

Santa Clarita Valley Economic Development Corporation & College of the Canyons

# ECONOMIC & REAL ESTATE OUTLOOK



Presented By



# **The 2013 Santa Clarita Valley Real Estate and Economic Outlook**

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This publication was prepared by:



## **The California Economic Forecast**

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## Executive Summary

*The recovery is here to stay*

Mark Schniepp  
February 17, 2013

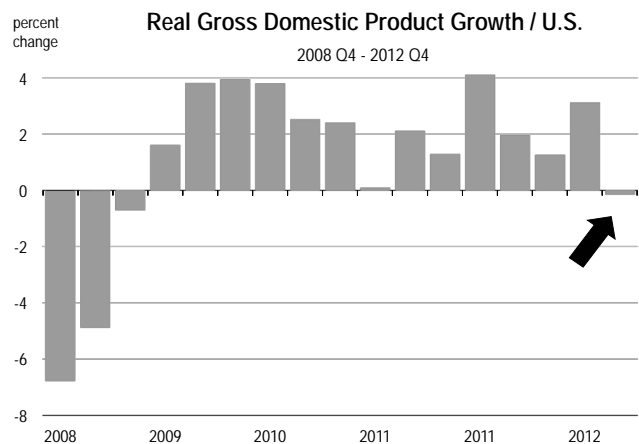
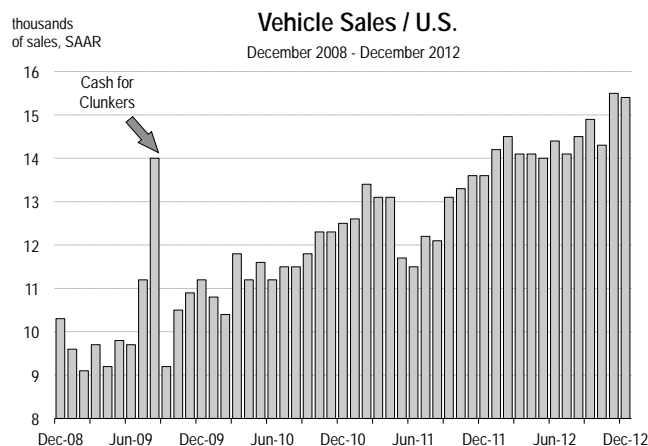
### The National Economy

The U.S. economy admirably weathered the storm created by the political drama over the fiscal cliff. There was not much fallout for investors as the stock market rallied in December, and again in January. Employment gains held steady through the end of 2012 and into the new year. Consumer spending has exceeded expectations especially, car sales which remain particularly impressive.

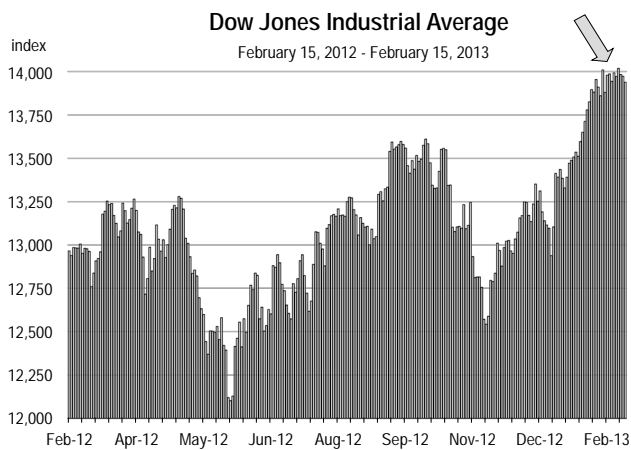
Nevertheless, gross domestic product surprisingly contracted during the October-December period of 2012, dropping 0.1 percent. That's a sharp slowdown from the 3.1 percent growth rate in the July-September quarter and the first contraction since 2009 Q2. The decline was driven by the biggest cut in defense spending in 40 years, a clear

slowdown in exports, and less inventory building by companies. The nation's manufacturing sector was also weak.

The economy will not fall backward this quarter, despite higher taxes. In general, the stock market was relieved to see the fiscal cliff avoided, at least for the moment. Congress must still deal with the sequestration spending cuts and the expiration of spending authority, which potentially could shut the federal government down. It's unlikely that a worst case scenario would prevail. The dazzling run-up of the stock market in recent weeks suggests that economic growth will accelerate in the second or third quarter.



The fourth quarter estimate of GDP growth was a surprise contraction of 0.1 percent, slowed by cuts in defense, weaker exports, and sluggish growth in company inventory building.



Right now, consumer sentiment is rising sharply again, in line with both the stock and housing markets.

### **The Housing Recovery is both Genuine and Accelerating**

The latest home sale figures confirm that the housing recovery is on track. Rising home prices are actually increasing the demand for homes as buyers expect prices to continue rising.

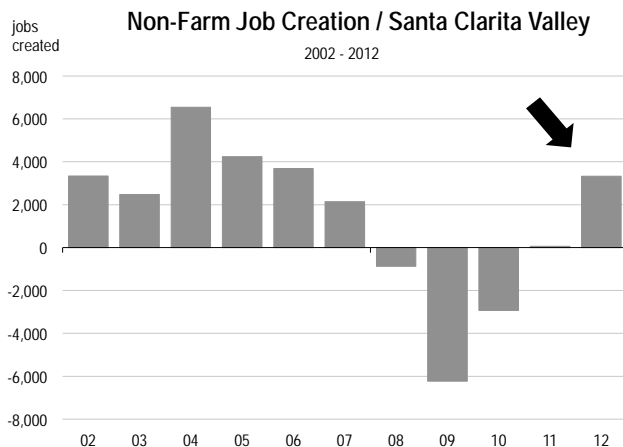
Existing-home sales are running at their fastest pace since the first half of 2007. Moreover, for the calendar year 2012, sales are up 9 percent from 2011, the fastest acceleration since 2003. Months of supply was very low in December at only 4.4 months, and the median home price was up by 11.5 percent, year-over-year. New housing supply and pricing look exceptionally strong, but the continued decline in listings in the resale market is driving some of that improvement.

### **Santa Clarita Valley: Can we call the recovery an economic expansion ?**

This year the economic recovery in the region will transition into a clear expansion in business activity. And despite slower U.S. economic growth, the recovery in the Santa Clarita Valley continues to accelerate. The labor market is now creating jobs at the fastest pace since 2006. Average wages are higher, home sales are also rising, homeowner distress is evaporating, the business visitor industry has firmed, and technology industries are thriving.

In a summary, here's the short list of recent accomplishments:

- Material job creation occurred in 2012, with 12 of 13 private labor market sectors reporting gains in employment.



There has been strong positive job creation in the Santa Clarita Valley. During 2012, an estimated 3,200 jobs were created, representing the fastest pace of job gain since early 2006.

- Homeowner distress is rapidly in decline. Fourth quarter defaults and foreclosures were 40 to 50 percent lower than year ago levels. There are more short sales.
- Existing home sales are rising again, despite inventory concerns.

The local labor market finally created a meaningful number of new jobs during 2012. The unemployment rate fell to 6.3 percent for the year. Eleven of the thirteen labor market sectors in the private sector added jobs in 2012. The labor market is poised to grow more consistently in 2013.

In the office market, utilization of available space is gradually improving. Vacancy rates fell from 23 percent in 2011 to 16 percent in 2012. As the labor market continues to create office-using jobs

in 2013, utilization of empty office space will continue to increase this year.

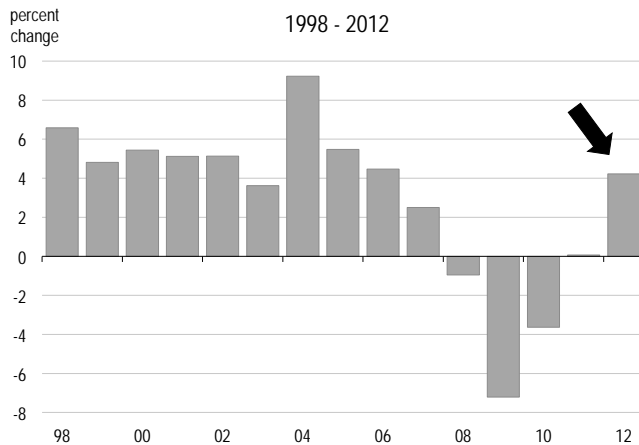
In the industrial market, net absorption for the year was negative and the vacancy rate rose slightly to 3.0 percent. The biggest concern is the lack of new industrial supply which will keep the market tight. Lease rates are poised to rise this year. Future new construction will be more expensive but more will have to be started soon.

The 2013 outlook for the local economy mirrors the general state outlook. The state's outlook has been revised upward to include a more significant rebound in the new and existing housing markets this year. Continued job creation in the state during 2013 means more income and greater demand for products and services.



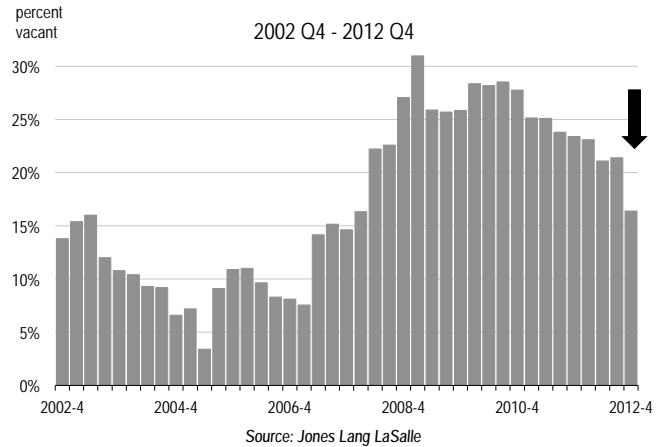


## Economic Activity in The Santa Clarita Valley



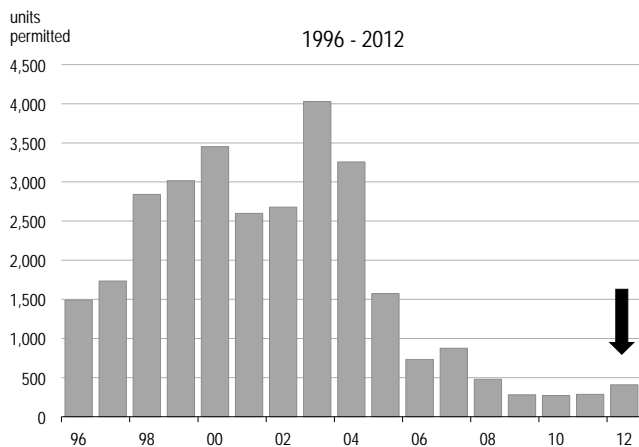
### Job Growth

Over 3,200 non-farm jobs were created in the Valley economy during 2012. The rate of growth was 4.3 percent----the fastest in 6 years. The professional and business services sector, the leisure and hospitality sectors, and the manufacturing sector are principally responsible.



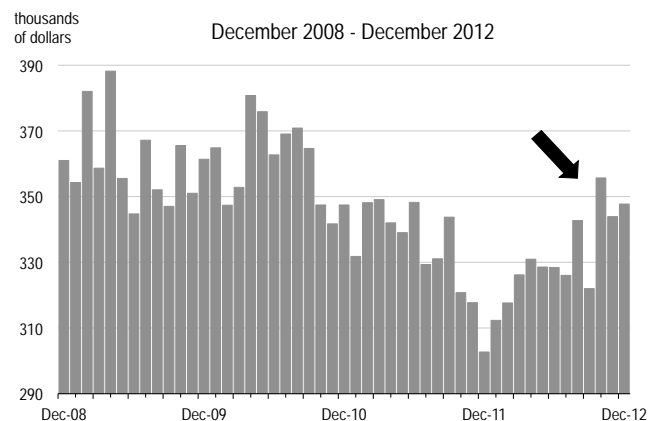
### Office Building Vacancy

Vacancy in the office market declined sharply during 2012. Employment gains in the office sector sharply drove the demand for more office space. Net absorption for the year was just under 200,000 square feet, the most since 2007.



### New Residential Building

The new housing sector was still struggling through the end of 2012. Only 407 units were authorized through the permitting process during the year. Most housing projects that are approved are on hold, but are likely to start up soon.



### Median Home Selling Price

Selling values for single family homes were sharply higher in the last quarter of 2012. Price appreciation was just less than one percent for the entire year, but nearly 15 percent in December 2012, compared with December 2011 values. Homeowner distress is abating in the region and home prices are rising as a result.

## The Housing Market

A year ago in this publication (page 9), we wrote:

The housing market should improve by mid-year with more conventional sales and stabilizing selling values because (1) the economy is clearly recovering, and (2) buyers are realizing both the price and mortgage rate risks of further delaying their purchase.

There were less distressed sales in 2012, the economy strengthened, and demand for homes surged, especially by mid-year. Existing home sales in the Santa Clarita Valley rose 17 percent in 2012. REO sales accounted for 25 percent of the total, compared to 35 percent in 2011.

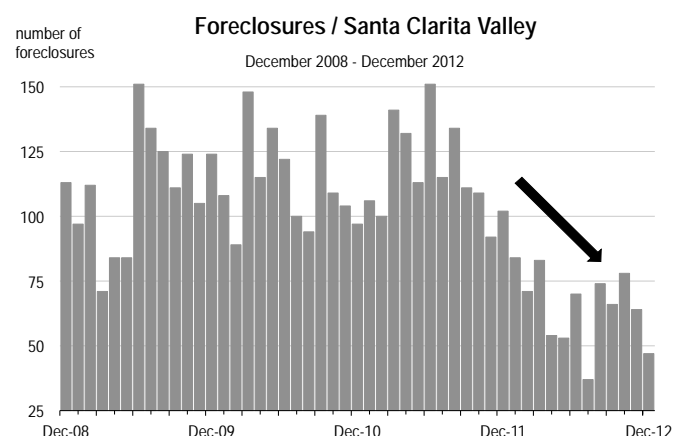
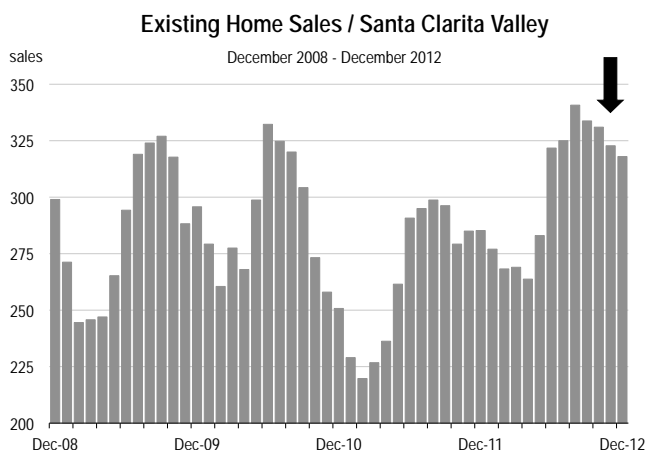
The median selling price for existing single-family homes was \$340,000 for the 2012 calendar year, a increase of just 0.7 percent from the prevailing median price in 2011. By comparison, the median home price in the San Fernando Valley was \$344,500, an increase of 7 percent over the 2011 selling value.

The recent rise in house prices, coupled with rising mortgage rates, appears to be drawing

prospective homebuyers back into the market. The uptick in sales should continue as long as house prices and mortgage rates keep rising. Further, a rise in prices will also have supply-side effects as current homeowners become more willing to put their houses up for sale.

In 2013, the forecast for home selling values calls for a sharp increase. This is more the result of a statistical nuance than a surge in home price appreciation. Higher prices will induce more buyers and the greater demand will force prices higher. The improving labor market and continued population growth will lead to new household formation, further putting upward pressure on home values.

Both homeowner defaults and foreclosures declined sharply last year. Both defaults and foreclosures will continue to abate this year as banks and other lenders take aggressive action by offering more short sales which circumvent the foreclosure process. Furthermore, an improving economy that creates more jobs and income, and rising prices also dissuades the likelihood of homeowner default.



## Magic Mountain in Growth Mode

### Magic Mountain plans looping roller coaster

By HUGO MARTIN

Escalating the amusement park arms race, Six Flags Magic Mountain in Valencia said it would open the world's tallest and fastest looping roller coaster next spring.

The debut of Full Throttle will bring the number of coasters at the park to 18, widening Magic Mountain's lead over its longtime rival Cedar Point, The Sandusky, Ohio, amusement park has 15 coasters.

For years, Cedar Point and Six Flags Magic Mountain have battled for the title of "roller coaster capital of the world" by adding and operating the most coasters of any amusement park.

Magic Mountain took the lead in that battle when Cedar Point removed two coasters recently to make room for a stage show and the addition of what Cedar Point is calling the world's longest "winged" coaster, set



**FULL THROTTLE**, shown in rendering, will be the world's tallest looping coaster, Magic Mountain says.

fectstunnet."

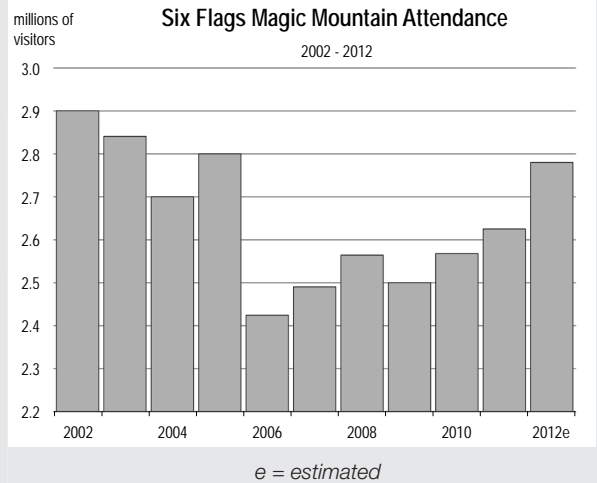
"Six Flags is known worldwide as the industry leader in next-generation thrills," said Bonnie Babjohn, president of the park.

This summer, Magic Mountain unveiled a 400-foot drop-tower ride dubbed Lex Luthor: Drop of Doom.

increased by 1 million, or 12%.

Cedar Point officials concede that their Ohio park has fallen behind Magic Mountain on the quantity of roller coasters but, they say, not on quality. The new coaster set to open in May, dubbed GateKeeper, will

*Los Angeles Times, August 31, 2012, page B2*



Six Flags Magic Mountain continues to expand, both in visitor attractions and attendance. Full Throttle, the world's tallest and fastest looping roller coaster will debut this spring. Magic Mountain is both the largest employer with over 4,000 workers during the peak summer months, and the principal visitor attraction for the region. Last Summer, Six Flags Entertainment Corporation reported that attendance at it's 19 parks was up 12 percent in 2012.

## New Development

New housing production in the Valley moved somewhat higher in 2012, compared to the lowest years of 2009-2011. A grand total of 407 housing units were started in 2012, representing a 42 percent increase from 2011.

The higher cost to develop homes, the onerous entitlement process, together with a slowdown in population and job growth has impacted new development for several years, notably Newhall Ranch.

Among the principal projects in the Santa Clarita Valley, there are 2,456 units in developments that

have started construction and another 8,108 units in approved projects that have not yet begun construction. Moreover, there are approximately 22,500 additional units that do not yet have all the necessary approvals.

There are just over 32,000 units in various stages of the formal entitlement process. The majority of the units are in Newhall Ranch.

Currently, there are 5 million square feet of approved commercial and industrial projects in the Santa Clarita Valley. Approximately 600,000 square feet is under construction. There are an additional 2.4 million square feet of commercial and industrial space pending approval.

## New Development Summary Santa Clarita Valley

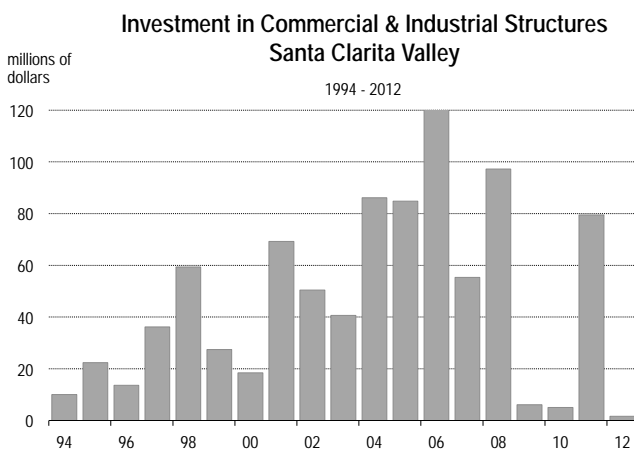
### Total Residential Units in Principal Projects

February 2013

Project Name	Units to be Built	Type	Project Status
Valle Di Oro	91	111 Townhomes	Temporarily off market
Whittaker Bermite	2,911	Mixed development	In bankruptcy court
West Creek/West Hills	1,202	2,300 Multi and single family homes	Under constuction
Vista Canyon	1,100	1,100 Residential Units	Approved, on hold
River Village	643	1,100 Residential Units	Under construction
Soledad Village (Villa Metro)	315	Townhomes	On hold pending market
Golden Valley	506	506 Multi and single family homes	On hold pending market
Keystone	499	499 Multi and single family homes	Specific plan modification
Fair Oaks Ranch	130	Over 1,000 single family homes	Under construction
Newhall Ranch	20,885	Master planned community	Construction begins in 2015
Northlake (Castaic)	3,900	Single family homes	Sold in bankruptcy court

**Total** **32,182**

Sources: The City of Santa Clarita, The Siracusa Company, and the California Economic Forecast



During calendar year 2012, the total dollar value of new construction in the City of Santa Clarita was estimated at less than \$2 million.

## The Economic Outlook

### The U.S. Economy

The near term forecast for the nation calls for slow growth in the current quarter, congruent with 2012Q4, principally because consumers will feel the squeeze of higher payroll taxes. And of course, risks from Washington's fiscal uncertainty remain in place. Congress must address the sequestration spending cuts soon, and the expiration of the spending authority sometime in May. Failure to do so could shut the federal government down. Both possibilities could weigh on financial markets and further slow growth.

GDP growth for the year is forecast to average 2.1 percent, and 3.1 percent in 2014. Job creation nationwide will accelerate by mid-year. Higher levels of export activity and a rapidly expanding housing market are the key engines of growth in the U.S. economy this year.

So while U.S. economic growth will remain slow in the first quarter of 2013, the region's economy is forecast to continue its higher paced advance with more job creation and the onset of new home construction.

If the first quarter fails to meet expectations, it means that the growth in the local economy is only delayed, and second and third quarter activity will increase. For the calendar year 2013, more jobs, income, and retail spending will occur, compared to 2012.

A more clear rebound in residential and commercial real estate activity will also occur, finally convincing everyone that the economy is finally expanding back into familiar territory.

## Highlights

- More new job creation is underway across nearly all sectors of the regional economy.
- The office market is now demonstrating improved utilization, and availability rates will continue to contract in 2013 as more office-using jobs are created.
- Housing in the affordable price ranges will remain upbeat this year. However, homes in all price ranges should exceed their 2012 sales rates.
- Foreclosures decline throughout 2013, becoming a non-issue by the end of the year. There is a general notion that foreclosures are due to rise again. This is nonsense. The distressed inventory is being liquidated quickly and much fewer homeowners are defaulting on their mortgages.
- Selling values for housing are rising again. They will continue to rise as demand strengthens for both existing and new homes and a more conventional housing recovery dominates the composition of home sales.
- Household incomes strengthen further in 2013 as does consumer spending in the retail sector of the Valley.
- There will be more new homes under production in the Valley this year. Last year, just over an estimated 400 homes were started. The rate of new housing will more than double in 2013.



*Ventura County Star, December 18th, 2012, page 12A*

The forecast for GDP growth in 2013 is 2.1 percent. In 2014, the forecast rises to a 3.1 percent rate of growth. In view of the recent speed-up in technology sales and U.S. exports, growth in the U.S. economy may exceed expectations this year.

# Homebuilder confidence skyrockets

## ■ Index climbs to 6-year high

By Alex Veiga  
Associated Press

LOS ANGELES—Confidence among U.S. homebuilders rose this month to its highest level in six years, and many expect the housing recovery will strengthen in the next six months. The National Association of Home Builders/Wells Fargo builder sentiment index released Tuesday increased to 40 in September. That's up from 37 in August and the highest reading since June 2006, just before the housing bubble burst.

Any reading below 50 indicates negative sentiment about the housing market. The index hasn't reached that level since April 2006, the peak of the housing boom.

Still, a measure of builders' outlook for sales in the next six months rose to 51. That's up from 43 in August and also the highest level since June 2006.

Builders also reported seeing the best sales level since July 2006. Turnout by prospective buyers returned to levels not seen since May 2006.

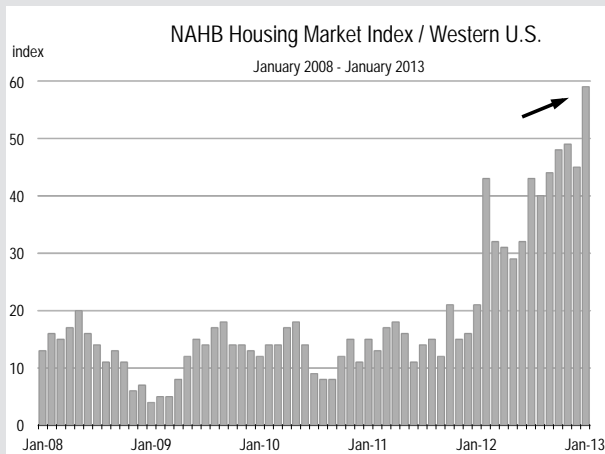
The positive trends have helped bolster optimism

that the U.S. housing recovery will endure.

"We think things have turned around and this recovery is sustainable," said Patrick Newport, an economist with IHS Global Insight. The rise in builder confidence means that new-home construction is likely to increase over the next six months, Newport said.

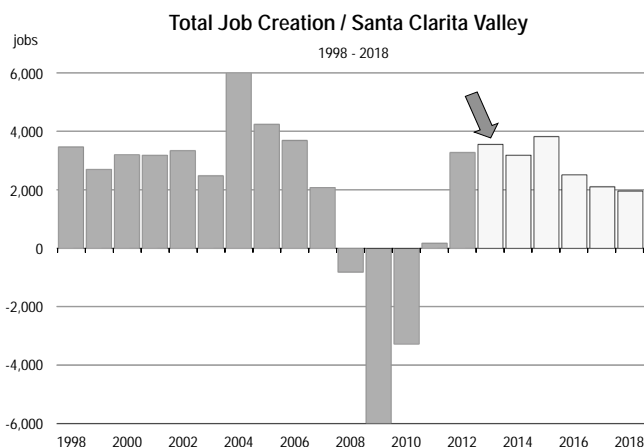
The survey has been trending higher since October.

*Ventura County Star, September 19, 2012, page 12A*

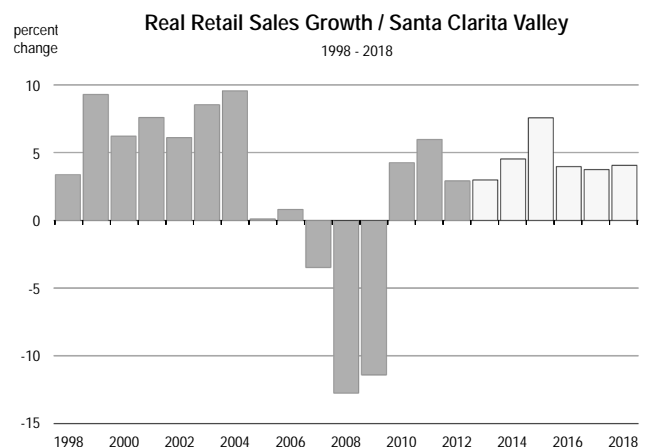


Confidence among U.S. homebuilders has risen to the highest level in 7 years. The National Association of Homebuilders/Wells Fargo builder sentiment index for the western United States indicates that builder's outlook for sales in the next six months has rapidly improved, resulting in many more housing starts forecast for 2013 in California.

- The visitor industry is rebounding and job creation in leisure and recreation services is rising sharply. Average occupancy rates for the region's hotels and motels are now back to pre-recession levels.



- The forecast has been upgraded from last year to show more growth in 2013 with the recovery transitioning into an expansion later this year.





# THE FORECAST

U.S. Economic Forecast Summary

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Santa Clarita Valley Forecast Summary

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The 2013 Forecast

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2013 Forecast Highlights

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Population and Housing

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State and National Influences

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Forecast Risks

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## The 2013 Santa Clarita Valley Economic Outlook

### The Expanding Economy in 2013

#### The Nation and California

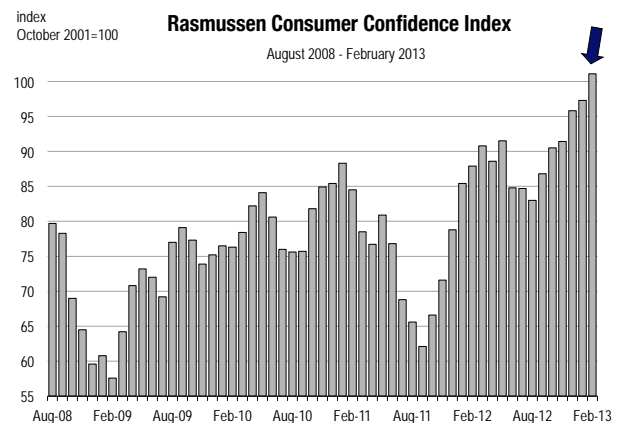
The U.S. economy will grow slowly in the first half of the year, attempting to rebound from the freakish contraction of general business activity in the 4th quarter of 2012. The economy contracted at an annual rate of 0.1 percent, a sharp slowdown from the 3.1 percent growth rate in the third quarter. This was the first contraction since 2009 Q2.

World economic growth, which has slowed, impacting the nation's export sector since the summer months, is expected to speed up this year. Business investment in equipment and residential investment in structures should also rise through 2013.

However, the fiscal cliff wrangling in Congress, parts of which still remain unresolved, and the outcome of higher taxes for everyone will dampen consumer spending in the first quarter of 2013.

Nevertheless, there is a lot to like about the U.S. economy right now. Technology industries are leading the way, along with the export sector, which admittedly cooled in the second half of 2012. With a recovering world

economy and a weak U.S. dollar, exports should rebound sharply this year.



According to the Conference Board's monthly survey, U.S. consumer confidence plunged in January to its lowest level in more than a year, reflecting higher Social Security taxes that will leave Americans with less take-home pay in 2013. Curiously however, the Rasmussen survey of consumer sentiment tracked daily, shows a more optimistic consumer in January and February of 2013.



Visitor industries are very busy, automobile sales continue to rise, and the growth in business investment is accelerating again.

Overall GDP growth for 2013 is forecast to be approximately 2.1 percent. Consumer spending should accelerate in the 2nd half of the year. The housing market---both existing and new---will experience more sales and new home production in 2013 to levels that have not occurred since 2006.

From our current viewpoint, GDP growth in 2014 should rise further, to 3.1 percent for the year. More vigorous housing production combined with expanded job creation will conspire to push spending and investment demand higher.

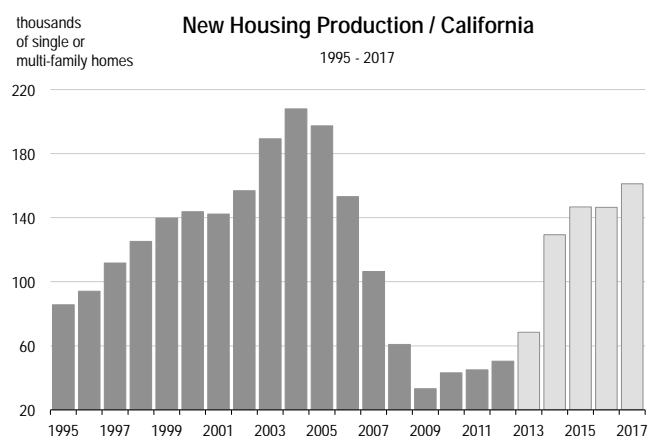
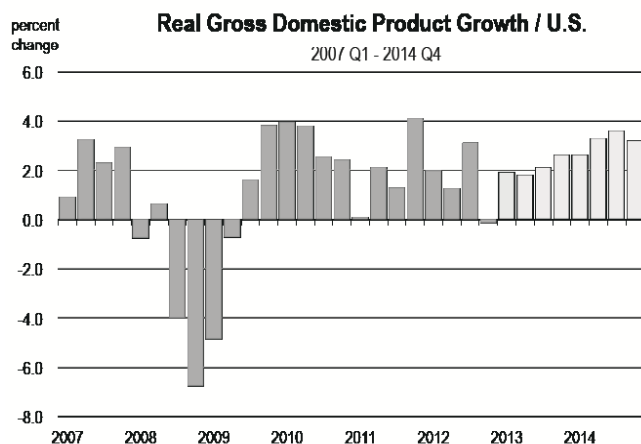
In California, the budget problems continue to dominate state government actions, legislative banter, and public sector job creation throughout the state.

The key to California is the extent to which businesses will generally choose to expand in the state and add jobs. Job creation in 2013 is forecast to maintain the approximate pace recorded in 2012, strengthening in 2014.

More housing production occurs this year in California but the rebound in 2013 is muted relative to the need. Consequently, home prices rise because demand growth will outpace supply growth, for both new and existing homes.

More employment opportunities will lower the unemployment rate in California, increase total income and spending, and help to accelerate home buying. Job creation will hasten the need for commercial space. High rates of vacancy in the office and industrial sectors will decline this year and next. Office using job creation will dominate all other job creation.

Interest rates are forecast to rise in 2013 but not enough to materially impact the demand for mortgage funding for home purchases.



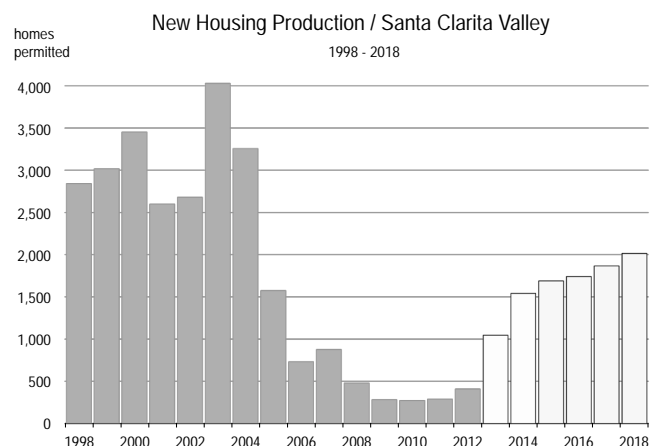
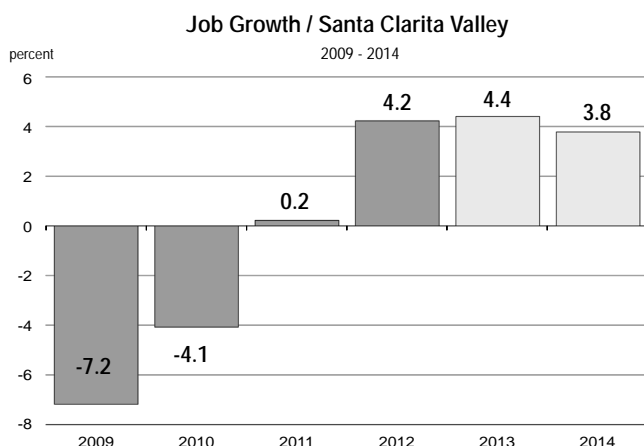
## Santa Clarita Valley Forecast Summary

The Santa Clarita Valley's labor market has now rebounded, producing more jobs in 2012 than in the previous 5 years. The creation of jobs will continue to accelerate this year, and the unemployment rate will decline further. However, the rate of unemployment in both the Santa Clarita and San Fernando Valleys will remain elevated into 2013. Economic activity will gain enough traction this year to prevent any further labor market reductions in the region.

The job base in Los Angeles County is clearly expanding. Job growth will average 4.4 percent in the Santa Clarita Valley. Growth subsides slightly in 2014 and accelerates again in 2015.

- More new job creation is underway across nearly all sectors of the regional economy.
- Homeowner distress is clearly abating and no longer weighing on the housing market.

- Existing home sales were higher in 2012, and the momentum will carry into 2013, especially as more employment opportunities increase.
- The visitor industry is rebounding and job creation in leisure and recreation services is rising sharply. Average occupancy rates for the region's hotels and motels are now back to pre-recession levels.
- The forecast has been upgraded from last year to show more growth in 2013 with the recovery transitioning into an expansion later this year.
- There will be more new homes under production in the Valley this year. Last year, just over an estimated 400 homes were started. The rate of new housing will more than double in 2013.



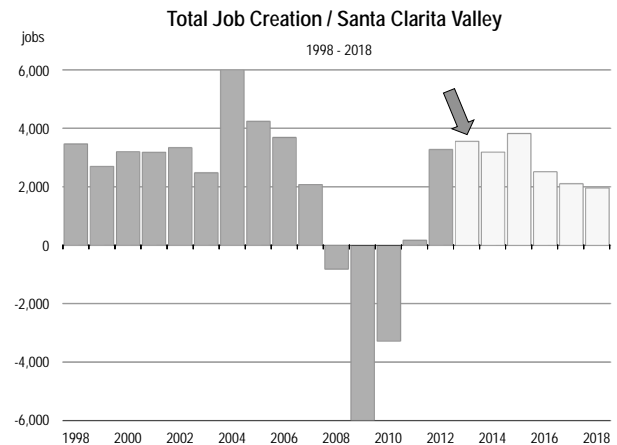
## The 2013 Forecast

### What we forecast in 2012 and what actually occurred

The national and state economies did not demonstrate the level of strength that we expected in 2012 and that predictably impacted our forecast for the Santa Clarita Valley. Our Forecast for 2012 produced in February of 2012 is presented here with the Actual 2012 value:

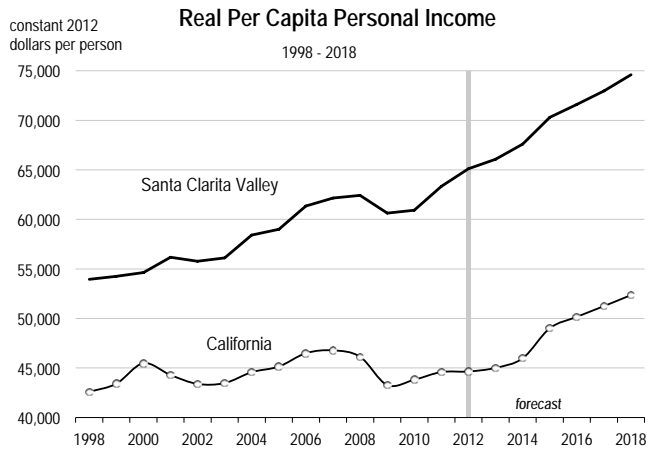
Indicator	2012 Forecast	2012 Actual	percent error
Non-farm Jobs Created	2,000	3,227	+61
Non-farm Job Growth	2.6 %	4.1 %	+58
Unemployment Rate	7.1 %	6.8 %	-4.2
Personal Income growth	4.9 %	7.9 %	+61
Real Pers Income growth	2.7 %	5.9 %	+120
Housing Units	971	407	-58
Inflation	2.1 %	2.0 %	-4.8
Population growth	1.2 %	1.3 %	+8.3
Retail Sales growth	5.1 %	5.0 %	- 2.0

- Labor markets in Los Angeles County and the Santa Clarita Valley produced jobs in excess of expectations during 2012. This was also true for personal income. Needless to say, our forecast for 2012 was conservative and fortunately, the regional economy responded with more exuberance.
- Looking back, 2012 was clearly the turnaround year with 12 of 13 private labor market sectors creating new jobs.
- The forecast for 2012 was for the creation of 2,000 jobs in the Santa Clarita Valley, and 3,600 in 2013. We are still expecting 3,600 jobs to be created in the Santa Clarita Valley during 2013.



Nearly all sectors of the labor market added jobs last year in the Santa Clarita Valley. The only exception was the federal government sector. This year, 3,600 new jobs are forecast for the Valley economy.

- The unemployment rate was forecast to descend as labor markets produced more consistent job growth. The rate was expected to average 7.1 percent in 2012. The actual rate for the year averaged 6.8 percent.
- Personal Income growth in 2012 was higher than our forecast, largely because the employment gain was higher.
- Inflation and retail spending ended the year nearly exactly as what we forecast.

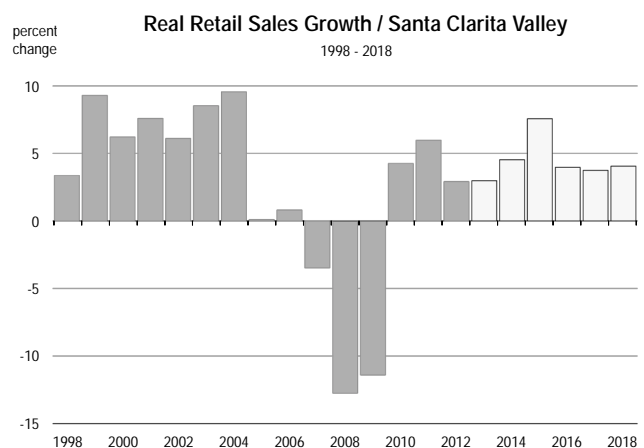
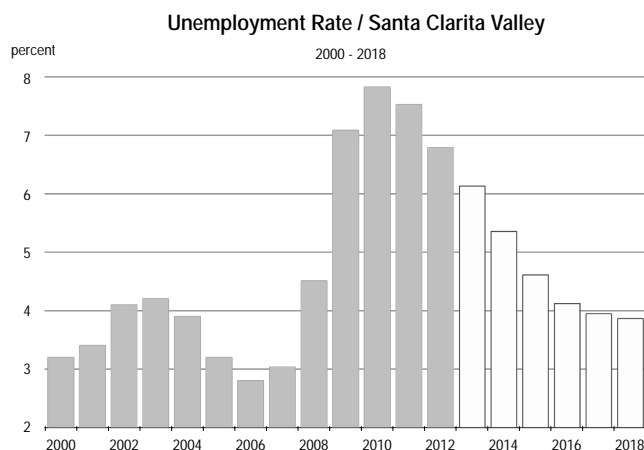


### Expected Time Line for the Local Economy in 2013

The local economy has improved over the last 18 months, in tandem with the U.S. and statewide economies. Consumer and business confidence are more rapidly recovering. The job market at the national, state, and regional levels is methodically recovering from the severe job losses that prevailed from 2008-2010. For 2013 and 2014, the economy will evolve as follows.

- The labor market recovery remains underway throughout 2013 with all sectors adding new jobs.

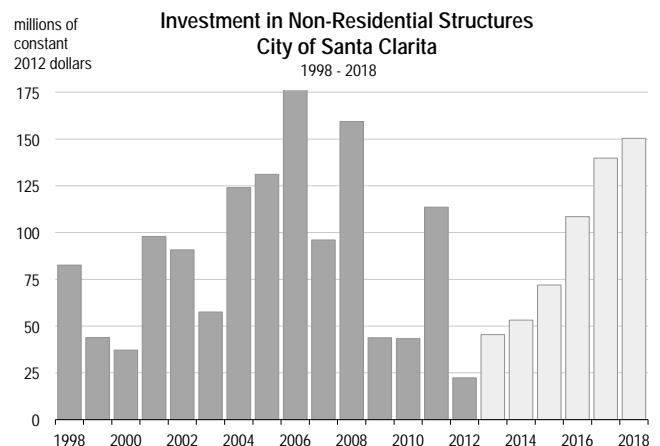
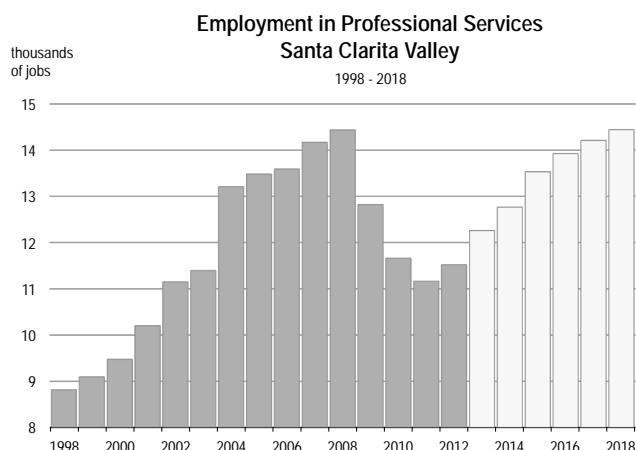
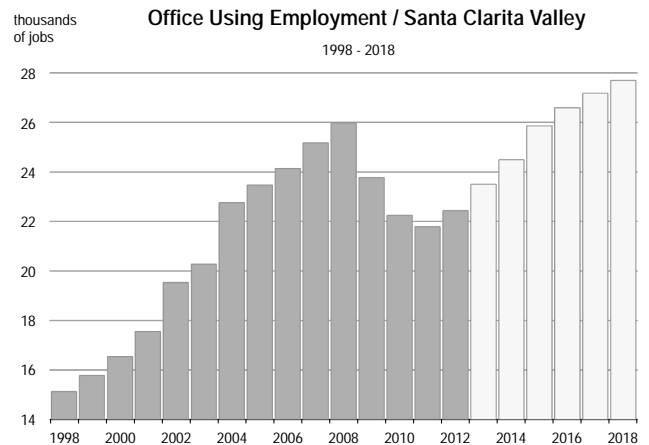
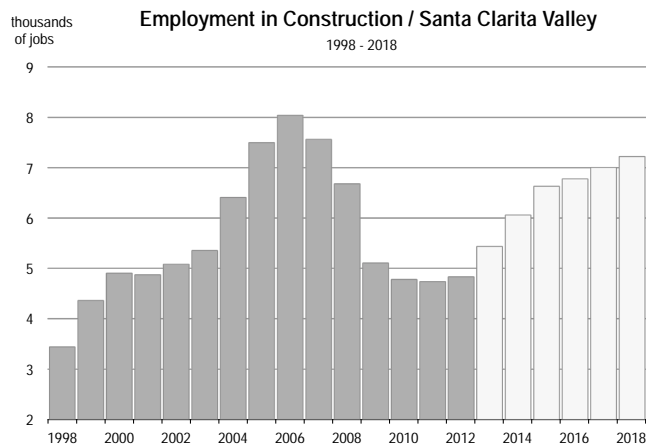
- The unemployment rate is no measure of how the region is recovering. It will remain high this year, in both the Santa Clarita and San Fernando Valleys. It is expected to stay elevated throughout Southern California in 2013 and 2014.
- The office market is now demonstrating improved utilization, and vacancy rates will continue to contract in 2013 as more office-using jobs are created.
- Housing in the affordable price ranges will remain upbeat this year. However, homes in all price ranges should exceed their 2012 sales rates.
- Household delinquencies and foreclosures are in decline and are expected to continue their downward trend throughout the year, having very little impact on the housing market by year's end.
- Selling values for housing are now rising again, especially as homeowner distressed sales diminish. A conventional housing recovery dominates the composition of home sales this year, and the median home price will continue to rise.



- Household incomes strengthen further in 2013 as does consumer spending in the retail sector of the Valley.

## 2013 Forecast Highlights

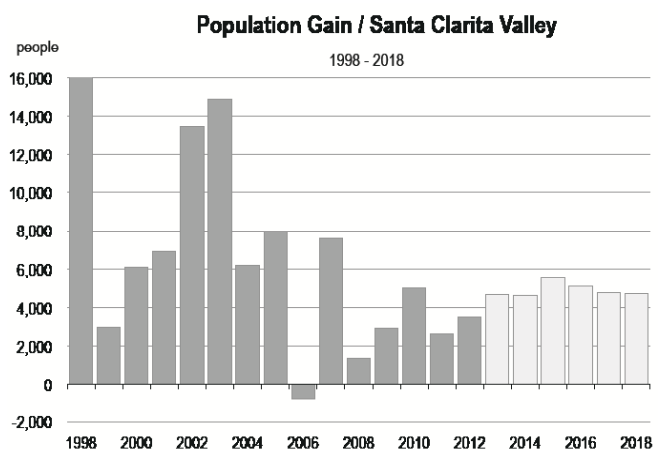
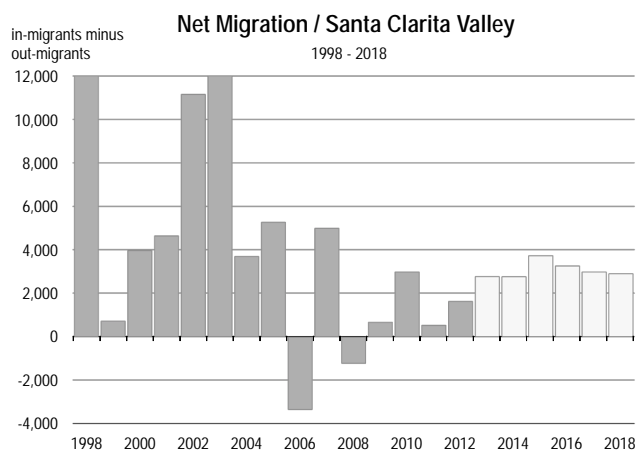
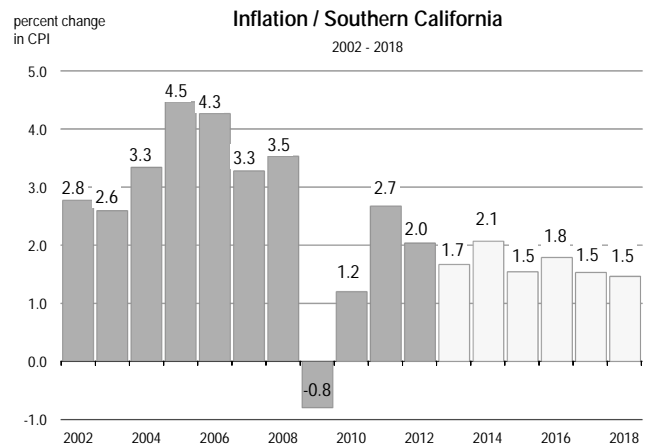
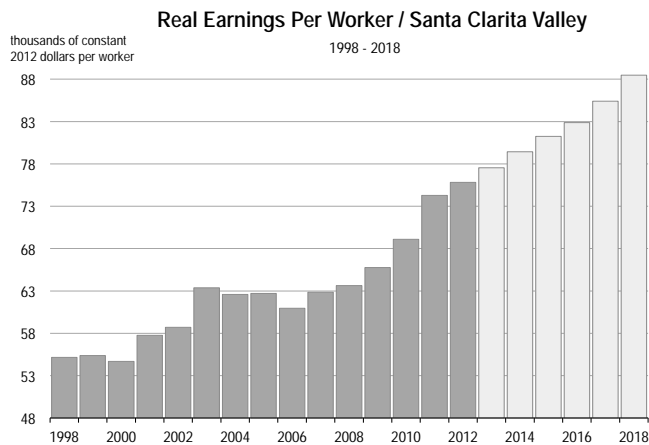
- The principal job creation in the Santa Clarita Valley will occur in construction, professional services, finance, leisure services, and wholesale/retail trade. In the government sector, no further downsizing is expected this year.
- The current 16.4 percent office vacancy rate in the Santa Clarita Valley, though tightening rapidly, is still high. The office real estate market will continue to strengthen this year. With office-using jobs now forecast to rise sharply this year (including jobs in professional services, leisure and hospitality, healthcare, and financial activities), vacancy rates are expected to decline further. Employment in professional services will produce meaningful office-using demand through 2014.
- Existing company expansion in the Santa Clarita Valley will ultimately require more office and industrial space and more projects will be completed longer term. Consequently, with the upturn in job growth, the rate of investment in non-residential structures will ramp up gradually over the next three years.
- Traffic continues to increase on Interstate 5 through the Santa Clarita Valley. This occurs



because the workforce (and population) increases locally, in Kern County and in the rest of LA County. Vehicle registration growth remains positive but falls to an average of 1 to 2 percent per year over the next 3 years. Expect crowded freeway conditions though at a diminishing rate of increase.

- Higher paying jobs in the professional services, information, and healthcare sectors contribute to positive growth in average salaries. Adjusted for inflation, average salaries rise 2.3 percent in 2013 and 2014.

- Over the past few years, the slowdown in new home construction and the weak job market have slowed population growth through net-migration. Net in-migrating population increases in 2013 as more job openings become available in the Santa Clarita Valley.
- Inflation in Southern California is forecast at just under 2.0 percent, and to remain in the 2 to 3 percent range in 2014. The absence of significant housing price appreciation and wage and salary inflation, together with the tremendous excess capacity created by the economic recession will relieve pressure on the general price level, both regionally and nationwide. The risk to the inflation forecast is the variability of food and energy prices, principally crude oil and gasoline prices.



## Population and Housing

### Demographics

In the Santa Clarita Valley, population growth accelerates to 1.7 percent in 2013. The increase is largely due to higher in-migration. The natural increase also remains positive. New migrants are generally workforce age adults and their families.

Population growth also increases during the following years. The rate is 1.7 percent in 2014 and 2.0 percent in 2015, principally on the strength of increasing net in-migration to fill new jobs.

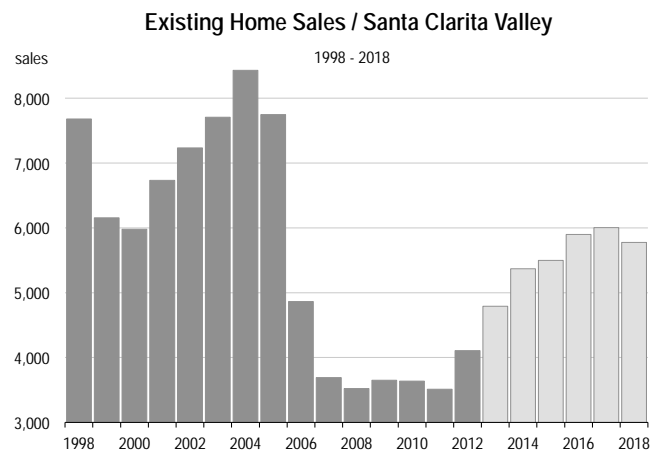
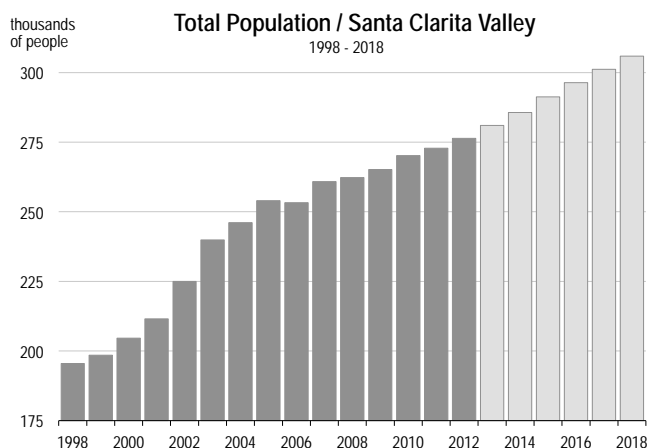
More affordable housing and new job creation in the Santa Clarita Valley will attract more people into the region.

In view of the projections on population growth, the Santa Clarita Valley is on pace to add another 30,000 people by 2018.

### The Outlook for Housing

A year ago, we wrote on page 28 of the 2012 edition of this publication:

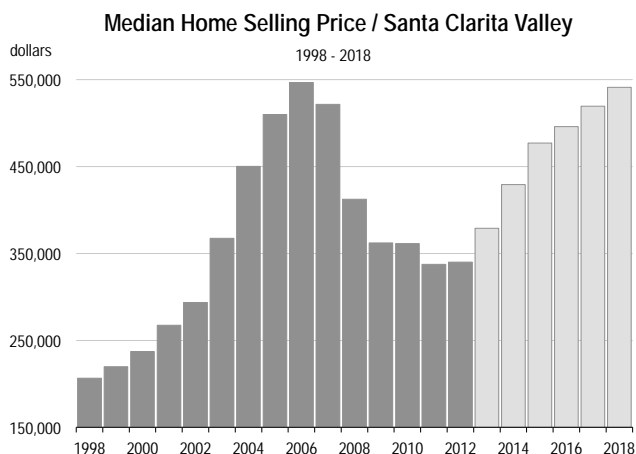
The housing sector remains unremarkable in 2012. Distressed sales will offset a better employment market and this will keep conventional sales from bouncing back sharply. Selling values for homes will rise some but prices remain in check from the higher incidence of short sales and more foreclosures.



Credit remains tight until home prices rise. Cumulative job creation and the decline of foreclosures by 2013 should contribute to rising home prices and more sales.

The housing sector began to change by the Spring of last year. Sales were rising at that time and continued during the summer months. Home values also started rising by the summer and accelerated during the Fall. This year, home sales will continue to increase and resale prices will rise. More new homes will be in production, also at higher prices.

Foreclosures decline throughout 2013, becoming a non-issue by the end of the year. There is a general notion that foreclosures are due to rise again. This is nonsense. The distressed inventory is being liquidated quickly and fewer homes are entering the foreclosure process.



Home sales rise 17 percent in 2013 and home values, adjusted for inflation, jump just under 10 percent.

Rising demand for homes by newly forming households together with rising prices will ultimately produce a more normal existing housing market. This scenario has been delayed for nearly 4 years now.

The longer it is delayed, the more meaningful the recovery will ultimately be in the housing market. That scenario occurs this year.

## New Residential Development

With the resale home market now rallying, and because the inventory of distressed housing is rapidly being depleted, a recovery in new housing production is on the horizon. While the general economy will continue to improve in 2013 due to the rebound in job creation followed by resale housing, more time for the upturn in new housing has been needed. Finally, a more convincing recovery in new housing production occurs in 2013.

There are clear signs of improvement in the new housing market of Southern California though these signs are still mixed. They include returning interest in new housing developments by home buyers, especially in the coastal markets where housing is more scarce.



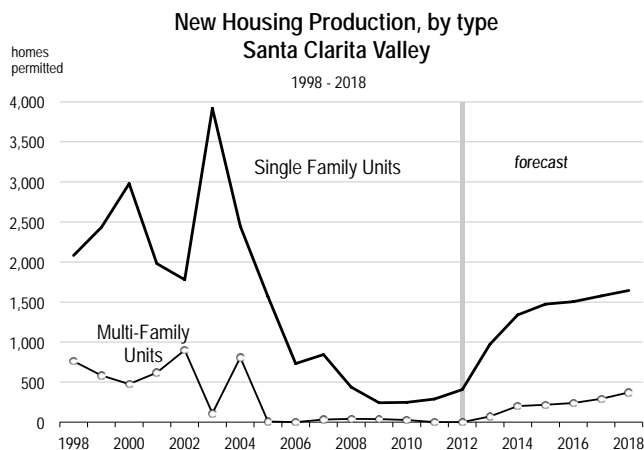
The forecast of housing supply over the next five years is influenced by a number of factors, especially by the inventory of pipeline projects in the Santa Clarita Valley. This would include both approved and planned projects. Total presumed build-out of zoned residential land has been evaluated with assumptions made about actual production of housing units over time to develop the forecast.

The profile of new home production per year is impossible to predict. Over a five year period, total units can be forecast based on in-migrating populations, rising housing densities, and interest rate movements. Consequently, the forecasts

of new housing units per year are a plausible though imprecise estimate based on prevailing economic conditions and housing demand, with the total over five years representing the amount of housing needed to accommodate a growing population.

The acceleration in the forecast rate of new housing starts compared to the annual levels of 2005-2012 represent a material increase in new housing production in the Santa Clarita Valley.

The forecast calls for about 1,000 new housing units to be started in the Santa Clarita Valley this year and 1,500 in 2014. Between 2012 and 2018, a total of 9,900 homes are started. While this is our base forecast, it is conservative since production levels of less than 10,000 units over the next 6 years will likely result in rising average household sizes, an indicator for the crowding of other public and private resources like libraries, parks, and schools.



## State and National Influences

Because the economic climate of the State of California is the dominant influence on the Northern Los Angeles economy, the future direction of the state has obvious implications for the direction of the region. For that reason, the December 2012 UCLA Anderson Forecast of the state and national economies is an integral part of the forecast model used to develop projections of economic indicators and activity in the Santa Clarita Valley.

The models used to develop the forecasts predict economic activity to the year 2018. The demographic models extend the forecast to 2020. The model for the labor markets and general economy is based on annual data.

## Forecast Risks

The risks to the forecast of a sustained housing market rebound and an economy growing into an expansionary phase this year are few. Most of the forecast risks actually err on the higher side of growth.

While mortgage rates may move higher than expected, the impact on the housing market would unlikely be significant, unless rates spiked. While rates should remain in the 4.0 to 5.0 percent range for the next 12 months, faster than expected economic growth would push yields higher and possibly dampen housing affordability, reducing the impact the housing market would have on the general economy.

The risk that credit conditions do not ease fast enough is also less of a threat since tight credit conditions have persisted since 2009 and the housing market has nevertheless engineered a recovery that is heating up. Credit market conditions are slowly thawing and it is possible that easier credit could prevail by year's end.

Erosion of confidence by businesses and consumers over the federal debt, the European debt crisis, higher energy prices, or a volatile stock market would produce further distractions that could obstruct economic momentum this year. However, consumers and businesses have gotten accustomed to the budget missteps in Washington, and the problems in Europe are more likely to be resolved than intensify in 2013-2014.

Santa Clarita Valley Economic Forecast Summary				2004 - 2012 History, 2013 - 2018 Forecast		
Year	Population (people)	Population (growth rate)	Net Migration (people)	Households (thousands)	New Homes Permitted (homes)	Retail Sales (billions)
2004	246,079	2.6	3,687	81.3	3,256	\$2.2
2005	254,012	3.2	5,261	84.2	1,574	\$2.3
2006	253,265	-0.3	-3,352	84.6	730	\$2.4
2007	260,862	3.0	4,978	87.5	876	\$2.4
2008	262,255	0.5	-1,223	88.4	478	\$2.2
2009	265,167	1.1	653	89.5	281	\$1.9
2010	270,190	1.9	2,970	91.2	272	\$2.0
2011	272,795	1.0	515	91.9	287	\$2.2
2012	276,341	1.3	1,610	92.9	407	\$2.3
2013	281,014	1.7	2,755	93.4	1,046	\$2.4
2014	285,663	1.7	2,751	94.4	1,541	\$2.6
2015	291,274	2.0	3,722	96.0	1,689	\$2.8
2016	296,377	1.8	3,244	97.7	1,741	\$3.0
2017	301,170	1.6	2,969	99.5	1,866	\$3.1
2018	305,903	1.6	2,890	101.3	2,014	\$3.3

– employment (thousands of jobs) –

Year	Non-Farm Wage & Salary	Non-Farm Job Growth (% change)	Construction	Manufacturing	Transportation Utilities	Wholesale & Retail Trade
2004	77.5	9.2	6.4	10.3	1.4	13.0
2005	81.7	5.5	7.5	10.9	1.5	14.1
2006	85.4	4.5	8.0	11.3	1.6	15.2
2007	87.4	2.4	7.6	11.4	1.6	15.9
2008	86.7	-0.9	6.7	10.5	1.6	15.3
2009	80.4	-7.2	5.1	9.9	1.5	14.3
2010	77.2	-4.1	4.8	9.3	1.1	14.2
2011	77.3	0.2	4.7	9.6	1.1	14.5
2012	80.6	4.2	4.8	10.3	1.2	15.1
2013	84.1	4.4	5.4	10.6	1.2	15.7
2014	87.3	3.8	6.1	10.5	1.3	16.3
2015	91.1	4.4	6.6	10.4	1.4	17.2
2016	93.6	2.8	6.8	10.4	1.4	17.7
2017	95.7	2.2	7.0	10.2	1.5	18.3
2018	97.7	2.0	7.2	10.1	1.5	18.9

Santa Clarita Valley Economic Forecast Summary			2004 - 2012 History, 2013 - 2018 Forecast		
Personal Income (billions)	Real per capita income (dollars)	Median Home Selling Price (dollars)	Existing Home Sales	Inflation Rate Percent change in local CPI	Unemployment Rate (percent)
\$11.7	\$58,431	\$450,300	8,429	3.3	3.9
\$12.8	\$59,006	\$510,000	7,744	4.5	3.2
\$13.8	\$61,352	\$546,840	4,862	4.3	2.8
\$14.9	\$62,148	\$521,744	3,690	3.3	3.0
\$15.6	\$62,437	\$412,434	3,521	3.5	4.5
\$15.2	\$60,634	\$362,082	3,649	-0.8	7.1
\$15.7	\$60,919	\$361,524	3,638	1.2	7.8
\$16.9	\$63,336	\$337,626	3,511	2.7	7.5
\$18.0	\$65,106	\$339,989	4,105	2.0	6.8
\$18.9	\$66,066	\$379,040	4,791	1.7	6.1
\$20.0	\$67,599	\$429,295	5,369	2.1	5.4
\$21.6	\$70,301	\$477,114	5,498	1.5	4.6
\$22.8	\$71,597	\$495,993	5,898	1.8	4.1
\$23.9	\$72,983	\$519,525	6,003	1.5	3.9
\$25.2	\$74,602	\$541,248	5,775	1.5	3.9

– employment (thousands of jobs) –

Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
3.2	13.2	1.3	5.9	11.2	9.1
3.3	13.5	1.2	6.7	11.0	9.6
3.6	13.6	1.2	7.2	11.5	9.6
3.8	14.2	1.3	7.6	11.6	9.8
3.8	14.4	1.3	7.9	11.7	10.1
3.7	12.8	1.3	8.1	11.3	9.8
3.7	11.7	1.2	8.4	11.2	9.4
3.6	11.2	1.2	8.6	11.4	9.2
3.5	11.5	1.2	9.0	12.1	9.4
3.8	12.3	1.2	9.3	12.6	9.6
4.0	12.8	1.3	9.7	13.0	9.8
4.1	13.5	1.3	10.1	13.4	10.0
4.2	13.9	1.3	10.5	14.0	10.1
4.2	14.2	1.3	10.9	14.6	10.1
4.3	14.4	1.3	11.3	14.9	10.2

Source: California Economic Forecast, February 2013

# DEMOGRAPHICS

Population Update

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Santa Clarita Valley

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San Fernando Valley

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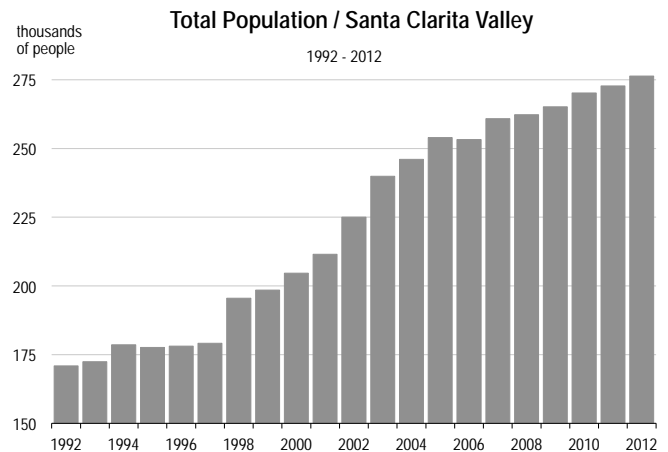
The Longer Term Outlook

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## Population Update

- The Santa Clarita Valley—which occupies part of Northern Los Angeles County—is home to an estimated 276,341 residents.
- According to the California Department of Finance, approximately 177,000 of these individuals live within the City of Santa Clarita. The remaining people reside in the surrounding unincorporated areas.
- By comparison, the San Fernando Valley has just over 1.85 million residents.
- From 2011 to 2012, the population of the Santa Clarita Valley increased by an estimated 1.3 percent.
- Since 2000, the population of the Santa Clarita Valley has grown by more than 35 percent -- much faster than the state as a whole, which increased by 13 percent, or the San Fernando Valley, which grew by 6 percent.
- Over the past year, the Santa Clarita Valley gained approximately 1,600 residents through net migration (people moving into the Valley, less those moving out). This is a dramatic slowdown from the early 2000s, but is significantly higher than the average for the last 5 years.
- By contrast, the region gained almost 1,900 individuals through the natural increase (births less deaths) over the past year. Again, this is a slowdown from the early 2000's, but is in line with recent years.
- Over the past two decades, the population in the Santa Clarita Valley has aged dramatically. The proportion of individuals above the age of 55 has grown rapidly, while the share of those under 35 has declined.



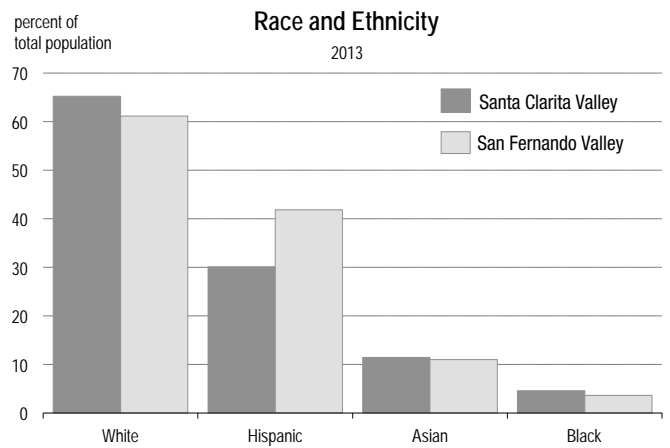
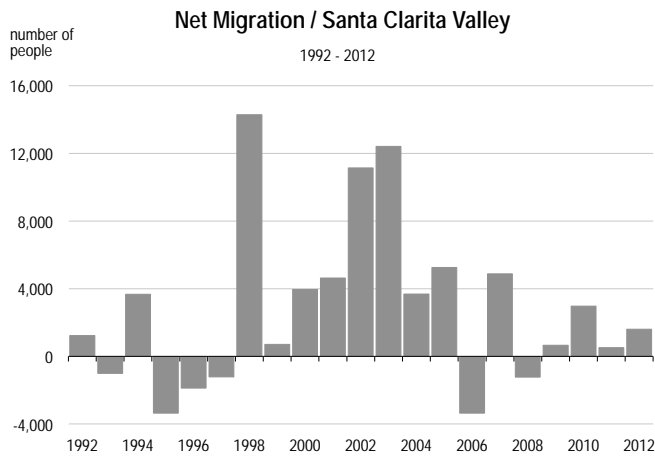
### Population Growth

2011 - 2012

Northern Los Angeles Cities

City	January 2011 Population	January 2012 Population	percent growth
Calabasas	23,109	23,683	2.5
Los Angeles	3,806,411	3,825,297	0.5
<b>Santa Clarita</b>	<b>176,779</b>	<b>177,445</b>	<b>0.4</b>
Palmdale	153,167	153,708	0.4
Pasadena	138,768	139,222	0.3
La Canada Flintridge	20,279	20,335	0.3
San Fernando	23,687	23,752	0.3
Burbank	104,193	104,427	0.2
Agoura Hills	20,371	20,413	0.2
Glendale	192,271	192,654	0.2
Santa Monica	90,080	90,223	0.2
Lancaster	157,629	157,826	0.1
Hidden Hills	1,868	1,869	0.1
<b>Los Angeles County</b>	<b>9,847,712</b>	<b>9,884,632</b>	<b>0.4</b>
<b>California</b>	<b>37,427,946</b>	<b>37,678,563</b>	<b>0.7</b>

Source: California Department of Finance

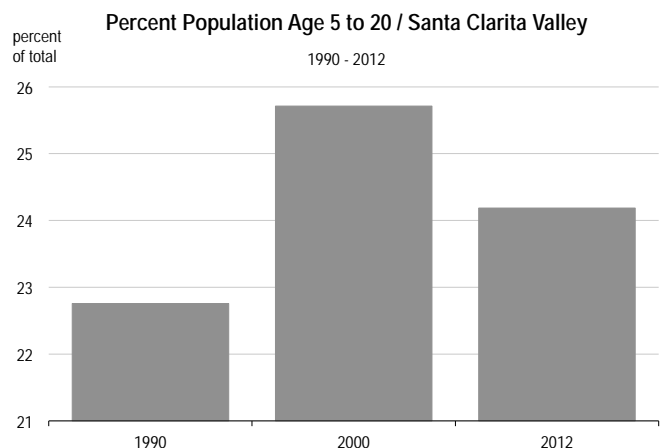


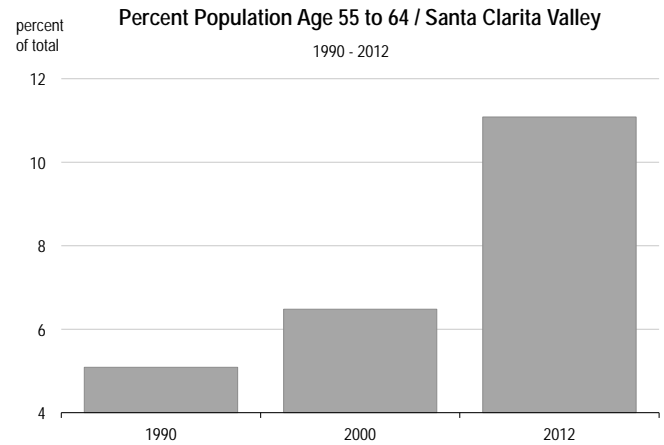
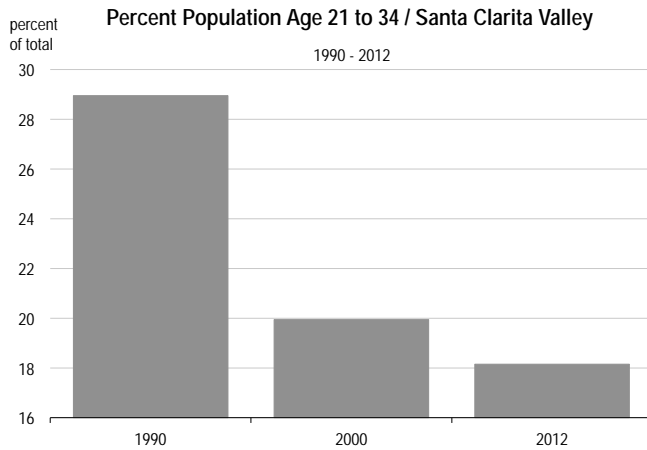
## Santa Clarita Valley

- Currently, 65.2 percent of the population in the Santa Clarita Valley is White, 30.1 percent is Hispanic, 11.5 percent is Asian, and 4.6 percent is Black.
- The population of the San Fernando Valley is 61.2 percent White, 41.8 percent Hispanic, 11.0 percent Asian, and 3.7 percent Black.
- The percentage of Hispanic households will continue to increase in both the Santa Clarita and San Fernando Valleys, and to a lesser extent, the proportion of Black and Asian households will also rise.
- White households will comprise a decreasing share of the population in Northern Los Angeles County.
- In both regions, this cohort has declined as a percentage of the overall population. As the Baby Boomers have transitioned into the older age brackets, births have slowed.
- The 21 to 34 age cohort accounts for 18.2 percent of the population in the Santa Clarita Valley and 20.4 percent in the San Fernando Valley.
- The 21 to 34 cohort has decreased slightly from its share of the population in 2000, but is substantially below its share in 1990.

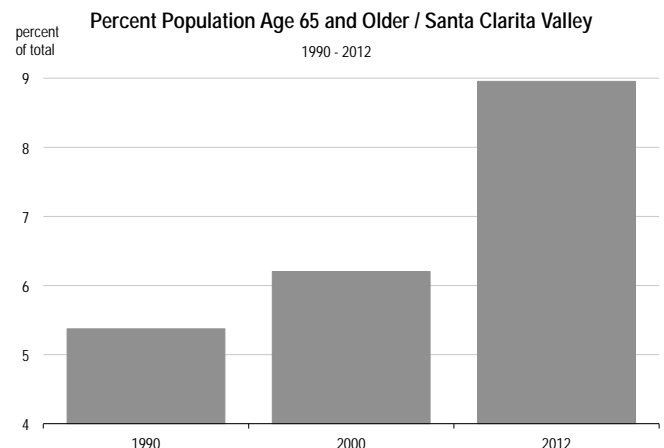
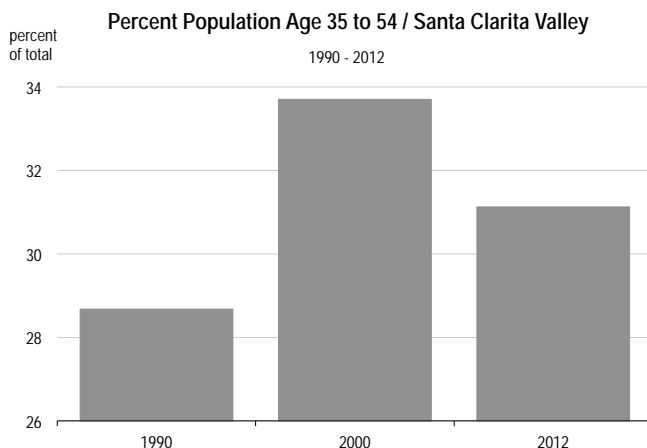
## Population Age Structure

- Currently, 30.7 percent of the Santa Clarita Valley population is 20 years of age or younger, compared to 26.4 percent of the San Fernando Valley.





- The working-family age cohort of 35 to 54 also has seen its share of the population decline. This decline is expected to continue, as the over-55 group grows rapidly.
- This decline could have implications for the local economy, as a lower population in the peak income years could put pressure on local businesses.
- The population aged 55 to 64 is the fastest growing cohort in the Santa Clarita Valley.
- Over the past decade, the Baby Boom generation began to enter this bracket.
- As the population ages, employment in healthcare and leisure services should continue to rise in the region.
- A large number of retired people can have mixed effects on a local economy. Despite the fact that they earn lower incomes, much of their retirement benefits come from State and National government agencies. As such, their reduced levels of labor force participation can be offset by these new funds that flow into a region.





## Household Income

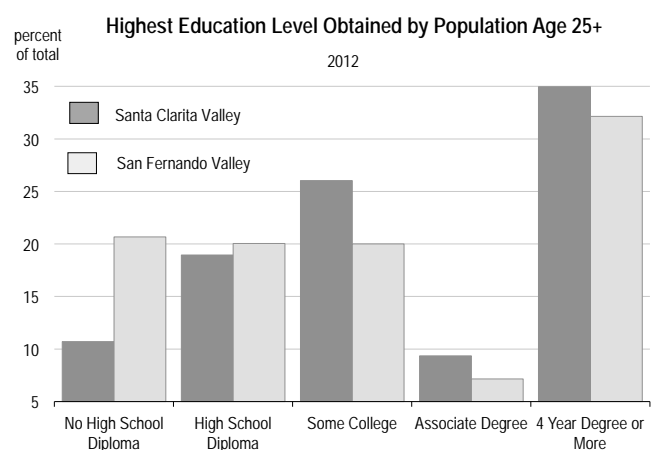
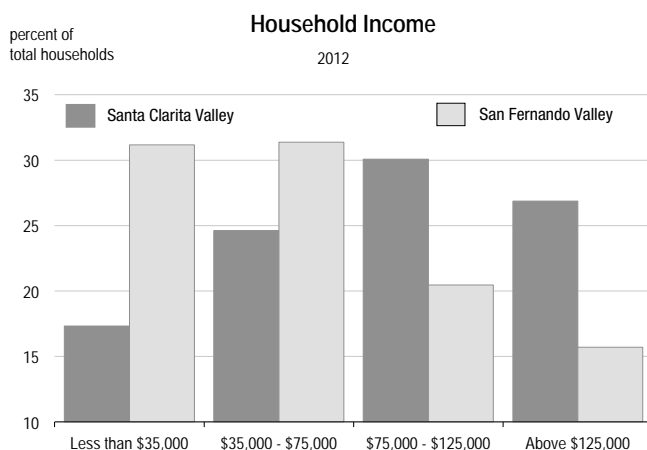
- Household incomes in the Santa Clarita Valley are substantially higher than in the San Fernando Valley.
- The median household income in the Santa Clarita Valley was estimated at \$87,100. This is one of the highest levels in the state.
- In the San Fernando Valley, the median household income was \$57,418, which is roughly in line with the state overall.
- Some of this discrepancy is a result of the age profiles of the two regions. The Santa Clarita Valley has a higher percentage of the population in the prime working and earning years of 25 to 54, which helps to produce the results observed.
- In addition, a larger proportion of Santa Clarita Valley residents work in high-paying fields, such as engineering, healthcare, and management. San Fernando, conversely, has a higher share of individuals in occupations that pay more modest wages, such as maintenance, construction, manufacturing, and administrative support.

## Education

- The Santa Clarita Valley has a more educated population than the San Fernando Valley. The percentage of residents who have obtained at least a 4 year degree by the age of 25 is 35.0 percent in the Santa Clarita Valley, compared to 32.1 percent in the San Fernando Valley. In addition, a higher proportion has attended some college classes or earned an associates degree.
- Similarly, the San Fernando Valley has a much higher share of individuals who did not complete high school. The percentage of the population not having obtained a high school diploma by age 25 is 20.7 percent in the San Fernando Valley and 10.7 percent in the Santa Clarita Valley.
- Education is highly correlated with earnings, and this explains some of the difference in median incomes between the two areas.

## San Fernando Valley

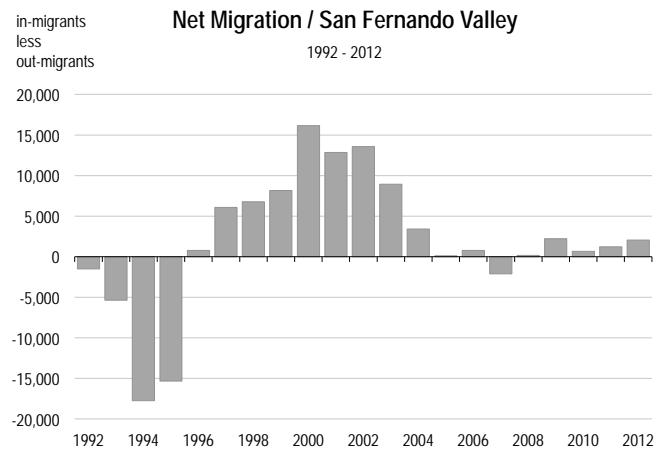
The population in the greater San Fernando Valley is estimated at just over 1.85 million. The majority of this population is located within the city boundaries of Los Angeles. Forty-seven



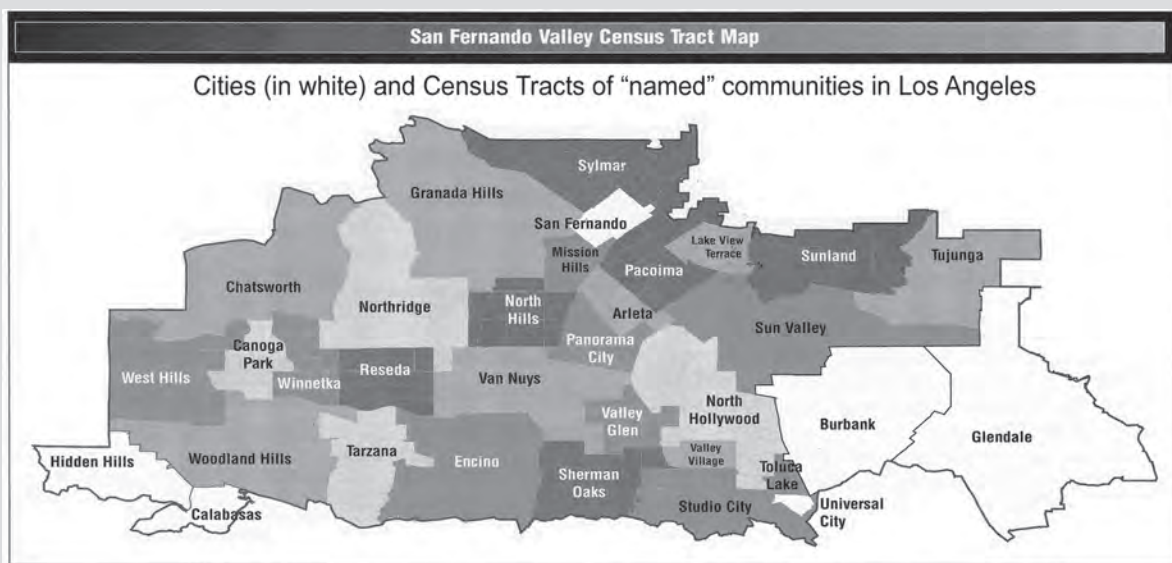
percent of the land and 40 percent of the population of the City of Los Angeles are in the San Fernando Valley. Glendale is the largest incorporated city that is entirely contained within the Valley, housing 192,654 people. Burbank is the second largest, with 104,427 people.

Though the population continues to grow in the San Fernando Valley, the rate of increase has slowed significantly since the early 2000s. Last year, growth was estimated at 0.3 percent, principally due to the natural increase of births over deaths. Net in-migration accounts for a fraction of the increase in population. With very little housing produced in the Valley and few employment opportunities, net migration has generally remained below 2,500 residents since the mid 2000s.

Since very little housing can be built in the San Fernando Valley, population growth will remain

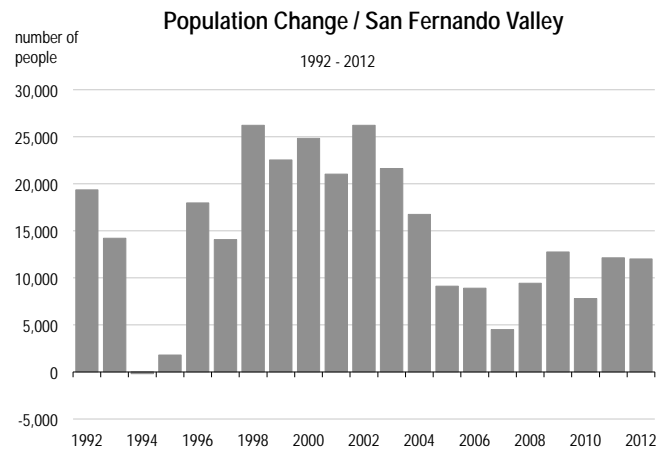
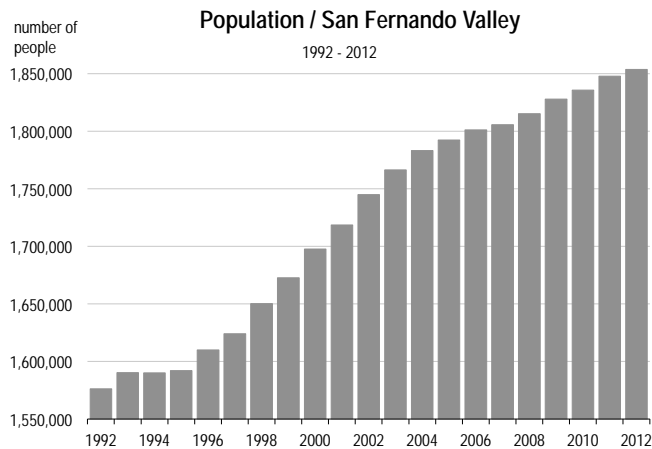


well under one percent for the indefinite future. Migration into Los Angeles County will generally be pushed into areas where housing will be built, principally in the northern areas of the Santa Clarita and Antelope Valleys, or in vertical housing in the City of Los Angeles.



The Valley is entirely located within Los Angeles County and includes 6 cities: Burbank, Calabasas, Glendale, Hidden Hills, Los Angeles, and San Fernando. Currently, 27 "named" communities comprise the Los Angeles portion of the Valley. Not one of these communities are legal entities as all are part of the City of Los Angeles. The Valley includes 120 zipcodes and a land area of 289 square miles.

Source: *San Fernando Valley Economic Report*, CSUN, 2006

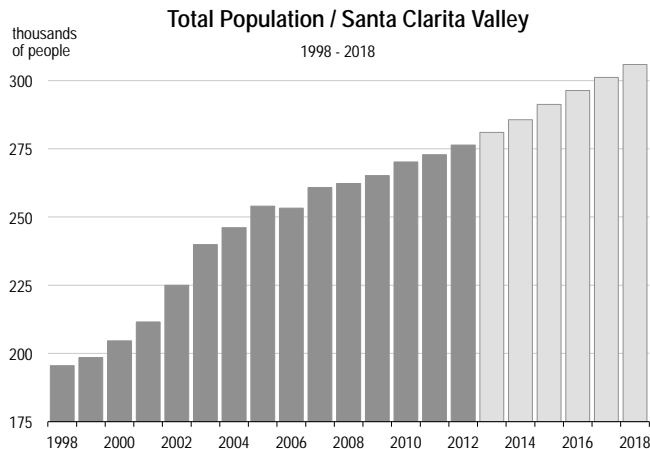


## The Longer Term Outlook The Santa Clarita Valley

- Population growth in the Santa Clarita Valley is forecast to average 1.7 percent per year over the next 6 years. This will result in an additional 29,000 residents.
- The region will eclipse 300,000 people by 2017.
- Through net in-migration, the region will acquire more than 18,000 new residents by 2018. This will account for 62 percent of all

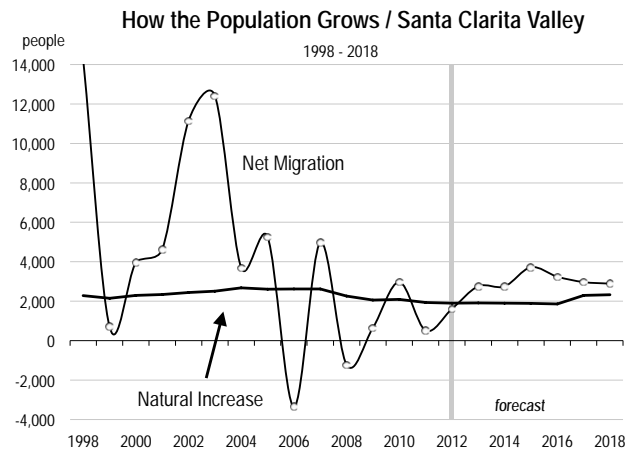
Demographic Forecast	Santa Clarita Valley			History 2007-2012		
	2007	2008	2009	2010	2011	2012
Population	260,862	262,255	265,167	270,190	272,795	276,341
% change	3.00	0.53	1.11	1.89	0.96	1.30
Births	3,686	3,369	3,172	3,174	2,986	2,926
Deaths	1,070	1,110	1,119	1,084	1,050	1,029
Natural Increase	2,616	2,259	2,053	2,090	1,936	1,897
Net Migration	4,978	-1,223	653	2,970	515	1,610
<b>Other Santa Clarita Valley Indicators</b>						
Total Vehicle Registrations	202,346	200,969	200,248	203,927	203,898	205,662
Automobile Registrations	158,247	157,035	156,515	159,882	160,827	162,634
Total Housing Stock	91,011	91,995	93,220	95,092	95,841	96,902
Number of Households	87,540	88,403	89,497	91,197	91,891	92,931
Persons per household	2.98	2.97	2.96	2.96	2.97	2.97

Source: California Economic Forecast, February 2013



population growth over this time frame, and is almost double the 9,500 that entered the county over the previous six years.

- The increase in net migration will be driven by an improving labor market. The Santa Clarita Valley is increasingly becoming a center of



business activity. This will draw people to the region who wish to live within proximity to their places of work.

- The natural increase will continue to add approximately 2,000 new residents each year.

Demographic Forecast	Santa Clarita Valley				Forecast 2013-2018	
	2013	2014	2015	2016	2017	2018
Population	281,014	285,663	291,274	296,377	301,170	305,903
% change	1.69	1.65	1.96	1.75	1.62	1.57
Births	2,962	2,959	2,966	2,951	2,930	2,962
Deaths	1,045	1,061	1,077	1,092	1,106	1,119
Natural Increase	1,917	1,898	1,889	1,860	1,824	1,843
Net Migration	2,755	2,751	3,722	3,244	2,969	2,890
<b>Other Santa Clarita Valley Indicators</b>						
Total Vehicle Registrations	210,049	214,809	219,899	224,097	227,031	229,718
Automobile Registrations	166,111	169,785	173,660	176,884	179,082	181,102
Total Housing Stock	97,310	98,355	99,896	101,585	103,326	105,192
Number of Households	93,360	94,419	95,979	97,688	99,451	101,340
Persons per household	3.01	3.03	3.03	3.03	3.03	3.02

Source: California Economic Forecast, February 2013

# EMPLOYMENT AND INCOME

Employment

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Largest Employers

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Average Salaries

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Employment Outlook

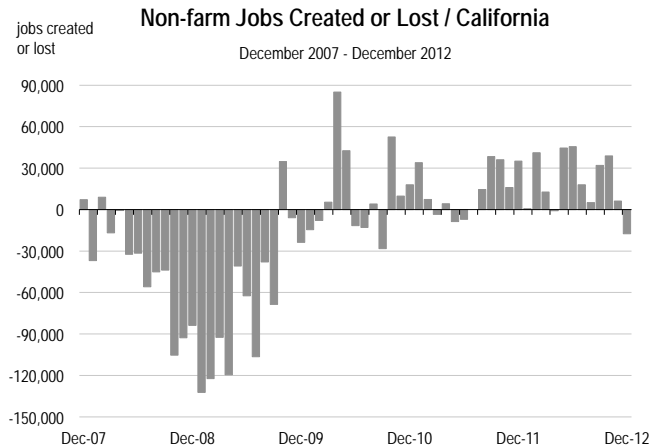
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## Employment

### California

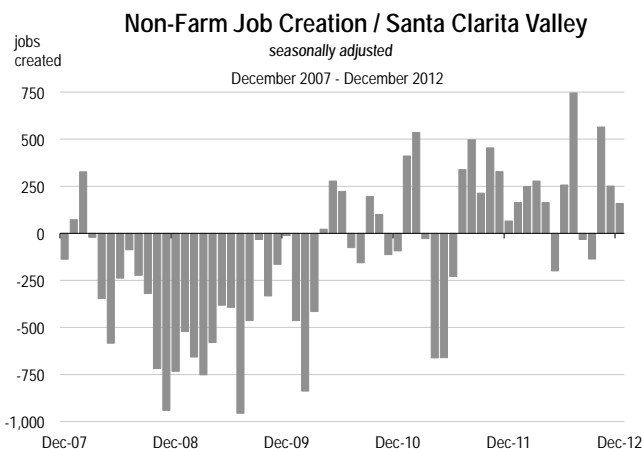
- For the broader California market, 2012 was the second full year of recovery.
- After increasing by 0.9 percent in 2011, total non-farm employment grew by 1.8 percent in 2012.
- This growth was led by healthcare, technology, and other professional services jobs, as well the construction and tourism industries.
- The tech boom has led to strong job growth in the San Francisco Bay Area, but many parts of California have been characterized by strong demand.
- The construction sector benefited from a resurgence in home building. During the housing bust, new home construction virtually ground to a halt. Recently, building activity has begun to accelerate, boosting construction employment.
- Similar events have occurred in the tourism industry. Following a substantial decline in travel and visitor spending during the recession, both business and personal travel have bounced back sharply in the state, from both domestic and international visitors. Hotel occupancy rates are near their cycle highs.
- Because of its sheer size, Southern California has added the most new jobs over the year. However, the Bay Area and Central Coast regions have expanded at the fastest rates.



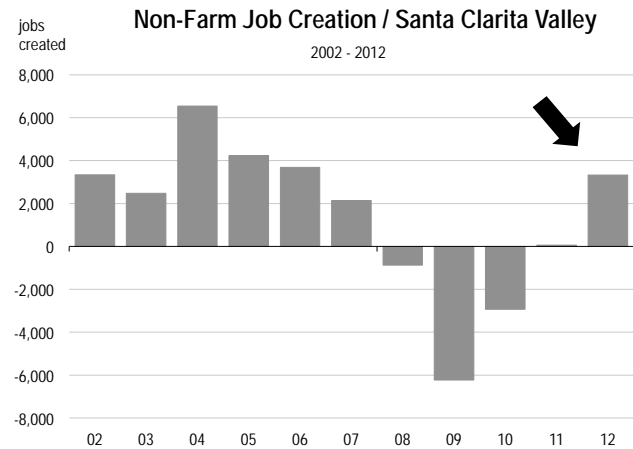
### Santa Clarita Valley

- In the Santa Clarita Valley, the labor market is heavily concentrated in manufacturing, retail trade, hotels and restaurants, and local government. These sectors account for 47 percent of all jobs in the region.
- After languishing through the first half of 2011, the region began to catch up to the growth that had been occurring in other parts of Southern California during the past year.
- By 2012, job growth was accelerating rapidly. After remaining flat in 2011, the region added nearly 3,300 non-farm jobs in 2012, representing a relatively rapid growth rate of 4.2 percent.
- Several industries grew at rates above 7 percent. These included transportation and warehousing (+8.3 percent), manufacturing (+7.3 percent), and wholesale trade (+7.3 percent). A number of other industries increased by 6 percent or more.

- No industries had large-scale declines. The most prominent decrease was observed in federal government agencies, which reduced their workforces by roughly 60 workers. This was influenced by downsizing at the local branch of the United States Postal Service.
- The leisure and hospitality sector - which is comprised of the accommodation and food services and the arts, entertainment, and recreation industries - has rebounded sharply. This is primarily due to a strong resurgence of travel activity.
- Like much of California, the Santa Clarita valley construction sector added jobs in 2012. This was driven by a moderate increase in new home production.
- Employment in agriculture, forestry, and fishing doubled. However, with only 87 jobs, it accounts for a very small portion of the region's labor market.



Seasonally adjusted job creation in the Santa Clarita Valley has been positive for 15 of the past 18 months. Over this time period, the region has gained more than 6,000 new jobs.



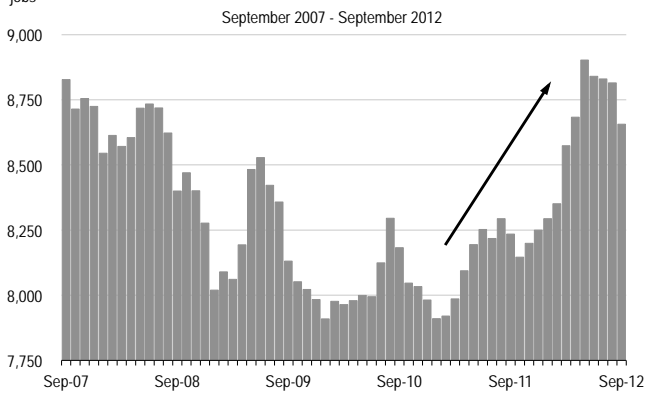
#### Wage & Salary Employment / Santa Clarita Valley

Sector	2011	2012	change	% change
Agriculture, Forestry & Fishing	42	87	45	107.7
Mining	4	4	0	0.0
Utilities	349	342	-7	-1.9
Construction	4,737	4,830	93	2.0
Manufacturing	9,459	10,148	689	7.3
Wholesale Trade	3,658	3,926	268	7.3
Retail Trade	10,878	11,191	313	2.9
Transportation & Warehousing	770	833	64	8.3
Information	1,189	1,199	10	0.8
Finance & Insurance	2,212	2,187	-25	-1.1
Real Estate & Rental Leasing	1,345	1,362	17	1.3
Professional, Scientific & Technical	3,569	3,628	59	1.7
Mgmt of Companies & Enterprises	557	529	-28	-5.1
Admin & Support & Waste Mgmt	7,037	7,361	324	4.6
Educational Services	1,293	1,313	20	1.6
Health Care & Social Services	7,289	7,647	358	4.9
Arts, Entertainment & Recreation	3,219	3,398	179	5.6
Accommodation & Food Services	8,142	8,681	539	6.6
Other Services	2,278	2,424	146	6.4
Federal Government	1,109	1,051	-58	-5.2
State Government	40	39	0	-0.8
Local Government	8,090	8,342	251	3.1

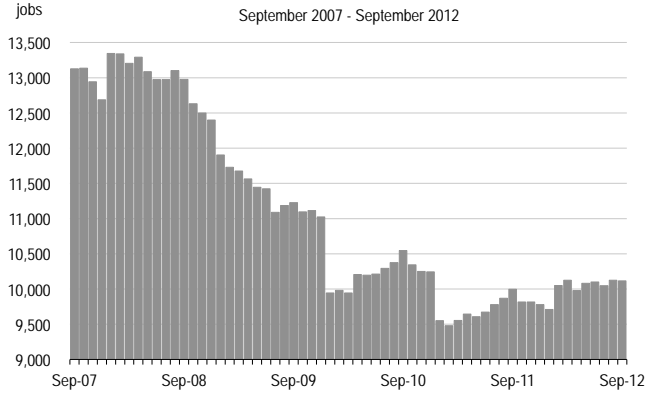
<b>Total, All Industries</b>	<b>77,719</b>	<b>81,037</b>	<b>3,318</b>	<b>4.3</b>
<b>Total, Private sector</b>	<b>68,480</b>	<b>71,604</b>	<b>3,124</b>	<b>4.6</b>

Source: California Labor Market Information Division, and California Economic Forecast

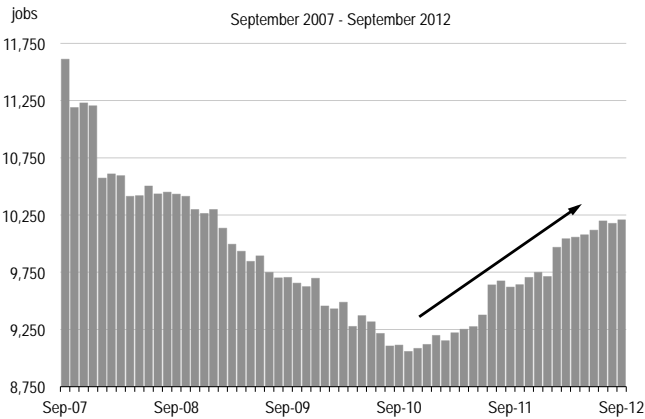
### Employment in Leisure and Hospitality Santa Clarita Valley



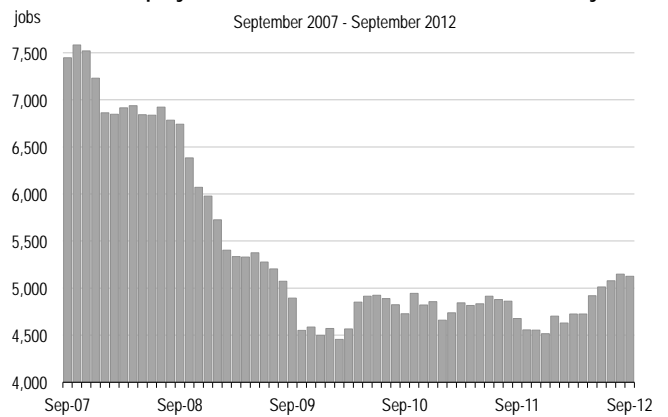
### Employment in Professional & Business Services Santa Clarita Valley



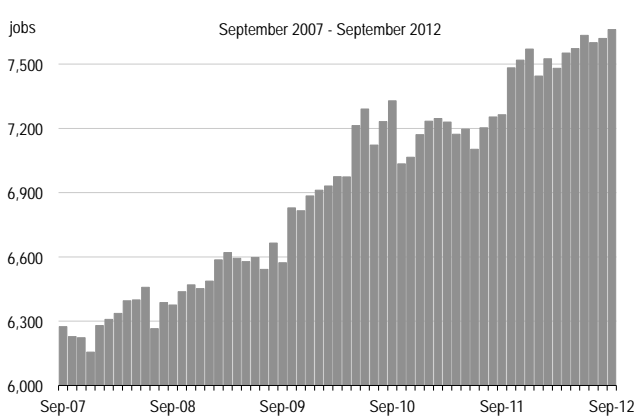
### Employment in Manufacturing / Santa Clarita Valley



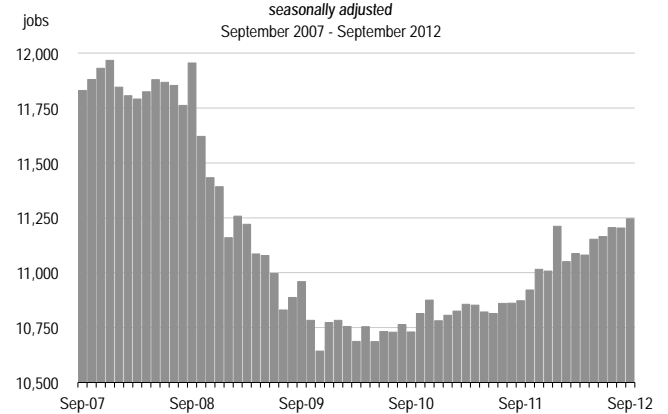
### Employment in Construction / Santa Clarita Valley



### Employment in Healthcare / Santa Clarita Valley



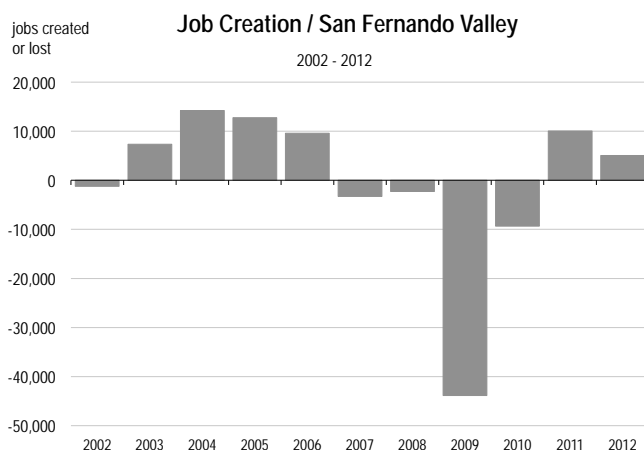
### Employment in Retail Trade / Santa Clarita Valley





## San Fernando Valley

- The Valley accounts for 18 percent of all non-farm wage and salary jobs in Los Angeles County. It is dominated by workers in the Information, Healthcare, Retail, and Manufacturing industries.
- In the San Fernando Valley, job growth slowed in 2012. After adding more than 10,000 private sector jobs in 2011, the region gained roughly 5,000 in 2012. This represents a 0.7 percent rate of growth.
- In 2012, gains occurred primarily in healthcare organizations, private educational institutions, and professional and technical companies.



- The largest losses were observed in information and the public sector.

### Wage & Salary Employment / San Fernando Valley

Sector	2010	2011	change	% change
Agriculture, Forestry & Fishing	1,139	1,112	-26	-2.3
Mining	119	100	-19	-16.2
Utilities	511	516	6	1.1
Construction	25,452	25,432	-20	-0.1
Manufacturing	62,620	63,221	601	1.0
Wholesale Trade	26,865	26,532	-333	-1.2
Retail Trade	78,092	79,165	1,073	1.4
Transportation & Warehousing	11,145	11,026	-119	-1.1
Information	98,608	92,454	-6,154	-6.2
Finance & Insurance	33,295	32,591	-704	-2.1
Real Estate & Rental Leasing	15,343	15,335	-8	-0.1
Professional, Scientific, & Technical	46,957	49,811	2,854	6.1
Mgmt of Companies & Enterprises	6,653	7,045	393	5.9
admin & support & waste mgmt	48,572	50,334	1,762	3.6
Educational Services	11,666	13,771	2,105	18.0
Health Care & Social Assistance	87,994	90,093	2,099	2.4
Arts, Entertainment & Recreation	12,760	13,118	359	2.8
Accommodation & Food Services	51,645	53,236	1,591	3.1
Other Services	55,098	53,194	-1,903	-3.5
Federal Government	3,607	3,417	-190	-5.3
State Government	5,353	5,557	204	3.8
Local Government	14,633	12,074	-2,559	-17.5
<b>Total, All Industries</b>	<b>701,873</b>	<b>704,353</b>	<b>2,480</b>	<b>0.4</b>
<b>Total, Private sector</b>	<b>678,280</b>	<b>683,305</b>	<b>5,025</b>	<b>0.7</b>

Source: California Labor Market Information Division, State of California and California Economic Forecast

## Largest Employers

Every year, we conduct survey of largest employers in the Santa Clarita Valley. The information is carefully limited to the number of workers physically employed at locations within the region.

### Santa Clarita Valley

- For the 42 largest employers for which we have complete data, employment totaled 25,598 last year and 25,709 this year. This represents an increase of 111 workers for a 0.4 percent gain.
- The ten largest employers account for more workers than the next thirty-seven by a margin of 1.5 to 1.
- Five of the ten largest employers are public organizations. Among these institutions, employment declined by 194 jobs. This was largely driven by downsizing at the local Post Office.
- The largest employer is Magic Mountain. It has a workforce that is more than double the second largest organization.
- Within the public sector, the largest gain occurred at the College of the Canyons. As a direct result of Proposition 30, they were able to hire additional full-time faculty members. A number of new part-time workers were also hired.
- Similar increases were observed at other public schools. This represents a break from recent experience, in which local educational institutions were forced to slash their payrolls to meet strict budget constraints.
- The City of Santa Clarita also added new positions, the first such occurrence since 2007. In the latter half of the year, the City lifted its hiring freeze, allowing them to acquire new workers.
- In the private sector, 10 organizations reduced their head counts over the past year. Eight added new positions, while the remainder had no change.
- Advanced Bionics had the largest private-sector gain, growing by 275 employees. This company is involved in the development of bionic technology, and is a producer of implants for the hearing impaired.

Top Employers		Santa Clarita Valley			February 2013	
Rank	Company or Organization	Location	2012	2013	change 2012 to 2013	percent change
<b>Public</b>			– headcount of employees –			
2	William S. Hart Union School District	Santa Clarita Valley	1884	1919	35	1.9
3	Saugus Union School District	Santa Clarita	1840	1840	0	0.0
4	College of the Canyons	Valencia	1595	1725	130	8.2
7	U.S. Postal Service	Santa Clarita	1459	1035	-424	-29.1
9	Newhall School District	Valencia	827	824	-3	-0.4
12	City of Santa Clarita	Santa Clarita	602	666	64	10.6
22	Castaic Union School District	Valencia	335	339	4	1.2
<b>Public Total</b>			<b>8,542</b>	<b>8,348</b>	<b>-194</b>	<b>-2.3</b>
<b>Private</b>			– headcount of employees –			
1	Six Flags Magic Mountain	Valencia	4500	4500	0	0.0
5	Princess Cruises	Valencia	1600	1600	0	0.0
6	Henry Mayo Newhall Memorial Hospital	Santa Clarita	1400	1400	0	0.0
8	Quest Diagnostics	Valencia	850	850	0	0.0
10	The Master's College	Santa Clarita	812	800	-12	-1.5
11	Woodward HRT (formerly H.R. Textron)	Valencia	790	772	-18	-2.3
13	Wal-Mart	Santa Clarita	624	624	0	0.0
14	Advanced Bionics	Valencia	325	600	275	84.6
15	Pharmavite	Valencia	550	567	17	3.1
16	Aerospace Dynamics International	Valencia	510	548	38	7.5
17	California Institute of the Arts	Santa Clarita	500	500	0	0.0
18	ITT Aerospace Controls	Valencia	450	450	0	0.0
19	AMS Fulfillment	Valencia	n/a	400	n/a	n/a
20	Arvato Digital Services	Valencia	396	400	4	1.0
21	Wesco Aircraft	Valencia	342	342	0	0.0
23	TA Manufacturing	Valencia	245	307	62	25.3
24	Cannon Recruiting Group	Canyon Country	n/a	300	n/a	n/a
25	Remu Drum	Valencia	n/a	300	n/a	n/a
26	Contractors Wardrobe	Valencia	310	300	-10	-3.2
27	Stay Green Inc.	Santa Clarita	n/a	270	n/a	n/a
28	Remo, Inc.	Valencia	290	270	-20	-6.9
29	Shield Healthcare	Valencia	268	260	-8	-3.0
30	Stellar Microelectronics	Valencia	n/a	250	n/a	n/a
31	Costco Wholesale	Canyon Country	243	239		
32	McDonald's	Santa Clarita Valley	250	238	-12	-4.8
33	B & B Manufacturing Co.	Santa Clarita	188	188	0	0.0
34	Novacap	Valencia	182	184	2	1.1
35	Explorer Insurance	Valencia	180	180	0	0.0
36	Andy Gump Temporary Site Services	Santa Clarita	n/a	153	n/a	n/a
37	Del West Engineering	Valencia	128	132	4	3.1
38	Honda Performance	Valencia	n/a	130	n/a	n/a
39	Sears	Santa Clarita	125	126	1	0.8
40	Aquafine	Valencia	125	120	-5	-4.0
41	The Home Depot	Canyon Country	115	115	0	0.0
42	Hyatt Regency Valencia	Valencia	135	103	-32	-23.7
43	Delta Printing Solutions	Valencia	105	100	-5	-4.8
44	Power Ford Valencia	Valencia	97	96	-1	-1.0
45	Trinity Classical Academy	Valencia	n/a	92	n/a	n/a
46	SGL Technic Polycarbon Division	Valencia	90	86	-4	-4.4
47	AmerisourceBergen	Valencia	80	85	5	6.3
48	Kmart	Valencia	85	85	0	0.0
49	YMCA	Valencia	84	84	0	0.0
50	Blue Cross Labs	Santa Clarita	78	78	0	0.0
<b>Private Total*</b>			<b>17,056</b>	<b>17,361</b>	<b>305</b>	<b>1.8</b>
<b>Total (Public and Private)*</b>			<b>25,598</b>	<b>25,709</b>	<b>111</b>	<b>0.4</b>

\* For organizations with complete information

n/a = information not available at time of publication

Source: California Economic Forecast and the Santa Clarita Valley Business Journal

## Average Salaries

### Santa Clarita Valley

- During 2012, the average salary increased by 1.9 percent in the Santa Clarita Valley, reaching \$43,183. Adjusted for inflation, average salaries declined slightly.
- The income revisions for calendar year 2011 show that non-farm salaries in the Santa Clarita Valley averaged \$42,366, an increase of 4.1 percent over the previous year (1.4 percent after inflation).
- The highest paying sectors in the region are utilities, finance and insurance, manufacturing, and information. In these industries, the average worker earns more than \$60,000 per year.
- During 2012, the largest increase in salaries was observed in the transportation and warehousing industry.
- The finance and insurance industry also experienced rapid gains, as demand increased for home loans, auto loans, and general consumer credit.



### San Fernando Valley

- Average salaries for particular labor market sectors in the San Fernando Valley are higher than in other sub-markets of Los Angeles County. The finance, technology, entertainment, and management sectors produce relatively high compensations per worker.
- However, the manufacturing and healthcare industries in the Valley have lower average salaries than elsewhere in Los Angeles County. Ditto the food services industry.
- The average salary for all sectors of the Valley rose 2.6 percent in 2012. Adjusted for inflation, this represents an increase of 0.6 percent.
- The largest salary gain occurred in management of companies and enterprises. This is a small industry that is largely comprised of bank-holding organizations, and income trends among such companies can be volatile.
- The largest decrease occurred in the entertainment industry, which also has volatile earnings.



Average Salaries		Santa Clarita Valley	
Industry	2011	2012	2011 to 2012 % change
<i>– dollars per worker –</i>			
Utilities	120,528	97,654	-19.0
Construction	50,071	50,803	1.5
Manufacturing	60,734	63,779	5.0
Wholesale Trade	60,049	56,857	-5.3
Retail Trade	27,028	29,347	8.6
Transportation & Warehousing	46,527	53,799	15.6
Information	66,132	61,356	-7.2
Finance & Insurance	61,096	68,334	11.8
Real Estate & Rental & Leasing	40,042	43,135	7.7
Professional, Scientific & Technical Skills	57,268	55,951	-2.3
Management of Companies & Enterprises	55,521	51,450	-7.3
Administrative & Waste Services	35,400	35,848	1.3
Educational Services	34,904	32,152	-7.9
Health Care & Social Assistance	47,486	51,156	7.7
Arts, Entertainment & Recreation	21,326	21,539	1.0
Accommodation & Food Services	16,285	16,209	-0.5
Other Services	26,976	26,821	-0.6
Federal Government	57,997	59,301	2.2
State Government	22,166	23,504	6.0
Local Government	45,002	46,113	2.5
<b>Total, All Industries</b>	<b>\$42,366</b>	<b>\$43,183</b>	<b>1.9</b>

Source: California Labor Market Information Division and California Economic Forecast

Average Salaries		San Fernando Valley		
Industry	2011	2012	2011 to 2012 % change	
	<i>– dollars per worker –</i>			
Agriculture, forestry, fishing and hunting	29,532	31,802	7.7	
Mining	80,245	87,304	8.8	
Utilities	76,617	75,234	-1.8	
Construction	46,479	47,719	2.7	
Manufacturing	62,608	65,904	5.3	
Wholesale trade	61,369	60,578	-1.3	
Retail Trade	31,210	32,709	4.8	
Transportation & Warehousing	42,956	42,930	-0.1	
Information	84,057	89,553	6.5	
Finance & Insurance	80,162	85,798	7.0	
Real Estate & Rental & Leasing	50,658	51,419	1.5	
Professional and Technical Services	73,921	78,579	6.3	
Management of Companies & Enterprises	94,601	113,999	20.5	
Administrative & Waste Services	37,083	37,408	0.9	
Educational Services	37,959	40,751	7.4	
Health Care & Social Assistance	49,342	49,122	-0.4	
Arts, Entertainment & Recreation	146,553	124,651	-14.9	
Accommodation & Food Services	19,258	18,825	-2.3	
Other Services	20,022	21,064	5.2	
Federal Government	69,166	69,548	0.6	
State Government	53,147	52,525	-1.2	
<b>Total, All Industries</b>	<b>\$53,673</b>	<b>\$55,052</b>	<b>2.6</b>	

Source: California Labor Market Information Division and California Economic Forecast

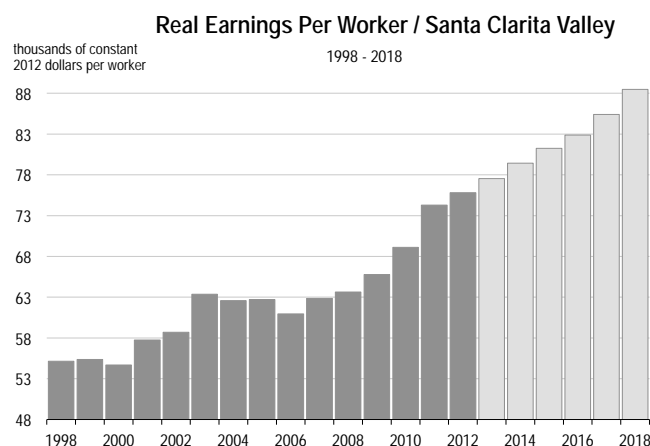
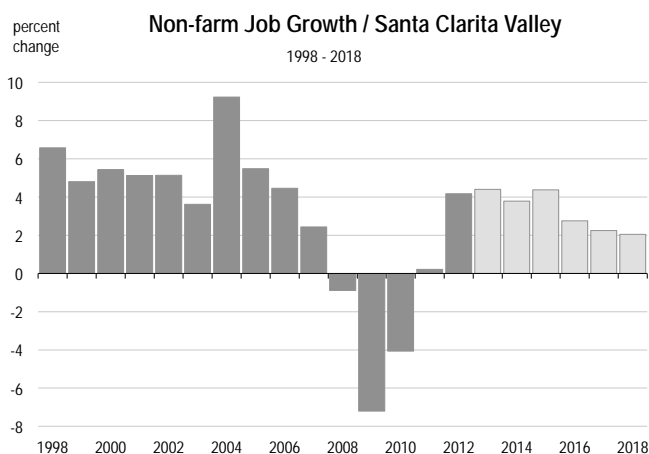
## Employment Outlook

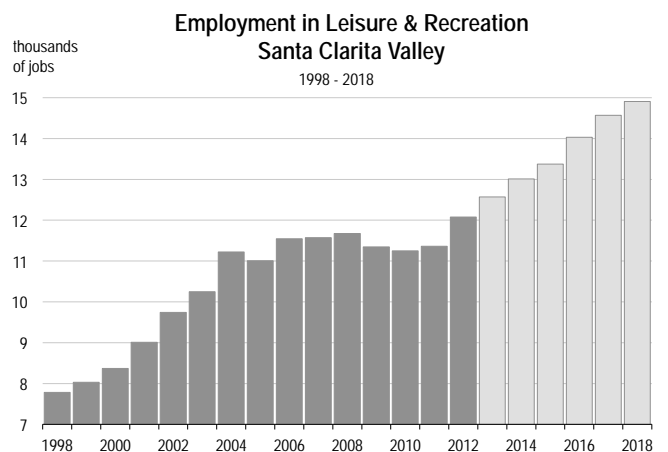
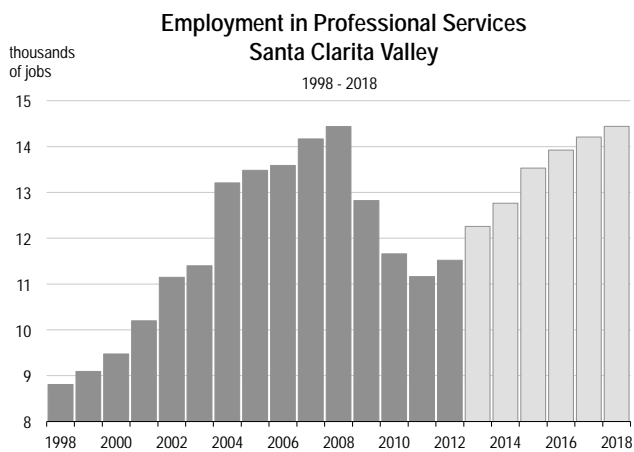
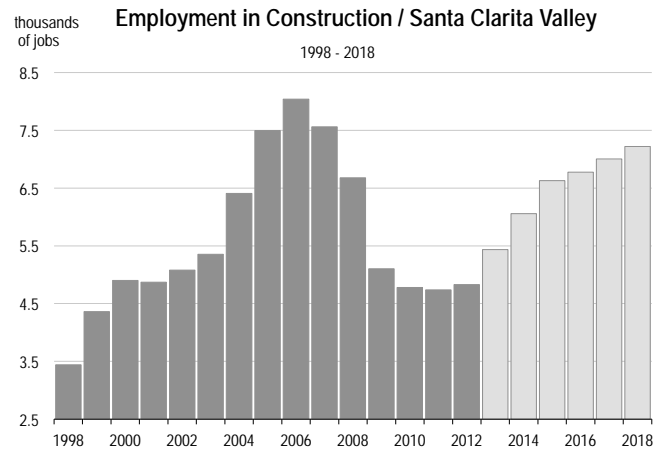
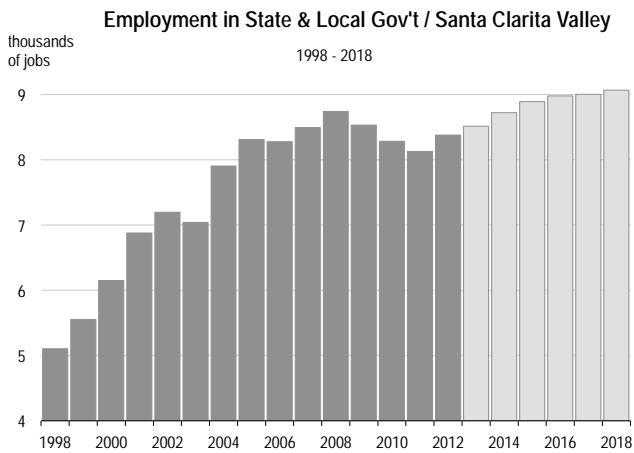
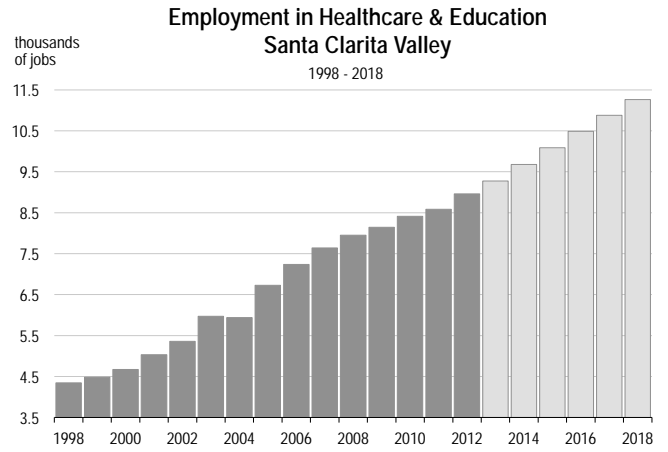
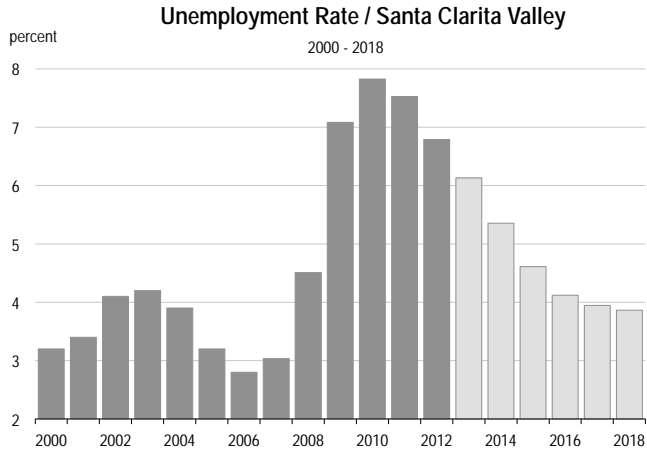
The Santa Clarita Valley labor market rebounded sharply in 2012, with employment rising more than 4 percent. A number of industries grew at even faster rates, surpassing 6 and 7 percent. Over the next few years, growth is expected to remain high, as the Valley adds a large number of jobs across all industries.

The potential for the region to continue to grow is high, especially in view of the planned housing projects. The short term forecast is conservative, limited by the constraints on commercial real estate space. The market continues to tighten for industrial space and office absorption was prolific in 2012.

- Non-farm employment in the Santa Clarita Valley is expected to increase by 4.4 percent in 2013, adding more than 3,500 jobs.

- Over the next six years, annual job growth will average 3.3 percent. This will result in 17,100 new jobs in the region.
- The unemployment rate should fall steadily, averaging 6.1 percent in 2013 and dropping below 5 percent in by 2015.
- In 2013, the most rapid employment growth will occur in construction. This sector will increase by more than 10 percent as housing activity accelerates.
- In 2013, rapid growth will also occur among companies in the professional services and financial activities sectors. Employment in each of these sectors is forecast to rise more than 5 percent.
- Real (inflation-adjusted) earnings per worker are expected to rise substantially over the forecast period, growing by an average of 2.6 percent per year.







Labor Market and Income Forecast			Santa Clarita Valley		History: 2007 - 2012	
	2007	2008	2009	2010	2011	2012
<b>Sector</b>	<i>– jobs –</i>					
Farm	78	41	54	40	42	87
Mining	5	4	4	4	4	4
Construction	7,559	6,677	5,105	4,779	4,737	4,830
Manufacturing	11,390	10,450	9,852	9,253	9,559	10,263
Transportation & Utilities	1,607	1,632	1,462	1,113	1,119	1,176
Wholesale/Retail Trade	15,887	15,345	14,312	14,166	14,535	15,116
Retail	11,932	11,748	10,969	10,758	10,878	11,191
Wholesale	3,955	3,598	3,343	3,409	3,658	3,926
Financial Activities	3,824	3,789	3,695	3,700	3,557	3,549
Professional Services	14,165	14,435	12,823	11,662	11,164	11,518
Information	1,318	1,314	1,276	1,183	1,189	1,199
Healthcare & Education	7,639	7,948	8,142	8,414	8,582	8,961
Leisure & Recreation	11,573	11,671	11,344	11,246	11,360	12,078
Other Services	2,625	3,299	2,621	2,222	2,278	2,424
Government	9,847	10,097	9,784	9,415	9,239	9,432
Federal	1,350	1,356	1,252	1,131	1,109	1,051
State & Local	8,496	8,741	8,533	8,283	8,130	8,381
Total Wage & Salary	87,516	86,703	80,474	77,195	77,365	80,638
percent change	2.4	-0.9	-7.2	-4.1	0.2	4.2
Total Non-farm Jobs Created	2,076	-777	-6,242	-3,265	169	3,227
Unemployment Rate (percent)	3.0	4.5	7.1	7.8	7.5	6.8
<b>Income</b>	<i>– dollars per worker or person –</i>					
Average earnings per worker	<i>– dollars per worker or person –</i>					
current dollars	57,718	60,492	62,031	65,958	72,810	75,817
constant 2012 dollars	62,847	63,621	65,763	69,098	74,292	75,817
Average per capita income	<i>– dollars per person –</i>					
current dollars	57,077	59,366	57,193	58,151	62,073	65,106
constant 2012 dollars	62,148	62,437	60,634	60,919	63,336	65,106
	<i>– billions of dollars –</i>					
Total Personal Income	14.89	15.57	15.17	15.71	16.93	17.99
percent change	7.76	4.57	-2.59	3.60	7.77	6.25
Income from Wages and Salaries	5.05	5.24	4.99	5.11	5.66	6.16
Income from Property and Assets	2.84	3.07	2.91	2.87	3.14	3.38
Income earned from outside the County	3.13	3.19	3.02	3.14	3.25	3.32
Income from Public and Private Transfers	2.08	2.28	2.55	2.91	3.07	3.19
Proprietor Income	1.78	1.78	1.69	1.68	1.82	1.94

Source: California Economic Forecast, February 2013

Labor Market and Income Forecast		Santa Clarita Valley			Forecast: 2013 - 2018		
		2013	2014	2015	2016	2017	2018
Sector				– jobs –			
Farm		96	97	97	97	97	97
Mining		8	9	11	11	11	11
Construction		5,435	6,057	6,628	6,775	7,004	7,219
Manufacturing		10,567	10,536	10,413	10,393	10,219	10,097
Transportation & Utilities		1,226	1,299	1,372	1,431	1,484	1,534
Wholesale/Retail Trade		15,729	16,267	17,209	17,739	18,262	18,851
Retail		11,626	12,008	12,674	13,049	13,418	13,832
Wholesale		4,103	4,259	4,535	4,690	4,844	5,019
Financial Activities		3,752	3,976	4,136	4,162	4,226	4,288
Professional Services		12,258	12,764	13,531	13,923	14,209	14,442
Information		1,222	1,250	1,291	1,309	1,321	1,330
Healthcare & Education		9,275	9,678	10,087	10,488	10,879	11,263
Leisure & Recreation		12,569	13,010	13,374	14,030	14,569	14,907
Other Services		2,484	2,649	3,092	3,268	3,385	3,482
Government		9,570	9,782	9,951	10,073	10,134	10,238
Federal		1,054	1,060	1,059	1,093	1,129	1,169
State & Local		8,516	8,723	8,892	8,980	9,005	9,068
Total Wage & Salary		84,191	87,374	91,192	93,700	95,801	97,759
percent change		4.4	3.8	4.4	2.8	2.2	2.0
Total Non-farm Jobs Created		3,545	3,182	3,818	2,508	2,100	1,958
Unemployment Rate (percent)		6.1	5.4	4.6	4.1	3.9	3.9
Income							
Average earnings per worker				– dollars per worker or person –			
current dollars		78,834	82,427	85,613	88,884	93,000	97,755
constant 2012 dollars		77,541	79,432	81,252	82,875	85,406	88,479
Average per capita income							
current dollars		67,168	70,148	74,075	76,789	79,473	82,424
constant 2012 dollars		66,066	67,599	70,301	71,597	72,983	74,602
				– billions of dollars –			
Total Personal Income		18.88	20.04	21.58	22.76	23.93	25.21
percent change		4.91	6.16	7.67	5.48	5.17	5.34
Income from Wages and Salaries		6.64	7.20	7.81	8.33	8.91	9.56
Income from Property and Assets		3.54	3.75	4.09	4.33	4.55	4.76
Income earned from outside the County		3.40	3.50	3.59	3.69	3.77	3.84
Income from Public and Private Transfers		3.29	3.45	3.74	3.94	4.10	4.31
Proprietor Income		2.00	2.14	2.35	2.48	2.61	2.74

Source: California Economic Forecast, February 2013

# RESIDENTIAL REAL ESTATE

The Resale Market: Recent Trends in  
Home Sales and Selling Values

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The New Home Market

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The Outlook for Home Sales and Selling Values

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## The Resale Market: Recent Trends in Home Sales and Selling Values

### The Greater California Market

In 2012, the California housing market strengthened considerably. Existing home sales gained velocity through mid-year, as low interest rates, moderate job growth, and increased confidence brought buyers back to the market. Throughout the year, sales were higher than during 2011.

Prices rose as well. In March of 2012, the median price was 1.7 percent higher than during March of 2011. Such gains occurred in each subsequent month, and by December, the median price had risen by 27 percent on a year-over-year basis.

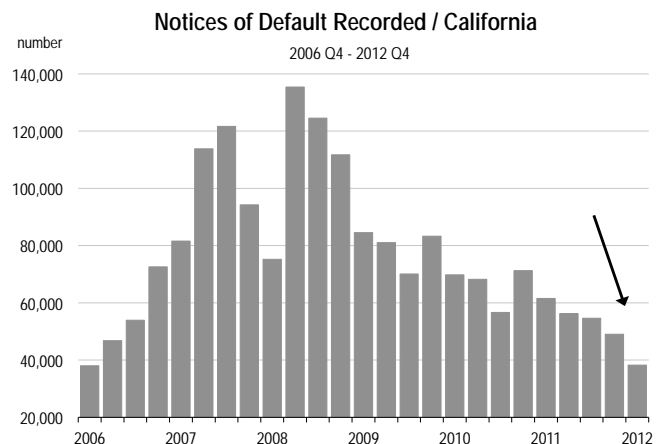
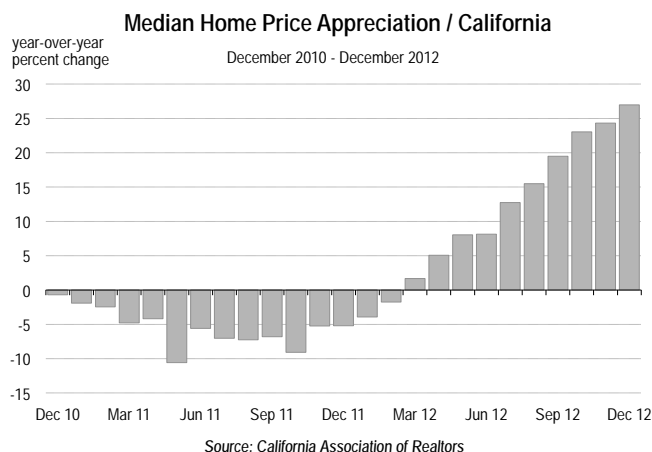
In large part, prices have been influenced by homeowner distress. Distressed sales have decreased substantially and conventional sales have become more common. This has caused the median price to rise, as conventional properties generally sell for higher values.

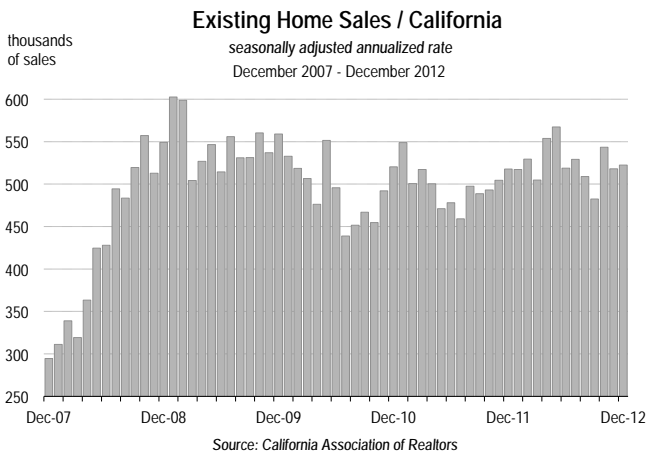
- Annual comparisons indicate that total 2012 home sales were 5.3 percent higher than during 2011.



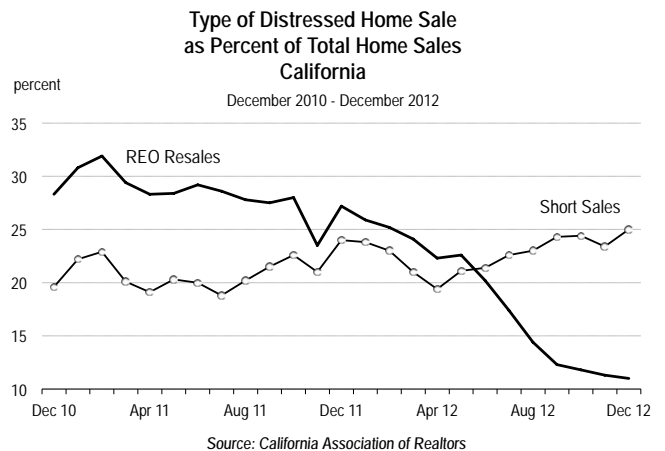
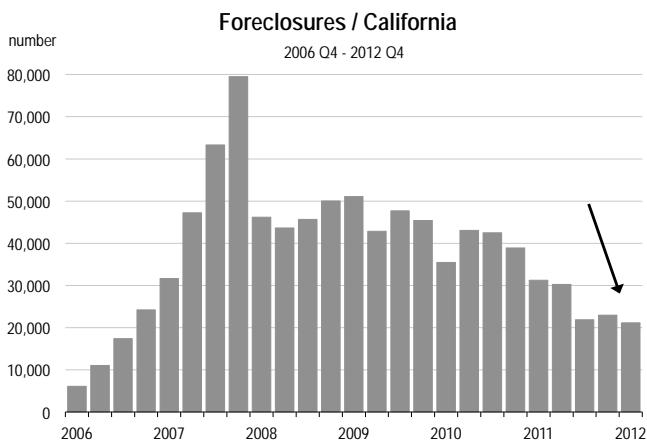
*Los Angeles Times, January 23, 2013, Page B1*

During the fourth quarter of 2012, the number of California homeowners pushed into the foreclosure process declined to the lowest level in six years, due principally to rising home values, an improving economy with more jobs, and a shift toward short sales. Short sales — transactions where the sale price fell short of what was owed on the property — made up an estimated 25 percent of home resales across California, and 26 percent in Southern California, during the month of December.





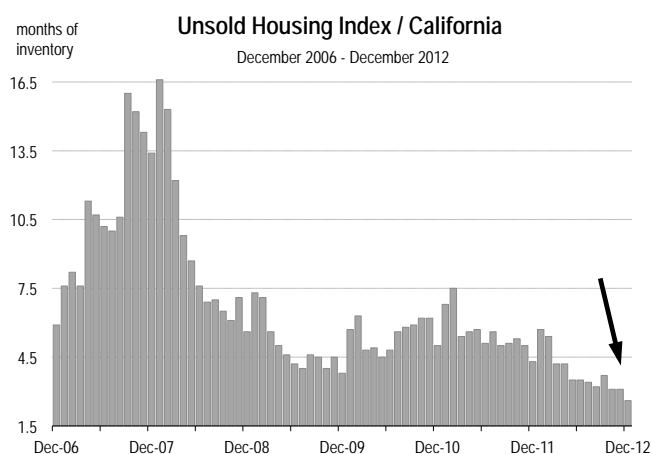
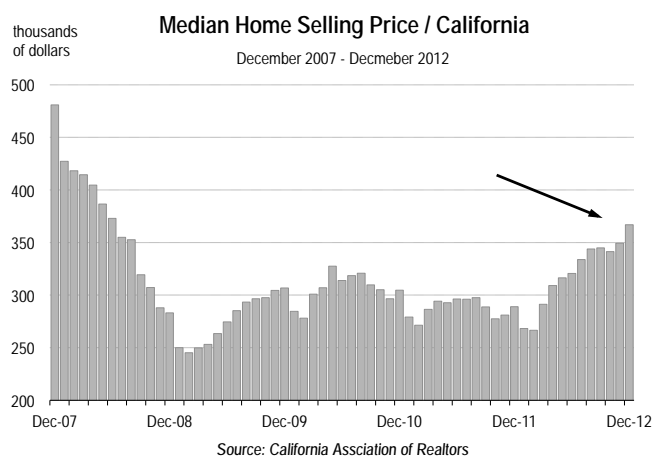
- Sales were 51.2 percent above the low that was recorded in 2007.
- Sales softened in the second half of the year, but were still higher than the second half of 2011.
- On an annual basis, the California median price in 2012 was \$320,882. This represents an 11.7 percent increase from 2011. Prices were higher in virtually every major county in the state.



<b>Foreclosures Southern California 2011 Q4 - 2012 Q4</b>			
<b>County/Region</b>	<b>2011 Q4</b>	<b>2012 Q4</b>	<b>percent change</b>
San Diego County	2,044	1,285	-37.1
Orange County	1,508	941	-37.6
Los Angeles County	5,380	3,496	-35.0
Inland Empire	6,115	4,425	-27.6
Ventura County	595	330	-44.5
Santa Barbara County	321	195	-39.3
<b>Santa Clarita Valley</b>	<b>303</b>	<b>189</b>	<b>-37.6</b>
<b>Southern California</b>	<b>15,836</b>	<b>10,604</b>	<b>-33.0</b>
<b>California</b>	<b>31,260</b>	<b>21,127</b>	<b>-32.4</b>

Source: DataQuick

- For the current housing cycle, the price trough occurred in 2009. When compared to this point, California prices have increased by 16.1 percent.
- However, for the state as a whole, the median price is still 42.7 percent below the peak that occurred in 2007.
- Unsold inventory, measured as the number of months needed to sell the current supply of existing single family homes, averaged 2.6 months in December. This is down precipitously from the 4.3 months that prevailed in December 2011, and the 13.4 months that were observed in December 2007.
- Along with an improving economy and lower levels of distress, the lack of available supply has directly contributed to higher prices.



#### Median Single-Family Home Selling Price Selected California Counties December 2011 - December 2012

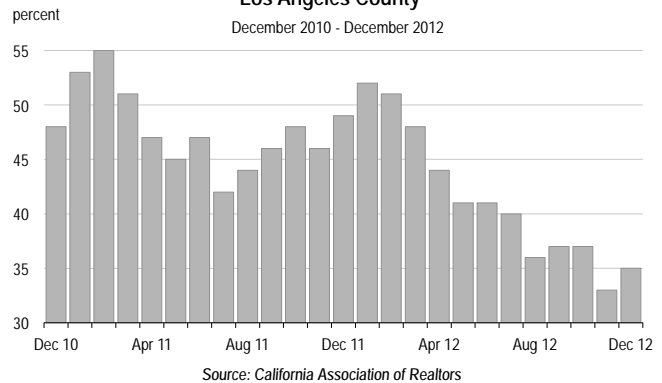
Area	2011 Home Sales	2012 Home Sales	percent change	2011 Median price	2012 Median price	percent change	percent change from peak	percent change from trough
<b>Southern California</b>								
San Diego	1,905	2,076	9.0	\$359,930	\$418,290	16.2	-32.8	28.0
Orange	1,283	1,593	24.2	\$484,630	\$582,930	20.3	-21.6	31.8
Los Angeles	3,839	3,905	1.7	\$306,950	\$367,400	19.7	-39.5	47.7
Inland Empire	3,535	3,150	-10.9	\$172,430	\$221,710	28.6	-45.9	47.0
Ventura	494	560	13.4	\$391,060	\$446,150	14.1	-37.2	24.1
<b>Santa Clarita Valley</b>	<b>339</b>	<b>363</b>	<b>7.1</b>	<b>\$302,702</b>	<b>\$347,744</b>	<b>14.9</b>	<b>-38.6</b>	<b>14.9</b>
San Fernando Valley	748	994	32.9	\$310,000	\$356,190	14.9	-37.5	9.3
<b>California</b>	<b>517,730</b>	<b>522,510</b>	<b>0.9</b>	<b>\$288,950</b>	<b>\$366,930</b>	<b>27.0</b>	<b>-38.3</b>	<b>49.6</b>

Source: California Association of Realtors, DataQuick, and California Economic Forecast

## Los Angeles County

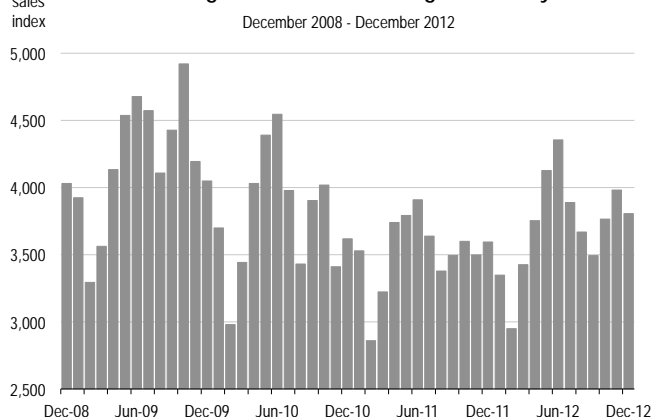
- Home sales in Los Angeles County increased by 5.8 percent in 2012, after falling by 6.8 percent in 2011.
- Recent job gains, in combination with low mortgage rates, have lead to greater interest in the housing market.
- In Los Angeles County, distressed sales have become much less common. Distressed properties accounted for 49 percent of all sales in December of 2011, but only 35 percent in December of 2012.
- The median selling price increased by 6.9 percent in 2012, after declining by 4.7 percent in 2011.
- As with the broader state, price gains in Los Angeles County have been driven by lower levels of distress, a limited amount of supply, and growing demand.

Distressed Home Sales  
as Percent of Total Home Sales  
Los Angeles County

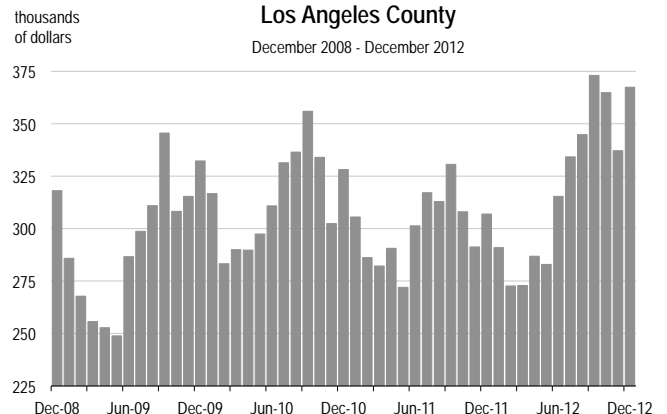


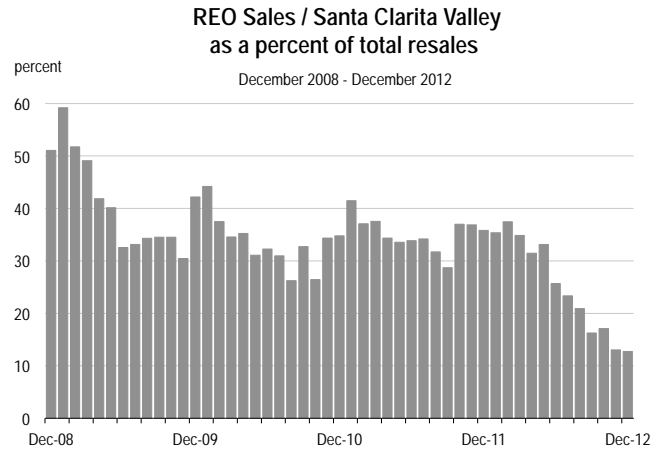
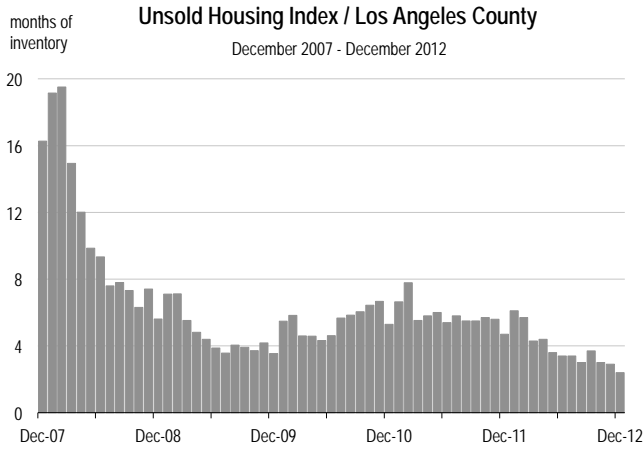
- As of December 2012, the median price was 51 percent below the peak that was reached in 2007.
- Also like the broader state, the inventory of unsold units has fallen precipitously in Los Angeles County. Standing at just 2.4 months in December 2012, the region has a lower level of supply than any point since 2005.

Existing Home Sales / Los Angeles County



Median Home Selling Price  
Los Angeles County



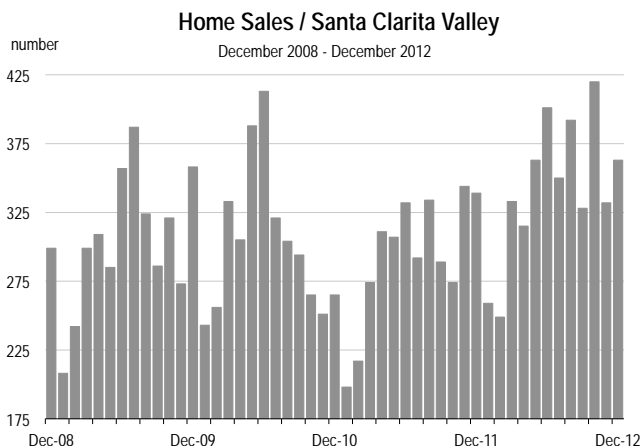


## Santa Clarita Valley

In the Santa Clarita Valley, the housing recovery began in 2012. Home sales increased substantially, and selling values began to rise. As of December, the median price had increased by double digits on a year-over-year basis. Homeowner distress continued to decrease, with significant reductions in both foreclosures and defaults.

- In 2012, there were 4,105 home sales in the Santa Clarita Valley. This represents an increase of 16.9 percent from 2011.

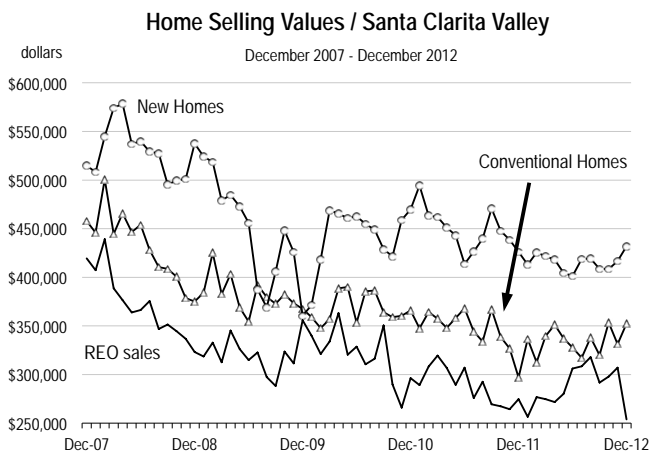
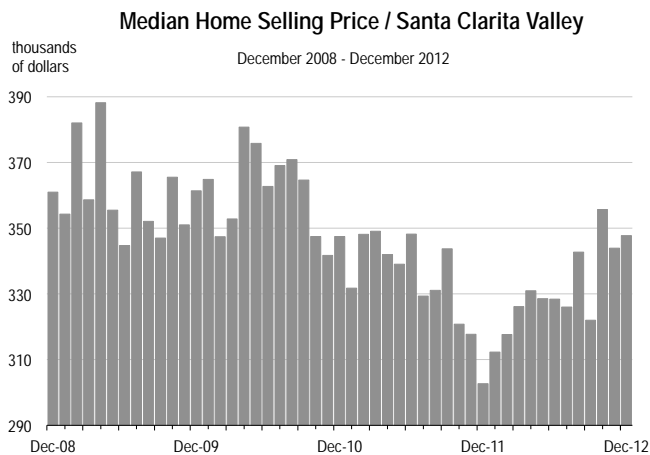
- In general, the Santa Clarita Valley was buoyed by a stronger labor market, which created more than 3,000 new jobs.
- In 2012, there were more home sales than during any year since 2006.
- As with the broader California market, distressed sales declined precipitously throughout the year. Sales of foreclosed homes (known as REO sales) accounted for 36 percent all sales in December of 2011. By December of 2012, REO sales had fallen to just 13 percent.



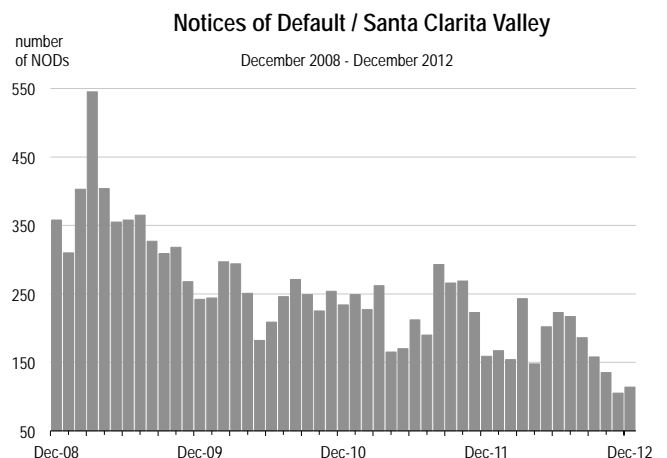
- From December 2011 to December 2012, the median home selling price increased by 14.9 percent. This is generally lower than neighboring regions, but represents a significant improvement over the previous few years.
- During the last quarter of 2012, price increases were substantial. This is atypical, as selling values generally decline in the winter months.

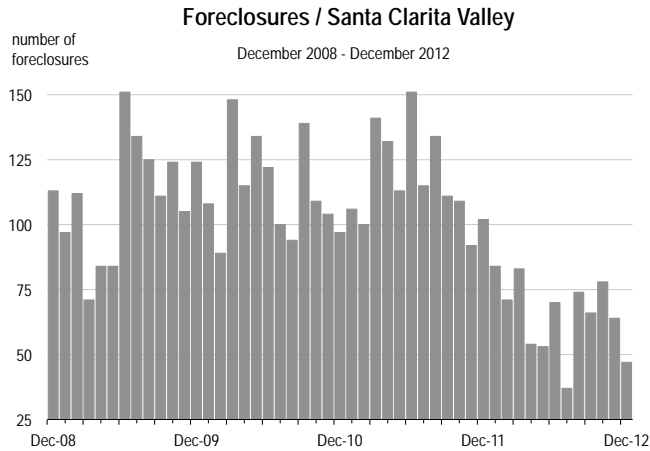


- Despite recent gains, however, home prices are 39 percent below the peak of 2007.
- On a year-over-year basis, prices declined for both new homes and REO sales. REO sales trended upward for most of the year, before falling sharply in November and December. However, prices rose for non-REO sales (conventional sales and short sales), increasing by 18.6 percent.



- Over the course of 2012, both NODs and foreclosures fell substantially.
- Defaults declined from 2,685 in 2011 to 2,052 in 2012, a decrease of 24 percent.
- Foreclosures fell from 1,406 to 781, a decrease of 45 percent.
- These statistics mirror the changes that have occurred across the state, as healthier markets lead to fewer defaults, and a preference for short sales has reduced the incidence of foreclosure.
- In January 2013, defaults were most prevalent in Stevenson Ranch and Canyon Country. For every 1,000 housing units, these regions had 6.8 and 6.4 homes in default, respectively.
- Newhall had the lowest incidence of default, with only 1.3 per 1,000 units.





- Foreclosure activity was low in most regions of the Santa Clarita Valley. The main exception was Castaic, which had 2.8 homes in foreclosure for every 1,000 housing units.

#### Housing Distress

Santa Clarita and San Fernando Valleys

January 2013

Rate per 1,000 Homes  
Notice of Default      Foreclosure

#### Santa Clarita Valley

Canyon Country	6.4	1.9
Castaic	7.7	2.8
Newhall	1.3	1.9
Santa Clarita (zip code 91390)	3.1	1.5
Saugus	3.9	1.3
Stevenson Ranch	6.8	1.5
Valencia	4.0	1.3

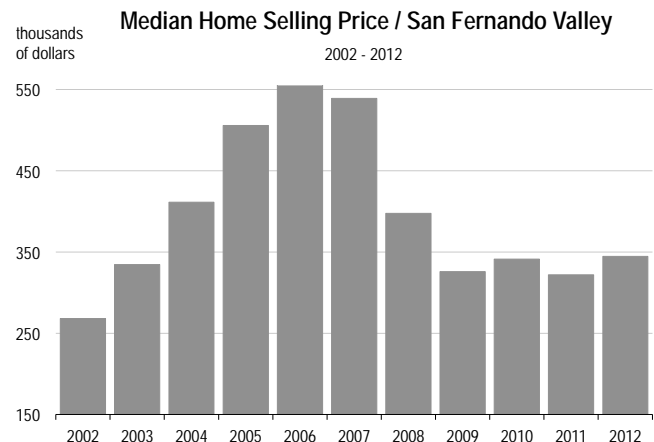
#### San Fernando Valley

Burbank	3.7	0.5
Calabasas	6.5	0.7
Glendale	2.5	0.6
San Fernando (city)	8.4	1.4

Source: Foreclosure.com, Claritas, California Department of Finance, and the California Economic Forecast

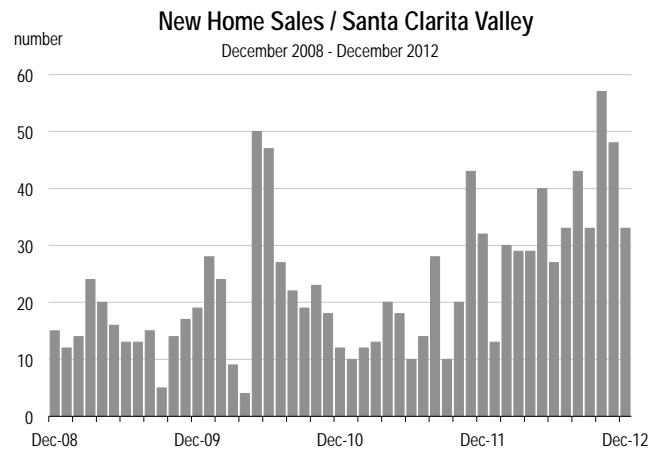
## San Fernando Valley

- On an annual basis, the median home price in the San Fernando Valley was \$344,534 in 2012. This is an increase of 7 percent over the level that prevailed in 2011.
- Despite recent gains, home values remain well below the peak that occurred during the housing boom. As of 2012, the annual median price was 38 percent below the value that prevailed in 2006.
- In 2012, there were 11,279 home sales in the San Fernando Valley, 15 percent above the 9,802 that occurred in 2011.



## The New Home Market

- During the first three quarters of 2012, 497 new homes were sold in the Santa Clarita Valley. By comparison, there were 252 new home sales in the first three quarters of 2011. This represents an increase of 97 percent.
- However, new home sales remain more than 80 percent below the 2004 peak.
- The largest increase was observed in the market for condos and townhomes. Among these properties, sales increased from 37 during the first three quarters of 2011, to 100 in the same period of 2012, a gain of 170 percent. Sales for detached single-family properties rose from 215 to 397, an increase of 85 percent.

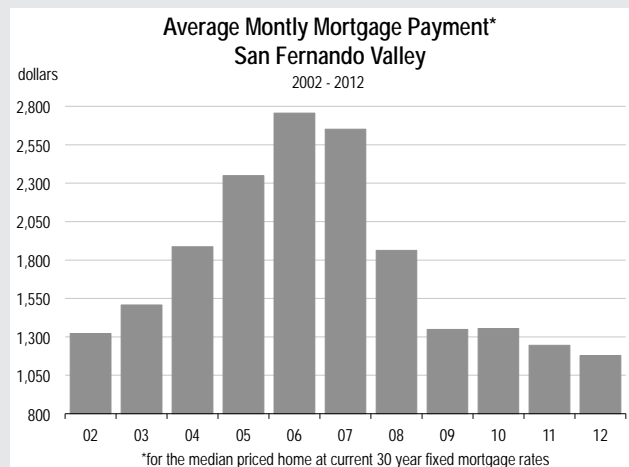
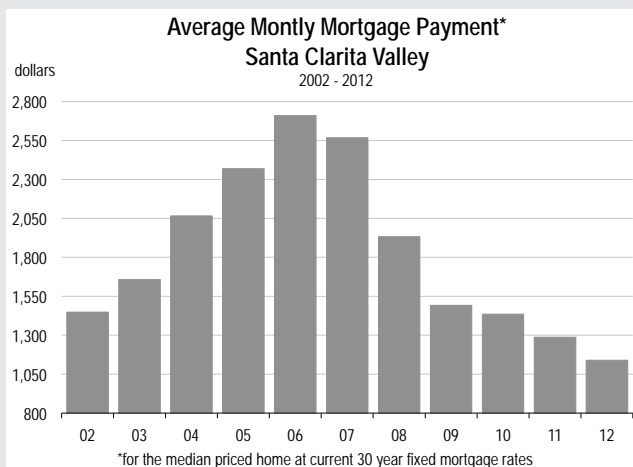


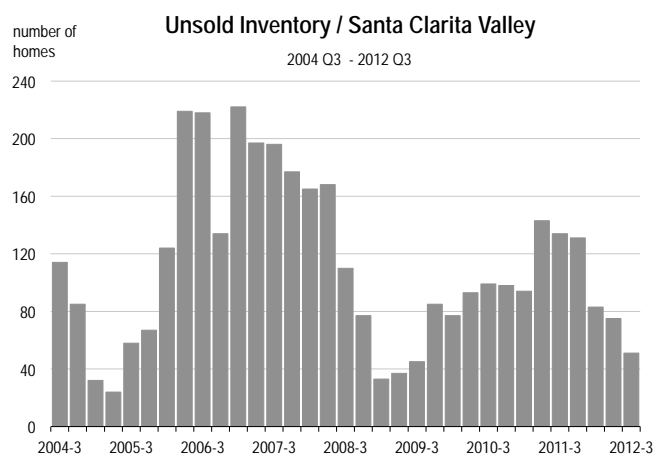
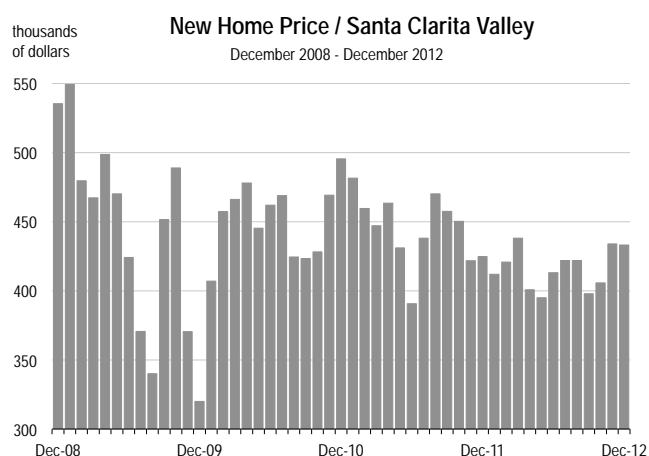
- During the fall quarter of 2012, there were 51 unsold homes. At the current rate of sales, this represents only 0.9 months of supply.

## Housing Affordability

The average family's ability to afford a home in North Los Angeles County, as measured by the mortgage payment required to own the median house, has substantially improved over the past 3-4 years. Lower housing values are principally responsible, but affordability has also been improved by low mortgage rates.

In the Santa Clarita Valley, the average monthly mortgage payment is lower than at any point since 1999, and is less than half of what it was during the peak of the housing boom. In the San Fernando Valley, the average monthly mortgage payment is now at levels that last prevailed in 2000.





- Average new home selling values declined slightly during 2012. During the third quarter, the average price was \$445,223, which is 1.6 percent below the price that prevailed in the third quarter of 2011.
- The average value of condos and townhomes fell by 0.6 percent, whereas the average value of detached homes was virtually flat. However, because of the changing mix of sales – attached sales increased faster than detached – the overall average fell further than either of these two categories.

<b>New Detached Home Sales Santa Clarita and Antelope Valleys</b>		<b>Fall 2012</b>
<b>Sub-Market</b>	<b>Number of Sales</b>	<b>Percent change vs year ago</b>
Canyon Country	28	211
Castaic	0	N/A
Newhall	0	N/A
Saugus	63	320
Stevenson Ranch	0	N/A
Valencia	57	235

Source: The Siracusa Company

Note: The Fall Quarter is August through October

New Detached Home Average Selling Values			Santa Clarita Valley		Fall 2008 - Fall 2012	
Sub-Market	Fall 2008 Avg price	Fall 2009 Avg price	Fall 2010 Avg price	Fall 2011 Avg price	Fall 2012 Avg price	Last 12 months percent change
Canyon Country	541,944	489,452	504,776	492,940	594,452	20.6
Castaic	N/A	N/A	N/A	N/A	N/A	N/A
Newhall	N/A	N/A	N/A	N/A	N/A	N/A
Saugus	N/A	N/A	N/A	395,727	403,269	1.9
Stevenson Ranch	N/A	N/A	N/A	N/A	N/A	N/A
Valencia	585,705	539,147	521,693	503,991	494,529	-1.9

Source: The Siracusa Company

Note: The Fall Quarter is August through October

## **The Outlook for Home Sales and Selling Values**

### **From Recovery to Expansion**

After gaining significant traction in 2012, the housing market will continue to expand in 2013 and 2014. Prices and sales will increase, driven by a confluence of tailwinds.

Homeowner defaults have been trending downward for the past two years. And as the general economic outlook improves and home prices rise, there will be fewer defaulting homeowners, and at an increasing rate.

The labor market came bouncing back in 2012, creating more than 3,000 new jobs. Similar gains are expected over the next few years as the region transitions into an expansionary cycle. This will result in rising incomes and stronger household formation.

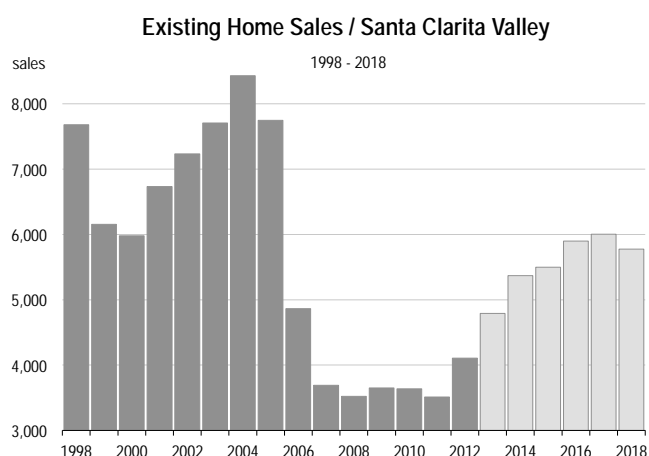
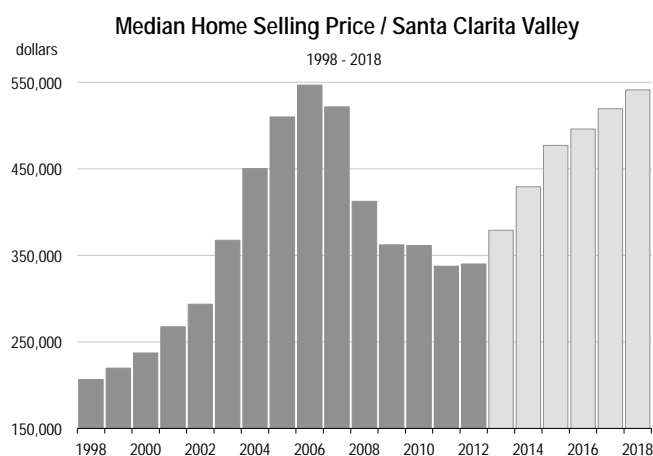
Population growth has been low over the past few years, but should pick up in the near future. As job opportunities improve and new housing units are produced, new residents will enter the region at a moderate pace, leading to greater housing demand.

Mortgage rates should remain near their all-time lows in 2013, adding to the already-high levels of housing affordability. Though rates are expected to rise this year, the Federal Reserve has committed to keeping interest rates low through the end of 2014, meaning that rates should still remain competitive. Any changes in rates this year will probably be modest, meaning that the effective mortgage rate should remain in the range of 4 to 5 percent.

A principal assumption of the forecast is that the climate associated with tighter credit conditions will ease. Large banks are especially well capitalized. As the economy continues to heal, labor markets and incomes improve, and home prices rise, banks should increase their appetites for risk in the mortgage market.

### **Santa Clarita Valley**

- In 2013, prices will rise by roughly 12 percent. This will be driven, in part, by an improving labor market and continued population growth. These factors will lead to new household formation, which will put upward pressure on home values.



- In addition, homeowner distress will continue to diminish. Conventional sales will become increasingly more prevalent, altering the mix and leading to gains in the median price.
- In 2013, the median price will return to levels last observed in 2008 and 2009. Over the entire 2012-2018 period, price appreciation will average 8.1 percent per year.

- Home sales are also expected to increase in 2013, rising from 4,105 to 4,880. The combination of more jobs, a growing population, and high levels of affordability will lead to a greater number of transactions.
- In 2013 and 2014, existing home sales are expected to rise by 17 percent and 12 percent, respectively. In subsequent years however, gains will be much more moderate.

Home Sales, Prices, and Interest Rates					History 2007-2012	
	2007	2008	2009	2010	2011	2012
<b>Median Home Selling Price</b>						
	--dollars--					
<b>Santa Clarita Valley</b>						
current dollars	521,744	412,434	362,082	361,524	337,626	339,989
percent change	-4.6	-21.0	-12.2	-0.2	-6.6	0.7
constant 2012 dollars	568,107	433,771	383,867	378,734	344,497	339,989
percent change	-7.6	-23.6	-11.5	-1.3	-9.0	-1.3
<b>California</b>						
current dollars	554,865	360,477	276,627	305,701	287,262	321,412
percent change	-1.0	-35.0	-23.3	10.5	-6.0	11.9
<b>United States</b>						
current dollars	243,742	230,409	214,500	221,242	224,317	237,355
percent change	0.3	-5.5	-6.9	3.1	1.4	5.8
<b>Existing Home Sales</b>						
	--number of sales--					
Santa Clarita Valley	3,690	3,521	3,649	3,638	3,511	4,105
percent change	-24.1	-4.6	3.6	-0.3	-3.5	16.9
<b>Effective Mortgage Rates</b>						
	--percent--					
Southern California	6.2	6.4	5.4	5.0	4.7	3.9
Nation	6.3	6.0	5.0	4.7	4.5	3.7
<b>Inflation</b>						
	--percent change in consumer price index--					
Southern California	3.3	3.5	-0.8	1.2	2.7	2.0
California	3.3	3.4	-0.3	1.2	2.7	2.2
Nation	2.9	3.8	-0.3	1.6	3.2	2.1

Home Sales, Prices, and Interest Rates				Forecast 2013-2018		
	2013	2014	2015	2016	2017	2018
<b>Median Home Selling Price</b>	<i>--dollars--</i>					
<b>Santa Clarita Valley</b>						
current dollars	379,040	429,295	477,114	495,993	519,525	541,248
percent change	11.5	13.3	11.1	4.0	4.7	4.2
constant 2012 dollars	372,821	413,699	452,807	462,462	477,104	489,888
percent change	9.7	11.0	9.5	2.1	3.2	2.7
<b>California</b>						
current dollars	390,670	441,929	480,372	492,583	505,069	507,153
percent change	21.5	13.1	8.7	2.5	2.5	0.4
<b>U.S. Existing</b>						
current dollars	244,992	250,130	255,344	263,148	273,082	281,318
percent change	3.2	2.1	2.1	3.1	3.8	3.0
<b>Existing Home Sales</b>	<i>--number of sales--</i>					
<b>Santa Clarita Valley</b>	4,791	5,369	5,498	5,898	6,003	5,775
percent change	16.7	12.1	2.4	7.3	1.8	-3.8
<b>Effective Mortgage Rates</b>	<i>--percent--</i>					
<b>Southern California</b>	4.1	4.4	5.6	6.3	6.5	6.5
<b>Nation</b>	4.1	4.4	5.8	6.5	6.7	6.6
<b>Inflation</b>	<i>--percent change in consumer price index--</i>					
<b>Southern California</b>	1.7	2.1	1.5	1.8	1.5	1.5
<b>California</b>	1.7	2.1	1.6	1.8	1.6	1.5
<b>Nation</b>	1.5	2.1	1.9	1.8	1.4	1.5

Source: California Economic Forecast, February 2013



Southern California

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Santa Clarita Valley

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San Fernando Valley

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# Commercial Real Estate

## Southern California

During 2012, a labor market recovery combined with a clearly improving economy has raised demand for office and industrial space. Vacancy rates have fallen below 4 percent across Southern California.

In the fourth quarter of 2012, the industrial vacancy rate for greater Los Angeles County area declined to 1.7 percent. This is the lowest level since 2008. The market appears to be tight, along with several other Southern California industrial markets. San Diego County is the major outlier, with vacancy remaining near 10 percent. However, even this market is improving somewhat.

Improvements in the office market have progressed more slowly, but it appears that building availability rates are finally in decline. In the fourth quarter of 2012, the vacancy rate for Southern California was 16.5 percent. This compares favorably to the 18.2 percent that was observed in the fourth quarter of 2011.

Large-scale improvements occurred in the office markets of the Santa Clarita Valley and the Inland Empire. Each was characterized by declines of more than 2 percentage points. However, vacancy rates are still elevated by historical standards. Though office using jobs are now being created in much of Southern California, many of these jobs are filling existing space already under lease. As the labor market recovery continues into 2013 and 2014, office market utilization is forecast to improve.

## L.A. offices post occupancy gains

By ROGER VINCENT

Office vacancy in Los Angeles County decreased in the fourth quarter in the first year-over-year drop since the economic boom year of 2006.

The drop in vacancy to 18.4% was barely measurable at less than half of 1 percentage point, but it's a further sign that the office rental

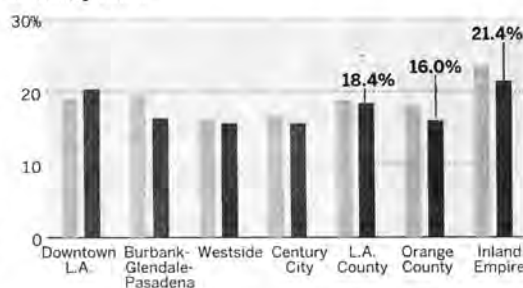
and technology businesses — which often cluster in such Westside markets as Santa Monica, Venice, Playa Vista and Culver City — are expected to account for the bulk of the growth this year, according to real estate brokerage Jones Lang LaSalle.

"With the presidential election and 'fiscal cliff' issues behind us, the Los Angeles commercial real estate

### Office vacancies and rental prices

■ Fourth quarter 2011 ■ Fourth quarter 2012

#### Vacancy rates



*Los Angeles Times, January 20, 2013, page B8*

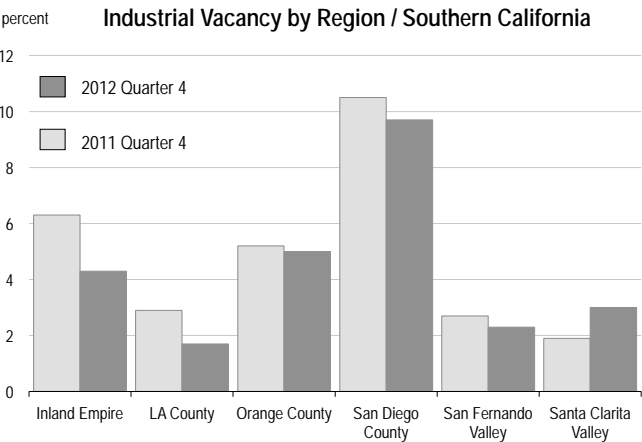
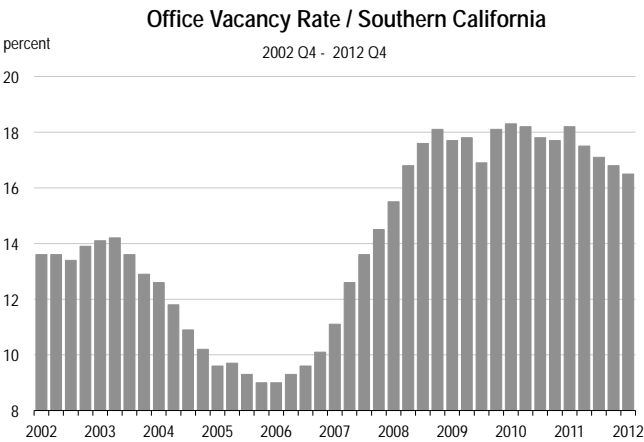
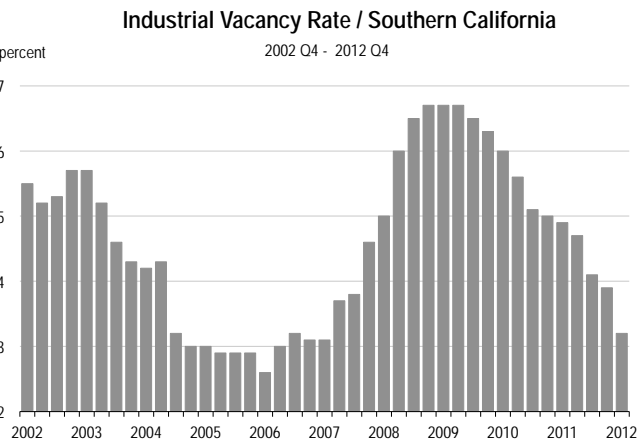
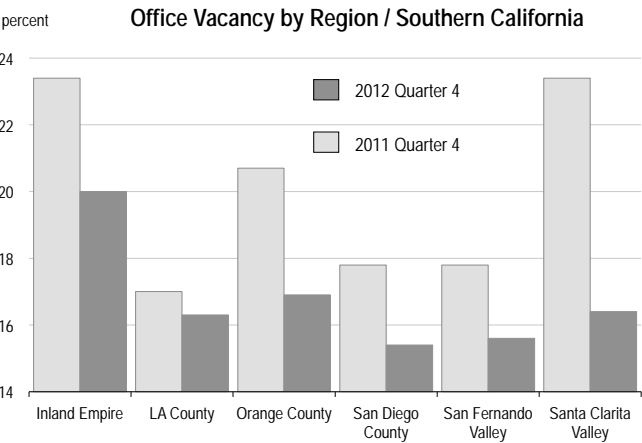
Commercial vacancy rates throughout Southern California have generally flattened out. Rates have been falling in Los Angeles County, Orange County, and the Inland Empire.

# Santa Clarita Valley

## Employment

The office market remains relatively slack in Southern California and the Santa Clarita Valley, but significant job growth is finally underway. After declining each year since 2008, the Santa Clarita Valley added more than 800 new office-using jobs in 2012. Employment gains in the office sector were the catalyst for declining vacancy rates which fell to 16.4 percent at year's end. As employment growth continues into 2013, firms will need to expand further and vacancy rates for office buildings will again contract, probably at a substantial pace.

In the Santa Clarita Valley, industrial using employment increased by more than 1,000 jobs in 2012. This represents a relatively rapid growth rate of 7.1 percent. Industrial vacancy rates were already low at the beginning of the year, and rose slightly by the end of the year. There is no new supply of industrial space forthcoming in the immediate future, and that will keep the market tight in 2013.





## The Office Market

By Ryan House  
Vice President  
Jones Lang LaSalle

- The Santa Clarita Office Market's vacancy rate has exceeded 21 percent for the last four and a half years.
- Vacancy has declined by approximately 7 percent since the first quarter of 2012, and at 16.4 percent, it is the lowest that we have seen since early 2008.
- The office market base remained constant over the past four years at just under 3.0 million square feet. There is currently only one project under construction.
- Most of the available space is located in properties that are located along the I-5 Corridor.
- There are currently three large vacancies, 27770 Entertainment Drive (approximately 50,000 square feet), 25360 Magic Mountain Parkway (50,000 square feet) and 17901 Soledad Canyon Road (100,000 square feet).
- Net absorption totaled 193,822 square feet in 2012, the highest amount of positive absorption since 2007. Said absorption was attributed to

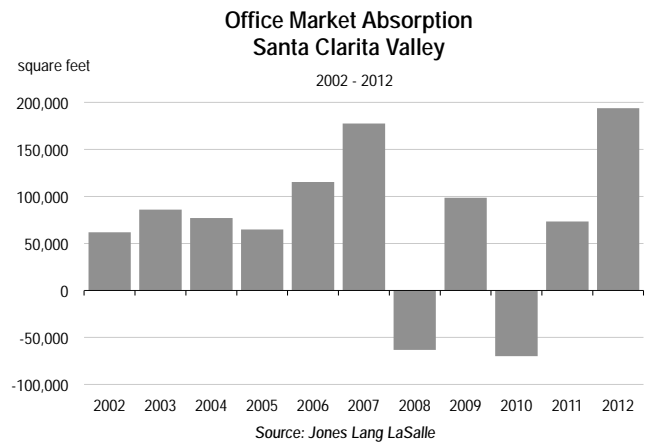
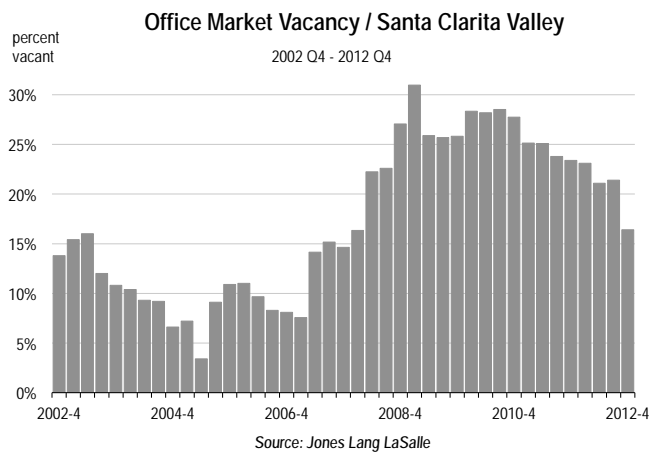
the acquisition of additional space by Kaiser Permanente and Precision Dynamics. A number of large tenants have renewed their leases within the last 12 months, such as County of Los Angeles, Animal Behavioral College, Alfred E. Mann Foundation and Nexus IS.

Further recovery of the Santa Clarita office market will be dependent on the recovery of the Los Angeles County labor market, as well as the recovery of the Santa Clarita residential real estate market. Recovery to the office market has been slow, however there has been a significant amount of office space absorbed compared to recent years.

The Santa Clarita office market saw a number of office building sales take place in the last year, such as the sale of the 195,000 square foot Valencia Corporate Plaza campus, the 116,901 square foot building at 26877 Tournay Road, along with a 38,000 square foot and 44,000 square foot building, located at 27235 Tournay Road and 23823-31 Valencia Boulevard, respectively.

The goal for office landlords in 2012 will again be to simply retain their existing tenant base and continue to prepare for the potential of increased demand throughout 2013 and 2014.

The Santa Clarita office market should stabilize in 2012 and may begin to strengthen in the latter part of 2012 and into 2013, as vacancy is poised to decrease slightly while the total inventory is expected to remain unchanged. Rental rates on the other hand are not expected to increase until the middle to late part of 2013.



## The Industrial Market

*By Nigel Stout  
Vice President  
Jones Lang LaSalle*

The forecast for the Santa Clarita Industrial Market for 2012 was that supply would continue to shrink with relatively stable demand. Because of the lack of supply, we expected overall activity to be less than 2011 and net absorption to be relatively small. Also, we expected both sale and lease pricing to finally start increasing in 2012

with speculative construction and build-to-suits becoming closer to a reality.

Well, how did we do? Gross Absorption (Activity) was down by almost 13% from 2 million to 1.77 million square feet, and Net Absorption declined

from 1.2 million square feet to a negative 245,741 square feet. The Vacancy rate at the end of 2012 went up slightly higher to 3.01% from 1.94% at the end of 2011. With almost no new construction and vacancy slightly increasing, we are not surprised that Net absorption for 2012 was slightly negative.

The tightening in the supply of buildings over 50,000 square feet was definitely evident in 2012 with only one building over 100,000 square feet being leased in January, one month after it came on the market. There are no existing 100,000+ square foot Class A buildings currently on the market. Whereas 2011 saw large buildings being sold or leased, 2012 saw mostly mid to smaller sized buildings being absorbed. A lot of the smaller product under 10,000 square feet saw significant activity in the first half of 2012.

Office Market		Santa Clarita Valley and Adjacent Markets				Q4 2012	
Submarket	Total Square Feet	Vacant Square Feet	Percent Vacant	Net Absorption (square feet)		Asking Rate	
				Current Quarter	Year-to-date	Class A	Class B
Central Valley	9,635,671	1,350,621	14.0%	-19,251	679	\$2.22	\$1.90
Conejo Valley	13,407,362	2,489,213	18.6%	-92,668	-88,843	\$2.25	\$1.95
East Valley	2,733,291	323,127	11.8%	-450	-20,857	\$2.91	\$2.16
Santa Clarita Valley	2,776,297	649,196	23.4%	-7,438	73,276	\$2.43	\$2.38
West Valley	13,430,677	2,653,222	19.8%	-18,080	314,390	\$2.18	\$1.76
<b>Total</b>	<b>41,983,298</b>	<b>7,465,379</b>	<b>17.8%</b>	<b>-137,887</b>	<b>278,645</b>	<b>\$2.29</b>	<b>\$1.93</b>

Source: Jones Lang LaSalle, January 2013

We finally saw significant price increases on the sale side and firming up of rates and concessions on the lease side. For example, a 77,064 square foot building on The Old Road adjacent to the 5 Freeway sold for \$119.38 per square foot, a price we have not seen since before the Great Recession.

On the investment side, International Airport Centers purchased an 111,373 square foot Class A leased investment from AEW for \$111.38 p.s.f. with a capitalization rate of 5.8%. This illustrates how much capitalization rates have compressed for Class A product from around 8.3% in the middle of the Great Recession. Investors will continue struggling to find Class A leased product.

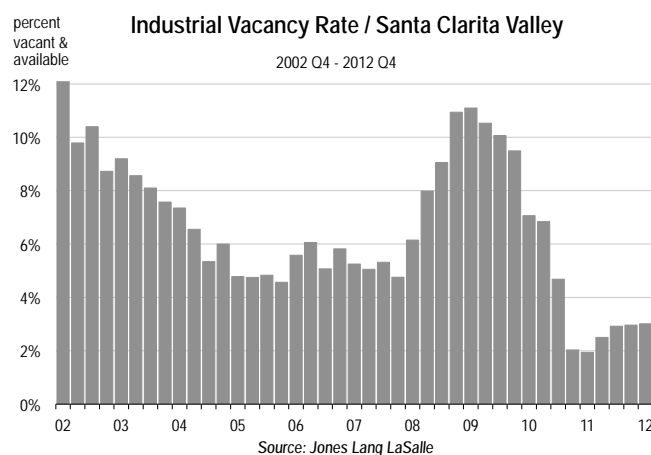
The forecast for 2013 will simply come down to the supply of industrial product and how the overall economy will affect demand. With no existing buildings available over 85,000 square feet, we forecast Gross Absorption in 2013 to be

two-thirds of the 2012 levels, assuming demand remains somewhat constant.

2013 will be similar to year 1997 when the vacancy rate dipped below 1% with limited supply of new product. However, this time there is a very limited supply of industrial land to build new product. LNR and Sterling Gateway projects are coming closer to producing much needed industrial buildings. Fewer existing quality buildings will limit the choices for area businesses and will improve activity on the few functionally challenged buildings in the SCV and the San Fernando Valley submarkets.

With supply shrinking and a relatively stable demand, we expect both sale and lease pricing to continue increasing and firming up in 2013, while speculative construction and build-to-suits will become closer to a reality. However, impact fees, land costs and hard costs will still make new

construction a more expensive option. Rates will need to be 15-25% higher than current levels to make new construction economically viable. Landlords will start to see pricing power again when tenant's leases come up for renewal in 2013 as there will be fewer relocation options for tenants. The real unknown in our forecast is how the overall economy will affect the demand side of the equation.

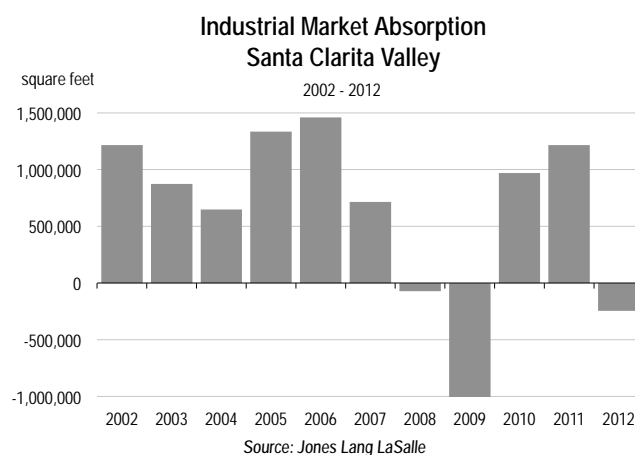


Industrial Market		Santa Clarita Valley		2012
Description	Unit	Valencia Gateway	Santa Clarita Valley	
Net Leasable Area	SF	19,282,217	22,919,326	
Vacant Space	SF	561,068	444,794	
Vacancy Rate	percent	2.9	1.9	
Gross Absorption	SF	2,353,534	2,032,856	
Net Absorption	SF	621,728	1,216,742	

SF = square feet

Source: The Gateway statistics are provided by CBRE

The Santa Clarita Valley information was provided by Jones Lang LaSalle



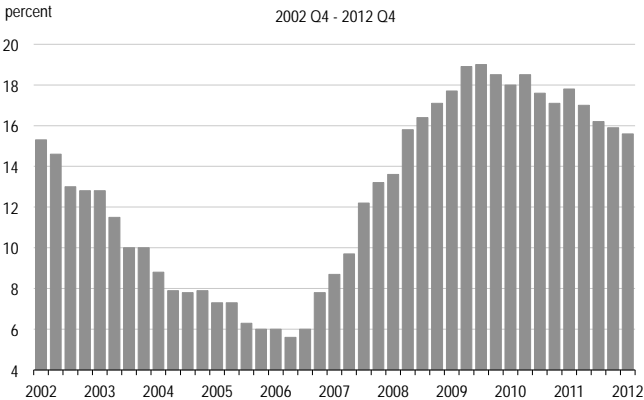


San Fernando Valley

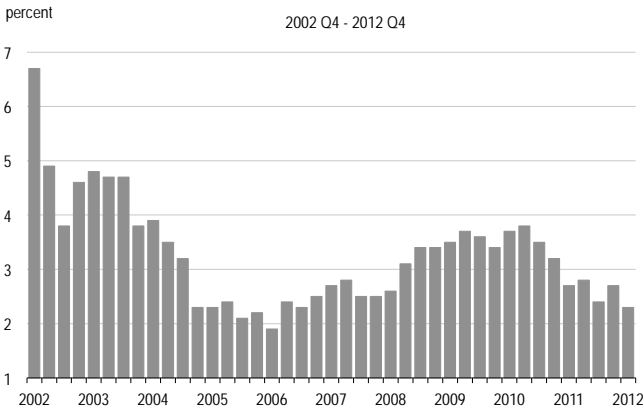
Office vacancy rates remain high in the San Fernando Valley, but noticeable improvement is underway. By the third quarter of 2012, rates had fallen below 16 percent, the first such occurrence in several years. They fell further in the fourth quarter.

Like the Santa Clarita Valley, industrial building utilization is very tight in the San Fernando Valley. As of the fourth quarter of 2012, the vacancy rate for industrial space was 2.3 percent. Industrial using jobs have increased over the past year, leading to higher demand for industrial space.

Office Vacancy Rate / San Fernando Valley



Industrial Vacancy Rate / San Fernando Valley



*Editor's Note: Special thanks to our guest authors. Ryan House is Vice President at Jones Lang LaSalle, specializing in the office market. Nigel Stout is Executive Vice President at Jones Lang LaSalle, specializing in the industrial market.*



# NEW DEVELOPMENT

Residential Development



New Residential Project Entitlements



Commercial and Industrial Development



Commercial and Industrial Entitlements



The Forecast



## New Development

### Residential Development

#### Santa Clarita Valley

During 2012, 407 total residential units were authorized through the permitting process in the Santa Clarita Valley. This represents a 42 percent increase over 2011, in which 287 units were authorized. The peak of home building occurred in 2003 when 4,029 units were permitted. Compared to this level, residential building permits are still down by 90 percent.

Production increased substantially in the City of Santa Clarita. A total of 115 units were permitted in 2012, compared to 81 in 2011. However, when compared to the 981 units that were established in 2004, building activity remains suppressed.

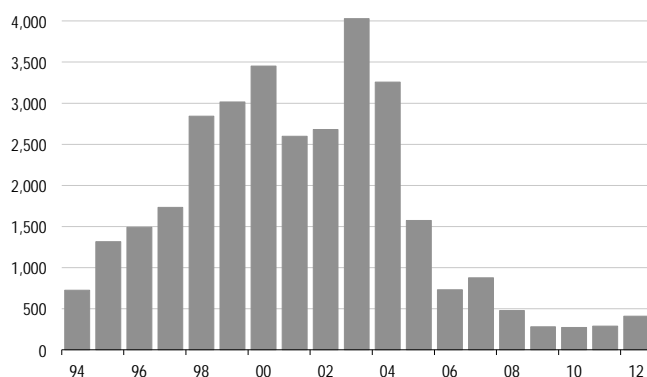
New starts in the unincorporated area of the Valley rose as well, increasing from 206 to 292 over the course of 2012.

#### San Fernando Valley

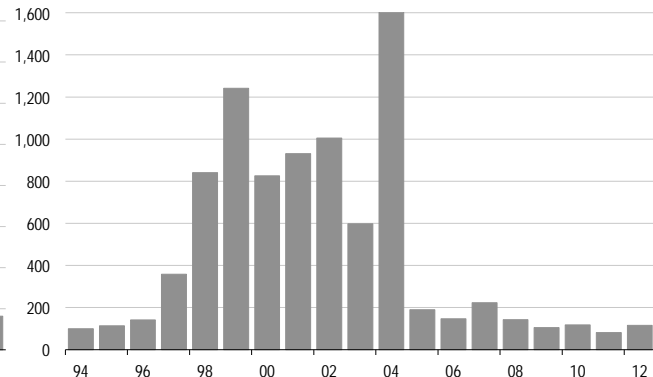
In the 2012 calendar year, 2,356 total residential permits were issued in the San Fernando Valley. This is an increase of 6 percent over 2011, but is still 56 percent below the peak that was reached in 2006. The 2012 growth was due largely to gains in single-family housing, which increased by 102 units. Multi-family permits increased slightly, up by only 36 units over the year.

Much of the new activity occurred in the portion of Los Angeles City that lies within the San Fernando Valley. This region was characterized by 110 new single-family units and 111 new multi-family units. In the City of Calabasas, a large number of new multi-family units were authorized, generating a substantial increase in total permit activity. The City of Glendale was characterized by a large decrease, but still issued more permits than most other sub-markets.

units permitted  
New Residential Units / Santa Clarita Valley  
1994 - 2012



units permitted  
New Residential Units / City of Santa Clarita  
1994 - 2012



New Residential Units Permitted			Santa Clarita and San Fernando Valleys						2003 - 2012	
City	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
--- number of units permitted ---										
<b>Santa Clarita</b>										
Single-Family Units	514	981	184	147	199	111	75	98	81	115
Multi-Family Units	84	621	6	0	24	31	30	20	0	0
<b>Total Units</b>	<b>598</b>	<b>1,602</b>	<b>190</b>	<b>147</b>	<b>223</b>	<b>142</b>	<b>105</b>	<b>118</b>	<b>81</b>	<b>115</b>
<b>Unincorporated Santa Clarita Valley</b>										
Total Units	3,565	1,654	1,384	583	653	336	176	154	206	292
<b>Santa Clarita Valley</b>										
<b>Total Units</b>	<b>4,029</b>	<b>3,256</b>	<b>1,574</b>	<b>730</b>	<b>876</b>	<b>478</b>	<b>281</b>	<b>272</b>	<b>287</b>	<b>407</b>
<b>City of Burbank</b>										
Single-Family Units	60	33	71	66	40	47	9	15	8	7
Multi-Family Units	236	309	253	248	144	272	6	3	15	22
<b>Total Units</b>	<b>296</b>	<b>342</b>	<b>324</b>	<b>314</b>	<b>184</b>	<b>319</b>	<b>15</b>	<b>18</b>	<b>23</b>	<b>29</b>
<b>City of Calabasas</b>										
Single-Family Units	56	160	234	63	8	2	2	0	2	1
Multi-Family Units	0	0	0	0	0	0	0	75	0	65
<b>Total Units</b>	<b>56</b>	<b>160</b>	<b>234</b>	<b>63</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>75</b>	<b>2</b>	<b>66</b>
<b>City of Glendale</b>										
Single-Family Units	10	2	10	2	65	26	12	7	11	11
Multi-Family Units	100	75	289	157	576	230	125	92	227	80
<b>Total Units</b>	<b>110</b>	<b>77</b>	<b>299</b>	<b>159</b>	<b>641</b>	<b>256</b>	<b>137</b>	<b>99</b>	<b>238</b>	<b>91</b>
<b>City of Hidden Hills</b>										
Single-Family Units	2	5	7	3	5	3	1	3	2	4
Multi-Family Units	0	0	0	0	0	0	0	0	0	0
<b>Total Units</b>	<b>2</b>	<b>5</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>4</b>
<b>City of San Fernando</b>										
Single-Family Units	8	14	14	13	12	4	5	3	2	1
Multi-Family Units	5	46	0	0	37	0	0	0	0	22
<b>Total Units</b>	<b>13</b>	<b>60</b>	<b>14</b>	<b>13</b>	<b>49</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>23</b>
<b>City of Los Angeles (portion in San Fernando Valley)</b>										
Single-Family Units	449	563	600	728	532	246	157	204	159	269
Multi-Family Units	1,930	3,109	2,865	4,046	2,698	2,008	788	1,073	1,792	1,903
<b>Total Units</b>	<b>2,379</b>	<b>3,672</b>	<b>3,465</b>	<b>4,774</b>	<b>3,230</b>	<b>2,254</b>	<b>945</b>	<b>1,277</b>	<b>1,952</b>	<b>2,172</b>
<b>San Fernando Valley</b>										
Single-Family Units	760	892	1,187	1,300	828	328	186	232	184	286
Multi-Family Units	1,992	4,847	2,967	4,098	3,492	2,510	919	1,243	2,034	2,070
<b>Total Units</b>	<b>2,752</b>	<b>5,739</b>	<b>4,154</b>	<b>5,398</b>	<b>4,320</b>	<b>2,838</b>	<b>1,105</b>	<b>1,475</b>	<b>2,219</b>	<b>2,356</b>

Source: Construction Industry Research Board, The Siracusa Company, and the California Economic Forecast

## New Residential Project Entitlements

Among the principal projects in the Santa Clarita Valley, there are 2,456 units in developments that have started construction and 2,609 units in approved projects that have not yet begun construction. Moreover, there are approximately 27,696 units that are in larger conceptual or not yet approved projects.

A total of 32,761 units are in various stages of the formal entitlement process. The majority of the units are in Newhall Ranch.

### *Newhall Ranch*

Newhall Ranch is located west of the Magic Mountain amusement park and south of the Santa Clara River. The approximately 20,000 home community is being developed by Newhall Land over 30 years. Newhall Ranch will be built within four distinct villages: Landmark, Mission, Homestead, and Potrero, each of which requires a separate EIR. Each village will have an array of detached and attached homes, commercial and business centers, schools, parks, public services and major open space.

In October of 2011, the Los Angeles County Board of Supervisors approved the environmental impact report for Mission Village which consists

of 1.56 million square feet of commercial and retail space, 4,055 housing units, an elementary school, 580 acres of open space, and three preserves for the rare spineflower species of flower.

Landmark Village is also approved and will include 1,444 housing units, retail centers, and parks. Newhall Land is currently finalizing the tentative map process with the Landmark and Mission Villages while the communities are in litigation. Actual groundbreaking is not expected until at least 2014.

Newhall Ranch is planned to maintain the jobs-to-housing balance that occurred during the development of Valencia, and will provide an additional 60,000 jobs at build-out. Development is expected to begin at Newhall Ranch within the next few years.

In addition to the Villages within the Newhall Ranch Specific Plan, two additional villages, Entrada and Legacy (formerly Stevenson Ranch Phase 5), will be developed on the west side. These projects are currently planned to provide a combined estimated 5,000 additional homes.

### New Development Summary Santa Clarita Valley

	Total Residential Units in Principal Projects			February 2013
	Total Units	Units Approved in Projects not Under Construction	Units in Projects Currently Under Construction	Units in Planning but not yet Entitled
<b>Santa Clarita Valley</b>				
Newhall Ranch	20,885	5,499	0	15,356
Valencia/ Santa Clarita	6,262	1,506	1,845	2,911
Saugus	301	0	301	0
Castaic	3,900	0	0	3,900
Canyon Country	1,322	1,012	310	0
Newhall	91	91	0	0
<b>Total</b>	<b>32,761</b>	<b>2,609</b>	<b>2,456</b>	<b>27,696</b>

Sources: The City of Santa Clarita and The Siracusa Report



*Newhall Ranch, approximately 20,000 units*

### **River Village**

RiverVillage (approximately 1,100 homes) is located east of Bouquet Canyon Road and north of the Santa Clara River in the City of Santa Clarita. With approximately 230 homes out of 430 occupied to date, new home sales continue at Lennar's Lexington neighborhood, as well as the introduction of Charleston by KB Home in March of this year, both offering single-family homes. Two additional areas of RiverVillage are still yet to be developed and are currently planned for

attached product on the north side of Newhall Ranch Road.

### **Northlake**

The North Lake project, which was being developed by SunCal Companies, sits on 1,330 acres of land located just north of Valencia in the unincorporated Castaic submarket of the Santa Clarita Valley. The project has undergone many revisions since its initial approval in 1992. The first phase was to include a mix of single family

## **Principal Residential Projects in the Santa Clarita Valley by City and/or Town**

**February 2013**

Project Name	Units to be built	Type	Project Status
<b>Santa Clarita Valley</b>			
<b>Newhall</b>			
Valle Di Oro	91	111 Townhomes	Temporarily off market
<b>Valencia</b>			
Whittaker Bermite	2,911	Mixed development	Under jurisdiction of Bankruptcy Court
West Creek/West Hills	1,202	2,300 Multi-family and single family homes	Under Constuction
Vista Canyon	1,100	1,100 Residential Units	Approved, on hold
River Village	643	1,100 Multi-family and single family homes	Under construction
Soledad Village (Villa Metro)	315	Townhomes	Pending market conditions
<b>Unincorporated Area/Northern LA County</b>			
<b>Canyon Country</b>			
Golden Valley	506	506 Multi-family & single family homes	Pending market conditions
Keystone	499	499 Multi-family & single family homes	Modification of specific plan filed
Fair Oaks Ranch	130	Single family homes, total of 1,062 units	Under Construction
<b>Newhall Ranch</b>			
Newhall Ranch	20,885	Master planned community	Construction not expected until 2015
<b>Castaic</b>			
Northlake	3,900	Single family homes	Sold by bankruptcy court, no development

*Sources: The Siracusa Report, City of Santa Clarita and The California Economic Forecast*

and multi-family homes, and totaled 1,698 units on 670 acres.

The project, along with Ritter Ranch, was involved in litigation connected to the Lehman Brothers bankruptcy in 2008. It was sold as part of the bankruptcy deal to the Lehman Brothers Estate. There has been no further progress on the development of this project.

### ***Golden Valley Ranch***

The Golden Valley project (506 units) is being developed by Pardee Homes on Golden Valley Road, south of the Antelope Valley Freeway. The project is separated into five single-family detached neighborhoods and a senior restricted neighborhood. No significant activity has taken place since grading was completed in 2007. The developer, Pardee, has no plans to begin site development until market conditions improve.

### ***Fair Oaks Ranch***

Fair Oaks Ranch in Canyon Country is a Pardee development, consisting of six primary neighborhoods: Mayfair, Woodglen, Hearthstone, Fairmont, Oak Crest, and Laurel Park. Mayfair and Woodglen have been completely built out. The remaining four neighborhoods are under construction. These six neighborhoods total 1,062 homes, of which approximately 130 remain to be built and sold.

### ***West Creek/West Hills***

West Creek and West Hills, a 2,300 home community, is located on the west side of San Francisco Creek and north of Decoro Drive. With almost 800 homes occupied to date, new home sales continue in Aria, Lavello, and Toscana in West Creek and Mosaic in West Hills, all single-family homes being built by Lennar Homes. D.R. Horton will introduce three new single-family home neighborhoods in April of this year in West Hills – Highgate, Belmont and Monument. This will leave two single family and three attached neighborhoods remaining to be built at some point in the future as the market dictates.

### ***Keystone***

Keystone (499 units) is located at the future intersection of Newhall Ranch Road and Golden Valley Road, and is being developed by Brookfield Homes. The project consists of 96 single family detached homes and 403 multi-family units. Brookfield Homes has filed a modification with the City that would adjust the unit types to 119 single family detached homes and 380 single-family detached condominium units, but would not alter the remaining project components. The Planning Commission is expected to consider this revision in Spring 2013. If approved, the project would also include an extension to the map expiration by up to five (5) years, extending it past the current expiration of the map in April 2013.

### ***Vista Canyon***

The 185-acre approved project is located west of the intersection of Sand Canyon Road and State Route 14 in the City of Santa Clarita. The land use plan includes four primary components: a town center, a corporate office campus, a transit station, and surrounding residential neighborhoods. The “town center oriented project” will be comprised of retail shops, restaurants, entertainment, parks, trails, and residential neighborhoods. The project has been approved for a mixed-use/transit-oriented development consisting of up to 1,100 residential units and up to 950,000 square feet of commercial, retail, theater, and hotel uses within three planning areas.

As part of the approved Vista Canyon project, the project proponent will: (1) dedicate a portion of the Santa Clara River within the site to the City; (2) provide parks, trails and other recreational amenities; (3) assist in the relocation of the Via Princessa Metrolink station to the project site, and also assist in the financing and construction of a Multi-Modal Transit Center; (4) construct a water reclamation plant; and (5) provide other associated infrastructure and amenities to serve the project and region. Further, the project includes the construction of a bridge (Vista Canyon Road Bridge) over the Santa Clara River to Soledad Canyon Road.





*Vista Canyon, 1,350 units and 950,000 SF Commercial*

The project amended the City of Santa Clarita General Plan and the site is being prepared for annexation into the City of Santa Clarita. The project has been approved for a mixed-use/transit-oriented development consisting of up to 1,350 residential units and up to 950,000 square feet of commercial, retail, theater, and hotel uses within three planning areas.

#### ***Whittaker Bermite***

In May 1995, the Santa Clarita City Council approved the Porta Bella Specific Plan, creating vested land use entitlements. These

entitlements allow the development of 1,244 single-family residential units and 1,667 multi-family residential units, as well as 96 acres of commercial and business/office park uses. Development of the site will require the construction of millions of dollars of public infrastructure (roads, parks, schools, etc.) at the developer's expense. The site, together with the approved Porta Bella Specific Plan and the Development Agreement, was acquired by Remediation Finance Incorporated (RFI) and is now under the jurisdiction of the Federal Bankruptcy Court.

<b>New Commercial &amp; Industrial Investment</b>		<b>Santa Clarita Valley</b>		<b>2005 - 2012</b>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	<i>--- thousands of 2012 dollars ---</i>							
Commercial Investment	59,725	65,573	45,767	73,953	5,301	3,198	8,037	0
Industrial Investment	19,966	27,696	0	9,074	0	0	7,653	0
Other Investment	19,744	42,301	14,472	19,247	1,132	2,076	65,424	1,630
<b>Total New Investment</b>	<b>99,435</b>	<b>135,570</b>	<b>60,239</b>	<b>102,274</b>	<b>6,433</b>	<b>5,274</b>	<b>81,113</b>	<b>1,630</b>
Renovations	42,553	54,066	41,570	56,358	36,176	37,173	29,813	20,674
<b>Total Commercial &amp; Industrial Investment</b>	<b>141,988</b>	<b>189,636</b>	<b>101,810</b>	<b>158,633</b>	<b>42,609</b>	<b>42,447</b>	<b>110,926</b>	<b>22,305</b>

*"Other Investment" includes private medical, educational, religious, agricultural and other categories*

*Source: Construction Industry Research Board and the California Economic Forecast*

## Commercial & Industrial Development

### Santa Clarita Valley

New commercial and industrial investment fell sharply in 2012. After adjusting for inflation, investment reached the lowest level on record. At only \$1.6 million, this total is 65 percent below the previous low, which was set in 2010. When accounting for renovations to existing structures, total non-residential investment total \$22 million in 2012. This was also a record low, falling short of the \$42.4 million that were invested in 2010.

In general, the non-residential building market has struggled to recover over the last few years. Industrial vacancy rates are tight, but office rates remain elevated, reducing the need for additional space. However, because of expected employment growth, more industrial product will soon be needed in the Valley.



## Commercial & Industrial Entitlements

### Santa Clarita Valley

Currently, there are 5 million square feet of approved commercial and industrial projects in the Santa Clarita Valley. Approximately 600,000 square feet is under construction. There is an additional 2.4 million square feet of commercial and industrial space pending approval.

#### Henry Mayo Newhall Memorial Hospital Expansion

There are currently plans to expand the Henry Mayo Newhall memorial Hospital. These call for a total of 327,363 additional square feet to the exiting hospital campus, including a new 127,323 square foot inpatient building and 3 medical office buildings totaling 200,000 square feet. The new inpatient building will add an additional 120 patient beds. Construction on the parking structure, which began in April 2010, is now complete. Construction on an 80,000 square foot medical building began in January 2013, and will be completed in May 2014. Completion of the entire project could take up to 15 years.

#### New Commercial and Industrial Development Summary Santa Clarita February 2013

##### Total Approved Industrial & Commercial Square Feet in Principal Projects

	— Square Feet —		
	Pending	Approved	Total
Commercial	1,198,592	679,077	1,877,669
Industrial	1,300,000	4,327,875	5,627,875
Total	2,498,592	5,006,952	7,505,544

Summary Status of Commercial and Industrial Development	
Square feet under construction	589,838
Square feet approved/not under construction	4,426,714
Square feet in planning (not yet approved)	2,498,592

Source: The City of Santa Clarita



***Sterling Gateway***

Sterling Gateway is a planned 75 acre business park consisting of 36 lots. The park will offer multiple industrial buildings ranging from 5,936 to 12,285 square feet square feet. Current plans call for up to 1.3 million square feet of new industrial space. The business park will be located at the terminus of Witherspoon Parkway along the western edge of the existing Witherspoon Parkway. The project is situated one mile west of Interstate 5 at Hasley Canyon Exit and 1.5 miles north of Highway 126 at Commerce Center Drive Exit. Tentative tract maps have been approved. The project is currently on hold pending market conditions.

***Disney | ABC Studios at the Ranch***

Disney | ABC Studios at The Ranch will be constructed on a 56-acre portion of the property, which accounts for approximately 6% of the entire 890-acre Golden Oak Ranch property. The project would provide development of state-of-the-art studio uses and associated film and television production facilities on the westernmost portion of the Ranch. Specifically, the proposed project would provide up to 12 soundstages, production offices, a warehouse,

writers/producers bungalows, a commissary with associated amenities and an administration building. Build out of the proposed project would result in a total of approximately 510,000 square feet. The developers are working on releasing the draft EIR by March 2012. If approved, construction is planned to begin in 2013.

***Gates King***

The applicant is proposing to subdivide this 508-acre project site located in southern Newhall into 106 lots and is requesting General Plan and Zoning Amendments to change the land use designations in several areas of the site. The proposed changes would eliminate the residential and commercial designations from the site, and would increase the area designated as industrial from 187.8 acres to about 215.8 acres.

Sixty-eight lots are proposed to be industrial/business park lots; three lots, which comprise about 12.2 acres, would accommodate three water tanks to serve site development; 2.1 acres would accommodate the helipad site; 33.2 acres would consist of City dedicated trail and natural slope lots; and 174.4 acres would be dedicated

**Principal Commercial & Industrial Projects in the Santa Clarita Valley****February 2013**

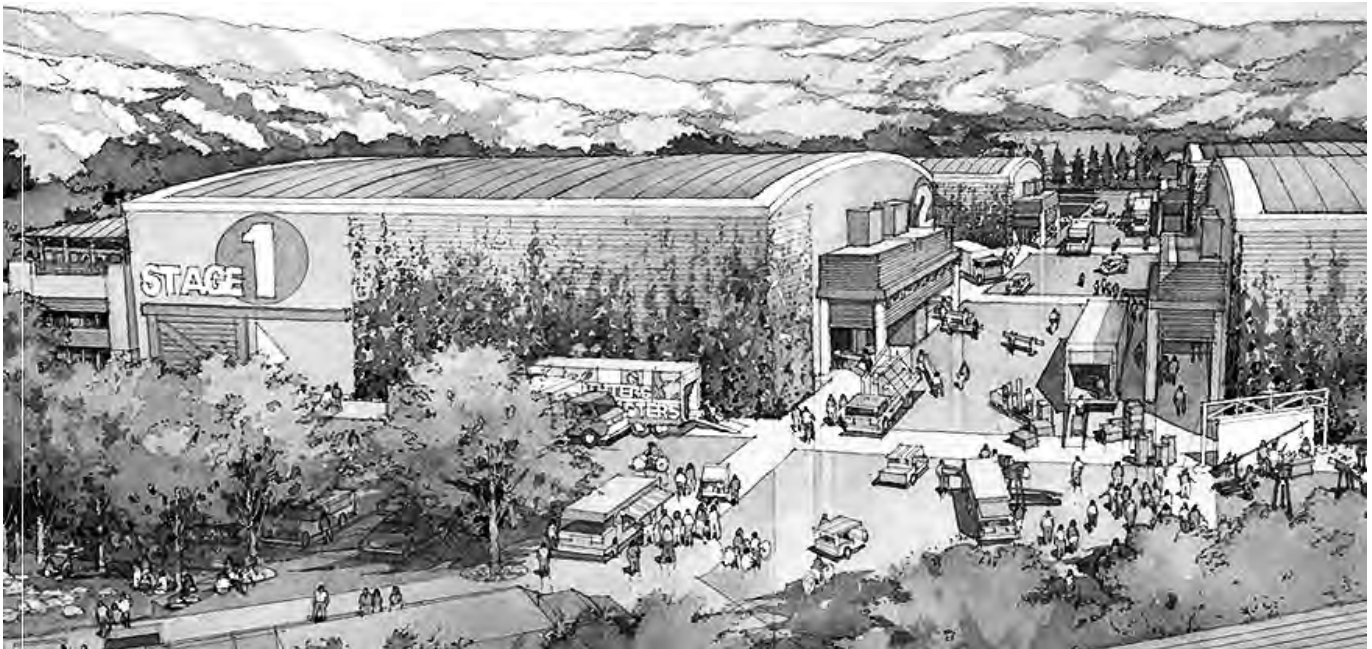
Project Name/Developer	Square Feet	Type	Project Status
<b>Industrial</b>			
Gates King	4,200,000	Industrial Park	Working on final map, grading to start in late 2013
Sterling Gateway	1,300,000	Industrial Park	On Hold Pending Market Conditions
Disney   ABC Studios at the Ranch	510,000	Movie Studio	Draft EIR Complete
<b>Commercial</b>			
Vista Canyon	950,000	Commercial Center	Approved, pending annexation
Henry Mayo Newhall Memorial Hospital	327,363	Hospital	Under Construction
Riverview Court	120,823	Office	On Hold Pending Market Conditions

to the City as a wilderness park and permanent open space. The remainder of the site of 53.7 acres would consist of public streets (19.1 acres), the MTA (14 acres) and SCE (19.3 acres) rights of way and 49.8 acres to be owned and maintained by the POA.

Full build-out of the site under the applicant's modified proposal would involve the development of approximately 203.2 acres with industrial uses. This acreage would accommodate up to 4.2 million square feet of industrial space. The project is under a 15 year development agreement that was approved July 15, 2009. The applicant is working to get its final map approved and start grading on the first phase of the project later in 2013.

## The Forecast

Our predicted levels of housing production usually have the greatest forecast errors of all economic indicators we evaluate. This is because production of a housing unit is defined as a permit, which the builder must acquire from the municipality or county. There can be many delays associated with the timing of acquiring a permit, including final architectural approval, site issues, tract map delays, and final map recordation. Furthermore, demand fluctuations and/or financing conditions may cause a builder to delay acquiring permits.



Disney | ABC Studios at the Ranch, 510,000 square feet

Source: <http://www.studiosattheranch.com/tour>

Over the past two years, new housing development has begun to improve. Coming off of the record low that was set in 2010, the region was characterized by a strong increase in 2012. Because of the low levels of production during the housing bust, new units will need to be developed at a rather rapid pace. Because much of Los Angeles County has already been developed, the Santa Clarita Valley will absorb much of the expected activity.

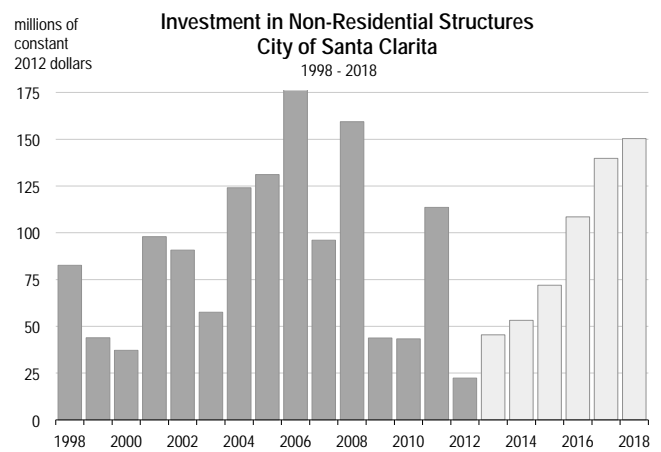
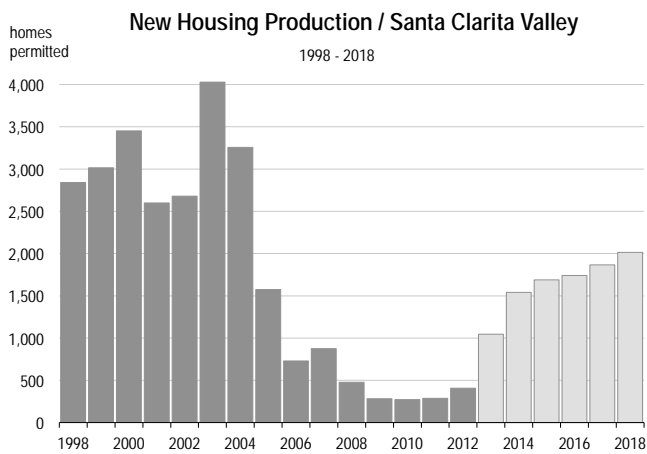
The timing of housing permits can be influenced by a myriad of factors, from both the supply and demand sides. As a result, a reasonable forecast of housing units in any one-year is

subject to significant error. However, considering population and employment growth in the region, we know that more housing will be needed and constructed over a broader range of time. Over the next five-year period, the number of new homes produced or under construction is more predictable.

Our forecast of new home production from 2013 to 2018 calls for roughly 9,900 new housing units in the Santa Clarita Valley. Investment in non-residential structures will rise through 2018, increasing at a relative rapid rate as the region recovers from the recent paucity of building.

New Development Forecast	Santa Clarita Valley			History 2008-2012	
	2008	2009	2010	2011	2012
<b>New Residential Development</b>					
City of Santa Clarita	--number of units permitted--				
Single Family Units	111	75	98	81	115
Multiple Family Units	31	30	20	0	0
Total Units	142	105	118	81	115
Santa Clarita Valley					
Total Units	478	281	272	287	407
<b>Commercial and Industrial Investment</b>					
	--millions of constant 2012 dollars--				
Santa Clarita Valley	159	44	43	114	22
percent change	65.9	-72.5	-1.2	162.8	-80.4

Source: California Economic Forecast and Construction Industry Research Board



New Development Forecast		Santa Clarita Valley				Forecast 2013-2018	
		2013	2014	2015	2016	2017	2018
<b>New Residential Development</b>							
City of Santa Clarita		--number of units permitted--					
Single Family Units		163	272	275	256	277	302
Multiple Family Units		48	118	120	108	122	137
<b>Total Units</b>		<b>211</b>	<b>390</b>	<b>395</b>	<b>364</b>	<b>399</b>	<b>439</b>
<b>Santa Clarita Valley</b>							
Total Units		1,046	1,541	1,689	1,741	1,866	2,014
<b>Commercial and Industrial Investment</b>		--millions of constant 2012 dollars--					
Santa Clarita Valley		45	53	72	109	140	150
percent change		103.8	17.1	35.3	50.7	28.8	7.6

Source: California Economic Forecast

Crime



Air Quality



Traffic



Quality of Education



College of the Canyons



## Quality of Life Indicators

The social environments of the Santa Clarita and San Fernando Valleys directly affect local business progress and performance. Furthermore, quality of life indicators impact the desirability of real estate assets in the regions. Public safety, public health, traffic, and the enrichment of youth potential are four important features of this environment. These quality of life indicators are examined with published information on local crime, air quality, traffic, and public education.

### Crime

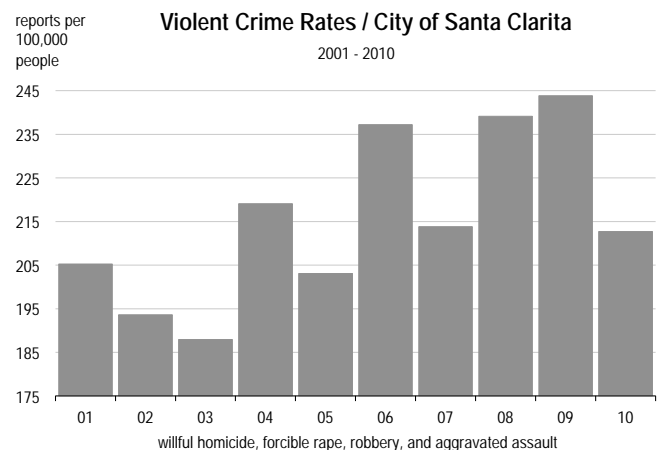
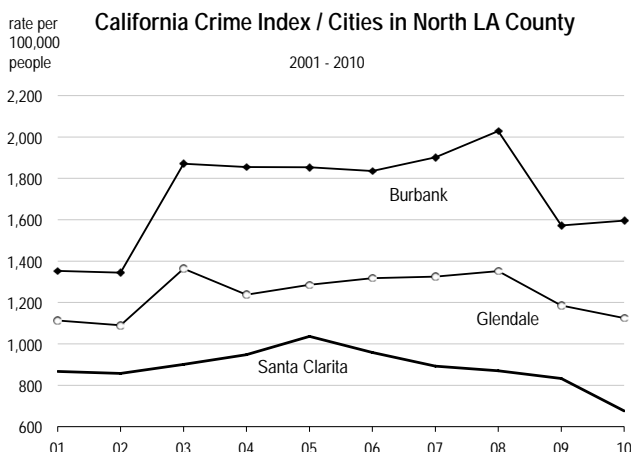
Areas of California can be compared to one another on the basis of the Total Crime Index (formerly the FBI Index). The Total Crime Index is the sum of crimes in the following categories: willful homicide, forcible rape, robbery, aggravated assault, burglary, motor vehicle theft, larceny and arson.

In 2010 (the most recent year for which data is available), the California Crime Index for the city of Santa Clarita declined by 18.9 percent from 2009, falling to 676 crimes per 100,000 residents. This is a large decrease. From 1990 to 2000, the index fell 58 percent, but after 2000 there was a steady increase in reported crimes through 2005, in line with

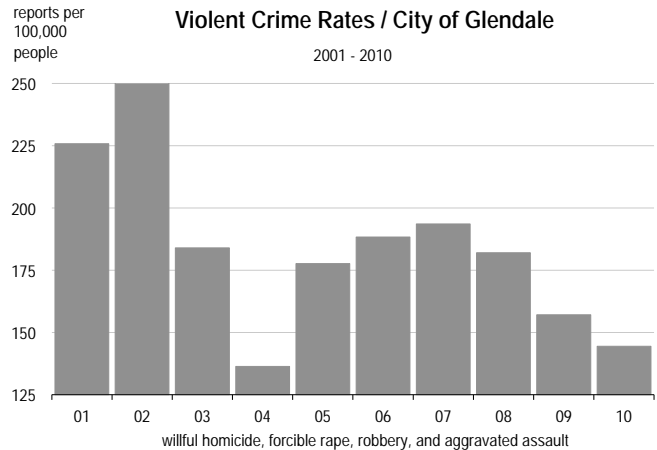
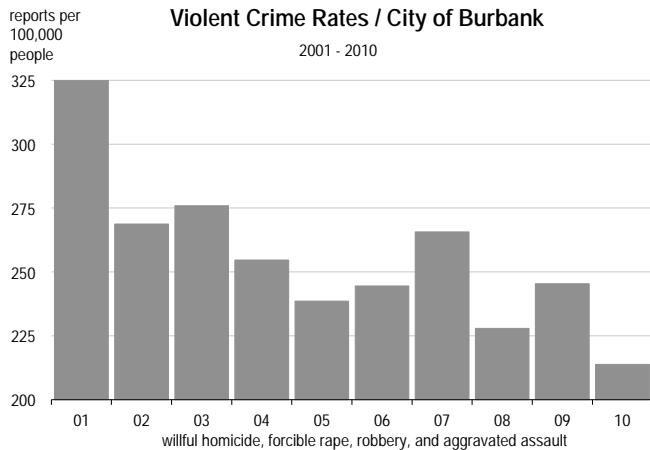
statewide trends. This trend reversed itself in 2006 and crime has continued to decline through 2010.

In the city of Glendale, crime declined moderately in 2010, falling by 5.1 percent. In Burbank, crime levels rose by 1.5 percent. All three cities – Santa Clarita, Burbank, and Glendale – have lower crime rates than the statewide average. In 2010, the CCI for California was 2,007 – 26 percent higher than Burbank, 78 percent higher than Glendale, and 197 percent higher than Santa Clarita.

After rising during 2008 and 2009, the violent crime rate in Santa Clarita declined sharply in 2010. The 2010 rate was recorded at 213 crimes per 100,000 residents, compared to 244 the previous year. However, it is not clear that the general upward trend has been broken. Beginning in 2003, violent crime rates have been rising steadily, and the fall in 2010 may be an anomaly. Violent crime rates over the past decade, however, have been more than 50 percent lower than in the 1990's.







## Crime Reports

## Santa Clarita Valley

2003-2010

2003 2004 2005 2006 2007 2008 2009 2010

— actual reports, not adjusted for population —

### City of Santa Clarita

Willful homicide	3	2	3	3	1	2	5	1
Forcible rape	16	30	17	26	22	19	20	21
Robbery	97	111	106	130	112	128	129	123
Aggravated assault	188	215	210	233	237	268	273	230
Burglary	681	728	838	766	764	638	705	574
Motor vehicle theft	473	463	541	425	416	461	327	243
All larceny	2,003	1,952	2,200	2,253	2,602	2,034	2,035	1,853

### City of Burbank

Willful homicide	3	4	3	1	3	2	1	0
Forcible rape	15	14	13	10	14	17	22	13
Robbery	69	82	67	75	98	86	93	98
Aggravated assault	196	162	163	166	159	130	137	110
Burglary	500	510	586	567	487	589	499	478
Motor vehicle theft	466	465	495	471	440	518	335	276
All larceny	1,728	1,870	1,690	1,683	1,840	1,834	1,829	1,933

### City of Glendale

Willful homicide	6	5	19	2	2	3	3	0
Forcible rape	18	11	14	14	12	21	15	17
Robbery	146	133	136	167	166	151	126	119
Aggravated assault	193	121	181	185	195	176	158	141
Burglary	800	737	723	627	611	708	635	642
Motor vehicle theft	793	661	614	579	523	506	397	328
All larceny	2,823	2,419	2,453	2,685	2,553	2,891	2,723	2,747

Source: California Department of Justice

In Burbank, violent crime rates have been steadily falling since 2001. Violent crime is now 35 percent lower than it was in 2001. At 214 violent crimes per 100,000 residents, Burbank's rate is slightly lower than that of Santa Clarita, and much lower than that of the state.

Much like Burbank, violent crime in Glendale has declined precipitously since the early 2000's. After dropping by 47 percent from 2002 to 2004, the violent crime rate rose slightly. However, by 2010 the rate had fallen to 145 incidents per 100,000 residents, almost three times lower than the state overall.

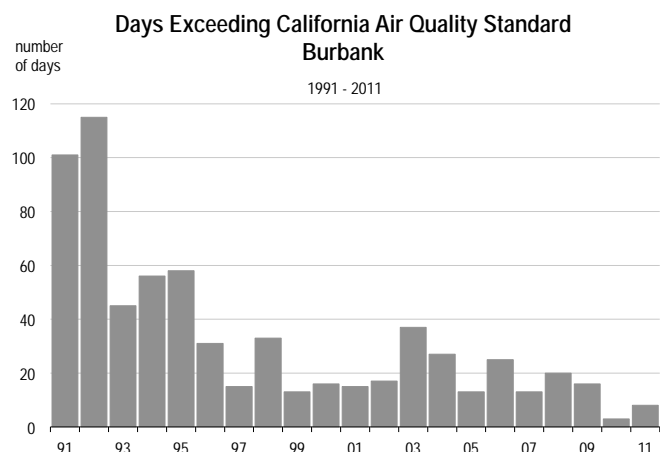
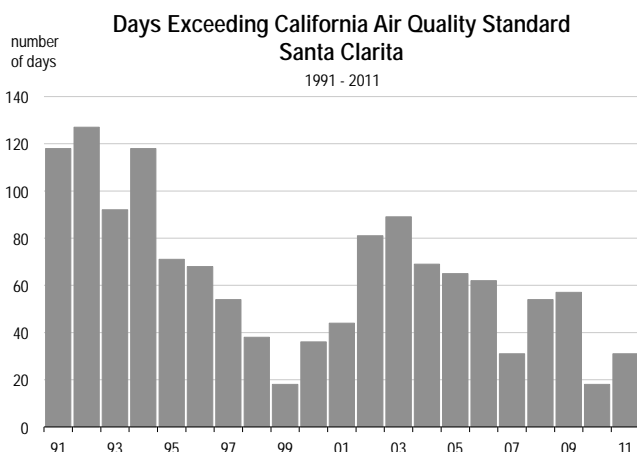
Despite geographic proximity, the Santa Clarita and San Fernando Valleys vary somewhat in violent crime rates. Both of these regions, however, exhibit rates that are far below California in general. In addition, several neighboring regions, including the Antelope Valley, experience much higher rates. This is largely a result of the relative affluence of the Santa Clarita and San Fernando Valleys, which both have median household incomes that are at, or above, the greater Los Angeles region.

## Air Quality

Ozone levels are a good representation of overall air quality. Ozone is an odorless, colorless gas that can seriously affect human respiratory functions. When concentration levels are high, people are advised to limit outdoor exertion, and people with respiratory disease, such as asthma, should avoid all outdoor exertion. The California standard for average 1-hour ozone concentrations is 0.09 parts per million (ppm). Whenever this standard is exceeded, a violation for the day occurs.

## Santa Clarita Valley

- Current ozone air quality is dramatically cleaner than 15 or 20 years ago.
- In 2011, the Santa Clarita monitoring station reported 31 violations of the California standard. This was lower than the 2009 total of 57 days, but represents an increase from the 18 days that were recorded in 2010.
- Comparing violations for different time periods, 1991-2001 averaged 71 per year, and 2001-2011 averaged 55 per year.
- Ozone violations occur more often in summer and less often in winter.





## San Fernando Valley

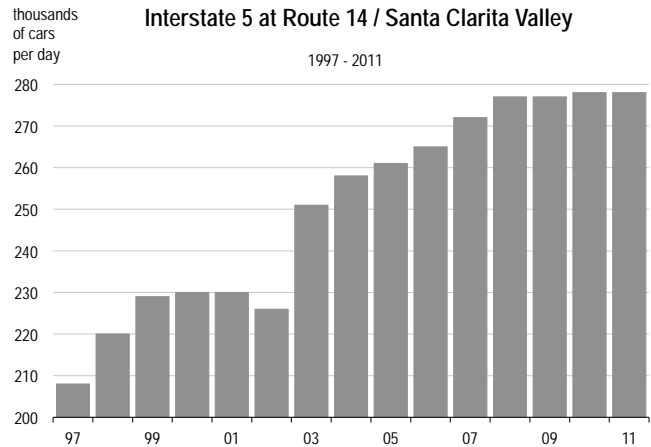
- The Burbank monitoring station reported 8 violations of the California ozone standard during 2011.
- As in Santa Clarita, Burbank saw a slight deterioration from 2010, which was characterized by 3 violations.
- The average from 1991-2001 was 43 days in violation of the California standard, compared to 32 during the 2001-2011 period.

## Traffic

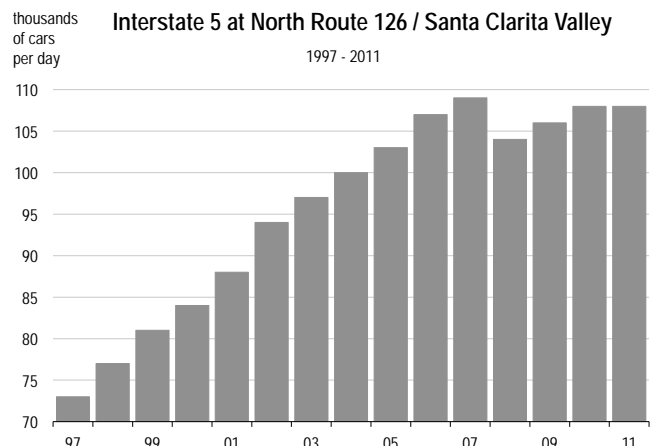
Traffic counts can reveal information about economic and demographic trends. In general, traffic counts decline during periods of economic weakness and grow during periods of strength. This occurs for several reasons, including the increased transportation of goods, a larger number of individuals that commute to work, and higher disposable incomes that can be spent on automobiles and gasoline.

Since the recession of 2007-2009, traffic counts have declined dramatically across the nation, state, and Los Angeles County. However, traffic counts have remained relatively steady in the Santa Clarita Valley, especially along the I-5 corridor. In general, this is the result of continued migration into the region. When many other regions began to lose residents, movement into the Santa Clarita Valley remained positive.

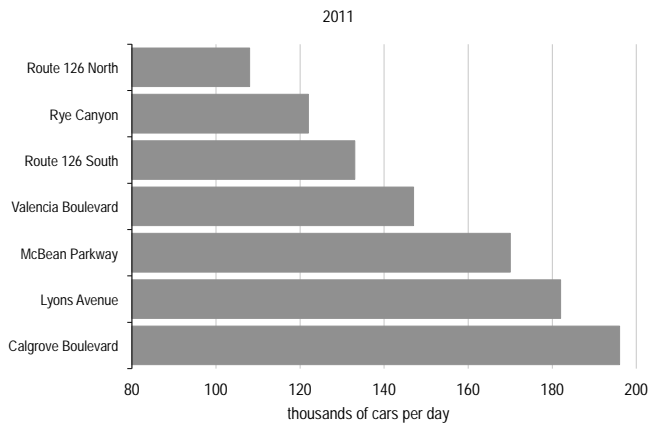
The California Department of Transportation (Cal Trans) estimates traffic counts for state highways, including interstates and routes. Annual average daily traffic is the total traffic volume for the year divided by 365. The traffic count year is from October 1 to September 30.



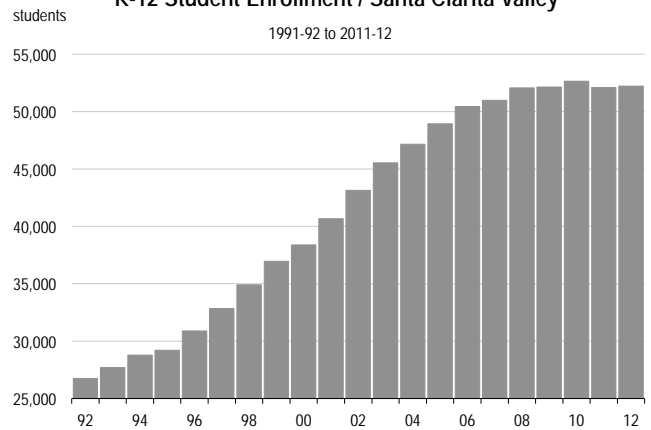
- In 2011, traffic counts rose at virtually every major measuring point in the Santa Clarita.
- In the Santa Clarita Valley, the highest traffic count during 2011 was at Interstate 5 at Route 14, where an average of 278,000 cars passed daily.
- Across the I-5 corridor, average daily traffic grew by 1,000 to 1,500 automobiles. This resulted in increases of about 1 percent over 2010.



Northbound Interstate 5 Junctions / Santa Clarita Valley



K-12 Student Enrollment / Santa Clarita Valley



## Quality of Education

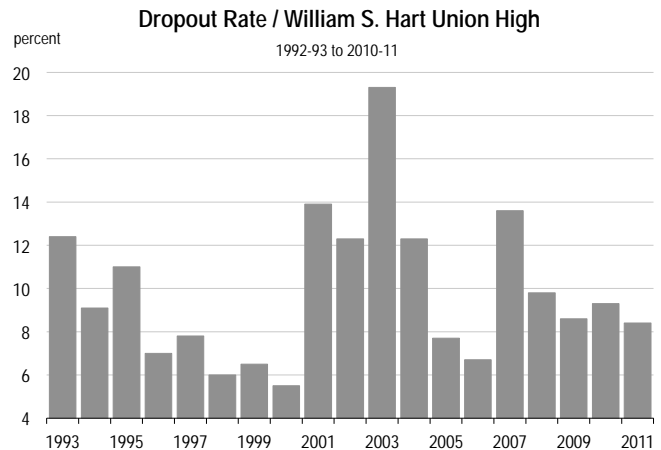
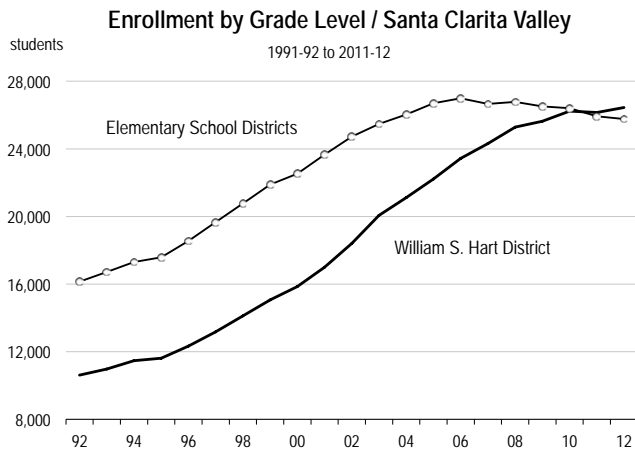
### Enrollments

- According to the California Department of Education, enrollment in Santa Clarita Valley public schools increased in the 2011-2012 school year.
- In the 2011-2012 school year, there were 52,213 students in the K-12 grade levels, an increase of 122 individuals from the previous year.
- However, this is still below the 52,648 students that were enrolled in 2009-2010.
- For the 2011-2012 year, all of the growth occurred at William S. Hart Union High. This district had an increase of 289 students. By contrast, the elementary districts saw declines, with enrollment reductions that ranged from 12 to 92 students.
- During the 2012-2013 year, most elementary districts experienced further declines. The lone exception was Newhall Elementary, which enrolled a total of 34 additional students over the previous year. For William S. Hart Union High, data is not yet available for the 2012-2013 year.

Public School Enrollment	Santa Clarita Valley							
	2005-2006 to 2012-2013							
	- school year -							
	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13
Castaic Union Elementary	3,568	3,433	3,397	3,303	3,211	2,982	2,939	2,877
Newhall Elementary	6,946	6,990	7,088	7,035	7,055	6,961	6,941	6,975
Saugus Union Elementary	10,758	10,521	10,507	10,404	10,362	10,387	10,295	10,233
Sulphur Springs Union Elementary	5,725	5,722	5,789	5,776	5,783	5,601	5,589	5,582
<b>Total Elementary</b>	<b>26,997</b>	<b>26,666</b>	<b>26,781</b>	<b>26,518</b>	<b>26,411</b>	<b>25,931</b>	<b>25,764</b>	<b>25,667</b>
William S. Hart Union High	23,439	24,318	25,282	25,629	26,237	26,160	26,449	n/a
<b>Santa Clarita Valley Total</b>	<b>50,436</b>	<b>50,984</b>	<b>52,063</b>	<b>52,147</b>	<b>52,648</b>	<b>52,091</b>	<b>52,213</b>	<b>n/a</b>

Source: California Department of Education and the California Economic Forecast

n/a = complete information not available



## Dropout Rate

The rate at which students choose to dropout of school is an important indicator of how well schools are keeping students interested and preparing them for the workplace.

Teens who drop out of high school are unlikely to have the minimum skills and credentials necessary to function in today's increasingly technological workplace. The completion of high school is required for accessing post-secondary education and is a minimum requirement for most jobs. Additionally, a high school diploma leads to higher income and occupational status.

- At William S. Hart Union High, dropout rates fell slightly to 8.4 percent in the 2010-2011 school year. This compares very favorably to the 17.2 percent rate for California, and the 20.8 percent rate for Los Angeles County.
- Dropouts at William S. Hart are down from their highs in the early 2000's, and are on par with the average for the 1990's. They have increased somewhat since 2006. This is partially due to better reporting of the dropout rate, and partially to the weak economy.

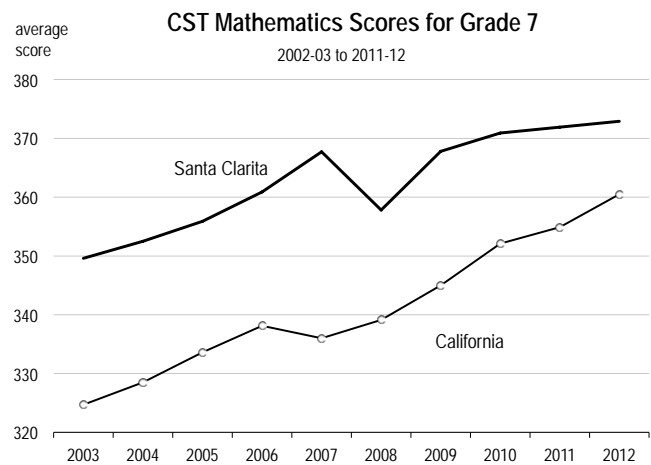
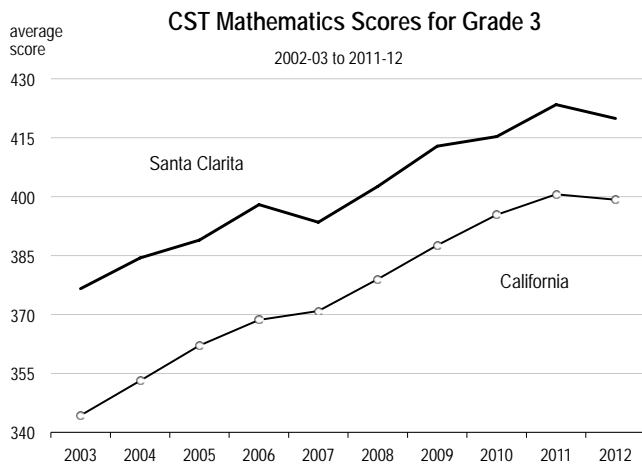
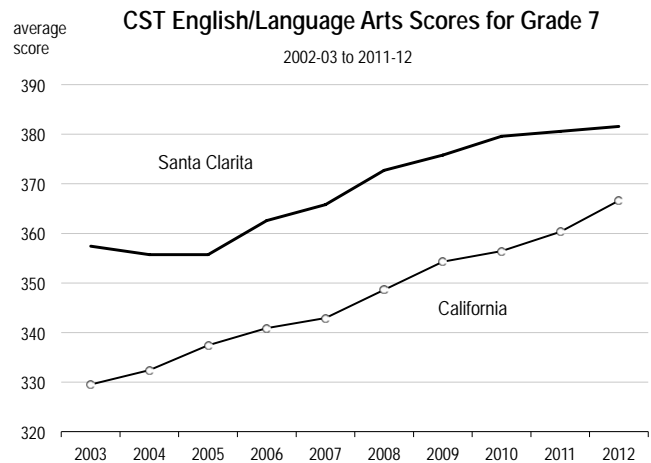
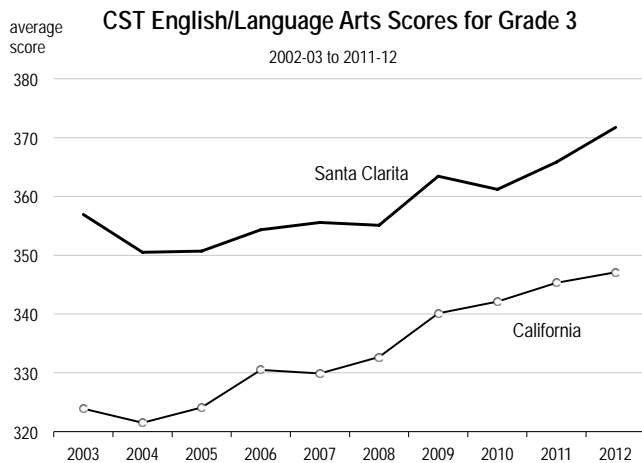
## Academic Performance

Standardized testing has become an important measure of a school's academic performance. Standardized testing starts at the elementary school level where all students take the California Standard Test (or CST). It continues through high school where college and university bound students take the SAT.

### Elementary School Testing

For the past eight years, the California Standard Test (CST) has been the common academic benchmark used to compare California schools. In this chapter, results are shown (arbitrarily) for grades three and seven as representative of elementary and junior high scores.

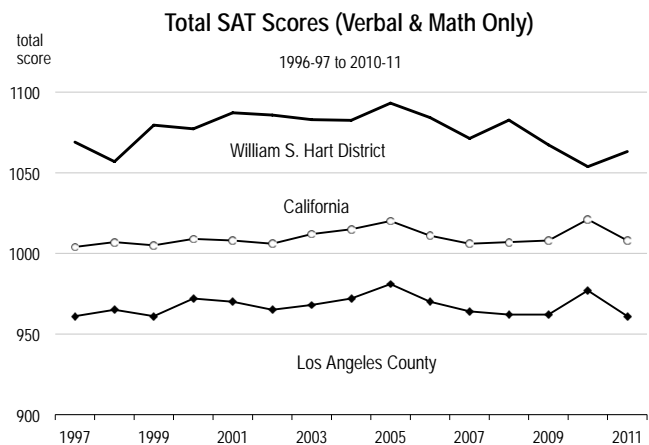
- In the Santa Clarita Valley, students routinely outperform their peers across Los Angeles County and the State of California.
- The Santa Clarita Valley has consistently outperformed the state average since the inception of the test in 2003.



CST Test Scores by District		Santa Clarita Valley			2010-2012		
		Grade 3			Grade 7		
		2009	2010	2011	2009	2010	2011
<b>Santa Clarita District Totals</b>							
William S. Hart Union	Language	N/A	N/A	N/A	380	379	390
	Math	N/A	N/A	N/A	371	367	377
Sulphur Springs Union	Language	344	345	352	N/A	N/A	N/A
	Math	391	403	399	N/A	N/A	N/A
Castaic Union	Language	347	365	358	N/A	N/A	N/A
	Math	388	401	392	N/A	N/A	N/A
Saugus Union	Language	364	370	378	N/A	N/A	N/A
	Math	429	431	429	N/A	N/A	N/A
Newhall Elementary	Language	376	377	384	N/A	N/A	N/A
	Math	426	438	434	N/A	N/A	N/A
<b>Los Angeles County</b>	<b>Language</b>	<b>338</b>	<b>343</b>	<b>346</b>	<b>348</b>	<b>353</b>	<b>360</b>
	<b>Math</b>	<b>392</b>	<b>402</b>	<b>401</b>	<b>344</b>	<b>348</b>	<b>354</b>
<b>California</b>	<b>Language</b>	<b>342</b>	<b>345</b>	<b>347</b>	<b>356</b>	<b>360</b>	<b>367</b>
	<b>Math</b>	<b>395</b>	<b>360</b>	<b>367</b>	<b>352</b>	<b>355</b>	<b>361</b>
<b>Santa Clarita</b>	<b>Language</b>	<b>361</b>	<b>366</b>	<b>372</b>	<b>380</b>	<b>379</b>	<b>382</b>
	<b>Math</b>	<b>415</b>	<b>423</b>	<b>420</b>	<b>371</b>	<b>367</b>	<b>373</b>

Source: California Department of Education

- At the third grade level, the highest scoring districts in the Santa Clarita Valley were Saugus Union and Newhall Union.
- The highest scoring schools in the Santa Clarita Valley were Stevenson Elementary, Meadows Elementary and Oak Hills.
- Other high scoring schools included Pico Canyon, Mountain View, and North Park.
- Live Oak Elementary, Newhall Elementary, Cedar Creek Elementary, Canyon Springs Elementary, Mitchell Elementary, and Valley View Elementary scored below the state average on the language portion.
- Live Oak Elementary, Newhall Elementary, Old Orchard Elementary, Peachland Avenue, Cedar Creek Elementary, Santa Clarita Elementary, Skyblue Mesa Elementary, Canyon Springs Elementary, Mint Canyon Elementary, Mitchell Elementary, and Valley View Elementary scored below the state average on the math portion.



### College Entrance Exam Performance

The (SAT) is a standardized test taken by juniors and seniors in high school. It is typically a requirement for students desiring to attend 4-year colleges and universities. Over the past few years, the scoring system has changed, and the highest attainable score is now 2400. The new test has three sections – critical reading, math, and writing – that are each worth 800 points. The previous SAT that did not incorporate a writing section was graded on a scale of 1600 points. In addition to the new writing section,

which includes an essay and multiple-choice questions, changes were made to the math section (adding higher-level math and eliminating quantitative comparisons) and verbal section (eliminating analogies).

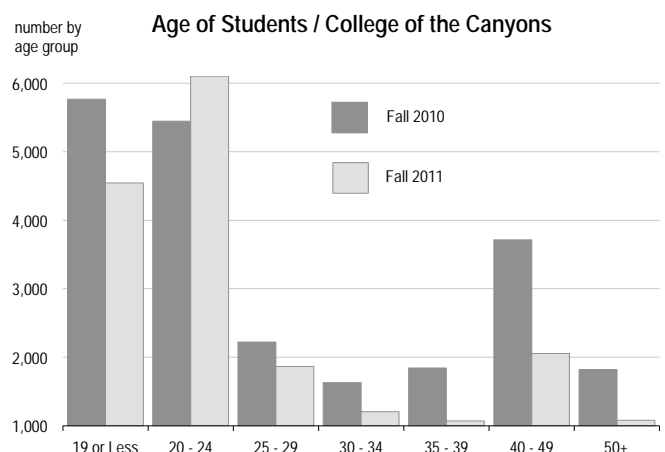
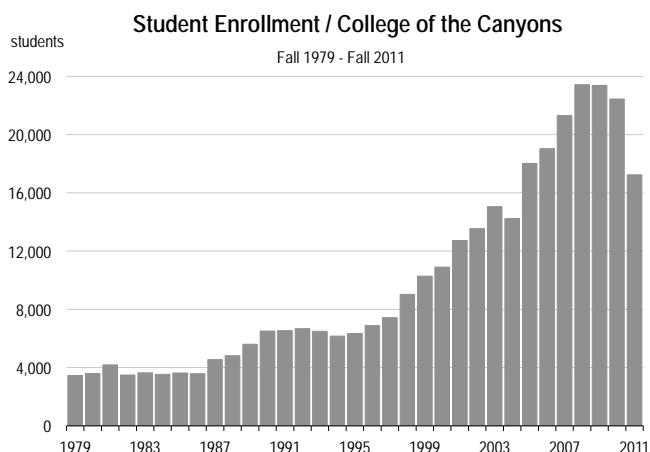
- For the 2010-2011 school year, every high school in the Santa Clarita valley had a higher average SAT score than Los Angeles County and California.
- The district overall saw a small increase in average scores, whereas Los Angeles County and the state of California saw moderate decreases.
- When accounting for all sections of the new test – verbal, math, and writing – Academy of the Canyons had the highest average score. Canyon High School and Saugus High School experienced the largest improvements over the previous year, with gains of 36 points and 26 points, respectively.

SAT Results					2010-2011
--Average Scores--					
District / Aggregate	Verbal	Math	Writing	Total	Total (w/o writing)
Canyon High	512	538	517	1567	1050
Hart (William S.) Senior High	541	557	549	1647	1098
Saugus High	533	552	531	1616	1085
Valencia High	530	556	536	1622	1086
Academy of the Canyons	558	582	547	1687	1140
West Ranch High	529	559	533	1621	1088
Golden Valley High	505	517	494	1516	1022
<b>William S. Hart Union HS District</b>	<b>530</b>	<b>533</b>	<b>534</b>	<b>1597</b>	<b>1063</b>
<b>Los Angeles County</b>	<b>471</b>	<b>490</b>	<b>475</b>	<b>1436</b>	<b>961</b>
<b>State of California</b>	<b>495</b>	<b>513</b>	<b>494</b>	<b>1502</b>	<b>1008</b>

Source: California Department of Education

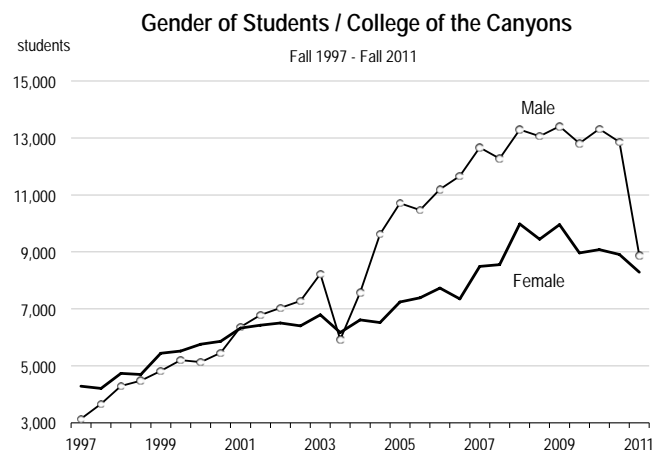
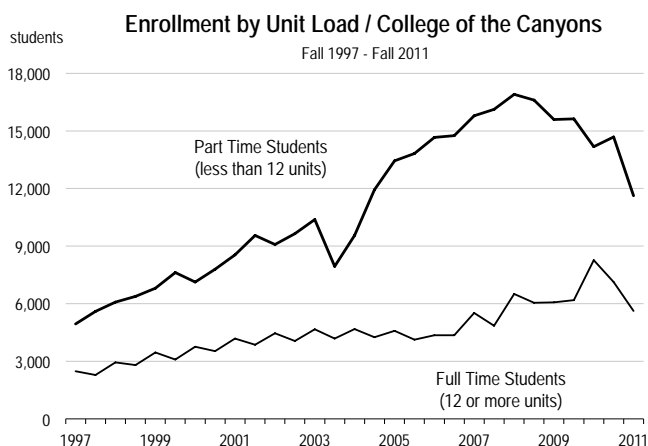
## College of the Canyons

- In the Fall of 2011, Enrollment at College of the Canyons decreased sharply.
- Because of budgetary issues, enrollment dropped at many institutions across the state. At the College of the Canyons, enrolment fell to 17,240, a decrease of 23 percent from the previous year.
- Enrollment is now lower than any point since the 2004 school year.
- Over the past year, the largest declines were observed among students under the age of 19, and those between the ages of 40 and 49. In each of these groups, enrollment decreased by more than 1,000 students.



- In the Fall of 2011, the only increases were observed for those aged 20 to 24.
- In Fall 2011, 33 percent of students were enrolled in 12 or more units, one of the highest ratios of full time students on record.

- Over the past several years, the gender structure of the College of the Canyons has been skewed towards males. However, over the course of the last year, the vast majority of enrollment declines occurred among males. As a result, males outnumbered females by only a small margin in the fall of 2011.





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Economic Forecast"*



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