

News Release

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IMMEDIATE RELEASE

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LAEDC Study Shows Drop in SoCal Business Expansion Due to an Unstable Economy – Foreign Investments are Up

*Business expansion declines in Southern California,
but foreign firms continue to invest at a moderate pace*

LOS ANGELES – A new report from the Los Angeles County Economic Development Corporation (LAEDC) states that the number of major business expansions in Southern California during 2007 declined by 17.5 percent to 203 projects. This result was not unexpected given the economic uncertainties that developed over the course of 2007. In addition, conditions in the region's industrial and office markets also had an impact.

The LAEDC defines a "major business expansion" as a new lease (or expansion) of at least \$1 million in value or of 20,000 square feet of space or more. A useful rule of thumb is that for every major expansion there are at least three smaller ones not tracked in the LAEDC's survey. The survey is a useful indicator of who is doing what and where.

"The region's ultra-tight industrial real estate markets have had an impact on expansion trends," said LAEDC Chief Economist Jack Kyser. "Many people are unaware that 'industrial' space is used not just by manufacturing, but logistics and warehousing, printing and publishing, and even the motion picture production industry."

By county in Southern California, Los Angeles County recorded a 22.5 percent decline to 100 major expansions in 2007. Orange County saw a more modest 10.1 percent decline to 62 major expansions in 2007. The Riverside-San Bernardino area experienced a 30.8 percent decline to 27 major projects. However, Ventura County bucked the trend with a 55.6 percent increase in the number of major expansion projects to 14.

By industry sector in Southern California, "professional services" (which includes accounting, law, architecture and engineering, and personnel services) posted the largest number of major expansions in 2007 with 50. Finance and insurance came in second with 20 major expansions. Logistics and warehousing saw 13 major expansions in 2007.

Foreign firms continued to expand in Southern California, albeit at a more moderate pace in 2007. There were nine major foreign projects during the year, down from 21 in 2006. The foreign direct investment in 2007 came from Japan (3 projects), China, France, the Netherlands, South Korea, Sweden and Switzerland, each with one apiece.

Business Expansion Report 2-2-2

At year-end 2007, the industrial vacancy rate in Los Angeles County was just 1.5 percent, which made it the tightest market in the nation. Ventura County's industrial vacancy rate was 3.6 percent; Orange County had a 4.0 percent rate, while the Riverside-San Bernardino area had a 4.8 percent industrial vacancy rate at year-end 2007. To put this into perspective, a 4-5 percent vacancy rate is considered to represent a "balanced" industrial market.

Large blocks of land for industrial development are very hard to find in both Los Angeles and Orange counties, and even in the western end of the Riverside-San Bernardino area. A new caveat about development in the latter area is water supply. Some major projects are being delayed until local water agencies can guarantee a supply.

The expansion outlook for Southern California in 2008 is guarded due to economic uncertainty as well as the difficult lending environment.

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 135,000 jobs, providing \$5.6 billion in direct economic impact from salaries and \$95 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.

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