LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION **THE KYSER CENTER FOR ECONOMIC RESEARCH**

LAEDC

2013-2014

ECONOMIC FORECAST & INDUSTRY OUTLOOK

February 2013

ABOUT LOS ANGELES COUNTY:

Los Angeles County is a nation-sized region that spans more than 4,000 square miles, has nearly 10 million residents who speak 140 languages from around the world, and leads the nation as the #1 Entertainment Capital, the #1 Manufacturing Capital, and #1 International Trade Capital of America. L.A. County also has the nation's #1 ranked seaport, the busiest origin and destination airport (LAX) and three world-class research institutions plus 118 other colleges and universities, all of which contribute to the region's annual economic activity of $544 billion. By measure of GDP alone, L.A. County would be larger than Sweden, Saudi Arabia or Taiwan.

Los Angeles County is governed by five Supervisors, including Supervisor Gloria Molina (District 1), Supervisor Mark Ridley-Thomas (District 2), Supervisor Zev Yaroslavsky (District 3), Supervisor Don Knabe (District 4), and Supervisor Michael Antonovich (District 5). For more information about Los Angeles County, visit: http://www.chooselacounty.com.

THE LAEDC THANKS THE FOLLOWING BUSINESS LEADERS FOR THEIR GENEROUS SUPPORT AS OUR LARGEST INVESTORS:

For information about LAEDC membership, contact Justin Goodkind (213) 236-4813.

2013-2014 Economic Forecast and Industry Outlook

California and Southern California
Including the National and International Setting

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February 2013

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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 nearly 180,000 jobs, providing $11.0 billion in direct economic impact from salaries and an estimated $850 million 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 including industrial development bonds. 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 #1 by the Wall Street Journal.

Economic and Policy Analysis Group
The LAEDC Economic and Policy Analysis Group 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 operates the World Trade Center Association Los Angeles-Long Beach (WTCA LA-LB), which facilitates trade expansion and foreign investment, and 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 region's economic vitality and quality of life.

Global Connections
The World Trade Center Association 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 destination for foreign investment. The WTCA LA-LB is a subsidiary of the Los Angeles County Economic Development Corporation. For more information, please visit *www.wtca-lalb.org*

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LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

Good morning, Ladies and Gentlemen, and welcome to the LAEDC's 2013-2014 Annual Forecast.

The LAEDC's Economic Forecast is Southern California's premier source for in-depth economic information and analysis on our global, national, state and regional economies. Each forecast release is accompanied by a public event featuring the insights of influential economists and leaders from both the public and private sectors. The forecast report is produced by the LAEDC's Kyser Center for Economic Research, led by its Chief Economist, **Dr. Robert Kleinhenz**.

Dr. Kleinhenz is joined today by a panel of formidable presenters who will shine important light on the subject of innovation in our region's largest traded industry cluster: Entertainment. The panel includes: **Bruce Cook, Ph.D.,** Chair of Filmmaking in the School of Media, Culture & Design at Woodbury University, **Karen Kerr, Ph.D.**, Senior Director for New Ventures & Alliances at the University of Southern California (USC), **David Wolf**, Managing Director for Media & Entertainment Industry Group at Accenture, and the LAEDC's own **Kimberly Ritter-Martinez**, Associate Economist at the Kyser Center for Economic Research. 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 the 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 Accenture, Loyola Marymount University, UnionBank, and Woodbury University.

I am proud to announce the LAEDC, led by Vice President Carrie Rogers and her team of Business Assistance and Development professionals, has been awarded the prestigious Gold Award, an annual prize presented by the International Economic Development Council (IEDC) for excellence in the Business Retention and Expansion category. The LAEDC's Layoff Aversion program, now a two-time winner in the category, helps businesses take full advantage of all that Los Angeles County has to offer, and works to build coalitions and networks in local communities to help keep the front doors of struggling businesses open and thousands of workers employed.

We are also pleased to announce the completion of the third year of implementation for the five-year Los Angeles County Strategic Plan for Economic Development. Year three's many successes have been catalogued and will be delivered to the public in a Year Three Progress Report in the coming weeks. As we begin the fourth year of the plan's implementation, we thank all of you who have turned this consensus plan – comprised of five aspirational goals, 12 objectives, and 52 individual strategies – into an "on-the-ground" program of action.

Due in large part to our shared commitment to implementation, we have seen the Strategic Plan serve as the impetus and model for many other planning efforts going on throughout California. Your ongoing support continues to show California and the nation just what can be achieved when public and private sector leaders come together with environment, education, labor, and community stakeholders to promote sustainable, thriving, and competitive 21st Century economy in Los Angeles County.

Thank you for your continued support of the LAEDC and our mission to attract, retain, and grow businesses and jobs for the people of Los Angeles County.

Sincerely,

Bill Allen

Bill Allen
President and CEO

2013-2014 Forecast at a Glance

The U.S. Economy

- Modest growth to continue, labor market gains, and inflation threat low
- Consumer sector healing, improvement in housing market
- Risks: uncertainty regarding the European situation, global economic slowdown, oil price shock, and the Federal budget/national debt outcome

	2012	2013F	2014F
Real GDP (% Change)	2.2	1.8	2.4
Nonfarm Jobs (% Change)	1.7	1.5	1.7
Unemployment Rate	8.1	7.6	7.3
Consumer Price Index (% Change)	2.1	1.8	2.0

Leading Sectors: Consumer Spending, Business Equipment Spending, Professional and Business Services, Construction
Trailing Sectors: State/Local Government Spending

The California Economy

- State growth outpaces U.S.
- Private sector job gains, unemployment rate down slowly but steadily, state/local job losses
- Risks: state and local government finances

	2012	2013F	2014F
Unemployment Rate	10.5%	9.8%	8.9%
Nonfarm Jobs (% Change)	1.8%	1.8%	1.7%
Population Growth (% Change)	0.7%	0.9%	0.9%

Leading Sectors: High-Tech Manufacturing and Services, Software Development, Tourism, Construction, Professional and Business Services
Trailing Sectors: Financial Activities, State/Local Government Spending

The Southern California Economy

- Widespread but modest improvement across industries and counties
- Orange County and Inland Empire (Riverside-San Bernardino) leading region in labor market gains
- Private sector recovery continues despite continued local government job losses

Leading Sectors: High-Tech Manufacturing and Services, Tourism, Entertainment, Professional and Business Services, Construction
Trailing Sectors: Financial Activities, State/Local Government Spending

Outlook for the U.S. Economy

The year 2013 began on a note of relief as Congress veered away from the Fiscal Cliff on the last day of 2012. The tax and spending changes contained in the Fiscal Cliff could have derailed the economy's steady but fragile progress since the end of the Great Recession in July 2009. The Congress still has work to do in the first quarter of this year in dealing with sequestration cuts, the long-run direction of the federal budget deficit, and the national debt. But the decision to leave most of the Bush-era tax cuts intact will enable the economy to grow modestly in the year ahead, chipping away at a stubbornly high U.S. unemployment rate, with most sectors of the economy improving. The private sector of the economy will continue to grow in 2013, and will face reduced drag from job losses and fiscal woes that are gradually receding in the public sector.

The private sector of the economy will continue to grow in 2013 and will face reduced drag from the public sector.

The annual growth rate of Gross Domestic Product (GDP) has held steady in the 2% range over the past three years, a trend that is likely to continue this year and next. While the economy is moving forward, the pace of growth translates into slow improvements in the labor market. Indeed, while the national unemployment rate has come down over the last two years, the long-run rate is still years off. Thankfully, inflation has remained in check, allowing policymakers to focus on economic activity and the labor market.

Key Sectors

Consumers: Consumer spending makes up 70% of all spending in the U.S. economy, so an improvement in the economic and financial well-being of the households that make consumer sector spending decisions will contribute to gains in the broader economy. Those improvements should become more evident in 2013.

The consumer sector benefitted last year from steady job gains that reduced the unemployment rate by nearly a full percentage point. Wage and salary earnings edged up over the year as well. Consumer sentiment increased in 2012 and should continue to rise in 2013. Meanwhile, the balance sheet of U.S. households improved in 2012. Net worth of household real estate holdings rose throughout last year, while net worth of financial assets, which had come back since the depths of the financial crisis, continued to improve. Consumers also benefited from somewhat better access to credit last year.

In turn, consumer spending grew last year, with noteworthy increases in purchases of durable goods, especially cars and trucks. More of the same is expected in 2013, with total consumer spending growing by 1.8% in 2013 after a 1.9% gain last year. The 2% increase in the payroll tax that became effective at the beginning of this year may mute consumer spending in the first half of the year. Even so, spending on durable goods, which increased by more than 6%

over each of the past three years will continue to grow with a gain of 4.9% in 2013.

Businesses: Business investment spending includes expenditures on nonresidential structures, equipment and software, and additions to inventory. Also included is residential investment, that is, new single-family and multi-family home construction. Business investment accounted for 14% of total economic activity last year.

A turnaround in housing construction means that hard-hit construction employment will come back and signals genuine improvement in the consumer sector.

Business investment (nonresidential fixed investment) spending on structures, equipment and software continued to grow in 2012, following a steep increase in 2011. Investment spending overall grew by 7.7% in 2012, driven by sharp increases in aircraft production along with manufacturing and utilities structures.

Residential construction also surged, rising by 11.9% last year, a welcome turn following six consecutive years of decline. Residential construction is an important forward-looking barometer for the economy. A turnaround in housing construction means that hard-hit construction employment will begin to come back after suffering the largest decline in decades. New home construction also triggers additional spending on appliances, furnishings, and a variety of other goods as well as services that create ripples through the general economy. More fundamentally, this development signals stability in the housing market and genuine improvement in the financial condition of the consumer sector.

Looking through this year and into 2014, business spending is expected to grow by a more modest 3.8% this year and by a more robust 7.2% next year. There will be sizable increases in purchases of IT and communications equipment but modest gains in aircraft and other transportation investment. Investment in structures will be generally flat this year but will recover nicely in 2014. New residential construction will continue its recovery with double-digit percentage growth in each of the next two years (14% in 2013, 20% in 2014).

Government: Government spending at the federal, state, and local levels accounted for 18% of GDP last year, down from recent years, when it made up as much as 20% of GDP. The federal government accounted for 41% of all government expenditures, while state and local government accounted for 59%. Federal spending has fallen over the past two years, and state and local spending has been under pressure since 2010.

Federal government expenditures exceeded $1 trillion from 2009 through 2011, in part because of the $800 billion 2009 American Reinvestment and Recovery Act (ARRA), most of which was distributed over that three year span. Federal government expenditures were just over $1 trillion last year, but should edge lower this year, with a further decrease to $970 billion in 2014.

State and local government expenditures reached a peak of $1.56 trillion in 2009, but fell in recent years. Given the requirement to balance their budgets, state and local governments across the country have cut expenditures while looking for new sources of revenue. State and local budgets largely support public services that are inherently labor intensive, so there are few alternatives to job cuts. This has created a drag in the labor market where private sector job gains have been partially offset by losses in the public sector. Expenditures fell to $1.46 trillion last year and are expected to stabilize at $1.54 trillion over the next two years.

Total government expenditures, which reached a peak of $2.6 trillion in 2010, fell by 1.7% to $2.48 trillion in 2012. Smaller declines are projected over the forecast period, with a 1.3% decline to $2.45 trillion anticipated for this year with a 1.0% cut to come in 2014. State and local expenditures should turn the corner with marginal gains in 2015.

Trade: Both exports and imports have increased over the past three years as the U.S. and its trading partners have moved further away from the Great Recession. Exports grew by 3.2% last year to more than $1.83 trillion. Additional gains are expected in 2013 and 2014, with this year's 2.4% increase tempered by slow growth globally, but larger increases expected in 2014 and beyond. Imports grew by 2.5% in 2012 to $2.24 trillion. This year should bring more subdued growth of 1.5%, but a 5% gain is expected in 2014 as the U.S. economy accelerates.

The U.S. continues to be a net importer of goods and services with a deficit of $406 billion in 2012. Deficits in the range of $400 billion are anticipated over the next two years.

Labor: The national unemployment rate improved from an annual rate of 8.9% in 2011 to 8.1% last year. The monthly unemployment rate has been under 8% for the past five months and should improve modestly in 2013. Monthly nonfarm wage and salary job gains averaged 181,000 in 2012, up from 175,000 in 2011. While monthly changes are more widely publicized, year-over-year adjustments exhibit greater stability. Nonfarm jobs grew steadily at an annual rate of 1.7% last year, following a 1.2% gain in 2011. Nonfarm jobs increased 1.5% year-over-year in the month of January, suggesting that the labor market has maintained its momentum early in the year.

With GDP growth expected at about 2% over the next two years, nonfarm job gains will stay on course, up by 1.5% for 2013 and up by 1.7% in 2014.

With GDP growth expected at about 2% over the next two years, nonfarm job gains will stay on course, up 1.5% for all of 2013 and up 1.7% in 2014. This will bring the unemployment rate down slowly, with an annual average of 7.6% expected this year and 7.3% next year. Unless the economy moves to a higher growth trajectory, the long-run normal rate of unemployment of about 6% is two to three years off.

There is potential for employers to shift more toward full-time employees and rely less on part-time and temporary help in the coming months. Labor productivity fell in the last quarter of 2012. A decline in productivity at this point in the economic cycle often means that employers have garnered all the possible gains from part-time and temporary work arrangements, so continued expansion will require increased reliance on full-time workers. If and when this occurs the labor market and household sector will show improvement.

Inflation: Inflation has been low in recent years and will continue to hold steady over the next two years. Slack in the labor market should keep wage increases (if any) close to the rate of inflation, with the exception of occupations experiencing heightened demand. Capacity utilization, which measures the share of the nation's industrial production in use, has held steady just below 79.0% in recent months, well below the 83% to 85% range that corresponds to full utilization of the nation's productive capacity. The threat of inflation from commodities, whose prices are determined globally, has been muted by weak global growth, but improvement in global economic conditions in the coming years could push commodities prices up and add to U.S. inflation. All in all, while it is appropriate to maintain a vigilant stance with respect to inflation, inflation based on the Consumer Price Index (CPI) is expected to be 1.8% this year and 2.0% next year, while other gauges of inflation will be similarly low.

Inflation has been low in recent years and will continue to hold steady over the next two years.

Economic Policy

Fiscal Policy: By virtue of its eleventh hour vote on the fiscal cliff, the Congress largely left the Bush-era tax cuts in place. It also postponed cuts included in sequestration and has the prerogative to replace across-the-board cuts with discretionary cuts, but must do so by March. Lastly, the Congress voted in January to raise the debt ceiling through mid-May, thereby avoiding a potential government shutdown in late March.

There is little reason to expect a macroeconomic boost from fiscal policy in the coming years. As the Congress seeks a more sustainable balance between federal receipts and expenditures, it will be forced to make cuts to spending over the forecast period. Tax increases, or perhaps selectively closing tax loopholes to raise revenue, will also be in its crosshairs. The trillion dollar budget deficits of the past four years should give way to a deficit of just over $864 billion in 2013, with a decline to $675 billion anticipated in 2014 according to the Congressional Budget Office (CBO).

According to the CBO, federal expenditures grew from 19.7% of GDP in 2007 to 25.2% of GDP in 2009, partly because of the federal government's stimulus program but also because of increases in unemployment benefits and automatic stabilizers during the downturn, along with increases in defense spending. At the same time, federal receipts fell from 18.5% of GDP to 15.1% between 2007 and 2009. By 2009, the budget deficit was equivalent to 10.1% of GDP. In the ensuing years, the deficit has closed with receipts rising to 15.8% of GDP last year, and expenditures falling to 22.8% of GDP for a budget deficit of 7%. The gap between outlays and receipts will continue to close over the forecast period, with the CBO projecting a deficit equivalent to 5.3% of GDP this year, falling to 3.7% of GDP in 2014. By the second half of this decade, the budget deficit is expected to drop below the 40-year average of 3.1%.

Monetary Policy and Interest Rates: Since the start of the recession, the Fed has engaged in a number of efforts to stimulate the economy by affecting long-term interest rates through changes in its balance-sheet. The most recent variation on this theme is to continue to purchase long-term Treasuries at a rate of $45 billion per month, thereby keeping long-term rates low. The Fed has formally committed to no rate hikes as long as the unemployment rate is above 6.5%. That is unlikely to occur before sometime in 2015. As such, the interest rate environment will change little this year and next, barring an unforeseen and sustained flare-up of inflation or a faster sustained growth rate in the economy.

How do the Fed's policy actions help the economy? Low long-run rates make it attractive for businesses to investment in new plant and equipment. This strategy also keeps mortgage rates low, encouraging some households to buy homes, while current homeowners may choose to refinance. By bringing down their monthly payments, recently refinanced homeowners can improve their balance sheets and have the capacity to increase consumer spending. While the Fed's low rate policy provides liquidity to consumers and businesses via the financial system, households and businesses will tap into that liquidity and increase their expenditures only to the extent that their outlook about the near term permits.

U.S. Forecasts and Risks

The remaining components of the fiscal cliff will be front and center in news over the next few weeks. While policy debates continue to garner attention, the health of the private sector economy will improve. The year 2013 should be a transition year. GDP growth may still be in the two percent range, but steady job creation will chip away at the unemployment rate throughout the year.

Overall, the economy will grow at a modest pace during the next two years, with more consistent improvement across economic indicators than has been the case since the recession ended. Improvements in the private sector will become more evident despite headwinds created by efforts to address long-run problems associated with the federal budget deficit and national debt, as well as weak global economic conditions. Firms will increasingly shift their attention away from cost containment to focus on opportunities for revenue and profit growth as demand recovers across more sectors of the economy.

The economy continues to face risks abroad, with weakness in Europe and the ongoing global slowdown. Growth rates for China and other emerging economies may pick up but it remains to be seen when or whether they will experience the impressive growth rates of recent years. The result is muted demand for U.S. exports, tempering GDP growth.

Finally, while volatility in the price of oil might give rise to short-term gasoline price spikes, ongoing efforts to tap into the nation's energy resources will bring the U.S. closer to self-sufficiency sometime in the next 10 years.

Table 1: U.S. Economic Indicators

Annual % change except where noted	2007	2008	2009	2010	2011	2012	2013f	2014f
Real GDP	1.9	-0.3	-3.1	2.4	1.8	2.2	1.8	2.4
Nonfarm Employment	1.1	-0.6	-4.4	-0.7	1.2	1.7	1.5	1.7
Unemployment Rate (%)	4.6	5.8	9.3	9.6	8.9	8.1	7.6	7.3
Consumer Price Index	2.8	3.8	-0.4	1.6	3.2	2.1	1.8	2.0
Federal Budget Balance (FY, $billions)	-$162	-$455	-$1,416	-$1,294	-$1,297	-$1,089	-$864	-$675

Sources: BEA, BLS and CBO; forecasts by LAEDC

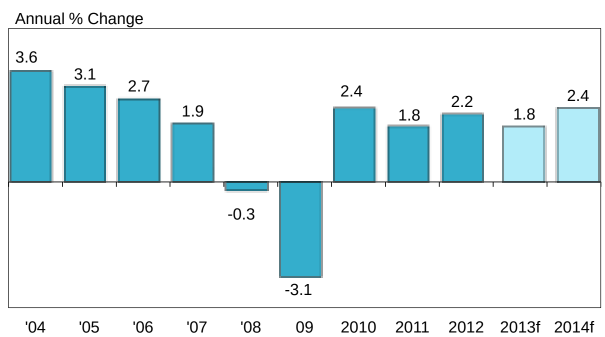
Table 2: U.S. Interest Rates

Annual Average, %	2007	2008	2009	2010	2011	2012	2013f	2014f
Fed Funds Rate	5.02	1.93	0.16	0.18	0.10	0.11	0.16	0.16
Bank Prime Rate	8.05	5.09	3.25	3.25	3.25	3.25	3.25	3.25
10-Yr Treasury Note	4.63	3.67	3.26	3.21	2.79	1.80	2.07	2.63
30-Year Fixed Mortgage	6.34	6.04	5.04	4.69	4.46	3.66	3.55	4.16

Sources: Federal Reserve Board; forecasts by LAEDC

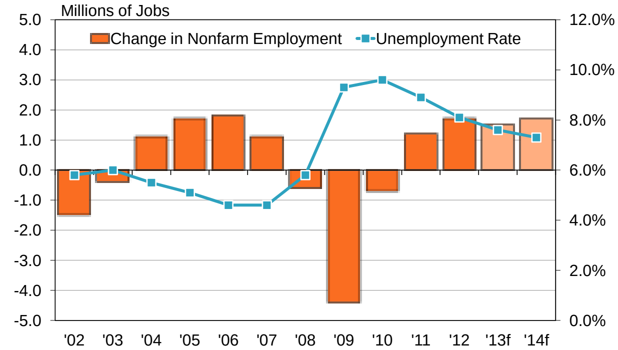
U.S. Economic Snapshot

U.S. Economic Growth



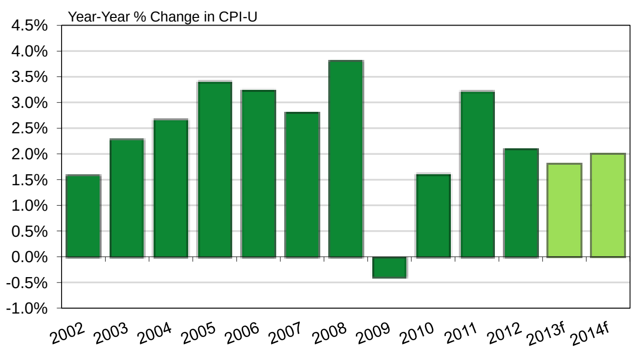
Sources: Bureau of Economic Analysis, forecasts by LAEDC

U.S. Labor Market



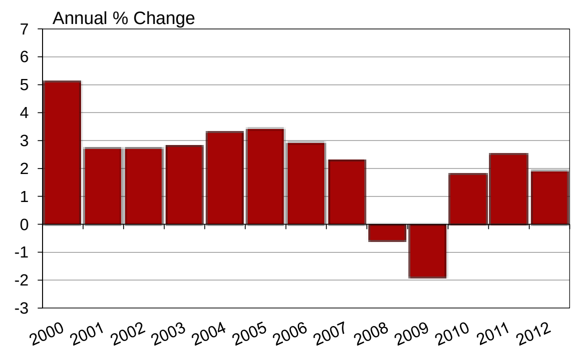
Sources: Bureau of Labor Statistics, forecasts by LAEDC

Consumer Inflation



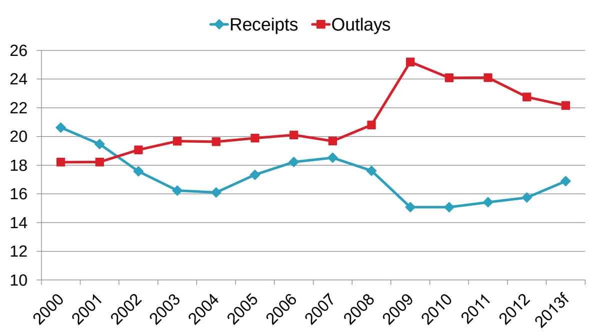
Source: Bureau of Labor Statistics; forecasts by LAEDC

U.S. Personal Consumption



Source: Bureau of Economic Analysis

Federal Budget Receipts & Outlays as Percentage of GDP



Source: Office of Management & Budget

Outlook for The International Economy

Key International Developments of 2012

The on-going sovereign debt crisis and recession in Europe, and the slowdown of the Chinese economy both figured prominently in the performance of the global economy last year. Closer to home, because the Southern California economy is closely linked to the international economy through trade, foreign direct investment (FDI), and capital flows, developments in Europe and China can have a significant impact on the local economy.

The ongoing sovereign debt crisis in Europe once again poses the greatest threat to the global economy in 2013. A European financial crisis and breakup of the euro zone can have a potentially greater impact financially and economically than the 2008 U.S. financial crisis, and could cause world trade volumes to plunge more steeply than in 2009. Trade related employment throughout Southern California would feel the pain (particularly Los Angeles County and the Inland Empire).

However, as the Kyser Center correctly projected, China experienced a consistent deceleration of growth in 2012 without the severe drop-off (or hard landing) in economic output.

As for China, the big debate in 2012 was not about whether China's economy would slowdown but instead by how much. China's economy grew at a double digit rate for years before slowing to single digit growth in 2012. Many experts projected that the Chinese economy would experience a hard landing with growth slowing to 5% to 6% in 2012. However, as the Kyser Center correctly projected, China experienced a consistent deceleration of economic growth in 2012 without the severe drop-off (or hard landing) in economic output. This development could have been worse, so it appears the global economy was able to dodge another bullet in 2012.

Key International Risks for 2013

The largest risk for 2013 is the European sovereign debt crisis. The probability of a Greek exit from the euro zone has decreased due to the 2012 bailouts that were rewarded due to the positive outcome of the Greek elections and the subsequent reforms. Also, actions taken by European policymakers and the European Central Bank (ECB) have substantially improved the environment and outlook. This year, the German elections that will greatly impact the euro zone. Translation: preventing further deterioration of the euro zone financial situation before the election will be paramount to Chancellor Merkel and Germany's ruling government. Also, politics in Italy (elections take place February 24-25) and political turmoil in Spain will go a long way in determining what happens as well.

The Iranian nuclear crisis will continue to be the big "X" factor this year as a potential conflict would lead to a spike in oil prices and directly impact the entire global economy, particularly those heavily dependent upon petroleum imports. In addition growing instability in North Africa may have consequences for the global economy.

While the Chinese economy seems to have had turned the corner in 2012, a continuation of a Chinese slowdown would be just as detrimental to the global economy as it was in 2012.

All the major currencies will be subject to more volatile exchange rate movements as the advanced economies' central banks continue to print money. The euro will continue to remain very volatile in 2013 with any flare up of the debt crisis leading to a sharp decline of the single currency. Also, the big currency story of 2013 will be the depreciation of the Japanese Yen.

Finally, higher commodity prices will become an issue again as the period of relatively lower prices of the past two years will end. Metals, food and minerals will all see an uptick due to increases in demand from China and other emerging markets.

Outlook for 2013-2014

China: China is the LACD's #1 trading partner and the Los Angeles Metropolitan Area's #3 export market. The pace of the Chinese economy slowed over the course of 2012. However, in Q4 2012, the Chinese economy ended a seven consecutive quarter deceleration with GDP expanding by 7.9%. As a result, the Chinese economy expanded by 7.8% in 2012, the slowest pace of growth since 1999.

The Chinese economy is expected to grow by 8.0% to 8.5% in 2013 as the impact of last year's stimulus measures carry over into the first half of 2013.

China curtailed the deceleration of its economy by implementing more expansionary fiscal and monetary policies from the middle of 2012 forward. Growth was at its weakest in the third quarter of last year when it slowed to 7.4%, but turned around by the fourth quarter.

The Chinese economy is expected to grow by 8.0% to 8.5% in 2013 as the impact of last year's stimulus measures carry over into the first half of 2013. As growth accelerates in Europe and the U.S. in 2014, and with continued infrastructure investment in the inland areas, China's should achieve a growth rate of 7.5% to 8.0%.

Japan: Japan is Los Angeles County's #1 source of foreign direct investment. In addition, it is the LACD's #2 trading partner and the Los Angeles Metropolitan Area's #4 export market. The Japanese economy fell into a recession in the third quarter of 2012. However, the Japanese elections in December changed the landscape for economic policy. The Liberal Democratic Party (LDP) returned to power on a platform of expansionary fiscal and monetary policy, which the

Prime Minister has proceeded to implement. A 10.3 trillion yen fiscal stimulus package along with a bold plan by the Bank of Japan (BoJ) to double the 1.0% inflation target to 2% through accommodative monetary policy and additional asset purchases should have a positive impact on economic growth in the next two years, with growth of 1.0% to 1.5% expected this year and 1% growth anticipated in 2014.

The ever-increasing benefits of the KORUS FTA will become more visible in 2013 and 2014.

South Korea: South Korea is the LACD's #3 trading partner and the Los Angeles Metropolitan Area's #7 export market. Korea is also one of the region's leading sources of FDI. The Korean economy is closely interconnected with the global economy as exports contribute roughly 50% of GDP. As a result, economic growth is negatively impacted whenever a global slowdown occurs. This was the case in 2012 as Korean exports to Europe and China significantly declined.

The Korean Won also appreciated in value last year, strengthening by 22% over the past six months vis-à-vis the yen and by 7.5% versus the U.S. Dollar. This has made Korean goods less competitive in world markets.

Overall, the Korean economy grew by 2.0% in 2012. This was the slowest growth rate in three years. Korea's three main growth engines all stalled in 2012. In addition to exports weakening, both corporate investment and domestic demand declined in 2012. Growing household debt will continue to constrain future borrowing and hamper domestic demand in 2013 and 2014. The prospects for the Korean economy in the short term do not look very encouraging as global demand will remain subdued in 2013, particularly from Europe. Korean exports to the LACD will be negatively impacted by the stronger won and weaker yen. However, the ever-increasing benefits of the KORUS FTA will become more visible in 2013 and 2014. Based on an expected slight improvement in export growth the Korean economy should expand by nearly 3% in 2013 and by over 3% in 2014 as Europe once again experiences economic growth.

Canada: Canada is the Los Angeles Metropolitan Area's #1 export market and Los Angeles County's fifth largest source of FDI. Similar to the U.S. economy, the Canadian economy witnessed sluggish growth in 2012. Canada's economy depends heavily upon exports, nearly 80% of which go to the U.S. Thus, economic performance is especially tied to the U.S. economy. The global slowdown in 2012 along with a fall in commodity prices (particularly petroleum prices) negatively impacted the economy.

The Canadian economy is expected to expand by 2% in 2013 and to experience stronger growth of 2.5% in 2014. Of course, this will all depend upon what happens in the U.S., commodity prices, and domestic consumption.

Mexico: Mexico is the Los Angeles Metropolitan Area's second largest export market after Canada and one of Los Angeles County's largest sources of FDI.

Similar to the Canadian economy, the Mexican economy is heavily dependent upon U.S. demand as nearly 80% of its manufactured exports (goods) go to the U.S. As a result, the fiscal battle in the U.S. will go a long way in determining the potential for growth. However, fortunately for Mexico the economy has become less reliant upon external demand. In fact, domestic demand has been the key source of growth over the last few years. This transformation has been extremely instrumental over the past two years and allowed Mexico to experience close to 4% growth rates. In addition, the economy continues to become more diversified, which is another big plus.

The outlook for 2013 will definitely be somewhat determined by what happens in the U.S. However, the Mexican economy will witness a deceleration in growth over the first half of the year and should experience a better second half as exports and investment face an improved environment, particularly from the U.S. We project the Mexican economy to grow by 3.0% to 3.5% in 2013 and by over 3.5% in 2014 as the U.S. economy strengthens.

Taiwan: Taiwan is the LACD's 4th largest trading partner and one of Los Angeles County's top ten sources of FDI. Similar to South Korea and Thailand, Taiwan heavily depends upon external demand. In fact, roughly 70% of the Taiwanese economy can be attributed to exports and it is more interconnected to the Chinese economy than any other economy. As a result, the slowdown in China along with the recession in Europe weakened the economy in 2012 as the economy grew by only 1%. The expected improvements in the Chinese economy, Europe (relatively speaking), and in the U.S. will translate into an improved external environment for Taiwan. We expect the Taiwanese economy to expand by roughly 3% in 2013 and 2014.

The LAEDC projects the ASEAN-5 economies to continue to be one of the strongest regions of growth in the international economy.

ASEAN-5: The Association of Southeast Asian Nations (ASEAN-5), a grouping of five economies includes Thailand, Vietnam, Indonesia, Malaysia, and the Philippines. All of these countries fall into the top ten trading partners of the LACD. In fact, the most significant linkages between the LACD and ASEAN-5 over the past few years have been with Vietnam. Similar to Mexico, Vietnam has greatly benefitted from the increase in Chinese wages as more apparel and footwear manufacturing has re-located. Thailand is also one of our most important trading partners. The most significant development of 2012 in all of these economies was the resiliency of domestic demand enabling them to better withstand the external shocks. Also, these economies have low levels of government debt, which offers the luxury of more accommodative fiscal policy. In fact, many governments have announced mega infrastructure projects over the short to medium term. Also, all of these economies have been very successful in attracting foreign direct investment and other capital inflows over the past few years. We project the ASEAN-5 economies to continue to be one of the strongest regions of growth in the international economy. The ASEAN-5 will expand in the range of 5.0% to 5.5% in 2013 and around 5.0% in 2014 as domestic demand and an improved external environment lead the way.

Brazil: Brazil is the Los Angeles Metropolitan Area's seventh largest export market. The Los Angeles regional economy continues to establish closer economic ties with the largest Latin economy, a trend that will continue in the short and long term as Brazil further becomes one of the largest economies in the world.

The Brazilian economy struggled in 2012 as fixed investment, industrial production, and commodity prices all weakened. Brazil's economy only grew by roughly 1% in 2012. However, the outlook for 2013 and 2014 is much brighter. The major reasons for stronger growth over the next two years are linked to an expansionary fiscal and monetary policy. In particular, the increase in short-term investments related to the World Cup and the Olympics will have a stimulative effect. We project the Brazilian economy to grow by roughly 4.0% in 2013 and 4.5% in 2014 as global growth accelerates.

A very positive recent development was the passage of legislation by the Indian parliament to allow FDI into six sectors including multi-brand retail.

India: The Indian economy has experienced a difficult period over the past year as the economy decelerated and only expanded by roughly 5% in 2012 after witnessing over 10% growth just two years ago. In fact, recent quarterly growth rates have been the weakest seen in the past decade. The Indian macroeconomy continues to face many challenges including large fiscal deficits, declining investment, high inflation, and high interest rates. Government spending is constrained by a burgeoning fiscal deficit and the central bank of India cannot implement expansionary monetary policy as inflation remains a top concern.

The good news is that the Indian economy seems to have bottomed out and should turn the corner in 2013. A very positive recent development was the passage of legislation by the Indian parliament to allow FDI into six sectors including multi-brand retail. In the long term, this monumental move by the government will improve economic growth. We project the Indian economy to expand by 5.5% to 6.0% in 2013 and by 6.5% in 2014.

Foreign Exchange (FX) Rates

The most noteworthy foreign exchange story for most of 2012 was the rise of the U.S. Dollar as investors flew to safety because of uncertainty over Europe and elsewhere in the world.

The most noteworthy foreign exchange story for most of 2012 was the rise of the U.S. Dollar as investors fled to safety because of uncertainty over Europe and elsewhere in the world. In addition, the resulting decline in commodity prices, oil in particular, also contributed to the strengthening of the U.S. Dollar.

In 2012, the U.S. Dollar appreciated vis-à-vis the euro, Japanese Yen, Korean Won, Canadian Dollar, and the British Pound. Amongst Southern California's top five trading partners, the U.S. Dollar only depreciated (albeit slightly) vis-à-vis the Chinese Yuan.

The U.S. Dollar strengthened versus the euro as the euro zone debt crisis remained serious (particularly through the first half of 2012) and the euro zone fell into recession. In addition, commodity prices dropped, which put additional upward pressure on the U.S. Dollar (as most key commodities are priced in U.S. Dollars). If the European debt situation improves this year (as it did in the second half of 2012), the U.S. Dollar will likely lose momentum. Likewise, the U.S. Dollar will strengthen if the debt crisis deteriorates or if something were to trigger an increase in oil prices. In both cases, investors would seek a safe haven in world financial markets.

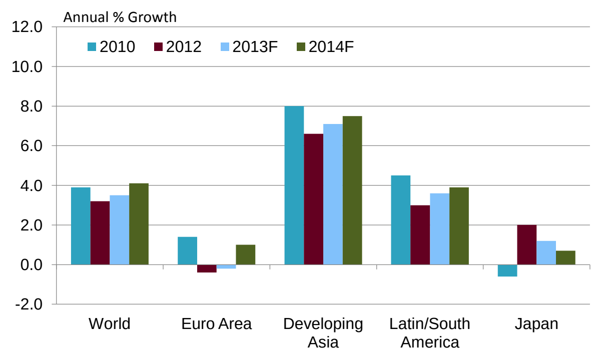
The Fed continues to implement quantitative easing, which will put downward pressure on the greenback in 2013 and into 2014. However, this will be countered by upward pressure if the emerging markets grow stronger in 2013 as expected.

At the end of 2012, the biggest story was related to the Japanese Yen. The Japanese Yen was at 77 yen per dollar in October 2012. But, in December 2012 the Liberal Democratic Party and Shinzo Abe came back into power promising a very different kind of economic policy. The new government promised and delivered upon a program of expansionary fiscal and monetary policy. By the end of the year, the exchange rate was approaching 90 yen per dollar with a target of 100 to 105. As expected this is having a substantial impact on currency markets, international trade, corporate earnings, and foreign direct investment. Many bankers and economists fear this could lead to near-term currency wars or protectionism as other nations react to these policies. Most recently, Japanese exports have and will continue to benefit from a weaker yen. In addition, Japanese corporations with operations abroad are profiting from this development. On the flip side, this does not bode well for Southern California's ability to attract foreign direct investment from Japan. It will be very interesting to see how much of an impact this will have on two-way trade flows between the LACD and Japan in 2013.

By the end of the year, the exchange rate was approaching 90 yen per dollar with a target of 100 to 105 yen per dollar.

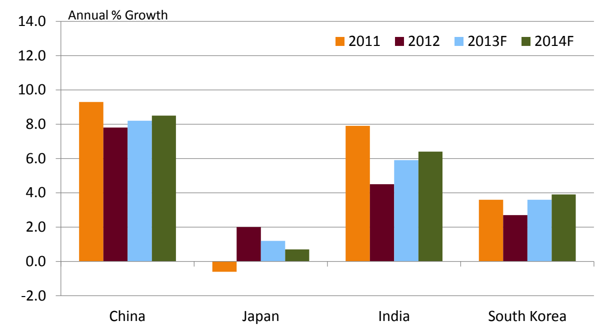
Global Economic Snapshot

Global Economic Outlook



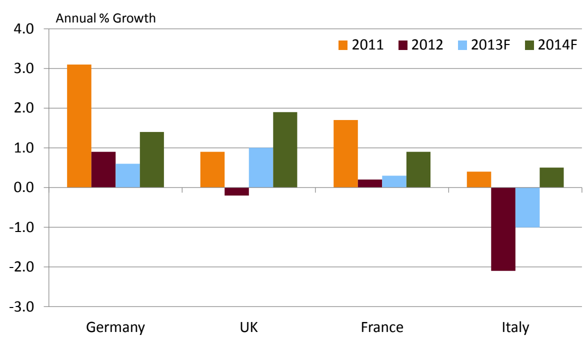
Source: *IMF World Economic Outlook, January 2013 Update*

Asian Economic Outlook



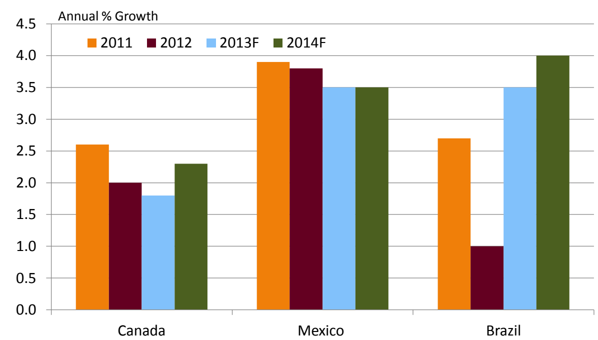
Source: *IMF World Economic Outlook, January 2013 Update*

European Economic Outlook



Source: *IMF World Economic Outlook, January 2013 Update*

Americas Economic Outlook



Source: *IMF World Economic Outlook, January 2013 Update*

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

Country (Currency)*	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Broad Currency Basket (index)	126.66	119.09	113.63	110.71	108.52	103.40	99.83	105.87	101.97	97.17	99.82
Canada (US$/C$)	1.570	1.401	1.302	1.212	1.134	1.073	1.066	1.141	1.030	0.989	0.999
China (US$/yuan)	8.28	8.28	8.28	8.19	7.97	7.61	6.95	6.83	6.77	6.46	6.31
Euro Zone (US$/€)**	0.945	1.132	1.244	1.245	1.256	1.371	1.473	1.393	1.326	1.404	1.286
Japan (US$/¥)	125.2	115.9	108.2	110.1	116.3	117.8	103.7	93.7	87.8	79.7	79.8
Mexico (US$/peso)	9.66	10.79	11.29	10.89	10.91	10.93	11.14	13.50	12.62	12.43	13.15
South Korea (US$/₩)	1250	1192	1145	1024	954	929	1099	1275	1156	1107	1126
United Kingdom (US$/£)**	1.503	1.635	1.833	1.820	1.843	2.002	1.855	1.566	1.545	1.604	1.585

Percent Change***	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Broad currency basket (index)	0.6%	-6.0%	-4.6%	-2.6%	-2.0%	-4.7%	-3.5%	6.1%	-3.7%	-4.7%	2.7%
Canada (C$)	1.4%	-10.8%	-7.1%	-6.9%	-6.4%	-5.3%	-0.7%	7.0%	-9.7%	-4.0%	1.0%
China (yuan)	0.0%	0.0%	0.0%	-1.0%	-2.7%	-4.6%	-8.7%	-1.7%	-0.9%	-4.5%	-2.4%
Euro Zone (€)	-5.6%	-19.7%	-9.9%	-0.1%	-0.9%	-9.1%	-7.4%	5.4%	4.8%	-5.9%	8.4%
Japan (¥)	3.0%	-7.4%	-6.7%	1.8%	5.6%	1.2%	-11.9%	-9.6%	-6.3%	-9.2%	0.1%
Mexico (peso)	3.5%	11.7%	4.6%	-3.5%	0.1%	0.2%	2.0%	21.2%	-6.5%	-1.6%	5.8%
South Korea (₩)	-3.2%	-4.7%	-3.9%	-10.6%	-6.8%	-2.7%	18.3%	16.0%	-9.4%	-4.2%	1.7%
United Kingdom (£)	-4.4%	-8.8%	-12.1%	0.7%	-1.3%	-8.6%	7.4%	15.6%	1.3%	-3.8%	1.2%

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

Notes:

**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*

Outlook for the California Economy

Having suffered a deeper recession than that of the nation, California has faced a longer road to full recovery. California's Gross State Product (GSP) fell more steeply than U.S. GDP during the recession, but outpaced the nation as a whole over each of the last two years. California GSP grew by 2.7% in 2012, exceeding the nation's 2.1% rate by a much needed six-tenths of a percent.

Since mid-2012, California has outpaced the nation in year-over-year job growth, a trend that should continue into 2013.

Since mid-2012, California has also outpaced the nation in year-over-year job growth, a trend that should continue into 2013. The unemployment rate fell by 1.4% over the course of last year, finishing the year at 9.8%, the first single digit reading since January 2009. Nearly every industry in the statewide economy added workers to their ranks last year, a trend that is expected to continue through 2013.

To be sure, the state's 9.8% unemployment rate in December 2012 was still the third highest in the nation. California's unemployment rate rose to 12.4% during the recession and its immediate aftermath, 2.4 percentage points higher than the national rate. Moreover, the unemployment rate lingered above 12% from September 2009 through February 2011, before edging down in 2011 and 2012. While improvement in the economy and gains in the labor market are very much anticipated in 2013, the state's long run normal rate of unemployment is still a ways off.

Consistent with the faster pace of economic activity overall, nonfarm job growth in California also picked up during 2012, averaging 1.8% compared with 0.9% a year earlier. This was slightly higher than the 1.7% growth rate nationally. Anticipating somewhat faster growth in 2013, the nonfarm jobs growth rate accelerated to 2.0% year-over-year during the last six months of the year.

Nearly all of the major metropolitan areas of the state added jobs last year. San Jose (Silicon Valley) and San Francisco led the way throughout the year. Nonfarm jobs grew by 3.4% year-over-year in San Jose last year, while San Francisco experienced a gain of 2.5%. The Central Valley generally saw jobs gains as well, with the exception of Modesto, which was down by 0.2%. While unemployment rates across the nine-county Bay Area – which includes San Francisco and San Jose – all finished the year in single-digits, double-digit unemployment rates prevailed across the Central Valley, with the welcome exception of the Sacramento metropolitan area which matched the state's 9.8% rate.

Job growth in Southern California was led by Orange County and San Diego. But with both registering a 1.6% growth rate, they lagged the Bay Area by a significant margin. All Southern California metropolitan areas added workers last year, with 1.4% gains in both Los Angeles County and the Inland Empire, and a 0.6% increase in Ventura County. Notably, job growth accelerated in Los Angeles County through 2012, starting the year with a slight 0.4% year-over-year gain in January but ending the year with a 1.8% gain in December.

Trends in Major Industries

Of the more than 1.2 million jobs lost during the recession, California regained nearly 380,000 in the past two years. A total of 248,000 nonfarm jobs were added last year, equivalent to a 1.8% annual increase. The five largest private sector industries (in order, leisure and hospitality; retail trade; health care; professional, scientific and technical services, and administrative and support services) contributed 198,000 jobs or just over 80% of total jobs added. The leisure and hospitality industry added nearly 48,000 jobs, followed closely by professional, scientific and technical services with 42,500 jobs, and administrative and Support services with 41,000 jobs. This collection of industries encompasses a wide array of jobs that range from lower skilled, entry-level occupations to highly skilled, highly compensated professions.

All of the private sector industries added jobs last year with the exception of manufacturing, which lost nearly 3,900 jobs. The government sector, which is the largest industry with 16.5% of all wage and salary jobs in 2012, lost over 34,000 jobs last year, equivalent to a 1.4% decrease.

Aerospace and Technology: California's technology sector includes manufacturing and service industries in aerospace, information technology, electronics, and biomedical technology. Employment stood at 975,900 in 2012, having added nearly 13,500 jobs from a year earlier. In percentage terms, employment grew by a modest 1.4% in 2012 after a more substantial 3.4% gain a year earlier. The biggest gains were in computer systems and design, and management, scientific and technical consulting, with smaller increases elsewhere. It is noteworthy that aerospace product and parts manufacturing saw its first increase in four years, growing from 67,700 jobs to 68,500 in 2012. By contrast, the largest sector, electronic product manufacturing, continued its long downward trend with a loss of 17,500 jobs last year, down from 279,900 jobs in 2011 to 262,700 last year.

Agriculture: The agricultural industry accounts for just under 2% of Gross State Product, and employed 385,200 workers last year, slightly less than three percent of California's wage and salary workers. Employment was flat compared to a year earlier. California ranked first among the 50 states in 2011 in terms of net farm income at $16.3 billion, with Iowa a distant second at $10.8 billion. Agricultural and related products are also one of California's largest exports to the rest of the world.

Cash receipts for all commodities grew 3.7% year-to-date to $39.2 billion from January through November 2012, and are likely to eclipse the 2011 annual record of $41.4 billion by about 3%. Crop receipts rose 7.1% year-to-date to $28.3 billion through November, while livestock receipts stood at $10.9 billion through November, down 4.2% year-to-date.

International Trade: International trade continues to play an important role in the state's economy. A large share (over 40%) of the nation's consumer goods that are produced in Asia come through California's ports, while California ranks as the second largest exporting state in the country. California's largest exports come from aerospace, pharmaceuticals, other information technology sectors, and agriculture. Imports outweigh exports by a 2-to-1 margin.

Statewide two-way trade rose by 3.7% last year to an estimated $579.1 billion, setting yet another annual record. However, growth slowed considerably last year, as it followed two consecutive years of double-digit gains as economic activity and trade accelerated in the aftermath of the Great Recession. Two-way trade is expected to grow by 3.3% this year, with a 5.4% increase anticipated for next year.

Tourism: The tourism and hospitality industry in the state continued to improve in 2012. The occupancy rate for all of California rose 2.4% from 66.4% in 2011 to 68.4% in 2012, with all major California markets experiencing an increase in occupancy last year. Room rates also rose, climbing by an average of 5.8% year-over-year for the state as a whole, while room revenue was up by 9.6%. Similarly, tourism and hospitality related jobs climbed 3.1% from 1.53 million in 2011 to 1.58 million last year. While these gains imply improvement in the tourism industry, they also show that consumers and businesses alike are more inclined to engage in discretionary spending, both in terms of leisure travel and business travel. Put simply, spending by consumers and businesses is gradually returning to normal levels.

California Forecast

Looking over the next two years, California's overall economy should outpace the U.S, with GSP growth rates of 3.1% this year and 4.6% next year. Nonfarm employment gains this year should match the 1.8% increase of 2012, with another 1.7% increase coming in 2014. Virtually all private sector industries will add jobs, largely led by the top five industries over both years.

Looking over the next two years, California's overall economy should outpace the U.S. with GSP growth rates of 3.1% this year and 4.6% next year.

Construction jobs are expected to surge over the next 2 years, growing by 4.4% this year and 8.7% next year. The corresponding gain of 77,500 jobs will be most welcome for an industry that saw its employment plummet from 934,000 to 554,000 during the Great Recession and housing crisis. Housing permits and other indicators of construction activity will show improvement over the forecast period, but it will be the second half of this decade before long-run normal activity levels are achieved.

While manufacturing employment will remain soft over the next two years, the value of output will continue to increase. The sector will be in flux over the next several years as long-term trends such as off-shoring production and outsourcing are countered by more recent moves by companies to re-shore and in-source. The net effect of these countervailing forces on California manufacturing jobs remains to be seen.

With improvements in the economy and the passage of Proposition 30 in November 2012, the California state government, local governments, and other local jurisdictions and districts across the state should face greater fiscal stability than has been the case for many years. This will slow government sector job losses in 2013 (projected 0.5% decrease) with a fractional increase expected in 2014. Taxable retail sales, which grew by an estimated 9.2% in 2012, will continue to grow over the next two years.

Overall, the fundamentals of the state economy firmed up in 2012, and will continue to support growth and expansion over the next years. The state will also benefit by attracting the largest pool of venture capital anywhere in the country, by continuing to export high value manufactures along with a wide array of agricultural and food products, and will lead the country in information technology and a range of new energy technologies.

Gross Product Comparisons[1]

California is not only the most populous state in the U.S., it also has one of largest economies in the world. For that matter, Los Angeles County, the most populous county in the country, would also be a sizable economy if it were a country in its own right.

Based on 2012 estimates, California surpassed Italy to become the eighth largest economy in the world.

Los Angeles County remained in 21st place behind Saudi Arabia and Switzerland, and ahead of Norway, Iran, Sweden, Belgium and Poland.

Which are the world's largest economies in U.S. dollars based on market exchange rates? Based on 2012 estimates, California surpassed Italy to become the eighth largest economy in the world. The five-county Los Angeles metropolitan area retained its 16th place, ranking behind South Korea. Finally, Los Angeles County remained in 21st place. Los Angeles County is behind Saudi Arabia and Switzerland, and ahead of Norway, Iran, Sweden, Belgium and Poland.

In nominal terms (not adjusted for inflation and based on market exchange rates which can significantly distort values), estimated GDP growth rates in 2012 for the U.S., California, the Los Angeles five-county region and Los Angeles County were not as high as in most emerging and developing nations. This is to be expected because advanced economies tend to grow at slower rates than emerging economies. China and Saudi Arabia were the only economies that experienced double digit growth rates in nominal terms in 2012. However, in real terms (adjusted for inflation and constant prices) China, Indonesia, and Saudi Arabia experienced the strongest growth rates at 7.8%, 6.0%, and 6.0% respectively.

The U.K. regained its ranking as the sixth largest economy in the world in 2012 as Brazil fell back to seventh place mainly due to a combination of weak growth and market exchange rates. Other notable developments include Canada and India swapping rankings with Canada dropping to 11th place, while India moved up a spot to 10th. Meanwhile, Australia moved ahead of Spain to become the 12th largest economy, while Turkey moved up one spot to become the 17th largest economy ahead of the Netherlands. Saudi Arabia moved into 19th in the rankings.

When compared in real GDP terms, the emerging and developing economies also posted stronger growth than the California and Southern California economies. China, Indonesia, and Saudi Arabia experienced the largest GDP gains, boosted by investment, consumer spending and, in the case of Saudi Arabia, higher than expected crude oil production. Other notable performances in real terms during 2012 included the economies of India, Mexico and Russia.

[1] This list is based on market exchange rates (nominal method) and not adjusted for purchasing power parity (PPP) exchange rates.

Similar to 2011, the weakest performing economies were in the euro zone. So what should we look for in 2013? Brazil will likely overtake the U.K. again reclaim its place as the sixth largest economy. Russia will surpass Italy to become the eighth largest economy. Both Mexico and South Korea will close in on Spain (the 13th largest economy in the world). Finally, look for Indonesia to approach the $1 trillion mark and continue to pay close attention to Turkey as it will continue to experience strong growth in 2013.

Table 4: Gross Product Comparisons, 2012e

(Billions of $US)

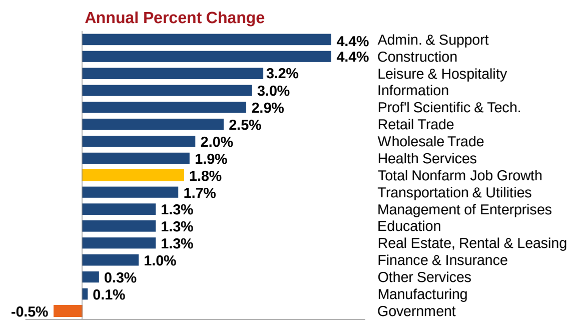
Rank	Country/State/Region	2012	Nominal GDP '11-'12 % Chg	Real GDP '11-'12 % Chg
1	United States	$15,653.37	3.8%	2.2%
2	China	8,250.24	13.0%	7.8%
3	Japan	5,984.39	2.0%	2.2%
4	Germany	3,366.65	-6.7%	0.9%
5	France	2,580.42	-7.1%	0.1%
6	United Kingdom	2,433.78	0.1%	-0.4%
7	Brazil	2,425.05	-2.7%	1.5%
	California	**2,045.70**	**4.4%**	**NA**
8	Italy	1,980.45	-9.9%	-2.3%
9	Russia	1,953.56	5.6%	3.7%
10	India	1,946.77	6.6%	4.9%
11	Canada	1,770.08	1.8%	1.9%
12	Australia	1,542.06	3.7%	3.3%
13	Spain	1,340.27	-9.4%	-1.5%
14	Mexico	1,162.89	0.8%	3.8%
15	South Korea	1,151.27	3.1%	2.7%
	Los Angeles 5-Co. area	**937.60**	**3.8%**	**NA**
16	Indonesia	894.85	5.7%	6.0%
17	Turkey	783.06	1.1%	3.0%
18	Netherlands	770.22	-8.1%	-0.5%
19	Saudi Arabia	657.05	10.0%	6.0%
20	Switzerland	622.85	-5.7%	0.8%
	Los Angeles County	**577.50**	**3.6%**	**NA**
21	Sweden	520.26	-4.5%	1.2%
22	Norway	499.83	3.0%	3.1%
23	Iran	483.78	0.3%	-0.9%
24	Belgium	476.80	-7.3%	0.0%
25	Poland	470.35	-8.6%	2.3%

Note: Based on Market Exchange Rates and not on Purchasing Power Parity (PPP) Exchange Rates. Nominal GDP figures are not adjusted for inflation

Sources: IMF WEO -- October 2012, BEA, and IHS Global Insight estimates

California Snapshot

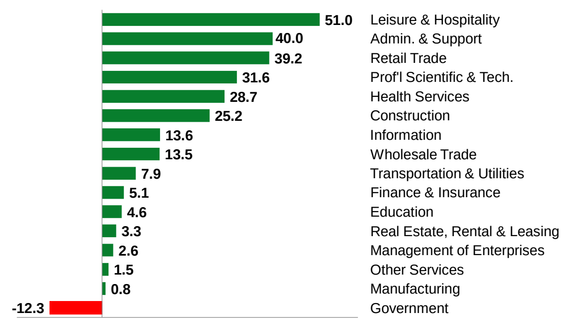
California Employment Growth, 2013



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

California Employment Growth, 2013

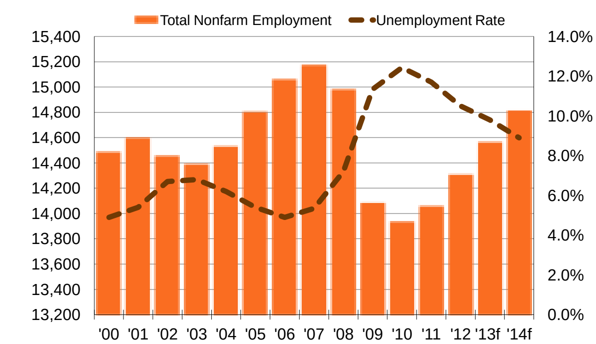
Total nonfarm job growth forecast for 2013 (thousands): 256.4 jobs



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

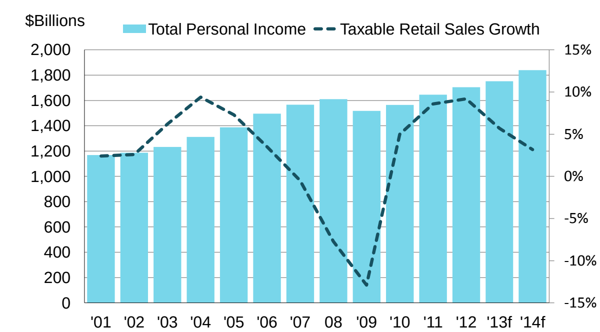
California Employment

Annual average in thousands, 2011 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

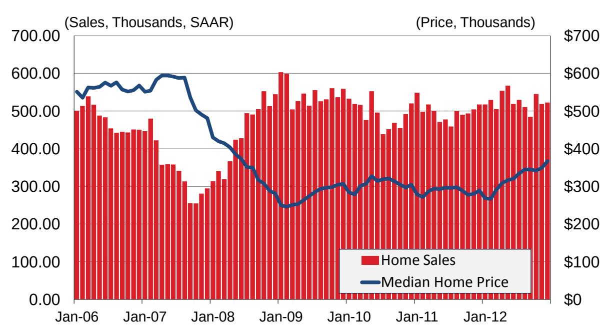
California Personal Income & Retail Sales



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

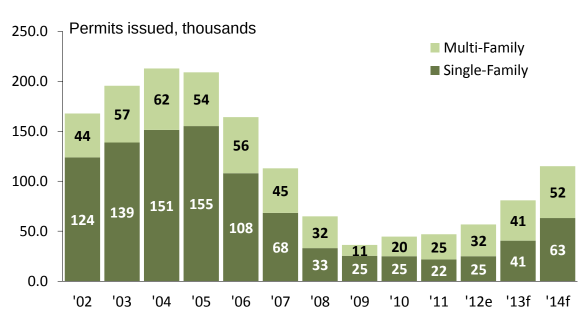
Home Sales & Median Prices in California

Existing, single-family homes



Source: California Association of Realtors

Residential Building Permits Issued in California



Source: Construction Industry Research Board; 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 ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Value of Two-way Trade ($Billions)	Housing Unit Permits Issued	Nonresidential Buidling Permits ($Millions)
2002	34,938.3	14,457.8	6.7	1,187.3	34,049	301.61	327.9	167,761	19,835
2003	35,388.9	14,392.8	6.8	1,233.0	34,975	320.22	347.8	195,682	18,628
2004	35,752.8	14,532.6	6.2	1,312.2	36,887	350.17	394.3	212,960	19,718
2005	35,985.6	14,801.3	5.4	1,387.7	38,731	375.81	433.1	208,972	21,469
2006	36,246.8	15,060.3	4.9	1,495.5	41,518	389.07	487.6	164,280	23,298
2007	36,552.5	15,173.5	5.4	1,566.4	43,211	387.03	512.9	113,034	23,733
2008	36,856.2	14,981.4	7.2	1,610.7	44,003	357.32	523.3	64,962	19,588
2009	37,077.2	14,084.7	11.3	1,516.7	41,034	311.21	413.3	36,421	10,866
2010	37,318.0	13,936.7	12.4	1,564.2	41,893	326.78	502.6	44,762	11,200
2011	37,578.6	14,060.5	11.7	1,645.1	43,647	354.83	558.5	47,092	13,029
2012	37,826.2	14,308.7	10.5	1,705.2	44,813	387.48	579.1	56,800	12,300
2013f	38,166.6	14,565.1	9.8	1,752.1	45,607	409.52	598.4	81,000	16,000
2014f	38,510.1	14,813.0	8.9	1,839.1	47,405	422.48	630.6	115,000	18,500

% Change									
01/00	1.5%	0.8%		2.9%	1.5%	2.4%	-13.1%	0.1%	-12.2%
02/01	1.2%	-1.0%		1.6%	0.5%	2.6%	-3.8%	12.8%	-15.4%
03/02	1.3%	-0.4%		3.8%	2.7%	6.2%	6.1%	16.6%	-6.1%
04/03	1.0%	1.0%		6.4%	5.5%	9.4%	13.4%	8.8%	5.9%
05/04	0.7%	1.8%		5.7%	5.0%	7.3%	9.9%	-1.9%	8.9%
06/05	0.7%	1.7%		7.8%	7.2%	3.5%	12.6%	-21.4%	8.5%
07/06	0.8%	0.8%		4.7%	4.1%	-0.5%	5.2%	-31.2%	1.9%
08/07	0.8%	-1.3%		2.8%	1.8%	-7.7%	2.0%	-42.5%	-17.5%
09/08	0.6%	-6.0%		-5.8%	-6.7%	-12.9%	-21.0%	-43.9%	-44.5%
10/09	0.6%	-1.1%		3.1%	2.1%	5.0%	21.6%	22.9%	3.1%
11/10	0.7%	0.9%		5.2%	4.2%	8.6%	11.1%	5.2%	16.3%
12/11	0.7%	1.8%		3.6%	2.7%	9.2%	3.7%	20.6%	-5.6%
13/12	0.9%	1.8%		2.8%	1.8%	5.7%	3.3%	42.6%	30.1%
14/13	0.9%	1.7%		5.0%	3.9%	3.2%	5.4%	42.0%	15.6%

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 2011 benchmark

Year	Total Nonfarm	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2002	14,457.8	23.1	774.4	1,631.8	1,047.0	584.9	652.1	1,582.2	491.0	497.3
2003	14,392.8	22.2	796.8	1,542.4	976.4	566.0	649.5	1,588.4	480.6	476.1
2004	14,532.6	22.8	850.4	1,521.3	963.9	557.4	655.1	1,617.8	482.8	482.4
2005	14,801.3	23.6	905.3	1,502.6	956.9	545.7	675.8	1,659.3	487.1	473.6
2006	15,060.3	25.1	933.7	1,488.0	945.4	542.6	702.5	1,680.1	496.1	466.0
2007	15,173.5	26.7	892.6	1,464.4	927.9	536.4	715.3	1,689.9	507.6	470.8
2008	14,981.4	28.7	787.7	1,425.3	899.8	525.6	703.5	1,640.9	504.6	475.5
2009	14,084.7	26.1	623.1	1,281.9	798.9	483.0	645.3	1,523.0	474.0	440.4
2010	13,936.7	26.8	559.8	1,241.0	770.1	470.8	644.0	1,513.3	466.3	427.7
2011	14,060.5	28.5	553.7	1,245.8	777.4	468.4	659.0	1,532.0	471.9	432.4
2012	14,308.7	28.8	572.4	1,242.0	774.1	467.9	673.8	1,562.6	476.9	451.8
2013f	14,565.1	28.9	597.6	1,242.8	779.3	463.5	687.3	1,601.8	484.8	465.4
2014f	14,813.0	29.5	649.9	1,262.2	800.1	462.2	698.5	1,602.1	496.4	466.5

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
2002	578.5	268.2	913.8	266.8	939.3	245.5	1,259.7	1,382.4	505.7	2,447.1
2003	606.6	272.2	906.6	247.7	931.0	258.2	1,285.0	1,400.1	504.3	2,426.1
2004	618.8	276.4	918.9	231.3	947.8	262.9	1,304.1	1,439.4	503.9	2,397.7
2005	636.6	283.6	970.2	222.1	968.3	272.2	1,321.2	1,475.2	505.5	2,420.2
2006	639.3	288.5	1,026.5	212.6	1,003.3	277.6	1,343.8	1,519.0	507.1	2,452.3
2007	613.1	283.5	1,060.4	207.2	997.9	289.3	1,388.9	1,560.4	512.2	2,494.6
2008	566.0	275.9	1,079.6	207.2	951.6	300.6	1,432.6	1,572.6	511.3	2,518.9
2009	528.1	254.9	1,014.5	197.3	847.4	304.3	1,455.7	1,503.1	486.1	2,479.6
2010	511.9	248.3	1,017.4	195.4	861.5	309.7	1,478.6	1,501.6	484.9	2,448.4
2011	516.0	245.5	1,051.6	199.2	875.6	326.3	1,507.3	1,530.3	486.9	2,398.7
2012	524.0	251.4	1,094.1	201.7	916.6	343.3	1,543.3	1,578.3	483.5	2,364.4
2013f	529.1	254.7	1,125.7	204.3	956.5	347.9	1,572.0	1,629.3	485.0	2,352.1
2014f	528.5	257.8	1,161.6	201.8	1,027.6	342.2	1,601.1	1,646.5	486.6	2,354.1

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 2011 benchmark

		Northern California			Central California					Southern California				
\ MSA	State of California	Oakland	San Francisco	San Jose	Bakersfield	Fresno	Modesto	Sacramento	Stockton	Los Angeles	Orange	Riverside-San Bernardino	San Diego	Ventura
Year \														
1990	12,499.8	879.1	947.4	824.3	170.7	224.4	117.5	618.4	152.7	4,135.7	1,172.4	712.6	966.6	230.3
1991	12,358.9	879.7	939.9	815.5	177.2	227.2	117.8	630.9	155.2	3,982.7	1,143.7	718.9	962.6	230.4
1992	12,153.5	870.2	914.4	801.8	173.3	230.1	120.0	623.2	154.8	3,804.5	1,126.0	729.6	947.7	226.6
1993	12,045.4	873.5	908.1	806.6	169.8	233.5	121.5	625.9	156.2	3,707.6	1,115.4	733.9	947.2	227.0
1994	12,159.5	877.3	903.6	810.2	170.8	237.1	122.2	643.8	157.3	3,701.9	1,126.8	751.3	955.5	233.3
1995	12,422.0	897.4	916.5	842.9	172.8	243.5	124.0	662.8	160.3	3,746.6	1,151.7	779.9	978.7	237.3
1996	12,743.4	916.4	948.5	892.0	174.9	246.8	127.8	681.5	163.4	3,788.5	1,184.3	803.5	1,006.4	237.9
1997	13,129.7	947.9	983.7	939.8	179.3	249.9	131.7	702.2	167.5	3,865.0	1,233.8	841.5	1,054.6	242.7
1998	13,596.1	976.1	1012.0	969.8	184.3	253.6	137.2	731.4	171.5	3,943.5	1,299.1	882.2	1,105.8	252.3
1999	13,991.8	1007.9	1039.5	984.8	188.8	262.1	141.7	770.5	178.7	4,002.9	1,345.2	939.0	1,153.4	263.6
2000	14,488.2	1044.7	1081.8	1044.4	194.2	270.7	144.2	797.2	185.8	4,072.1	1,388.9	988.4	1,194.3	275.0
2001	14,602.0	1054.7	1054.3	1018.1	202.3	275.9	149.7	818.8	191.1	4,073.6	1,413.7	1,029.7	1,218.6	279.9
2002	14,457.8	1039.8	987.6	917.4	205.1	281.9	150.6	832.2	194.0	4,026.8	1,403.7	1,064.5	1,230.8	281.8
2003	14,392.8	1025.8	951.1	870.3	207.2	282.8	152.3	846.3	197.3	3,982.9	1,429.0	1,099.2	1,240.1	284.2
2004	14,532.6	1023.5	939.7	861.8	211.7	286.9	154.6	859.0	200.6	3,996.5	1,456.7	1,160.0	1,260.3	286.2
2005	14,801.3	1032.0	947.9	869.8	222.0	294.3	159.0	880.9	205.8	4,024.2	1,491.0	1,222.0	1,282.1	291.2
2006	15,060.3	1045.3	967.5	891.1	233.3	302.6	159.9	899.0	209.0	4,092.5	1,518.9	1,267.7	1,301.6	297.7
2007	15,173.5	1048.1	988.8	911.0	238.6	306.4	160.2	902.8	211.5	4,122.1	1,515.5	1,270.9	1,308.8	296.8
2008	14,981.4	1031.0	996.9	915.1	238.4	303.0	156.4	882.2	205.8	4,070.7	1,481.6	1,223.8	1,298.7	291.3
2009	14,084.7	968.2	944.1	856.4	228.2	286.5	146.7	831.4	193.8	3,824.1	1,372.1	1,134.8	1,231.4	275.6
2010	13,936.7	948.2	931.8	854.9	226.4	279.5	146.3	809.8	187.7	3,773.1	1,353.7	1,125.9	1,222.8	273.2
2011	14,060.5	947.8	948.3	878.4	231.2	280.0	144.0	801.6	185.7	3,794.1	1,368.1	1,129.7	1,231.2	274.6
2012	14,308.7	962.9	971.8	908.3	234.8	285.4	143.8	809.4	192.9	3,846.4	1,390.4	1,145.6	1,250.6	276.4
2013f	14,565.1	978.3	991.2	922.8	237.9	290.0	145.4	824.0	195.2	3,911.8	1,412.7	1,168.5	1,275.6	280.5
2014f	14,813.0	997.9	1,007.1	944.1	243.8	295.2	148.0	839.6	199.1	3,982.2	1,442.3	1,202.4	1,301.2	286.4

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
2005	4,024.2	1,491.0	1,222.0	291.2	7,028.4	1,282.1	14,801.3
2006	4,092.5	1,518.9	1,267.7	297.7	7,176.8	1,301.6	15,060.3
2007	4,122.1	1,515.5	1,270.9	296.8	7,205.3	1,308.8	15,173.5
2008	4,070.7	1,481.6	1,223.8	291.3	7,067.4	1,298.7	14,981.4
2009	3,824.1	1,372.1	1,134.8	275.6	6,606.6	1,231.4	14,084.7
2010	3,773.1	1,353.7	1,125.9	273.2	6,525.9	1,222.8	13,936.7
2011	3,794.1	1,368.1	1,129.7	274.6	6,566.5	1,231.2	14,060.5
2012	3,846.4	1,390.4	1,145.6	276.4	6,658.8	1,250.6	14,308.7
2013f	3,911.8	1,412.7	1,168.5	280.5	6,773.5	1,275.6	14,565.1
2014f	3,982.2	1,442.3	1,202.4	286.4	6,913.3	1,301.2	14,813.0

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
2005	27.7	34.3	62.0	5.0	129.0	21.8	268.7
2006	68.3	27.9	45.7	6.5	148.4	19.5	259.0
2007	29.6	-3.4	3.2	-0.9	28.5	7.2	113.2
2008	-51.4	-33.9	-47.1	-5.5	-137.9	-10.1	-192.1
2009	-246.6	-109.5	-89.0	-15.7	-460.8	-67.3	-896.7
2010	-51.0	-18.4	-8.9	-2.4	-80.7	-8.6	-148.0
2011	21.0	14.4	3.8	1.4	40.6	8.4	123.8
2012	52.3	22.3	15.9	1.8	92.3	19.4	248.2
2013f	65.4	22.2	22.9	4.1	114.7	25.0	256.4
2014f	70.4	29.7	33.9	5.9	139.9	25.5	247.9

% 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
2005	0.7%	2.4%	5.3%	1.7%	1.9%	1.7%	1.8%
2006	1.7%	1.9%	3.7%	2.2%	2.1%	1.5%	1.7%
2007	0.7%	-0.2%	0.3%	-0.3%	0.4%	0.6%	0.8%
2008	-1.2%	-2.2%	-3.7%	-1.9%	-1.9%	-0.8%	-1.3%
2009	-6.1%	-7.4%	-7.3%	-5.4%	-6.5%	-5.2%	-6.0%
2010	-1.3%	-1.3%	-0.8%	-0.9%	-1.2%	-0.7%	-1.1%
2011	0.6%	1.1%	0.3%	0.5%	0.6%	0.7%	0.9%
2012	1.4%	1.6%	1.4%	0.6%	1.4%	1.6%	1.8%
2013f	1.7%	1.6%	2.0%	1.5%	1.7%	2.0%	1.8%
2014	1.8%	2.1%	2.9%	2.1%	2.1%	2.0%	1.7%

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

Table 9: California Technology Employment

Annual averages, thousands, March 2011 benchmark, based on NAICS

		Manufacturing			Services				
Year	Total Technology Employment	Electronic Product Manufacturing	Aerospace Product & Parts Manufacturing	Pharmaceutical & Medicine Manufacturing	Software Publishers	ISPs, Web Portals, Data Processing	Computer Systems Design & Rel. Services	Management, Scientific & Technical Consulting	Scientific R&D Services
2001	1,019.0	409.7	86.3	39.2	52.6	28.8	204.4	99.1	99.1
2002	922.0	353.7	79.6	39.5	48.8	20.7	177.1	102.1	100.5
2003	876.8	320.9	73.6	39.1	44.7	18.7	168.8	109.7	101.2
2004	876.9	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	932.2	308.2	73.0	44.0	41.3	20.9	187.3	151.3	106.2
2007	950.6	304.1	72.8	44.2	43.0	20.7	199.2	159.0	107.6
2008	971.3	300.0	73.7	43.6	44.9	20.4	205.8	166.8	116.1
2009	924.2	278.6	71.3	43.5	45.0	19.3	195.5	156.1	114.9
2010	931.1	274.1	69.4	43.4	45.0	18.6	201.0	161.3	118.3
2011	962.4	279.9	67.7	43.3	47.5	18.5	213.8	172.0	119.7
2012	975.9	262.7	68.5	43.9	50.4	20.1	226.2	180.1	123.9

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	---	2,412	---	2,620	---	669	---	14,562	---	29,828	---
1991	8,955	1.1%	2,459	1.9%	2,751	5.0%	677	1.2%	14,842	1.9%	30,549	2.4%
1992	9,060	1.2%	2,512	2.2%	2,833	3.0%	686	1.4%	15,091	1.7%	30,987	1.4%
1993	9,084	0.3%	2,550	1.5%	2,885	1.8%	694	1.1%	15,213	0.8%	31,314	1.1%
1994	9,106	0.3%	2,576	1.0%	2,920	1.2%	701	1.0%	15,303	0.6%	31,524	0.7%
1995	9,101	-0.1%	2,605	1.1%	2,960	1.4%	705	0.6%	15,370	0.4%	31,712	0.6%
1996	9,108	0.1%	2,646	1.6%	3,007	1.6%	710	0.8%	15,471	0.7%	31,963	0.8%
1997	9,186	0.9%	2,700	2.0%	3,063	1.9%	722	1.6%	15,669	1.3%	32,453	1.5%
1998	9,266	0.9%	2,750	1.9%	3,117	1.8%	729	1.0%	15,862	1.2%	32,863	1.3%
1999	9,394	1.4%	2,803	1.9%	3,198	2.6%	743	1.9%	16,138	1.7%	33,419	1.7%
2000	9,544	1.6%	2,854	1.8%	3,276	2.4%	757	1.9%	16,431	1.8%	34,001	1.7%
2001	9,636	1.0%	2,890	1.3%	3,386	3.3%	769	1.6%	16,681	1.5%	34,513	1.5%
2002	9,722	0.9%	2,914	0.8%	3,489	3.0%	780	1.4%	16,906	1.3%	34,938	1.2%
2003	9,791	0.7%	2,940	0.9%	3,623	3.8%	789	1.2%	17,143	1.4%	35,389	1.3%
2004	9,823	0.3%	2,956	0.6%	3,757	3.7%	795	0.7%	17,331	1.1%	35,753	1.0%
2005	9,823	0.0%	2,957	0.0%	3,878	3.2%	797	0.2%	17,454	0.7%	35,986	0.7%
2006	9,810	-0.1%	2,955	-0.1%	3,994	3.0%	801	0.5%	17,560	0.6%	36,247	0.7%
2007	9,774	-0.4%	2,966	0.4%	4,085	2.3%	806	0.6%	17,631	0.4%	36,553	0.8%
2008	9,797	0.2%	2,983	0.6%	4,139	1.3%	812	0.8%	17,731	0.6%	36,856	0.8%
2009	9,805	0.1%	2,999	0.5%	4,181	1.0%	819	0.8%	17,803	0.4%	37,077	0.6%
2010	9,827	0.2%	3,017	0.6%	4,231	1.2%	825	0.8%	17,900	0.5%	37,318	0.7%
2011	9,858	0.3%	3,044	0.9%	4,286	1.3%	830	0.6%	18,018	0.7%	37,579	0.7%
2012	9,912	0.5%	3,072	0.9%	4,309	0.5%	834	0.5%	18,127	0.6%	37,826	0.7%
2013f	9,964	0.5%	3,106	1.1%	4,387	1.8%	840	0.7%	18,297	0.9%	38,167	0.9%
2014f	10,014	0.5%	3,146	1.3%	4,466	1.8%	849	1.0%	18,475	1.0%	38,510	0.9%

Source: U.S. Census, California Dept. of Finance, Demographic Research Unit

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							
2007	-13.4	151.4	58.7	92.7	-106.1	57.1	-163.2
2008	22.9	151.9	59.1	92.9	-69.9	67.4	-137.4
2009	8.4	143.9	59.6	84.3	-75.9	41.2	-117.2
2010	21.8	135.6	56.8	78.8	-57.0	34.9	-91.9
2011	30.5	133.7	56.9	76.8	-46.3	37.5	-83.8
Orange County							
2007	10.4	43.8	16.9	26.9	-16.5	16.4	-32.9
2008	17.0	44.2	17.4	26.8	-9.9	20.7	-30.5
2009	16.0	41.1	17.5	23.6	-7.6	11.9	-19.4
2010	18.3	39.3	16.7	22.6	-4.3	11.7	-16.0
2011	26.9	38.0	16.7	21.4	5.5	12.5	-7.0
Riverside County							
2007	65.3	34.2	13.9	20.3	45.0	7.7	37.3
2008	40.3	34.4	14.1	20.3	20.0	9.7	10.3
2009	35.5	32.0	14.2	17.8	17.7	5.4	12.3
2010	33.4	31.0	13.6	17.4	16.0	4.6	11.4
2011	34.8	31.1	13.6	17.5	17.3	5.0	12.3
San Bernardino County							
2007	25.9	35.2	12.3	22.8	3.1	6.4	-3.4
2008	13.9	34.8	12.0	22.8	-8.9	8.3	-17.2
2009	5.8	32.7	12.1	20.5	-14.8	4.8	-19.6
2010	16.5	31.4	11.4	20.0	-3.6	4.2	-7.8
2011	20.9	31.7	11.4	20.2	0.6	4.5	-3.9
San Diego County							
2007	31.3	47.2	19.3	27.9	3.4	14.9	-11.5
2008	37.1	47.5	19.3	28.3	8.8	19.1	-10.2
2009	26.4	45.9	19.4	26.4	0.0	11.2	-11.3
2010	26.9	44.5	19.0	25.5	1.5	10.1	-8.6
2011	26.7	45.0	19.0	26.0	0.7	10.8	-10.1
Ventura County							
2007	4.7	12.4	4.8	7.6	-2.9	3.5	-6.4
2008	6.1	12.2	5.0	7.2	-1.0	4.3	-5.3
2009	6.5	11.8	5.0	6.8	-0.3	2.4	-2.7
2010	6.8	11.2	4.9	6.2	0.6	2.0	-1.4
2011	4.8	11.0	4.9	6.1	-1.3	2.1	-3.4
State of California							
2007	305.7	564.6	234.7	329.9	-24.2	185.9	-210.1
2008	303.7	565.7	236.8	328.9	-25.2	226.8	-252.1
2009	221.0	538.0	238.8	399.3	-78.3	134.8	-213.0
2010	241.3	515.7	228.1	287.6	-46.3	123.0	-169.3
2011	260.1	510.9	228.3	282.5	-22.4	131.9	-154.3

Source: California Department of Finance, Demographic Research Unit

Outlook for Los Angeles County

With nearly 10 million residents, Los Angeles County is the most populous county in the nation, and is larger in population than 42 states. It is one of the original counties, created when California became a state in 1850. The county has 88 cities, of which the city of Los Angeles is the largest, followed by Long Beach, Glendale, and Santa Clarita.

Los Angeles County entered 2013 with momentum from a county labor market that accelerated during the second half of 2012. While it is by no means out of the woods, nearly all of the major private sector industries added jobs in 2012, paring nearly two percentage points off the unemployment rate.

Employment

During the last six months of 2012, nonfarm jobs in Los Angeles County grew at a year-over-year rate of 1.8%, on par with the state and ahead of the 1.7% growth rate nationally. This contributed to nearly a one percent decline in the annual unemployment rate, which fell from 12.3% in 2011 to 11.1% last year. The unemployment rate is expected to fall to 10.0% this year and hit 9.7% in 2014. Total nonfarm employment for the county stood at 3.85 million jobs last year. The county added 52,300 nonfarm jobs in 2012, following an increase of 21,000 in 2011. With such incremental improvements, a normal unemployment rate (7.0% to 7.5%) is still years away.

Most private industry sectors posted an increase in payroll employment last year. The largest gains were in leisure and hospitality, administrative and support services, and private education. These three industries combined contributed more than 60% of the jobs created last year. Only manufacturing lost jobs, down by slightly over 5,800 positions or 1.6% last year. While the decline in manufacturing continued a long-time trend, construction bucked a four-year cyclical downturn in jobs, adding nearly 4,300 jobs last year, equivalent to a 4.1% increase. In the public sector, job losses continued for yet another year with over 5,500 jobs given up in 2012, a 1.8% decline.

Nonfarm jobs in Los Angeles County are expected to grow by 1.7% this year, with another 1.8% gain to come in 2014. Even with these improvements, nonfarm employment will fall shy of four million in 2014. The largest gains for 2013 are expected in leisure and hospitality (8,600 jobs), health care (5,000 jobs), construction (4,900 jobs) and professional, scientific and technical services (4,400 jobs). Job losses will continue in manufacturing and government, but the magnitude of the losses will be much smaller than in recent years.

Entertainment and Trade

The entertainment industry and the transportation and trade industry are two of the most visible industries in Los Angeles County. The motion picture and sound recording sector accounts for most of the county's entertainment industry employment. Motion picture and sound recording jobs registered year-over-year increases throughout most of 2012, with annual employment rising 3.7 percent to nearly 130,000 jobs. If the recent trend continues, employment this year will be within range of the 2004 pre-recession high of 132,200 jobs but shy of the 1999 peak of 146,300 jobs. Whether more substantial job gains can be achieved may depend in part on the success of the California Film Tax Credit program in the coming years. Employment growth has been due to a steady rise in local production since the recession. In 2012, on-location film production rose 1.7% to 46,254 days, the third consecutive yearly gain.

International trade continues to play an important role in the local economy, but activity levels depend on the health of both the national and global economies. The San Pedro Bay ports of Los Angeles and Long Beach are the two largest container ports in the nation. Much of the nation's imported consumer goods from Asia and the Pacific Rim enter the United States through the twin ports. While the number of TEUs (twenty-foot equivalent units) moving through the ports edged up by 0.9% from 2011 to 2012, the value of two-way trade through the Los Angeles Customs District, a broader measure of trade volume, rose by 4.3% last year to a record $403.4 billion. Two-way trade should increase by 3.0% this year, and accelerate to a 4.9% growth rate in 2014 as prospects improve for the U.S. and its trading partners.

Conclusion

The Los Angeles County economy will continue to show improvement in 2013 and 2014, barring an unforeseen pullback in the national economy. Population should eclipse the 10 million mark by 2014 and nonfarm employment should approach four million. Even so, it may be 2015 or 2016 before nonfarm employment exceeds the peak of 4.12 million reached in 2007.

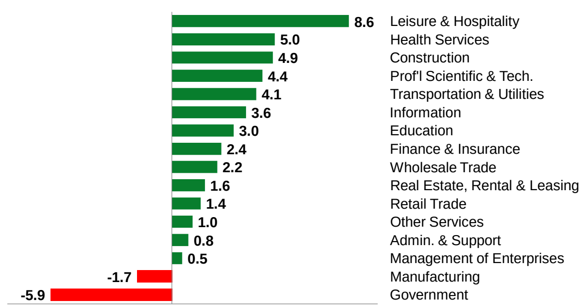
With these gains, total personal income will move further away from the recession-low of just over $390 billion. Personal income increased 3.4% in 2012 to $435 billion and is expected to surpass $470 billion by 2014. Taxable retail sales will increase by 5.9% this year and by 3.4% next year, following a 9.4% surge in 2012. Both of these indicators suggest that the local consumer sector is on the mend, an all-important fact for retailers and other consumer-serving businesses.

As for the business sector, 2013 will bring opportunities for emerging as well as existing industries. In addition to the growth across the major industries as described earlier, Silicon Beach will continue to grow as Silicon Valley companies seek to capitalize on the presence of creative content here in Los Angeles. In addition, venture capital will flow to the area as startups in a variety of technology industries grow in number. And even as concerns about funding for government aerospace programs linger, private firms will continue to pursue commercial space ventures from their operations in Los Angeles County and elsewhere in Southern California.

Los Angeles County Snapshot

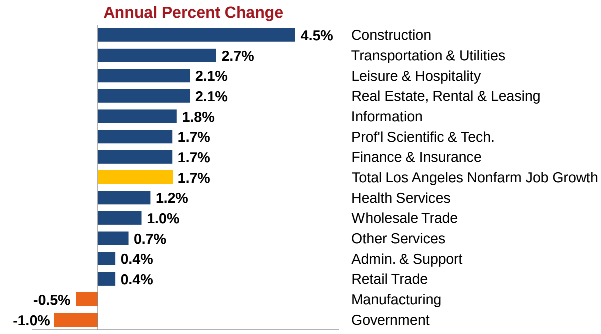
Los Angeles County Employment Growth, 2013

Total nonfarm job growth forecast for 2013 (thousands): 65.4 jobs



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

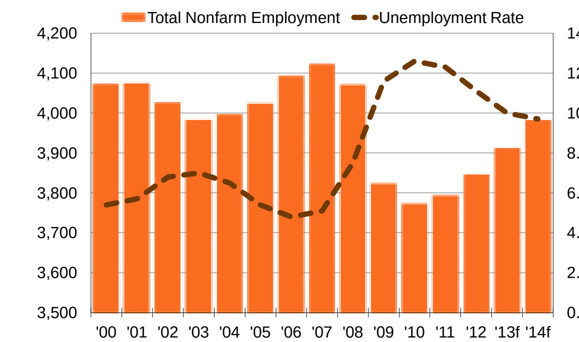
Los Angeles County Employment Growth, 2013



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

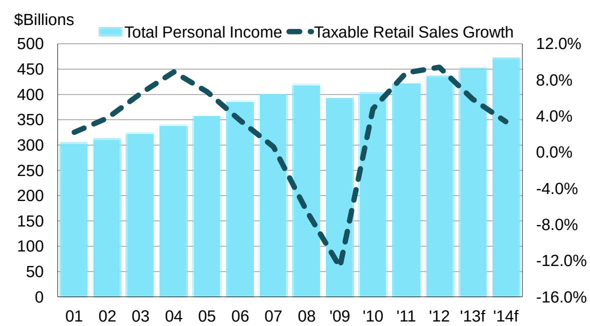
Los Angeles County Employment

Annual average in thousands, 2011 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

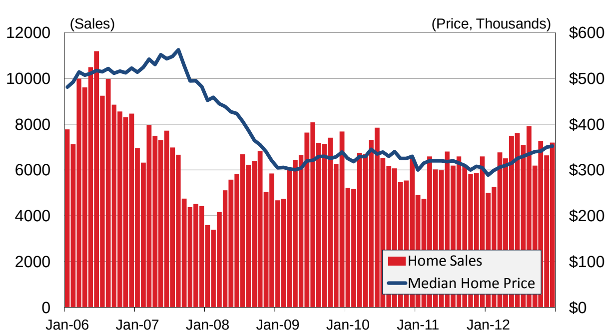
Los Angeles County Personal Income & Retail Sales



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

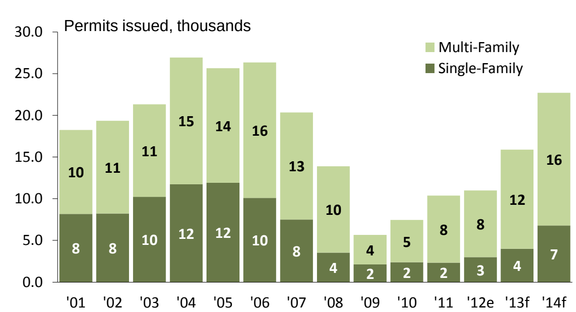
Home Sales & Median Prices Los Angeles County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Los Angeles County



Source: Construction Industry Research Board; forecast by LAEDC

Table 12: Los Angeles County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Value of Two-way Trade ($Billions)	Total Overnight Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)	Chg. in CPI (%)
2002	9,722.4	4,026.8	6.8	311.4	32,080	74.5	212.8	22.1	19,364	2,920	2.8
2003	9,791.0	3,982.9	7.0	322.3	32,995	79.4	232.9	23.3	21,313	2,932	2.6
2004	9,822.5	3,996.5	6.5	338.2	34,534	86.5	261.7	24.3	26,935	3,174	3.3
2005	9,822.5	4,024.2	5.4	357.2	36,498	92.3	291.6	25.0	25,647	3,824	4.5
2006	9,809.6	4,092.5	4.8	385.7	39,610	95.5	326.4	25.4	26,348	3,896	4.3
2007	9,773.9	4,122.1	5.1	400.4	41,273	96.1	347.3	25.9	20,363	4,739	3.3
2008	9,796.8	4,070.7	7.5	417.5	42,881	89.8	355.8	25.7	13,704	4,491	3.5
2009	9,805.2	3,824.1	11.6	392.6	40,111	78.4	282.9	23.9	5,653	2,674	-0.8
2010	9,827.1	3,773.1	12.6	403.1	41,025	82.2	346.8	26.1	7,468	2,677	1.2
2011	9,857.6	3,794.1	12.3	420.9	42,564	89.4	386.7	27.0	10,403	3,129	2.7
2012	9,911.7	3,846.4	11.1	435.3	43,915	97.9	403.4	27.9	11,000	2,350	2.0
2013f	9,964.1	3,911.8	10.0	450.9	45,257	103.7	415.4	28.4	15,800	3,375	1.4
2014f	10,013.9	3,982.2	9.7	471.4	47,071	107.2	435.9	29.0	22,650	4,020	1.4

% Change										
01/00	1.0%	0.0%		6.5%	5.5%	2.2%	-7.8%	-5.8%	6.9%	7.4%
02/01	0.9%	-1.1%		2.6%	1.8%	3.8%	0.3%	-3.1%	6.1%	-17.5%
03/02	0.7%	-1.1%		3.5%	2.9%	6.5%	9.5%	5.4%	10.1%	0.4%
04/03	0.3%	0.3%		4.9%	4.7%	8.9%	12.4%	4.3%	26.4%	8.3%
05/04	0.0%	0.7%		5.6%	5.7%	6.7%	11.4%	2.9%	-4.8%	20.5%
06/05	-0.1%	1.7%		8.0%	8.5%	3.5%	11.9%	1.6%	2.7%	1.9%
07/06	-0.4%	0.7%		3.8%	4.2%	0.6%	6.4%	2.0%	-22.7%	21.6%
08/07	0.2%	-1.2%		4.3%	3.9%	-6.5%	2.5%	-0.8%	-32.7%	-5.2%
09/08	0.1%	-6.1%		-6.0%	-6.5%	-12.7%	-20.5%	-7.0%	-58.7%	-40.5%
10/09	0.2%	-1.3%		2.7%	2.3%	4.8%	22.6%	9.2%	32.1%	0.1%
11/10	0.3%	0.6%		4.4%	3.8%	8.8%	11.5%	3.4%	39.3%	16.9%
12/11	0.5%	1.4%		3.4%	3.2%	9.4%	4.3%	3.3%	5.7%	-24.9%
13/12	0.5%	1.7%		3.6%	3.1%	5.9%	3.0%	1.8%	43.6%	43.6%
14/13	0.5%	1.8%		4.5%	4.0%	3.4%	4.9%	2.1%	43.4%	19.1%

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 2011 benchmark

Year	Total Nonfarm Payroll	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2002	4,026.8	3.7	134.5	534.8	*299.3*	*235.5*	217.3	398.2	167.2	207.3
2003	3,982.9	3.8	134.6	500.0	*276.2*	*223.8*	214.1	399.3	161.5	202.3
2004	3,996.5	3.8	140.2	483.6	*267.8*	*215.8*	215.1	405.4	161.1	211.9
2005	4,024.2	3.7	148.7	471.7	*263.4*	*208.3*	219.3	414.4	161.7	207.6
2006	4,092.5	4.0	157.5	461.7	*257.3*	*204.4*	225.7	423.3	165.2	205.6
2007	4,122.1	4.4	157.6	449.2	*250.9*	*198.3*	227.0	426.0	165.6	209.8
2008	4,070.7	4.4	145.2	434.5	*243.2*	*191.2*	223.7	416.5	163.1	210.3
2009	3,824.1	4.1	117.3	389.2	*217.5*	*171.6*	204.5	387.0	151.2	191.2
2010	3,773.1	4.1	104.5	373.2	*207.0*	*166.2*	203.3	386.0	150.6	191.5
2011	3,794.1	4.0	103.5	365.4	*202.8*	*162.6*	207.2	390.9	149.9	195.6
2012	3,846.4	4.1	107.8	359.6	*198.6*	*161.0*	208.4	397.2	150.8	199.1
2013f	3,911.8	4.1	112.7	357.9	*197.4*	*160.6*	210.5	398.6	154.9	202.7
2014f	3,982.2	4.2	123.7	366.2	*202.7*	*163.6*	216.6	405.8	161.4	209.2

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
2002	158.0	72.8	231.6	82.5	261.0	93.0	359.2	354.2	145.6	606.1
2003	163.1	74.8	233.5	77.4	249.1	94.8	367.5	362.6	145.5	599.3
2004	163.0	76.7	237.7	71.2	253.6	95.4	373.6	372.8	144.7	587.1
2005	164.3	77.8	250.9	67.6	257.7	97.4	375.8	377.8	144.3	583.7
2006	166.9	79.8	264.0	63.0	271.9	99.4	381.4	388.6	145.2	589.4
2007	163.6	80.3	273.9	58.8	272.7	102.9	389.7	397.9	147.1	595.7
2008	153.9	79.4	269.6	56.7	256.4	105.1	400.7	401.6	146.1	603.7
2009	142.3	73.8	250.2	54.4	225.3	110.1	404.6	385.6	137.9	595.8
2010	137.8	71.7	245.6	53.2	228.7	111.1	410.9	384.8	136.7	579.6
2011	137.5	71.9	253.7	54.4	232.4	117.8	417.0	392.8	135.0	565.2
2012	140.1	74.6	259.7	55.7	242.8	127.5	418.9	406.3	134.3	559.7
2013f	142.5	76.2	264.1	56.2	243.6	130.5	423.9	414.9	135.3	553.8
2014f	146.9	77.9	272.4	57.7	248.0	135.5	435.3	423.4	137.9	560.1

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

Outlook for Orange County

A century ago Orange County's agriculture and oil industries fueled much of the region's growth. Since the 1950s, Orange County has transformed itself into a prosperous hub for the high-tech, aerospace, manufacturing and tourism industries. Facilitating this transformation is Orange County's well educated work force. Over 86% of the adult population has a high school diploma and of 34% has a bachelor's degree or higher. Quality of life is another attribute in which Orange County ranks high.

Employment

The economy in Orange County is expanding at a faster pace than both the nation and California as a whole. The unemployment rate in Orange County peaked at 9.5% in 2010, but fell to an average annual rate of 7.6% in 2012. By December 2012, the unemployment rate in Orange County stood at 6.8%, the lowest in Southern California. In 2013, the LAEDC forecasts the unemployment rate will average 7.1% and 6.5% in 2014.

Irvine ranks 28th in the nation for industrial jobs. Manufacturing firms concentrated around the Irvine Spectrum produce a number of high-tech products including heart valves and aerospace components.

~Manufacturer's News

Orange County total nonfarm employment in 2012 was 8.5% below the peak reached in 2006, even though most private industry sectors posted an increase in payrolls last year. The largest gains were in leisure and hospitality, administrative and support services, and retail trade. Of the 22,300 jobs created in Orange County in 2012, over 79% (or 17,700 jobs) were added in just those three sectors.

In 2013, the LAEDC forecasts Orange County payrolls will increase by another 22,300 jobs (1.6%). The largest gains are expected to be in administrative and support services (4,000 jobs), leisure and hospitality (3,900 jobs), construction (3,800 jobs) and professional, scientific and technical services (3,500 jobs). The county will continue to add jobs in 2014, but employment will still be 5.0% (77,000 jobs) below the peak level of jobs in 2006.

Although Orange County's manufacturing sector posted a small gain last year, employment will dip slightly in 2013. The slow rate of economic expansion overall is one factor holding the county's manufacturing sector in check. Another contributing factor may be a skills gap. Some firms report difficulties finding qualified workers. On the other hand, some of Orange County's small and midsized manufacturing firms are bringing back previously outsourced operations as a result of rising shipping and labor costs overseas.[2]

[2] Orange County Business Journal, Vol. 35, No. 50; *Skills Gap Hampers Manufacturing Growth*

Real Estate and Construction

Orange County's residential real estate market began to rebound in 2012. Sales of existing homes have been relatively strong this year and as a result, inventories are extremely lean. The median price of an existing single-family home in Orange County was $542,700 in 2012, which represented an increase of 5.6% compared with 2011.[3] Foreclosures, while still high by historical standards, are declining. Demand for higher priced homes, especially in the coastal areas of the county, are a major factor driving the increase in median price. New home building is starting to gain traction. Economic growth and demographic pressures are combining to push new home construction significantly higher this year and next.

Local commercial real estate is also improving. Office and industrial vacancy rates are inching down and lease rates have stabilized. New commercial construction as measured by the value of new building permits pulled was down in 2012 compared with 2011. However, leasing fundamentals should strengthen this year, paving the way for slight gains in new commercial construction in 2013 and 2014.

Population and Consumer Spending

Consumer spending as measured by taxable retail sales will post healthy gains this year and next. Growth in both employment and personal income, along with improvements in the housing market all point to stronger consumer spending during the next two years.

Population growth is expected to accelerate in the near-term, providing a boost for taxable retail sales in the county (and sales tax revenues to local government). Per capita income is also expected to increase. The opportunities afforded by Orange County's growing high tech sectors, quality of life and congenial climate are magnets for attracting and retaining a talented and highly skilled workforce, which in turn, enhances the vitality of the regional economy.

Conclusion

Orange County's economy is expanding and the near-term outlook is growing brighter. In many ways, Orange County, with the collapse of a number of locally based mortgage giants was hit harder by the financial crisis and the recession that followed than other regions in Southern California. Initially lagging behind the national recovery, Orange County's recovery quickly gathered strength. The region is now seeing renewed development activity – several long delayed construction projects are set to move forward.

[3] California Association of Realtors

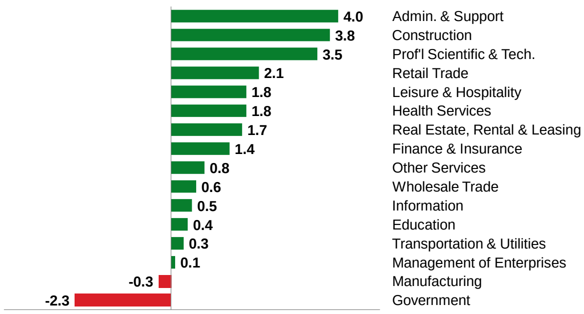
Banks are generally on a stronger footing and the technology sector is showing strong growth in data storage, data networking, mobile technology and cloud computing. The county's life sciences firms and medical instrument makers continue to be a source of growth. A number of the county's larger health care providers have expanded facilities in recent years to meet growing demand for health care services. Orange County's travel and tourism sector has also rebounded with increasing numbers of both leisure and business travelers flocking to the region.

Orange County has several attributes that have historically supported strong economic growth, including its universities, high tech industries and the pull of its tourist attractions. Going forward these core strengths will provide a firm base for ongoing economic expansion.

Orange County Snapshot

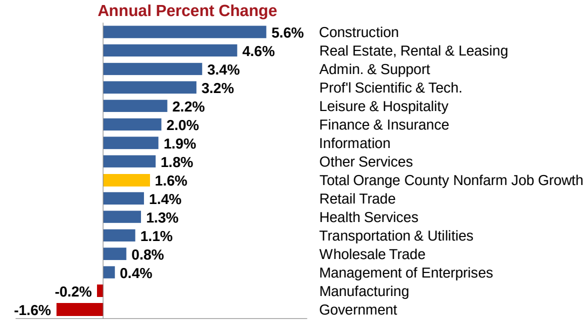
Orange County Employment Growth, 2013

Total nonfarm job growth forecast for 2013 (thousands): 22.3 jobs



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

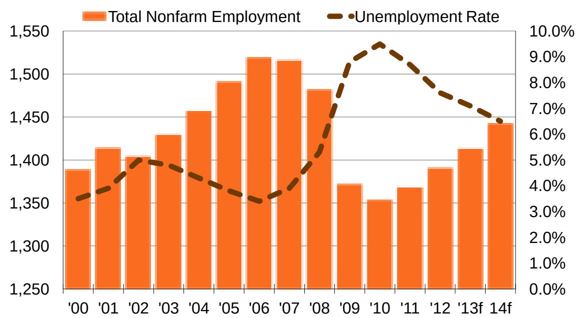
Orange County Employment Outlook, 2013



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

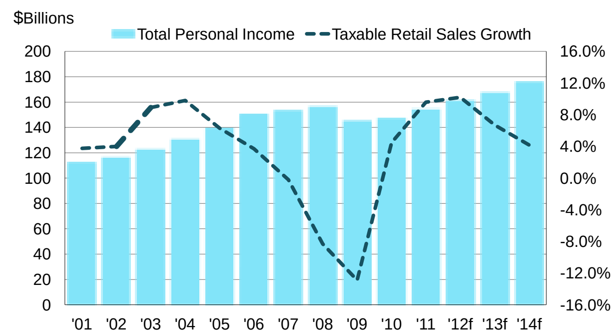
Orange County Employment

Annual average in thousands, 2011 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

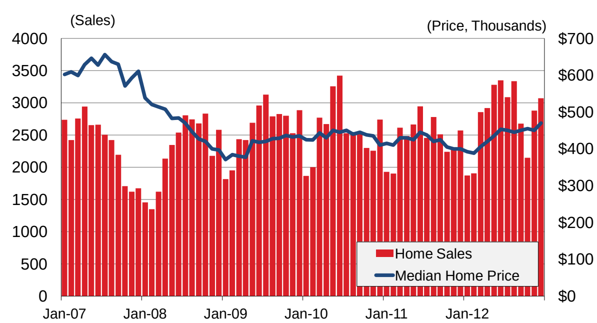
Orange County Personal Income & Retail Sales



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

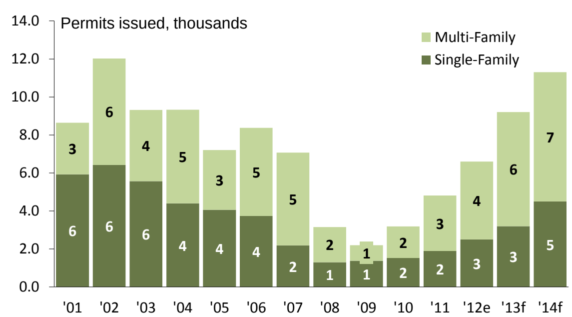
Home Sales & Median Prices Orange County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Orange County



Source: Construction Industry Research Board, forecast by LAEDC

Table 14: Orange County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Total Overnight Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2002	2,914.4	1403.7	5.0	116.0	39,804	29.6	18.3	12,020	1,209
2003	2,939.7	1429.0	4.8	122.4	41,646	32.3	19.1	9,311	1,006
2004	2,956.5	1456.7	4.3	130.3	44,080	35.4	19.8	9,322	1,133
2005	2,957.2	1491.0	3.8	139.4	47,143	37.7	20.2	7,206	1,495
2006	2,955.4	1518.9	3.4	150.6	50,956	39.1	20.0	8,371	2,401
2007	2,965.8	1515.5	3.9	153.4	51,738	39.0	19.7	7,072	2,005
2008	2,982.8	1481.6	5.3	155.9	52,275	35.8	18.9	3,159	1,439
2009	2,998.8	1372.1	8.8	145.2	48,407	31.2	18.0	2,200	952
2010	3,017.1	1353.7	9.5	147.1	48,768	32.6	18.7	3,091	1,152
2011	3,044.0	1368.1	8.7	154.1	50,635	35.7	18.9	4,807	1,299
2012	3,071.9	1390.4	7.6	160.9	52,375	39.3	19.4	6,600	1,275
2013f	3,105.7	1412.7	7.1	167.1	53,806	42.0	19.9	9,275	1,600
2014f	3,146.1	1442.3	6.5	175.7	55,857	43.7	20.4	11,250	1,800

% Change									
02/01	0.8%	-0.7%		3.3%	2.3%	4.0%	0.5%	39.0%	-10.4%
03/02	0.9%	1.8%		5.5%	4.6%	8.9%	4.4%	-22.5%	-16.8%
04/03	0.6%	1.9%		6.4%	5.8%	9.8%	3.7%	0.1%	12.6%
05/04	0.0%	2.4%		7.0%	6.9%	6.3%	2.0%	-22.7%	32.0%
06/05	-0.1%	1.9%		8.0%	8.1%	3.7%	-1.0%	16.2%	60.6%
07/06	0.4%	-0.2%		1.9%	1.5%	-0.2%	-1.5%	-15.5%	-16.5%
08/07	0.6%	-2.2%		1.6%	1.0%	-8.3%	-4.1%	-55.3%	-28.2%
09/08	0.5%	-7.4%		-6.9%	-7.4%	-12.9%	-4.8%	-30.4%	-33.8%
10/09	0.6%	-1.3%		1.4%	0.7%	4.5%	3.9%	40.5%	21.0%
11/10	0.9%	1.1%		4.8%	3.8%	9.6%	1.1%	55.5%	12.8%
12/11	0.9%	1.6%		4.4%	3.4%	10.2%	2.6%	37.3%	-1.8%
13/12	1.1%	1.6%		3.9%	2.7%	6.7%	2.3%	40.5%	25.5%
14/13	1.3%	2.1%		5.2%	3.8%	4.2%	2.5%	21.3%	12.5%

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 15: Orange County Nonfarm Employment

Annual averages, Thousands, March 2011 benchmark

Year	Total Nonfarm Payroll	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2002	1403.7	0.6	79.2	190.8	*133.6*	*57.2*	82.4	151.4	28.7	26.8
2003	1429.0	0.5	83.7	183.9	*127.2*	*56.7*	83.2	152.8	29.0	35.2
2004	1456.7	0.6	92.2	183.5	*127.1*	*56.4*	82.4	153.2	29.2	33.8
2005	1491.0	0.7	99.9	182.9	*128.3*	*54.6*	83.0	158.1	28.7	32.8
2006	1518.9	0.6	106.6	182.7	*128.0*	*54.7*	83.7	160.8	28.2	31.9
2007	1515.5	0.6	103.1	180.4	*126.2*	*54.2*	86.9	161.2	28.9	31.2
2008	1481.6	0.6	91.2	174.0	*122.5*	*51.5*	86.7	155.6	29.3	30.1
2009	1372.1	0.5	74.2	154.8	*109.1*	*45.7*	79.4	142.3	27.8	27.3
2010	1353.7	0.5	68.0	150.4	*106.5*	*43.9*	77.6	140.1	26.7	24.8
2011	1368.1	0.5	68.3	153.6	*110.2*	*43.4*	77.9	141.6	27.5	23.8
2012	1390.4	0.5	67.5	154.4	*111.9*	*42.5*	78.3	146.6	27.4	24.3
2013f	1412.7	0.5	71.3	154.1	*111.7*	*42.4*	78.9	148.7	27.7	24.8
2014f	1442.3	0.5	77.2	155.9	*113.1*	*42.9*	79.3	150.6	28.0	25.3

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
2002	77.4	32.7	95.1	35.8	114.1	15.9	102.5	155.4	45.9	155.1
2003	88.0	34.2	96.4	32.9	119.3	18.9	107.5	158.6	46.7	154.2
2004	96.0	36.3	97.6	30.6	122.6	19.2	111.8	162.9	47.4	153.4
2005	100.9	37.5	103.2	30.0	126.9	19.8	113.7	165.0	48.4	155.3
2006	99.0	39.1	109.3	28.9	132.2	20.8	117.0	169.6	47.7	156.7
2007	89.1	38.6	113.5	27.9	127.7	21.6	121.1	172.9	47.4	159.4
2008	76.1	37.0	116.1	26.1	120.2	23.6	127.1	176.4	46.5	160.8
2009	70.6	34.5	107.3	24.3	104.8	23.4	128.8	169.1	42.6	156.6
2010	69.4	34.1	106.1	22.8	110.8	23.6	131.9	168.6	42.2	152.3
2011	70.2	33.7	108.9	22.7	111.3	23.9	134.8	173.2	42.8	149.6
2012	69.9	36.8	110.8	22.5	116.8	23.4	137.7	180.4	43.4	145.9
2013f	71.3	38.5	114.3	22.6	120.8	23.8	139.5	184.3	44.2	143.6
2014f	71.8	39.4	119.8	22.9	126.0	24.2	141.6	187.0	45.0	143.6

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

Outlook for the Inland Empire

Economic growth in the Inland Empire demonstrated consistent strength throughout 2012 as a result of encouraging job growth, particularly over the second half of the year. The outlook for the regional economy has improved due to gains in the labor market along with renewed optimism in housing, construction, and manufacturing. This is all positive news for Riverside and San Bernardino counties as they have had to overcome a long and deep recession and a very slow recovery over the past four years. The worst days of record setting numbers of foreclosures, plummeting home values and soaring joblessness are gone. Better days are ahead for the Inland Empire.

The Inland Empire has witnessed an improvement in the labor market over the past year, with nearly 16,000 nonfarm jobs added and roughly 20,000 jobs added over the past two years.

Employment

The Inland Empire has witnessed an improvement in the labor market over the past year, with nearly 16,000 nonfarm jobs added in 2012 and roughly 20,000 jobs added over the past two years. In fact, the region outperformed the state in job growth for most of 2012. Additionally, the region has experienced seven consecutive monthly declines in the unemployment rate. The unemployment rate, which hit a high of 14.6% in January 2010, fell three percentage points from 13.9% in August 2011 to 10.9% in December 2012. This was the first time the unemployment rate fell below 11% since December 2008.

The biggest industry job gains in the Inland Empire occurred last year in administrative and support services, healthcare, wholesale trade, leisure and hospitality, and transportation. Government went through yet another year of job losses while education, retail trade and other services also reduced payrolls.

The biggest industry job gains in the Inland Empire occurred last year in administrative and support services, healthcare, wholesale trade, leisure and hospitality, and transportation.

Real Estate and Goods Movement

In 2012, defaults and foreclosures pressured home values to a lesser degree as foreclosures slowed down over the year. In fact, the region witnessed a minor housing market recovery due to an improved labor market, low inventories of properties for sale, and higher demand for lower priced homes that could be used as rentals. The median price of a home in Riverside County reached $231,000 in 2012, while the price of a home in San Bernardino County was $180,000 in 2012. This represents an increase of roughly 20% when compared to 2011. While Inland Empire median prices are now 30% higher than the cyclical low in 2009, they are still well below the peak levels of the mid-2000s. Housing affordability continues to be much greater than just before the recession. Going forward over the forecast period and beyond, housing in the area will remain affordable relative to earlier years and to the rest of Southern California.

The industrial vacancy rate in the Inland Empire has improved substantially over the past four years – falling from 12.4% in 2009 to roughly 6.4% in 2012. The rate witnessed three consecutive quarters of decline from Q1 2012 to Q3 2012 before settling at 6.4% in Q4 2012. Office vacancy rates did not really improve over the course of 2012 and are still very high at over 21%, especially when compared to the rest of Southern California. They will continue to be a concern in 2013 and 2014.

Nonfarm employment is expected to increase by 2.0% in 2013 and to increase further by 2.9% in 2014.

The construction industry is expected to experience the most significant growth in 2013 due to supply constraints in the industrial market. Construction employment is expected to grow by nearly 6% in 2013 mainly due to additional demand for warehouse space (where the vacancy rate is below 5%). However, it will still be nowhere near its 2006 peak.

Trade volumes at the combined local ports barely increased in 2012. However, cargo volumes are expected to grow over the next two years as the U.S. economy improves and the overall global economy experiences a stronger growth trajectory. The increase in activity along with substantial growth in e-commerce will positively impact the Inland Empire warehouse and distribution system network.

Conclusion

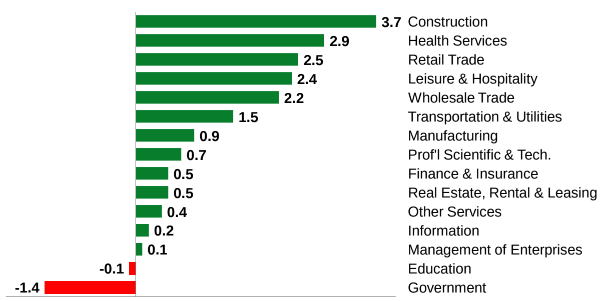
Nonfarm employment is expected to increase by 2.0% in 2013 and to increase further by 2.9% in 2014. The Inland Empire will witness improvements in almost all areas in 2013 and 2014. Given the significant presence of the logistics industry, the regional economy is somewhat more dependent upon the U.S. and global economies compared with other Southern California counties. In addition, the other three main drivers of the Inland Empire economy are housing, construction, and manufacturing. All of these industries will ultimately determine the strength of the region’s economy over the short term and more importantly, the long term.

In the coming years, the key advantages for the Inland Empire will once again be the affordability of housing, population growth and available low-cost land for additional warehouse construction.

Inland Empire Snapshot

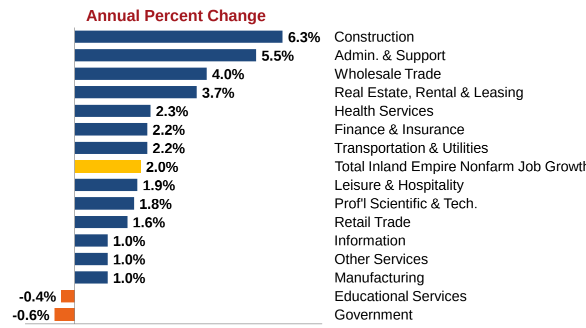
Inland Empire Employment Outlook, 2013

Total nonfarm job growth forecast for 2013 (thousands): 22.9 jobs



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

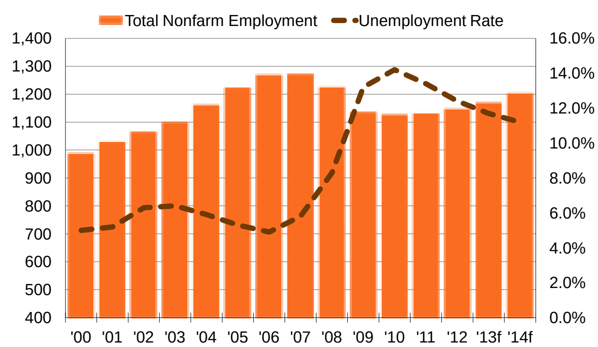
Inland Empire Employment Outlook, 2013



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

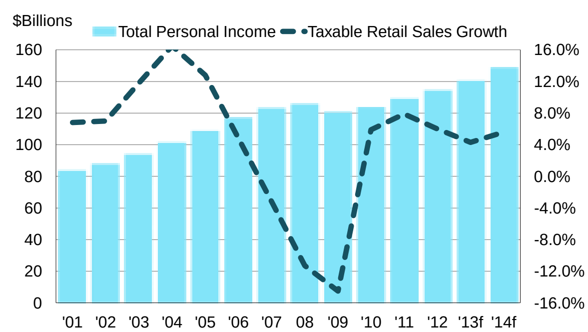
Inland Empire Employment

Annual average in thousands, 2011 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

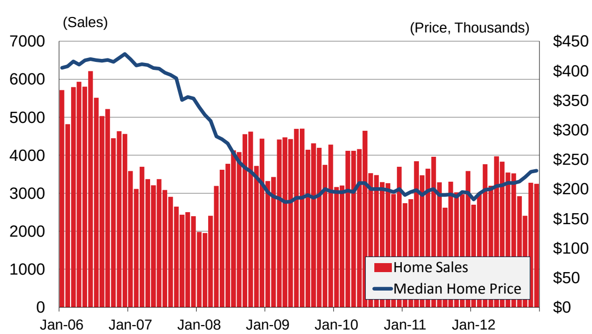
Inland Empire Personal Income & Retail Sales



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

Home Sales & Median Prices Riverside County

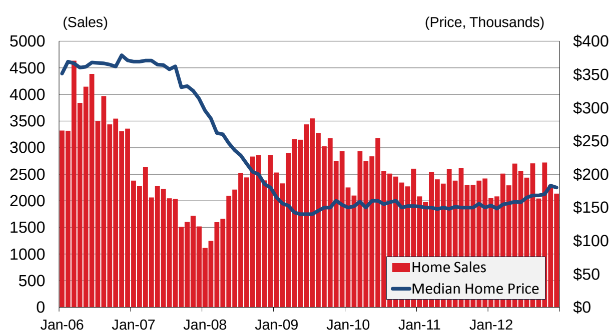
New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

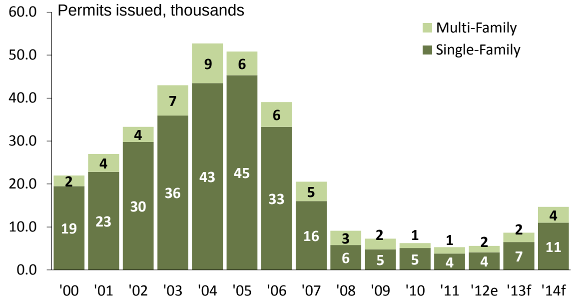
Home Sales & Median Prices San Bernardino County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in the Inland Empire



Source: Construction Industry Research Board, forecast by LAEDC

Table 16: Inland Empire Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billons)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2002	3,489.2	1,064.5	6.3	87.6	25,095	28.6	33,280	1,473
2003	3,622.5	1,099.2	6.4	93.7	25,867	31.9	43,001	1,720
2004	3,757.1	1,160.0	5.9	101.1	26,914	37.2	52,696	2,485
2005	3,877.5	1,222.0	5.3	108.6	28,007	42.0	50,818	2,394
2006	3,994.1	1,267.7	4.9	116.9	29,274	44.0	39,083	2,852
2007	4,085.3	1,270.9	5.8	123.0	30,119	42.6	20,457	2,824
2008	4,139.4	1,223.8	8.3	125.6	30,343	37.8	9,101	1,781
2009	4,180.7	1,134.8	13.2	120.4	28,799	32.3	6,685	710
2010	4,230.6	1,125.9	14.3	123.6	29,216	34.2	6,404	792
2011	4,286.2	1,129.7	13.4	128.9	30,073	36.9	5,214	921
2012	4,309.4	1,145.6	12.4	134.2	31,141	39.1	5,600	1,150
2013f	4,387.0	1,168.5	11.7	140.3	31,981	40.8	8,600	1,500
2014f	4,466.0	1,202.4	11.2	148.6	33,274	43.1	14,725	1,730
% Change								
02/01	3.0%	3.4%	18.6%	4.8%	1.7%	7.0%	20.8%	3.5%
03/02	3.8%	3.3%	2.2%	7.0%	3.1%	11.8%	29.2%	16.8%
04/03	3.7%	5.5%	-7.8%	7.9%	4.0%	16.5%	22.5%	44.5%
05/04	3.2%	5.3%	-9.8%	7.4%	4.1%	12.8%	-3.6%	-3.7%
06/05	3.0%	3.7%	-7.3%	7.7%	4.5%	4.8%	-23.1%	19.1%
07/06	2.3%	0.3%	18.3%	5.2%	2.9%	-3.2%	-47.7%	-1.0%
08/07	1.3%	-3.7%	41.8%	2.1%	0.7%	-11.3%	-55.5%	-37.0%
09/08	1.0%	-7.3%	59.4%	-4.1%	-5.1%	-14.5%	-26.5%	-60.1%
10/09	1.2%	-0.8%	9.0%	2.7%	1.4%	5.9%	-4.2%	11.5%
11/10	1.3%	0.3%	-6.4%	4.3%	2.9%	7.9%	-18.6%	16.3%
12/11	0.5%	1.4%	-7.5%	4.1%	3.6%	6.0%	7.4%	24.9%
13/12	1.8%	2.0%	-5.6%	4.5%	2.7%	4.3%	53.6%	30.4%
14/13	1.8%	2.9%	-4.3%	5.9%	4.0%	5.6%	71.2%	15.3%

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 17: Inland Empire Nonfarm Employment

Annual averages, Thousands, March 2011 benchmark

Year	Total Nonfarm	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2002	988.4	1.2	90.9	115.4	82.0	33.4	41.9	137.5	46.8	14.1
2003	1,029.7	1.2	99.0	116.1	82.4	33.7	43.5	142.7	50.1	13.9
2004	1,064.5	1.2	111.8	120.1	85.5	34.6	45.6	153.8	55.5	14.0
2005	1,099.2	1.4	123.3	121.0	86.1	35.0	49.9	165.7	60.2	14.5
2006	1,160.0	1.4	127.5	123.4	86.9	36.5	54.2	173.2	63.8	15.3
2007	1,222.0	1.3	112.5	118.5	82.1	36.5	56.8	175.6	69.5	15.4
2008	1,267.7	1.2	90.7	106.9	72.5	34.3	54.1	168.6	70.2	14.8
2009	1,270.9	1.1	67.9	88.8	58.1	30.6	48.9	156.2	66.8	13.5
2010	1,223.8	1.0	59.7	85.1	55.3	29.8	48.6	155.5	66.6	15.8
2011	1,134.8	1.0	58.7	85.8	56.1	29.7	49.4	157.2	68.5	15.0
2012	1,145.6	1.1	58.4	86.8	56.7	30.1	52.7	156.5	70.2	14.9
2013f	1,168.5	1.0	62.1	87.7	57.3	30.4	54.9	159.0	71.7	15.1
2014f	1,202.4	1.1	68.1	89.5	58.5	31.0	56.5	162.1	73.4	15.5

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
2002	23.5	15.9	27.1	11.3	68.4	12.6	99.8	107.2	38.1	212.7
2003	25.7	16.9	28.7	11.0	75.7	13.2	102.7	109.0	38.4	211.6
2004	28.0	17.7	31.0	11.6	82.9	13.4	104.9	116.7	39.3	212.5
2005	30.1	18.9	35.0	12.0	86.2	13.6	106.3	122.6	40.8	220.4
2006	31.6	19.9	39.9	10.8	91.7	14.1	108.1	128.1	42.5	222.5
2007	30.3	19.5	40.5	9.8	94.9	15.0	112.2	132.6	41.2	225.3
2008	27.4	18.7	40.5	9.7	87.5	15.7	116.0	131.0	40.8	230.0
2009	26.0	16.6	37.8	8.9	77.6	16.3	117.3	123.8	37.3	227.3
2010	25.5	15.5	34.9	8.5	77.3	15.6	118.2	122.8	38.2	234.3
2011	25.0	14.2	35.9	8.7	78.6	15.3	122.6	124.3	39.3	227.3
2012	24.9	13.8	36.9	8.7	86.6	14.5	126.6	127.1	38.8	223.6
2013f	25.4	14.3	37.6	8.8	91.3	14.4	129.5	129.5	39.2	222.2
2014f	26.0	14.6	39.4	8.9	96.3	14.5	132.8	131.5	39.7	223.7

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

Outlook for San Diego County

San Diego was created in 1850 and is one of California's original 27 counties. San Diego is the second largest county by population in California.

One of San Diego's most important assets is the diversity of its economy and its reputation as a center for innovation. The region is a thriving hub for the biotechnology and telecommunications industries. San Diego also has a significant high tech manufacturing sector and is a popular travel destination. Quality of life is among the best in the nation and the region's population has higher levels of educational attainment relative to the state overall. About 85% of the population has a high school diploma or more, while 34% has a bachelor's degree or more.

Employment

The unemployment rate in San Diego County peaked at 10.5% in 2010 but fell to an average annual rate of 8.9% in 2012. In 2013, the LAEDC forecasts the county's unemployment rate will fall to 8.3% and to 8.1% by 2014.

In 2012, employment was just 4.4% below the peak level in reached in 2007 and by 2014, the LAEDC forecasts job growth will return employment to near pre-downturn levels. Nearly all private sector industries added jobs in 2012, but growth was driven primarily by retail trade, administrative and support services, health care, and leisure and hospitality. Of the 19,400 jobs that were created in San Diego County in 2012, 16,900 (87%) were in these four sectors.

In 2013, the LAEDC forecasts county payrolls will increase by 25,000 jobs (2.0%). The largest gains are expected in professional, scientific and technical services (4,700 jobs), leisure and hospitality (4,500 jobs), and administrative and support services (3,600 jobs). Construction employment is also expected to improve, increasing by over 2,600 jobs this year (4.7%), but it will be a long time before construction employment regains pre-recession levels. Manufacturing employment will edge up by 1.0% (885 jobs). Despite declining or slow employment growth in recent years, the value of San Diego County's manufacturing sector output has steadily risen.

Real Estate and Construction

San Diego County's residential real estate market is also on the mend. Over the year, the median price for an existing single-family home rose by 4.1% to $385,520.[4] Foreclosures, while still high by historical standards, are declining. Demand for higher priced homes ($300,000 to $500,000) is on the rise and inventories of homes for sale closed 2012 well below normal levels. New home

[4] California Association of Realtors

building has yet to gain traction, but the pace of new construction will pick up significantly this year and accelerate in 2014.

Local commercial real estate markets are also healing. As employment expands, nonresidential permits will transition away from alterations to new construction of retail, office, industrial and hotel space. Leasing fundamentals stabilized in 2012 and should strengthen this year. Expect steady gains for industrial space and moderate improvement for office.

Venture capitalists invested $1.1 billion in San Diego County in 2012. San Diego ranked sixth in the nation in terms of total investment and posted a 20.5% increase over 2011 compared with a nationwide decline of 10.0%.

~National Venture Capital Association

Population and Consumer Spending

Consumer spending as measured by taxable retail sales is on the upswing. Although the unemployment rate is still high, job and income growth, along with the stabilizing housing market are providing consumers with the means to spend (if somewhat cautiously). High educational attainment (which generally results in better-paying jobs) and growth in high-tech industries will provide a boost to the region's per capita income as well.

There is also a rising trend in population growth, most of which has come from natural population growth (i.e. births and deaths as opposed to immigration). Population growth will accelerate in the near term due to the improving housing market, the region's booming tech sector and perhaps not least, the congenial climate. As San Diego County's population grows, total taxable retail sales will also increase, boosting business activity, job creation and local government revenues.

Conclusion

San Diego's economy is moving in the right direction; growth during the first half of 2013 will remain slow, but momentum is building. Job creation in San Diego will accelerate in 2013 across all private industry sectors. The loss of government jobs will continue this year and next. Federal defense budget cuts are a cause for concern for San Diego's defense and military sectors. While smaller than it once was, San Diego's agricultural industry is still significant (ranking 18th largest in the U.S.) and has the highest dollar-value per acre ($450,000) than any other county is California.[5]

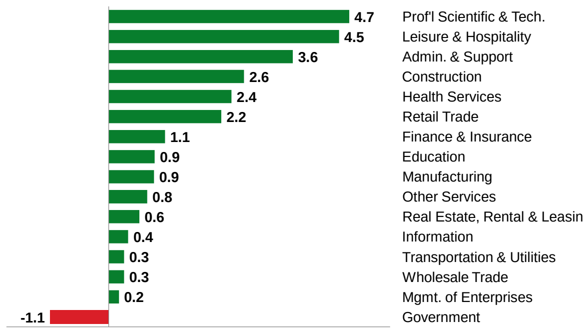
San Diego has the benefit of a near perfect climate, which attracts a well-educated and talented workforce and a steady influx of well-off retirees. The presence of the U.S. Navy and Marine Corps also makes a significant contribution to the region's economy. All these attributes mean San Diego, which had a robust and diverse economy before the recession, will be even stronger moving forward.

[5] Farm Bureau San Diego, County of San Diego Department of Agriculture, Weights & Measures, 2011 Crop Statistics & Annual Report

San Diego County Snapshot

San Diego County Employment Growth, 2013

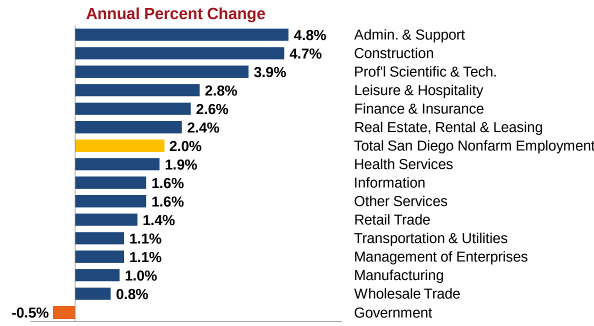
Total nonfarm job growth forecast for 2013 (thousands): 25.0 jobs



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

San Diego County Employment Growth, 2013

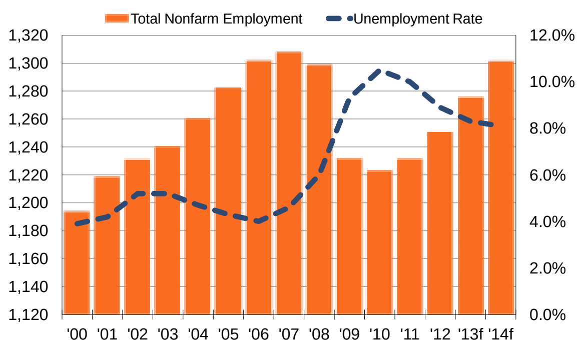
Total nonfarm job growth forecast for 2013, percent change: 2.0%



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

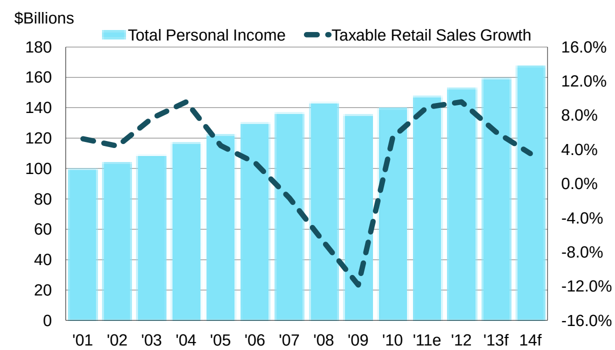
San Diego County Employment

Annual average in thousands, 2011 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

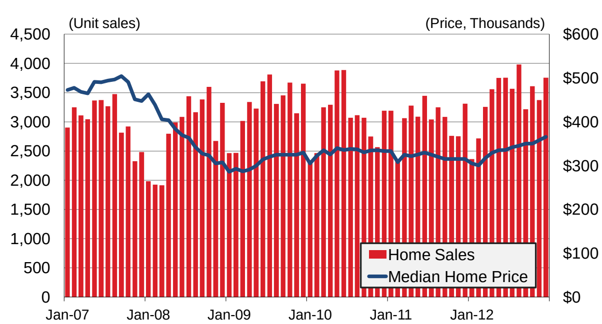
San Diego County Personal Income & Retail Sales



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

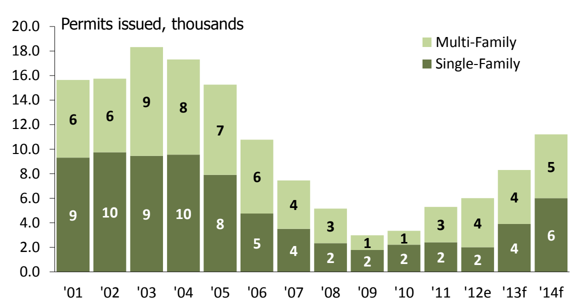
Home Sales & Median Prices San Diego County

New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in San Diego County



Source: Construction Industry Research Board, forecast by LAEDC

Table 18: San Diego County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Value of Two-way Trade ($Billions)	Total Overnight Visitors (Millions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)	Chg. In CPI (%)
2002	2910.4	1,230.8	5.2	103.8	35,670	27.4	35.7	15.0	15,738	1,169	3.5
2003	2944.0	1,240.1	5.2	108.3	36,788	29.5	35.6	15.4	18,314	1,169	3.7
2004	2963.4	1,260.3	4.7	116.6	39,359	32.3	39.4	15.7	17,306	1,288	3.7
2005	2970.1	1,282.1	4.3	122.0	41,082	33.8	43.2	15.7	15,258	1,382	3.7
2006	2982.8	1,301.6	4.0	129.6	43,445	34.6	50.5	15.8	10,777	1,622	3.4
2007	3014.2	1,308.8	4.6	136.2	45,187	34.0	53.9	15.4	7,445	1,417	2.3
2008	3051.3	1,298.7	6.0	142.6	46,745	31.7	53.4	15.2	5,154	1,062	3.9
2009	3077.6	1,231.4	9.3	135.0	43,872	28.0	43.9	14.7	2,990	584	0.0
2010	3102.7	1,222.8	10.5	139.6	44,985	29.5	48.4	15.1	3,346	659	1.3
2011	3125.3	1,231.2	10.0	147.0	47,021	32.1	52.6	15.8	5,223	1,072	3.0
2012	3147.2	1,250.6	8.9	152.5	48,445	35.2	56.6	16.2	6,000	1,050	2.0
2013f	3178.7	1,275.6	8.3	159.0	50,013	37.3	58.9	16.4	8,300	1,300	1.3
2014f	3216.8	1,301.2	8.1	167.3	52,001	38.6	62.6	16.7	11,200	1,475	1.6

% Change										
02/01	1.4%	1.0%		4.4%	2.9%	4.4%	6.3%	1.4%	0.6%	-2.1%
03/02	1.2%	0.8%		4.3%	3.1%	7.7%	-0.3%	2.7%	16.4%	0.0%
04/03	0.7%	1.6%		7.7%	7.0%	9.6%	10.7%	1.9%	-5.5%	10.2%
05/04	0.2%	1.7%		4.6%	4.4%	4.4%	9.6%	0.0%	-11.8%	7.3%
06/05	0.4%	1.5%		6.2%	5.7%	2.5%	16.9%	0.6%	-29.4%	17.4%
07/06	1.1%	0.6%		5.1%	4.0%	-1.7%	6.7%	-2.5%	-30.9%	-12.6%
08/07	1.2%	-0.8%		4.7%	3.4%	-6.8%	-0.9%	-1.3%	-30.8%	-25.1%
09/08	0.9%	-5.2%		-5.3%	-6.1%	-11.8%	-17.8%	-3.3%	-42.0%	-45.0%
10/09	0.8%	-0.7%		3.4%	2.5%	5.4%	10.3%	2.7%	11.9%	12.8%
11/10	0.7%	0.7%		5.3%	4.5%	8.9%	8.7%	4.6%	56.1%	62.7%
12/11	0.7%	1.6%		3.8%	3.0%	9.6%	7.6%	2.5%	14.9%	-2.1%
13/12	1.0%	2.0%		4.3%	3.2%	6.1%	4.1%	1.2%	38.3%	23.8%
14/13	1.2%	2.0%		5.2%	4.0%	3.5%	6.3%	1.8%	34.9%	13.5%

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

Table 19: San Diego County Nonfarm Employment

Annual averages in thousands, March 2011 Benchmark

Year	Total Nonfarm Payroll	Natural Resources	Construction	Manufacturing	*Mfg. -- Durable*	*Mfg .-- Nondurable*	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2002	1230.8	0.3	76.4	112.4	*84.7*	*27.7*	41.3	138.0	29.3	34.4
2003	1240.1	0.3	80.2	105.3	*78.8*	*26.5*	41.6	140.8	27.3	33.4
2004	1260.3	0.4	87.7	104.3	*78.1*	*26.2*	41.9	144.9	28.4	32.5
2005	1282.1	0.4	90.8	104.5	*79.1*	*25.4*	43.6	147.4	28.4	32.6
2006	1301.6	0.5	92.7	103.9	*78.4*	*25.5*	45.1	148.3	28.7	31.7
2007	1308.8	0.4	87.0	102.5	*77.3*	*25.2*	45.5	148.1	28.8	31.3
2008	1298.7	0.4	76.1	102.8	*78.1*	*24.7*	44.9	142.0	29.0	31.4
2009	1231.4	0.4	61.1	95.3	*73.1*	*22.2*	40.6	131.6	24.4	28.2
2010	1222.8	0.4	55.3	92.9	*71.0*	*21.9*	40.1	130.7	26.5	25.1
2011	1231.2	0.4	55.2	92.7	*70.8*	*21.9*	40.7	132.2	26.1	24.0
2012	1250.6	0.4	56.3	91.2	*69.8*	*21.4*	38.7	137.3	26.5	23.8
2013f	1275.6	0.4	58.9	92.1	*70.0*	*22.1*	39.0	139.5	26.8	24.2
2014f	1301.2	0.4	65.1	93.3	*70.9*	*22.4*	39.2	141.3	27.0	24.8

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
2002	47.3	27.7	104.2	19.9	78.7	17.2	102.5	133.8	45.6	219.7
2003	51.2	28.8	105.1	19.1	78.2	18.8	103.0	140.7	46.8	217.3
2004	52.8	29.1	103.9	18.2	84.1	20.1	101.6	145.7	47.9	214.3
2005	53.5	29.7	110.8	17.4	84.6	21.1	101.4	149.6	48.8	215.1
2006	53.2	30.5	115.3	16.9	84.5	21.3	103.8	156.5	48.4	217.9
2007	50.2	30.1	118.6	16.1	85.7	22.0	107.6	161.8	48.3	222.4
2008	46.1	29.2	120.4	15.9	83.0	24.4	112.9	164.0	48.4	225.1
2009	43.3	26.5	116.7	16.0	71.1	26.7	117.5	154.8	46.8	224.5
2010	41.3	25.9	117.5	17.1	70.2	25.4	120.2	154.8	46.2	230.4
2011	41.6	25.3	119.6	17.5	71.3	26.6	122.5	156.9	47.1	228.4
2012	42.7	25.4	121.8	17.6	75.6	27.5	126.1	160.8	47.1	228.4
2013f	43.8	26.0	126.5	17.8	79.2	28.4	128.5	165.3	47.9	227.3
2014f	44.5	26.4	130.6	18.1	84.0	29.3	130.6	167.0	48.2	226.3

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

Outlook for Ventura County

Ventura's economy encompasses a wide range of activities from a significant agriculture sector to professional business services and technology. As the pendulum of time swings, so does economic diversity. Fine dining, wine tasting, a myriad of outdoor activities and 43 miles of coastline attracts visitors seeking to get away for the weekend or serves as a stop point between Los Angeles and San Francisco. This has certainly helped the leisure and hospitality sector this past year.

Ventura County is not only a port of call for travelers but also for major automobile imports and agricultural goods. Port Hueneme, serves a distribution hub for automobile manufacturers such as BMW and Mitsubishi. It is a also collection point for many agricultural goods like bananas and sub-tropical fruits, before they are shipped throughout the nation. In 2011, the port handled 4,094.5 tons of cargo with total two-way trade valued at $6.4 billion.

Employment

On an annual basis, Ventura County's unemployment rate dropped from 10.1% in 2011 to 9.1% in 2012. However, among the Tri-Counties area, Ventura lags behind both San Luis Obispo County (8.0%) and Santa Barbara County (7.9%). Even though 9.1% represents a great improvement, the unemployment rate remains elevated compared to prerecession rates. The LAEDC expects the unemployment rate will drop half a percentage point in 2013 to 8.6% and by one tenth of a percentage point in 2014 to 8.5%.

Last year nonfarm employment grew by 0.6% averaging 276,367 non-farm jobs during 2012. Despite adding jobs over the past two years, county nonfarm employment in 2012 was 23,000 jobs below the peak of 2007, and actually matched levels last seen in 2000 and 2001. The LAEDC expects nonfarm employment to grow at a moderate pace in 2013 (1.5%) and forecasts a healthy jump in 2014 of 2.1%.

Ventura had some clear winners in 2012. Among the best performing sectors were administrative and support services, leisure and hospitality, and transportation and warehousing. Professional business and technical services also improved throughout the year.

Tourism

Ventura boasts a strong market for tourists looking for alternatives to the higher priced Santa Barbara area. Benefits include the short distance from Los Angeles County and more affordable lodging. Gains are expected for 2013. The number of occupied rooms is expected to increase by 1.9% with market occupancy rates reaching 66.9% and average daily rates rising by 3.2%. The revenue per available room should increase by 5.2% to $69.55.

Housing and Consumer Spending

In 2012, Ventura County saw positive developments in both housing prices and sales volumes. Housing still poses a problem in the near term. In 2012, the median price for an existing single-family home was $427,000, an increase of 2.1% compared with 2011. As is the case elsewhere in Southern California, increased demand for housing is constrained by tight lending standards, while also colliding with limited supplies of distressed and non-distressed properties. Foreclosure rates plummeted by 44.5% year-over-year from the fourth quarter of 2011, to fourth quarter 2012.

The LAEDC forecasts total personal income to increase 3.9% this year and 3.5% the year following. As long as job growth continues to accelerate at its current pace, per capita income will rise by 3.1% this year and by 2.5% in 2014. For 2013, consumer spending is expected to increase moderately.

The demographic profile of Ventura County is made up of 830,215 individuals that has a composition of 47.9% white non-Hispanic, 41.0% Hispanic, 7.2% is Asian-Pacific Islander, and 4.0% black or other races. The LAEDC expects the population to increase at a moderate pace for the next two years, 2013 (840.3 thousand) and 2014 (848.7 thousand).

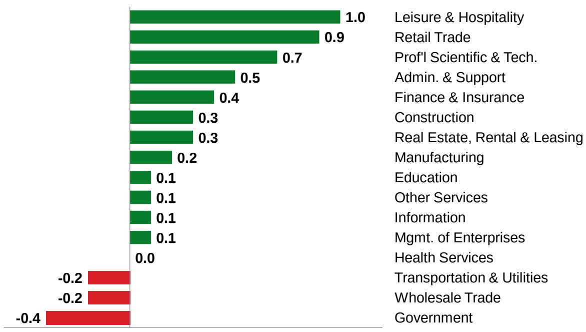
Conclusion

Among the top growing occupations are radiologic technicians and technologists, physical therapists, network systems and data communications analysts, dental hygienists, and medical scientists. The LAEDC forecasts expansion in all private industry sectors in 2013 with larger gains in 2014, most noticeably in the construction sector as new home building picks up. In the short term, the threat of fiscal tightening affecting local contractors at Ventura's naval base is still unclear. However, due to the often specialized nature of the services provided by these contractors, a large adverse affect is unlikely.

Ventura County Snapshot

Ventura County Employment Growth, 2013

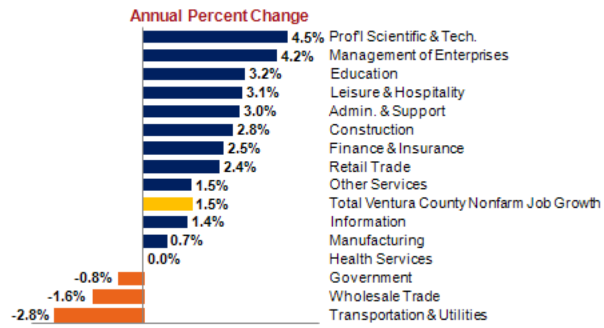
Total nonfarm job growth forecast for 2013 (thousands): 4.1 jobs



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

Ventura County Employment Growth, 2013

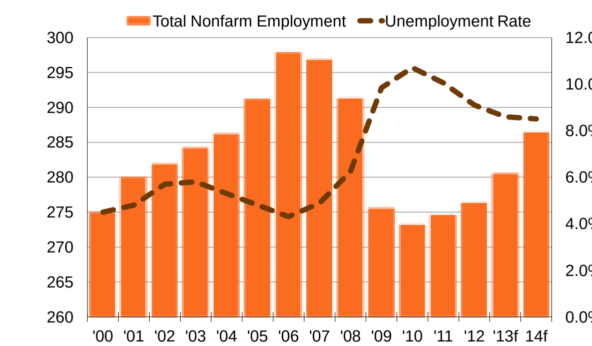
Total nonfarm job growth forecast for 2013, percent change: 1.5%



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

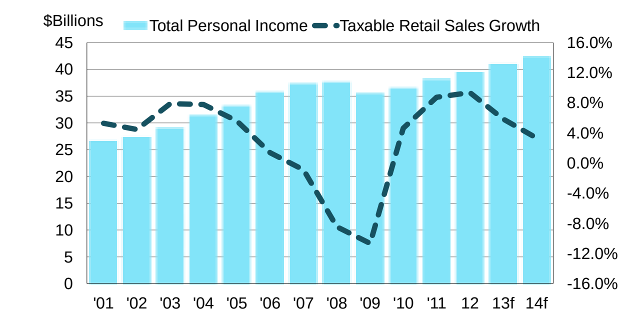
Ventura County Employment

Annual average in thousands, 2011 benchmark



Source: EDD Labor Market Information Division; forecast by LAEDC

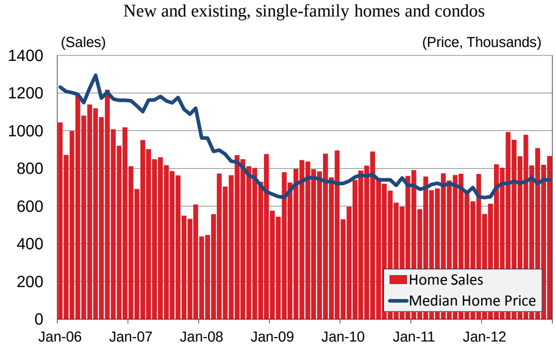
Ventura County Personal Income & Retail Sales



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

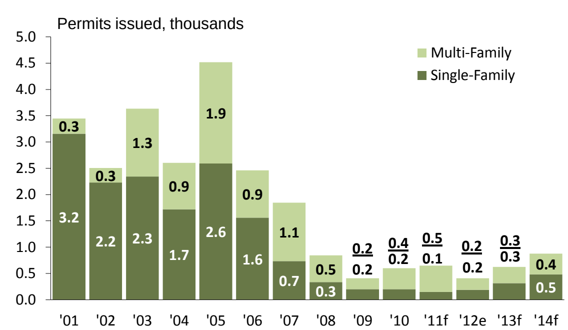
Home Sales & Median Prices Ventura County

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 20: Ventura County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2002	779.9	281.8	5.8	27.3	35,063	7.2	2,507	289
2003	789.4	284.2	5.8	29.1	36,825	7.7	3,635	379
2004	795.0	286.2	5.4	31.3	39,412	8.3	2,603	353
2005	796.9	291.2	4.8	33.2	41,602	8.8	4,516	372
2006	801.2	297.7	4.3	35.7	44,565	8.9	2,461	326
2007	805.9	296.8	4.9	37.3	46,294	8.8	1,847	346
2008	812.0	291.3	6.3	37.6	46,308	8.1	842	345
2009	818.5	275.6	9.8	35.5	43,425	7.2	404	153
2010	825.1	273.2	10.8	36.5	44,246	7.5	590	160
2011	830.2	274.6	10.1	38.1	45,941	8.2	640	147
2012	834.1	276.4	9.1	39.4	47,204	9.0	410	115
2013f	840.3	280.5	8.6	40.9	48,664	9.5	625	135
2014f	848.7	286.4	8.5	42.3	49,885	9.8	875	150

% Change								
02/01	1.4%	0.7%		2.7%	1.3%	4.5%	-27.2%	-6.5%
03/02	1.2%	0.9%		6.3%	5.0%	7.9%	45.0%	31.1%
04/03	0.7%	0.7%		7.8%	7.0%	7.8%	-28.4%	-6.9%
05/04	0.2%	1.7%		5.8%	5.6%	5.6%	73.5%	5.4%
06/05	0.5%	2.2%		7.7%	7.1%	1.4%	-45.5%	-12.4%
07/06	0.6%	-0.3%		4.5%	3.9%	-0.9%	-24.9%	6.1%
08/07	0.8%	-1.9%		0.8%	0.0%	-8.5%	-54.4%	-0.3%
09/08	0.8%	-5.4%		-5.5%	-6.2%	-10.7%	-52.0%	-55.7%
10/09	0.8%	-0.9%		2.7%	1.9%	4.6%	46.0%	4.6%
11/10	0.6%	0.5%		4.5%	3.8%	8.8%	8.5%	-8.1%
12/11	0.5%	0.6%		3.2%	2.7%	9.4%	-35.9%	-21.8%
13/12	0.7%	1.5%		3.9%	3.1%	5.9%	52.4%	17.4%
14/13	1.0%	2.1%		3.5%	2.5%	3.3%	40.0%	11.1%

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 21: Ventura County Nonfarm Employment

Annual averages in thousands, March 2011 Benchmark

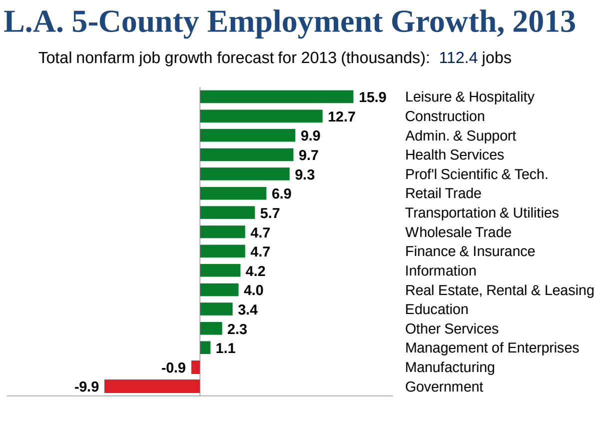
Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	Mfg. -- Durable	Mfg. -- Nondurable	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2002	281.8	0.7	15.7	38.0	*24.9*	*13.1*	11.7	34.2	5.8	8.1
2003	284.2	0.6	16.6	37.1	*24.0*	*13.0*	11.8	34.5	5.6	7.2
2004	286.2	0.7	16.9	38.3	*24.2*	*14.1*	12.2	35.3	5.7	6.8
2005	291.2	0.8	18.8	37.7	*23.9*	*13.9*	12.5	36.5	5.8	6.2
2006	297.7	1.1	20.5	38.4	*24.1*	*14.3*	12.6	37.6	6.1	6.0
2007	296.8	1.1	18.8	38.0	*23.9*	*14.1*	13.0	37.6	6.1	5.8
2008	291.3	1.2	16.7	35.9	`	*12.7*	12.8	37.3	6.0	5.6
2009	275.6	1.2	13.2	32.6	*20.4*	*12.2*	12.0	35.1	5.4	5.3
2010	273.2	1.2	11.3	31.5	*19.5*	*12.0*	12.3	35.5	5.3	5.1
2011	274.6	1.2	11.1	30.7	*18.7*	*12.0*	12.6	36.2	5.6	4.9
2012	276.4	1.1	10.5	30.2	*18.0*	*12.2*	13.0	35.8	5.9	5.0
2013f	280.5	1.0	10.8	30.4	*18.8*	*11.6*	12.8	36.7	5.7	5.1
2014f	286.4	1.2	11.8	30.9	*19.0*	*11.9*	13.0	37.1	5.8	5.2

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
2002	17.7	4.6	13.7	3.3	19.6	2.9	23.4	27.2	10.2	45.3
2003	19.2	4.3	13.6	3.9	19.4	3.3	24.4	27.6	10.4	44.8
2004	19.8	4.4	14.2	3.6	19.5	3.5	24.0	28.5	10.3	42.5
2005	20.0	4.4	15.1	3.5	19.8	3.5	24.8	29.2	10.4	42.2
2006	19.6	4.5	16.0	3.3	20.1	3.5	25.4	30.5	10.2	42.5
2007	17.9	4.8	16.2	3.2	18.9	4.0	26.5	32.0	9.9	43.0
2008	16.4	4.7	16.7	3.1	18.6	4.4	27.4	31.5	10.0	43.1
2009	16.1	4.3	16.2	2.9	17.0	4.4	27.9	29.8	9.3	42.9
2010	16.3	4.4	15.3	2.8	15.8	4.4	28.4	30.3	9.2	44.2
2011	17.1	4.5	14.7	2.5	15.7	4.3	28.4	31.2	9.0	44.9
2012	17.8	4.7	15.4	2.4	16.8	4.1	27.1	33.0	9.0	44.7
2013f	18.2	4.9	16.1	2.5	17.3	4.2	27.1	34.0	9.1	44.4
2014f	18.7	5.0	17.0	2.6	18.0	4.3	27.6	34.4	9.2	44.3

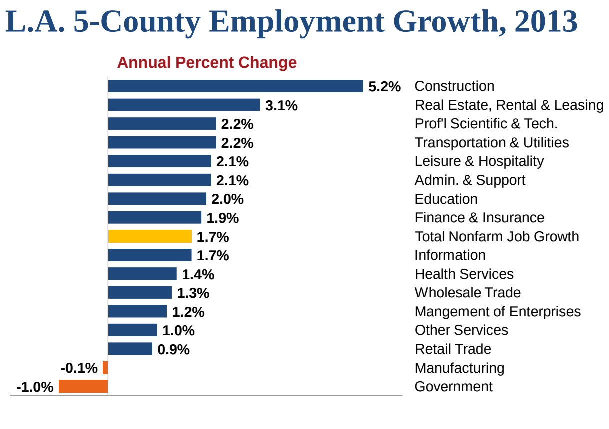
Sources: California Employment Development Department, LMID; estimates and forecasts by LAEDC

Major Industries of the Southern California Economy

Uneven progress in the industries of Southern California in 2011 gave way to more widespread and consistent gains during 2012, a trend that should prevail again this year. Continued improvement over the next 18 months depends on the trajectory of the national economy as well as improvements in the economic and financial well-being of local households and businesses.



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



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

Manufacturing

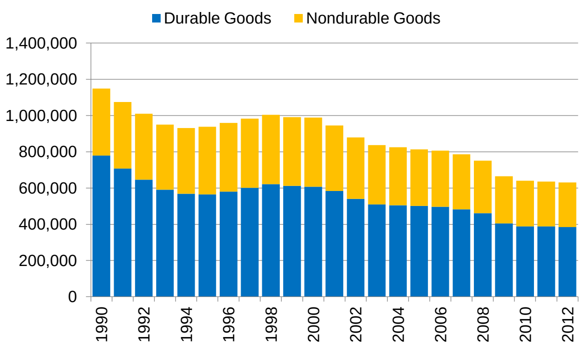
The manufacturing base in Southern California is the nation's largest. In Los Angeles and Orange County alone there were over 500,000 manufacturing jobs in 2012, one-fifth more than the Chicago metropolitan area, which was the next largest manufacturing center at just over 400,000 jobs. The five-county greater Los Angeles area employed 630,000 in manufacturing, while San Diego employed another 91,000 for a total of 720,000 manufacturing workers.

Just over 60% of the manufacturing jobs in Southern California fall in the durable goods category that include aerospace, computers and related activities, metal manufacturing, and machinery fabrication. Non-durable goods include pharmaceuticals, apparel, textiles, and food and beverage processing.

The manufacturing base of nearly 360,000 jobs in Los Angeles County was more than double that of Orange County, which was second with just over 150,000 jobs. The mix of industries varies considerably across the Southern California counties. In Los Angeles County, 55% of the manufacturing jobs were in durable goods, compared to over 70% in Orange and San Diego counties, with roughly 60% in the Inland Empire and Ventura County.

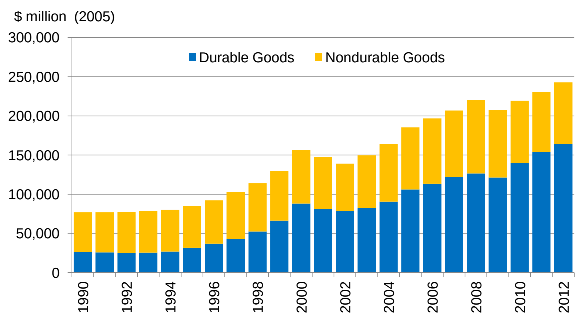
Manufacturing employment in Southern California and elsewhere in the country has followed a trend decline for several decades as firms seek lower production costs elsewhere and greater efficiency through labor-saving innovations in the manufacturing process. Despite these job losses, manufacturing is in no way fading from the economic landscape. In fact, the value of manufacturing output for the state as a whole actually grew by more than 60% over the past 10 years.

SoCal Manufacturing Employment



Source: California EDD

Value of Manufacturing Output - California



Source: Global Insight

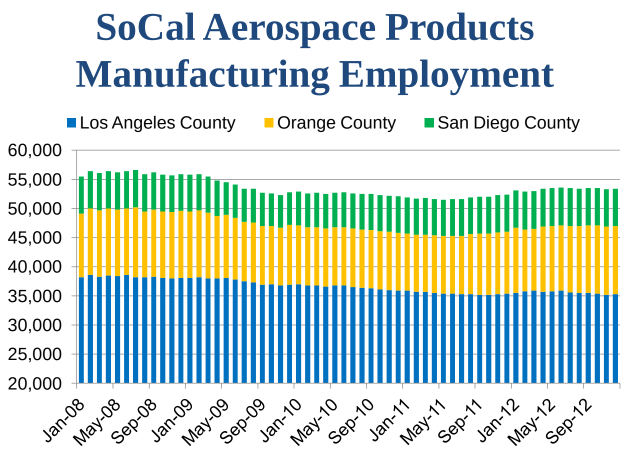
Aerospace and Defense

The aerospace and defense industry continues to be a vital component of the regional economy – something too many of Southern California's residents fail to recognize. Southern California's aerospace firms provide a significant number of high-paying jobs and are an important source of technological innovation. New technologies developed by the aerospace industry have spilled over into the wider economy, providing platforms for advances in a number of other industries and scientific disciplines.

The industry is characterized by a small number of large firms (Boeing, Northrop Grumman, Lockheed) supported by a large base of subcontracting firms. In addition to the traditional giants of the aerospace industry, Southern California has attracted a number of groundbreaking newcomers like SpaceX, Virgin Galactic and Scaled Composites.

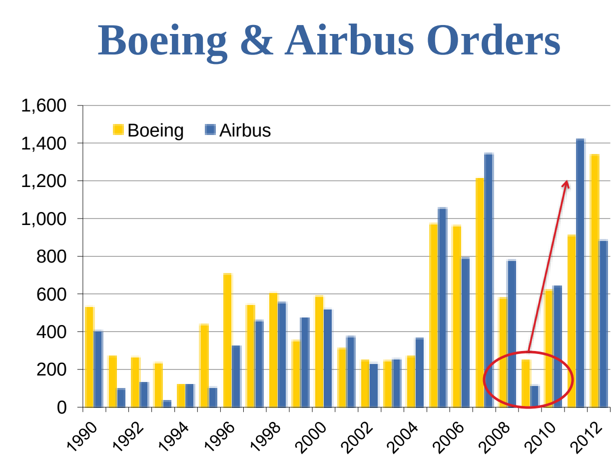
In 2012, the aerospace products and parts manufacturing sector employed approximately 53,400 workers across Los Angeles, Orange and San Diego counties. Over the year, aerospace employment was up by 1,600 jobs (3.1%). In Los Angeles County alone, aerospace products and parts manufacturing employment averaged 35,600 workers in 2012, although that was down by 200 jobs compared with 2011.

Nevertheless, the long-term employment trend for this sector has been one of decline. There are a number of reasons for this. California still has the largest number of aerospace workers in the nation, but other states have also developed significant aerospace and defense industries. Foreign outsourcing is another factor. Technological change has also played an important role in this transition, either by increasing worker efficiency or by taking over jobs that used to require a human being. While employment levels have fallen, there has been a corresponding increase in the value of the aerospace parts products manufactured in the region.



Source: California EDD

Federal budget cuts will be the foremost challenge faced by the region's aerospace industry in the near- to mid-term, especially for companies with a large defense component. In addition to reduced Pentagon outlays for procurement, federal spending on defense-related R&D will also be reduced. Maintaining the industry's base of skilled workers and investment in R&D is essential for growth now and in the future. If lost, the U.S. could find itself falling behind foreign competitors in the development of new technologies.



Source: Boeing & Airbus Company Websites

Many aerospace subcontractors in the region supplement their defense contracts with civil applications. Passenger and freight traffic is booming and new orders are once again flowing into the world's aircraft manufacturers. According to the Aerospace Industries Association (AIA), Boeing and Airbus have enough orders on their books to keep production lines humming through the next six to seven years. This is good news for the large number of subcontractors in Southern California who produce parts for these two giants of commercial aviation.

Federal budget cuts will also have a significant effect on the region's space industry over the next decade. The United States space industry is facing growing competition from India, China and Russia. In an effort to strengthen the competitive stance of the industry in the U.S., the government is increasing its reliance on commercial systems, such as SpaceX's Dragon Spacecraft, to enhance U.S. space programs and launch capabilities. This has already created new opportunities for the private sector. In the near- to mid-term, the market will continue to be driven by demand for satellites and launch services, but other opportunities exist. Aerospace firms in Southern California are working to develop reusable manned vehicles to service the International Space Station and are partnering with NASA to build spacecraft (manned and unmanned) for conducting scientific experiments. There is even a nascent "space tourism" industry represented by Virgin Galactic and their SpaceShipTwo, a vehicle that is designed to carry six passengers into suborbital space.

Los Angeles County retains several advantages that will continue to attract and retain high-tech aerospace activities in the region, including an abundance of skilled labor, a rich infrastructure of test fields, universities and other educational and research centers, and the existence of a strong electronics industry. Additionally, firms with a strong defense component are eyeing opportunities in adjacent markets. These include not only civil aviation but also areas that will continue to grow even as defense budgets decline: unmanned aerial vehicles (aka drones), cyber security, intelligence, surveillance, defense electronics and energy security. New market opportunities are enhancing the region's ability to compete in the commercial space sector and commercial applications of defense products.

Apparel Design and Manufacturing

Apparel design, manufacturing, and wholesaling make a significant contribution to the Southern California economy, particularly in Los Angeles County. There is strong demand for the "Made in Los Angeles" label both in the U.S. and abroad.

Even with a trend decline in apparel manufacturing wage and salary employment, Southern California is one of the few places in the U.S. where apparel manufacturing remains. Labor-intensive production of apparel has largely shifted to lower wage countries in Latin America and Asia. On the other hand, design-related activity is helping the apparel industry retain a strong presence in

Southern California, as does apparel wholesaling. Moreover, independent contractors add to the ranks of the employed in the industry along with wage and salary workers.

Much of the manufacturing and wholesaling workforce of Southern California is located in Los Angeles County, although a smaller but significant number of workers may be found in Orange County. Apparel manufacturing employed 43,700 wage and salary workers in Los Angeles County last year 2012, while apparel wholesaling employed 21,800 last year, for total industry employment of 65,500. Employment fell by 2.0% from a year earlier, but this was due to a loss of 1,900 manufacturing jobs. By contrast, apparel wholesaling added 500 jobs for a 2.5% increase.

Apparel manufacturing remains one of the most labor-intensive industries in the world, which gives countries with lower wages/cost of living a competitive edge. Technological innovation, an apparel specific outward-oriented trade policy, or a dramatic change in the relative costs of manufacturing clothing abroad could slow or even arrest this decline. However, over the near-term future, local apparel manufacturing employment will continue the downward trend that began in the late 1990s.

Thanks to the many apparel design and merchandising schools located in the region, the design sector is thriving. These schools attract students from throughout the world. Big name local brands employ numerous design related workers, but the majority of local designers work independently. The Bureau of Labor Statistics estimates 3,560 fashion designers worked in Southern California in May 2011, with mean annual wages ranging from $64,500 in Orange County and San Diego County to $75,900 in Los Angeles County.

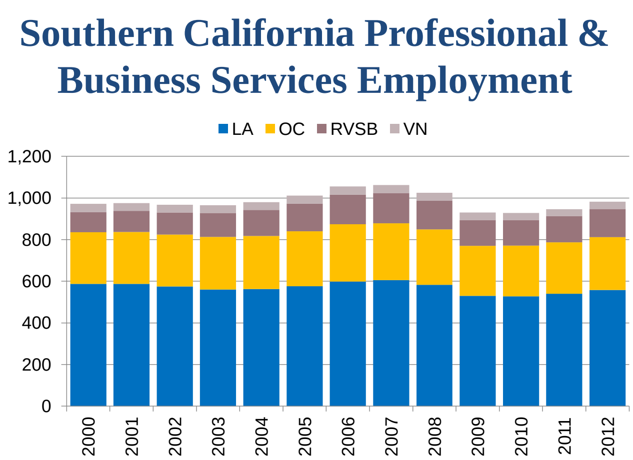
Computer and Electronic Product Manufacturing

The computer and electronic product manufacturing industry employed 47,100 workers in Los Angeles County last year, with another 33,400 in Orange County and 24,900 in San Diego County. Ventura County employment in this industry was much smaller at 6,000. For the region as a whole there were 111,400 workers in this industry last year.

Like the apparel industry, this industry has experienced a trend decline in employment dating back to the late 1990s when there were nearly 172,000 workers in this industry. In 2012, the industry experienced a 3.3% decline in jobs across the region, with the largest losses occurring in Los Angeles County (1,700 jobs) and Orange County (980 jobs). Nevertheless, the industry employs a number of skilled workers in both professional and production jobs that generally earn more than average.

Professional and Business Services

The professional and business services industry includes a wide array of industries, ranging from the professional, scientific, and technical industry to temporary employment services. In Los Angeles County alone, this industry employed nearly 560,000 workers last year, with over 250,000 in Orange County, and nearly 140,000 in the Inland Empire. There were just over 980,000 workers in the 5-county Los Angeles metropolitan area last year, up 23.8% from 2011. In Los Angeles County, nearly 17,700 jobs were added, an increase of 3.3%. Both Orange County and San Diego County saw increases of approximately 3% last year, while the Inland Empire added jobs at a rate of 7.5%.



Source: California EDD

Although the trend for employment in business and professional services has been on the upswing, the industry has not yet regained all of the jobs that were lost during the recession. Peak employment in this sector occurred in 2007 with 1.06 million jobs in the five-county region.

Within Los Angeles County, business and professional services job growth has varied widely by segment. Temporary employment services added the largest number of workers in 2012, expanding payrolls by 7,660 jobs, an increase of 9.0%. It is typical for temporary employment services to be among the faster growing sectors following a recession. The fact employers are still using large numbers of temporary workers indicates the slow pace of recovery in recent years and the accompanying uncertainty about the outlook. Recent reports on productivity at the national level imply that firms will rely more heavily on full-time as opposed to temporary workers, an important development in the labor market.

This industry's assortment of subsectors, have generally improved in the past year in Los Angeles County with some exceptions:

- Accounting, tax preparation and bookkeeping added 5,690 jobs (13.9%)
- Consulting services added 2,640 jobs (6.5%)
- Investigation and security added 1,040 jobs (2.2%)
- Computer systems design added 950 jobs (3.4%)
- Management of companies added 1,270 jobs (2.3%)
- Legal services and business support services lost a combined total of 1,250 jobs

With its high number of white collar and high skill jobs, this diverse sector will continue to be one of the fastest growing in the region over this year and next.

Financial Services

The finance and real estate services industry suffered deep cuts during the Great Recession and accompanying financial crisis. From a peak of 639,300 jobs in 2006, the statewide industry lost over 167,000 jobs before stabilizing at 511,900 jobs in 2010. Financial services lost 127,000 jobs during the downturn and 40,000 were lost in real estate. Financial services jobs registered a 1.5% statewide increase last year, while real estate jobs increased by 2.4%. The picture was mixed across the counties of Southern California, with modest gains in Los Angeles, San Diego, and Ventura counties, and slight losses in Orange County and the Inland Empire.

Financial institutions continue to work through loan delinquencies and foreclosures, but the scope of this problem will diminish further this year. The number of foreclosures and short sales in the residential market is on the way down and will exercise less influence on the market this year and next. Meanwhile, loans made since the recession and financial crisis have met much stiffer credit standards and should pose few problems going forward. Dodd-Frank regulations continue to change the way the financial industry serves businesses and households.

Nevertheless, with each year that passes, the financial crisis of the last decade moves further in the background and the financial system continues to heal. This will be reflected in Southern California in the form of small to modest single-digit employment gains both in financial services and in real estate jobs both this year and in 2014.

Healthcare Services and Biomedical

Los Angeles County has a population of 9.9 million with 18.1 million in the five-county Greater Los Angeles Metropolitan Area. Put simply, nearly half of the people in the nation’s most populated state reside in the southern California region. With such a large population in a relatively small geographic area, Southern California has a number of large medical centers. It is also an attractive location for medical research and testing. The UC and CSU systems have continually provided a platform for innovative research in biomedicine, as have major medical centers such as Cedars-Sinai and City of Hope.

The health care industry employed nearly 700,000 people in the five-county Los Angeles Metropolitan Area, with another 126,000 in San Diego County. Los Angeles County is home to nearly 420,000 jobs, accounting for 60% of industry employment in the five-county area. The industry has consistently added jobs across the region over the past several years with a 1.3% gain last year. Some of the fastest growth has occurred in the Inland Empire. In just the last two years, the number of health care jobs in the Inland Empire exceeded that of San Diego County, as it continues to add population.

Health care is a large industry in the U.S. In 2011, health care spending reached $2.7 trillion ($8,680 per person), up from $2.6 trillion ($8,401 per person) in 2010. For the nation, health care spending accounted for 17.9% of gross domestic product. The industry will be undergoing changes as the nation's population ages, new medical technologies emerge, and as the federal Affordable Care Act rolls out. Efforts to contain costs will collide with the growth in demand for health care services that will accompany the graying of the boomer population.

In addition to providing health care services, biomedical research is a thriving high-tech industry in Southern California. For the state as a whole, California is home to 2,323 biomedical companies, the largest number of biomedical companies of any state in the country. Within the Southern California region, the healthcare companies who engage in research and development of medical devices and pharmaceuticals employed 56,265 in 2011. Both medical research and the manufacturing of medical instruments and pharmaceuticals are an important source of economic growth in Southern California.

The Southern California health services industry will continue to add jobs over the next two years. Los Angeles expects gains of 1.2% and 1.0% in 2013 and 2014. Orange County will have gains of 1.3% and 1.5%. San Diego will gain 1.9% and 1.6%. Inland Empire will gain 2.3% and 2.5%.

International Trade/Goods Movement

International trade is a key driver of goods movement in Southern California. Based on recently completed research, the LAEDC estimates that there were 268,269 export-oriented trade jobs in 2011 across the 5-county region. Los Angeles County had the largest number of these jobs totaling 176,844. This cluster combines transportation, logistics, and distribution services to form the largest traded industry cluster (before entertainment) in Los Angeles County.

Within the industry cluster, the largest concentration of jobs falls in transportation and warehousing. Southern California transportation and warehousing jobs grew by 1.1% last year, an increase of nearly 2,600 jobs. Los Angeles County jobs were up marginally in 2012, with gains in transportation employment slightly outpacing losses in warehousing. The Inland Empire added nearly 1,700 jobs (up 2.7%), while San Diego added over 350 jobs. Slight decreases in jobs occurred in Orange County and Ventura County.

Total container traffic at the Port of Los Angeles and the Port of Long Beach is projected to expand to 14.3 million TEUs in 2013, an increase of 1.4%.

The focal point for much of the region's goods movement industry is the San Pedro Bay port complex, which is the nation's (and the Western Hemisphere's) largest container port complex. There is over one billion square feet of industrial space in Los Angeles County alone, with over another two million square feet of additional space under construction in 2013. The Inland Empire supports trade and goods movement with expanses of warehouse space. Vacancy rates for industrial space in Los Angeles County and in the Inland Empire are among the lowest in the country. In addition, the ports and government agencies continue to increase and improve the region's infrastructure to accommodate further growth.

The ports witnessed a mixed bag of results in 2012. The combined total loaded cargo for both ports was only up 0.3%. This was mainly attributed to weakness in the economies of the U.S. and its trading partners. Total loaded cargo volume at the Port of Los Angeles was down by 0.7%, while total loaded volume at the Port of Long Beach was up by 1.5%. A new trend is emerging in the industry whereby shippers form alliances to allow cargo volumes to move more fluidly between the Ports of Los Angeles and Long Beach.

The combined total loaded for both ports was only up by 0.3% in 2012. This was mainly attributed to weakness in the economies of the U.S. and its trading partners.

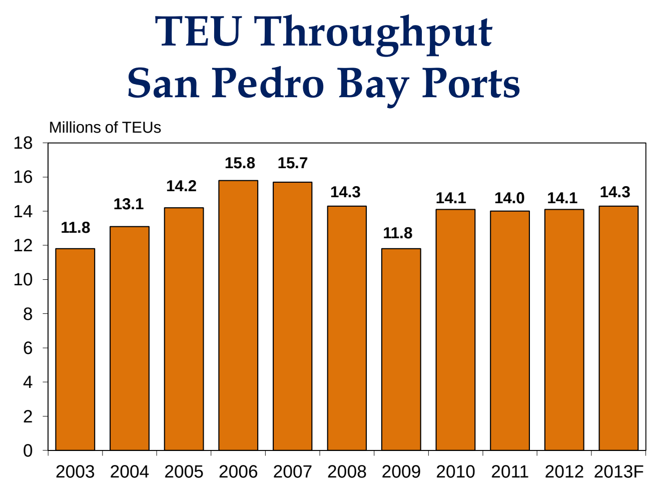
The Ports of Los Angeles and Long Beach maintained their top two rankings in the U.S. during 2012, handling a total of 14.1 million containers. In addition, the Los Angeles Customs District (LACD) regained its number one position in the U.S. in 2012 with a two-way trade value of $403.4 billion (ahead of New York at $381.3 billion). In 2012, the value of total two-way trade at the LACD increased by 4.3% on a year-over-year basis.

International airport cargo, which generally consists of small, lightweight, high-value products that require quick delivery, passes through both LAX and Ontario International Airport. Tonnage passing through LAX rose by 3.7% on a year-over-year basis (November 2011 vs. November 2012) and by 5.2% on a year-to-date basis through November 2012. At Ontario International Airport, tonnage increased by 8.3% on a year-over-year basis and by 9.0% on a year-to-date basis through November 2012.

The Los Angeles Customs District regained its number one position in the U.S. in 2012 with a two-way trade value of $403.4 billion.

Over 40% of the nation's imported containers came through the ports of Los Angeles and Long Beach in 2012. The outlook for 2013 and into 2014 is still positive with the global economy improving this year and the Chinese economy picking up steam along with the nation's other top trading partners.

The forecast for this year and next calls for a slight increase in total trade volumes for both local ports. Total container traffic at both ports is projected to expand in 2013 to 14.3 million TEUs, a rise of 1.4%. [The LAEDC will provide an updated forecast for 2013 and a forecast for 2014 in the May *2013-2014 International Trade Outlook* report.]



Sources: Ports of Los Angeles and Long Beach; forecast by LAEDC

As the National Export Initiative (NEI) enters into its fourth year, the U.S. continues to make progress toward the NEI's goal of doubling exports by the end of 2014. Exports have been a bright spot for the U.S. economy over the past few years. In fact, since 2009 exports have risen from $1.6 trillion to over $2.1 trillion in 2011 (a record high). In 2012 that record was broken once again as exports totaled $2.2 trillion.

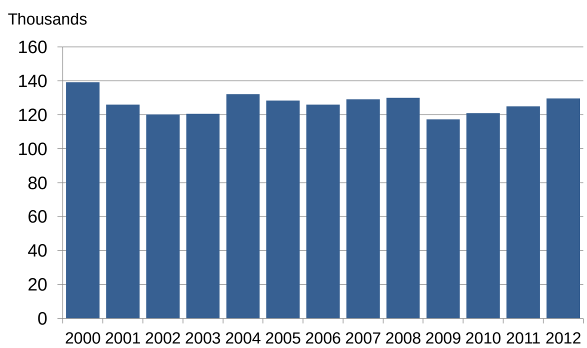
U.S. exports have slowly undergone a transformation over the past few years from advanced economies (particularly Europe and Japan) to faster growing markets in Asia (mainly China and Southeast Asia). This change in focus has resulted in substantial growth for U.S. exports since the end of the Great Recession. All of this translates into higher economic output and more jobs. From 2009 to 2011, the nation saw jobs supported by exports climb from 8.5 million to 9.7 million, with a significant number of those gains occurring in California and Southern California. The outlook for LACD and Los Angeles Metropolitan Area exports is very bright as Developing Asia will experience the strongest growth rates over the course of the next 20 years.

Motion Picture/TV Production

The Southern California entertainment industry plays a key role in the regional economy both by itself and as a tourist attraction. Motion picture and TV production is the largest part of the industry by far. The industry's spillover effects into other areas of the local economy are noteworthy. When a movie is filmed, actors, costume designers and special effects creators benefit, but so do persons working in industries as disparate as food services, security, transportation, and floral design. Los Angeles' billing as entertainment capital of the world also draws millions of tourists to the region each year.

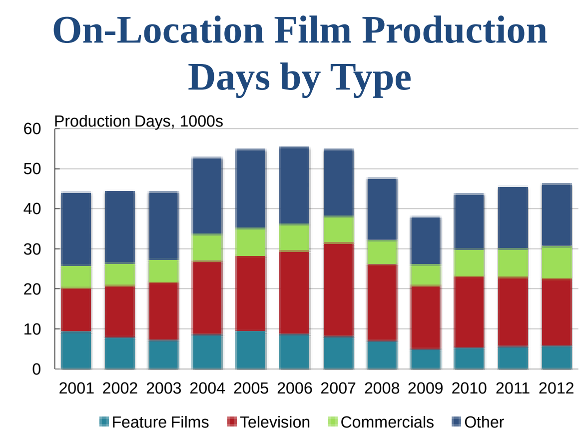
The greatest concentration of wage and salary jobs in the entertainment industry may be found in Los Angeles County. The industry added over 4,600 jobs last year, a gain of 3.7%. At 129,700 jobs, employment in the industry was at its highest level in four years. While industry employment has returned to pre-recession levels, it is still shy of the 2004 peak of 132,200 jobs. The entertainment industry also employs a large number of independent contractors. Independent contractors approached 82,400 prior to the recession, but fell in number to just over 81,000 in 2009. The number of independent contractors is estimated to exceed 85,000 as of 2012, adding substantially to the overall job count in the industry.

Motion Picture & Sound Recording Employment in Los Angeles County



Sources: CA EDD. LMID

One measure of activity on the ground is permitted on-location production days. While it does not capture filming that takes place on sound stages, it is a reasonable proxy for industry activity. On-location film activity registered a 1.7% gain in 2012 to 46,254 production days. While on-location activity fell short of pre-recession peak levels of roughly 55,000 days that prevailed from 2005 through 2007, it was the third consecutive annual increase since bottoming out in 2009. By category, features (movies) increased by 3.7% last year, while commercials jumped by 14.1%. However, television experienced a decline of 3.4%, following a 2.5% decrease a year earlier.



Source: Film LA

Domestic box office receipts for all films were up by 5.4% in 2012 to $10.6 billion. International box office receipts, which have been more than double the domestic since 2010, likely increased by a larger margin but 2012 figures were not available at the time this report was published. As for "at-home" entertainment, spending was essentially flat at $18 billion last year. Revenue growth occurred through online digital distribution (electronic sell-through or EST) but rentals and purchases fell.

Real Estate and Construction

Residential Real Estate

Southern California's housing market recovery is gaining momentum. In 2012, as the number of foreclosures declined, many markets experienced significant gains in median price for the first time in two years. Buyers are returning to the market, drawn by super low mortgage interest rates, rising job security and, increasingly, a sense that the upward trend in prices is sustainable and will accelerate in 2013.

Cautious optimism is still the order of the day, however. The housing recovery will take a long time to unfold. Although employment conditions are improving, both job and real disposable income growth have been very slow. Tight lending standards and conservative appraisals are still impediments for many potential buyers.

Existing Home Sales: In 2012, existing single-family home sales in California were up by 5.4% over the year, while the median price increased by 11.6%.[6] Through December 2012, the statewide median price rose for 10 consecutive months on a year-over-year basis, with double-digit gains recorded during the last six months of the year. Much of the statewide gain was attributable to particularly strong sales in the San Francisco Bay area – a region

[6] California Association of Realtors

where job and economic growth has been much stronger than in Southern California.

In the Southland, sales are rising fastest in many mid- to higher-end markets. Sales of homes priced between $300,000 and $800,000 (a range that includes "move-up" buyers) are rapidly outpacing sales of homes priced below $300,000. The large gains in median price during the latter half of 2012 were due in large part to the significant rise in sales of higher-priced properties in conjunction with inventory constraints on lower-priced properties (particularly foreclosures).

Foreclosure sales accounted for 14.8% of the Southland's resale market in December compared with 32.4% a year earlier and 56.7% in February 2009 when foreclosure sales peaked.[7] Although foreclosure activity has declined significantly from its peak in 2009, the housing market is not quite out of the woods yet.

New Home Construction: Permits for new home construction in Southern California rebounded slightly last year, rising by 12.1% to an estimated 23,610 units. Since bottoming out in 2009 at 14,942 total units permitted (from a peak of 91,556 reached in 2004), housing permits were up by 58.0%. Inventories of new homes are extremely low, a situation that is helping drive current gains. Rising prices for existing homes is another hopeful sign for homebuilders. Additionally, the reduction in the number of distressed properties on the market has relieved downward pressure on prices, so that new homes are increasingly able to compete on price with existing homes.

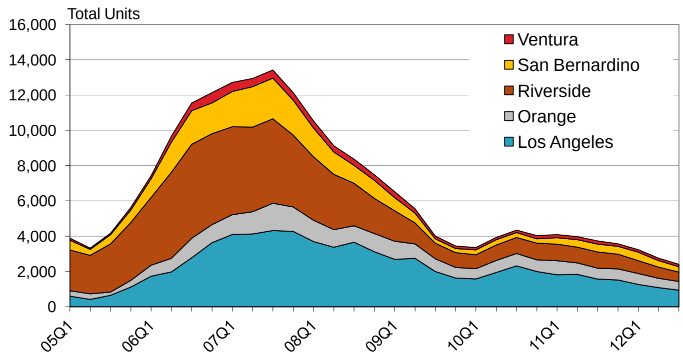
The LAEDC forecasts that homebuilders will pull permits for 34,300 new units in the Los Angeles five-county region this year, an increase of 45.3% compared with 2012. The pace of new home construction will gather speed in 2014, jumping to 49,500 new units permitted. In addition to working through the region's foreclosure inventory, employment is a key driver of new home construction. Builders will look for land near markets where employment is likely to exhibit strong growth over the coming years.

Unsold Inventories of New Homes: Inventories of homes for sale are extremely tight. According to the California Association of Realtors, the unsold inventory of existing homes in California represented a 2.6 month supply at December's (2012) sales rates. This was down from 4.3 months in December 2011. The historical average for California is about seven months. Locally, inventories ranged from a low of 2.4 months in Los Angeles County (versus 4.7 months a year ago), to 3.3 months in San Bernardino County. Inventories of new unsold homes are also very low. Together with stronger demand and rising prices, conditions are rapidly improving for new homebuilders. In Los Angeles

[7] DQNews.com; *Southland Closes 2012 with Higher Sales and Prices*

County, the inventory of new unsold homes declined by 40.0% during the third quarter of 2012 compared with the same period last year. In Orange County, inventories declined by 20.3%. In the Inland Empire, unsold inventories in Riverside County were down by 42.3% during the third quarter, while in San Bernardino County, inventories declined by 30.7%. In Ventura County, the unsold new home inventory declined by 27.2% during the third quarter of 2012.

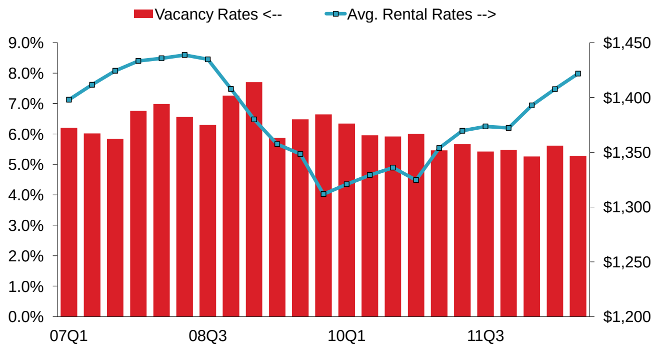
Southern California Unsold New Housing



Source: California Real Estate Research Council

Apartments: Demand for rental units is strong and will remain robust this year and next. Multi-family construction has been the one bright spot in the residential real estate market over the past few years. Rising demand has pulled vacancy rates lower and pushed rents higher. Although modest, job growth has enabled more young people to establish independent households, with many expressing a preference for renting over ownership due to the greater flexibility it offers. Additionally, former homeowners who lost their homes to foreclosure will probably have to rent for many years to come. There are a number of other factors that will cause demand for apartments to outpace supply in the near- to mid-term. The “Echo Boomers” (ages 16-34) are entering the housing market burdened with student loan debt, tenuous job security and tighter lending standards – factors that may tilt the decision to rent or buy in favor of renting for now. On the other end of the spectrum, longer life expectancy and better health care are increasing demand for senior housing as retiring Baby Boomers (ages 45-64) downsize from the family home and transition to multi-family communities.

L.A. Five-County Region Apartment Vacancy Rates & Average Rental Rates



Note: For apartments with more than 100 units
Source: Real Facts/California Real Estate Research Council

Conclusion: The housing market in Southern California is looking up. Sales activity has increased across a broad range of home prices – an indication the market is moving back to a more balanced position. The rise in median price is due in part to higher demand. The greater variety of home types in the sales mix is also having a positive effect on prices. There was a drop in the share of foreclosed properties, which generally sell at a discount and are located in low-cost areas. Conversely, a greater proportion of sales are now occurring in higher-cost markets near the coast. The difference in the performance of the low-cost inland areas compared to the higher-cost coastal areas may be a reflection of somewhat better economic conditions in coastal communities at this time.

Improvement in 2013 will depend in large part on progress in the rest of the economy; stronger job and income growth will lead to an increase in the formation of new households, spurring new home construction. In spite of the recent upward trend in median price, housing affordability is still very good and the gates of pent up demand are starting to open. Increasing numbers of households are on a more solid financial footing, while gains in household wealth are easing concerns about an outbreak of foreclosures from homeowners upside down on their mortgages. With fewer distressed properties on the market, appraisers and mortgage lenders are becoming more comfortable with the quality of homes for sale. This should help ease conservative appraisals and underwriting standards.

Summing it all up, affordability and ultra-low interest rates are driving demand for housing. Investment activity continues to be robust. Record numbers of cash buyers are snapping up properties, but gains in “move-up” markets are also on the rise. As prices continue to appreciate, fewer people will owe more than their homes are worth, thus freeing them to sell and move up to a larger home or to one in a more desirable area. These factors are attracting more first-time and move-up buyers as well as investors, and are a strong indication the housing market recovery is on a sustainable path.

Table 22: Median Existing Single-Family Home Prices

Year	L.A. County	Orange County	Inland Empire	Ventura County
2002	287,176	408,638	167,726	372,395
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

Annual % Change

Year	L.A. County	Orange County	Inland Empire	Ventura County
2002	18.5%	15.5%	13.6%	15.4%
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%

Source: California Association of Realtors

Table 23: Total Housing Permits

Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2002	19,364	12,020	33,280	2,507	67,171
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
2012e	11,000	6,600	5,600	410	23,610
2013f	15,800	9,275	8,600	625	34,300
2014f	22,650	11,250	14,725	875	49,500

Annual % Change

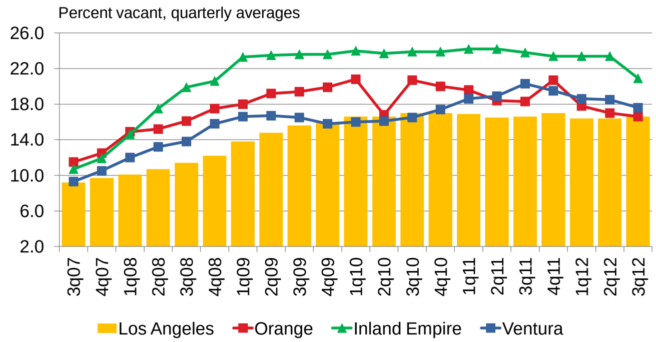
Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2002	6.1%	39.0%	20.8%	-27.2%	16.0%
2003	10.1%	-22.5%	29.2%	45.0%	15.0%
2004	26.4%	0.1%	22.5%	-28.4%	18.5%
2005	-4.8%	-22.7%	-3.6%	73.5%	-3.7%
2006	2.7%	16.2%	-23.1%	-45.5%	-13.5%
2007	-22.7%	-15.5%	-47.7%	-24.9%	-34.8%
2008	-32.7%	-55.3%	-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%
2012f	5.7%	37.3%	7.4%	-35.9%	12.1%
2013f	43.6%	40.5%	53.6%	52.4%	45.3%
2014f	43.4%	21.3%	71.2%	40.0%	44.3%

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

Nonresidential Real Estate

Office Space: Southern California's office market showed signs of continuing stabilization in 2012. However, it will take several more quarters of improvement before the region's office market is truly on the road to recovery. Although leasing activity is generally on the rise, the impact on rental rates has been minimal. Nevertheless, near record low levels of new construction are starting to have a positive on effect vacancy rates and this is helping to ease downward pressure on lease rates. As 2013 unfolds, the pace of recovery will depend on job creation in sectors that use office space such as professional and business services, financial activities, software design and entertainment.

Office Vacancy Rates in Southern California



Source: Grubb & Ellis Research Services

Los Angeles County: Leasing activity in 2012 demonstrated two distinct trends determined by sector and geography. In the Downtown CBD, with its concentration of banking and law firms, activity was concentrated in renewals with some space give-backs. In contrast, on the Westside, there were a number of expansions and new transactions signed by media and technology companies. Overall, as employment growth in key industry sectors improves, demand for office space will follow.

The Westside of Los Angeles County, driven by technology companies, is expected to outperform the overall market over the next 12 months.

~Jones Lang LaSalle

The Los Angeles County office market ended the third quarter of 2012 with an average office vacancy rate of 16.6%, unchanged from the same period in 2011. Although construction completions added just over 486,000 square feet of new office space (YTD, third quarter), net absorption was positive – nearly 488,000 square feet.[8] Asking rent for Class A space was $2.78 per square foot during the third quarter of 2012, which was up by 1.1% from the same period in 2011. Vacancy rates will continue to improve incrementally, but asking rents are likely to remain soft through the end of the year.

[8] Cushman & Wakefield

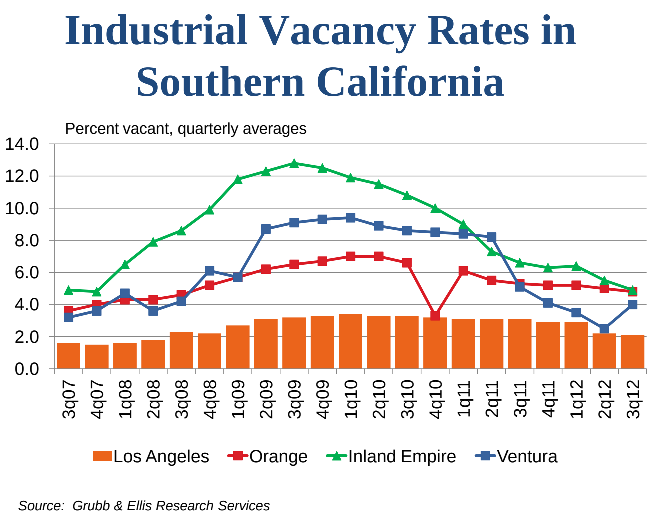
Orange County: Through much of 2012, leasing activity in Orange County's office market was lackluster. During the final months of the year, leasing activity actually declined slightly, although there was a minor improvement in lease rates. Still, Orange County closed its second consecutive year with substantial positive net absorption. Last year also saw the geographic broadening of the region's office market recovery. Availability in the most desirable areas (Newport Center, Irvine Spectrum) is tight thus allowing property owners to raise rents on the available space that remains.

In Orange County, the average office vacancy rate declined in the third quarter of 2012 to 16.6% from 18.3% a year ago. Year-to-date through the third quarter, net absorption was 1.1 million square feet. No new office space was delivered, but there are two large construction projects underway: Hyundai's new headquarters in Fountain Valley (469,000 sf) and PIMCO's new office building at Fashion Island (479,800 sf). Class A asking rents declined slightly (0.5%), averaging $2.15 during the third quarter. Although the Orange County office market experienced some bumps in 2012 with some large move-outs (FDIC, Cal Optima, Lenox Financial), it is well on its way to recovery. Demand for office space in Orange County is growing due to its proximity to neighboring markets and the diversity of its industry base.

Inland Empire: The Inland Empire office market should continue to stabilize in 2013. Although hiring for jobs that use office space is on the rise, employment is not expanding fast enough to fill the large amount of available vacant space in anything like a timely matter. On the plus side, the amount of available space that is being added to the market is declining and absorption in 2012 was positive. Lease rates are expected to firm up this year and leasing activity should increase as well.

In the Inland Empire, the office vacancy rate was 20.9% in the third quarter of 2012, down from the same period in 2011 (23.8%). Rental rates improved marginally over the same period, rising by 1.0% to $2.07 per square foot. Total net absorption during the first three quarters of 2012 was nearly 274,000 square feet. Through the third quarter, construction completions totaled 140,000 square feet, but there was no new additional space under construction. With vacancy rates still over 20%, builders are understandably reluctant to break ground on new office developments. On the other hand, buyers are taking advantage of depressed sales prices to buy office space – investment activity is on pace to be about double what it was in 2011.

Industrial Space: Southern California is a major center for manufacturing, international trade and logistics, and entertainment (sound stages). Los Angeles County is the nation's largest manufacturing center and is home to its biggest port complex. Industrial real estate forms the backbone of the region's economy. An adequate supply of industrial land with ready access to the region's transportation infrastructure facilitates trade and enhances the competitiveness of the region.



Los Angeles County: Last year, Los Angeles County's industrial real estate market was defined by the pullback in cargo volumes at the Ports of Los Angeles and Long Beach. The availability of large warehouse facilities is tight. The challenge for Los Angeles' industrial market is supply. Lease renewal rates are high, which makes it hard for companies who would like to have a presence in the area to gain entry.

There is some new supply in the pipeline. As of the third quarter (2012), 1.1 million square feet of new construction had been completed with another 2.1 million square feet of new space under construction. Net absorption was positive (nearly two million square feet), but the gains in warehouse and distribution space were partly offset by negative net absorption of manufacturing space. Third-party logistics providers are a dominant force in the region and many are willing to pay premiums on high-cube buildings with large yards to accommodate trailer parking.

At the close of the third quarter, the industrial vacancy rate in Los Angeles County was 2.1%, down a full percentage point from same period in 2011. Over the year, the average asking rent for industrial space edged up to $0.53 per square foot from $0.51 per square foot. Much of the lack of upward pressure on rents is attributable to flattening inbound container cargo traffic through the ports. Nevertheless, recovery is well underway and lease activity is increasing – lease rates are likely to stay soft in 2013 but should begin to rise appreciably beginning in 2014.

Medical device manufacturers have been a driver in the Orange County industrial market and are expected to be one of the most active industries in the near future.

~Jones Lang LaSalle

Orange County: Like Los Angeles County, Orange County has one of the tightest industrial real estate markets in the country. Leasing activity ticked up in 2012 and net absorption was 1.7 million square feet in the third quarter. With no new construction coming on line, and a mere 26,000 square feet of new space in the works, vacancy rates have remained low.

Orange County's industrial real estate market is on track for recovery although the pace is slower than anyone would like. The average vacancy rate in the third quarter of 2012 was 4.8% down appreciably from 5.3% a year ago. During the third quarter, the average asking rent increased to $0.67 per square foot from $0.63 per square foot during the third quarter of 2011.

Orange County's industrial real estate market is well on its way to recovery. Higher land costs make the area less attractive to users of large warehouses, but with low interest rates and low sales prices, investor activity will set a record high in 2012.

Inland Empire: Weaker than expected growth in trade last year as measured by container volumes moving through the San Pedro Bay ports appears to have slowed momentum in the Inland Empire's industrial real estate market. Year-to-date through the third quarter, net absorption was nine million square feet, which was down from 13.2 million during the comparable period in 2011.

In San Bernardino, 1.8 million sf of new net absorption activity will be created from three new warehouse buildings: Amazon, Quaker Distribution and Cott Beverage.

The third quarter vacancy rate was 4.9%, a significant decline from the 5.1% rate posted during the third quarter of 2011. Asking rents edged up to $0.38 per square foot compared with $0.36 per square foot during the third quarter of 2011.

Significant declines in vacant space with strong demand for warehouse space above 300,000 square feet have prompted substantial new development. Nearly 6.5 million square feet of new construction was delivered to the market (YTD, third quarter) with another 7.6 million square feet in the pipeline. The Inland Empire leads the nation in industrial construction and accounts for nearly 41% of new speculative construction in the nation.[9] Demand for big box product should easily absorb new construction in 2013. As vacancies decline, and if demand stays on course, rents will start to rise, but are expected to remain below pre-recession levels for the foreseeable future.

Forecast for Private Nonresidential Construction: The value of total private nonresidential construction in the five-county region fell to an estimated $4.9 billion in 2012, down by 11.0% compared with 2011. In 2013, as general economic and labor market conditions improve, the LAEDC forecasts nonresidential construction in the region will increase to $6.6 billion (36.2%). While this increase appears large in percentage terms, the market is coming off a very low bottom. Compared with the peak year for new nonresidential construction (2007, $9.9 billion), the LAEDC forecast for new construction this year is down by 33.3%. The road to recovery is still unfolding and will be a long one.

For the most part, office space development will be restrained in all five counties of the Southern California region. Office vacancy rates around the region should be stable through the remainder of 2012 and begin to decline in some areas as the employment situation improves. Average rents may continue to soften in some

[9] Cushman & Wakefield

areas, but for the most part, appear to be stabilizing. The lack of new construction and stronger employment growth will help drive region's office market recovery. Changes in workplace organization will present a challenge going forward. Filling a cubical does not immediately translate to demand for more office space.

The outlook for industrial space development is somewhat more positive, but improvements in vacancy rates and rents will depend largely on trade and manufacturing activity. Another factor is the rate at which speculative developments come on line – too much supply added too fast could derail recovery.

Table 24: Private Nonresidential Construction Permits

(By valuation, $millions)

Year	L.A.	Orange	Riv-SB	Ventura	5C-Total
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	3,129	1,299	921	147	5,496
2012e	2,350	1,275	1,150	115	4,890
2013f	3,375	1,600	1,500	135	6,610
2014f	4,025	1,800	1,730	150	7,705

Annual % Change

Year	LAC	OC	RSBC	VC	5C-Total
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	16.9%	12.8%	16.3%	-8.3%	14.9%
2012f	-24.9%	-1.8%	24.8%	-21.9%	-11.0%
2013f	43.6%	25.5%	30.4%	17.4%	35.2%
2014f	19.3%	12.5%	15.3%	11.1%	16.6%

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

Retail Trade

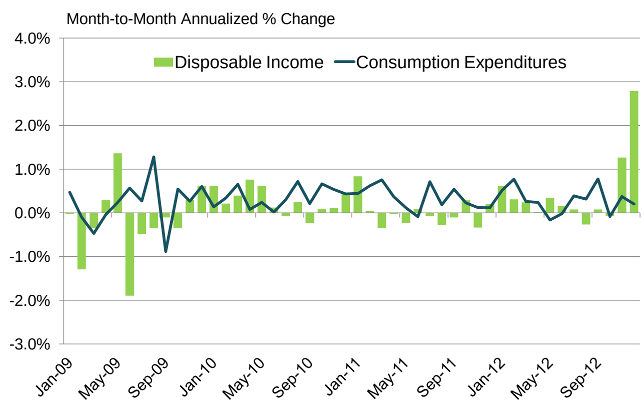
The U.S. retail sector posted a solid, if not blockbuster performance in 2012. This year, retail sales will continue to improve. Retailers are generally more optimistic about the outlook for 2013, but gains will probably be modest. Stubbornly high levels of unemployment, weak personal income growth and wobbly consumer confidence have kept retail spending in check since the end of the recession. Still, retailers are investing more in new technology to take advantage of the explosion in ways for customers to shop and interact with retailers.

Retail experts predict retailers will eventually be "omnichannel". The neighborhood bagel shop will have a mobile app for ordering from a phone and in the future, Amazon will let customers into its warehouses to browse and shop in person.

~National Retail Federation

Total retail sales in 2012 were higher compared with 2011, but the rate of growth was slower. Retail sales increased by 5.0% in 2012 compared with 6.1% in 2011. After stripping out the more volatile components of the retail sector (automobiles, gasoline stations, and building and garden centers), to arrive at "core" retail sales, the numbers still looked good (up by 4.6%), but again the rate of growth was slower. [Core retail sales make up about 65% of total retail sales.]

Real Disposable Personal Income



Source: Bureau of Economic Analysis

Personal income growth registered an impressive 6.9% increase in December of last year. At first glance, this may be viewed as a promising sign for retail sales this year. However, the surge in personal income in December has been attributed largely to anticipated changes in fiscal policy and had little to do with the underlying health of the U.S. economy. Much of the growth in personal income in December was the result of firms rushing to pay dividends and bonuses before new tax rates went into effect in January.

Heading into 2013, consumer spending is not expected to improve very much, at least during the first half of the year. The expiration of the 2% payroll tax cut took a bite out of workers' paychecks, and the wrangling over fiscal policy in Washington has done little to inspire consumer confidence, an important indicator of consumers' willingness to spend. Still, as the year progresses, the economy will continue to expand, bringing gains in employment and real disposable income. Total U.S. personal consumption expenditures are expected to increase in 2013 by 1.8%, a large component of which, are retail sales.[10]

Bright spots in the retail sector include auto sales, electronic (on-line) shopping and mail order houses. On-line shopping is outpacing most other segments of the retail sector. Both discount and luxury retailers will continue to do well, but mid-range retailers are still having a difficult time getting back on their feet. High unemployment among middle-income workers is one factor, but even among those who are employed, a new budget-consciousness that emerged in the aftermath of the recession has pushed former patrons of mid-range retailers into the aisles of discounters. At the other end of the retail spectrum, the clientele of luxury retailers tends to be more insulated from the vicissitudes of the economy.

A Note on Gasoline Prices*: The U.S. Energy Information Administration expects that the Brent crude oil spot price, which averaged $112 per barrel in 2012, will fall to an average of $105 per barrel in 2013 and $99 per barrel in 2014. Falling crude prices will help national average regular gasoline retail prices to fall from an average of $3.63 per gallon in 2012 to annual averages of $3.44 and $3.34 per gallon in 2013 and 2014 respectively.*

The recovery in the housing market is good news for consumers. Median prices are on the rise – household real estate wealth increased by more than $1.0 trillion during the first three quarters of 2012. This is a big positive for consumer spending. Rising asset prices create a "wealth effect". As homeowners see the value of their homes increase, they tend to spend more from current income (viewing the equity in their homes as a sort of savings account). Lower and stable gasoline prices will allow households to redirect spending from gasoline stations to retail spending on consumer goods and entertainment (see sidebar). Low interest rates are another bright spot. If consumers can obtain credit, now is a good time for durable goods purchases like household appliances and televisions.

Sales Trends: Southern California retail sales will mirror the national trend. The LAEDC is forecasting moderate increases in taxable retail sales that will range from 6.7% in Orange County to 4.3% in Inland Empire. San Diego can expect an increase of 6.1%, followed by Los Angeles and Ventura counties, where taxable retail sales are expected to increase by 5.9% in 2013.

The risks to the forecast include slower than expected employment and wage growth. The outcome of the budget talks in March is another source of uncertainty that may impact consumer confidence. Gasoline prices should remain stable through the rest of the year, barring natural disasters or military conflict. Inflation, which was muted in 2012, will remain tame through this year and next.

[10] In addition to retail sales, personal consumption expenditures also include housing and health care.

Travel and Tourism

Hospitality and tourism is one of Southern California's largest and most visible industry sectors, employing hundreds of thousands of people and generating billions of dollars in economic activity. Los Angeles County alone hosted a record 41.4 million visitors (day and overnight) last year, a 2.5% increase over the previous year. Tourists and business travelers spent $16.5 billion in 2012, an increase of 7.1% over 2011, also a record high.[11]

L.A. County Overnight Visitor Counts and Spending

Source: L.A. Tourism and Convention Board

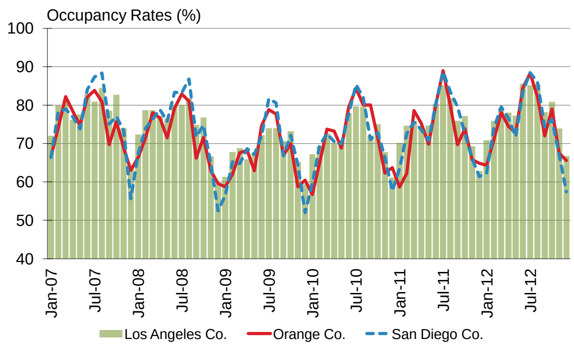
More international travelers arrived in Los Angeles last year – 6.0 million, an increase of 1.2% compared with 2011. While Mexico and Canada sent the largest number of *international* visitors to Los Angeles County, China moved into the top spot as Los Angeles County's number one *overseas* market. Other significant overseas markets for Los Angeles County include Australia (number one in 2011), the United Kingdom, Japan, France, South Korea and Germany. International travelers accounted for 14.5% of the total number of visitors who arrived in Los Angeles last year, compared with 14.6% of the total in 2011. Slower economic growth in Asia and the euro zone in 2012 may explain in part why domestic visitor growth (2.7%) outpaced international growth (1.2%), but the disparity may also reflect growing domestic demand for travel and hospitality-related goods and services.

Demand for the region's hotel rooms was strong in 2012, with gains in both occupancy rates and average daily room rates. Occupancy rates in Los Angeles County are estimated to have reached 77.7% in 2012, which means occupancy rates have recovered to pre-recession levels. Average daily room rates (ADR) improved as well, regaining the ground lost during the downturn. Last year ADR in Los Angeles County was estimated to be $171.54 compared with $151.31 in 2009 (the low point of the current cycle) and $170.87 in 2008 (the peak).[12] The story is much the same throughout the region although there is variation by

[11] Los Angeles Tourism and Convention Board
[12] PKF Consulting: *2013 Southern California Lodging Forecast*

county and submarket. As 2013 progresses, the lodging sector will benefit from stronger corporate spending, international visitation, personal income growth and limited new supply. Transient-occupancy taxes are also a significant revenue source for local government coffers.

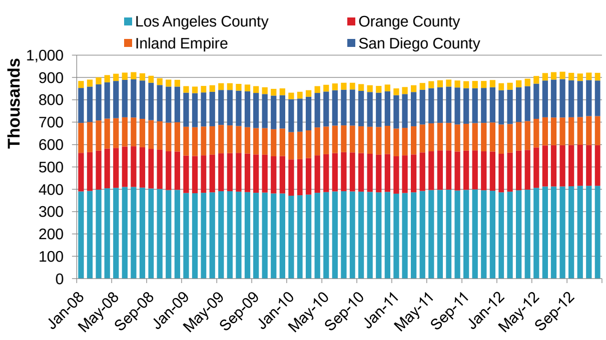
Hotel Occupancy Rates



Source: PKF Consulting

Employment in this industry is also on the rise. In 2012, the leisure and hospitality industry sector[13] added 32,100 jobs across the region, representing a 3.6% year-over gain in employment. Most of the gain was concentrated in Los Angeles County (21,600 jobs), but with the exception of the Inland Empire, which experience a decline of 300 jobs, the leisure and hospitality sector saw broad job growth across the region. In Los Angeles, Orange and Ventura counties, leisure and hospitality is one of the few sectors that has recovered and surpassed pre-recession employment levels.

SoCal Leisure & Hospitality Employment



Source: California EDD

[13] This sector (NAICS 72) includes lodging, food services, the performing arts, museums, amusement parks and gambling establishments, all of which cater to residents as well as tourists so employment figures are not entirely attributable to tourist related activities.

The outlook for the region's energetic tourism and hospitality industry is sunny. Slow economic growth both at home and abroad is a concern, but after two consecutive years of record visitor counts and spending, it seems there is little reason for worry. Efforts to maintain Southern California's position as a premier travel destination are ongoing. LAX is in the midst of a multi-billion dollar investment program, of which the centerpiece is the renovation of the Tom Bradley International Terminal. San Diego International and Orange County's John Wayne Airport have also recently undergone major upgrades. While there has been little in the way of new hotel construction, several prominent properties have undergone extensive remodels. In addition to Orange and San Diego counties, Los Angeles is also becoming increasingly popular as a convention destination. Local theme parks continue to invest in innovative attractions and the region's expanding number of cultural attractions are a major draw for visitors.

Index of Statistical Tables

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