CALIFORNIA ECONOMIC SNAPSHOT

The California Economic Snapshot is a quarterly review of key economic indicators across the State of California and the nation. Included with each snapshot is a lead article on an economic development topic.

HIGHLIGHTS

California's annual job growth rate outpaced the nation in seven of the 11 major sectors and in total nonfarm job growth

Job growth rates in California's Government sectors rose above levels in the Service-Providing and Goods-Producing Sectors

The California Economic Snapshot is produced quarterly by **Economic & Planning Systems, Inc.** (EPS) through a research partnership with the California Academy for Economic Development (CAED), a foundation managed by the California Association for Local Economic Development (CALED). EPS is a full-service economics consulting firm with expertise in economic development and revitalization, real estate economics, fiscal and economic impact analysis, public finance, land use and transportation, and housing policy. To learn more about EPS, visit www.epsys.com.

2019 California Real Estate Trends

The Emergence of Secondary Cities

High costs of living and a lack of affordable housing have caused an influx of residents to secondary cities. Residents in coastal markets are no longer willing to deal with double digit price increases, and appear increasingly open to inland options. A national phenomenon, secondary cities have caught the attention of many U.S. residents, due to their lower costs of living, lighter tax burdens, and job and commute opportunities. The top 10 cities with the largest influx of new residents include Nashville, Atlanta, Phoenix, Austin, and Dallas. Topping this list is Sacramento, which received the highest percentage of new residents from the San Francisco Region. Sacramento's median sale price for homes is approximately $350,000, a massive disparity in comparison to San Francisco's $1.5 million. Sacramento capitalized by capturing additional tech-related employment, such as Centene, making changes to its urban core, as well as increasing the range of urban housing models in order to address more consumer demands. In addition, Sacramento has a combination of good climate, improving amenities in arts, food and libations, relatively less traffic congestion, providing a road map for other inland cities in California looking to improve their competitive positions.

Accommodating Technology

In order to accommodate tenants' growing technological needs, large metropolitan cities have been upgrading building designs to incorporate more desirable co-working spaces, providing affordable substitutes to traditional offices. With the increasing telecommuting flexibility made available, these spaces have gained popularity among larger organizations, not just among startups and small businesses.

Workforce Housing Strategy

Innovation districts are increasingly underwriting job development by integrating housing. Secondary Cities are increasingly embracing walkable communities, characterized by a combination of housing options and a highly dense office and retail space. Through elimination of transportation costs, these communities allow for affordable workforce housing options, stimulating local job growth.

Growth of STEM Industries

The Science, Technology, Engineering, and Mathematics (STEM) fields have gained increasing significance in the California job market. STEM jobs are anticipated to grow 73 percent faster than the broader job market. While San Diego has been a traditional hub, many smaller cities have the ability to capture these jobs through placemaking and well-conceived economic incentive programs.

Real Estate Prospects

California cities have become some of the most recommended locations in the nation. The most recommended city in the nation to develop hotel space in 2019 is San Diego. Additionally, the Bay Area, Southern California, and Sacramento are listed in the top 15 regions for multifamily dwelling purchases, despite ranking below national averages on real estate and homebuilding prospects.

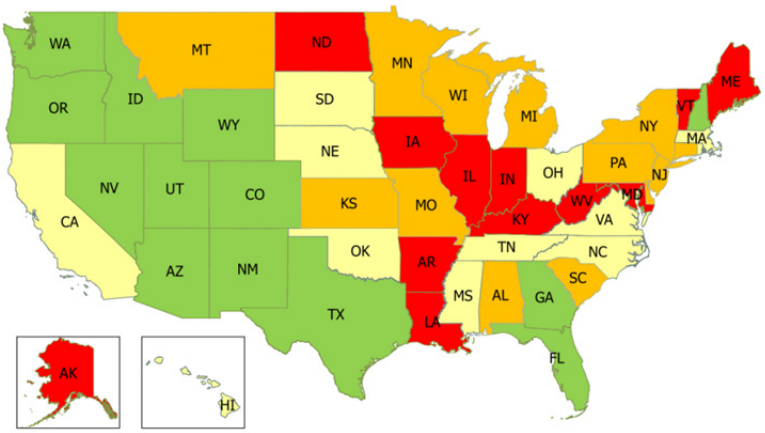
For More Information:

Urban Land Institute (ULI) is a research and education organization providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

ULI releases an annual report titled "Emerging Trends in Real Estate," which informed many of the trends described above and provides a number of additional real estate trends to watch in 2019.

Q3 2018 Economic Snapshot

Annual Nonfarm Job Growth Rate By State



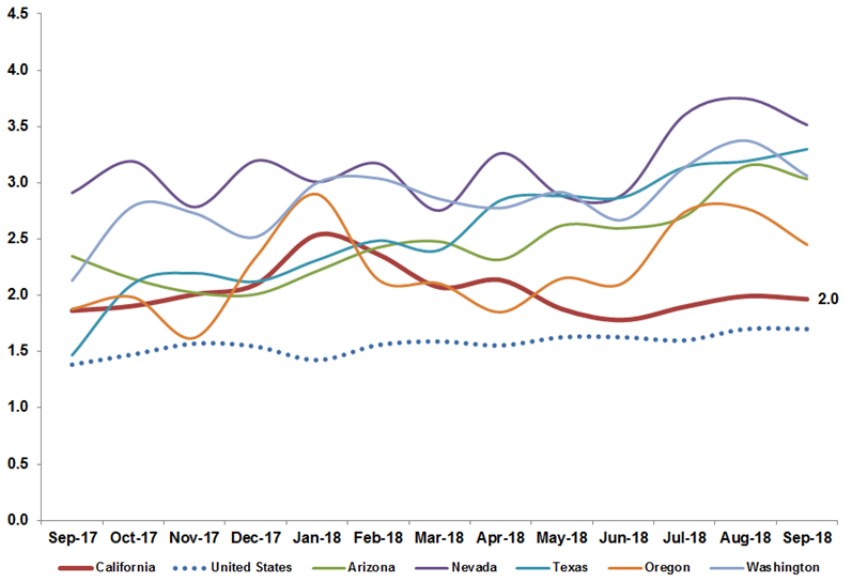
Upper		Upper-Middle		Lower-Middle		Lower	
Florida	4.8%	Tennessee	2.0%	Delaware	1.5%	North Dakota	1.0%
Utah	3.6%	**California**	**2.0%**	Kansas	1.5%	Maryland	1.0%
Nevada	3.5%	Ohio	1.9%	Wisconsin	1.4%	Iowa	1.0%
Texas	3.3%	Oklahoma	1.9%	New Jersey	1.4%	Indiana	1.0%
Washington	3.1%	Massachusetts	1.8%	Montana	1.4%	Illinois	0.9%
Arizona	3.0%	North Carolina	1.8%	Michigan	1.4%	District of Columbia	0.9%
Colorado	2.9%	Nebraska	1.8%	Missouri	1.3%	Arkansas	0.9%
Idaho	2.5%	South Dakota	1.8%	South Carolina	1.3%	West Virginia	0.8%
Oregon	2.5%	Virginia	1.7%	Alabama	1.3%	Louisiana	0.8%
Georgia	2.4%	Mississippi	1.6%	Pennsylvania	1.3%	Maine	0.8%
New Mexico	2.3%	Rhode Island	1.6%	Minnesota	1.3%	Kentucky	0.7%
New Hampshire	2.2%	Hawaii	1.6%	Connecticut	1.2%	Vermont	-1.0%
Wyoming	2.2%			New York	1.1%	Alaska	-1.0%

Source: CA Employment Development Department, Sept 2018; U.S. Bureau of Labor Statistics; EPS

Highlights

- California remains in the upper-middle tier, showing an increase of Nonfarm payroll jobs by 2.0 percent in the 12 months ending September 2018, ranking 15th among all states.
- With the rise of New Mexico to the upper-tier, the high concentration of upper tier states on the west coast seen in the previous year continues in the third quarter with the exception of California.
- Florida exceeded Utah to be the state with the highest job growth rate remaining at 4.8 percent.
- There was a positive increase in job growth rates across most states from last quarter with 48 states and the District of Columbia realizing an increase in job growth rates and only two states experiencing reduced job growth from last quarter.

State Annual Nonfarm Job Growth Rate



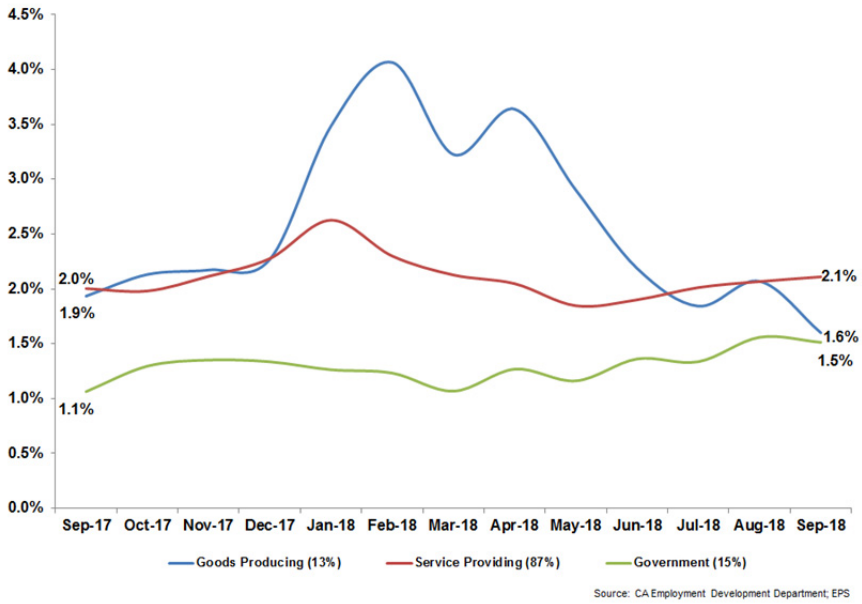
Source: CA Employment Development Department; U.S. Bureau of Labor Statistics; EPS

Highlights

- California's annual job growth rate remained steady during the last quarter, ending slightly above the national average but lowest of the individual states.
- Job growth rates for the United States overall remained steady throughout the last year ending below the individual states.
- Oregon, Washington, and Nevada all experienced a sharp increase in job growth rates at the beginning of the quarter but fell in the past month to levels similar to those at the beginning of the quarter.
- Arizona started the quarter with a similar increase in job growth, but did not experience as strong of a decline, ending significantly higher than last quarter.

Q3 2018 Economic Snapshot

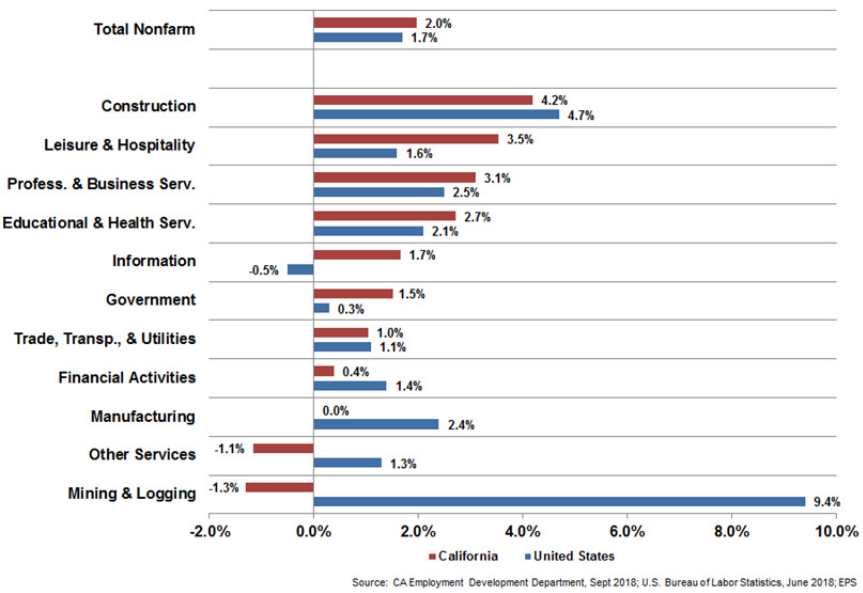
California Annual Industry Segment Job Growth Rate



Highlights

- Job growth in California's Service-Providing sectors, comprising 87 percent of Nonfarm jobs, remained relatively steady in terms of job growth ending slightly above the previous quarter.
- Despite a slight spike in August, growth in Goods-Producing sectors has decreased, ending below Service-Providing, but above Government sectors.
- Job growth in Government sectors experienced a slight upward trend throughout the quarter ending at levels slightly higher than the previous quarter.

California & United States Annual Major Sector Job Growth Rate

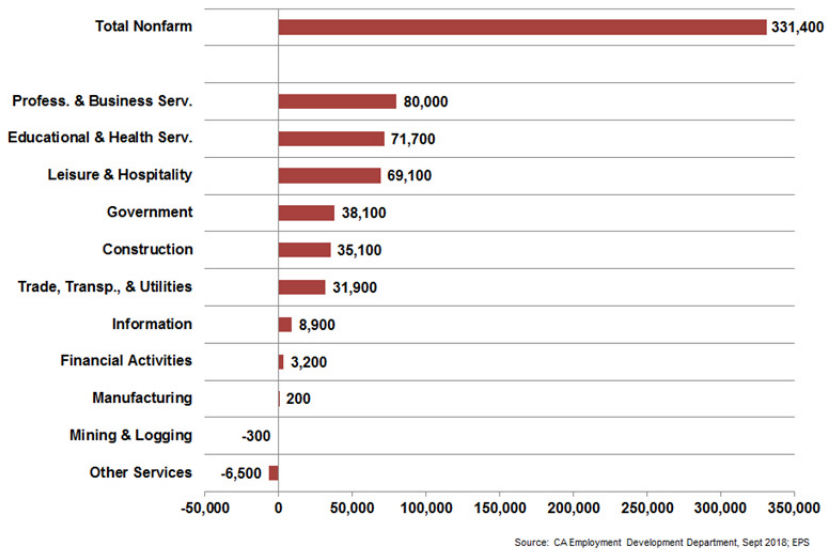


Highlights

- California's annual job growth rate outpaced the nation in five of the 11 major sectors and in total Nonfarm job growth, with positive job growth in all sectors except Other Services and Mining & Logging.
- The most robust state job growth rates occurred in Construction, and Leisure and Hospitality.
- Job growth rates in the Mining and Logging industry continued to rise sharply in the United States, but California saw negative job growth in that sector.
- Job growth rates in California's Manufacturing sector halted, showing little to no growth, while the nation experienced strong job growth rates.

Q3 2018 Economic Snapshot

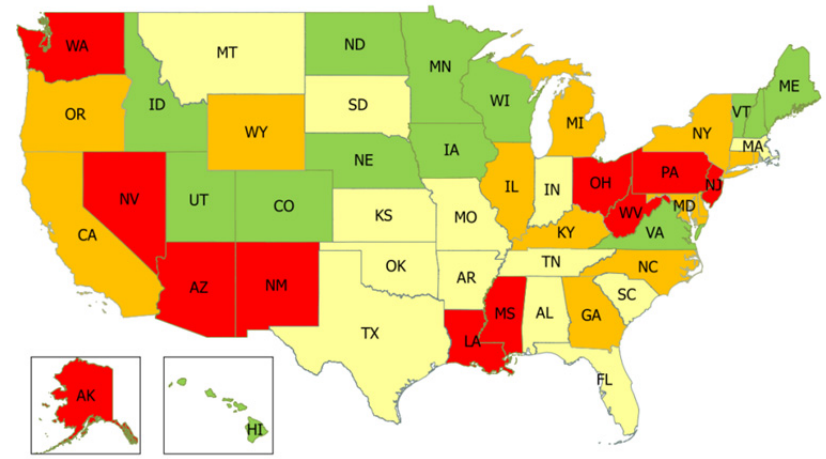
California Absolute Annual Job Gains and Losses



Highlights

- Just over 330,000 Nonfarm jobs were added in California in the 12 months prior to September 2018.
- California's absolute job gains were strongest in Professional and Business Services, led by growth in employment in scientific research and development and technical consulting services.
- Absolute job growth in the Leisure and Hospitality sector increased significantly from the previous quarter, being one of the sectors experiencing the highest job growth, ranking 3rd just behind Education and Health Services.

State Annual Average Unemployment Rate



Upper		Upper-Middle		Lower-Middle		Lower	
Hawaii	2.1%	South Dakota	3.2%	Wyoming	4.0%	New York	4.4%
New Hampshire	2.6%	Indiana	3.3%	Oregon	4.0%	New Jersey	4.4%
Iowa	2.7%	Kansas	3.3%	Georgia	4.0%	Pennsylvania	4.4%
North Dakota	2.7%	Missouri	3.4%	North Carolina	4.1%	Ohio	4.5%
Vermont	2.8%	Tennessee	3.5%	Delaware	4.1%	Washington	4.6%
Nebraska	2.8%	Massachusetts	3.5%	Maryland	4.2%	Mississippi	4.7%
Idaho	2.8%	Arkansas	3.7%	**California**	**4.2%**	Nevada	4.7%
Wisconsin	3.0%	Florida	3.7%	Rhode Island	4.2%	Arizona	4.7%
Colorado	3.0%	South Carolina	3.8%	Kentucky	4.3%	Louisiana	4.7%
Minnesota	3.0%	Oklahoma	3.8%	Michigan	4.3%	New Mexico	5.1%
Maine	3.1%	Montana	3.9%	Illinois	4.4%	West Virginia	5.3%
Utah	3.1%	Texas	3.9%	Connecticut	4.4%	District of Columbia	5.7%
Virginia	3.2%	Alabama	3.9%			Alaska	7.2%

Source: CA Employment Development Department, Sept 2018; U.S. Bureau of Labor Statistics; EPS

Highlights

- California's annual average unemployment rate decreased slightly from last quarter to 4.2 percent, remaining in the lower-middle tier.
- All but four states have experienced unemployment at or below 5 percent, putting nearly all of the states at full employment levels.
- Unemployment rates have decreased across 33 States from the previous quarter continuing a downward trend from the last three quarters.
- Just under 25 percent of unemployed Californians have been out of work for more than 27 weeks, a figure that remains higher than the national average of 23 percent.
- California's "real" unemployment, accounting for underemployed and marginally attached workers, was 9 percent, also higher than the national average of 8 percent.

Q3 2018 Economic Snapshot

Annual Nonfarm Job Growth Rate for Metropolitan and Non-Metropolitan Areas

Upper		Upper-Middle	
Mono County	9.9%	Chico MSA	2.8%
Colusa County	4.2%	Inyo County	2.7%
Stockton MSA	3.4%	Calaveras County	2.7%
Sierra County	3.3%	Fresno MSA	2.6%
San Jose MSA	**3.3%**	Santa Rosa MSA	2.5%
Merced MSA	3.2%	Modesto MSA	2.2%
Redding MSA	3.0%	Visalia MSA	2.1%
Salinas MSA	3.0%	Lake County	2.1%
Del Norte County	2.9%	Plumas County	2.0%
Santa Cruz MSA	2.9%	**San Francisco MSA**	**2.0%**
Riverside MSA	**2.9%**	**San Diego MSA**	**1.9%**
		Madera MSA	1.8%

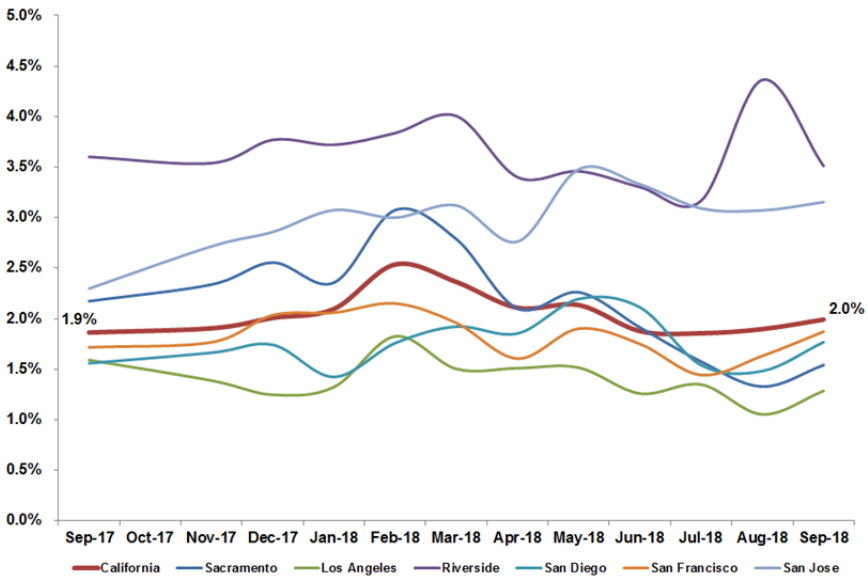
Lower-Middle		Lower	
Vallejo MSA	1.7%	Mariposa County	0.7%
San Luis Obispo MSA	1.6%	Santa Maria MSA	0.7%
Los Angeles MSA	**1.5%**	Hanford MSA	0.5%
Bakersfield MSA	1.5%	Amador County	0.5%
Lassen County	1.5%	Tuolumne County	0.0%
Mendocino County	1.4%	Tehama County	0.0%
Siskiyou County	1.2%	Trinity County	0.0%
El Centro MSA	1.1%	Napa MSA	-0.1%
Sacramento MSA	**1.1%**	Nevada County	-0.2%
Humboldt County	1.0%	Yuba City MSA	-0.4%
Oxnard MSA	1.0%	Modoc County	-3.0%
Glenn County	0.9%	Alpine County	-3.2%

Source: CA Employment Development Department, Sept 2018; EPS

Highlights

- Job growth rates in the San Diego metro rose by approximately one-half of a percent, elevating the metro to the upper-middle tier.
- Job growth in the Sacramento metro fell by approximately one-half of a percent from last quarter, remaining in the lower-middle tier.
- While the San Francisco MSA remains in the upper-middle tier, the metro continues to account for 15 percent of the state's absolute job growth alone and 33 percent when combined with the Los Angeles MSA, greater than levels seen in the prior quarter.

California Large MSA Annual Nonfarm Job Growth Rate



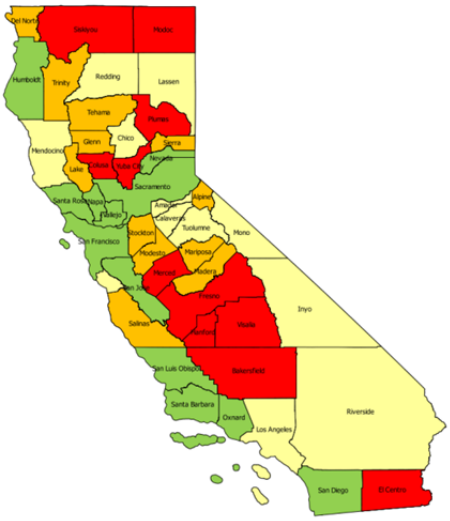
Source: CA Employment Development Department; EPS

Highlights

- The Los Angeles metro continues to experience the lowest job growth rates among the major metros.
- Despite a sizable bump in job growth rates at the beginning of the year, California's job growth rate ended the quarter consistent with the rate seen a year prior.
- San Jose job growth rates have stabilized after a turbulent second quarter, ending the quarter second among major metros, below Riverside.
- The Riverside metro experienced a sharp spike in job growth during the third quarter, ending at levels slightly above the beginning of the third quarter.

Q3 2018 Economic Snapshot

Annual Average Unemployment Rate for Metropolitan and Non-Metropolitan Areas



Upper		Upper-Middle	
San Jose MSA	**2.5%**	Mono County	3.8%
Santa Rosa MSA	2.6%	Inyo County	3.9%
San Luis Obispo MSA	2.8%	Mendocino County	3.9%
Napa MSA	2.9%	**Riverside MSA**	**4.0%**
San Diego MSA	**3.1%**	Calaveras County	4.0%
San Francisco MSA	**3.2%**	Amador County	4.1%
Sacramento MSA	**3.5%**	**Los Angeles MSA**	**4.3%**
Nevada County	3.5%	Chico MSA	4.5%
Oxnard MSA	3.5%	Santa Cruz MSA	4.6%
Humboldt County	3.6%	Redding MSA	4.6%
Santa Maria MSA	3.7%	Tuolumne County	4.7%
Vallejo MSA	3.7%	Lassen County	4.9%

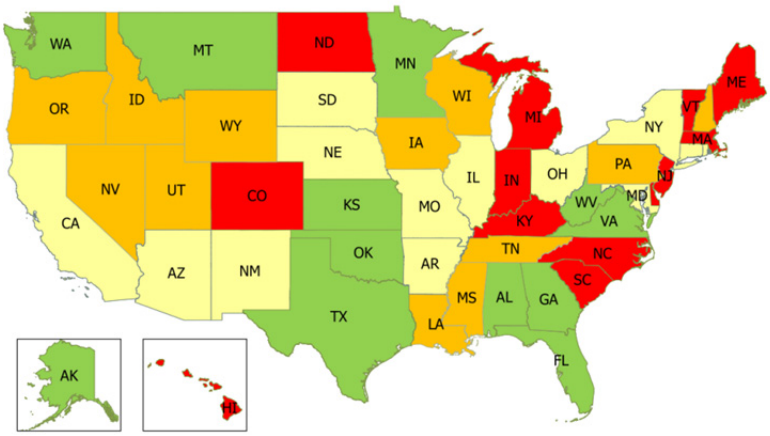
Lower-Middle		Lower	
Alpine County	5.1%	Glenn County	6.6%
Lake County	5.2%	Siskiyou County	6.6%
Trinity County	5.4%	Yuba City MSA	6.6%
Mariposa County	5.5%	Fresno MSA	7.0%
Stockton MSA	5.6%	Hanford MSA	7.3%
Del Norte County	5.6%	Modoc County	7.4%
Tehama County	5.6%	Bakersfield MSA	7.6%
Sierra County	5.8%	Merced MSA	7.7%
Salinas MSA	6.0%	Plumas County	7.8%
Modesto MSA	6.0%	Visalia MSA	8.9%
Madera MSA	6.5%	Colusa County	13.1%
		El Centro MSA	16.1%

Source: CA Employment Development Department, Sept 2018; EPS

Highlights

- 34 markets had rates at or below 6 percent, placing significantly more than half of all California markets near full employment levels, slightly higher than the previous quarter.
- San Francisco and San Jose markets continue to experience low unemployment rates and most of the Bay Area metros and counties remain in the upper tier consistent with previous quarters.
- Unemployment rates have decreased across 34 California markets and counties from the previous quarter continuing a downward trend from the previous three quarters.

State Leading Index 2018



Upper		Upper-Middle		Lower-Middle		Lower	
Oklahoma	4.4%	South Dakota	1.8%	Oregon	1.3%	Indiana	0.5%
Montana	2.6%	New York	1.7%	Nevada	1.3%	North Dakota	0.5%
Georgia	2.4%	Connecticut	1.6%	Louisiana	1.2%	Kentucky	0.5%
West Virginia	2.4%	Maryland	1.6%	Idaho	1.2%	South Carolina	0.4%
Florida	2.3%	Arizona	1.5%	Tennessee	1.2%	Colorado	0.4%
Texas	2.2%	New Mexico	1.5%	Utah	1.1%	Massachusetts	0.3%
Alabama	2.2%	Illinois	1.5%	Pennsylvania	1.1%	Maine	0.0%
Washington	2.0%	Rhode Island	1.5%	Wyoming	0.9%	Delaware	-0.2%
Kansas	2.0%	Nebraska	1.4%	Wisconsin	0.9%	North Carolina	-0.3%
Minnesota	2.0%	Missouri	1.4%	Mississippi	0.9%	Michigan	-0.3%
Alaska	2.0%	Ohio	1.4%	New Hampshire	0.8%	Vermont	-0.4%
Virginia	1.9%	Arkansas	1.3%	Iowa	0.7%	Hawaii	-0.6%
California	**1.8%**			New Jersey	0.6%		

Source: Federal Reserve Bank of St. Louis, Sept 2018; EPS.

Highlights

- The State Leading Index indicator predicts the six-month growth rate of the Coincident Index for each state, combining several indicators of current conditions.
- California's leading index significantly increased, rising to the 13th rank in September 2018 after plummeting to 44th in the previous quarter. Economic conditions will most likely improve in the next quarter.

Economic trends to follow:

- Real GPD exceeded expectations for the third quarter with strong consumer and government spending.
- The housing market continued to weaken throughout the third quarter, although the pending home sales index rose, indicating existing home sales may increase in the next quarter.

For questions regarding the report findings, please contact Sean Fisher, EPS Associate, at (916) 649-8010 or sfisher@epssac.com. For media and other inquiries, please contact Michelle Stephens, CALED Economic Development Manager, at (916) 448-8252 or michelle@caled.org.