South Bay Economic Forecast 2018

A Region in Transition: The Future is Here

Telework and Updates on Housing and Transport Trends

A Night of Big Revelations

➢Housing is the South Bay is very expensive!

➢Traffic is awful!

South Bay Housing

South Bay Housing Market

❖SB1: Avalon, El Segundo, Hermosa Beach, Manhattan Beach, Palos Verdes Estates, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, and Torrance

❖SB2: Carson, Gardena, Hawthorne, Inglewood, Lawndale, and Lomita

South Bay Housing Market

Demand Factors:

     (+) Jobs & Income Growth

     (+) Is California! (Love and Migration)

     (+) Alternatives (Arizona? Rentals?)

     (+) Credit Availability and Regulations

     (-) Affordability and Millennials (Mobility)

     (-) Interest Rates & Tax Reform
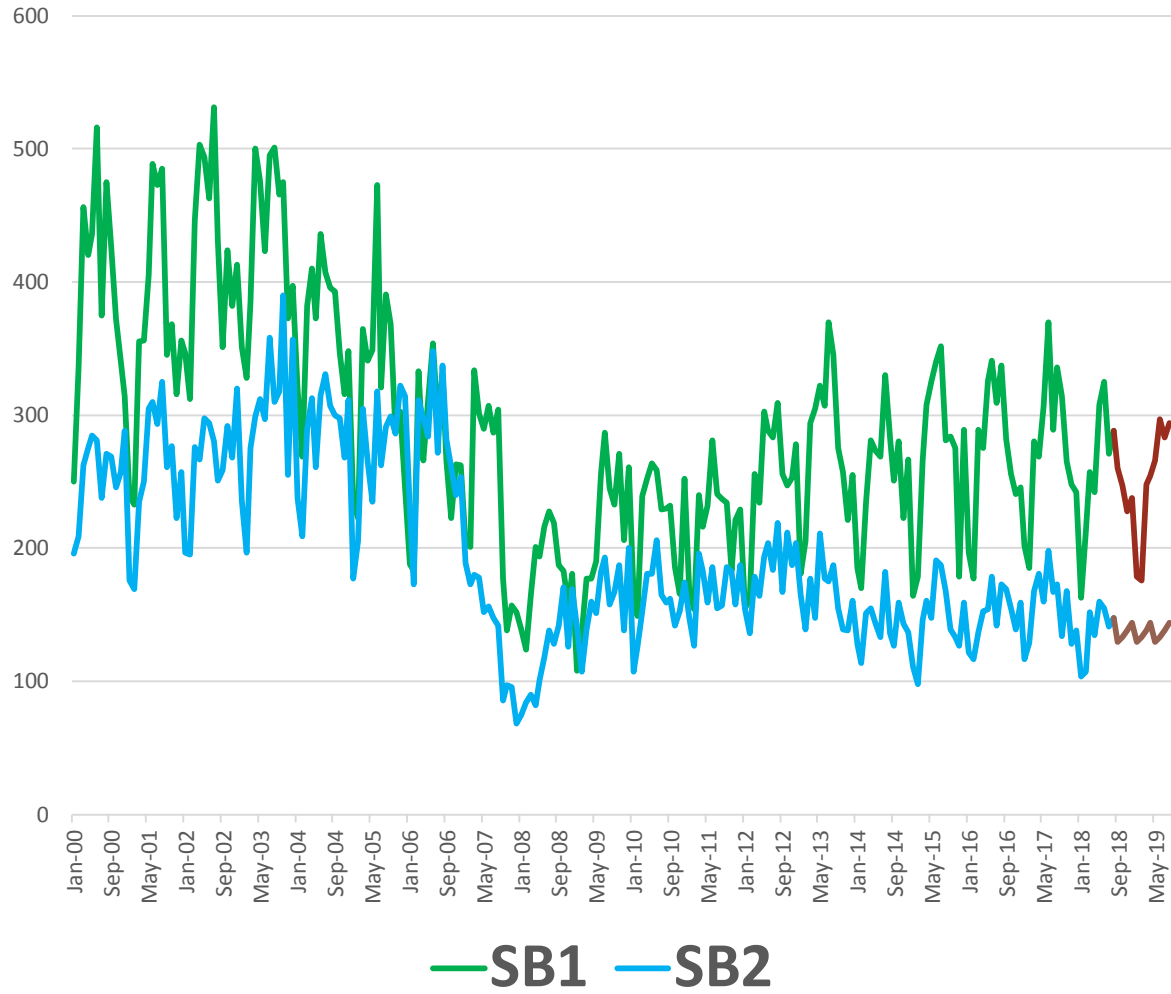
Supply Factors:

     (-) Inadequate Construction (about 100k deficit)

     (-) Prop 13 (Fiscalization of land use)

     (-) Approval Process

South Bay Housing Market

	Sales	Median Price	$ per Sqr Ft
SB1	$3,136	$1.25 Million	$667
SB2	$1,670	$555K	$421

Detached Homes
Sales

Detached Homes
Median Prices
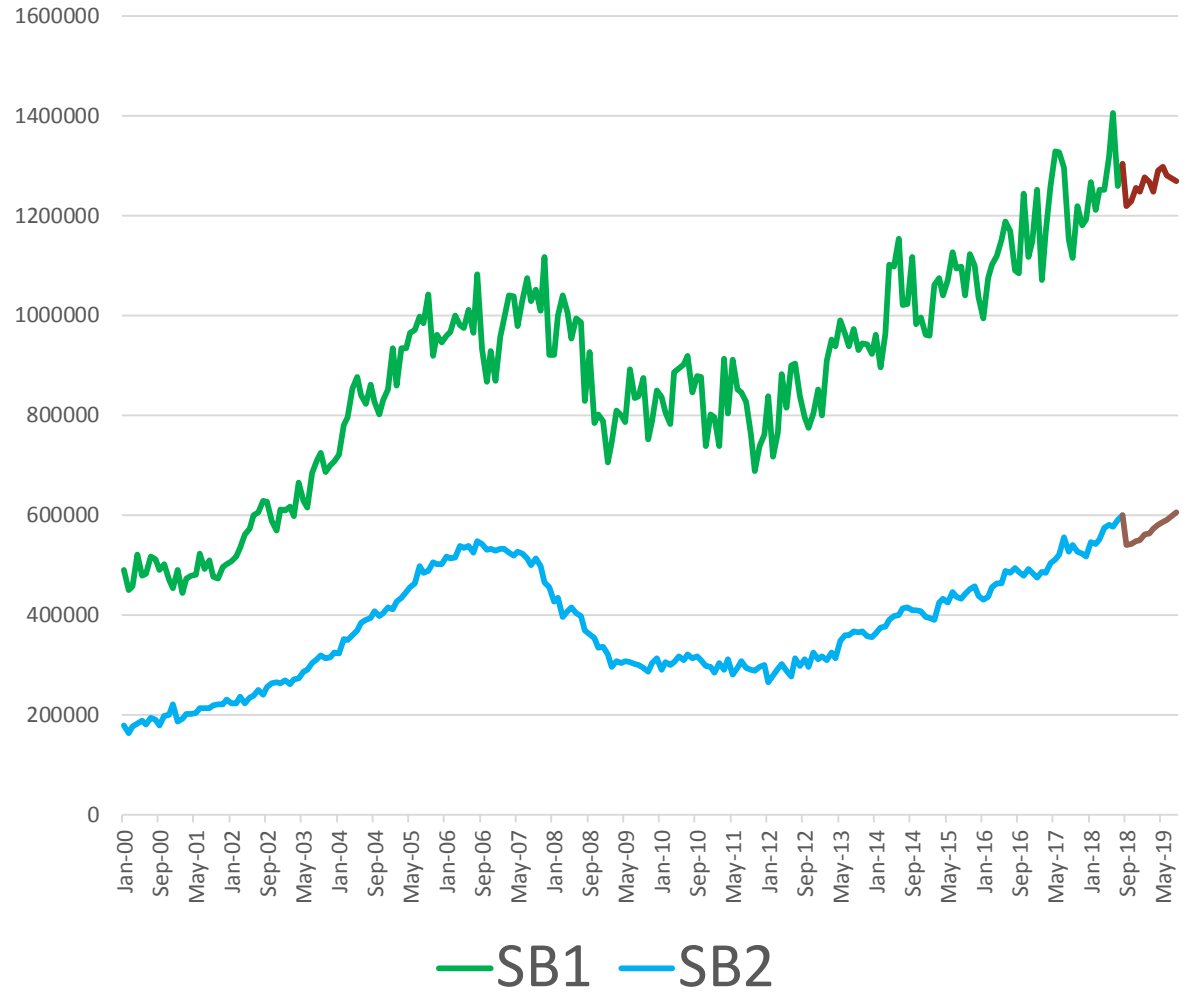
**Detached Homes
$ per SqFt**
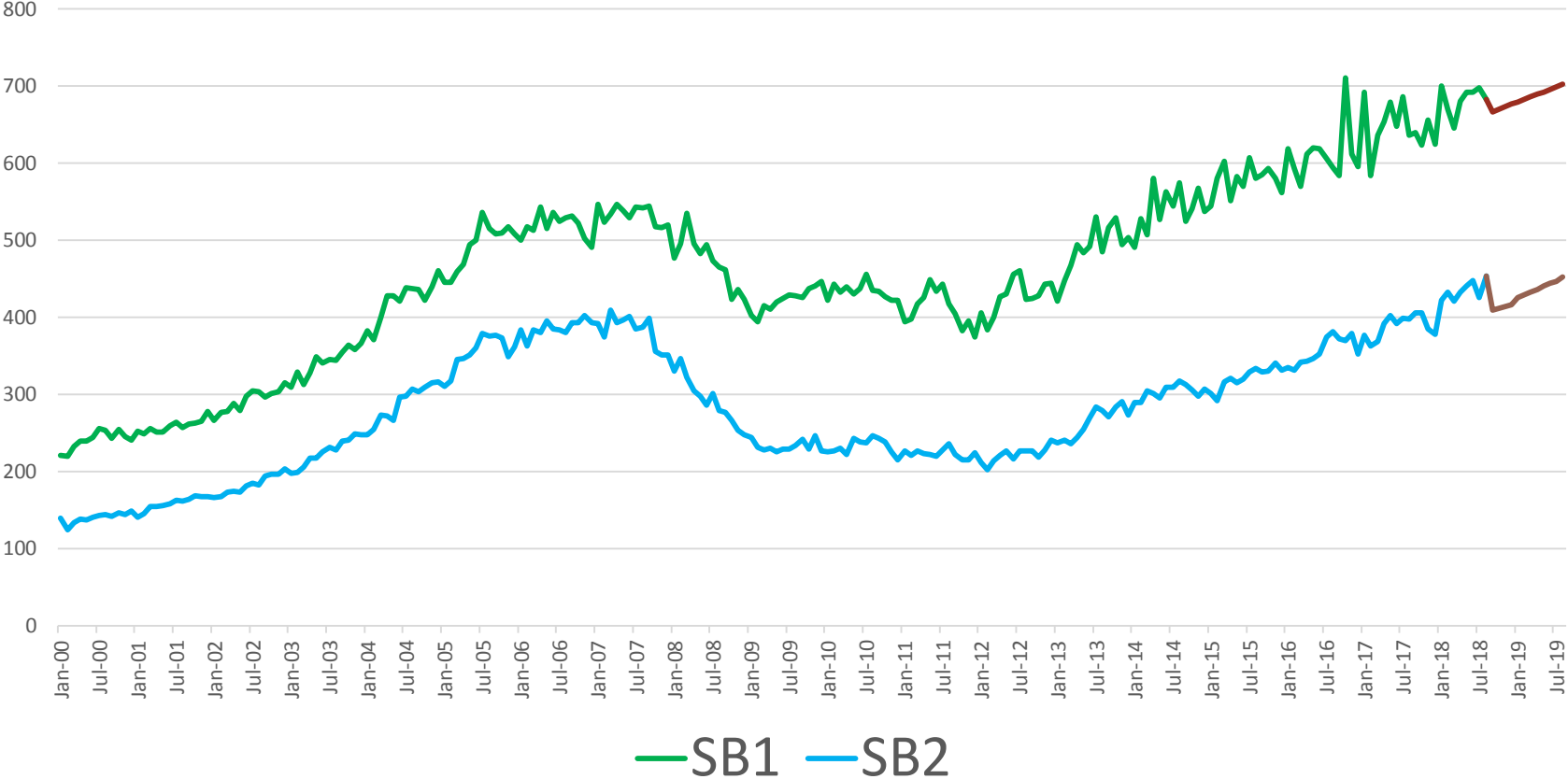
South Bay Housing Market

	Sales		Median Price		$ per Sqr Ft	
	2017-2018	2018-2019F	2017-2018	2018-2019F	2017-2018	2018-2019F
SB1	-3.9	-5.3	3.7	1.2	3.7	2.6
SB2	-12.8	-2.1	11.0	2.5	10.6	2.2

South Bay Housing Market

Summary:

❖ Moderating growth in housing prices, including $/Sqr Ft

❖ Inland communities (SB2) to fare better than Coastal communities (SB1) in % terms

❖ Decline in sales

❖ Market fundamentals not as good, and affordability will play a bigger role

❖ Building permits and construction inadequate, at best

❖ Underwriting requirements slightly less restrictive

❖ Tax reform and Fed response should start affecting more the demand side

South Bay Rental Market

	Median Renter Income	Moderate Burden	Severe Burden	Median Rent
U.S.	$38,944	25%	25%	$1,012
California	$50,434	27%	28%	$1,447
LA Metro	$49,928	28%	30%	$1,476
San Diego Metro	$54,025	29%	28%	$1,598
San Francisco Metro	$73,308	23%	23%	$1,853
San Jose Metro	$87,282	24%	23%	$2,213

South Bay Rental Market

2007-2017 Changes	Median Renter Income	Median Rent	Overall Burden
U.S.	7%	8%	0%
California	8%	13%	3%
LA Metro	8%	13%	4%
San Diego Metro	8%	16%	3%
San Francisco Metro	27%	29%	-4%
San Jose Metro	34%	42%	1%

South Bay Rental Market

County	Median Renter Income	Moderate Burden	Severe Burden	Median Rent
Los Angeles	$47,008	27.5%	30.3%	$1,402
Orange	$61,503	28.5%	29.2%	$1,786
Riverside	$41,570	28.4%	32.2%	$1,313
San Bernardino	$43,375	28.4%	28.2%	$1,227
San Diego	$54,025	28.9%	28.3%	$1,598
Ventura	$58,656	29.9%	27.6%	$1,736

South Bay Rental Market

2007-2017 Changes	Median Renter Income	Median Rent	Overall Burden
Los Angeles	8%	14%	4.1%
Orange	6%	10%	4.5%
Riverside	-4%	4%	7.4%
San Bernardino	-2%	1%	3.5%
San Diego	8%	16%	3.2%
Ventura	8%	11%	6.3%

South Bay Housing Market

State Propositions

PROP 1 (affordable housing programs)
PROP 2 (Mental health housing program)
PROP 5 (Property Tax Rules)
PROP 10 (Local government and rent)

◦ A survey of renters ranks California among best in weather and worst in affordability
◦ 4/5 renters hope to become home owners in the next 5 years, but only 1/5 can afford it (PISA?)
◦ Significant SFR spike after recession (1/4 all-cash transactions)

South Bay Housing and Rental Market

Implications:

➢ For Current Homeowners & Renters
➢ For Millennials
➢ For Commuters
➢ For Employers
  ➢ Telecommuting and more flexible schedule (hard to monitor, productivity issues?)

Telework and Transport Trends

Some Benefits of Telework and Flexible Schedule:

➢Compliance with AQMD

➢Improved space use efficiency

➢Reduced carbon footprint

➢Reduced traffic congestion

➢Improved recruitment and retention

➢Improved work-life balance

➢Improved housing options

➢Increased productivity due to morale increases*

Telework and Transport Trends

(2013)	Source	Workers %	Car	Public Transportation	Work at Home	Other	Travel Time	Carpool %
	LA	90.5	82.2	6.9	5.6	5.3	25	11.6
	Orange	4.0	96.0	2.8		1.2	40	11.9
LA	Riverside	1.1	94.8	3.7		1.4	60	20.4
	San Bernardino	2.9	95.1	3.9		1.0	45	16.3
	San Diego	0.2	90.4	5.6		4.0	90	8.4
	Ventura	1.5	96.7	2.6		0.7	35	10.4
	LA	12.1	96.9	1.6		1.5	35	11.5
	Orange	79.9	87.0	2.4	6.5	4.1	20	10.6
Orange	Riverside	4.8	96.4	2.4		1.2	60	21.6
	San Bernardino	2.3	97.2	1.2		1.7	55	15.9
	San Diego	0.8	92.4	5.1		2.6	60	13.8
	Ventura	0.1	100.0	0.0		0.0	90	13.9
	LA	2.1	96.6	1.6		1.8	45	16.0
	Orange	2.0	98.5	0.1		1.4	45	15.2
Riverside	Riverside	86.2	87.6	1.2	7.5	3.7	20	13.0
	San Bernardino	8.7	98.6	0.5		0.9	30	13.4
	San Diego	1.0	97.3	0.6		2.1	45	11.4
	Ventura	0.0	100.0	0.0		0.0	60	9.8

Telework and Transport Trends

(2016)	Source	Workers %	Car	Public Transportation	Work at Home	Other	Travel Time	Carpool %
	LA	90.5	82.06	7.03	5.61	5.3	20	12.19
	Orange	3.87	95.85	2.99		1.16	40	12.54
LA	Riverside	1.12	95.19	4		0.81	60	22
	San Bernardino	2.89	95.06	3.69		1.25	45	16.29
	San Diego	0.14	88.58	6.95		4.47	90	8.39
	Ventura	1.47	96.26	3.05		0.69	35	10.64
	LA	12.1	96.69	1.92		1.39	35	11.53
	Orange	80.17	86.72	2.73	6.14	4.41	20	10.92
Orange	Riverside	4.57	96.51	2.5		0.99	60	23.43
	San Bernardino	2.3	97.61	0.92		1.47	50	17.26
	San Diego	0.78	91.85	5.94		2.21	60	16.23
	Ventura	0.09	100				90	17.74
	LA	1.99	96.56	1.27		2.17	50	17.07
	Orange	1.71	97.84	0.27		1.89	45	12.92
Riverside	Riverside	87.43	86.78	1.29	8.14	3.79	18	13.29
	San Bernardino	7.8	98.41	0.88		0.71	30	14.26
	San Diego	1.05	96.88	1.34		1.78	45	11.06
	Ventura	0.01	100				60	8.44

Telework and Transport Trends

Cities	2009	2010	2011	2012	2013	2014	2015	2016	Change 09-16
Carson	25.8	25.6	26.9	27.2	26.4	26.2	26.9	27.1	1.3
El Segundo	21.2	21.5	21.6	21.5	22.0	22.8	22.9	23.8	2.6
Gardena	25.5	26.0	26.0	26.4	26.2	27.0	27.0	27.1	1.6
Hawthorne	28.2	28.9	28.2	27.6	27.6	28.5	27.8	28.4	0.2
Hermosa Beach	30.4	28.8	29.5	29.3	29.9	29.9	31.7	32.2	1.8
Inglewood	29.0	28.2	28.0	28.7	28.5	29.0	30.1	30.5	1.5
Lawndale	25.3	25.5	25.5	25.5	24.1	24.3	24.7	26.1	0.8
Lomita	25.5	25.4	25.2	25.9	26.0	25.1	25.7	25.6	0.1
Manhattan Beach	29.0	28.1	27.7	27.5	28.2	28.4	29.2	29.9	0.9
Palos Verdes Estates	33.8	35.3	36.3	37.4	35.0	34.7	35.4	35.2	1.4
Rancho Palos Verdes	33.0	32.5	32.9	31.8	32.2	31.6	32.1	32.7	-0.3
Redondo Beach	27.4	27.2	27.6	27.3	28.0	27.5	28.1	28.4	1
Rolling Hills	28.2	28.9	28.9	29.7	30.5	31.7	34.9	36.8	8.6
Rolling Hills Estates	30.9	30.1	28.3	28.4	29.1	28.9	29.1	31.1	0.2
Torrance	26.0	26.4	26.4	25.8	25.8	26.4	27.1	27.8	1.8
South Bay Total	27.4	27.3	27.4	27.3	27.3	27.5	28.0	28.5	1.1

Telework and Transport Trends
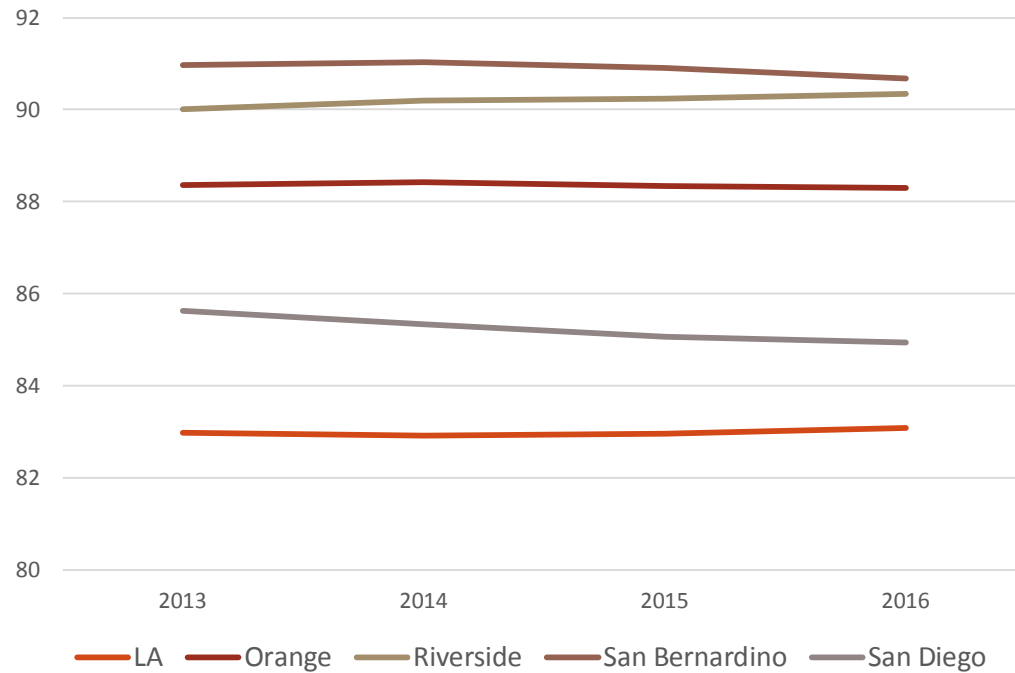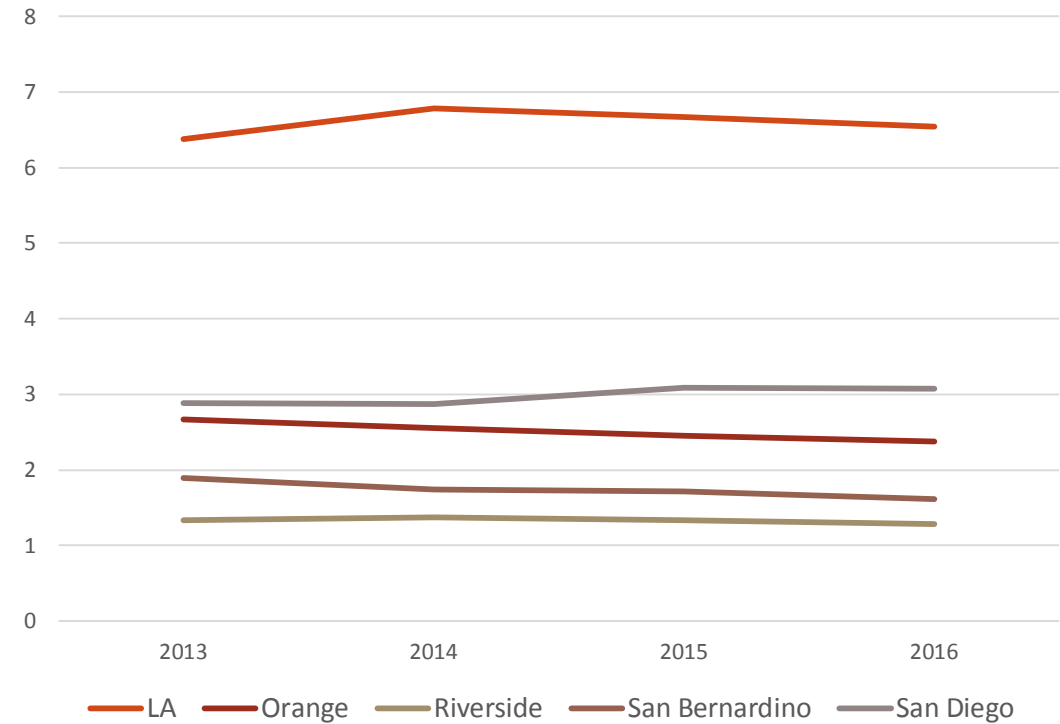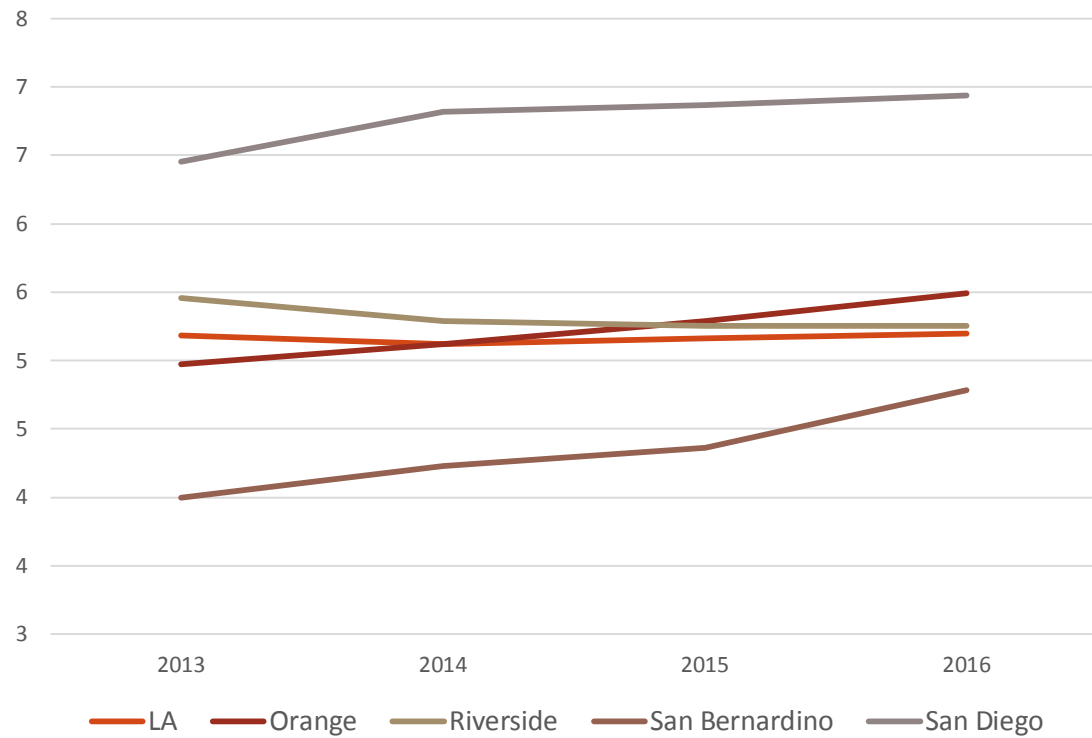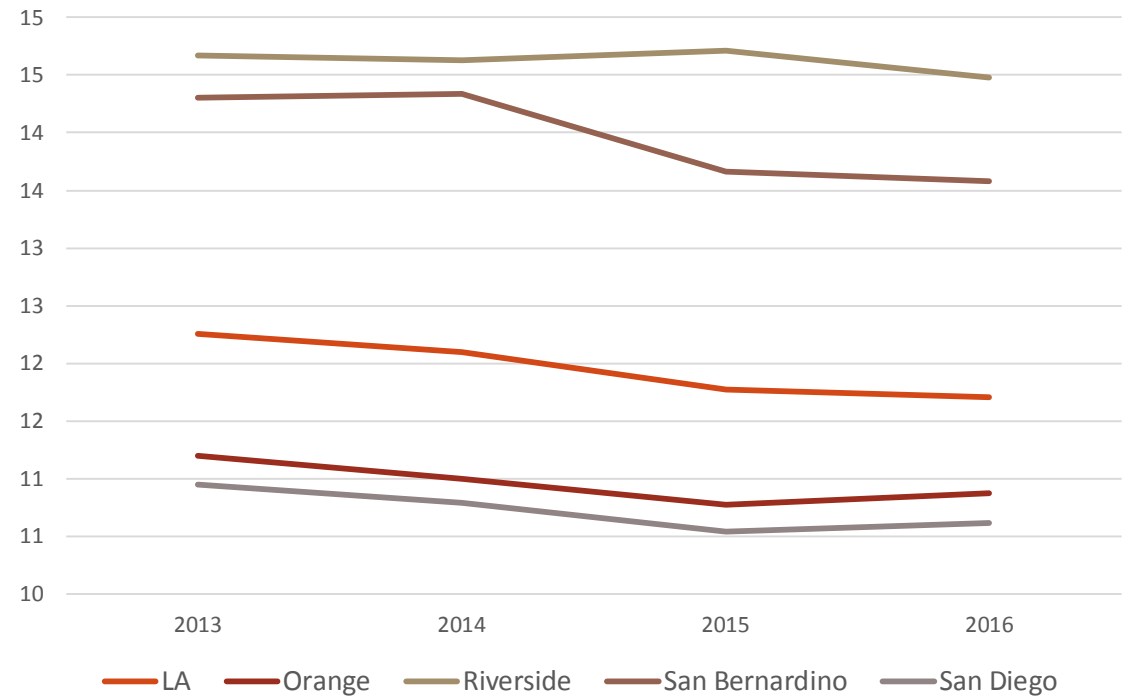
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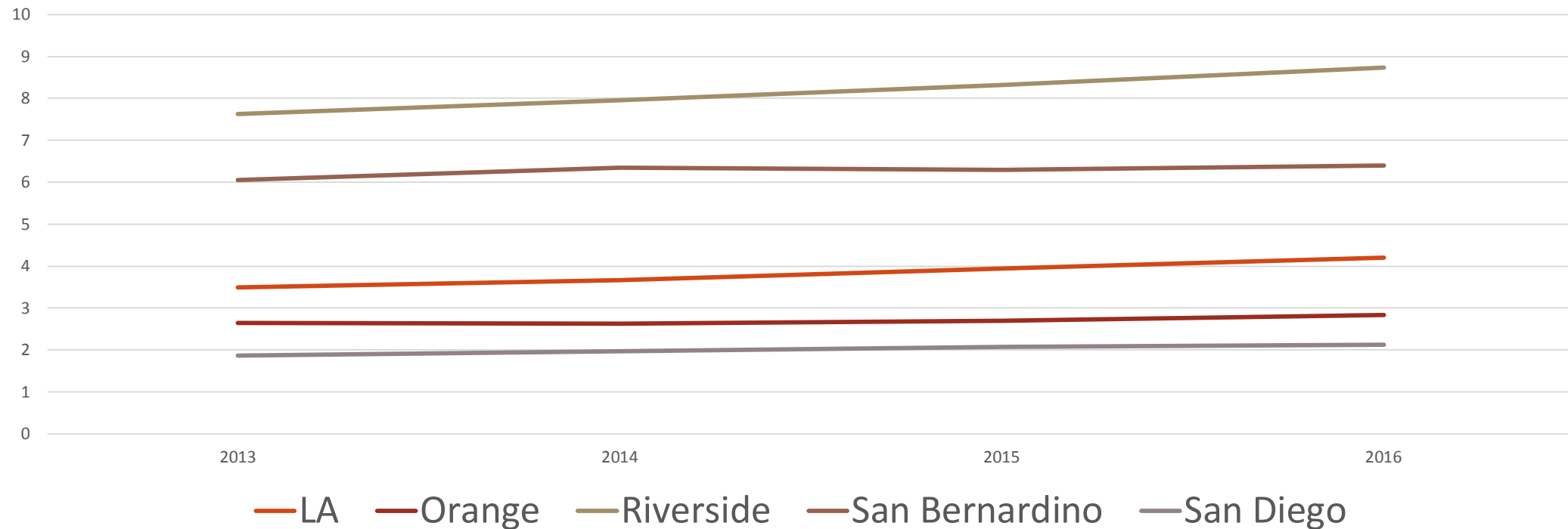
Telework and Transport Trends

No Single Solution:

Teleworking, Flexible scheduling, Co-Working Spaces, etc.

As Economists, it's all about incentives

Recession, anyone?

To summarize….

Telework and Transport Trends

"The Boiling Frog story is often used as a metaphor for the inability of people to react to significant changes that occur gradually or to events which have become commonplace."

THANKS!