Retail Reality Check for Public Officials

What is Happening to our Shopping Centers?
7:30 a.m.  Check-in and Registration

8:00 a.m.  Welcome and Introductions - Jeff Mayer, ULI and Mike Posey, ACCOC

8:15 a.m.  Keynote Presentation – Joel Kotkin

9:00 a.m.  Coffee Break

9:15 a.m.  Panel Discussion and Q & A

10:00 a.m.  ULI Resources- Case Study and TAP Program – Randy Jackson, ULI

10:30 a.m.  Adjourn
JOEL KOTKIN

Described by the New York Times as “America’s uber-geographer,” Joel Kotkin is an internationally-recognized authority on global, economic, political and social trends.
California’s Fading Dream and how to restore it

Presentation by Joel Kotkin, Presidential Fellow in Urban Futures, Chapman University and Executive Director, Center for Opportunity Urbanism Sacramento
What is a City for?

"a city comes into being for the sake of life, but exists for the sake of living well." ---Aristotle
Middle-Income Housing Affordability
CALIFORNIA & THE UNITED STATES: 1970-2016

Derived from Census Bureau, Harvard University and Demographia.
Housing Affordability Well Below U.S. Average

Median Home Price / Household Income

Silicon Valley: 9.7
San Francisco: 9.4
LA County: 8.1
Orange County: 8.1
New York: 5.9
Inland Empire: 5.2
Austin: 4.0
Chicago: 3.6
Houston: 3.5
Dallas/Fort Worth: 3.4

U.S. Average: 3.7x
House Price Increases Relative to Income
MAJOR METROPOLITAN AREAS, CALIFORNIA & US

<table>
<thead>
<tr>
<th>Area</th>
<th>House Price Increase in Years of Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Outside California</td>
<td></td>
</tr>
<tr>
<td>California</td>
<td></td>
</tr>
<tr>
<td>Chicago MSA</td>
<td></td>
</tr>
<tr>
<td>Houston MSA</td>
<td></td>
</tr>
<tr>
<td>Dallas-Fort Worth MSA</td>
<td></td>
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<tr>
<td>Austin MSA</td>
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<tr>
<td>New York MSA</td>
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<tr>
<td>Sacramento MSA</td>
<td></td>
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<tr>
<td>Riverside San Bernardino MSA</td>
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<tr>
<td>San Diego MSA</td>
<td></td>
</tr>
<tr>
<td>San Francisco MSA</td>
<td></td>
</tr>
<tr>
<td>San Jose MSA</td>
<td></td>
</tr>
<tr>
<td>Los Angeles MSA</td>
<td></td>
</tr>
</tbody>
</table>

Derived from Harvard Joint Center for Housing Studies and Demographia
Residential Building Permits

 Permit Rate per 1,000 Population

- San Jose
- Sacramento
- San Diego
- Riverside-San Bernardino
- San Francisco
- Los Angeles
- California
- Texas
- United States

- Multi Family
- Single Family (Detached)
Orange County Demographic Trends

• Slow growth, with domestic migration loss
• Relatively well-educated population; much higher percentage of engineers than LA which is now below national average
• Increasing diversity
• Growth of poverty not on LA scale but roughly 20 percent
• Rapid aging, particularly near coast
• Diminished millennial presence

BIG QUESTION: WHERE WILL THE NEXT OC WORKFORCE COME FROM?
Net Domestic Migration by Affordability
STATES AND DC: 2000-2016

Derived from Census Bureau data & City Sector Model 2015 Revision
Net Domestic Migration: 2000-2015
CALIFORNIA MAJOR METROPOLITAN AREAS IN CONTEXT

Derived from Census data
Residents Increasingly Leaving OC

Net Domestic Migration
(Residents Moving to OC Less Residents Leaving OC in 000s)

2011 – 2016
Net Domestic Migration
(in 000s)

Orange County
Inland Empire
Even High-Wage Workers Cannot Afford Housing

Orange County Wages v. Qualifying Income
($000s)

Orange County
To qualify: $117.5K

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Wages ($000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal &amp; Home Care Aide</td>
<td>24.0</td>
</tr>
<tr>
<td>Retail Salesperson</td>
<td>28.3</td>
</tr>
<tr>
<td>Construction Laborer</td>
<td>41.5</td>
</tr>
<tr>
<td>Carpenter</td>
<td>56.9</td>
</tr>
<tr>
<td>Elementary School Teacher</td>
<td>77.7</td>
</tr>
<tr>
<td>Computer Programmer</td>
<td>79.4</td>
</tr>
<tr>
<td>Nurse (RN)</td>
<td>88.3</td>
</tr>
<tr>
<td>Biomedical Engineer</td>
<td>100.3</td>
</tr>
</tbody>
</table>
Growth in Educated Population Not Keeping Pace

2000 – 2014 Bachelor’s or Graduate Degree Holders Growth Age 25-34 (000s)

- Inland Empire: 69
- Austin: 66
- New York: 47
- Texas: 47
- Chicago: 39
- Los Angeles: 37
- Silicon Valley: 23
- Orange County: 18
Accelerated Aging – Is OC the Next Hawaii?


- Orange County: 1.1%
- Inland Empire: 43.3%

**Population Over 65 Years Old (% of Total)**

- Hawaii: 15.6%
- Orange County: 12.8%
- San Diego: 12.3%
- Silicon Valley: 11.9%
- Los Angeles: 11.9%
- Inland Empire: 11.5%
Housing Affordability by Ethnicity
US & CALIFORNIA 2015

Value to Income Multiple

Derived from Census Bureau data & City Sector Model 2015 Revision
Highest Housing Adjusted Poverty Rates

STATES: 2015

Census Bureau data
Economic Trends: High Prices Not Met by High Wages

• Stronger than LA but lagging both high-end areas like SV and a host of less expensive regions like Dallas, Austin, Phoenix

• Our economy is dispersed and we will need to work on this pattern which has many advantages

• A persistent lack of any economic strategy to create high wage employment
OC Employment Growth Skews Non-Technical

2011 – 2016 Annual Employment Growth (% CAGR)

- Construction: 6.8%
- Leisure & Hospitality: 3.8%
- Information Technology: 0.8%
Tech Share Has Declined

OC Tech Employment
(% Share of Total Employment)

2000: 7.9
2016: 5.1

280 bps decline
### Professional & Technical Services

**Ranking by Number of Jobs**

**2015**

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Number (000)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Silicon Valley</td>
<td>404.0</td>
<td>14.0%</td>
</tr>
<tr>
<td>2</td>
<td>Los Angeles</td>
<td>277.4</td>
<td>7.5%</td>
</tr>
<tr>
<td>3</td>
<td>San Diego</td>
<td>125.7</td>
<td>11.0%</td>
</tr>
<tr>
<td>4</td>
<td>Orange County</td>
<td>125.0</td>
<td>9.1%</td>
</tr>
<tr>
<td>5</td>
<td>Seattle</td>
<td>123.9</td>
<td>9.2%</td>
</tr>
<tr>
<td>6</td>
<td>Phoenix</td>
<td>101.6</td>
<td>6.2%</td>
</tr>
<tr>
<td>7</td>
<td>Austin</td>
<td>89.2</td>
<td>11.7%</td>
</tr>
<tr>
<td>8</td>
<td>Charlotte</td>
<td>60.3</td>
<td>6.4%</td>
</tr>
<tr>
<td>9</td>
<td>Raleigh</td>
<td>49.7</td>
<td>10.4%</td>
</tr>
<tr>
<td>10</td>
<td>Salt Lake City</td>
<td>49.4</td>
<td>8.8%</td>
</tr>
<tr>
<td>11</td>
<td>San Antonio</td>
<td>44.9</td>
<td>5.7%</td>
</tr>
<tr>
<td>12</td>
<td>West Palm Beach</td>
<td>40.6</td>
<td>8.0%</td>
</tr>
</tbody>
</table>
Millennials: Making of a Screwed Generation?

*High Student Debt
*Plunging Home Ownership
*Reduced Earning Prospects
US Population by Age
2013

Source: Census Bureau.
Wealth by Generation: 2015-2030
SHARE OF NATIONAL HOUSEHOLD WEALTH

Derived from Deloitte Center for Financial Services
Probability of 18-34 Year Olds Owning Homes
1980 – 2014

Source: Bureau of Labor Statistics; CEA calculations.
Note: Long-run trends are estimated using a smoothed weighted average over a 15-year moving window.
Worst 10 States: 25-34 Home Ownership

2015

Home Ownership Rate

UNITED STATES, Georgia, Oregon, Massachusetts, Rhode Island, New Jersey, Florida, Nevada, California, New York, Hawaii

Derived from Census Bureau data
25-34 Change in Home Ownership %
MAJOR METROPOLITAN AREAS 1990-2015

Derived from Census Bureau data

LA-RIVERSIDE CSA COUNTIES

US Census Bureau & 2010-2014 American Community Survey data
Net Domestic Migration by Age
CALIFORNIA AND TEXAS: 2013-2014

Derived from Internal Revenue Service data
Millennial Life Style Choices

COMPARED TO OLDER GENERATIONS

<table>
<thead>
<tr>
<th>Current Residence</th>
<th>Ideal Place to Live</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big City</td>
<td>Big City</td>
</tr>
<tr>
<td>Suburb</td>
<td>Suburb</td>
</tr>
<tr>
<td>Small City</td>
<td>Small City</td>
</tr>
<tr>
<td>Country</td>
<td>Country</td>
</tr>
</tbody>
</table>

Source: Frank N. Magid Associates
Survey: American Dream
AGREEING THAT HOME OWNERSHIP AN IMPORTANT PART

Source: Merrill Lynch – Age Wave, 2014
Expecting to Marry & Have Kids
BY GENERATION: 2011

Projected national number of 20-27 and 28-35 population cohorts, 2014 to 2060

Source: Business Insider/Andy Kiersz, data from US Census Bureau
An aging population also boosts the suburbs

% living in urban neighborhoods, by age group

- 2000
- 2014
House Purchases: Under Age 35
2014-2015 NATIONAL ASSOCIATION OF REALTORS

- Detached House 81%
- Townhouse 8%
- Multi-Unit 7%
- Other 4%

From National Association of Realtors, 2015
Change in Child Population (5-14)
SELECTED METROPOLITAN AREAS: 2000-2015

Derived from Census Bureau data
Grand Delusions won’t save California: Business Needs to Change the Debate

California State Development Priorities

• Green Jobs and forced density
• High-Speed Rail and transit
• Social engineering away from families and middle class housing and jobs
CO2 Emissions per Capita: By Sector

AUSTRALIA 5 LARGE CAPITAL URBAN AREAS

Housing Form in Australia and Its Impact on Greenhouse Gas Emissions
California Emissions: Comparisons

EMISSION REDUCTION GOALS & OUT-MIGRANT INCREASE

Emissions increases caused by Net Domestic Migration from California Versus CARB 2020 Reduction Target from 2000–2004 Levels (tons of CO2e per annum)

Net CO2e Annual Emissions Increase from California Domestic Migration Losses since 1990

CARB Scoping Plan Reduction Objective from 2000–2004 Average State Emission Levels

Source: Derived from CAIT 2.0. See Figures 3 and 4.

California Air Resources Board and David Friedman
Construction Cost by House Type
SAN FRANCISCO BAY AREA

Construction Cost/Square Foot Compared to Detached (5 per Acre)

Derived from FBI Statistics: 2013, Major metropolitan areas (average).
Lakewood
THE CALIFORNIA DREAM
Los Angeles CSA Commuting
TRANSIT & WORK AT HOME SHARE: 1980-2014

Derived Census Bureau data
Future of Suburbia

• Suburbia about to gain as minorities and millennials head there
• Future suburbs will develop more amenities and be more self-sufficient
• The diverse, more interesting suburbs are best positioned
The Shift in retail will open new opportunities
Retail Apocalypse
The Future of Retail
Key Solutions and Recommendations

• Reform California regulatory rules to be friendly for middle class and family housing
• Focus development on higher paid employment options, particularly for new generation
• Transportation solutions should be 21st Century variety, not yet another failed attempt to recreate the 19th
• Keep GHG policies in line with national norms, not to try a fruitless symbolic campaign at the expense of the population
Questions and Comments
Panelists

Moderator
Jeff Moore
Sr. Managing Director
CBRE

Richard Gollis
Principal
The Concord Group

Jim Simon
President
RSG, Inc.

Mike Ruane
Executive Vice President
National CORE
Case Study and TAP Program

RANDY JACKSON

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