2024 ECONOMIC OUTLOOK

Santa Clarita Valley Economic Development Corporation & College of the Canyons

Presented by

SCVEDC

COLLEGE OF THE CANYONS

The Santa Clarita Valley Economic Development Corporation (SCVEDC) was founded on December 31, 2009, SCVEDC is a unique private / public partnership representing the united effort of regional industry and government leaders.

SCVEDC utilizes an integrated approach to attracting, retaining and expanding a diversity of businesses in the Santa Clarita Valley and leads valley-wide economic development efforts to increase high-quality jobs in SCV.

The organization has attracted new businesses to the region and assisted hundreds of SCV companies, demonstrating the business-friendly nature of the community and increasing business retention.

SCVEDC's influential Board of Directors, consisting of private and public sector leaders, is committed to a diverse, resilient economic future for SCV.

SCVEDC's economic development efforts have generated a positive economic impact in the Santa Clarita Valley. SCVEDC is recognized as an outstanding organization of community leaders and a dynamic force striving to improve opportunities for businesses and SCV residents.

SANTA CLARITA VALLEY
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BUSINESS ASSISTANCE

Your Santa Clarita Valley Business Advantage

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The Santa Clarita Valley Economic Development Corporation is your single point of contact for all your business needs. From access to tax incentives to workforce training at low or no cost, from expediting business issues resolution to managing local business coalitions, the SCVEDC is here to connect your company to the right resources, and provide the solutions to keep your business thriving.

Business Visits

On-site meetings are a great way for local businesses and the SCVEDC to get to know each other and to assess how we can provide the greatest value. In fact, we meet with more than 100 companies each year and discuss business operations, needs and future plans. This allows us to capture the unique business dynamics and challenges faced by each company and offer a tailored mix of support and assistance. These face-to-face, confidential meetings are the most effective way to build relationships and deliver customized solutions with the most positive economic impact.

No-Cost Assistance

The SCVEDC is a non-profit, public-private partnership with the City of Santa Clarita, the County of Los Angeles, and private sector leadership. Our assistance services are provided at no cost to businesses in the Santa Clarita Valley, underscoring our commitment to being the most Business-Friendly region in the county.

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SANTA CLARITA VALLEY QUICK FACTS

The Santa Clarita Valley is the 3rd largest city in LA County. It is a growing area within Los Angeles and it encompasses 520 square miles with a population of approximately 300,000 residents.

The Santa Clarita Valley (SCV) encompasses the City of Santa Clarita, which includes Canyon Country, Newhall, Saugus, and Valencia, in addition to the adjacent unincorporated communities of Castaic, Stevenson Ranch, Sunset Pointe, Tesoro, Val Verde, Westridge, Newhall Ranch and Aqua Dulce.

More than 72% in SCV have attended some college

Educational Attainment In The SCV			
Population 25 years and over	197,211		
No high school diploma	17,946	9.8%	
High school diploma	36,168	18.34%	
Some college	46,601	23.63%	
Associate's degree	20,470	10.38%	72%
4-year degree or more	75,985	38.53%	

The majority of residents are of working age

SCV Population by Age		
Total	294,300	
18 - 24	28,841	9.8%
25 - 44	84,758	28.8%
45 - 64	71,220	24.2%
65 and above	43,556	14.8%

The 2024 Santa Clarita Valley Economic Outlook compiled by the California Economic Forecast

SCV's Median Household Income is among the highest in Los Angeles County

	Santa Clarita Valley	Los Angeles County	California
Median Household Income	$121,000	$84,478	$92,190

58% of SCV households have an annual income of more than $100,000

	Santa Clarita Valley	
Household Income	# of households	% of households
< $50,000	20,655	19.9%
$50,000-$100,000	22,419	21.6%
$100,000-$150,000	20,644	19.89%
$150,000 and above	40,064	38.6%

SCV employment enjoys a diverse mix of occupations

SCV Labor Market Breakdown		
Total Local SCV Jobs	96,720	
Professional and Business Services	15,700	16.31%
Manufacturing	10,588	10.95%
Construction	6,904	7.14%
Healthcare & Education	12,305	12.72%
Wholesale/Retail Trade	15,096	15.61%
Leisure and Hospitality	15,202	15.72%

The 2024 Santa Clarita Valley Economic Outlook compiled by the California Economic Forecast

SANTA CLARITA VALLEY
ECONOMIC DEVELOPMENT CORPORATION

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WORKFORCE DEVELOPMENT Case Study

Logix smarter banking®

Logix Federal Credit Union's impressive 87-year history and explosive growth leading up to over 210,000 members, over $9 billion in assets, and its status as Los Angeles County's largest credit union did not happen by chance. Logix's success is partly rooted in how it approaches one of its foundational cultural tenets aimed at Logixians (its team members) growth and development, inclusive of internal mobility opportunities. Christina Flores, Logix's Chief Human Resources Officer, SVP, said it best, "Our people feel invested in and cared for. We want to provide meaningful work and opportunities for growth (economically as well)."

The executive leadership team itself represents Logix's commitment in action to investment in and promotion of its people; Chief Executive Officer, Ana Fonseca, started her career there as an Accounting Representative; Chief Administrative Officer, EVP, Kevin Rishko, started his career there as a Financial Services Officer; Chief Legal Officer, EVP, Nick Mitchell, started his career there as a Training Coordinator; and SVP Real Estate & Consumer Lending & Business Intelligence Implementation, Mike Ishkhanian, started his career there as a Branch Teller.

COMPANY NEED

To keep up with the credit union's phenomenal growth, the **Logix Leadership Academy** team (the company's learning and resources team), recognized the importance of investing in their Logixians by offering a variety of skill enriched development programs that could best ensure ample promotional opportunities, at all levels. Though Logix offers financial services like a bank, it is a not-for-profit organization. With that said, adhering to the established budget and prioritizing professional development offerings had to be put in perspective. Relying solely on the company's internal training budget could constrain supporting all organizational growth initiatives and skillset expansion goals equally, including having funds available for staff reimbursement for attendance in degree programs, leading to the achievement of educational and career goals.

Santa Clarita Valley Economic Development Corporation

WORKFORCE DEVELOPMENT

Case Study

Logix smarter banking®

SOLUTION

The Logix Leadership Academy team engaged in a partnership with College of the Canyon's Employee Training Institute (ETI). ETI had established a contract with California's Employee Training Panel (ETP) whereby state subsidized funding was made available in support of companies offering job skills training, including improving leadership-focused capabilities. Sandra Trudeau, Logix's Vice President, Learning and Resources, stated, "The better we are as individuals, the better we are on the whole." She saw how using ETP funding would allow more early-career Logixians to participate in a wider range of leadership development programs. Logix was able to substantially expand the Emerging Leaders Program in 2022 thanks to the ETP funds, without having to cut back on other training programs for its employees. The first cohort of 33 participants, attended a 15-month robust leadership development course that included a capstone project whereby participants would conduct research and interact with vendors; see challenges and possibilities through different perspectives; and present their project proposal to the executive team.

RESULTS

The numbers speak for themselves. Using ETP funding has proven a valuable resource to Logix:

- In 2022, 26% of Logix Leadership Academy's total course offerings were funded by ETP; the Logix Leadership Academy offered 81 leadership sessions in total whereby 21 of these sessions were exclusively in support of the Emerging Leaders Program.
- So far, in 2023, 32% of Logix Leadership Academy's total course offerings were funded by ETP; the Logix Leadership Academy offered 47 leadership sessions in total whereby 15 of these sessions were exclusively in support of the Emerging Leaders Program.
- To date, 27% (9 of 33) of participants who completed the Emerging Leaders Program attained promotions into management.

For more information about ETP and other workforce development resources, email Jey Wagner, Ed.D., at jeywagner@scvedc.org.

2024 ECONOMIC OUTLOOK

Santa Clarita Valley Economic Development Corporation & College of the Canyons

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Economic Impact at a Glance:

131,000
Construction Jobs

74,000
Permanent Jobs

3-to-1
Jobs-Housing Balance

$21 B
Total Economic Output

$1.8 B
LA County Annual Tax Rev.

Source: LAEDC for Applied Economic Impact Report, June 2017

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Learn more at kp.org/santaclarita.

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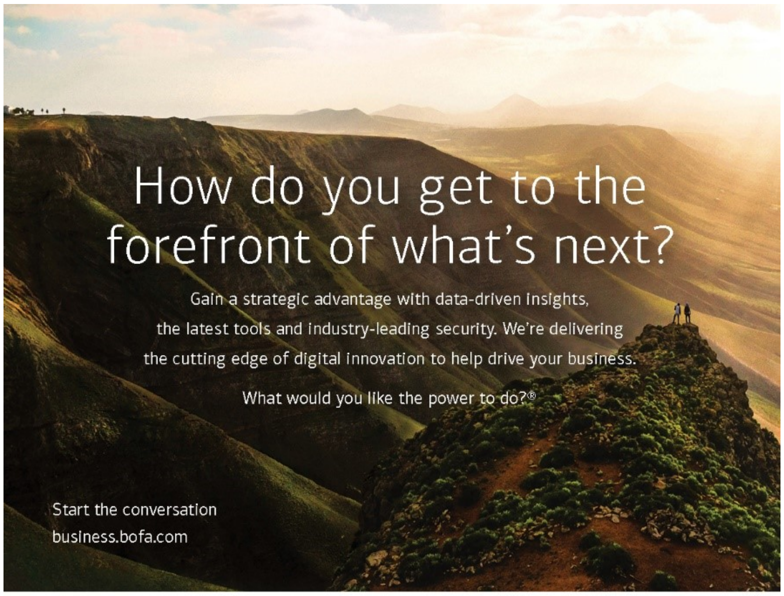

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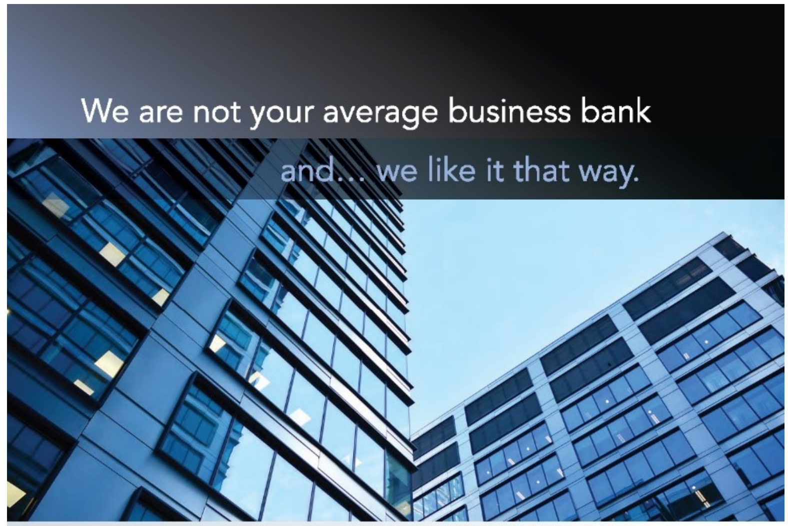

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SCVEDC

The 2024 Santa Clarita Valley Economic Outlook

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Table of Contents

EXECUTIVE SUMMARY

The U.S. Economy

The California Economy

The Santa Clarita Valley

The General Outlook for 2025

The U.S. Economy

Unresolved Issues

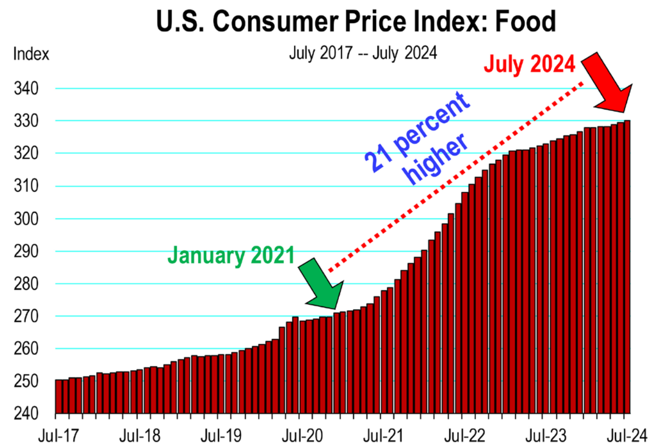
The economy remains in an expansion through growth has moderated this year. It has been 52 months since the last recession and there is a low probability that another one is in the forecast anytime in 2025. Some issues remain from the last recession though new issues have emerged.

Most of the serious imbalances in the economy caused by the trauma of totally and then partially shutting down businesses from March 2020 to May 2021 have been resolved.

However, we are not entirely back to normal yet. Impacts directly the result of the pandemic still haunt the economy today and remain unsettling. This includes inflation, the labor market, and the office market

Inflation

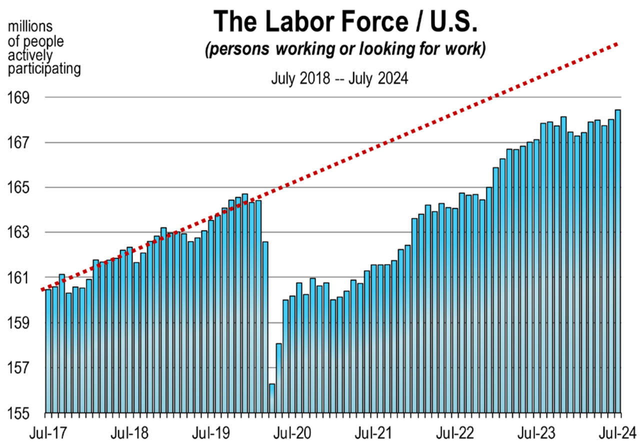
The supply chain interruptions followed by the massive government spending bills were the causes of the highest surge of inflation in 40 years, peaking in the summer of 2022. Progress on inflation has been steady since, though with hiccups. This has led to a pessimistic American consumer kneecapped by general prices for

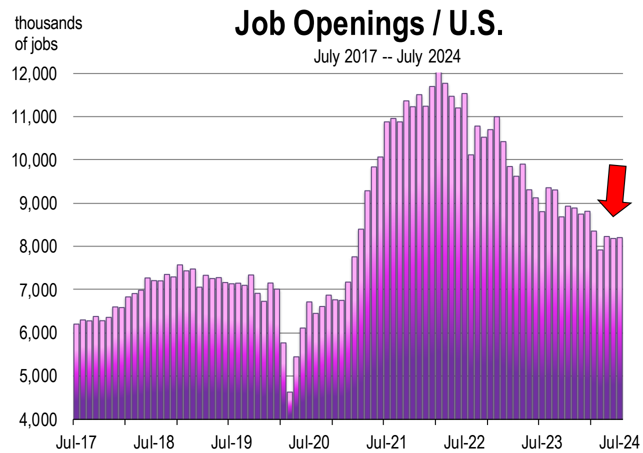


goods and services that are 21 percent higher today then in early 2021.

Tight labor markets

Closed schools and coronavirus infections generated a meaningful defection from the labor force by men but mostly women to care for children and the sick. This included accelerated retirements by the eldest baby boomer members of the workforce. The net effect was a meaningful decline in the labor force. It took 2 full years for it to be restored to pre-pandemic levels. Growth of the labor force today is less than one percent---well below the trajectory of growth indicative of 2018 and 2019. In California the labor force has still not returned to pre-pandemic levels.





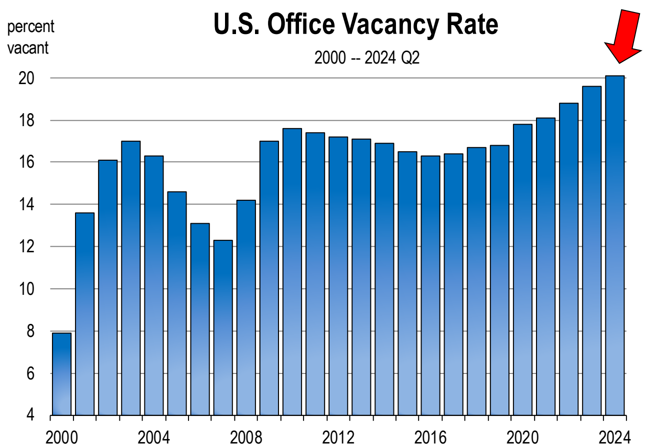
Consequently, with general economic growth largely normalized in 2022, 2023 and 2024, tight labor markets have persisted. This has driven up wages and caused perceived “shortages” of workers in many industries, including construction, healthcare, and leisure & hospitality. Inflation has been harder to extinguish due to soaring wages in many sectors.

Though labor markets are now softening with unemployment rising, unfilled job openings are still higher than they were before the pandemic. And labor markets were tight at that time. A normalizing labor market will result in lower wage inflation, fewer job openings, and the return of workers to the office.

The Office Market

The social risks during the heat of the pandemic surge generated widespread adoption of work-from-home arrangements, particularly from office using companies who could virtually connect remote employees together for meetings and collaboration as a surrogate for in-office work.

When pandemic restrictions were entirely lifted in the spring of 2021, workers were hesitant to return to the office insisting on remote or at least hybrid arrangements. The prevailing tight labor market enabled employees to make demands they otherwise could not for fear of being replaced. Those replacements were absent however, and employers consented. Thirty to forty percent of office workers were remote in 2022 and 2023. Though work-from-home arrangements are now moving back toward in-office requirements, hybrid arrangements are still pervasive. Furthermore, companies found they could operate with less space with remote and/or hybrid workers. When leases required renewal, companies chose to downsize their



space. More office space became available. Vacancy rates soared. This scenario persists today.

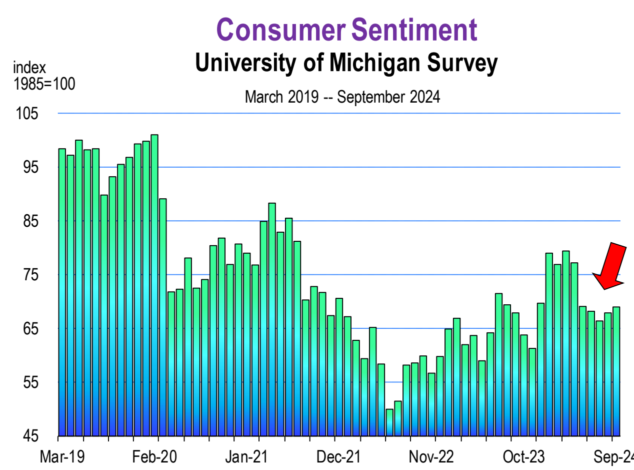
Empty office buildings translate to less revenue earned by office building owners. Less operating revenue translates to lower commercial real estate values which amplify problems when commercial real estate loans require refinancing, especially in the current high-interest rate environment. This is now an expanding and scary issue for regional banks which hold a disproportionately larger share of commercial real estate mortgage debt.

If lenders stop modifying loans and push towards remaking them, a potentially seismic foreclosure issue could ensue, and possible bank failures The office market will ultimately return to pre-pandemic status, but the timing is uncertain, and some carnage is inevitable.

New Issues

Spending behavior largely rests on the how consumers perceive economic conditions; how these conditions will impact their job opportunities, their incomes, housing, and prices of goods and services. General perceptions of the economy that are pessimistic or uncertain usually weigh down spending. Sentiment indices of the American consumer have been weak, due to consumer uncertainty.

General consumer sentiment reflects the unsettled post-pandemic economy which also includes low housing affordability and political uncertainties. Consumers' assessments of the current labor situation, while still positive, have weakened, and assessments of the labor market going forward are more pessimistic. This has occurred in tandem with the rising rate of unemployment.



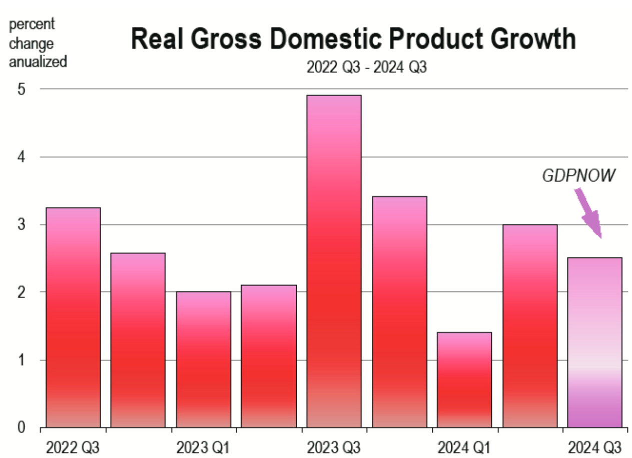
The Employment Situation

The unemployment rate is rising, but not due to a lack of job creation. The labor force has been growing faster than job opportunities can absorb workers. And there is an uneven demand for workers across sectors. The public sector and healthcare are leading the charge on hiring in the U.S. and California. Construction is also in demand, but skilled workers are scarce. Most sectors show scant increases in new jobs; manufacturing and retail trade employment has been shrinking.

GDP

The growth of GDP has been positive all year, and for this quarter (July to September), the rate of growth is running at 2.5 percent. This follows on the heels of 3.0 percent growth in quarter 2.

The Federal Reserve now has the difficult task of driving inflation lower, while preventing the labor market from weakening further. Up to now, rate hikes have been largely successful.



But in recent months, the rising unemployment rate has persuaded the Fed to begin cutting rates in September and very likely in November. In fact, these cuts are presumed and embedded in stock and bond valuations today. The federal funds rate cuts should improve sentiment among home builders, financial market investors, and consumers seeking home and car loans. But it could stall recent progress made on inflation.

For the rest of the year, we see inflation remaining stubborn to tame, and GDP growth running between 2 and 3 percent.

Risks

The biggest risk is recession, though the likelihood of weakening growth is low. The next biggest risk is rising unemployment because that will certainly lower growth. The Fed's forecast for inflation in June was 2.6 percent for 2024, and 2.3 percent in 2025. This forecast is possible providing spending by consumers subsides.

The odds of recession are less likely than they were a year ago, but not completely off the table, especially with unemployment rising, along with stock market volatility.

We are now less worried about escalating war in Ukraine, but other geo-political tensions, such as between Israel and Iran, or China and Taiwan or even the U.S. and China remain sketchy, and any stress in these tensions could lead to an economic tipping point.

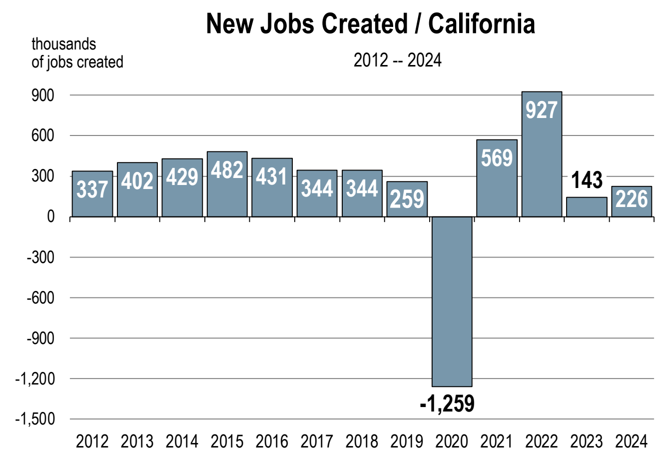
The upside risk is that (1) inflation is snuffed out this year, (2) unemployment rises but modestly enough to keep spending as an engine of positive economic growth, and (3) world economic growth resumes- --in Europe especially---which would maintain U.S. productive capacity.

The California Economy

The Labor Market

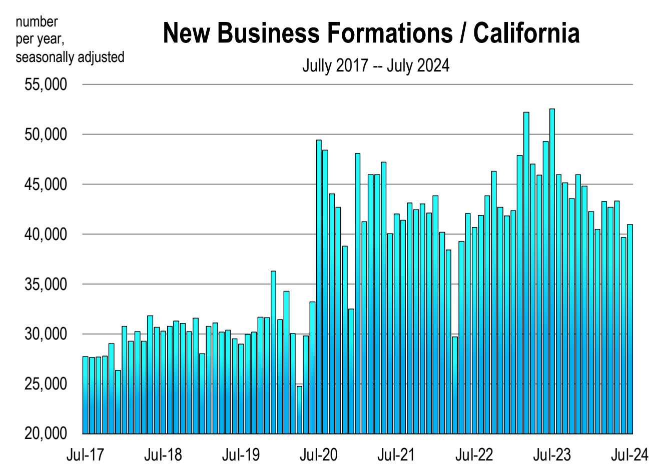
In step with the national economy, the state's economy has slowed. Job creation in 2023 was less than one percent. A total of 143,000 new workers filled jobs. Over the 2012 to 2019 period, annual job creation averaged 379,000 new workers. Job creation has improved in 2024, but (1) it's still only 60 percent of the longer-term annual average, and (2) three sectors comprise nearly all the job creation making this year's labor market improvement worrisome. The unemployment rate has moved upward over the last 2 years, from less than 4.0 in July of 2022 to more than 5.0 percent last month.

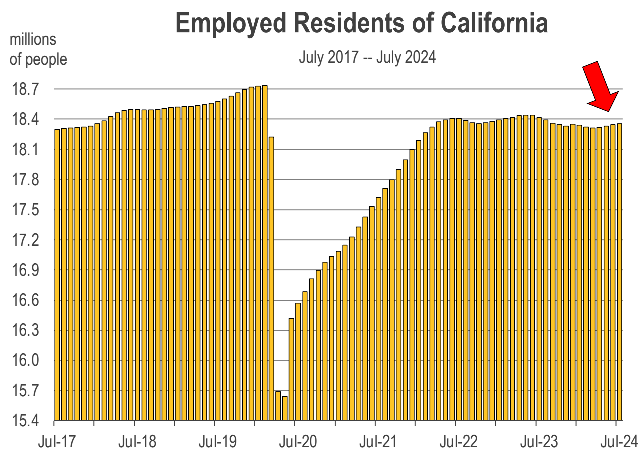
Among California's current problems is the lack of housing which has resulted in home values that have chased residents out of the state. The contracting population of California is somewhat concerning. Though it seemingly reversed this year, and only slightly, we don't see the general population decline reversing in the near future.

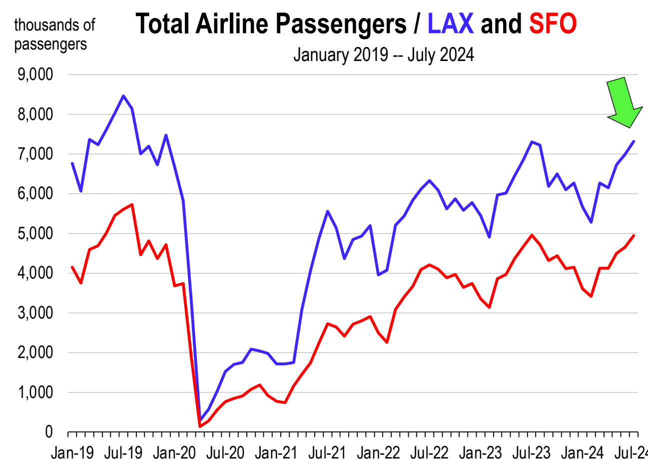


Marque businesses have left California, like Tesla, Charles Schwab, Oracle, Chevron, Kelly-Moore, Space X, AECOM, Kaiser Aluminum, CBRE, and Hewlett Packard. Hundreds of smaller companies have left since 2020. We are now seeing the consequences of these departures with much slower job growth in 2023 and 2024.

There are offsets to recent business and worker departures considering the spate of new business formations characterizing the state since 2020.







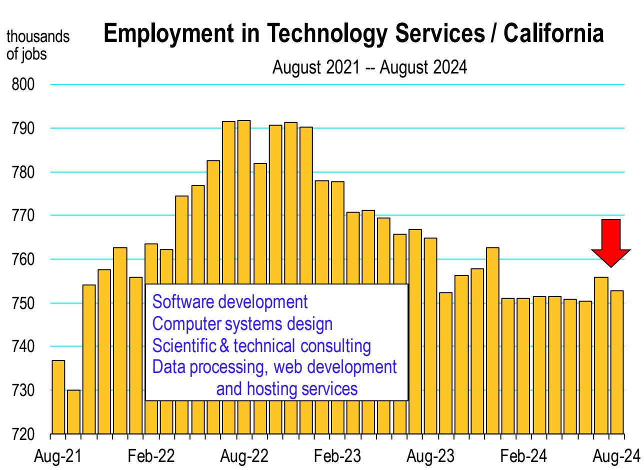
Unemployment has been rising gradually over the last 24 months. The rate is now at 5.2 percent. This is due to no growth of the resident workforce combined with a slow but positive growth of the labor force.

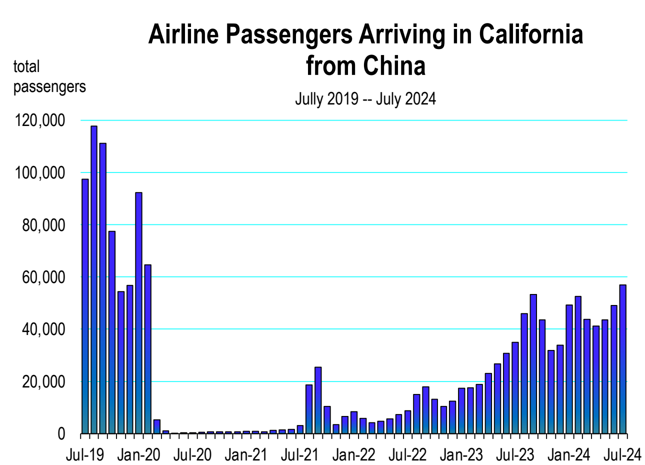
The technology sector has an advantage in California due to its large and broad presence here. Employment reached an all-time high in 2022, but significant layoffs at Google, Twitter, Salesforce, Facebook, and Yahoo led to a consolidation in this sector, totaling 40,000 jobs to date. Growth in tech products and services has resumed but not yet in employment opportunities. Computer systems design accounts for half of the total loss in technology jobs since mid-2022.

Consumer Spending and Tourism

Retail sales are no longer generating record sales tax revenue to cities and counties in the State. The peak in sales and municipal sales tax collections occurred in the final quarter of 2022. Inflation has lowered the extent to which consumers are buying goods and increasing their dollar purchases on services instead, most of which are not taxable.

Airline passengers through the major airports continue to increase with a large contribution





by Chinese visitors since February 2023 when the COVID-19 prohibitions were relaxed by the Chinese Government. Overall, the largest gains in airport deplanements at LAX and SFO are international visitors now that all travel bans have been lifted and more flights are being added to and from the United States. For the first 7 months of 2024, passengers arriving in California airports from China have soared 93 percent compared to the last year

Hotel-motel occupancy rates for transient lodging facilities reached nearly 75 percent in June and July this year, exceeding year ago utilization rates. Healthy occupancy, which has been fairly steady since recovering from the pandemic recession in 2020 and 2021, is the principal reason for the surge of new hotel development in the state. There are 107 hotels with 14,225 rooms under construction in California this year, more than twice the number of rooms completed in 2023.

Recovery at the Sea Ports

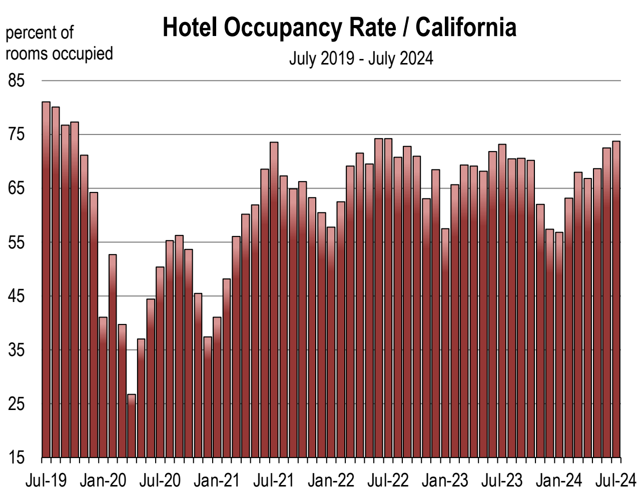
Cargo volumes are soaring again now that the Longshore Workers strike is resolved, and shippers eschew the problems in Panama. The Panama Canal is reliant on rainwater, which is in short supply. A lack of rain and the El Nino condition have contributed to the second driest year in the canal's 110-year history, with 41 percent less rainfall than normal. This has meaningfully affected global trade. Because of all the water needed for each ship to pass through the locks, and Lake Gatun (the canal's main reservoir) at low levels, the number of ships that can pass and their speed through the canal is seriously reduced.

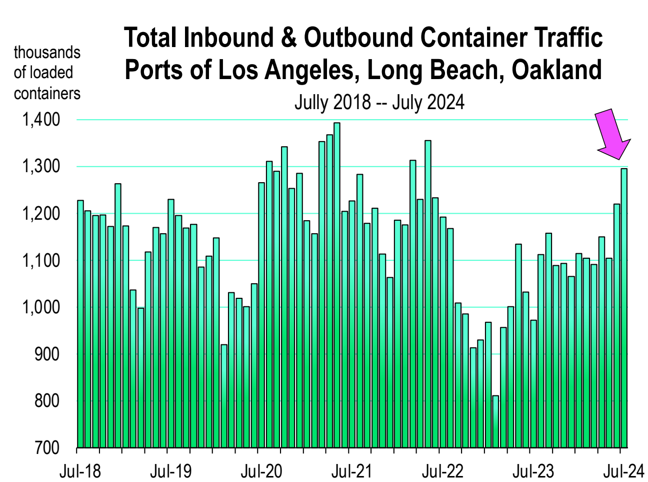
This one issue alone is now rapidly restoring the recovery of cargoes into California ports. July container traffic was the highest in two years. We expect cargo volume to eclipse previous record levels in Long Beach, Los Angeles, and Oakland by the end of the calendar year.

New Development

The construction sector is busy, and employment is currently at an all-time high.

There has been a strong run of new industrial development in recent years, especially in

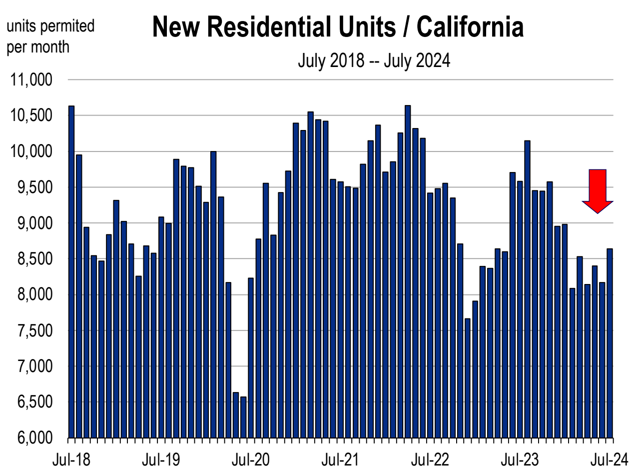




Southern California. New development has diminished in 2024 in sync with higher financing rates, construction costs, and softening demand for industrial products. The return of traffic at California's seaports and continuing high consumption levels are contributing to more positive sentiment among industrial developers despite rising vacancy rates this year.

Home building slowed this year, with new permit issuances interrupted by low builder sentiment and high interest rates. This condition changed in mid-July as bond yields sank on the news of likely rate reductions by the FED. Stock values for D.R. Horton, Toll Brothers, KB Homes, and Lennar jumped sharply. All their stock prices as of early September were at or close to all-time record highs.

Lower interest rates will have a positive effect on new housing in 2025, The forecast has the number of new housing permits increasing from 110,000 this year to 135,000 next year.



The Santa Clarita Valley

Hollywood on hold

The industrial market of Santa Clarita remains steadily in demand with low vacancy or availability. Last year, much of the industrial space was absorbed for soundstage use. However, the labor dispute of 2023 idled much of the local activity in TV, film and sound recording.

Both the writers' and actors' strikes were settled in the Fall of 2023, but employment has not rebounded. Within Los Angeles County, July 2024 employment in the industry had declined 31 percent, or by 48,000 jobs. In late June another Hollywood strike was averted when the International Alliance of Theatrical Stage Employees reached a tentative agreement with Film and TV producers. Labor disputes over the last 18 months have precluded or at least delayed a recovery in the motion pictures sector of Southern California. Furthermore, meanwhile, more filming and production is occurring out of state and even abroad.

LA North Studios and Santa Clarita Studios now occupy close to a million square feet of industrial space in Santa Clarita. In tandem with the broader industry, the local TV and sound recording employment has also floundered. A mega project (1.3 million square foot film and television studio campus of 19 sound stages) was approved by the Planning Commission in

June 2023, called Shadow Box Studios Santa Clarita. The project is currently on hold as Shadowbox officials "carefully monitor demand for production space."

Entitlements were approved in 2022 for the Rye Canyon Studios project, including new construction of 28 new sound stages (totaling 470,000 square feet). The project is also on hold.

Visitors Are Back

It appears that Six Flags is back to normal operation this year. Online crowd calendars indicated relatively full conditions for attendance in June, July and early August of 2024. In terms of employment in leisure and entertainment, jobs are at peak levels today.

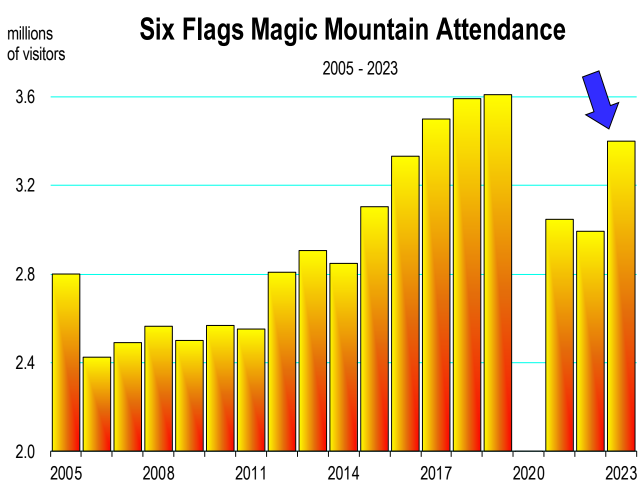
Hotel occupancy remains in a healthy range. And employment within the accommodations sub-sector has fully recovered. Moreover, there continue to be open positions for workers in all areas of leisure and hospitality.

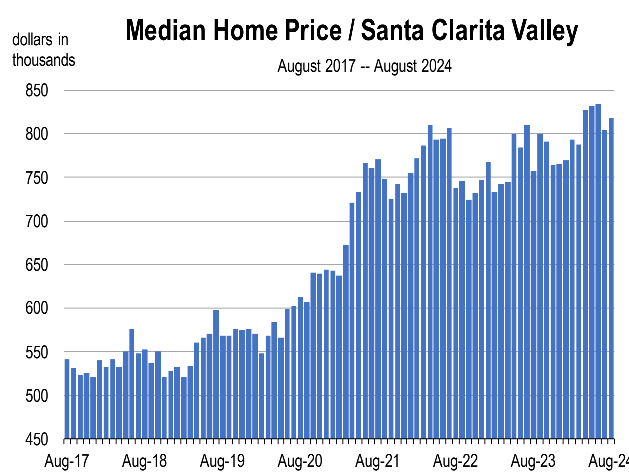
Residential Real Estate

Rising inventory in 2024 has not translated into a higher volume of sales this year. Sales are on pace to decline another 6 percent in 2024.

However, with declining mortgage rates starting in the summer (along with gradually rising for-sale inventory), July sales were 14 percent higher than a year ago. This may be the first indication of a housing market recovery, not only in the region, but nationwide.

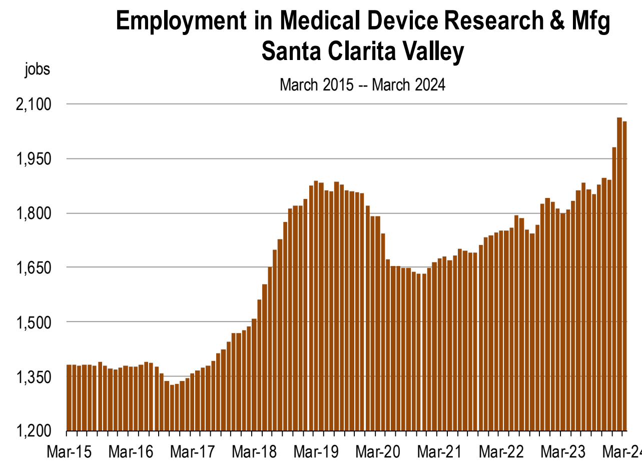
Selling values continue to march higher. For the first seven months of 2024, the median price for the aggregate Castaic-Santa Clarita-Stevenson Ranch area is $894,697 for single-family detached homes, an increase of 6 percent over year-ago selling values.





The increase in average apartment rents has been extraordinary since the beginning of 2021, rising 10 percent in 2021 and 7.6 percent in 2022. Rent growth cooled in 2023 and there is virtually no increase in average rents during the first seven months of 2024.

Vacancy rates moved higher in 2023 but have remained in a tight range in 2024, averaging 4.2 percent.



Employment

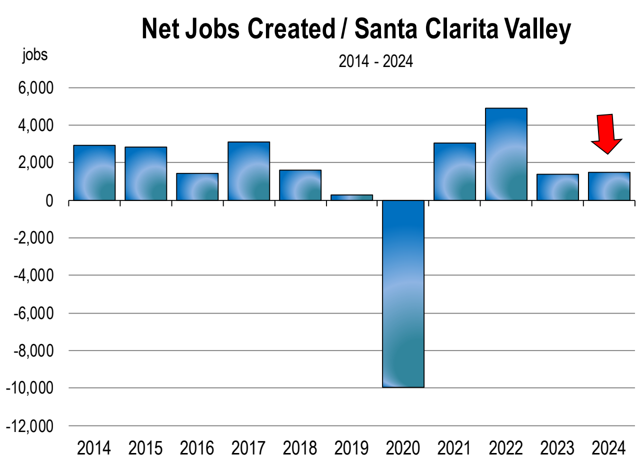
During 2024, the Santa Clarita Valley labor market continues to expand its employment base. During the first 6 months of the year, local hiring is on pace to generate 1,342 more jobs during the calendar year. This follows on the heels of 1,410 jobs created in 2023.

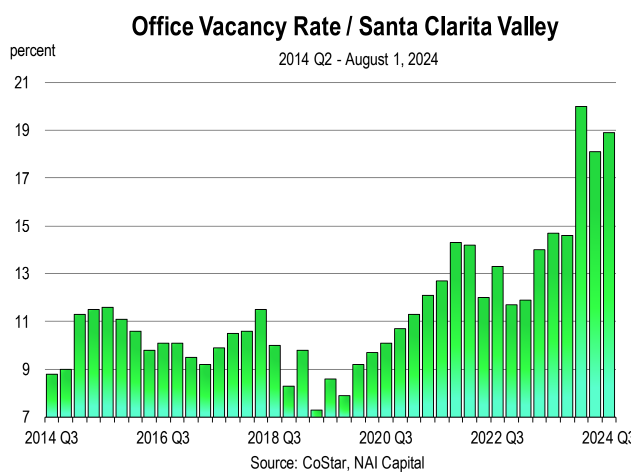
The manufacturing of advanced products including high technology, precision and aerospace products is a subset of all manufacturing in the regional economy. This sector remains a major employer of higher-paying skilled workers. Medical device manufacturers are now generating a meaningful number of jobs within the Santa Clarita Valley.

The professional, management, technical, and scientifically skilled services sector continues to grow over time, and like healthcare, is a principal growth sector of the regional labor market.

The Office Market

Office-using employment is at record levels in Santa Clarita, so in the event all workers





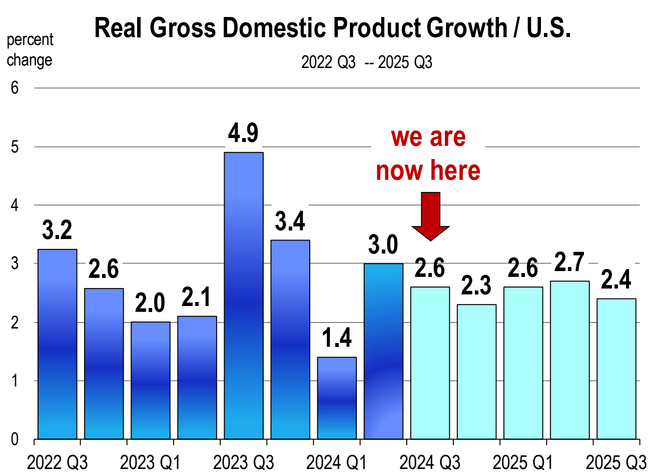
returned to the office, utilization would sharply increase. More office workers are back at their desks than a year ago, but total in-office attendance is still lower than pre-pandemic levels.

Consequently, the office market continues to struggle, a condition that is not unique in the Santa Clarita Valley. Office buildings in many coastal counties of the state are not yet filing up with returning office-using workers. The concept of the remote worker, at least part of the time, has now become too ingrained into the office culture. However, as the labor market softens, there is a stronger push by employers to have their employees back in the office.

The 2025 Outlook

Recession has been avoided to date and a broader economy-wide recession does not appear imminent.

While we largely believe the economy will remain expansionary in 2025, growth will not



be overachieving. Job creation, which has been unevenly spread in the economy, will likely remain uneven in 2025.

Sectors dependent on foreign trade and overall demand for consumer goods and services will create the most job opportunities. Global economic growth is projected to be slightly higher in 2025 than in 2024.

The technology sector of California will expand further and create new job opportunities in 2025. Consider that:

1. AI and machine learning are set to become even more integrated into business operations, driving efficiencies, personalization, and decision-making
2. Blockchain technology is now maturing beyond cryptocurrencies, offering transparent, secure, and efficient ways to conduct transactions and manage data
3. As digital infrastructure becomes more complex, cybersecurity threats will evolve, becoming more sophisticated

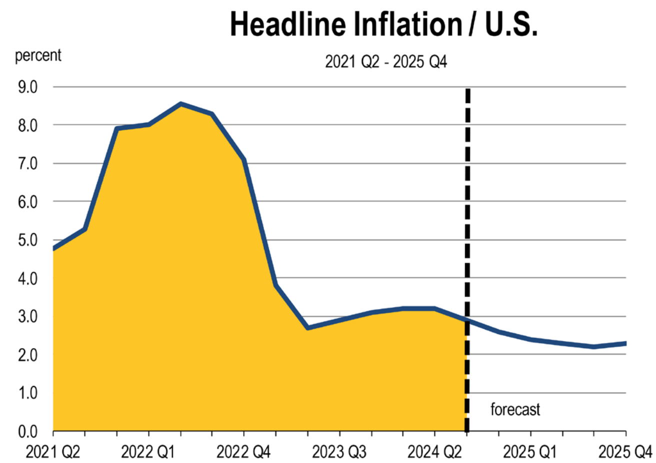
The base forecast calls for the current expansion to extend another 16 months at least, from now and through the end of 2025. Unanticipated global events including tensions between Israel and Iran, and China and Taiwan could negatively impact the economy. The contentious presidential election this year could also generate civil unrest that could interrupt some business, cultural, and political conditions between November and Inauguration Day.

Update on Inflation

After hitting a floor, inflation has been steadily improving since June and has now been reduced to less than 3 percent on a year-over-year basis for the headline consumer price index.

Progress on the inflation front along with a softening labor market allowed the Fed to lower rates in September. We have the Fed engineering two more rate cuts before the end of the calendar year which also appears to be the consensus of financial markets.

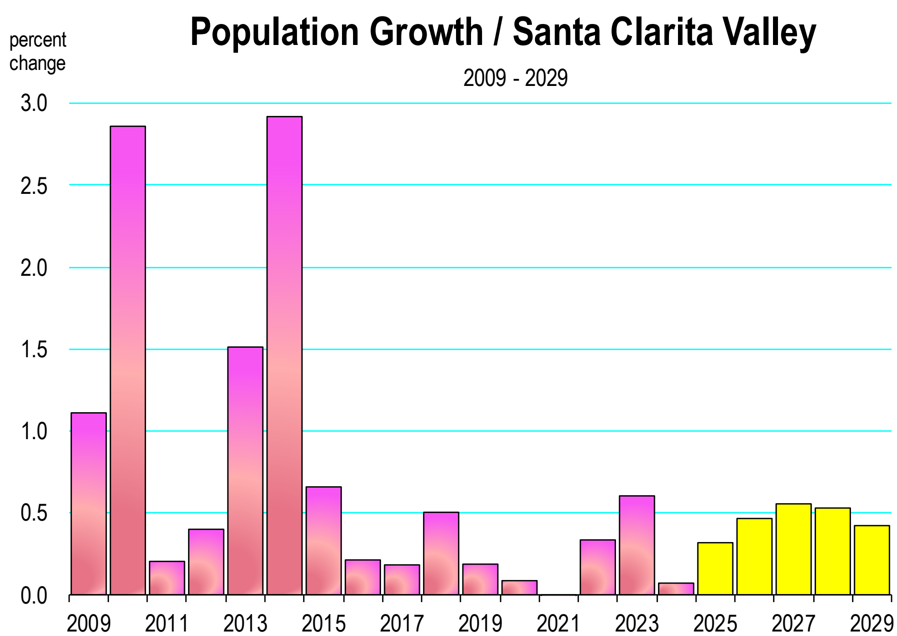
This forecast of inflation falling into the low 2.0 percent range by year-end 2025 is due to (1) the easing of wage pressures in the labor market, and (2) a more conservative Congress regarding profligate spending during 2025. However, Congress is unlikely to be as restrained as they should be to reduce federal debt which has reached $37 trillion. Serious and meaningful debt reduction measures must be addressed in the House if inflation is to reach pre-pandemic levels again.



Employment and Housing in the Santa Clarita Valley

The outlook calls for a strengthening of job growth in 2025. Job growth also remains positive through at least 2027.

Moreover, a broader expansion of labor markets in California and the U.S. is forecast for 2025 together with 2 to 3 percent growth of goods and services production next year.
The unemployment rate ultimately turns around in 2025. The construction sector will be adding more jobs to accommodate all the new housing projects that are underway or have recently



started. Job growth (1) resumes in healthcare and (2) remains an engine of growth for professional services including tech services.

Population growth remains austere. However, there will be more housing underway including multi-family unit structures that offer more affordable housing types.

There will be few changes in the conditions of the existing residential real estate market. Mortgage rates are finally forecast to decline this year and during 2025. In tandem with lower rates, housing inventory will expand. There will be a pickup in transactions. The increase in home sales together with more new housing production will more convincingly augment homebuying opportunities.

Home prices adjusted for inflation are not forecast to rise much as a result of the price competition occurring as a consequence of increased supply.

THE FORECAST

The U.S. Economy

The California Economy

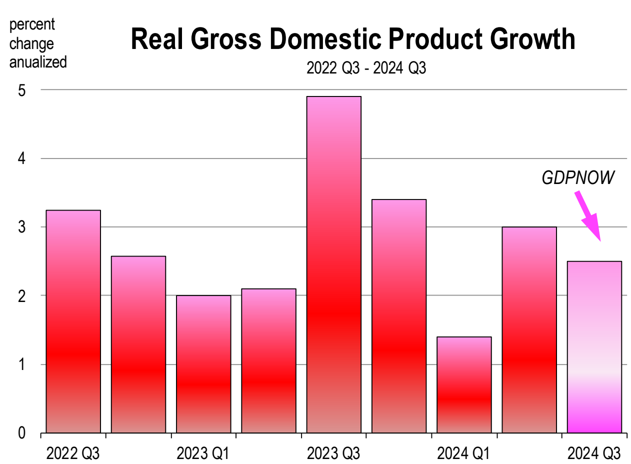
The Santa Clarita Valley Economy

New Commercial Development

The U.S. Economy

Inflation adjusted, or real GDP grew at 3,0 percent (annualized) during the second quarter of 2024, the last data point reported on this broad U.S. indicator as of September. This is a relatively strong reading, given that the long-term (annual) average is 2.9 percent, and only 2.1 percent since 2008.
The GDPNOW estimate of GDP growth during the third quarter is currently predicting a 2.6 percent rate of growth with two months of actual data now shaping this forecast.

Growth is being supported by consumers who are spending their incomes on both goods and services but mostly the latter. Even though wage growth has cooled over the last 18 months, households feel wealthier due to the buoyant stock market and record price levels in the housing market. Growth is also depending on current business investment levels, especially on the development of structures, and on equipment and software.



2024 Issues that May Linger into 2025

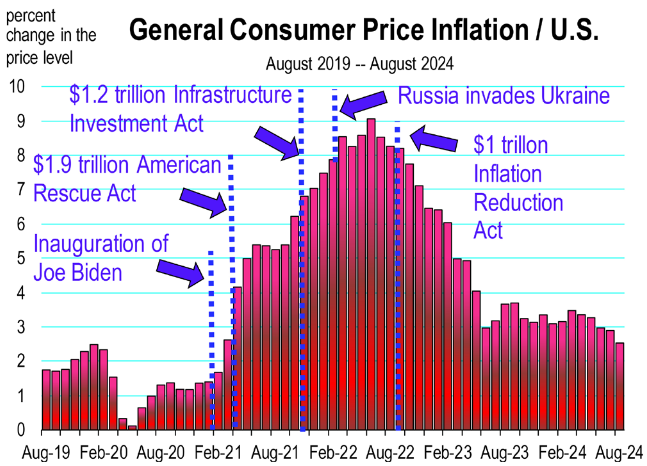
Commercial Real Estate Values

Mortgages on $1.9 trillion of office buildings are due between now and the end of 2025. Valuations have already spiraled down due to rising vacancy and a contraction in lease revenues. And because 70 percent of bank-held commercial mortgages comprise balance sheets of regional banks, writing down commercial loan values will spell trouble for the financial system. That's why regional banks keep extending existing mortgages when loans mature.

We are concerned about the condition of the office market in 2025 and 2026 because this commercial sector is responsible for most of the problems regarding valuations. Office vacancy is not likely to rise much, if at all, in 2025 even though workers are gradually returning to formal offices, though not fast enough.

Consumer Pessimism

Consumers have grown more steadily pessimistic about the economy though they continue to spend which maintains the current economic growth we are experiencing. Perhaps with a change in administrations come January, consumers become more optimistic, especially over such issues as inflation, immigration, the direction of intrest rates, and the economy in general.



Inflation

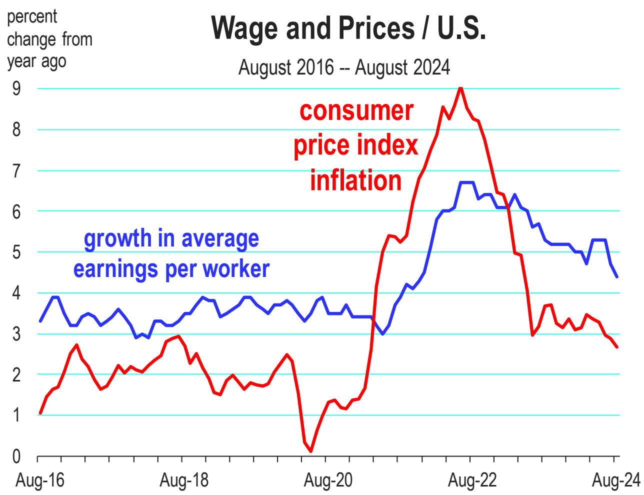
In June 2022 inflation rates reached 9 percent. This was the result of the Biden administration spending $3.1 trillion to stimulate the economy and reverse the declines from the Coronavirus recession. This policy was misguided because the economy was already recovering when subsequent spending bills were passed by Congress in March 2021, November 2021, and August 2022. Higher unemployment might have been avoided at the cost of inflation, but labor markets were very tight during this time so there is not strong evidence that trillions of dollars in government spending were needed to save the economy.

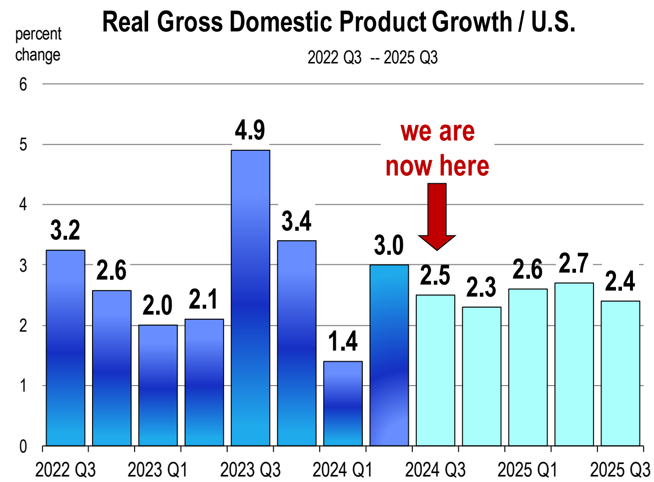
The Federal Reserve has an inflation target of 2 percent, indicative of historical levels of inflation prior to the pandemic recession. Inflation is clearly decelerating, and now has fallen below 3 percent. We previously forecast that the target will not be reached soon, and we are still aligned with that forecast. Nevertheless, the Federal Reserve will lower the Federal Funds Rate (following the September cut), at their next meeting in November. Why? Because the inflation target using an alternative inflation measure (which is their preferred) is “close enough,” and the Fed believes the current high interest rate environment is responsible for rising unemployment rates.

The Labor Market

The U.S. labor market continues to be tight by historical standards: the unemployment rate in August was 4.2 percent. The recent increases in the unemployment rate are caused by more people entering the labor force and outpacing the job creation which remains positive.

So while the U.S. economy is still adding jobs---an average of 150,000 per month---we view this as evidence of the economy slowing down rather than a contraction. Differently from previous situations of low unemployment rates, we currently observe a high volume of unfilled job openings, which have resulted in relatively high levels of wage growth. Over the last year, nominal wages have grown at a rate of less than 4 percent. Annual wage increases had been as





high as 6 to 7 percent in 2023, but the softening labor market caused principally by foreign immigration adding to the labor force have pushed hourly wage growth lower. However, real wages for all jobs are still increasing because wage growth is still outpacing inflation.

U.S. Outlook

Last year at this time, we expected real consumer spending growth to gather momentum through the second half of 2023 and carry into 2024. And it did. But now with rising unemployment, the potential for more corrections in the stock market this fall, and a price contraction in the housing market, consumers may feel some paralysis. Also, the uncertainty of the Presidential and Congressional elections may also delay business investment spending. This is why the immediate forecast for GDP growth in quarters 3 and 4 of 2024 is modest.

The economy is expected to grow faster in 2025. The inflation rate will continue to move towards the 2 percent target gradually between late 2024 and mid-2025 but will not quite reach it yet. Mortgage rates will start to fall with subsequent reductions of the Federal Funds Rate late in 2024. This will also result in higher sales activity in the housing market since owners, who currently hold a low-interest-rate mortgage, will be more tempted to cash in their gains and move into larger houses. Unemployment rates will rise slowly, but still remain low by historical standards.

Principal Economic Indicators, U.S.

		actual	estimated	forecast			
		2023	2024	2025	2026	2027	2028
Real GDP	annual % change	2.5	2.4	2.5	2.6	2.0	2.4
Inflation	annual percent	4.1	3.3	2.7	2.2	2.2	2.0
Unemployment Rate	annual percent	3.6	3.9	4.1	4.3	4.2	4.2
Employment Growth	annual percent	2.4	1.6	1.0	0.8	0.7	0.7

Source: UCLA Anderson Forecast and the California Economic Forecast, September 2024

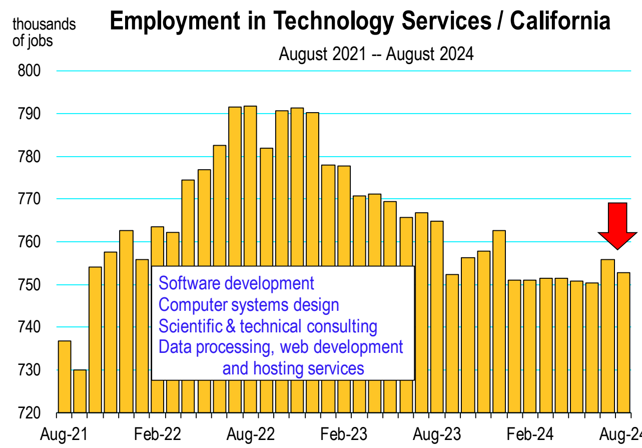
The California Economy

California had already lost a congressional seat due to slow or no growth in population. Population continued to contract in 2021 and 2022. By 2023, the population had shrunk to 2015 levels. This is largely due to net out-migration, an exodus led by high profile firms including Chevron, Oracle, Hewlett-Packard, Toyota, Jamba Juice, Tesla, and Space X. According to recent estimates, California's population is growing (though slightly) in 2024.

The labor markets have softened. In 2023 it was largely due to the tech sector along with warehousing and distribution, and TV, film, and sound recording, the latter due to the actors and writers strike.

Unemployment has been rising as a result. The latest July 2024 unemployment rate of 5.2 percent is the second highest among U.S. states, ranking California 49th (behind Nevada at 5.4 percent).

Technology-related jobs and employment in engineering are pillar industries for California. Technology Services has weathered a worrisome downward movement in employment from the peak in mid-2022. Initially last year's forecast had the freefall bottoming out by mid-2023. However, though the layoffs stopped, new hiring did not return though stock prices for may publicly traded California firms reached all-time record highs. Tech employment has yet to show any signs of a reversal.

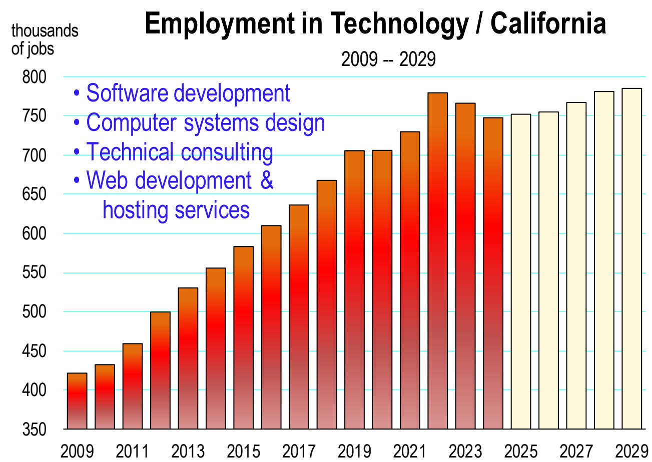


The existing housing market remains unspectacular. Sales of homes remain depressed, largely because new inventory-for-sale is at record lows. At the same time, demand has cooled due to higher financing rates and high home values, but less so than the rate of new listings. Consequently, home prices have rebounded to record levels and remain high.

The Outlook for California

The outlook for the 2025 economy is more auspicious than a year ago. Currently, the California labor market is weak, judging by (1) the unemployment rate, and (2) the vast majority of growth in employment being concentrated in sectors that depend on public funding: State and local Government employment, and Healthcare. We expect cutbacks in government expenditures to have a negative impact on employment in both of these sectors. Of particular concern is also the relative decline in employment for the high-tech industry and in TV/film production.

Further indications that the state economy has weakened are the relatively high vacancy rates in the office market and the low level of new housing permits. However, the outlook for the 2025 economy is more auspicious than a year ago.



Lower levels of inflation should result in more positive consumer sentiment and increased aggregate demand. The hope is that the lower interest rates will provide a stimulus for these industries, especially sales in the new and existing home markets, but also in the industrial market.

Additional stimulus should come from the leisure, entertainment and hospitality sector as more Chinese tourists visit California. Logistics should also play a more significant role in 2025 as trade flow volumes expand at the Ports of Los Angeles, Long Beach, and Oakland. The Panama Canal continues to see lower number of passages given the drought in the region. In addition, there is the issue of uncertainty regarding federal economic policies due to the upcoming election in November.

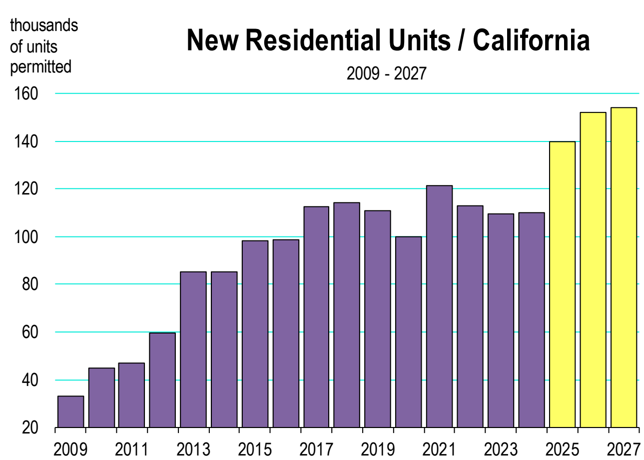
The demand for software development, chip design and production, web development, IT applications, services and systems, and data analysis will only strengthen going forward. And the likelihood for rising demand during the coming AI boom is forecast.

Principal Economic Indicators, California

		actual	estimated	------------------ forecast	--------------------------		
		2023	**2024**	**2025**	**2026**	**2027**	**2028**
Real Gross State Product	annual % change	**2.7**	**3.1**	**3.3**	**3.5**	**2.9**	**3.2**
Inflation	annual percent	**4.0**	**3.1**	**2.7**	**2.4**	**2.2**	**2.1**
Unemployment Rate	annual percent	**4.7**	**5.1**	**4.4**	**4.2**	**4.3**	**4.4**
Employment Growth	annual percent	**0.9**	**1.4**	**1.7**	**1.2**	**1.7**	**1.4**
Population	millions of residents	**38.9**	**39.0**	**39.1**	**39.3**	**39.3**	**39.4**

Source: UCLA Anderson Forecast and the California Economic Forecast, September 2024

New building activity is the principal engine of growth in the state and this sector is stronger than other regions of the nation. Non-residential activity remains at very high levels. Investment in industrial buildings and infrastructure projects is booming throughout the state. New housing softened in 2024 but new start volumes will rise in tandem with more favorable builder sentiment and declining interest rates in 2025. Employment in construction is now at all-time record highs. The surge in new development is unlikely to change over the next two years in view of the projects started or about to start due to a burgeoning entitlement queue.



The Santa Clarita Valley Economy

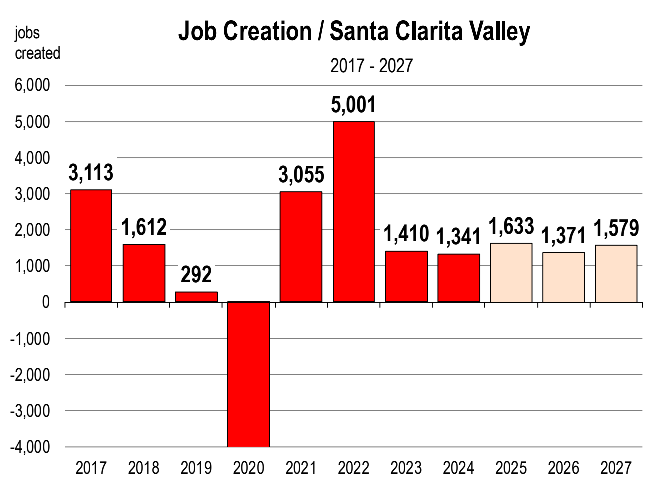
Labor Markets

Job creation in the State, in Los Angeles County, and in the Santa Clarita Valley moderated in 2023 and that moderation has extended into 2024. The labor disputes and the correction in the tech sector from overhiring in late 2021 though mid-2022 were large contributors to the slowdown in job gains.

The 2023 forecast called for a 1.7 percent increase in jobs for the Santa Clarita Valley labor market. Through August 2024, the pace of new job creation is currently running at 1.7 percent for the year.

Just over 1,400 jobs were created in 2023 and 1,340 are forecast for 2024.

Unemployment rates have risen over the last year. The labor force has also been expanding but at an historically slow pace and is partly responsible for modest job growth.



Housing, and the fact that the region is not producing enough of it, is a related and ongoing dilemma everywhere, and is also the reason that population growth has slowed to a crawl.

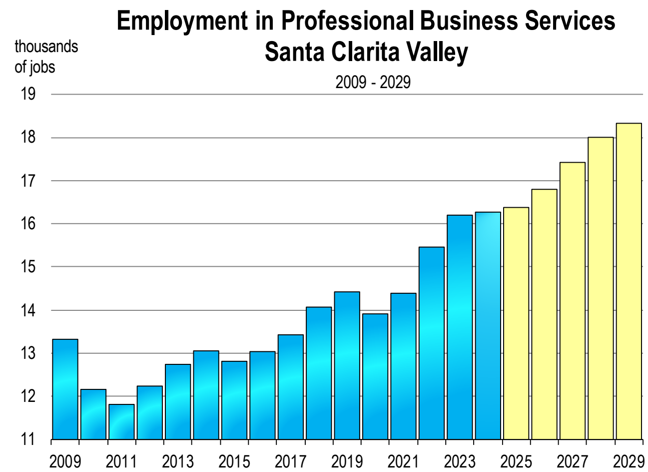
Vacant office space can attract new firms that need a Santa Clarita Valley location, but a principal part of the deal is the availability of local housing to accommodate the in-migrating working population. The forecast calls for more new housing in 2025 and 2026.

The economy in 2025 will be an improvement over 2024, largely due to a lower interest rate environment, a return to normal business at the Ports of LA and Long Beach, and removing the uncertainty of the next presidential administration.

The principal engines of growth will be the industrial market, advanced manufacturing activity, more housing, and with it, more commercial development.

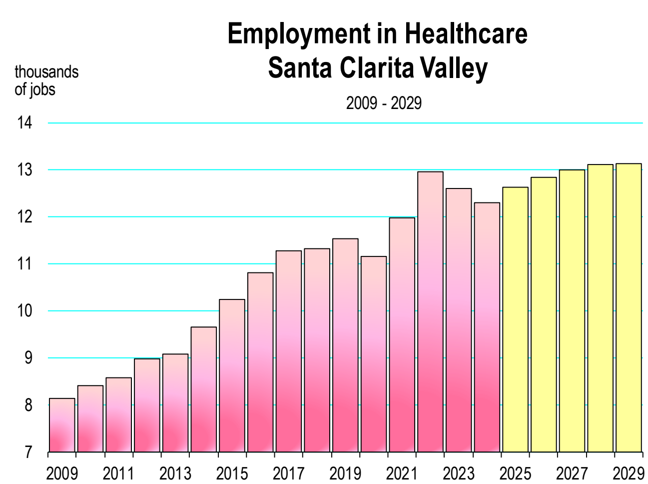
Unemployment and Principal Labor Market Engines

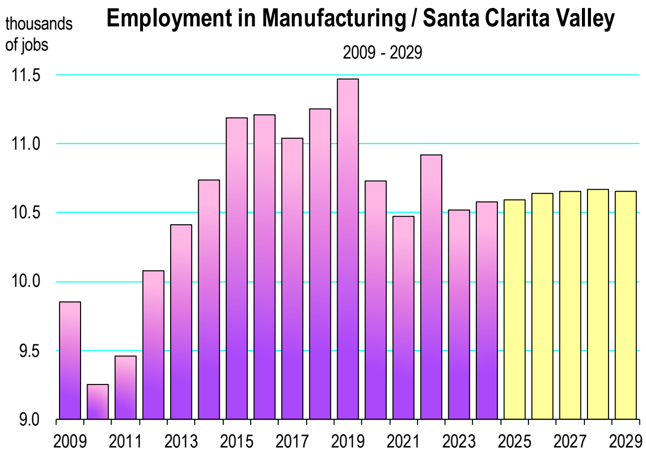
The unemployment rate has been rising over the first 8 months of the year and is forecast to reach 5.3 percent. Labor markets then firm up in 2025. This year, job opportunities in the Santa Clarita Valley economy are dominated by the professional and technical services, local government and the leisure and hospitality sectors. In 2025, professional services will continue to create new positions, along with healthcare, construction, and manufacturing. The healthcare sector is expected to create up to 2,000 new jobs over the next 5 years.

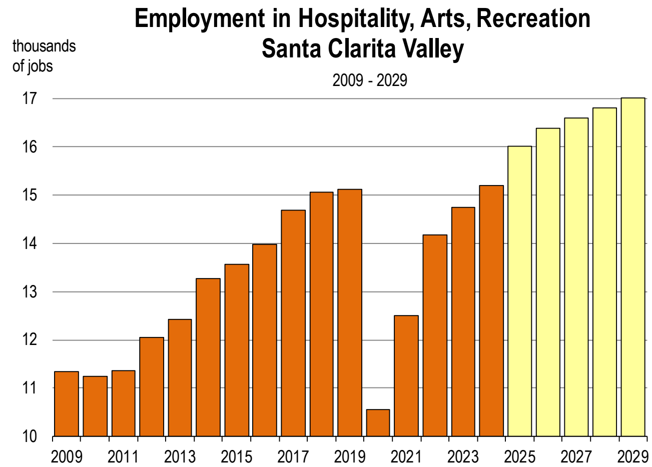


The number of skilled nurses, doctors, and other allied healthcare practitioners needs to dramatically increase to meet demand by aging baby boomers and generation Xers.

The momentum for job creation in California is also in the higher skilled professional and technical sectors which offer high enough salaries for workers to assimilate purchase or rental housing. The types of jobs created in the Santa Clarita Valley in recent years have been in the professional services, healthcare, and transportation and warehousing sectors.







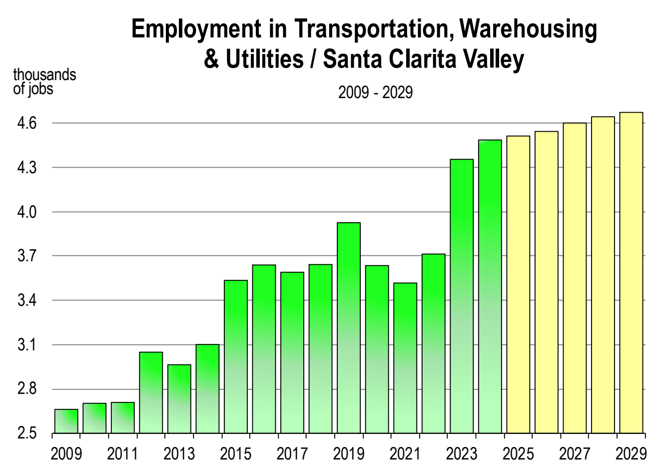
Manufacturing employment is forecast to stabilize. The commitment to restore more manufacturing capability in the U.S. is driving the demand for more workers in advanced sectors including IT, high tech and aerospace, and medical devices. The current environment of more rapid onset of automation in advanced manufacturing sectors is an offset that will limit job creation.

Leisure and hospitality which largely serves visitors has been the fastest recovering sector in terms of jobs restored or added since mid-2020. 400 jobs will be created during 2024 and another 800 in 2025. Attendance was nearly entirely restored at Magic Mountain and Hurricane Harbor in 2023 and visitors will eclipse that number in 2024. No respite is expected in 2025. Hotel/motel occupancy has entirely recovered.

The overall workforce associated with the broader transportation/warehousing sector has reached all-time record highs. The spate of new industrial product to hit the market in 2022 and 2023 is largely responsible for the impressive employment expansion in warehousing, distribution, and manufacturing. The outlook for continued growth in this sector is positive though slower growth is forecast due to a slowing of demand for logistics centers for storage and distribution.

New Commercial Development

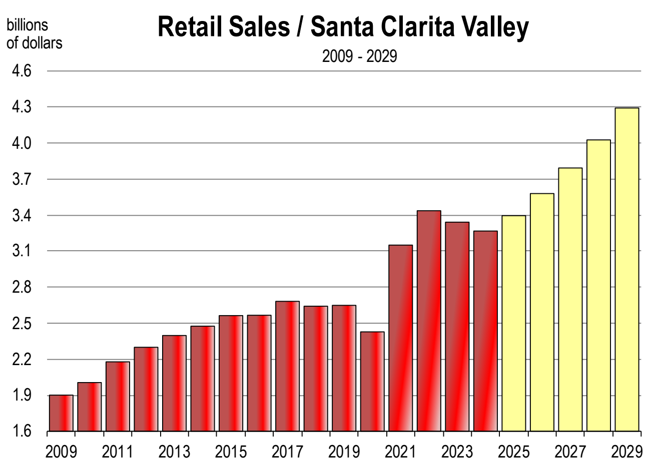
With the growth of population, and more housing projects, there will be development of new retail centers, and retail spending on goods will rise in all years of the forecast.
Online demand for goods will continue

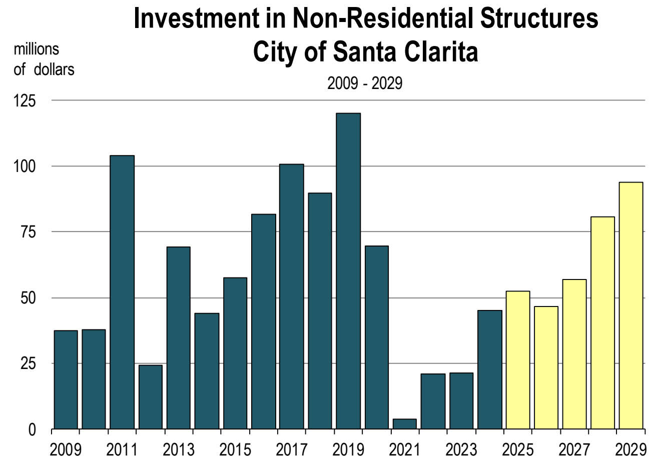


to account for a higher percentage of a household's purchases on goods, but on-site retail sales is also forecast to rise in tandem with regional population growth.

Part of the master-planned Valencia project is the 34-acre Bluffs zoned for 650,000 square feet of new commercial and industrial building. The property sold last year and will likely be rezoned as residential. Retail centers are also included in a number of housing developments and in mixed-use projects.

Santa Clarita Commerce Center started construction in June 2024. The $24 million project will include 430,407 square feet of industrial/warehouse buildings. While office projects are unlikely to be proposed for development over the next 2 to 3 years, industrial developments are still in demand. The Honor Ranch is proposed for 1.5 million squafe feet. Rye Canyon, approved for 750,000 square feet of sound stages and support space is currently on hold due to production slowdowns in the film and TV industry.



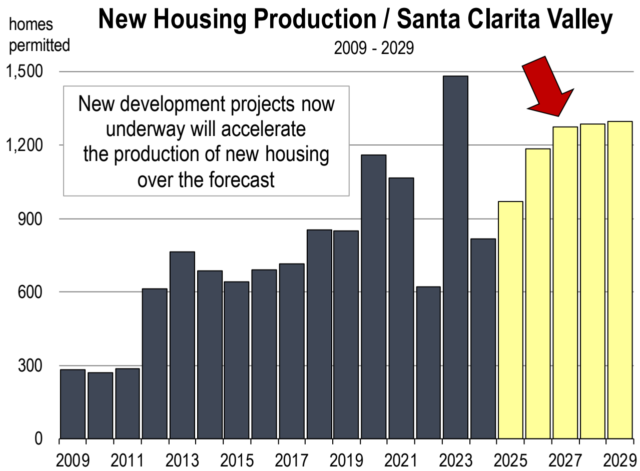


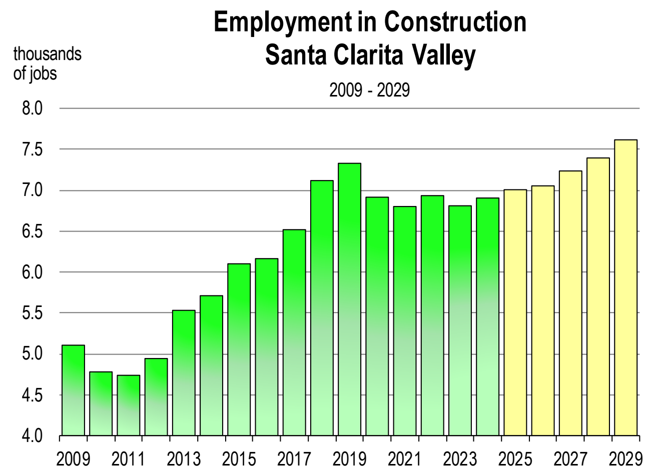
New Housing

Residential Development

The forecast for new housing has been overly optimistic in previous years. This has occurred because of the slower than expected development pace for a number of projects in the Santa Clarita Valley including the Valencia project, Tesoro Highlands and Sand Canyon. However today, these projects are all underway with the expectation of gaining momentum in 2025.

Despite the slow production rate of new homes this year, the forecast for housing starts is more optimistic. The decline in mortgage rates this year and expected declines in 2025 will encourage more buying. While more new units are forecast in 2025, the annual pace of more than 1,000 new homes per year is not expected until 2026. Furthermore, total annual production for the 2027 to 2029 period has been downgraded, largely due to slower population and job growth forecast for the region over the next 5 years.





Nevertheless, the number of new homes started over the next 5 years is forecast to be 6,000. It is important to note that relative to the 2020 to 2024 period, the growth of population is expected to modestly increase, due to higher net-in migrating populations that will respond to more new homebuilding.

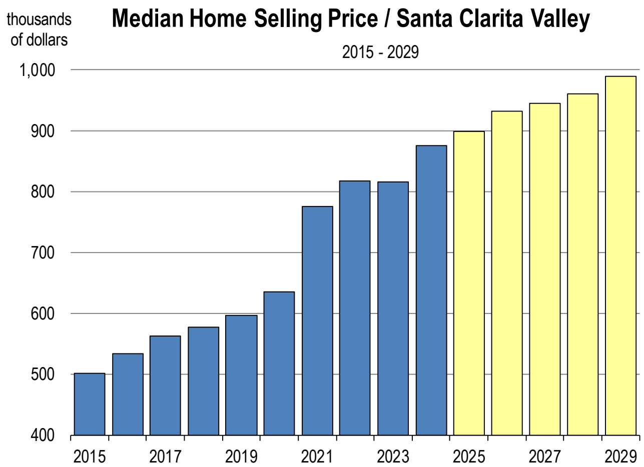
The buildup of construction employment pool in the Santa Clarita Valley since 2015 has largely occurred with the surge in non-residential building at Vista Canyon, the IAC Commerce Center, Needham Ranch and the Valencia Commerce Center. Now housing projects, including the Valencia residential project, Williams Homes, and the Tesoro Highlands projects are driving more job creation in construction. This is forecast to continue over the next several years.

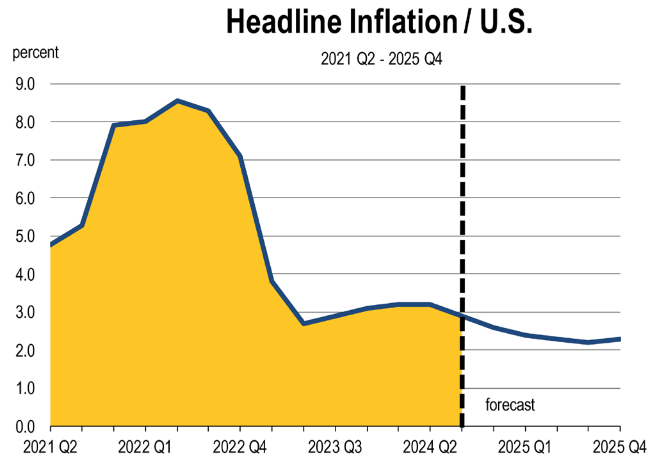
Housing Values

A persistent housing “shortage” and a continued demand to purchase homes has maintained upward pressure on home prices this year. Our year-ago forecast for housing prices was for 2 percent appreciation in 2024. However, to date, home prices have risen 7.3 percent. With lower mortgage rates in 2025, there will be more housing inventory from sellers along with an increase in demand for homes. With more new homes also available, the increase in supply should keep appreciation in check. The forecast has home prices rising 2.6 percent in 2025 and nearly 4 percent in 2026.

Sales of existing homes will increase in 2025 due to the forces noted above--rising supply and persistent demand.

The best combination of factors leading to a stronger housing market in 2025 would also include faster economic growth, increased business formation and increased hiring. The forecast for 2025 includes a higher rate of in-migrating population with a modest increase in job opportunities in the region.





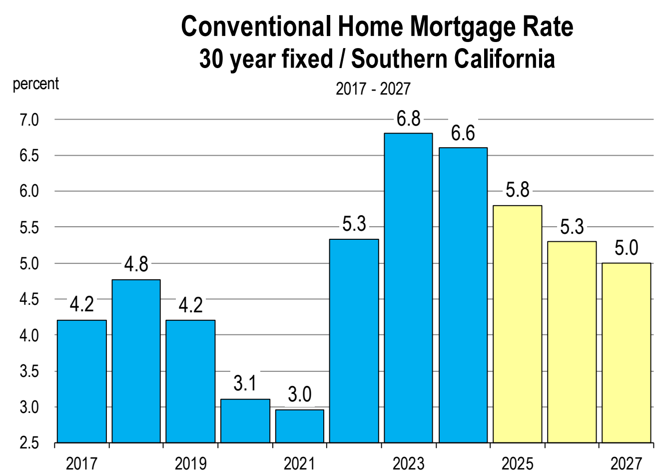
Inflation and Mortgage Rates

Core consumer price index inflation has improved. The PCE inflation rate has improved and has actually reached the Fed target of 2.0 percent.

Headline inflation has now broken through the 3.0 percent threshold on a monthly basis, and will average 3.0 percent for the year. Higher interest rates have been successful in containing inflation. Rate cuts will continue in November and possibly in December as well.

The forecast calls for continued progress on inflation, but this presumes that some federal spending restraint will finally be implemented with the new Congress, and that the Fed does not move too fast to cut rates during 2025.
In mid-September, the national average 30-year fixed rate mortgage fell to 6.3 percent, the lowest rate in sixteen months. The Mortgage Bankers Association predicts three rate cuts by the Fed this year and forecasts the conventional mortgage rate at 6.0 to 6.4 percent over the remainder of the year.

Our forecast for 2025 has mortgage rates in decline, averaging 5.8 percent for the year. Rates will likely continue their decline in 2026 but further contraction is dependent on federal debt which has now grown to 130 percent of the annual U.S. GDP.



Santa Clarita Valley Economic Forecast Summary					2018 - 2024 History, 2025 - 2029 Forecast		
Year	Population (people)	Population (growth rate)	Net Migration (people)	Households (thousands)	New Homes Permitted (homes)	Retail Sales (billions)	Personal Income (billions)
2018	291,165	0.5	-33	96.8	852	$2.6	$26.5
2019	291,710	0.2	93	96.5	850	$2.6	$27.5
2020	291,962	0.1	-248	99.4	1,159	$2.4	$28.8
2021	291,349	-0.2	-541	99.9	1,067	$3.2	$29.3
2022	292,325	0.3	-172	101.6	619	$3.4	$29.2
2023	294,090	0.6	1,180	103.3	1,480	$3.3	$29.3
2024	294,300	0.1	-345	103.8	573	$3.3	$30.3
2025	295,236	0.3	456	104.5	969	$3.4	$32.0
2026	296,611	0.5	985	105.4	1,185	$3.6	$33.5
2027	298,257	0.6	1,343	106.6	1,274	$3.8	$35.1
2028	299,837	0.5	1,398	107.9	1,286	$4.0	$36.6
2029	301,103	0.4	1,184	109.2	1,297	$4.3	$38.2

Year	Non-farm Wage & Salary	Growth Rate (% change)	Construction	Manufacturing	Transportation, Utilities	Wholesale & Retail Trade	Financial Activities
			–thousands of jobs–				
2018	95.5	1.7	7.1	11.3	3.6	16.6	4.0
2019	95.8	0.3	7.3	11.5	3.9	16.1	3.9
2020	85.8	-10.4	6.9	10.7	3.6	15.2	3.7
2021	88.8	3.5	6.8	10.5	3.5	15.5	3.8
2022	93.8	5.6	6.9	10.9	3.7	14.9	3.8
2023	95.3	1.6	6.8	10.5	4.4	15.0	3.5
2024	96.7	1.4	6.9	10.6	4.5	15.1	3.6
2025	98.4	1.8	7.0	10.6	4.5	15.2	3.7
2026	99.9	1.5	7.1	10.6	4.5	15.4	3.7
2027	101.6	1.7	7.2	10.7	4.6	15.6	3.8
2028	103.0	1.4	7.4	10.7	4.6	15.7	3.8
2029	104.1	1.1	7.6	10.7	4.7	15.9	3.8

Source: California Economic Forecast, September 2024

Santa Clarita Valley Economic Forecast Summary — **2018 - 2024 History, 2025 - 2029 Forecast**

Year	Real per Capita Income (dollars)	Median Home Selling Price (dollars)	Existing Home Sales	Inflation Rate (percent change in local CPI)	Unemployment Rate (percent)
2018	$113	$577,800	2,380	3.8	4.4
2019	$114	$597,500	2,551	3.1	4.2
2020	$117	$635,500	2,761	1.6	11.5
2021	$115	$775,000	3,156	3.8	7.9
2022	$106	$817,100	2,178	7.4	4.5
2023	$103	$816,000	1,575	3.5	4.9
2024	$103	$875,900	1,482	3.0	5.3
2025	$105	$898,500	1,565	2.6	4.9
2026	$108	$931,700	1,818	2.3	4.8
2027	$110	$944,600	1,984	2.1	4.7
2028	$112	$960,200	2,114	2.0	4.5
2029	$114	$988,900	2,150	2.0	4.6

Year	Professional Services	Information	Health & Education	Leisure	Government
			–thousands of jobs–		
2018	13.6	1.3	11.3	15.1	9.9
2019	13.9	1.4	11.5	15.1	9.9
2020	13.4	1.3	11.2	10.5	9.2
2021	13.9	1.4	12.0	12.5	9.1
2022	15.0	1.4	13.0	14.2	9.4
2023	15.7	1.3	12.6	14.8	9.7
2024	15.8	1.2	12.3	15.2	10.1
2025	15.9	1.2	12.6	16.0	10.2
2026	16.3	1.2	12.8	16.4	10.2
2027	16.9	1.2	13.0	16.6	10.3
2028	17.5	1.2	13.1	16.8	10.3
2029	17.8	1.2	13.1	17.0	10.4

Source: California Economic Forecast, September 2024

DEMOGRAPHICS

Introduction

Population Update

Household Income

Educational Attainment

Race and Ethnicity

Population Age Structure

Demographic Outlook

Introduction

Current demographic information factors considerably into the economic well-being of the region. Rising populations require the provision of more goods and services, and other characteristics of the population influence locational, product, staffing and policy decisions for businesses and local government.

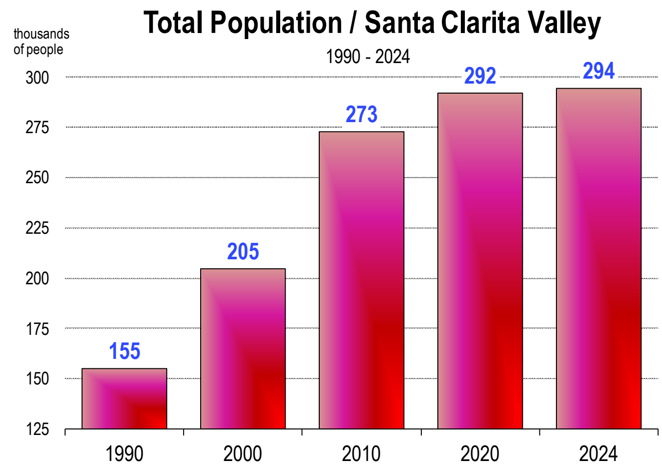
Factors considered in this annual report over time have included population size and growth, income or affluence, occupation, education, race, and the distribution of population by age.

Population Update

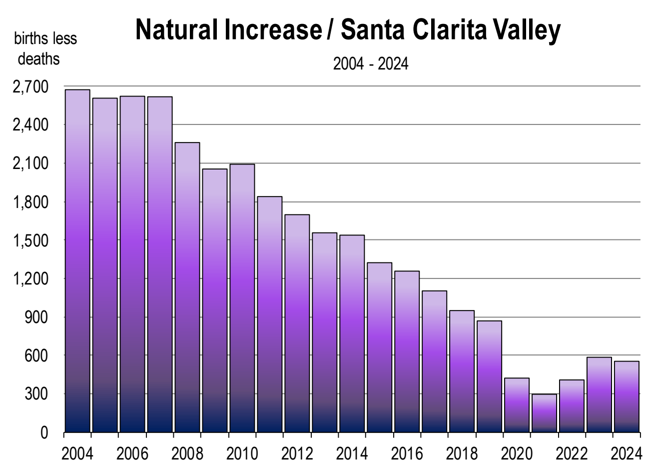
- Recent 2020 Census revisions to the area's population now generate a total population of the Santa Clarita Valley estimated at 294,300 residents, and just over 230,000 residents within the incorporated city limits.

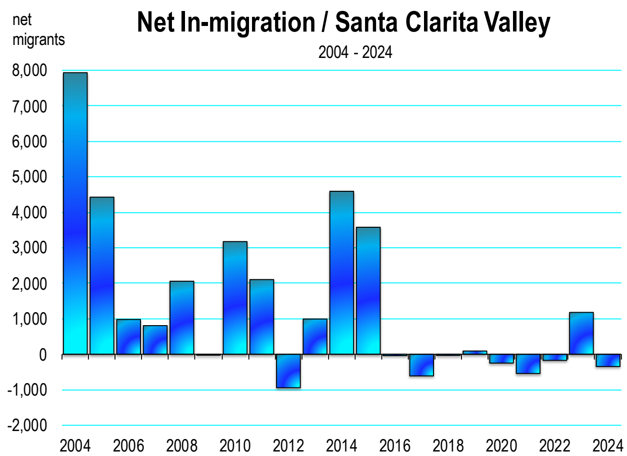
- Annexations have pushed the city's population sharply higher over the last 10 years, but net growth for the overall region has been austere. In the last 10 years, the region has expanded by 7,625 residents. However, there has been very little population growth since 2020.

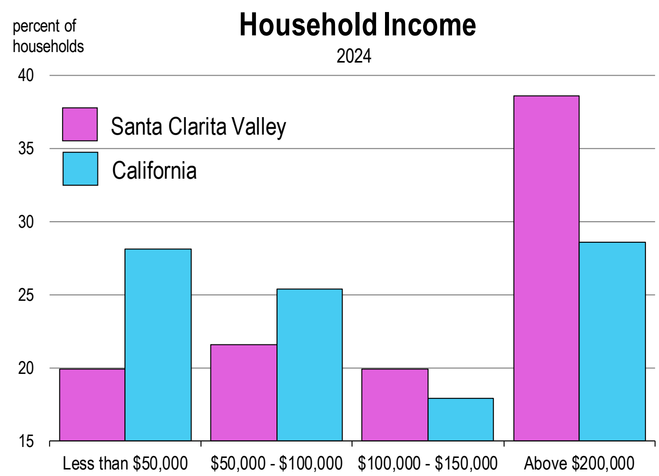
- The approximately 22 percent of the population that lives in the unincorporated area of the Santa Clarita Valley is located in Castaic, Stevenson Ranch, the eastern stretch between Canyon Country and Agua Dulce, and now in new Valencia housing just north of Stevenson Ranch.



- Population growth has decelerated because the birth rate has declined and the mortality rate has increased. This characteristic of the natural increase in population is not unique to Santa Clarita; it is occurring throughout the state and much of the nation.







- Net migration is expected to rise as the production of more new homes continues at accelerated rates next year and in 2026. This will manifest in higher population growth over the next 5 years.

Household Income

Household income includes payments to all members within a family or group of individuals living within a single housing unit, from all sources including wages, salaries, transfers, dividends, rents, interest, and sales of services.

- The Santa Clarita Valley is among the most affluent areas of California.

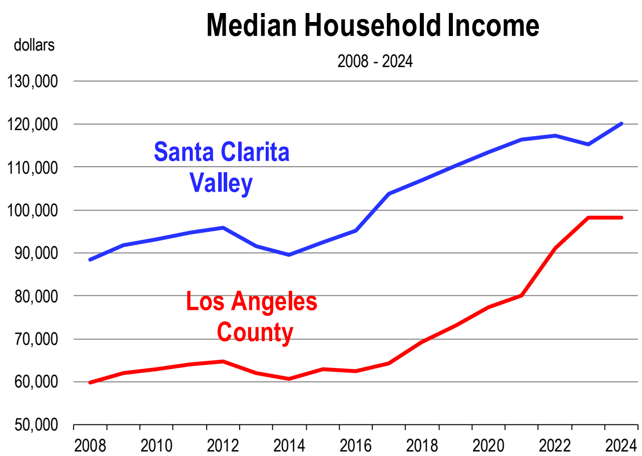
- For 2024, the median household income in the Santa Clarita Valley is estimated at $121,000.

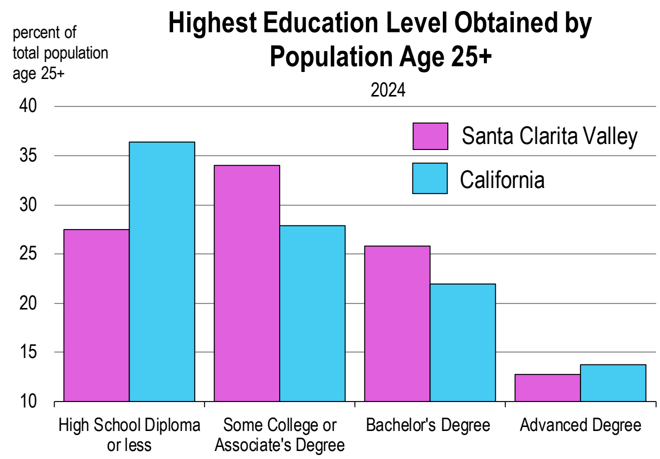
The median household income for California was $92,190, and for Los Angeles County: $84,478.

- The median is the middle household in the Santa Clarita Valley. The average household income during 2024 was $157,200

- In the Santa Clarita Valley, 58 percent of all households earn $100,000 or more per year, compared to 47 percent for all Californians.

- Incomes in the region are high because the local labor market is concentrated in high-wage fields. A large proportion of local residents work in the higher-paying sectors of management, manufacturing, finance, and scientific and technical consulting.





Educational Attainment

Higher educational attainment is statistically correlated with higher income generation over an individual's lifetime. Educational attainment is principally categorized by levels of formal schooling achieved, or diplomas/degrees/certificates received for completing particular educational over vocational coursework.

- The region has a much higher proportion of residents with a bachelor's degree than adjacent counties. It is these workers that have largely been recruited by local aerospace, engineering, software and management companies.

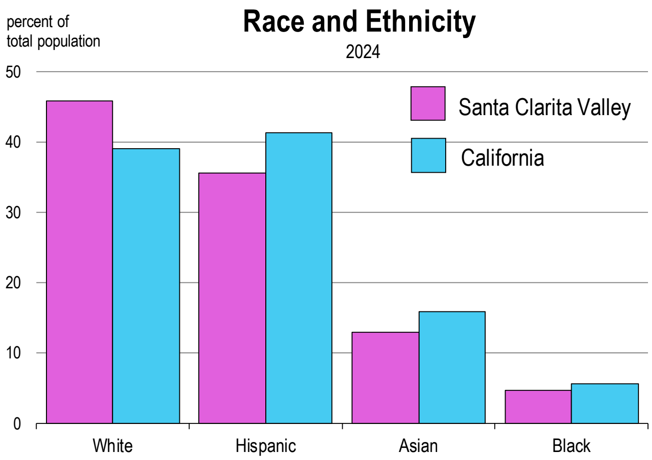
- Compared to the rest of California, the region has a much lower share of residents who did not finish high school. In the region, less than 10 percent of residents who are over the age of 25 do not have a high school diploma, an exceptionally low rate. Across California, 16 percent of residents do not have a high school diploma.

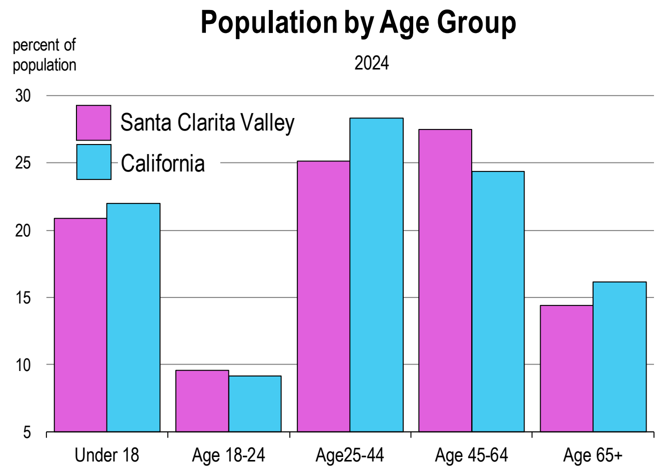
Educational Attainment of the Workforce 2024

Percent of population aged 25 and over

Level of Education	Santa Clarita Valley	Los Angeles County	Ventura County
Associate Degree	10.4	7.0	10.2
Bachelors Degree	25.8	22.4	21.4
Graduate Degree	12.8	12.2	13.1
High School Degree	18.3	20.6	19.9
less than 9th grade	4.1	11.9	8.9

Source: Census, American Community Survey





Race and Ethnicity

Race and ethnicity represent different backgrounds and cultures of the population which is thought to improve society through diversity. Diversity may expand new thinking and problem-solving for business, technological and sociological advancement.

- In terms of race and ethnicity, the Santa Clarita Valley is relatively similar to the state of California.

- Approximately 48 percent of the population in the Santa Clarita Valley is White, 36 percent is Hispanic, 13 percent is Asian, and 5 percent is Black (these percentages sum to more than 100 percent because some individuals reporting Hispanic ethnicity also identify as White, Asian, Black, or another racial category).

- The population of California is 49 percent White, 41 percent Hispanic, 16 percent Asian, and 6 percent Black.

- The racial and ethnic composition of the Santa Clarita Valley is becoming more diverse. Over just the last few years, the share of the population that identifies as White has declined by a meaningful amount, while the shares of residents that identify as Hispanic, Asian, or Black have increased.

Population Age Structure

The age structure of the Santa Clarita Valley population is very similar to California but there are minor differences that have served to advantage the local area.

Working Age Population

Compared to other regions of the state, the Santa Clarita Valley has a higher percentage of residents

Key Demographic Comparisons 2024

Indicator	Santa Clarita Valley	Los Angeles County	Ventura County
Population	294,300	9,706,666	831,228
Population ages 18 to 65)%)	63.8	64.6	60.6
Percent of population employed	50.1	48.8	49.8
July 2024 Unemployment Rate	6.2	6.5	4.5
Median Household Income	$120,089	$83,478	$102,942
Homeowner (as % of all households)	71.0	45.4	63.2
Families below Poverty line (%)	3.6	7.1	3.9
Travel to to work (minutes one way)	38.0	34.0	28.0

Source: Census, American Community Survey, HUD, and Labor Market Info Division

between the ages of 18 and 24, and between 45 and 64. These groups represent college-age residents, entry-level workers, and workers in supervisorial and management positions.

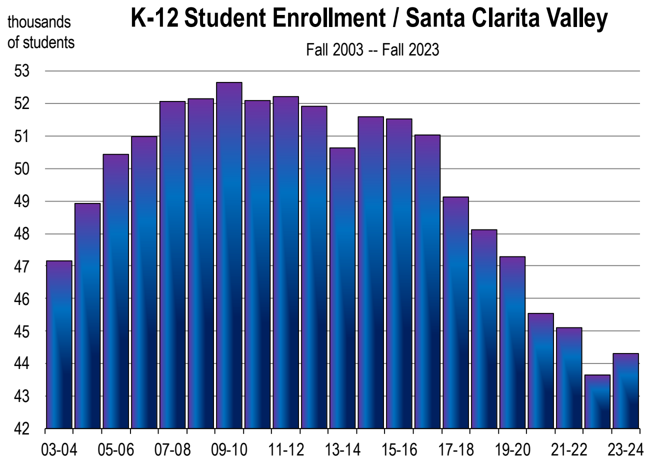
65 percent of the resident population is in the working age cohort. Another 8 percent is aged 65 to 74, a group of which nearly 30 percent are still in the labor force. The Santa Clarita Valley therefore has a higher percentage of working population than the rest of Los Angeles County, or adjacent Ventura County. And consequently, a higher percentage of the population is employed.

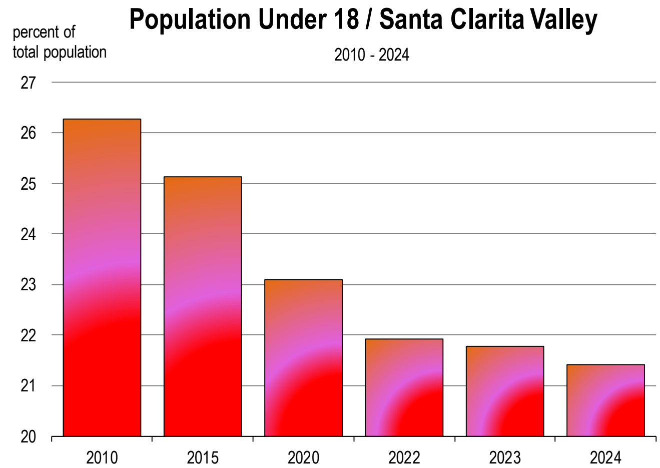
Among the employed population, Santa Clarita has a high percentage of all jobs in management, sales, engineering, software, and manufacturing occupations. Consequently, the median household income is relatively high in the region, and also relative to broader Los Angeles County and the median for the entire state.

Commute time to work is also highest for Santa Clarita Valley residents compared to the other selected jurisdictions. Though the Santa Clarita Valley has become much more of a jobs center in recent years, more families relocate to the area because there are more new housing choices and the schools are ranked higher according to student test scores.

Younger and Older Aged Population Cohorts

In 2024 the proportion of residents under the age of 18 is lower than at any point in the last two decades. This group continues to occupy a smaller and smaller share of the population, due to the declining birth rate. The shrinking size of this group is clearly evidenced by the continuing

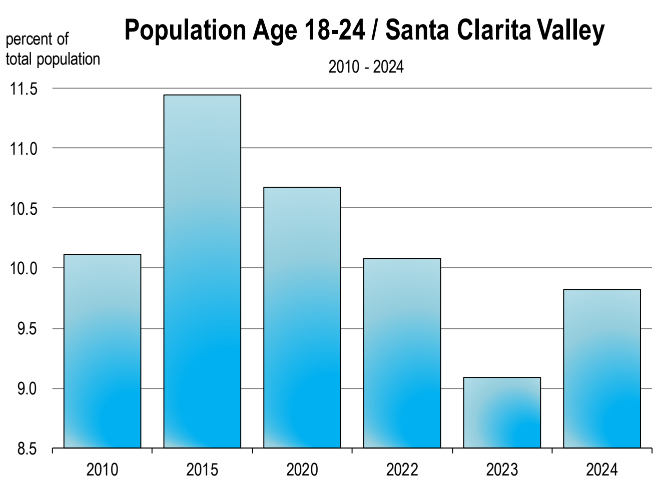


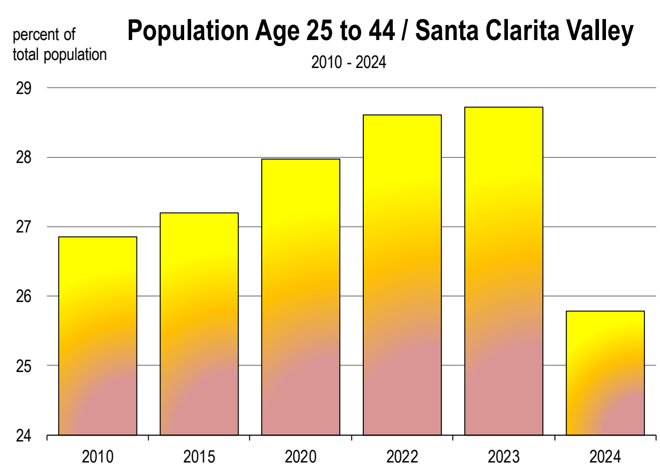


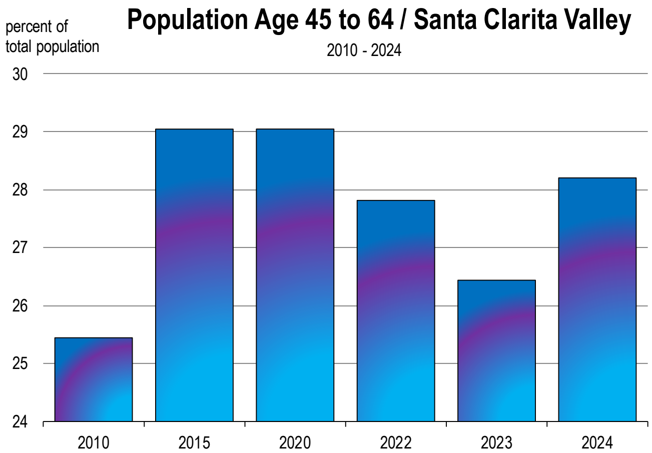
downward trend in K-12 school enrollments. The cohort is expected to rise only marginally over the next 6 years.

The 45 to 64 year old is now increasing its share of the population. This group together with the 25 to 44 age cohort represents the principal labor force. In 2024, 45 to 65-year-olds accounted for 24.2 percent of the population, and 25 to 44-year-olds accounted for 28.8 percent. Together they will remain the dominant demographic group through the end of the decade.

Residents over the age of 65 account for 14.8 percent of the Santa Clarita Valley population. The region has a comparatively younger population than Los Angeles County or the Greater Southern California region. The oldest Baby Boomers have been in the retirement bracket for a decade, but the youngest won't enter retirement age until the year 2029. Over the next 5 years, the retirement cohort will expand faster than any other age group, increasing by an average of three percent per year, leading to another 6,000 more residents in this cohort.







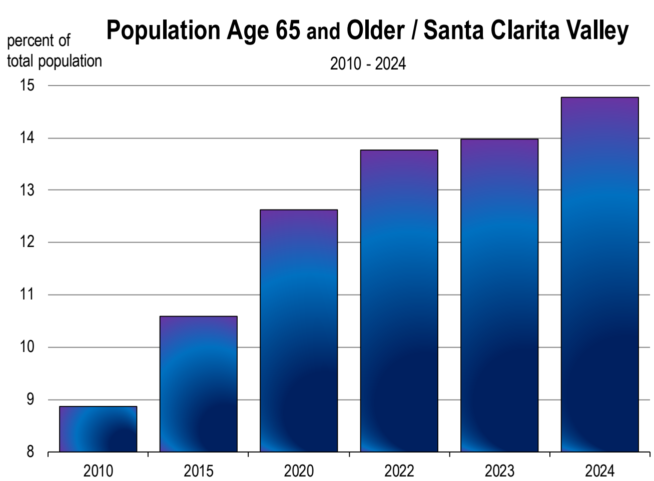
Jurisdiction	2024 Population Aged 65 and over (%)
Santa Clarita Valley	14.8
Los Angeles County	16.1
Riverside County	16.7
San Diego County	16.8
Orange County	17.3
Ventura County	18.6
California	16.7

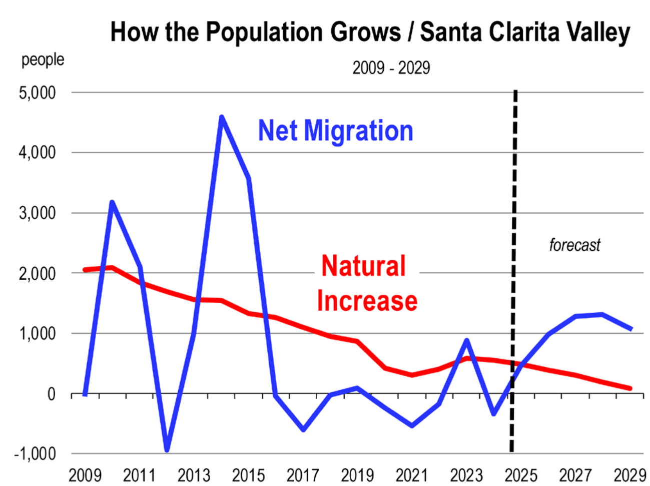
The Demographic Outlook

Population growth in the Santa Clarita Valley is expected to average 0.7 percent per year between 2023 and 2028, and the valley-wide population is expected to grow by nearly 11,000 residents.

Growth will accommodate the production rate of new housing, which is also now increasing with the buildout of the Confluence Village and Williams Homes projects. While the entire Valencia project will ultimately add more than 21,000 homes to the Santa Clarita Valley housing stock, housing development will be measured and the regional population is not forecast to expand rapidly over time.

The principal driver of population will be new migrants rather than the natural increase. On average, the region is expected to attract 5,100 net migrants through 2029. Net migration will be higher near the end of the forecast period as the volume of residential development expands both directly west and east of the city, setting the stage for the continued likelihood of annexation and enlargement of the Santa Clarita municipal boundaries.





Demographic Forecast	Santa Clarita Valley		History: 2020 - 2024		
	2020	**2021**	**2022**	**2023**	**2024**
			-- people --		
Population	291,962	291,349	292,325	294,090	294,300
% change	0.19	-0.21	0.33	0.60	0.07
			-- people --		
Births	1,921	1,962	1,929	1,889	1,866
Deaths	1,498	1,665	1,519	1,304	1,311
Natural Increase	423	297	410	585	555
Net Migration	-172	-910	567	1,180	-345
Other Indicators					
Total Vehicle Registrations	231,231	233,801	233,308	234,640	234,153
Automobile Registrations	185,486	186,912	186,510	188,151	188,420
Total Housing Stock	101,846	102,363	104,104	105,880	106,367
Number of Households	99,392	99,856	101,593	103,321	103,795
Persons per Household	2.94	2.92	2.88	2.85	2.84

Source: California Economic Forecast, August 2024

Demographic Forecast		Santa Clarita Valley		Forecast: 2025 - 2029	
	2025	**2026**	**2027**	**2028**	**2029**
			-- people --		
Population	295,236	296,601	298,185	299,670	300,834
% change	0.32	0.46	0.53	0.50	0.39
			-- people --		
Births	1,824	1,756	1,692	1,594	1,518
Deaths	1,344	1,367	1,389	1,412	1,435
Natural Increase	480	389	303	182	83
Net Migration	456	975	1,281	1,304	1,081
Other Indicators					
Total Vehicle Registrations	236,370	237,713	239,097	240,394	241,507
Automobile Registrations	190,609	191,885	193,204	194,444	195,559
Total Housing Stock	106,940	107,902	109,040	110,244	111,453
Number of Households	104,453	105,426	106,577	107,795	109,019
Persons per Household	2.83	2.81	2.80	2.78	2.76

Source: California Economic Forecast, August 2024

Data sources for the charts in this chapter include: Environmental Insights, Census Bureau, Department of Finance, State of California, Bureau of Labor Statistics, and the forecasting models maintained by the California Economic Forecast.

EMPLOYMENT AND WORKFORCE

Labor Market

Employment by Sector

Recent Trends in the Composite Employment Sectors

Unemployment and Job Openings

Largest Employers

Average Salaries

The Santa Clarita Valley Workforce

The Forecast

Labor Market

Labor markets are important for assessing regional economies because employment reports represent the most timely, fluid, and detailed measure of economic activity for the region.

While job creation within a regional economy can be volatile over time for many reasons, rising job counts almost always imply that (1) the demand for production is increasing and firms therefore need more capital, labor, or both to meet that demand, or (2) the region is attracting more businesses who employ local workers or new in-migrating workers who will either commute short term or establish permanent residence.

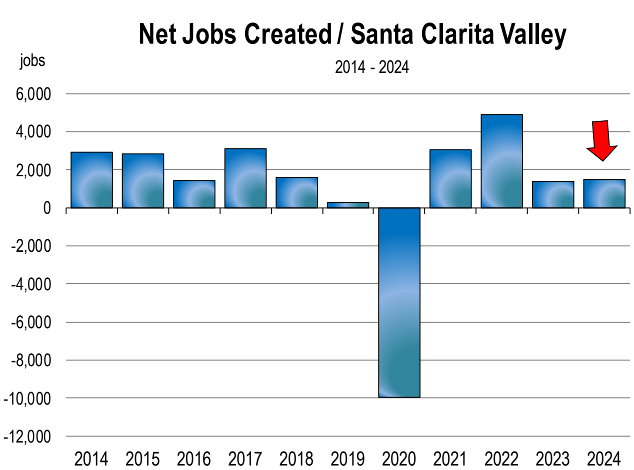
Employment by Sector

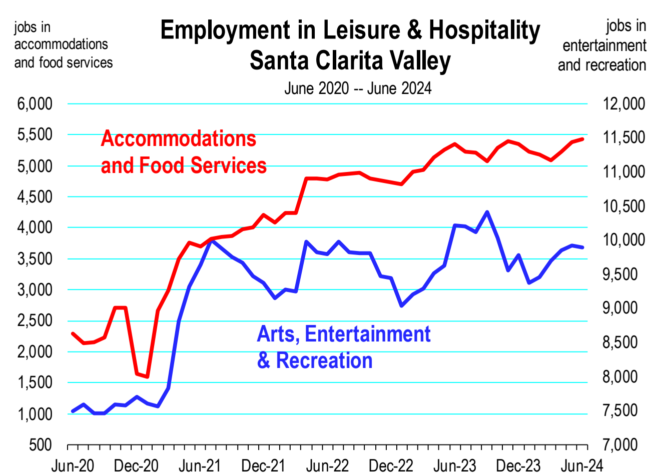
During 2024, the Santa Clarita Valley labor market continues to expand the employment base. During the first 6 months of the year, local hiring is on pace to generate 1,342 more jobs during the calendar year. This follows on the heels of 1,410 jobs created in 2023.

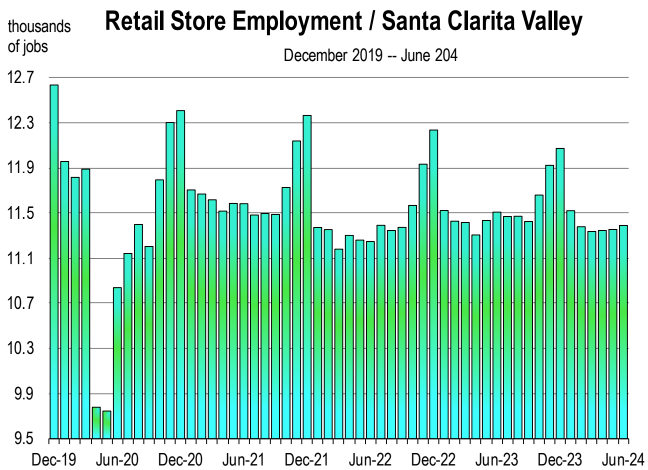
Most of this year's job creation is occurring in leisure & hospitality and local government. Transportation and warehousing has also created more jobs along with construction, professional services, and wholesale trade.

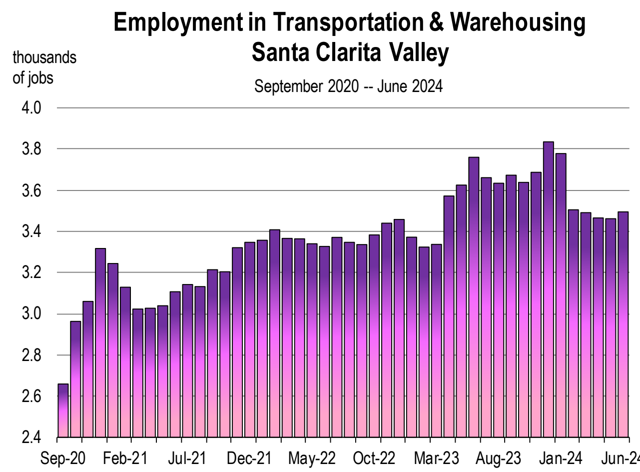
Magic Mountain and Hurricane Harbor remain the region's top tourist destination. Attendance during 2023 jumped by an estimated 407,000 visitors to the highest level since 2019. Attendance in 2024 appears to be heavy. The website Isitpacked.com indicated continued large crowds in June, July and August this year. On Sunday, September 1, 2024, the average wait time for a ride was 40 minutes. On the basis of employment, job counts for the arts, entertainment and recreation sector are at an all time high this year.

Hotel occupancy rates have remained healthy, at between 70 and 80 percent per month over the last 4 years, and workforces at local hotels, motels, and restaurants continue to expand.







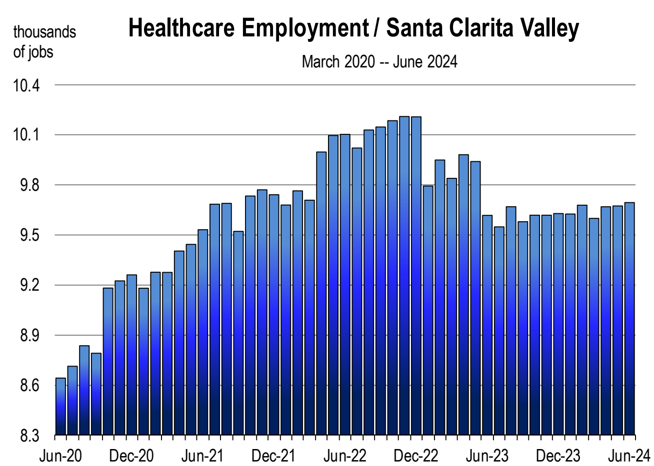


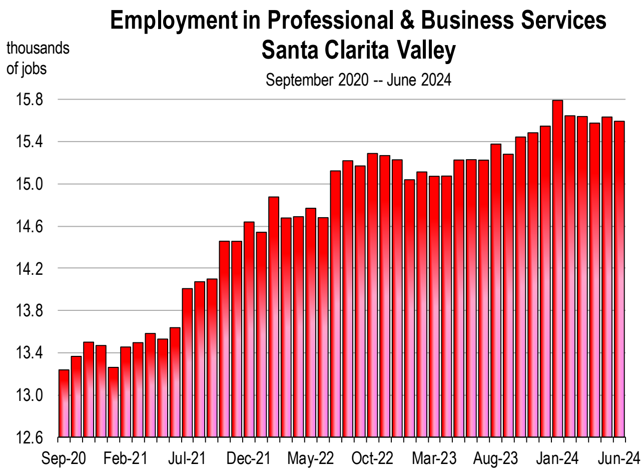
Online retail shopping continues to displace the in-store experience. Many traditional retail clothing, appliance, furnishings, and department stores have been replaced with other types of retail or personal experiences that attract people but generally require fewer workers.

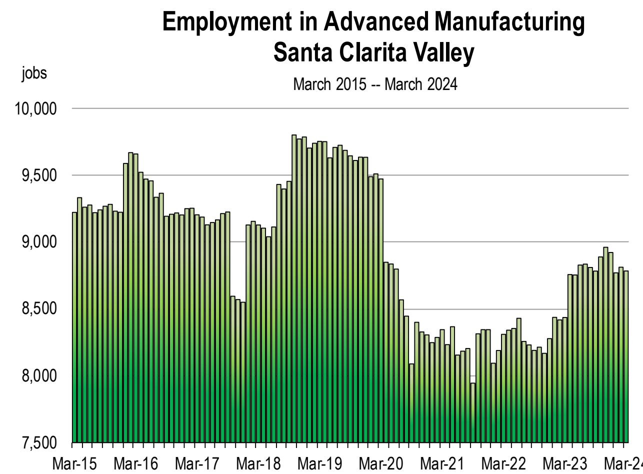
Automation has also replaced workers in retail stores. Consequently, employment within the retail sector continues to consolidate. The spikes in the data represent the additional hiring of temporary workers during the holiday season. With the onset of AI and continued automation of customer checkout, expect fewer job opportunities in the retail sector. This will also be true of some services sectors including some business services and professional services.

The demand for warehouse, distribution, and fulfillment center jobs has increased sharply over time in the region, and recently with new openings that have been fully occupied at the IAC commerce center and Needham Ranch. The Transportation and warehousing sector is now close to record levels of employment.

Princess Cruises is a large part of this sector and is headquartered in Santa Clarita. Shifts in their total reported headcount in late January 2024 when the company announced the sublease of its space in the Town Center, have reduced total transportation industry employment this year.







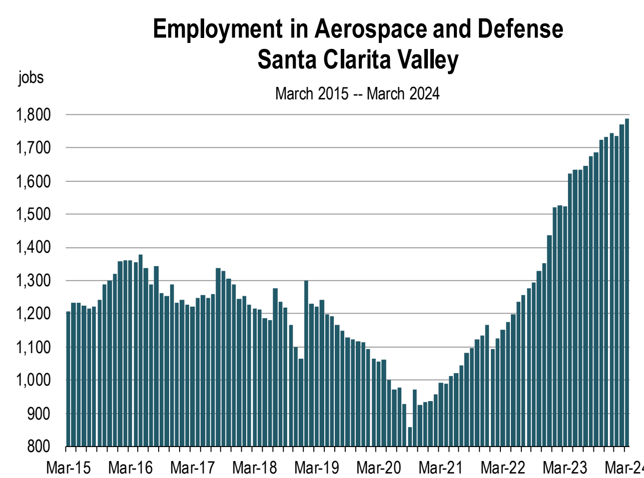
Healthcare is a principal employment sector of the regional economy. Apparent consolidations occurred in 2023 which reduced total reported employment, but the job base is relatively stable now. The professional, management, technical, and scientifically skilled services sector continues to grow over time, and like healthcare, is a principal growth sector of the regional labor market.

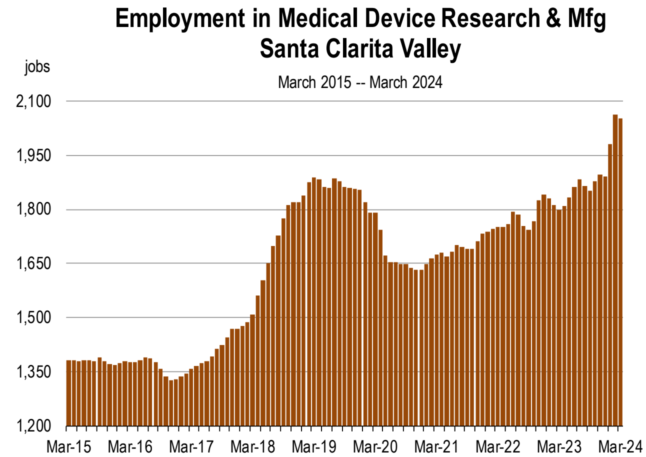
Recent Trends in the Composite Employment Sectors

These industries comprise the principal backbone of the workforce in Santa Clarita. The manufacturing of advanced products including high technology, precision and aerospace products is a subset of all manufacturing in the regional economy. Though total employment has not returned to pre-pandemic levels, this sector remains a major employer of higher paying skilled workers.

The region's labor market has several other prominent composite or "cluster" industries that cater to the region's unique advantages, and some of these industries are expanding employment in a meaningful way, especially since the pandemic. In particular, the aerospace component and medical device manufacturers are now generating a meaningful number of jobs within the Santa Clarita Valley.

Digital Entertainment Media had been a stable jobs generator through 2023. With the onset

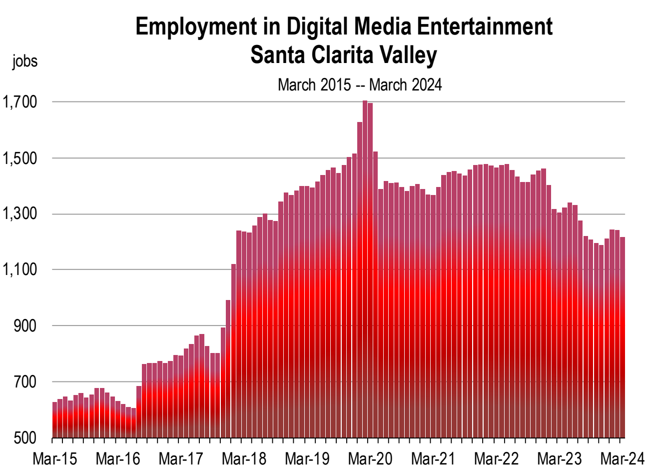


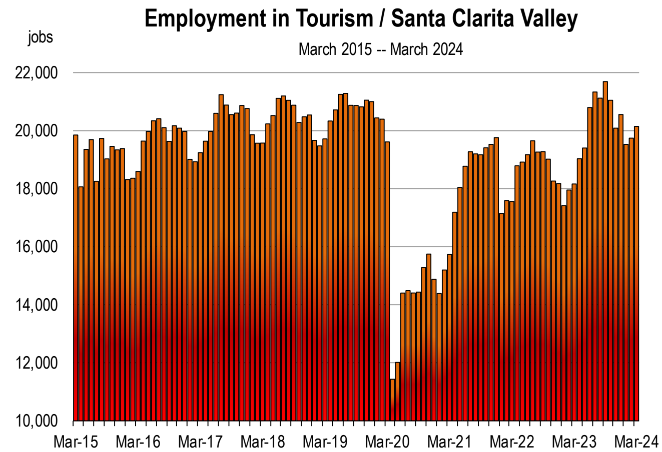


of the labor dispute and resulting strike by the Actors Guild, production in film and TV largely stopped for much of the year. The dispute was resolved in November 2023 but local production has not yet returned with earnest. In fact, job creation in Los Angeles County and the rest of California through August has yet to recover.

The tourism cluster is comprised of the leisure and hospitality sector and a number of particular retail sectors that cater to the region's visitors.

The cluster industries tend to have salaries that are well above the area's average wage. In

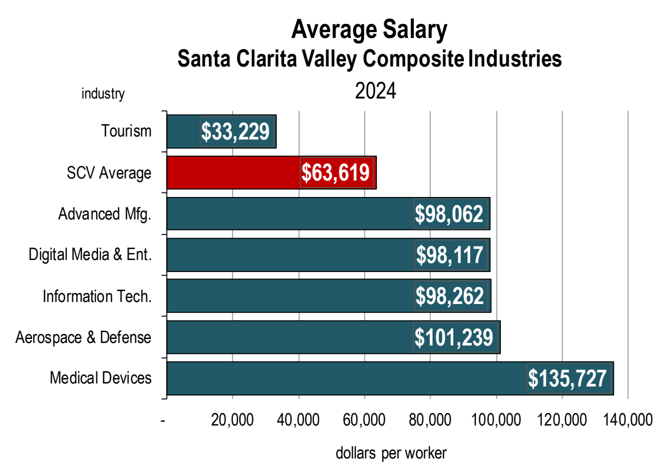


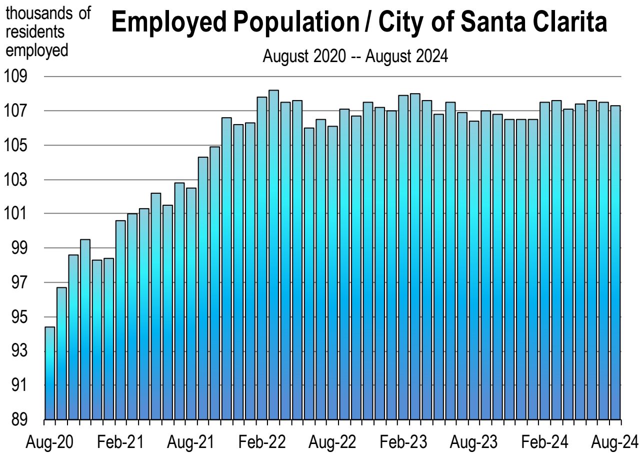


2024, the highest paying composite sector was medical devices, which averaged salaries of $134,700 per worker – over twice the $63,600 salary that was observed across the entire Santa Clarita Valley labor market.

Unemployment and Job Openings

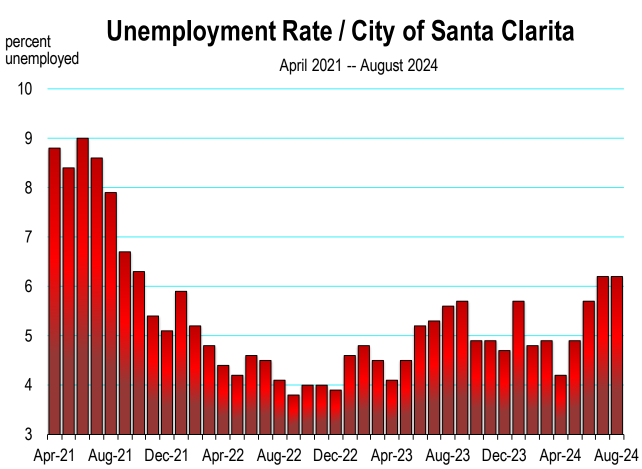
The unemployment rate in the incorporated area of Santa Clarita moved upward in July to a cycle high of 6.2 percent. The rate has been creeping higher over the last year largely because of the increased expansion of the labor force while the number of employed residents has remained relatively constant.





The labor force is the number of residents in the region who either are working or want to work. The labor force is now expanding again. The evolving slowdown in the economy has encouraged retirees to join the labor force, one worker households to expand to two, or new residents to join the formal work effort.

The number of job openings for positions are clearly in decline. The previously tight labor market has now returned to a more normal labor market. The sector with the most job openings is healthcare, with postings at Henry Mayo, UCLA Health, Northeast Valley Health, and Interstate Therapy Solutions.



Date	Job Postings
August 2022:	3,201
August 2023:	2,896
September 2024:	1,100

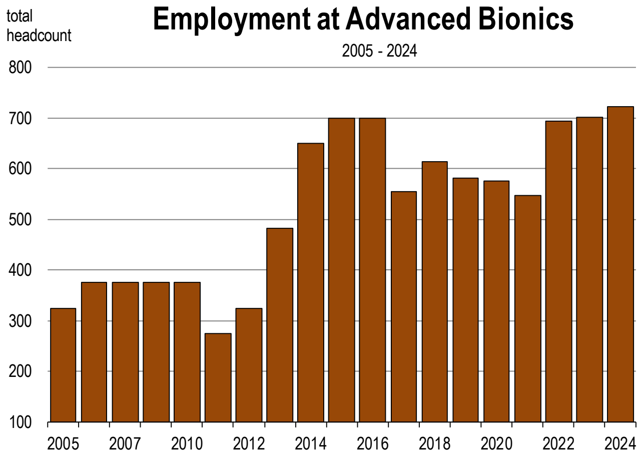
Note: For the job postings in September 2024, 450 required a bachelor's degree or higher. Three hundred jobs were offering salaries of $90,000 or higher.

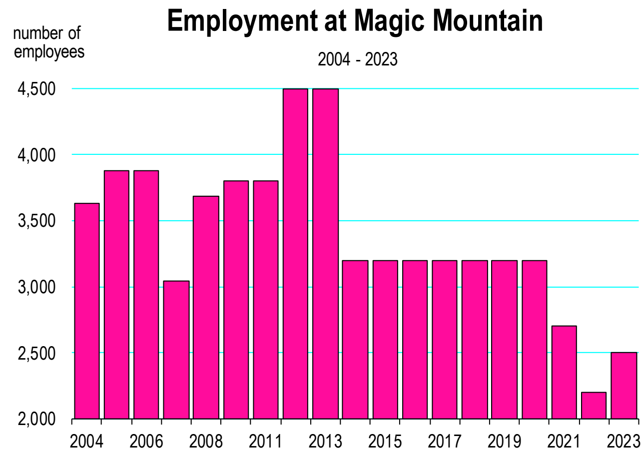
Largest Employers

The largest employers list is updated annually from a telephone and email survey. The information is carefully limited to the number of workers physically employed at locations within the Santa Clarita Valley.

The survey has been a continuous annual feature of this publication since 2002. The 2024 update was conducted by the Santa Clarita Valley Economic Development Corporation during the months of August and early September.

- Among the 50 largest employers for which complete information is available, there were 28,731 workers in the Santa Clarita Valley in September 2024
- Relative to 2023, public sector organizations comprising the Santa Clarita Valley's largest employers expanded their employee headcounts by 617 jobs. There was an increase of 483 workers among the list of the largest private sector employers in the SCV.
- All public sector organizations upsized over the last year except William S. Hart Union School District was experienced a slight consolidation.





- Twenty-two of the largest private sector companies added new jobs over the last year. Three new companies to the Santa Clarita Valley in 2024 were added to the list. Eighteen companies downsized their total headcount of employees over the prior year.

- Collectively, total employment within the largest private organizations rose 4.0 percent. The public sector grew 7.4 percent; the private sector increased 2.5 percent.

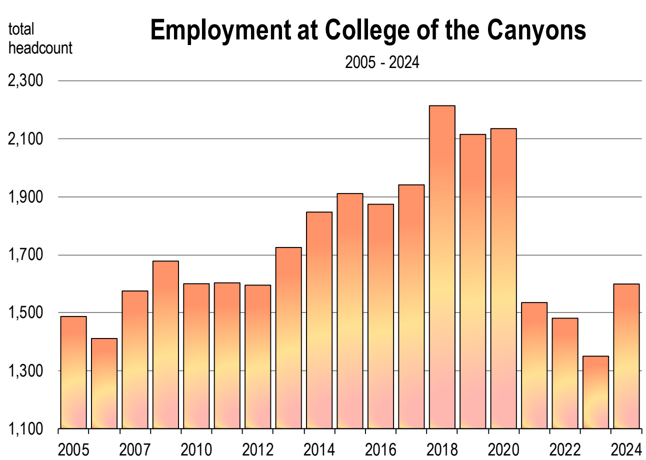
- Employment at Magic Mountain, the largest private employer, reported a 500 headcount gain in total employment. The summer headcount is their peak employment during the year. This was the largest single employee upsizing among the largest employers.

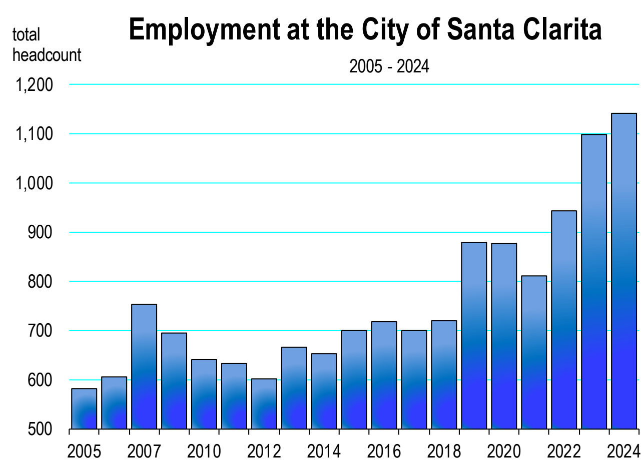
- Due to relocations of staff to West Hills, the largest downsizing of employees at their Santa Clarita Valley location occurred at Quest Diagnostics. Other significant consolidations of staff due principally to relocations occurred at Princess Cruises and Scorpion Internet Marketing.

Average Salaries

- During 2024, the average salary for all non-farm workers increased by 6.2 percent in the Santa Clarita Valley, the largest increase since 2020.

- The largest increases occurred for workers in Administrative Support, Management of Companies, and Accommodation and Food Services.





Largest Employers — Santa Clarita Valley — September 2024

Rank	Organization	Location	2023	2024	2023 to 2024	percent change
Private			– headcount of employees –			
1	Six Flags Magic Mountain	Valencia	2,500	3,000	500	20.0
2	Henry Mayo Newhall Memorial Hospital	Santa Clarita	1,775	1,683	-92	-5.2
3	Princess Cruises•	Valencia	1,100	901	-199	-18.1
4	The Master's University	Santa Clarita	916	739	-177	-19.3
5	Advanced Bionics	Valencia	693	723	30	4.3
6	Woodward HRT	Valencia	647	710	63	9.7
7	Logix	Valencia	694	679	-15	-2.2
8	Boston Scientific	Valencia	742	649	-93	-12.5
9	Amazon	Santa Clarita Valley	580	580	0	0.0
10	AMS Fulfillment	Valencia	498	489	-9	-1.8
11	California Institute of the Arts	Santa Clarita	456	454	-2	-0.4
12	Stay Green Inc.	Santa Clarita	475	450	-25	-5.3
13	DrinkPAK	Santa Clarita	443	445	2	0.5
14	Kaiser Permanente	Santa Clarita	418	435	17	4.1
15	Contractors Wardrobe	Valencia	433	402	-31	-7.2
16	ITT Aerospace Controls	Valencia	351	360	9	2.6
17	Q2 Solutions	Valencia	305	340	35	11.5
18	Gothic Landscaping**	Valencia	333	333	0	0.0
19	Costco Wholesale	Canyon Country	280	325	45	16.1
20	McDonald's	Santa Clarita Valley	274	300	26	9.5
21	Landscape Development Inc./ Enhanced Landscape Mgmt	Valencia	250	300	50	20.0
22	ASC Process Systems	Valencia	250	294	44	17.6
23	Adept Fasteners	Valencia	221	249	28	12.7
24	Shield Healthcare	Valencia	231	242	11	4.8
25	PCC Aerostructures ADI	Valencia	194	238	44	22.7
26	B & B Manufacturing Co.	Santa Clarita	230	235	5	2.2
27	Remo, Inc.	Valencia	221	221	0	0.0
28	Vallarta Supermarkets***	Santa Clarita Valley		220	220	NA
29	Crissair	Valencia	197	216	19	9.6
30	Lief Labs	Valencia	189	214	25	13.2
31	Forrest Machining	Santa Clarita	241	212	-29	-12.0
32	Sunvair	Valencia	172	205	33	19.2
33	Quest Diagnostics	Valencia	466	200	-266	-57.1
34	TA Aerospace	Valencia	176	195	19	10.8
35	Knowles Precision Devices	Valencia	241	194	-47	-19.5
36	Fralock	Valencia	206	187	-19	-9.2
37	HRD Aero Systems	Valencia	180	183	3	1.7
38	Honda Racing Corporation USA (formerly Honda Performance)	Valencia	155	175	20	12.9
39	RAH Industries**	Santa Clarita	172	172	0	0.0
40	Cardinal Health	Santa Clarita	191	163	-28	-14.7
41	Addis Automotive Group Inc dba Frontier Toyota	Valencia	159	159	0	0.0
42	Marathon Industries	Santa Clarita	145	158	13	9.0
43	Trinity Classical Academy	Valencia	155	150	-5	-3.2
44	Child & Family Center	Santa Clarita		150	150	NA
45	Star Nail International / Cuccio	Valencia	154	149	-5	-3.2
46	Cicoil LLC	Santa Clarita		145	145	NA
47	Southern California Gas	Santa Clarita Valley	145	144	-1	-0.7
48	John Paul Mitchell Systems	Santa Clarita	143	130	-13	-9.1
49	AAA Companies		138	130	-8	-5.8
50	Classic Wire Cut	Valencia	136	127	-9	-6.6
	Private Total		**19,271**	**19,754**	**483**	**2.5**
Public			– headcount of employees –			
1	William S. Hart Union School District	Santa Clarita Valley	2,115	2,100	-15	-0.7
2	Saugus Union School District	Santa Clarita	1,483	1,608	125	8.4
3	College of the Canyons	Valencia	1,350	1,599	249	18.4
4	City of Santa Clarita	Santa Clarita	1098	1,141	43	3.9
5	U.S. Postal Service (Santa Clarita Processing and Distribution Center)	Santa Clarita	1,023	1,065	42	4.1
6	Newhall School District	Valencia	808	931	123	15.2
7	Castaic Union School District	Valencia	260	284	24	9.2
8	SCV Water	Santa Clarita Valley	223	249	26	11.4
	Public Total		**8,360**	**8,977**	**617**	**7.4**
	Grand Total		**27,631**	**28,731**	**1,100**	**4.0**

NA= not applicable

Source: Santa Clarita Vallley EDC and the California Economic Forecast, August-September 2024

** Also includes Cunard, Holland America Line, Seabourn, Carnival Corp.*

** 2024 headcount unavailable; 2023 headcount assumed for 2024

*** Relocated headquarters to Santa Clarita Valley in 2024

- With the downsizing occurring in the Information sector (which includes TV and film production, newspapers, and other print media) the average salary jumped sharply for the remaining information workforce, rising from $73,000 in 2023 to $93,000 in 2024.

- Healthcare also experienced a reduction in total headcounts, but the average salary per worker rose 11.2 percent, to $66,450.

- The highest paying sectors in the region are the Public Utilities, Management of Companies, Wholesale Trade, Information, Manufacturing and Professional and Scientific Services.

- Adjusted for inflation, the all-industries average salary in 2024 was 3 percent higher than in 2023. Consequently, real wages increased in the region for the first time since 2020.

The Local Labor Force

The labor force in the greater Valley area that includes the surrounding communities of Agua Dulce, Green Valley, Castaic, Stevenson Ranch, and Canyon Country now stands at 154,000.

The candidate labor force of the Santa Clarita Valley, consisting of the population age 25 and over, is more educated compared to the broader workforce of Los Angeles Country or adjacent Ventura County. Forty-nine percent have received a college degree. For LA and Ventura

Average Salary Per Worker / Principal Sectors
Santa Clarita Valley 2024

Industry	Average Salary – dollars per worker –
Utilities	$130,495
Management of Companies	$127,997
Wholesale Trade	$95,638
Information	$93,266
Manufacturing	$89,149
Professional / Scientific / Technical	$88,535
Finance & Insurance	$82,879
Transp. & Warehousing	$82,563
Real Estate & Rental	$80,027
Construction	$78,341
Federal Government	$69,719
Healthcare	$66,450
State & Local Govt.	$64,248
Administrative Support	$56,773
Entertainment-Recreation	$48,942
Retail Trade	$44,966
Private Education	$41,056
Accommodation & Food Services	$31,069
Average, all workers	**$63,644**

Source: Labor Market Information Division, State of California, and California Economic Forecast

Counties, a college degree is held by 42 and 45 percent of their populations, respectively.

The region's workforce is defined as the employed labor force which (1) is employed by companies located within the Santa Clarita Valley, (2) is self- employed, or (3) commutes to jobs outside the local area, mostly into the San Fernando Valley.
Working at jobs within the Santa Clarita Valley is the dominant characteristic of the workforce, and over time, more resident workers have been able to find competitive jobs in the region, ending their longer commutes.

Management and sales dominate the classifications of occupations reported by Santa Clarita Valley residents.

The Candidate Labor Force in the Extended Region

In recent years, more commercial development has occurred in the Santa Clarita Valley than the development of housing. Consequently, to fill local jobs, employers have had to import workers into the Valley economy until more housing is built.

Within a 30 minute commute to the center of town in Santa Clarita, there is a population of 2.1 million people, an employed labor force of 1.1 million workers, who have an average travel time one way to work of 36 minutes. Most of this population lives in the San Fernando Valley in areas like Glendale, Encino, and Simi Valley. Therefore, there is a large pool of workers who potentially are able to fill jobs anywhere within the Santa Clarita Valley.

Educational Attainment of the Workforce 2024

Level of Education	Santa Clarita Valley	Los Angeles County	Ventura County
	----- *percent of population aged 25 and over* -----		
No High School Degree	9.1	19.8	14.9
High School Graduate	18.3	20.6	19.9
Some College, No Degree	23.6	18.0	20.5
Associate's Degree	10.4	7.0	10.2
Bachelor's Degree	25.8	22.4	21.4
Master's Degree	8.8	8.2	8.9
Professional Degree	2.3	2.6	2.4
Doctorate Degree	1.6	1.4	1.7

Source: Claritas

The educational attainment of this workforce pool is very high, with 45 percent having attained a college degree.

The surrounding area from Lancaster in the north to Inglewood in the south which represents a 45 minute commute into the Santa Clarita Valley, is populated by 2.8 million workers.

Commute Time to Work

Residents of the Santa Clarita Valley tend to have longer commutes than the typical resident of Los Angeles or Ventura Counties. On average, workers who reside in the Santa Clarita Valley spend 38 minutes commuting each way. A third of workers =commute more than 45 minutes each way.

Key Occupations Held by Santa Clarita Valley Residents 2024

Occupation	number
Management	19,296
Sales	15,763
Administration Support	15,376
Healthcare Practicioners & support	13,851
Food services & Entertainment	12,052
Education	9,305
Financial operations	8,516
Engineering/Computer/Mathematical	8,512
Transportation & distribution	7,857
Production of Goods & Parts	5,420
Construction trades	5,495
All other occupations	22,326
Total number of residents employed	143,769

Source: Labor Market Information Division, State of California, and California Economic Forecast

Within Los Angeles County, the average commute time for all workers is 34 minutes. For Ventura County residents, the average commute time for all workers is only 28 minutes. All of these commute times are lower than a year ago, due largely to a reduction in the average time to work by remote workers who effectively have no commute time.

The Forecast

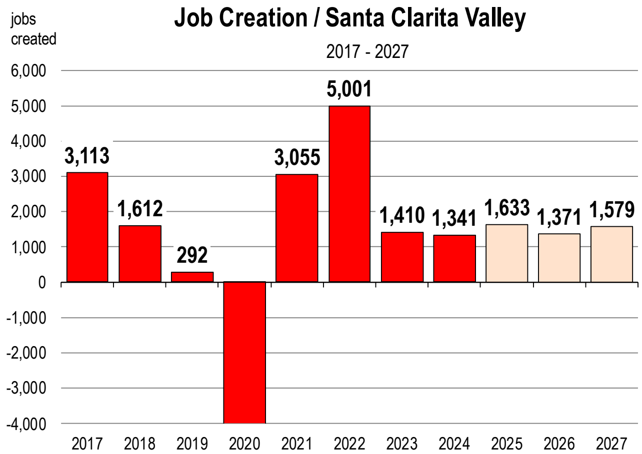
The pace of job creation for the first half of 2024 is similar to last year. Approximately 1,340 jobs will be created in 2024 The unemployment rate is currently at 6.2 percent. Though labor markets have softened relative to 2022 and 2023, the outlook does not include continued weakness; job growth rises in 2025 and remains positive through 2027.

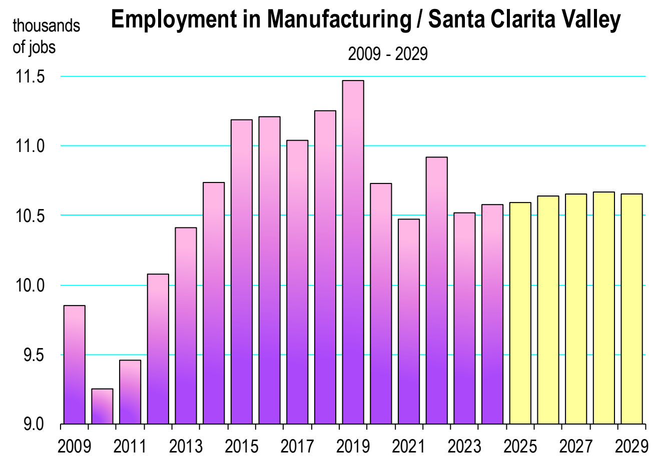
Labor Force Participation Comparisons **2024**

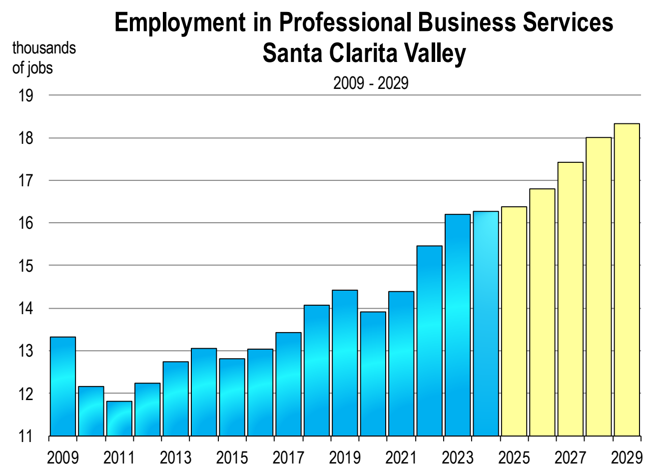
Labor Force Indicator	Santa Clarita Valley	Los Angeles County	Ventura County
Population	294,300	9,824,091	823,863
Percent of Population ages 18 to 65	63.8	64.6	60.6
Labor Force	153,800	5,091,300	412,100
Participation Rate (%)	52.3	51.8	50.0
Employed Residents	143,769	4,760,000	391,400
Unemployment Rate (%)	6.2	6.5	5.0

One Way Commute Time to Work
Percent of Workers Reporting by Category **2024**

Minutes to Work	Santa Clarita Valley	Los Angeles County	Ventura County
	----- *percent of population aged 25 and over* -----		
less than 15 Minutes	19.4	17.4	25.8
15 - 29 Minutes	27.8	33.6	42.7
30 - 44 Minutes	19.9	26.6	17.3
45 - 59 Minutes	13.0	9.7	6.8
60 or more Minutes	20.0	12.7	7.4
Avg number minutes to Work	38.0	34.0	28.0



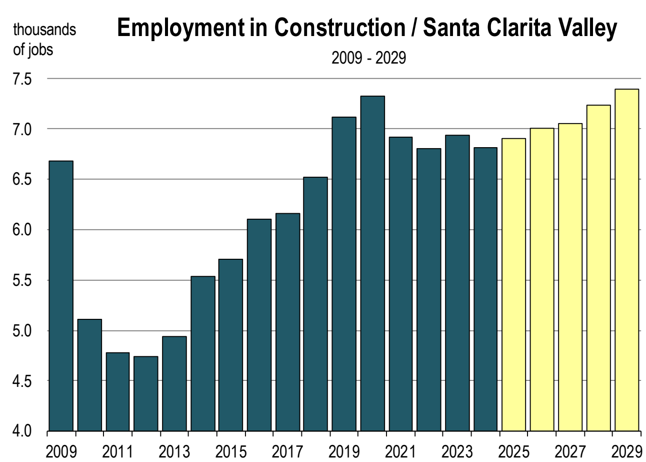


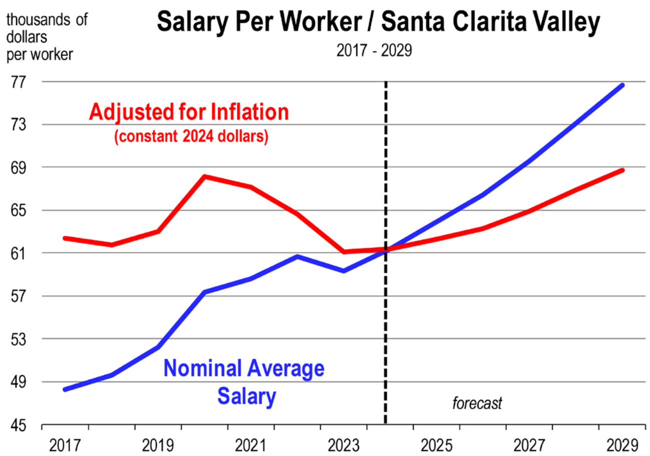


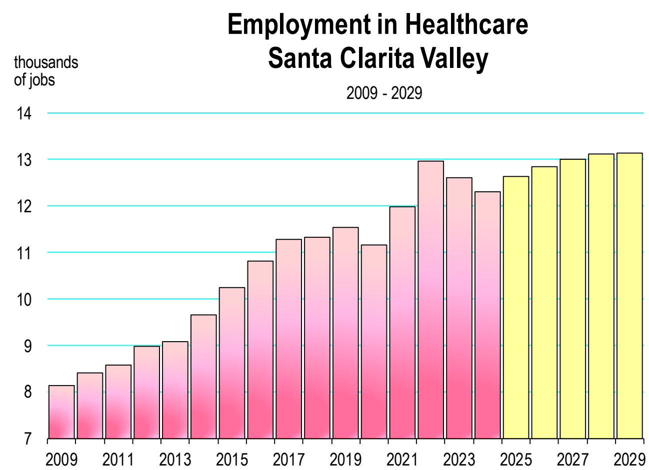
Moreover, a broader strengthening of labor markets in California and the U.S. is forecast for 2025 together with the growth of goods and services production next year.

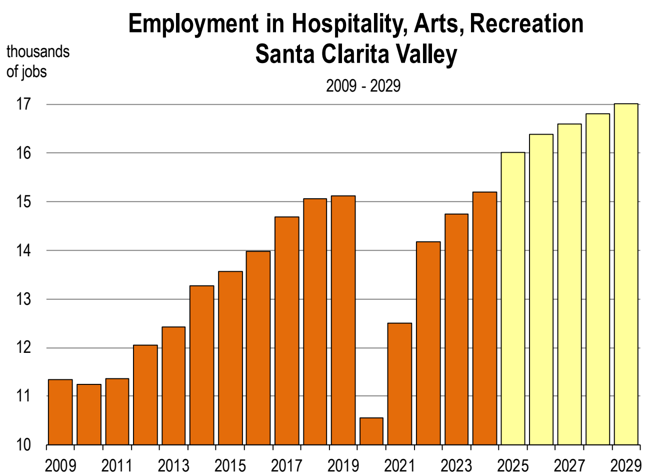
The unemployment rate declines marginally in 2025. The construction sector will be adding more jobs to accommodate all of the new housing projects that are underway or have recently started.

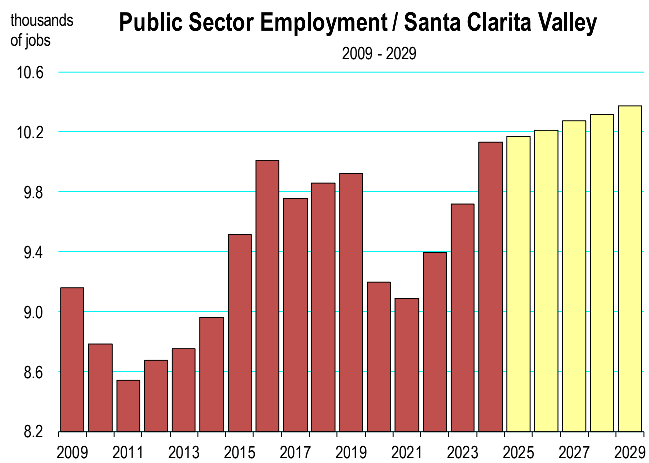
In healthcare, general job creation resumes especially if the labor force continues to expand. Ditto employment within the services sectors including personal services, business services, and the leisure and recreation sectors, all of which will accommodate the growth of the regional population and its visitors.




thousands of dollars per worker
Salary Per Worker / Santa Clarita Valley
2017 - 2029
77
73
69
65
61
57
53
49
45
Adjusted for Inflation
(constant 2024 dollars)
Nominal Average Salary
forecast
2017
2019
2021
2023
2025
2027
2029


Employment in Healthcare
Santa Clarita Valley
2009 - 2029
thousands of jobs
14
13
12
11
10
9
8
7
2009
2011
2013
2015
2017
2019
2021
2023
2025
2027
2029


Employment in Hospitality, Arts, Recreation
Santa Clarita Valley
2009 - 2029
thousands of jobs
17
16
15
14
13
12
11
10
2009
2011
2013
2015
2017
2019
2021
2023
2025
2027
2029


thousands of jobs
Public Sector Employment / Santa Clarita Valley
2009 - 2029
10.6
10.2
9.8
9.4
9.0
8.6
8.2
2009
2011
2013
2015
2017
2019
2021
2023
2025
2027
2029

Labor Market Forecast			Santa Clarita Valley			History: 2019 - 2024
	2019	2020	2021	2022	2023	2024
Sector			– jobs –			
Farm	60	77	118	150	50	45
Construction	7,328	6,914	6,800	6,933	6,809	6,904
Manufacturing	11,470	10,730	10,473	10,919	10,519	10,578
Transportation & Utilities	3,925	3,635	3,517	3,713	4,354	4,485
Wholesale/Retail Trade	16,082	15,248	15,490	14,925	15,018	15,096
Retail	11,900	11,355	11,697	11,463	11,552	11,503
Wholesale	4,182	3,893	3,793	3,462	3,466	3,593
Financial Activities	3,910	3,673	3,758	3,819	3,485	3,628
Professional Services	13,922	13,412	13,890	14,960	15,700	15,770
Information	1,392	1,286	1,385	1,386	1,250	1,156
Healthcare & Education	11,539	11,162	11,983	12,963	12,607	12,305
Leisure & Recreation	15,128	10,548	12,502	14,175	14,751	15,202
Other Services	2,918	2,260	2,485	2,826	3,174	3,350
Government	9,921	9,197	9,090	9,394	9,720	10,131
Federal	1,098	1,168	1,107	1,095	1,116	1,140
State & Local	8,823	8,029	7,983	8,299	8,604	8,991
Total Wage & Salary	95,857	85,903	88,958	93,959	95,369	96,710
percent change	0.3	-10.4	3.6	5.6	1.5	1.4
Total Non-farm Jobs Created	263	-9,971	3,014	4,969	1,510	1,346
Unemployment Rate (percent)	4.2	11.5	7.9	4.5	4.9	5.3

Source: California Economic Forecast, September 2024

Labor Market Forecast		**Santa Clarita Valley**			**Forecast: 2025 - 2029**
	2025	**2026**	**2027**	**2028**	**2029**
Sector			– jobs –		
Farm	44	43	43	43	42
Construction	7,005	7,053	7,235	7,394	7,615
Manufacturing	10,593	10,640	10,654	10,669	10,655
Transportation & Utilities	4,512	4,543	4,600	4,642	4,672
Wholesale/Retail Trade	15,206	15,352	15,598	15,684	15,864
Retail	11,591	11,707	11,903	11,971	12,116
Wholesale	3,616	3,646	3,695	3,713	3,748
Financial Activities	3,698	3,743	3,776	3,803	3,828
Professional Services	15,878	16,298	16,922	17,503	17,828
Information	1,153	1,156	1,159	1,164	1,168
Healthcare & Education	12,634	12,844	13,003	13,117	13,136
Leisure & Recreation	16,014	16,386	16,599	16,809	17,015
Other Services	3,423	3,442	3,451	3,480	3,509
Government	10,171	10,212	10,275	10,318	10,374
Federal	1,134	1,137	1,140	1,137	1,132
State & Local	9,037	9,075	9,135	9,181	9,243
Total Wage & Salary	98,493	99,964	101,643	103,019	104,158
percent change	1.8	1.5	1.7	1.4	1.1
Total Non-farm Jobs Created	1,784	1,471	1,679	1,377	1,139
Unemployment Rate (percent)	4.9	4.8	4.7	4.5	4.6

Source: California Economic Forecast, September 2024

Data sources for this chapter include the California Employment Development Department, Claritas, Indeed, and the U.S. Census Bureau.

RESIDENTIAL REAL ESTATE

California

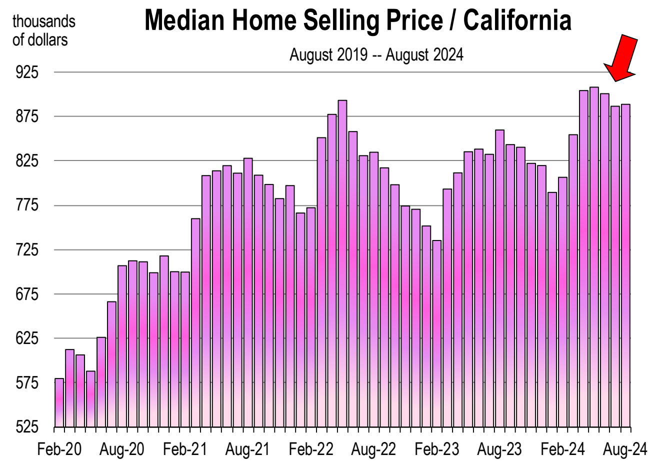
Los Angeles County

The Santa Clarita Valley

Affordability Issues

Housing Market Forecast

California



The residential market still has sales and inventory at business cycle lows. Selling values however are at record highs, having rebounded over the last year.

June typically marks the middle of the home buying season as more sales typically close escrow in the May-July period than in any other 3 month period of the year. Sales throughout Southern California remain muted, due more so to the lack of for- sale inventory which is at all-time record low levels.

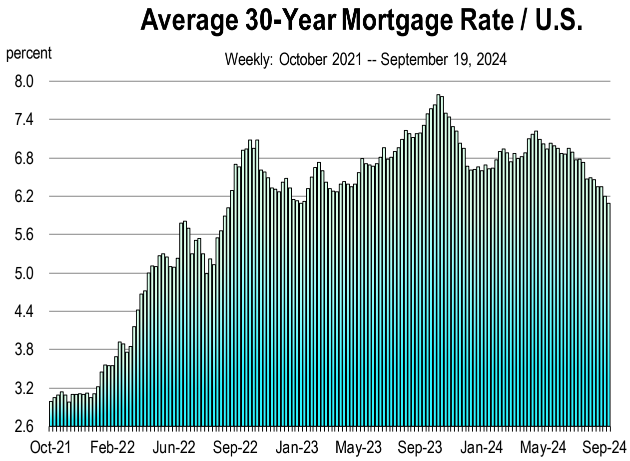
The highest mortgage rates in more than a decade have contributed to a depressed housing demand over the last 30 months. However, rates are now falling. As of mid-September the typical 30 year fixed rate mortgage has declined 80 basis points since late May, and stood at 6.1 percent. Exactly three years ago, the rate averaged 2.86 percent.

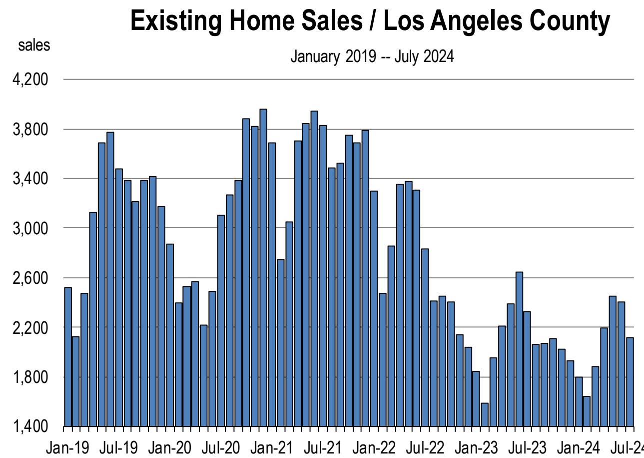
Single-Family Home Sales and Median Selling Price

Southern California Counties: July 2023 -- July 2024

County	July 2023	July 2024	percent change	July 2023	July 2024	percent change
	------*sales index* ---------			--------- *dollars* ---------		
Inland Empire	1,759	2,026	15.2	575,000	600,000	4.3
Los Angeles County	2,009	2,191	9.1	851,540	909,010	6.7
Orange County	987	1,109	12.4	1,300,000	1,390,000	6.9
San Diego County	1,356	1,507	11.1	969,020	1,020,000	5.3
Ventura County	347	375	7.9	920,000	972,000	5.7
California	22,340	23,256	4.1	832,400	886,560	6.5

Soure: California Association of Realtors, August 2024



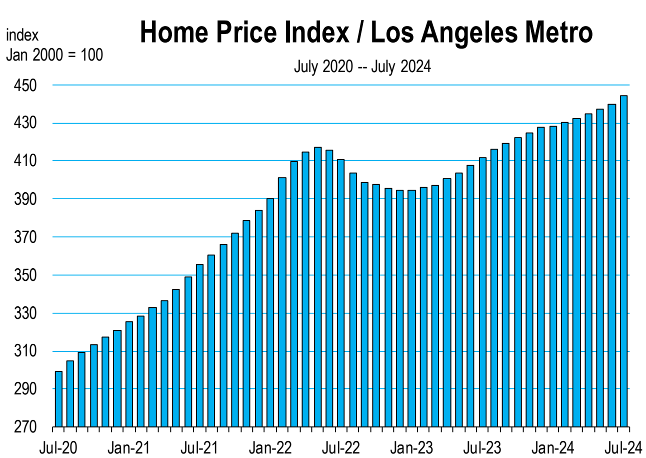


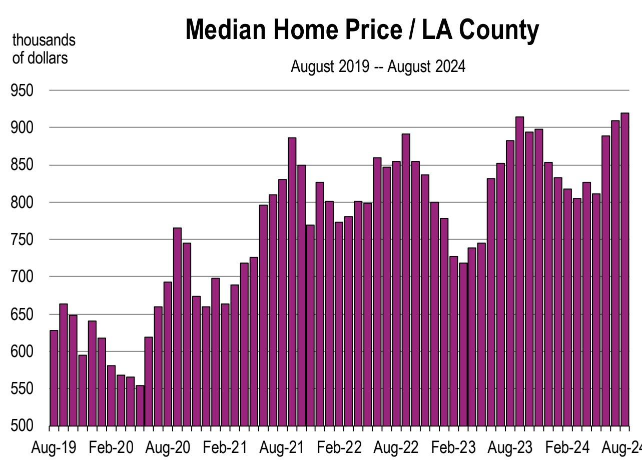
Los Angeles County

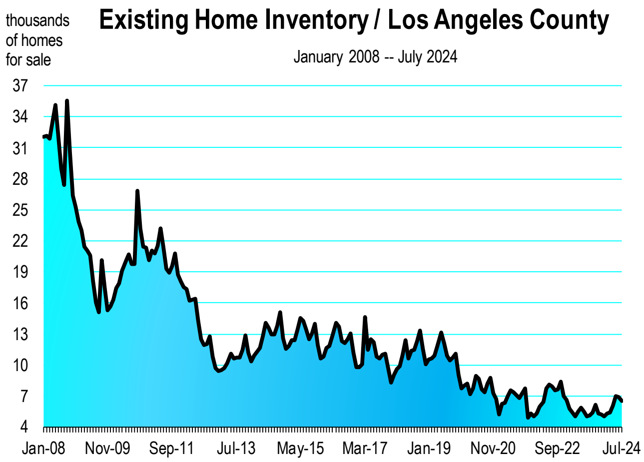
The Los Angeles County market is a smaller version of the larger California market, moving in the same direction regarding existing home sales and selling prices. Sales are off 1.3 percent from a year ago and 27 percent from two years ago. Selling values are up 4.3 percent from a year ago and 7.6 percent from two years ago.

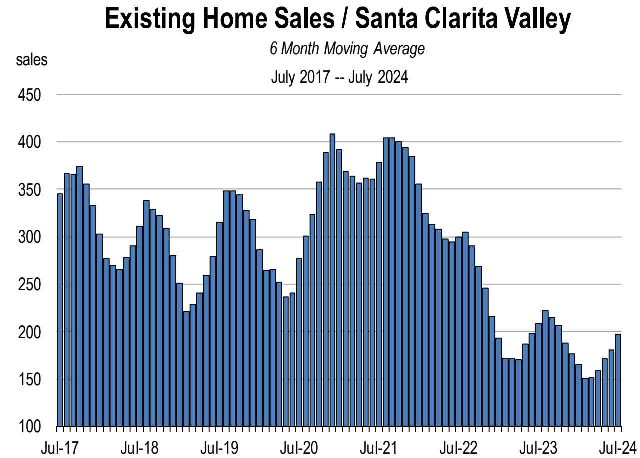
Adjusted for the variation in housing mix, values have surged 16.5 percent in July, compared to July of 2023. Over this same period of time, the California Association of Realtors reports an appreciation rate of just 6.8 percent for all homes sold since June of 2023.The Case Shiller index is different as it reports home prices adjusting for location, size, and attributes of a home over time.

Like California, the for-sale inventory in Los Angeles County is at or close to a record low. More new housing is being built throughout the County and the principal location is the Santa Clarita Valley. Nevertheless, supply is still









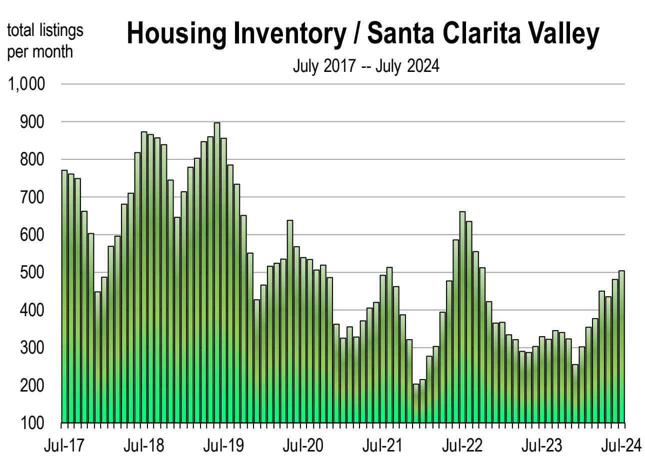
constrained be it new or existing housing, and this has led to fewer sales and buoyant selling prices.

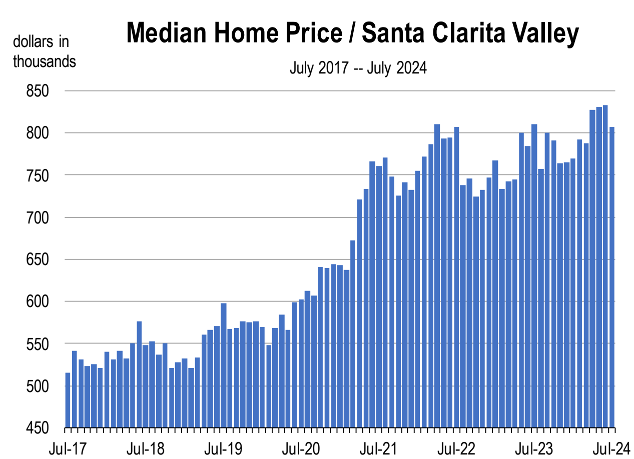
The Santa Clarita Valley

Rising inventory in 2024 has not translated into a higher volume of sales this year. In 2021, the region had a record number of homes sold. However, since 2021, housing sales have declined sharply. Specifically, sales plunged 27 percent in 2023 and if the current January though July pace is maintained, sales will fall another 5.6 percent in 2024.

In that case, a record for the fewest existing home sales in the region will be established in 2024. However with declining mortgage rates this summer (along with gradually rising for-sale inventory), July sales were 14 percent higher than a year ago. This may be the first indication of a housing market recovery, not only in the region, but nationwide.

The rate of new listings this year is 16 percent higher than in 2023, and for-sale inventory has moved 30 percent higher.





All Residential Home Sales and Median Selling Price Santa Clarita Valley: July 2023 -- July 2024						
Community	July 2023	July 2024	percent change	July 2023	July 2024	percent change
	------sales ---------			--------- dollars ---------		
Castaic	16	12	-25.0	776,500	800,000	3.0
Santa Clarita	164	191	16.5	795,000	780,000	-1.9
Stevenson Ranch	7	11	57.1	1,250,000	1,273,000	1.8
Santa Clarita Valley	187	214	14.4	810,449	806,463	-0.5

Source: Redfin. August 2024

Selling values continue to march higher. For the first seven months of 2024, the median price for the aggregate Castaic-Santa Clarita-Stevenson Ranch area is $808,540 for all residential sales, and $894,697 for single family detached homes. For the latter, appreciation is a positive 6.1 percent. For all homes, appreciation is 4.9 percent higher.

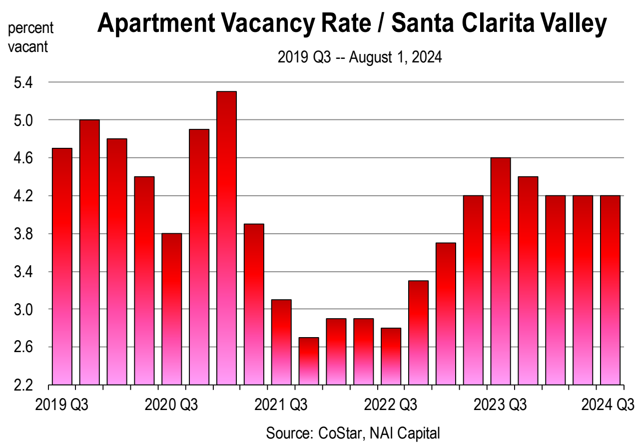
Rental Market

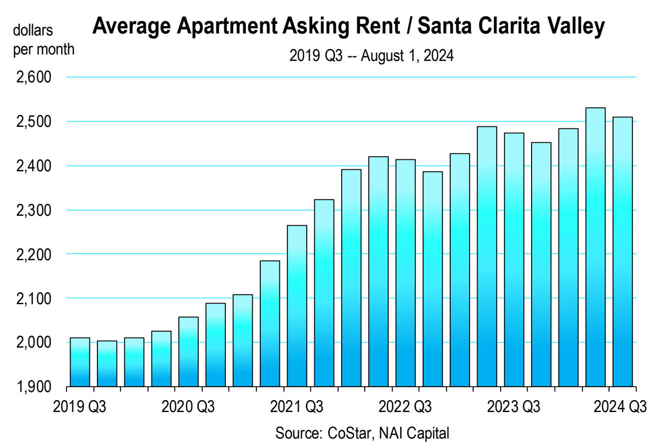
There are nearly 17,000 units in the Santa Clarita Valley apartment inventory.

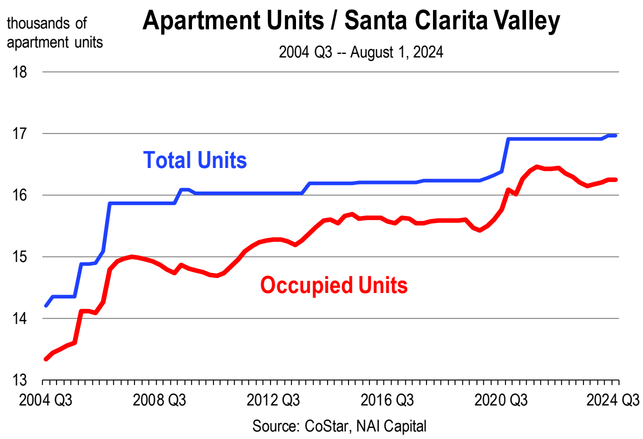
The average asking rent is $2,487 per month. Rent growth had been extraordinary since the beginning of 2021, rising 10 percent in 2021 and 7.6 percent in 2022. A cooling of rents set in during 2023 and there is virtually no increase in average rents in 2024.

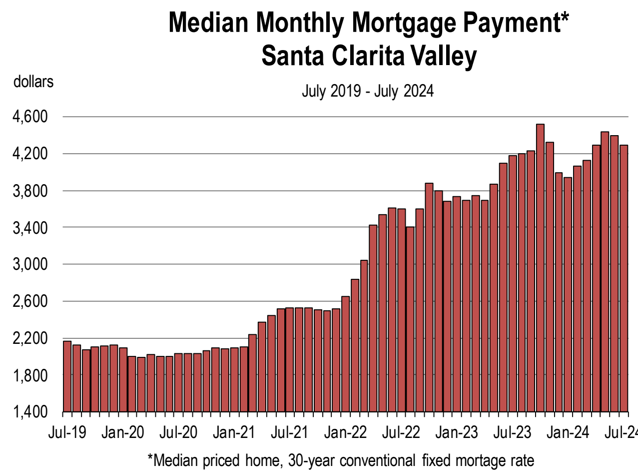
Vacancy rates moved higher in 2023 but have remained in a tight range in 2024, averaging 4.2 percent.

Since nearly 700 new units were completed and delivered to the market in 2020, there are no









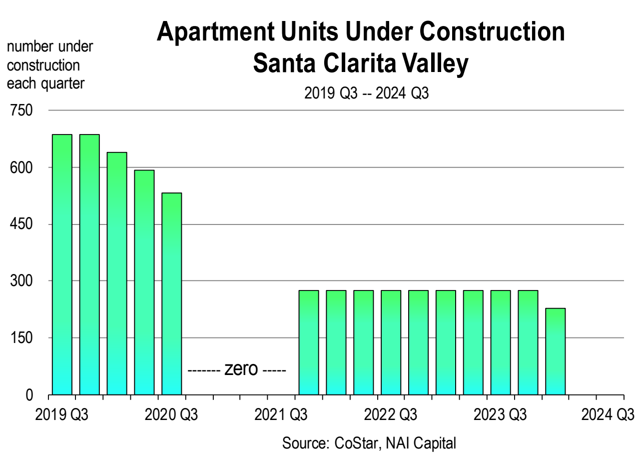
projects underway at this time. However, more large projects will start construction by early next year, including Golden Triangle (164 units) and Riverwalk (136 units).

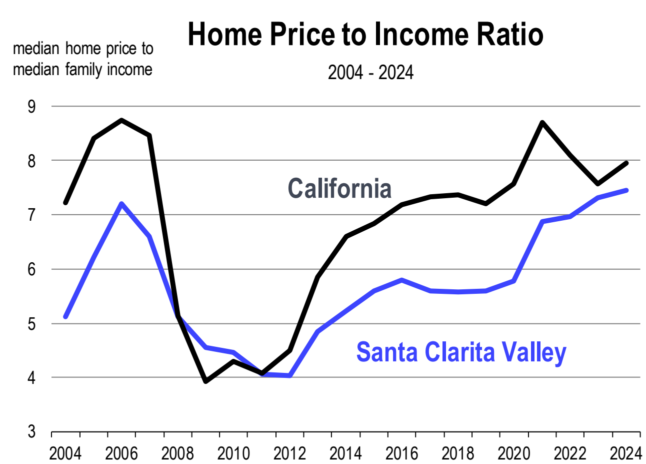
Affordability Issues

Affordability of housing depends on three principal factors: housing price, household income, and the financing rate.

Housing prices are now at all time record highs; household incomes have been rising, though not entirely in sync with inflation, and financing rates are substantially higher. Consequently, affordability over the last year has generally been in decline.

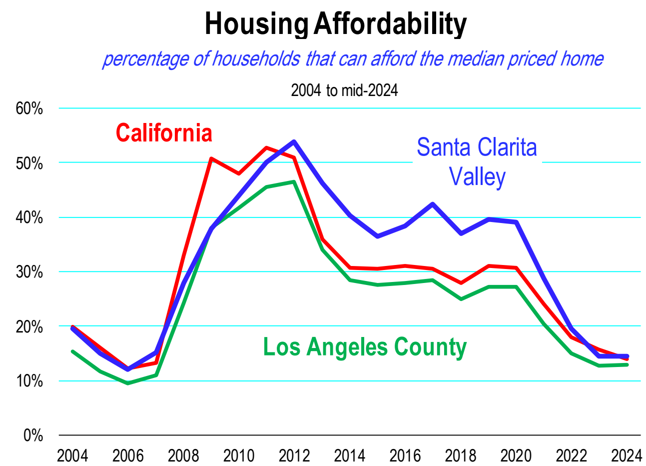
And longer term, affordability in California has generally been deteriorating since 2012, despite rising incomes and receding mortgage rates. The principal reason for this is of course, steadily rising home prices which have increased faster than incomes. The Home Price to Income Ratio shows this clearly. In the Santa Clarita Valley the ratio is now approaching 8.0,





the highest ratio on record, and only slightly more affordable for local residents than for Californians in general.

Another measure of affordability is the affordability index itself. Los Angeles County's affordability index is lower than California's. For the most recent calendar quarter ended, affordability in LA County was estimated at only 13 percent of households. The index is based on income, price and the prevailing financing rate.



The median family income in Los Angeles County is estimated by the U.S. Housing and Urban Development Department at $98,200 for calendar 2024.

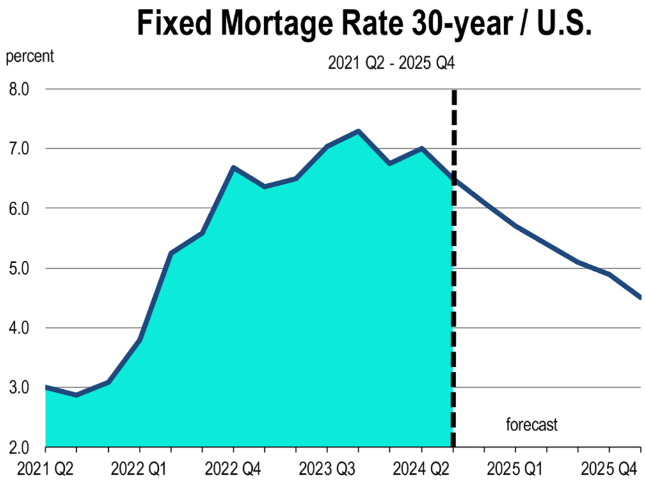
In comparison with LA County and California, the Santa Clarita Valley has had a slightly higher affordability index over time. However, the local region's higher affordability isn't due to lower housing prices, but rather to higher median family incomes, which is estimated at $120,000 for 2024.

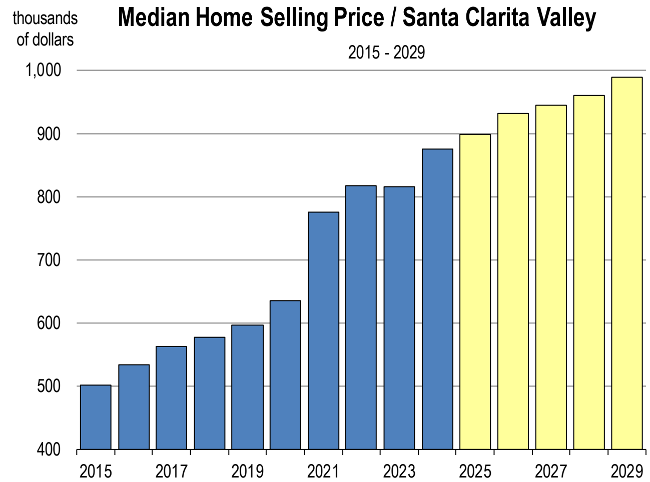
Housing Market Forecast

Mortgage rates have been in decline this year and are expected to further decline in view of current and impending interest rate cuts by the Fed and the decline of treasury bill and bond yields in the U.S. bond market. The latter directly affect mortgage rates. Consequently, sales of homes are expected to rise modestly providing inventory also moves upward.

The next home buying season which typically begins in March should be more active than the 2023 and 2024 seasons. But even in early 2025, the housing market will still face relatively high financing rates and lower than average levels of inventory. Both of these conditions should improve over time.

Providing the likelihood of recession remains low, housing demand will increase in tandem with declining mortgage rates augmented by expanding inventory. Under these conditions,



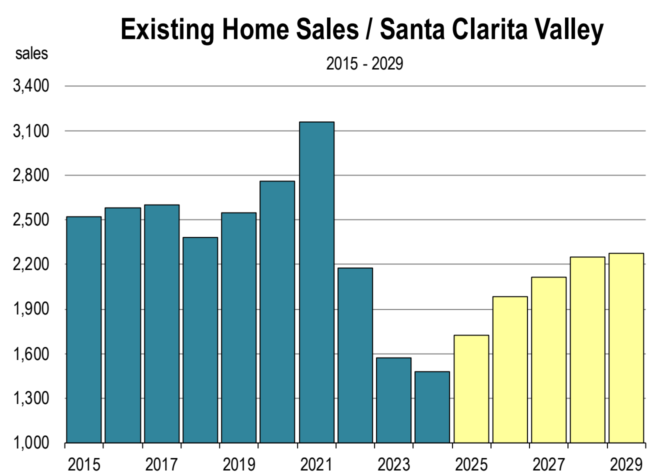


prices are forecast to rise gradually in 2025 and 2026.

Selling values are forecast to rise 7.3 percent this year and 2.6 percent in 2025.

Mortgage rates are falling now and will continue to decline in 2025. The 30 year fixed rate is currently at 6.1 percent and will drop to under 6.0 percent by the end of 2024.

Home sales are constrained by existing home inventory. But this should expand as mortgage rates contract. There will also be more new home sales as production rises, which is expected in 2025 and 2026.



Home Sales, Prices, and Residential Development Santa Clarita Valley — History: 2020 - 2024

	2020	2021	2022	2023	2024
Median Home Selling Price			-- dollars --		
Santa Clarita Valley	637,600	777,500	819,900	818,800	878,900
percent change	6.4	21.9	5.5	-0.1	7.3
California	639,598	761,692	800,194	790,422	826,541
percent change	11.3	19.1	5.1	-1.2	4.6
Existing Home Sales					
Santa Clarita Valley	2,761	3,156	2,178	1,575	1,482
percent change	8.2	14.3	-31.0	-27.7	-5.9
Effective Mortgage Rates			--percent--		
Southern California	3.1	3.0	5.3	6.8	6.7
Nation	3.1	3.0	5.3	6.8	6.6
Inflation			--percent change in the consumer price index--		
Southern California	1.6	3.8	7.4	3.5	3.0
California	1.8	4.2	7.3	4.0	3.1
Nation	1.3	4.7	8.0	4.1	3.3

Source: California Economic Forecast, August 2024

Home Sales, Prices, and Residential Development Santa Clarita Valley — Forecast 2025-2029

	2025	2026	2027	2028	2029
Median Home Selling Price			*-- dollars --*		
Santa Clarita Valley	901,800	935,000	947,800	963,400	992,100
percent change	2.6	3.7	1.4	1.6	3.0
California	863,654	904,073	922,278	937,861	968,028
percent change	4.5	4.7	2.0	1.7	3.2
Existing Home Sales					
Santa Clarita Valley	1,724	1,984	2,114	2,250	2,275
percent change	16.3	15.1	6.6	6.4	1.1
Effective Mortgage Rates			*--percent--*		
Southern California	5.8	5.5	5.1	5.0	4.9
Nation	5.7	5.4	5.2	4.9	4.9
Inflation			*--percent change in the consumer price index---*		
Southern California	2.6	2.3	2.1	2.0	2.0
California	2.7	2.4	2.2	2.1	2.1
Nation	2.7	2.2	2.2	2.0	2.2

Source: California Economic Forecast, August 2024

COMMERCIAL REAL ESTATE

Introduction

Office Market

Industrial Market

Retail Market

Introduction

The data that we monitor to evaluate the commercial real estate markets include current utilization rates, absorption of available space, average lease rates, and projects under construction. The office market is clearly the weakest commercial market. Though workers are slowly returning to the office, a longer recovery of the office market is forecast because some form of work-from-home arrangements will persist. Office-using companies have also discovered that their office space requirements can be reduced. Consequently, they are downsizing when leases are up for renewal.

Since 2021, employers have not taken a strong stance on employees returning to the office, largely because of the tightness in the labor market and the fear of losing workers. This condition has now changed, as labor markets soften. There is a more compelling worker return to the office now being observed. However, hybrid arrangements for in-office work are still pervasive.

Office-using employment has entirely recovered in Santa Clarita, so in the event all workers returned to the office, utilization would sharply increase. More office workers are back at their desks than a year ago, but total in-office attendance is still lower than pre-pandemic levels.

Consequently, the office market continues to struggle, a condition that is not unique in the Santa Clarita Valley. Office markets in many coastal counties of the state are not yet filing up with returning office-using workers. The concept of the remote worker, at least part of the time, has now become too ingrained into the office culture.

The latest vacancy statistics underscore the weak rates of office utilization that have evolved since the pandemic. The condition is pervasive across the country though smaller office markets are faring better than the larger markets including the Greater Los Angeles County office market. This is attributed to a substantial amount of vacant space returning to the market, resulting in negative net absorption for the eighth consecutive quarter ending Q2 2024.

Retail space utilization continues to rise. During the pandemic, it never eclipsed 5 percent vacancy. Currently, the county-wide vacancy rate is contracting. Triple net lease rates are just off their all-time record levels.

The Greater Los Angeles industrial market ended the second quarter of 2024 with a vacancy rate of 3.4 percent, with net absorption totaling negative 3.6 million square feet. The overall average direct asking rate was $1.54 per square foot (PSF) on a monthly, triple-net basis.

The region still maintained one of the lowest vacancy rates along California coastal locations, including the Bay Area. This is due to the stable fundamentals indicative of the region including the population base, the immensity of the Ports of Los Angeles and Long Beach, and its role as the principal goods distribution center in Southern California.

The San Fernando Valley clocked in with a 1.6 percent vacancy rate and the industrial market in adjacent Ventura County was at 3.7 percent. The Santa Clarita Valley market is estimated at 3.3 percent vacancy.

The Greater Los Angeles retail market has been characterized by very stable vacancy rates and slightly rising rental rates, since 2023. Cap rates have risen in 2024 Q2 to 5.9 percent from 4.9 percent in 2023.

Vacancy rates range from 5.6 to 6.3 percent.

Office Market Vacancy Rate
California Regions
2024 Q2

	Rate	Source
San Francisco	36.8	CBRE
San Jose	17.8	Kidder Mathews
Silicon Valley	19.5	CBRE
San Mateo	20.3	Cushman & Wakefield
Palo Alto	8.7	Kidder Mathews
Los Angeles County	23.3	CBRE
Los Angeles downtown	31.5	CBRE
San Fernando Valley	19.5	CBRE
Orange County	14.7	CBRE
San Diego downtown	30.0	Kidder Mathews
San Diego County	14.3	CBRE
Sacramento	17.6	CBRE
Inland Empire	8.5	CBRE
Ventura County	17.2	CBRE

Industrial Vacancy Rate
California Regions
2024 Q2

	Rate	Source
San Francisco	8.4	CBRE
San Jose	5.6	CBRE
Silicon Valley	3.2	CBRE
San Mateo	4.4	Cushman & Wakefield
Palo Alto	1.1	Kidder Mathews
Los Angeles County	3.4	CBRE
Los Angeles downtown	2.9	CBRE
San Fernando Valley	1.6	CBRE
Orange County	2.1	CBRE
San Diego downtown	3.2	Kidder Mathews
San Diego County	5.2	CBRE
Sacramento	4.8	CBRE
Inland Empire	6.8	CBRE
Ventura County	2.4	CBRE

Retail Market Vacancy Rate Southern California 2024 Q2		
	Rate	Source
Los Angeles County	6.3	Colliers
Los Angeles County	5.7	NAI Capital
Los Angeles County	5.6	CBRE
Orange County	5.0	Colliers
Inland Empire	6.7	Colliers
Ventura County	5.8	CoStar
San Diego County	4.2	Kidder Mathews

New construction activity remains minimal. The largest retail project in the county is located in the South Bay with the 375,000 square foot West Harbor at the Port of Los Angeles in San Pedro. The shopping center will open in May of 2025.

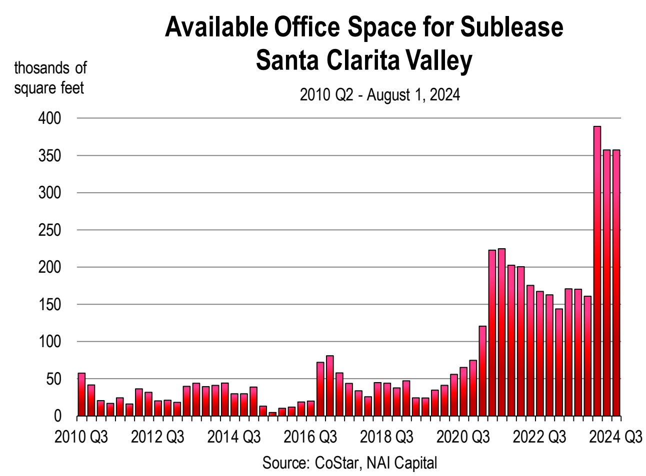
Retail space utilization has softened. Triple net lease rates continue to gradually increase.

Office Market

The NAI / Costar estimate of reported vacancy for all office product in the Santa Clarita Valley is currently 18.9 percent. Moreover, the availability rate for office space is 19.8 percent. These rates are based on a total office inventory of 240 buildings comprising 5.6 million square feet.

CBRE reports a 2024 Q2 vacancy rate of 16.9 percent on a base of 3.6 million square feet of office for the Valencia Gateway in Santa Clarita. CBRE corporate reports a 2024 Q2 vacancy rate of 28.1 percent and an overall office availability rate of 31.7 percent for the Valencia market consisting of 2.7 million square feet of office product. Furthermore, for a total inventory of 2.1 million square feet of office, Colliers reports a vacancy rate of 38.6 percent and an availability rate of 39.5 percent for the Santa Clarita Valley in 2024 Q2.[1]

Downsizings and consolidations by office-using companies have resulted in the largest surge of available sublease space on record. The announcement in January 2024 of Princess Cruises subleasing 313,000 square feet of space pushed sublease space to 30 percent of all available office space in the region.



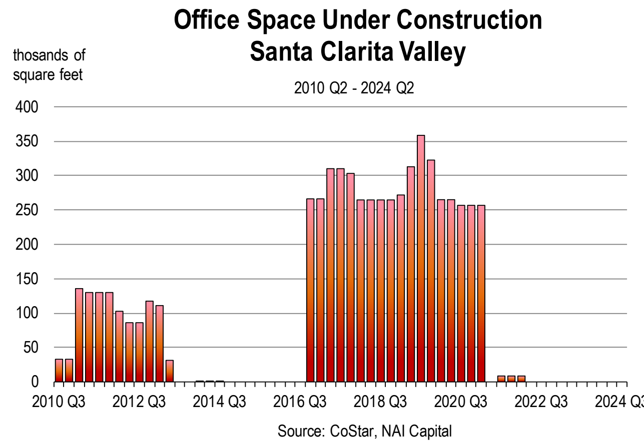
[1]The difference in reported vacancy and availability rates is due to what each brokerage compay percieves is relevent and and representative space in the regional market. Costar uses all office product in the region-including public space-as part of their inventory.

Though more workers have returned to the office, there remains a meaningful share of company workforces that have not, or that practice a hybrid office-home location for daily work. Consequently, total office utilization rates are not generally rising.

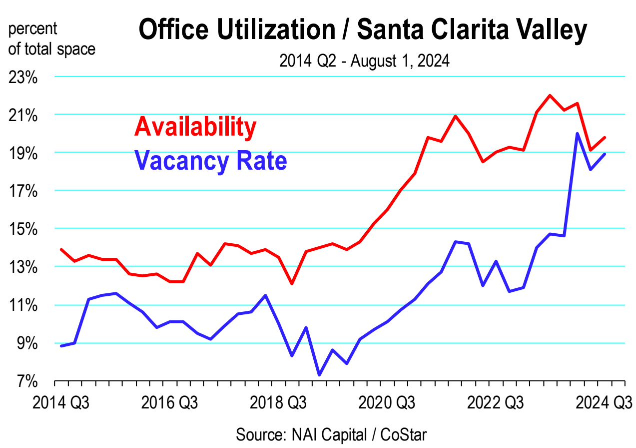
The consensus of commercial broker reports indicates a general office market weakness has expanded over the last 18 months, originally due to the combination of employees working from home and the layoffs of tech and other office workers that surged in the November 2022 to March 2023 time period here in California.

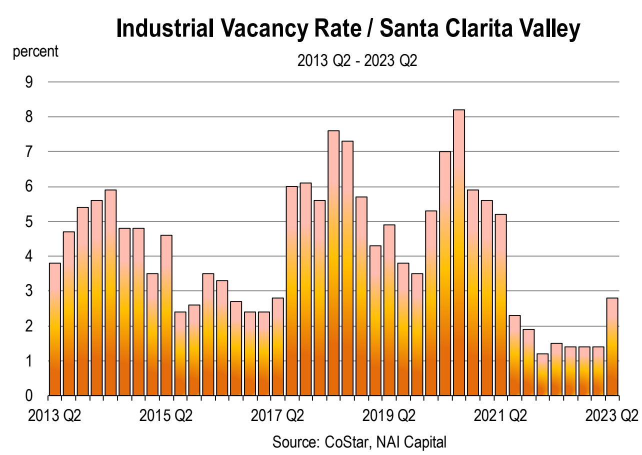
However, a broader acceptance of worker demands to work remotely at least part of the time have led to the latest surge in sublease space and the downsizing of space.

There is no new office product under construction in the Santa Clarita Valley and there has not been since the Logix Headquarters building was completed in the spring of 2021.



Net office space absorption has been sharply negative since late 2022, and CoStar reports that total office availability is now at 1.1 million square feet. Consequently, existing inventory is theoretically ample enough to accommodate potential office space demand in the region for the next few years but probably not much past 2028.[2]





[2]The keyword here is "theoretically," because it assumes all space is equal and usable. The CBRE estimate of overall available space in Santa Clarita is 849,173 square feet in Q2 of 2024. It is lower than CoStar because the base inventory of office space is lower in the CBRE statistics.

A Possible Scenario of Office Market Recovery

Deferring to the history of how office space has been absorbed over time in the Santa Clarita Valley, a plausible scenario of office market recovery can be constructed. The average gross absorption of office space from 2012 to 2023 was 368,000 square feet per year. The low was 169,066 SF in 2016 and the high was 530,671 SF in 2022. If no new space is built, and no company downsizes or moves out of their space, then a million square feet of available space for lease would naturally be absorbed in 3 years, if history is our guide. It is likely that no new space will be built. However, it is unlikely that no company would downsize or quit business.

During this same time period, net office absorption averaged 57,700 SF per year, indicating that some companies moved out or downsized, or new space was added through construction.[4] In fact, 726,000 new square feet of office product was added to the market. We don't believe that any new office will be delivered for the indefinite future and certainly not for the next 3 years. Consequently, based on history, we would see an average net absorption of 123,700 SF of office space per year. In three years, the available office space, now at 1.1 million, would be reduced to 729,000 square feet, with a calculated availability rate of 13.1 percent.

The record for office space absorption in the Santa Clarita Valley indicates that if work-from-home retreats, and average net absorption per year occurs in 2025, 2026 and 2027, then clear indications of a market recovery should be expected in the 2026 to 2027 period. What a clear market recovery means is some compelling evidence that office utilization is rising again.

This forecast assumes that work-from-home arrangements continue to evolve into return-to-office work patterns, consistent with the trajectory that has been in place for the last 2 years. Office market recovery would otherwise be delayed, possibly until 2030.

Alternative Scenario

If the current momentum in the return-to-office arrangements stalls, and/or office-using companies continue to downsize their office space requirements as leases renew, office space absorption will not coincide with the longer term average, due to the structural shift caused by work-from-home.

Organic growth of workforces within existing companies, new office-using business formations, or relocating office-using companies to the region will ultimately impact demand for office space positively, and recovery of office space will ensue. The timeline for this is uncertain, but ultimately recovery under this weak case scenario should occur by 2030.

Office-Using Employment

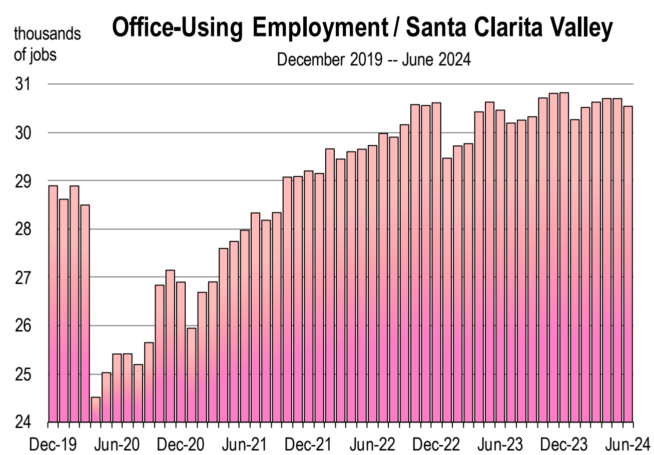
Our ongoing outlook for the office market has had utilization rates moving lower through 2024, ultimately stabilizing between late 2025 and mid-2026. This occurs with a gradual increase in (1) employment growth in the office sector over this time period, and (2) workers either mandated or voluntarily willing to utilize office space more often, rather than remain at home.

For the last 18 months, office using employment has been rising in the region and more workers are being mandated to visit the formal office, but not all workers and not all the time. The hybrid model has taken hold much more firmly than expected though we still believe this is largely (though not exclusively) a temporary condition that will fade over time.[3]

Office employment would increase faster under a scenario of new relocations to the Santa Clarita Valley by companies seeking a regional west coast location close to the large Los Angeles metro market. This was essentially the case for Bay Center Foods, a subsidiary of Chick-fil-A and now a large industrial occupant in the IAC Commerce Center.

The office-using sectors include information, finance and real estate, professional business services, management, healthcare, and a portion of arts and recreation, and other services. Within this aggregate collection of labor markets, technology jobs are prominent, as are real estate brokers, agents and support staff, professional occupations like accountants, lawyers, architects and engineers, medical office workers, and service occupations that typically occupy office space such as business and professional associations, political, social and civic organizations, and foundations.

In 2024, employment within the healthcare, professional occupations, technology and local government are all experiencing positive growth in most regions of the state. A softening of particular labor markets---in transportation and warehousing, in motion pictures and film, in manufacturing, and in management and administrative services—has lowered employment growth in California.



[3]We are already seeing the evidence of this as the percentage of both remote and hybrid workers gradually declines over time. Furthermore, with the softening of the labor market now occurring in mid-2024, workers who have insisted on working from home will have less leverage going forward.

The Santa Clarita Valley Office Market

By Richard Ramirez, First Vice President
CBRE – Advisory and Transaction Services

2024 In Review

In 2024, the Santa Clarita Valley professional office market continues to feel the effects of subdued office demand, largely driven by the post-Covid evolution of office usage. Many office tenants continue to reassess their space needs, downsizing, or reconfiguration options with no one-site-fits-all approach. In response, some office property owners have intensified efforts to revitalize their spaces, focusing on enhanced amenities and concessions to attract and retain tenants. This shift has led to a new tenant expectation, prioritizing premium spaces in prime locations to encourage employees to return to the office. Given those pressures, tenants still have significant deal leverage in today's market.

Overall, the SCV professional office market remains soft, with a direct vacancy rate hovering around 18%, supplemented by an additional "shadow vacancy" of 15-20% for sublease and under-utilized space. Despite these challenges, the SCV market is performing better than other submarkets in the Greater Los Angeles area and Southern California as a whole. For instance, the Central Business District of Downtown Los Angeles currently has a direct vacancy rate approaching 32%. Interest in high-quality, suburban, low-rise office properties continues to outperform activity in core, high-rise markets.

Current State of the Market

Approaching the end of 2024, the SCV Office Market presents both challenges for landlords, and opportunities for users. Though the market has not seen a precipitous drop in face rates, concessions in the form of tenant improvement dollars and free rent have increased for strong credit users.

There are a range of 2nd generation options with existing buildout for tenants in nearly all size ranges. Given the pressures on landlords to attract and retain tenants, there are significant concessions available for users willing to relocate. At the same time office demand has stagnated, and prices associated with construction have stayed high. Any deal involving significant modification is more costly than in prior years reducing available concessions on "turn-key" type transactions.

Though the professional office market continues to see challenges, one bright spot continues to be medical office condominium product for sale. Given the limited local supply of acquisition opportunities, pricing and activity on medical condos remains strong. Even with increased interest rates, the long term nature of medical users has kept the for sale market tight.

Though the professional office market continues to see challenges, one bright spot continues to be medical office condominium product for sale. Given limited local supply of acquisition opportunities, pricing and activity on medical condos remains strong. Even with increased interest rates, the long-term nature of medical users has kept the for sale market tight.

2025 Forecast

Looking ahead, we anticipate the SCV office market will remain stable, benefiting from its suburban location and ample amenities. This market will continue to appeal to local companies and both foreign and domestic firms seeking proximity to Los Angeles. However, for properties struggling to attract traditional professional tenants, we may see conversions to non-traditional uses that were once the domain of industrial or flex spaces. Fortunately, there is no new construction in the pipeline, and some existing properties are being considered for demolition or repurposing. Nevertheless, it will likely take time before we see a “healthy” office market return, and it looks like there is a new norm in place.

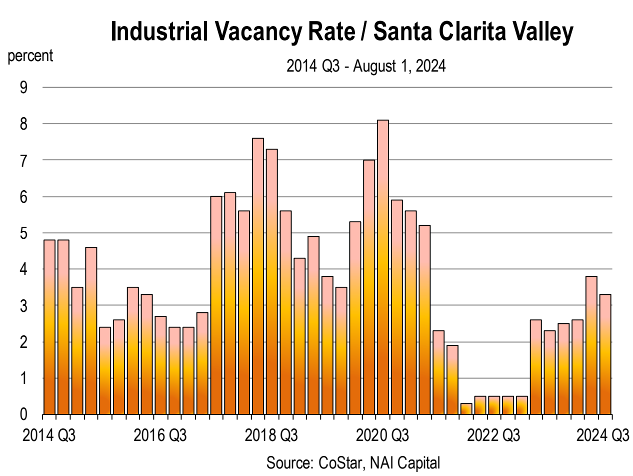
The Industrial Market

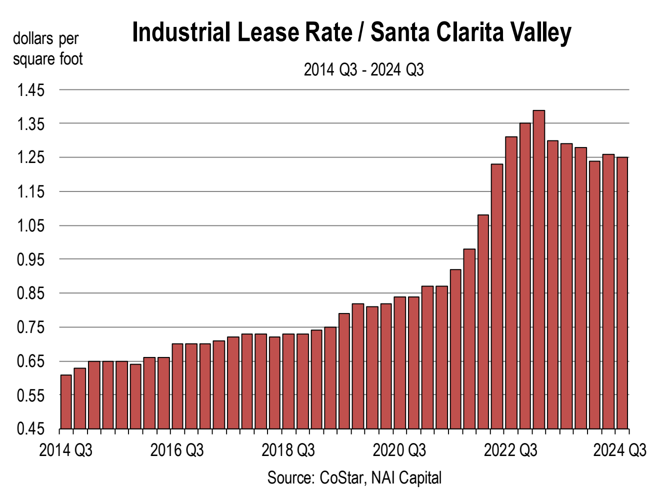
The entire regional industrial market is vibrant, busy, and in demand as both vacancy and availability remain at very low levels including all of the adjacent areas of Ventura County, the San Fernando Valley, much of Los Angeles County, and Orange County.

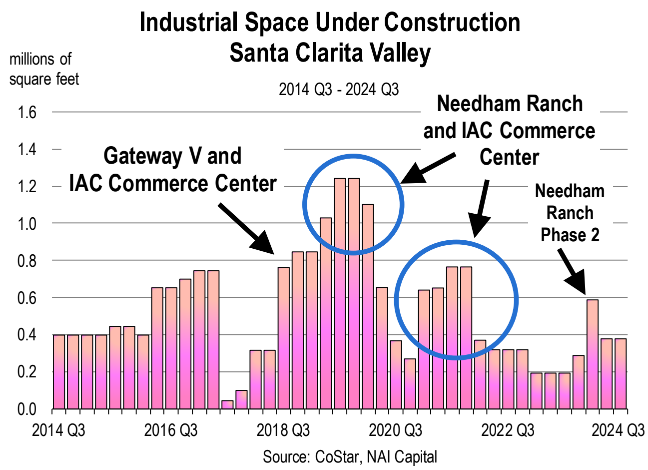
New deliveries totaling nearly 5 million square feet of industrial product during quarter 2 of this year have eclipsed the rate of demand, sending vacancy sharply higher in the Inland Empire. Absorption is expected (especially with the growth of the Ports) but adjustment won’t be complete until early 2025.

The Santa Clarita Valley industrial market has remained rock solid. With the substitution by consumers to e-commerce, especially since the pandemic, the demand for new warehouse, distribution, and fulfillment centers has soared, all over California.

The NAI/CoStar estimated industrial vacancy rate for the Santa Clarita market was 3.3







percent in early August of 2024. The estimated availability rate is 5.0 percent.

Net absorption of space has been +84,200 square feet year-to-date.

Responding to record low vacancy, steadily rising lease rates, and strong demand for e-commerce and logistics companies, 2.4 million square feet of new space has been completed since 2020, and another 377,000 square feet is currently underway.

From an inventory of 24 million square feet, there is an estimated 493,500 square feet of vacant available square feet in the entire Santa Clarita Valley industrial market

Needham Ranch and the IAC Commerce Center have delivered millions of new state-of-the- art industrial square feet to the market. Needham Ranch completed its total buildout in the spring. The IAC Commerce Center was completed in 2022.

The Santa Clarita Valley Industrial Market

By Craig Peters, Vice Chairman
CBRE - Advisory and Transaction Services

2024 in Review

In 2024, industrial property in the Santa Clarita Valley market continued as the top asset class in commercial real estate, softening slightly from the pandemic surge, yet remaining healthy. Vacancy has inched up to 1.4% which is still the lowest in the Greater Los Angeles region. Primary demand comes from relocations to the area from the City of LA and expansions of local SCV companies within key industries such as Entertainment, Consumer Products, E-Commerce and Aerospace & Defense leading the way. Ongoing demand, coupled with the limited availability of new space, has driven lease rates and sales prices to record highs. However, these soaring sales prices, lease rates, and interest rates have made some users hesitant to act or to explore moving out of the area.

Lease rates have ranged from $1.25 to $2.00 per square foot NNN with size, quality, and location being the key differentiators. New developments remain scarce in 2024, with the exception of the below:

- Santa Clarita Commerce Center: Under construction and set to deliver four state-of-the-art buildings by April 2025 ranging from 40,110 SF to 262,522 SF at Railroad Ave. and Oak Ridge Rd.

- CEG Witherspoon: A 127,524 SF building under construction in the Valencia Commerce Center with delivery in early 2025.

- Golden Valley Industrial Facility: A 174,000 SF building under construction on Golden Valley Road with delivery in early 2025.

Investors and capital partners for new development have become more conservative due to the significant interest rate increases which have occurred over the past 18 months. Still, the positive demand and limited supply have resulted in many companies having to renew in place due to no other options being available.

Major transactions year to date in 2024 include:

- Expansion into a 60,045 SF building at Valencia Industrial Center by Scott Stages.

- Sublease of a 61,856 SF building at 26245 Technology Dr by Bel Air Lighting.
- Lease of a 64,732 SF building at the IAC Commerce Center to ASC Process Systems.

- Lease renewal of a 75,055 SF building at 29101 The Old Rd to Lamsco West.

- Lease renewal of an 82,835 SF building at 24811 Ave Rockefeller to PPG Aerospace.

- Lease of a 93,426 SF building at 28220 Industry Dr to Tarnik.

- Lease renewal of a 103,916 SF lease at 28545 Livingston Ave to Advantage Media Services.

- Lease renewal of a 111,000 SF building at 29011 Commerce Center Dr by Arvato Services.

- Sale of a four-building portfolio: ranging from 152,070 – 229,179 SF at Vista Business Park to Westcore.

Current State of the Market

Tenants in the Santa Clarita Valley are facing the dilemma of whether to renew leases that are often doubling in cost or to join the growing pool of companies competing for limited inventory in an effort to secure other quality available space. New space does not frequently come to market and demand for industrial space is persistent, leading the effective supply to near zero in many size ranges.

E-commerce and 3PL's continue to be significant drivers, with consumer expectations for fast and efficient delivery pushing companies to secure strategic locations in well-populated submarkets. The market also continues to see studio production and support companies after the end of the writer's strike late last year although the environment has changed for new studio development in the region. Aerospace & Defense is leading to new demand in the region as well, particularly with new technology drones as well as support requirements for the major programs at Plant 42 in Palmdale.

Extremely low vacancy and high prices will push some companies to consider other areas in the region or possibly other states due to lower prices and incentives. While the new developments in the SCV will add some much needed supply, it is well below annual demand so will not greatly impact existing conditions.

2025 Forecast

- We anticipate the strong market fundamentals to continue with the major challenge being lack of supply. Looking ahead, the SCV industrial market will likely continue to face headwinds from limited availability and high prices impacting the entire SoCal industrial ecosystem. Barring a recession, lower interest rates as such stimulate both purchase demand and new development. We are optimistic for 2025 as industrial demand from primary industry clusters is anticipated to continue. General themes should include:

- Entertainment should improve with strikes resolved and new projects greenlighted in TMZ.

- E-commerce and distribution users will continue to expand from the Valley to meet increased demand from consumers in the Greater LA region.

- Certain industries will price out of the market and need to consider relocating to secondary markets like Fillmore, Tejon and the Antelope Valley or out of state.

- Prep for 2028 Olympics should have significant positive effect on region.

- Limited new development in 2025 will present further challenges to an already under-supplied market.

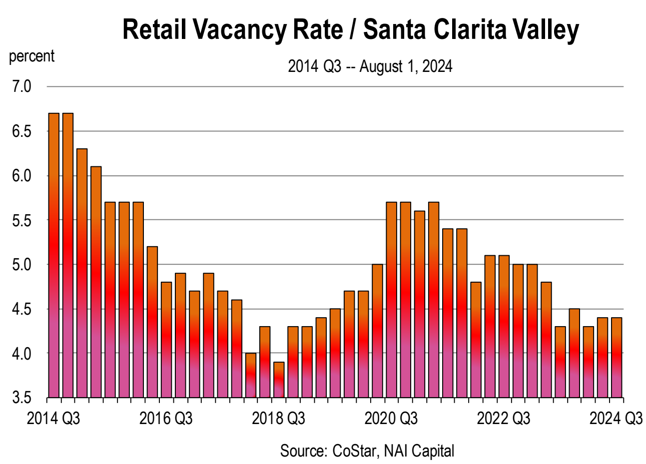
With a shortage of available buildings in the market and continuing demand for space from the area's primary industry clusters, companies should be planning well in advance of lease expirations in order to find suitable alternatives. For expanding companies, build-to-suits may be the only viable option which can take 18 to 24 months. By examining options early, companies can position themselves advantageously and navigate through the hurdles that exist in today's market.

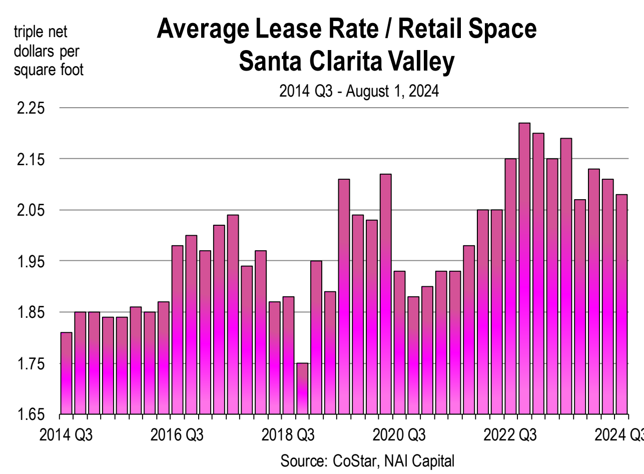
The Retail Market

The Santa Clarita retail market has largely adapted to the changing composition of the retail industry. Retail vacancy and availability remain quite low, and lease rates continue to steadily rise.

Bankruptcies among popular retail chains, including 99 Cents Only Stores, Rite Aid, Red Lobster, and other smaller end shops are ongoing, due largely to higher supply chain and labor costs. California's fast-food minimum wage increase to $20 an hour is the latest challenge. Since the wage mandate took effect in April, representing a 25 percent increase from the statewide $16 an hour minimum, California fast-food franchises have been cutting worker hours. As the economy evolves, the demand for retail space is shifting. Despite challenges, investor interest, especially in prime locations, remains strong.

In Santa Clarita, net absorption of retail space has been positive for four consecutive years. Vacancy rates have gradually declined to 4.4 percent by the end of the second quarter of 2024. Lease rates however have recently softened with the average triple net overall asking rent now at $2.11 per square foot, a 5 percent decline in the average NNN rate from a year ago.

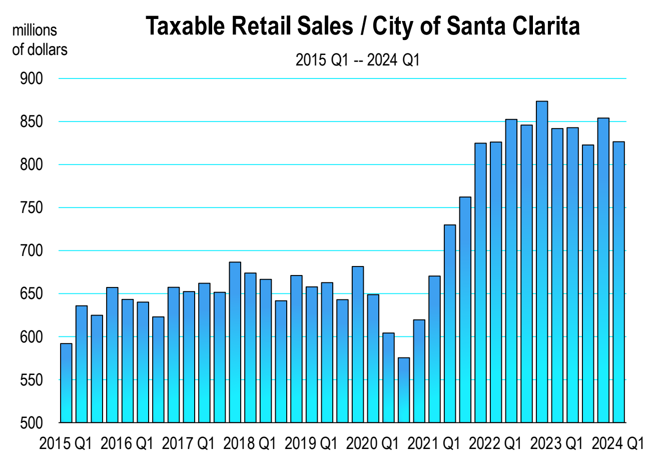


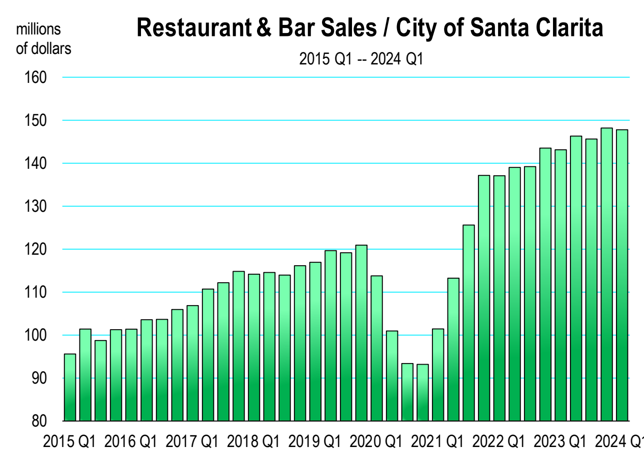


Consumers have paved the way for the local retail market to strengthen as much and as fast as it has since 2021. Sales have increased sharply, principally from resident spending, but also from visitor spending in the county that has remained consistent since the pandemic ended.

Sales for the most expensive retail goods, such as automobiles and consumer durables have notably declined, which has translated into softening demand for total taxable retail dollar sales. This is not true for food and beverage sales at restaurants and bars which continue to steadily increase.

There is no new product under construction at this time, and there have been no major completions since 2021. However, in view of the surge in new housing that is now occurring at Confluence, and in Castaic and Canyon Country, more retail product will be forthcoming in 2025.

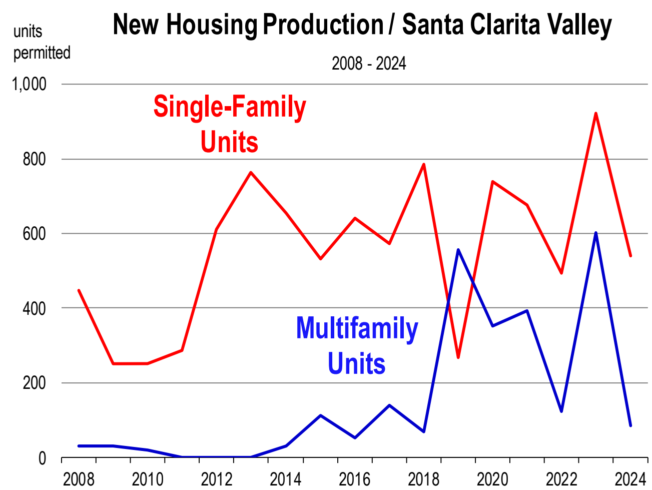




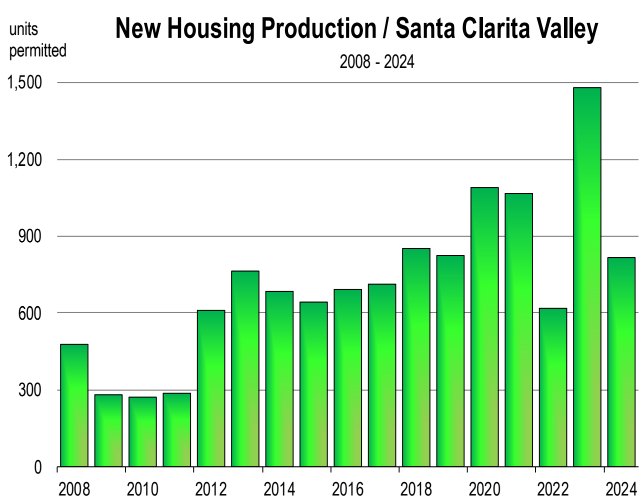
NEW DEVELOPMENT

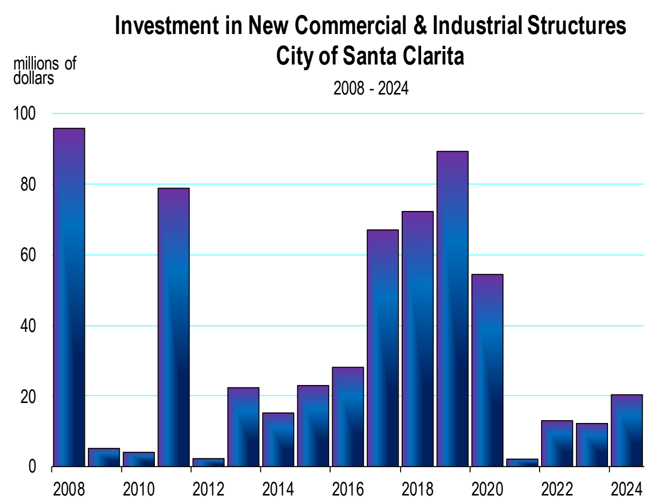
Recent Development

During 2023, 1,229 residential units were permitted in the Santa Clarita Valley. Nealy all homes permitted were single-family homes. Just outside the city limits, the Valencia project and the Williams Homes project which are fully underway, generated 635 of the 644 residential units permitted last year. During the first 6 months of 2024, only 220 homes have been formally permitted, most of them in the Williams Homes and Valencia projects. Very few units of the new housing are in multi-family projects, though that will be changing shortly with the onset of new projects that will start this year or next.



Investment dollars committed for new commercial and industrial structures in the city totaled $20 million during 2023. The pace of new non-residential permit activity for structures is lagging 2023 during the first 6 months of 2024, a pace that will approach approximately $14 million for the entire year.





Residential Units and Non-Residential Valuation Permitted	City of Santa Clarita 2016-2024								
	2016	2017	2018	2019	2020	2021	2022	2023	2024*
City of Santa Clarita	---- units permitted ----								
Single-Family Units	401	413	339	249	739	329	166	528	82
Multifamily Units	52	139	68	557	351	2	2	57	5
Total Residential Units	453	552	407	806	1,090	331	168	585	87
Unincorporated area	239	161	445	44	69	736	451	644	133
Williams Homes	NA	NA	NA	NA	NA	NA	107	78	65
Mission Village	NA	NA	NA	NA	NA	727	334	557	58
Other	239	161	445	44	69	9	10	9	10
Total Units Permitted Santa Clarita Valley	692	713	852	850	1,159	1,067	619	1,229	220
City of Santa Clarita New Non-Residential	---- millions of dollars ----								
Hotel and Motel	3.6	0.0	19.3	18.2	0.0	0.0	0.0	0.0	0
Amusement	1.0	0.6	11.3	0.0	0.0	0.0	0.5	0.6	0
Industrial	0.0	0.0	2.4	0.0	0.0	0.0	0.0	18.7	0
Office	0.0	12.9	0.7	2.7	0.0	0.0	0.0	0.0	0
School	0.0	3.4	2.0	4.8	0.0	0.0	0.0	0.1	0
Retail / Logistics	3.5	17.2	11.7	25.0	4.3	0.0	4.0	0.5	2.2
Other	15.2	10.9	14.4	24.8	50.0	2.1	8.0	0.0	33.7
Total New Non-Residential	28.1	67.0	75.0	89.3	54.4	2.1	13.0	20.0	35.9

*Note: 2024 is for the January to July period.

Source: CIRB, Los Angeles County, the City of Santa Clarita, and the California Economic Forecast

The Development Pipeline

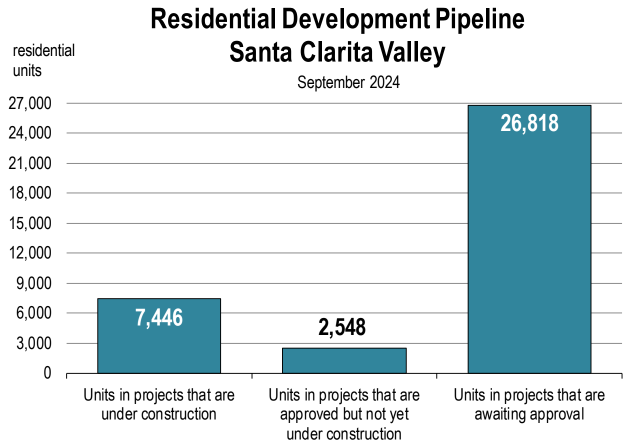
Among the principal projects in the Santa Clarita Valley, there are 36,812 residential units in some phase of the planning process.

Across the Valley, there are 7,446 units in projects that are actively under construction, including Confluence of the Valencia project. There are also 2,548 units in projects that have been approved but have not broken ground.

There are nearly 27,000 units in projects that are awaiting approval, including the newly proposed Sunridge project and 2,200 conceptual units that could be built within the Town Center Specific Plan. Most of the pending residential units are the subsequent villages of the Valencia project that have yet to be approved for vertical construction.

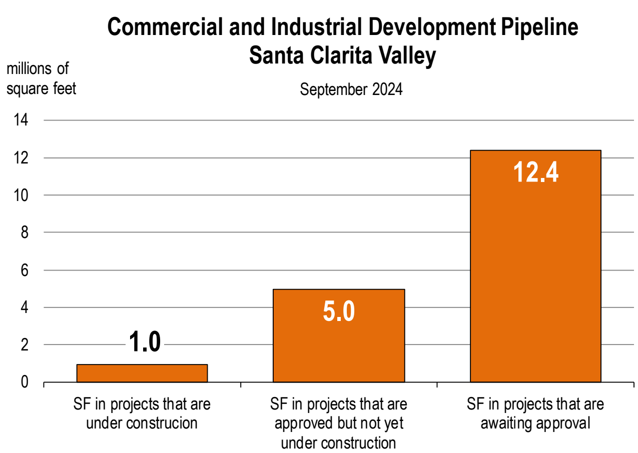
The Santa Clarita Valley now has 18.3 million square feet of space in its commercial and industrial development pipeline.

Throughout the region, there is 952,000 square feet of space in projects that are actively under construction, including the Santa Clarita



Commerce Center and the Golden Valley Industrial Center. There is also 5.0 million square feet of space in projects that have been approved but have not broken ground, including 1.6 million square feet within the Confluence Village of the Valencia Project.

There are 12.4 million square feet of space in projects that are awaiting approval, including the portions of the Valencia project that have yet to be approved for vertical construction.



Principal Mixed-Use Projects

FivePoint Valencia

The largest residential project under construction in California is FivePoint Valencia (previously known as Newhall Ranch). Developed by FivePoint Communities, the total project includes approximately 21,500 homes and 11.5 million square feet of office, retail, industrial, recreational, school, and public space.

Valencia will be built within five distinct villages: Confluence, Landmark, Homestead South, Homestead North, and Potrero. Three additional villages that are adjacent to the Valencia project site – Entrada South, Entrada North and Legacy – will also be developed by FivePoint.

The project includes an array of detached and attached homes, commercial and business centers, schools, parks, public services and open spaces.

The ultimate build-out of Confluence (formerly Mission Village) is 4,055 residential units and 1.55 million square feet of mixed-use commercial space, along with an elementary school, a fire station, and a public library. To date, 1,676 homes have been permitted and are either completed or under construction at this time.

The Landmark Village community will contain up to 1,444 residential units, approximately one million square feet of mixed-use commercial space, an elementary school, and 2 parks. Landmark Village has been approved but is not under construction.

The 6 remaining villages are still in the planning stages with the exception of Homestead North. Entrada South is currently undergoing tract map changes and approval from the County of Los Angeles.

FivePoint began grading the Mission Village and Landmark sites in late 2017. As of 2024, Confluence detached homes and condominiums are under construction with many houses complete and occupied. Solaire, one of the 19 subdivisions of Mission Village, had a model opening in May of 2023 and prospective homes are currently available for sale. Torrin, another subdivision, is also under construction.

As of April 2023, The Newhall Land and Farming Company, a subsidiary of Five Point Holdings, announced the planned sale of a 34-acre west-side property known as The Bluffs within FivePoint Valencia. The community is zoned for up to 650,000 square feet of new building and for various uses, including studio, light industrial or office and retail, in addition to 75 dwelling units. It however, may be rezoned into residential entirely.

Sunridge (Whittaker Bermite)

The Whittaker Bermite property is an undeveloped 996-acre site entitled for 1,244 single-family homes and 1,667 multifamily units. It is located in the center of the city of Santa Clarita.

The project was approved in 1995. The developers were required to remediate the site before construction could begin, and most of the cleanup process was completed in early 2020 except for the cleanup of the contaminated groundwater beneath the site.

Cleanup of the groundwater on the project site put the entire project on hold.

FivePoint Valenica Neighborhood Map

The owners of the Whittaker Bermite property filed for bankruptcy in 2021. In September of 2021, Prologis, a real estate investment trust, offered to buy the land for $286 million.

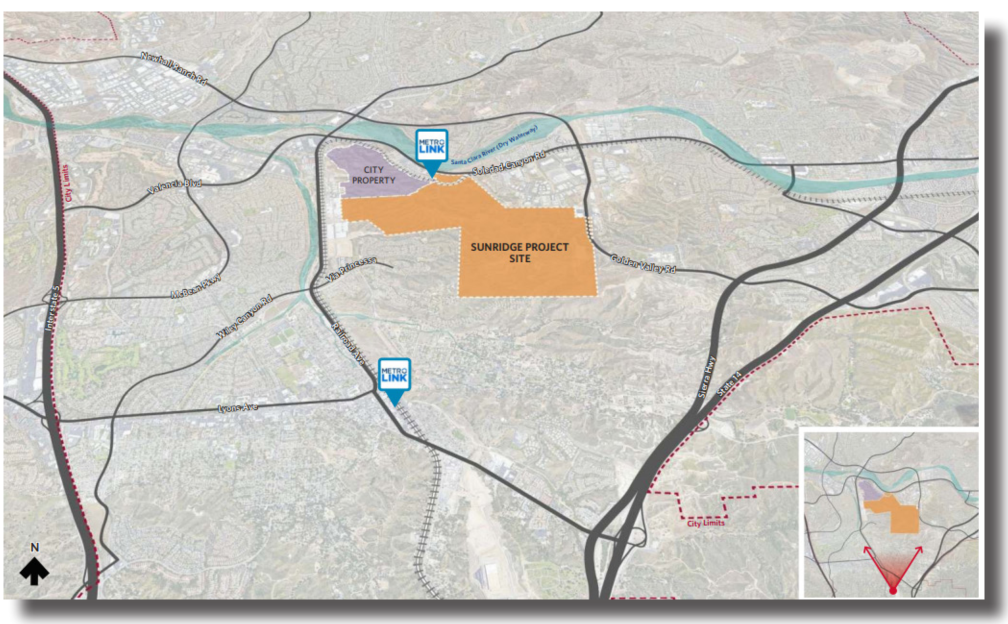
In July 2022, a court awarded SCV Water $65.9 million for the cleanup of the groundwater contamination on the Whittaker Bermite site. The decision comes after years of litigation from SCV water. Estimates indicate the cleanup could span 20 years.

However, as of March 2023, New Urban West Inc. (NUW), a Santa Monica based company, has reached a development deal with the company claiming ownership of the Whittaker Bermite site. NUW hopes to design a mixed-use community project that will transform the city center and link the communities within the city together.

The NUW plan is a mixed-use development called Sunridge. This new plan proposes 6,500 units, 226,000 square feet of commercial space, 2.5 million square feet of business park, along with a wave park and a 10,000-seat amphitheater. This plan would replace the Porta Bella specific plan that was approved by Santa Clarita City Council in 1995. NUW's proposed project would have double the number of homes and approximately 10 percent more commercial development and will need to be resubmitted for approval. On September 11 the City signed an MOU with NUW, allowing them to study the overall citywide traffic pattern to prove that only extending two existing roads would be sufficient for the increase in homes built. The Porta Bella specific plan called for the expansion of both Santa Clarita Parkway and Via Princessa, as well as Magic Mountain Parkway.

Princessa Crossroads

Princessa Crossroads is a large development project of 146 acres between Golden Valley High School and the Santa Clarita Sports Complex that will construct 1.5 million square feet of business park and commercial space and up to 300 multifamily residential units. The project is currently in the EIR phase of entitlement.



Map of Sunridge site and surrounding areas

Promenade Flats Mixed Use

A newly approved mixed-use project is located on Bouquet Canyon Road. The project plans to add a 50-foot, four-story building with a fifth-floor deck on a lot in Saugus.

The building would be constructed in the parking lot behind the existing IHOP building and would include approximately 7,200 square feet of ground-floor commercial space, with 26 one-bedroom apartments and four live-work one-bedroom apartments on the floors above.

Sand Canyon Village

Sand Canyon Village is a mixed-use project near Sand Canyon Road and Soledad Canyon Road. The project will include 580 residential units, 45,000 square feet of retail and commercial space, and a 147,000 square foot assisted living facility.

The plaza began construction in January of 2023. No estimated completion date has been released yet.

Sand Canyon Resort

Sand Canyon Resort is a project that plans to develop a 5-star family-oriented destination resort that is architecturally and visually compatible with the surrounding landscape. The development was reduced from 36 acres to 13.5 acres. It is proposed to include a four-story main hotel with 283 rooms and 12 villas, an Italian restaurant; four two-story villas with four suites each; a one-story spa building; a one-story "function building" that could act as either a ballroom/conference center/buffet restaurant; a one-story children's building; a couple of pools; and nearly 350 parking spaces.

The project plans, originally submitted to the City in February 2018 resulting in an ultimate denial, is currently being treated as a completely new project and is under review by the Santa Clarita Planning Commission.

Honor Ranch

The 206 acre Honor Ranch project would be located next to Interstate 5, north of the Castaic

Rendering of Sand Canyon Resort

Junction in the unincorporated County of Los Angeles.

The Honor Ranch mixed-use project is proposed to develop 1.5 million square feet of non-residential space. Current plans suggest a distribution as follows:

- 1.3 million square feet of industrial business park, manufacturing, warehousing & distribution, media, and entertainment
- 250,000 square feet of life sciences office, research & development, bioscience
- 55,000 square feet of retail, neighborhood, quick service, traditional, and required parking and transportation infrastructure.

Trammell Crow Company is the developer. The project is currently in pre-development and Trammell Crow is working with Los Angeles County to finalize a long-term development plan. As of February 2023, a motion was approved by the Los Angeles County Board of Supervisors that further laid out the terms in an exclusive negotiating agreement between the developer and the county.

More detailed plans regarding land use are currently underway.

Wiley Canyon

The Wiley Canyon Project is a mixed-use nearly 32-acre site located east of Interstate 5 and west of Wiley Canyon Road, between Hawkbryn Avenue and Calgrove Boulevard.

Included in the plans are a 277,000-square-foot, four-story senior living facility with 130 independent living units, 61 assisted living units and 26 memory care beds; 379 apartment units, ranging from two to four stories; and nearly 9,000 square feet of commercial space.

There are also plans for roundabouts: at the entrance of the project on Wiley Canyon Road, the intersections of Wiley Canyon Road and Canerwell

Site for Honor Ranch

Street; and at the intersection of Wiley Canyon Road and Calgrove Boulevard. A bike lane and a publicly accessible recreational area are also slated for Wiley Canyon Road, in the area around the project.

This project is currently under environmental impact review by the Santa Clarita planning commission.

Vista Canyon

Vista Canyon has over 360 apartments in the final stages of design review approval with the City, working drawings on 39 units, and discussions with developers on the balance.

Vista Canyon Metrolink Station and Bus Transit have been constructed by the City of Santa Clarita and are both operational.

Future commercial space totaling 150,000 square feet is in various stages of planning that can be presented to developers, partners and users at this time

Jim Backer, the developer, has a request with the City to re-permit the office component of 175,000 square feet into 225 residential units.

There are plans for up to a 240 room hotel to be built subject to market demand. Medical office space and other items such as Senior Apartments with medical care continue to have market interest and demand.
Over 700 of the 1,100 units have been completed, and 60,000 out of 950,000 square feet of commercial space has been constructed.

Town Center Specific Plan

The plan consists of 111 acres that could accommodate up to 2,200 residential units and 600,000 square feet of new commercial space. No development is currently proposed. The Specific Plan would incentivize mixed use development and promote a blend of residential, commercial and recreational uses within a walkable community.

Shadowbox Studios

The Signal reported in June 2024 that the original project, Shadowbox Studios, is now on an indefinite hold pending the extent to which movie and TV production recovers. Alternatively, a new plan involving a larger industrial facility would take the place of the stages.

Riverview (formerly Saugus Speedway)

Integral Communities is requesting Planning Commission sign off on a plan for 318 homes, including 122 detached single-family condos and 196 attached townhomes, with 22 identified as affordable housing.

Principal Residential Projects

Tesoro Highlands

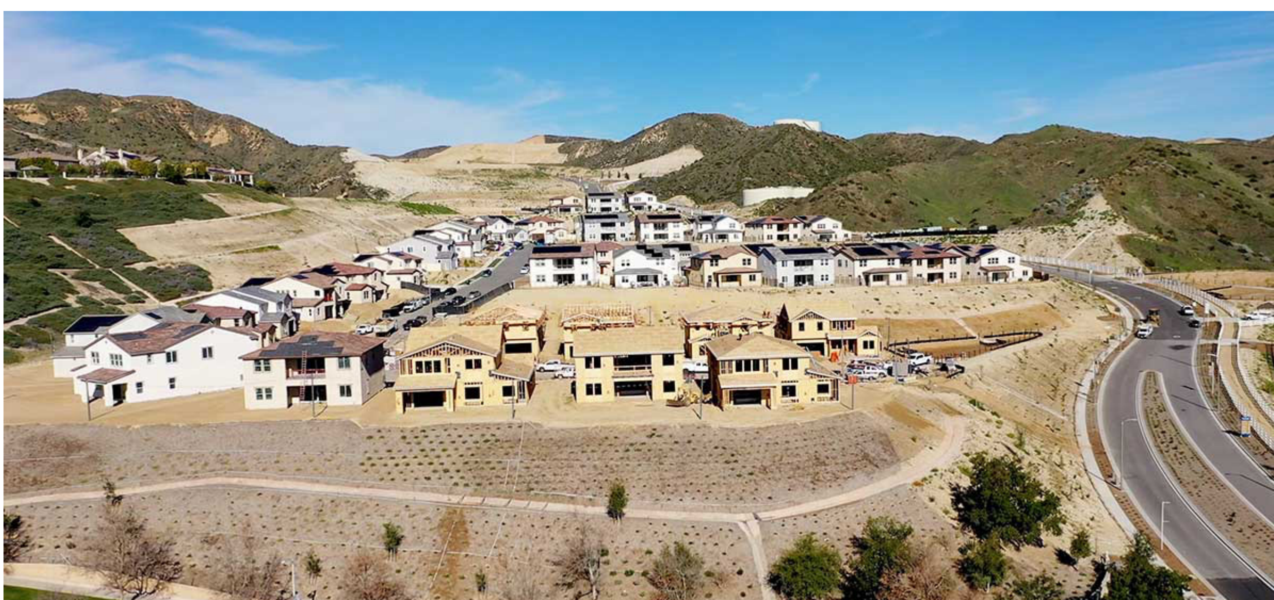
The Highlands at Tesoro del Valle is the completion of the Tesoro Del Valle Master Plan. Approximately 30 percent of the total site area will be developed, with 875 acres of the property to be preserved as permanent open space. The project will include 820 homes in a variety of traditional and contemporary architectural styles:

- 318 single-family detached homes on lots of at least 5,000 to 7,000 square feet
- 365 age-qualified (55+) single-story condos and single-family homes on lots of at least 5,500 to 6,300 square feet
- 137 estates on lots of at least 9,000 to 20,000 square feet
- 1,270 total acres of land
- 13 neighborhoods

A total of 348 finished lots have been delivered by IHP Capital Partners to date. Lennar Homes has been actively selling homes since January 2024. Toll Brothers has started construction on a neighborhood that will include 60 homes.

Homes within the Tesoro Highlands neighborhoods of Bella Terra are 3,377 to 3,685 square feet and start at close to $1.6 million; Alta Monte homes are 4,718 to 5,088 square feet and start at around $1.9 million.

Tesoro Highlands will also include a recreation center, a community park with tennis courts, and 6 miles of private trails.



Tesoro Highlands under construction, July 2024

Metro Walk

MetroWalk is a large residential project near Lost Canyon Road and Harriman Drive. In December 2023, the city approved a modified plan consisting of 137 townhomes, instead of the originally approved 49 units. The 20.4-acre site is situated next to a Metrolink and bus transit center.

The project is currently under construction as of May 2024.

Golden Triangle Apartments

The project located on Golden Triangle Road consists of 164 apartment units in nine multi-family buildings and attendant clubhouse and cabana totaling 231,000 square feet on a 20 acre site.

Tract mapping and infrastructure plans are underway. As of July 2024, developers were still waiting to obtain a grading permit.

Principal Commercial and Industrial Projects

Golden Valley Industrial Center
(formerly Pacific Industrial Warehouse)

The Santa Clarita Planning Commission approved an industrial warehouse located on Golden Valley Road just north of the Sheriff's station in June 2023. The warehouse will consist of 174,000 square feet with 9,000 square feet of supporting office space. There would also be 24 truck-loading docks for the project, which is located in the Business Park Zone and also within the Jobs Creation Overlay Zone. Pacific Industrial, a highly focused industrial real estate development and acquisition platform is the company that proposed the project.
This project is currently under construction.

Santa Clarita Commerce Center Project
(Oak Ridge Industrial)

Construction on this project began in June 2024. It is expected to be completed in April 2025. This project includes four industrial/warehouse buildings, totaling 430,407 square feet on a 22.3-acre project site.

- Building 1: 262,522 square feet
- Building 2: 49,308 square feet
- Building 3: 78,467 square feet
- Building 4: 40,110 square feet

Project tenants have not been identified; however, the proposed buildings would accommodate standard warehousing uses. However, because it is zoned industrial, buildings can serve manufacturing purposes allowing for potentially any kind of manufacturer to locate there.

Building 1 would have a maximum height of 55 feet, and the other three buildings would have a maximum height of 50 feet. Other associated on-site improvements would include a truck court with a loading dock at each building, landscaping, 526 parking spaces and exterior lighting. Access to the Project Site would be provided via Springbrook Avenue off Oak Ridge Drive.

Valley Center Drive Self Storage

Located on the corner of Golden Valley Road and Valley Center Drive, this project was approved in November of 2020. It is a 2.3 acre property that will have a 3-story, 156,060 square foot storage facility that will house up to 1,200 storage units. Construction on the facility has begun.

Rye Canyon Studios (formerly Southern California Innovation Park)

Southern California Innovation Park is an existing medical campus with 740,234 square feet of healthcare and office space currently in use. The site is located off of Rye Canyon loop in Valencia.

Southern California Innovation Park was bought by Oxford Properties Group in September 2021 for $133.3 million.

Developers expect to add approximately 750,000 square feet of new space to the site, including sound stages and support buildings which were approved in 2022. Construction is currently on hold due to financing issues and the slowdowns associated with film and TV production that have not yet rebounded from the 2023 actor's strike.

Needham Ranch

The 1.8 million square foot project is now complete, with Phase II construction finished in June of 2024. Phase II provided the final connection of Newhall Avenue to Sierra Highway, with the opening of Needham Ranch Parkway. Tenants include Amazon, DrinkPAK, LA North Studios, and US Auto Force.

The project has been one of the largest industrial projects in Los Angeles County.

Center at Needham Ranch

Principal Residential Projects in the Santa Clarita Valley — September 2024

Project Name	Developer	Location	Units	Description	Status
City of Santa Clarita					
Plum Canyon	Plum Canyon Master	Whites Canyon / Skyline Ranch	411	Single Family Detached / Apts	Under Construction
Bouquet Canyon Project	Integral Communities	Bouquet Canyon / Copper Hill	375	SF Detached / Townhomes	Approved
Dockweiler 21/ Trenton Heights	Dockweiler 21	Sierra Hwy / Dockweiler	93	Detached Condos	Under Construction
MetroWalk	Blumax Santa Clarita	Santa Clarita	498	Apts / Condos / Townhomes	Approved
Golden Triangle Apartments		Santa Clarita	164	Apartment Units	Approved
Creekside Commons		East of Sierra Hwy	128	Residential	Approved
Belcaro at Sand Canyon		Soledad Canyon Rd/Oak Springs Dr	359	Single Family Units	Pending
Somerset Summit		Haskell Canyon Rd/Copper Hill Dr	98	Single Family Units	Pending
Tesoro Highlands	Newport Land Company	Valencia	820	SF detached/Assisted living	Under Construction
Riverview (Saugus Speedway	Newport Land Company	Soledad Canyon Road	318	Single Family detached/MF	Pending
Unincorporated Areas of the Santa Clarita Valley					
Williams Ranch	Williams Homes	Castaic	497	Single Family Detached	Under Construction
Saddle Peak	Williams Homes	Shadow Pines	492	Single Family Detached	Under Construction

Source: California Economic Forecast secondary research

Principal Mixed-Use Projects in the Santa Clarita Valley — September 2024

Project Name	Developer	Location		Square Feet	Description	Status
City of Santa Clarita						
Vista Canyon	JSB / JPI / KB	Sand Canyon / State Rt. 14	1,100	175,000	SF / Apts / Com / Hotel	U/C
Princessa Crossroads	National Tech. Systems	Santa Clarita Valley	300	1,500,000	MF / Retail / Industrial	Pending
Sand Canyon Village	Sand Canyon	Sand Cny / Soledad Cny	580	192,000	SF Detached / Retail	U/C
Riverwalk		Santa Clarita Valley	136	5,000	MF / Commercial	Approved
Wiley Canyon		Wiley Canyon Rd	596	8,900	Apartments/Senior Living Facility	Pending
Paseo Nuevo 11th street			12	2,320	Residential/Retail	Approved
Plaza del Sol - 14th Street			32	5,715	Residential/Retail	Approved
Newhall Apartments		Newhall Avenue/ Carl Ct	106	4,000	MF/ Commercial	Pending
Promenade Flats		Cinema Dr/Bouquet Canyon Rd	30	8,840	Retail/Apartment/Live-Work	Approved
Sand Canyon Resort	Steve Kim	Robinson Ranch Rd	295		Hotel	Pending
Town center		Santa Clarita	2,200	600,000	Retail/Office	Pending
Sunridge	New Urban West	Santa Clarita	6,550	3,126,000	Res./Commercial/Bussiness Park	Pending

Unincorporated Areas of the Santa Clarita Valley

Project Name	Developer	Location		Square Feet	Description	Status
FivePoint Valencia	FivePoint Communities	Newhall Ranch	21,242	11,500,000	SF / MF / Ret / Hotel / Ind / School	Various
Entrada North	FivePoint Communities	Newhall Ranch	1,150	2,674,400	MF / Office / Retail	Pending
Entrada South	FivePoint Communities	Newhall Ranch	1,574	730,000	SF / MF / Off / Ret / School	Pending
Homestead North	FivePoint Communities	Newhall Ranch	1,110	2,357,100	SF / MF / Office / Retail	Pending
Homestead South	FivePoint Communities	Newhall Ranch	3,617	66,400	SF / Condos / Off / Ret / Schools	Pending
Landmark Village	FivePoint Communities	Newhall Ranch	1,444	1,033,000	MF / SF / Ret / Off / Hotel	Approved
Legacy Village	FivePoint Communities	Newhall Ranch	3,457	839,000	SF / Condos / Assisted Living / Com	Pending
Confluence Village	FivePoint Communities	Newhall Ranch	4,055	1,555,100	SF / Retail / School	U/C
Potrero Valley	FivePoint Communities	Newhall Ranch	4,835	245,000	SF / MF / Off / Ret / School	Pending
Sterling Ranch Estates	Hunt Willliams	Val Verde	227	20,000	SF/Retail	Pending

Source: California Economic Forecast secondary research

Principal Non-Residential Projects in the Santa Clarita Valley						September 2024
Project Name	Developer	Location	Square Feet	Hotel Rooms	Description	Status
City of Santa Clarita						
Rye Canyon Studios	Intertex / Oxford	Rye Canyon	600,000		Industrial	Approved
Henry Newhall Hospital Expansion	Newhall Foundation	Santa Clarita	200,000		Hospital Expansion	Approved
Valley Center Self Storage	Horne Partners	Saugus	156,060		Industrial	Under Construction
Santa Clarita Commerce Center	TMC Hollis	Oakridge / Railroad Avs	430,407		Commerical / Industrial	Approved
Sierra Newhall Retail Center		Newhall Ave/Sierra Highway	9,645		Retail	Pending
Golden Valley Industrial Center		Center Point Pkwy/Golden Valley Rd	174,000		Industrial	Under Construction
College of the Canyons Advanced Technology Center		Golden Valley Rd/Soledad Canyon Rd	13,472		R & D	Pending
Unincorporated Areas of the Santa Clarita Valley						
Honor Ranch Development	Trammel Crow	North of Castaic junction	1,500,000		Industrial / Office / Retail	Approved

Source: California Economic Forecast secondary research

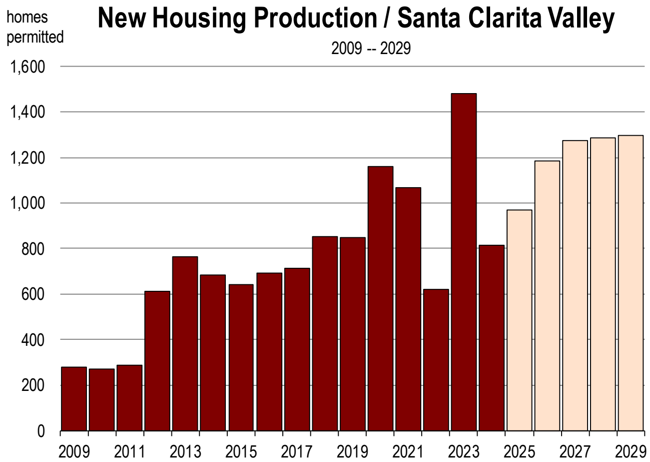
The Forecast

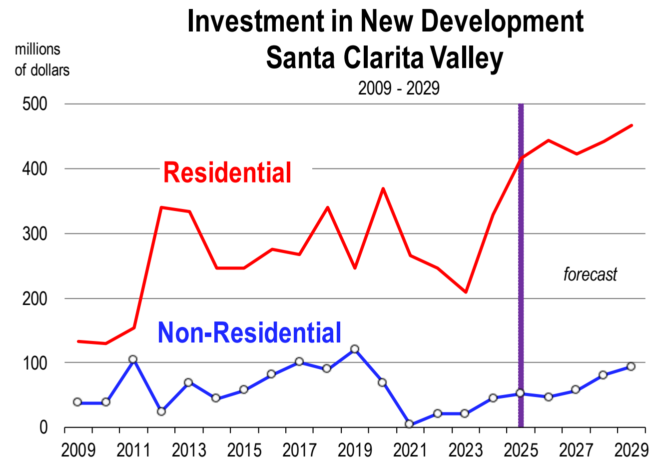
While the forecast presents a year-by-year distribution of new housing units (permits), the sum of housing units over the forecast period is more important than the year-by-year allocation of units. There are too many nonmarket influences that can interrupt the timing of the permitting process from year to year. Consequently, there is greater variability in the forecast of housing units at the regional level than other variables like employment or income.

Our forecast calls for 6,000 new housing starts in the greater Santa Clarita Valley between 2025 and 2029. Last year, prior to the doubling of interest rates and threat of impending recession, our forecast called for 6,500 units.

Investment in non-residential structures will sum to more than $330 million over the next 5 years (the 2025-2029 forecast period).

Many projects are in full production at this time. And legacy projects are moving forward. In general, new construction remains active. The volume of housing over the next 3 years should accelerate. A number of new projects will commence to join ongoing development of Valencia, Williams Homes, and Tesoro Canyon. This includes Wiley Canyon, Sand Canyon and Bouquet Canyon.





Despite higher interest rates in 2023 and the first half of 2024, housing markets have demonstrated unusual resilience and the demand for new homes has persisted. Housing demand is forecast to rise in 2025 in tandem with expected declines in mortgage rates. Recession would impact the new development environment because it would reduce household income and preempt the demand for housing by homebuyers. However, there is little chance that a bona fide recession is in the short term forecast. To date we are encouraged by the solid growth of GDP in quarters 2 and 3, a strong equities market, a near fully employed labor market, and continued spending by consumers and businesses.

New Development Forecast			Santa Clarita Valley				
	2023	2024	2025	2026	2027	2028	2029
Residential Building			--- number of units -----				
City of Santa Clarita	836	321	505	608	635	623	604
Entire Santa Claria Valley	1,480	573	969	1,185	1,274	1,286	1,297
			--- milions of dollars ---				
Total Residential Investment	208.7	329.5	415.7	443.3	423.0	442.5	466.9
Commercial and Industrial Investment			--- millions of dollars -----				
City of Santa Clarita	21.2	44.9	52.4	46.6	56.8	80.7	93.8

Source: CIRB, California Economic Forecast, September 2024

QUALITY OF LIFE INDICATORS

Introduction

Crime

Traffic

Quality of Education

Children Living in Poverty

Introduction

The social environment of the Santa Clarita Valley directly affects local business performance and influences home prices. Public safety, traffic congestion, school quality, and child welfare are important features of this environment. In this chapter, these topics are examined with information on local crime rates, traffic counts, standardized tests, and youth poverty.

Crime

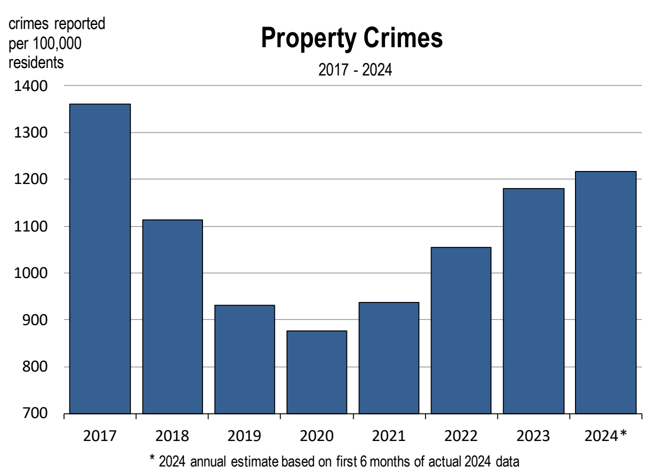
For areas of California, crime levels can be compared to one another based on the Total Crime Index. The Total Crime Index is the sum of the following crime categories: homicide, rape, robbery, aggravated assault, burglary, motor vehicle theft, larceny, and arson. The latest information describes crime levels in 2024 through June.

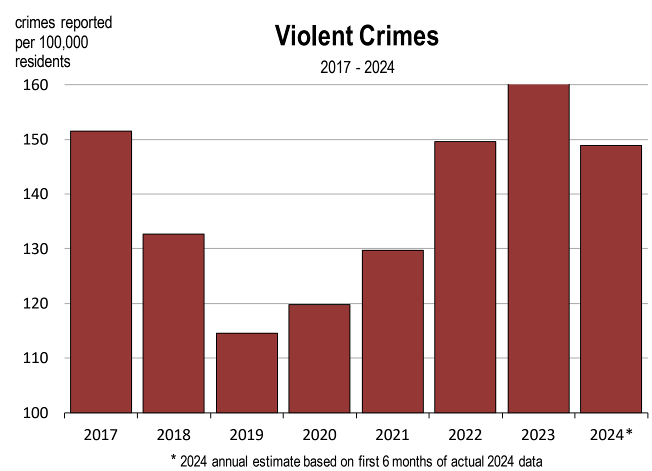
- Crime levels in the Santa Clarita Valley rose significantly from 2022 to 2023, and they appear to be rising slightly in 2024. If the pace of crime incidence between January and June remains consistent for the rest of the year, crime levels will rise from 2023.

- The Total Crime Index reported in Santa Clarita Valley was 1,341 in 2023. In 2024 however, it is running at 1,365. The implied increase is 1.8 percent.

- Although the total crime index increased significantly in 2023 and is increasing slightly in 2024, crime remains well below pre-pandemic levels.

- Violent crime rates per 100,000 residents are forecast to drop slightly, while property crime per 100,000 residents is expected to rise.

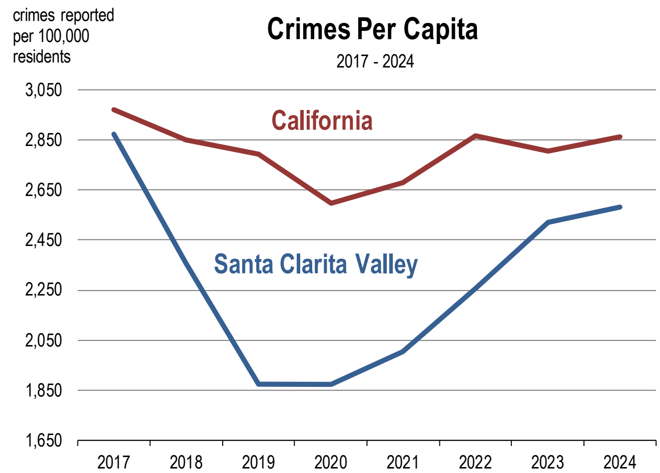




Comparing the first half of 2023 to the first half of 2024, violent crime rates have dropped by one percent and property crime rates have increased by 14.5 percent.

- Relative to California, crime in Santa Clarita Valley has been consistently lower for the last 10 years for both property and violent crimes per capita.

- 2024 data for California is not yet available. Data for Santa Clarita Valley is available for the January-June period of 2024.



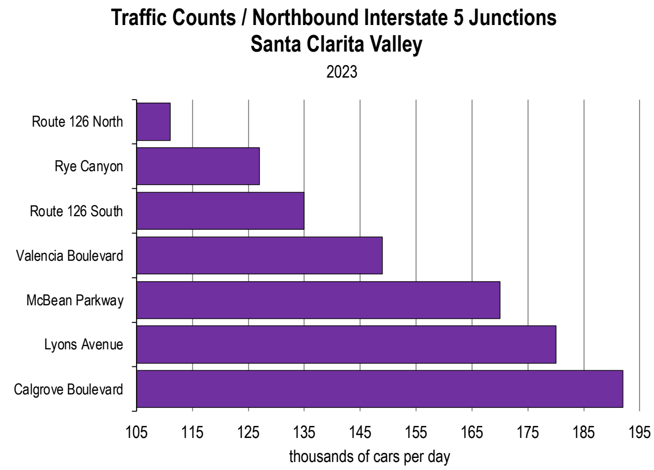
Crime Reports	Santa Clarita Valley							
	2017	2018	2019	2020	2021	2022	2023	2024*
Willful homicide	6	4	4	4	6	1	6	4
Forcible rape	59	67	65	55	59	47	44	32
Robbery	145	118	108	90	90	109	139	102
Aggravated assault	232	202	165	209	231	290	286	300
Burglary	823	735	513	465	399	459	548	664
Larceny-Theft	2,625	2,146	1,958	1,782	1,935	2,208	2,320	2,368
Motor vehicle theft	498	364	289	365	433	462	565	526
Arson	23	34	24	10	23	19	37	22

*2024 values are estimates based on actual data for the first 6 months of 2024

Source: Los Angeles County Sheriff's Department

Traffic

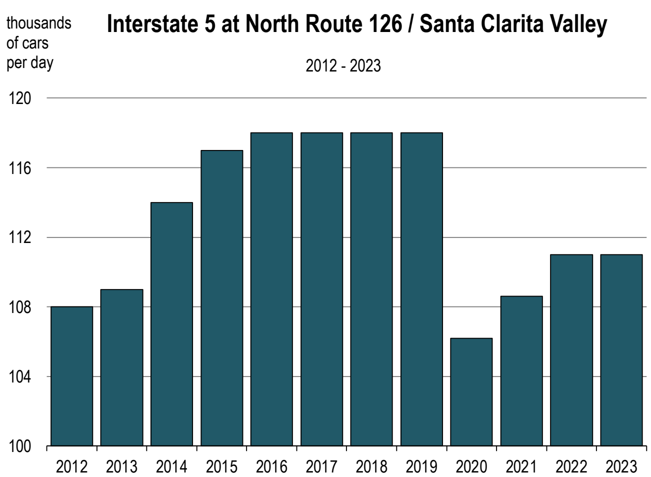
Traffic counts can reveal information about economic and demographic trends. In general, traffic counts decline during periods of economic weakness and rise during periods of strength. This occurs for several reasons, including the increased transportation of goods, a larger number of employed workers commuting to work, more people traveling, and higher disposable incomes that can be spent on vehicles and gasoline.

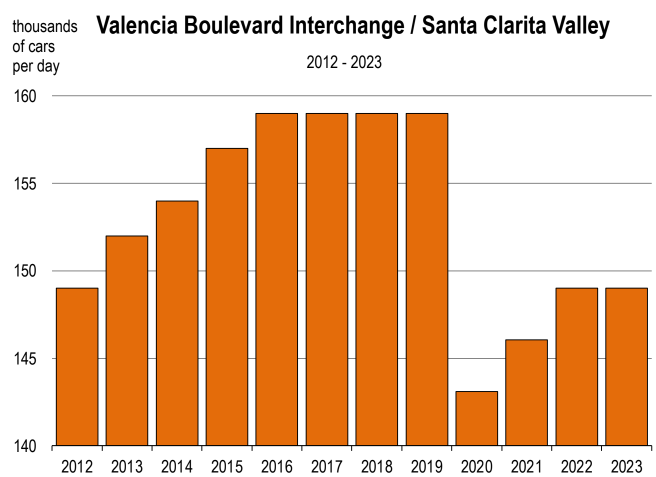


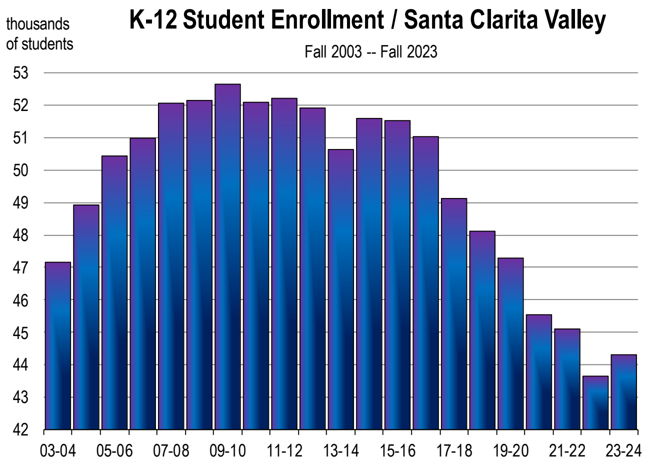
- Traffic volumes plummeted during the coronavirus pandemic.
- Across the Santa Clarita Valley, traffic counts fell by 20 percent in 2020.
- By mid-2021, traffic was still 15 percent below 2019 levels.
- Traffic has continued to rebound steadily in 2022 and 2023 from pandemic level lows.

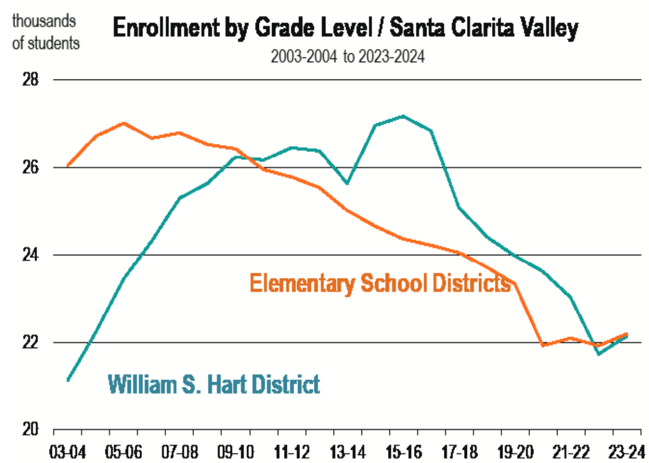
Mid-2023 traffic reports indicate total traffic has stayed steady since 2022.

- Despite the increase, traffic still hasn't reached the pre-pandemic levels prevailing in 2019.
- Traffic counts on Interstate 5 Junctions through Santa Clarita have all increased since 2021. Traffic counts have increased between 3,000-4,000 cars per day at each junction.









Quality of Education

Enrollments

- During the 2023-2024 school year, public school enrollment in the Santa Clarita Valley increased in both High Schools and Elementary Schools.

- Enrollment had been in decline for several years, but the trend was exacerbated by the coronavirus pandemic. The 2023-2024 school year recorded the first increase in K-12 enrollment in the Santa Clarita Valley in nearly 10 years.

- Total enrollment is now at its second-lowest level since 2002.

Dropout Rate

The rate at which students choose to dropout of school is an important indicator of how well schools are keeping students interested and preparing them for the workplace.

Teens who drop out of high school are unlikely to have the minimum skills and credentials necessary to function in today's increasingly technological workplace. The completion of high

Public School Enrollment Santa Clarita Valley

Number of Students	--School Years--								
	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24
Castaic Union Elementary	2,354	2,234	2,153	2,037	2,020	1,860	1,893	1,859	1,938
Newhall Elementary	6,650	6,706	6,537	6,539	6,267	5,920	5,834	5,918	5,928
Saugus Union Elementary	9,984	9,900	9,960	9,791	9,704	9,071	9,170	9,070	9,097
Sulphur Springs Union Elementary	5,383	5,370	5,395	5,336	5,329	5,069	5,188	5,067	5,211
Total Elementary	**24,371**	**24,210**	**24,045**	**23,703**	**23,320**	**21,920**	**22,085**	**21,914**	**22,174**
William S. Hart Union High	27,155	26,822	25,080	24,414	23,968	23,623	23,019	21,735	22,135
Santa Clarita Valley Total	**51,526**	**51,032**	**49,125**	**48,117**	**47,288**	**45,543**	**45,104**	**43,649**	**44,309**

Source: California Department of Education school is required for accessing post-secondary education and is a minimum qualification for most jobs.

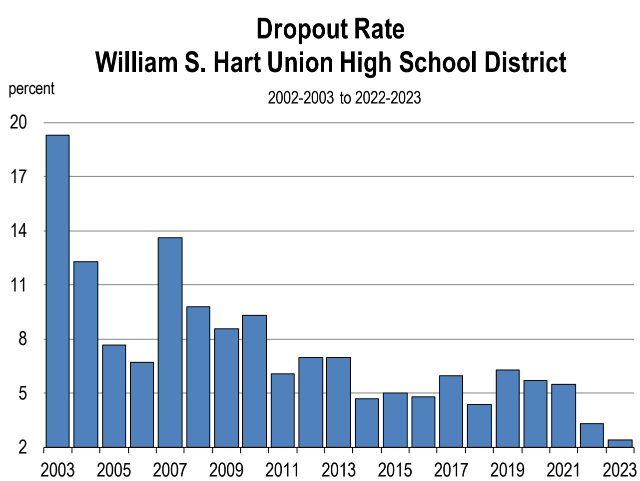
- At the William S. Hart Union High School District, the dropout rate has been exceptionally low for almost a decade. In the 2022-2023 school year (the most recent data available), only 2.4 percent of students dropped out.

- Statewide in 2022-2023, 11.3 percent of students dropped out. Across Los Angeles County, 12 percent of students dropped out.

Elementary School Testing

California schools now administer the CAASPP exam – a replacement system for the old California Standard Test (CST).

The State of California has established benchmarks for student scores, and schools can be evaluated by the rate at which their students pass these benchmarks.

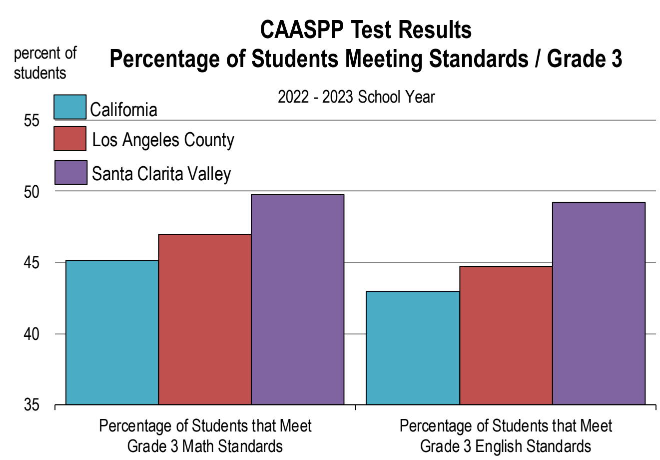


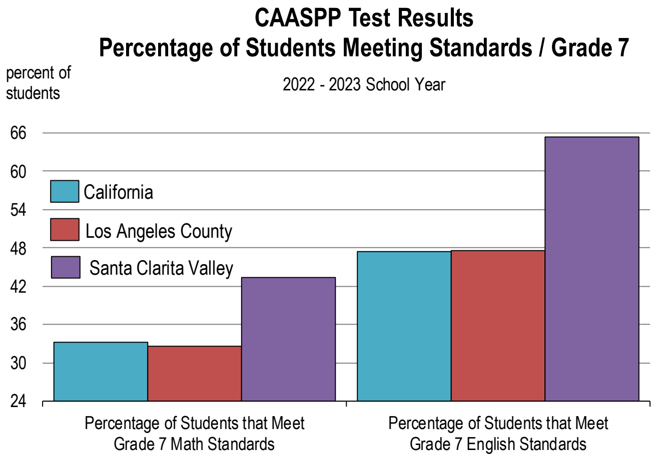
This analysis (arbitrarily) presents scores for third grade and seventh grade as representative of elementary and junior high students. Because of the pandemic, there was no testing during the 2019-2020 and 2020-2021 years. The following interpretation of recent public school test scores is based on testing during the 2022-2023 school year.

- Third-grade students at Santa Clarita Elementary School outperformed their peers across Los Angeles County and the State of California. This outperformance occurred in both Math and English.

- Among third-grade students, around 49 percent of students passed the Math tests. Passing rates for the English tests were only slightly lower.

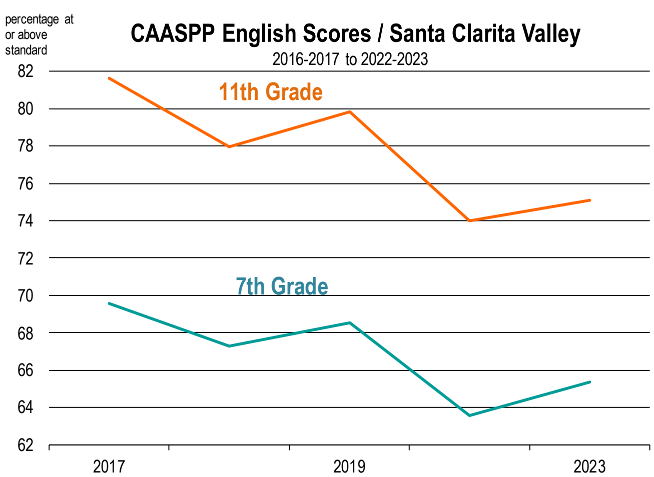
- In Los Angeles County, around 47 percent of third graders passed the Math tests, and around 45 percent passed the English tests. Statewide, around 45 percent of third graders passed the Math while only 43 percent passed the English tests.

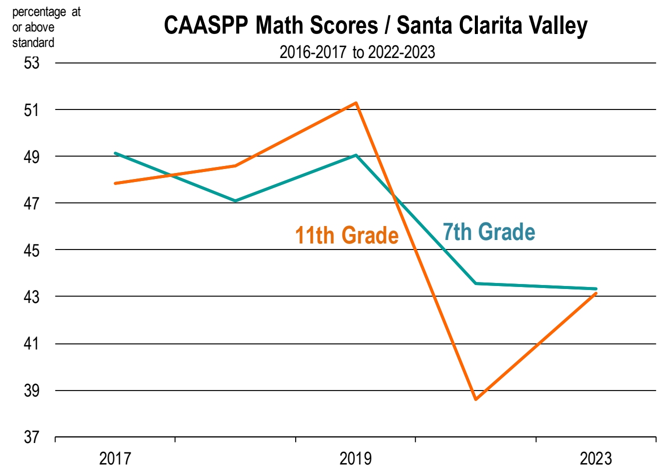




- About 65 percent of Santa Clarita Valley seventh grade students passed the English portion of the test, which is 18.4 percentage points higher than students across California for the 2022-2023 school year.

- Seventh-grade students struggled with the math section of the CAASPP test in the 2022-2023 school year. California and LA county recorded passing rates of 33.2 and 32.5 percent for math. Santa Clarita Valley reported passing rates of 43.3.





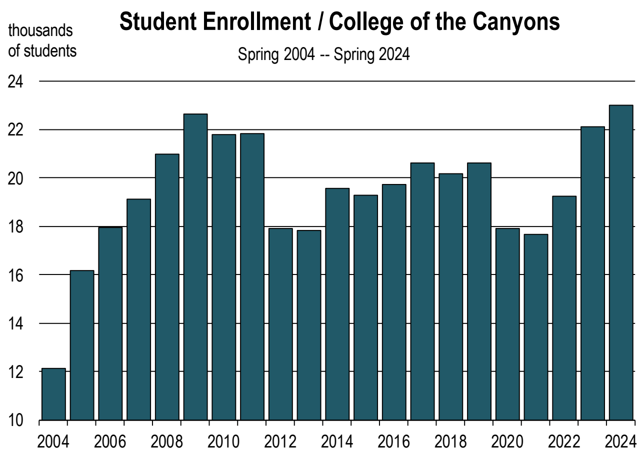
- There was no data for 2020 and 2021 due to the COVID-19 pandemic.

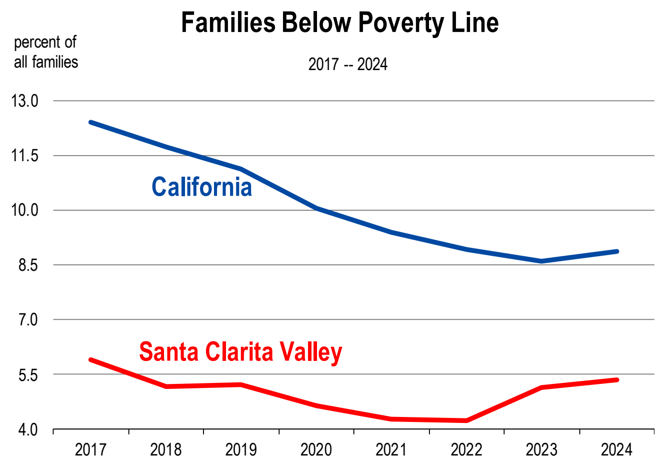
- English scores in the Santa Clarita Valley for seventh-grade and eleventh-grade dropped significantly after the pandemic. However, in 2023, both grades saw a slight increase in passing rates from the 2022 school year. Math scores for seventh-grade and eleventh-grade saw a similar decline during the pandemic. Scores for eleventh graders increased by around 4%, while seventh-grade scores dropped slightly.

College of the Canyons

- Enrollment at the College of the Canyons continued to increase during the 2023-2024 school year, it is greater than it was before the COVID-19 pandemic.

- All age groups saw increases in enrollment from the Spring of 2022 to the Spring of 2024. Significantly larger increases in enrollment were seen in the older age groups.





Children Living in Poverty

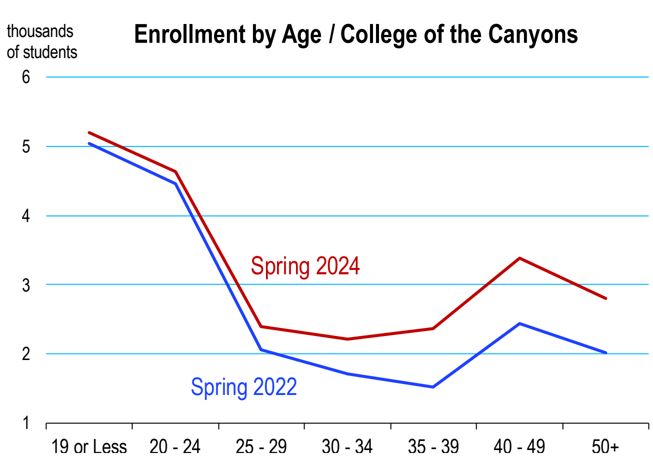
Being raised in poverty places children at higher risk for a wide range of problems. Research indicates that poor children are disproportionately exposed to risk factors that may impair the development process and contribute to poor academic achievement.

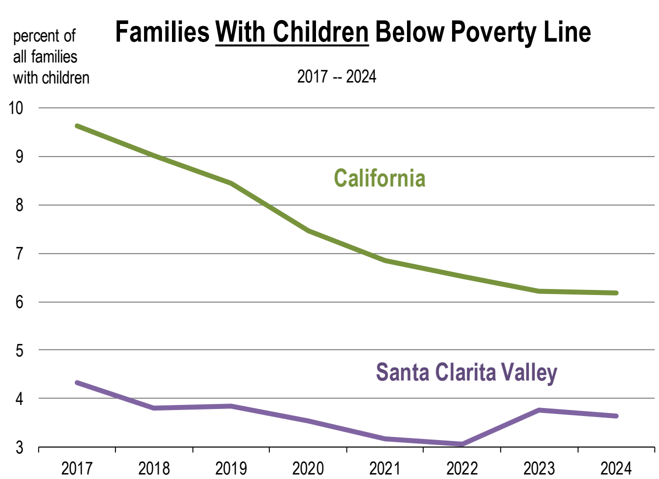
- For a family of four with two children, the federal poverty level is $31,200.

- In 2024, 5.34 percent of families in the Santa Clarita Valley were under the poverty level. Approximately 3.64 percent of families with children did not eclipse the federal poverty level.

- Across California, 8.86 percent of families were below the poverty level, and 6.18 percent of families with children were living in poverty.

- From 2023 to 2024, the number of families below the poverty line increased in Santa Clarita Valley while the number of families with children below the poverty line decreased. For California, the number of families below the poverty line increased after years of steadily decreasing while the number of families with children below the poverty line saw a slight decrease.





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