2016-2020

ECONOMIC FORECAST & INDUSTRY OUTLOOK

SPECIAL SECTION: HOUSING MARKET RECOVERY

LAEDC LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

2016-2020

ECONOMIC FORECAST & INDUSTRY OUTLOOK

SPECIAL SECTION: HOUSING MARKET RECOVERY

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September 2015

Los Angeles County Economic Development Corporation
The Kyser Center for Economic Research
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The LAEDC, the region's premier business leadership organization, is a private, non-profit 501(c)3 organization established in 1981.

As Southern California's premier business leadership organization, the mission of the LAEDC is to attract, retain, and grow businesses and jobs for the regions of Los Angeles County.

Since 1996, the LAEDC has helped retain or attract more than 200,000 jobs, providing over $12 billion in direct economic impact from salaries and over $1.1 billion in property and sales tax revenues to the County of Los Angeles.

Regional Leadership
The members of the LAEDC are civic leaders and ranking executives of the region's leading public and private organizations. Through financial support and direct participation in the mission, programs and public policy initiatives of the LAEDC, the members are committed to playing a decisive role in shaping the region's economic future.

Business Services
The LAEDC's Business Development and Assistance Program provides essential services to L.A. County businesses at no cost, including coordinating site searches, securing incentives and permits, and identifying traditional and nontraditional financing. The LAEDC also works with workforce training, transportation and utility providers.

Economic Information
Through our public information and for-fee research, the LAEDC provides critical economic analysis to business decision makers, education, media and government. We publish a wide variety of industry focused and regional analysis, and our Economic Forecast report, produced by the **Kyser Center for Economic Research**, has been ranked No. 1 by the Wall Street Journal.

Institute for Applied Economics
The LAEDC Institute for Applied Economics offers thoughtful, highly regarded economic and policy expertise to private- and public-sector clients. The group focuses on economic impact studies, regional industry analyses and economic issue studies, particularly in water, transportation, infrastructure and workforce development policy.

Leveraging Our Leadership
The LAEDC Center for Economic Development partners with the Southern California Leadership Council to help enable public sector officials, policy makers and other civic leaders to address and solve public policy issues critical to the entire region's economic vitality and quality of life.

Global Connections
Our World Trade Center Los Angeles-Long Beach works to support the development of international trade and business opportunities for Southern California companies as the leading international trade association, trade service organization and trade resource in Los Angeles County. It also promotes the Los Angeles region as a prime destination for foreign investment. For more information, please visit *http://laedc.org/wtc/*

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On behalf of our dedicated members and talented staff, we are pleased to present the LAEDC 2016-2020 Economic Forecast and Industry Outlook, with a special focus on the growing impact of the Millennial generation, and analysis of the housing recovery.

The LAEDC Economic Forecast is Southern California's premier source for in-depth economic information and analysis on our global, national, state and regional economies, produced by the LAEDC Kyser Center for Economic Research, led by its Chief Economist, **Dr. Robert Kleinhenz**.

Dr. Kleinhenz is joined at the event this year by **Dr. Dowell Myers, Director, Population Dynamics Research Group, USC**, and **Clinton Moloney, Managing Director, Sustainable Business Solutions, Pricewaterhouse Coopers** who will share insights into today's topic, *From Boomers to Millennials: Demographic Shifts and Changes in the Urban Environment.*

Our expert panel will address the question, *How are businesses and cities adapting to the changing needs of the generational shift from Boomers to Millennials,* which will highlight many industry sectors including architecture, urban development, transportation, communication, banking, and healthcare. Moderating the panel is **Kish Rajan, President, Southern California Leadership Council,** and our esteemed panelists are **John Adams, Co-Managing Director, Gensler Los Angeles, Ola Danilina, CEO & Founder, PMBC Group, Danielle Grossman, Marketing Manager for Southern California, Zipcar,** and **Osvaldo (Ozzie) Martinez, Chief Administrative Officer, Kaiser Permanente South Bay**

Repeating his role as Master of Ceremonies, is **Frank Mottek** who reports on the regional business and economic news for KNX 1070 NewsRadio where he is host of the KNX Business Hour, the number one business radio show in Southern California.

This morning's event has been made possible by a number of generous sponsors, including **Cal State University Los Angeles, City National Bank, PWC, Southern California Association of Governments, University of Southern California,** and **Watson Land Company**. Our media sponsor for this event is **Los Angeles Business Journal.** Our sincere thanks go to all of them.

Thank you for your continued support of the LAEDC and our mission to attract, retain, and grow businesses and jobs for the residents of Los Angeles County. This work has directly led to **200,000** good jobs for L.A. County, a milestone we were elated to announce earlier in 2015. The impact these jobs have on the health and well-being of families and communities of our region is a great reminder of the true value of economic development.

Sincerely,

Bill Allen,	Praful Kulkarni, President, gkkWorks
President and CEO	Chairman
LAEDC	LAEDC

PREPARED AND RESEARCHED BY:

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About the Kyser Center for Economic Research

The Kyser Center for Economic Research was named in November 2007 in honor of the LAEDC's first Chief Economist, Jack Kyser. The Kyser Center's economic research encompasses the Southern California region, which includes the counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. The center also tracks developments and produces forecasts, studies, and reports on the California, national and international economies.

The economy of the greater Los Angeles region is driven by more than its famed entertainment industry. The region's broad economic base also includes aerospace, automotive, biotechnology, fashion, manufacturing and international trade. The Kyser Center conducts research on the individual industries of the region to gain a better understanding of ongoing changes in the economy.

The Kyser Center is highly regarded for its accurate and unbiased assessment of the economy. Kyser Center economists are also sought-after public speakers and frequent contributors to media coverage of the economy. At the heart of the Kyser Center is its mission to provide information, insights and perspectives to help business leaders, government officials and the general public understand and take advantage of emerging trends.

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The U.S. Economy

- GDP growth edges up as consumer spending accelerates
- Business investment holds steady, federal deficit narrows. Job gains continue and the unemployment rate falls to 5%
- Risks: slower than expected growth among U.S. trading partners; Fed's normalization of short-term policy rates

	2013	2014	2015F	2016F
Real GDP (% Change)	1.5%	2.4%	2.4%	2.8%
Nonfarm Jobs (% Change)	1.7%	1.9%	2.1%	1.8%
Unemployment Rate	7.4%	6.2%	5.4%	5.0%
Consumer Price Index (% Change)	1.5%	1.6%	0.2%	1.6%

The California Economy

- State's job gains continue to outpace the nation, the unemployment rate drops below 6%.
- Housing and construction up substantially; strong gains in health services; administrative and support services; professional, scientific and technical services; and leisure and hospitality
- Improved fiscal outlook; water issues loom large

	2013	2014	2015F	2016F
Unemployment Rate	8.9%	7.5%	6.4%	5.8%
Nonfarm Jobs (% Change)	3.2%	3.0%	2.9%	2.4%
Population Growth (% Change)	0.8%	0.9%	0.9%	0.9%

The Southern California Economy

- Region participates in statewide employment gains and declining unemployment rates
- Leading industries: construction; healthcare and social assistance; international trade/goods movement; professional and business services
- Lagging industries: other services; nondurable goods manufacturing; financial activities

THE U.S. ECONOMY

The U.S. domestic economy stayed on the trajectory of steady, modest growth that has characterized the current expansion. Through the first half of this year, GDP increased at an average annual rate of 2.8%, slightly faster than the 2.4% rate for all of 2014. Several indicators reflected better conditions compared with the last couple of years: the headline unemployment rate is now at full employment, wage and salary jobs are growing at the fastest rate in 20 years, nearly every major industry has consistently added jobs, and wage growth is solidly ahead of inflation.

Despite concerns about slower growth in China and increased volatility in the U.S. and global financial markets, 2015 will be marked by solid domestic growth, much improved conditions in the labor market, and a long awaited takeoff in housing that should extend into 2016. The year to come will build upon the momentum of 2015. GDP growth should strengthen from this year's projected 2.4% rate to 2.8%. Job gains in most industries will push the unemployment rate to 5.0%, and the U.S. will continue to lead the global economy.

KEY SECTORS

Consumers: Consumer spending generally represents about two-thirds of total spending in the U.S. economy and, as such, drives momentum in the overall domestic economy. Consumer spending is propelled by gains in income, increases in wealth, and greater access to credit, along with slower changing forces such as demographics and consumer tastes.

During the first half of 2015, real consumer spending increased by an average of 3.2% -- compared with 2.7% for all of last year -- as households responded to sustained increases in jobs and incomes along with improvement in wages. Purchases of durable goods led the way with an increase of over six percent in the first half of the year. Similarly, vehicle sales are on track to exceed 17 million vehicles. Consumer nondurable goods and consumer services, which together make up the nearly ninety percent of total consumer spending, increased at a rate of 2.5% to 3.0% in the first half of the year.

Households are feeling more confident about their financial outlook and are increasingly relying on credit to finance purchases even as personal income moves higher. Credit card balances were up by 5.1% in the second quarter of this year compared with the same period in 2014. Continued strength in vehicle sales triggered an 11.2% year-to-year increase in auto loans and student loan balances rose by 6.4% year-to-year over the same period.[1] Even so, total household debt is still 6.5% lower than the peak level that occurred in the third quarter of 2008. This may be due to greater caution on the part of households with respect to using credit, but it may also be related to homeownership, which stood at 63.4% in the second quarter, considerably below the 69.2% peak that was

[1] Quarterly Report on Household Debt and Credit, Federal Reserve Bank of New York, August 2015

achieved in the fourth quarter of 2004. With improvements in the housing market over the next few years, mortgage debt will increase with rising homeownership rates, pushing total household debt up to and beyond the previous historic high.

Increased household wealth is also supporting higher levels of spending. Household net worth surpassed the prerecession peak three years ago, climbing in response to higher returns in the financial markets, and more recently, increases in property values. Homeowner's equity grew by 10.2% in the first quarter of this year, the latest in a string of double-digit gains that date back to mid-2012. Although homeowners' equity was still 11% below peak in the first quarter of this year, that peak is within sight if anticipated gains in housing over the rest of this year and the next materialize as expected.

For all of this year, consumer spending increased by a respectable 3.1% and is expected to grow by 3.2% next year, slightly outpacing the long-run average of 2.7%. Increases in durable goods spending will be led by higher expenditures on vehicles and other discretionary purchases, while purchases of both nondurable goods and services will remain on track with steady gains of roughly 3.0% for all of this year and again in 2016.

Businesses: Investment spending has been a mainstay of the current economic expansion, fueled by economic growth but also enabled by high liquidity and low borrowing costs. Investment in structures rose by 8.1% last year, but slid by 1.0% in the first half of 2015. On the other hand, investment in intellectual property, which accounts for just over one-fifth of total investment spending, accelerated from a strong 5.2% growth rate last year to an even more robust pace of 6.9% in the first half of 2015. Finally, investment in equipment rose by 5.8% last year but grew by a more modest 3.9% in the first two quarters of 2015.

The other major component of investment spending is residential construction. At first, a quick recovery was expected – new residential construction posted double-digit growth rates in 2012 and 2013. But last year's growth rate was a paltry 1.8%, causing concerns about when residential building would finally hit its stride. During the first half of this year, however, things began to look much more promising. Residential investment rose by 8.1%, while housing permits and housing starts are finally approaching long anticipated activity levels. *For more on this sector, please see Special Report: Housing Market Recovery Around the Corner or Down the Road*

Overall, investment spending is expected to grow by 5.8% this year, with a 4.9% gain anticipated in 2016. Business investment in equipment and intellectual property should show growth in the mid-single-digit percentages next year. While investment in structures faces a drag from the power sector and mining and petroleum, it will be offset by strength in new construction of commercial, healthcare and manufacturing structures this year and next.

Government: After four consecutive years of decline, government purchases will turn around this year and next with marginal (0.7%) back-to-back increases. State and local finances have generally improved in recent years, resulting in an increase in expenditures last year after declines from 2010 through 2013. State and local spending will accelerate somewhat this year with a 1.2% increase, to be followed by a 0.9% gain expected next year.

Sequestration cuts continued to hold federal spending in check, especially defense-related expenditures. This year will mark the fifth straight year of decreases in federal spending, with outlays expected to be up marginally (0.2%) next year. Defense spending will slip by 1.1% this year and increase slightly (0.3%) in 2016, while nondefense expenditures should show a 1.0% gain this year, slowing to just 0.1% in 2016.

Trade: In 2014, the value of U.S. exports was equal to 82% of U.S. imports, up from 64% ten years earlier. While the ratio of exports to imports improved organically over time, it was also spurred by the Obama Administration's five-year National Export Initiative (2010-2014). As the U.S. economy strengthened this year, its imports have accelerated, while the stronger dollar and weakness among U.S. key trading partners led to slower growth on the export front, pushing the ratio of exports to imports down to 79% so far this year. Even so, by the close of 2015 exports are projected to eke out a 1.7% increase, while imports are projected to grow by 5.7%.

Improved performance among U.S. trading partners in 2016 should drive exports higher (up 3.7%), while stronger domestic momentum will translate into strong import growth, up by 5.5% over 2015. Despite facing headwinds, exports will continue to set new records in inflation-adjusted terms, even as the improving situation among U.S. households and businesses drives imports to new record highs as well.

Labor: The labor market hit key milestones in 2015. First, the headline unemployment rate fell to 5.1% in August, which is equivalent to the economy's long-run natural rate of unemployment as gauged by the Congressional Budget Office. Second, nonfarm jobs are on track to increase at a rate of 2.1% this year, the fastest growth rate in the past 15 years. Moreover, the share of workers with a full-time position should hit the long-run average of 82% after years of slow but steady improvement.

The labor market may be healing from the residual effects of the Great Recession, but at a less-than-satisfactory pace. For example, wages are outpacing inflation (up by an average of 2.2% yearly in the first eight months of 2015 compared to inflation which was flat over the same period), but have not accelerated despite being at full employment. Moreover, the share of long-term unemployed continues to fall but is still high by historic standards (27.7% compared to a long-run average of 25.0%). Finally, while the long-term decline in the labor force participation rate may be attributed to demographic changes, it is disconcerting to find that the rate among young adults remains unusually low, while the rate among Boomers is among the highest on record. It remains to be determined whether older (Boomer) workers are crowding out younger (Millennial) workers who would like to get jobs but are prevented from doing so by their older counterparts who continue to work.

A somewhat faster pace of growth in the overall economy next year should support continued job gains, pushing the unemployment rate down to five percent. Meanwhile, wage gains are expected to edge up as the labor market tightens.

Inflation: Despite the Federal Reserve Bank's hopes for inflation approaching two percent, prices were decidedly tame throughout 2015. In recent years, the biggest sources of inflation have come from abroad in the form of consumer and commodities prices. But with weak global demand (especially in China), commodities prices have shown little upward momentum, while the strong U.S. dollar has kept import prices in check. Together with the price of oil, which is down by half or more compared to the hundred-dollar prices of mid-2014, there is little to ignite inflation.

One may look for increases in prices as the labor market tightens, but firms have invested heavily in labor-saving technologies that increase worker productivity, making wage-related price increases less of a foregone conclusion. Moreover, there is still slack elsewhere in the economy. Capacity utilization, which measures the share of the nation's industrial production in use, has held steady at roughly 78% through the first part of this year, considerably below the 83% to 85% range that corresponds to full utilization of the nation's productive capacity. As a result, inflation as measured by the Consumer Price Index (CPI) is expect to increase a scant 0.2% this year, accelerating to a still tepid rate of 1.6% in 2016, while other measures of inflation should also be low.

ECONOMIC POLICY

Fiscal Policy: Fiscal policy is more or less on automatic pilot at this time and, after exerting a drag on the economy in recent years, will have little or no effect on the growth rate of the overall economy this year and next. Continued cuts to defense expenditures will be offset by increases elsewhere in the federal budget in 2015, resulting in a neutral effect on the economy. As of August, the Congressional Budget Office (CBO) projects a budget deficit of $426 billion this year, just 2.4% of GDP, below the long-run average of 2.7%. The deficit will fall further to $414 billion (two percent of GDP) in 2016, but will widen later in the decade.

Monetary Policy: By law, the Federal Reserve Bank (the Fed) has a dual mandate to maintain price stability and achieve full employment in the labor market. As of this year, the unemployment rate has entered the range of 5.0% to 5.5%, which corresponds to full employment. Prices, on the other hand, are perhaps too stable – the rate of inflation right now is close to zero. Ideally, the Fed would like to see inflation accelerate to two percent -- enough inflation to suggest that the economy is on track and that a rate hike would not derail economic growth. These observations suggest that the Fed has achieved its objectives and can begin to "normalize" monetary policy. This would include an increase in the federal funds rate, which has effectively been at zero since late in 2008.

A neutral federal funds rate is thought to be above two percent, but the Fed has yet to make its first move in that direction, observing that the current expansion is "fragile" and is following a growth trajectory that is flatter than in previous expansions. Additionally, despite the low headline unemployment rate, there are other signs that point to continuing slack in the labor market: the relatively high shares of part-time workers and long-term unemployed, and modest increases in wage rates. As of this writing, it is generally agreed that the U.S. economy and labor market are sufficiently strong to allow the Fed to normalize rates, but concerns about the global economy have also entered the picture recently. Should the Fed raise rates in the next few months, its actions will offset those of other central banks that have more recently reduced rates and engaged in other monetary stimulus measures. The Fed must engage in a balancing act over the next several months and years, as it seeks to move to a more neutral policy stance and positions itself for the next (inevitable) economic downturn, while at the same time trying to avoid actions that may negate those of other central banks.

U.S. FORECAST AND RISKS

The U.S. economy will advance through the rest of this year and into 2016. The long--awaited surge in housing and construction should finally materialize, largely driven by demographics. Numerically, Millennials now outnumber Boomers, with the oldest Millennials now in their late twenties and early thirties, the prime period for forming new households and becoming first-time homeowners. These “life cycle” events were delayed by the Great Recession but have the potential to drive economic growth for the next several years, just as occurred with the Boomers in the 1970s and 1980s. As Millennials form households and occupy dwellings as renters or owners, they are likely to buy a wide range of consumer durable goods (furniture and white goods such as washing machines and refrigerators) as well as nondurable goods (bed and bath items, window coverings and so on), unleashing a significant ripple effect through the economy.

Risks to the forecast primarily arise from elsewhere in the world. The nation’s major trading partners across the Atlantic and the Pacific have struggled for years to overcome domestic and regional (including sovereign debt) problems and get on track with sustainable growth. This will continue to be a challenge in 2016. In addition, political and national security developments in many parts of the world have the potential to be disruptive to regional and global economies alike. More than anything else, these developments increase uncertainty, which has a tempering effect on economic growth and progress.

For most of the last six decades, the U.S. and global economies have faced a constant risk associated with disruptions to the supply of energy. While these risks never abate entirely, they pose less of a threat now due to the global glut of oil and the dramatic increases in domestic energy production here in the United States.

Table 1: U.S. Economic Indicators

Annual % change except where noted	2009	2010	2011	2012	2013	2014	2015f	2016f
Real GDP	-2.8	2.5	1.6	2.2	1.5	2.4	2.4	2.8
Nonfarm Employment	-4.3	-0.7	1.2	1.7	1.7	1.9	2.1	1.8
Unemployment Rate (%)	9.3	9.6	8.9	8.1	7.4	6.2	5.4	5.0
Consumer Price Index	-0.4	1.6	3.2	2.1	1.5	1.6	0.2	1.6
Federal Budget Balance (FY, $billions)	-1413	-1294	-1300	-1087	-680	-$483	-$426	-$414

Sources: BEA, BLS and CBO; forecasts by LAEDC

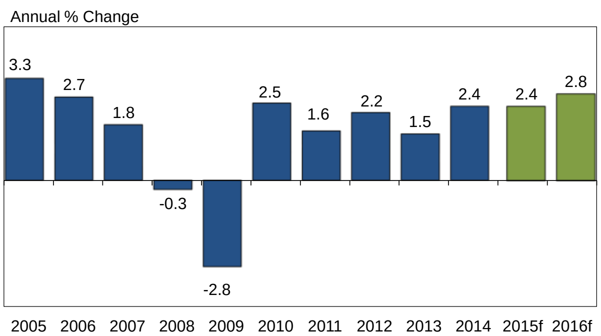
Table 2: U.S. Interest Rates

Annual Average, %	2009	2010	2011	2012	2013	2014	2015f	2016f
Fed Funds Rate	0.16	0.18	0.10	0.14	0.11	0.10	0.18	1.10
10-Yr Treasury Note	3.26	3.22	2.78	1.80	2.35	2.40	2.20	2.70
30-Year Fixed Mortgage	5.04	4.69	4.45	3.66	3.98	4.20	3.90	4.40

Sources: Federal Reserve Board; forecasts by LAEDC

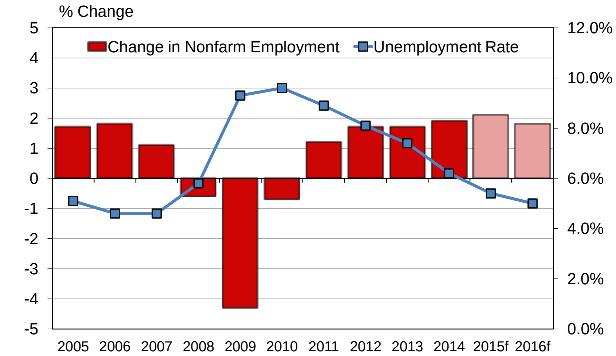
U.S. Economic Snapshot

U.S. Economic Growth



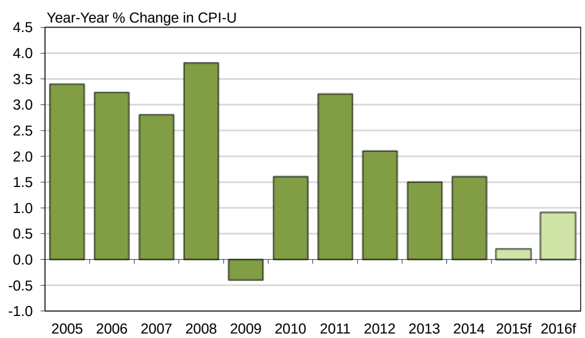
Sources: Bureau of Economic Analysis, forecasts by LAEDC

U.S. Labor Market



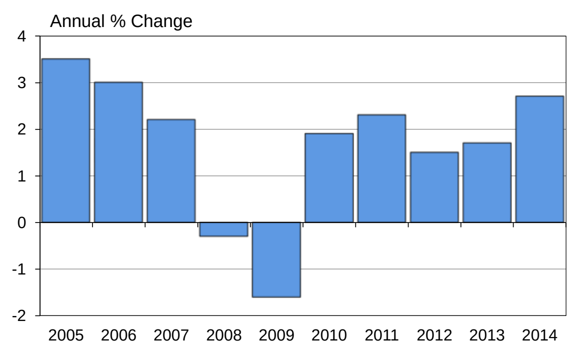
Sources: Bureau of Labor Statistics, forecasts by LAEDC

U.S. Consumer Inflation



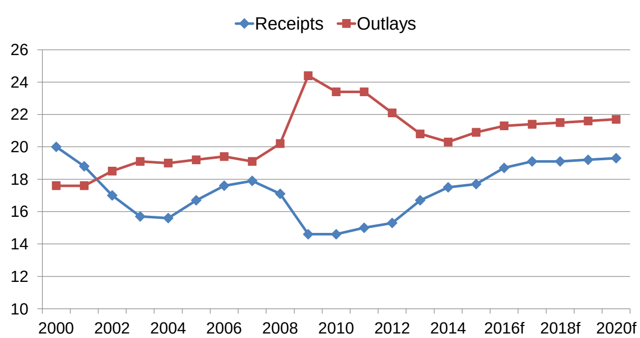
Source: Bureau of Labor Statistics; forecasts by LAEDC

U.S. Personal Consumption



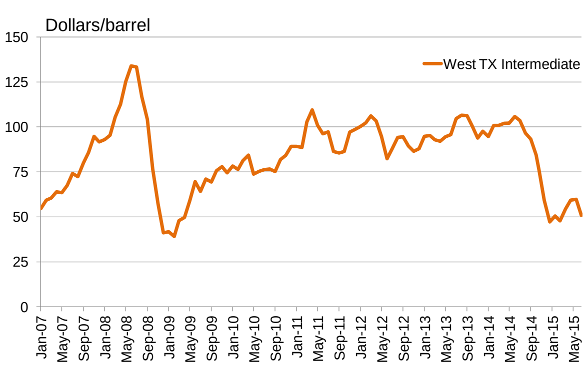
Source: Bureau of Economic Analysis

Federal Budget Receipts & Outlays as Percentage of GDP



Source: Office of Management & Budget

Crude Oil Prices 2007-Present



Source: US Energy Information Administration

THE INTERNATIONAL ECONOMY

The Southern California regional economy is linked to the international economy through international trade, foreign direct investment (FDI), tourism, entertainment and education. The region's goods, services, academic institutions and human capital are in high demand the world over. The ties between Southern California and its Asia-Pacific, Latin American and European partners will only strengthen in the coming decades. This makes it essential to monitor the international economy and developments affecting Southern California's top trading partners (particularly export markets) and largest sources of FDI.

RECENT DEVELOPMENTS

The major global developments this year centered on China, Japan, the euro zone and low oil prices. Chinese economic growth slowed to 7.4% in 2014, the lowest rate since 1990. Growth is expected to slow to 6.8% in 2015 due to declining business investment and a slow-down in residential real estate and construction. However, there are concerns over the reliability of Chinese statistics and speculation that growth rates are lower than report. In any case, a further deceleration to 6.3% is anticipated for 2016 as China continues to transition from investment-led growth to an economy that is increasingly driven by—and dependent on—internal consumption. Decelerating growth in China prompted the government to devalue the yuan in an effort to prop up Chinese exports, which contributed to the collapse of the Chinese stock market. The government has significant policy flexibility and ample resources to prevent a "hard" landing as it transitions to consumption-led growth, but the actual path remains to be seen.

In Japan, a hike in the sales tax last year that aimed to reduce the country's debt sent the nation into its third recession in five years. The Japanese economy has contracted in four of the last seven quarters and inflation has fallen to zero percent this year. This has raised concerns about the effectiveness of an expansionary monetary policy program designed to "overcome deflation and achieve sustainable economic growth." Japan's efforts to tackle deflation might be further hurt by low oil prices and tepid global demand (particularly China) for Japanese exports.

The euro zone economy is grappling with stagnant growth, high debt and high unemployment. In response, the European Central Bank (ECB) engaged in a program of quantitative easing by purchasing sovereign bonds and increasing the supply of money, and reducing interest rates. This was intended to weaken the value of the euro against the U.S. dollar and boost European exports. While European exports have increased and provided support to GDP growth, the region's growth has been modest and inflation has remained low – below the ECB's two percent target rate. Consequently, accommodative monetary policy is likely to continue. A slowdown in the developing world and a weaker demand for European exports will reinforce the need for ongoing stimulus measures in the near future.

OUTLOOK FOR 2015-2016

China, Japan, South Korea and Taiwan are Southern California's top four trading partners, representing more than 75% of total container volume through the ports of Los Angeles and Long Beach. China alone represents nearly 60% of two-way trade flows. Add in the ASEAN-5 nations (Thailand, Vietnam, Indonesia, Malaysia and the Philippines) and roughly 90% of all goods that transit through the San Pedro Bay ports come from just nine countries. These nations are also among the Los Angeles Metropolitan Area's top export markets and the largest sources of FDI into Los Angeles County. Canada and Mexico are also closely connected to the Southern California economy. These two nations are the region's top export markets and Canada ranks as the fifth leading source of FDI.

China: China is the Los Angeles Customs District's (LACD) largest trading partner and the Los Angeles Metropolitan Area's third biggest export market. China is also one of the leading sources of FDI into Los Angeles County. Chinese investment has doubled over the past five years, but it remains to be seen whether turbulence of the Chinese economy and financial markets will slow *or* accelerate Chinese FDI into Los Angeles County. On the export side, Chinese tourism has nearly quadrupled over the past four years, making China the top overseas market for visitors to Los Angeles County. China's economic rise has been a boon for Southern California's exporters, while the inflow of billions of investment dollars has facilitated the creation of thousands of new jobs in the region.

The Chinese economy continued its downward growth trajectory in 2014 with GDP growth slowing to 7.4%, low by historical standards, but still significant for an emerging market with a $10 trillion economy. China's GDP is projected to slow again in 2015 to 6.8% and yet again in 2016 (to 6.3%). As the Chinese government relies less on growth from capital expenditures and more from domestic consumption, economic growth will downshift. Concerns over deflation have facilitated interest rate cuts and a series of stimulus measures. The government recently devalued the yuan to stimulate Chinese exports and to stem the outflow of capital. While this has rattled global markets, the impact on the U.S. real economy is limited. Chinese exports account for less than one percent of U.S. GDP and China represents less than one percent of American banking assets. Decelerating economic growth may dampen short-term trade prospects in the Los Angeles area, but in the long term, as China transitions to consumption-led growth, rising incomes and stronger purchasing power will fuel Chinese demand for U.S. goods and benefit the Los Angeles economy.

Japan: Japan is Los Angeles County's leading source of foreign direct investment. It is also the LACD's second largest trading partner and the Los Angeles Metropolitan Area's fourth most important export market. Trade activity between Los Angeles and Japan in the near-term has been depressed because of Japan's lackluster economic performance. The Japanese economy contracted in the second quarter of this year, the result of weak domestic consumer spending and a decrease in exports.

Japan engaged in a program called "Abenomics" starting in 2013, a three-step solution to the country's economic woes. The program consists of flexible government spending, monetary easing and structural reforms. One of the key goals was to combat deflation and reach the 2% inflation target rate set by the Bank of Japan. Inflation, however, has fallen to zero percent, casting doubt on the efficacy of expansionary monetary policy. Quantitative easing has weakened the yen, which supports increased exports, but weaker demand from China and the recent devaluation of the yuan has outweighed the benefits of the weaker yen. Consequently, GDP forecasts have been revised down to 0.8% in 2015 and 1.2% in 2016.

Mexico: Mexico is the Los Angeles Metropolitan Area's second largest export market and one of Los Angeles County's largest sources of FDI. Two-way trade values between Mexico and Los Angeles increased by 6.4% in 2014 to $2.8 billion. Like Canada, Mexico depends heavily on U.S. demand – nearly 80% of Mexican manufactured goods end up in the U.S. Mexican industrial production and exports hit record levels in 2014 with 82% of Mexican automobile production destined to American consumers. This has contributed to strong growth in exports and private investment. Government spending, on the other hand, has been limited because of low oil revenues and has contributed little to economic growth.

The Mexican economy is expected to grow by 2.4% this year and by 3.0% in 2016. A weaker peso and a stronger U.S. economy will boost demand for Mexican exports. Austerity measures aimed at narrowing the nation's budget deficit will soften the impact of lower oil revenues. However, weak domestic demand (from a significant depreciation of the Mexican peso) and planned cuts to government spending may impede some of that growth.

Canada: Canada is the Los Angeles Metropolitan Area's largest export market and Los Angeles County's fifth largest source of foreign direct investment. Canada's economy is heavily dependent upon exports. Roughly 75% to 80% of Canadian exports ship to the U.S., a large portion of which is motor vehicles and related parts.

The biggest obstacle to Canada's economy moving forward is the continued low price of crude oil, the country's largest export. While the Canadian economy is technically in a recession, the contraction in growth during the previous two quarters is attributable to low oil prices. The decline in oil prices has led to a pull-back in business investment spending, hampering Canada's efforts to transition to an economy driven by stronger business investment and non-energy exports. In the near term, Canadian export growth will be supported by expansion of the U.S. economy, which should help Canadian GDP grow by 1.5% in 2015 and 2.1% in 2016.

South Korea: South Korea is the LACD's third largest trading partner and one of the leading sources of foreign direct investment into Los Angeles County. Despite a loss of momentum resulting from sluggish trade growth and anemic spending, the South Korean economy expanded at an annual rate of 3.3% in 2014. Business spending has been a drag on growth with cautious Korean firms keeping a close eye on the direction of trade. Korea's two largest trading partners are China and Japan, both of which have been on a slowing trend. A falling rate of inflation prompted the Korean central bank to cut interest rates twice last year and again in March in order to encourage price growth and to help increase consumer spending by making it easier for households to borrow.

The South Korean economic outlook for 2015 and 2016 will largely depend upon energy prices and the global economic environment, especially developments in China, Europe, Japan and the U.S., all of which are significant destinations for Korean exports. Korean GDP is forecasted to increase again by 3.3% in 2015 and accelerate to 3.5% in 2016.

Taiwan: Taiwan is the LACD's fourth largest trading partner and one of Los Angeles County's top 10 sources of foreign direct investment. Similar to South Korea, the Taiwanese economy relies heavily on external demand from China, Europe and the U.S. (exports account for about 75% of GDP). The slowdown in China, along with the recession in Europe, has weakened the Taiwanese economy over the last two years, prompting the implementation of expansionary monetary and fiscal policies. With 25% of its exports going to China, growth in Taiwan will remain constrained by the slowdown of its largest trading partner. While strengthening U.S. demand will support growth of Taiwanese exports, a strong Taiwanese dollar will create headwinds for export growth. The Taiwanese economy is expected to expand by 3.8% this year and by 4.1% in 2016.

RISKS FOR 2015-2016 AND CONCLUSIONS

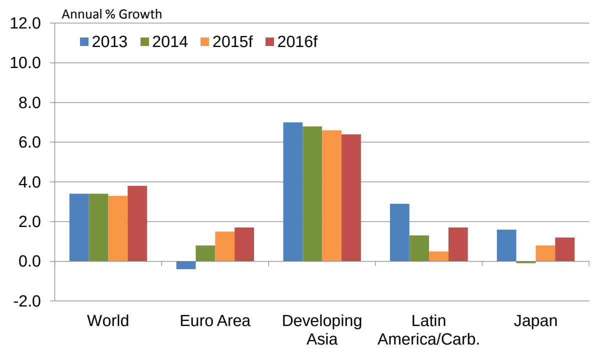
The low price of oil continues to be a headline story. Lower oil prices have conflicting implications for global growth. While cheaper fuel is a boon to U.S. consumers and should help U.S. GDP growth, it has led to cuts in energy-related investment and spending. It also puts pressure on economies whose budgets rely heavily on revenues from oil exports, such as Canada, and especially emerging markets such as Mexico, Brazil and Russia. Still, low oil prices should be a net positive for advanced economies. World output, however, was revised down slightly to 3.3% in 2015 from China's rebalancing and its effect on the developing world, but should trek upwards to 3.8% in 2016.

With China's economy losing steam, there are concerns over the regional effects on emerging Asia, with growth forecasts slowing to 6.6% in 2015 and 6.4% in 2016. The Association of Southeast Asian Nations (ASEAN-5), a group of five countries that consist of Thailand, Vietnam (LACD's fifth largest trading partner), Indonesia, Malaysia and the Philippines, should see their economies expand by 4.7% and 5.1% over the next two years. This has important implications for the Los Angeles economy, as all five countries are among its top trading partners.

Finally, geopolitical risks continue to dot the landscape. The conflict between Ukraine and Russia poses a threat to Europe's energy imports from Russia. In the Middle East, there are concerns over Russia's unknown intentions in Syria (with its military buildup); Saudi Arabia's intervention in Yemen; and the Iranian nuclear deal, which would allow Iran to export much more of its products, most notably oil. Each of these situations introduces uncertainty into a world economy that is still healing from the Great Recession, and uncertainty is no friend of economic growth and progress.

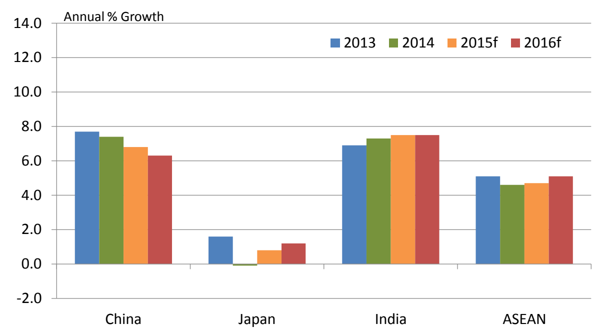
Global Economic Snapshot

Global Economic Outlook



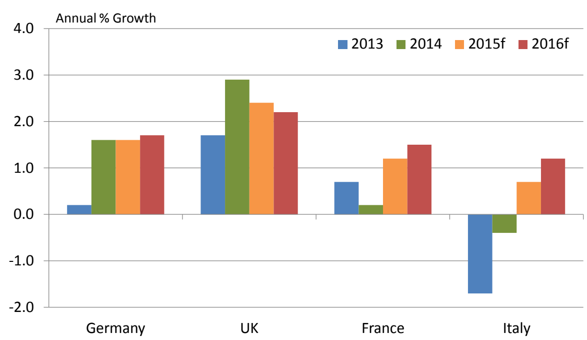
Source: IMF World Economic Outlook, July 2015 Update

Asian Economic Outlook



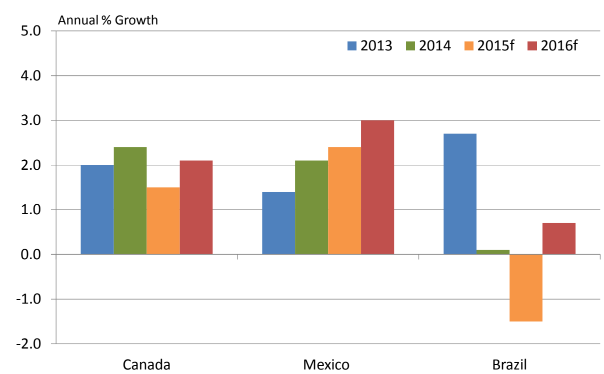
Source: IMF World Economic Outlook, July 2015 Update

European Economic Outlook



Source: IMF World Economic Outlook, July 2015 Update

Americas Economic Outlook



Source: IMF World Economic Outlook, July 2015 Update

Table 3: Foreign Exchange Rates of Major U.S. Trading Partners

Country (Currency)*	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	1H2015
Broad Currency Basket (index)	113.76	110.84	108.70	103.58	99.88	105.67	101.82	97.15	99.81	100.98	104.15	114.61
Canada (US$/C$)	1.302	1.216	1.134	1.073	1.066	1.141	1.030	0.989	1.000	1.030	1.104	1.235
China (US$/yuan)	8.28	8.19	7.97	7.61	6.95	6.83	6.77	6.46	6.31	6.15	6.16	6.22
Euro Zone (US$/€)**	1.244	1.245	1.256	1.371	1.473	1.394	1.326	1.393	1.286	1.328	1.330	1.117
Japan (US$/¥)	108.2	110.1	116.3	117.8	103.4	93.7	87.8	79.7	79.8	97.6	105.7	120.2
Mexico (US$/peso)	11.29	10.89	10.91	10.93	11.14	13.50	12.62	12.43	13.15	12.76	13.30	15.13
South Korea (US$/₩)	1145	1024	954	929	1099	1275	1156	1107	1126	1095	1052	1099
United Kingdom (US$/£)**	1.833	1.820	1.843	2.002	1.855	1.566	1.545	1.604	1.585	1.564	1.648	1.524

Percent Change***	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	1H2015
Broad currency basket (index)	-4.6%	-2.6%	-1.9%	-4.7%	-3.6%	5.8%	-3.6%	-4.6%	2.7%	1.2%	3.1%	10.0%
Canada (C$)	-7.1%	-6.6%	-6.7%	-5.3%	-0.7%	7.1%	-9.8%	-4.0%	1.1%	3.1%	7.2%	11.9%
China (yuan)	0.0%	-1.0%	-2.7%	-4.6%	-8.7%	-1.7%	-0.9%	-4.5%	-2.4%	-2.6%	0.2%	0.9%
Euro Zone (€)	-9.9%	-0.1%	-0.9%	-9.1%	-7.4%	5.4%	4.8%	-5.1%	7.7%	-3.3%	0.1%	-16.0%
Japan (¥)	-6.7%	1.8%	5.6%	1.2%	-12.2%	-9.4%	-6.3%	-9.2%	0.2%	22.3%	8.3%	13.7%
Mexico (peso)	4.6%	-3.5%	0.1%	0.2%	2.0%	21.1%	-6.5%	-1.6%	5.8%	-3.0%	4.3%	13.8%
South Korea (₩)	-3.9%	-10.6%	-6.8%	-2.7%	18.3%	16.0%	-9.3%	-4.2%	1.7%	-2.8%	-3.9%	4.4%
United Kingdom (£)	-12.1%	0.7%	-1.3%	-8.6%	7.4%	15.6%	1.3%	-3.8%	1.2%	1.3%	5.4%	-7.6%

Source: Federal Reserve Statistical Release G.5A; Annual Averages

<u>*Notes:*</u>
**Foreign currency units per U.S. dollar*
***The value in U.S. dollars versus the foreign currency*
****Performance of U.S. dollar versus the foreign currency*

THE CALIFORNIA ECONOMY

INTRODUCTION

California has a large and fast-growing economy. The state accounts for over 13% of U.S. GDP, by far the largest of any state. California's gross product grew by 2.8% in 2014, outpacing the national growth rate of 2.4% and is expected to increase by 2.8% in 2015.

California is a national leader in the technology, aerospace and life sciences industries as well as entertainment, tourism and agriculture. In recent years, California firms have attracted venture capital funding that has equaled or exceeded the amount received by firms in the other 49 states combined.[2] Since 2012, the state has added jobs at a faster rate than the nation as a whole and, in February 2014, recovered all the wage and salary jobs that were lost during the recession – several months ahead of the nation. This was a significant achievement considering the relatively larger impact of the Great Recession on California's housing, construction and manufacturing industries. California's unemployment rate is still elevated but it has fallen steadily over the past five years and is presently below its average long-run annual rate (since 1990).

As of July 2015, year-to-date, California nonfarm employment was up by 471,400 wage and salary jobs compared with the same seven-month period in 2014.[3] The eight largest metro areas in California accounted for nearly 76% of the increase. Los Angeles County added 99,400 jobs, the largest number of any metro area. This equated to a growth rate of 2.4%. Silicon Valley (San Jose MSA) generated jobs at the fastest pace (5.6%), followed by Riverside-San Bernardino (4.1%). Elsewhere in Southern California, Orange County nonfarm employment increased by 3.3% during the first seven months of the year with San Diego County following at a rate of 3.0%, while in Ventura County, nonfarm employment grew by 1.3%.

California employment continues to expand at a robust pace. During the first seven months of 2015, nearly every industry sector added jobs. The largest gains occurred in professional, scientific and technical services; leisure and hospitality; healthcare and social assistance; administrative, support and waste services; and construction for a total of 290,500 jobs. In 2014, 70% of the job gains for the year were concentrated in those five industry sectors. Now well into 2015, that share has fallen to 62%, indicating stronger job growth across a wider array of industries.

In percentage terms, between January and July, construction added jobs at the fastest rate (6.6%), followed by professional, scientific and technical services (6.2%). Administrative, support and waste services added jobs at a rate of 4.8%, while transportation, warehousing and utilities employment expanded by 4.5%.

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[2] "*Cal Facts*" Legislative Analyst's Office, December 2014

[3] Unless otherwise noted, California state employment figures are seasonally adjusted

The only two industries that posted year-to-date declines (January to July) were nondurable goods manufacturing (down by 1.3%, or 6,400 jobs) and mining and logging (down by 3.9%, or 1,200 jobs).

TRENDS IN MAJOR INDUSTRIES

Aerospace and Technology: California's technology sector consists of a combination of manufacturing and service industries in aerospace, information technology and biomedical technology. The aerospace and technology industries are concentrated in Los Angeles and Orange counties, San Diego County and the San Francisco Bay/Silicon Valley region. Together, these industries make up the core of the state's information, technology and innovation economy. They also receive a majority of the venture capital dollars that flow into California.

Technology employment (not seasonally adjusted) exceeded 1.06 million workers in 2014, edging past the previous peak of just over 1.03 million reached in 2013. While overall employment is growing, the mix of jobs across industries has changed markedly over the last decade, reflecting the shift in manufacturing to services jobs that has prevailed throughout the economy since the 1970s. In 2004, jobs in technology manufacturing and services were about evenly split – 51% versus 49% -- but by 2014, employment in technology services had grown to over 64% of total sector employment.

During the first seven months of 2015, total technology employment grew by 5.3% to 1.1 million jobs, compared with the same period in 2014. Nearly half the new jobs came from computer systems design (22,600 jobs) with management and consulting jobs contributing 17,500 jobs. Smaller increases occurred elsewhere, except for aerospace product and parts manufacturing, which lost 490 jobs during this period. Similar trends are expected to continue for the foreseeable future with the largest gains occurring in technology services, while technology manufacturing employment remains flat or down marginally.

Agriculture: California is the nation's leading producer of fruits, vegetables, nuts and dairy products. The state's highest value commodities are milk, grapes, almonds and nursery plants. Agricultural and related products are also one of California's largest exports to the rest of the world. Industry employment during the first seven months of 2015 was 413,500 workers. This represents a decline of 1.1% compared with the same period last year. Agriculture in California accounted for about 1.4% of the state's gross product in 2014 and 2.3% of civilian employment.

California's 80,500 farms and ranches generated cash receipts of $44.8 billion (in real terms) in 2013 (latest data available), up by 2.4% compared with 2012 and a new record high. Crop receipts rose by 2.7% to $31.5 billion, while livestock receipts increased by 4.1% to $12.0 billion. California was the top state in cash farm receipts in 2013 with 10.4% of the total for the U.S. In 2013, California also ranked first among the 50 states in terms of net real farm income at $46.0 billion, or 10.2% of the national total.

According to the USDA, as of March 31 of this year, over 97% of California's $43 billion agricultural sector was experiencing severe, extreme or exceptional drought. Although California's agricultural sector has continued to grow in spite of the drought, if the dry conditions persist beyond 2015, employment, already beginning to erode, will suffer further declines along with a drop in production as more land is left fallow. Researchers at UC Davis estimate the drought will cost the state economy $2.74 billion in 2015 and result in the loss of 10,000 seasonal farm jobs.[4]

Healthcare: The healthcare and social assistance industry in California has been a reliable source of employment growth for a number of years, continuing to add jobs even during times of recession. With just over two million workers, the industry accounts for slightly more than 13% of the state's 16 million wage and salary jobs, making it the largest of the major private industry sectors (the public sector employs 2.4 million workers). During 2014, healthcare added over 78,000 jobs, an annual growth rate of 3.9%. Growth continued in 2015 with the industry adding nearly 58,900 jobs during the first seven months of the year, an increase of 2.9% over the same period in 2014. By the close of 2015, healthcare employment is expected to post an annual increase of 3.3%, rising to over 2.1 million jobs across a range of skill and income levels.

The healthcare industry is currently undergoing significant organizational changes in response to both rising costs and new regulation legislated by the Affordable Care Act. Over the past year, a wave of consolidations has rippled through the industry as healthcare providers, insurers and large corporate customers formed partnerships and alliances. In addition, over the longer term, the healthcare industry must respond to the state's growing population, a larger share of older residents and increased longevity.[5] As with the nation, the challenge for California will be to manage the ongoing costs associated with demographic changes and expanded access to healthcare.

International Trade: The international trade sector is a significant part of California's economy and a vital link in the nation's trade network. The majority of the nation's goods trade is highly concentrated in the corridors between its largest metropolitan areas.[6] The Los Angeles-Riverside and San Francisco-San Jose trade corridors are among the largest in the U.S. Likewise, eight of the nation's 25 most valuable international trade corridors are in California.

Statewide two-way trade hit a record-high of $608 billion in 2014 but is expected to decline to $592 billion by the end of 2015. Expectations for global trade in 2015 were not high to begin with and growth in the volume of goods trade was expected to be modest at best. Trade growth in recent years has been weak due to subpar global demand and the lack of progress in international trade negotiations. More recently, events in China have increased fear and uncertainty about the direction of the global economy. August was marked by rolling market sell-offs and intense downward pressure on currency and

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[4] Howitt, Richard, et al; *"Economic Analysis of the 2015 Drought For California Agriculture"* UC Davis (August 17, 2014)

[5] California's senior population is expected to grow by 87%, or four million people, over the next two decades (PPIC August 2015)

[6] Tomer, Adie and Kane, Joseph; "*Mapping Freight: The Highly Concentrated Nature of Goods Trade in the United States*" Brookings Institute (November 2014)

commodity markets. Some measure of calm returned late in the month, but the underlying conditions that prompted the turmoil still exist. China's economy is slowing and is faced with multiple challenges. It is not yet certain what course the Chinese government will chart through this transition period. Strong demand in the U.S. will provide a buffer against volatility in the rest of the world, but California trade volumes will suffer if the economies of its trading partners, many of which are much more dependent on the Chinese economy, begin to slow.

Growth is expected to return in 2016 with the value of two-way trade rising to $614 billion. California is the second-largest goods exporting state in the country (just behind Texas, which is heavily dependent on energy-related exports). California's largest exports are computer products, transportation equipment (mainly aerospace-related), machinery, agricultural product, and chemicals (pharmaceuticals). Imports outweigh exports by a two-to-one margin.

Tourism: The multi-billion-dollar travel and tourism industry has achieved a prominent position in California's economy. In 2013 (latest figures available), the gross product generated by California's travel industry was $51.6 billion, or approximately 2.5% of total state gross product. California also had the largest share of the domestic travel market among all 50 states with 10.4% of the total.[7]

Total visitor counts were up by 3.4% on an annual basis in 2014 and are expected to increase by 2.3% in 2015. International visitor counts grew at an even faster pace in 2014, rising by 4.7% over the year. Expenditures by business and leisure travelers to the state totaled $116.6 billion in 2014, an increase of 6.3% compared with 2013. Domestic travelers accounted for $93.9 billion, while international visitors spent $22.7 billion on California's travel-related goods and services. On average, hotel occupancy rates closed in on 75% in 2014, while increased demand, lack of new hotel construction and high occupancy rates drove revenue per room growth past 11%. [8]

Leisure and hospitality jobs account for about 11% of all wage and salary jobs in California. While a significant part of leisure and hospitality activity is associated with tourism, many of these jobs serve the local population more so than the region's tourists and business travelers. Jobs in this industry include lodging, food services, the performing arts, museums, amusement parks and gambling establishments. Leisure and hospitality employment grew by 4.8% in 2014 to nearly 1.8 million jobs, following a 4.9% gain in 2013. Year-to-date in 2015 (July), leisure and hospitality employment has increased by 3.8% to 1.8 million jobs compared with the same period last year. Payrolls continue to grow fastest at restaurants and bars, which account for over 70% of all leisure and hospitality employment.

All of California's major tourism markets are expected to see gains this year and next. Improvements in the labor markets, income growth and rising consumer confidence will

[7] "*California Travel Impacts by County*"; Dean Runyan Associates, VisitCalifornia.com (May 2014)

[8] "*California Travel & Tourism Outlook*"; Tourism Economics, VisitCalifornia.com (Fall 2014)

support higher household spending, which in turn suggests strong near-term growth for the state's travel and tourism industry.

Construction: Construction activity and employment in 2014 posted welcome and long awaited increases after struggling in the years during and immediately after the Great Recession. New office construction continues to lag because of high vacancy rates, but industrial construction is gaining momentum, especially in the goods movement and distribution and technology. Nonresidential construction permits increased by 7.5% in 2014 but are expected to edge up by just 0.4% this year. New home permits, which showed a modest gain in 2014 (4.3%), are expected to accelerate this year with an increase of 21.8%.

Construction employment saw substantial gains in 2014, growing by 6.0% and adding 38,100 jobs. Year-to-date (January to July), the construction industry in California has added 44,000 jobs, a gain of 6.6% compared with the same period in 2014. These gains have only begun to offset the loss of 373,900 jobs, or 40% of total construction employment, from a 2006 peak of 933,700 to a low of 559,800 in 2010. Construction employment is expected to grow by 7.0% again this year with a 6.4% gain projected for 2016.

LOOKING AHEAD

By several measures, California's economy is thriving. Following a 3.0% increase in 2014, nonfarm jobs are expected to grow by 2.9% in 2015, and then slow slightly to 2.4% in 2016. The unemployment rate stood at 6.3% in July and is expected to decline to 5.8% in 2016. With further improvements anticipated for the labor market, personal income and total taxable sales should increase by 4.9% and 4.5% respectively this year, with similar or better gains in 2016.

In addition to a rosier employment outlook, California has recently made headway against a number of other problems that have plagued the state for years, if not decades. California's finances have stabilized and, after years of deficits, the General Fund closed the latest fiscal year with a cash surplus for the second consecutive year. In the area of water policy, significant reforms have been enacted to improve the sustainable management of the state's ground water resources. At the same time, some seemingly intractable problems persist. The unfunded liability of state retiree health care costs remains a concern, critical infrastructure projects continue to be deferred and there is a severe shortage of affordable housing, particularly in the metro areas that are experiencing the fastest rates of job growth.

Most regions in the state have regained all of the jobs lost during the recession or are very close to doing so. Expanding the benefits of the state's economic growth to a larger share of the population is the next big step. Meeting this challenge will require attracting skilled workers to the state, increasing college enrollment and completion rates, upgrading the state's physical infrastructure and careful management of the state's finances and water resources.

GROSS PRODUCT COMPARISONS

California has a diversified and innovative economy that ranks as one of the largest in the world. If Southern California and Los Angeles County were nations on their own, they would also rank among the world's 25 leading economies. Contributing to the strength of the economies of California and Southern California are strong and well developed technology, manufacturing, entertainment and tourism sectors. Also underlying their success is openness to international trade, particularly in Southern California, which, in addition to being one of the nation's largest consumer markets, serves as the primary conduit for trade and travel between the U.S. and Asia.

With an estimated gross state product of $2.3 trillion in 2014, California had the eighth largest economy in the world, coming in just behind France and Brazil. California also ranked eighth in 2013 but was 10th in 2012. Pushing California up in the ranks is a rate of real economic growth that, in addition to outpacing the United States as a whole (2.8% versus 2.4%), is outperforming many of the world's leading developed and emerging nations including Japan, Germany, Brazil, and Australia. At the same time, the rise in value of the U.S. dollar has played a role in boosting the nominal value of California's output.

The Los Angeles five-county region had an estimated gross product of over $1.0 trillion in 2014, making it the 16th largest economy in the world and Los Angeles County earned the 21st position on the list with an estimated gross product of over $634 billion.

Table 4: Gross Product Comparisons, 2014

(Billions of $US)

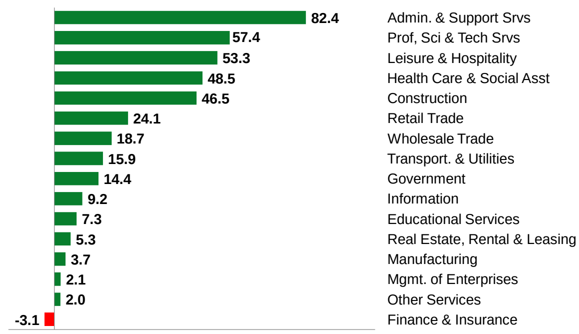
Rank	Country/State/Region	Nominal GDP 2014(e) $US Billions	Nominal 2013-2014 % Change	Real 2013-2014 % Change	Nominal Per Capita Income 2014(e)
1	United States	$17,348.1	4.1%	2.4%	$54,597
2	China	$10,380.4	9.6%	7.4%	$7,589
3	Japan	$4,616.3	-6.2%	-0.1%	$36,332
4	Germany	$3,859.6	3.4%	1.6%	$47,590
5	United Kingdom	$2,945.2	9.9%	2.6%	$45,653
6	France	$2,846.9	1.4%	0.4%	$44,538
7	Brazil	$2,353.0	-1.6%	0.1%	$11,604
	California	**$2,311.6**	**4.5%**	**2.8%**	**$50,040**
8	Italy	$2,148.0	0.5%	-0.4%	$35,823
9	India	$2,049.5	9.3%	7.2%	$1,627
10	Russia	$1,857.5	-10.7%	0.6%	$12,926
11	Canada	$1,788.7	-2.7%	2.5%	$50,398
12	Australia	$1,444.2	-3.8%	2.7%	$61,219
13	Korea	$1,417.0	8.6%	3.3%	$28,101
14	Spain	$1,406.8	1.0%	1.4%	$30,728
15	Mexico	$1,282.7	1.6%	2.1%	$10,715
	L.A. 5-County Region	**$1,044.0**	**3.9%**	**2.5%**	**$56,227**
16	Indonesia	$888.6	-2.6%	5.0%	$3,534
17	Netherlands	$866.4	1.5%	0.9%	$51,373
18	Turkey	$806.1	-1.9%	2.9%	$10,482
19	Saudi Arabia	$752.5	1.1%	3.6%	$24,454
20	Switzerland	$712.1	3.8%	2.0%	$87,475
	Los Angeles County	**$634.1**	**3.5%**	**2.1%**	**$47,993**
21	Nigeria	$573.7	9.9%	6.3%	$3,298
22	Sweden	$570.1	-1.6%	2.1%	$58,491
23	Poland	$546.6	3.9%	3.3%	$14,379
24	Argentina	$540.2	-13.2%	0.5%	$12,873
25	Belgium	$534.7	1.8%	1.0%	$47,722

Note: *Figures based on market exchange rates*
Source: *IMF World Economic Outlook (WEO), July 9, 2015*
Bureau of Economic Analysis; Global Insight

California Snapshot

California Employment Growth, 2016

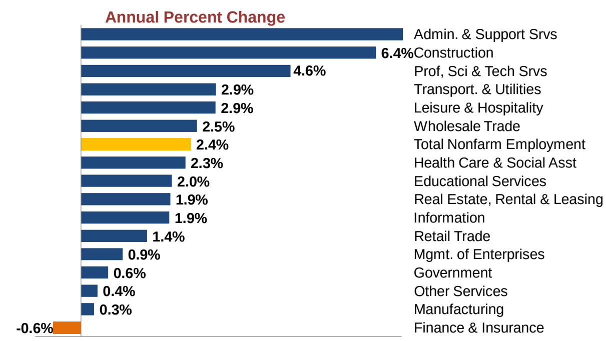
Total nonfarm job growth forecast for 2016 (thousands): +386.4 jobs



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

California Employment Growth, 2016

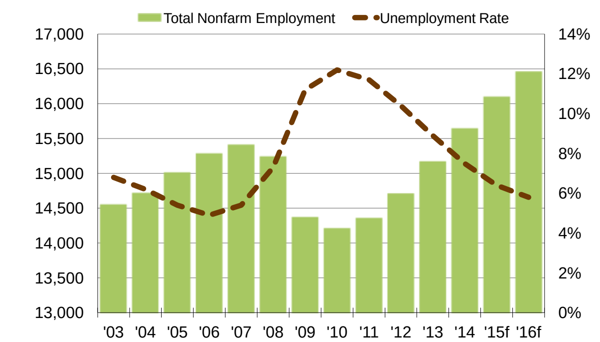
Total nonfarm job growth forecast for 2016, percent change: +2.4%



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

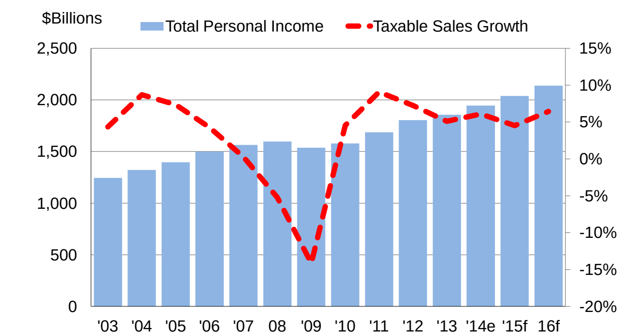
California Employment

Annual average in thousands, 2014 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

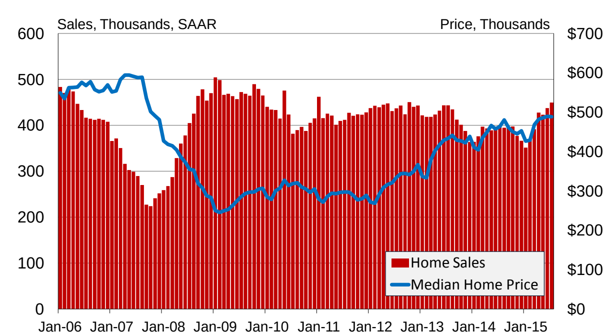
California Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

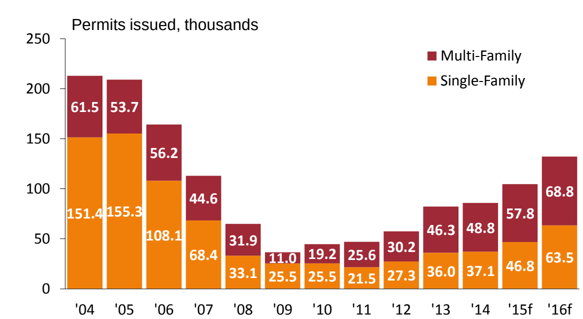
Home Sales & Median Prices California

Existing, single-family homes



Source: California Association of Realtors

Residential Building Permits Issued in California



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 5: California Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total TaxableSales ($Billions)	Value of Two-way Trade ($Billions)	Housing Unit Permits Issued	Nonresidential Buidling Permits ($Millions)
2003	35,388.9	14,557.8	6.8	1,244.5	35,303	460.1	347.8	195,682	13,915
2004	35,752.8	14,723.6	6.2	1,321.8	37,156	500.1	394.3	212,960	15,689
2005	35,985.6	15,012.9	5.4	1,396.0	38,964	536.9	433.1	208,972	18,266
2006	36,246.8	15,285.9	4.9	1,499.3	41,623	559.7	487.6	164,280	21,109
2007	36,552.5	15,413.5	5.4	1,564.3	43,152	561.1	512.9	113,034	22,542
2008	36,856.2	15,244.1	7.3	1,596.2	43,608	531.7	523.3	64,962	19,212
2009	37,077.2	14,375.8	11.2	1,537.1	41,587	456.5	413.3	36,421	18,866
2010	37,309.4	14,215.5	12.2	1,578.6	42,282	477.3	502.6	44,762	11,200
2011	37,570.1	14,364.1	11.7	1,685.6	44,749	520.6	558.5	47,090	12,991
2012	37,867.5	14,712.1	10.4	1,805.2	47,505	558.4	578.2	57,496	14,635
2013	38,164.0	15,183.3	8.9	1,856.6	48,434	586.8	596.4	82,283	21,681
2014	38,499.4	15,645.1	7.5	1,944.4	50,109	622.5	608.5	85,846	23,302
2015f	38,845.9	16,098.8	6.4	2,038.8	52,500	650.6	592.4	104,600	23,400
2016f	39,195.5	16,485.2	5.8	2,138.0	54,500	692.5	614.5	132,300	26,500

% Change									
03/02	1.3%	-0.2%		4.3%	3.1%	4.3%	6.1%	16.6%	-29.8%
04/03	1.0%	1.1%		6.2%	5.2%	8.7%	13.4%	8.8%	12.7%
05/04	0.7%	2.0%		5.6%	4.9%	7.4%	9.9%	-1.9%	16.4%
06/05	0.7%	1.8%		7.4%	6.8%	4.2%	12.6%	-21.4%	15.6%
07/06	0.8%	0.8%		4.3%	3.7%	0.2%	5.2%	-31.2%	6.8%
08/07	0.8%	-1.1%		2.0%	1.1%	-5.2%	2.0%	-42.5%	-14.8%
09/08	0.6%	-5.7%		-3.7%	-4.6%	-14.1%	-21.0%	-43.9%	-1.8%
10/09	0.6%	-1.1%		2.7%	1.7%	4.6%	21.6%	22.9%	-40.6%
11/10	0.7%	1.0%		6.8%	5.8%	9.1%	11.1%	5.2%	16.0%
12/11	0.8%	2.4%		7.1%	6.2%	7.3%	3.5%	22.1%	12.7%
13/12	0.8%	3.2%		2.8%	2.0%	5.1%	3.1%	43.1%	48.1%
14/13	0.9%	3.0%		4.7%	3.5%	6.1%	2.0%	4.3%	7.5%
15/14	0.9%	2.9%		4.9%	4.8%	4.5%	-2.6%	21.8%	0.4%
16/15	0.9%	2.4%		4.9%	3.8%	6.4%	3.7%	26.5%	13.2%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, Construction Industry Research Board; California Homebuilding Foundation; estimates and forecasts by the LAEDC

Table 6: California Nonfarm Employment

Annual averages, Thousands, March 2014 benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	14,557.8	22.2	796.8	1,544.5	978.5	566.0	647.4	1,588.4	480.6	476.1
2004	14,723.6	22.8	850.4	1,523.5	966.1	557.4	653.0	1,617.8	482.8	482.4
2005	15,012.9	23.6	905.3	1,505.2	959.4	545.7	673.6	1,659.3	487.1	473.6
2006	15,285.9	25.1	933.7	1,490.9	948.3	542.6	700.3	1,680.1	496.1	466.1
2007	15,413.5	26.7	892.6	1,465.4	929.0	536.4	715.3	1,689.9	507.7	471.1
2008	15,244.1	28.7	787.7	1,426.7	901.1	525.6	703.5	1,640.9	504.9	476.1
2009	14,375.8	26.1	623.1	1,283.6	800.6	483.0	645.3	1,522.5	474.5	441.3
2010	14,215.5	26.8	559.8	1,244.0	773.1	470.8	644.0	1,517.7	466.3	429.0
2011	14,364.1	28.8	561.3	1,250.1	781.0	469.1	657.9	1,546.6	474.3	430.6
2012	14,712.1	30.5	589.9	1,254.7	784.0	470.7	675.5	1,571.3	487.3	435.1
2013	15,183.3	30.6	637.3	1,256.3	783.5	472.8	693.8	1,597.0	502.8	448.6
2014	15,645.1	31.3	675.4	1,269.6	794.2	475.4	715.1	1,633.8	522.2	457.9
2015f	16,098.8	29.5	723.0	1,270.9	800.7	470.2	740.3	1,670.9	540.0	475.8
2016f	16,485.2	28.2	769.5	1,274.6	803.4	471.2	759.0	1,695.0	555.9	485.0

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	606.6	272.2	906.6	247.7	931.0	258.2	1,449.0	1,400.1	504.3	2,426.1
2004	618.8	276.4	918.9	231.3	947.8	262.9	1,493.9	1,439.4	503.9	2,397.7
2005	636.6	283.6	970.2	222.8	969.0	272.2	1,530.1	1,475.2	505.5	2,420.2
2006	639.3	288.5	1,026.4	213.8	1,004.4	277.6	1,565.4	1,519.0	507.1	2,452.3
2007	613.1	283.5	1,060.1	208.8	998.9	289.3	1,624.0	1,560.4	512.2	2,494.6
2008	566.0	275.9	1,079.1	209.4	952.5	300.6	1,689.3	1,572.6	511.3	2,518.9
2009	528.1	254.9	1,013.6	199.9	850.2	304.3	1,739.6	1,503.1	486.1	2,479.6
2010	511.9	248.3	1,015.3	198.6	863.0	309.7	1,746.3	1,501.6	484.9	2,448.5
2011	514.8	247.1	1,049.1	203.0	882.5	325.8	1,758.1	1,535.8	493.7	2,404.9
2012	522.7	250.8	1,100.5	209.3	932.6	336.2	1,836.1	1,598.7	504.7	2,376.3
2013	524.1	258.7	1,139.1	221.2	981.0	344.5	1,980.9	1,676.4	516.6	2,374.3
2014	518.4	265.9	1,187.0	225.2	1,021.2	355.3	2,059.0	1,757.1	539.8	2,411.0
2015f	523.2	273.4	1,254.3	229.9	1,073.2	367.7	2,126.5	1,816.7	548.0	2,435.6
2016f	520.0	278.8	1,311.7	232.0	1,155.6	375.0	2,175.0	1,870.0	550.0	2,450.0

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

Table 7: California Regional Nonfarm Employment

Annual averages for major metropolitan areas, thousands; March 2014 benchmark

		Northern California			Central California				Southern California				
\ MSA	State of California	Oakland	San Francisco	San Jose	Bakersfield	Fresno	Modesto	Sacramento	Los Angeles	Orange	Riverside-San Bernardino	San Diego	Ventura
1990	12,538.8	887.9	868.4	829.3	172.8	228.8	118.5	624.8	4,148.4	1,173.7	715.7	969.8	230.5
1991	12,406.5	890.7	861.7	822.9	179.7	232.2	119.2	639.7	3,997.8	1,145.2	722.8	966.8	230.7
1992	12,208.8	881.8	837.4	809.3	175.6	235.2	121.5	633.3	3,822.1	1,127.7	733.9	952.5	227.0
1993	12,097.2	884.8	830.3	813.7	172.2	238.3	123.0	635.6	3,724.7	1,116.9	737.8	951.2	227.4
1994	12,215.2	887.2	822.0	816.1	172.8	241.4	123.5	653.2	3,721.2	1,128.3	755.5	959.2	233.8
1995	12,481.1	907.6	833.1	848.9	174.8	247.9	125.1	673.6	3,768.1	1,153.1	784.2	982.1	237.8
1996	12,810.0	926.9	862.8	897.8	176.7	251.5	129.0	692.6	3,814.1	1,185.6	807.8	1,009.6	238.4
1997	13,207.8	958.4	894.4	945.7	181.3	255.2	132.9	712.6	3,896.6	1,235.2	846.3	1,057.9	243.3
1998	13,695.2	986.2	924.3	976.0	186.5	259.3	138.8	742.1	3,985.3	1,300.7	888.2	1,109.8	253.0
1999	14,101.6	1,016.7	948.1	989.3	190.9	267.9	143.3	779.6	4,048.6	1,346.8	945.5	1,157.5	264.3
2000	14,590.4	1,051.7	984.5	1,047.9	195.8	275.7	145.4	804.0	4,116.5	1,390.2	993.7	1,197.6	275.6
2001	14,716.6	1,061.5	954.9	1,020.6	203.9	281.0	151.1	825.1	4,125.4	1,415.4	1,036.4	1,222.8	280.5
2002	14,591.0	1,046.9	888.9	920.0	207.0	287.8	152.3	839.6	4,086.1	1,406.1	1,072.5	1,235.7	282.5
2003	14,557.8	1,034.8	855.0	874.3	209.3	289.1	154.2	855.7	4,056.3	1,433.4	1,110.1	1,247.9	285.0
2004	14,723.6	1,034.0	846.7	867.9	214.1	294.5	156.8	870.4	4,079.1	1,462.1	1,173.3	1,269.1	287.0
2005	15,012.9	1,042.7	855.7	876.7	224.8	301.9	161.4	893.0	4,119.9	1,496.7	1,236.2	1,291.9	292.0
2006	15,285.9	1,056.3	875.0	898.3	236.2	310.1	162.3	912.0	4,194.5	1,525.1	1,282.4	1,312.1	298.9
2007	15,413.5	1,060.1	895.7	918.8	241.7	314.2	162.8	917.0	4,229.0	1,521.7	1,286.2	1,320.1	297.8
2008	15,244.1	1,045.8	906.5	924.9	241.6	311.3	159.6	897.7	4,185.4	1,490.0	1,243.1	1,311.9	292.4
2009	14,375.8	984.9	863.4	867.9	231.4	295.4	150.4	848.5	3,951.0	1,383.5	1,163.2	1,245.9	276.9
2010	14,215.5	964.3	854.9	865.2	229.4	288.1	149.8	825.7	3,890.0	1,366.7	1,144.7	1,237.1	274.7
2011	14,364.1	972.7	877.3	885.9	236.0	288.7	149.0	823.3	3,911.6	1,382.4	1,148.0	1,247.0	276.6
2012	14,712.1	1,002.1	920.9	921.0	245.3	291.5	152.0	842.4	4,010.5	1,419.6	1,180.3	1,280.5	281.6
2013	15,183.3	1,037.5	964.6	960.8	250.4	303.0	157.1	866.8	4,129.8	1,459.4	1,231.9	1,317.8	287.9
2014	15,645.1	1,065.0	1,009.7	1,004.3	256.8	313.4	161.7	890.4	4,226.4	1,495.9	1,285.1	1,348.0	293.0
2015f	16,098.8	1,087.4	1,053.1	1,057.5	260.4	323.4	165.4	913.6	4,319.4	1,545.3	1,336.5	1,385.7	297.1
2016f	16,485.2	1,110.2	1,088.9	1,100.9	264.6	331.8	168.6	934.6	4,397.1	1,587.0	1,380.6	1,420.4	301.6

Sources: California EDD, Labor Market Division, Current Employment Series; forecasts by LAEDC

Table 8: Total Nonfarm Employment in Southern California

Year	Los Angeles County	Orange County	Inland Empire	Ventura County	L.A. 5-County Region	San Diego County	State of California
2006	4,194.5	1,525.1	1,282.4	298.9	7,300.9	1,312.1	15,285.9
2007	4,229.0	1,521.7	1,286.2	297.8	7,334.7	1,320.1	15,413.5
2008	4,185.4	1,490.0	1,243.1	292.4	7,210.9	1,311.9	15,244.1
2009	3,951.0	1,383.5	1,163.2	276.9	6,774.6	1,245.9	14,375.8
2010	3,890.0	1,366.7	1,144.7	274.7	6,676.1	1,237.1	14,215.5
2011	3,911.6	1,382.4	1,148.0	276.6	6,718.6	1,247.0	14,364.1
2012	4,010.5	1,419.6	1,180.3	281.6	6,892.0	1,280.5	14,712.1
2013	4,129.8	1,459.4	1,231.9	287.9	7,109.0	1,317.8	15,183.3
2014	4,226.4	1,495.9	1,285.1	293.0	7,300.4	1,348.0	15,645.1
2015f	4,319.4	1,545.3	1,336.5	297.1	7,498.3	1,385.7	16,098.8
2016f	4,397.1	1,587.0	1,380.6	301.6	7,666.3	1,420.4	16,485.2

Numerical Change from Prior Year (in thousands)

Year	Los Angeles County	Orange County	Inland Empire	Ventura County	L.A. 5-County Region	San Diego County	State of California
2006	74.6	28.4	46.2	6.9	156.1	20.2	273.0
2007	34.5	-3.4	3.8	-1.1	33.8	8.0	127.6
2008	-43.6	-31.7	-43.1	-5.4	-123.8	-8.2	-169.4
2009	-234.4	-106.5	-79.9	-15.5	-436.3	-66.0	-868.3
2010	-61.0	-16.8	-18.5	-2.2	-98.5	-8.8	-160.3
2011	21.6	15.7	3.3	1.9	42.5	9.9	148.6
2012	98.9	37.2	32.3	5.0	173.4	33.5	348.0
2013	119.3	39.8	51.6	6.3	217.0	37.3	471.2
2014	96.6	36.5	53.2	5.1	191.4	30.2	461.8
2015f	93.0	49.4	51.4	4.1	197.9	37.7	453.7
2016f	77.7	41.7	44.1	4.5	168.0	34.7	386.4

% Change from Prior Year

Year	Los Angeles County	Orange County	Inland Empire	Ventura County	L.A. 5-County Region	San Diego County	State of California
2006	1.8%	1.9%	3.7%	2.4%	2.2%	1.6%	1.8%
2007	0.8%	-0.2%	0.3%	-0.4%	0.5%	0.6%	0.8%
2008	-1.0%	-2.1%	-3.4%	-1.8%	-1.7%	-0.6%	-1.1%
2009	-5.6%	-7.1%	-6.4%	-5.3%	-6.1%	-5.0%	-5.7%
2010	-1.5%	-1.2%	-1.6%	-0.8%	-1.5%	-0.7%	-1.1%
2011	0.6%	1.1%	0.3%	0.7%	0.6%	0.8%	1.0%
2012	2.5%	2.7%	2.8%	1.8%	2.6%	2.7%	2.4%
2013	3.0%	2.8%	4.4%	2.2%	3.1%	2.9%	3.2%
2014	2.3%	2.5%	4.3%	1.8%	2.7%	2.3%	3.0%
2015f	2.2%	3.3%	4.0%	1.4%	2.7%	2.8%	2.9%
2016f	1.8%	2.7%	3.3%	1.5%	2.2%	2.5%	2.4%

Sources: EDD, Labor Market Information Division; all estimates and forecasts by LAEDC

Table 9: California Technology Employment

Annual averages, thousands, March 2014 Benchmark, based on NAICS, not seasonally adjusted

		Manufacturing			Services				
Year	Total Technology Employment	Electronic Product Manufacturing	Aerospace Product & Parts Manufacturing	Pharmaceutical & Medicine Manufacturing	Software Publishers	Data Processing, Hosting & Related Services	Computer Systems Design & Rel. Services	Management, Scientific & Technical Consulting	Scientific R&D Services
2002	922.0	353.7	79.6	39.5	48.8	20.7	177.1	102.1	100.5
2003	876.7	320.9	73.6	39.1	44.7	18.7	168.8	109.7	101.2
2004	877.1	313.4	73.7	40.6	42.6	18.5	168.5	119.0	100.8
2005	902.6	310.8	73.4	42.0	41.6	19.6	175.6	135.4	104.2
2006	932.1	308.2	73.0	44.0	41.3	20.9	187.2	151.3	106.2
2007	950.3	304.1	72.8	44.2	43.0	20.7	198.9	159.0	107.6
2008	970.7	300.0	73.7	43.6	44.9	20.4	205.2	166.8	116.1
2009	924.4	278.6	72.4	43.5	45.0	19.3	194.6	156.1	114.9
2010	930.4	271.8	73.1	43.4	45.0	18.6	199.7	160.5	118.3
2011	960.1	275.2	71.5	43.3	48.3	18.8	212.6	169.7	120.7
2012	999.7	270.0	71.1	44.4	51.9	21.0	228.2	187.5	125.6
2013	1026.9	262.9	72.0	45.6	53.8	23.6	243.6	197.9	127.5
2014	1063.5	262.6	71.4	47.4	55.5	25.4	263.0	208.8	129.4
2015 YTD July	1106.7	265.4	70.1	47.6	57.0	27.1	280.4	222.5	136.6

Sources: California EDD, LMID

Table 10: Population Trends in California and the Los Angeles 5-County Area

Population Estimates as of July 1 each year

Year	Los Angeles County		Orange County		Riverside & San Bernardino		Ventura County		Total of L.A. 5-Co. Area		State of California	
	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ	Data	% Δ
1990	8,860.3	---	2,412.0	---	2,620.4	---	669.1	---	14,561.8	---	29,828.5	---
1991	8,955.3	1.1%	2,458.8	1.9%	2,751.3	5.0%	676.9	1.2%	14,842.4	1.9%	30,548.6	2.4%
1992	9,060.2	1.2%	2,511.8	2.2%	2,832.9	3.0%	686.3	1.4%	15,091.2	1.7%	30,987.4	1.4%
1993	9,083.7	0.3%	2,550.4	1.5%	2,885.0	1.8%	693.8	1.1%	15,212.9	0.8%	31,314.2	1.1%
1994	9,106.5	0.3%	2,575.7	1.0%	2,919.9	1.2%	700.6	1.0%	15,302.7	0.6%	31,523.7	0.7%
1995	9,101.1	-0.1%	2,604.5	1.1%	2,959.6	1.4%	705.1	0.6%	15,370.3	0.4%	31,711.8	0.6%
1996	9,108.1	0.1%	2,646.1	1.6%	3,006.6	1.6%	710.5	0.8%	15,471.2	0.7%	31,962.9	0.8%
1997	9,185.6	0.9%	2,699.6	2.0%	3,062.6	1.9%	721.7	1.6%	15,669.4	1.3%	32,452.8	1.5%
1998	9,265.8	0.9%	2,749.6	1.9%	3,117.1	1.8%	729.1	1.0%	15,861.6	1.2%	32,863.0	1.3%
1999	9,394.3	1.4%	2,802.8	1.9%	3,198.4	2.6%	742.8	1.9%	16,138.4	1.7%	33,418.6	1.7%
2000	9,544.0	1.6%	2,853.9	1.8%	3,276.5	2.4%	756.9	1.9%	16,431.3	1.8%	34,000.8	1.7%
2001	9,635.8	1.0%	2,889.9	1.3%	3,386.2	3.3%	769.0	1.6%	16,680.9	1.5%	34,512.7	1.5%
2002	9,722.4	0.9%	2,914.4	0.8%	3,489.2	3.0%	779.9	1.4%	16,906.0	1.3%	34,938.3	1.2%
2003	9,791.0	0.7%	2,939.7	0.9%	3,622.5	3.8%	789.4	1.2%	17,142.6	1.4%	35,388.9	1.3%
2004	9,822.5	0.3%	2,956.5	0.6%	3,757.1	3.7%	795.0	0.7%	17,331.1	1.1%	35,752.8	1.0%
2005	9,809.6	-0.1%	2,957.2	0.0%	3,877.5	3.2%	796.9	0.2%	17,441.1	0.6%	35,985.6	0.7%
2006	9,787.3	-0.2%	2,955.4	-0.1%	3,994.1	3.0%	801.2	0.5%	17,538.1	0.6%	36,246.8	0.7%
2007	9,773.9	-0.1%	2,965.8	0.4%	4,085.3	2.3%	805.9	0.6%	17,630.9	0.5%	36,552.5	0.8%
2008	9,796.8	0.2%	2,982.8	0.6%	4,139.4	1.3%	812.0	0.8%	17,731.0	0.6%	36,856.2	0.8%
2009	9,805.2	0.1%	2,998.8	0.5%	4,180.7	1.0%	818.5	0.8%	17,803.3	0.4%	37,077.2	0.6%
2010	9,825.2	0.2%	3,017.2	0.6%	4,230.4	1.2%	825.1	0.8%	17,898.0	0.5%	37,309.4	0.6%
2011	9,862.4	0.4%	3,046.5	1.0%	4,273.3	1.0%	830.1	0.6%	18,012.4	0.6%	37,570.1	0.7%
2012	9,946.9	0.9%	3,073.5	0.9%	4,312.9	0.9%	833.4	0.4%	18,166.8	0.9%	37,867.5	0.8%
2013	10,013.3	0.7%	3,099.5	0.8%	4,338.6	0.6%	839.3	0.7%	18,290.6	0.7%	38,164.0	0.8%
2014p	10,069.0	0.6%	3,132.7	1.1%	4,386.9	1.1%	844.3	0.6%	18,432.9	0.8%	38,499.4	0.9%
2015f	10,123.8	0.5%	3,166.0	1.1%	4,440.5	1.2%	850.3	0.7%	18,580.6	0.8%	38,845.9	0.9%
2016f	10,169.1	0.4%	3,199.1	1.0%	4,509.5	1.6%	856.7	0.8%	18,734.4	0.8%	39,195.5	0.9%

Source: California Dept. of Finance, Demographic Research Unit, E2; forecasts by LAEDC

Table 11: Components of Population Change in California and Southern California Counties

Figures in thousands, July 1 data compared with July 1 data the previous year

	Pop. Chg.	Births	Deaths	Natural Increase (Birth-Death)	Net Total Migration	Net Int'l Migration	Net Domestic Migration
Los Angeles County							
2010	21.8	135.6	56.8	78.8	-57.0	34.9	-91.9
2011	38.8	132.6	58.0	74.6	-38.8	21.1	-59.9
2012	84.1	130.6	57.9	72.7	11.5	37.6	-26.1
2013	74.3	132.4	58.5	73.9	0.4	55.9	-55.5
2014	55.7	126.5	61.1	65.4	-9.6	50.2	-59.8
Orange County							
2010	18.3	39.3	16.7	22.6	-4.3	11.7	-16.0
2011	29.5	38.2	17.6	20.6	8.9	5.9	3.0
2012	27.8	38.3	17.8	20.5	7.3	10.5	-3.2
2013	30.1	38.4	17.9	20.5	9.6	15.6	-6.0
2014	33.2	38.5	19.2	19.2	14.0	14.2	-0.2
Riverside County							
2010	33.4	31.0	13.6	17.4	16.0	4.6	11.4
2011	28.5	31.0	14.4	16.6	11.9	2.3	9.6
2012	29.4	30.4	14.6	15.8	13.5	4.3	9.3
2013	18.0	30.5	14.8	15.7	2.3	6.1	-3.9
2014	30.7	30.6	15.3	15.3	15.4	5.6	9.8
San Bernardino County							
2010	16.5	31.4	11.4	20.0	-3.6	4.2	-7.8
2011	14.6	31.4	12.2	19.2	-4.6	2.2	-6.9
2012	11.0	30.5	12.1	18.4	-7.4	4.1	-11.5
2013	12.3	30.9	12.3	18.5	-6.3	6.0	-12.3
2014	17.5	30.9	13.2	17.6	-0.1	5.3	-5.4
San Diego County							
2010	26.9	44.5	19.0	25.5	1.5	10.1	-8.6
2011	23.0	44.7	19.6	25.0	-2.1	6.4	-8.5
2012	28.1	44.3	19.9	24.5	3.6	10.5	-6.8
2013	28.2	44.7	20.0	24.6	3.6	15.9	-12.4
2014	35.5	45.2	21.1	24.1	11.4	12.5	-1.0
Ventura County							
2010	6.8	11.2	4.9	6.2	0.6	2.0	-1.4
2011	5.1	11.0	5.1	5.9	-0.8	0.9	-1.8
2012	3.2	10.6	5.0	5.6	-2.4	1.6	-4.0
2013	7.0	10.7	5.1	5.6	1.4	2.4	-1.0
2014	5.0	10.3	5.6	4.6	0.3	2.1	-1.8
State of California							
2010	241.3	515.7	228.1	287.6	-46.3	123.0	-169.3
2011	260.7	509.5	237.5	272.0	-11.3	64.9	-76.2
2012	302.3	502.9	239.3	263.6	38.7	113.7	-75.0
2013	332.2	506.7	240.8	265.9	66.3	169.3	-103.0
2014	335.4	496.6	253.6	242.9	92.4	151.1	-58.6

Source: California Department of Finance, Demographic Research Unit

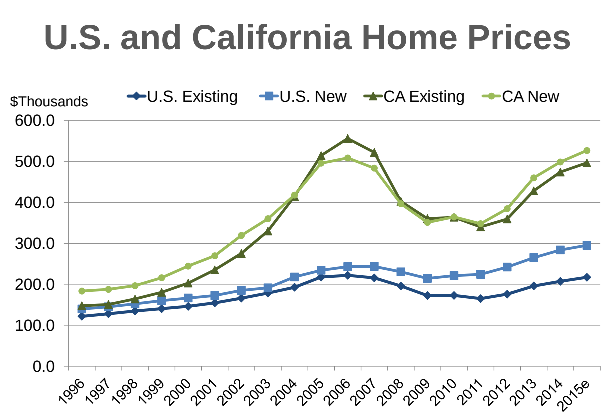
SPECIAL REPORT: HOUSING MARKET RECOVERY AROUND THE CORNER OR FURTHER DOWN THE ROAD?

Eight years have passed since the collapse of the nation's housing market and the onset of the Great Recession. While the larger economy has recovered – the U.S. is now in the midst of the fourth longest economic expansion since World War II – the housing market has been much slower to come back. Homeownership rates continue to fall, single-family construction remains below historic norms and existing home sales are still at low levels. The rental market is booming, fueled by strong growth in rental households, but rents are rising faster than household income and many low-income and minority neighborhoods throughout the nation remain distressed.

The lingering effects of the Great Recession have impeded the recovery of the nation's housing markets. Demographic changes mean that the future of housing will look quite different than it has in the past. What follows from here is a discussion of key housing indicators and what they mean for the future the national and Southern California housing markets.

Home Prices

Historically, housing's boom-and-bust cycles have been much more pronounced in California than in the U.S. as a whole, and the most recent was no exception. Beginning in the late 1990s, home prices in California began to rise much more rapidly relative to the rest of the nation. Between 1996 and 2006, the year home prices peaked, existing home prices in the U.S. increased by 82%. In California, existing home prices shot up by 276%.



Source: 'IHS Global Insight

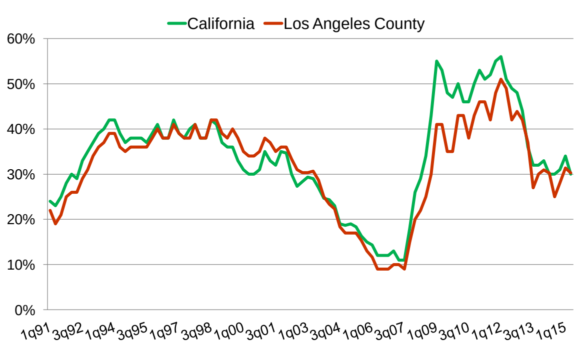
When the housing bubble burst in 2007, the decline was rapid and steep. Nationally, the median existing home price tumbled by 26%; in California, the median price plunged by nearly 40%. Although the recession was officially over by the third quarter of 2009, home prices did not bottom out until 2011. At that point, institutional investors began to buy up foreclosed single-family homes and converted them to rentals. In Southern California, the Inland Empire, epicenter of the foreclosure crisis, was ground zero for investor activity.

Instrumental in clearing much of the region's foreclosed inventory, the frenzy of investor purchases also began to exert upward pressure on prices. Having removed lower-priced homes from the reach of first-time buyers, price increases early in the recovery reflected weak sales of low- and moderately priced homes, which normally account for the majority of purchases.

As the economy improved and the jobless rate fell, demand increased and home prices rose at a faster pace, reaching double-digit rates throughout much of Southern California. Fueling price appreciation was a lack of inventory of homes for sale relative to growing demand, especially at the low end of the market. There was very little new home construction during this period and, in spite of the rapid run-up in prices, many homeowners were still upside down on their mortgages and thus unable to list their homes for sale.

The rise in home prices began to moderate in mid-2014, indicating a return to a more balanced market. Prices are still trending up, however, and inventories remain tight. With home prices continuing to rise and mortgage interest rates edging up ahead of the expected rate increase by the Federal Reserve, housing affordability is a growing concern. Although employment gains have boosted household incomes, the lack of wage growth has become a constraint. Only 30% of California households could afford to purchase a median-priced home during the second quarter of this year, down from 34% during the first quarter. The comparable number for the U.S. as a whole is 57%. Affordability peaked in California during this cycle at 56% in the second quarter of 2012.[9] If demand continues to outstrip supply, especially in metro areas with strong job growth, affordability problems will become even more acute.

California Housing Affordability Index



Source: California Association of Realtors

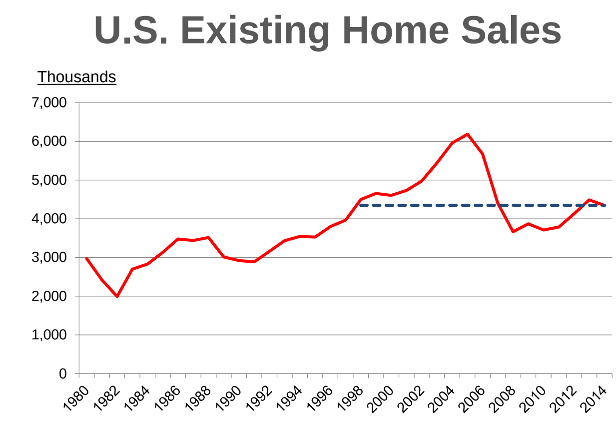
[9] "*Second Quarter 2015 Housing Affordability Report*" California Association of Realtors (August 2015)

Home Sales

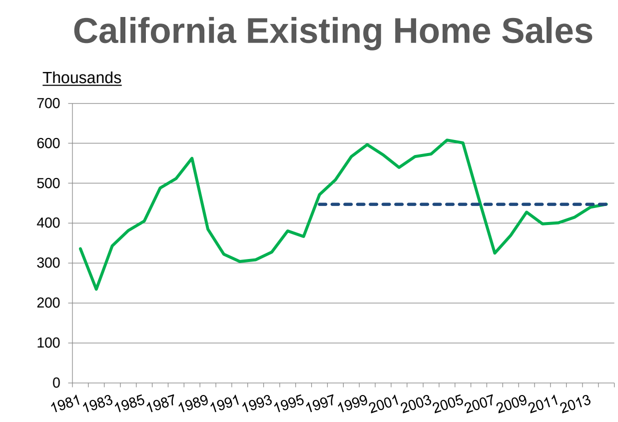
Low inventories have been a drag on existing home sales since 2011. Nationally, home sales bottomed out in 2008. By 2014, homes sales were up by 19.5%, but that was only good enough to match levels last seen in 1998. In California, the market touched bottom a year earlier (2007) and, although sales in 2014 were up by nearly 38%, they were barely even with 1996 levels.

The good news is that the weakness in existing homes sales largely reflects a decline in distress-related sales. This suggests that the market may be stabilizing. The national share of loans entering the foreclosure process in 2014 was at its lowest level since 2006. [10] Delinquencies are also on the decline. In addition, many borrowers who lost their homes to foreclosure early in the crisis have now had that stain expunged from their credit reports.

Another positive trend that will boost home sales relates to rising prices. Higher prices mean an increase in home equity. During the first quarter of 2015, 254,000 residential properties in the U.S. regained equity, bringing the total of mortgaged residential properties with equity up to 44.9 million. There is still room for improvement, however. Approximately 5.1 million homes or 10.2% of all residential properties with a mortgage were still in negative equity at end of the 1Q15. There were also 9.7 million properties with equities of less than 20%. [11] This is considered “under-equitied,” meaning such homeowners may still not be able to afford to sell or qualify for financing to make home improvements.



Source: U.S. Census Bureau



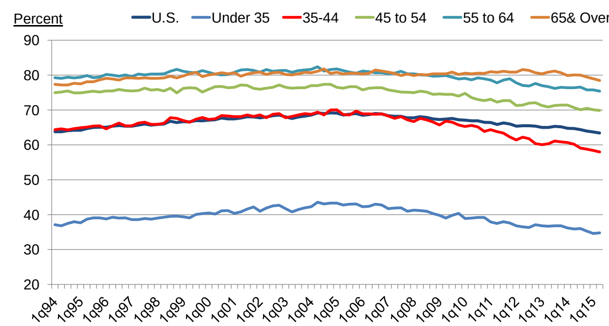
Source: ‘IHS Global Insight

[10] “*The State of the Nation’s Housing 2015*”, Joint Center for Housing Studies of Harvard University (2015)

[11] “*Home Equity Report, Second Quarter 2015*”, CoreLogic (2015)

Demographics have also played a role in the low level of home sales. The U.S. population is aging and older households tend to move around less. Even younger homeowners have exhibited lower mobility rates than seen in the past. Following the Baby Boomers, the much smaller Generation-X cohort has reduced the pool of owners likely to put their homes on the market.

Homeownership Rates by Age of Householder



Source: U.S. Census Bureau

On the demand side, sales have been affected by declining rates of homeownership. Most Americans continue to have a positive view of homeownership, but fewer are making the leap to buy. In 2014, the U.S. homeownership rate fell to 64.5%, and by the second quarter of this year, it was down to 63.4%, effectively wiping out all the gains achieved over the past 30 years. In addition to the declining *rate* of homeownership, the *number* of homeowners has also declined over the past eight years. The fall-off is evident across nearly all age groups. The only reason homeownership is still as high as it is, is because the Baby Boomers (a numerically large generation) are in the age group 50 years old and up where homeownership rates are high.

Generation-X, aged 35 to 50, took the biggest hit during the housing bust – before the crash, younger Gen-X households were prime first-time home buyers, while older members of this cohort were at an age when households tend to trade up. Hit disproportionately hard by the foreclosure crisis, many in this generation made the transition from homeowner to renter. Among younger Gen-Xers (35-44 years old), the homeownership rate has plunged by 12.1 percentage points from peak levels. Individuals under 35 (Millennials) have the lowest rates of homeownership and have seen the steepest declines in percentage terms – 20.2% from peak levels (or 8.8 percentage points). Millennials, many of whom came of age during the recession and its immediate aftermath, have delayed entry into the workforce and, as a result, they are getting married and forming new households at a later age.

Distressed Neighborhoods

While the overall trend in home equity growth is positive, a study published by the Joint Center for Housing Studies at Harvard University shows that within metro areas, negative equity problems are highly concentrated in minority and low-income neighborhoods. The 10% of zip codes with the highest share of negative equity in 2014 had a minority share population of 51%. At the household level, the disparity becomes even more apparent: 29% of African-American and 25% of Hispanic homeowners were upside down on their mortgages, compared with just 16% of whites, Asians and "other."

In more than half of the neighborhoods where home prices are more than 35% below peak levels (the national average is 11%), the poverty rate is about twice that of all neighborhoods.

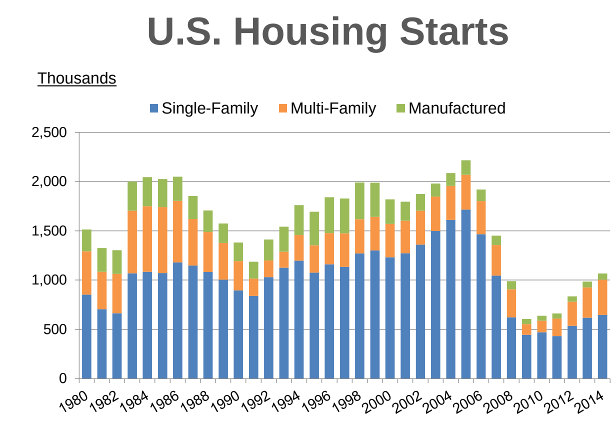
The housing recovery is leaving these communities behind. The foundation of economic revitalization in these distressed neighborhoods must be built on the availability of good quality affordable housing.

While demographic trends have their own momentum, other impediments to increasing home sales are starting to fall away. Rising prices have increased equity so more people can list their homes for sale. Inventories should also start to build as homeowners become more confident about the market and their own financial outlook. Individuals who lost their home to foreclosures may eventually return to homeownership and Millennials, as they move into their 30s, will form new households and buy homes.

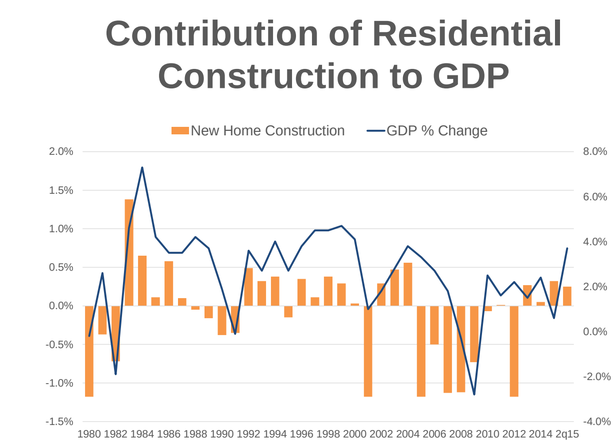
New Home Construction

The discussion thus far has concentrated on existing homes. New home sales, which have been far below the norm, are also poised to make a comeback. New home construction has proceeded at a weak pace for years. In 2014, 1.1 million new housing units were built, up by 77% from the recession low of 604,000 new units, but still 52% below peak levels reached in 2005. The average going back to 1980 is 1,570 new housing units per year. Multi-family (apartments and condominiums) has outperformed single-family housing in recent years. Multi-family starts were up by over 225% to 356,000 units from the low point in this cycle, while single-family homes have increased by 45% since 2011, although both segments are still well below peak levels. Nationally, single-family starts comprise 61% of new home building compared with 33% for multi-family and 6.0% for manufactured homes.

In many metro areas of California that ratio is reversed. In Los Angeles, the ratio of single to multi-family starts is 30% to 70%. For the state as a whole, the share of multi-family construction has been rising (the ratio was about 50:50 in 2014), probably as a result of stronger builder activity in large metro areas with robust job growth that favor multi-family developments. However, as growth picks up in inland areas (Inland Empire, Central Valley), where land is more available and costs are lower, the share of single-family construction will increase.



Source: U.S. Census Bureau



Source: Bureau of Economic Analysis

New home construction is also an important component of GDP growth. Over the past several years, new home construction has contributed very little to economic growth. In fact, between 2005 and 2012 declines in residential construction subtracted from GDP. As residential construction picks up in the coming years, this will begin to change. Additionally, with further improvements in job and wage gains, homeowner improvements will also help boost residential investment.

The Rental Market

The rental market is booming. Multi-family has been the bright spot in residential construction since the end of the recession, particularly apartment units. In 2014, more than 90% of multi-family starts nationwide were for new apartment buildings. This was up from less than 60% in the mid-2000s and is a reflection of both population growth and the lingering effects of the housing bust. [12]

Most of the recent gains in household formation have accrued to the rental market – renter household growth has averaged 770,000 new households per year since 2004 or a little over 70% of all new households. Although much of the focus on renter household growth is on Millennials, households aged 45-64 accounted for about twice the share of renter growth compared with households under age 35. Even wealthier Americans, who are more likely to own a home, contributed 43% of the growth in renters over the last decade.[13]

While single people continue to make up the largest share of the rental market, more family types are now renting. The increase in family renters corresponds to an explosion in demand following the housing bust. A huge number of single-family homes lost to foreclosure were converted to rental stock – 3.2 million units were added to the rental market between 2003 and 2014 and accounted for more than half the growth in rentals.

Developers have responded to rising demand by adding 1.2 million apartment starts since 2010. Demand for apartments right now is so strong that, in spite of the massive addition to the nation's rental stock, vacancy rates continue to decline and rental rates in most metro areas of the county are climbing through the roof. The San Francisco and Los

Household Formation

Household formation fell dramatically during the recession – young people stayed at home with their parents, while older adults and sometimes entire families doubled up to make ends meet. Over the last several quarters, household formation has been on the rebound, something the housing market has been waiting on for years. Now that the job market has improved, household formation is near or exceeding long-run averages. Interestingly, new household formation is being led by older Americans aged 55 years and up as opposed to younger people striking out on their own.

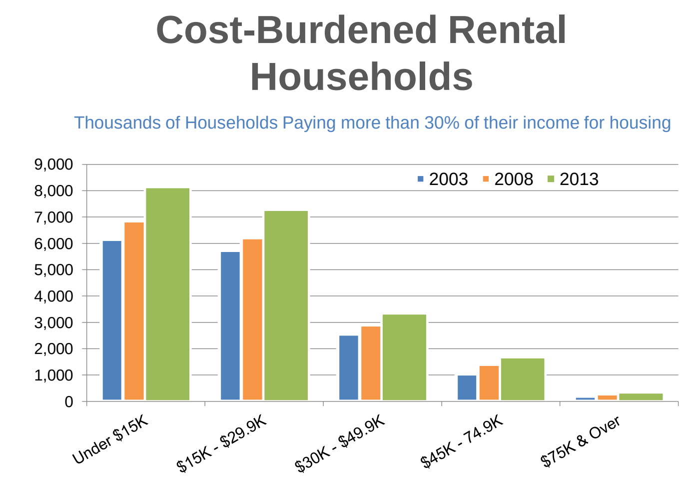
Even with improvements in the job market, more Millennials are living with their parents. Since 2010 (the start of the recovery), the share of 18-34-year-olds living at home has actually increased. Why? Rent-to-income ratios in major labor markets are at all-time highs; home prices are rising; student debt is soaring. Eventually, household formation will receive a big bump as these younger people fledge the nest and form their own households. The question is when?

[12] "*The State of the Nation's Housing 2015*", Joint Center for Housing Studies of Harvard University (2015)

[13] *Ibid.,*

Angeles metro areas are now among the most costly places in the country to rent, with no relief expected in the immediate future.

Affordability is also a growing concern in the rental markets, as the mix of new units being built does not necessarily match needs by income and space. Cost-burdened rental households are on the rise – cost-burdened refers to households that pay more than 30% of their income on housing. In 2013, the number of cost-burdened renters in the U.S. was 20.8 million (or nearly half of all renters), an increase of 32.3% compared with 2003. Not surprisingly, lower-income households (under $30,000) made up nearly three-quarters of cost-burdened households, which points to an inadequate supply of affordable housing. Given that rentals house a majority of the nation's low-income households, the challenge going forward is to provide good quality units that these households can afford.



Source: Joint Center for Housing Studies, Harvard University

Summary

The national housing market recovery stumbled in 2014 – new home construction, sales and price appreciation all slowed. California's housing market does not always exactly parallel national trends, but 2014 was a tough year for the state as well. The lingering effects of the housing crash and Great Recession are still proving to be impediments to recovery: Too many households still have little or no equity in their homes and thousands of individuals are burdened with damaged credit histories.

This year however, the housing market appears to have regained its footing, posting notable gains across several indicators. Recovery is expected to accelerate in 2016, pulled along by employment and household income growth, buoyed by rising consumer and builder confidence. The pause in the housing market recovery in 2014, especially the slowdown in home price appreciation, may well have been an inflection point, a sign that the housing market is returning to a balanced state. The nation's housing markets made significant progress in 2015. Anticipated wage gains and higher household incomes should drive accelerated housing market activity over the next couple of years.

LOS ANGELES COUNTY

INTRODUCTION

With over 10 million residents in 88 cities spread across nearly 4,100 square miles, Los Angeles County's population exceeds that of 43 states. In addition to its signature industries – entertainment, tourism and fashion – its enormous and diversified economy is home to the largest port complex in the Western Hemisphere and the largest number of manufacturing jobs of any county in the country. Other significant industries include health care, education and knowledge creation, and business services. If it were a country, Los Angeles County would be the twenty-first largest economy in the world.

The county has seen significant job growth in the last few years, with nearly 100,000 jobs added last year and about the same expected this year. With a 2.5% average annual increase during the first part of 2015, the county has consistently outpaced the nation in job growth. This has driven the unemployment rate down to 7.1% in July (seasonally adjusted), a full percentage point below July 2014 and the lowest since mid-2008. Moreover, most major industries added jobs throughout the first part of this year. The county economy benefited from broad-based growth which pushed wage and salary jobs to a record high, surpassing the county's pre-recession employment peak. Mining and logging was the only major industry to post a significant percentage decrease in jobs this year, while both the manufacturing and finance and insurance sectors experienced only slight declines.

Total personal income increased by 4.2% in 2014, and is expected to grow at the same rate both this year and in 2016. With negligible inflation this year, households will experience significant gains in purchasing power. Gains will be more modest next year, with inflation expected at 2.2%. Similarly, per capita income will climb by 3.5% this year and 3.8% next year, after a 3.8% increase in 2014. Since much of the gain in income is expected to be spent, local consumption as measured by total taxable sales will rise by 4.6% this year and by 7.9% next year, following an increase of 7.1% in 2014. This means local sales and use tax revenues will continue to climb, putting local government agencies on a sounder financial footing.

Population growth is expected to slow this year and next, with the rate of growth at approximately 0.5% this year and 0.4% in 2016. Even so, the county will increase by approximately 50,000 residents over each of the next two years, equivalent to adding a city the size of Cerritos or Covina each year. Most of the recent population growth in Los Angeles County has been due to natural increase (births outnumbering deaths), while net migration was slightly negative last year. The county's high cost of living and lack of affordable housing units for low- and middle-income households are contributing to the slowdown in population growth.

Throughout much of the state, the housing market saw a bounce in 2015. Los Angeles County was no exception. The median sales price of a home in Los Angeles County was $492,000 in July, up 4.7% compared with a year earlier. Moreover, sales of homes increased 9.6% year-to-date through the first seven months of this year, putting the market on track to surpass last year's total and match or surpass the 2013 sales total, which was the strongest year of the last eight years. New home construction finally accelerated in 2015 and should continue to do so next year. Of course, the other side of the housing story is affordability. The housing affordability index (HAI)[14] in Los Angeles County was 30 in the second quarter of this year, meaning that 30% of households in the county can afford to buy the median priced home. Although the HAI was unchanged from a year earlier, affordability in Los Angeles County is about half that of the U.S., meaning that the cost of housing locally is twice that of the nation. This contributes to the county's perception as a high-cost place to do business. *For a more detailed discussion of the region's housing market, see the* *Real Estate and Construction* *section of this report.*

TRENDS IN MAJOR INDUSTRIES[15]

Like the nation and state, Los Angeles County experienced broad-based job gains in 2015 and is on track to add nearly 100,000 jobs this year. Job gains have occurred across most major industries, with record highs reached in professional, scientific and technical services, healthcare, and leisure and hospitality. To date through July, the largest job gains occurred in healthcare and social assistance, along with leisure and hospitality, each adding over 20,000 jobs. Government added 12,000 jobs, mostly at the local level. The fastest-growing sectors in percentage terms were construction, educational services, and leisure and hospitality. Job losses occurred in mining and logging, durable and nondurable goods manufacturing, and finance and insurance.

International Trade: With the largest port complex in the nation and the Western Hemisphere, international trade is a significant industry in the local economy. The twin ports had their third-best year in 2014 with throughput of 15.2 million containers and are on track this year to match or surpass last year's performance. Two-way trade through the Los Angeles Customs District hit a record-setting volume of $416.6 billion in 2014. In year-to-date terms, two-way trade was six percent lower than a year ago through July, but much of that difference occurred in January and February, when the ports were coping with congestion and a labor dispute. With the recent surge in activity at the ports, there is a chance that two-way trade will recover by the end of the year.

The Kyser Center tracks employment in two industries that are part of the international trade and goods movement sector: transportation and warehousing, and wholesale trade. Transportation and warehousing added 3,100 jobs (2.1%) year-to-date through July, while wholesale trade employment rose by 8,800 jobs (4.0%), for a net gain of 11,900 jobs. Given the strength of the U.S. economy, imports have the potential to achieve new record high levels in 2015. However, the strength of the dollar and weakness of the nation's trading partners will make it more difficult to hit a new record on the export side. Regardless, the long-term prospects for the industry are promising, and continued

[14] California Association of Realtors Housing Affordability Index

[15] This section features key industries that produce goods or services that are generally exported outside the region, hence generating an inflow of income to the region. See also *Major Industries of the Southern California Economy* for trends on other industries in the local economy

increases in trade activity will bring additional jobs in logistics, goods movement, wholesaling, and distribution.

Entertainment: The entertainment industry is the part of the economy that is most closely associated with Los Angeles. The industry's largest component is the motion picture and sound recording industry, which is a part of the information services super-sector. According to FilmL.A.,[16] industry activity was mixed, with on-location television production days rising in yearly terms during the second quarter of this year, but feature films showing only a marginal increase and commercial production activity falling. Through July, motion picture and sound recording employment rose marginally (0.7%) from 118,300 jobs last year to 119,100 jobs. The revamped and expanded California Film Tax Credit might contribute to further increases in industry employment in the future, but it is still too early to judge its success or failure.

Professional Services and Technology: The professional services super-sector is the second largest in Los Angeles County with over 620,000 workers in July, surpassed only by healthcare and education with nearly 760,000 jobs. There are three major industries in this group: professional, scientific, and technical services; management of enterprises; and administrative, support and waste services. All have seen solid gains throughout the year.

The professional, scientific and technical services industry was the largest of the three with 290,000 jobs in July. The industry includes legal, accounting, architecture, computer systems design, consulting, research and advertising, and added 3,800 jobs through July year-to-date (1.3%). Management of enterprises, which encompasses corporate headquarters, is smaller at 60,800 jobs, but it grew slightly faster (3.2%, or 1,900 jobs added) over the same period. Finally, the administrative, support and waste services sector added 5,200 jobs (2.0%) on a base of approximately 270,000.

All three components of professional services and technology are expected see continued job gains this year and in 2016, both in absolute and in percentage terms.

LOOKING AHEAD

Los Angeles County has seen steady improvement over the past three years, a pattern that should continue through 2016. Long-standing segments of the economy have experienced solid job gains. Wage gains are expected over the next year across many occupations, especially those with the greatest number of job openings. Occupations that require higher education, specialized training or experience have generally seen the largest wage hikes in recent years.

[16] See FilmL.A. news release regarding trends in production days and new measurement, shooting days.

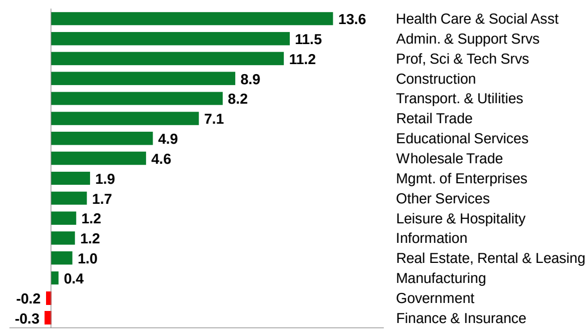
Emerging industries tend to be less visible, at least when looking at official government statistics, but they are also on the rise. Through the first half of this year, the Los Angeles County/Orange County region was the third largest recipient of venture capital,[17] after the Silicon Valley and the New York Metro Area. The Silicon Valley received about half of the $31 billion, while the New York Metro Area received $3.7 billion and Los Angeles/Orange County received $3.1 billion. The leading recipients of venture capital funds flowing into the region are: software and IT services, medical devices, media/entertainment, and industrial/energy. Parts of Los Angeles County have become noteworthy for IT and online innovation, notably the I-405 Corridor from the Westside to the South Bay and Pasadena.

[17] PwC/National Venture Capital Association Moneytree Report.

Los Angeles County Snapshot

L.A. County Employment Growth, 2016

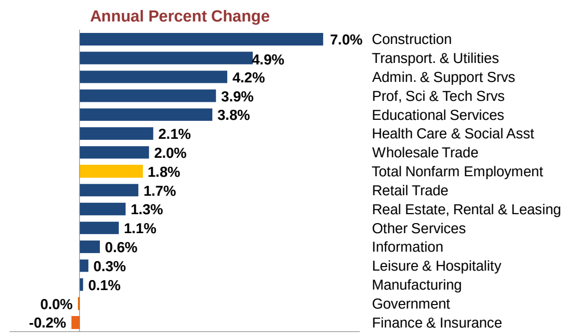
Total nonfarm job growth forecast for 2016 (thousands): +77.7 jobs



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

L.A. County Employment Growth, 2016

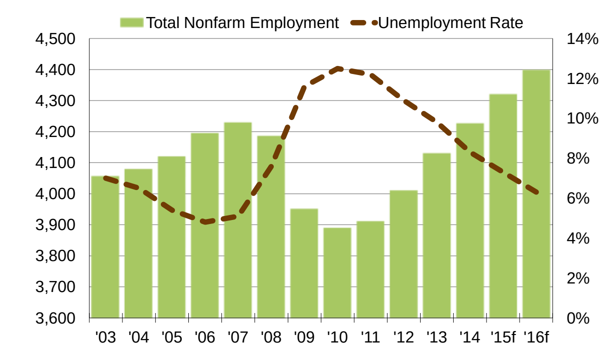
Total nonfarm job growth forecast for 2016, percent change: +1.8%



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

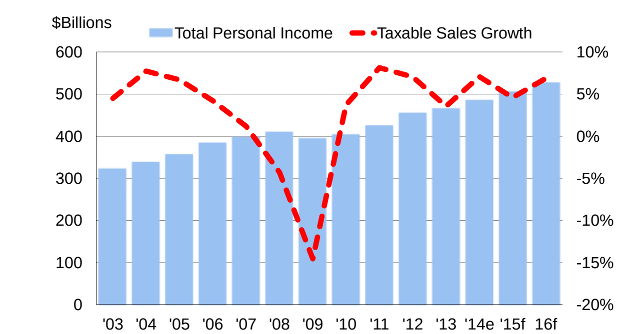
Los Angeles County Employment

Annual average in thousands, 2014 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

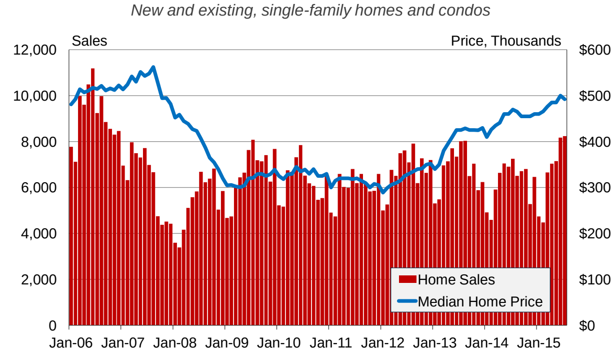
Los Angeles County Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

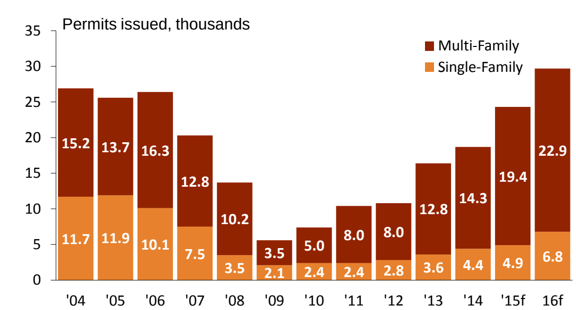
Home Sales & Median Prices Los Angeles County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Los Angeles County



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 12: Los Angeles County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemployment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total TaxableSales ($Billions)	Value of Two-way Trade ($Billions)	Total Overnight & Day Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)	Chg. in CPI (%)
2003	9,791.0	4,056.3	7.0	323.7	33,145	113.7	232.9	---	21,313	2,932	2.6
2004	9,822.5	4,079.1	6.5	339.2	34,632	122.5	261.7	---	26,935	3,174	3.3
2005	9,809.6	4,119.9	5.4	357.6	36,540	130.7	291.6	---	25,647	3,824	4.5
2006	9,787.3	4,194.5	4.8	384.7	39,508	136.2	326.4	---	26,348	3,896	4.3
2007	9,773.9	4,229.0	5.1	398.3	41,058	137.8	347.3	35.7	20,363	4,739	3.3
2008	9,796.8	4,185.4	7.6	410.5	42,165	131.9	355.8	36.5	13,704	4,491	3.5
2009	9,805.2	3,951.0	11.6	395.4	40,396	112.7	282.9	34.4	5,653	2,674	-0.8
2010	9,825.2	3,890.0	12.5	404.5	41,163	116.9	346.8	38.5	7,468	2,677	1.2
2011	9,862.4	3,911.6	12.2	425.7	43,062	126.4	386.7	40.4	10,403	3,129	2.7
2012	9,946.9	4,010.5	10.9	455.8	45,800	135.3	403.5	41.4	10,709	1,803	2.0
2013	10,013.3	4,129.8	9.8	466.1	46,530	140.1	414.5	42.2	16,200	3,585	1.1
2014	10,069.0	4,226.4	8.3	485.9	48,300	150.0	416.6	44.2	18,707	6,241	1.4
2015f	10,123.8	4,319.4	7.3	506.4	50,000	156.9	399.6	45.1	24,300	5,725	0.3
2016f	10,169.1	4,397.1	6.3	527.7	51,900	167.7	415.7	46.0	29,700	6,700	1.8

% Change										
03/02	0.7%	-0.8%		3.8%	3.2%	4.5%	9.5%	---	10.1%	0.4%
04/03	0.3%	0.6%		4.8%	4.5%	7.8%	12.4%	---	26.4%	8.3%
05/04	-0.1%	1.0%		5.4%	5.5%	6.7%	11.4%	---	-4.8%	20.5%
06/05	-0.2%	1.8%		7.6%	8.1%	4.2%	11.9%	---	2.7%	1.9%
07/06	-0.1%	0.8%		3.5%	3.9%	1.2%	6.4%	---	-22.7%	21.6%
08/07	0.2%	-1.0%		3.1%	2.7%	-4.3%	2.5%	2.2%	-32.7%	-5.2%
09/08	0.1%	-5.6%		-3.7%	-4.2%	-14.5%	-20.5%	-5.8%	-58.7%	-40.5%
10/09	0.2%	-1.5%		2.3%	1.9%	3.7%	22.6%	11.9%	32.1%	0.1%
11/10	0.4%	0.6%		5.2%	4.6%	8.1%	11.5%	4.9%	39.3%	16.9%
12/11	0.9%	2.5%		7.1%	6.4%	7.0%	4.3%	2.5%	2.9%	-42.4%
13/12	0.7%	3.0%		2.3%	1.6%	3.5%	2.7%	1.9%	51.3%	98.8%
14/13	0.6%	2.3%		4.2%	3.8%	7.1%	0.5%	4.7%	15.5%	74.1%
15/14	0.5%	2.2%		4.2%	3.5%	4.6%	-4.1%	2.1%	29.9%	-8.3%
16/15	0.4%	1.8%		4.2%	3.8%	6.9%	4.0%	2.0%	22.2%	17.0%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, Los Angeles Tourism and Convention Board, Construction Industry Research Board, California Homebuilding Foundation; estimates and forecasts by the LAEDC

Table 13: Los Angeles County Nonfarm Employment

Annual averages, Thousands, March 2014 benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	4,056.3	3.8	134.6	502.2	278.4	223.8	212.4	399.4	161.6	202.4
2004	4,079.1	3.8	140.2	485.9	270.1	215.9	213.4	405.5	161.2	212.0
2005	4,119.9	3.7	148.7	474.0	265.7	208.4	217.6	414.5	161.7	207.7
2006	4,194.5	4.0	157.5	464.1	259.6	204.5	224.0	423.4	165.2	205.7
2007	4,229.0	4.4	157.6	449.4	251.0	198.4	227.4	426.1	165.6	209.9
2008	4,185.4	4.4	145.2	434.7	243.3	191.3	224.1	416.6	163.1	210.4
2009	3,951.0	4.1	117.3	389.3	217.6	171.7	204.8	387.1	151.2	191.3
2010	3,890.0	4.1	104.5	373.3	207.1	166.3	203.4	386.5	150.6	191.6
2011	3,911.6	4.1	105.1	366.9	204.2	162.8	205.8	393.0	151.8	192.0
2012	4,010.5	4.3	109.2	367.4	204.3	163.1	211.9	401.0	154.5	191.5
2013	4,129.8	4.6	116.2	368.2	204.3	163.8	218.7	406.0	157.5	196.4
2014	4,226.4	4.7	120.2	364.9	203.1	161.8	223.5	414.5	162.7	195.9
2015f	4,319.4	4.6	127.3	362.0	201.4	160.6	230.5	423.1	166.8	198.8
2016f	4,397.1	4.6	136.2	362.4	201.4	161.0	235.1	430.2	175.0	200.0

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	163.2	74.9	233.8	77.4	249.5	94.9	438.8	362.7	145.5	599.3
2004	163.1	76.7	238.0	71.2	254.0	95.5	454.3	372.8	144.7	587.1
2005	164.4	77.8	251.2	67.6	258.0	97.5	469.7	377.8	144.3	583.7
2006	167.0	79.8	264.3	63.0	272.3	99.4	481.7	388.6	145.2	589.4
2007	163.7	80.3	274.1	58.8	273.1	102.9	495.1	397.9	147.1	595.7
2008	154.0	79.4	269.8	56.7	256.8	105.1	513.9	401.6	146.1	603.7
2009	142.3	73.8	250.4	54.4	225.6	110.1	529.9	385.6	138.0	595.8
2010	137.9	71.7	245.8	53.2	229.1	111.1	526.2	384.8	136.7	579.6
2011	137.0	71.6	255.8	55.3	232.9	114.3	528.9	394.7	137.0	565.5
2012	138.8	72.2	269.0	56.7	245.9	115.7	558.6	415.4	141.7	556.8
2013	137.1	74.7	278.1	58.2	258.4	119.8	599.8	439.3	145.7	551.2
2014	133.3	76.4	282.9	59.4	267.0	122.8	625.3	464.6	151.7	556.7
2015f	132.9	78.5	287.1	61.2	272.1	129.1	644.5	481.7	154.1	564.8
2016f	132.6	79.5	298.3	63.1	283.6	134.0	658.1	482.9	155.8	564.6

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC.

LOS ANGELES COUNTY SUB-REGIONS

Los Angeles County consists of nine sub-regions, each of which is significant in size by itself. A special feature of the fall forecast report is a review of the county's sub-regions, which are delineated by city limits, freeways and geographic features.

The most complete data available for these regions is employment. In this report, the primary economic indicator used is average annual private sector "core" employment. These data were obtained from the California Employment Development Department's Quarterly Census of Employment and Wages (QCEW) and summarized by the LAEDC. Data is current through the fourth quarter of 2014. Where possible, additional data regarding industry (travel and tourism, real estate, etc.) activity is also provided.

North County: North County is composed of two distinct regions, Santa Clarita/Valencia in the south and the Antelope Valley (Palmdale/Lancaster) in the north. Total core employment in the region was up by 2.3% or 3,000 jobs over the year in 2014. A significant amount of hiring occurred in education and health services (1,600 jobs), leisure and hospitality (1,200 jobs), and professional and business services (500 jobs). The financial activities industry was the only sector to experience a substantial decline in employment with the loss of 1,000 jobs.

In addition to noticeable employment gains, business travel and tourism improved as well. Hotel occupancy rates in Santa Clarita increased to 90.2% in June 2015 from 85.8% a year ago, while average daily room rates jumped by 5.2% over the year to $139.37.

Hollywood/Mid-Cities/Crenshaw: Total core employment in the region increased by 2.2% or 4,800 jobs over the year in 2014. Education and health services (3,500 jobs) and leisure and hospitality (2,000 jobs) posted the largest employment gains, while jobs in information declined by 1,600.

Activity in the region's travel and tourism industry saw increased activity, as measured by hotel occupancy rates. In Hollywood, occupancy rates improved to 85.6% in June 2015 compared with 80.9% a year ago. Average daily room rates were also up, increasing by 5.7% to $233.12 from the same time one year ago.

Central/Downtown: Total core employment for the downtown region increased by 1.7% or 3,500 jobs in 2014. Hiring in the region was particularly strong in the leisure and hospitality sector (2,700 jobs) while moderate gains were experienced in retail trade (500 jobs), professional and business services (500 jobs), and wholesale trade (500 jobs). Education and health services offset some of these gains with a decline of 600 jobs.

Office vacancy rates have been inching down for the past five quarters, improving to 18.3% during the second quarter of 2015. The industrial vacancy has also improved steadily over the same time period, falling to 2.7% in the second quarter of 2015. Industrial properties still have one of the lowest vacancy rates in the county. Businesses operating in downtown benefit from locally created network and distribution centers, such as the flower, fashion, jewelry, toy and financial districts. Improvements in public transportation such as the Metro Expo Line and new apartment/condo developments are making the downtown area increasingly attractive as a place to both work and live. New apartment/condo developments are mostly high-end living quarters, an indication that high-wage workers such as those in professional and business services, will continue to be in demand.

The average downtown Los Angeles hotel occupancy rate, for hotels exceeding an average daily rate of $110, was 81.4% in June 2015, almost unchanged from 81.6% a year ago, while the average daily room rate increased by 5.7%. Hotel occupancy rates for the remaining hotels were 82.1% in June 2015, up from 81.1% a year ago.

San Gabriel Valley/East Los Angeles: Total core employment in the San Gabriel Valley/East Los Angeles region increased by 1.9% or 11,700 jobs in 2014. Employment in the San Gabriel Valley expanded by 2.2% (13,500 jobs), while employment in East Los Angeles/Eagle Rock increased by 1.9% (2,000 jobs). Overall, the region saw solid, broad-based job growth. Employment in professional and business services posted the largest gain (4,100 jobs, or 4.5%), while leisure and hospitality added 3,700 jobs, followed by education and health services (3,200 jobs), retail trade (1,200 jobs) and construction (1,000 jobs).

Hotels in the region attract both business and leisure travelers. Pasadena hotel occupancy rates remained largely unchanged, edging down to an average 90.4% in June 2015, from 90.5% a year ago. Average hotel occupancy rates in the remaining areas of the San Gabriel Valley ticked up from 83.3% in June 2014 to 84.2% in June 2015.

During the second quarter of 2015, the office vacancy rate fell to its lowest level since 2008, while the industrial vacancy rate was its lowest rate since 2007.

Gateway: The Gateway region encompasses two distinct areas. The south includes harbor communities such as Long Beach and San Pedro; the north includes highly industrialized areas like Downey and Norwalk.

Total core employment in the Gateway region grew by 2.4% or 13,800 jobs in 2014. Job gains were broad-based and occurred in education and health services (3,600 jobs), professional and business services (3,300 jobs), leisure and hospitality (3,200 jobs), retail trade (3,200 jobs) and wholesale trade (2,500 jobs). Job gains in these industries were partially offset by losses in financial activities (-1,300 jobs).

Despite the slowdown at the ports earlier in the year, overall growth in trade at the two ports was up by 1.0% in August 2015 year-to-date. The number of TEU's handled increased significantly at the Port of Long Beach, setting records in July and August, while trade at the Port of Los Angeles slowed compared with the prior year. Even with disrupted trade activity in early 2015, the San Pedro Bay ports are expected to match, if not exceed, levels seen in 2014, which should provide a boost to the local economy.

The average hotel occupancy rate in Long Beach was 83.0% in June 2015, down from 84.1% a year ago. The average daily room rate jumped from $144.53 to $161.19 during the same time period.

San Fernando Valley: The San Fernando Valley begins in Glendale and Burbank in the east and extends as far north and west as Sylmar and Woodland Hills.

In 2014, total core employment in the region grew by 2.0% or 13,600 jobs. In addition to gains in leisure and hospitality (5,700 jobs), education and health services expanded by 5,500 jobs, followed by the information sector with a gain of 5,200 jobs. Professional and business services experienced a steep decline, losing 5,200 jobs, while manufacturing shed nearly 1,100 jobs.

The average hotel occupancy rate was 85.9% in June 2015, up from 84.0% a year ago. Average daily rates also increased, rising to $159.76 in June 2015, up from $149.09 a year ago. The number of passengers flying through Bob Hope Airport in Burbank grew by 2.2% year-to-date through June compared with the same period last year.

South Bay/LAX: In 2014, total core employment in the region was up by 1.4% or 5,700 jobs. Over the year, leisure and hospitality payrolls were up by 2,700 jobs, followed by education and health services (1,600 jobs), and transportation, warehousing and utilities (1,600 jobs). Gains were offset somewhat by losses in manufacturing (700 jobs) and professional and business services (700 jobs).

LAX passenger traffic increased moderately in the first seven months of 2015, rising by 4.4% from a year ago. Domestic passenger travel increased by 3.7%, while international passenger travel increased by 6.4%. Hotel occupancy rates near the airport decreased to 90.9% in June 2015 compared with 92.5% a year ago.

South Los Angeles: In 2014, total core employment was up marginally by 1.3% or 1,100 jobs. Again, education and health services saw large gains (1,300 jobs) while the remaining sectors recorded slight gains and losses, with the exception of manufacturing, which shed 700 jobs.

Westside: Total core employment in the region rose by 2.1% or 7,700 jobs in 2014. The leisure and hospitality sector, which added 4,000 jobs, led employment growth, followed by professional and business services (1,700 jobs), and education and health services (1,000 jobs).

As for travel and tourism, in Santa Monica the average hotel occupancy rate dipped to 87.2% in June 2015 from 88.2% a year ago. Daily room rates continued to trend up, increasing by 4.5% over the year to June 2015. Hotel occupancy in Marina Del Rey edged up to 85.0% in June from 81.3% a year ago. Office vacancy rates improved in the second quarter of 2015 to the lowest rate since 2008.

Table 14: North County Core Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	116.4	0.5	7.6	17.9	4.4	21.5	5.4	2.2	7.5	14.3	16.6	18.4
2010	114.3	0.6	7.0	17.4	4.5	21.1	5.2	2.0	7.4	13.2	17.3	18.7
2011	114.7	0.4	6.7	17.5	4.8	21.5	5.1	2.0	7.3	12.9	17.7	18.8
2012	119.5	0.3	7.0	18.0	4.6	21.9	5.5	2.0	7.3	13.8	19.2	20.0
2013	128.5	0.3	7.9	18.0	4.7	22.3	5.6	1.9	6.8	14.2	26.2	20.6
2014	131.5	0.3	8.3	18.0	4.5	22.5	5.7	2.1	5.8	14.6	27.8	21.8

Source: California EDD, QCEW series

Table 15: Hollywood/Mid-Cities/Crenshaw Core Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	195.9	0.0	3.5	6.3	4.7	24.5	2.1	17.9	15.1	40.1	47.7	33.8
2010	193.0	0.1	3.0	6.1	4.5	24.4	1.9	16.3	14.6	39.5	48.9	33.8
2011	204.1	0.1	3.1	6.3	4.7	25.2	1.9	17.0	18.6	41.1	50.1	36.0
2012	206.3	0.0	3.2	6.3	5.1	25.7	2.0	16.8	14.3	41.7	51.7	39.6
2013	222.4	0.0	3.4	6.1	5.1	26.0	2.2	17.2	14.4	39.5	67.3	41.2
2014	227.2	0.0	3.5	6.4	5.3	26.3	2.3	15.5	14.1	39.8	70.8	43.2

Source: California EDD, QCEW series

Table 16: Central/Downtown Core Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	189.1	0.3	1.6	17.7	21.1	14.3	5.3	4.0	24.0	42.8	37.4	20.5
2010	185.6	0.2	1.4	17.8	21.1	14.0	5.6	4.1	22.2	41.8	37.8	19.6
2011	182.6	0.2	1.5	13.6	21.1	14.2	5.9	4.2	21.2	45.6	34.7	20.4
2012	187.3	0.3	1.5	11.9	21.8	14.2	5.6	4.3	21.1	49.3	34.9	22.3
2013	199.4	0.3	1.7	12.2	22.6	14.8	5.2	4.5	21.5	51.3	41.0	24.3
2014	202.9	0.3	1.8	11.9	23.1	15.3	5.4	4.3	21.6	51.7	40.4	27.0

Source: California EDD, QCEW series

Table 17: San Gabriel Valley/East Los Angeles Core Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	570.3	1.8	25.9	73.8	43.6	79.2	27.9	11.4	40.7	86.2	114.5	65.4
2010	558.3	1.8	22.9	68.7	43.9	78.2	25.3	10.7	38.2	86.8	118.2	63.7
2011	564.1	1.8	23.8	69.0	45.1	77.4	25.8	10.8	37.6	86.4	121.7	64.9
2012	570.5	1.9	23.4	68.1	46.1	78.5	25.9	10.9	38.5	87.7	121.7	67.8
2013	612.6	1.7	24.0	68.8	47.6	78.6	24.8	11.4	38.3	91.0	154.8	71.6
2014	624.2	--	25.0	69.0	47.8	79.8	25.3	11.6	37.4	95.1	158.0	75.3

Source: California EDD, QCEW series

Table 18: Gateway Core Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	546.0	1.7	22.6	104.9	60.1	71.1	40.1	6.7	22.8	81.7	74.3	59.9
2010	540.7	1.8	21.0	99.2	59.7	72.2	40.8	6.9	21.3	83.7	74.5	59.5
2011	546.5	1.8	21.2	101.5	61.1	72.8	41.2	6.4	22.0	83.0	75.8	59.6
2012	562.0	2.1	23.0	102.6	62.3	73.6	41.9	6.9	22.9	87.3	78.5	61.0
2013	587.3	3.0	24.9	99.2	63.1	70.8	42.8	6.6	22.2	93.1	99.4	62.1
2014	601.1	3.4	24.9	98.2	65.6	74.0	43.2	6.3	20.9	96.4	103.0	65.3

Source: California EDD, QCEW series

Table 19: San Fernando Valley Core Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	622.8	1.3	29.4	66.4	27.5	77.9	12.3	96.9	51.7	98.3	96.7	64.3
2010	615.7	1.3	25.6	63.2	26.3	76.8	11.6	99.2	49.2	100.9	98.0	63.7
2011	622.5	1.3	25.7	62.7	26.9	78.6	11.7	98.7	48.8	102.8	100.2	65.1
2012	630.8	1.2	25.8	63.6	26.5	79.7	11.4	95.3	47.8	107.7	104.5	67.2
2013	688.1	0.8	27.5	63.2	26.7	80.9	11.7	94.2	46.7	115.2	149.5	71.7
2014	701.8	0.8	28.7	62.2	27.0	82.5	12.2	99.4	46.4	110.0	155.0	77.4

Source: California EDD, QCEW series

Table 20: South Bay/LAX Core Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	394.0	2.0	14.6	74.2	24.0	45.4	41.4	8.9	20.4	69.9	45.5	47.7
2010	388.0	2.0	12.3	72.1	23.8	43.5	41.1	10.9	19.5	68.5	46.2	48.1
2011	393.9	2.0	12.6	69.3	23.1	44.6	41.7	11.8	19.8	72.4	47.8	48.9
2012	402.8	2.0	14.0	68.9	23.5	45.1	42.8	10.6	20.6	75.6	49.2	50.6
2013	405.1	1.5	14.4	69.4	23.4	45.7	32.6	10.9	21.9	76.5	57.0	51.9
2014	410.8	1.4	15.0	68.7	23.4	46.0	34.1	10.7	22.6	75.8	58.6	54.6

Source: California EDD, QCEW series

Table 21: South Los Angeles Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	68.9	0.1	1.6	17.8	6.7	10.2	2.5	1.0	2.9	5.2	13.5	7.4
2010	68.2	0.1	1.5	16.8	6.5	10.3	2.5	1.2	3.2	5.4	13.1	7.5
2011	67.7	0.1	1.4	15.8	6.5	10.5	2.4	1.0	3.0	5.4	13.7	7.9
2012	71.1	0.1	1.3	15.7	6.4	11.0	2.6	0.8	2.6	6.9	15.1	8.6
2013	88.0	0.1	1.3	15.5	6.4	11.7	2.7	1.1	2.4	7.0	31.2	8.7
2014	89.1	0.1	1.3	14.8	6.4	12.0	2.4	1.0	2.3	7.2	32.5	8.9

Source: California EDD, QCEW series

Table 22: Westside Core Employment, Annual average, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2009	335.1	2.0	8.7	7.6	9.8	38.9	3.6	39.0	38.3	82.5	41.6	63.1
2010	324.6	2.2	7.6	7.4	9.8	38.5	3.5	38.3	31.5	79.2	43.9	62.6
2011	336.1	2.1	7.3	7.3	10.3	39.6	3.6	38.9	31.8	83.6	46.1	65.4
2012	349.3	2.0	7.4	7.2	10.7	41.2	3.8	41.6	31.9	86.7	48.1	68.6
2013	371.4	2.0	7.9	7.1	11.5	42.1	4.4	44.1	32.9	92.0	54.6	72.6
2014	379.1	1.6	7.9	7.0	11.4	42.7	4.5	44.8	33.1	93.7	55.7	76.6

Source: California EDD, QCEW series

ORANGE COUNTY

INTRODUCTION

In the 1950s, as tract homes began to replace the farms that formed the backbone of Orange County's mid-twentieth century economy, the tourism, manufacturing and services industries moved in. Aided by new freeway construction and the presence of significant military bases, the population swelled; new cities were incorporated every year. In the latter part of the decade, aerospace and light industry expanded, and as the population neared the one million mark, more jobs became available at hospitals, restaurants and stores. The opening of Disneyland in 1955 made Orange County an international tourist destination.

Facilitating the transformation of Orange County's economy was its success in attracting a highly skilled workforce. Beginning with the establishment of Orange Coast College in 1948 to the opening of UC Irvine in 1965, Orange County is home to highly regarded colleges and universities. Nearly 84% of the adult population in Orange County has a high school diploma and roughly 37% has a bachelor's degree or higher. Quality of life is another attribute in which Orange County ranks high among regions of the U.S.

The Orange County economy has been one of the standout performers in California. During the current economic cycle, the unemployment rate in Orange County peaked at 9.5% in 2010, but in 2014 fell to an average annual rate of 5.3%, the lowest in Southern California and the fourth lowest in the state. During the first seven months of 2015, the unemployment rate in Orange County has averaged 4.6% and is expected to fall to an annual average of 3.4% in 2016, a rate last seen in 2006.

At its lowest point in this cycle, Orange County total nonfarm employment fell 10.4% below the peak reached in 2006. By 2014, rising job counts pushed nonfarm employment to within 1.9% of its prerecession peak. By the end of this year, the LAEDC forecasts Orange County payrolls will increase by 3.3% over 2014, bringing total nonfarm employment to 1.54 million jobs, a new record high. The largest gains are expected to be in healthcare and social assistance (6,700 jobs); construction (6,000 jobs); professional, scientific and technical services (5,800 jobs); and leisure and hospitality (4,600 jobs). By 2016, total nonfarm employment is expected to reach 1.587 million jobs, a gain of 2.7%.

TRENDS IN MAJOR INDUSTRIES

Real Estate and Construction: Orange County's residential real estate market continues to improve. Sales of existing homes (single-family and condo) have now risen on a year-over-year basis for five consecutive months (as of July 2015) after recording declines for most of 2014. Median prices, on the other hand, have risen year-over-year for nearly 40 consecutive months. According to DataQuick, the July median home price in Orange County was $615,000, up by 5.3% compared with July 2014. Rising prices and strong demand are leading to an increase in new home building activity. Although permits issued for new residential construction in 2014 were up by just 7.0%, activity accelerated in 2015 (a gain of 19.4% is anticipated) with new home permits expected to rise at a slightly faster rate in 2016.

Local commercial real estate has also improved. Office and industrial vacancy rates are declining and lease rates are on the rise in most county submarkets. Institutional investors are pushing up sales prices in expectation of rental increases. The office vacancy rate fell to 12.2% in the second quarter of 2015 from the year-ago rate of 14.8% and net absorption was 447,000 square feet during the first two quarters of this year. The industrial vacancy rate dropped to 3.4% in the second quarter of 2015, the lowest vacancy rate recorded since the fourth quarter of 2007 when it was 3.2%. Net absorption though the second quarter year-to-date was 891,000 million square feet.

Non-residential building permits were up by 33.7% in 2014, but are coming off of very low levels. The bulk of the value in nonresidential construction in Orange County (and elsewhere in Southern California) continues to be remodels and renovations as opposed to new buildings. Leasing fundamentals should continue to strengthen through 2015, paving the way for additional gains in new non-residential construction next year. *For a more detailed discussion of the region's real estate and construction sector, see the* *Real Estate and Construction section of this report.*

Leisure and Hospitality: Tourism is one of Orange County's most important industries. The Orange County Visitor and Convention Bureau reported that over 46 million people (including 4.0 million international travelers) visited Orange County and spent in excess of $10.7 billion in 2014. Attractions like Disneyland, Fashion Island and local beaches have been drawing increasing numbers of international visitors, particularly tourists from China and the Middle East. In the lodging sector, both occupancy rates and average daily room rates have surpassed pre-recession rates and continue to improve. The rise in occupancy rates has prompted several prominent hotels to renovate rooms and conference facilities. New hotel construction is also on the rise. During the first seven months of 2015, the value of new hotel construction permits in Orange County was up by over 35% to $57.9 million compared with the same period in 2014.

After achieving record high employment levels in 2014, leisure and hospitality jobs in Orange County are projected to reach 198,100 workers in 2015, an increase of 2.4%.

Healthcare: Healthcare is an integral part of the Orange County economy. Almost eleven percent of the county's wage and salary jobs are in the health care sector. Employment in 2014 rose by 3.6% with job counts reaching nearly 165,000. In 2015, employment is expected to reach 171,400 jobs, representing an annual gain of 4.1%. The healthcare industry also has a major impact on commercial real estate. More than one million square feet of new healthcare-related leases were signed in Anaheim, Orange, Garden Grove, and Santa Ana in 2014.[18] As the industry grows, healthcare organizations, insurance companies and larger employers are forming partnerships to expand their reach and control costs, and are reshaping the health care industry in the process.

[18] Orange County Business Journal, "*Obamacare Provides List for Central OC Real Estate*". January 5, 2015 v38 n1

Manufacturing and Exports: Orange County has a strong high-tech manufacturing sector that includes computer and related electronic products, aerospace parts and products, and medical devices. These sectors rely on Orange County's highly skilled workforce. Manufacturing employment also accounts for about eleven percent of total nonfarm jobs in Orange County. However, unlike the healthcare sector, which has seen jobs increase by two-thirds since 2000, manufacturing jobs have declined by one-third.

About 73% of manufacturing jobs in Orange County are concentrated in durable goods (computers, machinery, and aerospace parts and products). The balance of manufacturing workers produce nondurable goods such as apparel and food. In 2014, total manufacturing jobs in Orange County edged up slightly by 0.5% to 158,800 workers. Year-to-date through July of this year, manufacturing employment has averaged 162,200 workers with all four of Orange County's primary manufacturing sectors showing gains compared with the same period last year: fabricated metal products (up by 2.1%); machinery (1.5%); computer and electronic products (2.7%); and transportation equipment - primarily aerospace-related (2.1%). The LAEDC anticipates manufacturing employment will average 162,200 jobs for all of 2015, increasing to 164,200 (1.3%) in 2016.

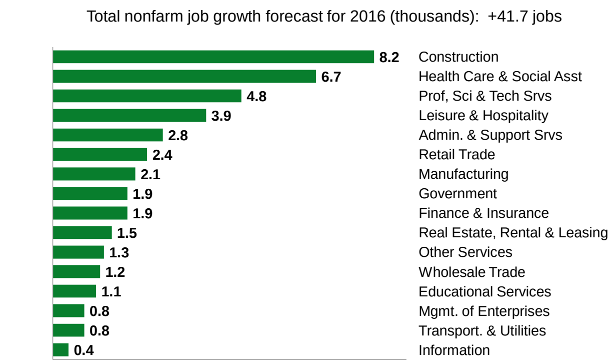
LOOKING AHEAD

The Orange County economy has made significant headway over the last five years in terms of economic growth and job creation. As employment prospects continue to improve, the population will grow. An increase of 1.1% is expected this year to be followed by 1.0% growth in 2016. Most of the recent population growth in the county has come from natural increases (births outnumbering deaths), as opposed to migration. Along with job growth and higher incomes, improvements in the housing market all point to stronger consumer spending with total taxable sales rising by 4.5% and 6.9% this year and next.

Orange County's healthcare, high-tech and biomed industries, tourism and professional business services sectors will lead job and economic growth over the forecast period, providing opportunities for the region's talented and highly skilled workforce.

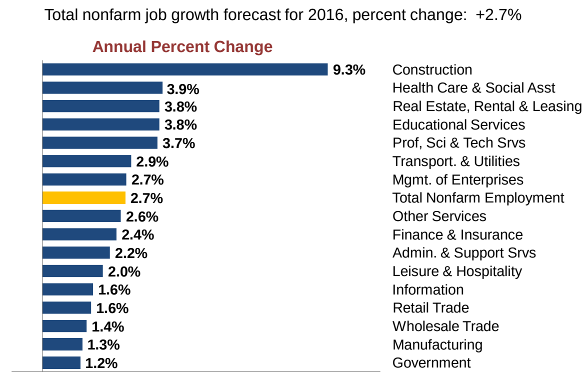
Orange County Snapshot

Orange County Employment Growth, 2016



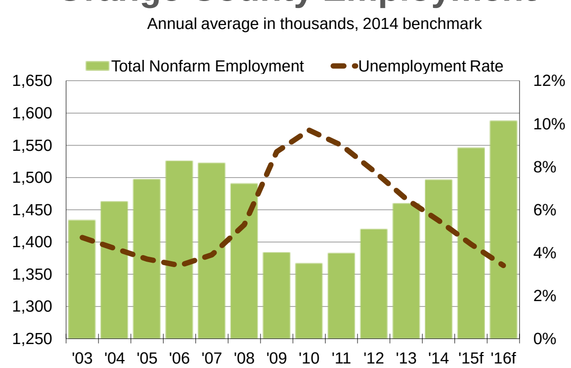
Source: CA EDD, Labor Market Information Division, forecast by LAEDC

Orange County Employment Growth, 2016



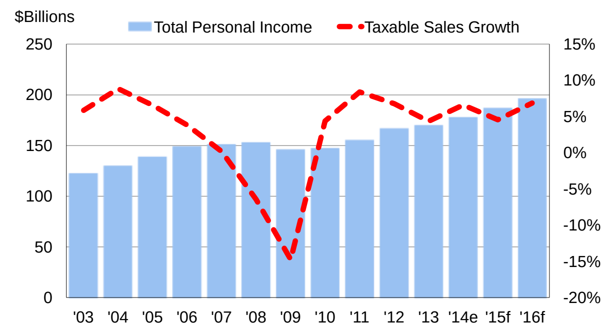
Source: CA EDD, Labor Market Information Division, forecast by LAEDC

Orange County Employment



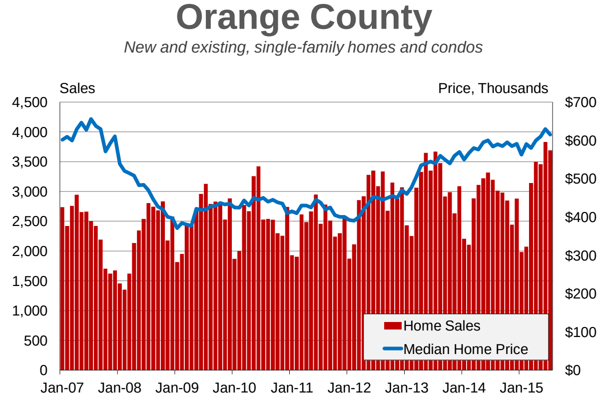
Source: EDD Labor Market Information Division; forecast by LAEDC

Orange County Personal Income & Taxable Sales Growth



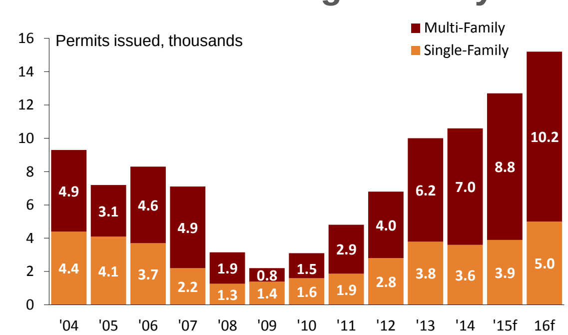
Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

Home Sales & Median Prices Orange County



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Orange County



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 23: Orange County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemployment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total Taxable Sales ($Billions)	Total Overnight & Day Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2003	2,939.7	1,433.4	4.7	122.6	41,851	47.5	42.7	9,311	1,006
2004	2,956.5	1,462.1	4.2	130.1	44,216	51.7	43.5	9,322	1,133
2005	2,957.2	1,496.7	3.7	138.8	47,203	55.1	44.7	7,206	1,495
2006	2,955.4	1,525.1	3.4	149.0	50,808	57.2	44.9	8,371	2,401
2007	2,965.8	1,521.7	3.9	151.1	51,542	57.3	44.3	7,072	2,005
2008	2,982.8	1,490.0	5.3	153.0	51,741	53.6	43.1	3,159	1,439
2009	2,998.8	1,383.5	8.7	146.0	48,865	45.7	42.7	2,200	952
2010	3,017.2	1,366.7	9.7	147.4	48,826	47.7	42.7	3,091	1,152
2011	3,046.5	1,382.4	9.0	155.3	50,839	51.7	42.9	4,807	1,300
2012	3,073.5	1,419.6	7.8	166.6	54,008	55.2	43.8	6,862	1,227
2013	3,099.5	1,459.4	6.5	169.8	54,519	57.6	44.4	9,936	1,301
2014	3,132.7	1,495.9	5.5	177.6	56,700	61.4	46.1	10,636	1,740
2015f	3,166.0	1,545.3	4.4	186.7	59,000	64.2	47.4	12,700	1,750
2016f	3,199.1	1,587.0	3.4	196.0	61,300	68.6	48.3	15,200	2,040

% Change									
03/02	0.9%	1.9%		5.5%	4.8%	5.9%	2.4%	-22.5%	-16.8%
04/03	0.6%	2.0%		6.1%	5.7%	8.8%	1.7%	0.1%	12.6%
05/04	0.0%	2.4%		6.7%	6.8%	6.5%	2.8%	-22.7%	32.0%
06/05	-0.1%	1.9%		7.4%	7.6%	3.9%	0.4%	16.2%	60.6%
07/06	0.4%	-0.2%		1.4%	1.4%	0.2%	-1.3%	-15.5%	-16.5%
08/07	0.6%	-2.1%		1.3%	0.4%	-6.4%	-2.7%	-55.3%	-28.2%
09/08	0.5%	-7.1%		-4.6%	-5.6%	-14.7%	-1.0%	-30.4%	-33.8%
10/09	0.6%	-1.2%		1.0%	-0.1%	4.3%	0.1%	40.5%	21.0%
11/10	1.0%	1.1%		5.4%	4.1%	8.5%	0.5%	55.5%	12.8%
12/11	0.9%	2.7%		7.3%	6.2%	6.8%	2.1%	42.8%	-5.6%
13/12	0.8%	2.8%		1.9%	0.9%	4.3%	1.4%	44.8%	6.0%
14/13	1.1%	2.5%		4.6%	4.0%	6.6%	3.8%	7.0%	33.7%
15/14	1.1%	3.3%		5.1%	4.1%	4.5%	2.8%	19.4%	0.6%
16/15	1.0%	2.7%		5.0%	3.9%	6.9%	1.9%	19.7%	16.6%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, CIC Research, Inc., Construction Industry Research Board; California Homebuilding Foundation; estimates and forecasts by the LAEDC

Table 24: Orange County Nonfarm Employment

Annual averages, Thousands, March 2014 Benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	1,433.4	0.5	83.7	184.0	*127.2*	*56.7*	83.4	152.9	29.0	35.2
2004	1,462.1	0.6	92.2	183.5	*127.1*	*56.4*	82.6	153.3	29.2	33.8
2005	1,496.7	0.7	99.9	182.9	*128.3*	*54.6*	83.2	158.2	28.7	32.8
2006	1,525.1	0.6	106.6	182.7	*128.0*	*54.7*	83.9	160.9	28.2	31.9
2007	1,521.7	0.6	103.1	180.4	*126.2*	*54.2*	87.1	161.2	28.9	31.2
2008	1,490.0	0.6	91.2	174.1	*122.6*	*51.5*	86.9	155.9	29.3	30.1
2009	1,383.5	0.6	74.2	154.9	*109.1*	*45.7*	79.6	143.0	27.8	27.3
2010	1,366.7	0.6	68.0	150.5	*106.5*	*43.9*	77.8	141.3	26.7	24.8
2011	1,382.4	0.6	69.2	154.3	*110.8*	*43.5*	77.3	142.6	27.5	23.8
2012	1,419.6	0.6	71.3	158.3	*114.4*	*43.9*	77.2	144.0	28.0	24.3
2013	1,459.4	0.6	76.8	158.0	*115.1*	*43.0*	79.4	145.5	27.5	25.0
2014	1,495.9	0.7	82.0	158.8	*116.6*	*42.2*	81.7	148.7	26.6	24.2
2015f	1,545.3	0.7	88.0	162.2	*118.8*	*43.4*	83.4	151.6	27.7	24.3
2016f	1,587.0	0.7	96.2	164.3	*120.4*	*43.9*	84.6	154.0	28.5	24.7

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	88.1	34.2	96.6	32.9	123.5	18.9	111.0	158.6	46.7	154.2
2004	96.1	36.3	97.8	30.6	126.9	19.2	116.3	162.9	47.4	153.4
2005	101.0	37.5	103.4	30.0	131.3	19.8	118.7	165.0	48.4	155.3
2006	99.1	39.1	109.5	28.9	136.6	20.8	122.3	169.6	47.7	156.7
2007	89.2	38.6	113.7	27.9	132.2	21.6	126.6	172.9	47.4	159.4
2008	76.1	37.0	116.2	26.3	124.7	23.6	134.3	176.4	46.5	160.8
2009	70.6	34.6	107.3	25.0	108.9	23.4	138.0	169.1	42.6	156.6
2010	69.4	34.1	106.2	23.9	114.8	23.6	141.9	168.6	42.2	152.3
2011	71.2	33.6	108.8	24.7	114.3	24.4	143.7	174.0	43.2	149.3
2012	73.8	34.5	113.3	26.4	120.9	24.7	149.2	180.6	44.6	147.9
2013	77.0	36.1	116.5	27.7	123.2	25.2	159.0	187.8	45.6	148.7
2014	76.2	37.9	122.4	28.7	124.7	25.7	164.7	193.5	47.7	151.9
2015f	78.8	39.4	128.2	29.3	127.4	28.9	171.4	198.1	50.9	155.0
2016f	80.7	40.9	133.0	30.1	130.2	30.0	178.1	202.0	52.2	156.9

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

RIVERSIDE AND SAN BERNARDINO COUNTIES

INTRODUCTION

Job growth in the Inland Empire, as the combined Riverside County-San Bernardino County region is known, outpaced the state and the rest of Southern California for the third year in a row in 2014. This has been a welcome development, as the Inland Empire suffered a more severe blow during the Great Recession and took longer to turn around. Job gains have brought the unemployment rate down and contributed to rising personal income, which has supported growth in a number of consumer-driven industries.

Wage and salary (nonfarm) jobs in the Inland Empire grew at a rate of 4.3% in 2014, outpacing the state's 3.0% growth rate during the same year. With 1.29 million jobs in 2014, the region is still shy of the 2007 prerecession peak by 1,100 jobs. It should surpass that threshold in 2015, more than five years after the technical end of the recession.

The unemployment rate in 2014 fell to 8.2%, down from 9.8% a year earlier, and down significantly from the recession-era peak of 13.7% in 2010. During the first seven months of 2015, the unemployment rate in the Inland Empire has averaged 6.7%, down from an average of 8.5% over the same period one year ago. Job creation accounted for most of the decline in the unemployment rate and the labor force increased marginally (up 1.2%) from 2013 to 2014.

Job gains in the Inland Empire last year were broad-based. Administrative, support and waste services led employment growth, adding 9,800 jobs or 11.4% year-to-date through July of this year, followed by transportation, warehousing and utilities (8,700 jobs or 10.3%); leisure and hospitality (8,100 jobs or 5.7%); and healthcare and social assistance (4,500 jobs or 2.6%). Noteworthy increases also occurred in professional, scientific and technical services (up by 8.4%); wholesale trade (6.0%); and construction (5.5%). Meanwhile, information was the only sector to lose jobs over the course of the year.

TRENDS IN MAJOR INDUSTRIES

Goods Movement: The goods movement industry includes transportation and warehousing along with wholesaling. The industry employed 149,300 workers in the Inland Empire in July 2015, which accounted for just over 11% of total nonfarm employment. Transportation and warehousing employment increased by 8,700 jobs (up by 9.0%) year-to-date to 86,900 jobs, while wholesale trade added 3,500 jobs (a gain of 6.0%), to reach an average of 61,600 jobs through July of this year.

Over the last two years, the region's goods movement industry has benefited from increased activity at the Ports of Los Angeles and Long Beach that followed from improvements in the national economy. The number of containers passing through the twin ports was stuck at roughly 14 million TEUs from 2010 through 2012, but jumped by 3.4% to 14.6 million TEUs in 2013, and by 3.8% to 15.2 million in 2014. This year promises to match or exceed last year's performance with between 15.2 and 15.4 million containers expected by year end. Next year should see an increase of at least three percent, putting the ports within reach of a new all-time record. Accordingly, transportation and warehousing and wholesaling employment should hit a new record high 2015 and again in 2016.

Real Estate: The median price of a home in Riverside County returned to levels that were last seen in early 2008, with a July 2015 median price of $319,000. San Bernardino's median price has also been on the rise, reaching $267,000 in July 2015, roughly on a par with home prices in early 2008. After posting double-digit price increases through most of 2014, median price appreciation slowed to mostly single digits since September of last year, long after the other counties of Southern California experienced a similar slowdown. Sales are trending up but inventories remain tight. The unsold inventory (supply) of existing homes in Riverside County was just 3.9 months in July, while the figure for San Bernardino was 4.0 months. Both readings are less than a month lower than a year ago and inventory levels continue to be below long-run average levels.

New home construction responded to tight market conditions and higher home prices in 2013 with a 46.3% increase in new residential permits issued. Uncertainty about the future direction of the market cooled homebuilding activity in 2014 – new home permits rose by just 14.9%. The release of pent-up demand is expected to speed up the housing market over the next two years; permits should advance more quickly, with a modest gain of 6.5% expected in 2015 followed by a jump of 36.1% in 2016. Permit levels during the next two to three years will remain well below peak levels of the last decade. About three out of four homes built in 2015 were single-family homes, a trend that should continue over the next several years.

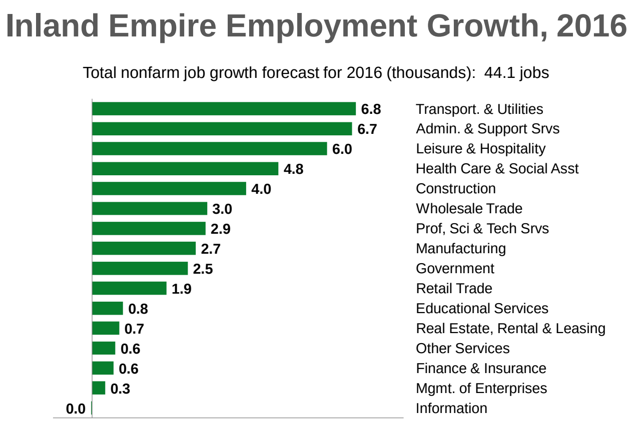
The Inland Empire housing market will register additional gains in 2015. The supply of new and existing homes for sale should increase in response to stronger demand as the population grows and as the financial condition of households in the region improves. In turn, both higher prices and sales are expected. *For a more detailed discussion of the region's housing market, see the Real Estate and Construction section of this report.*

LOOKING AHEAD

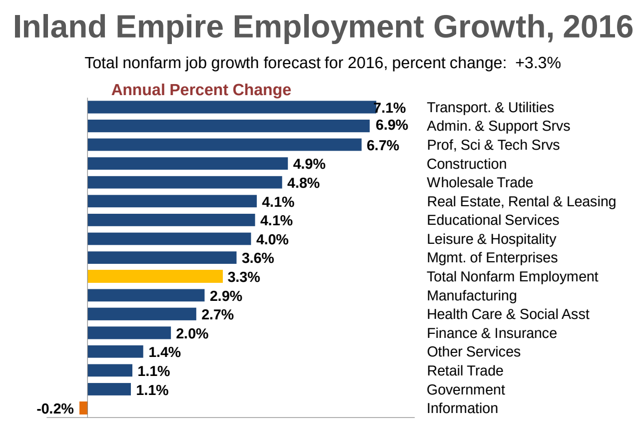
Job growth in 2014 held steady, increasing by 4.3%, placing the Inland Empire among the fastest-growing metro areas in the state and just short of the 4.4% growth rate from the previous year. Employment should expand by an additional 4.0% in 2015 and 3.3% in 2016, with annual wage and salary employment expected to hit a new high. Over the next two years, nearly all industries will add jobs, with the largest increases expected in transportation, warehousing and utilities, and administrative, support and waste services (which together will account for one out of every three jobs in the Inland Empire), followed by leisure and hospitality, and health care and social assistance.

As the region's industries grow over this year and next, the unemployment rate will fall from 8.2% last year (2014) to 6.7% this year and 5.8% in 2016, well below the 8.6% average since 2002. As the economy moves forward and population growth accelerates, personal income will grow by 5.4% in 2015 and 5.1% in 2016, and give rise to further gains in taxable sales and continued job growth in population-serving industries.

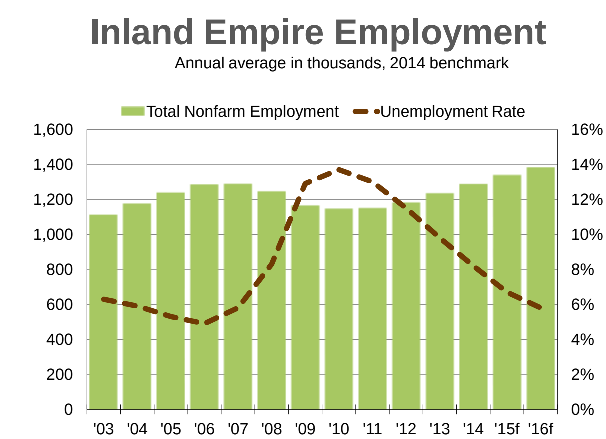
Inland Empire Snapshot



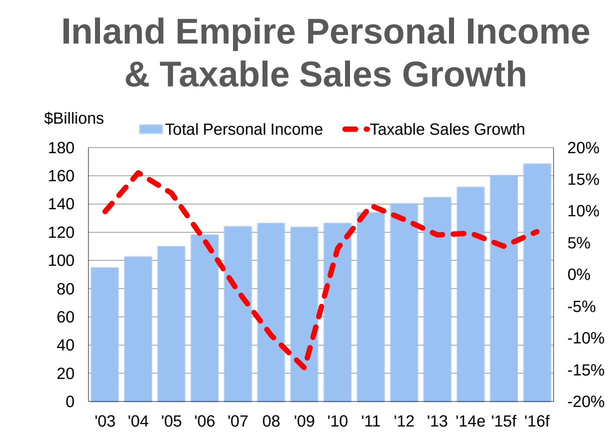
Source: CA EDD, Labor Market Information Division, forecast by LAEDC



Source: CA EDD, Labor Market Information Division, forecast by LAEDC



Source: EDD Labor Market Information Division; forecast by LAEDC

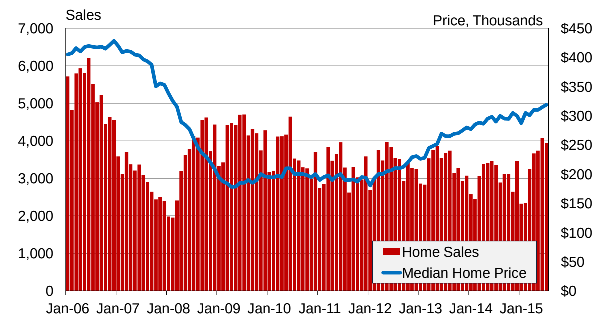


Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

Inland Empire Snapshot

Home Sales & Median Prices Riverside County

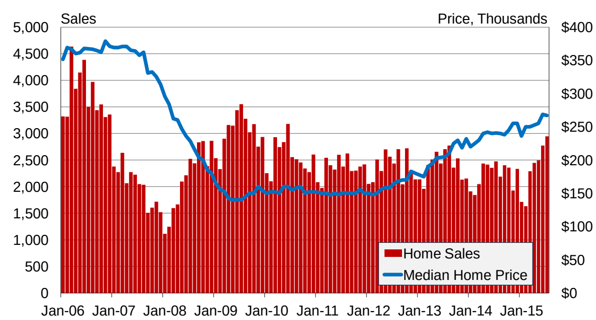
New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

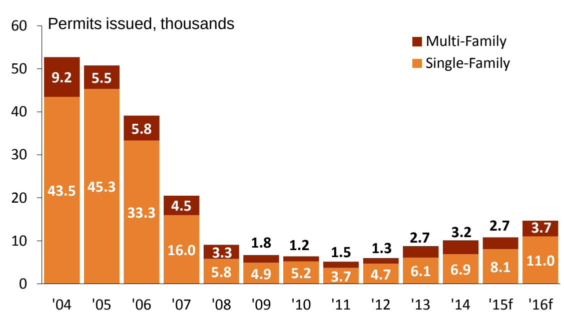
Home Sales & Median Prices San Bernardino County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in the Inland Empire



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 25: Inland Empire Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billons)	Per Capita Personal Income ($)	Total TaxableSales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2003	3,622.5	1,110.1	6.3	95.1	26,300	44.3	43,001	1,720
2004	3,757.1	1,173.3	5.9	102.8	27,371	51.4	52,696	2,485
2005	3,877.5	1,236.2	5.3	110.1	28,401	58.0	50,818	2,394
2006	3,994.1	1,282.4	4.9	118.4	29,703	61.1	39,083	2,852
2007	4,085.3	1,286.2	5.8	124.2	30,535	59.5	20,457	2,824
2008	4,139.4	1,243.1	8.3	126.5	30,749	53.8	9,101	1,781
2009	4,180.7	1,163.2	12.9	123.8	29,757	45.9	6,685	710
2010	4,230.4	1,144.7	13.7	126.5	29,805	47.8	6,404	792
2011	4,273.3	1,148.0	13.0	134.2	31,218	53.0	5,214	921
2012	4,312.9	1,180.3	11.5	140.3	32,301	57.6	6,034	1,040
2013	4,338.6	1,231.9	9.8	144.7	33,025	61.2	8,829	1,343
2014	4,386.9	1,285.1	8.2	152.0	34,700	65.2	10,141	1,301
2015f	4,440.5	1,336.5	6.7	160.2	36,100	68.1	10,800	1,775
2016f	4,509.5	1,380.6	5.8	168.4	37,300	72.7	14,700	2,200
% Change								
03/02	3.8%	3.5%		7.6%	3.7%	9.8%	29.2%	16.8%
04/03	3.7%	5.7%		8.0%	4.1%	16.1%	22.5%	44.5%
05/04	3.2%	5.4%		7.1%	3.8%	12.7%	-3.6%	-3.7%
06/05	3.0%	3.7%		7.6%	4.6%	5.4%	-23.1%	19.1%
07/06	2.3%	0.3%		4.9%	2.8%	-2.7%	-47.7%	-1.0%
08/07	1.3%	-3.4%		1.8%	0.7%	-9.6%	-55.5%	-37.0%
09/08	1.0%	-6.4%		-2.1%	-3.2%	-14.7%	-26.5%	-60.1%
10/09	1.2%	-1.6%		2.2%	0.2%	4.3%	-4.2%	11.5%
11/10	1.0%	0.3%		6.1%	4.7%	10.7%	-18.6%	16.3%
12/11	0.9%	2.8%		4.5%	3.5%	8.8%	15.7%	12.9%
13/12	0.6%	4.4%		3.1%	2.2%	6.3%	46.3%	29.1%
14/13	1.1%	4.3%		5.1%	5.1%	6.5%	14.9%	-3.1%
15/14	1.2%	4.0%		5.4%	4.0%	4.4%	6.5%	36.4%
16/15	1.6%	3.3%		5.1%	3.3%	6.8%	36.1%	23.9%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce Construction Industry Research Board; estimates and forecasts by the LAEDC

Table 26: Inland Empire Nonfarm Employment

Annual averages, Thousands, March 2014 benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	1,110.1	1.2	99.0	116.1	82.4	33.7	43.6	142.7	50.4	13.9
2004	1,173.3	1.2	111.8	120.1	85.5	34.6	45.7	153.6	56.3	14.0
2005	1,236.2	1.4	123.3	121.0	86.1	35.0	50.0	165.3	61.6	14.5
2006	1,282.4	1.4	127.5	123.4	86.9	36.5	54.3	172.5	65.7	15.3
2007	1,286.2	1.3	112.5	118.5	82.1	36.5	56.9	175.6	69.5	15.4
2008	1,243.1	1.2	90.7	106.9	72.5	34.3	54.2	168.6	70.2	14.8
2009	1,163.2	1.1	68.0	88.8	58.2	30.6	49.0	156.2	66.8	14.1
2010	1,144.7	1.0	59.7	85.2	55.4	29.8	48.7	155.5	66.6	14.0
2011	1,148.0	1.0	59.1	85.1	55.8	29.3	49.2	158.5	68.8	12.2
2012	1,180.3	1.2	62.6	86.7	56.9	29.8	52.2	162.4	73.9	11.7
2013	1,231.9	1.2	70.0	87.3	57.3	30.1	56.4	164.8	79.4	11.5
2014	1,285.1	1.3	77.0	90.2	59.8	30.4	59.0	168.7	87.3	11.2
2015f	1,336.5	1.3	80.8	92.9	61.6	31.3	62.1	173.8	95.9	11.3
2016f	1,380.6	1.3	84.7	95.6	63.4	32.1	65.0	175.7	102.7	11.3

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	25.7	16.9	28.8	11.0	75.9	13.2	113.1	109.0	38.2	211.6
2004	28.0	17.7	31.0	11.6	83.1	13.4	118.0	116.7	38.8	212.5
2005	30.1	18.9	35.1	12.0	86.3	13.6	120.3	122.6	39.9	220.4
2006	31.6	19.9	39.9	10.8	91.8	14.1	122.5	128.1	41.2	222.5
2007	30.3	19.5	40.5	9.8	95.2	15.0	127.2	132.6	41.2	225.3
2008	27.4	18.7	40.5	9.7	88.1	15.7	133.6	131.0	40.8	231.0
2009	26.0	16.6	37.8	8.9	78.7	16.3	138.7	123.8	37.3	235.2
2010	25.5	15.5	34.9	8.5	80.1	15.6	138.5	122.8	38.2	234.3
2011	25.3	14.6	35.7	8.6	81.8	15.8	141.8	124.0	39.1	227.5
2012	26.0	14.9	36.8	8.5	82.3	16.3	150.9	129.4	40.1	224.6
2013	26.5	15.6	37.9	8.8	85.7	17.6	166.9	135.9	41.1	225.2
2014	26.5	16.2	40.5	8.9	88.4	18.6	175.0	144.3	43.2	228.8
2015f	27.1	16.8	43.5	9.3	96.8	19.4	179.9	150.9	43.8	231.1
2016f	27.6	17.5	46.4	9.6	103.4	20.2	184.7	156.9	44.4	233.5

Sources: California Employment Development Department, LMID; forecasts by LAEDC

SAN DIEGO COUNTY

INTRODUCTION

With a population of 3.2 million, San Diego County is the second most populous county in California after Los Angeles County. The City of San Diego is the largest of the county's 18 cities. With over 1.3 million residents, it is also the second most populous city in the state after the City of Los Angeles. With a number of academic institutions, life sciences and high-tech firms, the county's population has higher levels of educational attainment compared to the state as a whole. It is also the principal home port of the U.S. Navy's Pacific Fleet.

Like many other parts of California, San Diego County outpaced the nation in terms of job growth for most of the past four years. By 2014, San Diego County recovered all the jobs it had lost during the Great Recession. The result has been a declining unemployment rate, which in July 2015 stood at 5.4%, considerably below the long run average rate of 6.0%.

The county's nonfarm job count stood at 1.39 million in July, up by 3.6% over the previous July figure of 1.34 million jobs. The county will continue to add jobs for all of 2015 and 2016, with a 2.8% gain this year and a 2.5% increase expected next year. These job gains will lead to improvements in the unemployment rate, which will fall to 5.1% this year and 4.3% next year.

With economic gains, population growth will accelerate from 1.1% in 2014 to 1.2% both this year and next. Two-thirds of the recent population growth in the county has come from natural increases (births outnumbering deaths), while migration, mostly international, contributed the remaining increase. Accompanying job growth this year and next will be increases in per capita income (mid-three percent this year and next), which will drive increases in consumer spending as measured by total taxable sales.

As with other parts of the state, San Diego's housing market has improved. The median price for all homes was $470,000 in July, up 4.7% from a year earlier but still shy of the January 2006 peak of $510,000. Sales increased by 22.4% over the previous July, implying that San Diego County is participating in the long awaited 2015 housing surge that has occurred nationally and throughout much of California. As of July, new housing permits had risen by more than 60% in year-to-date terms. The yearend increases should be close to that gain, while 2016 promises another double-digit percentage increase. *For a more detailed discussion of the region's housing market, see the Real Estate and Construction section of this report.*

TRENDS IN MAJOR INDUSTRIES

Nearly every industry in the county added jobs this year with the biggest percentage gains in construction (up 6.3% year-to-date as of July), professional, scientific and technical services (up 6.6%), and real estate, rental and leasing (up 4.7%). In absolute terms, professional, scientific and technical services added the largest number of jobs

(8,400), followed by leisure and hospitality (7,600 jobs), and healthcare and social assistance (5,900 jobs). Only three major industries experienced job losses, notably mining and logging, which has lost jobs in nearly every part of the state. It also bears mentioning that government employment showed solid gains, mainly due to increases at the state and local level, especially local education. Most industries are expected to add jobs in 2016, led by construction, professional, scientific and technical services, administrative and support services, and education.

Aerospace and Defense: San Diego County's transportation equipment industry includes both aerospace and shipbuilding, both of which have close ties to the local defense sector. Transportation equipment manufacturing jobs edged up from 14,400 jobs in July 2014 to 15,400 jobs in July 2015, mainly because of increases in shipbuilding. The Pentagon budget outlook remains uncertain over the foreseeable future, but much of the work being done by local contractors is related to the development of systems that are likely to continue growing even if defense budgets are cut, including cyber security, intelligence surveillance, defense-related electronics and software, and unmanned aerial systems.

Agriculture: San Diego's agricultural industry is the 19th largest in the U.S. and has a higher dollar-value per acre ($457,000) than any other county in California.[19] Farm employment stood at 10,400 in July, down 1.0% (100 jobs) from a year earlier. The largest commercial crops were ornamental trees and shrubs, followed by indoor flowering and foliage plants. San Diego growers do face some considerable challenges, the foremost being high land costs and the uncertain supply and increasing cost of water.

Biotechnology and Healthcare: San Diego's life sciences sector benefits from its close ties to the area's research institutions and from the county's long-standing efforts to support and grow the industry. During the second quarter of 2015, San Diego County ranked third in the nation in the total amount of life sciences venture capital received.[20]

The county's healthcare and social assistance industry is expanding, similar to the trend elsewhere in the state. The industry added 5,900 jobs (3.8%) year-to-date through July 2015. Job gains were distributed across ambulatory and healthcare services, hospitals, and nursing and residential care facilities. With its advanced treatment and diagnostic facilities, San Diego is a center for both medical research and medical services.

Tourism and Hospitality: San Diego's travel and tourism industry is growing, with visitor expenditures increasing 4.7% in 2014 to a record high of $14.7 billion. The number of visitors also hit a record high of 33.8 billion in 2014, and is expected to exceed those levels this year and next.[21] Projections for hotel occupancy rates and average daily rates in 2015 are positive. With demand for hotel rooms outpacing new supply, the supply of new hotels in the county will increase over the near term, while existing hotels will go through extensive renovations.

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[19] San Diego Farm Bureau, *San Diego Crop Statistics and Annual Report, 2013*

[20] PwC *Money Tree*

[21] San Diego Tourism Authority

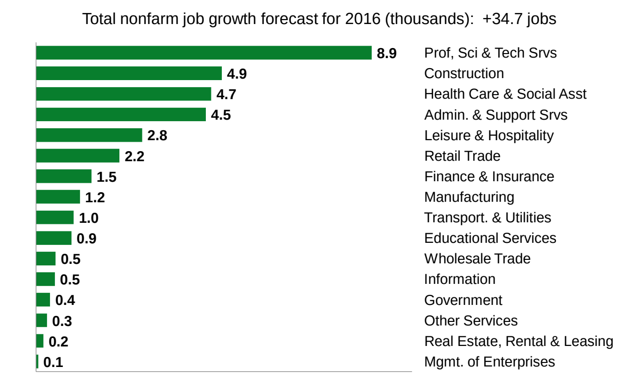
With continued growth in tourism and in the local economy as a whole, leisure and hospitality employment will grow through 2016. Leisure and hospitality is expected to increase by 3.9% from 176,800 jobs in 2014 to 183,700 this year, with a 1.5% (2,800 jobs) gain expected next year.

LOOKING AHEAD

Over the near future, San Diego's economy is expected to experience broad-based job growth across most of its industries, reducing the county's unemployment rate from 5.1% in 2015 to 4.3% in 2016. The region will continue to benefit from its role as an innovation hub for telecommunications, medical devices and life sciences, and high-tech manufacturing. San Diego is a popular travel destination and is investing in infrastructure that will improve long-term growth prospects, including upgrades to Lindberg Field and a project to expand the border crossing at San Ysidro.

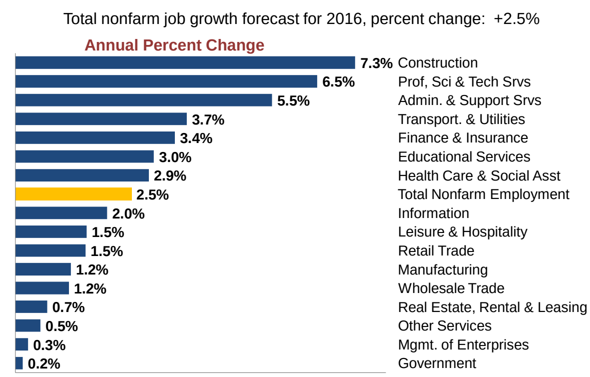
San Diego County Snapshot

San Diego County Employment Growth, 2016



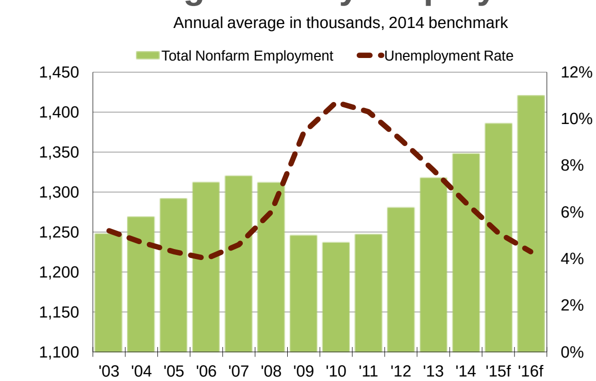
Source: CA EDD, Labor Market Information Division; forecast by LAEDC

San Diego County Employment Growth, 2016



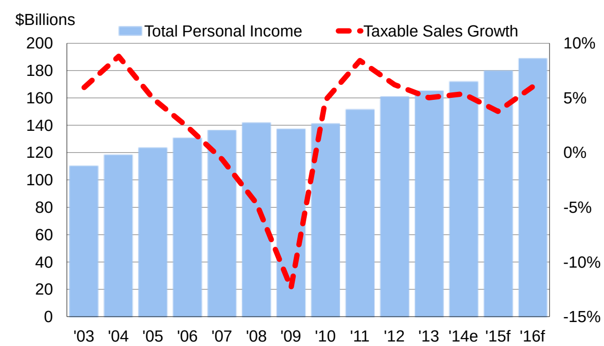
Source: CA EDD, Labor Market Information Division, forecast by LAEDC

San Diego County Employment



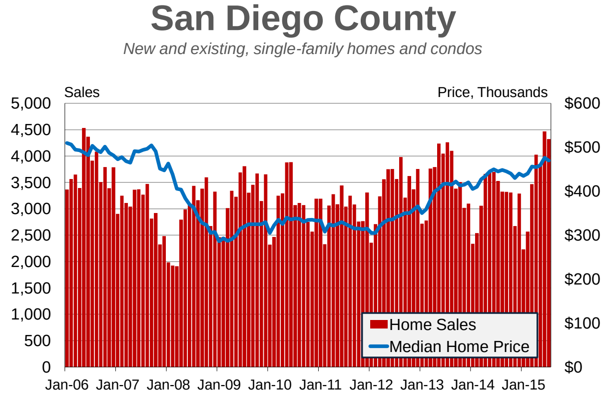
Source: EDD Labor Market Information Division; forecast by LAEDC

San Diego County Personal Income & Taxable Sales Growth



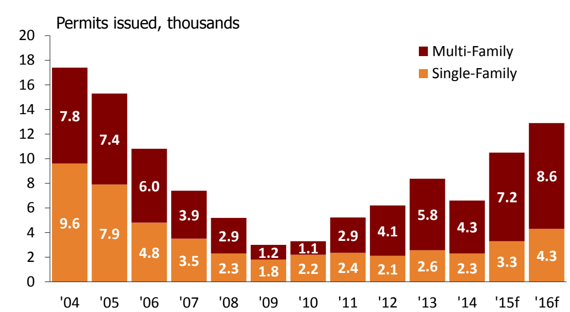
Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

Home Sales & Median Prices San Diego County



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in San Diego County



Source: CIRB, California Home Building Foundation, forecast by LAEDC

Table 27: San Diego County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total Taxable Sales ($Billions)	Value of Two-way Trade ($Billions)	Total Overnight & Day Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)	Chg. In CPI (%)
2003	2,944.0	1,247.9	5.2	110.3	37,854	40.9	35.6	32.1	18,314	1,169	3.7
2004	2,963.4	1,269.1	4.7	118.4	40,397	44.5	39.4	31.8	17,306	1,288	3.7
2005	2,970.1	1,291.9	4.3	123.6	42,075	46.7	43.2	31.8	15,258	1,382	3.7
2006	2,982.8	1,312.1	4.0	130.7	44,331	47.8	50.5	32.2	10,777	1,622	3.4
2007	3,014.2	1,320.1	4.6	136.3	45,814	47.5	53.9	31.6	7,445	1,417	2.3
2008	3,051.3	1,311.9	6.0	141.8	46,920	45.3	53.4	31.1	5,154	1,062	3.9
2009	3,077.6	1,245.9	9.4	137.3	44,864	39.7	43.9	29.6	2,990	584	0.0
2010	3,102.9	1,237.1	10.7	141.2	45,501	41.6	48.4	29.9	3,346	659	1.3
2011	3,125.7	1,247.0	10.3	151.5	48,260	45.1	52.6	31.1	5,223	1,072	3.0
2012	3,153.4	1,280.5	9.1	160.9	50,664	47.9	56.4	32.3	6,193	1,095	1.6
2013	3,176.8	1,317.8	7.8	165.0	51,384	50.3	58.8	33.1	8,447	1,282	1.3
2014	3,212.3	1,348.0	6.4	171.8	53,500	53.0	63.9	31.0	6,603	1,763	2.0
2015f	3,252.2	1,385.7	5.1	179.8	55,300	55.0	69.2	31.8	10,500	1,800	0.2
2016f	3,291.4	1,420.4	4.3	188.6	57,300	58.3	70.2	32.6	12,900	1,975	1.9

% Change										
03/02	1.2%	0.9%		4.9%	4.3%	5.9%	-0.5%	-0.3%	16.4%	0.0%
04/03	0.7%	1.7%		7.3%	6.7%	8.8%	10.7%	-0.8%	-5.5%	10.2%
05/04	0.2%	1.8%		4.5%	4.2%	5.0%	9.6%	-0.2%	-11.8%	7.3%
06/05	0.4%	1.6%		5.7%	5.4%	2.5%	17.0%	1.3%	-29.4%	17.4%
07/06	1.1%	0.6%		4.3%	3.3%	-0.7%	6.6%	-2.0%	-30.9%	-12.6%
08/07	1.2%	-0.6%		4.0%	2.4%	-4.5%	-0.8%	-1.5%	-30.8%	-25.1%
09/08	0.9%	-5.0%		-3.1%	-4.4%	-12.4%	-17.8%	-4.8%	-42.0%	-45.0%
10/09	0.8%	-0.7%		2.8%	1.4%	4.8%	10.2%	0.9%	11.9%	12.8%
11/10	0.7%	0.8%		7.2%	6.1%	8.3%	8.6%	4.3%	56.1%	62.7%
12/11	0.9%	2.7%		6.2%	5.0%	6.3%	7.3%	3.7%	18.6%	2.1%
13/12	0.7%	2.9%		2.5%	1.4%	4.9%	4.2%	2.5%	36.4%	17.1%
14/13	1.1%	2.3%		4.1%	4.1%	5.4%	8.7%	-6.3%	-21.8%	37.5%
15/14	1.2%	2.8%		4.7%	3.4%	3.7%	8.3%	2.6%	59.0%	2.1%
16/15	1.2%	2.5%		4.9%	3.6%	6.0%	1.4%	2.5%	22.9%	9.7%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, CIC Research, Inc., Construction Industry Research Board; California Homebuilding Foundation; estimates and forecasts by the LAEDC

Table 28: San Diego County Nonfarm Employment

Annual averages in thousands, March 2014 Benchmark

Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	1,247.9	0.3	80.2	105.4	*78.9*	*26.5*	41.7	140.9	27.3	33.4
2004	1,269.1	0.4	87.7	104.4	*78.2*	*26.2*	42.0	145.0	28.4	32.5
2005	1,291.9	0.4	90.8	104.6	*79.2*	*25.4*	43.7	147.5	28.4	32.6
2006	1,312.1	0.5	92.7	104.0	*78.5*	*25.5*	45.2	148.4	28.7	31.7
2007	1,320.1	0.4	87.0	102.6	*77.4*	*25.2*	45.6	148.1	28.8	31.3
2008	1,311.9	0.4	76.1	102.9	*78.2*	*24.7*	45.0	142.0	29.0	31.4
2009	1,245.9	0.4	61.1	95.4	*73.3*	*22.2*	40.6	131.7	27.3	28.2
2010	1,237.1	0.4	55.4	93.1	*71.2*	*21.9*	40.2	130.7	26.5	25.1
2011	1,247.0	0.4	55.2	93.4	*71.1*	*22.2*	41.5	133.4	26.1	24.2
2012	1,280.5	0.4	57.0	94.5	*71.4*	*23.1*	43.5	137.2	27.3	24.5
2013	1,317.8	0.4	60.9	95.2	*71.1*	*24.1*	43.9	141.3	27.2	24.3
2014	1,348.0	0.4	63.5	96.4	*71.4*	*24.9*	43.9	144.2	26.8	24.6
2015f	1,385.7	0.4	67.4	97.6	*72.5*	*25.1*	45.1	146.5	27.1	25.3
2016f	1,420.4	0.4	72.3	98.8	*73.7*	*25.1*	45.6	148.7	28.1	25.8

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	51.2	28.8	105.3	19.1	80.6	18.8	110.2	140.7	46.8	217.3
2004	52.8	29.1	104.0	18.2	86.7	20.1	109.8	145.7	47.9	214.3
2005	53.5	29.7	110.9	17.4	87.3	21.1	110.7	149.6	48.8	215.1
2006	53.2	30.5	115.4	16.9	87.2	21.3	113.8	156.5	48.4	217.9
2007	50.2	30.1	118.7	16.1	88.5	22.0	118.5	161.8	48.3	222.4
2008	46.1	29.2	120.5	15.9	86.0	24.4	125.6	164.0	48.4	225.1
2009	43.3	26.5	116.8	16.0	74.2	26.7	131.5	154.8	46.8	224.5
2010	41.3	25.9	117.5	17.1	73.3	25.4	134.2	154.5	46.1	230.5
2011	42.0	25.7	118.8	17.5	73.9	27.1	135.7	155.6	47.7	229.0
2012	44.1	26.1	121.0	19.0	76.7	29.0	141.5	161.7	49.2	227.8
2013	44.5	26.9	124.6	20.9	79.3	29.9	151.2	168.6	49.3	229.5
2014	42.9	27.6	129.2	21.4	79.4	30.4	156.5	176.8	52.3	231.9
2015f	42.8	28.6	137.0	21.4	81.5	31.6	161.7	183.7	53.9	234.2
2016f	44.3	28.8	145.9	21.5	86.0	32.5	166.4	186.5	54.2	234.6

Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

VENTURA COUNTY

INTRODUCTION

Ventura County is the smallest of the counties in the Los Angeles five-county area based on population, but it is home to a broad array of industries including agriculture, professional and business services, technology and tourism. Proximity to one of the world's leading wine-growing regions and 43 miles of coastline attracts large numbers of visitors, many of whom make the quick trip up from Southern California for a weekend getaway.

Ventura County is not only a port of call for travelers but also a shipping hub for automobiles and agricultural goods. Port Hueneme serves as a distribution hub for automobile manufacturers, and is a collection point for many agricultural goods that are shipped throughout the nation. Port Hueneme handled 5.2 million tons of cargo in 2014, up by 3.6% from 2013. In 2014, two-way trade was valued at $9.2 billion, an increase of 10.4% from a year earlier.

EMPLOYMENT

During the first seven months of 2015, Ventura County's unemployment rate dropped over a full percentage point from an average of 6.8% through July of last year to 5.6% through July of this year. However, within the Tri-County area, Ventura lags behind both San Luis Obispo County (5.6%) and Santa Barbara County (6.1%). While 6.8% is the lowest unemployment rate since 2008, it is still short of prerecession levels. The LAEDC expects that the unemployment rate will finish the year at 5.6% and fall to 5.1% in 2016.

In 2014, nonfarm employment grew by 1.8% and averaged 293,000 nonfarm jobs. Despite adding jobs over the last four years, nonfarm employment in 2014 was 5,900 jobs below the peak of 2006. Through July of this year, nonfarm employment averaged 296,200, up 1.5% from the same period a year earlier. The LAEDC forecasts nonfarm employment to grow by 1.4% in 2015 and 1.5% in 2016, with Ventura expected to surpass its prerecession peak in 2016.

Ventura's best-performing sectors were healthcare and social services (accounting for over one-quarter of total nonfarm job gains) and leisure and hospitality. Construction had a particularly robust year, growing by 8.7% in 2014, up from 6.8% in 2013. While professional, scientific and technical services was flat in 2014, the sector is forecasted to lead the way in 2015 with a growth rate of 5.6%.

TRENDS IN MAJOR INDUSTRIES

Tourism: Ventura is an ideal destination for tourists looking for an alternative to the higher-priced Santa Barbara area. Benefits include the short distance from Los Angeles County and more affordable lodging. Hotel supply has remained largely unchanged since

2011, but several new properties are in various stages of development. Occupancy rates reached 85.2% in June 2015 compared with 78.2% a year earlier. Average daily room rates have also edged up, rising to $118.06 in June 2015 (up from $110.49 in 2014). Further gains are expected in 2016. The number of occupied rooms is expected to increase by 1.1% with market occupancy rates reaching 74%, and average daily rates rising by 5.1%. The revenue per available room should increase by 6.7% to $84.94.

Housing and Consumer Spending: Ventura County's housing market has performed well this year. Despite the tight inventory of homes for sale, existing home sales increased on a year-over-year basis for seven consecutive months (January to July 2015), while median prices have been growing on a year-over-year basis for over three years. The median price of an existing single-family home in Ventura County was $510,000 in July 2015, up by 4.6% compared with a year ago. New home building has been on the rise since 2012. Permits issued for new construction jumped by 39.3% from 2013 to 2014. With strong gains in the housing market expected over the next two years, new home construction will continue to rise with permits increasing by 10.9% in 2015 and by 25.0% in 2016.

The LAEDC forecasts total personal income will rise by 3.9% this year and by 4.5% in 2016. As long as job growth continues at its current pace, per capita income will increase by 3.3% this year and by 3.5% in 2016. Consumer spending is expected to see strong growth this year and next as the labor market continues to tighten and personal incomes improve.

The population of Ventura County is made up of 844,300 individuals that are 47.5% white non-Hispanic, 41.2% Hispanic, 6.8% is Asian-Pacific Islander and 4.5% black or other races. The LAEDC expects the population to increase at a moderate pace for the next two years, growing to 850,300 and 856,700 individuals in 2015 and 2016, respectively.

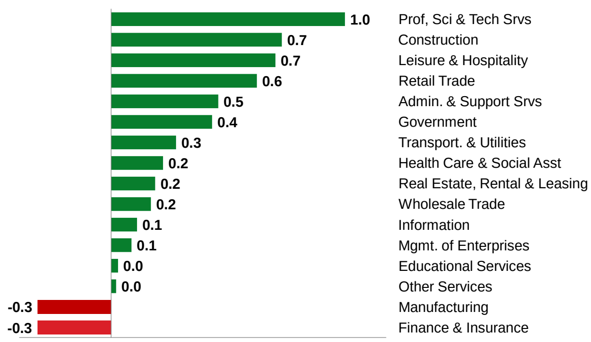
LOOKING AHEAD

The Ventura County economy will advance broadly over the next two years. The LAEDC forecasts expansion in most private industry sectors in 2015 with similar gains in 2016. Professional, scientific and technical services will lead the way with anticipated job gains of 5.6% in 2015 and 6.0% in 2016. This will be accompanied by increases in construction employment of 5.0% and 5.2% this year and next. This year will also be good for the leisure and hospitality, transportation, warehousing and utilities, and the professional, scientific and technical sectors. Construction will account for nearly one out of every five jobs created in 2015 and 2016, and similarly about one-fifth of job gains over the next two years will be in leisure and hospitality.

Ventura County Snapshot

Ventura County Employment Growth, 2016

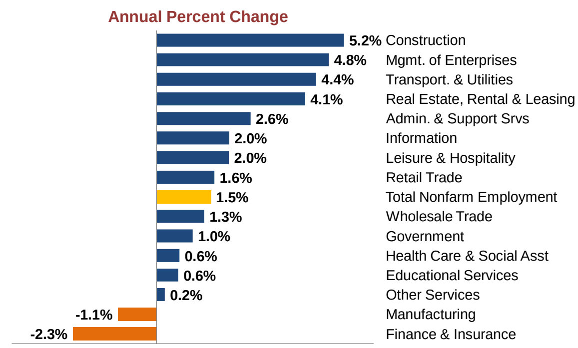
Total nonfarm job growth forecast for 2016 (thousands): +4.5 jobs



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

Ventura County Employment Growth, 2016

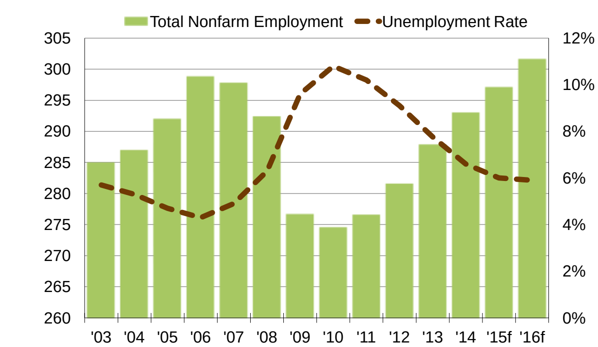
Total nonfarm job growth forecast for 2016, percent change: +1.5%



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

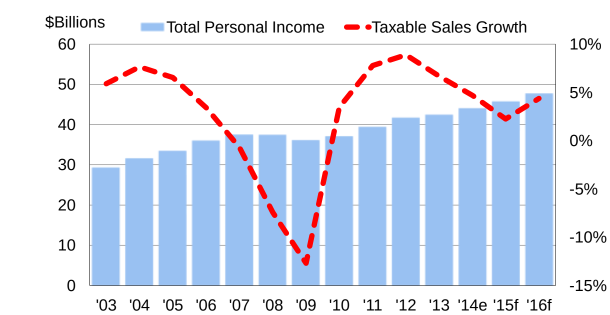
Ventura County Employment

Annual average in thousands, 2014 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

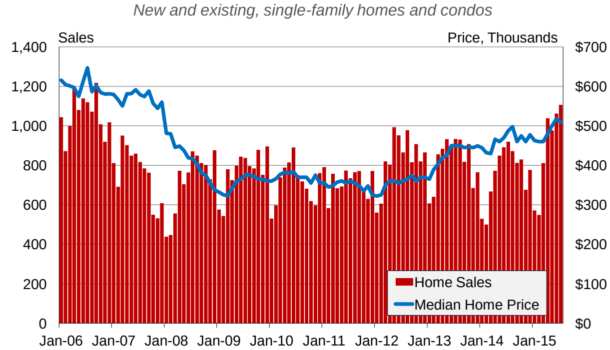
Ventura County Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the LAEDC

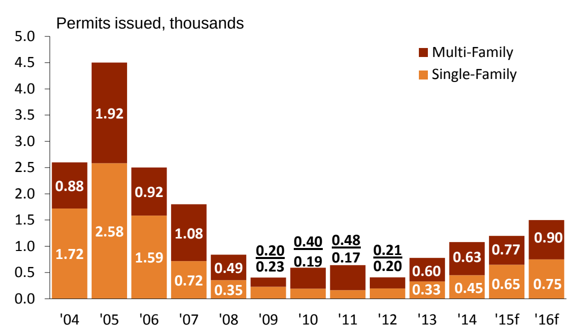
Home Sales & Median Prices Ventura County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Ventura County



Source: Construction Industry Research Board, forecast by LAEDC

Table 29: Ventura County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Total Taxable Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2003	789.4	285.0	5.7	29.3	37,218	10.4	3,635	379
2004	795.0	287.0	5.3	31.6	39,810	11.2	2,603	353
2005	796.9	292.0	4.7	33.5	42,129	11.9	4,516	372
2006	801.2	298.9	4.3	36.0	45,077	12.3	2,461	326
2007	805.9	297.8	4.9	37.5	46,870	12.2	1,847	346
2008	812.0	292.4	6.3	37.4	46,427	11.3	842	345
2009	818.5	276.9	9.6	36.1	44,287	9.9	404	153
2010	825.1	274.7	10.8	37.1	44,912	10.2	590	160
2011	830.1	276.6	10.2	39.4	47,463	11.0	640	147
2012	833.4	281.6	9.1	41.7	49,982	12.0	410	109
2013	839.3	287.9	7.9	42.4	50,507	12.8	777	102
2014	844.3	293.0	6.7	44.0	52,100	13.4	1,082	106
2015f	850.3	297.1	5.6	45.7	53,800	13.7	1,200	125
2016f	856.7	301.6	5.1	47.7	55,700	14.3	1,500	160

% Change								
03/02	1.2%	0.9%		6.5%	5.4%	5.9%	45.0%	31.1%
04/03	0.7%	0.7%		7.8%	7.0%	7.7%	-28.4%	-6.9%
05/04	0.2%	1.7%		5.9%	5.8%	6.6%	73.5%	5.4%
06/05	0.5%	2.4%		7.5%	7.0%	3.4%	-45.5%	-12.4%
07/06	0.6%	-0.4%		4.2%	4.0%	-0.7%	-24.9%	6.1%
08/07	0.8%	-1.8%		-0.2%	-0.9%	-7.4%	-54.4%	-0.3%
09/08	0.8%	-5.3%		-3.6%	-4.6%	-12.7%	-52.0%	-55.7%
10/09	0.8%	-0.8%		2.7%	1.4%	3.5%	46.0%	4.6%
11/10	0.6%	0.7%		6.4%	5.7%	7.8%	8.5%	-8.1%
12/11	0.4%	1.8%		5.8%	5.3%	8.5%	-35.9%	-25.9%
13/12	0.7%	2.2%		1.7%	1.1%	7.2%	89.5%	-6.4%
14/13	0.6%	1.8%		3.7%	3.2%	4.1%	39.3%	3.9%
15/14	0.7%	1.4%		3.9%	3.3%	2.5%	10.9%	17.9%
16/15	0.8%	1.5%		4.5%	3.5%	4.8%	25.0%	28.0%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce Construction Industry Research Board; estimates and forecasts by the LAEDC

Table 30: Ventura County Nonfarm Employment

Annual averages in thousands, March 2014 Benchmark

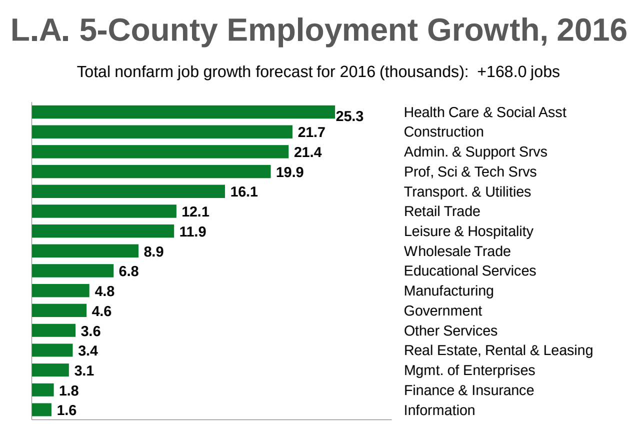
Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	Mfg. -- Durable	Mfg. -- Nondurable	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2003	285.0	0.6	16.6	37.1	*24.0*	*13.0*	11.8	34.5	5.6	7.2
2004	287.0	0.7	16.9	38.3	*24.2*	*14.1*	12.2	35.3	5.7	6.8
2005	292.0	0.8	18.8	37.7	*23.9*	*13.9*	12.5	36.5	5.8	6.2
2006	298.9	1.1	20.5	38.4	*24.1*	*14.3*	12.6	37.6	6.1	6.0
2007	297.8	1.1	18.8	38.0	*23.9*	*14.1*	13.0	37.6	6.1	5.8
2008	292.4	1.2	16.7	35.9	*23.2*	*12.7*	12.8	37.3	6.0	5.6
2009	276.9	1.2	13.2	32.6	*20.4*	*12.2*	12.1	35.1	5.4	5.3
2010	274.7	1.2	11.3	31.5	*19.5*	*12.0*	12.3	35.5	5.3	5.1
2011	276.6	1.3	11.3	30.6	*18.8*	*11.8*	12.5	36.3	5.5	4.9
2012	281.6	1.3	11.8	29.9	*18.2*	*11.7*	12.6	37.3	5.7	5.2
2013	287.9	1.2	12.6	29.9	*18.2*	*11.8*	12.9	38.5	5.9	5.2
2014	293.0	1.3	13.7	30.5	*18.5*	*12.0*	13.0	39.0	6.2	5.5
2015f	297.1	1.3	14.4	30.0	*18.4*	*11.6*	13.2	39.8	6.4	5.7
2016f	301.6	1.3	15.1	29.7	*18.3*	*11.4*	13.4	40.4	6.7	5.8

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support Srvs	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2003	19.2	4.3	13.6	3.9	19.4	3.4	25.0	27.6	10.4	44.8
2004	19.8	4.4	14.2	3.6	19.5	3.6	24.7	28.5	10.3	42.5
2005	20.0	4.4	15.1	3.5	19.8	3.7	25.5	29.2	10.4	42.2
2006	19.6	4.5	16.0	3.3	20.1	3.7	26.3	30.5	10.2	42.5
2007	17.9	4.8	16.2	3.2	18.8	4.1	27.5	32.0	9.9	43.0
2008	16.4	4.7	16.7	3.1	18.0	4.6	28.8	31.5	10.0	43.1
2009	16.1	4.4	16.2	2.9	16.1	4.7	29.6	29.8	9.3	42.9
2010	16.0	4.3	15.3	2.6	15.8	4.7	30.0	30.3	9.2	44.2
2011	16.2	4.2	15.1	2.1	16.1	4.7	30.8	31.4	9.2	44.4
2012	15.4	4.2	15.7	1.9	17.3	5.3	32.2	32.8	9.4	43.6
2013	14.5	4.4	16.1	1.8	18.3	4.9	34.6	33.8	9.7	43.6
2014	14.2	4.5	16.1	1.8	17.6	5.1	35.9	35.0	9.9	43.8
2015f	13.9	4.7	17.0	1.9	18.0	5.1	35.9	35.8	9.9	44.1
2016f	13.6	4.9	18.0	2.0	18.5	5.1	36.1	36.6	9.9	44.5

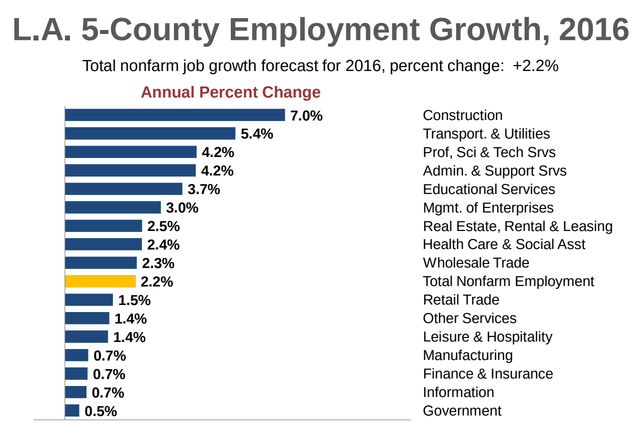
Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

MAJOR INDUSTRIES OF THE SOUTHERN CALIFORNIA ECONOMY

With 2015 drawing to a close, Southern California has experienced four consecutive years of solid employment gains. Every county in the region has seen consistent increases across most of the major industries. The region looks forward to another year of growth in 2016, as the U.S. economy continues to expand and as the economic and financial picture brightens for local businesses and households.



Source: CA EDD, Labor Market Information Division, forecast by LAEDC



Source: CA EDD, Labor Market Information Division, forecast by LAEDC

AEROSPACE AND DEFENSE

The aerospace and defense industry has been a cornerstone of the Southern California economy for over a century and has played a role in shaping the region's landscape, culture and economy. The aerospace industry in Southern California may employ fewer people than a quarter century ago, but it continues to be on the forefront of industry developments and remains a center of aerospace activity for the nation.

Southern California's aerospace industry contributes to the regional economy on a number of levels. First, it employs a large number of highly skilled and well-paid workers. Second, its exports make a positive contribution to the nation's trade balance. Finally, new technologies with roots in aerospace have spilled over into other areas of the economy.

In 2014, the aerospace products and parts manufacturing sector employed approximately 57,000 workers across Southern California, up slightly from 56,900 in 2013. Industry employment last year was about 70% below the 1990 level, with most of the decline occurring in the early 1990s. More recently, regional employment in the industry has stabilized at between 55,000 and 59,000 workers. Capital is increasingly replacing labor, while labor itself has become more productive. The result is that even as employment levels have fallen, the value of aerospace products manufactured in the region has increased.

Civil Aviation: At the close of 2014, the Aerospace Industries Association estimated the backlog of U.S. civil transport aircraft was 5,552 airplanes valued at $429 billion, with foreign orders accounting for the lion's share of the backlog. While commercial jetliners are no longer manufactured in Southern California, continued growth of civil aircraft is a lifeline for the large number of subcontractors in the region who produce parts for Boeing and Airbus. Boeing alone has 3,300 suppliers in California, many of which are located in Southern California.

Defense: Federal budget cuts pose an ongoing challenge to Southern California's aerospace and defense firms. However, federal spending on defense-related R&D is projected to rise in the coming years as demand for cyber security, intelligence, surveillance and defense electronics is expected to remain strong. Already a leader in the development and manufacture of unmanned aircraft systems (UAS), the region's aerospace industry will greatly benefit from robust and growing demand for UAS for military and civilian uses in the years ahead.

Looking Ahead: With its deep pool of skilled labor, its extensive infrastructure of test fields, numerous universities and other educational and research centers, and a strong electronics industry, the Southern California region will be home to the aerospace and defense industries for many years to come. The region is home to an array of research, development and testing operations as well as aerospace contractor and sub-contractor facilities. Commercial satellites manufactured in Southern California orbit the earth, providing GPS, cell phone and radio/television communications. More recently, companies engaged in private commercial space activities (once the sole domain of NASA) have become further entrenched in the region, including SpaceX, Scaled Composites and Virgin Galactic.

APPAREL DESIGN AND MANUFACTURING

Apparel design, manufacturing and wholesaling make significant contributions to the Southern California economy, particularly in Los Angeles County. The fashion industry in Orange County is smaller, but has carved out an identity separate from Los Angeles. In addition to apparel, Southern California's fashion industry includes textiles, jewelry, footwear, handbags and cosmetics.

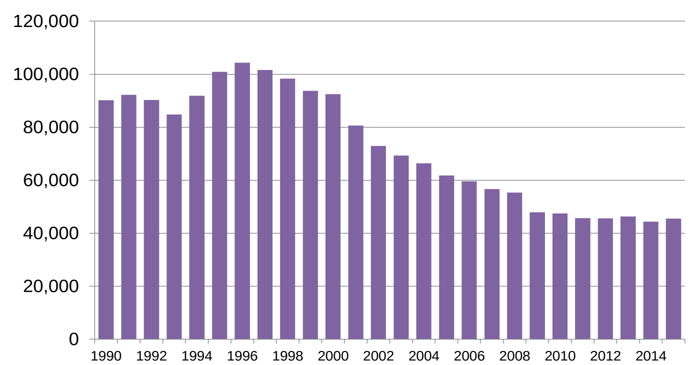
Together, Los Angeles and Orange counties employ the largest number of apparel workers in the United States and are some of the few places in the U.S. where apparel continues to be manufactured on a large scale. Although production of most apparel items has largely shifted to lower-cost countries in Latin America and Asia, high-end items that require strict quality control and specialized skills or processing are often manufactured locally. There is also a small but active community of designer-owned boutiques that specialize in locally designed and manufactured fashions emphasizing well-made, local and sustainably sourced apparel.

On the opposite end of the manufacturing spectrum, the local industry is likewise a leader in "fast-fashion" apparel production – a term used to describe the high-volume production of inexpensive clothing that reflects current fashion trends and can go from a sketch to store shelves in as little as four weeks with retailers sometimes receiving daily shipments. The fast-fashion segment of the apparel market, which primarily targets young women and teens, depends on such quick turnaround times that a trend may come and go by the time a container makes the voyage from Asia to Los Angeles.

Design-related activity also contributes to maintaining the apparel industry's presence in Southern California. One of the great strengths of the local fashion industry is the community of designers responsible for the global appeal of the "Made in L.A." label. In 2014, there were nearly 4,650 fashion designers working in Los Angeles and Orange counties. The many apparel design and merchandising schools that are located in the region attract talented students from all over the world. Fashion is also closely linked with the entertainment industry and the region's flourishing art scene.

Much of the apparel manufacturing and wholesaling workforce in Southern California is located in Los Angeles County, although a significant number of workers may be found in Orange County as well. In 2014, apparel manufacturing employment in Los Angeles County averaged 44,400 workers, while wholesaling employed 25,700 for total industry employment of 70,100 workers, compared with 70,400 the previous year. A decline of 1,900 apparel manufacturing jobs was nearly offset by a gain of 1,600 wholesaling jobs. During the first seven months of 2015, employment in both sectors was up by a combined 1.8% compared with the same period in 2014. Apparel manufacturing added just over 300 jobs, while apparel wholesaling employment increased by 970 jobs.

Apparel Manufacturing Employment
In Los Angeles County



Source: EDD Labor Market Information Division

The apparel industry also employs a large number of independent contractors, significantly boosting total employment numbers. In 2013 (latest data available), there were nearly 8,000 independent contractors working in Los Angeles and Orange counties manufacturing and wholesaling textiles, apparel, footwear, leather goods and jewelry. Although the number of independent contractors has generally been trending up, activity slipped slightly in 2013 with the number of self-employed workers falling by 1.1%.

In addition to employment directly related to the local manufacture and distribution of apparel and textiles, a large number of jobs in ancillary industries depend on local fashion-related activities: import/export agents; goods movement (to handle the large volume of apparel goods arriving from Asia); and equipment leasing and financing firms that specialize in servicing the fashion industry.

In spite of numerous technological advances, apparel manufacturing remains one of the most-labor intensive industries in the world. This is what gives countries with lower wages and a lower cost of living a competitive advantage. It is also why newly industrializing nations often begin with the manufacture of textiles and basic apparel. However, when strict quality control or fast turnaround times are required, apparel manufacturers in Southern California have shown they can be competitive. With the rising cost of Chinese labor, some local apparel companies are experimenting with bringing more of their production back to Los Angeles. Nevertheless, local apparel manufacturing employment is not likely to significantly reverse course, even as creative design work and wholesaling continues to flourish.

COMPUTER AND ELECTRONIC PRODUCT MANUFACTURING

The computer and electronic product manufacturing industry is one of the largest manufacturing industries in Los Angeles County, surpassed only by apparel and fabricated metal manufacturing, and roughly the same size as aerospace product and parts manufacturing and food manufacturing. The industry employed 38,000 workers in Los Angeles County as of July, with another 35,300 in Orange County, and 5,000 in Ventura County. San Diego County also had 24,200 workers in this industry.

Like many other manufacturing sectors, computer and electronic product manufacturing has experienced a trend decline in employment dating back over twenty years. This trend continued into 2014, with a 2.1% decline year-to-date through July in Los Angeles County, with similar declines occurring elsewhere in Southern California. Employment in San Diego County was essentially flat over the same period (+0.1%).

Even so, the industry continues to be a significant source of employment and an important part of the region's manufacturing base. It employs a large number of skilled workers in both professional and production occupations, drawing from the deep pool of skilled labor in the region. Moreover, occupations in this industry generally earn above-average wages.

PROFESSIONAL AND BUSINESS SERVICES

The professional and business services super-sector includes three major subsectors: professional, scientific and technical services; management of companies and enterprises; and administrative, support and waste services. Collectively, these industries employed more than 1.1 million workers in the five-county Southern California region in July 2015. Los Angeles County was home to 620,000 jobs, with more than 280,000 in Orange County, 150,000 in the Inland Empire, and nearly 38,000 in Ventura County. San Diego County employed over 240,000 individuals in professional and business services.

Many occupations in these industries pay well and often require advanced education or training. These occupations include architects, engineers, IT consultants and other business consultants, accountants and lawyers.

Professional and business services employment in the five-county Southern California region rose by 3.4% year-to-date in July 2015, an increase of 35,600 jobs. Most of the region achieved record high levels of industry employment in recent months.

By major industry, regional employment in professional, scientific and technical services increased by 3.0% (13,600 jobs) year-to-date in July, with the largest gains in scientific research and development services, management scientific and technical consulting, advertising and related services, and architectural and engineering services. Jobs in management of companies and enterprises rose by 2.6% (2,600 jobs), while administrative, support and waste services jobs expanded by 4.0% (19,400 jobs), with a large number of jobs created in employment services.

FINANCIAL SERVICES

After two consecutive years of recovering jobs lost from the deep cuts during the Great Recession and accompanying financial crisis, financial activities employment in Southern California contracted by 0.3% in 2014. From the peak in 2006 through 2010, the industry lost nearly 103,000 jobs throughout Southern California, mostly in the finance and insurance sub-sector, and should see only marginal growth moving forward.

The Inland Empire and Orange County both recorded only marginal growth in this sector in 2014 with a gain of 500 and 1,000 jobs, respectively. Los Angeles County, where nearly half of Southern California's financial jobs are concentrated, was responsible for a lion's share of the region's decline, losing 2,000 jobs, while San Diego County lost 1,000 jobs.

Through July 2015, the real estate and rental leasing sub-sector improved across Southern California with a year-to-date gain of 3.7%, or 6,000 jobs. Performance was particularly strong in Orange County, which added 1,700 jobs, and in San Diego County where 1,300 jobs were added. However, roughly two-thirds of the jobs in financial activities are in the finance and insurance sector, which struggled in almost all counties with just a 0.6% year-to-date gain across the region.

Overall, the Southern California area lost 1,600 financial services jobs last year, slightly offsetting the gains made in the two preceding years, and pushing the industry further away from the 2006 peak total of 544,300 jobs. Growth in financial activities is expected to be sluggish due to continued consolidation of the banking industry. This will limit growth in Southern California to 1.1% in 2015 and 0.9% in 2016.

HEALTHCARE SERVICES AND BIOMEDICAL

Together, the Los Angeles five-county region and San Diego County have a population of 21.5 million people, over 10 million of whom live in Los Angeles County. With such a large population, Southern California is able to support a number of important and influential medical centers and a thriving life sciences industry. The healthcare sector is also one of the largest employers in Southern California. In addition to serving the local population, there are several medical centers in the region that are attracting growing numbers of foreign patients as well.

In 2014, the healthcare industry employed 1.2 million workers in Southern California. Los Angeles County alone was home to 625,300 of those healthcare jobs, and accounted for over 52% of total industry employment in the region. Over the past several years, growth in healthcare employment has been very strong. Through July of this year, healthcare employment in the region rose by 3.3% year-to-date. Across the region, the largest percentage gains occurred in ambulatory healthcare services (offices of physicians and dentists) and nursing and residential care facilities, with smaller gains in hospitals.

Healthcare is a large industry in the U.S. In 2013, national healthcare expenditures increased by 3.6% to $9,255 per person ($2.9 trillion in total) and accounted for 17.4% of GDP. Between 2012 and 2022, healthcare expenditures are projected to grow at an average rate of 5.8% per year.[22] Efforts to contain costs are colliding with increased demand for healthcare services and more transparent pricing. Fiscal pressures, sweeping regulatory changes under the Affordable Care Act and more empowered consumers are creating a new healthcare economy.

In addition to providing healthcare services, biomedical research is a thriving industry in Southern California. Across the region, life sciences firms engaged in research and development of medical devices and pharmaceuticals employed approximately 55,700 workers in 2014, up by 3.0% (or 1,600 workers) compared with the same period a year ago (these data are based on the Quarterly Census of Employment and Wages). Orange County employed the largest number of medical device and pharmaceuticals manufacturing workers at 22,600 (down by 0.2% from 2013). In Los Angeles County, employment increased by 2.8% to 16,700 workers and, in San Diego, there were 12,600 jobs in these sectors in (up by 5.5% over the year). Both life sciences research and the manufacture of medical instruments and pharmaceuticals are an important source of high-paying jobs and economic growth in Southern California.

[22] Centers of Medicare and Medicaid Services; NHE Fact Sheet, CMS.gov

INTERNATIONAL TRADE/GOODS MOVEMENT

International trade is a vital part of the Southern California economy. The goods movement sector includes transportation and warehousing along with wholesale trade. Southern California jobs in the goods movement sector have grown steadily for three consecutive years, and in 2015 were up by 4.3% (28,100 jobs) year-to-date through July. Looking at the individual counties, the Inland Empire (an important warehousing and distribution hub) experienced the largest increase, adding 12,200 positions (up by 9.0%). In a close second, Los Angeles (where nearly half of jobs in goods movement are concentrated) gained 12,000 jobs (or 3.2%), with many additional jobs in support activities for transportation and trucking. Orange, Ventura and San Diego counties also saw job gains in this sector.

About forty percent of the nation's imported containers enter the United States through the San Pedro Bay ports. Los Angeles and Long Beach rank number one and two in the nation respectively in total container throughput. Despite problems of congestion and the labor dispute at the start of the year, the twin ports are on track in 2015 to match or exceed last year's third-best performance in terms of total container activity. Given the solid fundamentals of the national economy, the ports will see continued growth in 2016 as well.

The Los Angeles Customs District (LACD) also maintained its top position in the U.S. in 2014. The value of two-way trade climbed to $416.5 billion, an increase of 0.5% over the previous year. Total two-way trade for the United States reached nearly $4.0 trillion in 2014 and was up by 3.0% over 2013. Two-way trade through the LACD amounted to 10.5% of total U.S. trade in goods.

International airport cargo, which generally consists of small, lightweight, high-value products that require quick delivery, passes through both LAX and Ontario International Airport. Freight tonnage transiting through LAX jumped by 8.9% on a year-to-date basis through July 2015, while at Ontario, freight tonnage increased by 2.0% over the same period.

If the value of two-way trade shows any increase this year, it will be marginal. Total containers will increase despite the offsetting effects of a decline in outbound containers because of a surge in inbound cargo. Even with this mixed bag of trade indicators, employment gains through the international trade sector will continue.

MOTION PICTURE AND VIDEO PRODUCTION

The entertainment industry is the most widely-known industry in the Los Angeles County economy. Within the motion picture and sound recording industry, employment is concentrated in the subsector of motion picture and video production. Other important subsectors include motion picture distribution, post-production services and sound recording.

Activity related to the motion picture and sound-recording industry generates huge economic benefits for the region, both directly and indirectly. The entertainment industry is a major source of export revenues for the region because of the royalties earned overseas by locally produced films and TV shows. Closely related to this industry is tourism, with people from all over the world drawn to Hollywood and to the entertainment industry's theme parks.

In July 2015, there were 115,800[23] wage and salary jobs in the motion picture and sound recording industry in Los Angeles County, an increase of 0.7% compared with the same period a year earlier. Employment remains below the prerecession peak of 132,200 and the all-time high of 146,600 in 1999.

Another indicator of local industry activity is the number of permitted on-location shoot days, which turned in a mixed performance during the first half of this year. While the total number of shoot days fell by 2.4% in the first half of this year compared to the same period a year earlier, the number of shoot days related to television programs rose 2.3%. However, feature films, commercials and other productions (student and industrial films, music videos, etc.) all fell respectively by 7.1%, 0.5%, and 6.9% compared with a year earlier. [24]

Box office receipts increased by 1.0% from $35.9 billion in 2013 to $36.4 billion in 2014. International receipts totaled $26.0 billion, an increase of four percent over 2013. International receipts have captured an increasing share of total activity in recent years, rising from 66% in 2010 to 72% in 2014. Ticket prices in the U.S./Canada were up less than one percent in 2014 compared with the prior year, somewhat below the 1.6% inflation rate as measured by the Consumer Price Index (CPI). The number of tickets sold fell from 1.34 billion in 2013 to 1.27 billion last year.[25]

In 2014, total at-home entertainment spending fell by 1.8% from $18.1 billion in 2013 to $17.8 billion last year. Substantial revenue growth occurred in electronic sell-through (+30.4%), and subscription streaming (+25.8%), while rentals uniformly fell.[26]

The recently re-tooled California Film Tax Credit program is expected to lure more productions back to the state and region and retain those that are already here. The program was modified to expand eligibility to big-budget feature films and one-hour television series, and funding was increased from $100 million to $330 million. The increase in filming locally is expected to result in the creation of thousands of jobs in the region and strengthen one of Los Angeles' signature industries.

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[23] Industry wage and salary job counts are subject to an annual benchmarking process in the first quarter of the year. As a result of the most recent benchmarking process in early 2015, the 2014 job count for this industry was reduced by 8.4% from 131,000 to 120,000.

[24] Data provided by FilmL.A.

[25] Motion Picture Association of America, Theatrical Market Statistics, 2015

[26] The Digital Entertainment Group, 2014 Annual Home Entertainment Report

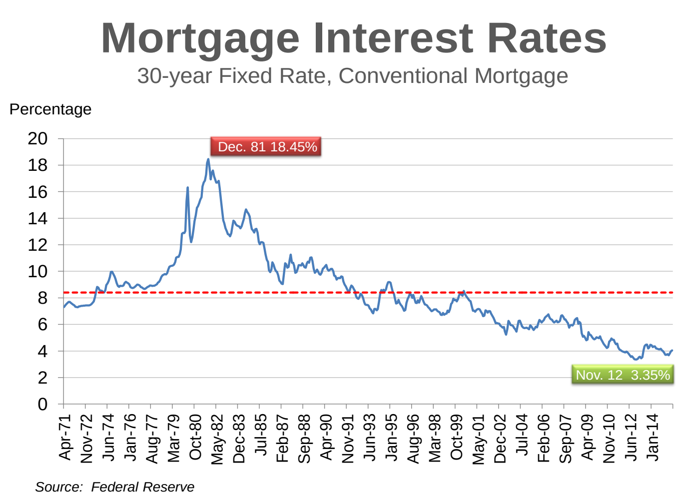
REAL ESTATE AND CONSTRUCTION

Residential Real Estate

Throughout 2015, Southern California's housing markets continued to make progress. Contributing to the improvements seen over the past year were:

- Strong job growth, which has increased the number of potential qualified buyers
- Home sales and new home construction are up
- Home price increases are moderating
- Fewer homeowners in financial distress
- Mortgage interest rates still low, with only modest increases expected next year

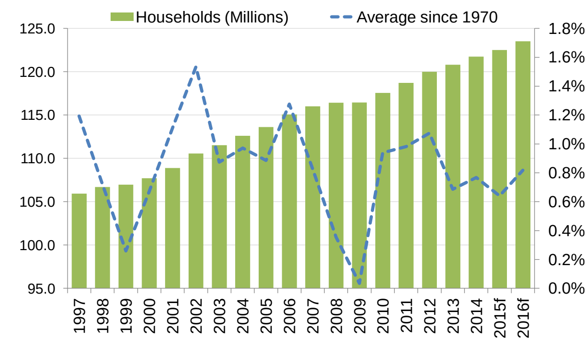
As of July, home sales in Southern California increased on a year-over-year basis for six consecutive months following a year and a half of nearly continuous year-over-year declines. With steady employment and wage gains, traditional buyers are returning to the market but inventories remain tight. Concerns about the Fed moving to increase interest rates also may have prompted buyers to get off the fence, and now that eight years have passed since the housing bust, former homeowners caught up in the first wave of foreclosures can contemplate returning to homeownership. In late August, the Mortgage Bankers Association announced that mortgage applications in the U.S. rose at their fastest rate since January, although refinances represented 58.7% of mortgage all activity.



In spite of these improvements, obstacles to full recovery remain. Although mortgage credit availability has expanded in recent years, for the most part lending standards remain restrictive. Lenders are demanding higher credit scores and larger down payments. Student debt may also be an impediment to Millennials seeking a mortgage loan. Another roadblock is the sharp appreciation in home prices, which have far outpaced wage growth. Affordability is still good (by California, not national, standards) in many areas compared with historic norms, but after three years of steadily rising prices, more potential buyers are being priced out of the market. During the second quarter of 2015, the median price of an existing single-family home in California was $446,980. At that price, only about 30% of Californians could afford to buy a median-priced home.[27]

A sustained housing market recovery also requires rising rates of household formation and homeownership. Job growth has improved to the point where household formation (the number of new housing units occupied) is recovering, but the rate of growth remains below the 20-year average. The peak for this cycle was 2006 when 1.4 million new households were formed in the United States. In 2009, no new households were formed on net. During the early years of the recovery, household formation rates reached prerecession levels but plunged again in 2013. In 2014, there were 927,000 new households formed. By 2016, that number is expected to rise by over one million.

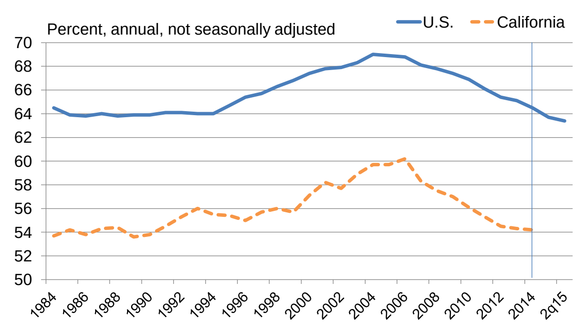
U.S. Household Formation



Source: U.S. Census Bureau, 'IHS Global Insight

The rate of homeownership also continues to lag. Homeownership peaked at 69% nationally in 2004, but had fallen to 63.4% by the second quarter of 2015. In California, homeownership peaked in 2006 at 60.2% but dropped to 54.2% in 2014, the lowest rate since 1985. One reason for the decline is the slow pace of wage and salary growth over the last five years – homeownership tends to rise with income. Another reason may be that homeownership rates during peak years were unsustainable because of the easy lending practices that prevailed at the time.

Homeownership rates are declining in the U.S. and California



Source: Federal Reserve Bank of St. Louis

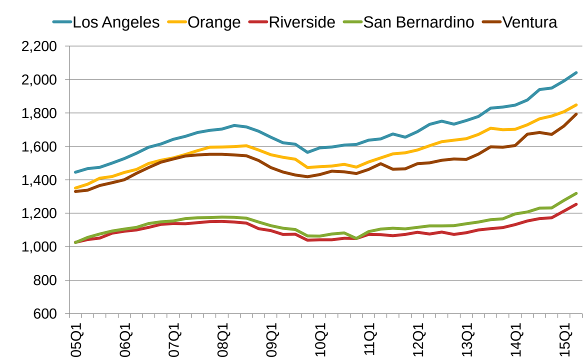
[27] California Association Realtors

***Apartments*:** The apartment market in Southern California has been strong for several years and demand for rental units shows no sign of slowing. Vacancy rates are low and rental rates continue to rise. In spite of the local flurry of new apartment construction, supply has not kept up with demand, especially in the market for more affordable units.

A number of economic and demographic factors are driving demand for apartment rentals. Stronger job growth has enabled more young people to form separate households and many are choosing to rent. In some cases, the decision to rent is due to preference, but other factors such as student loan debt may also influence this decision. The difficulty of qualifying for a mortgage loan or coming up with a down payment have also pushed many would-be buyers to the rental market. Additionally, as enrollment at the nation's colleges and universities has increased, so has demand for student rental housing. At the other end of the age spectrum, there has been a boom in senior housing. Developers have been betting retiring Baby Boomers will give up the family home for rentals catering to the needs of older residents. More recently, however, there is concern that builders are rushing ahead of demand. It is difficult to predict at this point what types of housing Baby Boomers will seek as they age.

Rents in Southern California are soaring even faster than home prices. In Los Angeles County, a renting household earning the median income and paying median rent, will spend about half of their monthly income on rent. With such a large share of income needed for rent, many households cannot save for a down payment on a home. Since housing typically constitutes the largest share of average annual household expenditures, increases in housing costs can have a detrimental effect on other areas of consumer spending like clothing, entertainment, medical care or even food.

Apartment Rents – Southern California



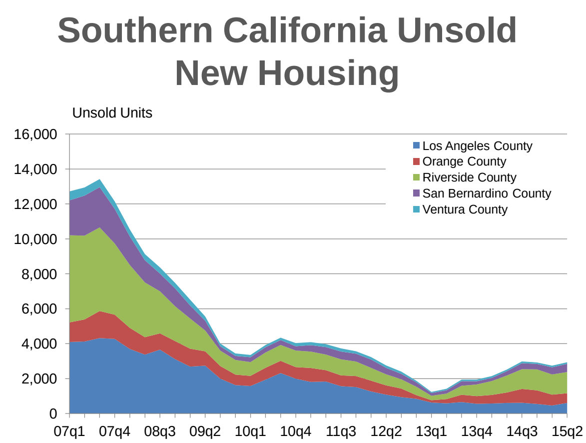
Source: CA Real Estate Research Council

Dating from the end of the recession, multi-family has been the most active area of new residential construction. The increased ratio of multi- to single-family new home construction is clearly visible in many metro areas in California. So far, improvement in the underlying fundamentals (employment and income growth, household formation) suggest that current demand can absorb supply but rising rental rates have made affordability an issue. Looking ahead, as more apartment units become available, the added supply should push vacancy rates higher and check the rate at which rental rates have been rising.

New Home Construction: New home construction is slowly coming back. Contributing to the sluggish turn-around in home building has been a lack of construction and development lending. The lending environment is improving, but the time it takes to develop new residential land is lengthy in California and the supply of available land is limited throughout much of the region.

Inventories of unsold new homes are also lean throughout much of Southern California. In Los Angeles County, the inventory of new unsold housing was unchanged in the second quarter of 2015 at 609 units compared with year-ago levels, while the supply of new homes in Orange County was down by 7.0% (to 555 units) over the same period. In Ventura County the unsold new home inventory fell by 2.1% (to 92 units), but unsold inventories in Riverside County jumped by 25% (to 1,214 units) and in San Bernardino County by 88.7% (to 468 units).

Why do such low inventories persist? On the existing home front, the foreclosure pipeline has slowed to a tickle, investors are holding rather than flipping, and many would-be owner-occupant sellers still have insufficient equity to trade up and, if they do, they may still be constrained by tight credit conditions. The inventory of existing homes for sale in California has been under six months, the traditional measure of a balanced market, since 2011. On the new home side, there has been little new construction other than apartments for the last several years. With limited inventory, would-be home buyers have had little opportunity to take advantage of low interest rates and moderating price appreciation.



Source: California Real Estate Research Council

Permits for new home construction in Southern California increased moderately in 2014, rising by 13.5% to 40,600 units. Year-to-date July, 28,052 new housing units were permitted, an increase of 16.6% compared with the same period in 2014. The LAEDC forecasts that homebuilders will pull permits for 49,000 units in the Los Angeles five-county region this year, an increase of 20.8% compared with 2014. New home construction is expected to continue on much the same trajectory in 2016 with a projected increase of 24.7% to 61,100 units permitted. In addition to rising home prices, employment, income and population growth will drive new home construction. This is likely to be a process that will stretch out over many years. New multi-family housing is expected to begin shifting from apartments to townhouses and condominiums as older Millennials enter their mid-thirties, begin to have families and look to buy a home.

Conclusion: The demand for housing is largely derived from the underlying growth in the U.S. economy. A number of forward-looking indicators such as pending homes sales and mortgage applications remain solidly positive, suggesting that housing will gain additional momentum through the end of this year and into 2016. New programs coming out of the FHA and the Department of Housing and Urban Development seek to expand credit access to underserved borrowers. Southern California's housing is steadily making its way back to something that might be considered normal. While support for existing home sales has shifted away from investor purchases and back to traditional buyers, stronger wage growth is needed to support an increase in housing demand and price appreciation.

Table 31: Median Existing Single-Family Home Prices

Year	L.A. County	Orange County	Inland Empire	Ventura County
2003	348,409	488,439	217,953	462,521
2004	435,954	642,577	295,173	599,282
2005	517,853	706,555	364,407	668,138
2006	577,147	732,517	383,580	685,957
2007	589,166	727,570	367,248	673,940
2008	382,714	540,650	230,710	463,560
2009	299,268	505,589	161,114	416,770
2010	323,290	546,385	179,268	442,820
2011	307,660	512,500	172,280	418,270
2012	327,470	542,700	189,300	427,000
2013	405,630	651,640	241,410	516,470
2014	449,510	687,930	273,890	573,560

Annual % Change

Year	L.A. County	Orange County	Inland Empire	Ventura County
2003	21.3%	19.5%	29.9%	24.2%
2004	25.1%	31.6%	35.4%	29.6%
2005	18.8%	10.0%	23.5%	11.5%
2006	11.4%	3.7%	5.3%	2.7%
2007	2.1%	-0.7%	-4.3%	-1.8%
2008	-35.0%	-25.7%	-37.2%	-31.2%
2009	-21.8%	-6.5%	-30.2%	-10.1%
2010	8.0%	8.1%	11.3%	6.3%
2011	-4.8%	-6.2%	-3.9%	-5.5%
2012	6.4%	5.9%	9.9%	2.1%
2013	23.9%	20.1%	27.5%	21.0%
2014	10.8%	5.6%	13.5%	11.1%

Source: California Association of Realtors

Table 32: Total Housing Permits

Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2003	21,313	9,311	43,001	3,635	77,260
2004	26,935	9,322	52,696	2,603	91,556
2005	25,647	7,206	50,818	4,516	88,187
2006	26,348	8,371	39,083	2,461	76,263
2007	20,363	7,072	20,457	1,847	49,739
2008	13,704	3,159	9,101	842	26,806
2009	5,653	2,200	6,685	404	14,942
2010	7,468	3,091	6,404	590	17,553
2011	10,403	4,807	5,214	640	21,064
2012	10,709	6,862	6,034	410	24,015
2013	16,200	9,936	8,829	777	35,742
2014	18,707	10,636	10,141	1,082	40,566
2015f	24,300	12,700	10,800	1,200	49,000
2016f	29,700	15,200	14,700	1,500	61,100

% Annual Change

Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2003	10.1%	-22.5%	29.2%	45.0%	15.0%
2004	26.4%	0.1%	22.5%	-28.4%	18.5%
2005	-4.8%	-22.7%	-3.6%	73.5%	-3.7%
2006	2.7%	16.2%	-23.1%	-45.5%	-13.5%
2007	-22.7%	-15.5%	-47.7%	-24.9%	-34.8%
2008	-32.7%	-55.3%	-55.5%	-54.4%	-46.1%
2009	-58.7%	-30.4%	-26.5%	-52.0%	-44.3%
2010	32.1%	40.5%	-4.2%	46.0%	17.5%
2011	39.3%	55.5%	-18.6%	8.5%	20.0%
2012	2.9%	42.8%	15.7%	-35.9%	14.0%
2013	51.3%	44.8%	46.3%	89.5%	48.8%
2014	15.5%	7.0%	14.9%	39.3%	13.5%
2015f	29.9%	19.4%	6.5%	10.9%	20.8%
2016f	22.2%	19.7%	36.1%	25.0%	24.7%

Sources: Construction Industry Research Board, California Homebuilding Foundation; forecasts by LAEDC

Nonresidential Real Estate[28]

Commercial real estate has struggled to regain its footing over the last five years, but is finally responding (in fits and starts) to the pull of a stronger economy. Overall, businesses are feeling more comfortable with the idea of investing in long-term projects. At the national level, investment in nonresidential structures rose by 8.1% in 2014. Although spending is expected to contract slightly this year (-0.6%), growth is projected to return in 2016 at an annual rate of about five percent. Fundamentals remain strong and are supported by improvements in the labor market and expectations that economic activity will strengthen during the second half of this year and in 2016.

Office Space

The modest pace of economic growth in recent years has led to slow improvements in both operating fundamentals and new construction for Southern California's commercial real estate sector, especially office properties. In light of more recent improvements, however, it now appears the region's office market has turned a corner. Office market fundamentals throughout Southern California continued to strengthen during the first half of 2015. During the second quarter of this year, the overall vacancy rate declined by 2.2 percentage points over the year to 14.2%, the lowest since 2007. Leasing activity was robust, rising by 34.1% compared with year-ago levels to 15.5 million square feet. Occupancy gains totaled 2.7 million square feet versus 2.1 million square feet a year ago and direct class A asking rent increased by 8.1% to $2.97 psf/mo.

Los Angeles County: Although the Los Angeles County office market has lagged behind other major U.S. cities in recent years, this too is changing. Fundamentals were strong across the board during the second quarter of 2015. The tech and entertainment industries are reshaping the Los Angeles office market as the lines between traditional and creative office space have blurred. Former warehouses and historic downtown buildings are being made over into "creative" spaces that are attracting law firms as well as tech start-ups and fashion firms.

During the second quarter of 2015, the direct office vacancy rate in Los Angeles County was 14.8%, down from 17.0% during the same period in 2014 and was the lowest since the first quarter of 2009 when it was 14.3%. Year-to-date leasing activity of 7.1 million square feet exceeded year ago activity by 4.0% with the El Segundo, Play Vista, Burbank and Hollywood submarkets contributing the most to the increase. Occupancy gains were up by a whopping 83.2% over last year to 1.8 million square feet. Tenant expansions are finally starting to outpace downsizing. While still occurring, downsizing slowed to a 10.0% give-back rate upon renewal in the second quarter compared with rates of 20% to 25% that prevailed just a couple of years ago.

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[28] The LAEDC thanks Cushman and Wakefield for providing office and industrial vacancy rates, rental rates and the figures for leasing activity that are cited in this section.

During the second quarter of 2015, there was 1.75 million square feet of new office space under construction. Construction levels have not been this high since 2009. The average asking rent for class A space was $3.05 psf/mo, up from $2.83 psf/mo during the same period in 2013.

The vacancy rate in the Central Business District submarket was 18.3% during the second quarter, down from the year ago rate of 20.8%. Leasing activity encompassed over 1.4 million square feet, with occupancy gains reaching nearly 307,000 square feet. Most of the new office construction in Los Angeles County is in the downtown area (1.2 million square feet). Asking rents were up by 6.2% over the year to $3.24 psf/mo. Although the downtown office vacancy rate is one of the highest among the county's submarkets, the area's influx of residents, restaurants, retail and entertainment options are attracting a growing number of office space using tenants.

The vacancy rate in the Westside submarket declined by the largest margin during the second quarter – falling 3.3 percentage points to 10.9%, giving the Westside the lowest vacancy rate of the county's five major submarkets (a 10% vacancy rate is considered a balanced market). The Westside also saw the largest bump in asking rents, which rose over the year by 6.4% to $3.82 psf/mo. Leasing activity topped two million square feet year-to-date in the second quarter of 2015, and was accompanied by occupancy gains of 523,000 square feet.

Orange County: The Orange County office market is having a good year. While the Greater Airport area and South County submarkets have been driving the office market recovery, the Central County area has finally joined the party. Countywide, year-to-date (2q15) leasing activity totaled over 4.6 million square feet, up by 6.7% over the year. Net absorption totaled nearly 447,000 square feet. Leasing activity was strongest among financial services, healthcare and communications firms.

The Orange County average office vacancy rate declined in the second quarter of 2015 to 12.2% from 14.8% during the same period in 2014. By submarket, vacancy rates ranged from 8.4% in South County to 15.5% in Central County. Growing demand and a lack of new construction is exerting upward pressure on rents. Class A asking rents shot up by 25.5% to $2.80 psf/mo from the year-ago rate of $2.23 psf/mo. There was less than 500,000 square feet of new product in the pipeline during the first half of the year and no completions.

Inland Empire: The Inland Empire office market is slowly turning around. Office-using job sectors (professional business services, financial services, education and healthcare) have posted significant employment gains over the year. Vacancy rates are falling and rents are edging up. Demand has been strong for 16 consecutive quarters, creating a shortage of class A product. In spite of relatively high vacancy rates, new speculative development for class A buildings is now within the realm of plausibility.

The region's office vacancy rate fell to 15.8% in the second quarter, down by 2.7 percentage points from a year ago and the lowest since the first quarter of 2008. Rental rates were up slightly, to $2.04 psf/mo in the second quarter of this year compared with the year-ago rate of $2.01 psf/mo. Year-to-date through the second quarter of 2015, leasing activity totaled 440,000 square feet with just 340 feet of net absorption. With no buildings currently in development, absorption will remain positive and vacancy rates will continue to decline.

Industrial Space

As a major gateway market for consumer goods, Southern California's industrial real estate markets have seen several years of steady improvement. The region is a hub for manufacturing, international trade and logistics, and entertainment, all of which are users of industrial space. Los Angeles County is the nation's largest manufacturing center and is home to its biggest port complex. An adequate supply of industrial land with ready access to the region's transportation infrastructure facilitates trade and enhances the competiveness of the region.

Los Angeles County: Energy and optimism continue to characterize Los Angeles' industrial real estate market. Leasing activity is on the rise, vacancy rates are falling and rental rates are up. Although the supply of land for development is tight, there was nearly 2.3 million square feet of new industrial space (mainly in the San Gabriel Valley) in the pipeline at the close of the second quarter, with over 1.7 million square feet of new completions delivered year-to-date. In spite of the miniboom in industrial construction, new developments represent only 0.2% of existing stock (1.1 billion square feet) and, with demand expected to stay strong, the market will remain tight.

During the second quarter of 2015, the overall industrial vacancy rate in Los Angeles County was 3.0%, down from 4.0% during the same period last year and the lowest in seven years. Driving the decline in the vacancy rate were occupancy gains totaling 5.0 million square feet during the first half of the year, an increase of 24.7% compared with the same period a year ago. Every submarket in the region posted occupancy gains during the first half of the year. Total leasing activity was up by a robust 17.9% to 23.8 million square feet. The 10 largest lease transactions during the second quarter ranged from 200,000 to over 450,000 square feet and were all for warehouse/distribution space.

Over the year, the average asking rent for industrial space rose from $0.61psf/mo to $0.64 psf/mo (an increase of 4.9%). Rents have been trending up since 2010 and are now approaching prerecession levels. Rents in the second quarter of this year were 28% higher than the low recorded in 2010. Due to increased demand and the lack of new product (particularly class A), landlords are offering fewer concessions and rents are expected to continue rising over the next two years.

Orange County: Like Los Angeles County, Orange County has one of the tightest industrial real estate markets in the country. Declines in vacancy rates are expected to continue through the second half of 2015, creating additional upward pressure on rents.

The overall vacancy rate is approaching record lows, falling to 3.5% in the second quarter, 0.4 percentage points below the year-ago rate. Competition for limited space pushed asking rents up by 2.7% over the year to $0.77 psf/mo. There was 681,000 square feet of new industrial space under construction at the close of the second quarter, with 503,000 square feet of new completions hitting the market during the first half of 2015. Even with new product in the pipeline, demand for space in Orange County far outstrips supply, ensuring continued strong growth.

Year-to-date through the second quarter of 2015, leasing activity was nearly 6.0 million square feet with occupancy gains totaling 891,000 square feet. This was considerably higher than the 335,000 square feet of net absorption recorded during the same period last year. Over the last five years, the Orange County market has absorbed 6.9 million square feet of industrial space.

Inland Empire: The numbers for the Inland Empire industrial real estate market are more than encouraging. Multiple records were broken in the second quarter of 2015. Increases in container counts and the growing importance of e-commerce continue to drive improvement in fundamentals for the Inland Empire's industrial real estate market. The stronger overall economy has also provided a boost – since the second half of 2014, the Inland Empire has been one of the faster-growing metro regions in California.

The overall vacancy rate during the second quarter of this year fell to 5.7% -- a year ago it was 7.2% -- and was the lowest vacancy rate since the third quarter of 2006. Asking rent increased by 4.7% to $0.44 psf/mo. Over 13.5 million square feet of new leasing was signed in the second quarter, breaking the previous record of 10.4 million square feet achieved in the second quarter of 2014. The surge in leasing activity increased net absorption to 9.2 million square feet, also a record for this market.

New construction underway totaled 18.8 million square feet, the highest level on record. On top of that, 9.5 million square feet of newly completed product has been delivered year-to-date. More typically known for its huge warehouse/distribution centers, developers in the Inland Empire broke ground on a number of smaller big-box buildings during the second quarter: 16 buildings under 500,000 square feet are currently in development. The pace of construction in the Inland Empire is not expected to slow anytime soon, with large amounts of both speculative and build-to-suit product due to break ground in the coming months. Even with so much new product in the works, healthy demand will continue to push down vacancy rates and keep absorption positive for the foreseeable future.

FORECAST FOR PRIVATE NONRESIDENTIAL CONSTRUCTION

New office space development will proceed at a cautious rate in all five counties of the Southern California region. Office vacancy rates will continue to decline through 2016, but how fast will depend on job growth and the strength of the overall economy. Also on the mend, average asking rents are firming across most areas, especially in the more desirable submarkets. Although changes in work force organization present a challenge in the near-term, the lack of new construction and stronger employment growth this year and next will help expand and strengthen the region's office market recovery.

World Logistics Center

In August 2015, the World Logistics Center (WLC) project received approval from the Moreno Valley City Council. The WLC will be the largest industrial development project in California history, totaling 40.6 million square feet on more than 2,610 acres. When completed, the WLC will allow overnight delivery to 11 states, boosting employment and economic activity in the Inland Empire.

The outlook for industrial development is much more optimistic, especially for warehouse and distribution facilities, data centers and R&D centers. Solid readings in the ISM manufacturing index, capacity utilization and regional purchasing manager surveys all point to a stronger outlook. Additional improvement in vacancy rates and asking rents will depend largely on increases in international trade, industrial production and e-commerce. Developers will also have to contend with rising construction costs and shortages of workers in some of the skilled construction trades.

The value of total nonresidential construction in the Los Angeles five-county region is expected to reach $9.4 billion in 2015, nearly flat compared with 2014. In 2016, as economic and job growth accelerates, the LAEDC forecasts nonresidential construction in the region will increase by 18.4% to $11.1 billion.

Table 33: Private Nonresidential Construction Permits

(By valuation, $millions)

Year	L.A. County	Orange County	Inland Empire	Ventura County	L.A. 5-County
2002	2,920	1,209	1,473	289	5,891
2003	2,932	1,006	1,720	379	6,037
2004	3,174	1,133	2,485	353	7,145
2005	3,824	1,495	2,394	372	8,085
2006	3,896	2,401	2,852	326	9,475
2007	4,739	2,005	2,824	346	9,915
2008	4,491	1,439	1,781	345	8,055
2009	2,674	952	710	153	4,489
2010	2,677	1,152	792	160	4,782
2011	3,119	1,300	921	147	5,487
2012	1,803	1,227	1,040	109	4,179
2013	3,585	1,301	1,343	102	6,331
2014	6,241	1,740	1,301	106	9,388
2015f	5,725	1,750	1,775	125	9,375
2016f	6,700	2,040	2,200	160	11,100

Annual % Change

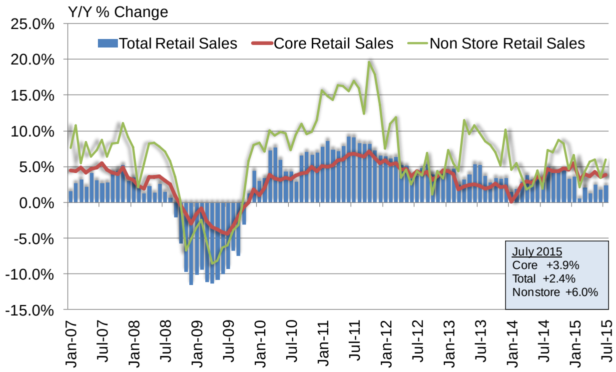
Year	L.A. County	Orange County	Inland Empire	Ventura County	L.A. 5-County
2002	-17.5%	-10.4%	3.5%	-6.5%	-11.0%
2003	0.4%	-16.8%	16.8%	31.1%	2.5%
2004	8.3%	12.6%	44.5%	-6.9%	18.4%
2005	20.5%	32.0%	-3.7%	5.4%	13.2%
2006	1.9%	60.6%	19.1%	-12.4%	17.2%
2007	21.6%	-16.5%	-1.0%	6.1%	4.6%
2008	-5.2%	-28.2%	-37.0%	-0.4%	-18.8%
2009	-40.5%	-33.8%	-60.1%	-55.5%	-44.3%
2010	0.1%	20.9%	11.7%	4.7%	6.5%
2011	16.5%	12.9%	16.2%	-8.4%	14.8%
2012	-42.2%	-5.6%	12.9%	-25.9%	-23.8%
2013	98.8%	6.0%	29.1%	-6.4%	51.5%
2014	74.1%	33.7%	-3.1%	3.9%	48.3%
2015f	-8.3%	0.6%	36.4%	17.9%	-0.1%
2016f	17.0%	16.6%	23.9%	28.0%	18.4%

Sources: Construction Industry Research Board, California Homebuilding Foundation; RERC California Department of Finance, Economic Research Unit; forecasts by LAEDC

RETAIL TRADE

The retail sector occupies a prominent place in the economy at both the national and local levels. Because such a large portion of U.S. economic activity depends on consumer spending, sales of retail goods and services is an important economic indicator. Retailers also generate an enormous number of jobs that provide employment for individuals across a wide range of skill and income levels. In 2014, there were 771,000 people employed in the retail sector in the Los Angeles five-county area. Add in San Diego and the total job count increases to over 915,000. This equates to nearly 11% of all nonfarm payroll jobs in Southern California. During the first seven months of 2015, employment in the retail sector totaled 915,900 jobs, representing an increase of 1.6% over the same period in 2014.

U.S. Retail Sales



Source: U.S. Census Bureau

During the first half of this year, total U.S. retail sales were up by 2.1% compared with the same period in 2014. The best performing retail sectors were food services and drinking places (up by 9.0%); motor vehicles and parts (7.4%); sporting goods, hobby, book and music stores (6.2%); and furniture and home furnishings stores (5.4%). E-commerce sales increased by 11.0% during this period and accounted for 8.0% of total retail sales. Although the growth of e-commerce sales is one of the more significant trends reshaping the retail industry, steadily gaining market share since the 1990s, there are a number of sectors that still command a larger share of total retail sales, the largest being motor vehicles and parts with a 20% share.

As with so many industries, technology is transforming both the face and the underlying structure of the retail industry. In-store innovations include self-checkout, payment via a mobile device in the hands of a sales associate and price checking scanners. Shopping mall developers are creating open air “town squares” that mix traditional retail outlets with experiential opportunities like restaurants, gyms and entertainment venues. Retailers are also expanding social media channels to engage with and grow their customer base. This entails the collection of large amounts of data (raising privacy and security concerns in the process) in order to provide a more personal shopping experience.

In turn, consumers are increasing their use of shopping apps on mobile devices to search for bargains, research products, locate stores, post reviews and pay for purchases. Consumers today are better informed, more discerning and more interactive.

Because consumers are changing the way they shop, the composition of retail employment and commercial real estate is also changing – fewer sales people and smaller retail footprints have followed the construction of more warehouse and distribution centers. The increase in online shopping has also led to innovations in product distribution and tracking technology to keep up with the rapidly increasing volume of e-commerce shipments and consumer demand for speedy deliveries.

On the demand side, retailers are feeling more optimistic. Consumers remain cautious in their spending habits, but households are feeling more secure about their financial footing. Rising home prices and equity values have contributed to increases in household wealth and the labor markets have shown consistent improvement. Household wealth in the United States is nearly $19 trillion higher than its prerecession peak and the unemployment rate is at a seven-year low. One of the remaining trouble spots has been the slow rate of wage growth – wages are increasing just ahead of inflation. The good news is wage and salary gains are expected to accelerate in 2016 as the labor markets continue to tighten. Although consumers have been using credit cards sparingly, low interest rates have made it more affordable for American shoppers to finance the purchase of automobiles and other big ticket household goods.

During the first half of 2015, personal consumption expenditures increased by 3.2% compared to the same period last year. Consumer spending for this year and next is expected to increase by slightly more than three percent with Southern California closely tracking the national trend. The LAEDC is forecasting stronger increases in total taxable sales, of which retail sales make up about two-thirds, for 2015 throughout the region that will range from 4.6% in Los Angeles County to 2.5% in Ventura County. Orange County, the Inland Empire and San Diego County should see increases in taxable sales of 4.5%, 4.4% and 3.7%, respectively.

TRAVEL AND TOURISM

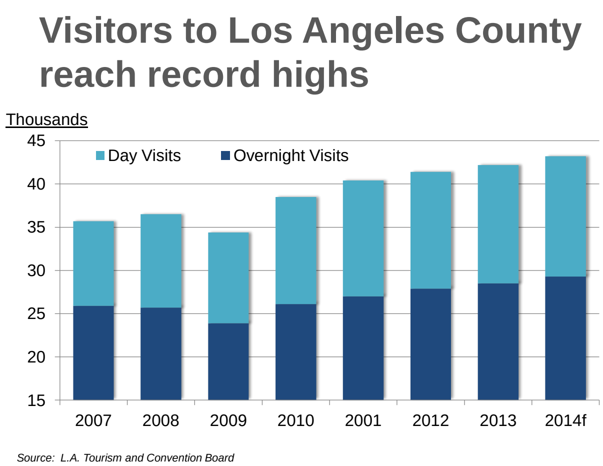
Hospitality and tourism is one of Southern California's largest, most visible and valuable industry sectors, employing thousands of people and generating billions of dollars in economic activity. The region boasts numerous natural and built attractions within a relatively compact area: beaches, amusement parks, art museums, architectural landmarks, outdoor activities, shopping districts and some of the nation's most highly rated restaurants. And, of course, Los Angeles' iconic entertainment industry and Hollywood draw millions of visitors here every year.

In 2014, Los Angeles County alone hosted a record 44.2 million visitors (day and overnight), an increase of 4.8% over the previous year. Visitation in 2015 is expected to reach 45.1 million, a 2.1% increase over 2014. That would make 2015 the fifth consecutive year in which Los Angeles County achieved record breaking visitor volume.[29]

International visitation is especially strong in Los Angeles County. In 2014, 6.5 million international visitors arrived in Los Angeles, nearly 15% of the total, and a 5.6% uptick over 2013. To put this in context for California overall, international visitors comprise only 6% of total state visitation. While Mexico and Canada sent the largest number of international visitors, China (excluding Hong Kong) was Los Angeles County's number one overseas market for the third year in a row and is positioned to overtake Canada to

[29] *Los Angeles County Tourism by Numbers 2014 Quick Facts*, (January 2015) Los Angeles Tourism and Convention Board

become the largest international market after Mexico. China is also the region's fastest-growing market with 20.4% more visitors in 2014 than in 2013. Rounding out the top five international visitor markets for Los Angeles County were Australia and the United Kingdom.



Of the 85% of Los Angeles County overnight visitors who are U.S. residents, 20% originate from the Los Angeles five-county region, followed by the San Francisco Bay area (11.8%), San Diego (8.0%), the New York City area (7.4%) and Phoenix (4.7%).

The Los Angeles Tourism and Convention Board reports that overnight business and leisure travelers to Los Angeles County spent over $18.7 billion in 2014, a new record, and up by 6.9% from $17.5 billion in 2013. Of this spending, U.S.-origin visitors spent $12.23 billion or 65% of the total, while international visitors spent $6.44 billion, or 35%, more than double their corresponding 15% share of visitor volume, demonstrating the importance of international visitors to the market.

Driving domestic demand for travel-related goods and services were gains in the U.S. labor markets and stronger personal income growth, both of which point to an increase in consumer spending. While the global economy still looks lackluster, overseas markets are expected to outperform the overall visitors market this year.

Southern California's lodging markets are doing very well. Lodging fundamentals – room demand, occupancy rates and average daily room rates, as reported by PKF Consulting -- are strong and continue to trend up.[30] In 2014, the number of occupied hotel rooms in Los Angeles County increased by an estimated 3.8%. At the same time, hotel room supply edged up by just 1.2%. As a result, Los Angeles County finished 2014 with an average occupancy rate at an unprecedented 81.9% compared with 79.9% in 2013. Several submarkets are experiencing occupancy rates well above their long-run

[30] *Trends in the Hotel Industry* (and *2014 Southern California Lodging Forecast)*, PKF Consulting USA

averages. The Los Angeles County average daily room rate grew by a healthy 6.3% over the year to $172.14 in 2014.

Over the course of 2015, the lodging sector continued to improve. Occupancy rates are expected to average 82.3% this year with average daily room rates and revenue per room expected to reach record levels; further gains are anticipated for 2016. Driving growth is stronger corporate spending, personal income growth and international visitation. Transient-occupancy taxes, an important revenue source for local governments, will also increase.

While a significant part of leisure and hospitality activity is associated with tourism, many of these jobs serve the local population more so than the region's leisure and business travelers.[31] Restaurants and bars employ over 70% of all workers in the leisure and hospitality sector. Year-to-date through July, leisure and hospitality employment in the Los Angeles five-county region increased by 34,200 jobs to 864,400 workers.

After several years of limited new hotel construction following the recession, multiple hotel projects are underway in Southern California including the Wilshire Grand in Downtown Los Angeles that will house the largest InterContinental Hotel property in the Americas. The J.W. Marriott/Ritz-Carleton hotel at L.A. Live announced a 755-room expansion and an 18-story Hotel Indigo will be part of the Metropolis project. In Orange County, there are 14 hotel projects in various stages of planning or development and, in San Diego, there are 21 new projects slated for completion between 2015 and 2018 that will bring nearly 3,700 new rooms to market. In addition, several prominent hotel properties have undergone extensive renovations in an effort to keep guests coming back and to attract new customers. A number of cultural venues and amusement parks have also invested heavily in improvements to attract both local and out-of-area visitors, the largest being Disneyland's recently announced plans to add a 14-acre Star Wars–themed land to their Anaheim park.

[31] Leisure and hospitality (NAICS 72) includes lodging, food services, the performing arts, museums, amusement parks and gambling establishments.

EXTENDED OUTLOOK: FIVE-YEAR REGIONAL FORECAST

Most activities of a business or other organization are typically driven by the immediacy of budgeting, revenue and performance on a time horizon of a year or two, with quarterly milestones or targets to track progress. But certain activities go beyond a one- to two-year time frame. Strategic plans may look out anywhere from three to 10 years. Capital investment programs for businesses and government agencies may extend for several years, while fundraising campaigns for nonprofits may similarly extend over five or even 10 years. Meanwhile, utilities and similar entities must anticipate infrastructure needs for future generations. The following five-year outlook goes beyond the immediate horizon and may be used to plan through the end of the present decade.

By historic standards, the current expansion has followed a flatter trajectory than usual, so key milestones have been passed more slowly than expected. Recession-related job losses were fully recovered by 2014, and the labor market finally hit full employment in 2015, six years after the end of the Great Recession. Wage increases became more pronounced in 2015, and should continue going forward.

The second half of this decade should bring faster growth. Increases in construction, housing and business investment will contribute to the uptick in GDP, with consumers providing momentum. Inflation will rise but still be relatively low.

U.S. Five-Year Forecast

	2006-10	2011-15	2016-20
GDP - Annual % Chg.	0.8%	2.0%	2.7%
Nonfarm Jobs - Annual % Chg.	-0.5%	1.7%	1.2%
Unemployment Rate	6.8%	7.2%	4.9%
Consumer Prices - Annual % Chg.	2.2%	1.7%	1.9%

Forecast Source: IHS, LAEDC

Both domestic and global considerations enter into the Federal Reserve Bank's decision process on monetary policy. The Fed will move its key policy tools (including the federal funds rate) to neutral positions over the next several quarters. Other rates will follow suit, from Treasury yields and commercial credit to rates on mortgages, HELOCs, credit cards and other consumer credit. Higher rates may temper but will not necessarily stifle business and consumer spending.

Meanwhile, the overall economy will continue to benefit from low oil prices. The supply of oil around the globe will keep prices low over the rest of the decade and possibly into the next.

Rates Up, Oil Low

	2006-10	2011-15	2016-20
3-Month Treasury	2.1%	0.06%	2.3%
10-Year Treasury	3.9%	2.3%	3.2%
30-Year Fixed Rate Mortgage	5.7%	4.0%	5.1%
Oil Price/Barrel	$75.45	$96.86	$76.32

Forecast Source: IHS, LAEDC

California's job gains have outpaced the nation since mid-2012. The Silicon Valley and Bay Area were the first in the state to accelerate, with Southern California ramping up somewhat later. The state's unemployment rate fell to its lowest in seven years, with improvement coming more slowly over the rest of the decade.

California's Gross State Product (GSP) will exceed the nation's growth over the forecast period, while the state will continue to see faster job growth. Sustained increases in personal income over the forecast period will drive consumer spending, home purchases and the state's regional and local economies.

Sustained Improvement in California

	2006-10	2011-15	2016-20
GSP - Annual % Chg.	0.4%	2.3%	2.9%
Nonfarm Jobs - Annual % Chg.	-1.1%	2.5%	1.5%
Unemployment Rate	8.2%	9.0%	5.7%
Personal Income - Annual % Chg.	2.6%	5.3%	5.2%

Forecast Source: IHS, LAEDC

A long-awaited surge in housing activity finally commenced in 2015. Home sales and prices along with new construction all showed noteworthy improvement. Both nationally and in California, housing will be playing catch-up over the forecast period.

Demographics (the oldest Millennials are in their mid-30s) and better economic fundamentals will bring about more new household formation, an increase in housing demand and a supply response as well. Construction will surpass long-run average levels and prices will surpass pre-recession peaks by the end of the decade, but when coupled with higher mortgage rates, affordability will suffer.

Housing/Construction Finally Surge

	Annual Average		
	2006-10	2011-15	2016-20
U.S. Housing Starts (Millions)	1.04	0.89	1.48
California Housing Permits (Thousands)	84.7	75.5	152.5

Forecast Source: LAEDC

With 800,000 new residents, Southern California's population will approach 20 million by 2020. The population of Los Angeles County will increase by 210,000 to 10.3 million. High home prices in Los Angeles and Orange counties will drive population to the more affordable Riverside and San Bernardino counties, which will account for over half of the region's population gains (420,000) and will approach a total population of five million.

Orange County and Ventura County will see modest gains with Orange County adding 150,000 residents and Ventura County adding 4,000. The region's internal growth dynamic (natural increase or births minus deaths) will make a larger contribution to population gains than net migration.

So Cal Population Grows …

	Pop in Millions			10-15	16-20
	2010	2015	2020	%/Yr	%/Yr
Los Angeles	9.82	10.12	10.33	0.6%	0.4%
Orange	3.02	3.16	3.31	0.9%	0.9%
Riverside-San Bernardino	4.23	4.44	4.86	1.0%	1.8%
Ventura	0.82	0.85	0.89	0.7%	0.9%

Forecast Source: LAEDC

The Southern California region, which is already larger than most states, will add over 500,000 jobs over the next five years, equivalent to a 1.5% annual growth rate.

Although the pace of job growth in Los Angeles County will be lower than its neighboring counties, it will add the largest number of jobs over the next five years (200,000) because of its sheer size. Fast-growing Inland Empire will increase by 180,000 jobs through 2020, adding jobs at the fastest rate in the region (2.5%). Orange County employment will rise by 130,000 and much smaller Ventura County will see a gain of 20,000 jobs.

… and Jobs Advance at Slower Pace

	Nonfarm Jobs in Millions			10-15	16-20
	2010	2015	2020	%/Yr	%/Yr
Los Angeles	3.89	4.32	4.52	2.1%	0.9%
Orange	1.37	1.55	1.67	2.5%	1.6%
Riverside-San Bernardino	1.14	1.34	1.51	3.1%	2.5%
Ventura	0.27	0.30	0.32	1.6%	1.4%

Forecast Source: LAEDC

INDEX OF STATISTICAL TABLES