

ECONOMIC SNAPSHOT

Santa Clarita Valley
Quarterly Report

Q4 2018

SANTA CLARITA VALLEY
ECONOMIC DEVELOPMENT CORPORATION



SANTA CLARITA VALLEY

STILL GOLDEN

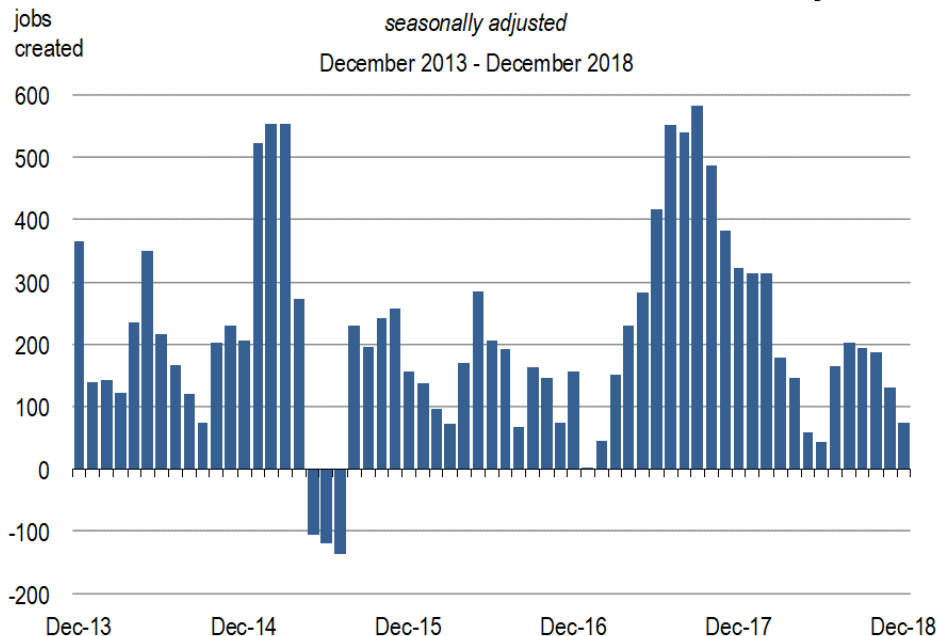
The business-friendly Santa Clarita Valley is conveniently located next to Interstate 5 and Highway 14 and is home to the 3rd largest city in Los Angeles County, the City of Santa Clarita. The SCV is a growing area encompassing 520 square miles with a population of approximately 300,000 residents.



EMPLOYMENT

Source: California Economic Forecast, Labor Market Information Division

Non-Farm Job Creation / Santa Clarita Valley



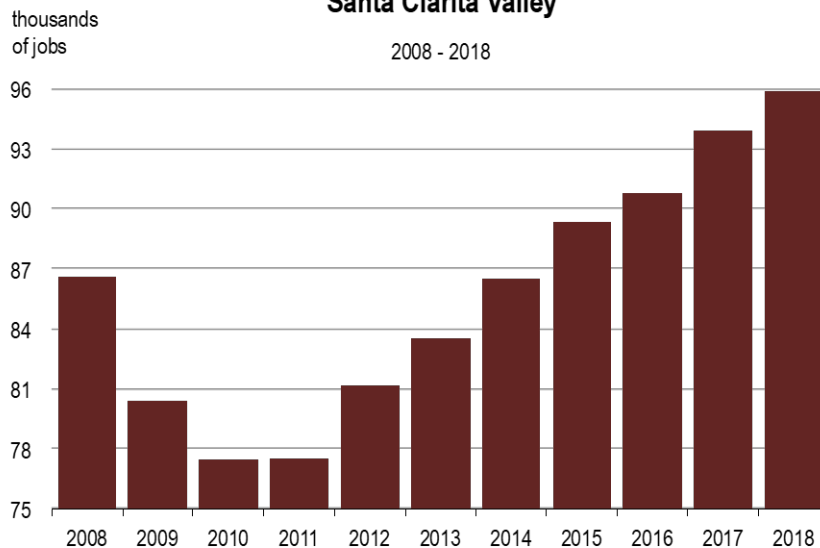
The Santa Clarita Valley gained 2,016 jobs in 2018, an increase of 2.1 percent. In 2017 the region gained 4,000 jobs, representing a growth rate of 3.4 percent.

On an annual average basis, the Santa Clarita Valley economy had 95,900 wage-and-salary jobs in 2018.

The sectors that experienced the strongest growth include construction (+7 percent), administrative support (+3 percent), and healthcare (+3 percent).

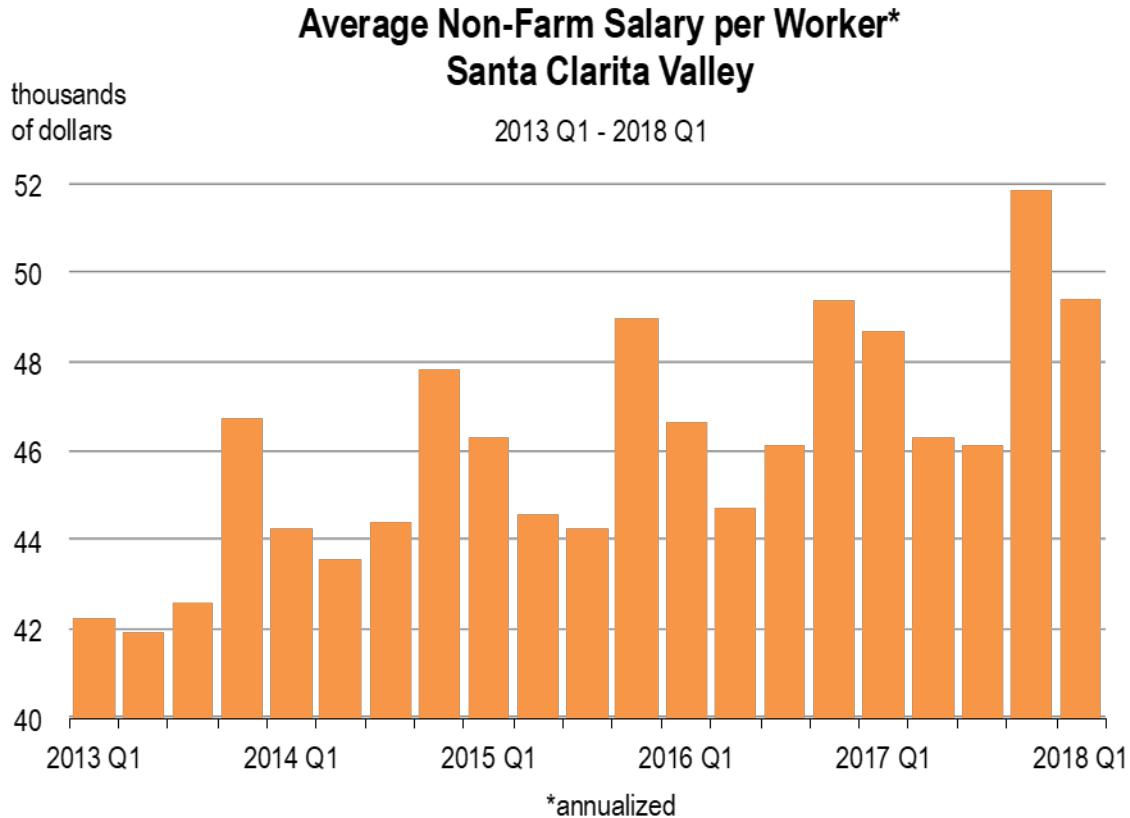
The largest losses were in utilities (-3 percent) and information (-3 percent).

Average Annual Non-Farm Employment Santa Clarita Valley



AVERAGE SALARIES

Source: California Economic Forecast, Labor Market Information Division



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

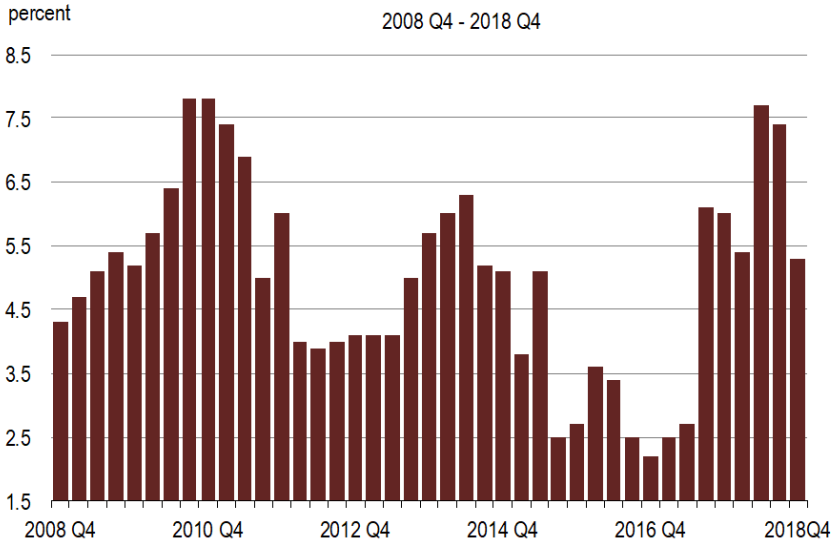
Average salaries have risen by 1.4 percent over the past four quarters. This is a relatively modest rate, but follows very rapid wage growth in 2017 (+4.2 percent). In small regions like the Santa Clarita Valley, it is typical for wage growth to vary on a quarter-by-quarter basis.



COMMERCIAL REAL ESTATE

Source: California Economic Forecast, CoStar

Industrial Vacancy Rate / Santa Clarita Valley

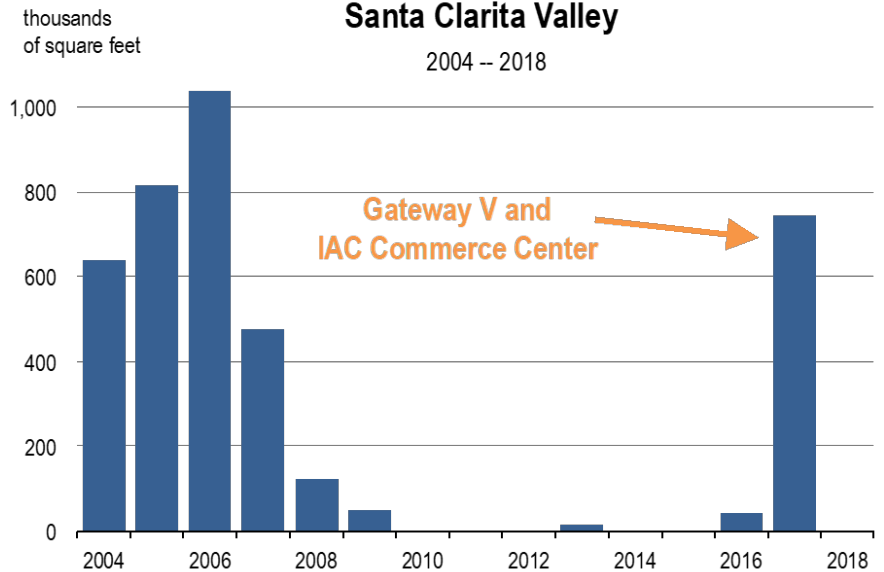


For the entire Santa Clarita Valley, the industrial vacancy rate is now relatively high. In the fourth quarter, the vacancy rate was observed at 5.3 percent.

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.

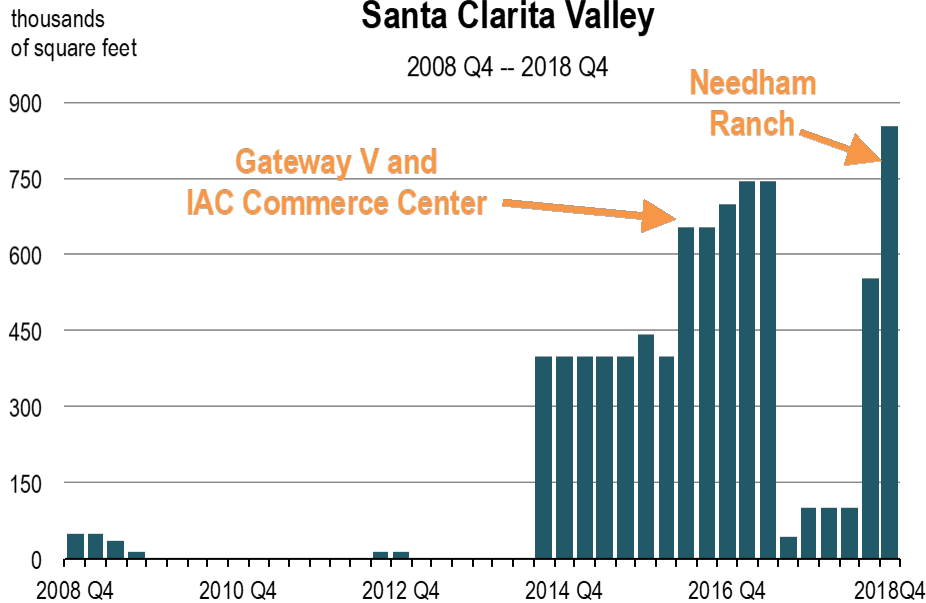
New Industrial Space Built and Ready for Use Santa Clarita Valley



COMMERCIAL REAL ESTATE

Source: California Economic Forecast, CoStar

Industrial Space Under Construction Santa Clarita Valley



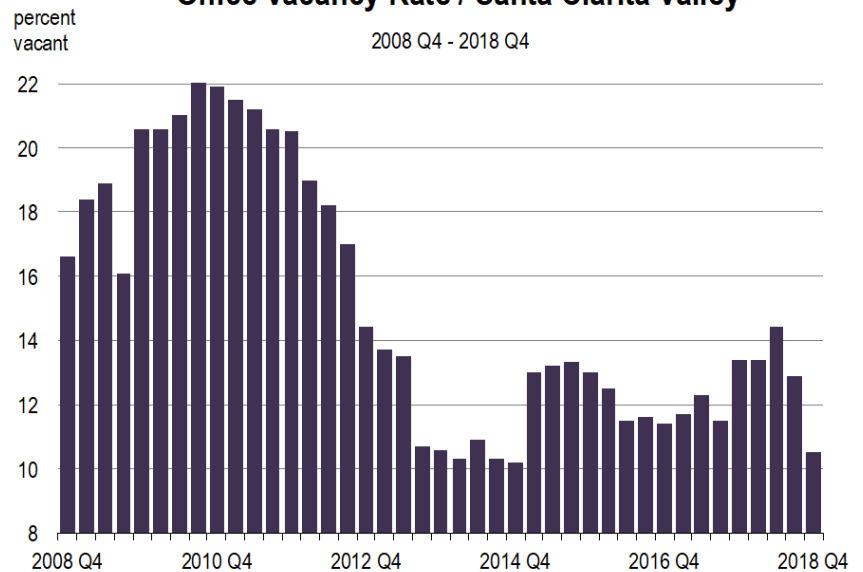
The industrial base should continue to expand, as more than 500,000 square feet of space are currently under construction.

Because Needham Ranch is now under construction, the market base will expand further once construction is completed.

The office vacancy rate is now 10.5 percent. The vacancy rate improved sharply in the fourth quarter as 13 new leases were signed, and as net absorption reached almost 100,000 square feet.

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

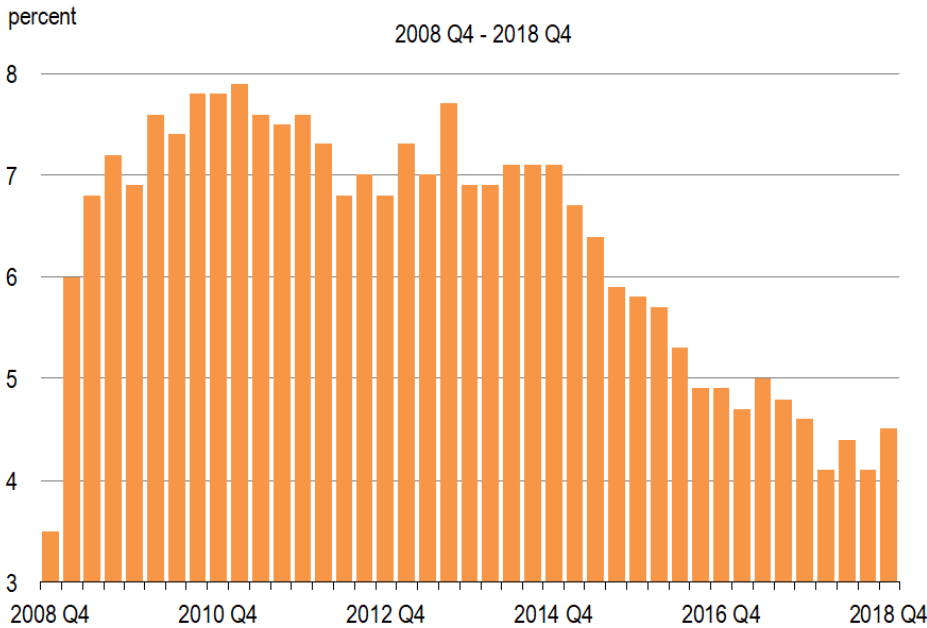
Office Vacancy Rate / Santa Clarita Valley



COMMERCIAL REAL ESTATE

Source: California Economic Forecast, CoStar

Retail Vacancy Rate / Santa Clarita Valley

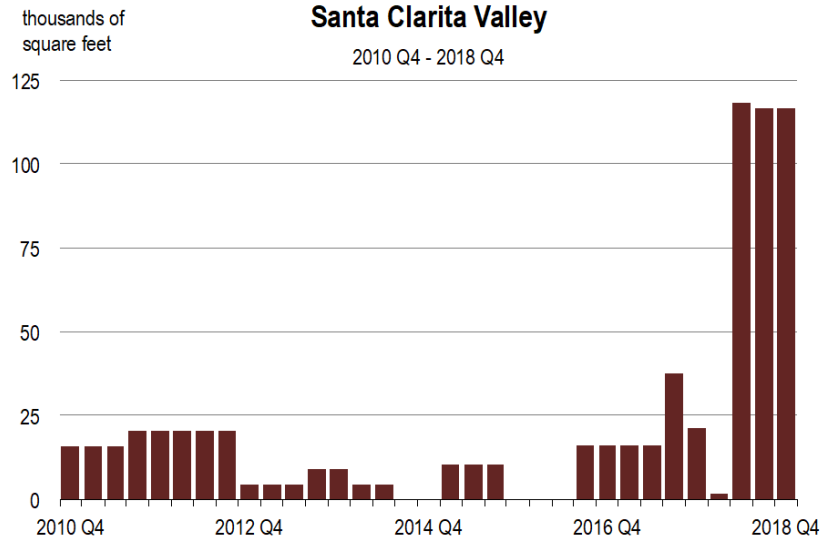


The retail vacancy rate is now 4.5 percent, which is approximately equal to the vacancy rate observed in 2017 Q4 (4.6 percent).

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 117,000 square feet of space under construction.

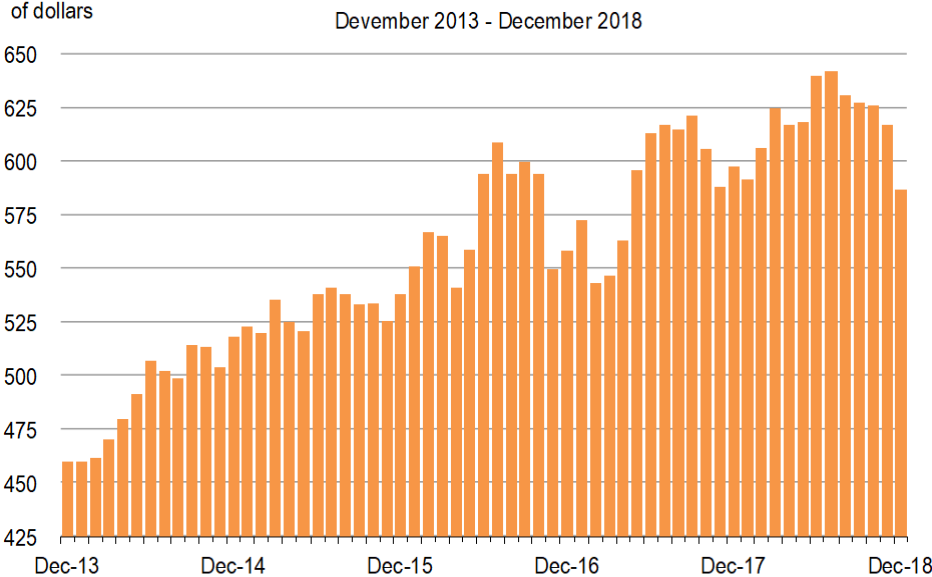
Retail Space Under Construction Santa Clarita Valley



RESIDENTIAL REAL ESTATE

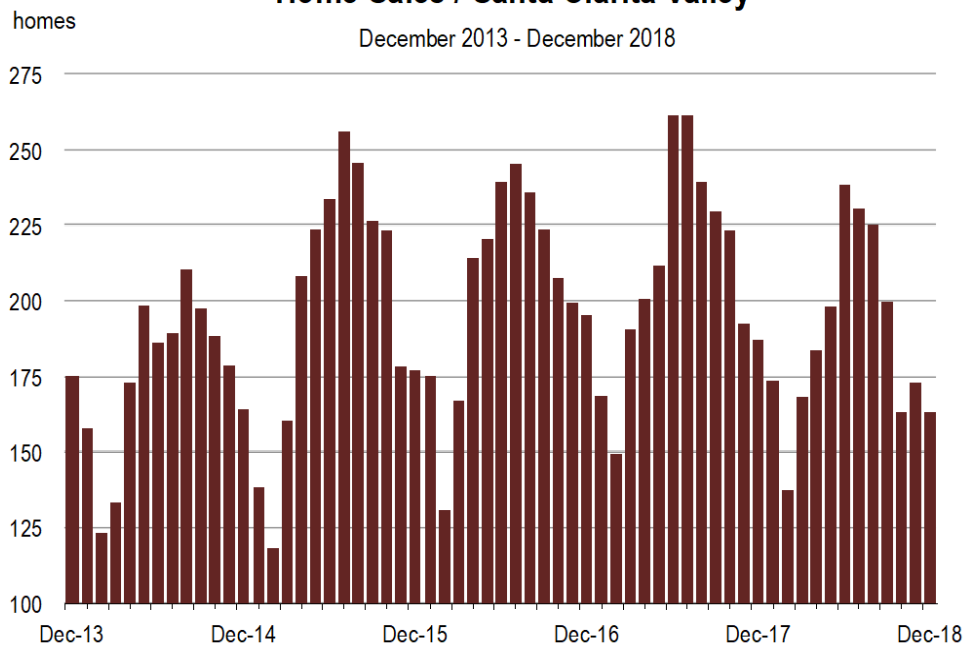
Source: California Economic Forecast, CoreLogic, First American Financial

Median Home Selling Price / Santa Clarita Valley



In December 2018, the median home price in the Santa Clarita Valley was \$586,800, decrease of 2 percent over the last 12 months (since December 2017).

Home Sales / Santa Clarita Valley

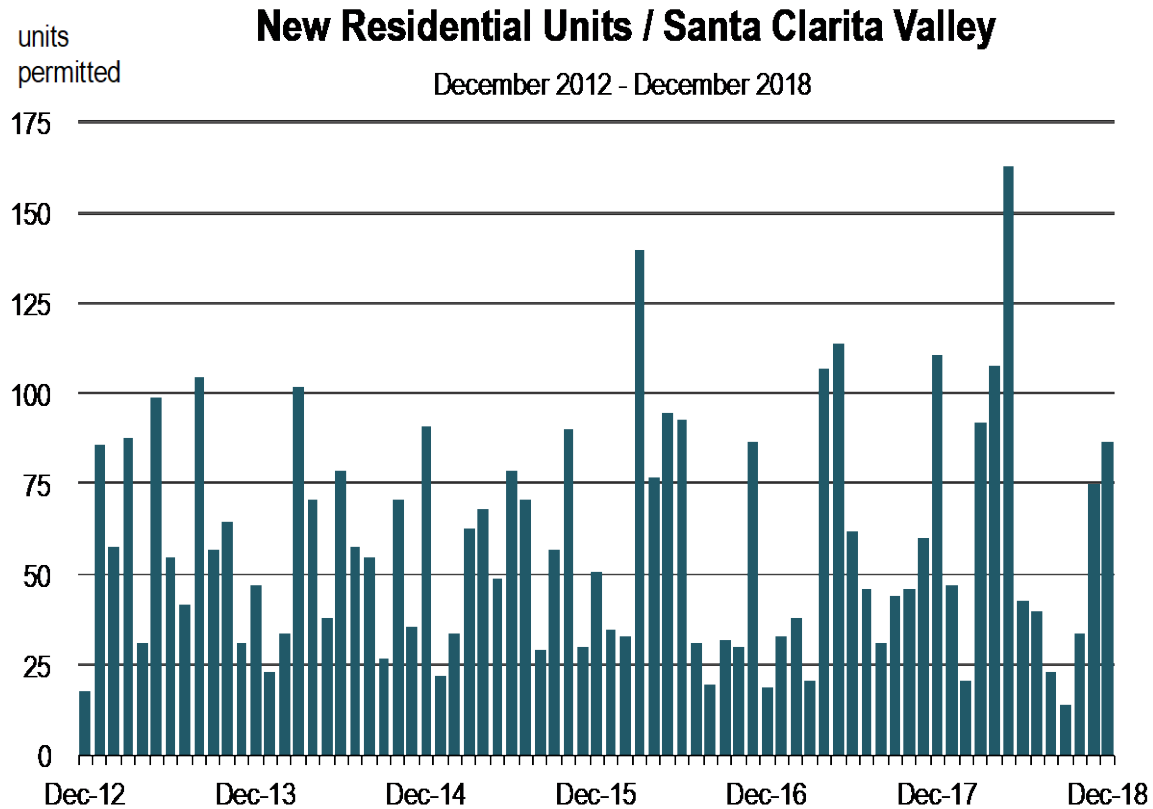


In 2018 there were 2,224 home sales in the Santa Clarita Valley, a 12 percent decrease from the 2,524 sales recorded in 2017.



RESIDENTIAL REAL ESTATE

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



During 2018, a total of 747 housing units were permitted in the Santa Clarita Valley. During 2017, 713 units were permitted.

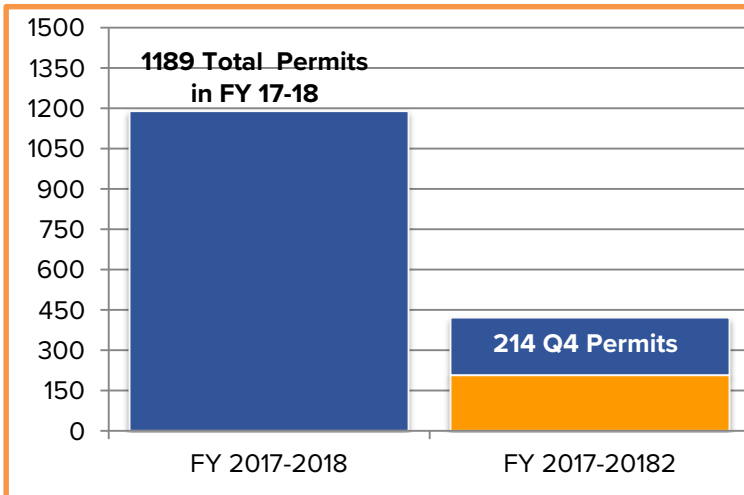
In 2018, 407 units were permitted in the City of Santa Clarita, and 340 were authorized in the unincorporated parts of Los Angeles County that fall within the Valley area.



FILMING IN SCV

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

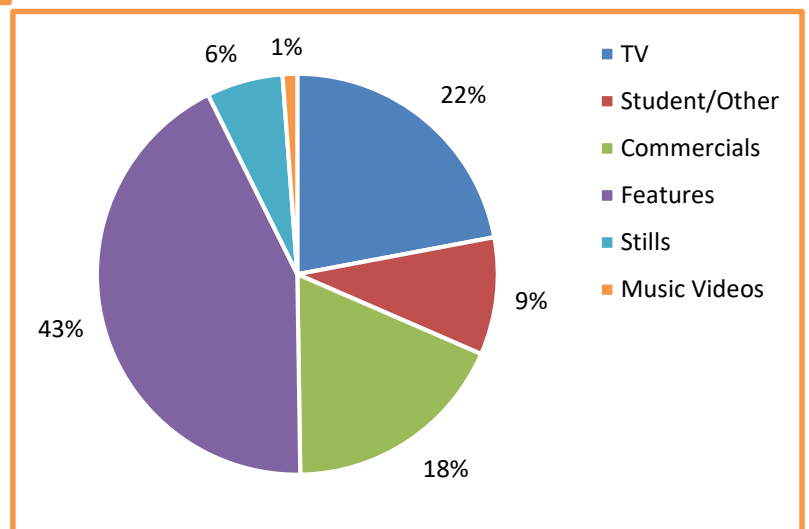
Number of Film Permits Issued in SCV



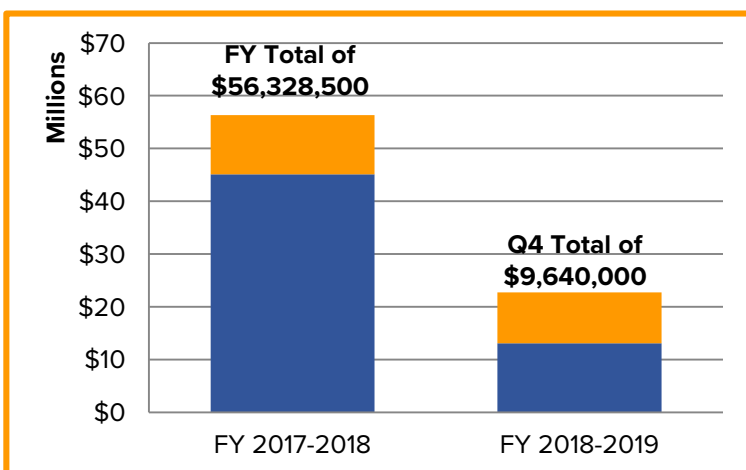
In Q4, a total of 214 permits were issued for a fiscal year total of 421 permits (July 2018 through June 2019) in the Santa Clarita valley.

Permits issued in the Santa Clarita Valley represented a total of 422 filming days in Q4. These film days included 93 television shows, 40 student/other projects, 77 commercials, 181 features, 26 stills and 5 music videos.

Number of Film Days in SCV



Fiscal Impact of Filming In SCV



The Q4 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 \$9,640,000. The city tracks film stats by fiscal year.



HOTEL VACANCY

Sources: CBRE Trends, STR

Tourism Sub-Region	Occupancy Rate Q4 2018	Occupancy Rate Q4 2017	ADR Q4 2018	ADR Q4 2017
Santa Clarita	86.30%	83.00%	\$143.29	\$133.26
San Fernando Valley	81.40%	79.54%	\$178.87	\$175.41
Pasadena	79.72%	77.81%	\$206.38	\$206.58
San Gabriel Valley	74.60%	77.37%	\$128.80	\$130.51
Hollywood	78.84%	75.68%	\$228.39	\$222.96
South Bay	77.91%	79.04%	\$163.31	\$164.18
LA Region	79.83%	78.10%	\$206.59	\$204.65

STR reports that hotel occupancy in the Santa Clarita was 86.30% in Q4 2018, an increase of 3.9% from the Q4 2017 rate of 83%.

By comparison, TRENDS reports the average occupancy rate at hotels for the Los Angeles region during Q4 2018 was 79.83%, a 2.21% increase from 78.10% in Q4 2017.

Local average daily room rates (ADR) increased by 7.5% in Q4 2018 to \$143.29 from \$133.26 the previous year; LA region's ADR increased 0.94% to \$206.59 over the previous year at \$204.65.



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.
- The Santa Clarita Valley is still creating jobs at a quick pace, but the pace slowed in 2018.
- Wages are rising slowly, but should begin to rise more quickly as the economy reaches peak conditions.
- 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.
- The industrial vacancy rate has risen sharply, but this was the result of new facilities being introduced to the market. Several hundred thousand square feet of space are currently under construction, meaning that the market size should expand further.
- Office utilization strengthened meaningfully in the fourth quarter.
- The retail real estate market flat lined in 2018. After a decade of minimal construction, the first substantial projects are now underway, which could increase competition for existing space.
- Home prices fell by 2 percent in December, and home sales are declining relatively quickly.
- Residential construction activity is accelerating. In 2018 more units were permitted than almost any point in the last decade.



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**



Santa Clarita Valley Economic Development Corporation

26455 Rockwell Canyon Rd.
Santa Clarita, CA 91355
scvedc@scvedc.org | 661.288.4400
www.scvedc.org

SANTA CLARITA VALLEY
ECONOMIC DEVELOPMENT CORPORATION



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