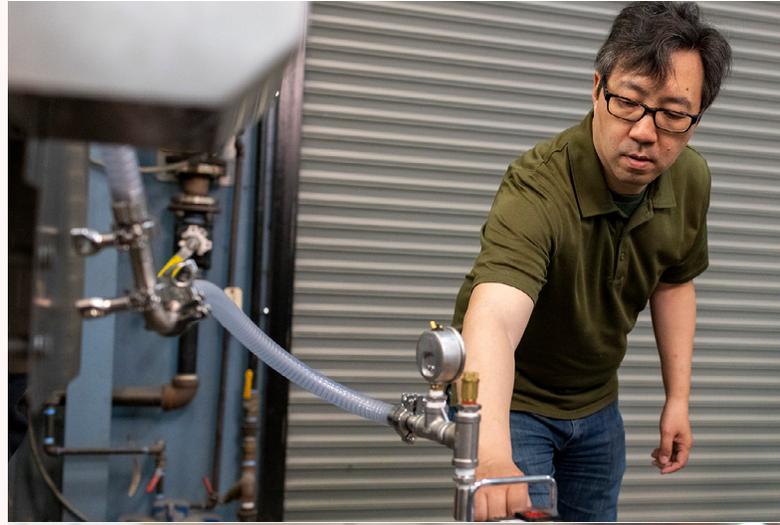
## BIPOC-owned businesses\*

- Growth in the Hispanic and Asian communities is reflected in the increasingly diverse business landscape.
- BIPOC-owned firms skew younger, making up 33% of the total number of firms that have operated for less than 2 years.

## Demographics

- Sonoma County has shed residents for 6 years, resulting in a 4% decline in population since 2016.
- Greater automation and a general push toward labor saving technologies will slow the pace of job additions even as producers grow their operations.

*\*The US Census refers to BIPOC (Black, Indigenous, and People of Color) owners as minority owners. The rest of this report refers to the official categories from the Census' Annual Business Survey, although the EDB recognizes this term is not an accurate description of these communities.*



**Business ownership in Sonoma.** Sonoma County's population has grown steadily in the past few decades, with particularly significant growth in the Hispanic and Asian communities. This has led to an increasingly diverse population, which is reflected in the county's business landscape.

In terms of business ownership, there has been a notable increase in the number of businesses owned by women and minorities in recent years. This trend is likely because of a combination of factors, including changing societal attitudes toward diversity and inclusion, increased access to resources and support for women and minority business owners, and the county's diverse population.

Understanding these demographics is not only crucial for policymaking and planning, but it also provides valuable insights into the county's economic trends. The Census Bureau's Annual Business Survey, a comprehensive source of information on selected economic and demographic characteristics for businesses and business owners, provides a wealth of data that can be used to analyze trends in Sonoma County. In this report, we particularly focus on trends in women- and minority-owned businesses. Women- and minority-owned businesses are vital components of the county's economy, contributing significantly to job creation and economic growth.

The Annual Business Survey provides the most in-depth statistics of women- and minority-owned businesses, as well as full geographic coverage that allows comparisons to the U.S. through 2021. Sonoma holds a slight advantage over the U.S. in women-owned businesses, with 24% of respondent firms reported as women-owned majorities compared with 22% for the nation.

This advantage becomes even more significant when accounting for equally male/female ownership, as 42% of respondent employer firms in Sonoma County are either female-owned or equally male/female-owned, compared with 35% for the U.S. Minority-owned businesses follow a similar pattern. Of respondent firms, Sonoma County has a slightly higher concentration of minority-owned business, at 22% compared with 21% for the U.S. The proportion of workers employed by women-owned firms is 15%, nearly double the national share of 9%. Minority-owned businesses employ about 11% of workers versus 8% in the U.S. overall.

While data limitations make longer-term comparisons more difficult, as some years have small sample sizes that lead to unreliable data, we can use the 2017 Annual Business Survey to see how these trends have changed over time.

The shares of women- and minority-owned businesses have grown at a rapid pace. In 2017, only 17% of Sonoma County respondent firms were women-owned and 14% were minority-owned.

The ABS provides even more granular detail on the industries most represented by women- and minority-owned businesses. Accommodation and food services boast one of the highest concentrations of minority-owned businesses, with just more than half of surveyed Sonoma County employer firms minority-owned, compared with 38% for the U.S. Further breakdowns by industry sector are limited by data availability in the county but are provided in the national data.

When looking at the percent of sales, value of shipments, or revenue of employer firms, women- and minority-owned firms are growing their share but still rank significantly behind their counterparts. There are a few reasons for this.

For one, these firms are newer on average, and younger firms are still growing their revenue base. The ABS shows the number of years businesses have operated, broken down by owner characteristics. While the data are limited and suffer from small sample sizes, we can see that women- and minority-owned businesses are younger than other businesses. This makes sense given the strong growth in women-owned firms in the past five years.

Firms that have been in business for more than 16 years have a significant gap between men-owned and women-owned firms, with the number of men-owned firms more than double the number for women-owned firms. For firms that have been in business two to three years, there is about an equal share of men-owned and women-owned businesses.

This is also the case for minority-owned businesses. These again generally skew younger and smaller, but there is significant progress as well. Minority-owned firms that have been in business for less than two years comprise about 33% of the total number of firms that have operated for less than two years. Among all minority-owned firms, the share less than 2 years old is much larger, indicating a growing share of minority-owned businesses. Among firms of all ages, minority-owned businesses account for 22% of the total. When the age profile is raised to firms between 2 and 5 years old, minority-owned firms are even better represented, accounting for around 37% of the total, again dwarfing the share of total firms.

This again speaks to the progress of both women- and minority-owned firms in closing the gap on business ownership. These trends are apparent in both the 2017 and 2021 surveys

and point to sustained trends in business ownership that will continue to raise the share of women- and minority-owned businesses.

The growth in the proportion of women- and minority-owned businesses during the past five years can be attributed to a confluence of factors. First, there has been a societal shift toward greater inclusivity and diversity, which has encouraged traditionally underrepresented groups to venture into entrepreneurship. This shift is reflected in changes in legislation and policy, such as affirmative action and diversity quotas, which aim to level the playing field and provide more opportunities for these groups.

Second, there has been a significant increase in the availability and accessibility of resources tailored to these groups. This includes specialized training programs, mentorship initiatives, and funding opportunities such as grants and loans that are specifically designed for women and minority entrepreneurs. These resources provide not only the necessary capital to start and grow a business, but also the knowledge and skills to navigate the entrepreneurial landscape. Third, advancements in technology have reduced barriers to entry and made it easier for entrepreneurs to start a business.

With the rise of e-commerce and digital platforms, it is now possible to reach a global market without the need for significant upfront investment. This has been particularly beneficial for women and minority entrepreneurs, who may face additional barriers in traditional business settings. Last, there has been a growing recognition of the economic potential of women- and minority-owned businesses. These businesses are a significant contributor to job creation and economic growth, which has led to increased support from both the public and private sector. This recognition has increased the visibility of these businesses and created a positive feedback loop that encourages more women and minority individuals to become entrepreneurs. It is important to note, however, that despite these positive trends, women- and minority-owned businesses still face significant challenges, including limited access to capital, discrimination, and lack of representation in certain industries. Therefore, while the growth in their proportion is certainly a positive sign, there is still much work to be done to ensure equal opportunities for all entrepreneurs.

**Women-owned businesses.** Women-owned businesses significantly contribute to the U.S. economy. As per the WIPP Education Institute, more than 14 million businesses—nearly 40% of all businesses—are owned by women. The growth of women-owned

businesses in terms of firms, employment and revenue surpassed that of men from 2019 to 2023. Despite the limitations of sample sizes and lagged data at the county level, the more current national statistics suggest an accelerated trend post-pandemic and project a positive outlook for women- and minority-owned businesses in Sonoma County.

The WIPP Education Institute's national data indicate that the growth in the number of women-owned businesses was nearly twice that of men's from 2019 to 2021. This growth rate improved even further when comparing 2022 to 2023, when growth in women-owned firms outpaced men-owned firms more than threefold. Both women- and men-owned employer firms added employees, but the growth rate for women's businesses was 3.5 times that of men's from 2019 to 2023, and almost five times higher from 2022 to 2023. Both women- and men-owned businesses saw an increase in their share of total revenues. However, women-owned businesses' growth rate exceeded men-owned by a significant margin.

The ABS and WIPP Education Institute also provide detailed data on the industry composition for women-owned businesses. In 2012, women-owned businesses were primarily in three industries. The latest data show that half of all women-owned businesses are in four sectors: other services; professional, scientific and technical services; administrative and support and waste management and remediation services; and healthcare and social assistance. This diversification among women-owned businesses is a positive sign. From 2019 to 2023, the sectors that experienced the most significant growth—around 50%—in the number of firms for women-owned employers were finance and insurance, and real estate firms. While these data are not available at the county level, the trends in diversification offer a window into how Sonoma County business owners may be broadening into more industries as well.

These trends suggest that Sonoma County's growth in women- and minority-owned businesses has persisted since 2021 when the most recent data were released. Women- and minority-owned businesses, as discussed above, have grown more rapidly than men and nonminority-owned businesses nationally since 2019, though Sonoma County's relatively strong standing relative to the nation in these categories could suggest a slightly slower rate of growth.

**Demographics.** Sonoma County's demographic characteristics diverge in a few ways from those of the West and the U.S. overall. In the past few decades, the U.S. has seen signifi-

cant growth in ethnic minority populations, a trend mirrored to a lesser extent in Sonoma County. While Sonoma County has seen an increase in these populations, the proportion of white residents remains higher than the national average and in the West. Still, the share of residents who identify as Hispanic or Latino ranks higher than the national average, making up more than a quarter of residents.

In terms of age distribution, Sonoma County leans toward an older demographic. The median age of 43 is higher than the national and regional medians of 39 and 38, respectively, and there is an above-average share of seniors in the population. Education levels in Sonoma are on par with the West region and exceed the national average, with a larger percentage of adults holding a bachelor's degree than nationally. Socioeconomically, the median household income in Sonoma County surpasses the national average. This owes to the large share of Sonoma residents who work in high-paying industries in the county and the Bay Area, coupled with the large share of older residents whose income derives from investments.

**Population trends.** Sonoma County has now shed residents in six consecutive years, leaving the population 4% smaller than it was in 2016. This puts Sonoma County's population losses among the 20 largest among metro areas and divisions nationally. However, this is still milder than in neighboring Napa and San Francisco.

The population has declined for two reasons: natural population loss because of falling birthrates and slightly rising death rates, and out-migration. Natural population declines are only a small factor; the primary reason for the consistent population declines is out-migration.

The chief reason for the net out-migration of residents stems from affordability challenges. Housing affordability in Sonoma ranks among the lowest nationally, and high costs have pushed residents to relocate in lower-cost areas in the state and region.

The Census Bureau provides annual migration data through 2022, which show net out-migration since 2017. More granular data from Equifax confirm that trend and provide detail on where movers are coming from and moving to. The figures used in this report are derived from full-year numbers calculated using monthly data from Equifax. The full year of data helps ensure a more robust sample. Sonoma County has lost residents on net to Sacramento, Clearlake, Ukiah, and other metro areas throughout the broader Mountain West that boast significantly lower living and housing costs

than Sonoma County. These migration trends predate the COVID-19 pandemic but were likely exacerbated by the proliferation of remote work. Some older workers have taken advantage of remote work to relocate to eventual retirement destinations earlier than planned, and most of them are unlikely to return to their metro area of origin. Likewise, younger workers took advantage of remote work to lower their living costs.

Sonoma County's net migration improved in 2023, with net out-migration of residents now at its lowest level since 2016. The deceleration in out-migration can be attributed to two main causes. Migration slowed across the country during the year, with fewer moves overall compared with the previous two years. With interest rates rising rapidly over the past year, a lack of housing inventory was made more severe because of the "rate lock" effect, which kept more would-be movers tethered to their homes, reluctant to give up favorable fixed-rate mortgages. The slower pace of out-migration from Sonoma County suggests that lock-in effects kept more Sonoma County residents in place.

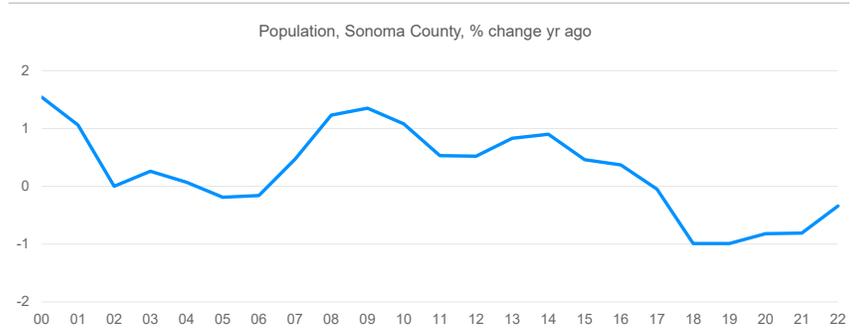
The second reason for the deceleration in out-migration is Sonoma County's relatively favorable housing affordability compared with neighboring metro areas. While the county's housing affordability still ranks poorly nationally, affordability has improved moderately in the past year and compares favorably to some of the larger coastal metro areas that neighbor the county. Twice as many people moved from Napa County to Sonoma County in 2023 versus 2022. Napa County is one of the handful of metro areas where housing affordability ranks worse than Sonoma County.

Sonoma County's population trends should continue to improve as the housing market rebalances. House prices are roughly even with their level from a year earlier, while California's house prices are up nearly 5%. Nearly a year of house price declines has helped affordability tick up, and more buyers are comfortable buying at the current prices. Sonoma County's house prices are now at a level more consistent with underlying economic fundamentals, including household formation and income growth. Indeed, for the first time since 2014, county house prices are no longer overvalued, which signals a more balanced housing market. It will take until 2026 for Sonoma County's house prices to return to their previous highs, which will further improve affordability. More residential building will help alleviate supply shortages. Net migration will follow suit as Sonoma County retains its affordability edge.

*Colin Seitz  
February 2024*

Outright population losses have occurred in six consecutive years in Sonoma County, though the pace in 2022 marked a slight improvement over recent years. Sonoma is among a handful of costly coastal counties that have lost residents as housing costs have surged since 2020, yet Sonoma still ranks favorably in demographic trends relative to neighboring Napa County and other metro areas near the Bay Area.

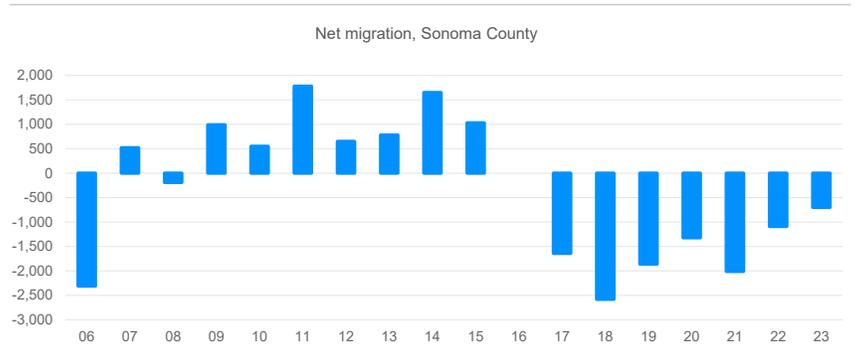
**Population Losses Persist, but Mark an Improvement Over Recent Years**



Sources: Census Bureau, Moody's Analytics

Timely migration data from Equifax point to a significant slowdown in the pace of out-migration in 2023. While net migration is still firmly in negative territory, out-migration last year reached its slowest pace since population declines took hold in 2016. An improvement in housing affordability was a key reason for the slowdown. Further cooling in house prices will improve population trends as fewer residents are priced out of the county's housing market.

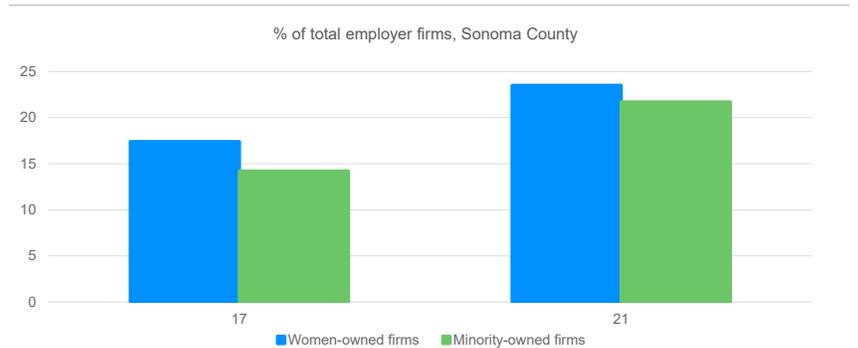
**Improving Housing Affordability Drives Improvement in Migration**



Sources: Equifax, Moody's Analytics

Women- and minority-owned firms grew as an overall share of total Sonoma firms from 2017 to 2021. In 2017, only 17% of Sonoma respondent firms were women-owned and 14% were minority-owned, but those shares have grown to 24% for women-owned and 22% for minority-owned, both of which are higher than the overall U.S. shares across the same metrics.

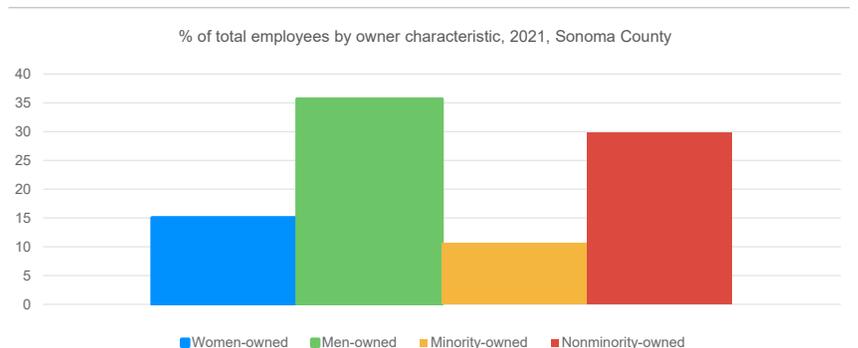
**Women- and Minority-Owned Firms Grow Rapidly...**



Sources: Census Bureau, Moody's Analytics

While making strides in terms of overall employer firms that are owned by women or minorities, the size of these firms still pales in comparison to their men- and nonminority-owned counterparts. Women- and minority-owned firms skew to younger and smaller firms generally, as evidenced by the ABS data. As these younger firms age and add more employees, this gap will begin to shrink, but it will take some time given the significant gap in employment size and strong trends in new-business formation among women and minorities.

**...But Are Still Smaller in Size**



Sources: Census Bureau, Moody's Analytics



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