The Valley Economic Summit

Wednesday, May 6, 2009, 7:30 am–1:30 pm
Sheraton Universal Hotel, Universal City, CA

regional trends & opportunities

2009 economic & market outlook

local real estate overview

low interest loans

valley economic & real estate report

green technology

incredible property values

availability of capital

abundance of qualified workforce

plunging real estate

bank failures

bail-outs

foreclosures

lay-offs

unemployment

Powered by
The Valley Economic Alliance

California State University
Northridge

Welcome to the 4th annual Valley Economic Summit, co-presented by The Valley Economic Alliance and California State University, Northridge. This timely, topical event will provide important economic information crucial for anyone conducting business in the San Fernando Valley and beyond. We hope you will find this forum to be useful and pertinent, and we thank you for your participation.

The Valley Economic Summit will highlight the release of the **San Fernando Valley Economic and Real Estate Report** which combines the annual **San Fernando Valley Economic Forecast** by the CSUN College of Business & Economics, and the annual **San Fernando Valley Real Estate Outlook** by Southland Regional Association of Realtors® and California Association of REALTORS®. The report will focus on current trends and the outlook for the economy and The Valley region real estate market.

Program Agenda

7 am

Registration

Exhibitor Exposition & Continental Breakfast

8 am

Welcome & Introduction

David Fleming
Chairman, The Valley Economic Alliance

Dr. Jolene Koester
President, California State University, Northridge

8:05 am

Sponsors Acknowledgement

8:15 am

State of the State Stimulus Plan

Dale Bonner
Secretary of the California Business, Transportation and Housing Agency

8:45 am

San Fernando Valley Economic Report

Dr. William Roberts
Director, Economic Research Center, California State University, Northridge

9:15 am

Regional Real Estate Overview

Robert Kleinhenz
Deputy Chief Economist, California Association of REALTORS®

9:45 am

Exhibitor Exposition Break

10:15 am

Special Forum

Partnering in Tough Times: How Businesses and Charities Can Help Each Other

10:15 am

Special Breakout Panels Session 1

Finance: Where's the Money Today?

Green: How Green is Our Valley? The Latest Developments

Foreclosures: Opportunities in Distressed Property Markets

Key Industry Trends & Opportunities: Entertainment, Manufacturing, Retail

11:25 am

Special Breakout Panels Session 2

Office Industrial: Vacancies on the Rise, Who Will Fill in the Openings?

Apartments and Residential Investments: Embracing the Challege

Retail: Plaza Pacoima – A Community & Public-Private Partnership Creating Retail Oppurtunities

Go Global: Trade Finance in a Challenging Economy

12:30 pm

Luncheon and Keynote Speaker

Earvin "Magic" Johnson
Legendary Athlete and Entrepreneur

1:40 pm

Airline Tickets Drawing

1:45 pm

Exhibitor Tear Down

Table of Contents

The Organizations Behind It All

The Valley Economic Alliance has grown to become the best source for connecting Valley businesses. workers and residents with resources that can improve their individual economic conditions and those of our five-city region. Every day we harness and coordinate the power of key business organizations, leading educational institutions and career centers, plus important information resources…all to bring local businesses, industries and workers the free-of-charge assistance they need to thrive in the 21st century.

The Valley Economic Alliance

California State University Northridge is a vibrant, diverse university community of nearly 36,000 students and more than 4,000 faculty and staff, sited on a 356-acre campus in the heart of Los Angeles' San Fernando Valley. In addition to the University's commitment to the educational and professional goals of students, it is also dedicated to extensive service to the community.

California State University Northridge

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Integra Realty Resources
Metro
Office Depot
The Valley Complex Learning Alliance
UltraGlas, Inc.
United Taxi

Speakers

Dale Bonner

Secretary, Business, Transportation & Housing Agency, State of California

Dale Bonner is Secretary of the California Business, Transportation and Housing Agency (BT&H), a position to which he was appointed by the governor in 2007. He oversees more than 44,500 employees and a budget of $12 billion. The agency's portfolio addresses transportation issues, public safety, affordable housing, international trade, financial services, tourism and managed health care.

As the lead state agency for economic development, BT&H strives to enhance California's role in the global economy. Bonner most recently served as a partner in the law firm Epstein Becker & Green from 2002 to 2007. From 1999 to 2002, he was counsel to the law firm Hogan & Hartson. He served as deputy secretary and general counsel for BT&H from 1996 to 1998.

Bonner received a bachelor's degree from the University of Southern California and a J.D. from Georgetown University Law Center.

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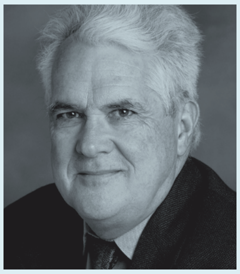
Dale Bonner will be presenting the State of the State Stimulus Plan.



William W. Roberts, Ph.D.

Professor of Economics & Director of the San Fernando Valley Economic Research Center

William W. Roberts is a Professor of Economics and Director of the San Fernando Valley Economics Research Center at California State University, Northridge. The Center collects, assembles, analyzes, and disseminates data on economic and demographic trends in the San Fernando Valley. As Center Director, Dr. Roberts prepares and presents the annual " CSUN San Fernando Valley Economic Report" which releases the Center's Economic Forecast Survey, details demographic trends in the Valley, and discloses recent real estate trends in the Valley. Dr. Roberts prepares the Quarterly and Monthly Updates posted on the Center's web site at www.csun.edu/sfverc.

Professor Roberts also teaches economics and MBA classes at CSUN, specializing in money and banking, business and economic strategy, and environmental economics. Professor Roberts is the co-author of a money and banking textbook and has published in numerous professional journals including the *Journal of Finance* and the *Journal of International Economics*. His current research is in evaluating educational outcomes.

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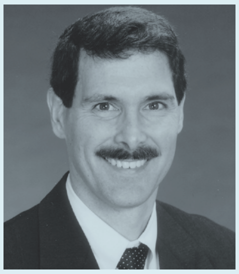
William W. Roberts, Ph.D. will be presenting the California State University, Northridge – San Fernando 2009 Valley Economic Report



Robert A. Kleinhenz, Ph.D.

Deputy Chief Economist, California Association of REALTORS®

Robert Kleinhenz is the Deputy Chief Economist for the California Association of REALTORS®, a statewide trade organization of real estate professionals with nearly 175,000 members. Robert manages C.A.R.'s research and economics department, which gathers and publishes information on the California housing market, and conducts survey research of consumers and C.A.R. members.

Dr. Kleinhenz has a Bachelor's degree from the University of Michigan, a Master's degree and a Doctorate from the University of Southern California, all in Economics. Prior to working at C.A.R, he taught Economics for over 15 years, most recently at California State University, Fullerton. He has spoken to local, state, and national audiences and is a frequent contributor to media coverage on the housing market and economy.

—

Robert A. Kleinhenz, Ph.D. will be presenting the Regional Real Estate Overview

Keynote Luncheon Speaker

Magic Johnson

Legendary Athlete and Entrepreneur

Earvin Johnson, Jr. is the Chairman and Chief Executive Officer of Magic Johnson Enterprises which was formed in 1987. Through strategic investments, partnerships and endorsements, Magic Johnson Enterprises (MJE) provides products and services that particularly focus on ethnically diverse urban communities.

MJE is comprised of a portfolio of companies that include Urban Coffee Opportunities (making MJE the only joint venture partner of Starbucks with hundreds of stores located across the country), Canyon-Johnson Urban Fund which is the country's largest private real estate fund focused on the revitalization of underserved communities, Yucaipa Johnson Corporate Growth Fund which is the country's premiere private equity fund focused on strategic investments in companies located in and/or serving America's underserved markets, thirteen 24 Hour Fitness Magic Sport centers, a T.G.I. Fridays restaurant, and a long-standing partnership with AMC Magic Johnson Theatres.

MJE recently launched several additional initiatives: SodexoMagic, LLC and respective partnerships with Aetna and Best Buy. SodexoMagic, LLC provides an extensive portfolio of food and facilities management services as well as offers signature dining facilities. MJE's alliance with Aetna will empower businesses and ethnically diverse communities to make informed choices about health care options by improving health care literacy and demonstrating the benefits of wellness. Similarly, MJE has entered into a multi-year relationship with retail giant Best Buy to enhance urban retail growth strategies and implement diversity outreach with multicultural consumers. Mr. Johnson's newest venture MAGIC Workforce Solutions (MWS) will provide "best in class" staffing services and connect employers of today with the workforce of tomorrow.

The aforementioned businesses have been at the forefront of urban development, raising the understanding of the importance of the multicultural consumer, and are directly responsible for tremendous growth across the country. Through MJE, Mr. Johnson has bolstered the economy by establishing brand name businesses in underserved communities, training and hiring local residents, employing local contractors, and opening the door for other businesses to find success in diverse communities.

In addition to his varied business accomplishments, Mr. Johnson was voted (unaided) number one at representing the urban community, garnering a higher percentage than any other organization or personality (February 2008 Yankelovich/ Magic Johnson Brand Study). He was also voted the number one rated athlete for corporate endorsements (TSE Sports & Entertainment Survey, April 2007) and one of the most highly rated celebrities able to influence consumer purchasing power (rated 6 out of 350 according to the 2006 Davie Brown Index).

As Chairman and Founder of the Magic Johnson Foundation, Inc., Mr. Johnson is dedicated to developing programs and supporting services that address the educational, health and social needs of ethnically diverse, urban communities. Founded in 1991, the Magic Johnson Foundation (MJF) has become one of the most recognizable charitable organizations around the world.

Over the past few years, the MJF has awarded more than $1.1 million to community-based organizations that focus on HIV/AIDS education and prevention, established four HIV/ AIDS clinics and has co-created the award-winning "I Stand With Magic" campaign to end HIV/AIDS in the black community. Additionally, the MJF has supported more than 800 minority high school students with college scholarships (many through the organization's Taylor Michaels Scholarship Program), opened 20 Magic Johnson Community Empowerment Centers located in underserved communities across the country, and provides a range of community-based initiatives including an annual kid's Mardi Gras, holiday toy drive and semi-annual job fair.

Mr. Johnson is universally known for his 13 year career in the NBA. His honors include: five national championships with the Los Angeles Lakers, 3 MVP awards, 12 NBA All-Star games, a gold medal at the 1992 Olympics in Barcelona, Spain and induction into the Naismith Memorial Basketball Hall of Fame.

Mr. Johnson is also Vice President and part owner of the Los Angeles Lakers.

—

Magic Johnson is today's keynote luncheon speaker

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How Charities Can Help Businesses

- Provide job training or re-training to laid-off workers
- Assist employees with resume enhancement and skills building through volunteerism
- Offer emergency food, clothing and healthcare to workers who have lost jobs and benefits
- Offer short-term and long-term counseling, domestic violence intervention, substance abuse recovery programs, and other services to stressed out workers and the recently unemployed
- Teach vocational English as a Second Language and literacy
- Provide subsidized childcare to low-income workers and childcare referrals to others
- Offer low-cost after school programs to children of working parents
- Train in disaster readiness, first aid, CPR
- Extend practical assistance and support groups for disabled or seriously ill employees

How Business Can Help Charities

- Adopt a charity and find out how your business can be most helpful during the next year
- Conduct food and clothing drives for poverty-relief agencies, or target your drives to fill unmet needs (i.e. socks, new packages of underwear, teen clothing, toiletries, after school supplies, etc)
- Conduct a fundraising event to benefit a charity
- Organize groups of employees to do work projects at local nonprofits
- Promote individual volunteer opportunities at several charities via your company's internal newsletter or e-blasts
- Ask company executives to consider using their professional skills by consulting pro bono for a period of time with a charity (i.e. share expertise in finance, HR, strategic planning, PR, etc.)
- Plan, purchase supplies, and run a party or special event for needy children, the physically or mentally disabled, veterans or other targeted group
- Encourage employee involvement by matching their personal financial or volunteer donations with a business monetary gift to the employees' charities

Panel Session One

Starts at 10:15 am

Panel 1—Finance

Where's the Money Today?

Sponsored by VEDC

Do you find it challenging to get financing for money for expansion, working capital, inventory and equipment purchase? Do you have concerns with your business growth? Learn the options available from unconventional loans as well as traditional access to capital solutions.

Moderator Roberto Barragan
President, Valley Economic Development Center

Panelists Scott Aney Senior Vice President,
Regional Manager San Fernando Valley/Ventura County Commercial Banking Services City National Bank

Bryan Moeller
Senior Vice President
Director of Small Business Banking - LA Metro Wells Fargo

Antonio Pizano
San Fernando Valley - Financial Development Corporation (SFV-FDC)

Panel 2—Green

How Green is Our Valley?
The Latest Developments

Sponsored by ADG ECO, Bryan Cave LLP, Elite Risk Services, EO Los Angeles

Greening to improve commercial developments and community development projects. What will really make a difference and contribute to the bottom line?

Moderator Gerald Olesker
CEO, Founder ADG Eco Lighting Products

Panelists Samantha Goodman
LEED AP Attorney, Bryan Cave LLP

Jeff Hayes
The Vector Group

Jeff Kleid
President, Elite Risk Services

Deidre Wallace
President, Ambrose Hotel

Panel 3—Foreclosures

Opportunities in Distressed Property Markets

Sponsored by Comerica Bank

Will increasing vacancy rates in the commercial property markets lead to an increase in the availability of properties due to foreclosure and bankruptcy? This panel will begin with an overview of the current markets. That will be followed by an insider's view of the process by which distressed properties are made available to investors.

Moderator Dr. Donald Bleich
California State University, Northridge Chair and Professor, Dept. of Finance, Real Estate and Insurance, Founding Director, CSUN Center for Real Estate

Panelists Wesley H. Avery, Esq.
Principal, Roquemore, Pringle & Moore, Inc.

John G. Ellis
MAI, CRE, FRICS Managing Director, Integra Realty Resources — Los Angeles

Eric B. Forsberg
CCIM, CFM Vice President & Real Estate Manager Real Estate Asset Sales/OREO Bank of America, N.A.

Katherine M. Windler, Esq.
Attorney, Bryan Cave, LLP

Panel 4—Key Industry Trends & Opportunities

Entertainment, Manufacturing, Retail

Sponsored by The Gas Company

Industry experts discuss the current trends and expected near-future developments in key Valley Industries. Who's growing and why? Who's not and why not?

Moderator Dr. Daniel Blake
Professor of Economics

Panelists Paul Audley
President, FilmL.A., Inc.

Brad Ward
President, Small Manufacturers Association of California

Panel Session Two

Starts at 11:15 am

Panel 1—Office/Industrial

With Vacancies on the Rise,
Who Will Fill In the Openings?

Sponsored by Paris Industrial Parks

In the past, the Valley has seen much of the office and industrial stock being occupied by the service related industries. However, with the dramatic slowdown in the economy and the residential housing sector, both the finance and the construction industries are experiencing a drop off in the need for space. Who will fill the void?

Moderator George Stavaris
Senior Vice President, Grubb & Ellis Co.

Panelists Roger Beck
Vice President, Colliers International

Chris Pettersen
Vice President, U.S. Bank

Tori Robinson
Vice President, Old Republic Title

Peter Steigleder
Principal, Lee & Associates

Panel 2—Apartments and Residential Investments

Embracing the Challenge

Seasoned veterans in brokerage, finance, development, deal structuring, and valuation will share their insights on how to identify and capture today's opportunities, and how to overcome the challenges of the current market. The discussion will focus on apartments and other types of residential investments, and will explore how certain projects can be repositioned for enhanced overall returns.

Moderator John G. Ellis, MAI, CRE, FRI
Managing Director, Integra Realty Resources — Los Angeles

Panelists Robert E. Hart
President, Kennedy Wilson Multifamily Management Group

Kitty Wallace
Senior Vice President, Sperry Van Ness

Stephan Wiederkehr
President, Finance West Mortgage

Panel 3—Retail

Plaza Pacoima – A Community & Public-Private Partnership Creating Retail Opportunities

Sponsored by Mission Valley Bank

Plaza Pacoima is the largest retail development in the East San Fernando Valley currently under construction. Listen to how national retailers, governmental agencies, private development and community groups all came together to transfer this former brownfield site into a vibrant, silver-LEED certified, center of economic activity.

Moderator Gene Detchemendy
Partner, Primestor Development

Panelists Vanessa Delgado
Director of Development, Primestor Development

Steve McArthur
Northwest Atlantic, Representing Costco Wholesale

Thomas Narr
District Manager, Best Buy

Josh Stehlik
Supervising Attorney Neighborhood Legal Services of Los Angeles County Community and Economic Development and Employment Advocacy Groups

Panel 4—Go Global

Trade Finance in a Challenging Economy

Sponsored by Port of Los Angeles

Financing and insurance tools for international trade and how best to communicate your needs. With restricted access to capital, overseas customers need more credit and longer payment terms; this panel will discuss financing and insurance tools that will assist in responding competitively to the global market's heightened demand for trade credit. It will also address how best to communicate your needs.

Moderator Jim MacLellan
Director of Trade Services, Port of Los Angeles

Panelists David Josephson
Western Regional Director, Export-Import Bank of the United States

Gary Mendell
President, Meridian Finance Group

Tim Murphy
First Vice President, Comerica Bank

Martin Selander
International Trade Specialist, U.S. Small Business Administration, U.S. Export Assistance Center

San Fernando Valley Economic Reports & Outlook

The San Fernando Valley Economic Report

Prepared by

Dr. William W. Roberts
Professor, CSUN Director, Economic Research Center,
California State University, Northridge

The San Fernando Valley Real Estate Outlook

Description of the San Fernando Valley

The San Fernando Valley is a geographical area roughly bounded by the Santa Susana Mountains to the north and west, the Santa Monica Mountains to the south, and the San Gabriel Mountains to the east. It lies wholly within Los Angeles County and includes the cities of: Burbank, Calabasas, Glendale, Hidden Hills, and San Fernando, as well as the Valley portion of the City of Los Angeles.

The Valley portion of the City of Los Angeles, which is roughly defined as that portion north of Mulholland Boulevard and west of Barham Boulevard, comprises the largest part of the San Fernando Valley, accounting for approximately 80 percent of the Valley's population and 77 percent of its land area. The Los Angeles portion of the Valley is better known by its array of "named communities". At present, 27 "named" communities make up the Los Angeles portion of the Valley, including Universal City, home to Universal Studios Hollywood. None of these communities are legal entities; all are part of Los Angeles. The power to name a particular area rests with the Los Angeles City Council, and they exercise that power, carving newly named communities out of existing ones. In recent years, three new areas have been carved out and named—West Hills, Valley Village and Valley Glen. The Valley portion also accounts for an important and sizable part of the City of Los Angeles with 47 percent of its land area and 37 percent of its population.

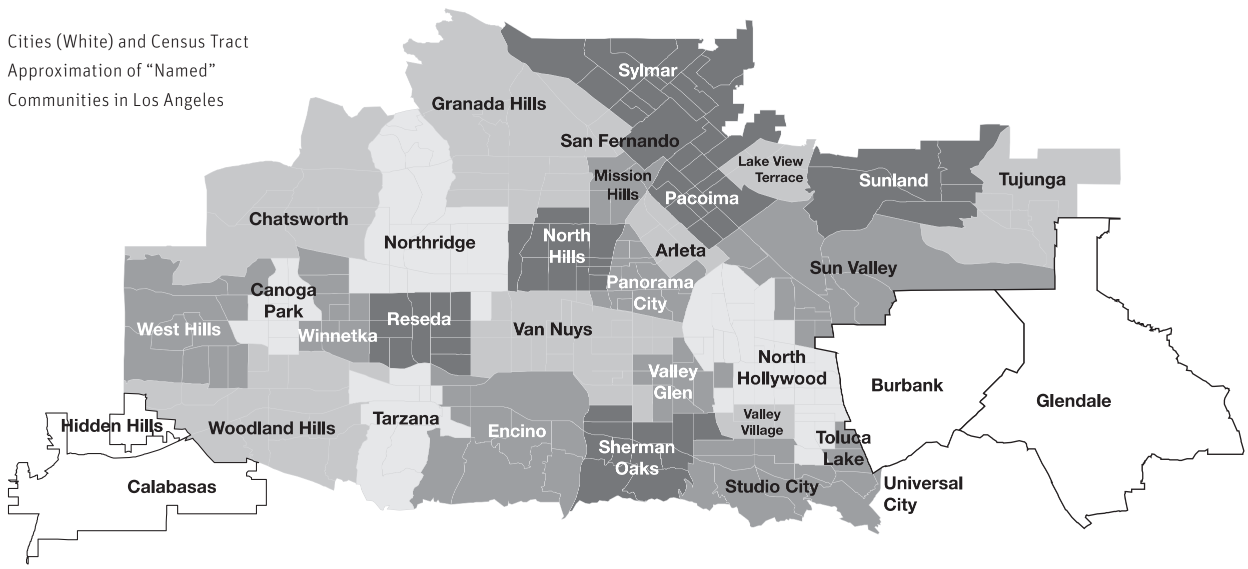
Population, Growth, Area, and Density

City or Area	01/01/2008 Estimated Population	2006-07 Percent Change	Census 2000 Population	2000-07 Annualized Growth Rate	Area (Square Miles)	2007 Population Density
Burbank	107,921	0.8%	100,316	1.1%	17.36	6,215
Calabasas	23,652	1.0%	20,033	2.6%	12.93	1,829
Glendale	207,157	0.3%	194,973	0.9%	30.64	6,761
Hidden Hills	2,040	0.1%	1,875	1.3%	1.62	1,259
Los Angeles Portion of the Valley	1,474,634	0.9%	1,357,374	1.2%	223.98	6,584
San Fernando	25,145	0.3%	23,564	1.0%	2.39	10,525
Six-City Valley Total	**1,840,549**	**0.8%**	**1,698,135**	**1.2%**	**289.38**	**6,360**
Los Angeles City	**3,980,422**	**0.9%**	**3,694,820**	**1.2%**	**469.09**	**8,566**
Los Angeles County	**10,257,994**	**0.7%**	**9,519,330**	**1.2%**	**4,060.90**	**2,544**
California	**37,195,240**	**1.3%**	**33,873,294**	**1.6%**		

Sources: California Department of Finance; Census 2000.

San Fernando Valley Census Tract Map

Cities (White) and Census Tract Approximation of "Named" Communities in Los Angeles



Economic Forecast Survey of Valley Businesses

Last year you recognized the Economic Downturn early (37% of the survey). This year 47.3% of our survey confirmed the Economic Downturn as the most pressing problem.

The Valley's optimism and outlook for the future is clearly evidenced by the concern over financing and availability of credit. Last year no one cited credit availability as a problem. This year it was the first response for 20.9% of the survey and listed by 30.8% of our sample. The desire for financing is a clear indication of optimism for the future of the Valley!

Without easier access to financing, the Valley economy is in a holding pattern. Over half of the survey expects no further change in employment and 73.0% are looking for no change in plant size. While sales increased slightly over the past year, we are looking for a slight decline over 2009. About 19% of our survey state that they intend to move within the next two years. This is about the same as in prior years. The primary reason cited was business taxes and regulations within the city. Location is the primary reason for staying. However, 16.5% indicated no strong ties to the Valley. This is up from 10% last year.

The Forecast Survey Our forecast survey reflects your collective perceptions on current and future Valley economic conditions. Each year we conduct a survey of medium-sized Valley business establishments. Last March, 37 percent of our respondents cited the economic downturn as the most pressing issue facing Valley businesses. This was an early call on our current economic difficulties and demonstrates the importance of this survey forecast.

The Forecast Survey has been a feature of our San Fernando Valley Economic Report since 2003 when our forecast series began. J. D. Power and Associates and Davis Research assisted in initial survey and questionnaire design. In this year's survey, California Survey Research Services contacted over 500 medium-sized Valley companies during March 2009 and completed 91 interviews.

The 2009 survey asked business people to identify the most pressing issues for businesses in the Valley and polled them on trends in competition, employment, sales, and costs. Respondents were asked to reveal their organization's experience in each of these areas over the past twelve months and then to report their businesses' expected performance for the next twelve-month period. Also, they were asked whether they were considering moving outside the Valley and, if so, where they would move and why. Finally, all respondents were asked to identify the advantage(s) of staying in the Valley and the advantage(s) of moving out of the Valley.

The telephone surveys were completed for 91 medium-sized businesses in key industries. Medium-sized establishments—those with 50 to 100 employees—were selected for the survey since these establishments are large enough to require systematic planning, they are acutely aware of the Valley economy's influence on their balance sheets, but they are unlikely to be so large that their fortunes are influenced strictly by events beyond the Valley. Furthermore, only companies in key industries—the economic drivers of the Valley—were selected for the survey. These key industries included Aerospace, Biotech, Professional and Business Services, Entertainment, Health Services, Manufacturing, and Wholesale Trade. Changing conditions in these local industries will produce ripple effects in other sectors of the Valley's economy. While we specifically selected companies with employees in the 50-100 range, one indicator of the Valley's economic difficulties is that 35.2 percent of the respondents indicated fewer than 45 employees. A reduction in employment is evident. The survey responses are reported below.

Pressing Valley Issues—Of Course – It's the ECONOMY

The telephone survey opens by asking what is the most pressing issues that Valley businesses now face. The overwhelming response was that the economic downturn in the Valley and elsewhere is hurting Valley businesses. Almost 40 percent listed the economy as their first comment and 47.3 percent included the economic downturn as one their most pressing issues. This is up from the 37 percent citing the economic downturn last year.

This year the responses on the economy became more specific. Over 30 percent saw access to finances and the credit crunch as a most pressing issue. This was not cited a year ago. Access to credit is a problem. However, we see this concern as an optimistic note. Since future income is necessary to pay off borrowings, businesses desire credit when they view future conditions as improving.

The dominance of the economic downturn pushed most of last year's major concerns further down the "pressing issues" list. Taxes and government services continue on our list at about the same level. The lack of available skilled workers, the high costs of doing business locally, health insurance, and the travails of local traffic congestion all dropped a few percentage points on the issue list. Here are the significant responses.

What do you think are the most pressing issues facing business in the Valley?

- The economic downturn cited by 47.3 percent (37 percent last year)
- Lack of funds and credit crunch cited by 30.8 percent (none last year)
- High taxes, the Business Tax, and poor government services bothered another 16.5 percent (about the same as last year)
- High costs of doing business cited by 13.2 percent (19

percent last year)
- Housing market cited by 10 percent (none last year)
- Intense foreign and domestic competition cited by 10 percent (up from 5 percent)
- Consumer confidence cited by 9 percent (none last year)
- Burdensome regulations also were cited by 6 percent (down from 17 percent two years ago)
- Congested traffic cited by 6 percent (16 percent last year)
- Finding skilled workers cited by only 6 percent (last year: one-fourth)
- Rising cost of labor and health insurance cited by 4 percent (down from 23 percent two years ago)

After this open-ended question, the respondents were asked a series of objective questions on the experience of their companies in the past 12 months and what they expected in the next 12 months. Here are their responses:

Competitively—Competition is on the Rise Most Valley businesses faced heightened or intense competition in 2008, and expect it to become somewhat more intense in 2009. Measured on a scale from 1 (virtually no competition) to 5 (intense competition), most Valley businesses faced heightened or intense competition (51 percent) in 2008. Almost 19 percent of businesses faced the highest level of competition—intense—last year, and even more (30 percent) anticipate intense competition this year. Over 32 percent of businesses faced heightened competition last year. As the economy sorts out the credit crisis and starts to move forward, the anticipated movement in competition is from normal or heightened to much more intense.

Workforce—Down and Holding About half (50.5 percent) of our survey respondents report a decrease in their workforce. In 2007 it was roughly split between expanding, contracting, and remaining constant. Most Valley businesses expect their workforce to stay the same over 2009. This implies that most workforce cuts have already been made. Less than one-fourth (22.7 percent) expect to add employees in 2009 and about one-fourth expect a decline (26.1 percent).

This anticipated holding pattern on employment reflects the lack of readily available financing and economic uncertainty.

The bottom line for net workforce reduction in 2009 versus 2008 is modest—the surveyed businesses expect to release 60 more workers than hire. Given that the surveyed businesses employed 5635 workers, these firms expect to reduce their employment by 1.0 percent. This is on top of the net reduction of 2.3 percent in 2008. Before applying this percentage growth to all businesses in the Valley, recall that the surveyed firms employ between 50 and 100 workers, and does not take into consideration the downsizing of larger Valley firms.

More Business with Stable Staffs Staffs of individual Valley businesses are expected to be more stable in 2008 since fewer respondents expect to either hire or layoff in 2009 relative to 2008. Over one-third of respondents (38.5 percent) maintained a numerically level labor force in 2008, and 51 percent of them expect to maintain a level workforce in 2009.

Business Capacity—Holding Constant Most businesses did not alter their Valley capacity last year and change is not on the agenda for 2009. Of the 33 percent of respondents that altered their plant capacity in 2008, it was equally divided between expansion and contraction (16.5 percent each). In 2009, only 18 percent expect to expand their plant capacity. This is down from 33 percent a year ago. In 2008 the expansions were small (33 percent of those changing plant capacity) and the contractions large (30 percent). In 2009, one-third of those expecting a change in plant capacity expect a large contraction. Those expecting an expansion are evenly divided between a large and a small expansion.

Employee Compensation—More Holding Constant Most companies in our key industries held their employee compensation constant (56.7 percent) in 2008 and expect to do the same (73 percent) in 2009. Over one-fourth (26.7 percent) increased their employee compensation in 2008, but only 10.2 percent expect increases in 2009. Changes on the workforce side appear to be in the area of employment, not in compensation.

Other Costs—Fuel, Health and Others The majority of businesses (53 percent) reported cost increases in areas other than employee compensation in 2008. This is down from the 86 percent reporting cost increases in 2007. Most frequently cited sources of these cost increases were fuel/energy/oil, but other areas included insurance and health costs, raw materials and intermediate goods, shipping, rent, and other contracting (outsourcing) costs. Most businesses (59 percent) expect cost increases to continue in 2009. Despite recent declines in fuel prices, fuel/energy/oil remains the leading source of increase followed by health benefits. An increasing number cite taxes and regulatory costs as a problem area. However, the main culprits in boosting the costs are fuel, raw materials, intermediate materials, and other supplies.

Gross Sales—We Are Still Buying a Little for Now Key industry Valley companies (44 percent) reported increases in gross sales for 2008. This is down from the 60 percent that expected increases a year ago. Only one-third expect gross sales to increase in 2009 and 41 percent anticipate a decline. About one-fourth (22 percent) reported the same level and 26 percent expect the same level for 2009. While one-third reported sales' declines in 2008, more (41 percent) expect further declines in gross sales in 2009. While we are still buying, the level has declined and is expected to decline further over the coming year. Over 80 percent of respondents were willing to disclose their company's gross sales trends.

Are They Considering Moving Out of the Valley? And How Far? We asked respondents whether they were considering moving their operations out of the Valley sometime in the next two years. The overwhelming response was "no". Of the 91 respondents to that question, 81 percent said they were not considering moving but nearly one-fifth (19 percent) said that they were considering such a move. These numbers are almost the same as those reported a year ago. We also asked those respondents who were considering moving (19 percent) where they thought they might relocate. The most frequent response was within 30 miles of the Valley (63 percent), and second most frequent response was to another state (25 percent).

2008 Economic Forecast Survey: Summary of Results

	Previous 12 Months	Next 12 Months
The Level of Competition in the Firm's Industry Segment		
5 (Intense)	18.9%	30.0%
4 (Heightened)	32.2%	26.7%
3 (Normal)	27.8%	21.1%
2 (Light)	10.0%	11.1%
1 (Virtually none)	11.1%	11.1%
Total Number of Employees in The Valley		
Increase	11.0%	22.7%
Decrease	50.5%	26.1%
Stayed the Same	38.5%	51.1%
Facilities Expansion or Contraction in The Valley		
Expansion	16.5%	18.0%
Contraction	16.5%	9.0%
None	67.0%	73.0%
Employee Compensation		
Increase	26.7%	10.2%
Decrease	16.7%	13.6%
Stayed the Same	56.7%	76.1%
Costs Other Than Employee Compensation		
Increase	52.7%	27.8%
Decrease	15.4%	13.3%
Stayed the Same	13.9%	58.9%
Gross Sales		
Increase	44.2%	33.3%
Decrease	33.7%	40.7%
Stayed the Same	22.1%	25.9%

Why Would Anyone Move? We asked all respondents "What is the strongest business reason for moving out of the Valley?", even though most of them were not considering moving. An impressive 42 percent of respondents said there is "no reason" to move out, as there are no advantages to locations outside the Valley. The other 58 percent played our game of identifying the strongest reason to move out even though most were not considering moving; their most frequent responses were to for lower business taxes or less regulation (20 percent). The next most cited reason for possibly moving from the Valley was to reduce rent or acquire more suitable facilities (12 percent). When looking only at those who are considering a move, the dominant reason was business taxes and regulations. Specifically the Los Angeles business tax was most frequently cited.

Why They Stay We also asked all of the respondents "What is the strongest business reason for staying in the Valley?" The most frequent response (56 percent) was the locational advantage of the Valley in terms of proximity to their workers, their market, shipping facilities and so forth. In addition, 18 percent cited access to the Valley's labor pool (independent of their current employees) as the strong advantage of being here. Several respondents placed a high value on having access to a large, bi-lingual labor pool.

Will They Stay A response that could cause concern is that 17 percent of the respondents indicated there is no strong advantage to staying in the Valley. This is up from 10 percent last year. These businesses are here simply because of inertia—they were established here at sometime and it is costly to move so they don't, for now. But the implication is that if costs in the Valley rise relative to other areas, or if costs in other locales fall relative to those in the Valley, some number of these businesses could leave. But a review of the survey responses, from this 17 percent group that responded "none" revealed that most of them are not thinking about leaving in the next two years. Of course, that could change and their departure could represent a serious loss to the Valley and the region.

Consider Moving from the Valley in the Next 2 Years?

Yes 19.3%
No 80.7%

Where Would the 19.3% Move?

Within 30 Miles	62.5%
Elsewhere in CA	12.5%
Another State	25.0%

The Advantages to Moving From The Valley Are:

	Moving	All
None	41.8%	
Lower Business Tax/ Less Regulation	41.2%	19.8%
Lower Rent	23.5%	12.1%
Lower Materials/ Operating Costs	11.8%	8.8%
Better Labor Pool	11.8%	7.7%
Less Competition/ More Business Opportunites	11.8%	3.3%
Less Congestion/ Lower Travel Cost		3.3%
Lower Crime Rates	2.2%	
Lower Cost Work Comp/ Insurance	1.1%	

The Advantages to Staying in The Valley Are:

Location	56.0%
Labor Pool	17.6%
None	16.5%
Low Costs	5.5%
Rent	4.4%

An Economic Indicator: **Bankruptcies— On The Rise?**

Isolated incidents caused spikes in 2005 (Chapter 7 and Chapter 11) filings, but Chapter 7, 11, and 13 bankruptcy filings all began trending upward in 2007...the upward trend looked like a move back to a "normal" level following an easy credit period. Chapter 13 bankruptcies appear to be accelerating and are above levels last seen in the late 1990s.

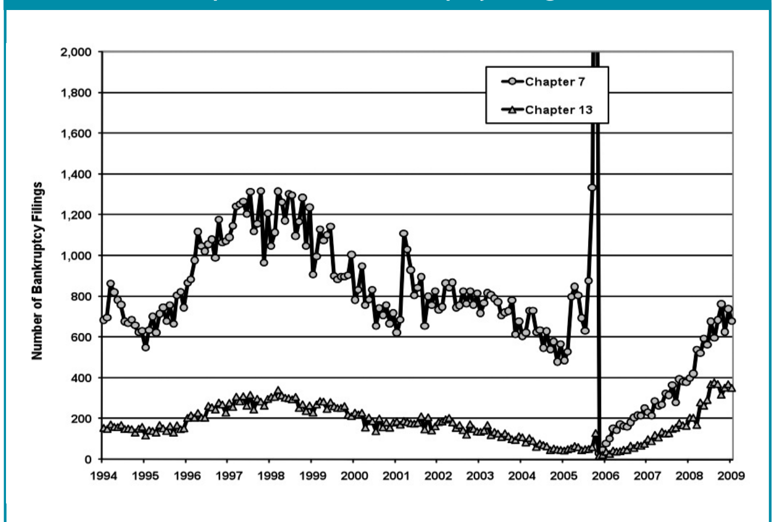
Time trends in bankruptcy data often are used as one indicator of people's and businesses' relative economic health. The San Fernando Valley bankruptcy data suggests a weakening local economy. The late 2008 acceleration in Chapter 13 (debt restructuring) bankruptcies indicates some fallout from our economic downturn and current credit crisis.

Monthly bankruptcy data for the San Fernando Valley Division of California's Central Court District of the U. S. Bankruptcy Court appear in the charts below, and include Chapter 7, 11, and 13 filings. The jurisdictional boundaries of the San Fernando Valley Division of the Bankruptcy Court are much larger than the geographical boundaries of the Valley used elsewhere in this Report. Its jurisdiction includes areas to the north and west of the six-city Valley, including Santa Clarita, Thousand Oaks, and Simi Valley. For relative bankruptcy activity, the Valley Division filings are compared to all of the filings in California's Central District, which includes other Division Offices in Los Angeles, Riverside, Santa Ana, and Santa Barbara.

Chapter 7 and 13 bankruptcy filings are commonly used by individuals and small businesses because they are relatively low cost, but they generally require the liquidation of assets to satisfy the creditors. Chapter 7 and Chapter 13 filings differ from one another in that Chapter 7 allows a discharge of debt by the petitioner, that is, the fillings free the petitioners from the legal responsibility to repay accumulated debt. Chapter 13 only allows the petitioner to extend payments to his/her creditors, rather than obtain debt forgiveness. For that reason, Chapter 7 filings have been more common than Chapter 13 filings.

In 2005, bankruptcy reforms were signed into law and implemented which introduced a "means test" for individuals filing under Chapter 7. These reforms effectively pushed many people who previously would have filed under Chapter 7 (debt discharge) into filing under Chapter 13 (debt restructure). The effect of these reforms is clear in the post-reform filings shown in the SFV Division Chapter 7 and 13 Bankruptcy Filings Chart below. The increase in Chapter 13 filings commenced immediately after the reforms were implemented and Chapter 7 filings have failed to climb to their pre-reform levels. These two effects are consistent with the reforms limiting Chapter 7 filings and increasing Chapter 13 filings by enacting more stringent qualifications for Chapter 7 filings.

SFV Division - Chapters 7 and 13 Bankruptcy Filings



The tremendous spike in Chapter 7 filings, when October 2005 filings reached 3,995, immediately preceded the effective date of the reforms. These reforms actually caused two other spikes in Chapter 7 activity: One in 2001 when this restricting legislation was first introduced in Congress, and a small spike early in 2005 when Congress revived and enacted the reforms (with a later implementation date).

Since 2006, Chapter 7 and 13 filings have increased significantly and those increases seem to represent a new, post-reform distribution between Chapter 7 and 13 filings, and a return to a "normal" level following a period of easy credit. Both Chapter 7 and Chapter 13 filings have shown some acceleration over the last half of 2008. These filings are highly correlated with the higher levels of foreclosures in the housing market and the slowing economy.

A Chapter 11 bankruptcy is more costly than either Chapter 7 or 13 and entails higher legal fees, but it is favored by large corporations, partnerships, and wealthier individuals because it allows the petitioners to reorganize without liquidating all of their assets. Chapter 11 filings in the Valley are more volatile than 7 and 13 filings because they are so few in number as seen in the SFV Chapter 11 Filings chart.

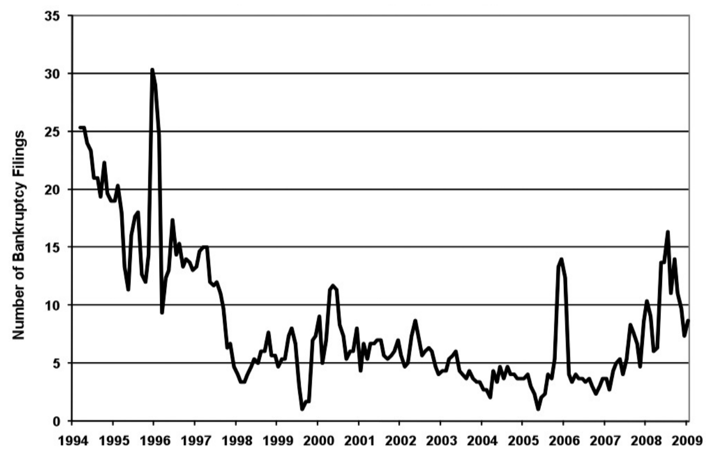
The spike in the Valley's 2005 Chapter 11 filings resulted from a filing by one parent entertainment company that spawned 25 bankruptcy filings by subsidiaries/affiliates in November 2005. Without those associated filings, the Valley's Chapter 11 filings in November 2005 would have been 4 instead of 29. The very low average number of Chapter 11 filings in the Valley can give rise to spikes like this one because if a parent or relatively large affiliated company files for Chapter 11 protection, the subsidiaries/affiliates may have to do the same to obtain creditor protection while the original filer reorganizes.

Even though it is somewhat obscured by the volatility, Chapter 11 bankruptcy filings were dropping prior to their November 2005 spike. Chapter 11 filings have been on the rise since early 2007 and are higher than levels we have observed since the mid-1990s.

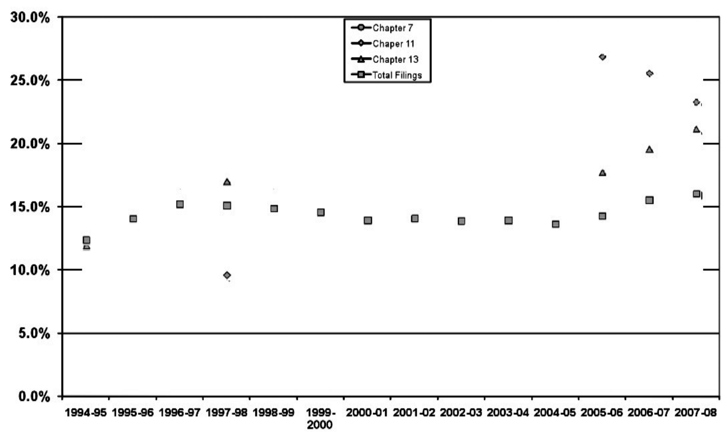
The Valley's share of Chapter 11 filings spiked in 2005 due to the one-time large number of Valley filings with no commensurate rise in the larger Central District Chapter 11 filings combined with the low average number of such filings in the Valley. In addition, the Valley's share of Chapter 11 and 13 District filings rose in 2006 and 2007, while the Valley's share of Chapter 7 filings stayed roughly constant.

The Los Angeles Division Office of the United States Bankruptcy Court, Central District of California, provided data for this report.

SFV Division - Chapter 11 Bankruptcy Filings



SFV Division Share of California Central District Bankruptcy Filings for Fiscal Years



Another Indicator: **Unemployment Insurance Claims—Rising!**

Valley Unemployment Insurance (UI) claims bottom out in December 2005, returned to a normal seasonal patterns through mid-2007, and have been rising dramatically throughout 2008. Fourth quarter 2008 UI claims show a weak employment picture with rising claims, counter to our normal seasonal pattern.

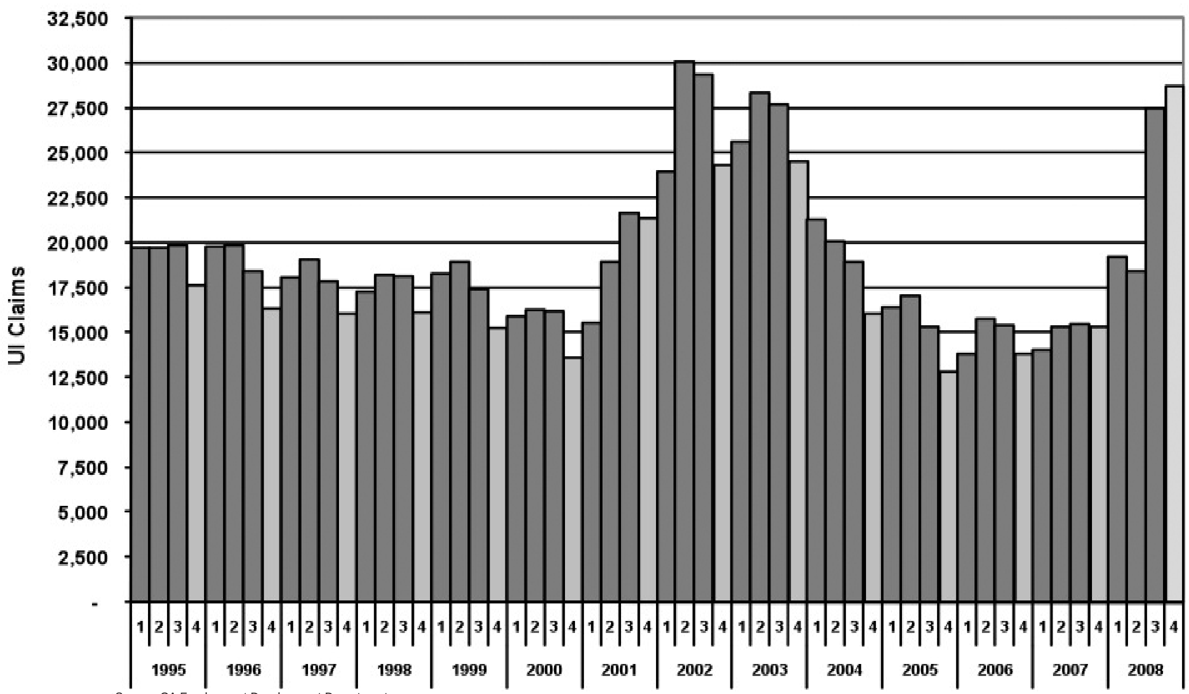
The Valley's UI claims show a slowing local economy. After failing to drop in the fourth quarter of 2007, interrupting the normal pattern, UI claims continued to rise. In a significant departure, UI claims rose in the fourth quarter of 2008.

Generally there is a drop in claims as firms ramp up for the year-end holiday season and sales. Valley UI claims have been rising since late 2007, coinciding with diminished economic growth nationwide.

The Valley's normal seasonal pattern for Unemployment Insurance (UI) claims is for claims to rise early in the year and continue until they peak in May, June, or July, then fall through the second half of the year, usually bottoming out in December. This seasonal pattern is clear in the Quarterly UI Claims chart, which shows the average UI claims for the three months in the indicated quarters. The fourth quarter (distinguished by the lighter bar in the chart) always has the lowest claims of the year in the quarterly chart, second quarter is usually the highest, with first and third quarters falling in between. This pattern is evident in the SFV Average Quarterly UI Claims chart below.

The Valley's UI claims data show the Valley's general economic recovery during the late 1990s, as evidenced by the overall decreasing number of UI claims during that period. The 2001 recession caused a rapid increase in UI claims during 2001 and 2002 with high levels of claims lingering in 2003. Expansionary economic forces overrode the Valley's normal seasonal UI claim pattern during 2004 and 2005, but the season pattern returned in 2006 and early 2007. Valley UI claims in the fourth quarter of 2008 imply that the current economic downturn has different

SFV Average Quarterly UI Claims (not seasonally adjusted)



Source: CA Employment Development Department

characteristics. Retail trade generally rises during the fourth quarter, stimulates employments and reduces UI claims. This was not the case in late 2008.

UI claims data are used here as an unemployment indicator in Valley even though they do not reflect the full extent of unemployment. In order to qualify for benefits, UI claimants must have worked in a UI-covered job for a sufficient period of time, must be unemployed through no fault of their own (they must lose not quit their job), and be actively seeking work. The unemployed include UI claimants plus people who quit their job (job leavers), people seeking work who have never held a UI-covered job, or didn't hold one long enough to qualify for UI benefits, and previous UI claimants who have exhausted their UI benefits but still have not found work.

Unfortunately, accurate and reliable unemployment rates from the Bureau of Labor Statistics (BLS) are not available for subcounty areas like the Valley. The number of UI claimants can be used as an unemployment indicator because the number of claimants and the number of unemployed move in the same direction even though the number of unemployed is larger. The strong advantage of UI claims data is that they are available by ZIP code areas.

UI Claims in the Valley versus the County and California

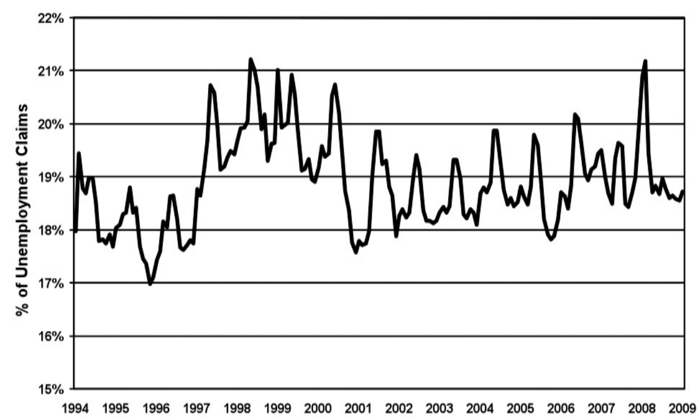
Charting San Fernando Valley UI claims as a share of either Los Angeles County or California UI claims suggest that the weakness the Valley's UI claims signal is shared by both the County and the State. Exact comparisons between Valley and County or State claims data are difficult because UI claims in both the County and California have seasonal patterns that are somewhat different from those in the Valley. The accompanying charts show Valley UI claims as a percent of claims in the County and California, and the differing seasonal patterns clearly produce regular variations in the Valley's shares. Clear patterns in the Valley's shares of either the County's or State's UI claims are hard to discern.

The only obvious pattern is that the Valley's share of UI claims relative to LA County rose before the 2001 recession, and then fell back to the more or less regular seasonal pattern 2002. The rising share of Valley UI Claims relative to LA County claims in late 2007 and early 2008 may signal the onset of an economic slowdown or recession.

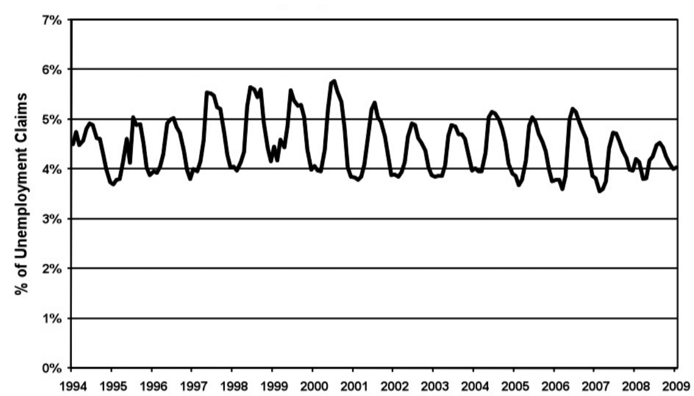
The Valley's share of California's UI claims is seasonal and appears to be relatively stable over time.

Unemployment insurance claims are tallied by the California Employment Development Department and provide the best measure of unemployment trends among residents of the six-city Valley. These statistics reflect the number of people in the Valley who are covered by Unemployment Insurance (UI) and make UI claims.

SFV Share of Unemployment Insurance Claims in L.A. County



SFV Share of Unemployment Insurance Claims in CA



Source: CA Employment Development Department

Economic and Demographic Characteristics of San Fernando Valley Residents in 2007

A third year—2007—of the American Community Survey (ACS) data have been released for the San Fernando Valley. The American Community Survey conducted by the Census Bureau is a rich source of information on our residents' general, social, economic, and housing characteristics.

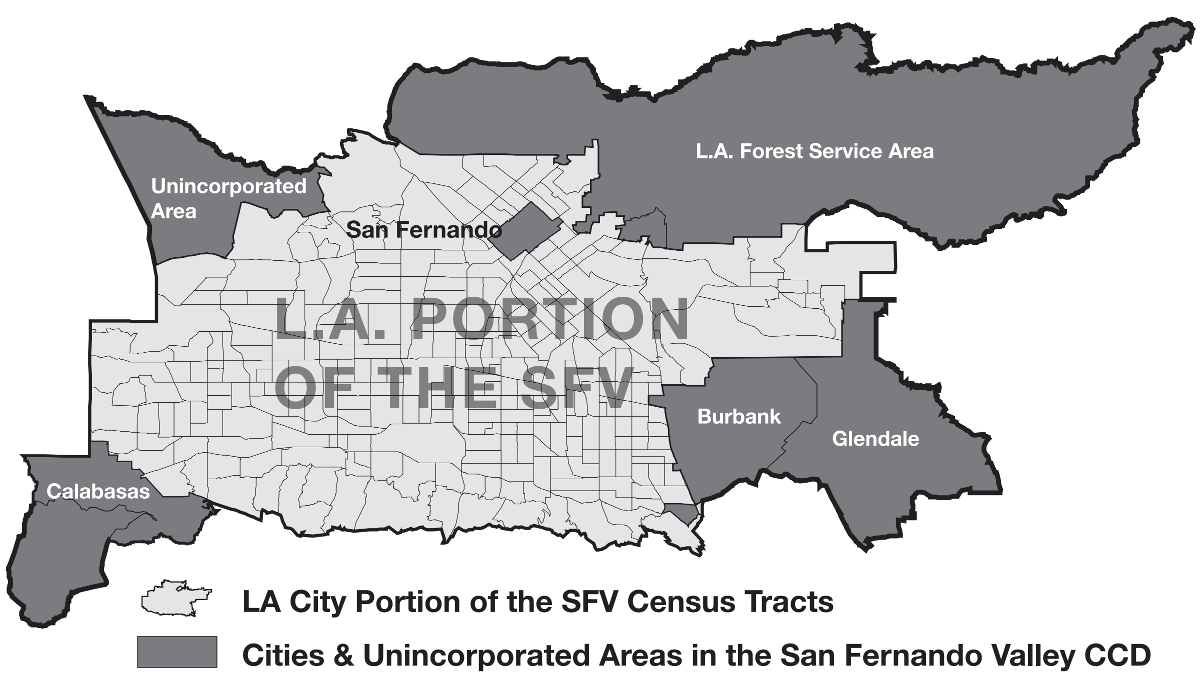
These data previously were collected only once a decade in the so-called long form of the decennial census, which the ACS replaces. This detailed information is now being collected in monthly surveys that are compiled and released by the Census Bureau on an annual basis. Because the annual ACS survey samples only about 2.5 percent of the population rather than roughly 20 percent in the decennial long-form survey, its estimates are subject to sampling error and Bureau releases annual data only for areas larger than 65,000 to ensure an adequate sample size.

The overriding purpose of the ACS, like its predecessor (the long-form survey), is to profile the people in the various geographies covered—enumerating their characteristics and providing estimated proportions or percentages of the residents with the certain age, gender, employment, housing, or whatever characteristics. And, like its predecessor, the ACS is not designed to count the total populations of the various geographies. That job falls to the constitutionally mandated, once-a-decade Census of the Population and intervening updates from the on-going Population Estimates Program, in which the Census Bureau uses a number of indicators to gauge the population of larger areas based on the most recent actual Census count (Census 2000 in this case).

The following pages detail some of the many general, social, economic, and housing characteristics of San Fernando Valley residents, both for the newly designated San Fernando Valley County Census District (CCD) and for 15 regions within the Valley. Our first release occurred last year when the Valley CCD was created by the request of the Los Angeles County Board of Supervisors and the Census Bureau conducted a special tabulation for the new Valley CCD along with its inaugural release of the 2005 ACS data for the nation, states, counties, places, and other census statistical areas.

The ACS data for the Valley's 15 regions comes from a 2005 Census Bureau pilot project launched in Los Angeles

San Fernando Valley CCD Boundaries



County in which the County was divided into 69 contiguous areas composed of census tracts for a special run of ACS data. A group representing several stakeholders and data providers (including the SFV Economic Research Center) defined these geographic areas to maximize the resulting data's usefulness to planners and other interested parties. To that end, these areas were geographic subdivisions of the County's Special Planning Areas (SPAs). One criterion for these areas was that they should each contain at least 65,000 people which is the minimum population for which annual ACS data can be released.

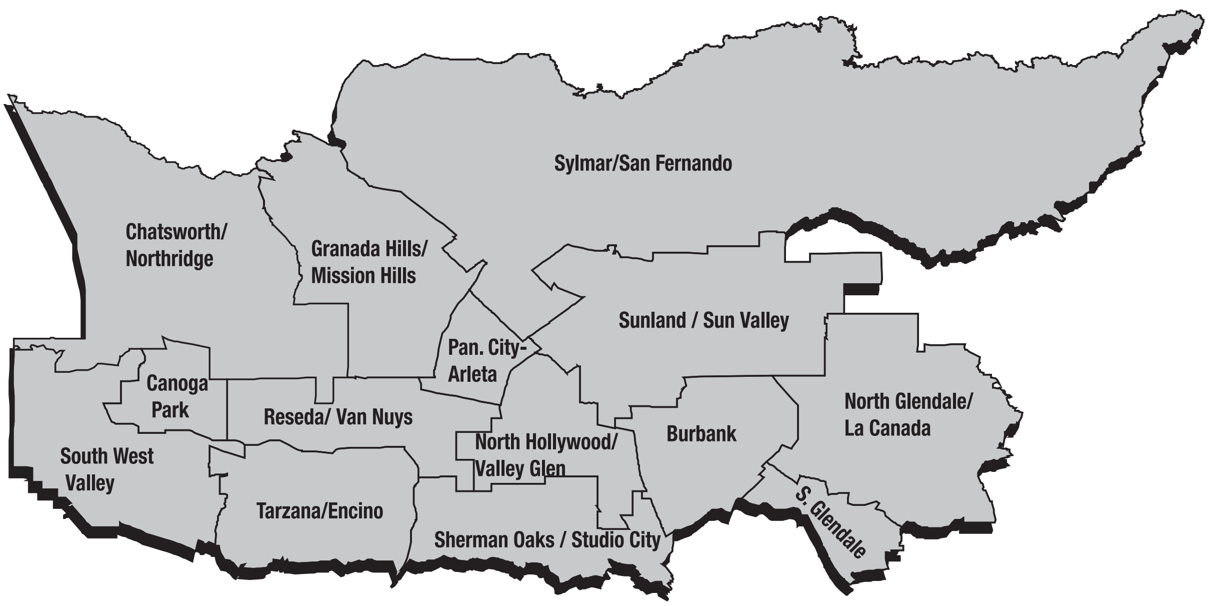
We now have the 2007 ACS data release for both of these geographies—the new Valley CCD and the 15 areas within the Valley. Like the 2006 data, the 2007 data includes group quarters include college dorms, nursing homes, detention facilities, and a host of other domiciles. These were omitted in the initial 2005 data collection. In addition, the 2007 subarea data include the Calabasas-Agoura Hills area, which was omitted in 2005 because it failed to meet the minimum 65,000 population threshold for annual reporting in 2005.

The data elements in general, social, economic, and housing categories number well over 400 and cannot all be provided and discussed here. In the following pages, we present and discuss some of the interesting, salient, and important characteristics of our Valley's communities and compare these characteristics to those of LA City, LA County, California, and the nation. Limited space does not permit full coverage in this book, and many important and interesting details about our Valley remain, for the moment, in the ACS tables on our website. Please visit our website for full coverage of the 2005, 2006 and 2007 ACS data (www.csun.edu/sfverc).

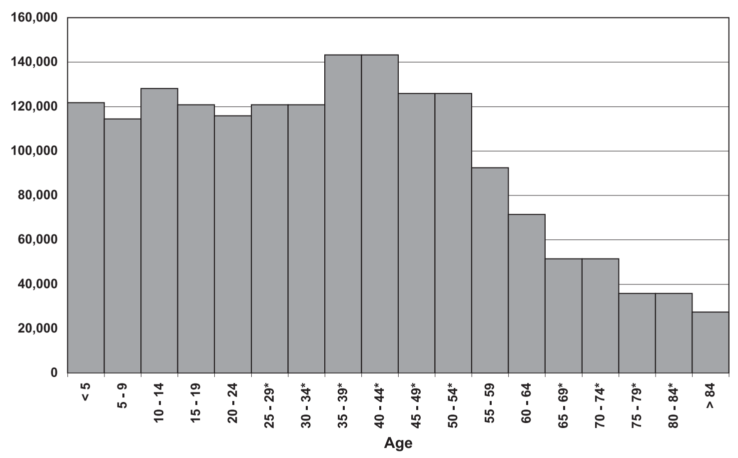
The Valley's boundaries for the Sub-County Census District are shown in the accompanying CCD Map while the ACS Valley Regions boundaries appear in the other map. Note that there are some minor differences in coverage resulting from the boundaries of LA County's SPAs, which existed before the designation of the Valley CCD. On the east end, North Glendale was combined with La Crescenta and La Canada to form the North Glendale-La Canada region. La Crescenta and La Canada are not in the Valley CCD but are on the eastern edge of the local SPA (SPA 2) and had to be included in its subareas. On the western side, SPA 2 boundaries required that we combine Calabasas and Agoura Hills even though Agoura Hills is not considered to be in the Valley. The ACS also required us to combine what we think of as separate Valley communities in order to meet the minimum 65,000 population rule, but we combined communities in light of their characteristics so that the larger areas were similar in important respects.

Population—How Many of Us Are There? As noted above, the ACS is not designed to count totals but rather to estimate proportions of residents in geographical areas with certain characteristics. Nonetheless, the ACS tables do contain total populations estimates so that users of the data know about how many people are in the areas and how many people any particular characteristic might describe. This disclaimer appropriately precedes the presentation of a table that contains the ACS estimated total populations of the areas in the San Fernando Valley and the comparison areas of LA City, LA County, California, and the U.S. Careful

SFV: American Community Survey (ACS) Valley Regions

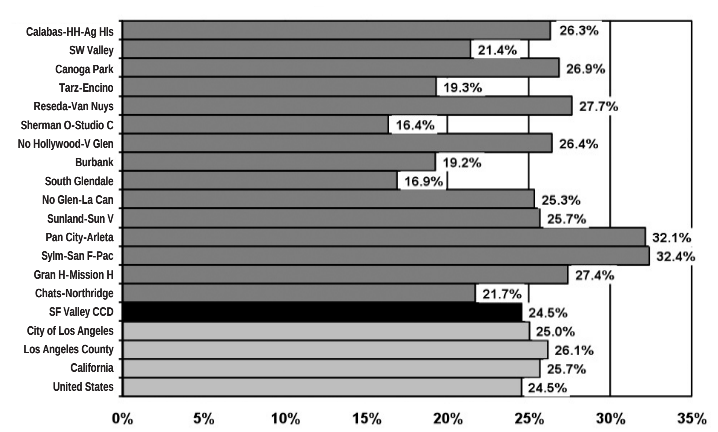


2006 San Fernando Valley Age Distribution

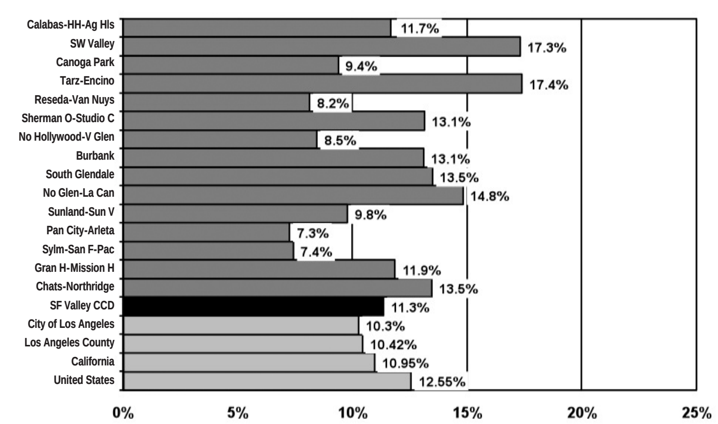


*Designated 10-year age group populations split in two for presentation.

Percent of the Population Under 18



Percent of the Population 65 Years Old and Over



2006 San Fernando Valley Age Distribution

Region	Total Population Estimate	Total Population Margin of Error*
Calabasas - Aguora Hills - Dist 3	64,605	+/-6,433
SW Valley - Dist 4	106,760	+/-8,451
Canoga Park Area - Dist 5	86,975	+/-6,824
Tarzana - Ecino Area - Dist 6	84,755	+/-7,743
Reseda-Van Nuys Area - Dist 7	190,040	+/-11,708
Sherman Oaks-Studio City - Dist 8	122,825	+/8,181
North Hollywood Area - Dist 9	189,130	+/-13,517
Burbank - Dist 10	96,970	+/7,251
South Glendale - Dist 11	126,640	+/-8,054
North Glendale - La Canada - Dist 12	113,505	+/-7,818
Sunland - Sun Valley Area - Dist 13	122,520	+/-9,571
Panorama City-Arleta Area - Dist 14	105,910	+/-10,227
Sylmar-San Fern. Valley Area - Dist 15	152,895	+/-13,956
Granada Hills - Mission Hills - Dist 16	150,725	+/-11,524
Chatsworth - Northridge Area - Dist 17	136,835	+/-9,504
San Fernando Valley CCD Tracts	1,766,570	+/-36,760
Los Angeles City, California	3,806,003	*****
Los Angeles County, California	9,878,554	*****
California	36,553,215	*****
United States	301,621,159	*****

*.An '*****' entry in the margin of error column indicates that the estimate is controlled. A statistical test for sampling variability is not appropriate.

readers may note that the population estimate from the California Department of Finance that appears at the beginning of this Report is somewhat different from the Valley CCD population estimate in this table. Attribute that difference to margins of error for both estimates.

The SFV Population Estimates and Margins of Error Table shows the estimated total number of residents in each of the designated areas. The Table also shows the margins of error of those population estimates—these are important numbers because they represent the confidence intervals for those estimates. In particular, the margins of error give a range around the estimate within which there is a statistical 90 percent probability that the true mean or proportion is. For researchers who would like to work with a higher level of confidence, there are even larger margins of error that can be defined. These margins of error emphasize the fact that the reported characteristics are products of limited samples and, as such, are subject to estimation error.

Note that the various estimated characteristics of residents reported in the ensuing charts all have accompanying margins of error; they are not reported in the charts. The margins of error, along with the many characteristics of local residents that are not reported here, are available on the Center's website at www.csun.edu/sfverc under ACS data.

Age—The Baby Boomer Bulge Plus One The age distribution in the Valley reveals two bulges—the one in the middle years is the mark of the baby boomers. The more modest bulge in the10 -14 and 15-19 age groups represent the children of the baby boom generation sometimes called Baby Boom II. This younger group is poised to leave the K-12 education system and enter the workforce or the higher education system. Absorbing this larger group will challenge both the Valley's job creation machine and its higher education institutions.

The size of age groups on both ends of the age distribution varies considerably across Valley communities. The under 18 group averages just under 25 percent in the Valley but that group constitutes close to 30 percent in several communities and pushes beyond 30 percent in two northeastern areas; in contrast, two southern Valley area have less than 20 percent in the under 18 bracket. The over 65 age group averages just over 10 percent in the Valley but falls close to 7 percent in the Sylmar and Panorama City areas. The highest rates for the over 65 population are in the Tarzana-Encino communities and the Southwest Valley. These concentrated areas may reveal priority locations for both youth and elderly programs.

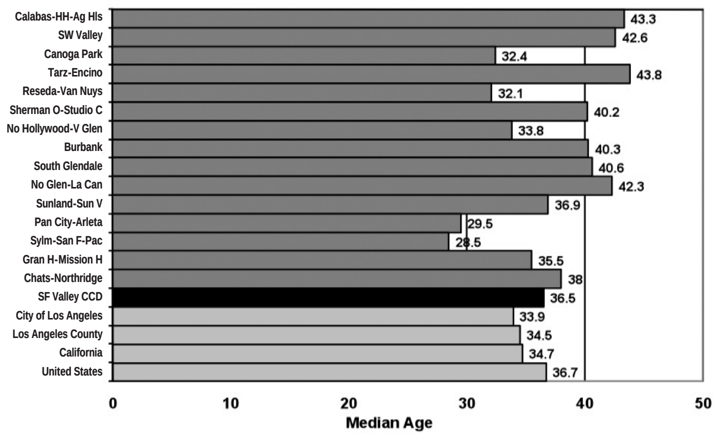
The Median Age Chart reveals that the Valley is a little older (more mature?) than the nearby comparison areas. This Chart also shows substantial variation in the median age of the communities within the Valley. Residents of the Central and Northeast Valley communities tend to be younger, and the rest of us are a little older.

Between the Valley's youth (under 18) and its more mature generation (over 65) are the people who make everything in the Valley work. And they do it by working.

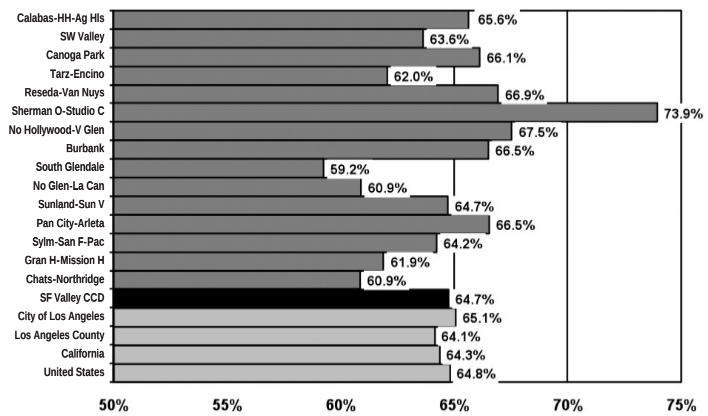
Labor Force Participation—Working and Not Working Sixty-five percent of the Valley's population (16 and over) participates in the labor force. The Sherman Oaks-Studio City area stands out with over 70 percent of their 16 and older residents in the work force. The proportion is fairly constant across the Valley's areas with most of the Valley in the mid-60 percent range. South Glendale occupies the other end with fewer than 60 percent participation in the labor force. The Valley's labor force participation rate is consistent with the other comparison areas.

Valley Unemployment Rate Estimates—Adjusted Two groups comprise the labor force—the Employed and the Unemployed—and the Valley has a lot of employed and not so many unemployed. The employed are those currently holding jobs while the unemployed are those actively

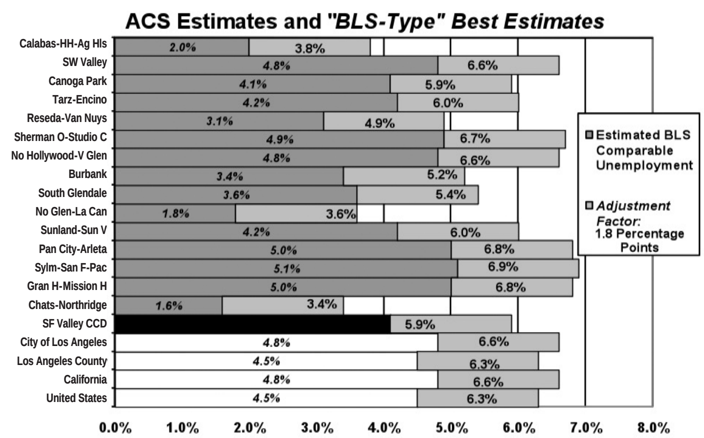
Median Age



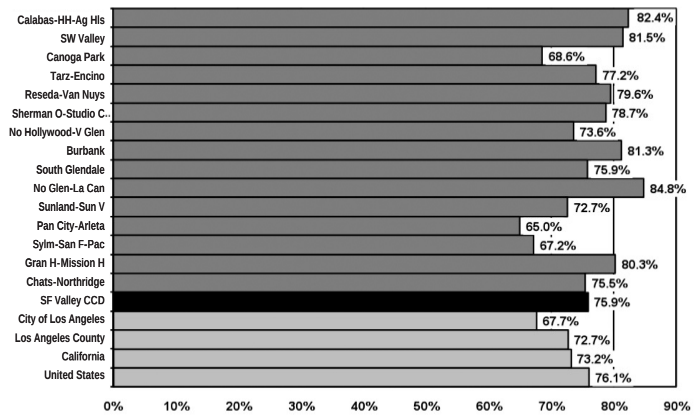
Residents Age 16 or over in Labor Force



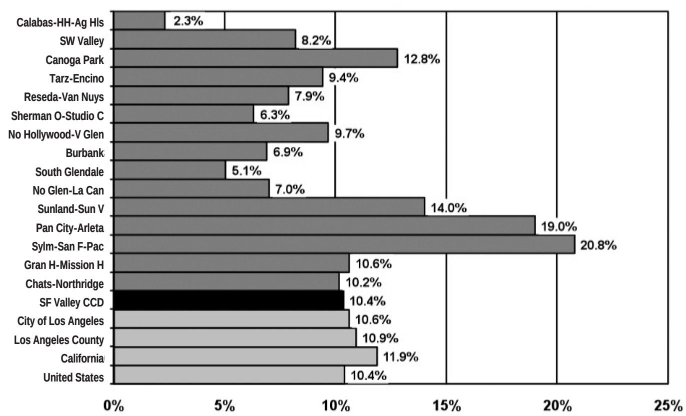
SFV Estimated Unemployment Rates in 2007



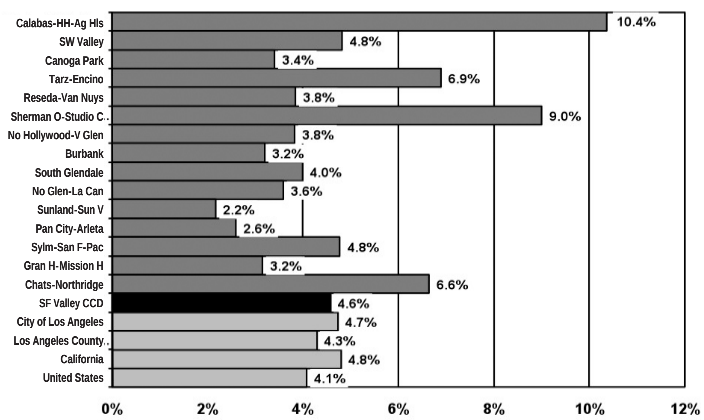
Workers Commuting Alone in a Car, Truck or Van



Residents Commuting to Work in Carpools



Residents Who Work at Home



looking for work or temporarily laid off. The extent of unemployment is usually described by the "unemployment rate" which is the number of unemployed divided by the number in the labor force. The Bureau of Labor Statistics (BLS) estimates unemployment on a monthly basis for the nation, states, and some counties based on a refined and controlled sample of about 60,000 households. The BLS unemployment numbers are considered quite accurate and reliable but they are not available for areas like the San Fernando Valley.

The ACS does ask respondents about whether they are employed or are actively seeking work and develops unemployment estimates from these responses. Unfortunately, the ACS unemployment rate estimates differ considerably from the BLS estimates, and both the BLS and the Census Bureau consider the BLS unemployment rate estimates to be more accurate.

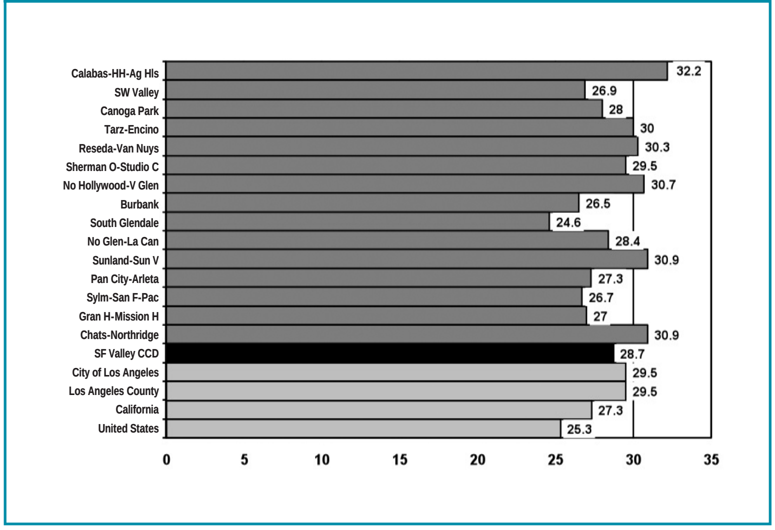
We have the ACS estimates of unemployment rates for the Valley, its regions, and the comparison areas. The question is how to present those estimates so that they are comparable to the BLS unemployment numbers with which we are familiar. When we compared the ACS unemployment rates for the United States, California, and Los Angeles areas with the BLS estimates, the ACS unemployment rates were 1.8 percentage points above each of the comparable BLS unemployment rates. We then used 1.8 percentage points as an adjustment factor—we subtracted 1.8 percentage points from the ACS-based unemployment rates for the Valley CCD and its areas to obtain what we consider to be the best estimates of 2007 unemployment rates in the Valley areas.

Those best estimates are presented in Unemployment Rate Chart. The percentage numbers in the bars are the actual 2007 BLS unemployment rates for the nation, California, and LA County, and are our best estimates of the 2007 unemployment rates in the Valley. The numbers at the end of the bars are the estimates ACS unemployment rates for those areas.

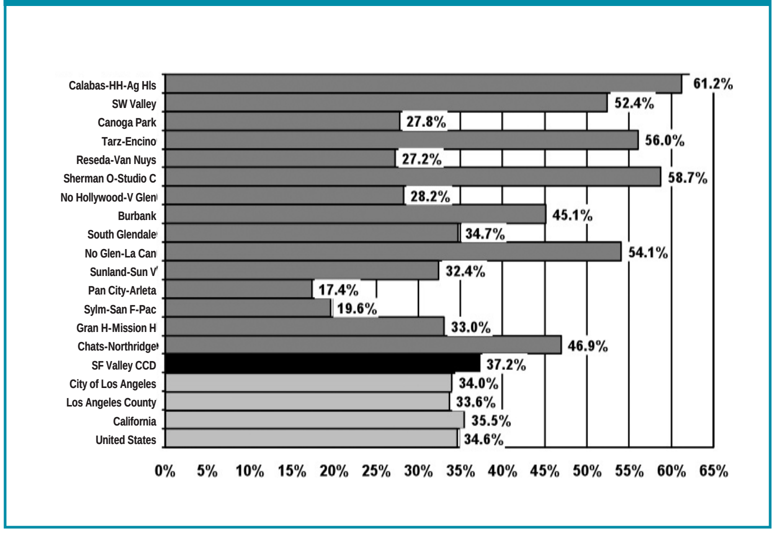
Commuting—Getting There Most workers (75 percent) drive to work alone in a car, truck or van. This is 8 percentage points above LA City's proportion, just 2 or 3 percentage points above the County and the State, and even with the nation. Most Valley communities register close to average but, at the extremes, as few as 65 percent (Panorama City-Arleta) and as many as 85 percent (North Glendale-La Canada) drive alone.

Carpooling averages 10.4 percent of Valley work commuting trips, down from 12.1 percent in 2006. Carpooling rates are around 20 percent in the Northeast Valley. The Valley's carpooling rates are slightly less that LA City and County and California, but are equal with the national rate. Gasoline prices had stabilized in 2007. The significant rises occurred in 2008 and we expect carpooling numbers to increase in the 2008 numbers.

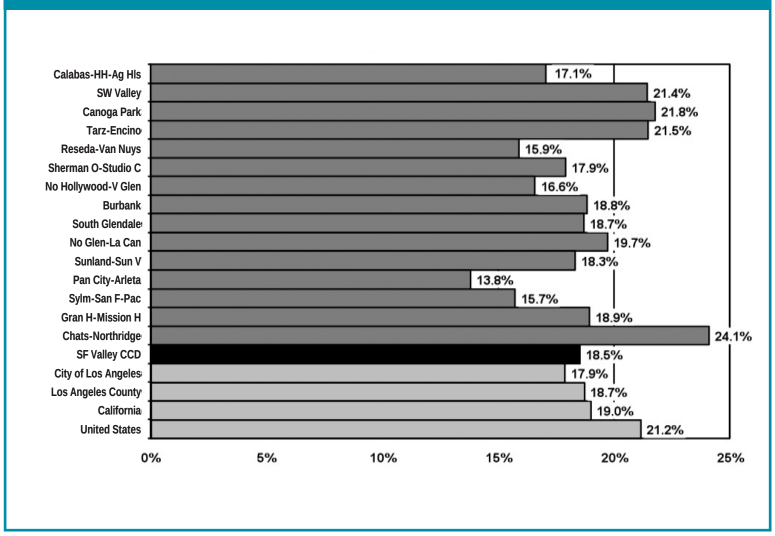
Mean Travel Time to Work in Minutes



Residents in Management & Professional Occupations



Residents in Education, Health & Social Assistance

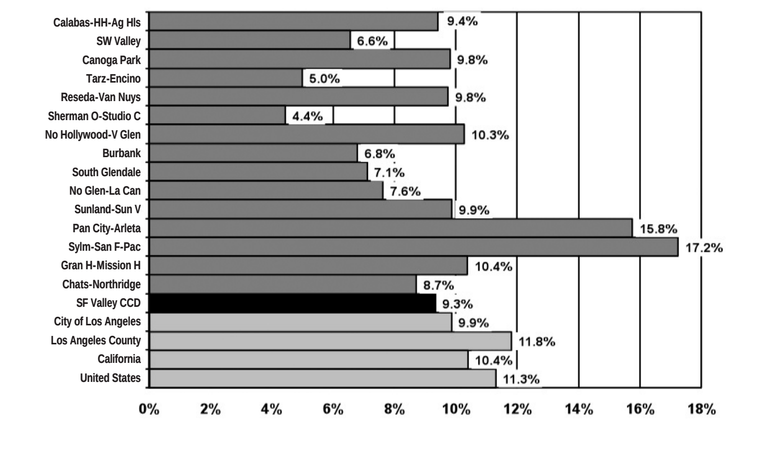


Almost 5 percent of Valley residents work at home but that proportion grows to over 10 percent in Calabasas-Agoura Hills in 2007. The rate in Calabasas-Agoura Hills in 2006 was 15 percent. More people in the areas with lower rates are working at home this year as compared with 2006 and the overall rate for the Valley is up slightly to 4.6 percent in 2007 as compared to 4.1 percent in 2006. On average, we spend 28.7 minutes getting to work with limited variation among the communities. Our average commute time is comparable to those of LA City and LA County, but slightly longer than the average for California and the Nation.

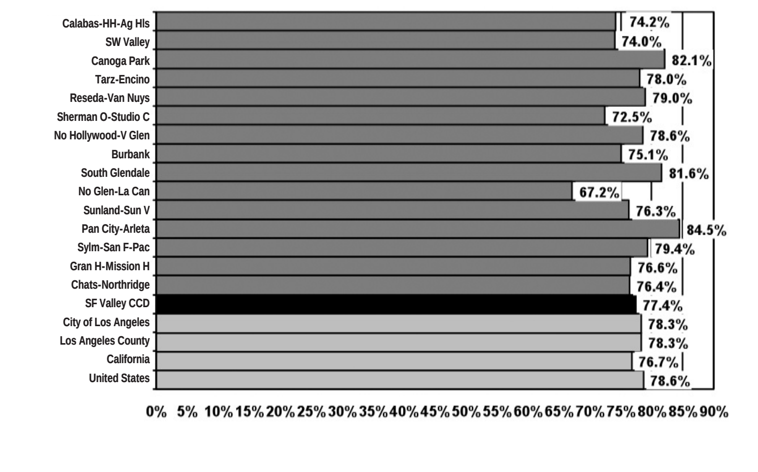
Occupational and Industrial Employment The Valley's employed residents totaled 844,930 in 2007. The largest occupational group was Management and Professional occupations which accounted for 314,645 of Valley resident workers or 37.2 percent. The Valley's percentage of Management and Professional workers exceeded LA City's and LA County's percentage and compared to that of the State and the nation. Five Valley areas could boast that 50 percent or more of their employed residents were in these occupations. The highest rate was in the Calabasas-Agoura Hills area at 61.2 percent.

The Education, Healthcare, and Social Assistance industry accounted for more working Valley residents than any other industry, with 156,495 or 18.5 percent of the Valley working population. Valley communities with hospitals

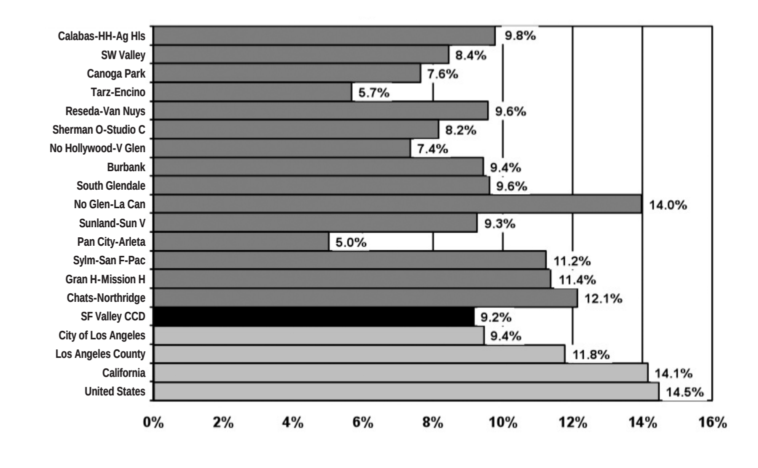
Residents Employed in Manufacturing



Residents in Private Wage & Salary Jobs



Residents Working in Government Jobs



and universities had somewhat higher proportions of these working residents while other communities had less. The highest area was the Chatsworth-Northridge community with 24.1 percent working in Education, Healthcare, and Social Assistance. Valley residents employed in manufacturing totaled 78,870 or 9.3 percent of the working residents. The residential locations of the manufacturing workers varied substantially, with Panorama City-Arleta and Sylmar-San Fernando having the highest concentration at nearly 16 percent or above. Also, manufacturing employs a larger proportion of residents in LA City, LA County, California, and the nation.

Categories of Workers—Private Wage & Salary, Government, and Self-Employed Wage and Salary workers account for most of employment in all areas including the Valley, in which over 75 percent of the residents work in this category. The Valley's percentage is comparable to the City, County and the Nation. This proportion varies a fair amount between Valley areas, mostly related to the variation in the other categories of workers in those areas. Government workers account for only 9.2 percent of employed Valley residents (less than City, County, State, or nation) but account for 14 percent of working residents in North Glendale-La Canada. A number of Valley areas have less than

7 percent of their residents working for a government unit. Self-Employed people in unincorporated businesses account for 13.2 percent of the Valley's working residents, which is a higher percentage than that of the City, County, State, and nation. Relatively high concentrations of self-employed workers reside in Sherman Oaks-Studio City, Calabasas-Agoura Hills, North Glendale-La Canada, Chatsworth-Northridge, and in South Glendale.

The relatively high percentage of self-employed workers in the Valley suggests that the San Fernando Valley is a fertile place for entrepreneurial talent. To have a relatively high incidence of self-employment requires both the talent and the opportunities to co-exist, and the Self-Employed Workers chart suggests that some parts of the Valley are more fertile places than others. But also, on average, the San Fernando Valley is more fertile than the City, County, State, and nation.

Household and Per Capita Income—The Wherewithal

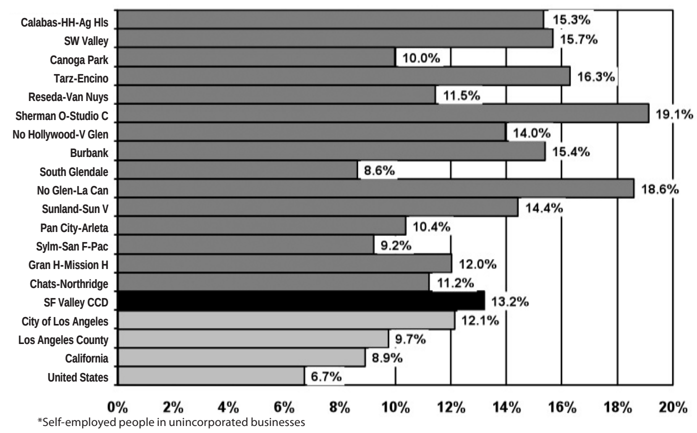
The Valley's median household income exceeded $56,395 in 2007, topping LA City's by almost $9,000 and LA County's by almost $3,000, and the Nation's by over $6,000, but falling about $3,500 below California's median. Only five Valley area's median income fell within a $5,000 dollars more or less than the Valley's overall median, while another five areas had recorded medians $15,000 to $20,000. Calabasas record a median income high of over $112,000. On the other hand, five areas registered medians $5,000 or more below the overall median.

Per capita income is household income divided by the number of household members, so average family size clearly impacts this measure. The Valley areas showing the lowest per capita income—Panorama City-Arleta and Sylmar-San Fernando-Pacoima—are the areas with the higher persons per household in the Valley. Throughout the Valley, higher average family sizes produce lower per capita incomes and smaller average family sizes push up per capita income. Obviously, the median household income also impacts per capita income as it is somewhat indicative of the "pie" to be divided among household members. The five Valley areas with the highest median income also had the highest per capita income. The level of per capita income in the Valley bears the same relationship to the comparison areas as did median income; the Valley's per capita income is higher than that for the City, County, and nation, but not higher than California's.

Education High school diplomas have been earned by 78.5 percent of the Valley's 25 years and older population, and the proportion approaches and exceeds 90 percent in several Valley communities. On the other hand, there are two areas where about 55 percent of the population has high school diplomas. The Valley's average compares favorably with those of LA City and LA County, is roughly comparable to California and lower than the nation.

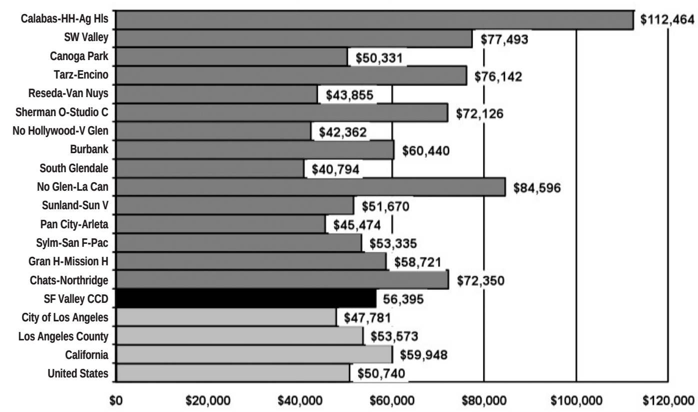
Bachelor's degrees are held by 31 percent of the Valley's population, which is slightly better than the averages for LA City, LA County, California, and the U.S. However,

Percentage of Self-Employed Workers*

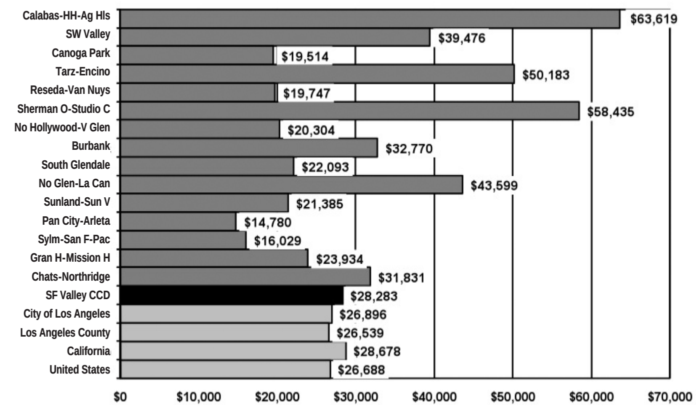


*Self-employed people in unincorporated businesses

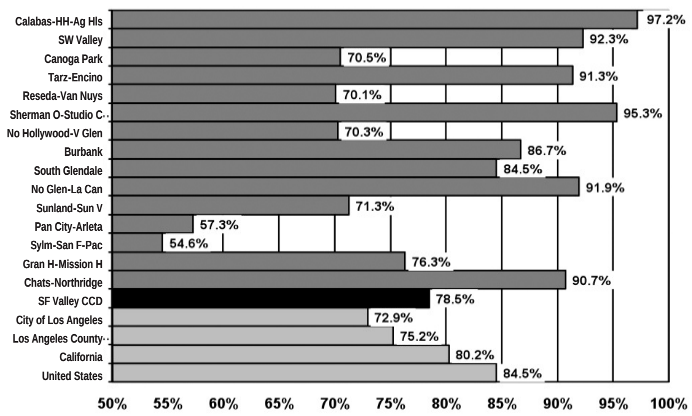
Median Household Income



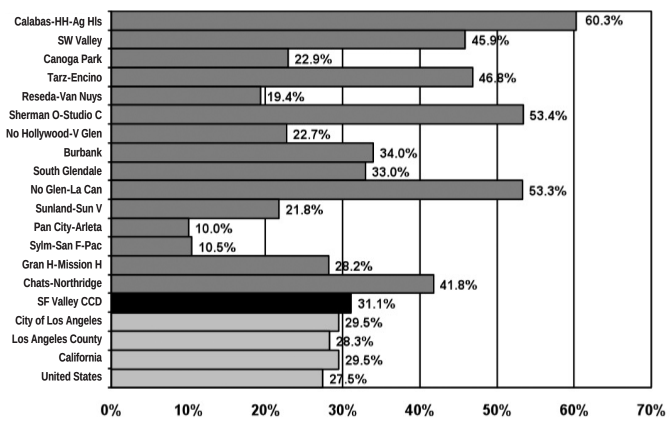
Per Capita Income



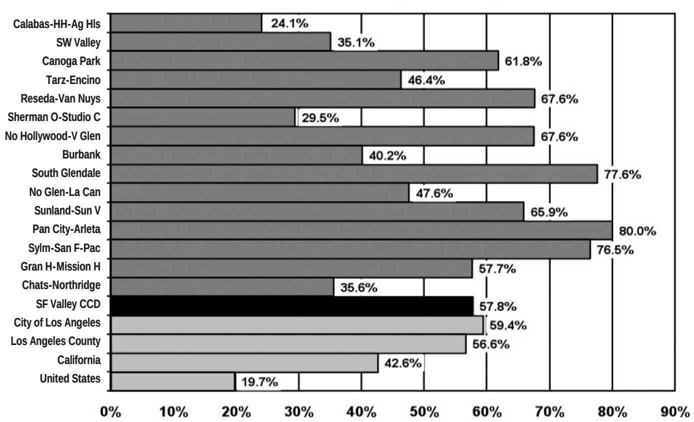
Percent High School Graduates or Higher in 2006



Percent with Bachelor's Degree or Higher



Percent Who Do Not Speak English at Home



within the Valley communities, the percent with Bachelor's degrees varies widely. The chart shows a number of Valley areas have nearly 50 percent or more with Bachelor's degrees and two areas where only 10 of the population obtained Bachelor's degrees. The remaining communities are between 19 and 33 percent with the Northwest Valley coming in just above 40 bachelor degree holders.

Language—Many of Us Speak in Different Tongues Only 42 percent of us speak only English at home, meaning that 58 percent of us speak another language at home. Again, there is diversity in where this occurs and what language is spoken. English is spoken at home in more than 50 percent of the households in seven of our Valley areas, but in a third or less of households in six areas of the Valley. LA City has a lower proportion of household where English only is spoken, but the County, California, and the Nation all have higher proportions.

Fluency in English is a related issue—27 percent of the Valley's population is not fluent in English. Almost 40 percent of residents of residents in the South Glendale and Sylmar-San Fernando-Pacoima are not fluent in English and this rate rises to 45.4 percent in Panorama City-Arleta. The Valley's not fluent in English proportion is comparable to LA City and County and higher than for California and the Nation.

Spanish is the dominant language spoken at home other than English, with 35 percent of the households speaking Spanish at home. The incidence of Spanish speaking households varies across the Valley areas but in a more or less predictable pattern. Spanish speaking rises to around

70 percent of the population in Sylmar-San Fernando-Pacoima and Panorama City-Arleta. Five other areas have roughly 40 to 50 percent of their households that speak Spanish, while other areas have much less. Combining this proportion with those that speak English only at home means that 22 percent of our Valley households speak a language other than English or Spanish at home.

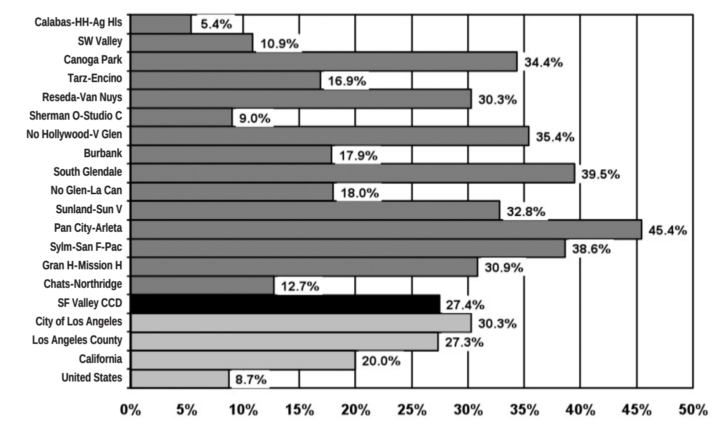
Lack of English Fluency Versus Bilingual Ability The near perfect correlation between Valley areas with relatively low educational achievement (Percent of High School Graduates Chart) and relatively low income with those areas with relatively low fluency in English (Not Fluent in English Chart) is no coincidence. Those close relationships suggest that potentially very fruitful and effective ways to combat poverty in the Valley would be to ensure that opportunities for residents of the lower income areas have opportunities to improve their English skills and to further their education or training. Not only should English fluency programs and educational and training opportunities be intensely provided in those indicated Valley areas but substantial efforts should be made to ensure that the residents of those areas are aware of these programs.

On the other hand, a comparison of the percentage of households that speak a language other than English at home with the percentage of the population not fluent in English reveals an important resource of our Valley population. Approximately 30 percent of Valley residents are fluent in at least two languages. This bilingual ability of Valley residents is particularly relevant to international trade activity and is especially important given that the Ports of Los Angeles and Long Beach are the highest volume ports in the country.

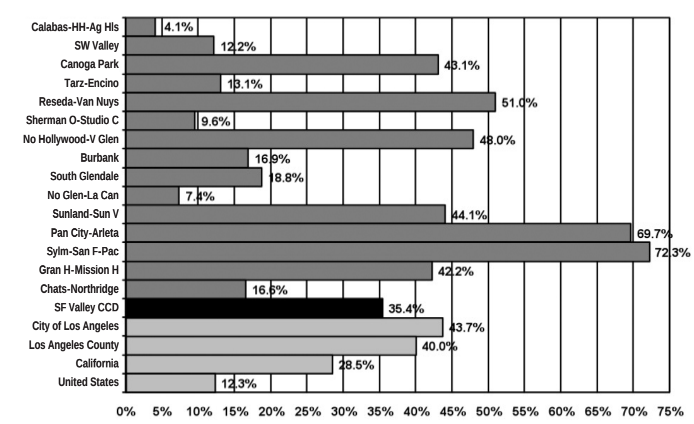
Ethnicity—A Diversity in Our Diversity The ACS 2007 Ethnicity chart compares the presence of the various major ethnic groups in the Valley with LA City, LA County, California, and the U.S. People of Hispanic origin constitute about 41 percent of the Valley's household population, which is somewhat less than the 49 percent Hispanic in LA City and the 47 percent in the County. California and the U.S. proportions of Hispanics are lower than the Valley. Non-Hispanic Whites comprise 43.4 percent of the Valley's household population, which is just slightly more than the Valley's Hispanic percentage. The Valley's 10 percent Non-Hispanic Asian population is just slightly less than the LA City's proportion and less than the County's 12.9 percent. African-Americans constitute just 3.4 percent of the Valley compared to a much larger 9.8 percent in the City and 8.6 percent in the County.

The next three charts show the proportions of the Valley's three largest ethnic groups—Hispanic, Non-Hispanic White, and Non-Hispanic Asian—among the areas in the Valley and other reference areas. People of Hispanic origin account for 50 percent or more of the population in the communities stretching across the Central and Northeast Valley, and their proportion exceeds 80 percent in the Sylmar-San Fernando-Pacoima area. In contrast, less than 10 percent of the

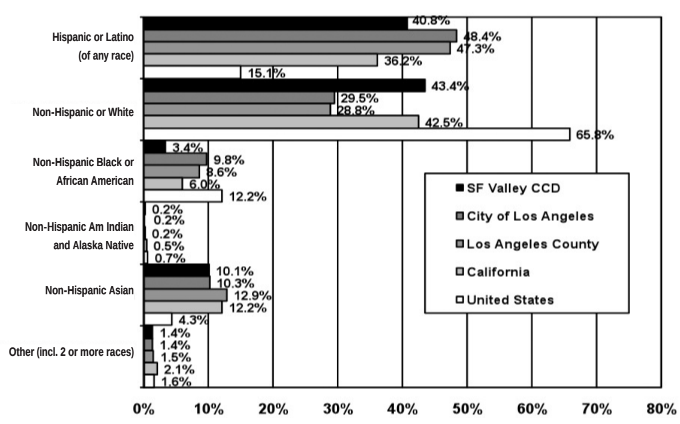
Percent of Population Not Fluent in English in 2006



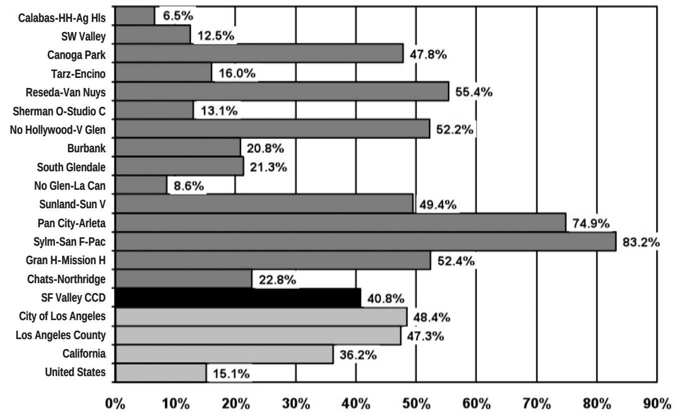
Percent of Population Speaking Spanish at Home



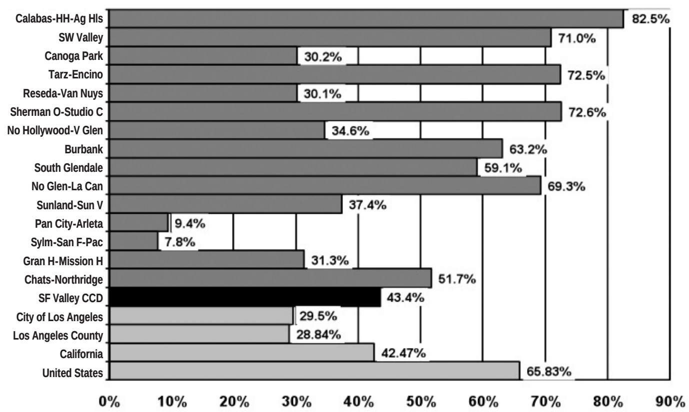
2007 Ethnicity of SFV, LA City, LA County, CA, US



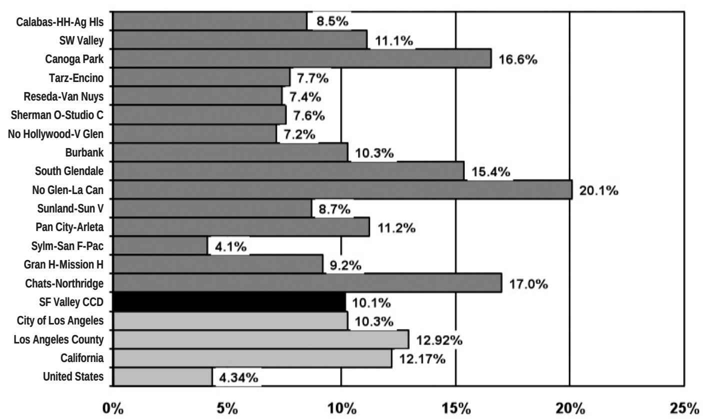
Percent of Population Hispanic



Percent of Population Non-Hispanic White



Percent of Population Non-Hispanic Asian



people Calabasas-Agoura and in North Glendale-La Canada are of Hispanic origin.

Non-Hispanic Whites comprise 70 to 80 percent of the population across the South Valley Communities and 60 to 70 percent in Burbank and Glendale. In contrast, less than 10 percent of the population in the Northeast Valley is Non-Hispanic White, but the percentage rises to around 30 percent in the Central Valley communities and approaches 50 percent in the Northwest Valley.

Non-Hispanic Asians have a lower presence in the Valley's population, comprising 10.1 percent of the population in 2007. Over 15 percent of residents in Chatsworth-Northridge, South Glendale and Canoga Park are Asian. The highest concentration is in North Glendale at 20 percent. Other communities have higher than average concentrations of Asians, while several other Valley communities have a lower concentration than average.

Birthplace—We're a Mobile Lot Many of us were born in a different state but even more of us were born in a different country. Valley-wide, 16 percent of us were born in another state 40 percent of us were born in a different county, and both percentages vary widely among the areas. South Valley communities and Burbank show the highest proportion of out-of-staters with Sherman Oaks-Studio City peaking at 34.9 percent and Calabasas-Agoura Hills coming in at 31.4 percent. In the other Valley communities, the relatively high proportion of people born in other countries explains the lower proportion of residents born in other states. The proportion of foreign born exceeds 65 percent in South Glendale, and reaches 50 percent in Panorama City-Arleta.

Together, out-of-state and out-of-country births account for 56 percent of us, meaning that only 44 percent of us were born in California.

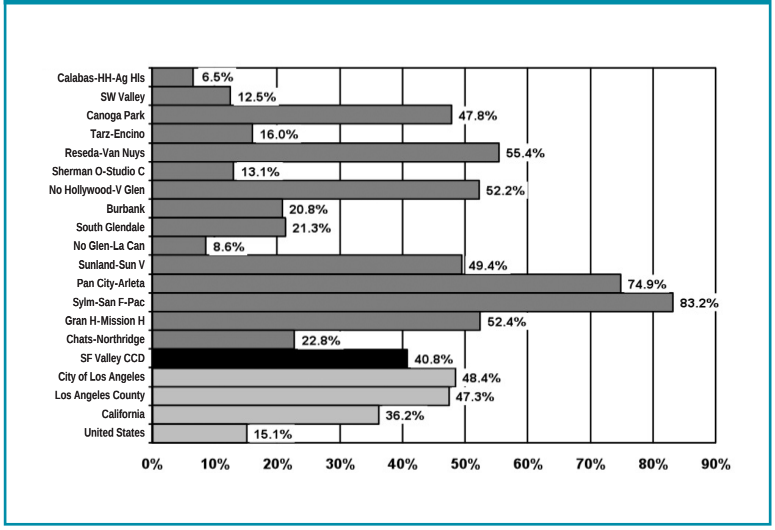
Interestingly, foreign born constitute a slightly higher proportion of the Valley's population (40.2 percent) than that of LA City (39.9 percent). LA County has an even lower percentage of foreign born (36.2 percent), and the difference grows when the Valley is compared to California (27.4 percent) and the nation (12.6 percent).

Recent Immigration and Citizenship Some Valley communities seem to serve as a port of entry for immigrants as indicated by the recent entry of a sizable proportion of their population. More than 14 percent of the residents of Canoga Park and South Glendale entered the U.S. between 2000 and 2007. The Valley's average is 8.6 percent, which is a slightly lower proportion than LA City (8.9 percent) but more than LA County, California, or the Nation.

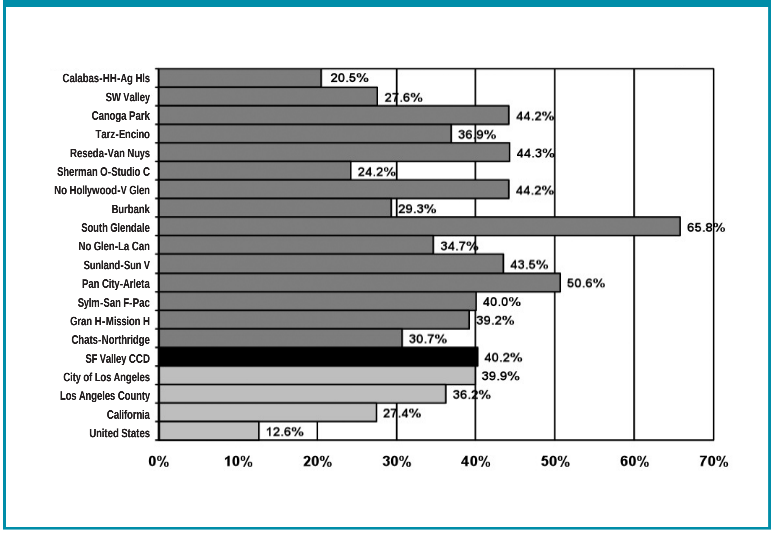
Just over 20 percent of Valley residents are not citizens but among the various Valley communities the proportion of non-citizens runs high and low. Not surprisingly, the areas with the highest recent immigration rates have the highest proportions of non-citizens, with one-third or more of the population in Panorama City-Arleta and South Glendale not having citizenship. Two other Valley communities have between 25 and 30 percent of the population that are not citizens. In contrast, six Valley areas show non-citizenship rates of around 10 percent or less. The Valley's non-citizen percentage is lower than LA City's, matches the County's rate and exceeds those of the State and nation.

Households and Families The Valley is a family-oriented area with two-thirds of our households comprised of families. The percentages of family households varies from community to community with some of the Valley's northern communities over 80 percent family households

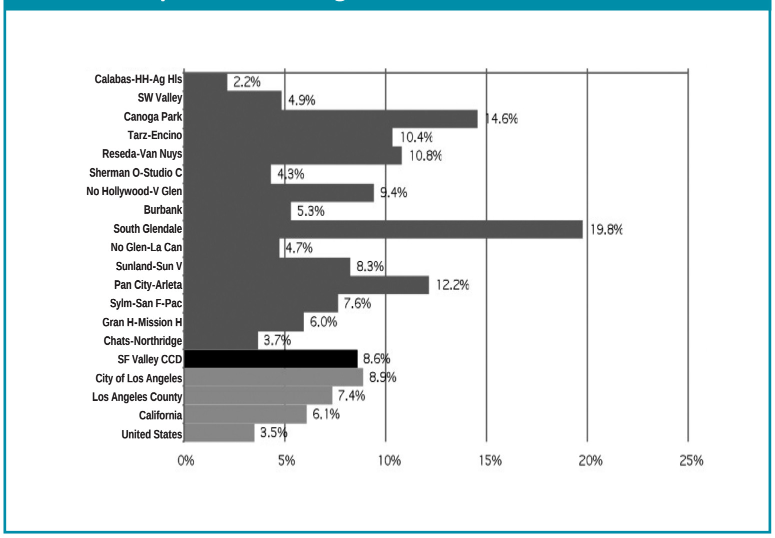
Birth Place: Percent Born in a Different State



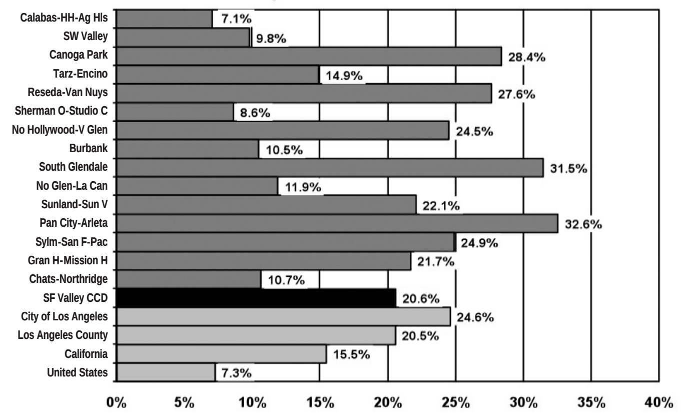
Birth Place: Percent Born in a Different Country



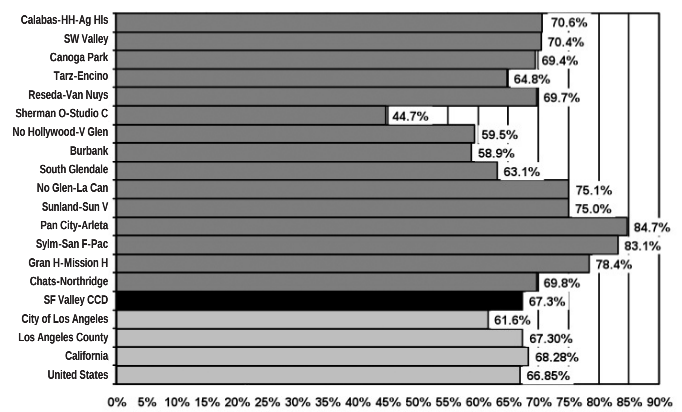
Percent of Population Entering the U.S.



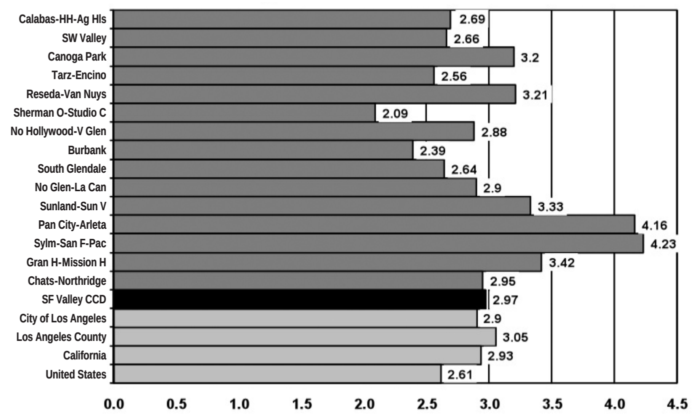
Percent of Population Not U.S. Citizen



Percent of Households that are Families



Average Household Size



while, in the other extreme, families constitute only 45 percent of the households in a southeastern area of the Valley. The percentage of family households in the Valley roughly matches the County, California, and the U. S. but is substantially higher than Los Angeles City.

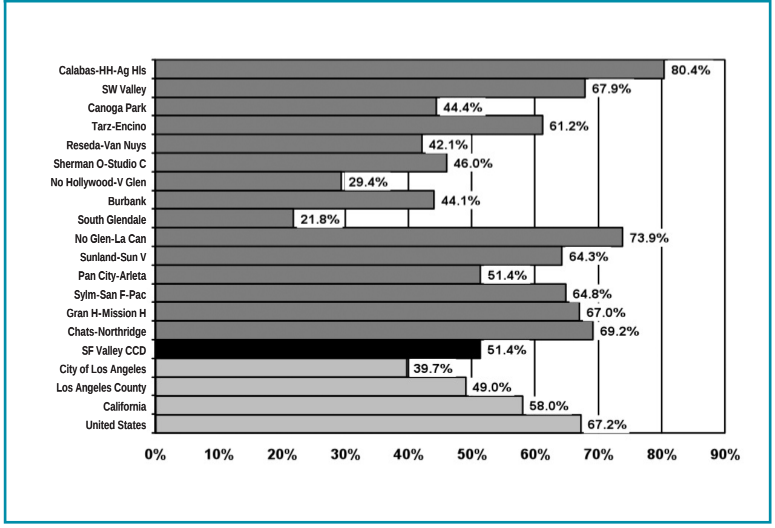
Valley households contain about 3 persons on average but the number varies across the Valley in concert with the prevalence of family households. Areas with a high percentage of family households have more persons per household and areas with lower percentages have less. That relationship is consistent with Los Angeles City, County and California, but breaks down for the U.S.

Housing—More of Us Own Than Rent The recent drop in mortgage rates induced a number of people to switch from renting to buying. In 2000, Census figures put 50.1 percent of Valley households in the owner category, the percentage of which had fallen steadily since 1970 when 55.5 percent of us were homeowners. The post-2000 drop in mortgage rates to 40-year lows pulled some of us out of rental apartments and put us back in mortgage payer category. Home ownership rates rose from 50.1 percent in 2000 to 51.4 percent in 2007. (Of course, it is not clear that some renters should have been drawn into home ownership in the last few years as foreclosure rates discussed in the next section will attest.)

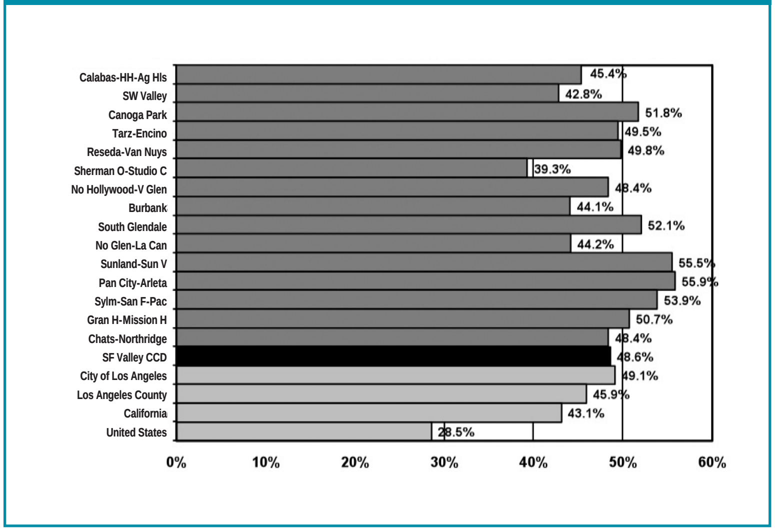
The home ownership rate varies considerable among Valley regions and our comparison areas. Our 51.4 percent ownership rate in 2007 compares favorably to LA City's 40.0 percent and even the County's 49 percent rate, but falls below California's 58 percent rate and the nation's 67.2 percent rate. Within the Valley, the ownership rate matches the national rate in a number of regions, but in about half the Valley's areas the ownership rate registers 20 percentage points below the national average or less. The two lowest home-ownership rates occur in North Hollywood and South Glendale, where apartments abound.

High Home Costs and Income—Straining Affordability The run up in home prices and a recent surge in apartment

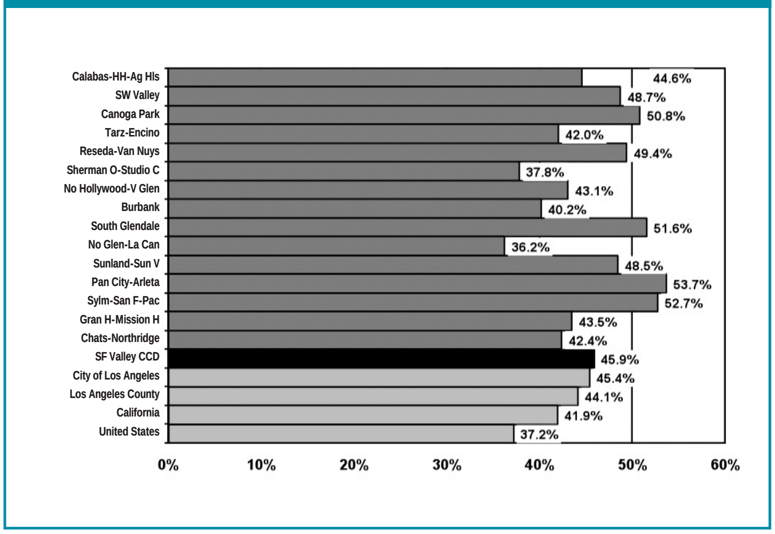
Percent of Owner Occupied Homes



Owner Home Costs Greater than 35% of Income



Renter Costs Greater than 35% of Income



rents have strained household budgets and left many Valley residents with high mortgage and rent payments relative to income. The ACS includes information on the costs of owning and renting homes and ratios those costs to income. Homeowner costs include mortgage payments, real estate taxes, insurance, any homeowner association fees, and basic utilities. Renter costs include the rent paid plus any basic utility costs the renter pays. These data clearly indicate that the Valley and Los Angeles are expensive places to own or rent.

Over 48 percent Valley homeowners pay 35 percent or more of their income in home owner costs in 2007. This is roughly the same percentage reported for 2006 and up 10 percent from that of 2005. The 48.6 percent for the Valley is roughly the same as that of LA City (49.1 percent), and higher than that of LA County (45.9 percent), California (43.1 percent), and the nation (28.5 percent). Only in the Southwest Valley and the Studio City-Sherman Oaks areas is the percentage less than that for California.

The percentage of renters paying that high proportion income on housing costs is just slightly less—45.9 percent of Valley renters spend 35 percent or more of their income on rent and basic utilities. The Valley's percentage paying 35 percent or more in rent costs exceeds the percentage in LA City, LA County, California, and the nation. Again, the percentage of renters paying 35 percent or more of their income on rent and basic utilities varies considerably across the Valley areas. Panorama City-Arleta tops the list with 53.7 percent paying 35 percent or more of income. Six other Valley areas show about 50 percent of residents pay more than 35 percent in rent costs.

Real Estate Conditions—Residential

By ANA MARIA COLON, President, and David Walker
Southland Regional Association of Realtors®

HOME PRICES AND SALES

Home buyers during 2009 are starting to take advantage of a wealth of opportunities in the local housing market … while sellers continue to react to financial distress.

Residential real estate conditions are similar throughout all of California, although the level of distress to the local economies varies dramatically as a result of the continued presence of bank-owned properties and tight home loan financing.

While all areas are reporting increased home resale activity—statewide home sales increased 83 percent during February—regions such as Solano and Kern note that distressed sales account for upwards of 75 percent of total resale numbers, according to the California Association of Realtors.

The Sonoma, Sacramento and Riverside/San Bernardino regions see foreclosures ranging between 53 percent to 67 percent of monthly totals, while Los Angeles—with the San Fernando Valley posting similar activity or higher on a monthly basis—has distressed sales accounting for 42.7 percent, Orange 44.1 percent and Napa 47.6 percent of totals, C.A.R. reports.

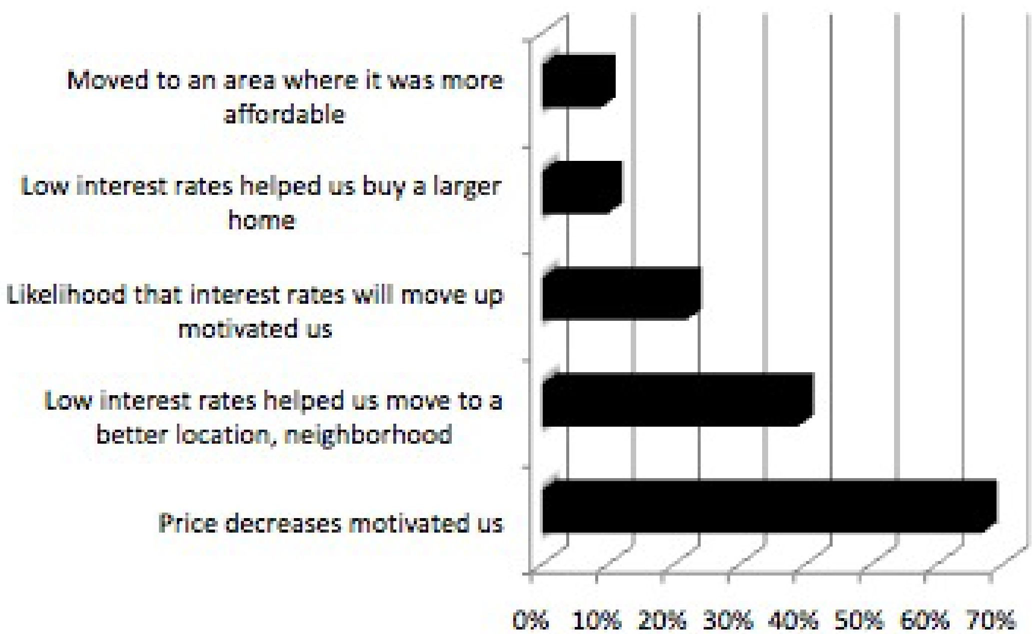
Some areas of the state—Mendocino at 7.9 percent and Marin at 19.9 percent—are much less impacted by the financial meltdown that swept the nation into a deep recession bordering on a depression.

If 2008 was the year the market froze up with activity plunging to record low levels and price reductions gaining momentum, then 2009 will be known as the year the market started to return to life, posting significant year-to-year gains in sales while prices appear to have hit bottom.

Home buyers found a wealth of opportunities, including unprecedented assistance programs from the federal government, while sellers continued to tumble into or teeter on the edge of foreclosure.

The median price of single-family homes sold in the San Fernando Valley this March was $345,900, down 26.4

Buyers See Opportunities in this Market …
The Role of Market Conditions in the Decision to Buy



Source: California Association of Realtors

percent from March 2008 and 48.1 percent below the record high of $655,000 set in June of 2007, according to the Southland Regional Association of Realtors. In a sign that the market is changing, the median posted the first month-to-month increase—up 1.6 percent—of the year and one of only a few increases since the recession began.

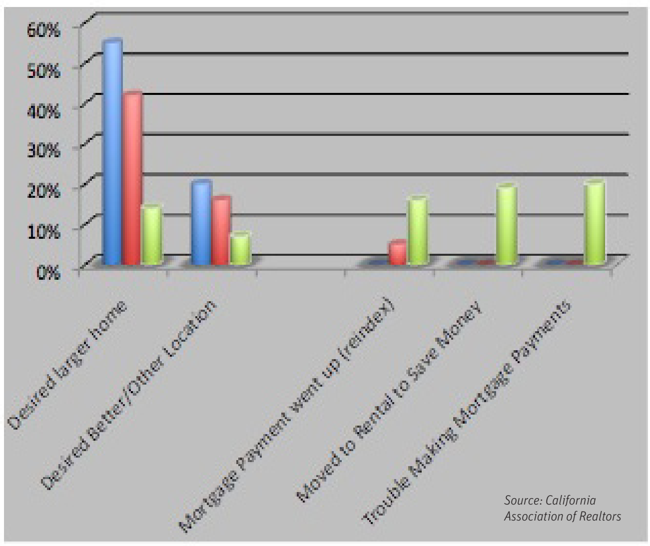
The condominium March median price of $200,000 was off 36.5 percent from a year ago and down 49.4 percent from the record high of $415,000 recorded in February 2006. The condo median fell a mere 4.6 percent on a month-to-month basis.

Current resale activity is concentrated in the under $500,000 price range where first-time buyers are in the driver's seat. Repeat home buyers have an opportunity to get much more house for their money. Through March, there was little activity in the higher price ranges.

Unlike just a short while ago when "fogging a mirror" was enough to qualify for a loan, today's tighter loan standards, which hue to traditional guidelines, require proof of income, proof of employment, a decent credit history and a down payment. Those who qualify for a loan have great opportunity. However, they may find that they are competing with other buyers for the most favorably priced properties from a dwindling inventory. Yes, multiple offers have reappeared.

Single-family sales in the San Fernando Valley came in at 640 transactions during March, up 53.8 percent from March 2008. Condo sales were up 37.1 percent with 207 closed escrows.

The Role of Market Conditions in the Decision to Sell

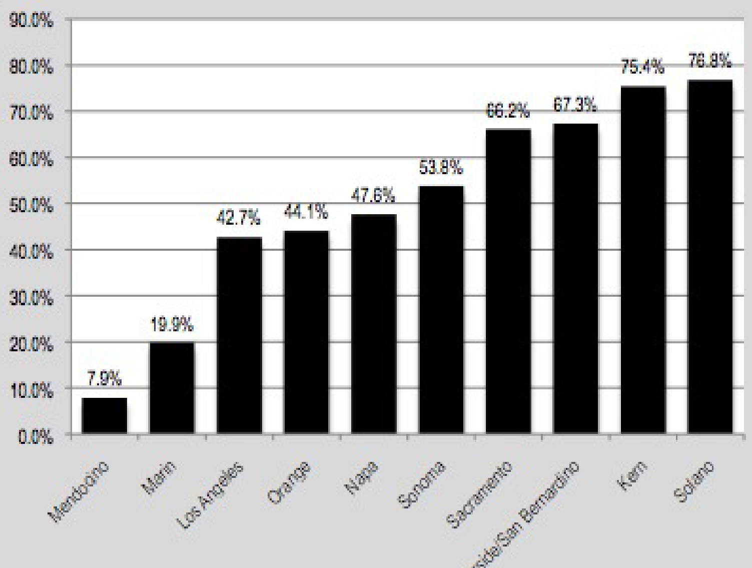


Peak Median Price vs Current Median Price

Region	Peak Month	Peak Price	January 09 Median	% Change
Monterey Region	Aug 07	$798,210	$263,540	-67.0%
High Desert	April 06	$334,860	$127,750	-61.8%
Palm Springs/Lower Desert	June 05	$393,370	$153,150	-61.1%
Riverside San Bernardino	Jan 07	$415,160	$175,200	-57.8%
California	**May 07**	**$594,530**	**$254,350**	**-57.2%**
Sacramento	Aug 05	$394,450	$169,670	-57.0%
San Francisco	May 07	$853,910	$402,750	-52.8%
Los Angeles	Aug 07	$605,300	$305,310	-49.6%
Ventura	Aug 06	$710,910	$364,530	-48.7%
Northern Wine Country	Jan 06	$645,080	$331,150	-48.7%
Santa Clara	April 07	$868,410	$450,000	-48.2%
San Diego	May 06	$622,380	$325,260	-47.7%
Orange County	April 07	$747,260	$423,100	-43.4%
Northern California	Aug 05	$440,420	$259,920	-41.0%
San Luis Obispo	June 06	$620,540	$381,250	-38.6%

Source: California Association of Realtors

Distressed Sales to Total Sales Ratio



Source: California Association of Realtors®

California Housing Market Summary

Region	2003	2004	2005	2006	2006	2008	2009F
SFH Resales (000s)	601.8	624.7	625.0	477.5	346.9	439.7	510.0
% Change	5.1%	3.8%	0.03%	-23.6%	-27.3%	26.7%	16.0%
Median Price ($000s)	$371.5	$450.8	$522.7	$556.4	$560.3	$346.8	$263.0
% Change	17.5%	21.3%	16.0%	6.5%	0.7%	-38.1%	-24.2%
30-Year FRM	5.8%	5.8%	5.9%	6.4%	6.3%	6.1%	5.1%
1-Year ARM	3.8%	3.9%	4.5%	5.5%	5.5%	5.2%	4.8%

Source: California Association of Realtors

Limited Inventory A total of 4,092 homes and condominiums were listed for sale throughout the San Fernando Valley at the end of March. At the current pace of sales, that represents a mere 4.8-month supply, marking the first time since this recession began that the inventory has slipped below the 5- to 6-month supply believed to represent a balanced market.

Even at its worst, the inventory over that last three years never exceeded the record-high benchmarks set during the recession of the early 1990s. The inventory compared to the pace of sales index hit double figures for only eight months, beginning in August 2007 and ending in April of 2008. The high point was a 16.2-month supply set in January 2008. Total listings hit 7,730—dramatically below the record-high total listings of 14,976 in July 1992. While bank-owned properties continue to come onto the market, albeit at a slower pace, the drop in the inventory and rising sales totals suggest that the region is working its way through the backlog of distressed properties. There also is growing evidence—multiple offers at or above list price—that the median price has hit bottom and sometime this year may begin posting modest gains, especially as credit markets loosen up and housing resale activity resumes in the higher price ranges.

Buyer/Seller Motivations A study conducted by the California Association of Realtors found that 67 percent of buyers were motivated primarily by price decreases. Low interest rates, which enabled a move to a better location, and the fear that rates may soon rise, were the second and third most cited reasons for buying in today's climate.

Not long ago, 55 percent of owners said they decided to sell their home in an effort to purchase a larger residence. That was back in 2006. But by 2008 the desire for a larger home motivated only 14 percent of sellers.

Factors that were virtually nonexistent in 2006—fear of rising mortgage payments, trouble making the monthly payment, or simply to save money—were the primary reasons cited for deciding to sell a home in 2008. Most likely, that trend will continue through 2009.

Housing Stimulus Programs While no one is quite sure what to expect as the government rolls out various stimulus programs, the confluence of billions of dollars being poured into the economy, pent up demand for housing, low interest rates and continued favorable resale prices are likely to lure growing numbers of buyers into the local market.

It may be partly a statistical aberration—what with higher sales coming on the heals of record low totals—but some think that with improving financial conditions, California tomorrow may see a mini-boom once the dust settles from yesterday's systemic financial bust.

At this juncture, two points seem clear: sales of distressed properties—foreclosures and short sales—will dominate the market through 2009; and, the most favorable terms for buyers also will be gone by year's end, what with most of the stimulus package benefits set to expire at the end of November or December.

For example, the $8,000 tax credit for first-time home buyers is available for purchases completed between Jan. 1 and Nov. 30. The loan need not be repaid if the buyer lives in the home for three years. The income limit is $75,000 for singles and $150,000 for married couples filing jointly.

Likewise, the $75 billion set aside for the loan modification program covers loan rewrites completed during the same time frame: Jan. 1 through Nov. 30. The loan modification program gives servicers incentives to modify loans of owners who are under water so they can stay in the home. It could reduce interest rates to as low as 2 percent, extend the term of the loan, or even forgive part of the principal. The goal is to bring monthly mortgage payments down to 31 percent of household income.

The loan modification program is available on loans up to $729,750. Qualified owners could receive $1,000 toward principal reduction for up to five years. Similarly, loan servicers could receive $1,000 per year for each year the loan modification sticks.

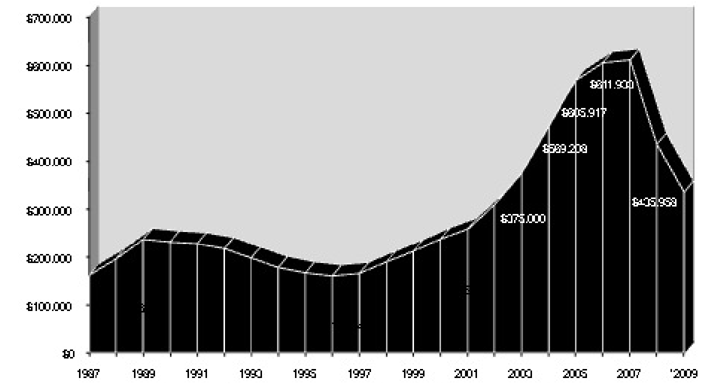
There's also a time imperative when it comes to landing what is the most popular and readily available loan today—an FHA loan.

The American Recovery and Reinvestment Act reinstated the 2008 loan limits for FHA, Fannie Mae and Freddie Mac loans through Dec. 31. Limits were equal to the greater of 125 percent of the 2008 local area median home price or $271,050 for FHA and $417,000 for Fannie and Freddie. The overall maximum cap, which applies to Los Angeles and other high-cost regions, is $729,750.

There also are options for people with Freddie/Fannie loans who are not under water and current on their payments, but do not have 20 percent equity needed to re-fi without mortgage insurance.

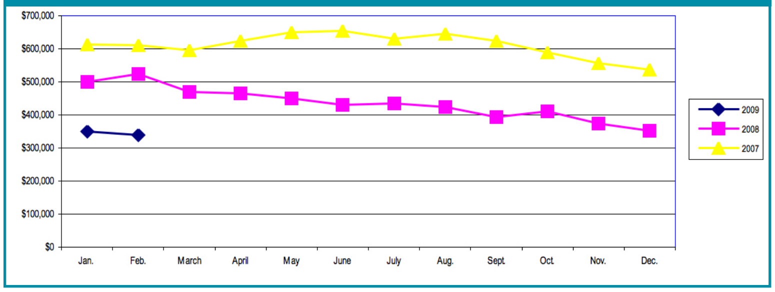
Clearly, it's a unique era with a window of opportunity for buyers that will close very quickly even as the economy continues to seek a new equilibrium.

Single-Family Median Resale Price 1987-2008: San Fernando Valley

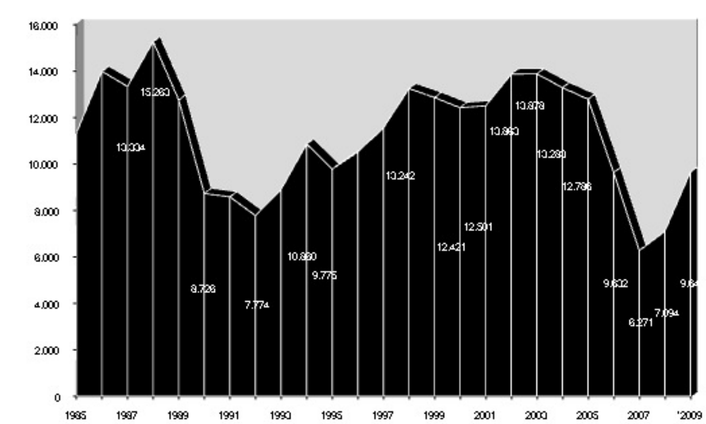


Source: Southland Regional Association of Realtors

San Fernando Valley Single Family Median Price

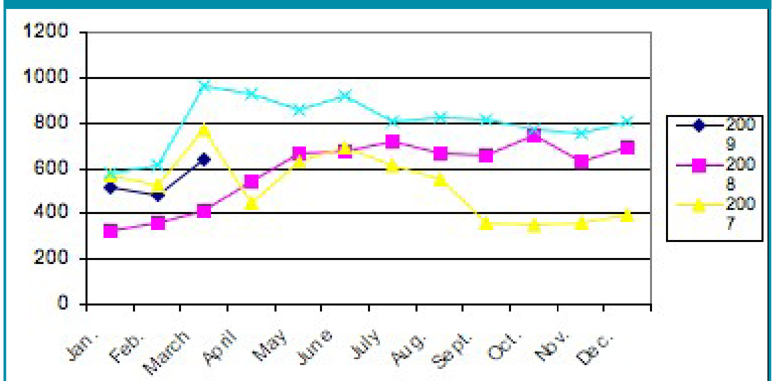


Single-Family Home Sales: 1985–2009: San Fernando Valley



Source: Southland Regional Association of Realtors

San Fernando Valley Single-Family Sales



Real Estate Conditions—The Market

Home Financial Conditions drove the market up and are now bring it down. Valley home prices rose at double digit rates and are now coming down at double digit rates...Home sales are at all time lows...The Financial Crisis is a major problem confronting Valley businesses and the housing market. The Financial Crisis made mortgage refinancing difficult and prompted a surge in foreclosures. As we move into 2009, foreclosures are on a decline.

By March 2009, according to DataQuick information, the median price for a single-family detached home in the Valley had fallen to $347,500. This represents a 47 percent drop from the peak of $660,000 recorded in May 2007. This information covers Glendale, Burbank, San Fernando, the LA portion of the Valley, and Calabasas.

Price Surge Followed By Falling Demand The surge in housing prices and ultimate fall resulted from a series of financial events.

- First, the drop in interest rates to 40-year lows accelerated housing demand. The interest rate mechanics are simple—lower mortgage rates mean lower monthly payments for a certain priced home, which increases housing demand and sales. (The Federal Reserve lowered interest rates in a policy move to stimulate the economy during and after the 2001 recession to spur recovery).

- Second, in a push to promote increased home ownership, financial institutions relaxed their credit restrictions. Innovative mortgage brokers stepped in with new mortgage instruments that allowed people who could prove that they could not afford the monthly payments to join the party anyway. These innovative mortgages offered a menu of features with low-down or no-down, no income documentation, low teaser-rate mortgages and "partial pay" monthly payments options. The low teaser rates would adjust significantly upward in two to three years and the "partial pay" option would disappear on the reset date. (A "partial pay option allows the borrower to pay the full monthly mortgage payment, or pay an interest only monthly payment, or to pay a fraction of the interest only monthly payment with the remainder going on the mortgage loan balance with no penalty.)

Conventional 30-Year Mortgage Rates 1997-2009

- Finally, the population of potential new home buyers was exhausted, the supply in the housing market exceeded demand and prices started to fall. Buyers who had relied on increased equity to finance their home purchases had difficulty in making required payments and the partial pay options expired. This also made it difficult for businesses that relied on the use of their home equity to finance their business operations.

The current crisis largely consists of mortgage borrowers who cannot or choose not pay their monthly payments, and the holders of those mortgages. Some “subprime” borrowers cannot afford to pay their required monthly mortgage payment when their innovative mortgage resets and their required monthly payment rises by several hundred dollars. Others may choose not to pay and simply walk away from their financed homes because their original “no down” mortgage, their intervening partial pay choices, and the fall in housing prices, put these borrowers in a position where they owe more than their home is worth on the market. They are “upside down” in their mortgage and they decide to walk away.

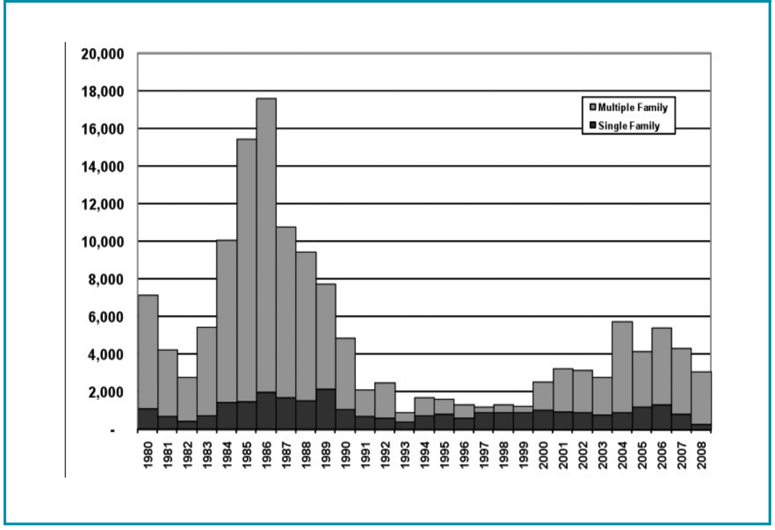
Supply and Demand Supply and demand determine the price and sales of homes on the market. The increasing demand for housing beginning with low interest rates in 2001 increased sales first, then prices, and then spawned a construction boom. Growth in housing demand outstripped growth in housing supply for several years. As demand growth slowed, so did housing appreciation and then houses lost their luster as an appreciating asset; this drove real estate investors out of the market. Falling demand gave home sellers a hard choice—either drop your price considerably or don’t sell your home. Many sellers declined to sell at lower prices leading to plummeting home sales but leaving housing prices more or less unchanged for a little while.

These conditions began to push more housing onto the market as real estate speculators began to unload their non-performing assets and others had to sell. The swelling supply and receding demand began to push home prices down and the specter of significantly falling home prices sidelined more buyers, killing housing demand. The growing imbalance of supply and demand produced a huge run-up in housing inventory as listings grew but sales slumped. (Housing inventory is the ratio of active listings to monthly sales, which shows the number of months of sales at the current rate that would be required to exhaust the active listing.)

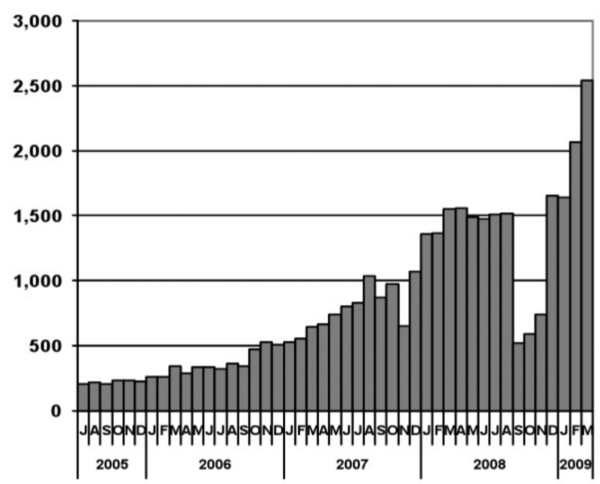
The Supply Side Response Valley builders responded to the rapid run-up in home prices and dramatically falling inventories with an increased housing supply starting in 2000 and stepping up the building pace in 2004, as can be seen in the number of housing units permitted chart.

After annual permitting rates of just under 1,500 units per year in the late 1990s, rates doubled to around 3,000 per year in the 2001-03 period, and averaged 4,903 for the period 2004 through 2007. Following the price declines in the housing market, residential permits started to drop off

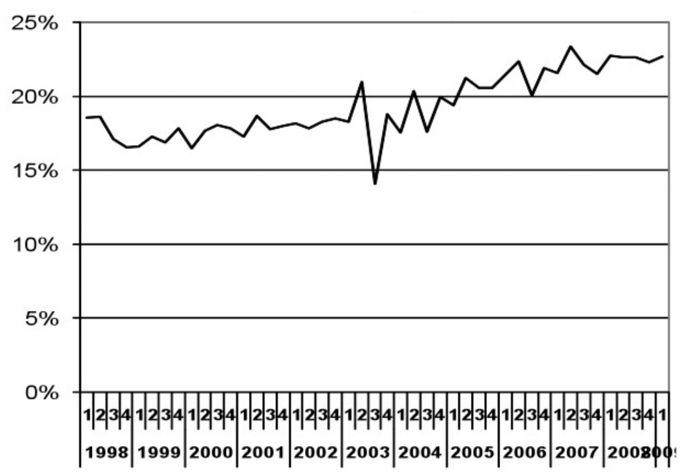
Single and Multiple Family Units Permits



SFV Monthly Residential Notices of Default, 2005-2009



Quarterly Residential Notices of Default SFV Share of LA County



in 2007 and fell by 29.4 percent in 2008 to 3,050 units, 2,777 of which are multifamily permits. The backlog of developments associated with the booming housing market is clearing, and production has declined until we see greater housing demand pressure.

Financial institutions and mortgage lenders became aware that real estate loan portfolios contained more risk than initially thought. Uncertainty regarding government response to the financial crisis and the condition of real estate loan portfolios has reduced easy access to credit. This financing difficulty is evident in the rise in foreclosures.

Residential Notices of Default and Foreclosures Valley Notices of Default rise to 10-year highs....Foreclosures soared, but now are on the decline.

Residential notices of default (NODs) are the first step in the foreclosure process for residential property, and many real estate observers consider rising NODs as an early warning signal for rising foreclosures and possible signs of trouble in housing markets. Notices of default generally drop when homes are appreciating in price because owners have alternatives to defaulting on their mortgages such as refinancing to payoff accumulated debts or selling into a market with prices above the owner's mortgage obligation. When home prices are falling, these options disappear for some buyers and notices of default rise as a result.

The Valley's residential notices of default began to climb in 2007. For the period running from January through August 2008, Valley NODs averaged 1,480 per month. A procedural change in the process of issuing NODs brought about a three month decline.

The Valley's Notices of Default count for March 2009 totals 2,538 a 22.9 percent increase over the 1,488 count from March 2008. NODs are on the rise, signaling that we are still not out of the housing market crisis. While we cannot see a clear pattern between NODs and foreclosures, notices of default are an initial step in the foreclosure process.

The Valley's share of LA County's NODs has been climbing since early 2004. The Valley NODs ran between 16 and 19 percent from the series' beginning in 1998 until 2004, and then began to climb, and has recently been in the 21 to 23 percent range. The increases in the Valley's share were not significant in 2004, 2005, and 2006 because the numbers of NODs for both the Valley and the County were so small. The Valley's share of NODs has settled in at 22 percent of the County.

Valley foreclosure rates rose significantly in 2007 and have soared in 2008. Valley foreclosures reach a peak in August 2008 at 922. The third quarter of 2008 had 2,593 foreclosures. As a point of comparison, our previously recorded quarterly high occurred in the third quarter of 1996 at 1,854. The Valley suffered a high level of foreclosures in the mid-1990 when the aerospace industry consolidated and out-of-state relocation killed thousands of jobs in the Valley, the GM plant closure killed hundreds more, and the 1994 earthquake seriously damaged thousands of Valley homes and destroyed many homeowners' equity in the process.

Foreclosures in 2008 are driven by the financial crisis and subsequent decline in the housing market. Many homeowners had been using home equity to finance consumption. As home prices rose through 2006, homeowners would refinance, taking equity out for consumption use. The drop in housing prices not only placed some homeowners owing more on their mortgages then their homes were worth, but it also removed a source of spending. The decline in consumer spending then drove a rise in unemployment and further inability to maintain mortgage payments. The option of borrowing on home equity to survive the recession is largely gone and some homeowners have the incentive to walk away from their homes and let them go into foreclosure.

Foreclosures reached a monthly peak of 922 in August 2008. Aside from what appears to be a seasonal phenomenon, Valley foreclosures have since been on a decline. Valley foreclosures for March 2009 totaled 378. This is a 26 percent drop from the 511 seen in March 2008. We see the decline in foreclosures as a signal that the housing market has sorted out many of its problems. However, with the continuing rise in notices of default, we are cautious over this read.

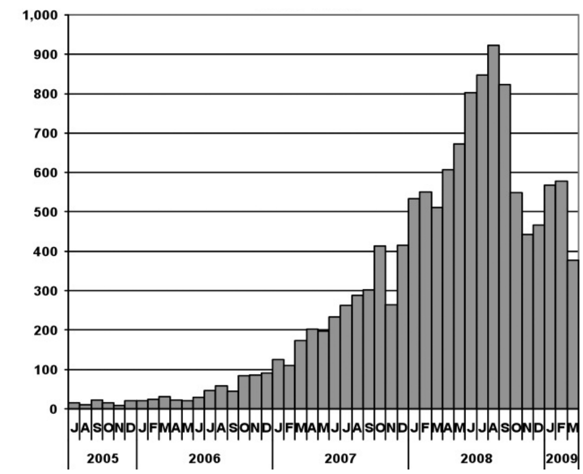
The Valley's share of Los Angeles County foreclosures edged upward from recent lows in the 13 to 15 percent range to break through the 20 percent level in the first two quarters of 2005, and then shot up to over 30 percent in the last two quarters of 2005 and the first quarter of 2006. In the last year, the Valley's share has moderated from that high and is currently hovering around 22 percent. The very low foreclosure rates through the housing boom period made it difficult to assign meaning to these variations because of the low absolute numbers of foreclosures for both the Valley and the County.

Apartment Vacancy and Rental Rates **Valley rental market is weathering the Economic Crisis well. Vacancy rates have climbed slightly but overall rents are stable, increasing only 1.3% in 2008.**

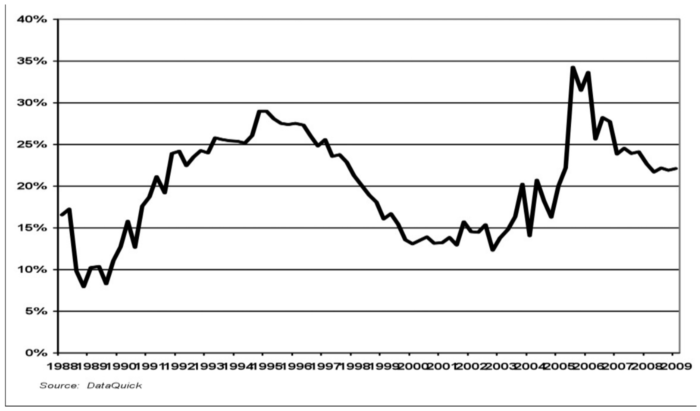
The housing market boom in 2006 drove average Valley rents up by 7.6 percent. As the housing market slowed in 2007, rent increases decline to a 6.2 percent rate. With the economic crisis in 2008, rent increases have slowed to a 1.3 percent annual increase. The rents reported are for large complexes, those containing over 100 units.

The average rents in the San Fernando Valley are compared to those in nearby Metropolitan Statistical Areas (MSAs) in the Average Rent Comparison chart. Valley rents are slightly below those in the Los Angeles MSA and have just fallen below those in Ventura. Valley large complex rents remain higher than those in San Diego and Riverside/San Bernardino MSAs. The position of the Valley relative to these nearby MSAs, and their positions relative to one-another, have been relatively stable over the past several years. Furthermore, the more or less parallel paths of these different MSA's rents

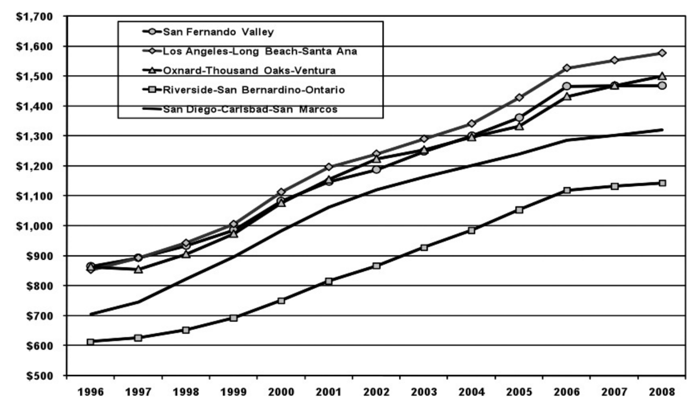
SFV Monthly Residential Foreclosures, 2005-2009



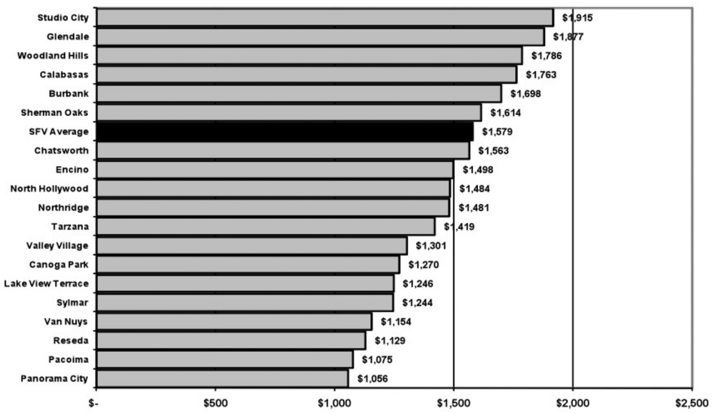
SFV Residential Foreclosure Share, 1988-2009



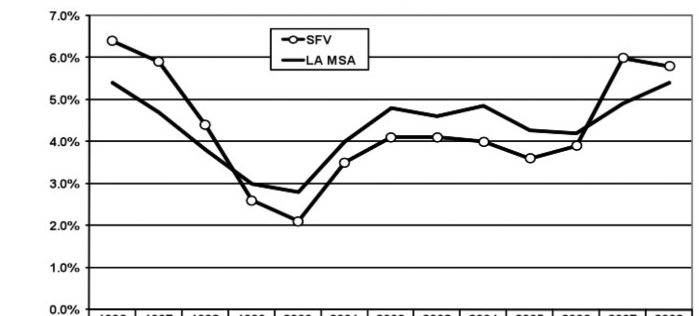
Average Rent in Large Complexes Comparison, 1996-2008



Apartment Rents in Large Complexes by Community, Q4: 2009



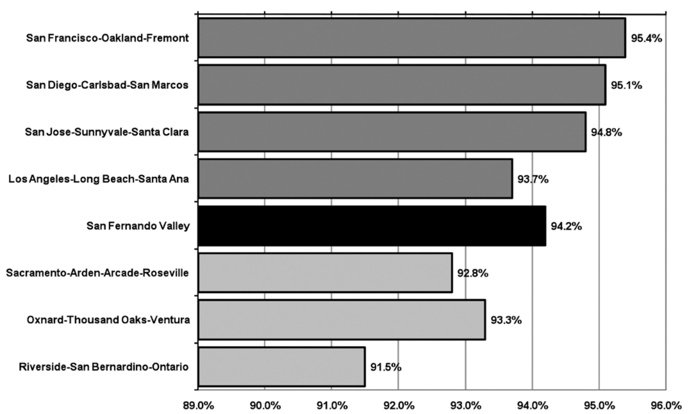
Annual Apartment Vacancies in Large Complexes, SFV and LA MSA



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
SFV	6.4%	5.9%	4.4%	2.6%	2.1%	3.5%	4.1%	4.1%	4.0%	3.6%	3.9%	6.0%	5.8%
LA MSA	5.4%	4.7%	3.8%	3.0%	2.8%	4.0%	4.8%	4.6%	4.9%	4.3%	4.2%	4.9%	5.4%

Source: RealFacts
**First Quarter only*

Occupancy in Large Complexes Comparison 2008: Q4



suggest that the rent increase in these areas have been roughly comparable over the time period shown.

Rents differ among the communities in the Valley in expected ways. The Average Rents by Communities chart displays the rents in selected Valley communities and cities for the first quarter 2008. Higher rents prevail in communities along Ventura Boulevard and in Burbank and Glendale. Lower rents appear in the Northeast and mid-Valley areas. Rent changes have not been uniform within the Valley. Sylmar lead the areas with an 11.0 percent increase in 2008 to $1,231 per month. Calabasas had the largest decline, dropping 5.4 percent to $1,807.

A likely cause of the 2007-08 easing in the pace of Valley rent increases is the corresponding rise in apartment vacancy rates. Valley vacancy rates that were in the 4 percent range for most of the decade rose to 6 percent in 2007, and measured 5.8 percent in 2008. Furthermore, the Valley vacancy rate pushed above the corresponding rate for Los Angeles County in 2007 according to data supplied by RealFacts, which surveys apartment complexes with over 100 units. The Valley vacancy rate had tracked below the County's since 1998, often by one-half percentage point or more until 2007, as shown in the Apartment Vacancies chart. Even though the Valley vacancy rate stabilized in 2008 while the County rate continued to rise, the higher Valley vacancy rate suggests that the relatively aggressive multiple family unit building program of the last few years may be easing pressure on rents in the Valley's apartment market.

The occupancy rate is the complement of the vacancy rate, so the 2008 5.8 percent vacancy rate in the Valley translates into an occupancy rate of 94.2 percent in the large Valley complexes surveyed by RealFacts. The Los Angeles/Orange County MSA had an occupancy rate of 93.7 percent, and Ventura County MSA had one of 93.3 percent. The San Diego area led the pack with a 95.1 percent occupancy rate. The Riverside-San Bernardino MSA continues to register the lowest occupancy rate, coming in at 91.5 percent for 2008.

Real Estate Conditions— Non-Residential

INDUSTRIAL PROPERTY

Valley industry vacancy rate is on the decline, dropping from 1.7 % to 1.4%. This is counter to the nationwide trend. The drop in vacancies is lead by the East Valley with the West Valley showing an increase.

The Valley remains an area with relatively high demand for industrial space. According to Grubb& Ellis, national vacancy rates have risen over the past year from 7.7 percent to 8.8 percent in the fourth quarter of 2008. Bucking this national trend of upward rates, the Valley vacancy rate has dropped from 1.7 percent to 1.4 percent. This fourth quarter 2008 rate is below the rate for Los Angeles County which comes in at 2.2 percent and a 6.2 percent vacancy rate for the Santa Clarita area.

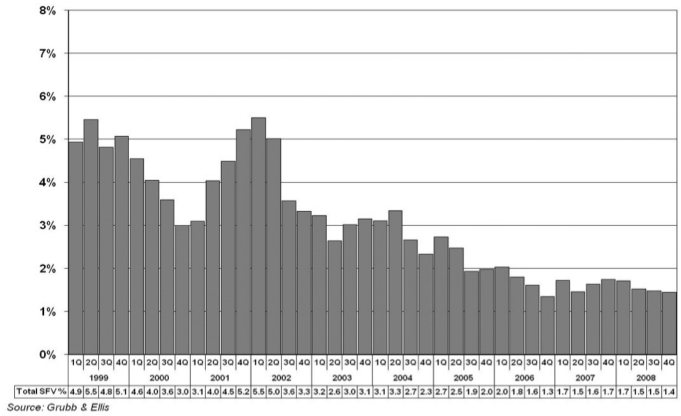
The Valley's industrial space market, which had edged down to 3.0 percent in the late 1990s, bounced up to a high of 5.5 percent in the 2001 recession, and quickly recovered, re-establishing itself in the mid to low 3 percent vacancy range in 2002. After hovering around 3 percent in 2003, the Valley's vacancy marched down, dropping below 2 percent in 2006 and remaining there since then.

The various Valley regions experienced somewhat different patterns over the past year. The East Valley showed a drop from a fourth quarter 2007 rate of 2.1 percent to only 1 percent in fourth quarter 2008. The Central Valley also experienced a drop, although smaller, from 1.5 percent to 1.3 percent. The West Valley followed national trends and had an increase in vacancy rates from a low of 1.4 percent at the end of 2007 to 2.1 percent in fourth quarter 2008.

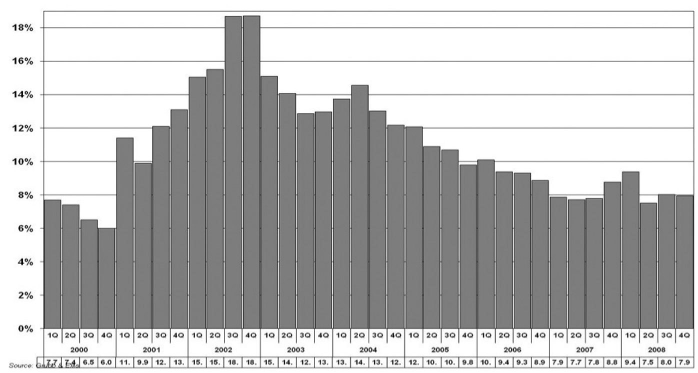
The various regions of the Valley experienced somewhat different vacancy industrial rates in the fourth quarter of 2008 with the West Valley turning in the highest rate at 2.1 percent, the Central Valley registering at 1.4 percent rate, and the East Valley lower at a an amazing 1.0 percent vacancy. The East Valley contains the most industrial space with 43 percent of existing Valley space, followed by the West Valley with 33 percent of the space, and the Central Valley with 24 percent.

These low vacancy rates have reduced pressure to lower rental rates in the Valley. While still below national and local averages, retaining clients is still a problem in our down-turning economy. Grubb & Ellis tracks all industrial buildings with over 10,000 square feet available for lease but their Valley data does not

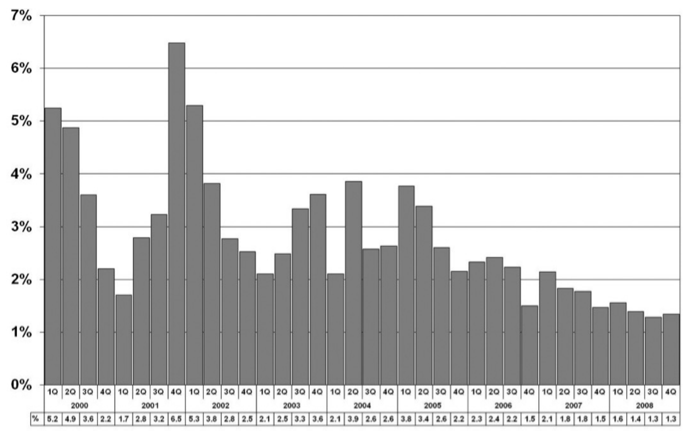
San Fernando Valley Industrial Vacancy Rate



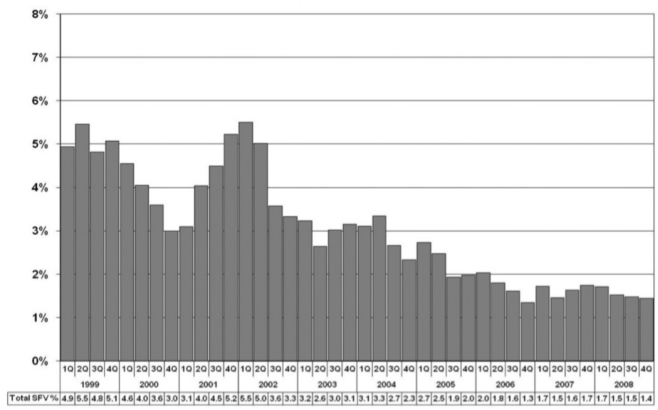
East Valley Industrial Vacancy Rate

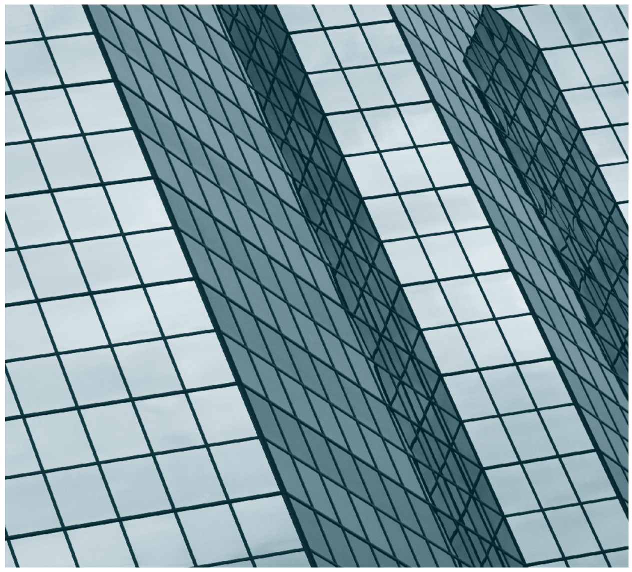


Central Valley Industrial Vacancy Rate

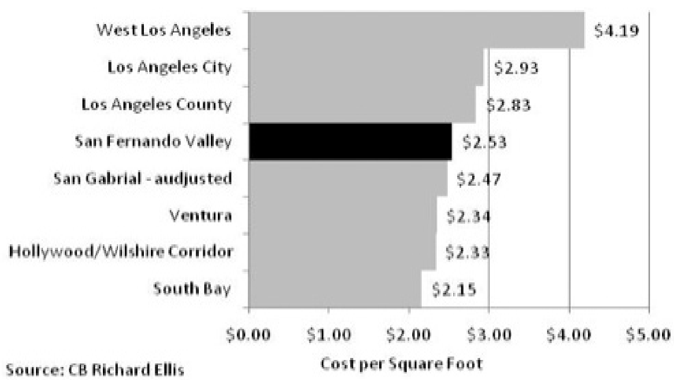


West Valley Industrial Vacancy Rate

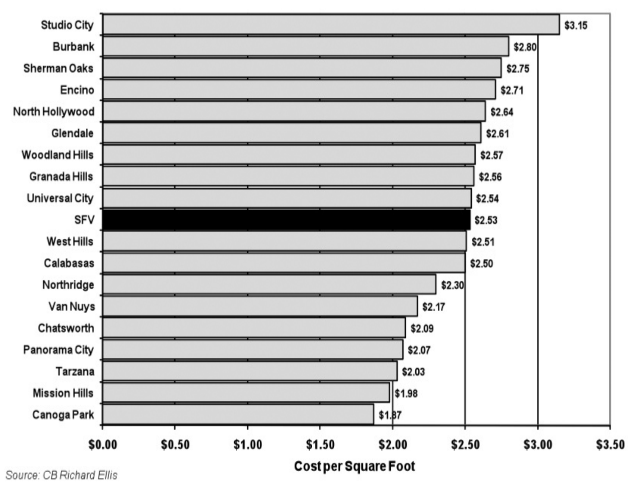




Los Angeles Sub-Markets Office Lease Rates, Q4: 2008



San Fernando Valley Office Lease Rates, 2008: Q4



include Calabasas. The Valley projects they track contained a total of 133.6 million square feet of occupied and available industrial space in the fourth quarter of 2008, compared to 132.7 million feet in the fourth quarter 2007. The East Valley added just over 1 percent to existing space. This is well below the 3.8 percent increase in space over 2007. While these space additions are helpful to the crunch in industrial space availability in the Valley, the growth of industrial space seems muted relative to the very low vacancy rates being experienced here. The lack of available land for the expansion of industrial space is the probable reason for this muted response.

Grubb & Ellis Industrial Regions

- East Valley Arleta, Burbank, Glendale, Lakeview Terrace, North Hollywood, Pacoima, Studio City, Sun Valley, Sunland, Sylmar, Tujunga.
- Central Valley Encino, Granada Hills, Mission Hills, North Hills, Northridge, Panorama City, Reseda, San Fernando, Van Nuys.
- West Valley Canoga Park, Chatsworth, Tarzana, West Hills, Woodland Hills.

Office Space Valley office space averaged $2.53 per foot in 4th quarter, below the average Los Angeles County rate of $2.83 per foot... Valley rates were highest in Studio City, Burbank and Sherman Oaks. Valley office vacancy rates fell to 6.8% in the first quarter of 2007 and have been on the rise ever since.

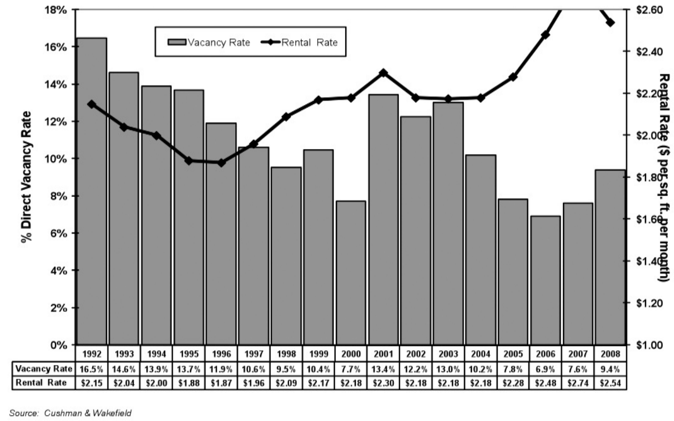
CB Richard Ellis also reports office lease rates for other sub-markets in the Los Angeles area, which are displayed in the Sub-Market Lease Rate chart. In the fourth quarter of 2008, the Valley's average lease rate was below Los Angeles County's average of $2.83 per square foot for office space, with West Los Angeles claiming the top lease rate of $4.19. The San Gabriel Valley came in slightly below average with its $2.47 lease rate. The L.A. area chart also shows Ventura County and South Bay lease rates are competitive with the rates in about the lowest one-third of the Valley areas.

CB Richard Ellis provides Class A and B office lease rates for Valley communities (including Calabasas) in their quarterly reports, which appear in the accompanying San Fernando Valley Office Lease Rate chart for fourth quarter 2008. The chart shows the average Valley lease rate averaged $2.53 per foot with the highest rate in Studio City at $3.15 per square foot. Burbank and Sherman Oaks followed with $2.80 and $2.75 per foot respectively. The lowest rates for the quarter occurred in Tarzana, Mission Hills, and Canoga Park. All the lease rates are down from a year prior. Universal City fell from a high of $3.44 last year to just above average at $2.53, recording the largets drop.

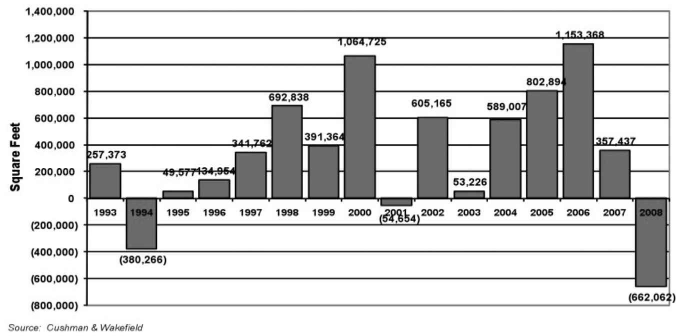
Cushman & Wakefield also include Calabasas in their San Fernando Valley data and provides another source of office rental data for the Valley. Cushman and Wakefield show Class A office rates peaked in 2007 at $2.74 per square foot and dropped back to $2.54 in 2008. Vacancy rates in these Class A buildings have risen since 2006 from 6.8 percent to 9.4 percent in 2008. The variance between these Cushman and Wakefield lease rate data and those from CB Richard Ellis probably result from a slightly different mix of leases that were included in their respective data sets.

Net absorption of Valley office space has dropped dramatically from its incredible pace of 1,150,000 feet in 2006, moving to negative 662,062 for 2008. This is reflected in the rise in office vacancy rates. These office absorption data were provided by Cushman & Wakefield and apply to the entire office space market (not just the Class A buildings).

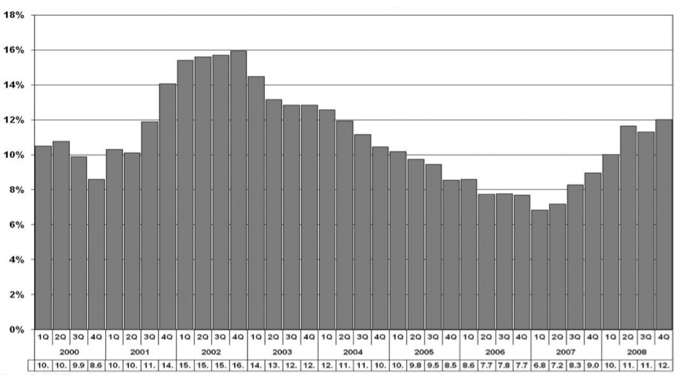
Class A Office Building Vacancy and Rental Rates



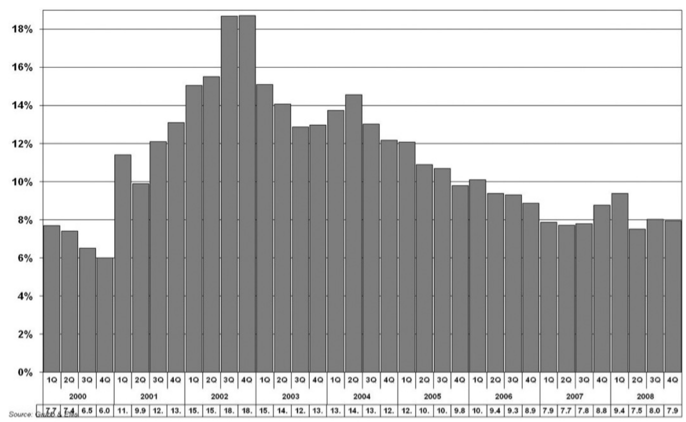
Office Building Net Absorption



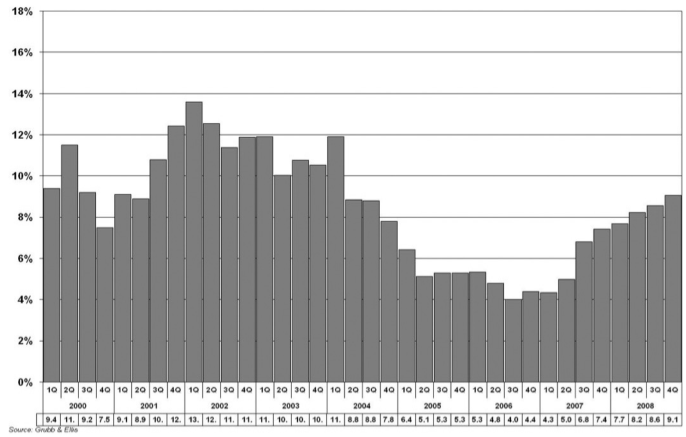
SFV Office Vacancy Rate



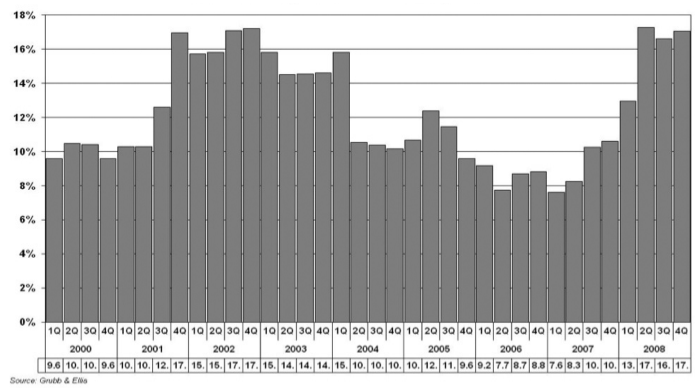
East Valley Office Vacancy Rate



Central Valley Office Vacancy Rate



West Valley Office Vacancy Rate



Data from Grubb & Ellis show office vacancy rates for all multi-tenant buildings (not just Class A) in the Valley that contain at least 20,000 square feet with owner occupancy at less than 25 percent (but again excludes Calabasas). These data show the Valley-wide office vacancy rate steadily rising from the first quarter of 2007. The office space vacancy rate reached 12 percent by the end of 2008. This Valley vacancy rate compares favorably to the L.A. area office vacancy rate of 13.8 percent and the national vacancy rate of 14.8 percent.

Vacancy rates had a three decline that ended at the start of 2007. Office vacancy rates are stable in the East Valley and rising in both the Central and West Valley areas. The East Valley, including Glendale and Burbank, accounts for 45 percent of the available office space, while the Central and West Valleys each contain just over 27 percent of that space.

Grubb & Ellis Office Regions

- East Valley Burbank, Glendale, North Hollywood, Studio City, Universal City
- Central Valley Encino, Granada Hills, Mission Hills, Northridge, Reseda , San Fernando, Sherman Oaks, Van Nuys
- West Valley Canoga Park, Chatsworth, Tarzana, Woodland Hills

Real Estate Conditions—Construction

Following a 4.4% drop in 2007, overall Valley construction permit activity dropped 37.6% in 2008 bringing construction activity back to 2003 levels. Residential construction slid 135.4% in 2008, continuing the downward trend started in 2007. New non-Residential construction plummeted 55.5% after rising 36.8% in 2007.

The Valley's overall construction permit activity took a substantial fall of 37.6 percent over last year to $1,151 million in 2008, down from $1,844 million in 2007. The nationwide economic decline and credit crisis is showing in a dramatic decline in the Valley's construction market. Last year there was a rise in non-residential construction, moving counter to the decline in residential construction. In 2008, both markets showed significant drops.

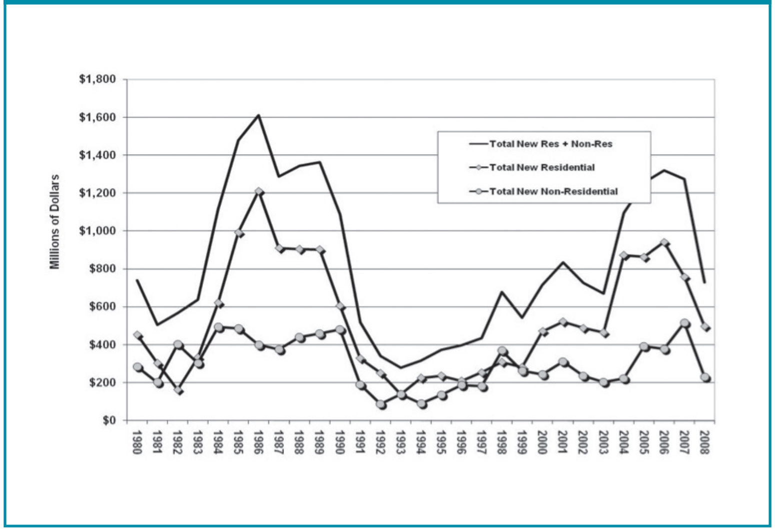
Residential construction totaled $ 703 million in 2008, marking the end of the housing boom foreseen by the smaller decline of 17.0 percent in 2007. This is down 46.1 percent from the record high of $1,313 million in 2006.

Non-residential permit activity declined in 2008. This follows a four year rise that started in 2003. Non-residential permits hit a peak at $755 million in 2007. In 2008 permits dropped 40.8 percent to $447. Despite the Valley's recent very low industrial vacancy and commercial vacancy rates, the non-residential construction market is not immune to the current economic crisis and credit crisis.

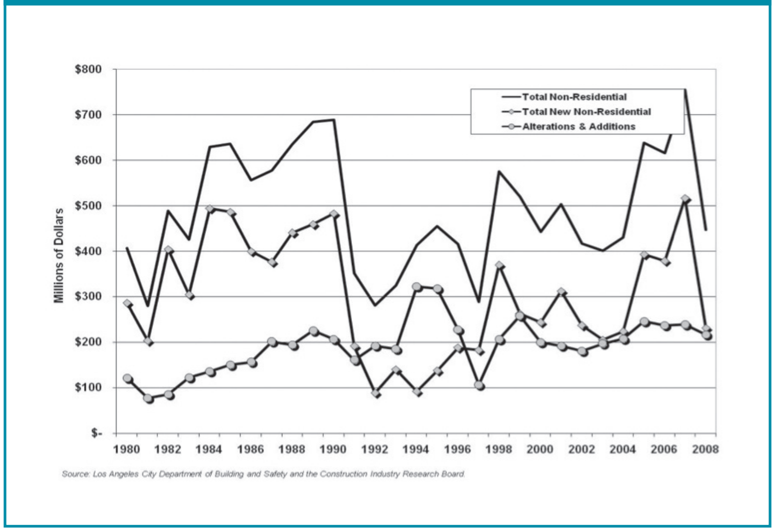
New residential and new non-residential building permits cover only new construction, specifically excluding the permit values for alterations and additions that are in both residential and non-residential values above. The Annual New Residential and New Non-Residential Building Permit Values chart shows that the new permits follow roughly the same pattern as the total permits, only at a somewhat lower value. New residential and non-residential permit values grew to $1,320 million in 2006, dropped 3.4 percent in 2007, and dropped again in 2008 by another 42.8 percent to $729 million.

Permit data for these sections were provided by the Los Angeles City Department of Building and Safety for the LA portion of the Valley, and by the Construction Industry Research Board for the other five cities in the Valley.

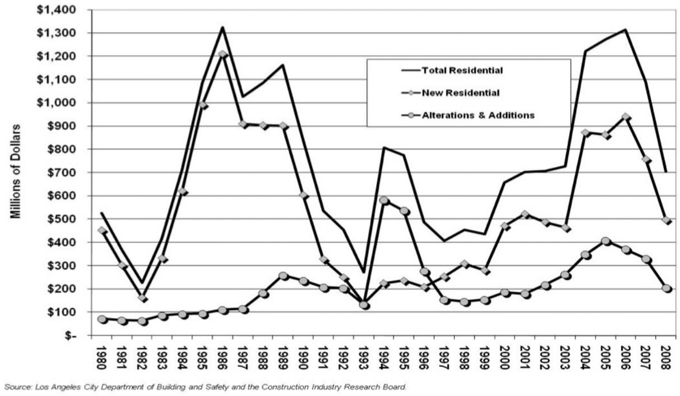
Annual New Residential and New Non-Residential Building Permit Values



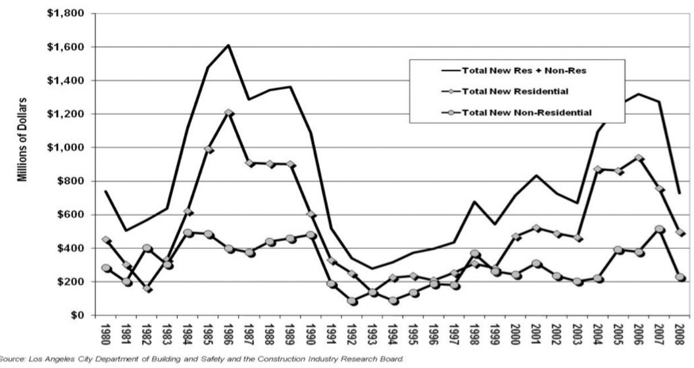
Annual Non-Residential Building Permit Values



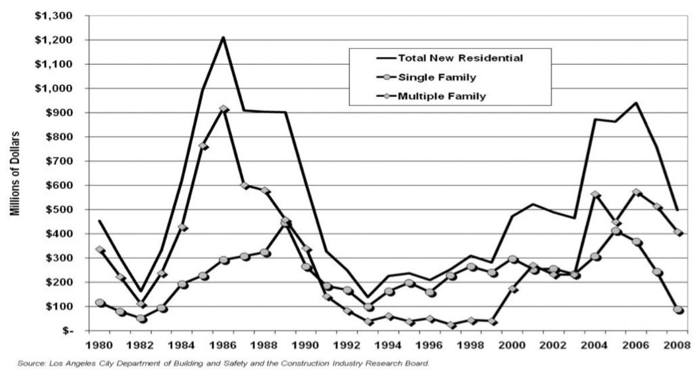
SFV Annual Residential Building Permit Values



Single and Multiple Family Units Permitted



Annual New Single and MultiFamily Permit Values



Residential Construction **Total residential construction permit values fell in 2008 by 35.3 percent, with drops in both new construction and alteration and additions activity… The slump in new residential permit activity reduced the number of housing units permitted for both single family and multiple family units ….Multiple family units continue to dominate single family units permit activity in number of units but not in value per unit.**

Valley residential permit values fell to $704 million in 2008, continuing the trend started last year. The decreases impacted both new residential construction and residential alterations and additions. New residential construction dropped from $758 million in 2007 to $498 million in 2008. This is a 34.3 percent drop following a 19.5 percent drop in 2007. The Valley's new residential construction boom is clearly over. The end of the residential remodeling and addition boom began in 2006 as this activity dropped by 9.1 percent, continued downward in 2007 by falling another 10.9 percent, and fell by another 37.8 percent in 2008 to $206 million. Before 2006, residential alterations and additions activity had increased each year since the 2001 recession.

The Contraction in new residential permitting impacted both single-family and multiple-family units built. Single-family units permitted in the Valley dropped from 828 in 2007 to only 273 in 2008 while multiple units dropped from 3,492 in 2007 to 2777 in 2008. Correspondingly, the value of single-family home permits dropped from $245 million to $89 million in 2008, a whopping 63.7 percent. This follows the hug 33.7 percent drop in 2007. Multiple-family permits dropped a large, but more modest more 20.1 percent, from $514 million in 2007 to $408 in 2008.

Comparing the permit values to the number of units for the multiple versus single-family units yields an interesting comparison. Single-family permit values in 2008 totaled $89 million when 273 units were permitted, for an average cost of $327,000 for the construction. This is up from the average cost of $295,000 in 2007. In contrast, multiple-family unit permits totaled $408 million with 2,777 units permitted yielding an average construction cost of $147,000. The average cost per multi-family unit has remain about the same for the past two years.

Non-Residential Construction Non-residential construction fell in 2008 following a strong rise in 2007. Office and retail trade construction continued to dominate the non-residential construction.

Non-Residential construction permit activity shot up an impressive 22.7 percent in 2007 to total $755 million. The strong rise in 2007 was followed by a sharp drop in 2008. Non-residential construction permit activity fell to $447 million in 2008. This is a 40.8 percent drop. New non-residential permit activity led the drop with a decline from $517 million in 2007 to $231 million in 2008. Alterations and additions remained strong with a small drop from $238 million in 2007 to $217 million in 2008. This is a drop of only 8.9 percent.

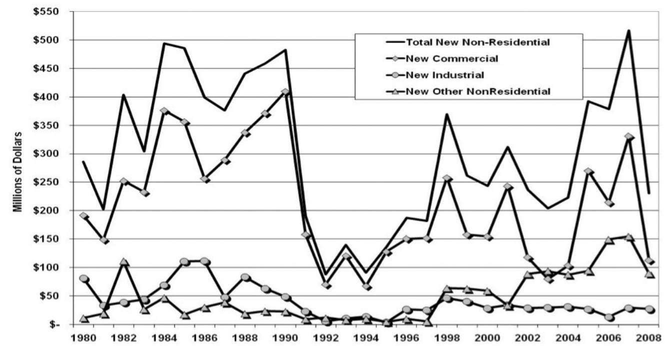
The Annual Non-Residential Building Permit chart also show the higher level of non-residential alterations and additions occurring over the last three years, maintaining a level around $240 million relative to fairly common level of $200 million in years past. Undoubtedly, the recent space crunch has spawned a significant share of the higher alterations and additions permitting activity as non-residential users reconfigure their scarce space for more efficient and effective use.

The Annual New Non-Residential Permit Values by Type chart breaks down new non-residential permit values by the type and intended use of the new construction. The categories include Commercial (office and retail), Industrial, and Other Non-Residential (including hospitals, schools, public administration, hotels, theaters, parking garages, and so forth). The Permits by Type chart show that the Commercial category continues to be the real driver in non-residential construction. Commercial construction permitting fell an amazing 65.9 percent in 2008, falling from $331 million in 2007 to $113 million last year. This followed a surprising 54.3 percent rise in 2007.

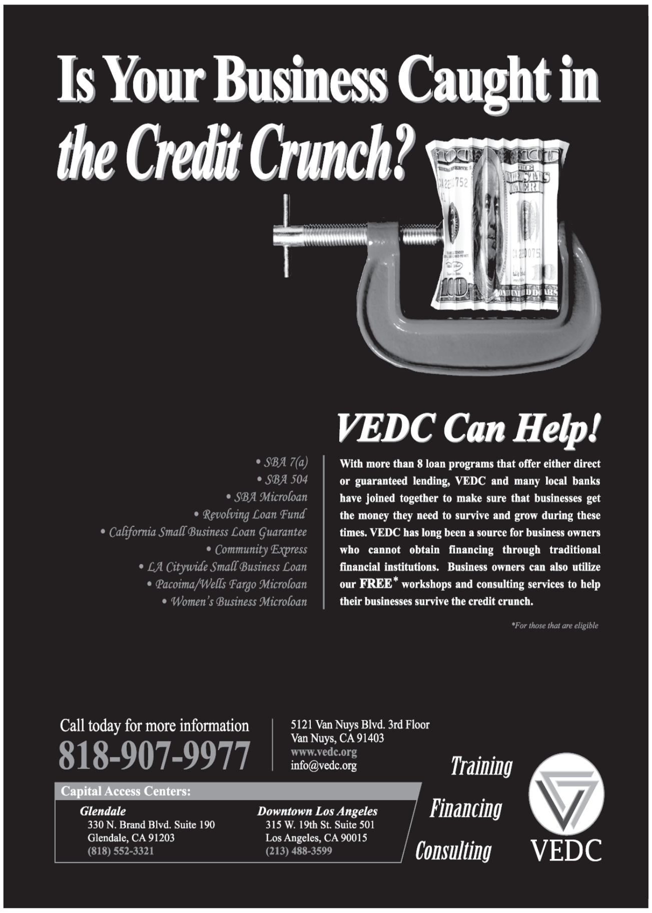
The other major category was Other Non-Residential permits, which grew to a record level of $155 million in 2007. This category fell by 27.3 percent in 2008 to $ 90 million.

The final type of non-residential construction—Industrial permit activity—remains relatively strong. New industrial permit activity logged in at $28 million, down only 6.7 percent from the $30 million reached in 2007.. This keeps Industrial permit activity pretty much in line with where its been for most of this decade. Undoubtedly, the lack of available industrial space in the largely built-out Valley has put a damper on this activity in recent years relative to the mid-1980s when Industrial permit activity exceeded $100 million for two years. Another damper on Industrial permit activity is the fact that generally land developed for office space commands a higher price than that developed for industrial uses.

Annual New Non-Residential Permit Values by Type



Source: Los Angeles City Department of Building and Safety and the Construction Industry Research Board.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