



**Institute for Global Economic Research presents**

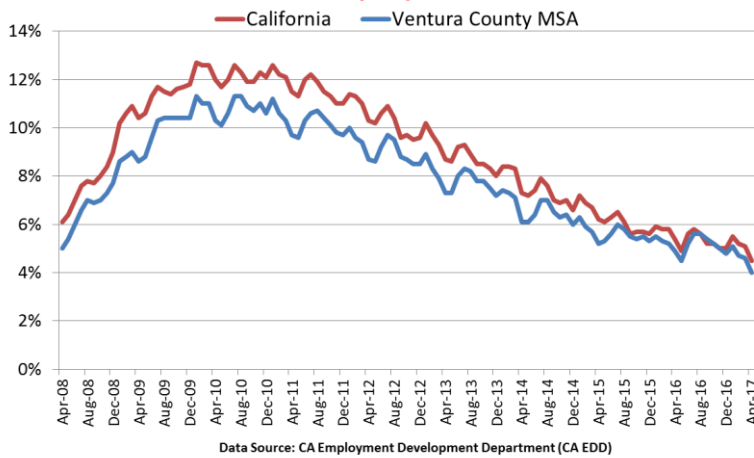
# **Economic Outlook for Ventura and Santa Barbara Counties**

**June 2017**



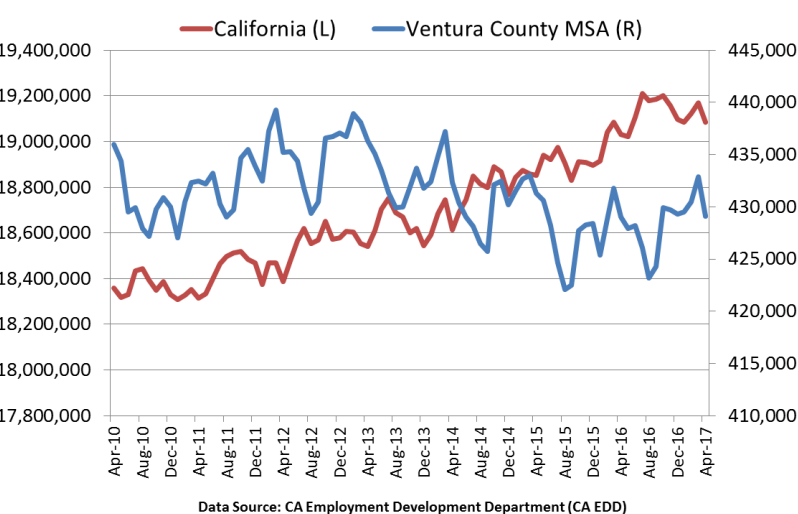
# Ventura County's Economic Outlook

## Unemployment Rate



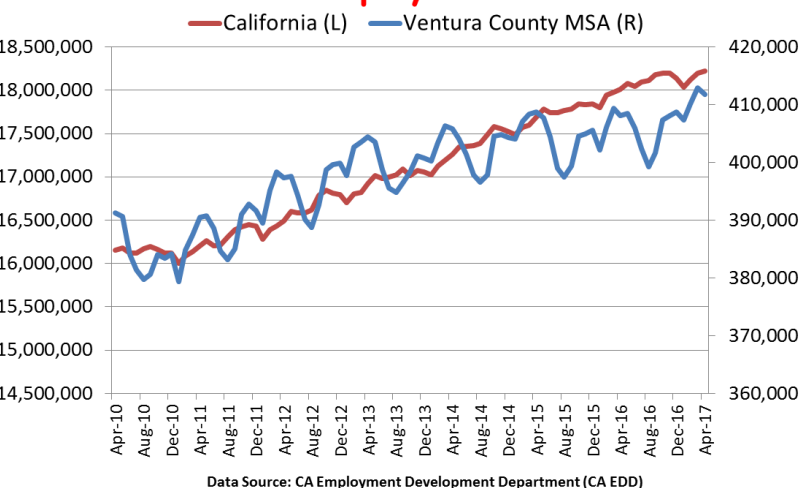
The Ventura County economy is improving. After 20 months of lagging behind the statewide average, the county's unemployment rate has declined at about the same rate as the statewide average since January. The county's unemployment rate was 4% in April, a significant decline compared to 4.9% in April 2016. The gain in momentum has resulted in Ventura County's unemployment rate to fall below the statewide average of 4.5%; this is great news since the county's unemployment rate exceeded the statewide average for the first time in 16 years in September 2016.

## Labor Force



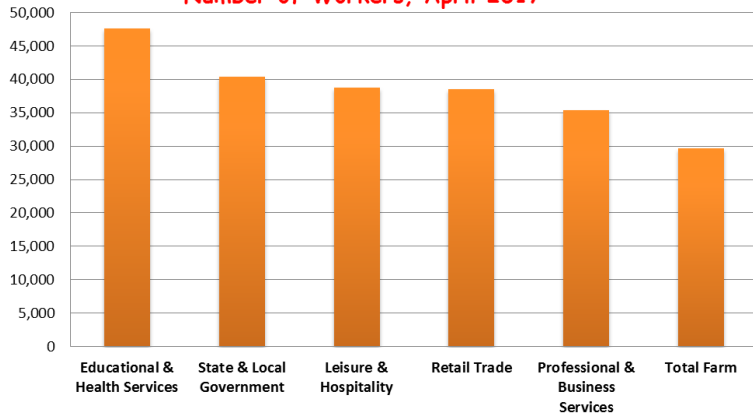
Moreover, after three years of experiencing negative year-over-year growth, the county's labor force growth has remained in positive territory since July 2016. While this is great news, the growth rate is still very low at less than 1% year-over-year. The main culprit of the county's lackluster labor force growth is the relatively higher cost of living in Ventura County. Home prices in the county are around 30% higher than the statewide average, while the county's very low average apartment vacancy rate has pushed rental prices to a record high. Higher housing costs are largely the result of the county's Save Open Space and Agricultural Resources (SOAR) initiatives, which place stringent regulation on the development of new housing. The escalating issue of poor housing affordability is causing many Ventura County residents to move away, especially those who are having difficulty finding a job.

## Employment



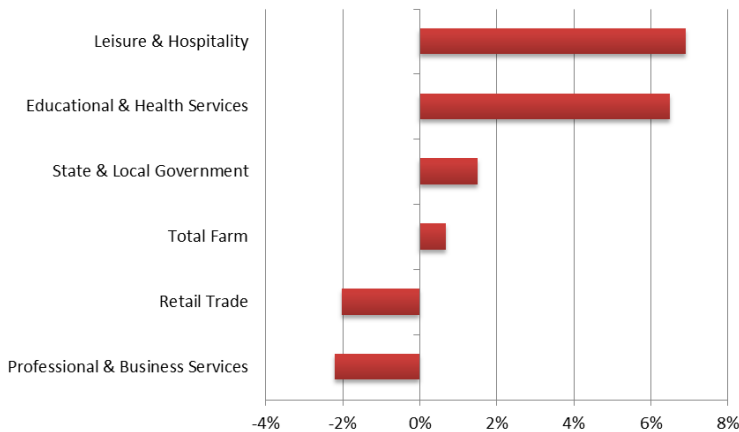
Unfortunately, the higher cost of living is also impacting the structure of Ventura County's labor force; many of the county's recent college graduates are struggling to get a job that pays enough to afford living in the area. Consequently, an increasing number of these individuals are leaving the county, resulting in a loss of employees that provide new and innovative ways of thinking.

**Ventura County  
Top Sectors of Employment  
Number of Workers, April 2017**



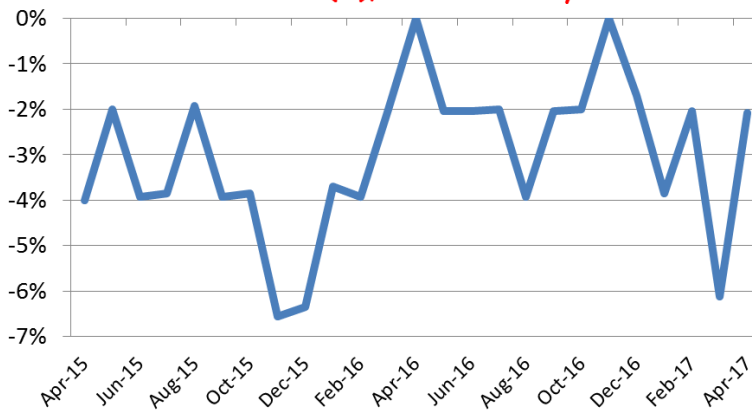
Data Source: CA Employment Development Department (CA EDD)

**Change in Employment by Sector  
April 2016 - April 2017  
Ventura County MSA**



Data Source: CA Employment Development Department (CA EDD)

**Clothing and Clothing Accessories Stores Employment  
Y/Y Growth (%), Ventura County MSA**



Data Source: CA Employment Development Department (CA EDD)

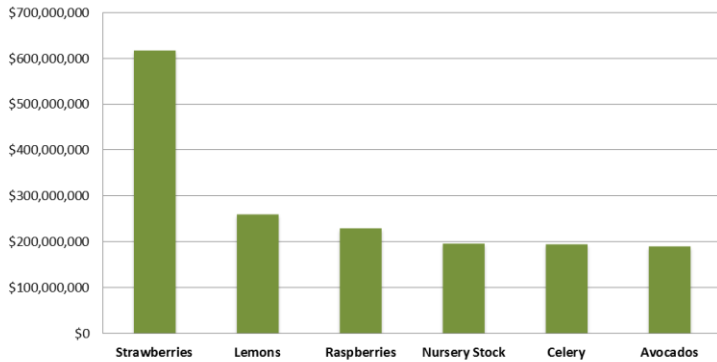
Thankfully, in addition to the positive trend in the county's unemployment rate and labor force, employment growth is also improving. After experiencing a downward trend for over a year, the county's year-over-year employment growth has been on an upward trend since January and has now reached the state-wide average. While the county continues to struggle with the escalating issue of poor housing affordability, the recent trend in unemployment, along with rising employment and labor force growth, creates hope that the county's labor market is headed for an upturn.

Employment growth in most of the county's top industries remains upbeat. Workers in Ventura County are concentrated in the Education and Health Services, State and Local Government, Leisure and Hospitality, Retail Trade, Professional and Business Services and Farm sectors. In April, Leisure and Hospitality grew the fastest, followed by Educational and Health Services employment. Ventura County has a strong market for tourists looking for an alternative to the higher priced Santa Barbara region and also benefits from its short distance to Los Angeles County. The tourism industry is expected to remain a key driver to the county's employment growth in the near term.

Unfortunately, employment in the county's Retail Trade sector continues to decline. A downward trend in the county's clothing shop employment, which has experienced negative year-over-year growth since April 2015, appears to be the culprit. This trend is concerning because it suggests that consumer spending, and therefore confidence, in Ventura County is deteriorating. Waning confidence levels are likely the result of the county's escalating issue of poor housing affordability, which is not expected to improve any time soon. As a result, the downward trend in consumer confidence and spending will likely persist in the near term, hurting employment growth in the Retail Trade sector.

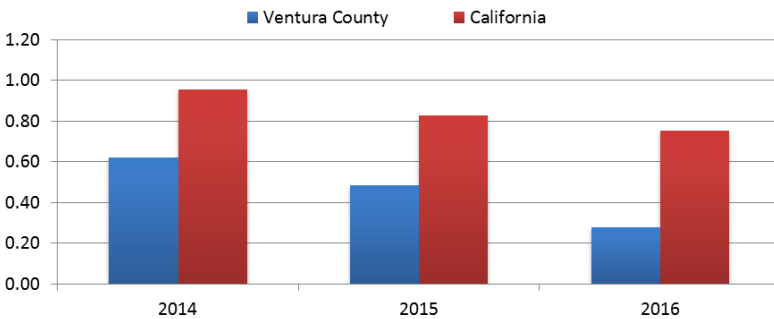
Meanwhile, although Professional and Business Services was a previous frontrunner, the industry has stumbled. Over the past 12 months, job growth in the industry has stalled, averaging 0% year-over-year. This is concerning because it indicates that although the county is creating jobs, the jobs that are being created are largely low-wage jobs. This is especially a problem due to the rising issue of poor housing affordability in the county.

### Ventura County Top Revenue-Producing Crops Value in 2015



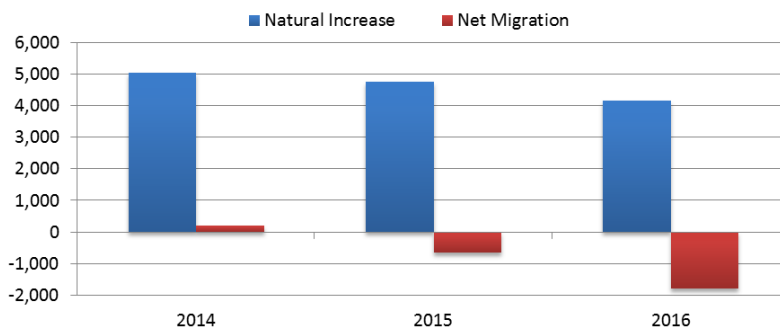
Data Source: Ventura County's Crop & Livestock Report 2015 ([www.ventura.org](http://www.ventura.org))

### Population Y/Y Percent Change



Data Source: CA Department of Finance

### Components of Population Change Ventura County



Data Source: CA Department of Finance

Unfortunately, the county's Farm employment growth is also struggling. Ventura County has a \$2 billion farming industry that is fueled by high-value and water-intensive crops such as strawberries, lemons, and raspberries. Strawberries remain the highest revenue-producing crop, accounting for over a third of the county's agricultural economy. Although the drought ended in April, the industry is now suffering from a rising labor shortage problem due to rising fear involved in crossing the border since Trump's presidency. Given that strawberries are a very labor-intensive crop, the escalating labor shortage issue is very concerning for the county's agriculture industry.

Unfortunately, the county's defense industry has been hit hard as a result of reduced spending on government contracts by the U.S. Defense Department. This has hurt employment growth at the county's military bases, as well as the local businesses that provide support to the bases. Thankfully, the county's defense industry is expected to receive a boost in the near term from President Trump's efforts to increase defense spending. There is also hope that the county's defense firms will eventually expand their product lines and client base, given the expertise they have gained and the existing talent pool in the region.

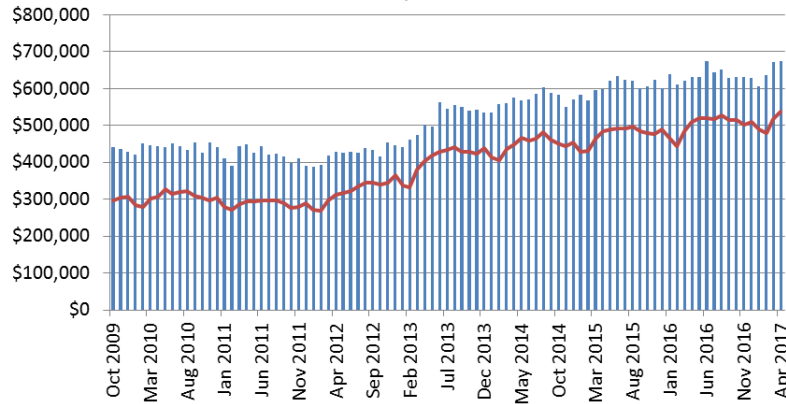
The county's trade sector contributes 1.5 billion dollars in economic activity and supports over 13,000 trade-related jobs in the region. Port Hueneme, the only deep-water port between Los Angeles and San Francisco, is a major gateway for importing cars and agricultural goods before they are shipped around the U.S., ranking among the top ten ports for cars and fresh produce in the country. Although motor vehicle trade is concentrated mainly by European and South Korean automakers, Japanese automakers use the port as well. Trade activity through the port remains strong, with 2015-2016 being the port's best fiscal year in its 80-year history.

Port activity is expected to remain strong in the near term as economic strength across Southern California builds momentum and more of the port's customers feel comfortable diversifying their cargo and developing new markets. The port is in the final stages of competing the engineering for recently-approved infrastructure improvement plans, which involve deepening the port's harbor to allow more container ships. The \$8 million dollar deepening effort is scheduled to begin in the fall and is expected to increase activity by raising the port's competitiveness and opening it up to new markets.

## Home Prices

### Single Family Homes

Ventura County California

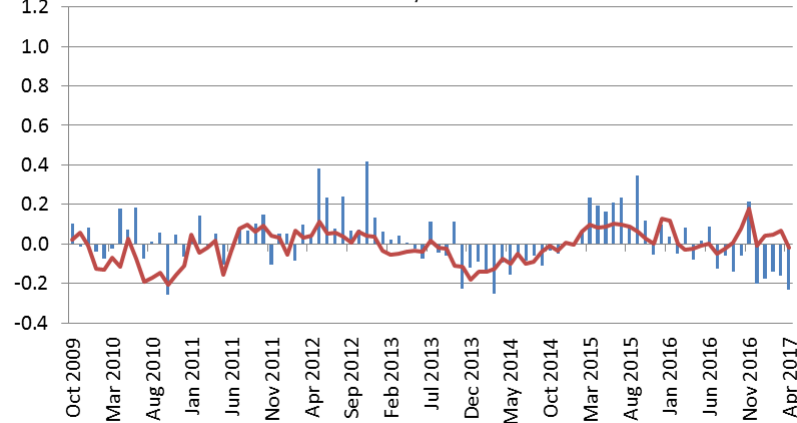


Data Source: California Association of Realtors

## Home Sales

### Y/Y % Change, Single Family Homes

Ventura County California

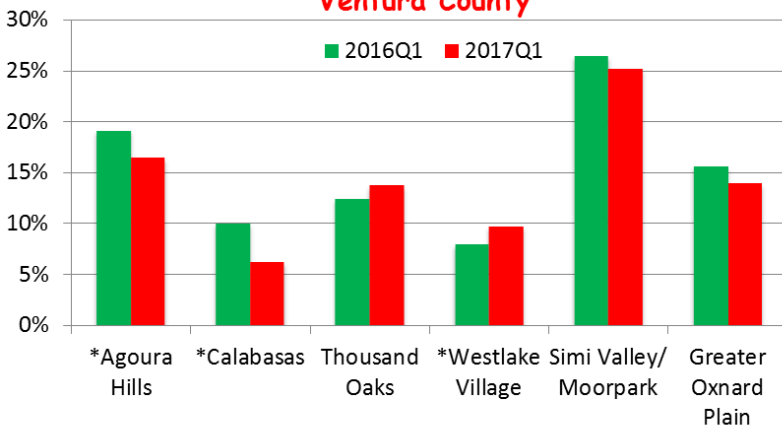


Data Source: California Association of Realtors

## Office Vacancy Rates

### Ventura County

2016Q1 2017Q1



Data Source: Daum Commercial Market Reports for 2016Q1 and 2017Q1 (Direct Office Vacancy Rates)

Ventura County encompasses a population of about 854,000 people. The population of Ventura County grew at a slower rate than the state-wide average in 2016 due to a decline in net migration, which has remained in negative territory since 2015. The downward trend in net migration is likely the result of the relatively higher cost of living in Ventura County, which is causing many residents to move away.

Unfortunately, Ventura County's housing market is losing momentum. Stringent regulation on new housing development from the county's Save Open Space and Agricultural Resources (SOAR) initiatives continues to place downward pressure on housing inventory and upward pressure on prices. The county's median home price was around \$672,980 in April, significantly above the statewide median of around \$536,750 and a 7% increase compared to a year ago. Home prices in the Conejo Valley communities, such as Thousand Oaks and Westlake Village, continue to be much higher than the rest of the county.

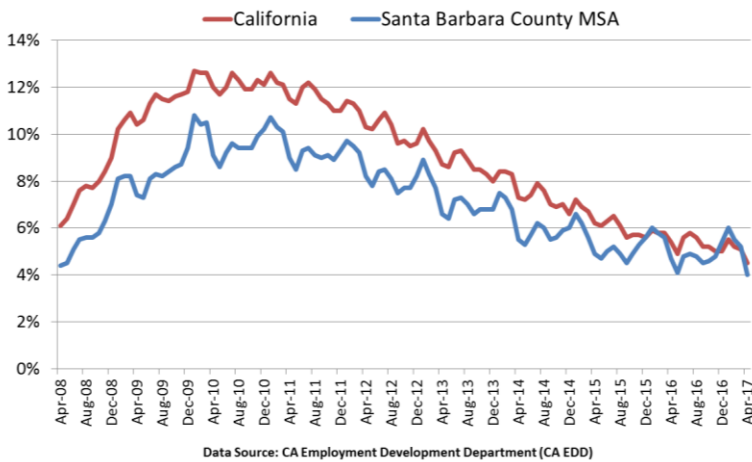
Higher housing costs and tighter inventory are pushing away would-be buyers, causing the county's home sales to experience negative year-over-year growth during ten of the last twelve months. This trend is expected to continue in the near term given the upward trend in home prices. Thankfully, improving labor market conditions and the county's very low average apartment vacancy rate that is raising the cost of renting should provide some relief and boost housing demand in the near term.

Meanwhile, the county's commercial real estate market is slowly improving; the overall direct office vacancy rate has dropped to 13.8% compared to 14.5% a year ago. A more significant drop in the vacancy rate has been prevented by an increase in vacancy in the Thousand Oaks and Westlake Village submarkets, which is likely the result of Amgen's consolidation and reduction of facilities. While better economic conditions are expected to lower the county's overall vacancy rate in the coming quarters, Amgen's plan to further consolidate and reduce facilities by next year will likely be a barrier to significant improvement in the near term.



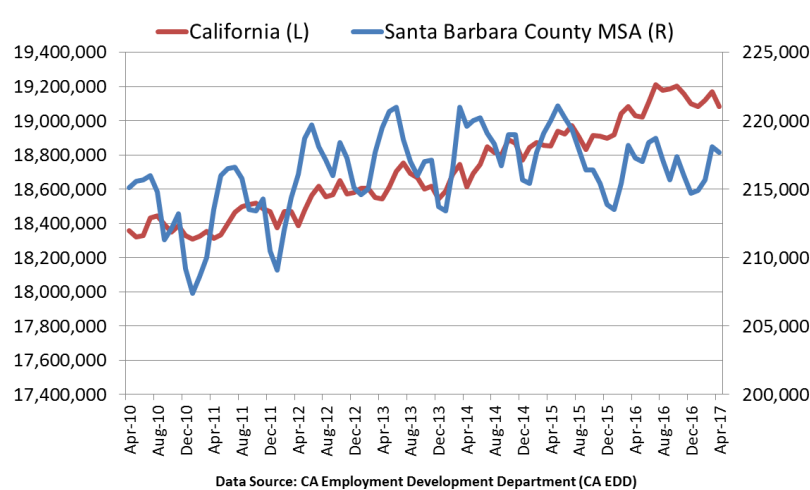
# Santa Barbara County's Economic Outlook

## Unemployment Rate



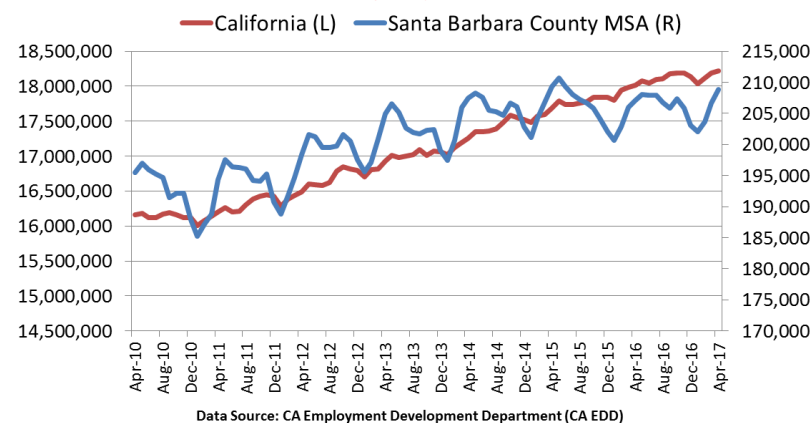
The Santa Barbara County economy is giving mixed signals. Although the county's unemployment rate has been on a downward trend and dropped to its pre-recession rate of 4% in April, the rate of its decline is slowing and lagging behind the state; during the last twelve months, the county's unemployment rate declined by an average of about 6% year-over-year, compared to the statewide average of 11%. The slowing decline in unemployment has resulted in the county's unemployment rate to exceed the statewide average in four of the last six months. This is concerning since the county's unemployment rate has historically been much lower than that of the state.

## Labor Force



Further, labor market conditions remain very different in the North County versus the South County. The unemployment rate in the South County cities of Santa Barbara, Goleta and Carpinteria, estimated to be between 3-4%, is much lower than the North County due to the higher cost of living in the region. The higher cost of living makes it such that many South County workers move away if they lose their job or opt to live in the more-affordable North County and travel to work. Since labor market statistics are based on location of residence, these workers, and the joblessness among them, are not counted in South County's labor market.

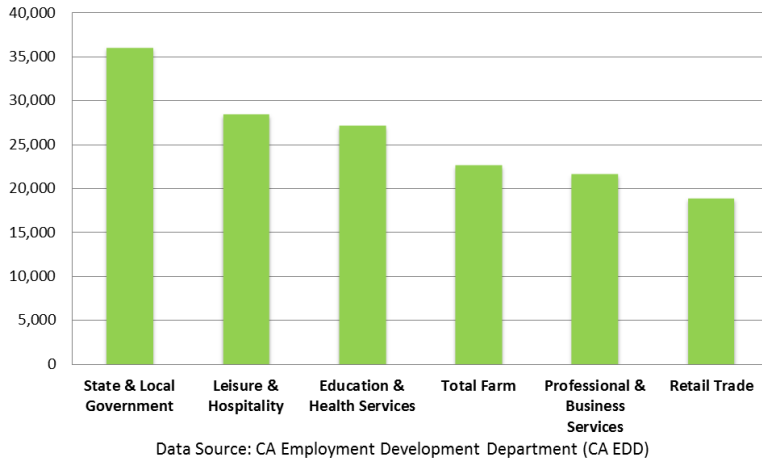
## Employment



The growing trend of commuting workers has resulted in a surge of new housing development in the North County. Greater housing availability, along with a robust tourism industry in the South County, has been the main driver of the recent improvement in the county's overall labor market. Since jobs in the tourism industry typically do not pay much, however, many of these workers live in the more-affordable North County. As a result, North County's unemployment rate, which is estimated to be between 6-7%, has dropped significantly compared to the double-digit rates experienced a few years ago.

Labor market conditions are expected to continue slowly improving in the near term. The county's level of employment, which has already exceeded those before the Great Recession, is also expected to continue growing in the near term. New job creation will continue to occur mostly in the North County due to greater housing availability and affordability.

### Santa Barbara County Top Sectors of Employment Number of Workers, April 2017



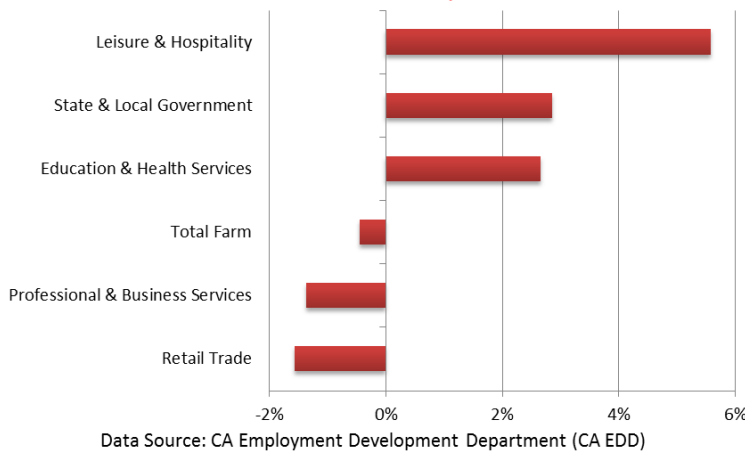
Work in the South County is concentrated in the State and Local Government, Leisure and Hospitality, Education and Healthcare and Professional and Business Services sectors. Top employers in the South County area include UCSB, SB Community College, Santa Barbara Cottage Hospital and The Four Seasons Biltmore. Santa Barbara County's coastal region continues to enjoy a soaring tourism market, with employment growth in the Leisure and Hospitality industry outpacing every other sector.

The county's Education and Health Services sector, which consists almost entirely of workers in Health Care and Social Assistance occupations, also continues to grow at a strong rate. The combination of the county's aging population and rising insurance coverage under Obamacare has contributed to rapid employment growth in this industry. It is worth noting, however, that President Trump's plan to replace Obamacare may have a negative impact on the near term job outlook for the health care industry.

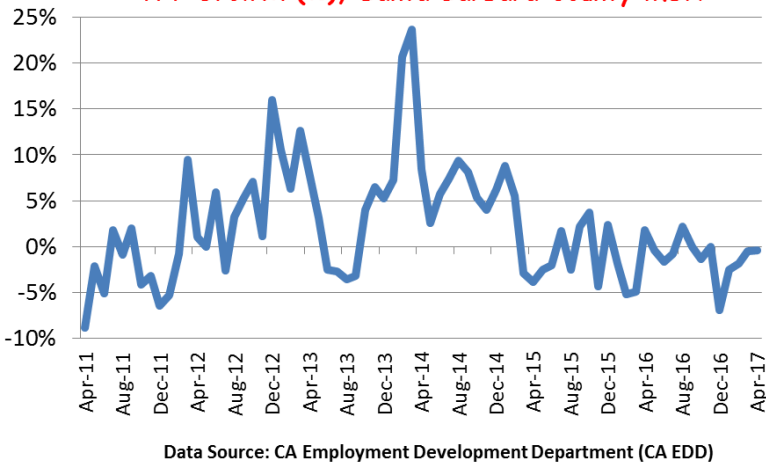
Unfortunately, employment in the county's Retail Trade sector has stumbled. Employment growth has remained in negative territory for most of the last year and half. This trend is concerning because it suggests that consumer spending, and therefore confidence, is deteriorating. Waning confidence levels are likely the result of the county's escalating issue of poor housing affordability, which is not expected to improve any time soon. As a result, the downward trend in consumer confidence and spending will likely persist in the near term, hurting employment growth in the Retail Trade sector.

Meanwhile, although Professional and Business Services was a previous frontrunner, the industry has stumbled. Over the past 12 months, job growth in the industry has stalled, averaging 0% year-over-year. This is concerning because it indicates that although the county is creating jobs, the jobs that are being created are largely low-wage jobs. This is especially a problem due to the escalating issue of poor housing affordability in the county.

### Change in Employment by Sector April 2016 - April 2017 Santa Barbara County MSA



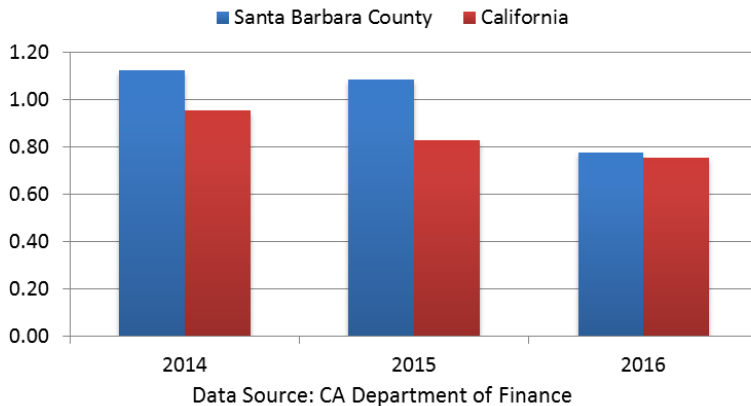
### Farm Employment Y/Y Growth (%), Santa Barbara County MSA



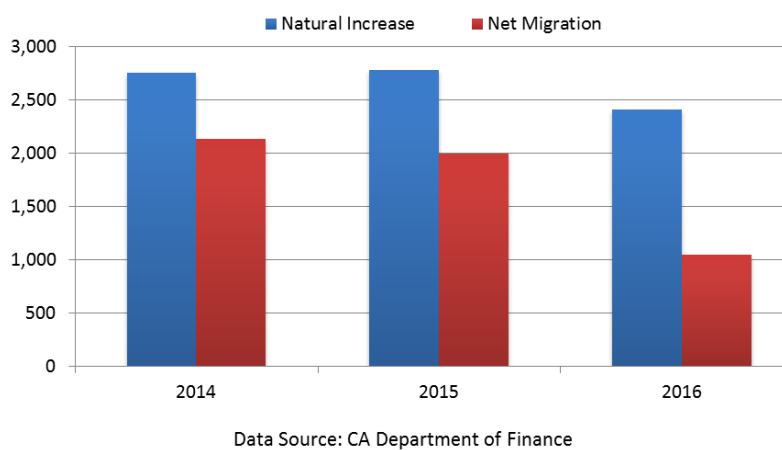
### Top Revenue-Producing Crops Santa Barbara County Value in 2015



### Population Y/Y Percent Change



### Components of Population Change Santa Barbara County



Meanwhile, the outlook for North County's labor market is very mixed; North County's non-commuting employment is heavily concentrated in the agriculture sector, with almost half of Santa Maria's workforce in the farm industry. Unfortunately, the county's Farm employment growth has remained in negative territory for much of the last year. Although the drought ended in April, the industry is now suffering from a rising labor shortage problem due to rising fear involved in crossing the border since Trump's presidency. Santa Barbara County's farm industry is fueled by strawberries, a very labor-intensive crop; strawberries alone make up almost a third of the industry, contributing almost \$440 million to the county's agricultural economy in 2015. The labor shortage issue will continue to be an issue for the state's agricultural industry, threatening the county's nearly \$1.5 billion agriculture industry.

Santa Barbara County encompasses a population of about 448,000 people. The population of Santa Barbara County grew at about the same rate as the statewide average in 2016. The county's net migration has declined over the last few years, which is likely the result of the escalating issue of poor housing affordability, along with declining employment in the Farm industry. The county's population will continue to increase at faster rates in North County due to the greater affordability in the region.

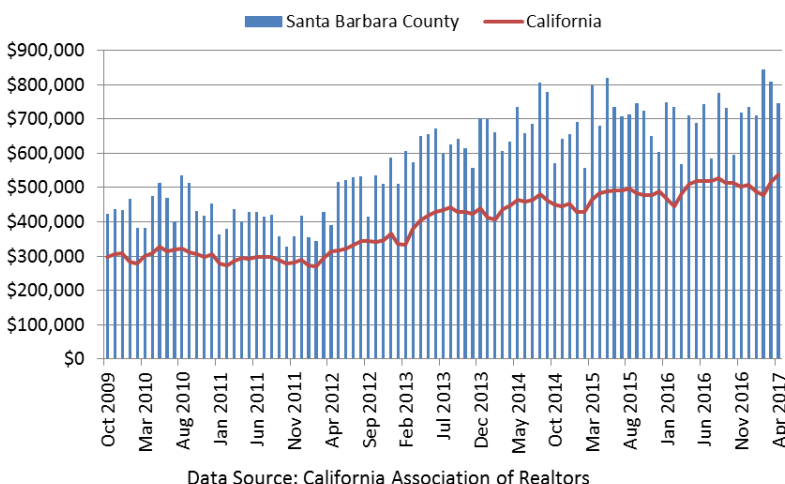
Median household income in Santa Barbara County is about \$64,000, about the same as the statewide average; however, there is tremendous disparity in wages among the county's workers. Workers in the South County are concentrated in knowledge-based jobs such as business, healthcare and education. As a result, these workers typically hold higher educational degrees and earn higher salaries.

Income levels among North County workers, on the other hand, are much more dispersed. Commuting workers typically have higher education levels and greater means available to commute. In contrast, North County's farm workers typically hold less than a high school diploma and earn very low wages. The combination of low wages and negative Farm employment growth has resulted in rising poverty rates in the North County. In response, more emphasis has been placed on increasing educational attainment levels and attracting new businesses to retain the region's skilled workforce. Although there is hope that these efforts will boost income levels in the North County, it will likely take many years to see significant improvement.



## Home Prices

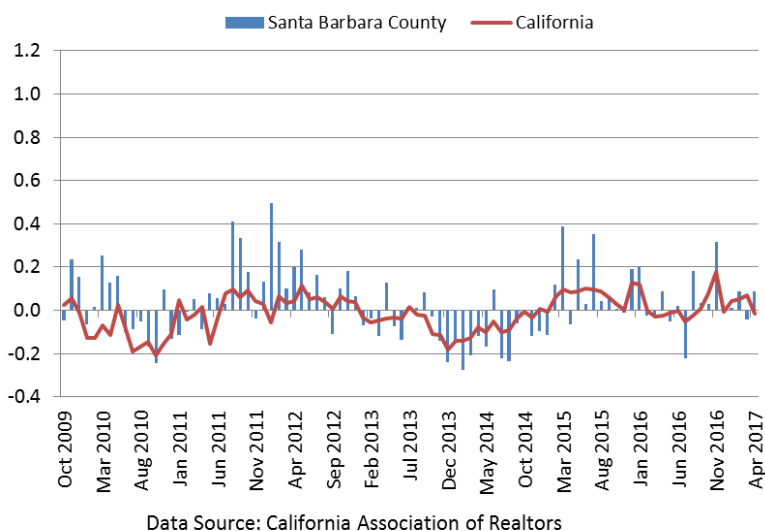
### Single Family Homes



Santa Barbara County's real estate market is improving. The county's median home price was around \$745,000 in April, significantly above the statewide median of around \$536,750 and a 5% increase compared to a year ago. Home prices in the South County continue to be much higher than those in the North County; the median home price in the city of Santa Barbara is around three times that in the North County. Home prices in the South County are greater than those in the North County largely because a lot of South County homes are filled with wealthy retired residents and therefore South County homes are both scarce and expensive.

## Home Sales

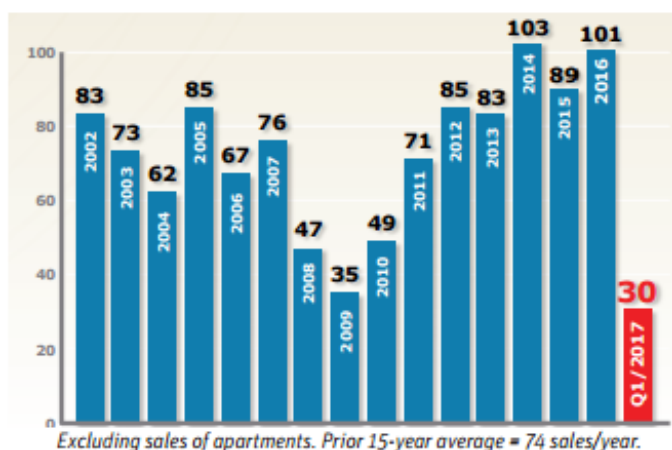
### Y/Y % Change, Single Family Homes



The county's home sales are also rising, albeit slightly. Over the last twelve months, home sales have increased by an average of around 4% year-over-year. Rising home sales are likely the result of improving labor market conditions, particularly in the Leisure and Hospitality sector, along with new housing that has been developed in the North County to accommodate the growing population of commuting workers. Given the greater housing availability and affordability in North County, higher overall homes sales in the county will be led by further increases in demand for North County homes by South County workers who choose to make the commute to work.

Santa Barbara County's commercial real estate market remains strong. The county recorded its second-highest number of sales in 2016 and, based on its performance in the first quarter, is on pace to exceed its record-setting number of sales in 2014. Unfortunately, however, Santa Barbara's office market, the county's largest office submarket, is giving mixed signals. Although the average asking price has reached a record-high, the vacancy rate has increased to 5.4%, comparable to rates during the Great Depression. The uptick in vacancy is due to a few large office spaces becoming available, indicating that more businesses may be consolidating or leaving Santa Barbara County. Once again, this suggests that the county is losing professional and business service positions as more and more firms move away and/or consolidate. This trend will likely persist in the near term, dimming the outlook for the county's office market.

## South Coast Commerical Sales



Source: Radius Commercial Real Estate and Investments, Q12017 Market Report



Institute for Global Economic Research  
One University Drive, Camarillo, CA 93012

For more detailed information regarding the Institute, please visit us at <http://iger.csuci.edu> or call 805-437-2789 or email [Sung.Sohn@csuci.edu](mailto:Sung.Sohn@csuci.edu)

For information on sponsorship opportunities, call 805-437-8893 or email [Nichole.Ipach@csuci.edu](mailto:Nichole.Ipach@csuci.edu)

For a list of current sponsors, please visit <http://iger.csuci.edu>

Thank you to our sponsors!

**Martin V. and Martha K. Smith  
Foundation**