



## **Los Angeles Regional Outlook Spring 2019**

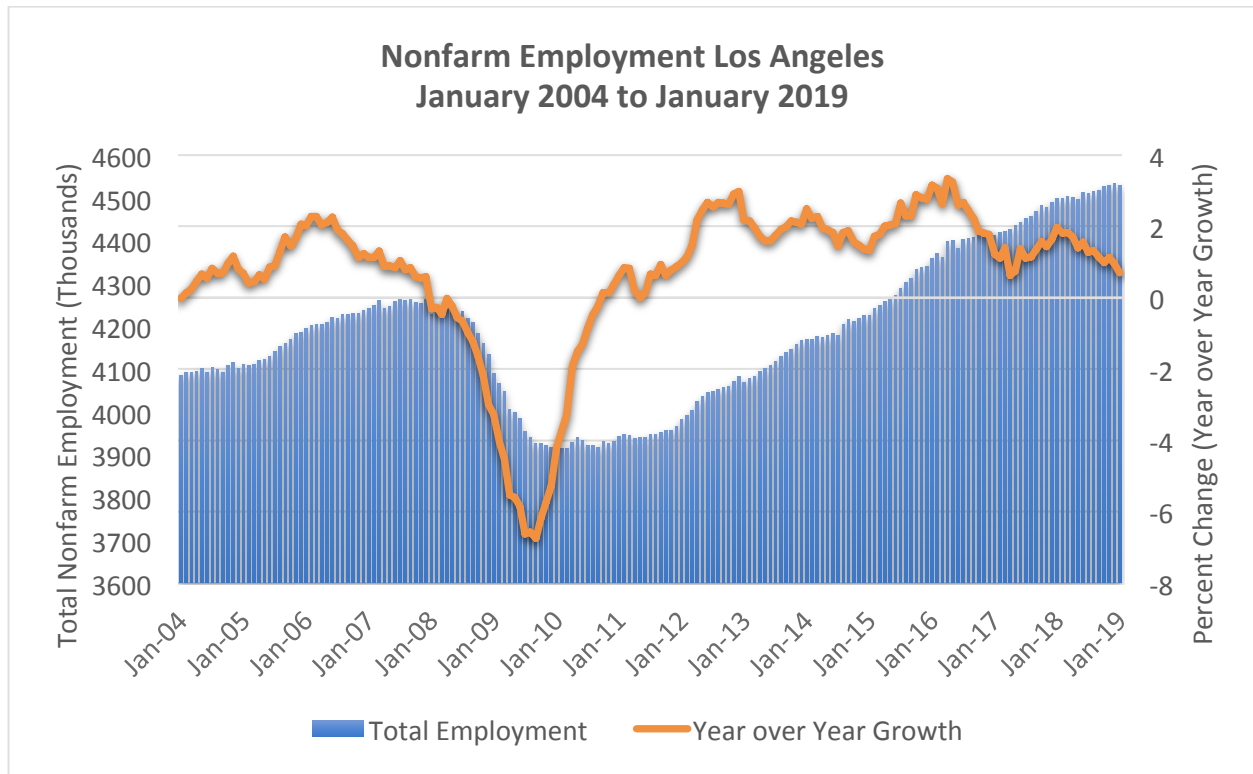
Labor force growth in Los Angeles County slowed in 2018, placing an upper bound on overall job growth in the region. The slowdown can undoubtedly be tied to the high and rising cost of living relative to neighboring areas such as the Inland Empire. Additionally, the unemployment rate has begun to trend upwards, although the local Logistics sector is still managing to post impressive growth, while Health Care has passed landmark employment.

### **LA Employment Growth Slowing**

From January 2018 to January 2019, total nonfarm employment in Los Angeles County grew 0.7% to reach 4.5 million jobs. This represents a slowdown of 1.3 percentage points compared to the same period one year earlier. At the same time, the County's unemployment rate increased 0.2 percentage points to 4.7% in response to recent marginal increases in the labor force, although for the year as a whole, labor force growth slowed to a pace of 0.8%. Comparatively, California's unemployment rate decreased 0.2 percentage points, falling to 4.2% over the year. Although the 31,000 payroll jobs added in LA County year-over-year were greater in absolute terms, that growth was outpaced in percentage terms by neighboring Orange County (1.0% or 16,200 jobs) and by the Inland Empire (1.7% or 25,700 jobs), the fastest growing metropolitan area in Southern California.

Among industries, the Logistics sector in Los Angeles County experienced the largest expansion in terms of percentage growth at 3.9% or 7,300 jobs, while the Health Care sector expanded the most in absolute terms, adding 18,000 jobs. Health Care is Los Angeles County's largest job sector, employing over 700,000 workers as of January 2019 and expanding year-over-year by more than 2.5%. Most of the region's remaining industries saw job gains as well. Non-Durable Goods Manufacturing, Arts and Entertainment, and Natural Resources/Mining, however, experienced year-over-year losses in their employment bases. Natural Resources/Mining suffered the largest contraction at 4.7%, while Arts and Entertainment contracted by 4.3% or 4,000 jobs and Non-Durable Goods Manufacturing contracted by 3.3% or 4,720 jobs.

The Retail Trade and Information sectors saw the largest year-over-year losses in absolute terms, losing 6,600 and 5,800 payroll positions, respectively. In all, the job losses over the year amounted to less than 0.5% of all jobs in the County.



Looking ahead, Beacon Economics is forecasting Los Angeles County’s unemployment rate to remain in a narrow range around its current reading through 2019 and expects total nonfarm employment to expand by 0.9% over the year.

### Housing Prices Continue Their Climb

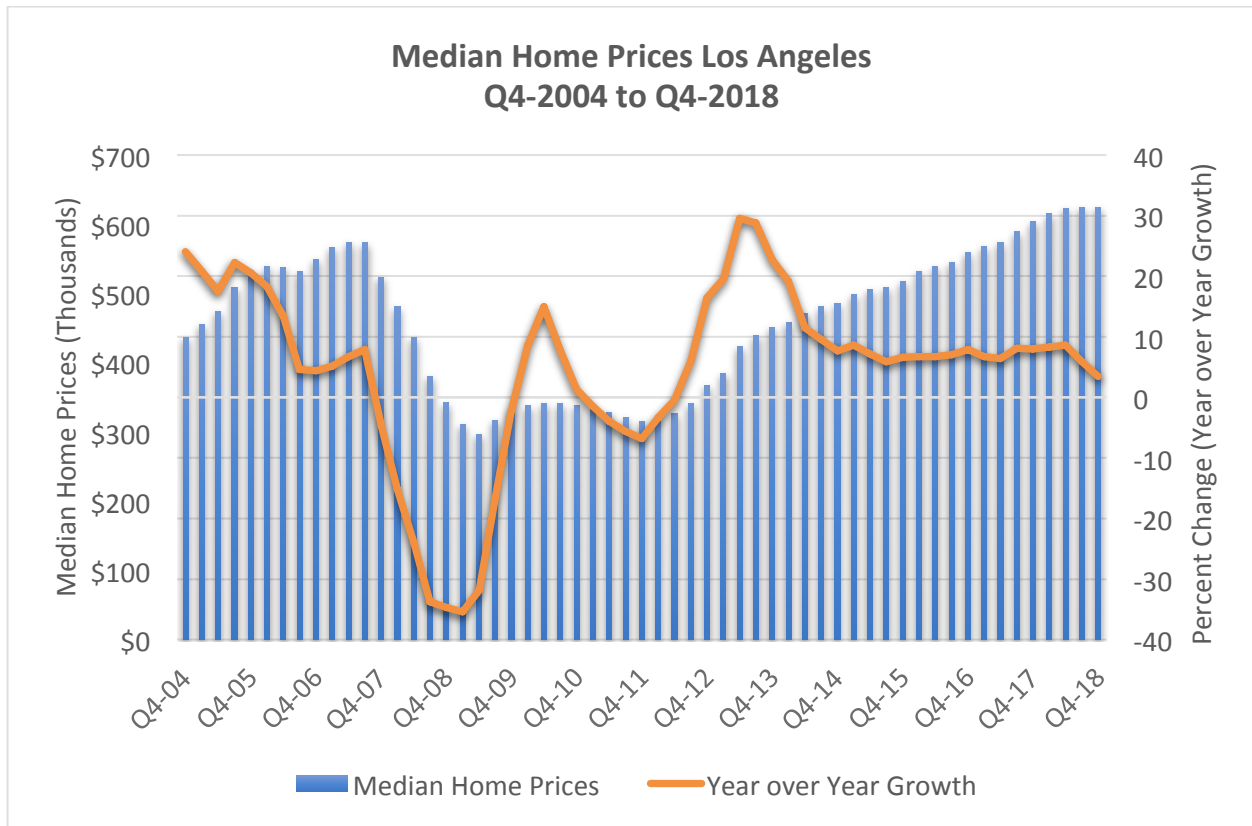
The median price of an existing single-family home in Los Angeles County increased to \$624,600 from \$624,100 from the third to the fourth quarter of 2018. By contrast, median home prices in some neighboring Southern California regions actually decreased over this period due in part to the typical seasonal slowdown, something that was exacerbated by interest rates peaking in November. On a year-over-year basis, from the fourth quarter of 2017 to the fourth quarter of 2018, existing single-family home prices in Los Angeles County increased 3.5%, outpacing price growth San Diego County (2.3%) and Orange County (0.7%), but trailing growth in the Inland Empire (4.5%).

Home *sales* of existing single-family residences declined by 12.3% over the year in Los Angeles County, a smaller decrease than in Orange County (-15.8%), but larger than in the Inland Empire (-11.6%). Since existing home sales are tracked by closed contracts, they reflect market and mortgage rate conditions one to two months earlier than when sales open escrow. The 30-year

mortgage rate peaked in November 2018 and likely caused the decline in January 2019 sales (the most recent available sales' numbers). However, mortgage rates have since decreased, so home sales are expected to stabilize or improve in the next few months as the market ramps up during peak season.

Beacon Economics expects Los Angeles's median existing single-family home price to increase in 2019, but at a slower pace than over the last few years.

From the fourth quarter of 2017 to the fourth quarter of 2018, average apartment rent in Los Angeles County edged up 6.2% to reach \$2,004/month, a growth rate that outpaces every major metropolitan area in California, including San Diego County (5.4% to \$1,822), the Inland Empire (4.4% to \$1,365), and Orange County (3.5% to \$1,948). Currently, a household would have to earn greater than or equal to \$80,160 in annual, pre-tax income to not be rent burdened, on average<sup>1</sup>.



<sup>1</sup> Rent Burden is defined as spending 30% or more of monthly, pre-tax income on rent.