



LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION
Collaboratively Advancing Growth and Prosperity for All

Quarterly Economic Briefing

- **Stephen Cheung**
• President & CEO, LAEDC
- **Shannon M. Sedgwick**
• Director, LAEDC the Institute for Applied Economics
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• Economist, LAEDC Institute for Applied Economics

Monday, September 11, 2023

www.laedc.org

A green sign with white text that reads "Los Angeles COUNTY LINE". The sign is mounted on wooden posts and is set against a background of a city skyline with palm trees under a clear blue sky.

Los Angeles
COUNTY LINE



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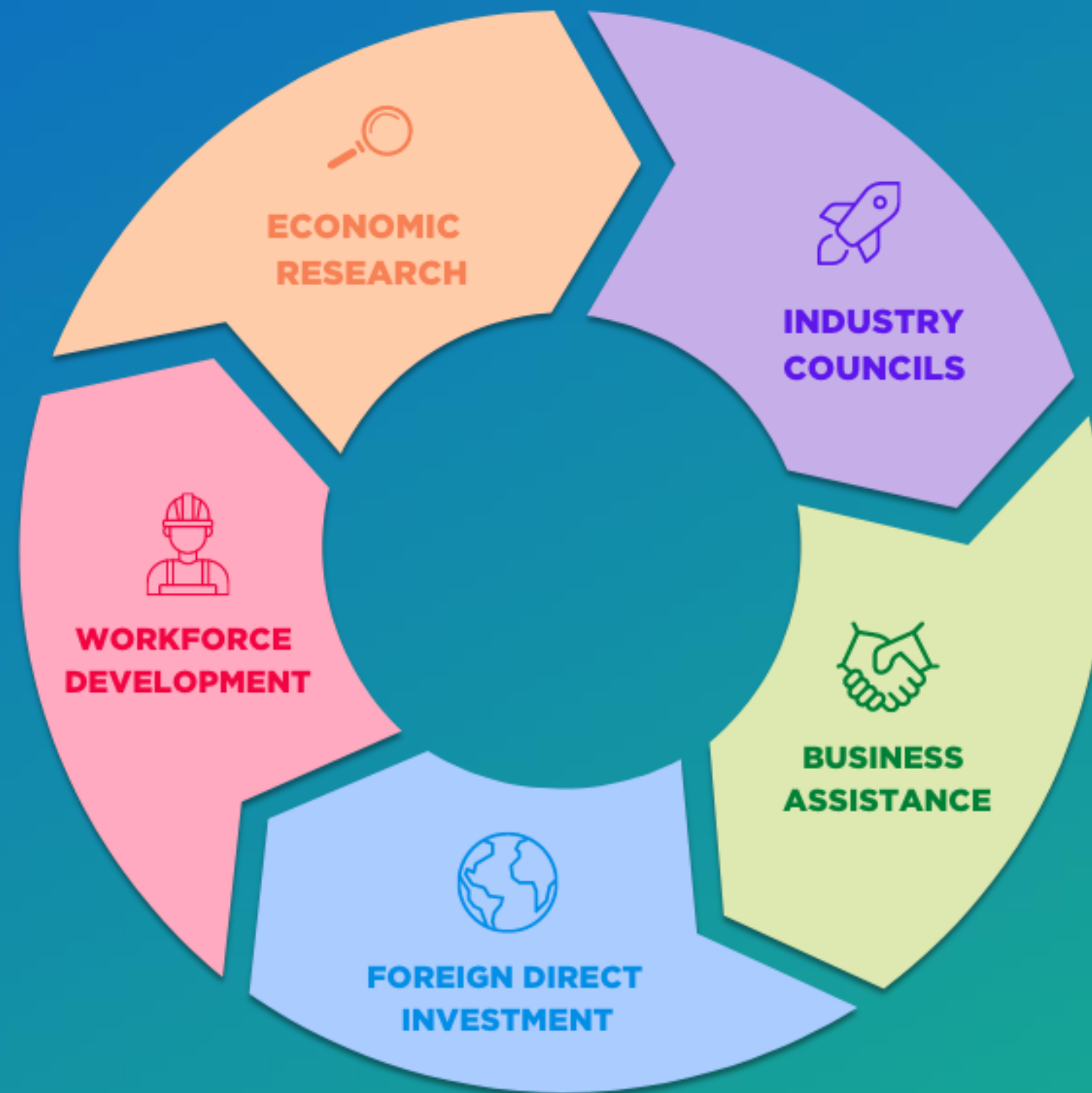


Stephen Cheung

President & CEO, LAEDC

President, WTCLA

LAEDC's 5 Pillar Strategy For Economic Development





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Shannon Sedgwick

Director

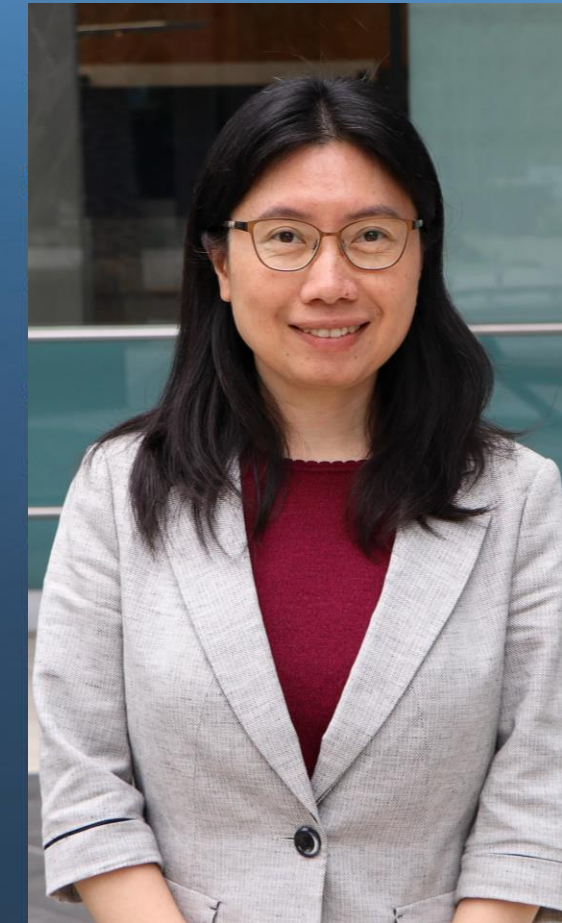
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Presentation Outline

National Economic Conditions

- U.S. Economic Projections
- Inflation and Core Inflation
- Federal Funds Rate
- Likelihood of a Recession
- Non-Housing Debt Balance
- U.S. Government Shutdown?

Local Economic Conditions

- Nonfarm Employment
- Unemployment Rate
- Employment by Industry
- Job Postings
- WGA Writers Strike

Local Economy Office Market

- Office Market Vacancy Rates
- Office Vacancy Rate by Submarket
- Asking Rents by Submarket
- Foreclosures and Sales of Office Buildings
- Potential Promising Indicators



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Economic Conditions **September 2023:**

United States



U.S. Economic Projections

Median Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents (June 2023)

	2022 (Actual)	2023	2024	2025	Longer Run
Change in Real GDP	0.9	1.0	1.1	1.8	1.8
March Projection		0.4	1.2	1.9	1.8
Unemployment Rate	3.6	4.1	4.5	4.5	4.0
March Projection		4.5	4.6	4.6	4.0

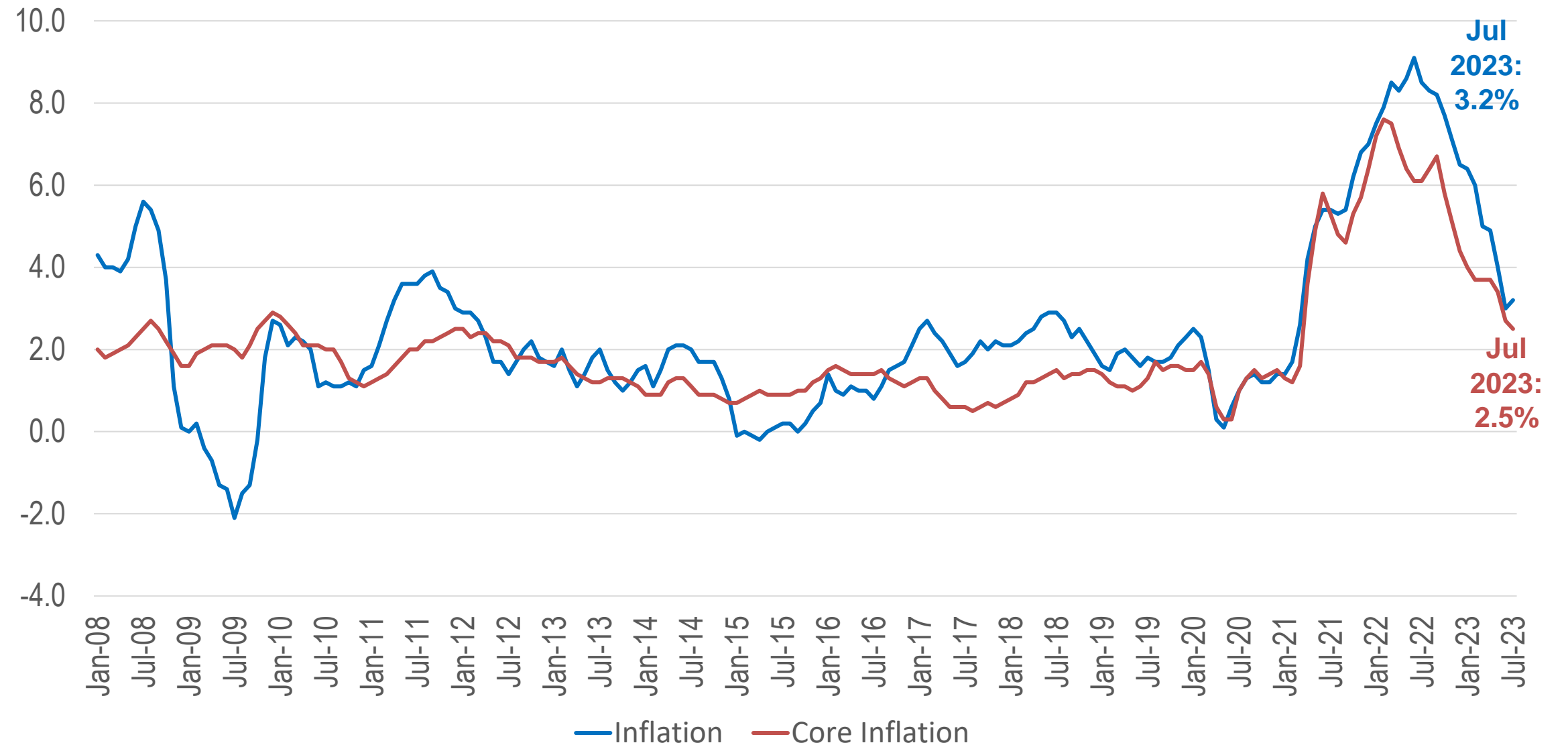
- **The Fed forecasts continued slow economic growth in 2023 and 2024 with a bounce in 2025**
- **The economy is showing more strength in terms of growth and employment relative to the March 2023 projections**



Inflation and Core Inflation

- Year-over-year inflation and core inflation show continued improvement through July
- Core inflation excludes the prices for food, shelter and energy which can be volatile
- Inflation remains elevated relative to the Fed's stated target of 2.0%

12-Month Percent Change in Consumer Price Index (CPI-U)
U.S. City Average, Jan 2008 – Jul 2023





Federal Funds Rate

- The Federal Funds Rate currently is the highest it has been in 22 years
- The Federal Reserve has said it will continue to raise rates higher depending on circumstances

Federal Funds Effective Rate
Jan 1960 – Aug 2023

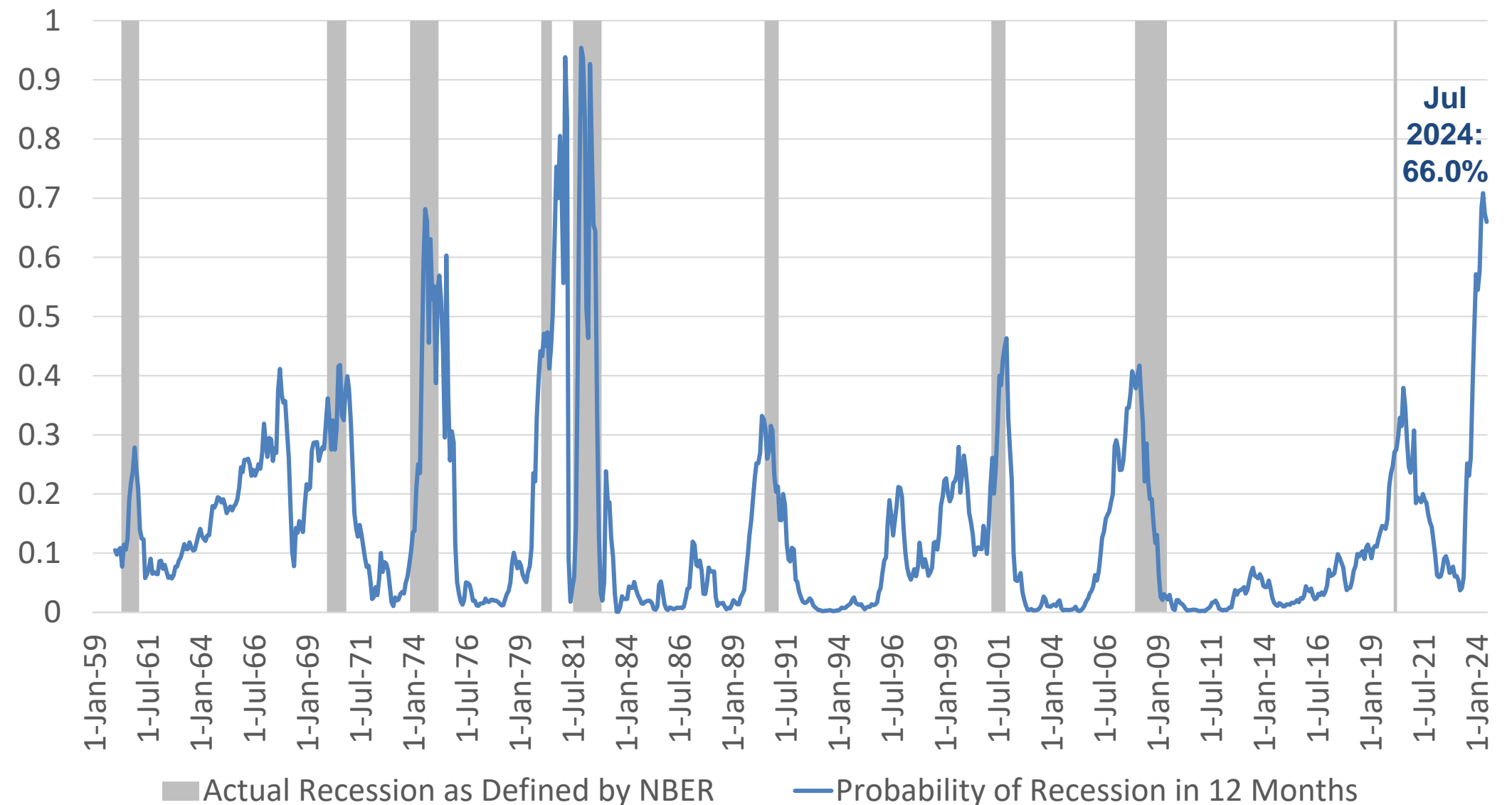




Likelihood of a Recession

- The Federal Reserve Bank of New York uses the term spread between the 10-year and 3-month Treasury rates to predict the likelihood of a future recession
- The likelihood of a recession has eased from 71 percent seen in May 2023

Probability of U.S. Recession 12 Months Ahead of Term Spread Readings

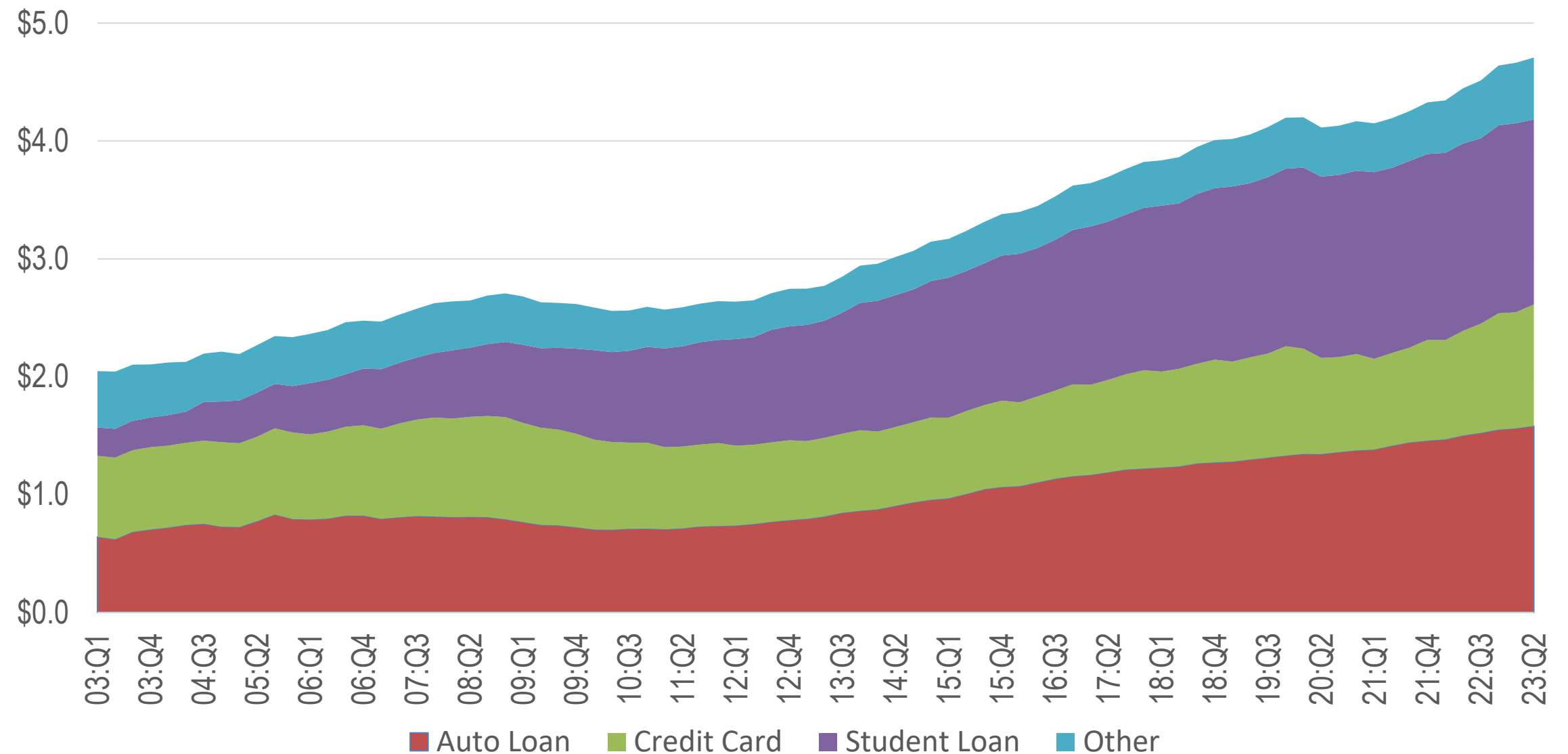




Non-Housing Debt Balance

- Credit card balances increased by \$45 billion in 2023 Q2, a 4.6% quarterly increase
- Credit card balances now stand at \$1.03 trillion
- Auto loan balances increased by \$20 billion, continuing the upward trajectory that has been in place since 2011

Total Non-Housing Debt (in Trillions)
2003 Q1 – 2023 Q2





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Economic Conditions On the Horizon:

U.S. Government Shutdown?



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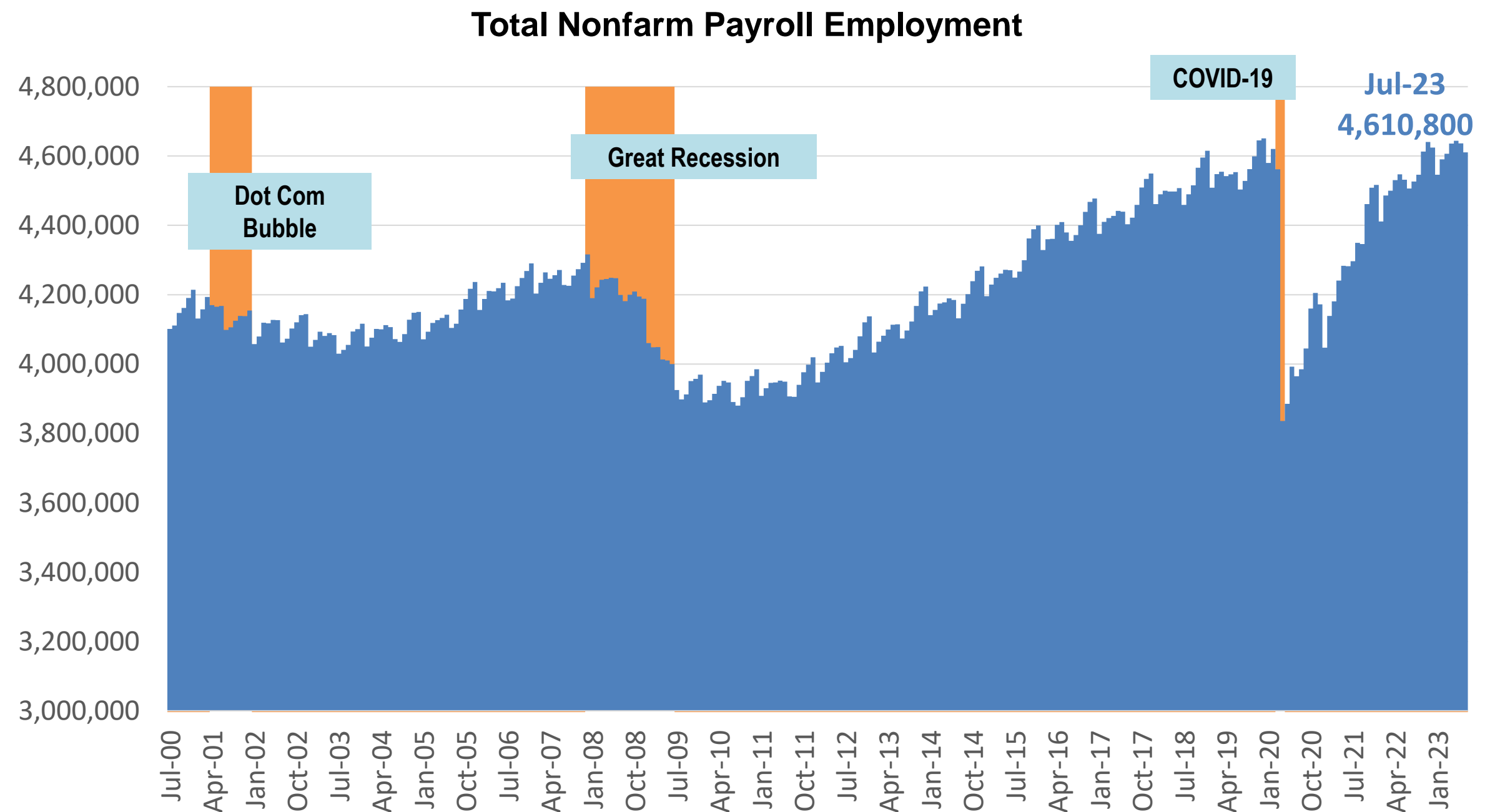
Local Area Employment Situation July 2023:

Los Angeles County



Nonfarm Employment in LA County

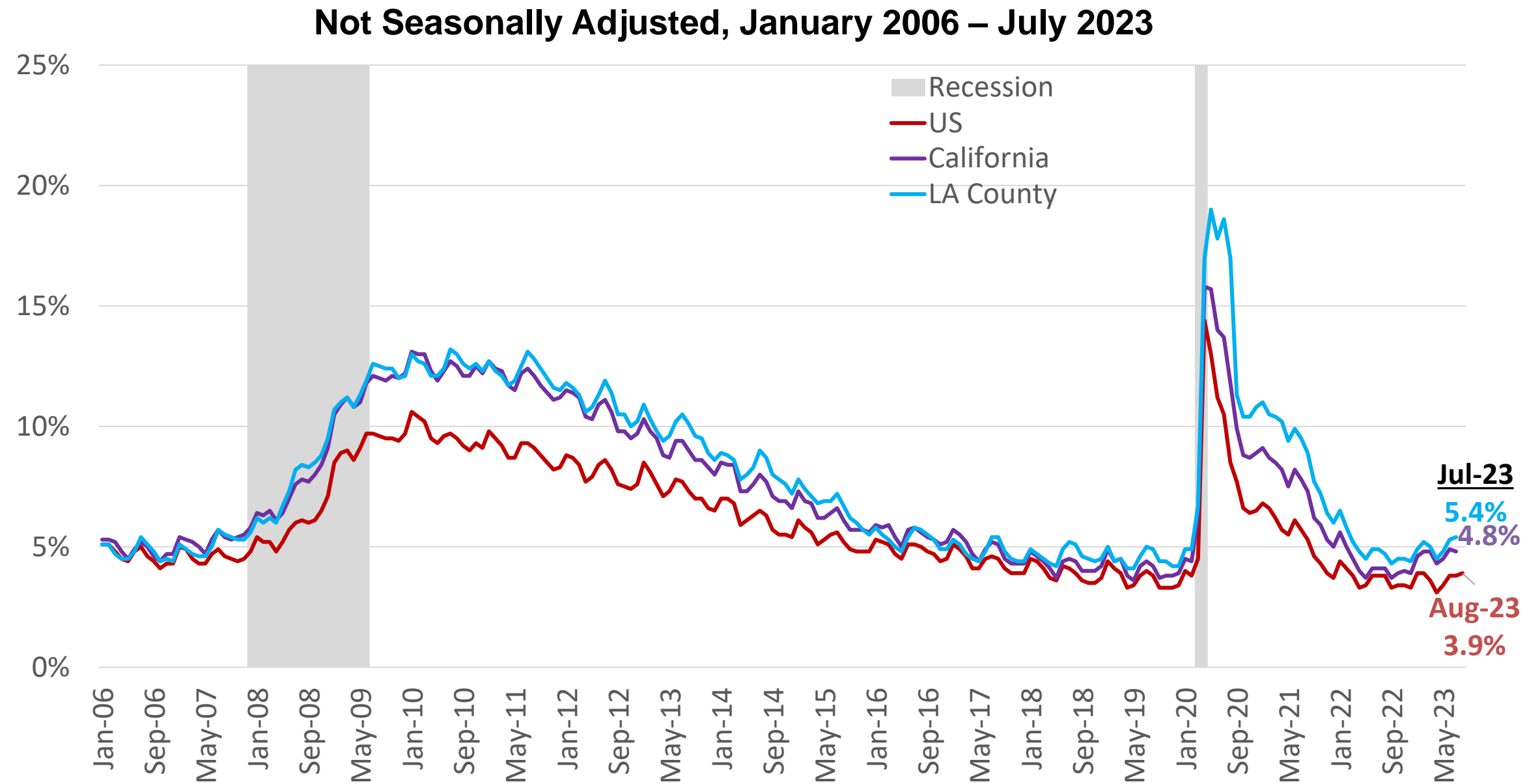
- The labor market continues to be relatively strong, with nonfarm payroll jobs hovering around 4.6 million in Los Angeles County throughout 2023.
- Despite our Hot Labor Summer, nonfarm payroll jobs are up by more than 100,000 over July of last year due to growth and stability in other industries.
- As of July 2023, Nonfarm jobs in LA County have dipped below their pre-pandemic level (Feb. 2020) by 9,300 payroll jobs.





Unemployment Rate in LA County

- Though slight, LA County has had three consecutive monthly increases in the unemployment rate since (May, June and July)
- The US unemployment rate has increased by 0.1 percentage points between July and August 2023.





LA County Employment by Industry

- **Health care and social assistance shows continued growth.**
- **The WGA and SAG-AFTRA strikes are negatively impacting jobs in the information sector.**
- **Summer break is responsible for declines in private education and government (seasonal pattern)**

Monthly Change in Jobs by Industry, July 2023 (NSA)

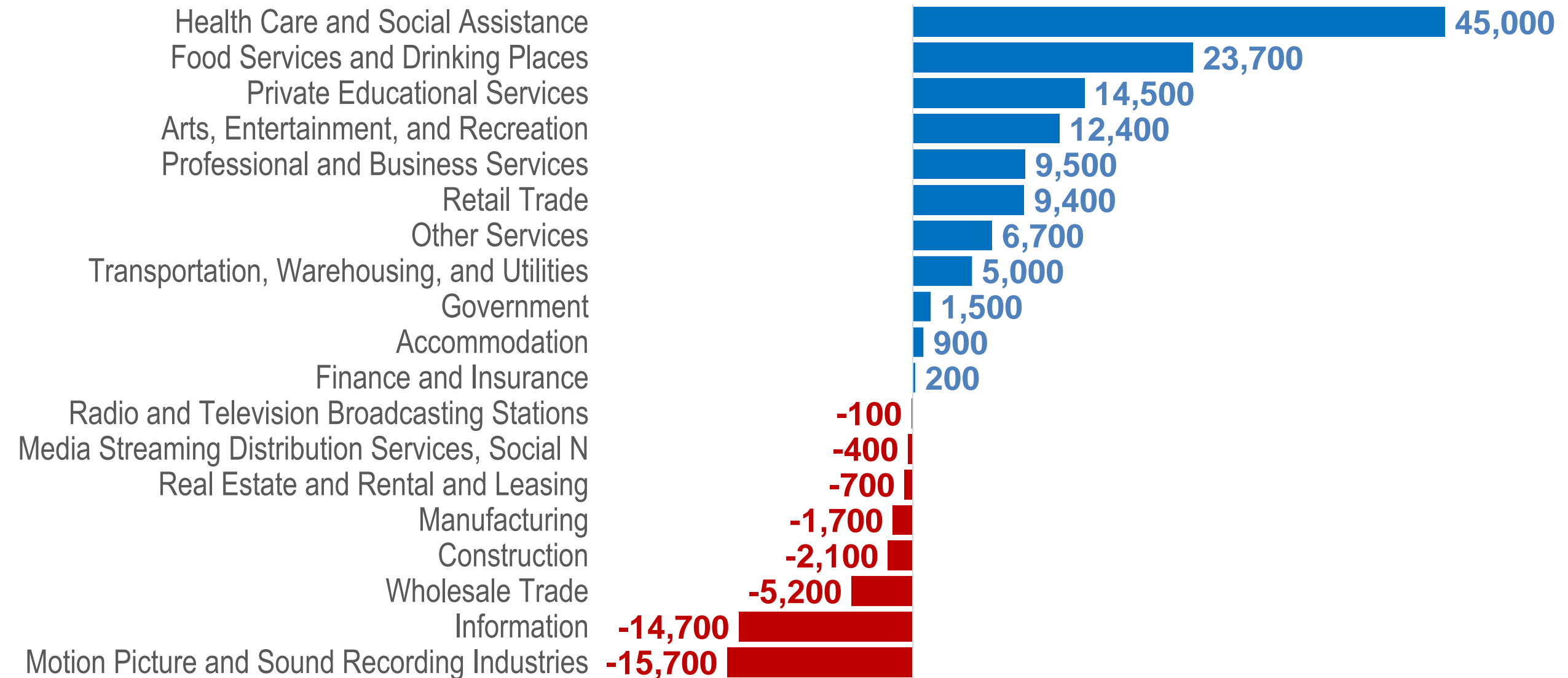




LA County Employment by Industry

Year-Over-Year Change in Jobs by Industry, July 2023 (NSA)

- Many industries have added jobs over the year led by Health Care & Social Assistance and Food Services & Drinking Places
- Information has lost a significant number of payroll jobs with the dual WGA and SAG-AFTRA strike
- Manufacturing, Construction and Wholesale Trade suggest a slowing economy

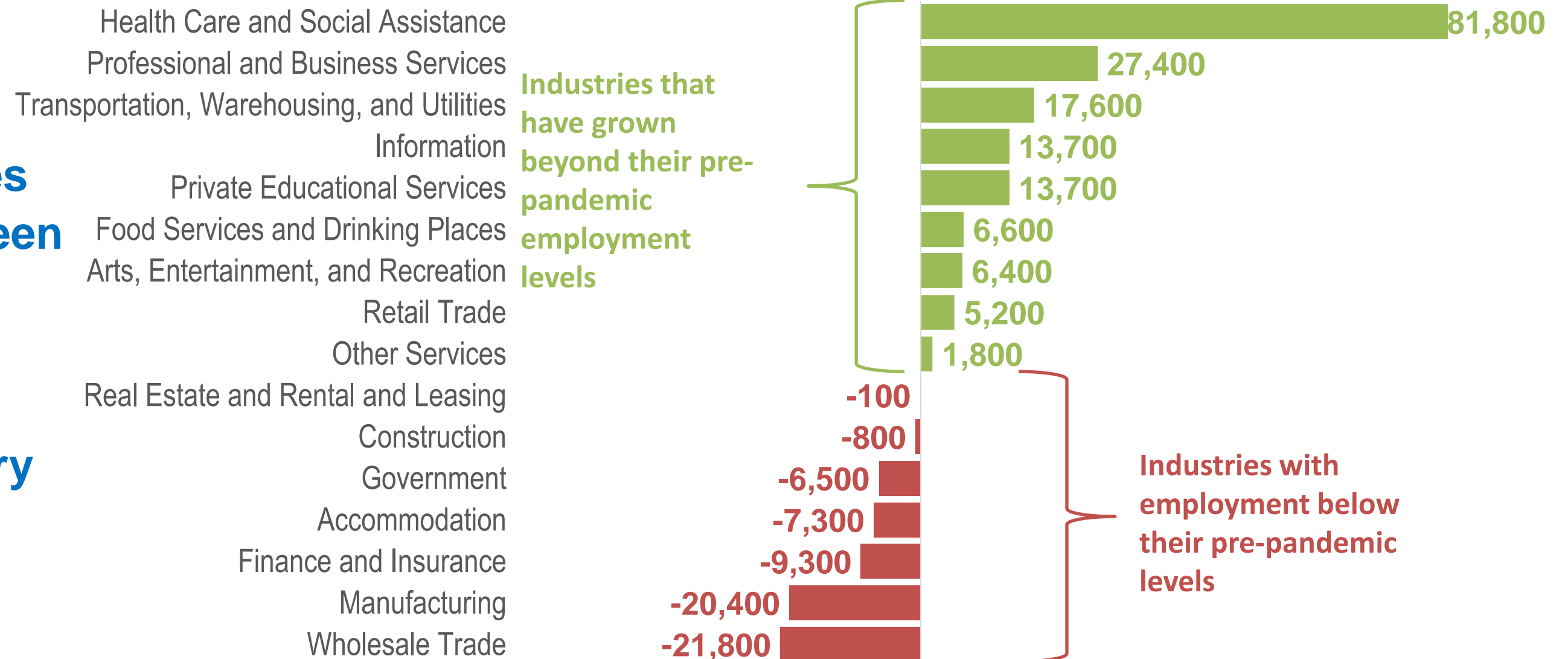




Pre-Pandemic Comparison by Industry

- **Health Care and Social Assistance has grown throughout the pandemic.**
- **Payroll jobs in Food Services and Drinking Places have been exceeding pre-pandemic levels since May 2023.**
- **The Accommodation industry (hotels, etc.) has never recovered to pre-pandemic levels (2019).**

Change in Jobs by Industry, July 2019 to July 2023 (NSA)

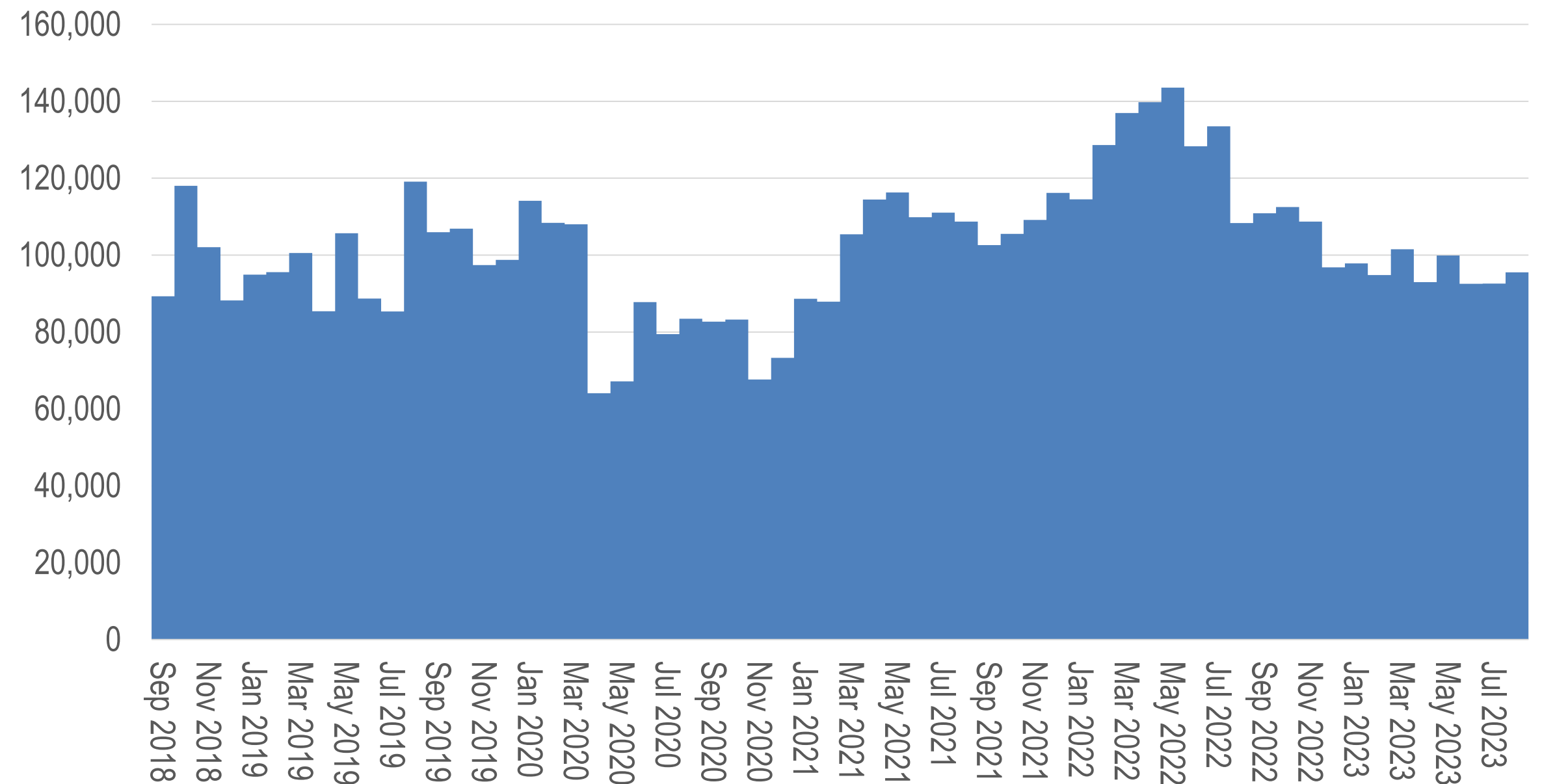




Job Postings

- **Monthly job postings in LA County have fallen below 100,000 since April 2023.**
- **Industries with the most unique job postings in July and August:**
 - ***Professional Business Services (50,556)***
 - ***Health Care and Social Assistance (32,695)***
 - ***Manufacturing (18,475)***
 - ***Retail (17,783)***

Total Unique Job Postings in LA County, Jun 2018– August 2023





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Current Influence on the Local Economy

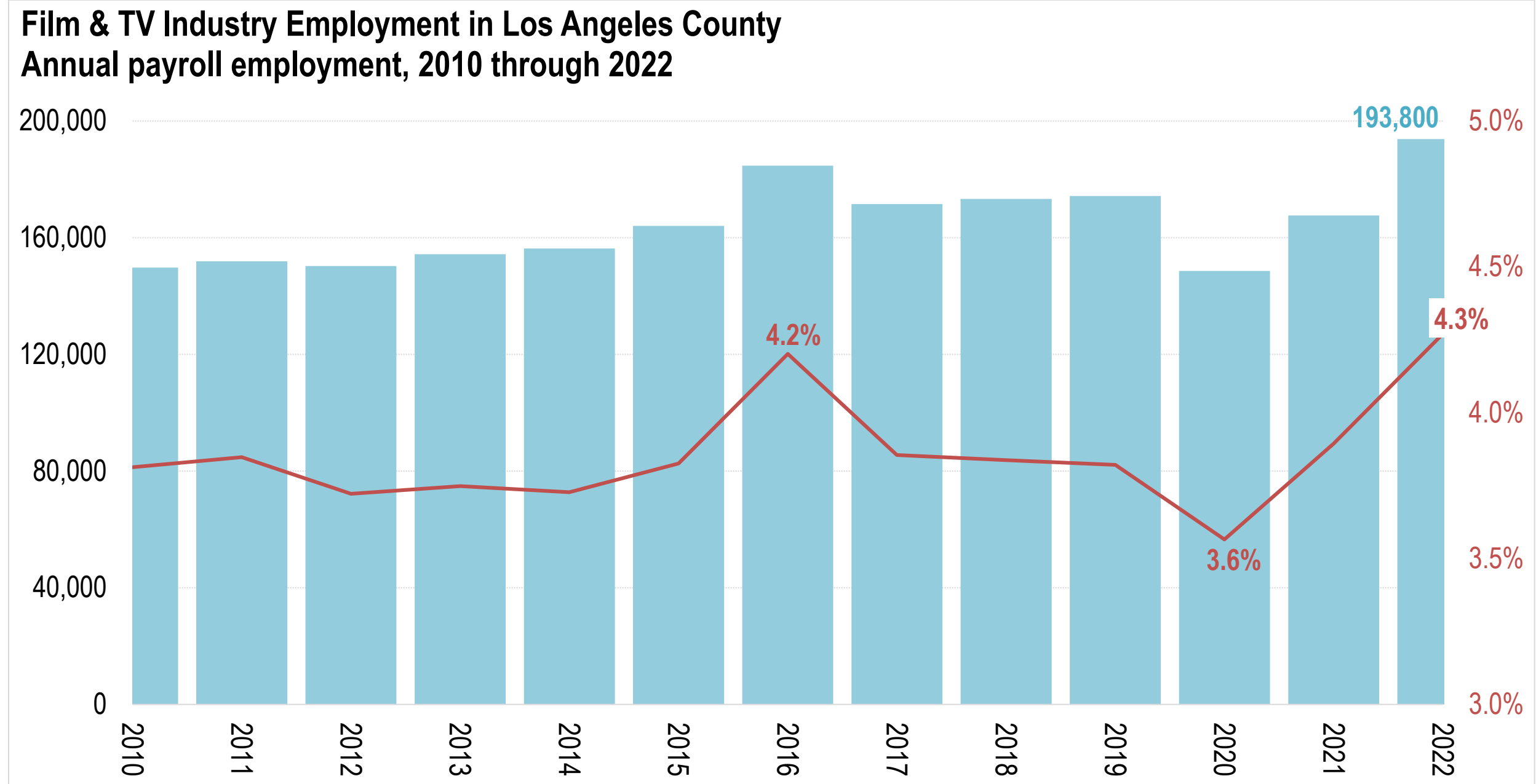
Labor Contract Negotiations:

WGA Writers Strike
SAG-AFTRA Strike



The Film & TV Industry Account for over 4% of Jobs

On average, the film and television industry accounts for **4 percent** of all nonfarm payroll employment in LA County.

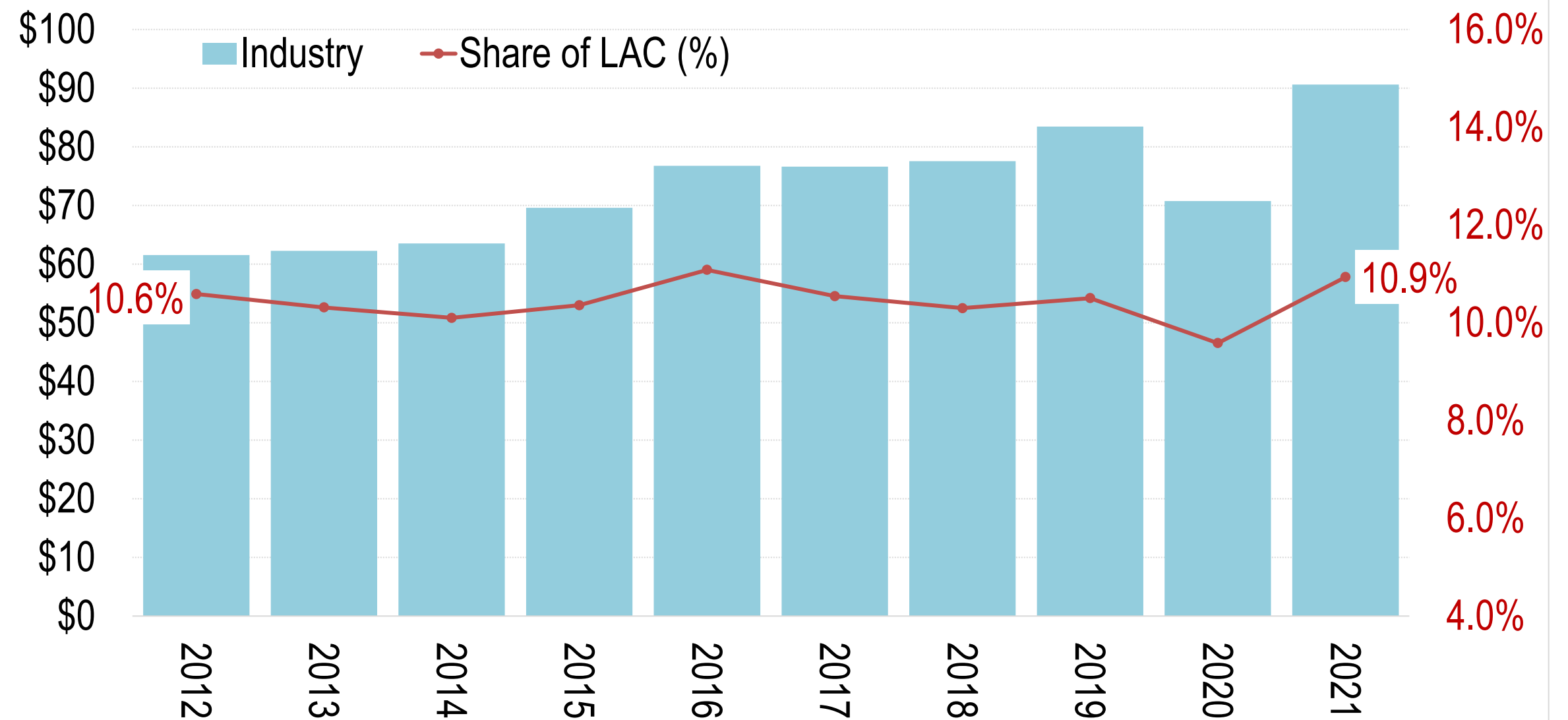




The Film & TV Industry Account for 10% of our GCP

Over the last decade, the film and television industry has directly accounted for roughly **10 percent** of LA County's GCP

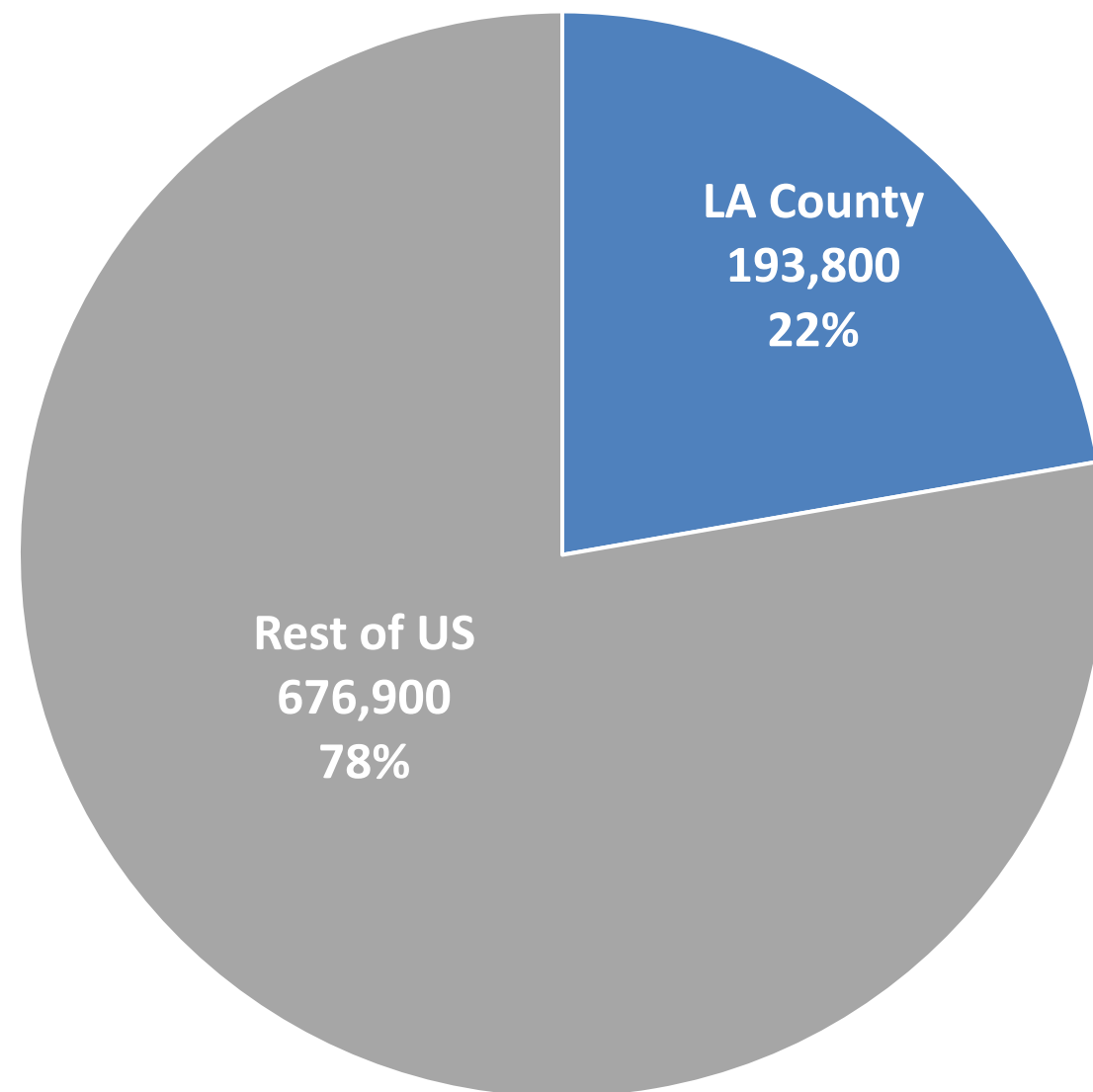
Film & TV Industry Contribution to GCP in Los Angeles County
Total Value Added, 2010 through 2021 (\$US billions)



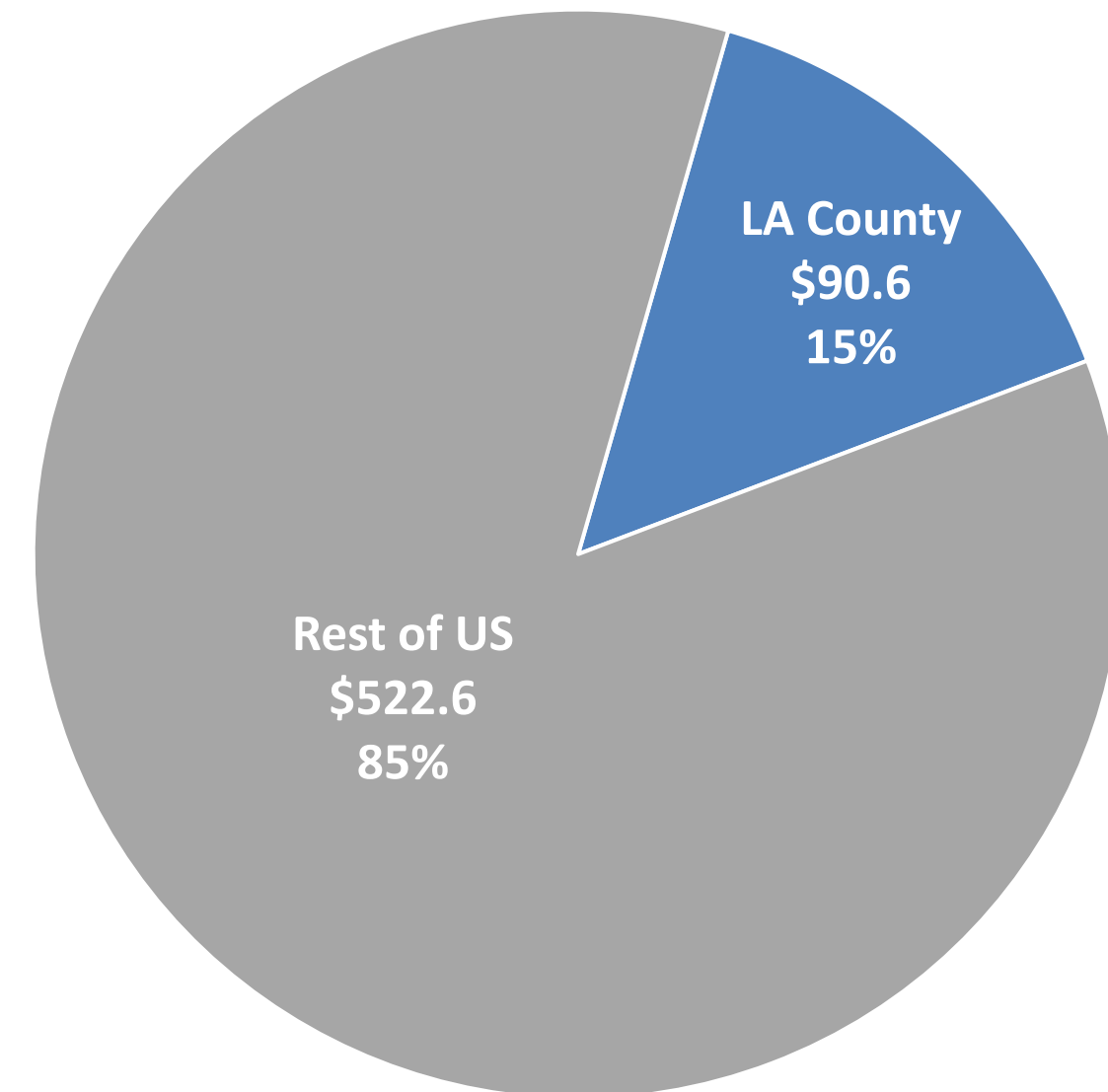


LA County Has a Large Share of National Activity

Payroll Employment in the Industry, 2022



Industry Value Added (GDP), 2021
\$US in billions





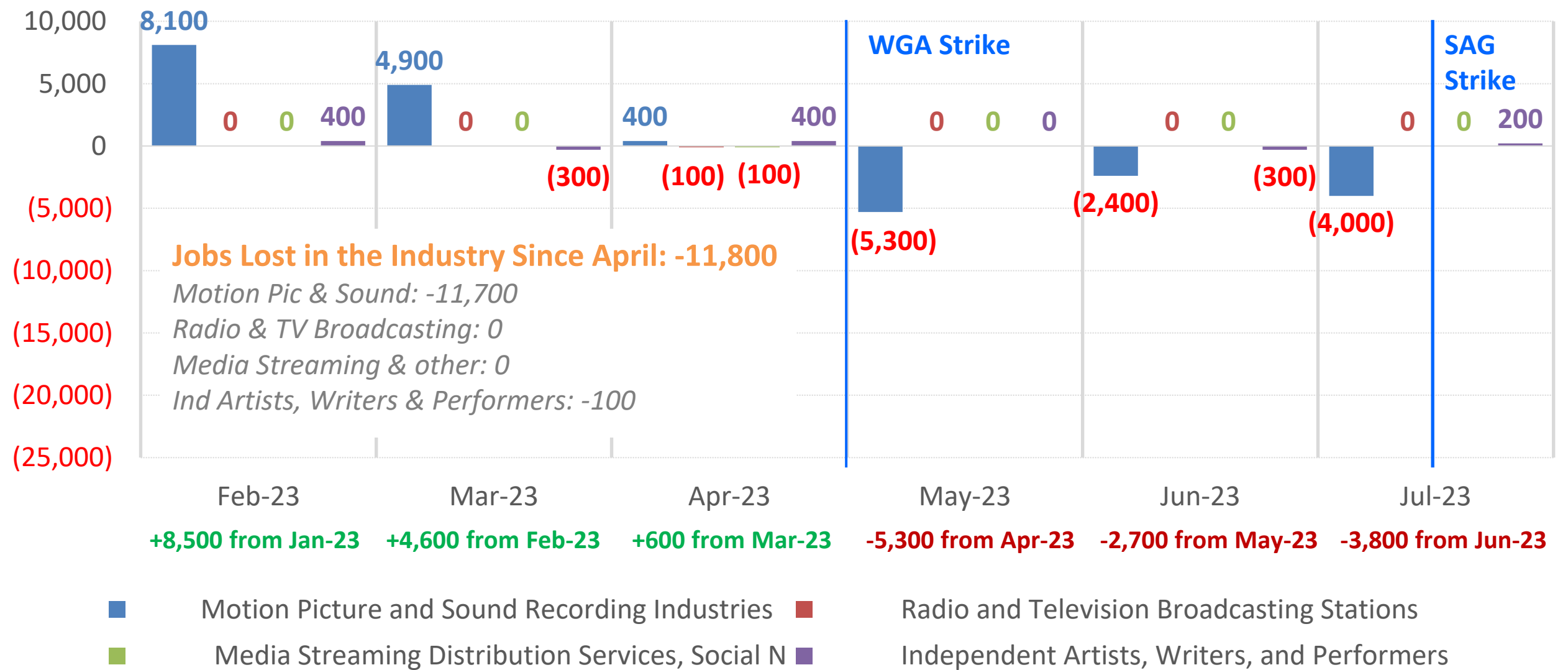
Impacts of the Strikes are Starting to Show in Data

Jobs Lost in the Industry Since April: **-11,800**

- Motion Pic & Sound: -11,700
- Radio & TV Broadcasting: 0
- Media Streaming & other: 0
- Ind Artists, Writers & Performers: -100

Nonemployer firms/independent contractors will represent additional direct losses, but data is not available.

Monthly Changes in Payroll Employment
Film and TV Industry in Los Angeles County





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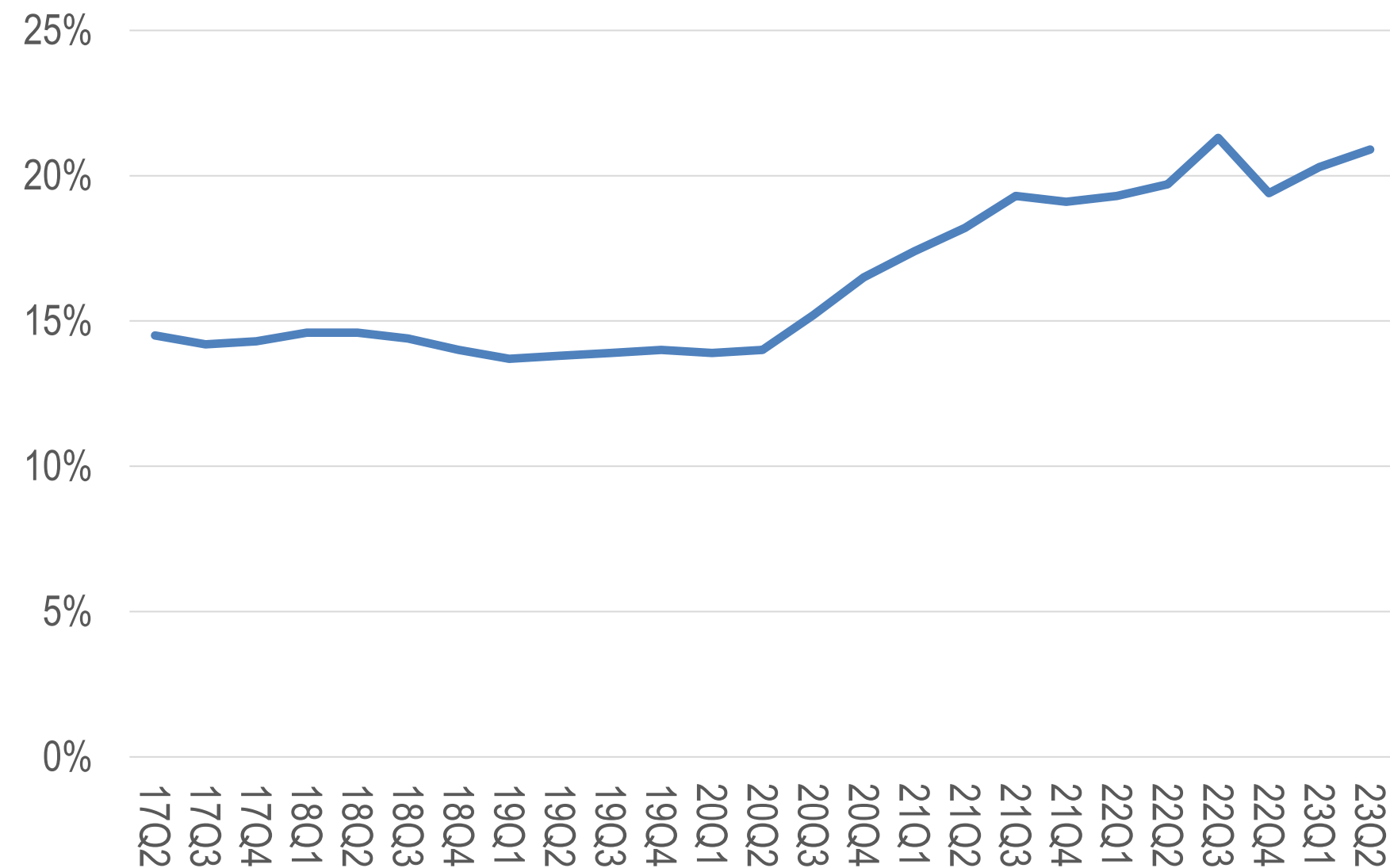
Conditions of the Office Market



Office Market Vacancy Rates in LA County

- **The office vacancy rate in Los Angeles County remained relatively stable before the COVID-19 pandemic**
- **The vacancy rate began to rise in mid-2020 due to business shutdowns and closures during the early stages of the pandemic**
- **The high vacancy rate has persisted as more businesses shifted to remote or hybrid work arrangements and downsized their office footprints**

Office Market Vacancy Rates, Q2 2017 – Q2 2023



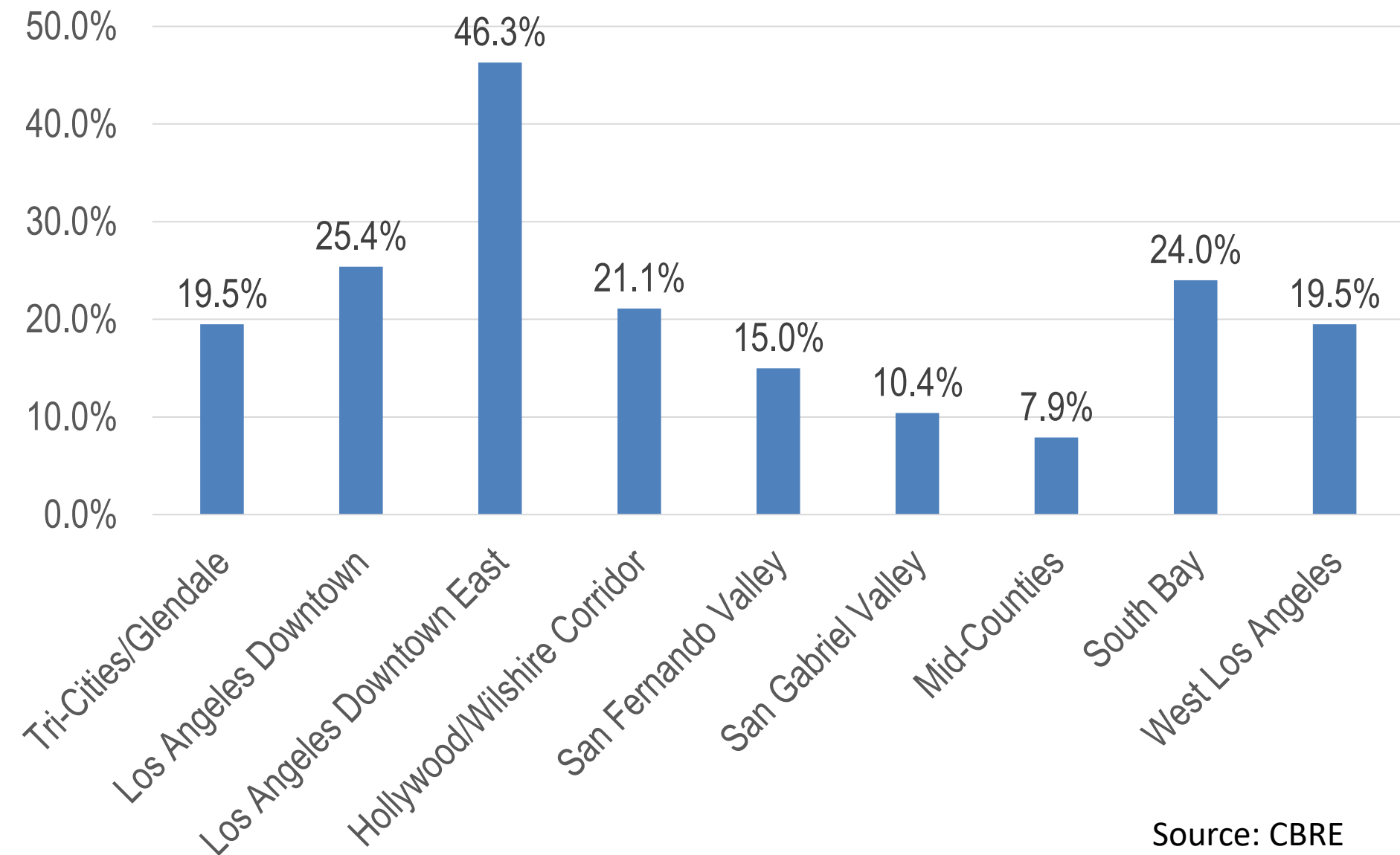
Source: RERC; CBRE



Office Vacancy Rate by Submarket in LA County

- **Distribution of vacancy rates is uneven across submarkets**
- **In Q2 2023, the highest vacancy rate occurred in East Downtown (46.3%) and lowest in Mid-Counties (7.9%)**

Office Vacancy Rate by Submarket



Source: CBRE



Asking Rents by Submarket in LA County

- The average full service gross (FSG) asking rate was **\$4.01 per square foot per month in Q2 2023**
- Landlords have maintained relatively stable asking rents by offering substantial concession packages
- West LA stood as having the highest average FSG asking rate, followed by DTLA

Asking Rate by Submarket



Source: CBRE



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Foreclosures and Sales of Office Buildings

- **Example defaults and foreclosures on office buildings:**
 - 52-story Gas Company Tower
 - 52-story 777 Tower
 - 48-story FourFortyFour South Flower
- **Major office building sales in DTLA:**
 - 40-story 701,000 sf Union Bank Plaza
 - 62-story 1.1 million sf Aon Center
 - 52-story 1.2 million sf Figueroa at Wilshire
 - Historic 464,000 sf PacMutual
 - 340,000 sf Trust Building



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Potential Promising Indicators

- **New lease agreements account for 60% of overall leasing activity in Q2 2023**
- **Construction of office spaces shown resilience**
 - 3.1 million square feet under construction (representing about 1% of total office inventory)
 - largest development projects are in Tri-Cities/Glendale and West LA
- **Adaptive reuse**
 - Address both need for housing and repurposing underutilized commercial spaces
 - Regulatory measures and financial assistance in place to support the conversions



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Questions?

Thank you!

Upcoming LAEDC Events

Future of Bioscience

October 19

Location to be announced soon!

28th Annual Eddy Awards

November 8 @ 5:30 pm - 9:00 pm

SoFi Stadium 1001 Stadium Dr, Inglewood, CA, United States

www.laedc.org/events



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