



LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION



Contact: George McQuade or
Aida Mayo (818) 340.5300

(818) 618.9229

www.mayocommunications.com

News Release

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LAEDC Forecast Report Says U.S., California and Southern California face a *measured* economic recovery, with stronger growth in 2011

Entertainment, international trade and tourism cited as regional industry leaders, with an economic boost from major infrastructure projects and a modest rebound in residential real estate

Los Angeles— A measured economic recovery is underway in the nation, the state and Southern California, according to the 2010-2011 “Economic Forecast & Industry Outlook” report released today by the Kyser Center for Economic Research at the Los Angeles County Economic Development Corporation (LAEDC).

In California, three sectors will see employment growth during 2010: information, private education and health services. Like the national experience, unemployment rates in the state will remain high with the LAEDC forecasting a 12.3 percent average rate in 2010, easing down to 11.9 percent in 2011.

“We project that the U.S. economy will grow by 2.6 percent in 2010 and by 3.1 percent in 2011, after plunging by 2.4 percent during 2009,” said Nancy D. Sidhu, Ph.D., the LAEDC’s chief economist. “However, unemployment rates in the U.S. will remain uncomfortably high, averaging 9.9 percent in 2010 and 9.4 percent in 2011.”

Sidhu observed that consumer spending holds one of the keys to the economic recovery, with inflation-adjusted gains of 1.9 percent in 2010 and 2.7 percent in 2011 forecast, after falling by 0.6 percent in 2009.

“California’s economy is also on the recovery track, but the state will still lose 121,800 jobs in 2010,” said Sidhu. “However, this will be a huge improvement from the 668,200 jobs lost in 2009.” California’s housing industry will see a modest recovery in 2010, according to Sidhu. “Permits for

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45,000 units will be issued during the year, a 24.3 percent increase over 2009. However, this is down dramatically from the 212,960 units permitted back in 2004.” One important segment of real estate will continue to decline in 2010, nonresidential construction. “Permit values will fall by 12.4 percent to \$9.5 billion,” said Sidhu. “That is down sharply from the \$22.5 billion in permits issued during 2007. There is a glut of office, retail and hotel space that will take some time to work off.”

New homebuilding in Southern California will turn up in 2010, but the number of permits issued will be well below peaks recorded earlier in the decade. For example, Los Angeles County should see 6,305 units permitted compared with the recent high of 26,935 housing units permitted in 2004. The LAEDC Forecast noted that the change in the Riverside-San Bernardino area was even more dramatic. In 2010, there will be an increase of 30.2 percent in new homes permitted in the area to a total of 8,700 units. The recent high was 52,696 units permitted in 2004.

“Both the housing and auto industries have been hammered,” continued Sidhu. The housing crash is nearly ended, and an increase in new construction is forecast by the LAEDC. “Most of the strength will be in single family building, as the multi-family sector will continue to be pressured by high apartment vacancies, a sizable inventory of unsold condominiums, and a continued lack of developer financing,” said Sidhu. “For the auto industry, about 11.3 million light vehicles will be sold in the U.S. during 2010, up from the 10.3 million sold in 2009, but still well below the 16.1 million units sold in 2007.”

“Southern California’s five metropolitan areas will also be in recovery mode during 2010,” said Jack Kyser, Founding Economist of the Kyser Center for Economic Research. “Like the nation and state, it will be a measured recovery, with more job losses and high unemployment rates in 2010.” From smallest loss to largest, Los Angeles County will see non-farm employment slip by 0.5 percent or by 19,200 jobs; Orange County should see a 0.6 percent decline or 9,200 jobs; Ventura County should also record a 0.6 percent drop in nonfarm employment or 1,700 jobs, while San Diego County should experience a 0.7 percent decline or 9,200 jobs. The Riverside-San Bernardino area will lag the other areas, with nonfarm employment falling by 1.1 percent in 2010 or by 13,000 jobs, according to the LAEDC Forecast report.

“Nonresidential real estate activity will remain in the doldrums during 2010,” said Kyser. “Office vacancy rates are at lofty levels around Southern California, with the Riverside-San Bernardino

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area highest at 23.6 percent at year-end 2009, and Los Angeles County low at 16.0 percent.”

The situation in the industrial market is mixed, with the vacancy rate in the Riverside-San Bernardino area high at 12.5 percent at year-end 2009, while Los Angeles County is the lowest in the U.S. at a 3.3 percent vacancy.

“After some rough years job-wise, the motion picture/TV production industry is benefiting from the state’s incentive program, a pick-up in commercial production, and a burst of pilot orders from both the broadcast TV networks as well as cable channels,” said Kyser. The number of overnight visitors to Southern California will increase in 2010, but the hotel industry will continue to struggle financially.

“Some other key Southern California industries will see improving trends in 2010,” said Kyser. “The list includes international trade and tourism. Support will also come from work on some large infrastructure projects, including airports—expansions at LAX, John Wayne Orange County and San Diego—the 405 Freeway improvement from the Valley to the Westside, the Orange Line Busway extension, the Exposition Blvd. light rail, and another extension of the Gold Line.”

The LAEDC Forecast also reports that international trade will see improvements in both imports and exports, spurred by trade with the growing Asian economies.

About the LAEDC

The LAEDC, the region’s premier business leadership organization, is a private, non-profit organization established in 1981 under section 501(c) (3). Its mission is to attract, retain, and grow business and jobs for the regions of Los Angeles County. Since 1996, the LAEDC has helped retain or attract more than 156,000 jobs, providing \$7.5 billion in direct economic impact from salaries and \$128 million in annual tax revenue benefit to local governments and education in Los Angeles County. Visit www.laedc.org or call (888) 4-LAEDC-1.

[Editors: Contact Nhien Barros at nhien.barros@laedc.org for link to the report. For media interviews and images, please call Aida Mayo or George McQuade at 818-340-5300 or 818-618-9229 or Publicity@MayoCommunications.com.]

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