

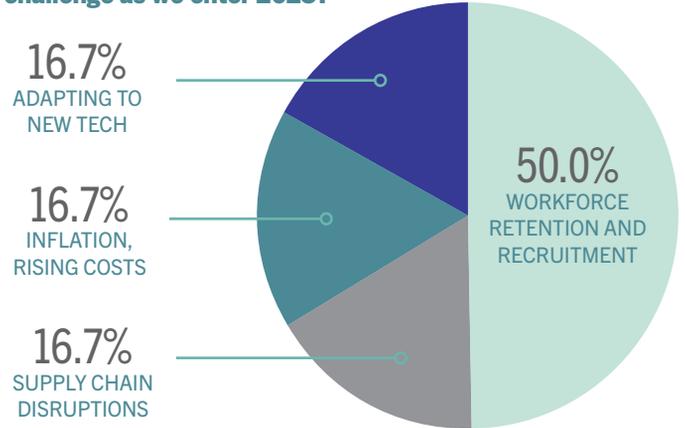
LOS ANGELES BUSINESS JOURNAL

VALLEY ECONOMIC  
TRENDS 2025

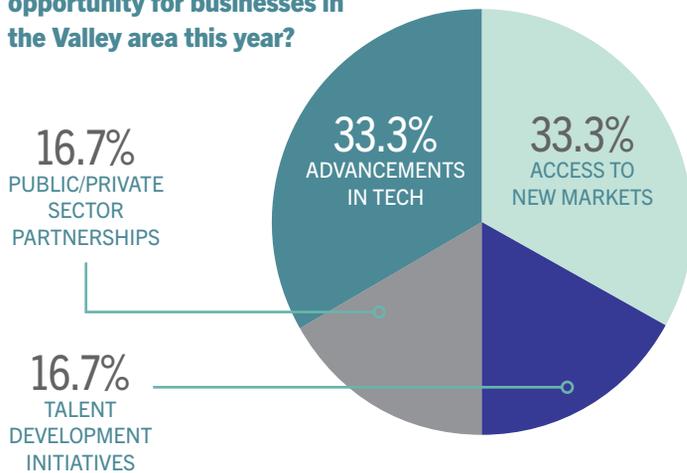


The Valley has always been a vibrant and resilient business community. As the region navigates challenges such as rebuilding after the recent wildfires, housing affordability, supply chain and transportation, opportunities for growth emerge, promising a dynamic future. This section takes a look at what to expect.

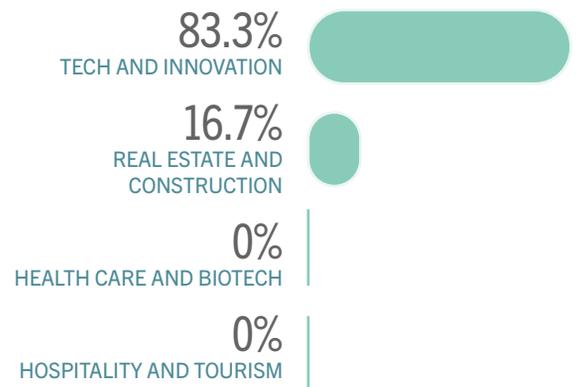
### What is your biggest business challenge as we enter 2025?



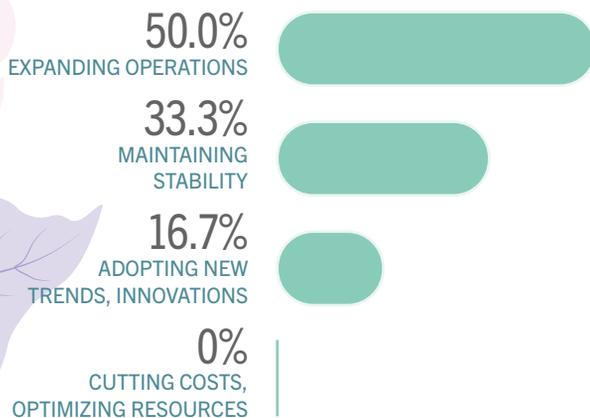
### What do you see as the biggest opportunity for businesses in the Valley area this year?



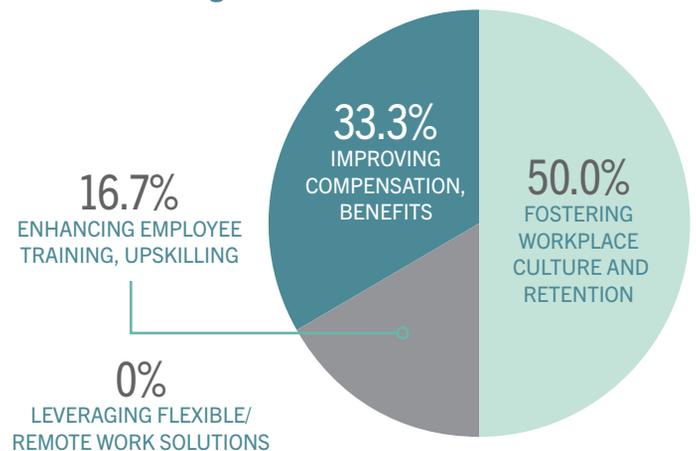
### Which sector do you believe will experience the most growth in the Valley area in 2025?



### What is your primary business focus for the new year?



### What are your priorities for addressing workforce challenges in 2025?



Results compiled from an online survey of Business Journal readers.

# Hedder Here and Here

ON WEDNESDAY, FEBRUARY 26TH from 8:30am – 11:30am, the Los Angeles Business Journal’s Inside The Valley team will host two live panel discussions at the Orchard Conference Center at CSUN with leading experts on the hottest topics on the minds of the Valley region’s business leaders at this early stage of the year.

The roundtable discussions will offer an insightful look back on the unprecedented challenges and silver linings of the past couple of years and provide a deep dive into the economic trends we are facing moving forward.

First, we will feature a robust and diverse **Economic Outlook** panel who

will take a deep dive into the dollars and sense to be made in today’s Valley market. The experts will discuss how local policies impact community development and reinvestment efforts; the role community stakeholders play in shaping economic trends; navigating barriers to economic reinvestment; best practices for ensuring collaboration among local businesses; how government debt levels impacts inflation; the employee benefit landscape; and much more, including a discussion about the funding sources that are currently available for small businesses how owners and entrepreneurs can effectively access them.

After that, we’ll present our audience

with what promises to be an informative and dynamic **Market Impact** panel. These professionals will tackle critical topics such as the post wildfire insurance crises in California; how the real estate and insurance sectors are faring; how other businesses can bounce back; the trend of cyber crime targeting businesses of all sizes; the increasing litigation threats that face Valley businesses; the future of managed IT; the role of cloud computing in business growth; the big ticket items businesses need to know about compliance; how to best optimize business tech; and much more.

We hope you will join us for these fascinating and illuminating discussions.



## WEDNESDAY, FEBRUARY 26

Orchard Conference Center at CSUN | 8:30AM – 11:30AM PST

REGISTER AT [VALLEY.LABUSINESSJOURNAL.COM/EVENTS/ECONTRENDS2025](https://valley.labusinessjournal.com/events/econtrends2025)

### PANELISTS



**SCOTT ALDERTON**  
Managing Partner  
Stubbs Alderton Markiles, LLP



**PAULA BAHAMON**  
Senior Vice President  
Community Development  
Mission Valley Bank



**TIM GASPAR**  
CEO  
Gaspar Insurance Services



**JOE GUBIC**  
Partner  
Citrin Cooperman



**KATHERINE HREN**  
Partner  
Ballard Rosenberg Golper  
& Savitt, LLP



**NICK MANCINI**  
President  
The Tech Consultants



**MEGHAN PINCHUK**  
Chief Investment Officer  
Morton Wealth



**ANGIE RICHARDS**  
Vice President,  
Employee Benefits  
Poms & Associates



**DANONE SIMPSON**  
President & CEO  
Montage Insurance Solutions

# Data Centers as Real Estate Investments

BY STEPHEN BUTTERS

**REAL ESTATE INVESTING** thrives on identifying market trends, and one of the most significant emerging opportunities is the rapid growth of data centers. These facilities store and manage cloud storage, internet traffic, and mobile network data. With AI-driven advancements, demand for data centers is expected to rise sharply, transforming them into a crucial asset class.

According to Colliers 2024 U.S. Capital Markets report, demand for data centers is projected to grow by 10%-20% annually until 2030. PWC's 2025 Emerging Trends in Real Estate ranks data centers as the top investment for two years running, driven by their essential role in cloud storage and internet traffic. However, supply remains constrained due to limited power transmission capabilities. Around 70% of global internet traffic flows through 300 data centers in Northern Virginia. Ideal locations for data centers require low land costs, reliable power, strong fiber connec-

tivity, government support, and minimal risk of disruption.

Data center expansion is set to double in the next five years, driven by digital banking, social media growth, and AI integration. CBRE reports that 97% of investors plan to increase their data center allocations in 2024. AI will be a primary driver, requiring immense storage and computing power, leading companies like Microsoft and BlackRock to invest billions in new facilities.

## CHALLENGES TO ENTRY

**1. High Development Costs** – Hyper-scale centers require significant capital, often requiring REITs.

**2. Energy Demands** – AI-driven data centers will require 3-4 times more energy than current facilities. Nuclear power is emerging as a viable solution.

**3. Cooling and Water Usage** – Data centers require extensive cooling systems, straining water resources, though innovative solutions are emerging.

## INVESTMENT STRATEGIES

- **Direct acquisition** of stabilized data centers.
- **Development projects** through land acquisition and construction.
- **Minority or controlling stakes** in existing platforms for capital infusion.

With AI and internet usage accelerating, data centers are poised for continued growth, offering lucrative opportunities for investors. By 2030, AI investment alone is projected to exceed \$800 billion annually, making data centers critical.

*Stephen Butters is part of the Audit & Attest team at Citrin Cooperman. Learn more at [citrincooperman.com](http://citrincooperman.com).*

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# Banking You Don't Need to Think About

BY KATHY DUNKIN

**RUNNING A BUSINESS** is no small feat. The demands placed on business owners today require not only innovation and resilience but also a reliable financial partner that understands the complexities of modern operations. Enter the new era of banking – where solutions are designed to be efficient and hassle-free that they become a seamless extension of your business.

Business owners require banking that is not only secure but also agile enough to adapt to their changing demands and evolving markets. This is where high-touch, personalized banking institutions, like Mission Valley Bank, step in to redefine the client experience.

Imagine a banking partner that offers services tailored specifically to your business needs and goals, allowing you to concentrate on what truly matters – growth

and innovation. With the right banking options, you can streamline your financial strategies, whether it is managing cash flow, securing loans or our suite of Treasury Management services. We take care of your banking, so you can focus on your business.

Tamara Gurney, CEO and president of Mission Valley Bank, emphasizes this commitment: "At Mission Valley Bank, we believe that banking should empower business owners, not hinder them. Our mission is to provide solutions that help simplify your financial management and enhance your operational efficiency. We want you to spend less time worrying about banking and more time innovating and growing your business."

Moreover, our commitment to providing hassle-free services means that you won't have to navigate through the complexities of banking on your own. We offer personalized support from dedicated banking pro-

fessionals who understand your business because they know your business.

Redefining banking for your business means embracing a future where financial services are intuitive, secure, and tailored to your financial journey. By partnering with a business banking institution that prioritizes client-centric solutions, you now have the time to simplify your business and set a clear plan on what truly drives your success.

With Mission Valley Bank, running your business becomes a more manageable, more streamlined – and even a more enjoyable experience. Welcome to the new era of banking, where you don't have to think about it; you can focus on your growing business.

*Kathy Dunkin is VP of marketing for Mission Valley Bank (Member FDIC). Learn more at [missionvalleybank.com](http://missionvalleybank.com).*

# Key Trends for Investors to Watch

**IT FEELS LIKE** there's a new headline about the markets, politics, and global unrest every fifteen minutes. With 2024 marked by layoffs, political turmoil, and confusing market trends, it's natural that many investors and consumers feel uneasy every time they turn on the news. So, what happened in our economy last year, and what can consumers and investors anticipate in 2025? Morton Wealth CEO Jeff Sarti and chief investment officer Meghan Pinchuk break down key market movements of 2024 and provide insight into the year ahead.

The S&P 500 Index rose by 25% in 2024; however, beneath the surface, the market told a more complex story. The top 10 stocks comprised nearly 40% of the index. Specifically, Microsoft, NVIDIA, and Apple accounted for almost 20%. Despite the strong performance of major stocks, the equal-weighted S&P 500 Index was up only 13%, and the Russell 2000 Index (small-cap stocks) was down for its longest streak ever: 14 days. According to Pinchuk, this huge discrepancy between big and small companies is indicative of narrowing markets.

So, what's going to happen next? Sarti said Goldman Sachs projects an annualized return of 3% from stocks over the next 10 years, which is quite low. Although no one can tell the future, high valuations should generally mean lower forward returns and speculative investor behavior.

Since stocks may not be the most lucrative or reliable vehicle over the next decade, could crypto be? 2024 was a huge year for cryptocurrency and Bitcoin, with more adoption and institutional recognition than ever before. Although Pinchuk and Sarti believe the fundamental principles of Bitcoin are solid, they prefer gold due to its historical stability and proven role as an inflation hedge. To many people's surprise, gold outperformed stocks in 2024, rising 27% despite higher interest rates.

Furthermore, the bond market continues to face challenges due to higher rates, enduring its longest drawdown in history at 53 months, while trillions in debt must be refinanced in 2025, potentially driving bond yields higher.

Looking ahead, while potential new tariffs could offer some short-term eco-

nomie boosts, they can also risk long-term inefficiencies and inflation. However, this depends on how trade negotiations and targeted tariffs are implemented. Sarti and Pinchuk are also skeptical about how meaningful proposed government spending cuts will be in lowering our debt. Additionally, high stock valuations and geopolitical uncertainty make markets increasingly vulnerable to shocks.

In response, Morton Wealth continues to focus on identifying private lending investments backed by secured assets that should generate steady returns. Sarti and Pinchuk remain cautious yet optimistic, seeking resilient investment opportunities that can perform well across varying market conditions.

Watch Morton's Quarterly Market Update here: [bit.ly/mortonwealthq42024](https://bit.ly/mortonwealthq42024)

Disclosure: Information presented is for educational purposes only and is not intended as investment advice. Some private investment opportunities discussed may only be available to eligible clients and involve a higher degree of risk. Although information contained herein is from sources deemed to be reliable, Morton makes no representation as to the adequacy, accuracy or completeness of such information. Past results are no guarantee of future results. All investments involve risk including the loss of principal.

## What Dangers Lurk in 2025?

BY TIM GASPAR

**WARREN BUFFETT FAMOUSLY** said it takes 20 years to build a great reputation and five minutes to ruin it. The same applies to businesses—decades of growth can be undone by a single catastrophic event. That's why businesses need insurance, though many see it merely as a requirement rather than essential protection.

Many business owners purchase insurance to meet contractual or regulatory obligations, but few fully understand their coverage. Price often drives decisions, as it's easier to grasp than policy details. However, when disaster strikes—whether a lawsuit, cyberattack, or injury—the only concern is whether insurance will restore the business to its prior state. Recent wildfires demonstrated this reality: after total

losses, policy premiums became irrelevant.

Of course, insuring against every possible event isn't practical or economical. So, what should businesses prioritize in 2025? Below are three critical policies that protect against probable and potentially catastrophic risks:

- **Cyber Coverage:** The biggest threats aren't burglars but cybercriminals targeting your data and finances. Cyber insurance covers various digital threats, including employee mistakes leading to financial losses. This coverage is a must-have.

- **Employment Practices Liability Insurance (EPLI):** If you have employees in California, a lawsuit is inevitable—whether for harassment, wrongful termination, or discrimination. Even baseless claims can cost six figures in legal fees. EPLI is vital protection.

- **Earthquake Insurance:** Despite living in an earthquake-prone region, many businesses and property owners neglect this coverage. A major quake is not a question of if, but when—and the financial impact could be devastating.

Other policies, such as crime coverage and directors & officers insurance, are valuable, as are industry-specific options like ocean marine for importers or professional liability (E&O) for service providers. However, these three coverages address risks that are both likely and potentially ruinous. In 2025, businesses must ensure they are prepared for the dangers ahead.

*Tim Gaspar is CEO and founder of Gaspar Insurance Services, Inc. Learn more at [gasparinsurance.com](https://gasparinsurance.com).*

# Support to Navigate Through Tax Season

**TAX SEASON IS** here, and the CSUN VITA Clinic at Nazarian College is a hub of activity with taxpayers seeking assistance and student volunteers working to help them prepare their returns. With changes to tax law, the expiration of key tax provisions and deadline extensions for those impacted by recent wildfires, the 2025 tax season is shaping up to be one of the busiest yet.

“With more than 350 student volunteers and seasoned Nazarian College faculty and staff to mentor and supervise, the VITA Clinic is prepared to meet the challenges of the 2025 tax season and provide the support our community needs,” said Rafi Efrat, director of the CSUN VITA Clinic and Bookstein Chair in Taxation.

During the 2024 tax season, the clinic served 9,722 taxpayers at 15 locations in the Los Angeles area. Nearly 300 CSUN students volunteered more than 31,000 hours at the clinic under the supervision

of Nazarian College faculty. Through their efforts, students helped local taxpayers claim more than \$10.9 million in federal and state tax refunds and more than \$3.6 million in federal and state earned income tax credits while saving the taxpayers more than \$2 million in preparation fees.

The Internal Revenue Service consistently ranks the CSUN VITA Clinic at Nazarian College as a top site in terms of number of taxpayers served. Since 2003, the IRS has ranked it the No. 1 VITA site among more than 6,600 clinics nationwide.

This commitment to the community and its students is evident throughout the business school — from its academic programs and research to initiatives and events. Most recently, AACSB International extended Nazarian College’s business accreditation and granted supplemental accreditation for its accounting program.

The college is one of only six institutions in California and one of only 194 institutions worldwide to hold AACSB

*“...the VITA Clinic is prepared to meet the challenges of the 2025 tax season.”*

accreditation in both business and accounting.

Nazarian College Dean Chandra Subramaniam said the dual AACSB accreditation enhances the school’s reputation as a leader in preparing future business professionals.

“This accomplishment reinforces Nazarian College’s dedication to providing students with a world-class business education that meets the highest standards in quality, research, teaching and student learning,” Subramaniam said. “It also serves as a testament to CSUN’s commitment to excellence in business education.”

*Learn more at [csun.edu/nazarian](https://csun.edu/nazarian).*

# The San Fernando Valley at a Crossroads

**WHAT FUELS THE** San Fernando Valley’s economic drive? How will nearby fires impact our region? What challenges are businesses facing? These are pressing concerns for business owners and employees alike.

Just this month, one of my employees left for North Carolina, while two others, in tears, shared they could no longer afford to live here considering moves to Oregon and Las Vegas. The cost of living is too high. Traffic is overwhelming. Many need more space but can’t afford to buy a home.

Meanwhile, commercial real estate sits vacant as employees resist full-time office returns, while CEOs push to restore pre-2019 productivity. Remote work has increased stress-related healthcare costs, which are at higher than national averages in the Valley.

Despite these challenges, our Valley is evolving. Light rail expansion from Van

Nuys to Sylmar and the City of San Fernando will improve transit. A heavy rail or monorail system along the congested I-405 will shorten commutes, connecting the Valley to the Westside.

Parks are also being revitalized, including Southwest Valley State Park and Fernald Park. The 46-acre Rory M. Shaw Wetland Park will transform a former landfill into a thriving sanctuary.

Yet, the Valley’s cost of living remains 38% above the national average, driven by housing costs at 78% higher, per Payscale. The median annual household income is \$83,424, while ZipRecruiter reports an average hourly wage of \$23.63. White-collar workers dominate at 80.75%, with



66.28% employed by private companies.

On top of this, the recent wildfires, with an estimated \$250 billion impact, will strain government resources, housing, and insurance while increasing demand for labor to rebuild. As budgets tighten and residents leave, businesses are left to bridge the gap.

*Danone Simpson is founder and CEO of Montage Insurance Services. Learn more at [montageinsurance.com](https://montageinsurance.com).*

# IT Spending Expected to Grow 9.8% in 2025

CIOs to focus budget increases on price hikes in recurrent spending

**IT SPENDING IS** expected to total \$5.61 trillion globally in 2025, an increase of 9.8% from 2024, according to the latest forecast by Gartner, Inc.

“While budgets for CIOs are increasing, a significant portion will merely offset price increases within their recurrent spending,” said John-David Lovelock, distinguished VP analyst at Gartner. “This means that, in 2025, nominal spending versus real IT spending will be skewed, with price hikes absorbing some or all of budget growth. All major categories are reflecting higher-than-expected prices, prompting CIOs to defer and scale back their true budget expectations.”

Segments including data center systems, devices and software will see double-digit growth in 2025, largely due

to generative AI hardware upgrades. However, these upgraded segments will not differentiate themselves in terms of functionality yet, even with new hardware.

“GenAI is sliding toward the trough of disillusionment which reflects CIOs declining expectations for GenAI, but not their spending on this technology,” said Lovelock. “For instance, the new AI ready PCs do not yet have ‘must have’ applications that utilize the hardware. While both consumers and enterprises will purchase AI-enabled PC, tablets and mobile phones, those purchases will not be overly influenced by the GenAI functionality.”

Last year, a previous Gartner survey of 451 senior technology leaders in the second quarter of 2024, found that 57% of CIOs said they are tasked with leading an AI strategy in their enterprise. However, emerging challenges are making it difficult for CIOs to deliver value with AI.

“Because of the relentless innovation happening in the tech vendor race, CIOs feel like they are always living the hype, while the reality of their AI outcomes race - how tough it is to get value - makes it feel like they are also in the trough,” said Mary Mesaglio, distinguished VP analyst at Gartner.

Spending on AI-optimized servers easily doubles spending on traditional servers in 2025, reaching \$202 billion dollars.

“IT services companies and hyperscalers account for over 70% of spending in 2025,” said Lovelock. “By 2028, hyperscalers will operate \$1 trillion dollars’ worth of AI optimized servers, but not within their traditional business model or IaaS Market. Hyperscalers are pivoting to be part of the oligopoly AI model market.”

*Additional information is available at [gartner.com](https://gartner.com).*



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# Most CFOs Plan to Slow Pay Increases Again

**CFOS ARE PLANNING** smaller pay increases for employees in 2025, according to a survey by Gartner, Inc.

A poll of 300 CFOs and finance leaders in October 2024 found that while compensation remains a top area for budget boosts, second only to enterprise technology spending, pay increases have been slowing down for three years in a row. For example, only 61% of CFOs are planning to increase average employee compensation in 2025, compared to 71% in 2024 and 86% in 2023.

“The slowdown in pay increases reflects falling rates of inflation and lower levels of voluntary employee attrition,” said Ran-deep Rathindran, distinguished VP, Research in the Gartner Finance practice. “However, even though the labor market is cooling, CFOs must balance the potential risks of attrition and low engagement as employees still face stubbornly high

costs for household necessities.”

“There has been a shift toward smaller pay increases,” said Rathindran. “The proportion of CFOs planning to boost average employee compensation by 10% or more fell from 16% in 2023 to 11% in 2025. While 70% of respondents planned increases of 4% to 9% in 2023, only 50% are planning the same in 2025.”

Gartner experts advise CFOs to work with their CHRO to develop a differentiated compensation strategy that ensures packages for critical talent, and that key roles remain competitive as the market evolves.

“CFOs who are significantly reducing employee wage increases should use leading indicators of employee engagement to fully understand the potential impact on talent attrition,” said Rathindran.

With emerging legal and regulatory uncertainties, geopolitical and economic

hurdles, and the dual nature of AI as both a potential threat and a valuable business asset, chief audit executives (CAEs) are facing increased pressure by the board to provide assurance over risk management in 2025, according to Gartner, Inc.

“2025 brings more high-profile risks and opportunities that are driving growing board focus on risk management, so CAEs need to be sure they are effective in helping the audit committee (AC) discharge its risk oversight responsibilities,” said Margaret Moore Porter, distinguished VP and chief of research in the Gartner Assurance Practice.

ACs need more risk insight from audit to support the board’s oversight responsibilities: in particular on systemic governance issues and the highest impact emerging risks, such as AI.

*Learn more at [gartner.com](https://gartner.com).*



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*Danone Simpson,  
CEO  
Montage Insurance Solutions*



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