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Cal Poly Pomona

2025 SAN GABRIEL VALLEY ECONOMIC FORECAST REPORT

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SAN GABRIEL VALLEY 2025 ECONOMIC FORECAST REPORT

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The San Gabriel Valley Economic Partnership is a regional economic development corporation committed to growing the local economy and improving the quality of life in the San Gabriel Valley.

A consortium of businesses, local government, higher education institutions, and non-profits, the Partnership pursues this commitment by promoting a business-friendly climate, engaging in political advocacy, marketing the strengths of the region, facilitating workforce development, and connecting cities, companies, and organizations in the San Gabriel Valley.



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Cal Poly Pomona is ranked among the best colleges in America (*The Wall Street Journal*), as one of the top public universities in the West (*U.S. News & World Report*), and a "best bang for the buck" (*Washington Monthly*). The No. 1 polytechnic university for diversity and economic mobility, CPP is recognized for helping students from all backgrounds improve their financial futures and achieve their dreams of career success as well as for its emphasis on hands-on learning opportunities.

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Every reasonable effort has been made to ensure that the data contained herein reflect the most accurate and timely information possible and they are believed to be reliable.

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A MESSAGE FROM THE CHAIR

We're excited to share the *2025 San Gabriel Valley Economic Forecast Report*, packed with key insights into the trends shaping our region. This year has already thrown some challenges our way—from natural disasters impacting thousands to major policy shifts from Washington. Despite the turbulence, our team of economists has analyzed the data to help make sense of what's ahead for the industries powering our business community and the 31 cities across the San Gabriel Valley. Fortunately, there are strong signs of resilience and opportunity.

At the San Gabriel Valley Economic Partnership, we're committed to fostering a thriving, dynamic regional economy. We remain focused on promoting growth, resilience, and innovation. But the real strength of our region comes from **you**—our partners—whose collaboration and leadership make this such a great place to live, work, and do business.

Thank you for your continued dedication to the prosperity of the San Gabriel Valley. Together, we'll navigate what's ahead and build a stronger, more vibrant future for our region.



Dr. Salvatrice Cummo

Vice President of Economic & Workforce Development, Pasadena City College
Chair of the San Gabriel Valley Economic Partnership Board of Directors, 2024-2025

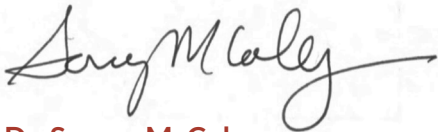


GREETING FROM THE PRESIDENT

On behalf of Cal Poly Pomona, I am pleased to welcome you to the 2025 San Gabriel Valley Economic Forecast—the eighth collaboration between the university and the San Gabriel Valley Economic Partnership.

For over 85 years, Cal Poly Pomona has contributed to the economic growth and vitality of our region, working with education partners and employers across all sectors to meet our present and future workforce needs. Our work has become ever more crucial in a time marked by constant change—a time that presents us with both new challenges and new opportunities. At Cal Poly Pomona, our mission is to help anyone who dreams of success to achieve it. And with that, our commitment goes beyond just providing economic opportunities; we also help our students understand their role in the larger community and the value they add to our region's economic health and well-being.

Your work is essential to achieving this mission, so thank you for joining us here today. Together we will continue to do our part in shaping an equitable, sustainable, inclusive economy that benefits all of us in the San Gabriel Valley.



Dr. Soraya M. Coley

President, Cal Poly Pomona





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SAN GABRIEL VALLEY 2025 ECONOMIC FORECAST REPORT

EXECUTIVE SUMMARY

The San Gabriel Valley (SGV) started 2025 with tragedy. The wildfire that ripped through Eaton Canyon and into Altadena shocked the region and shifted priorities across many industries and all levels of government. No economic forecast can promise what SGV residents fervently wish to see happen — namely, that the victims will be able to rebuild swiftly and affordably. Disaster recovery is a multi-year process, and it is never an easy one.

But the San Gabriel Valley is strong. Before the Eaton Fire, the region's economy was performing well on multiple dimensions: employment was growing at a healthy pace, inflation was subsiding for most goods and services including energy costs, housing prices were growing at approximately the same pace as the rest of the country, capital was starting to flow back into commercial real estate after the interest rate shock of the last couple years, and the local office sector was outperforming its competitors throughout the larger Los Angeles metropolitan area. In short, the SGV had all the fundamentals necessary to weather a storm.

In this report, we document these trends, and we forecast that many of them will continue. However, weighing the negatives against the positives,

the SGV is likely to experience a significant slowdown in economic growth in 2025, with contraction likely for several industries, as we detail in our employment projections below.

On the positive side, the manufacturing sector was still experiencing growth in production before new tariffs took effect; the yield curve has been a neutral indicator, oscillating between negative and positive over the past year; oil prices remain much lower than they were in the run-up to and immediate aftermath of the Russian invasion of Ukraine, and they show no signs of returning to that peak; the hospitality and retail sectors are performing better than they were in recent years; and the office sector appears to have reached its bottom and begun the slow road to recovery, especially in the SGV.

On the negative side, housing production has slowed considerably since the multifamily boom of the pandemic years, exacerbating the shortage of affordable units throughout the SGV and keeping housing prices elevated; insurance costs are rising at a rapid pace and will grow even faster after the wildfires; a glut of industrial properties has pushed rents down and vacancy rates up after the surge of pandemic-era construction; new tariffs will raise the cost of doing business and reduce employment in several industries;

and new uncertainty in federal policymaking is a risk that is too dependent on political whims for us to incorporate reliably into our economic models.

To weigh these many variables, we have created the first-ever San Gabriel Valley Leading Economic Index that summarizes the leading economic indicators impacting the SGV distinctly from other regions. It suggests that economic growth is likely to slow significantly, especially due to the pullback in construction activity, and probably reflecting other macro tailwinds like fiscal austerity, tariffs, and maybe even an expensive stock market that is unlikely to continue growing at its recent fast pace.

None of these indicators can capture one important X-factor, however: the resilient spirit of the SGV and its residents. Disaster experts talk often about the importance of community cohesion — of neighbors sacrificing to help their neighbors and consensus-building to find a way forward — to make it through these difficult times. The SGV has risen to this challenge before our eyes. The outpouring of support for wildfire victims has been overwhelming.

But the hard work continues. We do not forecast that most property owners will begin rebuilding on burned parcels in 2025. We must prepare for a longer-term process. This year is only the beginning.

If our findings can offer any guidance for this undertaking, it is the value of working together as a region to rebuild and rehouse. The decline in housing production is a particularly concerning trend in this report. It is not only an indicator of economic weakness ahead. It is also a shortcoming in the very functionality of the economic system, depriving the region of space to resettle disaster refugees and to meet future unknowable challenges that will threaten residents' financial stability and send them adrift in search of more affordable housing. The impacts of natural disasters always spill over neighborhood borders. Far from the burned sites, SGV residents are feeling the economic ramifications. No community is an economic island. When we build for each other, we create a powerful force that undergirds long-term economic success: *regional resilience*.

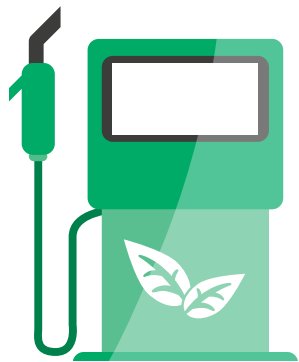


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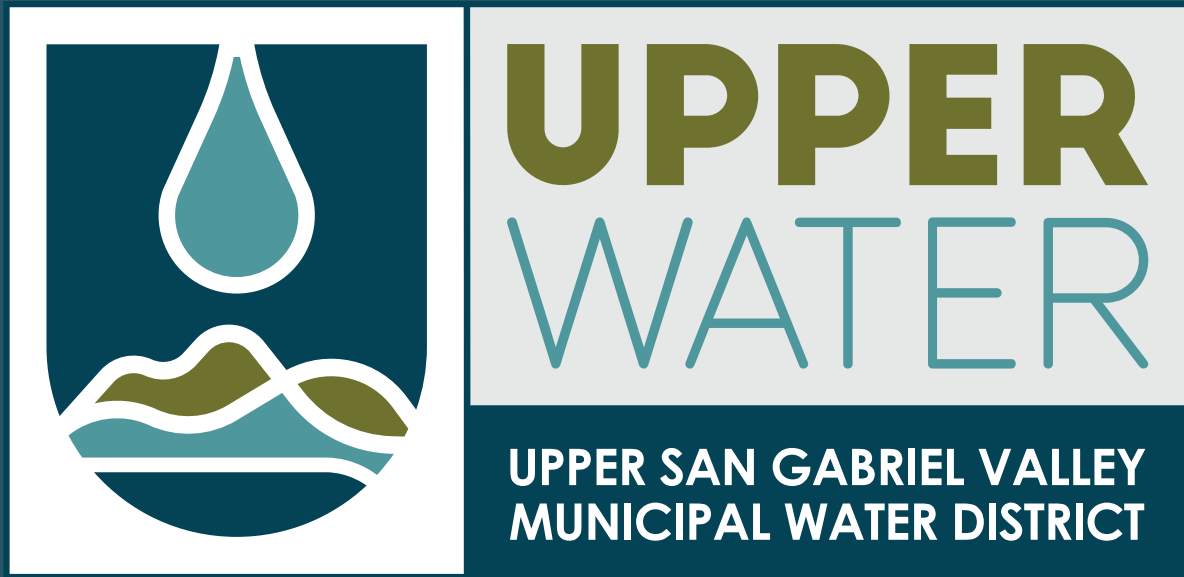
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SETTING THE STAGE: MACRO HEADWINDS & TAILWINDS

The San Gabriel Valley has its own unique economic strengths and weaknesses, but it is not immune to the macroeconomic winds that buffet the rest of the U.S. economy. In this section, we check in with four key macro indicators to understand the larger forces swirling around our region: the yield curve, housing production, manufacturing production, and oil prices.

THE YIELD CURVE

The most famous leading indicator in macroeconomics is the “yield curve.” This curve connects the short-term, medium-term, and long-term interest rates, or “yields,” that investors are currently earning on Treasury securities. It typically slopes upward, from short-term to long-term, because investors require higher returns in order to invest for longer time periods. From a lender’s perspective, there is more risk in longer-term investments because it is more difficult to predict the future so far in advance. But sometimes the yield curve “inverts” when short-term rates rise above long-term rates. Many studies have shown that inverted yield curves often precede recessions, likely because investors are expecting the Federal Reserve to lower rates in the future to stimulate a weak economy. Because they are expecting sluggish growth, investors also will expect low inflation, which will push long-term rates down.¹

The “Treasury term spread” in Figure 2.1 shows how the slope of the yield curve changes over time. It measures the difference between the 10-year Treasury bond rate and the 3-month Treasury bill rate. When it is positive, the yield curve is upward sloping. When it is negative, the yield curve is inverted, indicating an elevated risk of recession in the near future. It is not a perfect predictor. It turned negative multiple times in the mid-1960s, and no recession followed. However, it accurately predicted the recessions that began in 1970, 1973, 1980, 1981, 1990, and 2001, and it emitted a brief signal before the recession that began in 2008.

So, it has been concerning that the term spread was negative from July 2022 to June 2024. Yet, to date, no recession has appeared. Since it is a leading indicator, it is still possible that last year’s negative spread portends trouble for this year’s economy. However, the positive spread for the last eight

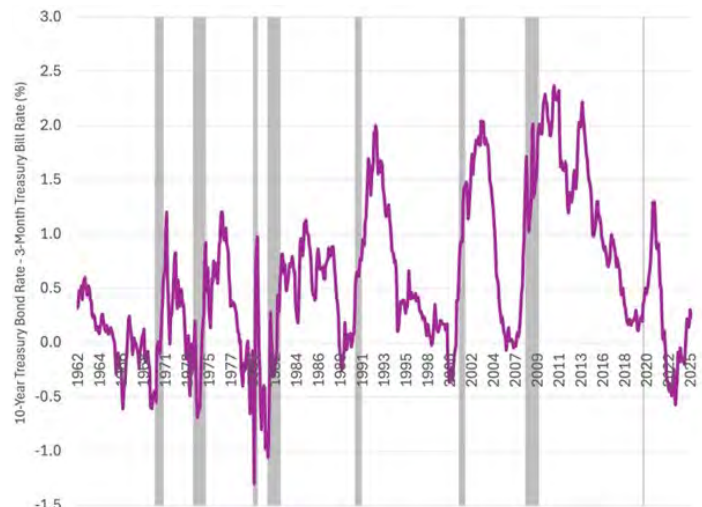
months suggests that investors are cautiously optimistic.

HOUSING PRODUCTION

The economist Edward Leamer famously — and rather boldly — declared that “housing is the business cycle.” When he made this claim in 2007, he showed that residential investment, more reliably than any other component of gross domestic product (GDP), began declining prior to every recession in the U.S. from the 1940s onward. Critically, he taught us to focus on the volume of total investment in the housing sector, not the prices that often get the headlines in the news.² Since then, there has been some debate over whether this indicator continues to work as well as it used to.³

We have found a different, but related, indicator to be more useful.⁴

Figure 2.1: Treasury Term Spread, 1962-2025



Data sources: Federal Reserve Bank of St. Louis; National Bureau of Economic Research. Recessions indicated in gray shading.



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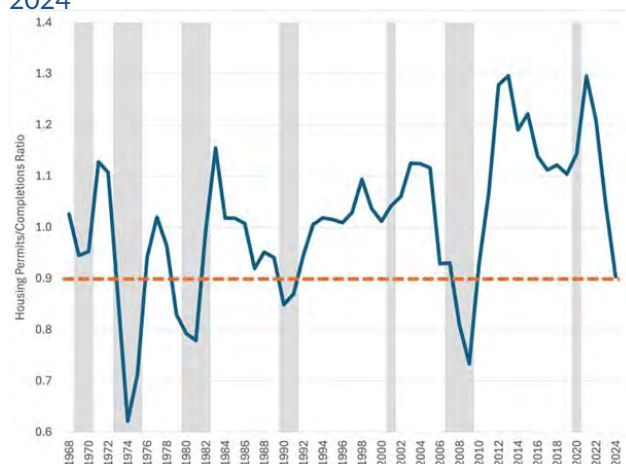
Emanate Health exists to help people keep well in body, mind and spirit by providing quality health care services in a safe, compassionate environment.

Residential investment contains a lot of spending decisions that were made in the past and are only being executed now. Thus, it is somewhat backward-looking. Housing permits, in contrast, indicate plans to build in the future. By comparing them to the recent past, we can determine whether the volume of housing production is likely to increase or decrease.

The housing permits-to-completions ratio in Figure 2.2 makes this future-to-past comparison. When it is high, homebuilders and developers are planning to create more units in the near future than they are currently constructing and completing. When it is low, residential investment may still appear high, but it is reflecting completions of old projects rather than new ones that will stimulate the economy in months ahead.

Currently, the permits-to-completions ratio is below 1, suggesting a contraction in housing production. In fact, it has only declined to its current low level of 0.9 four other times in the past 57 years, and each time, a recession has followed within a year. If housing does lead the business cycle, then this indicator is signaling slower economic growth in 2025.

Figure 2.2: Housing Permits-to-Completions Ratio, 1968-2024



Data sources: U.S. Census Bureau; National Bureau of Economic Research. Recessions indicated in gray shading.

MANUFACTURING PRODUCTION

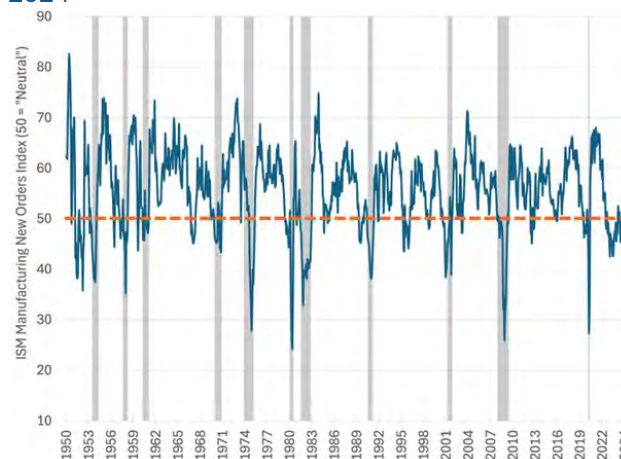
Manufacturing is both a core function of the U.S. economy and a time-consuming process of extraction, acquisition, assembly, and distribution. Like housing, its fluctuations therefore matter, and earlier parts of the process may give a hint to the volume of final production in the months ahead. That is why leading economic indicator indexes often include one or more of the measures produced by the Institute for Supply Management to track the different stages of the manufacturing process.

To anticipate future production, we focus on one of the earliest stages of the process with the ISM Manufacturing New Orders Index in Figure 2.3. On a scale of 0 to 100, the Index indicates expansion above 50 and contraction below 50. Like the term spread and the housing permits-to-completions ratio, the New Orders Index typically dips below 50 prior to recessions, but it also gives false signals, where it indicates contraction but no recession occurs. This appeared to be the case from July 2022 to October 2024, when it mostly stayed below 50. Like the term spread, it has improved since then, giving cautious signs of expansion in 2025.

OIL PRICES

For decades, the economist James Hamilton has been documenting the recurring negative impacts of oil price “shocks” to the U.S. economy. Every large, sudden price increase has been followed by a recession, and his statistical models have shown that those recessions would have been much

Figure 2.3: ISM Manufacturing New Orders Index, 1950-2024

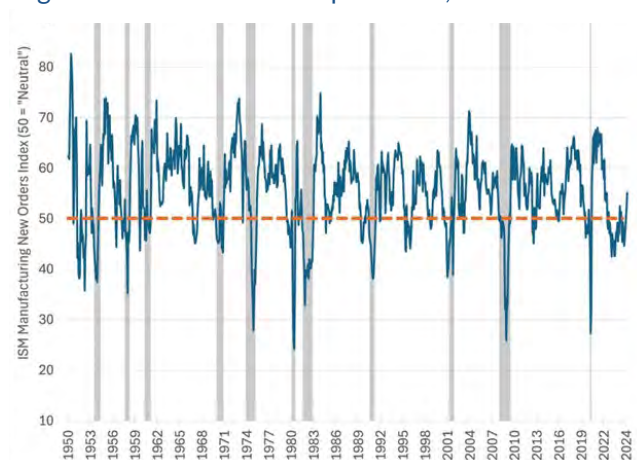


Data sources: Institute for Supply Management; National Bureau of Economic Research. Recessions indicated in gray shading.

less severe — or maybe not even have occurred at all — if the cost of energy had remained more affordable for American businesses and consumers.⁵ Since fossil fuel energy is a key input into every facet of the economy, it makes sense that its cost impacts our ability to spend and invest in productive activities.

The price of oil last “shocked” the economy in this way in 2021, as the world experienced a severe supply chain crisis during the COVID-19 pandemic and Russia began amassing military forces on the border of Ukraine. During that year, the West Texas Intermediate spot price of crude oil increased by 60%, as shown in Figure 2.4, contributing to the rapid run-up in inflation that the world economy experienced at that time. Fortunately, a recession did not occur.

Figure 2.4: Crude Oil Price per Barrel, 1946-2024



Data sources: Data sources: Federal Reserve Bank of St. Louis; National Bureau of Economic Research. Recessions indicated in gray shading.

From their peak in June 2022 after the Russian invasion of Ukraine, oil prices have declined 34%, helping to moderate inflation and boost consumer spending and business investment elsewhere in the economy. At the moment, there is no sign of an oil price shock that would contribute to economic contraction. This is the most positive of the four macro indicators we have considered.

CONSTRUCTION ON THE GOLD LINE CONTINUES AS THE LIGHT RAIL REACHES LA VERNE AND POMONA. PHOTO COURTESY OF THE FOOTHILL GOLD LINE CONSTRUCTION AUTHORITY.



SAN GABRIEL VALLEY LABOR FORCE

The San Gabriel Valley consists of four Census County Divisions within the county of Los Angeles: East San Gabriel Valley, Pasadena, Southwest San Gabriel Valley, and Upper San Gabriel Valley. This area comprises 31 incorporated cities and 13 Census Designated Places (see Appendices), with a ten-year average annual population growth rate of -0.6%. Its major employment industries include wholesale trade, health care, education, leisure & hospitality, and transportation & warehousing (Figure 3.1)¹.

2024 GDP AND EMPLOYMENT: A VERY SOFT LANDING WITH UNCERTAINTY AHEAD

After the Federal Reserve aggressively raised rates in 2022 and 2023 to combat inflation, there followed three 25bp cuts in late 2024 on concerns over labor market weakness. The former actions seem to have had their intended effect: from a peak of 9.0% in June 2022, CPI inflation declined to 3.0% in January 2025. The Cleveland Fed's 1-year ahead inflation expectations model² also moderated, indicating that markets do not view inflation as problematic going forward (Figure 3.2).

In fact, the Fed seems to have engineered a better-than-soft landing. The national unemployment rate ended 2024 at 4.1%, only slightly higher than a year earlier (see Figures 3.3 and 3.4). At the same time, 2024 saw solid 2.8% real US and California GDP growth rates, essentially unchanged from 2023 (2.9% and 2.6%, respectively), and above the 10-year US trend average of 2.4% (see Figure 3.5). In the years leading up to the pandemic, California and Los Angeles County outperformed the US, but Los Angeles County was particularly hard-hit in 2020.

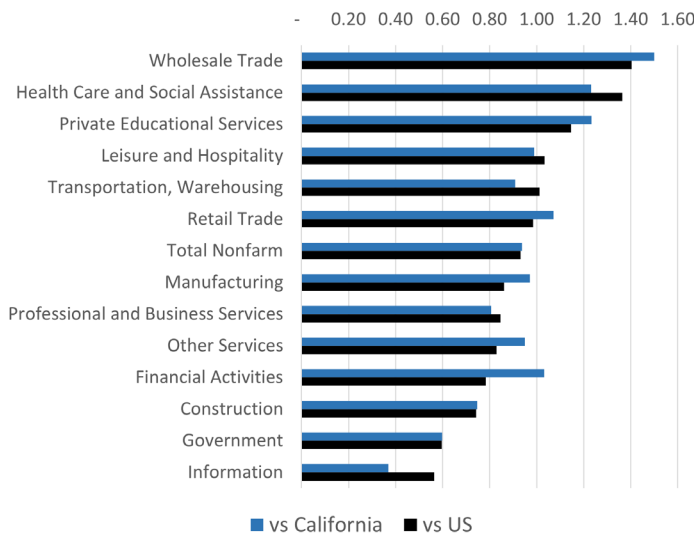
At the same time, job growth — following a strong rebound during the post-pandemic period that started in April 2021 — has petered out, seeing out 2024 at 1.2% (Figure 3.6), and is projected to slow in 2025 and 2026 relative to 2024.³ While job openings still exceed unemployment in the US, the gap has shrunk considerably since the mid-2022 “Great Resignation” peak (Figure 3.7) and is now decidedly negative in California. These trends point to further evidence that that wage inflation pressure is subsiding, boding well for general CPI growth.

Going forward, the Fed has signaled caution over ongoing economic uncertainty. A case for reinstating preemptive rate hikes stems from near-future inflationary pressures: evolving import and retaliatory export tariffs will raise inflation in the short term,⁴ and uncertainty in worker deportation⁵ may add to wage inflation. On the other hand, a case for looser monetary policy stems from tariff-induced declines in GDP and job growth, balanced against employment gains from proposed tax cuts versus a reduction in Federal spending.

IMPACT OF UNCERTAINTIES – TARIFFS

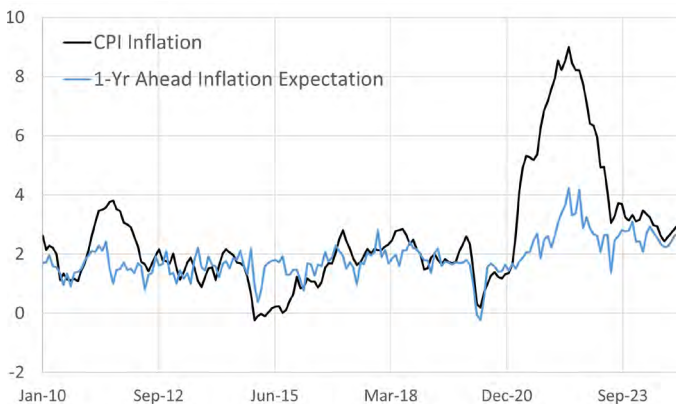
What might we expect for future employment from the current trade war cycle? The policy landscape is evolving rapidly: In early February, the federal government announced 25% tariffs on imports from Canada (with energy at 10%) and Mexico, and 10% tariffs on imports from China. While the latter went into effect almost immediately and are scheduled to double in early March, the former went into effect in early March. This was followed mid-February by auto, steel, and aluminum tariff announcements, and late February by a 25% tariff for EU imports. In-kind retaliatory tariffs have been

Figure 3.1: Location Quotient of the San Gabriel Valley Relative to California and the US in 2023



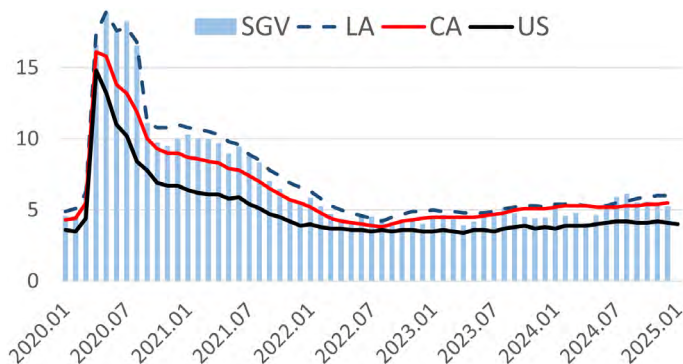
Source: Census, BLS

Figure 3.2: SA All-U CPI Inflation and Cleveland Fed 1-Y Ahead Inflation Expectation



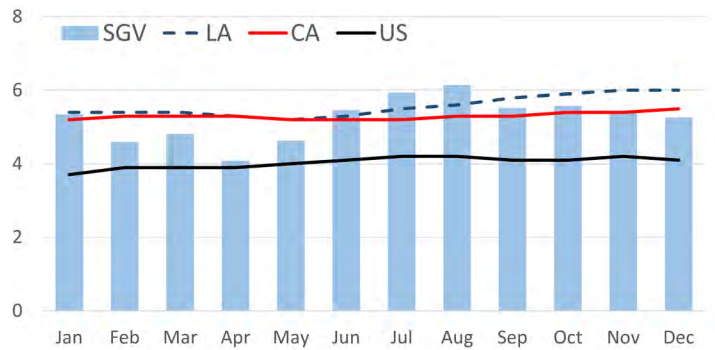
Source: BLS and Cleveland Fed

Figure 3.3: Unemployment Rates [%]



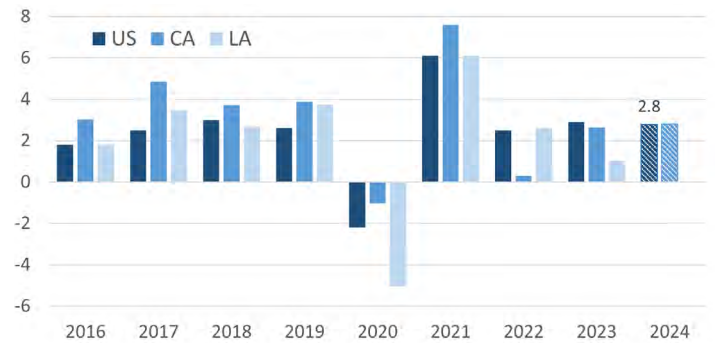
Source: BLS. SGV: Cities with Population > 25,000 only

Figure 3.4: Unemployment Rate in the San Gabriel Valley in 2024



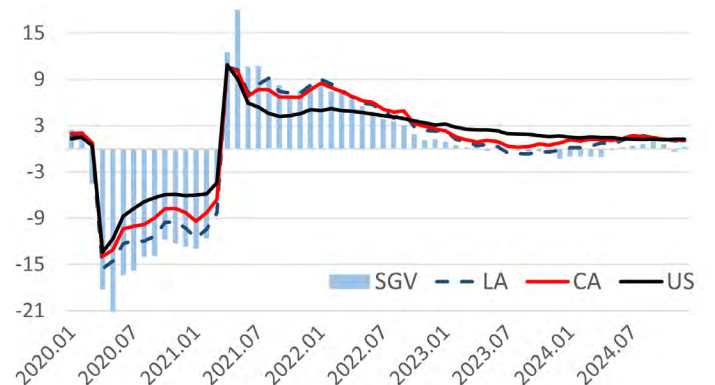
Source: BLS. SGV: Cities with Population > 25,000 only

Figure 3.5: Real GDP/SDP Growth (YoY Percentage Change)



Source: BEA

Figure 3.6: Non-Farm Payroll YoY Growth [%]



Source: BLS, EDD. SGV: Cities with Population > 25,000 only

Figure 3.7: US and California Unemployment and Job Opening (in Thousands)



Source: BLS, Atlanta Fed

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announced by Canada and Mexico, while a 10% retaliatory tariff by China went into effect on February 10. What follows assumes that these tariffs all go into effect permanently. Of course, further tit-for-tat tariff increases are highly likely but are not considered here.

Over the next two to three years, import tariffs, as outlined above, would reduce US GDP by about 0.5-1%.^{6, 7} The proposed tariffs would raise an average of \$245 billion dollars per year,⁸ which accounts for revenue loss from falling income and payroll tax collections because of import tariffs, but not retaliation which would lower output and income further. This estimate simply adds tariff revenue from each country and would be somewhat lower if considered together. Note that the additional revenue would not be sufficient to cover losses from making the 2017 Tax Cuts and Jobs Act permanent (about \$4.2 trillion in revenue losses over 10 years). Proposed tax cuts offset by a reduction in federal spending⁹ might well be net positive for jobs growth¹⁰ but the size of the effect is unclear. In what follows, we therefore choose to focus on the effect of tariffs alone.

The industry-specific impact of tariffs on employment is complicated by trade cost elasticities that vary by sector. For example, a 2024 study¹¹ found that during the last (2018-2019) trade war, tariffs on Chinese imports had a statistically *insignificant* impact on US employment in the newly protected industries (mainly manufacturing), while reciprocal and farming targeted retaliatory tariffs were more unequivocally negative for US jobs.¹² Net collateral damage in transportation and warehousing, and business service employment was also observed. As a result, across all employment sectors and by the end of the trade war in December 2019, the negative impact of retaliatory tariffs was offset by smaller gains from import tariffs only once additional federal farm subsidies were included.

Relative to the US, the San Gabriel Valley employs a larger share of its population in wholesale trade, health care, educational services, and leisure and hospitality. Transportation and warehousing come in at about the national average (location quotients are shown in Figure 3.1). Based on general equilibrium models, the impact to San Gabriel Valley employment from import and retaliatory tariffs would be around -0.2% (1,100 job loss) for 2025, and around -0.8% for the following two years, relative to baseline employment projections. However, these losses would fall disproportionately on manufacturing, with “secondary damage” concentrated in the construction, wholesale and retail trade, and transportation and warehousing sectors from 2026 onward. Other service-related sectors would generally escape relatively unscathed and may see slight increases in employment.

Other policies that will impact employment include federal worker layoffs and an increased effort to deport undocumented workers.

THE IMPACT OF THE WILDFIRES IN THE SGV

The January 2024 Eaton Fire destroyed about half of all structures in Altadena, a Census Designated Place in the San Gabriel Valley (see Appendix

TABLE 3.1: BASELINE SAN GABRIEL VALLEY EMPLOYMENT PROJECTIONS (INCORPORATED ONLY)

Industry	2023	2024E	2025P	2026F	2027F	YoY 24-25
Total Nonfarm	688,640	693,700	696,200	698,700	701,200	0.4%
Natural Resources & Mining	790	800	800	800	800	0.0%
Construction	28,190	27,800	27,600	27,700	27,900	-0.7%
Manufacturing	52,570	50,700	50,100	50,000	49,900	-1.2%
Wholesale Trade	40,660	40,500	40,300	40,300	40,300	-0.5%
Retail Trade	72,600	72,600	72,400	72,100	71,700	-0.3%
Transportation, Warehousing & Utilities	31,610	32,200	32,400	32,600	32,700	0.6%
Information	8,040	7,900	7,900	8,000	8,100	0.0%
Financial Activities	34,100	34,000	34,000	34,100	34,200	0.0%
Professional & Business Services	91,320	91,400	91,500	92,100	92,800	0.1%
Educational Services	20,900	21,400	21,400	21,500	21,600	0.0%
Health Care & Social Assistance	139,310	144,500	147,000	148,100	149,300	1.7%
Leisure & Hospitality	81,180	81,500	81,600	81,900	82,200	0.1%
Other Services	22,980	23,000	23,100	23,300	23,400	0.4%
Government	64,390	65,400	66,100	66,200	66,300	1.1%

Source: Census, CA DoF, EDD, BLS

3.1).. The impact of this fire on SGV employment and wage growth is hard to pin down. One 2014 study¹³ used a large data set of western US wildfires from 2004-2008 to examine labor market impacts at the county level. These results allow us to estimate employment losses in the San Gabriel Valley of about 4,300 jobs for 2025, excluding the construction sector. Uncertainty in this count stems from the fraction of employment that will be relocated outside of the San Gabriel Valley — especially as the Eaton Fire occurred at its western border, with large business concentrations further (south-)west.

The construction industry deserves separate consideration. At last count, 9,418 structures, both residential and commercial, were destroyed by the Eaton Fire, with a further 1,078 severely damaged. Full cleanup and rebuilding all of these would require an estimated 27 million worker-hours, but as we discuss later, many structures may never be rebuilt. An estimate from past California wildfires is that two years on, only 8% of homeowners had pulled permits to rebuild. Many uninsured homeowners will unlikely have the financial wherewithal to rebuild and may leave the area. While community development trusts are in the planning stages of purchasing land for affordable housing, the success of these ventures remains unclear.

Infrastructure repair (which makes development physically possible) can take 12-18 months to complete (c.f. Lahaina fire), and construction employment declines for the first year or two after a fire as pre-fire sites are destroyed. We foresee a small loss (relative to baseline construction employment) in overall construction employment in the San Gabriel Valley over the next year,¹⁴ with significant gains beginning in 2026.

EMPLOYMENT FORECASTS FOR THE SAN GABRIEL VALLEY

Table 3.1 shows our baseline estimate of 2024 employment, and forecasts for 2025 through 2027 by sector, without the effects from wildfires, tariffs, or federal policy changes. For 2025, total non-farm growth would have been expected to be a moderate +0.4%, with larger gains in healthcare, and transportation and warehousing. Negative contributors include manufacturing, construction, and wholesale trade. These trends reflect the national economy for which real output growth is expected to decline through 2027.¹⁵ All of these projections are small, reflecting a relatively stable policy framework.

Table 3.2 illustrates the combined effect on employment for the San Gabriel Valley from fires and tariffs, while Table 3.3 shows the percentage change relative to baseline projections for each industry sector. It is important to note that this is not a forecast as such because federal tax and fiscal policy are not included, as discussed above. Instead, these should be considered more of an illustration of tariff policy, together with the impact of the January

wildfire disasters.

For 2025, this analysis (no subsidies in the form of tax cuts) results in a loss of 6,500 (-0.9%) non-farm jobs in the San Gabriel Valley, relative to base line employment projections (696,000). As expected, the hardest-hit sector is manufacturing (2,900 jobs lost, or 5.7% of its workforce).¹⁶ In the first year following the Eaton fire, construction is also particularly hard hit, both from the fire and increasing input factors (steel, aluminum, and lumber tariffs, and labor). The impact on trade and transportation and warehousing employment unfolds more fully in the succeeding two years. For 2026 and 2027, construction rebounds significantly as rebuilding efforts begin to kick in. Government employment is reduced by Federal worker layoffs in this model, though state and local employment may well also be in danger from fiscal constraints (not modeled). We expect 2026 (8,800 jobs lost relative to baseline) to be slightly worse than 2025 as the tariff effects expand, but the fire effect recedes. Total non-farm employment growth should begin to turn around from 2027 (6,700 jobs lost relative to baseline) onward as tariff effects also begin to decline.

TABLE 3.2: SAN GABRIEL VALLEY EMPLOYMENT PROJECTIONS: ADDING FIRE, TARIFFS, AND FEDERAL LAYOFFS

Industry	2023	2024E	2025P	2026F	2027F	"YoY 24-25"
Total Nonfarm	688,640	693,500	689,700	690,000	694,500	-0.6%
Natural Resources & Mining	790	800	800	800	800	-0.3%
Construction	28,190	27,800	27,200	29,100	30,500	-2.1%
Manufacturing	52,570	50,700	47,200	46,200	46,000	-6.9%
Wholesale Trade	40,660	40,500	40,100	39,600	39,800	-0.9%
Retail Trade	72,600	72,600	72,000	71,600	71,400	-0.7%
Transportation, Warehousing & Utilities	31,610	32,200	32,000	32,100	32,300	-0.4%
Information	8,040	7,900	7,800	7,900	8,100	0.0%
Financial Activities	34,100	34,000	33,900	34,000	34,100	-0.4%
Professional & Business Services	91,320	91,400	91,100	91,500	92,300	-0.3%
Educational Services	20,900	21,400	21,400	21,300	21,500	-0.1%
Health Care & Social Assistance	139,310	144,500	146,600	147,100	148,800	1.4%
Leisure & Hospitality	81,180	81,500	81,300	81,300	81,800	-0.3%
Other Services	22,980	23,000	23,000	23,100	23,300	0.0%
Government	64,390	65,400	65,200	64,400	63,700	-0.2%

Source: Census, CA DoF, BLS, PIIIE, Tax Foundation

TABLE 3.4: CHANGE RELATIVE TO BASELINE PROJECTION FROM FIRE, TARIFFS AND FEDERAL LAYOFFS

Industry	2025P	2026F	2027F
Total Nonfarm	-0.9%	-1.2%	-1.0%
Natural Resources & Mining	-2.5%	-2.8%	-3.0%
Construction	-1.5%	5.1%	9.4%
Manufacturing	-5.8%	-7.6%	-7.8%
Wholesale Trade	-0.5%	-1.7%	-1.2%
Retail Trade	-0.5%	-0.7%	-0.4%
Transportation, Warehousing & Utilities	-1.1%	-1.5%	-1.2%
Information	-0.7%	-0.8%	-0.4%
Financial Activities	-0.2%	-0.4%	-0.2%
Professional & Business Services	-0.4%	-0.7%	-0.5%
Educational Services	-0.2%	-0.7%	-0.4%
Health Care & Social Assistance	-0.3%	-0.7%	-0.3%
Leisure & Hospitality	-0.3%	-0.7%	-0.5%
Other Services	-0.5%	-0.9%	-0.3%
Government	-1.3%	-2.7%	-3.9%

Source: CA DoF, BLS, PIIE, Tax Foundation



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PHOTO COURTESY OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA.

SAN GABRIEL VALLEY REAL ESTATE

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TABLE 4.1: ANNUAL HOUSING PRICE APPRECIATION BY CITY, 2020-2024

Throughout the San Gabriel Valley, real estate prices and rents have continued to rise throughout 2024, and there is no reason to believe that they will slow down in 2025. However, some sectors have fared better than others, and some are in the midst of a significant turnaround. In this section, we dive first into the single-family housing market where families are struggling to afford new purchases, and then we survey the commercial real estate sectors where investors are beginning to shift their capital allocations toward new directions in 2025.

RESIDENTIAL REAL ESTATE: SINGLE-FAMILY HOUSING PRICES

The housing affordability crisis continued to worsen in 2024, despite the Federal Reserve's attempt to lower the cost of borrowing. In January 2024, the median household would have had to spend 82% of their income to afford the median-priced house in the Los Angeles metropolitan area. A year later, they now have to spend 87% of their income for the same house payments.¹

Part of the problem is that housing prices have continued to grow faster than inflation, part is the fact that the mortgage market has not followed the Fed's lead, and part is the rising cost of homeowner's insurance. Here, we briefly review each of these challenges.

Across the 30 cities with available data in Table 4.1, most experienced a slowdown in housing price appreciation from 2023 — and a dramatic slowdown from the breakneck pace of 2020-2021. However, 25 of the 30 cities experienced housing price appreciation faster than the 3.0% inflation recorded in 2024.² The slowest price growth occurred in Bradbury (0.5%), Monrovia (1.3%), and San Marino (1.5%), all communities located near the foothills just east of Pasadena. The fastest price growth occurred in Diamond Bar (5.9%), Irwindale (5.5%), and Walnut (5.1%), generally more centrally located communities within the San Gabriel Valley.

For comparison, the two leading indexes of national housing prices, the S&P CoreLogic Case-Shiller Index and the Federal Housing Finance Agency (FHFA) Index, grew by 3.9% and 4.5%, respectively, over the same time period.³ So, the SGV housing market has appreciated at roughly the same pace as the rest of the U.S.

This price growth, despite high mortgage rates, is not surprising.

City	2020	2021	2022	2023	2024
Alhambra	7.3%	9.3%	8.8%	4.2%	3.1%
Arcadia	6.0%	9.4%	5.9%	5.6%	3.5%
Azusa	8.9%	14.2%	7.4%	4.6%	4.6%
Baldwin Park	9.5%	12.6%	9.9%	3.1%	4.8%
Bradbury	6.3%	10.8%	-0.7%	1.5%	0.5%
Claremont	8.5%	13.0%	6.9%	4.6%	4.5%
Covina	10.0%	14.4%	6.2%	4.0%	4.3%
Diamond Bar	7.5%	14.3%	7.9%	4.8%	5.9%
Duarte	8.8%	13.3%	6.4%	3.5%	3.7%
El Monte	8.0%	12.7%	7.4%	4.0%	3.1%
Glendora	9.0%	13.9%	5.6%	4.2%	3.0%
Industry	10.5%	13.8%	8.1%	-0.1%	5.5%
Irwindale	8.8%	13.5%	3.6%	10.5%	4.8%
La Cañada Flintridge	9.6%	13.2%	8.9%	3.7%	4.9%
La Puente	9.9%	13.6%	6.7%	4.8%	4.8%
La Verne	8.6%	11.8%	6.4%	3.2%	1.3%
Monrovia	9.9%	9.4%	7.0%	4.1%	4.1%
Montebello	7.6%	10.2%	7.8%	4.9%	4.0%
Monterey Park	8.1%	12.6%	6.3%	4.9%	4.1%
Pasadena	9.7%	16.1%	7.0%	4.3%	4.7%
Pomona	8.4%	10.8%	7.0%	4.5%	4.7%
Rosemead	8.6%	14.9%	7.2%	4.5%	3.8%
San Dimas	7.8%	10.3%	7.2%	4.7%	3.6%
San Gabriel	4.3%	5.1%	0.3%	5.5%	1.5%
San Marino	8.8%	13.9%	7.7%	4.1%	4.1%
Sierra Madre	9.1%	12.6%	10.5%	7.1%	3.6%
South El Monte	7.7%	12.9%	4.8%	9.2%	3.0%
South Pasadena	7.6%	10.3%	6.0%	3.8%	3.3%
Temple City	6.0%	12.6%	8.9%	5.7%	5.1%
Walnut	9.3%	14.4%	6.8%	4.9%	4.5%
West Covina	8.3%	12.3%	6.7%	4.6%	3.9%
30-City Average	8.3%	12.3%	6.7%	4.6%	3.9%

Data source: Zillow. Authors' calculations.

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The Wall Street Journal, 2025;
CollegeNET, 2024; Diverse: Issues
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Although buyer demand is not surging, seller inventory remains low too. Sellers are averse to losing the low rates they locked in at an earlier date. Most sellers turn around and immediately become buyers, and so they are constrained by the same forces. From January to December, the California Association of Realtors' Unsold Inventory Index dropped from 3.2 months to 2.7 months, an extremely low level that does not allow many home sales to occur. However, in January 2025, the Index rose to 4.1 months, suggesting that sellers may be testing the waters in the new year, itching to make a deal.⁴

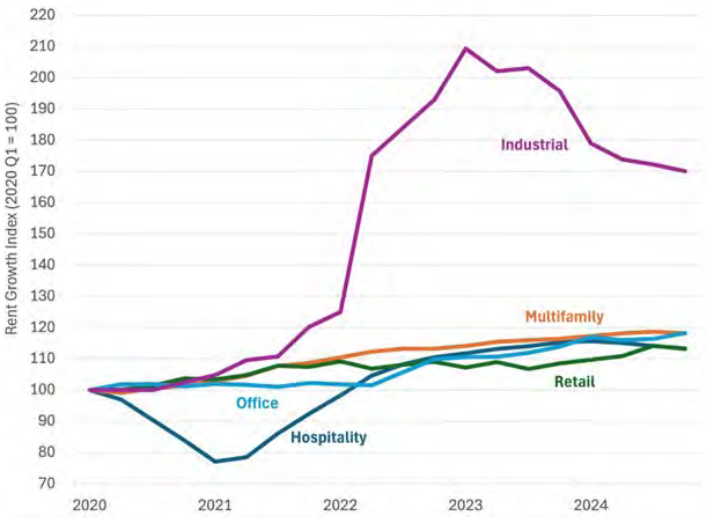
With all eyes on mortgage rates, buyers and sellers were disappointed in 2024. The 30-year rate started the year at 6.62% and ended at 6.85%, despite a 100-basis-point cut in the federal funds rate in the latter half of the year.⁵ In this stubborn persistence, there is nothing special about the mortgage market per se. The 10-year Treasury rate also rose slightly during this time period.⁶ Clearly, investors across markets feel that future inflation or future risks — likely both — require a larger term premium.

Finally, although insurance costs have historically comprised only 5% of the total cost of homeownership for the average family, they are increasingly eating away at the budget.⁷ A recent study of property management found that insurance expenses grew faster than any other expense devoted to operating and maintaining properties over the past decade.⁸ Soon, they are likely to make a more sizable dent in housing affordability than they have in the past.

COMMERCIAL REAL ESTATE: RENTS, CONSTRUCTION, & VACANCY RATES

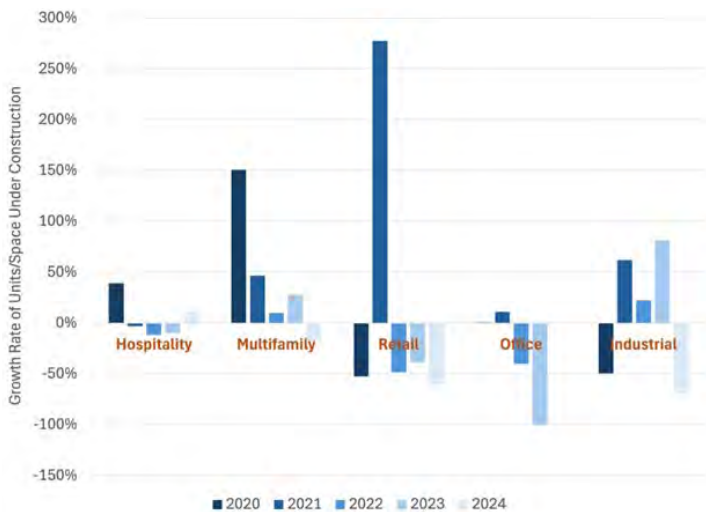
High interest rates have plagued commercial real estate as well, but most owners of existing properties have ridden out the storm without any signs of distress. From the depths of the COVID-19 recession in 2020, all five sectors in Figure 4.1 — hospitality, industrial, multifamily, office, and retail — have experienced rising rents in the San Gabriel Valley. Hospitality, in particular, was hit hard by the decline of travel that lasted into 2021, with average daily rates (ADRs) falling by over 20%, but they bounced back to their original level by early 2022. Since then, they have caught up with office, multifamily, and retail rent trends, which have steadily grown through most of this period. Industrial was the biggest performer, doubling its average rent by 2023 amid the pandemic-driven e-commerce boom. Since that euphoric peak, industrial rents have come back down 19%, still leaving them 70% above their pre-pandemic levels. This is extraordinary growth compared to the 13% to 18% total growth in the other four sectors.

Figure 4.1: Rent Growth in the San Gabriel Valley, 2020-2024



Data sources: CoStar (hospitality, multifamily, retail); Newmark (office, industrial). Authors' calculations.

Figure 4.2: Annual Construction Growth in the San Gabriel Valley, 2020-2024



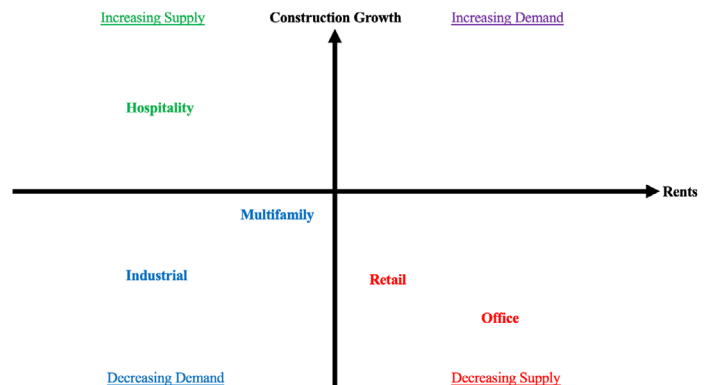
Data sources: CoStar (hospitality, multifamily, retail); Newmark (office, industrial). Authors' calculations.

In a healthy market, rising prices should motivate developers to construct new buildings. In economic parlance, the supply side should rise to meet the demand side. However, the San Gabriel Valley is a more difficult place to build than most places in the U.S.⁹ So, how much could the construction industry really respond to the price growth of the past five years? Here is what we learn from Figure 4.2, measuring the annual growth rate in units or space under construction in the SGV:

- The hospitality sector launched a lot of new construction in 2020, just in time for the pandemic, but it dialed back for years thereafter. It has finally started building more in 2024.
- The multifamily sector experienced a big surge of new construction from 2020 to 2023, and it has only finally slowed down in 2024.
- The retail sector had one good year of new construction projects in 2021, as landlords tried to adapt their spaces to the post-pandemic consumer's expectations, but retail construction slowed down in all other years.
- The office sector finished all its construction projects in the SGV by 2022, and then it dropped to zero in 2023 and has not picked up since.
- The industrial sector started building more and more and more in 2021, 2022, and 2023, and then the big boom finally slowed down in 2024 with a 69% decline in space under construction.

How can we make sense of these trends? Figure 4.3 presents a simple model based on previous research into the shifting land uses in urban economies.¹⁰

Figure 4.3: Supply and Demand Trends in the San Gabriel Valley





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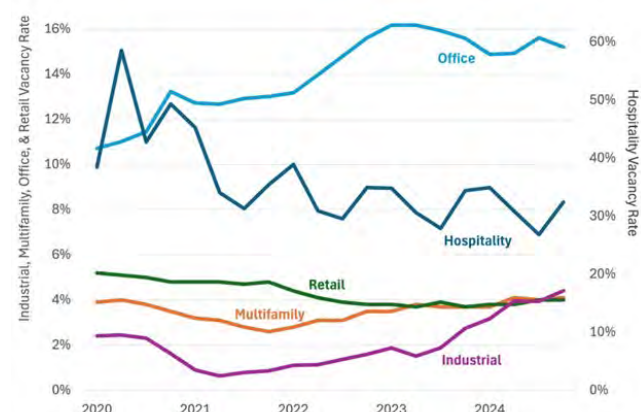
Here is what it tells us about the shifting landscape for commercial real estate in the SGV:

- The hospitality sector is experiencing an increase in supply. Construction is growing, and rents (ADRs) are declining somewhat. The new rooms are more than absorbing any growth in demand.
- The multifamily sector and the industrial sector are experiencing a decrease in demand. The shift is stronger in industrial, where speculative properties were built at such a feverish pace during the pandemic that it is no surprise to see a glut in the market.¹¹ The multifamily sector also built more than usual during the pandemic, but the slowdown is less pronounced because there is still a shortage of affordable housing in the SGV.
- The office sector and the retail sector are experiencing a decrease in supply. The shift is stronger in office, where the work-from-home revolution has motivated many landlords to convert offices into different uses. It is not easy to do this type of conversion.¹² It has taken many of them several years to figure out how to do it, but there are now a significant number of conversions occurring.¹³ The same is true to a lesser extent in retail, which has suffered from competition with e-commerce for over a decade. Slowly, retail spaces have been closed, converted, or adapted to the new experiences desired by consumers.

These shifts have direct impacts on landlords throughout the SGV. A couple years ago, for instance, everyone was talking about record-low vacancy rates in the industrial sector and record-high vacancy rates in the office sector. Neither of these extremes exist anymore, as shown in Figure 4.4. Here is the latest situation in which landlords find themselves:

- The hospitality vacancy rate, which is the only statistic shown on the right-hand axis of the graph, and the retail vacancy rate peaked in 2020 and have been declining ever since. The dark days of the pandemic are long behind those property owners.
- In the multifamily and industrial sectors, the hot pandemic market died out in 2022 with a surge in new construction. Since then, these vacancy rates have been rising, putting a strain on some landlords.
- The office vacancy rate peaked in 2023 and has been declining since. It is still very elevated by historical standards. There are many property owners who are trying to determine the best use for excess space in this new work-from-home era. But the unceasing exit of tenants from their leases seems to have stopped. Both landlords and tenants are adjusting to the new normal.

Figure 4.4: Vacancy Rates in the San Gabriel Valley, 2020-2024



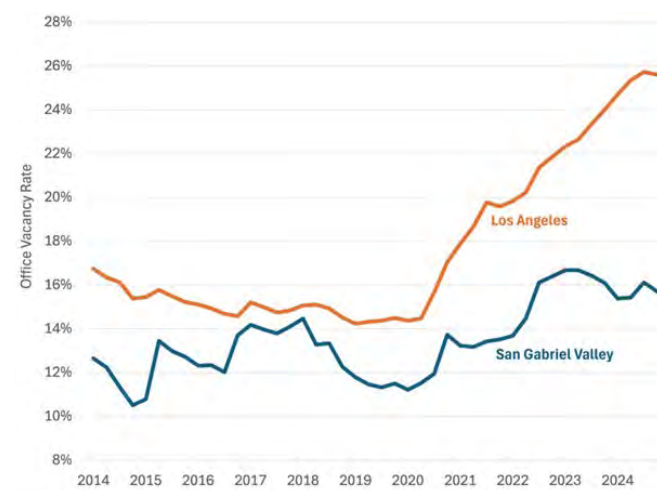
Data sources: CoStar (hospitality, multifamily, retail); Newmark (office, industrial).

The San Gabriel Valley has survived the office apocalypse better than the rest of the Los Angeles metropolitan area. Figure 4.5 shows the vacancy rates in the SGV versus the larger region over the past decade. Although SGV vacancy rates have always been lower than the rest of LA, they have only differed by 1 to 3 percentage points, and they typically have followed similar trends. That correlation ended in 2021, when the work-from-home shift emptied the offices in downtown LA and other centrally located communities. The SGV had the advantage of being located closer to many people's homes, as well as offering smaller, more manageable office space without the disamenities that have plagued downtown neighborhoods across the U.S. Although SGV vacancy rates rose from 12% to 16%, they had a far less negative impact on the regional economy than the 25% vacancy rates in the rest of the metropolitan area.

Figure 4.5 also shows a plateauing of vacancy rates from 2023 onward — and even a small decline from the peak. This graph suggests that the office sector may have reached a bottom. After five years of suffering, is it finally primed for a recovery? There is still a lot of vacant office space across the country that will take time to lease up, but the following evidence suggests that a slow recovery is underway:

- Two key indexes of commercial real estate prices — the CoStar Value-Weighted Commercial Repeat-Sales Index and the Green Street Commercial Property Price Index — indicate that office property values have stopped declining and remained steady throughout most of 2024.¹⁴
- The volume of office property sales is returning to pre-pandemic levels in some of the hardest-hit downtown areas.¹⁵
- For the first time since the pandemic began, landlords are reporting that lease sizes are increasing.¹⁶
- The office sector experienced some of the best annual returns across all real estate investment trusts (REITs) in 2024, with 22% price appreciation, compared to 14% for retail, 13% for residential, -2% for hospitality, and -18% for industrial.¹⁷ Not only does this indicate investors' positive expectations for the future, but also it demonstrates willingness for capital to flow back into the sector.
- Our informal conversations with financial institutions have indicated that the financial distress among office landlords is subsiding — and they are becoming less concerned about their portfolio of office loans.
- After many months of increases, the commercial mortgage-backed security (CMBS) delinquency rate declined significantly for office loans in January 2025.¹⁸

Figure 4.5: SGV vs. LA Office Vacancy Rate, 2014-2024



Data source: Newmark.

- As the federal government and many companies require more workers to come back to the office, job growth began to accelerate for “office-using industries” in the fourth quarter of 2024.¹⁹

This good news is part of a larger trend of capital starting to come off the sidelines in commercial real estate. There has been a lot of “dry powder,” in industry parlance, since interest rates went up, but that bottom too is now behind us. The commercial mortgage-backed security (CMBS) market issued over \$100 billion in new private-label securities to support property investments in 2024, more than double the amount they issued in 2023. This was the second most-active market in the last six years.²⁰ The booming private debt market is also raising capital rapidly in anticipation of new commercial real estate investments.²¹ With the support of the capital markets, commercial real estate appears poised for a strong year in 2025. Those who “stayed alive to ‘25” should find new opportunities to seize in this rising market.

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SAN GABRIEL VALLEY LEADING ECONOMIC INDEX

Forecasters have developed several popular “leading economic indicator” indexes (LEIs) over the past few decades. Most use national data to assess the likely strength or weakness of the U.S. economy in the coming months or even years. A couple exist at the state level to indicate how economic conditions might differ from one region of the country to another. However, to our knowledge, no indexes exist to capture local leading economic indicators, and certainly none have been developed specifically for the San Gabriel Valley. In this section, we therefore present the first ever San Gabriel Valley LEI, created by our team at Cal Poly Pomona to forecast the local economy of this region using the unique data available for its constituent municipalities.

HOW WE CONSTRUCT THE INDEX

Constructing an LEI requires the forecasters to work with the data available. Thus, we began by identifying data series that have been effective in forecasting future economic growth at the national, state, and local levels.

San Gabriel Valley exists within — and is significantly impacted by — larger macroeconomic trends. Therefore, we begin with two national data series that capture the economic trends driving the broader U.S. economy:

- 1) The Treasury term spread, shown in Figure 2.1, has a long track record of predicting the U.S. business cycle. It is also a frequent component of national indexes, including the famous Conference Board LEI and the state leading indexes produced by the Federal Reserve Bank of Philadelphia.¹
- 2) The ISM Manufacturing New Orders Index, shown in Figure 2.3, also features in many LEIs, including the Conference Board’s and the Philly Fed’s.

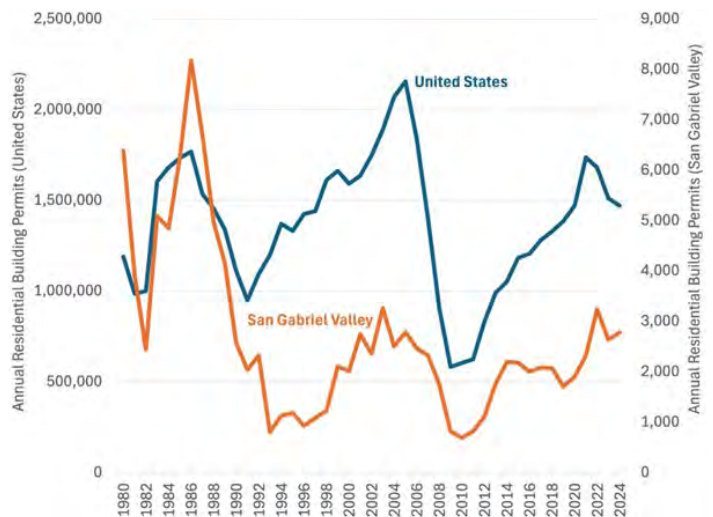
Next, we incorporate a measure of the state-specific trends impacting the California economy.

- 3) The initial unemployment insurance claims, published by the Department of Labor, are the earliest indication of weakness in

the labor market, published weekly in advance of the eventual unemployment rate. The state-level claims are included in the Philly Fed’s leading indexes. Research has shown that unemployment changes are strong predictors of recessions, especially when combined with Treasury term spreads.²

Finally, to distinguish SGV-specific trends from other regions, we include housing permits from the U.S. Census Bureau, which we have obtained for all 31 cities and aggregated to create a regional measure of impending housing production. Figure 5.1 shows that regional housing permits are strongly correlated with national permits, but there are important differences. Notably, the SGV experienced a sharper fall-off in housing production in the late 1980s and early 1990s and, unlike the rest of the U.S., never returned to its previous levels in the subsequent decades. More recently, the SGV experienced an uptick in housing activity, in contrast to the continuing decline at the national level.

Figure 5.1: National vs. Regional Housing Permits



Data source: U.S. Census Bureau. Authors’ calculations.

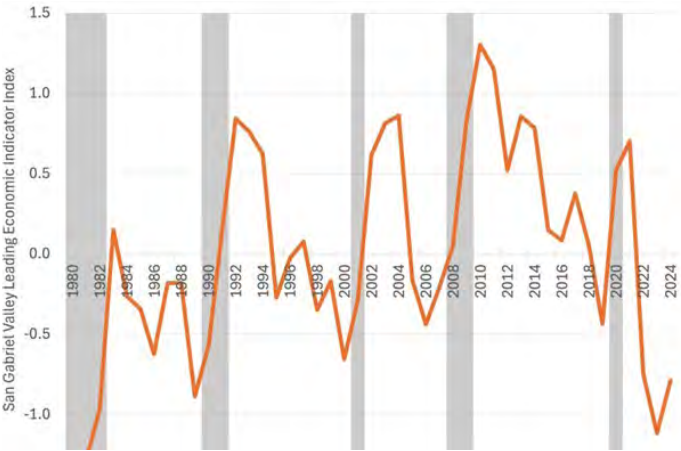
We annualize these four variables and combine them into one index using a common statistical technique for index creation known as “factor analysis.” Our model detects how much these four variables move in sync and extracts the common movements as the index. Essentially, when all four variables are acting as positive indicators, the index is positive, and vice versa.

THE NEW CAL POLY POMONA SGV LEADING ECONOMIC INDEX

The new CPP San Gabriel Valley Leading Economic Index, presented in Figure 5.2, is strongly correlated with regional economic activity. No LEI is perfect, but our statistical tests indicate that this index is a significant predictor of recessions, suggesting that the risk of recession goes up when this index goes down. The index was negative before all of the last four recessions, and it was negative at the beginning of the earliest recession for which we do not have preceding data.

This regional LEI has been negative for the last three years. These measures of economic activity appear to be detecting fundamental weakness that has not risen to the level of economic contraction. Thus, it raises a red flag for 2025. Unless these weaknesses improve, economic growth is likely to be more sluggish than usual. There are more headwinds than typical for an economic expansion.

Figure 5.2: The CPP San Gabriel Valley Leading Economic Index



Data sources: California Employment Development Department (EDD); Federal Reserve Bank of St. Louis; Institute for Supply Management; U.S. Census Bureau. Authors’ calculations. Recessions indicated in gray shading.



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SAN GABRIEL VALLEY WILDFIRE IMPACTS

The Eaton Fire brought a sudden, tragic wave of damage, destruction, trauma, and fatalities to the northwestern San Gabriel Valley. These scars do not heal quickly or easily. The long history of wildfires teaches us that the economic impacts — which are the purview of this report but are certainly not the only type of impacts that matter — are likely to be long-lasting and spill over into the broader regional economy. In this section, we consider some of these impacts.

HOW WILDFIRES IMPACT REGIONAL ECONOMIES

As noted earlier, wildfires create winners and losers during the recovery phase. Employment shifts between sectors, and wages may increase for certain occupations that are in high demand, especially workers involved directly in the cleanup and rebuilding.¹ Retail establishments are hit particularly hard. Even far beyond the immediate disaster area, the wildfire smoke drives away customers, and some never come back. Recent research has shown that smoke-impacted businesses often experience a permanent reduction in sales — which leads to fewer new businesses setting up shop and less job growth — because customers become less likely to live near and drive to areas that they now perceive as more dangerous.²

Sadly, this is not surprising because we know that wildfires instill a fear that drives some residents away for good. Looking back over 20 years of wildfires, researchers have found that these disasters lead to a significant out-migration of residents who do not come back — and for the residents who stay, they are significantly less likely to own homes. They do not wish to risk losing such a large investment again. Homeownership declines the most for older residents.³

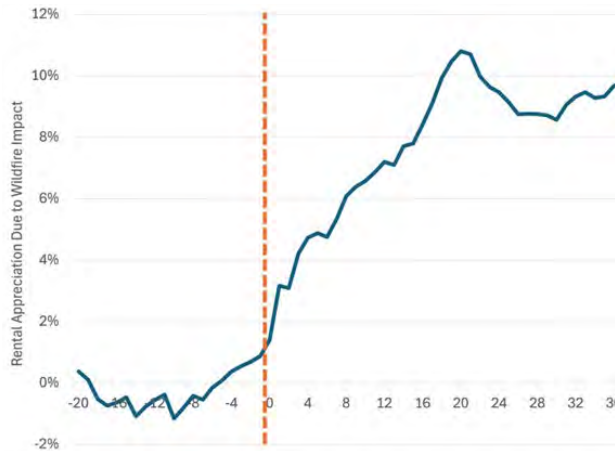
If we are looking for slight good news, wildfires do not tend to spark regional recessions or financial crises. Although they are devastating for the families and businesses whose properties are damaged, they do not generate a significant decline in employment or wages for the surrounding communities.⁴ Nor do they increase mortgage delinquency or prepayment rates for the owners of undamaged properties. We should expect to see a significant increase in mortgage default for the owners whose properties were damaged — the average after previous wildfires was a 4 percentage point increase — but the financial distress should be contained mainly to the burned area.⁵

HOW WILDFIRES IMPACT PROPERTY MARKETS

Wildfires have more permanent impacts on property markets. Not only do they destroy and damage structures that take several years to rebuild, but also they change residents' perception about the risk associated with building and living in or near the burned areas. Studies typically find that wildfires reduce single-family housing prices in the immediate area by 10% to 20%, compared to how fast they would have grown in the absence of a disaster.⁶ More expensive homes tend to experience a greater percentage reduction in value.⁷ These are only the direct effects. Research also shows that wildfires slow price growth in surrounding areas, which did not experience fire damage, because the residents experienced the smoke and air pollution, which makes future homebuyers less willing to pay high prices to live in those neighborhoods.⁸ It is not surprising, therefore, that homeownership rates decline in the face of these new concerns.

As the demand for owner-occupied housing declines, many residents shift

Figure 6.1: Historical Impact of California Wildfires on Multifamily Rents



Source: KE, U.S. Bureau of Economic Analysis

Figure 6.2: Historical Impact of California Wildfires on Multifamily Construction



Data sources: CoStar; Federal Emergency Management Agency.
Authors' calculations.



their preferences from owning to renting. This shift occurs on top of the immediate surge in rental demand that happened during the wildfires, when evacuated residents were displaced and forced to seek shelter elsewhere. This flood of new renters collides with a smaller supply of rental housing, since the wildfire has damaged or destroyed many units. Sure enough, CoStar reported three weeks after the fire started that available rental units in Pasadena declined by 60% — and in particular, available two-bedroom units that could house whole displaced families declined by 85%.⁹ This is the classic recipe for inflation: high demand meets low supply.

We built a statistical model to analyze all the California wildfires from 2000 to 2020, and this is exactly what we found: a significant and persistent increase in effective asking rents at multifamily properties.¹⁰ Figure 6.1 shows that the average rent increase is 4% one year after the wildfire — that is, 4% higher rents than comparable areas that were not impacted by the disaster.

If the rental appreciation were simply driven by temporary damage and destruction, then the line in Figure 6.1 should return back to 0% eventually, indicating that the fire-impacted areas do not remain permanently more expensive as a result of the disaster. New construction should rebuild the structures that were lost, and the scarcity of housing units should unwind, releasing upward pressure on rents. Indeed, Figure 6.2 uses the same statistical model to show that the growth rate of units under construction increases dramatically as the rebuilding effort gains steam. And yet, after the first year, rents keep climbing in Figure 6.1, reaching a plateau around 10% from five years post-disaster onward.

The wildfire has altered the housing market in ways that are hard to reverse. The change in psychology — the increased risk that potential homebuyers perceive — is long-lasting for many residents. Thus, renting continues to be

more attractive than it was before the wildfire. Additionally, the composition of the housing stock changes. Older, more affordable units were destroyed and may be replaced by newer, more expensive units. This new housing stock may attract different residents, leading to concerns about gentrification, especially if government aid and insurance payments are more generous for wealthier homeowners.¹¹ Some research even finds that natural disasters and the ensuring recovery aid both tend to increase wealth inequality.¹² Finally, the cost of operating rental housing is likely to increase, as insurance companies raise their premiums and deductibles to compensate them for the added risk. To the extent that they can, landlords will try to pass on these new costs to their tenants.

Notice also how long it takes for construction to pick up in Figure 6.2. The significant rebuilding does not occur until three to four years after the wildfire. The first couple years are likely to be absorbed by the cleanup efforts; waste remediation; rebuilding of infrastructure that is necessary to support new structures; political decision-making about new building codes, permitting processes, and other rules to guide the rebuilding; transactions to shift the properties into the hands of owners who are willing and able to do the rebuilding; and raising the capital necessary for construction on such a large scale. Obviously, this time scale can become shorter or longer depending on the leadership involved in navigating these stages, but it is folly to believe that most property owners can begin construction quickly without these key prerequisites in place. Consider, for instance, the fact that only 8% of homeowners tend to pull a permit to rebuild within two years after a California wildfire.¹³ We hope that this statistic will look more encouraging in the wake of the Eaton Fire, as policymakers push for faster cleanup and expedited permitting, but we caution that no one should expect most of the destroyed properties to be under construction already in 2025.



WILDFIRE RELIEF DONATIONS AT SANTA ANITA PARK.
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APPENDIX

TABLE 6.1: POPULATION: FORECASTS: SAN GABRIEL VALLEY, LOS ANGELES COUNTY AND CALIFORNIA

Year	San Gabriel Valley	YoY	Los Angeles County	YoY	California	YoY
2014	1,672,000		10,022,500		38,634,600	
2015	1,678,200	0.4%	10,070,500	0.5%	38,956,000	0.8%
2016	1,678,600	0.0%	10,093,200	0.2%	39,205,300	0.6%
2017	1,675,800	-0.2%	10,095,400	0.0%	39,396,900	0.5%
2018	1,668,600	-0.4%	10,069,500	-0.3%	39,500,100	0.3%
2019	1,661,200	-0.4%	10,037,500	-0.3%	39,550,800	0.1%
2020	1,652,500	-0.5%	10,003,600	-0.3%	39,541,700	0.0%
2021	1,620,600	-1.9%	9,897,200	-1.1%	39,246,700	-0.7%
2022	1,599,700	-1.3%	9,829,300	-0.7%	39,146,300	-0.3%
2023	1,588,000	-0.7%	9,814,400	-0.2%	39,109,100	-0.1%
2024E	1,581,000	-0.4%	9,770,800	-0.4%	39,119,700	0.0%
2025P	1,575,000	-0.4%	9,736,000	-0.4%	39,156,000	0.1%
2026F	1,574,000	-0.1%	9,727,000	-0.1%	39,244,000	0.2%
2027F	1,573,000	-0.1%	9,721,000	-0.1%	39,341,000	0.2%

Source: CA DoF, BLS

Four More Stations Now Completed



The Glendora to Pomona project was mostly funded by LA County's Measures M & R, along with state funds (including SB1).



Foothill Gold Line

The Foothill Gold Line is extending LA County's Metro A Line light rail system to the cities of Glendora, San Dimas, La Verne, Pomona, Claremont and Montclair – and is being built in segments. The four-station Glendora to Pomona segment is now substantially complete and turned over to Metro, with passenger service anticipated to begin in Summer 2025. The process to hire the design-builder for the future two-station segment to Claremont and Montclair is underway now. Construction is projected to take approximately five years once the contractor is hired.

Sign up for updates: foothillgoldline.org



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TABLE 6.2: SAN GABRIEL VALLEY: 2024 LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT, AND RATE BY CITY AND CDP

Area	Labor Force	Employment	Unemployment	UE Rate
Alhambra	45,700	43,600	2,200	4.8
Altadena CDP	21,600	20,400	1,200	5.8
Arcadia	28,800	27,500	1,300	4.5
Avocado Heights CDP	6,800	6,500	400	5.5
Azusa	25,000	23,600	1,400	5.7
Baldwin Park	34,100	32,200	2,000	5.8
Bradbury	400	300	0	8.4
Charter Oak CDP	5,200	5,000	300	5.7
Citrus CDP	5,500	5,200	300	5.1
Claremont	16,600	15,800	800	5.1
Covina	23,800	22,400	1,400	5.9
Diamond Bar	29,700	28,400	1,300	4.5
Duarte	11,100	10,600	600	5.3
East Pasadena CDP	2,700	2,600	100	2.7
East San Gabriel CDP	11,500	10,800	700	6.1
El Monte	50,400	47,700	2,700	5.4
Glendora	25,400	24,200	1,300	5
Hacienda Heights CDP	26,800	25,600	1,200	4.5
Industry	100	100	0	6.4
Irwindale	700	700	0	5.1
La Cañada Flintridge	8,800	8,500	400	4
La Puente	18,800	17,700	1,000	5.5
La Verne	16,000	15,200	800	5
Mayflower Village CDP	2,800	2,700	100	3.3
Monrovia	21,600	20,600	1,100	4.8
Montebello	28,500	26,900	1,700	5.8
Monterey Park	28,900	27,500	1,400	4.9
North El Monte CDP	2,000	2,000	0	2.4
Pasadena	79,300	75,200	4,100	5.2
Pomona	67,100	62,900	4,200	6.2
Rosemead	24,700	23,400	1,300	5.3
Rowland Heights CDP	24,000	22,600	1,300	5.7
San Dimas	17,500	16,700	800	4.8
San Gabriel	21,000	20,100	900	4.3
San Marino	5,700	5,600	200	2.8
Sierra Madre	6,100	5,900	200	3.8
South El Monte	8,900	8,500	400	4.6
South Pasadena	14,700	13,900	800	5.3
South San Gabriel CDP	3,700	3,600	100	3.5
South San Jose Hills CDP	9,700	9,100	700	6.7
Temple City	17,900	17,100	900	4.9
Walnut	15,700	15,000	700	4.4
West Covina	51,600	48,800	2,800	5.3
West Puente Valley CDP	10,700	10,100	700	6.1
San Gabriel Valley	878,000	832,400	45,600	5.2
Los Angeles County	5,045,500	4,757,700	287,800	5.7
California	19,364,800	18,327,900	1,037,000	5.4

TABLE 6.3: SAN GABRIEL VALLEY HISTORIC AND PROJECTED POPULATION BY CITY

	2018	2019	2020	2021	2022	2023	2024E	2025P	2026F	2027F
San Gabriel Valley	1,668,600	1,661,200	1,652,500	1,620,600	1,599,700	1,588,000	1,581,000	1,575,000	1,574,000	1,573,000
Los Angeles County	10,069,500	84,800	85,200	84,900	84,400	83,800	82,700	81,300	80,300	79,800
California	39,500,100	57,800	58,200	58,400	58,400	57,900	56,500	55,500	54,700	54,200
Azusa	48,600	49,500	49,700	49,800	49,800	50,000	50,200	49,200	48,600	48,300
Baldwin Park	76,400	76,400	76,200	75,900	75,600	75,300	71,900	70,500	69,500	68,800
Bradbury	1,100	1,100	1,100	1,100	1,100	1,100	900	900	900	900
Claremont	35,700	36,000	35,900	35,800	36,400	36,300	37,200	36,700	36,000	35,600
Covina	48,500	48,600	48,400	48,200	47,800	47,500	51,200	50,200	49,400	48,700
Diamond Bar	56,300	56,400	56,600	56,300	56,100	55,700	54,900	53,700	52,700	52,000
Duarte	21,800	21,800	21,700	21,600	21,500	21,300	21,700	21,200	21,700	23,100
El Monte	115,600	115,800	115,600	115,500	115,300	115,500	109,100	106,800	105,100	103,800
Glendora	51,100	51,800	51,900	52,000	51,800	51,500	52,400	51,300	50,500	49,900
Industry	200	200	200	200	200	200	300	300	300	300
Irwindale	1,400	1,400	1,400	1,500	1,500	1,400	1,500	1,500	1,400	1,400
La Puente	40,400	40,400	40,300	40,100	39,800	39,600	37,900	37,300	36,900	36,500
La Verne	32,200	32,400	32,400	32,300	32,100	32,000	31,500	30,800	30,300	29,900
Monrovia	37,100	37,200	37,000	36,800	36,600	36,300	38,000	37,600	37,100	36,800
Montebello	63,300	63,400	63,100	62,800	62,400	62,000	62,400	61,200	60,400	60,000
Monterey Park	60,800	60,900	60,800	60,700	60,200	59,700	60,900	59,600	58,600	57,900
Pasadena	139,500	141,000	141,600	141,800	140,900	141,000	138,500	136,300	134,500	133,600
Pomona	152,200	152,400	152,400	152,500	151,900	151,700	151,000	147,100	146,300	145,500
Rosemead	54,400	54,400	54,300	54,200	54,200	54,100	51,000	50,100	49,500	49,300
San Dimas	34,300	34,300	34,200	34,100	33,900	33,600	34,800	34,100	33,500	33,100
San Gabriel	40,100	40,100	40,300	40,300	40,200	39,900	39,500	38,700	38,100	37,700
San Marino	13,300	13,300	13,300	13,200	13,100	13,000	12,500	12,300	12,100	12,000
Sierra Madre	11,100	11,100	11,000	11,000	10,900	10,800	11,200	11,000	10,800	10,700
South El Monte	20,400	20,700	20,800	20,900	20,700	20,600	19,600	19,400	19,300	19,000
South Pasadena	25,900	25,900	25,800	25,700	25,500	25,300	26,800	26,300	25,900	25,600
Temple City	35,900	36,100	36,300	36,200	36,000	35,800	36,400	35,700	35,200	34,900
Walnut	29,900	30,000	29,900	30,000	29,900	29,700	28,300	27,800	27,400	27,100
West Covina	107,400	107,500	107,400	106,900	106,000	105,100	109,200	106,900	105,700	105,600

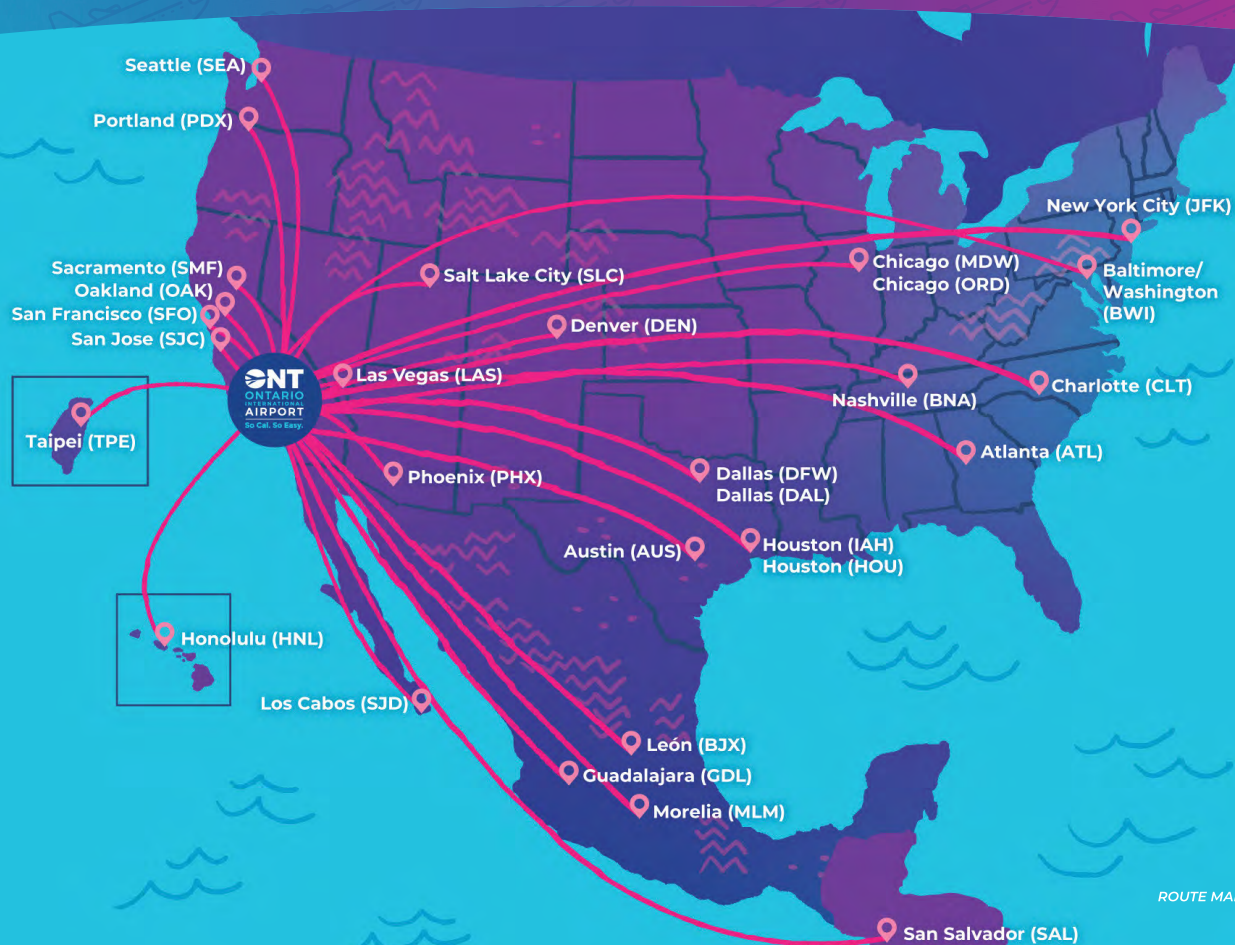
Source: Census, CA DoF

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ENDNOTES

SECTION 2: SETTING THE STAGE: MACRO HEADWINDS & TAILWINDS

2.1 Early studies demonstrating its predictive value include “The Term Structure as a Predictor of Real Economic Activity” by Arturo Estrella and Gikas A. Hardouvelis (1991, *Journal of Finance*) and “The Yield Curve as a Predictor of U.S. Recessions” by Arturo Estrella and Frederic S. Mishkin (1996, *Current Issues in Economics and Finance*). More recent confirmation, with data stretching back to the beginning of the 19th century, comes from “Low Interest Rates and the Predictive Content of the Yield Curve” by Michael D. Bordo and Joseph G. Haubrich (2024, *North American Journal of Economics and Finance*).

2.2 “Housing IS the Business Cycle” by Edward E. Leamer (2008, *Housing, Housing Finance and Monetary Policy*).

2.3 In 2015, Leamer revisited the data and found that residential investment was still a strong predictor: “Housing Really Is the Business Cycle: What Survives the Lessons of 2008-09?” by Edward E. Leamer (2015, *Journal of Money, Credit and Banking*). Subsequently, however, Richard Green has argued that it is not as strong a predictor as it once was: “Is Housing Still the Business Cycle? Perhaps Not.” by Richard K. Green (2022, *Handbook of Real Estate and Macroeconomics*).

2.4 This indicator was first proposed by one of the authors of this report: “Does Housing (Production) Predict Recessions?” by Anthony W. Orlando (2019, working paper).

2.5 “Historical Causes of Postwar Oil Shocks and Recessions” by James D. Hamilton (1985, *The Energy Journal*); “This Is What Happened to the Oil Price-Macroeconomy Relationship” by James D. Hamilton (1996, *Journal of Monetary Economics*); “Causes and Consequences of the Oil Shock of 2007-08” by James D. Hamilton (2009, *Brookings Papers on Economic Activity*); “Historical Oil Shocks” by James D. Hamilton (2013, *Routledge Handbook of Major Events in Economic History*).

SECTION 3: SAN GABRIEL VALLEY LABOR FORCE

3.1 Location quotients are the ratio of SGV to CA (or US) per capita employment by 2-digit NAICS classification.

3.2 Which combines Treasury yields, inflation data, inflation swaps, and survey-based measures of inflation expectations.

3.3 Congressional Budget Office, 2025. *Additional Information About the Economic Outlook: 2025 to 2035*, January 2025. <https://www.cbo.gov/publication/61135>.

3.4 McKibbin, Warwick, Megan Hogan, and Marcus Noland, 2024. “The international economic implications of a second Trump presidency, Peterson Institute for International Economics”, Working Paper 24-20.

3.5 38,000 in the first month of the new administration, versus 57,000 per month under the Biden administration in 2024 and about 45,000 per month during the Obama administration.

3.6 McKibbin et al., *ibid*; and York, Erica, 2025. *Trump Tariffs: Tracking the Economic Impact of the Trump Trade War*. The Tax Foundation, www.taxfoundation.org

3.7 For 2025Q1, the Atlanta Fed is now estimating a (seasonally adjusted annualized) rate of contraction of 2.8% in real GDP, though much of it may be ascribed to a (one-time) increase in imports ahead of the tariffs.

3.8 York, Erica, 2025. *Revenue Estimates of Trump’s Universal Baseline Tariffs*. The Tax Foundation, www.taxfoundation.org.

3.9 In 2023, Federal discretionary non-defense spending amounted to \$917 billion, about 3.4% of GDP (27.0 trillion). A 10% cut would free up an additional \$100 billion per year for tax cuts but reduce fiscal stimulus.

3.10 Estimates suggest that it costs about \$1.60 in tax cuts for every dollar in

increased fiscal stimulus to create jobs, though this depends on the exact nature of the cuts/spending.

3.11 David Autor, Anne Beck, David Dorn, and Gordon Hanson, 2024. Help for the Heartland? The Employment and Electoral Effects of the Trump Tariffs in the United States. NBER Working Paper Series, 2024-01. DOI: 10.3386/w32082.

3.12 They explain this asymmetric effect by noting that trade flow in agricultural products is more sensitive to changes in cost – such as tariffs and transportation – than for manufactured goods.

3.13 Max Nielsen-Pincus, Cassandra Moseley, and Krista Gebert, 2014. Job growth and loss across sectors and time in the western US: The impact of large wildfires. *Forest Policy and Economics*, 38, pp 199-206. <http://dx.doi.org/10.1016/j.forpol.2013.08.010>

3.14 This decrease is mitigated partly by civil engineering construction gains and some worker rotation to other sites in the San Gabriel Valley.

3.15 CBO, 2025. *Ibid*.

3.16 Note that the natural resources and mining sector results are an artifact of its low base employment.

SECTION 4: SAN GABRIEL VALLEY REAL ESTATE

4.1 The Federal Reserve Bank of Atlanta publishes this “Share of Median Income” statistic at the metropolitan level on a monthly basis as part of its Home Ownership Affordability Monitor: <https://www.atlantafed.org/research/data-and-tools/home-ownership-affordability-monitor>.

4.2 The Consumer Price Index for All Urban Consumers (CPI-U), released by the Bureau of Labor Statistics, grew 3.0% from January 2024 to January 2025.

4.3 The S&P CoreLogic Case Shiller Index is available at <https://www.spglobal.com/spdji/en/index-family/indicators/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite/>. The announcement of the FHFA Index appreciation is available at <https://www.fhfa.gov/news/news-release/u.s.-house-prices-rise-4.5-percent-over-the-prior-year-up-1.4-percent-from-the-third-quarter-of-2024>.

4.4 “January Home Sales and Price Report” by California Association of Realtors (February 19, 2025, <https://www.car.org/aboutus/mediacenter/newsreleases/2025releases/jan2025sales>).

4.5 Mortgage rates are available from Freddie Mac: <https://www.freddiemac.com/pmms>. The federal funds rate is available from the Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/FEDFUNDS>.

4.6 The 10-year Treasury rate is available from the Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/DGS10>.

4.7 “Mortgage Costs as a Share of Housing Costs — Placing the Cost of Credit in Broader Context” by Jaclene Begley and Mark Palim (2024, *Housing Policy Debate*).

4.8 “Equitable Rent: Rent Stabilization Standards in the City of Los Angeles” by Kenneth Baar, Patrick Burns, Daniel Flaming, and Anthony W. Orlando (2024, <https://economicrt.org/wp-content/uploads/2024/09/Equitable-Rent-Economic-Roundtable-report-on-the-RSO-9-12-2024-compact.pdf>).

4.9 In general, California metropolitan areas are more restrictive than most other cities and states. This fact has been documented by a long literature, such as “Regulation and the High Cost of Housing in California” by John M. Quigley and Steven Raphael (2005, *American Economic Review*); “The Local Residential Land Use Regulatory Environment Across Housing Markets: Evidence from a New Wharton Index” by Joseph Gyourko, Jonathan S. Hartley, and Jacob



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Krimmel (2021, *Journal of Urban Economics*); and “Houston, You Have a Problem: How Large Cities Accommodate More Housing” by Anthony W. Orlando and Christian L. Redfearn (2024, *Real Estate Economics*).

4.10 The original model was slightly different, focusing on vacancy rates instead of construction during the pandemic when a lot of construction was on hold: “The Effects of COVID-19 on Downtown Land Use: Evidence from Four U.S. Cities” by Nathan Mark Hutson and Anthony W. Orlando (2025, *Journal of Urban Affairs*).

4.11 This outcome was predicted by “Coming Soon! A Warehouse Near You” by Daniel Flaming, Anthony W. Orlando, Fernando Gaytan, Juan De Lara, and Sophie Penneret (2024, <https://economicrt.org/wp-content/uploads/2024/06/Changes-following-Zero-Emission-Logistics-6-17-2024.pdf>).

4.12 Hutson and Orlando (2025).

4.13 “Record-Breaking 71k Apartments Set to Emerge from Office Conversions” by Florin Petrut (2025, <https://www.rentcafe.com/blog/rental-market/market-snapshots/adaptive-reuse-office-to-apartments-2025/>).

4.14 “West Coast Multifamily Led Price Gains Compared to the Third Quarter of 2024” by CoStar (2025, https://www.costargroup.com/sites/costargroup.com/files/2025-01-CCRSI/CCRSI_Jan2025.pdf); “Property Values Up 5% in 2024” by Green Street Advisors (2025, <https://insights.greenstreet.com/hubfs/GSCPP-20250107.pdf>).

4.15 “Manhattan’s Commercial Property Sales Volume on Par with Pre-Pandemic Level” by Jared Koeck (2025, <https://www.costar.com/article/1108517437/manhattans-commercial-property-sales-volume-on-par-with-pre-pandemic-level>).

4.16 “West Coast Landlord Points to Return of Larger Leases as Sign of Escalating Office Recovery” by Katie Burke (2025, <https://www.costar.com/article/814767251/west-coast-landlord-points-to-return-of-larger-leases-as-sign-of-escalating-office-recovery>).

4.17 Authors’ calculations from NAREIT data available at <https://www.reit.com/data-research/reit-indexes/real-time-index-returns>.

4.18 “CMBS Delinquency Rate Pulls Back Slightly to Open 2025, Office Rate Retreats” by Vivek Denkanikotte (2025, <https://www.trepp.com/trepp-talk/cmbs-delinquency-rate-pulls-back-slightly-open-2025-office-rate-retreats>).

4.19 “Office Demand Reconnects with Job Growth” by Phil Mobley (2025, <https://www.costar.com/article/383100852/office-demand-reconnects-with-job-growth>).

4.20 “Analyzing CMBS Issuance Trends from 2019 to 2024: A Comprehensive Look at the Evolving Market” by Stephen Buschbom (2025, <https://www.trepp.com/trepp-talk/analyzing-cmbs-issuance-trends-from-2019-to-2024>).

4.21 “KKR Pulls in \$850 Million as More Real Estate Borrowers Turn to Private Lenders” by Mark Heschmeyer (2025, <https://www.costar.com/article/1083593363/kkr-pulls-in-850-million-as-more-real-estate-borrowers-turn-to-private-lenders>).

SECTION 5: SAN GABRIEL VALLEY LEADING ECONOMIC INDEX

5.1 More details about the Conference Board LEI’s construction are available at <https://www.conference-board.org/data/bci/index.cfm?id=2160>. More details about the Philly Fed’s indexes are available at <https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/state-leading-indexes>.

5.2 “Unemployment Changes as Recession Indicators” by Andreas Hornstein (2023, *Federal Reserve Bank of Richmond Economic Brief*).

SECTION 6: SAN GABRIEL VALLEY WILDFIRE IMPACTS

6.1 “The Effects of Large Wildfires on Employment and Wage Growth and Volatility in the Western United States” by Max Nielsen-Pincus, Cassandra Moseley, and Krista Gebert (2013, *Journal of Forestry*); “Job Growth and Loss

Across Sectors and Time in the Western US: The Impact of Large Wildfires” by Max Nielsen-Pincus, Cassandra Moseley, and Krista Gebert (2014, *Forest Policy and Economics*).

6.2 “Does Wildfire Smoke Choke Local Business?” by Jawad M. Addoum, Dimitrios Gounopoulos, Matthew Gustafson, Ryan Lewis, and Tam Nguyen (2024, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4564296).

6.3 “Effects of Wildfire Destruction on Migration, Consumer Credit, and Financial Distress” by Kathryn McConnell, Stephan Whitaker, Elizabeth Fussell, Jack DeWaard, Kobie Price, and Katherine Curtis (2021, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3995455).

6.4 Nielsen-Pincus, Moseley, and Gebert (2013, 2014).

6.5 “California Wildfires, Property Damage, and Mortgage Repayment” by Siddharta Biswas, Mallick Hossain, and David Zink (2023, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4372320).

6.6 “Do Repeated Wildfires Change Homebuyers’ Demand for Homes in High-Risk Areas? A Hedonic Analysis of the Short and Long-Term Effects of Repeated Wildfires on House Prices in Southern California” by Julie Mueller, John Loomis, and Armando González-Cabán (2007, *Journal of Real Estate Finance & Economics*); “The Effect of Natural Disasters on Housing Prices: An Examination of the Fourmile Canyon Fire” by Katherine A. Kiel and Victor A. Matheson (2018, *Journal of Forest Economics*).

6.7 “Do the Estimated Impacts of Wildfires Vary with the Housing Price Distribution? A Quantile Regression Approach” by Julie M. Mueller and John B. Loomis (2014, *Land Use Policy*).

6.8 “The Impact of Wildfires and Wildfire-Induced Air Pollution on House Prices in the United States” by Zeying Huang and Mark Skidmore (2024, *Land Economics*).

6.9 “Pasadena Apartment Availability Nosedives Because of Wildfires” by Ryan Patap (2025, <https://www.costar.com/article/160018192/pasadena-apartment-availability-nosedives-because-of-wildfires>).

6.10 This dataset and statistical methodology builds on previous work by one of the authors: “Disasters and the Rental Housing Community: Setting a Research and Policy Agenda” by Carlos Martín, Brian An, Rachel Drew, Andrew Jakobovics, Anthony Orlando, Noah Patton, Jennifer Moody, Manann Donoghoe, and Seva Rodnyansky (2023, Brookings Institution). The findings presented here in Figures 6.1 and 6.2 use a more sophisticated model known as an iterative fixed effects model, which provides a better estimate of cause-and-effect, but the general approach is similar.

6.11 “Disaster Recovery Gentrification in Post-Wildfire Landscapes: The Case of Paradise, CA” by Nicole Lambrou, Crystal Kolden, and Anastasia Loukaitou-Sideris (2025, *International Journal of Disaster Risk Reduction*).

6.12 “Damages Done: The Longitudinal Impacts of Natural Hazards on Wealth Inequality in the United States” by Junia Howell and James R. Elliott (2019, *Social Problems*).

6.13 Biswas, Hossain, and Zink (2023).



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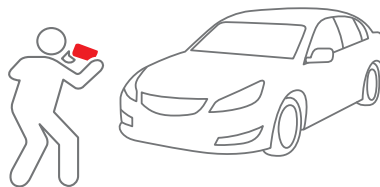
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