

ECONOMIC SNAPSHOT

Santa Clarita Valley Quarterly Report

Q3 2018

SANTA CLARITA VALLEY
ECONOMIC DEVELOPMENT CORPORATION



SANTA CLARITA VALLEY

STILL GOLDEN

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

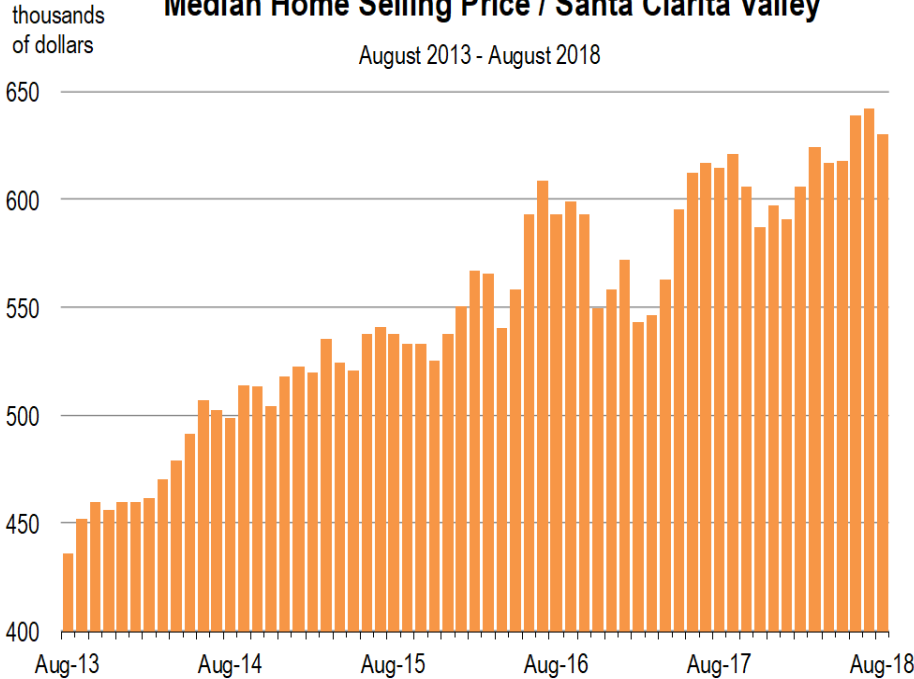


RESIDENTIAL REAL ESTATE

Source: California Economic Forecast

Median Home Selling Price / Santa Clarita Valley

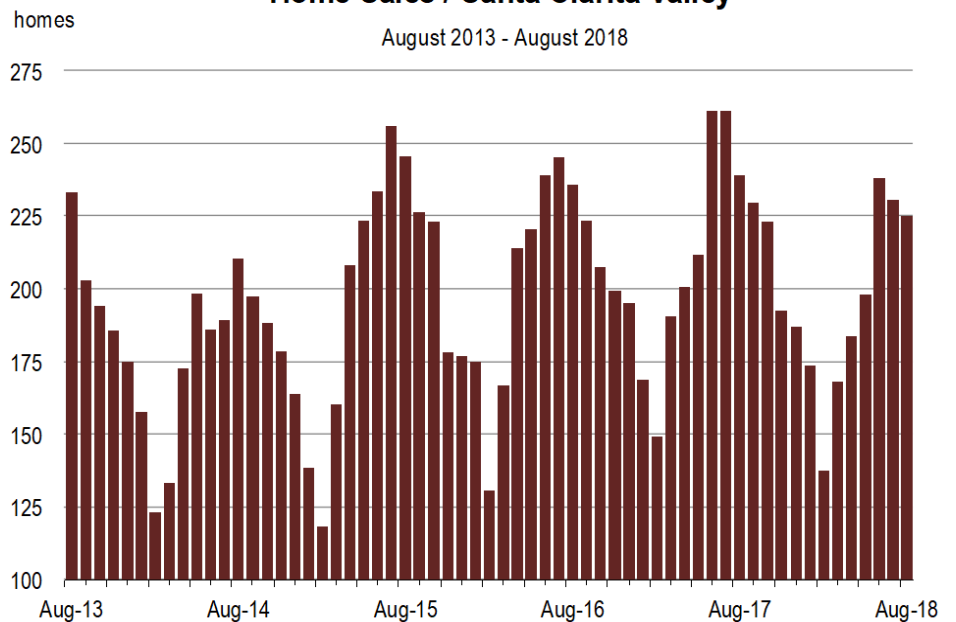
August 2013 - August 2018



In August 2018, the median home price in the Santa Clarita Valley was \$630,600, an increase of 3 percent over the last 12 months (since August 2017).

Home Sales / Santa Clarita Valley

August 2013 - August 2018

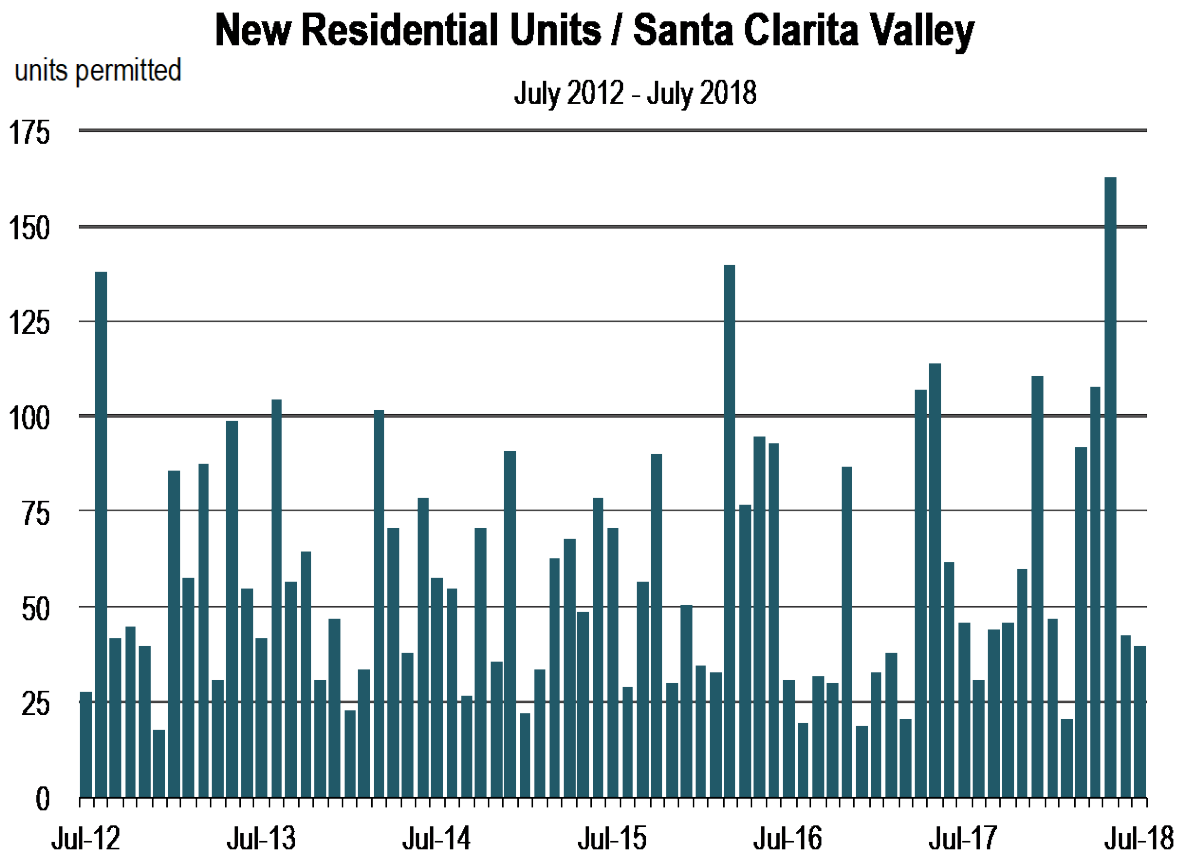


So far in 2018 there have been 1,572 home sales in the Santa Clarita Valley, which is an 8 percent decrease from the 1,703 sales recorded between January and August of 2017.



RESIDENTIAL REAL ESTATE

Source: California Economic Forecast



Through July 2018, a total of 514 housing units were permitted in the Santa Clarita Valley. During the same period last year, 421 units were permitted.

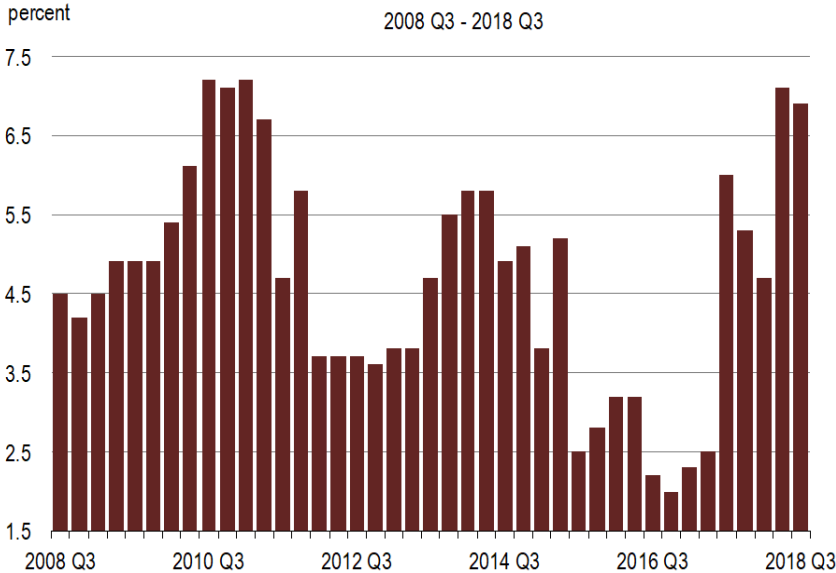
So far in 2018, 232 units have been permitted in the City of Santa Clarita, and 282 have been authorized in the unincorporated parts of L.A. County that fall within the Valley area.



COMMERCIAL REAL ESTATE

Source: California Economic Forecast

Industrial Vacancy Rate / Santa Clarita Valley



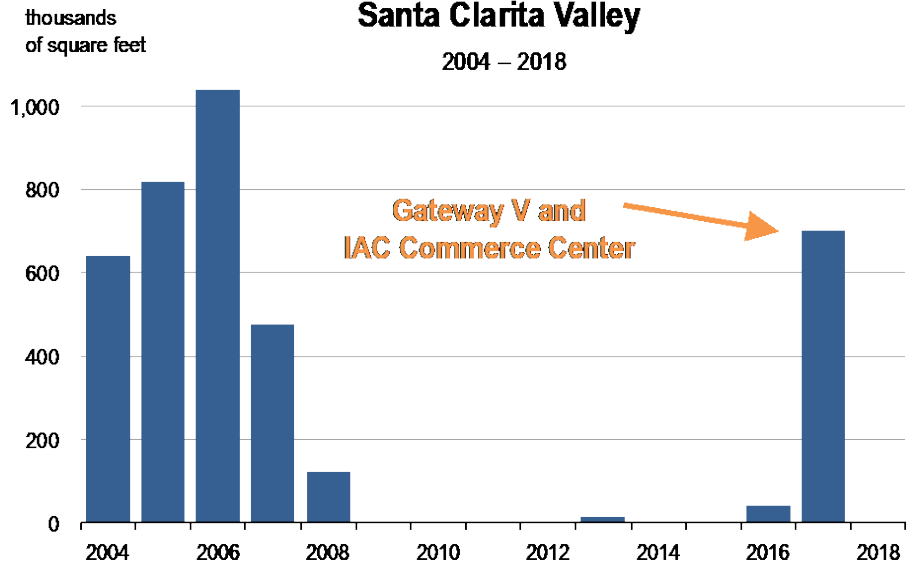
For the entire Santa Clarita Valley, the industrial vacancy rate is now relatively high.

In the third quarter, the vacancy rate was observed at 6.9 percent. In 2017 Q3, it was 6.0 percent. In 2016 Q3 it was just 2.2 percent.

The vacancy rate has risen because almost 750,000 square feet of new space has been introduced to the market.

44,000 square feet were introduced in 2016, and 700,100 square feet were introduced in 2017, as buildings were completed at Gateway V and IAC Commerce Center.

New Industrial Space Built and Ready for Use Santa Clarita Valley



Gateway V and IAC Commerce Center



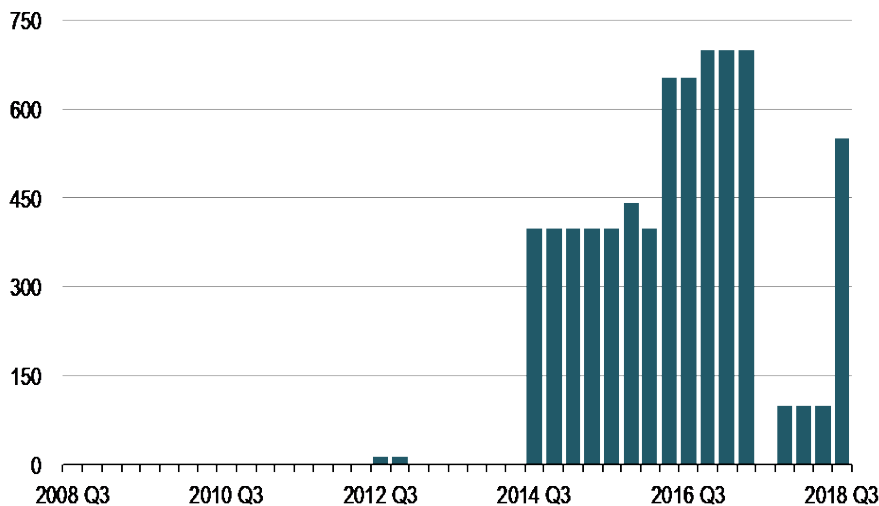
COMMERCIAL REAL ESTATE

Source: California Economic Forecast

Industrial Space Under Construction Santa Clarita Valley

thousands
of square feet

2008 Q3 – 2018 Q3



The industrial base should continue to expand, as more than 500,000 square feet of space are currently under construction.

The office vacancy rate is now 13.7 percent, which is much higher than the vacancy rate observed in 2017 Q3 (11.1 percent).

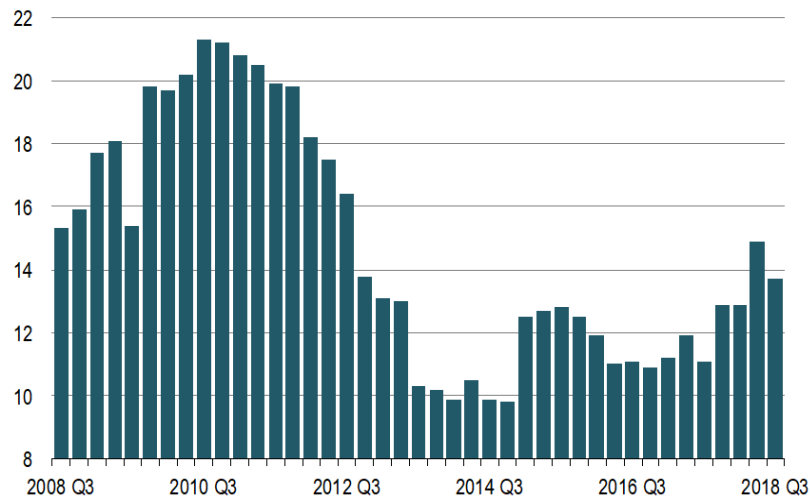
In part, the vacancy rate has risen because new space was added to the market. In early 2018, a new building with almost 100,000 square feet of capacity was completed.

Three more buildings are currently under construction, and will eventually add another 265,000 square feet of space to the market.

Office Vacancy Rate / Santa Clarita Valley

percent
vacant

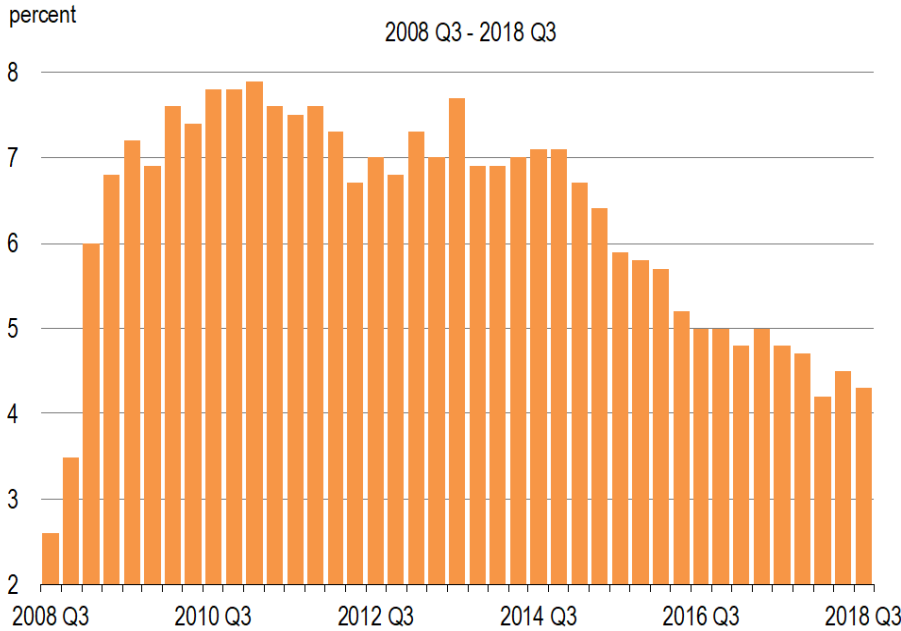
2008 Q3 - 2018 Q3



COMMERCIAL REAL ESTATE

Source: California Economic Forecast

Retail Vacancy Rate / Santa Clarita Valley

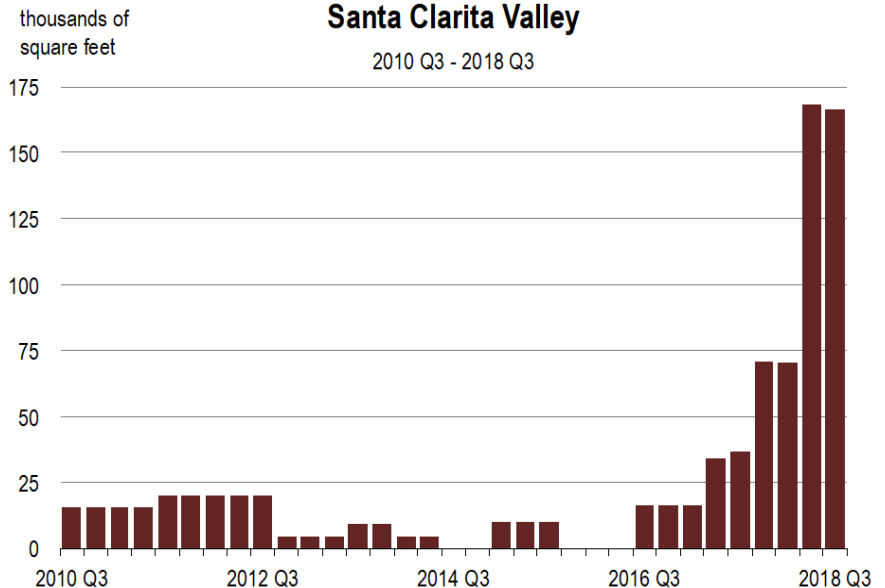


The retail vacancy rate is now 4.3 percent, which is lower than the vacancy rate observed in 2017 Q3 (4.8 percent).

Deliveries to the retail market have been sparse. Over the past five years, only 60,000 square feet of new space has been completed.

But deliveries should spike over the coming quarters, as there are now 166,000 square feet of space under construction across 4 new retail buildings.

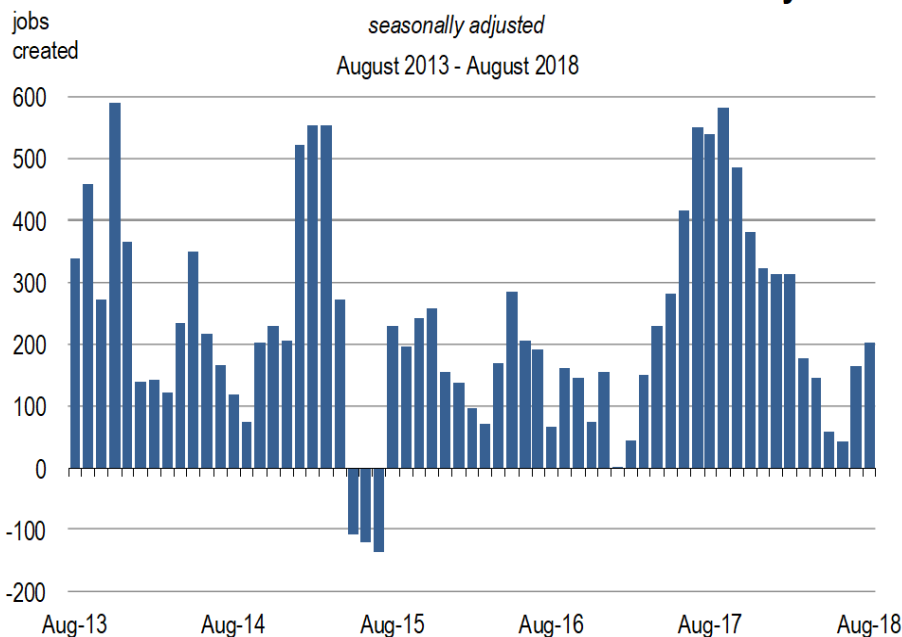
Retail Space Under Construction Santa Clarita Valley



EMPLOYMENT

Source: California Economic Forecast

Non-Farm Job Creation / Santa Clarita Valley



The Santa Clarita Valley gained 1,426 jobs on a seasonally-adjusted basis during the first eight months of 2018.

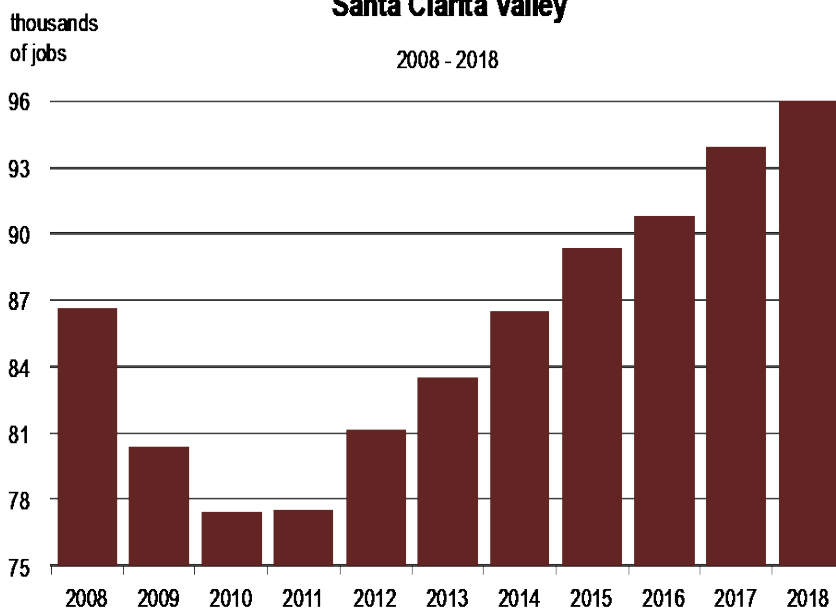
Job creation is running slightly slower than last year. In 2018, the Santa Clarita Valley economy is on pace to create 2,140 new jobs, an increase of 2.3 percent. Last year, the economy added jobs at a pace of 3.4 percent.

On an annual average basis, non-farm employment is on pace to rise at a rapid rate in 2018. If the trend from the first 8 months of the year persists, the region's employment base will expand by 2.3 percent.

The sectors that have experienced the strongest growth in the past year include construction (+11 percent), real estate (+8 percent), and healthcare (+6 percent).

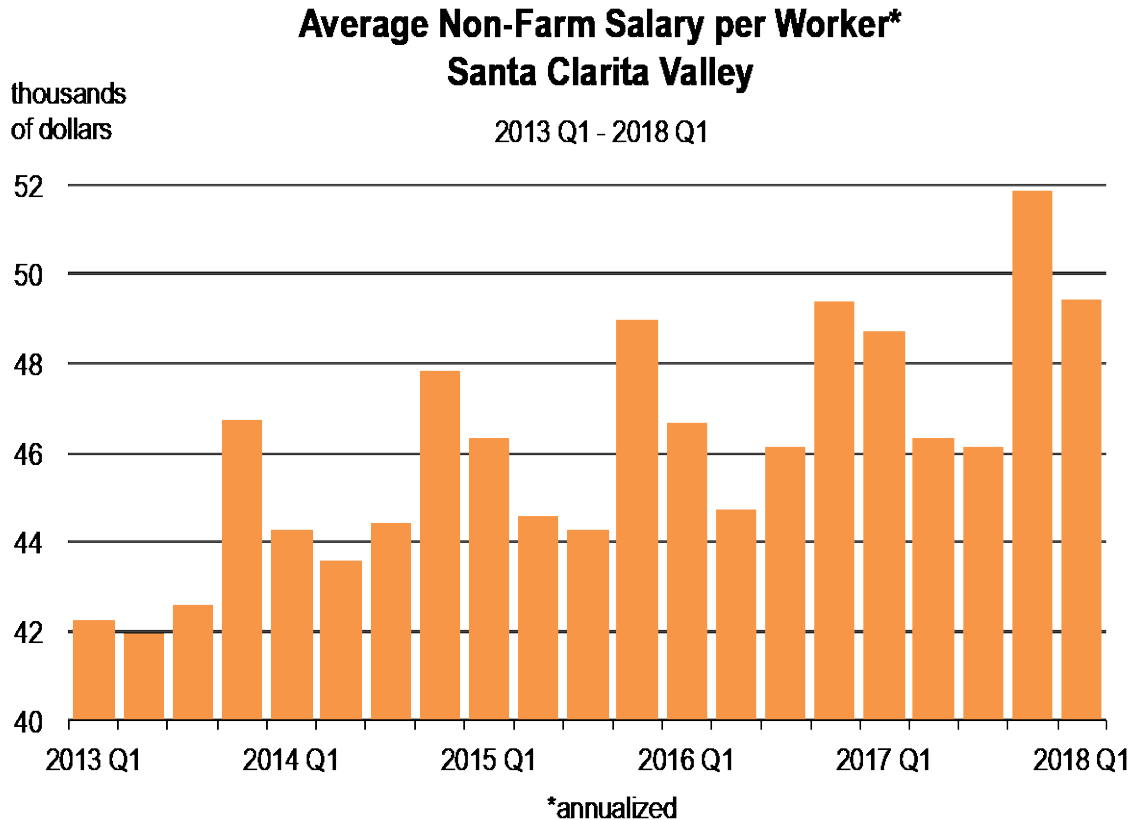
The largest losses were in utilities (-3 percent) and information (-2 percent).

Average Annual Non-Farm Employment Santa Clarita Valley



AVERAGE SALARIES

Source: California Economic Forecast



In the first quarter of 2018, the average non-farm worker earned an annualized salary of \$49,400.

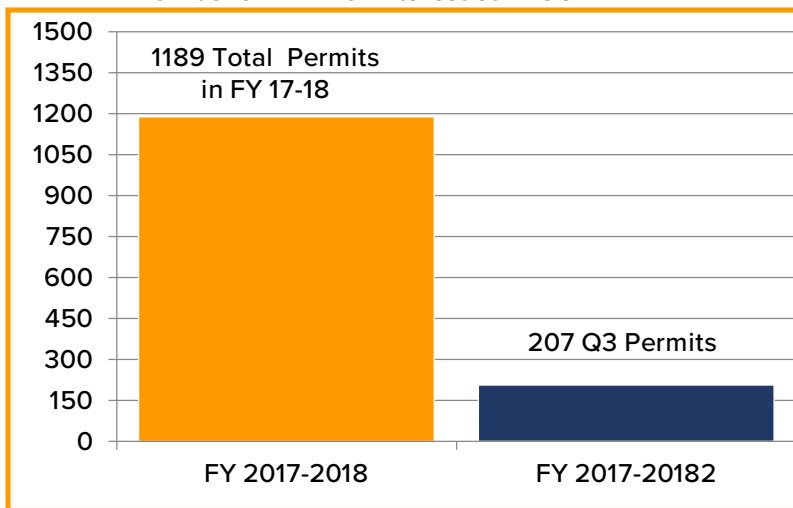
Average salaries have risen by 1.4 percent over the past four quarters. This is a relatively modest rate, but follows very rapid wage growth in 2017 (+4.2 percent). In small regions like the Santa Clarita Valley, it is typical for wage growth to vary on a quarter-by-quarter basis.



FILMING IN SCV

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

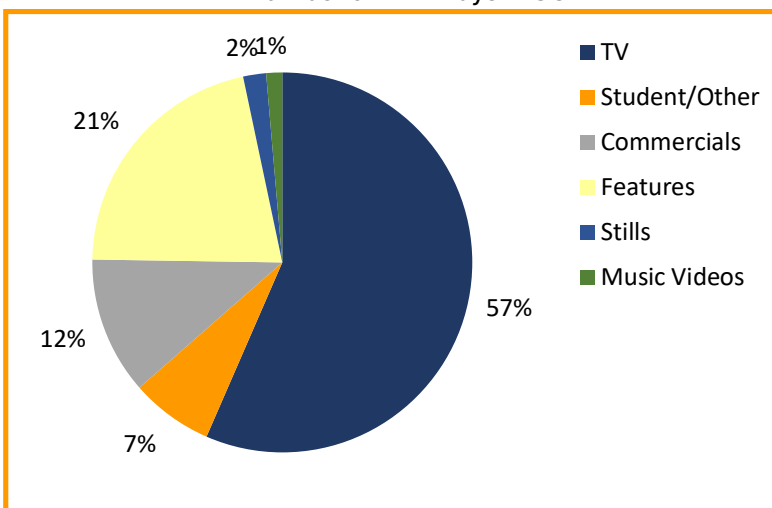
Number of Film Permits Issued in SCV



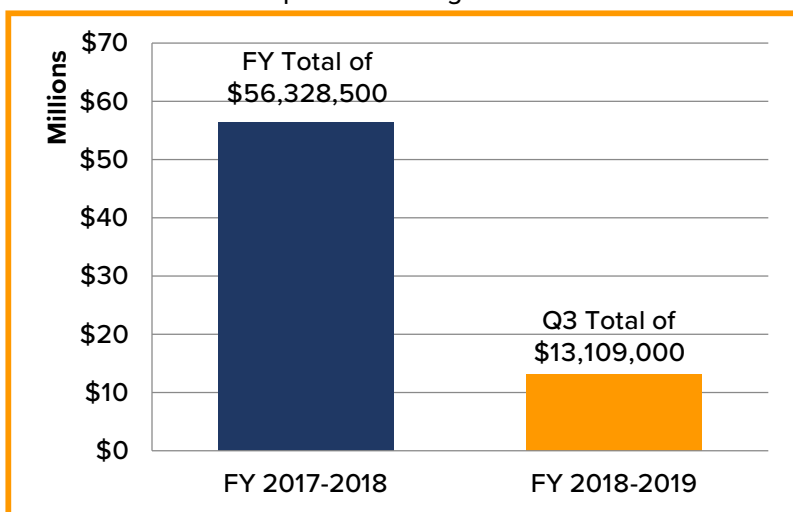
In Q3, a total of 207 permits were issued for a fiscal year total of 207 permits (July 2018 through June 2019) in the Santa Clarita valley.

Permits issued in the Santa Clarita Valley represented a total of 513 filming days in Q3. These film days included 290 television shows, 36 student/other projects, 60 commercials, 110 features, 10 stills and 7 music videos.

Number of Film Days in SCV



Fiscal Impact of Filming In SCV



The Q3 estimated economic impact including jobs, wages and economic output generated from filming and post-production activities as well as spending associated with film tourism, infrastructure investments and value from media exposure in the Santa Clarita Valley is \$13,109,000. The city tracks film stats by fiscal year.



HOTEL VACANCY

Sources: CBRE Trends, STR

Tourism Sub-Region	Occupancy Rate Q3 2018	Occupancy Rate Q3 2017	ADR Q3 2018	ADR Q3 2017
Santa Clarita	88.57%	88%	\$151.65	\$148.45
San Fernando Valley	83.58%	84.70%	\$187.63	\$186.20
Pasadena	85.03%	78.68%	\$193.14	\$198.68
San Gabriel Valley	79.80%	81.63%	\$133.67	\$135.15
Hollywood	88.59%	79.81%	\$249.61	\$255.84
South Bay	86.08%	86.35%	\$177.37	\$175.18
LA Region	86.05%	84.81%	\$220.49	\$220.10

STR reports that hotel occupancy in the Santa Clarita was 88.57% in Q3 2018, an increase of .64% from the 3 2017 rate of 88%.

By comparison, TRENDS reports the average occupancy rate at hotels for the Los Angeles region during Q3 2018 was 86.05%, a 1.46% increase from 84.81% in Q3 2017.

Local average daily room rates (ADR) increased by 2.2% in Q3 2018 to \$151.65 from \$148.45 the previous year; LA region's ADR increased 0.17% to \$220.49 over the previous year at \$220.10.



SUMMARY

Source: California Economic Forecast

- The economic climate in the Santa Clarita Valley continues to improve, but we are nearing the peak of the current business cycle, and some indicators are showing mixed signals.
- Home price appreciation is now decelerating, and home sales are declining.
- Residential construction activity is accelerating, with an equal number of units being produced within the City and across the unincorporated parts of the Valley.
- The industrial vacancy rate has risen sharply, but this was the result of new facilities being introduced to the market. More than 500,000 square feet of space are currently under construction, meaning that the market size should expand further.
- Office utilization is softening, but this has also been the result of new capacity being added to the region.
- The commercial retail market has tightened continuously for several years, and after a decade of minimal construction, the first substantial projects are now underway.
- The Santa Clarita Valley is still creating jobs at a quick pace, but this pace has slowed in 2018. This type of performance is similar to most of Southern California.
- Wages are rising slowly, but should rise more quickly again over the remainder of 2018.
- The economy has reached “full employment.” At full employment, virtually everyone who wants a job already has a job, making recruitment more difficult. Under these conditions, firms can only expand their employee headcounts by 1) hiring new high school or college graduates, 2) hiring workers from other companies, or 3) recruiting workers from other regions.



ABOUT

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

SCVEDC's mission is fourfold:



**Business
Attraction**



**Business
Assistance**



**Community
Marketing**



**Information +
Research**

Location



30 Miles from DTLA



**Close to LAX & the
Ports**



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



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

Demographics



**Nearly 300K
Residents**



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



**70% Have at Least
Some College**



**Millennials are
Largest Generation**

Accolades



**Most Business
Friendly City**



Happiest City



Healthiest City



Safest City



**Best Place to
Start a Family**



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SANTA CLARITA VALLEY
ECONOMIC DEVELOPMENT CORPORATION



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

