

# The Downtown Los Angeles Renaissance

## Economic Impacts and Trends



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## Executive Summary

In this report, Beacon Economics provides the Central City Association of Los Angeles (CCALA) and the Downtown Center Business Improvement District (DCBID) of Los Angeles with research that outlines economic trends and highlights different performance aspects of the Downtown Los Angeles region. In addition to this trend/performance analysis, Beacon Economics provides an analysis of the impact of the Downtown Renaissance on a variety of economic, fiscal, and social indicators.

### Economic Trends in Downtown

- From 2006 to 2013, total nonfarm employment in Downtown Los Angeles grew by 16.4%, outpacing the 15.9% city-wide growth over the period. More recently, total nonfarm employment in Downtown Los Angeles grew by 0.3% from 2012 to 2013, while the average annual wage increased by 1.3% to \$77,200.
- Total gross receipts in Downtown Los Angeles increased 2.2% to \$28.9 billion in 2013, and have grown by more than 25% since 2006.
- The demand for apartments in downtown Los Angeles has grown considerably since 2000, with the number occupied apartment units in Downtown Los Angeles more than tripling from 2000 to 2013.
- The office vacancy rate in Downtown Los Angeles improved from 16.3% in the third quarter of 2013 to 14.2% in the third quarter of 2014, just below the 14.9% vacancy rate at office properties in Los Angeles County.
- The value of all construction permits filed in the 2013-14 fiscal year in Downtown Los Angeles was 56.2% greater than the value accumulated in the previous fiscal year, topping \$472 million and outpacing the 28.2% growth in the city overall. Construction permits in Downtown Los Angeles accounted for 15.4% of all citywide permits.

### Economic Impacts of Downtown

- In 2013, Downtown Los Angeles accounted for 12.0% of jobs in the City of Los Angeles and 7.5% of business establishments in the City, which is similar to the Downtown share of citywide jobs and establishments in 2006.
- In fiscal year 2014-15, Downtown Los Angeles accounted for 5.3% of the net total assessed value in the City of Los Angeles, a 0.7 percentage point increase from fiscal year 2005-06. Over this period, net total assessed value increased by 71.9% in Downtown Los Angeles compared to just 48.1% in the City of Los Angeles overall.
- In 2013, total gross receipts in Downtown Los Angeles account for just over 6.2% of gross receipts in the City of Los Angeles overall, while the Retail Trade sector in Downtown Los Angeles account for 6.9% of the Retail Trade sector's gross receipts citywide.
- In fiscal year 2013-14, construction permits in Downtown Los Angeles accounted for 15.4% of citywide permits and the value of all construction permits filed in Downtown Los Angeles was 56.2% greater than the value accumulated in the previous fiscal year, topping \$472 million and outpacing the 28.2% growth in the City overall.

- In the third quarter of 2014, Greater Downtown Los Angeles accounted for 18.2% of the existing office space in Los Angeles County, a decline from the early 2000s when the Greater Downtown area accounted for just over 20% of citywide office space. This decline in Greater Downtown's share of the countywide office space is being driven by more construction activity in other parts of the county, rather than a decline in the available office space in the Greater Downtown area.



## Introduction

The Central City Association of Los Angeles (CCALA) and Downtown Center Business Improvement District (DCBID) of Los Angeles engaged Beacon Economics to develop a report on the major economic trends in Downtown Los Angeles and an estimate of the economic impacts created by the Downtown area's recent renaissance throughout the City and County of Los Angeles.

Much of the data used throughout this report is not easily accessible for a small geography such as Downtown Los Angeles. For example, employment figures are generally only publicly available and reported for Los Angeles County as a whole. Nevertheless, obtaining these data series was imperative to measuring the area's economic progress. In addition, this is the first time anyone has done this detailed of a study for Downtown Los Angeles. A detailed description of how each data series was obtained and measured is provided in the Appendix of this report. In particular, data for employment, wages, construction permits and gross receipts pertain to the precise Downtown Los Angeles boundaries depicted below. Other data series used throughout this report represent a broader downtown region, yet can still be trusted to observe economic trends in Downtown Los Angeles.



## The Downtown Los Angeles Renaissance

With the exception of a speed bump in construction, presented in the form of the 'Great Recession', Downtown Los Angeles has been undergoing a development and cultural boom for the last decade and a half. The origins of the development boom can be traced largely to two events that occurred in 1999 and have acted as catalysts for ongoing development since then. The first was the opening of the Staples Center. The other was an adaptive reuse ordinance passed by the City of Los Angeles, which allowed for the conversion of commercially zoned buildings into residential structures. Another key player was the DCBID, which played an instrumental role in attracting property owners, new residents, and visitors to Downtown Los Angeles during the Downtown Renaissance. "The opening of the Staples Center was a major turning point for Downtown," notes Carol Schatz, President and CEO of the DCBID and CCA. "Increasing numbers of consumers from all regions of Los Angeles were being introduced to downtown to attend Laker games and concerts and began to explore new places to eat and be entertained."

Since that time, billions of dollars of construction activity has taken place and reshaped Downtown Los Angeles in its entirety. More than a decade of rental and for-sale multi-family development has led to a much larger and more diverse population in Downtown. And there has been significant arts and entertainment development, as well as civic development.

A number of the big-ticket construction projects that have occurred since 1999 include some of the most successful and recognizable projects located in Los Angeles as a whole such as the Staples Center, L.A. Live, the Cathedral of Our Lady of the Angeles, and the Walt Disney Concert Hall. Moreover, three additional billion-dollar projects are currently underway:

1. First is the Wilshire Grand Center, with a completion date slated for 2017. The Wilshire will not only boast luxury hotel rooms, but also cutting edge restaurants, businesses, office space, and attractive nightlife offerings. It will be the tallest structure west of the Mississippi.<sup>1</sup>

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<sup>1</sup>Project Info, [wilshiregrandcenter.com](http://wilshiregrandcenter.com)

2. Second is Metropolis, which will include a hotel, condos, retail businesses, and fine dining. These will be the first newly constructed condos in over 10 years in Downtown Los Angeles.
3. The third is Oceanwide Plaza, which will include a hotel, condos, and an open-air shopping mall.

The Downtown Renaissance has already had a tremendous impact on the City, and with \$1.9 billion in additional projects still in the pipeline, Downtown Los Angeles is expected to remain a driver of growth in the City's economy for the foreseeable future.

## Economic Trends in Downtown

### Employment

- From 2006 to 2013, total nonfarm employment in Downtown Los Angeles grew by 16.4%, outpacing the 15.9% citywide growth over the period.
- 2013 was another positive year for employment in Downtown Los Angeles. Overall, total nonfarm employment grew by 0.3% from 2012 to 2013, while the average annual wage increased by 1.3% to \$77,200 during this time period.
- According to County Business Patterns data from U.S. Census Bureau, private employment levels in Downtown Los Angeles expanded by 2.3% from 1999 to 2012 and the number of establishments in Downtown Los Angeles expanded by 4.2% over the period. Meanwhile, wages more than doubled at private establishments in Downtown Los Angeles over the period.
- Over the next few years expect nonfarm employment in Downtown Los Angeles to grow between 1.5% and 2.0% annually, with total nonfarm employment reaching just over 330,000 in 2020. Note that wage and salary employment does not include several categories of workers including self-employed, freelance, contract and others. Many other workers in Downtown are not captured by this number because their actual employer is located elsewhere.
- In 2013, Downtown Los Angeles accounted for 20.0% of jobs in the City of Los Angeles, 7.5% of business establishments in the City, and at just over \$77,000, the average annual wage in Downtown Los Angeles was higher than the City of Los Angeles overall (just over \$58,000) and Los Angeles County (just under \$55,000).
- Notably, since 2008 the Leisure and Hospitality sector has grown by more than 20%. Downtown's consumer driven sectors drove much of the growth in the area over the past year as well, with employment in the Retail Trade sector growing by 8.5% and the Leisure and Hospitality sector expanding by 7.2%.
- The volatility exhibited in the Health Care employment figures is due to the California EDD's reclassification of self-employed Home Healthcare workers from Other Services to Health Care. These figures represent a technical, not structural, shift in Health Care employment.



## Business Activity and Tourism

- Since 2006, total gross receipts in Downtown Los Angeles have increased by 25.7% compared to just 3.3% in the City of Los Angeles overall. More recently, total gross receipts in Downtown Los Angeles increased 2.2% to \$28.9 billion from 2012 to 2013, accounting for just over 6.2% of gross receipts in the City of Los Angeles overall. However, total gross receipts in the City of Los Angeles outpaced Downtown Los Angeles in 2013, growing by 6.8% over the last year.
- Professional Services, the largest sector in Downtown Los Angeles in terms of gross receipts, grew by 16.2% from 2008 to 2013.
- In a sign of increased consumer spending in Downtown Los Angeles in recent years, gross receipts in the Retail Trade sector increased by 33.1% from 2008 to 2013, while Accommodation and Food spending grew by 68.0% during this period. Moreover, Downtown Los Angeles accounted for 6.9% of the Retail Trade sector's gross receipts citywide in 2013.
- Hotel activity in Downtown Los Angeles has also picked up in the past year. At over 78% occupancy rates, Downtown Los Angeles hotels are at their highest occupancy levels in the last four years, while revenue per available room increased by 6.0% through September 2014.

## Commercial Real Estate

- In line with gains in consumer and business spending, demand for retail and office properties located in Greater Downtown Los Angeles has grown considerably over the last several years.
- The office vacancy rate in Greater Downtown Los Angeles improved from 16.3% in the third quarter of 2013 to 14.2% in the third quarter of 2014. Meanwhile, rents grew by 5.7% and occupied office stock increased by 2.6% over the same period.
- In the third quarter of 2014, Greater Downtown Los Angeles accounted for 18.2% of the existing office space in Los Angeles County.
- Even more indicative of the strong demand for office properties in the Greater Downtown area, from the third quarter of 2013 through the third quarter of 2014, Greater Downtown Los Angeles was responsible for more than 38% of the new net occupied stock in Los Angeles County.
- In fiscal year 2014-15, Greater Downtown Los Angeles accounted for 5.3% of the net total assessed value in the City of Los Angeles, a 0.7 percentage point increase from fiscal year 2005-06. Similarly, Greater Downtown Los Angeles accounted for 2.1% of the net total assessed value in the County of Los Angeles in fiscal year 2014-15, a 0.4 percentage point increase over fiscal year 2005-06.
- At over 56%, commercial properties account for the majority of the net taxable assessed value in Greater Downtown Los Angeles, however the commercial properties share has declined by -4.7 percentage points since fiscal year 2005-06. Perhaps more importantly, residential properties saw their share rise from just 6.0% in fiscal year 2005-06 to 16.8% in fiscal year 2014-15.

## Residential Real Estate

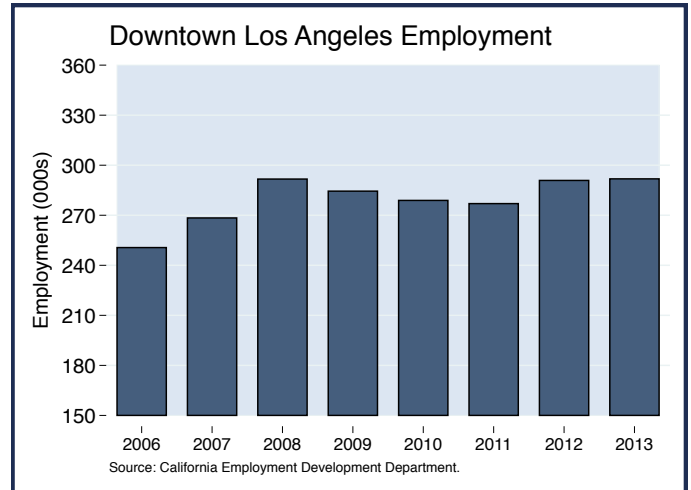
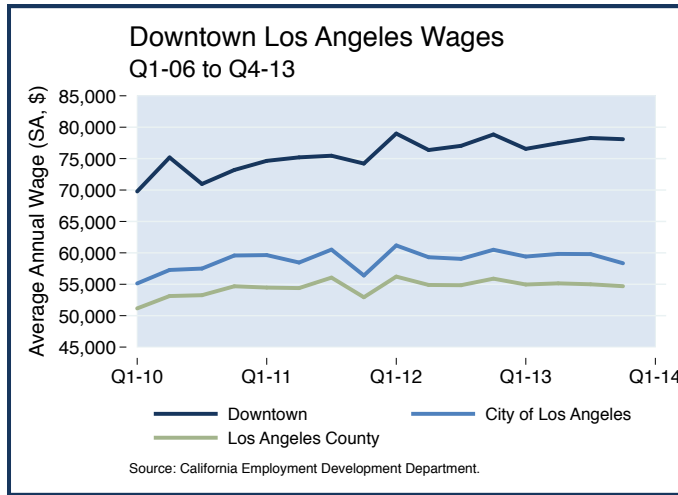
- Along with the gains in the commercial real estate market in Downtown Los Angeles, the residential real estate market in Downtown Los Angeles has also been growing rapidly.
- The median price of condominiums sold in Greater Downtown Los Angeles in 2014 was \$531,700, compared to the median price throughout Los Angeles County (\$399,000) during the same period. Condominium prices in Greater Downtown Los Angeles grew by 12.2% in 2014 and the number of condominiums sold increased by over 60%, to 359 units sold in 2014.
- Recent additions in the local stock of apartments placed upward pressure on local vacancy rates over the past year, which grew 4.2% in the third quarter of 2013 to 8.3% in the third quarter of 2014. In fact, the number of occupied units increased by 5.9% over the period, indicating that despite the uptick in the vacancy rate in the area the number of households in the region increased over the period. More importantly, the number of occupied apartment units in Downtown Los Angeles have more than tripled since 2000.
- Indicative of the strong demand for housing in Greater Downtown Los Angeles has been the rise in monthly rents. The average apartment unit rent in Greater Downtown Los Angeles grew by 7.6% over the year to \$2,076 on a monthly basis. Moreover, rent at average apartment units in Greater Downtown Los Angeles are more than 36% higher than in the County of Los Angeles overall.

## Construction Activity

- The value of all construction permits filed in the 2013-14 fiscal year in Downtown Los Angeles was 56.2% greater than the value accumulated in the previous fiscal year, topping \$472 million. Construction permits in Downtown Los Angeles accounted for 15.4% of citywide permits and the Greater Downtown area accounted for another 1.0% of citywide permits.
- Multi-family developments accounted for the majority of residential construction in Downtown Los Angeles. During the 2013-14 fiscal year, 240 multi-family units were permitted, accounting for 3.2% of multi-family permits citywide.
- A large concentration of construction in Downtown Los Angeles has been for mixed-use developments. Mixed-use permits in fiscal year 2013-14 totaled \$333.6 million, accounting for more than 62% of mixed-use permits citywide. One of the largest mixed-use permits issued in 2014 was for an \$80.7 million building on Grand Avenue and 8th Street.
- Office construction represents another major portion of construction activity in Downtown Los Angeles. Nearly \$16.3 million in office permits were issued during the 2013-14 fiscal year, accounting for 12.0% of office permits citywide.
- Alterations to buildings have also played a significant role in the Downtown Renaissance. Indeed, a number of older and historic buildings have undergone a modernization to attract new businesses, residents, and visitors to the Downtown area.



## Employment Snapshot

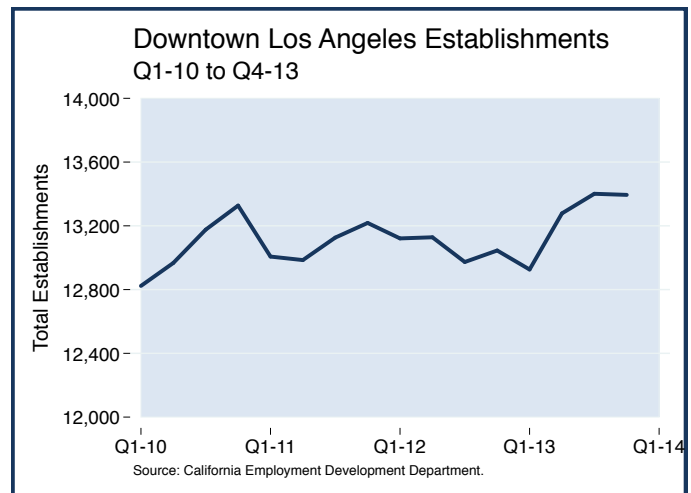


### Nonfarm Annual Wages by Industry: 2013

Industry	Avg. Wage (\$000s)	Annual Growth Downtown (%)	Annual Growth City (%)	Downtown vs. City (%)
Fin. Svcs. and Real Estate	155.4	+0.4	-2.0	149.3
Prof, Sci, Tech, and Mgmt	117.8	+2.6	+0.1	122.5
Transport/Warehouse	97.1	+1.4	+4.9	148.9
NR/Construction	95.4	-8.0	-1.6	177.3
Information	81.0	+4.9	-5.2	67.3
Government	76.2	-0.9	-0.7	100.7
Other Services*	66.1	-0.7	-12.4	140.8
Admin Support	62.6	+7.6	+2.1	147.7
Non-Durable Goods	52.2	-4.8	-11.3	81.6
Education	47.5	+6.4	+3.8	76.1
Wholesale Trade	46.7	+1.3	+0.4	84.4
Health Care*	46.7	+10.0	+22.1	118.6
Durable Goods	42.6	-0.3	-3.2	93.9
Leisure and Hospitality	37.7	+14.6	+1.7	96.6
Retail Trade	37.7	+7.9	+1.9	114.9
<b>Total Nonfarm</b>	<b>77.2</b>	<b>+1.3</b>	<b>+0.8</b>	<b>130.3</b>

Source: California Employment Development Department.

Note: Reclassification of self-employed Home Healthcare workers from Other Services to Health Care in 2013



**Downtown Nonfarm Employment by Industry: 2008 to 2013**

Industry	2008 (000s)	2013 (000s)	5-Year Growth (%)
Health Care	7,825	11,270	44.0
Admin Support	8,615	12,218	41.8
Leisure and Hospitality	16,762	20,149	20.2
Other Services	15,483	17,959	16.0
Transport/Warehouse	13,833	15,671	13.3
Education	3,310	3,526	6.5
Prof, Sci, Tech, and Mgmt	33,189	35,059	5.6
Retail Trade	8,453	8,926	5.6
Wholesale Trade	20,547	20,936	1.9
Information	3,521	3,532	0.3
Government	118,301	113,063	-4.4
NR/Construction	1,703	1,627	-4.4
Non-Durable Goods	1,621	1,342	-17.3
Fin. Svcs. and Real Estate	21,410	17,180	-19.8
Durable Goods	17,116	9,369	-45.3

Source: California Employment Development Department.  
 Note: Reclassification of self-employed Home Healthcare workers from Other Services to Health Care in 2013

**Nonfarm Employment by Industry: 2013**

Industry	Employment (000s)	Annual Growth		LQ City = 1
		Downtown (%)	City (%)	
Government	113.1	-4.7	-4.2	4.3
Prof, Sci, Tech, and Mgmt	35.1	+3.2	+1.6	1.3
Wholesale Trade	20.9	+3.9	+1.3	1.5
Leisure and Hospitality	20.1	+7.2	+4.6	0.6
Other Services*	18.0	-7.9	-38.8	1.1
Fin. Svcs. and Real Estate	17.2	+4.1	+1.3	1.1
Transport/Warehouse	15.7	-2.5	+0.6	1.1
Admin Support	12.2	+7.9	+2.8	0.7
Health Care*	11.3	+30.0	+48.1	0.3
Durable Goods	9.4	+1.0	0.0	0.9
Retail Trade	8.9	+8.5	+2.4	0.4
Information	3.5	+3.7	-0.3	0.3
Education	3.5	+0.7	+1.9	0.2
NR/Construction	1.6	+5.7	+3.8	0.2
Non-Durable Goods	1.3	+3.0	-8.1	0.1
<b>Total Nonfarm</b>	<b>291.8</b>	<b>+0.3</b>	<b>+2.1</b>	<b>-</b>

Source: California Employment Development Department.  
 Note: Reclassification of self-employed Home Healthcare workers from Other Services to Health Care in 2013

**Top Subsectors in Downtown: 2013**

Subsector	Employment		Avg. Wage (\$000s)
	(000s)	Growth (%)	
<b>Government</b>			
Justice and Public Order	51.7	-1.4	96.5
<b>Admin Support</b>			
Admin. Of HR Programs	21.4	+2.6	59.9
<b>Government</b>			
Exec., Legis., and General Govt.	18.4	-2.6	70.1
<b>Wholesale Trade</b>			
Non-Durable Goods Wholesalers	14.5	+4.5	45.0
<b>Pro, Sci, Tech, and Mgmt</b>			
Legal Serv.	12.8	+1.0	123.3
<b>Admin Support</b>			
Admin. and Support Serv.	12.3	+9.0	62.1
<b>Leisure and Hospitality</b>			
Food and Drinking Places	12.1	+14.7	21.3
<b>Health Care</b>			
Hospitals	12.1	-0.1	74.7
<b>Utilities</b>			
Utilities	11.7	+0.8	113.8
<b>Government</b>			
Admin. Of Economic Programs	8.6	+6.2	68.4

Source: California Employment Development Department.

**Employment Growth in 2013 by Establishment Type**

Establishment Type	Jobs Added (000s)	Job Growth (%)
<b>Establishment Size</b>		
Less than 50 Employees	+1.2	+1.9
50 to 250 Employees	+2.2	+4.9
Greater than 250 Employees	-1.6	-0.9
<b>Establishment Average Wage</b>		
Less than \$25,000	2.7	8.4
\$25,000 to \$50,000	3.9	8.3
\$50,000 to \$100,000	0.8	0.7
Greater than \$100,000	-5.6	-6.2

Source: California Employment Development Department.

**Establishment Growth in 2013 by Type**

Type of Establishment	Count
Expanded Workforce	2,816.0
Reduced Workforce	6,323.0
Unchanged Workforce	1,614.0

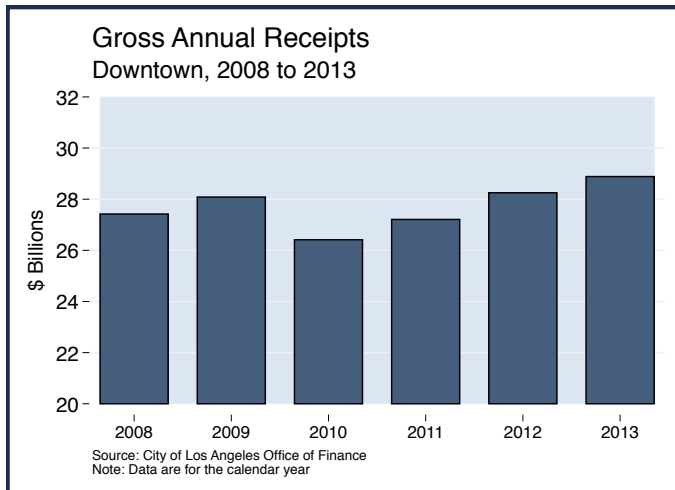
Source: California Employment Development Department.

## Business Activity and Tourism

### Hotel Indicators

Variable	2013 YTD	2014 YTD	YTD Change (%)
<b>Downtown 1</b>			
Avg. Daily Rate (\$)	180.3	189.8	5.3
Occupancy (%)	77.7	78.2	0.7
REVPAR (\$)	140.0	148.5	6.0
<b>Downtown 2</b>			
Avg. Daily Rate (\$)	115.1	122.7	6.6
Occupancy (%)	78.1	79.0	1.2
REVPAR (\$)	89.9	97.0	7.8
<b>Los Angeles County</b>			
Avg. Daily Rates (\$)	168.0	180.1	7.2
Occupancy (%)	81.5	83.4	2.3
REVPAR (\$)	136.9	150.2	9.7

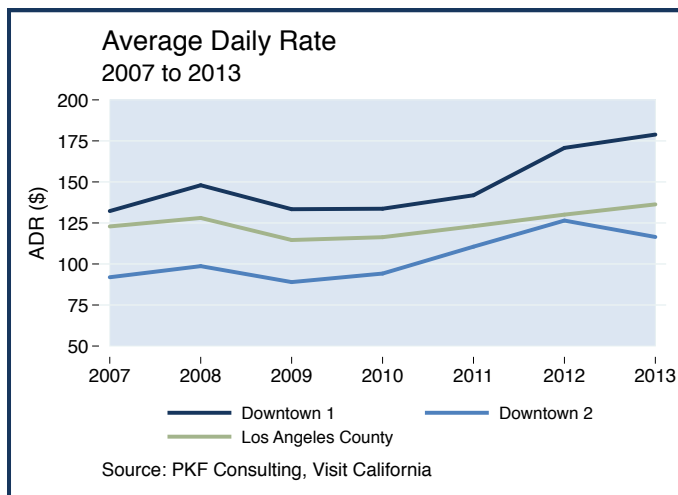
Source: PKF Consulting. Year-to-Date through September.  
 Note: Downtown region segmented by ADR by PKF.



### Gross Receipts in Top 8 Sectors: 5-Year Change

Sector	2008 (\$B)	2013 (\$B)	5-Year Growth (%)
Professional Services	5.1	5.9	+16.2
Wholesale Trade	4.9	5.3	+8.6
Finance and Insurance	4.7	4.3	-7.8
Retail Trade	1.9	2.5	+33.1
Real Estate	1.5	2.0	+29.0
Manufacturing	0.5	1.2	+126.4
Information	0.9	1.0	+9.3
Accommodation and Food	0.5	0.8	+68.0
<b>Total</b>	<b>27.4</b>	<b>28.9</b>	<b>+5.3</b>

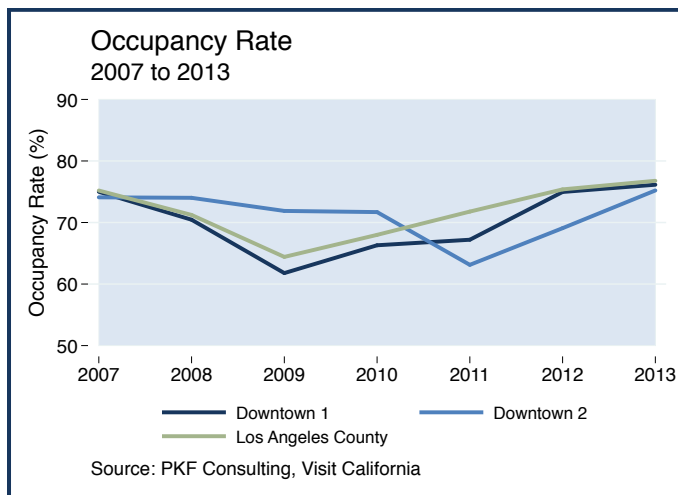
Source: Los Angeles City Dept. of Finance.



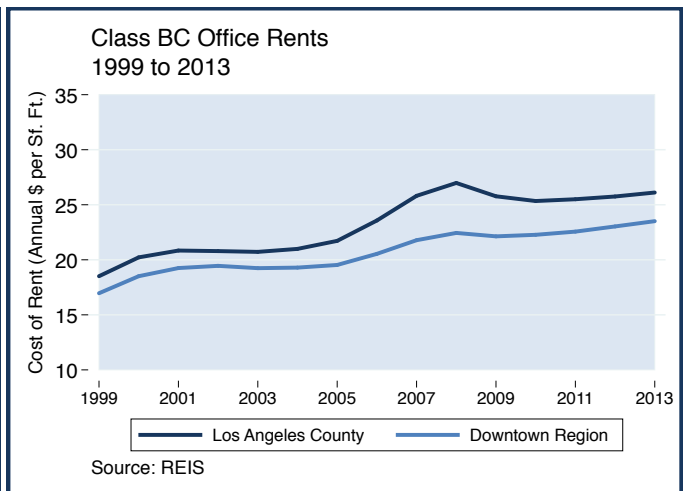
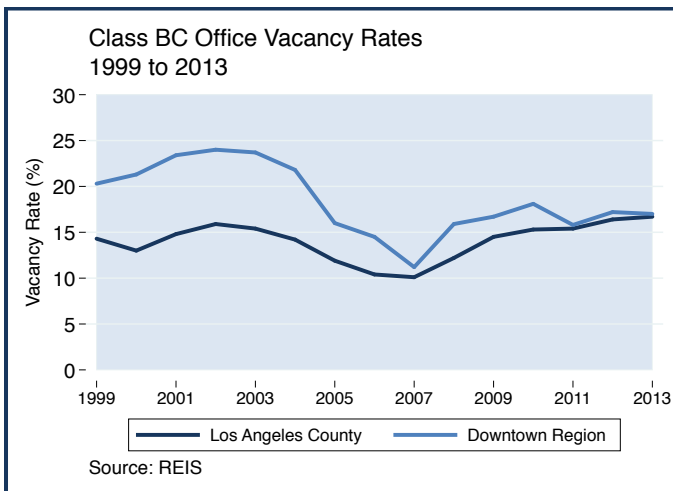
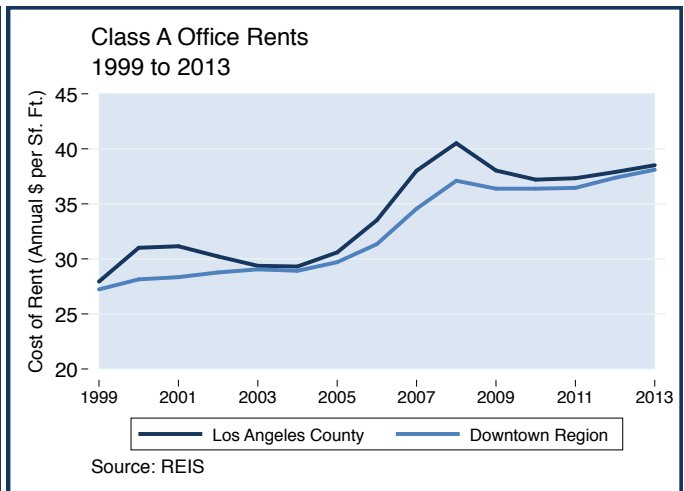
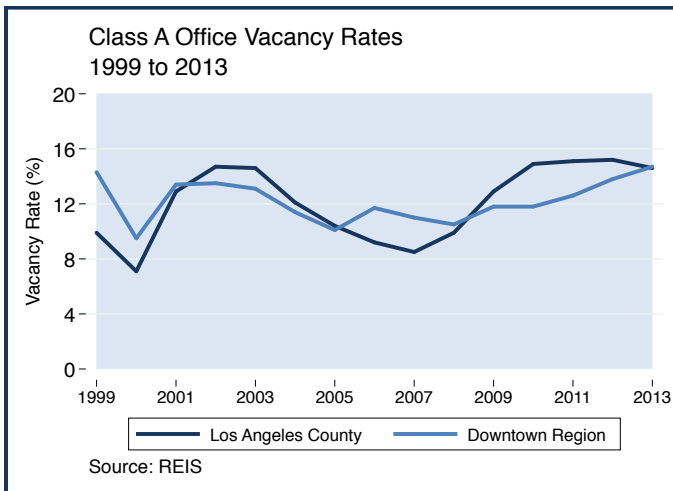
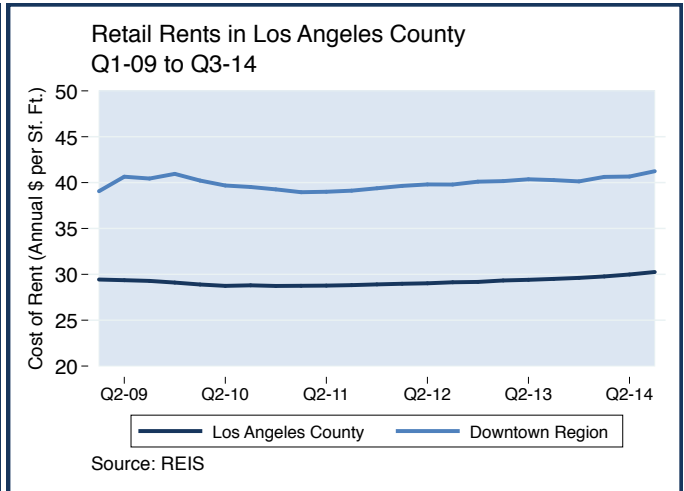
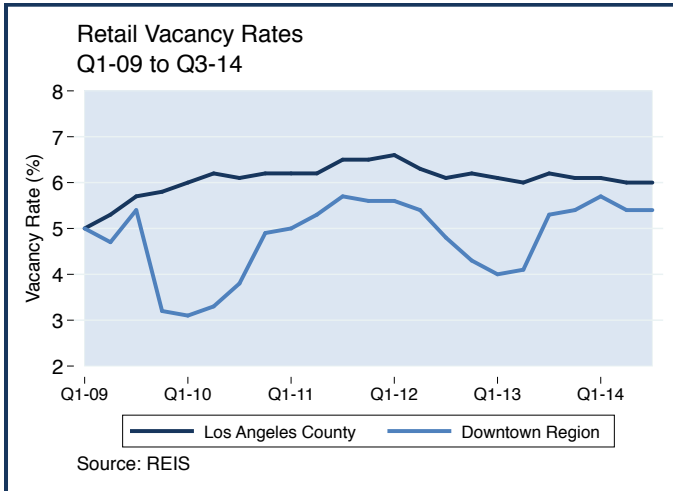
### Gross Receipts in Top 8 Sectors: 1-Year Change

Sector	2012 (\$B)	2013 (\$B)	Annual Growth (%)
Professional Services	5.6	5.9	+6.6
Wholesale Trade	5.0	5.3	+5.3
Finance and Insurance	4.9	4.3	-12.1
Retail Trade	2.3	2.5	+10.1
Real Estate	1.8	2.0	+8.5
Manufacturing	0.8	1.2	+35.9
Information	1.0	1.0	-1.7
Accommodation and Food	0.7	0.8	+14.2
<b>Total</b>	<b>28.3</b>	<b>28.9</b>	<b>+2.2</b>

Source: Los Angeles City Dept. of Finance.



## Commercial Real Estate



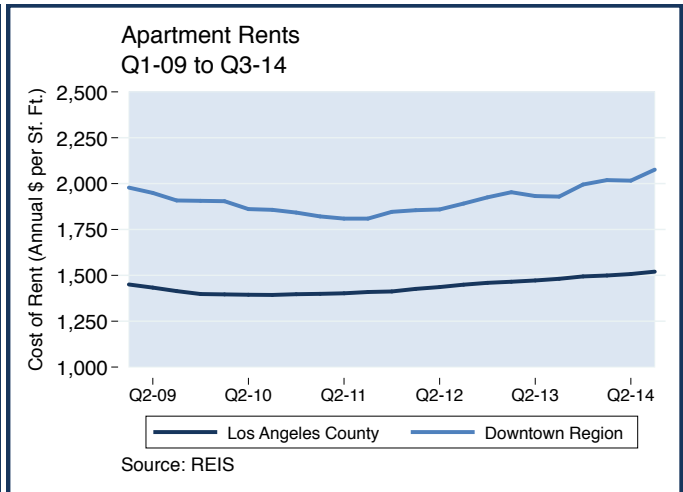
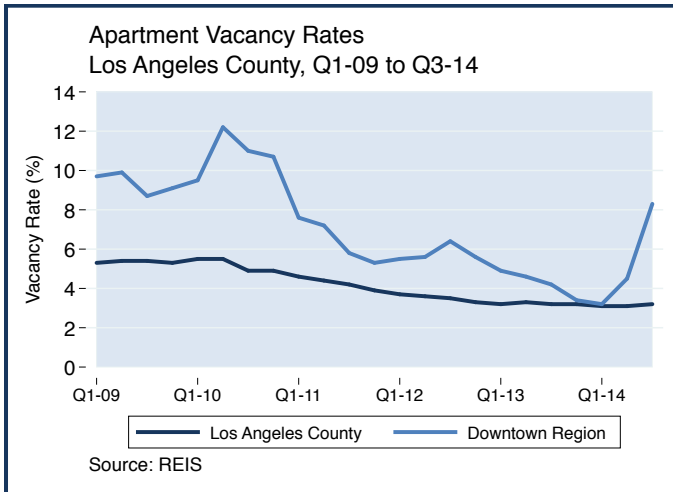
## Residential Real Estate

### Condominium Sales and Prices

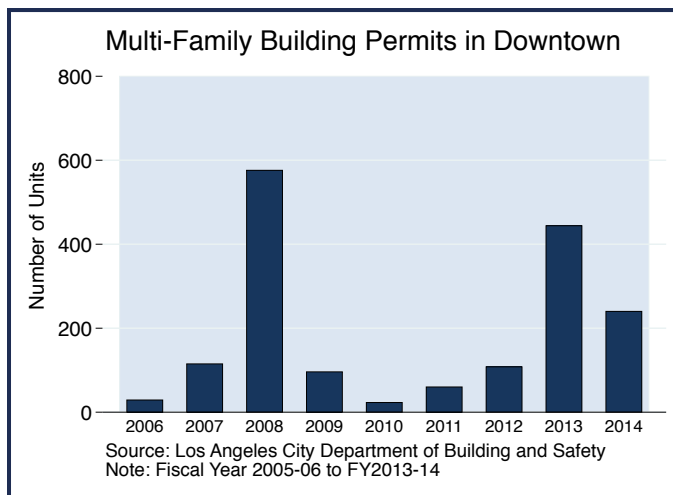
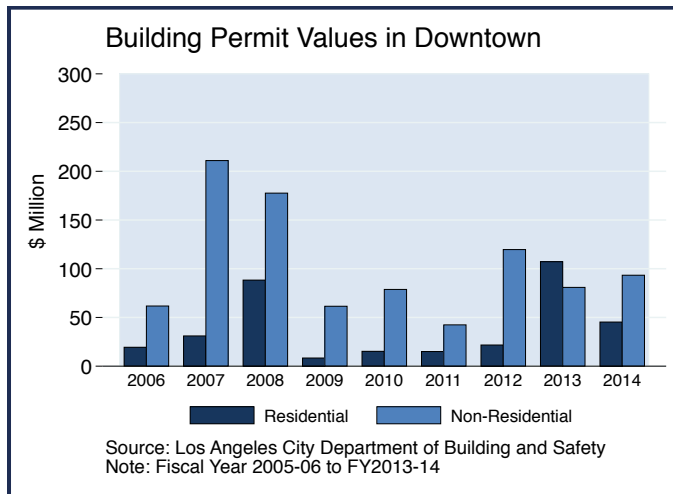
Location	Metric	2010	2011	2012	2013	2014
Downtown	Condominium Sales	-	241	233	224	359
Downtown	Condominium Median Price (\$000s)	346.7	316.3	354.6	511.8	531.7
Los Angeles County	Condominium Median Price (\$000s)	299.9	275.0	285.0	365.0	399.0
Downtown	Condominium Median Price Change (%)	-	-8.9	11.4	38.2	12.2
Los Angeles County	Condominium Median Price Change (%)	-	-8.3	3.6	26.7	9.3

Source: DataQuick

Note: Downtown Transactions includes all homes in zip codes 90012, 90013, 90014, 90015, 90017, 90021, 90071, and 90079.



## Construction Activity



### Downtown Los Angeles Construction

Type	2009/10 (\$000s)	2010/11 (\$000s)	2011/12 (\$000s)	2012/13 (\$000s)	2013/14 (\$000s)	2013/14 Share (%)
<b>Total Residential</b>	15,214	15,010	21,698	107,193	45,263	2.5
Single-Family	0	0	0	0	0	0.0
Multifamily	14,936	10,114	9,200	77,456	32,905	3.2
Res Alt./Additions	249	4,896	12,498	29,736	12,344	4.1
<b>Total Nonresidential</b>	78,731	42,375	119,642	80,827	93,318	12.6
Retail	1,800	7,605	497	400	13,954	9.4
Office	0	32	0	5,476	16,285	12.0
Industrial	518	0	3,100	0	25,808	58.1
Hotel	37,000	0	47,536	0	0	0.0
NR Alt./Additions	26,573	7,357	70,501	31,054	28,448	13.4
<b>Mixed-Use</b>	200	66,881	22,914	114,307	333,584	62.4
<b>Total Construction</b>	94,145	124,266	164,254	302,327	472,165	15.4

Source: Los Angeles City Dept. of Building and Safety. Data is for Fiscal Year.



## Economic Impacts of Construction Activity in Downtown Los Angeles

Downtown Los Angeles Renaissance has had a considerable impact on the Downtown area, and on the City of Los Angeles as a whole. In addition to numerous positive benefits to the local population base, and the area's aesthetic and cultural/social rebirth, the Downtown Renaissance has also considerably affected the broader economy.

- According to research performed by Beacon Economics, total planned and completed construction (since 1999) for the Downtown Los Angeles Renaissance will generate \$16.9 billion in direct spending for goods and services.
- Moreover, the impact of these Renaissance activities will extend far beyond the purchase of inputs to the construction projects. Beacon Economics estimates that this direct spending will generate an additional \$12.2 billion in indirect/induced (multiplier) effects that result from both supply-chain impacts as well as higher spending by workers who benefit from these projects.
- Combining the direct and indirect economic activities associated with the Downtown Renaissance results in a total of \$29.1 billion in increased economic activity in Los Angeles County.
- \$22.9 billion of the total output comes from construction projects that have been completed. However, another \$6.2 billion in future economic impacts are expected to be generated through additional projects that are either planned or currently underway.

Given the magnitude of these investments, it is perhaps unsurprising that the Downtown Los Angeles Renaissance has also had a considerable impact on the City's labor markets.

- Construction for the Downtown Los Angeles Renaissance will support an estimated 165,821 full-time equivalent jobs in Los Angeles County through spending.
- Additionally, 130,406 full-time equivalent jobs have already been created from Renaissance projects that have been completed to date.
- An estimated 35,416 additional jobs are expected to be created by construction projects that are either planned or are currently underway.

Finally, construction projects associated with the Downtown Los Angeles Renaissance have made significant contributions to public-sector budgets at the local, regional, and state levels.

- Downtown Los Angeles construction will generate an estimated \$1.2 billion in tax revenues for state and local governments. This revenue is generated largely by the builder purchasing supplies for construction, the increase in income for workers, and the increase in the property's value from the construction project.
- This tax impact is comprised of an estimated \$381.5 million in sales taxes, \$336.8 million in business property taxes, and \$276.3 million in personal income taxes.

***Summary: Economic Impact of Downtown Construction Expansion***

Category	Direct Impact (est.)	Secondary Impact (est.)	Total Impact (est.)
Jobs	88,778	77,044	165,821
Output (\$ Millions)	16,872	12,201	29,072
Value Added (\$ Millions)	6,982	7,916	14,898
Labor Income (\$ Millions)	5,964	4,675	10,640
State and Local Taxes (\$ Millions)	—	—	1,203

Source: IMPLAN, with Calculations by Beacon Economics

Figures have been rounded

***Summary: Previous & Current Impact of Downtown Construction Expansion***

Category	Previous Impact (est.)	Current Impact (est.)	Total Impact (est.)
Jobs	130,406	35,416	165,821
Output (\$ Millions)	22,904	6,168	29,072
Value Added (\$ Millions)	11,730	3,168	14,898
Labor Income (\$ Millions)	8,366	2,273	10,640
State and Local Taxes (\$ Millions)	948	255	1,203

Source: IMPLAN, with Calculations by Beacon Economics

Figures have been rounded

## Construction Impacts on Output and Jobs

Among all construction company expenditures that have been deployed to date (since 1999), the largest category of expenditures is estimated to be direct construction of single and multi-family structures, accounting for 33.8% of all spending. Direct construction of new public structures is the second largest category, accounting for about 15.4% of all spending. Direct construction of new commercial and healthcare structures totaled 8.8% of all expenditures.

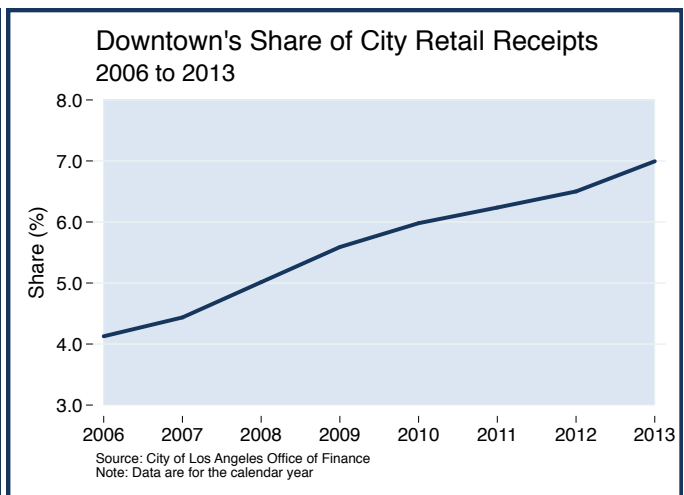
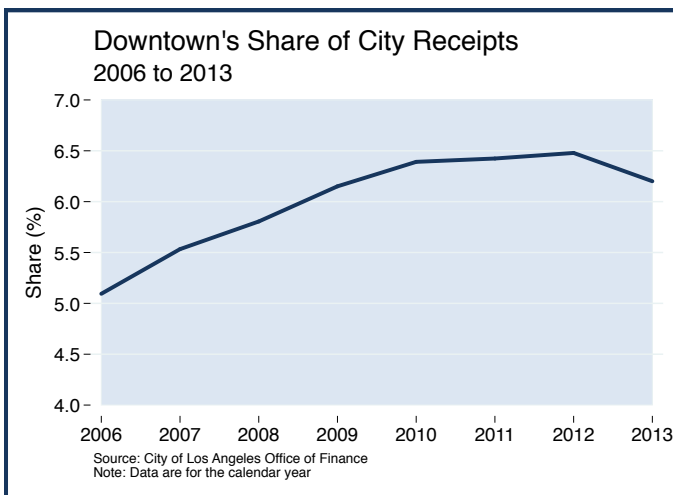
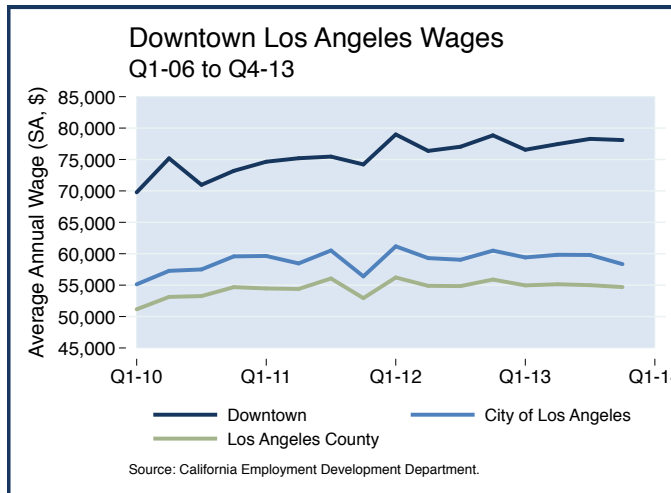
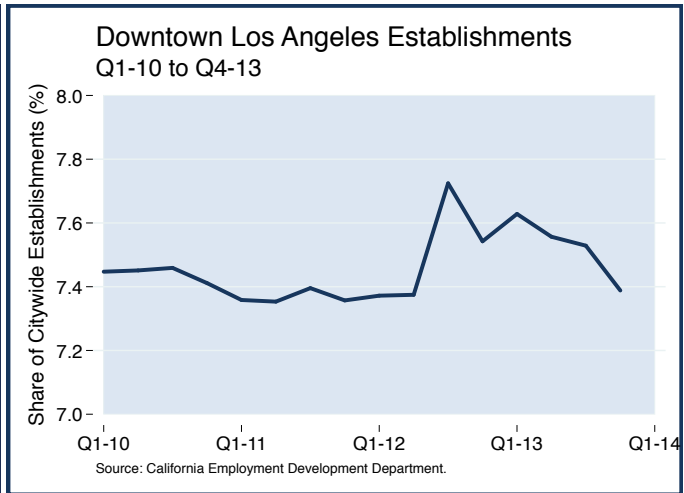
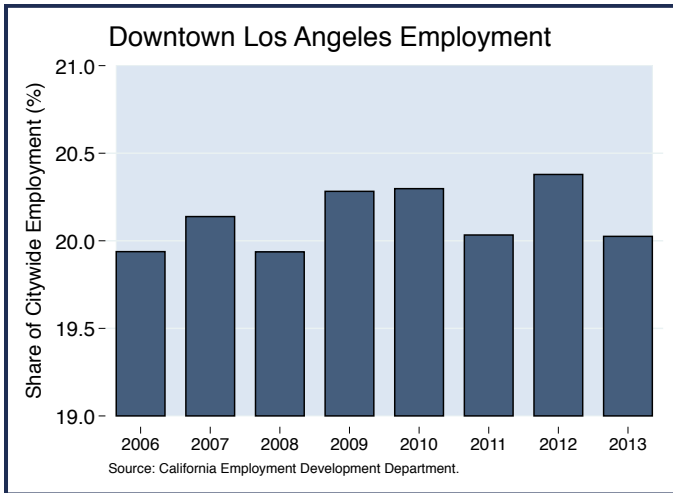
As noted, roughly \$16.9 billion represents direct construction spending, while \$12.2 billion represents secondary spending. Of the \$12.2 billion in secondary spending, \$6.6 billion comes from indirect effects—spending by construction suppliers and other firms further down the supply chain—while \$5.6 billion comes from induced effects—spending by individuals who receive income as a result of the construction spending, which is then spent back into the economy in various forms.

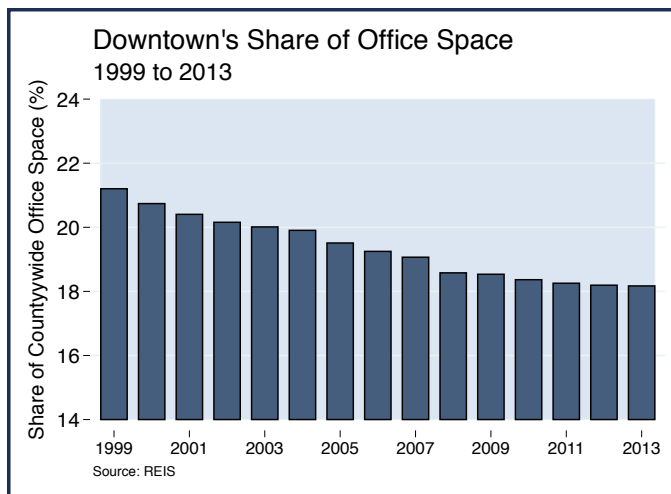
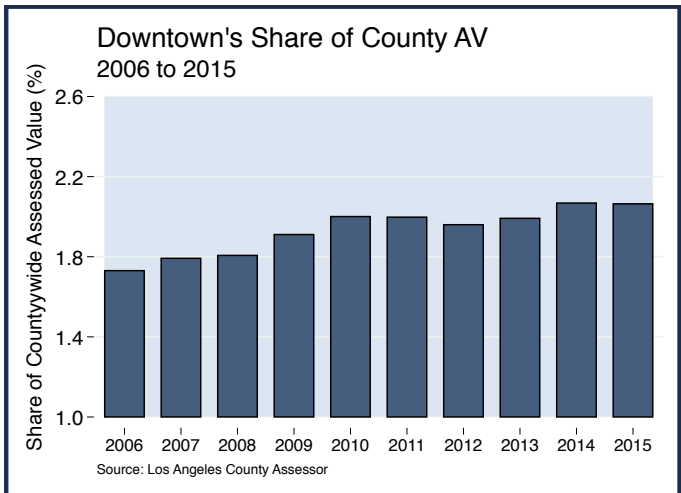
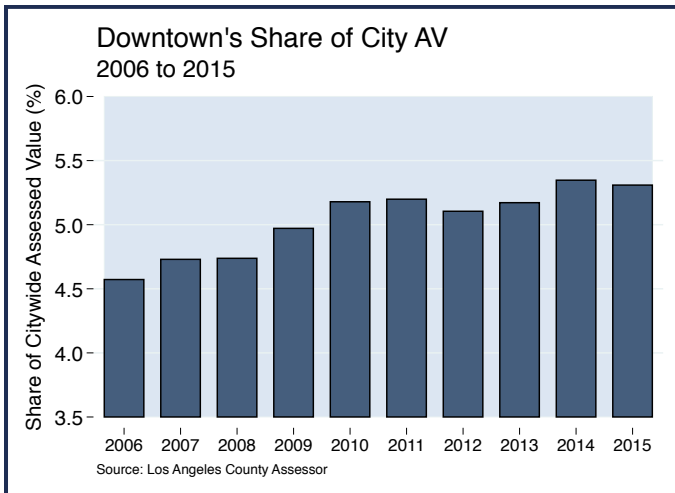
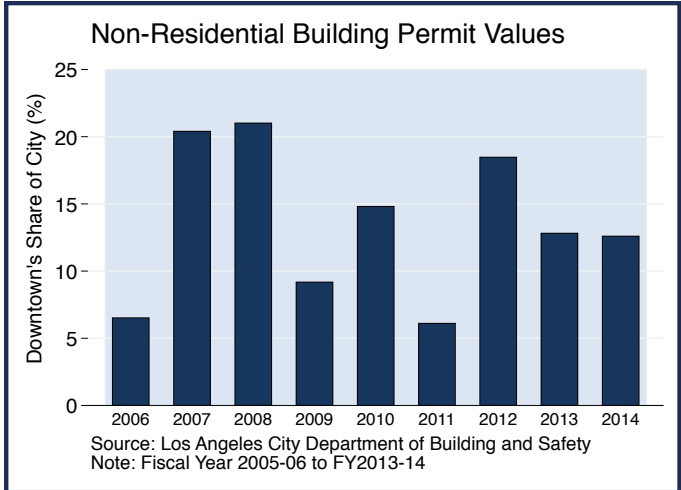
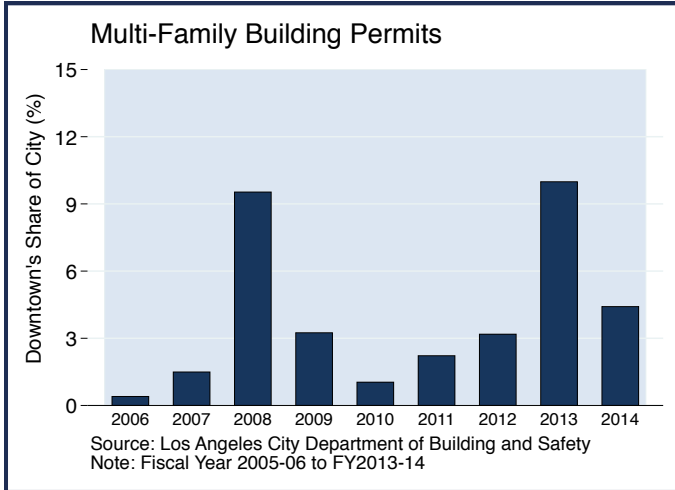
In terms of labor market impacts, Food Services and Drinking Places will generate the largest number of jobs through secondary effects of construction industry operations, at 6,008 jobs, with 1,130 jobs supported through indirect effects and 4,878 jobs supported through induced benefits. Architectural, Engineering, and Related Services will generate the second-largest secondary benefit, at 5,587 jobs, with 5,518 jobs supported through indirect effects and 69 jobs supported through induced benefits. Other Sectors, such as Employment Services (3,305 jobs) and Food & Beverage Retail Stores (3,017 jobs) will also have a substantial number of jobs supported through construction spending.

Based on this analysis, not only have the one-time impacts associated with construction aspects of the Downtown Los Angeles Renaissance generated a significant amount of jobs and output in construction-related fields, but these projects have created and will continue to create ripple effects throughout the rest of the Los Angeles County economy.

The effects will occur in various industries that supply goods and services to construction firms, as well as in the broader economy as workers spend their wages to pay rent/mortgages, buy cars, take their families out to eat, enjoy entertainment options now present in Downtown, and implement many other types of spending as a result of these investments.

### Economic Impacts of the Downtown Renaissance





## Appendix: Data Summary

**Downtown Boundaries** - The data contained in this report is based on the U.S. Census tract data for Downtown Los Angeles. Data for employment and wages, gross receipts, and building permits sections were geographically coded to reflect the boundaries. Data for the residential real estate section align with home sales in zip codes that best align with the Downtown region. Hotel and commercial real estate statistics are based on pre-aggregated data by PKF Consulting and REIS, inc., respectively, for Los Angeles County submarkets that best align with the Downtown region.

**Employment and Wage Data** - Drawn from the Quarterly Census of Employment and Wages (QCEW, formerly the ES-202), this database provides the number of employers, employees, and payrolls for every establishment in the City for every month of the year. The data provided by the Labor Market Information Division of the California Employment Development Department for every establishment in the City was entered into Geographic Information System software to determine the appropriate council district. It was then aggregated into a non-confidential format as presented throughout this report. County employment changes were drawn from the employment by industry report for comparisons.

**City of Los Angeles Gross Receipts** - This data set was prepared by the Office of Finance for the City of Los Angeles. The data reported includes gross receipts from firms that have a physical location inside the City of Los Angeles. Firms that do business in Los Angeles but do not have a physical location within the city limits are excluded. Gross receipts data are broken down by NAICS sector, but often firms do not have a NAICS code and are included in the unclassified sector. This data is excluded from the sectoral breakdown graphics, but often constitutes a large share of an area's total.

**Hotel Statistics** - This data set is produced monthly by PKF Hospitality Research for Los Angeles County and various submarkets. PKF Hospitality Research is one of the leading firms providing hospitality and tourism information to hotel and real estate owners and managers throughout the United States.

**Commercial Real Estate Statistics** - This data set is produced quarterly by REIS, Inc. for Los Angeles County and various submarkets. REIS, Inc. is a leading firm providing commercial real estate information throughout the United States.

**Residential Real Estate Statistics** - This data set is produced quarterly by DataQuick for Los Angeles County and various submarkets. DataQuick is a leading firm providing residential real estate information throughout the United States.

**Building Permit Data** - The Department of Building and Safety for the City of Los Angeles keeps a database of all building permits granted within the City, both commercial and residential. The database contains permits for new construction as well as for alterations to existing structures. The parcel number and/or the address were entered into Geographic Information System software to determine the appropriate council district. Permits that were re-filed or were originally filed within the last ten years were not included in the tallying of construction permits to avoid inflating the amount of reported construction activity. All of the data in the construction charts was smoothed using moving averages to reduce the statistical noise and seasonality of the data.



## About Beacon Economics

Beacon Economics, LLC is a leading provider of economic research, forecasting, industry analysis, and data services. By delivering independent, rigorous analysis we give our clients the knowledge they need to make the right strategic decisions about investment, growth, revenue, and policy. Learn more at [www.BeaconEcon.com](http://www.BeaconEcon.com).

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