
News Release



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EMBARGOED STUDY RESULTS UNTIL

WEDNESDAY, February 21, 2007 12:01 A.M. (PST)

No Oscar For The Gloomy Motion Picture Industry Due to Labor Issues and Runaway Production and International Trade Has Some Risk, Says New LAEDC Forecast & Industry Outlook—Job Growth and Commercial Real Estate Are Hot

Los Angeles County Economic Development Corporation (LAEDC) presents its 2007-2008 Economic Forecast for the Southland with an industry panel focusing on such hot button issues as housing, entertainment, financial markets and what industries will be growing

February 19, 2007. Los Angeles—Several key industries such as motion picture/TV production and international trade may be at risk, according to the *2007-08 Economic Forecast and Industry Outlook* report released today (Wed., Feb. 21, 2007), by the Los Angeles County Economic Development Corporation. The Economic Forecast event and panel discussion is being held at the Marriott Downtown Los Angeles.

“The 2007-2008 outlook for the Southern California economy is somewhat ‘Goldilock-ish,’ as six of the region’s basic industries have good growth prospects. However, there will still be a drag from the housing market, while two of the region’s signature industries could encounter some rough going,” said Jack Kyser, Chief Economist for the Los Angeles County Economic Development Corporation, at the organization’s Economic Forecast conference.

By the end of 2007, the overall housing industry will have stabilized, but some areas in Southern California will take a little longer to heal. “And don’t expect a return to the go-go price increase days,” cautioned Kyser. The LAEDC Forecast noted that employment in construction and real estate related industries would decline in 2007.

As to the industries at risk, the most notable is the motion picture/TV production industry, which has to face contraction negotiations with three key labor unions, the Writer’s Guild in October, 2007, and the Screen Actor’s Guild and the Director’s Guild in June 2008. “There are a variety of scenarios being spun out as to what might take place,” observed Kyser. “The risk of a strike, real or de facto, is high, and this would not be good news for areas of Los Angeles County with exposure to the business.” In the meantime, the LAEDC Forecast pointed out that the movie industry continues to face on-going challenges from run-way production and uncertainty caused by shifts in the way content is delivered.

The other key local industry at some risk is international trade. The problems here will be the introduction of the Transportation Worker Identification Credential or TWIC. Workers will have to obtain this credential to go unaccompanied into steamship terminals at the ports, and there is concern that many of the port truck drivers won’t be able to get one due to their immigration status.

“In addition, the land-side trade transportation infrastructure, especially rail, is severely stressed, and we have to keep our fingers crossed that there will be no glitches this year,” noted Kyser.

Another item to watch according to the LAEDC is the local office market. Vacancy rates have been coming down, while there has been a modest amount of new construction. In the meantime, several high profile building portfolios have been sold and the new owners are talking about raising lease rates. “There is also nervousness among industrial space users that they could see lease rates going up due to the region’s ultra-tight industrial real estate market,” warned Kyser.

LAEDC 2007-08 Economic Forecast

The LAEDC Forecast and event, which is being moderated by veteran reporter Frank Mottek, host of the KNX Business Hour, pointed out that there is an array of big-ticket projects underway all around Southern California, which will support construction. These include “LA Live” and the Grand Avenue project, both in Downtown Los Angeles. In Ontario, a sports arena and mixed use development called *Piemonte* is underway, while a 1,000 room hotel is under construction in downtown San Diego.

Some of the highlights of the LAEDC’s 2007-2008 Forecast:

- Employment in Los Angeles County’s motion picture production industry could rise by 4,500 jobs in 2007 and then drop by 2,000 jobs in 2008, reflecting possible labor disruptions.
- International trade in the region will move to new high levels of activity, with container volume at the ports of Long Beach and Los Angeles up by 10.5% to 17.4 million TEUs, while two-way trade value at the Los Angeles Customs District should increase by 13.9% to \$373.8 billion.
- The number of overnight visitors to Los Angeles County should increase by 0.4% to 25.3 million persons, while Orange County should also see a 0.4% gain to 45.3 million people. Highlights for this industry include the opening of the Nokia Theater in Downtown Los Angeles by year-end 2007, while Anaheim will host “Pow Wow,” a major tourism industry travel show, in April.
- The LAEDC observed shifts in the local apparel industry with very modest jobs losses forecast for 2007. A focus on product quality and/or “quick-turn” production will help, as will the growing number of international buyers coming to Southern California.
- Housing unit permits issued during 2007 in the region will decline, with the Riverside-San Bernardino area seeing a modest 6.4% drop. However, declines of 29.4% in San Diego County, 26.6% in Orange County, and 23.3% in Los Angeles County are being forecast.
- In terms of job growth in 2007, on a percentage basis the Riverside-San Bernardino area will once again set the pace with a 1.7% increase followed by Los Angeles County at 1.1%, San Diego County at 0.9%, Orange County up by 0.7% and Ventura County up by 0.5%. The latter two areas will be feeling the impact of the housing industry slowdown.
- On a numerical basis, Los Angeles County will create the largest number of new jobs during 2007 with a gain of 43,700 workers. Next will be the Riverside-San Bernardino area, up by 21,500 workers, San Diego County up by 11,800 workers, Orange County with 10,200 new employees, and Ventura County up by 1,600 jobs.

“Southern California has an array of basic industries that are positioned for future growth. However, business and government leaders have to be more strategic in their thinking,” added Kyser.

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). Our mission is to attract, retain, and grow business and jobs in Los Angeles County. Since 1996, the LAEDC has helped retain or create more than 128,834 jobs, providing \$5.3 billion in direct economic impact from salaries and \$91.3 million in annual tax revenue benefit to Los Angeles County. For more information, please visit www.laedc.org.

[Editors: Please call for an advanced copy of the embargoed study or link and to do advanced interviews with LAEDC Chief Economist Jack Kyser, and LAEDC President Bill Allen. Spanish speakers available, too. The study results will be posted at 12:01 A.M., Wed, Feb. 21, 2007, @ www.MayoCommunications.com and <http://www.laedc.org/reports/Forecast-2007-02.pdf>. For interviews call, George McQuade @ 818-340-5300 or 818-618-9229]

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