California State University
Dominguez Hills

SOUTH BAY
ECONOMICS
INSTITUTE

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Second District Overview:
Trends, Challenges, Opportunities

California's Overview

- Picture looks good:
  - ✓ Consumer spending and sentiment
  - ✓ Interest rates and inflation
  - ✓ Wages and energy prices
  - ✓ Trade volume at Ports

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Second District’s Overview

- Picture looks great:
  - ✓Diverse and vibrant economy
  - ✓Employment growth is healthy
  - ✓Wages finally rising
  - ✓FDI keeps coming

Trends: Jobs

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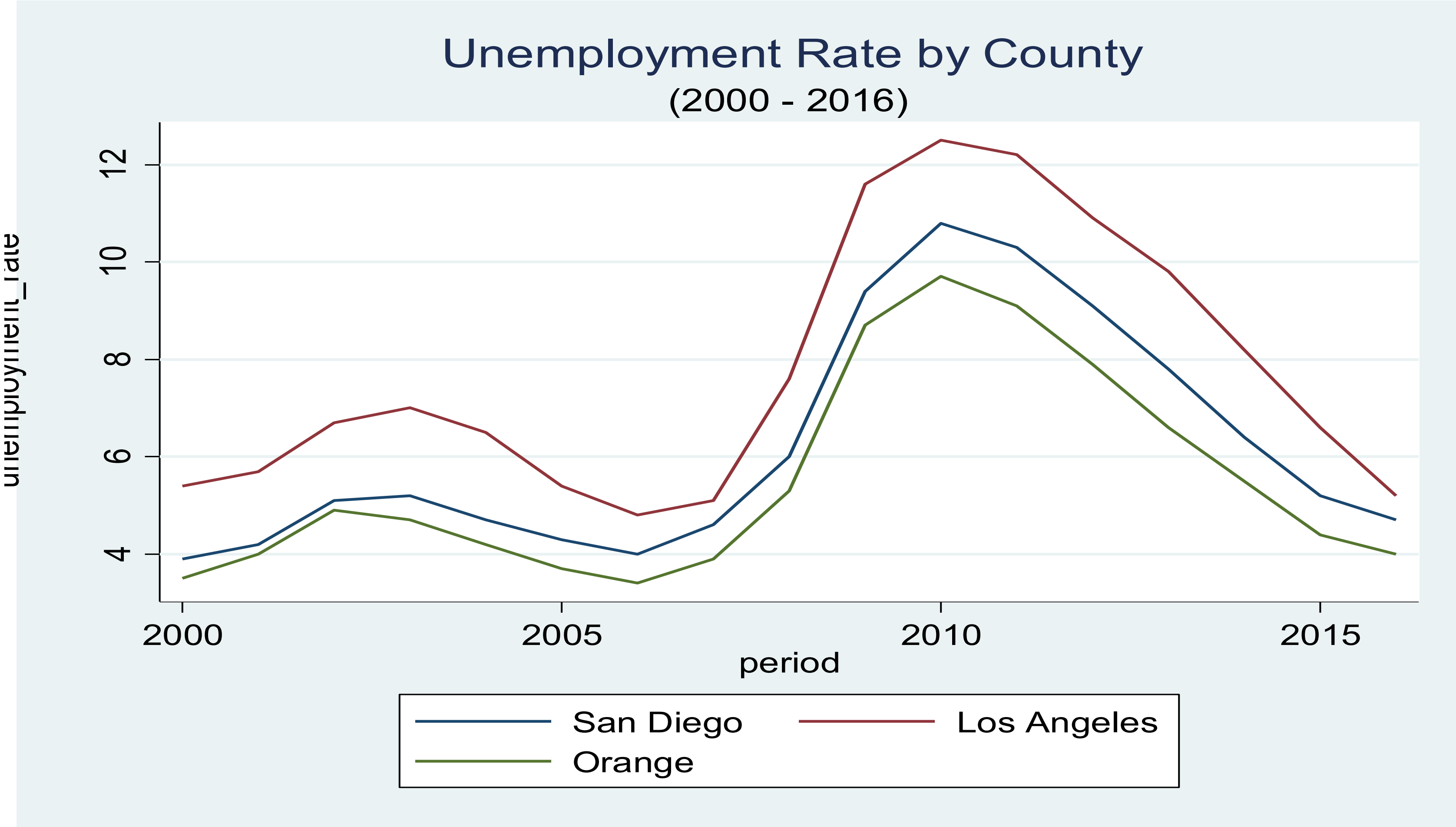
Southern California's Rebound



Source: California EDD Labor Market Information Division

Employment

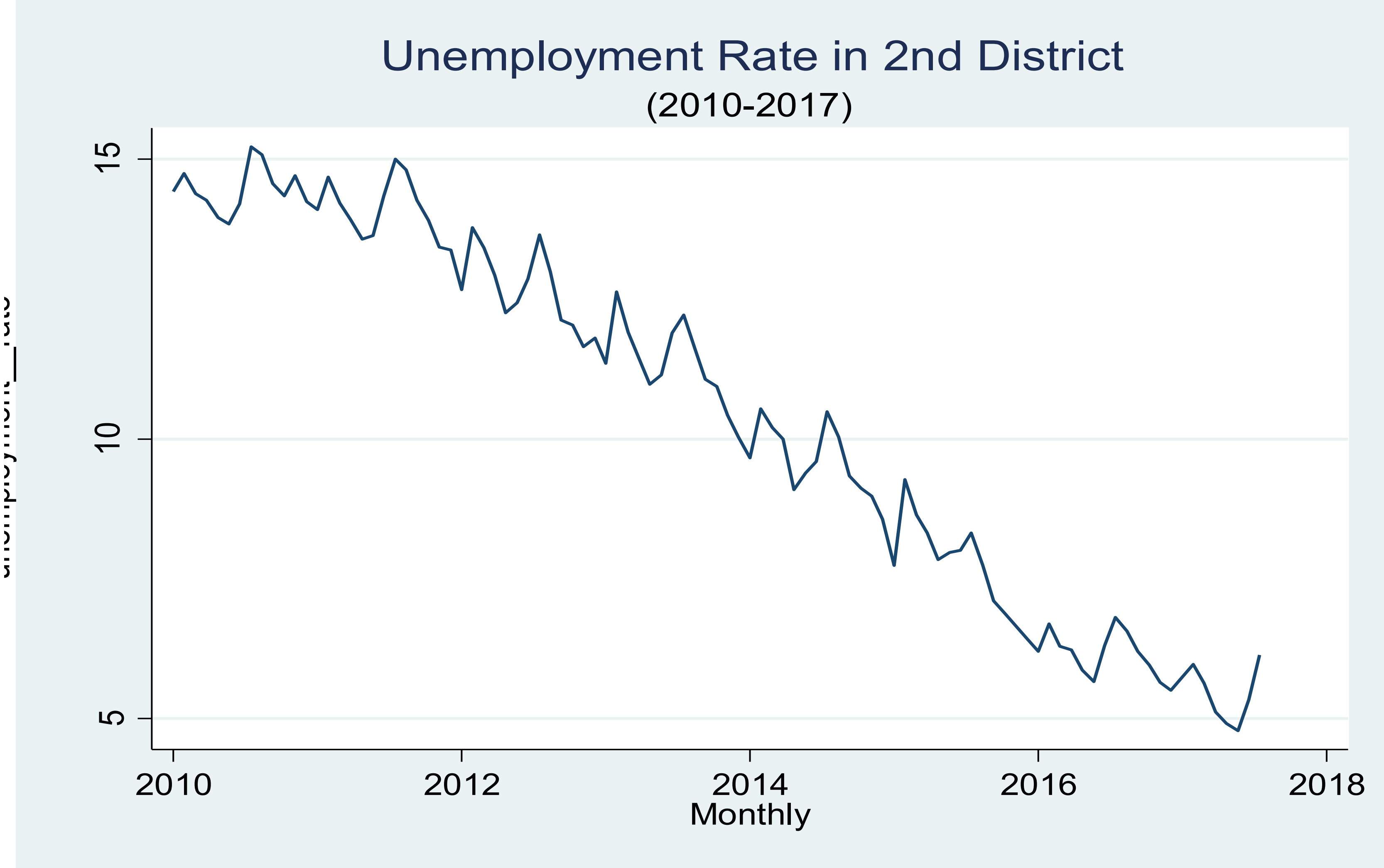
	Employment	Unemployment Rate
LA County	4,891,300	5.2%
LA City	1,965,400	5.5%
2nd District	**271,200**	**6.1%**

Source: CA EDD Labor Market Information Division

Employment Changes

	1 Year Change		5 Year Change	
	Employment	**Unemployment Rate**	**Employment**	**Unemployment Rate**
LA County	2.1%	-0.6%	11.4%	-6.7%
LA City	5.3%	-0.8%	11.1%	-7.0%
2nd District	2.6%	-0.7%	12.3%	-7.5%

2^{nd} District's Rebound



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2nd district economic indicators

IMPLAN estimates for key indicators:	Values
Gross Regional Product	$104 Billion
Total Personal Income	$108 Billion
Total Employment	934,595
Population	2,064,991
Total Households	649,650
Employee Compensation	$50 Billion
Proprietor Income	$8 Billion
Other Property Income	$38 Billion

New business starts for Los Angeles MSA:

2010: 29,848

2011: 31,702

2012: 33,444

2013: 32,733

2014: 35,773

2nd district – top sectors by employment

Sector Description	Employment	Labor Income	Output
Wholesale trade	54,462	$4,334,311,000	$13,574,210,000
Individual and family services	54,352	$956,794,600	$1,541,375,000
Local government: Education	46,442	$3,892,441,000	$4,271,787,000
Motion picture and video industries	40,409	$4,829,319,000	$18,933,580,000
Real estate	40,242	$1,329,103,000	$9,642,543,000
Limited-service restaurants	28,199	$655,275,300	$2,523,461,000
Local government: Non-education	24,242	$2,854,957,000	$3,135,922,000
Private households	19,351	$388,716,400	$388,716,400
Services to buildings	19,169	$447,394,300	$773,835,500
Employment services	17,063	$652,482,400	$1,213,985,000

2nd district – top sectors by output

Sector Description	Employment	Labor Income	Output
Motion picture and video industries	40,409	$4,829,319,000	$18,933,580,000
Wholesale trade	54,462	$4,334,311,000	$13,574,210,000
Real estate	40,242	$1,329,103,000	$9,642,543,000
Owner-occupied dwellings	0	$0	$8,366,020,000
Petroleum refineries	1,154	$293,901,200	$6,146,057,000
Local government: Education	46,442	$3,892,441,000	$4,271,787,000
Local government: Non-education	24,242	$2,854,957,000	$3,135,922,000
Cable and other subscription programming	1,818	$717,789,900	$2,932,006,000
Limited-service restaurants	28,199	$655,275,300	$2,523,461,000
Guided missile and space vehicle mfg	4,451	$767,295,500	$2,188,061,000

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2nd district – foreign-owned enterprises

Source Nation	Employees	% of all FOEs	Firms	Est. Sector Wage
JAPAN	8,117	35.6%	111	$591,849,016
NETHERLANDS	3,095	3.5%	11	$268,349,143
UK	2,142	9.3%	29	$183,411,406
GERMANY	1,501	9.9%	31	$103,318,368
CANADA	1,047	7.1%	22	$65,489,518
FRANCE	962	5.4%	17	$99,153,023
KOREA	278	4.2%	13	$43,164,641
AUSTRALIA	178	3.5%	11	$8,163,750
ISRAEL	175	0.3%	1	$12,092,500
NEW ZEALAND	127	1.0%	3	$6,800,850
TOTAL	**18,485**	**100.0%**	**312**	**$1,460,888,780**

2nd district – foreign-owned enterprises

Sector	Firms	Employees	Avg Sector Wage	Est. Wages
Mining	1	230	$88,775	$20,418,250
Construction	3	46	$58,475	$2,689,850
Manufacturing	38	4,039	$69,100	$279,107,023
Wholesale Trade	41	1,813	$71,175	$129,058,643
Retail Trade	58	1,976	$30,550	$60,376,983
Transportation and Warehousing	52	1,663	$53,550	$89,053,650
Information	39	7,933	$58,185	$461,572,089
Finance and Insurance	20	2,644	$90,190	$238,502,444
Real Estate and Rental and Leasing	2	19	$54,067	$1,027,267
Professional, Scientific, and Technical Services	15	864	$79,303	$68,483,913
Admin, Waste and Remediation Services	5	510	$41,267	$21,046,000
Health Care and Social Assistance	8	146	$60,224	$8,809,842
Arts, Entertainment, and Recreation	6	1,590	$41,323	$65,704,100
Accommodation and Food Services	14	394	$27,287	$10,744,125
Other Services (except Public Administration)	10	96	$44,619	$4,294,601
Grand Total	312	23,964		$1,460,888,780

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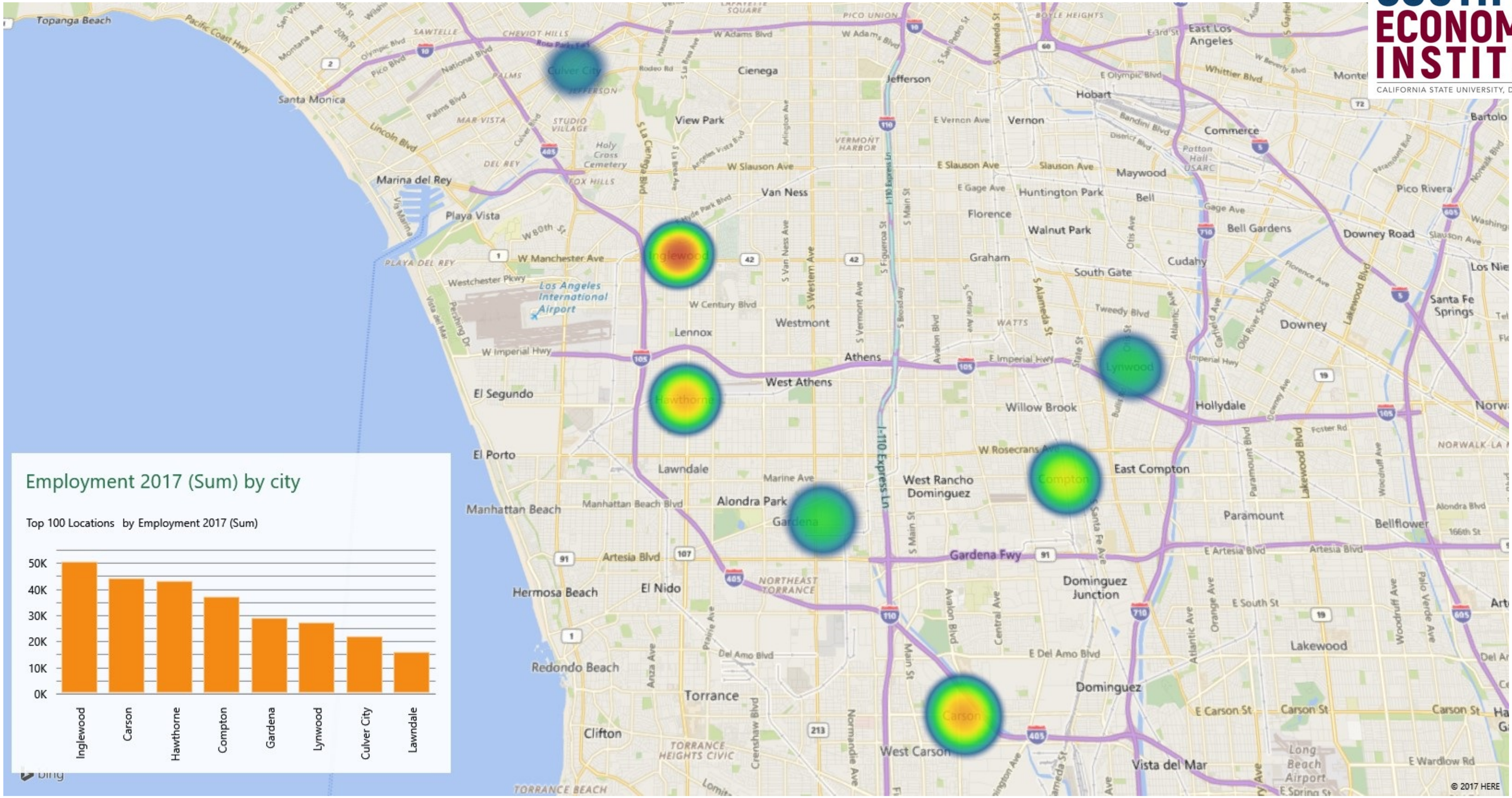
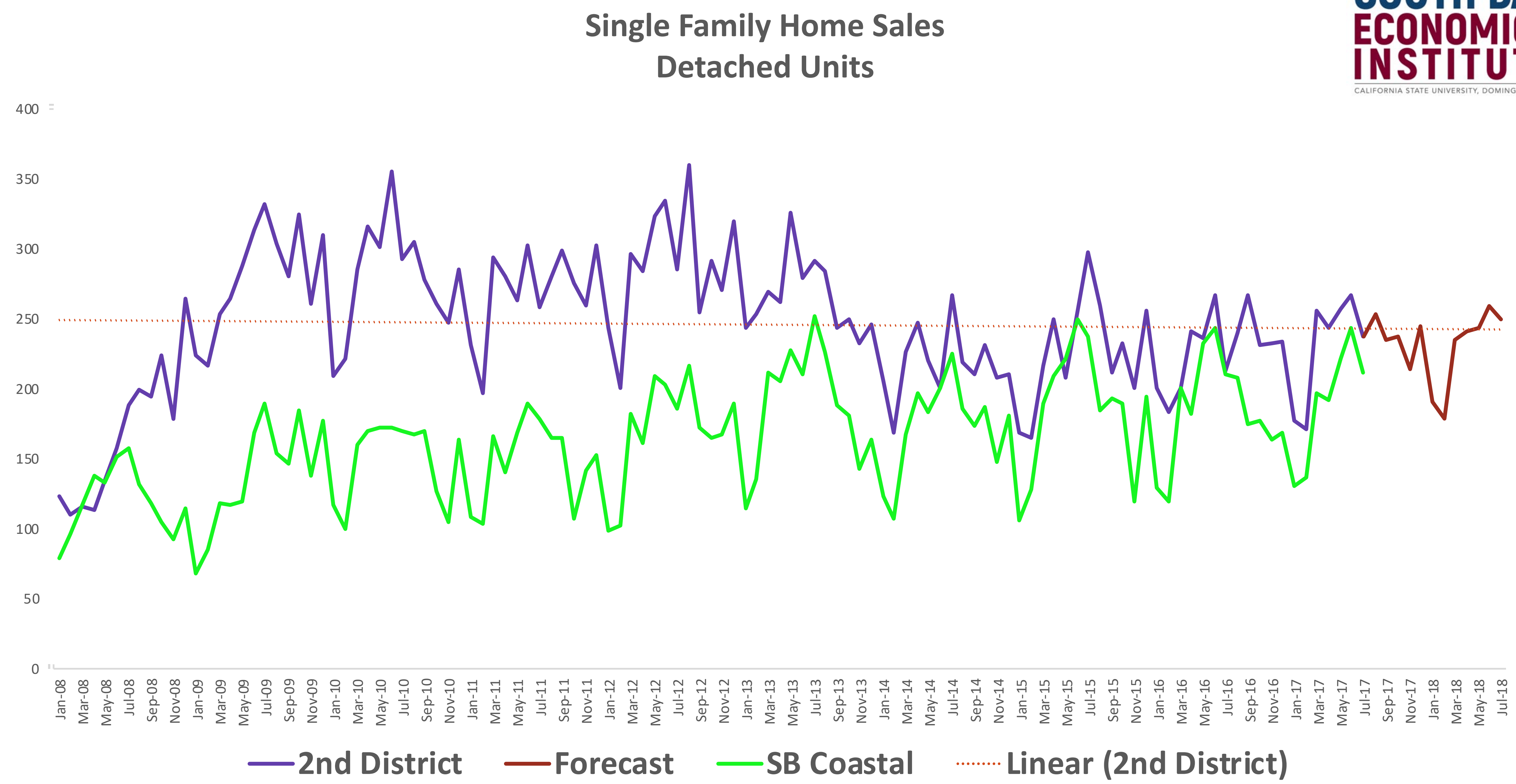


Trends: Housing


Single Family Home Sales
Detached Units
400
350
300
250
200
150
100
50
0
Jan-08
Mar-08
May-08
Jul-08
Sep-08
Nov-08
Jan-09
Mar-09
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Jul-18
2nd District
Forecast
SB Coastal
Linear (2nd District)

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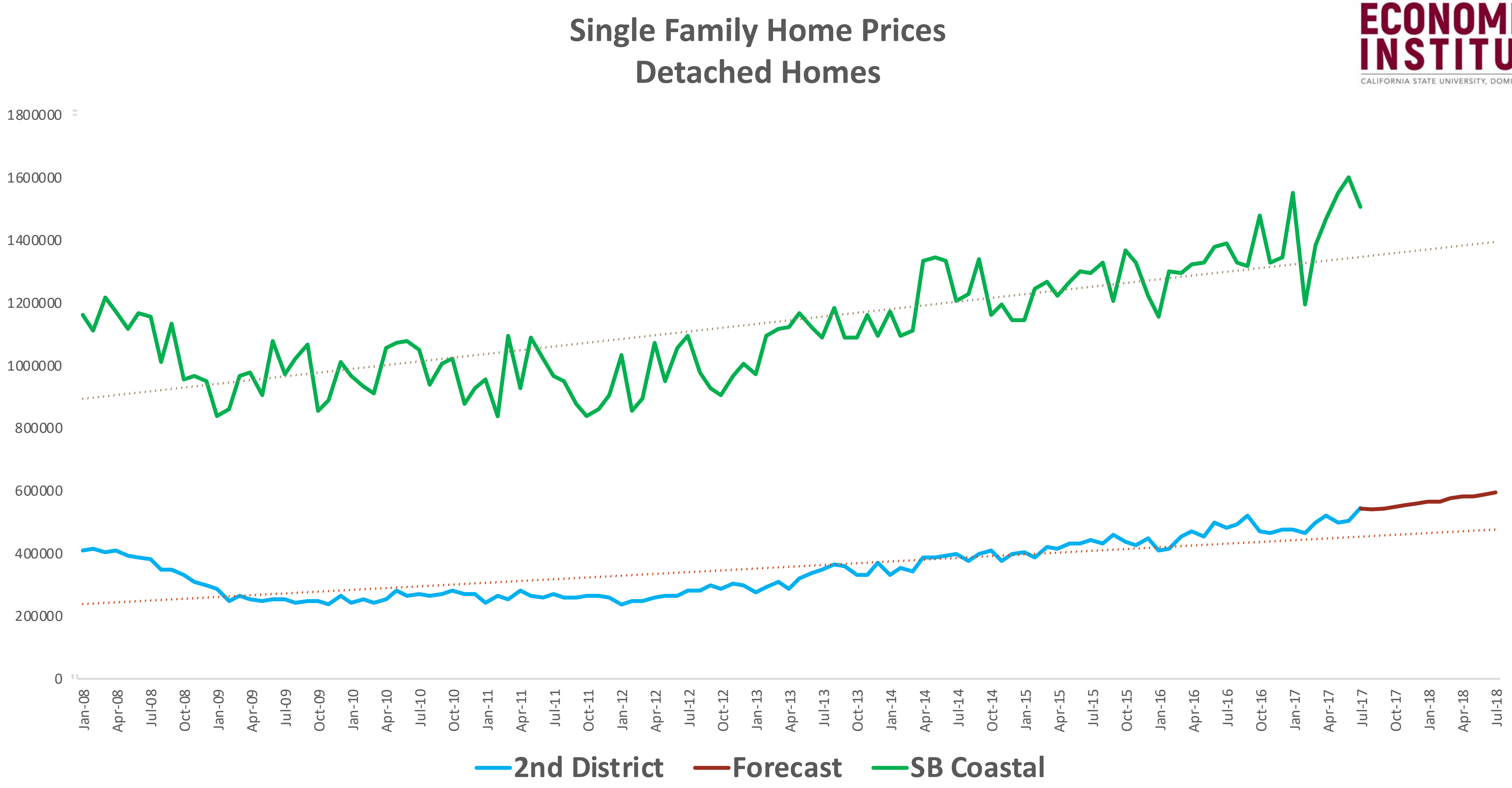

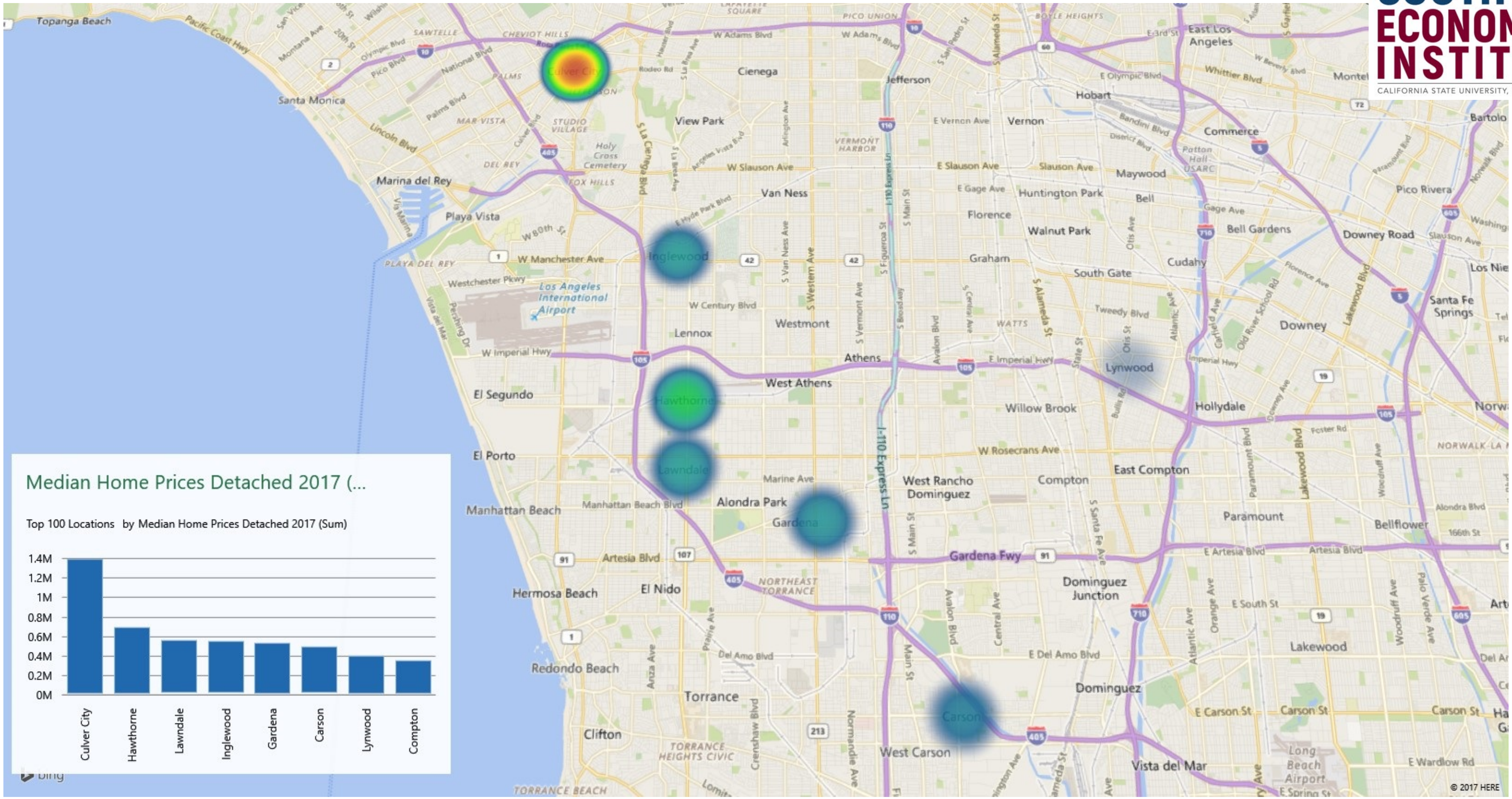
Median Home Prices Detached 2017 (...
Top 100 Locations by Median Home Prices Detached 2017 (Sum)
1.4M
1.2M
1M
0.8M
0.6M
0.4M
0.2M
0M
Culver City
Hawthorne
Lawndale
Inglewood
Gardena
Carson
Lynwood
Compton
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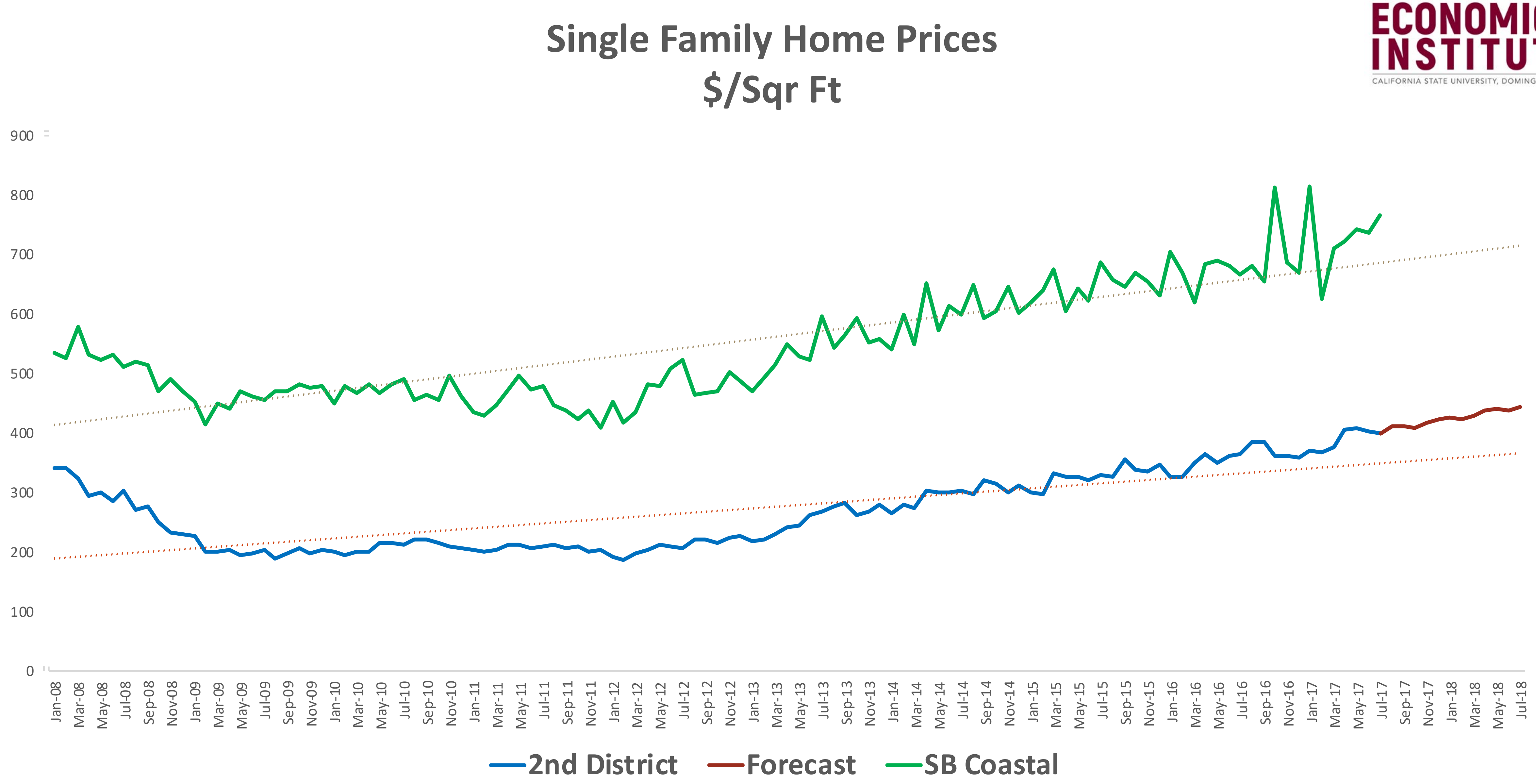

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Trends: Shopping Malls
Carson's South Bay Pavilion

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Carson's South Bay Pavilion mall serves 2.5 million residents including 600,000 living within a five-mile radius (Carson, Long Beach, Torrance, Inglewood) with average income of $70,000

The mall, is booming since Vintage Real Estate has purchased it in 2009 due to various community events (about 300 events) and surveying customers.

The mall is undertaking a $28 million renovation at the 1970s-era, 73-acre complex (known as home to Ikea) off the 405 Freeway on Avalon Boulevard.

- The plan is to change it to a "cultural hubs" that go beyond retail offerings
  - Vitamin World, and Mrs. Fields stores are closing
  - Other stores will open: Sephora , Payless Super Store, Chuck E. Cheese's, Kay Jewelers
  - Forever 21's new lower-cost retailer, F21 RED
  - More restaurants and activities health clubs and other recreational entertainment
  - A 13-screen Cinemark movie theater opened last year increasing foot traffic into the mall by 25 %.
  - Free Saturday morning Zumba classes an hour before the mall opens and Children's place.

Source: http://www.dailybreeze.com/business/20160626/carsons-southbay-pavilion-mall-renovation-attracting-new-stores-shoppers

Trends Shopping Malls: The Fashion Outlet of Los Angles at Carson

The city of Carson plans to build an outlet at the 157 acre landfill (where NFL stadium was supposed to be built)

- Carson City Council voted unanimously for the new outlet mall (150 stores).
- The developer (Macerich)promised to pay $1 M sales tax in advance in four months and Carson's revenue might increase by $4 M due to sales tax.

It is expected to open in late 2018 or early 2019, between Del Amo and Avalon boulevards for an area of 500,000-square-foot

Macerich Company officials spent millions of dollars on site plans to draw customers from an 80-mile radius.

A free shuttle service to the mall from the Los Angeles International Airport will take place

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Trends: Shopping Malls
South Bay Galleria Redondo Beach

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Forest City's (developer) plans to remodel the struggling 30- acre-South Bay Galleria shopping at Hawthorne and Artesia Boulevards, built in the1980s.

The company described the renovation as “a unique and exciting gathering place that reinforces the vibrancy of Redondo’s coastal lifestyle and boosts this critical economic engine.”

An outdoor marketing and dining development with a courtyard, a new department store and a hotel to be built on the west side, parking underground.

Forest City intends to build 480 new housing units and increase the mall’s retail space to about 1 million square feet.

Source: :https://urbanize.la/post/details-emerge-south-bay-gallerias-mixed-use-expansion

Challenges

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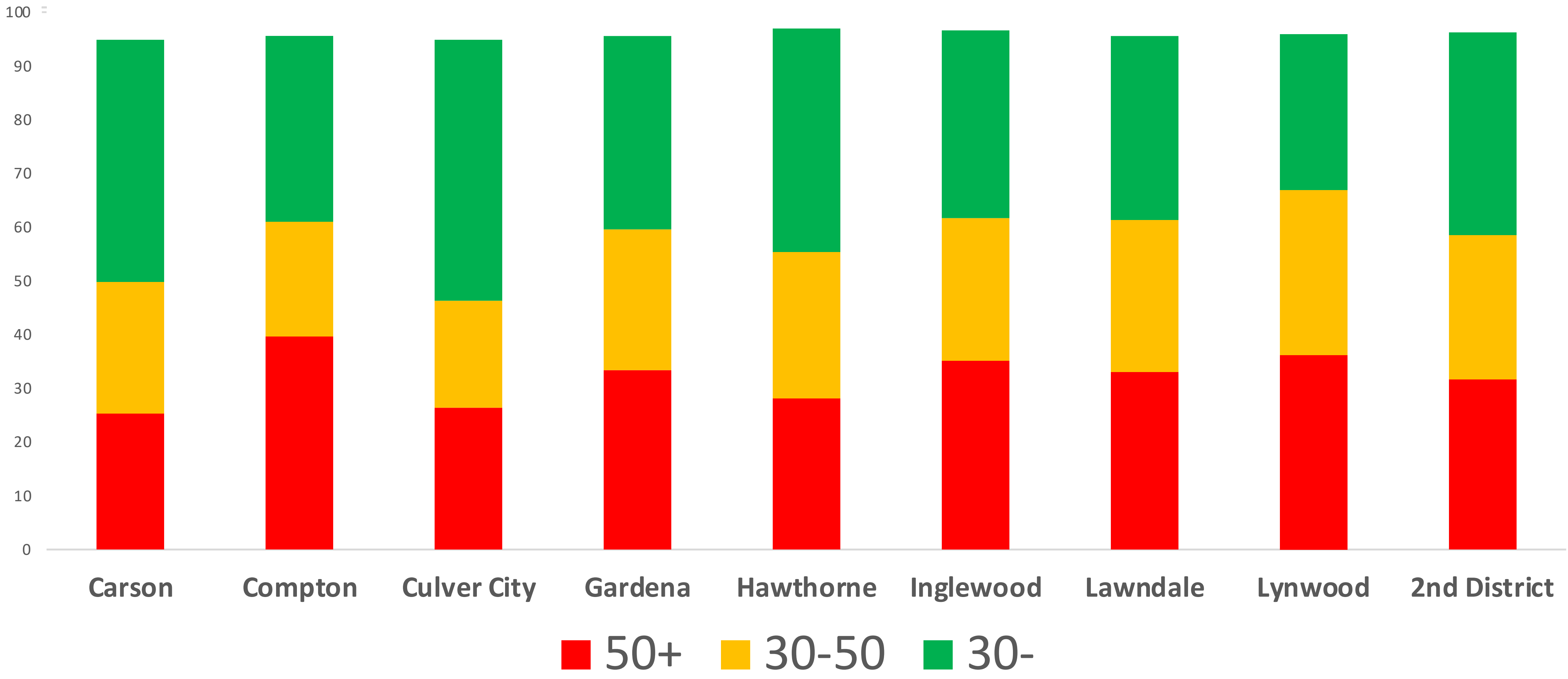
Median Rent Burden
As % of Income



Rent prices in the 2nd District, 2016-17

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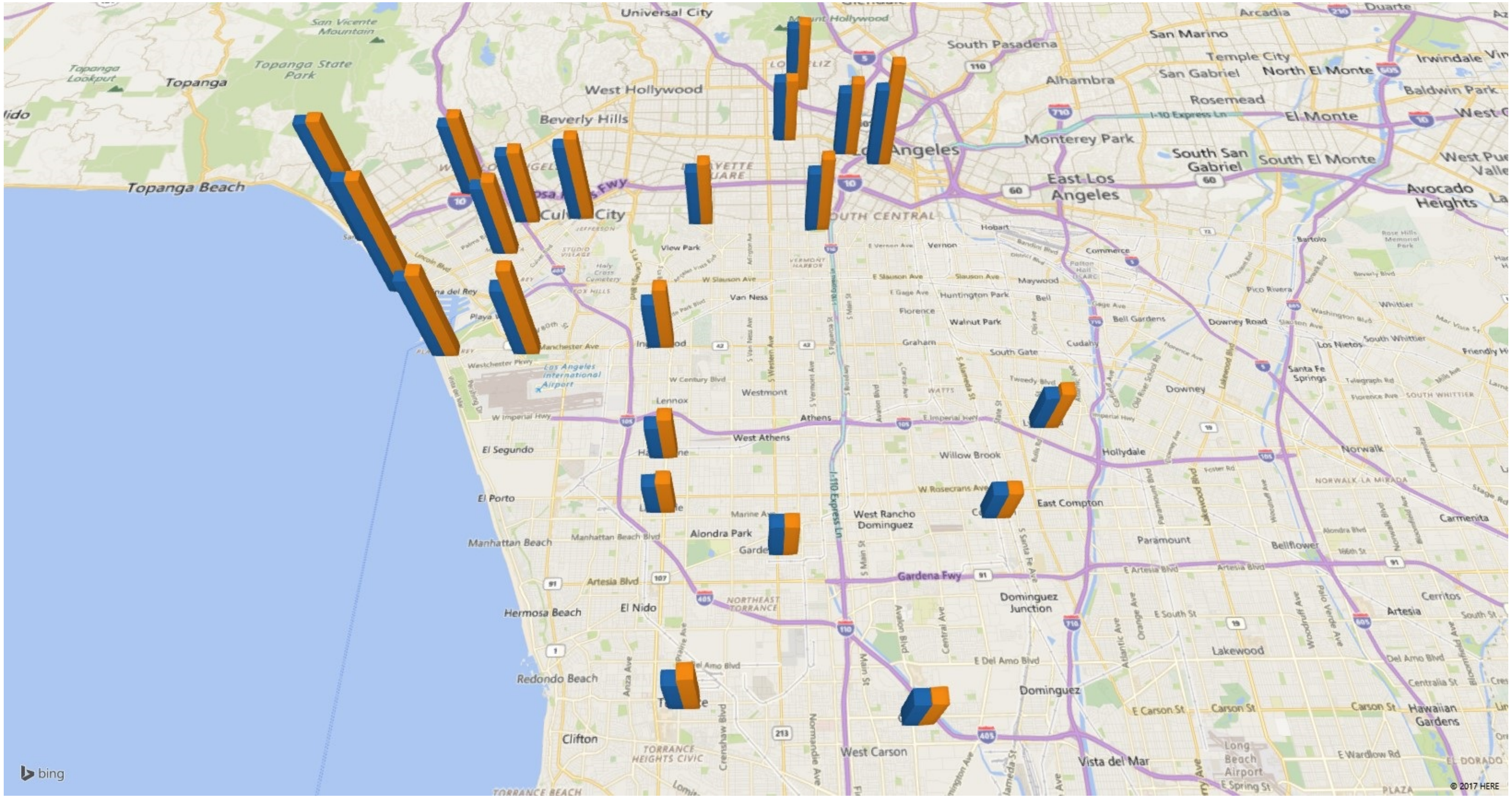

Key:
2016
2017

What is causing the rise in homelessness?

Some Zillow research might have the answer:

Rising Rents Mean Larger Homeless Population

The relationship between rising rents and increased homelessness is particularly strong in four metros currently experiencing a crisis in homelessness — Los Angeles, New York, Washington, D.C., and Seattle.

Nearly 2,000 more people would fall into homelessness in Los Angeles if rent climbed an average of 5 percent. Rents there rose 4.2 percent over the past year.

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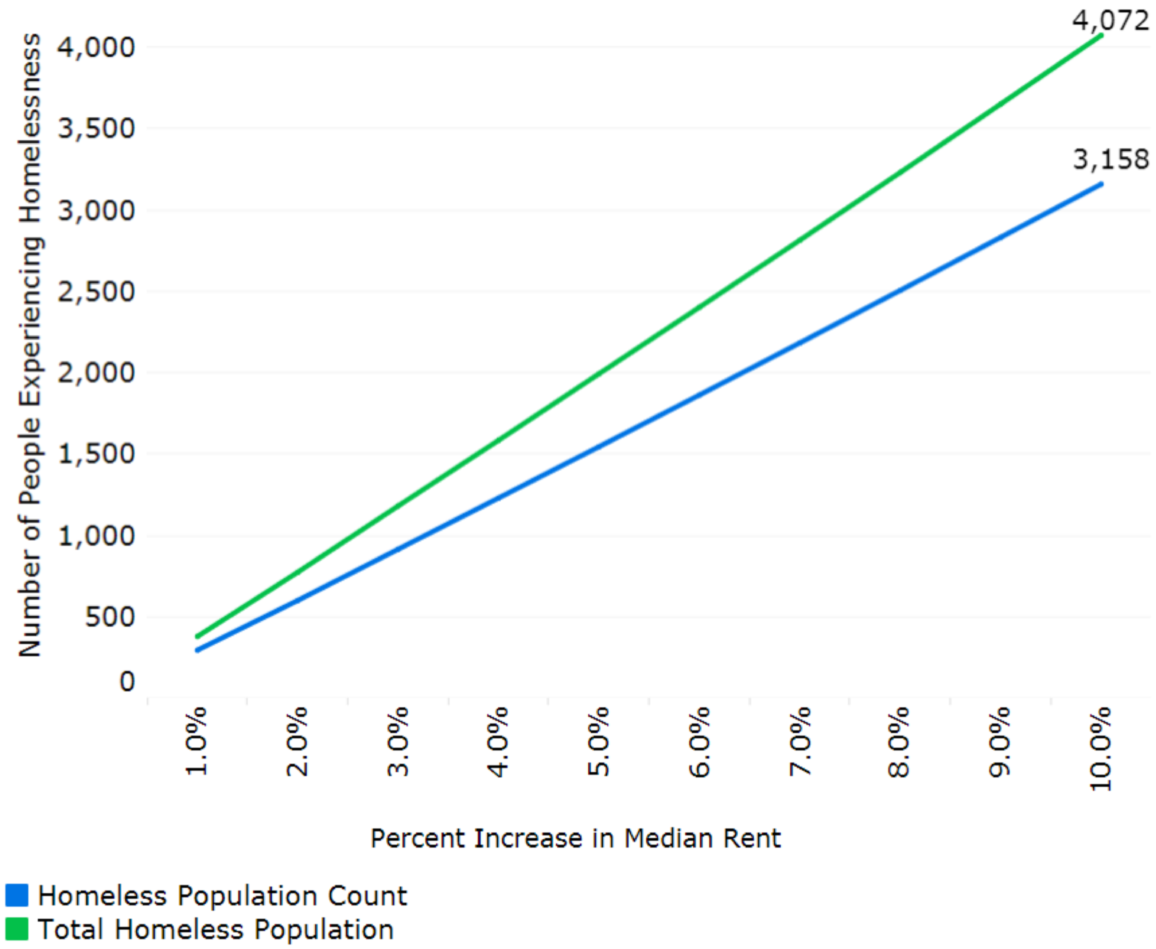
The Effect of Rising Rents on Homeless Populations

How many more people will experience homelessness if rents rise 1 to 10 percent?
(Estimates are the expected increase in both the homeless counts and total populations.)

Region
Los Angeles



(2015)	California	LA County	2nd District *
Workers 16 and over	17,630,992	4,854,009	148,055
Drove Alone	73.9%	74.2%	76.0%
Carpooled	10.0%	9.2%	11.2%
Public Transp	5.2%	6.1%	4.1%
Median Earnings	$35,489	$32,477	$29,822
Drove Alone	$37,216	$36,707	$33,690
Carpooled	$27,884	$27,473	$23,450
Public Transp	$30,113	$18,262	$20,785
Time to Work (minutes)	28.9	32.2	31.4
Drove Alone	27.5	31.0	30.8
Carpooled	31.7	34.5	33.1
Public Transp	50.7	51.4	53.2

* 2nd District data is for Carson, Compton, Hawthorne, Inglewood, and Lynwood.

(Percentage Change)	2005-2010			2010-2015		
	California	LA County	2nd District *	California	LA County	2nd District *
Workers 16 and over	-2.5%	-1.8%	-6.0%	10.7%	9.0%	-4.0%
Drove Alone	0.2%	0.1%	4.1%	1.0%	2.8%	-0.7%
Carpooled	-7.6%	-9.3%	-10.0%	-12.7%	-16.1%	-2.1%
Public Transp	3.5%	3.0%	-22.3%	1.9%	-14.3%	-4.5%
Median Earnings	4.2%	2.9%	1.7%	6.0%	2.6%	0.1%
Drove Alone	2.3%	3.3%	1.8%	1.0%	0.9%	0.2%
Carpooled	9.4%	8.0%	5.0%	5.6%	5.4%	-5.2%
Public Transp	10.0%	7.5%	-17.3%	36.6%	11.7%	57.9%
Time to Work (minutes)	0.4%	1.0%	3.8%	7.4%	6.6%	7.9%
Drove Alone	0.4%	0.7%	6.4%	7.4%	7.6%	11.5%
Carpooled	-1.0%	0.9%	8.9%	6.7%	6.2%	1.5%
Public Transp	1.5%	2.8%	-1.8%	8.1%	6.0%	1.2%

* 2nd District data is for Carson, Compton, Hawthorne, Inglewood, and Lynwood.

Commute Times in the 2nd District

Evidence:

- **LA city residents work mostly in the city**, but commuting workers out of the city travel to Torrance, Long Beach, Santa Clarita, and Inglewood, all areas with more affordable housing.
- **Similarly, Inglewood residents work mainly in the city**, but commuting workers out of the city travel to LA city, Long Beach, Downey, and Torrance, all areas with higher housing prices.

Theory:

- **Two types of commuters: choice vs necessity.** Some people in Rancho Cucamonga commute to LA to enjoy larger homes and better school districts, while other people commute to Torrance and live in Long Beach because it's more affordable.

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What can we do about this?

Major public transit investments are coming.

The **Expo Line** is already impacting:

- Over **55,000 daily ridership**
- **But** early results of USC study suggest **minimal impact on freeway and local street congestion**
- Neighborhoods along the line have seen new developments and **price increases, especially near Downtown and Culver City.**
- Low income neighbors have seen gentrification.

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What can we do about this?

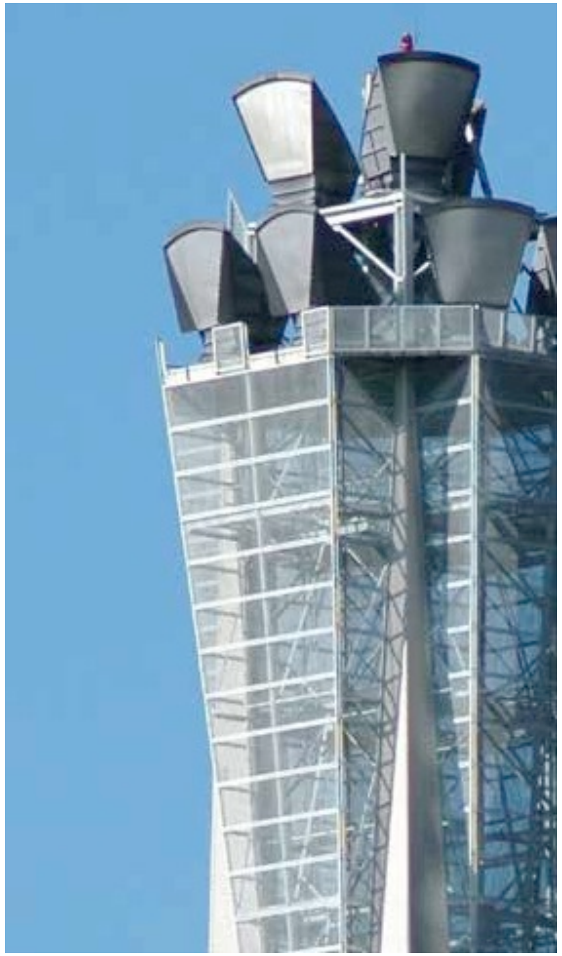
Major communications infrastructure investments are coming

LA Chamber:

“In order to embrace the Internet of Things, though, cities must embrace the Internet, and they can so do so by realizing that Internet connectivity has implications not only for infrastructure, but also for residents and businesses.“

Investments by Google Fiber, AT&T and other private companies, as well as local regional efforts to improve broadband capacity hope to change this.

But telecommuting will only offset commuting patterns if workplaces adjust their cultures.



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New Opportunities

Rams and Chargers

Sharing Economy: Uber, Lyft, airbnb

Experiential Services

Marijuana Legalization

California Legislature Bill Package SB 2 and SB 35

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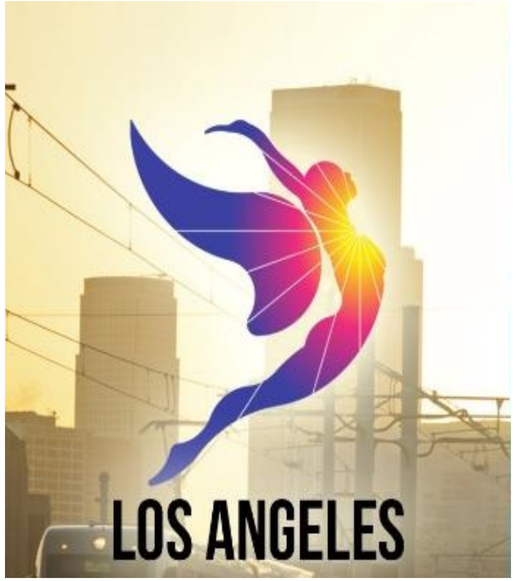
Conclusions



California continues to outpace the U.S.

Region’s growth is healthy

There are challenges, but stakeholders are talking

The South Bay Economics Institute at DH is here to support you