

ECONOMIC SNAPSHOT

Santa Clarita Valley Quarterly Report

Q3 2019

SANTA CLARITA VALLEY
ECONOMIC DEVELOPMENT CORPORATION



SANTA CLARITA VALLEY

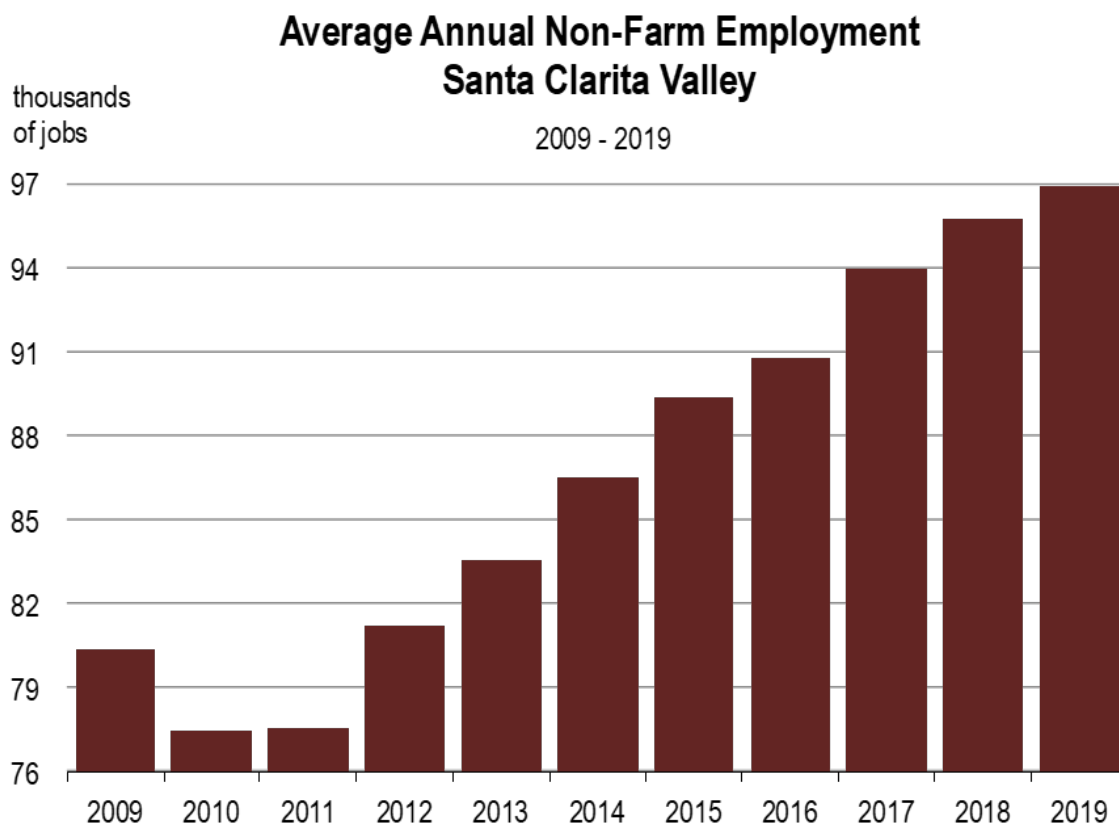
STILL GOLDEN

The business-friendly Santa Clarita Valley is conveniently located next to Interstate 5 and Highway 14 and is home to the 3rd largest city in Los Angeles County, the City of Santa Clarita. The SCV is a growing area encompassing 520 square miles with a population of approximately 300,000 residents.



EMPLOYMENT

Source: California Economic Forecast, Labor Market Information Division



On an annual average basis, the Santa Clarita Valley economy is on pace to create 1,241 wage-and-salary jobs in 2019. This would represent an increase of 1.3 percent from 2018.

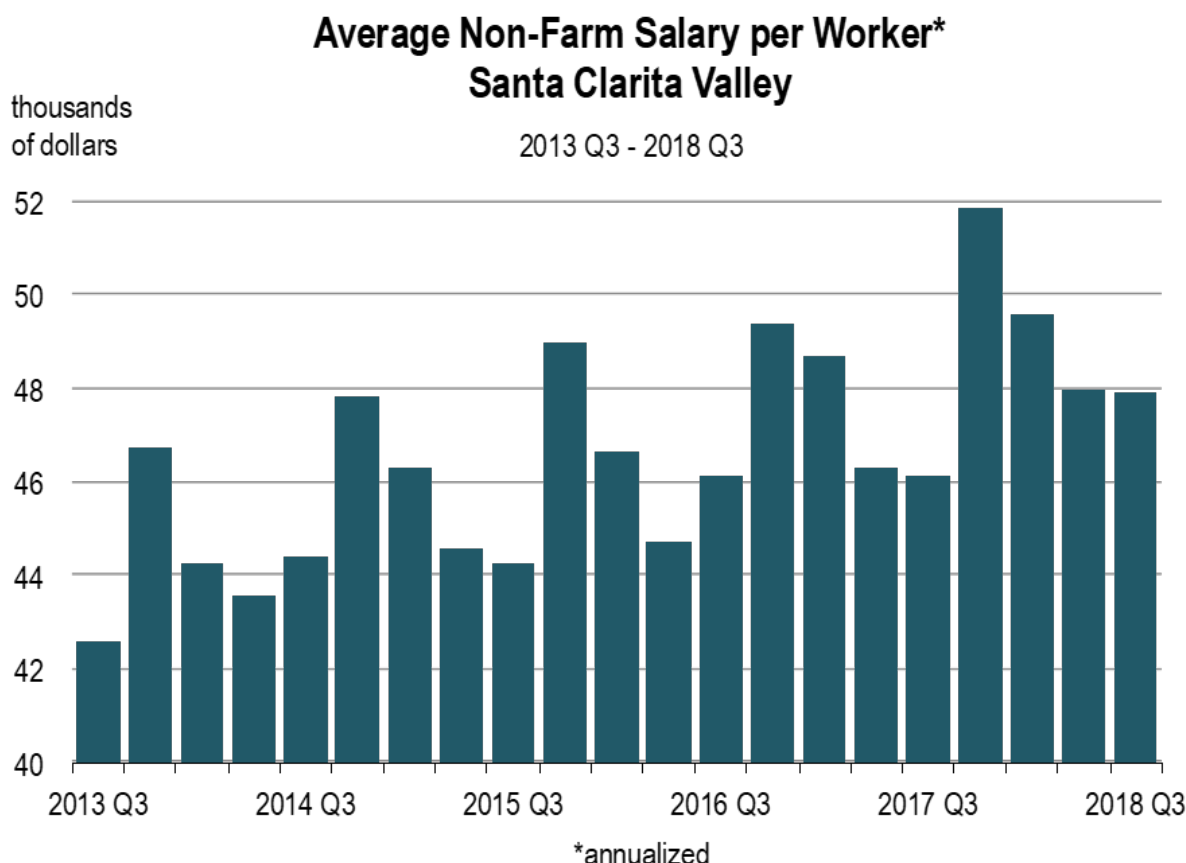
The sectors that experienced the strongest growth over the last 12 months include: construction (+4 percent), administrative and business support services (+2 percent), healthcare (+2 percent), and professional and technical services (+2 percent).

The largest losses were in real estate (-2 percent), finance and insurance (-1 percent), and retail trade (-1 percent).



EMPLOYMENT

Source: California Economic Forecast, Labor Market Information Division



In the third quarter of 2018 (the most recent salary data available), the average non-farm worker earned an annualized salary of \$47,400.

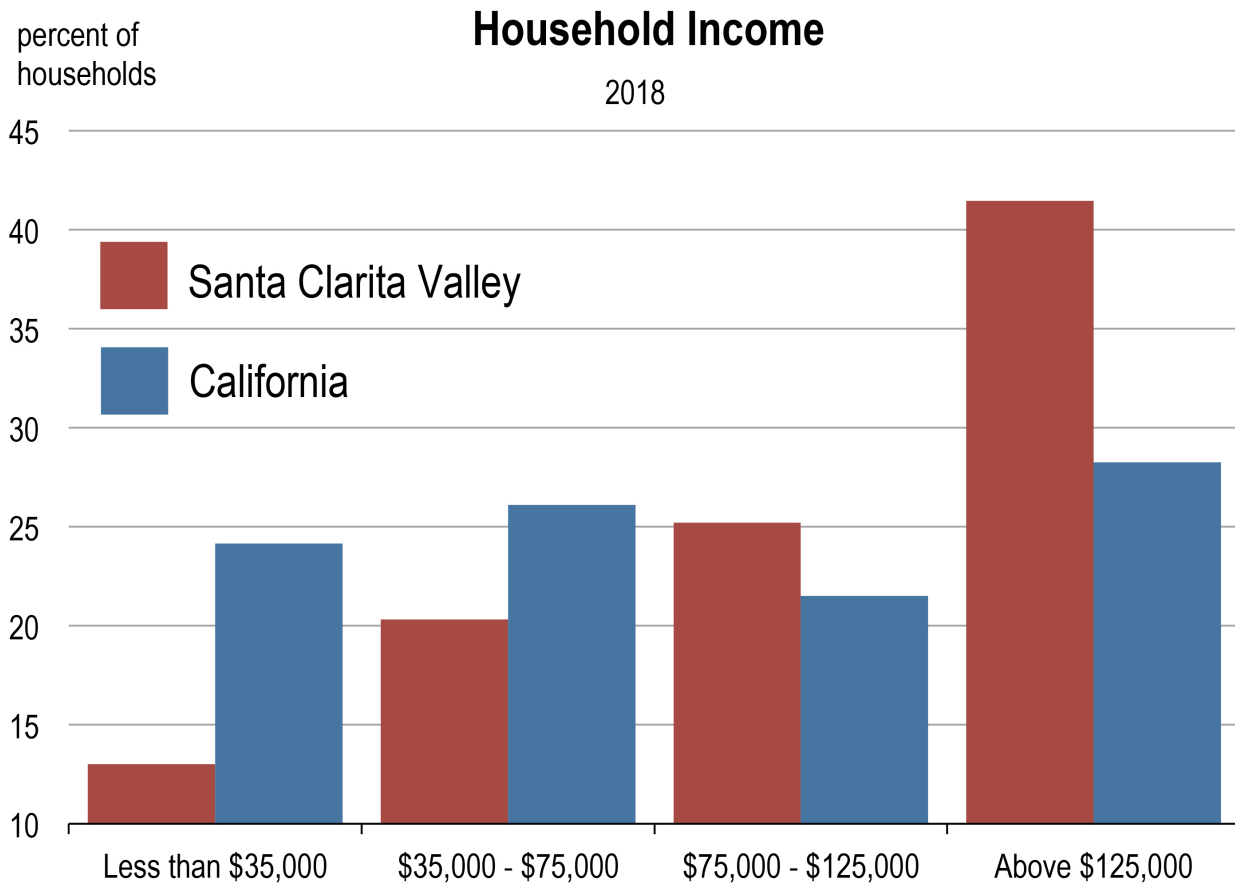
Average salaries rose by 3.9 percent between 2017 Q3 and 2018 Q3.

Note that salaries are seasonal with the highest average wages per worker occurring in the 4th or first quarters due to year end bonuses and incentives in many sectors.



HOUSEHOLD INCOME

Source: California Economic Forecast, Labor Market Information Division



Household income in the Santa Clarita Valley is high. In 2018 the median household income was \$74,448. In the SCV more than 40 percent of all households earn at least \$125,000, and more than 65 percent garner at least \$75,000. These are the markings of a very prosperous region.

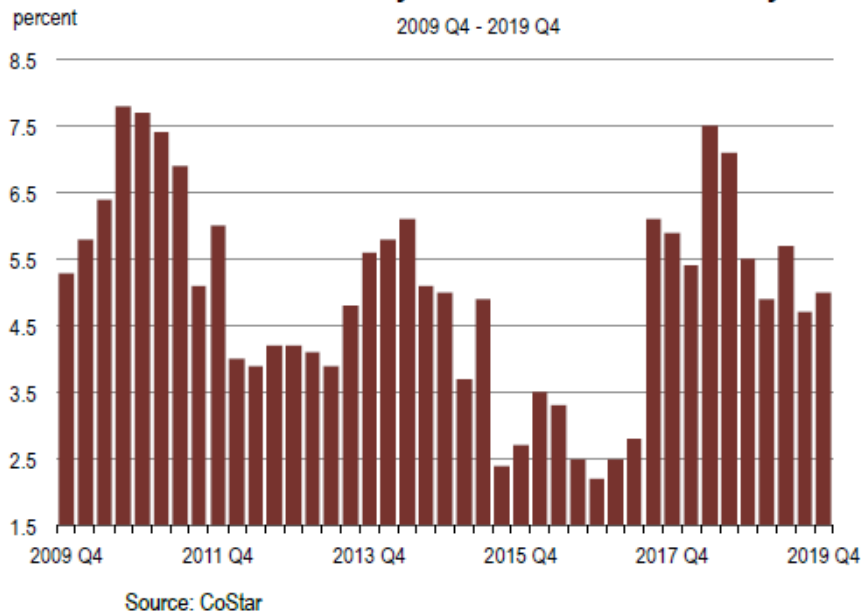
The high incomes in the Valley are a result of the occupational distribution of its population. A large proportion of its residents work in high-paying fields such as engineering, manufacturing and management.



COMMERCIAL REAL ESTATE

Source: California Economic Forecast, CoStar

Industrial Vacancy Rate / Santa Clarita Valley



For the entire Santa Clarita Valley, the industrial vacancy rate was observed at 5.0 percent during the fourth quarter of 2019 (through November 22nd).

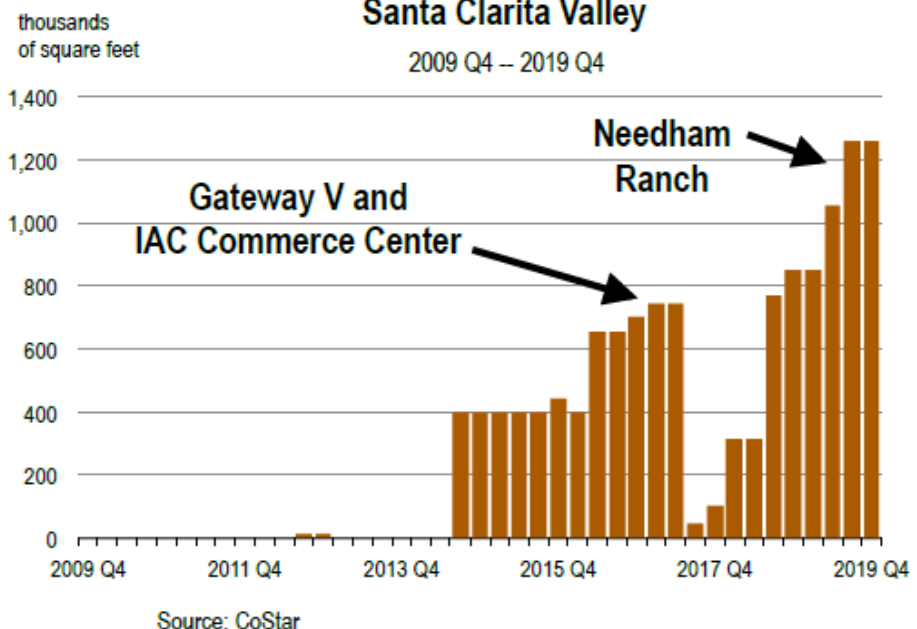
The industrial market was hot between mid-2017 and early 2019 but has cooled since. During the second half of the year, there have only been 15 leasing deals so far, totaling just 104,000 square feet of space.

More than 1.2 million square feet of industrial space are now under construction, including Needham Ranch.

Market activity should change substantially as these facilities are completed and offered for lease.

Lease rates continue to rise and are up by almost 7 percent since this time last year.

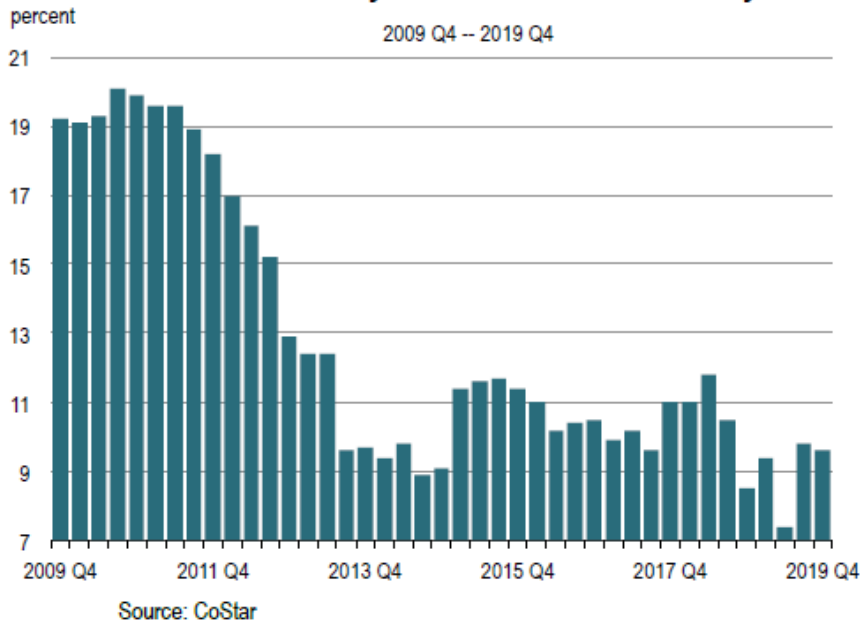
Industrial Space Under Construction Santa Clarita Valley



COMMERCIAL REAL ESTATE

Source: California Economic Forecast, CoStar

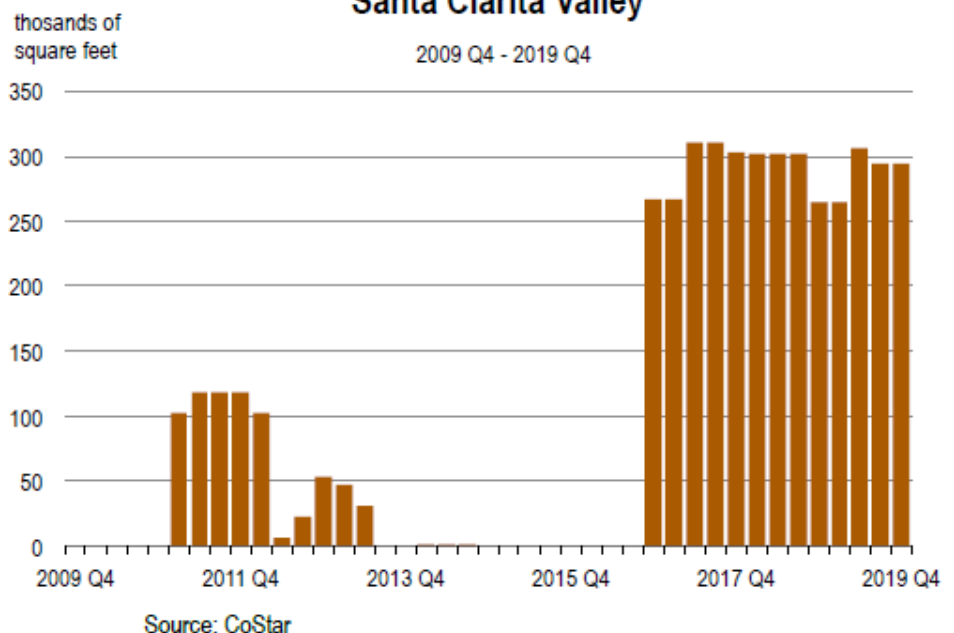
Office Vacancy Rate / Santa Clarita Valley



The office vacancy rate is now 9.6%. The average lease rate across the Valley declined slightly in the fourth quarter, falling from \$2.71 to \$2.66 per square foot. Five new leases were signed, totaling 10,400 square feet of space, both relatively low figures. Gross absorption of office space was also relatively low, indicating that there wasn't much movement of any kind during the first quarter (through November 22nd).

Our data indicates that, since late 2017, 4 office buildings have been completed, adding 198,000 square feet to the market. This data continues to be revised on a quarter-by-quarter basis, but as of now it appears that there are 4 buildings under construction, totaling 293,000 square feet of space.

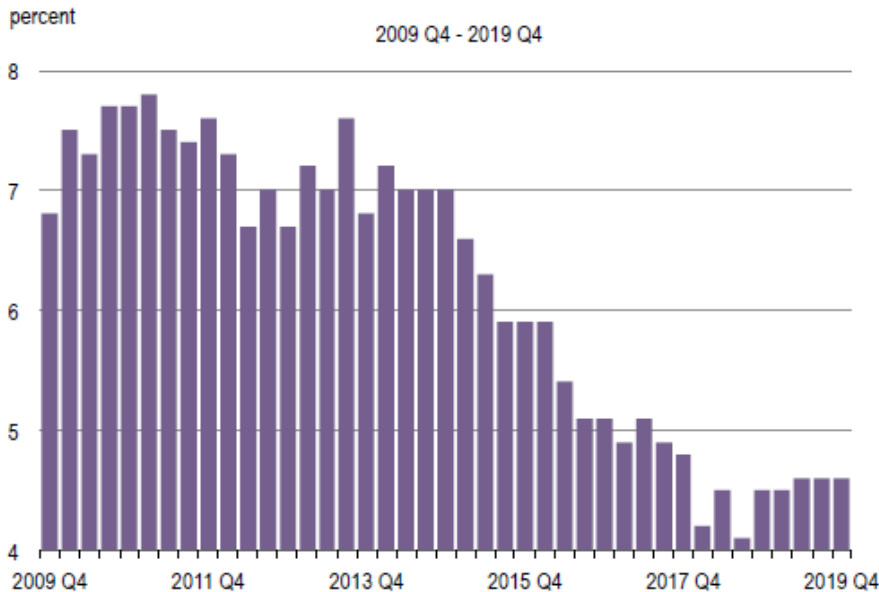
Office Space Under Construction Santa Clarita Valley



COMMERCIAL REAL ESTATE

Source: California Economic Forecast, CoStar

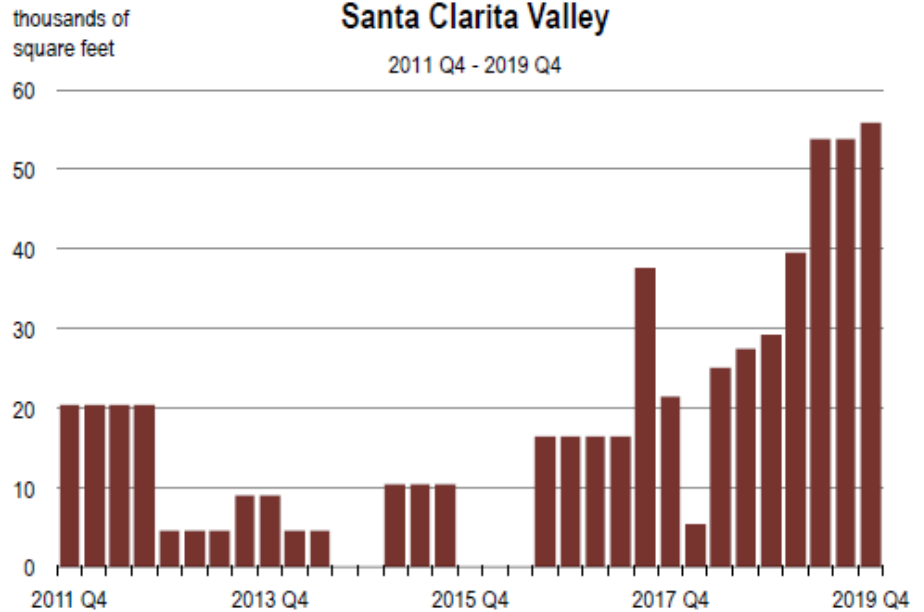
Retail Vacancy Rate / Santa Clarita Valley



The retail vacancy rate is now 4%, which is slightly higher than the vacancy rate observed in 2018 Q4. Only a handful of new leases have been signed so far in the 4th quarter, with the average deal representing only 14,000 square feet of space. But these leases were signed for an average of \$2.03 per square foot, which is 13% higher than the lease rates at the end of last year.

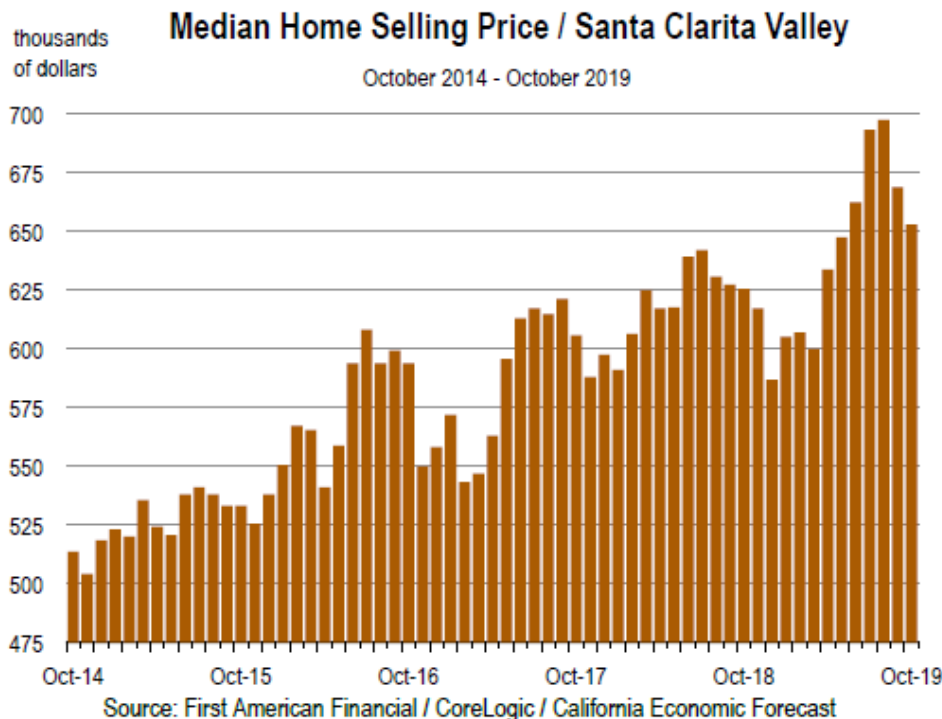
New data revisions show that approximately 56,000 square feet (in 7 buildings) of retail space are under construction across the Santa Clarita Valley.

Retail Space Under Construction Santa Clarita Valley



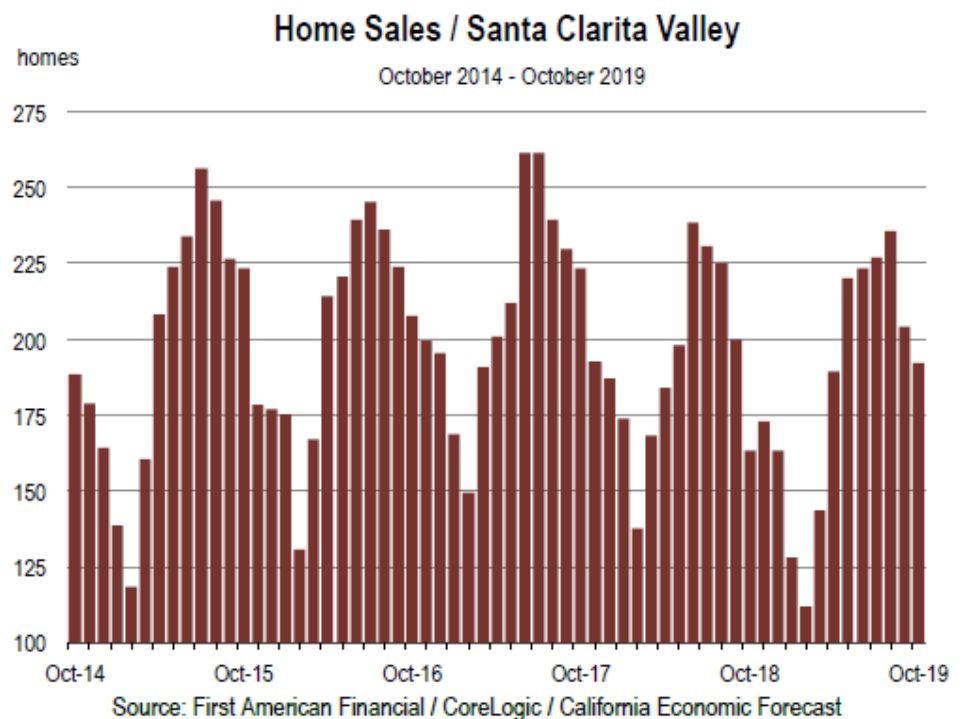
RESIDENTIAL REAL ESTATE

Source: California Economic Forecast, CoreLogic, First American Financial



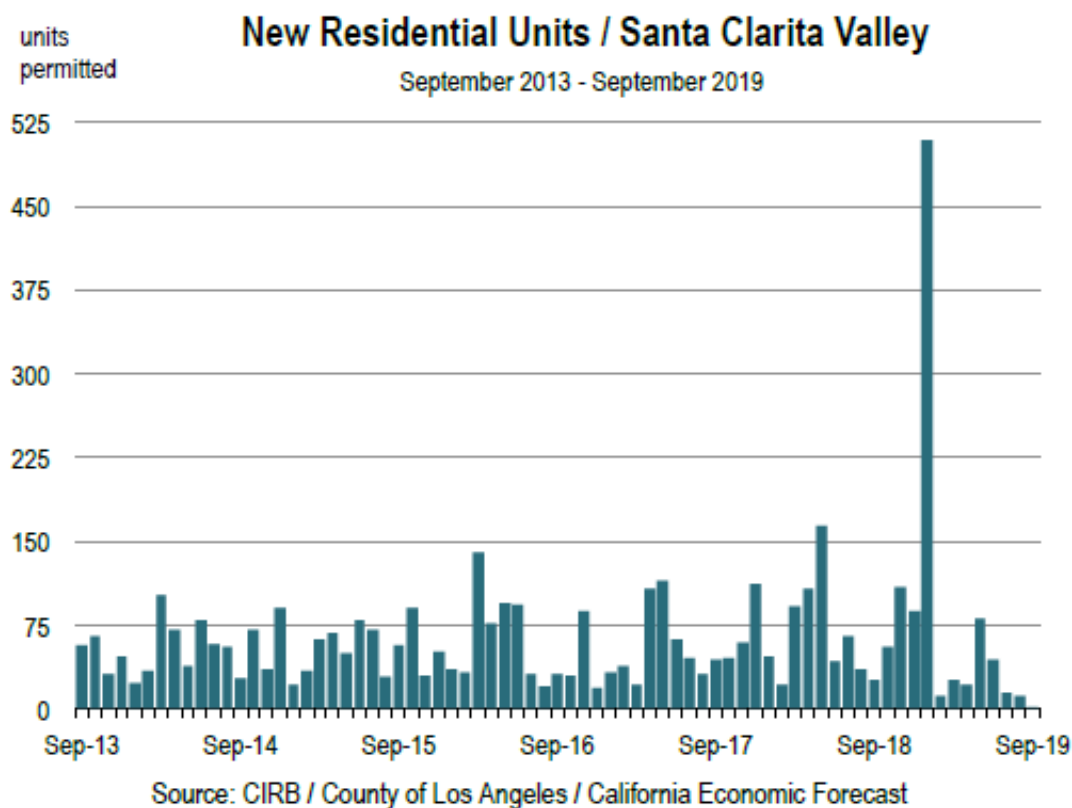
In October 2019, the median home price in the Santa Clarita Valley was \$652,500, an increase of 4% over the last 12 months (since October 2018). While selling values appear to be leveling off for some of the highest priced areas in the state, selling values are still rising in the Santa Clarita Valley.

In the first ten months of 2019 there were 1,905 home sales in the Santa Clarita Valley, virtually unchanged from the 1,898 sales recorded in the first ten months of 2018.



RESIDENTIAL REAL ESTATE

Source: California Economic Forecast, CIRB, County of Los Angeles



Between January and September of 2019, a total of 719 housing units were permitted in the Santa Clarita Valley. During the first nine months of 2018, 600 units were permitted.

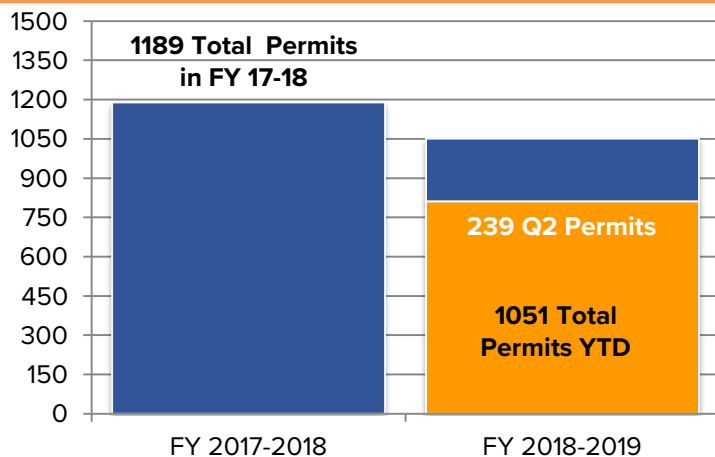
509 multifamily units were authorized in January 2019, accounting for most of the activity year-to-date. 352 apartments were permitted at 17350 Humphreys Parkway, which appears to be part of the Vista Canyon project. 128 apartments were also permitted at 17270 Mitchell Drive.

Among the principal projects in the Santa Clarita Valley, there are 35,310 residential units in some phase of the planning process. Many of these units have now been approved, including some within the Newhall Ranch project.

FILMING IN SCV

Sources: The City of Santa Clarita, FilmL.A.

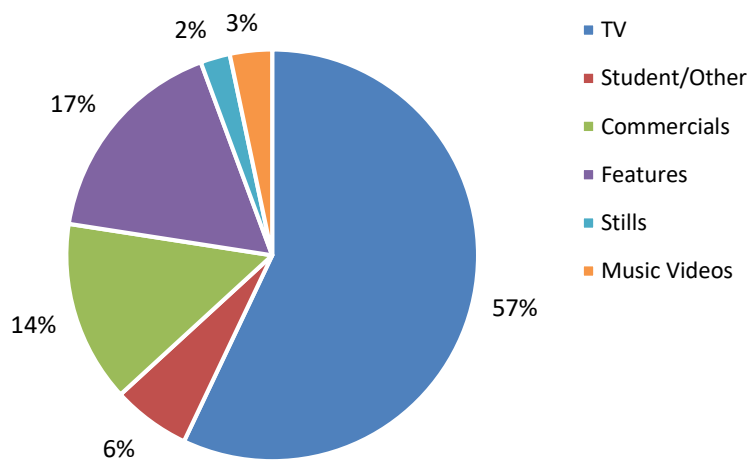
Number of Film Permits Issued in SCV



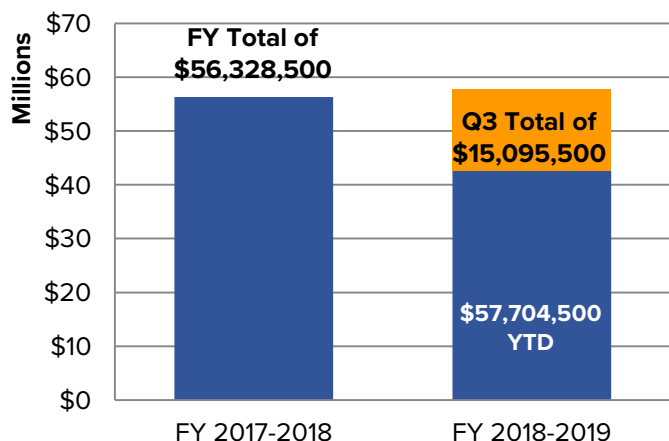
In Q3, a total of 239 permits were issued for a fiscal year total of 1051 permits (July 2018 through June 2019) in the Santa Clarita valley.

Number of Film Days in SCV

Permits issued in the Santa Clarita Valley represented a total of 603 filming days in Q3. These film days included 344 television shows, 037 student/other projects, 86 commercials, 102 features, 14 stills and 20 music videos.



Fiscal Impact of Filming In SCV



The Q3 estimated economic impact including jobs, wages and economic output generated from filming and post-production activities as well as spending associated with film tourism, infrastructure investments and value from media exposure in the Santa Clarita Valley is \$15,095,500 which brings the year to date total to \$57,704,500. The city tracks film stats by fiscal year.



HOTEL VACANCY

Sources: CBRE Trends, STR

Tourism Sub-Region	Occupancy Rate Q3 2019	Occupancy Rate Q3 2018	ADR Q3 2019	ADR Q3 2018
Santa Clarita	87.53%	88.56%	\$155.90	\$151.65
San Fernando Valley	85.13%	83.88%	\$191.23	\$187.66
Pasadena	85.42%	84.00%	\$186.31	\$188.68
San Gabriel Valley	84.00%	84.16%	\$132.18	\$133.69
Hollywood	88.87%	87.40%	\$249.84	\$254.56
South Bay	88.91%	87.09%	\$161.04	\$160.54
LA Region	86.51%	86.22%	\$218.52	\$221.94

STR reports that hotel occupancy in the Santa Clarita Valley was 87.53% in Q3 2019, a decrease of 1.16% from the Q3 2018 rate of 88.56%.

By comparison, TRENDS reports the average occupancy rate at hotels for the Los Angeles region during Q3 2019 was 86.51%, a 0.3% increase from 86.22% in Q3 2018.

Local average daily room rates (ADR) increased by 2.8% in Q3 2019 to \$155.90 from \$151.65 the previous year; LA region's ADR decreased 1.54% to \$218.52 over the previous year at \$221.94.



SUMMARY

Source: California Economic Forecast

Summary

- The economic climate in the Santa Clarita Valley remains strong, with most of the regional indicators that we monitor still improving.
- Home prices have risen by 4 percent over the past year, while home sales are on pace to match the levels of activity that was observed in 2018.
- Residential construction activity has been high due to the Vista Canyon project.
- The industrial real estate market is experiencing a transformation, and with more than 1.2 million square feet of space under construction, the size of the market will be expanding further.
- Office utilization weakened meaningfully in the last half of 2019. Construction activity is high with several new facilities under development.
- The retail vacancy rate is now approximately 4.6 percent, indicative of a healthy market. Lots of new retail space is under construction.
- The Santa Clarita Valley is still creating jobs at a moderate pace at this point in the business cycle. Though the pace slowed in 2018 and is slowing further in 2019, this is consistent with very low rates of unemployment in the Valley, and with job creation rates in other areas of Southern California.



ABOUT

As a unique private / public partnership representing the united effort of regional industry and government leaders, the Santa Clarita Valley Economic Development Corporation (SCVEDC) adopts an integrated approach to attracting, retaining and expanding a diversity of businesses, especially those in key industry clusters.

SCVEDC's mission is fourfold:



**Business
Attraction**



**Business
Assistance**



**Community
Marketing**



**Information +
Research**

Location



30 Miles from DTLA



**Close to LAX & the
Ports**



**In the 30 Mile Zone
(TMZ)**



**Easy Access to I-5 &
405, & CA 14**

Demographics



**Nearly 300K
Residents**



**Median Household
Income is \$104K**



**70% Have at Least
Some College**



**Millennials are
Largest Generation**

Accolades



**Most Business
Friendly City**



Happiest City



Healthiest City



Safest City



**Best Place to
Start a Family**



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SANTA CLARITA VALLEY
ECONOMIC DEVELOPMENT CORPORATION



Residential and commercial real estate and employment data provided by
California Economic Forecast

