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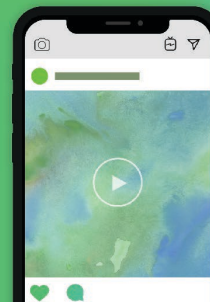
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The 2019 Santa Clarita Valley Economic Outlook

Volume 19 • Number 1

March 2019

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The California Economic Forecast

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EXECUTIVE SUMMARY

The U.S. Economy

California

The Santa Clarita Valley

The 2019 Outlook



Executive Summary

Recession coming, but not yet

by Mark Schniepp
March 7, 2019

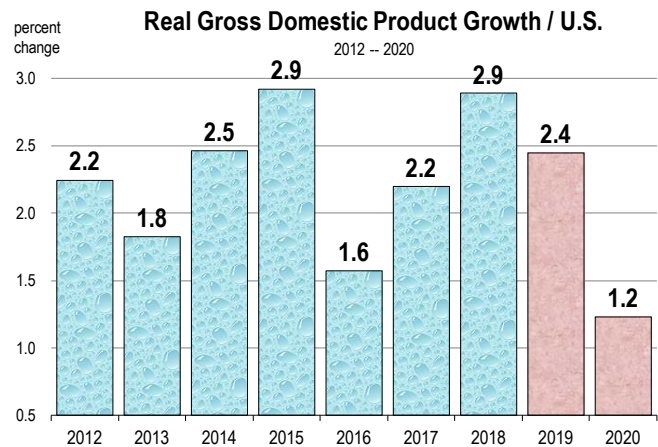
The U.S. Economy

2018 was a great year for the U.S. (and California) economies. In fact, nearly all economic indicators moved towards all time record or expansion cycle highs. Even the stock market reached its all time record high in value on October 3, 2018 before contracting during the final 12 weeks of the year.

Growth remains the most probable outlook for 2019 though a return to a 2 percent economy is the consensus forecast. The tax cut stimulus has less of an impact this year. Slower Chinese growth produces a drag on U.S. export growth. Tariffs are increasing costs on some American businesses who may have to reduce their scale of operations, here or abroad, and this will impact earnings.

Earnings affect profitability. When profitability declines due to lower revenues or higher costs, that will weigh negatively on the stock market. And if the stock market goes through another meaningful correction, the effect on household wealth may result in a pullback on spending.

The Federal Reserve's three year mission to normalize interest rates appears to have come to a halt in view of the latest statements by Chairman Jerome Powell. The stance by the Fed is now a "patient" wait-and-see approach as the case for a gradual and measured increase



in rates has weakened. Economic conditions will dictate exactly how the Fed will approach interest rate policy in 2019.

The outlook has GDP growth at 2.3 to 2.5 percent growth in 2019, and less than 1.5 percent growth in 2020. The slowdown in GDP growth leaves the nation more vulnerable to unforeseen events that could tip the economy into recession.

The Next Recession

It's coming, but not this year. Early in the next decade we will experience the long anticipated contraction in the U.S. economy. However, at this moment, we don't know exactly what will cause the economy to weaken though there are a number of possible suspects we are monitoring.

Right now, the labor markets still need more workers to fill empty positions and it's likely going to stay that way for most of 2019. Workers will be hard to come by, meaning the pressure on average wages and salaries will continue to expand. Companies will see their profit margins shrink unless their output rises faster than wage costs. This will be true in some sectors but not all; consequently, in 2019 there will be both winners and losers.

The Trade War with China will not last. This should come to an end soon.

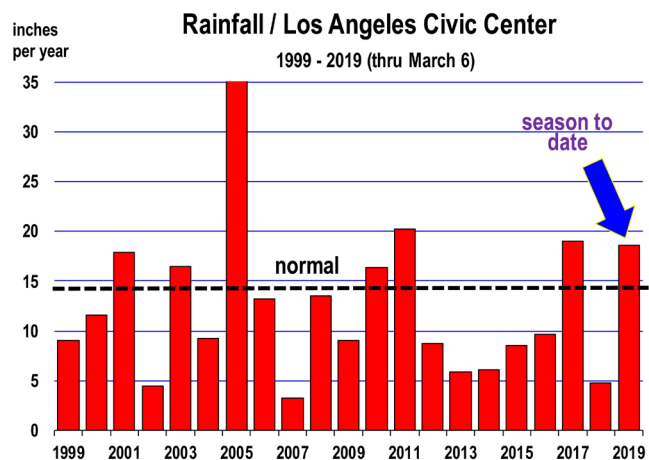
The Stock Market has settled down. The correction that shook the markets in November and December is over, for now. In fact, the market has been in a long 2 ½ month rally and is already up more than 10 percent in 2019.

However, the stock market is too fickle to predict. If it consolidates further, even for a short while, it may cause households to pull back their spending, and this could engender a meaningful drag on U.S. growth.

California

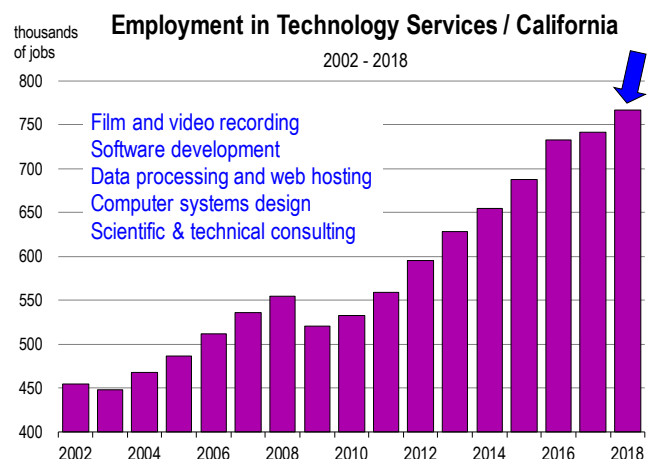
In our monthly newsletters, we will continue to blog about things like the housing crisis, the tech worker shortage, and perhaps even the drought. But maybe not the drought due to all the rain that continues to pummel Southern California this winter.

The new development boom continues throughout the state, amplified by all the fire rebuilds in the counties north of the Bay area.



This extraordinary activity is straining the construction industry along with the High Speed Rail project in the Central Valley counties, and the new development booms in the Bay Area, Sacramento, many parts of the San Joaquin Valley, Los Angeles, Orange, San Diego and the Inland Empire.

The development boom includes both housing and everything else, and mostly everything else, like hotels, parking structures, office buildings, entertainment venues, and infrastructure.



New construction is a principal factor for the vibrant state economy, along with technology and the insatiable demand for tech workers in the Bay Area.

The unemployment rate is at record lows. Nearly all labor markets are hiring. Where there is simply not enough workers is in the Bay Area, followed by other large metro areas in the State.

Santa Clarita Valley

Current Conditions

Total employment increased 1.9 percent in 2018, creating more than 1,700 new jobs in the region. For the second consecutive year, the leading sector of growth was construction because new development in the region is surging.

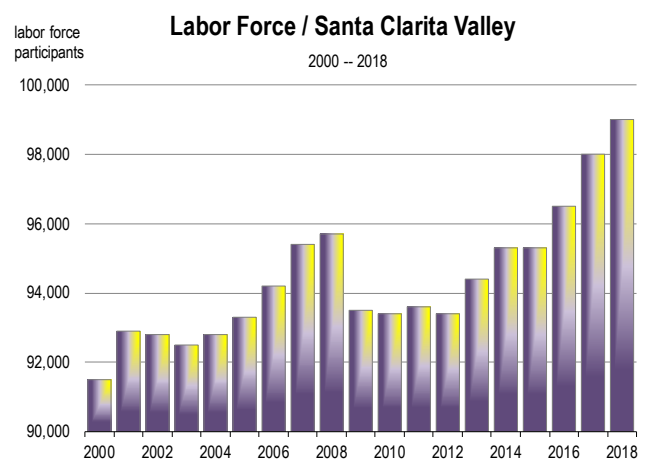
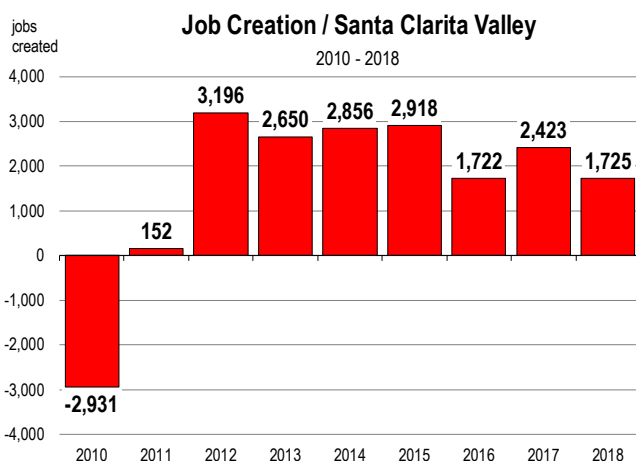
The labor market has been heavily concentrated in manufacturing, retail trade, leisure and recreation, and professional services. These sectors, when combined, account for 54 percent of all jobs in the region. Now however, finance, healthcare and construction are contributing

a larger share of job creation than ever before. Consequently, the distribution of job gains in the labor market has become broadly diversified, a healthy sign of strength.

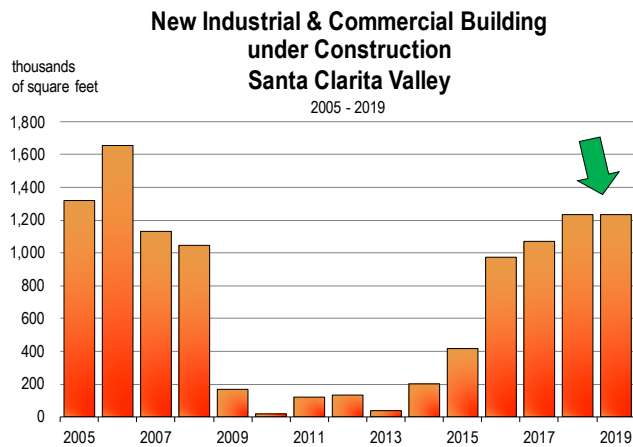
During 2018, the unemployment rate averaged 4.6 percent, up from 4.3 percent a year ago. Why? Because the labor force is now rising slightly faster than job creation, due to increasing population growth and the lure of rising wages in all labor markets.

With the local labor market at “full employment,” companies face the onerous job of recruiting skilled workers to fill open positions. A faster growing labor force is therefore desirable. Companies can only expand by hiring new college or high school graduates, attracting workers from other firms or other cities, or by automating jobs away.

Full employment often prevents the creation of new jobs from returning to the levels observed in the earlier stages of the economic cycle, which is the reason for the recent slow down in local job growth.

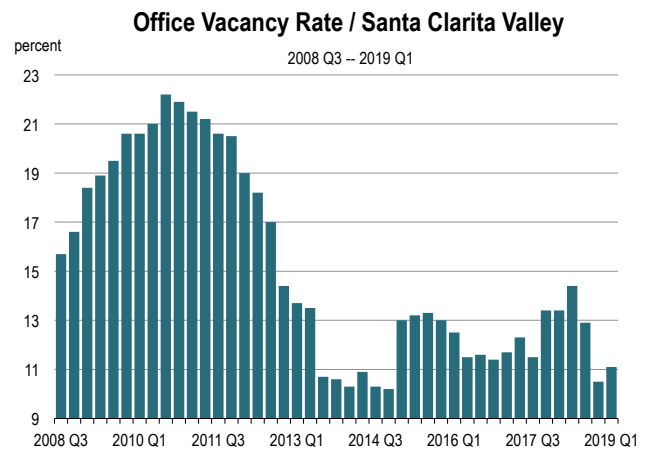


Economic Activity in the Santa Clarita Valley



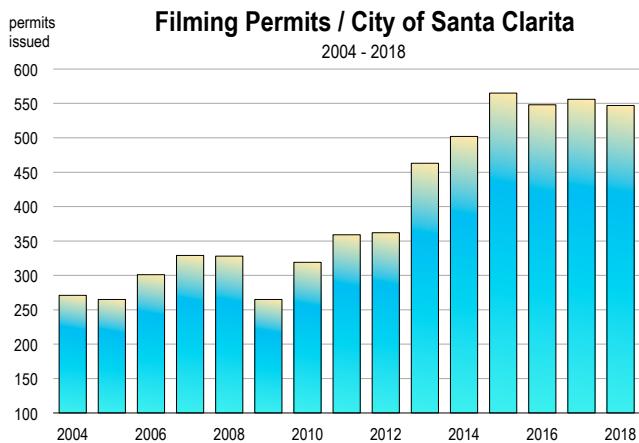
Under Construction

Currently there are 850,000 square feet of industrial building, 265,000 square feet of office, and 117,000 square feet of retail space under construction in the Santa Clarita Valley. That level of active construction is the most since 2006. Nearly 1,500 new construction jobs have been created since 2016. The office projects—the Logix headquarters building and Vista Canyon's first office building—will be completed this year.



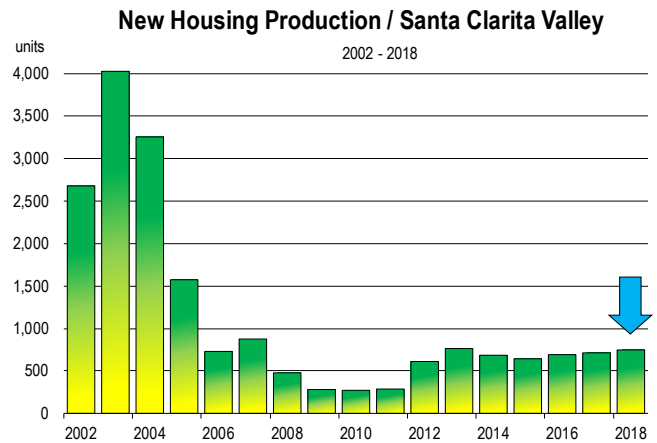
Office Vacancy

Office market vacancy continues to tighten in the Greater Santa Clarita Valley, and average lease rates are now at their highest levels in 10 years. In February, the vacancy rate dipped to 11.1 percent. CBRE has Class A vacancy at 6.9 percent. Office using employment growth has driven existing office utilization and new office development in recent years. Much more product will need to be developed to accommodate the growing demand to relocate in the Santa Clarita Valley.



Film Permits

In 2018, the number of permits issued by the Santa Clarita Film Office exceeded 500 for the fifth year in a row, including 311 permits for feature films. The estimated economic impact from movie, television, commercial, and other student or professional filming crews on location in Santa Clarita was \$33 million last year.



New Housing Production

A total of 747 housing units were started in the Santa Clarita Valley during 2018. This rate of homebuilding is not keeping up with population growth and the attendant need for housing. However, this condition will soon change. There are a number of large projects in the entitlement pipeline and more housing starts are expected in 2019, but nothing as significant as Newhall Ranch which will begin delivering new homes in 2020.

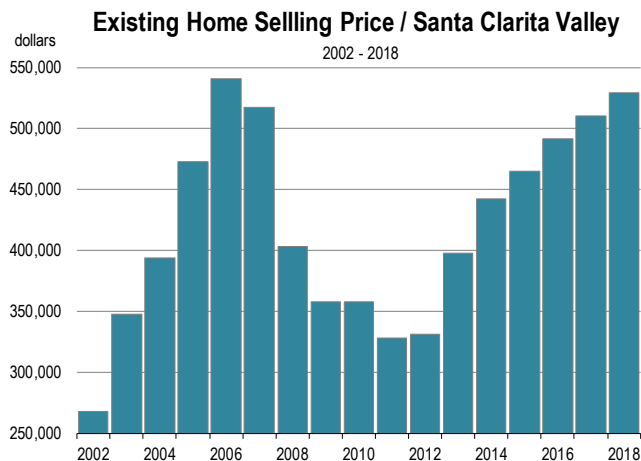
Existing Housing Market

The Southland Regional Association of Realtors is reporting rising inventories for homes and condominiums in the Santa Clarita Valley. Inventory levels are rising in many California markets, particularly higher priced areas like San Jose, Westlake Village, Santa Barbara, and coastal Los Angeles.

Selling prices continued to rise and home sales were lower in 2018.

Memories of the last housing bust in 2007 are on the minds of buyers today because home prices appear so high. There is aversion to buying at the peak, so buyers have decidedly elected to wait.

Buyers were facing higher interest rates during 2018 but over the last 3 months, rates have declined again. Today they are lower than a year ago. While that is a positive for the existing home market, it's not enough to stimulate a buying surge.

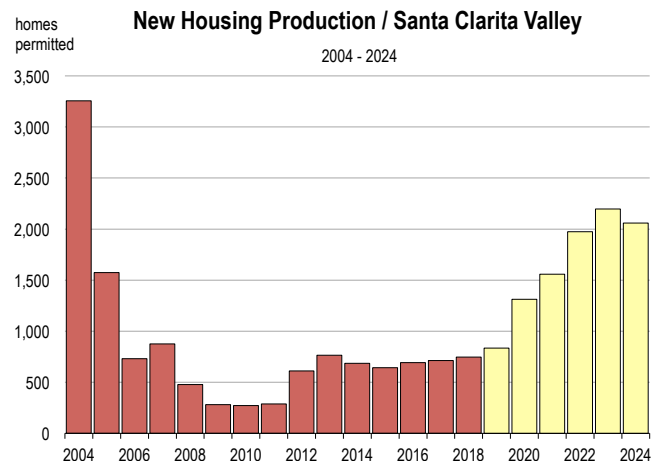


New Development

New Housing

Housing remains tight, a condition that is likely to prevail even after the first two villages of Newhall Ranch - Landmark and Mission - break ground. That project is now moving ahead with sitework. Vertical construction is anticipated in 2020. Consequently, the project has already begun creating the first of what will ultimately be thousands of jobs, millions of dollars in worker incomes and taxable sales, and desperately needed housing for a growing Los Angeles County and California population.

Currently, a number of housing projects are under construction representing thousands of new units to be completed for occupancy this year and in 2020 and 2021. Single family housing is underway at West Creek, Vista Canyon and Skyline Ranch, and a mix of residential units are under construction at Five Knolls, Aliento, Canyon Heights, Canyon Crest and RiverVillage.



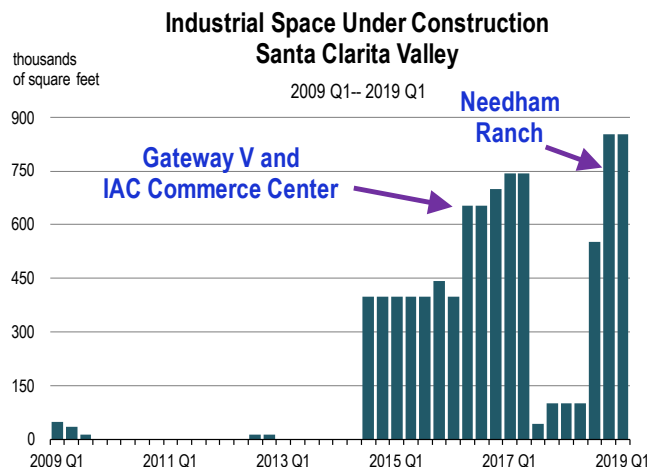
Housing Projects Under Construction / Santa Clarita Valley		March 2019
Project Name	Units Remaining	Description
Skyline Ranch	1,220	Single Family Homes
Vista Canyon	1,100	Single Family Homes
Aliento	495	Mixed Residential / Senior Units
RiverVillage Area D	184	Multi Family Homes
Canyon Heights	157	Single Family Homes
Galloway Senior @ Five Knolls	140	Age Restricted Units
Aidlin Hills	102	Single Family Homes
Avanti @ Westcreek	92	Single Family Homes
West Creek/ West Hills	88	Mixed Residential
Canyon Crest	83	Single Family Homes
VTC Square	60	Mixed Residential
Newhall Crossings	47	Multi Family Homes

Source: The California Economic Forecast

New Office and Industrial

700,000 square feet of new industrial space was completed in late 2017. This included the first phase of the IAC Commerce Center, and Gateway V. No deliveries occurred in 2018.

The 170,000 square foot Logix headquarters building and the first office building in Vista Canyon are under construction. The three story office building in Vista Canyon is nearly completed and will be occupied by tenants this year. 216,320 square feet at the IAC Commerce Center broke ground recently. Needham Ranch Phase 1A is also underway with 3 buildings totaling 431,333 square feet of industrial space.



The Southern California Innovation Park includes 17 buildings totaling 612,075 square feet. Another 888,000 square feet of new development can be accommodated there. Additional development is tentatively scheduled to start this year.

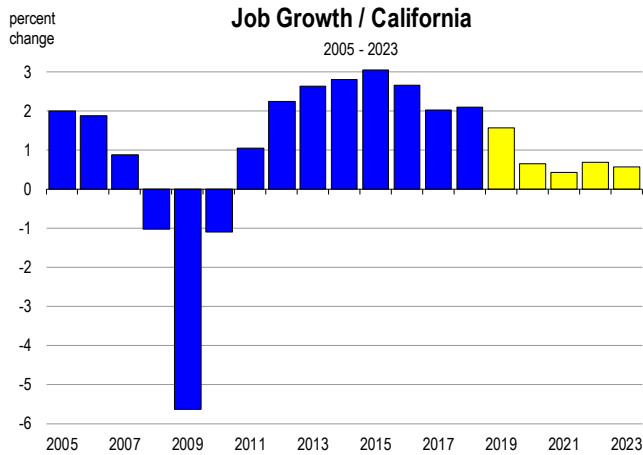
The 2019 Outlook

A slowdown will become more evident this year for the California economy and a principal reason is that needed workers to fill jobs become even more scarce.

We are running out of workers and firms now have to pay higher salaries for skilled workers increasing their costs and possibly reducing their net earnings. We'll know this by movements in the financial markets.

California homebuilding will accelerate to 135,000 units this year and nearly 140,000 units next year, the highest level of new housing permits since 2008.

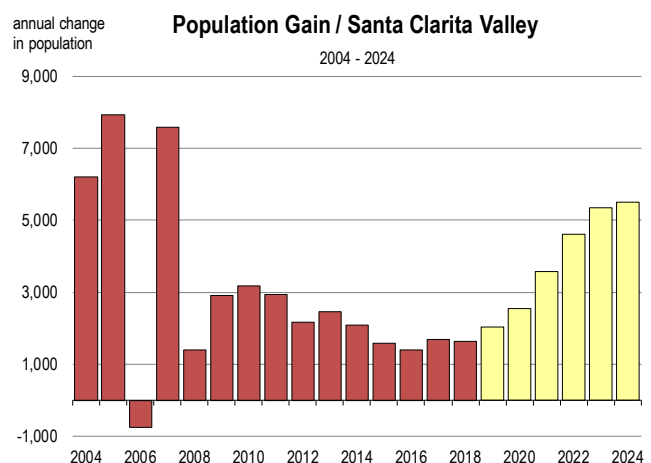
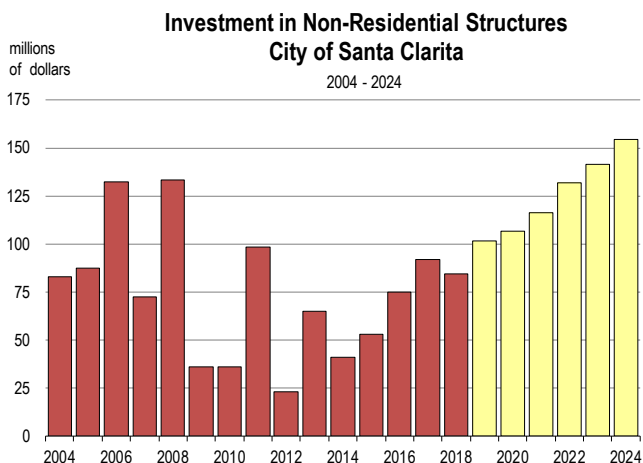
The outlook for the Santa Clarita Valley economy remains similar to 2018 and is predictably exuberant. While job creation in the management, financial, healthcare, professional



services and manufacturing sectors contribute to positive economic growth in 2019, the largest stimulus comes from new development, both housing and commercial/industrial.

The new housing market will add more units than last year, both single family and apartments. The two largest projects, Skyline Ranch and Newhall Ranch will start to contribute hundreds of new units this year and in 2020, respectively. Together with the 1.2 million square feet of non-residential building under construction, the construction worker army will continue to grow in the Valley economy in 2019, and for years to come.

- Total employment in the Santa Clarita Valley is forecast to increase by 2.0 percent in 2019 and 1.6 percent in 2020.
- Average salaries are expected to rise substantially over the forecast period, growing by 3.5 percent in each of the next two years.
- Price appreciation of homes will continue, but at a reduced pace. The median home price is expected to rise between 3 and 4 percent in 2019.
- The pace of existing home sales is not likely to differ much from 2018.
- Interest rates may moderate this year, after some increase between the spring and summer months. Mortgage rates in the range of 4.4 to 5.0 percent are likely to prevail this year.
- The acceleration in housing that we are likely to see next year and beyond will result in an expansion of population growth. More population in the region will increase the demand for goods and services, resulting in greater spending and indirect job formation.

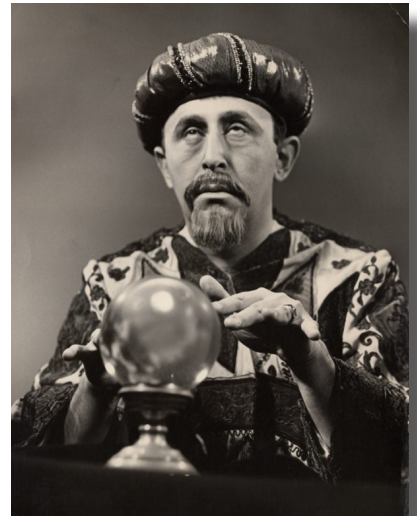


THE FORECAST

The California Economy

Los Angeles County

The Santa Clarita Valley Economy



The 2019 Forecast

California, Los Angeles and the Santa Clarita Valley

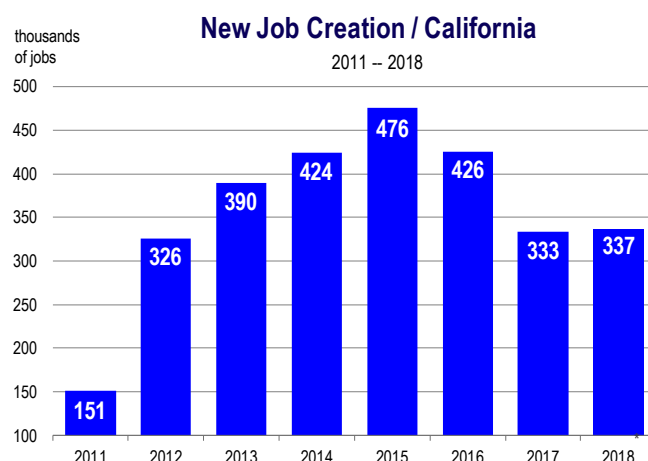
The current forecast for California, Los Angeles County, and the Santa Clarita Valley for 2019 and 2020 is not much changed from last year's forecast because the economy has evolved much as expected. The general expectation is for a slowdown in the rate of growth which is consistent with the national economy.

There are more risks this year than last. The risk of a trade war with China appears to be diminishing, but a slower Chinese economy in 2019 produces a drag on our export sector.

Workers are scarce now and they are costing businesses a lot more through higher wages and salaries. This shrinks profitability and earnings of companies. Reduced earnings negatively impact stock prices and the broader market indices. A serious consolidation in the stock market would reduce average levels of household wealth. And a spending pullback might ensue.

The California Economy

With the state's labor market at full employment, there is increasing pressure for wages to rise and for increased net-migration to fill job openings. However, the historical lack of new housing, and the resulting high cost of housing for purchase or for rent imposes a real impediment to new in-migrants. The housing issue therefore represents a potential barrier to growth in the state, and California businesses have to make alternative arrangements to grow



successfully in housing-constrained areas.

The labor market in California during 2018 remained surprisingly strong in new job creation. The state created another 337,000 jobs last year, after creating 333,000 jobs in 2017. And the extent of that gain is surprising because the unemployment rate is at the lowest level ever recorded.

Recruiting is difficult and wages and salaries are moving higher. Higher wages and salaries encourage business to seek out technology solutions rather than people to accommodate expected business growth.

The Forecast

A slowdown is forecast in 2019 but expect another year of expanding labor markets, higher inflation adjusted incomes, more new building, resident spending, and visitor travel in the state nevertheless. Wage growth impacts the state's inflation rate along with rising home prices but the appreciation rates for both purchase and rental housing slow way down this year.

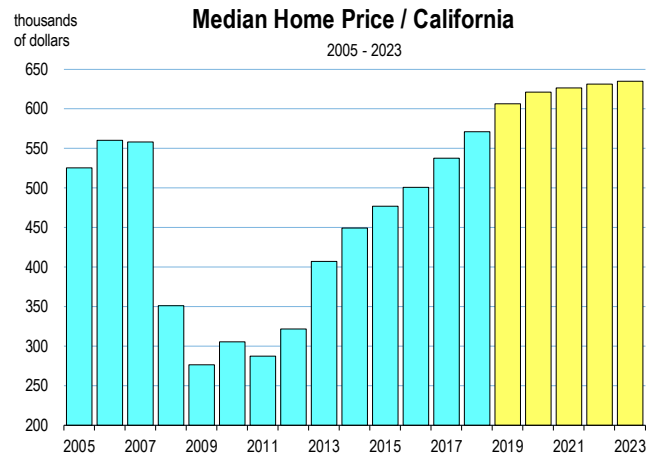
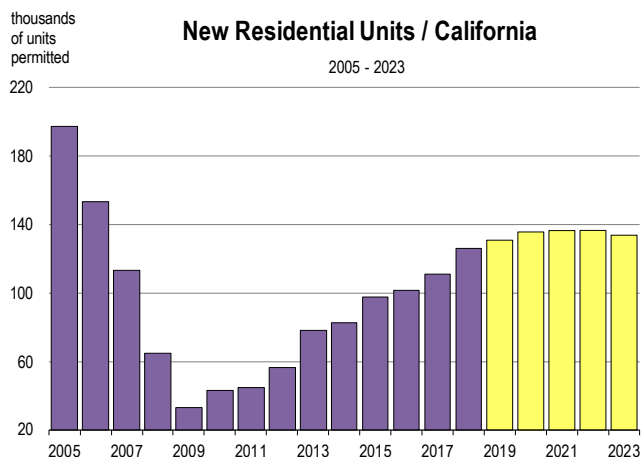
California Forecast Summary

	2017A	2018A	2019F
Employment Growth	2.0%	2.0%	1.5%
Unemployment Rate	4.8%	4.2%	4.5%
Personal Income Growth	4.1%	4.9%	7.0%
Population Growth	0.8%	0.7%	0.7%
Inflation	3.0%	3.7%	3.1%
New Housing Units	112,886	116,980	130,800

A = actual, F = forecast

The volume of new home building is rising each year, but at a modest pace. The levels of production still constrain population and employment growth and result in higher housing costs. However, there are more apartments under construction in California today than since the late 1980s and the increase in supply will moderate the rise in rental rates.

The development pipeline for apartment projects has broadened over the last 5 years and builder sentiment is still upbeat for new apartment product. Consequently, apartments are and will be the predominant form of housing in the principal cities of Los Angeles, San Francisco, Oakland, Sacramento, San Jose, and San Diego.

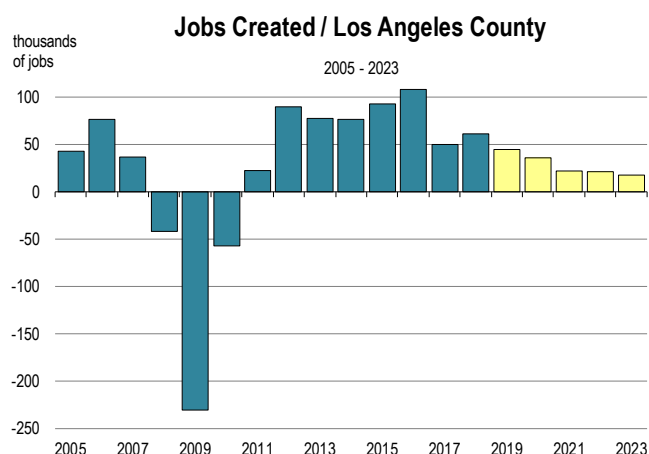


Non-residential building is also experiencing a boom in California. There is a record level of dollar-valued commercial and industrial building currently underway with most of it occurring in the large Los Angeles and Bay Area metro areas. Prospective projects in county and city pipelines continue to broaden. Consequently, the outlook for overall building does not diminish over the next two years.

Rising home prices and the tightest labor market in a generation have boosted the general inflation rate for consumer goods and services in the state. Some moderation is expected in 2019 as the economy slows but inflation is forecast to remain in the vicinity of 3 percent. Housing prices should slow down as will average rents as the wave of additional apartment units continues to dominate the new housing landscapes in the largest metro areas of the state.

Los Angeles County

Los Angeles County labor market created another 62,000 jobs in 2018. This represents a stepped up pace from 2017, because job growth



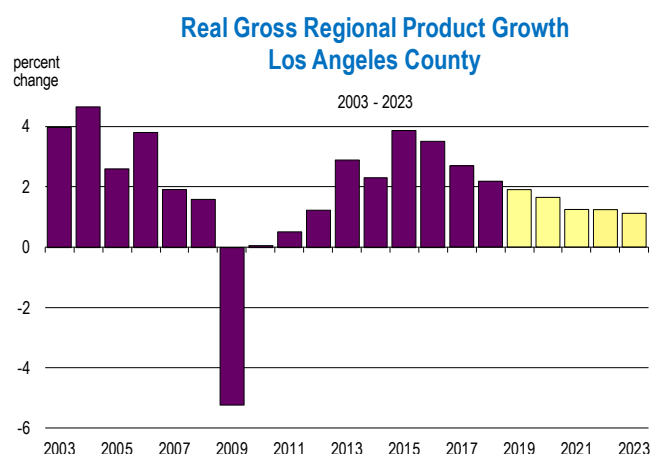
was more prolific in the leisure and hospitality sectors, professional business services, and construction.

The Los Angeles county economy has been remarkably strong over the last 5 years, reaching full employment with a record low jobless rate and impressive gains in higher paying salary sectors that require STEM credentials in workers.

The Los Angeles County forecast for next year is consistent with the projected statewide slowdown in employment, though a general economic expansion will continue through 2019. Very tight labor markets are pushing wage rates and average salaries higher. Higher labor costs are contributing to higher rates of regional price inflation. The rate of inflation in the Los Angeles-Orange County metro area jumped from 2.8 percent in 2017 to 3.8 percent in 2018.

The Forecast

After five consecutive years of growth exceeding 2 percent per year in real gross regional product, the forecast predicts a slowdown in output



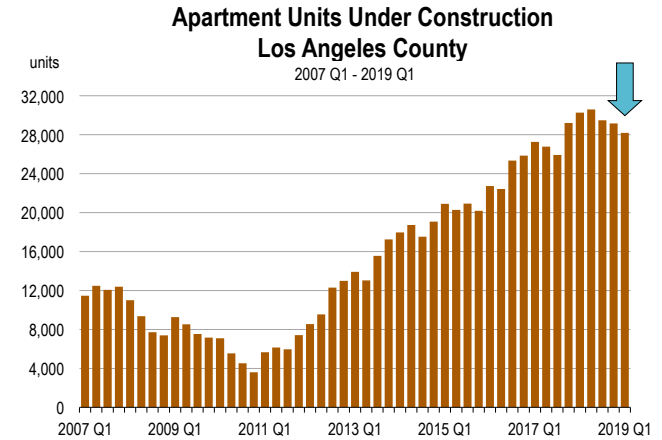
gains per year over the next few years. Why? Because national GDP growth is forecast to slow with the effects of the tax stimulus fading. Furthermore, because the county and state are at full employment, there will be less job creation, less new income generation, and a lower level of total output growth forecast.

Los Angeles County Forecast Summary

	2017A	2018A	2019F
Employment Growth	1.1%	1.4%	1.0%
Unemployment Rate	4.7%	4.6%	4.8%
Personal Income Growth	3.7%	6.5%	5.5%
Population Growth	0.5%	0.2%	0.2%
Inflation	2.8%	3.8%	3.2%
New Housing Units	22,010	22,013	23,039

A = actual, F = forecast

Employment growth in film, sound recording, and TV has been especially prolific during the current economic expansion. Much of the employment growth in information is due to movie, TV, and sound recording, most of which is located in the San Fernando and San Gabriel Valleys.

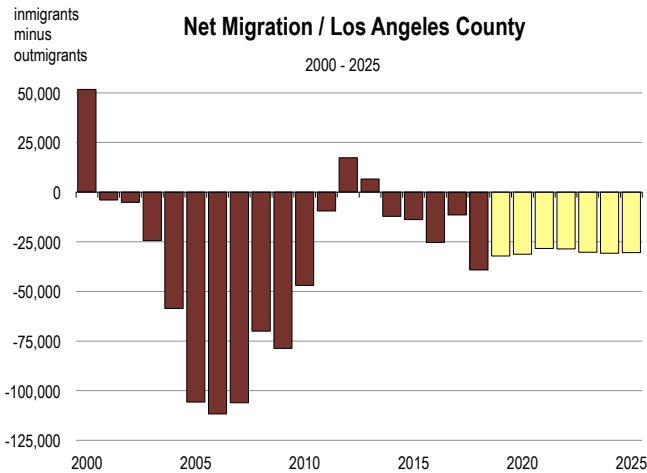


There are particular regions that have largely contributed to a vibrant regional economy within greater Los Angeles County. West LA or Silicon Beach has been a principal engine of growth for the tech industry. The Central region of Los Angeles has also spawned new tech startups and is the principal location for new housing, new hotels and a revival of a vibrant downtown business district. The San Fernando Valley remains the epicenter for the film industry including music/sound recording.

The greater Los Angeles County office market continues to tighten. The office space vacancy rate has fallen to below 10 percent. Vacancy in the industrial market has remained below 3 percent since 2015. Over 5 million square feet of new industrial product was delivered to the market during 2018 and there is another 5.1 million square feet currently under construction. Office space under construction is at a high for the current expansion, and apartment production remains prolific, with 28,000 units underway.



The County currently has a population of 10.3 million people, and the rate of growth has averaged 0.5 percent per year over the last 5 years. The growth rate is forecast to continue to move lower, due to a decline in the natural increase and continued out-migration of existing residents. Nevertheless, the population will expand by an estimated 96,000 people by 2023.



The Santa Clarita Valley Economy

Labor Markets

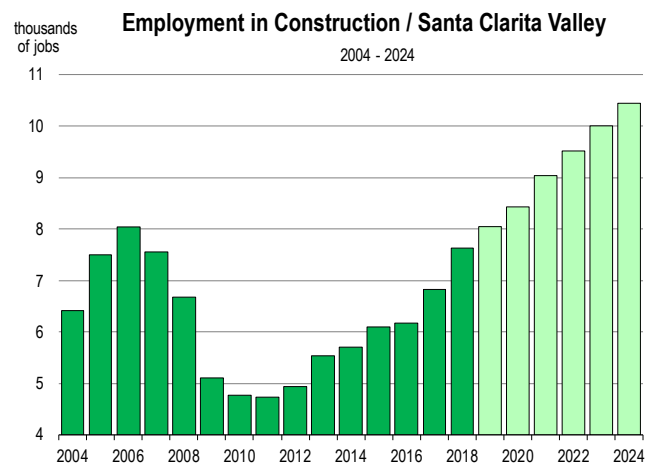
Another 1,700 jobs were created in the Valley economy during 2018, representing a 1.9 percent rate of employment growth. Construction and the leisure/hospitality sector led the way with new jobs. The education, financial, and manufacturing sectors also contributed to the growth of employment opportunities.

As more office and industrial projects in the pipeline are completed, job growth in the professional business sector will accelerate. This is especially true regarding the Newhall Ranch development, which will produce a substantial volume of new commercial and office square feet.

Because the labor market is now at full employment, employers will have to compete for the best workers, inducing them to offer higher

salaries and better benefits. Workers in nearly all sectors will benefit from higher average salaries. Higher salaries increase household income and average per capita income. Consequently, the largest increases in personal income are forecast for this year and next.

The labor market is at full employment and jobs continue to be created in the Valley economy. Consequently, more people must migrate into the region to fill open employment positions. Last year we noted this because companies will only be able to expand if they recruit workers from other regions, hire local graduates, or if they adopt new technologies.



Jobs in the construction sector soared by over 800 positions in 2018, because of the many new developments now underway, including Newhall Ranch, Needham Ranch, and the IAC Commerce Center. The forecast calls for increased opportunities for construction workers as Skyline Ranch evolves, and the first villages of Newhall Ranch begin vertical construction.

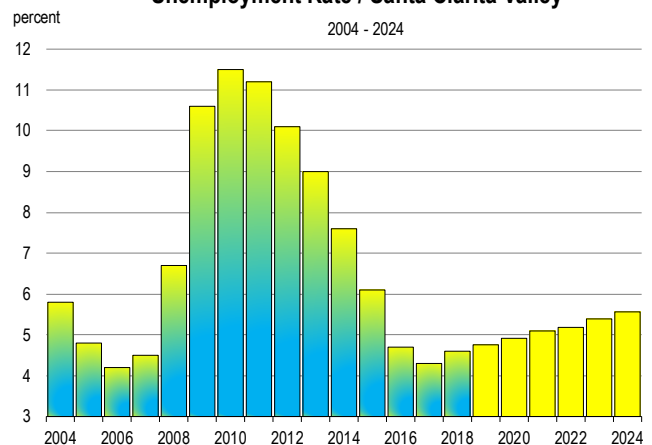
Santa Clarita Valley Forecast Summary

	2017A	2018A	2019F
Employment Growth	2.7%	1.9%	2.0%
Unemployment Rate	4.3%	4.6%	4.8%
Personal Income Growth	5.4%	5.3%	5.8%
Population Growth	0.6%	0.6%	0.7%
Inflation	2.8%	3.9%	3.2%
New Housing Units	713	747	835

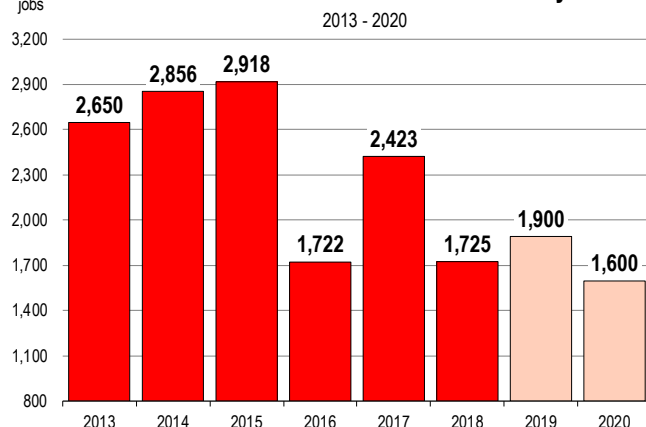
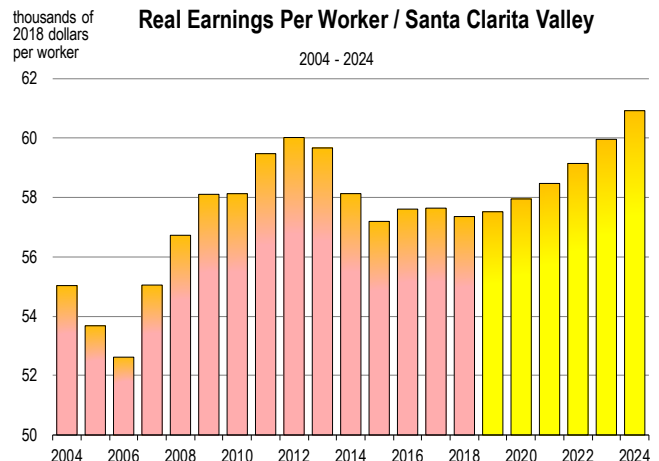
A = actual, F = forecast

And as wages rise, the labor force will increase. Average salaries rose 3.4 percent last year and are expected to rise 3.5 percent this year and next. This bump is due to the growing scarcity of skilled workers.

The forecast for the unemployment rate shows a slight upward trend for 2019 and 2020. This is consistent with the rest of the state.

Unemployment Rate / Santa Clarita Valley

Utilization in the office market remains tight, falling to 11.1 percent in the first quarter of 2019. Furthermore, lease costs have been rising and gross rents are now at their highest average level ever. With very little new product coming online, and more job creation expected over the forecast, the office market should continue to tighten.

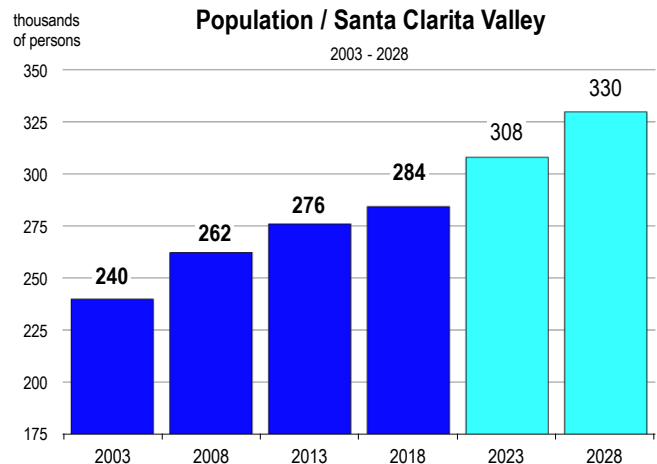
New Job Creation / Santa Clarita Valley**Real Earnings Per Worker / Santa Clarita Valley**

New Housing

The Santa Clarita Valley population will accelerate over the forecast horizon and eclipse population growth in the rest of Los Angeles County. While it is true there is a substantial production surge of apartments in Downtown LA and vacancy remains low, there is less housing being planned elsewhere, except for the northern region of the county.

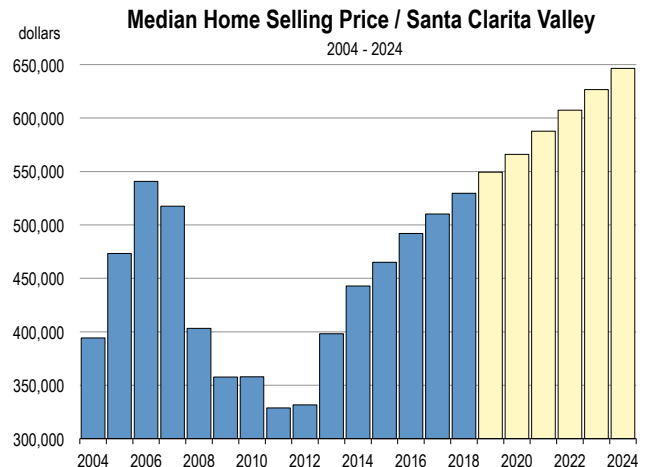
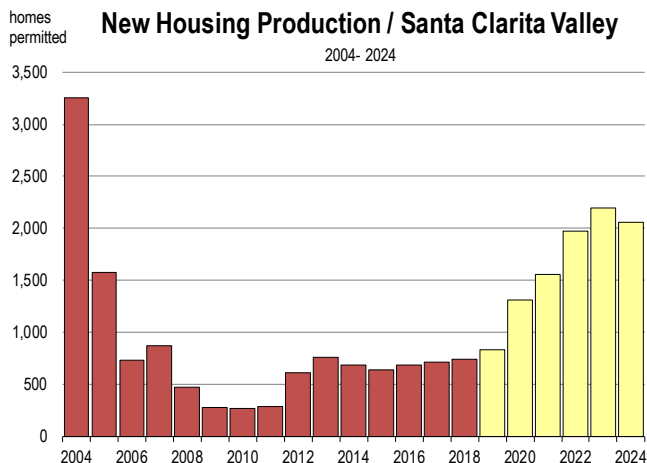
The Santa Clarita Valley has the potential to become one of the fastest growing regions in the state, in view of the Newhall Ranch project which is now underway. The Ranch will contribute more than 21,000 homes to the region's housing stock and accommodate 65,000 new residents.

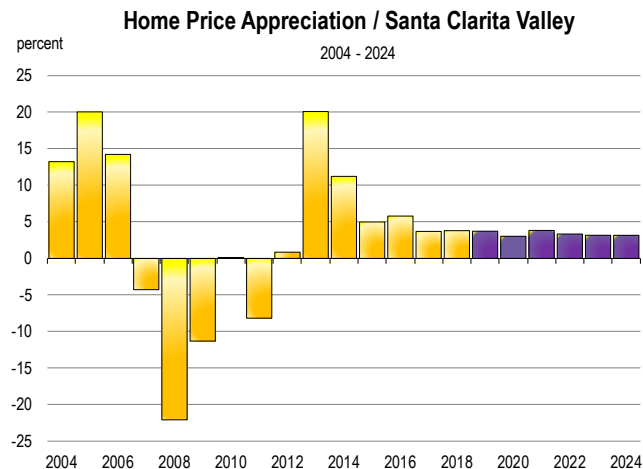
Infrastructure improvements on Newhall Ranch continue through 2019, and land sales to builders should begin in late 2019. Vertical



construction should be underway in 2020. That means that permits for individual housing units would start to be issued in 2020 and, the first sales and move-ins would occur as soon as 2021.

Compared to past economic cycles, there have been fewer homes for sale. The lack of inventory

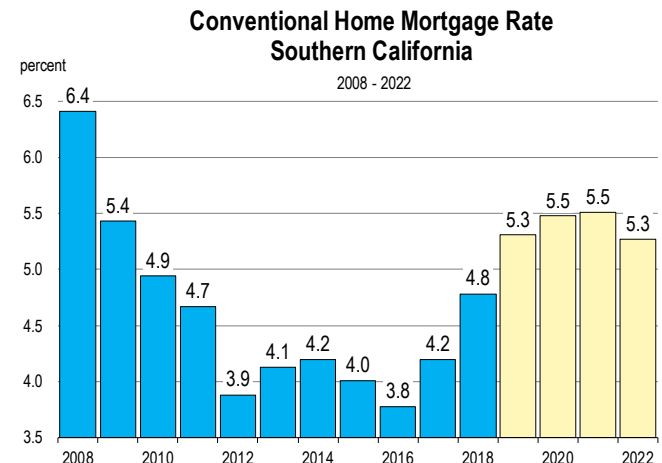
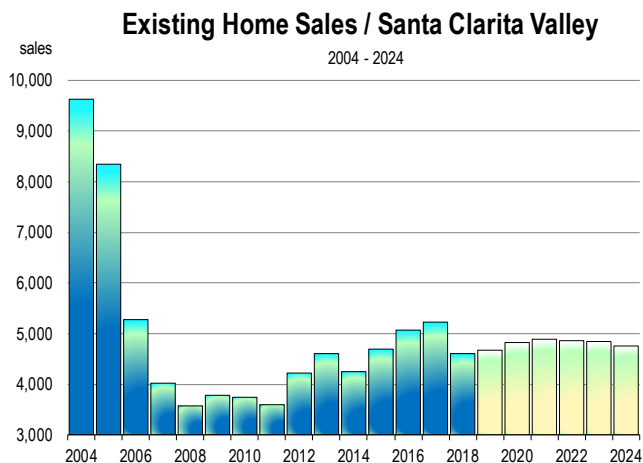




has pushed prices higher over the last 4 years. And consequently, rising housing values are nearly back to the peak levels reached in 2006. However, this year inventory is rising causing price appreciation to moderate.

With rising values, expect more inventory. With a fully employed workforce and rising wages and household incomes, home sales should increase if median prices and interest rates further moderate or flatten. Our base forecast has the median home price rising, but less than 5 percent per year over the next several years. Alternatively, it could decline up to five percent a year. Housing affordability has become an issue in the Valley once again and this will persist for at least the next two years.

The forecast has existing home sales increasing very modestly in 2019 but remaining in a narrow band throughout the forecast. The existing home market will have competition from the new home market with sales and building underway at RiverVillage, Aliento, Five Knolls, and Vista Canyon.



Inflation and Mortgage Rates

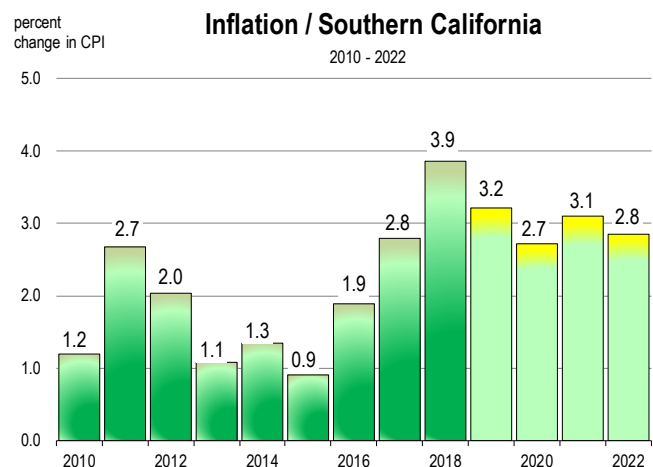
When inflation rises, it's usually because wages are increasing, homes and apartments have become more expensive, and energy prices are moving higher. In 2018, gasoline prices rose, housing costs kept moving up, and average salaries continued to rise contributing to higher rates of inflation.

Inflation is now poised to return to rates that more closely resemble the pre-recession era. In California, inflation was accelerating the most in the Bay Area, where salaries were rising for tech and non-tech workers alike, and housing prices soared to stratospheric levels. Now, salary increases have moderated and home price appreciation appears to have leveled out over the last 6 months. Ditto for the higher priced areas of Southern California. Though wage growth will add pressure on the general price level, energy prices and home prices will moderate, and the cost of living will rise by approximately 3 percent annually over the next three years.

A slowdown in growth is due and the Federal Reserve knows this. Its attempts to normalize interest rates and prevent higher rates of inflation with measured increases in the federal funds rate may come to an end this year. We still expect another increase in the federal funds rate

but the Fed has now backed off its previously stated policy of 3 to 4 increases per year.

Interest rates rise in 2019 but level off in 2020. Mortgage rates will eclipse the current 4.25 percent rate that is prevailing now (March 2019), approaching the 5.0 percent level by the fourth quarter of the year. Higher rates will influence the decision to purchase homes, but higher incomes are likely to dominate those decisions, especially as new jobs in the Santa Clarita Valley attract more in-migrants this year and over the next several years as new housing is sold and built.



Santa Clarita Valley Economic Forecast Summary					2012-2018 History, 2019-2024 Forecast		
Year	Population (millions)	Population Growth Rate (percent change)	Net Migration (thousands)	HouseHolds (thousands)	New Homes Permitted (thousands)	Retail Sales (billions)	Personal Income (billions)
2012	273,476	0.8	478	91.5	611	\$2.3	\$17.8
2013	275,937	0.9	841	91.6	764	\$2.4	\$18.2
2014	278,015	0.8	498	92.0	685	\$2.5	\$18.7
2015	279,587	0.6	130	92.3	643	\$2.5	\$19.2
2016	280,985	0.5	117	93.0	692	\$2.5	\$19.9
2017	282,671	0.6	591	93.6	713	\$2.6	\$20.9
2018	284,300	0.6	626	94.2	747	\$2.7	\$22.0
2019	286,336	0.7	1,048	95.0	835	\$2.8	\$23.3
2020	288,883	0.9	1,573	95.8	1,313	\$2.9	\$24.6
2021	292,460	1.2	2,648	97.2	1,558	\$3.0	\$26.2
2022	297,074	1.6	3,679	98.8	1,974	\$3.2	\$27.9
2023	302,424	1.8	4,388	100.8	2,197	\$3.3	\$29.7
2024	307,929	1.8	4,551	103.0	2,059	\$3.4	\$31.3

Non-farm Job – employment (thousands of jobs) –							
Year	Non-farm Wage & Salary	Growth Rate (% change)	Construc- tion	Manufac- turing	Transportation, Utilities	Wholesale & Retail Trade	Financial Activities
2012	80.5	4.1	4.9	10.1	1.2	15.0	3.6
2013	83.2	3.3	5.5	10.4	1.2	15.4	3.7
2014	86.1	3.5	5.7	10.7	1.2	15.5	3.7
2015	89.0	3.4	6.1	11.2	1.4	16.1	3.7
2016	90.7	1.9	6.2	11.2	1.5	16.5	3.8
2017	93.2	2.7	6.8	11.0	1.6	16.8	3.9
2018	94.9	1.9	7.6	11.2	1.6	16.7	4.0
2019	96.8	2.0	8.0	11.4	1.6	16.7	4.1
2020	98.4	1.6	8.4	11.5	1.7	16.8	4.1
2021	100.5	2.1	9.0	11.6	1.7	16.9	4.2
2022	102.7	2.2	9.5	11.7	1.7	17.1	4.3
2023	104.7	2.0	10.0	11.8	1.8	17.4	4.4
2024	106.5	1.7	10.4	11.9	1.8	17.7	4.5

Source: California Economic Forecast, March 2019

Santa Clarita Valley Economic Forecast Summary				2012-2018 History, 2019-2024 Forecast	
Year	Real per Capita Income (dollars)	Median Home Selling Price (dollars)	Existing Home Sales	Inflation Rate (percent change in local CPI)	Unemploy- ment Rate (percent)
2012	\$73,205	\$331,549	4,220	2.0	10.1
2013	\$73,456	\$398,187	4,604	1.1	9.0
2014	\$73,810	\$442,907	4,247	1.3	7.6
2015	\$74,838	\$465,018	4,693	0.9	6.1
2016	\$75,438	\$491,989	5,068	1.9	4.7
2017	\$76,858	\$510,192	5,226	2.8	4.3
2018	\$77,504	\$529,580	4,604	3.9	4.6
2019	\$78,906	\$549,322	4,671	3.2	4.8
2020	\$80,415	\$565,983	4,823	2.7	4.9
2021	\$81,905	\$587,672	4,888	3.1	5.1
2022	\$83,493	\$607,322	4,859	2.8	5.2
2023	\$84,889	\$626,584	4,843	2.8	5.4
2024	\$85,842	\$646,425	4,755	2.6	5.6

– employment (thousands of jobs) –

Year	Professional Services	Information	Health & Education	Leisure	Government
2012	11.7	1.2	9.0	12.0	9.4
2013	12.2	1.1	9.1	12.4	9.5
2014	12.6	1.2	9.7	13.3	9.7
2015	12.3	1.4	10.2	13.6	10.1
2016	12.5	1.3	10.8	14.0	10.0
2017	12.9	1.3	11.3	14.7	9.9
2018	13.0	1.3	11.4	15.1	9.9
2019	13.2	1.4	11.6	15.7	10.1
2020	13.3	1.4	11.8	16.2	10.2
2021	13.9	1.4	12.0	16.4	10.4
2022	14.4	1.4	12.2	16.6	10.6
2023	14.9	1.4	12.4	16.9	10.8
2024	15.1	1.4	12.6	17.0	11.0

Source: California Economic Forecast, March 2019

DEMOGRAPHICS

Population Update

Household Income

Education

Race and Ethnicity

Population Age Structure

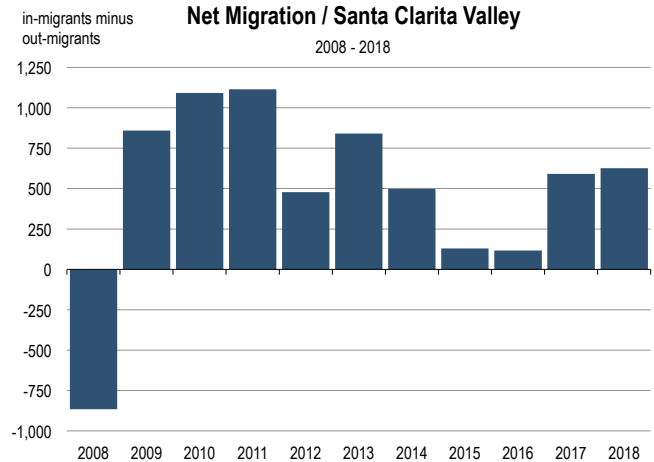
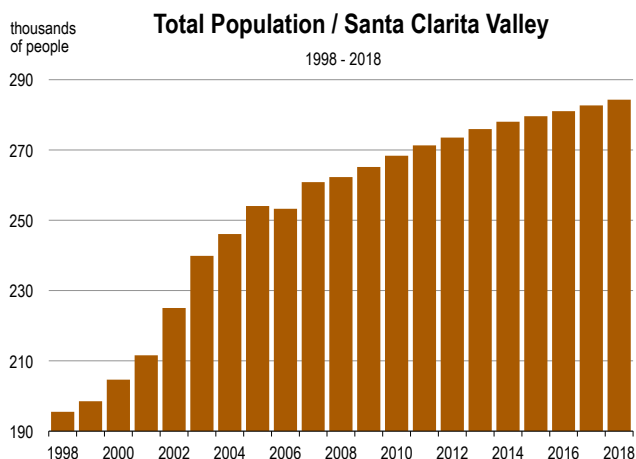
Demographic Outlook



Demographics

Population Update

- The Santa Clarita Valley—which occupies part of Northern Los Angeles County—is home to an estimated 284,300 residents.
- According to the California Department of Finance, 216,589 of these individuals live within the City of Santa Clarita. The remaining residents reside in the surrounding unincorporated areas.
- From 2017 to 2018, the population of the Santa Clarita Valley increased by 0.6 percent – approximately equal to the statewide average of 0.5 percent.
- The Valley gained 1,600 residents in 2018. Approximately 600 of these new residents

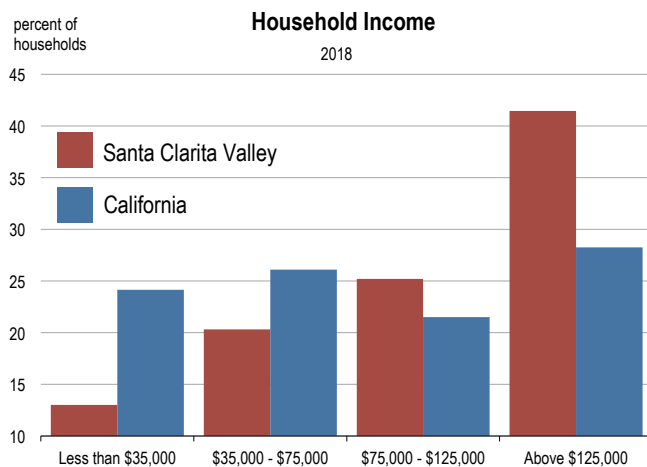


were the result of net migration (people moving into the Valley, less those moving out).

- The Valley gained approximately 1,000 new residents through the natural increase (new births) in 2018.

Household Income

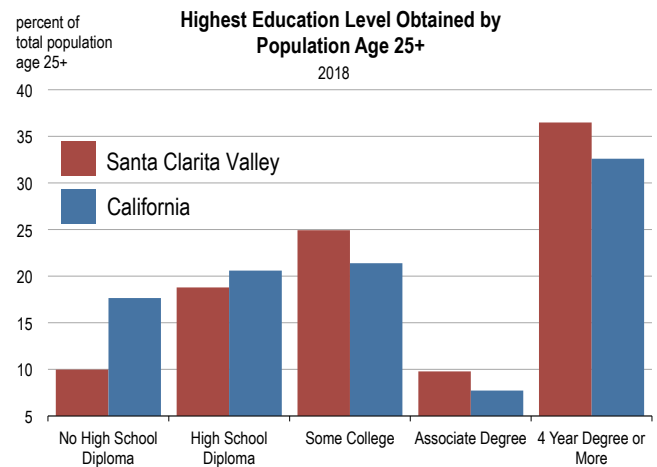
- Household income in the Santa Clarita Valley is high.
- In 2018, the median household income in the Santa Clarita Valley was estimated at \$106,834 – one of the highest levels in the state.
- Across California, the median household income was \$74,448.



- In the Santa Clarita Valley, more than 40 percent of all households earn at least \$125,000, and more than 65 percent garner at least \$75,000. These are the markings of a very prosperous region.
- The high incomes in the Valley are the result of the occupational distribution of its population. A large proportion of its residents work in high-paying fields, such as engineering, manufacturing, and management.

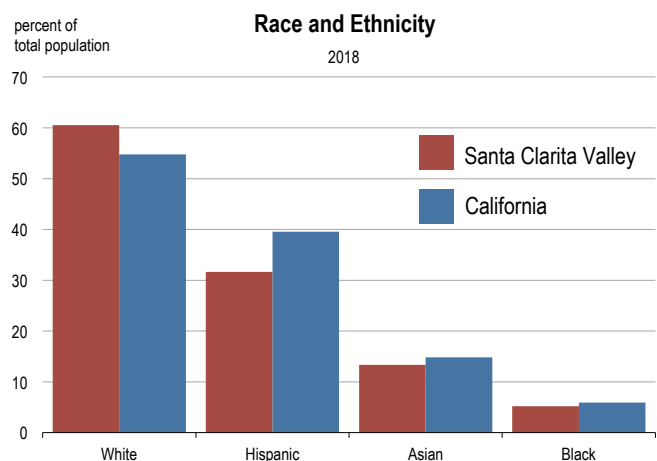
Education

- The Santa Clarita Valley has a more highly educated population than much of California.
- Compared to the rest of the state, the Santa Clarita Valley has a higher share of individuals who went to college, and a much lower share of residents who dropped out before earning a high school diploma.



Race and Ethnicity

- In terms of race and ethnicity, the Santa Clarita Valley is relatively similar to the state of California.
- Approximately 61 percent of the population in the Santa Clarita Valley is White, 32 percent is Hispanic, 13 percent is Asian, and 5 percent is Black (these figures sum to more than 100



percent because many Hispanic individuals are also classified as White, Asian, Black, or another racial category).

- The population of California is 55 percent White, 40 percent Hispanic, 15 percent Asian, and 6 percent Black.

Population Age Structure

Across the Santa Clarita Valley, the age structure of the population is similar to that of California, with some noteworthy differences.

Compared to other parts of the state, the Santa Clarita Valley has a higher percentage of people between the ages of 18 and 24, as well as people between 45 and 64. These groups represent college age residents, entry level workers, and late career individuals.

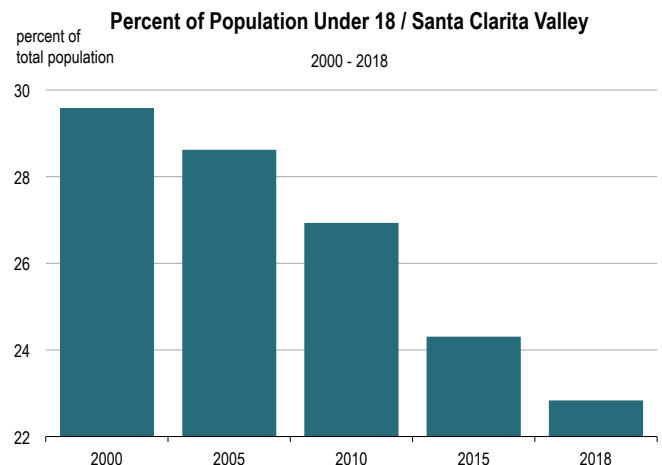
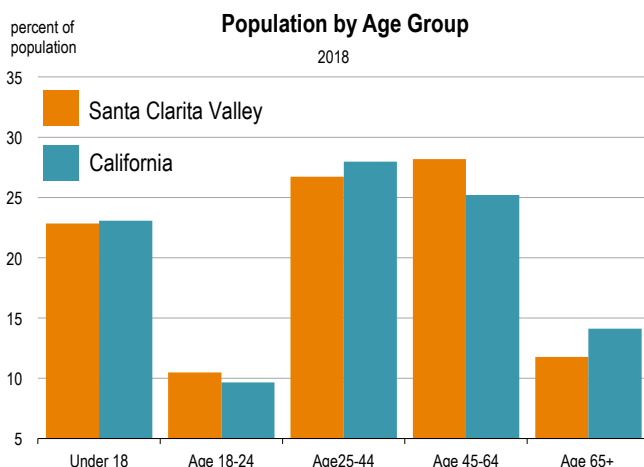
Such disparities are indicative of the Valley's academic institutions, as well as its

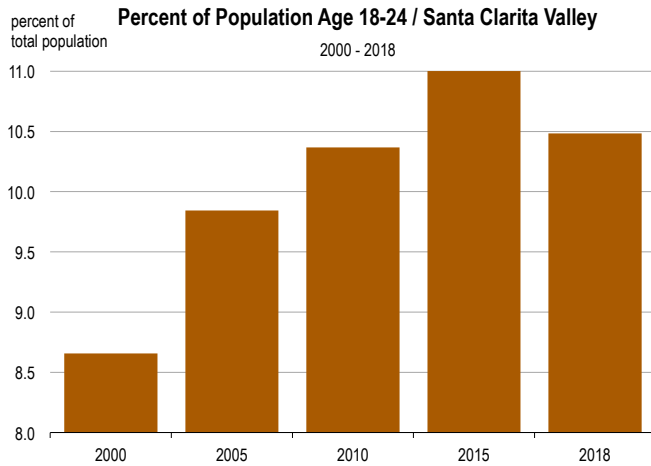
concentration of high-skilled jobs. Some people move to the Valley to attend the College of the Canyons, California Institute of the Arts, and other colleges. Mid-career professionals also move to the region for its high-wage positions.

Currently, the proportion of residents under the age of 18 is lower than any point in the last two decades. This group continues to occupy a smaller and smaller share of the population.

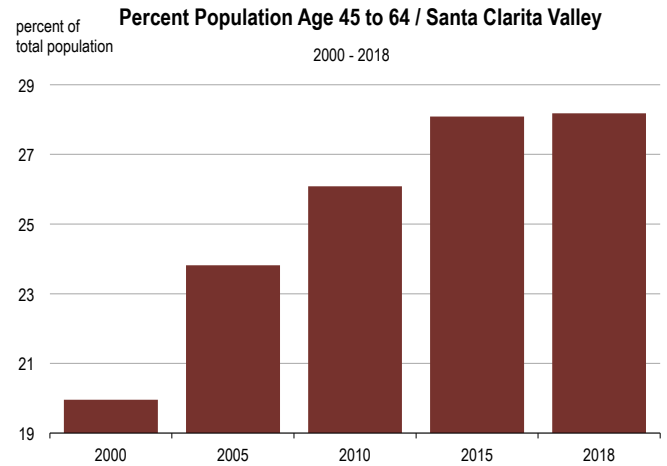
The 18-24 cohort had been increasing its share of the population until the last few years. As recently as 2015, this group accounted for 11 percent of all residents in the Santa Clarita Valley. But as of 2018, its share began to fall as a substantial number of people aged into the next cohort, who range from 25 to 44 years old.

The 25 to 44 group is now growing again, after years of declines. This group represents early-career individuals, and will be a key component of the Valley's future managers and executives.



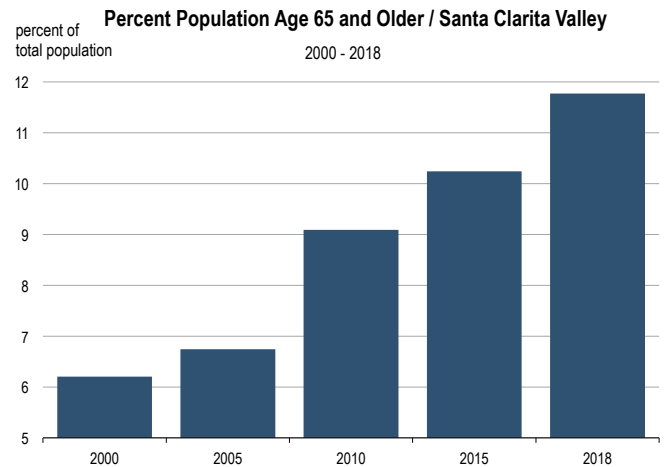
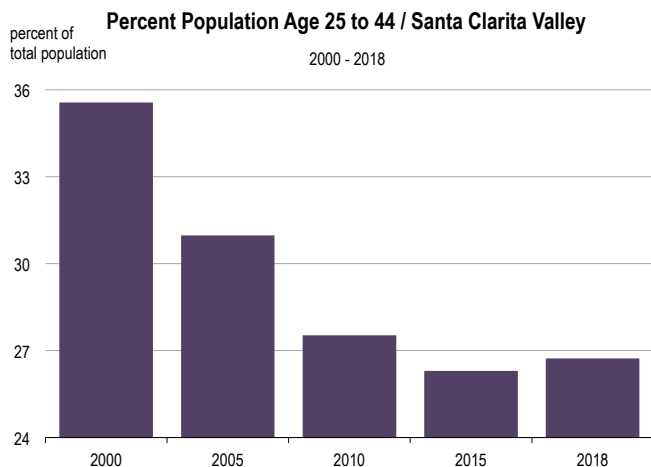


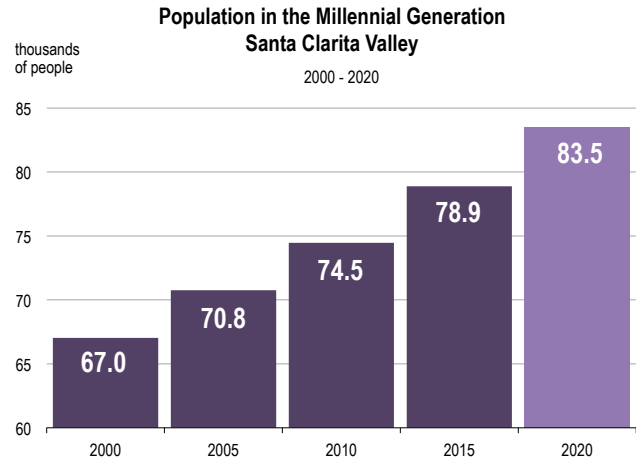
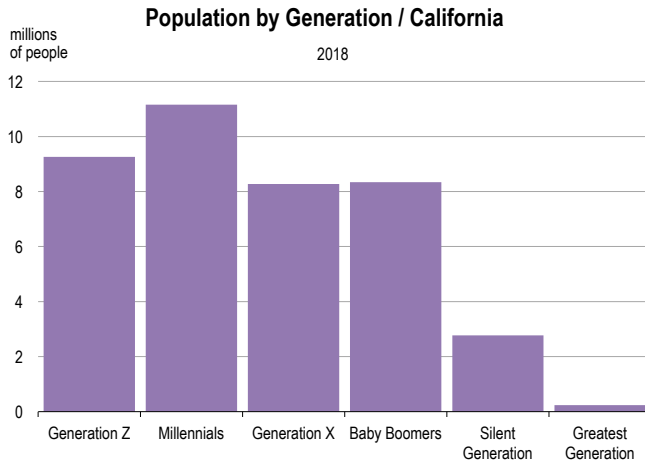
The cohort of residents aged 45 to 64 had been increasing at a rapid rate, but this growth is now slowing. These individuals represent late-career professionals, and occupy a relatively large share of the Santa Clarita Valley population. But they are now aging into the retirement group.



population. The oldest Baby Boomers have been in the retirement bracket for almost a decade, but the youngest won't enter retirement age until the year 2029. While this process is ongoing, the retirement cohort will continue to expand rapidly.

Residents over the age of 65 account for almost 12 percent of the Santa Clarita Valley





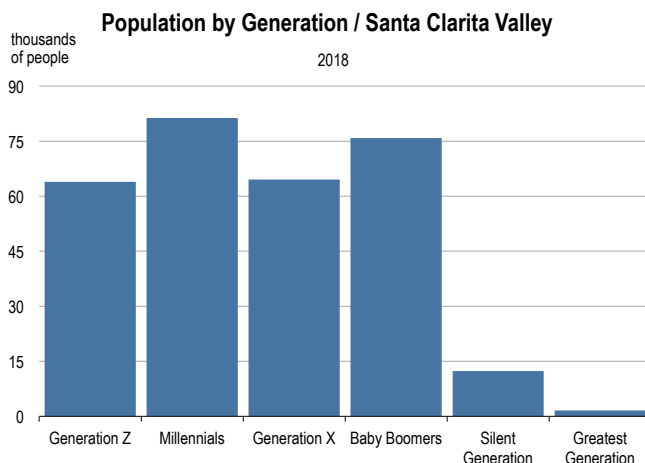
Millennials in the Santa Clarita Valley

It's a little-known fact, but Millennials make up the largest generation in the U.S. and California. In 2018 there were 11.2 million Millennials in the state, and fewer than 9.3 million people in any other generation.

The Millennials are also the largest generation in the Santa Clarita Valley, but just barely. In 2018

there were approximately 81,000 Millennials in the local region, which is just slightly ahead of the 76,000 Baby Boomers.

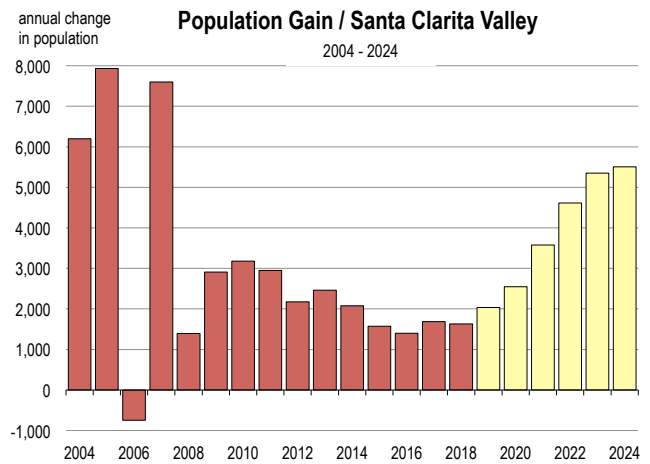
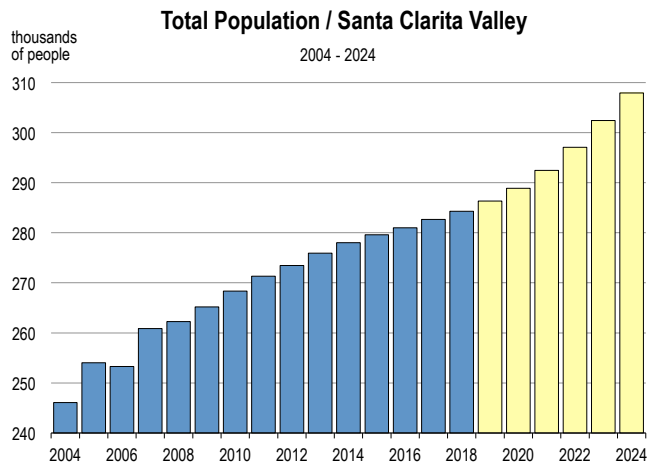
The number of Millennials is growing sharply. By 2020, the Santa Clarita Valley is expected to have almost 93,000 people in this cohort – an increase of 38 percent over a two-decade span. California's Millennial population has grown more slowly, and by 2020 will have recorded a 20-year increase of just 8 percent.



The Demographic Outlook

Population growth in the Santa Clarita Valley is expected to average 1.3 percent per year through 2024, resulting in an increase of 23,600 residents.

In the first few years of the forecast period, population growth will be closer to 1.0 percent. But growth will accelerate when the Newhall Ranch Project begins to deliver new homes.

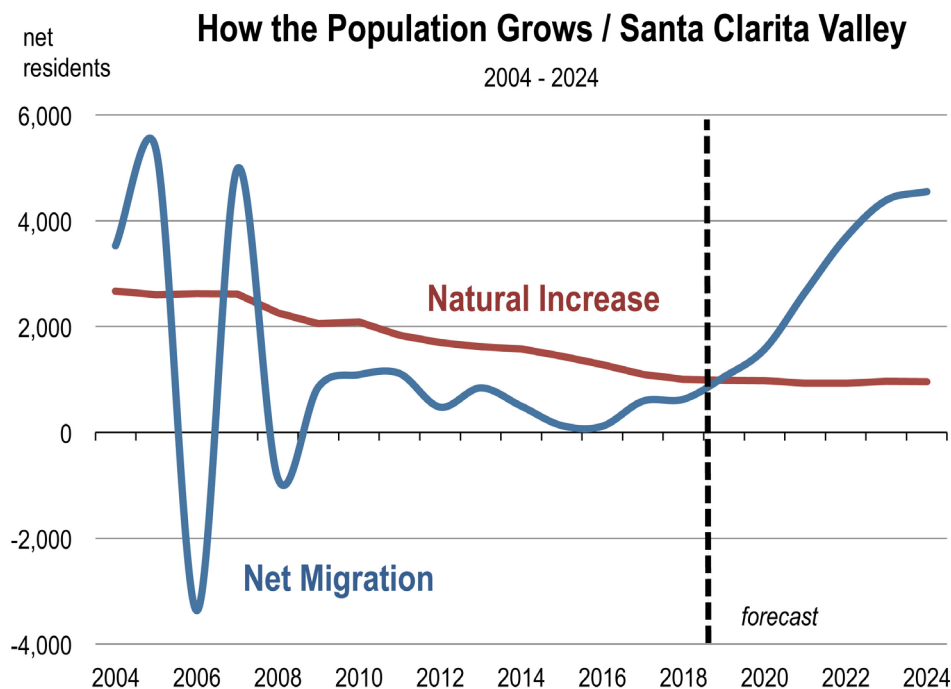


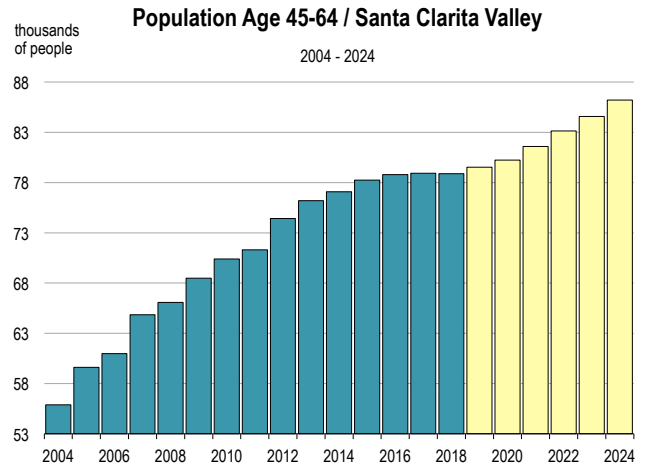
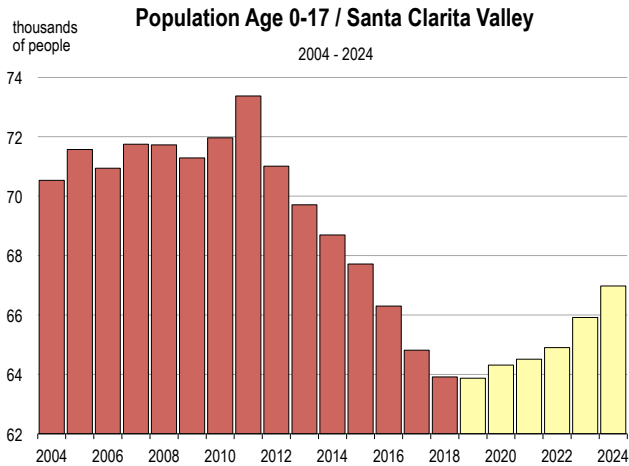
The project will add more than 21,000 homes to the Santa Clarita Valley, and families are expected to move into the first homes in late 2020 or early 2021.

Net migration will be the primary driver of population growth. On average, the region is expected to attract 3,000 net migrants per year through 2024. Net migration will be higher

near the end of the forecast period, as Newhall Ranch completes larger numbers of finished homes.

Such a high level of net migration is unusual. In most regions of California, the majority of all population growth occurs through the natural increase (new births). The high level of net migration in the Santa Clarita Valley will be the



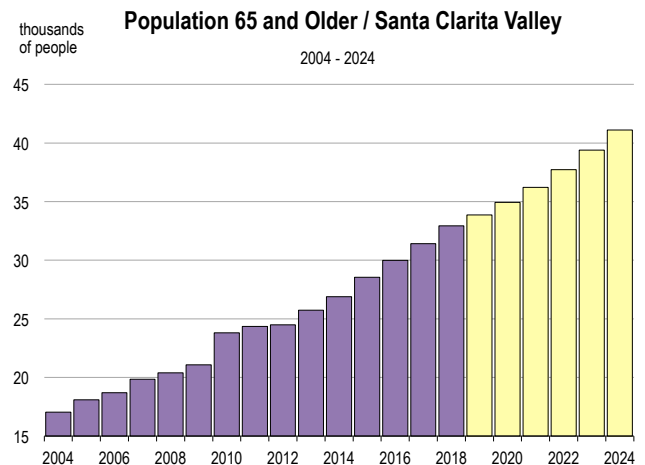
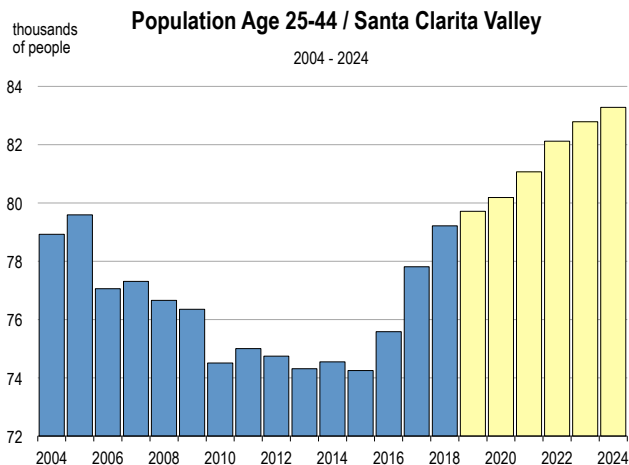


result of its unique combination of (1) good jobs, (2) highly-respected public schools, (3) affordable homes, and (4) one of the largest residential development projects in the state.

By 2024, the Santa Clarita Valley will have an additional 3,000 residents under the age of 18, and an additional 1,000 between the ages of 18 and 24.

The fastest growth will be observed among residents over the age of 65. Through 2024, this group will increase by 3.8 percent per year, leading to 8,200 more residents in this cohort in 2024 than in 2018.

The 25-44 cohort will increase by 0.8 percent per year, representing 4,100 new residents, while the 45-64 bracket will increase by approximately 1.5 percent per year for a total of 7,300 new residents.



Demographic Forecast	Santa Clarita Valley				History: 2013 - 2018	
	2013	2014	2015	2016	2017	2018
	—people—					
Population	275,937	278,015	279,587	280,985	282,671	284,300
% change	0.9	0.8	0.6	0.5	0.6	0.6
	-- people --					
Births	2,866	2,838	2,715	2,633	2,502	2,452
Deaths	1,246	1,258	1,272	1,353	1,407	1,449
Natural Increase	1,620	1,580	1,443	1,280	1,095	1,003
Net Migration	841	498	130	117	591	626
Age 0-17	69,712	68,694	67,713	66,297	64,814	63,912
Age 18-24	29,974	30,799	30,836	30,326	29,706	29,348
Age 25-44	74,308	74,544	74,246	75,578	77,811	79,216
Age 45-64	76,207	77,080	78,253	78,795	78,921	78,881
Age 65 and Over	25,736	26,898	28,539	29,989	31,419	32,943
Other Santa Clarita Valley Indicators						
Total Vehicle Registrations	209,543	212,728	215,933	222,213	222,060	223,965
Automobile Registrations	167,399	170,791	173,367	178,893	179,321	181,229
Total Housing Stock	95,102	95,436	95,785	96,529	97,219	97,799
Number of Households	91,556	91,997	92,349	92,979	93,639	94,196
Persons per household	3.01	3.02	3.03	3.02	3.02	3.02

Source: California Economic Forecast, March 2019

Demographic Forecast	Santa Clarita Valley				Forecast: 2019 - 2024	
	2019	2020	2021	2022	2023	2024
	– people –					
Population	286,336	288,883	292,460	297,074	302,424	307,929
% change	0.7	0.9	1.2	1.6	1.8	1.8
	-- people --					
Births	2,465	2,495	2,485	2,549	2,639	2,692
Deaths	1,478	1,520	1,556	1,615	1,677	1,737
Natural Increase	987	975	929	934	962	955
Net Migration	1,048	1,573	2,648	3,679	4,388	4,551
Age 0-17	63,871	64,313	64,511	64,901	65,914	66,976
Age 18-24	29,358	29,213	29,072	29,190	29,750	30,352
Age 25-44	79,712	80,185	81,066	82,117	82,784	83,278
Age 45-64	79,531	80,238	81,595	83,139	84,581	86,213
Age 65 and Over	33,865	34,935	36,216	37,726	39,394	41,110
Other Santa Clarita Valley Indicators						
Total Vehicle Registrations	229,079	232,748	237,144	242,199	246,225	249,338
Automobile Registrations	183,639	186,399	189,648	193,250	196,062	198,241
Total Housing Stock	98,546	99,381	100,693	102,251	104,226	106,422
Number of Households	94,990	95,838	97,171	98,754	100,759	102,990
Persons per household	3.01	3.01	3.01	3.01	3.00	2.99

Source: California Economic Forecast, March 2019

Data sources for the charts in this chapter include: Population, race and ethnicity, age of population, housing stock, number of households, and household income information is from the Department of Finance, Demographic Research Unit, the Claritas database, and the California Economic Forecast; Births and deaths are from the California Department of Public Health; Automobile registrations are from the Department of Motor Vehicles.

EMPLOYMENT AND INCOME

Employment and Unemployment

Largest Employers

Average Salaries

Employment Outlook



Employment and Unemployment

The California labor market is now exceptionally tight, and is nearing peak conditions for the current business cycle. At 4.2 percent, the unemployment rate is lower than any point in the last few decades, and employers are reporting trouble finding qualified applicants.

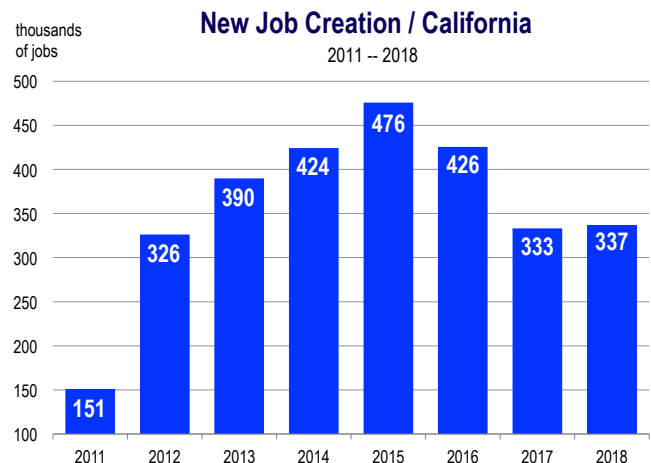
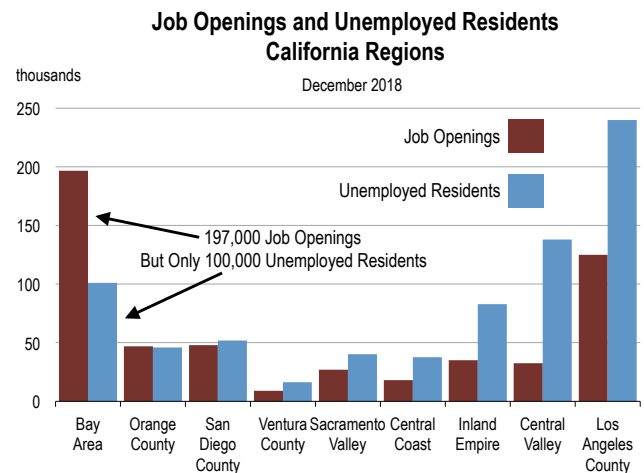
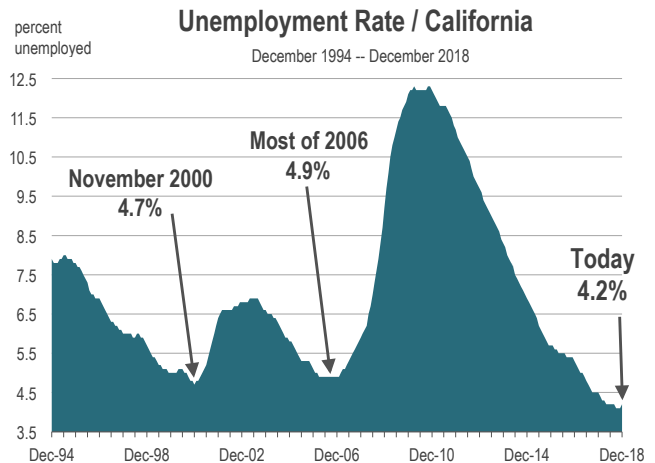
Recruitment issues are particularly acute in the Bay Area, Orange County, and San Diego County. The Bay Area has 197,000 job openings but only 100,000 unemployed residents to fill them, so companies have no choice but to poach workers from other firms or to recruit from other regions. And this is precisely why Google, Apple, and Amazon are opening offices across the country. No single area can handle their workforce needs.

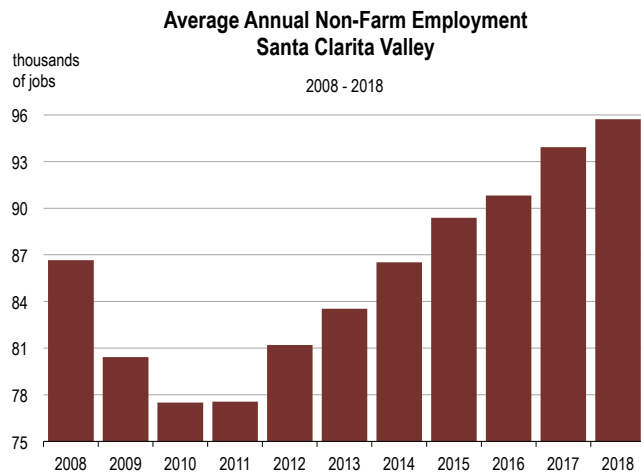
Because the job market is near capacity and there are fewer people to hire, economy-wide job creation has begun to slow. California generated 337,000 new jobs in 2018, similar to the previous year but a meaningful decrease from the 476,000 that were created several years earlier.

Santa Clarita Valley

Total non-farm employment increased by 1.9 percent in 2018, resulting in more than 1,800 new jobs.

The largest gains were in the construction industry, which generated more than 800 new

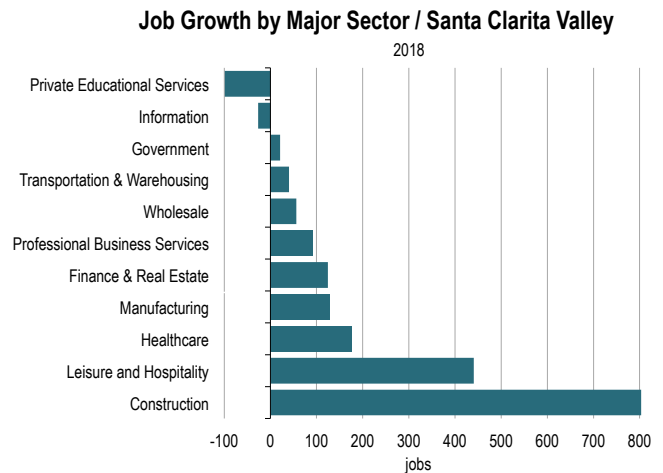




jobs. Construction activity has accelerated in the Santa Clarita Valley, as a number of new projects have broken ground.

Big increases were also observed in leisure and hospitality. Almost 400 new jobs were generated at restaurants and hotels, with more than 15 new restaurants opening in 2018.

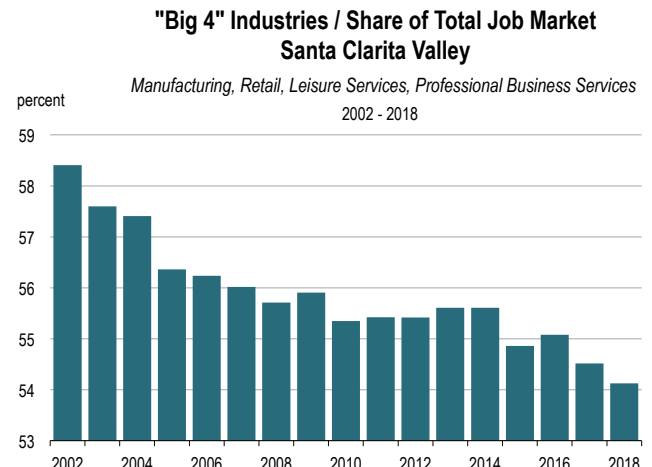
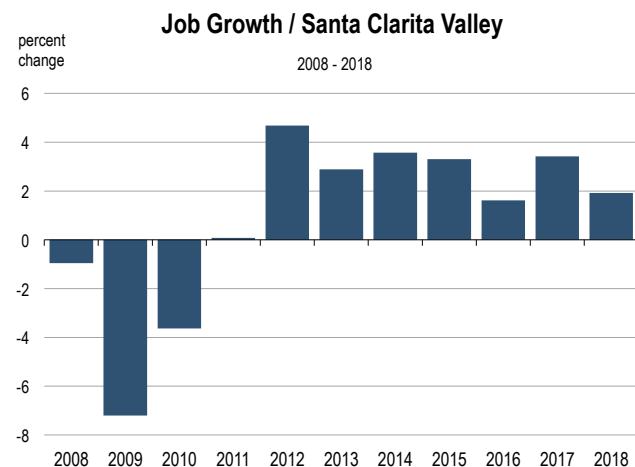
Some of the largest gains were also in health and education, leisure and hospitality, and retail. These are big industries that employ a lot of



workers, and have generated many new jobs during the current business cycle.

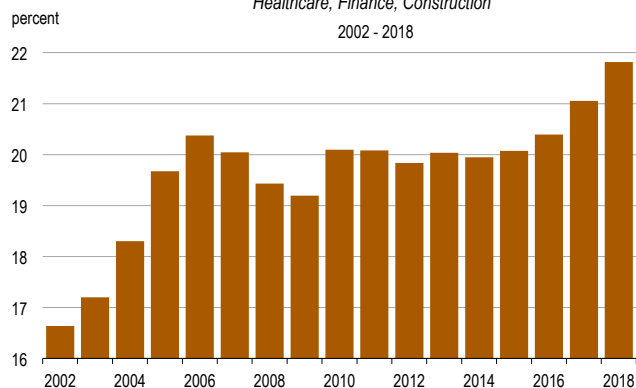
The manufacturing sector generated 130 jobs, largely due to growth at B&B Manufacturing, which added 57 new employees, and TA Aerospace, which added 20 new jobs.

In the Santa Clarita Valley, the labor market is heavily concentrated in manufacturing, retail trade, leisure services, and professional services. These sectors each account for more



"New 3" Industries / Share of Total Job Market Santa Clarita Valley

Healthcare, Finance, Construction
2002 - 2018



than 11,000 local jobs, and when combined, represent more than half of all jobs in the region.

But the job market is becoming more diversified, and a handful of industries are accounting for an increasingly large share of the Valley's employment base.

Healthcare has increased its share of the job market by a large margin. There are now 9,300 healthcare jobs in the Santa Clarita Valley, making healthcare the fifth largest industry. Since the early 2000s, the number of healthcare jobs has increased by more than 150 percent, which is much faster than any other sector.

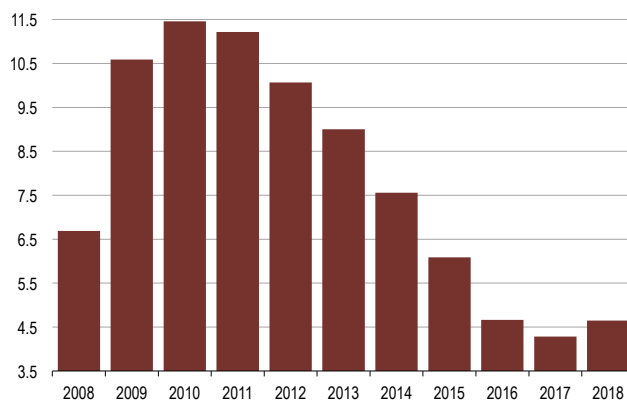
Construction, finance, and real estate have also grown quickly over the past two decades. Why? Because these are population-serving industries, and the Santa Clarita Valley has a fast-growing population.

Like the rest of California, the Santa Clarita Valley labor market is very tight. During 2018, the unemployment rate averaged 4.6 percent.

Unemployment Rate / Santa Clarita Valley

percent
unemployed

2008 - 2018



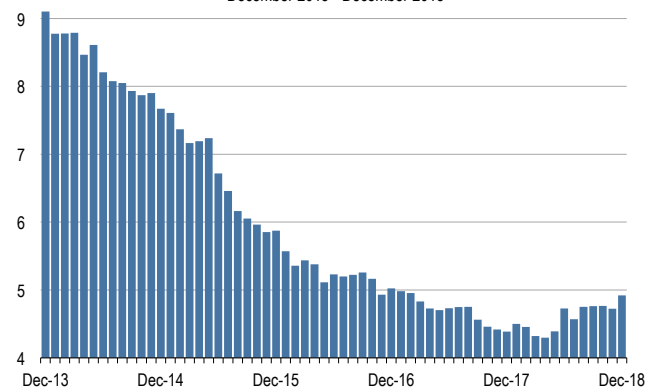
But the unemployment rate actually rose during 2018. The number of Santa Clarita Valley residents who have a job increased by approximately 900, a very healthy rate of growth. But the labor force – the number of residents who want to work – grew by 1,400 people, causing the unemployment rate to rise.

Does this mean that the Santa Clarita Valley labor market is softening? No, it doesn't. The economy is still creating jobs, and local residents are filling many of those jobs, but

Unemployment Rate / L.A. County

percent

seasonally adjusted
December 2013 - December 2018



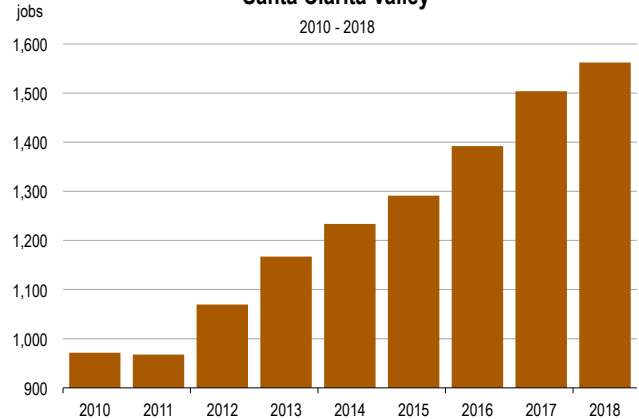
the job market couldn't quite absorb everyone who began a job search. The same trend was observed across all of Los Angeles County, with the unemployment rate rising from 4.3 percent in April to 4.9 percent by the end of the year.

The Santa Clarita Valley has several prominent composite industries that cater to the region's unique advantages. Most of these industries are creating jobs at an impressive pace, and typically offer high wages.

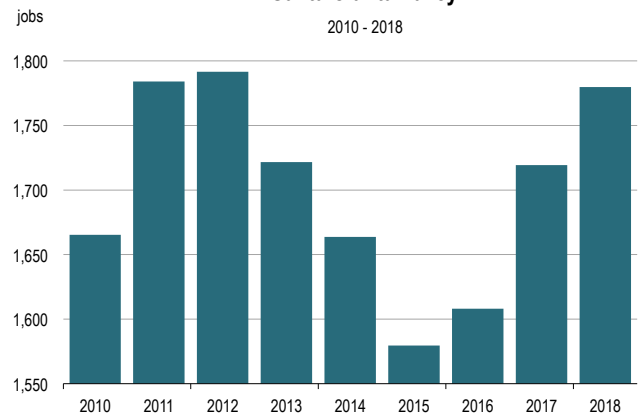
In particular, companies that focus on Digital media entertainment, medical devices, and information technology are expanding quickly within the Santa Clarita Valley. Combined, these composite sectors generated more than 150 jobs in 2018.

The tourism sector is adding jobs more slowly, but because it is so large, it still generated over 400 jobs last year.

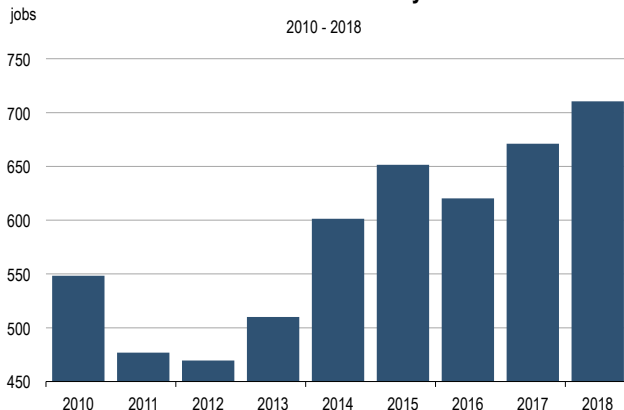
**Employment in Medical Devices
Santa Clarita Valley**



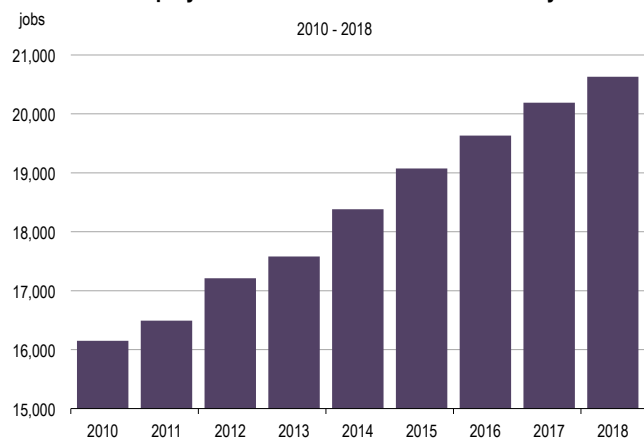
**Employment in Information Technology
Santa Clarita Valley**



**Employment in Digital Media Entertainment
Santa Clarita Valley**



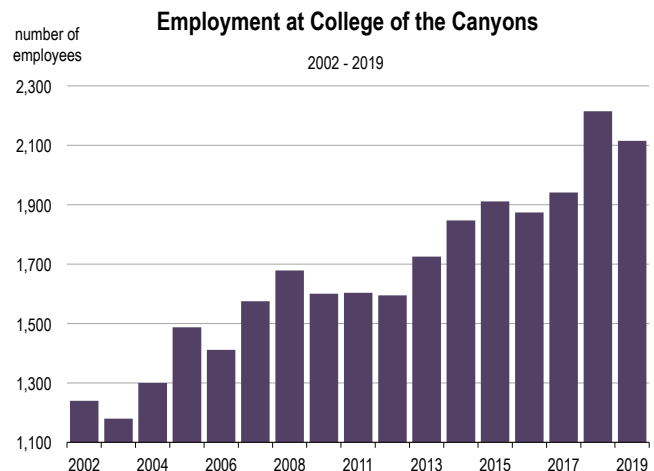
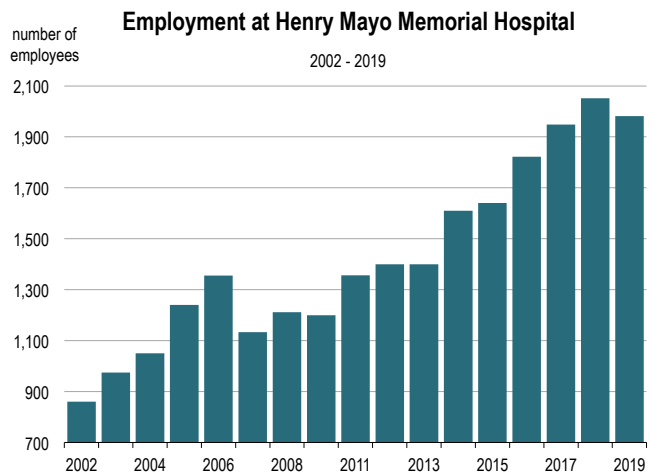
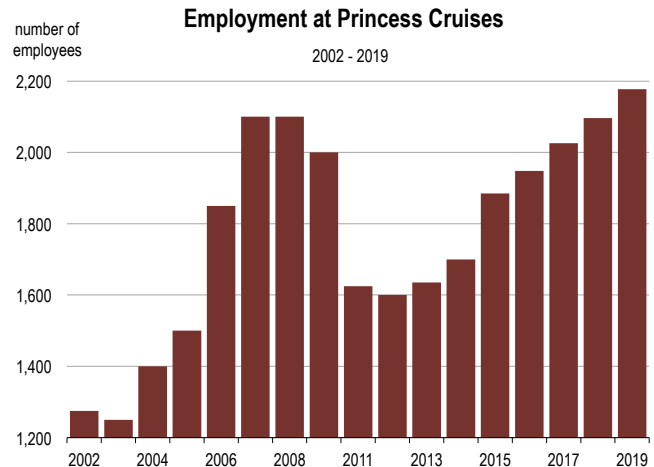
Employment in Tourism / Santa Clarita Valley

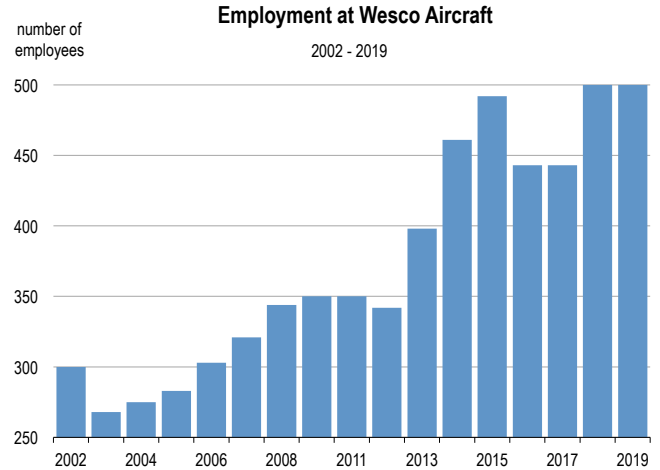
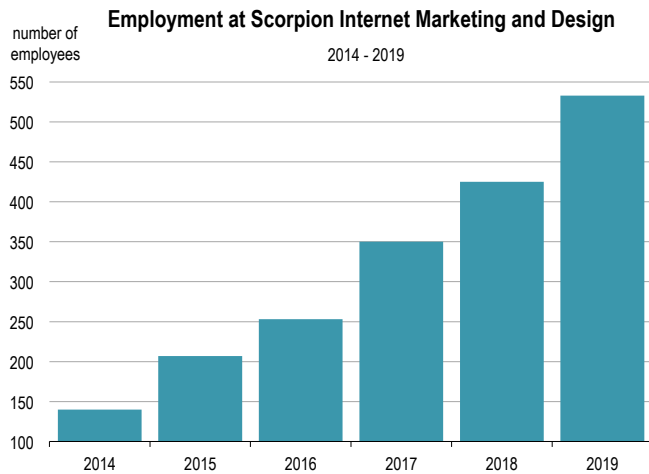


Largest Employers

Every year, we conduct a survey of the largest employers in the Santa Clarita Valley. The information is carefully limited to the number of workers physically employed at locations within the region.

- Among the 52 largest employers for which complete information is available, there were 30,817 workers in the Santa Clarita Valley.
- The Santa Clarita Valley's largest employers added a small number of jobs last year.
- Large public organizations added 112 workers to their payrolls, while large private companies lost 71 workers.
- Among public institutions, the biggest gains were within City of Santa Clarita government departments, which now employ 159 more workers than last year.
- College of the Canyons lost almost 100 employees.
- Only 15 the largest private sector companies added new jobs over the last year. Fourteen had declining headcounts, while another 14 had no change in headcount.
- The biggest private sector gains were at Gothic Landscaping, Scorpion Internet Marketing and Design, Princess Cruises, and



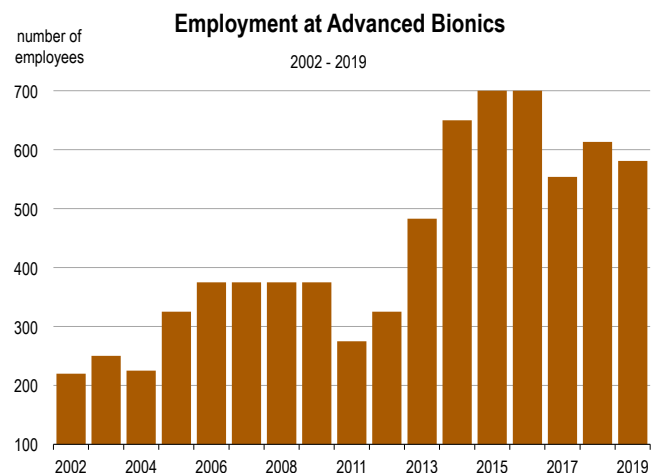
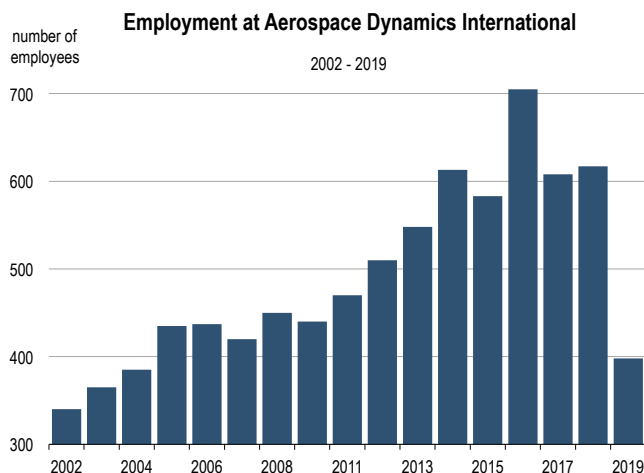


Landscape Development Inc. Each created at least 70 new jobs.

- One of the fastest growing companies has been Scorpion Internet Marketing and Design. Scorpion was founded in 2001, and already has 533 employees in the Santa Clarita Valley.
- At Aerospace Dynamics International, the employee headcount within the Santa Clarita Valley declined by more than 200 employees.

Some of this was due to layoffs and other job losses, and some was the result of ADI shifting jobs to their sister companies.

- During the 2019 calendar year, Wesco Aircraft will close a distribution center in Valencia and lay off 217 workers. Some of these jobs will be permanently lost, but will be transitioned to Wesco's corporate headquarters in Santa Clarita.



Top Employers		Santa Clarita Valley			March 2019	
Rank	Company or Organization	Location	2018	2019	Change 2018 to 2019	Percent Change
Public			– headcount of employees –			
3	College of the Canyons	Valencia	2,214	2,115	-99	-4.5
5	William S. Hart Union School District	Santa Clarita Valley	1,879	1,923	44	2.3
6	Saugus Union School District	Santa Clarita	1,711	1,712	1	0.1
7	U.S. Postal Service	Santa Clarita	1,010	1,010	0	0.0
9	City of Santa Clarita	Santa Clarita	720	879	159	22.1
10	Newhall School District	Valencia	781	785	4	0.5
36	Castaic Union School District	Valencia	259	262	3	1.2
42	SCV Water	Santa Clarita Valley	n/a	205	n/a	n/a
Public Totals*			8,574	8,686	112	1.3
Private			– headcount of employees –			
1	Six Flags Magic Mountain	Valencia	3,200	3,200	0	0.0
2	Princess Cruises	Valencia	2,096	2,177	81	3.9
4	Henry Mayo Newhall Memorial Hospital	Santa Clarita	2,052	1,982	-70	-3.4
8	Boston Scientific	Valencia	1,000	900	-100	-10.0
11	The Master's University	Santa Clarita	760	765	5	0.7
12	Walmart	Santa Clarita	730	705	-25	-3.4
13	California Institute of the Arts	Santa Clarita	700	700	0	0.0
14	Woodward HRT	Valencia	680	680	0	0.0
15	Quest Diagnostics	Valencia	648	660	12	1.9
16	Advanced Bionics	Valencia	613	581	-32	-5.2
17	Scorpion Internet Marketing and Design	Valencia	425	533	108	25.4
18	Wesco Aircraft	Valencia	500	500	0	0.0
19	ITT Aerospace Controls	Valencia	475	475	0	0.0
20	US Healthworks	Santa Clarita Valley	451	451	0	0.0
21	Contractors Wardrobe	Valencia	450	450	0	0.0
22	Q2 Solutions	Valencia	400	405	5	1.3
23	Landscape Development Inc.	Valencia	328	400	72	22.0
24	Aerospace Dynamics International	Valencia	617	398	-219	-35.5
25	Pharmavite	Valencia	378	371	-7	-1.9
26	Bocchi Laboratories	Santa Clarita	400	345	-55	-13.8
27	McDonald's	Santa Clarita Valley	360	341	-19	-5.3
28	B & B Manufacturing Co.	Santa Clarita	273	330	57	20.9
29	Stay Green Inc.	Santa Clarita	324	324	0	0.0
30	Gothic Landscaping	Valencia	126	306	180	142.9
31	AMS Fulfillment	Valencia	350	302	-48	-13.7
32	The Home Depot	Santa Clarita Valley	276	278	2	0.7
33	Costco Wholesale	Canyon Country	275	277	2	0.7
34	Shield Healthcare	Valencia	272	272	0	0.0
35	TA Aerospace	Valencia	250	270	20	8.0
37	Remo, Inc.	Valencia	261	257	-4	-1.5
38	ASC Process Systems	Valencia	180	221	41	22.8
39	Forrest Machining	Santa Clarita	220	220	0	0.0
40	Novacap	Valencia	185	210	25	13.5
41	CrissAir	Valencia	193	206	13	6.7
43	Arvato Digital Services	Valencia	300	200	-100	-33.3
44	Fralock	Valencia	n/a	200	n/a	n/a
45	Cardinal Health	Santa Clarita	200	200	0	0.0
46	Stratasys Direct Manufacturing	Valencia	200	195	-5	-2.5
47	Frontier Toyota	Valencia	193	193	0	0.0
48	Bioness	Valencia	190	190	0	0.0
49	Hydro Systems	Valencia	175	166	-9	-5.1
50	Honda Performance	Valencia	165	165	0	0.0
51	Del West Engineering	Valencia	154	165	11	7.1
52	RAH Industries	Santa Clarita	177	165	-12	-6.8
Private Totals*			22,202	22,131	-71	-0.3
Overall Total*			30,776	30,817	41	0.1

*For companies with complete information in both 2018 and 2019

Source: California Economic Forecast and the Santa Clarita Valley Economic Development Corporation

Average Salaries

- During 2018, the average salary increased by 3.1 percent in the Santa Clarita Valley.
- The highest paying sectors in the region are utilities, management, finance and insurance, transportation and warehousing, and professional and technical services. In these industries, the average worker earns more than \$77,000 per year.
- In 2018, the largest increases were observed in professional and technical services, private educational services, accommodation and food services, and management. In these sectors, average salaries rose by at least 6 percent.
- Within the region's primary composite sectors, salaries tend to be much higher than average. Other than the tourism sector, workers in these composite industries earn between \$18,000 and \$51,000 more than the average for all industries.

Average Salary Per Worker / Primary Sectors	Santa Clarita Valley		2017-2018
Labor Market Sector	2017	2018	% change
<i>– dollars per worker –</i>			
Professional, Scientific & Technical	71,556	77,040	7.7
Private Educational Services	33,353	35,750	7.2
Accommodation & Food Services	20,114	21,556	7.2
Mgmt of Companies & Enterprises	79,784	85,058	6.6
Arts, Entertainment & Recreation	22,969	24,333	5.9
Other Services	30,522	32,310	5.9
Manufacturing	67,583	71,532	5.8
Admin & Support & Waste Mgmt	33,803	35,727	5.7
Construction	60,292	62,822	4.2
Transportation & Warehousing	76,762	79,208	3.2
Retail Trade	31,862	32,603	2.3
Federal Government	54,866	55,866	1.8
Health Care & Social Services	52,519	53,331	1.5
State & Local Government	50,404	51,138	1.5
Utilities	115,703	115,516	-0.2
Finance & Insurance	83,308	82,710	-0.7
Wholesale Trade	68,046	67,433	-0.9
Information	52,217	51,395	-1.6
Real Estate & Rental Leasing	49,375	48,537	-1.7
Total, Non-Farm	48,270	49,766	3.1

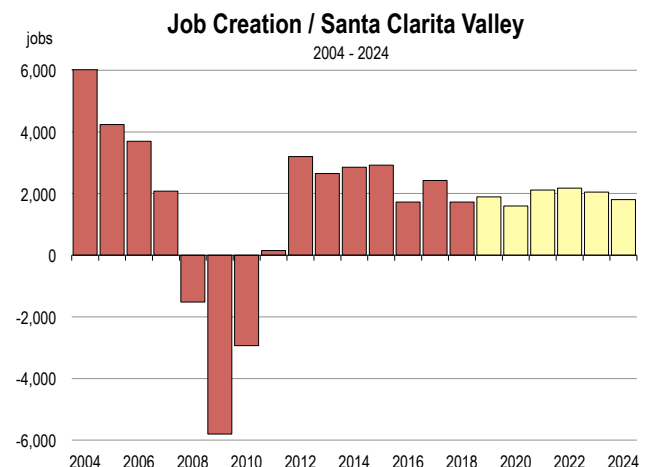
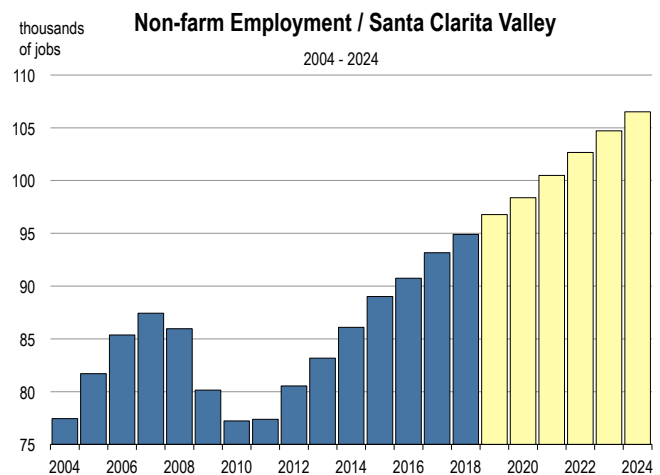
Source: Labor Market Information Division, State of California, and California Economic Forecast

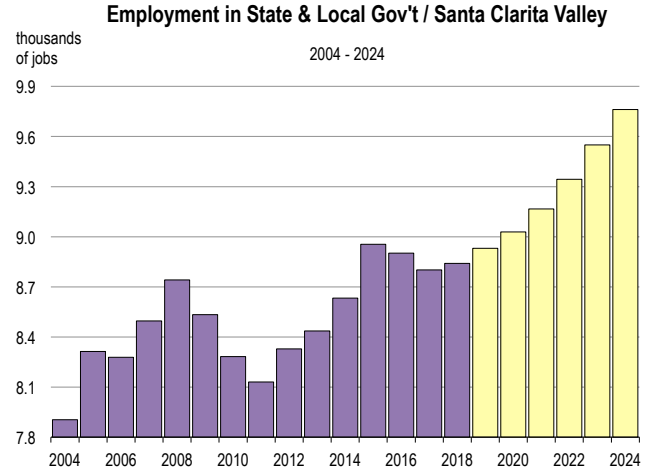
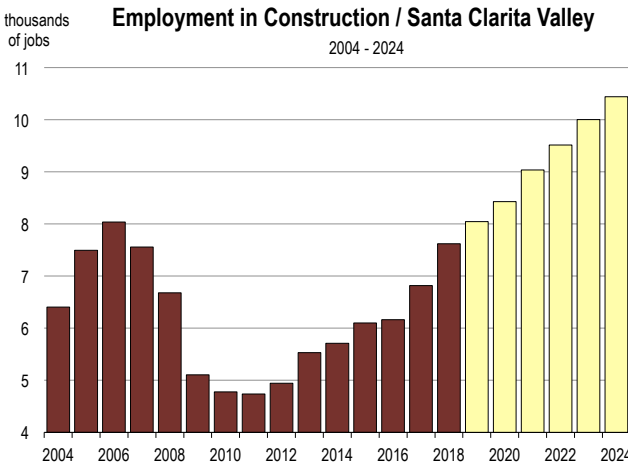
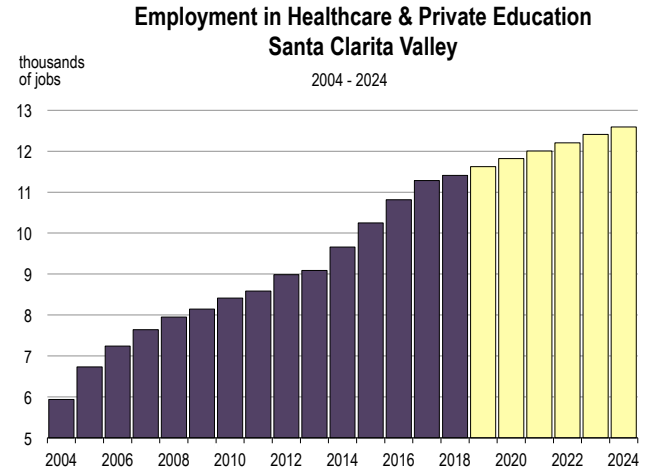
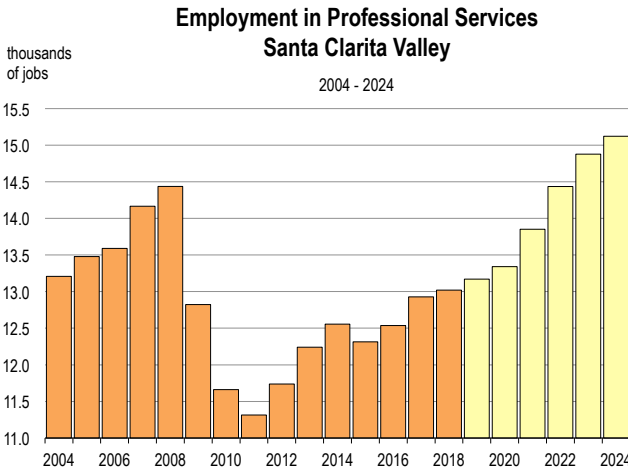
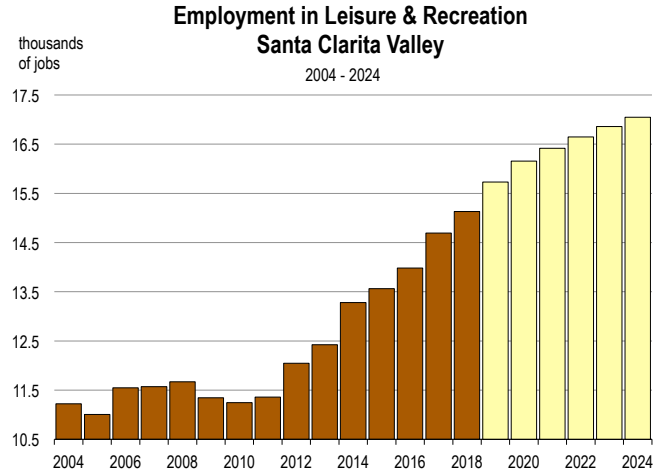
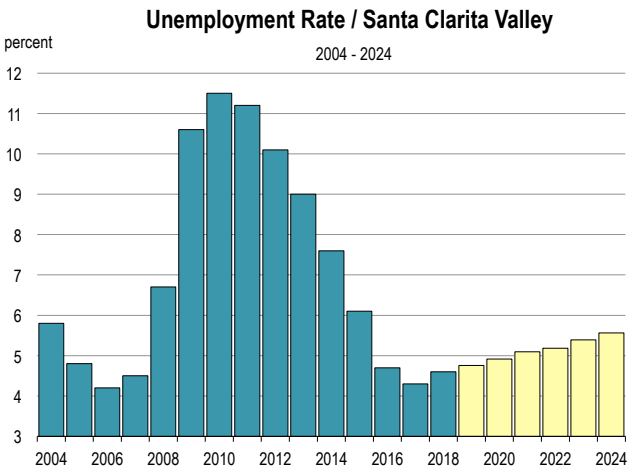
Average Salary Per Worker / Composite Sectors	Santa Clarita Valley		2017-2018
Labor Market Sector	2017	2018	% change
– dollars per worker –			
Aerospace and Defense	73,975	79,899	8.0
Digital Media Entertainment	73,887	79,081	7.0
Tourism	21,841	23,338	6.9
Information Technology	81,155	86,586	6.7
Medical Devices	97,164	100,851	3.8
Advanced Manufacturing	66,932	68,699	2.6

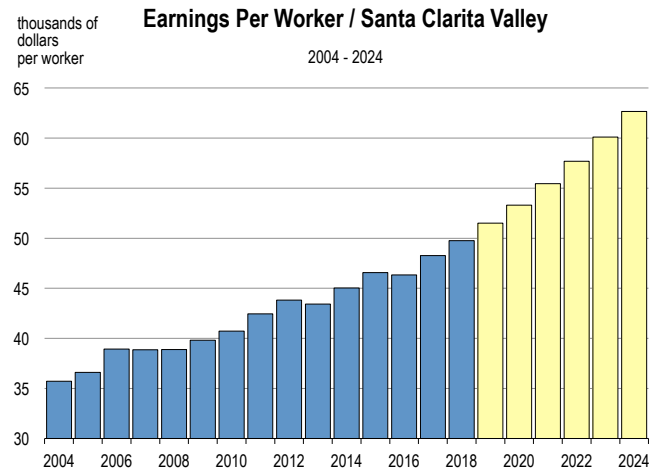
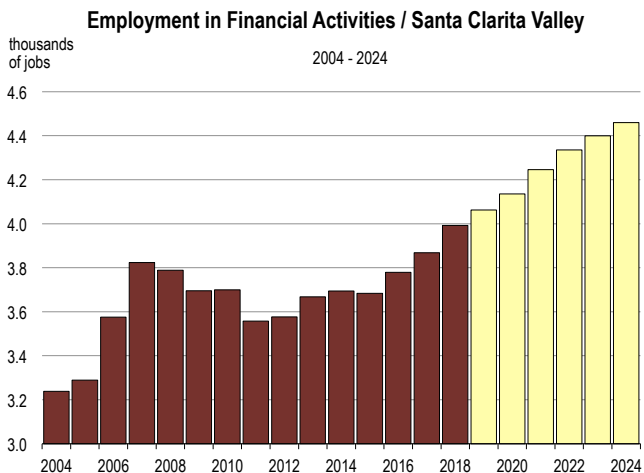
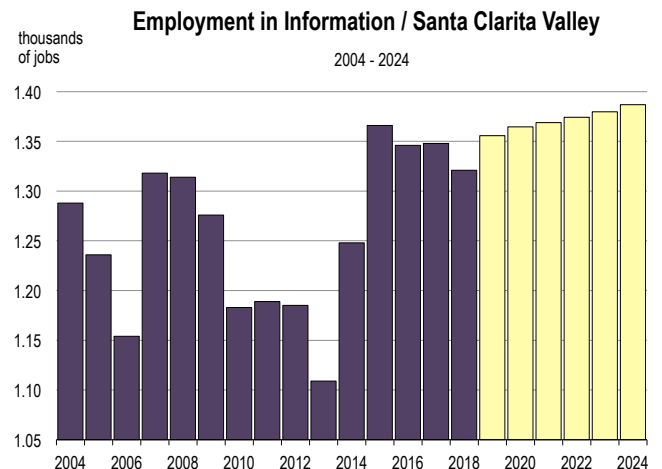
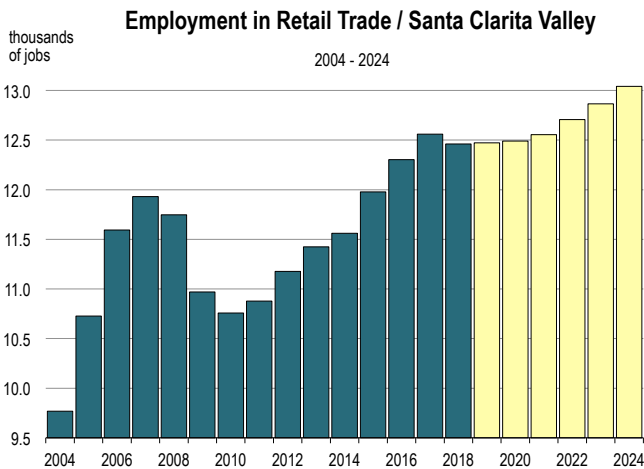
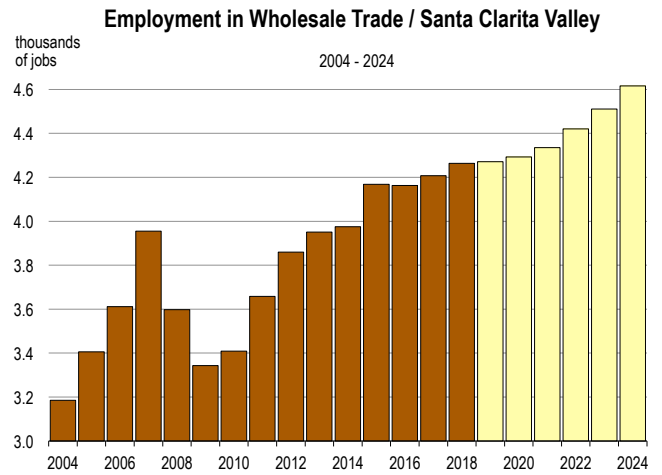
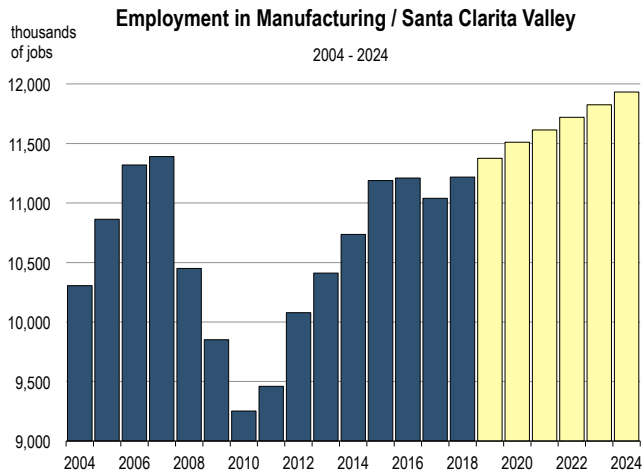
Source: Labor Market Information Division, State of California, and California Economic Forecast

Employment Outlook

- Total employment in the Santa Clarita Valley is expected to increase by 2.0 percent in 2019.
- Leisure and hospitality, healthcare, and construction will drive much of the job creation this year.
- In 2019, the unemployment rate will rise to 4.8 percent. Residents of the Santa Clarita Valley will continue to find new jobs, but not at a fast enough pace to absorb all new entrants to the labor market.
- Starting in 2020, it may be time to begin preparing for the next recession. The unemployment rate typically rises during recessions, and any associated labor market weakness could contribute to a higher unemployment rate.
- Earnings per worker are expected to rise substantially this year, with average salaries growing by 3 to 4 percent in 2019.







Labor Market and Income Forecast		Santa Clarita Valley			History: 2013 - 2018	
	2013	2014	2015	2016	2017	2018
Employment						
Sector	– jobs –					
Farm	87	39	20	18	28	26
Construction	5,531	5,710	6,100	6,163	6,817	7,620
Manufacturing	10,412	10,737	11,188	11,210	11,040	11,217
Transportation & Utilities	1,174	1,161	1,370	1,524	1,550	1,590
Wholesale/Retail Trade	15,376	15,537	16,147	16,465	16,767	16,724
Retail	11,425	11,562	11,979	12,302	12,560	12,461
Wholesale	3,951	3,975	4,168	4,163	4,207	4,263
Financial Activities	3,668	3,694	3,684	3,779	3,868	3,992
Professional Services	12,242	12,555	12,313	12,538	12,927	13,020
Information	1,109	1,248	1,366	1,346	1,348	1,321
Healthcare & Education	9,085	9,660	10,247	10,816	11,282	11,410
Leisure & Recreation	12,422	13,278	13,563	13,983	14,691	15,132
Other Services	2,706	2,840	2,982	2,908	2,950	2,921
Government	9,452	9,661	10,058	10,010	9,915	9,935
Federal	1,016	1,028	1,103	1,108	1,114	1,094
State & Local	8,436	8,633	8,955	8,902	8,801	8,841
Total Wage & Salary	83,268	86,124	89,042	90,764	93,187	94,912
percent change	3.3	3.4	3.4	1.9	2.7	1.9
Total Non-farm Jobs Created	2,647	2,904	2,937	1,724	2,413	1,727
Unemployment Rate (percent)	9.0	7.6	6.1	4.7	4.3	4.6
Income		- dollars per worker or person -				
Average earnings per worker						
current dollars	53,642	52,962	52,583	53,964	55,502	57,359
constant 2018 dollars	59,669	58,131	57,196	57,610	57,642	57,359
Average per capita income						
current dollars	66,036	67,247	68,803	70,664	74,005	77,504
constant 2018 dollars	73,456	73,810	74,838	75,438	76,858	77,504
– billions of dollars –						
Total Personal Income	18.22	18.70	19.24	19.86	20.92	22.03
percent change	2.34	2.60	2.89	3.22	5.36	5.33
Income from Wages and Salaries	4.41	4.49	4.59	4.80	5.17	5.45
Income from Property and Assets	3.59	3.87	4.13	4.26	4.58	4.82
Income earned from outside the County	4.73	4.78	4.88	5.07	5.45	5.74
Income from Public and Private Transfers	3.00	3.06	3.21	3.33	3.32	3.50
Proprietor Income	2.49	2.50	2.43	2.40	2.39	2.52

Source: California Economic Forecast, March 2019

Labor Market and Income Forecast		Santa Clarita Valley			Forecast: 2019 - 2024		
		2019	2020	2021	2022	2023	2024
Employment							
Sector				– jobs –			
Farm		29	30	30	30	30	30
Construction		8,046	8,429	9,037	9,516	10,003	10,442
Manufacturing		11,376	11,511	11,614	11,720	11,825	11,933
Transportation & Utilities		1,636	1,678	1,709	1,742	1,774	1,807
Wholesale/Retail Trade		16,743	16,783	16,890	17,127	17,376	17,658
Retail		12,472	12,490	12,555	12,707	12,866	13,042
Wholesale		4,271	4,293	4,335	4,420	4,511	4,616
Financial Activities		4,062	4,135	4,246	4,335	4,399	4,459
Professional Services		13,170	13,341	13,852	14,435	14,877	15,122
Information		1,356	1,365	1,369	1,374	1,380	1,387
Healthcare & Education		11,623	11,820	12,005	12,204	12,410	12,592
Leisure & Recreation		15,730	16,156	16,416	16,647	16,858	17,047
Other Services		2,951	2,959	2,976	2,993	3,010	3,060
Government		10,077	10,191	10,368	10,563	10,790	11,001
Federal		1,146	1,162	1,202	1,219	1,240	1,239
State & Local		8,931	9,029	9,166	9,344	9,550	9,762
Total Wage & Salary		96,804	98,401	100,515	102,690	104,738	106,541
percent change		2.0	1.6	2.1	2.2	2.0	1.7
Total Non-farm Jobs Created		1,889	1,596	2,114	2,176	2,047	1,804
Unemployment Rate (percent)		4.8	4.9	5.1	5.2	5.4	5.6
Income							
– dollars per worker or person –							
Average earnings per worker							
current dollars		59,367	61,438	63,912	66,490	69,275	72,224
constant 2018 dollars		57,520	57,952	58,474	59,147	59,961	60,925
Average per capita income							
current dollars		81,439	85,252	89,523	93,859	98,077	101,762
constant 2018 dollars		78,906	80,415	81,905	83,493	84,889	85,842
– billions of dollars –							
Total Personal Income		23.32	24.63	26.18	27.88	29.66	31.34
percent change		5.83	5.61	6.31	6.50	6.38	5.65
Income from Wages and Salaries		5.75	6.05	6.42	6.83	7.26	7.69
Income from Property and Assets		5.03	5.28	5.57	5.92	6.28	6.55
Income earned from outside the County		6.19	6.56	7.04	7.53	8.03	8.49
Income from Public and Private Transfers		3.71	4.00	4.29	4.62	5.00	5.40
Proprietor Income		2.64	2.74	2.86	2.98	3.10	3.20

Source: California Economic Forecast, March 2019

Data sources for this chapter principally include the California Employment Development Department, Labor Market Information Division. They provide us the monthly information on employment and payrolls by category. Largest Employers is a survey conducted by the California Economic Forecast with support from the Santa Clarita Valley Economic Development Corporation. The U.S. Department of Commerce is the source of the personal income data.

RESIDENTIAL REAL ESTATE

The Housing Market

The Forecast



RESIDENTIAL REAL ESTATE

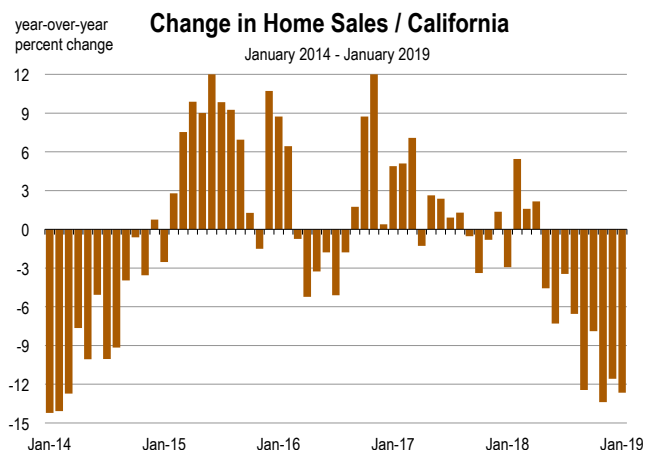
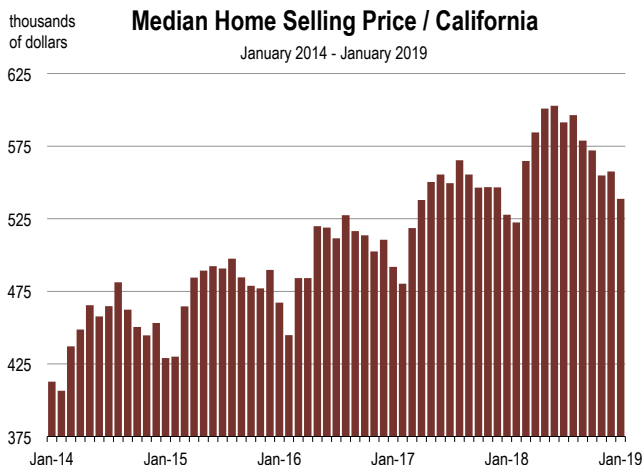
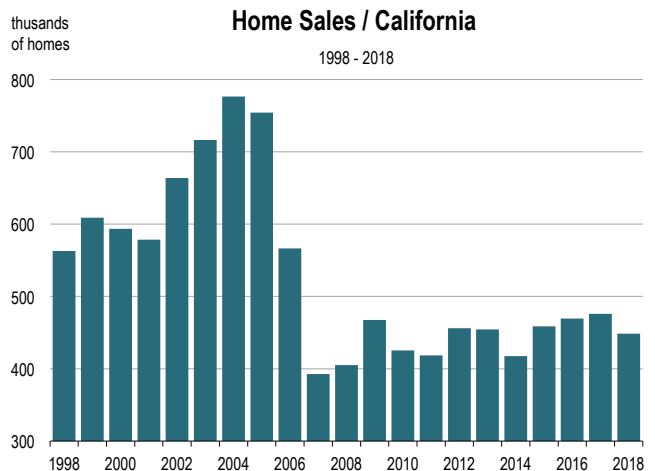
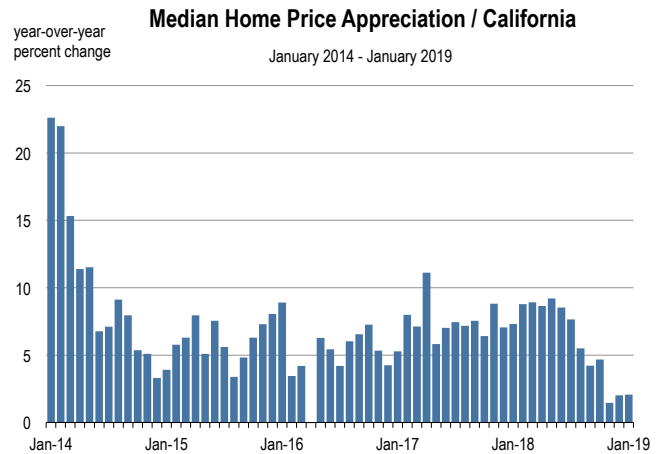
The Housing Market

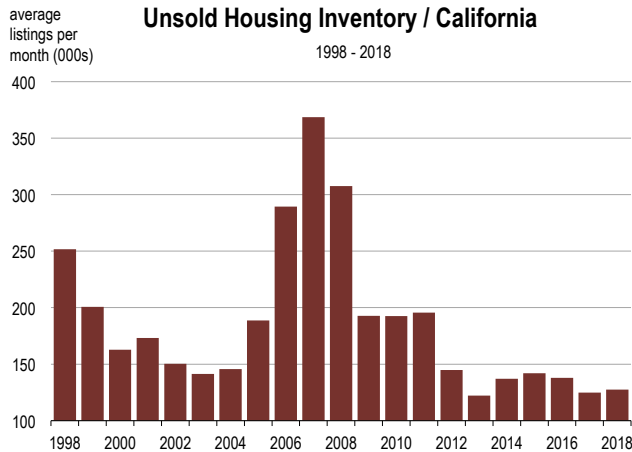
The Greater California Market

From 2015 to mid 2018, California home prices increased by 5 to 10 percent annually. Except for a few deviations, price gains were remarkably consistent and reliable, but since November 2018, price increases have virtually halted, with selling values rising by just 2 percent on a year-over-year basis.

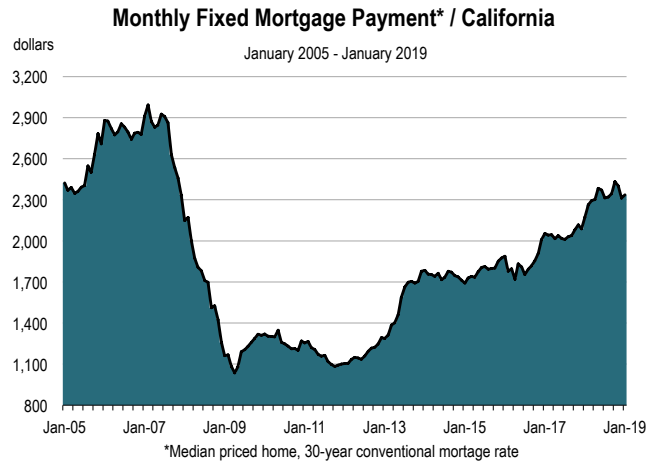
On average, there were 127,400 homes for sale each month last year, which is a very low level. Housing inventory has been subdued for almost the entirety of the current economic cycle.

In part, home prices are increasing more slowly because housing affordability has continued to erode. The mortgage payment for the median-





priced home has surpassed \$2,300 per month, which represents 36 percent of a typical family's income. With a down payment of less than 20 percent – which is becoming increasingly



common – payments would be even higher. By the end of 2018, fewer than 30 percent of households could afford the median-priced home.

Median Single-Family Home Selling Price Selected California Counties

2018 - 2019

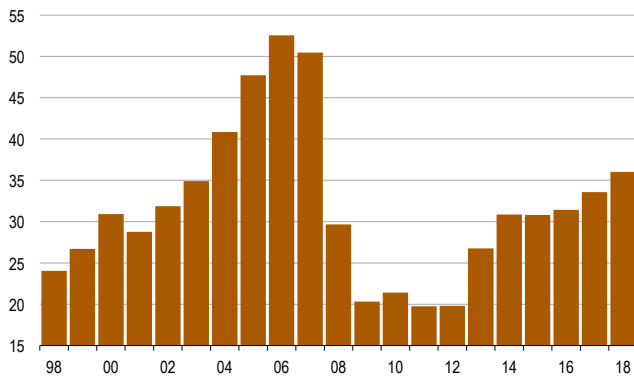
	January 2018 Sales	January 2019 Sales	% Change	January 2018 Median Price	January 2019 Median Price	% Change	% Change from Peak	% Change from Trough
Southern California								
– dollars –								
Inland Empire	2,588	2,172	-16.1	\$350,000	\$354,450	1.3	-9.0	135.0
Los Angeles County	2,508	2,153	-14.2	\$564,100	\$566,010	0.3	-9.9	127.4
Santa Clarita Valley	174	128	-26.4	\$591,200	\$605,300	2.4	-7.5	83.6
Orange County	989	858	-13.2	\$780,000	\$796,500	2.1	2.7	80.1
San Diego County	1,352	1,217	-10.0	\$590,000	\$610,000	3.4	-2.0	86.6
Ventura County	334	267	-20.1	\$660,720	\$615,000	-6.9	-13.5	71.0
Northern California								
Alameda County	464	482	3.9	\$840,000	\$826,000	-1.7	16.4	161.0
Sacramento County	1,102	872	-20.9	\$350,000	\$352,250	0.6	-10.7	118.7
San Francisco County	93	96	3.2	\$1,330,000	\$1,330,000	0.0	36.8	110.1
Santa Clara County	466	441	-5.4	\$1,170,000	\$1,185,000	1.3	37.0	166.3
California	32,536	28,421	-12.6	\$527,780	\$538,690	2.1	-9.4	119.7

Source: California Association of Realtors, Corelogic,
and the California Economic Forecast

ratio of mortgage
payment to median
family income

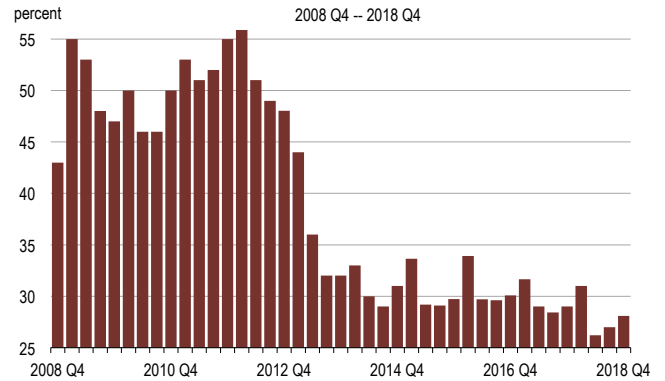
Mortgage Debt Service Ratio / California

1998 - 2018



Housing Affordability Index / California

percentage of households that can afford the median priced home



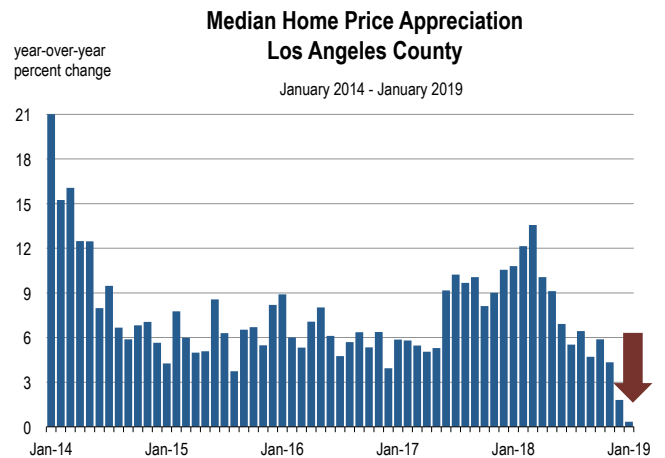
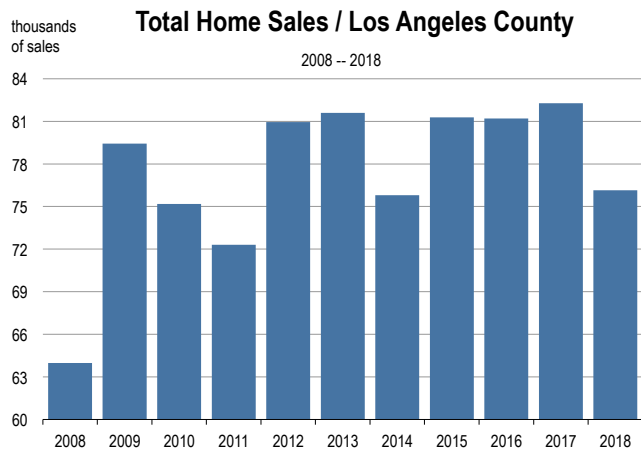
America's Housing Affordability Crisis Only Getting Worse



As the problem of housing affordability worsens across the country, higher-density development such as townhomes can open the door for many prospective home buyers. LEXINGTON HOMES

The nation's housing affordability crisis might very well come to a head this year with Not In My Backyard proponents facing off against the foot soldiers of the Yes In My Backyard movement.

Forbes, January 31, 2019, online

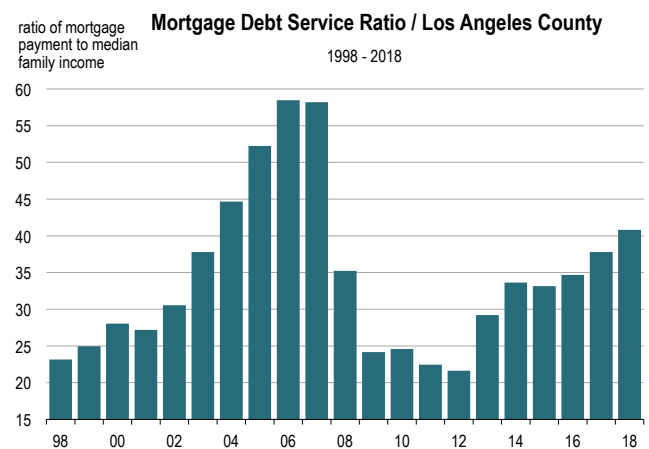
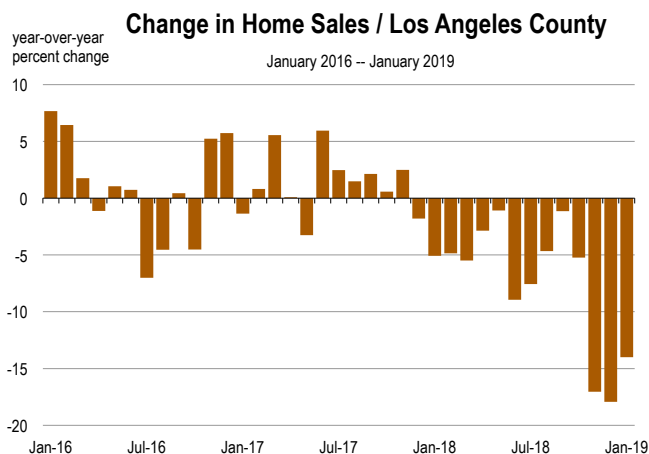
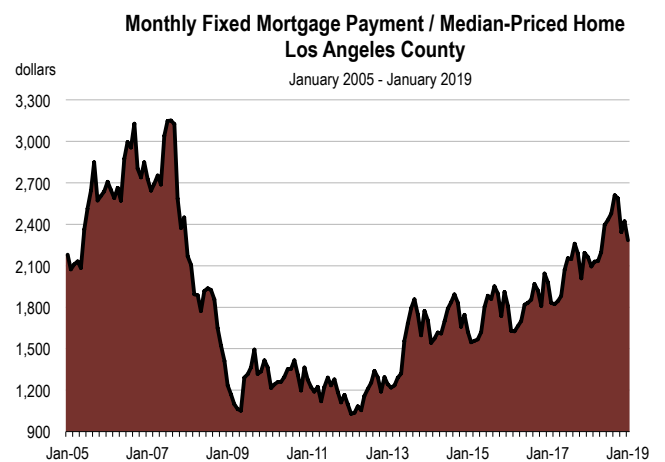


Los Angeles County

Home sales in Los Angeles County are declining sharply. On a year-over-year basis, sales were down by 18 percent in December and 14 percent in January.

Affordability continues to erode, with the typical mortgage payment exceeding 40 percent of median family income.

Home price appreciation has also stalled, with virtually no price gains in early 2019.

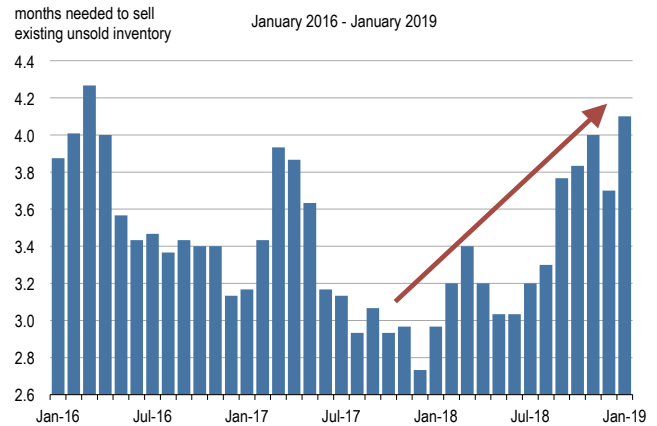


Throughout most of 2018, inventory levels were virtually unchanged. But the number of unsold units began to rise near the end of the year. By early 2019, unsold inventory represented 4.1 months of supply, substantially higher from the beginning of 2018 when the market had just 3.0 months of supply.

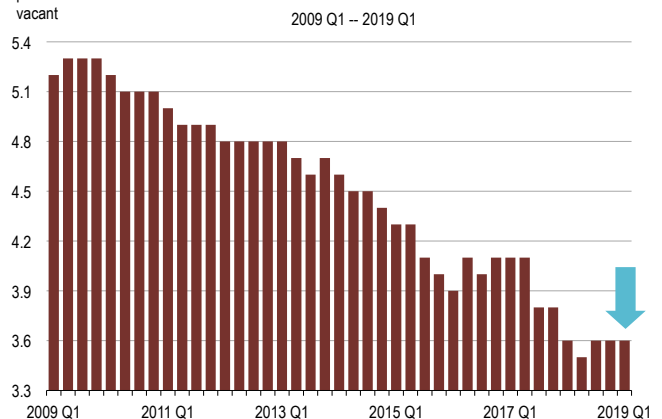
Apartment vacancy rates rose slightly in late 2018, but have held steady into 2019. In January 2019, 3.6 percent of apartments were vacant across Los Angeles County.

Average rental rates were rising by a 3.5 percent annual rate in mid 2018, but appreciation has now slowed to 2 percent. Average asking rents barely increased between 2018 Q3 and 2019 Q1. Countywide, the average asking rent was \$1,801 in January 2019.

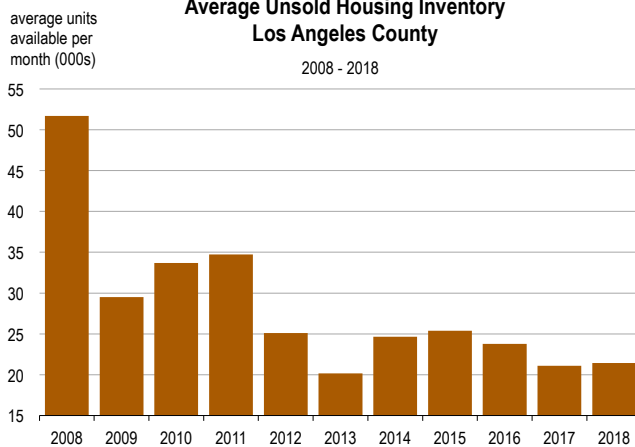
Months of Unsold Inventory / Los Angeles County



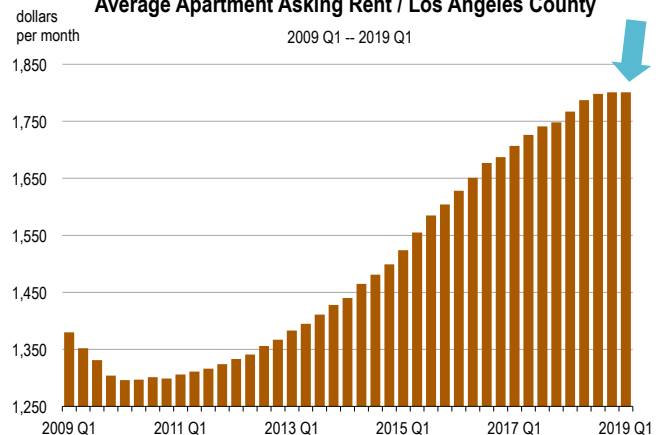
Apartment Vacancy Rate / Los Angeles County



**Average Unsold Housing Inventory
Los Angeles County**



Average Apartment Asking Rent / Los Angeles County



Santa Clarita Valley

Home sales in the Santa Clarita Valley are declining faster than most other parts of Southern California. As of January 2019, sales were falling at a 26 percent annual rate.

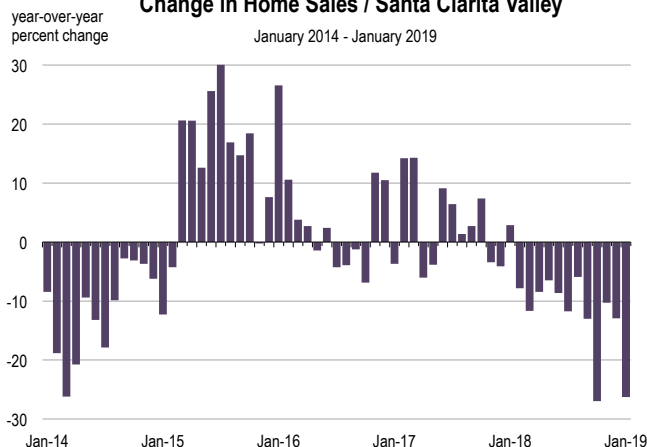
In January 2019, the median home price in the Santa Clarita Valley was \$605,300.

Like other parts of California, price appreciation has declined in recent months. Since late 2018, prices have been rising by 2 to 5 percent, with outright declines in December.

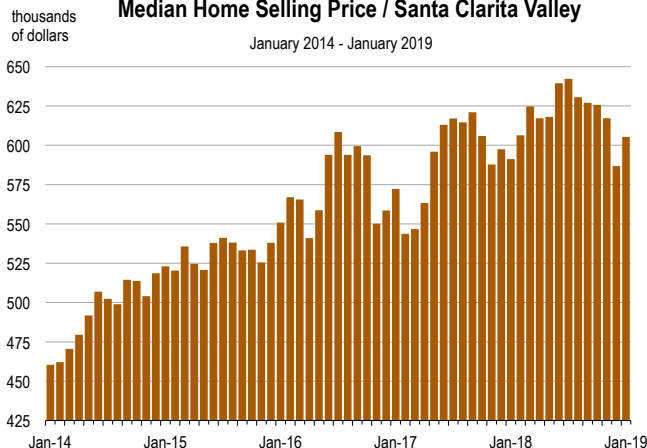
Compared to many parts of California and Los Angeles County, the Santa Clarita Valley has much more affordable homes for its resident population.

By early 2019, the standard mortgage payment on the median priced home was \$2,443, which represents less than 25 percent of median household income.

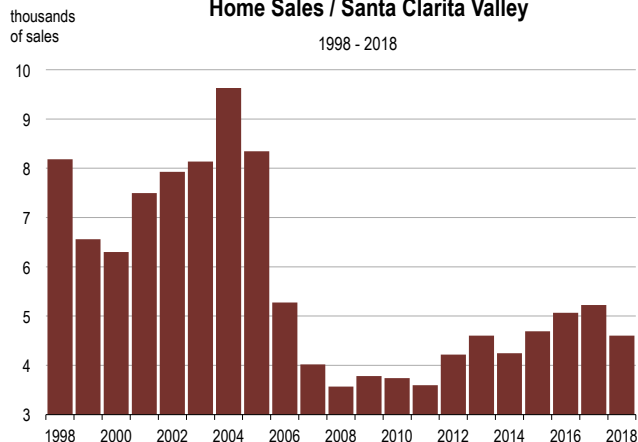
Change in Home Sales / Santa Clarita Valley



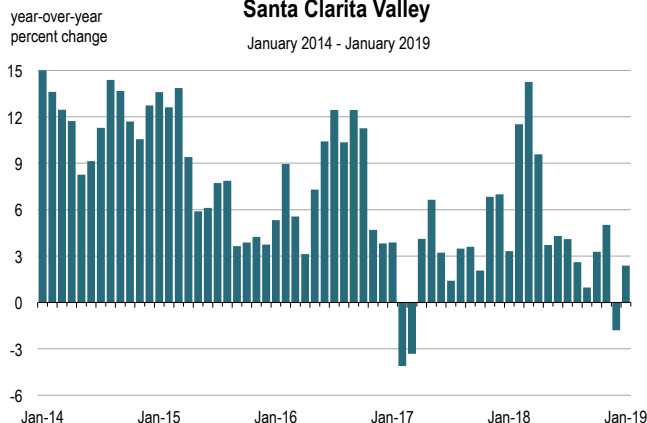
Median Home Selling Price / Santa Clarita Valley

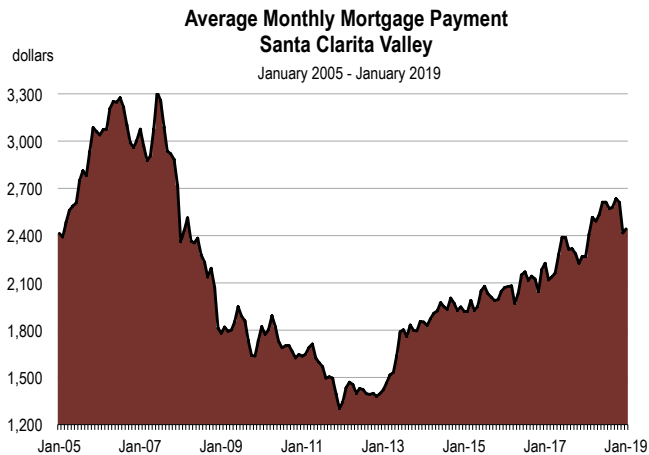


Home Sales / Santa Clarita Valley



**Median Home Price Appreciation
Santa Clarita Valley**

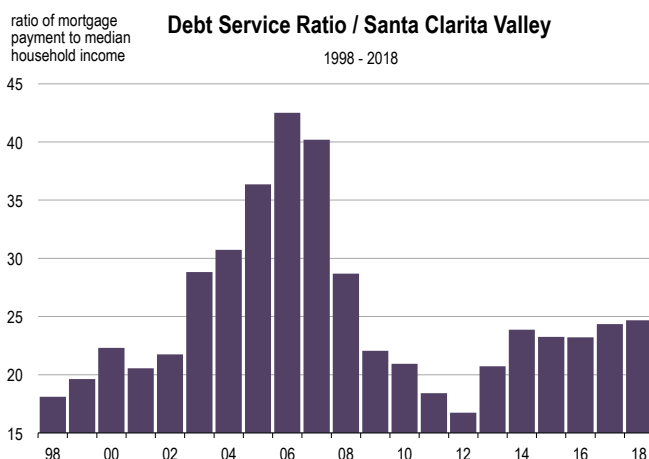
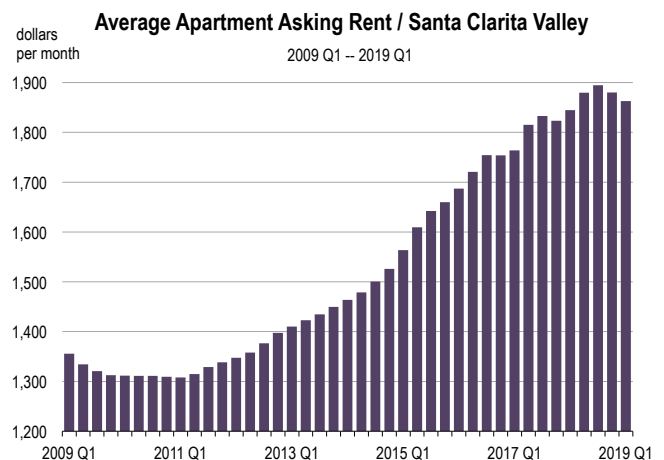
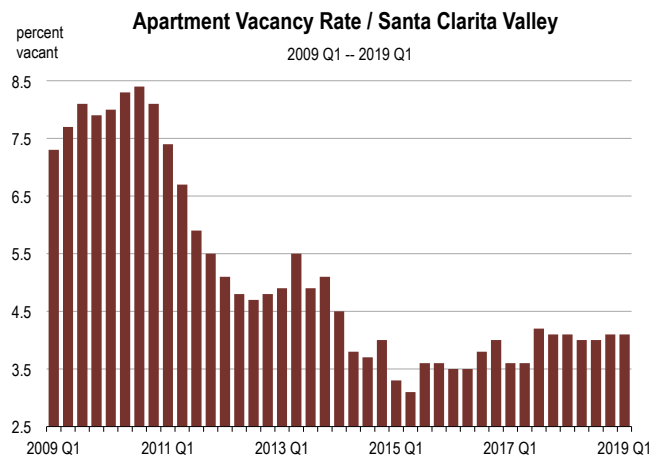




Because the Santa Clarita Valley has high incomes and moderately priced homes, many families can afford to live comfortably.

Apartment vacancy rates were flat throughout 2018. As of January 2019, 4.1 percent of all apartments in the Santa Clarita Valley were vacant.

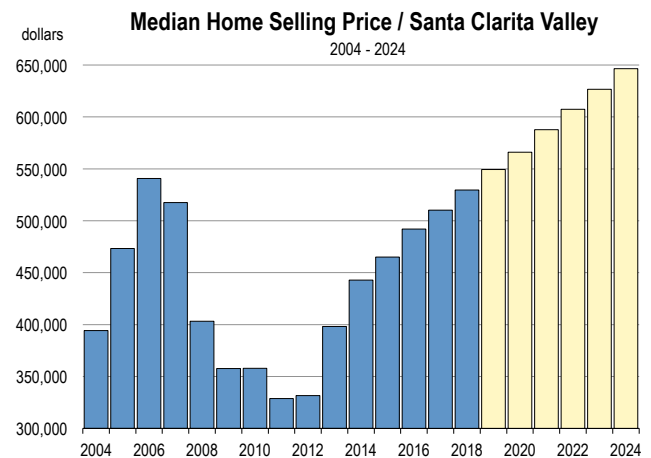
Average rental rates were rising by 3 to 4 percent during 2018, but rents began to decline in the fourth quarter, and are now just 1 percent higher than they were a year ago.



The Forecast

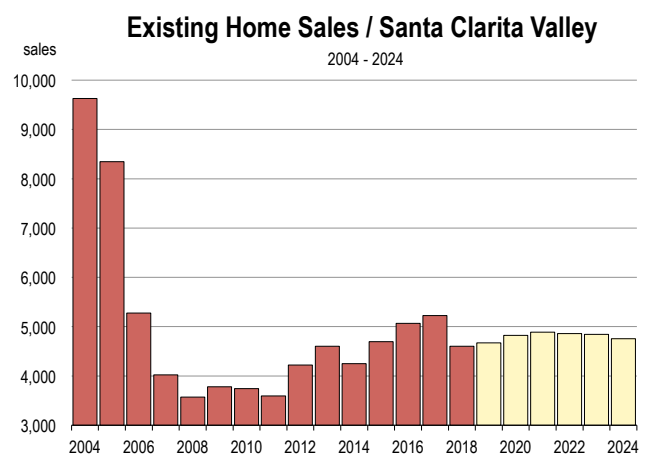
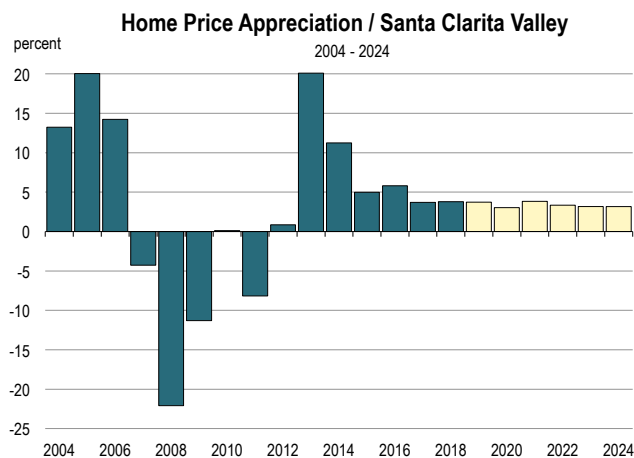
- Home prices will rise by 3 to 4 percent in the Santa Clarita Valley in 2019.
- Prices across California will appreciate by 4 percent to 5 percent.
- Mortgage rates will rise, contributing to higher housing costs in the Santa Clarita Valley and across the state.

- Home sales will increase imperceptibly between 1 and 2 percent in 2019.
- The typical mortgage payment will increase by 14 percent in 2019. Incomes will rise by a much smaller amount, causing housing affordability to deteriorate.
- However, homes in the Santa Clarita Valley will remain much more affordable than other parts of California, with Santa Clarita Valley households spending considerably less than the average family statewide.



Home Sales and Prices	Santa Clarita Valley		History 2014-2018		
	2014	2015	2016	2017	2018
Median Home Selling Price					
Santa Clarita Valley	-- dollars --				
current dollars	442,907	465,018	491,989	510,192	529,580
percent change	11.2	5.0	5.8	3.7	3.8
constant 2018 dollars	486,133	505,811	525,229	529,866	529,580
percent change	9.8	4.0	3.8	0.9	-0.1
California					
current dollars	449,399	476,992	500,856	537,708	571,175
percent change	10.4	6.1	5.0	7.4	6.2
United States					
current dollars	212,275	226,854	239,451	253,668	263,665
percent change	5.7	6.9	5.6	5.9	3.9
Existing Home Sales					
Santa Clarita Valley	4,247	4,693	5,068	5,226	4,604
percent change	-7.8	10.5	8.0	3.1	-11.9
Effective Mortgage Rates					
	-- percent --				
Southern California	4.2	4.0	3.8	4.2	4.8
Nation	4.2	3.9	3.7	4.0	4.6
Inflation					
	-- percent change in the consumer price index --				
Southern California	1.3	0.9	1.9	2.8	3.9
California	1.8	1.5	2.3	2.9	3.4
Nation	1.6	0.1	1.3	2.1	2.5

Source: California Economic Forecast, March 2019



Home Sales and Prices		Santa Clarita Valley				Forecast 2019-2024	
		2019	2020	2021	2022	2023	2024
Median Home Selling Price							
Santa Clarita Valley		-- dollars --					
current dollars		549,322	565,983	587,672	607,322	626,584	646,425
percent change		3.7	3.0	3.8	3.3	3.2	3.2
constant 2018 dollars		532,232	533,869	537,666	540,252	542,333	545,300
percent change		0.5	0.3	0.7	0.5	0.4	0.5
California							
current dollars		594,411	621,157	660,841	696,772	731,954	767,084
percent change		4.1	4.5	6.4	5.4	5.0	4.8
United States							
current dollars		266,665	275,464	291,085	302,301	314,078	325,759
percent change		1.1	3.3	5.7	3.9	3.9	3.7
Existing Home Sales							
Santa Clarita Valley		4,671	4,823	4,888	4,859	4,843	4,755
percent change		1.5	3.3	1.3	-0.6	-0.3	-1.8
Effective Mortgage Rates		-- percent --					
Southern California		5.6	5.7	5.6	5.6	5.6	5.6
Nation		5.5	5.7	5.5	5.5	5.5	5.5
Inflation		-- percent change in the consumer price index --					
Southern California		3.2	2.7	3.1	2.8	2.8	2.6
California		3.1	2.6	3.0	2.7	2.6	2.5
Nation		2.8	2.4	2.5	2.4	2.5	2.4

Source: California Economic Forecast, March 2019

Data sources for this chapter include the California Association of Realtors for housing prices, sales, and inventory for California and Los Angeles County; the Mortgage Bankers Association for mortgage rates; Corelogic for housing prices and sales for the Santa Clarita Valley; CoStar for apartment rental and vacancy rates; and the Bureau of Labor Statistics for inflation statistics.

COMMERCIAL REAL ESTATE

Employment



Office Market



Industrial Market



Retail Market

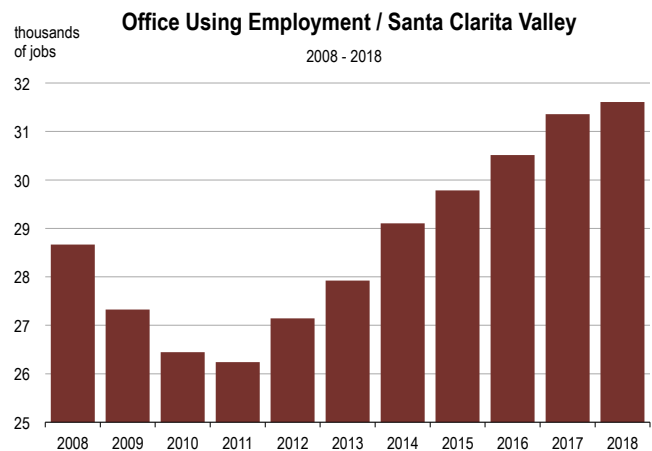
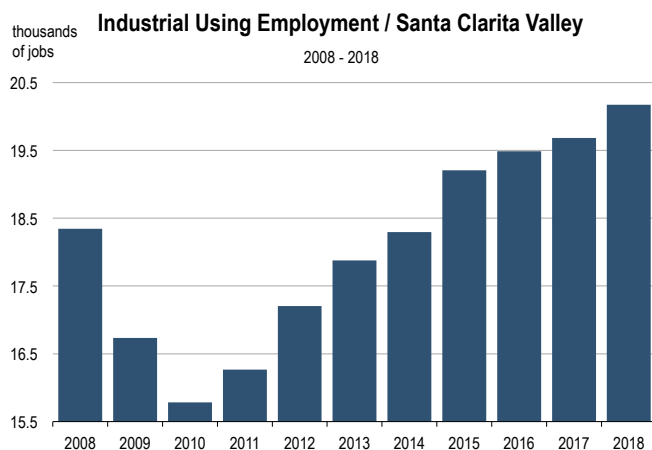


COMMERCIAL REAL ESTATE

Employment

In 2018, job growth in the Santa Clarita Valley was heavily concentrated in industrial-using industries. During the year, almost 500 new industrial-using jobs were created, and across the Valley there are now more than 20,000 positions that are set in an industrial environment.

However, the link between job growth and facility utilization is not as strong as it used to be. As logistics, research, and other industrial functions become increasingly automated, firms are occupying more space with fewer workers. This is especially true of the Santa Clarita Valley, where much of the industrial landscape is



comprised of high-end research, development, and manufacturing functions.

Job growth in the office-using sectors was relatively sparse in 2018. The Santa Clarita Valley economy created only 250 new office-using jobs, which represents a slowdown from the 2015-2017 period when 650 to 850 jobs were generated each year.

Office-using industries were affected by downsizings in several corners of the labor market, including the administrative support industry and the information sector. At the same time, growth was relatively slow in financial services, technical consulting services, and management services.

The Office Market

Richard Ramirez

Vice President

CBRE – Advisory and Transaction Services

2018 In Review

The SCV Office Market opened 2018 with a steadily strengthening trend and wrapped the year in the same way. After a strong 2016 saw vacancy fall below 9 percent for the first time since before the Great Recession, 2017 remained stable at 8.8 percent and 2018 followed at 8.6 percent. With sub-10 percent vacancy, we've seen a generally healthy market running short on options, especially for new buildings and large contiguous blocks of space.

Though 2018 saw continued strong activity with multiple corporate HQ expansions within the Santa Clarita Valley, typical migration from the San Fernando Valley was slow due to a lack of standing inventory and significant construction on Interstate 5. Though free rent, moving and improvement allowances are available, market wide tenants are seeing less concessions than years past with asking rates climbing for prime product.

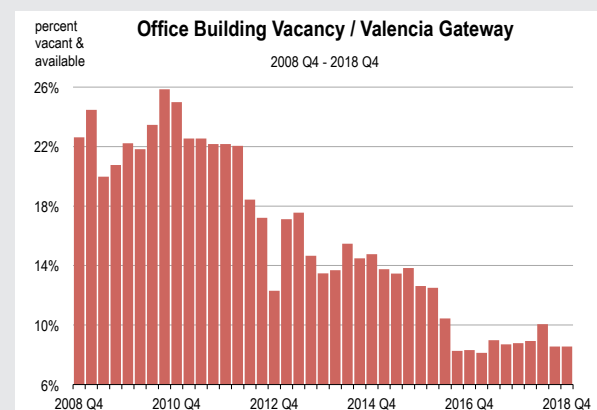
With higher pressure on pricing, one major trend we've seen is office occupiers do more with less by employing space saving concepts like hoteling and unassigned workstations, going paperless, cloud server

file storage and open floor plans. To attract today's space efficient office user, we're seeing renovation dollars go into common area upgrades and on-site project amenities as only a few new projects are finally coming out of the ground since the 2008 building cycle.

Current State of the Market

Approaching the end of the first quarter of 2019, the SCV Office Market remains strong. As in years past, the market for 1,000 to 5,000 square foot facilities constitutes a bulk of market inventory, though both Class A and Class B markets have continued to tighten.

With Class A vacancy at 6.86 percent, options have become significantly limited especially in larger size ranges. On the Class B side, vacancy is just over 11 percent but is expected to drop to approximately 8 percent once a single user deal, which is currently in escrow, closes in East SCV.



Low vacancy and inventory is putting pressure on pricing with rates near or past peak.

That said, there are still deals to be had, especially in the 1,000 to 5,000 square foot range. For any credit company willing to sign a 5 year lease, most landlords will overhaul the space to fit your exact needs and throw some additional incentives at the deal. If existing layouts work and only carpet and paint are needed, free rent is on the table. For landlords, the race is on to renovate, innovate and compete for more savvy, space-efficient tenants. Executive suite operations and flex work spaces continue to put pressure on the office market to remain forward thinking and meet the more particular needs of today's workforce.

Though recent construction on Interstate 5 has dissuaded some tours and potential relocations from the San Fernando Valley, we see positive market drivers, locally and regionally, that will push trends in the same direction as years past.

Two new developments are about to reach completion – Logic Federal Credit Union's 170,000 square foot project within Valencia Commerce Center, and Vista Canyon's first office building, a 57,000 square foot Gensler designed cornerstone of Vista Canyon Town Center East. Both will be available for lease in April 2019.

The largest contiguous existing available block of space in Valencia totals just over 51,000 square feet at Valencia Corporate Plaza (for lease or sale).

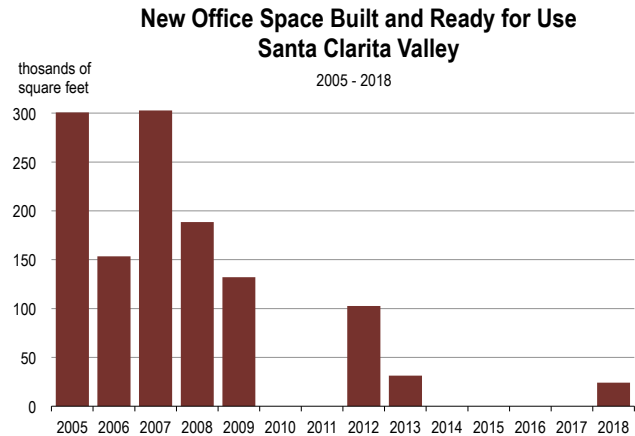
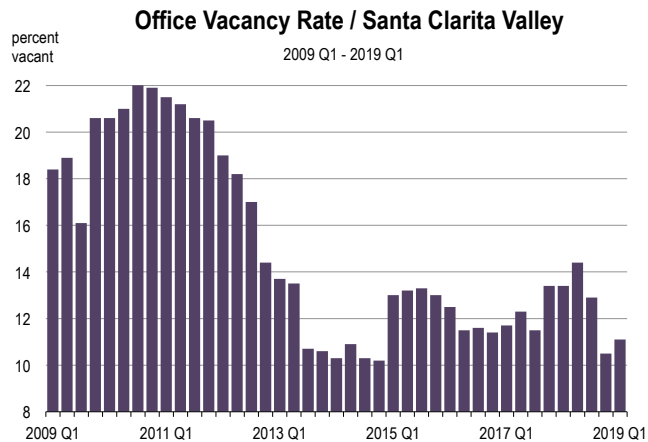
Tourney Medical and Professional Building, which contains 46,000 square feet of space, is underway with site work and is slated for delivery in the first quarter of 2020.

2019 Forecast

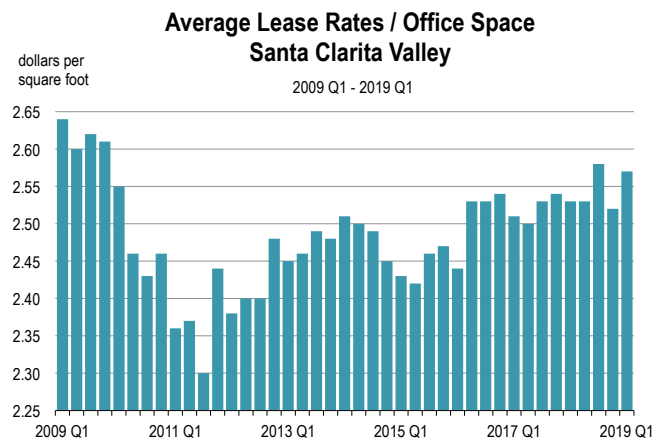
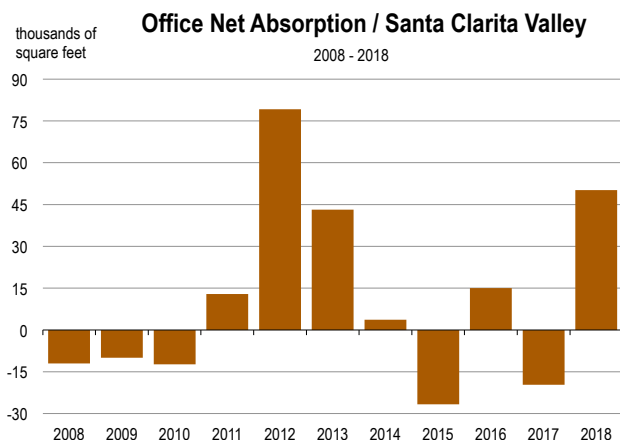
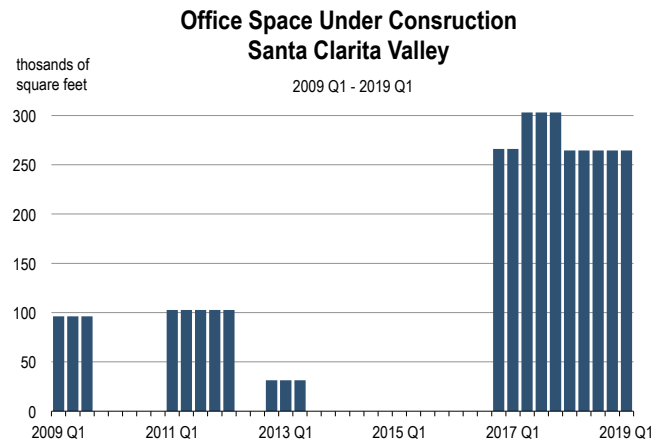
Looking ahead, a lack of recent and new construction will continue to incentivize creative and efficient solutions for work space.

Look for renovated projects and future developments to offer a new class of amenities including personal assistance, concierge, valet and more.

Concurrently with the introduction of those amenities and state-of-the-art features, expect asking rates to exceed previous market highs both in existing and new product. As the regional economy continues to strengthen and freeway construction ends, anticipate further absorption, downward pressure on vacancy and state of the art speculative development in future years.



- Across the Santa Clarita Valley, office vacancy rates are tightening. As of the first quarter of 2019, 11.1 percent of space was vacant.
- Net absorption jumped in 2018, as more than 45,000 square feet of net space was absorbed. Almost 90 leases were signed, with particularly strong activity in the second and third quarters.
- Virtually no new office space has hit the market since 2012, but three new buildings are under construction. Upon completion, these facilities will deliver more than 300,000 square feet of capacity.
- Lease rates continue to climb, and are now above \$2.55 per square foot.



The Industrial Market

Craig Peters

Executive Vice President

CBRE – Advisory and Transaction Services

2018 In Review

In 2018, the Santa Clarita Valley continued to set the pace as one of the strongest industrial markets in Los Angeles County with over 2.11 million square feet of transactions completed. Over the past 9 years, the area has shown strong positive absorption with nearly 16.7 million square feet of lease and sale transactions consummated.

Historically, the biggest constraint was the lack of available supply in the area. The supply problem is being addressed with several new developments under construction and planned in the Santa Clarita Valley.

Several new developments broke ground in 2018, and these projects will add much needed supply in 2019 including:

- The Center at Needham Ranch, which broke ground on its first phase of three buildings totaling over 430,000 square feet and ranging in size from 67,639 square feet to 212,236 square feet. Buildings will be completed in the second quarter of 2019.
- Ground Up Properties, which broke ground on two buildings totaling 83,201 square feet and will offer industrial and showroom spaces from 2,507 square feet to 50,930 square feet.

- IAC Commerce Center, which broke ground on a 216,320 square foot building.

Significant transactions in 2018 were dominated by the entertainment industry and indicative of the strong demand for production space by content providers. Several large transactions were observed including:

- Lease of 142,392 square feet in Valencia Industrial Center by Triscenic Studios.
- Lease of 109,379 square feet in the Valencia Industrial Center by Santa Clarita Studios.
- Several other smaller entertainment industry leases by companies such as Amazon Studios, Attraction Services, Scenic Expressions and other studio operators.

However, activity wasn't just limited to entertainment. Core industries in the area continued to expand such as:

- Nutritional supplements manufacturer, Lief Organics, lease of a 111,935 square foot building in Valencia Commerce Center.
- Baby products company, Unconditional Love dba Hello Bello, lease of a 60,812 square foot space in the Valencia Commerce Center.
- Cosmetics manufacturer, Dream Team Beaute, lease of a 54,304 square foot space in the Valencia Commerce Center.

Current State of the Market

The recent completion of several new developments, coupled with several second-generation buildings coming on the market, has increased the vacancy rate. Still, availability will continue to be a key constraint, particularly in the smaller size ranges under 40,000 square feet. And a significant supply and demand imbalance exists for buildings offered for sale, as low interest rates and substantial ownership benefits continue to drive many companies to want to buy.

Overall demand from our primary industry clusters is strong with companies actively

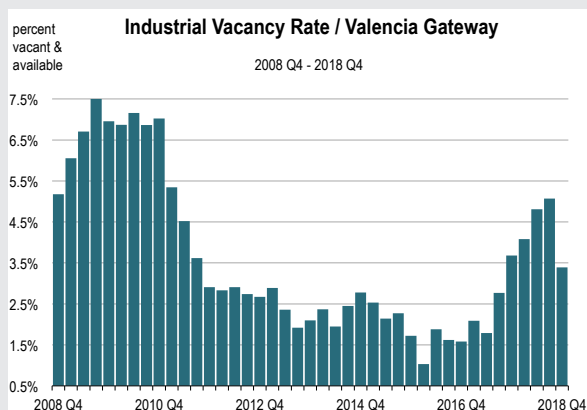
considering over 4.1 million square feet of space in the Santa Clarita Valley. Leading the demand continues to be the Entertainment Industry followed by E-Commerce, Aerospace and Defense and Consumer Products.

2019 Forecast

While certain headwinds exist at both the State and Federal levels, we continue to be optimistic for 2019. Demand for space should continue to outpace the limited supply being created and interest rates should remain relatively low.

Demand generation is expected to come from many of the same sources as in 2018.

- Content creators searching for stage space and support facilities within the Thirty Mile Zone will drive further growth of the Entertainment Industry in the SCV.
- Federal budget expenditures on the military will drive Defense Industry expansion including several key programs in the region.



- E-commerce will continue its march to change the way we shop, and in doing so, will fill up a lot of warehouse and distribution space.

In addition to the developments under construction mentioned earlier, several additional new industrial developments are slated to break ground in 2019 including:

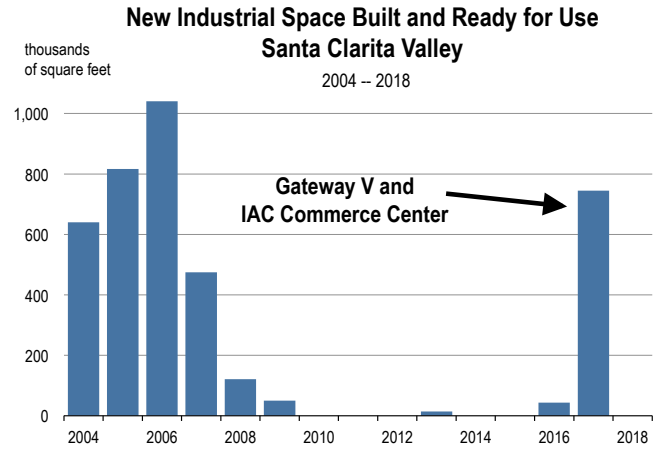
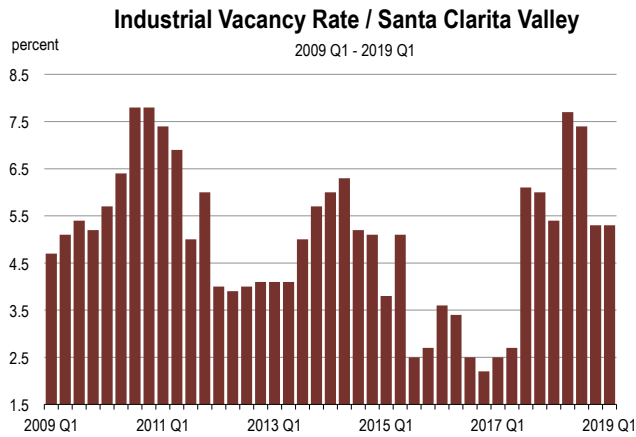
- The Center at Needham Ranch will break ground on its second phase totaling over 453,000 square feet of new industrial buildings ranging in size from 35,664 square feet to 194,188 square feet.
- Rexford Industrial Trust will commence construction on a new building in the Valencia Commerce Center, on Avenue Paine, of approximately 115,000 square feet in the second quarter of 2019. The building will divide to units as small as 20,000 square feet.
- Southern California Innovation Park is scheduled to commence construction on a new building of approximately 136,990 square feet in the third quarter of 2019,

offering units from 35,000 square feet to 55,000 square feet for lease or sale.

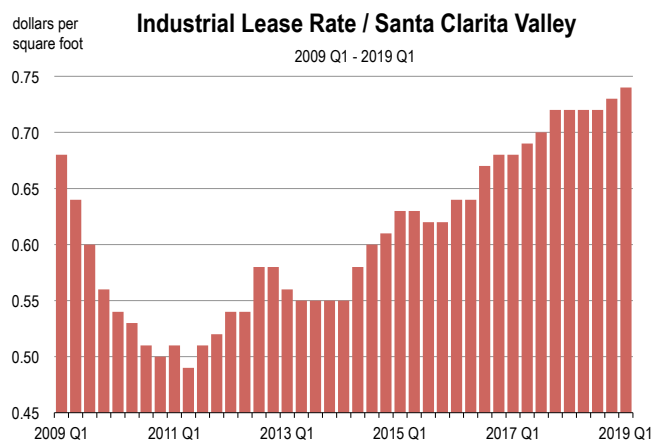
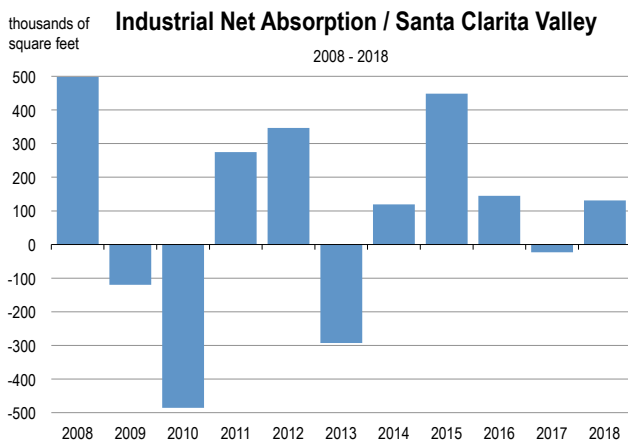
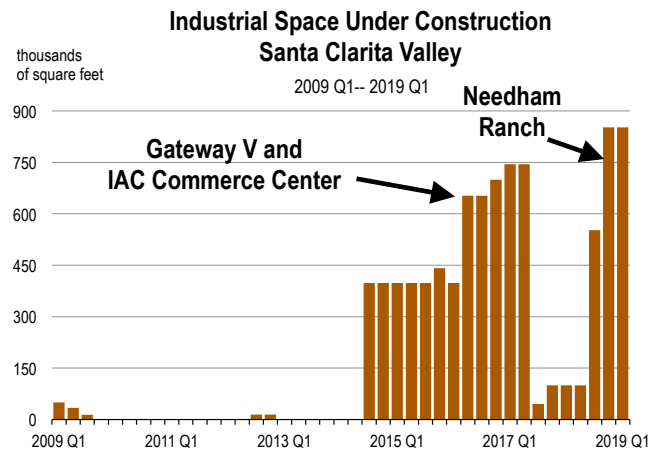
Still, these new projects will accommodate only a portion of the current demand, which will put further upward pressure on lease rates and sale prices.

Supply shortages, particularly for buildings offered for sale and for smaller spaces (less than 40,000 square feet), will continue in 2019.

We anticipate a high level of competition for these type of facilities which will put upward pressure on pricing. Companies are cautioned to start their search for space early as the increased competition for space and lengthy permitting and construction time need to be considered.

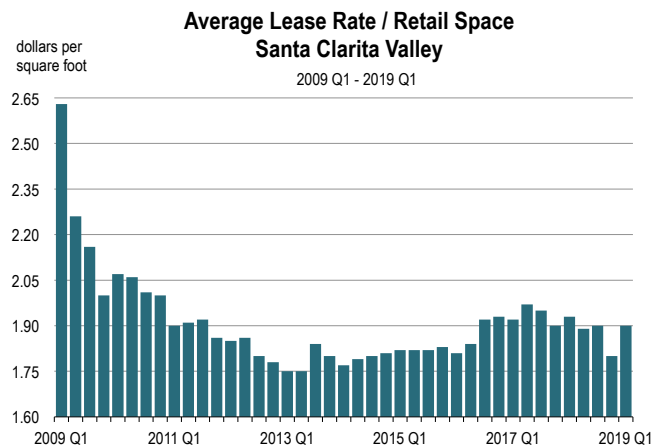
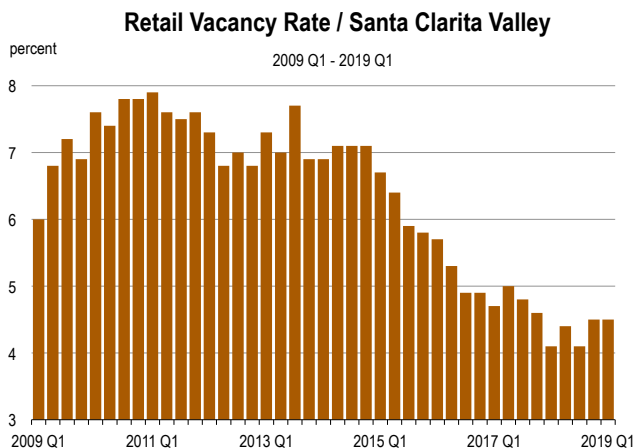
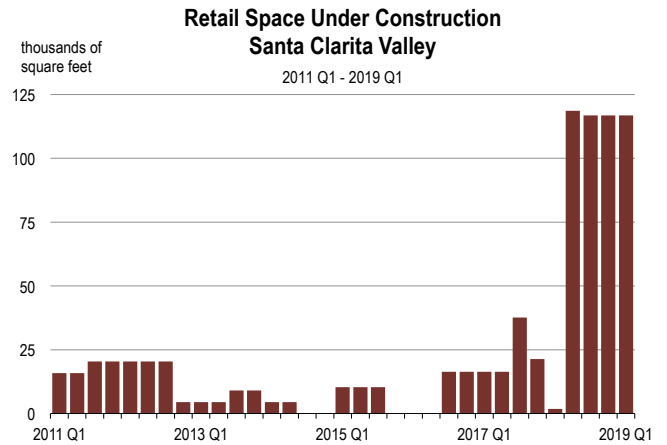
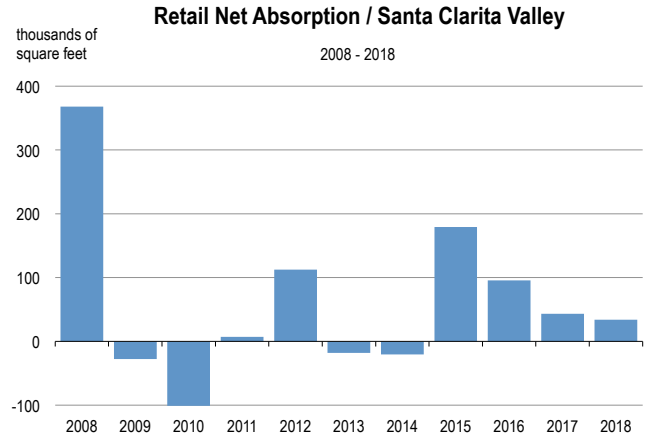


- Across the Santa Clarita Valley, industrial vacancy rates have been elevated for more than a year.
- Vacancy rates are high because construction was completed on Gateway V and IAC Commerce Center, which increased the market base by more than 700,000 square feet.
- Industrial space continues to be absorbed, but the market base will expand further when Needham Ranch is completed. This might cause vacancy rates to rise again.
- Lease rates have been increasing for several years, and are now approaching \$0.75 per square foot.



The Retail Market

- Vacancy rates in the Santa Clarita Valley retail market are now exceptionally low. As of early 2019, 4.5 percent of the market base was vacant.
- Construction activity has been minimal for years, with only 79,000 square feet of space being competed between 2010 and 2018. But new projects have now broken ground and more than 100,000 square feet of space was under construction in the first quarter of 2019.
- Net absorption has been low, with only 34,000 square feet of net space being absorbed in 2018.
- Lease rates haven't changed much over the last seven or eight years. The average lease rate in early 2019 was \$1.90 per square foot.



NEW DEVELOPMENT

Residential Development



The Status of New Residential Project Entitlements



Residential Project Entitlements



Commercial and Industrial Development



Commercial and Industrial Entitlements



The Forecast



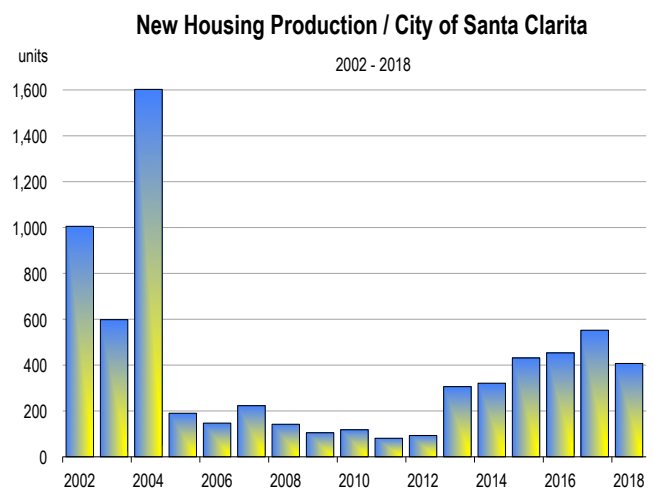
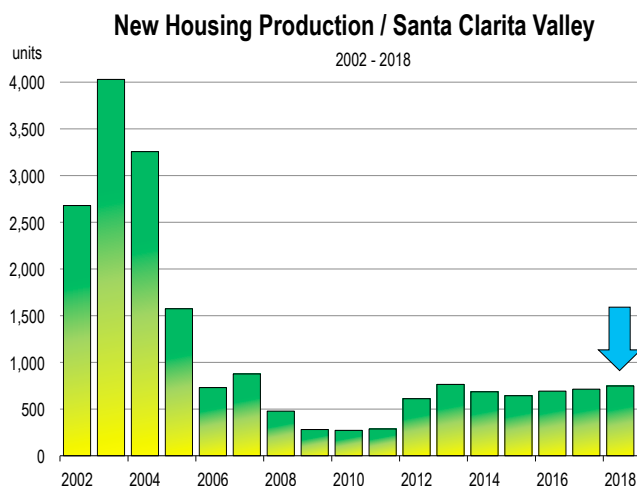
NEW DEVELOPMENT

Residential Development

Santa Clarita Valley

During 2018, a total of 747 residential units were authorized through the permitting process in the greater Santa Clarita Valley. This includes both the city and unincorporated area. The 2018 level of housing was the highest since 2013, but substantially below the peak home building years of 1995 to 2005 when the region averaged 2,544 new housing starts per year.

About half of all new housing permits in the Valley occurred within the city limits of Santa Clarita. A total of 339 single-family homes were started, along with 68 multifamily units.



The Status of New Residential Project Entitlements

Santa Clarita Valley

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

There are 9,165 units in projects that are under construction, and 3,465 units in projects that are seeking approval but have not yet been entitled. There are also 22,698 units in projects that have been approved but have not yet broken ground. The majority of these units are in the Newhall Ranch project.

New Residential Units Permitted		Santa Clarita and San Fernando Valleys							2008 - 2017	
City	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
---- units permitted ----										
City of Santa Clarita										
Single-Family Units	75	98	81	93	306	290	320	401	413	339
Multifamily Units	30	20	0	0	0	31	111	52	139	68
Total Units	105	118	81	93	306	321	431	453	552	407
Unincorporated Santa Clarita Valley										
Total Units	176	154	206	518	458	364	212	239	161	340
Santa Clarita Valley										
Total Units	281	272	287	611	764	685	643	692	713	747

Source: CIRB, The Siracusa Company, and the California Economic Forecast

Newhall Ranch

Grading and construction of roads, utilities and other infrastructure components is now underway at Newhall Ranch, among the largest mixed-use master planned communities in California. The developer is FivePoint.

At build out, the project will include approximately 21,242 homes and approximately 11.5 million square feet of commercial, retail, industrial and public space on the westside of the Santa Clarita Valley.

The project is expected to create 74,000 permanent jobs in a variety of industries, including biotech, entertainment, healthcare, manufacturing and aerospace. Thousands of additional jobs will be created during construction and the total economic output for Los Angeles County over the life of the project is estimated at \$21.3 billion, according to the Los Angeles Economic Development Corporation.

FivePoint began grading the Mission Village portion of the project in late 2017, and continued grading and installing infrastructure

New Development Summary Santa Clarita Valley		Total Residential Units in Principal Projects		March 2019
	Total Units	Units Approved in Projects not Under Construction	Units in Projects Currently Under Construction	Units in Planning but not yet Entitled
Santa Clarita Valley				
Santa Clarita	8,043	3,685	2,206	2,152
Unincorp. LA County	27,267	18,995	6,959	1,313
Total	35,310	22,698	9,165	3,465

Sources: The City of Santa Clarita and The California Economic Forecast

SANTA CLARITA LOS ANGELES AFFORDABLE HOUSING LOS ANGELES DEVELOPMENT

Huge Newhall Ranch development in Santa Clarita Valley will bring 21,500 units to LA County

"Helpful, but not curative" for LA's housing crunch

By Bianca Barragan | Jul 24, 2017, 11:39am PDT

The largest housing development in Los Angeles County is gearing up to bring 21,500 units to the Santa Clarita Valley over an approximately 20 year period. But it won't make a big dent in the housing crisis, experts tell [KPCC](#).

The project will bring a mix of housing in the form of single-family homes, condos, and apartments, with about 10 percent, or more than 2,000, of the units priced at below-market rates. But LA is working with a housing dearth of at least 500,000 units.

So even though this is a massive development, it will "certainly be helpful, but not curative in any sense," Stuart Gabriel, director of the UCLA Ziman School for Real Estate, tells the radio news station.

Source: Curbed Los Angeles, July 24, 2017, online

in 2018. Mission Village will contain up to 4,055 residential units and 1.5 million square feet of mixed-use commercial space, along with an elementary school, fire station and public library. Land sales to builders could occur in late 2019 and home sales could begin as early as 2020.

RiverVillage

RiverVillage (approximately 1,100 homes) is located east of Bouquet Canyon Road and north of the Santa Clara River in the City of Santa Clarita. Additional areas of River Village are still yet to be developed and are currently planned for attached product on the north side of Newhall Ranch Road.

As of early 2019, the project is well under construction. The project is composed of 4 land

areas: A, B, C, and D. Areas A, B, and C are complete. Area D, consisting of 184 multi-family units over 32 acres, received approval August 21, 2018. Construction is currently underway and is expected to finish in late 2020.

Aliento (Golden Valley Ranch)

The Golden Valley project is now being developed by TRIPointe Homes on Golden Valley Road, south of the Antelope Valley Freeway. The project is separated into five single-family detached neighborhoods and a senior restricted neighborhood, totaling 495 units. The project also includes two recreation centers, one trailhead park, and 900 acres of open space.

Of the 495 single-family units, 95 will be age qualified. Model homes are in place and the first phase has sold out. Construction is underway, with completion anticipated in July 2020.

West Creek/West Hills

West Creek and West Hills, a 2,444 home community, is located on the west side of San Francisquito Creek and north of Decoro Drive. In November 2016, the West Creek and West Hills communities were annexed into the City of Santa Clarita. Most of the development has been completed, with 50,720 square feet of commercial space and 88 more residential units remaining to be built.

Five Knolls

Five Knolls is a 494-unit project located at the intersection of Newhall Ranch Road and Golden Valley Road. Its primary developer is Brookfield Homes, while additional builders include Christopher Homes, TRI Pointe Homes, Meritage Homes, and KB Homes. Most subdivisions have all been completed.

The last phase of development consists of a 140-unit age-qualified community by CalAtlantic. It was approved in June 2016 and is currently under construction, with completion anticipated in late 2019 or early 2020.

Vista Canyon

The 185-acre Vista Canyon project is located west of the intersection of Sand Canyon Road and State Route 14 in the City of Santa Clarita. The land use plan includes four primary components: a town center, a corporate office campus, a transit station, and surrounding residential neighborhoods. The “town center oriented project” will be comprised of retail shops, restaurants, entertainment, parks, trails, and residential neighborhoods. Plans call for 1,100 residential units and 950,000 square feet of commercial space.

Phase 1 is currently under construction and is being contracted to JPI Construction, with complete buildout anticipated by 2023.

Whittaker Bermite

The Whittaker Bermite project is entitled for 1,244 single-family and 1,667 multi-family units. The plan also includes 407 acres of open space and 42 acres of recreational space.

The city of Santa Clarita is requiring that the developers fully remediate the site prior to development. The project was approved in 1995, and the development agreement is set to expire January 1 2021, though the specific plan will remain in place.



Luxury apartments set for Vista Canyon

December 22, 2017, 2:00 pm 0 Comments Signal Staff

JPI, a national developer of multifamily homes, will be building luxury apartments at Vista Canyon, a project by JSB Development under construction in Santa Clarita.

The 13.08-acre, 480-home resort-style development is the first multifamily complex in Vista Canyon's centralized town square and will feature floor plans in studio, one, two and three-bedroom designs.

Source: *The Signal*, December 22, 2017, online

The site is currently being remediated in coordination with the Whittaker Corporation and the Department of Toxic Substances Control. It is estimated that all soil remediation will be completed prior to 2020. Cleanup of the contaminated groundwater beneath the site will be an ongoing, long-term pump and treat process which will potentially require over 20 years to fully complete. There is no timeline for development post clean up.

Castaic

Los Valles

Los Valles is located on a 430-acre parcel just north of Hasley Canyon Road, east of the intersection with Del Valle Road. Los Valles is planned to be an upscale residential community consisting of 497 single family homes with approximately five miles of pedestrian trails, over 200 acres of open space, and a large park that will be open to the public.

A large portion of the property was graded between 2006 and 2008 pursuant to the existing approvals for a golf course development, and it remains in this partially developed condition today.

The project went under review in April 2018 as concerns were raised regarding water supply and sewage development. Revised plans submitted by developer iStar inc. are under review.

Northlake

The Northlake project, which is being developed by Northlake Associates, LLC, is located just north of Valencia in unincorporated Castaic. It is situated on approximately 1,330 acres and is approved for up to 3,150 homes, 9.2 acres of commercial development, and 13.9 acres of industrial development

Plans call for development in two phases. Phase one will consist of 1,974 units (588 single family homes and 1,041 multi-family units, and 345 senior units), 9.2 acres of commercial development, and 13.9 acres of industrial development. Phase 2 will have 1,176 single-family units and an elementary school. Phase 1 of the project received approval September 2018.

Tapia Ranch

Tapia Ranch, owned by DACA Castaic LLC and represented by JMP Development LLC, is located just east of Interstate-5 in Tapia Canyon. This project is planned for 405 units with an average lot size is 8,665 square feet. The community will also contain many miles of trails and outdoor public space.

On January 2019, the Los Angeles County rejected the developer's latest plan revisions, citing concerns over public works, parks, fire concerns and public health. Project plans are currently undergoing further revision.

Saugus

Skyline Ranch

Skyline Ranch is located on a 450-acre site between Sierra Highway and Whites Canyon Road, and south of Vasquez Canyon Road. The project is composed of 1,220 single family lots, an elementary school and public park lands. Of the 1,220 homes, 290 will be dedicated to a community for residents aged 55 and older.

Skyline Ranch is being developed by Pardee Homes. Grading was completed in late 2018, and vertical construction is currently underway.

Principal Residential Projects in the Santa Clarita Valley by City and/or Town March 2019

Project Name	Units to be built	Description	Project Status
Santa Clarita			
Whittaker Bermite	2,911	1,244 SFH and 1667 MFU	Approved; Long Term Land Remediation
Vista Canyon	1,100	Single Family Homes	Under Construction
Princessa Crossroads	925	Multi Family Homes	Under Review
Sand Canyon Plaza	580	Apartments / Townhomes / Condos	Approved
Aliento (Golden Valley Ranch)	495	Mixed Residential / Senior Units	Under Construction
Bouquet Canyon Project	461	Single Family Homes / Townhomes / Bungalows	EIR Process
Ravello / Placerita Ranch	322	Single Family Homes	Planning Review
RiverVillage Area D	184	Multi Family Homes	Under Construction
Park Vista	182	Single Family Homes	EIR Process
Galloway Senior @ Five Knolls	140	Age Restricted Units	Under Construction
Mancara at Robinson Ranch	109	Single Family Homes	Planning Review
Dockweiler 21	96	Condos	Planning Review
Dentec	95	Residential Units	Approved, On Hold
Avanti @ Westcreek	92	Single Family Homes	Under Construction
West Creek/ West Hills	88	Mixed Residential	Under Construction
VTC Square	60	Mixed Residential	Under Construction
Newhall Crossings	47	Multi Family Homes	Under Construction
TMC Residential	42	Single Family Homes	Approved, On Hold
Ted Robinson	40	Single Family Homes	Pending
Canyon Brook	35	Single Family Homes	Approved
Sand Canyon Estates	22	Single Family Homes	Approved, No Action
8th Street Subdivision	17	Single Family Homes	Under Review

Unincorporated Northern Los Angeles County

Newhall Ranch	21,242	Mixed Residential	Grading for Mission Village
Northlake	3,150	Mixed Residential	Approved
Skyline Ranch	1,220	Single Family Homes	Under Construction
Los Valles	497	Single Family Homes	Under Review
Tapia Ranch	405	Single Family Homes	EIR Process
Plum Canyon Master	411	228 Single Family Homes / 183 Apartments	Under Review
Canyon Heights	157	Single Family Homes	Under Construction
Aidlin Hills	102	Single Family Homes	Grading
Canyon Crest	83	Single Family Homes	Under Construction

Sources: City of Santa Clarita and The California Economic Forecast

SFH: Single Family Homes, MFU: Multifamily Units, TH: Townhomes

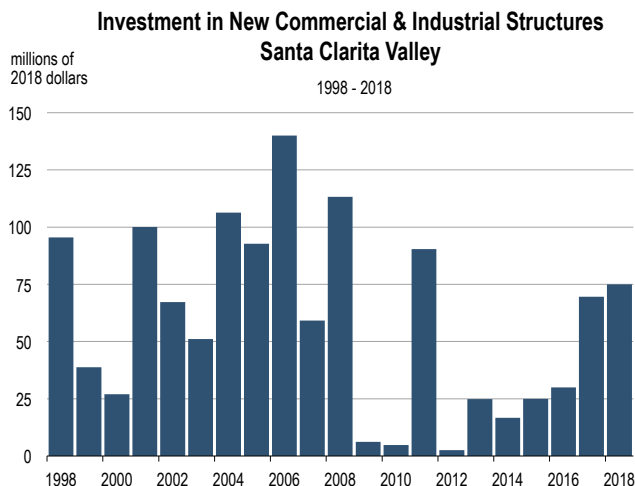
Commercial and Industrial Development

Santa Clarita Valley

A total of \$75 million in new commercial and industrial structures was started in 2018, the highest level since 2011.

There was an increase in investment in hotels, amusement, industrial building and hospitals. The new Patient Tower at Henry Mayo is now underway. The 42 room Luxen hotel on Railroad Avenue broke ground in November and is scheduled to be completed in 2020.

When investment in new structures is combined with renovations of existing structures, total nonresidential permit valuations reached \$94 million during 2018. In 2017, the total just eclipsed \$100 million, but last year's development included more new structures.



Commercial and Industrial Entitlements

Santa Clarita Valley

The Santa Clarita Valley now has 24.6 million square feet of space in its commercial and industrial development pipeline. Approximately 17.1 million square feet are in commercial projects, while the remaining 7.5 million square feet are in industrial projects.

Most of the region's pipeline is in projects that have been approved, and more than a third of all space is under construction.

New Commercial and Industrial Development Summary March 2019

Industrial & Commercial Square Feet in Principal Projects

	— square feet —		
	Pending	Approved	Total
Commercial	1,083,000	16,065,436	17,148,436
Industrial	0	7,480,150	7,480,150
Total	1,083,000	23,545,586	24,628,586

Summary Status of Commercial & Industrial Development

	— square feet —
Under construction*	9,721,836
Approved/not under construction	13,823,750
In planning (not yet approved)	1,083,000

* Total planned square feet in all projects that have started construction

Source: California Economic Forecast

There were 13.8 million square feet of space in projects that were approved but not yet under construction, with Newhall Ranch accounting for the bulk of this space. There were also 1.1 million square feet of space in projects that are still seeking approval.

Henry Mayo Newhall Memorial Hospital Expansion

Henry Mayo Newhall Hospital is adding a new patient tower with a helipad, as well as an underground parking structure to its Valencia campus location. The \$151 million, 6-story patient tower broke ground in October 2016 and will increase bed capacity by up to 142, adding about 160,000 square feet.

The expansion is all a part of the hospital's 15-year master plan that was approved by the City of Santa Clarita. Construction is ongoing, and the tower is expected to open in Spring 2019.

A revision has also been proposed to the Henry Mayo Newhall Hospital Specific Plan, which would add 200,000 square feet of space for an inpatient diagnostic building. No timeline for development has been set.

Southern California Innovation Park

The existing campus of the Southern California Innovation Park, located off of Rye Canyon loop in Valencia, contains 612,075 square feet of medical offices and buildings.

Developers expect to add three new buildings to the site, comprising 125,000 square feet of space. The developers are looking for tenants.

Another 475,000 to 675,000 square feet of development space will be reserved for for build-to-suit tenants. Conceptual plans that summarize the build-out of this space have been completed. The developer is also constructing an 11,118 square foot childcare facility in the project area, which is anticipated to be completed by mid 2019.

Gateway V

Gateway V is an industrial, technology and office business center located near the Valencia Commerce Center. This project contains close to 650,000 square feet of potential development. As part of the Valencia Gateway master plan, this project is part of the largest industrial center in Los Angeles County. In September 2016, vertical construction began on Class-A buildings sized at 105,047 square feet, 88,752 square feet, and 60,923 square feet. Construction was completed for the 3 buildings in September 2017.

Newhall Crossings

The Newhall Crossings Project, developed by Serrano Development Group, received approval for its entitlements February 2016. The project consists of two phases; a 500 seat 17,000 square foot commercial development of the

Laemmle Theatre and a mixed use portion consisting of 20,000 square foot retail/restaurant space with 47 apartment units. In addition to this, the City of Santa Clarita recently completed construction of a 372 space parking structure within the Project Area. Both phases of the project have already begun construction, with completion anticipated by late 2019.

IAC Commerce Center

IAC Commerce Center, formerly Sterling Gateway, is a planned 75-acre development with that calls for up to 1.3 million square feet of new industrial space. The overall project will have buildings ranging in size from 93,600 square feet to 216,320 square feet, and build-to-suits are available for as large as 550,000 square feet. Once complete, this project can create 2,600 potential jobs.

The business park is located at the terminus of Witherspoon Parkway. The project is situated one mile west of Interstate 5 at Hasley Canyon Exit and 1.5 miles north of Highway 126 at the Commerce Center Drive Exit.

Phase 1 was completed in October 2017, and consisted of 3 buildings totaling 398,220 square feet. All Phase 1 buildings have been leased or sold. Currently, construction is underway for a 216,320 square feet industrial building within the

project. Subsequent phases will then divide up the remaining 680,000 approved square feet.

Logix Headquarters

The Logix Headquarters project features a new three-story, 180,000 square foot office facility located off Interstate 5 at Commerce Center Drive and Franklin Parkway. Upon build out, the facility is expected to house more than 900 employees. Construction of the project has already brought 350 new jobs to the region.

Ground broke on the project in October 2016, and construction is anticipated to be completed in early-mid 2019.

Disney | ABC Studios at the Ranch

Disney | ABC Studios at the Ranch will be constructed on a 56-acre portion of the 890-acre Golden Oak Ranch property. The project would provide development of state-of-the-art studio uses and associated film and television production facilities on the westernmost portion of the Ranch.

Developers plan to construct 6 pairs of sound stages. However, dependent on market conditions, this may be reduced to 4 pairs of sound stages, and the studio office component could be reduced by 100,000 square feet. The project is expected to generate 3,152 jobs

during construction, and accommodate 2,854 full and part-time jobs at full buildout.

In 2014, The Los Angeles County Board of Supervisors granted permission for the construction of either plan. The project's entitlements have been approved for extension through January 7, 2022. As of March 2019, Disney has confirmed that the project is still active, though no future timeline for development has been set.

Needham Ranch

Needham Ranch is a subdivision of a 508-acre project site in the Santa Clarita Valley. It is currently the most significant industrial project in Los Angeles County. The site contains sixty-eight lots for industrial and business park use, and the industrial plots would accommodate up to 4.3 million square feet of space.



Needham Ranch Rendering

Source: The Signal, August 17, 2017, online

Principal Commercial & Industrial Projects in the Santa Clarita Valley			March 2019
Project Name/Developer	Square Feet	Type	Project Status
Industrial			
Needham Ranch	4,200,000	Industrial Park	Under Construction
Cherokee	973,370	Industrial	Approved; Long Term Land Remediation
Vista Canyon	950,000	Theater / Hotel / Retail	Under Construction
IAC Commerce Center	901,780	Business Park	Under Construction
Southern California Innovation Park	800,000	Industrial	Approved
Northlake (Phase 1)	305,000	Industrial	Approved
Oak Ridge Industrial	300,000	Commercial / Industrial Business Park	Approved
Commercial			
Newhall Ranch	11,500,000	Commercial / Retail / Industrial	Grading
Northlake (Phase 1)	9.2 Acres	Commercial	Approved
Cherokee	1,508,980	Retail / Office	Approved; Long Term Land Remediation
Princessa Crossroads	680,000	Retail / Office / Industrial	Under Review
DisneyABC Studios Ranch	510,000	Commercial Film Studios	Approved,
Sand Canyon Resort	403,000	384 Room Hotel	EIR Underway
Springhill / Holiday Inn	290 Rooms	Residence Inn (182) / Holiday Express (108)	Under Construction
Henry Mayo Newhall Mem. Hospital	360,000	160,000 SF Inpatient Tower	Under Construction
Master's College Expansion	240,000	Campus Extension	Approved, Funding Issues
Logix Headquarters	170,000	Office	Under Construction
Phase 3 Radiation / Endoscopy Clinic	143,151	Commercial	Under Construction
Homewood Suites/Hampton Inn	124,000	185-Room Hotel	Under Construction
Sand Canyon Plaza	114,400	Retail	Grading
Oliver Hotels	106,000	134 Room Hotel + 4k Restarant Space	Grading
Cinqueterra	91,000	Retail / Office	Under Construction
Galloway Senior at Five Knolls	69,000	Commercial	Under Construction
West Creek / West Hills	50,720	Commercial	Under Construction
Oak Ridge Commercial	30,000	Commercial	Approved
Laemmle Theatre	28,129	Commercial	Under Construction
Luxen Hotel	25,804	42 Hotel Rooms	Under Construction
OLPH	24,000	Church / Parking Lot	Approved
Newhall Crossings	21,381	Retail / Restaurant	Under Construction
VTC Square	10,000	Office	Under Construction

Source: City of Santa Clarita Planning Department, California Economic Forecast

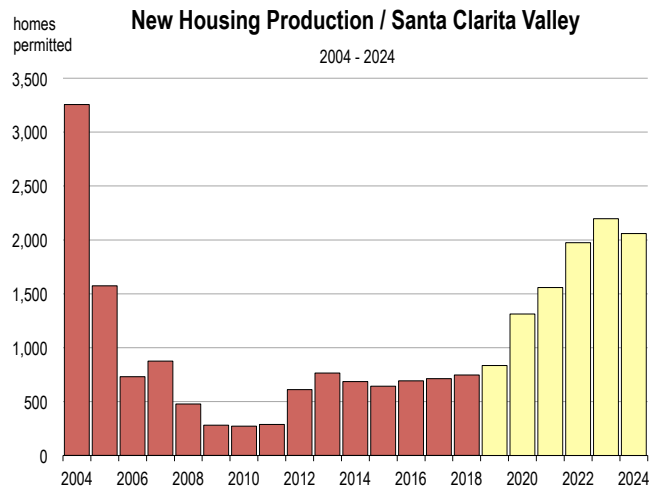
Needham Ranch is fully entitled and all permits have been approved. Phase 1A includes 3 buildings of 62,186 square feet, 164,609 square feet, and 204,538 square feet. Phase 1B will include 4 buildings that range from 34,270 square feet to 186,580 square feet. Trammell Crow Company and Clarion Partners broke ground on the Phase 1A in August 2017, and is expected to be completed in Q2 2019.

The Forecast

While the forecast presents a year-by-year distribution of new housing units (permits), it is typically impractical to forecast the number of housing units permitted by year with any accuracy. There are too many non-market 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 (than say employment or income) at the regional level.

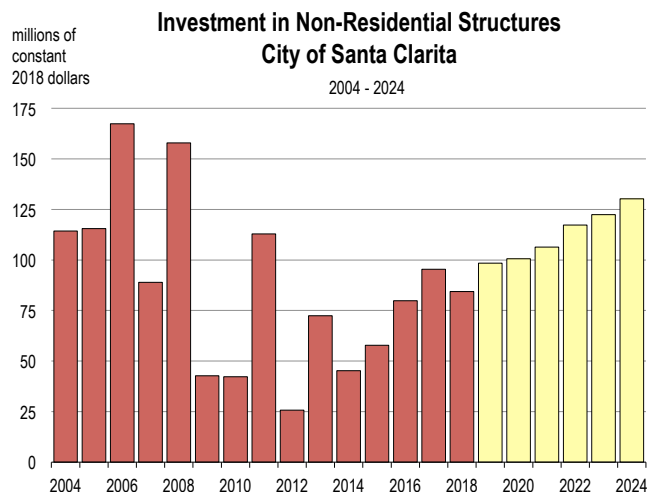
These influences include the uncertain entitlement process that requires an environmental impact report, public review and comment, mitigation methods of environmental impacts, architectural review, and final tract map preparation and reviews by local decision makers – who often exercise significant discretion into the process. The sum of housing units over the next 5 years is more important than the year-by-year allocation of units.

Our forecast calls for approximately 10,000 new housing starts in the Santa Clarita Valley between 2019 and 2024. This includes more than 3,000 units within the City of Santa Clarita, with the remaining units in the unincorporated Valley area. Investment in non-residential structures will be in the range of \$100 million



to \$135 million annually, summing to more than \$650 million for the entire 6-year span.

The Newhall Ranch project began preliminary construction in October 2017. Land sales to builders could occur by late 2019, with home sales beginning in late 2020. Consequently, the forecast shows a meaningful rise in new housing permits beginning in 2020 and continuing through 2024.



New Development Forecast	Santa Clarita Valley				History 2013-2018	
	2013	2014	2015	2016	2017	2018
New Residential Development						
City of Santa Clarita	<i>--number of units permitted--</i>					
Single Family Units	306	290	320	401	413	339
Multiple Family Units	0	31	111	52	139	68
Total Units	306	321	431	453	552	407
Santa Clarita Valley						
Total units	764	685	643	692	713	747
Commercial and Industrial Investment						
	<i>--millions of constant 2018 dollars--</i>					
City of Santa Clarita	72.4	45.3	57.8	79.8	95.4	84.4

Source: California Economic Forecast, March 2019

New Development Forecast	Santa Clarita Valley				Forecast 2019-2024	
	2019	2020	2021	2022	2023	2024
New Residential Development						
City of Santa Clarita	<i>--number of units permitted--</i>					
Single Family Units	356	371	391	421	452	467
Multiple Family Units	85	94	107	125	144	153
Total Units	440	465	498	546	596	621
Santa Clarita Valley						
Total units	835	1,313	1,558	1,974	2,197	2,059
Commercial and Industrial Investment	<i>--millions of constant 2018 dollars--</i>					
City of Santa Clarita	98.4	100.6	106.4	117.3	122.4	130.2

Source: California Economic Forecast, March 2019

QUALITY OF LIFE INDICATORS

Crime



Traffic



Quality of Education



Children Living in Poverty



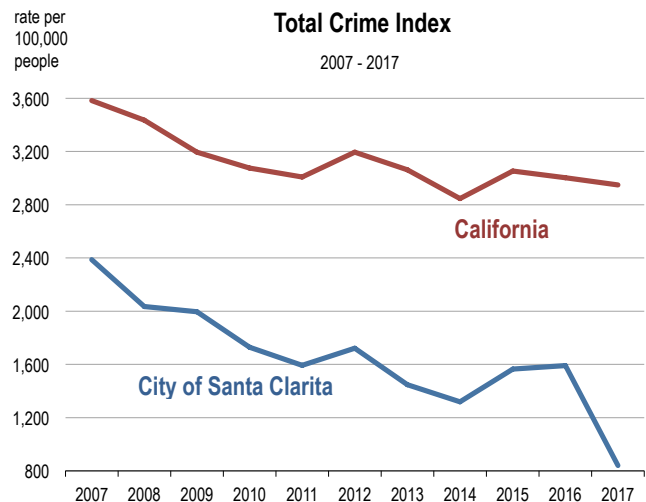
Quality of Life Indicators

The social environment of the Santa Clarita Valley directly affects local business performance, and influences the desirability of real estate assets in the region. Public safety, traffic, and the enrichment of youth potential are important features of this environment. In this chapter, these indicators are examined by referencing published information on local crime, traffic, public education, and youth poverty.

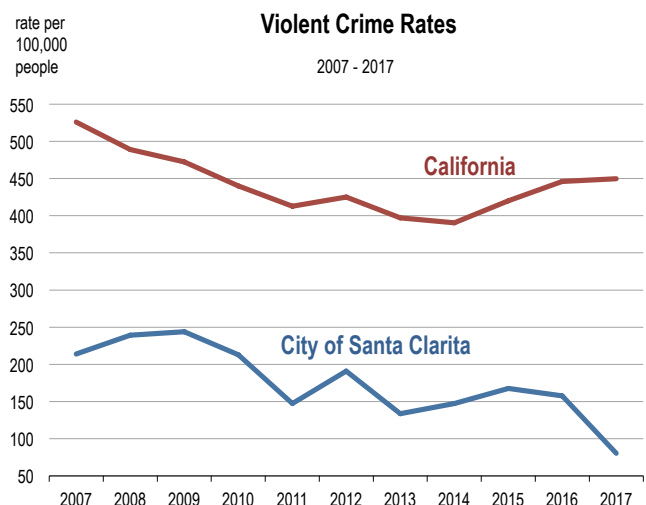
Crime

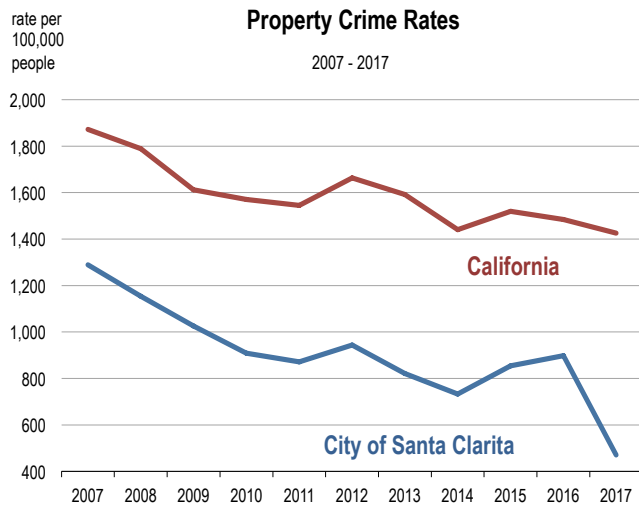
Areas of California can be compared to one another on the basis of the Total Crime Index. The Total Crime Index is the sum of the following crime categories: willful homicide, forcible rape, robbery, aggravated assault, burglary, motor vehicle theft, larceny, and arson. The most recent information describes crime levels in 2017.

- In 2017, crime rates improved dramatically in the City of Santa Clarita. There were 841 crimes per 100,000 people, which is 47 percent lower than the previous year.
- Crime rates improved in most areas of California. Statewide, there were 2,949 crimes per 100,000 people in 2017, representing a 2 percent decrease from a year earlier.



- Santa Clarita is one of the safest cities in Los Angeles County, with violent crime rates that are consistently lower than other regions.





- The violent crime rate in the City of Santa Clarita improved by 49 percent in 2017. The murder rate was largely unchanged, but the number of rapes, robberies, and assaults improved by wide margins.
- In most parts of California, the violent crime rate deteriorated in 2017.

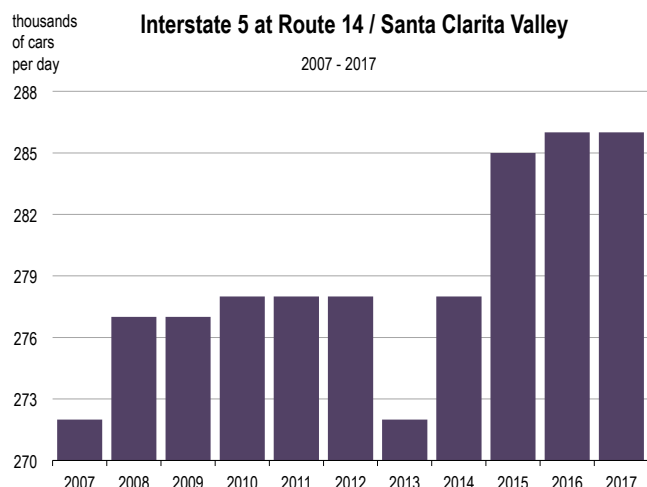
- The property crime rate fell by 48 percent in the City of Santa Clarita. In 2017 there were far fewer cases of motor vehicle theft, robbery, and larceny than there were in 2016.
- Statewide, property crime rates improved by 4 percent.

Traffic

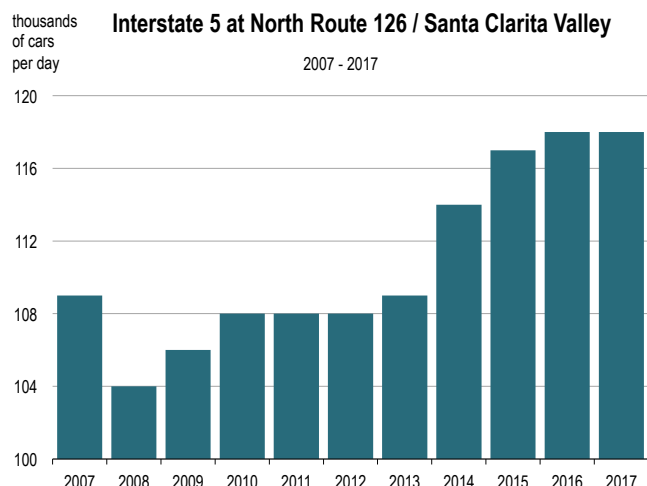
Traffic counts can reveal information about economic and demographic trends. In general, traffic counts decline during periods of economic weakness and grow during periods of strength. This occurs for several reasons, including the increased transportation of goods, a larger number of individuals commuting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

Crime Rates	Santa Clarita Valley							2010-2017
	2010	2011	2012	2013	2014	2015	2016	2017
– crime reports per 100,000 residents –								
City of Santa Clarita								
Willful homicide	1	3	1	1	0	3	1	1
Forcible rape	12	10	17	9	7	16	21	9
Robbery	70	43	54	47	44	59	58	27
Aggravated assault	131	92	120	76	96	89	77	43
Burglary	326	319	344	341	295	313	310	159
Motor vehicle theft	138	132	170	121	117	142	197	99
Larceny	1,053	994	1,018	852	760	942	926	502

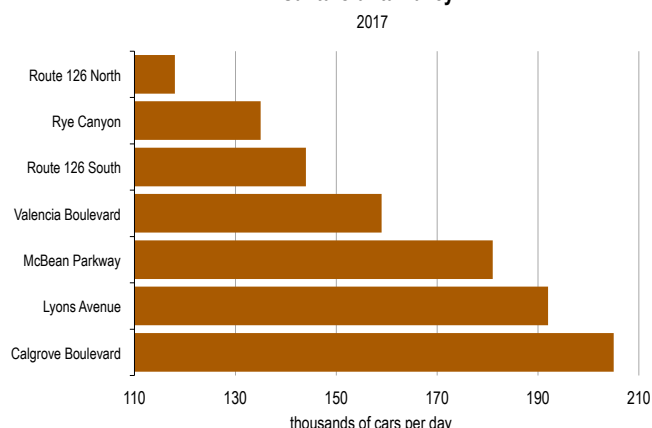
Source: Federal Bureau of Investigation



- In 2017, the most recent year for which information is available, traffic volumes were virtually unchanged from the previous year.
- At the high volume points, such as Calgrove Boulevard, Lyons Avenue, and McBean Parkway, traffic flows surpassed 180,000 to 205,000 cars per day.



**Traffic Counts / Northbound Interstate 5 Junctions
Santa Clarita Valley**

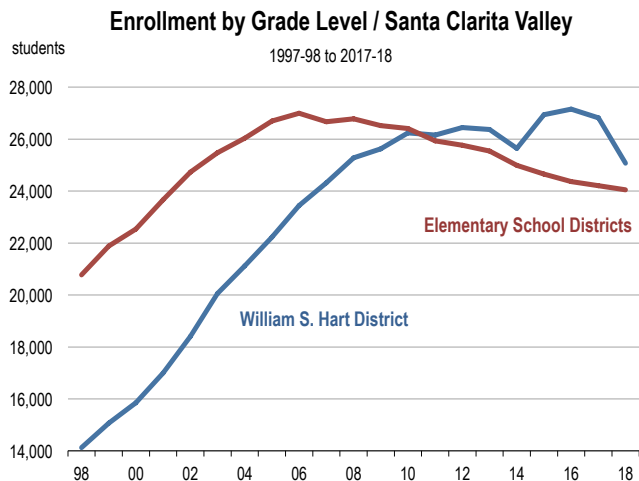
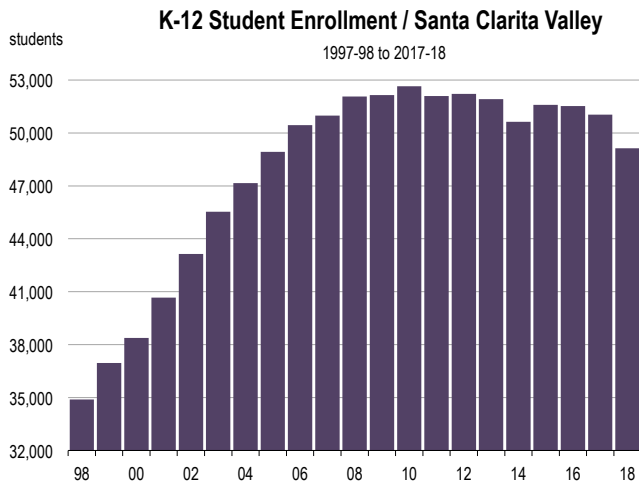


- In the Santa Clarita Valley, residents commute for an average of 39 minutes each way.
- The average person across California spends 32 minutes commuting each way.

Quality of Education

Enrollments

- During the 2017-2018 school year, enrollment in Santa Clarita Valley public schools declined by more than 1,900 students.
- Enrollment at the William S. Hart district declined by 1,742 students.
- Enrollment in the elementary districts fell by 165 students.
- Saugus Union and Sulpher Springs Union actually gained small numbers of students.



- Enrollment at Newhall Elementary declined by 169 students, while enrollment at Castaic Union Elementary fell by 81 students.

Dropout Rate

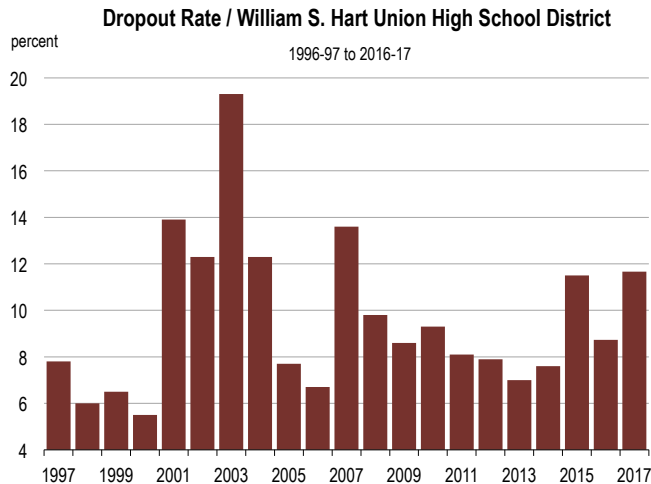
The rate at which students choose to dropout of school is an important indicator of how well schools are keeping students interested and preparing them for the workplace.

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 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 jumped during the 2016-2017 school year (the most recent year with available data).
- In the 2016-2017 school year, 11.7 percent of students dropped out.

Public School Enrollment	Santa Clarita Valley				2010-2011 to 2017-2018			
	-school year-							
	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18
Castaic Union Elementary	2,982	2,939	2,864	2,651	2,568	2,354	2,234	2,153
Newhall Elementary	6,961	6,941	6,947	6,831	6,739	6,650	6,706	6,537
Saugus Union Elementary	10,387	10,295	10,178	10,012	9,911	9,984	9,900	9,960
Sulphur Springs Union Elementary	5,601	5,589	5,553	5,501	5,437	5,383	5,370	5,395
Total Elementary	25,931	25,764	25,542	24,995	24,655	24,371	24,210	24,045
William S. Hart Union High	26,160	26,449	26,373	25,640	26,938	27,155	26,822	25,080
Santa Clarita Valley Total	52,091	52,213	51,915	50,635	51,593	51,526	51,032	49,125

Source: California Department of Education



- The William S. Hart District still compares favorably to broader Los Angeles County, where 12.0 percent of students dropped out in the 2016-2017 school year.

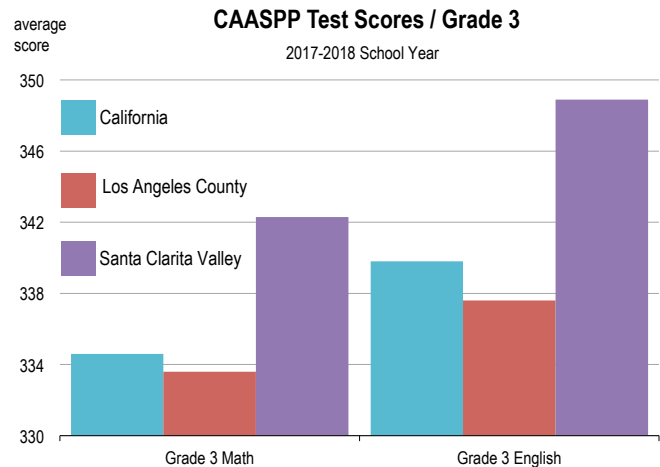
Academic Performance

Standardized testing has become an important measure of a school's academic performance. Standardized testing starts at the elementary school level where all students now take the California Assessment of Student Performance and Progress (CAASPP). It continues through high school where college bound students take the SAT.

Elementary School Testing

During the 2014-2015 school year, the state began to administer the CAASPP exams – a replacement system for the old California Standard Test (CST). This analysis (arbitrarily) presents scores for third graders as representative of elementary students.

- In the Santa Clarita Valley, third grade students significantly outperformed their peers



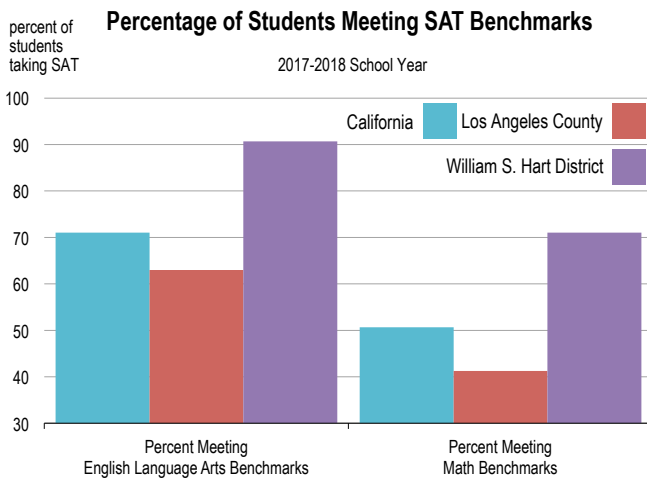
across Los Angeles County and the State of California. This outperformance occurred in both Math and English.

College Entrance Exam Performance

The SAT is a standardized test taken by juniors and seniors in high school. It is typically a requirement for admission to 4-year colleges and universities.

The State of California has established benchmarks for student success, and schools can be evaluated by observing the number of students that meet or exceed these benchmarks. In general, schools that have a large number of students meeting these standards have prepared their students for success at the college level.

- High school students in the Santa Clarita Valley typically score very well on the SAT.
- Within the William S. Hart High School district, 90.7 percent of students met or exceeded statewide benchmarks on the English Language Arts section of the SAT.



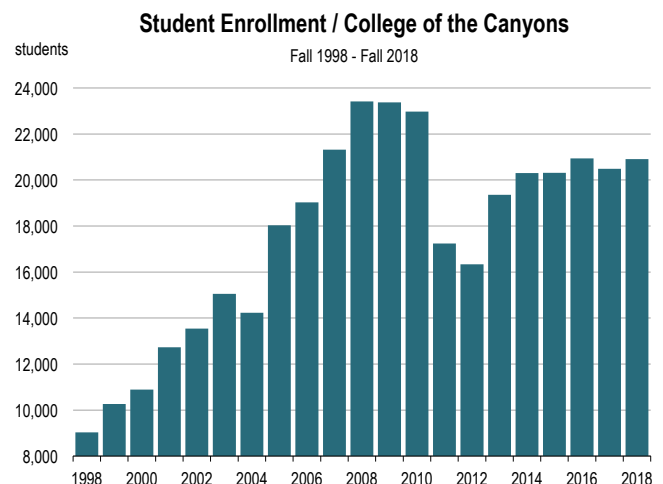
- In the Hart district, 71.1 percent of students met or exceeded benchmarks in Math.
- Students in the Hart district outperformed the California and Los Angeles County averages on both sections of the test.
- Academy of the Canyons was the best performing school in the Valley in 2017-2018. Other top performers were West Ranch, Valencia, Saugus, and Hart.

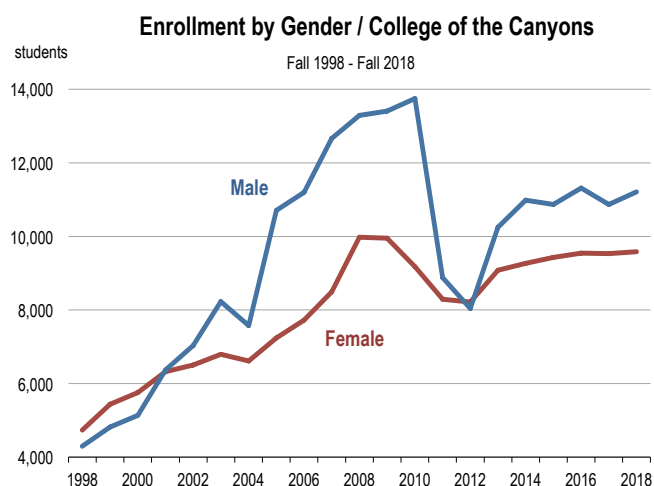
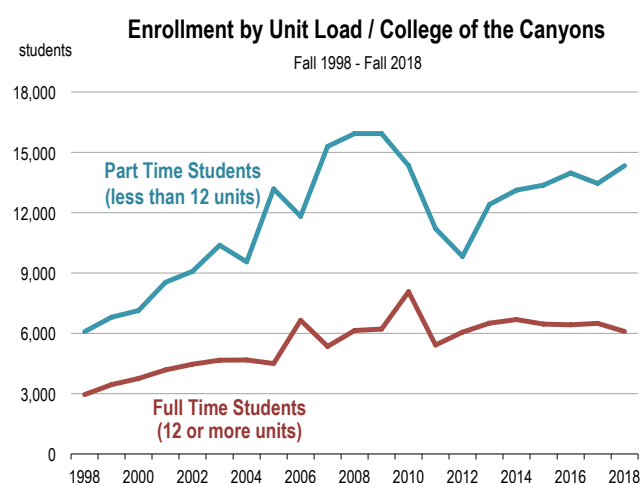
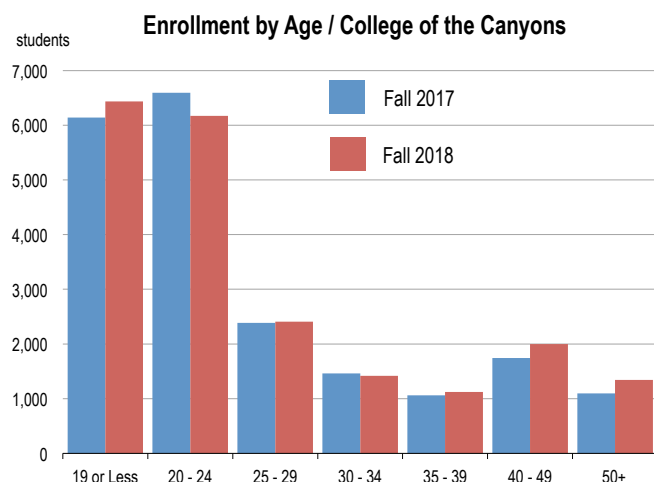
College of the Canyons

- In the Fall of 2018, Enrollment at College of the Canyons increased slightly. Enrollments have been relatively stable for the past six years, but are down significantly from the late 2000s.
- Between 2017 and 2018, enrollment increased among students under the age of 19, and among students above age 35.
- Enrollment declines were observed among students age 20 to 24. Enrollment was virtually unchanged for students between 25 and 29.
- A small increase was observed in part time students, and a small decrease was observed among full time enrollees.
- In Fall 2018, full time students accounted for 29 percent of the college's total headcount, while part time students represented the remaining 71 percent.

SAT Results 2017-2018 School Year		
	English Language Arts	Math
High School / Aggregate	Arts	Math
--percent of students meeting benchmarks--		
Academy of the Canyons	97.6	82.5
Canyon High	83.2	59.0
Golden Valley High	82.8	55.3
Hart (William S.) Senior High	92.4	71.5
Saugus High	92.8	75.0
Valencia High	91.5	71.5
West Ranch High	94.4	81.2
William S. Hart Union District	90.7	71.1
Los Angeles County	63.0	41.2
State of California	71.0	50.7

Source: California Department of Education

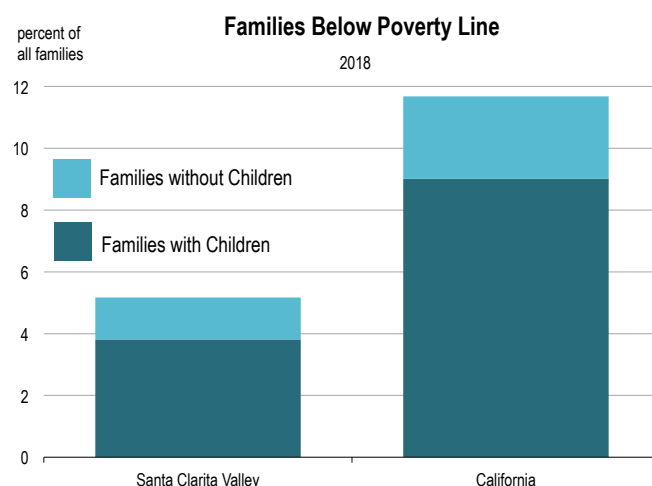




Children Living in Poverty

Children under 18 are much more likely than adults to be poor. For a family of four with two children, the federal poverty level is \$25,750. 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.

- In 2018, 5 percent of families in the Santa Clarita Valley were under the poverty level. Four percent of families with children were under the poverty level.
- Across California, 11 percent of families were below the poverty level, and 8 percent with children were living in poverty.



Data for this chapter is from the Federal Bureau of Investigation; the California Department of Transportation; the California Department of Education for charts on K-12 enrollment and performance; the California Community Colleges Chancellor's Office for charts on the College of the Canyons; and Claritas for charts on children in poverty.

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