
Assessing the Ongoing Impact of the 2025 Los Angeles Fires on Malibu Business

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Christopher Thornberg, PhD

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It has been over three months since Los Angeles County was struck by two massive wildfires, Palisades and Eaton, that killed 30 people, destroyed over 13,000 structures, and left nearly 12,000 families homeless. The region is now grappling with the recovery effort, which essentially includes three major tasks:

1. **Supporting displaced families and workers with immediate living needs.**
2. **Clearing and cleaning-up of the burn areas and helping owners rebuild.**
3. **Minimizing secondary economic impacts on the local and regional economy.**

There has been heavy focus on the first two tasks, and perhaps not enough on the third. Businesses across the region continue to be negatively impacted by the fires. The adverse publicity has been a generalized blow to tourism in the Los Angeles region, with passenger traffic through LAX down over 8% from February 2024 to February 2025,¹ yet another blow to an industry already suffering from a decline in global travel to the region due to a strong dollar and international political tensions. Businesses that operate close to the burn zones are also enduring very specific impacts. The loss of local activity is being driven by both the dislocation of residents and businesses from the fires and by the cleanup efforts themselves. On this front, no part of Los Angeles County has been impacted more than the City of Malibu.



The City of Malibu stretches along the Pacific Coast Highway nestled between the Pacific Ocean and the Santa Monica mountains. While iconic for its views, celebrities, and upscale housing, the City has struggled with Southern California's growing fire risk in recent years. The region was hit in 2018 by the Woolsey Fire and again in December 2024 by the Franklin Fire. The latter destroyed 20 structures and burned 4,000 acres of land before it was contained. Then again, this past January, the City was not spared. While the majority of the damage from the Palisades fire was within the City of Los Angeles, the fire did spread into the eastern edge of Malibu damaging or destroying over 1,500 structures.

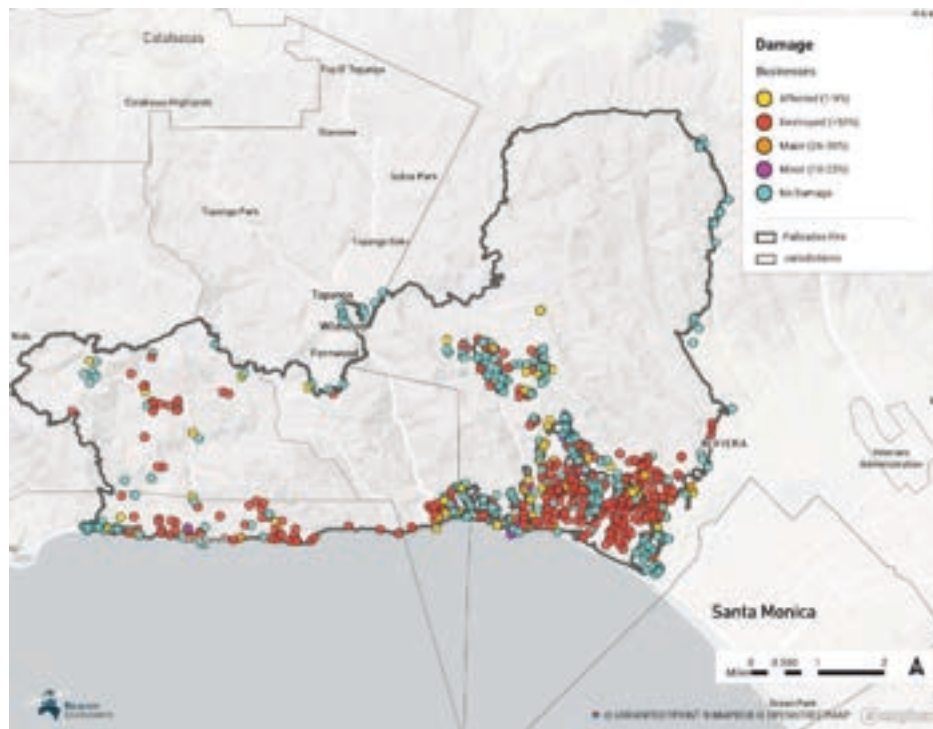
For local businesses that avoided direct impact from the fire, the ongoing problem has been the closure of the Pacific Coast Highway, which remains partially closed between Carbon Beach Terrace and Chautauqua Boulevard, preventing access to the center of the City of Malibu. Officials acknowledge that the 10-mile stretch of highway is undamaged, but they are diverting traffic so crews can safely and easily access fire-damaged areas.² But this road represents the primary artery between Malibu and the rest of Los Angeles. Keeping it closed simply compounds the stress on businesses in the region.

To understand the impact of the closure on local businesses, we leverage data from the California Department of Forestry and Fire Protection (CAL FIRE) Damage Inspection (DINS) and detailed business data from DatabaseUSA. First, we consider the businesses directly affected by the fire by spatially mapping business information to the DINS data, which contains information on structural damage. This enables us to understand which businesses were destroyed, unaffected, or suffered minor damage. Next, we profile the businesses that have been indirectly affected by the road closures along the Pacific Coast Highway.

¹ <https://www.lawa.org/sites/lawa/files/2025-03/Tcom0225.pdf>

² <https://www.latimes.com/wildfire-recovery/returning-home/story/wildfires-road-closures-pacific-coast-highway-access-passes>

Figure 1: Map of Businesses Affected by the Palisades Fire



In total, 1,407 businesses operated in the affected area, collectively supporting nearly 13,000 jobs.³

Business Counts by Property Damage Designation

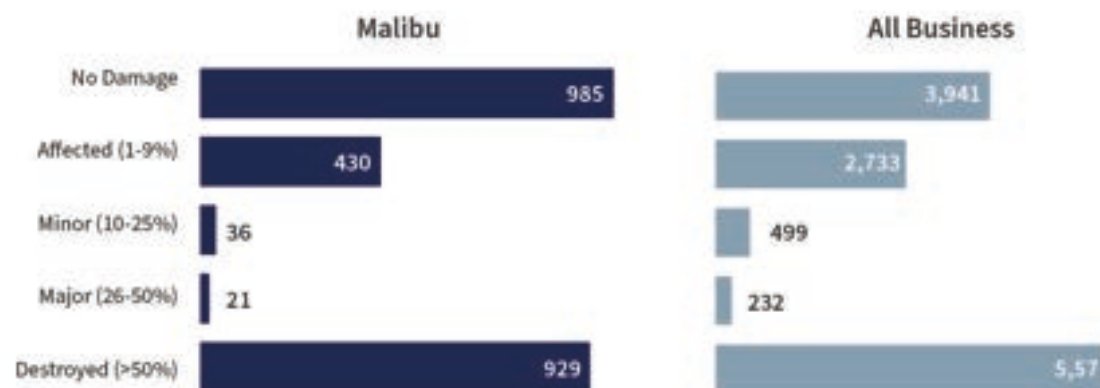
Designation	All Business	Malibu
No Damage	456	98
Affected (1-9%)	257	33
Minor (10-25%)	36	3
Major (26-50%)	8	1
Destroyed (>50%)	650	99
Total	1,407	234

Source: California Department of Forestry and Fire Protection, DatabaseUSA. Analysis by Beacon Economics

³ Note, some businesses are home based, such as Cheriefoto, a photography studio. In other cases, the address captured by DatabaseUSA will reflect the address of the business owner such as Shakti Innovations.

Nearly half of all jobs in the City of Malibu are located at properties that were completely destroyed by the fire—929 out of 1,877 jobs.

Business Counts for Destroyed Properties in City of Malibu



Source: California Department of Forestry and Fire Protection, DatabaseUSA. *Created with Datawrapper.
Analysis by Beacon Economics

Business Counts for Destroyed Properties in City of Malibu

Business Size	Malibu Counts	Share (%)
Up to 4	100	42.7
5 to 9	67	28.6
10 to 19	42	17.9
20 to 49	17	7.3
50 to 99	7	3.0
100 to 249	1	0.4

Source: DatabaseUSA. Analysis by Beacon Economics

A large share of all the businesses damaged in the Palisades Fire were relatively new; three-quarters were established since 2010, which reflects how much commercial activity has grown in the area over the last decade and a half. That pattern is consistent in the City Malibu, where over 40% of the impacted businesses got their start in just the past few years. Obviously, the fire has affected small businesses the most, as 40% of these establishments employed fewer than five people, underscoring the vulnerability of independent and locally owned businesses in the face of natural disasters.

Destroyed Businesses, Palisades Fire

Industry	All Business		Malibu	
	Count	Share (%)	Count	Share (%)
Health Care	91	16.7%	16	20.0%
Other Services	63	11.5%	13	16.3%
Retail Trade	56	10.3%	8	10.0%
Construction	51	9.3%	7	8.8%
Administrative Support	51	9.3%	7	8.8%
Real Estate	47	8.6%	5	6.3%
Information	31	5.7%	5	6.3%
Arts/Entertainment/Recreation	31	5.7%	2	2.5%
Finance and Insurance	29	5.3%		0.0%
Accommodation	25	4.6%	7	8.8%
Education	19	3.5%		0.0%
Manufacturing	15	2.7%	3	3.8%
Wholesale Trade	14	2.6%	4	5.0%
Transportation/Warehousing	12	2.2%	1	1.3%
Agriculture	9	1.6%	2	2.5%

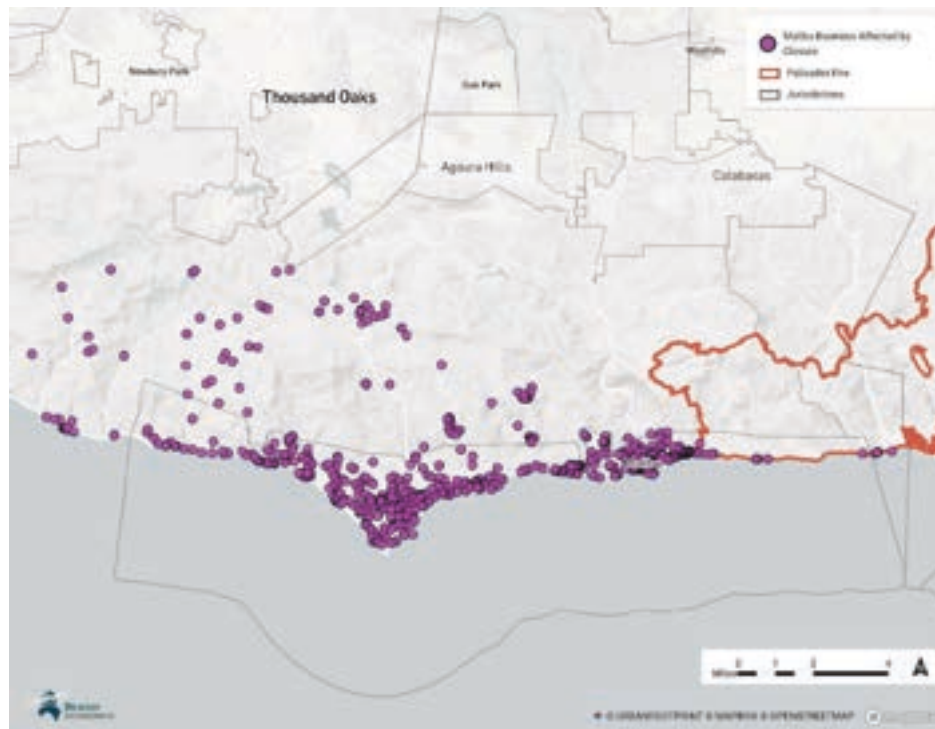
Source: DatabaseUSA. Analysis by Beacon Economics

Businesses Affected by Recent Road Closures

Beyond the immediate structural losses, the fire's aftermath presents long-term economic challenges, including job displacement, revenue loss, and the financial strain of rebuilding. The businesses affected by the fire span a wide variety of industries. In the City of Malibu, the businesses that were impacted the most were primarily in locally-serving industries: Health Care, Other Services, and Retail Trade. Health Care has suffered the greatest impact, with one in five destroyed businesses being in that industry. This pattern is consistent across the entire range of affected businesses.

Figure 2 below shows the location of Malibu businesses that have been potentially affected by the road closure along the Pacific Coast Highway. Some of these businesses were directly impacted by fire-related closures, particularly those along the Pacific Coast Highway to Point Dume, while others have experienced more indirect effects, such as reduced customer traffic and disruptions to normal operations due to nearby road closures and decreased regional activity.

Figure 2: Map of Businesses Affected by the Pacific Coast Highway Closure



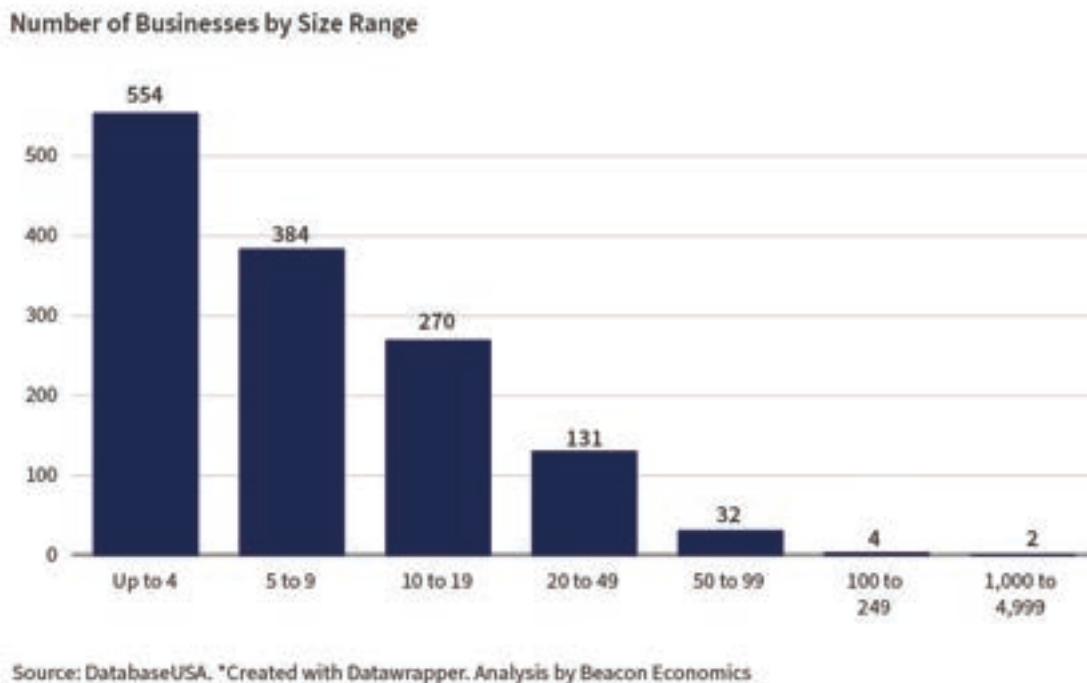
Among the largest businesses affected by the Palisades Fire road closures are several prominent employers, including Pepperdine University, Whole Foods Market, and two elementary schools—Point Dume and Webster.

Industry Employment for Affected Malibu Businesses

Industry	Businesses	Jobs
Accommodation	79	1277
Administrative Support	120	745
Agriculture	34	130
Arts/Entertainment/Recreation	55	593
Construction	109	700
Education	25	3947
Finance and Insurance	60	591
Health Care	164	2151
Information	55	772
Manufacturing	27	555
Other Services	158	1213
Professional/Technical Services	188	1457
Real Estate	107	1267
Retail Trade	159	1778
Transportation/Warehousing	22	146
Wholesale Trade	27	346
Total All Industry	1389	17668

Source: DatabaseUSA. Analysis by Beacon Economics

In total, 1,389 businesses operate in the area affected by the road closures, collectively supporting nearly 17,700 jobs. The lion’s share of these jobs are in the Education sector, which supports nearly 3,950 jobs, or 22.3% of employment. Health Care and Retail Trade are also important sectors for the local area, collectively supporting more than 3,900 jobs.



In terms of business counts, the Professional/Technical Services sector, with 188 establishments, has been the most impacted. Most of these establishments operating in the affected area have been in business for 10 or more years, while fewer than one-fifth have been operating for two years or less. Despite having a number of large employers in the area, most of the establishments are small businesses employing fewer than five employees.

The closures along the Pacific Coast Highway will undoubtedly disrupt business operations in the City of Malibu, especially for businesses that rely heavily on leisure and hospitality activities. Given its proximity to the coast, the City of Malibu’s economy is largely rooted in tourism. The road closures in response to the Palisades Fire have impacted foot traffic at local restaurants, retail shops, and hotels, which in turn, will affect local revenues.

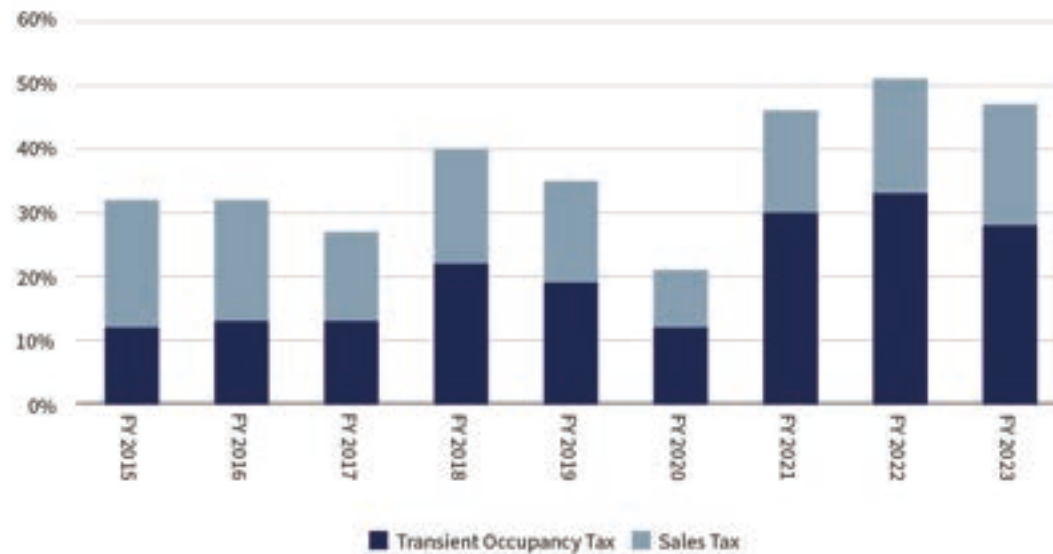
Revenues for Similarly-Sized Cities in California

City	FY 2023 Total Revenues	Total Population	Revenue Per Capita
Piedmont	79	1277	1277
Sonoma	120	745	745
Clayton	34	130	130
Placerville	55	593	593
Malibu	109	700	700
Morro Bay	25	3947	3947
Shasta Lake	60	591	591
Exeter	164	2151	2151
Farmersville	55	772	772
Rio Vista	27	555	555

Source: California State Controller's Office. Analysis by Beacon Economics.

Share of General Fund Revenues (Excludes Property Tax)

City of Malibu



Source: City of Malibu. Analysis by Beacon Economics

The City of Malibu generates a significant amount of revenue relative to its population size. When compared to ten cities with similar population sizes, Malibu's revenue per capita is 84% higher than the group average. The importance of the tourism industry in supporting Malibu's economy is underscored by the contribution of Sales Tax and Transient Occupancy Tax (TOT) to the City's General Fund. These two revenue streams account for approximately half of Malibu's non-property tax General Fund revenue, a share that has increased 15 percentage points since FY 2015.

Moreover, the lion's share of the City of Malibu's budget goes toward supporting public safety. In other words, in the aftermath of one of the most destructive wildfires in history, the City stands to lose out on revenues that support police, fire, and emergency services such as paramedics. Just how much the City could lose in revenues is debatable, but we can see some semblance of the magnitude of the loss using data from the California Department of Tax and Fee Administration, which provides breakouts for taxable sales by business type.

To estimate the hit to taxable sales in the City of Malibu, we make some assumptions about the disruption rates for various business segments. For example, discretionary categories such as Clothing Stores are expected to see a larger drop in sales; we conservatively assume a 30% disruption rate.⁴ For spending categories that are more locally oriented, such as Building Materials & Supplies, we assume a 5% rate of disruption. In the most extreme case, we apply a 45% disruption rate to the Food and Bar segment of taxable sales. Although a 45% disruption rate might seem exorbitant, the Palisades Fire destroyed four prominent restaurants in the City: Moonshadows, Reel Inn, Thai Cholada, and Rosenthal Wines. We apply these disruption rates to the taxable sales breakouts from the most recent fiscal year for the City of Malibu and then scale them to create a monthly estimate of potential taxable sales reductions.

Estimated Taxable Sales Losses in City of Malibu

Segment	FY 2024 Sales (\$000s)	Disruption Rate (%)	Estimated Monthly Loss (\$000s)
Clothing Stores	\$44,588.95	30%	\$1,114.72
Food and Bar	\$202,717.58	45%	\$7,601.91
Food and Beverage Stores	\$32,728.75	10%	\$272.74
Gasoline Stations	\$32,993.19	15%	\$412.41
Building Material & Supplies Dealers	\$10,089.77	5%	\$42.04
General Merchandise Stores	\$4,802.19	10%	\$40.02
Home Furnishings/Appliance	\$6,088.83	10%	\$50.74
Other Retail Group	\$42,553.50	20%	\$709.23
All Other Outlets	\$79,658.95	20%	\$1,327.65
Total All Outlets	\$456,221.72		\$9,534.59

Source: California Department of Tax and Fee Administration Analysis by Beacon Economics

This exercise suggests that the City will lose roughly \$9.5 million per month due to the Pacific Coast Highway closure, with Food and Bar (shorthand for Food Services and Drinking Places) taking the biggest hit: an estimated \$7.6 million decline in monthly spending, amounting to nearly 80% of the aggregate reduction in monthly taxable sales. Notably, these estimates do not include losses to TOT revenues from hotels and short-term rentals, which are highly dependent on Pacific Coast Highway access. The most recent budget for the City of Malibu penciled in a projection of \$9.5 million in TOT for FY 2025. If we assume a 50% disruption, the City will lose out on roughly \$400,000 per month in TOT collections.

⁴ These estimates are also conservative considering the totals are the aggregate of non-confidential sectors.

In sum, the closure of the Pacific Coast Highway will harm local businesses, especially those heavily reliant on tourism, and their employees. The longer the closure persists, the more precarious the situation becomes for area businesses that rely on visitor spending. And by reducing tax revenue, the closure will also put additional strain on local government finances, which support essential services such as public safety and infrastructure maintenance.

It has been said that the true test of leadership is how well you perform in a crisis, and on that front the City and County of Los Angeles has struggled. From the lack of preparation during the peak hours of fire risk, to the lack of a formulated recovery and cleanup plan, to the seeming inability to simplify the permitting process (only 11 building permits have been pulled at the time of this writing). Additionally, there has been little effort to help businesses that were indirectly impacted by the fires and are now being negatively impacted by the clean-up efforts. Regional authorities need to appreciate that not only should the rebuilding be rapid, it also needs to be accomplished without causing even more damage to those businesses struggling to survive the aftermath.



Research Fellow, Pepperdine School of Public Policy

Christopher Thornberg has been called many things throughout his career, but his favorite thing to be called is correct.

Notably, he predicted the collapse of the sub-prime real estate bubble in 2006 and the Great Recession that followed. During the Covid-19 pandemic he was one of the few economists on record to correctly push back against the forecasting community's panicked predictions of a depression. In the past two years, he has again stood against the grain, and stood out, for accurately forecasting that there would be no recession.

Dr. Thornberg left a teaching position at UCLA's Business School in 2006 to found Beacon Economics, and under his leadership, the firm has become one of the nation's most respected economic research organizations. He consults globally for private industry, cities, counties, and public agencies. A dynamic public speaker, he challenges audiences to question popular narratives – and to ask the right economic questions.



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