2024 SOUTHERN CALIFORNIA ECONOMIC UPDATE

DEC. 5, 2024

SCAG™

INNOVATING FOR A BETTER TOMORROW

ABOUT SCAG

SCAG is the nation's largest metropolitan planning organization (MPO), representing six counties, 191 cities, and more than 19 million residents. SCAG undertakes a variety of planning and policy initiatives to encourage a more sustainable Southern California now and in the future.

VISION

Southern California's Catalyst for a Brighter Future

MISSION

To foster innovative regional solutions that improve the lives of Southern Californians through inclusive collaboration, visionary planning, regional advocacy, information sharing, and promoting best practices.

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SCAG ECONOMIC SUMMIT

In every year since 2009, SCAG has hosted the Southern California Economic Summit, an event designed to provide up-to-date regional and county-specific economic analysis and insights to stakeholders. Due to scheduling conflicts with multiple holidays over 2024-2025, this year SCAG will provide a shorter Southern California Economic Update as part of the December 2024 Regional Council meeting alongside regular SCAG business.

This briefing book is prepared by SCAG and its Economic Roundtable, a select group of economists from across the region who meet quarterly to discuss trends, data, and current events impacting the region's economy. Not surprisingly, a group of seven economists will have different perspectives on issues, causes, and projections. Recognizing this, the objective of the Economic Roundtable is to provide common, consensus-based understanding of regional economic data, trends, and themes affecting regional planning. The roundtable's Quarterly Reports can be found on SCAG's Economic and Demographic page, and all accompanying economic data for the region can be visualized on and exported from the SCAG Economic Trends Tool.

SCAG's primary role as a metropolitan planning organization is to develop a plan for a healthy, prosperous, accessible, connected, and equitable Southern California over the next three decades. To that end, Connect SoCal 2024, SCAG's quadrennial Regional Transportation Plan and Sustainable Communities Strategy, was adopted by the Regional Council in 2024. The objective of this briefing book's review of the past year and outlook for the next year is to assist policymakers in planning for the next 30 years. Following this executive summary, you will find a complete report covering the SCAG region, summary briefs for each of the region's six counties, and short essays from roundtable members covering region-wide economic sustainability and equity. Full reports for the region's counties are included as appendices.

STATE OF THE REGIONAL ECONOMY

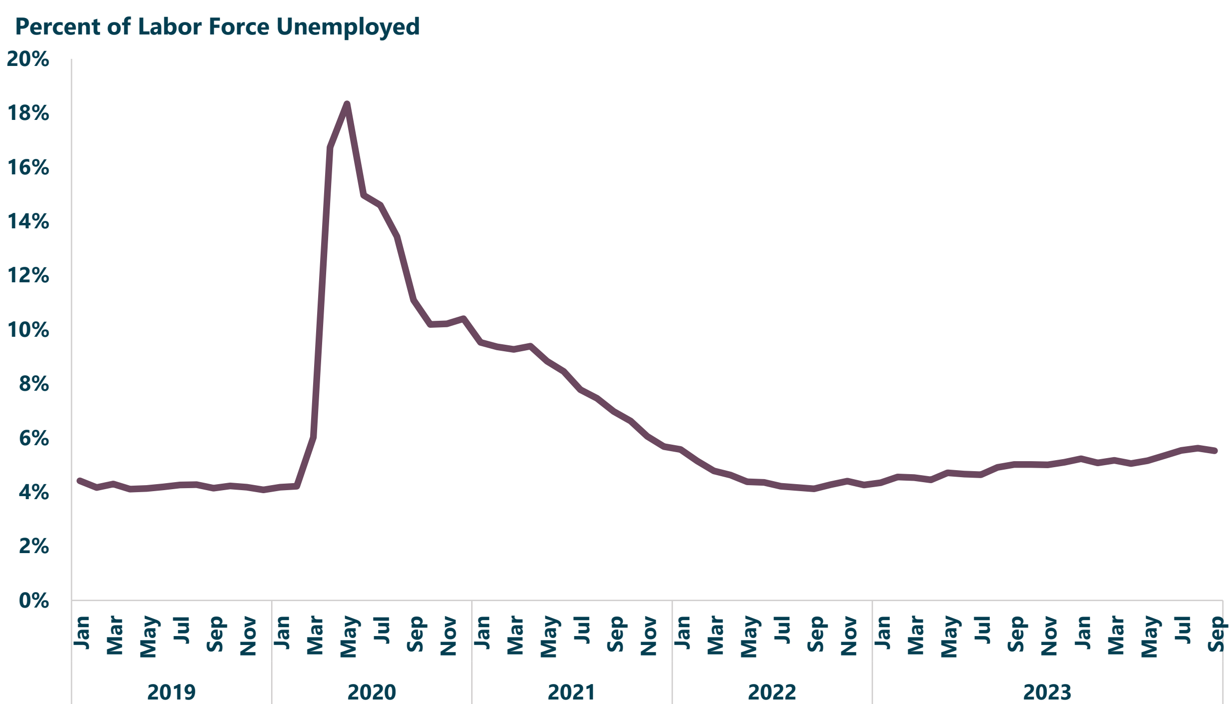
The California economy has largely tracked U.S. economic growth in recent years, and the six county SCAG region has moved in sync with the greater statewide economy. In 2024 these trends have generally persisted, but while job growth has diminished in the United States, job growth has increased in California and the SCAG region. However, there are only three principal contributors to job growth in the SCAG region: Healthcare and Social Assistance (NAICS 62), Leisure and Hospitality (NAICS 71 and 72), and Public Administration (NAICS 92)—and the first two tend to be lower paying. (Industry sectors are classified by the North American Industry Classification System (NAICS). Leisure and Hospitality includes two sectors: Arts, Entertainment, and Recreation (NAICS 71) and Accommodation and Food Services (NAICS 72).)

Exhibit 1 Percent Change in Real Gross Domestic Product

Source: Federal Reserve Bank of St. Louis and author calculation

The lack of broad-based participation in the labor market, stagnant growth of normally strong and dominant sectors, such as technology and advanced manufacturing, and a rising unemployment rate typically indicate a softening economy.

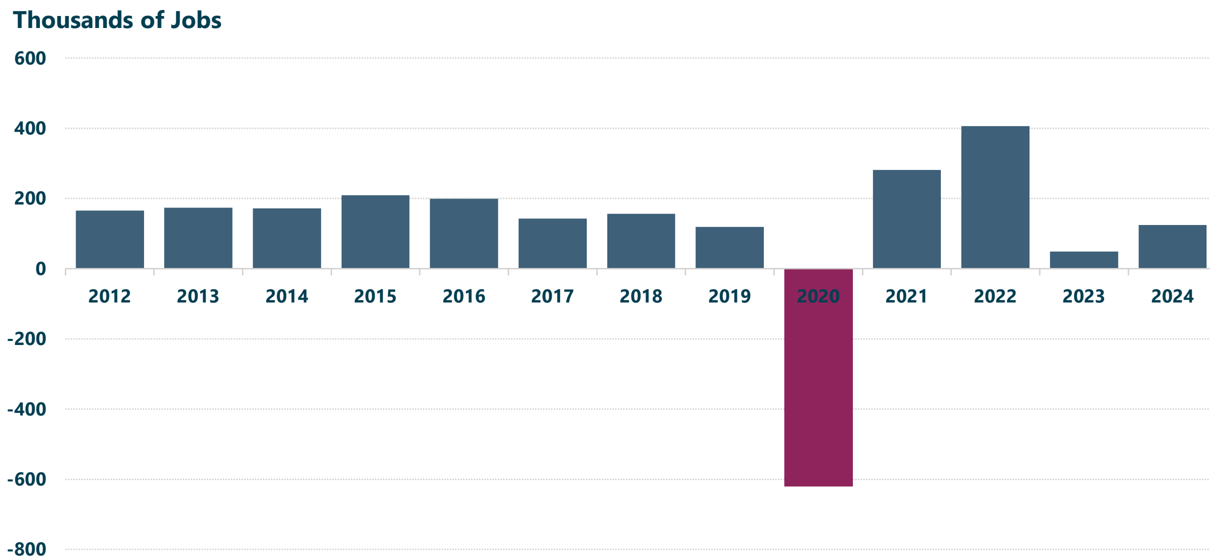
Exhibit 2 Unemployment Rate in the SCAG Region (Seasonally Adjusted)



Source: California Employment Development Department

Much of the discrepancy between good and bad economic signals is likely due to higher immigration levels than reported in official statistics—which is increasing the size of the labor force, increasing job counts, especially in health and hospitality, and pushing unemployment rates slightly higher. So, despite the unwelcome signals, SCAG region job creation in 2024 is roughly on track to double the level in 2023.

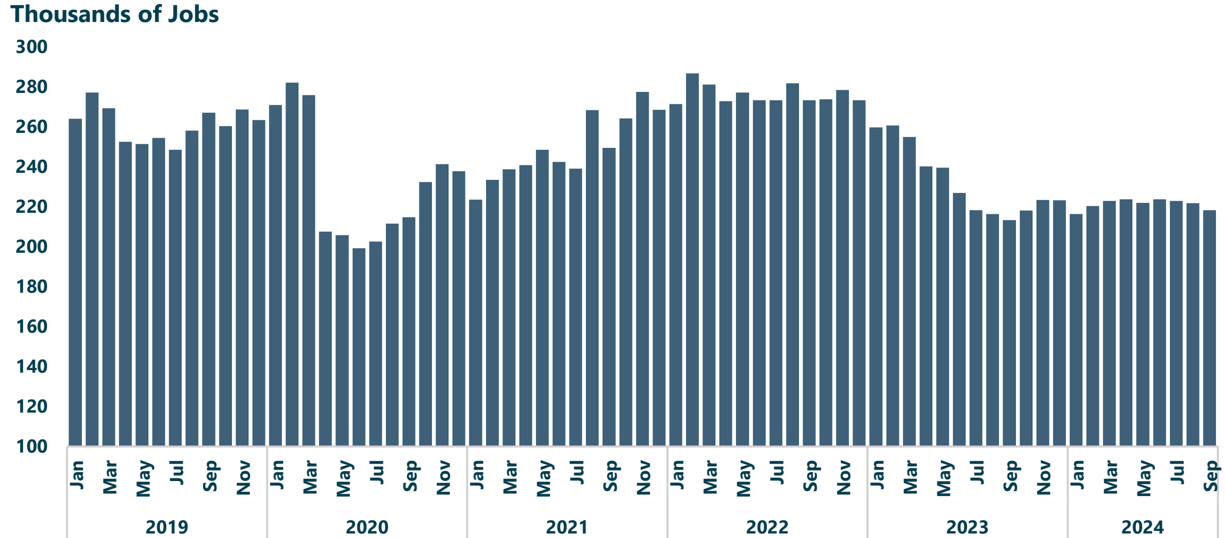
Exhibit 3 Annual Change in Payroll Jobs in the SCAG Region



Source: California Employment Development Department. Data for 2024 is annualized based on the pace of job creation during 2010-2019.

The technology sector has largely stabilized after a spate of layoffs by large companies in late 2022 to mid-2023, but it has not contributed at all to aggregate employment growth in 2024. Hollywood jobs—referring to TV, film, and sound recording which make up a large share of Southern California's Information sector (NAICS 51)—have not yet rebounded from labor disputes in 2023 though film and TV shoot days are gradually recovering.

Exhibit 4 Employment in Information, SCAG Region



Source: California Employment Development Department

Foreign trade volume into the SCAG region is rebounding sharply through the principal shipping ports of Los Angeles and Long Beach, and also through smaller ports of entry including Hueneme in Ventura County and the Calexico land border in Imperial County. Container volumes have been soaring since mid-summer and employment in the logistics sector is no longer suffering from the capacity overshoot that resulted in job losses in 2023.

THE OUTLOOK FOR 2025

No recession was forecast in 2024, and economists are not predicting a downturn in 2025. In fact, the probability of continued economic expansion for 2025 is higher than it was for 2024. The risk of recession is sharply lower than it was a year ago. Consumer spending and business investment in equipment and software should continue to be strong. Lower interest rates will increase residential investment and the end of uncertainty about the 2024 election outcome should help drive the state and regional economies.

From the vantage point of November 2024, the growth in logistics, development of large-scale transportation, healthcare, and energy projects, and increases in tourism will carry into 2025. This will cause demand for more labor as well as investment in capital equipment, software, and real estate; however, changes to federal immigration policy could result in a shortage of workers in the industries that powered the region's job growth in 2024.

Housing construction and sales will rebound as the cycle of interest rates turns lower. The region's COVID-era total population declines will give way to relatively flat population growth in the near term; however, recent declines could be offset by foreign immigration. Consequently, more workers will be available for jobs, but they will also need housing.

The continued demand for a limited housing stock combined with state policies inducing new homebuilding should result in the beginning of a recovery this year and through 2025, with solid growth in new home production in the near term. These are meaningful increases that can unclog some of the existing supply constraints in the housing market, but the prospect of the private sector building out of the larger housing affordability problem over the next several years is unlikely.

The implementation of artificial intelligence, new technologies in autonomous systems, and medical devices will create advantages for the California economy because much of the innovation occurs in-state. The demand for tech products such as semiconductors, aerospace components, aircraft, and energy storage will continue to expand in 2025 and will advantage Los Angeles and Orange counties, which have a significant presence of workers in advanced manufacturing. Consequently, both technology services and technology-manufacturing employment are anticipated to recover in the next two years, though any cuts to federal investment in green technology during the next administration could pose a risk.

Hollywood jobs are not likely to fully recover, though some expansion is expected. It now appears that a restructuring of film and TV production locations was underway in 2023, and the loss in local production was not simply temporary, though a new film and television tax credit proposed by Governor Gavin Newsom could help. The stickiness of hybrid work has also caused alarmingly high vacancy rates in the SCAG region’s office market to reach a record high of 14 percent—this market should remain soft (CoStar, 2024).

Other risks to this outlook are principally geopolitical—wars in Ukraine and the Middle East—and the potential that lower interest rates could overstimulate the economy above the target level of inflation. Wage gains or unemployment drops would be modest in 2025 if they occur at all. Factors that could yield a stronger regional economy include accelerated onshoring of technical manufacturing and rapid growth in international tourism.

The SCAG Region Economy

UNDERCURRENTS FROM THE NATIONAL ECONOMY

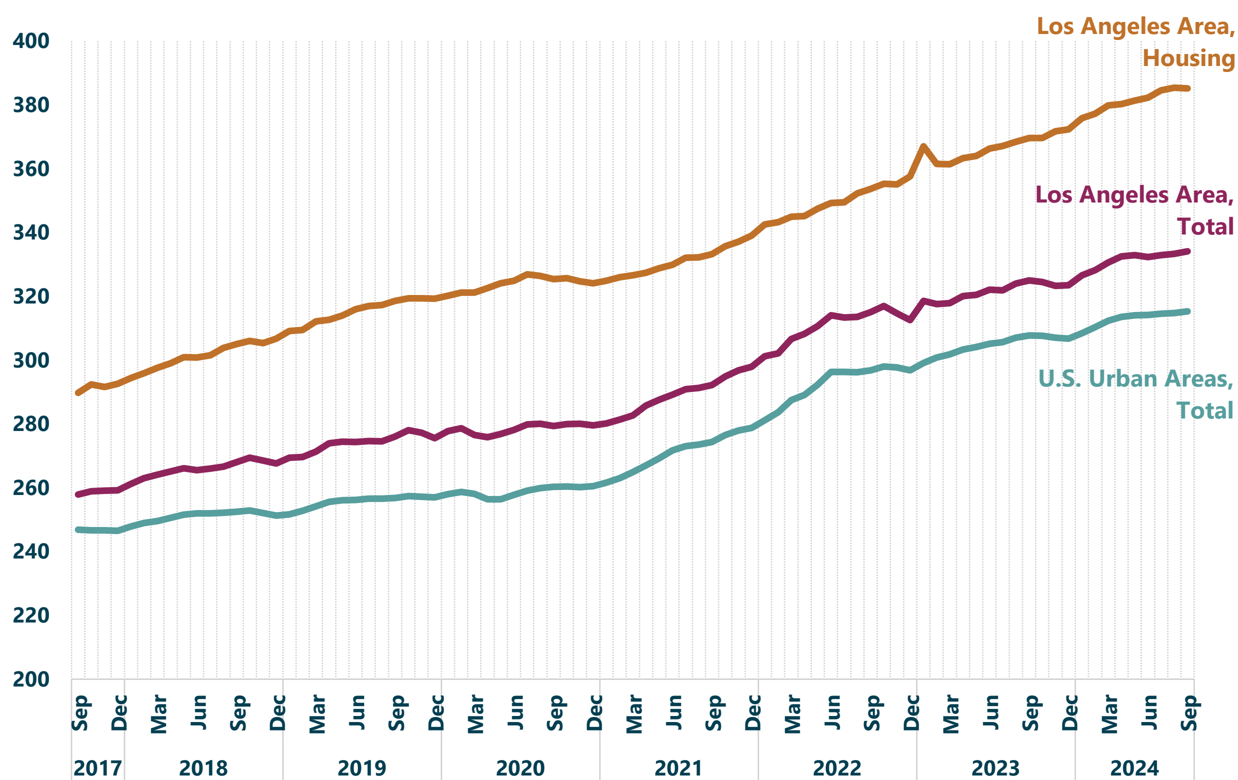
The U.S. economy continues to expand, though growth has moderated this year. It has been 53 months since the last recession, and there is low probability that another one is in the forecast anytime soon. Some lingering issues remain from the last recession, and some new issues have emerged.

Most of the serious imbalances in the economy caused by early COVID-era shutdowns have been resolved. However, conditions are not entirely back to normal yet and some effects, with inflation, the labor market, and the office market, are lingering.

INFLATION AND INTEREST RATES

The pandemic's supply chain interruptions, followed by large government spending, resulted in the highest surge of inflation in 40 years, peaking in the summer of 2022. Progress taming inflation has been steady over the past two years. Inflation has nonetheless led to a pessimistic American consumer, hamstrung by general prices for goods and services that are 21 percent higher today than in early 2021.

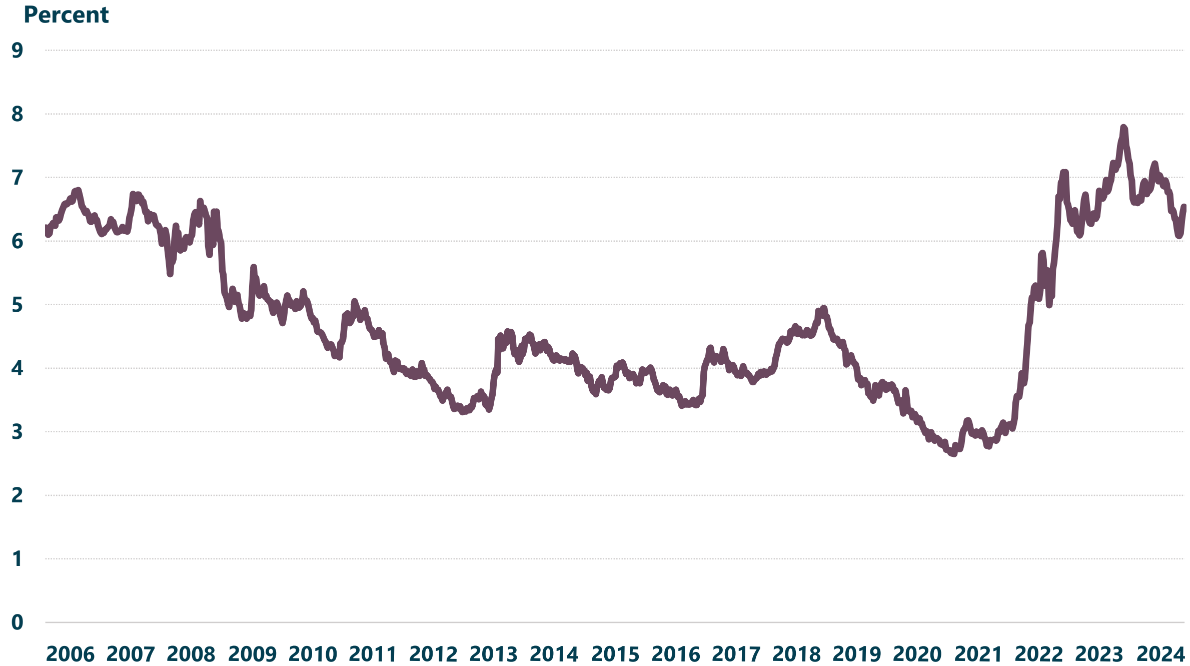
Exhibit 5 Consumer Price Index Comparison



Source: Bureau of Labor Statistics. Base period 1982-1984=100.

Inflation in the region, represented by the Los Angeles-Orange County Metropolitan Statistical Area Consumer Price Index, has generally followed in lockstep with national indices. General consumer goods have risen 19.3 percent since January 2021 and 20.2 percent for food and beverages.

Exhibit 6 30-Year Fixed Rate Mortgage in the United States (Weekly Average)



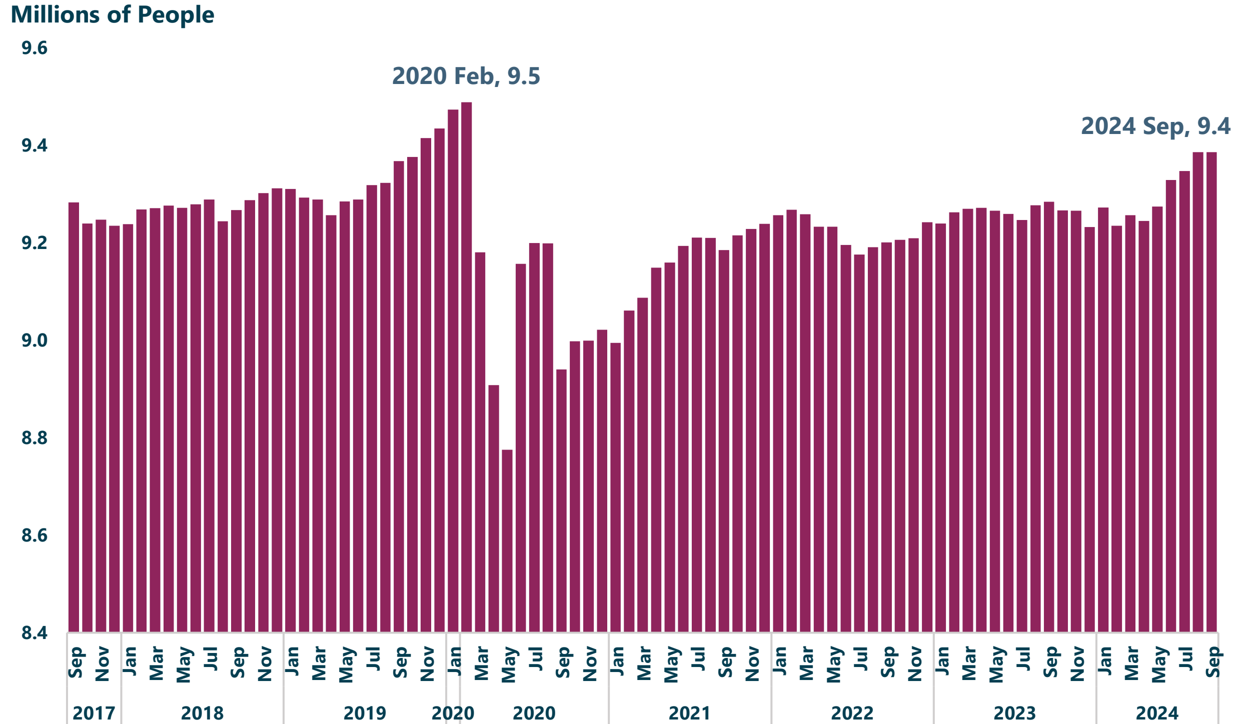
Source: Freddie Mac, retrieved from Federal Reserve Bank of St. Louis

Following the Federal Reserve System's rate hikes, interest rates this year remain more than twice as high as they were in 2021, leading to soaring monthly payments on new conventional mortgage loans and a major slowdown in home sales. While rates are now on a downward trajectory, lingering effects in terms of reduced business investment and housing market activity remain.

THE LABOR MARKET

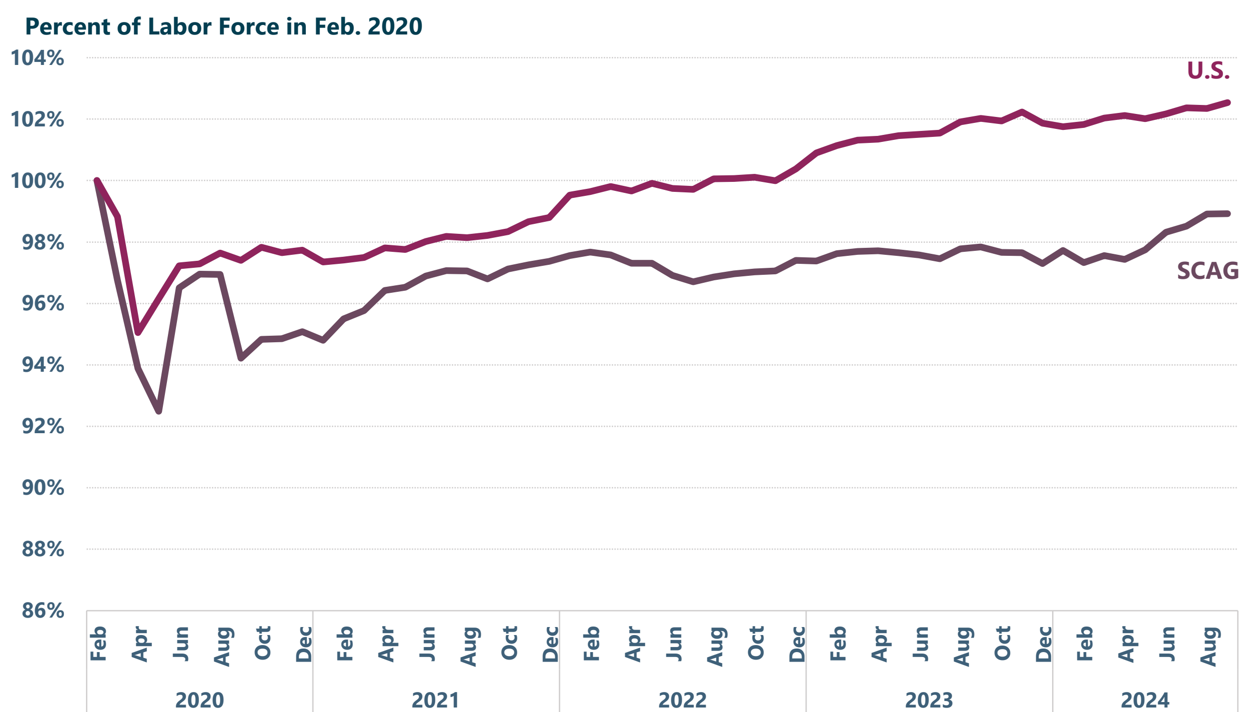
Illness from COVID-19 infections, the need to care for children whose schools shifted online, and accelerated retirements by the eldest baby boomers caused a meaningful decline in the labor force. It took two full years for the U.S. labor force to return to pre-pandemic levels. Annual labor force growth is now less than one percent—well below the growth trajectory of 2018 and 2019. In California and the SCAG region, the labor force has still not returned to pre-pandemic levels.

Exhibit 7 Labor Force in the SCAG Region (Seasonally Adjusted)



Source: California Employment Development Department

Exhibit 8 Labor Force Compared to February 2020, U.S. and SCAG



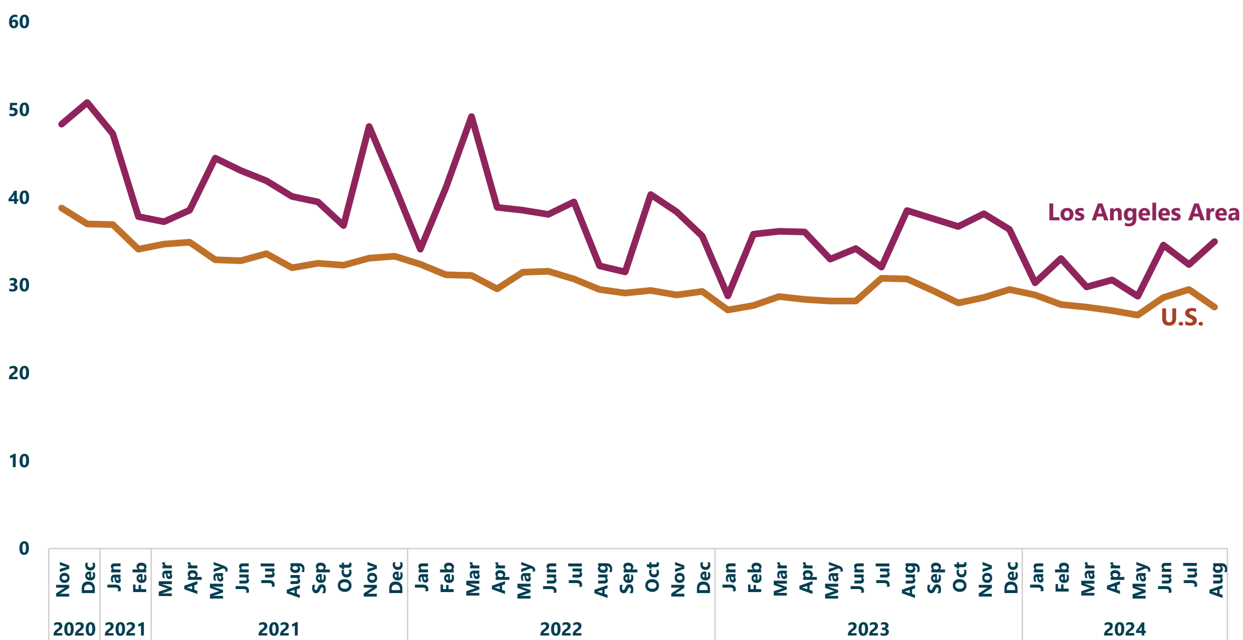
Source: California Employment Development Department; U.S. Bureau of Labor Statistics

Consequently, despite general economic growth largely normalizing in 2022, 2023, and 2024, tight labor markets have persisted. Tight labor markets have driven up wages and caused perceived shortages of workers in many industries, including construction, healthcare, and leisure and hospitality. Inflation had been harder to tame due to soaring wages in these sectors.

THE OFFICE MARKET AND HOME-BASED WORK

The pandemic generated widespread adoption of work from home arrangements, particularly from white-collar office workers, who could connect remotely with colleagues and work tasks.

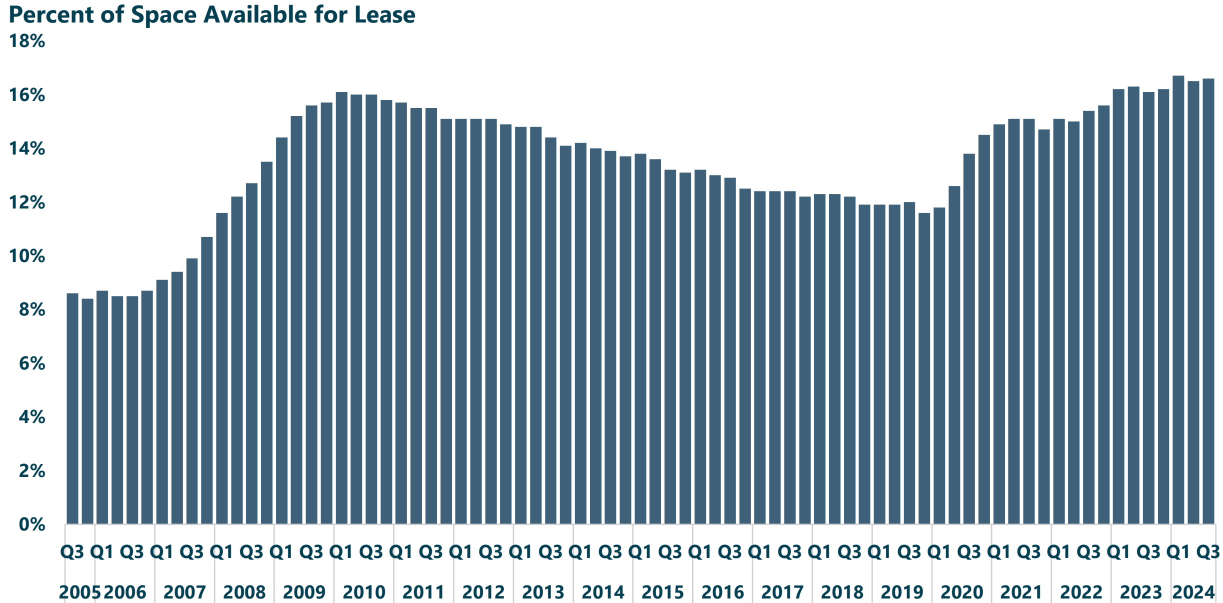
Exhibit 9 Percent of Paid Full Days Working From Home



Source: Survey of Working Arrangements and Attitudes. Data is reweighted to be representative of the Los Angeles Combined Statistical Area.

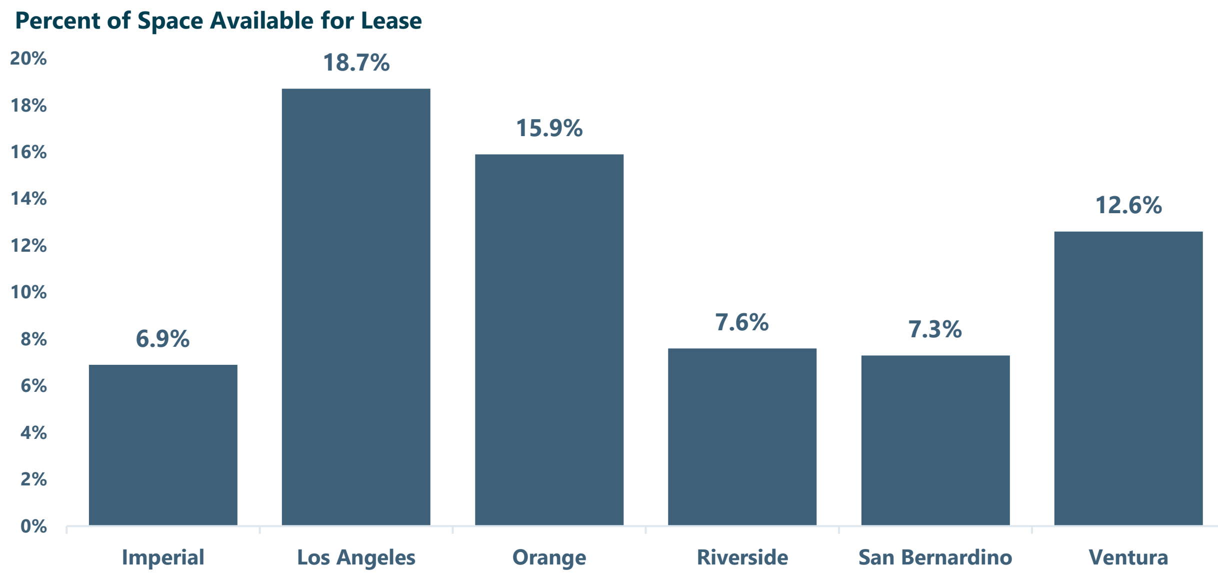
When pandemic restrictions were entirely lifted in the spring of 2021, workers hesitated to return to the office, insisting on remote or at least hybrid arrangements. The tight labor market enabled employees to make demands they otherwise could not, and employers in telework-friendly occupations consented. Thirty to 40 percent of office workers worked remotely in 2022 and 2023, leading companies to downsize when their office leases came up for renewal. A growing number of firms are calling more employees to work in offices more often, and though office vacancy rates may improve gradually, they remain elevated.

Exhibit 10 Office Availability Rate in the SCAG Region



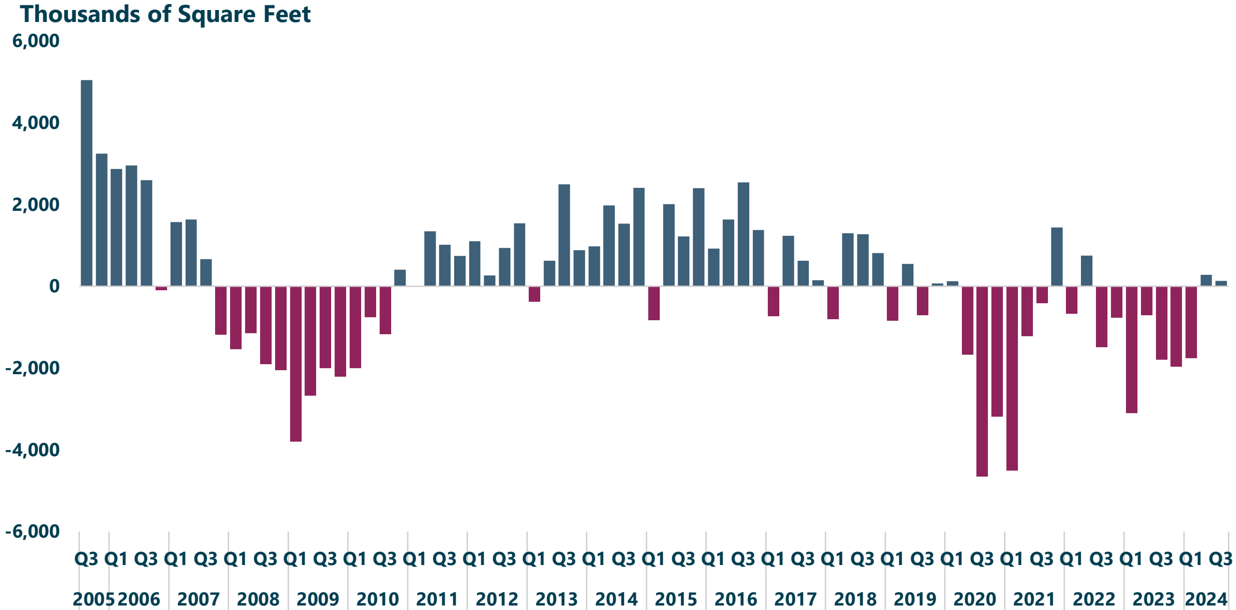
Source: CoStar

Exhibit 11 Office Availability Rate by County, 2024 Q3



Source: CoStar

Exhibit 12 Net Absorption of Office Space in the SCAG Region



Source: CoStar

With high vacancy rates, the value of office buildings has dropped between 20 and 40 percent (CoStar, 2024). The abandoning of office space has been especially acute since mid-2020, with vacancy and availability rising sharply due principally to lease renewals occurring for less space. In the SCAG region, the Los Angeles County market is disproportionately contributing to this trend, followed by Orange County, which together have the vast majority of the region's office space. Not only do leveraged office building owners have fewer tenants seeking less space, many are also facing loan renewals at today's high interest rates. If lenders push for these new loan terms, a potentially seismic foreclosure issue could ensue.

The office market can be expected to ultimately return to pre-pandemic status, in part due to more workers being called on-site, plus new employment growth in the coming years. However, the timing is uncertain and at least some carnage, in terms of collapsing asset valuations or property bankruptcies, is inevitable. It does not appear as though this will be a severe enough problem to derail the regional banking sector.

RECENT EVIDENCE FOR THE SCAG REGION ECONOMY

SCAG REGION POPULATION: DECLINE THEN STABILITY

For most of the 20th century and into the 21st century, Southern California was defined by its fast growth as a magnet for domestic migrants and a gateway to Latin America and Asia. In the last decade, the population growth outlook has slowed for the region, the nation, and the world as part of a broader demographic transition toward fewer births and more aging, accelerated in part by COVID-19. California's first recorded population loss spurred a doom-and-gloom narrative rooted in high costs and housing shortage and typified by the loss of a seat in the U.S. House of Representatives in 2020.

The region's total population dropped just over a quarter million between the 2020 Census (which also marked the beginning of the pandemic) and January 2023. This reflects both the long-term trend toward slower growth as well as pandemic disruptions.

Exhibit 13 Total Population

	4/1/2020	1/1/2023	1/1/2024
California	**39,538,956**	**39,061,058**	**39,128,162**
Imperial	179,702	179,623	182,881
Los Angeles	10,014,009	9,819,312	9,824,091
Orange	3,186,989	3,141,065	3,150,835
Riverside	2,418,185	2,428,580	2,442,378
San Bernardino	2,181,654	2,172,694	2,181,433
Ventura	843,843	825,960	823,863
SCAG Region	**18,824,382**	**18,567,234**	**18,605,481**

Source: California Department of Finance and US Decennial Census

Exhibit 14 Components of Population Change, SCAG Region, Year-Ending July 1

	Net Foreign Immigration	Net Domestic Migration	Deaths	Births
2023	55,517	-144,078	-139,967	187,155
2022	44,570	-178,091	-147,280	193,512
2021	607	-151,173	-170,467	188,377
2020	35,560	-141,103	-131,309	203,913
2017-2019 Average	*67,750*	*-138,383*	*-122,730*	*222,005*
2010-2019 Average	*67,209*	*-103,751*	*-114,784*	*236,634*

Source: California Department of Finance E-2

The largest source of population decline over the past three years was foreign immigration dropping to nearly zero in 2021 due to pandemic-period restrictions. Foreign immigration returned to about 80 percent of its long-term levels by 2023. Had the pre-pandemic trend in net foreign immigration continued, it would have added 104,000 residents.

The second-largest source of population decline was the increase in deaths surrounding the pandemic—while an aging population means that slightly more deaths are expected in each subsequent year, the 2020-23 total exceeded the pre-pandemic mortality trend by 55,000 deaths.

The third-largest source of population decline was the result of a change in domestic migration. While there have been more people leaving Southern California for other places in the state and nation than arrived in 31 of the last 33 years, the spike in out-migration following the pandemic is responsible for 47,000 fewer residents compared to the prior trend.

The leveling off of domestic migration in 2023 suggests that the pandemic accelerated some out-migrants' decisions to leave, leaving the remaining residents less likely to move out on the whole. This change was especially acute in Los Angeles County, which lost far fewer residents in the year ending July 2023 (-67,680) compared to the year ending July 2022 (-115,336).

However, three years of population loss in the state and the region gave way to modest growth in 2023. The new state forecast series released in September 2024 (the first complete series conducted since the pandemic and the 2020 Census) projects a fairly stable total population in the region over the next decade before beginning to decline starting in the mid-2040s (California Department of Finance, 2024). That the population is not projected to decline anytime soon reflects an expectation that Southern California is not expected to become a smaller share of the national economy in the long run, especially given its mix of industries and California's far higher per-capita GDP than other states.

RECENT IMMIGRATION INCREASES AND JOB GROWTH

From January 2020 to January 2024, the total number of employed residents in the SCAG region dropped 294,000, consistent with the trend in total population. 2024 unemployment has climbed 1.0 to 1.5 percent higher than it was in early 2020. While these two trends should suggest fewer jobs, from January 2020 to July 2024, the number of payroll jobs reported by SCAG region employers (the "establishment survey") increased by 124,900 (California Employment Development Department, 2024).

One likely explanation for the rising gap between the number of jobs and the number of workers is, captured in a report by the Dallas Federal Reserve, notes that the Census Bureau's national immigration estimates in 2022 and 2023 are roughly one-third that of the Congressional Budget Office (CBO) (Orrenius et al., 2024).

The CBO's national population and economic projections for 2024 and beyond are also affected (Congressional Budget Office, 2024). This appears to follow their reliance on Customs and Border Patrol "Southwest Border encounters data," which show a substantial increase in instances where a border crosser was either stopped by border patrol or turned themselves in.

COVID-19 provisions, such as Title 42, allowed for more migrants to be expelled on public health grounds during the pandemic, but these restrictions were lifted in May 2023, resulting in a higher share of migrants being released into the United States. More encounters relative to available detention space also contributed to this share increasing even before May 2023.

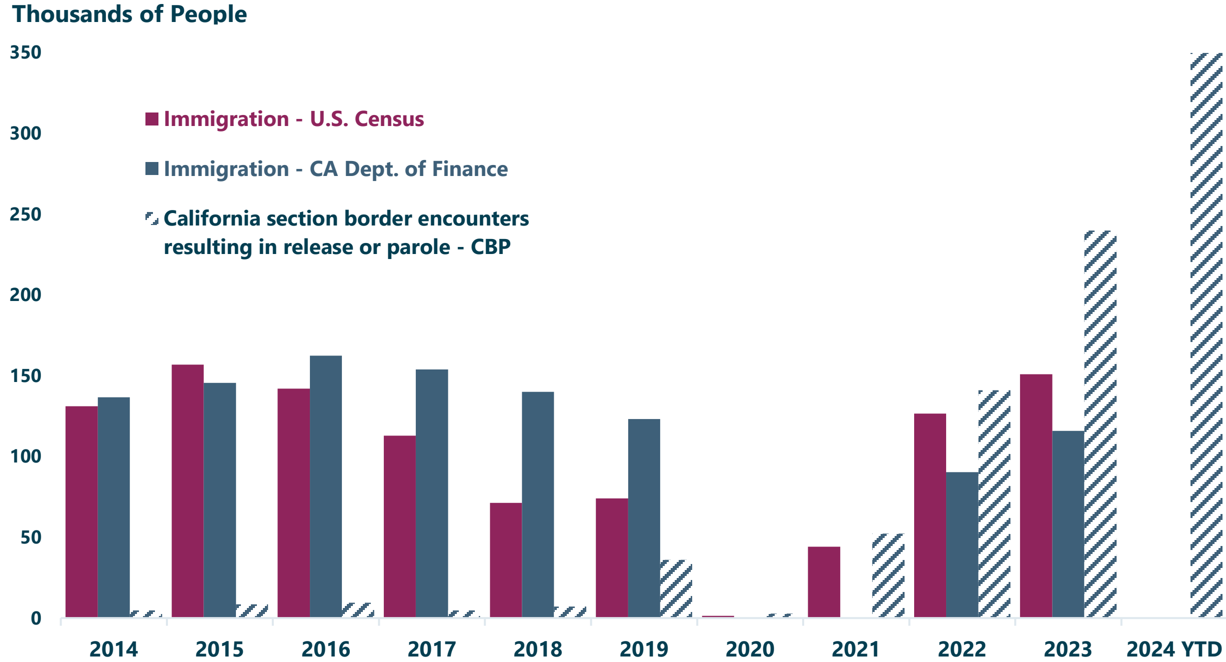
This appears to suggest that official sources have undercounted net immigration to California.

Exhibit 15 Southwest Border Encounters and Estimated Downstream Effects

	Encounters	% resulting in release or parole	% in California border patrol sections
2019	977,230	28.20%	13.10%
2020	458,080	2.80%	22.00%
2021	1,734,680	21.80%	13.80%
2022	2,378,940	42.80%	13.90%
2023	2,475,670	58.10%	16.70%
2024 (9-mos)	1,691,230		23.20%

Source: Customs and Border Patrol

Exhibit 16 California: Comparison of Immigration Estimates and Data Sources



Sources: U.S. Census Population Estimates, CA DOF E2, US CBP. Note: 2024 data is Jan-Sept only. CBP data use federal fiscal year.

The CBO projects continued elevated immigration in 2024-26, resulting in five million net people nationwide. Immigration is largely driven by international push factors as well as federal immigration policy and practice, both of which could change rapidly and dramatically.

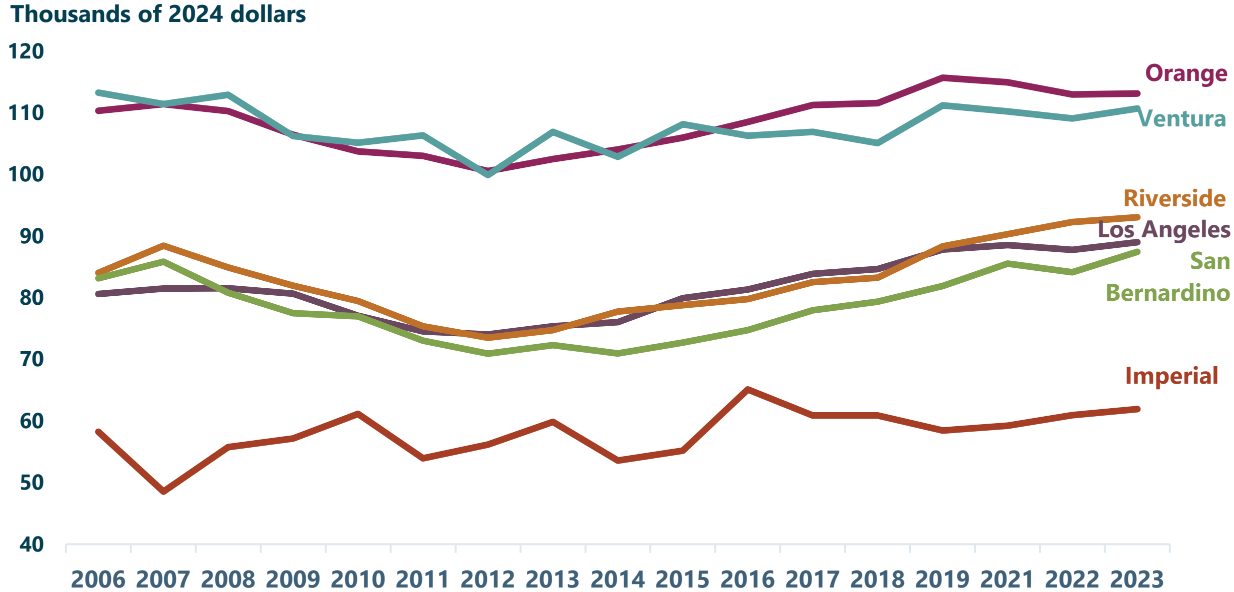
The increase in ready-to-work immigrants appears to have boosted population, labor force, and job growth in the post-pandemic U.S. economy. This unexpected and economically beneficial outcome is especially notable in California, where the labor force had been shrinking and aging.

The CBO estimates that the 2024-26 surge (equivalent to about 1.5 percent of the U.S. population) will increase nominal U.S. gross domestic product by $8.9 trillion (2.4 percent) from 2024 to 2034. They project an additional $1.2 trillion in federal revenues as a result, against $300 billion higher federal spending for mandatory programs and net outlays. While the share of additional immigration and immigrant labor force in the SCAG region is not precisely known, it could account for the otherwise difficult-to-explain increases in healthcare and leisure and hospitality sectors.

INCOME AND WAGES

In general, real median income in California and the six-county SCAG region moved sharply higher from 2017 to 2023, the latter being the most recent year for which full data are available. Median income includes income from all sources, including rental income, pension income, asset income (such as from capital gains on stocks, bonds, or real estate), profits from sole proprietorships, and other miscellaneous income. Currently, values of real estate (except for the office market) are at record levels as are values in the capital markets. These non-wage sources of income are principally responsible for the increase in median income over the last seven years.

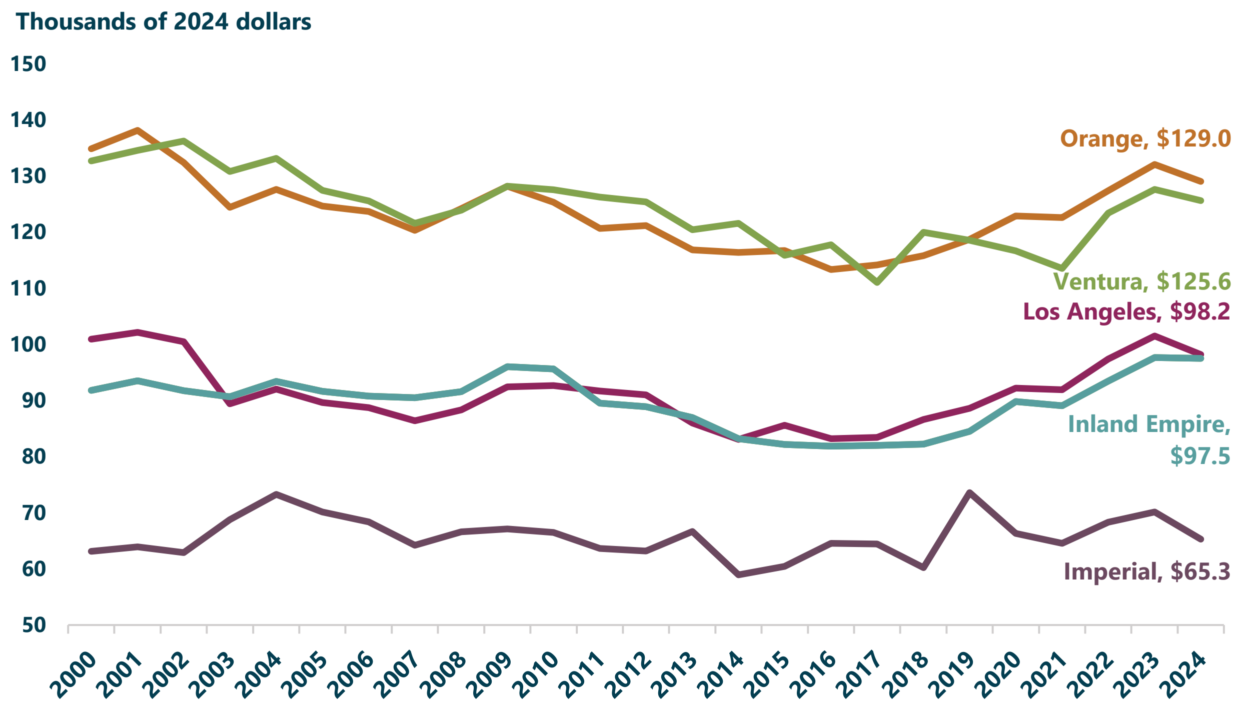
Exhibit 17 Real Median Household Income in the SCAG Region, California, and U.S.



Source: American Community Survey 1-year estimates

The U.S. Department of Housing and Urban Development (HUD) estimates for 2024 median family income (i.e., household income adjusted for family units in a household) indicate an increase in nominal incomes but estimates a slight dip in real incomes in 2024 due to inflation.

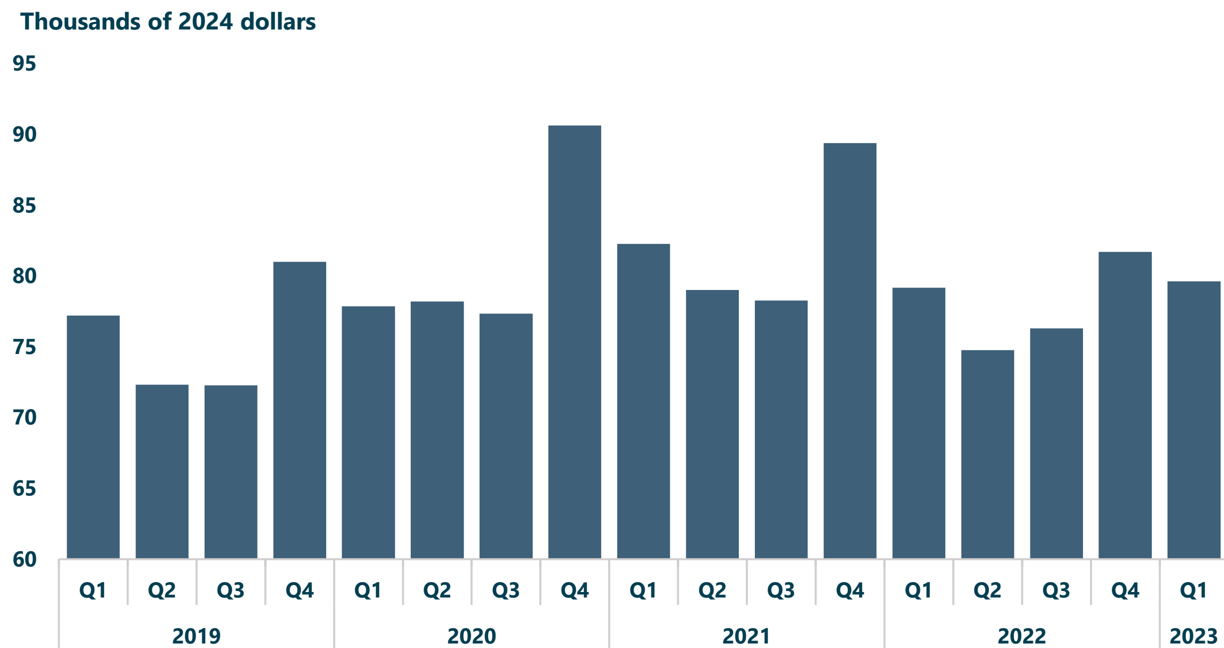
Exhibit 18 Real Median Family Income in SCAG Counties (HUD Estimates)



Source: Department of Housing and Urban Development (HUD) estimates

When adjusted to compensate for inflation, payroll income (i.e., wage and salary income), has moved slightly downward since the sharp wage increases that followed the pandemic. This trend is consistent with the slight 2024 household income dip described in Exhibit 18. As inflation moved sharply higher by mid-2022, real wages declined. A recovery is now underway, as general price inflation moderates and the movement of nominal wages increased 3.9 percent between the first quarter of 2023 and the first quarter of 2024.

Exhibit 19 Average Annual Wage in the SCAG Region (Real)



Source: Quarterly Workforce Indicators

Exhibit 20 Average Annual Wage in SCAG Counties (Nominal)

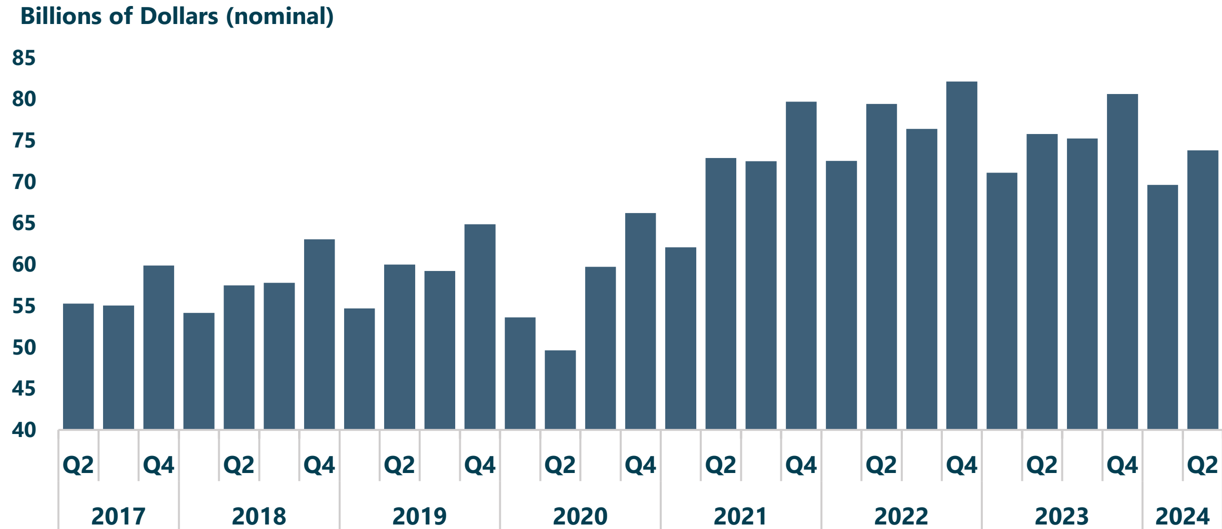
	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	SCAG
				Average Annual Wage Per Worker			
2020	$45,708	$72,956	$71,552	$50,980	$52,988	$63,440	$67,904
2021	$47,580	$77,376	$75,192	$53,768	$55,536	$65,520	$71,684
2022	$50,284	$78,468	$76,336	$55,484	$57,408	$66,040	$72,879
2023	$53,040	$80,600	$77,896	$57,616	$59,592	$67,756	$74,850
2024	$53,832	$83,948	$80,873	$59,583	$61,850	$70,414	$77,790
				Annual Percent Change			
2021	4.1	6.1	5.1	5.6	4.8	3.3	5.5
2022	5.7	1.4	1.5	3.2	3.4	0.8	1.7
2023	5.5	2.7	2.0	3.8	3.8	2.6	2.7
2024	1.5	4.2	3.8	3.4	3.8	3.9	3.9

Source: Quarterly Census of Employment and Wages

CONSUMER SPENDING

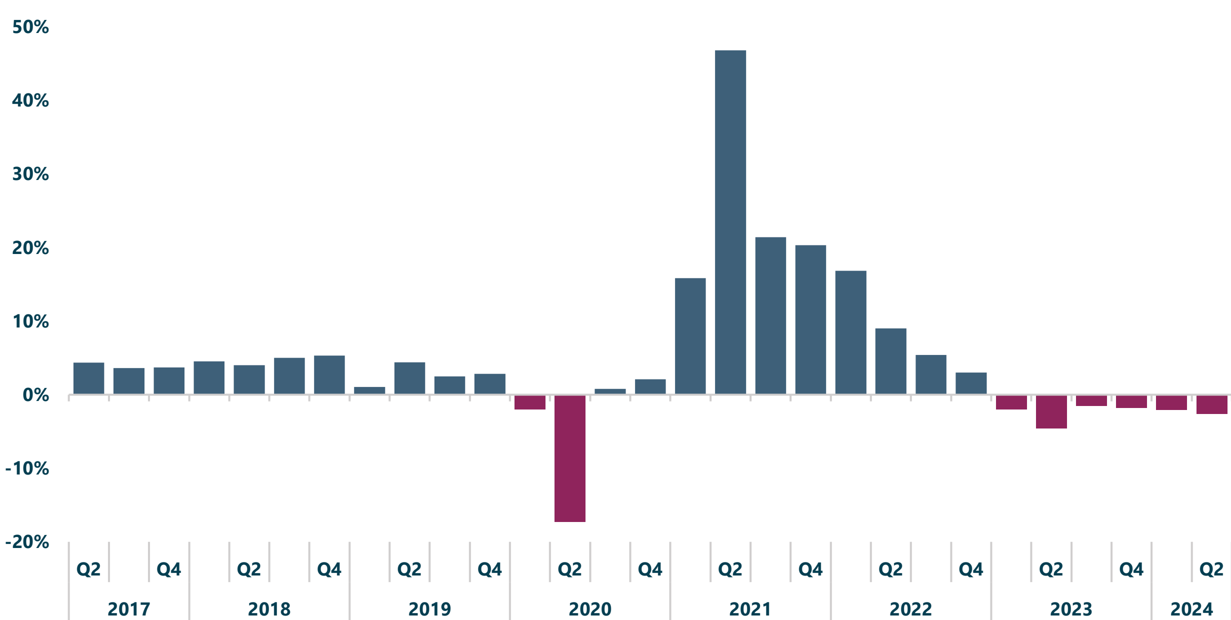
The evidence to date on total retail goods and taxable food (either in restaurants or hot and ready to eat) indicates that the region's population and visitors have not increased their taxable goods spending. Sales in the second quarter of 2024 were 2.6 percent lower than year-over-year spending. The second quarter of 2024 represents the sixth consecutive quarter that sales declined in the region. Adjusted for inflation, taxable sales during the first half of 2024 were 5.1 percent lower than the first half of 2023. Clearly, consumers are buying fewer taxable goods in the region.

Exhibit 21 Sales in Total Retail and Food Services in the SCAG Region



Source: California Department of Tax and Fee Administration

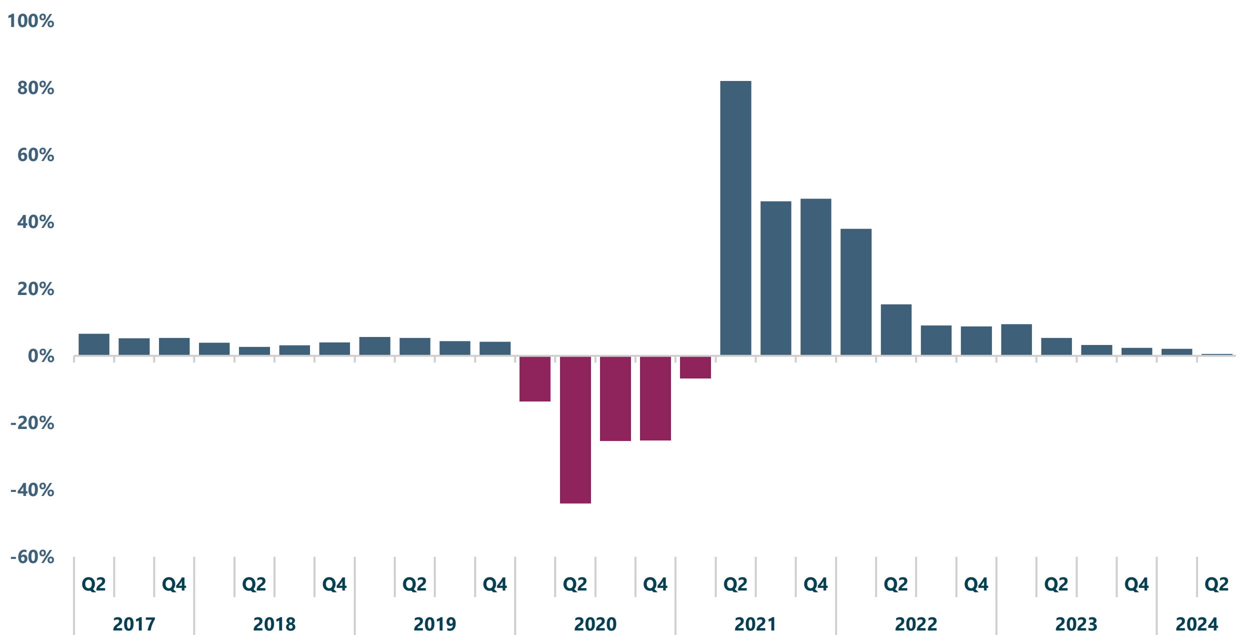
Exhibit 22 Year-Over-Year Change in Total Retail and Food Services in the SCAG Region



Source: California Department of Tax and Fee Administration

The region's flat or declining population could be causing the region's declining consumer spending. It could also be related to inflation—higher prices result in less quantity purchased. Per-capita spending might have declined modestly due to inflation (individuals buying less), but the clearer explanation for why aggregate sales have not increased is that the number of people has not increased. Moreover, consumers appear to be spending more on nontaxable travel and entertainment instead of taxable goods. Spending at hotels is higher this year, and nominal spending growth at restaurants and bars has been positive over the period that total taxable retail sales were in decline. However, adjusted for inflation, spending on food and beverage services has been negative for three consecutive quarters.

Exhibit 23 Year-Over-Year Change in Taxable Sales at Food Services and Drinking Places in the SCAG Region



Source: California Department of Tax and Fee Administration

Exhibit 24 Real Total Taxable Sales (in Billions of 2024 Dollars) and Growth

	First half of 2023	First half of 2024	Percent Change
Imperial	1.8	1.9	6.0
Los Angeles	105.6	99.7	-5.7
Orange	44.2	41.5	-6.1
Riverside	31.1	29.5	-5.1
San Bernardino	29.2	28.3	-3.0
Ventura	9.8	9.5	-3.8
SCAG Region	221.7	210.3	-5.1
California	471.2	447.9	-4.9

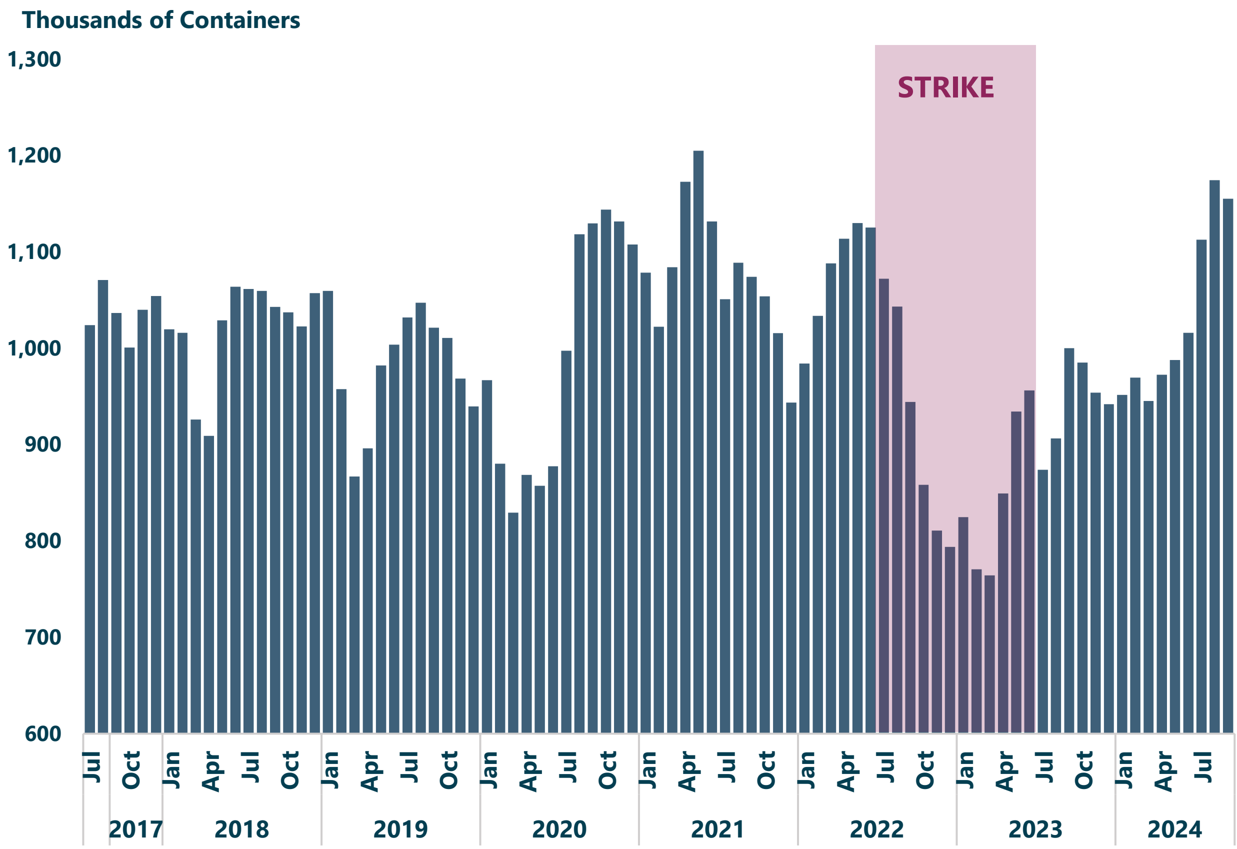
Note: taxable sales are in constant 2024 Q2 dollars using the regional Los Angeles MSA Consumer price index

Consequently, while consumers appear to be reallocating their spending preferences among goods and services, their spending on taxable goods has been in a general decline for all of 2023 and for 2024 year-to-date. However, it appears that spending on services has not declined, especially given increases in travel, growth in personal services jobs, attendance at amusement parks, sporting events, and Taylor Swift concerts.

CARGO ACTIVITY AT THE PORTS IS SOARING

Cargo volumes are soaring again since the resolution of the longshore workers strike, and shippers around the globe are no longer redirecting West Coast cargo through the Panama Canal. The Panama Canal relies on rainwater, which is in short supply. A lack of rain and El Niño have contributed to the second driest year in the canal's 110-year history, which reduces the speed and number of ships that can pass through its locks and substantially drives up shipping costs.

Exhibit 25 Container Volume at Ports of Los Angeles and Long Beach

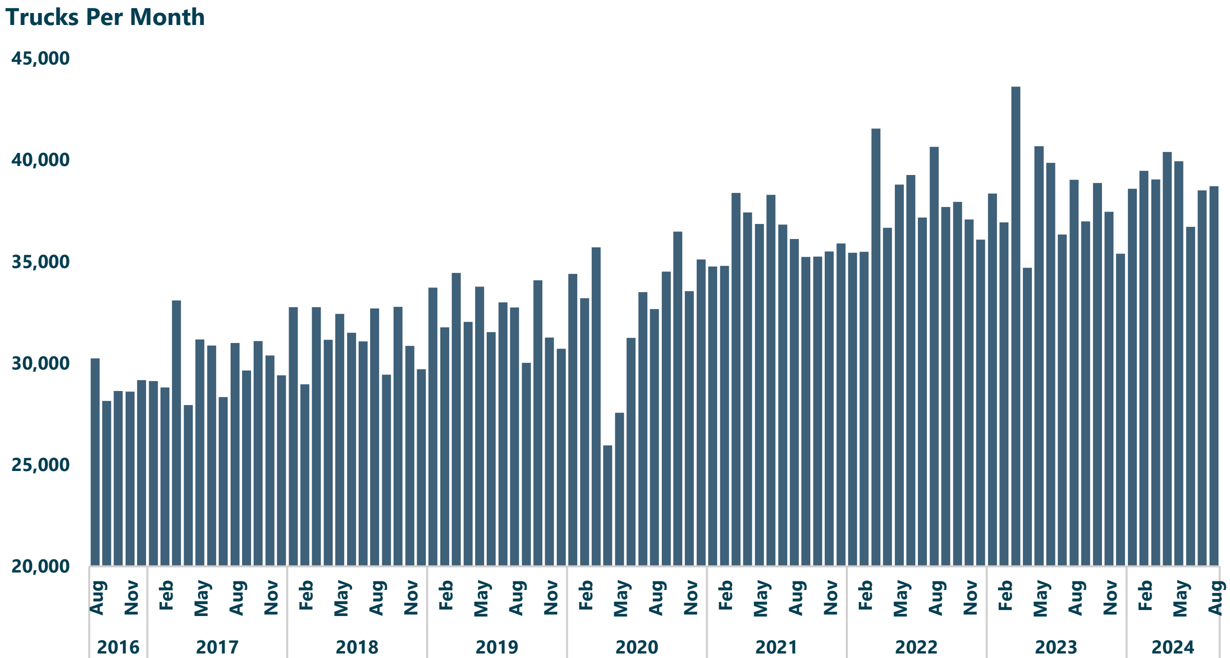


Source: Port of Los Angeles Container Staistics and Port of Long Beach Container Statistics. Data reflects two-month smoothed average.

The Panama Canal drought alone is now rapidly restoring cargo into California ports. July and August container traffic was the highest in two years, and container traffic is up 17 percent for the calendar year. At the current pace, cargo volume is expected to eclipse previous record levels in the ports of Long Beach and Los Angeles by the end of the calendar year.

At the Port of Hueneme in Ventura County, cargo values continue to rise because the port was insulated from strikes and relies heavily on automobile imports, which increased 21 percent in August 2024 compared to August 2023. Trucking across the U.S.-Mexico border at Calexico also continues to rise over time. New truck lanes opened in 2023, and two more lanes will open in 2024, enabling faster northbound traffic into the Imperial Valley. According to the U.S. General Services Administration, trucks traveling over the Calexico border carry $20 billion in exports and imports.

Exhibit 26 Trucks Crossing Calexico East Border



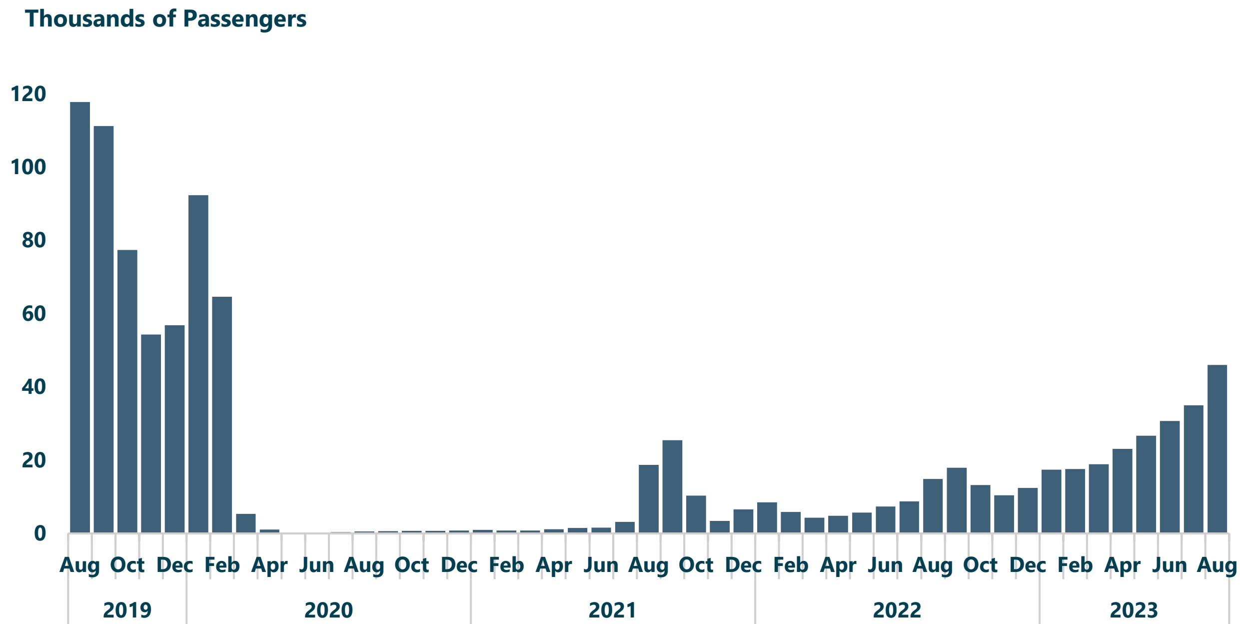
Source: Bureau of Transportation Statistics

The increased volume of good shipments coming into the region's ports should translate into higher levels of transportation and warehousing employment throughout the SCAG region, notably in the Inland Empire. However, it is too early to tell if President-elect Trump's will impose high tariffs on Chinese goods will affect container shipments and employment in the logistics centers of Southern California.

TOURISM IS FLYING HIGH TOO

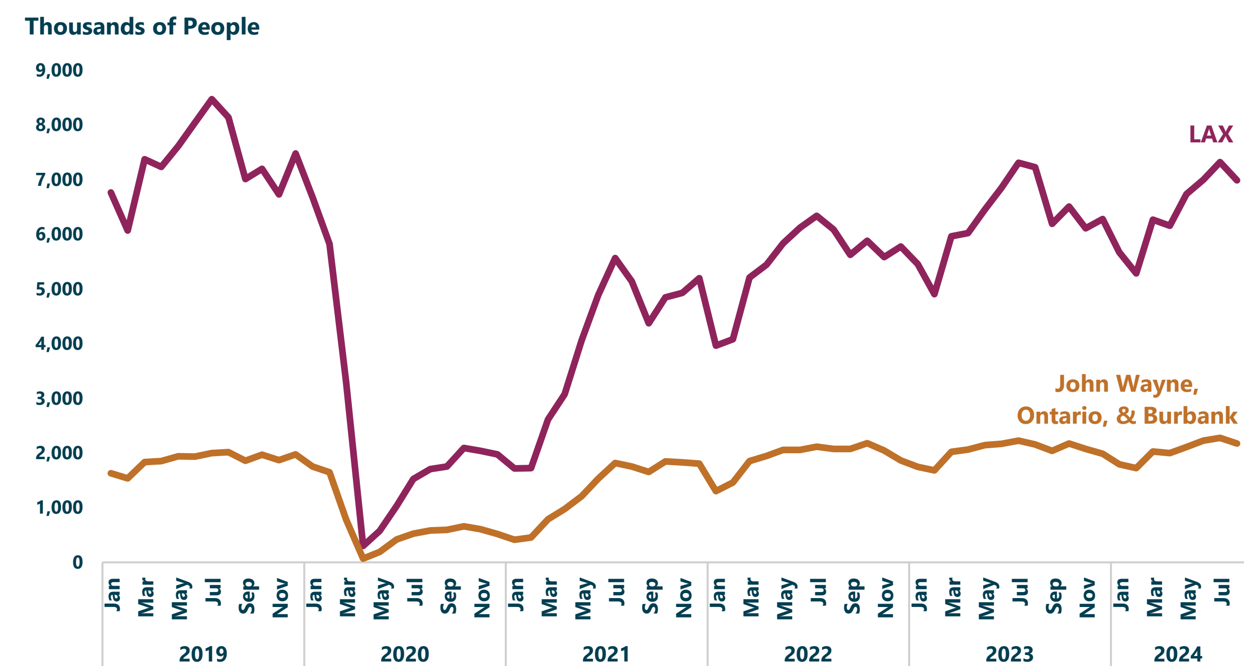
Airline passenger counts are approaching record levels at the Los Angeles International Airport (LAX) and have eclipsed previous records at Ontario and Burbank airports. An increase in international visitors is providing a significant benefit to the region. Chinese visitors, flying principally into LAX and San Francisco International Airport from Shanghai, Beijing, and Ganzhou, who numbered as many as 120,000 a month prior to the pandemic, are gradually rising in numbers again. Their presence as tourists in California is likely to ultimately return to far higher pre-pandemic levels, though the recent increase has certainly benefited the industry.

Exhibit 27 Airline Passengers Arriving in California from China



Source: Visit California

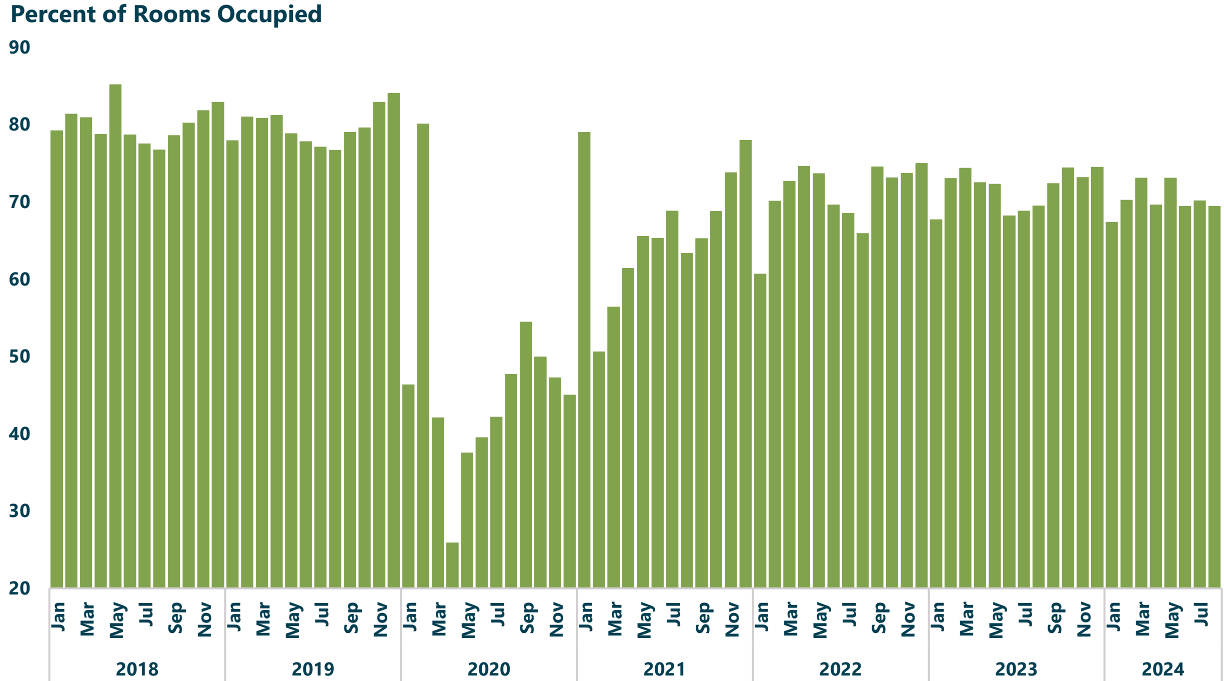
Exhibit 28 Passengers at SCAG Region's Largest Airports



Source: LAX; Ontario International Airport; John Wayne Airport; Hollywood Burbank Airport

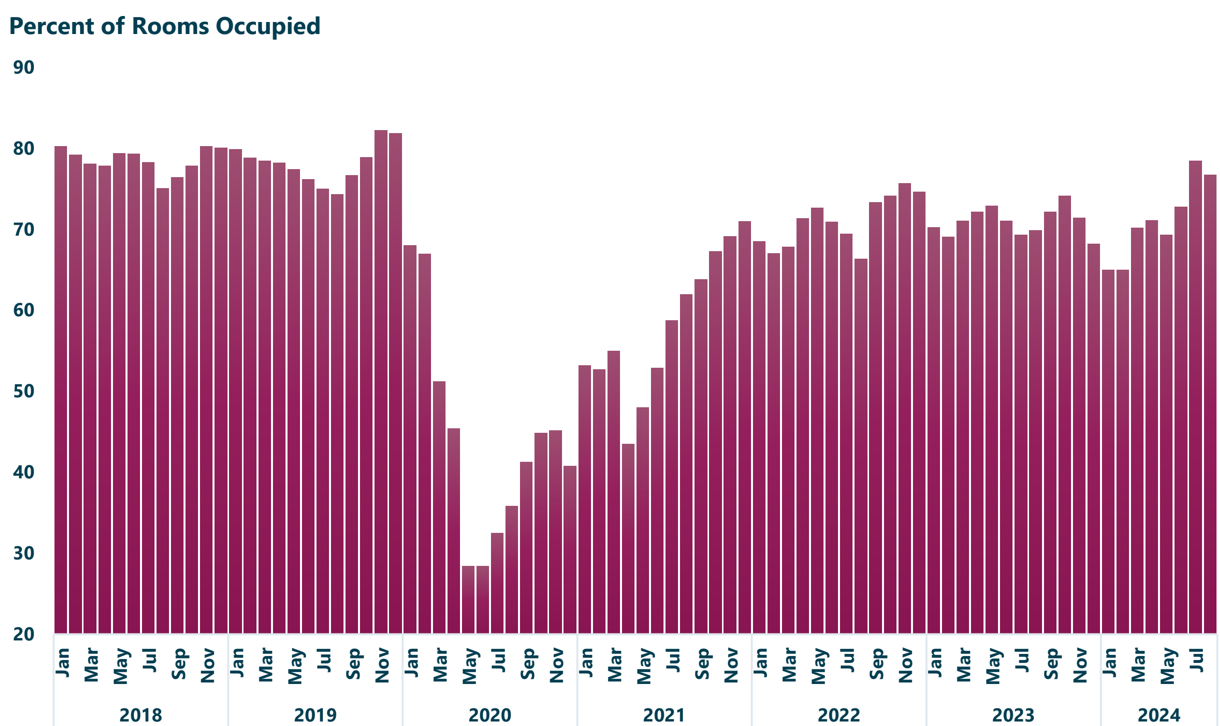
Visitor counts, hotel utilization, and amusement park attendance clearly project a healthy tourism industry through the end of 2024. Concomitant with airline passenger counts, hotel occupancy in the principal tourism counties of Los Angeles and Orange remains high.

Exhibit 29 Hotel/Motel Occupancy Rate (Seasonally Adjusted) in Los Angeles County



Source: Visit California

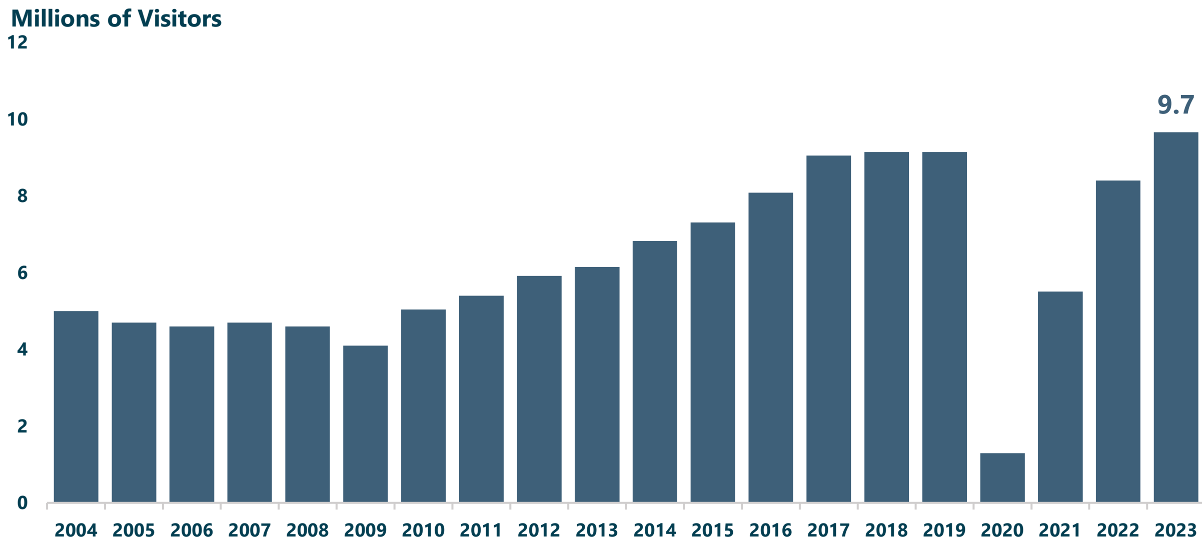
Exhibit 30 Hotel/Motel Occupancy Rate (Seasonally Adjusted) in Orange County



Source: Visit California

Visitor attendance at all of the region's amusement parks rose sharply in 2023, including Magic Mountain, Disneyland, and Knott's Berry Farm. Attendance at Universal Studios Hollywood rose to an all-time high last year, and crowd calendars indicate that 2024 will be another strong year for the park. The new Super Nintendo World has been a huge draw for Universal Studios Hollywood since it opened in February 2023.

Exhibit 31 Visitors to Universal Studios Hollywood



Source: Universal Studios Hollywood

ASSESSING KEY ECONOMIC SECTORS

Southern California is generally known for its diversified economic base—aggregate job growth doesn't rely on a single industry, and strengths are found across several key sectors, including logistics, Hollywood, aerospace, and technology. Even though 2024 job creation is on track to double 2023 figures, only three sectors meaningfully contributed to these job gains: healthcare and social assistance, leisure and hospitality, and public administration. The lack of broad-based growth in the labor force is usually a sign of a soft regional economy.

Exhibit 32 Job Growth Limited to Certain Sectors

	California		SCAG Region	
	2023	**2024**	**2023**	**2024**
Healthcare and Social Assistance	147,142	150,246	68,578	70,365
Leisure and Hospitality	79,400	31,497	40,042	13,913
Construction	608	17,208	252	4,465
All other private sectors	-154,583	-20,775	-88,079	-17,971

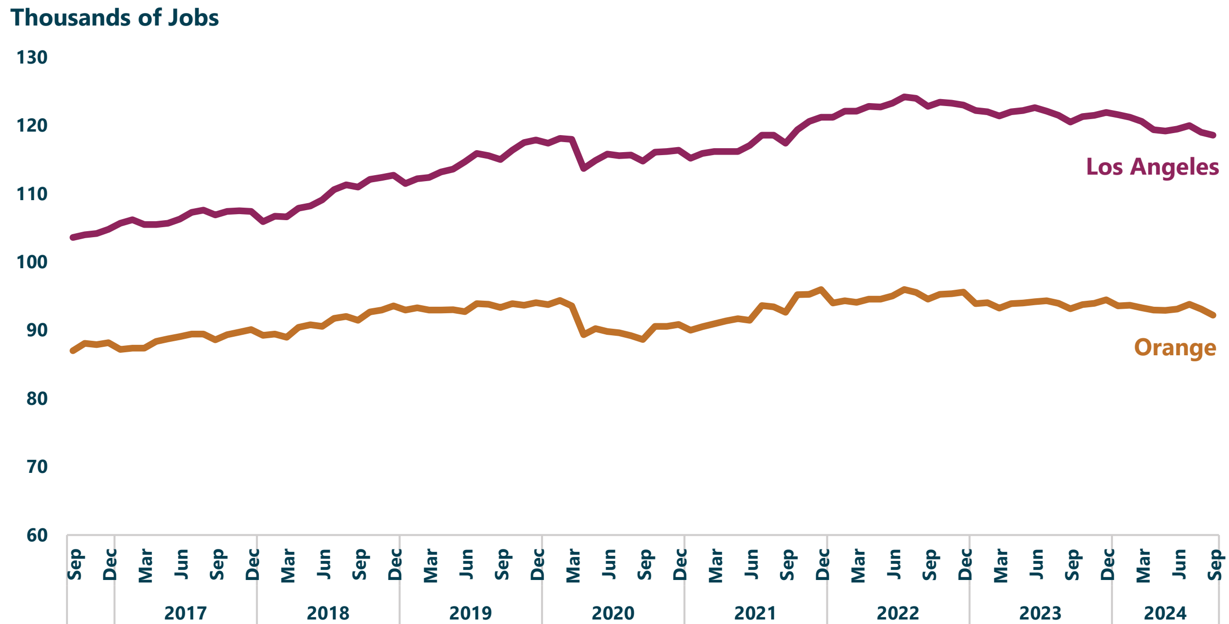
Source: California Employment Development Department

However, any concern over a soft regional economy is moderated because the various sectors of the labor market are fully employed, and a rotation in sectoral growth is common over a business cycle. Originally, tech expanded sharply along with leisure and hospitality, then healthcare accelerated in growth, followed by the public sector this year. Construction has been rising throughout due to the ongoing surge of new development in the region.

TECHNOLOGY

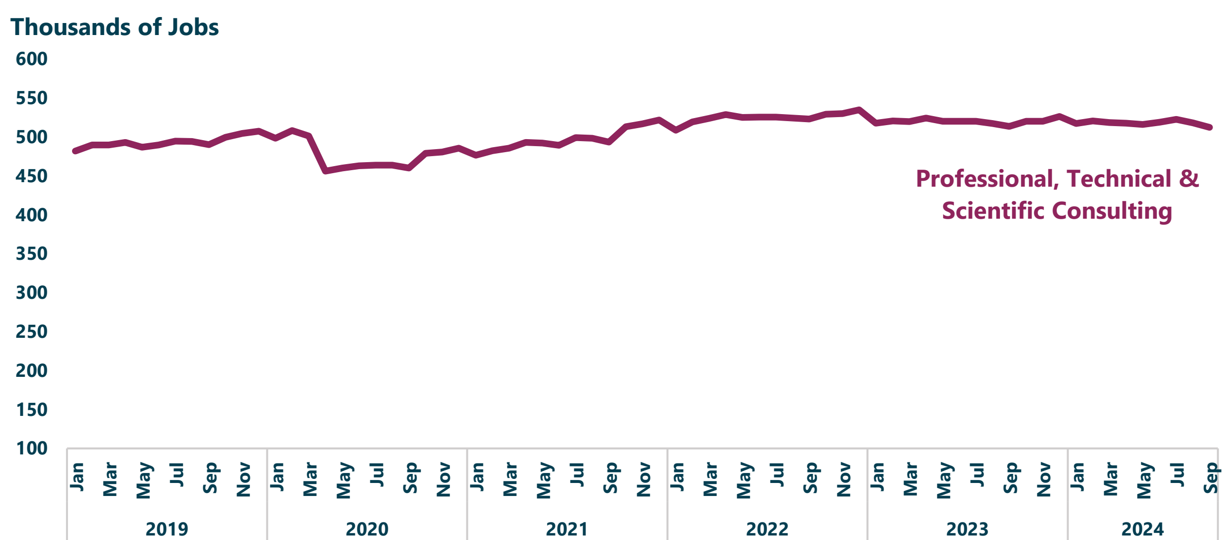
The technology services subsector—a composite subsector of computer design, architecture, software development, web and data services, and scientific and technical consulting—peaked in mid-2022. Thereafter, amid notable tech sector layoffs led by Google, Twitter, Salesforce, Yahoo, Meta, and Apple, job growth in California reversed. To date, the total contraction has accounted for 39,000 jobs in technology products and services, with no restoration of jobs observed through August 2024.

Exhibit 33 Employment in Technology Services



Source: California Employment Development Statistics

Exhibit 34 Employment in Professional, Scientific, and Technical Services, SCAG Region



Source: California Employment Development Department

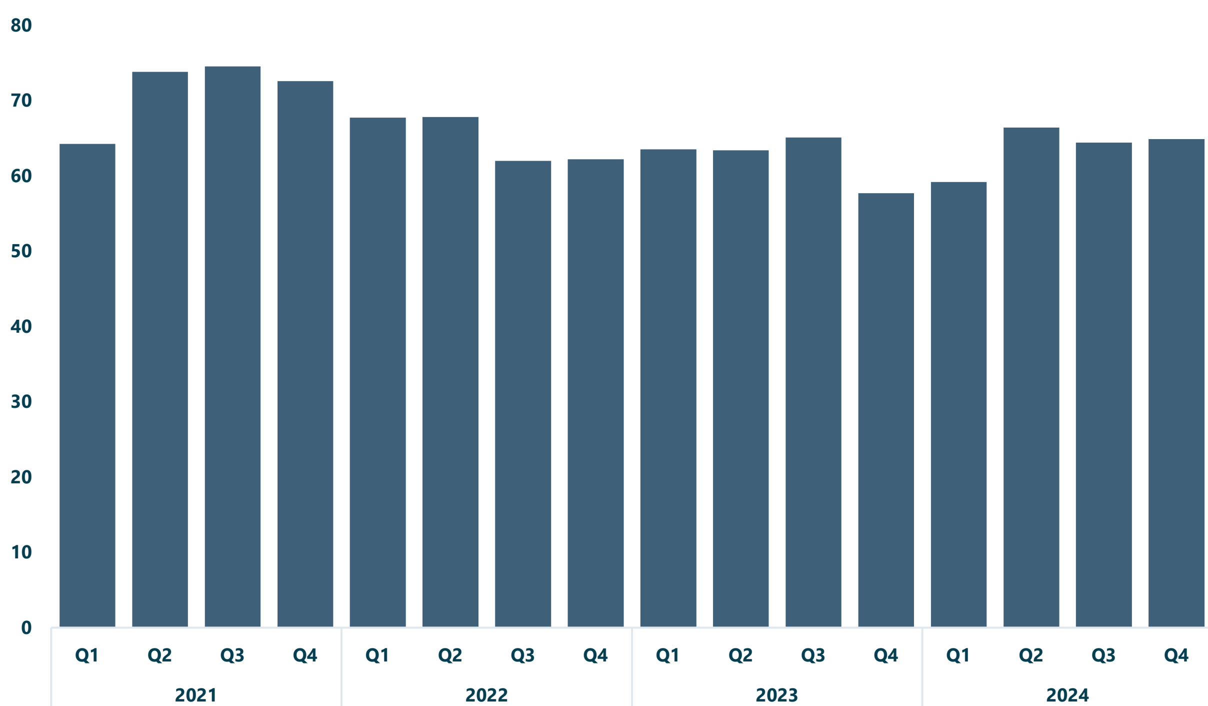
For the SCAG region, employment in the technology subsector for Orange and Los Angeles counties has declined, but less severely than in Bay Area counties of Alameda, San Mateo, Santa Clara, and San Francisco.

Illustrative of the technology sector in general is the Professional, Scientific, and Technical Services sector (NAICS 54). Within this sector, accounting for all six county labor markets, technology employment has not grown since early 2022. And over the last 12 months, there has been no further job contraction. The total decline from 2022 to 2023 was 1.3 percent, and between 2023 and 2024, the increase was only in the hundreds of jobs.

ADVANCED MANUFACTURING

Advanced manufacturing— including computer, semi-conductor and electronic components, medical devices and apparatus, transportation equipment, and aerospace components and parts—has long been a key feature of Southern California's economic base. Though manufacturing employment declined in 2024, manufacturing orders and production continue to expand. The Chapman University California Purchasing Manager's Composite Index and the Production Index remain above 50 (expansionary) and are in fact rising again (Chapman University, 2024).

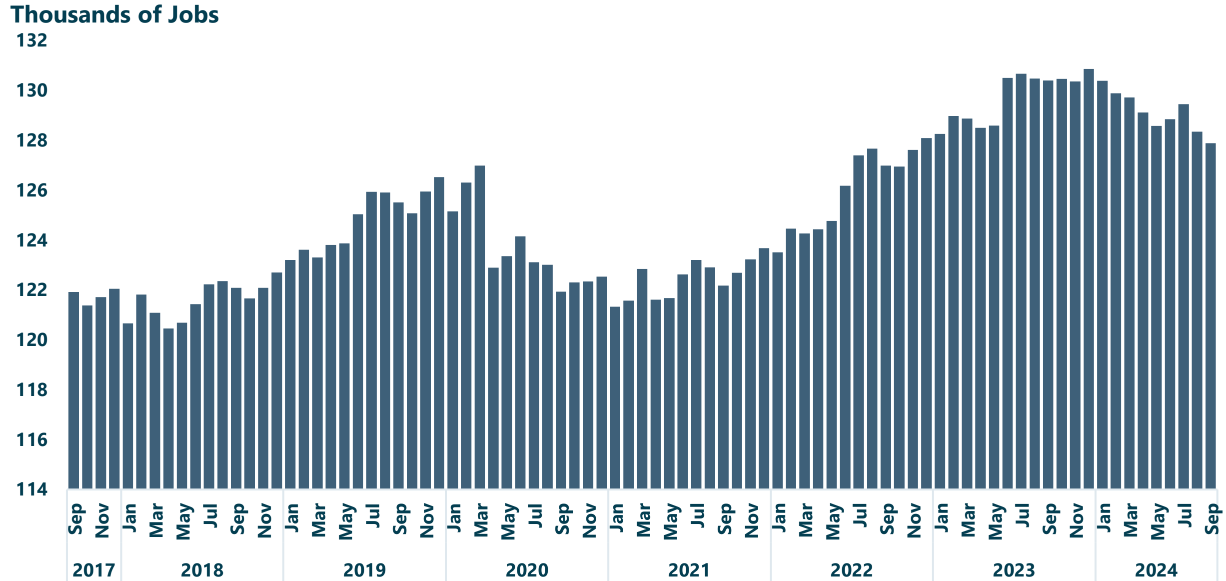
Exhibit 35 California Manufacturing Production Index



Source: Chapman University Survey of California Purchasing Managers' Expectations

Advanced manufacturing in the region—best illustrated by the labor markets of Los Angeles and Orange counties—rebounded sharply in 2023 but reversed over the last 12 months. These jobs are very high paying.

Exhibit 36 Employment in Advanced Manufacturing in Los Angeles and Orange Counties

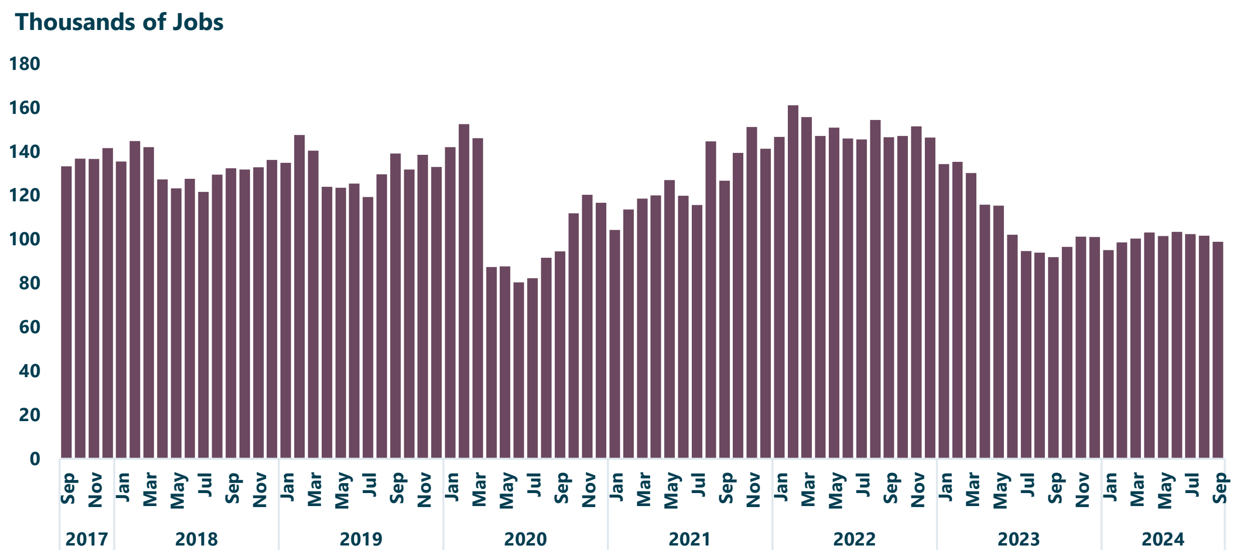


Source: California Employment Development Department

MOTION PICTURE AND SOUND RECORDING

Production in film and TV was severely curtailed for much of 2023 due to strikes by the Writer's Guild of America and the Screen Actors Guild. The labor dispute was resolved in November 2023, but local production has not yet returned in earnest. In the second quarter of 2024, Los Angeles County's on-location feature film production was 24 percent below the five-year average. TV production was 46 percent below the five-year average. Furthermore, job creation in Los Angeles County, the SCAG region, and the rest of California through September has yet to show that any recovery is underway in this subsector.

Exhibit 37 Employment in Motion Picture and Sound Recording, Los Angeles County



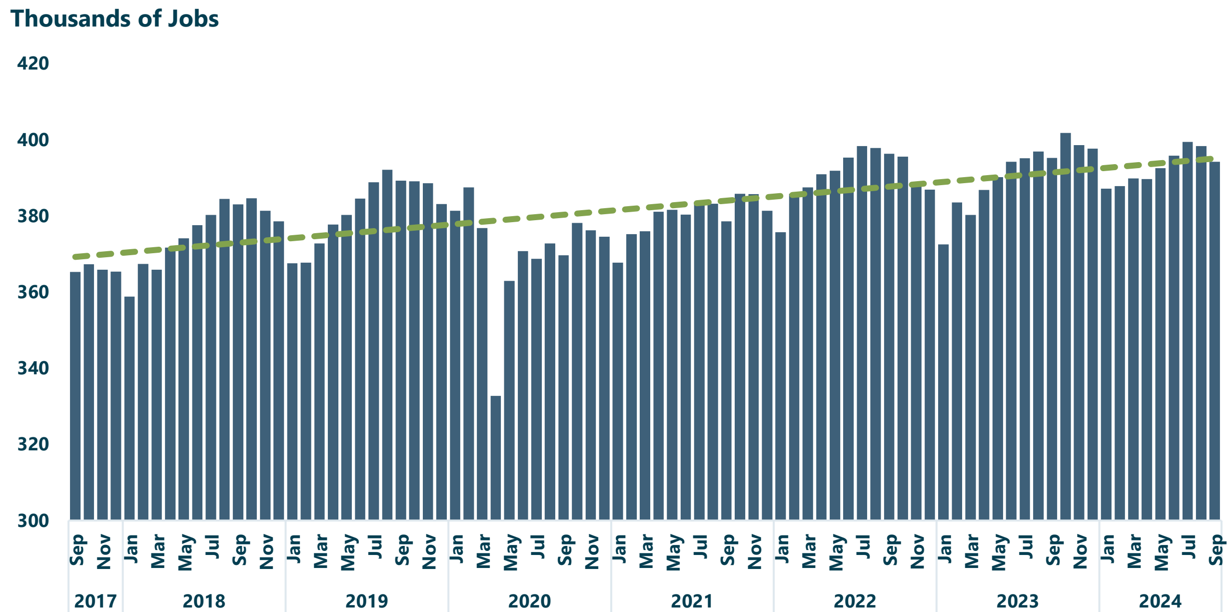
Source: U.S. Bureau of Labor Statistics

Within Los Angeles County, the epicenter of the strike, August 2024 employment in the TV and Film subsector had declined 39 percent (63,000 jobs) since the peak month of February 2022.

In late June 2024, another Hollywood strike was averted when the International Alliance of Theatrical Stage Employees reached a tentative agreement with film and TV producers. Furthermore, more filming and production is occurring out of state and even abroad. The lack of job restoration to date in the TV and Film sector, long after resolution of the strikes, suggests that structural changes in the industry over the last 18 months might be preventing a rebound.

HOUSING AND DEVELOPMENT

Exhibit 38 Employment in Construction, SCAG Region



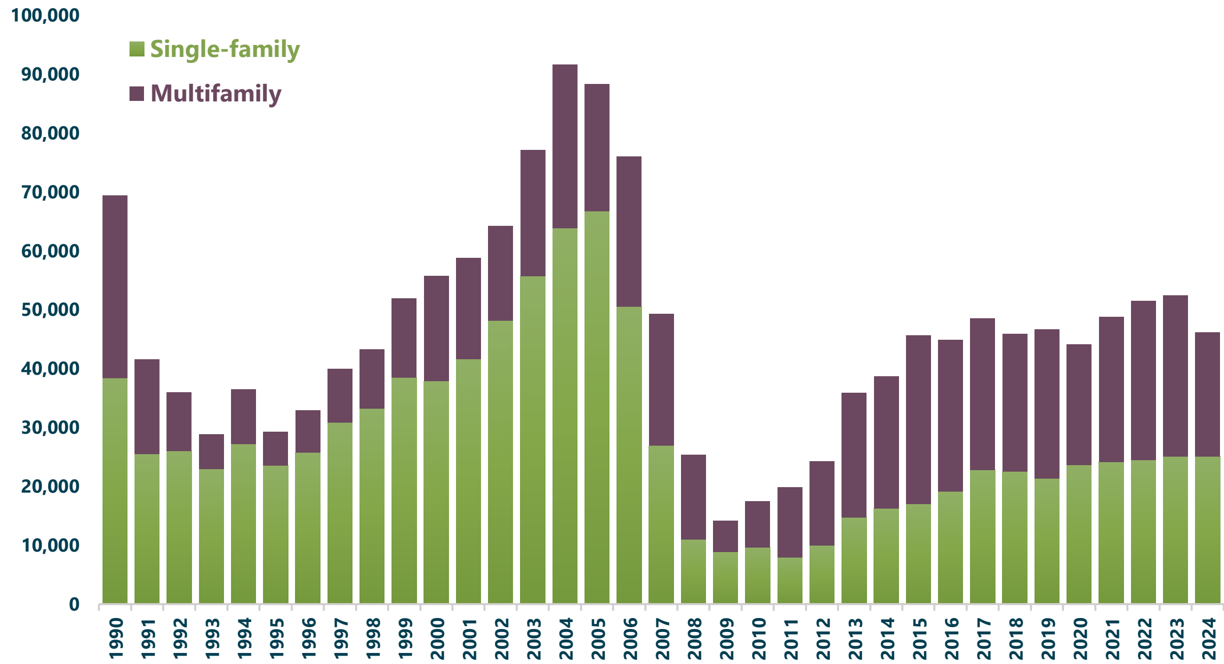
Source: California Employment Development Department

NEW HOUSING

New residential permitting for 2024 is on track to fall several percent below last year, reversing three years of modest increases. Higher interest rates are undoubtedly responsible for slower construction, but they have also constrained the existing home supply.

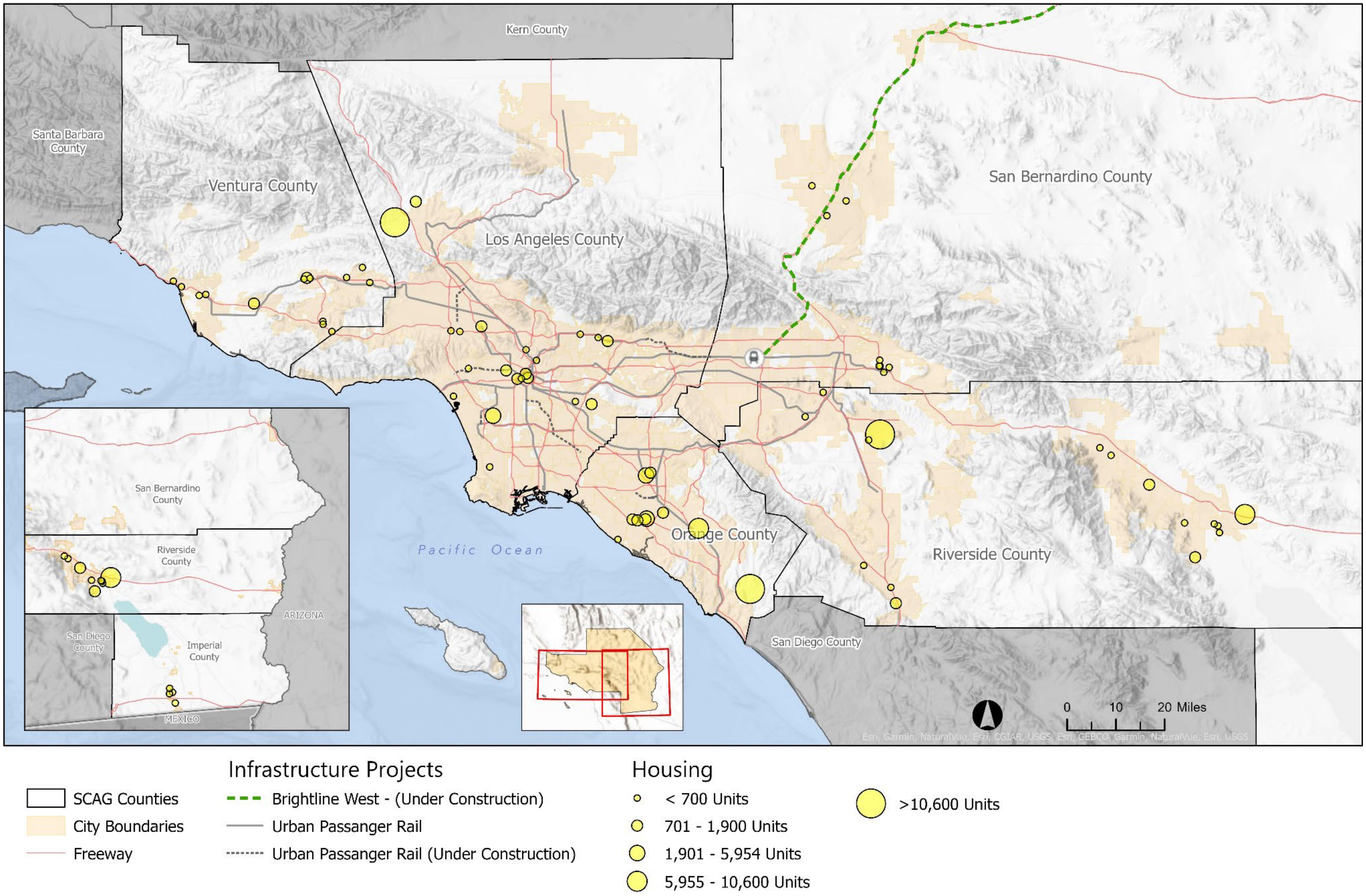
Nonetheless, new housing has been remarkably consistent since 2015 in the region, with between 45,000 and 52,000 new units permitted each year. The volume of planned or entitled units is substantial enough in all six SCAG counties to enable more housing starts, and this pipeline has probably kept production from falling further in the face of headwinds.

Exhibit 39 Annual New Units Permitted in the SCAG Region



Source: Census Building Permits Survey. Data for 2024 is annualized based on the pace of permitting during 2010-2019.

Exhibit 40 Selection of Major New Housing Developments in the SCAG Region



The pace of housing production remains substantially lower than targets coming out of Sacramento. While housing-supportive state legislation might have helped to keep the pipeline strong and reduce some downside risk, supply increases have been modest and are far from enough to shift the market and significantly improve housing affordability.

Post-COVID demand and soaring sale prices spurred production increases in 2021-22. Interest rates, which for much of 2024 were twice as high as they were in 2021, have reduced demand and builder sentiment to start more housing this year.

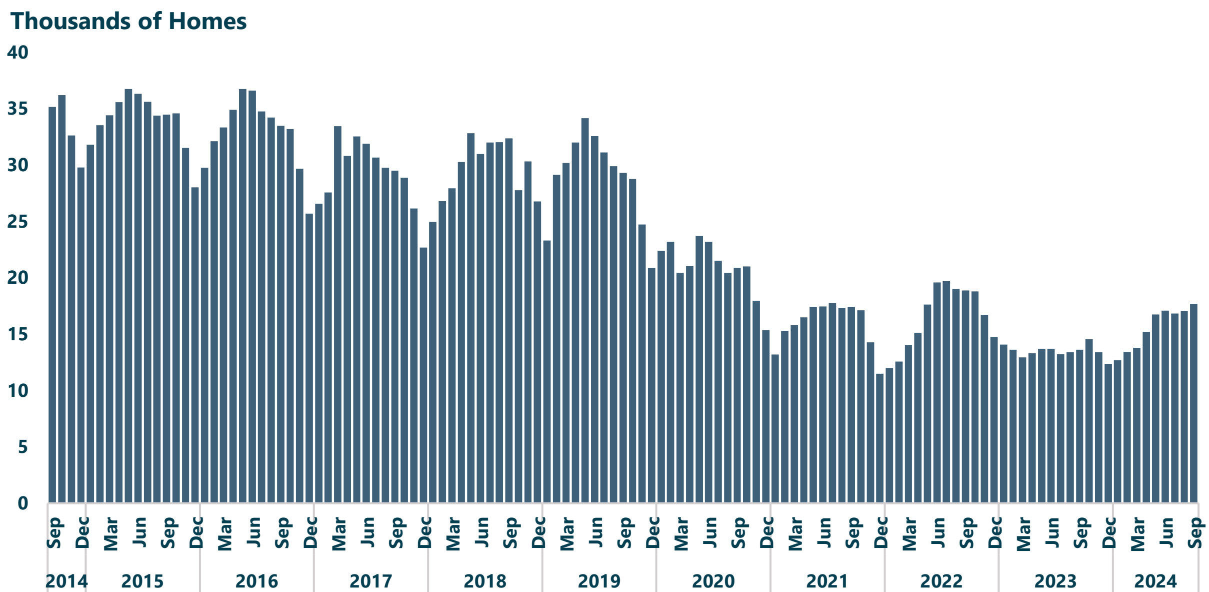
Despite the modest decline in new construction permitting in 2024, new deliveries increased to the highest level since 2018 in the SCAG region. This illustrates the strong production pipeline and means that more units are now ready for buyers to occupy. Across the region's four large metropolitan areas, of Los Angeles, Orange, and Ventura counties, as well as the Inland Empire, Zillow reports an average of 450 to 550 new homes completed per month during 2024. Combined with new development of non-residential projects, aggregate building activity is keeping construction employment near record levels in the SCAG region.

EXISTING HOUSING

Record or near-record prices plus the lowest level of sales characterized the market for existing homes. The national economy clearly avoided a recession but at the cost of elevated and longer-lasting inflation. Much of that inflation was in housing values and rents, which are now at all-time record levels in the United States, California, and the SCAG region. This is a contrast to a year ago, when housing inflation and home price appreciation were lower in Southern California than the rest of the nation.

The decline in mortgage interest rates that began in July of 2024 is anticipated to push the housing market into recovery. The 30-year conventional rate mortgage has now dropped 100 basis points since May, averaging 6.32 percent in the second week of October 2024. Despite this drop, existing home sales in the SCAG region only rose 2.4 percent this year.

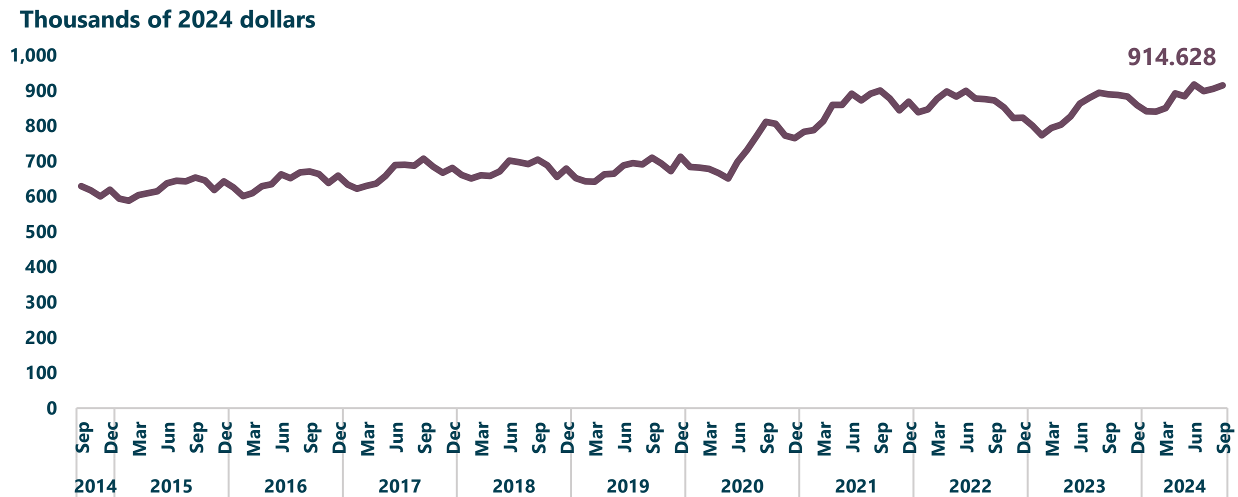
Exhibit 41 Existing Home Inventory in the SCAG Region



Source: California Association of Realtors

Existing home sales are more limited by the lack of available for-sale inventory than higher financing costs. Reluctant sellers have delayed offering their homes for sale until financing costs that they themselves would face in their replacement homes are lower. With higher demand and constrained by supply, single-family home selling prices have increased to record levels. The January-to-September average in 2024 is on pace for a 4 percent year-over-year increase.

Exhibit 42 Real Median Sales Price of Single-Family Homes, SCAG Region



Source: California Association of Realtors

Exhibit 43 Single-Family Home Sales and Median Prices, SCAG Counties

	Single-Family Home Sales			Single-Family Median Selling Price		
	Sep-23	Sep-24	Percent Change	Sep-23	Sep-24	Percent Change
Imperial	44	58	31.8	375,000	397,500	6.0
Los Angeles County	2,734	2,770	1.3	914,340	960,370	5.0
Orange County	1,041	1,034	-0.7	1,310,000	1,397,450	6.7
Riverside County	1,577	1,652	4.8	600,000	625,000	4.2
San Bernardino County	1,291	1,313	1.7	475,000	500,000	5.3
Ventura County	326	351	7.7	962,500	945,000	-1.8

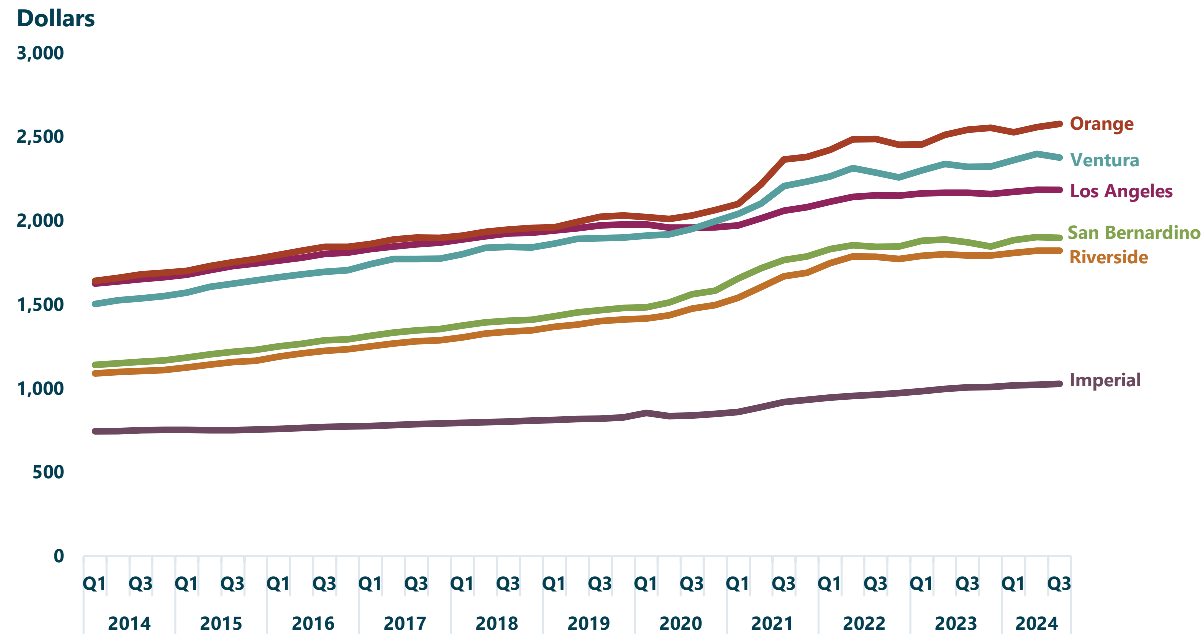
Source: Redfin; California Association of Realtors

THE RENTAL HOUSING MARKET

Average rental rates in all six counties of the SCAG region continue to rise, though the pace of rent inflation has moderated. Rental inflation ranged between 4.5 and 7 percent for the 2021 to 2022 period but has softened to just 1.0 to 2.4 percent over the last 12 months. Regionwide, rental inflation was 4.8 percent from 2021 to 2022 but just 1.1 percent from 2023 to 2024.

Note also that vacancy rates for rental housing have softened in 2024, rising in all counties, due to a combination of forces, but mostly due to a surge in new apartment unit construction in the region. Stagnating population growth has also softened vacancy rates.

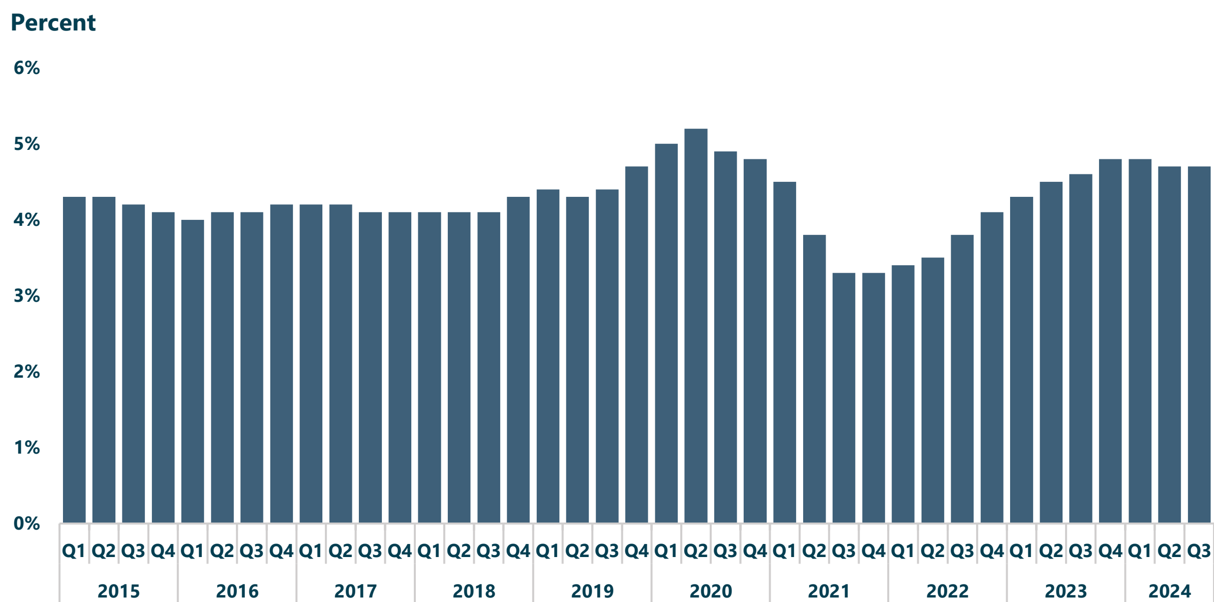
Exhibit 44 Average Apartment Rents in SCAG Counties



Source: CoStar

More multi-family housing stock, which skews heavily toward the rental market, has been under construction in the region relative to single-family homes. This is true in Los Angeles, Orange, and Ventura counties. Construction of multi-family units is also higher for the Inland Empire, though those counties still lag new single-family home development.

Exhibit 45 Apartment Vacancy Rates in the SCAG Region



Source: CoStar

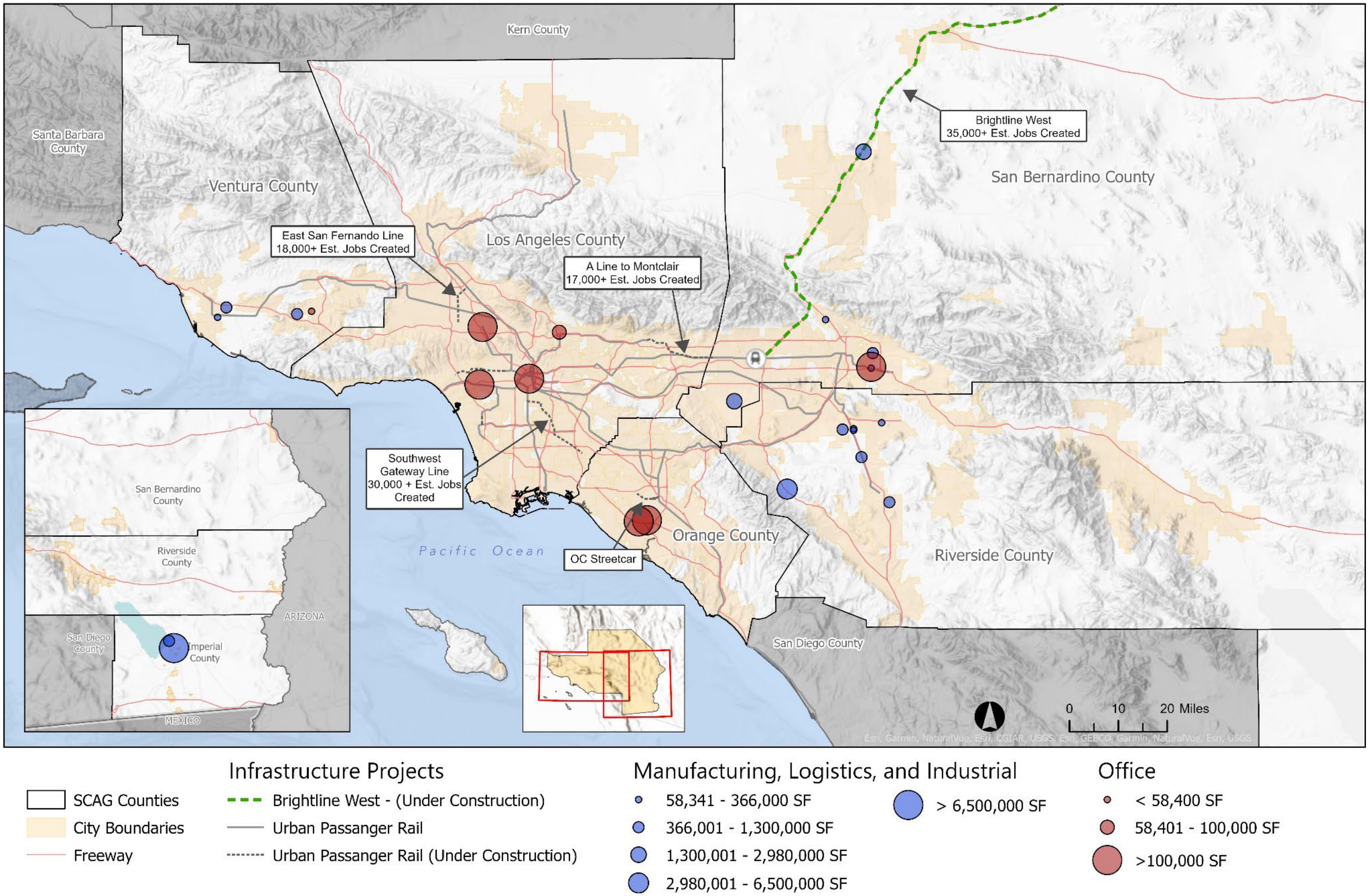
With so much new product being completed, vacancy rates for apartments have largely normalized in the region, moving from under 3.5 percent in 2021 to 4.7 percent today.

HIGH-PROFILE MEGA-DEVELOPMENTS IN THE SCAG REGION

Large-scale new housing, industrial, commercial, and infrastructure developments are a major driver of current economic growth in California, sending construction employment to near-record levels in the state and region.

These developments represent high dollar-value investment directly in local communities, creating temporary and permanent jobs, enabling in-migration of residents and businesses, and augmenting local spending and tax receipts.

Exhibit 46 Selection of Major New Non-Residential Developments in the SCAG Region



The largest projects in the region are the $5.5 billion LAX modernization project, the $12 billion Brightline West high-speed rail line connecting the Los Angeles Basin to Las Vegas, the 5,663-unit Silverwood housing development in Hesperia, and the $4 billion OCVIBE entertainment complex in Anaheim. The table below presents a selection of the largest and highest-profile projects in each county.

NEW WAREHOUSE DEVELOPMENT

The return of traffic at California's seaports, along with continued high levels of consumption, are contributing to more positive sentiment in industrial space development in 2024. According to CoStar data, 2023 ended with a whopping 41 million square feet of industrial space completed in the SCAG region—exceeding each of the prior years by over one-third. Through the third quarter of 2024, the region has already seen an additional 28 million square feet of industrial space developed.

The San Bernardino Superior Court halted construction of the massive Bloomington Business Park project in late September due to inadequacies in the 2.1 million-square-foot warehouse project's environmental impact report. Development could resume when the county complies with California Environmental Quality Act standards regarding air quality, noise, and wildlife. The project included the demolition of 117 homes on the development site. At the time of the court's ruling, nearly all the home demolitions had been completed.

The California State Legislature passed Assembly Bill 98 in August 2024. The bill, which will take effect Jan. 1, 2026, prescribes building standards for statewide warehouse design for both new and expanded developments. Standards include location, parking, truck loading bays, landscaping buffers, entry gates, and truck transportation routes to and from facilities to mitigate environmental impacts to neighboring communities. In the short term, the law should have little effect on warehouse development. Just under 27 million square feet of industrial buildings are underway at this time in the Inland Empire, with more approvals and construction expected over the next 12 to 18 months.

Some projects are receiving environmental pushback, but others are moving forward, such as Moreno Valley's massive World Logistics Center, a 40 million square foot industrial park for storage and distribution that will be the largest logistics facility in North America upon its expected completion in seven years.

Exhibit 47 Selection of Large, New Developments in the SCAG Region

ID	County	City	Name	Category	Use Type(s)	Units	SF Total	SF Detail	Developer	Project Status
46	Imperial	Brawley	San Diego State University Imperial Valley Sciences and Engineering Laboratory	Educational	Educational			Educational, 37000 SF		Broke ground February 2024, completion expected fall 2025
44	Imperial	Calexico	Miraluz Farmworker Housing	Housing	Housing	320				Broke ground August 2024
45	Imperial	El Centro	Jacaranda Gardens	Housing	Housing	96				Opened October 2024
43	Imperial	Imperial	Cambria Phase 4	Housing	Housing	102			Victoria Homes	Broke ground April 2024
49	Imperial	Imperial	Imperial Village	Housing	Housing	69			EAH	Opened in 2024
47	Imperial	Lithium Valley	CalEthos Data Center	Manufacturing	Information Technology			Info. Tech., 13720000 SF		420 MW Data Center Campus
48	Imperial	Lithium Valley	CTR Lithium Plant	Manufacturing	Manufacturing					Broke ground January 2024
97	Los Angeles	Arcadia	Alexan Azalea	Housing	Housing	319		Retail, 750 SF	Trammell Crow Residential	Under construction
99	Los Angeles	Arcadia	Hilton Arcadia	Tourism	Hotel	173			VG Properties	Under construction
110	Los Angeles	Beverly Hills	One Beverly Hills	Housing	Mixed use	20		Retail, 30000 SF	Alagem Capital Group	Under construction
111	Los Angeles	Culver city	Apple - Culver City	Office	Office			Office, 536000 SF	Apple	Approved
93	Los Angeles	Gateway Cities	Southeast Gateway Line	Infrastructure	Infrastructure					Approved
106	Los Angeles	Inglewood	Los Angeles Stadium & Entertainment District at Hollywood Park	Housing	Mixed use	3,000		Retail, 400000 SF, Office 200000 SF	Wilson Meany Stockbridge	Under construction
103	Los Angeles	LA/San Fernando	East San Fernando Line	Infrastructure	Infrastructure					Under construction
94	Los Angeles	Long Beach	Hard Rock Hotel Long Beach	Tourism	Hotel	427			Steinhauer Properties	Under construction
84	Los Angeles	Los Angeles	Fourth & Central	Housing	Mixed use	1,500		Office, 410000 SF		Under review
85	Los Angeles	Los Angeles	Olympic Hill	Housing	Mixed use	685		Retail, 15000 SF		Under construction
86	Los Angeles	Los Angeles	Lincoln Heights	Housing	Mixed use	468		Retail, 16000 SF	Pinyon Group	Under construction
90	Los Angeles	Los Angeles	Omni Times Square	Housing	Mixed use	1,127		Commercial, 34000 SF	Omni Group	Under review
91	Los Angeles	Los Angeles	Los Angeles Convention Center Expansion	Housing	Hotel	861				Under review
92	Los Angeles	Los Angeles	LAX Modernization	Infrastructure	Infrastructure					Under construction
96	Los Angeles	Los Angeles	3600 Wilshire Boulevard	Housing	Mixed use	760		Retail, 6359 SF	Jamison Services	Approved

ID	County	City	Name	Category	Use Type(s)	Units	SF Total	SF Detail	Developer	Project Status
98	Los Angeles	Los Angeles	2910 San Fernando Road	Housing	Housing	370			Fairfield Residential	Under construction
107	Los Angeles	Los Angeles	Citrus Commons	Housing	Mixed use	249		Retail, 27414 SF	IMT Capital	Under construction
108	Los Angeles	Los Angeles	Via Avanti	Housing	Housing	325		Retail, 44000 SF	IMT Capital	Approved
109	Los Angeles	Los Angeles	District NoHo	Housing	Mixed use	1,481		Office, 450000 SF, Retail 60000 SF	Trammell Crow Company	Approved
95	Los Angeles	Monrovia	Multiple Housing Projects A Line Adjacent (Arroyo at Monrovia, Station Square South, Alexan, Avalon Monrovia, 127 Pomona)	Housing	Housing	1,442		Commercial, 12035 SF	Evergreen Investment Partners, Trammell Crow Residential, Adept Development)	Open and Under construction
100	Los Angeles	Pasadena	3200 East Foothill	Housing	Housing	550		Retail, 9800 SF	High Street Residential	Under construction
101	Los Angeles	Pasadena	590 N Fair Oaks Avenue	Office	Medical Office			Office, 100000 SF	Keck Medicine of USC	Under construction
112	Los Angeles	Pico Rivera	The Mercury	Housing	Mixed use	255		Retail, 5500 SF	Optimus Properties LLC	Approved
102	Los Angeles	San Gabriel Valley	A Line Extension to Montclair	Infrastructure	Infrastructure					Under construction
88	Los Angeles	Santa Clarita	Landmark Village	Planned Comm.	Master Planned Comm.	21,240		Commercial, 10000000 SF	Fivepoint	Approved
89	Los Angeles	Santa Clarita	Tesoro Highlands	Housing	Housing	820				Under construction
104	Los Angeles	Santa Monica	710 Broadway	Housing	Mixed use	280		Retail, 90000 SF	Related California	Under construction
105	Los Angeles	Torrance	Gable House apartments	Housing	Mixed use	218		Retail, 12000 SF	Intracorp	Under construction
87	Los Angeles	Unincorporated	Terra Vista at Tejon	Planned Comm.	Master Planned Comm.	495			Tejon Ranch	Under construction
113	Los Angeles	Whittier	The Groves at Whittier	Housing	Mixed use	750		Retail, 150000 SF	Brookfield Residential	Under construction
75	Orange	Anaheim	Platinum Triangle	Planned Comm.	Master Planned Comm.	5,954		Commercial/Office, 3000000 SF,		Approved
78	Orange	Anaheim	Disney Vacation Club Tower	Tourism	Hotel	350				Completion in 2024
76	Orange	Costa Mesa	One Metro West	Planned Comm.	Mixed use Community	1,057		Office, 25000 SF, Retail 6000 SF	Rose Equities	Breakground 2024/2025
80	Orange	Costa Mesa	Hive Live	Planned Comm.	Mixed use Community	1,050		Office, 183000 SF		Preliminary approval
79	Orange	Huntington Beach	Sunset Beach Hotel	Tourism	Hotel	12		Commercial, 1800 SF		Under review
73	Orange	Irvine	The Great Park	Planned Comm.	Mixed use	10,600		Commercial, 2000000 SF	Fivepoint	Under construction

ID	County	City	Name	Category	Use Type(s)	Units	SF Total	SF Detail	Developer	Project Status
77	Orange	Irvine	UCI Medical Campus	Educational	Medical Care Facility	144				
74	Orange	Mission Viejo	Rancho Mission Viejo	Planned Comm.	Master Planned Comm.	14,000				Under construction
81	Orange	Santa Ana	Related Bristol	Planned Comm.	Master Planned Comm.	3,750		Commercial, 350000 SF	Related California	Approved
82	Orange	Santa Ana	The Village at Santa Ana	Planned Comm.	Master Planned Comm.	1,583		Office, 300000 SF, Retail 80000 SF	Hines	
83	Orange	Santa Ana	The Row at Red Hill	Housing	Mixed use	1,100		Commercial, 40000 SF		Under construction
8	Riverside	Coachella	Bellissima and Sevilla	Housing	Housing	325			Pulte	Under construction
9	Riverside	Coachella	Sevilla II	Housing	Housing	204			Pulte	Under review
10	Riverside	Coachella	Mariposa Pointe	Housing	Single-family housing	155			DR Horton	
11	Riverside	Coachella	KP Coachella Specific Plan	Planned Comm.	Specific Plan	9,536		Site total, 13285800 SF	KPC Development Company	Under review
13	Riverside	La Quinta	Travertine	Housing	Mixed use	1,200		Hotel/spa, 45000 SF		council approved in Aug 2024
14	Riverside	La Quinta	La Quinta Village Apartments	Housing	Apartments	252				Approved
22	Riverside	Menifee	Motte Business Center	Logistics	Warehouse		1,100,000			Construction beginning later in 2024
3	Riverside	Moreno Valley	Crystal Windows West Coast HQ	Industrial	Light industrial		366,000			EIR now being prepared
4	Riverside	Moreno Valley	Aquabella Specific Plan	Planned Comm.	Specific Plan	15,000		Commercial, 50000 SF, Parks 3484800 SF		Plus 3 elementary schools and 1 middle school
5	Riverside	Moreno Valley	Bay and Day	Industrial	Industrial		193,000			
6	Riverside	Moreno Valley	First Industrial Warehouse at Day Street	Logistics	Warehouse/DC		165,000			
7	Riverside	Moreno Valley	Perris at Pentecostal	Housing	Gated apartment	426				Awaiting discretionary city approval
15	Riverside	Palm Desert	DSRT SURF	Tourism	Resort and surfing	83		Hotel/resort, SF, Golf		Broke ground in May 2024; opening scheduled for summer 2026
12	Riverside	Palm Springs	Avalon 1150 (Phase 2 of Miralon dev.)	Housing	Single-family housing	130			Lennar	Final development stage
16	Riverside	Palm Springs	Dream Hotel	Tourism	Hotel	30		Hotel rooms, 169 , Meeting space 10000 SF		Construction stalled 2019; restarted June 2024
18	Riverside	Palm Springs	Serena Park	Housing	Golf & residential	386				Approved. Construction to begin mid-2025; complete 2027-2028

ID	County	City	Name	Category	Use Type(s)	Units	SF Total	SF Detail	Developer	Project Status
1	Riverside	Perris	Majestic Freeway Business Center	Logistics	Logistics					Phase 1 complete
17	Riverside	Rancho Mirage	Cotino	Planned Comm.	Master Planned Comm.	1,900		water oasis, 1045440 SF	Disney	Model homes complete; anticipated 2025
2	Riverside	Riverside	Sycamore Hills Distribution Center	Industrial	Industrial		613,000			Currently available for lease
23	Riverside	Riverside	Arlington	Housing	Mixed use	388	600,000	retail, 25000 SF		Final EIR complete Sept 2024
24	Riverside	Riverside	Northside Specific Plan	Housing	Specific Plan	482				Includes 482-unit home development currently under construction
19	Riverside	Temecula	Altair Specific Plan	Planned Comm.	Specific Plan	1,750			Brookfield Properties	First project is 146 homes
20	Riverside	Temecula	Prado by Meritage Homes	Housing	Single-family housing	230				Presale beginning Dec 2024
21	Riverside	Wildomar	Avalino	Housing	Single-family housing	117			DR Horton	Complete fall 2024
25	Riverside		Serrano Commerce Center site	Logistics	Logistics/light industrial		6,500,000			
29	San B'rdno	Apple Valley	Covington Development Partners	Logistics	Warehouse		2,500,000	Parking spaces, 2572	Covington Partners	
27	San B'rdno	Hesperia	Silverwood	Planned Comm.	Mixed use		15,633	Commercial, 700000 SF, Parks 16857720 SF	Lennar, Richmond American Homes, Watt Capital Developers, and Woodside Homes	
28	San B'rdno	Ontario	Ontario Ranch	Housing	Housing: 50/50 SFR/MFR		21,114	Business Park, 919000 SF		
32	San B'rdno	Ontario	South Ontario Logistics Center	Logistics	Logistics		2,980,000			
33	San B'rdno	Redlands	California Street	Logistics	Warehouse		357,610			Under consideration by planning commission
34	San B'rdno	Redlands	Kaiser Medical Campus	Office	Medical office and hospital		863,000			EIR underway; 20-year build-out
35	San B'rdno	Redlands	Tennessee Village	Housing	Apartments	486				Entitlement phase
36	San B'rdno	Redlands	Lugonia Village	Housing	Apartment and townhome	492				Approved
37	San B'rdno	Redlands	State Street Village	Housing	Housing	700				
38	San B'rdno	Redlands	Bergamot Specific Plan	Housing	SF Housing Specific Plan	317				
39	San B'rdno	Redlands	Grand & Casa Loma Apartments	Housing	Apartments	297				
30	San B'rdno	San Bernardino	Truck Terminal Facility	Logistics	Warehouse		90,000			

ID	County	City	Name	Category	Use Type(s)	Units	SF Total	SF Detail	Developer	Project Status
31	San B'rdno	San Bernardino	San Miguel Landing	Industrial	Industrial warehouse		1,200,000			Completed 2024; adjacent to Amazon whse
26	San B'rdno	Various	Brightline West High Speed Rail	Infrastructure	Infrastructure					Completion set for 2028
40	San B'rdno	Victorville	Palmdale Road Development	Housing	Housing	210				
41	San B'rdno	Victorville	Senior affordable housing	Housing	Housing	114				
42	San B'rdno	Victorville	Nulevel partners subdivision	Housing	Housing	185				
57	Ventura	Camarillo	Embassy Suites Hotel and Conference Center by Hilton	Tourism	Hotel	155	71,300	Conference, 17500 SF		Under construction
65	Ventura	Camarillo	Various Housing projects	Housing	Housing	922				Under construction
66	Ventura	Camarillo	Various commercial projects	Commercial	Commercial			Commercial, 386000 SF		Under construction
67	Ventura	Moorpark	Hitch Ranch Specific Plan	Housing	Housing	755				Under construction
68	Ventura	Moorpark	North Ranch	Housing	Housing	139				Under review
69	Ventura	Moorpark	Vendra Gardens	Housing	Housing	200				Under construction
54	Ventura	Oxnard	Townplace Suites	Tourism	Hotel	121				Under construction
55	Ventura	Oxnard	Springhll Suites	Tourism	Hotel	121				Under construction
56	Ventura	Oxnard	Hyatt House	Tourism	Hotel	210		Restaurant, 5400 SF		Under Review
63	Ventura	Oxnard	101 Logistics Center	Logistics	Logistics			Industrial, 778720 SF		Under construction
64	Ventura	Oxnard	The Berry Man	Logistics	Warehouse			Cold Storage, 58341 SF		Under review
70	Ventura	Simi Valley	North Canyon Ranch	Housing	Housing	210				Approved
71	Ventura	Simi Valley	Lost Canyons	Housing	Housing	365			Newport Pacific	Under review
72	Ventura	Simi Valley	Santa Susana Plaza Shopping Complex	Housing	Mixed use	280				Approved
58	Ventura	Thousand Oaks	Los Robles Hospital Medical Office Building	Office	Medical Office			Medical Office, 58400 SF		Under Review
59	Ventura	Thousand Oaks	Kennedy Wilson Apartment Project	Housing	Housing	264				Approved
60	Ventura	Thousand Oaks	The Residences at the Lakes	Housing	Housing	165				On hold
61	Ventura	Thousand Oaks	Hillcrest	Housing	Housing	333		Retail/ Commercial, 6500 SF		Groundbreaking 2024
62	Ventura	Thousand Oaks	Rancho Conejo Blvd Industrial Buildings	Industrial	Industrial			Industrial, 755000 SF		On hold

ID	County	City	Name	Category	Use Type(s)	Units	SF Total	SF Detail	Developer	Project Status
50	Ventura	Ventura	The Willows	Housing	Housing and Commercial	306		Commercial, 5000 SF		Under construction
51	Ventura	Ventura	Del Mar	Housing	Housing	394			KB Homes	Under Review
52	Ventura	Ventura	Park Plaza	Housing	Mixed use	87		Commercial, 2400 SF		Under Review
53	Ventura	Ventura	Arrive Ventura	Housing	Mixed use	297		Commercial, 15800 SF		EIR stage of entitlements

County Economic Briefs

IMPERIAL COUNTY

Michael Bracken
Managing Partner & Chief Economist, Development Management Group (DMG), Inc.

The Imperial County economy is relatively stable by regional standards. The unemployment rate is currently 19.3 percent, up from 18.1 percent at the end of 2023, but still slightly lower than the 10-year average. The population is 182,881, an increase of 3,405 people (1.9 percent) in the last year, reversing a trend in declining population for the first time since before the pandemic. The labor force increased by 700 to 75,700 in the past year. Nominal median household income is $61,900, an increase of $900 from last year. Median home prices of $385,000 reflect an increase of $75,000 in the past year.

Gross domestic product (GDP) for the county continues to grow, with estimated GDP for 2022 reaching $8.5 billion and $8.6 billion for 2023, the latter according to DMG, Inc. estimations. Agriculture production reached $2.7 billion in 2023, exceeding the highest on record by $80 million (3 percent). Vegetables and melons accounted for $1.2 billion while livestock (mostly cattle) totaled $697.8 million. Overall production acres increased by about 5 percent from 2022 to 2023 to 578,059.

Imperial County continues to see investment in solar production and battery storage. Over 4,600 megawatts (MW) of electricity is operating (power for about 1.5 million homes), with another 700 MW of solar production and 1,065 MW of battery storage in the entitlement process.

Thirteen total geothermal and lithium extraction projects are currently being permitted in Imperial County, which will account for an additional 870 MW of renewable energy generation and 355,000 metric tons per year of lithium extraction. These projects equate to over $16.8 billion of new economic investment. Project construction is expected to start in early 2026.

Inflation seems to have cooled, though households are still adjusting to the "new" costs of basic goods. At $385,000, the median priced single-family home now costs over six times the median household income (though this ratio is above eight for the SCAG region), while the average two-bedroom apartment now rents for $1,460 per month—a 46 percent increase since 2019.

The rains in early 2023 and 2024 quelled drought worries in the near term, though the winter 2024-25 forecast is for a La Niña, which is characterized by warmer and drier conditions than normal. While the Imperial Irrigation District (the water supplier to the region) had agreed to reduce water use by about 300,000 acre feet per year for the next three years as part of a larger western states (California, Arizona, and Nevada) water management plan to reduce water usage by a total of three million acre feet, the Sierra Club is litigating the decision, stating that the reduction will hasten the decline of the Salton Sea and risk the ecosystem and residents' health.

2025 will be a telling year for Imperial County as the region works to advance renewable energy projects (geothermal, solar, and battery storage) and lithium extraction and find long-term solutions to water stability.

LOS ANGELES COUNTY

Shannon Sedgwick
Director, Institute for Applied Economics, Los Angeles County Economic Development Corporation

EMPLOYMENT

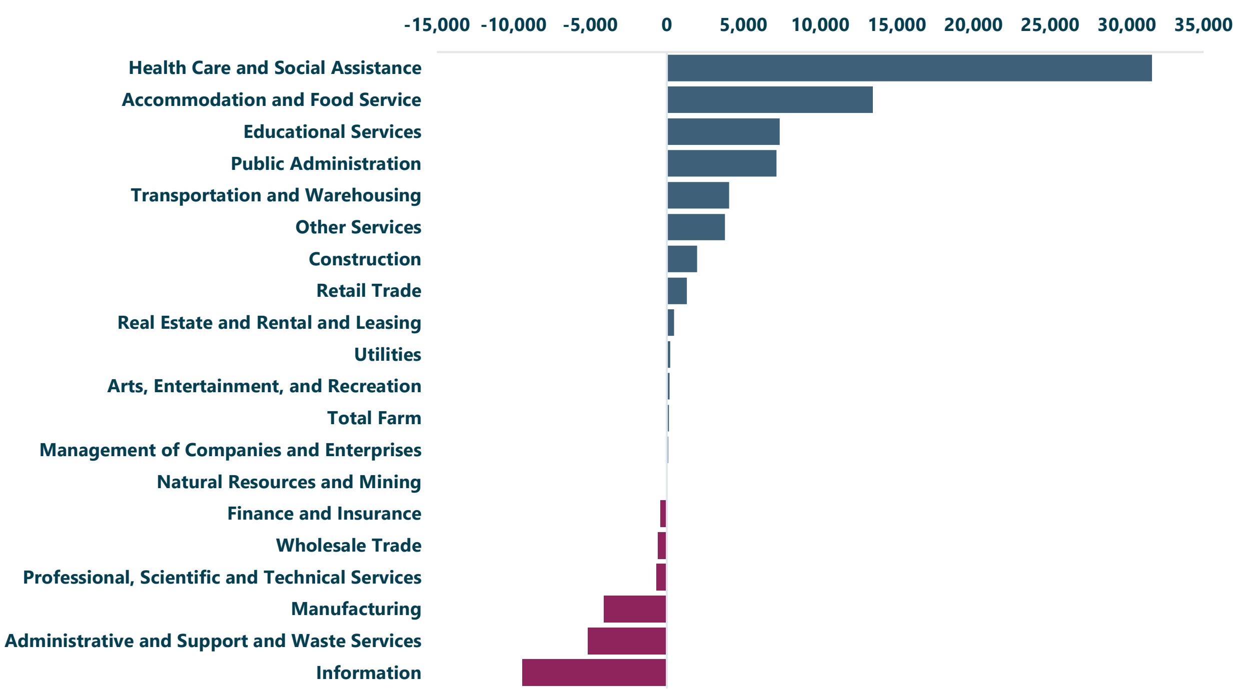
As the largest county economy in the United States, Los Angeles County remains a major economic driver in California, supported by a diverse mix of industries, including entertainment, technology, international trade, and tourism. However, the county's economic outlook faced challenges from global and local issues through 2023 and into 2024, such as inflation, housing affordability, and shifting labor markets.

In 2023, payroll employment increased by 10,317 jobs from the previous year (a gain of 0.2 percent), and the county is expected to add 53,700 net new jobs in 2024 (a gain of 1.2 percent). Job growth in 2023 was primarily concentrated in healthcare, accommodation, and food services, private education services, and public administration. Demand for healthcare and education services has supported employment in these two sectors, although high employee turnover persisted in these and other industries as workers sought better wages or remote work options.

The information sector saw the largest decline in 2023, losing 41,850 jobs due to the Screen Actors Guild and Writers Guild of America strikes in the summer of 2023. An additional 10,000 jobs are expected to be lost in this sector in 2024. Though the strikes have concluded, industry activity has not fully returned to pre-strike levels, underscoring income and job stability concerns within creative industries.

Unemployment rates have hovered slightly above pre-pandemic lows, remaining around 5.0 percent in 2023 and the first half of 2024, rising to 6.2 percent in September (seasonally adjusted). Wage growth, although notable in 2023, struggled to keep up with inflation, especially impacting low- and middle-income workers.

Exhibit 48 2024 Year-Over-Year Employment Change, Los Angeles County



Source: California Employment Development Department; Data for 2024 is annualized based on the pace of job creation during 2010-2019.

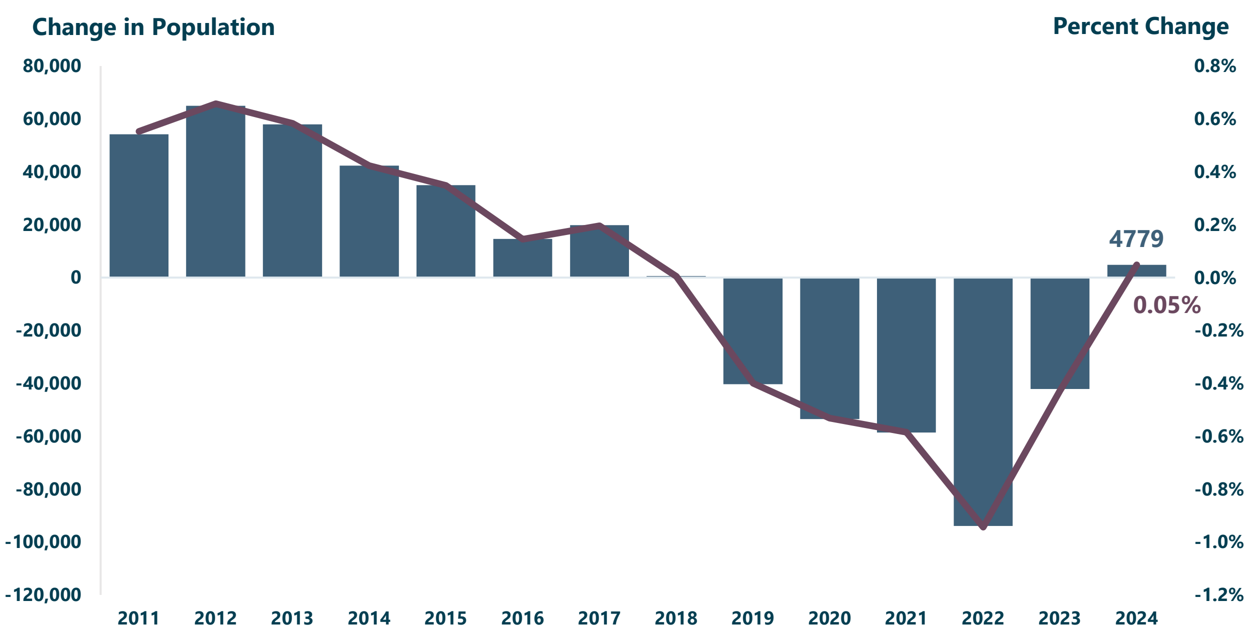
Tourism experienced a strong rebound in 2023 as international travel resumed more fully. Los Angeles County's diverse cultural offerings, along with a weaker dollar for parts of the year, drew an increasing number of international tourists, reaching nearly pre-pandemic levels. This resurgence bolstered the hospitality and retail sectors, driving job growth and increasing revenue. However, staffing shortages challenged employers' ability to meet rising demand, limiting the sector's operational capacity.

Los Angeles County's trade and logistics industry experienced mixed performance, with moderate recovery in 2024 for throughput at the Port of Los Angeles and Port of Long Beach after prior declines. Rising import volumes from Asia, although below pre-pandemic levels, sparked cautious optimism within warehousing and distribution. However, regulatory changes, ongoing labor negotiations, and competition from East Coast ports continued to challenge growth. Employment in transportation and warehousing declined by 5,125 jobs in 2023 but is expected to recover by over 4,000 jobs in 2024.

Housing affordability remains a significant economic issue, with high home prices and rental costs making it difficult for residents to afford living in the county. Approximately 46 percent of households are cost-burdened, spending more than 30 percent of their income on housing costs. Efforts to increase housing supply are underway, with local governments promoting more affordable and multi-family housing developments. However, challenges such as zoning restrictions, high construction costs, and community opposition limit the impact of these efforts in the short term. In 2023, a total of 24,280 new residential building permits were issued in the county, with multi-family units comprising 60.7 percent of these permits.

Between 2018 and 2023, approximately 289,000 residents migrated out of Los Angeles County, with residents increasingly relocating to areas with lower living costs. While the county's population increased by 4,800 people in 2024, state Department of Finance data has suggested that higher-income tax filers are overrepresented in those leaving, which has implications for the local workforce and income distribution.

Exhibit 49 Population Change in Los Angeles County



Source: California Department of Finance, E-5 Population and Housing Estimates and E-8 Historical Population and Housing Estimates

Los Angeles County's poverty rate of 13.7 percent is the second highest in the SCAG region, following Imperial County, and exceeds the regional rate of 12.4 percent.

Los Angeles County continues its recovery from pandemic-related disruptions, with job growth in healthcare, technology, and tourism showing promising trends. However, high costs and economic inequality continue to pose significant obstacles, specifically high business costs, particularly in labor and real estate, and a sharp rise in housing prices. Despite these pressures, ongoing public and private investments aim to stimulate economic diversification and sustainable growth. Initiatives such as energy infrastructure modernization and strategic development projects are essential steps in tackling high business costs while preserving job creation and environmental goals. In the longer term, regional collaboration between businesses and policymakers will be essential for addressing Los Angeles's economic challenges.

ORANGE COUNTY

Wallace Walrod, Ph.D.
Chief Economic Advisor, Orange County Business Council

Orange County remains an economic heavyweight in Southern California and continues to exceed peers and neighbors in employment, income, educational attainment, and other metrics. As seen below, Orange County has the SCAG region's lowest seasonally adjusted unemployment rate, highest median household income, lowest poverty rate, and highest educational attainment. County residents benefit from a strong, resilient labor market, diverse industry base, and specialized industry clusters.

These advantages have allowed the county to develop an industrial base that attracts businesses and workers in a variety of sectors, insulating the Orange County economy from industry-specific disruptions and helping it rebound from declines. Additionally, the county has cultivated a number of focused industry clusters—industries highly concentrated in a geographic area after achieving a critical mass. Similar to film in Los Angeles or tech in Silicon Valley, Orange County's medical device and tourism sectors stand out.

Region	Unemployment Rate (Sept. 2024)*	% of Pop w/ Bachelor's or Higher (2023)	Median Household Income (2023)	Poverty Rate (2023)	Median Single-Family Home Price (Aug. 2024)	Median Gross Rent (2023)
Orange	**4.1%**	**44.5%**	**$113,118**	**9.1%**	**$1,400,000**	**$2,449**
Los Angeles	6.0%	36.5%	$89,007	13.7%	$919,890	$1,949
Imperial	17.7%	16.6%	$61,927	16.9%	$410,640	$1,051
Ventura	4.8%	37.9%	$110,676	9.7%	$965,000	$2,327
Inland Empire	5.3%	25.1%	$90,252	12.2%	$572,500	$1,903
SCAG Region	5.5%	35.1%	$94,503	12.4%	$806,755	$2,024
California	5.5%	37.5%	$98,191	12.0%	$888,740	$2,048
United States	4.0%	36.2%	$79,891	12.5%		$1,445

**Seasonally adjusted; Sources: California Employment Development Department (EDD), California Association or Realtors (CAR), and U.S. Census Bureau American Community Survey 1-year estimates (2023).*

Benefitting from many major development projects either already under construction or in the development pipeline, Orange County is in a strong position for continued economic prosperity and job growth over the next several years. Looking forward, these projects will create thousands of new housing units and mixed-use developments to address workforce housing supply concerns, as well as new, innovative retail, entertainment, health and wellness, and community open spaces. The seven high-profile examples that follow total over $10 billion in new investment, highlighting the attractiveness of the Orange County market:

- **OCVIBE**: OCVIBE is an immersive entertainment district in central Anaheim designed to create a "new downtown" for Orange County. It includes more than 1,500 housing units, including 195 affordable units, along with 520 hotel rooms, walking trails, parks and plazas, restaurants, entertainment spaces, on-site solar, and 1 million square feet of office space.
- **DisneylandForward:** Disney has made a nearly $2 billion investment in a new theme park and lodging development, which notably includes a $30 million contribution to affordable housing, $8 million to park improvements in Anaheim outside the resort area, and $85 million to improve traffic flow, pedestrian circulation, and safety.

- **Related Bristol:** Recently approved by the Santa Ana City Council, Related Bristol is the largest and most expensive mixed-use, master planned development in the city's history. This 41-acre, $2.9 billion project is on the site of a former shopping center and will include 3,750 apartments and 200 senior housing units, hotel rooms, commercial space, and open space.
- **Magnolia Tank Farm:** This Shopoff Realty project was approved in September 2024 by the Huntington Beach City Council to redevelop a 29-acre property into more than 200 single-family homes, 50 affordable multi-family units, a boutique hotel, and 19,000 square feet of retail.
- Greystar's **The Row at Red Hill**: Expected for completion in 2025, this development includes 1,100 housing units across four buildings, a fitness and wellness center, 40,000 square feet of commercial space, and 50,000 square feet of retail space.
- The **City of Hope Orange County** Lennar Foundation Cancer Center is the first stage of a $1.5 billion medical campus exclusively focused on treating and curing cancer. The next phase, planned to open in late 2025, is a six-story, 73-bed hospital. When completed, it will be Orange County's only cancer-focused hospital, providing both inpatient treatment and clinical trials.
- **UCI Health-Irvine** recently opened doors to the first phase of its $1.3 billion, 1.2 million square foot medical campus, the nation's first all-electric, carbon-neutral medical center. The last phase, slated to open in 2025, is a seven-story, 350,000-square-foot, 144-bed acute care hospital and 24-hour emergency department.

Orange County continues to face challenges—such as workforce housing supply and affordability and shifting demographics—and is not immune to broader domestic and international economic headwinds. In addition to the rapidly rising insurance and repair costs and elevated mortgage interest rates experienced nationally, Orange County residents must also cope with the region's highest median home prices and rents. Insurance costs are further exacerbated by the rising cost and impact of flood- and fire-prone areas. While current impacts to Orange County remain low, the region is still susceptible to potential climate change-related risks and investment in resilient infrastructure should be prioritized.

While affordability concerns highlight the continued high demand to both live and work in Orange County, if left unmitigated, they could severely limit potential population growth as well as impede labor market growth and specializations. As such, increasing the supply of affordable housing should remain a priority for the region moving forward.

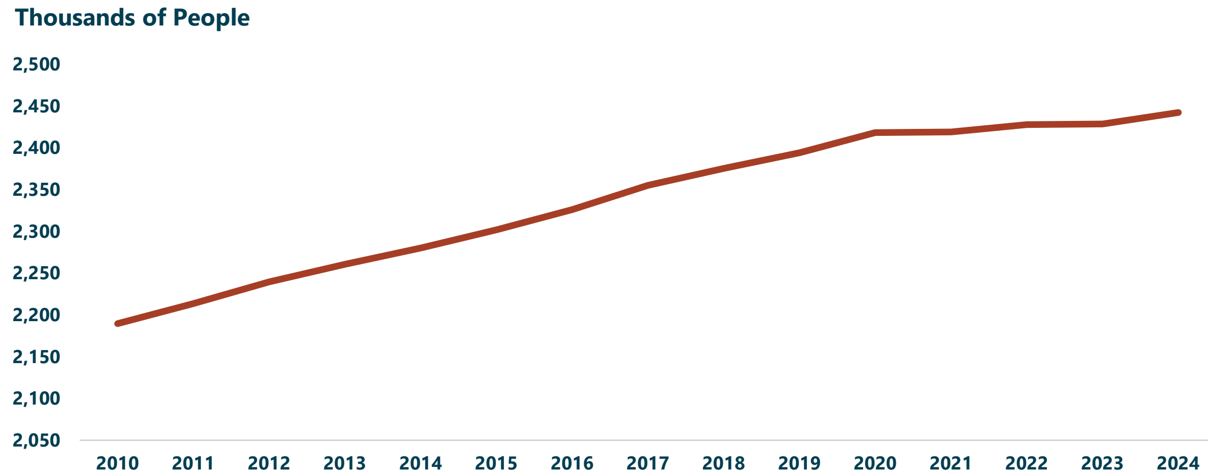
Nonetheless, Orange County's economy remains strong and well positioned for 2025 due to both long-term strengths and new, innovative projects.

RIVERSIDE COUNTY

Manfred Keil, Ph.D., and Robert Kleinhenz, Ph.D.
Inland Empire Economic Partnership

With 2.4 million residents, Riverside County is the fourth most populous county in California. Population growth stalled during the pandemic, but modest growth has since resumed.

Exhibit 50 Population in Riverside County, 2010-2024



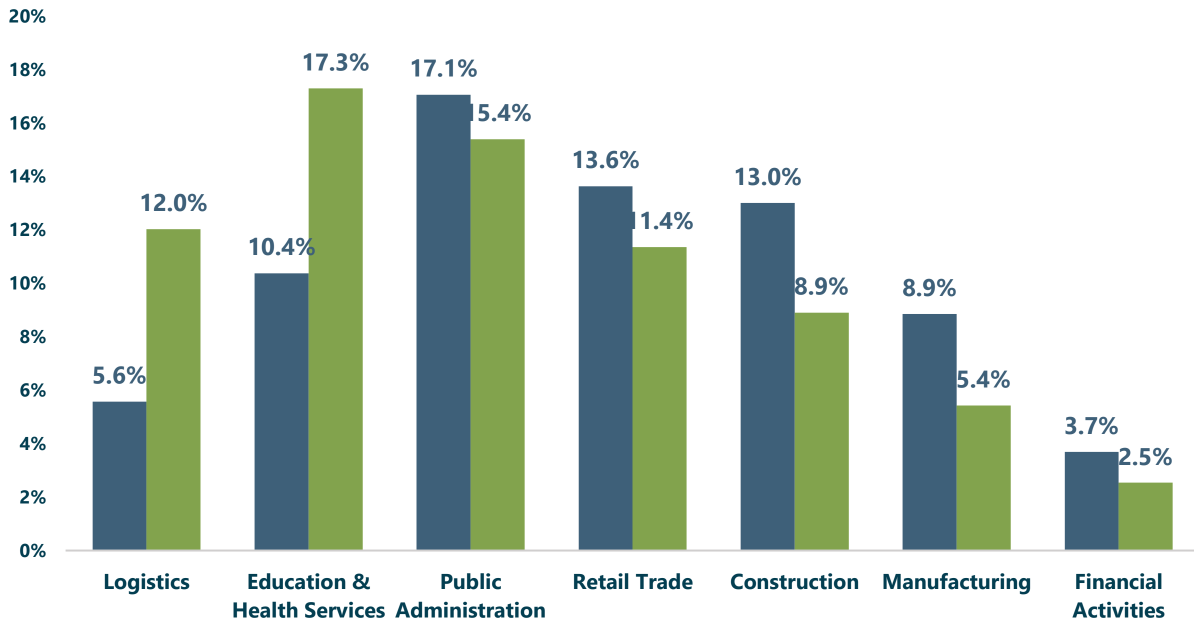
Source: California Department of Finance, E-5 Population and Housing Estimates and E-8 Historical Population and Housing Estimates

A large number of Riverside County residents (290,000) commute into neighboring San Bernardino County and nearby coastal areas for work. While the large number of commuters reflects the high level of economic connectivity across the counties of the SCAG region, it is also due to housing affordability with home prices in Riverside County considerably below those of coastal counties.

The county unemployment rate was 5.6 percent in September 2024, up from 5.2 percent a year ago, but low by historical standards, averaging 7.8 percent since 2010. At 1,169,000, the county's labor force is slightly higher than before the pandemic (1,132,200 in February 2020). Total employment of Riverside County residents rose 0.1 percent year-over-year to 1,104,300 in September 2024.

Riverside County recovered its pandemic-era job losses earlier than the rest of the SCAG region in 2021 and had 838,500 nonfarm positions by the end of 2023. Leisure and Hospitality (NAICS 71-72), Retail Trade (NAICS 44-45), and Education and Health Services (NAICS 61-62) initially experienced the largest job losses during the pandemic. Education and Health Services subsequently recovered and showed strong growth, but Manufacturing, Information, Financial Activities, and Government remain below pre-pandemic levels. Logistics hit record employment growth during the pandemic, more than doubling its share of county jobs between 2005 and 2023. Employment in this sector was lower in 2024 than its pandemic-era peak but remains well above its pre-pandemic trend.

Exhibit 51 Change in Share of Employment in Select Sectors, Riverside County, 2005 vs. 2023



Source: California Employment Development Department

While the Logistics sector is known for its significant presence in the Inland Empire economy, the share is not as high as in San Bernardino County. The sector accounts for 12.0 percent of all jobs, lower than the share of jobs in Education and Health (17.3 percent), Public Administration (15.4 percent), and Leisure and Hospitality (12.5 percent).

Inflation, based on the Riverside-San Bernardino Metropolitan Statistical Area Consumer Price Index, has improved over the past year, falling from 4.9 percent in September 2023 to 1.4 percent in September 2023.

With high mortgage interest rates and a limited inventory of homes for sale, the housing market in Riverside County faced a difficult year in 2024. Still, the median price rose 1.3 percent year-over-year in September, to $625,000, due to limited inventory of new and existing homes. While this is well below the prices of its coastal neighbors, it is 25 percent higher than the median in San Bernardino County. Lower prices are a driving factor for migration to and between inland counties.

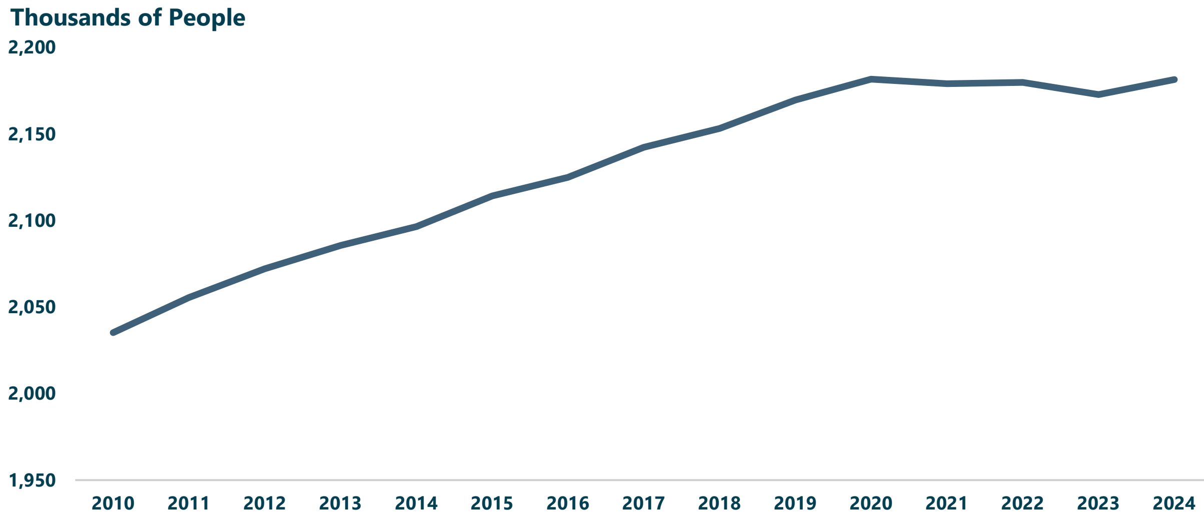
The outlook for the Riverside County economy in 2025 is mixed, but it is expected to outperform the state, due in part to the larger role that the logistics industry plays in the county. Following the U.S. presidential election, an increase in import tariffs could present a severe downside risk for the county economy by increasing the price for goods from Asia and curtailing demand for imports. Otherwise, container traffic will increase further because of the expanding U.S. economy and restricted shipping traffic through the Panama Canal and elsewhere due to climate and geopolitical forces. Assembly Bill 98, which added building and trucking requirements to new warehouses, could influence investment decisions in the sector but not until 2026. Neither the government nor the health industry may see significant expansions in 2025 if public purse strings tighten, while construction will benefit from continued interest rate cuts throughout 2025.

SAN BERNARDINO COUNTY

Manfred Keil, Ph.D., and Robert Kleinhenz, Ph.D.
Inland Empire Economic Partnership

With 2.2 million residents, San Bernardino County is the fifth most populous county in Southern California. Its population declined marginally during the COVID-19 pandemic but has since resumed growth.

Exhibit 52 Population in San Bernardino County, 2010 – 2024



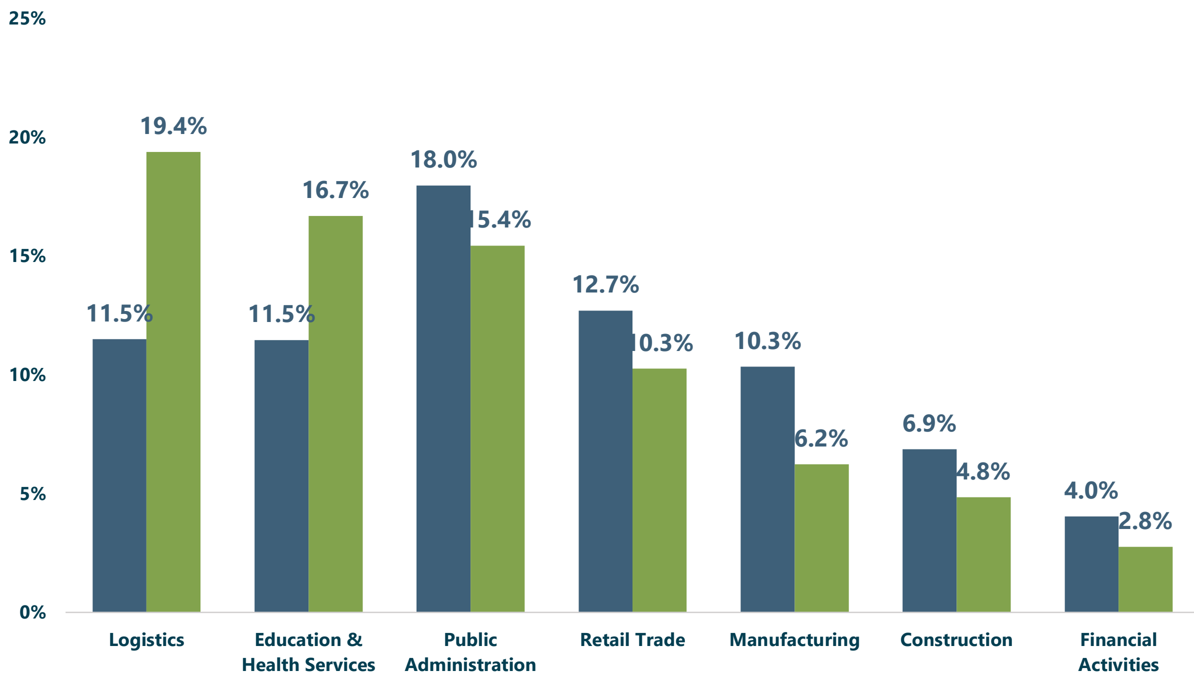
Source: California Department of Finance, E-5 Population and Housing Estimates and E-8 Historical Population and Housing Estimates

A large number of San Bernardino County residents (251,500) commute into neighboring Riverside County and nearby coastal areas for work. While this reflects the high level of economic connectivity across the counties of the SCAG region, it is also due to housing affordability, with home prices in San Bernardino County considerably below those of coastal counties.

The county unemployment rate was 5.2 percent in September 2024, up from 4.9 percent a year ago, but low by historical standards, averaging 7.6 percent since 2010. Total employment of San Bernardino County residents was 969,600 in September 2024, up 0.2 percent year-over-year, and the labor force grew by 0.5 percent over the same period, to 1,022,600, resulting in the slight increase in the unemployment rate.

San Bernardino County recovered its pandemic-era job losses earlier than the rest of the SCAG region in 2021, and had 880,000 nonfarm positions by the end of 2023, 71,300 more than before the pandemic. Leisure and Hospitality, Retail Trade, and Professional and Business Services experienced the largest job losses at the start of the pandemic. Nearly all of the sectors have subsequently recovered, but Manufacturing remains below pre-pandemic levels (97.6 percent). Logistics has pulled back from record employment achieved during the pandemic but remains elevated compared to the period before the pandemic, now accounting for one-fifth of all jobs.

Exhibit 53 Change in Share of Employment in Select Sectors, San Bernardino County, 2005 vs. 2023



Source: California Employment Development Department

Inflation, based on the consumer price index for the Riverside-San Bernardino Metropolitan Statistical Area, has improved over the past year, falling from 4.9 percent in September 2023 to 1.4 percent in September 2023.

The county housing market faced a difficult year in 2024—interest rates were very high, prices were relatively high, and both sales and inventory were low. Still, the median price rose 2.4 percent year-over-year in August to $500,000. While this is well below the prices of its coastal neighbors, it is 20 percent below the median in Riverside County.

The San Bernardino County economy benefited in 2024 from a very strong year in the logistics industry. Looking ahead to next year, continued growth is expected, driven by growth in the overall U.S. economy. There are two caveats: the outlook depends on the assumption that there will not be drastic tariff increases for imports from Asia—even high tariffs on Chinese goods will not have a significant effect on container imports and logistics employment if the tariffs are not raised by some large amount on all imports from Asia. Next, the enactment of Assembly Bill 98, which limits warehouse and transportation expansions starting in 2026, will affect the industry, but only in the sense that future expectations will influence investment decisions in 2025.

Population will grow faster in San Bernardino County than in coastal counties, which will support home prices as well as activity in population serving industries such as retail trade, eating and drinking places, health care, and local financial services. Interest-rate sensitive sectors, such as residential investment and construction, will also improve in 2025.

VENTURA COUNTY

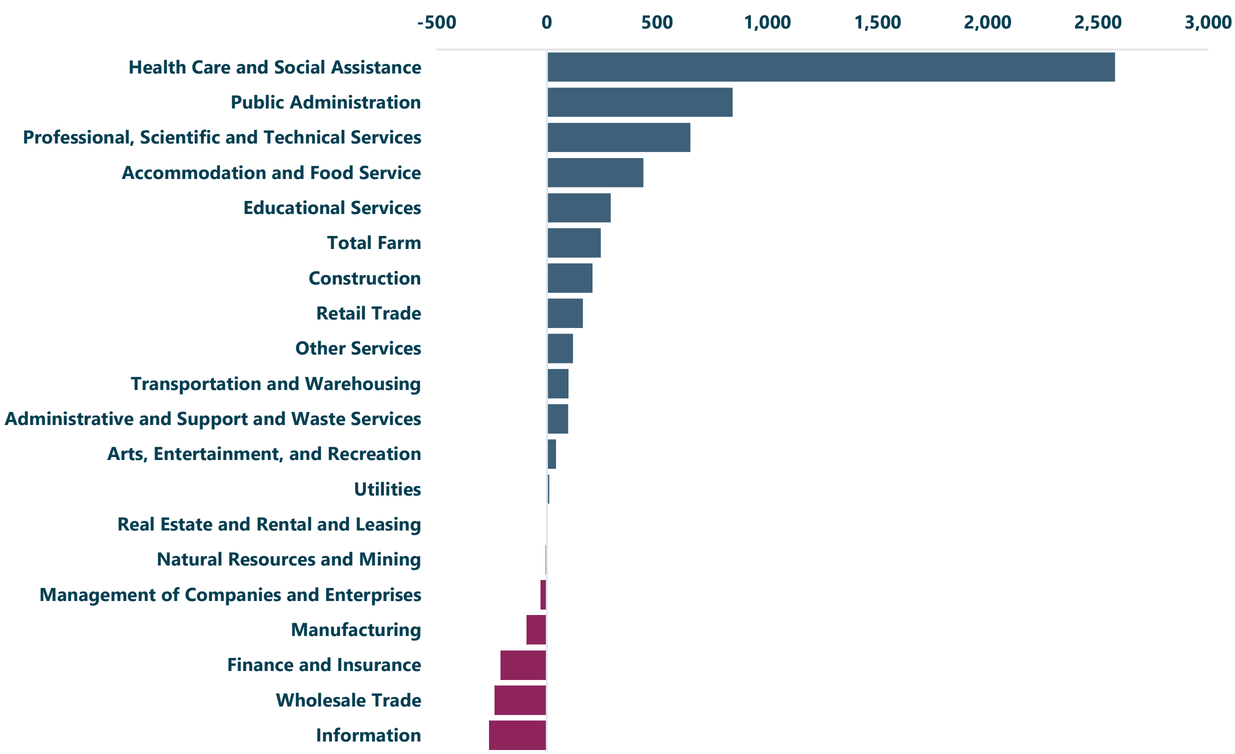
Mark Schniepp, Ph.D.
Director, California Economic Forecast

For the last decade, Ventura County growth has been anemic—its decline in population and labor force started earlier and was more severe than the drops that took place elsewhere in Southern California. Nonetheless, the county's economy has proved resilient in the last two years.

A notable upside has been the Port of Hueneme, which maintained its flow of incoming goods from South Korea, Germany, Britain, Japan, Sweden, Mexico, and other countries throughout 2023 and 2024, despite the 2023-24 West Coast dockworkers strike that drove shippers from the ports of Long Beach and Los Angeles to the East Coast. The total value of exports and imports reached record levels for the year, and activity for the first 8 months of 2024 is on pace to eclipse 2023.

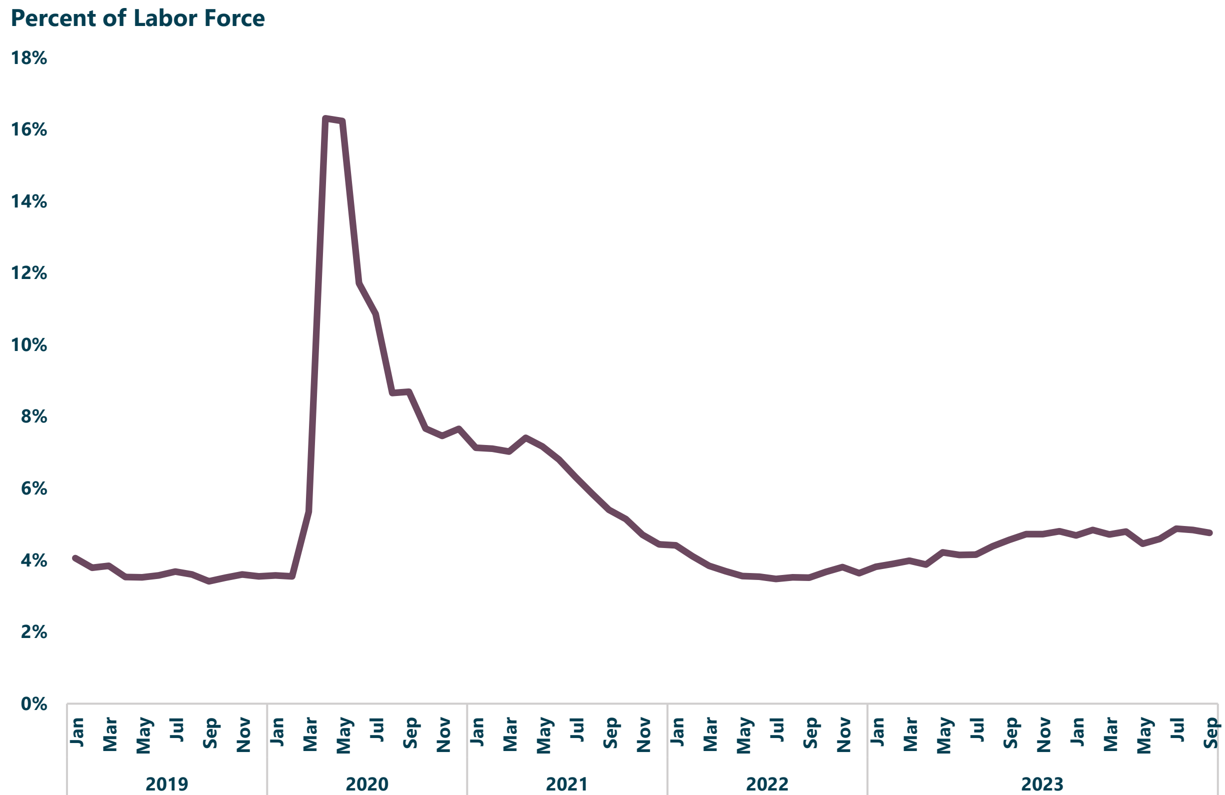
The total value of agricultural crops in Ventura County increased 2 percent in 2023 to $2.2 billion. Strawberries, nursery stock, and lemons rank first through third, respectively. Strawberries accounted for 33 percent of total crop value, reaching their highest annual sales volume on record.

Exhibit 54 Jobs Created by Sector in Ventura County, 2024



Source: California Employment Development Department. Data for 2024 is annualized based on the pace of job creation during 2010-2019.

Exhibit 55 Seasonally-Adjusted Unemployment Rate, Ventura County

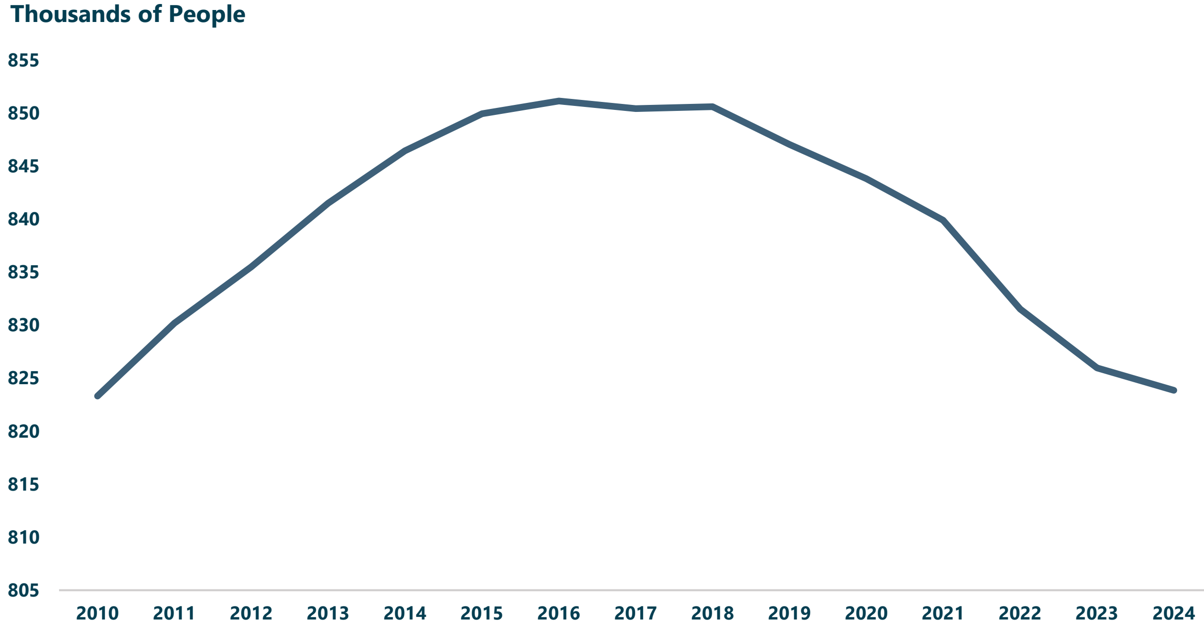


Source: California Employment Development Department

The Ventura County labor market has generated more new jobs so far in 2024 compared to the previous year, but like Southern California as a whole, job creation did not spread evenly across economic sectors. Nearly all the job formation in 2024 is accounted for in local public administration and healthcare.

- In 2023, the labor market generated 2,367 jobs. This year, the county is on pace to create another 3,744 jobs (1.2 percent growth).
- The growth rate in new employment has remained in a relatively constant range for the last year. Job growth over the last 12 months ending September was 1.2 percent.
- Employment gains, though larger in 2024 than in 2023, were achieved in a small number of sectors. Healthcare is responsible for 60 percent of all new net job creation, followed by the local public sector, which accounts for 27 percent of all jobs. Then professional services, almost entirely in the professional, technical, and scientific consulting subsector, accounts for roughly 700 new jobs in Ventura County this year.

Exhibit 56 Population in Ventura County, 2010-2024



Source: California Department of Finance, E-5 Population and Housing Estimates and E-8 Historical Population and Housing Estimates

- The Ventura County population has declined since 2016 due to net out-migration and very low natural increase. This trajectory is expected to continue over the coming years.
- The unemployment rate, now at 4.8 percent, has shown little variation for most of 2024. Ventura County ranks second to Orange County for the lowest rate of unemployment in the SCAG region.
- The labor force—the total of all residents that either are working or want to work—has not fully recovered from the 2020 pandemic recession and is 12,000 participants below the previous peak.
- A large reason for the reduced labor force is the decline in population, especially acute since the pandemic. Ventura County's total population is 17,400 lower than in 2020 and 25,500 lower than the peak population year of 2017.

Topical Briefs – Sustainability and Equity in the SCAG Economy

SLEEPLESS NIGHTS FOR CALIFORNIA DREAMERS?

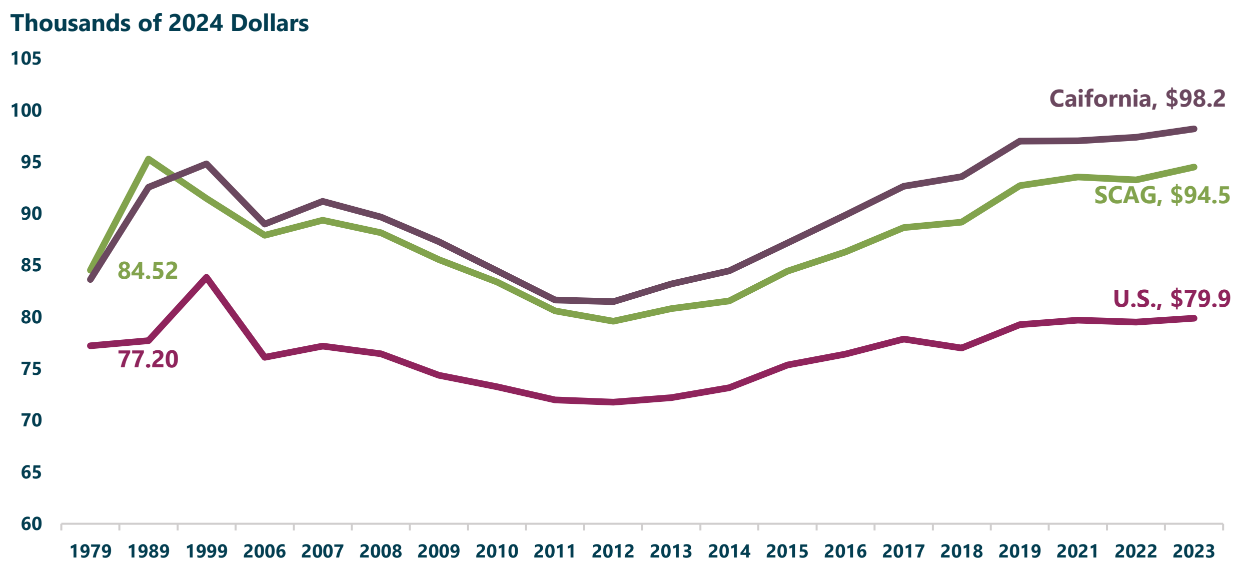
David Wells Roland-Holst, Ph.D.
Berkeley Economics and Research

We all share a "California Dream," but is it sustainable? Let's consider a few salient economic issues that might keep Southern Californians awake from time to time.

THE U.S. ECONOMY IS RESILIENT RIGHT NOW, BUT HAVE WE KEPT UP?

The state's leadership in knowledge-intensive industries has delivered superior growth for two generations, and moving toward sustainable practices and renewable energy can extend those gains. Many express concern, however, that trees don't grow to the sky and eventually we'll see diminishing returns. Exhibit 57 refutes this skepticism, showing how the state has delivered handsomely for median households in the past and continues to do so, even accelerating out of the COVID-19 crisis.

Exhibit 57 Real Median Household Income since 1979: SCAG, CA, U.S.



Source: Decennial Census through Social Explorer; American Community Survey 1-year estimates

THE ECONOMY IS DYNAMIC, BUT WHO BENEFITS FROM GROWTH?

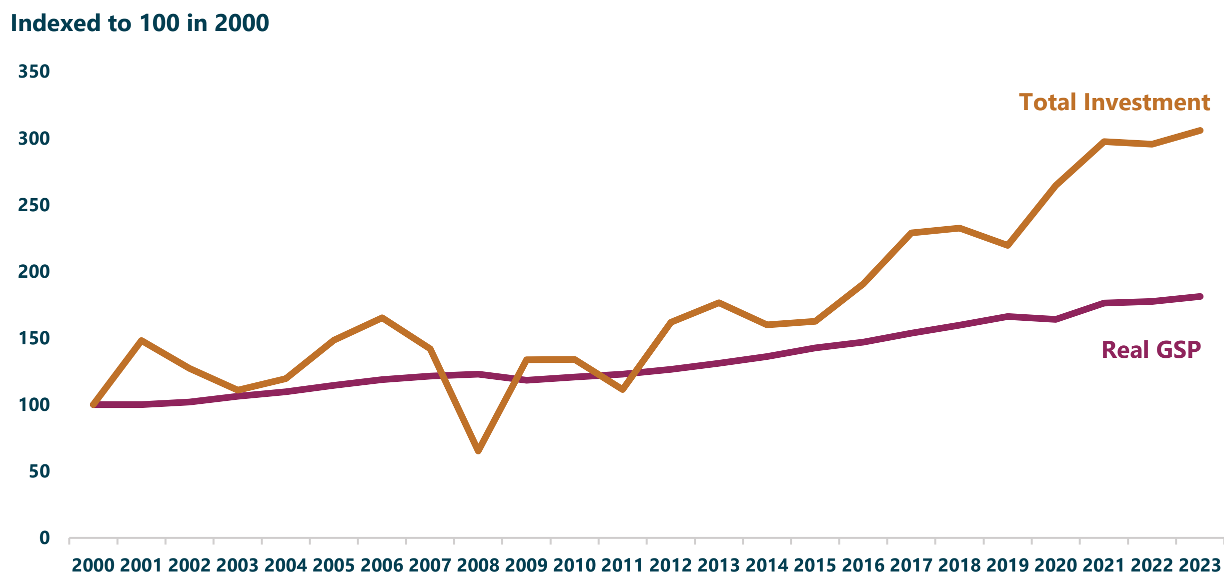
California's income inequality is higher than the national average, and Black and Latino families are overrepresented at lower income levels. Acknowledging this disparity, there are many ways policy can be, and is being used, to overcome these disparities. For example, real median income for families with at least one college graduate has increased by 33 percent since 1980, while real median income for families without college graduates has declined by 8 percent. California long ago recognized the power of education to change people's destiny, founding the University of California, California State University, and community college systems, collectively one of the most successful experiments in the history of public education (Thorman & Payares-Montoya, 2024).

It is also well known that labor markets do not always deliver fairness, particularly across diverse demographics with skill disparities and uncertain legal status. The right policies can help rectify historical inequity, and in the last decade in California, 19 municipalities, seven counties, and the state itself have instituted minimum wage ordinances. While many economists rightly critique the theoretical inefficiency of a minimum wage, the downside risk is minimal compared to improved quality of life for low-income workers and their families, who improve their livelihoods and spread those benefits through local expenditures while also reducing social services spending needs (Berkeley Economic Advising and Research, 2023)

THERE'S BEEN MUCH DISCUSSION OF COMPANIES LEAVING CALIFORNIA. IS THE STATE NO LONGER COMPETITIVE?

Instead of scanning for headline stories about individual companies, California's competitiveness is better judged by its overall investment climate. **Exhibit 57** compares growth of the state economy (real GSP) to the overall volume of in-state investment, which proxies not only investor sentiment, but also prospects for future growth and job creation. By this standard, the momentum of California as an investment destination appears to be increasing. The real estate component of investment took a major hit in 2008, but smart money continues to pour into the Golden State faster than the economy itself is growing.

Exhibit 58 Real Gross State Product (GSP) and Total Investment in California



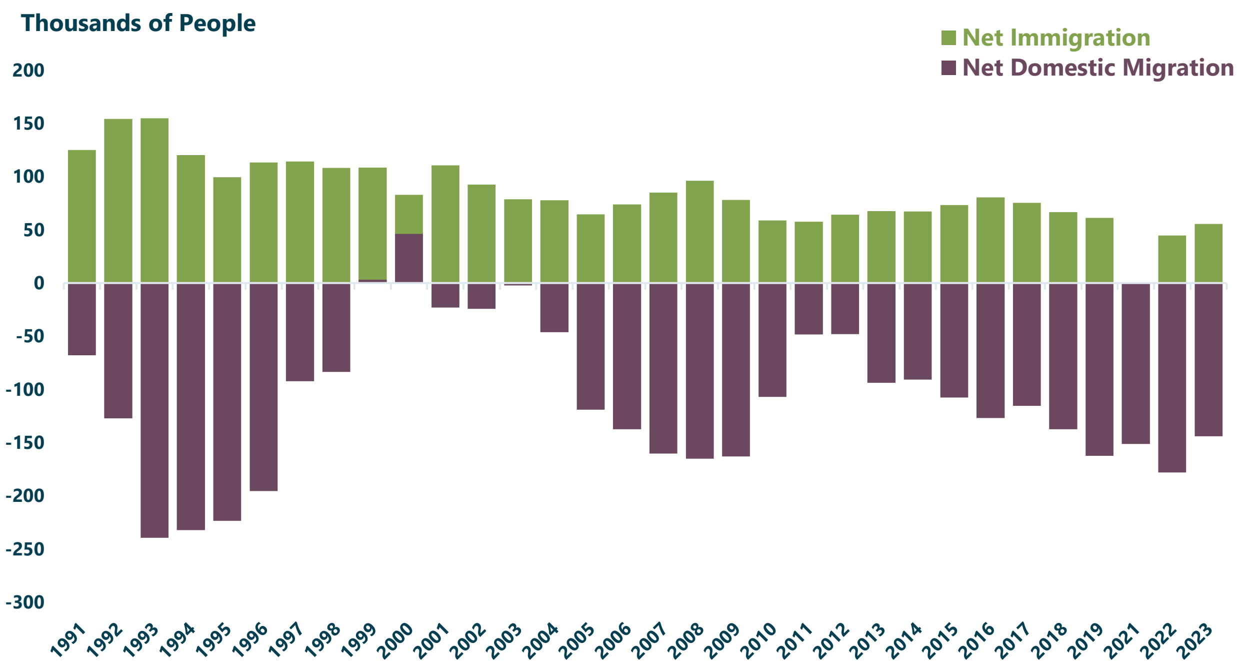
Sources: California Department of Finance; U.S. Bureau of Economic Analysis

It might be easy to dispel the notion that California is losing its appeal for doing business, but the issue of selective firm emigration raises other, more subtle questions. Rather than stressing out about high-profile relocations, perhaps Californians should ask themselves why we need companies that don't want to help finance public goods and services or comply with improved environmental and labor standards. Many believe that commitments to improve the quality of life should be given higher priority than traditional growth metrics.

POPULATION GROWTH HAS SLOWED. WILL THIS REVERSE OUR ECONOMIC PROGRESS?

For 31 of the last 33 years, the SCAG region has lost more residents to other states and regions than have come here. Domestic out-migration is usually offset by foreign immigration, but net domestic emigration ticked up during the 2010s owing to high living costs relative to other regions, then temporarily shot up during the pandemic years of 2021-23. Even the state's newest projections recognize that population growth will be low or flat owing to lower fertility and a modest trend toward out-migration (California Department of Finance, 2024) .

Exhibit 59 Migration in the SCAG Region



Source: California Department of Finance, E-2. California County Population Estimates and Components of Change by Year

Nonetheless, real incomes and quality of life can be sustained by investing in productivity. This means it's more important to redouble our public and private commitments to higher and vocational education, the most important determinants of skills and real wages. California is recognized as a skill-intensive economy in our leading sectors, but we have much further to go to achieve inclusive prosperity. High priorities for inclusive prosperity should be the most economically vulnerable (and thus most likely to leave), unskilled and adult workers who never received training or need their skills upgraded to keep pace with technological change.

WILL CALIFORNIA BE AFFORDABLE FOR ME AND MY CHILDREN?

Housing affordability seems to come up in nearly every conversation about the state economy. Only 11 percent of local households can afford the median priced Los Angeles County home, down from 31 percent two decades ago. With the region's current median household income between $90,000 and $100,000, it would take about 10 years for an average resident to earn the sales price of that home. Nationally, that hurdle is five years. This might be the toughest nut to crack for California policymakers and a mindful "all of the above" approach toward housing may be in order.

Of course, more affordable housing would be good for new homeowners—this is the goal of new initiatives all over the state. Meanwhile, however, there is an ironic but important lesson in this dilemma. If Californians have for years been willing to wait longer, save more, and make the greater sacrifices needed to settle here, maybe this is still the Land of Promise?

EQUITY IN REGIONAL RESILIENCE: CALIFORNIA'S WILDFIRES

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Over the past decade, California has seen the top two most destructive wildfires (Camp, 2018; Tubbs, 2017); two largest wildfires (August Complex, 2020; Dixie, 2021); and deadliest wildfire ever (Camp, 2018). With climate change, wildfires will become more severe due to changes in precipitation—extremely wet years increasing vegetation and increasingly dry, low-humidity conditions creating extensive expanses of fuel. In addition, climate change will also increase the frequency and severity of extreme weather events. As climate change effects become more pronounced, there is a greater need to work toward equitable resilience. One way to explore interactions between environmental resilience and social equity is by considering the interaction between wildfire incidence and housing policy.

HOUSING PRODUCTION EQUITY

Areas not historically identified as wildfire zones are now seeing wildfires, impacting the suitability for potential housing development. While Southern California's decades-long housing shortage is well known, the increasing incidence of fires and extreme heat in the wildland-urban interface has created another set of issues for developers and home-seekers: most large-scale single-family housing development occurs toward the region's fringes, where land is usually relatively cheap, compared to locations in the interior of the region, and homes can be mass-produced. Because most wildfires are human-caused, new residents also bring new risk. Furthermore, although particulate matter pollution from wildfires quickly reaches everyone in urbanized areas, disadvantaged communities are more acutely impacted as they already experience higher instances of asthma and heart disease hospitalizations.

In 2020, Senate Bill 182 proposed that local jurisdictions: 1) be required to consider wildfire damage in the safety element of their general plans and 2) amend their land use element to identify high fire risk areas (e.g., adopt an overlay zone) and identify feasible implementation measures to reduce this risk. The bill would have restricted any new proposed developments to areas not designated as a very high fire risk area but was vetoed, suggesting a tension between state environmental and housing objectives.

THE BELLWETHER OF PROPERTY INSURANCE

California's relationship between wildfires and housing also extends to the insurance market. The expansion of environmental risks such as wildfire, floods, and hurricanes to new areas and with increasing severity has strained the ability of home insurance models to accurately price risk and for government institutions to effectively regulate the insurance industry.

In September 2024, California Insurance Commissioner Ricardo Lara issued a mandatory moratorium on cancelations and non-renewals of residential property insurance after a state of emergency declaration. This action preserves the insurance status of structures that fall within or adjacent to a (widening) fire perimeter. For their part, homeowners have voiced concerns about what a recent wildfire means for their own insurance status. Feedback from a recent community meeting in Inland Southern California included appeals by residents to not update the region's fire maps, as there were concerns about how much their home insurance premiums would rise as a result. Notably, the area in question was not a typical wildfire zone, but a summer 2024 wildfire burned over 500 acres and destroyed several structures.

DISASTER PLANNING

From an equity standpoint, historically disadvantaged communities often bear a disproportionate burden when disasters occur. While it is impossible to accurately predict where future disasters will occur, intentional disaster planning can strengthen community resilience. A recent publication by the UC Berkeley Center for Community Innovation suggested that fiscal measures like levying fees on existing residential properties built in high fire severity hazard zones could raise funds to use for risk reduction planning (Perry et al., 2024). Additionally, the authors suggest that policymakers need to prioritize renters and low-income homeowners, as they are more likely to experience post-disaster displacement.

Effective disaster planning also requires a nuanced understanding of residents' perceptions of hazards. For instance, residents—particularly those with strong place attachment—often perceive risks as less severe or less likely to affect their immediate surroundings (e.g., their home) compared to broader, community-wide areas, a tendency known as spatial optimism (Houston et al., 2024CITE). Disaster planning can benefit from targeted risk communication strategies that address diverse populations and underrepresented groups and counteract spatial optimism by leveraging residents' emotional connection to their community to foster collective preparedness.

EQUITABLE RESILIENCE

The true cost of wildfires is difficult to quantify. A 2021 CalMatters article notes that there is no real way to identify how much a fire costs, and what its total impact is (Gedye, 2021). For their part, policymakers and planners often end up in a reactionary position. While many factors are considered, wildfire maps are partially based on historical fires, and it is impossible to predict exactly where the next big fire will break out. Historically development in Southern California has been outward-looking; however, increasing climate risk in multiple forms should make planners and developers pay more attention to the cost-effectiveness and attractiveness of infill development. Granted, this will involve overcoming financial, institutional, and even cultural challenges, all of which become even more difficult for below-market rate development. California needs to figure out a way to equitably balance the need to safeguard residents from high fire-prone areas, but still allow for enough housing production to ensure that all Californians can afford quality housing.

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Appendices - County Reports

IMPERIAL COUNTY

LOS ANGELES COUNTY

ORANGE COUNTY

RIVERSIDE & SAN BERNARDINO COUNTIES

VENTURA COUNTY

Imperial County

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Imperial County is located in the Southeastern corner of California, bordering San Diego County (west), Riverside County (north), Arizona (east), and the nation of Mexico (south). The region is served by two international border crossings (one consumer and pedestrian, the other commercial). In 2023 incoming vehicles totaled more than 5 million, incoming pedestrians totaled more than 2.8 million, and incoming commercial traffic (trucks) totaled more than 500,000. The region has an economy based on agricultural production, transportation (both of agriculture products and imports from Mexico), border security, state prisons, and local-serving businesses (food, food service, hospital, education, and local government). In recent years, the region has become a major producer of renewable energy, namely solar, geothermal, wind, and battery storage.

Imperial County's regional economy is stable by historical standards. Unemployment is currently 19.75 percent. While almost five times that of the national unemployment rate, it is slightly below the ten-year average for the region. Population stands at 182,881, an increase of 1.9 percent from 2023 and marking the first significant year over year increase since prior to the pandemic. The labor force has 75,700 participants, an increase of 700 from one year ago and the largest number seen since 2015. Median household income is $61,900. The median home price is $385,000, the highest on record.

Agricultural production reached $2.69 billion in 2023, a slight increase from 2022 ($2.61 billion). In nominal dollars, agriculture production is the highest on record. The region is known for livestock (cattle), field crops (various hay varieties), row crops (examples include various types of lettuce as well as broccoli, carrots, and onions), apiary (honey), and, more recently, lemons.

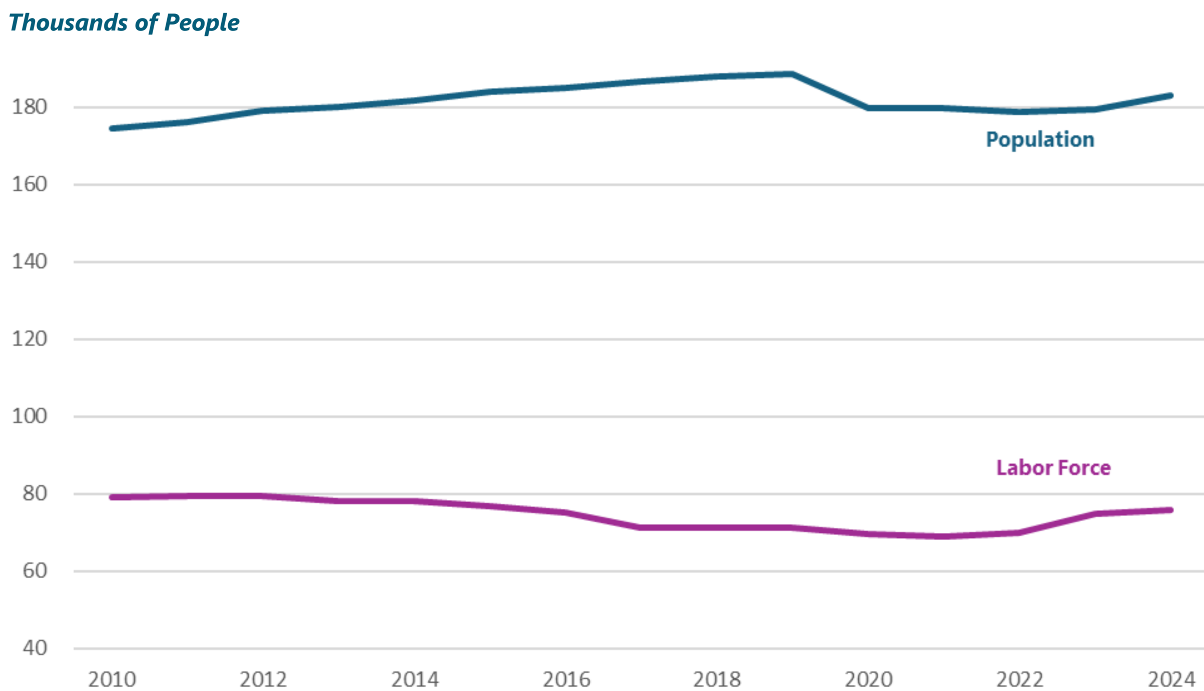
The region continues to see investment in commercial scale solar production and battery storage. Over 4,600 megawatts (MW) of electricity generation have been approved, producing 9,425 gigawatt hours (GWh) in 2023. An additional 1,765 MW of solar and battery projects are currently being entitled in addition to a number of geothermal projects.

Inflation and rising interest rates are impacting the average family and small businesses. Housing costs have increased due to supply pressures and higher interest rates. Long-term water supply issues remain. While the winters of 2022-23 and 2023-24 saw significant rainfall, which provided a short-term respite from drought conditions, pressure remains to reduce water deliveries from the Colorado River.

DEMOGRAPHICS AND EDUCATION

Imperial County's population has stabilized at about 183,000 residents. Up until the pandemic, the population was increasing at a steady rate. In 2019, the regional population was 188,552. Population in Imperial County fell in 2020 and 2021. By 2022, the population had dropped to 178,845 (a loss of 9,700 residents or about 5 percent of the total population). The region saw a reasonable population increase of about 1.9 percent from 2022 to 2023, the most substantial population increase in over ten years.

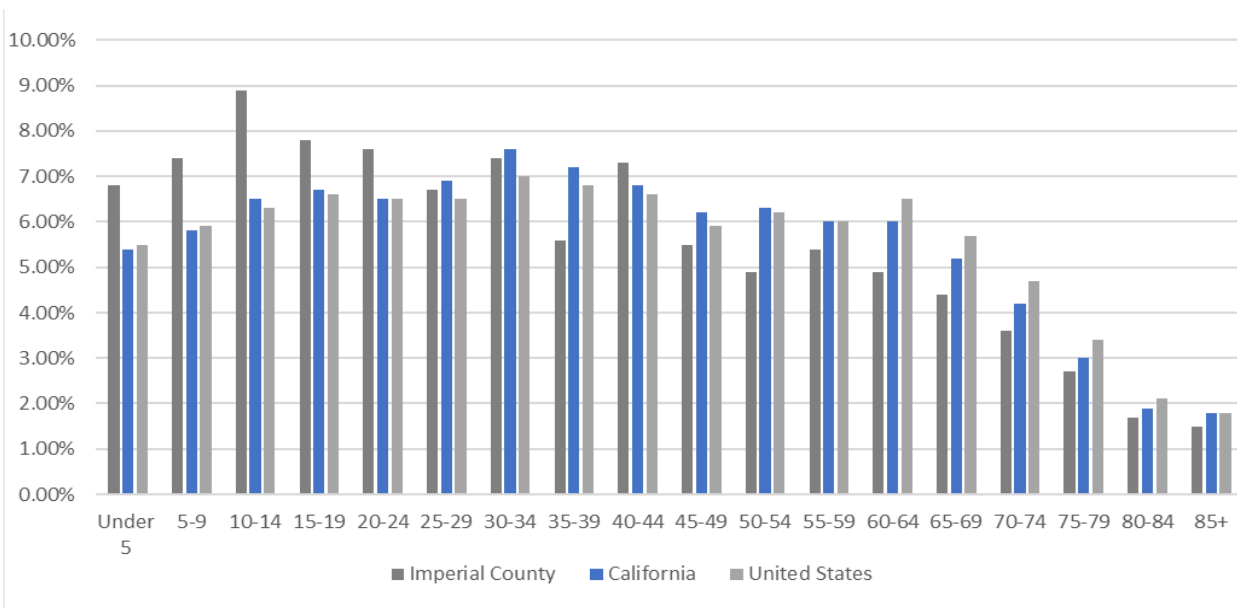
Exhibit 3.1 Imperial County Population and Labor Force



Source: CA DOF E-2 and E-5 Estimates

Imperial County has historically boasted a younger population than the SCAG region, California, and the nation. Currently, the county median age is 33, almost six years younger than the United States median age of 39. Within the region, 28 percent of residents are under the age of 18, whereas nationally 22.5 percent of the population is under 18. Exhibit 3.2 provides a graphical representation of Imperial County's age breakdown.

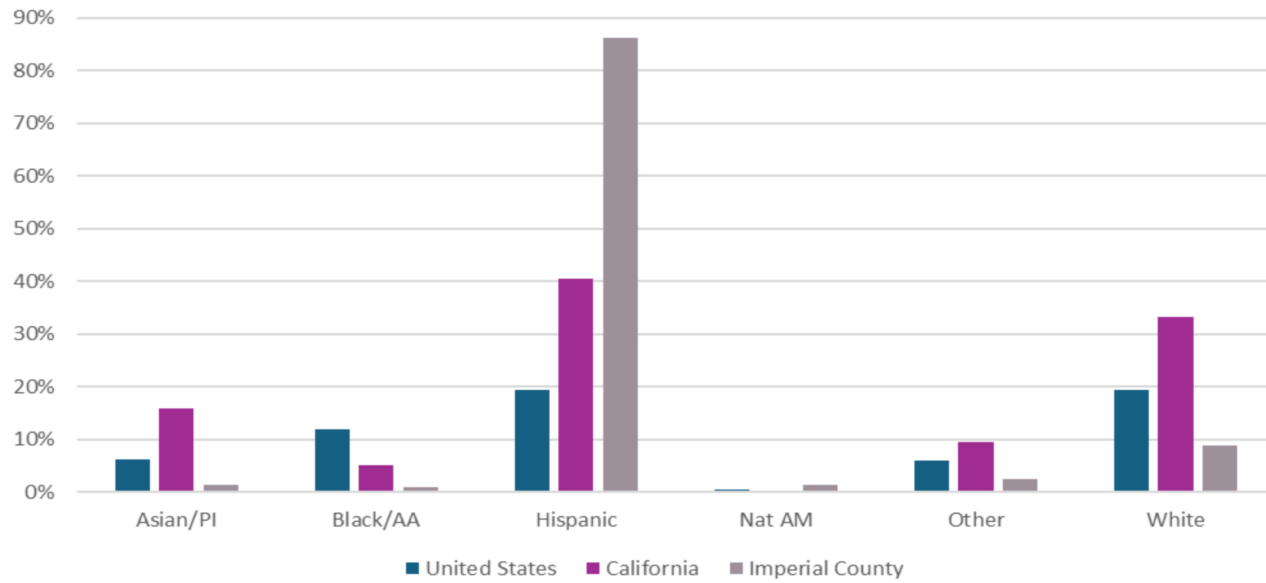
Exhibit 3.2 Imperial County Age Distribution (2023)



Source: U.S. Census Bureau, American Community Survey 1-year Sample (2023)

Over 86 percent of residents in the county identify as Hispanic. Residents identifying as White comprise 8.8 percent of the population. The percentage of residents identifying as Asian/Pacific Islander, Black/African American, or Native American are all under 3 percent each, though the percentage of Native Americans in Imperial County is three times the national percentage.

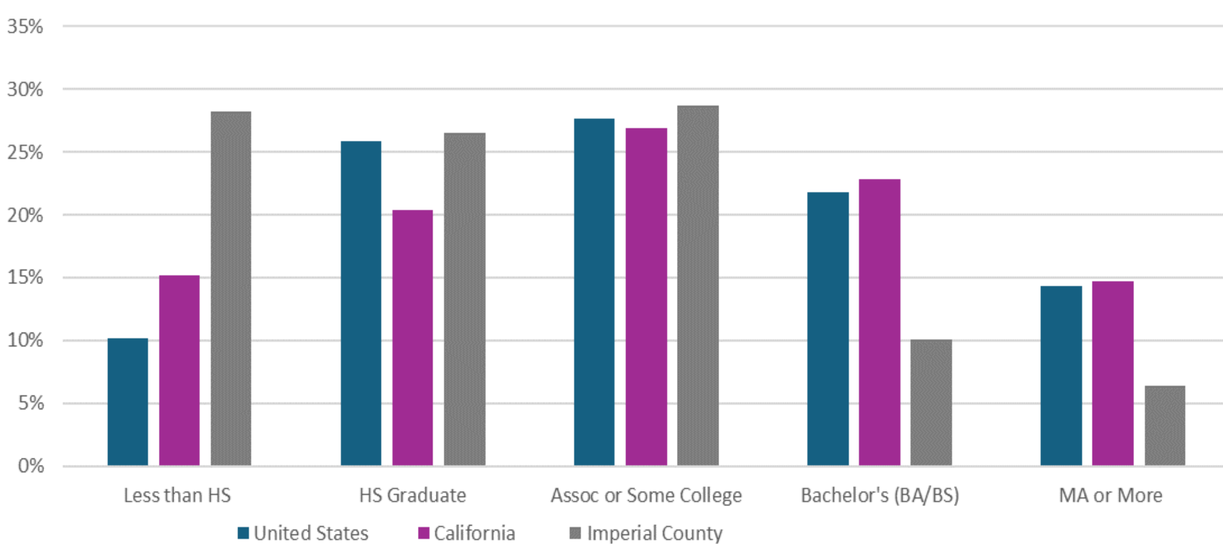
Exhibit 3.3 Share of Population by Race and Ethnicity in Imperial County (2023)



Source: U.S. Census Bureau, American Community Survey 1-year Sample (2023)

Educational Attainment by adults 25+ in the region lags the SCAG region as a whole and the United States. Over 28 percent of Imperial County residents ages 25 or older have less than a high school education. Those achieving a high school diploma or equivalent is on par compared to the United States as a whole. This holds for residents with some college or an associate degree. Nationally and statewide, 36.1 percent and 37.5 percent of adults 25+ hold a bachelor's or beyond, while only 16.5 percent of Imperial County residents 25+ have attained the same.

Exhibit 3.4 Imperial County Educational Attainment for Population Aged 25 and Over (2023)



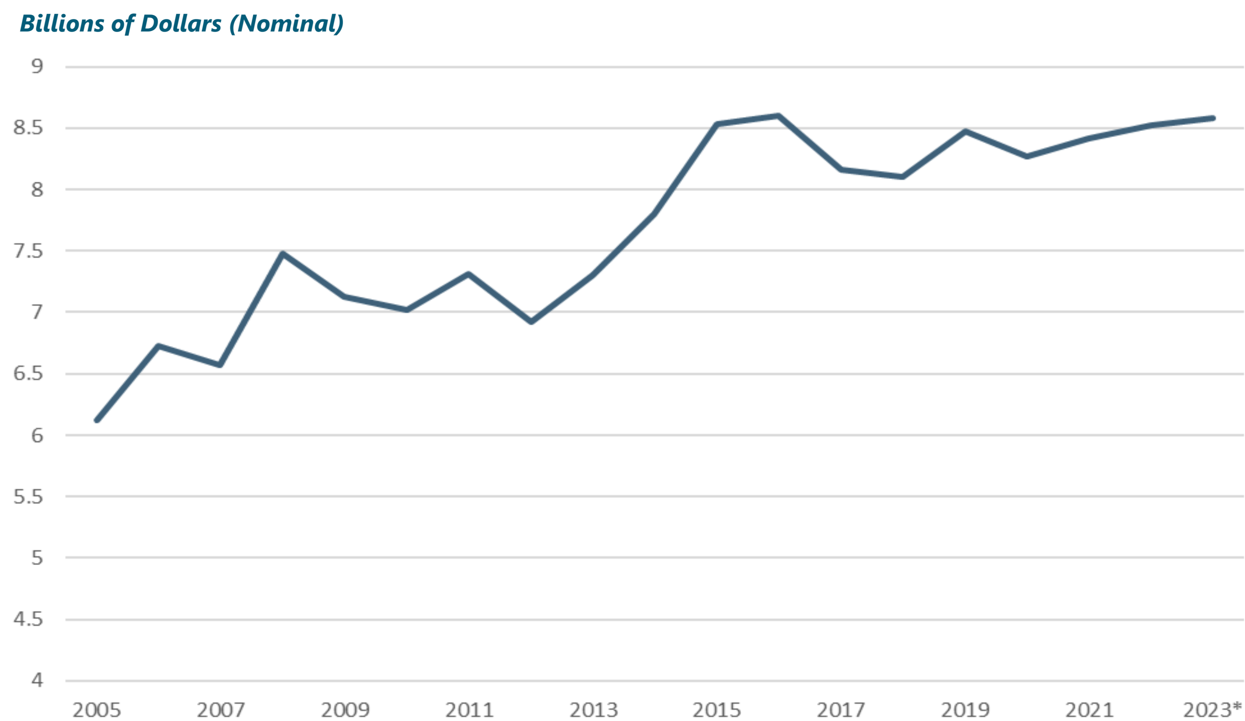
Source: U.S. Census Bureau, American Community Survey 1-year Sample (2023)

Despite lower educational attainment levels, there are some encouraging trends. In particular, the percentage of adults 25+ with less than a high school education has decreased from 37.9 percent in 2007 to 28.2 percent in 2023. Further, the percentage of adults attaining a bachelor's degree has increased from 7.4 percent to 10.1 percent in the last eight years. The percentage of adults attaining a master's or professional degree has almost doubled from 3.2 percent to 6.4 percent over the same period. Imperial Valley College is offering expanded education and training programs to meet the growing renewable energy industry and San Diego State University Imperial Valley Campus is constructing a $95 million, 37,000—square-foot STEM Innovation Hub in Brawley that will provide educational and training opportunities for students seeking a career in the sciences.

INDUSTRIES

Gross Domestic Product (GDP) is defined as monetary value of all finished goods and services made within a specific period within a set geography. Imperial County's GDP is largely a function of agriculture, renewable energy, construction, mining (namely gold), and professional services. While a raw GDP number year over year is telling relative to growth, GDP expressed per capita and compared to other places gives a better indicator of the strength of an economy. Imperial County's GDP is approximately $8.5 billion, or about $46,900 per capita. Imperial County's GDP ranks 30th in California, based on 2022 figures (out of 58 counties), though it had the fourth largest growth percentage between 2021 and 2022 in California at 3.9 percent.

Exhibit 3.5 Imperial County Gross Domestic Product

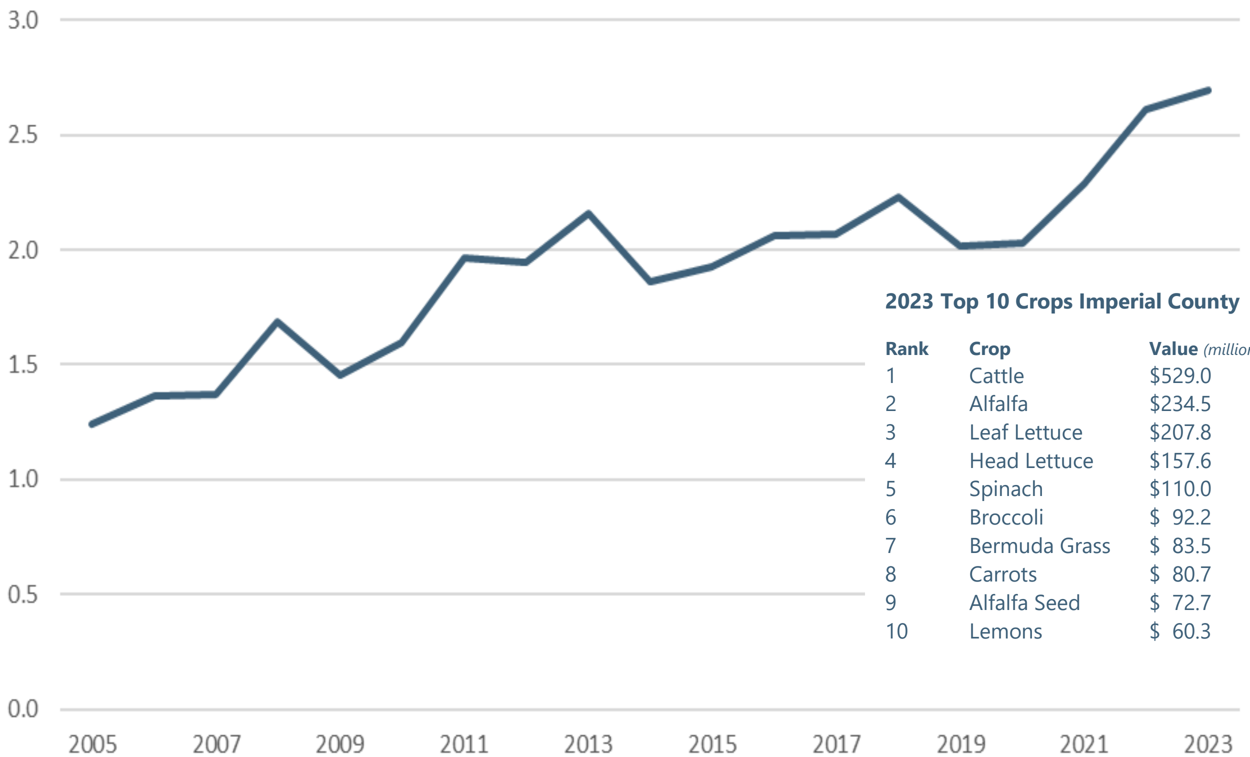


Source: Based on data from FRED (2023) and DMG, Inc. estimates

Agriculture continues to be the most important private industry in the Imperial Valley. In 2023, the region produced over $2.69 billion in agriculture products, led by vegetable and melon production at $1.22 billion, field crops at $478.7 million, and livestock (predominately cattle) at $697.8 million. Overall production acres increased by 5 percent from 2022 to 2023 and totaled 578,059 acres (an area larger than the physical size of the cities of Los Angeles and San Diego combined).

Exhibit 3.6 Imperial County Total Agriculture Product and Top Crops in 2023 by Value

Billions of Dollars (Nominal)



2023 Top 10 Crops Imperial County

Rank	Crop	Value *(millions of $)*
1	Cattle	$529.0
2	Alfalfa	$234.5
3	Leaf Lettuce	$207.8
4	Head Lettuce	$157.6
5	Spinach	$110.0
6	Broccoli	$ 92.2
7	Bermuda Grass	$ 83.5
8	Carrots	$ 80.7
9	Alfalfa Seed	$ 72.7
10	Lemons	$ 60.3

Source: Imperial County Agriculture Commissioner

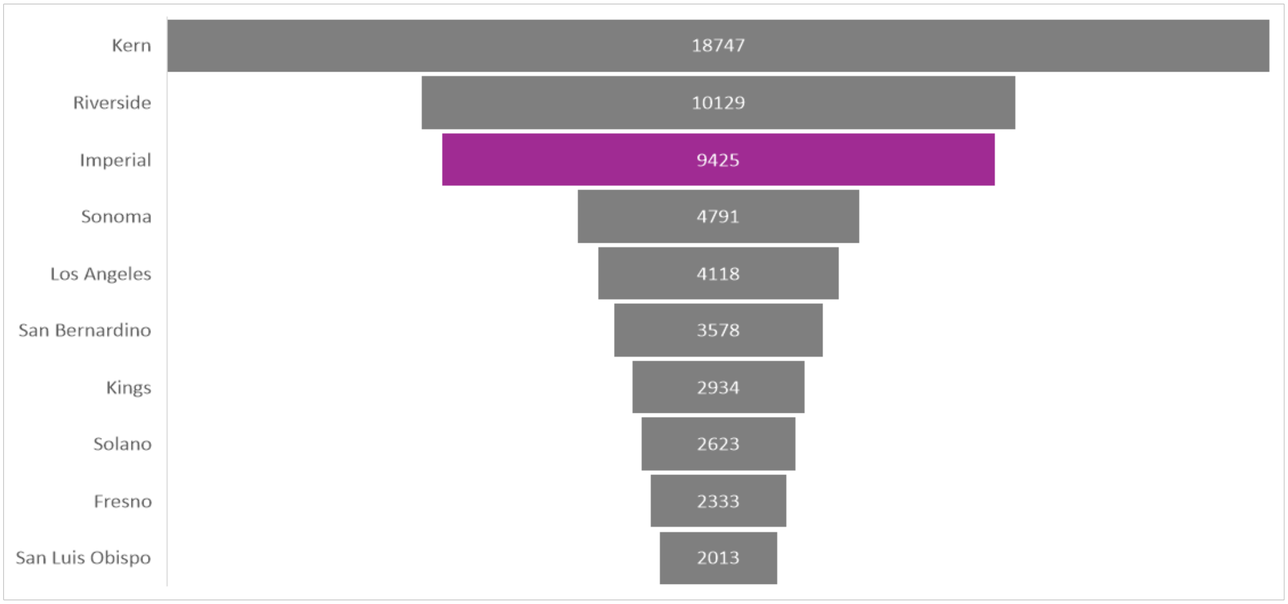
Imperial County plays a vital role in helping California meet its renewable energy goals. The past three administrations (governors Schwarzenegger, Brown, and Newsom) have championed renewable energy over fossil fuels and other non-renewable sources. Much of this energy will come from solar, geothermal, and wind. Regions such as Imperial County, which are more rural (which means available land) in nature and have abundant natural resources (such as sun, geothermal, water, and wind), have the capability to help power California. Based on the most current figures available (2023), Imperial County is ranked third in California for renewable energy production, generating 9,425 GWh in 2022, only trailing Kern and Riverside counties, which produce 18,747 GWh and 10,129 GWh, respectively. Overall, Imperial County produces 12 percent of all renewable energy in California, though it has less than one-half of one percent of California's population.

Solar power and battery energy storage are expected to see additional economic investment in the coming year with an additional 700 MW of solar production and 1,065 MW of battery storage currently being permitted.

Imperial County has produced geothermal energy for many decades. Paired with additional investment for lithium and other rare mineral extraction, there are 13 proposed or permitted geothermal and lithium projects in Imperial County. These projects could account for $16.8 billion of new economic investment to generate an additional 870 MW of power and over 350 million metric tons of lithium annually.

Exhibit 3.7 Renewable Energy Generation by GWh (Top Counties in California)

Gigawatt Hours (GWh)



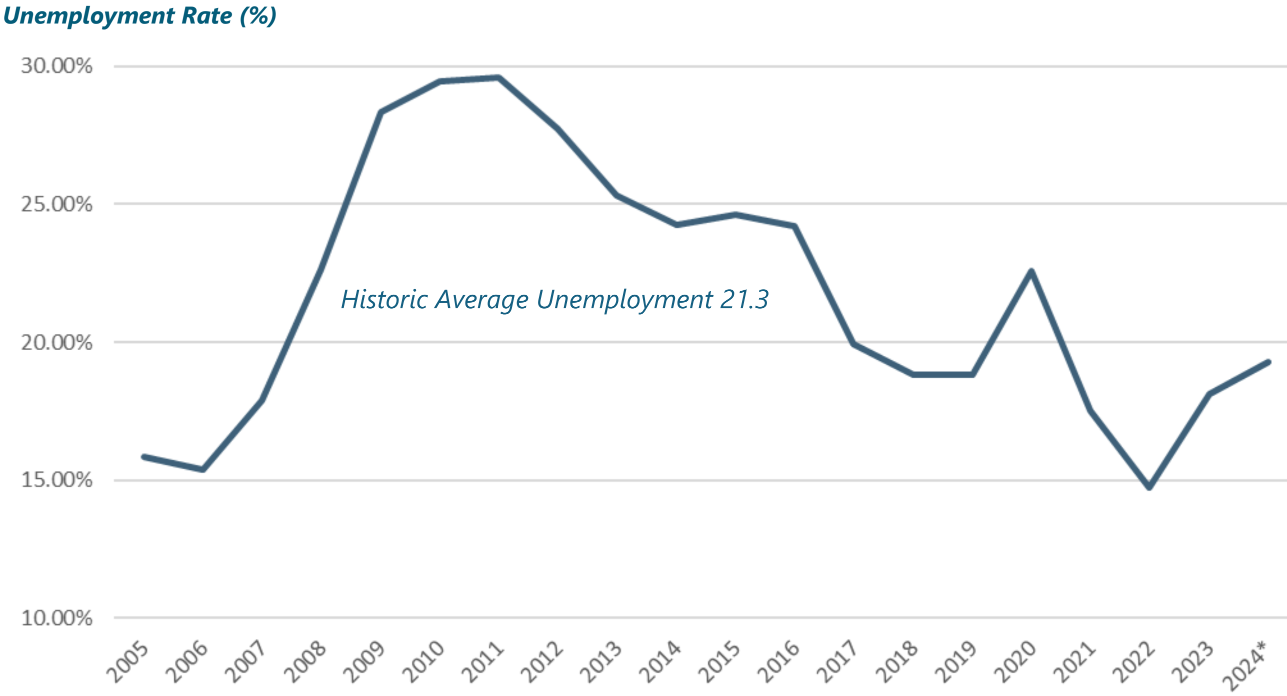
Source: California Energy Commission (2023)

WORKFORCE AND OCCUPATIONS

The regional labor force is currently 75,700, an increase of 700 from last year and 6,100 above 2020. The September 2024 unemployment rate of 19.3 percent far exceeds the United States unemployment rate of 4.1 percent for the same period. Over the last 15 years, the county's unemployment rate has often been over 20 percent (reaching a high of 29.6 percent in 2011), achieving its lowest rate just last year at 14.7 percent. As with most agriculture economies, unemployment rates can vary widely based on the season, crop contracts, weather, and other factors. The summer and early fall months have the highest unemployment rates, while unemployment rates decline in the winter and spring months as demand for farm labor increases.

Imperial County's labor force participation rate of 62.1 percent is well above a recent low of 54.8 percent (2019), but lower than it was in both 2022 (69.8 percent) and 2023 (68.2 percent). The county's labor force participation rate is currently far below the overall SCAG region's rate of 69 percent and that of the United States as whole at 72.4 percent. Reasons for the lower labor force participation rate include limited employment opportunities, jobs that are generally at lower pay scales, and scarcity of affordable childcare.

Exhibit 3.8 Unemployment Rate in Imperial County



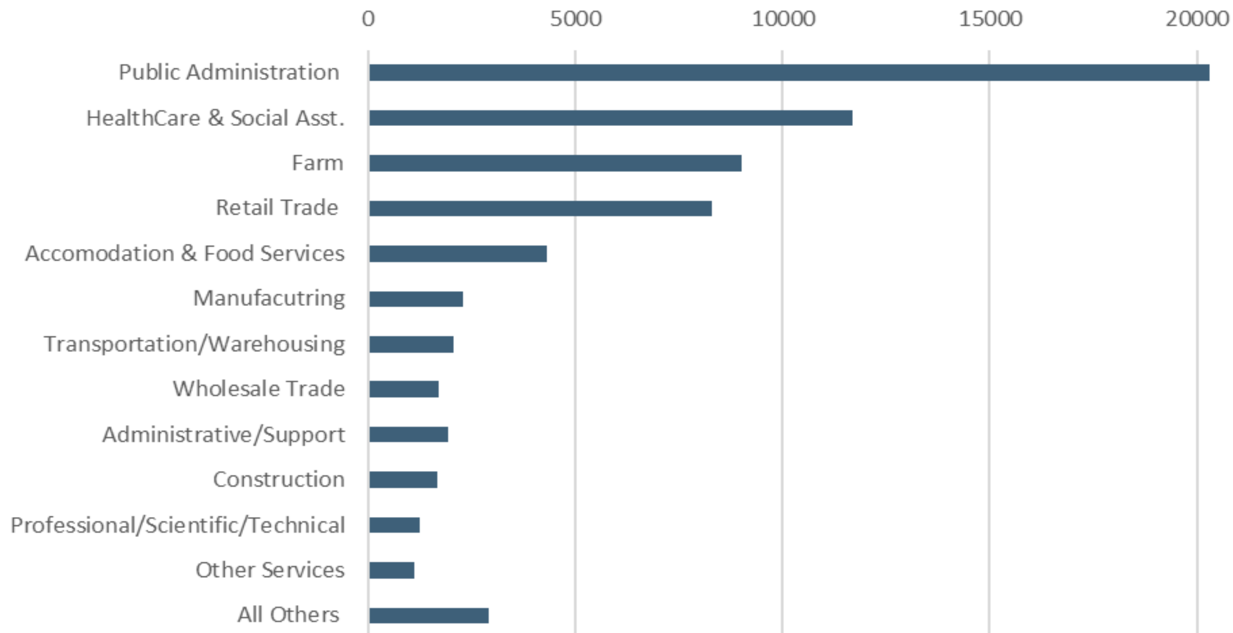
Source: California Employment Development Department (EDD)

Nearly 75 percent of the workforce is employed in just five industries. By far the largest sector (employing 19,500 persons) is Public Administration (NAICS 92), which includes a variety of jobs connected to local, state, and federal government, including teachers, first responders and administrators. Healthcare and Social Services (NAICS 62) and Agriculture, Forestry, Fishing, and Hunting (NAICS 11) employ roughly 10,000 people. Retail trade (NAICS 44) accounts for about 8,000 jobs and Accommodation and Food Services (hotels, motels and restaurants, NAICS 72) account for 4,200 jobs.

The California Employment Development Department (EDD) typically looks at historic data and demographic shifts to predict categories for job growth. Exhibit 3.10 provides their anticipated employment growth by sector for the current ten-year period (2020-30). Overall, the jobs that EDD expects to be available are lower paying (notably home health, retail, and fast-food). However, the potential additional employment opportunities in geothermal and lithium extraction (construction and operation) could provide higher paying jobs in the coming years, which would add to the forecasted job growth.

Exhibit 3.9 Imperial County Employment Distribution by Type 2024

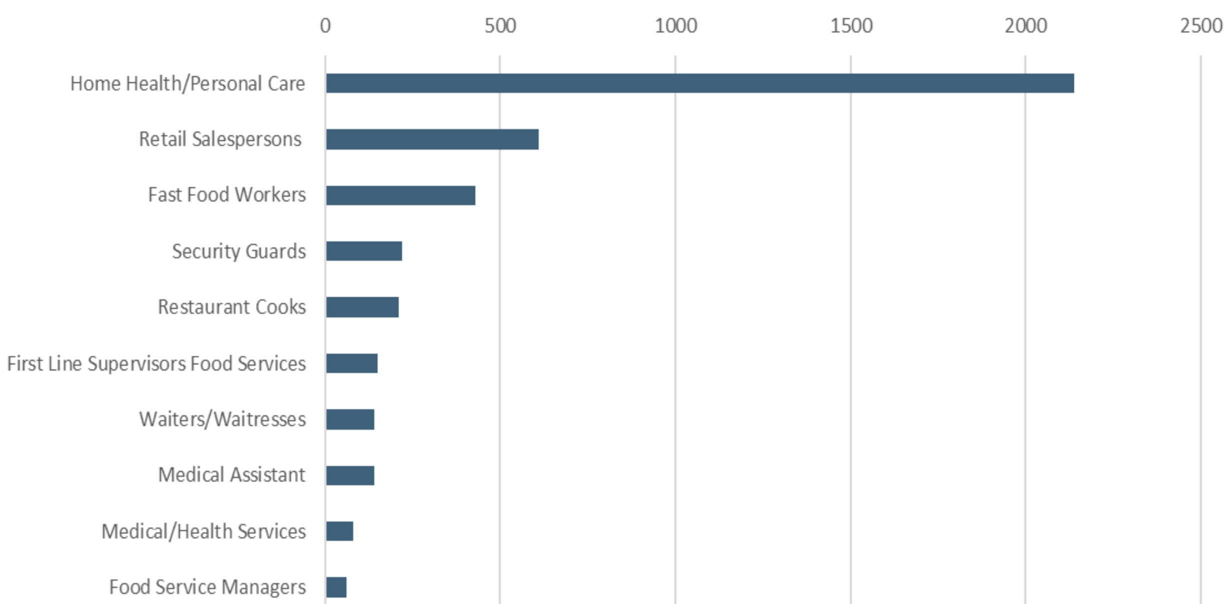
Total Number of Jobs by Type (NAICS)



Source: California Employment Development Department (EDD)

Exhibit 3.10 Projected Employment Growth by Occupation in Imperial County 2020-2030

Total Number of Jobs by Type (NAICS)

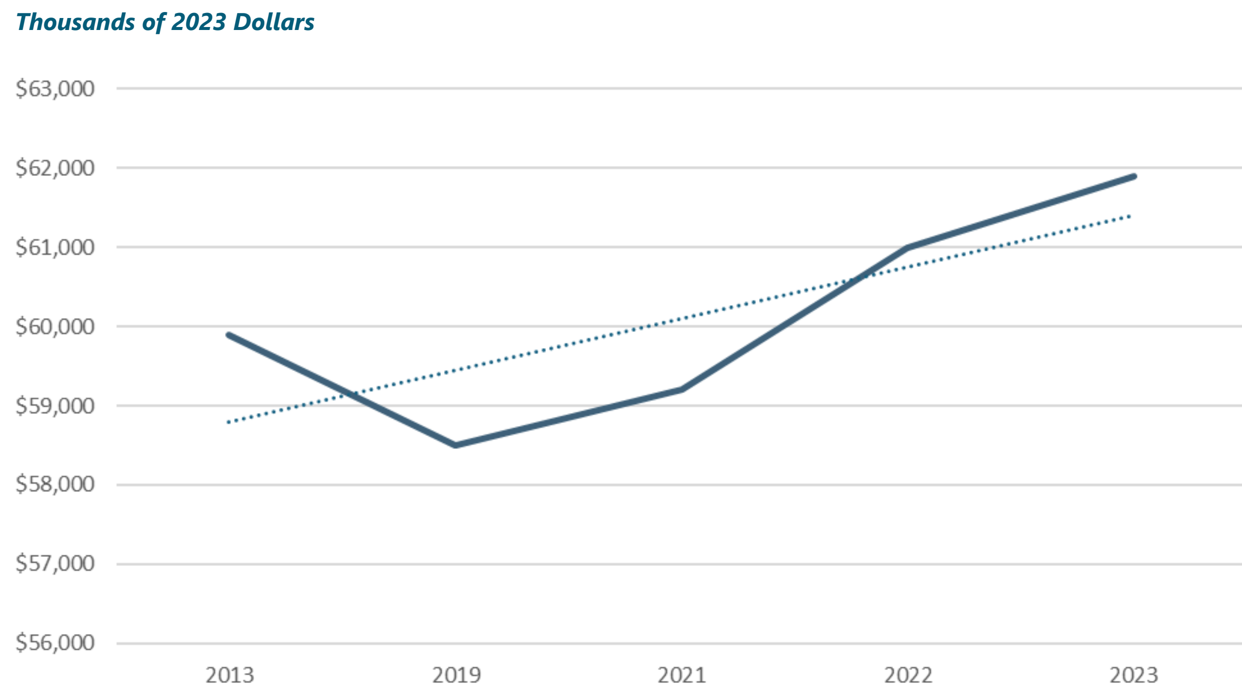


Source: California Employment Development Department (EDD)

INCOME, POVERTY, AND EQUITY

Imperial County residents continue to experience median household incomes far below that of California or the United States. The current median household income in Imperial County is about $61,900; the SCAG region as a whole is $94,500, California is $98,200, and the United States is $79,900. The growth in median household income in the last five to ten years is directly attributed to mandated increases in minimum wage in California.

Exhibit 3.11 Imperial County Median Real Household Income and Trendline

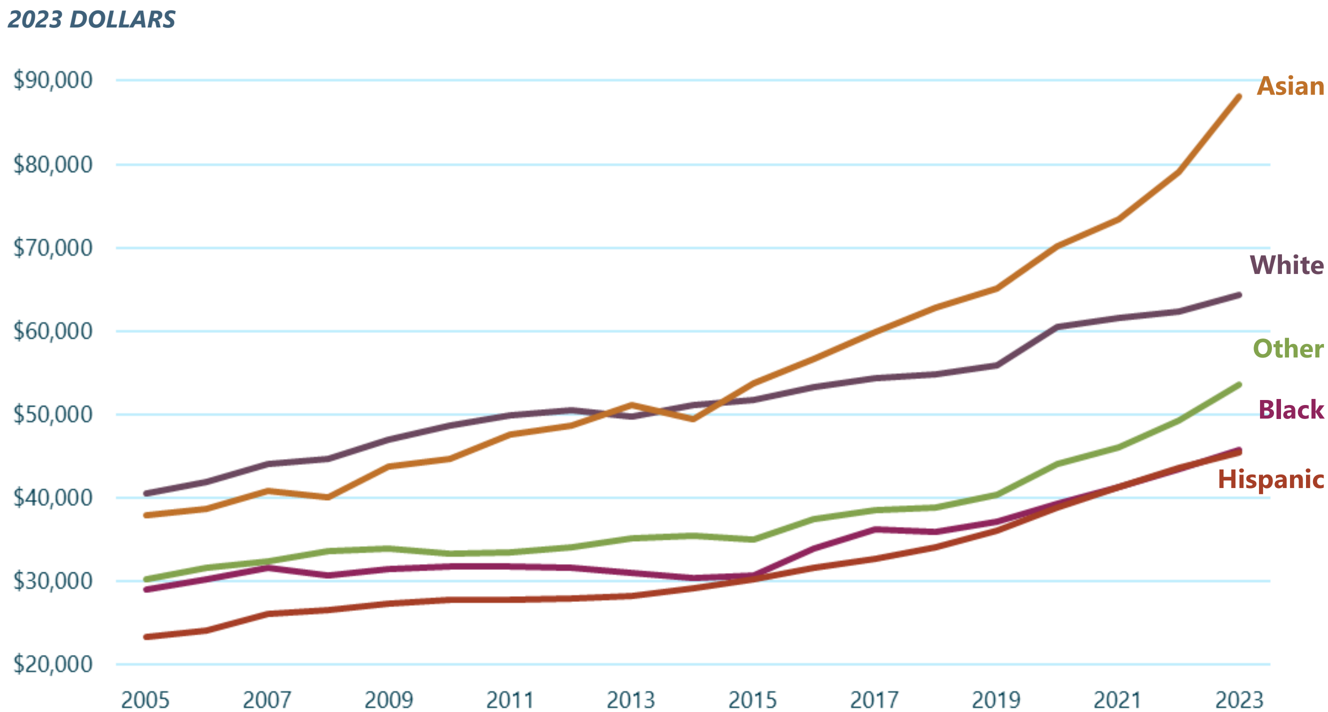


Source: American Community Survey 1-Year Estimates

Poverty has been a persistent issue for Imperial County residents. Historically, the poverty rate has lingered around 25 percent of the total population and 33 percent for those under the age of 18. The overall poverty rate for Imperial County residents dropped from 22.6 percent in 2022 and further to 16.9 percent in 2023. Poverty rates in Imperial County are significantly higher than that of the entire SCAG Region (12.4 percent), California (12.0 percent, and the United States as a whole.

Real monthly wages by race in Imperial County show disparity between Asian, White, Hispanic, and Black residents. In short, in terms of pure wages, Hispanic and Black workers make 71 cents on the dollar versus White workers and 52 cents on the dollar versus Asian workers. White workers generally make 73 cents on the dollar versus Asian workers. There is little disparity between Hispanic and Black workers. Note that these monthly wage differences do not account for differences in education, training, and industry-type participation and should not be used to conclude individual disparity issues. Furthermore, no category except Hispanic comprises more than ten percent of the county's population.

Exhibit 3.12 Average Real Wages by Race/Ethnicity in Imperial County



Notes and sources: Includes wage and salary workers only. Hispanic includes all races. Based on data from U.S. Bureau of the Census, Quarterly Workforce Indicators (1990-2023) 2023 is annualized based on first quarter data.

HOUSING MARKET

In 2009, the height of the "Great Recession," the median home price in Imperial County fell to $125,000. Home prices generally stayed depressed until early 2019. Since that time, there has been a steady increase in home prices. The latest figures available show the median home price in Imperial County to be about $385,000. New construction opportunities in Imperial County are currently limited to single family homes, with product available in both the cities of Brawley and Imperial. Product ranges from about 1,700 to 2,500 square feet (on a 5,500 square foot lot) at a cost of $410,000 to $475,000.

Rents continue to increase with the limited availability of units. In 2019, the average 2-bedroom unit rented for about $1,000 per month. Today the same unit rents for over $1,450, an increase of 46 percent over the last five years, which is more than double the 21 percent increase in the overall consumer price index over the same period. Property managers report that tenant turnover and unit availability have reached historic lows, while owners of multi-family properties can benefit from state minimum wage increases fairly directly. In 2019, the median amount spent on rent for a 2-bedroom unit was 21.28 percent of monthly household income. In 2024, it is estimated that it has increased to 26.44 percent of household income. Though comparatively, Imperial County residents face a lower housing cost burden than the SCAG region as a whole, with 33.7 percent of households spending more than 30 percent of their income on housing versus 42.1 percent of households across the six-county SCAG region.

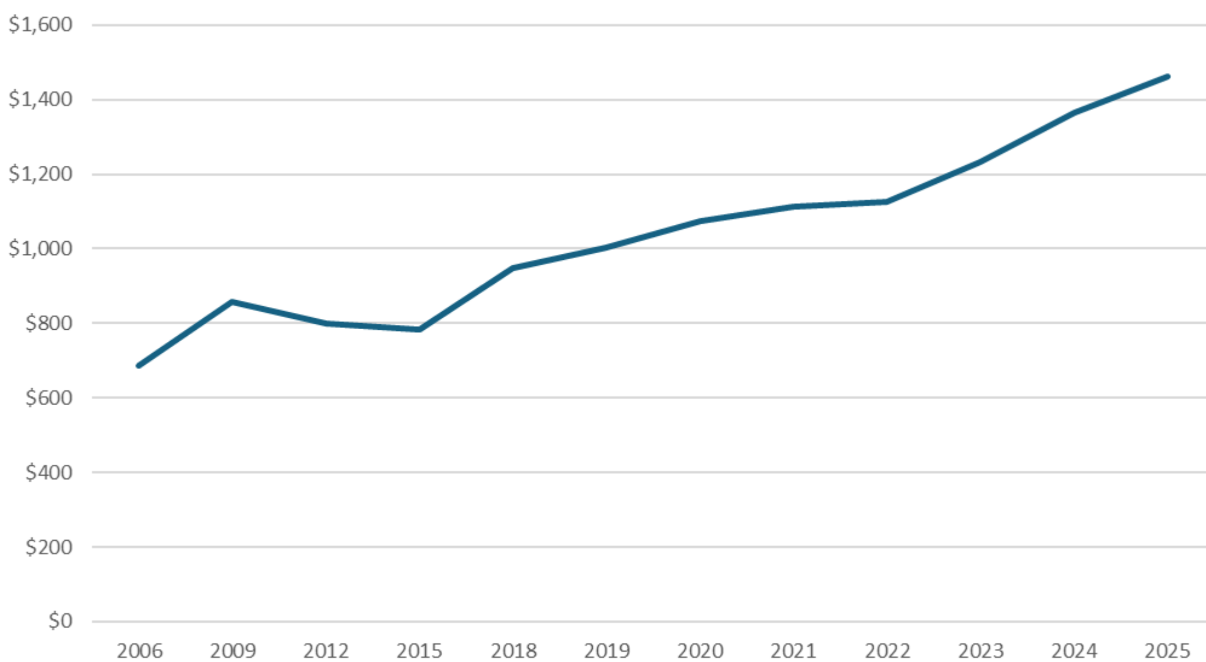
Exhibit 3.13 Median Sale Price for Single-Family Homes in Imperial County (with Trendline)

Thousands of Dollars (Nominal)

Source: California Association of Realtors

Exhibit 3.14 Imperial County 2-Bedroom 50th Percentile Fair Market Rents

Monthly Rent in Nominal Dollars

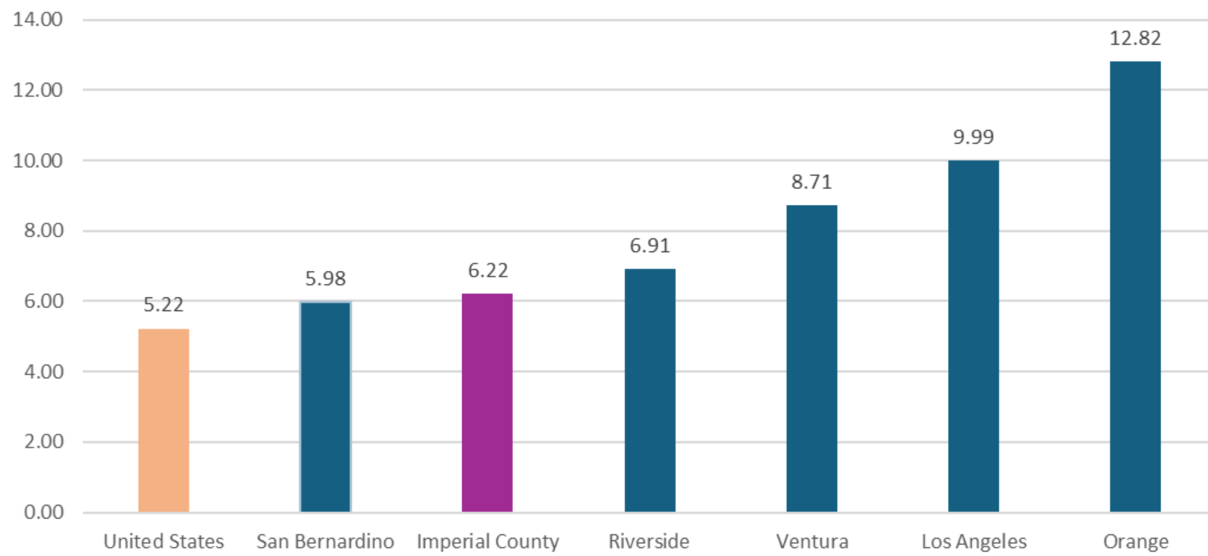


Source: HUD

Overall, Imperial County housing is more affordable than most regions in Southern California. Currently, the median home in Imperial County sells for 6.22 times the median household income. Nationally, the median home sells for 5.22 times the median household income. Five of six counties in the SCAG region see index housing affordability more expensive than Imperial County, with the median home costing Orange County residents almost 13 times the median household income. Only San Bernardino County, where the average home costs 5.98 times the median household income, is lower than Imperial County.

Exhibit 3.15 Housing Affordability by Region (2024)

Median Home Price / Median Household Income



Sources: California Association of Realtors, ACS, DMG, Inc.

Future Economic Opportunity and 2025 Forecast

The overall economy of Imperial County is stable. Imperial County has moved past the economic impacts of Covid-19, and families (and local governments) have adjusted to post-stimulus normalcy. The region is seeing some growth in population and there is optimism about new job opportunities from economic investment in energy and critical mineral extraction.

GEOTHERMAL AND LITHIUM PRODUCTION

Imperial County remains on the cusp of developing the largest economic engine in the history of the county. Lithium and other rare-earth metal extraction from geothermal brine is under development. Advances in extraction technology coupled with increasing demand for electric vehicle batteries means there is viable opportunity for the region. It is estimated that Imperial County holds an estimated 15 million metric tons of lithium, enough lithium for over 650 million electric cars. At the current market value of $10,500 per metric ton, the value of the asset is $157.5 billion. The market price of lithium continues to fluctuate greatly and has been as much as $80,000 and as low as $10,000 per metric ton over the last 24 months.

Imperial County continues work on a Specific Plan and Programmatic Environmental Impact Report for approximately 12,000 acres of land in "Lithium Valley" that could contain ancillary and downstream uses to lithium extraction (including refining, manufacturing, assembly, logistics, and distribution). The Specific Plan and Programmatic Environmental Impact Report are projected to be completed in the first quarter of 2025.

In total, there are 13 potential geothermal and lithium extraction projects to be built in Imperial County. Currently there are three major companies actively working to entitle or permit geothermal or lithium extraction facilities: Berkshire Hathaway Energy, Control Thermal Resources, and Energy Source. One project from Energy Source is fully entitled and ready to construct. The first of seven projects from Control Thermal Resources was approved by Imperial County and is currently facing a legal challenge to the project environmental impact report. Nine additional projects (three from Berkshire Hathaway Energy and six from Control Thermal Resources) are currently under active application with state and county agencies. Two other projects known to the county are being considered for future development. The economic investment from these known projects is in excess of $16.8 billion. Further, the construction of the geothermal and lithium facilities is expected to produce over 7,000 one-year full-time equivalent construction jobs and over 1,000 permanent operational jobs.

SOLAR ENERGY PRODUCTION AND BATTERY STORAGE

There is an additional 190 megawatt (MW) of solar and 300 MW of battery storage currently under construction. Additionally, 700 MW of solar production and 1,065 MW of battery storage projects are currently undergoing entitlement. Battery storage, which is seeing significant economic investment, is vital to the stability of California's electrical grid. As California marches toward Renewable Portfolio Standard (RPS) objectives, gaps remain in power availability during the peak hours of 4 and 9 pm (especially in the late summer and early fall months). Battery storage will help stabilize the grid by providing on-demand power during times when solar production is not available (i.e., after the sun sets).

AGRICULTURE

For 2024, crop production will likely be similar to 2023 (within 5 percent) as the rainfall seen in Southern California in early 2023 and 2024 provided some respite from ongoing drought conditions. Long-term concern over water supply remains. In recent months, the Imperial Irrigation District (IID) which provides water to the county entered into agreements with the federal government to reduce water usage by 300,000-acre feet per year for the next three years. The agreements entered into by IID have been legally challenged by the Sierra Club. The Sierra Club is concerned that water reductions, and therefore runoff reductions, will impact the Salton Sea and will result in more exposed playa, thereby creating health concerns for local residents. Because almost all the water allocated to the IID from the Colorado River is used for agricultural purposes, reducing agricultural water use is the only pragmatic way of achieving water savings. Even if the water use reduction agreements are ultimately approved and enacted, the region will see an economic impact due to reduced crop production, most likely from field and row crops.

Los Angeles County

Shannon Sedgwick, Director
Institute for Applied Economics, Los Angeles County Economic Development Corporation (LAEDC)

Executive Summary

Los Angeles County continues its recovery from pandemic-related disruptions, with job growth in healthcare, technology, and tourism showing promising trends. However, high costs and economic inequality continue to pose significant obstacles, specifically high business costs, particularly in labor, real estate, and continually rising housing prices. Despite these pressures, ongoing public and private investments aim to stimulate economic diversification and sustainable growth. Initiatives such as energy infrastructure modernization and strategic development projects are essential steps in tackling high business costs while preserving job creation and environmental goals. In the longer term, regional collaboration between businesses and policymakers will be essential for addressing Los Angeles County's economic challenges.

ECONOMIC GROWTH

As the largest county economy in the United States, Los Angeles County remains a critical economic hub for California, driven by its dynamic industries, including entertainment, technology, international trade, and tourism. The county's economic outlook reflects both resilience and headwinds, with global uncertainties and local challenges shaping the trajectory through 2026. Real Gross County Product (GCP) is projected to grow by 3.3 percent in 2024, tapering to 2.1 percent in 2025 and 1.3 percent in 2026. These figures indicate resilience and stability, though at a slowing pace as the region faces macroeconomic pressures.

INFLATION AND CONSUMER SPENDING

Inflation, measured through the Consumer Price Index (CPI), is expected to ease gradually from 3.5 percent in 2024 to 2.7 percent by 2026, signaling a return to pre-pandemic inflationary trends. While this represents some relief for businesses and consumers, elevated prices remain a challenge for households, especially those with stagnant real wage growth. Consumer spending, as reflected in taxable sales, is forecast to grow steadily, with annual increases of 2.1 percent in 2024, 3.1 percent in 2025, and 2.9 percent in 2026. This consistent growth demonstrates resilience in the face of economic uncertainties and reflects the region's dynamic retail and services sectors.

LABOR MARKET TRENDS

The labor market in Los Angeles County is navigating a period of mild volatility. On the one hand, slow job growth flows in large part from the county's slow or at times negative population growth (see more discussion in the SCAG region population section). Nonfarm employment is projected by the Los Angeles County Economic Development Corporation (LAEDC) to decline by 1.2 percent in 2024 before recovering modestly with a 0.6 percent increase in 2025 and flattening in 2026 (Los Angeles County Economic Development Corporation, 2024). Despite these fluctuations, some sectors show strong potential for growth. Healthcare and education, bolstered by an aging population and structural trends, are expected to drive employment gains. Professional services and technology-related industries also show promise as employers adapt to new economic realities.

Conversely, other industries face significant challenges. Employment in leisure and hospitality, one of the hardest-hit sectors during the pandemic, is expected to decline by 4.0 percent in 2024 before rebounding in subsequent years. Manufacturing is poised for a modest recovery, with job growth of 2.3 percent in 2025 and 2.0 percent in 2026, reflecting a resurgence in demand for specialized production and advanced manufacturing. Meanwhile, transportation and warehousing, central to the region's trade economy, continue to experience pressures from automation, regulatory changes, and competition with East Coast ports.

The county's unemployment rate is projected to rise, reaching 6.2 percent by 2026, reflecting both structural shifts and industry-specific challenges. This projection highlights the need for targeted workforce development programs and policies that support job creation and upskilling, particularly for industries in transition.

KEY SECTORS DRIVING GROWTH

Several sectors continue to anchor Los Angeles County's economy, reflecting its diverse industrial base. Healthcare and social assistance remain the largest employment sector, driven by aging populations and increasing healthcare needs. The entertainment industry, while rebounding from strikes and digital disruptions, continues to play a pivotal role in the region's identity and economic output.

Tourism has shown strong recovery as international travel resumes, bolstering the hospitality and retail sectors. Trade and logistics remain critical, supported by the ports of Los Angeles and Long Beach, although these sectors face challenges from competition, labor disputes, and shifting global trade dynamics. Public and private investments in renewable energy, technology, and infrastructure also present opportunities for sustainable growth and job creation.

HOUSING MARKET CHALLENGES

Housing affordability remains one of Los Angeles County's most pressing challenges. Median home prices are expected to rise steadily, reaching $946,500 by 2026 from $828,700 in 2023. Efforts to address housing supply and affordability challenges include adaptive reuse projects, which convert underutilized commercial spaces into residential units, as well as a proliferation of accessory dwelling units (ADUs). From 2023-2024, the county's ADU count increased by 11,514, which is more than half the state's total. This strategy, combined with an increase in building permits for both single-family and multi-family units, represents a promising approach to increasing the housing supply and mitigating affordability pressures. However, more comprehensive policy measures are needed to close the affordability gap and address long-term housing disparities.

INCOME AND POVERTY

Los Angeles County combines moderate income growth with enduring disparities. Median household income reached $89,007 in 2023, marking an 18.1 percent increase in real terms since 2013. Despite this progress, wage growth has struggled to keep pace with inflation, particularly for low- and middle-income households. The individual poverty rate declined slightly to 13.7 percent in 2023 but remains the second highest in the SCAG region. These figures underscore the persistent economic inequality within the county.

Substantial income disparities exist across racial and ethnic groups, with minority populations experiencing significantly lower median incomes compared to their White counterparts. Gender disparities also persist, with women earning substantially less than men on average. Addressing these disparities will require a combination of targeted policy interventions, workforce training, and investments in equitable economic development.

LOOKING AHEAD

Looking ahead, Los Angeles County's economic resilience will depend on addressing its structural challenges while leveraging its unique assets. Addressing these challenges will require innovative solutions, robust public-private partnerships, and a focus on equitable development. Strategic investments in housing, energy infrastructure, and transportation are key to supporting equitable growth. Renewable energy projects, in particular, align with California’s environmental goals while creating job opportunities.

Regional collaboration between businesses, policymakers, and community organizations will be needed in navigating economic uncertainties and fostering long-term growth. Workforce development programs that align with industry needs, particularly in sectors like healthcare, technology, and renewable energy, will play a vital role in ensuring the county's labor market adapts to changing economic conditions.

By navigating these complexities effectively, Los Angeles County can maintain its role as a leading economic driver for the SCAG region and the rest of California.

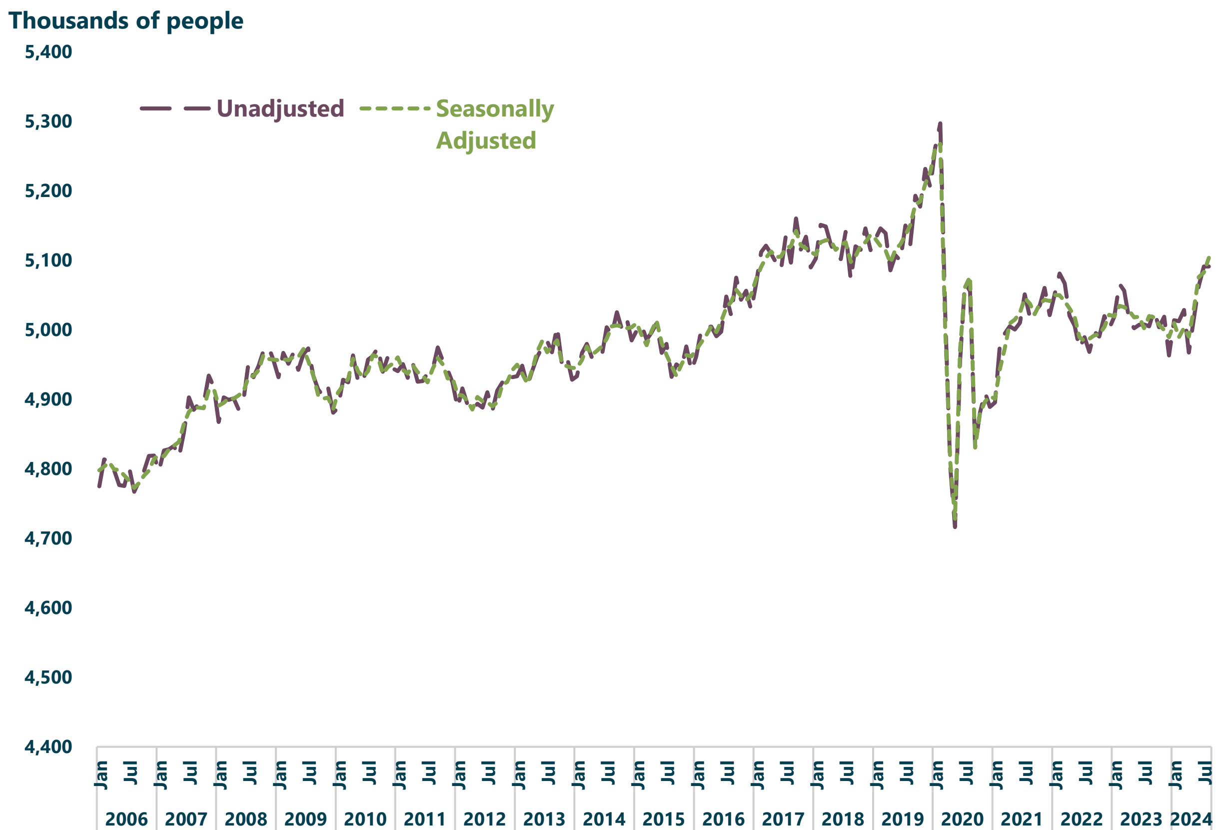
Labor Market

As the largest county economy in the United States, Los Angeles County remains a major economic driver in California, supported by a diverse mix of industries, including entertainment, technology, international trade, and tourism. However, the county's economic outlook faces challenges from global and local issues through 2023 and into 2024, such as inflationary pressures, housing affordability, and shifting labor markets.

LABOR FORCE

In 2023, the labor force in Los Angeles County showed little change over 2022 levels, still hovering at approximately 5 million residents. By August 2024, the county's labor force is approximately 97 percent of its pre-COVID level from February 2020. The county's labor force participation rate remained virtually flat in 2023 at 64.4 percent—higher than the SCAG region, the state, and the United States.

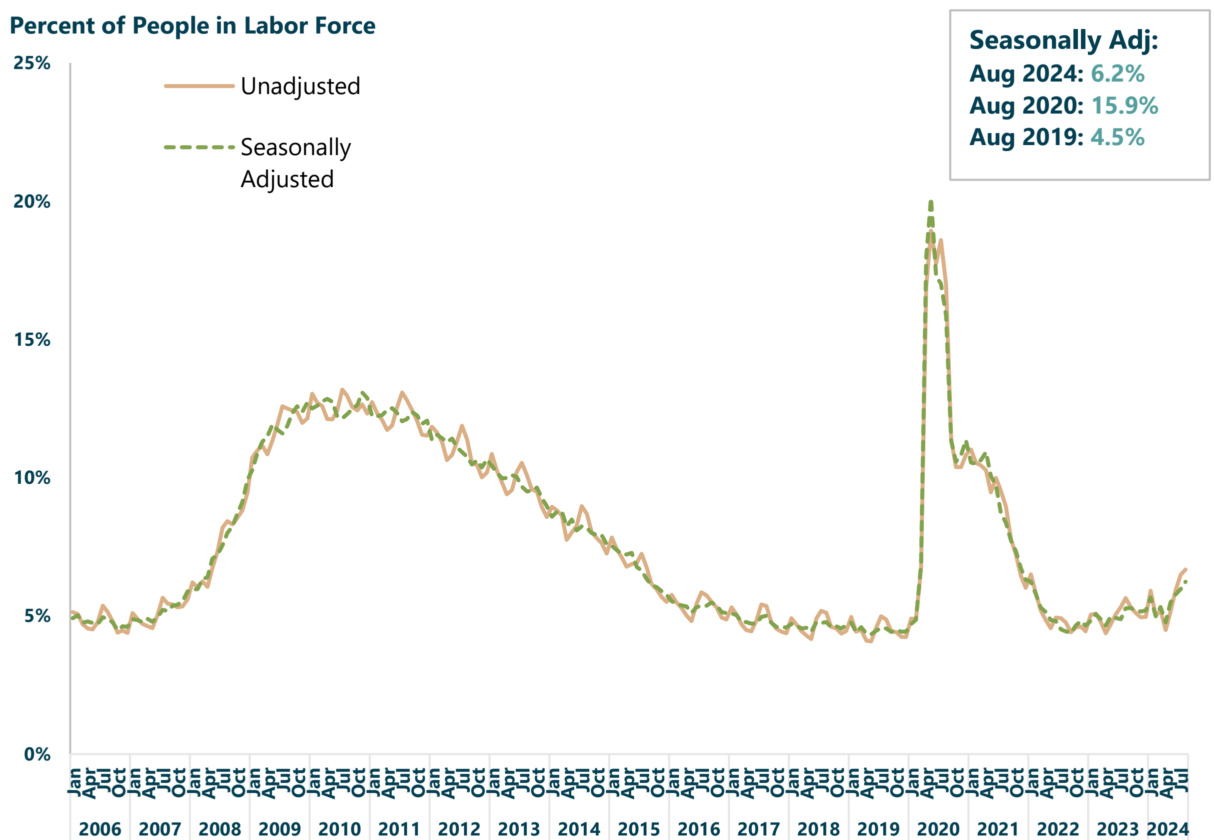
Exhibit 1 Labor Force in Los Angeles



UNEMPLOYMENT

Unemployment rates have hovered slightly above pre-pandemic lows, remaining around 5.0 percent throughout 2023 and the first half of 2024, and rising above 6.0 percent starting in July. Throughout 2023, the annualized unemployment rate was 5.0 percent, ranking Los Angeles County as the second-highest unemployment rate in the SCAG region, below only Imperial County. By August 2024, the seasonally adjusted unemployment rate reached 6.2 percent, approximately one percentage point higher than the rate observed a year earlier. The annualized unemployment rate is expected to reach 6.1 percent by 2026. Wage growth, although notable in 2023, struggled to keep up with inflation, especially impacting low- and middle-income workers.

Exhibit 2 Unemployment Rate in Los Angeles

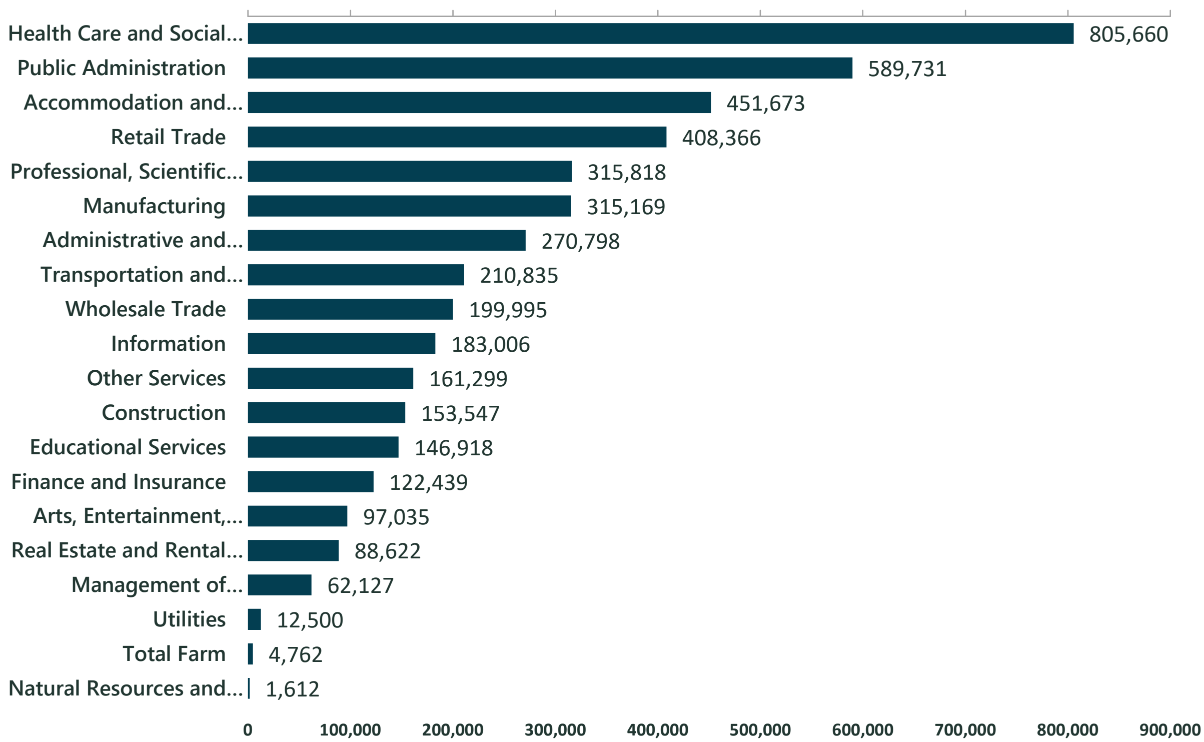


EMPLOYMENT

Total employment in Los Angeles County is expected to reach 4.6 million in 2024, with the addition of 53,700 net new jobs added over last year. In 2023, payroll employment increased by 10,317 jobs from the previous year. Annual employment growth in 2023 was 0.2 percent, with a projected increase of 1.2 percent in 2024.

The county's top five industries in 2024 are Health Care and Social Assistance (805,700 jobs, accounting for 17.5 percent of the total), Public Administration (589,700 jobs or 12.8 percent), Accommodation and Food Services (451,700 jobs or 9.8 percent), Retail Trade (408,400 jobs or 8.9 percent), and Professional, Scientific and Technical Services (315,800 jobs or 6.9 percent). Collectively, these five industries constitute more than half (55.9 percent) of the total employment in the county (Exhibit 3).

Exhibit 3 Employment Levels in Los Angeles County by Sector, 2024



In terms of annual employment growth from 2023 to 2024, private Educational Services experienced the highest percentage increase at 5.3 percent. Other sectors with growth rates exceeding 2 percent include Health Care and Social Assistance (3.9 percent), Accommodation and Food Services (3.2 percent), Other Services (2.2 percent), and Transportation and Warehousing (2.1 percent). Job growth in 2023 was similarly primarily concentrated in healthcare and accommodation and food services, private education services, and public administration. Demand for healthcare and education services has supported employment in these sectors, although high employee turnover persisted across industries as workers sought better wages or remote work options. The information sector saw the largest decline in 2023, losing 41,850 jobs due to Hollywood strikes in the summer of 2023. An additional 10,000 jobs are expected to be lost in this sector in 2024.

Looking forward, the Los Angeles Economic Development Corporation (LAEDC) projects nonfarm employment in Los Angeles County to decline by -29,400 jobs (0.6 percent) from 2023 to 2026. When compared to 2023 employment levels, Health Services is expected to see the highest increase adding more than 20,000 jobs over the period (3.1 percent), followed by 16,000 jobs (8.7 percent) added in Information. Construction, Natural Resources and Mining, Wholesale Trade, and Financial Activities are also expected to grow. In contrast, manufacturing continues to decline, jobs are projected to decline by 5.8 percent between 2023 and 2026 due to ongoing technological advancements, capital and labor substitution, and productivity enhancements (see Exhibit 4).

Exhibit 4 Forecasted Job Growth Relative to 2023 Employment by Sector

Region	2024	2025	2026
Construction, Natural Resources, and Mining	-1.2%	0.6%	-0.1%
Manufacturing	-1.6%	2.3%	2.0%
Wholesale Trade	1.3%	-3.8%	-3.3%
Retail Trade	0.2%	1.0%	0.5%
Transportation, Warehousing, and Utilities	-0.3%	-2.1%	-2.1%
Information	-2.0%	0.2%	1.0%
Financial Activities	5.5%	2.4%	0.7%
Professional & Business Services	*0.6%*	*1.8%*	*0.7%*
Educational & Health Services	*-4.0%*	*1.6%*	*0.5%*
Leisure and Hospitality	*-2.7%*	*1.7%*	*0.0%*
Other Services	*-2.2%*	*-0.9%*	*-0.3%*
Government	*-1.3%*	*0.6%*	*-0.2%*
Total Nonfarm	***0.6%***	***1.8%***	***0.7%***

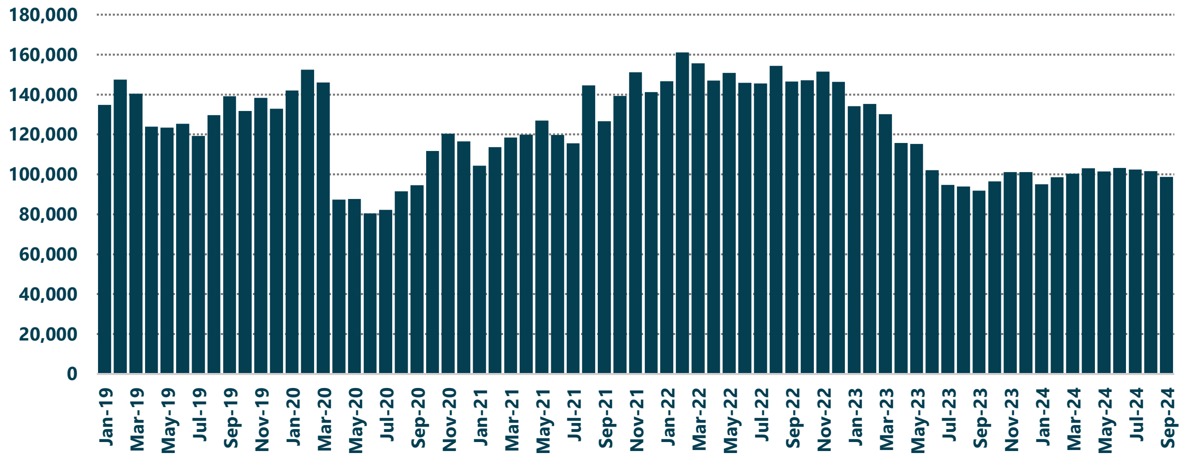
Source: LAEDC (2024)

KEY INDUSTRIES

Motion Picture and Sound Recording

The streaming boom, which had surged during the pandemic, began to stabilize, prompting major studios and media companies to reassess spending and production levels. This shift affected employment in the creative industries, leading to a more measured approach to hiring and project greenlighting. The recent strikes by the Screen Actors Guild and Writers Guild of America during the summer of 2023 added pressure to an already cautious industry, highlighting concerns over fair wages and job security as content creation increasingly integrated artificial intelligence and digital distribution. Though the strikes have concluded, industry activity has not returned to pre-strike levels (Exhibit 5). Despite these tensions, Los Angeles still leads in entertainment production and related activities, though it faces increased competition from other regions.

Exhibit 5 Motion Picture and Sound Recording Industries in Los Angeles County, Jan 2019 through Sept 2024

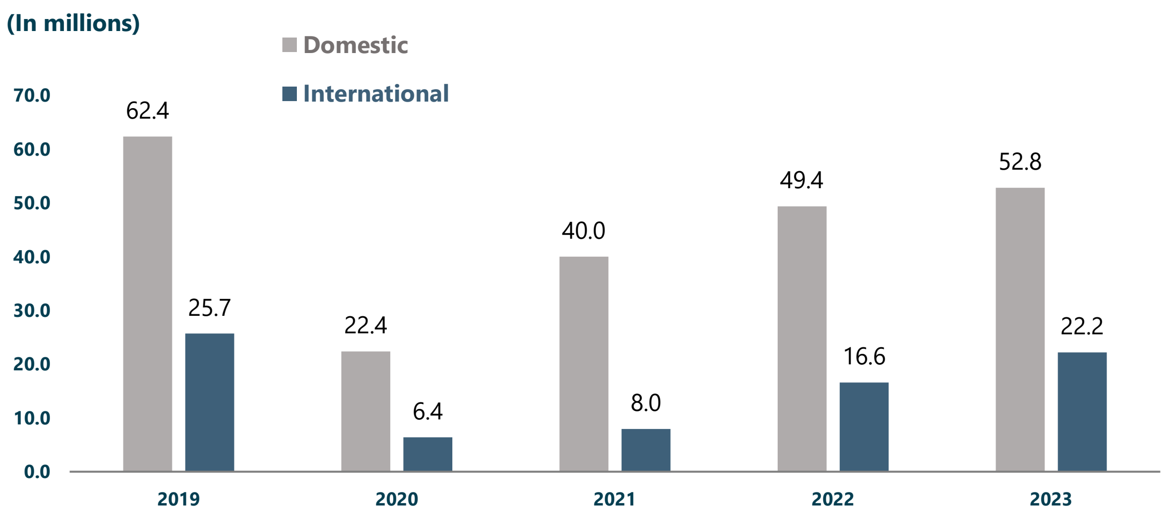


Source: CA EDD, LMID,

Tourism

Tourism rebounded in 2023 as international travel resumed more fully. Los Angeles County's diverse cultural offerings, along with a weaker dollar for parts of the year, drew an increasing number of international tourists (Exhibit 6), reaching nearly pre-pandemic levels. Los Angeles County's diverse cultural entertainment and sports offerings drew an increasing number of tourists, and this resurgence bolstered hospitality and retail sectors, which were hardest hit during the pandemic. While this uptick in tourism resulted in job growth and revenue increases, staffing challenges persisted, with employers struggling to meet demand as labor shortages affected the sector's ability to operate at full capacity.

Exhibit 6 Passenger Traffic at LAX



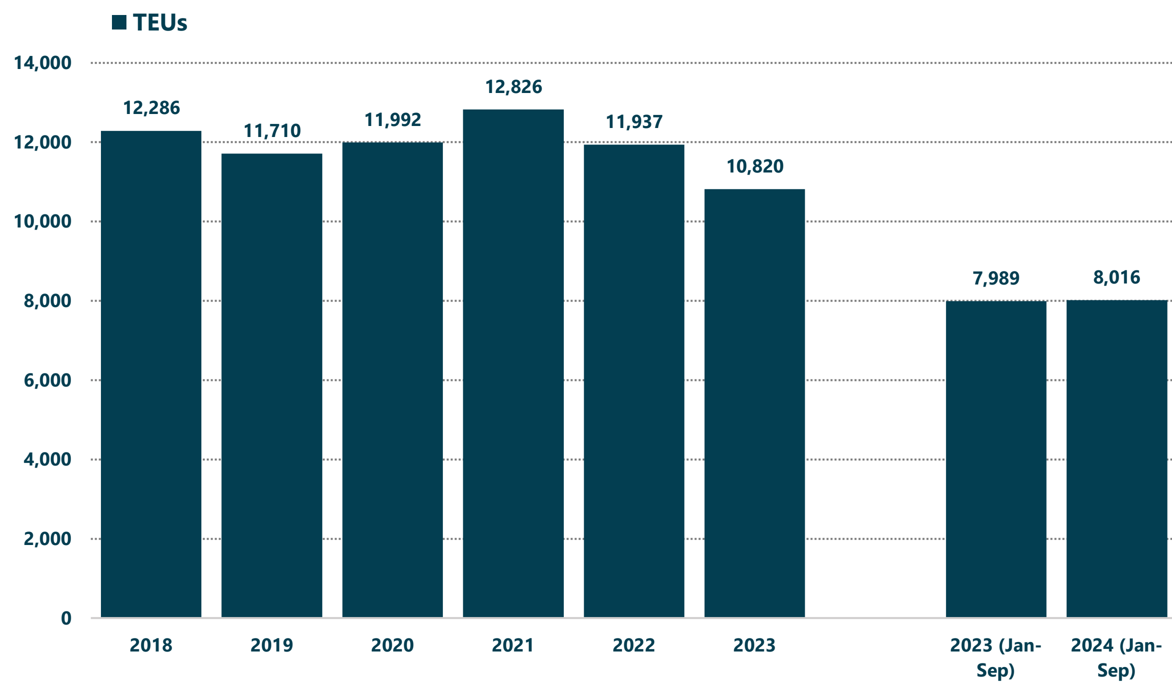
Source: LAWA

Trade and Logistics

As the largest container port complex in the United States, the San Pedro Bay ports of Los Angeles (POLA) and Long Beach (POLB), serve as important economic drivers for Los Angeles County and the SCAG region. They also play a critical role in facilitating international and domestic trade, support thousands of job opportunities, and advance sustainable and innovative technologies and practices.

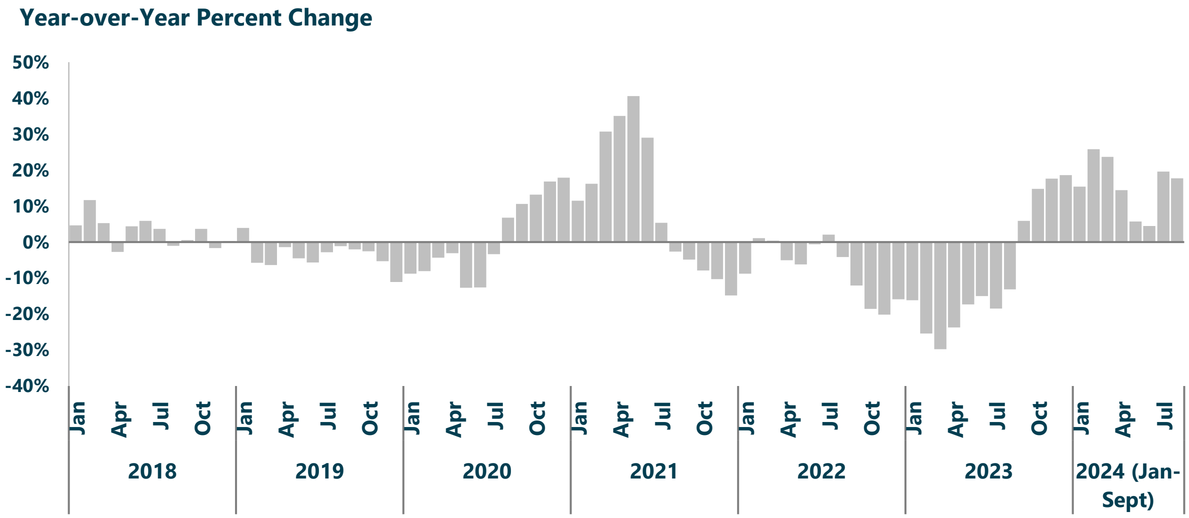
Los Angeles County's trade and logistics industry experienced mixed performance, with moderate recovery in 2024 for throughput at POLA and POLB after prior declines (Exhibit 7 and Exhibit 8). Work stoppages and temporary port closures resulting from labor disputes in the first half of 2023 adversely affected trade flows at the ports with many shippers choosing to reroute discretionary cargo to other seaports to safeguard against these disruptions. Nonetheless, rising import volumes from Asia, although below pre-pandemic levels, sparked cautious optimism within warehousing and distribution.

Exhibit 7 Total Container Traffic, San Pedro Bay Ports



Sources:POLA; POLB

Exhibit 8 Total Container Traffic at the San Pedro Bay Ports



Sources:POLA; POLB

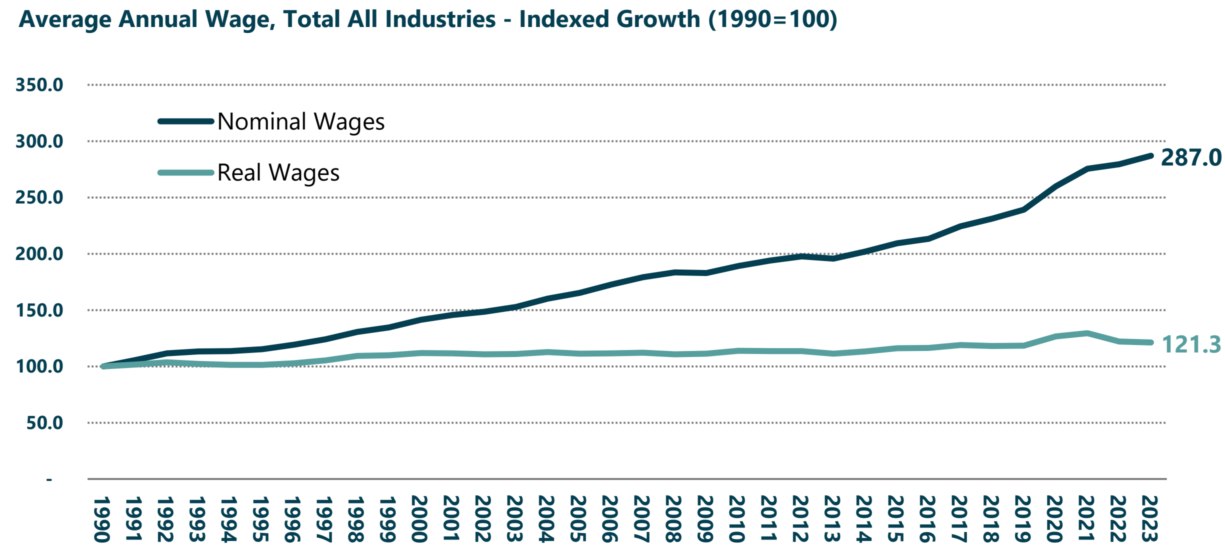
However, regulatory changes, ongoing labor negotiations, and competition from East Coast ports continued to challenge growth. Employment in transportation and warehousing declined by 5,125 jobs in 2023 but is expected to recover by over 4,000 jobs in 2024. LAEDC expects very modest growth of one percent or less in this industry in both 2025 and 2026.

WAGE BY SECTOR

Los Angeles County has experienced significant wage growth over the last decade; however, when adjusted for inflation, these gains are much more moderate (Exhibit 9). Nominal wages refer to the amount of money earned without adjusting for inflation, while real wages adjust for inflation to reflect the actual purchasing power of earnings. When real wages increase, workers can afford more goods and services, improving their quality of life. However, if nominal wages rise without a corresponding increase in real wages, inflation may erode purchasing power. Tracking both measures is key to understanding how effectively wages keep up with the cost of living.

Nominal wages in Los Angeles County have more than doubled since 1990, from $28,080 to $80,600 in 2023, a growth rate of 187 percent. However, over the same period, real wages (adjusted for inflation) have grown by only 21.3 percent. Over the last decade (since 2013), nominal wages grew by 46.6 percent from $54,964 in 2013, while real wages grew by only 9.1 percent over the period.

Exhibit 9 Wage Trends in Los Angeles County



Sources: CA EDD, LMID, QCEW; BLS, CPI-U, Los Angeles MSA

Wages paid to workers in Los Angeles County differ across industries. This variation is due to differences in skills required, demand for certain types of labor, industry profitability, and geographic factors. Exhibit 10 shows average annual wages for each sector in the county along with the change over the prior year.

Exhibit 10 Average Annual Wages by Industry in Los Angeles County

Industry	2022	2023	2022-23 Nom. Change
Natural Resources, and Mining	$67,100	$69,600	3.7%
Construction	$138,700	$145,800	5.1%
Utilities	$79,900	$82,700	3.5%
Manufacturing	$87,200	$91,500	4.9%
Wholesale Trade	$81,800	$84,500	3.3%
Retail Trade	*$48,100*	*$48,800*	*1.5%*
Transportation and Warehousing	$74,500	$80,300	7.8%
Information	$142,600	$163,800	14.9%
Finance and Insurance	$164,000	$168,200	2.6%
Real Estate	$87,700	$85,500	-2.5%
Professional, Scientific, and Technical Services	$126,100	$128,900	2.2%
Management of Companies and Enterprises	$148,900	$150,500	*1.1%*
Administrative and Support and Waste Services	$55,800	$56,800	*1.8%*
Educational Services (private)	$69,400	$70,600	1.7%
Health Care and Social Assistance	$54,400	$56,400	*3.7%*
Arts, Entertainment, and Recreation	$143,100	$127,200	-11.1%
Accommodation and Food Services	*$33,400*	*$34,600*	*3.6%*
Other Services	*$51,200*	*$52,800*	*3.1%*
Government	$88,900	$94,000	5.7%
Total Nonfarm	**$78,400**	**$80,600**	**2.8%**
LA County MIT Living Wage (1-adult)		*$55,400*	

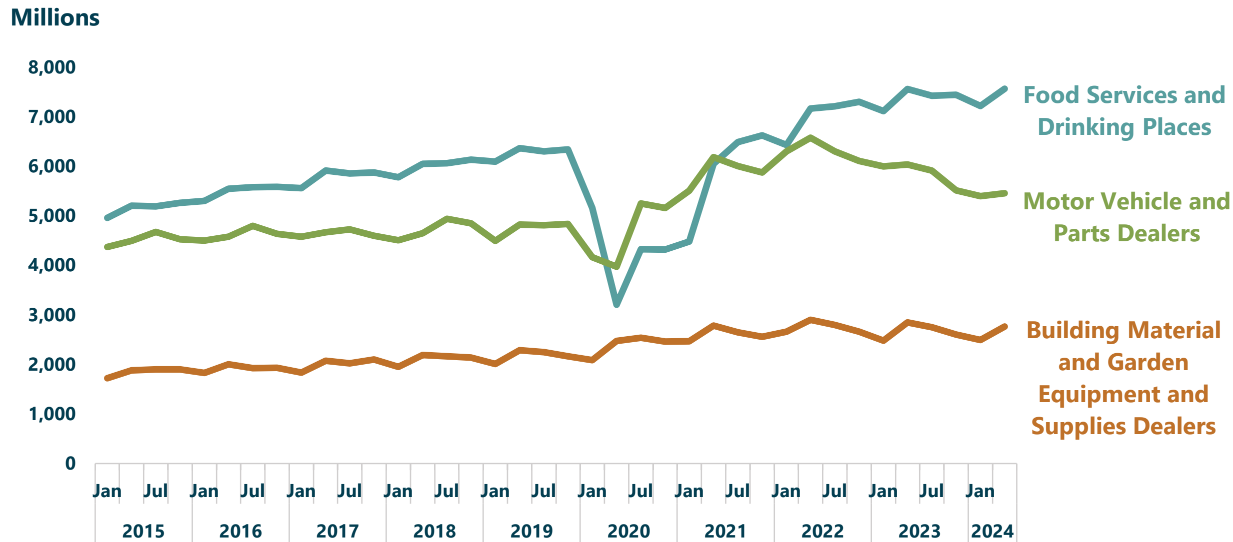
**Industries in italics are those whose average wage falls below the current 2024 MIT living wage for 1-adult*

Sources CA EDD, LMID, QCEW; "Living Wage Calculator," MIT, 2024

TAXABLE SALES BY TYPE OF BUSINESS

In the second quarter of 2024, total taxable sales in Los Angeles County reached $51.2 billion, marking a 7.1 percent increase from the preceding quarter. However, this figure is about -2.3 percent lower than the same quarter in the previous year. Over a quarter of the county's total taxable sales were generated in the top two categories of Food Services & Drinking Places ($7.6 billion) and Motor Vehicle and Parts Dealers ($5.5 billion) (Exhibit 11).

Exhibit 11 Taxable Sales by Select Business Sector in Los Angeles



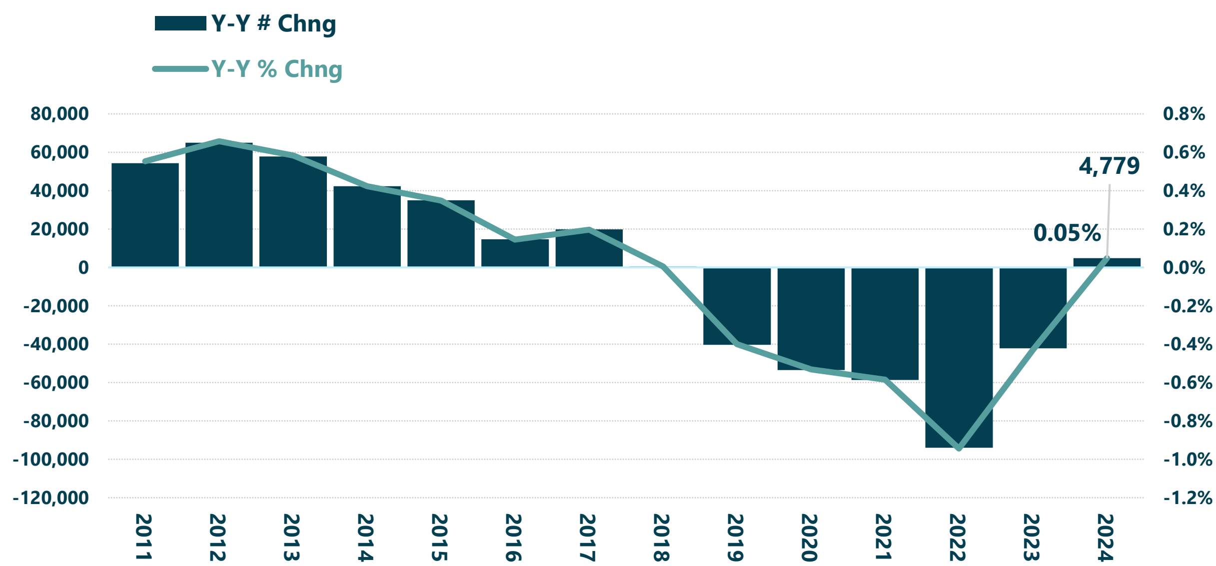
Source: California Department of Tax and Fee Administration, Taxable Sales by Type of Business

Demographics

POPULATION

As of January 2024, the total population of Los Angeles County was 9,824,000, representing a 0.05 percent increase from the previous year. The addition of roughly 4,800 new residents marked the first positive increase after a five-year consecutive trend of annual population declines that began in 2019 and continued through to 2023 (Exhibit 12).

Exhibit 12 Population Change in Los Angeles County



Source: CA DoF, E-4

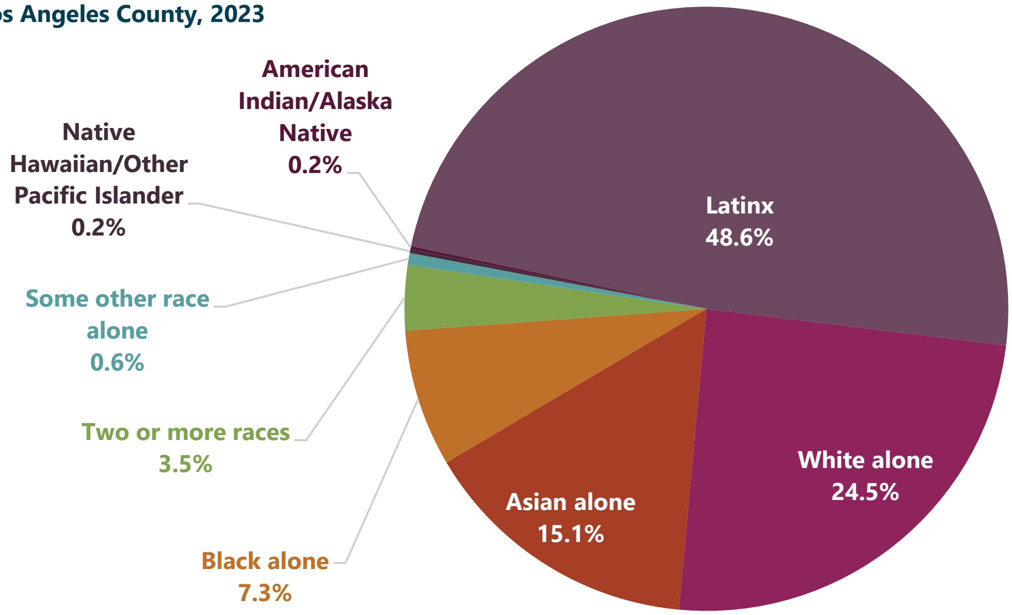
While the county continues to be the most populous within the SCAG region, state, and nation, its growth rate lags regional, state, and national populations, and its population share has similarly decreased. While the county's population growth was already slowing prior to the pandemic due to domestic out-migration (a response to high living costs), COVID-19 effectively shut down foreign borders, preventing immigration from replenishing losses caused by out-migration or deaths due to the pandemic.

RACE AND ETHNICITY

The composition of the population by race and ethnicity in Los Angeles County (Exhibit 13) and the SCAG region as a whole are similar, with significantly higher percentages of Hispanic residents (48.6 percent and 47.7 percent, respectively) compared to the national average of 19.4 percent. Conversely, both Los Angeles County and the SCAG region display notably lower proportions of non-Hispanic, White residents, at 24.5 percent and 27.8 percent, respectively, in contrast to the national average of 57.1 percent. Los Angeles County also has a slightly higher concentration of Asian residents compared to the SCAG region and two-and-a-half times the Asian population share compared to the nation as a whole.

Exhibit 13 Share of Population by Race and Ethnicity

in Los Angeles County, 2023

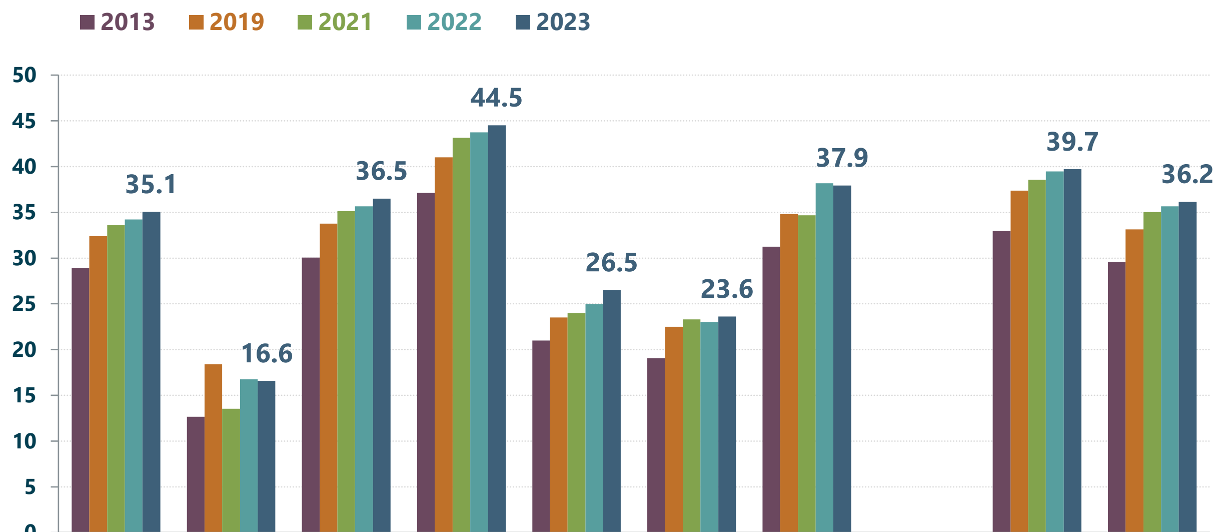


EDUCATIONAL ATTAINMENT

Higher education levels often correlate with lower unemployment rates and increased individual earnings, contributing to greater consumer spending and tax revenues. A more educated workforce drives productivity and innovation, attracting higher-paying industries and boosting regional competitiveness. Moreover, an educated population can adapt more readily to technological shifts, fostering a dynamic and robust economy that benefits society as a whole.

The percentage of individuals in Los Angeles County with a bachelor's degree or higher was slightly greater than the levels observed in the SCAG region and the United States (Exhibit 14). However, Orange County and Ventura County have the largest shares of residents with a bachelor's degree or higher with 44.5 percent and 37.9 percent, respectively.

Exhibit 14 Percent of People 25 years and over with a Bachelor's Degree or Higher



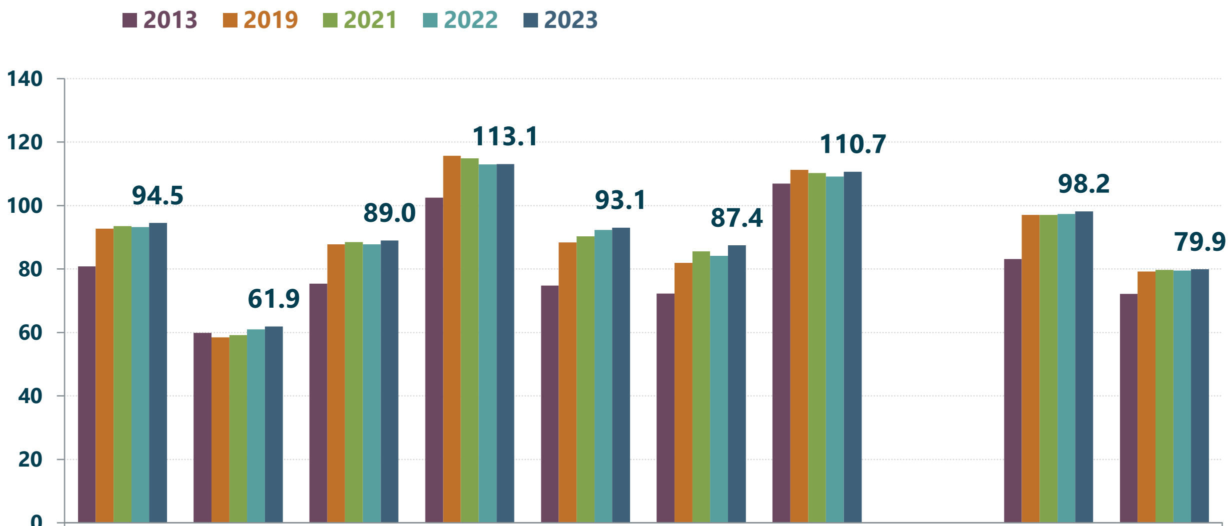
	SCAG	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	California excluding SCAG	United States
2013	28.9	12.7	30.1	37.1	21.0	19.1	31.2	33.0	29.6
2019	32.4	18.4	33.8	41.0	23.5	22.5	34.8	37.4	33.1
2021	33.6	13.5	35.1	43.1	24.0	23.3	34.7	38.6	35.0
2022	34.2	16.8	35.6	43.7	25.0	23.0	38.2	39.5	35.7
2023	35.1	16.6	36.5	44.5	26.5	23.6	37.9	39.7	36.2

Notes: Chart reports data for 2013, 2019, 2021, 2022, and 2023 from ACS 1-year sample, Table B15002

INCOME

In 2023, the real median household income for Los Angeles County was $89,007, placing it around $5,300 below the SCAG regional median. Riverside, Ventura and Orange counties all have real median household incomes that exceed that of Los Angeles. Los Angeles County saw an 18.1 percent increase in real median household income growth from 2013 to 2023, ranking third across the region's six counties behind Riverside and San Bernardino, and surpassing the SCAG regional growth rate of 16.9 percent.

Exhibit 15 Median Household Income in Thousands of 2024 U.S. Dollars



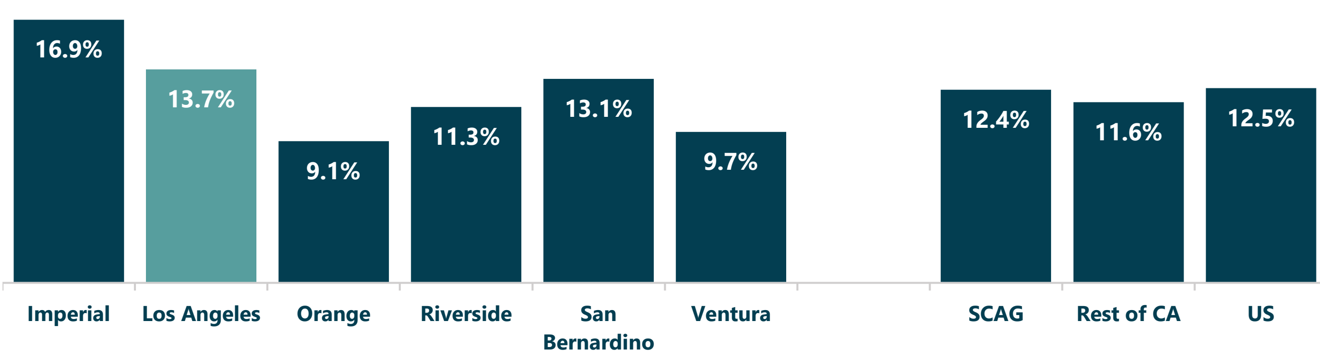
	SCAG	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	California	United States
2013	80.8	59.9	75.356	102.5	74.8	72.3	106.9	83.2	72.2
2019	92.7	58.5	87.790	115.7	88.3	81.9	111.2	97.0	79.2
2021	93.5	59.2	88.523	114.9	90.3	85.5	110.2	97.0	79.7
2022	93.3	61.0	87.770	113.0	92.3	84.1	109.1	97.4	79.5
2023	94.5	61.9	89.007	113.1	93.1	87.4	110.7	98.2	79.9

Notes: Chart reports data for 2013, 2019, 2021, 2022, and 2023 from ACS 1-year sample, Table B19013

POVERTY

The individual poverty rate in the county decreased slightly from 13.9 percent in 2022 to 13.7 percent in 2023, though Los Angeles County still ranks as the second highest in the SCAG region (Exhibit 16). A high poverty rate can signal economic inequality and limited access to essential resources, affecting residents' health, education, and job opportunities. Additionally, lower income households will continue to be disproportionately impacted by any economic instability.

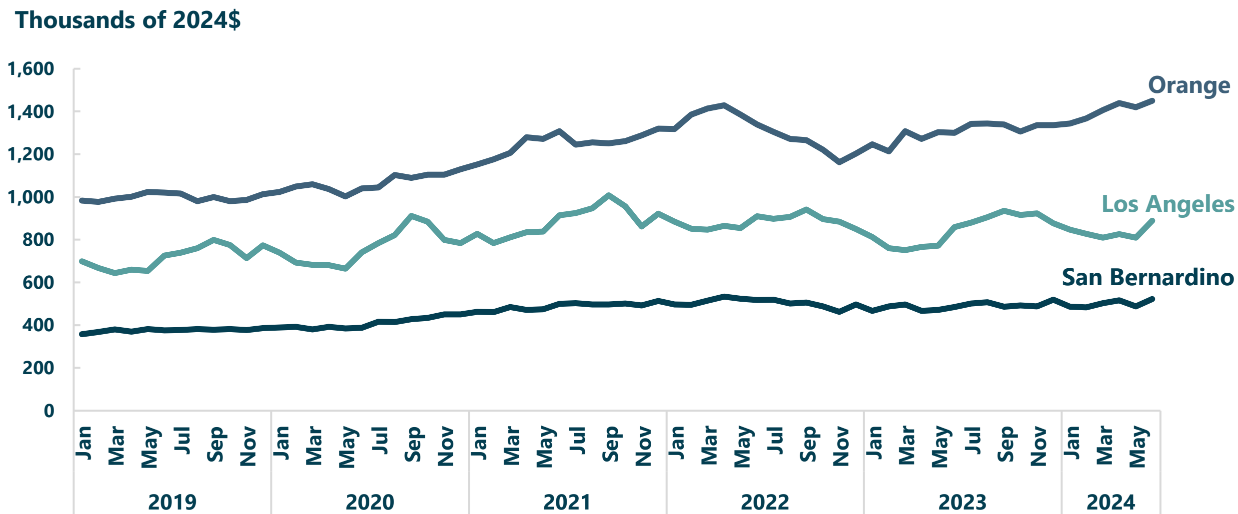
Exhibit 16 Poverty Rates in 2023



Housing

Housing costs constitute the largest portion of a household's expenditures. In Los Angeles County, real median home prices decreased more than 13 percent from over $935,000 in September 2023 to below $810,000 in March 2024. This trajectory reversed at the beginning of the second quarter this year, with the median home price reaching nearly $890,000 by July 2024. The median home price in Los Angeles is slightly below the state median of $900,700 and ranks as the third highest within the SCAG region.

Exhibit 17 Real Median Home Prices for Single Family Homes in Los Angeles, San Bernardino, and Orange



Sources: California Association of Realtors

Exhibit 18 Percent of Households That Can Afford Median-Priced Home

Region	All	White	Asian	Hispanic	Black
Los Angeles	14	22	18	7	8
Orange	13	16	15	7	7
Riverside	23	26	30	18	20
San Bernardino	31	34	41	27	23
CA Single-Family Home	18	21	28	9	9
CA Condo/Townhome	26	31	38	16	15
United States	38	41	54	31	24

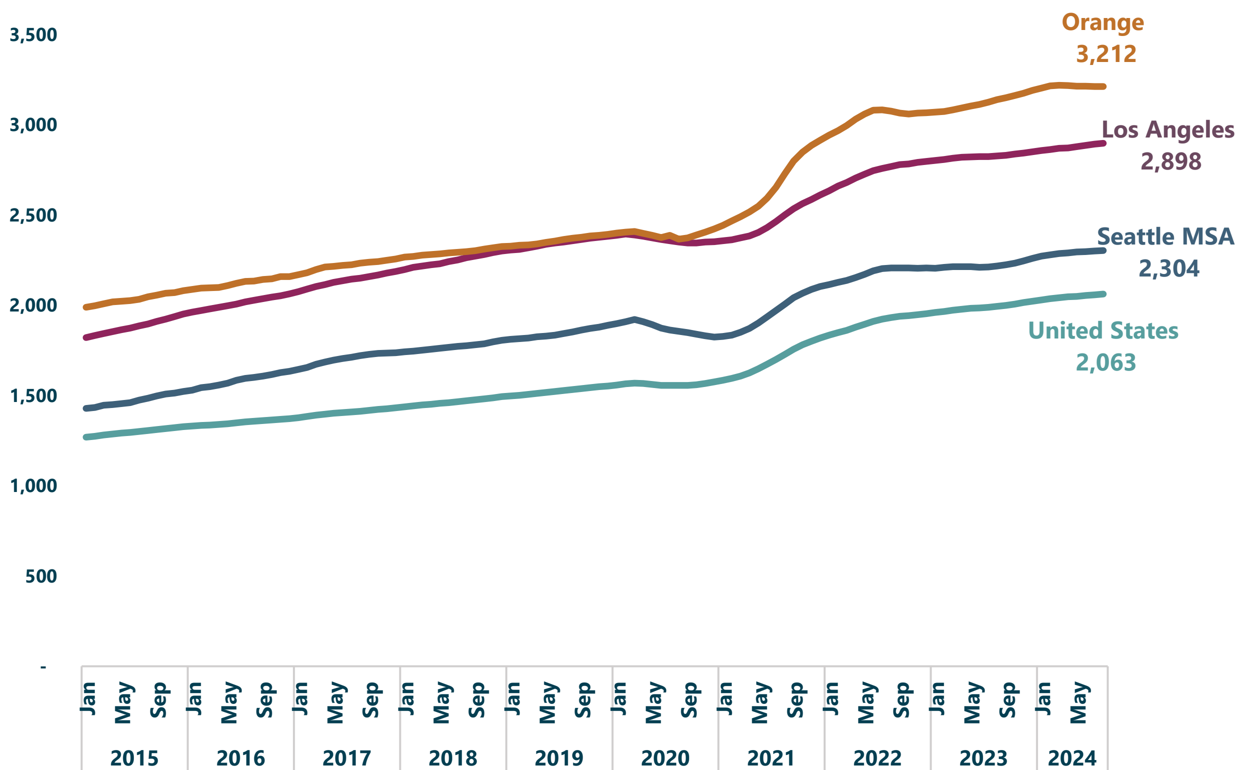
Source: California Association of Realtors (2024)

The conventional housing affordability index, as reported by the California Association of Realtors, reveals that only 14 percent of households in Los Angeles County could afford a median-priced home in 2023—in the region, only Orange County ranks lower (California Association of Realtors, 2024). Decomposing the index by race and ethnicity shows that Hispanic/Latino and Black households face substantially lower housing affordability when compared to White and Asian households. Only 7 percent of Hispanic/Latino households and 8 percent of Black households can afford to purchase a median-priced home—only 18 percent of Asian and 22 percent of White, Non-Hispanic households could.

Rents also have a significant impact on residents of Los Angeles County, especially considering that 55 percent of the county's more than 3.5 million housing units were rentals in 2023 (U.S. Census Bureau, 2024). The median rent paid in the county reached $1,949 in 2023, ranking third highest in the SCAG region behind Orange ($2,449 per month) and Ventura ($2,327 per month) counties. High housing costs result in 46 percent of households in Los Angeles County being rent burdened, spending 30 percent or more of their household income on rent.

Rents in Los Angeles County have generally increased since 2015 despite a brief downturn driven by economic uncertainty during the early stages of the COVID-19 pandemic (Exhibit 18). Rents rose rapidly beginning in mid-2021 as rental demand surged in the county and rose 3.5 percent in the year ending July 2022. The beginning of 2023 saw the rate of increase taper off with median rent remaining relatively steady, hovering through the first half of 2024 with minor fluctuations. This slowdown in rent price growth may be attributed in part to a growing rental apartment supply.

Exhibit 19 Zillow Observed Rent Index



One of the key strategies for improving affordability is to bolster the housing supply by constructing new units. According to the Census Building Permit Survey, the three-month moving average of the number of building permits issued for new residential units has decreased, however, falling by 24 percent from 1,553 units in January to 1,181 units in July 2024 (Exhibit LA-19). The growth rate for single-family units was 16 percent from 2022 to 2023, but multi-family units fell by 21 percent, leading to an overall decrease of 10 percent for building permits from 2022 to 2023. Housing construction exceeds levels during the 1990s and 2000s; however, there are many indicators of past undersupply, including, e.g., the county's high level of household overcrowding. While Los Angeles County's household overcrowding rate of 10.8 percent is the highest in the SCAG region, the county stands out for the decrease from 11.9 a decade ago.

Exhibit 20 New Residential Units from Building Permits Issued in Los Angeles, 1990-2023

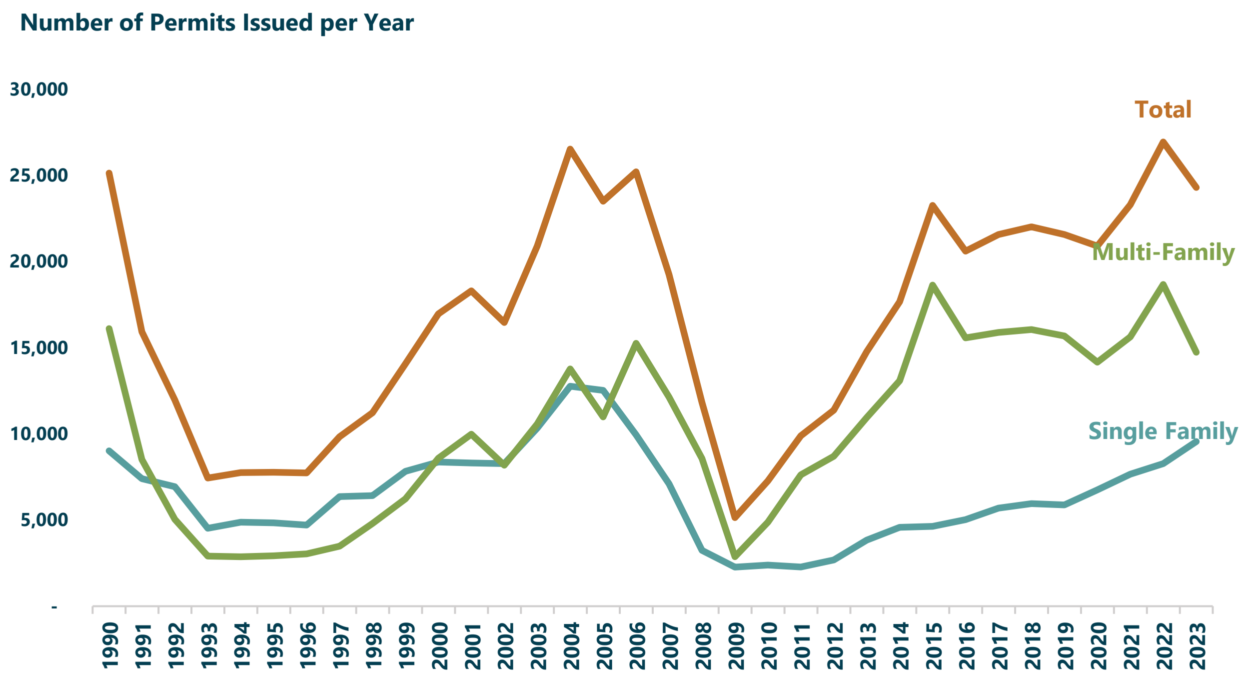


Exhibit 21 Annual Growth in Total Residential Units from Building Permits Issued

Notes: Computed from Census Building Permits Survey data.

OFFICE MARKET

The office sector in Los Angeles County is facing significant challenges in the post-pandemic era. Sharp increases in office vacancies reached 24 percent in the third quarter of 2024, which was nearly double the pre-pandemic vacancy rate. The high vacancy rate for office space has persisted related to continued remote and hybrid work schedules. Many businesses are re-evaluating office space requirements and downsizing office footprints. Economic uncertainties, including high inflation and continued high interest rates, add to the challenge. The distribution of office vacancies is uneven across the submarkets, with the highest vacancy rate observed in East Downtown at 48.2 percent and the lowest in Mid-Counties at 8.3 percent (CBRE, 2024).

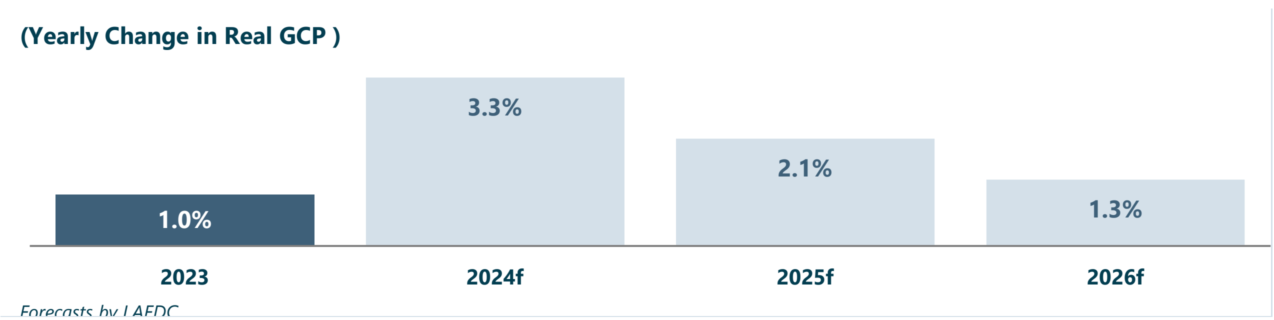
Despite a weak office market, there are a few positive signs that may indicate a potential improvement in market conditions in the coming few years. Los Angeles achieved its highest office leasing activity since the onset of the COVID-19 pandemic, with 3.8 million square feet leased during the third quarter of 2024 (Savills, 2024). In addition, there are over 1.7 million square feet of office space under construction, representing about 0.6 percent of total office inventory (Avison Young, 2024). The market for adaptive reuse, such as converting underutilized office spaces into residential housing, shows some promise. For example, a recent RAND study suggests that if all identified underutilized properties (including offices hotels/motels, and other commercial properties) were converted into housing units, they could account for approximately 9 to 14 percent of the total housing needed in Los Angeles County over the next eight years (Ward & Schwam, 2022).

LAEDC Economic Outlook

The economic outlook for Los Angeles County provides a snapshot of key indicators shaping the region's economic landscape and its future trajectory. Los Angeles County's economic outlook reflects a mixed landscape of growth, adjustment, and ongoing challenges across these key economic indicators This section presents LAEDC forecasts for the Real Gross County Product (GCP), Consumer Price Index (CPI), employment growth by sector, the unemployment rate, taxable sales, and median home prices. Together, these metrics offer insights into cost-of-living trends, labor market health, consumer spending, and housing affordability—critical components of the county's economic health and resilience and provide insights into the county's economic health and trajectory over the next three years.

On the heels of Los Angeles County's GCP growth of 1.1 percent in 2023, the region's economy is projected to grow at a stronger pace of 3.3 percent in 2024, followed by softer growth of 2.1 percent in 2025 and 1.3 percent in 2026. This trajectory signals resilience in the local economy despite broader challenges.

Exhibit 22 Economic Growth in Los Angeles County



Inflation is expected to ease gradually from 3.5 percent in 2024 to 2.7 percent by 2026, reflecting a cooling from pandemic-era highs but remaining above pre-pandemic trends. This moderation suggests stabilizing costs for households and businesses, although elevated prices will likely still impact affordability.

Nonfarm employment in Los Angeles County is forecasted for slight volatility, declining by 1.2 percent in 2024 before rebounding modestly with a 0.6 percent increase in 2025 and flattening in 2026 (-0.1 percent). The unemployment rate is anticipated to rise, reaching 6.2 percent by 2026, reflecting potential structural shifts in the labor market.

Employment trends reveal sector-specific dynamics, with significant variation across industries. The Construction, Natural Resources, and Mining supersector is expected to mirror broader trends in the economy, contracting slightly in 2024 (-1.2 percent) before stabilizing. A return to growth is anticipated for the manufacturing sector in 2025 and 2026, with gains of 2.3 percent and 2.0 percent respectively, reflecting sectoral resilience and demand for specialized production. The Wholesale Trade sector faces persistent headwinds, with significant contractions forecast in 2025 (-3.8 percent) and 2026 (-3.3 percent). The modest growth of 0.2 percent to 1.0 percent per year reflects stable consumer activity in Retail Trade. Declines are expected in Transportation, Warehousing, and Utilities across the forecast period, influenced by shifting supply chain dynamics and automation. The high-value Information sector, home to Los Angeles County's film and television production industry, will see mixed results, with a 2.0 percent contraction in 2024 followed by modest growth thereafter. Financial Activities is expected to experience significant growth in 2024 (5.5 percent), with slower gains in subsequent years. Stable employment is projected for Professional and Business Services, with slight growth starting in 2025. The Educational and Health Services supersector is expected to drive job growth, with consistent gains led by demographic demand. After a forecasted decline in Leisure and Hospitality in 2024 (-4.0 percent), the sector is poised for recovery in 2025 and beyond, reflecting pent-up demand for services. Other Services and Government are expected to face contractions over the next three years.

Taxable sales, a key measure of consumer spending, are expected to grow steadily, with increases of 2.1 percent in 2024, 3.1 percent in 2025, and 2.9 percent in 2026. These gains suggest continued consumer resilience despite economic uncertainties.

Median home values in Los Angeles County are forecast to rise steadily over the next three years, reflecting ongoing demand pressures, limited housing supply, and dropping interest rates. After reaching $828,700 in 2023, annual median home prices are projected to increase by nearly 10% by the end 2024 to $899,300, followed by more moderate growth to $919,700 in 2025 and $946,500 in 2026. These upward trends highlight the county's persistent affordability challenges and emphasize the need for policy efforts to address housing availability and affordability. Home price growth will remain tied to interest rate trends, inventory levels, and housing demand.

Los Angeles County's economic outlook underscores the complexity of its recovery and growth, with inflation easing, gradual improvements in some sectors, and ongoing challenges in others. Policymakers, businesses, and stakeholders will need to navigate these trends carefully to ensure sustained prosperity and equity.

Exhibit 23 Los Angeles County Economic Indicators

Indicator	2023	2024f	2025f	2026f
Real Gross County Product (GCP)	1.0%	*3.3%*	*2.1%*	*1.3%*
Consumer Price Index (CPI)	3.5%	*3.4%*	*2.8%*	*2.7%*
Nonfarm Employment	4,597,150	*-1.2%*	*0.6%*	*-0.1%*
Unemployment Rate	5.0%	*5.6%*	*6.0%*	*6.2%*
Taxable Sales ($ billions)	$838.8	*2.1%*	*3.1%*	*2.9%*
Median Home Value	$828,700	*$899,300*	*$919,700*	*$946,500*
Nonfarm Employment by Industry				
Construction, Nat'l Resources, and Mining	155,159	*-1.2%*	*0.6%*	*-0.1%*
Manufacturing	315,169	*-1.6%*	*2.3%*	*2.0%*
Wholesale Trade	199,995	*1.3%*	*-3.8%*	*-3.3%*
Retail Trade	408,366	*0.2%*	*1.0%*	*0.5%*
Transportation, Warehousing, and Utilities	223,335	*-0.3%*	*-2.1%*	*-2.1%*
Information	183,006	*-2.0%*	*0.2%*	*1.0%*
Financial Activities	211,061	*5.5%*	*2.4%*	*0.7%*
Professional and Business Services	648,743	*0.0%*	*0.6%*	*0.5%*
Educational and Health Services	952,578	*0.6%*	*1.8%*	*0.7%*
Leisure and Hospitality	548,708	*-4.0%*	*1.6%*	*0.5%*
Other Services	161,299	*-2.7%*	*1.7%*	*0.0%*
Government	589,731	*-2.2%*	*-0.9%*	*-0.3%*

Forecasts by LAEDC

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Orange County

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ORANGE COUNTY ECONOMIC PERFORMANCE

2024, like the previous year, has been a mixed bag including political and economic uncertainty. Internationally, conflicts in Ukraine and the Middle East have contributed to global tensions, while inflation in the Eurozone and other issues have affected global markets. Domestically, the economic picture has improved. Citing improved confidence in both employment and inflation, the Federal Reserve cut interest rates by 50 basis points, the first cut in years, in mid-September. Major remaining challenges include housing affordability, a depressed commercial real estate market (particularly in the office sector), shifting demographic trends, domestic political uncertainty, and impacts from recent natural disasters, including hurricanes Helene and Milton.

Orange County remains a standout performer in the Southern California region. As of September 2024, it had a seasonally adjusted unemployment rate of 4.1 percent, well below the SCAG region (5.5 percent) and California (5.3 percent) and just above the national rate of 4.0 percent. County residents have also seen rising incomes and declining poverty levels in another illustration of strong economic fundamentals.

Despite these strengths, the county faces continuing challenges such as a lack of affordable housing which persists despite the recent Federal Reserve interest rate cut. Orange County's strong labor markets, competitive industry clusters and diverse, well-educated population nonetheless continue to drive economic growth for the county and the broader SCAG region.

ECONOMIC OUTLOOK

According to California State University, Fullerton's (CSUF) Woods Center for Economic Analysis and Forecasting's "2025 Economic Forecast," Orange County's total nonfarm employment is expected to increase by 1.3 percent (22,100 jobs) to 1,704,000 in 2024 and by 1.1 percent (19,100 jobs) to 1,723,100 in 2025. The fastest job growth is expected to occur in Construction, Wholesale Trade, and Healthcare. Total unemployment is also expected to increase, moving from an annual average of 65,300 in 2024 to 69,200 in 2025, pushing the unemployment rate from 4.1 percent to 4.3 percent over the same period.

CSUF's Q4 2024 Orange County Business Expectations Survey reveals rising optimism among business leaders; the index increased from 65.7 in the third quarter of 2024 to 73.1 in the fourth quarter of 2024 (levels over 50 indicate a positive economic outlook). Overall, business executives expect sales and employment to remain largely stable toward the end of 2024, with 51.2 percent of executives having a 'cautious but not pessimistic' outlook on the economy.

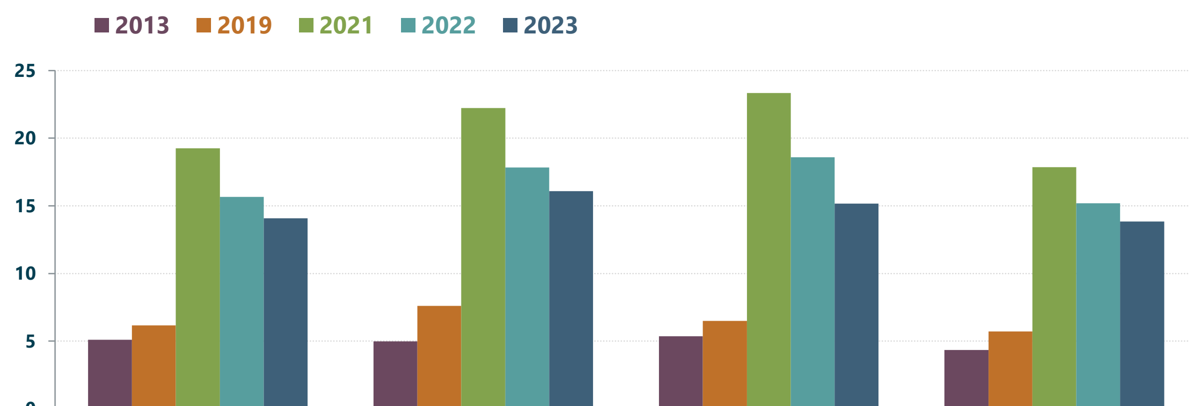
The survey also revealed that 24.4 percent of Orange County executives view inflation as their biggest concern, followed by government deficits (19.5 percent), interest rates (14.6 percent), and geopolitical risk (12.2 percent). Insurance costs have also become a concern, as the combination of rising housing costs and natural disaster risks—especially in disaster-prone areas—have contributed to increasing cost of living. These impacts have been more pronounced in states like Florida, which has seen available housing inventory skyrocket back to pre-pandemic levels in recent months as residents struggling with high housing costs attempt to sell their homes. While Orange County might be less prone to certain natural disasters, adding potential climate change impacts to long-term threats such as earthquakes and drought remain risks to local households and communities, businesses, and the overall regional economy.

COMMERCIAL REAL ESTATE

Commercial real estate remains a concern in a world of everyday e-commerce and mainstream remote and hybrid work trends. While e-commerce and remote work have fueled growth in logistics and warehousing, especially in the Inland Empire, it has also led to higher office and retail vacancy rates and, in some areas, declining prices. In 2023, for instance, Blackstone sold two 13-story office buildings in Santa Ana for $82 million, a 36 percent drop from what it paid for the property in 2014. In 2024, MicroVention Terumo purchased an office building in Aliso Viejo for $44 million, 45 percent less than the asking price. While remote work has declined from its peak in 2020 and 2021, commercial office building owners will need to strategize on how best attract and retain tenants and their employees to restore office occupancy rates and property values.

After rapidly rising in 2021, remote work has declined slightly as more employers attempt to lure employees back into the office. Despite this, a higher proportion of Orange County residents work from home than compared to the SCAG region, California, and the nation.

Exhibit 1 Percentage of Workers Working from Home

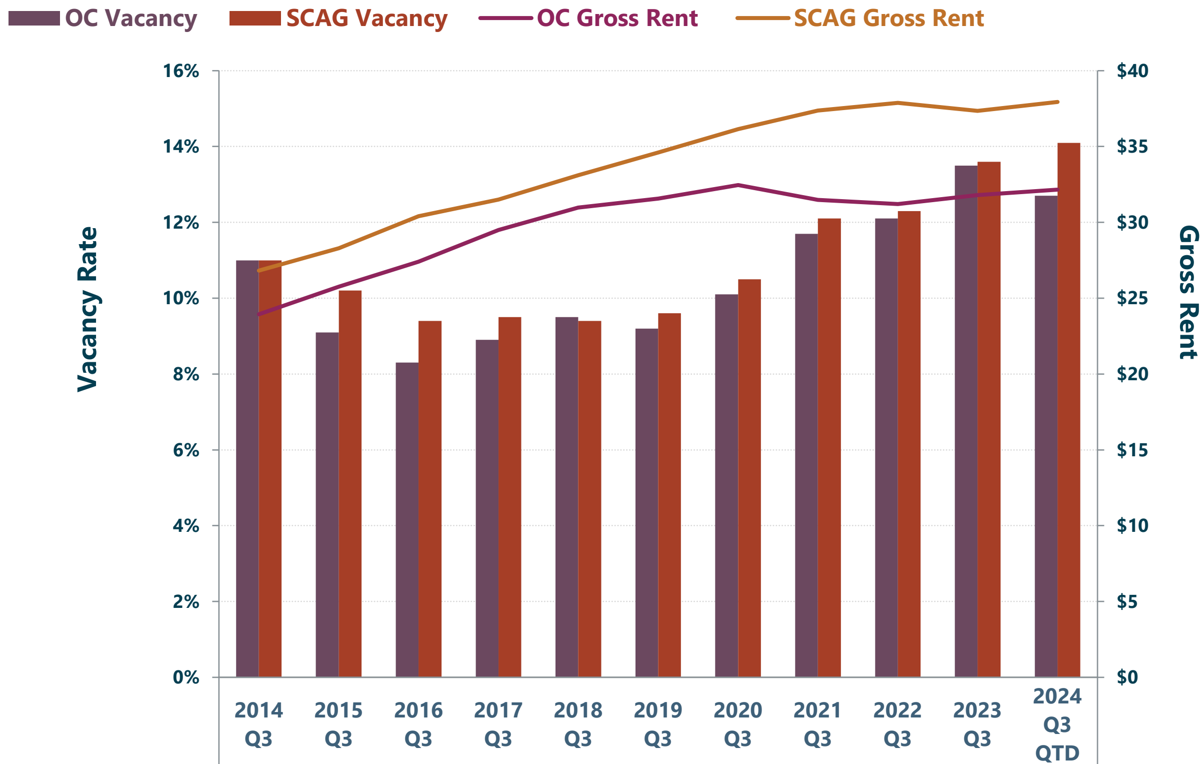


	SCAG	Orange	California excluding SCAG	United States
2013	5.1	5.0	5.4	4.4
2019	6.2	7.6	6.5	5.7
2021	19.3	22.2	23.3	17.9
2022	15.7	17.8	18.6	15.2
2023	14.1	16.1	15.2	13.8

Notes: Chart reports data for 2013, 2019, 2021, 2022, and 2023 from ACS 1-year sample, Table B08111

Orange County's office vacancy rate declined from 13.5 percent in the third quarter of 2023 to 12.7 percent in the third quarter of 2024. The overall SCAG region's rate increased from 13.6 percent to 14.1 percent, driven by increases in Los Angeles County, where the vacancy rate reached 16.2 percent in the third quarter of 2024. Despite softness in vacancy rates, gross rents continue to climb, increasing by 1.2 percent over the past year in Orange County and by 1.6 percent in the SCAG region.

Exhibit 2 Orange County and SCAG Office Vacancy and Gross Rents



	2014 Q3	2015 Q3	2016 Q3	2017 Q3	2018 Q3	2019 Q3	2020 Q3	2021 Q3	2022 Q3	2023 Q3	2024 Q3 QTD
OC Vacancy	11.0%	9.1%	8.3%	8.9%	9.5%	9.2%	10.1%	11.7%	12.1%	13.5%	12.7%
SCAG Vacancy	11.0%	10.2%	9.4%	9.5%	9.4%	9.6%	10.5%	12.1%	12.3%	13.6%	14.1%
OC Gross Rent	$23.9	$25.8	$27.4	$29.5	$31.0	$31.6	$32.5	$31.5	$31.2	$31.8	$32.2
SCAG Gross Rent	$26.8	$28.3	$30.4	$31.5	$33.1	$34.6	$36.2	$37.4	$37.9	$37.4	$37.9

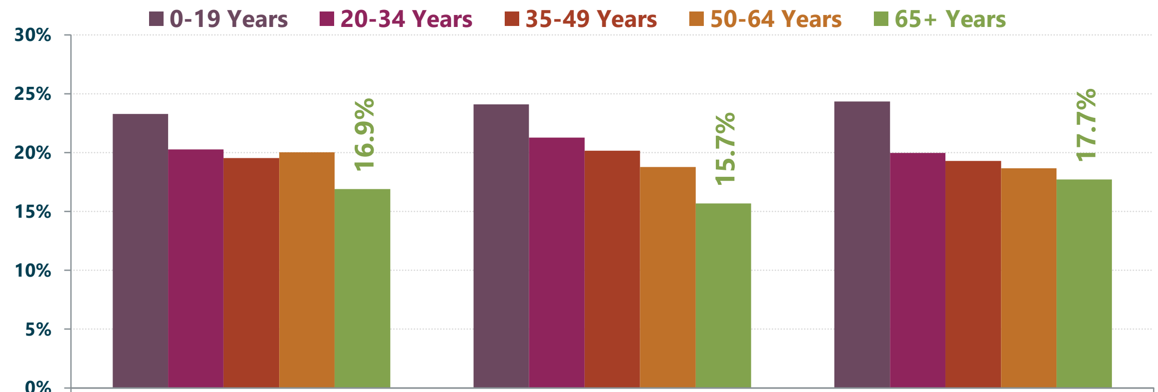
Source: CoStar

DEMOGRAPHICS

Orange County's population is aging just like the rest of the region's—but more rapidly. In 2023, 16.9 percent of Orange County residents were over the age of 65, compared to 15.7 percent in the SCAG region and 17.7 percent in the nation. Orange County also had the lowest proportion of residents aged 0-19 years at 23.3 percent compared to 24.1 percent in the SCAG region and 24.3 percent in the nation. The county's cost of living continues to influence some younger residents and families to relocate, resulting in population declines in three of the last four years.

According to the California Department of Finance, Orange County's 65+ year age group is expected to grow from 17 percent of the population in 2024 to 31 percent by 2060, while all other age groups are expected to shrink. These shifting demographics will increase demand for already growing industries such as Healthcare, but it also threatens one of the county's key competitive advantages, which is its deep pool of talented working-age job candidates.

Exhibit 3 Percent of the Population by Age Group, 2023

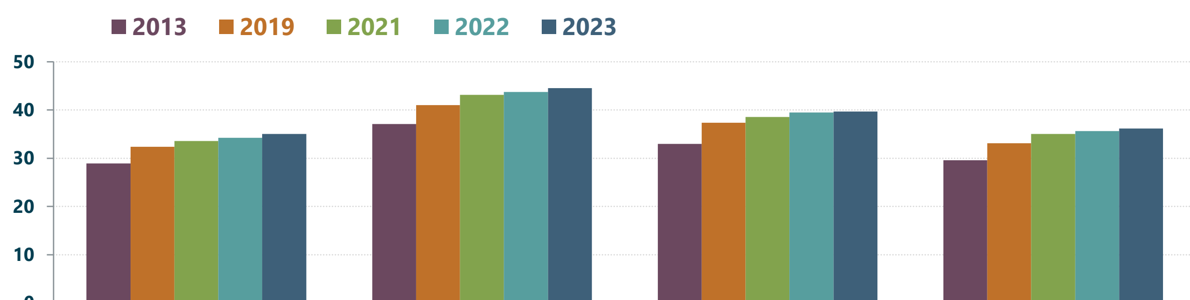


	OC	SCAG	US
0-19 Years	23.3%	24.1%	24.3%
20-34 Years	20.3%	21.3%	20.0%
35-49 Years	19.5%	20.2%	19.3%
50-64 Years	20.0%	18.8%	18.7%
65+ Years	16.9%	15.7%	17.7%

Source: US Census Bureau American Community Survey 1-year estimates (2023)

One illustration of this deep talent pool is the level of educational attainment in the county. Of Orange County residents aged 25 and older, 44.5 percent had a bachelor's degree in 2023, compared to 35.1 percent in the overall SCAG region, 39.7 percent in California, and 36.2 in the United States.

Exhibit 4 Percent of People 25 Years and Over with a Bachelor's Degree or Higher



	SCAG	Orange	California excluding SCAG	United States
2013	28.9	37.1	33.0	29.6
2019	32.4	41.0	37.4	33.1
2021	33.6	43.1	38.6	35.0
2022	34.2	43.7	39.5	35.7
2023	35.1	44.5	39.7	36.2

Notes: Chart reports data for 2013, 2019, 2021, 2022, and 2023 from ACS 1-year sample, Table B15002

LABOR MARKET AND INDUSTRY EMPLOYMENT

As previously mentioned, Orange County has the region's lowest unemployment rate (4.1 percent). Over the past year, the labor force decreased by 0.2 percent while total employment declined by 0.5 percent to 1,526,353. The number of unemployed residents rose slightly to reach 65,266.

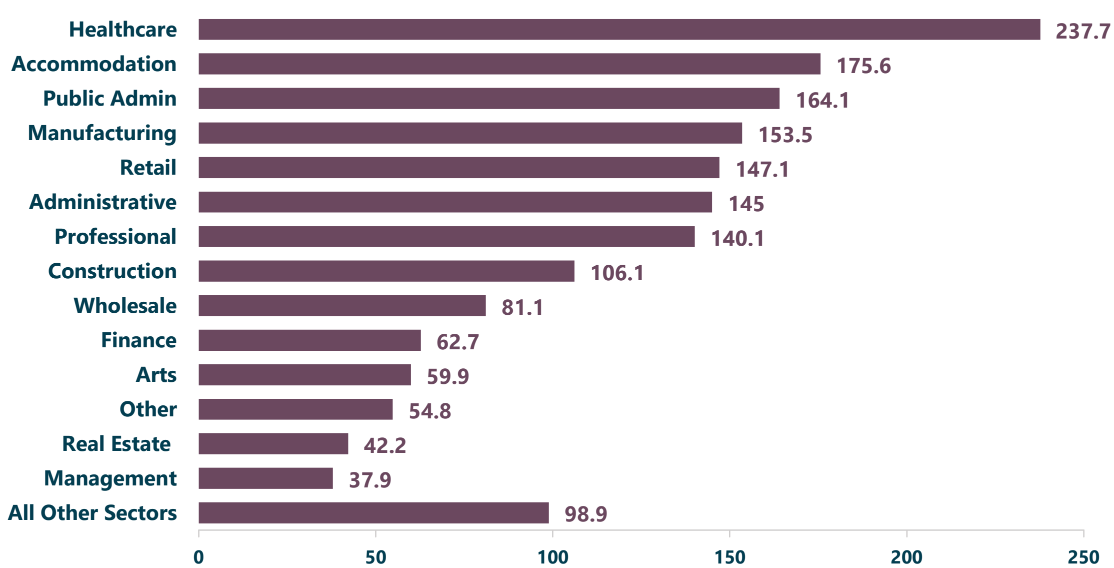
Exhibit 5 Labor Market Snapshot, September 2024 (Seasonally Adjusted)

Region	Labor Force (000s)	Y-o-Y % Change	Employment (000s)	Y-o-Y % Change	Unemp. (000s)	Unemp. Rate
Orange	**1,592**	**-0.2%**	**1,526**	**-0.5%**	**65.3**	**4.1%**
Los Angeles	5,111	1.9%	4,805	1.2%	306.9	6.0%
Imperial	75	1.3%	61	0.8%	13.3	17.7%
Ventura	414	0.0%	395	-0.3%	19.7	4.8%
Inland Empire	2,195	0.5%	2,078	0.2%	117.4	5.3%
SCAG Region	9,386	1.1%	8,860	0.6%	518.9	5.5%
California	19,447	0.5%	18,378	0.0%	1,072.9	5.5%
United States	168,654	0.5%	161,733	0.2%	6,811.1	4.0%

Source: California Employment Development Department (EDD)

As of September 2024, Orange County's Healthcare industry was its largest, with 237,000 employees, followed by Accommodation (175,600) and Public Administration (164,100). Over the past year, Healthcare and Social Assistance added more jobs (9,900, a 4.3 percent increase) than any other county industry, followed by Public Administration with 4,000 jobs (+2.5 percent), and Arts, Entertainment, and Recreation with 3,000 jobs (+5.3 percent). Industries with the largest employment declines over the past year included Manufacturing, which lost 3,300 jobs (-2.1 percent), Information, which lost 1,100 jobs (-5.0 percent), and Other Services, which lost 900 jobs (-1.6 percent).

Exhibit 6 Employment by Industrial Sector in Orange County, September 2024

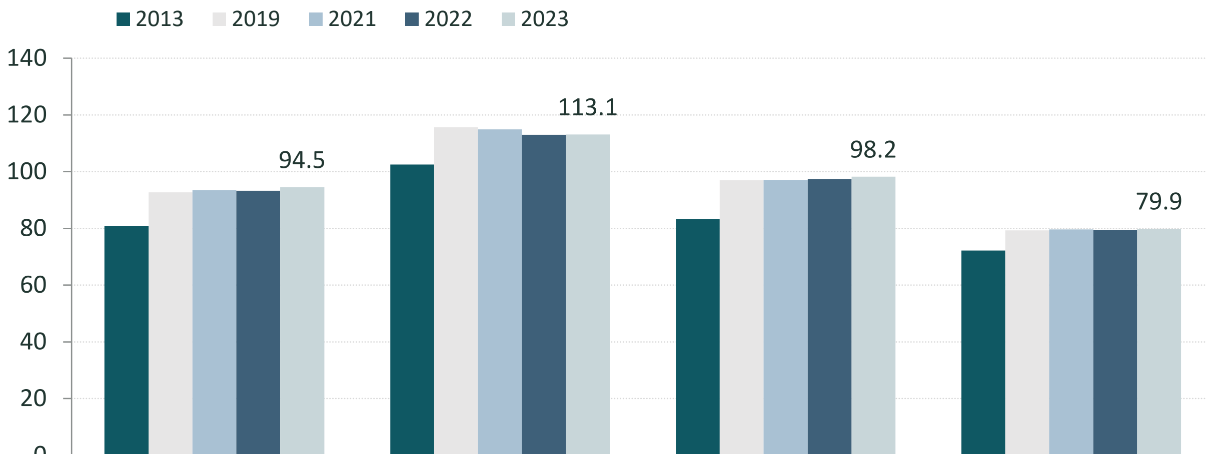


Source: California Employment Development Department (EDD)

INCOME, POVERTY, AND EQUITY

In a welcome sign for residents, especially following a period of high inflation, Orange County median household incomes have increased for the first time since 2019: from $112,972 to $113,118, an increase of 0.1 percent. Median household incomes increased by 1.3 percent in the SCAG region, 0.8 percent in California, and 0.5 percent in the nation. Orange County also has the region's lowest poverty rate at 9.1 percent in 2023, compared to 12.4 percent for the SCAG region and 12.5 percent for the nation.

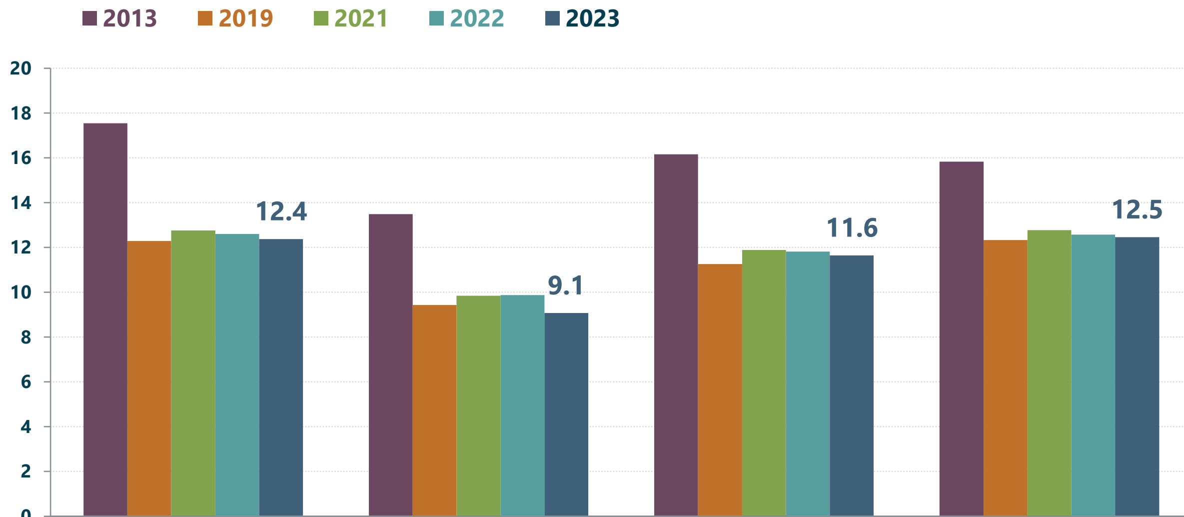
Exhibit 7 Median Household Income in Thousands of 2024 U.S. Dollars



	SCAG	Orange	California	United States
2013	80.8	102.5	83.2	72.2
2019	92.7	115.7	97.0	79.2
2021	93.5	114.9	97.0	79.7
2022	93.3	113.0	97.4	79.5
2023	94.5	113.1	98.2	79.9

Notes: Chart reports data for 2013, 2019, 2021, 2022, and 2023 from ACS 1-year sample, Table B17001

Exhibit 8 Percent of People in Poverty



	SCAG	Orange	California excluding SCAG	United States
2013	17.6	13.5	16.2	15.8
2019	12.3	9.4	11.3	12.3
2021	12.8	9.9	11.9	12.8
2022	12.6	9.9	11.8	12.6
2023	12.4	9.1	11.6	12.5

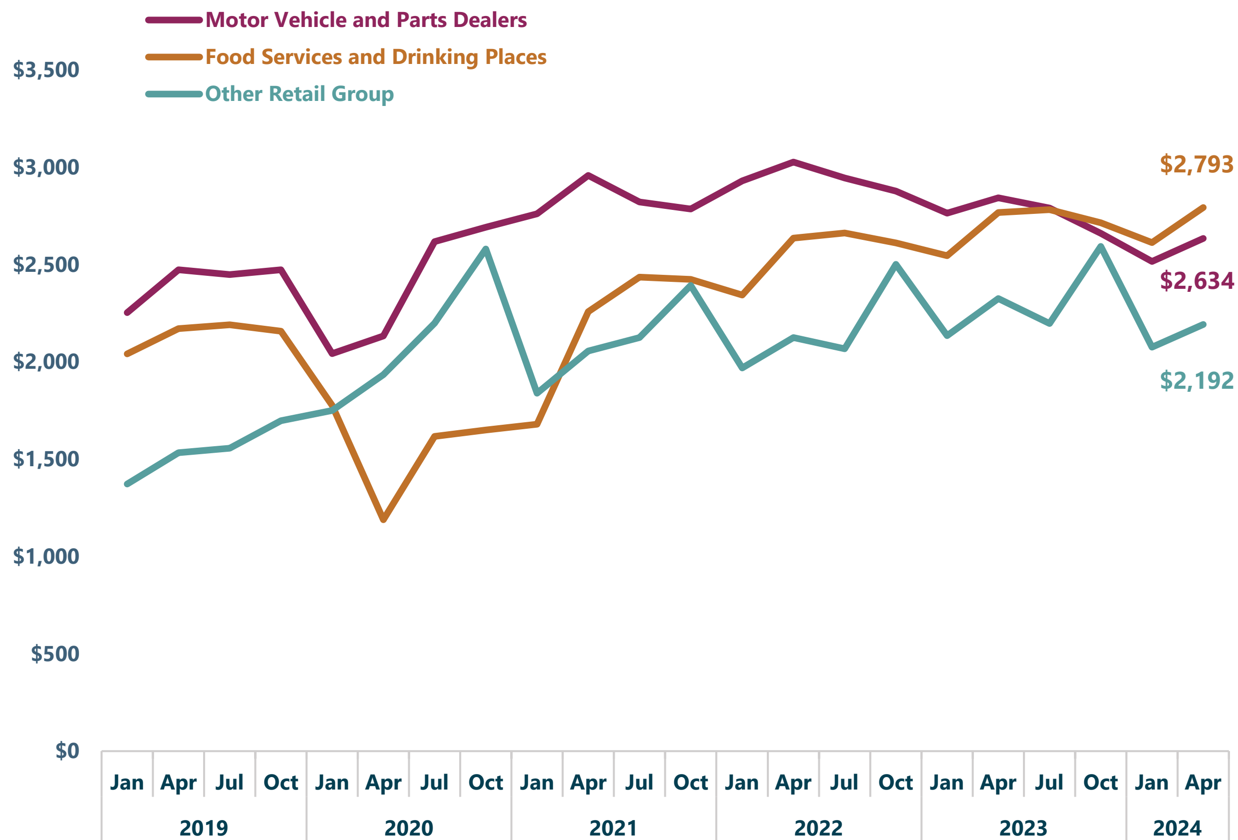
Notes: Chart reports data for 2013, 2019, 2021, 2022, and 2023 from ACS 1-year sample, Table B17001

TAXABLE SALES

Despite the rising cost of living and concerns about housing affordability, consumer spending continues to drive economic growth. A welcome development comes from the county's tourism spending, which has surpassed pre-pandemic levels. Spending in Orange County reached $15.8 billion in 2023, an increase of approximately 5.3 percent over the previous year, representing $1.3 billion in state and local tax revenue. A broader concern, however, is that total household and credit card debts are increasing.

Orange County's total taxable sales reached $13.9 billion in April 2024, an increase of 6.8 percent over the previous quarter but a decline of 3.6 percent over April 2023 totals. These sales were driven by Food Services and Drinking Places (20 percent of total taxable sales in Q2 2024), Motor Vehicle and Parts Dealers (19 percent), and Other Retail Group (16 percent), which includes businesses such as health and personal care stores, sporting goods, musical instruments, bookstores, and non-store retailers.

Exhibit 9 Taxable Sales by Type of Business in Orange County ($ in Millions)



General Merchandise stores saw the largest yearly increase in taxable sales, 1.1 percent, followed by Gasoline Stations and Food Services and Drinking Places, both of which increased by 0.9 percent. Sectors that saw the largest declines over the same period included Food and Beverage stores, which dropped by 12.5 percent, followed by Home Furnishings and Appliance Stores (-8.0 percent) and Motor Vehicles and Parts Dealers (-7.3 percent).

Exhibit 10 Share of Taxable Sales by Type of Business in Orange County, Q2 2024

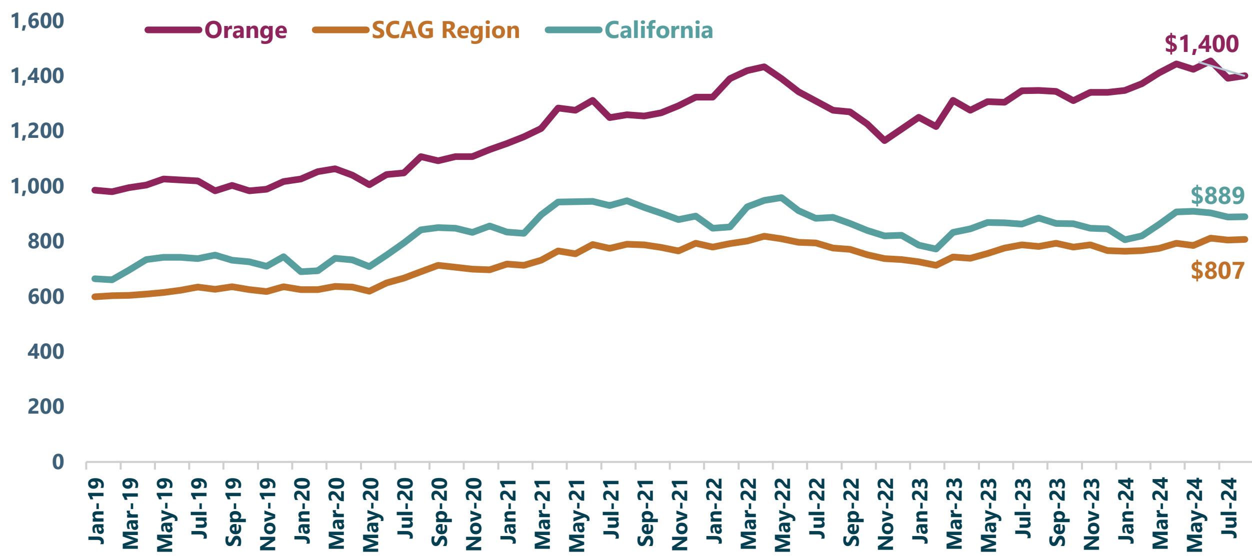
HOUSING MARKET AND NEW DEVELOPMENTS

Despite the recent interest rate cut from the Federal Reserve, housing in Orange County remains prohibitively expensive, especially for lower-income families and communities. Both home prices and rents have reached near-record highs in recent months. While median rents reached record highs in 2023, single-family home prices have declined slightly from their peak in June 2024.

Orange County's real median single-family home price was $1,400,000 as of August 2024, well above the SCAG regional average of $806,755 and the state average of $888,740. According to the California Association of Realtors' Traditional and First-Time Home Buyer Affordability Indices, only 11 percent of county buyers can afford a median-priced home at $1,437,500, which requires a minimum qualifying income of $375,200. Only 15 percent of first-time home buyers can afford an "entry-level" home priced at $1,221,880, which requires a minimum qualifying income of $251,100.

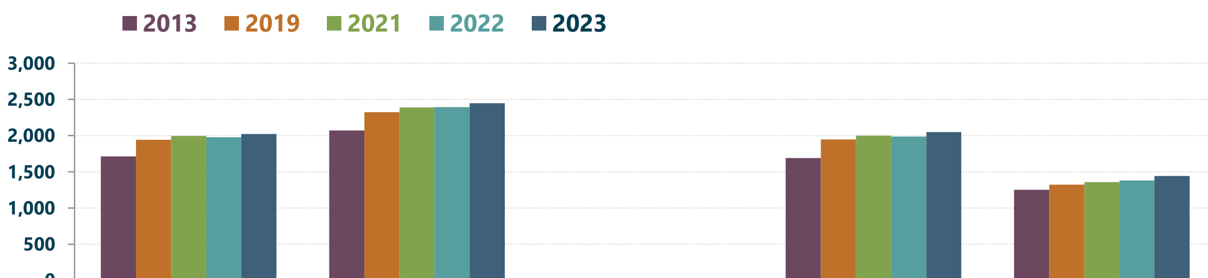
Rents have also increased. Orange County's median gross rent has increased to $2,449, 21 percent higher than the SCAG region, 20 percent higher than the state, and 70 percent higher than the national average.

Exhibit 11 Median Prices for Single-Family Homes in Thousands of 2024 U.S. Dollars



Source: California Association of Realtors

Exhibit 12 Median Gross Rent in 2024 U.S. Dollars



	SCAG	Orange	California	United States
2013	1,713	2,072	1,692	1,251
2019	1,944	2,326	1,946	1,323
2021	1,995	2,389	2,000	1,361
2022	1,977	2,394	1,989	1,383
2023	2,024	2,449	2,048	1,445

Notes: Chart reports data for 2013, 2019, 2021, 2022, and 2023 from ACS 1-year sample, Table B25064

However, several major new development projects could at least alleviate some of the current supply constraints by adding new, affordable workforce housing. These projects will also deliver job growth during the construction stage. Finally, Orange County is in a strong position for continued economic prosperity and job growth over the next several years, due in large part to a diverse set of major new development projects currently under construction or in the development pipeline. Looking forward, these projects will create thousands of new housing units and mixed-use spaces as well as new, innovative retail, entertainment, health and wellness, and community open spaces. Prime examples include:

- **OCVIBE**: OCVIBE is an immersive entertainment district in central Anaheim that seeks to create a "new downtown" for Orange County. It includes more than 1,500 housing units, including 195 affordable units, 520 hotel rooms, walking trails, parks and plazas, restaurants, entertainment spaces, on-site solar, and 1 million square feet of office space.
- **DisneylandForward:** Disney has made a nearly $2 billion investment in a new theme park and lodging development, which notably includes a $30 million contribution to affordable housing, $8 million to park improvements in Anaheim outside the resort area, and $85 million to improve traffic flow, pedestrian circulation, and safety.
- **Related Bristol:** Recently approved by the Santa Ana City Council, Related Bristol is the largest and most expensive mixed-use, master-planned development in the city's history. This 41-acre, $2.9 billion project is on the site of a former shopping center and will include 3,750 apartments and 200 senior housing units, hotel rooms, commercial space, and open space.
- **Magnolia Tank Farm:** This Shopoff Realty project was approved in September 2024 by the Huntington Beach City Council and aims to redevelop a 29-acre property into more than 200 single-family homes, 50 affordable multi-family units, a boutique hotel, and 19,000 square feet of retail.
- Greystar's **The Row at Red Hill**: Expected to be completed in 2025, this development includes 1,100 housing units across four buildings, a fitness and wellness center, 40,000 square feet of commercial space, and 50,000 square feet of retail space.
- The **City of Hope Orange County** Lennar Foundation Cancer Center is the first stage of a $1.5 billion medical campus exclusively focused on treating and curing cancer. The next phase, planned to open in late 2025, is a six-story, 73-bed hospital. When completed, it will be Orange County's only cancer-focused hospital, providing both inpatient treatment and clinical trials.
- **UCI Health-Irvine** recently opened doors to the first phase of its $1.3 billion, 1.2 million square-foot medical campus, the nation's first all-electric, carbon-neutral medical center. The last phase, slated to open in 2025, includes a seven-story, 350,000-square-foot, a 144-bed acute care hospital, and a 24-hour emergency department.

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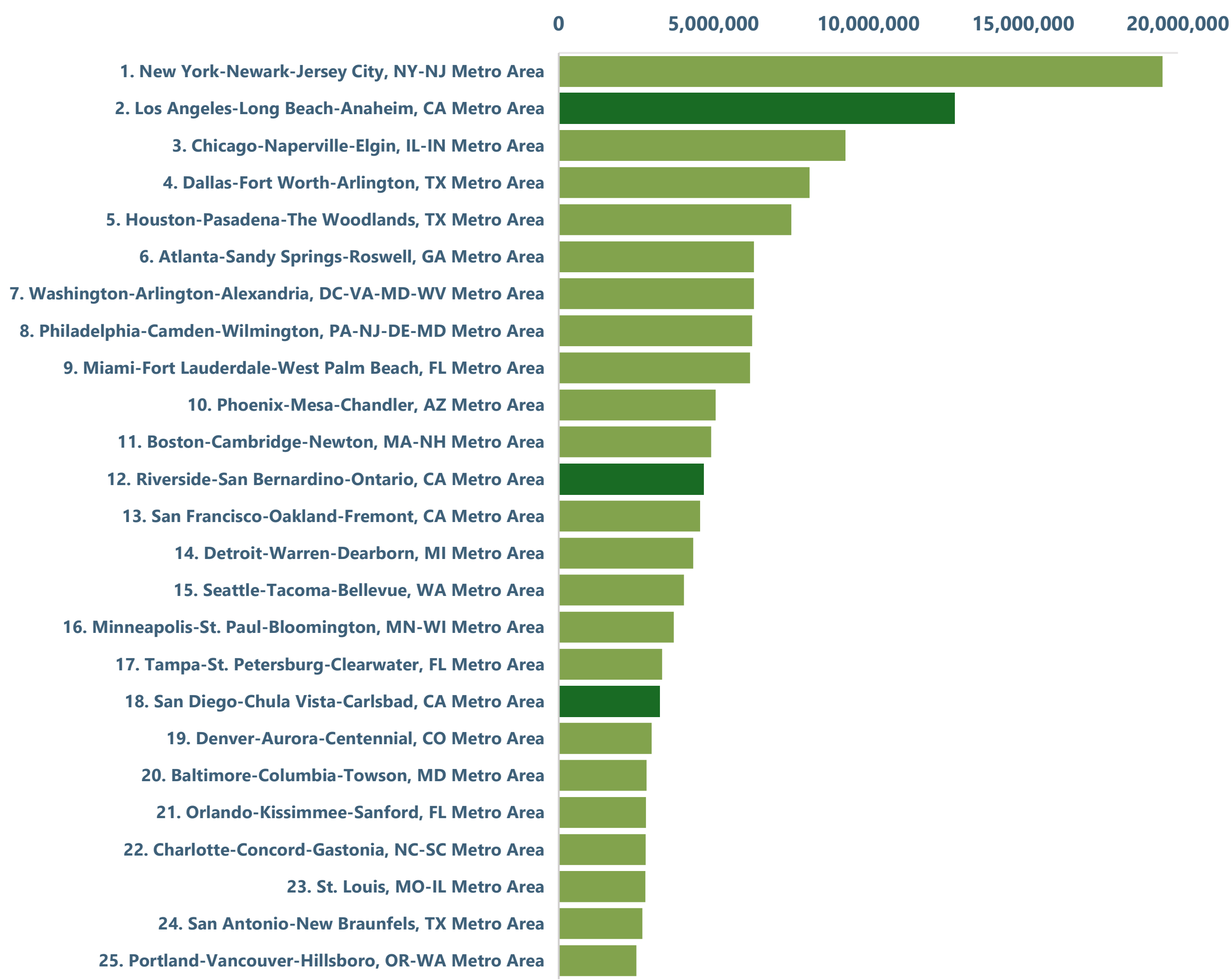
Inland Empire Economy

Manfred Keil, Ph.D., and Robert Kleinhenz, Ph.D.
Inland Empire Economic Partnership

THE SIZE OF AN EMPIRE, IN CONTEXT

An often-overlooked characteristic of the Inland Empire is the relatively large size of its population. Also known as the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA), it is the 12th most populous MSA in the United States (there are more than 380). It recently passed the San Francisco MSA in size and is only 200,000 residents short of the Boston-Cambridge MSA, with the Phoenix-Mesa MSA in 10th place.

Exhibit 1 Population Size, Largest American Metropolitan Statistical Areas (MSAs), 2023



Source: 2023 American Community Survey 1-year Estimates

STILL A COMMUTING-DRIVEN ECONOMY

A second important characteristic of the Inland Empire is the large number of commuters who travel to coastal areas (roughly 20 percent of its labor force) for work, generating heavy traffic flows especially during rush hours (Exhibit 2).

Exhibit 2 Commuters, Inland Empire Counties, Origin and Destination, 2022

	INTO San Bernardino	FROM San Bernardino	INTO Riverside	FROM Riverside
San Bernardino	---	---	78,500	114,000
Riverside	114,000	78,500	---	---
Los Angeles	61,000	133,000	17,000	53,000
Orange	13,000	37,000	16,000	76,000
San Diego	1,000	3,000	7,000	47,000
Total	189,000	251,500	118,500	290,000
Share of Total Employment	**23%**	**30%**	**14%**	**34%**

Source: LEHD LODES

The motivation to live in the Inland Empire and work in the coastal areas stems from much lower housing prices in the Inland Empire housing prices than in coastal areas (Exhibit 3). While commuters from the Inland Empire to coastal areas endure long and costly commutes, they earn more money in their positions than they would in jobs in the Inland Empire, and they get more for their money in the Inland Empire housing market.

Exhibit 3 Median Single-Family Home Prices, Change in Price and Sales, 2023-2024

	August 2023	August 2024
Imperial	$346,200	$410,600
Los Angeles	$907,300	$919,900
Orange	$1,347,600	$1,400,000
Riverside	$635,800	$630,000
San Bernardino	$509,200	$515,000
Ventura	$941,300	$965,000
California	**$884,400**	**$888,700**

Source: California Association of Realtors

The popular press has classified the area’s business cycle behavior as “First In, Last Out,” because commuters tend to get laid off first if economic activity in the “core” economic area (Greater Los Angeles) softens. Since unemployment is measured by residency, this shows up in the unemployment rates in the Inland Empire. For example, the Great Recession of 2008-09 started much earlier and lasted longer in the Inland Empire when compared with the coastal counties. Commuters were hired, on average, only after residents in the coastal areas found jobs during the recovery.

WAREHOUSE CAPITAL OF THE WORLD

The size of the region's Logistics industry, encompassing the Wholesale Trade (NAICS 42) and Transportation and Warehousing (NAICS 48-49) sectors, differentiates the economy most significantly from the rest of Southern California. The Inland Empire is often regarded as the warehouse capital of the world due to its large share of employment generated by the Transportation, Warehousing, and Wholesale sectors. For the region as a whole, Logistics has become the third largest employer after Health Care and Social Assistance, and Government. Its employment share has doubled from 20 years ago to 16 percent of all nonfarm jobs, driven by growth in cargo traffic through the ports of Los Angeles and Long Beach, air cargo activity through Southern California's airports, Ontario International Airport in particular, and ground transportation related to goods movement and online distribution. However, as shown in Exhibit 4, the Logistics industry plays a much more important role in the San Bernardino County economy, where it accounts for one out of every five jobs, than in Riverside County, where it accounts for one of every eight jobs.

WAGES AND PRODUCTIVITY

Exhibit 4 Employment Shares of Major Industries, Inland Empire, Riverside County, San Bernardino County, 2023 Average (Rankings: 1st-Red, 2nd-Blue, 3rd-Green)

	Inland Empire	Riverside County	San Bernardino County
Min and Logging	0.1%	0.1%	0.1%
Construction	6.9%	9.0%	4.9%
Manufacturing	5.9%	5.5%	6.3%
Retail Trade	10.9%	11.5%	10.3%
Logistics	16% **(#2)**	12.4%	20% **(#1)**
Information	0.8%	0.7%	0.9%
FIRE	2.7%	2.6%	2.8%
Prof & Bus Serv	9.8%	9.3%	10.3%
Educ & Health	17.1% **(#1)**	17.5% **(#1)**	16.7% **(#2)**
Leisure & Hosp	11.1%	12.7% (#3)	9.6%
Other Services	2.9%	3.1%	2.8%
Government	15.5% **(#3)**	15.6% **(#2)**	15.5% **(#3)**

Source: CA EDD. Industry's rank shown in parentheses.

Average wages in the Logistics industry are relatively low (Exhibit 5). In many ways, the area needs to attract higher paying industries to discourage commuting into the coastal areas. One major deterrent for moving higher paying jobs into the area is the relatively low average level of human capital of its residents. The share of the population over 25 years with at least a bachelor's degree was 23.6 percent in San Bernardino County in 2023 and 25.5 percent in Riverside County compared to 35.1 percent across the SCAG region as a whole.

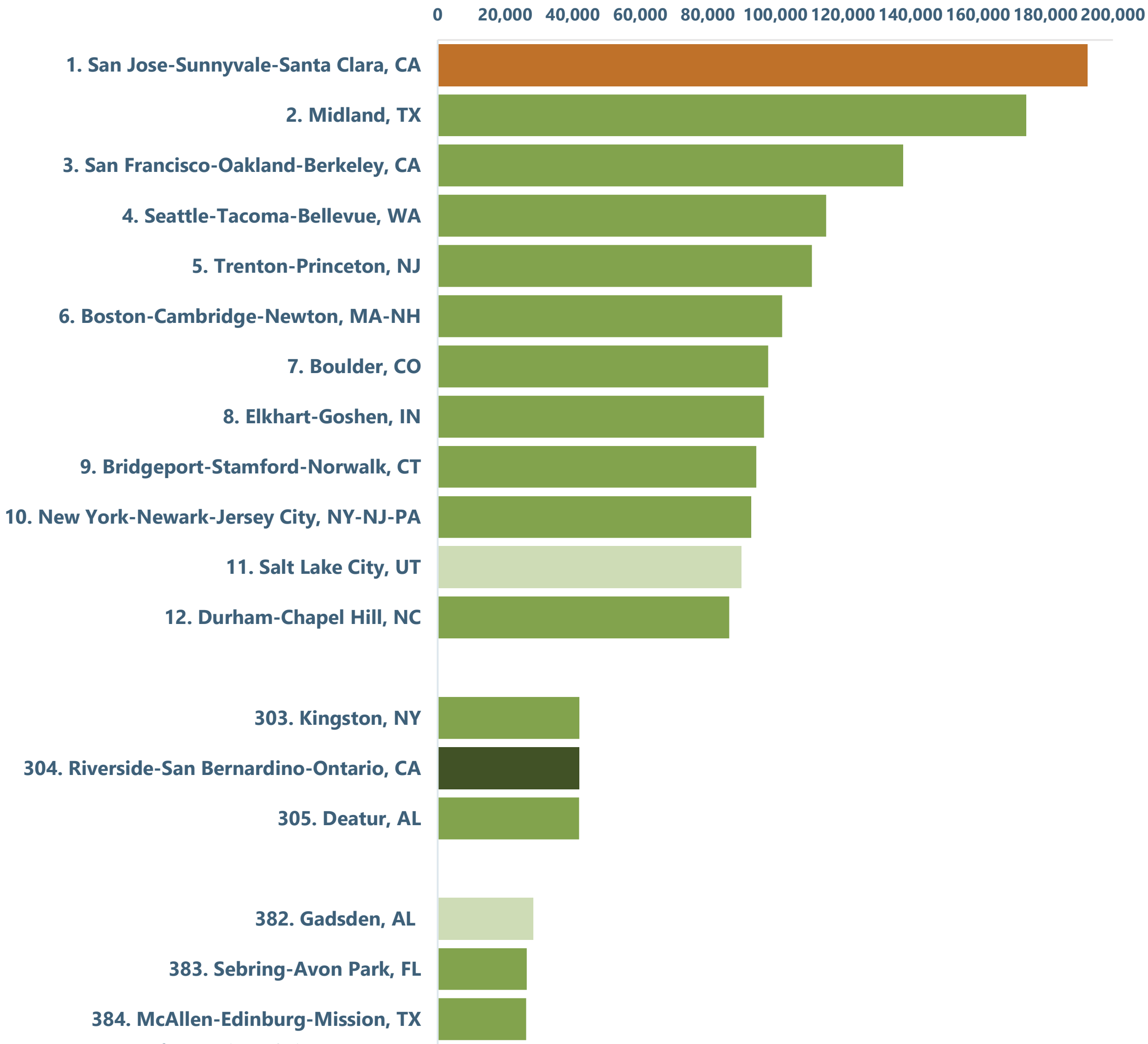
Exhibit 5 Wages by Occupation, Inland Empire 25th through 75th percentiles, 2022 Q1

Occupation	25th Percentile	Median	75th Percentile
Management Occupations	37.49	**$52.75**	78.22
Healthcare Practitioners and Technical Occupations	34.64	**$51.61**	71.91
Legal Occupations	30.07	**$47.65**	82.11
Computer and Mathematical Occupations	33.07	**$47.31**	64.28
Architecture and Engineering Occupations	35.48	**$46.58**	60.48
Life, Physical, and Social Science Occupations	27.94	**$40.47**	57.4
Business and Financial Operations Occupations	28.34	**$37.31**	48.87
Educational Instruction and Library Occupations	23.45	**$36.68**	52.21
Installation, Maintenance, and Repair Occupations	23.16	**$30.41**	38.36
Construction and Extraction Occupations	23.54	**$30.12**	40.15
Community and Social Service Occupations	21.77	**$29.21**	39.62
Arts, Design, Entertainment, Sports, and Media Occupations	18.86	**$25.79**	38.46
Transportation and Material Moving Occupations	19.3	**$23.75**	27.48
TOTAL ALL OCCUPATIONS	**17.91**	**$23.52**	**35.14**
Office and Administrative Support Occupations	19.03	**$23.33**	29.16
Protective Service Occupations	18.61	**$22.87**	43.83
Production Occupations	18.06	**$21.23**	26.24
Building and Grounds Cleaning and Maintenance Occupations	17.39	**$18.78**	23.61
Sales and Related Occupations	16.86	**$18.10**	25.27
Personal Care and Service Occupations	16.44	**$17.36**	22.29
Farming, Fishing, and Forestry Occupations	16.53	**$17.22**	18.68
Food Preparation and Serving Related Occupations	16.4	**$17.13**	18.65
Healthcare Support Occupations	15.98	**$15.98**	18.97

Source: CA EDD, OEWS

The wage structure of the Inland Empire has resulted in a relatively low per capita GDP, where GDP is the value-added output produced within the region, meaning it does not include the value added by commuters in the coastal regions. Recall that the Inland Empire is the 12th largest MSA by population size. Ranking it by GDP lowers its rank to the low 30s, but it is still relatively high due to the large number of workers producing GDP. Controlling for the size of the labor force and population then results in a ranking below 300 out of the roughly 390 regions in the United States (Exhibit 6).

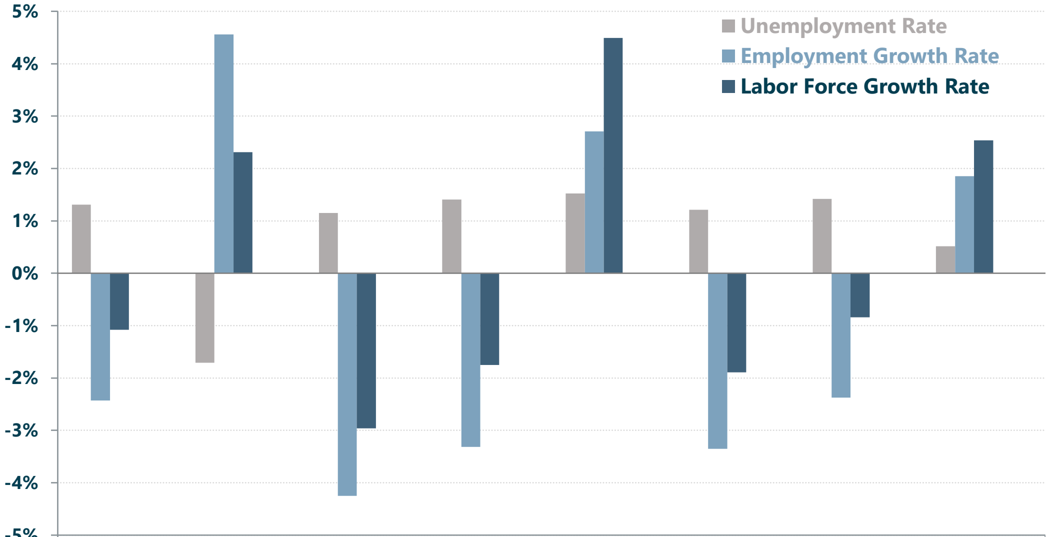
Exhibit 6 Ranking of Metropolitan Statistical Areas (MSAs) by GDP per capita, 2022



Source: Bureau of Economic Analysis

Recently, the Inland Empire economy has fared somewhat better than the SCAG region as a whole. Industry employment increased 2 percent year-to-year for September 2024 in the Inland Empire compared to 1.5 percent across the SCAG region, led by yearly gains in Health Care, Government, and Logistics. The seasonally adjusted unemployment rate of 5.3 percent in September was marginally lower than the SCAG regional rate of 5.5 percent. Both the labor force and employment have recovered fully from pre-pandemic levels five years ago. Like other areas in the SCAG region, the unemployment rate has increased slightly over the course of 2024 (Exhibit 7). However, the increase in the Inland Empire unemployment rate is due to labor force growth outpacing employment growth. By contrast, other parts of the SCAG region typically experienced declines in both their labor force and employment, with employment shrinking at a faster rate, thereby driving up the unemployment rate. In short, labor market conditions in the Inland Empire are somewhat healthier compared to other parts of the SCAG region (and indeed the state).

Exhibit 7 Change in Unemployment Rate, Employment Growth Rate, and Labor Force Growth Rate, Seasonally Adjusted, February 2020 and July 2024



	SCAG	Imperial	Los Angeles	Orange	Inland Empire	Ventura	California	United States
Unemployment Rate	1.3%	-1.7%	1.1%	1.4%	1.5%	1.2%	1.4%	0.5%
Employment Growth Rate	-2.4%	4.6%	-4.3%	-3.3%	2.7%	-3.4%	-2.4%	1.9%
Labor Force Growth Rate	-1.1%	2.3%	-3.0%	-1.8%	4.5%	-1.9%	-0.8%	2.5%

Source: CA EDD LMID

Like the national economy, the Inland Empire has seen great progress toward a lower inflation rate. Based on the Inland Empire's Consumer Price Index (CPI), it fell to 1.4 percent in September 2024, down considerably from 4.9 percent a year earlier.

THE INLAND EMPIRE IN 2025

The outlook for the near term is positive for the Inland Empire given two driving factors. First, steady growth in the U.S. economy is expected over the next six to 18 months, driving increases in consumer and business spending as well as foreign trade. In turn, these spending patterns will drive gains in the region's logistics sector, which has been a significant source of economic growth in recent years. Second, migration to the Inland Empire region will increase as households move from the coastal areas and elsewhere into the region in search of more favorable housing costs. Slow but steady growth in population will trigger continued growth in population-serving industries such as Health Care, Retail Trade, and Leisure and Hospitality services.

The outcome of the presidential election could have potentially significant negative impacts on the Inland Empire economy. For example, tariffs on imported goods, in particular from China, will reduce imports and lower container traffic coming through the ports. This could be offset by higher imports from other Asian countries, provided they escape new tariffs. In the end, decreases in imports will affect the region's Logistics industry negatively regardless of their cause.

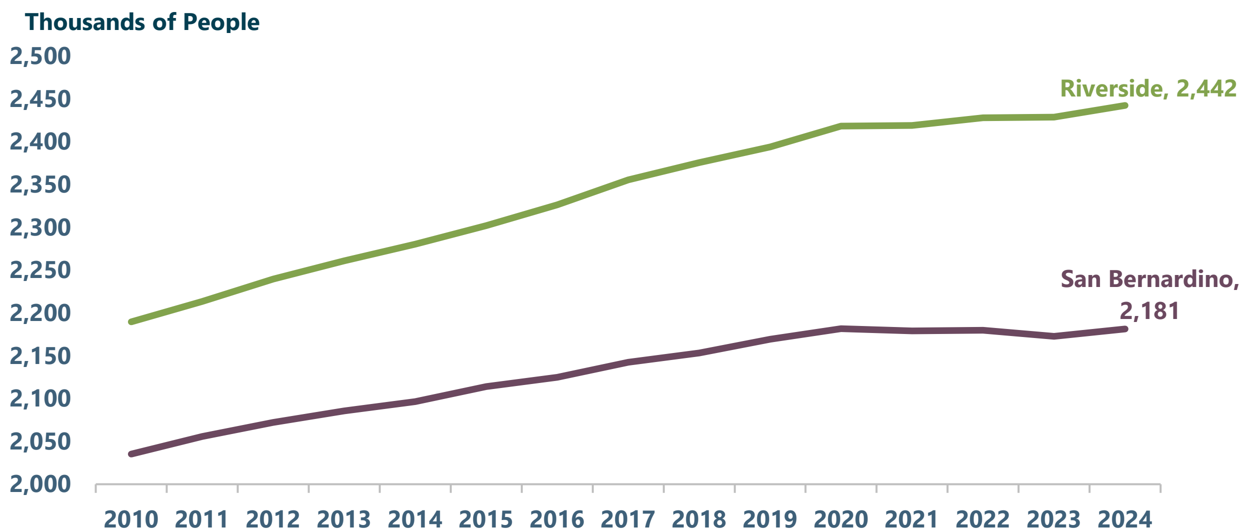
Riverside County

POPULATION AND COMMUTING

Riverside County is the fourth most populous county in the state with 2.4 million residents, ranking behind Los Angeles, San Diego, and Orange counties. The California Department of Finance projects Riverside County will have 3 million residents by 2048. Large numbers of workers commute into neighboring San Bernardino County as well as nearby coastal areas, reflecting the high level of economic connectivity across the counties of the SCAG region.

Riverside County population growth stalled during the COVID-19 pandemic, as occurred across much of the state, but has since resumed growth at a slight pace (Exhibit 8). Population growth has outpaced that of San Bernardino County since 2006.

Exhibit 8: Population, Riverside County and San Bernardino County, 2010-2024



Source: California Department of Finance, E-5 Population and Housing Estimates and E-8 Historical Population and Housing Estimates

The county also stands out for the large number of commuters (see Exhibit 2). The largest share (45 percent) travel into Orange County, 30 percent commute into Los Angeles County, and 27 percent commute to San Diego County. More commuters reside in Riverside County but work in San Bernardino County than the reverse.

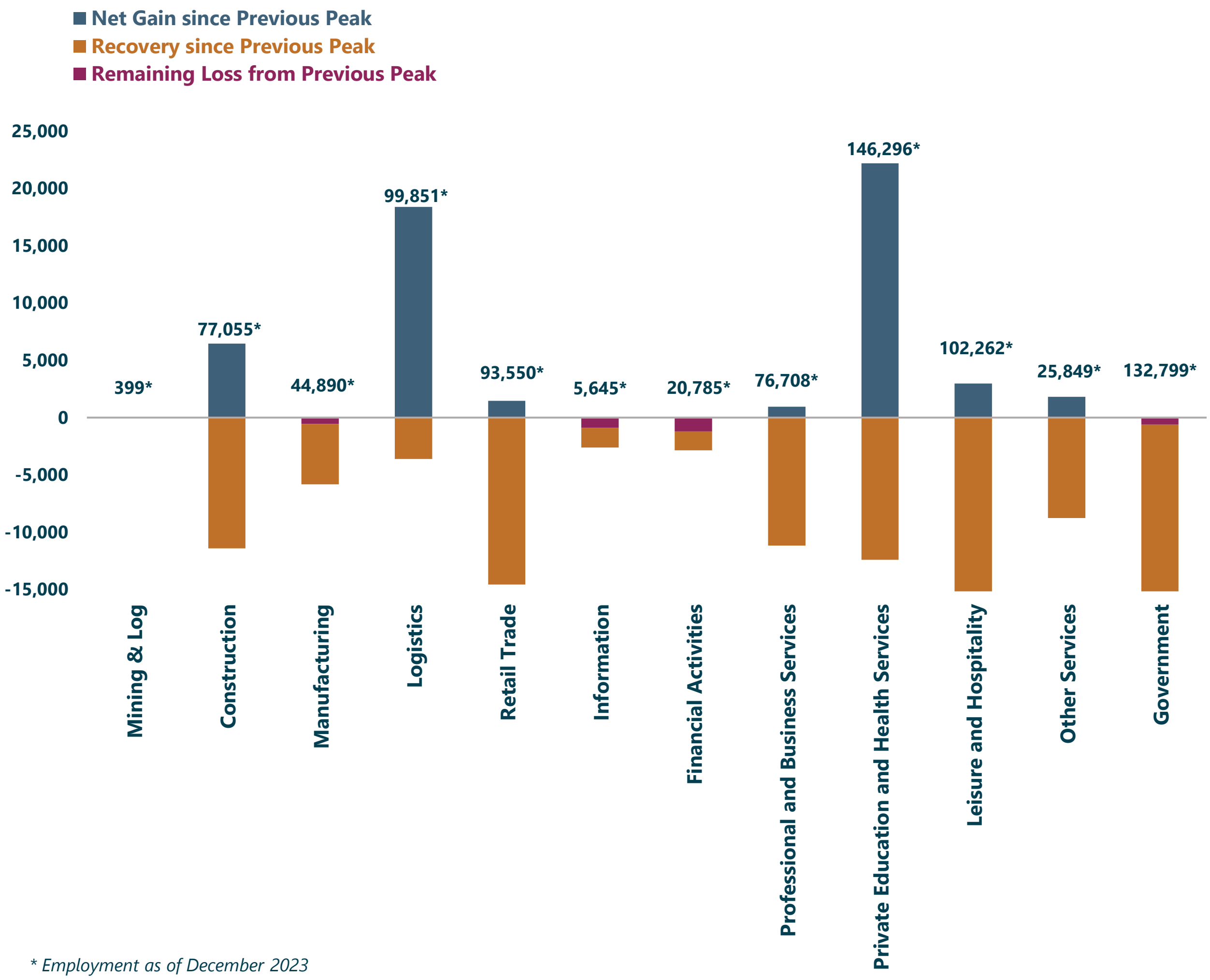
The region's commuting patterns and long-term migration patterns are driven in part by Inland Empire home prices, which are much lower than those of adjacent coastal counties. Both counties have lower home prices than their coastal neighbors, but the median home price in Riverside County, at $624,500, is 17 percent higher than in San Bernardino County (Exhibit 3). Home prices generally fell in early 2023, but hit record levels in 2024, due to limited inventory of new and existing homes.

JOBS AND INDUSTRY SECTORS

Riverside County recovered its pandemic-era job losses by October 2021 and had 838,500 nonfarm positions by the end of 2023 (the latest data for the county), 51,200 more than before the pandemic. Pandemic-related job losses and recovery occurred unevenly across the county's industries. Leisure and

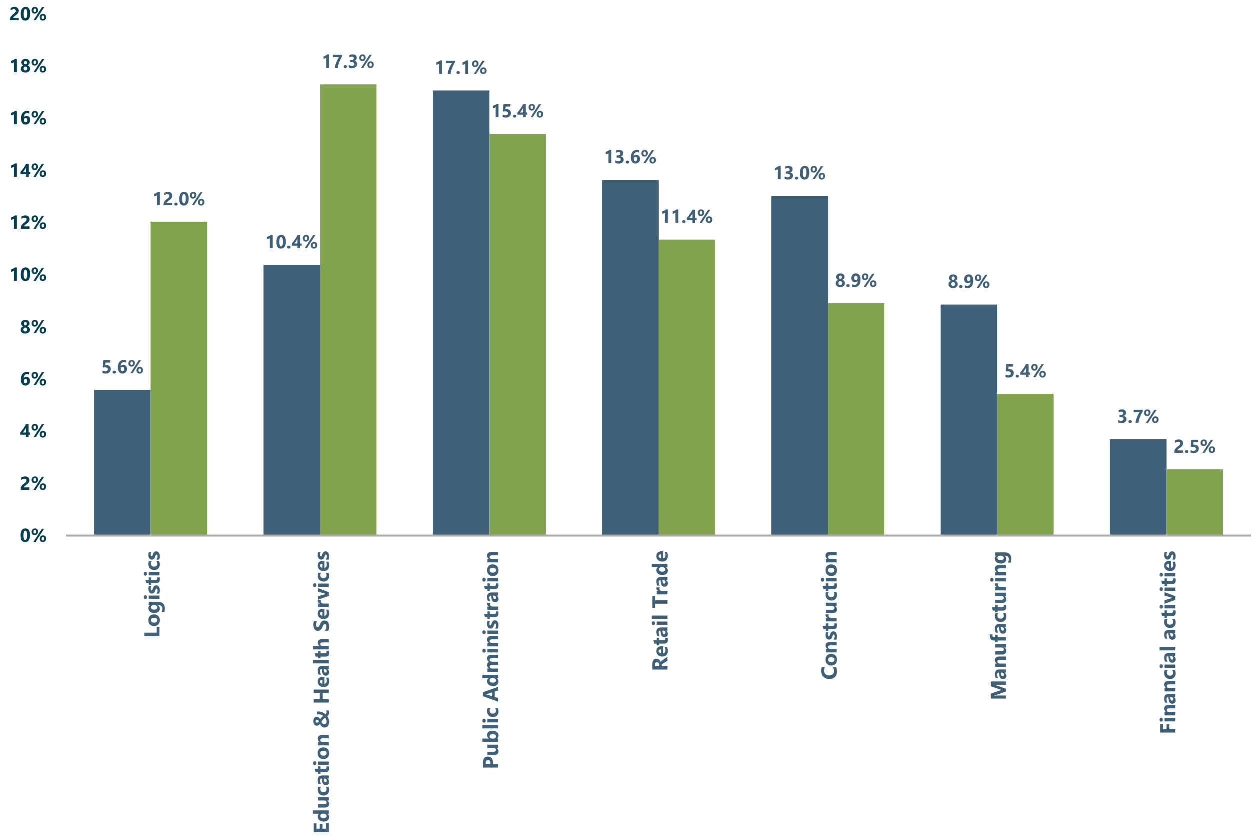
Hospitality, Retail Trade, and Education and Health Services initially experienced the largest private sector job losses. Education and Health Services subsequently recovered and showed strong growth, but Manufacturing, Information, Financial Activities, and Government remain below pre-pandemic levels (note that Government remaining below pre-pandemic levels is specific to Riverside County; this is not the case for San Bernardino County). Logistics hit record employment growth during the pandemic, more than doubling its share of county jobs between 2005 and 2023 (Exhibit 10). However, and differently from San Bernardino County, Logistics does not have the highest employment share, and its employment share is also significantly below that for San Bernardino County, where it reached 20 percent.

Exhibit 9: Change in Employment by Sector, Riverside County, Seasonally Adjusted, February 2020 and December 2023



** Employment as of December 2023*

Exhibit 10: Change Employment Share by Industry, Riverside County, 2005 and 2023



Source: California Employment Development Department

The non-seasonally adjusted county unemployment rate was 5.6 percent in September 2024, up from 5.2 percent a year ago, but low by historical standards, averaging 7.8 percent since 2010. Typically, unemployment rates in the two neighboring counties of the Inland Empire move in close sync, but lately a somewhat larger gap has opened—Riverside County's unemployment rate is now 0.4 percentage points higher. The labor force grew by 0.6 percent since February 2020, to 1,169,600 in September, but fell shy of the all-time high of 1,172,700, which occurred in November 2023. Household employment was 1,104,300 in September 2024, up 0.1 percent year-to-year, but less than the November 2023 peak of 1,112,100. (The November 2023 peak was due to increased hiring in Logistics, Retail, and other industries in conjunction with the holiday season.) In short, the unemployment rate rose because both the labor force and employment increased relative to the pre-recession peak, which is preferred over a rate that rises because of shrinking employment and labor force.

As shown in Exhibit 4 above, the Inland Empire's role as "Warehouse to the World" may be applicable to San Bernardino County, but to a lesser extent to Riverside County. Riverside County's job base is more reliant on Education and Health, Government, and Leisure and Hospitality than the Logistics industry, with all three outranking Logistics in terms of employment share. For reference, Logistics accounts for eight percent of all jobs statewide.

WAGES AND INCOME

The average private sector weekly wage in Riverside County rose 3.1 percent, from $1,015 in the first quarter of 2023 to $1,046 in the first quarter of 2024. Inflation, as measured by the Riverside-San Bernardino-Ontario MSA Consumer Price Index, rose by 3.6 percent over the same period, but has shown considerable declines in recent months. Having reached a pandemic-era peak of 10.0 percent in March 2022, the rate of inflation has fallen by half to 4.9 percent (September 2023) and more recently went below two percent to 1.4 percent in September 2024.

Household income in Riverside County (expressed in 2024 dollars) rose from $92,300 in 2022 to $93,100 in 2024, an increase of 0.9 percent, considerably less than the 3.9 percent gain experienced in San Bernardino County over the same period. Taxable transactions in the county totaled $14.2 billion in the first quarter of 2024. This was down 1.7 percent from a year earlier. Motor vehicles and parts dealers were the largest single source of taxable transactions at $1.7 billion, followed by food and beverage places at $1.5 billion.

HOUSING AND DEVELOPMENT

Based on estimates from the California Department of Finance, the stock of housing units in Riverside County rose over the past year. The number of units in the county rose from 872,930 in 2023 to 882,389 in 2024, or by one percent. Of that total, 611,115 (69 percent) were single-family homes.

As with the entire SCAG region and the state as a whole, new home construction slid in 2024, due in part to elevated interest rates, which dampen the demand for homes while also driving up the cost of construction. Through the first eight months of 2024, there were 7,029 new residential permits in Riverside County, 80 percent of which were single-family homes. This was 6.6 percent lower than a year earlier, when there were 7,530 permits. Over the same period, permits in the SCAG region were 15.1 percent lower.

The office sector in the county was steady in 2024, with vacancy rates that were better than elsewhere in the SCAG region. The direct vacancy rate in the third quarter was 5.7 percent, down slightly from 5.9 percent a year earlier. Average office base rent increased by 2.9 percent over the year.

Logistics facilities are still in meaningful development in Riverside County despite recent local moratoria. In Riverside County, 1.8 million square feet of new logistics facilities have been completed and 3.5 million square feet are still underway. The Perris market is leading the way with 2.5 million square feet of new development. The largest of which, the Majestic Freeway Business Center, has completed Phase I, nearly built out the 650,000 square foot Phase II, and is underway with an additional 650,000 square feet of Phase III. Moreno Valley also has substantial development activity in the pipeline, including 15,000 residential units in the under-review Aquabella Specific Plan. Numerous projects are underway in the Coachella Valley, including master-planned residential communities, hotels, golf courses, and a six-acre surf lagoon. A map and list of select major developments is found near the end of the "2024 Southern California Economic Update.”

San Bernardino County

POPULATION AND COMMUTING

San Bernardino County is the fifth most populous county in California, with 2.2 million residents. It ranks behind Los Angeles County, San Diego County, Orange County, and Riverside County, and is part of combined Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) with 4.7 million residents, now the 12th largest in the United States. San Bernardino County saw a slight population decline during the COVID-19 pandemic but has since resumed growth at a slight pace (Exhibit 8). Population growth fell behind Riverside County in recent years, and Riverside County has been more populous since 2006. The California Department of Finance projects that San Bernardino County will reach 2.6 million residents by 2048.

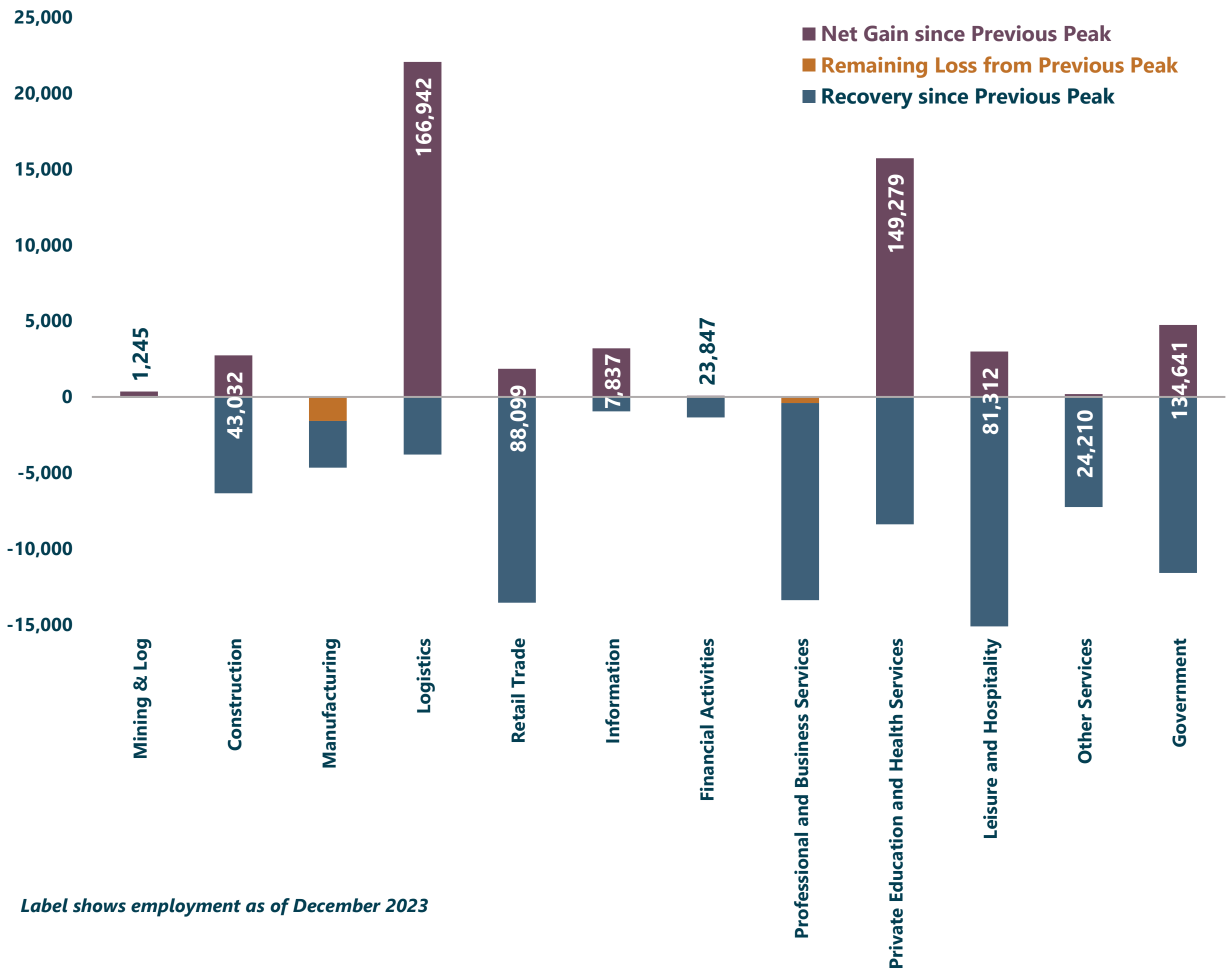
San Bernardino County has many workers who commute to workplaces beyond county borders (Exhibit 2). In this regard San Bernardino County is on par with Riverside County, although significantly more commuters from San Bernardino County travel to Los Angeles County, while Riverside County commuters gravitate more to Orange County and San Diego County. San Bernardino County has 173,000 commuters into coastal counties. Note that a larger number of commuters travel from Riverside County into San Bernardino County than the reverse.

The region’s commuting patterns can be explained partly due to its more affordable residential housing market. Inland Empire home prices are significantly lower than those of adjacent coastal counties. At $535,000 in August 2024, the median home price in San Bernardino County is 17 percent lower than in Riverside County, and well below prices in the nearby coastal counties (Exhibit 3). Home prices generally fell in early 2023 but hit record levels in 2024 due to limited inventory of new and existing homes.

JOBS AND INDUSTRY SECTORS

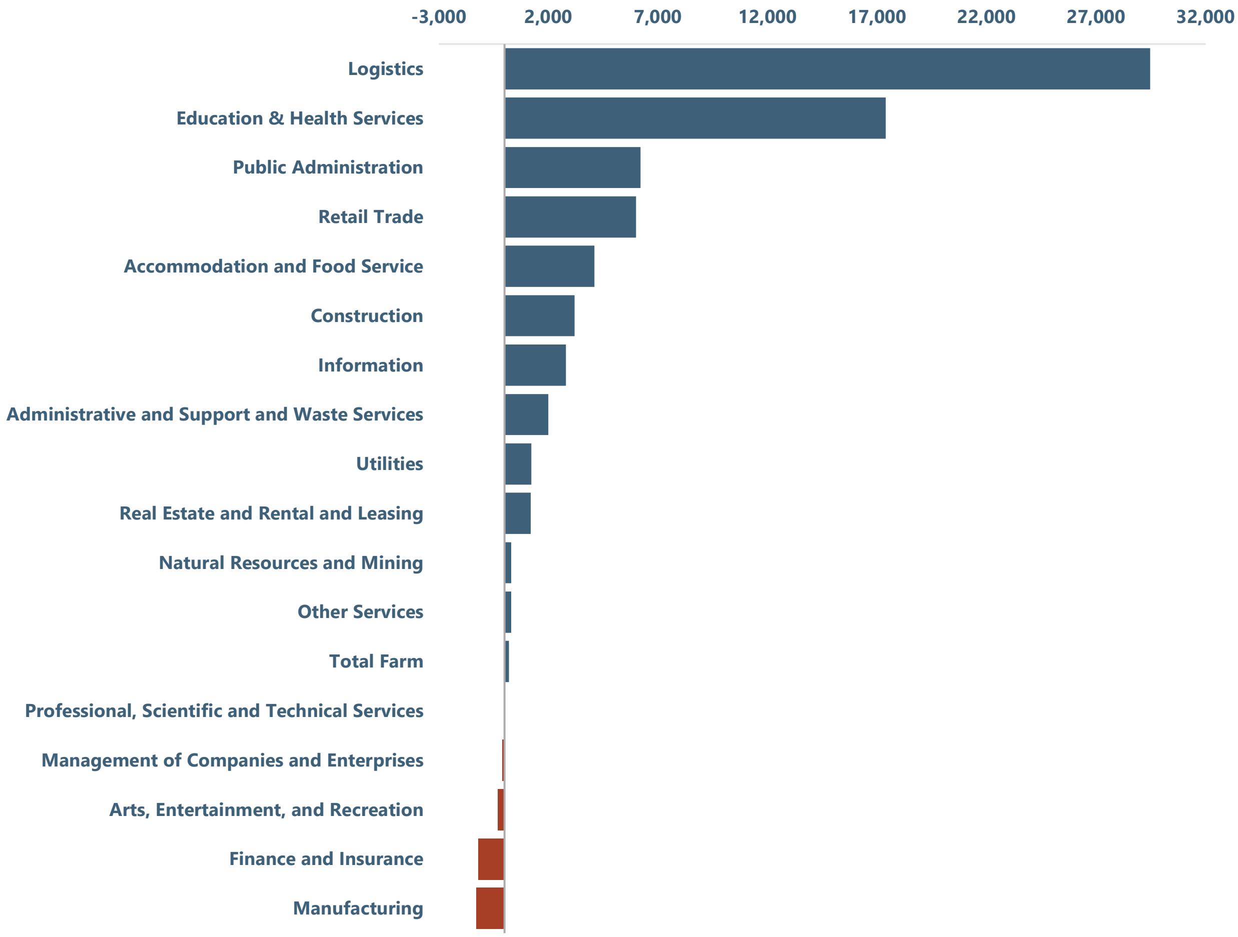
San Bernardino County recovered its pandemic-era job losses by July 2021, and had 882,300 nonfarm positions by the end of 2023, 71,500 more than before the pandemic. Pandemic-related job losses and recovery occurred unevenly across the county’s industries. Leisure and Hospitality, Retail Trade, and Professional and Business Services initially experienced the largest job losses. Nearly all of the sectors subsequently recovered, but Manufacturing remains below pre-pandemic levels. Logistics hit record employment growth during the post-pandemic period 2023.

Exhibit 11: Change in Employment by Sector, San Bernardino County, Seasonally Adjusted, February 2020 and December 2023



Note that Logistics nearly doubled its share of county jobs between 2005 and 2023 (Exhibit 12). The growth in Education and Health Services is also strong, with Health Services accounting for the majority of jobs. Employment shares of Manufacturing and Construction have fallen significantly.

Exhibit 12: Change in Employment Share by Industry, San Bernardino County, 2005 and 2023



Source: California Employment Development Department

Exhibit 4 compares the employment shares by industry in San Bernardino County along with those of Riverside County and the Inland Empire as of 2023. Logistics outranks all industries in San Bernardino County, accounting for one in five jobs, followed by Education and Health and Government. These three sectors account for more than half (52 percent) of all jobs in the county economy.

The county unemployment rate was 5.2 percent in September 2024, up from 4.9 percent a year ago, but low by historical standards, averaging 7.6 percent since 2010. The latest unemployment rate is 0.4 percentage points lower than Riverside County's; a gap of this size is uncharacteristic by historical standards. The labor force grew by 0.5 percent over the same period, to 1,022,600, but fell shy of the all-time high of 1,026,400 set in November 2023. Household employment was 969,600 in September 2024, up 0.2 percent year-over-year, but less than the November 2023 peak of 975,100. In short, the unemployment rate rose because both the labor force and employment increased, which is preferred over a rate that rises because of shrinking employment and labor force.

Given that the cities with the most employment in San Bernardino County have different industrial structures and are of different size, it should not be surprising to find that these cities suffered different degrees of employment loss during the COVID-19 downturn and also subsequently gained employment differently. Across the board, these cities lost slightly more than 20 percent of employment at the depth of the recession, but since then have recovered all employment losses and, again across the board, have seen a roughly 3 percent increase in employment compared to February 2020. They are Fontana (100,400 jobs based on the most recent available figures), Rancho Cucamonga (97,700), Ontario (89,900), San Bernardino (83,900), Victorville (46,600), Chino Hills, (46,000), Rialto (44,600), Chino (43,900), Upland (40,100), and Hesperia (35,900).

WAGES AND INCOME

The average private sector weekly wage in San Bernardino County rose 3.7 percent from $1,066 in the first quarter of 2023 to $1,105 in the first quarter of 2024. Inflation, as measured by the Riverside-San Bernardino-Ontario MSA Consumer Price Index, rose by 3.6 percent over the same period, but has shown a significant decline in recent months. Having reached a pandemic-era peak of 10 percent in March 2022, the rate of inflation fell to 4.9 percent by September 2023, and more recently dropped below two percent (1.4 percent) in September 2024.

Household income in San Bernardino County rose from $84,100 in 2022 to $87,400 in 2023, an increase of 3.9 percent, considerably more than the 0.9 percent gain experienced in Riverside County over the same period. Spending by households, businesses, and other organizations, as represented by taxable transactions in the county, totaled $13.5 billion in the first quarter of 2024, down 0.8 percent from a year earlier. Motor vehicles and parts dealers were the largest single source of taxable transactions at $1.4 billion, followed by food and beverage places at $1.3 billion.

HOUSING AND DEVELOPMENT

Based on estimates from the California Department of Finance, the county housing stock rose from 748,186 in 2023 to 753,826 in 2024, an increase of 0.8 percent. Of that total, 534,763 or 71 percent were single-family homes.

As with the SCAG region and the state as a whole, new home construction slid in 2024, due in part due to elevated interest rates, which dampen the demand for homes while also driving up the cost of construction. Through the first eight months of 2024, there were 3,703 new residential permits, of which 68 percent were single-family homes. This was 34.3 percent lower than the same period in 2023 (5,637 permits). Over the same period, permits in the SCAG region were 15.1 percent lower.

The office sector in the county held steady in 2024, with vacancy rates that were better than elsewhere in the SCAG region. The direct vacancy rate in the third quarter was 5.2 percent, down slightly from 5.3 percent a year earlier. Average office base rent increased marginally over the period (0.8 percent).

The Brightline West high-speed rail project connecting Rancho Cucamonga to Las Vegas broke ground this year and is anticipated to provide a roughly two-hour trip when it opens in 2028. A number of extremely large housing developments are in the pipeline in San Bernardino County, including Silverwood in Hesperia and Ontario Ranch in Ontario. Large logistics construction in the pipeline includes those in Victorville, Apple Valley, south Ontario, and Redlands. A map and list of select major developments is found near the end of the "2024 Southern California Economic Update."

Ventura County

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

Executive Summary

For the last decade, Ventura County growth has been anemic—its decline in population and labor force starting earlier and dropping more than elsewhere in Southern California. Nonetheless, the county's economy proved to be fairly resilient in the last two years.

A notable upside has been the Port of Hueneme, which maintained its flow of incoming goods from South Korea, Germany, Britain, Japan Sweden, Mexico and other countries throughout 2023 and 2024 despite the 2023-24 West Coast dockworkers strike that drove shippers from the ports of Long Beach and Los Angeles to the eastern seaboard. The total value of exports and imports reached record levels for the year, and activity for the first eight months of 2024 is on pace to eclipse 2023.

The total value of agricultural crops in Ventura County increased 2 percent in 2023 to $2.2 billion. Strawberries, nursery stock, and lemons rank 1,2, and 3, respectively. Strawberries accounted for 33 percent of total crop value, reaching their highest annual sales volume on record.

The labor market has generated more new jobs so far in 2024 compared to the previous year, but like Southern California as a whole, job creation is not spread broadly across economic sectors. Nearly all the job formation in 2024 is comprised of public administration at the local level and healthcare.

Exhibit 1 Jobs Created by Sector, 2024

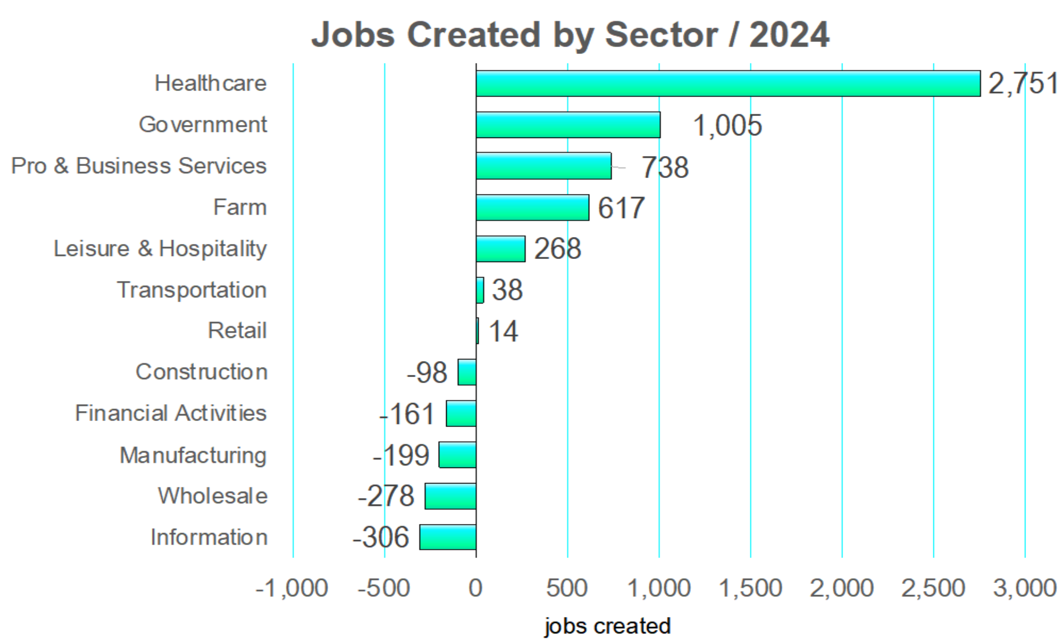
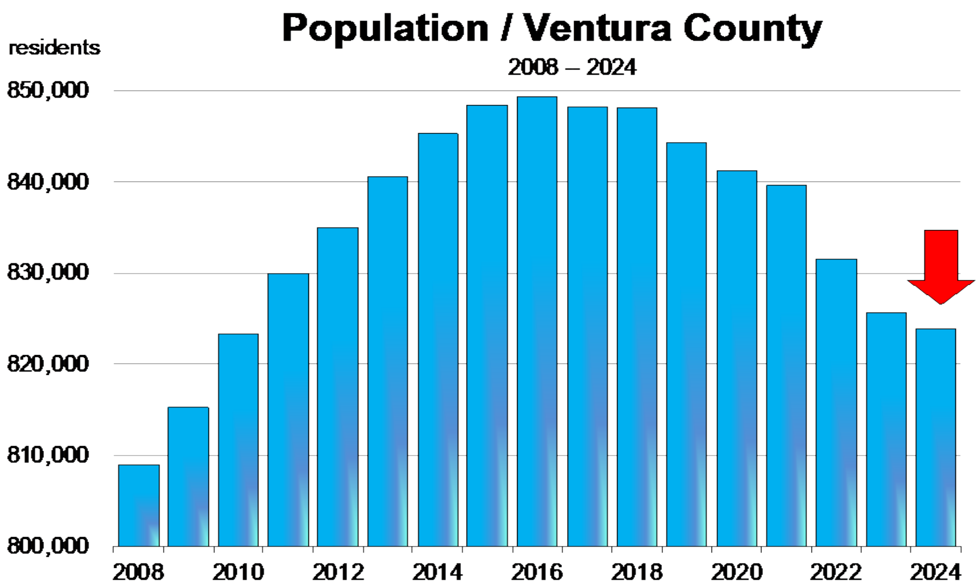


Exhibit 2 Ventura County Population



- In 2023, the Ventura County labor market generated 2,367 jobs. This year, the county is on pace to create another 3,744 jobs (1.2 percent).
- Employment gains, though larger in 2024 than in 2023, are narrowly confined to a few sectors. Healthcare is responsible for 60 percent of all new net job creation, followed by the local public sector, which accounts for 27 percent of all jobs. Professional services, almost entirely in the Professional, Scientific, and Technical sector (NAICS 54), accounts for 700+ jobs this year.
- The county's population has declined since 2016; this trajectory is expected to continue over the forecast period.
- The unemployment rate, now at 4.8 percent, has varied only slightly for most of 2024. Ventura County ranks second to Orange County for the lowest rate of unemployment in the SCAG region.
- The labor force—the total of all residents that are either working or want to work—has not been fully restored from the 2020 pandemic recession. To date, 12,000 participants have not returned to the labor force.
- A large reason for this is the decline over time in population, especially acute since the pandemic. The county's total population has dropped by 17,400 since 2020 and 25,500 since the peak population year of 2017.

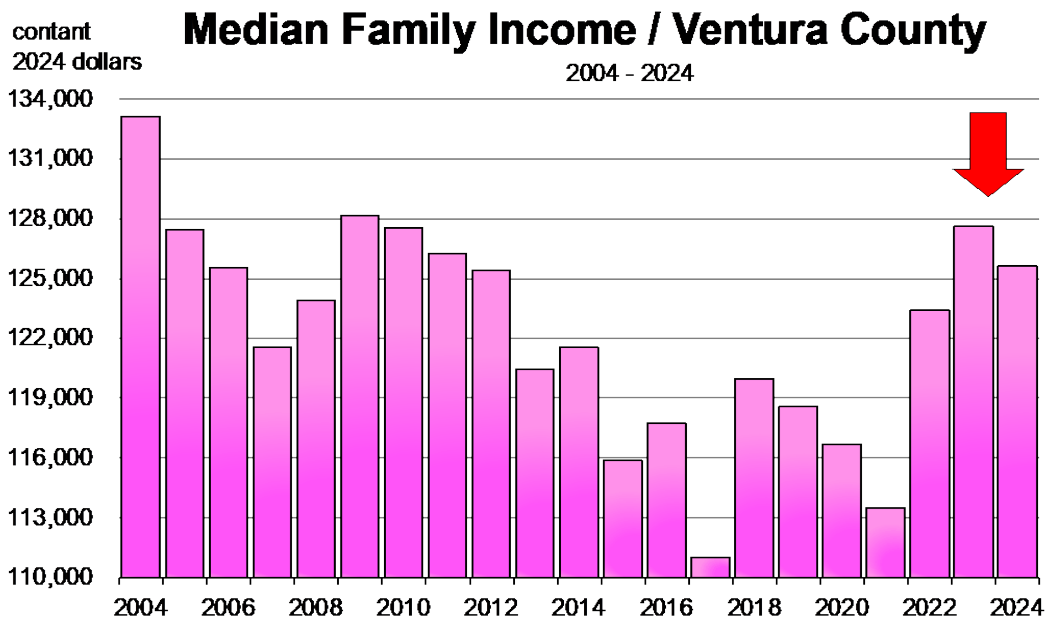
The loss in population will include many residents still working but migrating out in search of more affordable housing and expanded job opportunities, which Ventura County has not consistently offered over the last eight years.

The alternative explanation for the county's weak labor force growth is that the U.S. Census Bureau undercounted the population and the labor force. Specifically, new migrants nationwide might not have been counted fully since 2021. Evidence supporting this scenario includes a meaningful decline of residents working, according to the household survey, but an increase overall in total employment, according to the industry survey of employers in the county.

A full discussion on the region's population growth and recent immigration increases can be found in the "Population and Immigration" section of SCAG's 2024 Southern California Economic Update.

Median family income has been rising steadily in the county over time, particularly since 2021 (i.e., the end of the pandemic). Higher wages due to a tight labor market, meaningful growth of dividend income as a result of surging capital markets, and compensatory Social Security Administration increases in benefit payments to offset inflation has resulted a nearly 8 percent rise in real family income since 2020.

Exhibit 3 Median Income in Ventura County



The existing housing market remains weak, largely because mortgage activity continues to decline. Strong economic data in September and October means investors are paring back their bets on the timing of rate cuts. Bond yields have risen, and the 30-year fixed-rate mortgage has climbed 40 basis points in the past month to 6.5 percent.

Low inventory from sellers has led to record high selling values for single-family homes, preventing the housing market from contributing to overall economic growth in the county and elsewhere. Housing affordability continues to decline—only 12 percent of Ventura County residents can afford to purchase the median price for a home.

New home production has been relatively flat since 2020; most new units are apartments. Since the beginning of 2022, 2,600 apartment units have been delivered to the market and 1,500 apartment units are currently under construction. The completion of so many units over the last two years has occurred faster than residents can absorb them. Consequently, the apartment vacancy rate in the county has moved sharply higher in 2024.

Ventura County's Engines of Growth

A strength of the Ventura County economy is the myriad significant economic activities in the economy. The workforce is distributed across the range of labor market sectors, including Professional and Business Services (NAICS 54-56), Healthcare (NAICS 62), Leisure and Hospitality (NAICS 71-72), and State and Local Government. (State and Local Government is classified according to the Current Employment Statistics (CES) industry codes, which are based on NAICS codes but are not always a one-to-one mapping with the NAICS structure. The CES industry codes for State and Local Government are 90-920000 and 90-930000.) The distribution of employment in these critical industries is indicative of the broader SCAG region. Ventura County does not lack in sector representation, contributing balance to the regional economy over economic cycles.

Ventura County's economy benefits from three key economic engines that are not necessarily common to other surrounding counties: a commercial seaport, a large naval base, and a thriving agricultural sector.

VENTURA COUNTY NAVAL BASE

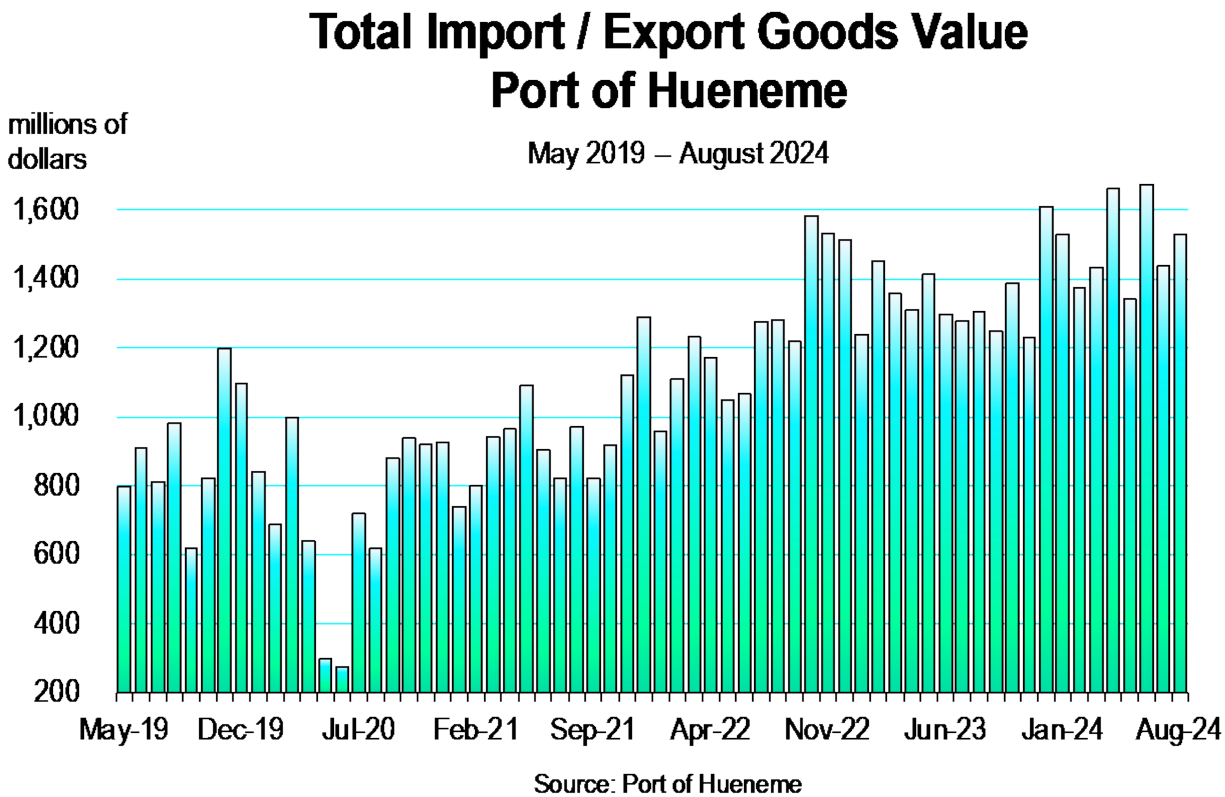
Since 1940, the base has been an anti-aircraft training center, missile test facility, and support providing facility for Navy air, sea, and shore operations. It is the largest employer in the county, with 17,320 military and U.S. Department of Defense (DOD) civilian and contractor personnel. DOD civilian employment remains relatively stable in Ventura County and DOD budgets continue to rise from Congressional budget appropriations. The naval base, which includes the Construction Battalion Center at Port Hueneme, should continue to provide both employment and significant positive indirect effects for the local economy. During the Biden administration, DOD budgets have generally been generous. Following a slight respite during 2022, civilian employment at the bases has moved higher, now employing 5,900 federal workers, not counting the estimated 4,000 military personnel and 6,000 contractors.

PORT HUENEME

The commercial port receives automobiles, general cargos, agricultural products, regional fish, and liquid bulk products. Exports include local agricultural products, such as lemons and avocados, and general cargo products.

The value of cargoes entering or leaving the port are rising 12.5 percent year to date (through August) versus 2023. Total trade value for the first eight months of the year is on pace to reach $18.2 billion, the highest value of trade volume on record. Imports, dominated by automobiles, comprise 90 percent of the total cargo flow.

Exhibit 4 Total Import/Export Goods Value – Port Hueneme



AGRICULTURE

The gross value of 2023 Ventura County agriculture was $2.2 billion, an increase of 2 percent over 2022. Strawberries are the top crop, followed by nursery stock and then lemons. Only a handful of counties in California eclipse Ventura County in total annual crop value. The Oxnard plain is one of the three largest and most important strawberry producing regions in California, the other two being the Salinas Valley and the Santa Maria Valley. While agriculture is a principal industry of the county economy, employing an average of nearly 25,000 workers in 2024, the value of agriculture has steadily declined since 2015 in inflation-adjusted dollars.

The Farm sector (NAICS 11) constitutes a relatively large labor market, with 24,000 workers as of September 2024, accounting for 7 percent of the county’s total workforce. Employment has remained in a tight range between 23,000 and 25,000 workers over the last eight years.

The lack of traction in real farm output and employment is due in part to rising costs propagated by increased regulations and policies in California. This includes stepped minimum wage and overtime pay increases. Furthermore, Ventura County’s development limitations (i.e., the Save Open Space and Agricultural Resources initiative, or SOAR) tend to be onerous for farming operations to expand, especially to add farming related structures used for storage or processing.

Exhibit 5 Ventura County Agricultural Crop Value

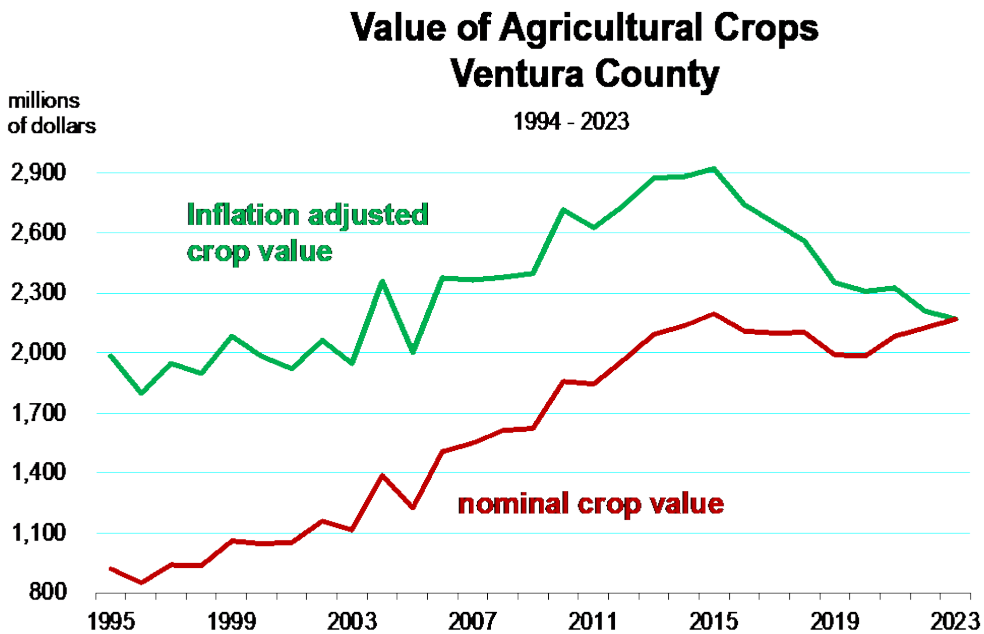
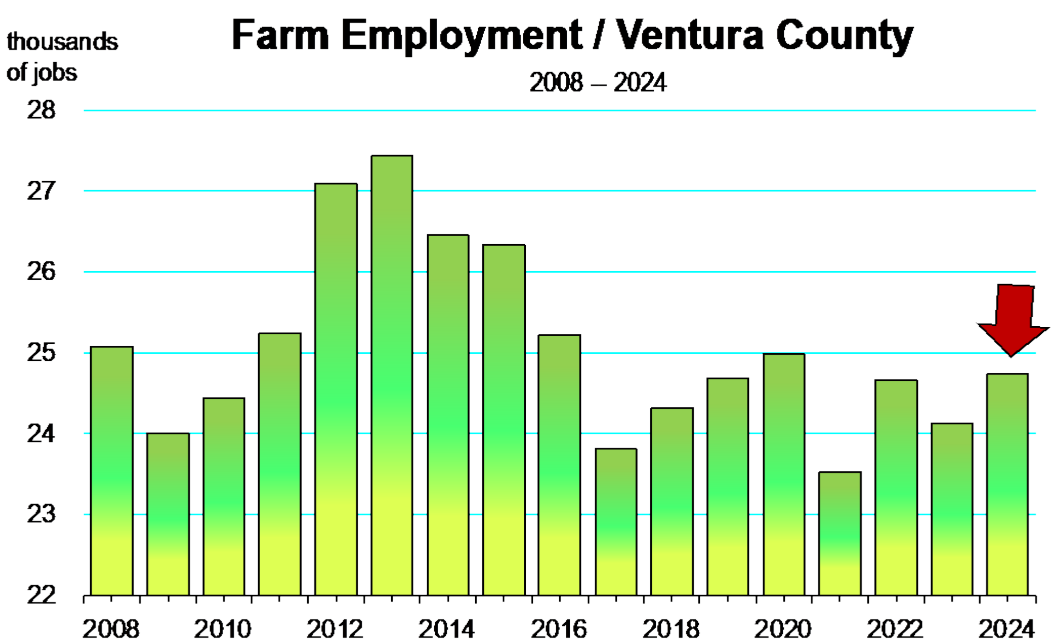


Exhibit 6 Ventura County Farm Employment



Labor Markets

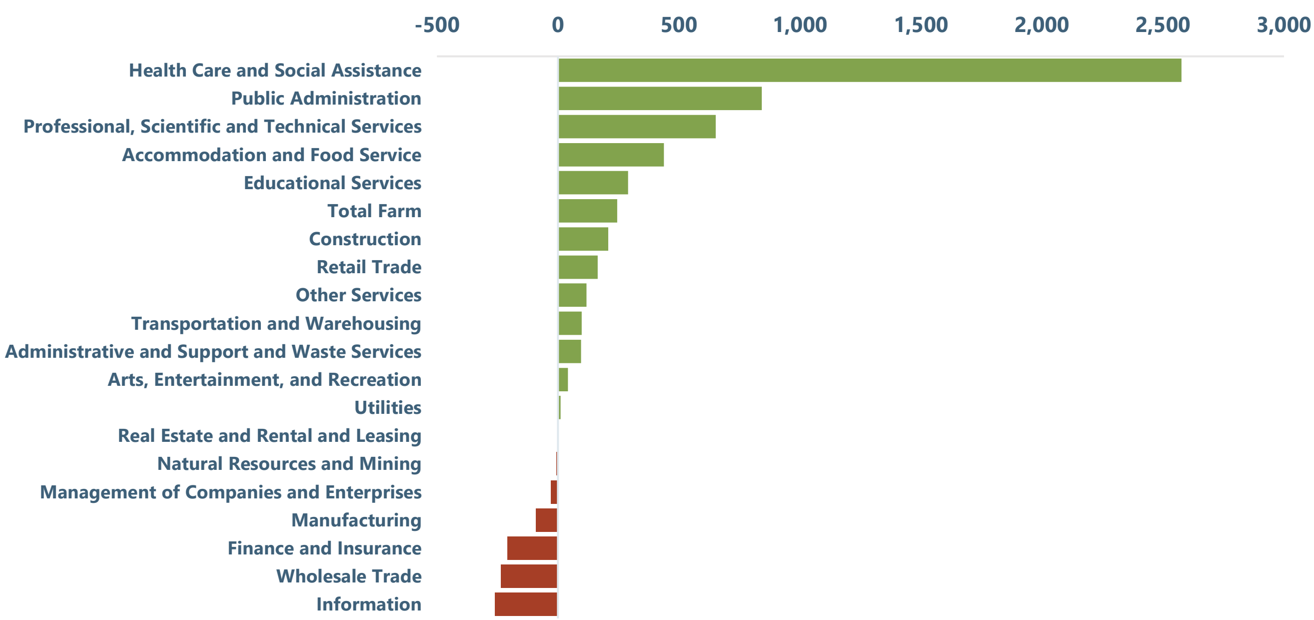
As of September 2024, the unemployment rate is 5.5 percent in California, 5.5 percent for the SCAG region, and 4.8 percent for Ventura County. For all California counties, the unemployment rate has generally been rising over the last year, in tandem with modest growth of the labor force.

The rate of total employment growth for Ventura County in 2024 is 1.2 percent for the first nine months relative to year ago using seasonally adjusted data.

One of the principal issues for the Ventura County economy is the sluggish labor market. Compared to all county labor markets in the SCAG region, Ventura County is lagging in job growth, attributable to both the lack of labor force growth and the lack of new business formation or organic business expansion. Growth restrictions, like the previously mentioned SOAR, could limit opportunities for both residential and non-residential expansion, making the region less attractive to business and skilled workers. At the current pace of 1.2 percent job growth over the last 12 months, Ventura County ranks last among the five SCAG region labor markets.

The principal industries of job creation in 2024 are Healthcare Services, State and Local Government, and Professional and Business Services. These sectors account for 98 percent of the total employment increase for 2024. Broad growth across the labor market has been relatively absent in both 2023 and 2024 in Ventura County.

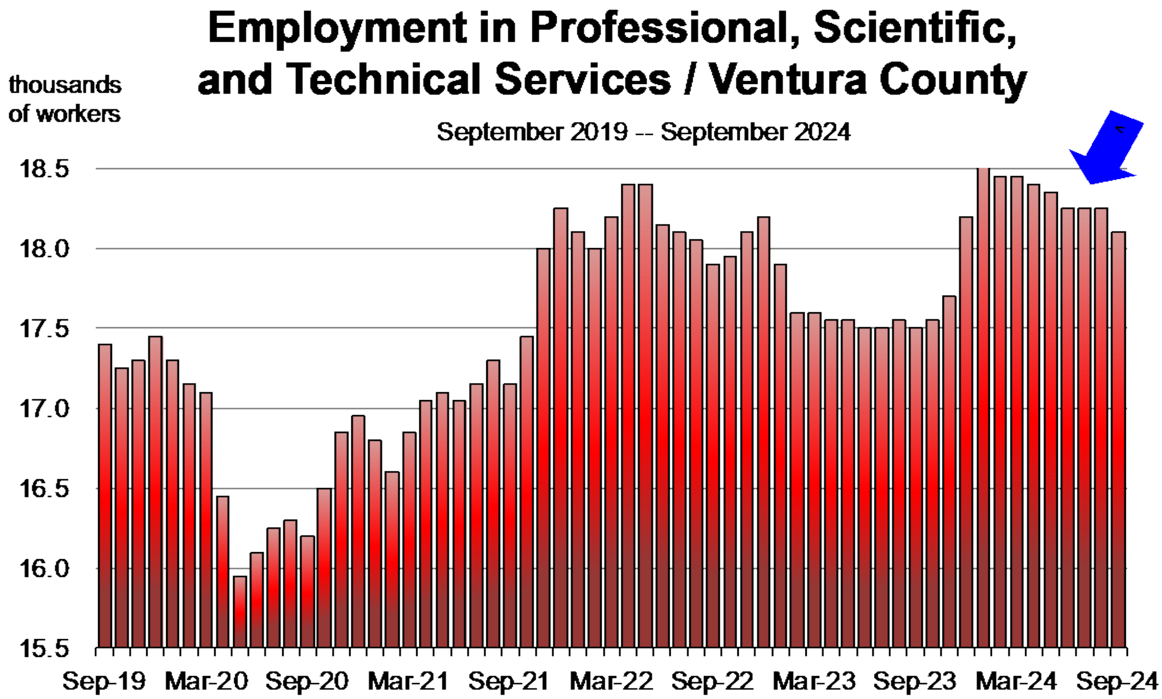
Exhibit 7 Jobs Created by Sector in Ventura County, 2024



Source: California Employment Development Department. Data for 2024 is annualized based on the pace of job creation during 2010-2019.

Jobs in high technology are largely contained in the Professional, Scientific, and Technical Services (NAICS 54) sector, which began a steep rebound in October 2023 and has gained 600 new jobs since. There appears to be a relative stalling of growth in this sector elsewhere in the SCAG region.

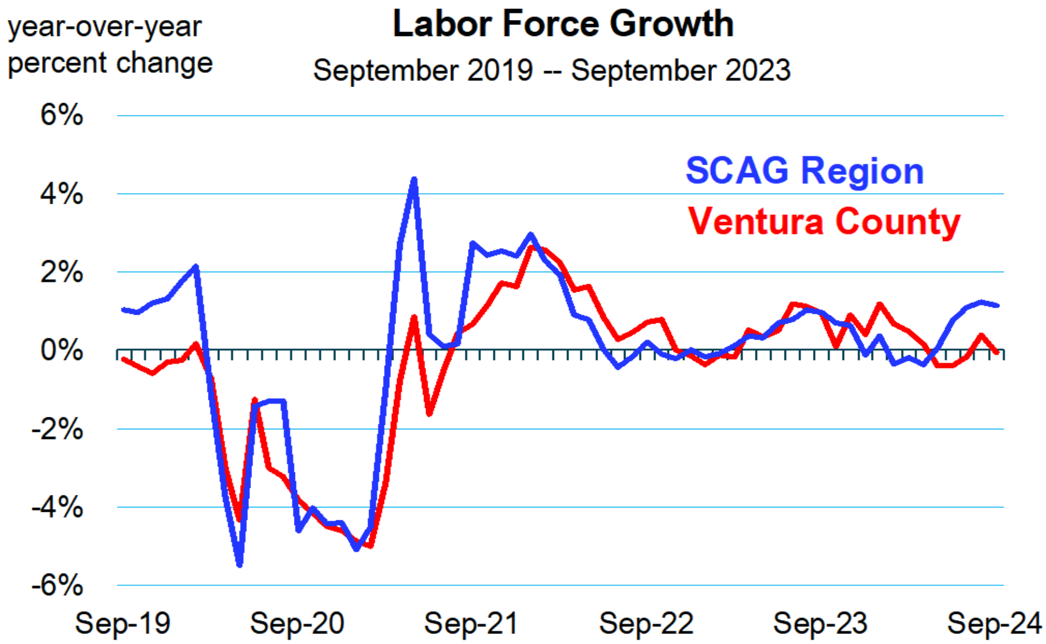
Exhibit 8 Employment in Professional, Scientific, Technical Services



Ventura County, which ranked last in “technology” sector job growth among the SCAG counties in 2023, now leads the region in technology job growth, though some consolidation has occurred in recent months.

The inability of the Ventura County labor market to generate as much momentum this year as other SCAG counties was in large part linked to the sluggish growth of the labor force, which has yet to recover from the pandemic recession and the lack of population (and therefore labor supply) growth. The demand for jobs in specific industries remains high, however.

Exhibit 9 Labor Force Growth, SCAG vs. Ventura County



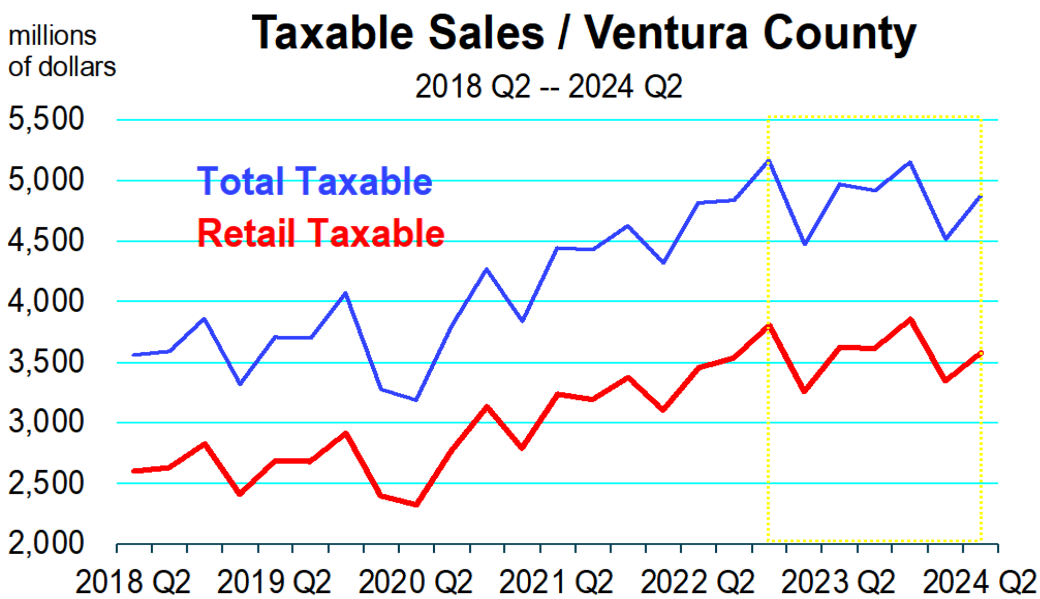
The Ventura County labor force has increased an imperceptible 0.2 percent this year and lags all other counties in the SCAG region. As described earlier, it is likely that an undercount of labor force participants and resident workers in the county has occurred. The official data show that the numbers of working residents in Ventura County are flat or moving slightly lower since early 2022.

These working resident counts run counter to the establishment survey, which shows that employers in Ventura County created 12,042 jobs in 2022, 2,367 jobs in 2023, and are on pace to add another 3,744 jobs in 2024.

Taxable Sales/Consumer Spending

Taxable retail sales account for most consumer spending in the region, other than unprepared food typically purchased in a grocery store. Sales soared after pandemic restrictions were largely lifted in the late spring of 2021. They continued to increase through 2022, leveling off in early 2023 and declining modestly from mid-2023 to present. The stagnation of total taxable sales and retail taxable sales in Ventura County over the last 18 months is demonstrated by the yellow zone in Exhibit 10. The stagnation of taxable sales and retail taxable sales is even more evident when taxable sales data growth rates are adjusted for inflation.

Exhibit 10 Taxable Sales, Ventura County



Clearly, inflation has run its course and is weighing on consumer spending in the Ventura County. Total nominal spending is slightly lower (only 0.5 percent), but adjusted for inflation, both total taxable and taxable retail sales are 3.8 and 2.8 percent lower than in 2023.

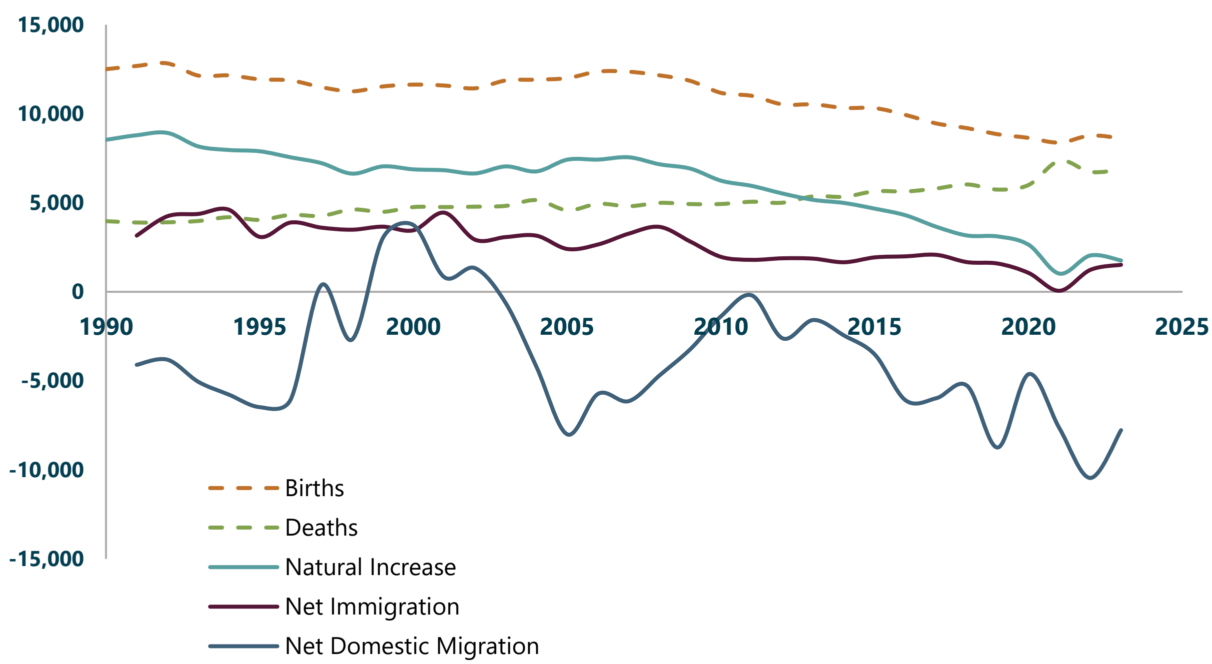
As inflation cools, we expect to see rising real taxable sales in Ventura County and throughout California. The expectation of inflation moderating enough to prevent negative real spending is now part of the base forecast for 2025.

The stagnant to lower taxable sales trend is observed in all SCAG region counties except Imperial. Ventura County has recorded a 3.8 percent fallout in taxable goods spending during the first half of 2024. The entire SCAG region has suffered a 5 percent decline, led by significant spending contractions in Riverside, Los Angeles, and Orange counties.

Population

Total population in Ventura County peaked in 2016 and has been in a steady though gradual decline since. Both components of population—the natural increase and net in-migration—have been declining for nearly a decade. Currently, the natural increase or births less deaths still contribute positively to population, but those gains are more than offset by progressively larger outflows of net resident migrants.

Exhibit 11 Components of Population Change, Ventura County



Source: CA DOF E-2

A principal reason for the accelerating decline of resident populations is the slow rate of job creation in the county over the last 10 years and the lack of housing choices and affordable housing. This is not unique to Ventura County—populations have declined in most coastal counites due to the latter issue, which is quite pervasive from San Diego to Mendocino counties.

Ventura County has lost 2.8 percent of its population since 2016, a total of 24,000 residents. The decline in population is assumed to contribute to the slow recovery of the labor force.

There are no shifts in Ventura County that would suggest population decline will reverse. Even if net migration immediately went to zero, the age distribution in the county leans older. The natural increase in population continues to decline and will turn negative in 2028. Consequently, the flow of net out-migration will need to be reversed or the county faces longer term population decline.

Wages and Income

WAGE AND SALARY

The average wage per worker for all employment in Ventura County has moved higher over the last four years in tandem with wages for all employment within the SCAG region. The percentage deficit in wages between Ventura and the greater region was a 7 percent in 2020, but this difference has increased gradually over time, now at 10.5 percent in the first quarter of 2024. The deficit is due to the types of jobs being created in Ventura County vis-à-vis the SCAG region. Since 2020, 72 percent of all jobs created were in lower-than-average-paying sectors, including Leisure and Hospitality, Healthcare, Retail Trade, and Other Services.

Exhibit 12 Average Annual Wage, All Workers, Ventura vs. SCAG

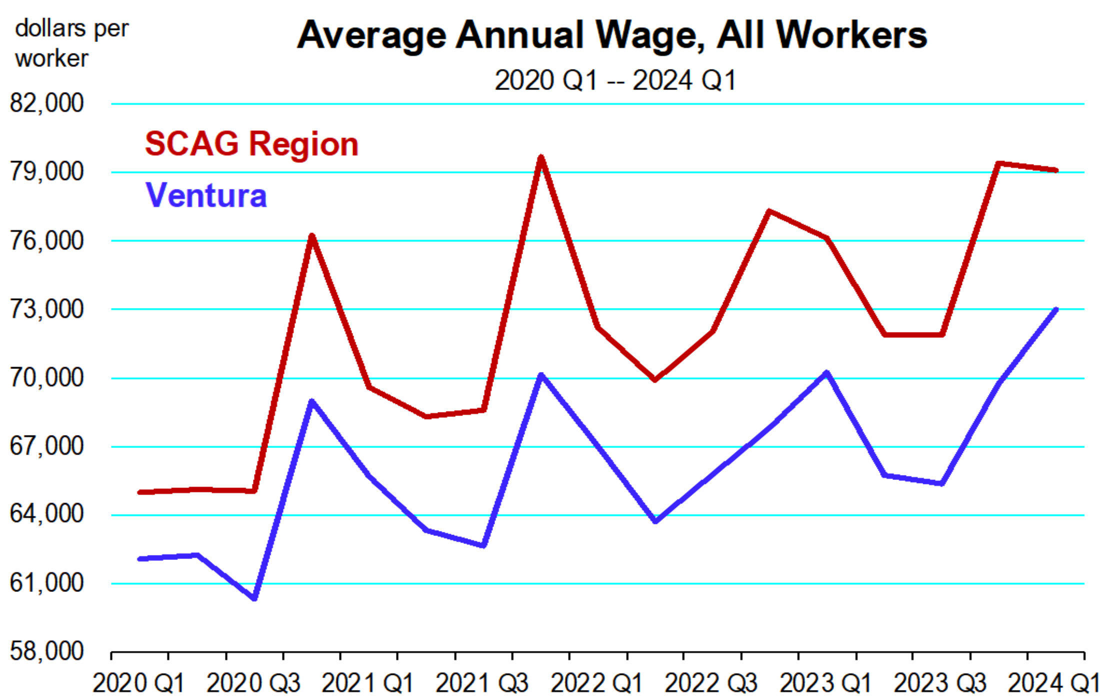
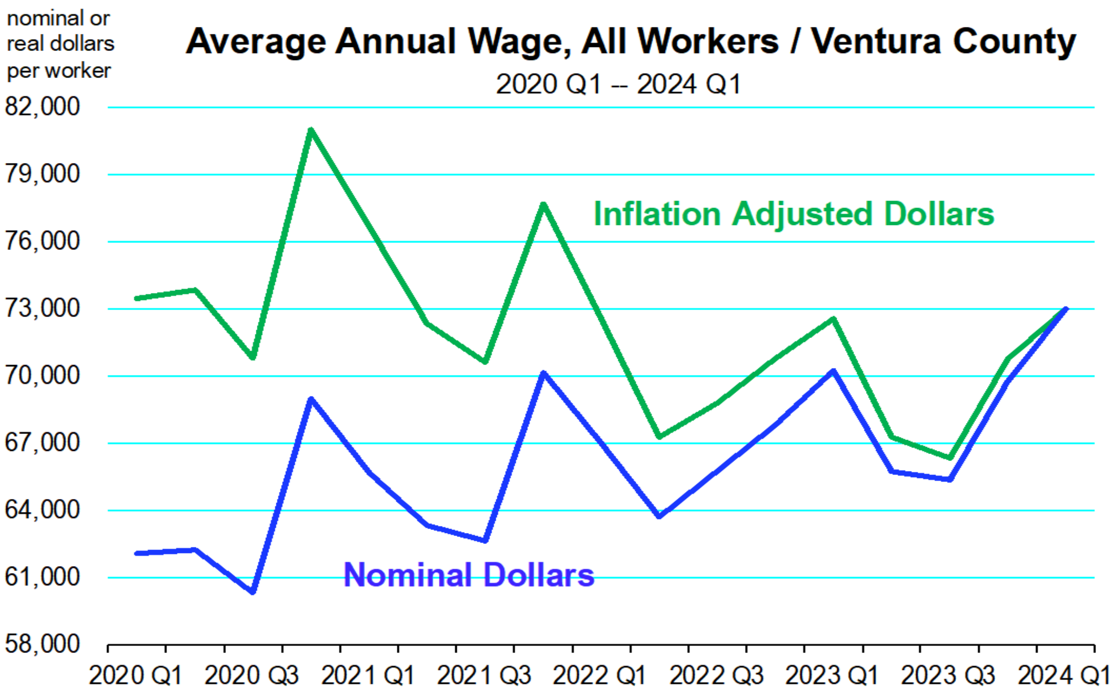


Exhibit 13 Average Annual Wage, Nominal vs. Inflation-Adjusted, Ventura County



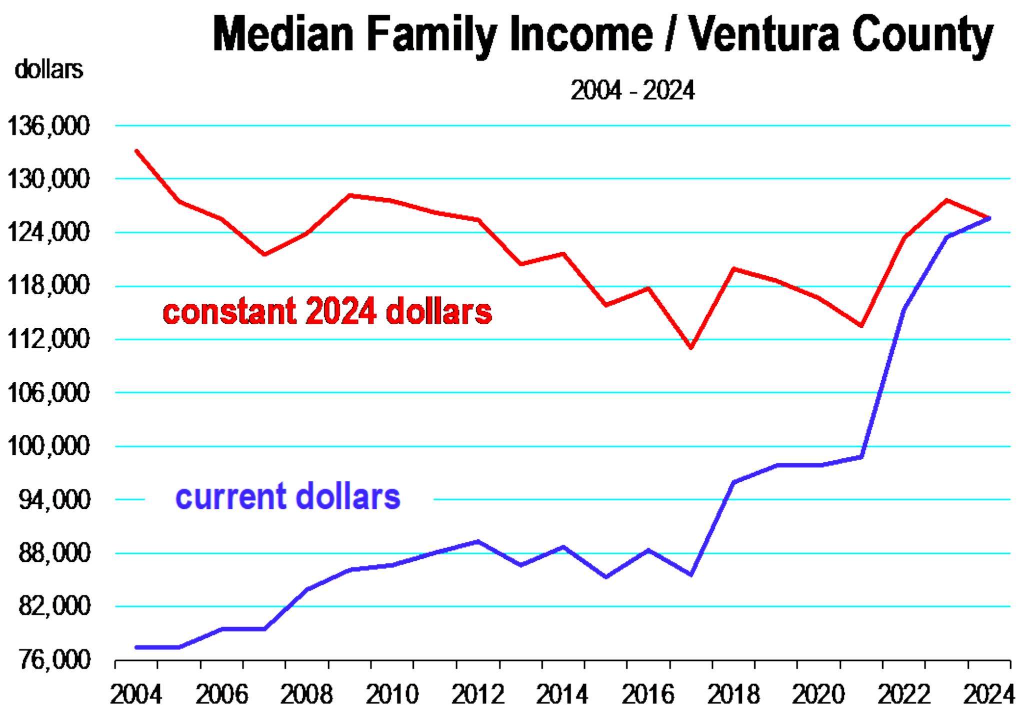
Adjusted for inflation since 2020, the average wage in Ventura County has generally declined, contracting 9.9 percent since the peak in the fourth quarter of 2020. Inflation peaked in the second quarter of 2022, declined consistently until mid-2023, and has generally moderated since. Consequently, the real wage has remained relatively constant since early 2023.

MEDIAN INCOME

Income for households has not kept pace with inflation since the turn of the century. In recent years, household incomes have surged in many counties in California, including Ventura County. Median family income, adjusted by the Consumer Price Index for the greater Los Angeles region and expressed in 2024 dollars, jumped 7.7 percent between 2020 and 2024 in Ventura County and 6.5 percent for the aggregate SCAG region. The level of purchasing, in general decline since 2009, has now been largely restored.

The increase in income since 2020 is due to wage adjustments made by employers dealing with the combination of a tight labor market and extraordinary inflation. Furthermore, the adjustments made by the Social Security Administration hiked payments to all recipients by 5.9 percent in 2022, 8.7 percent in 2023, and 3.2 percent in 2024.

Exhibit 14 Median Family Income, Ventura County



Source: Department of Housing and Urban Development (HUD)

As a proportion of the total population, Ventura County has more residents 65 and older (18.6 percent) than the SCAG region (15.7 percent), all the counties in the region, California (16.2 percent), and even the United States (17.7 percent).

The surge in transfer payments and the surge in dividend income from higher valued capital markets since 2020 meaningfully boosted family income. Ventura County ranks second in the growth of real median family income over the last four years compared to the SCAG counties.

Housing

EXISTING HOUSING

Ventura County's existing housing market remains in a recession. Home sales declined 26 percent in 2022, 25 percent in 2023, and another 1.1 percent in 2024 through September. Existing-home sales continue to feel the weight of elevated mortgage rates. Sales have remained well below their average over the past decade.

Exhibit 15 Existing Home Sales, Ventura County

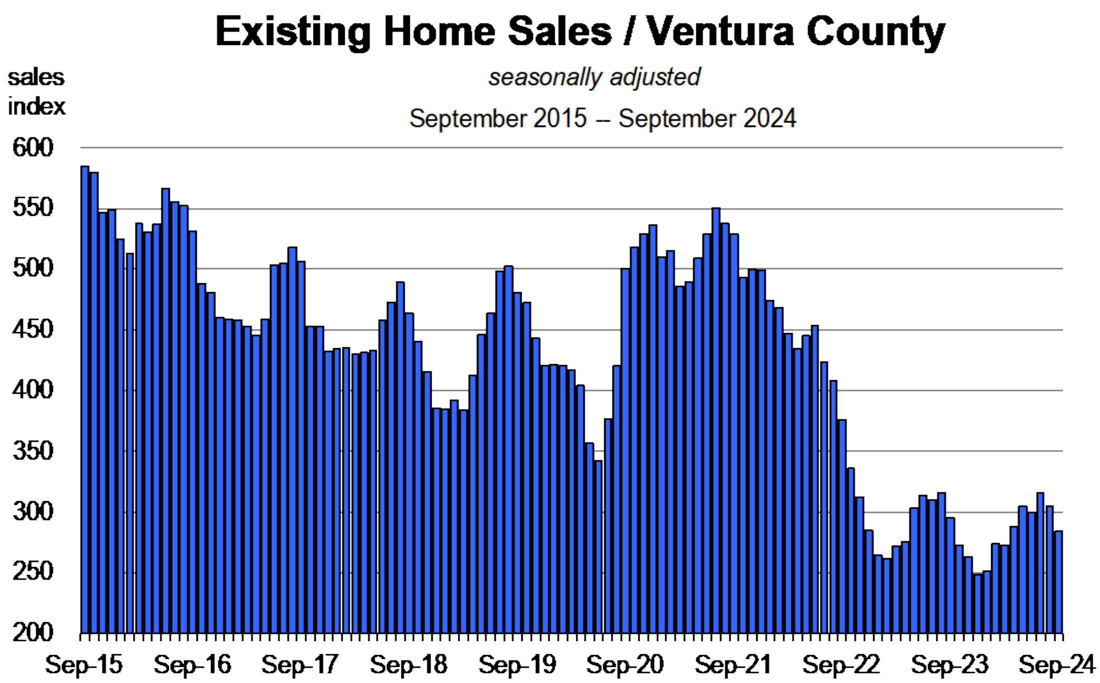


Exhibit 16 Median Price for Single-Family Homes in Ventura County Cities

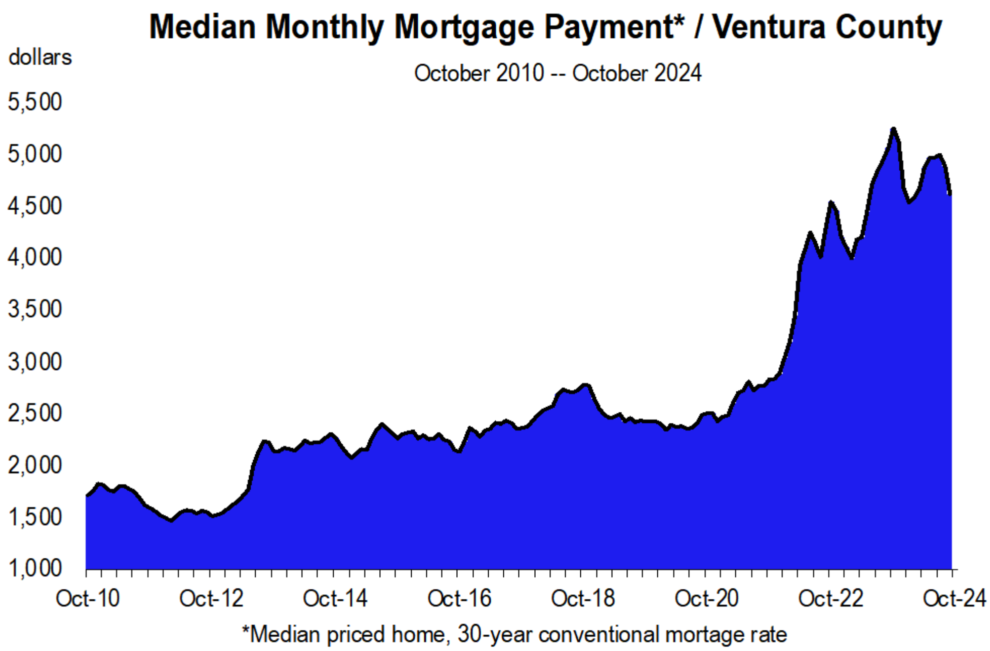
Median Price for Single Family Homes		
Community	September 2024	percent change from September 2023
Westlake Village	$2,069,560	6.8
Ojai	$1,303,750	9.8
Thousand Oaks	$1,280,000	25.8
Moorpark	$977,500	2.7
Ventura	$925,000	0.0
Camarillo	$905,000	5.6
Simi Valley	$881,667	5.3
Oxnard	$775,000	14.8
Santa Paula	$732,000	-6.2
Filmore	$720,000	2.9
County of Ventura	$945,667	1.4
Source: Redfin, September 2024 for cities;		
CAR, September 2024, for the County of Ventura		

Increasing mortgage rates have kept affordability near a 30-year low, which will prevent many households from buying a home. In addition to the constraints on potential buyers, homeowners face strong disincentives to selling due to low mortgage rates at the time of the purchase or due to refinancing while mortgage rates were at historic lows. Historically low mortgage rates are keeping the supply of houses on the market low, at about 38 percent of the 2010-19 average listings per month.

Forward looking indicators signal continued weakness until mortgage rates decline more convincingly. Pending home sales indices remain depressed. High financing rates and low inventory, which keep selling prices elevated, point to an existing-home market that will be limited to tepid gains.

A 20 percent down payment on the median priced home in September 2024 would be $190,000, an amount out of reach for most households. At current mortgage rates, the monthly payment for a home purchased in 2024 is now double the monthly payment for the same home purchased in 2020.

Exhibit 17 Median Monthly Mortgage Payment, Ventura County



The California Association Affordability Index deteriorated further for Ventura County (and all SCAG counties) during the second quarter of 2024. Relative to the rest of the SCAG region, only Orange County has a lower affordability index for purchase housing than Ventura County.

Exhibit 18 Affordability Index Table

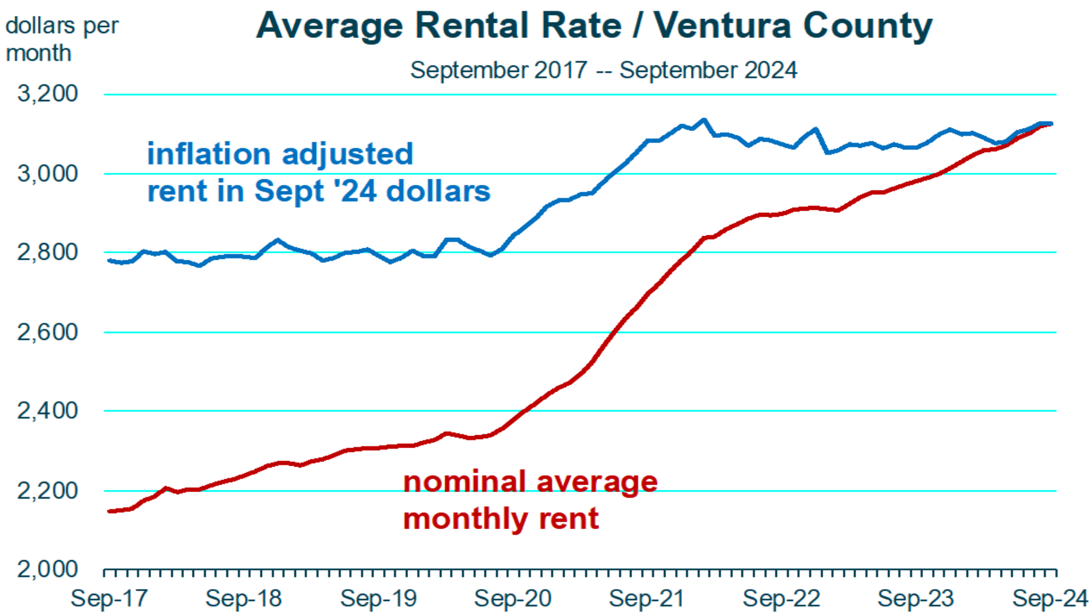
Affordability Index			
County	2022 Q2	2023 Q2	2024 Q2
Imperial	NA	30%	26%
Orange	12%	12%	11%
Ventura	**17%**	**14%**	**12%**
Los Angeles	16%	15%	13%
Riverside	21%	20%	18%
San Bernardino	30%	30%	25%

Source: CAR Housing Affordability Index by County

The unaffordability of for-sale housing has pushed more families into the rental market. Supply of the rental housing has been rising faster in Ventura County over the last three years, but monthly rents continue to rise in the county. Rapidly rising rents were indicative of the immediate post-pandemic period, rising 22 percent from September 2020 to September 2022. From September 2022 to September 2024, rents have increased just 8 percent.

The substitution of rental housing for purchase housing amid an environment of both rising home prices and rising mortgage rates pushed apartment rental rates to the highest levels ever recorded in September 2024.

Rents in Ventura County

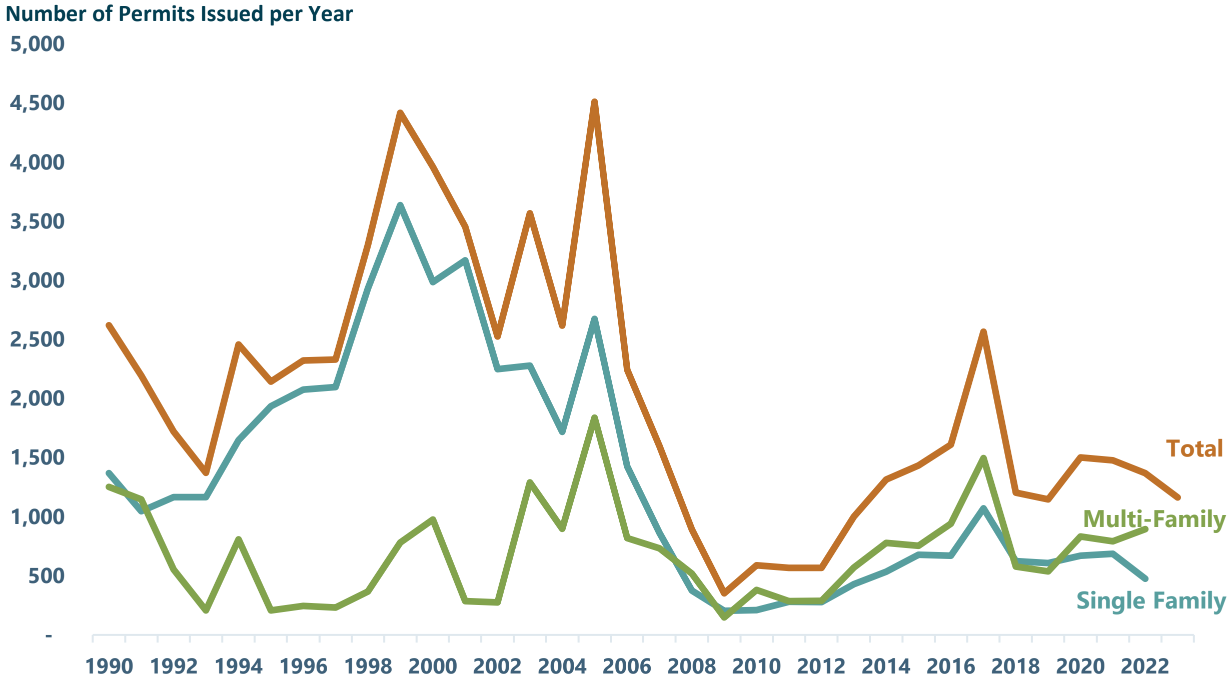


However, if average rental values are adjusted for general price inflation, rents have remained relatively constant over the last three years. Since the beginning of 2024, the average rental rate has increased 3.7 percent, but accounting for inflation, rents have increased an imperceptible 0.7 percent. And since September 2021, inflation adjusted rents have increased just 1.4 percent.

NEW HOUSING

Apartment production is now dominating housing development in Ventura County. Apartment housing is changing the character of housing in the Thousand Oaks, Camarillo, Oxnard, and Ventura communities. Policies, including Save Our Agricultural Resources, have constrained development within city boundaries, rendering single-family home development relatively scarce. This trend will be interrupted as the Hitch Ranch, North Ranch, and Lost Canyons projects start construction, along with Runkle Canyon already underway. Many other new projects will break ground this year, but most of them are apartment developments.

New Residential Units from Building Permits, Ventura County, 1990-2023



Source: US Census Building Permit Survey

New housing has been scarce over time in Ventura County, especially since the Great Recession.

New home production has been relatively flat since 2020, with most of the new units being apartments. Since the beginning of 2022, 2,600 apartment units have been delivered to the market and 1,500 apartment units are currently under construction. The completion of so many units over the last two years has occurred faster than residents can absorb them. Consequently, the apartment vacancy rate in the county has moved sharply higher in 2024.

Most of the projects currently underway are legacy projects in Ventura, Oxnard, and Simi Valley—planned for years and are finally under construction. Most of the planned projects in the entitlement queue are now higher density projects.

A map and table of major developments in the six-county area, including Ventura County, can be found in the SCAG region section of this report. Some highlights in the city of Ventura include The Willows apartment project, Del Mar in mid-town, Park Plaza, and Arrive Ventura. In Oxnard, two hotels are under construction next to the Collection RiverPark, the Hyatt at Oxnard Harbor is still in planning, the 101 Logistics Center is under construction, and a 58,000 cold storage warehouse called the Berry Man has been proposed. In Thousand Oaks, the Los Robles medical building, Kennedy Wilson Apartments, The Residences at the Lakes, the Hillcrest mixed-use project on the former Amgen welcome center site, and Rancho Conejo Boulevard Industrial Buildings are the major developments in progress or in planning stages. Camarillo has 1,030 units in the development pipeline and 922 under construction, the Hitch Ranch Specific Plan is on track to deliver 755 homes by 2029, and Ventra Gardens has 200 fully affordable units under construction. In Simi Valley, developer Newport Pacific has 365 units in plan check and the City Council has approved a 280-unit development alongside the Santa Susana Plaza shopping complex.

Ventura County Outlook for 2025

The labor markets are creating jobs, but only in four sectors, two of which rely heavily on government as a source of payment—Healthcare and Local Government.

Ventura County could once again lag all other SCAG region counties in terms of job growth in 2025. This has been the general condition for most of the last 10 years. Due to population decline, a focus on job quality and worker productivity may be more informative than the increase in the number of jobs.

Population growth has been negative for six consecutive years, although immigration appears to have kept the labor supply somewhat more robust in the last two years. The decline could have also impacted the ability of Ventura County employers to recruit workers. However, employers appear to be recruiting many workers in Healthcare, Leisure and Hospitality, and Local Government. Fortunately, technology jobs have rebounded this year in the county, though not much elsewhere in the SCAG region. A strengthening economy in 2025 will likely raise the demand for workers.

More progress toward the goal of 2 percent inflation will be evident in 2025. Inflation should subside throughout 2025, provided no unanticipated events, such as supply chain interruptions caused by wars, pandemics, or significant natural disasters, occur.

No general economic recession was forecast in 2024, and no recession is forecast in 2025. In fact, the risk of recession is now sharply lower. Consumers continue to drive the state and regional economies with spending. This engine of growth should extend into 2025 as interest rates soften and uncertainty surrounding the 2024 election ends.

The 2025 list of downside risks includes the escalation of wars in the Middle East, escalation of antagonism between China and Taiwan, no improvement in the office market sector with rising vacancy, and a relapse of rising inflation. The county’s GDP and employment should both grow modestly in 2025, while unemployment should decline modestly.

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