LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION
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LAEDC Los Angeles Wildfires: Economic Update #2

Wednesday, January 21, 2026

Overview

This brief provides a written synthesis of the findings presented in Los Angeles Wildfires: An Economic Update #2, delivered by the LAEDC Institute for Applied Economics, in collaboration with the Los Angeles County Department of Economic Opportunity (DEO), in January 2026. It is the second installment in a quarterly series designed to monitor the economic impacts of the Eaton and Palisades wildfires over time.

The intent of this analysis is to assess the evolving economic impacts of the Eaton and Palisades wildfires. Building on findings released in our first briefing in September 2025, this update provides an integrated, data-driven snapshot of how wildfire impacts continue to affect business activity, employment, rebuilding demand, housing markets, tourism-related activity, and the broader economic conditions that shape recovery across Los Angeles County.

Using establishment-level labor market data, parcel-level damage and permitting records, housing market indicators, visitor mobility data, and spatial analysis, this update tracks both the depth of disruption in primary burn areas and the uneven, geographically differentiated patterns of early recovery emerging in surrounding communities. The analysis shows that while the most severe business and job losses remain concentrated within primary fire footprints, secondary areas are experiencing shifting activity tied to rebuilding, workforce demand, and localized housing and tourism pressures.

Key findings highlight the strong linkages between wildfire recovery channels. Sharp employment losses in consumer-facing and locally serving industries feed directly into substantial rebuilding workforce demand, estimated in the hundreds of thousands of job-years over multiple years. Housing markets reflect both displacement and recovery dynamics, with elevated turnover, rental pressure, and persistent vacancies varying markedly by fire area. Tourism-related activity remains uneven, with primary fire zones lagging and secondary areas showing clearer signs of normalization. Taken together, these dynamics underscore the scale of economic activity required to support recovery and the importance of aligning rebuilding and resilience investments with long-term economic conditions.

This quarterly update is intended as a standalone analytical reference for policymakers, business leaders, workforce and housing stakeholders, and the broader public. It stops short of policy recommendations, focusing instead on establishing a clear empirical baseline to inform ongoing recovery efforts and future updates in this series.

Temporal Business Analysis: Changes in Businesses and Jobs

The temporal business analysis examines year-over-year changes in establishments and employment using Quarterly Census of Employment and Wages (QCEW) data, comparing the second quarter of 2024 to the second quarter of 2025. Results are presented for primary fire areas, secondary fire areas (where evacuation orders were in effect), and the remainder of Los Angeles County.

Across both fires, the primary burn areas experienced the most severe economic disruption, with employment losses substantially outpacing declines in business counts. In the Eaton primary fire area, establishments declined by just over 6 percent, while employment fell by roughly 19 percent. The Palisades primary fire area experienced even sharper impacts, with establishments down approximately 9 percent and employment down more than 26 percent. These patterns point to significant workforce displacement layered on top of business interruption.

Secondary fire areas show more mixed outcomes. In Eaton's secondary area, establishments declined modestly and employment remained close to flat. In the Palisades secondary area, business counts declined, but employment increased slightly, suggesting shifts in activity or early recovery-related hiring outside the most severely damaged zones. Countywide employment over this period was essentially flat, reinforcing that the most acute job losses were geographically concentrated within the primary burn footprints.

Industry-level analysis highlights that consumer-facing and locally serving sectors bore the brunt of disruption in primary fire areas. Administrative and support services, accommodation and food services, retail trade, and other services posted some of the steepest employment declines. In Palisades, arts, entertainment, and recreation also experienced substantial job losses. Secondary fire areas exhibited a more uneven pattern, with pockets of growth in professional and technical services, construction, information, and wholesale trade alongside continued weakness in finance, transportation, and administrative support.

Changes in establishment counts largely mirror employment trends but are less severe, underscoring that many businesses remained on the books while operating at reduced capacity or with fewer workers. Declines in information, finance, wholesale trade, and professional services are visible across fire areas, while the rest of the county experienced smaller, more gradual contractions.

To complement reported employment and establishment data, the analysis also examines non-reporting businesses in the second quarter of 2025. While non-reporting does not definitively indicate closure, it serves as an early signal of stress. In Eaton, non-reporting is limited within the primary fire perimeter but more pronounced in the secondary area, particularly among health care establishments. In Palisades, non-reporting is moderate in both primary and secondary areas and spread across retail, finance, real estate, professional services, and health care. Spatially, these non-reporting businesses cluster along key commercial corridors, consistent with early-stage disruption patterns.

Cost of Rebuild and Rebuilding Employment Needs

To assess the scale of economic activity required for recovery, the analysis estimates structural rebuilding costs and the associated workforce demand. Parcel-level damage assessments are combined with assessor records on structure size and use type. Low- and high-cost construction assumptions are applied on a per-square-foot basis and scaled by damage severity to produce rebuild cost ranges for each burn area.

These cost scenarios form the basis for estimating rebuilding employment needs, expressed in job-years to reflect that reconstruction will occur over multiple years. One job-year represents one job sustained for one year.

Across the Eaton and Palisades burn areas, total employment demand associated with rebuilding is estimated to range from approximately 141,000 job-years under a low-cost scenario to roughly 209,000 job-years under a high-cost scenario. About 85 percent of this demand is attributable to direct construction-related employment, with the remainder generated through indirect, supply-chain-supported activity.

The Palisades burn area accounts for roughly two-thirds of total rebuilding employment demand, reflecting the scale and intensity of damage. The Eaton burn area represents the remaining share, with substantial but comparatively smaller workforce needs.

Occupational analysis shows that direct rebuilding employment is heavily concentrated in construction and extraction occupations, which account for more than half of direct job-years. Management and office and administrative support roles together represent roughly one-quarter of direct employment, reflecting the need for project oversight, coordination, and administration. Business and financial operations account for an additional share tied to planning, contracting, and financial management.

Indirect employment is more broadly distributed across the economy. Sales, transportation, material moving, office support, installation, and repair occupations account for large shares, highlighting the extensive supply-chain and service-sector linkages associated with rebuilding activity. The top 15 occupations alone account for roughly two-thirds of total rebuilding employment, led by carpenters, construction laborers, construction supervisors, and construction managers. Many high-demand roles require limited formal education, while others require specialized skills or advanced credentials, underscoring the diverse workforce profile needed to support recovery.

Housing Market Dynamics: Permits, Sales, Rentals, and Vacancies

Housing market indicators provide insight into how recovery is unfolding at the household level and how rebuilding, displacement, and migration pressures are interacting.

Rebuild and repair building permits serve as a key marker of recovery moving from planning into implementation. As of mid-January 2026, more than 2,800 building permits had been issued across the fire-affected areas. In both the Eaton and Palisades fire areas, roughly one-fifth of damaged or destroyed parcels had submitted permit applications. Issuance rates differ between the two fires, with Eaton slightly ahead in issued and finalized permits. The average time from application to issuance was approximately 80 business days, placing Los Angeles in the middle range when compared to other recent wildfire recoveries.

Housing sales data offer insight into potential migration and turnover. Through November 2025, there were just over 400 residential sales in each fire area, with approximately 96 percent of transactions involving single-family homes. Cumulative sales trends show that both fire areas experienced elevated sales activity in 2025 relative to recent years, particularly in the latter half of the year. Eaton saw a sharp acceleration in sales after initially lagging, while Palisades sales recovered later in the year and ultimately aligned with historical norms.

New housing listings further differentiate recovery patterns. The Palisades fire area experienced a pronounced spike in new listings in the quarter of the fire, with sustained elevation through much of 2025. The Eaton area, by contrast, showed relatively modest changes in listings, tracking more closely with countywide trends. These patterns suggest greater near-term housing turnover and potential displacement pressures in Palisades.

Rental market analysis uses the Zillow Observed Rental Index to assess changes in middle-market rents. Countywide, rents exhibited only a brief, modest increase following the fire before cooling below their prior trend. However, ZIP-code-level analysis reveals more localized effects. Areas closest to the Palisades fire perimeter experienced sustained rent increases above trend, while rent impacts near the Eaton fire were smaller and shorter-lived. This suggests that displaced households in Palisades were more likely to seek nearby housing, placing localized pressure on rental markets.

Vacancy rate estimates based on USPS data indicate a sharp increase in both residential and business vacancies following the fires, with residential vacancies rising more steeply. Over time, vacancy rates in Eaton have shown signs of improvement, while Palisades vacancies remain elevated, particularly for residential addresses. This pattern aligns with observed differences in housing turnover, rental pressure, and the pace of repopulation.

Tourism-Related Activity: Visitor Counts in Fire-Affected Areas

Tourism-related activity provides another lens into economic recovery, particularly for consumer-facing businesses. Using foot-traffic data, visitor counts were estimated for restaurants, museums, and event venues in primary and secondary fire areas.

In the Palisades primary fire area, tourism-related activity remained depressed throughout much of 2025. Restaurants and museums experienced sizable declines in the first half of the year, followed by a temporary rebound in the third quarter and renewed weakness in the fourth quarter. Event venues showed relative stability but also faced challenges later in the year. Volatility is higher in primary fire areas due to a smaller number of establishments and broader economic cooling during the latter half of 2025.

The Palisades secondary fire area exhibited a more resilient recovery profile. Event venues did not experience sustained declines and showed strong growth by the end of the year. Restaurants recovered gradually, and museums rebounded quickly after a modest initial drop, suggesting a return toward more typical visitation patterns.

In the combined Eaton primary and secondary fire areas, tourism activity declined sharply immediately following the fire, particularly for event venues. However, these areas also experienced a relatively strong rebound in the middle of 2025 across all categories, with some pullback later in the year. Overall, tourism recovery remains uneven, with secondary areas providing clearer signs of normalization.

Policy Context: Financing Resilient Infrastructure

The scale of rebuilding and recovery highlighted in this analysis underscores the importance of financing mechanisms that support resilient infrastructure. Tools such as Enhanced Infrastructure Financing Districts, Climate Resilience Districts, climate bonds, and Mello-Roos Community Facilities Districts rely on future economic growth, property value stabilization, and long-term fiscal capacity.

Across these mechanisms, the underlying economic connection is clear: investments in resilience must ultimately support economic activity, insurability, workforce stability, and business continuity. Rebuilding efforts, workforce demand, housing market stabilization, and the return of tourism-related activity are interrelated components of this broader economic foundation.

Concluding Observations

Taken together, the findings from this second economic update show that wildfire impacts in Los Angeles County remain highly localized but deeply interconnected. Severe business and employment losses in primary fire areas feed directly into rebuilding workforce demand, housing market pressures, and uneven tourism recovery. At the same time, early indicators of stabilization and activity shifts in secondary areas highlight the dynamic nature of recovery.

This analysis provides an empirical baseline for understanding the economic dimensions of wildfire recovery in Los Angeles County and for tracking how rebuilding, repopulation, and economic activity evolve in the months and years ahead.

Key Takeaways: Data Highlights

- **Primary fire areas experienced the most severe labor market disruption:**
  Q2 2024–Q2 2025 employment declined –19.1% in Eaton (primary) and –26.3% in Palisades (primary), compared with –0.1% countywide; establishment declines were smaller (–6.2% Eaton; –9.4% Palisades).
- **Secondary fire areas show divergence between business counts and employment:**

  Eaton secondary establishments –3.1%, employment –0.5%; Palisades secondary establishments –5.2%, employment +0.8%, indicating localized shifts in economic activity outside burn perimeters.
- **Employment losses in primary fire areas are concentrated in locally serving sectors:**

  Eaton primary employment declines exceeded –40% in administrative & support services, other services, and accommodation & food; Palisades primary declines exceeded –59% in accommodation & food and retail trade.
- **Business contraction is broad-based but less severe than job losses:**

  Largest establishment declines observed in information, finance, wholesale trade, professional services, and arts/education across primary fire areas, with more modest countywide declines.

- **Non-reporting businesses signal continued disruption in secondary areas:**

  Eaton secondary recorded 51 non-reporting establishments, including 22 in health care; Palisades secondary recorded 21, led by professional, scientific & technical services and health care, with clustering along major commercial corridors.

- **Total rebuilding workforce demand estimated at 141,000–209,000 job-years:**

  Direct employment accounts for ~85% (119,000–177,000 job-years); indirect supply-chain employment contributes an additional 22,000–32,000 job-years.

- **Palisades drives the majority of rebuilding labor demand:**

  Estimated 92,000–137,000 job-years (≈ two-thirds of total) in Palisades versus 49,000–72,000 job-years in Eaton.

- **Construction occupations dominate rebuilding needs:**

  Construction and extraction account for 55.4% of direct employment; management (12.4%) and office/administrative support (12.2%) together represent roughly one-quarter; top 15 occupations comprise ~66% of total rebuilding employment.

- **Permitting data indicate early but uneven recovery progress:**

  By mid-January 2026, ~2,800+ rebuild/repair permits issued; 20–21% of damaged parcels had submitted permit applications; average time from application to issuance ~80 business days, with Eaton ahead in finalized permits.

- **Housing and tourism impacts remain spatially uneven:**

  >400 residential sales recorded in each fire area in 2025 (≈96% single-family); ZIP codes closest to Palisades show sustained rental price increases above trend, while Eaton-adjacent ZIPs show shorter-lived effects; tourism foot traffic remains weakest in primary fire areas, with secondary areas showing clearer recovery by late 2025.