

ECONOMIC UPDATE *for* LOS ANGELES COUNTY

ECONOMIC BACKGROUNDER FOR
THE 4TH ANNUAL
SOUTHERN CALIFORNIA
ECONOMIC RECOVERY &
JOB CREATION SUMMIT

DECEMBER 2013



ECONOMIC AND POLICY ANALYSIS GROUP
Los Angeles County Economic Development Corporation

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The LAEDC Economic and Policy Analysis Group provides objective economic and policy research for public agencies and private firms. The group focuses on economic impact studies, regional industry analyses, economic forecasts and issue studies, particularly in workforce development, transportation, infrastructure and environmental policy.

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

The report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, endorsements, representations or warranties of any kind whatsoever.

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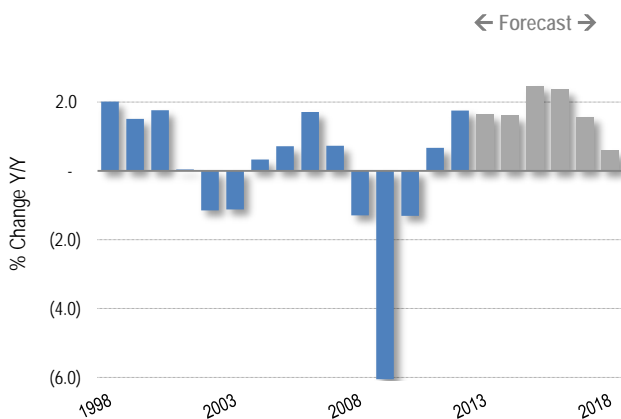
A. Economic Recovery

In concert with the national economy, Los Angeles County entered a severe recession in December of 2007, with an employment decline of 1.3 percent in 2008 and an additional 6.1 percent decline in 2009. Employment continued to fall in 2010 before beginning a recovery in 2011 with a year-over-year gain of 0.7 percent. Employment continued its recovery in 2012, but continued uncertainty regarding dysfunction in fiscal negotiations, the continuation of sequestration cuts, and unexpected disruptive international events will weigh on the overall recovery through 2014 and growth will continue to be lackluster.

Employment growth is expected to pick up in 2015, with a year-over-year gain of 2.5 percent, followed by 2.4 percent in 2016. Thereafter, employment growth will continue to be positive but will decelerate. Over the longer term, the economy in Los Angeles County is forecast to grow at its trend rate of approximately 0.6 percent.

The contour of the nonfarm employment forecast for Los Angeles County is shown in Exhibit A-1, along with the county's historical growth performance since 1998.

Exhibit A-1
Change in Nonfarm Employment 1998-2018
Los Angeles County

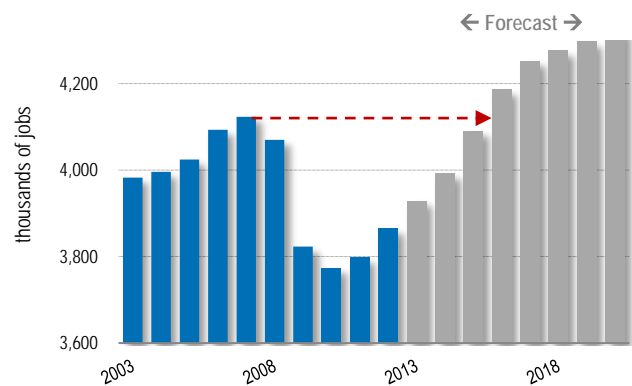


Sources: California Employment Development Department; Moody's Economy.com; LAEDC

Between 2012 and 2017, the economy is expected to add 386,400 new jobs in nonfarm industries across the county.

Because more than 450,000 jobs were lost from peak through trough (December 2007 to January 2010), peak employment will not be recovered before 2016. Note that this recovery will not account for population growth and the concomitant expected increase in the labor force.

Exhibit A-2
Nonfarm Employment 2003-2020
Los Angeles County



Sources: California Employment Development Department; Moody's Economy.com; LAEDC

The expected employment experience for individual industry sectors at the county level is shown in Exhibit A-3.

Industry sectors that will experience the highest overall growth rate include construction, information, financial activities, educational and health services, and leisure and hospitality.

Employment losses will continue in natural resources and mining and nondurable goods manufacturing.

A short discussion of each industry sector follows.

Exhibit A-3
Industry Employment Growth 2012-2017
(Los Angeles County)

	Annual Average % Growth	Δ Employment (000s)
Total Nonfarm Payroll Employment	1.9%	386.4
Good Producing Industries:	1.8%	45.4
Natural Resources and Mining	-0.5%	-0.1
Construction	5.4%	33.0
Manufacturing – Durable Goods	1.4%	14.2
Manufacturing – Nondurable Goods	-0.2%	-1.7
Service Providing Industries	2.2%	317.9
Wholesale Trade	0.4%	4.5
Retail Trade	0.4%	7.5
Transportation, Warehousing, Utilities	0.8%	6.5
Information	2.0%	19.4
Financial Activities	2.1%	23.2
Professional and Business Services	3.6%	109.7
Educational and Health Services	2.7%	77.4
Leisure and Hospitality	2.9%	64.1
Other Services	0.8%	5.6
Government	0.8%	23.1

Sources: California Employment Development Department; LAEDC

Natural Resources and Mining

Employment growth in natural resources and mining industries is expected to be negative, yielding overall employment losses between 2012 and 2017.

Construction

Construction industry employment experienced severe declines through 2011. Growth is expected to return in 2012 and will be robust in 2014 through 2016 as housing recovers to meet pent-up demand. Construction industries (including building construction, specialty trade contractors and heavy and civil engineering) are expected to make a robust recovery. Housing starts are showing signs of life after a dismal few years, and will be needed to meet pent-up demand. In addition, many of the existing infrastructure projects currently planned will come on line, employing thousands of workers in highway, transit, infrastructure and other projects. Finally, continuing incentives and mandates related to energy efficiency and greening of existing buildings have the potential to drive employment in retrofitting and energy efficient implementations. New employment is projected increase by 33,000 between 2012 and 2017,

producing an overall average annual growth rate of 5.4 percent.

Manufacturing

Manufacturing employment will continue its long-term decline in the county. *Durable goods manufacturing* will experience anemic growth as labor substitution and replacement by capital increases output at the expense of employment gains. *Nondurable goods manufacturing* will continue to be challenged as low-cost competition from lower income countries will drive these industries from the area. Several manufacturing industries will see employment gains, including transportation equipment, computer and electronic products, apparel, beverages and tobacco products, leather products, textile mills, and fabricated metal products. Many of these are highly-skilled jobs that are well commensurately highly-compensated, but many include positions that require workers with community college degrees or technical training. The expected retirement of aging skilled craftsman in some specialized manufacturing industries presents opportunities for apprenticeships, new entrants, and those moving up the career ladder. Together, there will be a gain of 12,500 jobs between 2012 and 2017 as the sector recovers, but this will still be 71,000 fewer jobs than in 2007.

Wholesale Trade

Wholesale trade employment, which fell by 10 percent during the recession, recovered modestly by 2012 but is forecast to remain flat going forward, as additional expansion in this sector is expected to occur further inland rather than in Los Angeles. An overall sector employment gain of 4,500 jobs is expected between 2012 and 2017. Many of these jobs can be filled by workers with lower levels of education and little work experience.

Retail Trade

Retail trade activity in Los Angeles has been improving as consumer confidence returns but employment growth remains lackluster. Various retail industries will do better than others, including online retailing activities, general merchandise stores, and food and beverage stores. Sector employment is forecasted to add 7,500 new jobs between 2012 and 2017.

Transportation, Warehousing and Utilities

Trade-related employment is the region's largest traded industry cluster, one in which the region has competitive advantage, and one that will continue to dominate our export-oriented economic activity. However, challenges exist to continued employment growth. The warehousing industry has become increasingly efficient and centralized and requires extremely large parcels of land, which are not available in Los Angeles County. Expansion is moving inland to Riverside County and San Bernardino County. Transportation, however, will continue to grow as the ports of San Pedro Bay handle increasing trade volumes and as goods are delivered to inland warehouses. Overall the transportation, warehousing and utilities sector will provide very little employment growth over the forecast period, averaging less than 1 percent per year from 2012 through 2017 and adding 6,500 new jobs.

Information

The information sector, which includes motion picture production, broadcasting, publishing and new media industries, will grow at an annual average of 2 percent per year, keeping pace with the overall nonfarm economy. The motion picture and sound recording industry has remained buoyant through the recovery period, assisted by incentives received through the California Film and Television Tax Credit Program. Traditional publishing industries will continue to decline as new forms of media delivery become prevalent, Internet publishing and broadcasting will continue to grow, bringing new employment opportunities. Overall, the information sector is forecast to add more than 19,000 new jobs between 2012 and 2017.

Financial Services

Many of the services in the financial activities sector are related to the housing and construction markets which suffered significant declines during the recession and have been faltering during the recovery. The sector is expected to rebound with the recovery in the housing market and is projected to add 23,000 new jobs between 2012 and 2017, growing at an annual average rate of 2.1 percent.

Professional and Business Services

The professional and business services sector is a large, diverse sector which includes professional, scientific and technical services, company management (headquarters locations), and administrative, support and waste services industries. Most of these firms provide services to other businesses in Los Angeles County. Employment in the sector is forecast to grow robustly at an average annual rate of 3.6 percent, assisted in large part by the rapid growth in administrative services (which includes temporary employment). Overall, the sector will add more than 109,000 new jobs between 2012 and 2017 as businesses follow the trend of contracting with outside services for administrative and support services rather than conducting them in-house.

Education and Health Services

The education and health services sector was the only sector to continue adding employment during the recession and thereafter. They are expected to continue to grow at a healthy pace. Private education continues to grow in Los Angeles as private education provides training and education services at a variety of skills levels. Health services will continue to grow as the aging population and the expected expansion of insurance coverage made possible through the Affordable Care Act will encourage higher levels of health services utilization. Employment in the sector will add 77,400 new jobs between 2012 and 2017, achieving an average growth rate of 2.7 percent per year.

Leisure and Hospitality

The leisure and hospitality sector will show better-than-average growth over the forecast period, led by increases in employment in the food services industry, adding 64,000 new jobs between 2012 and 2017. Many of the jobs in these industries are part time in nature and are paid relatively low wages.

Government

Budget constraints will continue to restrict the growth of government employment to that of population growth. Still, government will add 23,000 new jobs between 2012 and 2017, mainly in local government operations such as those providing public education and other services to local constituents. ❖

B. Job Creation by Industry

In addition to projected growth rates of industries and industry sectors, the current size of the industry in the region is an important determinant of the potential for job creation. A small industry growing quickly may add jobs but the absolute number of jobs created will be smaller than a large industry growing slowly.

The job creation projections of industries in Los Angeles County are shown in Exhibit B-1.

Exhibit B-1

Projected New Job Creation 2012-2017 Los Angeles County

NAICS	Industry	Number of New Jobs	Annual Average Percent Change
56	Administrative, support and waste mgmt	63,790	4.8%
62	Health care and social assistance	61,610	2.7%
72	Accommodation and food services	59,560	3.3%
541	Professional and technical services	41,730	2.9%
238	Specialty trade contractors	22,190	5.7%
611	Educational services	15,800	2.6%
52	Finance and insurance	14,590	2.0%
512	Motion pictures and sound recording	14,480	2.4%
53	Real estate and rental and leasing	8,630	2.3%
336	Manufacturing: Transportation equipment	7,470	3.0%
236	Construction of buildings	6,150	4.2%
48-49	Transportation and warehousing	5,650	0.8%
237	Heavy / civil engineering construction	4,630	6.6%
71	Arts, entertainment and recreation	4,590	1.3%
425	Wholesale electronic markets	4,250	3.8%
551	Management of companies	4,140	1.4%
445	Retail: Food and beverage stores	4,010	0.9%
519	Other information services	3,820	7.1%
452	Retail: General merchandise	3,590	1.0%
812	Personal and laundry services	3,310	1.4%

Source: Estimates by LAEDC

The industry with the largest expected new job creation potential is the administrative and support services industry, expected to add 63,790 jobs between 2012 and 2017. This is largely a result of the increase in temporary employment services, which accounts for 40 percent of the industry. Other large segments include security services and janitorial/landscape services.

Combined health care services provided by hospitals, ambulatory health care services and nursing and residential care facilities are together projected to add 61,610 jobs from 2012 to 2017. As noted above, these are expected to be growing industries and will continue to add jobs in the near future.

The industry with the third largest expected employment gains is accommodation and food services, projected to add 59,560 jobs between 2012 and 2017. This is a very large industry subsector that is comprised mostly of food services and drinking places, such as restaurants of all service types, including fast food, full service, catering and mobile food service, as well as bars and nightclubs.

Fourth on the list is professional and technical services, another large and diverse industry subsector, with relatively high growth potential, which is expected to add 41,730 jobs between 2012 and 2017.

Note that fastest-growing industries of heavy/civil engineering construction and information will add few jobs in spite of their growth rate because they employ relatively few people.

Taken together, these twenty industries are expected to add more than 350,000 new jobs during the period from 2012 to 2017 in Los Angeles County, more than 90 percent of all jobs forecasted to be added. ❖

C. Occupations

The overall net growth of an occupation is a consequence of its contribution to industries that are growing and to industries that are declining. This may result in an occupation experiencing little or no growth as workers that had been employed in a failing industry shift to similar roles in industries that are growing, or as workers in certain occupations are replaced with improved technologies or processes.

In addition to the growth and decline of industries, workers within industries leave current positions, either through retirement or through promotion, or for other reasons, leaving positions open and in need of replacement. Replacement trends depend on several factors. The age profile of the existing workforce can portend high replacement rates, such as occurs in many manufacturing industries as highly-skilled craftsmen are reaching retirement age and younger workers have not been trained or received apprenticeships to replace them. Occupations that enable current workers to gain valuable skills through on-the-job training will encourage them to move into higher-skilled occupations and leave jobs opening for those with less experience. Industries that are undergoing technological change may find that new processes require fewer workers, leaving fewer openings available as workers retire or leave for other positions.

The Census Bureau estimates replacement needs by industry and occupation through detailed surveys of employers and households. These take into account industry changes, the age of the current workforce within each industry and occupation, and the nature of the career path. These estimates are an important component of occupational job openings and workforce development needs, since the retirement and promotion of individuals leave openings for newer entrants and those moving up the career ladder to assume.

Projected new openings are calculated by applying the industry occupational composition to the detailed industry employment forecast. In this analysis, the base employment year is 2012, the most recent year for which complete employment data is available. Occupational projections are then aggregated across industries.

Projected job openings by major occupational group in Los Angeles County are presented in Exhibit C-1.

Exhibit C-1

Occupational Growth in Los Angeles County 2012-2017 (Δ Employment over 5 years)

SOC	Occupational Group	Net New Jobs	Replacement	Total *
11-0000	Management occupations	14,360	27,600	41,960
13-0000	Business and financial	20,500	21,710	42,210
15-0000	Computer and mathematical	8,860	8,655	17,515
17-0000	Architecture and engineering	3,785	7,970	11,755
19-0000	Life, physical, social science	3,565	4,855	8,420
21-0000	Community and social services	6,390	7,020	13,410
23-0000	Legal occupations	2,400	3,985	6,385
25-0000	Education, training and library	16,365	28,220	44,585
27-0000	Arts, entertainment, sports	13,080	25,825	38,905
29-0000	Healthcare practitioners	19,315	19,645	38,960
31-0000	Healthcare support	13,190	7,810	21,000
33-0000	Protective services	7,155	13,435	20,590
35-0000	Food preparation and serving	40,525	56,250	96,775
37-0000	Building/grounds maintenance	7,660	11,170	18,830
39-0000	Personal care and service	29,430	20,935	50,365
41-0000	Sales and related	34,385	63,680	98,065
43-0000	Office and administrative	41,480	75,450	116,930
45-0000	Farming, fishing and forestry	10	960	970
47-0000	Construction and extraction	9,855	11,795	21,650
49-0000	Installation, maint / repair	8,400	13,960	22,360
51-0000	Production	5,140	24,560	29,700
53-0000	Transportation/material moving	22,760	35,690	58,450
Total*		328,800	491,170	819,970

* May not sum due to rounding

Source: Estimates by LAEDC

The largest number of overall openings will occur in the largest occupational groups, such as office and administrative support occupations, food preparation and serving occupations, and sales occupations. Other occupations that will provide large number of openings are health care occupations (practitioners and support), transportation and material moving occupations, and personal care occupations.

There are approximately 650 detailed occupations in Los Angeles County. Detailed occupations are differentiated according to jobs skills, abilities and work experienced required. They are not generally industry specific but are common to several industries. For example, retail salespersons are employed in a full spectrum of industries.

Exhibit C-2 presents the top 20 detailed occupations by projected job openings (net new jobs and replacement jobs) between 2012 and 2017. These twenty

occupations will account for almost a third of all job openings across the county.

Exhibit C-2
Occupational Growth in Los Angeles County 2012-2017
Top 20 Detailed Occupations
(Δ Employment over 5 years)

SOC	Detailed Occupation	New Jobs	Replacement	Total *
41-2031	Retail salespersons	12,280	16,880	29,160
41-2011	Cashiers	7,870	19,550	27,420
39-9021	Personal care aides	20,150	5,185	25,335
35-3031	Waiters and waitresses	7,390	14,530	21,920
35-3021	Combined food preparation and serving workers	9,155	9,885	19,040
53-7062	Laborers and freight, stock, and material movers, hand	5,970	10,945	16,915
43-9061	Office clerks, general	7,455	8,100	15,555
43-4051	Customer service representatives	4,560	7,650	12,210
29-1111	Registered nurses	5,780	6,220	12,000
43-1011	First-line supervisors of office and administrative support workers	3,720	6,880	10,600
43-5081	Stock clerks and order fillers	2,840	6,580	9,420
33-9032	Security guards	4,960	4,150	9,110
41-4012	Sales representatives, wholesale and manufacturing, except technical and scientific products	4,055	4,955	9,010
11-1021	General and operations managers	2,005	5,965	7,970
39-9011	Childcare workers	2,525	5,320	7,845
35-2021	Food preparation workers	3,065	4,740	7,805
37-2011	Janitors and cleaners, except maids and housekeeping cleaners	2,690	4,995	7,685
13-2011	Accountants and auditors	3,550	4,065	7,615
35-2011	Cooks, fast food	4,295	3,220	7,515
43-3031	Bookkeeping, accounting, and auditing clerks	4,140	3,100	7,240
Total*		118,450	152,920	271,370

* May not sum due to rounding
Source: Estimates by LAEDC

The largest number of openings will be found in occupations related to the largest major occupational groups: cashiers and retail salespersons, which are in the sales occupational group; waiters and waitresses, and combined food preparation and serving workers, which are both in the food preparation and serving occupational group; and office clerks and customer service representatives, which are in office and administrative support occupational group.

Other occupations with large numbers of openings expected over the next five years are personal care aides, laborers and freight movers, and registered nurses.

Careful examination of the detailed occupations that will provide the most job openings in the next five years as shown in Exhibit C-2 reveal that many of these

occupations require lower level educational levels and training, as shown in Exhibit C-3. Additionally, the level of on-the-job training required to gain proficiency for each occupation is also shown in the exhibit.

Exhibit C-3
Median Wage and Entry Level Requirements for
Top 20 Detailed Occupations 2012-2017

SOC	Detailed Occupation	Median Annual Wage 2012	Entry Level		
			Educ	Work Exp	OJT
41-2031	Retail salespersons	\$ 21,849	8	None	ST
41-2011	Cashiers	20,017	8	None	ST
39-9021	Personal care aides	21,261	8	None	ST
35-3031	Waiters and waitresses	18,868	8	None	ST
35-3021	Combined food preparation and serving workers	18,953	8	None	ST
53-7062	Laborers and freight, stock, and material movers, hand	23,147	8	None	ST
43-9061	Office clerks, general	29,692	7	None	ST
43-4051	Customer service representatives	35,296	7	None	ST
29-1111	Registered nurses	85,178	4	None	None
43-1011	First-line supervisors of office and administrative support workers	56,230	7	1-5 yrs	None
43-5081	Stock clerks and order fillers	22,677	8	None	ST
33-9032	Security guards	24,286	7	None	ST
41-4012	Sales representatives, wholesale and manufacturing, except technical and scientific products	55,429	7	None	MT
11-1021	General and operations managers	113,956	4	1-5 yrs	None
39-9011	Childcare workers	24,194	7	None	ST
35-2021	Food preparation workers	19,148	8	None	ST
37-2011	Janitors and cleaners, except maids and housekeeping cleaners	22,747	8	None	ST
13-2011	Accountants and auditors	68,193	3	None	None
35-2011	Cooks, fast food	18,684	8	None	ST
43-3031	Bookkeeping, accounting, and auditing clerks	38,918	7	None	MT

ST=short term; MT=moderate-term
Source: Estimates by LAEDC

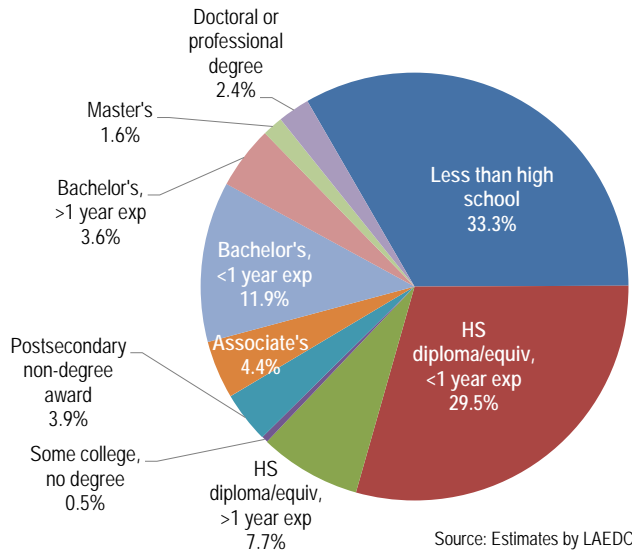
Entry level education requirements are as follows: 3=Bachelor’s degree; 4=Associate’s degree; 5=Post-secondary non-degree award; 6=Some college, no degree; 7=High school diploma or equivalent; and 8=Less than high school. Short-term on-the-job training is training of less than one month. Moderate on-the-job training is training from 1 to 12 months.

Most occupations in the exhibit require a high school diploma or less and no work experience. The median

wages shown for each occupation reflect the degree of preparation and skills levels needed, as most of them are below the average wage paid to workers in Los Angeles County.

Recall that the exhibit contains the occupational needs of approximately 33 percent of the overall regional economy. Exhibit C-4 presents the entry level education and training requirements across all occupational projections for the county.

Exhibit C-4
Entry Level Education and Experience Requirements
All Jobs over 5 years

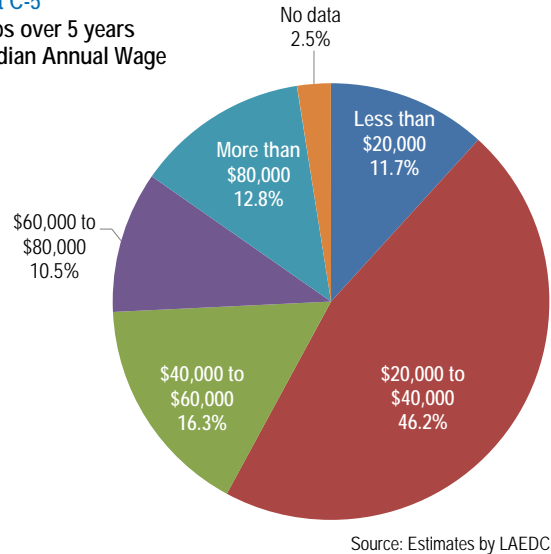


Exactly one-third of the projected openings for the next five years require workers without a high school diploma and no work experience. Another 30 percent will require workers with a high school diploma (or equivalent) and less than one year work experience. Together, these represent entry level jobs for unskilled workers across industries and occupations.

Of the remaining projected openings, 12 percent will be suitable for new graduates with a bachelor's degree, 4.4 percent for workers with associate's degrees and 4 percent for certificated post-secondary candidates.

The median annual wage of all occupations in Los Angeles County was \$37,925 in 2012. The distribution of all job openings over the next five years by median annual wage is shown in Exhibit C-5.

Exhibit C-5
All Jobs over 5 years
By Median Annual Wage



There are a few occupations for which wage data is not disclosed (such as law enforcement officers, firefighters, and chief executives) and there are some occupations that are typically part time or occasional. Both of these are represented in the "no data" category. The highest median wage category ("more than \$80,000") includes physicians and surgeons whose median wage is at least \$187,200 (but precisely how much higher is not revealed).

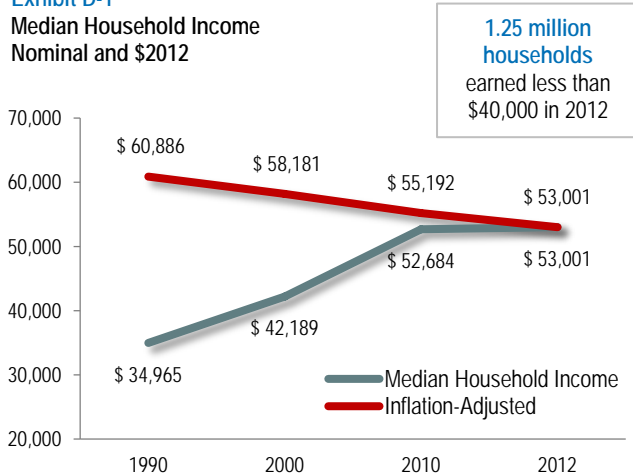
Of all job openings over the next five years, including net new jobs and replacement jobs, almost 58 percent will earn median wages of less than \$40,000. This correlates with the data on the education and experience requirements since higher education and skills will command higher wages. Approximately 23 percent of all jobs over the next five years have median annual wages above \$60,000. ❖

D. Income and Poverty

Median household income in Los Angeles County is shown in Exhibit D-1. Two series are presented: nominal median household income and household income adjusted for inflation (and shown in 2012 dollars).

Exhibit D-1

**Median Household Income
Nominal and \$2012**



Source: ACS 2012 1-year estimates

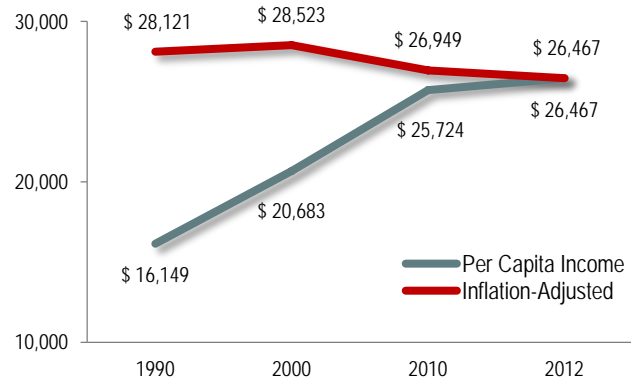
Nominal household income has increased steadily since 1990, with an annual average growth of 1.9 percent from 1990 to 2000, and 2.2 percent from 2000 to 2010. The growth rate has stalled since 2010, however and now is registering a bare 0.3 percent per year.

Moreover, adjusting for inflation shows that real median household incomes have been on a downward trajectory since 1990, eroding the purchasing power of residents in Los Angeles County for more than two decades. The annual average growth rate in real median household incomes was -0.45 percent per year from 1990 to 2000, -0.5 per year from 2000 to 2010, and -2.0 percent per year over the past two years.

Per capita income in Los Angeles County is shown in Exhibit D-2, again in both nominal terms and adjusted for inflation (shown in 2012 dollars).

Exhibit D-2

**Per Capita Income
Nominal and \$2012**



Source: ACS 2012 1-year estimates

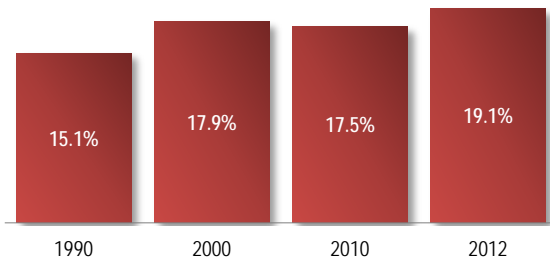
Per capita income in Los Angeles County is estimated at \$26,467 in 2012. As with median household income, the nominal per capita income has seen decadal growth on the order of 2.5 percent per year from 1990 to 2000, 2.2 percent per year from 2000 to 2010 but slowing to 1.4 percent per year since 2010.

Real per capita income has declined since 2000 and is still 6 percent below its 1990 level.

Poverty status is determined by the U.S. Census Bureau using an individual's or a family's pre-tax income and comparing it against a threshold of minimum cash needs. These thresholds are updated annually to account for changes in the prices of basic goods. For example, in 2011, the poverty threshold for an individual 65 years of age or younger was \$11,170. An individual with a cash income of less than this amount would be considered poor.

Exhibit D-3 shows the percentage of individuals in Los Angeles County living in poverty in 1990, 2000, 2010 and 2012.

Exhibit D-3
Individual Poverty Rate
Los Angeles County



Source: Census Bureau

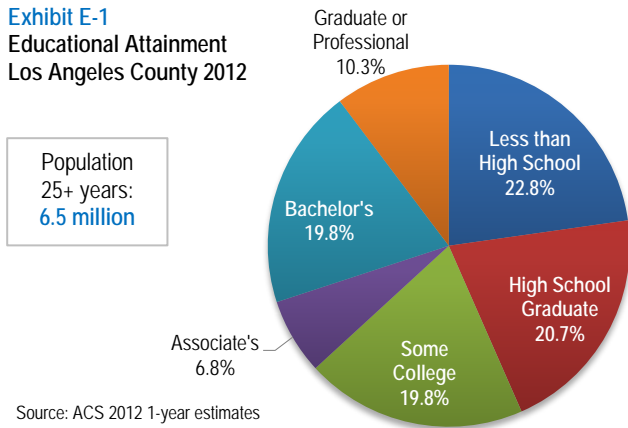
In 2012, using the federal poverty threshold, over 19 percent of individuals in Los Angeles County were living in poverty. This rate has been increasing since 1990.

Although the poverty threshold is updated annually, it does not take into account the wide variation of costs of living across municipalities. Since Los Angeles County is considered to have a relatively high cost of living, the official poverty rate is likely to understate the actual incidence of poverty in the county. ❖

E. Educational Attainment

The educational attainment levels of the population of Los Angeles County aged 25 years and older are shown in Exhibit E-1.

Exhibit E-1
Educational Attainment
Los Angeles County 2012



The population of residents aged 25 years and older in Los Angeles County numbered 6.5 million in 2012. Almost 23 percent of county residents in this age group have not earned a high school diploma (or equivalent) while 20.7 percent have graduated high school but have no other education. Approximately 30 percent of the residents have a bachelor's degree or higher. Together, this shows a bi-modal distribution of educational attainment, with large proportions at both the low end and the high end of the spectrum.

Of course, not all residents are employed. However, as noted in Section C above, for those that are employed, their wages will reflect the degree of preparation and skills levels needed for the particular occupation and job held, with lower levels of skills and education typically earning commensurately lower median wages. This is reflected in Exhibit E-2.

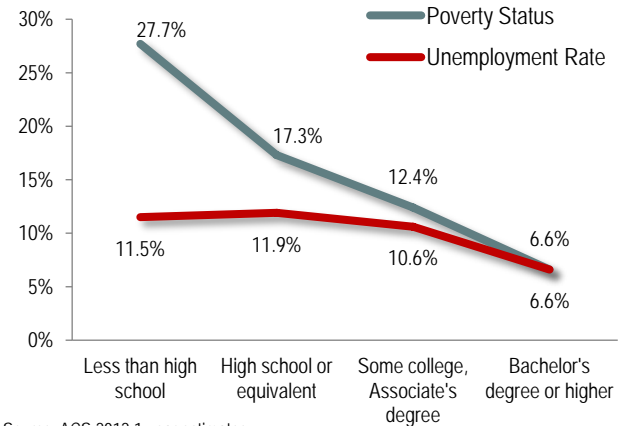
Workers aged 25 years and older in Los Angeles County with less than a high school diploma earned annual median wages of \$18,019, compared to \$25,253 earned by workers with a high school diploma, and \$50,717 for workers with a bachelor's degree. Those with the highest levels of educational attainment earned median annual wages of \$70,703.

Exhibit E-2
Median Earnings in 2012
By Educational Attainment
Workers 25 years and older



Since earnings from employment represent the most significant portion of all income, those that earn lower wages will experience higher rates of poverty. Also, those with lower levels of education are likely to find employment opportunities to be more limited. The relationship between educational attainment and unemployment and poverty is shown in Exhibit E-3.

Exhibit E-3
Unemployment and Poverty in 2012
By Educational Attainment
Population 25 years and older



Residents aged 25 years and older in Los Angeles County with less than a high school diploma experienced an

unemployment rate of 11.5 percent in 2012, just lower than residents with a high school diploma (or equivalency). The unemployment rate for residents with some college was 10.6 percent and for those with a bachelor's degree or higher educational attainment was 6.6 percent. Overall, recall that the unemployment rate in Los Angeles County in 2012 averages 11.6 percent. Although higher levels of education yielded lower rates of unemployment, for those with a high school diploma the unemployment rate is comparable to those without a high school diploma.

However, the poverty rates among the different groups are strikingly different. The poverty rate among residents without a high school diploma was 27.7 percent, almost 60 percent higher than the poverty rate of those with a high school diploma. This is a clear picture of the lower earning power of those at the lowest rung of educational attainment, and represents the preponderance of "working poor" in Los Angeles County.



F. Housing Market

Housing Inventory

The California Association of Realtors (CAR) identifies the inventory of existing, single-family detached homes for sale in a given month and generates the Unsold Inventory Index. This index estimates how many months it would take to sell the inventory at the current rate of sales. In a normal market, monthly inventory levels range between a six- and seven-month supply; smaller values typically indicate a seller’s market and larger values a buyer’s market.

Exhibit F-1 presents the Unsold Housing Index and median time on market for single-family homes in Los Angeles County, Los Angeles Metro area (which includes Orange County) and the state of California as a whole.

Exhibit F-1
Unsold Inventory and Time on Market

	Aug 2013	Jul 2013	Aug 2012	Y-Y %Δ	M-M %Δ
Unsold Inventory Index					
CA SFH (SAAR)	3.1	2.9	3.2	-3.1%	6.9%
LA Metro	3.1	3.0	3.3	-6.1%	3.3%
LA County	2.9	2.9	3.0	-3.3%	0.0%
Median Time on Market					
CA SFH (SAAR)	28.8	27.8	41.1	-29.9%	3.6%
LA Metro	36.7	34.2	47.6	-22.9%	7.3%
LA County	31.1	28.7	44.6	-30.3%	8.4%

Sources: CAR; LAEDC

Inventories of homes for sale have been tight. According to this index, the unsold inventory of existing homes in Los Angeles County in August 2013 represented a 2.9-month supply, remaining unchanged from the previous month and down from the 3.0-month supply in August of the previous year. The Los Angeles Metro area had a 3.1-month supply in August 2013.

CAR also tracks the median time on market for single-family homes. The median is the midpoint of the number of days it took to sell a home. In Los Angeles County the median time on the market in August 2013 was 31.1 days; 50 percent of single-family homes were on the market less than 31.1 days and the other 50 percent were on the market longer. This was up from 28.7 days in July 2013 and down from 44.6 days in August 2012.

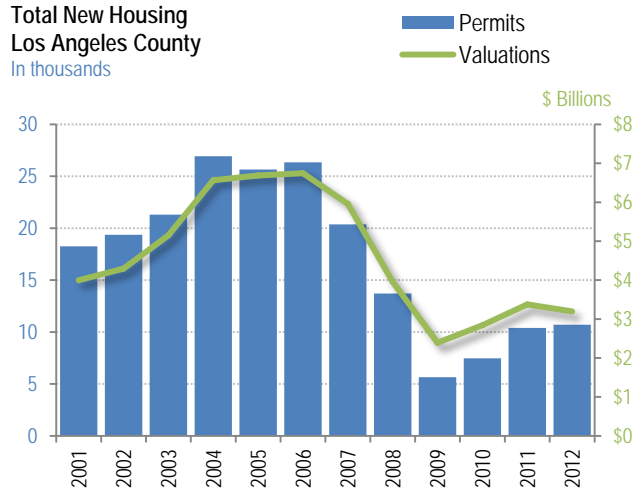
The Los Angeles Metro area (which includes Orange County) had a longer median time on the market with 36.7 days in August 2013.

Permit Construction

Building permit data is one of the leading indicators of the housing market. All new construction is required to file and obtain permits, making them a good way to predict changes in the market. Permits are separated into residential and nonresidential categories.

Exhibit F-2 displays the total number and total valuation of all new housing (residential) permits issued in Los Angeles County from 2001 through 2012.

Exhibit F-2
Total New Housing
Los Angeles County
In thousands



Source: RERCSC

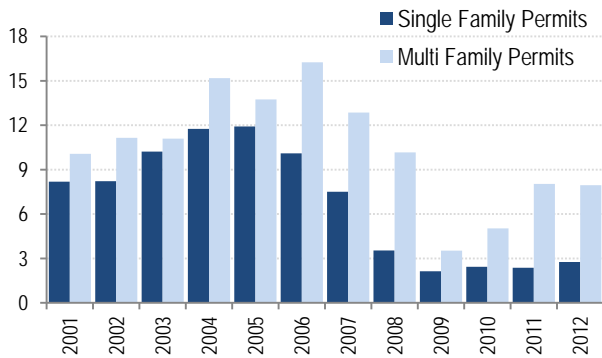
The lowest point for both number of residential permits issued and their valuation was in 2009. Since then, market activity has increased for both measures, but still remains well below peak levels.

A total number of 10,706 residential permits were issued in 2012, a decline of 2.9 percent over the previous year. However, total residential permits from 2009 through 2012 have grown at an average annual rate of 20.6 percent.

Residential permit valuations in 2012 totaled nearly \$3.2 million, a year-over-year decline of 5.4 percent from 2011. While year-over-year experienced a decline between 2009 and 2012, residential permit valuations have grown at an annual average rate of 9.6 percent.

New housing permits are split into single family and multifamily; Exhibit F-3 displays separately the two classifications in Los Angeles County over the same period.

Exhibit F-3
Residential Permits in Los Angeles County
In thousands

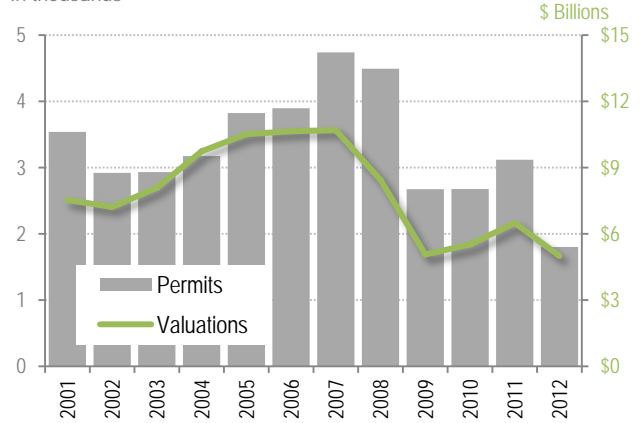


Source: CHF/CIRB

In 2012, single-family permits numbered 2,756, a year-over-year increase of 16.3 percent, while multifamily permits decreased by 1.0 percent over the period with 7,950 issued in 2012. In terms of average annual growth from 2009 through 2012, multifamily permits have increased at a faster rate than single family: single-family permits increased by 8.5 percent annually while multifamily permits increased by 25.7 percent annually.

Nonresidential permits are issued for buildings that will house industrial or commercial activities including offices, retail or hotels. Exhibit F-4 displays the total number and total valuation of all nonresidential permits issued in Los Angeles County from 2001 through 2012.

Exhibit F-4
Nonresidential Permits in Los Angeles County
In thousands



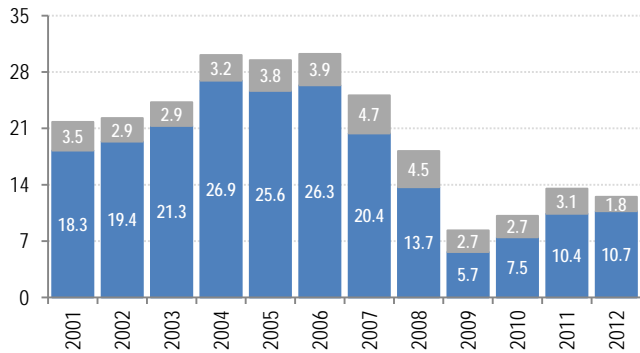
Source: RERCSC

In 2012, a total number of 1,803 nonresidential permits were issued, a decline of 42.2 percent from the previous year. Nonresidential permit valuations in 2012 totaled nearly \$5.0 million, a year-over-year decline of 23.0 percent from 2011.

In fact, the lowest number of nonresidential permits issued and the lowest nonresidential permit valuations from 2001 forward occurred in 2012. We still use 2009 as the base year to calculate our average annual growth rate to maintain data consistency and, for total permits, 2009 is still is the trough. Between 2009 and 2012, nonresidential permits have declined by 13.0 percent annually and nonresidential permit valuations have declined by 0.5 percent annually.

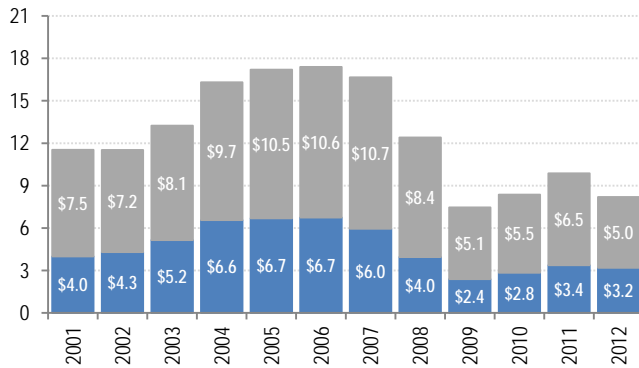
Exhibit F-5 displays the number total permits issued and Exhibit F-6 shows total permit valuations annually between 2001 and 2012 in Los Angeles County broken out by residential and nonresidential. In Los Angeles County, the number of residential permits typically exceeds nonresidential. However, permit valuations of nonresidential typically exceed residential permit valuations.

Exhibit F-5
Total Permits
Los Angeles County
 In thousands



Source: RERCSC

Exhibit F-6
Total Permit Valuations
Los Angeles County
 \$ Billions



Source: RERCSC

This data is summarized in Exhibit F-7.

Exhibit F-7
Building Permits
Los Angeles County

	2012	2011	Y-Y Δ Numerical	Y-Y %Δ	2009- 2012 Annual Ave % Growth
Permits					
Residential Permits	10,706	10,403	303	2.9%	20.6%
Single Family	2,756	2,370	386	16.3%	8.5%
Multi Family	7,950	8,033	-83	-1.0%	25.7%
Nonresidential Permits	1,803	3,119	-1,316	-42.2%	-13.0%
Permit Valuations (\$ Millions)					
Residential Permits	3,195	3,376	-181	-5.4%	9.6%
Nonresidential Permits	4,998	6,495	-1,497	-23.0%	-0.5%
Total Permit Valuations	8,193	9,871	-1,678	-17.0%	3.1%

Sources: CIRB; LAEDC

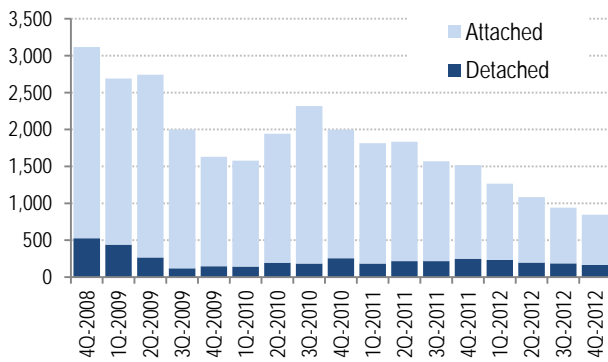
New Unit Construction

Residential construction, another key component of the housing market and the overall economy, continues to struggle. While increases in price and stable sales have been reported in 2013, this has not necessarily translated into increased residential construction.

New home construction increases the supply of housing available, but the foreclosure crisis has been undercutting demand for new construction. Buyers have been attracted to lower cost existing homes on the market due to foreclosure or short sale.

Exhibit F-8 displays total unsold new housing in Los Angeles County on a quarterly basis from the fourth quarter of 2008 through the 4th quarter of 2012.

Exhibit F-8
Total Unsold New Housing
Los Angeles County



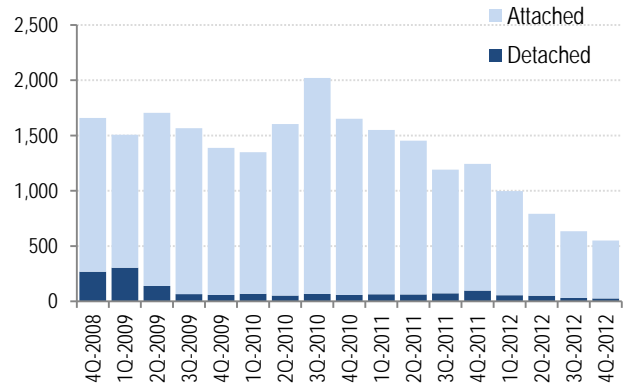
Source: RERCSC

The inventory of new housing fell to 845 units in the 4th quarter of 2012, down 10.2 percent from the 3rd quarter and 44.3 percent from a year ago. Inventory levels have been falling for six consecutive quarters. Excluding the slight uptick the second quarter of 2011, inventory levels have been falling consecutively since the fourth quarter of 2010.

Exhibit F-9 and Exhibit F-10 split total unsold new housing into units which have completed construction and units under construction, respectively.

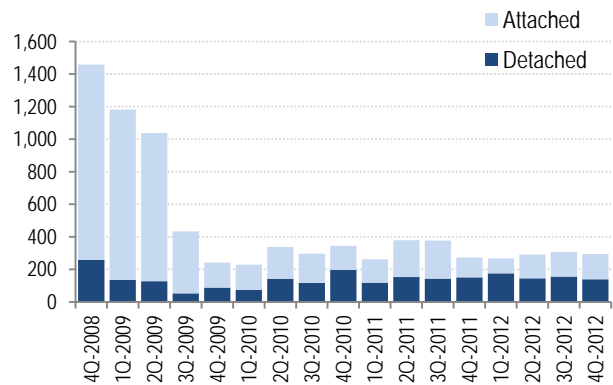
This further illustrates how little new residential construction is actually taking place. The county is moving through its inventory of completed new housing without increasing the construction of new units.

Exhibit F-9
Unsold New Housing - Completed Construction
Los Angeles County



Source: RERCSC

Exhibit F-10
Unsold New Housing - Under Construction
Los Angeles County



Source: RERCSC

The inventory of new housing under construction fell to 295 units in the 4th quarter of 2012, down 3.9 percent from the 3rd quarter and 8.1 percent from a year ago.

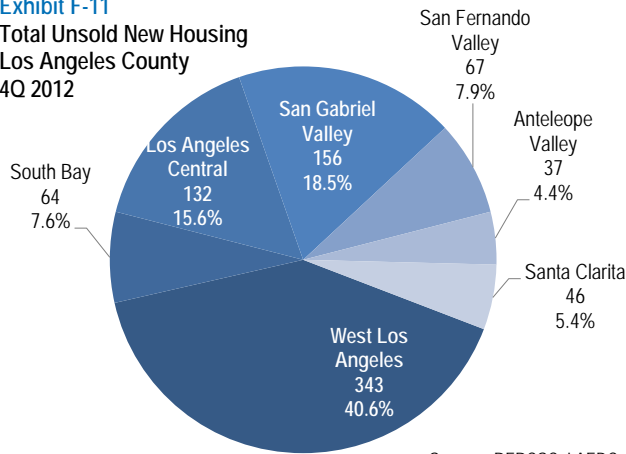
Construction activity fell sharply from the second quarter of 2009 and has not risen above 400 units since. This phenomenon can be related to a variety of factors, including: difficult access to credit, building costs that exceed current market prices of completed units and shortages of skilled labor as construction workers have shifted into other, perhaps more stable industries.

Unsold New Housing in LA County by Region

Los Angeles County is vast and has different characteristics from region to region. Densely populated urban cores contrast with sparsely populated rural areas, and the housing needs and characteristics of units vary just as widely.

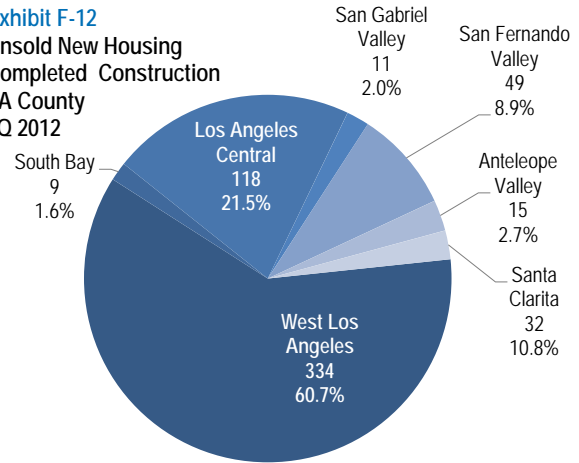
Exhibits F-11 through F-13 display the total unsold new housing, unsold new housing with completed construction and unsold new housing still under construction in Los Angeles County distributed across seven regions: Antelope Valley, Los Angeles Central, San Fernando Valley, San Gabriel Valley, Santa Clarita, South Bay and West Los Angeles.

Exhibit F-11
Total Unsold New Housing
Los Angeles County
4Q 2012



Most unsold new housing with completed construction in the county consists of attached units—just over 95 percent. Exhibit F-11 shows that 82 percent (452 units) of unsold new housing with completed construction is located in the two regions of Los Angeles Central and West Los Angeles. Both regions are densely populated urban areas with a large number of multiunit residential properties. Newly constructed multiunit residential properties in these areas have yet to be filled.

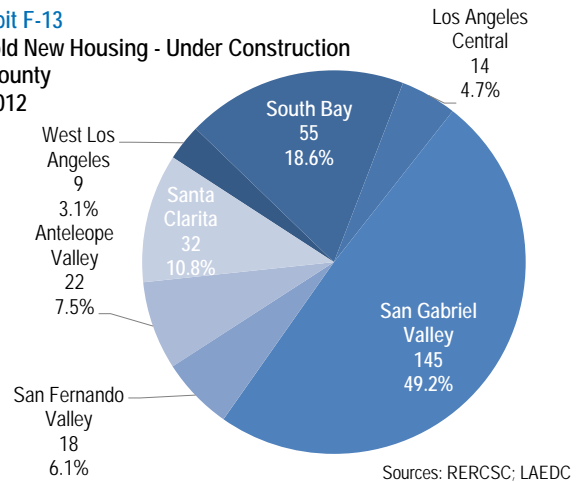
Exhibit F-12
Unsold New Housing
Completed Construction
LA County
4Q 2012



Unsold new housing under construction in the county is more evenly split between attached and detached units: 53 and 47 percent respectively.

Construction of units is mostly taking place in regions where property values are less expensive for builders; Antelope Valley, the San Gabriel Valley, San Fernando Valley and Santa Clarita regions account for over 73 percent (217 units) of all units under construction.

Exhibit F-13
Unsold New Housing - Under Construction
LA County
4Q 2012



Median Sales Prices of New and Existing Units

Pricing of homes is a major determinant in the demand for housing. The foreclosure crisis put downward pressure on prices as the market was flooded with distressed properties. While home prices are on the rise, with seven consecutive months of positive price gains from February 2013 through August 2013, price levels are still considered low.

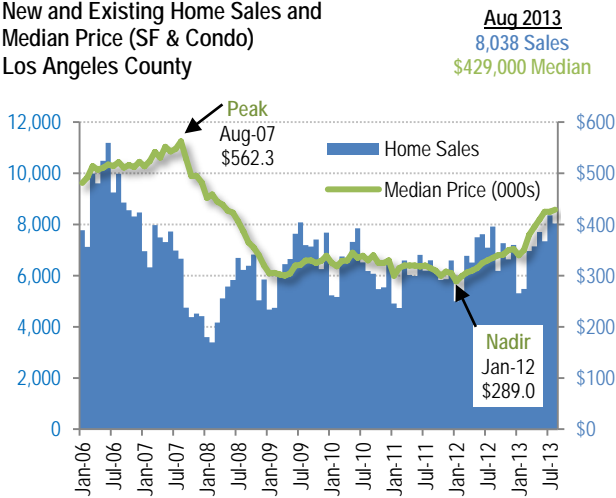
Exhibit F-14 shows new and existing home sales and the median price of single-family homes and condominiums in Los Angeles County on a monthly basis from January 2006 through August 2013, the most recent month for which data is available.

August 2013 reported 8,038 sales of new and existing homes in Los Angeles County. This represented an increase of 1.5 percent year-over-year, but a 3.8 percent decrease from the prior month in sales.

There is a seasonal pattern in homes sales. Using annual data is one way to mitigate seasonality evident in monthly or quarterly data. While monthly data provides insight into the current state of the housing market for 2013, it is easier to observe historical trends and make meaningful comparisons with annual data.

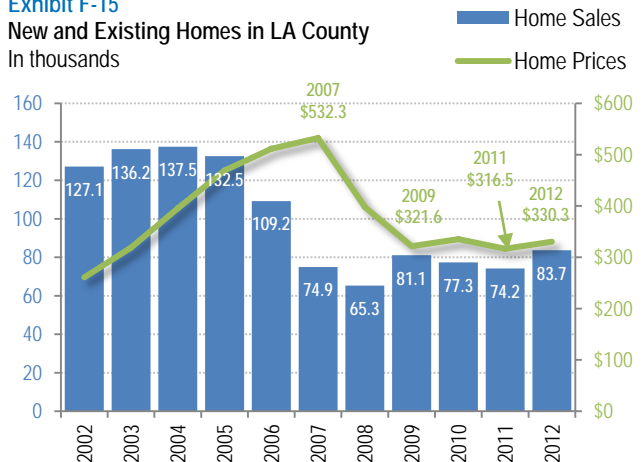
Exhibit F-15 shows annual new and existing home sales and their median price from 2002 through 2012. It more clearly illustrates the housing bubble that burst in late 2007 and the relatively lackluster performance of the housing market since.

Exhibit F-14
New and Existing Home Sales and Median Price (SF & Condo) Los Angeles County



Source: DO

Exhibit F-15
New and Existing Homes in LA County In thousands



Source: RERCSC

The median sales price in Los Angeles County is the midpoint of the prices of homes sold in the area over the period. It can be influenced by market trends including changing prices and the types of houses being sold. For example, a large number of low- or high-priced properties sold would affect the median value.

The median sales price in Los Angeles County in August 2013 was \$429,000, a 28.1 percent increase in price from August 2012, but only a 0.9 percent increase over the price in July 2013. The recent increase in monthly median home prices is more of a correction away from the extremely low price levels caused by the foreclosure crisis than an indication of the current market improving.

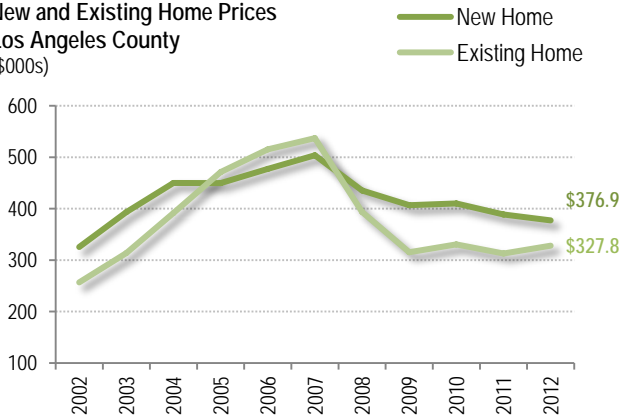
The median sales price in Los Angeles County in 2012 was \$330,346, a 4.4 percent increase in price from 2011, which was also the trough with a median sales price of \$316,469. The peak median sales price was \$532,281 in 2007. Peak to trough, the annual median sales price in Los Angeles County fell by 40.5 percent from 2007 to 2011. The current median sales price has appreciated from the trough 4.4 percent, but remains 37.9 percent below the peak median sales price.

New and existing homes in Los Angeles County in 2012 were reported at 83,680, a year-over-year increase of 12.8 percent. The peak level for sales was 137,471 in 2004 and the trough level was 65,278 in 2008, a peak-to-trough decline of 52.5 percent.

New and existing home sales in Los Angeles County in 2012 have increased from the 2008 trough 28.2 percent, but are still more than 39.1 percent below their 2004 peak.

Exhibit F-16 displays median prices for both new and existing homes sold. Currently, the 2012 median sales price of new homes exceeds that of existing homes by 15 percent.

Exhibit F-16
New and Existing Home Prices
Los Angeles County
(\$000s)

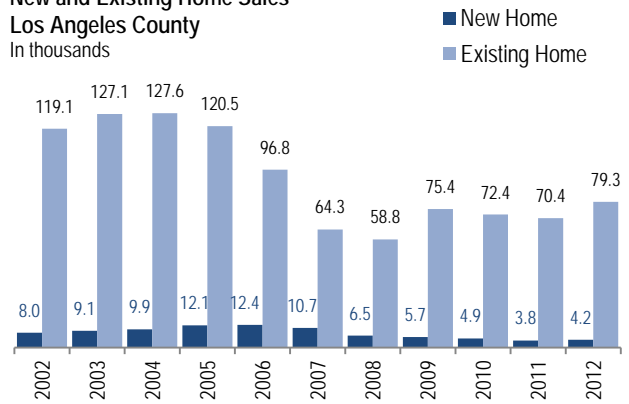


The peak median sales price of existing homes in Los Angeles County was \$537,011 in 2007 and the post-peak trough was \$312,541 in 2011, a decline of 41.8 percent. The current median sales price of existing homes has appreciated from the 2011 trough by 4.9 percent, but remains 39.0 percent below its 2007 peak.

The peak median sales price for new homes was \$503,757 in 2007 and the post-peak trough was \$376,873 in 2012, a decline of 25.2 percent. The median sales price of new homes in Los Angeles County in 2012 is 65.7 percent off the 2007 peak.

Exhibit F-17 displays home sales for both new and existing homes; currently existing home sales in 2012 are over eighteen times that of new home sales for the same period

Exhibit F-17
New and Existing Home Sales
Los Angeles County
In thousands



Peak sales of existing homes in Los Angeles County numbered 127,566 in 2004 with a post-peak trough of 58,810 sales in 2008, a decline of 53.9 percent. Current existing home sales have appreciated from the 2008 trough 34.9 percent, but remains 37.8 percent below its 2004 peak.

New home peak sales numbered 12,369 in 2006 with a post-peak trough of 3,831 sales in 2011; a decline of 69.0 percent. New home sales in Los Angeles County in 2012 have appreciated from the 2011 trough 10.9 percent, but are still more than 65.7 percent below their 2006 peak.

Affordability Levels

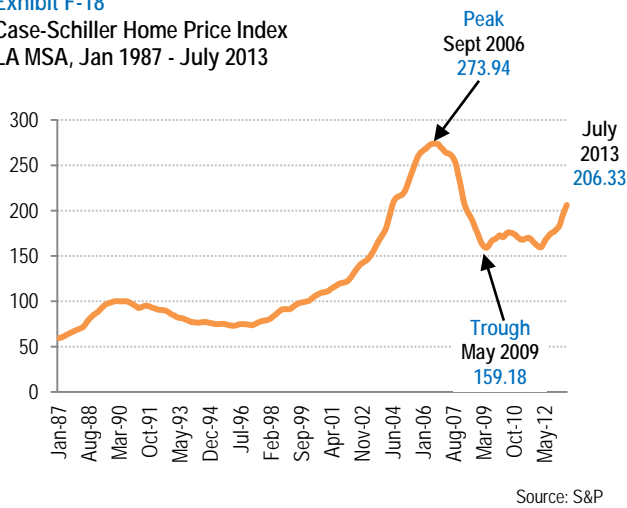
Affordability indices measure how well a family can meet the expense of purchasing a home in the area. Here we use the Case-Schiller Home Price Index and the California Association of Realtors (CAR) First-Time Buyer Housing Affordability Index to assess affordability in the Los Angeles region.

Case-Schiller Home Price Index

The S&P/Case-Schiller Home Price Index tracks changes in the value of existing single-family housing by measuring the average change in value for a constant quality level. The index utilizes a repeat sales methodology, widely considered an accurate way to measure price changes.

Exhibit F-18 displays the monthly Case-Schiller Home Price Index in the Los Angeles Metropolitan Statistical Area (MSA) from January 1987 through July 2013, the most recent month for which data is available.

Exhibit F-18
Case-Schiller Home Price Index
LA MSA, Jan 1987 - July 2013



The Case-Schiller Home Price Index in the Los Angeles MSA reached 206.33 in July 2013, an increase of 2.1 percent over the previous month and a 20.8 percent increase from July 2012.

For the past 17 months, the LA MSA index has been showing positive month-to-month gains, although the last three at a decreasing rate, and the last 12 months have posted consecutive year-over-year gains

Exhibit F-19 shows how recent peak, trough and current Los Angeles MSA index levels are related.

Exhibit F-19
S&P/Case-Schiller Home Price Index
Los Angeles Metropolitan Statistical Area

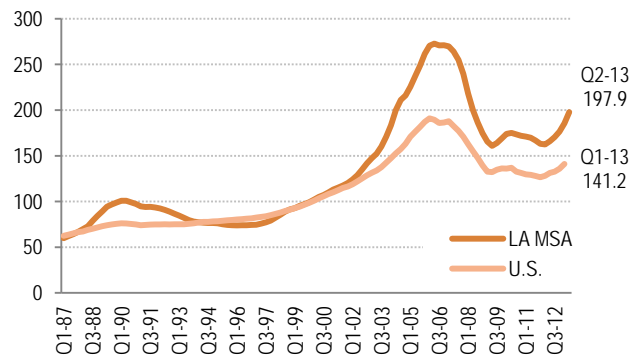
Peak date	Sep-06
Peak level	273.94
Recent trough date	May-09
Recent trough level	159.18
Peak-to-trough decline	-41.89%
Latest data date	Jul-13
Latest data level	206.33
Peak-to-latest data decline	-24.68%
Appreciation since trough	29.62%
Latest three months	4.44%

Source: S&P

While the monthly Case-Schiller Home Price Index in the Los Angeles MSA has been increasing since March 2012, the current index level remains below those surrounding the peak. The peak index level was 273.94 in September 2006, while the post-peak trough index level was 159.18 in May 2009; this was a peak-to-trough decline of 41.9 percent. The current level of 206.33 is a decline of 24.7 percent from the peak index level, but is an appreciation of 29.6 percent from the post-peak trough.

For context of how the LA MSA related to the rest of the nation, Exhibit F-20 displays the quarterly S&P Case-Schiller Home Price Index for the MSA in relation to that of the U.S.

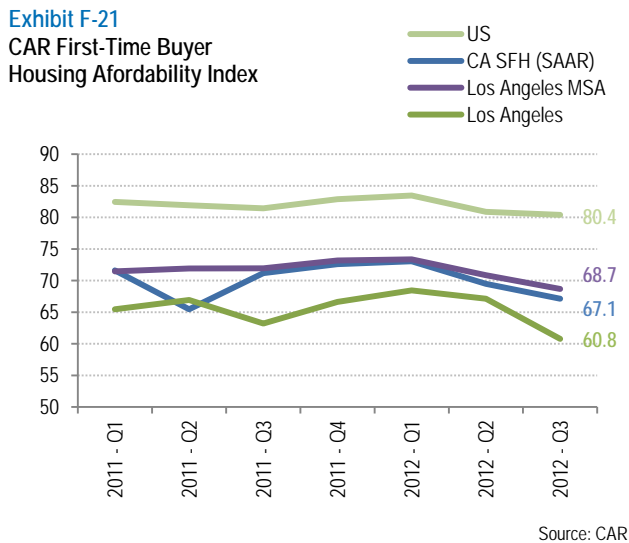
Exhibit F-20
Case-Schiller Home Price Index
Q1-1987 through Q2-2013



First-time Buyer Housing Affordability Index

The California Association of Realtors (CAR) generates a First-time Buyer Housing Affordability Index (FTB-HAI) which measures the share of total households that can afford to buy an entry-level home.

Exhibit F-21 displays the FTB-HAI in Los Angeles.



The index level was 60.8 in the third quarter of 2012, the most recent data available. This means that 60.8 percent of total households can afford to buy an entry level home in Los Angeles. In that quarter, fewer households can afford to buy an entry level home in Los Angeles compared to the LA MSA and the state and nation as a whole. ❖

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