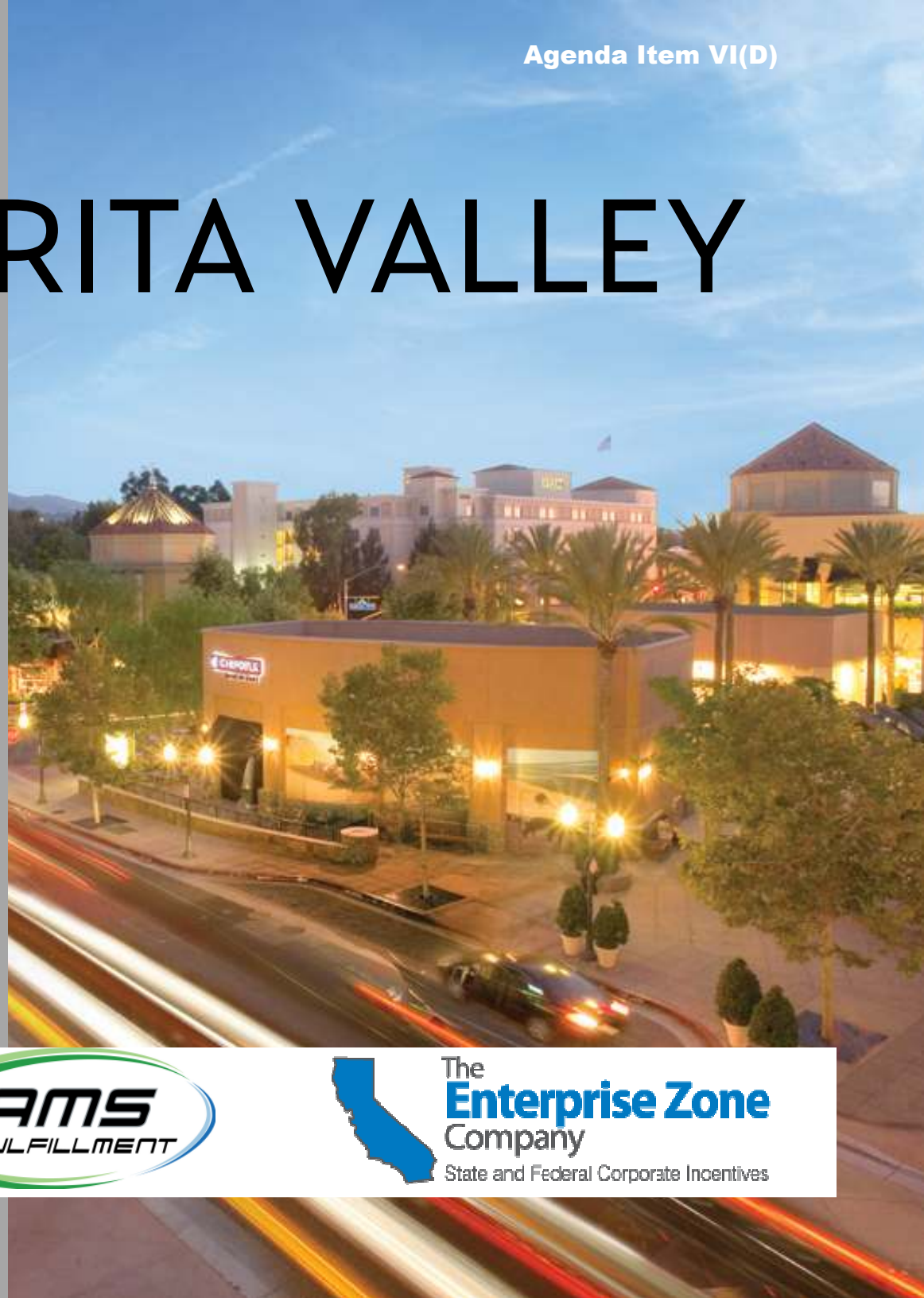


# SANTA CLARITA VALLEY

Quarterly Forecast Update  
3rd Quarter | 2012

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**SANTA CLARITA VALLEY**  
Economic Development Corporation

Economic  
Analysis  
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# The 2013 Outlook for California

By Mark Schniepp, Ph.D., Executive Director, California Economic Forecast

The US and California Economies have strengthened in 2012. Unemployment rates continue to decline, more jobs are being created, incomes are riding along with consumer spending and business investment, and the housing market is finally in recovery after nearly 5 years of stagnation.

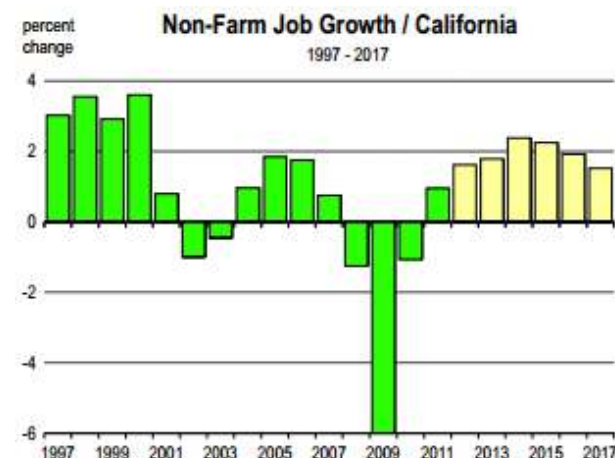
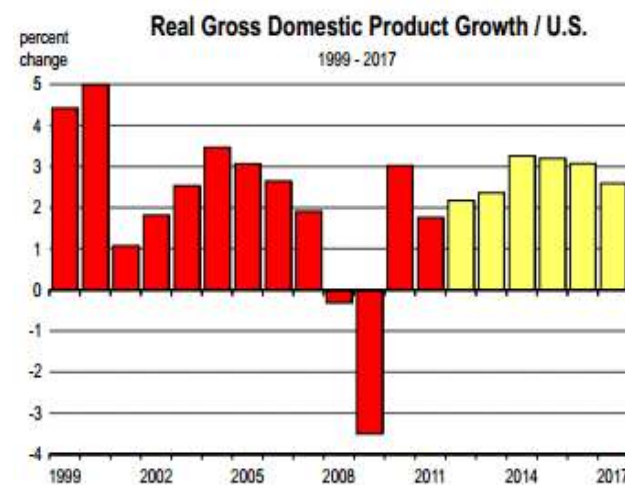
The UCLA Anderson forecast for the US calls for continued gradual improvement in economic growth in 2013. The unemployment rate will also be in decline during the year. Job creation has remained steady for the last 28 months though it has noticeably slowed in 2012. Currently, the US labor markets are on a pace that will produce nearly 2 million jobs during calendar 2012. That pace will accelerate to at least 2.3 million jobs in 2013.

GDP is forecast to grow 2.1 percent in 2012 and 1.8 percent in 2013, accelerating to nearly 3 percent in 2014. Unemployment will decline slowly, not falling below 8 percent until 2014.

In California, job creation in 2012 has been better than previously forecast. Nearly 240,000 jobs will be created this year in the state, largely in technology, visitor-serving, and business services.

The Bay Area is the leading region in the state for job creation, followed by Southern California. Despite the continuing budget problems that persist with the State's finances, the California economy is forecast to produce over 220,000 jobs next year.

The employment rate is currently over 10 percent in the State. It is forecast to fall to 9.8 percent in 2013 and 8.5 percent in 2014. Household incomes rise slowly in 2013 but the forecast of consumer spending remains contained. There will be more retail sales in the state but the rate of growth is half the 2012 rate.



Exports in California remain strong. The value of products shipped from the Ports of Long Beach, Los Angeles, Hueneme and Oakland are currently at record levels in 2012. This is helping to drive transportation, distribution, and warehousing sectors of the California economy including in these industries.

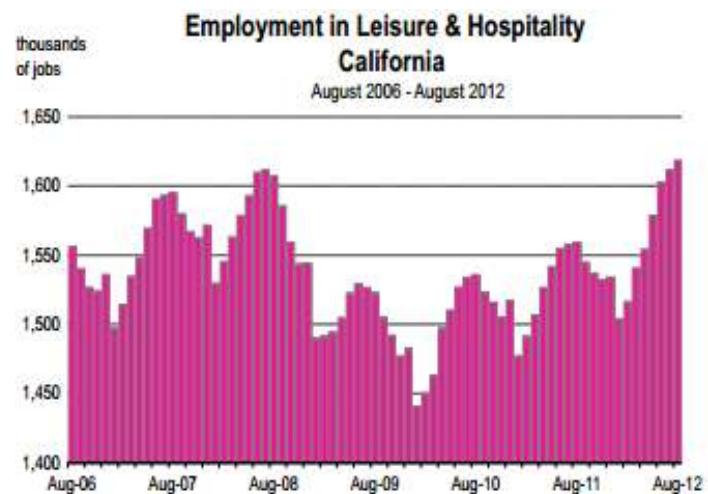
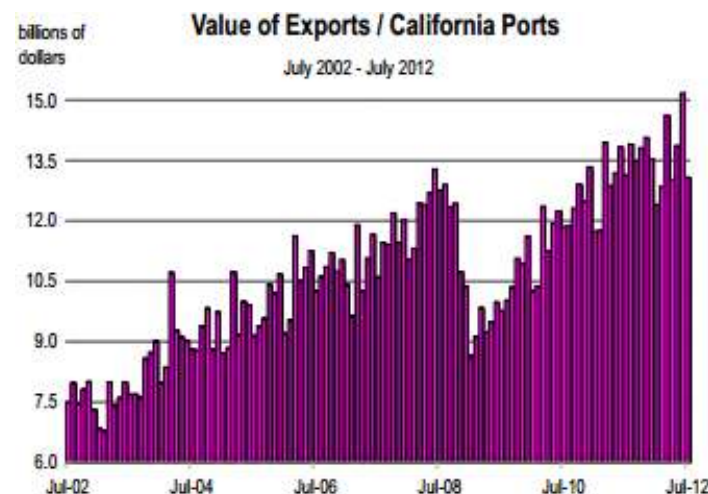
### The Labor Market Recovery

Nearly all California counties show rising levels of employment in 2012, though the pace of job creation is slow. By 2013 all principal counties are creating new jobs within even stronger growth observed in 2014.

This generally develops as follows:

- Job growth is now occurring in the larger counties in California and by 2013, nearly all counties will be adding to employment.
- A more vibrant labor market expansion is expected in 2013, as many of the population serving sectors hire to accommodate more people and visitors in California.
- The job engines of growth in California are (1) technology, (2) exports, and (3) leisure and hospitality.
- The unemployment rate remains high despite more employment opportunities because the additions to the labor force since 2007 have been much greater than job creations.

Declining unemployment rates will hasten the pace of growth in real (inflation adjusted) wages and salaries, and ultimately total personal income and consumer spending.



## The Housing Recovery

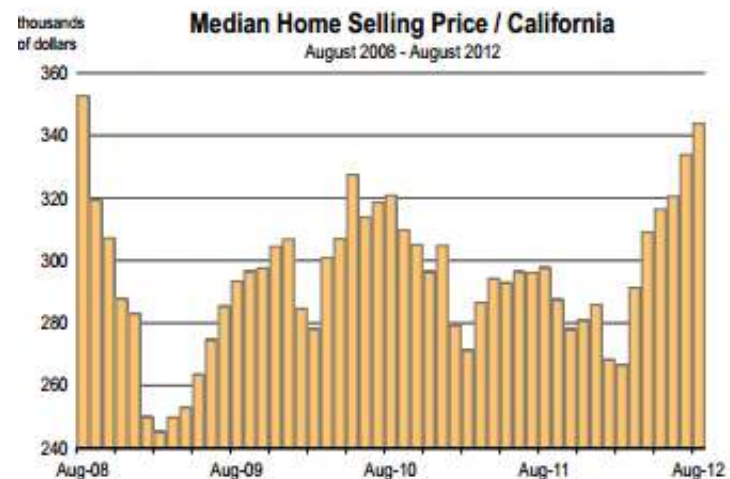
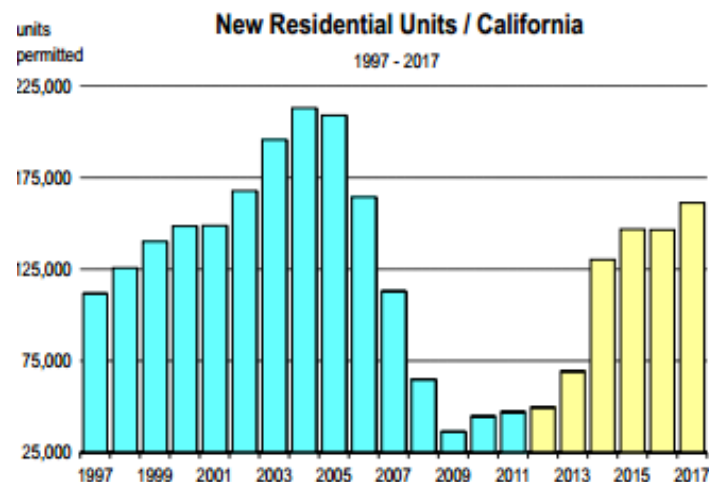
The epicenter of the Great Recession of 2008-2009 was real estate including new home building. Employment in construction declined sharply throughout California and the nation. Vacant office buildings today will preclude much new non-residential building over the next year or two. The stock of foreclosed homes however, is being quickly eliminated by investor purchases, and being occupied by renters. The tepid recovery in housing speeds up in 2013 and 2014 and this flows through to construction employment.

There will be a positive albeit weak rebound during next year in new home production. This occurs because the inventory of existing housing has declined to levels that necessitate new additions to the housing stock to meet rising demand.

Inventories of for-sale housing are currently at 6 year lows in California. This alone will accelerate the overall economic expansion in the state and nation for the remainder of this year and 2013.

New home building rises in 2013, but does not reach “normal” levels of building until 2014 or 2015.

The sum of housing units over the next 5 years is more important than the year-by-year allocation of units. In the short run, the forecast of new housing units is not sufficient to prevent average household sizes from rising. New housing inventories remain tight for the next two years as development ramps up this year.



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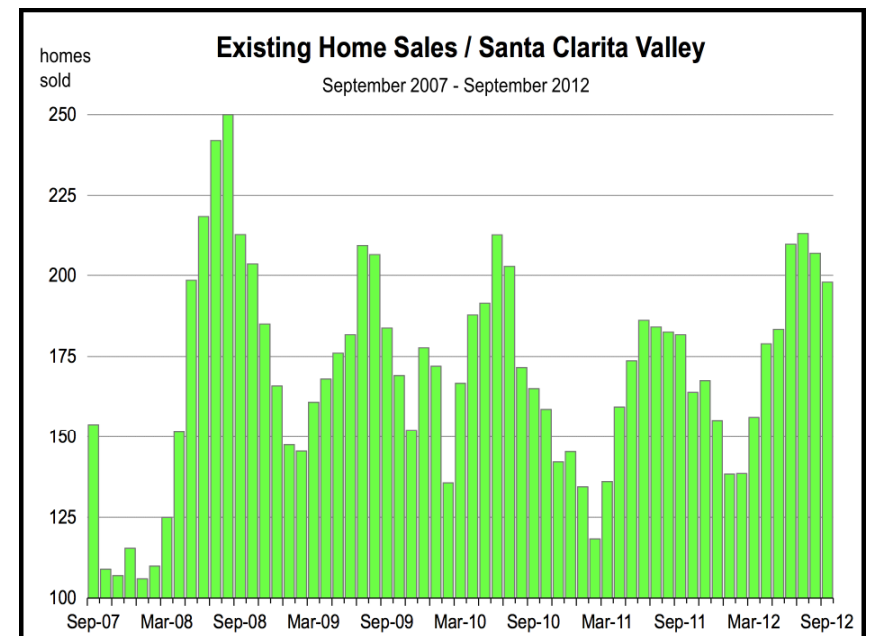
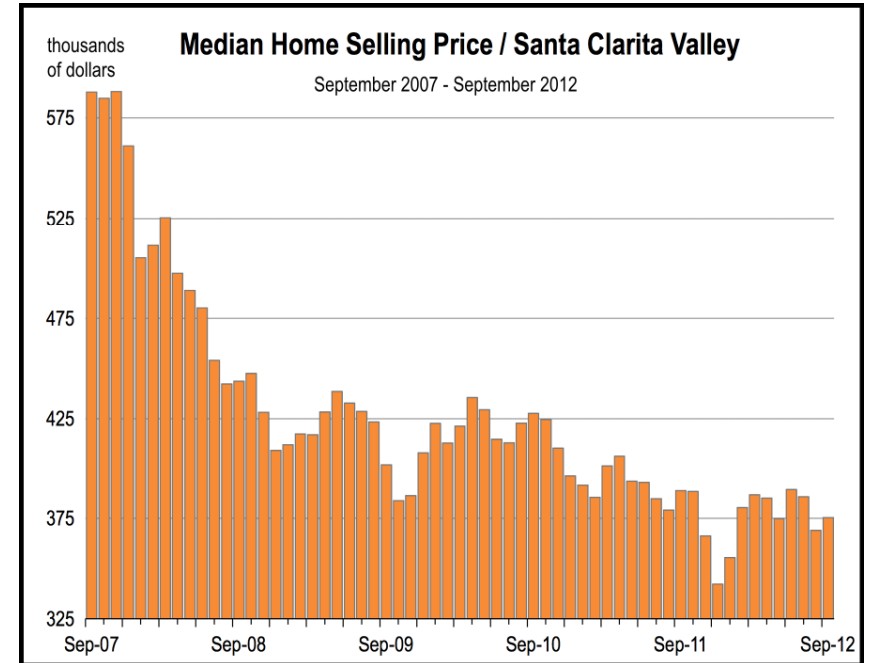
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## Residential Real Estate

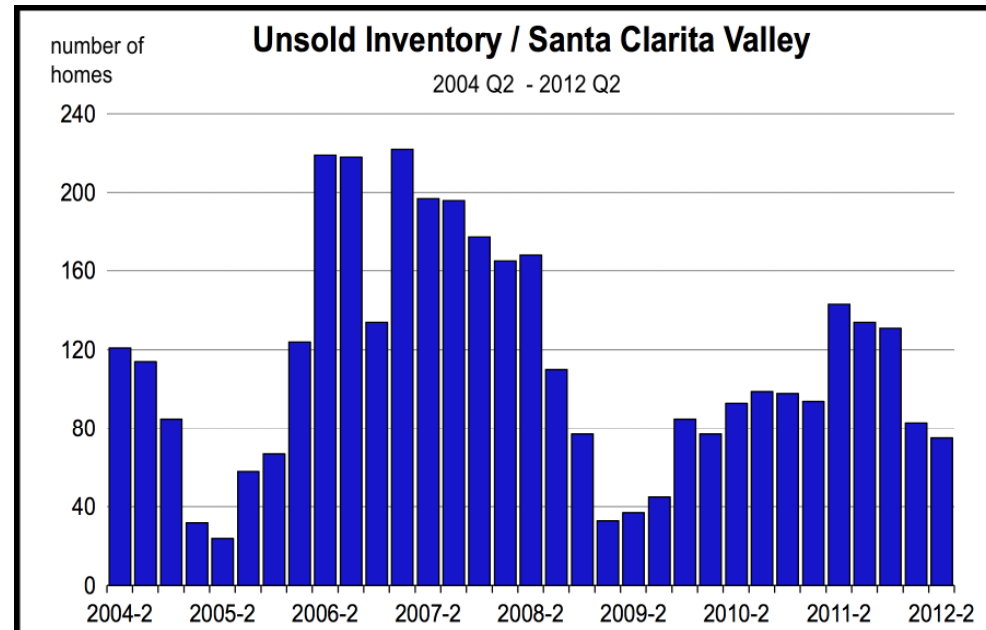
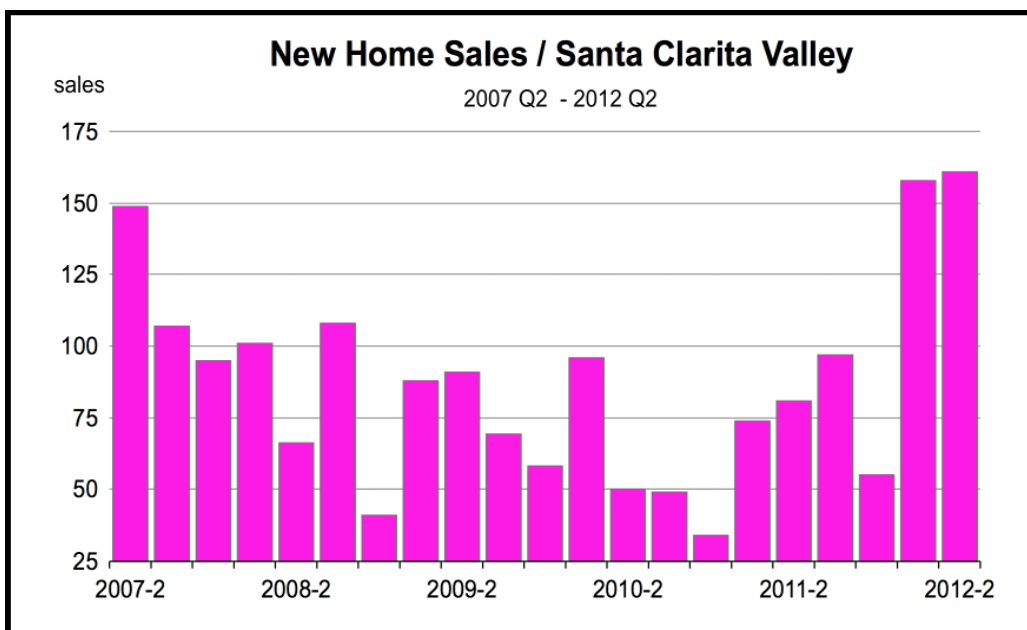
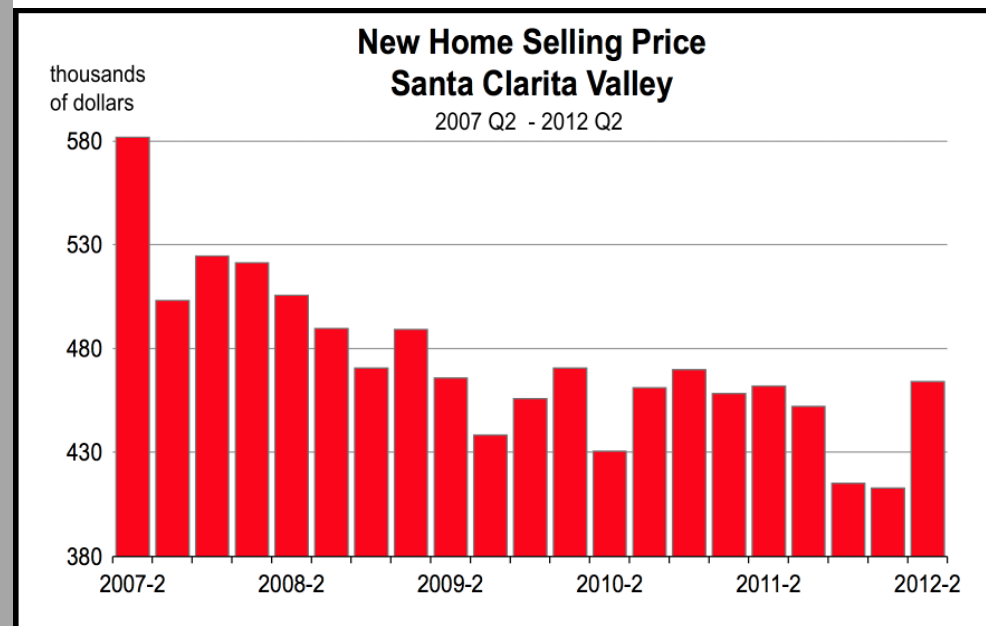
- In September 2012, the median home selling price in Santa Clarita Valley was \$376,000. This is slightly below the median price that was observed in June and July, but is 2.5% above the price seen in Sept 2011.
- Homes sales have increased substantially from last year. During June-September 2012, sales were up by 12.6% compared with June-Sept 2011
- This mirrors trends that have been observed across the state. Low prices and interest rates have begun to entice buyers back into the market and sales have increased from primary homebuyers as well as investors.



Source: First American Core Logic/DataQuick/California Forecast

# Residential Real Estate

- In the Santa Clarita Valley, there were 161 new home sales during the first quarter of 2012. This is roughly equal to the number of homes sold during the first Quarter 2012, but is nearly double the number compared to Q2 2011 (81 sales).
- During the Q2 2012, new home prices rose on a year-over-year basis. When compared to Q2 2011, the median price was higher by 2.6%.
- Inventory of unsold new homes continued to decrease in Q2. There were as total of 75 homes in this category, compared to 83 in Q1 2012 and 143 in Q2 2011.
- The current inventory represents 1.4 months of supply. This is the lowest level since Q2 2009.

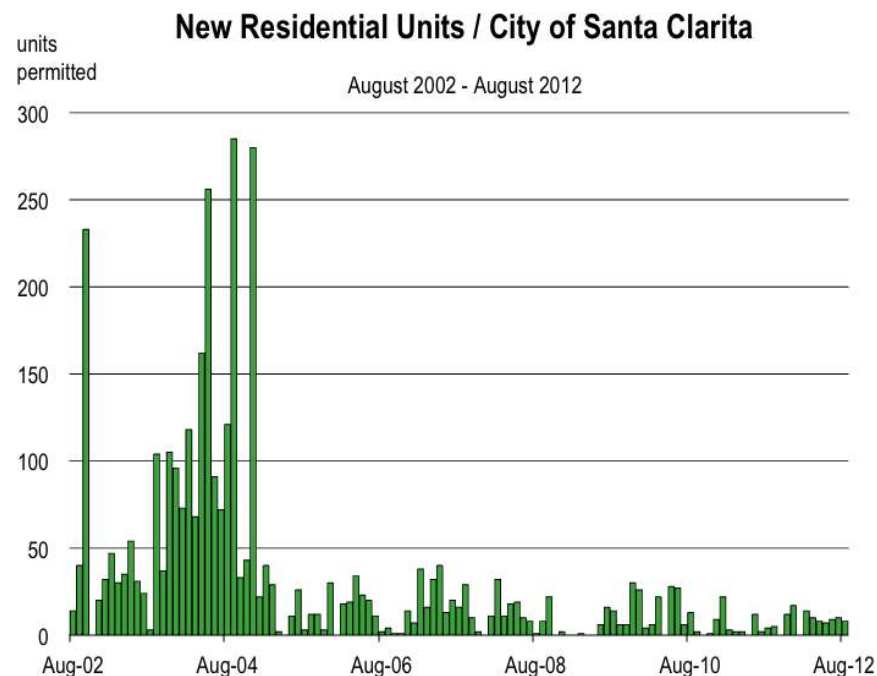


## Residential Construction

- In the City of Santa Clarita, residential construction remains low.
- From June-August 2012, 27 units were permitted. This is higher than the number of units permitted in June-August 2011 (18 units), and is roughly equal to the same period in 201 (26 units).
- Through September 2012, 66 total permits have been issued. All have been for single-family homes. While this number is low, it compares favorably to the first 8 months of 2011, which 47 units were permitted.



Archstone breaks ground in April 2012 on their 157-townhome unit project at Via Princessa

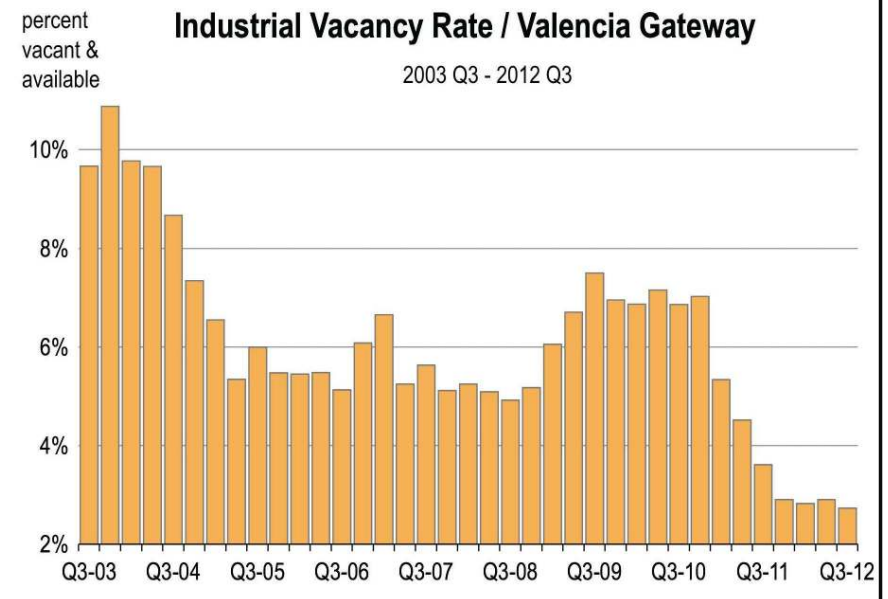




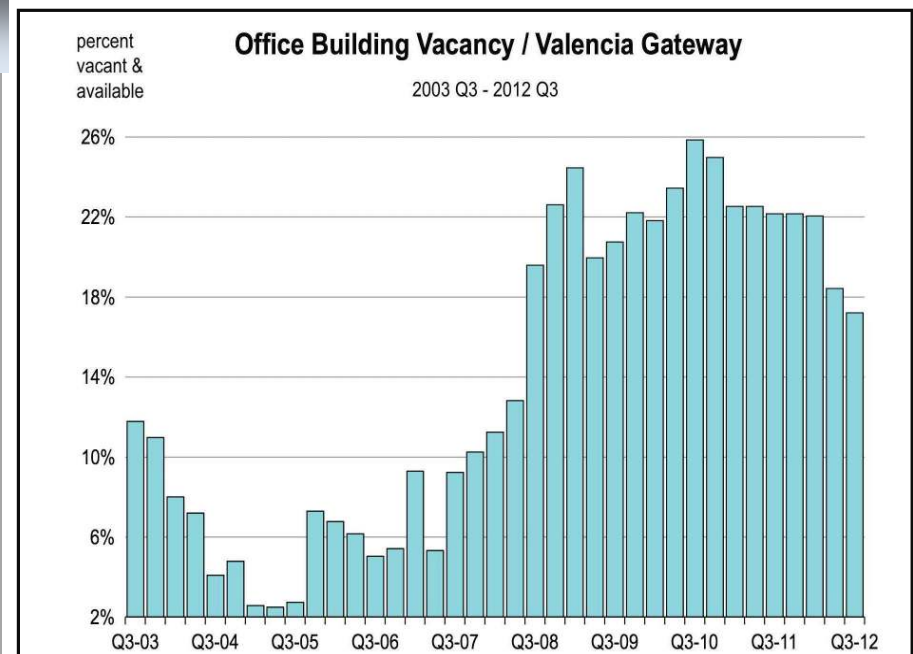
*Available! 28945 N. Avenue Williams, 58,394 sq ft  
Matt Dierckman, CBRE (818) 502-6752*

## Commercial Real Estate

- On a year-over-year basis, the vacancy rate for industrial space in Santa Clarita Valley has dropped from 3.6% to 2.7 percent. When compared to Q2 of 2012 it was virtually flat.
- The office vacancy rate fell from 22.2% to 17.2% over the past year. It is down substantially from the high point in 2010, but is still elevated by historical standards.



Source: CBRE

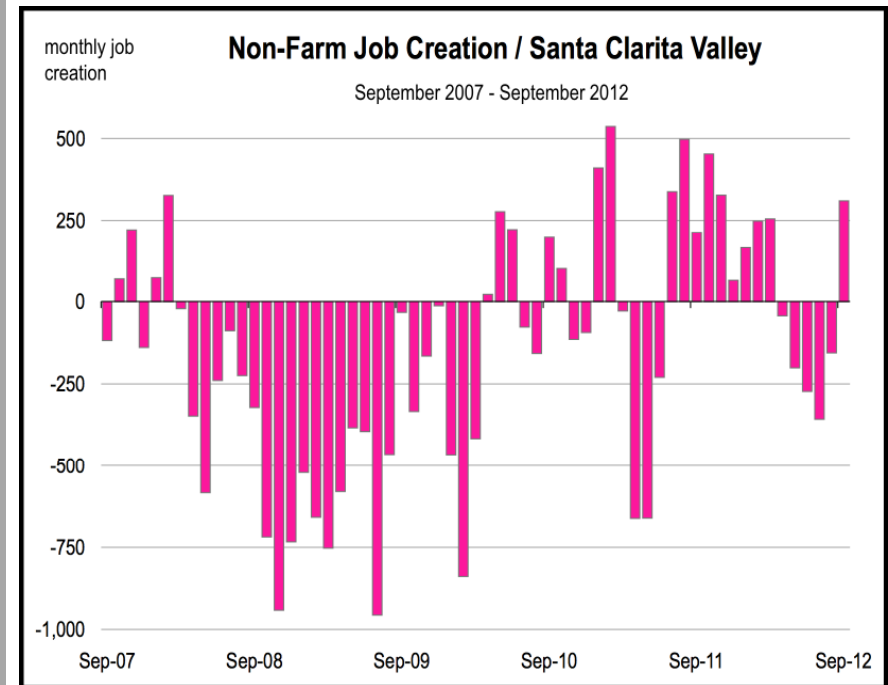


Source: CBRE



## Employment

- During the third quarter of 2012, it is estimated that total non-farm employment in the Santa Clarita Valley was characterized by a slight decline.
- Total non-farm employment fell in July and August, but rose in September. However, for the entire quarter, employment was down by 166 jobs.
- Total seasonally adjusted non-farm employment remains 10 percent below the previous peak. But when compared to September of 2011, employment has risen by 1.8 percent.
- On an annual average basis, non-farm employment has risen substantially in 2012. When compared to 2011, the labor market is on pace to add almost 3,600 jobs, representing a growth rate of 4.6 percent. Despite a high level of volatility on a month-to-month basis, the long-term labor market recovery remains in tact.
- The sectors that have experienced the strongest growth in the past year include manufacturing (+12.2 percent), accommodation and food services (+8.3 percent), and arts and recreation (+7.8 percent).
- Large sectors with the most pronounced job losses have been educational



Source: Labor Market Information Division/California Forecast

## Summary

- In general, the economic climate in the Santa Clarita Valley improved during the third quarter of 2012.
- The median price for existing homes has increased slightly during 2012, and existing home sales are up markedly. New home prices have increased as well, and during the second quarter of 2012, new home sales were twice as high as the level that prevailed in the second quarter of 2011.
- The increases in prices and sales have been driven by record levels of affordability. Low interest rates have attracted buyers back into the market, and it is now clear that the real estate recovery has begun.
- A large increase in home sales has led to a sharply falling level of unsold inventory. Inventory declines have occurred in many parts of the state, indicating that the real estate revival is widespread.
- The industrial real estate market continues to tighten, and vacancy rates for industrial space remain near record lows.
- The Santa Clarita Valley job market has made substantial strides. So far in 2012, the region is on pace to add almost 3,600 jobs when compared to the annual average employment level for 2011.

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## Santa Clarita Valley Economic Development Corporation

Representing the united effort of regional industry and government leaders, the Santa Clarita Valley Economic Development Corporation (SCVEDC) works to provide an integrated approach to attracting, retaining and expanding a diversity of business and industry in the Santa Clarita Valley.

Our overarching goals are to support the creation of high-paying jobs for our trained workforce, stimulate economic activity that grows the regional tax base and strategically position the Santa Clarita Valley and its businesses to better compete in the global economy.

For more information, please visit [SCVEDC.org](http://SCVEDC.org).

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**SANTA CLARITA VALLEY**  
Economic Development Corporation