

CALIFORNIA STATE UNIVERSITY

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LONG BEACH

*Southern California Regional  
Economic Forecast*

*May 14, 2009*

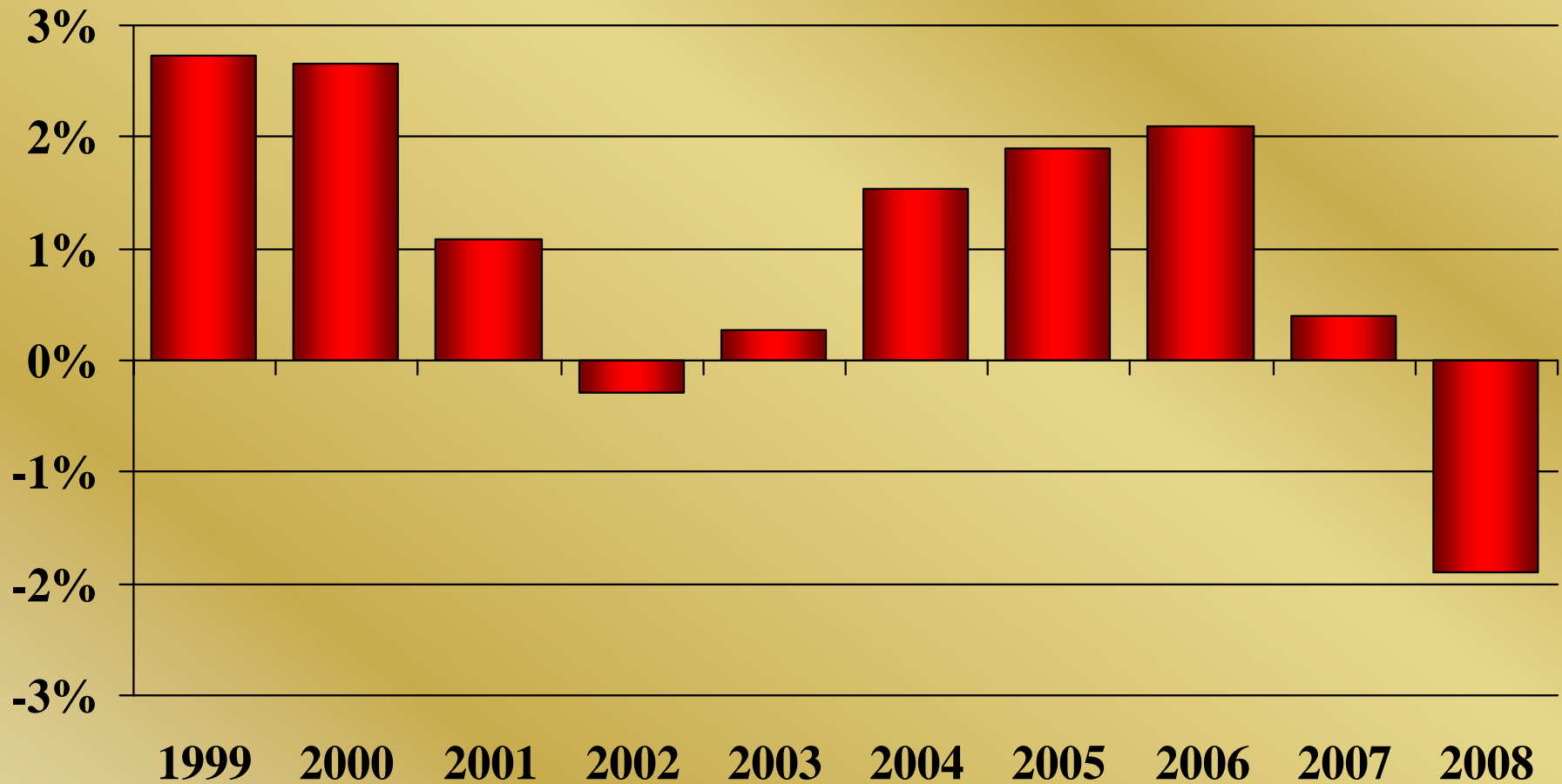
*Lisa M. Grobar, Ph. D.*

*Director, CSULB Economic  
Forecast Project*

*California State University, Long Beach*

*2008*

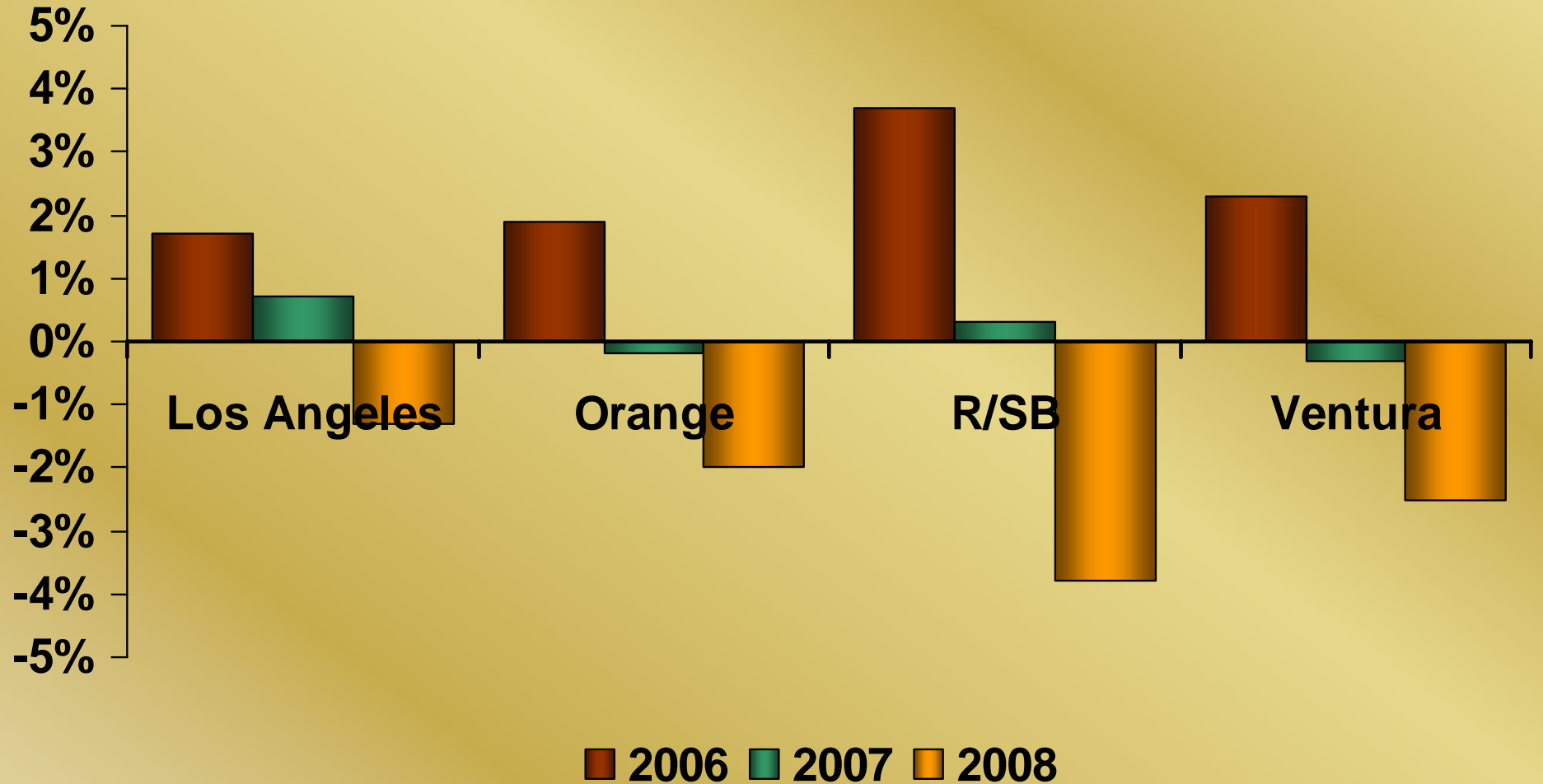
*The Region Sinks into Recession*



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*2008*

*Region moves to negative growth*



## *For Region, A Two-Phase Recession*

- **Recession begins in 2007 with downturn in housing-related sectors**
- **This affected outlying areas more than LA**
- **In 2008 begin a generalized recession with cyclical sectors turning down**
- **All areas and most sectors of the region affected**

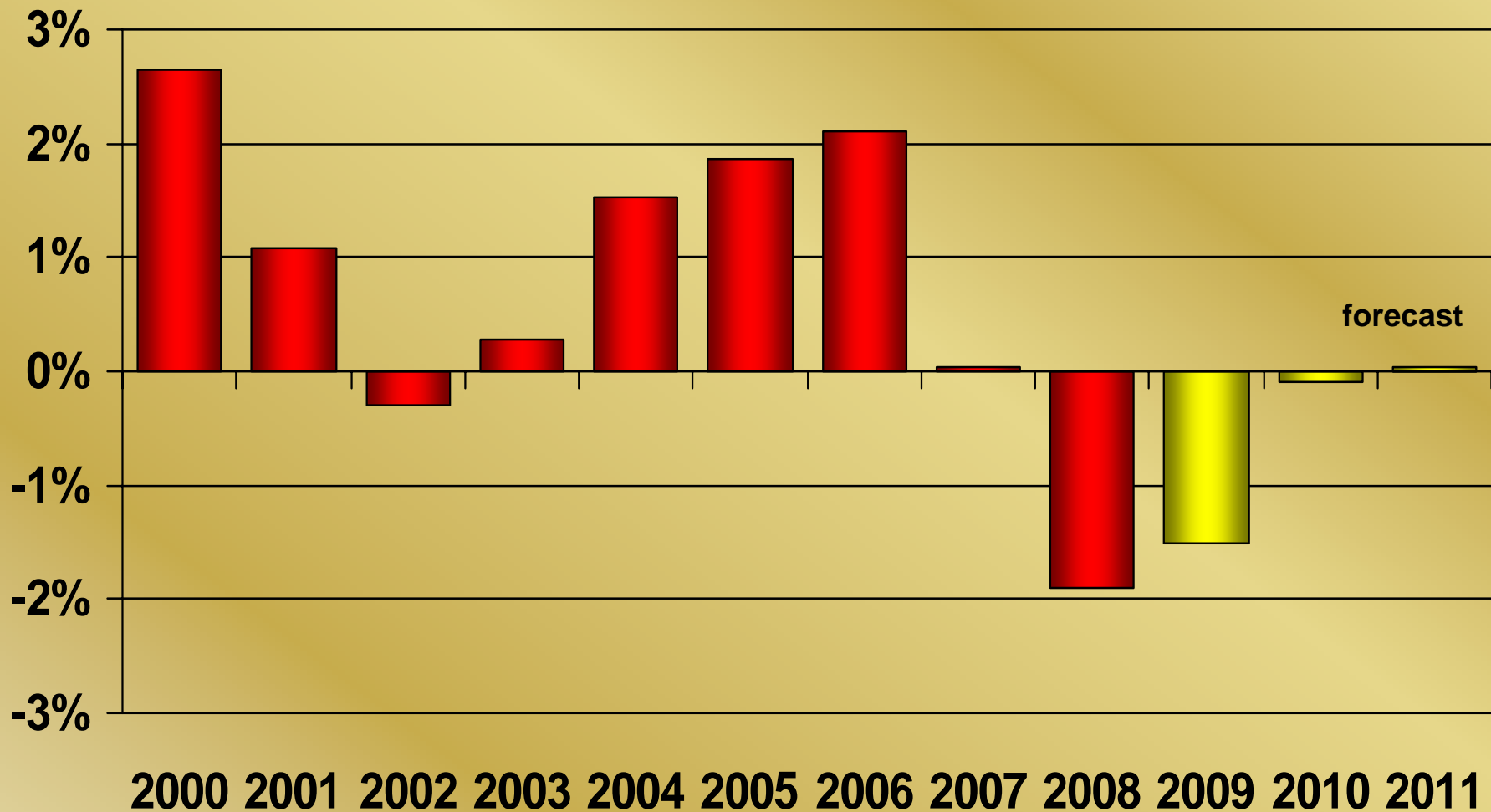
# *Job Losses*

- **Initially concentrated in finance, construction and real estate**
- **These sectors may have hit bottom in 2008**
- **But recently, steep downturns in retail, manufacturing, professional services**

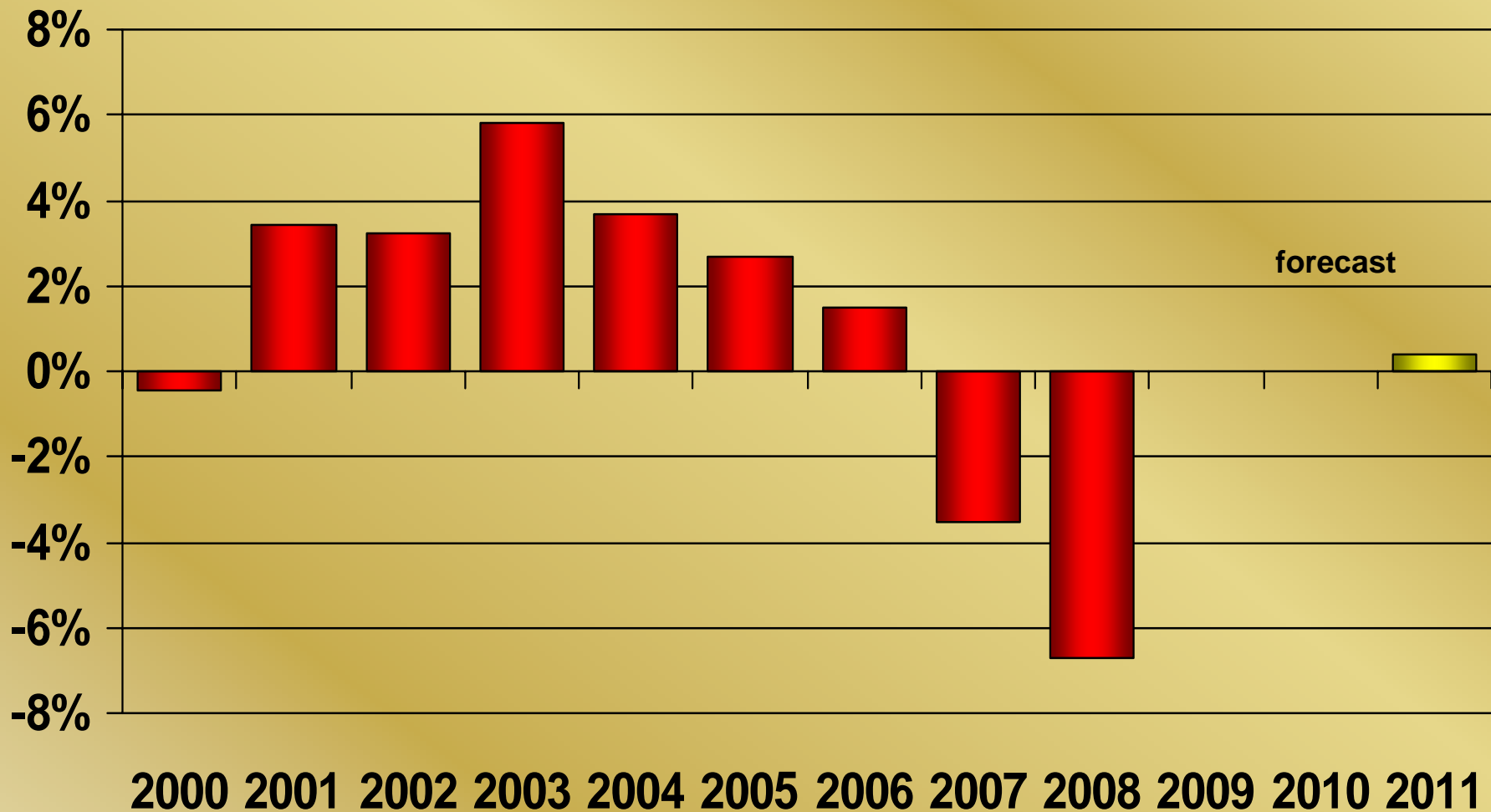
# *Forecast Summary*

**2010 - Better, but not good!**

# *Total Nonfarm Employment Growth*



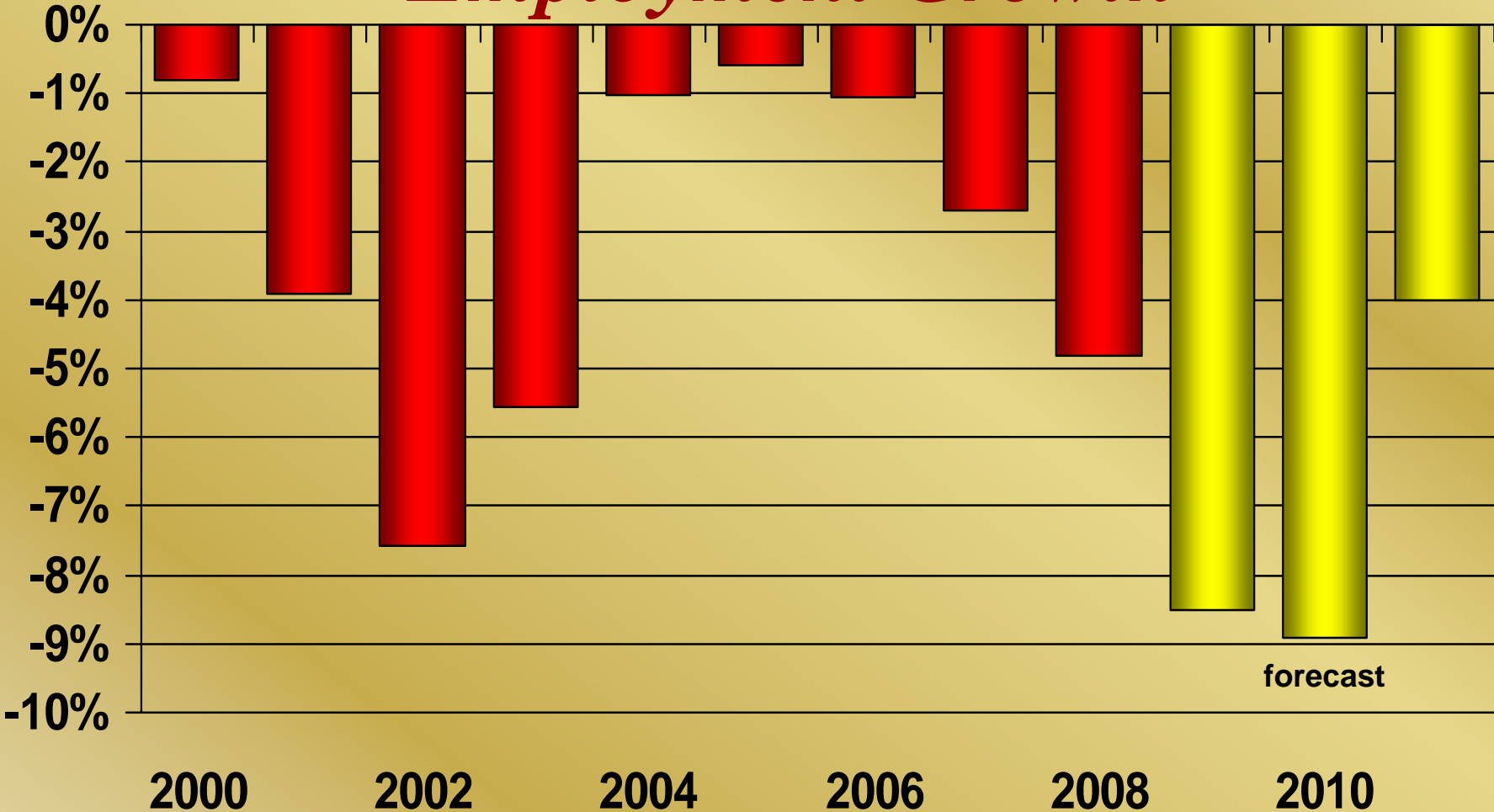
# *Finance Employment Growth*



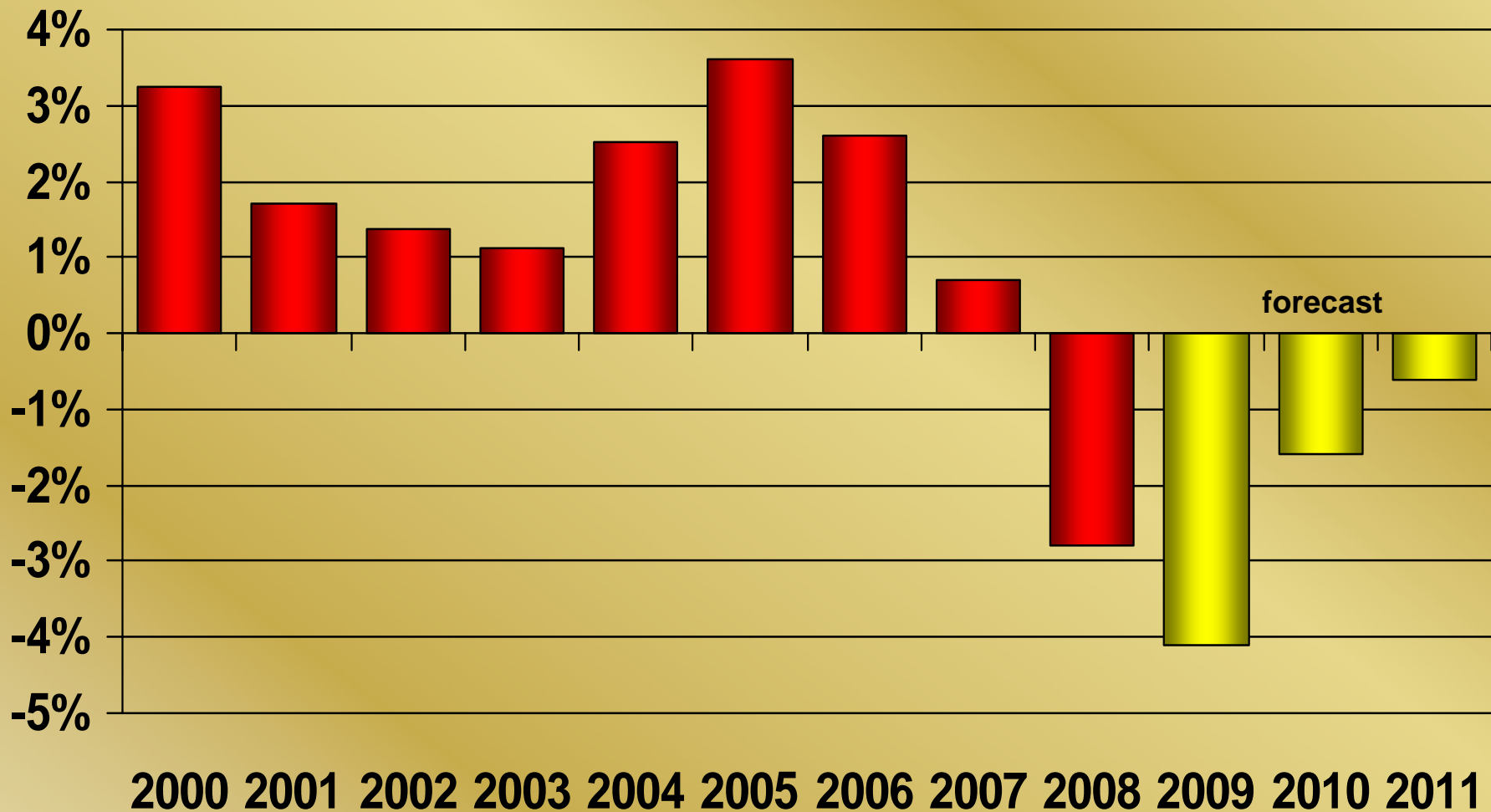
# *Construction and Mining Employment Growth*



# *Durable Manufacturing Employment Growth*



# *Retail Employment Growth*



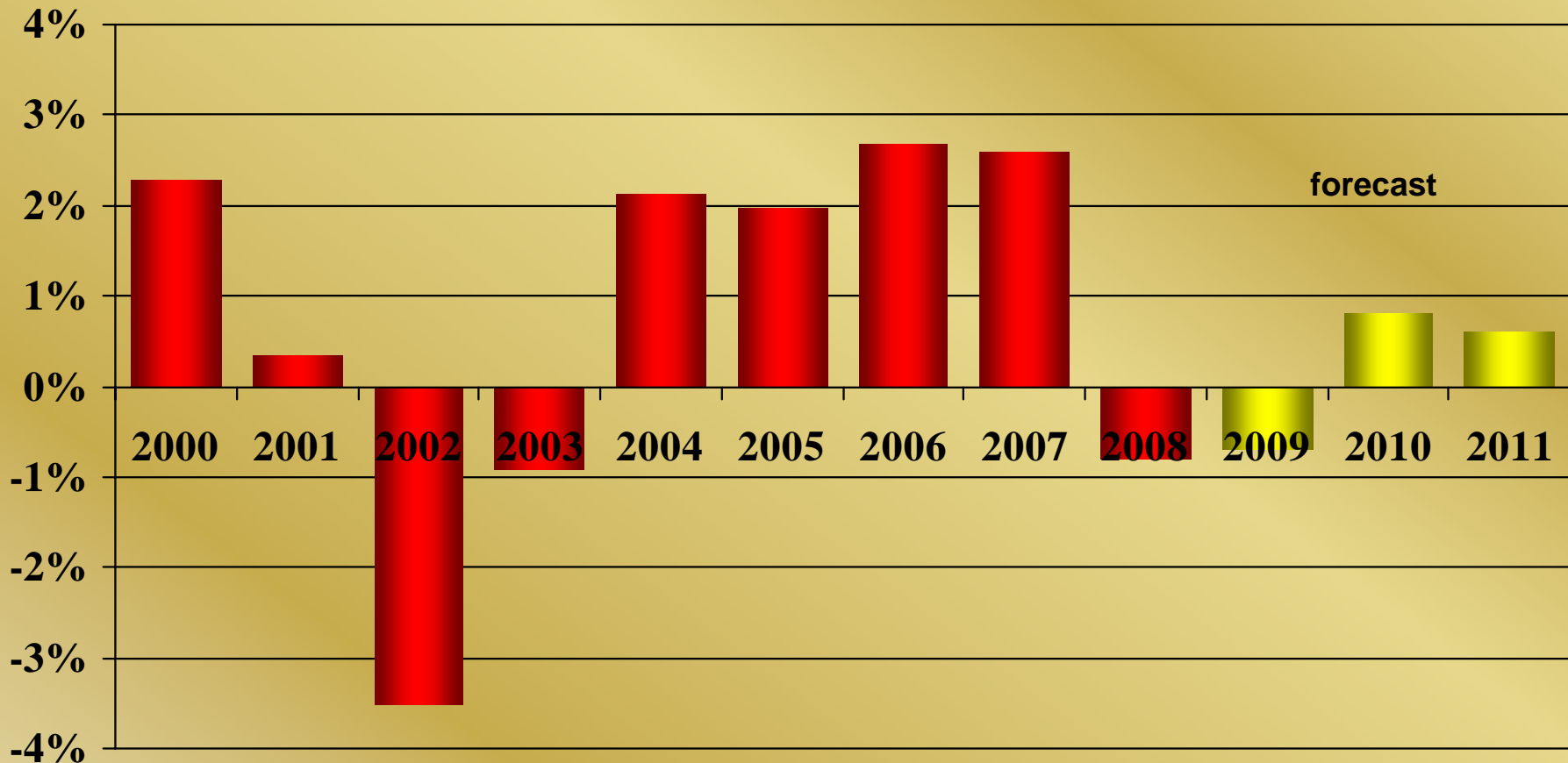
# *Regional Taxable Sales Growth*

percent

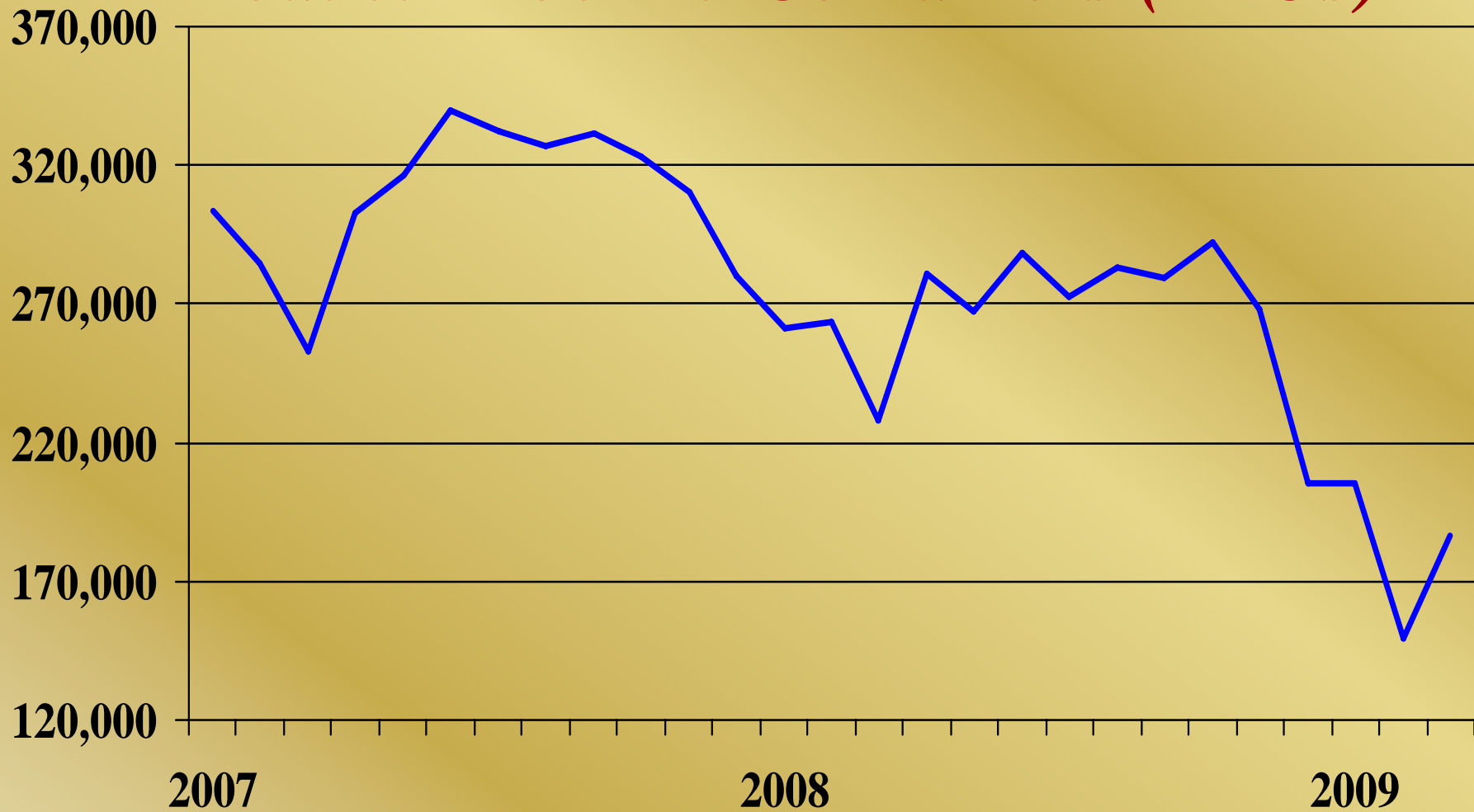


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# *Regional Transportation, Warehousing & Utilities*



# *Port of Long Beach Loaded Inbound Containers (TEUs)*



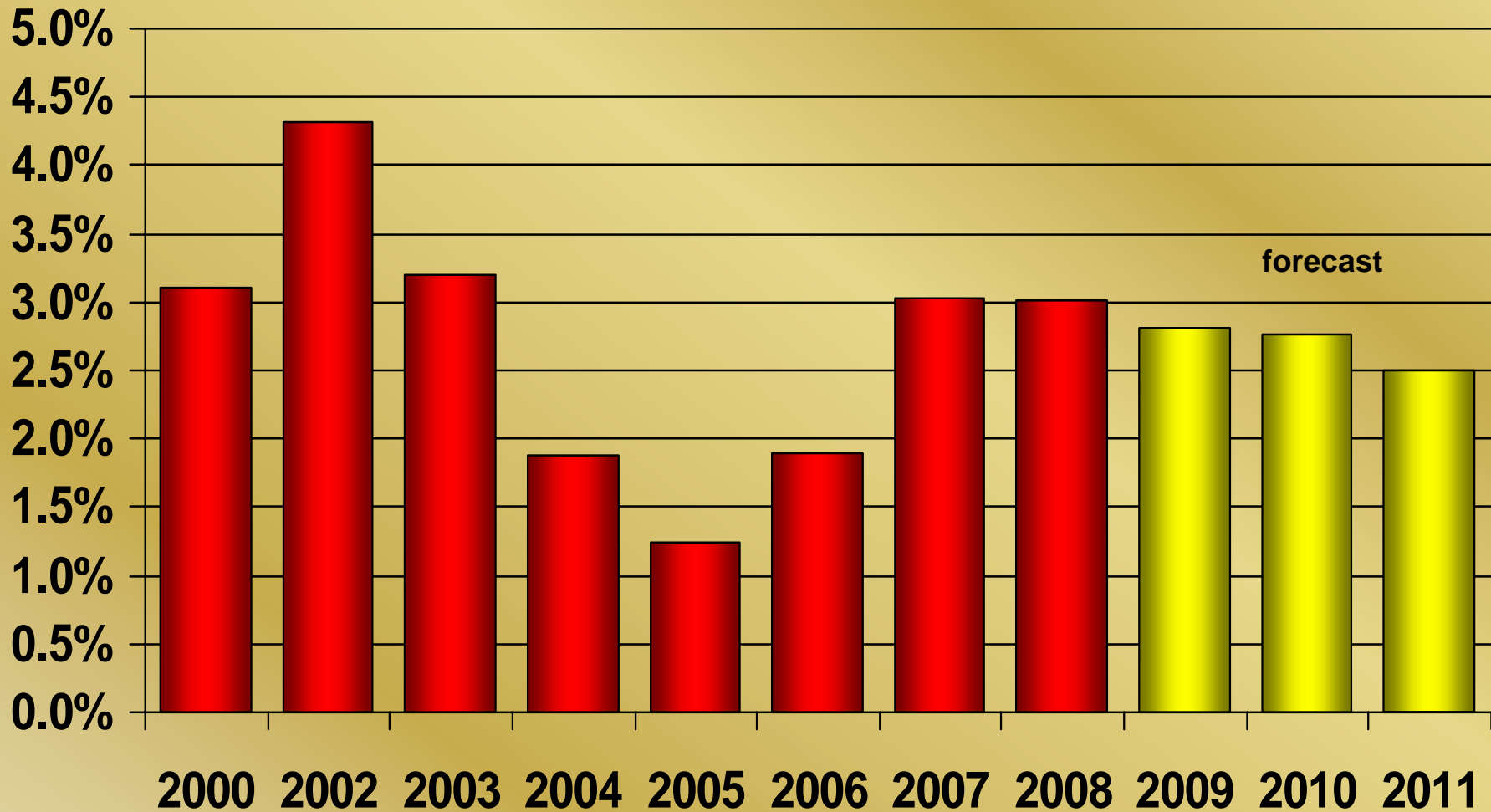
# *Wholesale Trade Employment Growth*



# *Regional Professional & Business Services Employment Growth*



# *Health Services Employment Growth*



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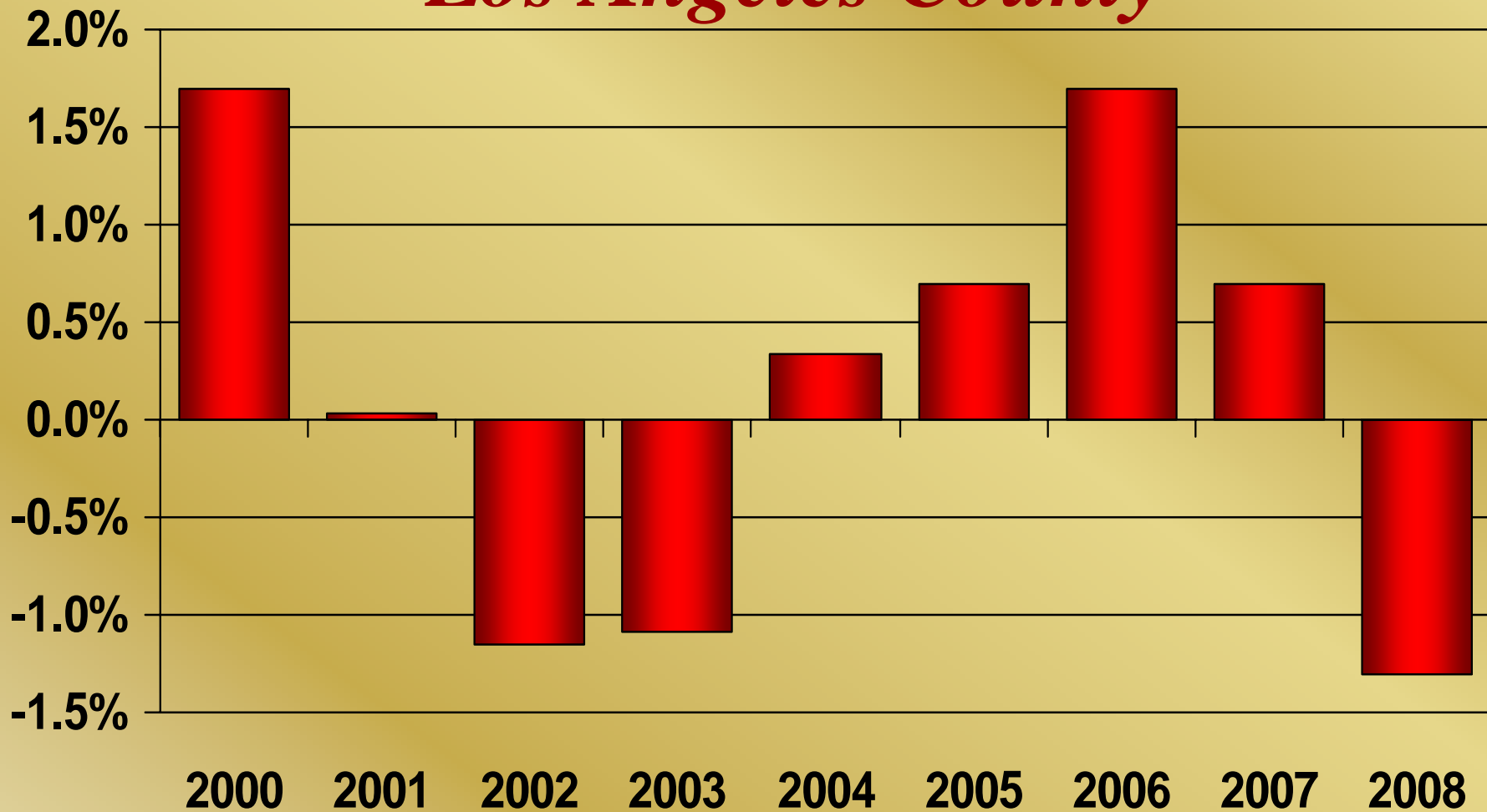
## *Regional Economy: Summary*

- **The region now in the grip of a severe recession**
- **Although housing-related sectors have bottomed-out, cyclical sectors still deteriorating**
- **Conditions will improve in 2010, but the economy will remain weak**
- **Job growth will start to pick up by the end of 2010**

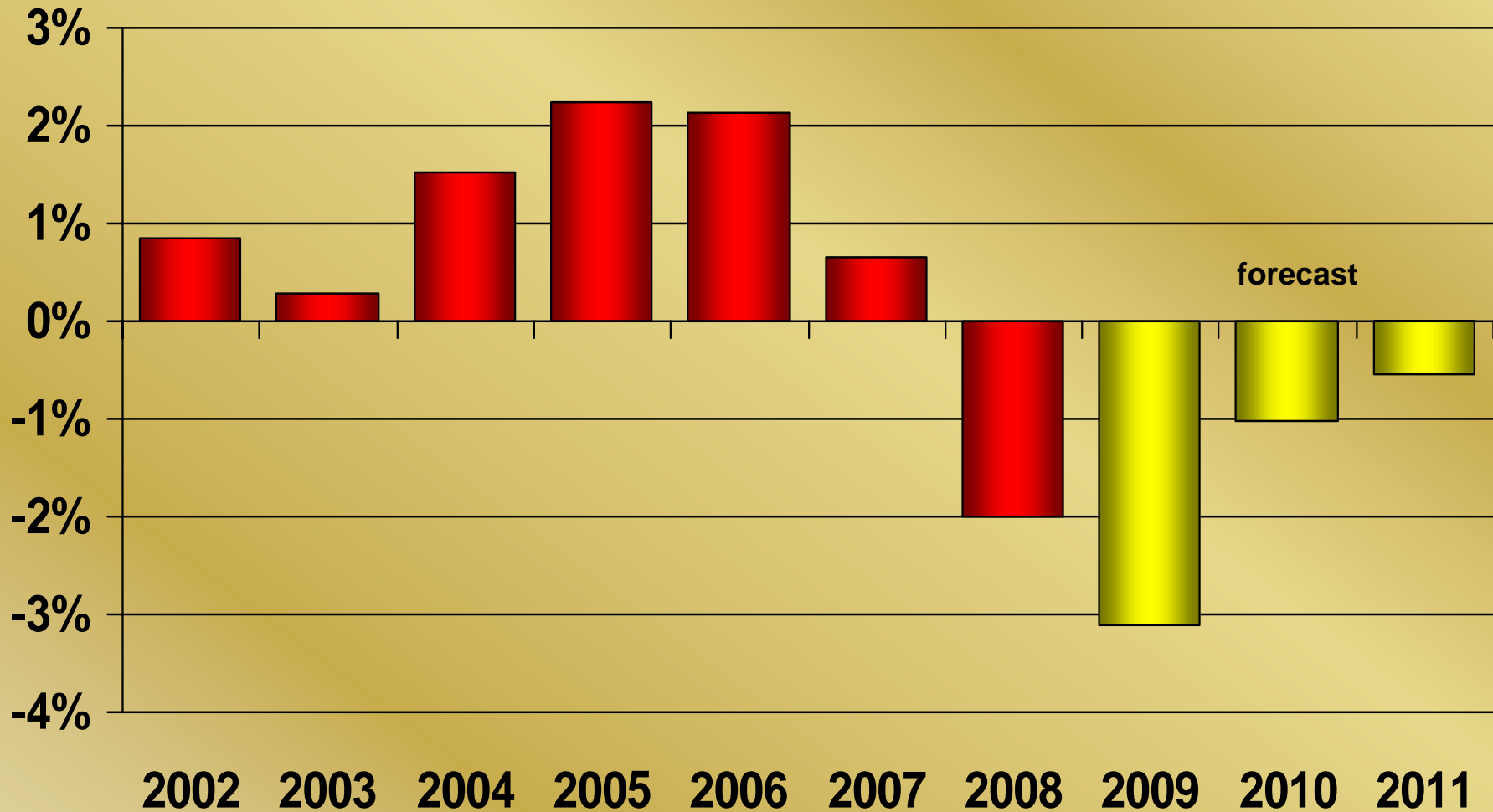
*Economic Outlook*  
*Los Angeles County*

*California State University, Long Beach*

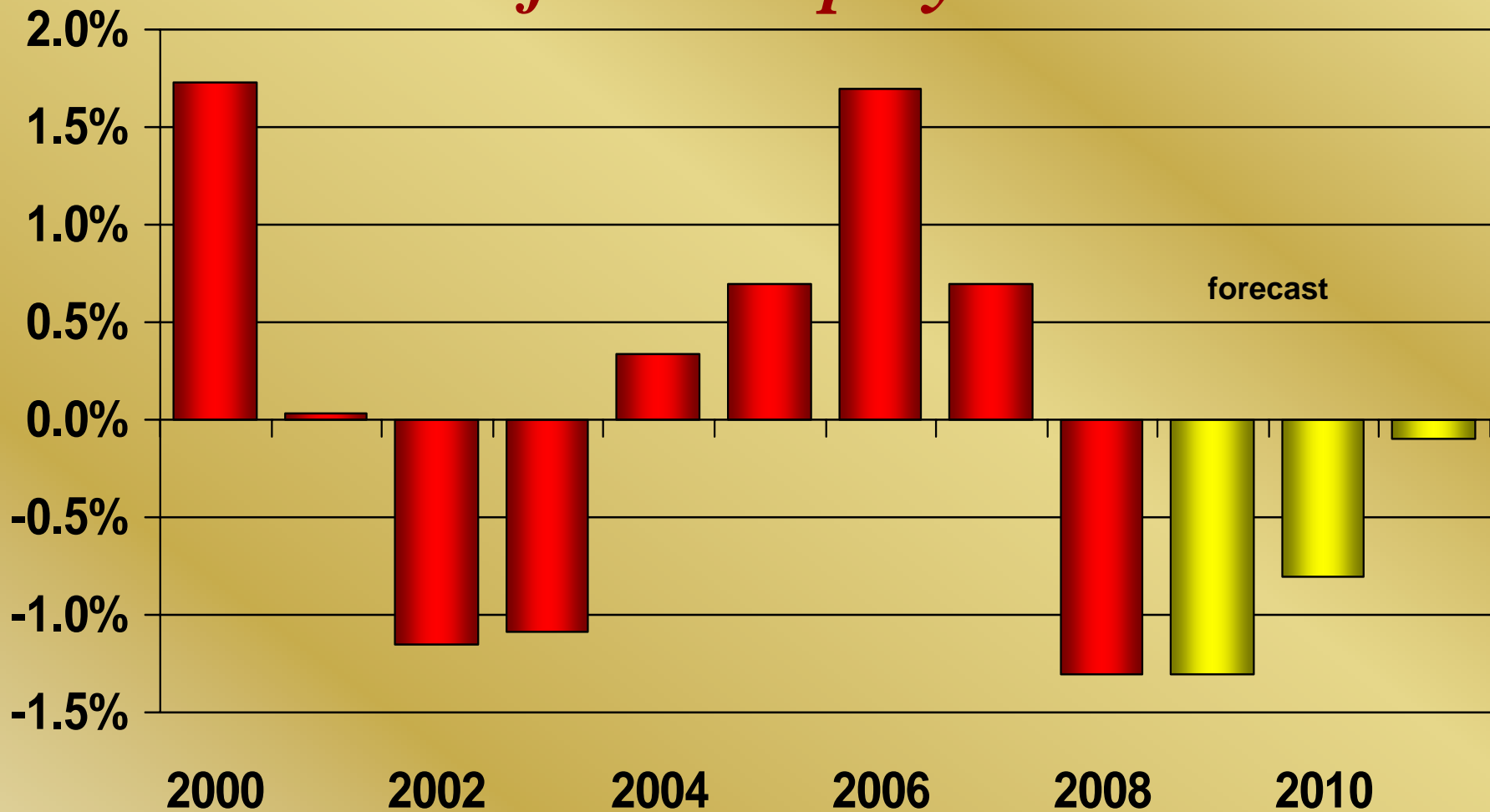
# *Total Nonfarm Employment Los Angeles County*



# *LA Retail Employment Growth*



# *Los Angeles County Total Nonfarm Employment Growth*



*Economic Outlook*  
*Orange County*

*California State University, Long Beach*

# *Orange County*

- **We think construction and finance hit bottom in 2008**
- **These sectors will no longer be a large drag on OC's economy**
- **However, it may take a decade for these sectors to return to 2006 peak employment levels**

# *Orange County*

- **Professional and Business services will lead OC out of the recession**
- **We expect OC to be the strongest-performing economy in the region by 2011**

# *Orange County Total Nonfarm Employment Growth*



*Economic Outlook*  
*Riverside/San Bernardino*

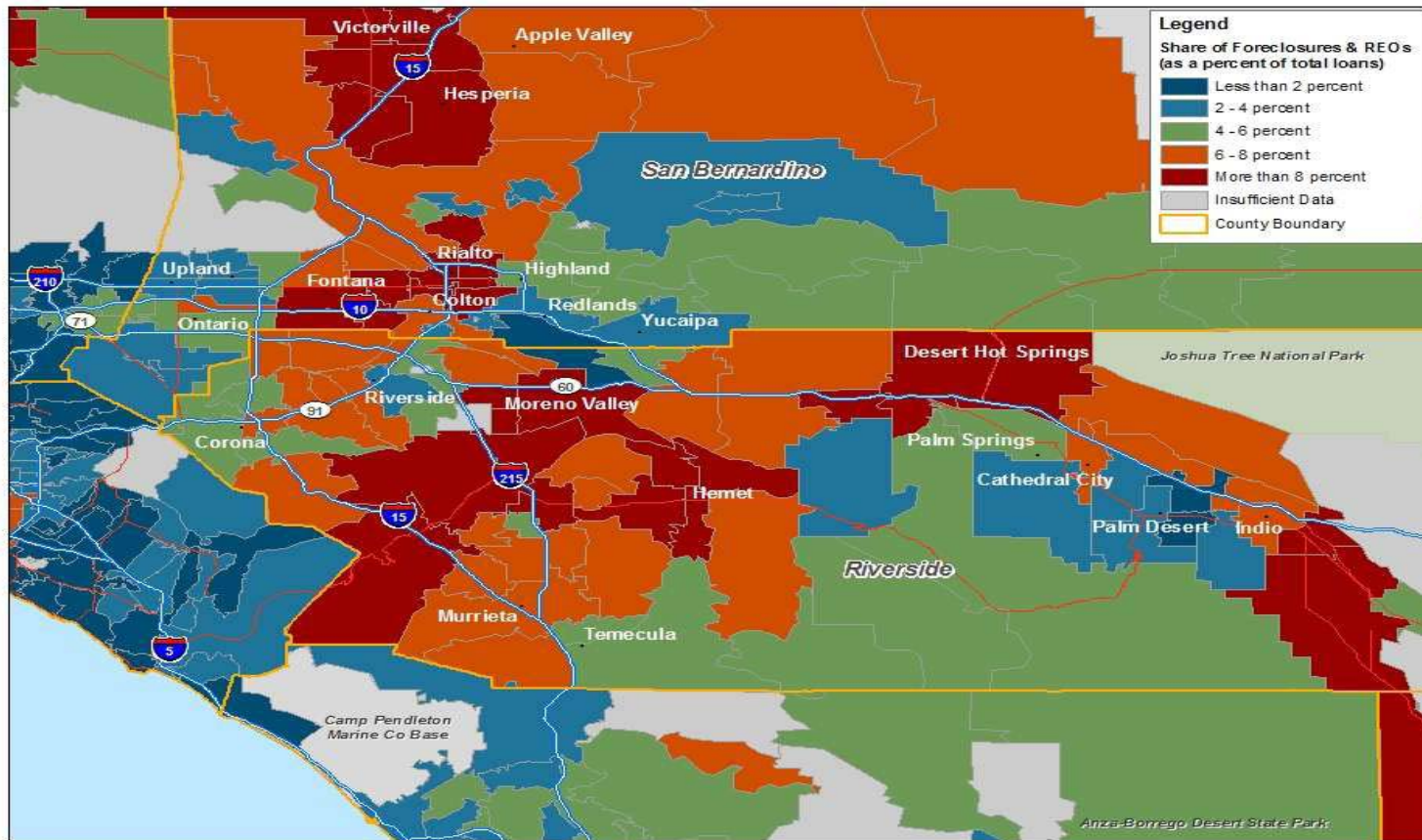
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## *Riverside/San Bernardino*

- **This area hit very hard by sub-prime crisis**
- **As a result, the housing market will take longer to recover and will continue to be a drag on the economy through 2011.**

# Foreclosures in Inland Empire

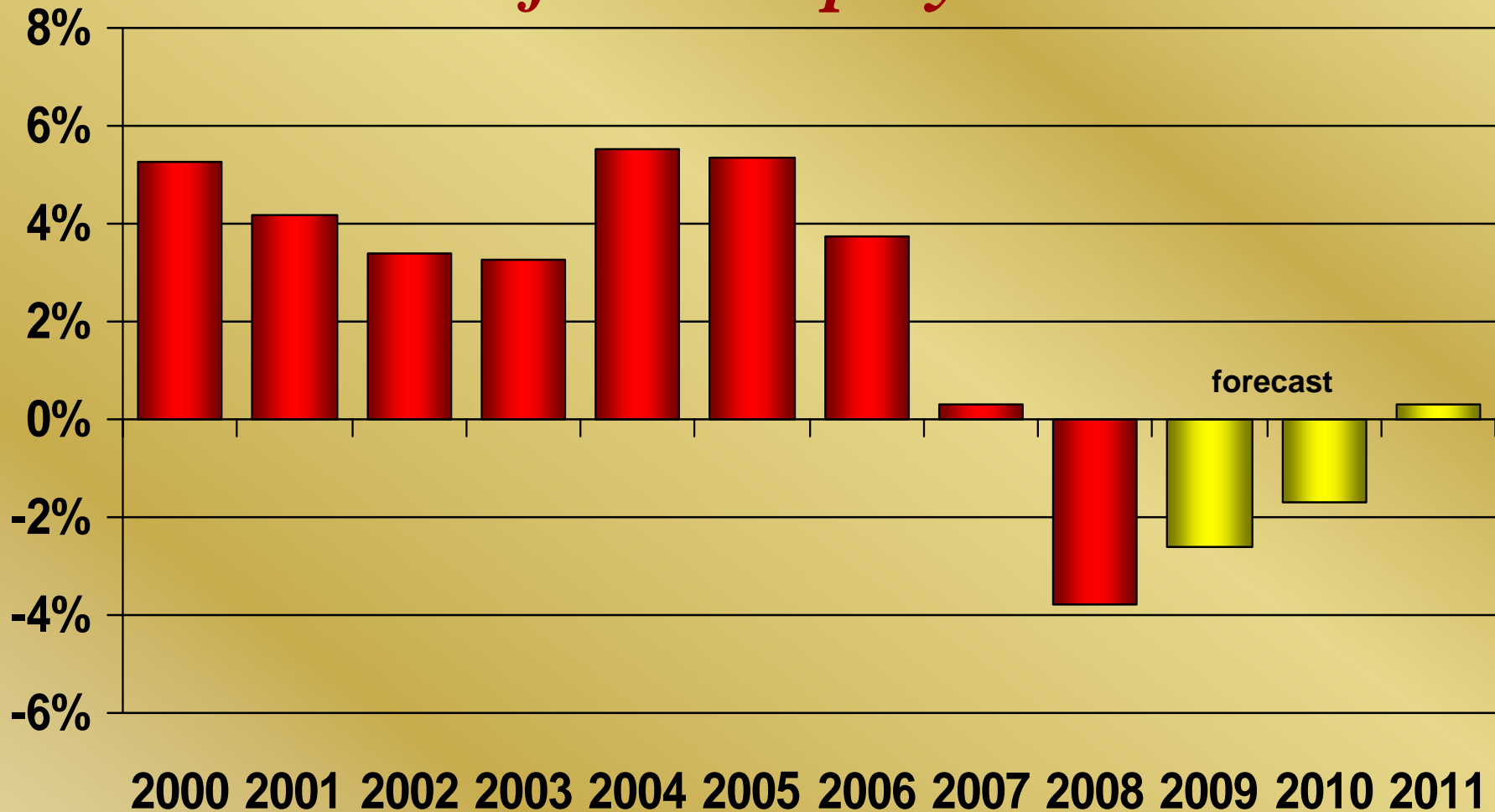
February, 2009



Source: Applied Analytics

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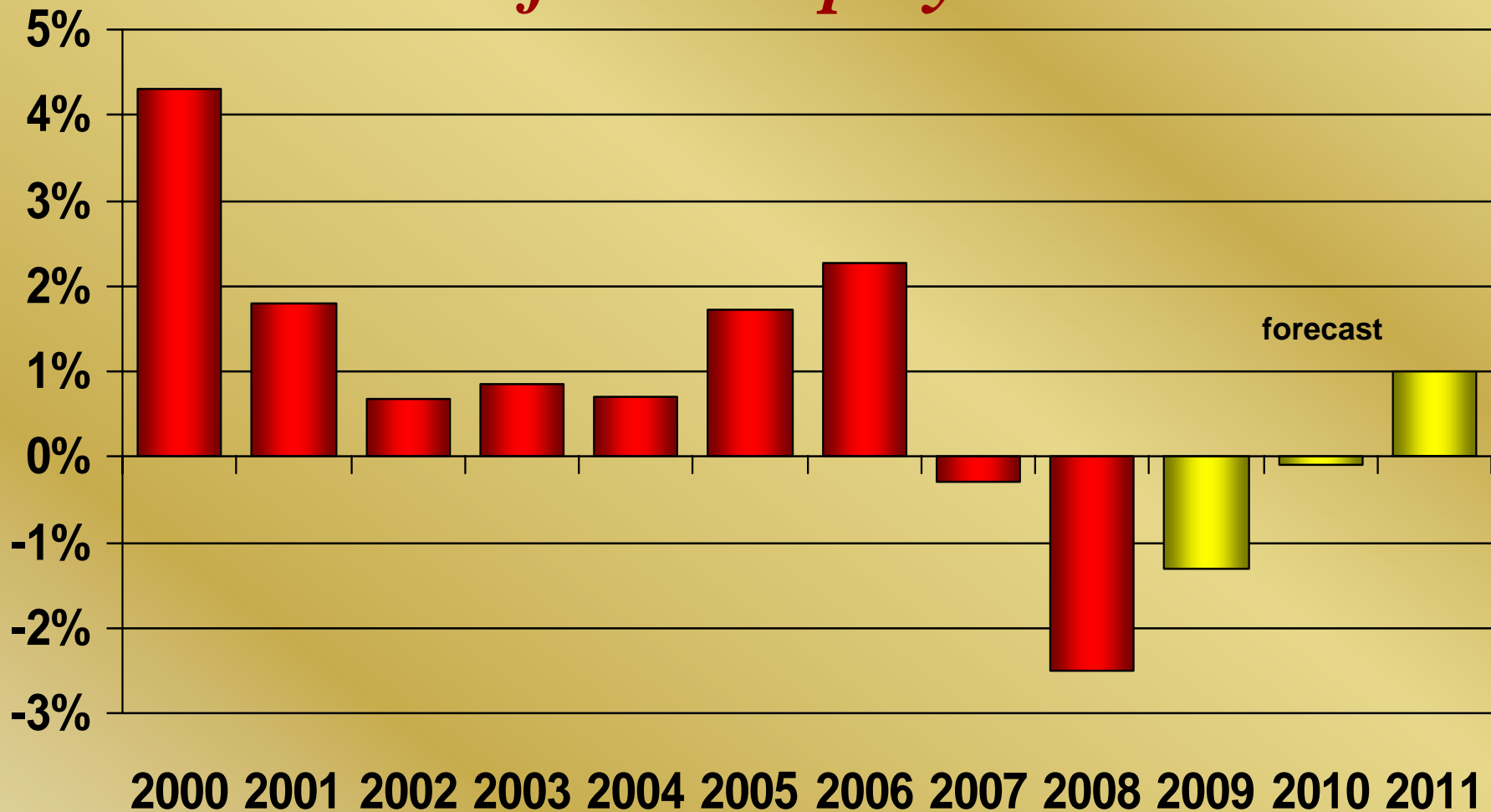
# *Riverside/San Bernardino Total Nonfarm Employment Growth*



*Economic Outlook*  
*Ventura County*

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# *Ventura County Total Nonfarm Employment Growth*



# *The Housing Market*

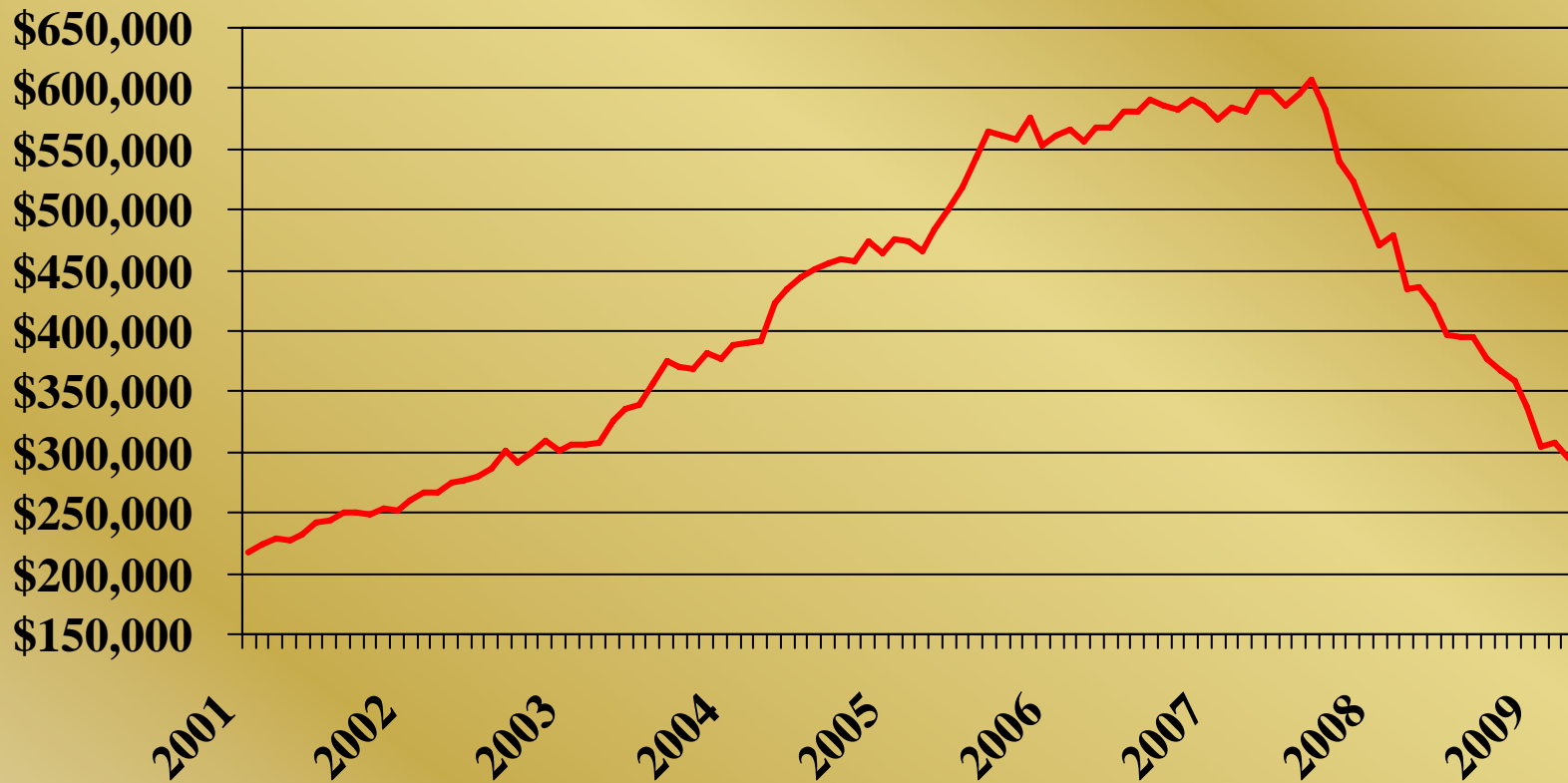
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# *The Regional Housing Market*

- **2008 a terrible year for the region's housing market**
  - **Continuing sub-prime crisis**
  - **Record foreclosures**
  - **Steep depreciation**
- **2009 – will we see a bottom?**

# *Median Price: Los Angeles County*

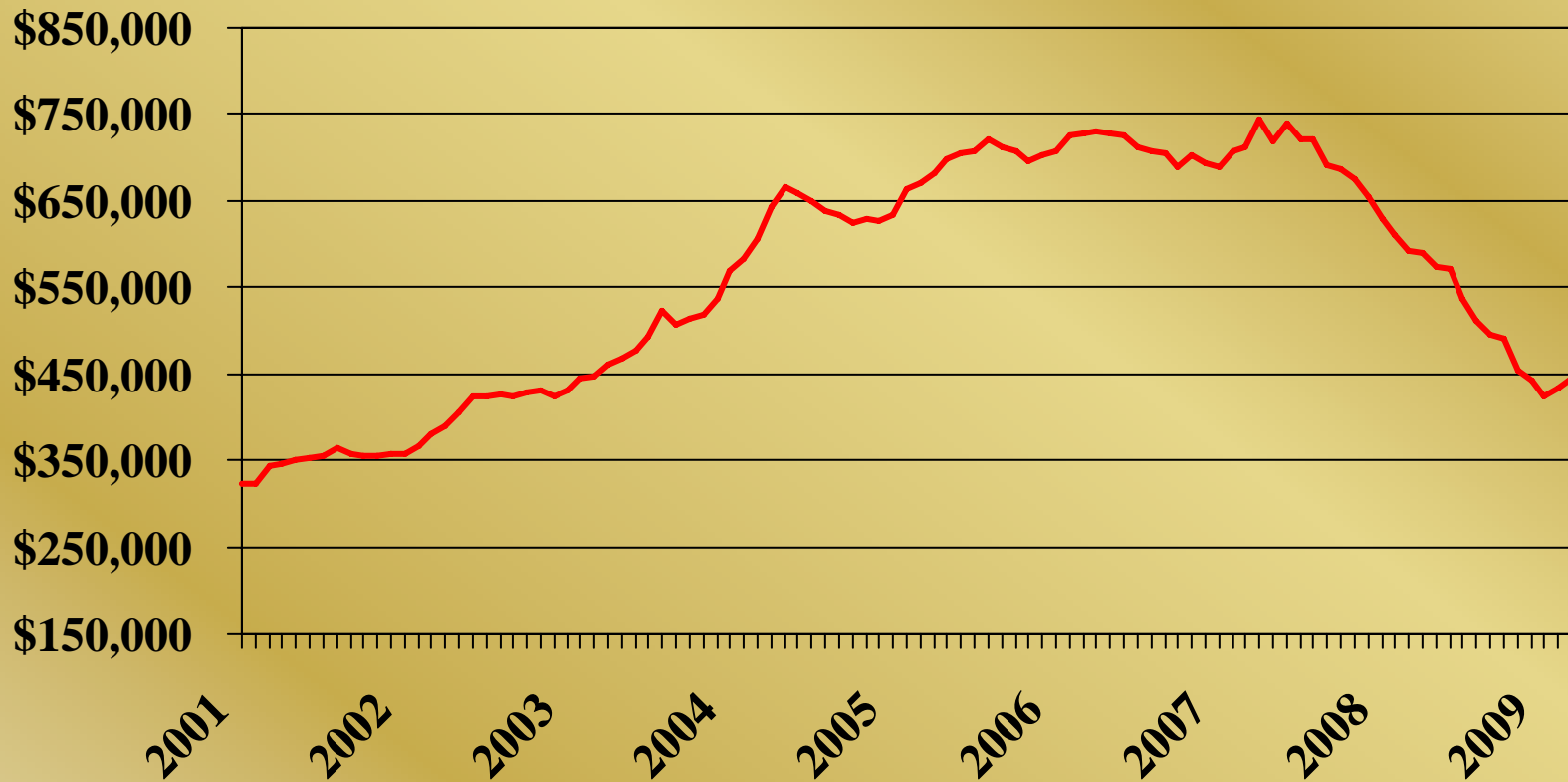
*Peak (8/07) \$608,000 (3/09) \$295,000*



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# *Median Price: Orange County*

*Peak (8/07) \$739,000 (3/09) \$445,000*



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## *County Median Price: Does Not Tell Whole Story*

- **There is considerable dispersion among cities/zip codes.**
  - **Cities vary in foreclosure rates**
- **Reflects changes in price and in mix of homes sold.**
  - **Jumbo market still tight – this may change later this year (B of A recently announced expanded jumbo program).**

# *Dispersion in Depreciation Rates*

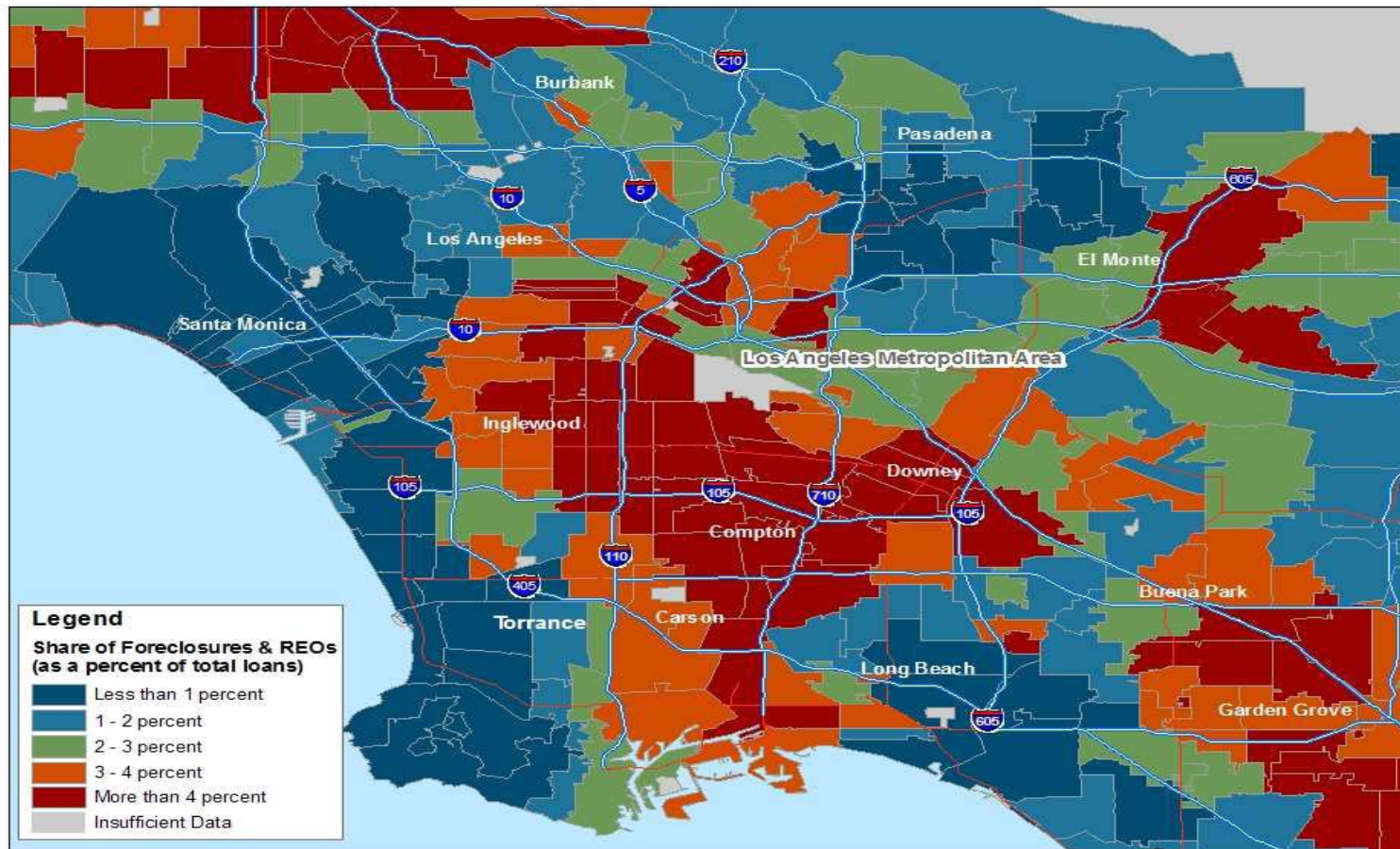
## *LA County*

<b>Area</b>	<b>% change Feb. 2008-09</b>
<b>Los Angeles County</b>	<b>-35.9</b>
<b>Compton</b>	<b>-42.2</b>
<b>Azusa</b>	<b>-45.3</b>
<b>Pasadena</b>	<b>-21.0</b>
<b>Van Nuys</b>	<b>-18.2</b>
<b>Cerritos</b>	<b>-7.1</b>
<b>Redondo Beach</b>	<b>-4.5</b>

Source: CA Assoc. of Realtors

# LA County: Concentration of Foreclosures

February, 2009



Source: Applied Analytics

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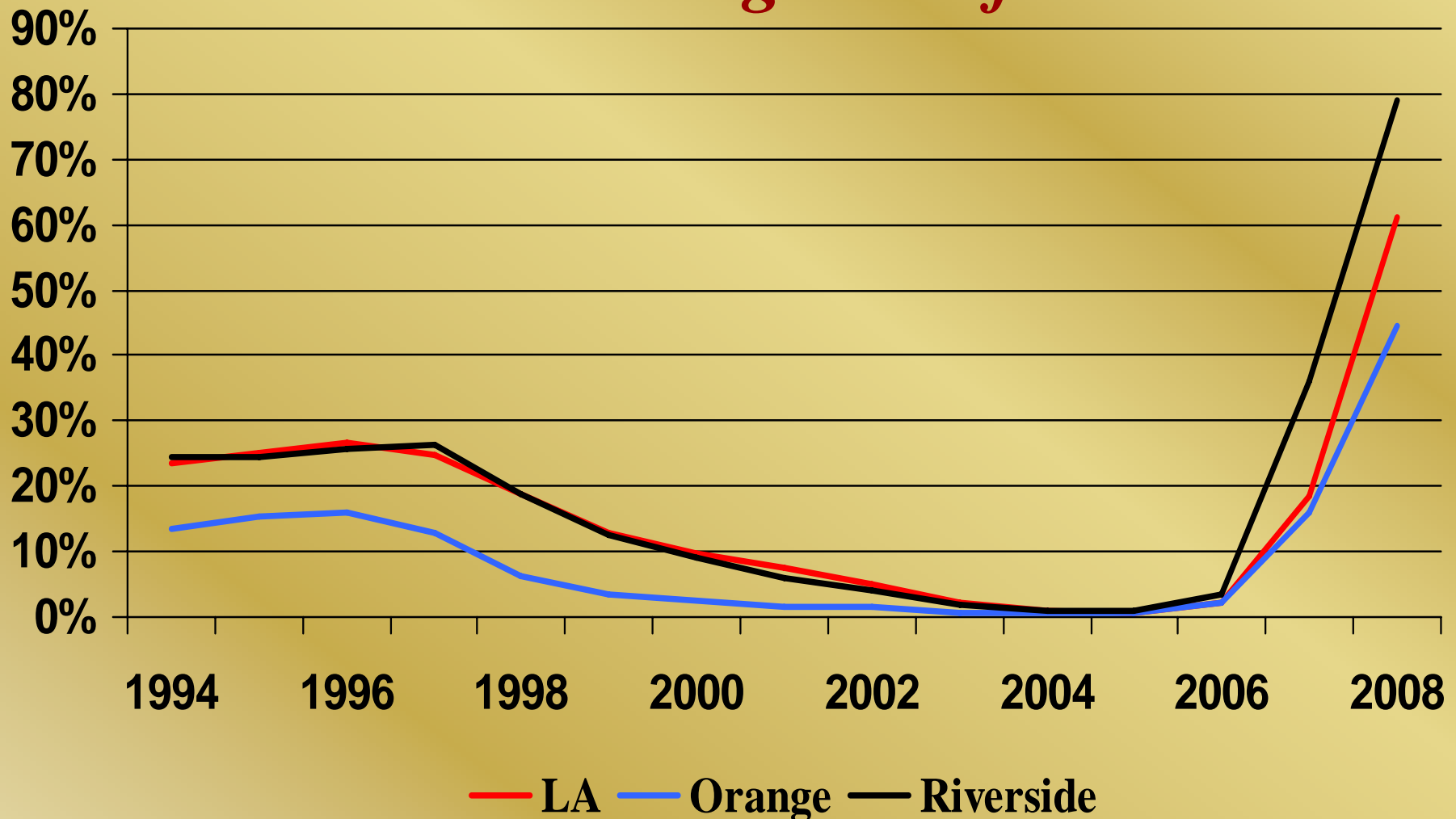
# *Dispersion in Depreciation Rates*

## *Orange County*

<b>Area</b>	<b>% change Feb. 2008-09</b>
<b>Orange County</b>	<b>-27.9</b>
<b>Santa Ana</b>	<b>-40.9</b>
<b>La Habra</b>	<b>-33.4</b>
<b>Alisa Viejo</b>	<b>-26.0</b>
<b>Buena Park</b>	<b>-22.5</b>
<b>Costa Mesa</b>	<b>-9.6</b>
<b>Huntington Beach</b>	<b>-1.1</b>

Source: CA Assoc. of Realtors

# *Proportion of Foreclosures in Housing Transfers*



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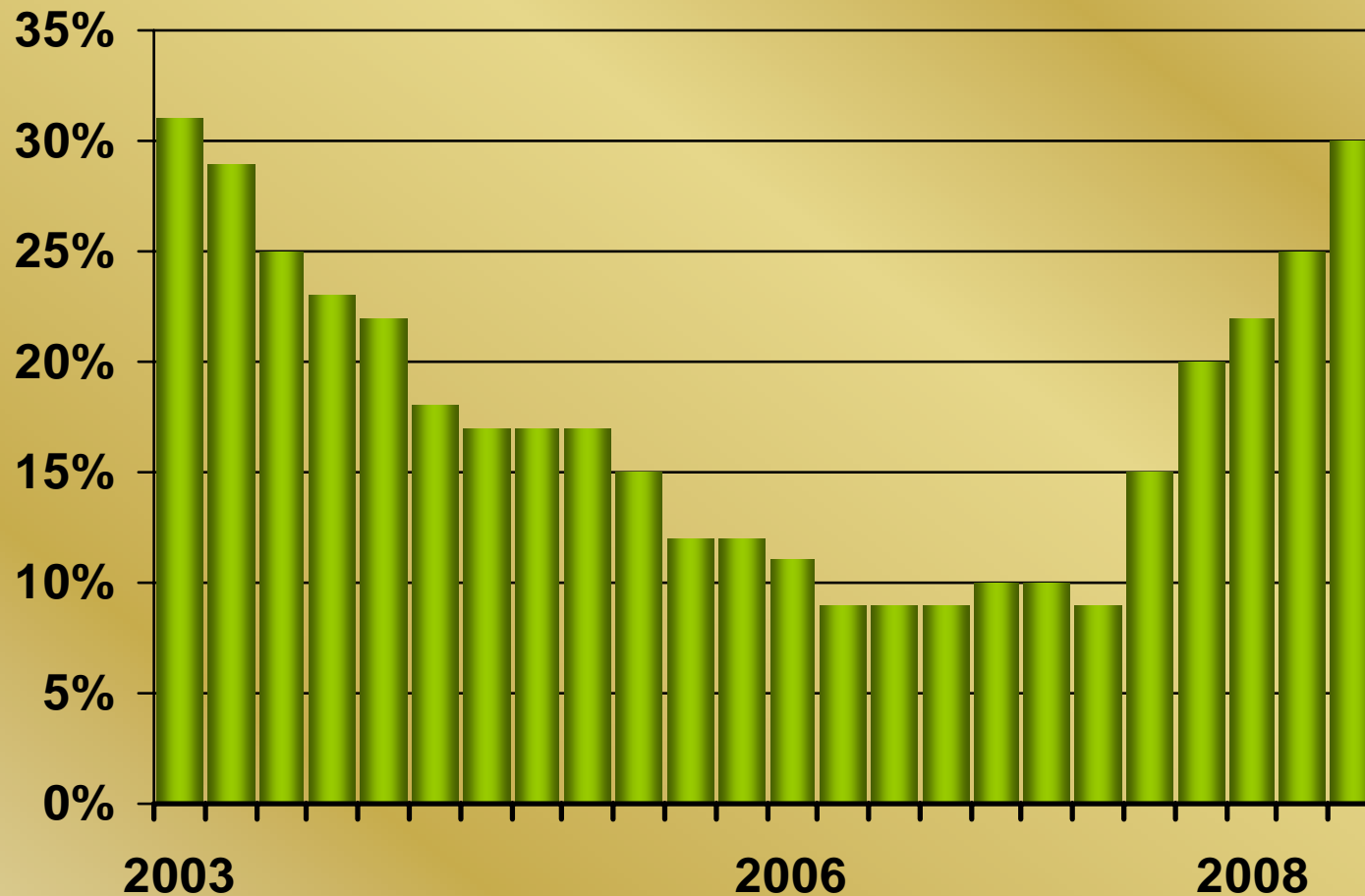
## *High Rate of Foreclosure Sales Made Home Prices More Flexible*

- **Typically – housing prices more “sticky” due to seller discretion.**
- **Bad news: home prices plunge.**
- **Good news: markets adjust more quickly when prices are flexible.**
- **During early 90s, it took 5 years for home prices to adjust**

# *Housing Affordability Index*

## *Los Angeles County*

% of Households that can buy



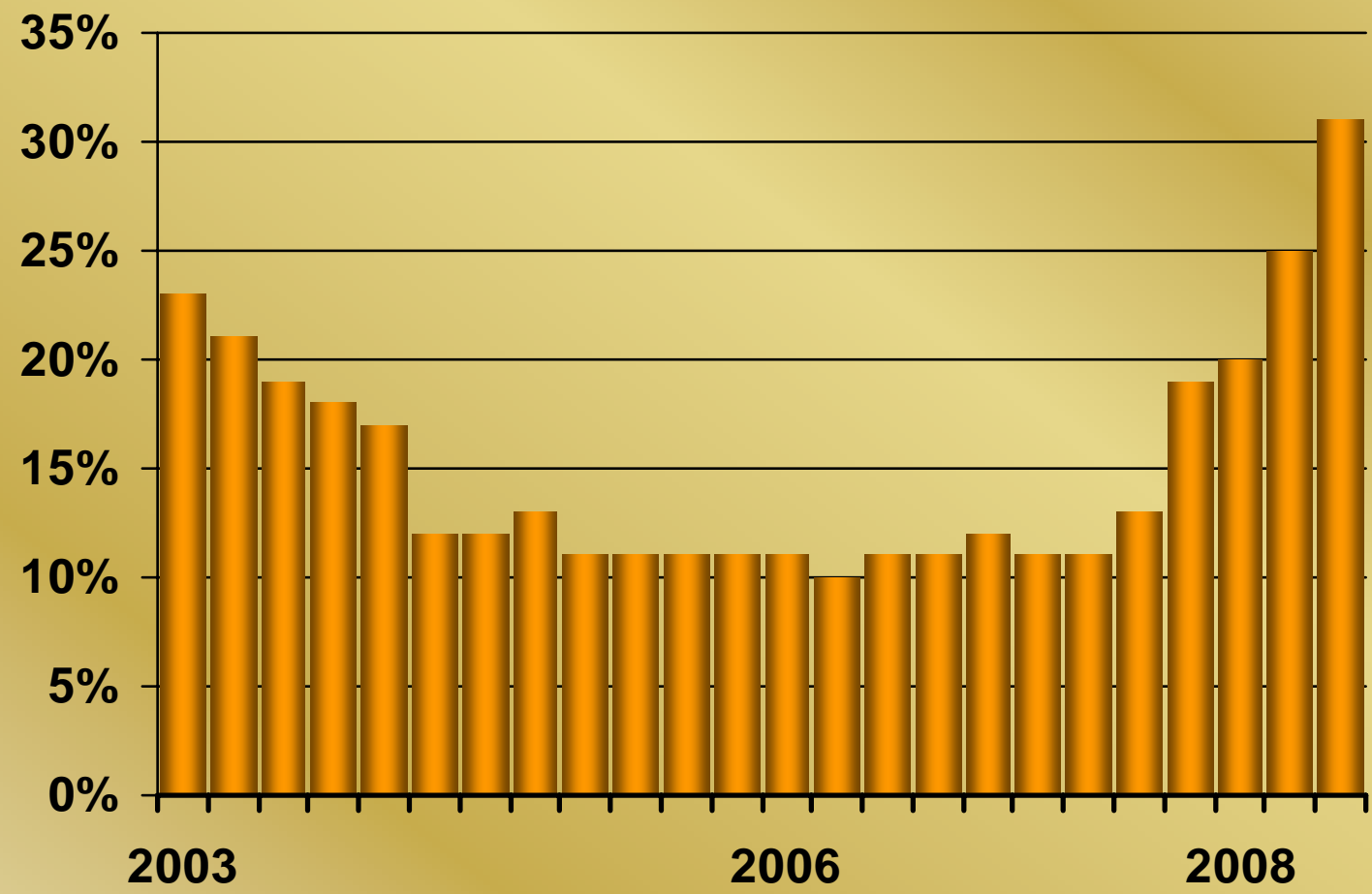
Source: CA Association of Realtors

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# *Housing Affordability Index*

## *Orange County*

**% of Households that can buy**



Source: CA Association of Realtors

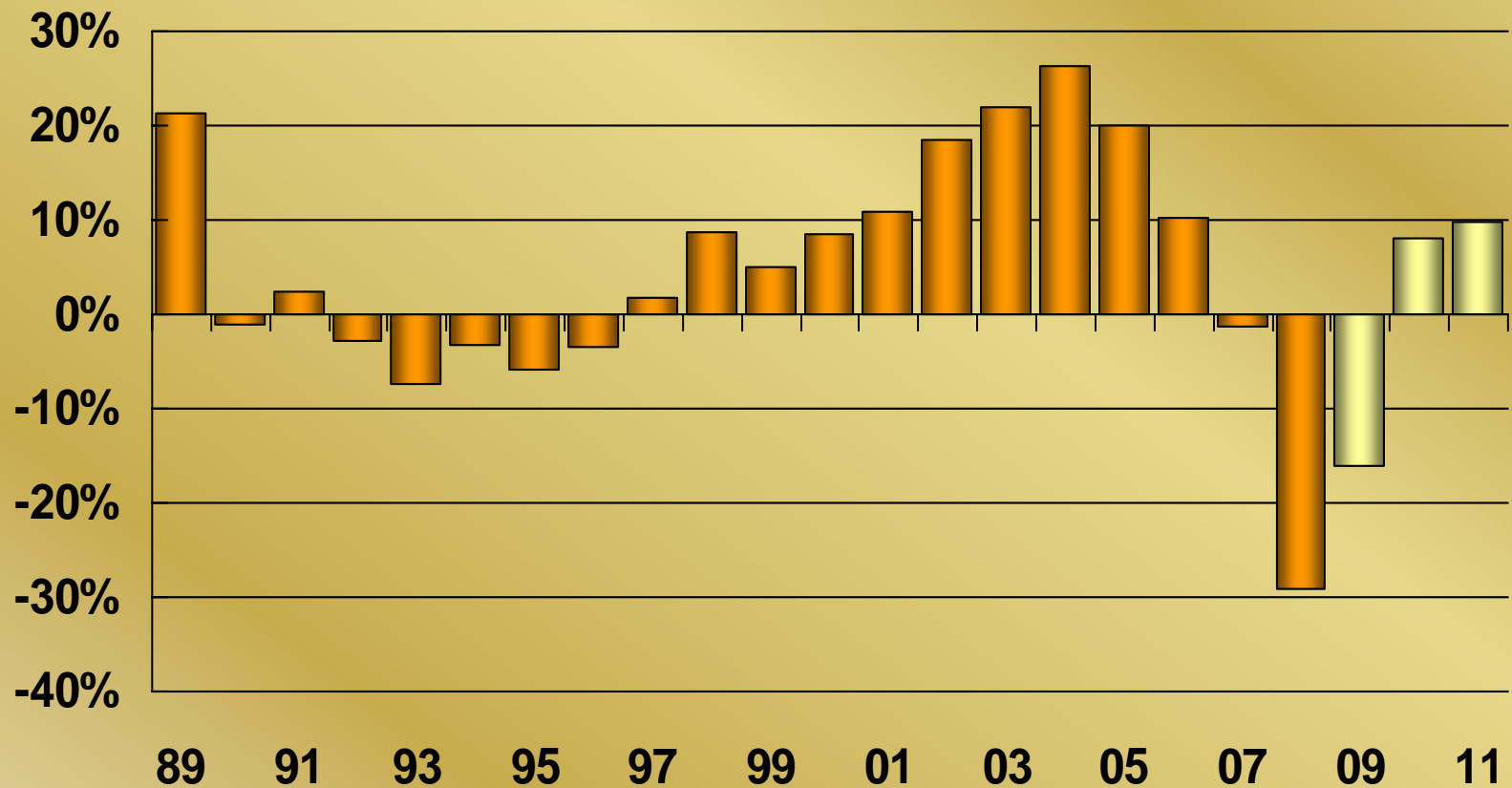
## *Housing Market in Near Term*

- **High foreclosures, tight credit and the weak job market are dominant factors in the first half of 2009**
- **During second half credit should begin to ease, and consumer confidence will begin to rise**
- **Once recovery gets underway, affordability will become a strong force**

# *Los Angeles County*

## *Forecast of Housing Appreciation*

*[year-to-year percentage change in median price]*

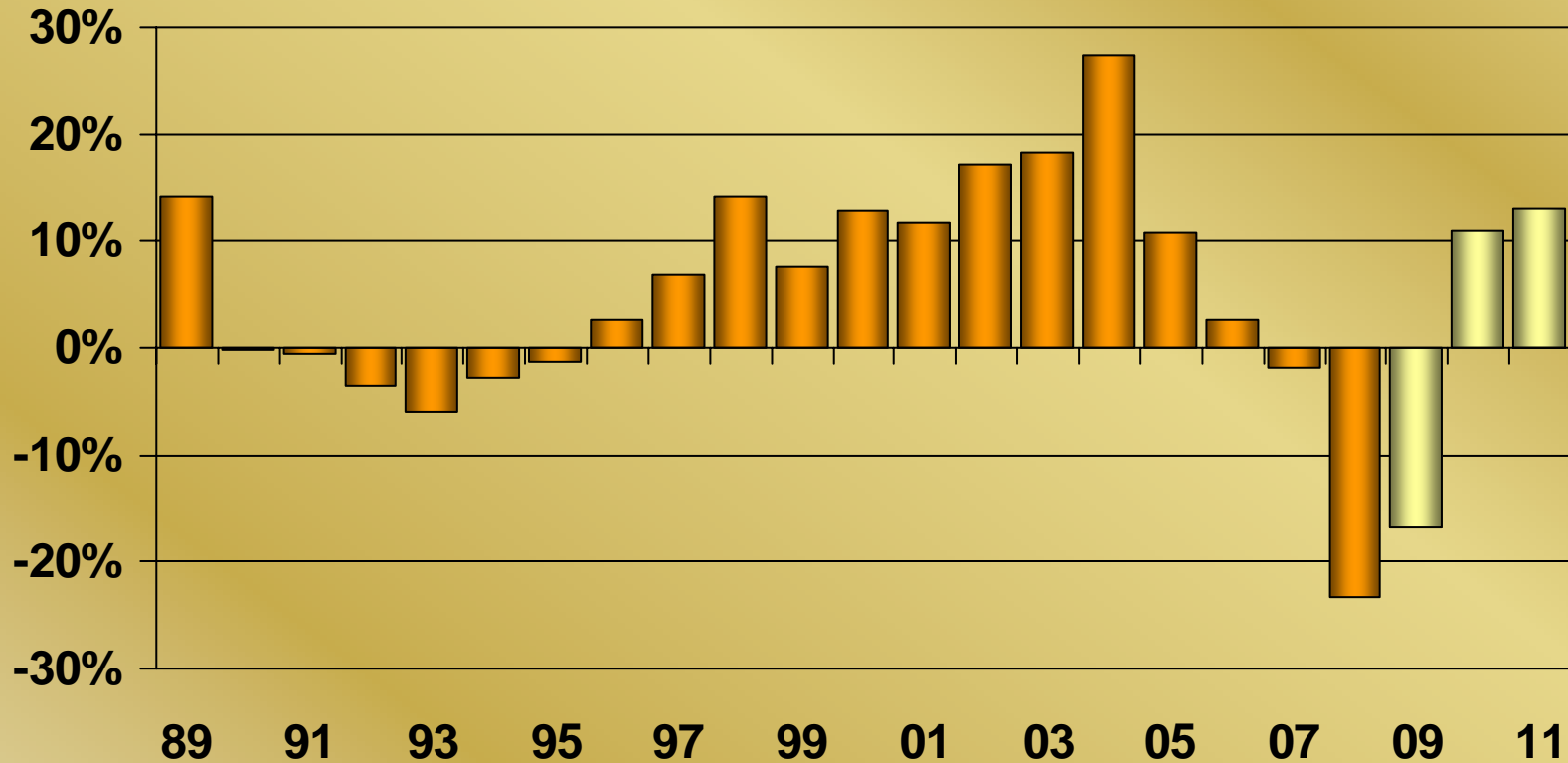


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# *Orange County*

## *Forecast of Housing Appreciation*

*[year-to-year percentage change in median price]*



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# *Summary*

- **2009 will be the trough of this housing cycle**
- **We can expect the market to begin to improve by year-end in coastal areas**
- **In 2010 we will start to see the median home price rise in LA, Orange and Ventura Counties**