COUNTY ECONOMIC REPORTS
LOS ANGELES

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Executive Summary

Los Angeles is a region of unparalleled optimism and opportunity and is home to almost 10.3 million residents with a labor force of over 4.5 million. Los Angeles continues to be the creative capital of the world, with a growing emphasis on new and innovative industries.

The County has fully recovered from the Great Recession and is now seeing tremendous growth and opportunity.

Economic Overview and Outlook

The September unemployment rate in Los Angeles County was 4.8% (not seasonally adjusted), significantly below its July 2010 peak of 13.2% and continues to trend lower. Nonfarm employment in August 2018 totaled nearly 4.5 million adding 65,000 jobs over the year for an annual growth rate of 1.5%. The bulk of major industry sectors experience growth in employment over the year.

County employment is projected to grow at an average annual rate of 1.1% over the next five years, adding 234,000 jobs across a range of industries (Exhibit ES-1).

As the economy continues to tighten and the unemployment rate continues to trend downward, we expect wages to grow substantially in the coming years in most industries. However, despite the large number of jobs being added, they are predominantly coming in the form of lower paid occupational groups so there is some concern that the labor market will continue to bifurcate.

Leading and Emerging Industries

Most industries will add jobs over the next five years, but overall, the strongest job growth in terms of numbers of jobs will be in service providing industries, including:

- **Health Services**, which is estimated to grow at 13.7% over the next five years and add 92,000 jobs.
- **Accommodation and Food Services**, which is projected to add around 32,000 jobs over the next five years as the expansion drives demand in dining on tourism.
- **Information**, which is projected to add 26,000 jobs over the next five years driven by the continued adoption of more advanced technologies.
- **Transportation and Warehousing**, which is projected to add almost 25,000 jobs over the next five years, continuing to reinforce the regions’ strength as a logistics and trade hub for the nation.

Other industries are evolving through innovation and disruption and will drive our economic growth in the future, including advanced transportation, biosciences, and digital media. Los Angeles continues to be a driver in supporting and growing these emerging industries through investment and research.

Occupational Outlook

While jobs are being added across industries, the highest number of overall openings will be found in those occupations that require a high school diploma or less, which pay less than the County’s median annual wage of $40,340. More than one-third of projected openings (including new jobs and replacement jobs) over the next five years require workers without a high school diploma. Another 28% will require workers with a high school diploma (Exhibit ES-2).
Those with a graduate or professional degree earn an annual wage premium of $55,300 over those with less than a high school education (Exhibit ES-3). The strong correlation between educational attainment and earnings signals challenges ahead for those with less than a high school degree as they face limited jobs prospects, are more likely to be unemployed, and are less likely to be able to support their households.

Income and Poverty

Household incomes have increased steadily for the last 25 years, from $34,965 in 1990 to $65,006 in 2017 (Exhibit ES-4). However, inflation-adjusted household incomes had been falling, but the substantial increase in household earnings in recent years has reversed the trend and we expect household incomes to be higher than their 1990 peak in the coming years.

However, our economic recovery is helping poverty rates to keep falling. We have seen a steady year-over-year decline in individual poverty rates. The individual poverty rate is now at 14.9%, which is a substantial decrease from the peak of 19.1% reached in 2012 and has made particularly large improvement in the past year (Exhibit ES-5). As with earnings, there is a strong correlation between lower levels of educational attainment and higher rates of poverty.

More than one-fifth of adults with less than a high school education are in poverty in the county. In contrast, those with a bachelor's degree or higher have a poverty rate of only 6.2% (Exhibit ES-6).
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A. Economic Recovery

Los Angeles County is home to more than 10.1 million residents with a workforce of more than 4.4 million today. Entertainment, global trade, and other stalwarts continue to thrive in the booming metropolis while industries such as health care and advanced transportation are becoming new key drivers of regional prosperity.

Having finally recovered from the recession after the better part of a decade of lost economic opportunity, we are now seeing significant booms in employment and output that should, absent recession, drive strong continued growth.

Current Employment Overview

Monthly unemployment rates in Los Angeles County from January 2000 through September 2018 (not seasonally adjusted) are shown in Exhibit A-1. At 4.8%, the September unemployment rate in Los Angeles County was 0.6 percentage points below the year-to-year rate of 5.4% and in line with the pre-recession average of 4.8%. This is far lower than the average since 2000 and should fall further as the economy continues its long expansion.

Exhibit A-2 measures the performance of major industry sectors in Los Angeles County in terms of job gains on an annual basis in August 2018. However, seasonally-adjusted industry employment data is not available at the county level. Many industries experience seasonality in hiring patterns such as holiday hiring for retail establishments. Year-over-year numbers smooths seasonal trends and, therefore, provides a better picture of employment.

Nonfarm wage and salary employment totaled 4.48 million, up by 65,400 over the year. This equates to an annual growth rate of 1.5%. Since 2012, nonfarm employment growth in Los Angeles County has averaged 1.8% annually. In August, most major industries added jobs over the year, and where losses did occur, the absolute numbers were relatively small and the percentage declines all less than 1%.
While Exhibit A-2 displays the year-over-year percentage change in employment by industry, the actual number of jobs added or lost by industry sector is shown in Exhibit A-3.

In August the industry sectors with the strongest year-over-year employment growth in terms of number of jobs were population-serving industries including health care and social assistance, accommodation and food services, leisure and hospitality, education, and construction.

Health care and social assistance is by far the county’s largest private industry by employment. The number of health care jobs expanded by 18,600 over the year in August, an increase of 2.8%. This is a trend that we should expect to continue for the foreseeable future as demographic shifts increase aggregate health care spending.

Accommodation and food services employment increased by 2.7% over the year in September, adding 11,800 jobs over the year. The full employment situation and increasing consumer confidence means that consumers are more likely to spend on dining, which is driving much of the growth in this sector.

Information added 11,900 jobs year over year, or a growth rate of 5.7%. This returns the sector to roughly the same employment level of two years ago and is a sign of the increasing investment of technology companies in the region. This is clearly visible in the expansion at the intersection of technology and entertainment where Los Angeles has a key competitive advantage.

Other industries that posted major job gains include Arts, Entertainment and Recreation (11,300), and Administrative and Waste Services (9,800).

There were several industries that recorded a year-over-year decline in employment:

Government employment fell by 4,000 jobs, or 0.7% over the year.

Other services employment fell 0.8% and the industry lost 1,300 jobs.

Management of Companies and Enterprises lost 1,100 jobs, a decline of 1.9%. Some of this decline is likely attributed to the fact that the booming economy means that industries are less likely to require outside management analysts and consultants.

Finally, Wholesale Trade, Real Estate/Rental/Leasing, and Utilities all saw modest year over year declines in employment.
B. Industry Outlook

Employment Forecast

Since the lows of the Great Recession in 2010, nonfarm employment in Los Angeles County has added over 500,000 jobs (Exhibit B-1). The county regained all jobs that were lost by the end of 2015. Unemployment is continuing to sink to historic lows and the labor force participation rate has begun to increase as people move to rejoin the booming economy.

Between 2017 and 2022, the Los Angeles County economy is expected to add roughly 235,000 new jobs in nonfarm industries across the county, reaching 4.6 million jobs in 2022 (Exhibit B-2). Over the long-term, employment in Los Angeles County is forecast to grow at its population growth rate of approximately 0.6%.

The bulk of the employment growth will continue to be in the service industry. The Bureau of Labor Statistics estimates that, for the United States as a whole, 9-of-10 jobs added in the near-term will be in service-providing sectors. In particular, Los Angeles County is expected to add over 90,000 jobs in the Health Care and Social Assistance sector over the next five years.

Despite the flourishing economy, there are risks to continued employment growth in the county. These include the possibility of a recession; a continued slowdown in global trade due to tariffs and protectionism; an investment slowdown due to rising interest rates; and the cooling of the Chinese economy.

While economic and employment growth should continue, there are risks emerging from the types of jobs being produced and consequent rising inequality. Among the LAEDC’s projections for occupation growth, the largest growth is predicted to take place in low-paid service jobs which fail to provide a pathway to economic stability for workers.

Mostly crucially, the largest overall risk to both the Los Angeles and California economies is the failure to produce adequate housing supply to meet the needs of the growing workforce. High density, transit-oriented housing should be a priority for the region to prevent firms and workers from leaving the region due to extensive housing costs.
Leading Industries

It is expected that most industries will add jobs over the next five years. The strongest job growth will be in population-serving service-oriented industries that will continue to serve the growing population.

Education

Los Angeles County is an educational mecca with an enormous amount of both K-12 and higher education employment. Educational employment is forecast to grow at a rate of 1.3% per annum, adding 7,000 jobs.

Information

Los Angeles is an increasingly important tech-hub with a growing cluster of companies occupying Silicon Beach, as well as more long-term tech stalwarts whose efforts to supplant existing industries see them making significant investments in the region. The industry is forecast to grow at about 0.7% per year, adding over 26,000 jobs between 2017 and 2022.

Health care

Health care is the largest single industry by employment in the region and will only increase in its importance in the coming years. According to California Department of Finance (DOF) projections, the number of senior citizens in the region will grow significantly faster than general population growth and will drive greater health care consumption. It is expected to grow by 2.6% per year and add over 90,000 jobs.

Construction

The post-recession revitalization of the downtown core in Los Angeles is emblematic of the region’s recovery in addition the massive accompanying transit expansion through Measures R & M is driving extensive construction investment. The industry is expected to grow at a robust 2.1% from 2017 and 2022 and add 12,800 jobs.

Accommodation and Food Services

Although the accommodation and food services industry is associated with low-paying and insecure employment, it is still a major driver of the local economy, employing over 430,000 people. The sector is forecasted to grow at 1.4% per year, adding over 30,000 jobs by 2022. The continued strength of the tourism industry is a major driver of growth and the proliferation of delivery services is connecting food service providers with new customers.

Finance and Insurance

Finance in Los Angeles County is primarily associated with real estate and consumer finance. The continued real estate investment in the region has driven enormous demand for financing that has strengthened the sector in recent years. The sector is expected to add 3,600 new jobs between 2017 and 2022, growing at an annual average rate of 0.5%.

Emerging Industries

The industry profile of Los Angeles County is evolving as new and emerging industries are established and existing industries are transforming to incorporate new innovations and technologies.

Advanced Transportation and Fuels

Los Angeles County is in the driver’s seat when it comes to the burgeoning advanced transportation industry. Electric vehicles, mass transit, and autonomous vehicles are seeing heavy investment and the now ubiquitous electric scooters are proving the viability of new classes of transportation. As the region continues to support this nascent industry, it is expected that there will be significant job growth in this industry, paying high wages to a highly educated employment sector.

Biosciences

The Los Angeles County government is choosing to target the biosciences industry as a target for significant investment. As such, the unique intersection between private and public partners, as well as the strong higher education presence in the field, is driving the sector to become a major target for investment and opportunity. The major influx of cash into the newly developing industry promises to help attract new, talented, and highly educated researchers and high-tech workers to a number of high paying jobs in the region.

Digital Media

Los Angeles County is the world capital of entertainment and cinema and is now the home of significant innovation and advancement in digital media. Major digital media companies such as Netflix and Amazon are rapidly expanding their operations in the region. One of the defining characteristics of Los Angeles’s new digital media industry is the convergence of technology and entertainment. The County is therefore quickly establishing itself as center of this new media revolution.
Industry Wages

Wages across industry sectors vary significantly. The average wage for payroll employment in Los Angeles County in 2017 was $62,972. Exhibit B-3 provides the average wage for each industry sector.

The highest-paying industry was information, with an average annual wage of $130,052, followed by finance and insurance at $127,920, utilities (private) at $124,332, management of companies at $120,016, and mining at $107,744.

The lowest-paying sector was accommodation and food services with an average annual wage of $24,336. It should be noted that this industry is characterized by a relatively high percentage of part-time workers, thus yielding lower annual wages since the number of hours worked is lower. Other industries that have high percentages of part-time workers are retail trade and administrative services (the part-time designation includes temporary employment).
C. Occupations

The composition of the actual work performed within industries is analyzed through occupational data.

Current Occupational Profile

Occupations are classified using the Standard Occupational Classification (SOC) system developed by the Bureau of Labor Statistics (BLS). This system classifies all workers into one of 840 detailed occupations with similar job duties, skill, education, and training. These detailed occupations are aggregated into 23 major groups, which include broad descriptive categories such as production occupations, management occupations, and business and financial occupations.

The occupational profile of Los Angeles County in 2017 is shown in Exhibit C-1.

Exhibit C-2 presents the annual median wages associated with each major occupational group in Los Angeles County in the first quarter of 2017. The annual median wage across all occupations was $40,340.

Annual median wages vary significantly among the major groups, ranging from $23,980 in personal care and service occupations up to $118,430 in management occupations. It’s important to note that these are median annual wage and that wages of detailed occupations within these major groups will also vary based on the level of education and experience required.

The median wage for all workers in Los Angeles County, $40,340, is considerably lower than the average annual wage of $62,972 shown in Exhibit B-3 above. This is illustrative of the fact that income distribution is heavily skewed such that a small number of extremely high wage earners pull the average up while the vast majority of workers are earning wages significantly below the average.

The growth of industries in the region will determine demand for specific occupations. The overall net growth of an occupation is determined by its presence within industries that are growing and those that are declining.

The largest occupational group is office and administrative support, accounting for 711,000 workers. This group includes clerks and receptionists. The next largest occupational group is sales occupations, which includes cashiers, retail salespersons, real estate brokers, and telemarketers, which employs 426,600. The third largest group with 410,000 workers is food preparation and servers including wait staff, cooks, and bartenders.
This may result in an occupation experiencing little or no growth overall as workers that had been employed in a failing industry shift to similar roles in industries that are expanding or as workers in certain occupations are replaced by automation.

In addition to the growth and decline of industries, workers may leave current positions, either through retirement, promotion, or termination, leaving positions open and in need of replacement.

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 2017, which is the most recent year for which complete annual employment data is available.

The U.S. Census Bureau estimates replacement needs using detailed surveys of employers and workers. These estimates are an important component of occupational openings and workforce needs since the retirement and promotion of individual leave openings for newer entrants and those moving up the career ladder.

Projected job openings by major occupational group aggregated across industries in Los Angeles County are presented in Exhibit C-3.

Detailed occupations are differentiated according to job skills, abilities and work experience required. They are not generally industry-specific, but are common to several industries. For example, retail salespersons are employed in a wide range of industries.

Exhibit C-4 presents the top 20 detailed occupations by projected job openings (new jobs and replacement jobs) between 2017 and 2022. These twenty occupations will account for approximately 40% of all job openings across all occupations expected during this period.

The highest number of overall openings will be found in the largest occupational groups: personal care aides from the personal care and service occupational group; the combination of food preparation and serving workers and waiters and waitresses in the food preparation and serving related group; and registered nurses from the healthcare practitioners and technical occupations group.

Other occupations that will provide a large number of openings are restaurant cooks and retail salespersons.

Please note that data do not sum to estimated industry job creation shown above due to non-disclosed data and rounding across all detailed occupations.
Education and Skills Requirements

The education and work experience needed for an entry level position in each of the top 20 occupations is shown in Exhibit C-5. Additionally, the level of on-the-job training required to gain proficiency for each occupation is also shown.

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.

Many of the detailed occupations expected to provide the most job openings in the next five years require only lower levels of education and training. It is important to understand how well anticipated job openings align with the capabilities of the local labor supply.

Most occupations in the exhibit require a high school diploma or less and no work experience. The median annual wage shown for each occupation reflects the degree of preparation and skill levels needed; most are below the average and median wage paid to workers in Los Angeles County.

Exhibit C-6 presents the entry level education and training requirements across all occupational projections for the county.

More than one-third of the projected openings for the next five years require workers without a high school diploma and no work experience. Almost another third will require workers with a high school diploma (or equivalent) and no work experience. Together, these represent entry level jobs for unskilled workers across all industries and occupations in Los Angeles County.

Of the remaining projected openings, 20.5% will be suitable for those with a bachelor’s degree, 1.9% for workers with an associate’s degree, and 5.2% for certified post-secondary candidates.

<table>
<thead>
<tr>
<th>SOC</th>
<th>Detailed Occupation</th>
<th>Annual Mean Wage</th>
<th>Entry Level Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Edu</td>
<td>Work Exp</td>
</tr>
<tr>
<td>39-9021</td>
<td>Personal Care Aides Combined Food Preparation and Serving Workers, Including Fast Food</td>
<td>$28,585</td>
<td>8</td>
</tr>
<tr>
<td>35-3021</td>
<td>Security Guards</td>
<td>24,934</td>
<td>8</td>
</tr>
<tr>
<td>35-3031</td>
<td>Cashiers</td>
<td>30,406</td>
<td>8</td>
</tr>
<tr>
<td>29-1141</td>
<td>First-Line Supervisors of Food Preparation and Serving Workers</td>
<td>97,130</td>
<td>3</td>
</tr>
<tr>
<td>35-1012</td>
<td>First-Line Supervisors of Food Preparation and Serving Workers</td>
<td>141,661</td>
<td>3</td>
</tr>
<tr>
<td>43-9011</td>
<td>Office Clerks, General</td>
<td>30,406</td>
<td>7</td>
</tr>
<tr>
<td>43-5031</td>
<td>Mail Handlers, Post Office, and Mail Distribution Workers</td>
<td>30,406</td>
<td>7</td>
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<tr>
<td>43-4011</td>
<td>Mail Handlers, Post Office, and Mail Distribution Workers</td>
<td>30,406</td>
<td>7</td>
</tr>
<tr>
<td>31-1041</td>
<td>First-Line Supervisors of Office and Administrative Support Workers</td>
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<td>7</td>
</tr>
<tr>
<td>11-9021</td>
<td>Management Analysts</td>
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<tr>
<td>11-1111</td>
<td>Management Analysts</td>
<td>30,406</td>
<td>7</td>
</tr>
</tbody>
</table>

ST=short term; MT=moderate-term
Source: CA EDD

Exhibit C-6
Entry Level Education Requirements
All Jobs 2017-2022

![Education Level Pie Chart]

Source: Estimates by LAEDC
D. Income and Poverty

Income

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 (shown in 2017 dollars).

Nominal household income has increased steadily since 1990, with an annual average growth of 1.9% from 1990 to 2000, and 2.2% from 2000 to 2010. The growth rate has stalled since 2010. Since 2010, nominal household income rose on an annual basis by 2.2% as the strong economy is finally driving wage growth and reducing unemployment.

Adjusting median household income for inflation, however, illustrates 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. Real median household incomes declined by 0.46% per year on average from 1990 to 2000 and by 0.54% per year from 2000 to 2010. By 2017, real household income was 5.5% higher than it was in 2010 but still 4.3% below where it was in 1990.

Per capita income in Los Angeles County is shown in Exhibit D-2, again in both nominal terms and adjusted for inflation (shown in 2017 dollars). Per capita income in Los Angeles County is estimated at $32,413 in 2017. As with median household income, nominal per capita income has seen decadal growth on the order of 2.5% per year from 1990 to 2000, 2.2% per year from 2000 to 2010, and 3.3% per year since 2010.

Unlike with household income, real per capita income has surpassed its previous high in 2000 and shows promising continuing income growth into the future; specifically, per capita income is currently 4.9% above where it was in 2000.

The distribution of household income is shown in Exhibit D-3. Since the median household income in 2017 was $65,006, approximately half of all households earned more than this and half earned less. Almost 11% of households earned less than $15,000, 20.8% earned less than $25,000, and 29% earned less than $35,000.
Poverty

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 2015, the poverty threshold for an individual 65 years of age or younger was $12,486. For a family of four, the threshold was $24,563. An individual or family with an income less than these amounts would be considered poor.

Exhibit D-4 shows the percentage of individuals in Los Angeles County living in poverty in 1990, 2000, 2010 and 2016. Using the federal poverty threshold, 14.9 percent of individuals in Los Angeles County were living in poverty in 2017. This rate increased between 1990 and 2000 but declined during the following decade.

Since the end of the Great Recession, poverty rates have continued to fall. Annual rates since 2007 are shown in Exhibit D-5.

Poverty is highly correlated with unemployment, rising as unemployment rates rise, and falling (with a lag) when unemployment rates fall. Since unemployment rates in Los Angeles County have been on a downward trend since 2010, poverty rates have also been falling.

Although the poverty threshold is updated annually, it does not consider the wide variation of the cost of living across municipalities. Indeed, Los Angeles County is considered to have a relatively high cost of living so the official poverty rate is likely to significantly understate the actual incidence of poverty in the county due in particular to exorbitant housing costs.

Of the 248,295 households in poverty in Los Angeles in 2017, 29.5% were married couples with dependent children. An additional 34.9% were single mothers while 8.8% were families with children headed by single males. These and the remaining classifications of households experiencing poverty are presented in Exhibit D-6.

Almost three-fourths of families living under the federal poverty threshold have children. With children at home, single parents must earn enough to care for them. These parents face exacerbated challenges in affording housing, food, child care, and medical care.
E. Educational Attainment

The population of residents aged 25 years and older in Los Angeles County numbered just short of 7 million in 2017. This population is generally assumed to have reached their highest level of educational attainment, although additional credentials are still certainly possible. The educational attainment of this population is shown in Exhibit E-1.

Almost 21% of Los Angeles County residents in this cohort have not earned a high school diploma (or equivalent) while 20.8% have graduated high school but have no other education. Approximately 21% of the residents have a bachelor's degree, while 11% have a graduate or professional degree. 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.

A breakdown of educational attainment by age group, however, shows an encouraging trend in that younger cohorts are staying in school longer and are graduating at higher rates (Exhibit E-2). Residents aged 18 to 24 years are, for the most part, still working to meet their higher education goals. Even so, 46% have attained at least some college education. Completion of a bachelor's degree was attained by 27.4% of those aged 25 to 34 years.

Students that would have entered the labor force during the recession were largely discouraged by their job prospects and likely stayed in school longer than they might otherwise have under a stronger economy.

Wages typically reflect the degree of preparation and skills level needed for a specific occupation and job with lower levels of skills and education typically earning commensurately lower median wages (Exhibit E-3).

Workers aged 25 years and older in Los Angeles County with less than a high school diploma earned annual median wages of $21,901, compared to $28,882 earned by workers with a high school diploma, and $54,442 for workers with a bachelor's degree. Those with the highest levels of educational attainment earned median annual wages of $77,200.
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-4.

Residents aged 25 to 64 year in Los Angeles County with less than a high school diploma experienced an unemployment rate of 6.3% in 2017, sizably higher than residents with a high school diploma (or equivalency). The unemployment rate for residents with some college was 5.1%, and for those with a bachelor’s degree or higher educational attainment, unemployment was at 4.1%. Overall, the unemployment rate in Los Angeles County in 2017 for this cohort averaged 6.0%.

The poverty rates among the different groups, however, are strikingly different. The poverty rate among residents without a high school diploma was 22.2%, roughly 50% higher than the poverty rate of those with a high school diploma. This is a clear demonstration 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.

Fortunately, both the poverty rate and unemployment rate have declined year to year from 2016 to 2017 for all educational attainment levels. 

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**Exhibit E-4**

Unemployment and Poverty by Education
Los Angeles County, 2017

Population 25 to 64 years

<table>
<thead>
<tr>
<th>Education</th>
<th>Poverty Rate</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than High School</td>
<td>22.2%</td>
<td>6.3%</td>
</tr>
<tr>
<td>High School or Equivalent</td>
<td>15.0%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Some College or Associate’s Degree</td>
<td>10.5%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Bachelor’s Degree or Higher</td>
<td>6.2%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Sources: 2017 ACS 1-yr estimates; BLS
F. Housing Market

California has one of the tightest housing markets in the country and Los Angeles County is no exception. The median housing price in the County was over $600,000 in September 2018. Housing demand continues to grow as the economy improves and people start new jobs with higher pay. The failure to increase supply, however, means the County is facing a crisis of affordability.

Housing Permits

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.

Exhibit F-1 displays the total number of all new housing (residential) permits issued in Los Angeles County from 2004 through 2017.

The number of new residential units permitted fell to its lowest level in 2009, declining to 5,600 new units. Since then, market activity has picked up reaching 22,010 units in 2017. Still, permits for new home construction remain below prerecession peak levels in 2004 to 2006.

Although many housing units are under construction, the County will have to add housing on the order of hundreds of thousands—and not tens of thousands—if it is to accommodate surging demand and a historical failure of production.

Housing Sales Prices

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 (Exhibit F-2).

Many of these foreclosed properties (mostly single-family homes) have since been absorbed by institutional investors that have converted them into rentals. Although this cleared the inventory of distressed homes faster than expected, it also had the effect of removing much of the affordable inventory from the market that would have normally gone to first-time buyers.
Exhibit F-3 shows changes in the median price of new and existing homes in Los Angeles County from 2007 through the end of 2017.

The peak median sales price for existing homes reached $537,011 in 2007 before falling to a post-peak trough of $312,541 in 2011, a decline of 41.8%. By 2017 it had passed its previous peak to reach a median price of $556,764.

The peak median price for new homes was $503,757 in 2007 and the post-peak trough was $376,873 in 2012, a decline of 25.2%. It reached a median price of $643,430 for new home sales in 2017, however, which is far beyond its earlier peak and substantially out of reach for the vast majority of the county’s residents.

Housing Affordability

Affordability indices measure how well a family can meet the expense of purchasing a home in the area.

With home prices rising faster than income, housing affordability is back in the spotlight. The California Association of Realtors (CAR) compiles a quarterly Housing Affordability Index (HAI). This index measures the percentage of households in a geographic area that can afford to purchase the median priced home, new or existing, in that region. Tracking the HAI for Los Angeles provides a way to determine whether housing is becoming more or less affordable for the typical household over time.

Exhibit F-4 displays the CAR HAI for the United States, California, and Los Angeles County from 2006 through the second quarter of 2017.

The HAI in Los Angeles County averaged 11 in 2006 and 2007, meaning only 11% of households in Los Angeles County could afford to buy a median priced home. As the housing crisis intensified and home prices plunged, the HAI peaked at 46% in 2012.

Since 2013, the HAI has averaged 30%, but has dropped to approximately 25% over the past year, meaning that only 1-in-4 households in the county can afford to purchase a home. While homes in Los Angeles County might be considered “affordable” by pre-recession standards, they are still considerably less so when compared with the rest of the nation.
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