

# California's Cannabis Sales Slump Bypasses Certain Areas

## While Overall Cannabis Sales Have Been Falling in California, Some Areas are Breaking the Trend by Growing Transaction Dollars

While overall cannabis sales have been declining in California since early 2021, some areas of the state are breaking the trend by experiencing significant growth in transaction dollars.

Sales of recreational marijuana in California reached nearly \$351 million in May, according to Seattle-based cannabis analytics firm Headset. However, this figure represents a 10% decrease from May 2023 and a 16% decline from May 2021, when sales topped almost \$420 million.

### Sales Boom in Costa Mesa

Aggregating sales data for such an enormous state masks growth seen in specific areas, such as Costa Mesa. Located in Orange County, about 40 miles southeast of Los Angeles, Costa Mesa voters agreed in 2016 to allow medical marijuana businesses and approved recreational cannabis retail in 2020.

Although Costa Mesa's first recreational retailers didn't open until December 2022, sales have grown exponentially since then. Taxable marijuana sales in Costa Mesa reached \$9.7 million in the first quarter of 2024, up more than 450% from \$1.8 million in the first quarter of 2023, according to data released by the California Department of Tax and Fee Administration.

The growth could soon be hampered, as the Costa Mesa City Council has started rewriting rules for marijuana businesses to include a cap of 35 storefronts.

### Alameda, Crescent City, Moreno Valley, and Napa Up

While not reaching the level of Costa Mesa, Crescent City, situated near the Oregon border, has also experienced substantial sales growth since 2023. Taxable [cannabis sales](#) grew 45% year-over-year from the first quarter of 2023. The city surpassed \$1 million in sales during the second quarter of 2023 and has averaged \$1.2 million every quarter since.

Other California cities have experienced double-digit growth since 2023, including Alameda, Moreno Valley, and Napa.

### No Town, No Problem

Some unincorporated areas in California have also experienced measured sales growth, although it is hard to identify the communities contributing to the numbers. Taxable sales in the unincorporated areas of Riverside County, California's fourth-largest county, were \$10.3 million for the first quarter of 2024 and grew 53%

year-over-year.

Sales in unincorporated areas of Los Angeles County declined 33% in the same period but accounted for only about \$200,000 in taxable sales during the first quarter of 2024.

### **Urban Sales Decline**

California's most populous cities mostly have mirrored state declines, although some more than others. In Los Angeles, which accounts for almost one-tenth of the state's population, total taxable sales were \$208 million in the first quarter of 2024, a 14% decline from the same period in 2023.

The trend was similar in some larger San Francisco Bay Area cities where data was available. Taxable sales in San Jose slid 12% year-over-year for the first quarter, while sales in San Francisco fell 13%. Declines in Oakland were more drastic, as sales fell almost 33% for the same period.

### **Tourism Affects Cannabis Sales**

Taxable sales for cities also varied greatly when accounting for population and tourism. In areas that are tourist destinations, per capita sales can be impacted by seasonal travel.

The population of Needles, located on the Colorado River and bordering Arizona, is roughly 5,000, yet taxable sales in the first quarter reached \$5.8 million, driving per capita sales to roughly \$1,200. Meanwhile, Los Angeles had per capita sales of \$54 for the same period, and San Diego's per capita sales were roughly \$42. Other well-known tourism areas such as Lake Tahoe and Palm Springs also recorded per capita sales near \$200.

### **Urban Effect**

Several other cities with high per capita sales are close to large metropolitan areas. La Mesa, which sits on the outskirts of San Diego, recorded almost \$21.8 million in taxable sales in the first quarter of 2024, or \$360 per capita for the quarter. West Hollywood, part of Los Angeles and home to the Sunset Strip, had per capita sales of \$204 and total sales of \$7.2 million for the first quarter of 2024.

Yet, of the data available, more than 60% of California cities reported per capita sales of less than \$100.

Despite the overall decline in cannabis sales in California, certain areas are bucking the trend with significant growth in transaction dollars. Costa Mesa, Crescent City, and other cities are experiencing booming sales, indicating that local factors and regulations play a crucial role in the cannabis market's dynamics. As the state continues to navigate the complexities of cannabis legalization and regulation, these trends offer valuable insights into the evolving landscape of marijuana sales in California.

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