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Casden Real Estate Economics Forecast

2019 Multifamily Forecast Report

USC Lusk Center For Real Estate
Casden Real Estate Economics Forecast
2019 Multifamily Report

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USC LUSK CENTER FOR REAL ESTATE

AUTHORS:

RICHARD K. GREEN | DIRECTOR | USC LUSK CENTER FOR REAL ESTATE

BEACON ECONOMICS TEAM

CHRISTOPHER THORNBERG | FOUNDING PARTNER

ROBERT KLEINHENZ | ECONOMIST | EXECUTIVE DIRECTOR OF RESEARCH

JUSTIN NIAKAMAL | SENIOR RESEARCH ASSOCIATE

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Southern California Economic Dynamics

One of the great strengths of Southern California's economy is that it is well diversified. Table 1 contains location quotients for each major industry for each county in Southern California. A location quotient is the share of local employment in a particular industry divided by the share of national employment in a particular industry. Hence a location quotient of greater than one implies that a local economy is more reliant on a particular industry than the country; the converse is true for a location quotient of less than one.

In the vast majority of instances, location quotients for Southern California counties are between 0.8 and 1.2, meaning an absence of overreliance, or a paucity, of an industry.

San Diego County is particularly well-diversified, with all location quotients other than those for Natural Resources and "Unclassified" being between 0.8 and 1.25. But it is worth spending some time looking at the exceptions.

Los Angeles County is very reliant on the Information industry as a source of employment. Within California, only the Bay Area counties of San Francisco, San Mateo, and Santa Clara are more dependent on Information as an employer than Los Angeles. Coming out of the recession, Los Angeles' reliance on Information was an important and positive driver, as the sector grew faster than others, and provided higher wages than other sectors. Nationally, the average wage in the Information sector in the first quarter of 2019 was more than $2,500

per week, and the wage in that sector rose faster than any other. But employment growth in the sector, a leader for many years after the recession, has become a laggard, with growth between 2018 and 2019 at about half the rate of total employment growth. The disappointing performance of "unicorns" that have gone public (and the rather spectacular failure of one unicorn to even issue an IPO) may be a cause for concern about the Los Angeles economy going forward.

Note that within Southern California, however, Los Angeles is the only county with disproportionate employment in the Information Sector. Orange County relies most disproportionately on Professional and Business Services, whose sectoral employment growth has been faster than overall employment growth; wages in that sector are a little over $1450 per week.

San Diego County is very diversified, and has a recent of history of being the most economically resilient county in the region.

Riverside Country relies heavily on construction (large amounts of Warehouse Space are being built in the County), and San Bernardino County relies heavily on Trade, Transportation and Utilities. Ventura County has an outsize presence in Natural Resources and Mining, representing its relatively large agricultural sector.

Figure 1

Southern California Location Quotients By County

	Los Angeles	Orange	San Diego	Ventura	San Bernardino	Riverside
Construction	0.67	1.32	1.15	1.03	1.00	1.79
Education and Health Services	1.17	0.88	0.9	0.91	1.02	0.94
Financial Activities	0.88	1.25	0.9	0.87	0.52	0.51
Information	2.43	0.81	0.82	0.77	0.34	0.44
Leisure and Hospitality	1.10	1.25	1.24	1.04	0.94	1.22
Manufacturing	0.87	1.12	0.89	0.92	0.85	0.69
Natural Resources and Mining	0.11	0.12	0.52	6.37	0.32	1.43
Other Services	1.10	0.94	1.15	0.83	0.84	0.89
Professional and Business Services	0.99	1.37	1.19	0.92	0.72	0.68
Trade, Transportation, and Utilities	1.00	0.84	0.81	0.94	1.51	1.17
Unclassified	0.23	0.16	0.19	0.11	0.09	0.11

Skills

One of the most important determinants of income growth in an economy is educational attainment among the adult population, and specifically the share of adults with a Bachelor's degree or more. Using this definition of skilled, most of Southern California is more skilled than the United States:

A couple of things are worth underlining. First, while the bulk of Southern California people live in places that outpace the nation in adult share with a BA, outside of San Diego and Orange Counties, the regional lags the state. Second, the eastern part of the region—the place with the most population growth—lags the country and the state substantially in educational attainment. Third, outside of San Diego, the country is catching up to the region in educational attainment. None of this is good news for the region's long-term competitiveness.
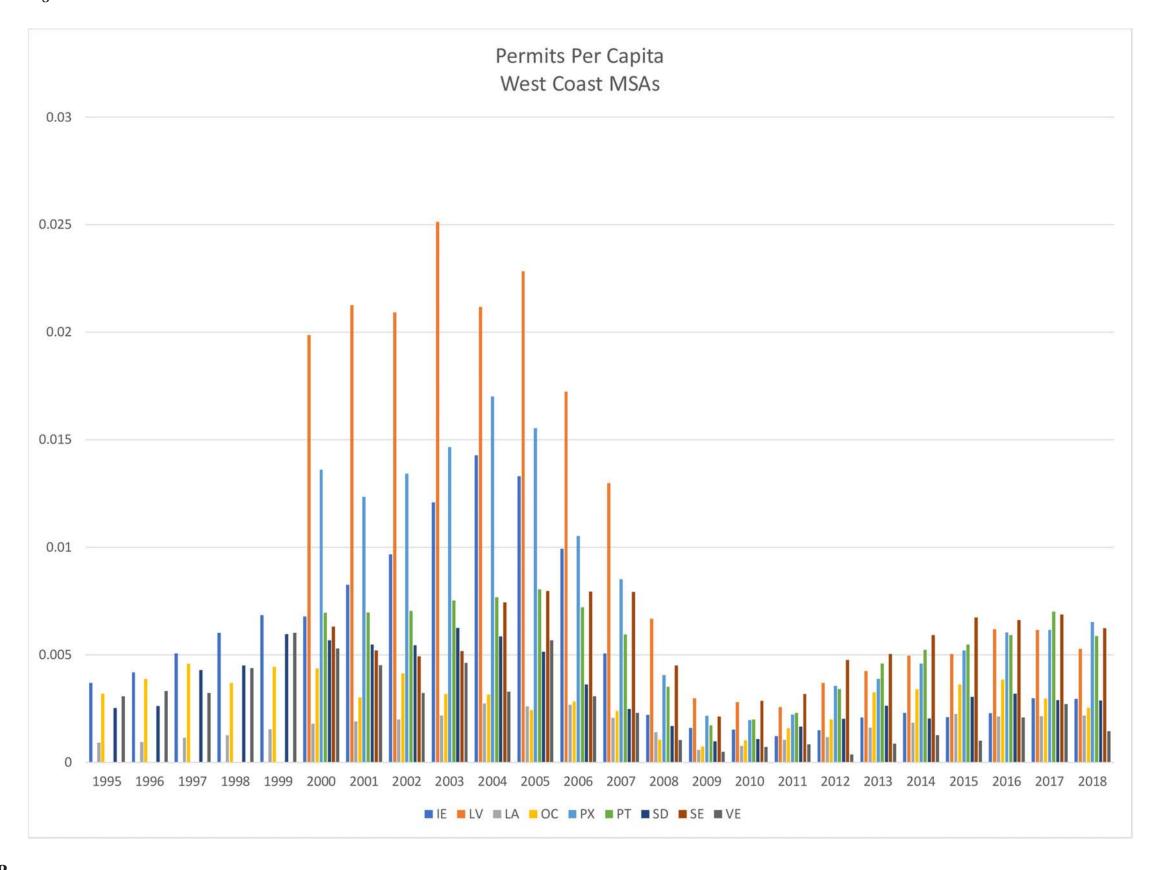
Figure 2

Educational Attainment: "Share of Adults with B.A. Degree or Higher"

	2009	2017	Change
USA	27.5	30.9	3.4
California	29.7	32.6	2.9
Los Angeles	28.4	31.2	2.8
Orange County	35.2	39.1	3.9
Riverside	20.4	21.5	1.1
San Bernardino	18.2	19.8	1.6
San Diego	34	37.4	3.4
Ventura	30.3	32.6	2.3

VERY LITTLE HOUSING CONSTRUCTION

For 11 years now, since the Global Financial Crisis, Southern California has built has little housing, both compared with its history and compared with other cities in the West. Figure 3 depicts the number of housing units permitted per capita in the five areas covered in this report, Seattle, Portland, Las Vegas, and Phoenix.

Figure 3

Permits Per Capita
West Coast MSAs

Legend: IE LV LA OC PX PT SD SE VE

No region in Southern California permitted more than 3 units per 1000 people in 2018, and as of the year-to-date, construction permitting has fallen in Los Angeles, 30%. This contrasts with the other western cities, where new construction was at least 5 units per 1000 people.

Why the difference? American Community Survey data puts rents in Southern California above those in Phoenix, Las Vegas and Portland; rents in Seattle are slightly lower than those in San Diego, Los Angeles, and Orange Counties. On its face, if the cost of construction is the same everywhere, this implies that new construction should be more financially feasible in Southern California than its counterparts.

Of course, the cost of construction is not the same everywhere. Land values vary from place-to-place. Land in Las Vegas and Phoenix is much less expensive than in Southern California, meaning that developers can build feasibly to much lower rent levels. But the cost of construction also varies, in part owing to the nature of zoning and the time it takes to do development in California. Developers have shared pro formas with us that show that soft costs are more expensive in California than elsewhere—a finding that is supported by Ivy Zelman[1] and Steven Oliner[2].

By right zoning for large scale development is practically non-existent in California, meaning that developers must spend money on legal and consulting fees not required of their counterparts elsewhere. But just as important is the issue of time. The longer it takes for development to get approved, the higher is the cost to the developer, as she must pay her investors for the time over which the property is not earning money. Suppose the cost of land is half the cost of development, and that equity partners financing land require a minimum return of eight percent. That means that a project that takes three years will cost eight percent more than a project that takes one (two years longer multiplied by 50 percent multiplied by eight percent).

All of this makes feasibility more difficult in Southern California, and likely explains why so little is built relative to population.

WHY AREN'T RENTS RISING MORE?

Even though not much is being built in the region, rents rose fairly modestly last year, and we expect the increases to be modest next year—rents actually rose a little less than incomes, so affordability, while still poor, improved a tiny bit over the past year.
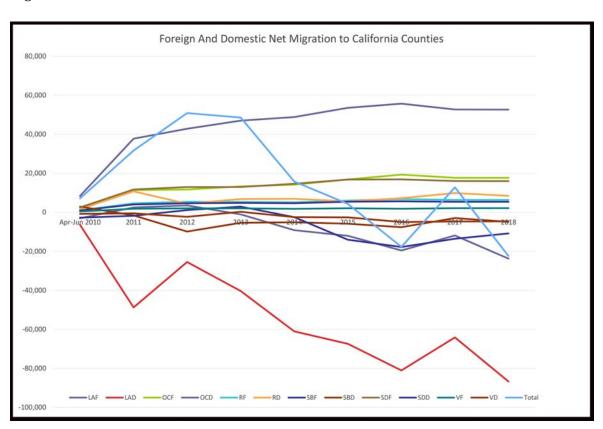
We expect the issue relates to affordability. Housing in Southern California is so expensive relative to incomes, people are leaving the region in large numbers (Figure 4). Domestic out-migration from Los Angeles County in 2018 was more than 86,000. Other than Riverside County (which absorbed migrants from the rest of the region), all areas of Southern California

had domestic outmigration, and the region as a whole lost more than 20,000 people to other places, even taking into account foreign in-migration, which has slowed recently.

Where are these people going? Figures 5 through 8 show leading destinations for Los Angeles and Orange Counties (which are lumped together as one MSA in the US Census), San Diego County, the Inland Empire, and Ventura County. In almost all instances, the leading destination places outside of California for those leaving these metros are Phoenix and Las Vegas. The one exception is that the second and third leading non-California destinations for those leaving San Diego are Washington, DC, and Norfolk. We speculate that the military's large presence in San Diego, and in DC (at least in terms of contractors) and Norfolk explains this phenomenon.

The large outmigration to Phoenix and Las Vegas is particularly striking given the very low unemployment rate currently in California. In years past, outmigration has usually been associated with periods of high unemployment, such as the "peace dividend" recession of the 1990s and the Global Financial Crisis. When we examine outmigration in California at the end of the last decade, we saw substantial movement to Texas, where the unemployment rate was considerably lower than in California. Now people are staying closer to home.

Figure 4

Foreign And Domestic Net Migration to California Counties

[1]Zelman and Associates, High Fees and Lower FHA Limits "Impact" Growth, March 28, 2016.

[2]Steven Oliner, How Long Did it Take to Plan That Building? UCLA Economic Letter, January 2013.
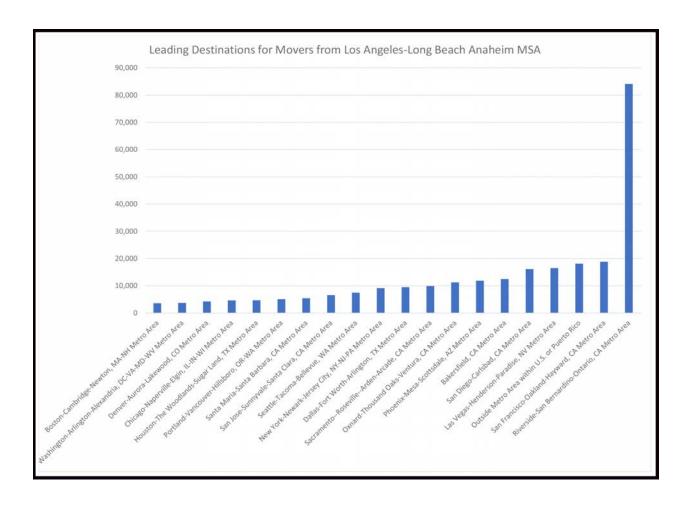
Figure 5

Leading Destinations for Movers from Los Angeles
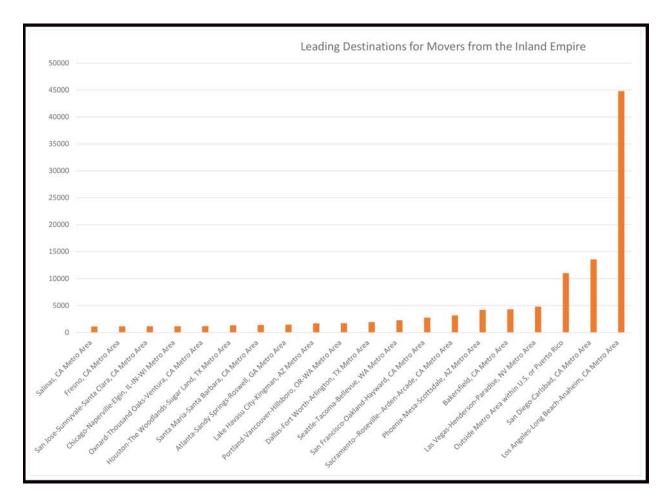
Long Beach Anaheim MSA

Figure 6

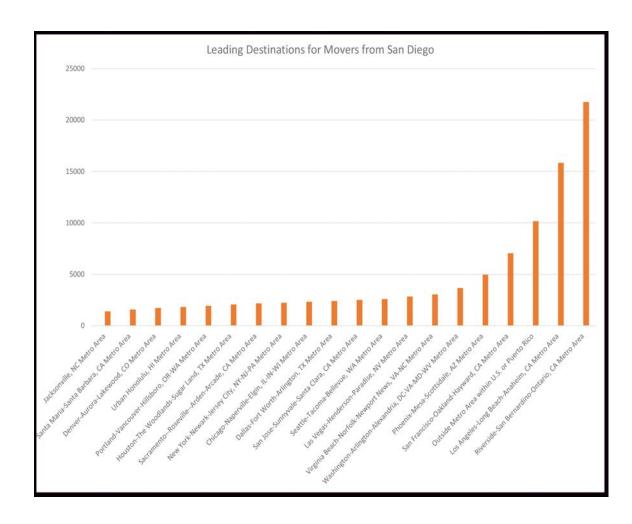**Leading Destinations for Movers from the Inland Empire**

Figure 7

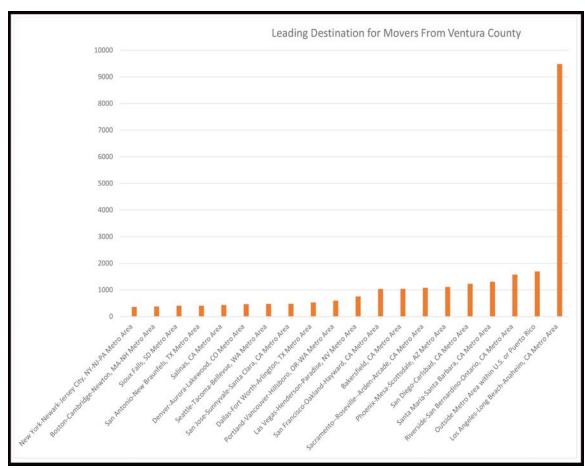**Leading Destinations for Movers from San Diego**

Figure 8

Leading Destination for Movers From Ventura County

LOS ANGELES

DESPITE leading Southern California in new multifamily construction over the last several years, and even with an average renter income that is among the lowest in the region, Los Angeles County has the highest average rent among the Southern California metro areas. The County economy has grown steadily throughout 2019, and the county unemployment rate has remained in record-low territory. Total nonfarm jobs grew 1.3% in August from the same period last year, for a gain of 60,000. As California's nonfarm jobs have increased 1.8% over the period, the County is lagging the State as a whole. Still, other measures reflect progress in the County economy, notably a healthy 13.1% year-to-date increase in taxable sales in the first half of this year and a modest 2.9% year-to-year gain in average wages as of the first quarter.

About one-third of the gains in nonfarm jobs were in Healthcare, followed by Construction and Leisure and Hospitality. Construction (6.5%), Natural Resources/Mining (5.3%), and Administrative Support (3.2%) had the largest percentage increases. Retail Trade and a few other industries lost jobs over the same period, but total losses amounted to just 0.2% of all employment.

There were 3.57 million housing units in Los Angeles County in 2019, according to the California Department of Finance. Of these, 1.54 million were multifamily. Los Angeles County is the only Southern California region with more renters than homeowners. Data from the American Community Survey for 2018 indicate that renters accounted for 54.7% of all households in the County.[1]

Average apartment rent was $2,230 per month, up from $2,180 in 2018. Los Angeles County registered the highest county-level average rent in Southern California in 2019, continuing a trend going back at least to the start of the decade. The average rent increased 2.3% year over year. Rent increases have trended down over the last few years, with this year's just one third as large as that in 2015.

The County includes three of the five most expensive rental submarkets in Southern California, led by Coastal Communities-Beverly Hills at ($3,060). Downtown ($2,560) and the West San Gabriel Valley ($2,380) followed. The Inglewood-Gardena-Hawthorne submarket had the lowest rent at $1,620 per month, followed by Central Los Angeles at $1,640.

The Inglewood-Gardena-Hawthorne submarket has had the highest rental growth in recent quarters. Some of its rent increases can be traced to the spillover effect from expensive submarkets west of Inglewood. The recently named SoFi Stadium, scheduled to open next summer, along with proximity to Los Angeles International Airport will make this market that much more desirable. With a prime location and relative affordability (compared with western neighbors such as Westchester and El Segundo), Inglewood-Gardena-Hawthorne will be a market to watch in the coming years.

The County vacancy rate remained below 4% for the fifth year in a row at 3.5%. The rate edged down from 3.7% in 2018, as did vacancy rates in most submarkets. Inglewood-Gardena-Hawthorne had the lowest vacancy rate at 2.1%, followed by Central Los Angeles at 2.3%.

Stubbornly low vacancy rates over many years reflect the chronic shortfall of new housing stock. Because construction activity has been small in recent decades, the County's housing stock is the oldest among the Southern California metro areas, with 56.1% built before 1970 and just 8.2% built after 2000.

Multifamily construction in Los Angeles County increased steadily from 2009 to 2015, when it achieved a peak of 18,638 units. Permitting has been reasonably active since then, with 16,633 permits in 2018, up 1.1% from the previous year. Permitting slipped in the first half of this year, however, down from 10,875 permits in the first half of 2018 to 7,334, for a decline of 33%.
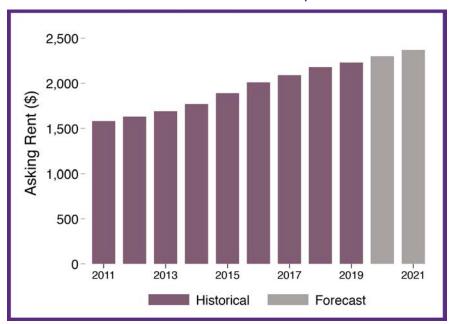
At $47,430, Los Angeles County had the second-lowest household income among multifamily renters in Southern California in 2017. Over half (52.7%) of renting (multifamily) households were rent-burdened, meaning they spent 30% or more of their income on rent.
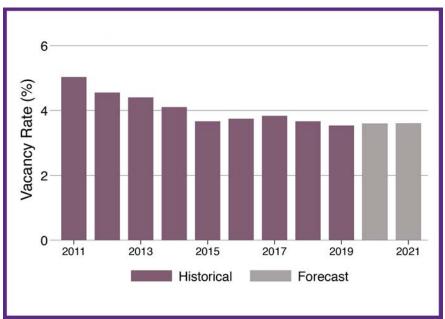
Over the next year, nonfarm job growth in Los Angeles County will remain steady, increasing from 1.0% to 1.4% year over year. The County will add to its job base and income growth. Moreover, despite a marginal decline in population, the County's housing shortfall will take years to remedy. The decline in mortgage rates over the past year has increased affordability in the owner-occupied market. However, home prices are still high relative to incomes, limiting the pool of prospective buyers.

Taken together, the combination of rising employment and little construction ensure that low vacancies and rising rents will prevail in the Los Angeles County multifamily market. The vacancy rate will be virtually unchanged, edging up from 3.5% to 3.6%. With vacancy below 4%, the average rent is expected to increase 3.1% from $2,230 in 2019 to $2,300 in 2020, with an increase of 3.0% expected in 2021. Rent increases will be softer in high-end submarkets.
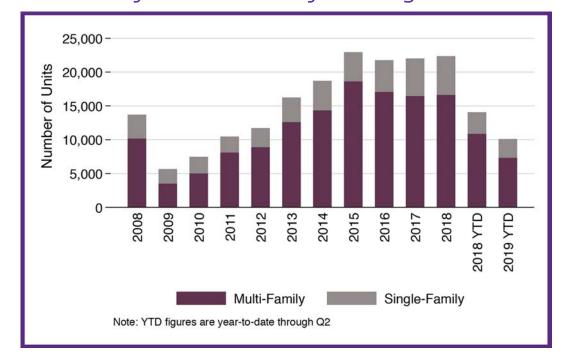
[1] The metro level figures cited from the 2018 American Community Survey were obtained directly from the Census Bureau's website. The 2017 American Community Survey figures were derived from the American Community Survey Public Use Micro Sample (PUMS) and were the basis for household and housing stock figures at the submarket level.
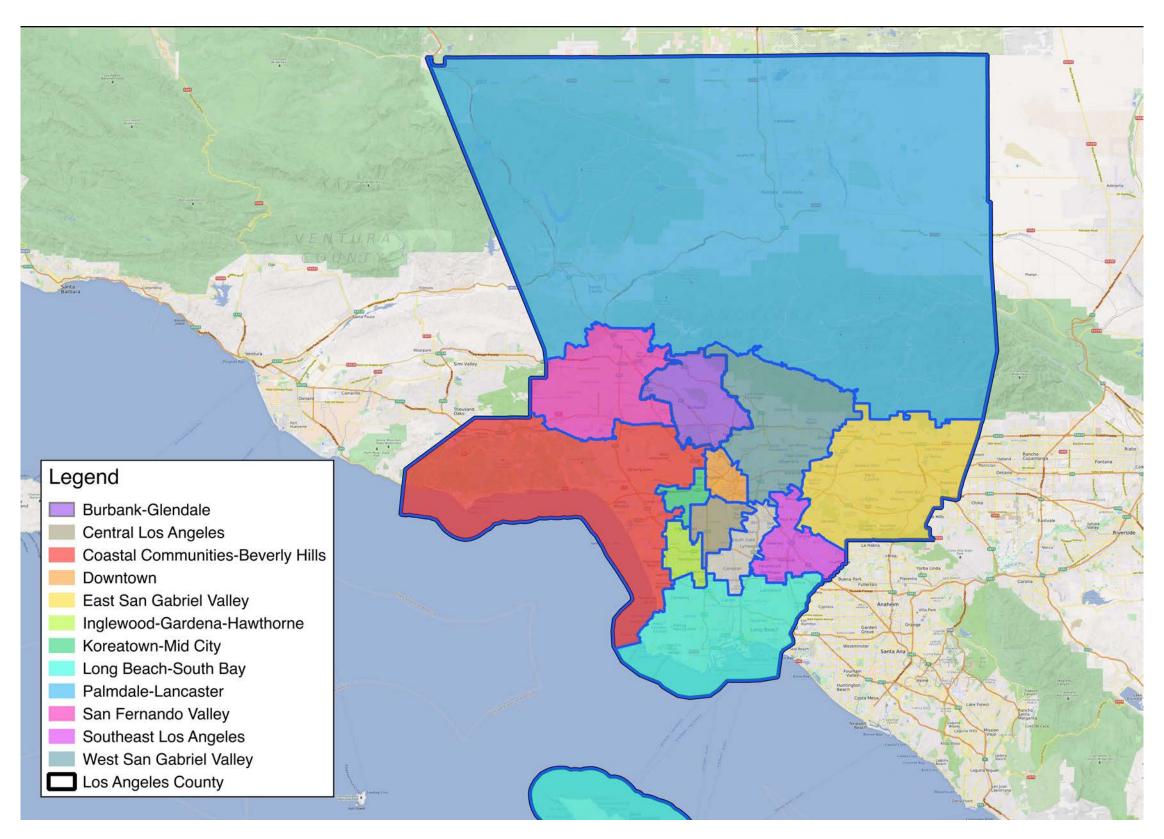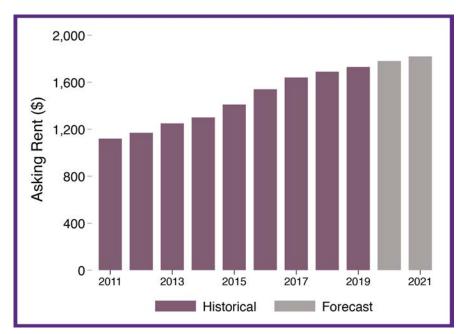
Los Angeles County Rents/Vacancy
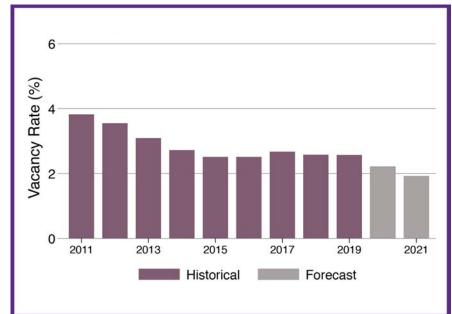

Multifamily Permit Activity Los Angeles

Note: YTD figures are year-to-date through Q2

Los Angeles County Renter Household Statistics

Percent with Children	34.2%
Average Household Size	2.63
Median Household Income	$47,370
Share of Rent Burdened Households	52.7%

Race (%)

White	30.1%
Black	11.7%
Asian	12.6%
Hispanic	41.7%
All Other Races	3.9%

Education (%)

Less than HS	21.3%
HS Diploma	47.0%
Bachelor's Degree	21.7%
Graduate Degree	10.0%

Los Angeles County Rental Units By Size of Structure

Single Family (Detached & Attached)	28.3%
2-4 Units	13.3%
5-9 Units	13.1%
10-19 Units	12.8%
20 Units+	32.5%

Los Angeles County Rental Units By Year Built

Before 1970	56.1%
1970-1999	35.7%
After 2000	8.2%

Source: Axiometrics and Beacon Economics   Source: Axiometrics and Beacon Economics

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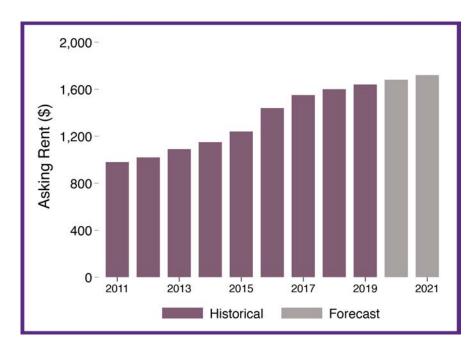
Burbank-Glendale Market
Los Angeles County, 2010 to 2020
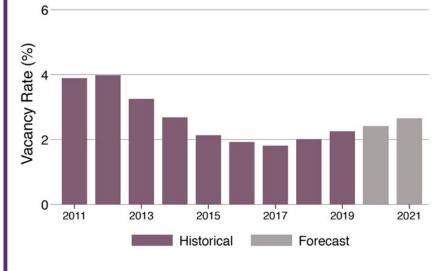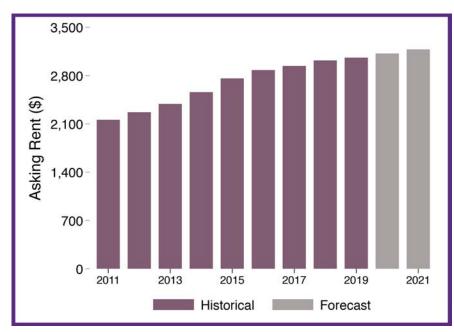

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

Central-Los-Angeles Market
Los Angeles County, 2010 to 2020

Source: Axiometrics and Beacon Economics
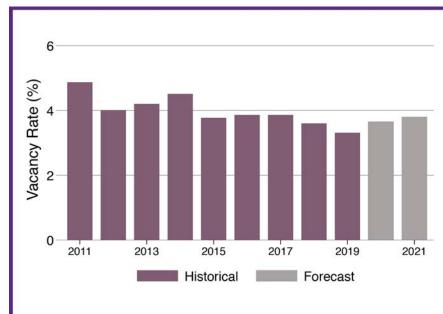
Source: Axiometrics and Beacon Economics

Coastal Communities-Beverly Hills Market
Los Angeles County, 2010 to 2020

Source: Axiometrics and Beacon Economics
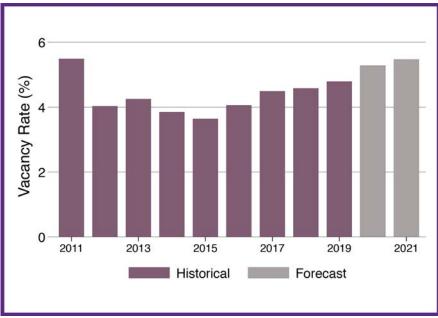
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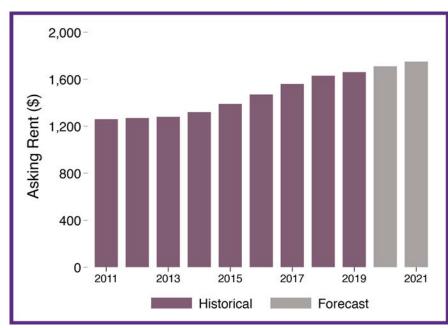
Downtown Market
Los Angeles County, 2010 to 2020
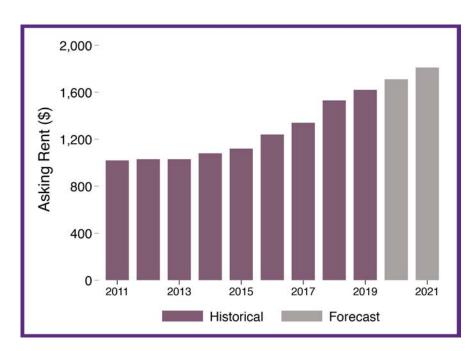
Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

East San Gabriel Valley Market
Los Angeles County, 2010 to 2020

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics
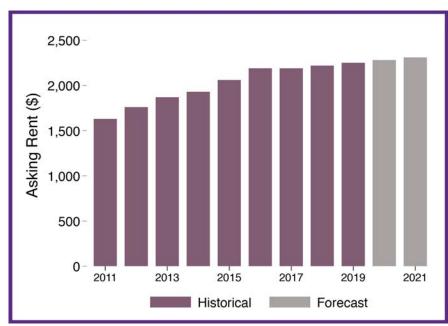
Inglewood-Gardena-Hawthorne Market
Los Angeles County, 2010 to 2020

Source: Axiometrics and Beacon Economics
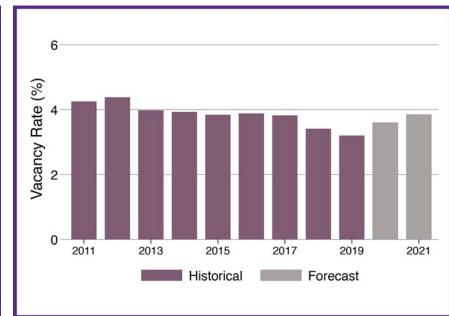
Source: Axiometrics and Beacon Economics

Koreatown-Mid-City Market
Los Angeles County, 2010 to 2020

Source: Axiometrics and Beacon Economics
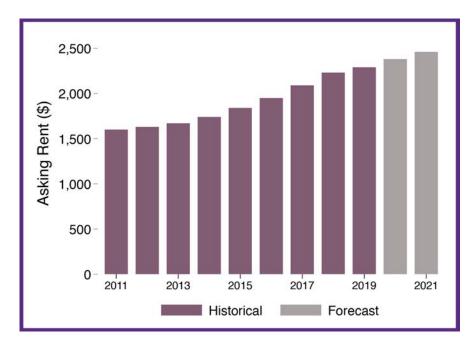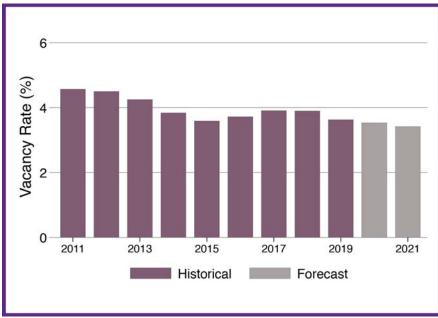
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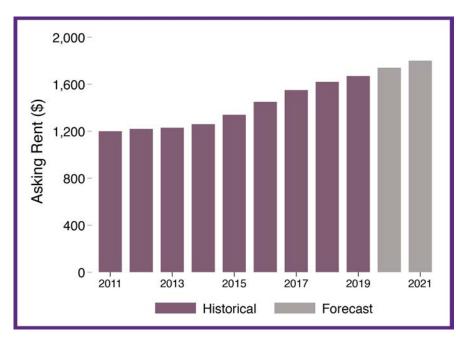
Long Beach-South Bay Market
Los Angeles County, 2010 to 2020
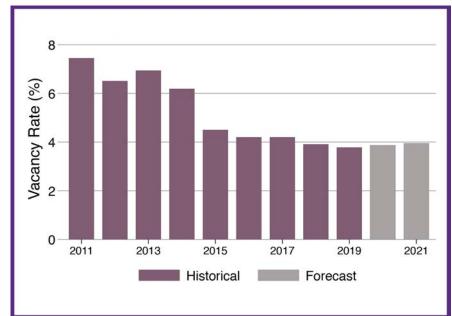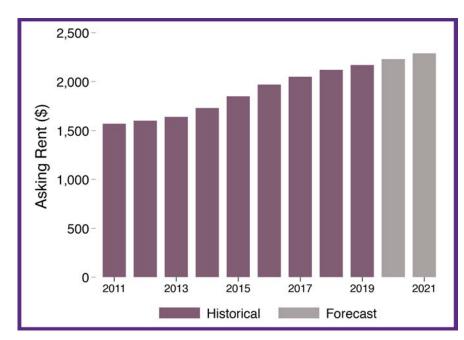
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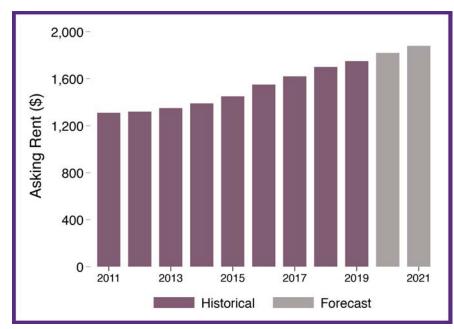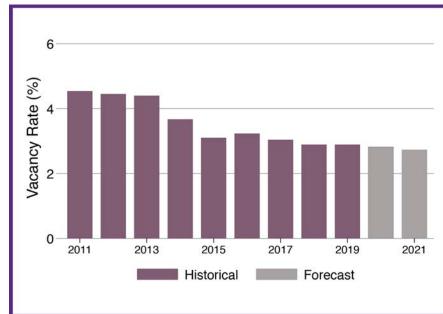
Source: Axiometrics and Beacon Economics

Southeast Los Angeles Market
Los Angeles County, 2010 to 2020
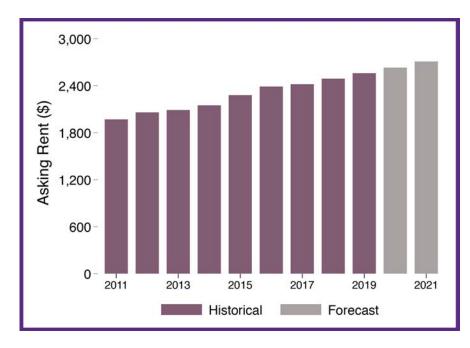

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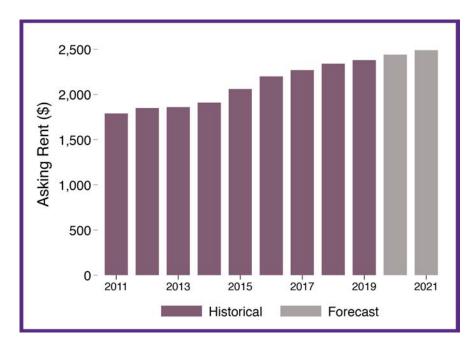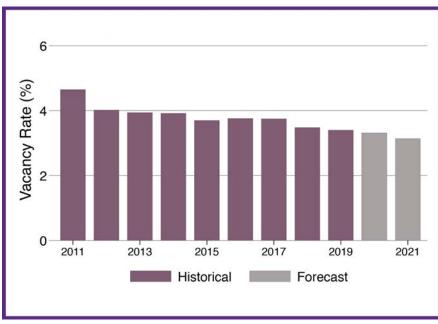
Source: Axiometrics and Beacon Economics

West San Gabriel Valley Market
Los Angeles County, 2010 to 2020

Source: Axiometrics and Beacon Economics
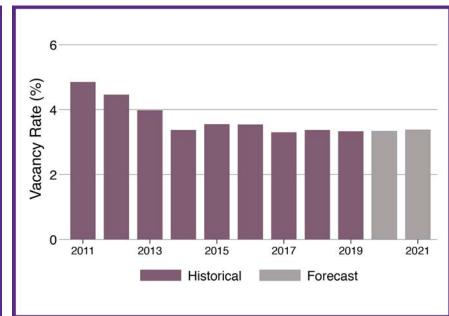

Source: Axiometrics and Beacon Economics

## Burbank-Glendale Renter Household Statistics

Percent with Children	24.0%
Average Household Size	2.37
Median Household Income	$47,380
Share of Rent Burdened Households	58.9%

Central-Los-Angeles Renter Household Statistics

Percent with Children	57.8%
Average Household Size	3.56
Median Household Income	$32,792
Share of Rent Burdened Households	57.6%

Race (%)

White	59.7%
Black	4.1%
Asian	8.2%
Hispanic	24.9%
All Other Races	3.0%

Race (%)

White	1.0%
Black	20.9%
Asian	0.5%
Hispanic	75.8%
All Other Races	1.8%

Education (%)

Less than HS	16.3%
HS Diploma	50.5%
Bachelor's Degree	23.6%
Graduate Degree	9.7%

Education (%)

Less than HS	46.3%
HS Diploma	49.1%
Bachelor's Degree	3.6%
Graduate Degree	1.0%

Burbank-Glendale Rental Units By Size of Structure

Single Family (Detached & Attached)	21.4%
2-4 Units	14.4%
5-9 Units	16.9%
10-19 Units	16.8%
20 Units+	30.4%

Central-Los-Angeles Rental Units By Size of Structure

Single Family (Detached & Attached)	52.4%
2-4 Units	21.4%
5-9 Units	10.9%
10-19 Units	6.3%
20 Units+	9.0%

Burbank-Glendale Rental Units By Year Built

Before 1970	54.9%
1970-1999	39.2%
After 2000	5.9%

Central-Los-Angeles Rental Units By Year Built

Before 1970	68.1%
1970-1999	24.4%
After 2000	7.4%

Coastal-Communities-Beverly-Hills Renter Household Statistics

Percent with Children	16.7%
Average Household Size	1.92
Median Household Income	$67,331
Share of Rent Burdened Households	48.9%

Downtown Renter Household Statistics

Percent with Children	25.1%
Average Household Size	2.37
Median Household Income	$42,452
Share of Rent Burdened Households	45.5%

Race (%)

White	59.1%
Black	6.4%
Asian	11.4%
Hispanic	18.0%
All Other Races	5.2%

Race (%)

White	21.6%
Black	8.2%
Asian	19.5%
Hispanic	46.4%
All Other Races	4.3%

Education (%)

Less than HS	6.4%
HS Diploma	34.3%
Bachelor's Degree	38.8%
Graduate Degree	20.5%

Education (%)

Less than HS	29.9%
HS Diploma	36.8%
Bachelor's Degree	23.1%
Graduate Degree	10.2%

Coastal-Communities-Beverly-Hills Rental Units By Size of Structure

Single Family (Detached & Attached)	12.1%
2-4 Units	12.2%
5-9 Units	19.7%
10-19 Units	17.5%
20 Units+	38.5%

Downtown Rental Units By Size of Structure

Single Family (Detached & Attached)	16.7%
2-4 Units	10.3%
5-9 Units	7.8%
10-19 Units	9.0%
20 Units+	56.2%

Coastal-Communities-Beverly-Hills Rental Units By Year Built

Before 1970	53.3%
1970-1999	37.1%
After 2000	9.6%

Downtown Rental Units By Year Built

Before 1970	57.1%
1970-1999	25.5%
After 2000	17.4%

East-San-Gabriel-Valley Renter Household Statistics

Percent with Children	45.9%
Average Household Size	3.25
Median Household Income	$49,147
Share of Rent Burdened Households	51.0%

Race (%)

White	16.1%
Black	3.9%
Asian	17.5%
Hispanic	57.4%
All Other Races	5.1%

Education (%)

Less than HS	23.0%
HS Diploma	54.0%
Bachelor's Degree	16.0%
Graduate Degree	7.0%

East-San-Gabriel-Valley Rental Units By Size of Structure

Single Family (Detached & Attached)	48.6%
2-4 Units	10.4%
5-9 Units	9.9%
10-19 Units	6.2%
20 Units+	24.9%

East-San-Gabriel-Valley Rental Units By Year Built

Before 1970	53.1%
1970-1999	40.6%
After 2000	6.3%

Inglewood-Gardena-Hawthorne Renter Household Statistics

Percent with Children	41.2%
Average Household Size	2.73
Median Household Income	$40,511
Share of Rent Burdened Households	55.7%

Race (%)

White	8.4%
Black	36.0%
Asian	7.2%
Hispanic	44.8%
All Other Races	3.7%

Education (%)

Less than HS	21.6%
HS Diploma	60.7%
Bachelor's Degree	12.6%
Graduate Degree	5.1%

Inglewood-Gardena-Hawthorne Rental Units By Size of Structure

Single Family (Detached & Attached)	28.1%
2-4 Units	19.3%
5-9 Units	14.0%
10-19 Units	12.6%
20 Units+	26.1%

Inglewood-Gardena-Hawthorne Rental Units By Year Built

Before 1970	68.5%
1970-1999	26.2%
After 2000	5.3%

Koreatown-Midcity Renter Household Statistics

Percent with Children	29.2%
Average Household Size	2.41
Median Household Income	$34,575
Share of Rent Burdened Households	61.6%

Race (%)

White	9.4%
Black	28.3%
Asian	20.0%
Hispanic	38.8%
All Other Races	3.5%

Education (%)

Less than HS	25.6%
HS Diploma	46.8%
Bachelor's Degree	20.1%
Graduate Degree	7.6%

Koreatown-Midcity Rental Units By Size of Structure

Single Family (Detached & Attached)	15.3%
2-4 Units	17.5%
5-9 Units	12.8%
10-19 Units	16.4%
20 Units+	38.0%

Koreatown-Midcity Rental Units By Year Built

Before 1970	66.0%
1970-1999	26.2%
After 2000	7.8%

Long-Beach-South-Bay Renter Household Statistics

Percent with Children	36.5%
Average Household Size	2.62
Median Household Income	$48,924
Share of Rent Burdened Households	50.6%

Race (%)

White	27.8%
Black	14.4%
Asian	16.1%
Hispanic	37.4%
All Other Races	4.4%

Education (%)

Less than HS	19.7%
HS Diploma	50.2%
Bachelor's Degree	21.3%
Graduate Degree	8.8%

Long-Beach-South-Bay Rental Units By Size of Structure

Single Family (Detached & Attached)	28.3%
2-4 Units	16.9%
5-9 Units	14.3%
10-19 Units	15.2%
20 Units+	25.3%

Long-Beach-South-Bay Rental Units By Year Built

Before 1970	61.8%
1970-1999	33.5%
After 2000	4.6%

Palmdale-Lancaster Renter Household Statistics

Percent with Children	47.8%
Average Household Size	3.01
Median Household Income	$45,242
Share of Rent Burdened Households	53.3%

Race (%)

White	34.7%
Black	18.2%
Asian	4.9%
Hispanic	38.5%
All Other Races	3.6%

Education (%)

Less than HS	18.5%
HS Diploma	62.5%
Bachelor's Degree	13.6%
Graduate Degree	5.5%

Palmdale-Lancaster Rental Units By Size of Structure

Single Family (Detached & Attached)	48.9%
2-4 Units	8.3%
5-9 Units	12.7%
10-19 Units	9.0%
20 Units+	21.2%

Palmdale-Lancaster Rental Units By Year Built

Before 1970	13.0%
1970-1999	72.9%
After 2000	14.0%

San-Fernando-Valley Renter Household Statistics

Percent with Children	33.6%
Average Household Size	2.63
Median Household Income	$46,758
Share of Rent Burdened Households	56.5%

Race (%)

White	36.2%
Black	7.0%
Asian	8.1%
Hispanic	44.7%
All Other Races	4.0%

Education (%)

Less than HS	20.7%
HS Diploma	49.4%
Bachelor's Degree	20.7%
Graduate Degree	9.2%

San-Fernando-Valley Rental Units By Size of Structure

Single Family (Detached & Attached)	21.6%
2-4 Units	4.6%
5-9 Units	8.1%
10-19 Units	12.7%
20 Units+	52.9%

San-Fernando-Valley Rental Units By Year Built

Before 1970	43.4%
1970-1999	47.4%
After 2000	9.3%

Southeast-Los-Angeles Renter Household Statistics

Percent with Children	48.4%
Average Household Size	3.03
Median Household Income	$50,804
Share of Rent Burdened Households	52.6%

Race (%)

White	13.0%
Black	10.0%
Asian	8.7%
Hispanic	65.8%
All Other Races	2.5%

Education (%)

Less than HS	23.2%
HS Diploma	59.9%
Bachelor's Degree	12.8%
Graduate Degree	4.0%

Southeast-Los-Angeles Rental Units By Size of Structure

Single Family (Detached & Attached)	40.6%
2-4 Units	12.5%
5-9 Units	7.0%
10-19 Units	9.9%
20 Units+	30.0%

Southeast-Los-Angeles Rental Units By Year Built

Before 1970	64.4%
1970-1999	31.9%
After 2000	3.7%

West-San-Gabriel-Valley Renter Household Statistics

Percent with Children	37.8%
Average Household Size	2.86
Median Household Income	$51,841
Share of Rent Burdened Households	49.2%

Race (%)

White	21.8%
Black	3.4%
Asian	25.9%
Hispanic	45.4%
All Other Races	3.6%

Education (%)

Less than HS	22.8%
HS Diploma	46.6%
Bachelor's Degree	20.3%
Graduate Degree	10.3%

West-San-Gabriel-Valley Rental Units By Size of Structure

Single Family (Detached & Attached)	44.0%
2-4 Units	15.2%
5-9 Units	11.6%
10-19 Units	12.0%
20 Units+	17.3%

West-San-Gabriel-Valley Rental Units By Year Built

Before 1970	63.4%
1970-1999	30.7%
After 2000	5.8%

ORANGE COUNTY

ALONG with having the highest household income among Southern California metro areas and a higher homeownership rate than the state, Orange County led Southern California with a surge in multifamily construction as its economy expanded rapidly early in the decade. The Orange County economy has maintained steady growth throughout 2019. In the 12 months ending in August 2019, the County added roughly 16,400 nonfarm jobs, 1.0% more than the previous year. Steady job gains and improving local conditions in recent months have also kept the seasonally adjusted unemployment rate below 3%. It now stands at 2.7%, suggesting that there's not much room for job growth, as the supply of residents looking for work is so limited. The tightness in the labor market has also yielded wage increases: Orange County wages rose 2.7% in the first quarter of 2019 (the latest data available).

Job creation has unsurprisingly slowed noticeably, as the County's labor force hasn't grown. Slow employment growth has been a labor supply phenomenon, arguably resulting from the lack of available housing. In 2015, the annual growth of total industry employment (quarterly averages) was roughly 3.2%, while yearly growth fell to a 2% pace in 2018. Of the 16,400 nonfarm jobs added year over year in August, just under half came from Leisure and Hospitality (8,100), followed by Health Care (3,300) and Administrative Support (2,100). Education Services grew the most at 4.2%, followed by Leisure and Hospitality (3.5%) and Real Estate and Rental Services (3.1%). Jobs were flat or down in a few industries, but these laggards lost fewer than 600 jobs.

There were 1.10 million housing units in Orange County in 2019, based on the latest estimates from the California Department of Finance. With just 385,000 multifamily units, however, the housing stock is mostly single-family units. The vacancy rate for all housing units was 5.2% in 2019. Data from the American Community Survey for 2018 indicate that renters accounted for 42.6% of households in the region.[2] As for multifamily renter households, 54.9% were rent burdened in 2017, spending more than 30% of household income on rent.

At $2,090 per month in 2019, the average rent in Orange County was second only to Los Angeles County in Southern California. Average rent increased 2.5% in 2019, in line with all Southern California markets except for the Inland Empire, where average rent increased more than 3%. Newport Beach led all submarkets in the County with a monthly rent of $2,460, third-highest of all submarkets in Southern California. It was followed by Irvine-Mission Viejo at $2,300 and Seal Beach-Huntington Beach at $1,970, with rents elsewhere below $1,900. The La Habra-Fullerton submarket rose the most in 2019 at 3.4%.

The median household income for Orange County renters in multifamily units was $59,865 in 2017, the highest in Southern California. The County's share of rent-burdened households, those that spend more than 30% of their income on rent, was 54.9% in 2017, also the highest in Southern California. Anaheim renters faced the highest rent burden at 57.6%.

The vacancy rate in Orange County fell to 3.8% in 2019, down from 3.9% a year earlier and roughly in line with the rest of Southern California. Seal Beach-Huntington Beach had the lowest vacancy rate at 3.2%, while Newport Beach had the highest at 4.7%.

With 86% of its housing built before 2000, the housing stock in Orange County is newer than that of Los Angeles and Ventura counties but older than that of the Inland Empire and San Diego County. Multifamily construction accelerated to a post-recession high of 7,964 units in 2016 before slipping below 5,000 units in each of the last two years. Multifamily permits rebounded this year, up 33.1% from 2,084 units in the first half of 2018 to 2,777 units. Still, new construction is insufficient to meet demand.
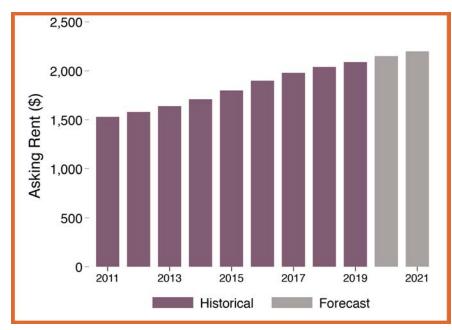
Over the next two years, limited construction along with job and income growth will drive rents up and vacancy rates down. The Orange County vacancy rate will slip from 3.8% this year to an estimated 3.5% in 2020 and 3.3% in 2021. Average rent will climb 2.9% in 2020 to $2,150 per month, with a 2.3% increase expected in 2021. High rents and low vacancy rates will prompt a significant number of workers to commute from county-to-county as they seek relatively higher wages in Orange County, but live where they can stretch their housing expenses more.
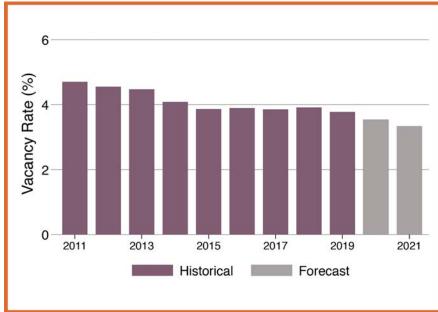
Although the income gains and steady job growth are welcome, one disappointing trend has been the pace of construction. Through the first half of 2019, residential permits issued in the County were down 2% from a year earlier. Single-family permits fell 33.8%, but this was offset by multifamily permits, which increased 33.3%. However, multifamily permits hit a six-year low last year, so even with the sharp increase, this year's permit levels remain weak by post-recession standards. With low-interest rates and a sense that the expansion will continue, we believe construction will strengthen in the second half of the year. Still, with steady job gains and incomes on the rise, the rental market is expected to stay on track, and the slow pace of construction should keep vacancy rates stable in the near term. Our current projections anticipate some softness in the market, which will probably keep rents from rising very fast.

On the policy front, state lawmakers recently passed a landmark measure that will limit rent increases to 5% plus inflation for buildings that are at least 15 years old. In general, this policy is not likely going to have any material impact on overall rent growth, because it effectively caps rent increases at 7% to 8% on an annual basis. This is higher than the 2.5% average rent increase in Orange County, but it still might affect some properties. Looking at property-level data from Axiometrics, we examined a sample of 745 Orange County apartment complexes that are at least 15 years old and found that 12.5% had an asking rent increase of more than 8% from August 2018 to August 2019. All in all, the bill shouldn't deter residential development because it exempts new construction from the cap for 15 years after completion.
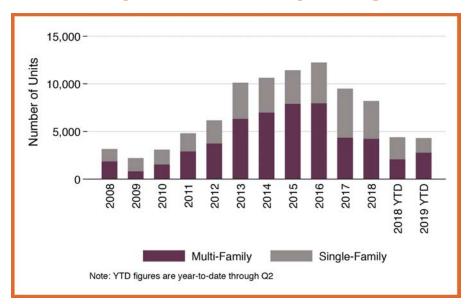
[2] The metro level figures cited from the 2018 American Community Survey were obtained directly from the Census Bureau's website. The 2017 American Community Survey figures were derived from the American Community Survey Public Use Micro Sample (PUMS) and were the basis for household and housing stock figures at the submarket level.
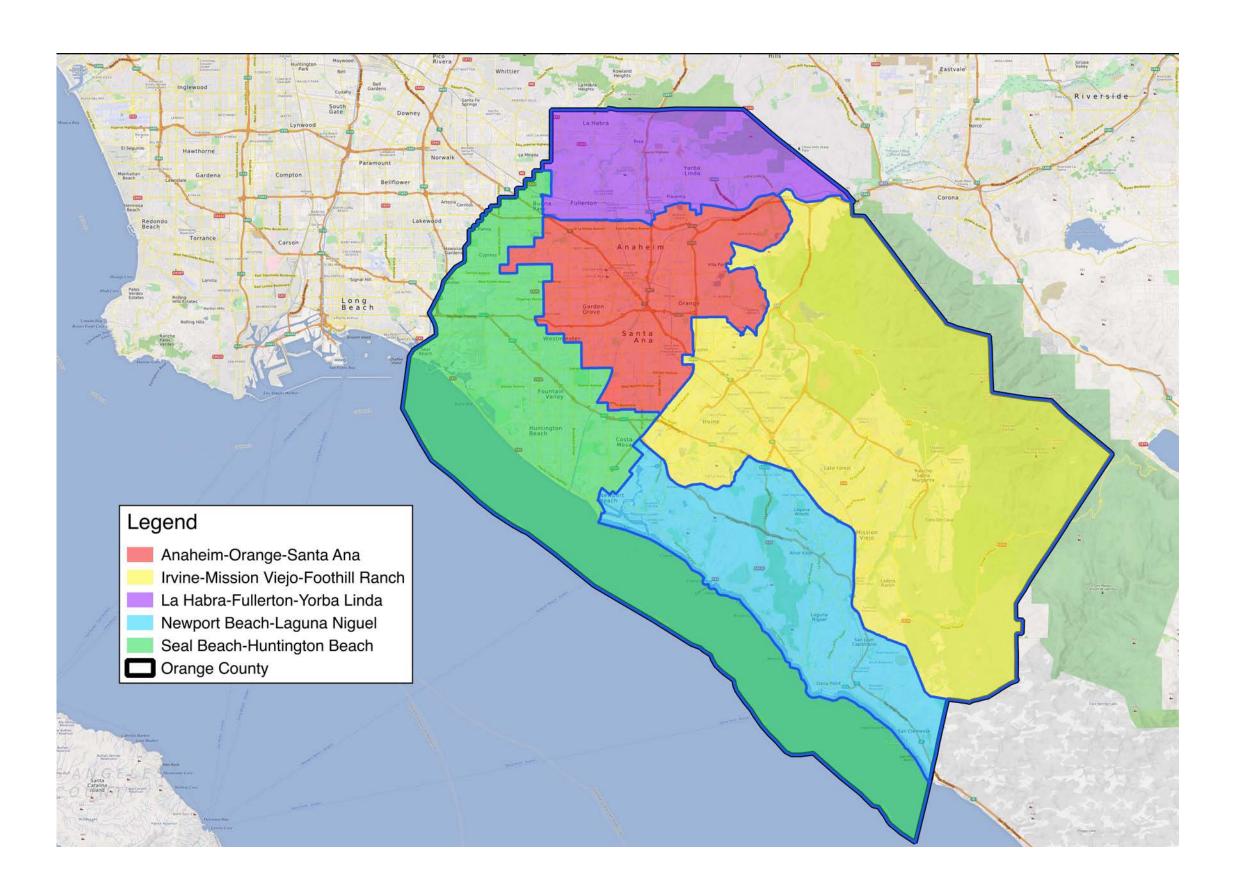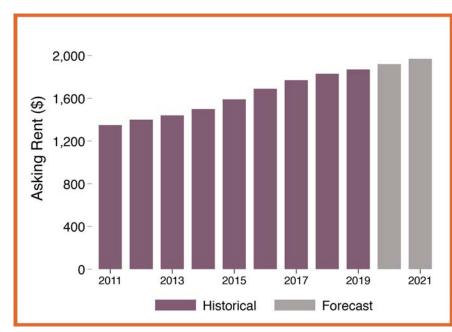
Orange County Rents/Vacancy
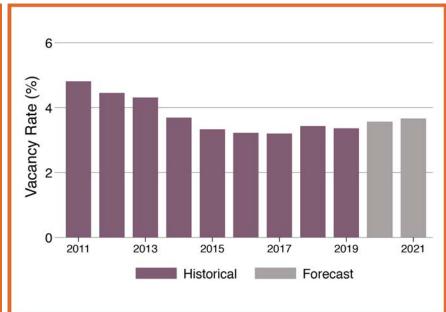

Multifamily Permit Activity Orange County

Note: YTD figures are year-to-date through Q2

Orange County Renter Household Statistics

Percent with Children	39.3%
Average Household Size	2.89
Median Household Income	$59,865
Share of Rent Burdened Households	54.9%

Race (%)

White	41.2%
Black	2.6%
Asian	17.7%
Hispanic	34.8%
All Other Races	3.7%

Education (%)

Less than HS	18.2%
HS Diploma	47.6%
Bachelor's Degree	23.3%
Graduate Degree	10.9%

Orange County Rental Units By Size of Structure

Single Family (Detached & Attached)	27.8%
2-4 Units	15.9%
5-9 Units	13.5%
10-19 Units	12.2%
20 Units+	30.7%

Orange County Rental Units By Year Built

Before 1970	35.0%
1970-1999	51.3%
After 2000	13.8%

Legend

- 🟥 Anaheim-Orange-Santa Ana
- 🟨 Irvine-Mission Viejo-Foothill Ranch
- 🟪 La Habra-Fullerton-Yorba Linda
- 🟦 Newport Beach-Laguna Niguel
- 🟩 Seal Beach-Huntington Beach
- ⬛ Orange County

Anaheim/Orange/Santa Ana Market
Orange County, 2010 to 2020
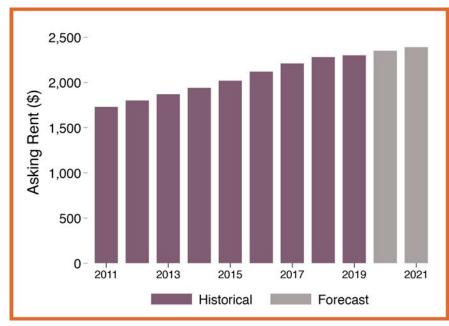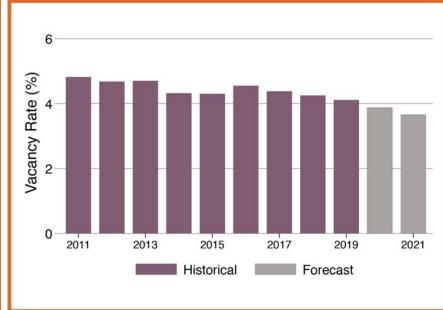
Source: Axiometrics and Beacon Economics
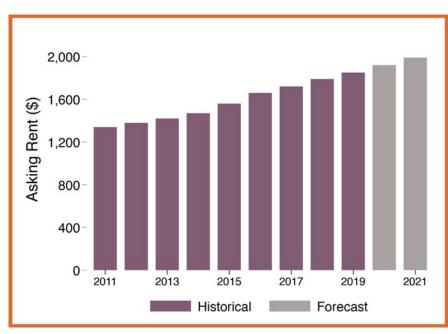

Source: Axiometrics and Beacon Economics

Irvine/Mission Viejo/Foothill Ranch
Market
Orange County, 2010 to 2020

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

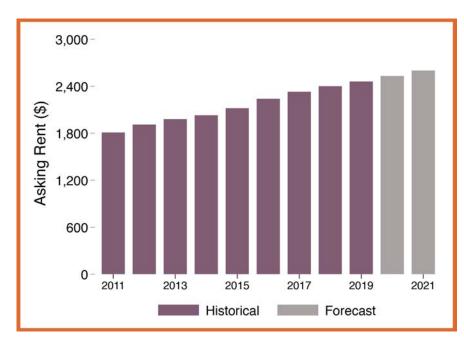La Habra/Fullerton/Yorba Linda Market
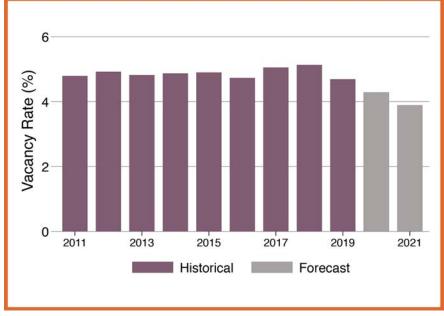Orange County, 2010 to 2020

Source: Axiometrics and Beacon Economics
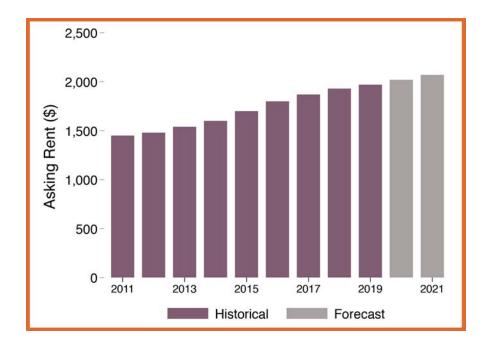

Source: Axiometrics and Beacon Economics

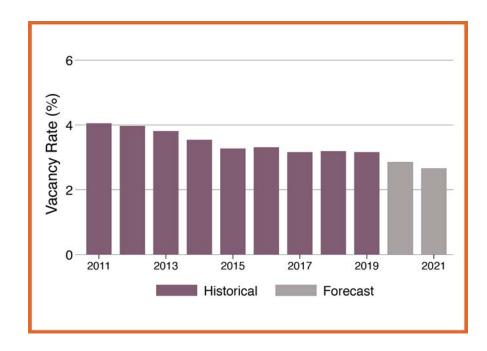Newport Beach/Laguna Niguel Market
Orange County, 2010 to 2020

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

Seal Beach/Huntington Beach Market
Orange County, 2010 to 2020

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

Anaheim-Orange-Santa-Ana Renter Household Statistics

Percent with Children	46.9%
Average Household Size	3.44
Median Household Income	$49,934
Share of Rent Burdened Households	57.6%

Race (%)

White	21.5%
Black	2.6%
Asian	18.2%
Hispanic	55.1%
All Other Races	2.5%

Education (%)

Less than HS	33.1%
HS Diploma	48.5%
Bachelor's Degree	13.1%
Graduate Degree	5.3%

Anaheim-Orange-Santa-Ana Rental Units By Size of Structure

Single Family (Detached & Attached)	26.4%
2-4 Units	15.3%
5-9 Units	15.0%
10-19 Units	12.4%
20 Units+	30.9%

Anaheim-Orange-Santa-Ana Rental Units By Year Built

Before 1970	49.6%
1970-1999	41.1%
After 2000	9.4%

Irvine-Mission-Viejo-Foothill-Ranch Renter Household Statistics

Percent with Children	35.6%
Average Household Size	2.64
Median Household Income	$74,918
Share of Rent Burdened Households	53.8%

Race (%)

White	48.8%
Black	3.4%
Asian	22.5%
Hispanic	20.2%
All Other Races	5.0%

Education (%)

Less than HS	7.0%
HS Diploma	42.9%
Bachelor's Degree	33.5%
Graduate Degree	16.6%

Irvine-Mission-Viejo-Foothill-Ranch Rental Units By Size of Structure

Single Family (Detached & Attached)	24.5%
2-4 Units	12.3%
5-9 Units	12.9%
10-19 Units	13.4%
20 Units+	36.8%

Irvine-Mission-Viejo-Foothill-Ranch Rental Units By Year Built

Before 1970	8.5%
1970-1999	59.4%
After 2000	32.1%

La-Habra-Fullerton-Yorba-Linda Renter Household Statistics

Percent with Children	45.0%
Average Household Size	3.03
Median Household Income	$58,454
Share of Rent Burdened Households	49.4%

Race (%)

White	35.8%
Black	2.0%
Asian	14.3%
Hispanic	44.3%
All Other Races	3.6%

Education (%)

Less than HS	12.9%
HS Diploma	58.3%
Bachelor's Degree	16.9%
Graduate Degree	11.9%

La-Habra-Fullerton-Yorba-Linda Rental Units By Size of Structure

Single Family (Detached & Attached)	28.7%
2-4 Units	15.3%
5-9 Units	17.0%
10-19 Units	11.2%
20 Units+	27.8%

La-Habra-Fullerton-Yorba-Linda Rental Units By Year Built

Before 1970	40.4%
1970-1999	53.1%
After 2000	6.5%

Newport-Beach-Laguna-Niguel Renter Household Statistics

Percent with Children	27.0%
Average Household Size	2.24
Median Household Income	$73,414
Share of Rent Burdened Households	54.8%

Race (%)

White	69.1%
Black	1.0%
Asian	7.9%
Hispanic	19.3%
All Other Races	2.8%

Education (%)

Less than HS	11.8%
HS Diploma	40.2%
Bachelor's Degree	32.5%
Graduate Degree	15.6%

Newport-Beach-Laguna-Niguel Rental Units By Size of Structure

Single Family (Detached & Attached)	29.5%
2-4 Units	22.0%
5-9 Units	11.3%
10-19 Units	10.9%
20 Units+	26.3%

Newport-Beach-Laguna-Niguel Rental Units By Year Built

Before 1970	24.1%
1970-1999	63.2%
After 2000	12.7%

Seal-Beach-Huntington-Beach Renter Household Statistics

Percent with Children	36.9%
Average Household Size	2.69
Median Household Income	$59,717
Share of Rent Burdened Households	55.0%

Race (%)

White	47.0%
Black	3.0%
Asian	19.4%
Hispanic	26.1%
All Other Races	4.5%

Education (%)

Less than HS	14.7%
HS Diploma	49.7%
Bachelor's Degree	25.2%
Graduate Degree	10.4%

Seal-Beach-Huntington-Beach Rental Units By Size of Structure

Single Family (Detached & Attached)	30.7%
2-4 Units	16.5%
5-9 Units	11.7%
10-19 Units	12.0%
20 Units+	29.1%

Seal-Beach-Huntington-Beach Rental Units By Year Built

Before 1970	42.6%
1970-1999	49.8%
After 2000	7.7%

THE Inland Empire has led Southern California in percentage job growth for several years running. Still, like the State as a whole, its economic engine has been constrained by sluggish labor force expansion over the past year. Even so, it has experienced the fastest rent growth among the Southern California regions, despite its reputation for affordability.

Total nonfarm jobs grew 2.1% year-over-year in August 2019, somewhat higher than the growth rate in California (1.8%) during the period, but well off from last year's pace (3.3%). Throughout the previous year, the Inland Empire unemployment rate has been in record-low territory, at or near the all-time low of 3.9%. With the labor force increasing just 0.7% year to date in 2019, less than half of last year's growth, the labor market has been tight. The average wage increased a substantial 4.3% from the first quarter of 2018 to the first quarter of 2019, while regional taxable sales rose an impressive 14.4% year-to-date in the first half of the year.

Of the 31,000 nonfarm jobs added year-over-year in August, nearly 40% were in Health Care (12,000), followed by Government (5,700) and Logistics (4,000). Health Care also had the largest percentage increase at 5.4%, followed by Professional, Scientific, and Technical Services (4.8%) and Education (3.3%). Jobs were flat or down in half a dozen industries, but the total decrease amounted to just over 2,000 jobs, or less than 0.2%.

There were 1.57 million housing units in the Inland Empire in 2019, according to the California Department of Finance. Fifty-four percent of housing units were in Riverside County, with the balance in San Bernardino County. But with just 275,630 multifamily units, the mix of housing is heavily tilted in favor of single-family units. The vacancy rate for all housing was 13.1% in 2019.

Data from the 2018 American Community Survey indicate that renters accounted for 35.4% of households in the region, but the share of renters in San Bernardino County (39.5%) is far higher than in Riverside County (31.8%).[3] Moreover, many renter households occupy single-family homes. Based on data from 2017, nearly half (48.7%) of Riverside County renters occupied single-family housing in 2017, just slightly below San Bernardino County (49.9%). The prominence of single-family homes in the Inland Empire is due in part to institutional investors swooping into the market during the Great Recession, acquiring distressed single-family homes and converting them to rentals. The trend appears, however, to be reversing; the number of renter households in the single-family housing fell 5.7% in Riverside County and 5.0% in San Bernardino County from

2016 to 2017. As for multifamily renter households, 50.1% were rent burdened in 2017, spending more than 30% of income on rent.

At $1,500 per month, the average rent in the Inland Empire metro area was the lowest in Southern California in 2019. Inland Empire Rents did catch up a bit with the rest of Southern California. Population growth of more than 1.0% buoyed housing demand over the past year, resulting in the fastest increase in rents among the regions at 3.4%. Among the submarkets in the Inland Empire, Chino-Rancho Cucamonga had the highest rent ($1,770), followed by West Riverside County ($1,540), Redlands-Fontana-High Desert ($1,240) and Palm Springs-Indio ($1,180). The Redlands-Fontana-High Desert submarket had the most growth in 2019 at 3.3%.

The median household income for multifamily renters in the Inland Empire was $42,186 in 2017, the lowest in Southern California. This modest income is due in part to lower levels of education in the region: Just 17% of residents have a bachelor's degree or higher, compared with 27% or more in the other areas. The Inland Empire's share of rent-burdened households, those that devote more than 30% of their income to rent, was 50.1% in 2017, with the burden highest in Palm Springs-Indio at 56.3%. In short, even though rents are the lowest in Southern California, incomes in the Inland Empire are also lower and result in high rent burdens.
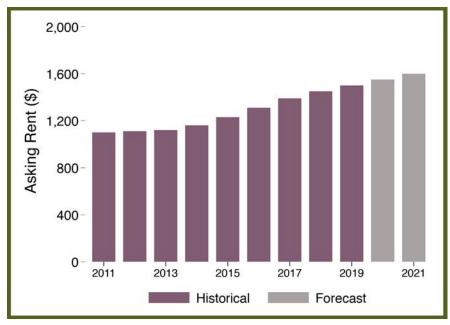
The vacancy rate in the Inland Empire fell to 3.5% in 2019, down from 3.7% a year earlier and roughly in line with the rest of Southern California. Palm Springs-Indio had the lowest vacancy rate at just 2.1%, Redlands-Fontana-High Desert was somewhat higher at 3.3%, and both Chino-Rancho Cucamonga and West Riverside had vacancy rates of 3.8%.
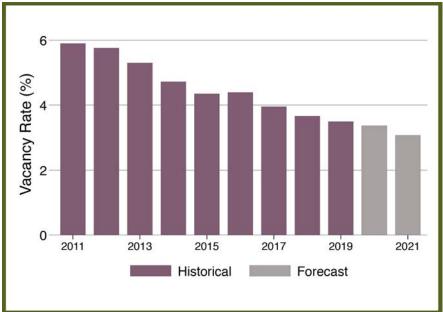
With 21% of its housing built since 2000, the Inland Empire has the newest housing stock in Southern California. Following sparse construction immediately after the Great Recession, multifamily construction accelerated to a post-recession high of 3,286 units in 2017. Multifamily permits fell 13.5% in 2018, but have rebounded so far in 2019: Permits rose 19.7%, from 1,648 units in the first half of 2018 to 1,973.

Over the next two years, population, job, and income growth will drive housing demand in general and rental demand in particular. The Inland Empire vacancy rate will edge down from 3.5% this year to an estimated 3.4% in 2020 and 3.1% in 2021. Average rent will climb 3.3% in 2019 to $1,550 per month, with a further 3.2% increase expected in 2021. Given its reputation as the affordable region in Southern California, the Inland Empire will maintain its attraction to homeowners, many of whom will find employment in neighboring counties. Despite this, the region still has a significant need for additional multifamily rental housing for all income levels.
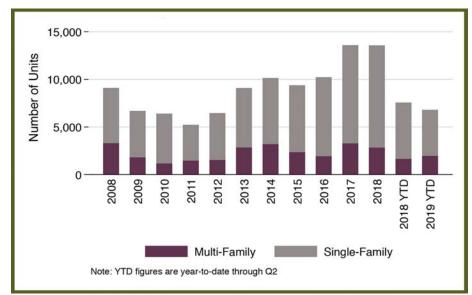
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[3] The metro level figures cited from the 2018 American Community Survey were obtained directly from the Census Bureau's website. The 2017 American Community Survey figures were derived from the American Community Survey Public Use Micro Sample (PUMS) and were the basis for household and housing stock figures at the submarket level.
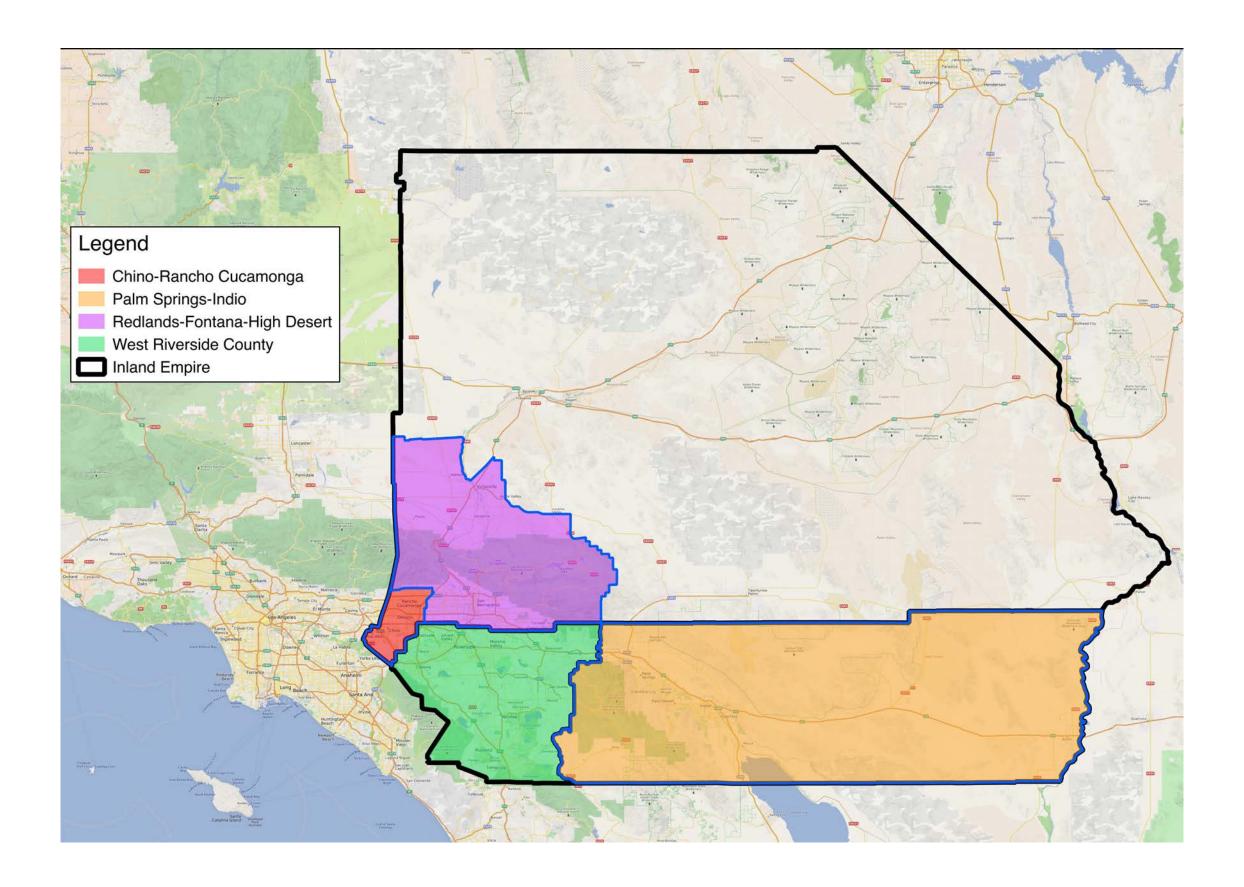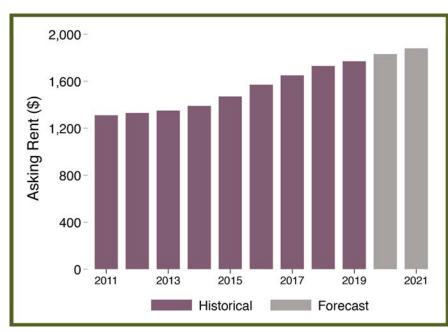
Inland Empire Rent & Vacancy Rate
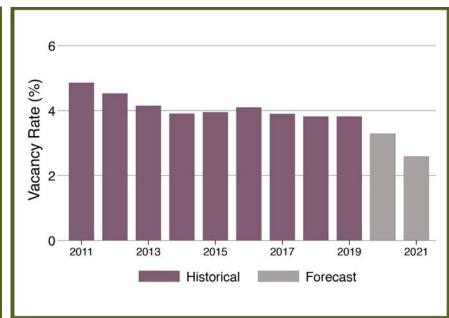

Multifamily Permit Activity Inland Empire

Note: YTD figures are year-to-date through Q2

Inland Empire Renter Household Statistics

Percent with Children	46.9%
Average Household Size	3.03
Median Household Income	$42,186
Share of Rent Burdened Households	50.1%

Race (%)

White	31.2%
Black	11.8%
Asian	5.3%
Hispanic	46.6%
All Other Races	5.1%

Education (%)

Less than HS	19.7%
HS Diploma	63.5%
Bachelor's Degree	11.3%
Graduate Degree	5.5%

Inland Empire Rental Units By Size of Structure

Single Family (Detached & Attached)	50.1%
2-4 Units	13.6%
5-9 Units	11.1%
10-19 Units	9.7%
20 Units+	15.6%

Inland Empire Rental Units By Year Built

Before 1970	25.0%
1970-1999	54.1%
After 2000	20.8%

Legend
- Chino-Rancho Cucamonga
- Palm Springs-Indio
- Redlands-Fontana-High Desert
- West Riverside County
- Inland Empire
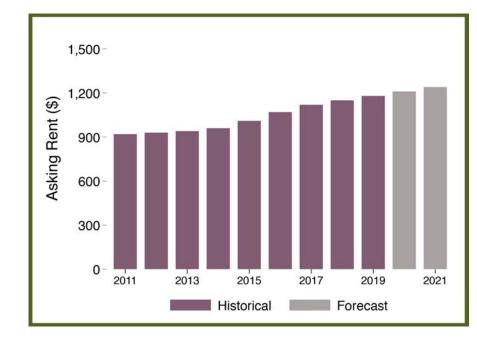
CHINO-RANCHO CUCAMONGA MARKET
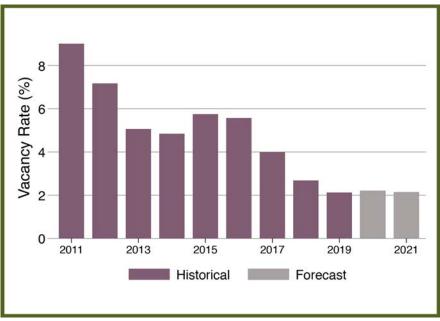INLAND EMPIRE, 2010 TO 2020

Source: Axiometrics and Beacon Economics
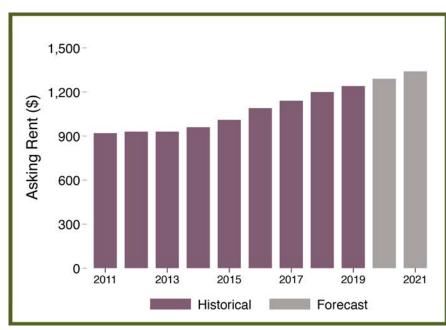

Source: Axiometrics and Beacon Economicss

PALM SPRINGS-INDIO MARKET
INLAND EMPIRE, 2010 TO 2020

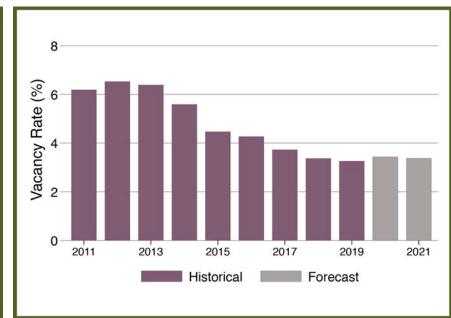Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

REDLANDS-FONTANA-HIGH DESERT MARKET
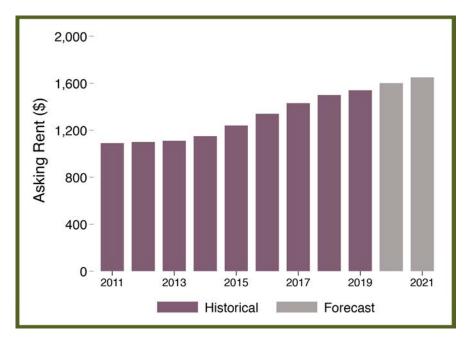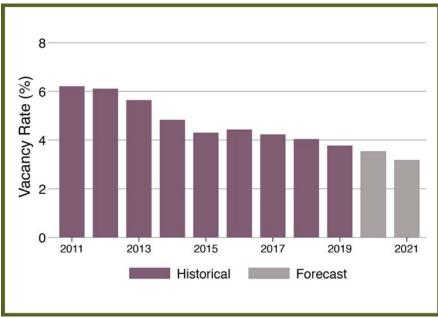INLAND EMPIRE, 2010 TO 2020

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

WEST RIVERSIDE COUNTY MARKET
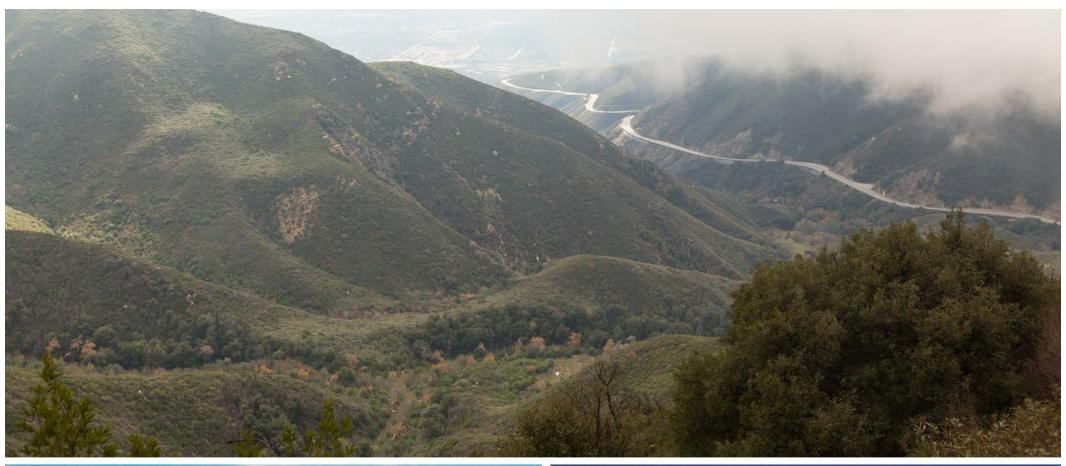INLAND EMPIRE, 2010 TO 2020

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

Chino-Rancho-Cucamonga Renter Household Statistics

Percent with Children	48.9%
Average Household Size	3.17
Median Household Income	$54,205
Share of Rent Burdened Households	50.3%

Race (%)

White	23.5%
Black	9.4%
Asian	9.1%
Hispanic	52.7%
All Other Races	5.3%

Education (%)

Less than HS	16.7%
HS Diploma	58.9%
Bachelor's Degree	17.5%
Graduate Degree	7.0%

Chino-Rancho-Cucamonga Rental Units By Size of Structure

Single Family (Detached & Attached)	34.8%
2-4 Units	16.2%
5-9 Units	11.4%
10-19 Units	14.0%
20 Units+	23.7%

Chino-Rancho-Cucamonga Rental Units By Year Built

Before 1970	20.2%
1970-1999	57.4%
After 2000	22.3%

Palm-Springs-Indio Renter Household Statistics

Percent with Children	28.4%
Average Household Size	2.17
Median Household Income	$32,687
Share of Rent Burdened Households	56.3%

Race (%)

White	37.2%
Black	4.5%
Asian	2.8%
Hispanic	51.7%
All Other Races	3.7%

Education (%)

Less than HS	24.1%
HS Diploma	60.1%
Bachelor's Degree	9.8%
Graduate Degree	6.0%

Palm-Springs-Indio Rental Units By Size of Structure

Single Family (Detached & Attached)	37.4%
2-4 Units	21.6%
5-9 Units	18.2%
10-19 Units	9.7%
20 Units+	13.1%

Palm-Springs-Indio Rental Units By Year Built

Before 1970	17.7%
1970-1999	62.7%
After 2000	19.6%

Redlands-Fontana-High-Desert Renter Household Statistics

Percent with Children	51.3%
Average Household Size	3.25
Median Household Income	$38,253
Share of Rent Burdened Households	48.3%

West-Riverside-County Renter Household Statistics

Percent with Children	49.3%
Average Household Size	3.14
Median Household Income	$45,241
Share of Rent Burdened Households	51.3%

Race (%)

White	25.8%
Black	15.5%
Asian	4.8%
Hispanic	49.4%
All Other Races	4.6%

Race (%)

White	34.2%
Black	11.9%
Asian	5.6%
Hispanic	42.7%
All Other Races	5.6%

Education (%)

Less than HS	23.2%
HS Diploma	62.6%
Bachelor's Degree	9.5%
Graduate Degree	4.7%

Education (%)

Less than HS	17.6%
HS Diploma	66.8%
Bachelor's Degree	10.2%
Graduate Degree	5.4%

Redlands-Fontana-High-Desert Rental Units By Size of Structure

Single Family (Detached & Attached)	55.3%
2-4 Units	13.9%
5-9 Units	9.0%
10-19 Units	7.2%
20 Units+	14.7%

West-Riverside-County Rental Units By Size of Structure

Single Family (Detached & Attached)	54.6%
2-4 Units	8.7%
5-9 Units	10.6%
10-19 Units	11.1%
20 Units+	15.0%

Redlands-Fontana-High-Desert Rental Units By Year Built

Before 1970	35.7%
1970-1999	51.0%
After 2000	13.4%

West-Riverside-County Rental Units By Year Built

Before 1970	19.7%
1970-1999	53.4%
After 2000	26.9%

SAN DIEGO

LIKE so much of the State, San Diego County has enjoyed economic prosperity in recent years but struggles to meet its housing needs, seeking out innovative solutions to this chronic problem. The San Diego County economy has grown consistently in the last several years, with its leading industries and a significant government presence supporting a job base exceeding 1.5 million. Payroll employment in the County grew 1.8% from August 2018 to August 2019, matching the State's growth. Of the 26,100 jobs added over the year, government contributed 8,700, industry mainstays Professional Scientific and Technical Services and Health Care accounted for 5,300 and 4,500 positions respectively, with Construction contributing 5,500 jobs. Job counts were flat or down in a handful of industries, but losses totaled 5,900, or about 0.3% of total payroll employment.

Job gains and negligible growth in the labor force pushed the San Diego County unemployment rate to 3.1% in August 2019, compared with 3.3% a year earlier. The unemployment rate is significantly lower than California's 4.1%, and of all the Southern California metro areas, only Orange County has a lower unemployment rate at 2.7%.

There were 1.22 million housing units in San Diego County in 2019, based on the latest estimates from the California Department of Finance. Still, the housing stock mostly consists of single-family units, with multifamily numbering just 446,000 units. The vacancy rate for all units was 7.0% in 2019. Based on data from the 2018 American Community Survey, renters accounted for 46.9% of all households in the County.[4]

At $1,980 per month, average rent was higher than in the Inland Empire and Ventura County but below that of Los Angeles and Orange counties. The yearly rent increase in 2019 averaged 2.6%, in line with the other Southern California markets. Among submarkets, Coastal San Diego City had the highest rent at $2,230, placing it among the ten costliest Southern California submarkets. It was followed by Inland San Diego City ($1,980) and North San Diego County ($1,970). The North County submarket rose the most 2019 at 3.1%.

As of 2017, the median household income of San Diego County renters in multifamily units was $53,844, higher than in Los Angeles County and the Inland Empire but behind Orange and Ventura counties. The share of rent-burdened households, those that spend more than 30% of their income on rent, was 52.9% in 2017.

Countywide, the vacancy rate in 2019 was 3.5%, down marginally (0.1%) from the prior year. San Diego City submarkets had higher rates than North County or the international border. Chula Vista had the lowest vacancy rate at 2.7%, followed by North County at 3.4%, while Coastal San Diego City (4.0%) and Inland San Diego City (4.1%) had virtually identical rates.
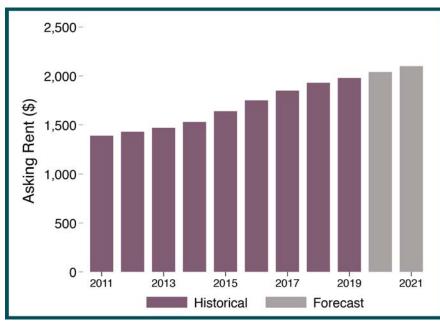
Most of the rental stock in San Diego County was built from 1970 to 1999 (55.7%), and just 29.2% was built before 1970. With 15.0% of San Diego County stock constructed in 2000 or later, only the Inland Empire has a newer stock of rental housing. New multifamily construction in San Diego County peaked in 2016 at 8,142 units, retreating to just 5,601 units in 2017 and 6,190 units last year. Through the first half of this year, multifamily permitting fell 50.1% from 4,948 units last year to 2,450 units.
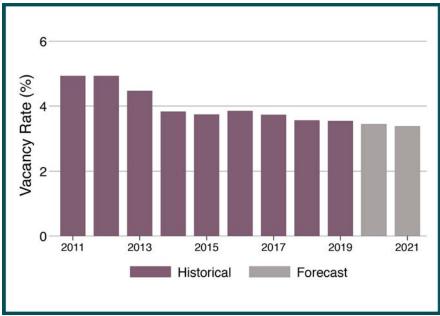
Like much of the State, San Diego County faces a chronic housing shortage. With limited construction, but also with job and population growth predicted over the next year, San Diego County can expect upward pressure on rents and low vacancy rates. There is a bit of good news on the horizon in terms of the housing shortage, however. The County has begun encouraging accessory homes, also known as "granny flats," by offering free, preapproved floorplans, which can help homeowners save up to $30,000 in design and permit fees. Many lots can accommodate a smaller second home, and this will alleviate some of the strain on the rental market.

The County's average vacancy rate will edge down from 3.5% this year to an estimated 3.4% over the next two years. Average countywide rent will increase about 3% per year, rising from $1,980 per month in 2019 to $2,040 in 2020 (3.0%) and $2,100 in 2021 (2.9%). North County and Chula Vista will have rent increases as high as or higher than the County overall, while rent increases will be more subdued in San Diego City submarkets.
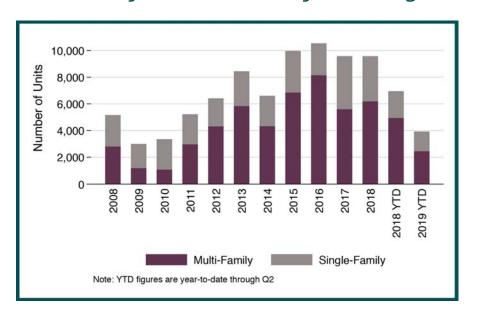
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[4] The metro level figures cited from the 2018 American Community Survey were obtained directly from the Census Bureau's website. The 2017 American Community Survey figures were derived from the American Community Survey Public Use Micro Sample (PUMS) and were the basis for household and housing stock figures at the submarket level.
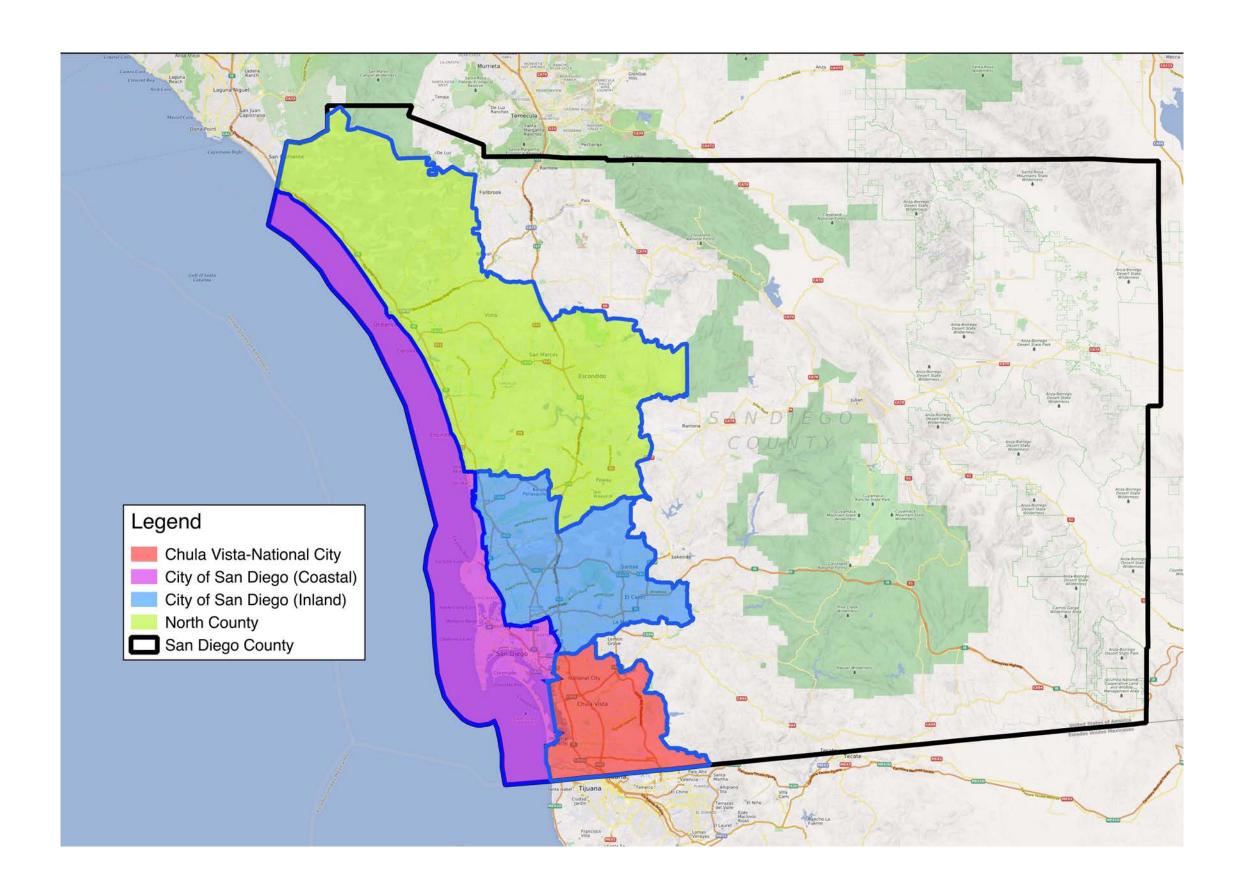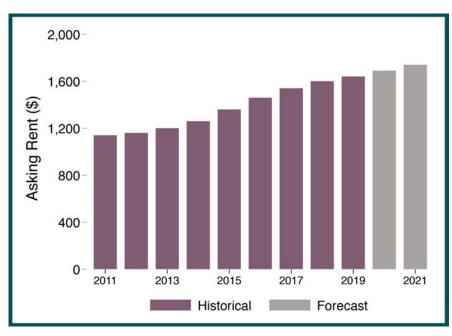
San Diego Rents/Vacancy
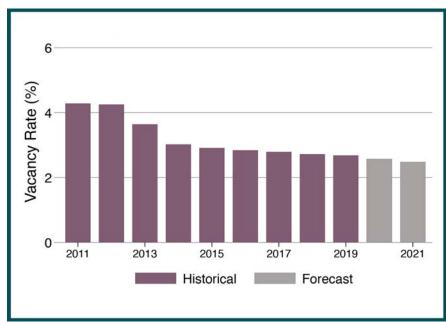

Multifamily Permit Activity San Diego

Note: YTD figures are year-to-date through Q2

San Diego County Renter Household Statistics

Percent with Children	36.1%
Average Household Size	2.63
Median Household Income	$53,844
Share of Rent Burdened Households	52.9%

Race (%)

White	45.5%
Black	7.4%
Asian	9.5%
Hispanic	32.1%
All Other Races	5.5%

Education (%)

Less than HS	13.1%
HS Diploma	52.5%
Bachelor's Degree	23.3%
Graduate Degree	11.1%

San Diego County Rental Units By Size of Structure

Single Family (Detached & Attached)	33.7%
2-4 Units	11.4%
5-9 Units	14.0%
10-19 Units	12.8%
20 Units+	28.0%

San Diego County Rental Units By Year Built

Before 1970	29.2%
1970-1999	55.7%
After 2000	15.0%

Page 45

Legend
- Chula Vista-National City
- City of San Diego (Coastal)
- City of San Diego (Inland)
- North County
- San Diego County

CHULA VISTA-NATIONAL CITY MARKET
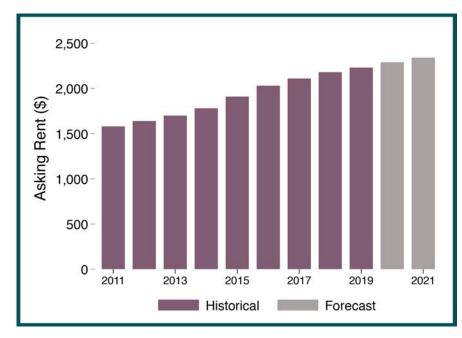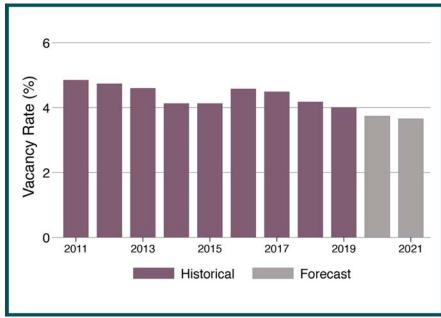SAN DIEGO COUNTY, 2010 TO 2020

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics
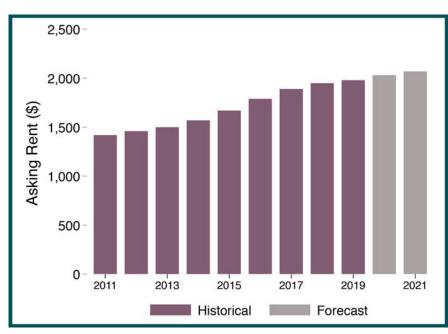
GREATER SAN DIEGO - COASTAL MARKET
SAN DIEGO COUNTY, 2010 TO 2020

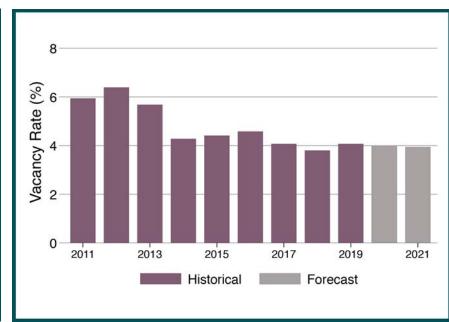Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

GREATER SAN DIEGO – INLAND MARKET
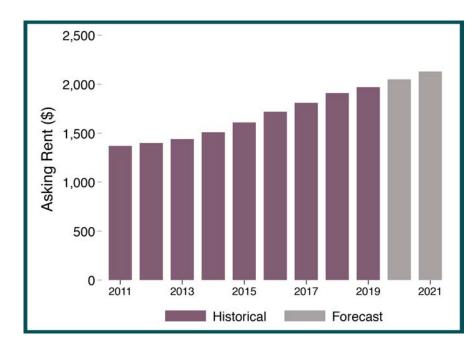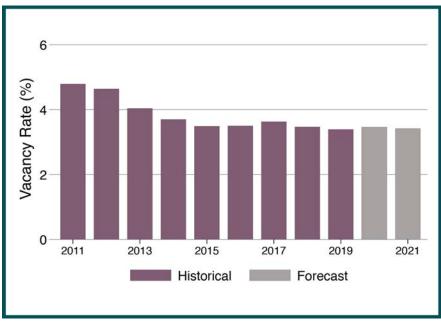**SAN DIEGO COUNTY, 2010 TO 2020**

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

NORTH SAN DIEGO (NORTH COUNTY)
SAN DIEGO COUNTY, 2010 TO 2020

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

Chula-Vista-National-City Renter Household Statistics

Percent with Children	49.3%
Average Household Size	3.07
Median Household Income	$40,757
Share of Rent Burdened Households	58.0%

Race (%)

White	14.6%
Black	12.0%
Asian	7.6%
Hispanic	60.7%
All Other Races	5.1%

Education (%)

Less than HS	26.8%
HS Diploma	57.0%
Bachelor's Degree	12.2%
Graduate Degree	4.1%

Chula-Vista-National-City Rental Units By Size of Structure

Single Family (Detached & Attached)	39.4%
2-4 Units	9.1%
5-9 Units	14.5%
10-19 Units	12.0%
20 Units+	25.0%

Chula-Vista-National-City Rental Units By Year Built

Before 1970	33.5%
1970-1999	52.2%
After 2000	14.3%

City-of-San-Diego-Coastal Renter Household Statistics

Percent with Children	16.0%
Average Household Size	1.90
Median Household Income	$60,460
Share of Rent Burdened Households	44.5%

Race (%)

White	64.1%
Black	5.7%
Asian	5.2%
Hispanic	19.7%
All Other Races	5.2%

Education (%)

Less than HS	5.4%
HS Diploma	42.4%
Bachelor's Degree	33.2%
Graduate Degree	19.1%

City-of-San-Diego-Coastal Rental Units By Size of Structure

Single Family (Detached & Attached)	28.6%
2-4 Units	13.0%
5-9 Units	15.8%
10-19 Units	11.0%
20 Units+	31.6%

City-of-San-Diego-Coastal Rental Units By Year Built

Before 1970	46.4%
1970-1999	37.9%
After 2000	15.7%

City-of-San-Diego-Inland Renter Household Statistics

Percent with Children	35.4%
Average Household Size	2.69
Median Household Income	$54,111
Share of Rent Burdened Households	53.4%

Race (%)

White	47.4%
Black	8.4%
Asian	15.8%
Hispanic	22.4%
All Other Races	6.0%

Education (%)

Less than HS	10.6%
HS Diploma	51.7%
Bachelor's Degree	25.2%
Graduate Degree	12.5%

City-of-San-Diego-Inland Rental Units By Size of Structure

Single Family (Detached & Attached)	29.3%
2-4 Units	9.8%
5-9 Units	14.5%
10-19 Units	13.0%
20 Units+	33.4%

City-of-San-Diego-Inland Rental Units By Year Built

Before 1970	27.5%
1970-1999	59.1%
After 2000	13.4%

North-County Renter Household Statistics

Percent with Children	41.5%
Average Household Size	2.81
Median Household Income	$59,410
Share of Rent Burdened Households	54.0%

Race (%)

White	48.7%
Black	3.5%
Asian	7.6%
Hispanic	35.2%
All Other Races	5.0%

Education (%)

Less than HS	12.6%
HS Diploma	54.7%
Bachelor's Degree	22.8%
Graduate Degree	9.9%

North-County Rental Units By Size of Structure

Single Family (Detached & Attached)	37.5%
2-4 Units	13.0%
5-9 Units	11.9%
10-19 Units	15.3%
20 Units+	22.3%

North-County Rental Units By Year Built

Before 1970	17.3%
1970-1999	64.1%
After 2000	18.6%

KNOWN historically for its slow growth trajectory, Ventura County surprisingly led the metro areas in Southern California with more than a 50% increase in multifamily permit levels this year compared to last. Ventura County's economy has grown steadily in recent years, but the pace has generally lagged its Southern California neighbors. Total nonfarm employment continues to grow, but at a tepid pace, averaging less than 1% over the last 12 months compared with 1.8% at the State level. Among Southern California's metropolitan areas, Ventura has been the slowest to recover from the Great Recession. Comparing the most recent employment figures with peak employment before the Great Recession, nonfarm employment in Ventura County is 3.1% ahead, substantially behind the Inland Empire (18.9%), as well as Los Angeles (7.3%), Orange (8.9%) and San Diego (14.1%) counties.

Ventura County added 600 nonfarm jobs year over year in August, with the largest gains coming in Construction (900), Manufacturing (600), and Logistics (300). Utilities had the largest percentage increase at 11.6%, followed by Logistics (5.6%) and Construction (5.4%). Jobs in eight industries were flat or down, for a total of 2,300 positions, with the largest decline in Retail Trade (-1,400).

Ventura County's unemployment rate fell from 3.7% in August 2018 to 3.5% in August 2019, but this was because the labor force shrank more than resident employment declined. Weakness is even apparent in the County's measure of output, which has been negative for two consecutive years.

Some of the sluggishness in growth can be traced to demographics. The County has experienced minimal increases in population. In the last 15 years, Ventura County only grew by more than 1% in one year (2011), while the most recent estimates from the California Department of Finance show that the population in Ventura County actually shrank in 2019. Ventura County does continue to grow older, smarter, and wealthier. The median age was 38.2, compared with 36.5 statewide and a 4.7% increase in the last five years. Household incomes are also rising, but more so for renters than owners. In the last five years, the median household income for renters increased 29.2% (compared with 27.1% for statewide renters), while owner households' income rose 9.5%.

There were 289,000 housing units in Ventura County in 2019, based on the latest estimates from the California Department of Finance. But with just 61,000 multifamily units, the housing stock is dominated by single-family units. The vacancy rate for all housing was 5.0% in 2019, lowest of all Southern California metro areas. Data from the 2018 American Community Survey indicate that renters accounted for 37.5% of all households in the region.[5] Among multifamily renters, 54.7% of households were rent burdened in 2017, meaning that they spent more than 30% of their income on housing costs.

At $1,970 per month in 2019, the average rent in Ventura County was the lowest in Southern California metro areas except for the Inland Empire. Average rent increased 2.6% in 2019, virtually the same as in the other Southern California markets except for the Inland Empire, where average rent rose more than 3%. The average rent was higher in Simi Valley at $2,060 than in the Oxnard submarket, where average rent was $1,840. The Simi Valley submarket also grew faster in 2019 at 2.5% compared with Oxnard (2.2%).

The vacancy rate in Ventura County continued to slip in 2019, edging down from 3.5% a year earlier to 3.4%. The countywide vacancy rate was roughly in line with the rest of Southern California. At just 3.3%, the Simi Valley submarket had a lower vacancy rate than the Oxnard submarket (3.5%).

With 89% of its housing built before 2000, the housing stock in Ventura County is older than all housing in Southern California except Los Angeles County. It should come as no surprise that construction activity has been limited. Permits for new multifamily were up 57% in the first half of 2019 to 565 units, compared with 360 units in the first half of 2018, but 2018 wasn't a strong year. The lack of construction activity has contributed to a thin supply of rental housing in the County, and just a thin supply of housing in general.
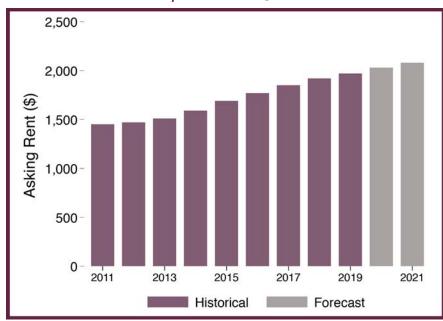
Some of the supply issues in Ventura County arise from second homes and houses held off the market for seasonal use. According to the American Community Survey, of Ventura's vacant housing stock, 41.6% is for seasonal use, up 15.2 percentage points since 2005. By comparison, 35.5% of California's vacant houses were held off the market for seasonal use in 2017.
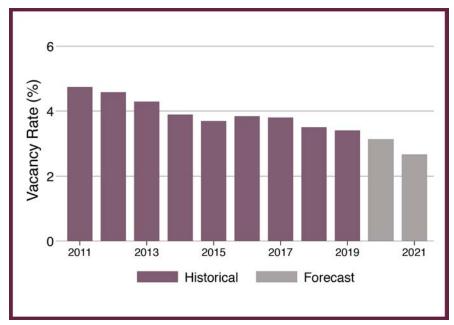
Absent any major policy shifts, the forecast calls for a continuation of the status quo: a declining vacancy rate and stable rent increases. Over the next two years, the Ventura County vacancy rate will remain tight, dipping from 3.4% in 2019 to an estimated 3.1% next year and 2.7% in 2021. Average rent will climb 3.0% in 2019 to $2,030 per month, with a 2.5% increase expected in 2021.

Limited construction activity would normally accelerate rent growth, but lackluster population growth and an aging population will also limit the extent to which rents will rise. The shortage of supply in the face of income growth for renter households will continue to push rents higher. Ultimately, the outlook for both the owner and renter sides of the housing market hinges on more construction. SOAR (Save Open-Space and Agricultural Resources), a grassroots organization in the County that seeks to limit urban sprawl by protecting open space as the organization's name implies, will continue to impede long-run economic growth. Recent activity, although limited, has favored multifamily construction, which could alleviate some of the pressure on demand-induced rent increases.
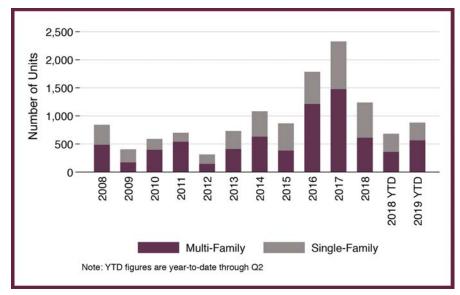
[5] The metro level figures cited from the 2018 American Community Survey were obtained directly from the Census Bureau's website. The 2017 American Community Survey figures were derived from the American Community Survey Public Use Micro Sample (PUMS) and were the basis for household and housing stock figures at the submarket level.
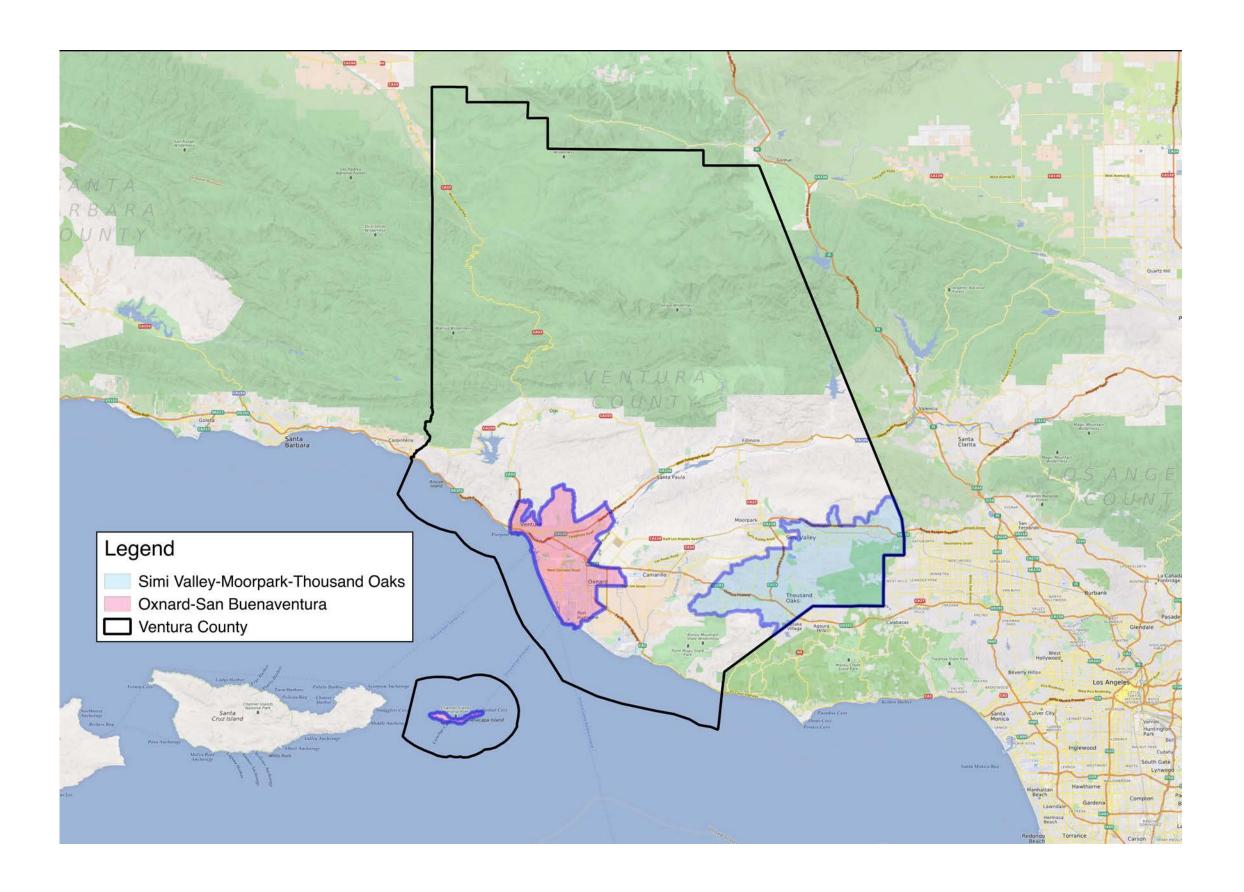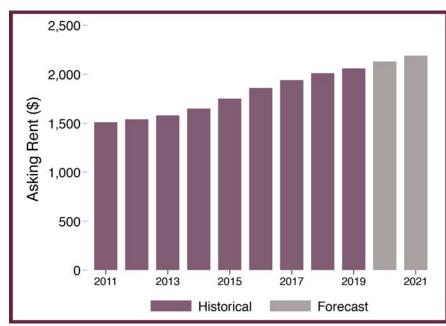
Ventura Rents/Vacancy
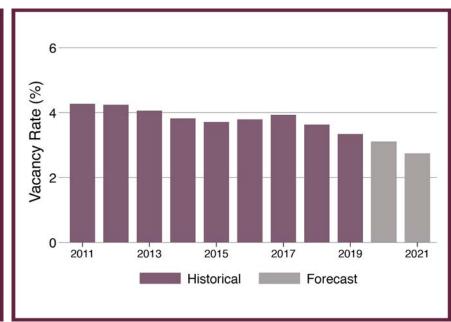

Multifamily Permit Activity Ventura

Note: YTD figures are year-to-date through Q2

Ventura County Renter Household Statistics

Percent with Children	42.4%
Average Household Size	2.90
Median Household Income	$56,755
Share of Rent Burdened Households	54.7%

Race (%)

White	46.6%
Black	4.1%
Asian	3.3%
Hispanic	41.9%
All Other Races	4.1%

Education (%)

Less than HS	18.0%
HS Diploma	55.4%
Bachelor's Degree	20.5%
Graduate Degree	6.1%

Ventura County Rental Units By Size of Structure

Single Family (Detached & Attached)	45.9%
2-4 Units	10.9%
5-9 Units	11.6%
10-19 Units	13.3%
20 Units+	18.2%

Ventura County Rental Units By Year Built

Before 1970	36.6%
1970-1999	52.8%
After 2000	10.6%

Legend

Simi Valley-Moorpark-Thousand Oaks
Oxnard-San Buenaventura
Ventura County

SIMI VALLEY-MOORPARK-THOUSAND OAKS MARKET
VENTURA COUNTY, 2010 TO 2020
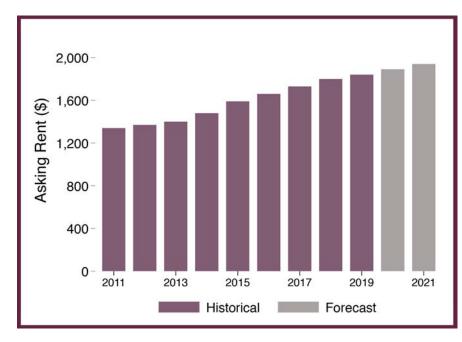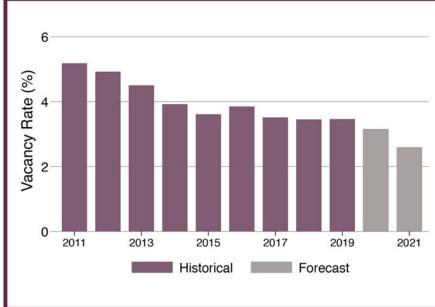
Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

OXNARD-SAN BUENAVENTURA MARKET
VENTURA COUNTY, 2010 TO 2020
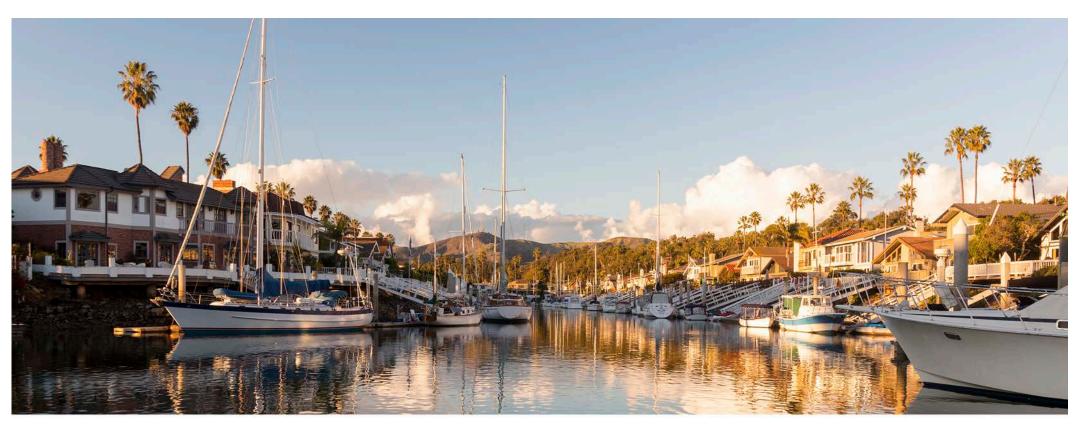

Source: Axiometrics and Beacon Economics

Source: Axiometrics and Beacon Economics

Oxnard-San-Buenaventura Renter Household Statistics

Percent with Children	47.3%
Average Household Size	3.13
Median Household Income	$51,977
Share of Rent Burdened Households	54.1%

Race (%)

White	37.8%
Black	4.5%
Asian	2.0%
Hispanic	53.6%
All Other Races	2.2%

Education (%)

Less than HS	22.1%
HS Diploma	52.1%
Bachelor's Degree	20.5%
Graduate Degree	5.2%

Oxnard-San-Buenaventura Rental Units By Size of Structure

Single Family (Detached & Attached)	43.2%
2-4 Units	13.9%
5-9 Units	12.8%
10-19 Units	11.6%
20 Units+	18.6%

Oxnard-San-Buenaventura Rental Units By Year Built

Before 1970	44.3%
1970-1999	44.9%
After 2000	10.9%

Simi-Valley-Moorpark-Thousand-Oaks Renter Household Statistics

Percent with Children	33.4%
Average Household Size	2.48
Median Household Income	$67,993
Share of Rent Burdened Households	55.6%

Race (%)

White	62.9%
Black	3.3%
Asian	5.7%
Hispanic	20.5%
All Other Races	7.6%

Education (%)

Less than HS	10.5%
HS Diploma	61.3%
Bachelor's Degree	20.6%
Graduate Degree	7.6%

Simi-Valley-Moorpark-Thousand-Oaks Rental Units By Size of Structure

Single Family (Detached & Attached)	50.8%
2-4 Units	5.7%
5-9 Units	9.7%
10-19 Units	16.5%
20 Units+	17.5%

Simi-Valley-Moorpark-Thousand-Oaks Rental Units By Year Built

Before 1970	23.0%
1970-1999	66.7%
After 2000	10.3%

Technical Notes

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Overall Disclaimer

Some of the data in this report was gathered from third party sources and was not independently verified. Neither Beacon Economics nor the Casden Forecast make any warranties or representations as to the completeness or accuracy thereof.

Methodology

Statistics reported in this year's USC Casden Forecast are based on data provided by RP Axiometrics LLC, the California Department of Finance, and the U.S. Census Bureau.

- Rents and vacancy rates for multifamily housing units come from Axiometrics, with second quarter figures serving as annual estimates for each year. Historic trends for every metropolitan area and for every submarket are derived by incorporating the corresponding statistics as estimated by Axiometrics. Multifamily housing statistics reflect data for structures with 5 or more units, unless otherwise noted.

- Metro level estimated counts of housing units are based on information from the California Department of Finance, Demographic Research Unit.

- The 2018 American Community Survey (ACS) serves as the basis for shares of renters among all households in each metro area, while the 2017 American Community Survey Public Use Microdata Sample (PUMS) was the source for detailed statistics on households and housing units for each metro area and the submarkets.

The forecast presented in this report uses standard time-series econometric techniques based on historical correlations and forecasts of future economic trends. Beacon Economics used a dynamic panel econometric regional model for each metropolitan area in Southern California using macro trends to create a local forecast that delivers a broad outlook for the region including rents and vacancy rates for multifamily renter-occupied housing units.

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