

# Santa Ana Economic Indicators Report

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## 1. Introduction

This market study contains a review of demographic, economic, and land use trends in Santa Ana followed by demand estimates for key land use sectors. A variety of data sources were utilized throughout and are identified and cited. This study first examines overall demographic and citywide land use trends and then examines land use trends within the identified General Plan Update Land Use Focus Areas (hereafter referred to as Focus Areas). Each of the five Focus Areas will be evaluated separately to identify sustainable land use scenarios as part of the City of Santa Ana comprehensive General Plan Update. The intent is to provide Santa Ana's context within Orange County and the Focus Area contexts within the city. Appendix figures and tables, and a map of the Focus Areas, have been included with summary data.

### 1.1 Demand Findings

Since 2000, little new inventory has been added to the office, industrial, or retail sectors in Santa Ana, and the age of existing stock is generally advanced. Residential inventory has grown more substantially with 10,400 new housing units constructed between 2005 and 2018 for an average of 800 per year. Rents and land use costs in Santa Ana are lower than Orange County averages.

#### 1.1.1 Housing Demand

The existing City of Santa Ana residential pipeline is robust and as of December 2019 includes approximately 10,200 units under construction or planned. Based on SCAG adopted 2016 growth forecasts, the city would need to attract households from the rest of Orange County in order to absorb the new units if all are delivered in the next five years as expected. Based on low, medium, and high cumulative demand estimates, demand for additional housing units beyond the development pipeline is most likely in the 2033 time period and beyond. It is important to note that the demand analysis does not account for potential demand resulting from additional household formation from existing Santa Ana residents. Santa Ana's large average household size represents an additional potential source of demand that could absorb additional housing units. Affordability will be a critical variable, however, as household and per-capita incomes in Santa Ana are substantially lower than in Orange County as a whole. Absent a meaningful proportion of affordable units in the new inventory, new household formation from existing Santa Ana households could be limited.

#### 1.1.2 Office Demand

The office pipeline is small in terms of the number of projects, but two very large projects, One Broadway and the Main Place Mall Redevelopment would add over 500,000 and 750,000 square feet (SF) respectively if completed. The demand analysis indicates that if both projects are completed, they will absorb all forecasted office demand, including demand from within Santa Ana and demand captured from Countywide growth, until well after 2030. Depending on the outcome of these two large projects, there should be opportunity to develop new office inventory.

#### 1.1.3 Industrial

The industrial pipeline consists primarily of one large project under construction that will satisfy forecast demand from within Santa Ana and demand captured from Countywide growth through approximately 2023. Cumulative demand by 2040 is estimated to range from 1 million to as much as 2.6 million SF.



#### 1.1.4 Retail

The cumulative estimated retail demand through 2040 is approximately 1.2 million SF for the high growth scenario. The current development pipeline for retail space is substantial, with multiple mixed-use and stand-alone developments proposed to bring an additional 800,000 SF to market. This supply is likely to satisfy incremental demand for retail space through 2033. Demand for additional retail space will depend on the growth and absorption of the other land uses and will be sensitive to the addition of jobs and households in Santa Ana.

## 2. Demographics

### 2.1 Population

According to the SCAG 2016 – 2040 Forecast, between 2020 and 2040 population and household numbers are estimated to grow at a faster rate in Orange County than in Santa Ana. It should be noted these estimates are informed by local city input, based on the “likely” new development of the respective cities, which is updated every three years in conjunction with the SCAG Regional Transportation Plan (RTP). Given the historical housing supply deficit and expectation it will continue, communities within Orange County that increase housing capacity can be expected to experience higher rates of population and household growth than indicated in the SCAG forecast.

**Table 1.1 Population Growth Projections**

	2012	2018	2020	2035	2040	2020 - 2040	
						CAGR	% Change
Orange County	3,071,600	3,220,042	3,271,100	3,431,200	3,461,500	.28%	6%
Santa Ana	329,200	337,714	340,600	343,400	343,100	.04%	1%

Source: SCAG 2016-2040 Forecast

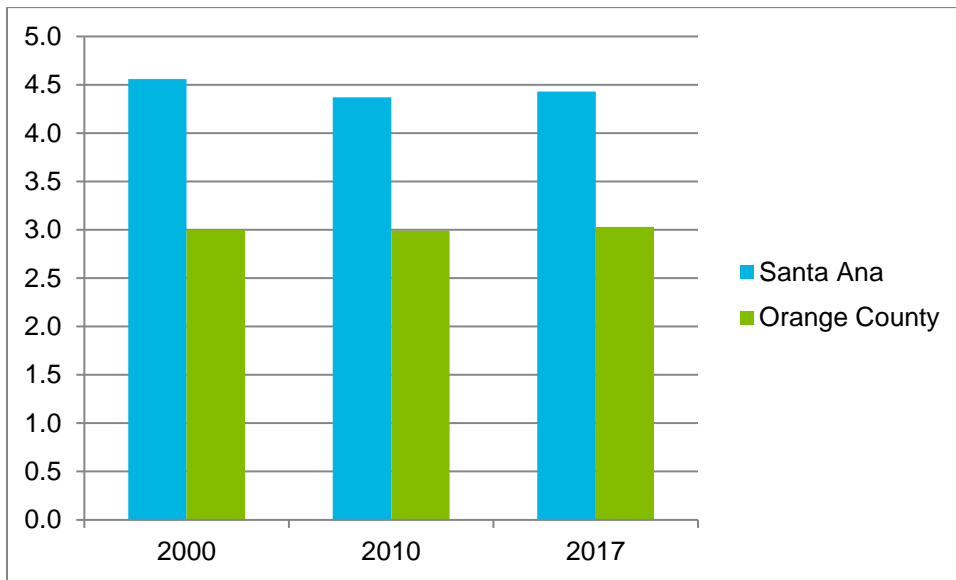
**Table 1.2 Household Growth Projections**

	2012	2018	2020	2035	2040	2020 – 2040	
						CAGR	% Change
Orange County	999,500	1,055,386	1,074,700	1,135,300	1,152,300	.35%	7%
Santa Ana	73,300	75,761	76,600	77,700	78,000	.09%	2%

Source: SCAG 2016-2040 Forecast

Santa Ana is notable for large household sizes that make its population density one of the highest in the country. It also bears highlighting that SCAG’s 2016-2040 Growth Forecast estimates suggest that incremental population and household growth through 2040 will be marked by households that are smaller, averaging 1.8 persons per incremental household. Despite this, forecast overall household size remains relatively unchanged due to the slow projected growth rate, which suggests that the current pattern of large intergenerational households in Santa Ana will change little by 2040.

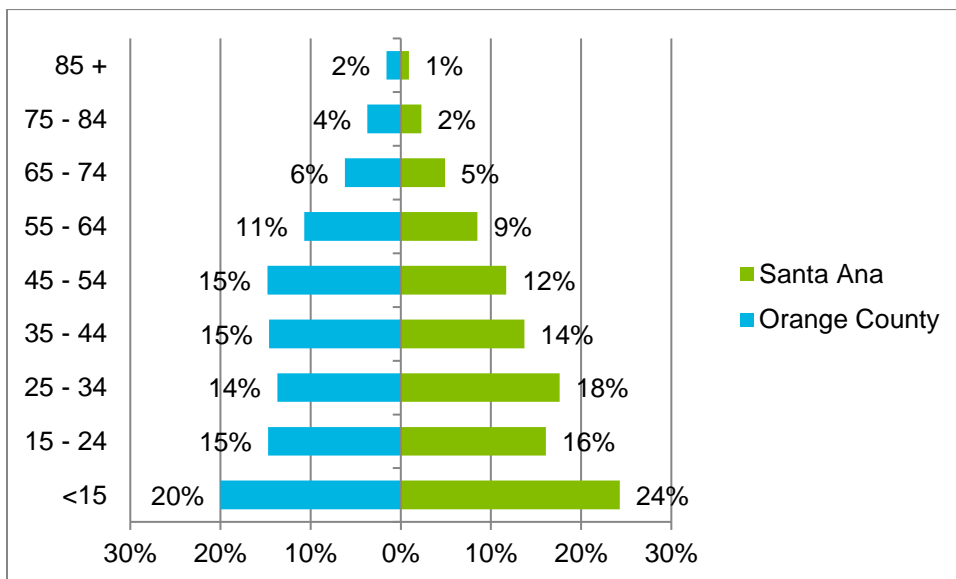
**Figure 1.1 Household Size**



Source: ESRI, 2017

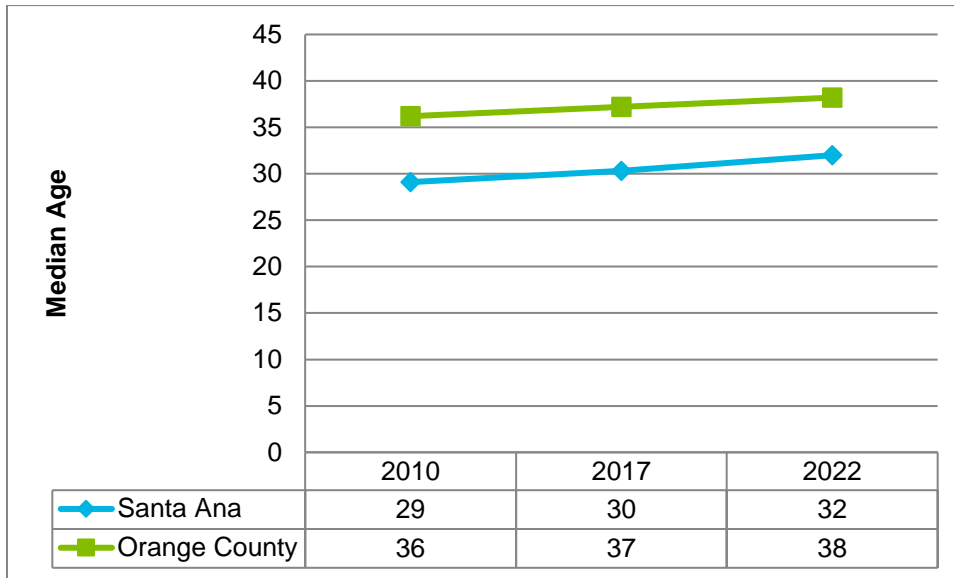
In a continuation of the historical trend, Santa Ana’s overall population profile remains younger than for Orange County as a whole with 58% of the City’s population under the age of 35 compared to 49% in Orange County. The median age of the Santa Ana population, while projected to grow slightly, will remain substantially lower than that of the County.

**Figure 1.2 Population Age Distribution (2017)**



Source: ESRI, 2017

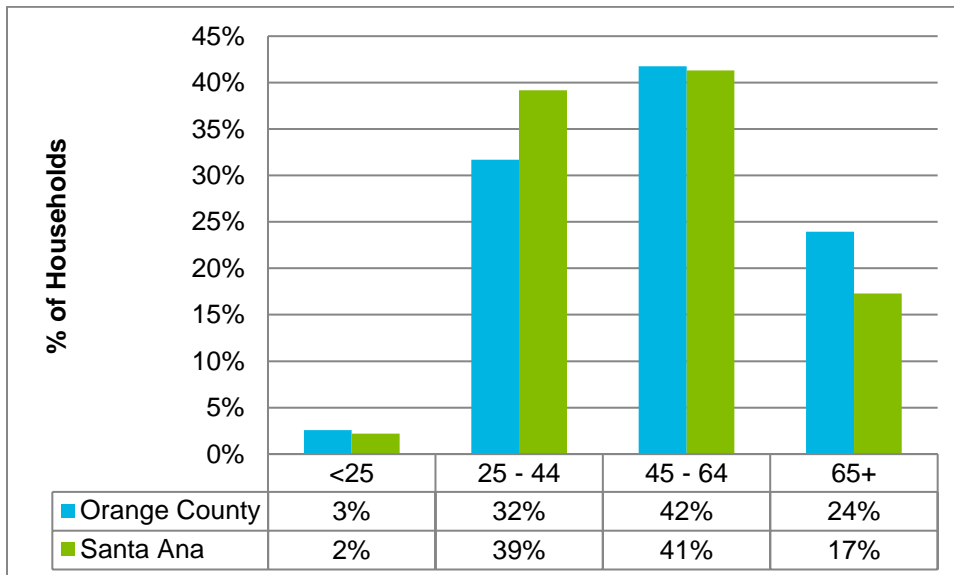
**Figure 1.3 Median Age Comparison (2017)**



Source: ESRI, 2017

A comparison of householder age skews younger as well for Santa Ana. Householders, defined as the person(s) in whose name a housing unit is rented or owned, generally correlate reasonably close to the economic heads of household. In Santa Ana’s case, there is a nearly identical percentage of householders within the 45-to-64 cohort and a substantially larger percentage in the 25-to-44 cohort (Figure 1.4).

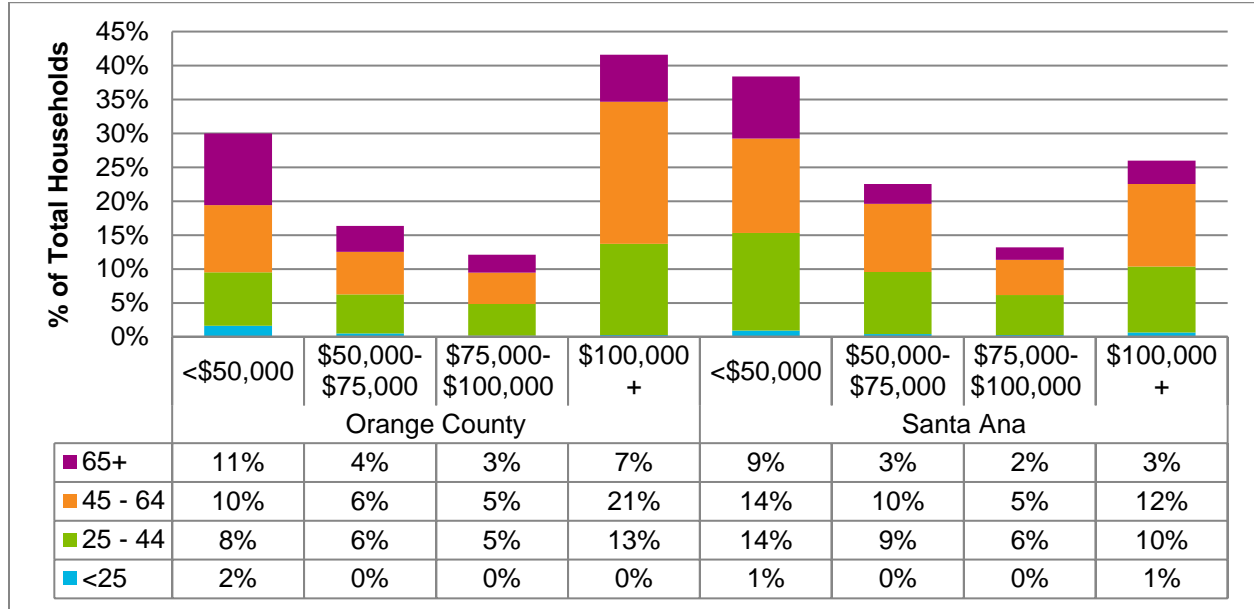
**Figure 1.4 Age of Householder Distribution (2017)**



Source: U.S. Census ACS 1-Year File, 2017

The 45-to-64 cohort generally corresponds workers' prime earning years. As shown in Figure 1.5, Santa Ana has a lower percentage of households in this cohort with a household income above \$100,000 relative to Orange County and a higher percentage with an income less than \$50,000. There is also a relative household income difference in the 25-to-44 cohort, albeit less pronounced. This pattern holds true overall, with over 40% of Orange County households having an income over \$100,000 compared to only 26% in Santa Ana.

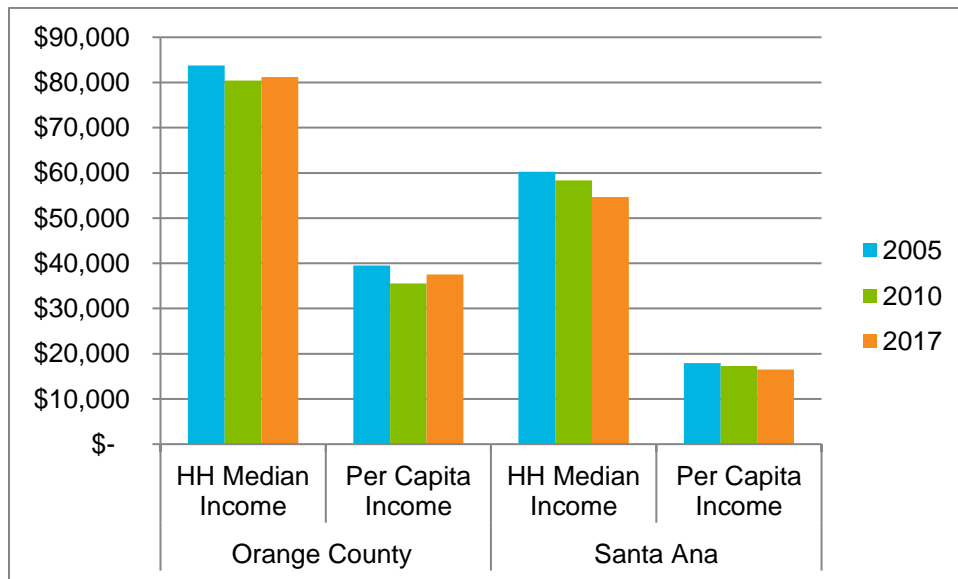
**Figure 1.5 Households by Income and Age of Householder (2017)**



Source: U.S. Census ACS 1-Year File, 2017

While there are income disparities between Santa Ana and Orange County, inflation-adjusted household and per-capita incomes have decreased in both geographies since 2005. This is a common trend in California and nationally. As of 2017, Orange County real incomes appeared to be trending above 2010 levels, but the same had not yet occurred in Santa Ana.

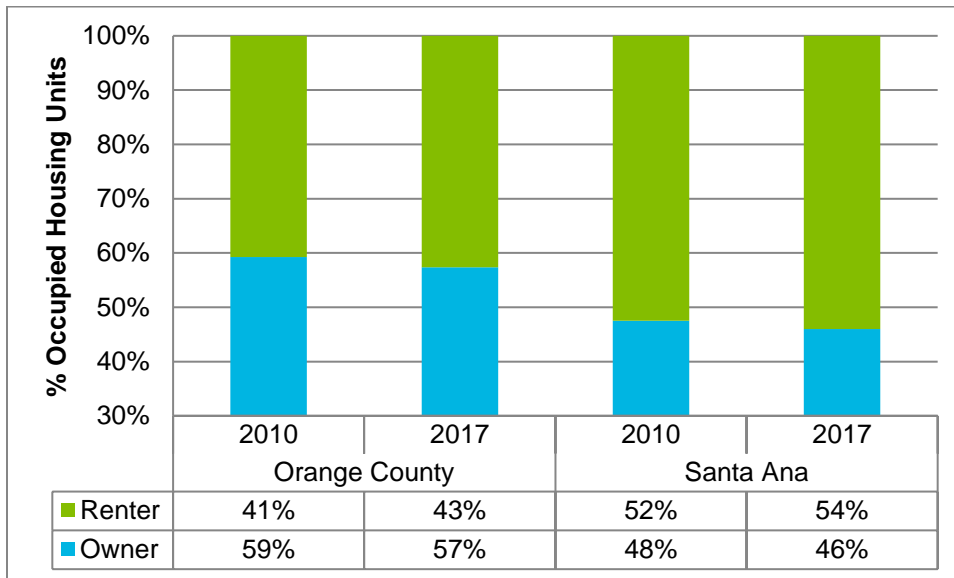
**Figure 1.6 Inflation-Adjusted Median Household and Per-Capita Income**



Source: ESRI; Bureau of Labor Statistics Consumer Price Index, 2017

The decline in homeownership levels occurring in Santa Ana and Orange County (Figure 1.7) is a common trend across California and the country as a whole. In 2017, California’s homeownership rate was around 54% compared to a national rate of around 64%. The increase in renters regionally is attributable to numerous factors including the high cost of for-sale housing and the growing proportion of new housing comprised of rental multifamily units.

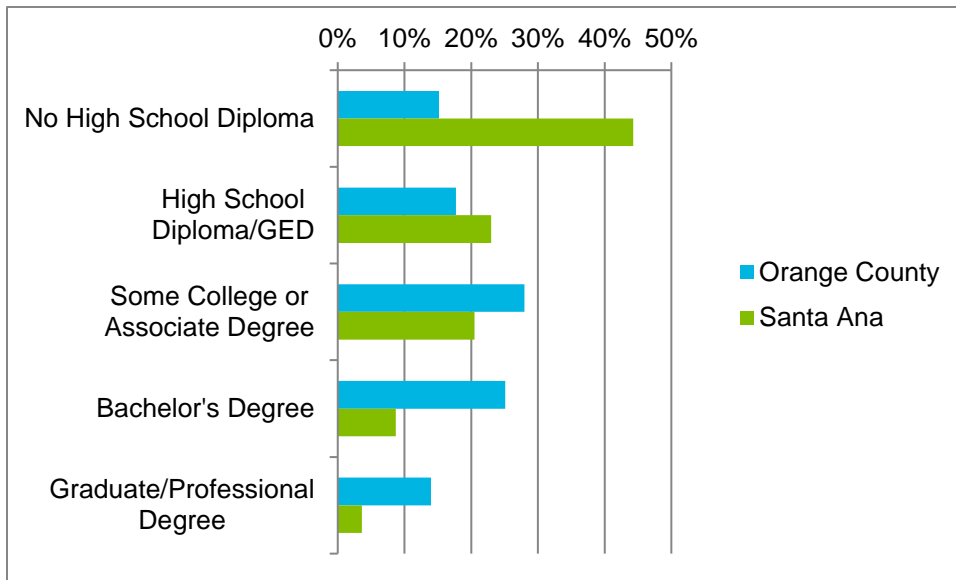
**Figure 1.7 Housing Tenure (2017)**



Source: U.S. Census ACS 1-Year Files, 2017

Approximately 13% of the Santa Ana population over the age of 25 has a bachelor’s degree or higher compared to 39% of Orange County (Figure 1.8). A comparison of educational attainment by category shows that the Santa Ana 35-to-44 and 45-to-64 cohorts have lower levels of education relative to the same Orange County cohorts; however, it is notable that the Santa Ana 25-to-34 cohort provides a plurality of the City’s population over 25 that has completed high school, some college or an associate’s, or a bachelor’s degree or higher.

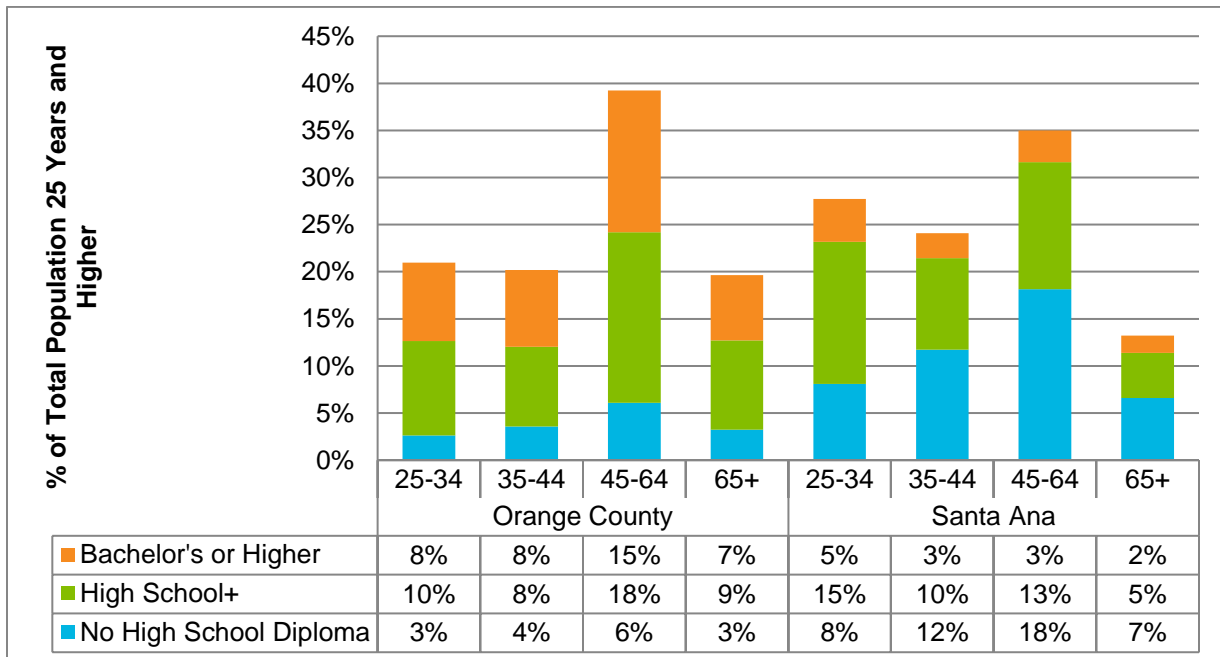
**Figure 1.8 Educational Attainment (2017)**



\*Population 25 years of age and higher.

Source: ESRI, 2017

**Figure 1.9 Educational Attainment by Age (2017)**



\*Population 25 years of age and higher. High School+ is comprised of graduates, some college, and Associate’s degrees.

Source: U.S. Census ACS 1-Year File, 2017

## 2.2 Employment

As the County seat and a manufacturing hub, Santa Ana has played an important economic role in the region. However, employment growth has lagged that of Orange County overall. SCAG's forecasts estimate that this historical trend is likely to continue.

**Table 2.1 SCAG Employment Forecast**

	2012	2018	2020	2035	2040	2020-2040	
						CAGR	% Change
Orange County	1,526,500	1,677,004	1,730,400	1,870,500	1,898,900	.47%	9%
Santa Ana	154,800	159,130	160,600	165,200	166,000	.17%	3%

Source: SCAG 2016 -2040 Forecast

Table 2.2 shows Santa Ana employment trends by sector. Public Administration remains the largest employer in the City followed by Manufacturing. In most cases employment levels had not recovered to pre-recession peaks by 2015. From 2010 to 2015 however, some sectors such as Construction, Finance and Insurance, Wholesale Trade, Administration & Support, Waste Management and Remediation, Health Care and Social Assistance, and Retail Trade added a substantial number of jobs accounting for nearly all job growth.

**Table 2.2 Santa Ana Primary Employment Trends by Sector (2005-2015)**

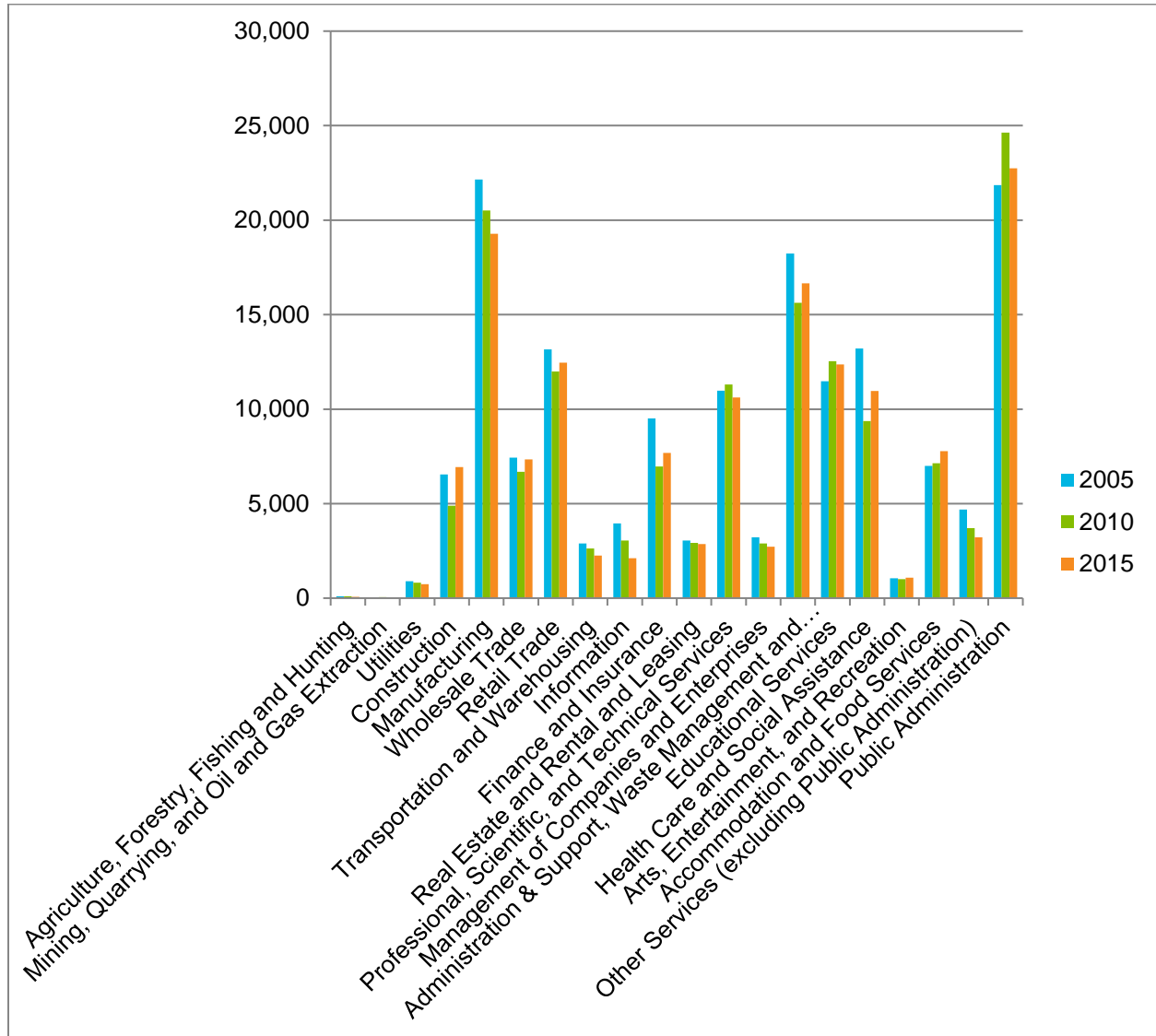
	2005	2010	2015	% Change	
				2005 - 2015	2010 - 2015
Agriculture, Forestry, Fishing and Hunting	103	93	75	-37%	-24%
Mining, Quarrying, and Oil and Gas Extraction	7	47	7	0%	-571%
Utilities	896	821	739	-21%	-11%
Construction	6,551	4,882	6,930	5%	30%
Manufacturing	22,146	20,508	19,272	-15%	-6%
Wholesale Trade	7,429	6,686	7,343	-1%	9%
Retail Trade	13,157	11,992	12,458	-6%	4%
Transportation and Warehousing	2,886	2,629	2,250	-28%	-17%
Information	3,961	3,041	2,107	-88%	-44%
Finance and Insurance	9,511	6,961	7,690	-24%	9%
Real Estate and Rental and Leasing	3,044	2,931	2,861	-6%	-2%
Professional, Scientific, and Technical Services	10,968	11,305	10,619	-3%	-6%
Management of Companies and Enterprises	3,227	2,898	2,726	-18%	-6%
Administration & Support, Waste Management and Remediation	18,225	15,625	16,653	-9%	6%
Educational Services	11,471	12,537	12,370	7%	-1%
Health Care and Social Assistance	13,204	9,367	10,955	-21%	14%
Arts, Entertainment, and Recreation	1,057	997	1,080	2%	8%
Accommodation and Food Services	7,001	7,142	7,770	10%	8%
Other Services (excluding Public Administration)	4,681	3,709	3,225	-45%	-15%
Public Administration	21,851	24,628	22,736	4%	-8%

Source: U.S. Census Bureau OnTheMap



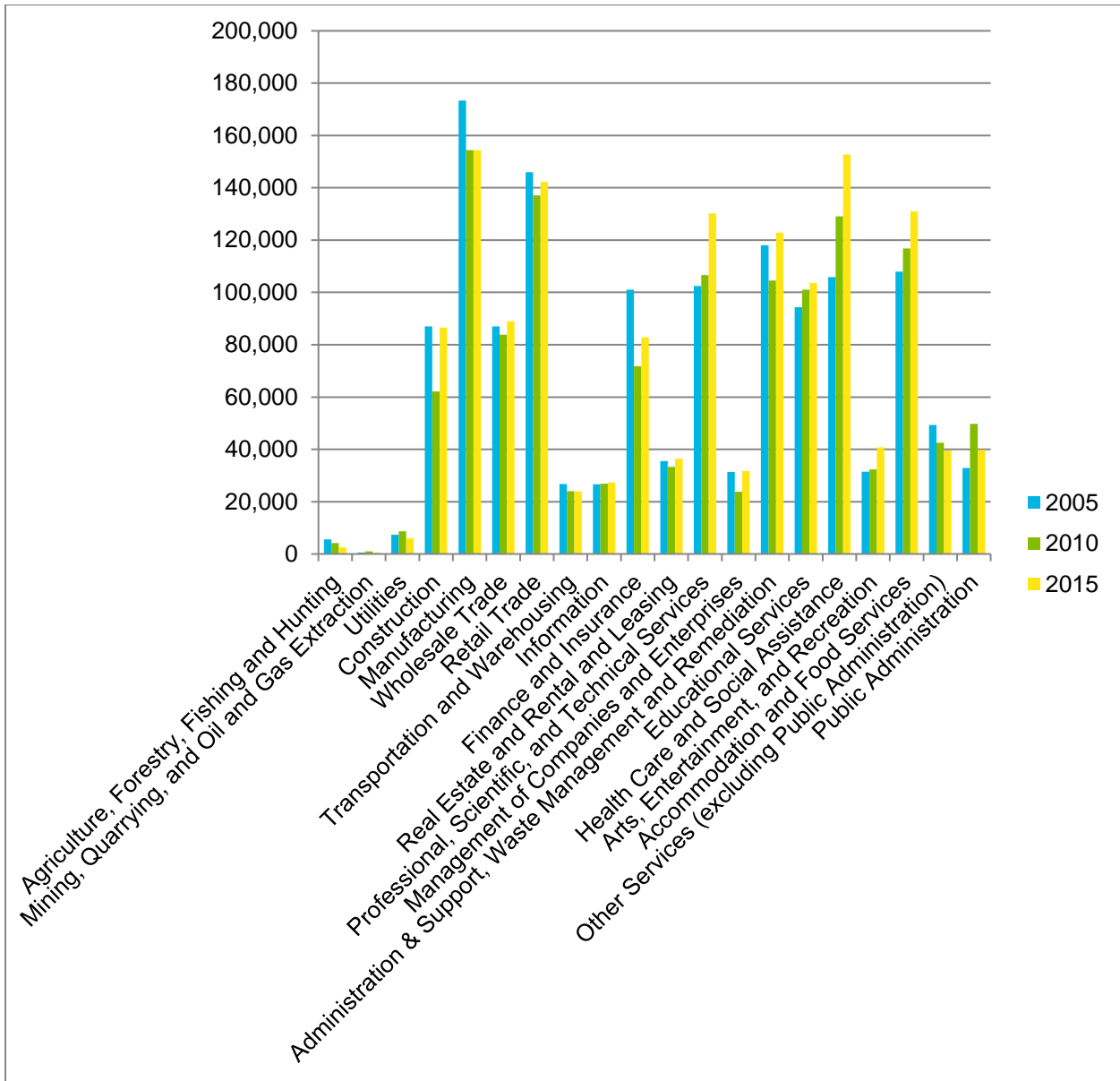
The Manufacturing sector, while still the second-largest employment sector in Santa Ana, has continued to see declines in employment even with a slight increase in the overall industrial space inventory and sustained low vacancy rates. This mirrors trends at the regional and national level that show static or declining manufacturing employment as automation and offshoring continue to become more prominent. Figures 2.1 and 2.2 illustrate the Santa Ana and Orange County employment profile from 2005 to 2015. Outside of the Public Administration sector, there is historical consistency for most job sectors and their proportion of overall employment. However, post-recession job growth in most sectors has been much stronger in Orange County than in Santa Ana.

**Figure 2.1 Santa Ana Employment Sector Trends (2005-2015)**



Source: U.S. Census Bureau OnTheMap

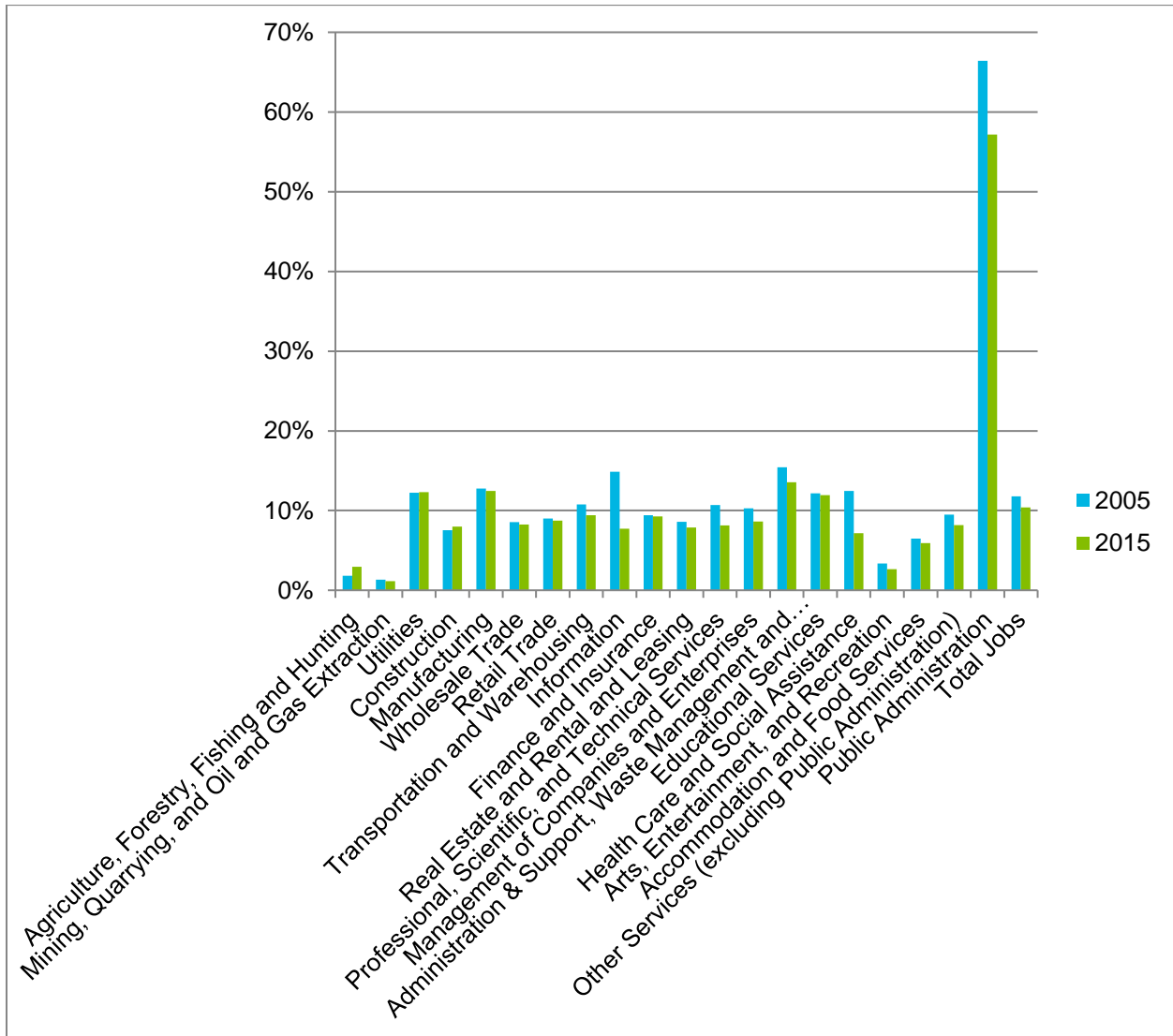
**Figure 2.2 Orange County Employment Sector Trends (2005-2015)**



Source: U.S. Census Bureau OnTheMap

Figure 2.3 illustrates the share of Orange County employment by sector that Santa Ana contributes. In nearly all sectors, Santa Ana’s share has declined reflecting the overall faster employment growth rate in Orange County as a whole.

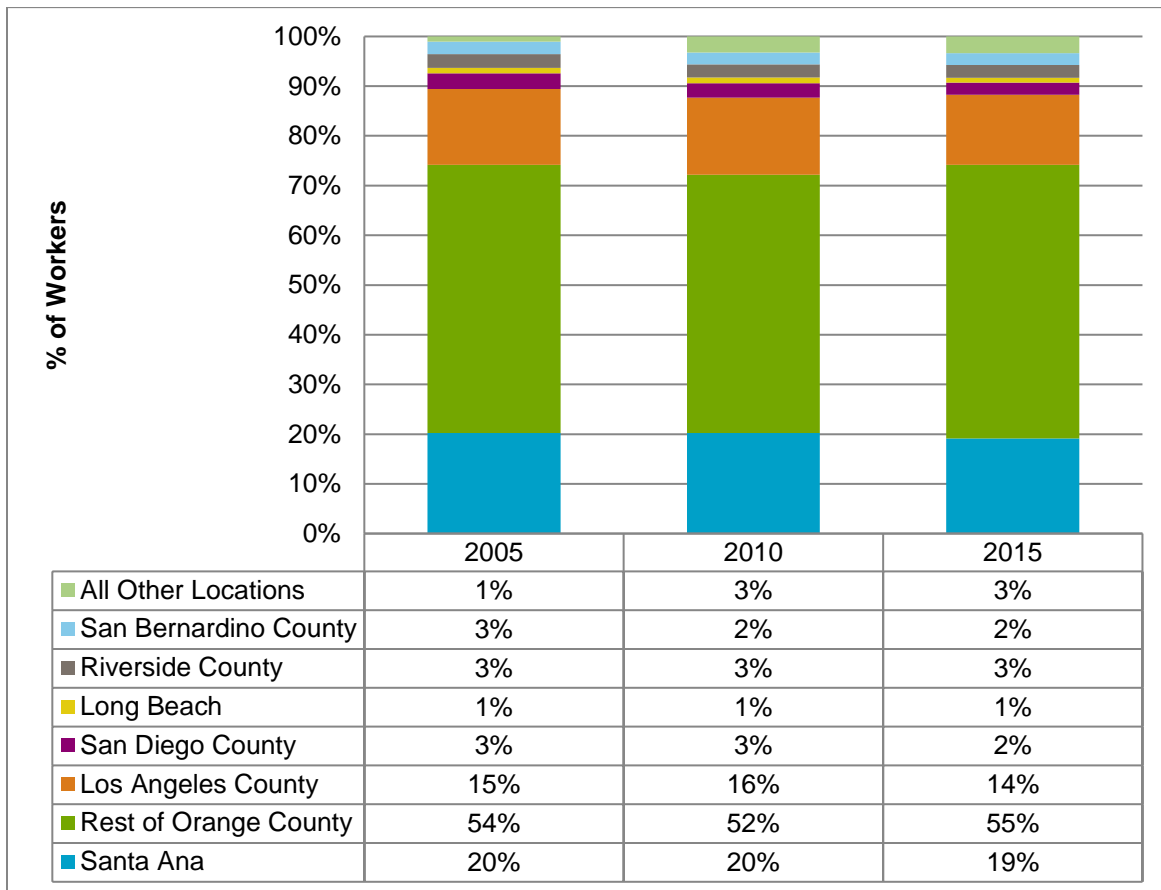
**Figure 2.3 Santa Ana Employment by Sector as a % of Orange County (2005-2015)**



Source: U.S. Census Bureau OnTheMap, AECOM

Orange County comprises the primary employment market for both the Santa Ana resident workforce and those who commute into Santa Ana to work. From 2005 to 2015, 72% to 74% of Santa Ana’s employed residents worked in Orange County (Figure 2.4). The percentage of the local workforce that both lives and works in the City has remained consistent at between 19% and 20%.

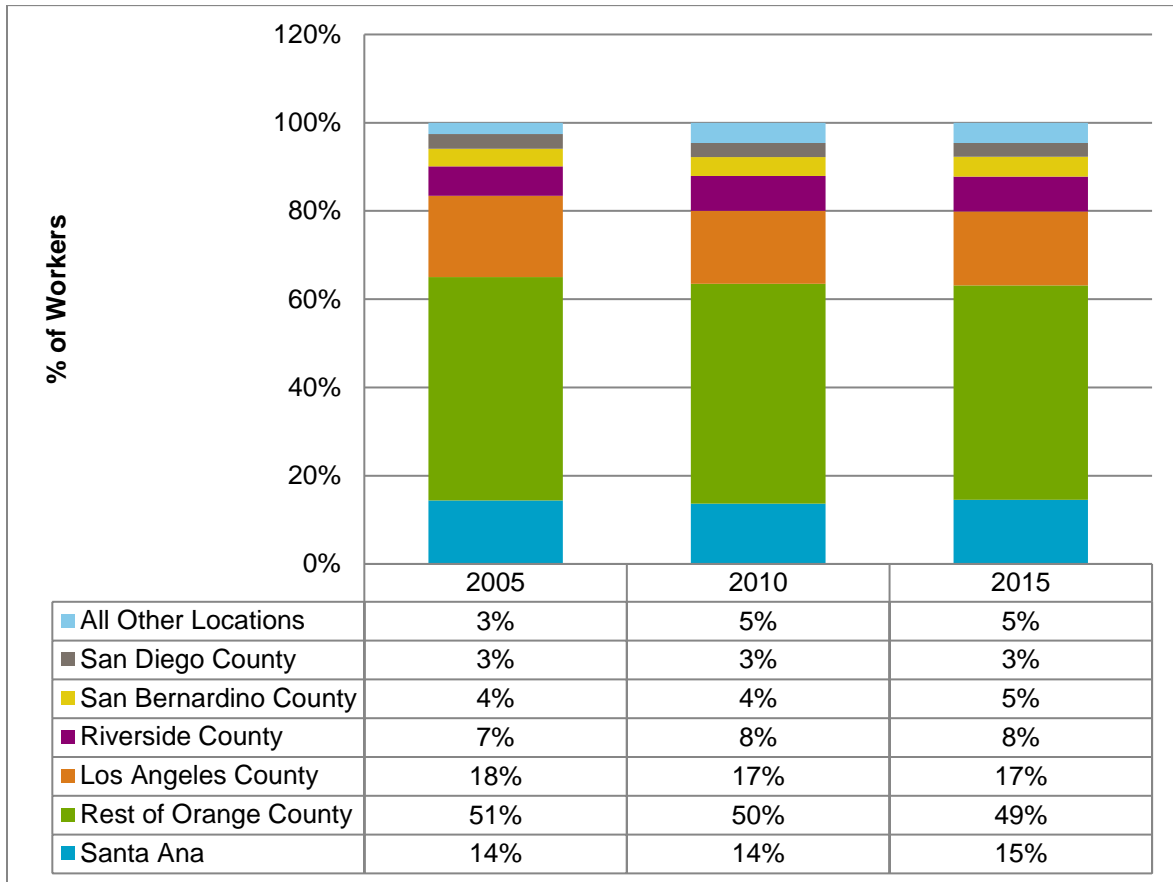
**Figure 2.4 Where Employed Santa Ana Residents Work (2015)**



Source: U.S. Census Bureau OnTheMap

Similarly, the percentage of Santa Ana jobs filled by workers who reside in the City or Orange County has remained constant since 2005 at approximately 65%, with approximately 15% of all local jobs held by City residents. While it is not feasible to break down this worker origin-destination information by category given the limitations of the U.S. Census OnTheMap data, the metrics further suggest that Santa Ana’s economic role within the County has not changed significantly since 2005. Additionally, this is consistent with the analysis of the different land use sectors that reveals both limited growth in office, retail, and industrial inventory growth and a generally aging building stock.

**Figure 2.5 Where Workers Employed in Santa Ana Live (2015)**



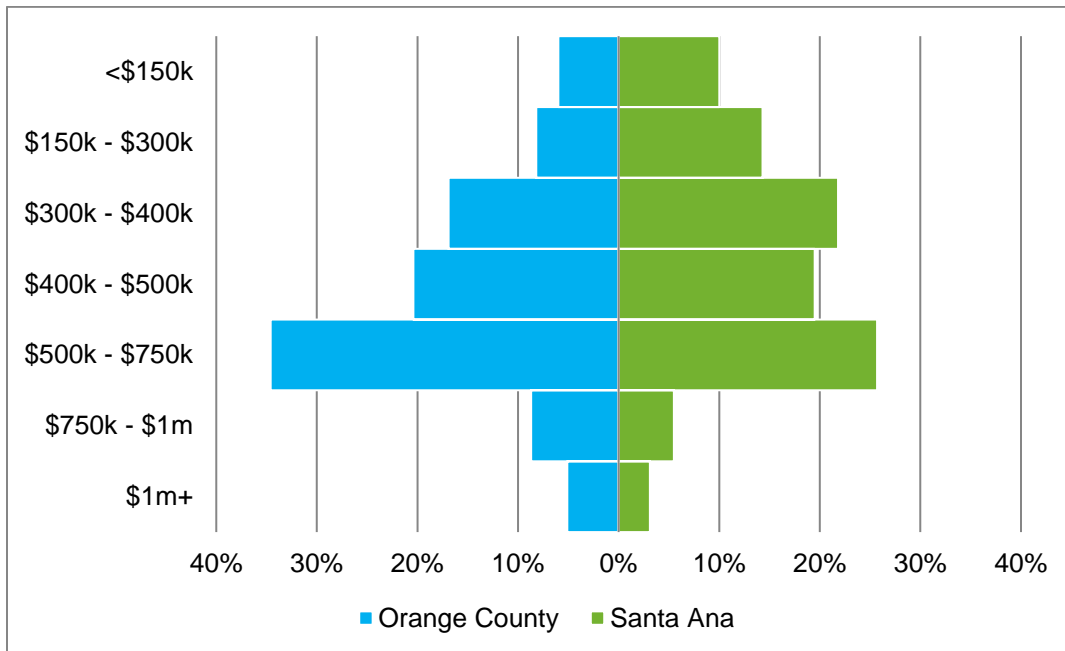
Source: U.S. Census OnTheMap

### 3. Housing

#### 3.1 Trends and Characteristics

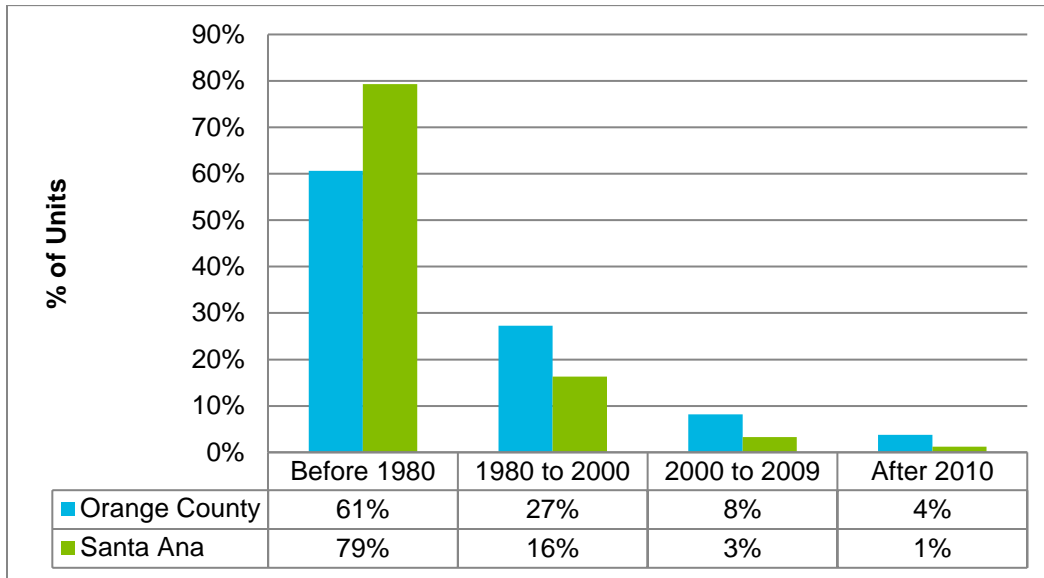
Housing values are generally lower in Santa Ana than in Orange County as a whole. In addition, Santa Ana’s housing stock is relatively older with nearly 80% of all units built before 1980 and 95% of units before 2000. This age distribution is not uncommon from what is observed in other cities and regions throughout the state. In general, the older housing stock will consist of single-family homes from earlier periods with multifamily units an increasing percentage over time as vacant land has become scarcer.

**Figure 3.1 Housing Value Distribution (2019)**



Source: ESRI, 2019

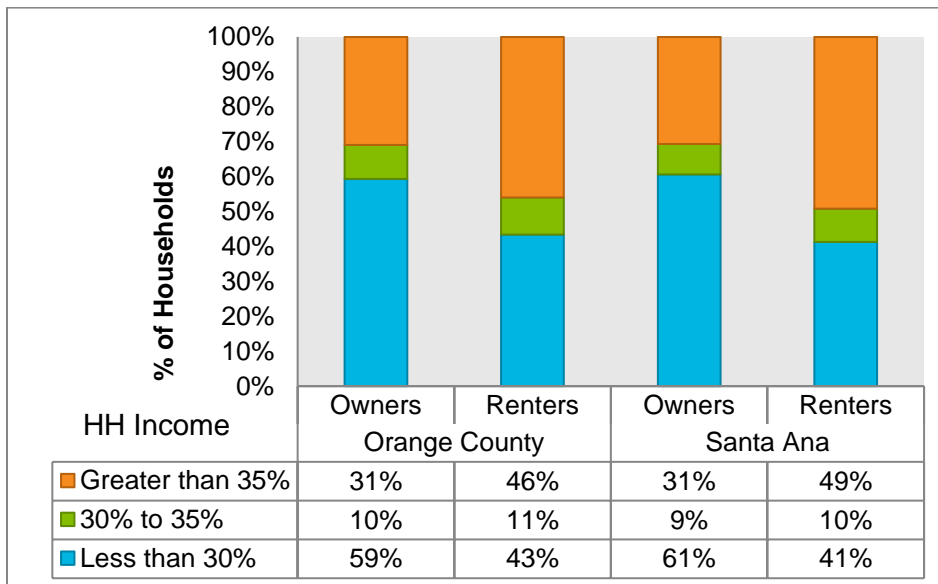
**Figure 3.2 Age of Housing Stock (2018)**



Source: U.S. Census Bureau 1-Year File, 2018

The distribution of home values in Santa Ana skews low relative to Orange County. However, relatively low household incomes in Santa Ana means a similar proportion of owners and renters in both geographies are considered cost-burdened, which is defined as households that spend 30% or more of their gross income on housing costs (Figure 3.3). In both geographies, nearly 60% of renters are cost-burdened compared to approximately 40% of owners.

**Figure 3.3 Housing Costs as a Percentage of Household Income (2018)**



Source: U.S. Census Bureau ACS 1-Year File, 2018

According to a review of U.S Census data between 2005 and 2018, Santa Ana’s share of Orange County’s total housing units increased slightly from 7% to 7.3%. This is attributable to Santa Ana capturing 11% of incremental housing units during the same timeframe. The majority of these new housing units were single-family, at 89% of new inventory.

**Table 3.1 Capture of Total Housing Unit Growth**

	% Capture of Incremental Regional Housing Unit Growth (2005-2018)	% of Housing Units (2087)
Orange County	89%	92.7%
Santa Ana	11%	7.3%

Source: U.S. Census ACS 1-Year Files, 2018

If continued, this capture rate trend would represent a significant departure from SCAG's projected household growth between 2020 and 2040, which projects that Santa Ana will grow at a much slower rate than Orange County as a whole and add only 2,400 households (Table 3.2). Assuming a housing vacancy rate of 5%, Santa Ana would be expected to add only approximately 2,500 units under the SCAG scenario.

This contrasts significantly with an examination of Santa Ana's housing development pipeline, which includes 10,222 units under construction, pending construction, and/or pending approval. Assuming these units are delivered in a timely manner, they would realistically push Santa Ana's population and household growth beyond the SCAG projections in the short term.

**Table 3.2 Santa Ana Residential Development Pipeline**

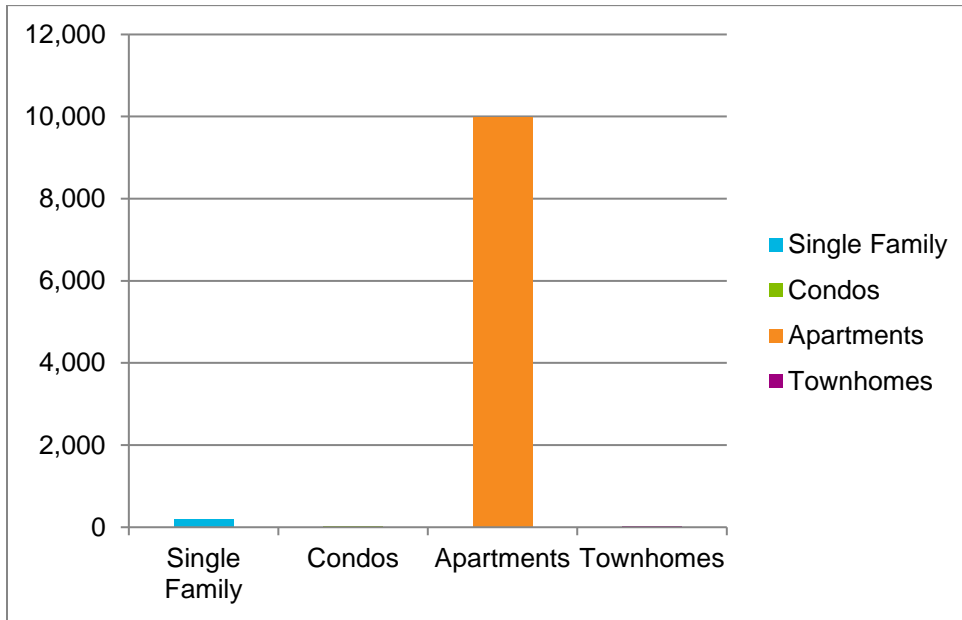
	Single Family	Condos	Apartments	Townhomes
Projects Under Construction	64	9	2,942	0
<i>Total Units Under Construction</i>				<i>3,015</i>
Projects Approved; Pending Construction	123	0	3,293	18
<i>Total Units Pending Construction</i>				<i>3,434</i>
Projects Submitted; Pending Approval	10	8	3,743	12
<i>Total Units Pending Approval</i>				<i>3,773</i>
<b>Total Projects</b>	<b>197</b>	<b>17</b>	<b>9,978</b>	<b>30</b>
<i>Total Units</i>				<i>10,222</i>

Source: City of Santa Ana 2019

The pipeline is also heavily skewed towards multi-family (MFR) units, with only 2% of new pipeline units consisting of new single-family homes. The predominance of MFR units, which make up 98% of pipeline units, is consistent with the built-out nature of the City given the higher density at which they can be constructed. If this pattern continues, it also reinforces the importance of delivering MFR rental units that are affordable to existing and future residents given the higher rate of cost-burdened renter households. The current development pipeline differs substantially from added inventory from 2005-2018, which was predominately single-family. This indicates a significant shift in the Santa Ana housing market from single-family to multifamily, which closely reflects development trends the wider market in Orange County.



**Figure 3.4 Santa Ana Residential Pipeline by Housing Type (2018)**

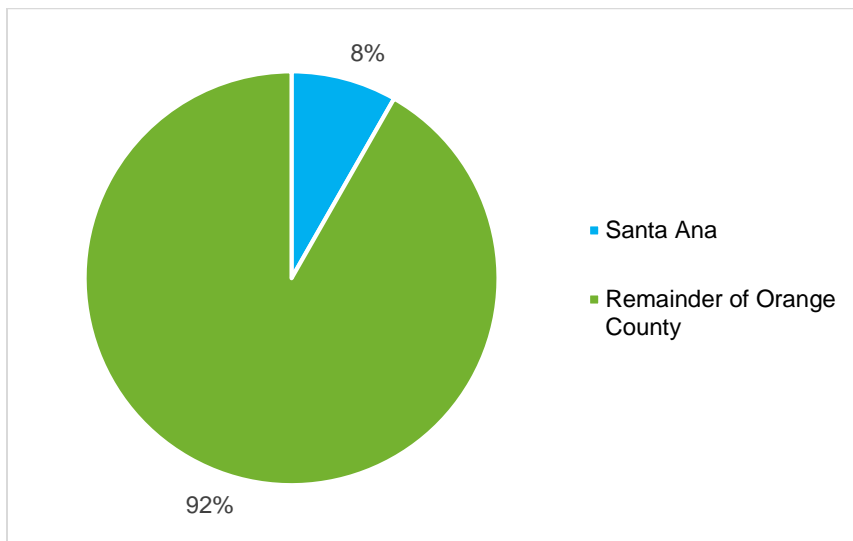


Source: City of Santa Ana 2019

### 3.2 Santa Ana MFR Residential Trends

As of 2019 Santa Ana accounted for 8% of the total Orange County MFR inventory. This is slightly above the City's 7.3% share of total regional housing units.

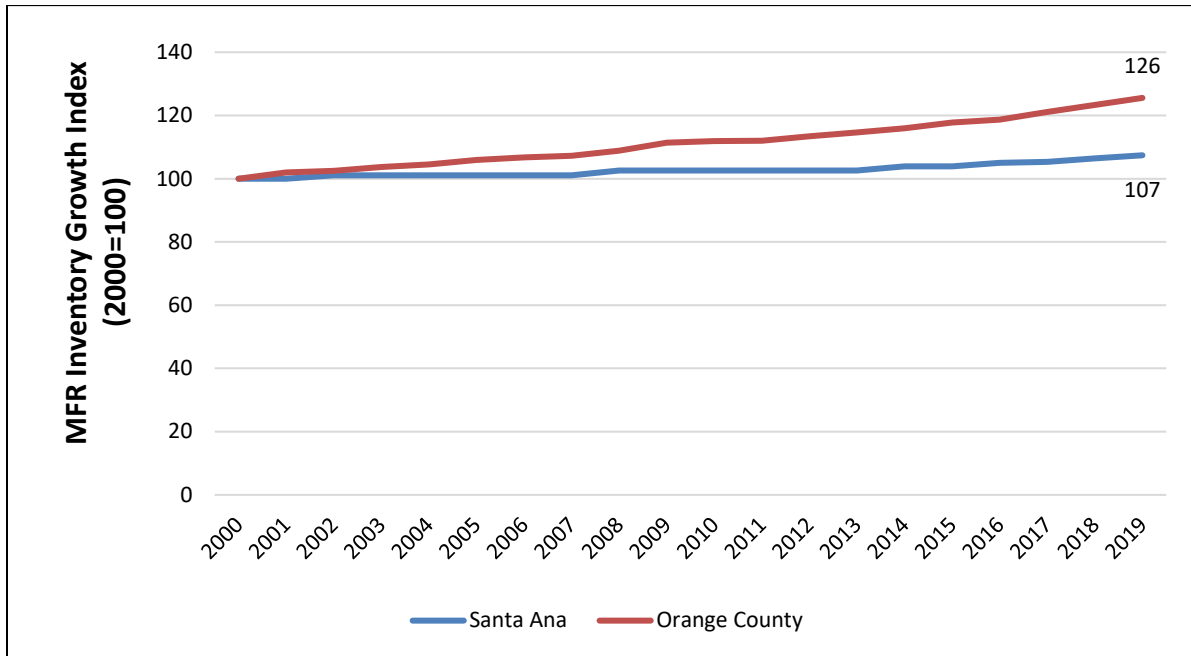
**Figure 3.5 Santa Ana Share of MFR Inventory (2019)**



Source: CoStar, 2019

Growth of MFR in Orange County has been stronger since 2000 however, as illustrated in Figure 3.6. From 2000 to 2019 MFR units in Santa Ana grew from 23,187 to 24,906 units, a total increase of only 1,719 units. The MFR Compound Annual Growth Rate (CAGR) for Santa Ana during this period was 0.38% compared to 1.21% for Orange County.

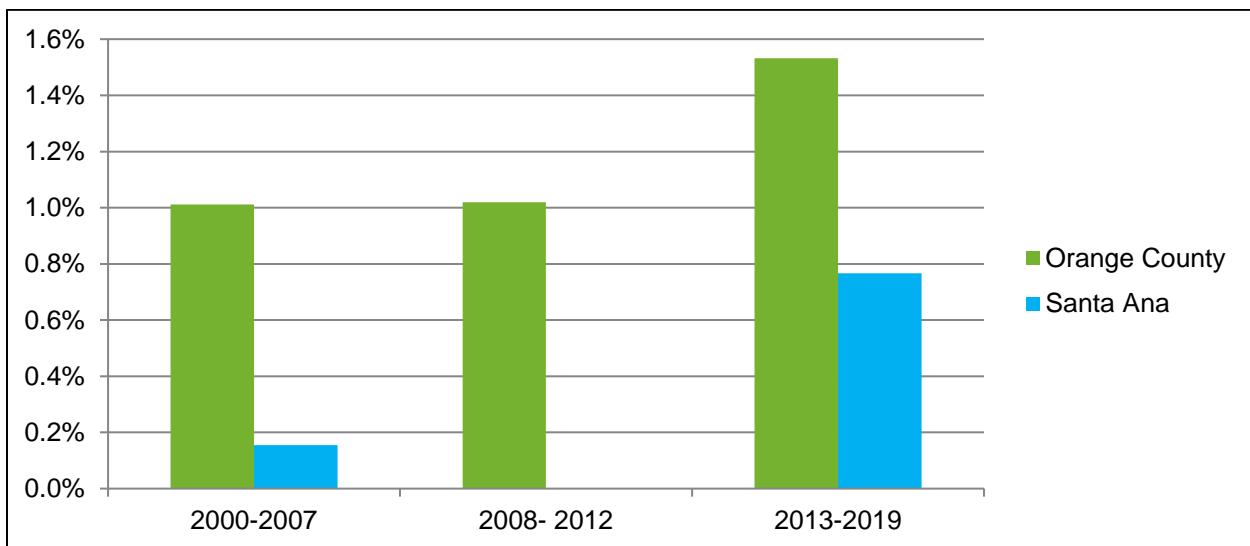
**Figure 3.6 MFR Inventory Growth Index**



Source: CoStar, 2019

A further breakdown of growth by smaller periods reveals that the vast majority of Santa Ana’s MFR growth since 2000 occurred between 2013 and 2018.

**Figure 3.7 MFR Annual Inventory Growth by Period**

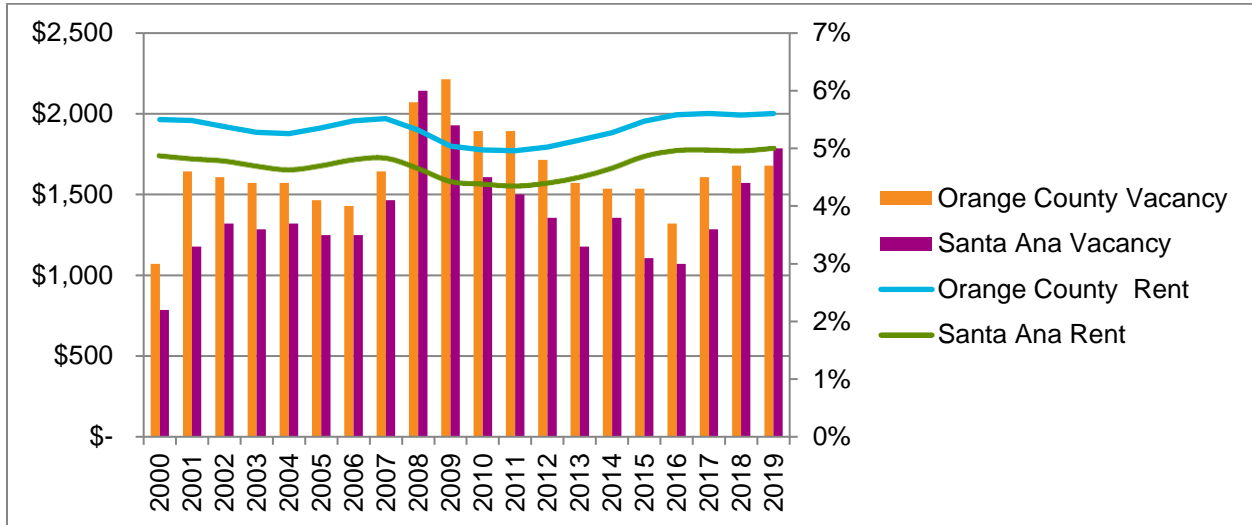


Source: CoStar; AECOM, 2019

### 3.2.1 MFR Rents

In inflation-adjusted terms, MFR rents reported by CoStar for Orange County and Santa Ana are above what peak rents were on the eve of the Great Recession. Throughout this time however, Santa Ana MFR rents remained below those of Orange County.

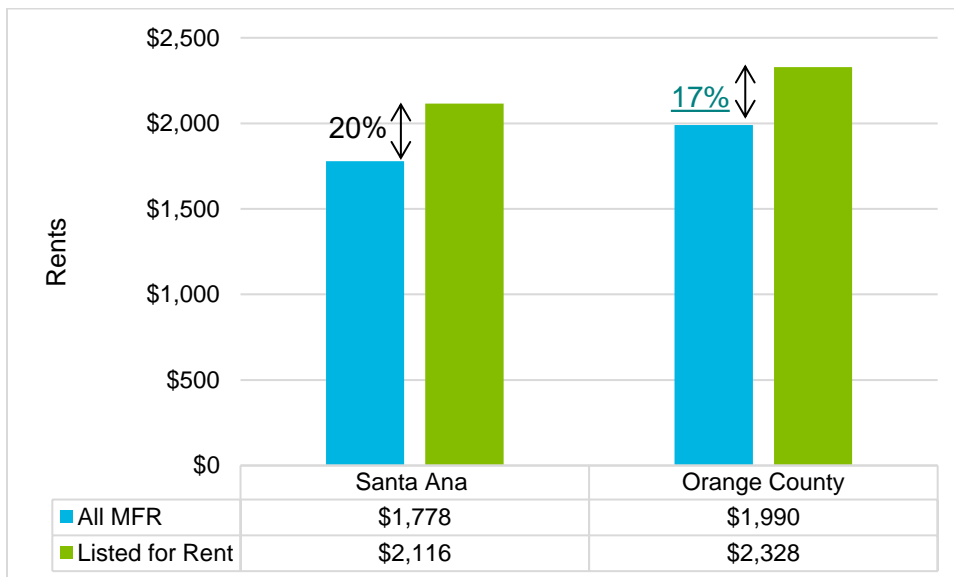
**Figure 3.8 Inflation-Adjusted Rent and Vacancy for All MFR Units (2019 Dollars)**



Source: CoStar; Bureau of Labor Statistics Consumer Price Index; AECOM, 2019

Because CoStar’s reported rents reflect average MFR rents for all properties regardless of age and occupancy, AECOM reviewed Zillow’s reported listed rents for Orange County and Santa Ana MFR units. According to this source, currently listed asking rents are substantially higher, suggesting that renters seeking housing face an increasingly limited quantity of affordable housing options.

**Figure 3.9 Median Rents for Listed MFR Properties (2018)**



\*As of December 2019  
 Source: CoStar; Zillow, 2019

### 3.2.2 Home Affordability

To gauge affordability, AECOM calculated the cost-burden breakpoint for gross annual household income using reported rents from both CoStar (Table 3.3) and Zillow (Table 3.4). The number of households above and below the breakpoint was derived from household income distribution for Santa Ana and Orange County assuming 30% and 35% allocation of income to housing expenses. While Santa Ana rents are lower than the County's, the city's incomes skew lower still, resulting in a lower share of households that are not cost-burdened than in Orange County. At Zillow's higher reported rents, the share of non-cost-burdened households falls further still.

**Table 3.3 Housing Affordability at Average CoStar Rent (All MFR Units)**

	Orange County	Santa Ana
Average Rent (CoStar, 2018)	\$1,990	\$1,778
<b>30% of Gross Household Income</b>		
Annual Gross Household Income Needed	\$79,600	\$71,120
% of Households that can afford rent	51.1%	38.3%
<b>35% of Gross Household Income</b>		
Annual Gross Household Income Needed	\$68,229	\$60,960
% of Households that can afford rent	58.3%	46.4%

Source: CoStar; ESRI; AECOM, 2019

**Table 3.4 Housing Affordability at Median Zillow Rent (All Listed MFR Units)**

	Orange County	Santa Ana
Median Rent (Zillow May 2019)	\$2,328	\$2,116
<b>30% of Gross Household Income</b>		
Annual Gross Household Income Needed	\$93,120	\$84,640
% of Households that can afford rent	44%	27.5%
<b>35% of Gross Household Income</b>		
Annual Gross Household Income Needed	\$79,817	\$72,549
% of Households that can afford rent	51.4%	37%

Source: Zillow; ESRI; AECOM, 2019

Because townhomes could be a more prominent product in future housing, and many of these are expected to be for-sale units, AECOM also estimated the minimum gross annual household income needed to afford a mortgage. A range of down payments were examined as part of this calculation. In both Santa Ana and Orange County only a minority of households can afford a mortgage, especially without the typical 20% down payment.

**Table 3.5 Housing Affordability for Median For-Sale Home**

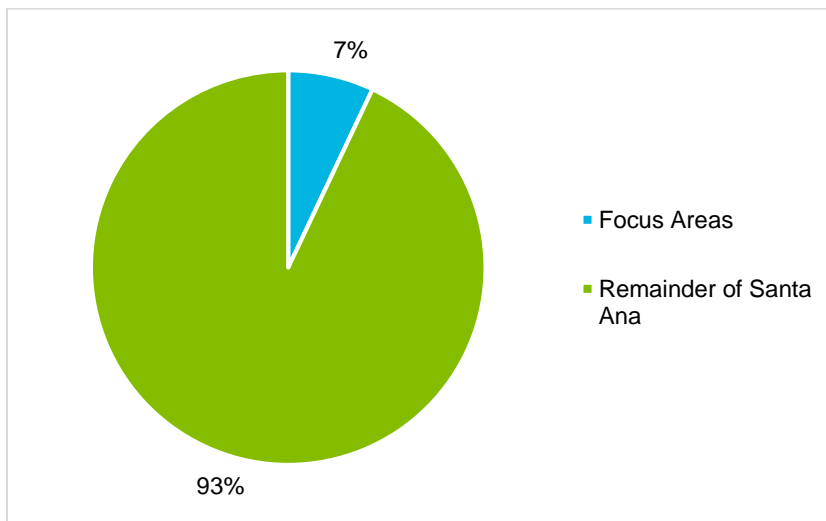
	Santa Ana	Orange County
Median Home Price (2018)	\$532,900	\$714,100
<b>3.5% Down Payment</b>		
Minimum Gross Household Income (30%of Gross Household Income)	\$143,360	\$191,160
<b>% of Households that can afford a mortgage</b>	<b>10.2%</b>	<b>14.8%</b>
Minimum Gross Household Income (35%of Gross Household Income)	\$122,880	\$163,851
<b>% of Households that can afford a mortgage</b>	<b>15.6%</b>	<b>20.2%</b>
<b>10% Down Payment</b>		
Minimum Gross Household Income (30%of Gross Household Income)	\$129,680	\$172,840
<b>% of Households that can afford a mortgage</b>	<b>13.8%</b>	<b>18.4%</b>
Minimum Gross Household Income (35%of Gross Household Income)	\$111,154	\$148,149
<b>% of Households that can afford a mortgage</b>	<b>18.7%</b>	<b>23.6%</b>
<b>20% Down Payment</b>		
Minimum Gross Household Income (30%of Gross Household Income)	\$109,560	\$145,880
<b>% of Households that can afford a mortgage</b>	<b>19.2%</b>	<b>17.9%</b>
Minimum Gross Household Income (35%of Gross Household Income)	\$93,909	\$125,040
<b>% of Households that can afford a mortgage</b>	<b>25%</b>	<b>31.8%</b>

Source: Zillow; AECOM, 2018

### 3.3 MFR characteristics by Santa Ana Focus Areas

AECOM also reviewed MFR characteristics by the five Focus Areas identified by the City. Overall the Focus Areas account for 7% of the City’s total MFR inventory.

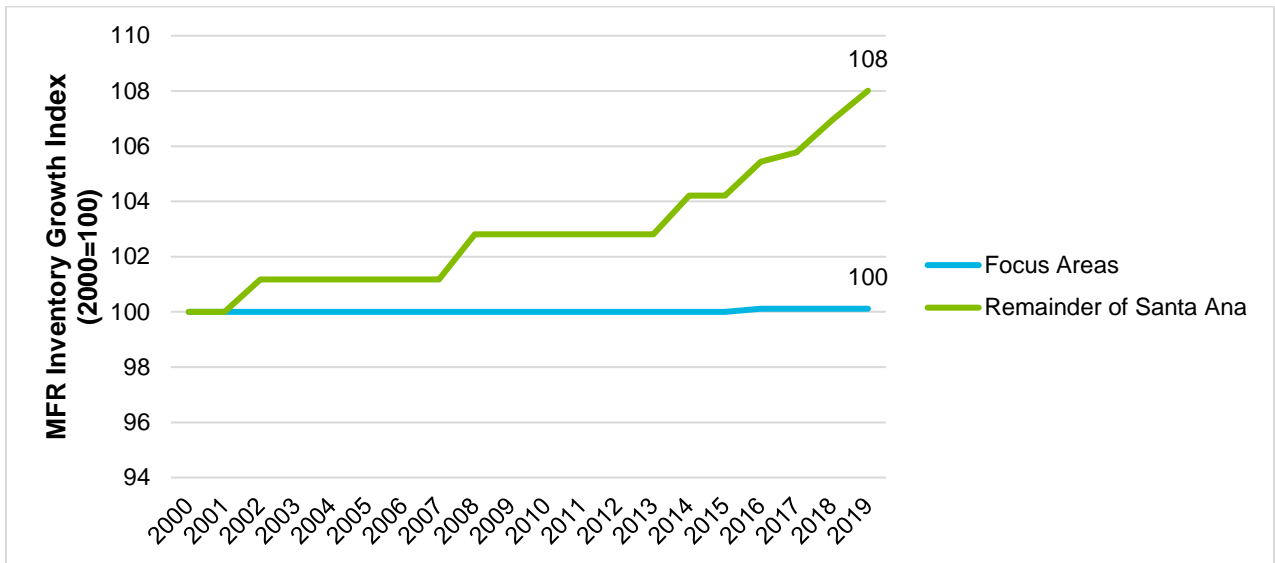
**Figure 3.10 Focus Areas Share of Santa Ana MFR Inventory (2019)**



Source: CoStar, 2019

Overall, the Focus Areas have seen negligible MFR growth since 2000. From 2015 through 2019, the Focus Areas added 2 units while 884 were completed elsewhere in the City. However, there are numerous projects in the development pipeline, including a 1,221-unit project expected to be completed in 2020.

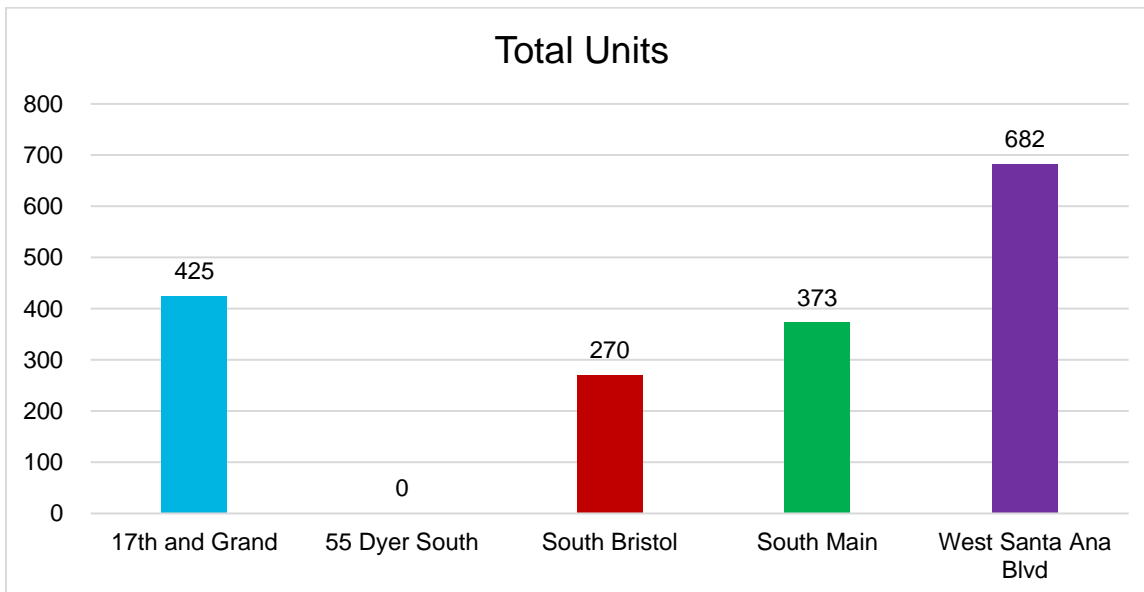
**Figure 3.11 MFR Focus Areas Growth Index**



Source: CoStar; AECOM, 2019

There are no MFR units in the 55 Dyer South Focus Area, and the other four focus areas have an average of 438 units. Figure 3.12 shows the total MFR units by Focus Area.

**Figure 3.12 Existing MFR Inventory by Focus Area (2019)**

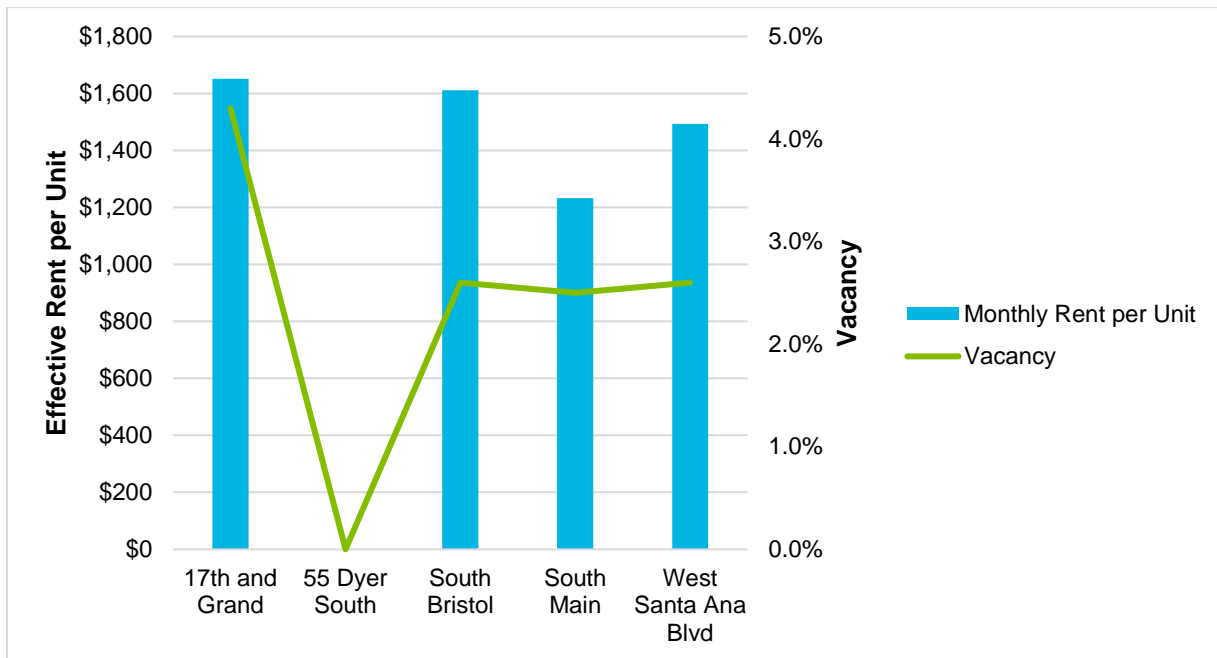


\*Does not reflect MFR units that are currently under construction or proposed

Source: CoStar, 2019

Reported CoStar rents (Figure 3.13) vary from approximately \$1,650 to \$1,230 in the five Focus Areas. Vacancy rates are all below structural vacancy, ranging from approximately 4.3% to 2.5%.

**Figure 3.13 Average Effective CoStar MFR Rents and Vacancy by Focus Area (2019)**



Source: CoStar, 2019

The average age of MFR units across all focus areas is older than the citywide average. It is also notable that the units are disproportionately skewed towards Class B and C properties, which is also consistent with their age (Table 3.6).

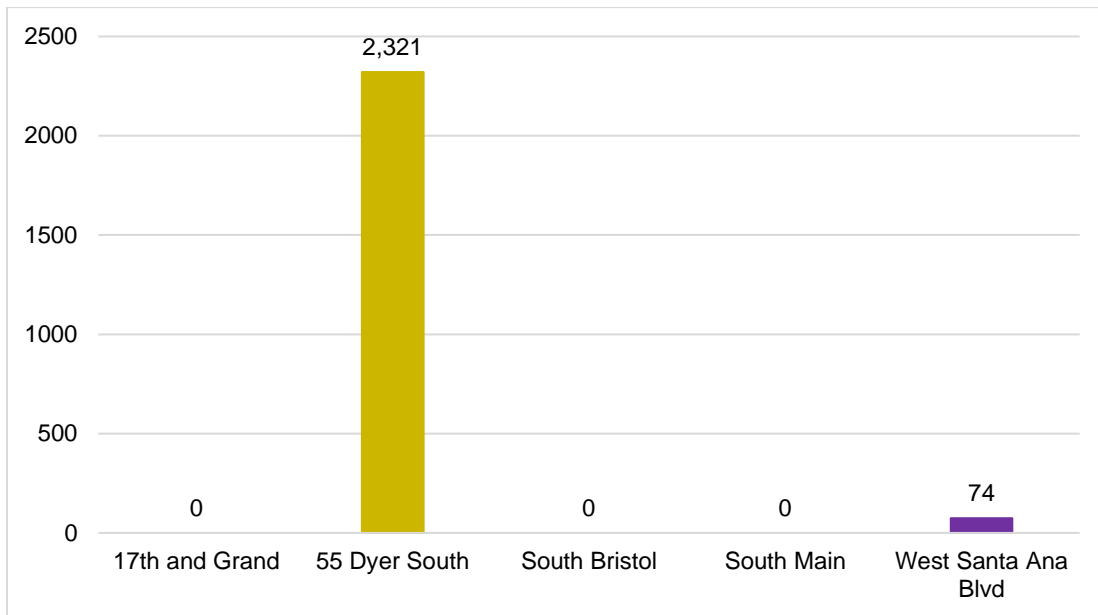
**Table 3.6 Average MFR Year Built and Units by Class**

Focus Area	Year	Unit Class		
		A	B	C
17th and Grand	1969	-	416	266
55 Dyer	N/A	-	N/A	N/A
South Bristol	1969	-	192	78
South Main	1949	-	118	255
West Santa Ana Blvd.	1957	-	416	266

Source: CoStar, AECOM, 2019

Approximately 24% of the MFR units in the pipeline that are under construction or planned would be located in the Focus Areas, with the vast majority (2,321 units) slated for the 55 Dyer Focus Area.

**Figure 3.14 MFR Units in the Santa Ana Pipeline (2019)**



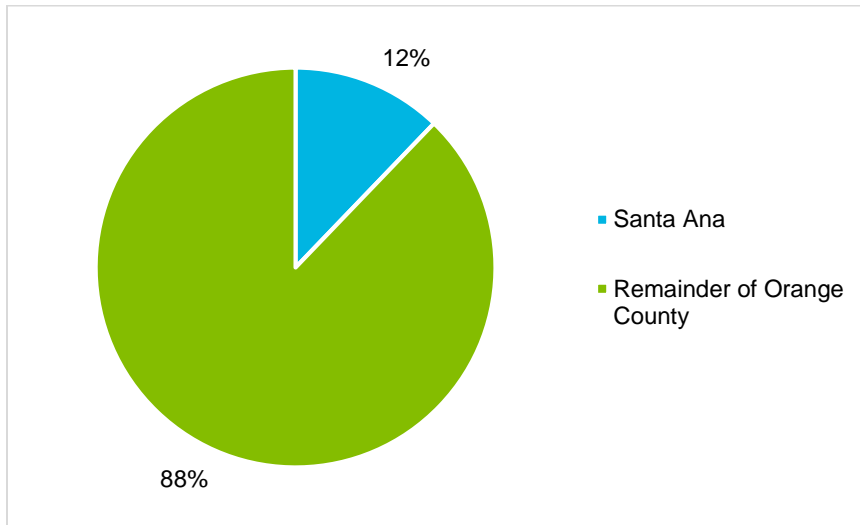
Source: City of Santa Ana, 2019



## 4. Office

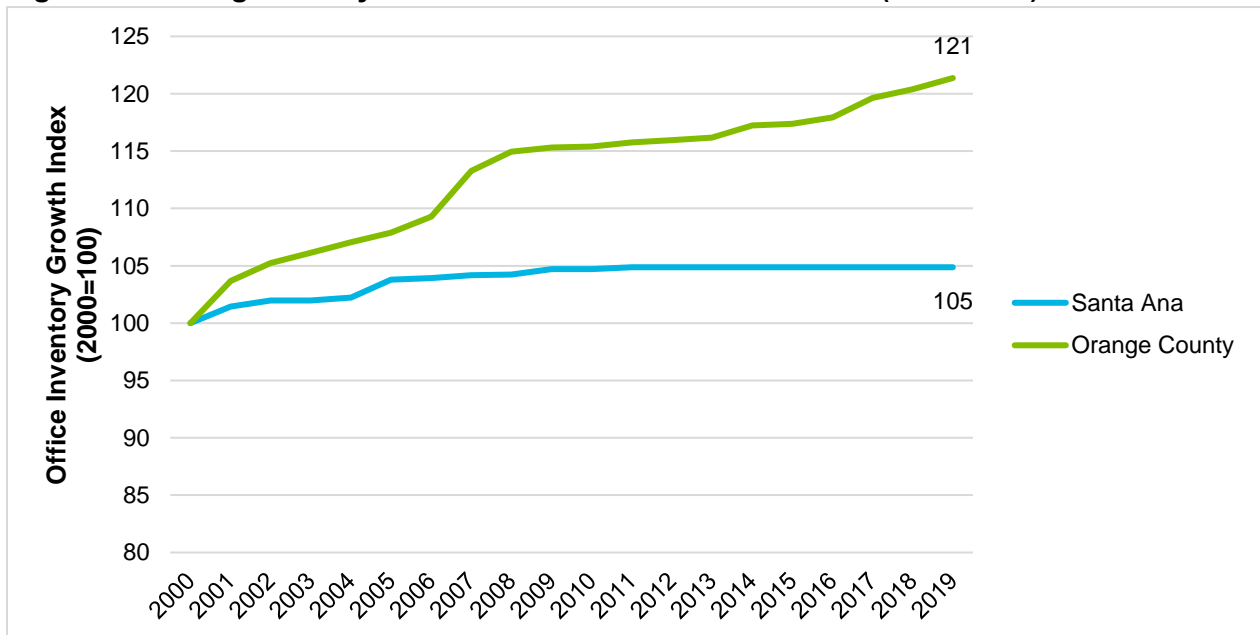
Santa Ana office inventory has remained essentially unchanged since before the Great Recession and accounts for 12% of Orange County's inventory (Figure 4.1). Since 2000 it has added approximately 900,000 SF while the remainder of Orange County has added over 27 million SF (Figure 4.2).

**Figure 4.1 Santa Ana Share of Orange County Office Inventory (2019)**



Source: CoStar, 2019

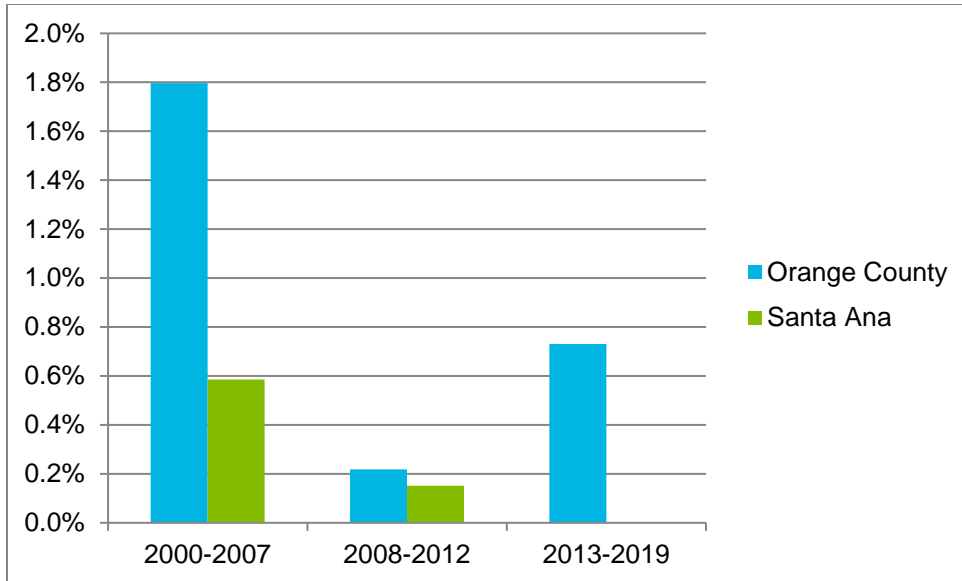
**Figure 4.2 Orange County and Santa Ana Office Growth Index (2000-2019)**



Source: CoStar, 2019

No office growth occurred in the City in the 2013 to 2018 period while Orange County grew at a CAGR of 1.14% adding approximately 6.7 million square feet of office space. Most of the new inventory is located in Irvine near the Irvine Spectrum Center and John Wayne Airport.

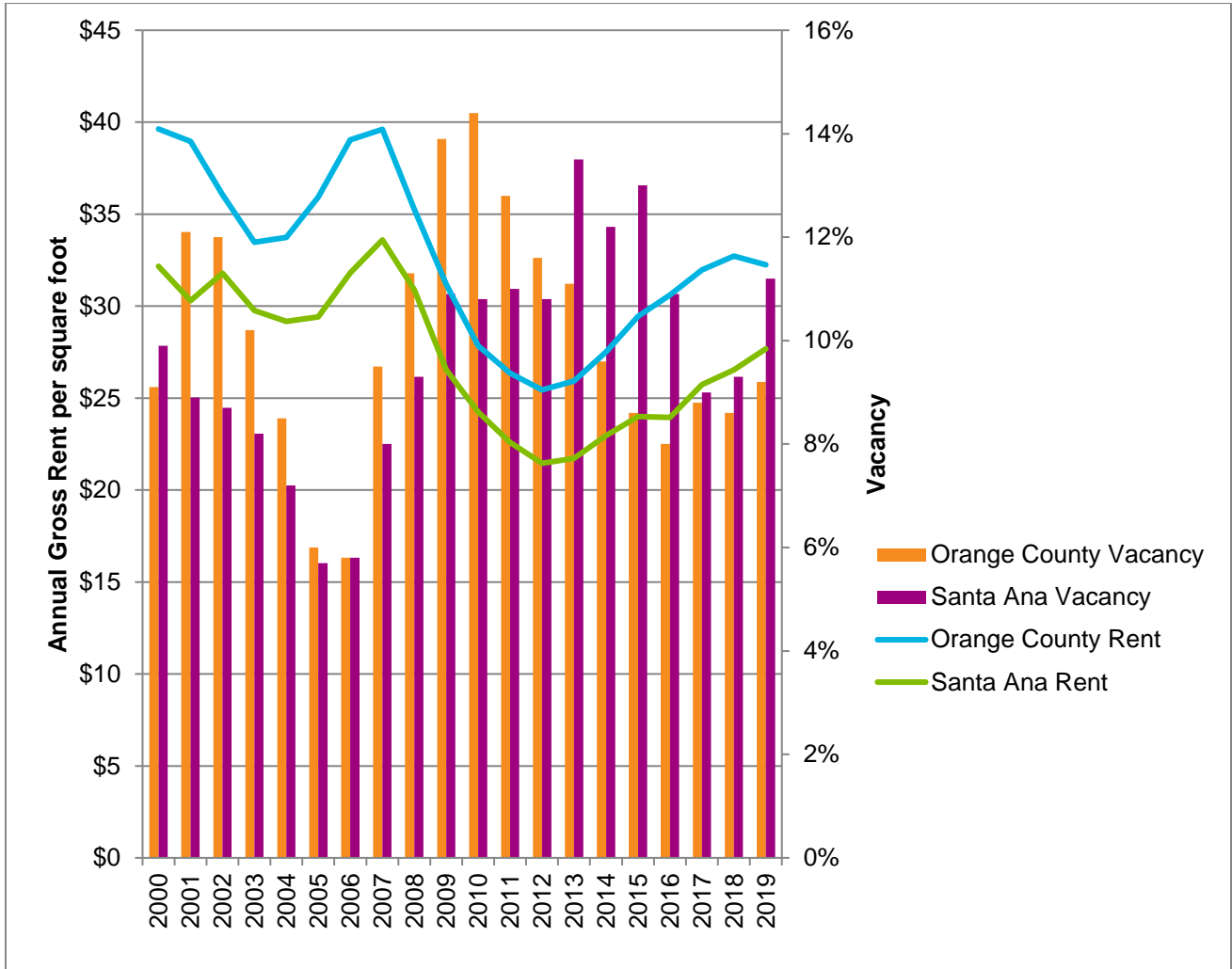
**Figure 4.3 Office Annual Inventory Growth Rate by Period**



Source: CoStar, 2019

Inflation-adjusted rents have not recovered to their pre-Recession peak in 2006 and 2007. Office rents in Santa Ana have remained consistently below those of Orange County as a whole. Additionally, Santa Ana vacancies only reached structural full occupancy, 10% or less, in the last couple of years.

**Figure 4.4 Inflation-Adjusted Office Rents and Vacancy (2018 Dollars)**

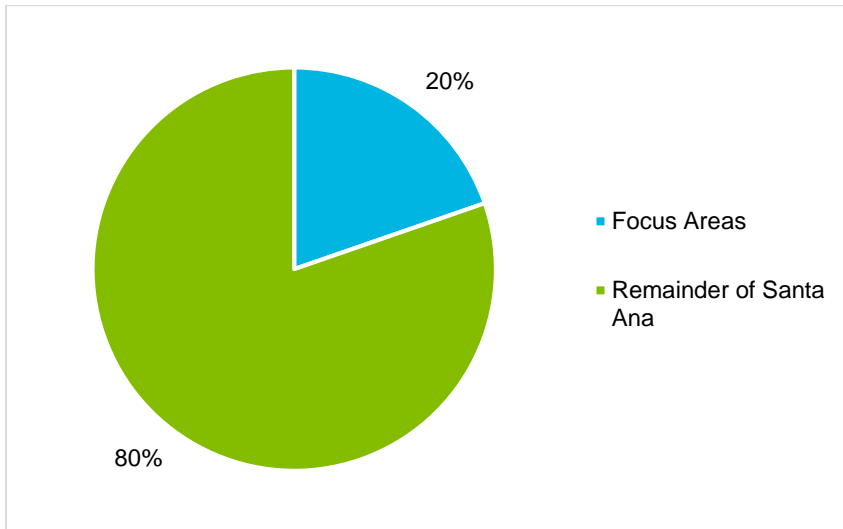


Source: CoStar; Bureau of Labor Statistics; AECOM, 2019

### 4.1 Focus Areas Office Characteristics

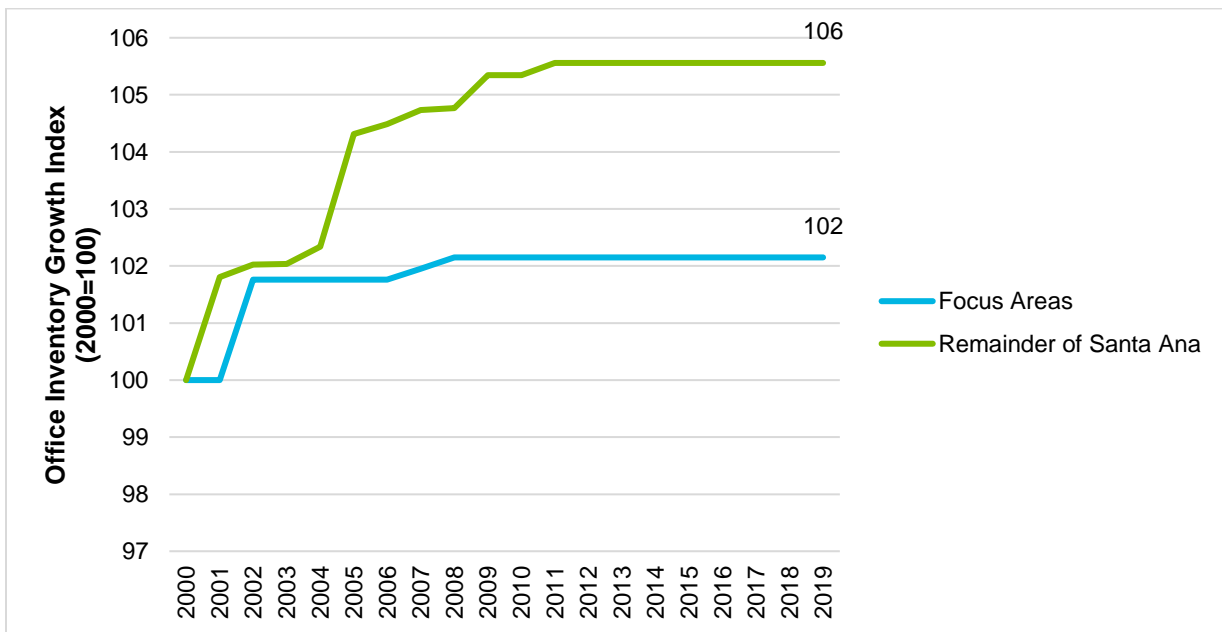
Focus Areas account for approximately 20% (Figure 4.5) of the total Santa Ana office inventory and accounted for 9%, or approximately 80,000 SF, of the total 897,000 SF added citywide from 2000 through 2019.

**Figure 4.5 Focus Areas Share of Santa Ana Office Inventory SF (2019)**



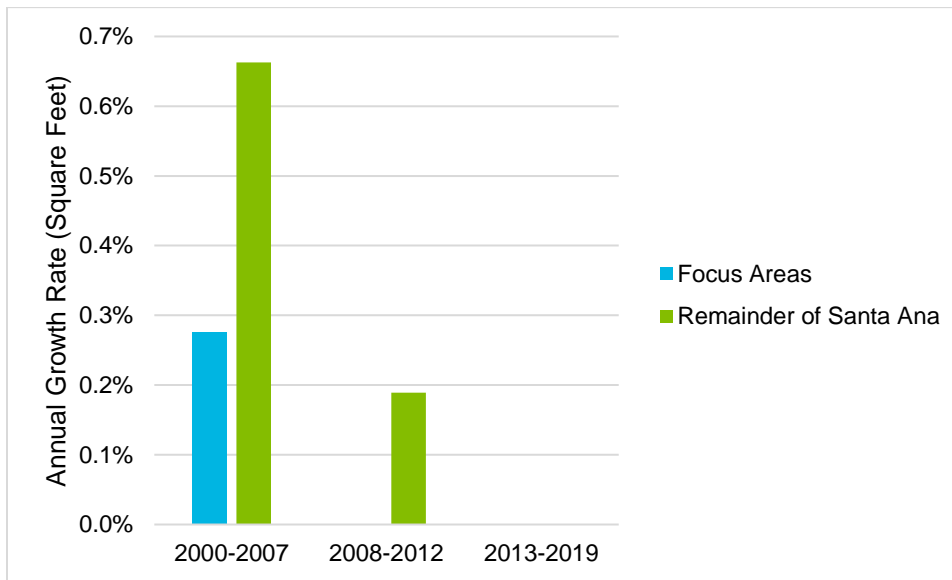
Source: CoStar, 2019

**Figure 4.6 Santa Ana and Focus Areas Office Growth Index (2000-2019)**



Source: CoStar, 2019

**Figure 4.7 Annual Office Inventory Growth Rate by Time Period**



Source: CoStar 2019

Table 4.1 breaks down the office inventory, vacancies, and average gross rents by Focus Area. Vacancy rates are very high in some cases either because of ongoing or planned redevelopment projects or due to large tenants moving out of previously occupied space:

- 17th and Grand: The 625IVE redevelopment project is set to replace approximately 179,000 square feet of office space in the former Orange County Register offices.
- South Bristol: Vacancy in several medical offices spiked in 2018 as tenants moved out

**Table 4.1 Office Metrics by Focus Area (2019)**

Focus Area	Total SF	Share of City of Santa Ana (SF)	Vacancy Rate	Annual Gross Rent Per SF*
17th and Grand	515,810	3%	49%	\$30
55 Dyer	1,926,743	10%	15%	\$29
South Bristol	297,326	2%	20%	\$23
South Main	180,339	1%	3%	\$21
West Santa Ana Blvd.	885,577	5%	1.4%	\$21
City of Santa Ana	19,319,736	100%	11%	\$28

Source: CoStar; AECOM, 2019.

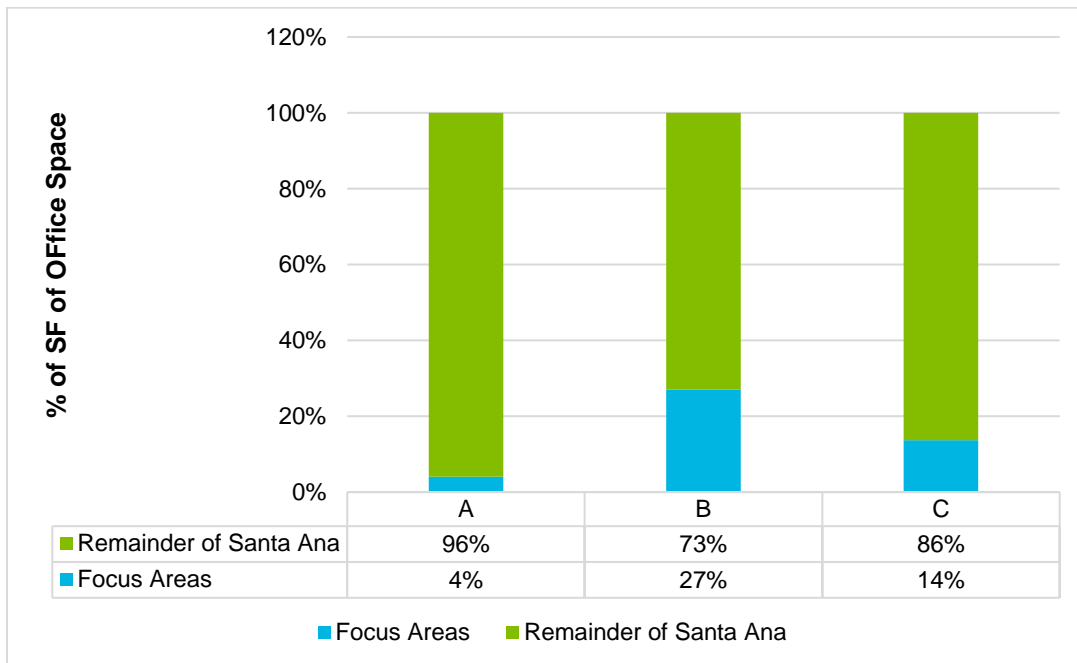
Citywide and by Focus Area, office space is of an advanced age (Table 4.2). Focus Area office space also makes up approximately 45% of Santa Ana’s Class B office space, 25% of Class C, and a nominal 4% of Class A space (Figure 4.8).

**Table 4.2 Office Space Average Year Built**

Focus Area	Year
City of Santa Ana	1973
17th and Grand	1967
55 Dyer	1981
South Bristol	1977
South Main	1952
West Santa Ana Blvd.	1971

Source: CoStar; AECOM, 2019

**Figure 4.8 Focus Area Office Space by Class**



Source: CoStar, 2019

Upon an initial review Santa Ana’s office pipeline appears robust; however, nearly all of the proposed citywide office space is accounted for by two projects: the One Broadway project, and the Main Place Mall redevelopment, both of which are currently entitled but have not broken ground. These additions would represent the first meaningful addition to the inventory since 2004 when nearly 250,000 SF was added in one year. If both large projects are brought to market, this would represent a significant increase in Santa Ana’s office inventory.

**Table 4.3 Santa Ana Office Pipeline Distribution**

	Office Space <sup>1</sup>	Focus Area Share
Under Construction	11,100	75%
Project Approved, Pending Construction	1,275,418	0%
Project Submitted, Pending Approval	-7,187	0%
<b>Total</b>	<b>1,279,331</b>	<b>1%</b>

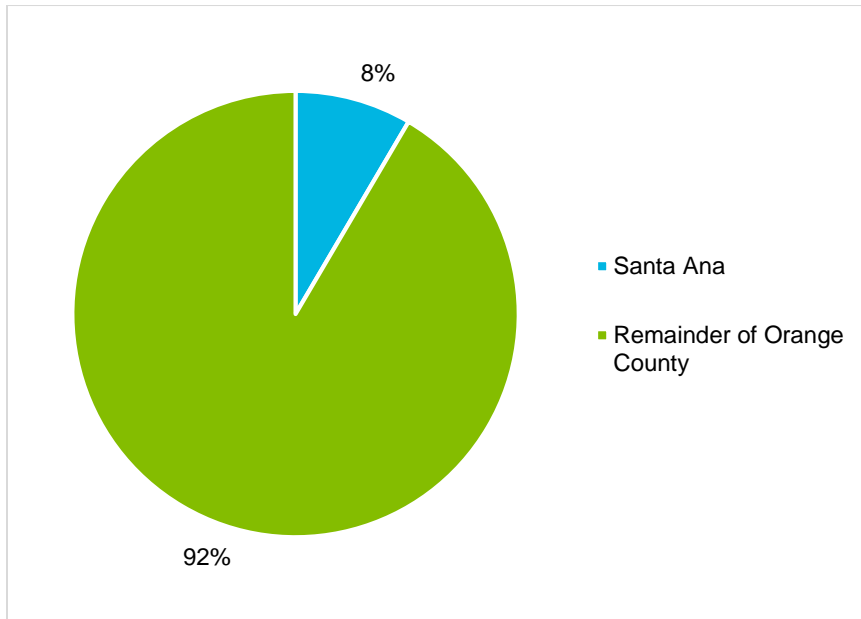
<sup>1</sup> Net Inventory includes negative values for demolition

Source: City of Santa Ana 2019

## 5. Retail

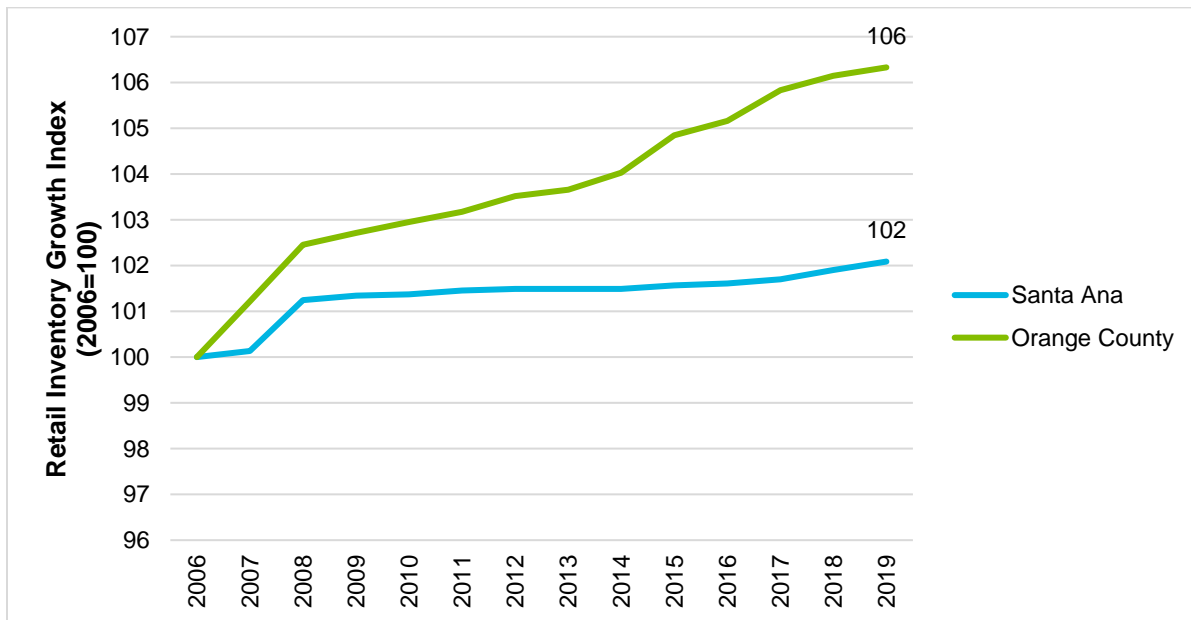
Santa Ana accounts for 8% of the total Orange County retail inventory (Figure 5.1). From 2006 to 2019 Orange County’s retail CAGR was 0.47% and Santa Ana’s was 0.16% from additions of 8.5 million SF and 247,000 SF respectively.

**Figure 5.1 Santa Ana Share of Orange County Retail Inventory (2018)**



Source: CoStar, 2019

**Figure 5.2 Retail Growth Index**

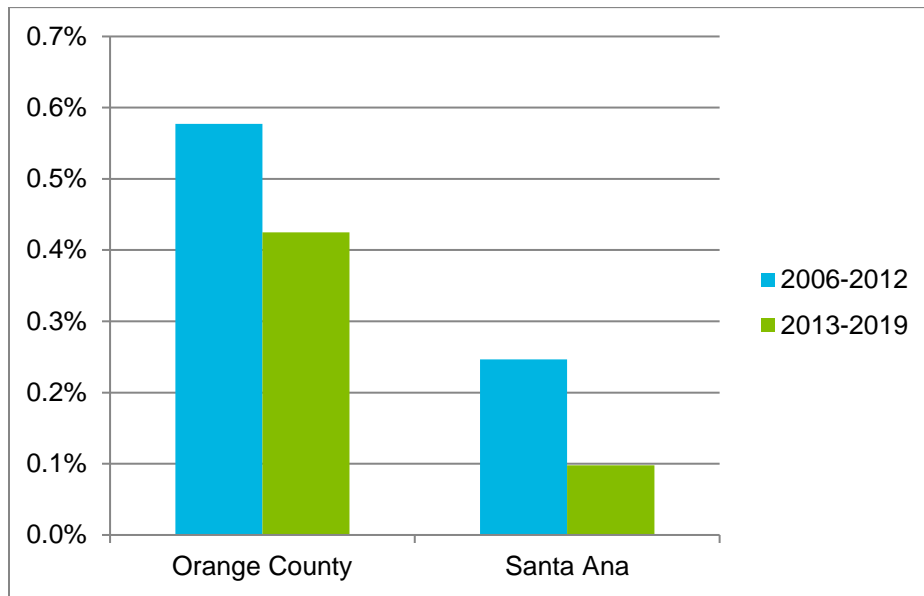


Source: CoStar; AECOM, 2019

The retail growth rate in both geographies has declined significantly over time, which is consistent with regional and national trends and largely attributable to the substantial online reorientation of the retail sector (Figure 5.3).



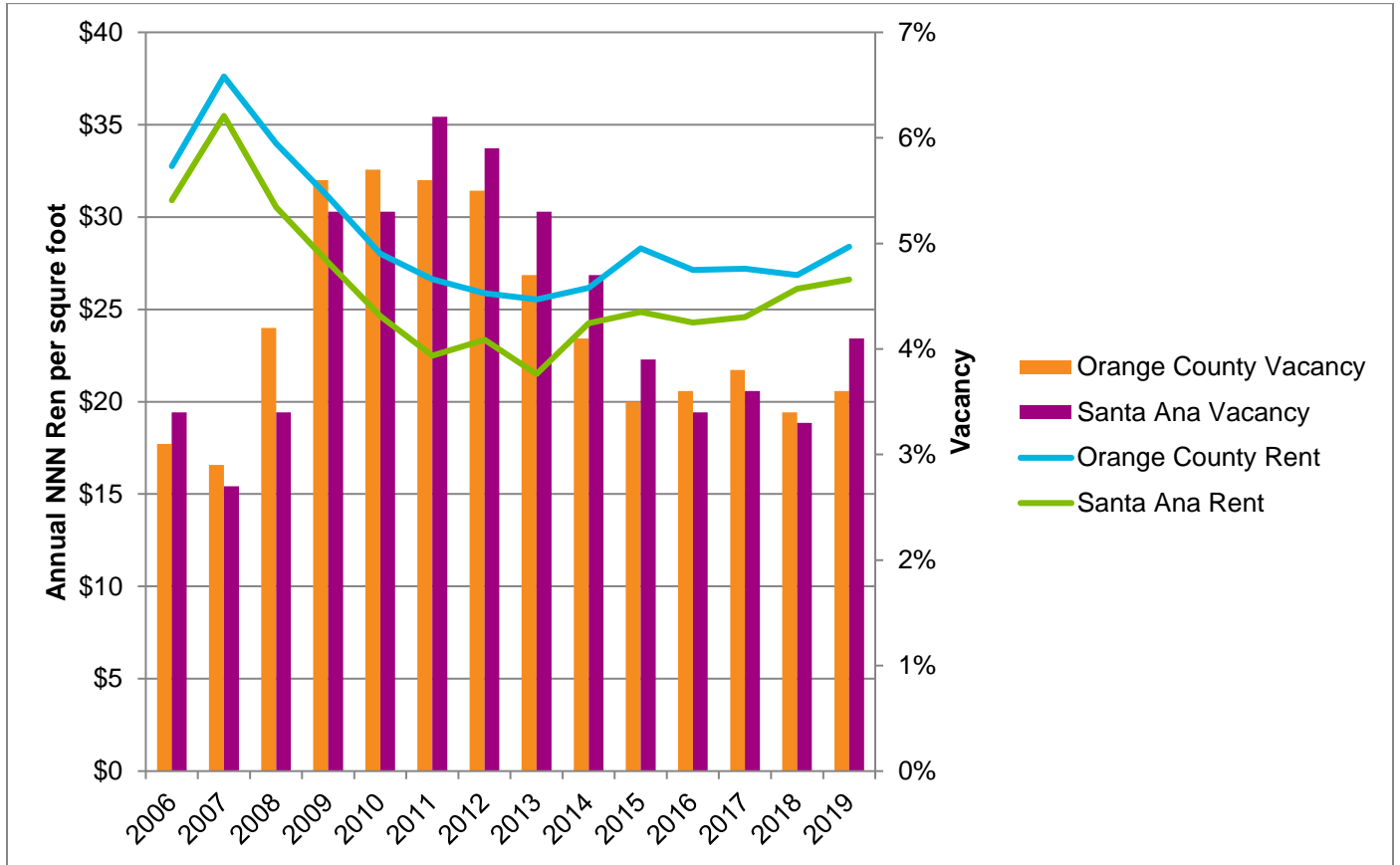
**Figure 5.3 Annual Retail Inventory Growth Rate by Period**



Source: CoStar; AECOM, 2019

Even during the height of the Great Recession, vacancies remained relatively low overall. Inflation-adjusted rents however have declined substantially from their peaks.

**Figure 5.4 Inflation-Adjusted Retail Rents and Vacancy (2018 Dollars)**

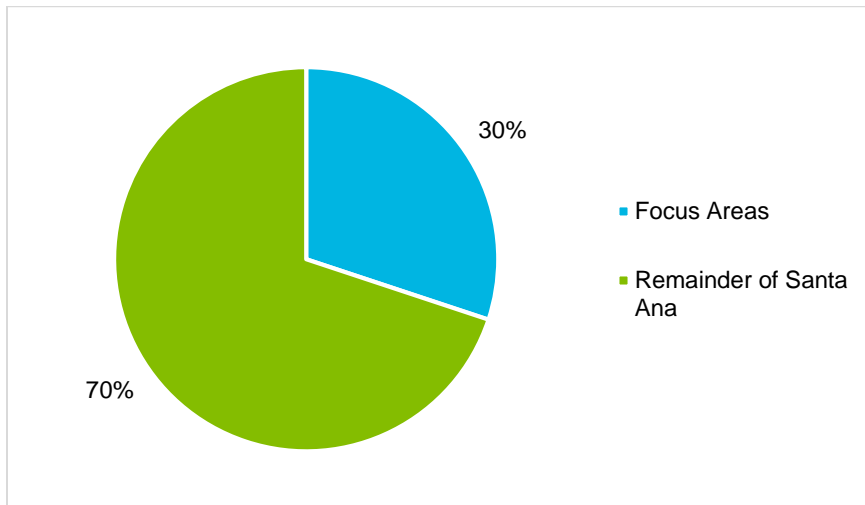


Source: CoStar; Bureau of Labor Statistics Consumer Price Index; AECOM, 2019

### 5.1 Focus Area Retail

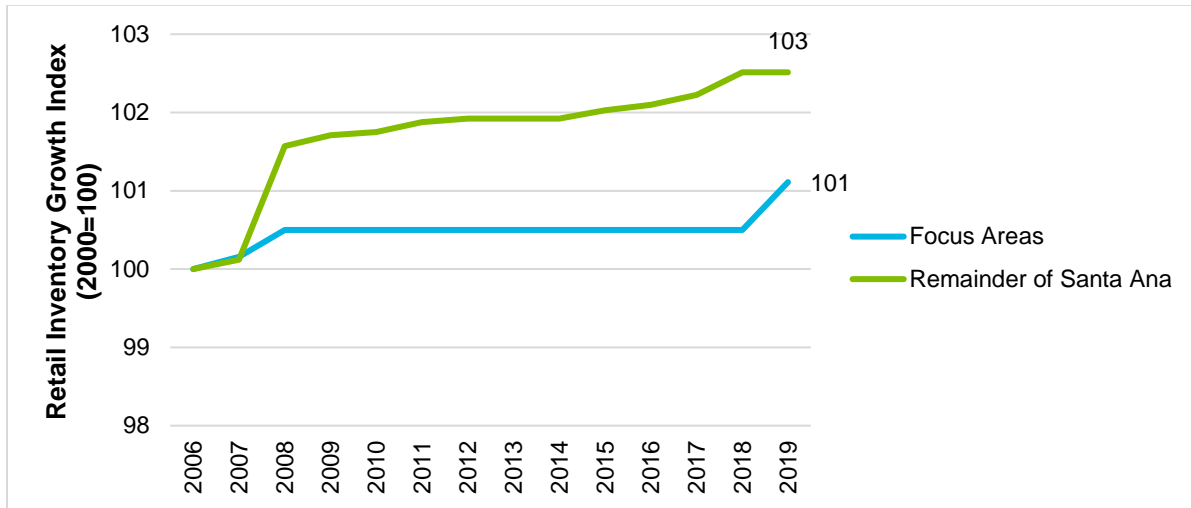
Within Santa Ana, the Focus Areas account for approximately 30% of the overall inventory (Figure 5.5), encompassing a moderate increase since 2006. In 2019, approximately 22,000 square feet were added. (Figure 5.6).

**Figure 5.5 Focus Areas Share of Santa Ana Retail SF Inventory (2018)**



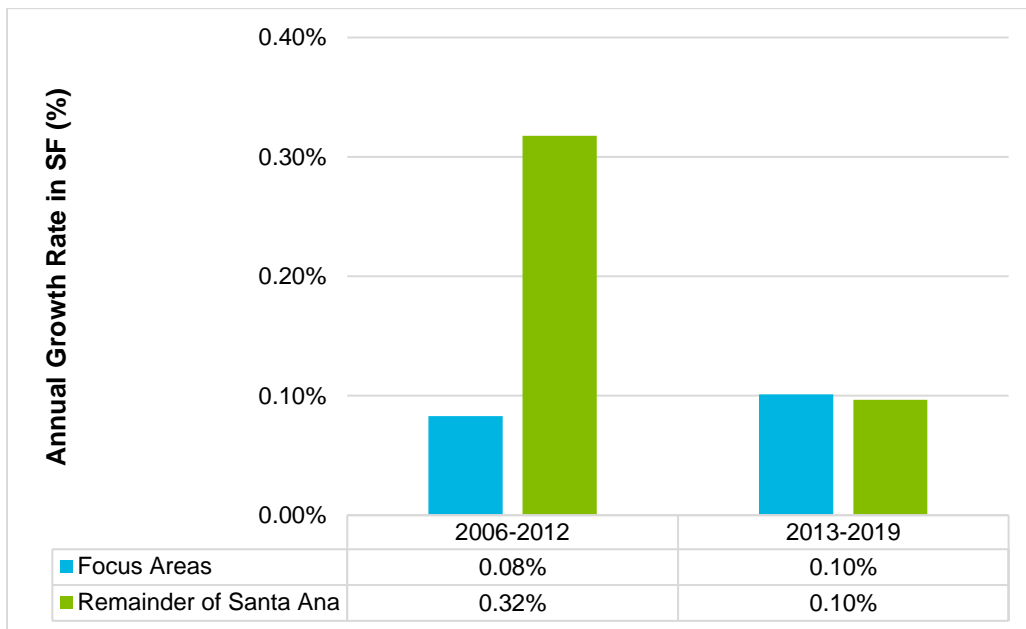
Source: CoStar, 2019

**Figure 5.6 Retail Inventory Growth Index**



Source: CoStar, 2019

**Figure 5.7 Santa Ana and Focus Area Retail Inventory Growth Rate by Period**



Source: CoStar, 2019

Retail inventory in the Focus Areas is advanced with average ages per Focus Area ranging from 35 to 70 years.

**Table 5.1 Focus Area Retail Space Average Year Built**

Focus Area	Year
City of Santa Ana <sup>1</sup>	N/A
17th and Grand	1975
55 Dyer	1984
South Bristol	1974
South Main	1949
West Santa Ana Blvd.	1957

<sup>1</sup> Average year built was not available for Santa Ana  
 Source: CoStar; AECOM, 2019

Table 5.2 breaks down retail characteristics by Focus Area, including total inventory and share of Santa Ana inventory, vacancy rates, and annual NNN rents. The South Main and 55 Dyer Focus Areas rents were significantly lower than in other Focus Areas while vacancy rents were generally consistent with the overall citywide average

**Table 5.2 Retail Metrics by Focus Area (2019)**

Focus Area	Total SF	Share of City of Santa Ana (SF)	Vacancy Rate	Annual NNN Rent Per SF
17th and Grand	722,113	6%	14%	\$28
55 Dyer	143,302	1%	7%	\$18
South Bristol	1,429,672	12%	4%	\$30
South Main	924,322	8%	5%	\$17
West Santa Ana Blvd.	423,276	3%	1.6%	\$24
City of Santa Ana	12,104,263	100%	4.1%	\$27

Source: CoStar, AECOM 2019

Approximately 812,000 SF of retail space in the Santa Ana pipeline is more than was added between 2006 and 2019 (Table 5.3). Of this pipeline, approximately 40% is slated for the Focus Areas (Table 5.4).

**Table 5.3 Santa Ana Retail Pipeline**

Retail (sq. ft.)	
Projects Under Construction	145,964
<i>Total SF Under Construction</i>	
Projects Approved; Pending Construction	356,025
<i>Total SF Pending Construction</i>	
Projects Submitted; Pending Approval	302,034
<i>Total SF Pending Approval</i>	
<b>Total Projects</b>	<b>804,023</b>

Source: City of Santa Ana 2019

**Table 5.4 Santa Ana Retail Pipeline Distribution**

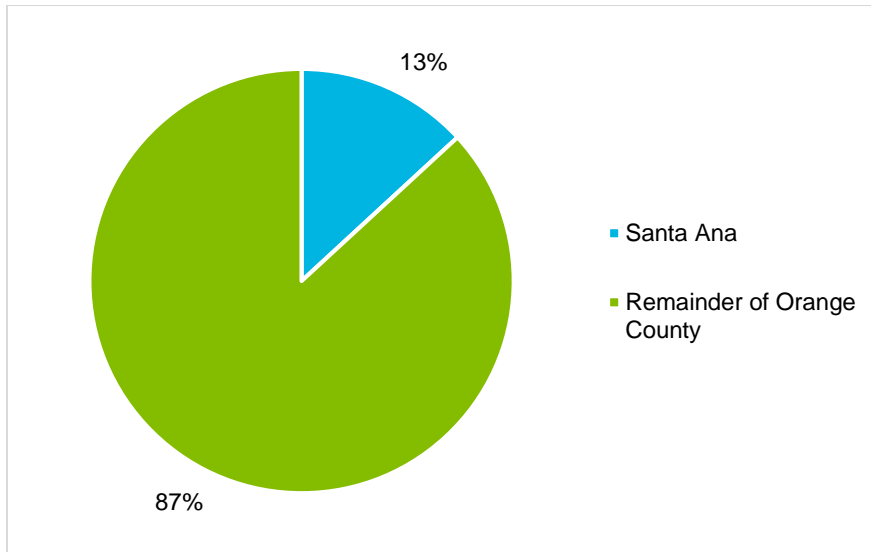
	SF	% of Pipeline
Focus	318,492	40%
Non-Focus	485,531	60%

Source: City of Santa Ana; AECOM, 2019

## 6. Industrial

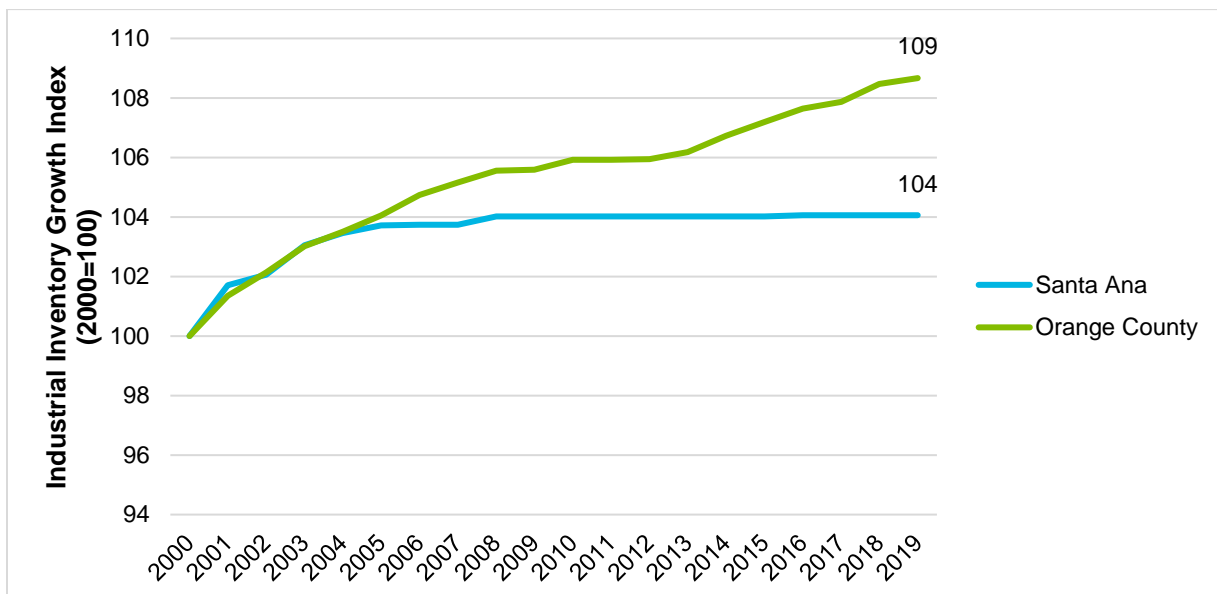
Santa Ana accounts for 13% of total Orange County industrial inventory (Figure 6.1). From 2000 to 2019, Orange County added approximately 17.3 million SF while Santa Ana added 1.2 million, reflecting CAGRs of 0.44% and 0.21% respectively.

**Figure 6.1 Santa Ana Share of Orange County Industrial Inventory (2019)**



Source: CoStar, 2019

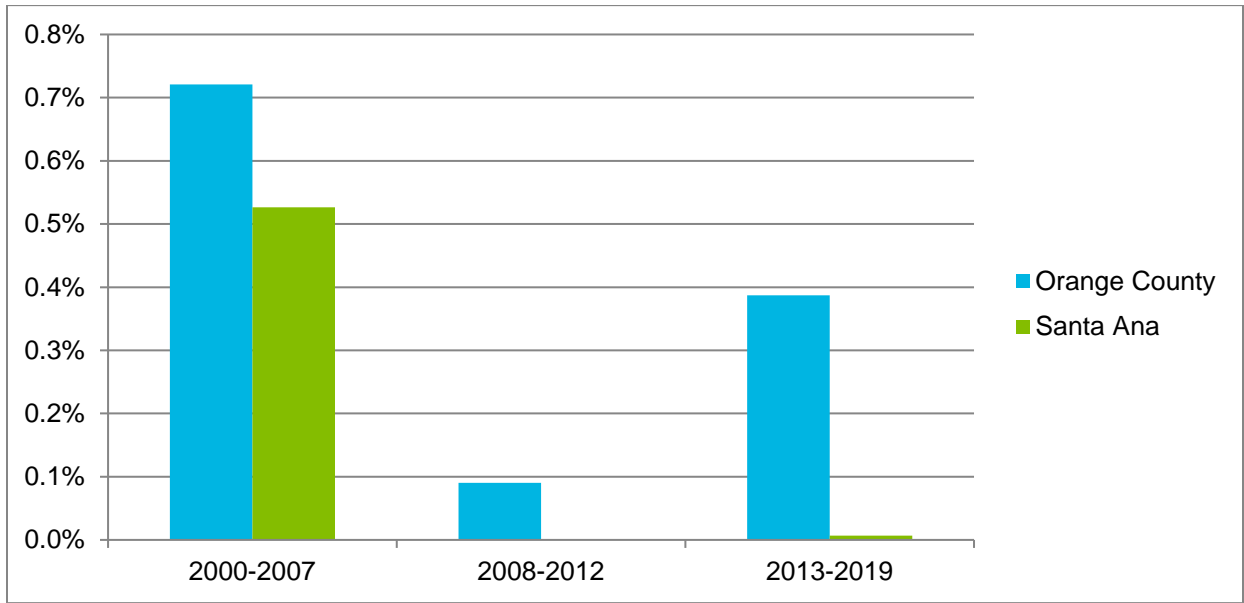
**Figure 6.2 Industrial SF Inventory Growth Index (2000-2018)**



Source: CoStar; AECOM, 2019

Santa Ana’s annual growth rate for industrial inventory has been essentially 0% since 2007, while the County grown modestly (Figure 6.3).

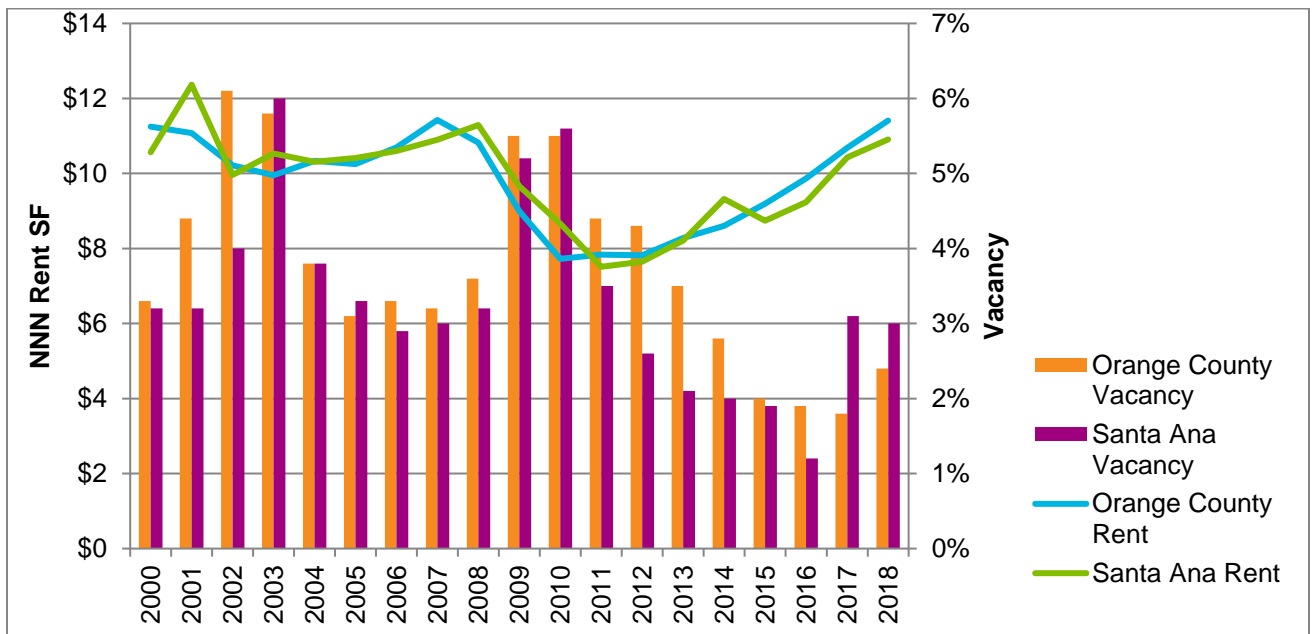
**Figure 6.3 Industrial Inventory Annual Growth Rate by Period**



Source: CoStar; AECOM, 2019

As shown in Figure 6.4, inflation-adjusted rents have almost recovered their pre-recession peak. Vacancies meanwhile are low in both geographies and well below structural occupancy, suggesting that higher rents are being driven by unmet demand.

**Figure 6.4 Average Inflation Adjusted Industrial Rent per SF and Vacancy (2019 Dollars)**

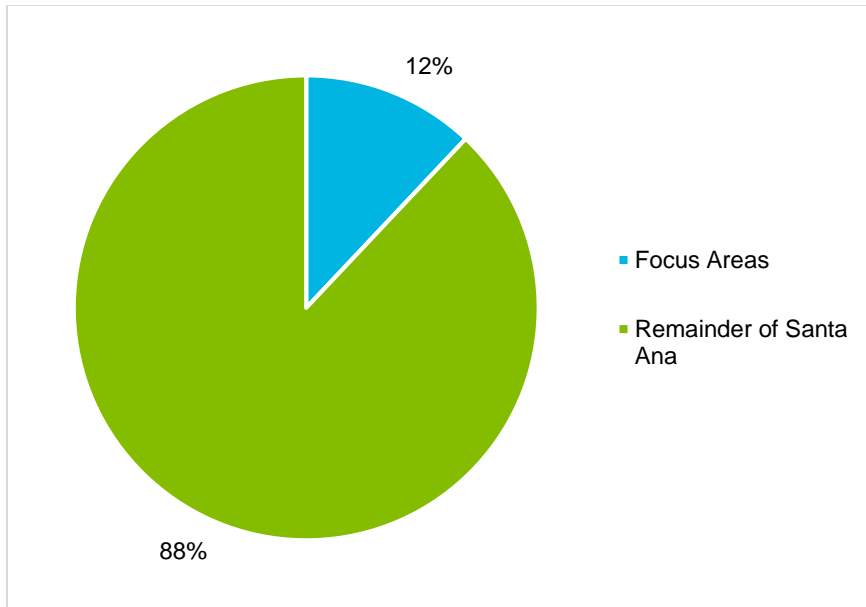


Source: CoStar; Bureau of Labor Statistics Consumer Price Index (CPI); AECOM, 2019

## 6.1 Focus Areas Industrial

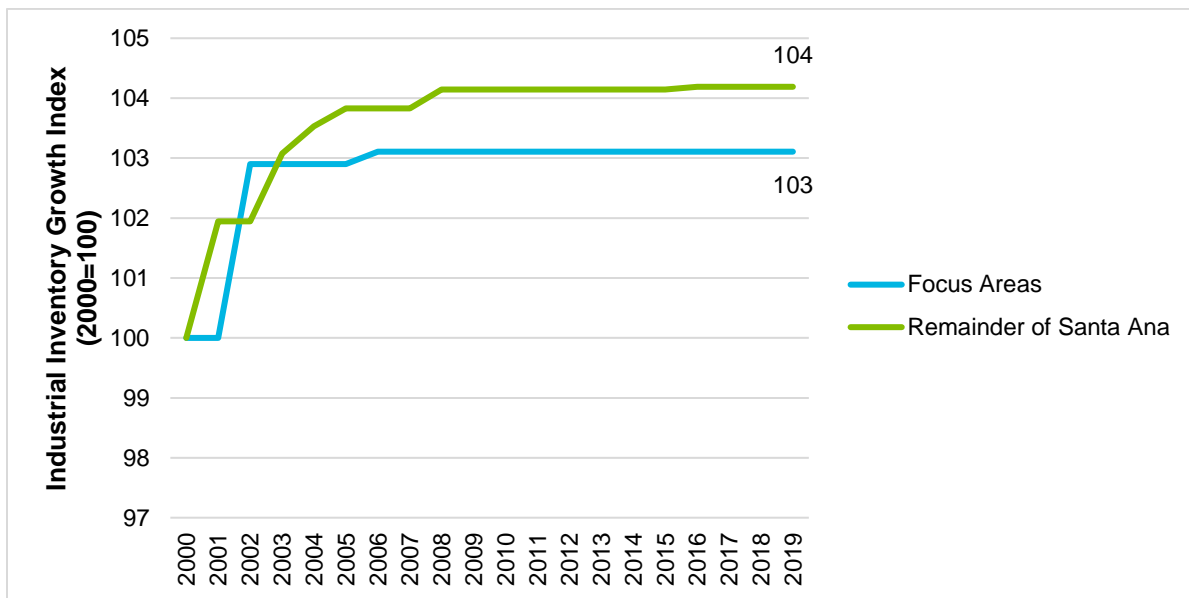
The Focus Areas account for 12% of citywide industrial space. This contribution has been steady since 2000, from when the Focus Areas grew approximately 110,000 SF and the City 1.1 million SF.

**Figure 6.5 Focus Areas Share of Santa Ana Inventory (2018)**



Source: CoStar, 2019

**Figure 6.6 Industrial Inventory Growth Index**

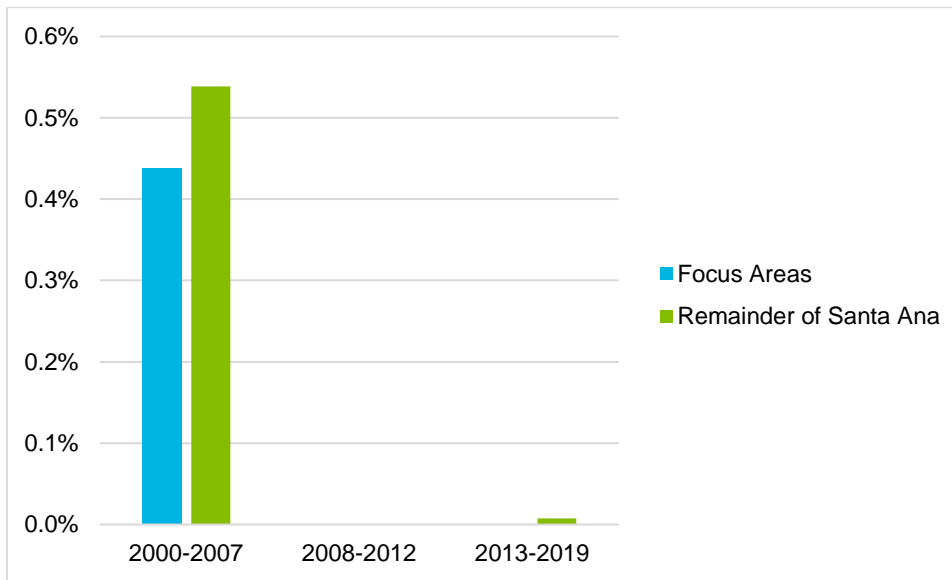


Source: CoStar, 2019

Annual growth rates show the fast growth occurring between 2000 and 2007. The 55 Dyer Focus Area accounts for 98% of Focus Area industrial inventory growth and 10% of total citywide growth over from 2000 to 2019.



**Figure 6.7 Industrial Inventory Growth by Time Period**



Source: CoStar, 2019

Table 6.1 includes Focus Area industrial space characteristics including SF of inventory, share of citywide inventory, vacancy rates, and annual NNN rents per SF. NNN rents are generally in line with those across City, while the 55 Dyer and West Santa Ana Blvd Focus Areas outperform the City average.

**Table 6.1 Industrial Space Metrics by Focus Area (2019)**

Focus Area	Total SF	Share of City of Santa Ana (SF)	Vacancy Rate	Annual NNN Rent Per SF
17th and Grand	310,144	1%	4%	\$9
55 Dyer	2,008,146	7%	1%	\$12
South Bristol	52,772	0.2%	0%	\$10
South Main	304,654	1%	8%	\$10
West Santa Ana Blvd.	996,669	3%	0.5%	\$15
City of Santa Ana	30,517,658	100%	5%	\$11

Source: CoStar, 2019

Tables 6.1 and 6.2 detail the age and the class type characteristics of Santa Ana and Focus Area industrial space. Most citywide inventory consists of Class B and C space and the average year built is 1969. None of the limited Class A space is within the Focus Areas, while Dyer has the largest percentage of Class B and C space of any of the Focus Areas.

**Figure 6.7 Santa Ana Buildings and Units by Class, 2019**

Class	Building	SF
A	8	216,760
B	518	12,363,314
C	1,049	17,306,344

Source: CoStar, 2019

**Table 6.3 Year Built**

Focus Area	Year
City of Santa Ana	1969
17th and Grand	1969
55 Dyer	1974
South Bristol	N/A
South Main	1960
West Santa Ana Blvd.	1972

Source: CoStar, 2019

The City of Santa Ana provided pipeline data for industrial space indicating two projects: 42,000 SF of industrial space and an Amazon distribution center of approximately 400,000 SF. Further review of CoStar and other sources revealed a project under construction by Shea Properties representing approximately 500,000 SF of new space. According to the project description, it will be geared towards light manufacturing and distribution.

**Table 6.4 Santa Ana Industrial Pipeline**

Industrial (sq. ft.)	
Projects Under Construction	536,000
<i>Total Units Under Construction</i>	
Projects Approved; Pending Construction	2,665
<i>Total Units Pending Construction</i>	
Projects Submitted; Pending Approval	192,309
<i>Total Units Pending Approval</i>	
<b>Total Projects</b>	<b>730,974</b>

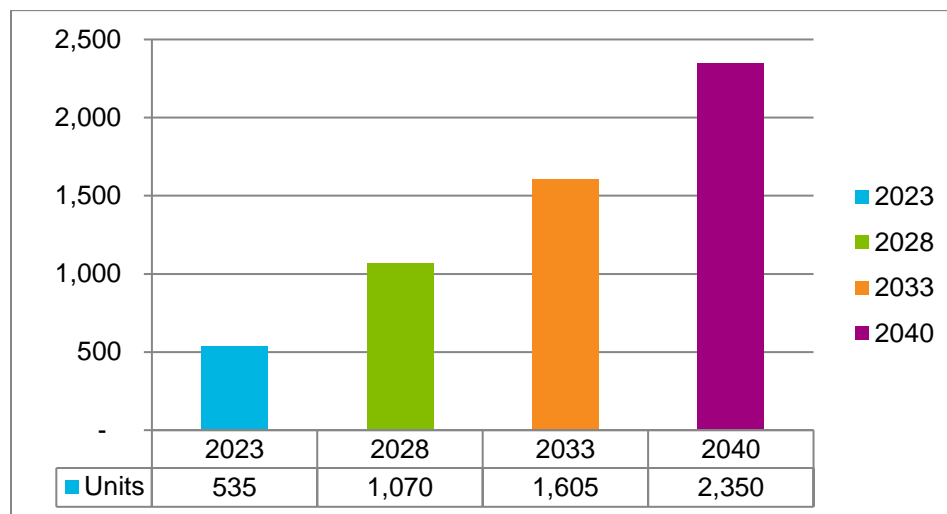
Source: City of Santa Ana, 2019

There are no new industrial projects under construction or in development in any of the Focus Areas. In fact, there is a net negative pipeline for Industrial space as 212,000 SF are being demolished and redeveloped.

## 7. Santa Ana Housing Demand

To estimate Santa Ana housing unit demand, AECOM utilized SCAG household growth forecasts for the city and the County. Estimated city demand was calculated by assuming different capture rates for low, medium, and high capture of the Orange County household growth. According to the forecast, between 2018 and 2040 Santa Ana would add an additional 2,240 households. To calculate the housing the additional housing units necessary to accommodate this growth a vacancy rate of 5% was added, resulting in an estimated demand for projected citywide growth of 2,350 units.

**Figure 7.1 Santa Ana Housing Demand from Citywide HH Growth (Before Pipeline)**



Source: SCAG; AECOM, 2019

The Santa Ana housing pipeline of 10,222 units was then deducted from cumulative housing demand to estimate the remaining cumulative demand from citywide growth (Table 7.1). This includes approximately 510 dwelling units added to Santa Ana’s inventory in 2018 and 2019. This also indicates that Santa Ana nearly reached the SCAG 2023 projection by the end of 2019.

**Table 7.1 Santa Ana Housing Demand for Citywide HH Growth by Period (Less Pipeline)**

Year	Unit Demand
2023	-9690
2028	-9152
2033	-8617
2040	-7872

Source: AECOM, 2019

While this yields a negative demand, it only accounts for SCAG-projected household growth within the city. The Santa Ana pipeline alone would result in a larger increase within the next five to 10 years and, given the regional nature of the housing market and the historically lower housing costs compared to Orange County overall, it is reasonable to assume that the new housing will be in demand and draw new households from across the region. Because of this, AECOM calculated additional capture shares of the regional household growth projected by

SCAG. As noted previously, Santa Ana currently accounts for around 7% of total Orange County households; however, Santa Ana accounted for a total of 11% of incremental regional household growth from 2005 through 2018. To calculate capture of regional, non-Santa Ana growth regional demand for incremental housing units was first estimated. SCAG’s household growth forecasts for Orange County were utilized to estimate this.

**Table 7.2 Estimated Orange County Housing Unit Demand 2018-2040 (Less Santa Ana)**

	2018 (HHs)	2040 (HHs)
Orange County	1,055,00	1,152,000
Less Santa Ana	76,000	78,000
Orange County (Less Santa Ana)	980,000	1,076,000
Total Orange County HH Growth (Less Santa Ana)		96,000
Total 2018 - 2040 Orange County Unit Demand (Less Santa Ana) <sup>2</sup>		101,000
Total Annualized Orange County Housing Unit Demand (Less Santa Ana)		4,600

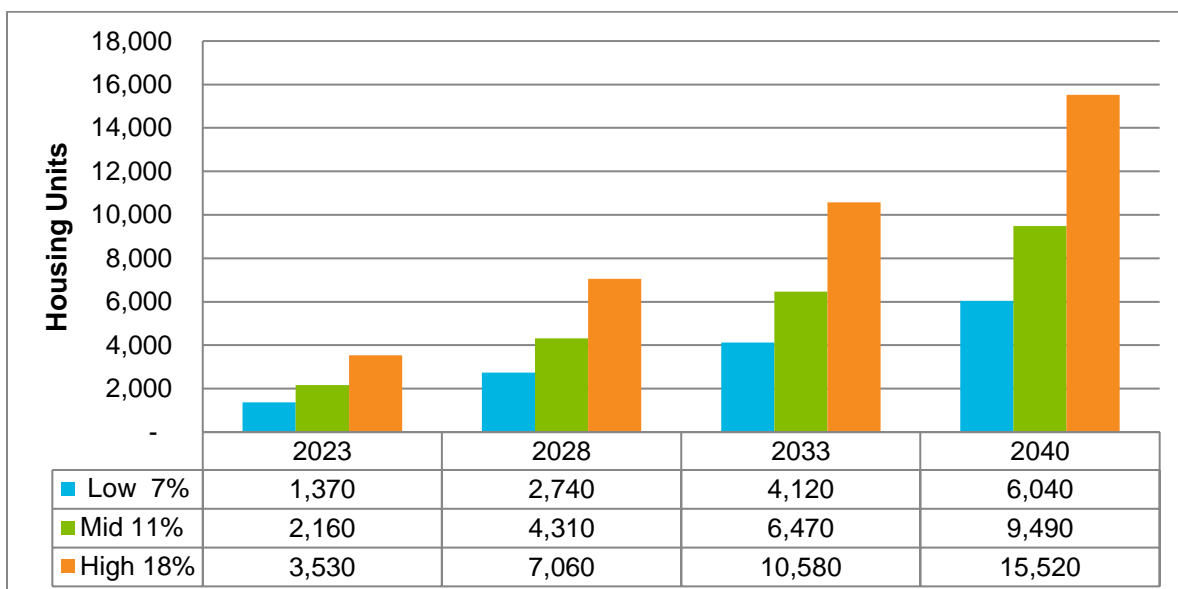
<sup>1</sup> Numbers have been rounded and may not sum.

<sup>2</sup> Adds a 5% vacancy rate to estimate housing units.

Source: SCAG; AECOM, 2018

Once estimated low, medium, high rates were established to estimate the cumulative demand portion of cumulative Orange County housing demand Santa Ana could potentially capture. 7% and 11% rates were selected to account for the low and medium regional capture rate scenarios and 18% for the high scenario. The regional pipeline, non-Santa Ana pipeline of approximately 14,900 units was then subtracted to arrive at the potential capture of estimated incremental Orange County housing demand. It was assumed that all this pipeline would be delivered to market in the first 5-year period. Santa Ana represents approximately 40% of the county-wide development pipeline for multifamily residences. If all the projects in the current development pipeline are brought to market, this would be a substantial departure from the development pattern of the past.

**Figure 7.2 Santa Ana Capture of Orange County Housing Demand (Less Pipeline)**



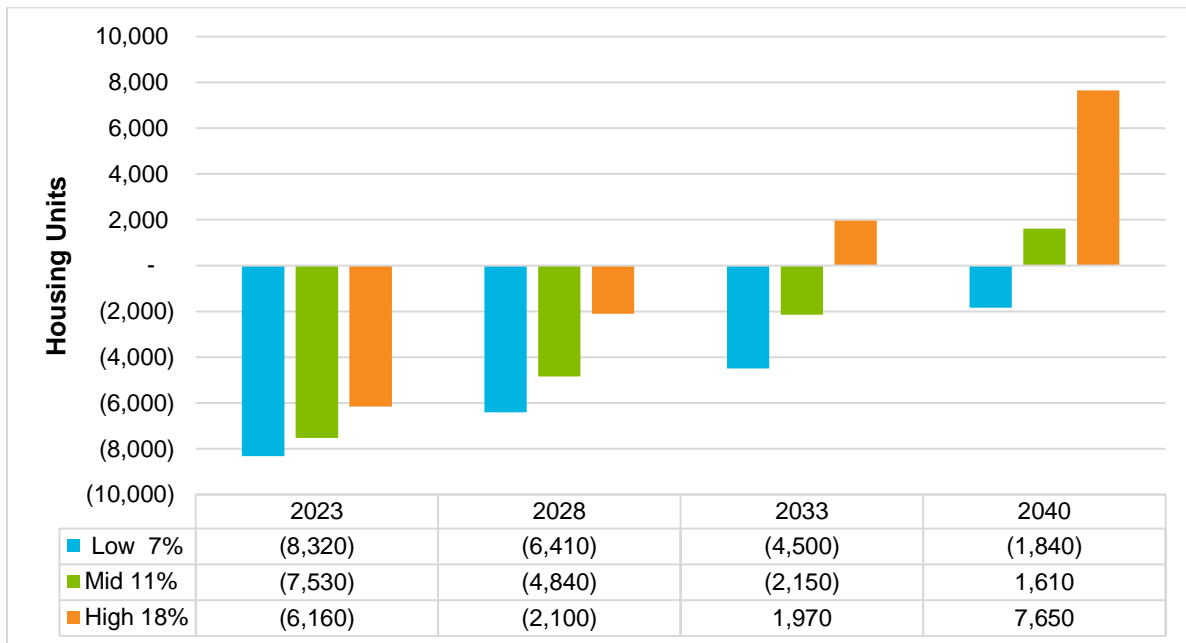
<sup>1</sup> The Orange County housing pipeline excluding Santa Ana has been subtracted to calculate the estimated demand capture ranges.

Source: SCAG; CoStar; AECOM, 2019

The estimated demand from Table 7.1 and Figure 7.2 were then combined to produce a cumulative housing demand estimate for Santa Ana by time period (Figure 7.3). These

estimates account for the 510 dwelling units that were added to Santa Ana’s inventory in 2018 and 2019.

**Figure 7.3 Estimated Santa Ana Cumulative Housing Demand (2018-2040)<sup>1</sup>**



<sup>1</sup> Includes (Santa Ana Growth + Capture Share of Regional Growth)-(Santa Ana Pipeline + Orange County Pipeline). Numbers have been rounded to the nearest 10.

Source: AECOM, 2019

Because the Santa Ana pipeline is so substantial, there is no estimated cumulative demand from combined citywide and non-Santa Ana Orange County growth through 2023. By 2033, however there is likely to additional demand for new housing under the high capture rate scenario. Because recent dwelling unit growth in Santa Ana has outpaced the remainder of Orange County and the City accounts for 40% of the MFR development pipeline, it is reasonable assumption that the capture rate of regional growth will be high. Santa Ana’s ability to absorb these units will depend on the increased capture rate of countywide growth.

## 8. Office Demand

AECOM also utilized SCAG employment projections for Santa Ana to estimate incremental demand for office space. Table 8.1 includes estimated incremental and annualized employment growth between 2018 and 2040. SCAG forecasts a total incremental growth in employment of nearly 7,000 jobs for the city.

**Table 8.1 City of Santa Ana Projected Office Employment Growth (2018-2040)**

Total Employment (2018)	159,000
Job Growth CAGR (2012-2018)	0.5%
Job Growth CAGR (2020-2040)	0.2%
Projected Employment (2040)	166,000
Total Projected Employment Growth (2018-2040)	7,000
% Office Jobs (AECOM Estimate)	43%
<b>Total Projected Office Job Growth</b>	<b>3,000</b>
<b>Office Job Growth, Annualized</b>	<b>140</b>

<sup>1</sup> Numbers have been rounded and may not sum.

Source: SCAG; AECOM, 2018

As with housing demand, estimated cumulative office demand was based on a combination of employment growth within Santa Ana and a low, medium, and high capture share of Orange County office employment growth excluding Santa.

**Table 8.2 Orange County Projected Office Employment Growth (2018-2040)**

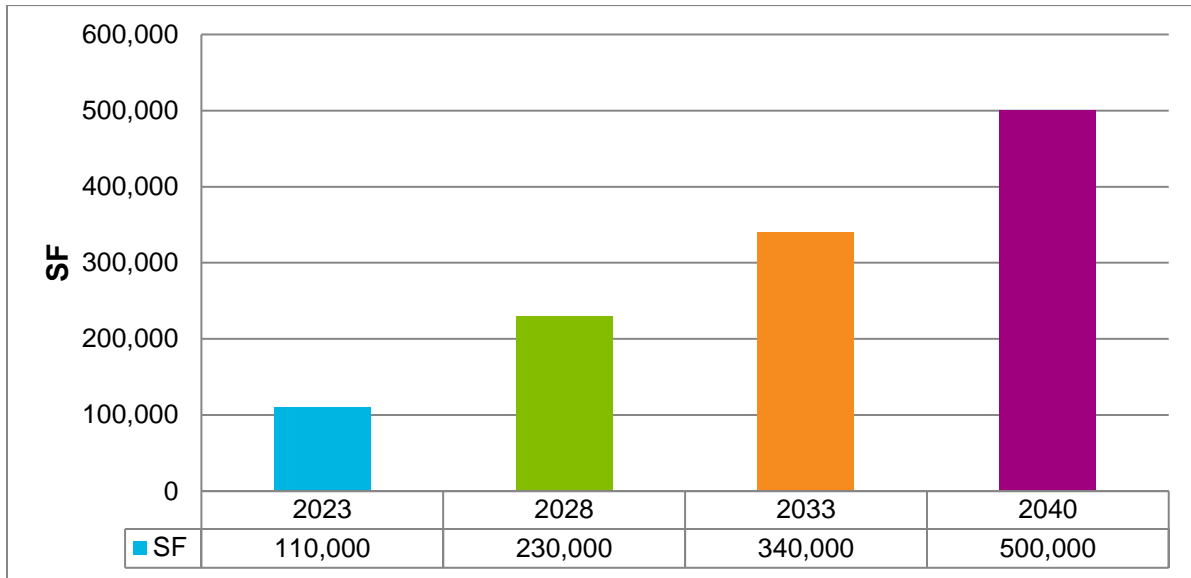
Total Employment (2018)	1,677,000
Job Growth CAGR (2012-2018)	1.6%
Job Growth CAGR (2020-2040)	0.5%
Projected Employment (2040)	1,899,000
Santa Ana Employment (2040)	166,000
Projected Employment Less Santa Ana (2040)	1,733,000
Total Projected Employment Growth Excluding Santa Ana (2018-2040)	56,000
% Office Jobs Orange County Excluding Santa Ana (AECOM Estimate)	36%
<b>Total Projected Office Job Growth</b>	<b>20,000</b>
<b>Office Job Growth, Annualized</b>	<b>1,300</b>

<sup>1</sup> Numbers have been rounded and may not sum.

Source: SCAG; AECOM, 2018

Figure 8.1 contains the estimated cumulative office space demand from office job growth citywide between 2018 and 2040. AECOM assumed 150 SF per employee and then added 10% based on structural occupancy for a total of 167 SF per additional office employee.

**Figure 8.1 Estimated Santa Ana Cumulative Office Space Demand (Before Pipeline)<sup>1</sup>**

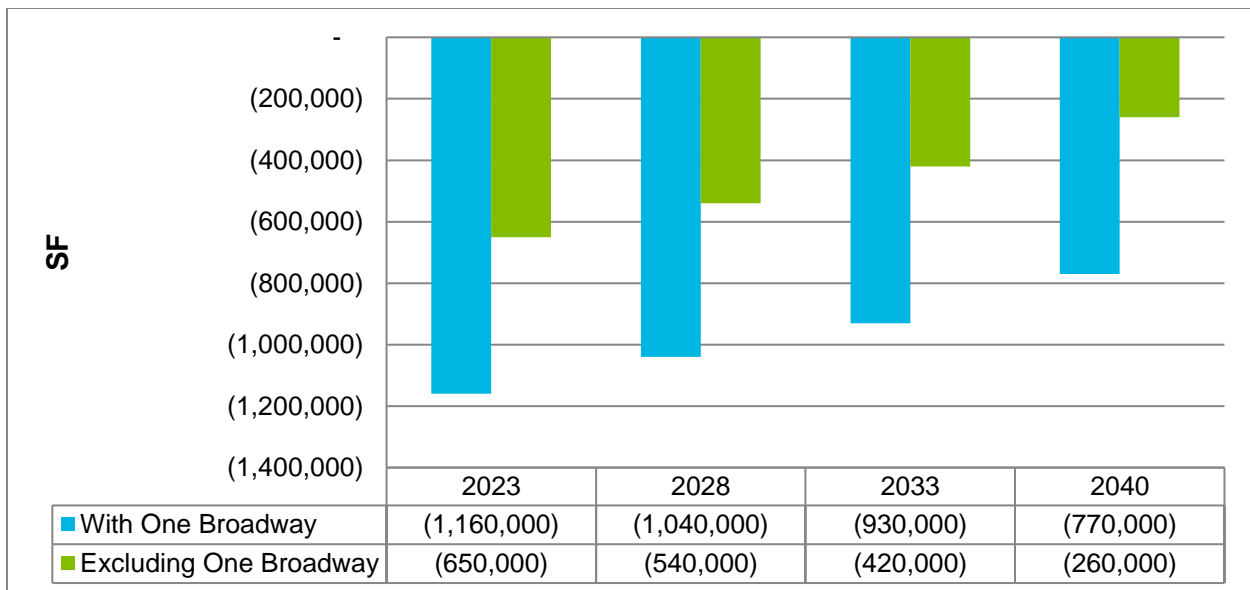


<sup>1</sup> Numbers have been rounded.

Source: AECOM, 2019

As already noted, over 98% of Santa Ana’s office space pipeline consists of two projects, One Broadway and the Main Place Mall redevelopment, which are planned for 518,000 and 750,000 SF respectively. Because the delivery of One Broadway remains uncertain, two demand scenarios were calculated, one without this project and another with it (Figure 8.2).

**Figure 8.2 Office Demand from Santa Ana Office Employment Growth (Less Pipeline)**



<sup>1</sup> Numbers have been rounded.

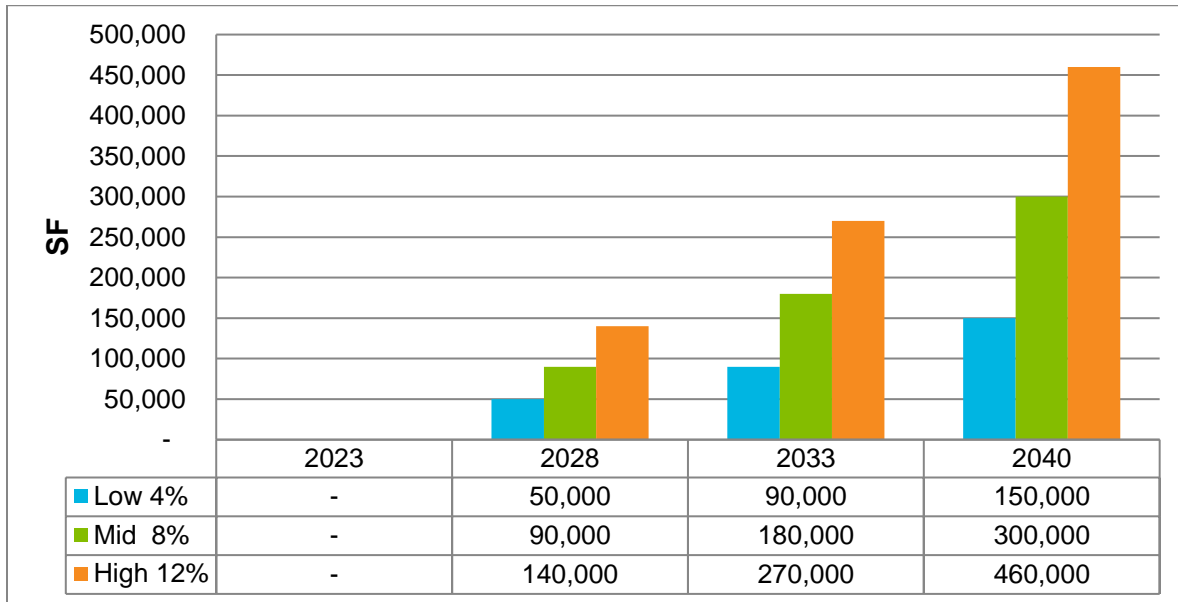
Source: AECOM, 2019

Based on the SCAG projections for Santa Ana employment, there is unlikely to be incremental demand for office space through 2040, with or without One Broadway.

Between now and 2023, over 1 million SF of office space is under construction or planned in Orange County (excluding Santa Ana). This is estimated to satisfy demand for all non-Santa

Ana Orange County office job growth in the same period. AECOM assumed 4%, 8% and 12% low, medium, and high demand capture ranges of regional office jobs and office space for Santa Ana. Santa Ana’s estimated current share of County office jobs, excluding Public Administration is 8% and 12% with. Based on the observed decline in employment within the city in multiple sectors that have a high proportion of office employment, 4% was also selected to provide a more conservative low range.

**Figure 8.3 Santa Ana Capture of Orange County Office Demand (Less Pipeline)**



<sup>1</sup>Numbers have been rounded.

Source: AECOM, 2019

**Table 8.3 Estimated Total Santa Ana Office Demand Potential**

With One Broadway			
	Low	Mid	High
2023	-1,160,000	-1,160,000	-1,160,000
2028	-1,000,000	-950,000	-910,000
2033	-840,000	-750,000	-660,000
2040	-620,000	-470,000	-320,000
Without One Broadway			
	Low	Mid	High
2023	-650,000	-650,000	-650,000
2028	-490,000	-440,000	-400,000
2033	-330,000	-240,000	-150,000
2040	-110,000	40,000	190,000

<sup>1</sup> Numbers have been rounded.

Source: AECOM, 2019



While the demand analysis based on SCAG projections show there will be little incremental demand for office space through 2040, a separate analysis of the California Employment Development Division (EDD) shows much stronger employment growth numbers for sectors concentrated in Santa Ana from 2020-2030.

**Table 8.4 Office Space demand based on EDD projections**

<b>Santa Ana Projected Incremental Office Employment and Space 2020-2030</b>				
	<b>% Office Workers<sup>1</sup></b>	<b>Incremental Jobs</b>	<b>SF/Job<sup>2</sup></b>	<b>Estimated Incremental SF Growth</b>
Utilities	50%	6	167	977
Information	100%	157	167	26,183
Finance and Insurance	100%	303	167	50,613
Real Estate and Rental and Leasing	100%	158	167	26,326
Professional/Scientific/Tech Srevices	75%	896	167	149,552
Management of Companies	100%	160	167	26,730
Admin/Support Waste Management	25%	488	167	81,473
Educational Services	50%	318	167	53,040
Health Care and Social Assistance	50%	1,323	167	220,871
Arts, Entertainment, and Recreation	25%	35	167	5,872
Other Services	50%	139	167	23,177
Public Administration	75%	3,118	167	520,691
<b>Total</b>		<b>7,000</b>		<b>1,200,000</b>
(1) Assumption based on AECOM experience with comparble projects				
(2) Assumption based on recent patterns of office employment				
Source: EDD, LEHD, AECOM				

EDD figures indicate the current office development pipeline is roughly equivalent to the demand from job growth in sectors that occupy offices. These sector level projections indicate that demand for office space in Santa Ana would be greater than the SCAG projections if Santa Ana maintains its historic capture of sectors concentrated in office uses.

## 9. Industrial Demand

AECOM also estimated future cumulative demand for industrial space based on estimated Santa Ana industrial employment growth and a low, medium, and high capture rate of Orange County industrial employment growth.

**Table 9.1 Santa Ana Projected Industrial Employment Growth (2018-2040)**

Total Employment (2018)	159,100
Job Growth CAGR (2012-2018)	.5%
Job Growth CAGR (2020-2040)	.2%
Projected Employment (2040)	166,000
Total Emp. Growth (2018-2040)	7,000
% Industrial Jobs (AECOM Assumption)	22%
<b>Total Industrial Job Growth</b>	<b>1,500</b>
<b>Industrial Job Growth, Annualized</b>	<b>70</b>

<sup>1</sup>Numbers have been rounded.

Source: SCAG; AECOM, 2018

**Table 9.2 Orange County Projected Industrial Employment Growth (2018-2040)**

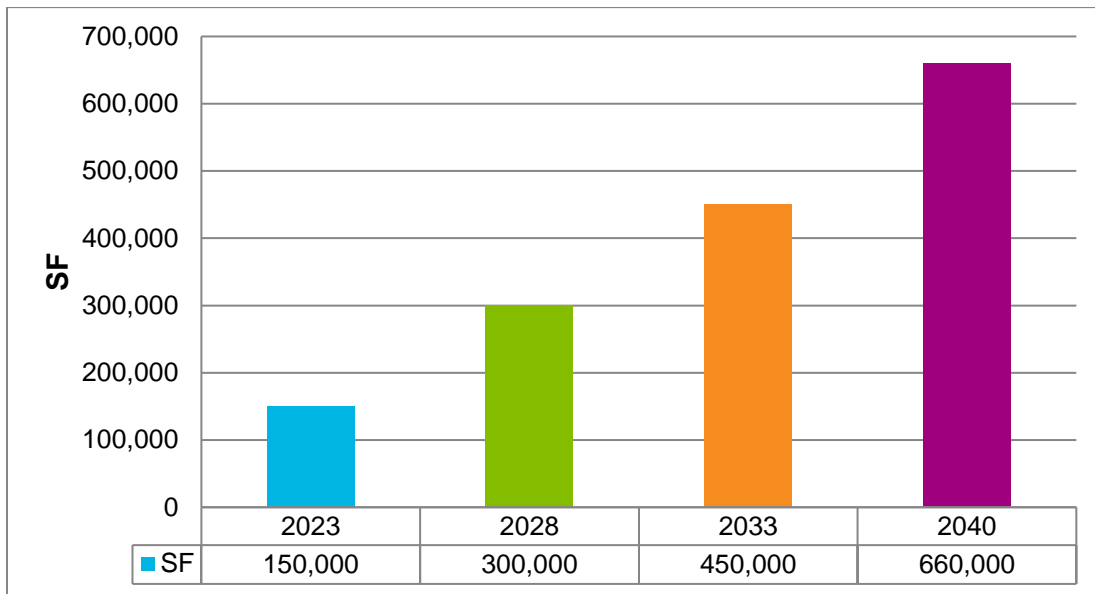
Total Employment (2018)	1,677,000
Job Growth CAGR (2012-2018)	2%
Job Growth CAGR (2020-2040)	0.47%
Projected Employment (2040)	1,899,000
Santa Ana Employment Growth (2018-2040)	7,000
Projected Employment Growth Less Santa Ana	215,000
Industrial Employment	22%
Total Industrial Job Growth	47,000
Industrial Job Growth, Annualized	2,100

<sup>1</sup>Numbers have been rounded.

Source: SCAG; AECOM, 2018

Based on estimated industrial employment growth within Santa Ana, AECOM estimates a cumulative demand for an additional 660,000 SF through 2040.

**Figure 9.1 Estimated Cumulative Santa Ana Industrial Demand (Before Pipeline)**

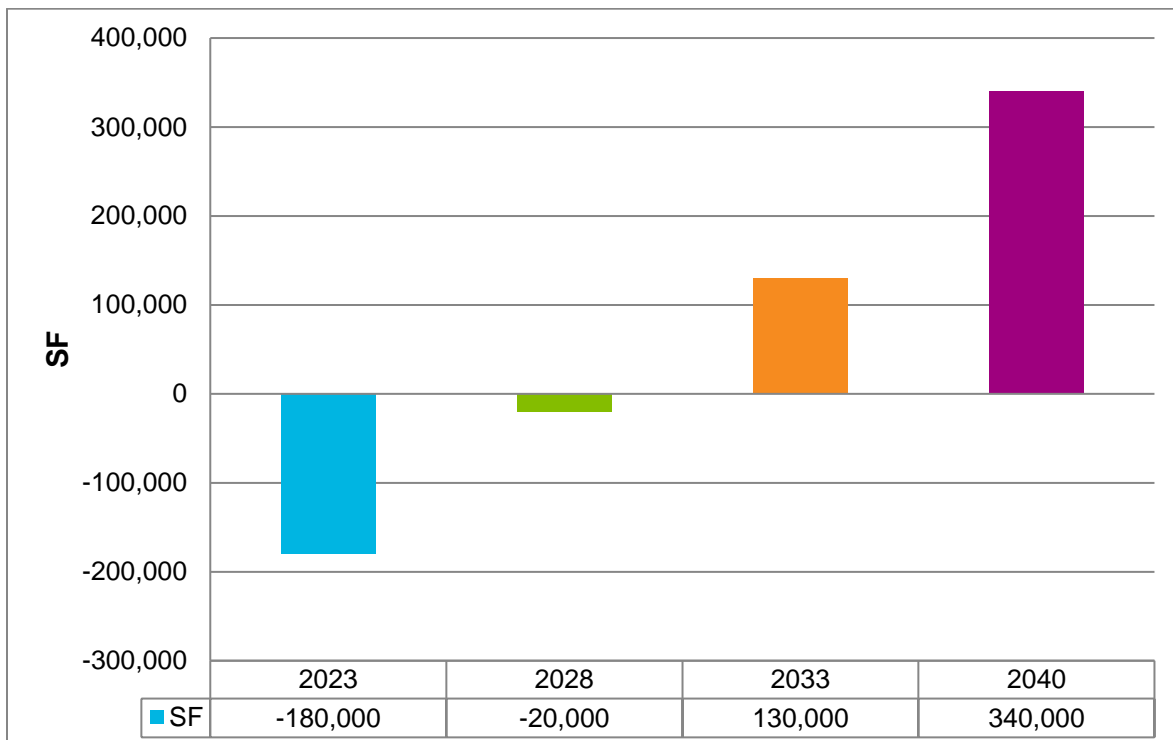


<sup>1</sup>Numbers have been rounded.

Source: AECOM, 2019

Santa Ana’s industrial pipeline of approximately 730,000 SF would satisfy estimated demand through 2033. However, approximately 404,000 SF of this industrial space would become an Amazon distribution center, a regional hub not accounted for in SCAG projections for Santa Ana employment growth. Subtracting the distribution center from the pipeline leaves approximately 327,000 SF of net new industrial space.

**Figure 9.2 Estimated Cumulative Santa Ana Industrial Demand (Less Pipeline)**

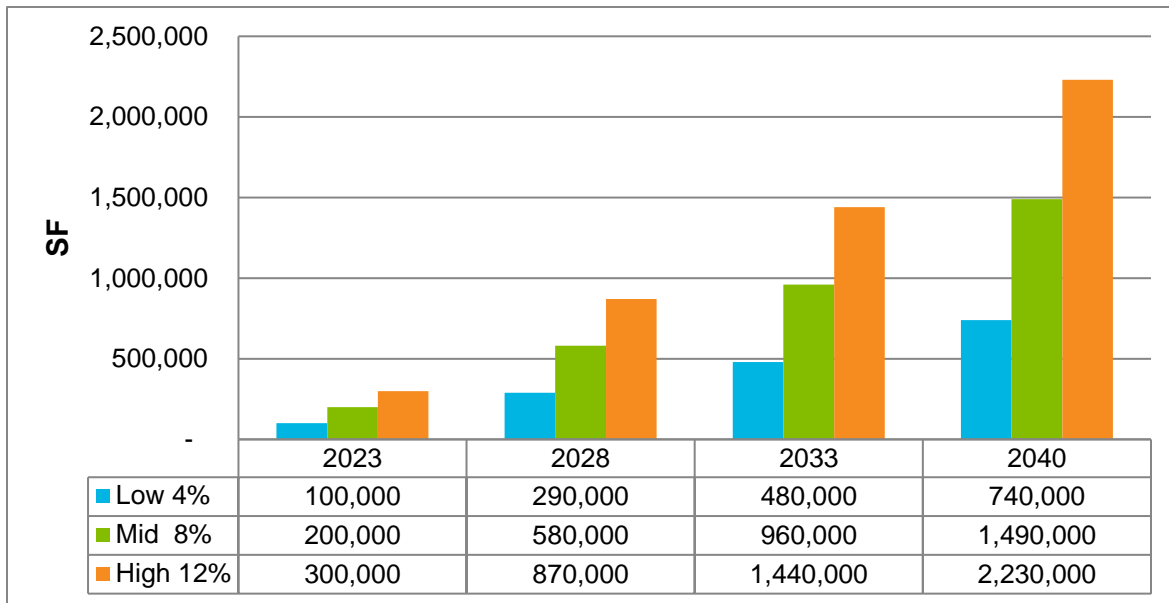


<sup>1</sup> Numbers have been rounded.

Source: AECOM, 2019

To provide an estimate low, medium, and high capture range of future regional industrial demand 4%, 8%, and 12% capture ranges were assumed. Santa Ana’s current share of industrial employment is approximately 10%. The low and medium capture rates were chosen to reflect the relatively small amount of industrial space that has been added in Santa Ana compared to Orange County since 2000, while the high rate was chosen to reflect potential stronger future growth. These capture estimates factor in the current industrial development pipeline of the remainder of Orange County that includes approximately 2.2 million SF.

**Figure 9.3 Santa Ana Capture of Orange County Industrial Demand (Less Pipeline)**

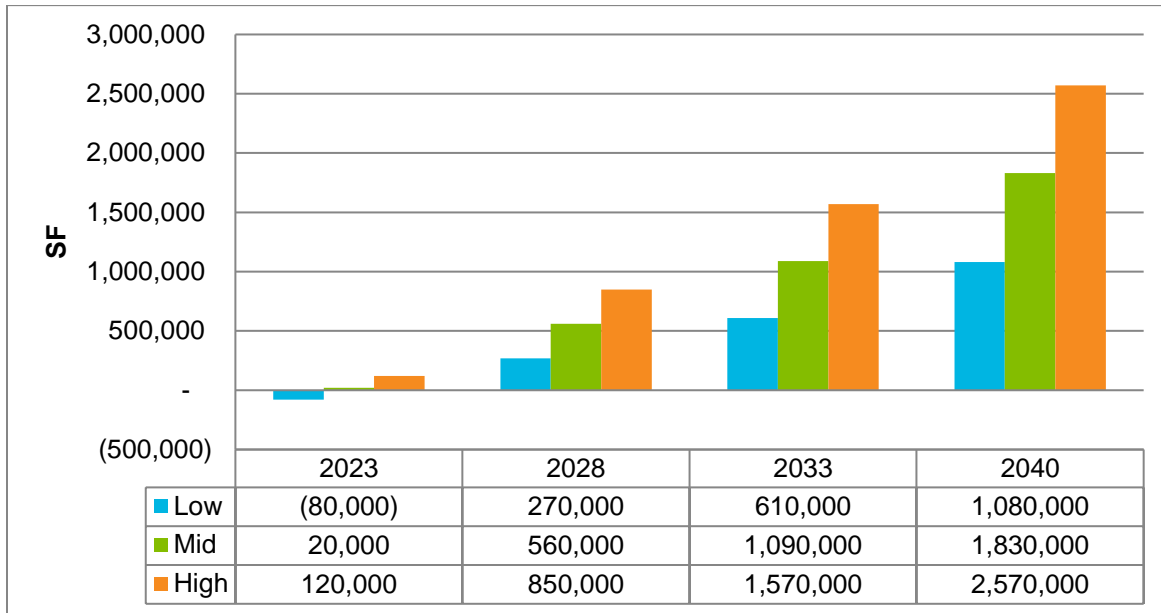


<sup>1</sup> Numbers have been rounded.

Source: AECOM, 2019

Figure 9.4 combines the cumulative demand from estimated Santa Ana and Orange County (less Santa Ana) industrial employment growth from 2018 to 2040. This includes the pipelines for both geographies. Based on this, there is likely no surplus demand for industrial space in Santa Ana through 2023 in the low capture scenario, but meaningful demand throughout the remaining time periods and capture scenarios.

**Figure 9.4 Estimated Total Cumulative Santa Ana Industrial Demand (Less Pipeline)**



<sup>1</sup> Numbers have been rounded.

Source: AECOM, 2019

## 10. Retail Demand

Retail demand is driven by households, employees, and visitors. AECOM used low, medium, and high estimates of household and employee growth resulting from the housing, office, and industrial demand scenarios completed in the previous sections. Table 10.1 shows the range of households and employees that would be factors in driving cumulative retail demand moving forward.

**Table 10.1 Estimated Range of Household and Employment Growth by Time Period**

	Households	Employees <sup>2</sup>
2023	1,810 - 3,862	1,525 - 2,308
2028	3,620 - 7,724	3,613- 6,126
2033	5,439 - 11,576	5,582 – 9,820
2040	7,970 - 16,977	9,820- 15,080

<sup>1</sup> Numbers have been rounded.

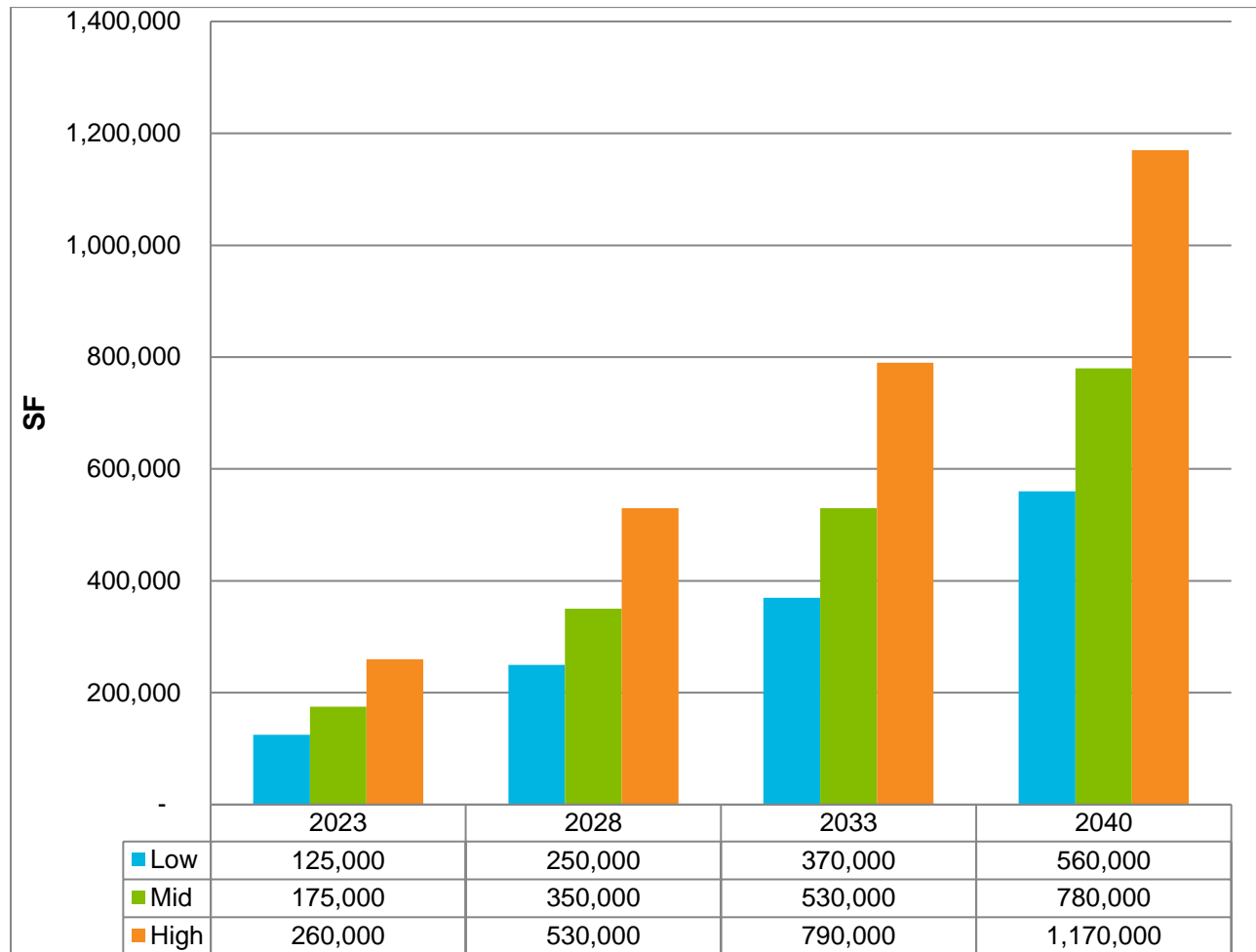
<sup>2</sup> The employment numbers also include additional retail jobs that would be needed to staff the additional retail space demanded.

Source: AECOM, 2019

To estimate future retail demand from household growth ESRI data on average household spending from 2019 was utilized. Household spending on non-retail goods or services such as financial institutions, insurance, and travel was excluded. This average household retail spending was then applied to the low, medium, and high household ranges associated with the housing growth demand estimates in Section 7.

Spending from workers was also estimated. The future office and industrial space demand estimate ranges were driven by projected local employment growth and a share of regional employment growth. To calculate their potential impacts on retail, a daily spend rate of \$8 per employee was calculated and then multiplied by workdays in a year. This was then divided by average retail sales of \$350 per square foot to estimate cumulative demand ranges by time period. The ranges in Table 10.1 also include demand from these workers, and the additional retail workers that would be assumed to also spend a daily amount and generate an additional marginal estimated retail space demand.

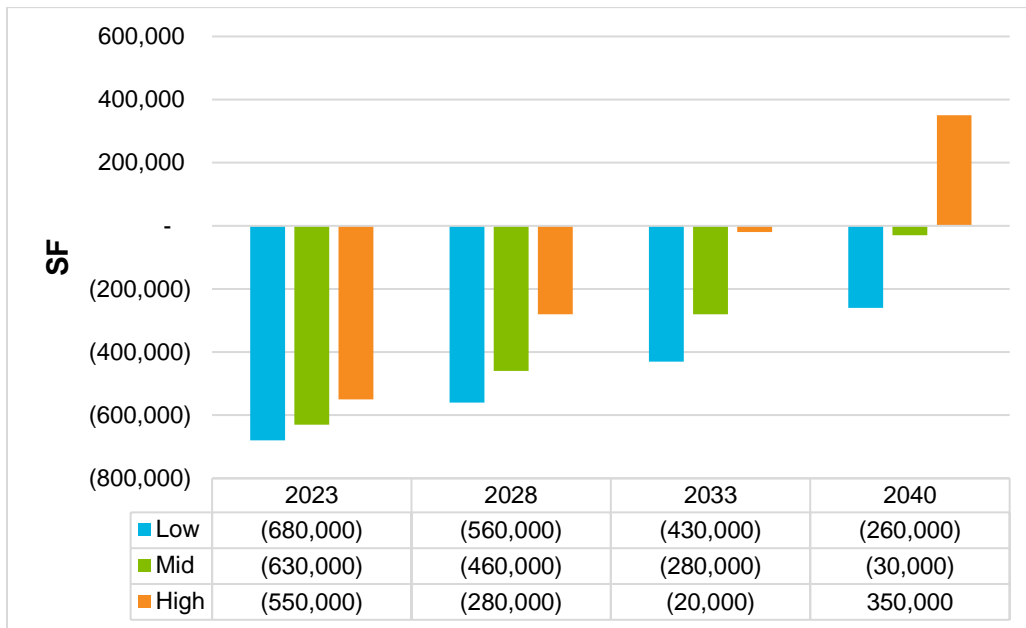
**Figure 10.1 Santa Ana Retail Demand from HH and Employment Growth (Less Pipeline)**



Source: AECOM, 2019

The current development pipeline for retail space in Santa Ana is robust. With approximately 804,000 SF, the City’s retail pipeline is greater than the entire remainder of Orange County. As a result of adding in the Santa Ana retail pipeline it is estimated that cumulative demand will be negative through 2040, except for the high growth scenario. (Figure 10.2). This demand does not account for regional growth of the Orange County market, which could be a factor for potential retail destinations such as the Main Place Mall redevelopment project with approximately 270,000 SF.

**Figure 10.2 Estimated City of Santa Ana Cumulative Retail Demand (With Pipeline)**



<sup>1</sup> Numbers have been rounded and may not sum.

Source: AECOM, 2019

Additional demand from visitors would also contribute demand; however, no reliable visitor data for Santa Ana is available. That said, a leakage analysis shows that Santa Ana’s retail sector annual retail sales outpace household consumption within Santa Ana substantially. The positive numbers in the Retail Gap column (Table 10.2) represent a surplus meaning that outside consumers, whether they be tourists, businesspersons, or regional visitors, are visiting Santa Ana. Without solid visitor data it is difficult to arrive at a reasonable estimate of the number of visitors, the duration of their stay, and their spending habits. While Santa Ana is rapidly growing a reputation as a unique community to visit in Orange County increased visitor levels would need to be substantial to significantly alter the demand range estimates.

**Table 10.2 Santa Ana Leakage Analysis (2019)**

Industry Summary	Household Consumption	Santa Ana Supply (Retail Sales)	Retail Gap	Deficit/Surplus Factor
Total Retail Trade	\$2,310,411,215	\$3,454,756,259	\$1,144,345,044	0.33
Total Food & Drink	\$255,758,677	\$405,432,218	\$149,673,541	0.37
<b>Total Retail Trade and Food &amp; Drink</b>	<b>\$2,566,169,892</b>	<b>\$3,860,188,477</b>	<b>\$1,294,018,585</b>	0.34

<sup>1</sup> Sales only reflect sales to consumers; sales to business are excluded.

Source: ESRI Business Analyst; AECOM 2019



## 11. Market Findings

There have been no substantial market or land use changes within Santa Ana that suggest it has departed from historical demographics and land use trends. Nonetheless, if the substantial development pipeline for MFR, Office, and Retail is brought to market, Santa Ana could experience a much larger capture of the Orange County market for these land uses. The community remains younger than the rest of Orange County and generally has lower household and per-capita incomes. At the same time, it is subject to many of the same trends that are affecting the region and beyond, especially the rising costs of housing. Despite the local and macro trends there are some potential enduring shifts that could occur.

**Housing.** After adjusting household income and rents for inflation, we find that average multifamily rents are higher than their peaks before the Great Recession and incomes are still below 2005 levels. For those seeking housing this means limited affordable options. For those seeking housing, the costs of materials and labor mean it is more difficult to deliver housing that is affordable to a mix of incomes. While rents are continuing to rise, the rate of growth is slowing in much of Southern California and has shown little or no growth in the last year once inflation is factored in. This is an indication that rents are likely pushing the upper boundary of what most people can afford. Similarly, the average for-sale home is increasingly priced beyond the capacity of most households. Santa Ana's housing pipeline is robust however, and if built out in the next five years or so could have a transformational effect on areas of the community, especially the Focus Areas where much of the product is planned.

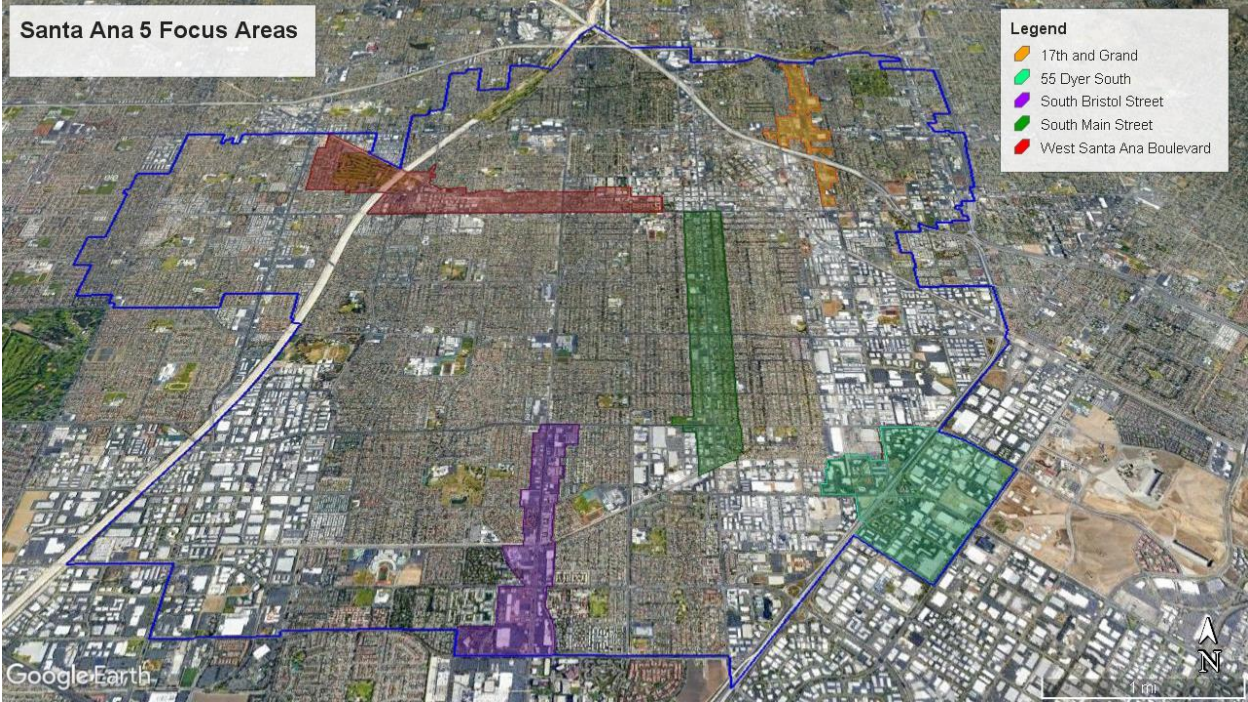
**Employment.** Santa Ana's bedrock employment sector remains Public Administration. National, regional, and local manufacturing is on the decline even as the sector transforms and automates. Overall, most of Santa Ana employment sectors have experienced an overall decline in employment. It is notable that 85% of the jobs in the city are occupied by commuters. This is not altogether uncommon throughout most of the region but is lower than other similar communities where residents often occupy 20% or more of the local jobs. SCAG projects limited employment growth in the city through 2040.

**Office, Industrial, and Retail.** These land use sectors share similar historical trends. By and large the inventory of each sector has increased very little over a long timeframe, the building stock is generally very old, and rents are substantially lower than the region. Future demand for office and industrial space will be linked to attracting new businesses in those sectors to Santa Ana, primarily from the region. The retail sector will continue to be driven by household spending, but employee spending is important, and visitor spending could become increasingly important if Santa Ana continues to position itself as the unique urban center of Orange County. It should however consider a means to monitor its visitor flows and impacts so it can understand visitor characteristics and impacts.

**Thinking Regionally.** Although Santa Ana is a unique place, in Orange County it is likely to increasingly be impacted by regional market trends. With housing costs continuing to rise and supply not keeping up with demand it is reasonable to expect households to seek the relatively more affordable housing in Santa Ana. This could ultimately lead to growth that is significantly larger than the SCAG forecasts, especially if the housing pipeline remains strong. Job creation will be key as well for driving demand for new office and industrial space. Again, the SCAG forecast for Santa Ana is meaningfully lower than the region. Employment growth is likely to require new inventory to attract this growth.

# APPENDIX

## Draft Focus Areas



## Tables

<b>Multi-family Inventory (Units)</b>		
<b>Year</b>	<b>Orange County</b>	<b>Santa Ana</b>
2000	240,282	23,187
2001	245,176	23,187
2002	246,178	23,440
2003	249,091	23,440
2004	251,122	23,440
2005	254,531	23,440
2006	256,514	23,440
2007	257,820	23,440
2008	261,670	23,790
2009	267,628	23,790
2010	268,809	23,790
2011	269,072	23,790
2012	272,510	23,790
2013	275,397	23,790
2014	278,685	24,090
2015	282,988	24,090
2016	285,155	24,356
2017	291,051	24,426
2018	296,424	24,678
2019	301,700	24,906

<b>Office Inventory (SF)</b>		
	<b>Orange County</b>	<b>Santa Ana</b>
<b>2000</b>	130,673,514	18,422,600
<b>2001</b>	135,482,583	18,687,866
<b>2002</b>	137,533,806	18,785,530
<b>2003</b>	138,681,813	18,786,980
<b>2004</b>	139,881,065	18,831,581
<b>2005</b>	140,991,244	19,122,332
<b>2006</b>	142,816,946	19,147,971
<b>2007</b>	148,015,064	19,190,704
<b>2008</b>	150,189,491	19,202,938
<b>2009</b>	150,691,289	19,288,184
<b>2010</b>	150,804,522	19,288,184
<b>2011</b>	151,248,038	19,319,736
<b>2012</b>	151,503,027	19,319,736
<b>2013</b>	151,816,174	19,319,736
<b>2014</b>	153,183,806	19,319,736
<b>2015</b>	153,379,737	19,319,736
<b>2016</b>	154,091,501	19,319,736
<b>2017</b>	156,325,474	19,319,736
<b>2018</b>	157,298,656	19,319,736
<b>2019</b>	158,594,045	19,319,736

<b>Retail Inventory (SF)</b>		
	<b>Orange County</b>	<b>Santa Ana</b>
<b>2006</b>	134,584,352	11,856,822
<b>2007</b>	136,222,663	11,872,469
<b>2008</b>	137,885,020	12,004,348
<b>2009</b>	138,236,295	12,015,908
<b>2010</b>	138,556,888	12,019,131
<b>2011</b>	138,857,755	12,029,532
<b>2012</b>	139,314,802	12,033,375
<b>2013</b>	139,508,919	12,033,375
<b>2014</b>	140,009,150	12,033,375
<b>2015</b>	141,105,104	12,042,275
<b>2016</b>	141,528,658	12,047,855
<b>2017</b>	142,430,874	12,058,485
<b>2018</b>	142,856,200	12,082,220
<b>2019</b>	143,102,703	12,104,263

<b>Industrial Inventory (SF)</b>		
	<b>Orange County</b>	<b>Santa Ana</b>
<b>2000</b>	213,537,051	29,327,391
<b>2001</b>	216,421,979	29,828,227
<b>2002</b>	218,096,352	29,931,607
<b>2003</b>	219,975,714	30,222,858
<b>2004</b>	221,026,199	30,340,754
<b>2005</b>	222,188,987	30,418,000
<b>2006</b>	223,663,013	30,425,295
<b>2007</b>	224,546,504	30,425,295
<b>2008</b>	225,407,599	30,505,558
<b>2009</b>	225,460,439	30,505,558
<b>2010</b>	226,193,002	30,505,558
<b>2011</b>	226,193,002	30,505,558
<b>2012</b>	226,224,227	30,505,558
<b>2013</b>	226,725,305	30,505,558
<b>2014</b>	227,900,415	30,505,558
<b>2015</b>	228,896,030	30,505,558
<b>2016</b>	229,862,256	30,517,658
<b>2017</b>	230,336,443	30,517,658
<b>2018</b>	231,620,127	30,517,658
<b>2019</b>	232,042,757	30,517,658

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