South Bay Economic Forecast 2017
A Region in Transition: Changes & Trends in Consumer Behavior

South Bay Housing and Commuting Trends

An Attractive Region

Attractive for

Residents: beautiful weather, nice people, even 2 football teams (only one with real chances)

Workers: Jobs

Employers: Infrastructure, Location (LAX, Ports), Human Capital, Clustering effects/Networks

Tourists:

Induced demand

An Attractive Region For:

➢Residents

➢Workers

➢Employers

➢Tourists

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:

South Bay Housing Market

Demand Factors: Job and Wage Growth

Biggest industries in the South Bay:
      Professional/Business Services
      Retail and Wholesale Trade
      Manufacturing
      Leisure and Hospitality
      Health Care
      Transportation/Utilities

Largest 5 yr growth:
      Leisure and Hospitality
      Health Care
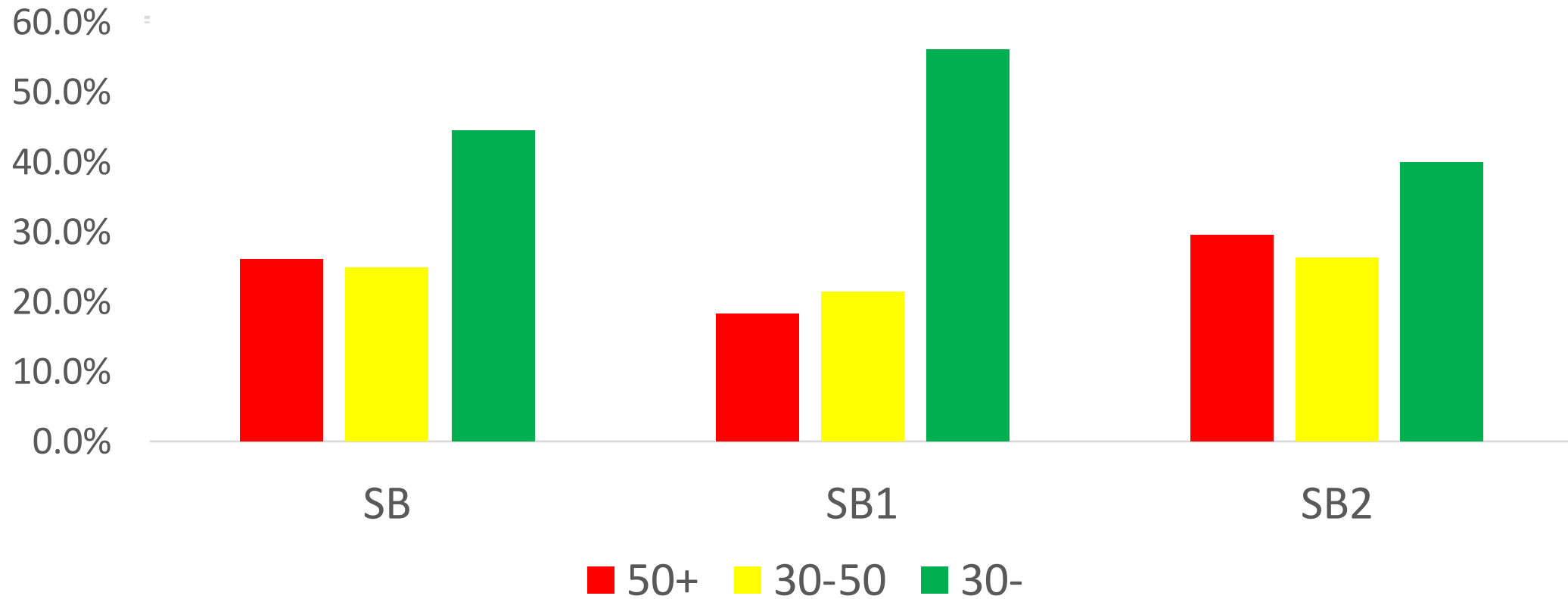   Transportation/Utilities
      Professional/Business Services

South Bay Housing Market

Demand Factors: Price of Alternatives

Rental Prices on the Rise

Median Rent Burden
As Percentage of Income

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.

South Bay Housing Market

Other Demand Factors:

Credit Availability and Regulations

Millennials + Unaffordability = No Mobility

South Bay Housing Market

Supply Factors:

➢ Building Permits, Construction, and Supply of Existing Homes for Sale

California represents:

12-13 % of U.S. population

8 % of all new residential building permits (much lower in coastal communities)

22 % of homeless population

➢ Affordable and Multi-Family Housing (NIMBY)

South Bay Housing Market

Supply Factors:

➢ Boomers, Millennials, and First-Time-Buyers

➢ Builders' Profits

➢ Housing Prices

MUSEUM

FRAN

FIRST TIME BUYER

IFA

CARTOONSTOCK.com

Search ID: forn897

I REMEMEBER WHEN YOU USED TO SEE 3 OR 4 OF THESE A WEEK!

	Prices	$/Sqr Ft		Change in Sales	
				2016-2017	2017-2018F
SB	938K	543			
			SB	3.51%	-0.28%
SB1	1.22 million	649			
			SB1	1.10%	0.02%
SB2	502K	378			**0.29%**

Change in Prices

	2016-2017	2017-2018F
SB	5.74%	5.79%
SB1	6.70%	5.14%
SB2	7.17%	6.87%

Change in $/Sqr Ft

	2016-2017	2017-2018 F
SB	5.66%	4.51%
SB1	5.70%	4.78%
SB2	8.18%	4.42%

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

❖ Sales flat

❖ Market fundamentals look healthy, but affordability will play a bigger role

❖ Building permits and construction inadequate, at best

❖ Underwriting requirements slightly less restrictive

❖ California Legislature bills (SB2, SB 35) might help, but no silver bullet

	California	LA County	South Bay*
Workers 16 and over			
Drove Alone	73.9%	74.2%	78.4%
Carpooled	10.0%	9.2%	10.1%
Public Transp	5.2%	6.1%	3.6%
Median Earnings	$35,489	$32,477	$35,997
Drove Alone	$37,216	$36,707	$38,845
Carpooled	$27,884	$27,473	$25,950
Public Transp	$30,113	$18,262	$20,800
Time to Work (minutes)	28.9	32.2	30.2
Drove Alone	27.5	31.0	28.9
Carpooled	31.7	34.5	35.2
Public Transp	50.7	51.4	52.9

* Selected incorporated cities: American Community Survey

(Percentage Change)	2005-2010			2010-2015		
	California	LA County	South Bay*	California	LA County	South Bay*
Workers 16 and over	-2.5%	-1.8%	-8.8%	10.7%	9.0%	12.3%
Drove Alone	0.2%	0.1%	6.9%	1.0%	2.8%	1.5%
Carpooled	-7.6%	-9.3%	-2.9%	-12.7%	-16.1%	-4.6%
Public Transp	3.5%	3.0%	-15.2%	1.9%	-14.3%	7.4%
Median Earnings	4.2%	2.9%	8.3%	6.0%	2.6%	4.8%
Drove Alone	2.3%	3.3%	5.6%	1.0%	0.9%	4.4%
Carpooled	9.4%	8.0%	14.6%	5.6%	5.4%	-7.6%
Public Transp	10.0%	7.5%	-8.6%	36.6%	11.7%	51.5%
Time to Work (minutes)	0.4%	1.0%	2.1%	7.4%	6.6%	6.1%
Drove Alone	0.4%	0.7%	-0.6%	7.4%	7.6%	6.9%
Carpooled	-1.0%	0.9%	32.4%	6.7%	6.2%	8.7%
Public Transp	1.5%	2.8%	14.0%	8.1%	6.0%	2.2%

* Selected incorporated cities: American Community Survey

Commute Times in the South Bay

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.

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.

South Bay Housing Market

Implications:

➢ For Current Homeowners

➢ For Renters

➢ For Millennials

➢ For Commuters

➢ For Employers

  ➢ More flexible schedule

  ➢ Telecommute (hard to monitor, productivity issues?)

South Bay

UC Berkeley poll: Have you given any consideration to moving because of the rising costs of housing in your area?

➢CA=56

➢LA=59

➢SF=51

➢If people in SF are not moving, I am not moving either.

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UC Berkeley poll: Have you given any consideration to moving because of the rising costs of housing in your area?

Moving where?

South Bay Economic Forecast 2017

UC Berkeley poll: Have you given any consideration to moving because of the rising costs of housing in your area?

➢California
➢Los Angeles County
➢San Francisco Area

THANKS!