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Presents

2024
SAN GABRIEL VALLEY
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FORECAST
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Valley Economic
Partnership**

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Dr. S. Terri Gomez

**Interim Provost & Vice
President for Academic
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State & Local Economic Forecast: Dr. Robert Kleinhenz

Kleinhenz Economics





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Economic Outlook 2024: Soft Landing for the SGV?

San Gabriel Valley Economic Forecast


March 27, 2024

Robert A. Kleinhenz, Ph.D.

Founder, Kleinhenz Economics
Executive in Residence, Cal Poly Pomona

Kleinhenz Economics
Cities | Regions

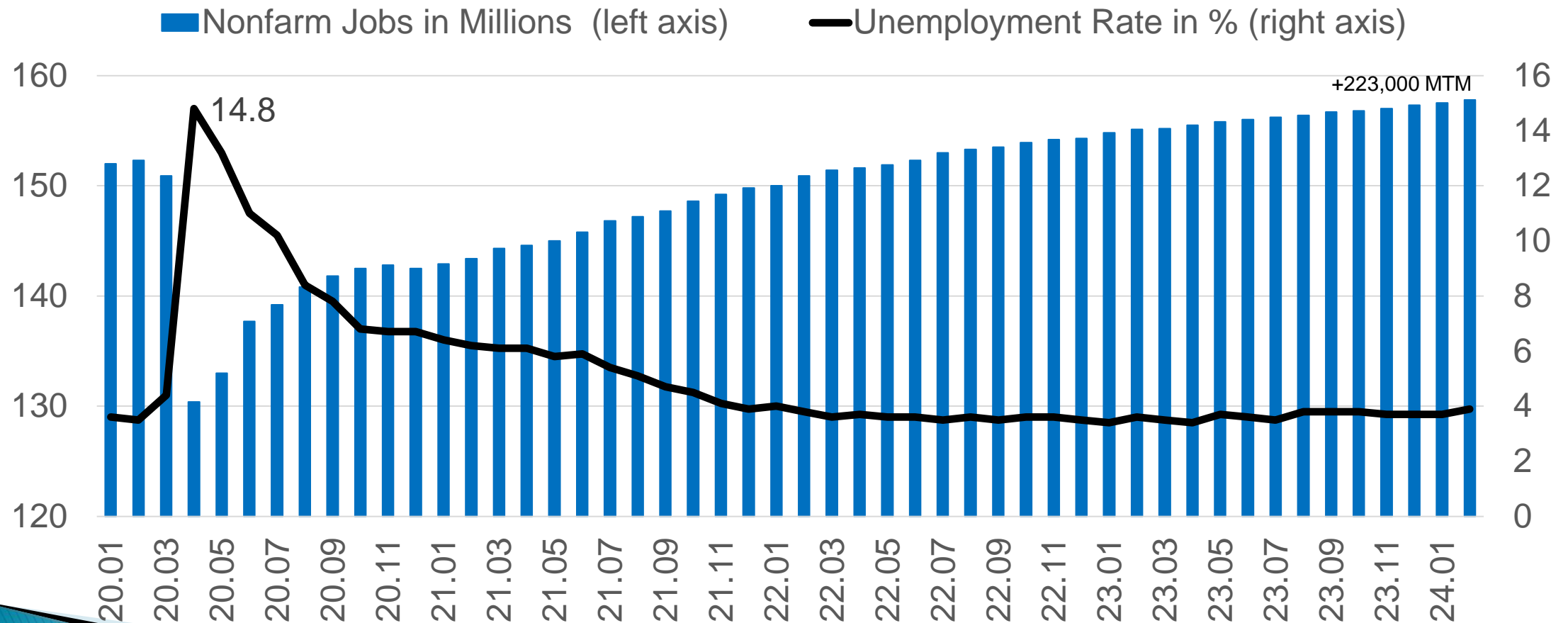
Outline

- ▶ U.S.: Soft Landing
 - ▶ California: Shifting Economic Drivers
 - ▶ San Gabriel Valley and Southern California
 - ▶ Real Estate
 - ▶ Conclusion
- 

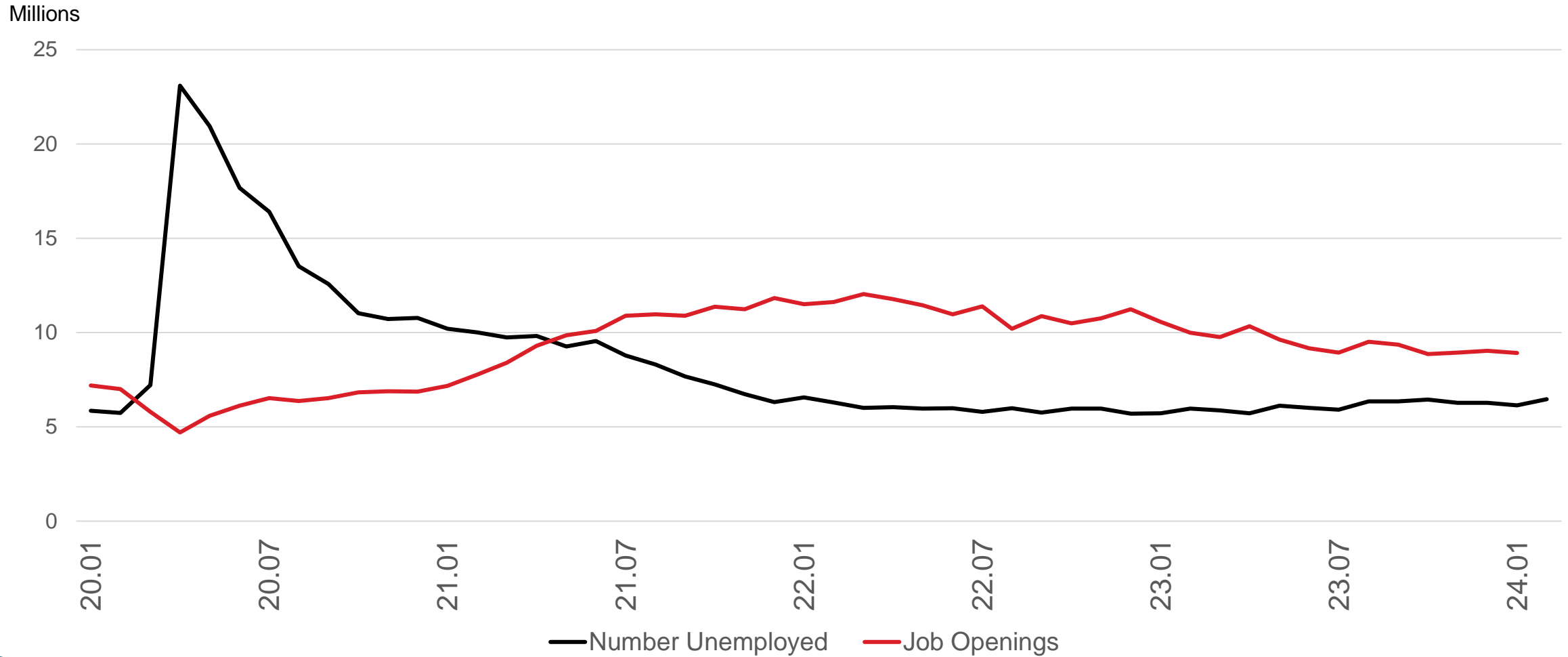
U.S. Economy: Soft Landing



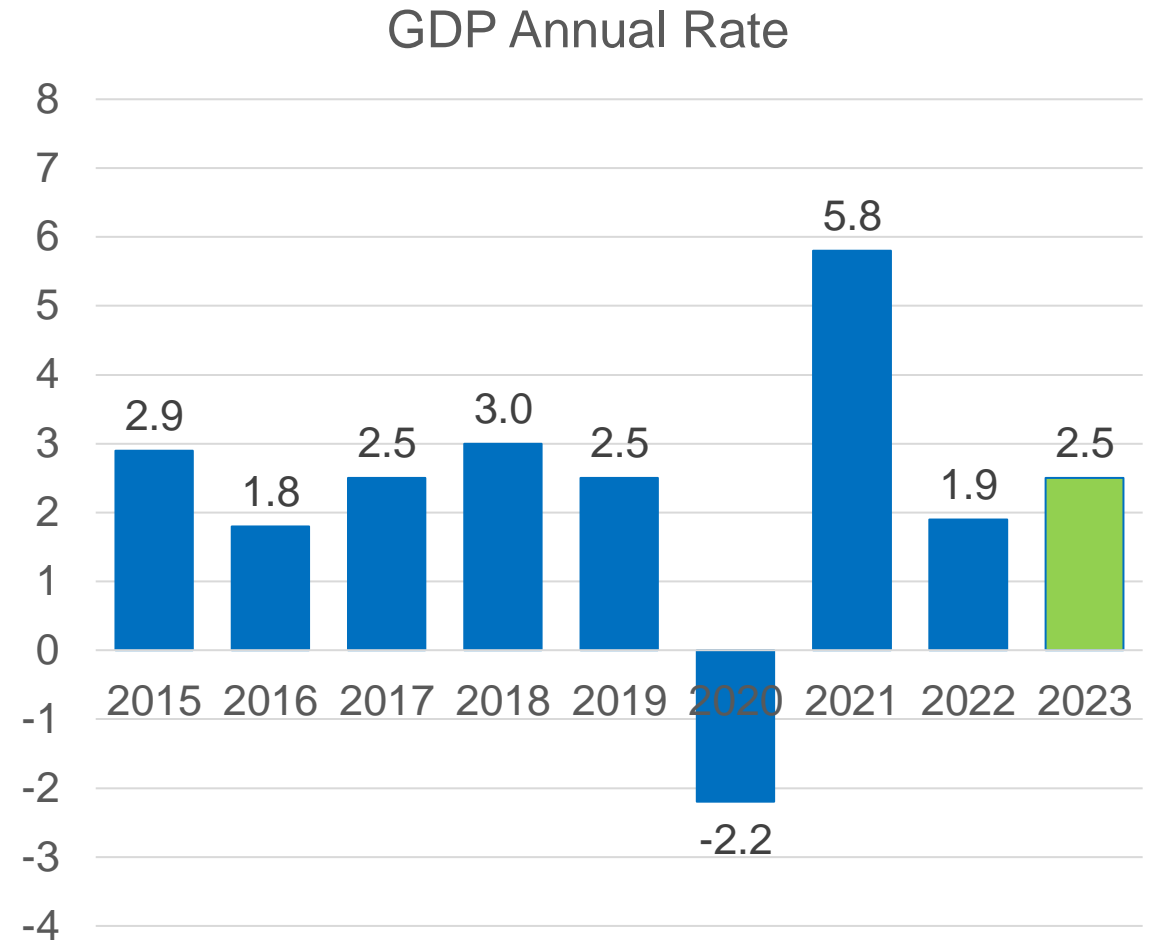
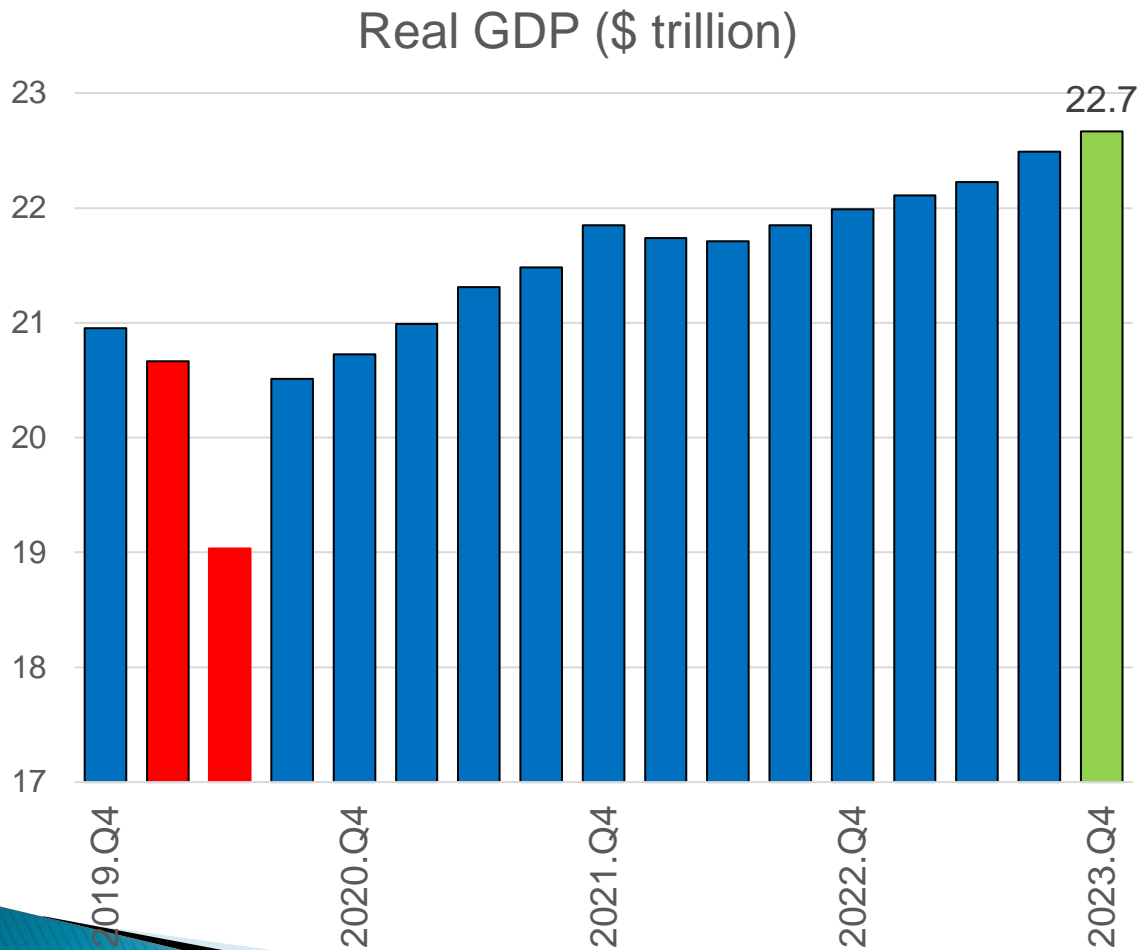
Unemployment in Pre-Pandemic Range (3.9%), Nonfarm Job Creation Well Above Average



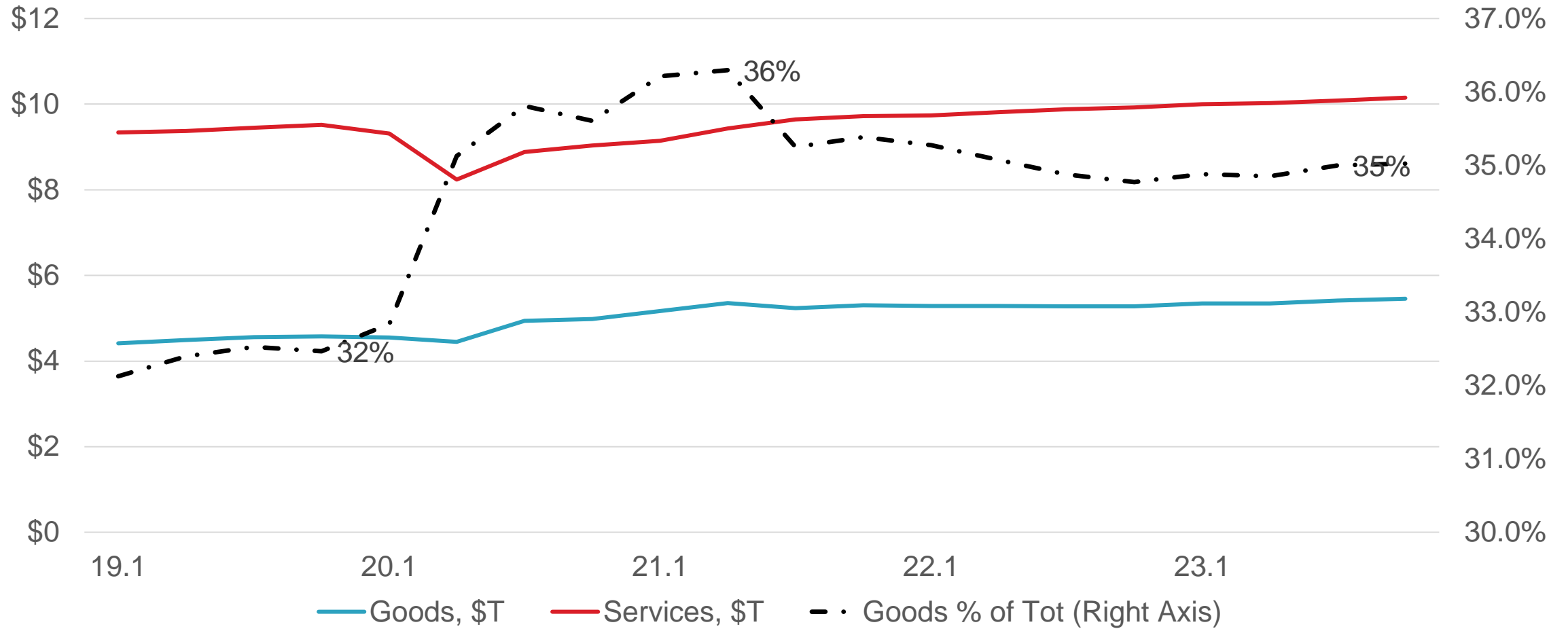
Job Openings Exceed Number Unemployed



GDP: Q4-23: +3.1% YTY | 2023: +2.5% YTY

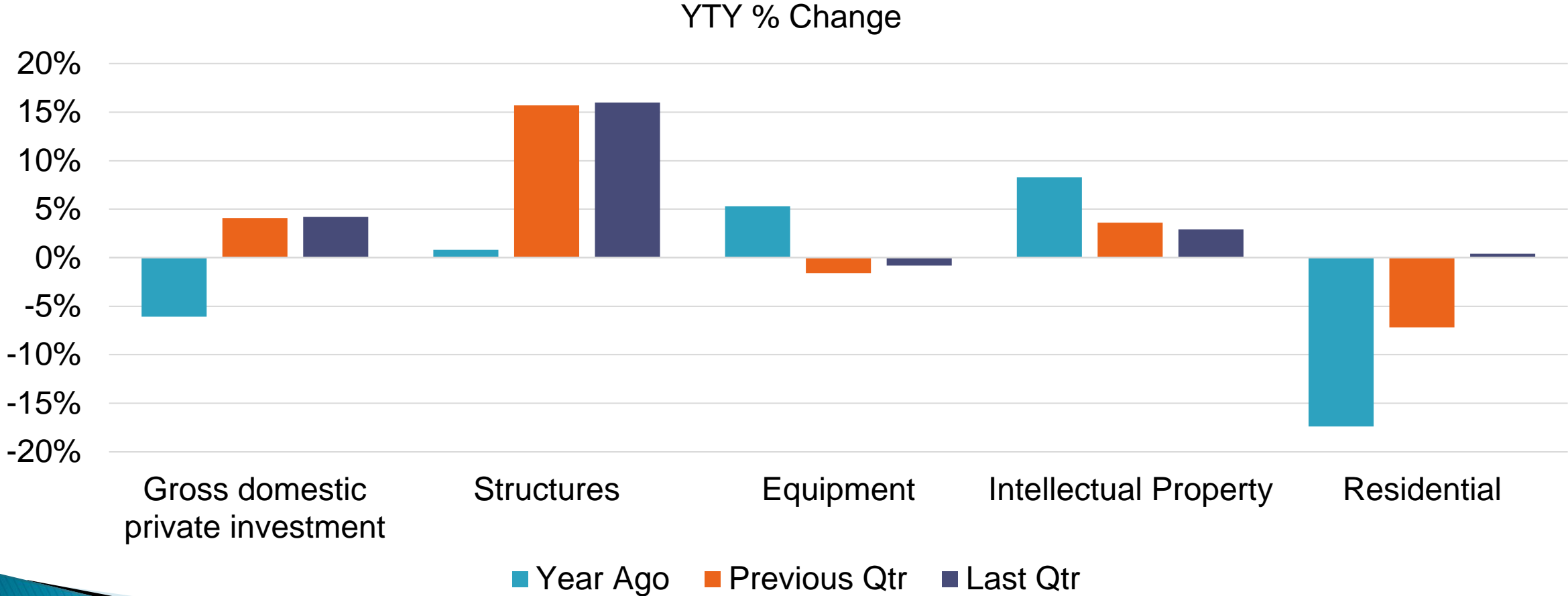


Consumption Mix Adjusting



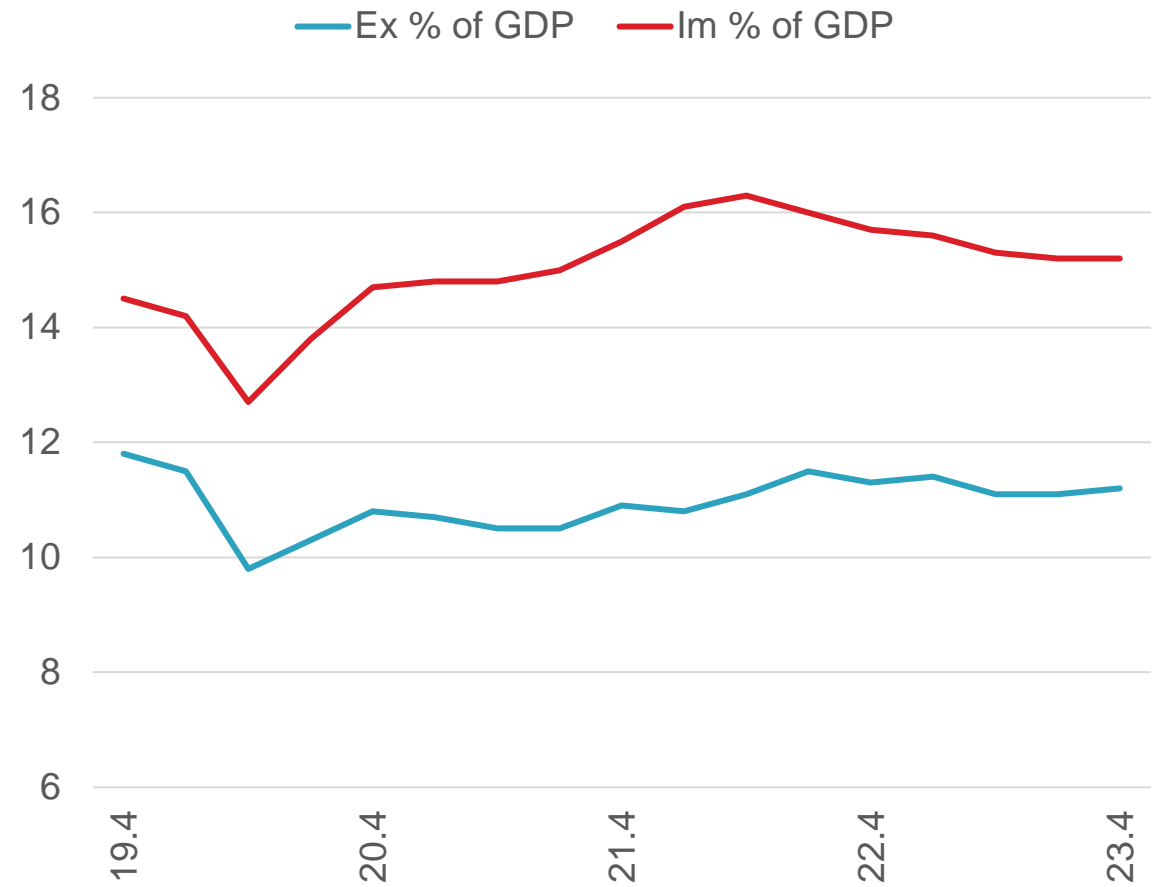
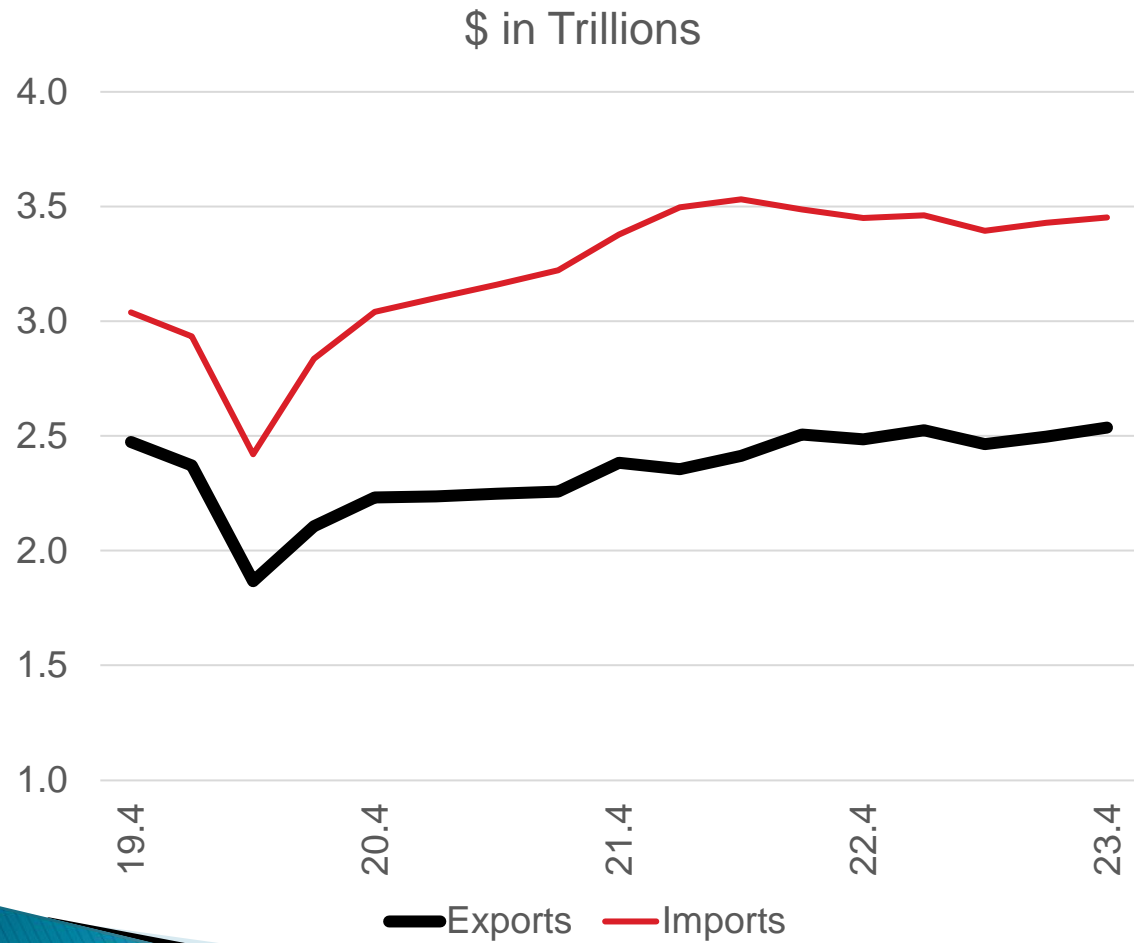
Business Spending Up, Residential Up Marginally

Q4-23 Investment Spending: \$4T

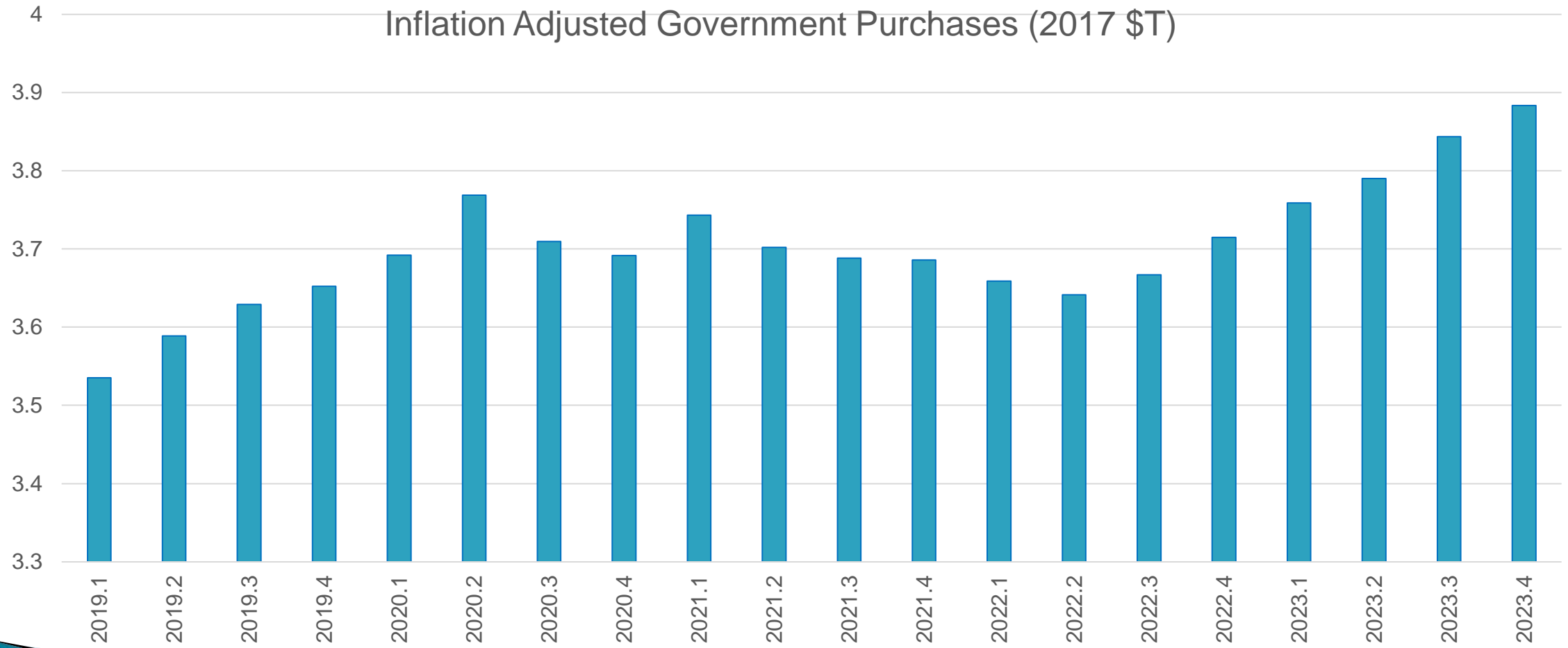


Source: BEA, Analysis by KE

Int'l Trade: Imports/Exports Above 2019 Levels

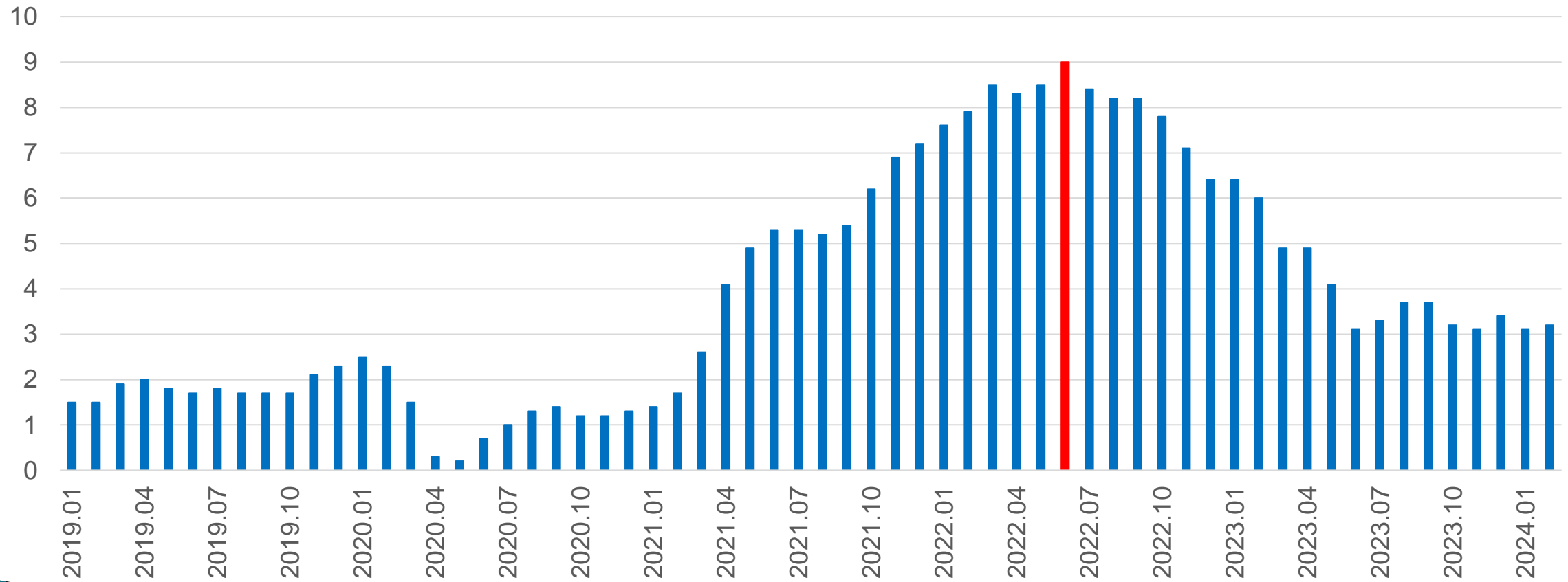


Government Purchases Up



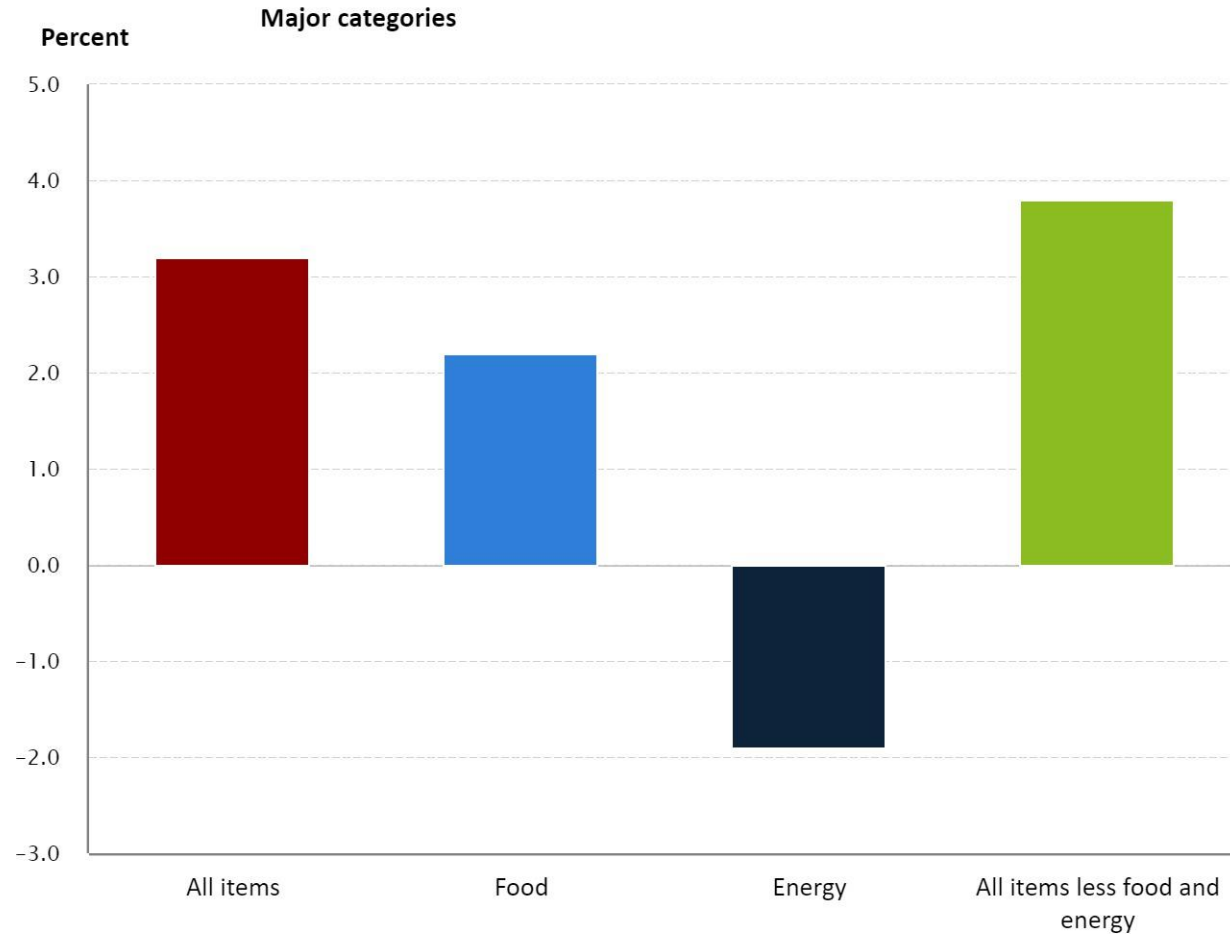
Inflation Rate-Consumer Price Index

YTY % Change



Sources of Inflation

12-month percentage change, Consumer Price Index, selected categories, February 2024, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

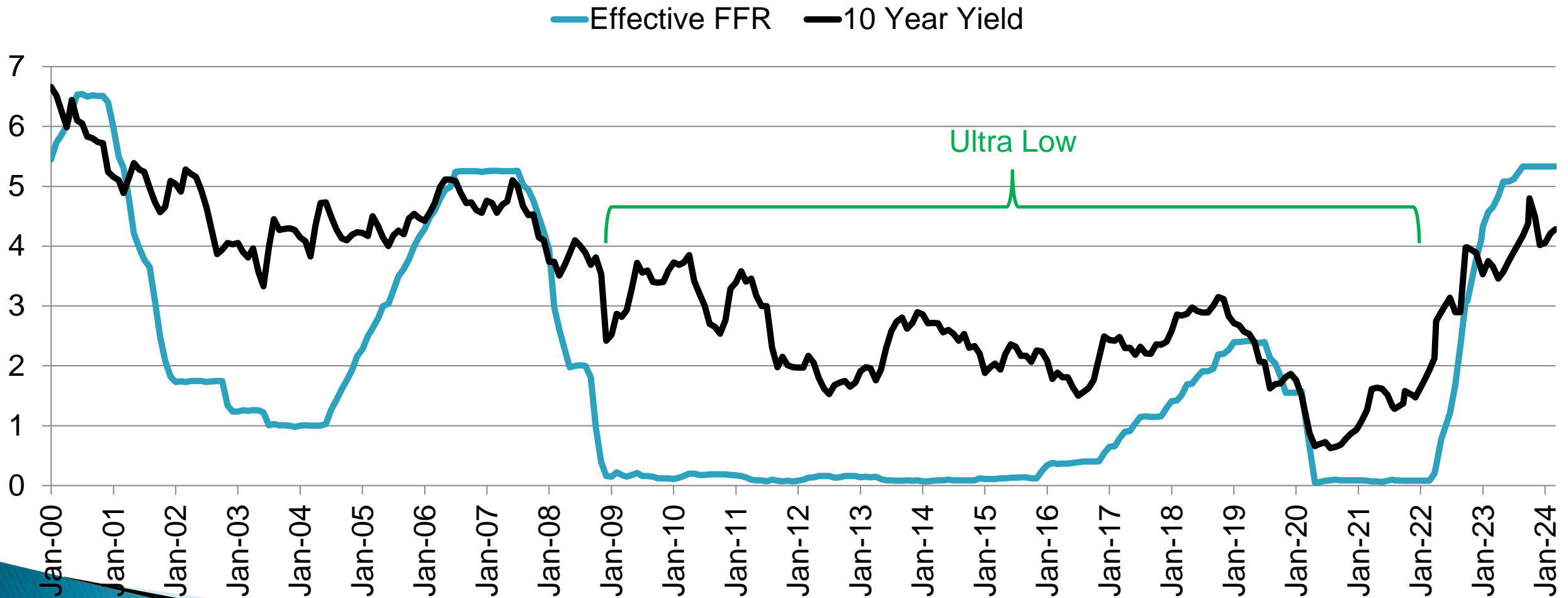
Other Inflation Measures

PCE +2.4%

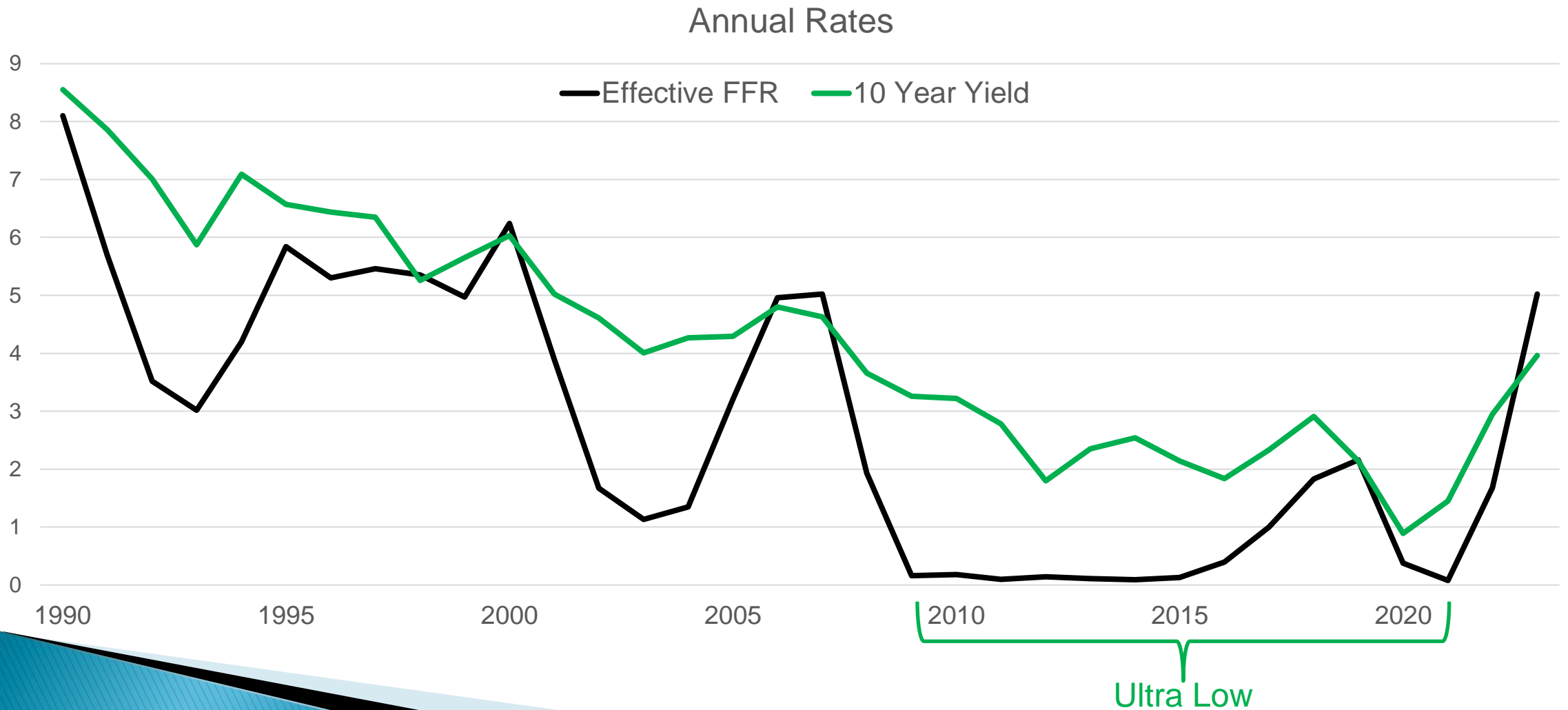
PPI +1.6%



High Rates Now Compared to Recent Ultra Low Rates



Long View: Current Rates Won't Stifle Economy



U.S. Forecasts

Indicator	2021	2022	2023	2024
GDP % Rate of Change	5.8	1.9	2.5	2.0
Unemployment Rate	5.4	3.6	3.6	3.9
Inflation Rate	4.7	8.0	4.1	2.6

Source: KE

U.S. Outlook: Soft Landing

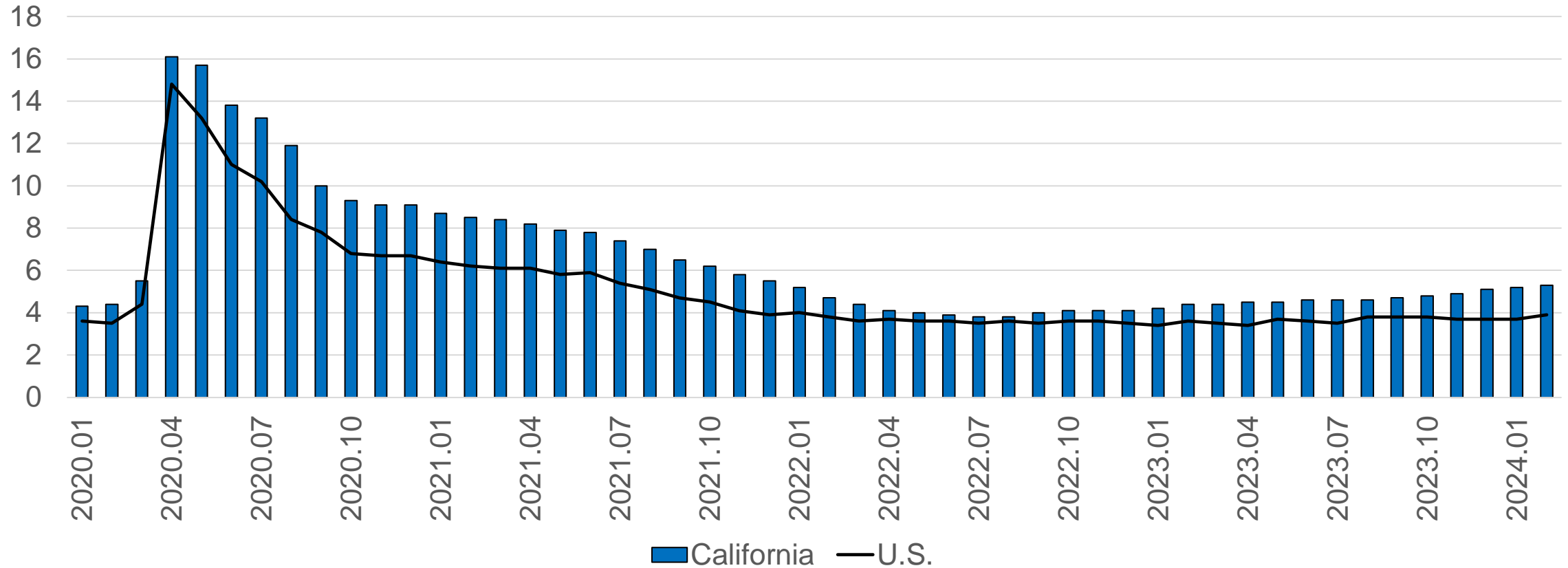
- ▶ Soft Landing Likely But...
 - Unemployment rate will edge up and job gains will decelerate
- ▶ Inflation moving in right direction
- ▶ Fed: Three rate cuts beginning in mid-2024
 - Takes time for rate changes to work through economy (6-18 months)
- ▶ Benchmarks
 - Potential GDP: 2.2%
 - Trend rate of unemployment: 4.4%

California: Shifting Economic Drivers

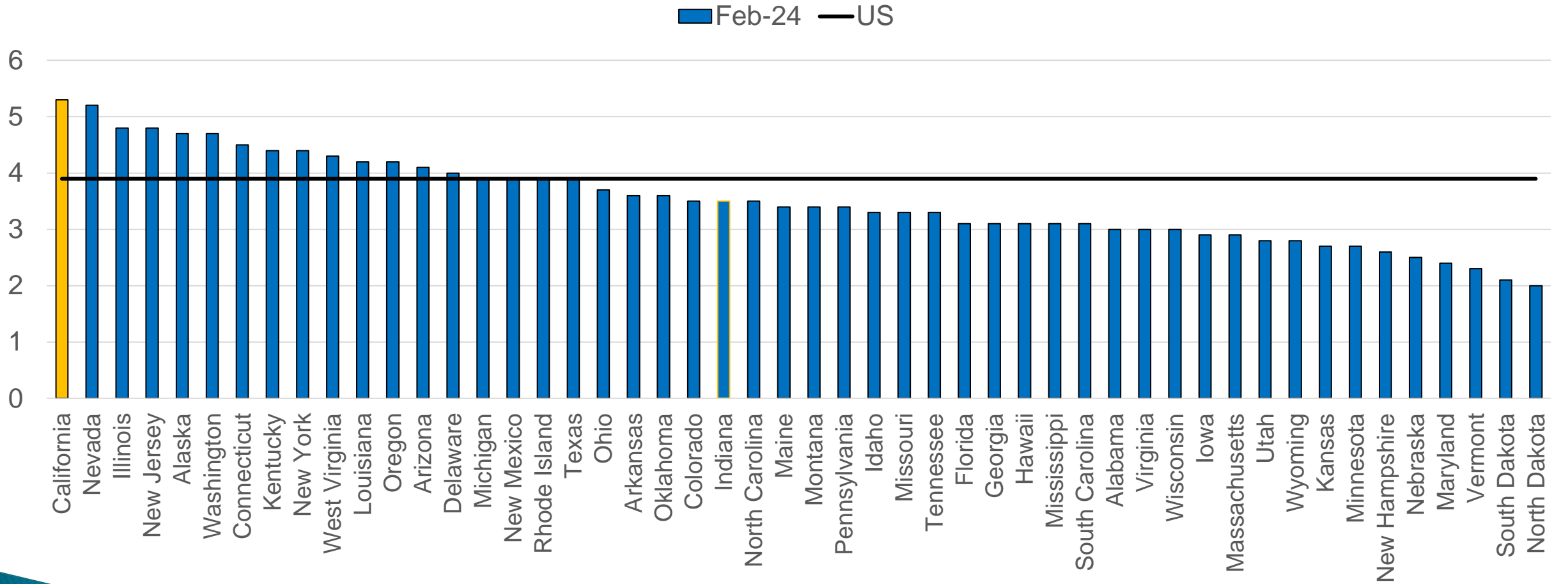


California U-Rate Low but Edging Up (5.3%)

Unemployment Rate: CA and US

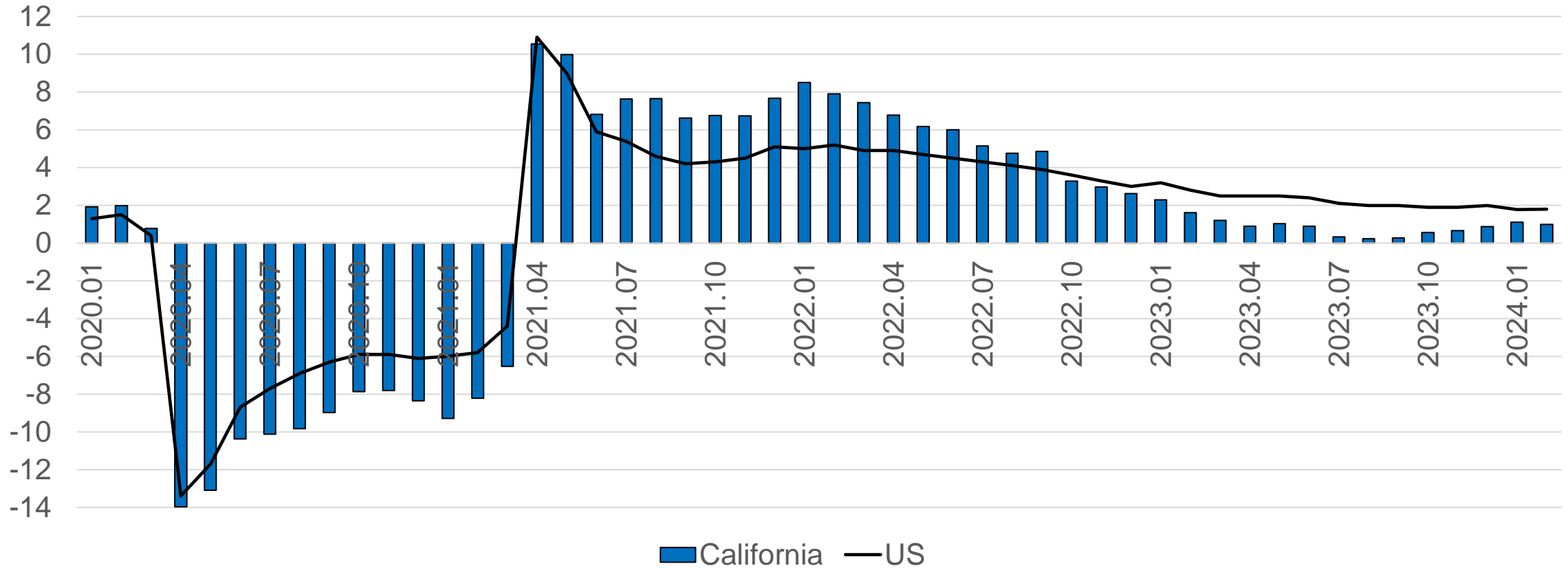


California Has Highest Unemployment Rate



CA Job Growth (1.0%) Lags U.S. (1.8%)

Year-to-Year Nonfarm Job Growth in %: CA and US

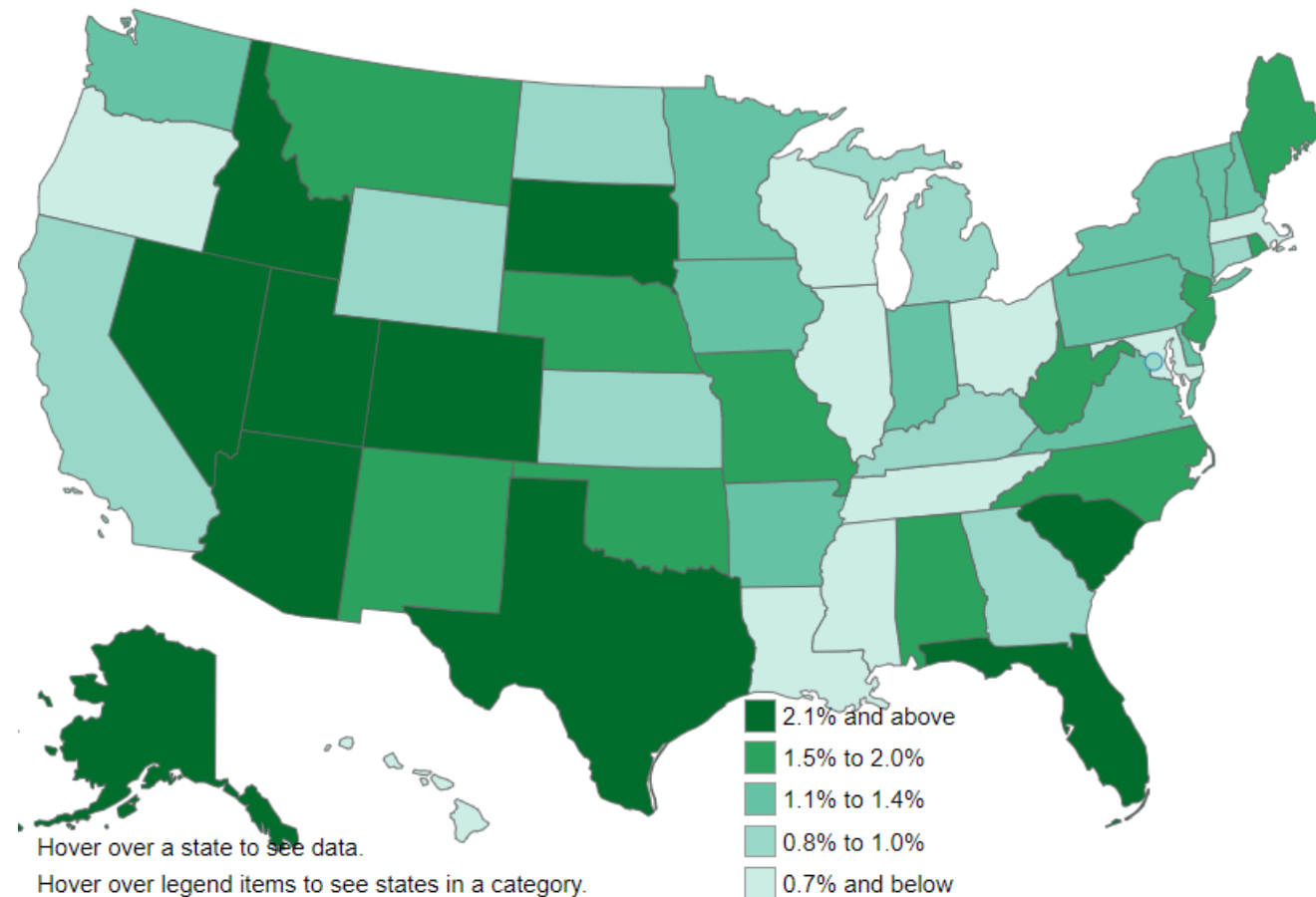


YTY % Change in Jobs by State (Feb. 24)

California

YTY: 1.0%

Avg: 1.0%

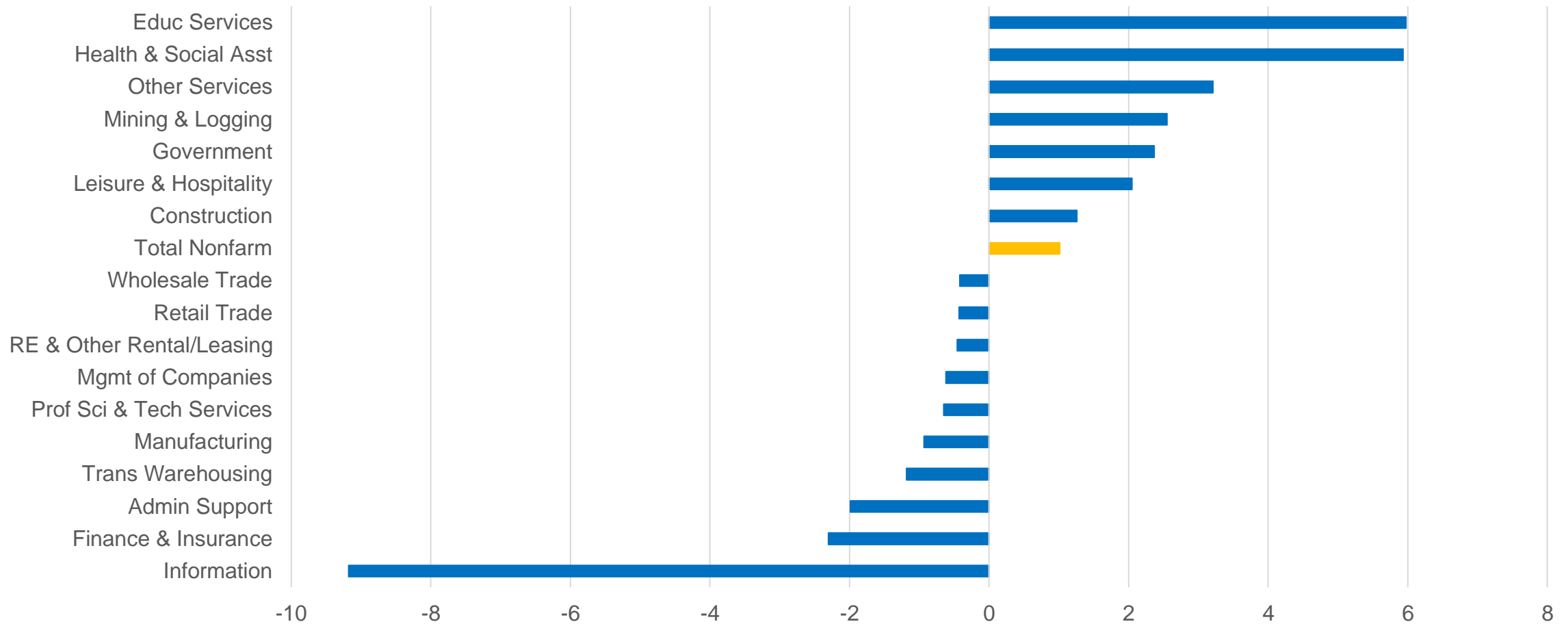


Hover over a state to see data.

Hover over legend items to see states in a category.

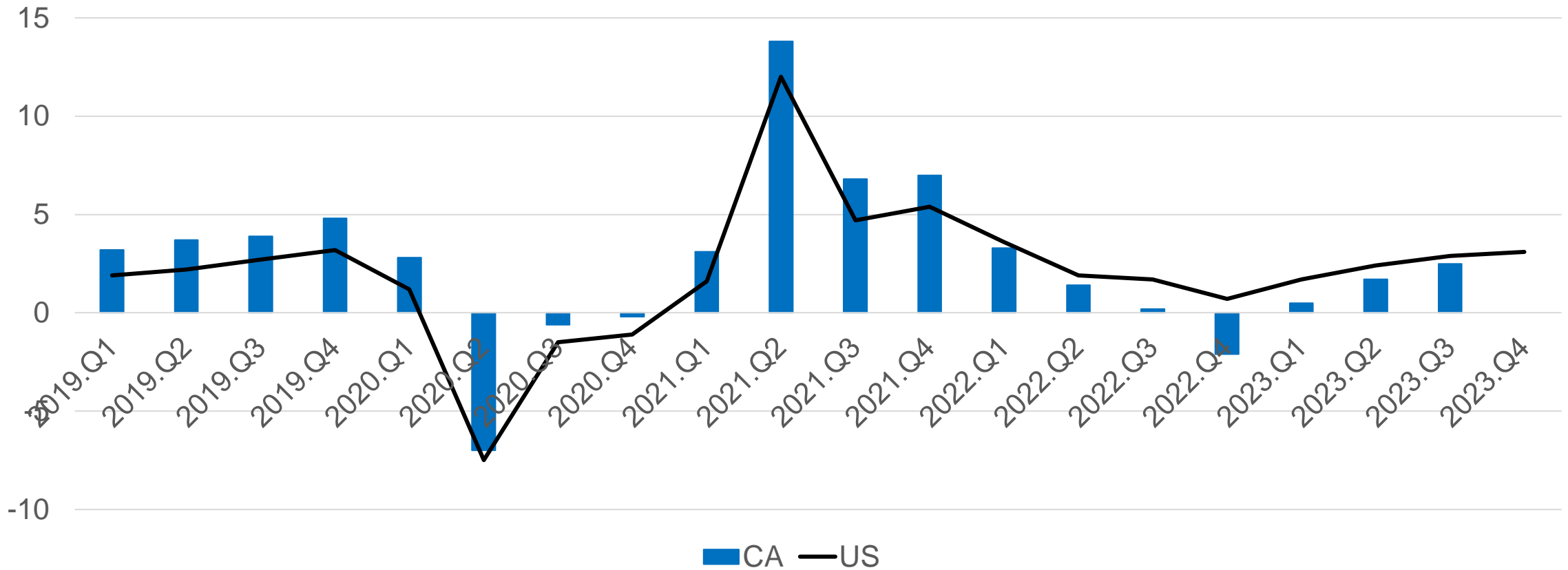
Source: U.S. Bureau of Labor Statistics.

Mixed Job Picture for CA Industries, Feb. 24 (YTY % Chg)

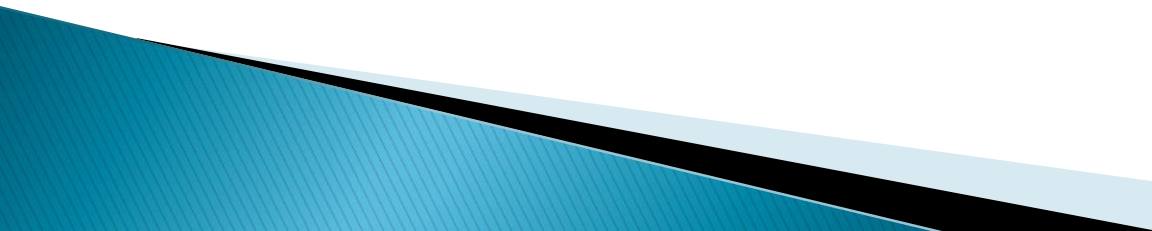


CA Gross State Product Follow US GDP

Year-to-Year % Change



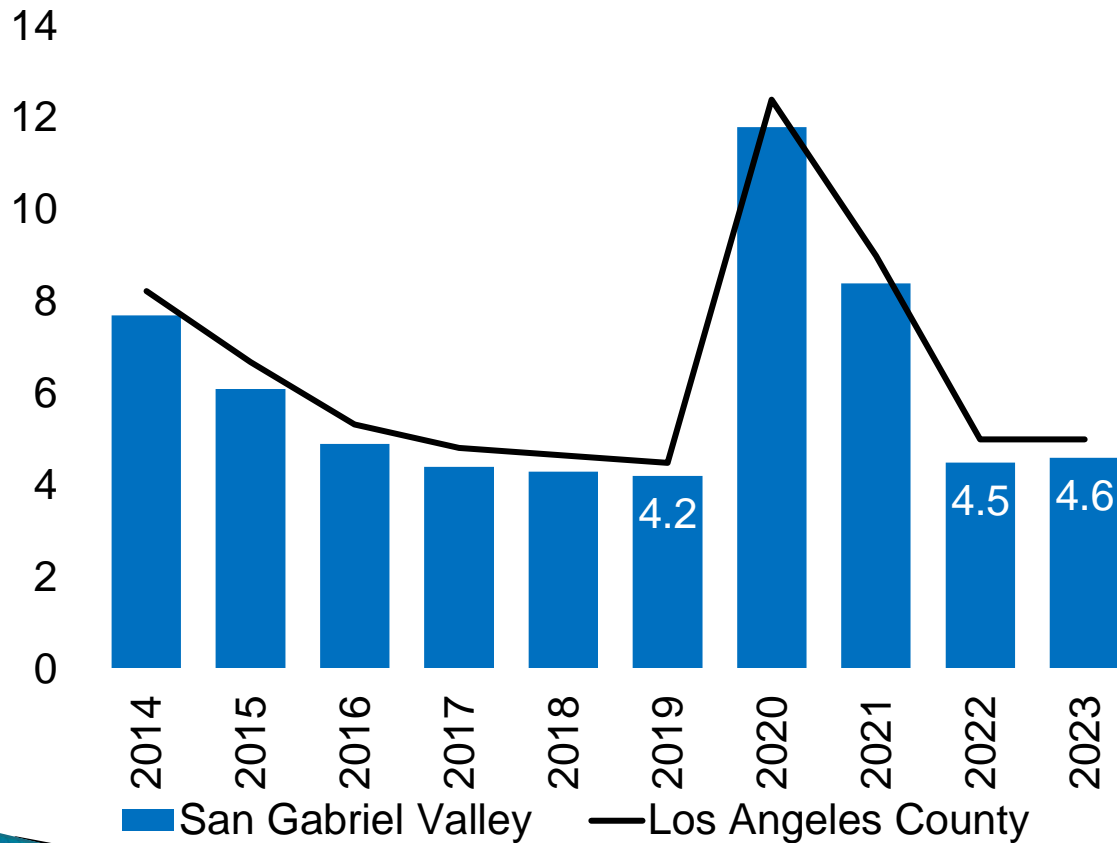
California Outlook: Shifting Drivers

- ▶ Pandemic-era industry leaders in transition
 - Logistics employment post-pandemic decline but still 5% ahead of pre-pandemic levels
 - Tech post-pandemic pullback to be followed by Generative AI takeoff
 - ▶ Momentum from: health care; leisure and hospitality; professional, scientific and technical services; private education
 - ▶ Rising unemployment rate does not equal recession
- 

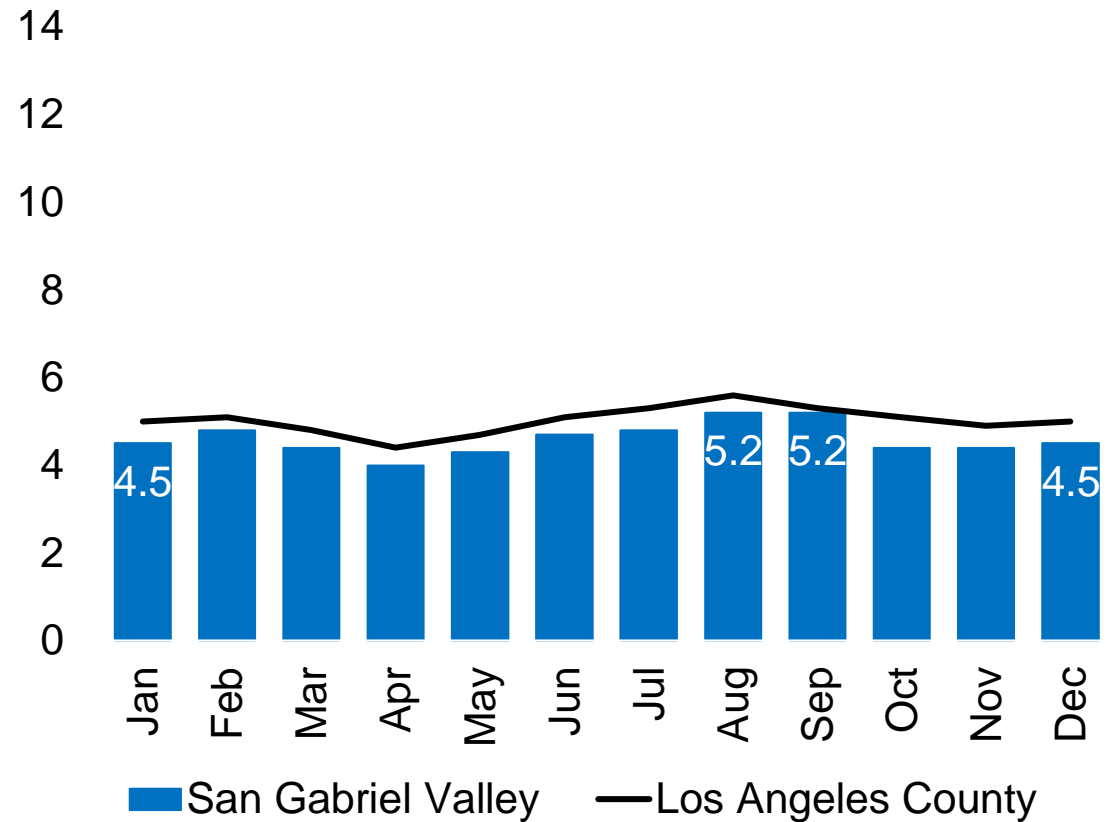
SGV and So Cal: Soft Landing with a Twist

SGV Unemployment Rate Steady

Annual



Monthly 2023



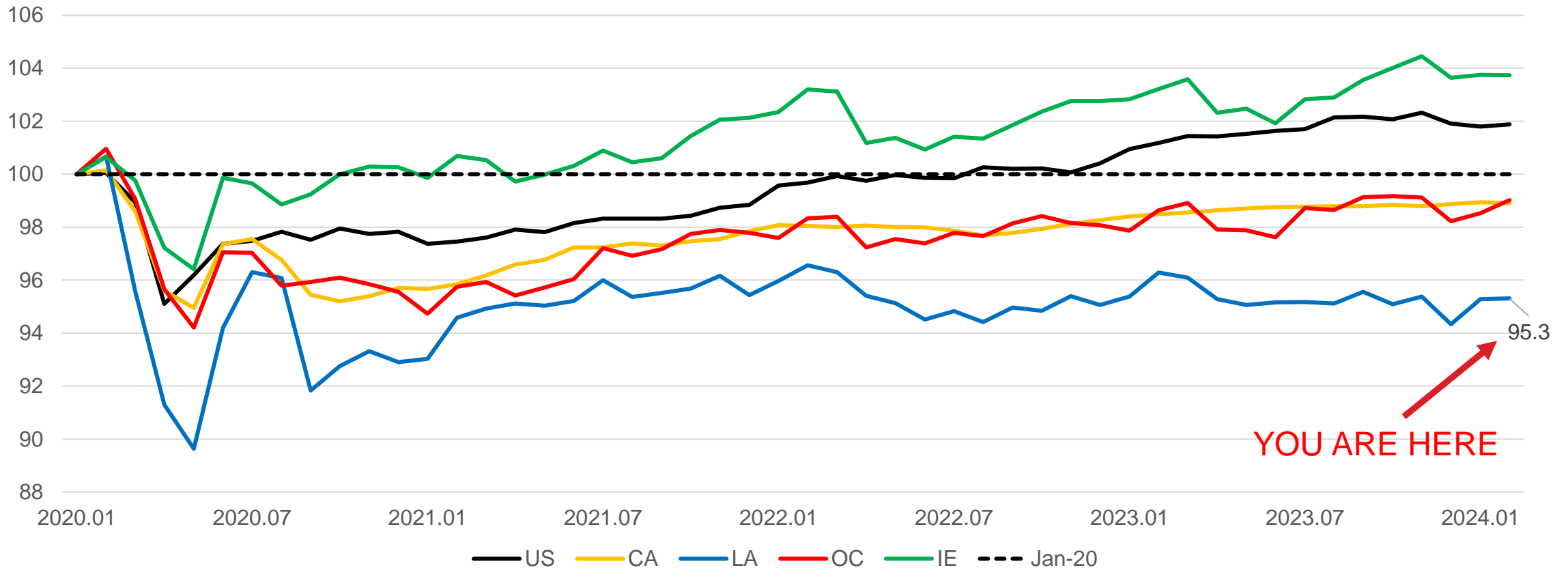
Unemployment Rates in SGV Cities, Feb. '24

City Name	Rate	City Name	Rate
Alhambra	4.3	Monrovia	4.1
Arcadia	3.9	Montebello	5.0
Azusa	5.1	Monterey Park	4.4
Baldwin Park	5.1	Pasadena	4.5
Bradbury	7.4	Pomona	5.5
Claremont	4.4	Rosemead	4.6
Covina	5.2	San Dimas	4.2
Diamond Bar	4.0	San Gabriel	3.7
Duarte	4.7	San Marino	2.5
El Monte	4.8	Sierra Madre	3.4
Glendora	4.5	South El Monte	4.0
Irwindale	4.5	South Pasadena	4.5
Industry	5.8	Temple City	4.3
La Canada Flintridge	3.5	Walnut	3.8
La Puente	4.9	West Covina	4.8
La Verne	4.6	San Gabriel Valley	4.5
		Los Angeles County	5.0

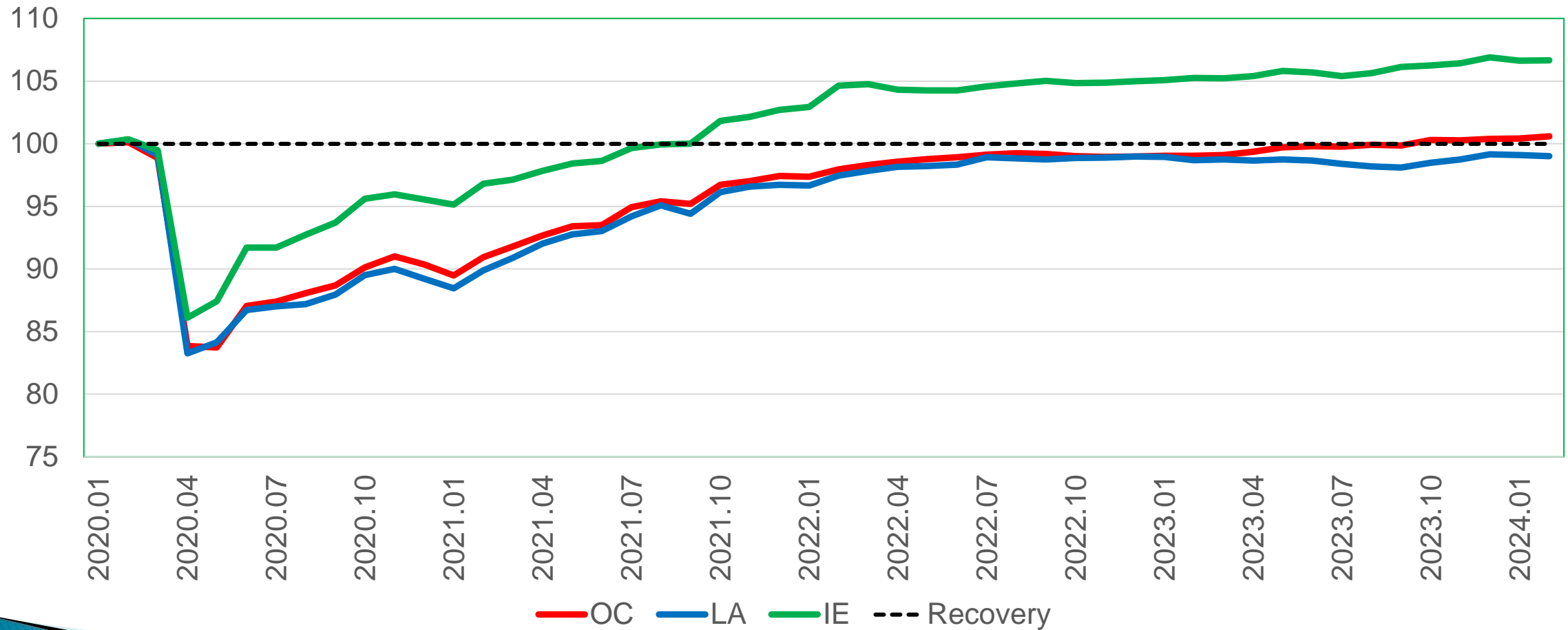
Source: EDD, KE

Challenge #1: Labor Force Shortfall in So Cal

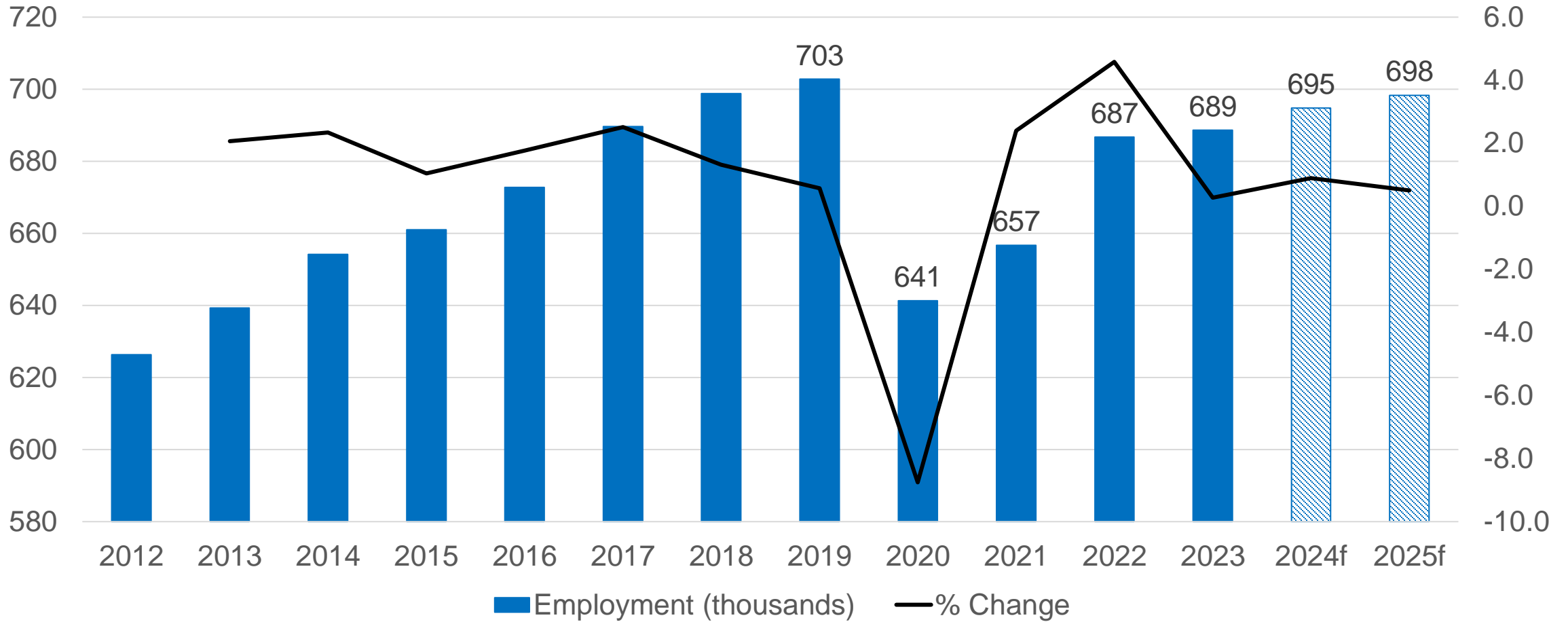
Labor Force Index, Jan 2020=100



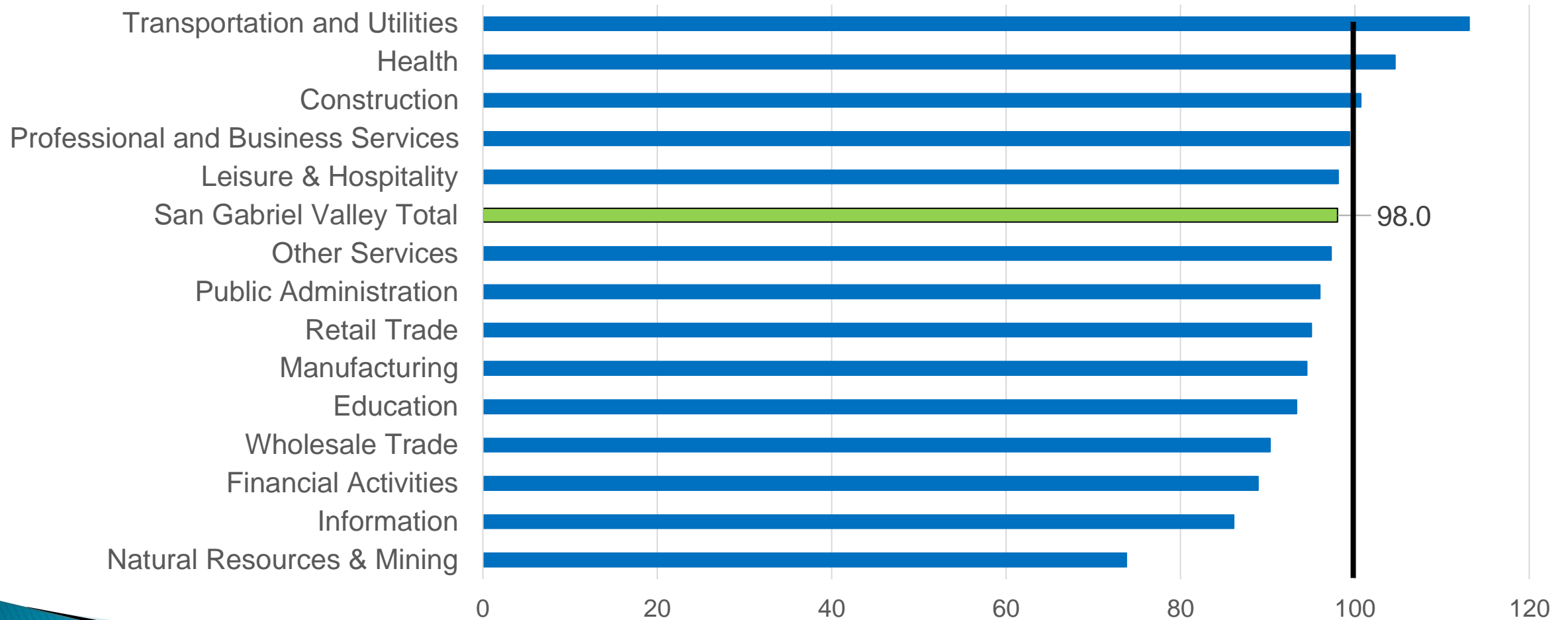
IE Leads So Cal in Post-Pandemic Jobs Recovery



SGV Nonfarm Employment, Slow Progress



SGV Jobs by Sector, 2023 vs 2019



Job Changes by Industry in SGV, 2022-2023

Industry	2022	2023	Yr-to-Yr Change	Yr-to-Yr % Change	Yr-to-Yr % Change
Total Nonfarm	686,740	688,640	1,900	0.3%	0.2%
Leisure & Hospitality	77,730	81,180	3,450	4.4%	4.2%
Health Care & Social Assistance	136,160	139,310	3,150	2.3%	4.7%
Professional & Business Services	89,730	91,320	1,590	1.8%	-2.1%
Government	63,780	64,390	610	1.0%	2.2%
Transportation, Warehousing & Utilities	31,470	31,610	140	0.4%	-2.4%
Other Services	23,050	22,980	-70	-0.3%	3.1%
Educational Services	20,980	20,900	-80	-0.4%	6.4%
Information	8,220	8,040	-180	-2.2%	-17.8%
Natural Resources & Mining	1,010	790	-220	-21.8%	-1.5%
Retail Trade	73,040	72,600	-440	-0.6%	0.2%
Construction	29,350	28,190	-1,160	-4.0%	-0.2%
Manufacturing	53,810	52,570	-1,240	-2.3%	-0.8%
Financial Activities	35,740	34,100	-1,640	-4.6%	-2.2%
Wholesale Trade	42,670	40,660	-2,010	-4.7%	-2.0%

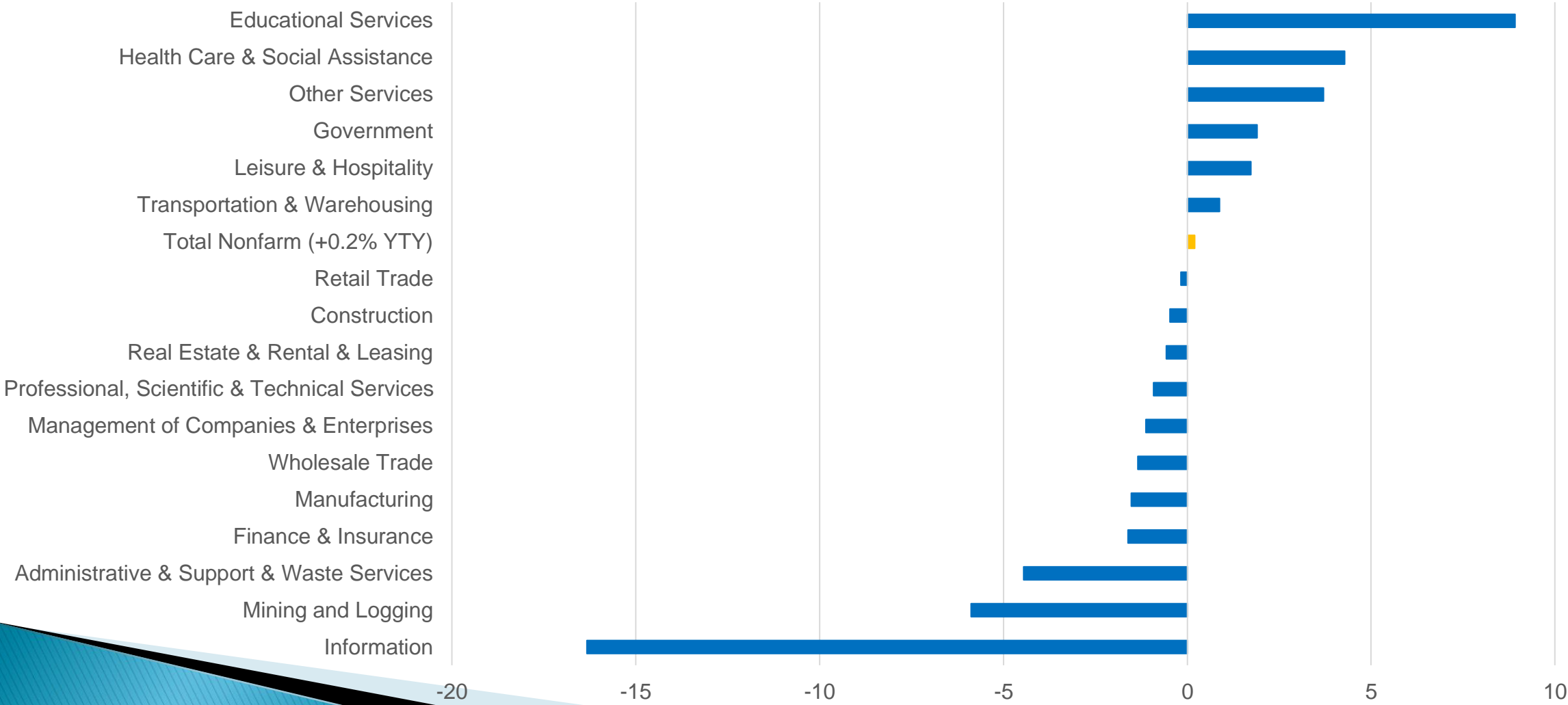
Source: EDD, KE

Population-Serving

Traded/Growth

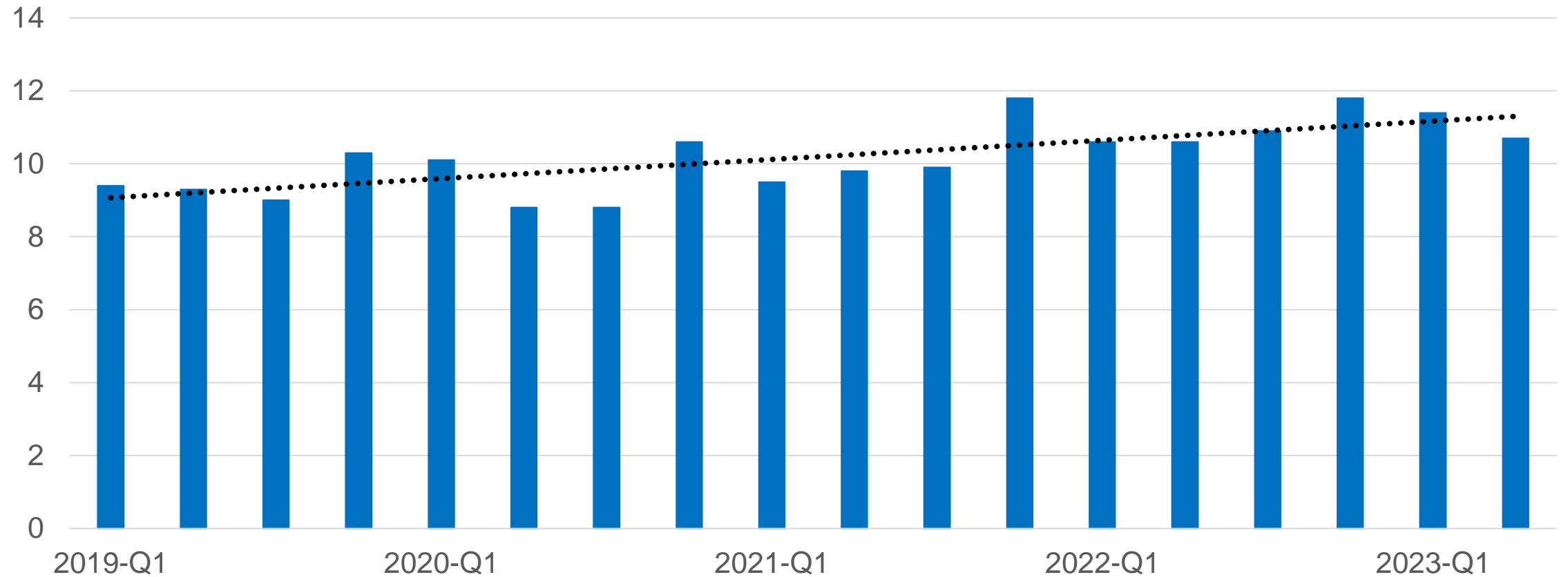
Both

LA County Jobs by Industry, Feb. 24 (YTY % Change)



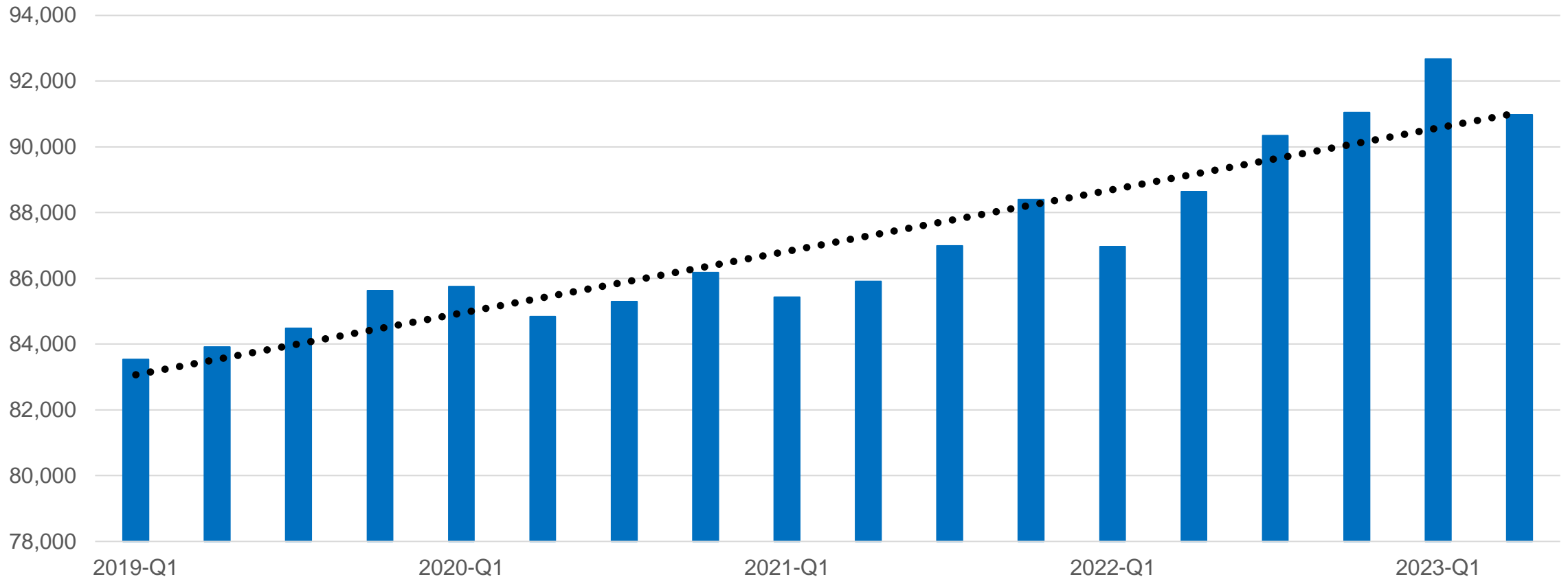
SGV Payroll (Q2-2024: +4.2% YTY)

Billions of \$

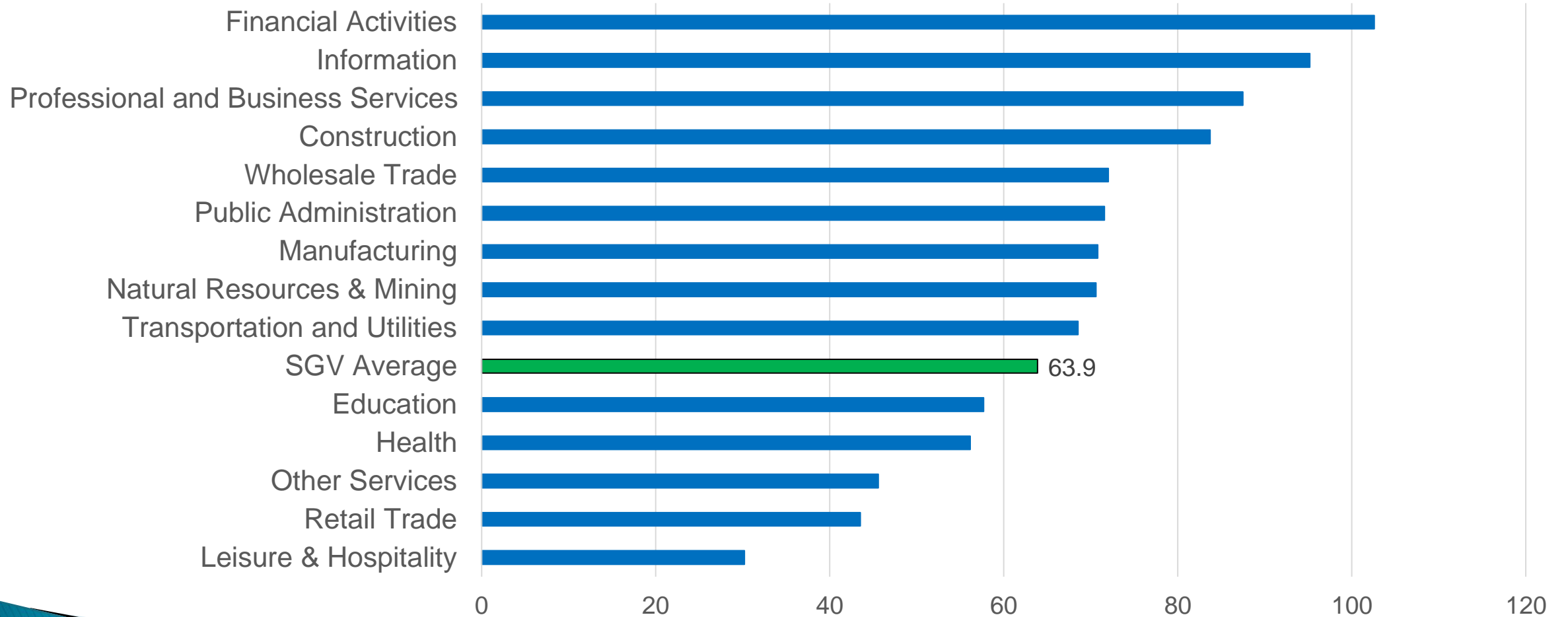


SGV Establishment Count (Q2-2023: +2.3% YTY)

Number of Establishments

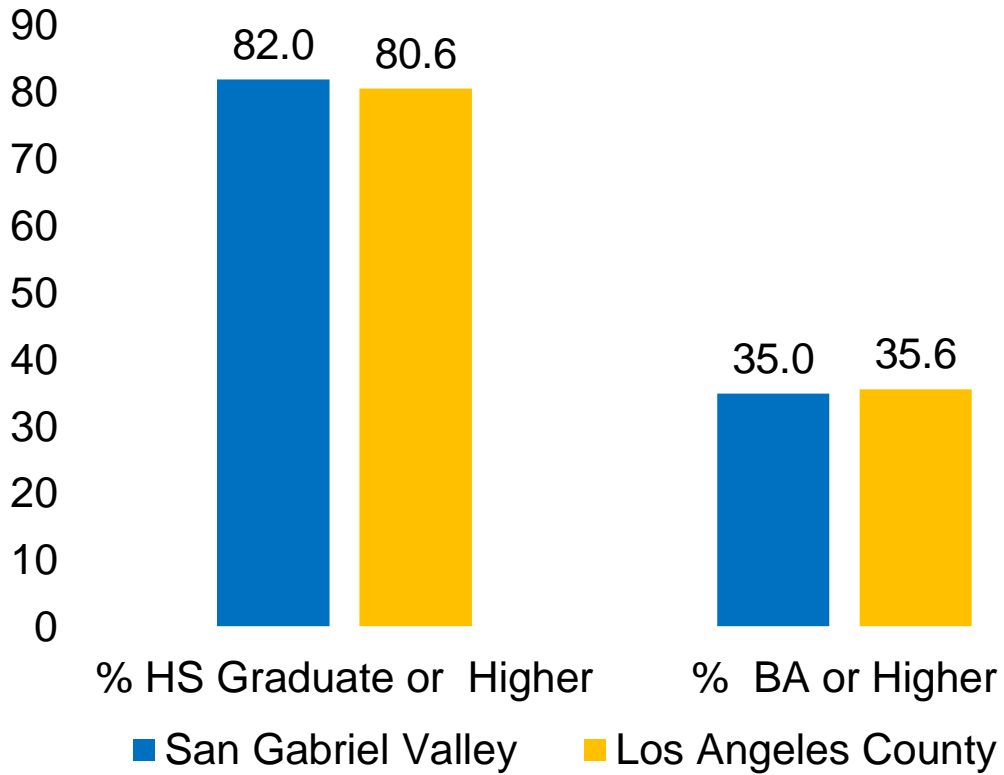


SGV Average Wage by Industry, 2022 (\$000s)

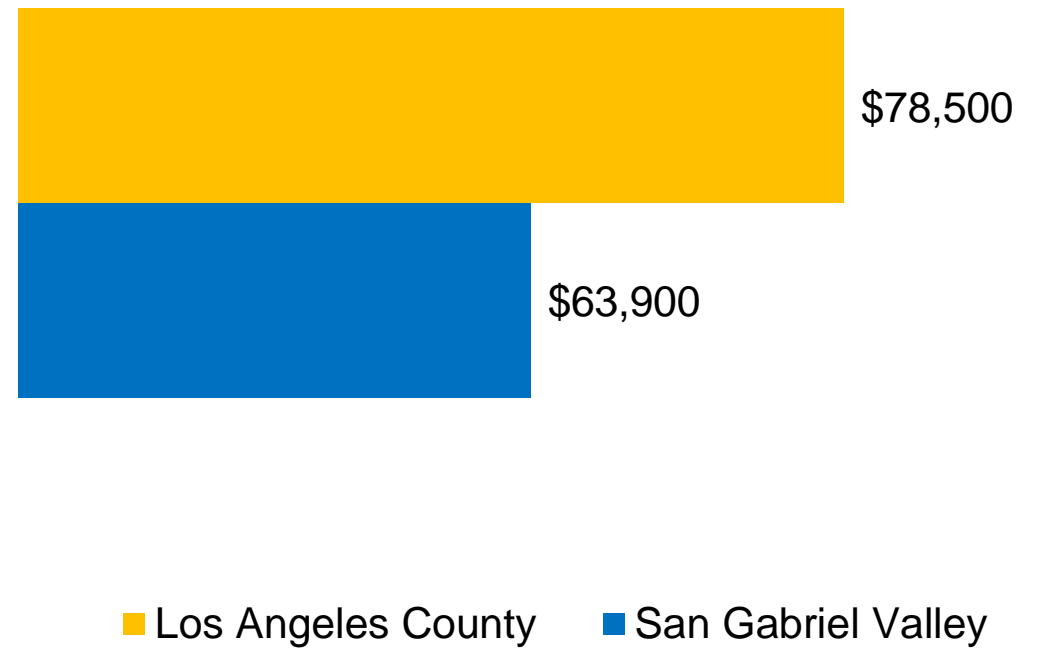


Demographics: Education and Earnings

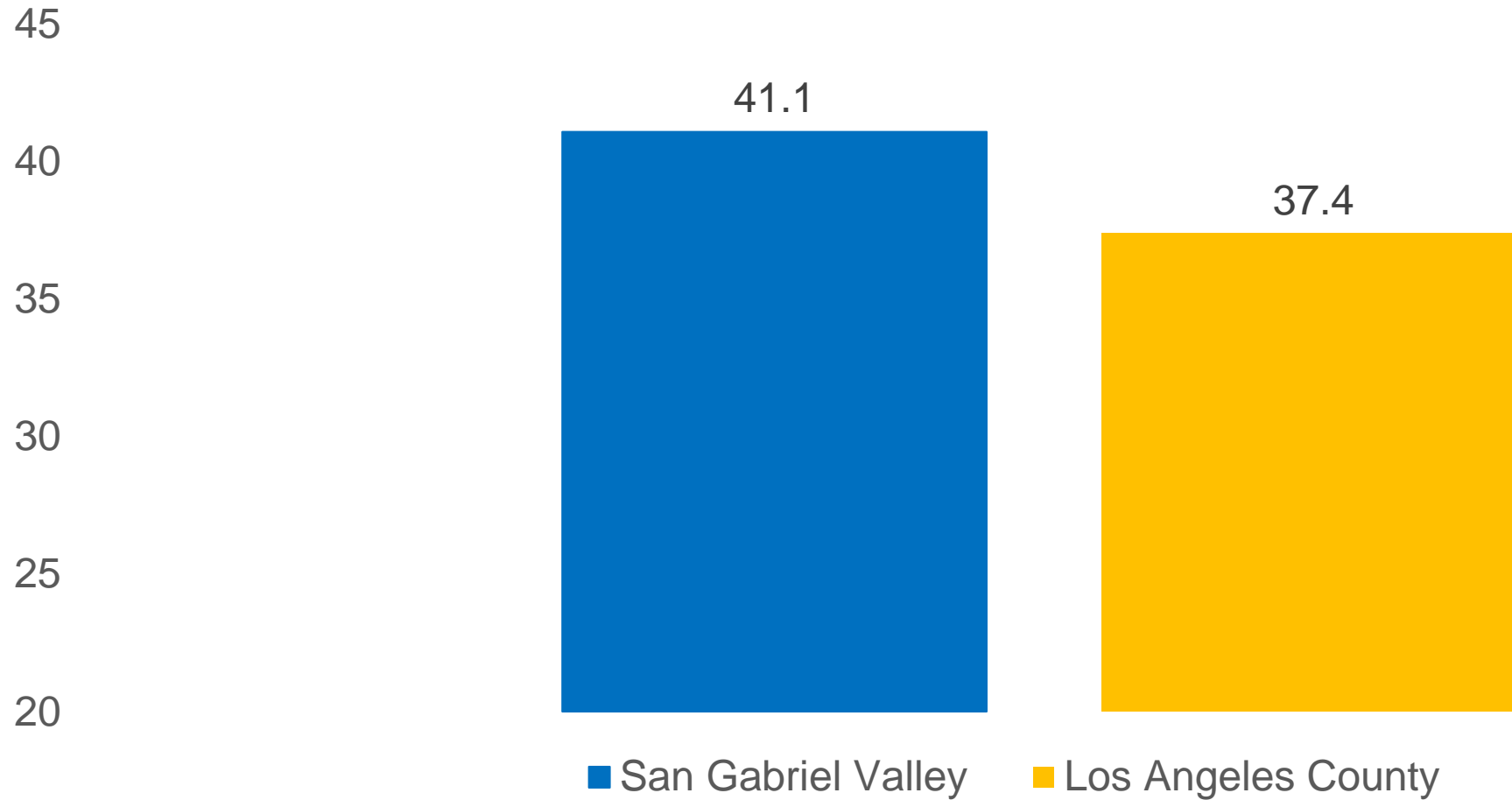
Educational Attainment (% of Pop 25+ Years)



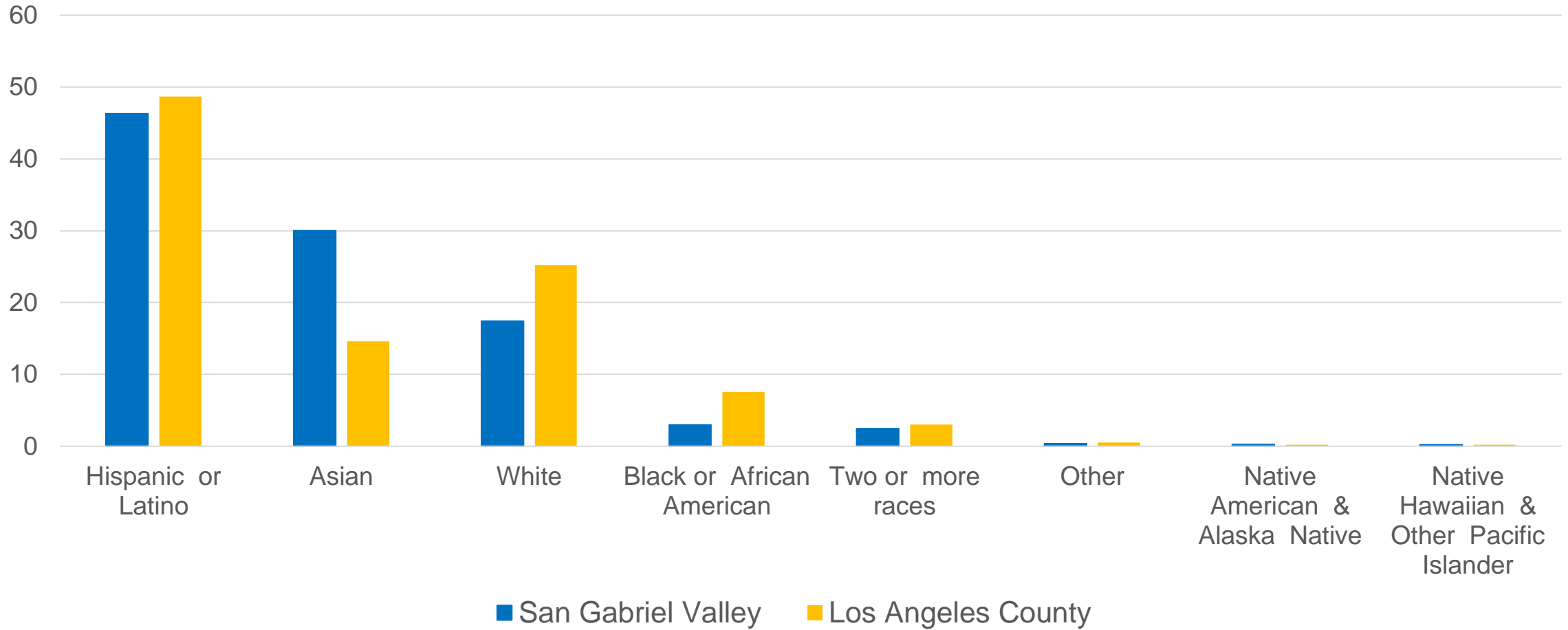
Average Wage, \$ (2022)



SGV Demographics: Median Age

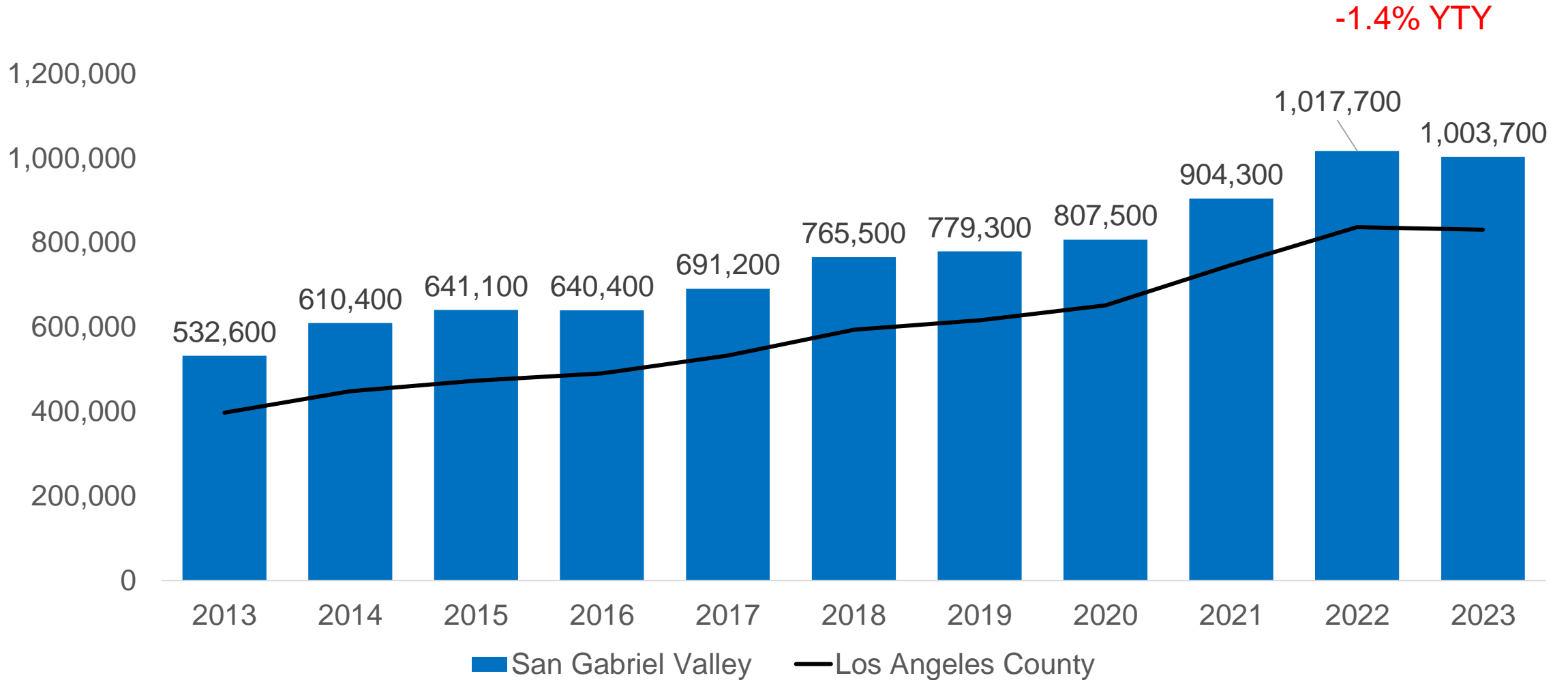


SGV Demographics: Race/Ethnicity - % of Total



Real Estate

Median Price in SGV



Source: Zillow, KE

Median Prices in SGV Cities (2023)

City	Median Price
Alhambra	893,000
Arcadia	1,360,900
Azusa	645,000
Baldwin Park	637,600
Bradbury	2,048,800
Claremont	893,200
Covina	716,600
Diamond Bar	938,500
Duarte	727,600
El Monte	682,800
Glendora	812,000
Irwindale	661,100
La Canada Flintridge	2,023,100
La Puente	618,700
La Verne	857,400
Monrovia	913,800

City	Median Price
Montebello	736,500
Monterey Park	876,400
Pasadena	1,132,800
Pomona	595,100
Rosemead	799,600
San Dimas	839,000
San Gabriel	996,800
San Marino	2,334,000
Sierra Madre	1,320,800
South El Monte	659,900
South Pasadena	1,601,200
Temple City	996,800
Walnut	1,037,600
West Covina	753,300
San Gabriel Valley	1,003,700
Los Angeles County	830,600

Source: Zillow, KE

So Cal Market: Prices Up YTY, Sales Weak

Southern California	23.02	24.01	24.02	Price MTM% Chg	Price YTY% Chg	Sales YTY% Chg
Los Angeles	\$726,870	\$833,000	\$817,100	-1.9%	12.4%	6.3%
Orange	\$1,159,000	\$1,320,000	\$1,350,000	2.3%	16.5%	12.4%
Riverside	\$595,000	\$610,000	\$636,000	4.3%	6.9%	7.0%
San Bernardino	\$466,500	\$477,500	\$477,070	-0.1%	2.3%	-1.8%
San Diego	\$878,000	\$925,000	\$980,000	5.9%	11.6%	8.1%
Ventura	\$805,000	\$870,000	\$890,000	2.3%	10.6%	14.2%

Source: California Association of Realtors, KE

Challenge #2: Housing Affordability

YOU ARE HERE

Percentage of Households that can Afford to Buy Median Priced Home

Region	2022.4	2023.3	2023.4	Median Home Price	Monthly Payment Including Taxes & Insurance	Minimum Qualifying Income
Los Angeles	13	11	11	\$884,410	\$5,910	\$236,400
Orange	13	11	11	\$1,299,500	\$8,690	\$347,600
Riverside	21	19	19	\$619,000	\$4,140	\$165,600
San Bernardino	29	25	24	\$488,970	\$3,270	\$130,800
San Diego	15	11	11	\$931,600	\$6,230	\$249,200
Ventura	16	13	13	\$899,950	\$6,020	\$240,800
CA SFH (SAAR)	17	15	15	\$833,170	\$5,570	\$222,800
US	38	34	35	\$391,700	\$2,620	\$104,800

Source: C.A.R., KE

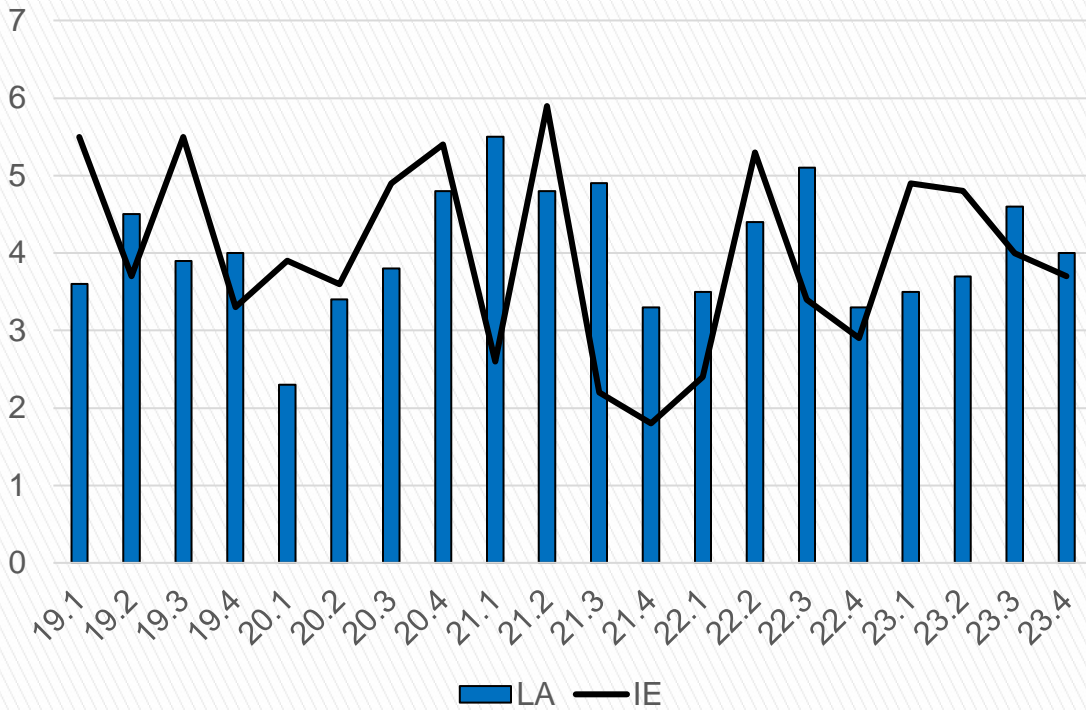
Supply of Homes Low and Falling

Unsold Inventory Index (Months)			
Region	23.02	24.01	24.02
Los Angeles	3.4	3.2	3.1
Orange	2.9	2.7	2.5
Riverside	3.6	4.0	3.4
San Bernardino	3.8	3.9	4.0
San Diego	2.3	2.6	2.3
Ventura	3.3	2.9	2.7

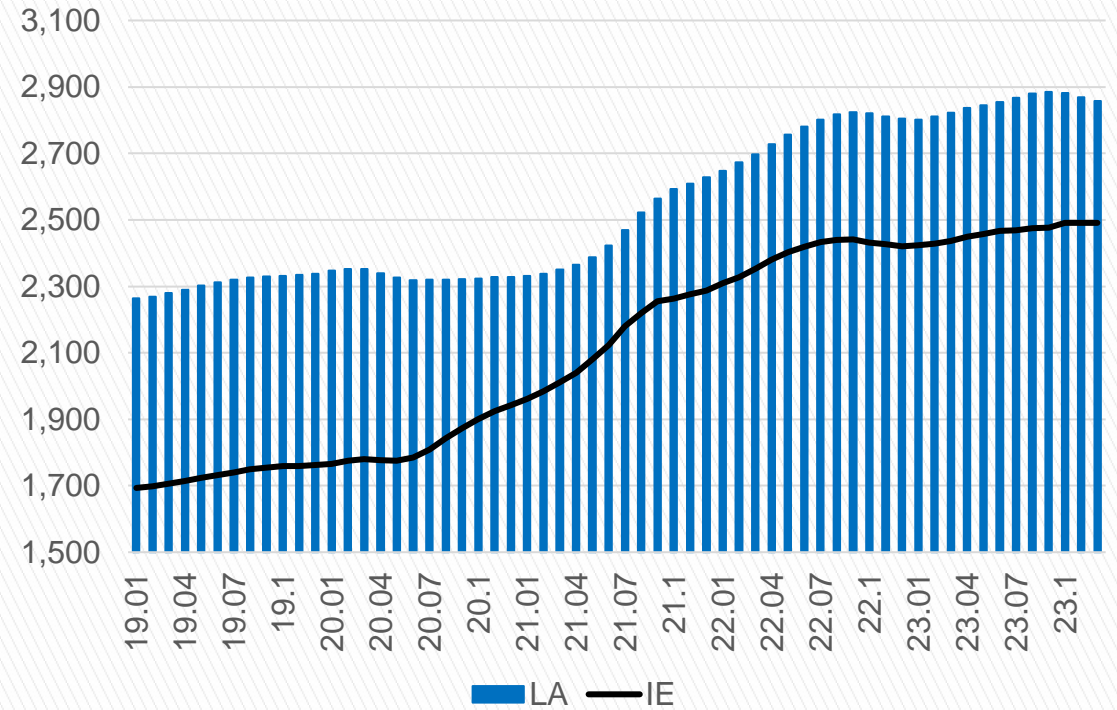
Source: California Association of Realtors, KE

Rental Market

Vacancy Rate by Quarter



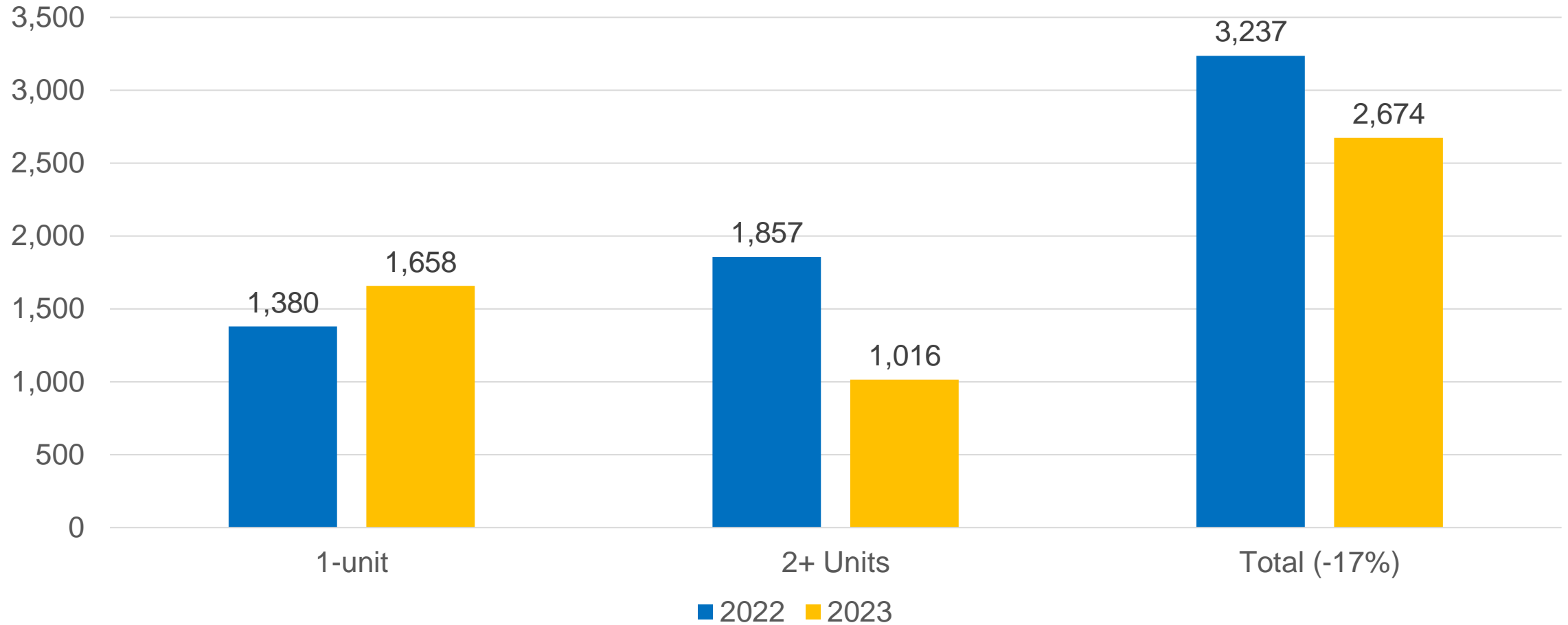
Rent by Month



Vacancy Rates: LA MSA and IE

Monthly Rent: LA MSA and IE

SGV Housing Permits



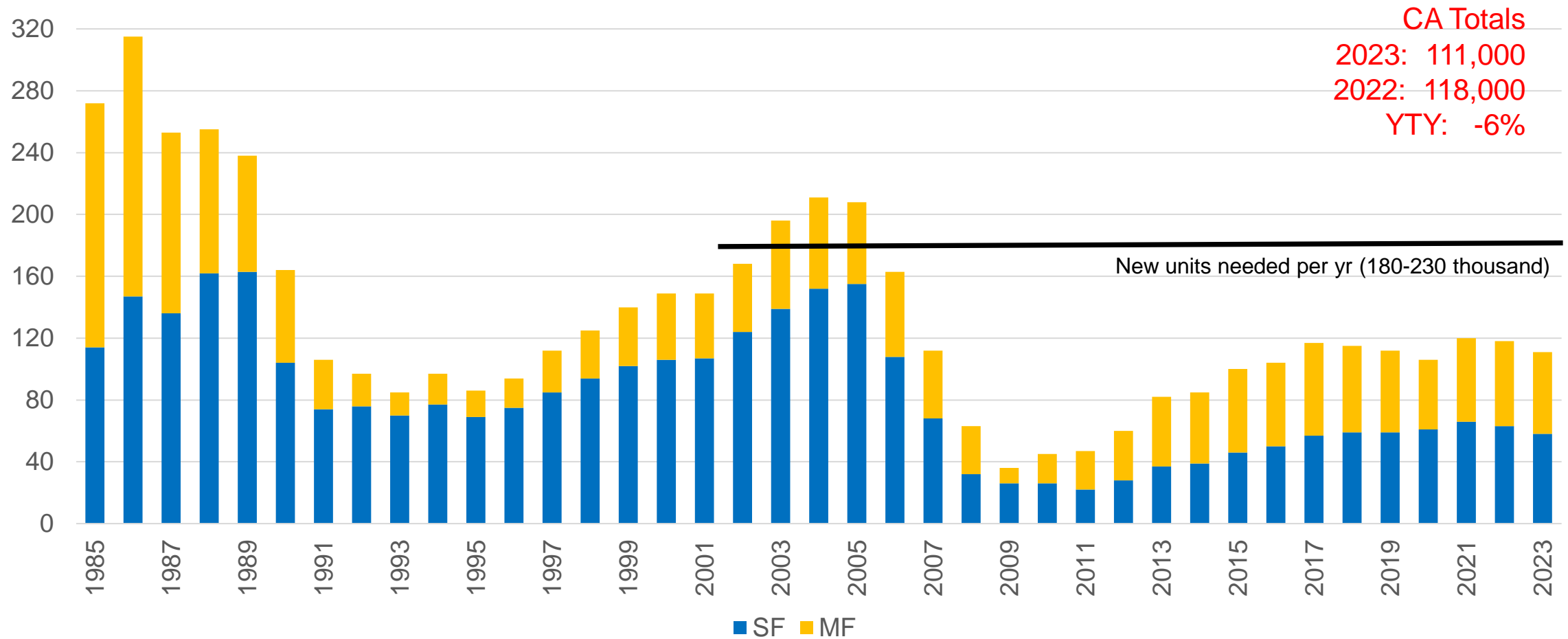
SGV Housing Needs: RHNA 2021-2029

Regional Housing Needs Allocation (RHNA)

Income Level	Units	Relative to Median HH Income
Very Low Income	25,208	less than 50%
Low Income	13,400	50 to 80%
Moderate Income	14,074	80 to 120%
Above Moderate Income	36,934	more than 120%
Total	89,616	

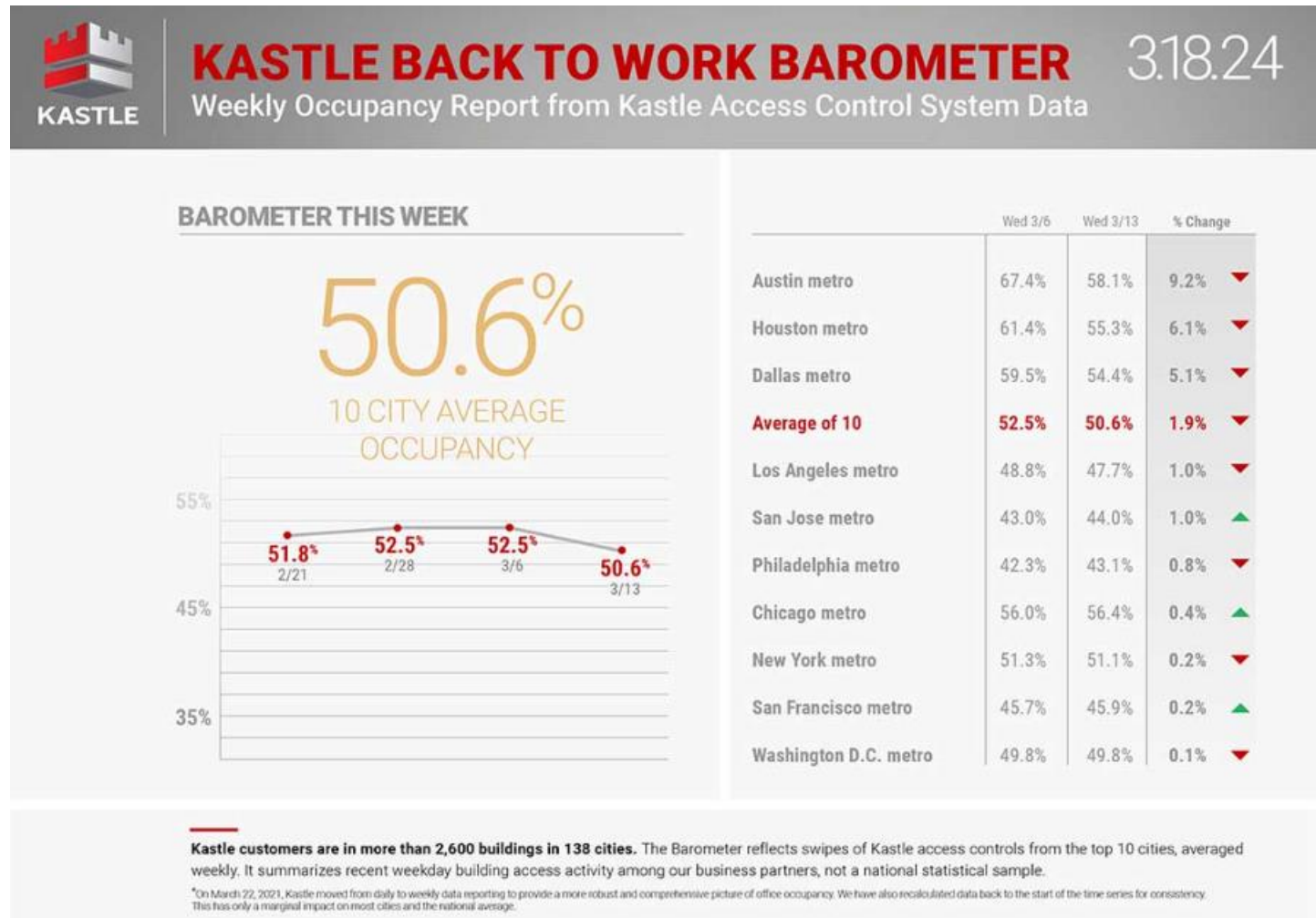
Source: SCAG

New Housing Permits Issued by Year in California, 1985-2023




Non-Residential: Office, Industrial, Retail

Segment	SGV Vacancy	LA County Employment
Office	10%	Rising
Industrial	1.5	Falling
Retail	4.6	Falling

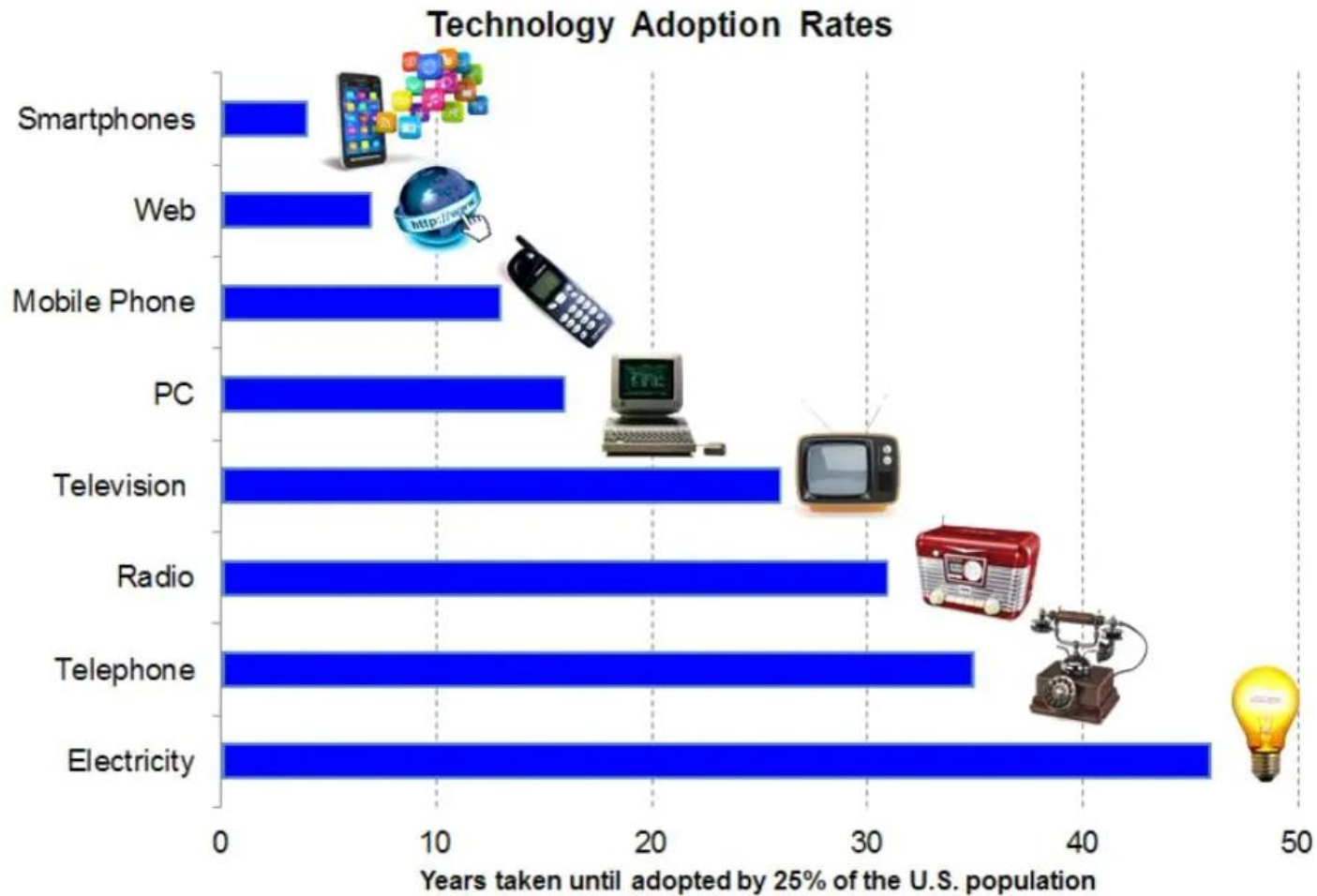


Conclusion and Outlook

Conclusion: Wild Cards = Uncertainty

- Pandemic hangover effects
 - Fed action
 - Inflation rate
 - Election
 - Russia-Ukraine war
 - Middle East and elsewhere
 - Labor force dynamics in Southern California and state
 - A.I. and future of work
- 

A.I. and the Future of Work



Source: U.S. Census, Wall Street Journal

A.I./Automation

- Net job growth
 - Some job displacement
 - Significant job creation
- Functions and tasks change
- Increase skills requirements

SGV Forecasts, 2024 and 2025

San Gabriel Valley Forecasts			
Year	Population (Incorporated)	Total Nonfarm Employment	Unemployment Rate
2023	1,477,388	688,640	4.6
2024f	1,471,590	694,800	4.6
2025f	1,466,860	698,300	4.4
2023-24	-0.4%	0.9%	0.0
2024-25	-0.3%	0.5%	-0.2

Conclusion and Outlook

San Gabriel Valley

- Slow growth in 2024 → pandemic recovery continues
- Tight labor market → low unemployment rate
- SGV population edges lower, similar to L.A. County
- Industry leaders:
 - Health care
 - Leisure and hospitality
 - Professional and business services

Thank You!

Kleinhenz Economics

Cities and Regions | Economic Development

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Panel Discussion: **A.I. for Human Good**

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Panel Moderator: Dr. Sandeep Krishnamurthy

**Singelyn Family Dean,
College of Business Administration
& Singelyn Graduate School of
Business, Cal Poly Pomona**



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Marissa Andrada

Board Director, Krispy Kreme



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Aaron Reich

**Chief Technology Officer,
Avanade**



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Steve Rieger

Clinical Application Architect





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Panel Discussion: **The Future of Cities**

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Panel Moderator: Dr. Anthony Orlando

**Associate Professor of
Finance, Real Estate, &
Law at California State
Polytechnic University,
Pomona**



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**Thank you for
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