



Future of Housing in the San Gabriel Valley

San Gabriel Valley Economic Partnership

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Cities | Regions

Outline

- ▶ U.S./CA Economies
 - ▶ Housing and Construction
 - ▶ Conclusion
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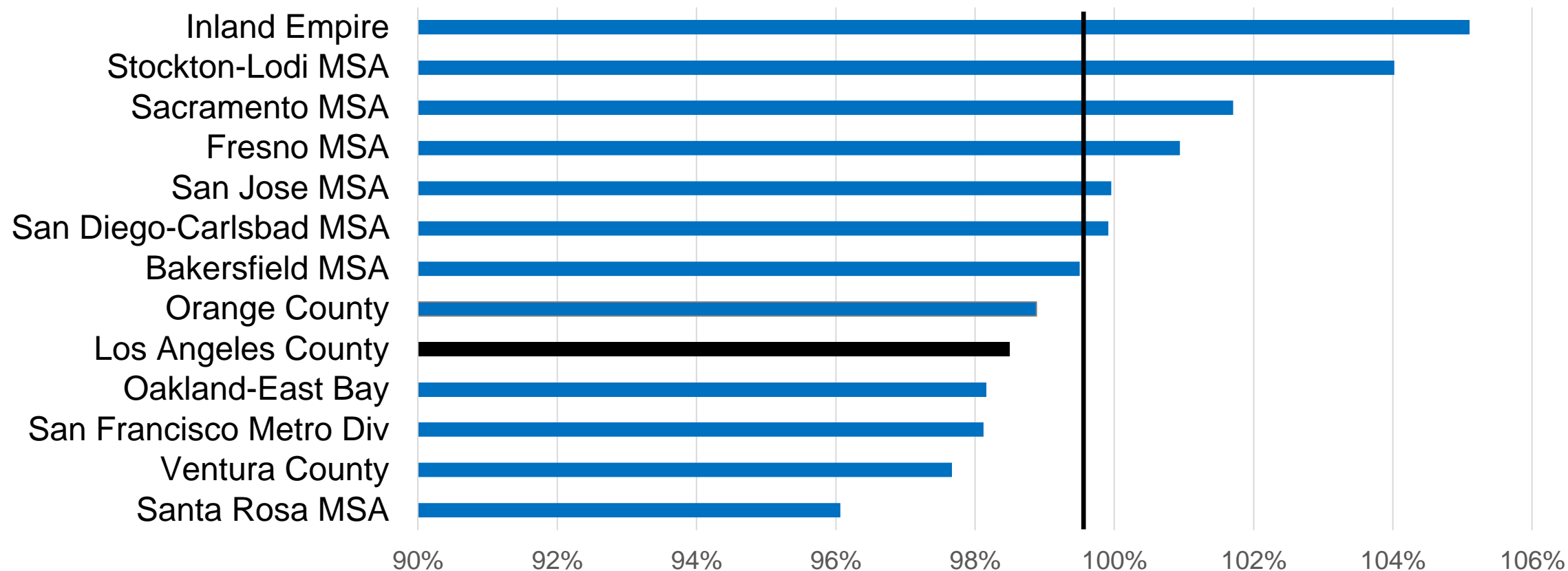
**Economic Conditions:
Don't Panic Yet...**

US and California

- ▶ **Jobs** US fully recovered, CA nearly so
(2 years faster than Great Recession)
- ▶ **Unemployment** returned to pre-pandemic rates
US: 3.7% < natural rate of unemployment (4.4%)
CA: 3.9%
- ▶ **GDP** 2022: +1.7%, in 2023: <0.5%
- ▶ **Inflation** 2022: 8%, 2023: low single digits

Jobs Gap Closing Across California Metro Areas

Jobs Now as % of Feb '20



Unemployment Rates in SGV Cities

Area Name	Rate	Area Name	Rate
Alhambra	3.9%	Monrovia	4.0%
Arcadia	3.2%	Montebello	4.6%
Azusa	4.0%	Monterey Park	3.8%
Baldwin Park	4.4%	Pasadena	3.7%
Bradbury	5.2%	Pomona	4.6%
Claremont	3.7%	Rosemead	4.4%
Covina	4.4%	San Dimas	4.1%
Diamond Bar	3.5%	San Gabriel	3.3%
Duarte	5.5%	San Marino	1.5%
El Monte	4.2%	Sierra Madre	3.3%
Glendora	3.9%	South El Monte	3.9%
Industry	5.5%	South Pasadena	3.9%
Irwindale	3.6%	Temple	3.6%
La Canada Flintridge	2.0%	Walnut	2.9%
La Puente	4.1%	West Covina	4.4%
La Verne	4.0%	Los Angeles County	4.5%

Source: EDD, KE

Housing and Construction

So. Cal Housing Affordability Well Below U.S.

Percentage of Households that can Afford to Buy Median Priced Home

Region	2021.2	2022.1	2022.2	Median Home Price	Monthly Payment Including Taxes & Insurance	Minimum Qualifying Income
Los Angeles	22	20	16	\$825,650	\$4,650	\$186,000
Orange	17	13	12	\$1,300,000	\$7,330	\$293,200
Riverside	33	28	21	\$640,000	\$3,610	\$144,400
San Bernardino	43	39	30	\$493,000	\$2,780	\$111,200
San Diego	22	19	14	\$965,870	\$5,450	\$218,000
Ventura	23	21	15	\$939,000	\$5,290	\$211,600
CA SFH (SAAR)	23	24	16	\$883,370	\$4,980	\$199,200
US	49	47	38	\$413,500	\$2,330	\$93,200

Source: C.A.R., KE

Prices Mixed, Sales Faltering

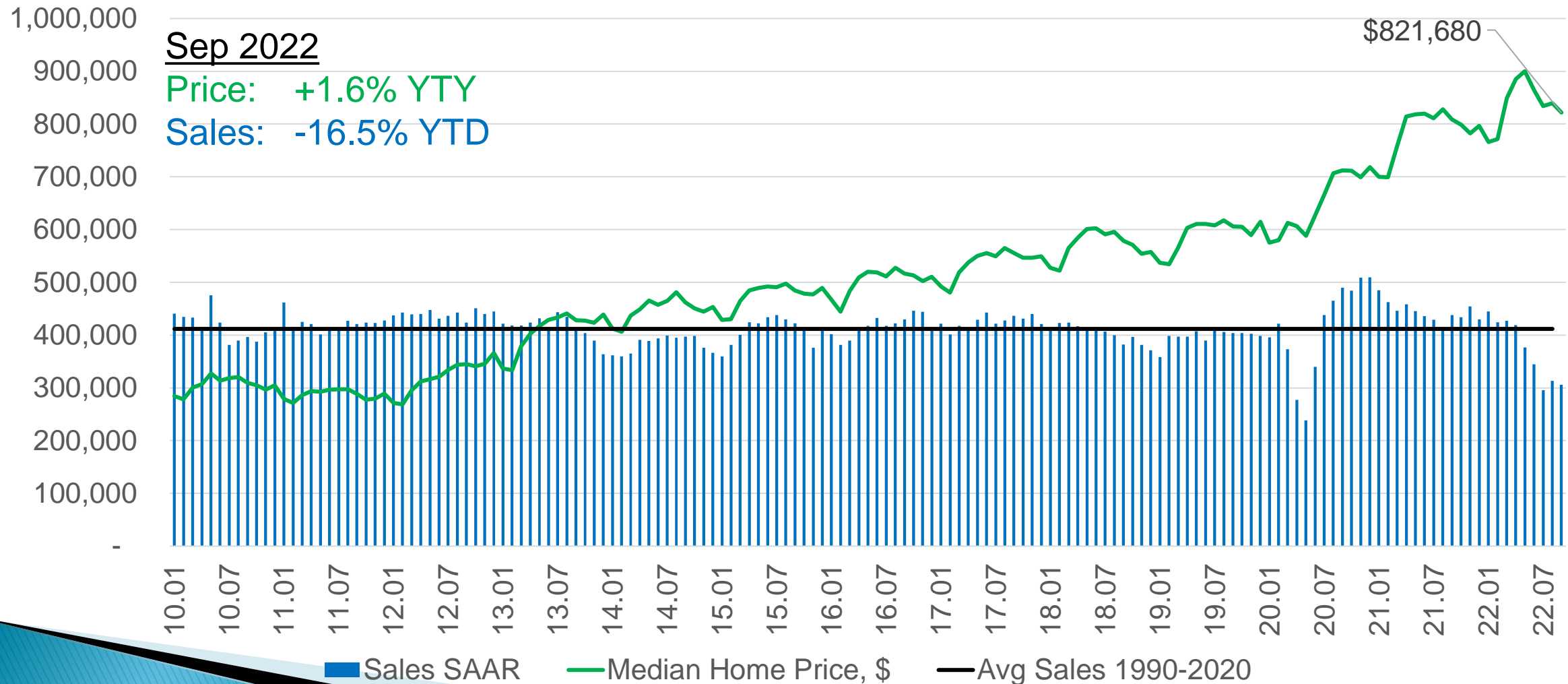
Southern California	21.09	22.08	22.09	Price MTM% Chg	Price YTY% Chg	Sales YTY% Chg
Los Angeles	\$886,050	\$854,960	\$891,770	4%	1%	-32%
Orange	\$1,100,000	\$1,200,000	\$1,200,000	0%	9%	-31%
Riverside	\$570,000	\$620,000	\$600,000	-3%	5%	-31%
San Bernardino	\$437,000	\$472,750	\$480,000	2%	10%	-37%
San Diego	\$850,000	\$885,000	\$899,000	2%	6%	-33%
Ventura	\$815,000	\$884,000	\$850,000	-4%	4%	-36%

Source: California Association of Realtors, KE


Median Prices in SGV Cities

City	Sep-21	Aug-22	Sep-22	City	Sep-21	Aug-22	Sep-22
Alhambra, CA	\$763K	\$759K	\$790K	Montebello, CA	\$718K	\$620K	\$700K
Arcadia, CA	\$1,284K	\$1,455K	\$1,280K	Monterey Park, CA	\$872K	\$899K	\$820K
Azusa, CA	\$626K	\$650K	\$595K	Pasadena, CA	\$1,031K	\$1,014K	\$1,100K
Baldwin Park, CA	\$620K	\$664K	\$660K	Pomona, CA	\$590K	\$613K	\$630K
Claremont, CA	\$738K	\$830K	\$963K	Rosemead, CA	\$740K	\$760K	\$860K
Covina, CA	\$675K	\$744K	\$743K	San Dimas, CA	\$775K	\$871K	\$790K
Diamond Bar, CA	\$789K	\$868K	\$972K	San Gabriel, CA	\$1,160K	\$1,074K	\$980K
Duarte, CA	\$735K	\$713K	\$715K	San Marino, CA	\$2,250K	\$2,618K	\$2,049K
El Monte, CA	\$620K	\$670K	\$695K	Sierra Madre, CA	\$1,320K	\$1,450K	\$1,588K
Glendora, CA	\$775K	\$843K	\$865K	South El Monte, CA	\$668K	\$660K	\$730K
La Cañada Flintridge, CA	\$1,875K	\$2,357K	\$2,450K	South Pasadena, CA	\$1,598K	\$1,700K	\$1,552K
La Puente, CA	\$645K	\$679K	\$658K	Temple City, CA	\$1,006K	\$1,033K	\$1,119K
La Verne, CA	\$831K	\$858K	\$865K	Walnut, CA	\$1,043K	\$1,100K	\$1,000K
Monrovia, CA	\$883K	\$935K	\$973K	West Covina, CA	\$776K	\$775K	\$760K

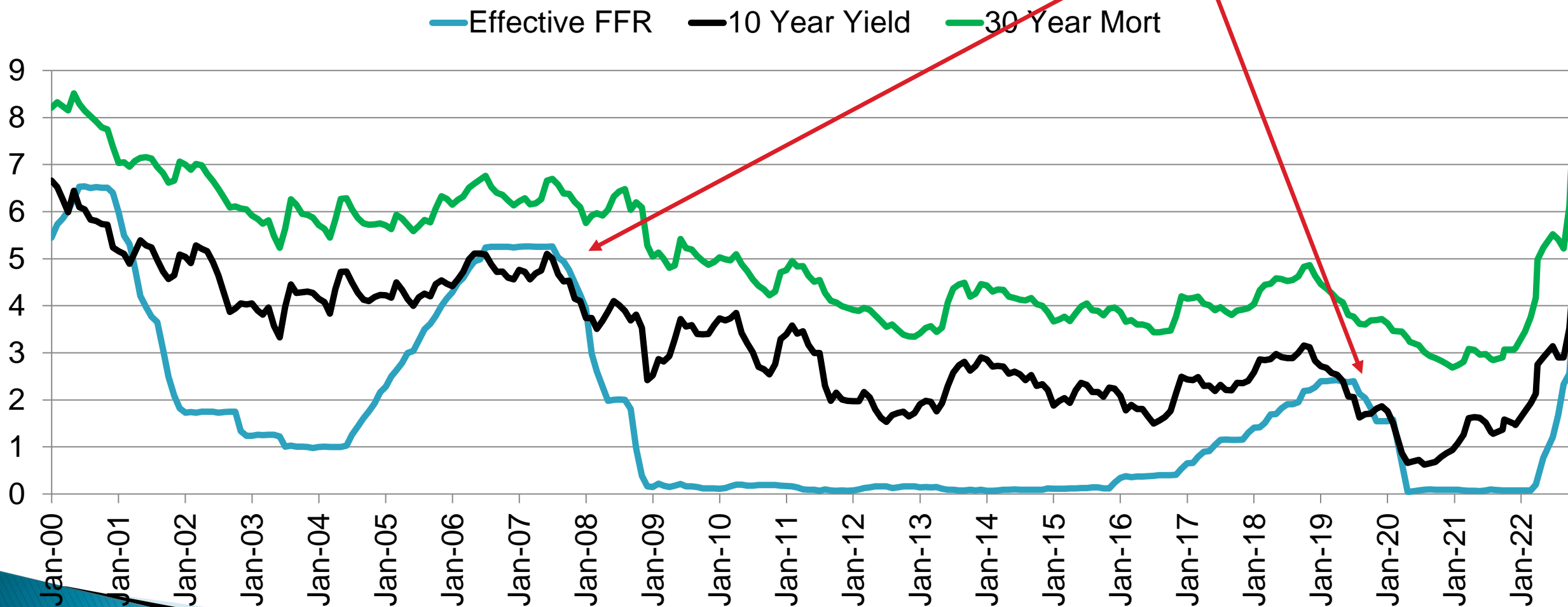
California Housing: Price Peaked at \$900K, Sales Down as Affordability Falls



What Drives Prices Up and Affordability Down

- ▶ Strong demand fueled by
 - Low interest rates
 - Income growth
 - Demographics: Millennials
 - ▶ Limited supply constrained by
 - Low inventories of existing homes for sale
 - Low levels of new construction
 - Demographics: Boomers
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Financial Markets: Fed Overshoots at Times

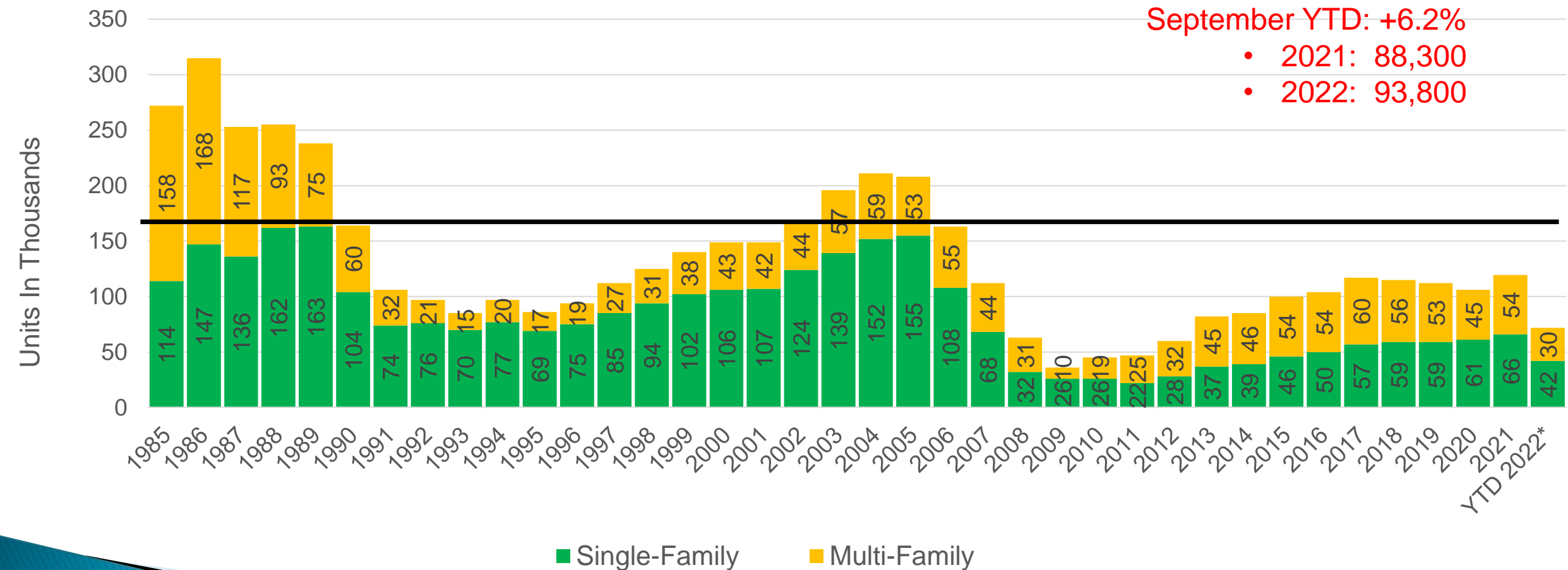


Supply of Existing Homes: Demographics and Chronically Low Inventory Drive Price Increases

Unsold Inventory Index (Months)			
Region	21.09	22.08	22.09
Los Angeles	2.0	3.1	3.2
Orange	1.5	2.5	2.5
Riverside	2.0	3.2	3.3
San Bernardino	2.3	3.7	3.6
San Diego	1.6	2.5	2.7
Ventura	1.9	2.3	2.7

Source: California Association of Realtors, KE

New Housing Permits Issued by Year in California, 1985-2022 YTD



Source: U.S. Census Bureau, Building Permit Survey

CA Underbuilds Compared to Other States

Number of Permitted Housing Units by Region through September 2022 YTD

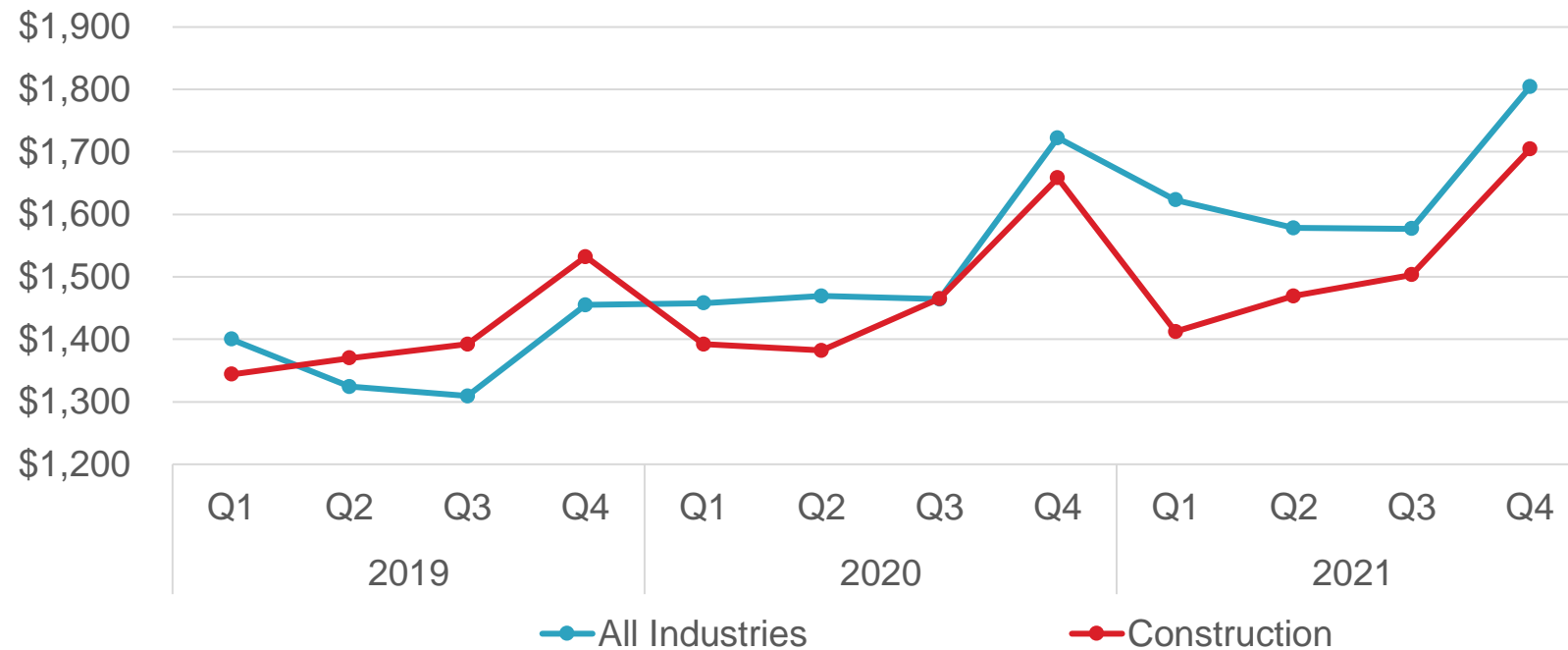
Rank	Name	Units	Rank	Name	Units
1	Houston-The Woodlands-Sugar Land, TX	51,276	21	Portland-Vancouver-Hillsboro, OR-WA	10,257
2	Dallas-Fort Worth-Arlington, TX	43,493	22	Boston-Cambridge-Newton, MA-NH	10,193
3	New York-Newark-Jersey City, NY-NJ-PA	39,081	23	Riverside-San Bernardino-Ontario, CA	10,158
4	Phoenix-Mesa-Chandler, AZ	33,283	24	Las Vegas-Henderson-Paradise, NV	10,099
5	Austin-Round Rock-Georgetown, TX	30,621	25	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	9,704
6	Atlanta-Sandy Springs-Alpharetta, GA	22,943	26	Kansas City, MO-KS	8,436
7	Orlando-Kissimmee-Sanford, FL	18,943	27	Cape Coral-Fort Myers, FL	8,416
8	Los Angeles-Long Beach-Anaheim, CA	18,828	28	Indianapolis-Carmel-Anderson, IN	8,285
9	Nashville-Davidson--Murfreesboro--Franklin, TN	18,685	29	Columbus, OH	8,113
10	Charlotte-Concord-Gastonia, NC-SC	17,472	30	Sacramento-Roseville-Folsom, CA	8,082
11	Miami-Fort Lauderdale-Pompano Beach, FL	17,454	31	Salt Lake City, UT	8,016
12	Washington-Arlington-Alexandria, DC-VA-MD-WV	17,346	32	San Francisco-Oakland-Berkeley, CA	7,662
13	Seattle-Tacoma-Bellevue, WA	17,198	33	Boise City, ID	7,068
14	Tampa-St. Petersburg-Clearwater, FL	14,866	34	North Port-Sarasota-Bradenton, FL	7,001
15	Minneapolis-St. Paul-Bloomington, MN-WI	14,833	35	Charleston-North Charleston, SC	6,500
16	Denver-Aurora-Lakewood, CO	13,174	36	San Diego-Chula Vista-Carlsbad, CA	6,400
17	Raleigh-Cary, NC	12,315	37	Lakeland-Winter Haven, FL	6,273
18	San Antonio-New Braunfels, TX	12,255	38	Richmond, VA	6,040
19	Jacksonville, FL	11,289	39	Baltimore-Columbia-Towson, MD	5,876
20	Chicago-Naperville-Elgin, IL-IN-WI	10,896	40	Greenville-Anderson, SC	5,789

Source: Census, YTD

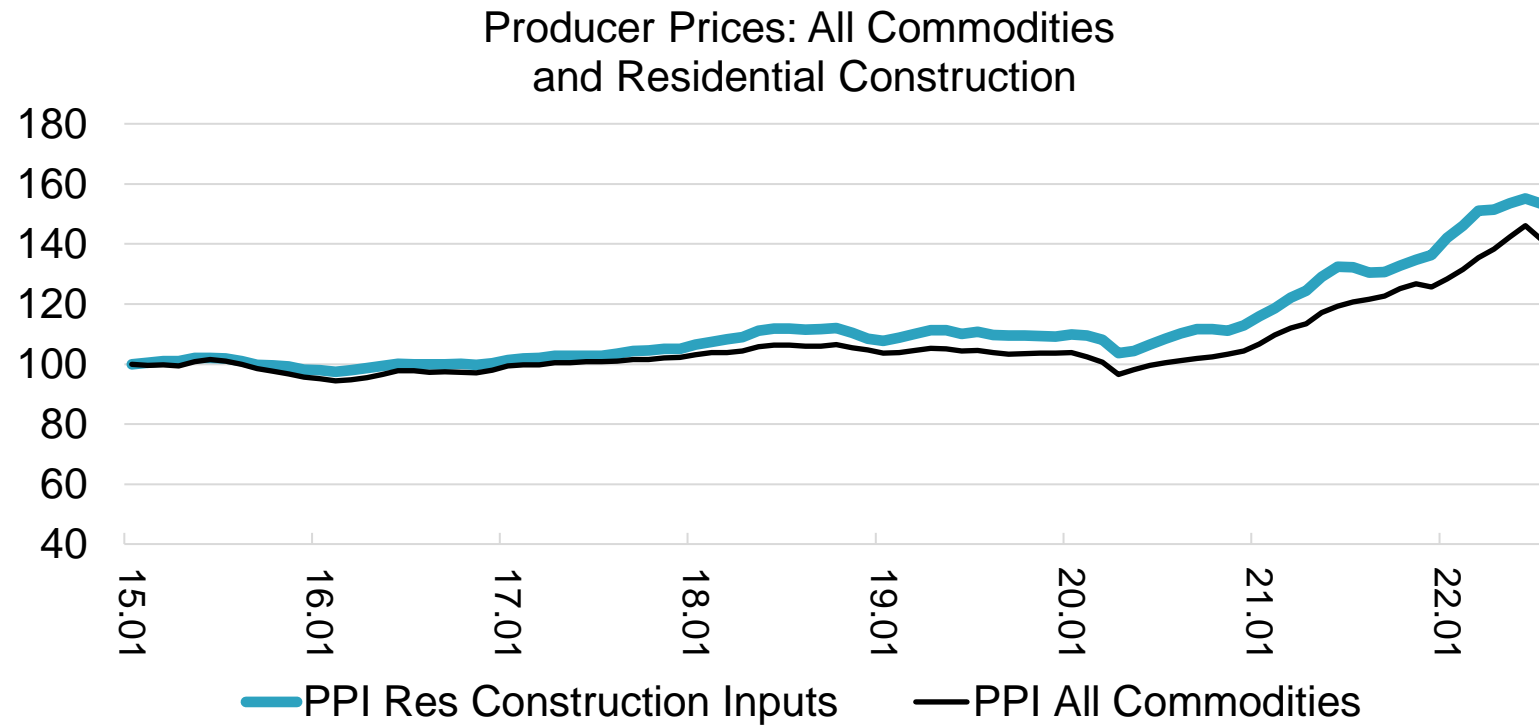
Construction Trends-Wages

California Wages Have Increased in Construction and Other Industries

Average Weekly Wages in California, 2019-2021



Construction Trends - Input Prices



High Land Values in So Cal

Top 10 States by Land Value Per Acre		
Rank	State	Land Value
1	District of Columbia	\$5,832,400
2	Hawaii	\$2,755,900
3	New York	\$2,607,500
4	California	\$2,473,700
5	New Jersey	\$834,900
6	Massachusetts	\$788,900
-	US Average	\$719,700
7	Washington	\$698,800
8	Colorado	\$686,400
9	Oregon	\$619,200
10	Virginia	\$542,000

Top California Counties by Land Value Per Acre		
Rank	County	Land Value
1	San Francisco County	\$20,567,900
2	San Mateo County	\$6,239,800
3	Santa Clara County	\$6,072,900
4	Orange County	\$3,749,400
5	Alameda County	\$3,610,300
6	Los Angeles County	\$3,130,200
7	Marin County	\$2,839,800
-	California	\$2,473,700
8	Santa Cruz County	\$2,042,800
9	Contra Costa County	\$1,688,600
10	Ventura County	\$1,591,600
11	San Diego County	\$1,543,500
13	Santa Barbara County	\$1,364,800
22	Riverside County	\$551,300
23	San Bernardino County	\$527,700

Source: Federal Housing Finance Agency, Experimental Dataset for the Price of Residential Land, October 2020

Construction - Other Costs and Impediments

- ▶ Development timelines
- ▶ Land use regulations
- ▶ Materials and other requirements
- ▶ Impact Fees
- ▶ CEQA
- ▶ NIMBYism

The Dilemma For Cities

- ▶ Cost of public services per HH > Property tax revenues per HH
- ▶ Triggers efforts to raise revenues...
 - Retail trade and other non-residential sources of taxable sales preferred over residential land uses
 - Increases in local sales tax rates
 - Building permit fees
 - Impact fees
- ▶ Or shift spending elsewhere
 - Developer-required infrastructure

SGV Population and Housing Trends

Year	Population*	Housing Units*
2020	1,507,354	506,319
2021	1,496,265	507,368
2022	1,486,786	509,048

Source: DOF

*Incorporated cities

SGV Housing Stock “Vital Signs”

<u>Occupied Housing</u>	<u>Units</u>	<u>Percentage</u>
Single family detached	323,900	71%
<u>Multifamily</u>	<u>134,400</u>	<u>29%</u>
Total	458,300	100%

SGV Housing Stock “Vital Signs”

	<u>Homeownership</u>
SGV	55%
LA County	46%
California	55%

SGV Housing Stock “Vital Signs”

	<u>Rent Burdened</u>
SGV	55%
LA County	57%
California	54%

SGV Housing Needs: RHNA 2021-2029

Regional Housing Needs Assessment (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

Conclusion and Outlook

Conclusion and Outlook

- ▶ US may avoid recession. Fed can over-tighten.
- ▶ Inflation likely will return to low single digits in 2023
- ▶ California remains the national leader among states (5th 4th largest global economy)

Conclusion and Outlook

- ▶ Housing:
 - Short Run: chilling effect of high interest rates through most of 2023
 - Long Run: demographics support growth
- ▶ California's twin long run challenges:
 - Tight labor market
 - Inadequate supply of housing
- ▶ California's challenges play out on the ground in SGV communities

Thank You!

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