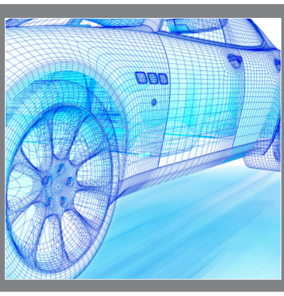
LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

THE KYSER CENTER FOR ECONOMIC RESEARCH

2012-2013 MID-YEAR ECONOMIC FORECAST AND INDUSTRY OUTLOOK

INNOVATION THRIVES IN LOS ANGELES COUNTY





LAEDC LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

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://bos.co.la.ca.us/.

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2012-2013 Mid-Year Economic Forecast and Industry Outlook

California and Southern California
Including the National and International Setting

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July 2012

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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 to retain or attract 177,975 annual jobs in Los Angeles County with an estimated labor income, including wages and benefits, of $10.8 billion. Taken together with the supported indirect and induced economic activity, a total of more than 400,000 annual jobs with labor income of more than $21 billion were impacted, accounting for 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 LAEDC takes a flexible approach to problem solving, supplementing its in-house staff when needed with outside firms and consultants. Depending on our clients' needs, the LAEDC will assemble and lead teams for complex, long-term projects; contribute to other teams as a subcontractor; or act as sole consultant.

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*

LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION

July 25, 2012

Good morning, Ladies and Gentlemen, and welcome to the LAEDC's 2012-2013 Mid-Year Economic Forecast, entitled Innovation Thrives in Los Angeles County.

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 Chief Economist, Robert Kleinhenz.

An expert panel has joined Dr. Kleinhenz today to provide a comprehensive update to the LAEDC's annual forecast of our local, state, national, and global economies. Leaders in aerospace have also joined the morning's panel to provide updates and success stories from one of our region's most valuable sectors. The panel includes:

Dr. Bruce Chesley serves as Director of Advanced Space & Intelligence Systems, part of the Advanced Network & Space Systems unit of Boeing Phantom Works. William Pomerantz is the Vice President for Special Projects at Virgin Galactic, the world's first spaceline. Gwynne Shotwell serves as President of SpaceX, responsible for day-to-day operations and for managing all customer and strategic relations to support company growth. Kimberly Ritter-Martinez is an Associate Economist in the Kyser Center for Economic Research, and is editor of the e-EDGE, LAEDC's weekly economic newsletter. Repeating his role as Master of Ceremonies, Frank Mottek 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 Alston & Bird LLP, City National Bank, Caruso Affiliated, County of Los Angeles, Greenberg Traurig, Manpower, US Bank, Wal-Mart, KNX 1070, San Marino Tribune, Long Beach Post, and Business Life.

I am proud to announce that successful implementation of the five-year Los Angeles County Strategic Plan for Economic Development continues at the LAEDC. 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 solve difficult problems facing our economy. If you have not already done so, we would encourage you to find out more about the Strategic Plan at lacountystrategicplan.com and consider an endorsement of the Plan's aspirational goals.

Here at the LAEDC we firmly believe great communities begin with great jobs. 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

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2012-2013 Forecast at a Glance

The U.S. Economy

- Slow growth, gradual improvement in labor market, and low inflation threat
- Consumer sector is healing, which is good news for overall economy
- Risks: uncertainty regarding the European situation, global economic slowdown, and the Federal "fiscal cliff"

	2011	2012F	2013F
Real GDP (% Change)	+1.7%	+2.0%	+2.2%
Nonfarm Jobs (% Change)	+1.2%	+1.4%	+1.4%
Unemployment Rate	9.0%	8.2%	8.0%
Consumer Price Index (% Change)	+3.2%	+2.2%	+1.9%

Leading Sectors: Consumer Spending, Exports, Business Equipment Spending, Manufacturing, Professional & Business Services

Trailing Sectors: Construction, Financial Activities, State/Local Government Spending

The California Economy

- State improvement tied to national and global economies
- Private sector job gains, unemployment rate down slowly but steadily, housing on the mend
- Risks: short-run/long-run challenges stemming from problems with state and local government finances

	2011	2012F	2013F
Unemployment Rate	11.7%	10.7%	10.0%
Nonfarm Jobs (% Change)	+1.4%	+1.5%	+1.5%
Population Growth (% Change)	+0.7%	+0.9%	+0.9%

Leading Sectors: High-Tech Manufacturing, Software Development, Tourism, and Health Care

Trailing Sectors: Construction, State/Local Government Spending

The Southern California Economy

- Progress in regional economy, but unevenly across counties and industries
- Orange County and Inland Empire (Riverside-San Bernardino) leading region in labor market gains
- Private sector recovery continues despite state/local fiscal problems and associated government job losses

Leading Sectors: High-Tech, Tourism, International Trade, Entertainment, Professional and Business Services

Trailing Sectors: Residential Construction, State/Local Government Spending, Financial Activities

Outlook for the U.S. Economy

In some regards, the economy's performance during the first half of 2012 seems like déjà vu. Both 2011 and 2012 began with promising numbers on the labor front, giving rise to hopes that the U.S. economy would finally accelerate and drive the unemployment rate down. But the economy faltered in the second quarter in 2011 and again in 2012. Last year, the economy reacted to the Japanese earthquake/tsunami, higher energy prices in the wake of the Arab Spring, and the Greek sovereign debt crisis. This year, higher energy prices and the Greek sovereign debt crisis both staged repeat performances – the latter causing more widespread problems in the euro zone. In both years, the domestic economy softened in the second quarter relative to the first quarter.

Still, the economy has made progress, as illustrated by a quick review of the vital signs of the economy at mid-year 2012:

- Gross Domestic Product (GDP) grew by 1.9% in the first quarter of this year, slightly better than the 1.7% annual growth rate for all of 2011. The second quarter growth rate is also expected to be just below 2%.
- The unemployment rate stood at 8.2% in June, having changed little since the start of the year but nearly a percentage point lower than a year earlier.
- Having started the year with hefty increases in excess of 250,000 jobs per month, the labor market has since responded to the slow growth rate of the economy by averaging 75,000 nonfarm jobs gained in the last three months, about one-third of the job growth needed to bring the unemployment rate down in a timely fashion. Still, the economy has added jobs 900,000 jobs from the end of last year through June, averaging a 1.4% year-to-year growth rate.
- The rate of inflation averaged a moderate 2.5% through May, despite the increase in energy prices during the spring. The core rate of inflation (excluding the volatile components fuel and food) also held steady at a tolerable 2.3%.

Although the recession officially ended three years ago, the economy has been stuck in a low growth trajectory with GDP increasing at approximately 2%.

Although the recession officially ended three years ago, the economy has been stuck in a low growth trajectory with GDP increasing at approximately 2%, due largely to below par demand for goods and services, primarily on the part of the consumer sector. Slow growth leaves slack in resource markets and results in a subdued threat of inflation, but it also means that it may take years before the labor market fully recovers and the unemployment rate returns to a normal level. While full recovery in the economy appears to be years off, it is reassuring to note that there has been *no* repeat domestic financial crisis and *no* double-dip recession, both of which were feared over the last three years. Moreover, the slowdown in China's growth rate, and Europe's economic and sovereign debt problems have had only a muted impact on the U.S. economy.

Key Sectors

Consumers: The consumer sector accounted for 70% of all expenditures in the U.S. economy last year. Increases in consumer spending are needed to spur economic growth, causing firms to ramp up the production of goods and services, and triggering both job and income growth.

Several indicators reflect gradual healing on the consumer front. Personal consumption expenditures rose by an annualized 2.5% in the first quarter of this year, the biggest increase in over a year. The increase was led by hefty gains in the purchase of durable goods, especially cars and trucks, which have contributed to increased manufacturing employment in recent quarters. While it is considerably below the average 4.1% increase in consumer spending that prevailed in previous post-recession years, it is a welcome sign that consumers are opening their wallets.

Income gains, improvement in consumer balance sheets, and increases in the use of consumer credit have supported increases in consumer expenditures in recent quarters. Inflation-adjusted after tax income (real disposable personal income) grew by a marginal 0.7% in the first quarter on an annualized basis. Moreover, household net worth (assets minus liabilities) continues to recover, posting a 3.3% year-to-year increase in the first quarter of this year. Household net worth plunged 24.0% from its cyclical peak in the first quarter of 2007 to its trough in the first quarter of 2009, but has since increased 22.6% through the first quarter of this year, although it is still 6.8% below the 2007 peak.

Households have largely recovered their financial wealth, but real assets continue to lag in recovery. Meanwhile, consumer deleveraging that ensued at the start of the recession seems to be nearing an end, as consumer credit has grown steadily since hitting bottom in August 2010. Improvements in income and household net worth have been slow to date, but are essential ingredients to a healthy consumer sector, while increased use of consumer credit reflects more confidence about future consumer finances.

Improvements in income and household net worth have been slow to date, but are essential ingredients to a healthy consumer sector, while increased use of consumer credit reflects more confidence about future consumer finances.

Consumer sentiment experienced nearly a year of steady gains before pulling back in June in response to softening conditions in the economy during the second quarter. While consumer behavior does not correlate precisely to consumer sentiment, it provides some insight to current and future spending on the part of households.

Increases in the price of gasoline early in the year tempered consumer spending but the price of oil has since retreated, offering relief to consumers at the pump. That relief came more slowly to California drivers as it was temporarily offset by costs associated with the seasonal switch from winter gas to summer gas formulations. However, the price of a gallon of unleaded gasoline, which rose above four dollars from February through May, finally fell below that threshold by early June. Consumer expenditures are expected to increase by 2% for all of this year, with growth just above 2% in 2013.

Businesses: Business investment spending includes expenditures on nonresidential structures, equipment and software, additions to inventory, and residential investment, that is, new single-family and multi-family home construction. It accounted for 13% of total economic activity in 2011.

Investment spending fell sharply during the recession but came back strongly in the aftermath of the Great Recession with double-digit percentage increases in late 2009 and the first part of 2010. Investment spending overall grew by 6.5% on an annualized basis in the first quarter of this year, mainly because of increased spending on computer equipment and software, with smaller contributions from transportation (mainly aircraft) equipment, new nonresidential structures, and new residential structures. Even a slight contribution from new residential activity is a welcome development, as this expenditure category detracted from GDP over the last three years.

For all of this year, business investment spending is expected to grow by 5% to 6% this year and next. The mix of expenditures is likely to resemble that of the first quarter, with continued investment in computer equipment and software, aircraft, and commercial construction. New residential construction will also continue to register gains this year and next.

Government Spending: Government spending at the federal, state, and local levels accounted for 20% of total economic activity in 2011, with the federal government accounting for roughly 40% of all government expenditures and state and local government accounting for the other 60%. Spending at all levels of government continues to be under pressure as a result of the weak recovery in the overall economy.

Federal government expenditures exceeded $1 trillion in 2009, 2010, and 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 are projected to exceed $1 trillion again in 2012, but should fall below that threshold in 2013.

State and local government expenditures reached a peak of $1.53 trillion in 2007 and 2008, but slid with the start of the recession. Because of the requirement to balance their budgets, state and local governments across the country have cut expenditures while looking for new revenue sources. Portions of the 2009 ARRA went to state and local government to temporarily save the jobs of first responders and teachers, but as that support has waned, more job cuts have been implemented. State and local budgets largely support public services that are inherently labor intensive, so there are few alternatives to job cuts. In turn, 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 $1.45 trillion last year and are expected to fall by an additional 1% to 2% this year and next. After so many years of cuts, municipalities in California and elsewhere in the country are facing this year and next with great trepidation, and a few have considered declaring bankruptcy.

Total government expenditures, which hit a peak of $2.56 trillion in 2010, fell 2.2% in 2011 to $2.50 trillion. Total government expenditures are expected to decline by roughly 2% this year and next, falling to $2.41 trillion by 2013.

Labor: Improvement in the unemployment rate from 9.0% in the late summer of 2011 to the low 8% range early in 2012 led many to hope the labor market was finally on the mend. Monthly job gains picked up in late 2011 and averaged 226,000 per month by the first quarter of this year. But job growth pulled back to 75,000 per month during the second quarter as economic conditions softened, much the same as in 2011.

Evidence suggests that the main culprit behind high unemployment is the weakness of the overall economy, not structural changes to it.

The prolonged high unemployment rate has caused concerns that structural changes in the economy and possibly the extension of unemployment benefits may have caused permanent job losses. While there may be some structural unemployment, and while extending unemployment benefits may have contributed to a limited extent to longer unemployment duration, evidence suggests that the main culprit is the weakness of the overall economy. Because firms face weak demand for their products and services, they have been slow to hire workers on a full-time basis. Instead, they have managed fluctuations in demand and their workforce needs by relying on temporary employment.

If the current outlook for 2% GDP growth over the next two years holds up, a normal unemployment rate of 6% is still years off. Given the outlook for 2% growth in GDP this year and next, the unemployment rate will average 8.2% this year and 7.9% next year. While this is an improvement over 9.0% in 2011, households will continue to be weighed down by slow improvement in the labor market.

Inflation: With slack in the labor market and elsewhere in the domestic economy, inflation continues to be in check. Capacity utilization, which measures the share of the nation's industrial production in use, stood at 79.0% in May, well below the 83% to 85% range that corresponds to full utilization of the nation's productive capacity. While a domestic flare-up in inflation seems unlikely, there remains a threat of inflation from commodities whose prices are determined globally. However, with slower growth in Asia and outright recession in Europe, commodity prices have held steady this year. As for energy, the price of oil has come down from high levels of the spring in the wake of the global economic slowdown. It is likely to remain below $100 per barrel over the foreseeable future. While vigilance on the inflation front is always prudent, inflation based on the Consumer Price Index (CPI) is expected to be 2.2% this year and 1.9% next year, both below the 3.2% rate of 2011.

Economic Policy

Fiscal Policy: The federal budget deficit peaked in 2009 at $1.4 trillion, falling to $1.3 trillion in 2010 and 2011. The increase in the deficit came about both because of an increase in federal government expenditures and a significant decline in revenues. According to the Office of Management and Budget, federal expenditures grew from 19.7% of GDP in 2007 to 24.1% of GDP in 2011, in part because of ARRA (as described above). Emergency unemployment benefits and automatic stabilizers that were tied to the downturn also contributed to increased expenditures, as did defense expenditures, which rose from $548 billion in 2007 to $700 billion in 2011. At the same time, federal receipts fell from 18.5% of GDP to 15.4% last year, plunging during the recession as a result declining incomes, declining corporate profits, and declining returns on investments. The gap between the two was at its largest in 2009, when expenditures exceeded receipts by 10.1% of GDP. By 2011, the gap had decreased to 8.7% of GDP, and continued improvement in the economy would presumably narrow the gap further.

Looking ahead, the economy will face a situation early next year that is known as the "fiscal cliff", when a series of tax and expenditure changes are scheduled to occur.

Looking ahead, the economy will face a situation early next year that is known as the "fiscal cliff", when a series of tax and expenditure changes are scheduled to occur. These include an end to the Bush tax cuts, the expiration of the payroll tax cut that has been in effect for 2011 and this year, the expiration of both emergency unemployment insurance benefits and special depreciation allowances for business. Should all of these changes become effective in early 2013, both individual and corporate tax payers will experience an increase in tax rates. While this initially might seem to yield higher federal government revenues, it is inherently a contractionary policy that could slow if not derail recovery in the overall economy.

On the expenditure side, the so-called sequester will require $1.2 trillion in automatic spending cuts to be phased in over the period 2013 to 2021. This is the result of the failure of the super committee last fall to come up with discretionary cuts. About half of the scheduled cuts will apply to defense spending. Approximately $88 billion in cuts are scheduled for 2013. This too is a contractionary policy move that will slow recovery in the overall economy.

If all of these tax and expenditure changes become effective in 2013, a recession seems likely. However, members of Congress may choose to modify, postpone, or cancel some of these scheduled changes, thereby avoiding a recession. Few changes are expected in the time leading up to the fall election, but there may be a series of year-end moves to buy time into early 2013 and reduce the anticipated full impact of the fiscal cliff.

Monetary policy and interest rates: Conventional monetary policy typically involves changes in the fed funds rate, the rate at which banks lend to each other over a very short term (usually overnight) in order to manage their reserve requirements. Because the Federal Reserve Bank (the Fed) reduced the effective fed funds rate to zero early in the recession, and because it cannot reduce it below zero, there is no room to make changes in conventional monetary policy to stimulate further the economy.

Since the start of the recession, the Fed has engaged in a number of efforts to stimulate the economy by affecting long-term rates through changes in its balance-sheet. The large scale purchase of long-maturity securities drives up the prices of those securities and drives long-term yields down. The Fed has purchased treasuries, and in support of housing, mortgage-backed securities (MBS) that have been issued by Fannie Mae and Freddie Mac and are backed by the full faith of the federal government. The most recent move has been dubbed Operation Twist, which is intended to bring long-run rates down.

These policy moves can potentially have several effects on the financial system and on real economic activity. Low long-run rates make it attractive for businesses to investment in new plant and equipment. Some households may decide to buy homes, while current homeowners may choose to refinance, thereby bringing down their monthly payments and improving their balance sheets. But these policies only work if they truly create additional demand for borrowed funds, and if the money is actually lent out. Based on the Fed's Senior Loan Officer Survey, it appears that banks continue to exercise prudence in lending out money to a variety of would-be creditors. Meanwhile, many households remain timid about making long-term financial commitments because of uncertainty about their economic and financial futures. In short, because of hesitation on the part of both lenders and borrowers, Fed policy moves such as Operation Twist may bring about some improvement at the margin, but are unlikely to lead to full economic recovery in the near term.

U.S. Forecasts and Risks

The outlook for the national economy has changed little since the LAEDC's February forecast. Following a growth rate of 1.7% last year, GDP is expected to grow by 2.0% this year and 2.2% in 2013. The unemployment rate will improve slowly from 9.0% in 2011 to 8.2% this year and 8.0% in 2013, caused by 1.4% annual gains in nonfarm jobs. Inflation, which was 3.2% in 2011, will remain in check at 2.2% this year and 1.9% in 2013.

The economy continues to face risks abroad, given the ongoing global slowdown. China and other emerging economies continue to grow, but at less robust rates than in recent years, while some countries in Europe have already tipped into recessions of varying degrees of severity. The result is muted demand for U.S. exports, tempering GDP growth.

The fall election and the fiscal cliff both contribute to political uncertainty, and hence uncertainty about the economy, as do efforts by the Congress to make changes to the health care reform program, which recently survived a Supreme Court challenge.

Thus, while major calamities do not appear to be in the picture over the next 18 months, mild to moderate uncertainty about conditions here and abroad make for continued slow, tentative progress.

Table 1: U.S. Economic Indicators

Annual % change except where noted	2006	2007	2008	2009	2010	2011	2012f	2013f
Real GDP	2.7	1.9	-0.3	-3.5	3.0	1.7	2.0	2.2
Nonfarm Employment	1.8	1.1	-0.6	-4.4	-0.7	1.2	1.4	1.4
Unemployment Rate (%)	4.6	4.6	5.8	9.2	9.7	9.0	8.2	8.0
Consumer Price Index	3.2	2.8	3.8	-0.3	1.6	3.2	2.2	1.9
Federal Budget Balance (FY, $billions)	-$248	-$162	-$455	-$1,415	-$1,294	-$1,297	-$1,134	-$806

Sources: BEA, BLS and OMB; forecasts by LAEDC

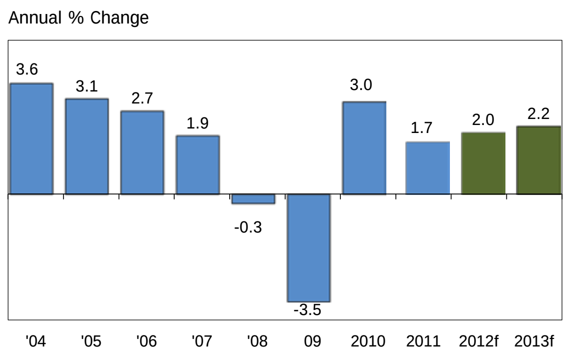
Table 2: U.S. Interest Rates

Annual Average, %	2006	2007	2008	2009	2010	2011	2012f	2013f
Fed Funds Rate	4.97	5.02	1.92	0.16	0.18	0.10	0.10	0.10
Bank Prime Rate	7.96	8.05	5.09	3.25	3.25	3.25	3.25	3.25
10-Yr Treasury Note	4.80	4.63	3.66	3.26	3.22	2.79	1.84	2.22
30-Year Fixed Mortgage	6.41	6.34	6.04	5.04	4.69	4.46	3.90	4.25

Sources: Federal Reserve Board; forecasts by LAEDC

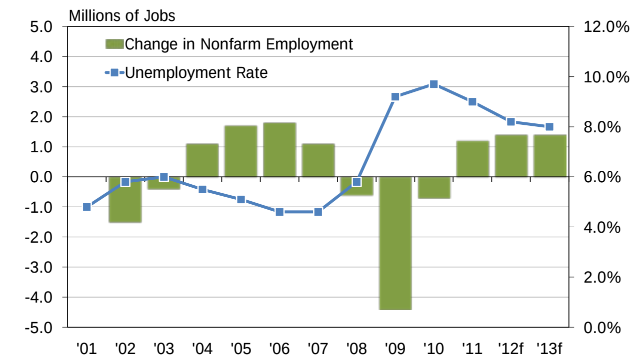
U.S. Economic Snapshot

U.S. Economic Growth



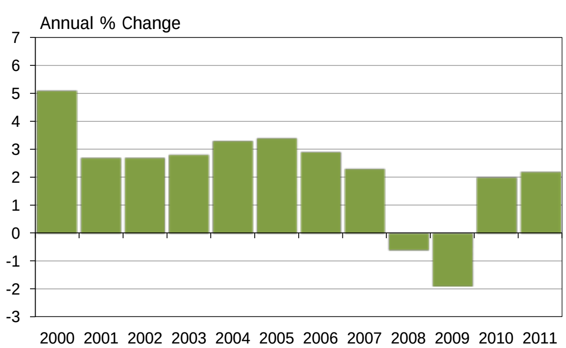
Sources: BEA, forecasts by LAEDC

U.S. Labor Market



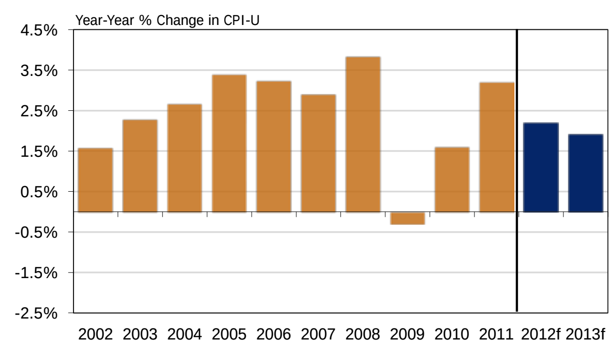
Sources: Bureau of Labor Statistics, forecasts by LAEDC

U.S. Personal Consumption



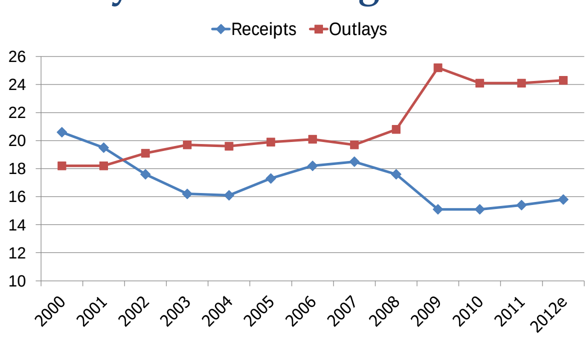
Source: Bureau of Economic Analysis

Consumer Inflation



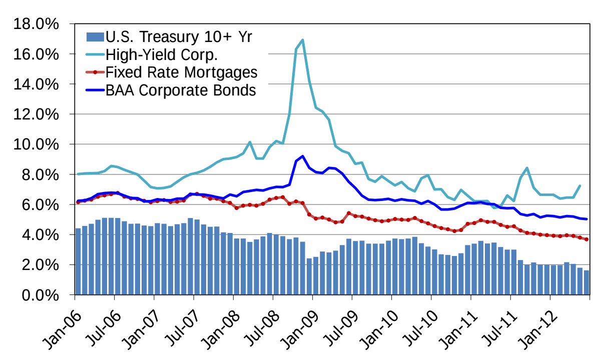
Source: Bureau of Labor Statistics; forecasts by LAEDC

Federal Budget Receipts & Outlays as Percentage of GDP



Source: Office of Management & Budget

Interest Rate Spreads



Source: Federal Reserve

The International Economy

Recent Developments and Outlook

Continued improvements in both the national economy and the Los Angeles metropolitan area economy over the next 18 months depend in part upon conditions in Europe and the performance of China's economy. While the challenge coming from China is the slowdown in its generally high growth rates, the problems in Europe are twofold, namely the ongoing sovereign debt crisis and weak economic conditions.

Europe: Europe continues to dominate international economic headlines and weighs heavily on the global economic outlook. Two main issues in Europe pose significant threats to the global economy. First, the sovereign debt crisis continues to plague the euro zone. Second, austerity programs in a number of countries in response to the sovereign debt crisis have tipped the euro zone into a recession, which has worsened from the first to the second quarter. Officially, euro zone economic output declined by 0.1% in the first quarter of 2012. Although Germany actually managed to grow by 0.5%, Greece, Portugal, Spain and Italy all contracted in the first quarter. Euro zone unemployment reached a record high in May, coming in at 11.1%, with the highest unemployment rate in Spain at nearly 25%, and Greece not far behind at 22%.

Euro zone unemployment reached a record high in May, coming in at 11.1%

Members of the European Union took steps in June to address the sovereign debt issue along with capital problems in the banking system. If successful, the financial system in Europe should somewhat stabilize in the immediate term, which would be a welcome development for the entire global financial system. Still, it will take years for Europe's economy and financial system to recover fully. In the more immediate future, the euro zone economy is expected to contract by 0.5% this year before turning around next year with growth of nearly 1%.

China: China is the Los Angeles region's top trading partner. With rapid growth rates and an emphasis on exports in the past few decades, China has become the second largest economy in the world. China maintained high growth rates through the recession, but growth has slowed over the past year. GDP expanded by 8.1% year-over-year during the first quarter of 2012, and slowed to 7.6% year-over-year in the second quarter. Industrial production and retail sales are clearly slowing down, partly in response to the recession in Europe. The government has reacted with two interest rate cuts since the beginning of June and a mini stimulus package that includes both fiscal and monetary policy. In addition, the Chinese economy will be looking for greater contributions from the private sector in the form of investment and an increase in consumer spending to stimulate the economy further. In fact, consumption's contribution to GDP growth rose to 58%, up from roughly 48% in the first half of 2011. Further government intervention could very well occur in the coming months in order to

Further intervention by the Chinese government could very well occur in the coming months in order to avoid a greater deceleration in growth as the November change in government approaches.

avoid a greater deceleration in growth as the November change in government approaches. China is projected to grow between 7.5% and 8.0% this year, and by over 8% next year mainly depending upon what happens in Europe.

Japan: Japan is the Los Angeles region's top source of foreign direct investment (FDI) and its second largest trading partner. The Japanese economy returned to positive growth in the first half of the year mainly due to reconstruction efforts and a renewed strength in exports. Exports have strengthened as the impact of the natural disasters both at home and in Thailand have subsided, but a stronger yen and the weakening of China's economy have hindered exports. The recession in Europe is also dampening the outlook. Still, falling commodity prices along with gains in the labor market bode well for sustained growth this year and next along the lines of roughly 2%.

South Korea: South Korea is Asia's fourth largest economy and the Los Angeles region's third largest trading partner. Because nearly 50% of the economy is geared toward exports, the global slowdown has stalled growth in the overall economy. However, the Korea-US Free Trade Agreement (KORUS FTA), which went into effect on March 15, has helped increase exports to the U.S. and will continue to do so for the remainder of the year. GDP is forecast to grow by roughly 3% this year and 3.5% in 2013 depending upon the global environment.

Taiwan: Taiwan ranks fourth in terms of two-way trade with Southern California. Like South Korea, Taiwan is heavily exposed to the global economy. Nearly 70% of the Taiwanese economy can be attributed to exports. As a result, the slowdown in China along with the recession in Europe has significantly impacted the economy. The most recent indication of all of this was seen in Taiwan's manufacturing sector when the June PMI contracted for the first time this year. Taiwan's GDP will expand by only 2.5% to 3.0% this year and by just over 3% next year. Of all the Northeast Asian economies, Taiwan will be affected the most by the global economic environment over the next year.

Southeast Asia: The big story over the first half of 2012 in Southeast Asia has been the resiliency of domestic demand, which has enabled the countries in this region to better withstand shocks from the global slowdown. For example, Malaysia has recently seen a substantial rise in domestic demand as imports rose by over 16% in May when compared to a year earlier mainly due to a big increase in spending on capital goods. These economies also have low levels of government debt, which offers the luxury of more accommodative fiscal policy. In fact, many governments have announced mega infrastructure projects. Southeast Asia's largest economy, Indonesia, has experienced outstanding economic growth over the past few years (GDP growth of 6.2% in 2010 and 6.5% in 2011) making it a favorite destination for foreign direct investment and other capital inflows.

Thailand: Thailand ranks as the Los Angeles region's fifth largest trading partner. Domestic consumption, investment and manufacturing all rebounded very strongly after last year's devastating floods. GDP actually grew by 11% on a quarterly basis during the first quarter after declining by nearly 11% in the fourth quarter as a direct result of the natural disaster. Most industries impacted by the flooding are expected to return to full production in the third quarter. In addition, as Asia's largest net importer of petroleum relative to GDP, Thailand has also benefitted from lower oil prices, along with improved political conditions. Thailand's economy is heavily dependent upon exports (they account for nearly 70% of GDP), which will be a concern going forward. Still, Thailand's GDP is projected to grow by roughly 6% this year before things cool off next year with GDP growth returning to levels that are more normal i.e. in the 4% to 5% range.

Two-way trade between the Los Angeles Customs District and Vietnam has more than tripled over the past seven years, mostly because of Vietnamese imports, which account for over 80% of existing two-way trade.

Vietnam: Vietnam is the region's sixth largest trading partner. Two-way trade between the Los Angeles Customs District (LACD) and Vietnam has more than tripled over the past seven years, mostly because of Vietnamese imports, which account for over 80% of existing two-way trade. Apparel and footwear are the two most significant imports from Vietnam. On the other hand, exports from the LACD to Vietnam should continue to grow as the Vietnamese economy matures and the middle class expands. Vietnam's economy is still expected to expand by roughly 6% in 2012 and perform even better over the long term.

Canada: Canada is the region's fifth largest source of FDI. Similar to the U.S. economy, the Canadian economy has seen limited growth over the first half of this year, expanding in the first quarter by 1.9% at an annualized rate. Canada's economy heavily depends upon exports, 80% of which go the U.S. Thus, economic recovery in Canada is particularly tied to the U.S. recovery. The global slowdown and the fall in commodity prices (particularly oil) have negatively impacted the economy and should continue to do so in the second half of the year, resulting in roughly 2% growth this year and next.

In addition to the Korea FTA, the U.S. passed FTAs with Colombia and Panama last year. The Colombia FTA went into effect on May 15; the Panamanian FTA will go into effect later this year.

Mexico: The Mexican economy has performed well so far this year, with GDP growing by 4.6% year-to-year during the first quarter. Agriculture, manufacturing and services all experienced solid growth in the first quarter. The country has the lowest inflation rate in Latin America as well as low interest rates. Since 80% of its manufactured exports go to the U.S., the outlook for the Mexican economy depends on what transpires in the U.S. economy. Still, the Mexican economy has become increasingly diversified and more dependent on internal demand for economic growth. The Mexican economy is expected to expand by 3.5% this year and close to 4.0% in 2013. One risk that Mexico does face in the forecast period comes from the banking crisis in Spain as many Mexican banks are exposed to Spanish debt and FDI from Spain would be negatively affected as well.

Brazil: The Brazilian economy struggled over the first half of this year as fixed investment, industrial production, and commodity prices have all weakened, and its growing dependence on China has created a drag on the overall economy. Brazil's economy only grew by 0.7% when compared to a year earlier, just a fraction of last year's growth. The slowdown in the global economy has been a big problem and will remain an issue in the second half. Brazil's economy is expected to expand by roughly 3% this year and then reach a 4% growth rate in 2013.

Colombia and Panama: In addition to the Korea FTA, the U.S. passed FTAs with Colombia and Panama last year. The Colombia FTA went into effect on May 15; the Panamanian FTA will go into effect later this year. The Colombian and Panamanian economies have performed well over the past decade. The Colombian economy has enjoyed unprecedented political stability over the past few years and GDP per capita has doubled since 2004. It is the fourth largest economy in Latin America and the third largest in South America. Colombia is expected to experience growth rates of 4.5% annually over the next five years.

India has become one of the LACD's top trading partners over the past few years, with two-way trade doubling over the past seven years.

Similar to Colombia, Panama is one of the fastest growing economies in Latin America, growing by 7.6% in 2010 and over 9.0% in 2011. The keys to this success have been exports and public investment with two huge infrastructure projects including the Panama Canal expansion. Panama's economy is forecast to climb by 5% to 6% annually over the next five years primarily resulting from additional infrastructure spending.

India: India has become one of the LACD's top trading partners over the past few years, with two-way trade doubling over the past seven years. Trade is somewhat more balanced compared to other countries. Imports from India represent roughly 60% of existing two-way trade. In fact, exports to India have a bright future as the country evolves into one of the largest economies in the world with over 1.2 billion consumers.

The Los Angeles metropolitan area is well-positioned geographically and otherwise to capitalize on continued globalization of markets, particularly those emerging in Asia and Latin America.

The Indian economy has seen growth rates of over 10% replaced by 6% levels in less than a two-year period. India's GDP is projected to increase by less than 6% in 2012 and by over 6% in 2013. Over the long-term, the Indian economy is projected to become the second largest economy in the world.

Long Range Outlook: The global economy has witnessed an unprecedented transformation over the past 20 years. The largest developed countries no longer dominate the global economy as they did for much of the post-World War II era. Rather, several emerging economies have grown in size and risen up the ranks to become economic powerhouses, particularly in the last few years. Their ascendancy has been marked by rapid industrialization and a rising middle class whose growing incomes have unleashed a demand for consumer goods.

The Los Angeles metropolitan area is well-positioned geographically and otherwise to capitalize on continued globalization of markets, particularly those emerging in Asia and Latin America. With strong ties to many countries in both regions, Los Angeles will continue to benefit from two-way trade between the U.S. and countries in these regions. In addition, Asian companies who wish to establish relationships with Latin American countries see Los Angeles as the first point of entry to these markets. In that sense, Los Angeles has the potential to serve as a hub for evolving multilateral trade relationships stretching across the Pacific and elsewhere in the world.

Foreign Exchange (FX) Rates

The significant foreign exchange (FX) story over the first half of 2012 has been the rise of the U.S. Dollar as investors have flown to safety as a result of uncertainty over the situation in Europe and elsewhere in the world. In addition, the resulting decline in commodity prices, particularly oil prices has also contributed to the strengthening of the U.S. Dollar. Moreover, the influx of capital flows to developing economies has reversed over the past year, in reaction to global uncertainty and falling commodity prices.

The significant foreign exchange story over the first half of 2012 has been the rise of the U.S. Dollar as investors have flown to safety as a result of the uncertainty over the situation in Europe and elsewhere in the world.

These conditions have been particularly evident in Brazil. In fact, after reaching a twelve-year high vis-à-vis the U.S. Dollar last year, the Brazilian Real has weakened by 32% since last July. Foreign capital has not been flowing as rapidly into Brazil as it did last year due to lower interest rates and a drop in commodity prices. In addition, all of the other key elements from last year have dissipated as well including a drop in foreign direct investment.

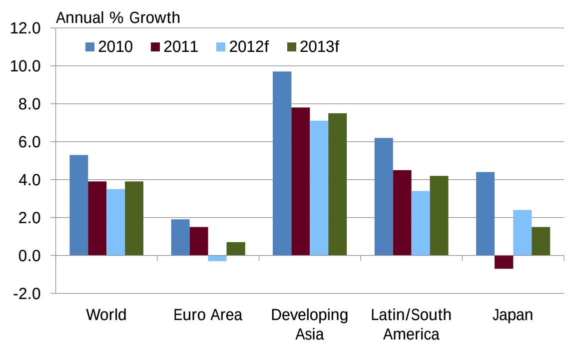
Over the first half of this year, the U.S. Dollar appreciated vis-à-vis the Euro, Japanese Yen, Chinese Renminbi/Yuan, Korean Won, Canadian Dollar, and the British Pound. Amongst our top five trading partners, the U.S. Dollar has only depreciated (albeit slightly) vis-à-vis the Taiwanese Dollar so far this year.

The U.S. Dollar has strengthened versus the euro as the euro zone debt crisis has worsened since the beginning of the year. In addition, commodity prices have dropped, which has put additional upward pressure on the U.S. Dollar (as most key commodities are priced in U.S. Dollars). However, if the European debt situation improves in the second half of the year, the U.S. Dollar will likely lose some momentum. Likewise, the U.S. Dollar will strengthen if the debt crisis escalates or if something were to trigger an increase in oil prices. In both cases, investors would continue to seek a safe haven in world financial markets.

Finally, the Fed could implement another quantitative easing program (a so-called QE3), which would reverse some of the upward pressure on the greenback in the second half of the year and into 2013. On the other hand, the U.S. Dollar would feel continued upward pressure if the emerging markets continue to grow modestly. The immediate outlook calls for the emerging economies to slow down over the second half of the year, which should lead to a continuation of similar conditions.

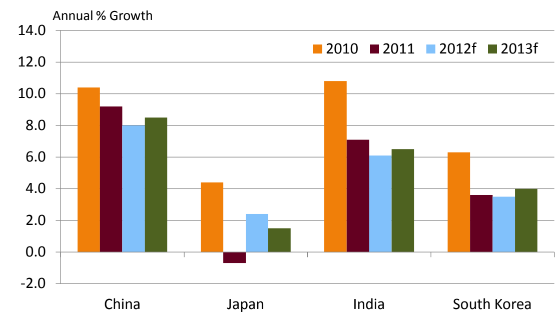
Global Economic Snapshot

Global Economic Outlook



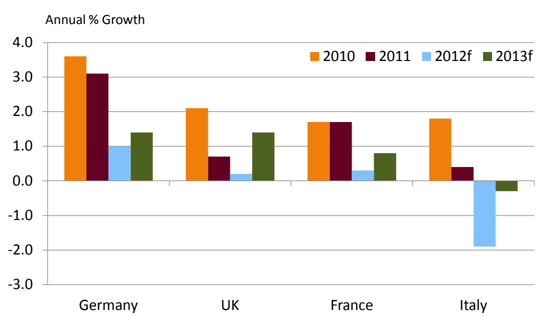
Source: IMF World Economic Outlook, July 2012 Update

Asian Economic Outlook



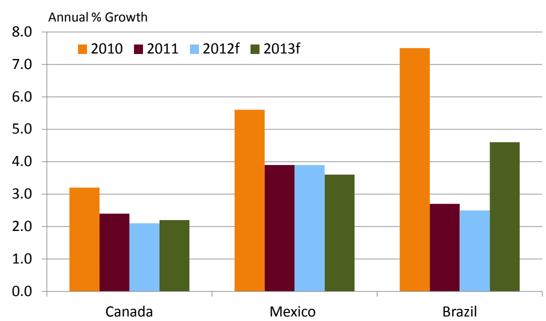
Source: IMF World Economic Outlook, July 2012 Update

European Economic Outlook



Source: IMF World Economic Outlook, July 2012 Update

Americas Economic Outlook



Source: IMF World Economic Outlook, July 2012 Update

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

Country (Currency)*	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	1H2012
Broad Currency Basket (index)	126.66	119.09	113.63	110.71	108.52	103.40	99.83	105.87	101.97	97.17	99.77
Canada (US$/C$)	1.570	1.401	1.302	1.212	1.134	1.073	1.066	1.141	1.030	0.989	1.006
China (US$/yuan)	8.28	8.28	8.28	8.19	7.97	7.61	6.95	6.83	6.77	6.46	6.32
Euro Zone (US$/€)**	0.945	1.132	1.244	1.245	1.256	1.371	1.473	1.393	1.326	1.404	1.298
Japan (US$/¥)	125.2	115.9	108.2	110.1	116.3	117.8	103.7	93.7	87.8	79.7	77.0
Mexico (US$/peso)	9.66	10.79	11.29	10.89	10.91	10.93	11.14	13.50	12.62	12.43	13.26
South Korea (US$/₩)	1250	1192	1145	1024	954	929	1099	1275	1156	1107	1141
United Kingdom (US$/£)**	1.503	1.635	1.833	1.820	1.843	2.002	1.855	1.566	1.545	1.604	1.577

Percent Change***	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	1H2012
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%	1.7%
China (yuan)	0.0%	0.0%	0.0%	-1.0%	-2.7%	-4.6%	-8.7%	-1.7%	-0.9%	-4.5%	-2.2%
Euro Zone (€)	-5.6%	-19.7%	-9.9%	-0.1%	-0.9%	-9.1%	-7.4%	5.4%	4.8%	-5.9%	7.6%
Japan (¥)	3.0%	-7.4%	-6.7%	1.8%	5.6%	1.2%	-11.9%	-9.6%	-6.3%	-9.2%	-3.4%
Mexico (peso)	3.5%	11.7%	4.6%	-3.5%	0.1%	0.2%	2.0%	21.2%	-6.5%	-1.6%	6.7%
South Korea (₩)	-3.2%	-4.7%	-3.9%	-10.6%	-6.8%	-2.7%	18.3%	16.0%	-9.4%	-4.2%	3.1%
United Kingdom (£)	-4.4%	-8.8%	-12.1%	0.7%	-1.3%	-8.6%	7.4%	15.6%	1.3%	-3.8%	1.7%

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

The California economy seemed to be going sideways in the first half of 2012, at least based on the unemployment rate, which was virtually unchanged in the first five months of the year. However, the state is gradually recovering from the Great Recession. The statewide unemployment rate peaked at 12.4% in 2010, but fell by just over one percentage point from 11.9% in May 2011 to 10.8% this past May. Moreover, the state has added 97,400 nonfarm jobs since the start of the year, nearly a quarter of the 421,500 jobs the state has recouped since January 2010.

Most of the major industries saw job gains in the first five months of the year.

While there have been sharp fluctuations in the month-to-month job numbers, the state has added jobs for 10 months in a row since August 2011, and is on track for a second year of net job gains, following three years of recession job losses totaling 1.3 million jobs. California's job market has experienced average year-to-year job gains of 1.3% so far this year, compared with a 1.0% gain last year. Regionally, the largest gains have occurred in the Silicon Valley and the Bay Area along with Orange County, while other areas of the state such as Los Angeles County, the Inland Empire, Sacramento, and other parts of the Central Valley have marked slower progress.

The performance across the industries of the state has been uneven, but most of the major industries saw job gains in the first five months of the year. In percentage terms, the largest gains occurred in the professional, scientific and technical services sector, education services, information, administrative and support services, and mining and logging, with small to modest gains in many other industry sectors. As expected, the largest job losses occurred in the government sector, with a marginal decline in durable goods manufacturing. In fact, net of government jobs, private industry jobs increased by an average year-to-year rate of 3.9% in the first five months of the year.

Trends in Major Industries

Aerospace and Technology: Employment in California's technology sector, which includes both manufacturing and service industries in aerospace, information technology, electronics, and biomedical technology, added 31,000 jobs and grew by a substantial 3.4% in 2011. The overall sector continued to add jobs in 2012, up 2.8% in year-to-date terms through May. The biggest gains were in computer systems and design, and software publishing, followed by management, scientific and technical consulting, internet service providers, web portals and data processing, and scientific research and development services, all with year-to-date percentage gains of 3.0% or more. Pharmaceutical and medicine manufacturing and aerospace product and parts manufacturing were each up by about 1%, while computer and electronic product manufacturing was down marginally.

Agriculture: The agricultural industry accounted for just slightly less than two percent of total Gross State Product (GSP) last year, and employed 385,000 or slightly less than three percent of California's wage and salary workers. Employment edged up by just 0.6%. California ranked first among the 50 states in 2010 in terms of net farm income at nearly $10.7 billion, nearly twice that of the closest competitors. Moreover, agricultural and related products are one of California's largest exports to the rest of the world.

Cash receipts for all commodities grew 10.3% in 2011 to $41.4 billion, a new annual record. Crop receipts rose 5.1% over the year to $29.1 billion, while livestock receipts saw back-to-back 25% increases in 2010 and 2011, finishing last year at $12.3 billion. On a year-to-date basis through the first four months of this year, total cash receipts have been flat compared to 2011, with livestock receipts down 1.4% and crops up by just 1.0%, as the sector has reacted to weakness here in the U.S. and abroad.

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 11.1% last year to $558.4 billion, setting a new annual record.

Statewide two-way trade rose by 11.1% last year to $558.4 billion, setting a new annual record. Even with economic activity among our trading partners slowing this year, two-way trade is expected to grow by 3.9% over last year to $580.1 billion, with a further 5.0% increase anticipated for next year.

Tourism: The tourism and hospitality industry in the state has improved over the past two years. Occupancy rates through the first five months of 2012 rose by roughly 3% in the major markets of the state, room rates are up by 2% to 6% depending on the market, and room revenue is up by 6% to 9% across the state. This has lead to an increase of tourism and hospitality related jobs from 1.50 million in 2010 to 1.53 million last year. Through the first five months of this year, industry employment is up by 2.0% to 1.54 million jobs.

While consumers still feel somewhat tentative about their economic situation, their outlook has definitely improved compared to the worst days of the Great Recession, prompting them to open their wallets more for discretionary spending such as travel, meals, and lodging. Similarly, business travel has improved over the last two years. Both of these trends should continue as the economy moves forward over the next 18 months.

State of California Budget: The California State Budget continues to pose problems, but according to the State Controller's latest report, the 2011-12 fiscal year ended with $87.8 billion in receipts and $89.2 billion in disbursements, with a resulting shortfall that was $1 billion lower than projected. This was due to better than expected total receipts over the year and less than expected outlays. As a part of the State's effort to reduce expenditures, 4,600 non-education jobs were cut in calendar year 2011, with another 8,200 jobs cut so far this year. However, 10,300 additional education jobs largely offset those cuts.

The recently adopted 2012-13 budget for the period July 1, 2012 through June 30, 2013, calls for General Fund receipts of $93.0 billion (up from $84.1 billion in 2011-12) and expenditures of $91.3 billion (up from $87.0 billion in 2011-12), for a projected net surplus of $1.7 billion. The personal income tax and sales/use tax account for the largest amount of total receipts by far. However, the budget is also predicated on temporary tax increases that will be voted on in the November election. Voter failure to approve that measure will trigger a series of cuts that are intended to align outlays with projected receipts.

California Forecast

Even with the headwinds of a global economic slowdown, California's economy should move forward this year and next. The unemployment rate will continue to improve, decreasing from 11.7% in 2011 to 10.7% this year and 10.0% next year. Nonfarm jobs will grow by 1.5% this year and next, following a weaker 0.9% gain last year. While the labor market is still years away from normal, progress will be made over the next two years with gains in private sector jobs, notably in technology-related industries, professional and business services, and information, with some welcome gains in construction. These gains will be offset by cuts in government jobs, although the losses will be much smaller than those borne over the past four years.

Gross Product Comparisons[1]

Which are the world's largest economies? People frequently ask how California's gross state product (GSP) ranks among the nations of the world. They also ask about where the Los Angeles five-county area and Los Angeles County gross regional products (GRP) would rank if they were sovereign countries.

Los Angeles County moved down two slots to 21st place from 19th. Los Angeles County is now just behind Switzerland and Saudi Arabia, and ahead of Sweden, Poland, Belgium, Norway and Iran.

Based on the results for 2011, California remained in ninth place in the rankings behind the UK and Italy, and the five-county area also retained its 16th place ranking. However, Los Angeles County moved down two slots to 21st place from 19th. Los Angeles County is now just behind Switzerland and Saudi Arabia, and ahead of Sweden, Poland, Belgium, Norway and Iran.

In *nominal* terms (not adjusted for inflation and based on market exchange rates which can really distort values), GDP growth rates in 2011 for the U.S., California, the Los Angeles five-county region (estimate) and Los Angeles County (estimate) were not nearly as high as in most emerging and developing nations (as has been the case for the past few years). China, Russia, Australia, Switzerland, and Saudi Arabia were the only economies that experienced 20% growth rates or higher in nominal terms in 2011. However, in real terms (adjusted for inflation and constant prices) China and Turkey experienced the strongest growth rates at 9.2% and 8.5% respectively.

Brazil surpassed the UK to become the sixth largest economy in the world in 2011.

Brazil surpassed the UK to become the sixth largest economy in the world in 2011 (on a nominal basis). Other notable developments include Russia and India swapping rankings as Russia moved up from 11th to 9th place, while India moved down two spots to 9th. Meanwhile, Indonesia moved up from 18th place to 16th, while the Netherlands and Turkey moved down one spot 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, Turkey, and India experienced the largest GDP gains, boosted by investment, exports, and consumer spending. Other notable performances in real terms during 2011 included the economies of Saudi Arabia and Indonesia. Similar to 2010, most of the worst performances occurred in the euro zone economies.

What should we look for in the 2012 rankings? California and Russia should get closer to approaching Italy as the eighth largest economy in the world. In fact, Russia could be approaching or surpassing California in 2012. Australia will most likely surpass Spain to become the 12th largest economy. Finally, look for Indonesia and Turkey to potentially cause some changes in the rankings.

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

Table 4: Gross Product Comparisons, 2011

(in billions of $US)

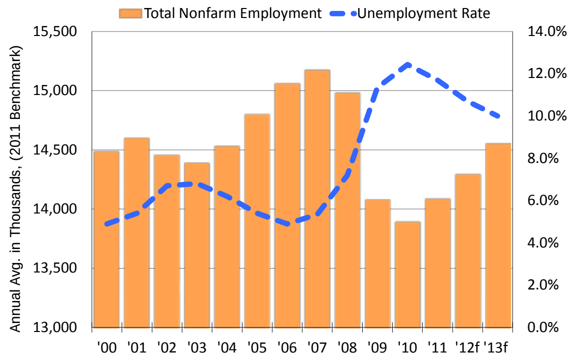
Rank	Country / State / Region	2011	Nominal GDP '10-'11 % Chg	Real GDP '10-'11 % Chg
1	United States	$15,094.02	3.9%	1.7%
2	China	7,298.15	24.2%	9.2%
3	Japan	5,869.47	7.5%	-0.7%
4	Germany	3,577.03	8.8%	3.1%
5	France	2,776.32	8.3%	1.7%
6	Brazil	2,492.91	19.3%	2.7%
7	United Kingdom	2,417.57	7.4%	0.7%
8	Italy	2,198.73	7.0%	0.4%
	California	**1,958.90**	**4.3%**	**2.0%**
9	Russia	1,850.40	25.0%	4.3%
10	Canada	1,736.87	10.1%	2.5%
11	India	1,676.14	2.7%	7.2%
12	Spain	1,493.51	5.9%	0.7%
13	Australia	1,488.22	20.3%	2.0%
14	Mexico	1,154.78	11.6%	4.0%
15	South Korea	1,116.25	10.0%	3.6%
	Los Angeles 5-Co. area	**903.00**	**3.7%**	**1.6%**
16	Indonesia	845.68	19.7%	6.5%
17	Netherlands	840.43	7.7%	1.3%
18	Turkey	778.09	5.8%	8.5%
19	Switzerland	636.06	20.5%	1.9%
20	Saudi Arabia	577.60	28.8%	6.8%
	Los Angeles County	**557.50**	**3.8%**	**1.8%**
21	Sweden	538.24	17.3%	4.0%
22	Poland	513.82	9.5%	4.4%
23	Belgium	513.40	9.8%	1.9%
24	Norway	483.65	17.1%	1.7%
25	Iran	482.45	15.1%	2.0%

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 -- April 2012, BEA -- June 2012, and IHS Global Insight

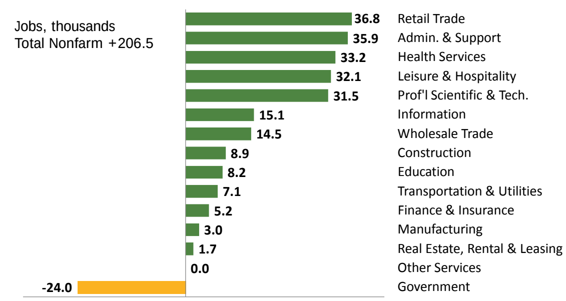
California Snapshot

California Employment



Source: EDD Labor Market Information Division; forecast by LAEDC

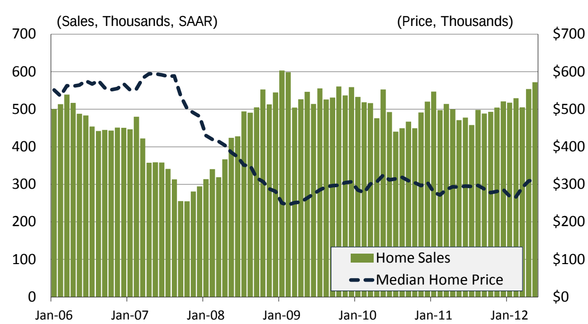
2012 Employment Growth by Industry in California



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

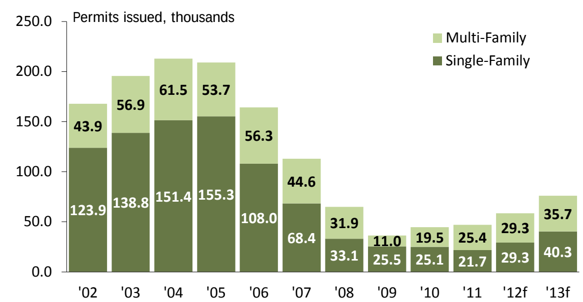
Home Sales & Median Prices in California

Existing, single-family homes



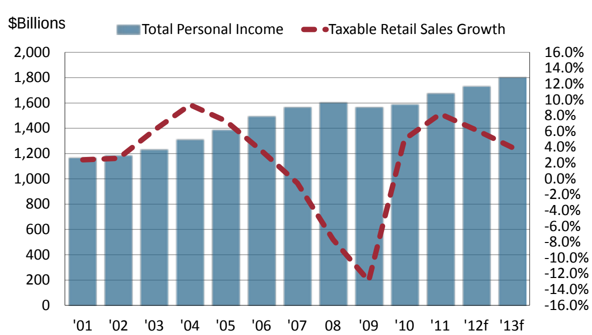
Source: California Association of Realtors

Residential Building Permits Issued in California



Source: Construction Industry Research Board; forecast by LAEDC

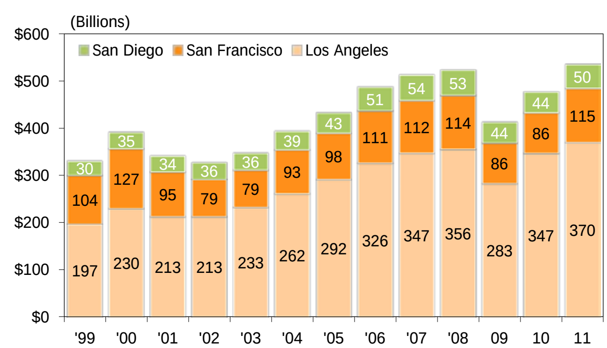
California Personal Income & Retail Sales



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

California International Trade

(Value of Two-way Trade Through Customs Districts)



Source: USA Trade Online

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 Permit ($Millions)
2001	34,512.7	14,602.0	5.4	1,168.7	33,896	294.0	340.7	148,757	23,455
2002	34,938.3	14,457.8	6.7	1,187.3	34,049	301.6	327.9	167,761	19,835
2003	35,388.9	14,392.8	6.8	1,233.0	34,975	320.2	347.8	195,682	18,628
2004	35,752.8	14,532.6	6.2	1,312.2	36,887	350.2	394.3	212,960	19,718
2005	35,985.6	14,801.3	5.4	1,387.7	38,731	375.8	433.1	208,972	21,469
2006	36,246.8	15,060.3	4.9	1,495.5	41,518	389.1	487.6	164,280	23,298
2007	36,552.5	15,173.5	5.4	1,566.4	43,211	387.0	512.9	113,034	23,733
2008	36,856.2	14,981.4	7.2	1,610.7	44,003	357.3	523.3	64,962	19,588
2009	37,077.2	14,084.7	11.3	1,526.5	41,301	311.2	413.3	36,421	10,866
2010	37,318.0	13,936.7	12.4	1,587.4	42,514	326.8	502.6	44,762	11,200
2011	37,579.0	14,060.5	11.7	1,676.6	44,481	353.7	558.5	47,092	13,029
2012f	37,917.2	14,270.4	10.7	1,731.9	45,676	375.8	580.1	58,500	14,100
2013f	38,258.5	14,490.3	10.0	1,802.9	47,124	391.8	609.1	76,000	16,100
% 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%		-5.2%	-6.1%	-12.9%	-21.0%	-43.9%	-44.5%
10/09	0.6%	-1.1%		4.0%	2.9%	5.0%	21.6%	22.9%	3.1%
11/10	0.7%	0.9%		5.6%	4.6%	8.2%	11.1%	5.2%	16.3%
12/11	0.9%	1.5%		3.3%	2.7%	6.2%	3.9%	24.2%	8.2%
13/12	0.9%	1.5%		4.1%	3.2%	4.3%	5.0%	29.9%	14.2%

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 6: California 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
2001	14,602.0	25.6	780.4	1,778.6	1,161.4	617.2	658.9	1,575.9	514.1	551.9
2002	14,457.8	23.1	774.4	1,631.9	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	1,464.3	927.9	536.4	715.3	1,689.9	507.6	470.8
2008	14,981.4	28.7	787.7	1,425.4	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	1,240.9	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
2012f	14,270.4	29.1	562.6	1,248.8	779.0	469.8	673.5	1,568.8	479.0	447.5
2013f	14,490.3	29.0	582.2	1,268.2	798.4	469.8	690.3	1,586.0	491.9	461.9

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
2001	562.6	267.2	945.6	284.5	957.1	237.3	1,216.9	1,365.1	499.2	2,382.1
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
2012f	521.2	247.2	1,083.1	199.2	911.5	334.5	1,540.5	1,562.4	486.9	2,374.7
2013f	528.5	249.4	1,116.7	199.2	954.3	334.8	1,562.8	1,582.7	489.3	2,362.8

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 Year \	State of California	Oakland	San Francisco	San Jose	Bakersfield	Fresno	Modesto	Sacramento	Stockton	Los Angeles	Orange	Riverside-San Bernardino	San Diego	Ventura
1990	12,499.8	879.1	947.4	824.3	170.7	224.4	117.5	618.4	152.7	4135.7	1172.4	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	3982.7	1143.7	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	3804.5	1126.0	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	3707.6	1115.4	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	3701.9	1126.8	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	3746.6	1151.7	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	3788.5	1184.3	803.5	1006.4	237.9
1997	13,129.7	947.9	983.7	939.8	179.3	249.9	131.7	702.2	167.5	3865.0	1233.8	841.5	1054.6	242.7
1998	13,596.1	976.1	1012.0	969.8	184.3	253.6	137.2	731.4	171.5	3943.5	1299.1	882.2	1105.8	252.3
1999	13,991.8	1007.9	1039.5	984.8	188.8	262.1	141.7	770.5	178.7	4002.9	1345.2	939.0	1153.4	263.6
2000	14,488.2	1044.7	1081.8	1044.4	194.2	270.7	144.2	797.2	185.8	4072.1	1388.9	988.4	1194.3	275.0
2001	14,602.0	1054.7	1054.3	1018.1	202.3	275.9	149.7	818.8	191.1	4073.6	1413.7	1029.7	1218.6	279.9
2002	14,457.8	1039.8	987.6	917.4	205.1	281.9	150.6	832.2	194.0	4026.8	1403.7	1064.5	1230.8	281.8
2003	14,392.8	1025.8	951.1	870.3	207.2	282.8	152.3	846.3	197.3	3982.9	1429.0	1099.2	1240.1	284.2
2004	14,532.6	1023.5	939.7	861.8	211.7	286.9	154.6	859.0	200.6	3996.5	1456.7	1160.0	1260.3	286.2
2005	14,801.3	1032.0	947.9	869.8	222.0	294.3	159.0	880.9	205.8	4024.2	1491.0	1222.0	1282.1	291.2
2006	15,060.3	1045.3	967.5	891.1	233.3	302.6	159.9	899.0	209.0	4092.5	1518.9	1267.7	1301.6	297.7
2007	15,173.5	1048.1	988.8	911.0	238.6	306.4	160.2	902.8	211.5	4122.1	1515.5	1270.9	1308.8	296.8
2008	14,981.4	1031.0	996.9	915.1	238.4	303.0	156.4	882.2	205.8	4070.7	1481.6	1223.8	1298.7	291.3
2009	14,084.7	968.2	944.1	856.4	228.2	286.5	146.7	831.4	193.8	3824.1	1372.1	1134.8	1231.4	275.6
2010	13,936.7	948.2	931.8	854.9	226.4	279.5	146.3	809.8	187.7	3773.1	1353.7	1125.9	1222.8	273.2
2011	14,060.5	947.8	948.3	878.4	231.2	280.0	144.0	801.6	185.7	3794.1	1368.1	1129.7	1231.2	274.6
2012f	14,270.4	962.1	971.8	907.1	235.5	285.7	143.8	808.1	194.3	3824.5	1389.9	1145.5	1242.5	275.8
2013f	14,490.3	978.3	988.2	926.4	239.1	290.7	145.7	820.3	198.0	3870.3	1413.6	1168.9	1261.1	280.7

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

Table 8: Total Nonfarm Employment in Southern California

Annual averages, thousands

Year	Los Angeles	Orange	RC-SBC	Ventura	L.A. 5-Co. Area	San Diego	California
2002	4,026.8	1,403.7	1,064.5	281.8	6,776.8	1,230.8	14,457.8
2003	3,982.9	1,429.0	1,099.2	284.2	6,795.3	1,240.1	14,392.8
2004	3,996.5	1,456.7	1,160.0	286.2	6,899.4	1,260.3	14,532.6
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
2012f	3,824.5	1,389.9	1,145.5	275.8	6,635.7	1,242.5	14,270.4
2013f	3,870.3	1,413.6	1,168.9	280.7	6,733.5	1,261.1	14,490.3

Numerical Change from Prior Year (in thousands)

Year	Los Angeles	Orange	RC-SBC	Ventura	LA 5-Co.	San Diego	California
2002	-46.8	-10.0	34.8	1.8	-20.2	12.4	-144.8
2003	-43.9	25.3	34.7	2.4	18.5	9.3	-65.0
2004	13.6	27.7	60.8	2.0	104.1	20.2	139.8
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
2012f	30.4	21.8	15.8	1.2	69.2	11.3	209.9
2013f	45.8	23.7	23.4	4.9	97.8	18.6	219.9

% Change from Prior Year

Year	Los Angeles	Orange	RC-SBC	Ventura	LA 5-Co.	San Diego	California
2002	-1.1%	-0.7%	3.4%	0.6%	-0.3%	1.0%	-1.0%
2003	-1.1%	1.8%	3.3%	0.9%	0.3%	0.8%	-0.4%
2004	0.3%	1.9%	5.5%	0.7%	1.5%	1.6%	1.0%
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%
2011e	0.6%	1.1%	0.3%	0.5%	0.6%	0.7%	0.9%
2012f	0.8%	1.6%	1.4%	0.4%	1.1%	0.9%	1.5%
2013f	1.2%	1.7%	2.0%	1.8%	1.5%	1.5%	1.5%

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

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
1980	7,500	\	1,945	\	1,572	\	532	\	11,549	\	23,782	\
		18.1%		24.0%		66.7%		25.8%		26.1%		25.4%
1990	8,860	/	2,412	/	2,620	/	669	/	14,561	/	29,828	/
1991	8,955	1.1%	2,459	1.9%	2,751	5.0%	677	1.2%	14,842	1.9%	30,458	2.1%
1992	9,060	1.2%	2,512	2.2%	2,833	3.0%	686	1.3%	15,091	1.7%	30,987	1.7%
1993	9,084	0.3%	2,550	1.5%	2,885	1.8%	694	1.2%	15,213	0.8%	31,314	1.1%
1994	9,107	0.3%	2,576	1.0%	2,920	1.2%	701	1.0%	15,304	0.6%	31,524	0.7%
1995	9,101	-0.1%	2,605	1.1%	2,959	1.3%	705	0.6%	15,370	0.4%	31,712	0.6%
1996	9,108	0.1%	2,646	1.6%	3,006	1.6%	710	0.7%	15,470	0.7%	31,963	0.8%
1997	9,186	0.9%	2,700	2.0%	3,062	1.9%	722	1.7%	15,670	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%	2,856	1.9%	3,278	2.5%	756	1.8%	16,434	1.8%	33,994	1.7%
2001	9,636	1.0%	2,890	1.2%	3,386	3.3%	769	1.7%	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	9,791	0.0%	2,957	0.6%	3,757	3.7%	795	0.7%	17,300	0.9%	35,753	1.0%
2005	9,823	0.3%	2,957	0.0%	3,878	3.2%	797	0.2%	17,454	0.9%	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	0.6%
2011f	9,858	0.3%	3,044	0.9%	4,286	1.3%	832	0.8%	18,020	0.7%	37,579	0.7%
2012f	9,912	0.6%	3,071	0.9%	4,351	1.5%	840	1.0%	18,174	0.9%	37,917	0.9%
2013f	9,961	0.5%	3,102	1.0%	4,420	1.6%	849	1.0%	18,332	0.9%	38,259	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	46.6	152.5	60.8	91.7	-45.1	69.6	-114.6
2008	22.9	151.9	59.1	92.9	-69.9	56.4	-126.3
2009	8.4	143.9	56.8	87.1	-78.7	46.6	-125.3
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	22.8	44.6	17.4	27.2	-4.4	17.6	-21.9
2008	17.0	44.2	17.4	26.8	-9.9	17.9	-27.7
2009	16.0	41.1	16.6	24.5	-8.4	14.2	-22.6
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	66.1	35.1	13.5	21.6	44.5	7.9	36.6
2008	40.3	34.4	14.1	20.3	20.0	8.4	11.6
2009	35.5	32.0	13.6	18.4	17.0	6.5	10.6
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	28.1	35.4	12.2	23.1	4.9	6.9	-2.0
2008	13.9	34.8	12.0	22.8	-9.0	7.2	-16.1
2009	5.8	32.7	11.4	21.3	-15.5	5.8	-21.3
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	42.2	46.5	20.3	26.2	16.0	13.1	-3.0
2008	37.1	47.5	19.3	28.3	8.8	16.6	-7.8
2009	26.4	45.9	19.0	26.9	-0.5	13.6	-14.1
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	7.7	12.4	5.1	7.3	0.4	3.6	-3.2
2008	6.1	12.2	5.0	7.2	-1.0	3.6	-4.7
2009	6.5	11.8	5.0	6.9	-0.4	2.8	-3.2
2010	6.8	11.2	4.9	6.2	0.6	2.0	-1.4
2011	4.8	11.0	5.0	6.1	-1.3	2.1	-3.4
State of California							
2007	438.5	565.2	237.9	327.3	111.2	199.9	-88.8
2008	303.7	565.7	236.8	328.9	-25.2	195.7	-220.9
2009	221.0	538.0	227.9	310.1	-89.1	160.5	-249.7
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

Los Angeles County lagged its neighbor counties in recovery from the Great Recession over the past two years, but it finally gathered momentum in 2012. The monthly unemployment rate fell by two percentage points in less than a year from the cyclical peak of 13.2% in July 2011 to 11.2% in May 2012. The overall rate of job growth picked up slightly during the first few months of this year, while a number of industries experienced an uptick in activity and more robust job growth.

Trends in Major Industries

Aerospace and Technology: The aerospace and technology sector includes manufacturing and service industries in aerospace, information technology, electronics, and biomedical technology. With 180,200 jobs in 2011, these industries accounted for 4.7% of nonfarm jobs in Los Angeles County last year. Total employment across these industries grew by 1.6% last year and has increased by 1.3% year-to-date since the start of this year. The biggest gains were in management, scientific and technical consulting, followed by computer systems and design, pharmaceutical and medicine manufacturing, scientific research and development services, and aerospace. Internet service providers, web portals and data processing jobs were down since the start of the year. Many of the jobs in these sectors call for skilled and educated workers and often pay above average wages and salaries. Modest job growth is expected overall, although declines are likely to continue with further consolidation in the Internet sector, and in the computer and electronic product manufacturing sector.

Many of the jobs in the aerospace and technology sectors call for skilled and educated workers and often pay above average wages.

Entertainment: Activity in the entertainment industry continues to improve. The motion picture and sound recording industry alone saw a 3.5% annual increase in jobs to 125,100 last year, and was up by 2.1% on a year-to-date basis through May. Within the leisure and hospitality industry, the arts, entertainment, and recreation segment posted a 1.2% decline last year to 67,600 jobs, and continued to lose jobs through May of this year, falling by an additional 2.2%. Production of feature films and commercials was up slightly this year compared to the same period a year ago, while television and other film production was down slightly. While most people think of the glitz and glamour of the movie industry, it is a major employer with many high paying jobs as well as a significant export industry for the county economy, with worldwide box office receipts growing before, during, and after the Great Recession. Slight to modest growth is expected in this industry over the balance of 2012 and into 2013.

International Trade: International trade continues to play an important role in the state's economy. Anchored by the two largest container ports in the nation, the Los Angeles Customs District (LACD) has ranked first or second among customs districts nationally in terms of two-way trade for over two decades.

Much of the nation's imported consumer goods from Asia and the Pacific Rim enter the United States through the twin ports at Long Beach and Los Angeles. Based on the LAEDC's Cluster Industry Study, this is also one of the county's largest industries, with close to 160,000 workers in 2010. Two-way trade through the LACD rose by 11.5% last year to a new record of $386.7 billion. It should exceed $400 billion this year and continue to grow in 2013.

Tourism: Tourism in Los Angeles County has continued to improve, although growth has slowed a bit this year. New hotels and a number of major hotel renovations are drawing business and leisure travelers. Los Angeles is also gaining prominence as a convention city, and the spectacle of having three local professional sports teams in playoff games at the same venue (Staples Center) and over the same week, garnered national media attention in the spring. Year-to-date through May 2012, hotel occupancy rates were up by 4.7% and average daily room rates increased by 4.3% compared with the same period in 2011, resulting in a 9.2% rise in room revenue countywide.[2] This sector should see modest gains in 2013 (see Major Industries of the Southern California Economy for more detail).

Education: Private education posted job gains throughout the recession and has continued to add jobs this year. With nearly 118,000 jobs in 2011, it accounted for just over 3% of all nonfarm jobs in the county. Most of the growth has occurred in higher education and other post-secondary education. Employment in private education was up 7.6% in the first five months of this year, and should show growth through both the balance of 2012 and in 2013.

Health Services: As with education, the health services sector grew throughout the recession and continued to do so last year. Serving a county population of nearly 10 million, its 417,000 jobs in 2011 made up over 11% of total nonfarm jobs in the county. Employment rose by 1.5% last year and modest increases are expected this year and next.

Local Government: County and municipal governments in Southern California have struggled with budget shortfalls for several years. Tax revenues and other receipts plunged during the recession and have been slow to recover. Because state and local budgets are intertwined, especially with education, the state's chronic budget problems spill over to the local level. With 433,500 jobs in 2011, local government represented the vast majority of all government jobs in the county. Total employment in this sector has decreased for three years in a row, with further declines of 1.5% expected in each of the next two years.

Los Angeles County Forecast

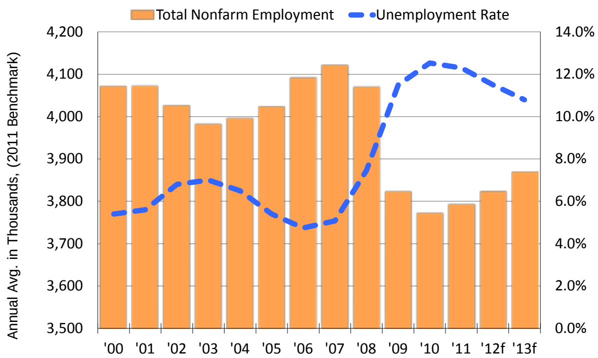
While the county economy has embarked on its journey to recovery, the pace will be slow. Nonfarm job gains of less than one percent in 2011 and 2012 will be followed by a 1.2% increase next year. It will take several years to return to

[2] Smith Travel Research, June 22, 2012

the job levels that preceded the recession, but most industries are expected to add jobs this year and next, the exceptions being government and manufacturing. The unemployment rate should improve to 11.5% this year and 10.8% in 2013. As the labor market heals, taxable sales will respond with modest single digit percentage gains this year and next.

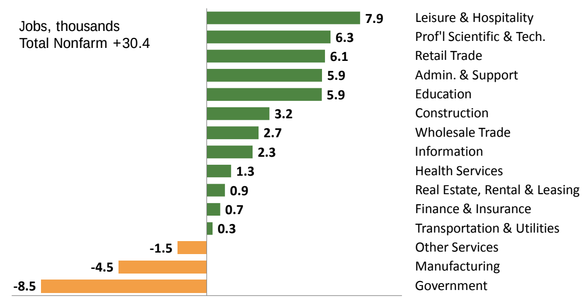
Los Angeles County Snapshot

Los Angeles County Employment



Source: EDD Labor Market Information Division; forecast by LAEDC

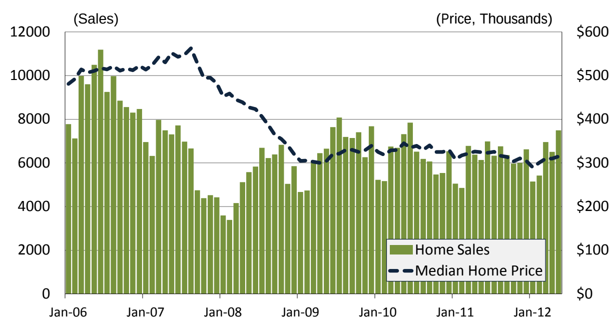
2012 Employment Growth by Industry in Los Angeles County



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

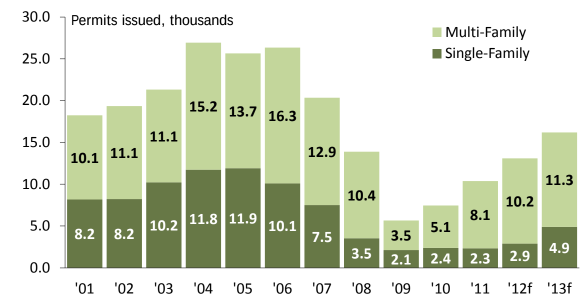
Home Sales & Median Prices Los Angeles County

New and existing, single-family homes and condos



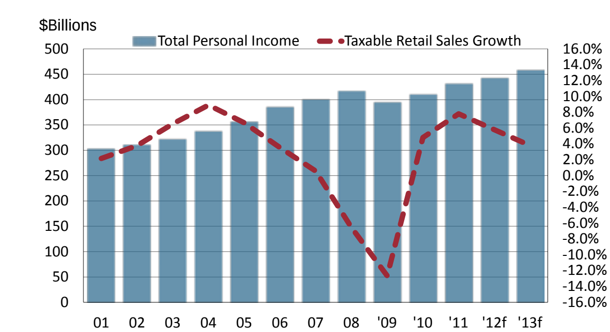
Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Los Angeles County



Source: Construction Industry Research Board; forecast by LAEDC

Los Angeles County Personal Income & Retail Sales



Source: California Board of Equalization, Dept. of Commerce; estimate & forecast by the 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 (%)
2001	9,635.8	4,073.6	5.7	303.4	31,523	71.8	212.2	22.8	18,253	3,539	3.3
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	9,791.0	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	25.6	13,704	4,491	3.5
2009	9,805.2	3,824.1	11.6	395.0	40,356	78.4	282.9	23.8	5,653	2,674	-0.8
2010	9,827.1	3,773.1	12.6	410.7	41,791	82.2	346.8	25.8	7,468	2,677	1.2
2011	9,857.6	3,794.1	12.3	431.6	43,713	88.6	386.7	26.5	10,403	3,129	2.7
2012f	9,911.8	3,824.5	11.5	442.8	44,588	93.8	413.8	26.8	13,100	3,525	1.8
2013f	9,961.3	3,870.3	10.8	458.8	45,970	97.4	435.7	26.9	16,240	4,050	2.7

% 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	0.0%	0.3%		4.9%	4.7%	8.9%	12.4%	4.3%	26.4%	8.3%
05/04	0.3%	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%	-1.2%	-32.7%	-5.2%
09/08	0.1%	-6.1%		-5.4%	-5.9%	-12.7%	-20.5%	-7.0%	-58.7%	-40.5%
10/09	0.2%	-1.3%		4.0%	3.6%	4.8%	22.6%	8.4%	32.1%	0.1%
11/10	0.3%	0.6%		5.1%	4.6%	7.8%	11.5%	2.7%	39.3%	16.9%
12/11	0.6%	0.8%		2.6%	2.0%	5.8%	7.0%	0.9%	25.9%	12.7%
13/12	0.5%	1.2%		3.6%	3.1%	3.8%	5.3%	0.6%	24.0%	14.9%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, LA Inc. Construction Industry Research Board; 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
2001	4,073.6	3.8	136.8	577.9	*325.4*	*252.5*	219.4	394.8	175.6	226.3
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	399.2	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	434.4	*243.2*	*191.2*	223.7	416.5	163.1	210.3
2009	3,824.1	4.1	117.3	389.1	*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
2012f	3,824.5	4.0	106.7	360.9	*199.8*	*161.1*	209.9	397.0	150.2	197.9
2013f	3,870.3	4.0	110.1	364.4	*201.4*	*163.1*	212.7	403.5	150.7	202.9

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
2001	154.5	72.7	233.6	84.4	261.4	88.6	345.3	348.5	143.2	598.3
2002	158.0	72.8	231.6	82.5	252.3	93.0	359.2	354.2	145.6	606.1
2003	163.1	74.8	233.5	77.4	240.9	94.8	367.5	362.6	145.5	599.3
2004	163.0	76.7	237.7	71.2	244.7	95.4	373.6	372.8	144.7	587.1
2005	164.3	77.8	250.9	67.6	248.5	97.4	375.8	377.8	144.3	583.7
2006	166.9	79.8	264.0	63.0	262.9	99.4	381.4	388.6	145.2	589.4
2007	163.6	80.3	273.9	58.8	263.7	102.9	389.7	397.9	147.1	595.7
2008	153.9	79.4	269.6	56.7	247.0	105.1	400.7	401.6	146.1	603.7
2009	142.3	73.8	250.2	54.4	215.9	110.1	404.6	385.6	137.9	595.8
2010	137.8	71.7	245.6	53.2	219.6	111.1	410.9	384.8	136.7	579.6
2011	137.5	71.9	253.7	54.4	223.0	117.8	417.0	392.8	135.0	565.2
2012f	138.2	72.8	260.0	55.3	228.9	123.7	418.3	400.7	133.5	556.7
2013f	138.9	73.9	269.1	56.7	234.6	128.9	422.9	405.1	134.0	548.4

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

Outlook for the Los Angeles Sub-County Economic Areas

The LAEDC frequently receives requests for information about sub-regions in Los Angeles County. A special feature of the Mid-Year Forecast is a review of nine L.A. County sub-regions, which are delineated by city limits, freeways and geographic features.

The most complete data available for these regions is employment. In this report, the primary economic indicator used is average annual private sector "core" employment. Jobs in public administration or "other services" are not included. These data have been obtained from the California Employment Development Department's ES202 files is current through the third quarter of 2011.

North County: North County is composed of two distinct regions, Santa Clarita/Valencia in the south and the Antelope Valley (Palmdale/Lancaster) in the north. Total core employment in the region increased by 0.1% or 100 jobs from 2010 to 2011. A significant amount of hiring occurred in education and health services (500 jobs), retail trade (400 jobs), and wholesale trade (300 jobs). Employment gains were offset by construction (-300 jobs) and professional and business services (-300 jobs).

Other indicators reflect an uptick in economic activity in North County. Business travel and tourism are improving. Hotel occupancy rates in Santa Clarita increased to 73.4% in May 2012 from 71.1% a year ago. Office vacancy rates and industrial vacancy rates have improved early this year.

Looking ahead, the LAEDC forecasts modest employment growth of 1.3% in 2012 and 1.6% in 2013. Much of the job growth will come from the leisure and hospitality, and retail trade industries.

Hollywood/Mid-cities/Crenshaw: Total core employment in the region increased by 3.2% or 6,200 jobs from 2010 to 2011. Leisure and hospitality (1,600 jobs), professional and business services (1,400 jobs), and education and health services (1,300 jobs) had significant employment gains.

Activity in the region's travel and tourism industry has picked up, as measured by hotel occupancy rates. In Hollywood, occupancy rates edged upward to 77.9% in May 2012 compared with 77.5% a year ago. Office vacancy rates ticked up, while industrial vacancy rates have diminished early in 2012.

The LAEDC forecasts jobs to grow in 2012 and 2013 by 1.5% and 1.9%, respectively. Professional and business services and leisure and hospitality are expected to lead employment growth.

Central/Downtown: Total core employment for the downtown region decreased by 1.5% or 2,900 jobs in 2011. The biggest losses were in manufacturing (-3,500 jobs), education and health services (-3,000 jobs), and financial activities (-1,100 jobs). Professional and business services was one of the few industries in the region hiring (3,600 jobs).

New apartment/condo developments are mostly high-end living quarters, which indicates that high-wage workers, such as those in professional and business services, will continue to be in demand.

Office and industrial vacancy rates increased early in 2012, yet industrial properties still have the county's lowest vacancy rates. Businesses operating in downtown benefit from locally created network and distribution centers, such as the flower district, fashion district, jewelry district, toy district, financial district, and art district. Automobile traffic is the long running complaint for many businesses, but improvements in public transportation such as the Metro Expo Line and new apartment/condo developments are helping reduce commuter traffic. New apartment/condo developments are mostly high-end living quarters, which indicates high-wage workers, such as those in professional and business services, will continue to be in demand.

In tourism, Downtown Los Angeles hotel occupancy rates, for hotels typically exceeding an average daily rate of $110, were 73.0% in May 2012 year-to-date, up from 66.5% a year ago. Hotel occupancy rates for the remaining hotels were 67.5% in May 2012 year-to-date, up from 66.8% a year ago.

Looking forward, LAEDC expects total core employment to increase by 1.4% in 2012 and 1.8% in 2013. Professional and business services will continue to lead job growth with increased extensive hiring in fields such as legal services, accounting and bookkeeping services, and architectural and engineering services. Many government offices are located in downtown. For these workers, the 2012-2013 outlook is uncertain.

San Gabriel Valley/East Los Angeles: Total core employment in the San Gabriel Valley/East Los Angeles region increased by 0.8% or 4,400 in 2011. Of those, 2,200 jobs were added in East Los Angeles/Eagle Rock (up by 3.4%) and 2,200 jobs were added in the San Gabriel Valley (up by 0.4%). The lion's share of hiring occurred in the education and health services sectors (4,500 jobs). Job losses in retail trade (-1,200 jobs) and professional and business services (-1,100 jobs) were mostly evident in the San Gabriel Valley.

Hotels in the region attract many guests traveling for business related activities. Pasadena hotel occupancy rates improved to 82.3% in May 2012 year-to-date, from 76.6% a year ago. Hotel occupancy rates for the remaining San Gabriel Valley also edged upward from 69.1% in May 2011 year-to-date to 70.5% in May 2012 year-to-date.

Both office and industrial vacancy rates have diminished early in the year. There are many wholesalers in the region with connections to the export-oriented Asian economies, and trade with these countries increases year after year. On the other hand, the manufacturing sector is now three quarters the size of what it was five years ago in terms of employees and establishments.

The LAEDC forecasts moderate employment growth of 1.4% in 2012 and 1.7% in 2013. Professional and business services are expected to lead employment growth, primarily from the many architectural and engineering firms. The contribution from the countercyclical education and health services industry may not be as robust as the last three years, but could still provide a boost to the region's job market.

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

Total core employment in the Gateway region grew by 0.9% or 4,700 jobs in 2011. Job gains occurred in education and health services (1,700 jobs), manufacturing (1,400 jobs), and wholesale trade (1,400 jobs), while jobs declined in professional and business services (-400 jobs), information (-400 jobs), and construction (-300 jobs).

The Ports of Los Angeles and Long Beach have had mixed results in the first half of 2012, providing new challenges and opportunities to the region's many logistics and trade related firms. The number of TEUs handled increased at the Port of Los Angeles, but decreased at the Port of Long Beach. Trade and transport related businesses might have to adapt to different trade routes if this trend continues. Travel and tourism is flourishing in the region. Hotel occupancy rates were 69.9% in May 2012 year-to-date, up from 67.9% a year ago.

The LAEDC forecast is for moderate job increases in the near future with total core employment rising by 0.8% in 2012 and by 1.5% in 2013. Retail trade, leisure and hospitality, and education and health care services are projected to grow.

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

In 2011, total core employment in the region grew 1.2% or 7,500 jobs. The education and health services sector led employment growth (2,400 jobs). Also pitching in were retail trade (1,600 jobs), professional and business services (1,500 jobs), and information (1,400 jobs).

In tourism, hotel occupancy rates were 72.7% in May 2012 year-to-date, up from 70.7% a year ago. The number of passengers flying through Bob Hope Airport in Burbank decreased by 3.6% in 2011 from the year prior, and activity is lower in the first half of 2012.

The LAEDC forecast calls for total employment to grow by 1.3% and 1.9% in 2012 and 2013. Professional and business services is expected to lead employment growth in the San Fernando Valley, in fields like computer systems design and management and technical consulting services. The information sector, particularly located in the eastern part of the region, is also expected to thrive.

South Bay/LAX: In 2011, total core employment in the region grew by 1.4% or 5,400 jobs. Over the year, a significant amount of hiring took place in the professional and business services industry (4,100 jobs). Unfortunately, the opposite can be said about the region's manufacturing sector (-3,000 jobs).

LAX passenger traffic increased slightly in the first five months of 2012, rising by 4.0% from a year ago. Domestic passenger travel increased by 4.5%, while international passenger travel increased by 2.6%. Hotel occupancy rates near the airport increased to 83.7% in May 2012 year-to-date from 82.7% a year ago.

In 2012 and 2013, employment is projected to tick up by 1.1% and 1.6%, respectively. Professional and business services may carry core employment for at least the next two years, in fields like computer systems design and advertising.

South Los Angeles: Total core employment in South Los Angeles fell by 1.6% or 1,100 jobs in 2011. The recession hit the region hard and core employment has yet to recover. The unemployment rate in some of the region's cities currently rests above the 20% mark. Manufacturing employment losses over the year amounted to 1,200 jobs, while other sectors like transportation and utilities (-300 jobs), information (-100 jobs), and construction (-100 jobs) pushed job counts further downward.

LAEDC projects that employment in South Los Angeles will rise in 2012 by 0.8% and in 2013 by 1.5%. Various industries will contribute, but there may be further losses in manufacturing.

Westside: Total core employment in the region rose by 3.6% or 11,800 jobs in 2011. The professional and business service sector (4,100 jobs) led employment growth, followed by leisure and hospitality (2,500 jobs) and education and health services (2,500 jobs). As for travel and tourism, in Santa Monica hotel occupancy rates have dipped to 82.4% in May 2012 year-to-date from 83.6% However, daily room rates increased by 5.5% over the same period. Hotel occupancy in Marina Del Rey increased to 75.6% in May of 2012 year-to-date, from 74.1%, even as daily room rates also increased. Office vacancy rates have improved early in the year and an extensive amount of new office space is currently under construction in West Los Angeles.

In 2012 and 2013, LAEDC expects the region will have employment growth in the county of 1.8% and 2.0%, respectively. The lion's share of jobs growth is expected in the professional and business services industry, especially from computer systems designs and advertising agencies.

Table 14: North County Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	128.1	0.5	13.8	20.3	*4.7*	24.4	3.7	2.2	7.5	17.5	14.9	18.6
2007	129.4	0.5	12.6	20.1	*5.1*	24.7	3.9	2.3	7.6	17.6	15.8	19.1
2008	125.3	0.5	10.2	18.8	*4.7*	23.6	4.1	2.2	7.5	18.1	16.3	19.1
2009	116.4	0.5	7.6	17.9	*4.4*	21.5	5.4	2.2	7.5	14.3	16.6	18.4
2010	114.3	0.6	7.0	17.4	*4.5*	21.1	5.2	2.0	7.4	13.2	17.3	18.7
2011e	114.4	0.5	6.8	17.3	*4.7*	21.4	5.0	2.0	7.3	12.9	17.8	18.7
2012f	115.9	0.5	7.0	17.1	*4.8*	21.8	5.0	2.0	7.4	13.2	18.0	19.1
2013f	117.7	0.5	7.2	17.2	*4.9*	22.1	5.0	2.1	7.4	13.6	18.3	19.3

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Table 15: Hollywood/Mid-cities/Crenshaw Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	210.6	0.0	3.7	7.5	*4.7*	25.2	2.5	25.1	15.7	44.3	48.9	32.8
2007	208.1	0.0	4.0	7.5	*5.0*	25.6	2.4	24.5	14.2	42.7	47.8	34.2
2008	210.6	0.0	4.1	7.5	*5.2*	25.6	2.4	20.9	16.0	46.2	47.9	34.7
2009	195.9	0.0	3.5	6.3	*4.7*	24.5	2.1	17.9	15.1	40.1	47.7	33.8
2010	193.0	0.1	3.0	6.1	*4.5*	24.4	1.9	16.3	14.6	39.5	48.9	33.8
2011e	199.2	0.1	3.1	6.3	*4.7*	25.4	1.8	17.0	14.4	40.8	50.2	35.4
2012f	202.5	0.1	3.2	6.2	*4.8*	25.8	1.8	17.2	14.5	41.9	50.8	36.1
2013f	206.3	0.1	3.3	6.3	*4.8*	26.3	1.8	17.6	14.6	43.2	51.8	36.5

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Table 16: Central/Downtown Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	196.3	0.4	1.1	22.1	*22.0*	14.8	6.4	5.0	25.3	45.2	33.8	20.3
2007	196.3	0.3	1.5	20.4	*22.4*	16.0	4.6	5.5	24.7	45.0	36.0	19.9
2008	200.2	0.3	1.7	20.0	*22.4*	15.4	5.7	4.6	26.3	46.7	37.0	20.1
2009	189.1	0.3	1.6	17.7	*21.1*	14.3	5.3	4.0	24.0	42.8	37.4	20.5
2010	185.6	0.2	1.4	17.8	*21.1*	14.0	5.6	4.1	22.2	41.8	37.8	19.6
2011e	182.7	0.2	1.5	14.3	*21.1*	14.2	5.7	4.3	21.0	45.4	34.8	20.2
2012f	185.4	0.2	1.6	14.1	*21.3*	14.4	5.7	4.3	21.2	46.6	35.3	20.7
2013f	188.8	0.2	1.6	14.3	*21.6*	14.6	5.7	4.4	21.4	48.2	35.9	20.9

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Table 17: San Gabriel Valley/East Los Angeles Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	635.2	2.9	36.8	91.6	*48.0*	89.2	28.3	16.0	47.8	98.3	108.7	67.6
2007	630.6	3.0	35.5	88.4	*49.1*	89.6	29.0	14.7	47.6	94.6	111.7	67.5
2008	611.1	2.3	31.6	83.7	*48.1*	86.6	29.4	12.8	44.2	93.2	111.1	68.2
2009	570.3	1.8	25.9	73.8	*43.6*	79.2	27.9	11.4	40.7	86.2	114.5	65.4
2010	558.9	1.8	23.4	68.7	*43.9*	78.2	25.3	10.7	38.2	86.8	118.2	63.7
2011e	563.3	1.9	23.5	68.5	*45.3*	77.0	25.3	10.9	37.7	85.7	122.7	64.8
2012f	570.7	1.9	24.2	67.8	*45.9*	78.2	25.4	11.1	38.0	87.8	124.3	66.2
2013f	580.3	1.9	25.0	68.5	*46.5*	79.5	25.5	11.3	38.3	90.2	126.6	66.9

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Table 18: Gateway Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	604.5	1.9	29.9	126.1	*66.5*	76.3	41.7	7.4	26.2	99.2	69.0	60.1
2007	607.4	2.0	31.2	122.5	*67.2*	76.7	40.2	7.5	25.7	99.8	71.6	62.9
2008	588.1	1.9	28.4	116.9	*66.1*	76.6	40.6	7.2	23.9	89.1	74.2	63.0
2009	546.0	1.7	22.6	104.9	*60.1*	71.1	40.1	6.7	22.8	81.7	74.3	59.9
2010	540.7	1.8	21.0	99.2	*59.7*	72.2	40.8	6.9	21.3	83.7	74.5	59.5
2011e	545.4	1.8	20.7	100.6	*61.1*	72.7	40.9	6.5	22.1	83.3	76.2	59.5
2012f	549.9	1.8	21.3	99.5	*61.9*	73.8	41.0	6.6	22.3	84.0	77.2	60.6
2013f	558.2	1.8	22.0	100.5	*62.7*	75.0	41.1	6.7	22.4	86.0	78.6	61.2

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Table 19: San Fernando Valley Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	676.0	1.8	39.7	76.2	*32.1*	86.5	13.5	98.8	61.5	106.6	93.4	65.9
2007	677.8	1.8	39.3	74.0	*31.9*	86.2	13.6	102.7	59.3	107.3	93.9	67.8
2008	669.2	1.5	35.9	71.9	*30.1*	84.0	13.3	108.3	55.1	105.9	95.9	67.3
2009	622.8	1.3	29.4	66.4	*27.5*	77.9	12.3	96.9	51.7	98.3	96.7	64.3
2010	615.7	1.3	25.6	63.2	*26.3*	76.8	11.6	99.2	49.2	100.9	98.0	63.7
2011e	623.3	1.3	25.3	62.6	*26.9*	78.4	11.5	100.6	49.1	102.4	100.4	64.9
2012f	631.5	1.3	26.1	61.8	*27.3*	79.6	11.5	101.8	49.4	105.0	101.7	66.1
2013f	643.3	1.3	26.9	62.4	*27.6*	80.9	11.6	104.4	49.8	108.1	103.6	66.8

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Table 20: South Bay/LAX Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	420.2	2.0	16.5	82.8	*27.3*	48.1	45.2	11.4	22.6	74.9	40.9	48.6
2007	421.5	2.2	18.4	79.1	*28.2*	47.9	45.7	10.6	21.5	77.0	40.8	50.2
2008	419.8	2.1	18.6	80.2	*25.8*	47.9	44.4	10.5	21.8	74.4	43.9	50.2
2009	394.0	2.0	14.6	74.2	*24.0*	45.4	41.4	8.9	20.4	69.9	45.5	47.7
2010	388.0	2.0	12.3	72.1	*23.8*	43.5	41.1	10.9	19.5	68.5	46.2	48.1
2011e	393.4	2.0	12.4	69.1	*23.2*	44.6	41.2	11.9	19.8	72.6	47.8	48.9
2012f	397.7	2.0	12.8	68.1	*23.5*	45.3	41.3	12.0	19.9	74.4	48.5	49.9
2013f	404.0	2.0	13.2	68.7	*23.8*	46.1	41.4	12.3	20.1	76.6	49.3	50.4

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Table 21: South Los Angeles Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	77.8	0.1	1.9	22.4	*7.3*	11.4	2.7	1.3	3.1	7.3	12.9	7.4
2007	76.5	0.1	2.0	21.8	*7.1*	11.1	2.8	1.2	3.1	6.8	12.8	7.7
2008	75.0	0.1	1.7	20.6	*7.3*	10.9	2.7	1.6	2.9	6.0	13.3	7.9
2009	68.9	0.1	1.6	17.8	*6.7*	10.2	2.5	1.0	2.9	5.2	13.5	7.4
2010	68.2	0.1	1.5	16.8	*6.5*	10.3	2.5	1.2	3.2	5.4	13.1	7.5
2011e	67.1	0.1	1.4	15.5	*6.6*	10.4	2.2	1.1	3.1	5.4	13.6	7.7
2012f	67.7	0.1	1.4	15.3	*6.7*	10.6	2.2	1.1	3.1	5.5	13.7	7.8
2013f	68.6	0.1	1.4	15.5	*6.8*	10.8	2.2	1.1	3.1	5.7	14.0	7.9

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Table 22: Westside Core Employment

Annual averages, thousands

Year	Total Core Employment	Natural Resources	Construction	Manufacturing	Wholesale Trade	Retail Trade	Transport. & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality
2006	356.6	1.6	10.8	9.0	*11.1*	44.2	4.6	38.6	36.0	95.2	43.2	62.3
2007	361.7	1.8	11.2	8.9	*11.2*	44.1	4.6	38.8	36.7	97.1	43.5	63.8
2008	356.0	2.0	10.3	9.2	*10.7*	43.8	4.3	40.1	35.0	91.9	44.1	64.7
2009	331.7	2.0	8.7	7.6	*9.8*	38.9	3.6	39.0	32.8	82.5	43.8	63.1
2010	324.6	2.2	7.6	7.4	*9.8*	38.5	3.5	38.3	31.5	79.2	43.9	62.6
2011e	336.5	2.1	7.3	7.3	*10.4*	39.6	3.5	39.3	32.1	83.3	46.4	65.1
2012f	342.6	2.1	7.5	7.2	*10.5*	40.2	3.5	39.9	32.4	85.6	47.0	66.6
2013f	349.5	2.1	7.7	7.3	*10.6*	40.9	3.5	40.9	32.7	88.6	47.9	67.3

Source: California EDD LMID, ES202 Data; forecasts and estimates by LAEDC

Outlook for Orange County

The California State Legislature created Orange County in 1869. Initially a part of Los Angeles, population growth in the region led to its formation as a separate county. Now the third most populous county in California, Orange County is a prosperous hub for the high-tech, aerospace, manufacturing and tourism industries.

At 7.5% in May, Orange County currently has the lowest unemployment rate in Southern California. Orange County's economy will continue to expand in 2012 with all major private industry sectors adding jobs.

Trends in Major Industries

The **health services** industry is one of the leading segments of the Orange County economy. Health care providers in Orange County should benefit from the Supreme Court's decision to uphold the Affordable Health Care Act because it extends coverage to previously uninsured people. Several major health care providers in the county have expanded hospital facilities in recent years, and more expansions and facility improvements are in progress. In the years to come, Orange County will be well positioned to meet the growing demand for health care in the region.

The **manufacturing** sector is adding jobs this year and will continue to make gains in 2013. Expansion is fueled by both domestic and export demand for the county's computer products, industrial goods and apparel.

The performance of Orange County's high tech manufacturers has been up-and-down. Employment in **electronics manufacturing** has been flat this year after posting solid gains in 2011. The products made in this industry (printed circuit boards and other products for computers) end up in computers, aircraft, smart phones and medical devices. The **aerospace industry** should see growth on the civil aviation side with demand for commercial aircraft on the rise. However, defense related activities will be flat this year as firms with a defense component prepare themselves for anticipated Pentagon budget cuts in 2013.

The county's **life science and medical instrument makers** continue to be a source of growth. This industry sector includes both medical device manufacturing and pharmaceuticals. Several firms have announced expansion plans. New products are in the approval pipeline and others will be hitting the markets this year.

The **apparel** industry is holding up fairly well. Apparel manufacturing employment is expected to be mostly flat this year and next. There have been job gains in fashion design, but the overall numbers are small. The apparel industry in Orange County is smaller than in Los Angeles, but manages to be quite diversified. Some of Orange County's best-known labels include Oakley, Quicksilver, St. John Knits and Vans. In some cases, apparel manufacturers are sourcing more of their production through local contractors. Rising labor costs in China and elsewhere have reduced wage differentials, and when transportation costs and shorter lead times are factored in, in some instances it make sense for apparel labels to produce locally. However, this applies mostly to higher-end fashions for which people are willing to pay a premium. There is also an increasing cache to delivering garments flashing a "Made in the USA" label.

Travel and tourism in Orange County rebounded last year and will expand further in 2012 as more leisure and business travelers take to the road. The Anaheim Convention Center is experiencing an increase in the number of meetings and conventions held this year. The convention center is also moving forward with plans for a $17 million expansion that will add 100,000 square feet of outdoor event space that is scheduled to be completed before the end of next year. The county's lodging sector is also doing quite well. Occupancy rates are up and average daily room rates are expected to increase in 2012 after two years of declines. In addition to a number of extensive hotel and resort renovations, new hotel construction is making a cautious comeback.

The **finance** sector is stirring again. Orange County banks hired more workers last year and payrolls are still growing, albeit at a modest pace. Financial institutions have experienced modest loan growth for commercial and industrial loans, but businesses remain very cautious about capital spending. Banks are competing for well-qualified customers, which is pushing down interest rates and fees. On the consumer side, loan demand is flat. Lending standards are still generally restrictive but many banks are reporting improved credit quality. Loan growth will improve as economic activity picks up speed.

This year may prove to be pivotal for **residential real estate** in Orange County. Much will depend on improvement in the labor market and an easing of mortgage lending standards. Sales of existing homes have been relatively strong this year and inventories are extremely lean. The median price for a single-family home in Orange County has been rising on a month-to-month basis and the year-over declines are slowing. While this is a hopeful sign that prices are starting to stabilize, it would be premature to say the bottom is behind us. It is more likely prices will bounce around for the remainder of this year. There are still a large number of foreclosures that need to work through the system, and prices could turn down again if the U.S. economy weakens.

New home construction is up this year and is expected to post additional gains in 2013. New apartment construction will do better than new single-family home construction. Expect 2012 to be a transitional year for Orange County's housing sector with prices bottoming out and an upswing in sales and new home construction. The LAEDC forecasts 5,400 new units to be permitted this year, rising to 6,750 units in 2013, an increase of 25%.

Commercial real estate is showing signs of recovery. Industrial vacancy rates, while high by pre-recession norms, are starting to fall. Office vacancy rates are improving but remain stubbornly high. Industrial lease rates have ticked up in recent months, but office lease rates are still declining – making office space a bargain for Orange County renters. Investors are seeing increases in the sales price of prime commercial properties. New commercial construction was up in 2011 compared to 2010. Gains were made in new retail and hotel space but new industrial and office construction remained well below the low levels of 2010. Again, improvement here as elsewhere in the economy it tied to progress in the labor markets. As firms pick up the pace of hiring, demand for Orange County commercial space will increase, eventually sparking a turnaround in nonresidential construction.

Orange County Forecast

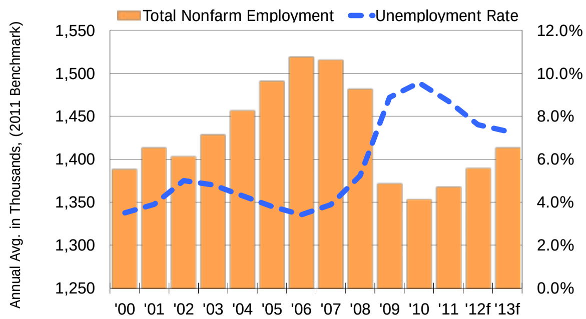
Orange County's economy is expanding. Growth will be moderate this year, picking up steam as 2012 rolls into 2013. Nonfarm employment in Orange County will grow by 1.6% this year and by 1.7% in 2013. The sectors adding the largest number of jobs this year will be manufacturing, professional and technical services, health care, administrative and support services, and leisure and hospitality. The unemployment rate should average 7.6% in 2012, falling to 7.3% in 2013.

Total personal income will improve again this year, rising by 3.1% (compared with 2011) and by an even stronger 4.1% next year. Taxable retail sales are forecast to rise by 6.7% in 2012 and by 4.7% in 2013.

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

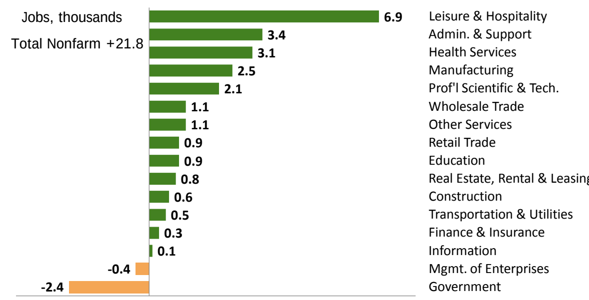
Orange County Snapshot

Orange County Employment



Source: EDD Labor Market Information Division; forecast by LAEDC

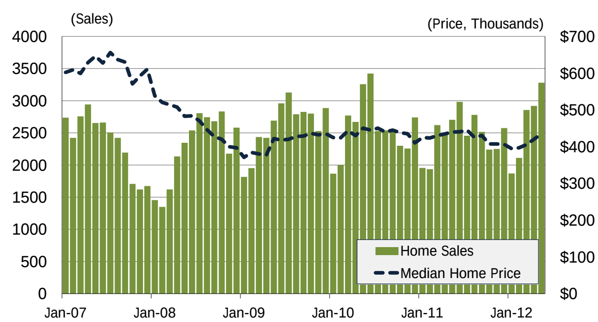
2012 Employment Growth by Industry in Orange County



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

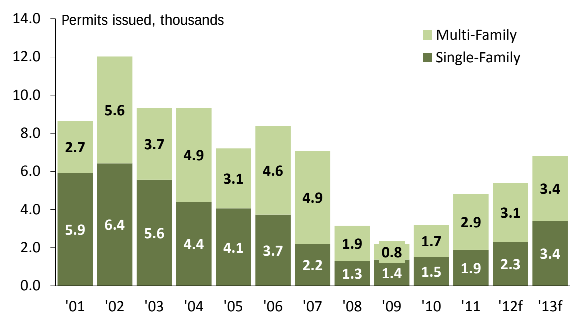
Home Sales & Median Prices Orange County

New and existing, single-family homes and condos



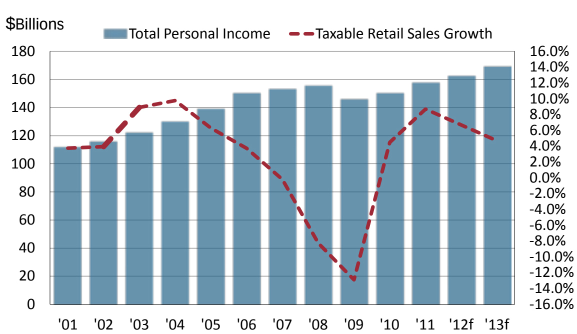
Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in Orange County



Source: Construction Industry Research Board, forecast by LAEDC

Orange County Personal Income & Retail Sales



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

Table 23: 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)
2001	2,889.9	1,413.7	4.0	112.2	38,901	28.5	18.2	8,646	1,350
2002	2,914.4	1,403.7	5.0	116.0	39,888	29.6	18.3	12,020	1,209
2003	2,939.7	1,429.0	4.8	122.4	41,793	32.3	19.1	9,311	1,006
2004	2,956.5	1,456.7	4.3	130.3	44,301	35.4	19.8	9,322	1,133
2005	2,957.2	1,491.0	3.8	139.4	47,417	37.7	20.2	7,206	1,495
2006	2,955.4	1,518.9	3.4	150.6	51,359	39.1	20.0	8,371	2,401
2007	2,965.8	1,515.5	3.9	153.4	52,342	39.0	19.7	7,072	2,005
2008	2,982.8	1,481.6	5.3	155.9	52,720	35.8	18.9	3,159	1,439
2009	2,998.8	1,372.1	8.8	146.1	48,893	31.2	18.0	2,200	952
2010	3,017.1	1,353.7	9.5	150.5	49,863	32.6	18.7	3,091	1,152
2011	3,044.0	1,368.1	8.7	157.9	51,865	35.4	18.9	4,807	1,299
2012f	3,071.4	1,389.9	7.6	162.8	53,012	37.8	19.4	5,400	1,400
2013f	3,102.1	1,413.6	7.3	169.5	54,643	39.5	20.0	6,750	1,525
% Change									
01/00	1.2%	-99.9%		2.5%	1.5%	3.8%	-2.2%	-30.1%	-23.4%
02/01	0.8%	-0.7%		3.3%	2.5%	4.0%	0.5%	39.0%	-10.4%
03/02	0.9%	1.8%		5.5%	4.8%	8.9%	4.4%	-22.5%	-16.8%
04/03	0.6%	1.9%		6.4%	6.0%	9.8%	3.7%	0.1%	12.6%
05/04	0.0%	2.4%		7.0%	7.0%	6.3%	2.0%	-22.7%	32.0%
06/05	-0.1%	1.9%		8.0%	8.3%	3.7%	-1.0%	16.2%	60.6%
07/06	0.4%	-0.2%		1.9%	1.9%	-0.2%	-1.5%	-15.5%	-16.5%
08/07	0.6%	-2.2%		1.6%	0.7%	-8.3%	-4.1%	-55.3%	-28.2%
09/08	0.5%	-7.4%		-6.3%	-7.3%	-12.9%	-4.8%	-30.4%	-33.8%
10/09	0.6%	-1.3%		3.0%	2.0%	4.5%	3.9%	40.5%	21.0%
10/11	0.9%	1.1%		4.9%	4.0%	8.7%	1.1%	55.5%	12.8%
11/12	0.9%	1.6%		3.1%	2.2%	6.7%	2.6%	12.3%	7.8%
13/12	1.0%	1.7%		4.1%	3.1%	4.7%	3.1%	25.0%	8.9%

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, CIC Research, Inc. May 2012, Construction Industry Research Board; estimates and forecasts by the LAEDC

Table 24: 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
2001	1,413.7	0.6	80.7	208.5	*147.8*	*60.7*	83.9	150.1	30.4	40.2
2002	1,403.7	0.6	79.2	190.8	*133.6*	*57.2*	82.4	151.4	28.7	36.8
2003	1,429.0	0.5	83.7	183.9	*127.2*	*56.7*	83.2	152.8	29.0	35.2
2004	1,456.7	0.6	92.2	183.5	*127.1*	*56.4*	82.4	153.2	29.2	33.8
2005	1,491.0	0.7	99.9	182.9	*128.3*	*54.6*	83.0	158.1	28.7	32.8
2006	1,518.9	0.6	106.6	182.7	*128.0*	*54.7*	83.7	160.8	28.2	31.9
2007	1,515.5	0.6	103.1	180.4	*126.2*	*54.2*	86.9	161.2	28.9	31.2
2008	1,481.6	0.6	91.2	174.0	*122.5*	*51.5*	86.7	155.6	29.3	30.1
2009	1,372.1	0.5	74.2	154.8	*109.1*	*45.7*	79.4	142.3	27.8	27.3
2010	1,353.7	0.5	68.0	150.4	*106.5*	*43.9*	77.6	140.1	26.7	24.8
2011	1,368.1	0.5	68.3	153.6	*107.5*	*46.1*	77.9	141.6	27.5	23.8
2012f	1,389.9	0.5	68.9	156.1	*109.8*	*46.3*	79.0	142.5	28.0	23.9
2013f	1,413.6	0.5	72.3	158.7	*111.8*	*46.9*	80.4	144.9	28.4	24.4

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
2001	73.8	32.1	94.3	39.7	110.2	16.0	98.6	154.3	45.2	150.9
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	69.1	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
2012f	70.5	34.5	111.0	22.3	114.7	24.8	137.9	180.1	43.9	147.2
2013f	71.0	35.7	115.0	22.6	116.0	25.7	141.6	182.0	44.5	146.0

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

Outlook for the Inland Empire

The outlook for the Inland Empire area brightened as a result of encouraging growth since last summer. Positive employment trends have continued throughout the first half of this year, along with improvement in the outlook for housing and the construction industry. This is welcome news for the Inland Empire, which has taken a long time to recover after suffering a long and deep recession marked by a surge in the number of foreclosures, plummeting home values, and soaring joblessness.

The employment situation has markedly improved over the past year, with 25,000 nonfarm jobs added and eight consecutive monthly declines in the unemployment rate.

The employment situation has markedly improved over the past year, with 25,000 nonfarm jobs added and eight consecutive monthly declines in the unemployment rate. The unemployment rate has fallen from 13.1% in May 2011 to 11.8% in May 2012. The biggest industry winners in the Inland Empire have been administrative services and support services, healthcare, trade and transportation, and leisure and hospitality. However, the big losers continue to be construction and government, along with professional, scientific and technical services, and private educational services.

One of the greatest examples of how badly the Inland Empire has been impacted over the past few years can be seen in the City of San Bernardino. The city just recently filed for bankruptcy as it faces a $46 million deficit.

Trends in Major Industries

The biggest industry winners in the Inland Empire have been administrative services and support services, healthcare, trade and transportation, and leisure and hospitality.

Housing: High rates of defaults and foreclosures still pressure home values but foreclosures have slowed down. The median price of a home is 15% higher than the cyclical low in 2009, but still well below the peak levels of the mid-2000s. Housing affordability is much greater than just before the recession. Going forward, housing in the area will remain extremely affordable relative to earlier years and to the rest of Southern California. Although construction employment is expected to improve slightly, it will still be nowhere near its 2006 peak.

Administrative and Supports Services: The strongest performing sector of 2012 so far has been the moderate paying administrative support group, much of which is temporary employment. Employment in this sector has increased by 9.4% through May on a year-to-date basis. We can expect consistent growth within this sector as companies will continue to be reluctant to bring on full-time staff in the coming months.

Goods Movement: Trade volumes at the combined local ports increased over the first half of this year and are expected to grow over the next 18 months. The increase in activity will positively impact the Inland Empire warehouse and distribution system network.

Healthcare and Social Assistance: This is the only large sector that grew in 2009, 2010, and 2011. It continued that trend over the first half of this year. Expectations are for this to continue the rest of this year and in 2013.

Industrial Real Estate: The industrial vacancy rate in the Inland Empire has improved substantially over the past couple of years – falling from 12.4% in 2009 to 10.0% in 2010 to just over 6.0% in 2011. However, the vacancy rate did weaken a bit in the first quarter of this year increasing to 6.4%.

Nonfarm employment is expected to increase by 1.4% in 2011 and to increase further by 2.0% in 2013.

Commercial Real Estate: Office vacancy rates are still very high (over 23% in the first quarter of 2012) and will continue to be a concern for the rest of this year and beyond.

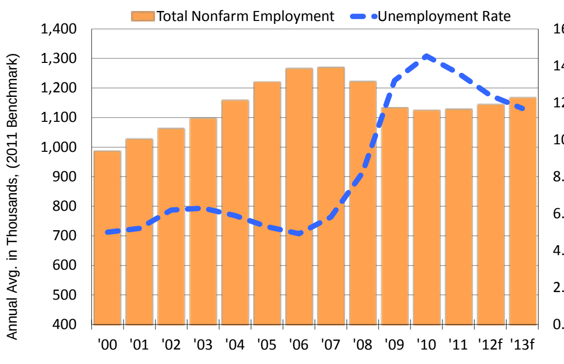
State and Local Government sector: Local governments will continue to face significant financial issues over the next few years as property revenues decline. State and local government employment declined over the first five months of 2012 and should continue this downward trend the rest of this year and next year as well due to revenue constraints.

Inland Empire Forecast

Nonfarm employment is expected to increase by 1.4% in 2011 and to increase further by 2.0% in 2013. The Inland Empire economy continues to show great potential in the long-run due to its position as the central hub for logistics related to international trade and as the area where the most significant population growth is expected. 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. For the Inland Empire patience will continue to be the watchword.

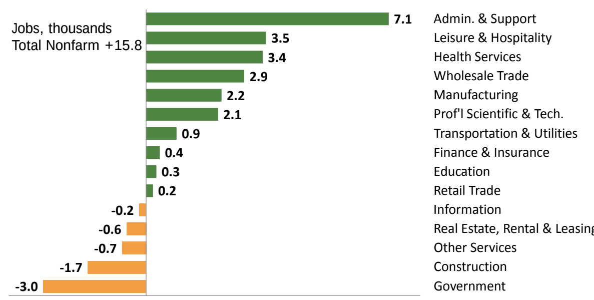
Inland Empire Snapshot

Inland Empire Employment



Source: EDD Labor Market Information Division; forecast by LAEDC

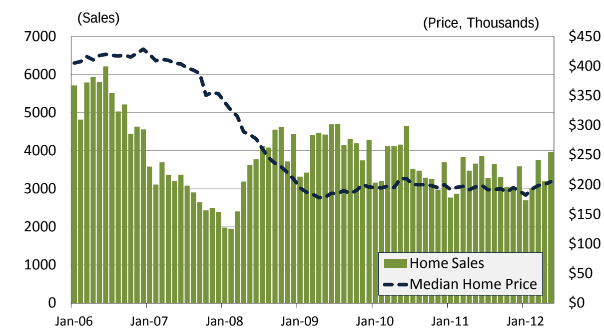
2012 Employment Growth by Industry in the Inland Empire



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

Home Sales & Median Prices Riverside County

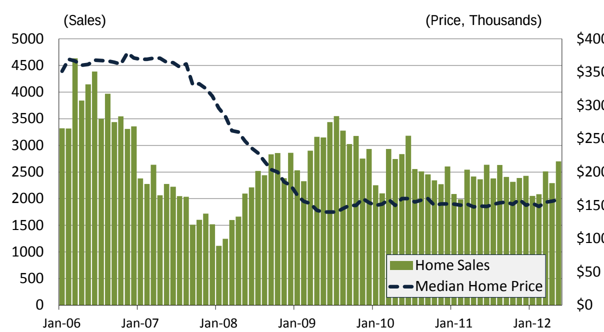
New and existing, single-family homes and condos



Source: California Real Estate Research Council; DataQuick

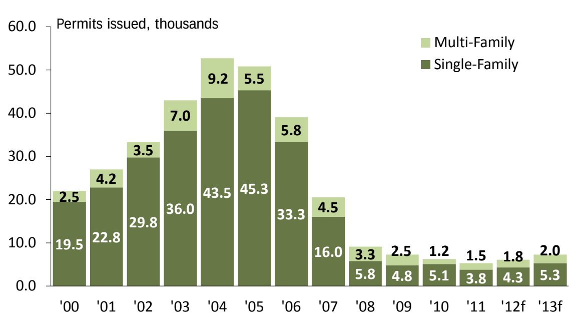
Home Sales & Median Prices San Bernardino County

New and existing, single-family homes and condos



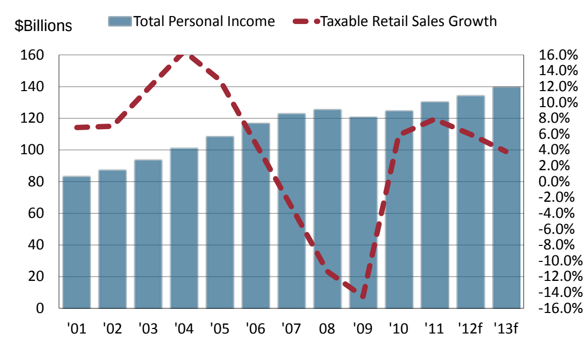
Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in the Inland Empire



Source: Construction Industry Research Board, forecast by LAEDC

Inland Empire Personal Income & Retail Sales



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

Table 25: Inland Empire Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billons)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2001	3,386.2	1,029.7	5.3	83.5	24,670	26.7	27,541	1,423
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	8.2	125.6	30,343	37.8	9,101	1,781
2009	4,180.7	1,134.8	13.2	120.8	28,895	32.3	6,685	710
2010	4,230.6	1,125.9	14.5	124.8	29,500	34.2	6,404	792
2011	4,286.2	1,129.7	13.4	130.4	30,427	36.9	5,214	921
2012f	4,350.5	1,145.5	12.4	134.3	30,877	39.1	6,100	1,000
2013f	4,420.1	1,168.9	11.7	139.7	31,606	40.6	7,302	1,200
% Change								
01/00	3.3%	4.2%		8.3%	4.9%	6.8%	25.2%	-7.4%
02/01	3.0%	3.4%		4.8%	1.7%	7.0%	20.8%	3.5%
03/02	3.8%	3.3%		7.0%	3.1%	11.8%	29.2%	16.8%
04/03	3.7%	5.5%		7.9%	4.0%	16.5%	22.5%	44.5%
05/04	3.2%	5.3%		7.4%	4.1%	12.8%	-3.6%	-3.7%
06/05	3.0%	3.7%		7.7%	4.5%	4.8%	-23.1%	19.1%
07/06	2.3%	0.3%		5.2%	2.9%	-3.2%	-47.7%	-1.0%
08/07	1.3%	-3.7%		2.1%	0.7%	-11.3%	-55.5%	-37.0%
09/08	1.0%	-7.3%		-1.6%	-4.8%	-14.5%	-26.5%	-60.1%
10/09	1.2%	-0.8%		3.3%	2.1%	5.9%	-4.2%	11.5%
11/10	1.3%	0.3%		4.5%	3.1%	7.9%	-18.6%	16.3%
12/11	1.5%	1.4%		3.0%	1.5%	6.0%	17.0%	8.6%
13/12	1.6%	2.0%		4.0%	2.4%	3.8%	19.7%	20.0%

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

Table 26: Inland Empire 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
2001	1,029.7	1.2	88.5	118.7	84.2	34.4	41.6	132.5	45.7	14.6
2002	1,064.5	1.2	90.9	115.4	82.0	33.4	41.9	137.5	46.8	14.1
2003	1,099.2	1.2	99.0	116.1	82.4	33.7	43.5	142.7	50.1	13.9
2004	1,160.0	1.2	111.8	120.1	85.5	34.6	45.6	153.8	55.5	14.0
2005	1,222.0	1.4	123.3	121.0	86.1	35.0	49.9	165.7	60.2	14.5
2006	1,267.7	1.4	127.5	123.4	86.9	36.5	54.2	173.2	63.8	15.3
2007	1,270.9	1.3	112.5	118.5	82.1	36.5	56.8	175.6	69.5	15.4
2008	1,223.8	1.2	90.7	106.9	72.5	34.3	54.1	168.6	70.2	14.8
2009	1,134.8	1.1	67.9	88.8	58.1	30.6	48.9	156.2	66.8	13.5
2010	1,125.9	1.0	59.7	85.1	55.3	29.8	48.6	155.5	66.6	15.8
2011	1,129.7	1.0	58.7	85.8	56.1	29.7	49.4	157.2	68.5	15.0
2012f	1,145.5	1.0	57.0	88.0	57.4	30.6	52.3	157.4	69.4	14.8
2013f	1,168.9	1.0	59.5	90.2	58.7	31.5	56.5	158.0	70.8	14.9

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
2001	22.0	15.3	24.6	10.6	66.6	11.8	94.3	104.5	37.1	200.2
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
2012f	24.6	13.6	38.0	8.7	85.7	15.6	126.0	127.8	38.6	224.3
2013f	25.0	13.7	39.5	8.7	89.5	15.7	130.0	129.9	38.5	225.0

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

Outlook for San Diego County

San Diego County was created in 1850 and is one of California's original 27 counties. Home to 3.1 million people, 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. The region is a thriving hub for the biotech and telecommunications industries. San Diego also has a significant high tech manufacturing sector and is a popular travel destination. While the military's presence has diminished over the past two decades, it remains an important driver of the region's economy.

The outlook for San Diego County for the second half of 2012 is for continued, though moderate expansion. Employment is improving, tourists have returned and many of the county's key industries are growing again. Some important sectors continue to lag. Housing and new construction are getting better but have a ways to go before they are fully recovered.

Trends in Major Industries

The region's **health care** industry continues to expand and add jobs. The San Diego area attracts a significant number of retirees, a demographic group that requires more health care services. Medical office vacancy rates are falling and new construction for health care facilities is on the rise. Several of the region's major health care providers have expansion plans underway or have announced future projects. San Diego's health care providers will benefit from the Supreme Court's decision to uphold the Affordable Health Care Act because it extends coverage to previously uninsured people.

Federal government and Pentagon initiatives to cut back on **defense** spending will have a significant impact on San Diego's economy during the years to come. According to the San Diego Military Advisory Council's 2012 annual report, the military currently supports 311,000 direct and indirect jobs in the region and contributes an estimated $32.0 billion to San Diego's gross regional product. Although defense related firms are rightly concerned about Federal budget cuts, a significant amount of the work being done by local contractors is related to the development of systems that will likely continue to grow even as defense budgets are cut: unmanned aerial vehicles, cyber security, intelligence surveillance, and defense-related electronics and software.

While smaller than it once was, San Diego's **agricultural** industry is still significant. It ranks as the 17th largest agricultural economy among counties in the United States. The total value of the county's agricultural output in 2010 was $1.6 billion.[3] The largest commercial crops were nursery plants and avocados. In spite of having what the National Weather Service describes as the most nearly perfect climate in the country, San Diego growers do face some considerable challenges – land costs are high and water supply is an ongoing concern, specifically the increasing cost of water. This accounts for the region's concentration on high-value crops. San Diego produces the highest dollar value per acre of any county in California.

San Diego's **travel and tourism industry** made a quick come-back following the recession and is still growing. In the lodging sector, fundamentals continue to improve: demand for hotel rooms is up and occupancy rates are rising. Room rates are also starting to improve. New hotel construction remains at very low levels. It is still a challenge to obtain financing for large construction projects. Instead, existing hotels are upgrading and modernizing their facilities. As the number of visitors increases, the lack of new supply will help push up room rates. While growth will continue through 2012, it will slow as visitor numbers stabilize. The number of overnight visitors will increase by 1.3% to 16.0 million this year, rising to about 16.2 million visitors in 2013.

40% of San Diego's adult population has a bachelor's degree or higher.

San Diego has the nation's highest per capita concentration of PhD degrees.

The **manufacturing sector** continues to struggle. Manufacturing employment is expected to decline again this year before returning to growth in 2013. Still, some sectors are doing relatively well. San Diego County has the benefit of several innovative clusters including communications, bio-fuels, genomics, energy storage, cyber-security and clean-tech. San Diego is home to one of the nation's largest biotech sectors. San Diego also has a thriving aerospace sector that is adding workers. Benefiting from a concentration of highly educated workers, San Diego is a hub of research and innovation in biotechnology, communications and software development.

Residential real estate is improving but will not see a significant turn-around this year. Home sales are on the rise, especially in the multi-family sector. Demand for homes priced in the $300,000 - $500,000 range is up and inventories are far below the historical average. The median price for a single-family home in San Diego has been rising on a month-to-month basis, and the year-over declines are slowing. While this is a hopeful sign that prices are starting to stabilize, it would be premature to full recovery is underway. It is more likely prices will bounce around for the remainder of this year. A large number of foreclosures must still work through the system, and prices could turn down again if the U.S. economy weakens.

New home construction has yet to gain traction. Although new home building was up over the year in 2011, construction this year is proving to be weaker than expected. New multi-family construction is doing better than new single-family, but both are lagging. The LAEDC forecasts only 4,350 new units to be

[3] Farm Bureau San Diego, County of San Diego Department of Agriculture, Weights and Measures, 2010 Crop Statistics and Annual Report

permitted this year. The region should see improvement in 2013, with permits for new home construction rising by 26.4% to 5,500. In addition to working through the region's foreclosure inventory, employment is a key driver of new home construction. Builders look for land near markets where employment is likely to exhibit strong growth over the coming years.

Nonresidential real estate is on the mend, but remains a long way from being fully recovered. Office and industrial vacancy rates remain high, but appear to be stabilizing in some sub-markets. Rents are starting to flatten out in a few markets, but are still declining in others. The flight to quality continues with property owners offering discounted rents and other incentives. Still, steady job growth is raising demand for office and other types of commercial real estate. This year should see continuing if not spectacular improvement, with new development focused on redevelopment projects (renovations and additions) or replacement of older buildings.

San Diego County Forecast

San Diego's economy will continue to expand moderately this year with growth gathering speed in 2013. Job creation in San Diego will improve as expansion in key industries (tourism, healthcare and high tech) accelerates.

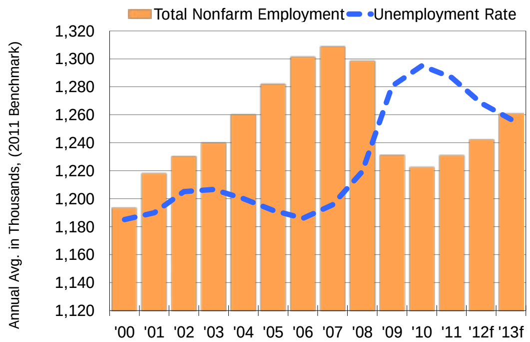
Nonfarm employment will expand by 0.9% in 2012 and by 1.5% next year. The industries that will add the largest number of jobs will be retail trade, health care, administrative and support services, leisure and hospitality, and professional and technical services. The unemployment rate should average 8.9% this year, improving to 8.2% in 2013.

Likewise, total personal income will increase by 3.1% this year and by 4.3% next year. Taxable retail sales are also on the rise as is the value of international trade goods moving through the San Diego Customs District.

San Diego has the benefit of a near perfect climate, which attracts an educated and talented workforce, a steady influx of well-off retirees and the presence of the U.S. Navy and Marine Corps. All these attributes mean San Diego is poised for healthy growth headed into 2013 and beyond.

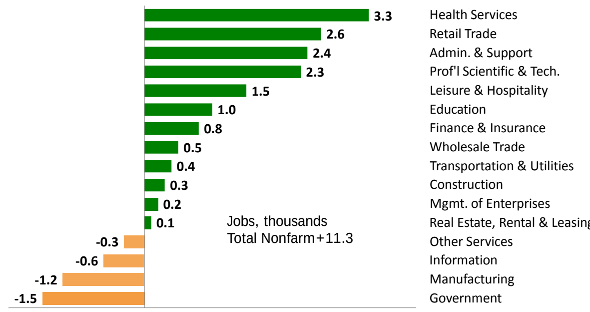
San Diego County Snapshot

San Diego County Employment



Source: EDD Labor Market Information Division; forecast by LAEDC

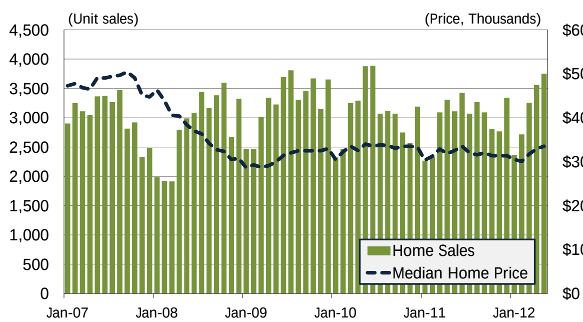
2012 Employment Growth by Industry in San Diego County



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

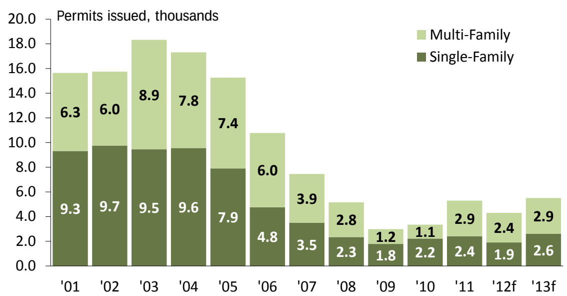
Home Sales & Median Prices San Diego County

New and existing, single-family homes and condos



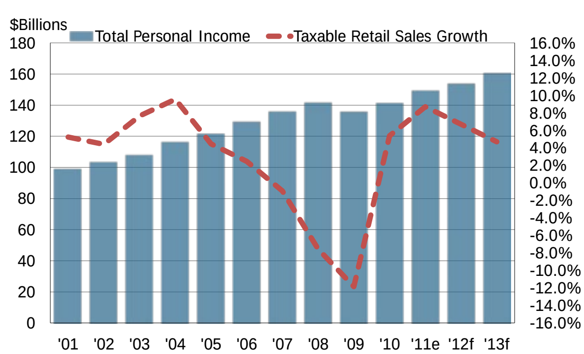
Source: California Real Estate Research Council; DataQuick

Residential Building Permits Issued in San Diego County



Source: Construction Industry Research Board, forecast by LAEDC

San Diego County Personal Income & Retail Sales



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

Table 27: San Diego County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	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 (%)
2001	2870.1	1218.6	4.2	99.4	34,653	26.3	33.6	14.8	15,638	1,194	4.6
2002	2910.4	1230.8	5.2	103.8	35,794	27.4	35.9	15.0	15,738	1,169	3.5
2003	2944.0	1240.1	5.2	108.3	37,155	29.5	35.7	15.4	18,314	1,169	3.7
2004	2963.4	1260.3	4.7	116.6	39,810	32.3	39.5	15.7	17,306	1,288	3.7
2005	2970.1	1282.1	4.3	122.0	41,530	33.8	43.4	15.7	15,258	1,382	3.7
2006	2982.8	1301.6	4.0	129.6	43,967	34.6	50.5	15.8	10,777	1,622	3.4
2007	3014.2	1308.8	4.6	136.2	45,768	34.3	53.9	15.4	7,445	1,417	2.3
2008	3051.3	1298.7	6.0	142.0	47,197	31.7	53.4	15.2	5,154	1,062	3.9
2009	3077.6	1231.4	9.6	136.0	44,412	28.0	43.9	14.4	2,990	584	0.0
2010	3104.6	1222.8	10.5	141.7	45,627	29.5	48.4	15.1	3,346	659	1.3
2011	3131.3	1231.2	10.0	149.6	47,776	32.0	52.6	15.8	5,223	1,072	3.7
2012f	3168.0	1242.5	8.9	154.2	48,674	34.2	56.5	16.0	4,350	1,250	2.1
2013f	3205.9	1261.1	8.2	160.9	50,189	35.8	59.5	16.2	5,500	1,430	2.4

% Change										
01/00	1.5%	2.0%		4.1%	2.6%	5.3%	-4.0%	-2.6%	-1.8%	-14.2%
02/01	1.4%	1.0%		4.4%	3.3%	4.4%	6.8%	1.4%	0.6%	-2.1%
03/02	1.2%	0.8%		4.3%	3.8%	7.7%	-0.6%	2.7%	16.4%	0.0%
04/03	0.7%	1.6%		7.7%	7.1%	9.6%	10.6%	1.9%	-5.5%	10.2%
05/04	0.2%	1.7%		4.6%	4.3%	4.4%	9.9%	0.0%	-11.8%	7.3%
06/05	0.4%	1.5%		6.2%	5.9%	2.5%	16.4%	0.6%	-29.4%	17.4%
07/06	1.1%	0.6%		5.1%	4.1%	-0.9%	6.6%	-2.5%	-30.9%	-12.6%
08/07	1.2%	-0.8%		4.2%	3.1%	-7.6%	-0.8%	-1.3%	-30.8%	-25.1%
09/08	0.9%	-5.2%		-4.2%	-5.9%	-11.8%	-17.8%	-5.3%	-42.0%	-45.0%
10/09	0.9%	-0.7%		4.2%	2.7%	5.4%	10.2%	4.9%	11.9%	12.8%
11/10	0.9%	0.7%		5.6%	4.7%	8.7%	8.6%	4.6%	56.1%	62.7%
12/11	1.2%	0.9%		3.1%	1.9%	6.7%	7.5%	1.3%	-16.7%	16.6%
13/12	1.2%	1.5%		4.3%	3.1%	4.7%	5.3%	1.3%	26.4%	14.4%

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

Table 28: 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
2001	1,218.6	0.3	75.1	119.1	*89.3*	*29.8*	41.5	135.6	32.0	35.5
2002	1,230.8	0.3	76.4	112.4	*84.7*	*27.7*	41.3	138.0	29.3	34.4
2003	1,240.1	0.3	80.2	105.3	*78.8*	*26.5*	41.6	140.8	27.3	33.4
2004	1,260.3	0.4	87.7	104.3	*78.1*	*26.2*	41.9	144.9	28.4	32.5
2005	1,282.1	0.4	90.8	104.5	*79.1*	*25.4*	43.6	147.4	28.4	36.6
2006	1,301.6	0.5	92.7	103.9	*78.4*	*25.5*	45.1	148.3	28.7	31.7
2007	1,308.8	0.4	87.0	102.5	*77.3*	*25.2*	45.5	148.1	28.8	31.3
2008	1,298.7	0.4	76.1	102.8	*78.1*	*24.7*	44.9	142.0	29.0	31.4
2009	1,231.4	0.4	61.1	95.3	*73.1*	*22.2*	40.6	131.6	27.4	28.2
2010	1,222.8	0.4	55.3	92.9	*71.0*	*21.9*	40.1	130.7	26.5	25.1
2011	1,231.2	0.4	55.2	92.7	*70.8*	*21.9*	40.7	132.2	26.1	24.0
2012f	1,242.5	0.4	55.5	91.5	*70.0*	*21.5*	41.2	134.8	26.5	23.4
2013f	1,261.1	0.4	57.0	92.6	*71.0*	*21.6*	41.7	137.3	27.1	24.3

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
2001	44.9	27.2	101.7	18.6	79.0	17.2	98.8	131.4	44.9	213.8
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
2012f	42.4	25.4	121.9	17.7	73.7	27.6	125.8	158.4	46.8	226.9
2013f	43.5	25.7	126.0	18.0	74.9	28.0	127.9	161.2	47.2	224.9

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

Outlook for Ventura County

Ventura County encompasses a population of 839,500 people. Much of the county's population resides in Simi Valley, Oxnard, Thousand Oaks, and Ventura, and many residents commute to work in neighboring Los Angeles County. Ventura County has a significant concentration of high tech firms, a thriving agriculture industry, and important military facilities Port Hueneme, the only deep-water port between Los Angeles and Oakland, is a major gateway for automobiles and food.

The seasonally adjusted unemployment rate was approximately 9.3% in May 2012, still an improvement from the 10.1% average in 2011.

Ventura County continues to grapple with symptoms of a sluggish economic recovery, even as one indicator initially shows otherwise. The County's unemployment rates fell from 9.8% in January 2012 to 8.6% in May 2012, but the presence of a large agricultural sector means that seasonal factors play a great role. Corrected for seasonal fluctuations, the seasonally adjusted unemployment rate was approximately 9.3% in May 2012, still an improvement from the 10.1% average in 2011. Unfortunately, some of the gains are credited to a slow growing labor force, which is why no industry had an outstanding 2011.

Trends in Major Industries

The median home price in Ventura County is generally higher than median prices throughout the rest of the five-county region. Home prices fell because of the ongoing problems in the housing sector early in 2012, and a self-sustaining recovery is not expected for at least another year.

As a consequence, the **construction** sector will struggle for another year and a half. Construction employment was down by 500 jobs through the first five months of 2012. Falling home prices and lack of construction permit filings indicate that construction related employment would likely remain at its current level for the remainder of the year and through 2013. One relatively bright spot is multi-family residential construction due to high demand for rental units.

Manufacturing jobs in Ventura County are still declining, following a trend seen elsewhere in Southern California. Durable goods manufacturing in Ventura County is comprised primarily of fabricated metal products, machine shops, machinery, and semiconductors. In 2011, 800 manufacturing jobs were lost in fields such as computer and electronic products and transportation equipment. There will be further job losses in 2012, but 2013 should see a small gain.

In the nondurable goods manufacturing sector, chemical goods manufacturing struggled 2011 and early 2012. Amgen, the county's largest biotech manufacturer, restructured its research operations and reduced its workforce. Meanwhile, other nondurable goods manufacturers, such as food manufacturers and printing and related activities have increased their labor force. Ventura County's nondurable manufacturing employment is expected to remain flat for the remainder of 2012 and throughout 2013.

Trade, transportation, and utilities (TTU) in Ventura County is a key industry sector centered at Port Hueneme. Through May 2012, total exports in 2012 remain unchanged from the year before, while imports have increased by 20%. The rise in imports is no surprise, as national auto sales are thriving and the port handles many South Korean, German, and Italian autos entering the country. Vehicle imports from these three countries are up 43% year-to-date.

Employment of durable and nondurable goods merchant **wholesalers** improved in 2011. Retail trade jobs also increased in 2011, mostly in general merchandise stores, electronics stores, clothing stores, and auto dealers. The transportation and utilities industry added 300 jobs in 2011. Wholesale, retail, and transportation and utilities are all expected to contribute to nonfarm employment gains in this sector over the next two years.

Travel and tourism activity in Ventura County held its ground in 2011 after experiencing a bounce-back year in 2010. Ventura County benefits from the local "drive" market, providing a quick weekend get-away for residents of neighboring counties. Hotel occupancy rates were mostly flat in 2011 but are expected to improve in 2012. Reflecting recent trends in travel and tourism, the number of jobs in leisure and hospitality services increased in 2011, and is expected to add the most jobs in 2012.

Employment growth in the **private education, health care, and social services** industries was flat in 2011. Figures for the first five months of 2012 show that the aggregate industry sector is still reducing payrolls. A large share of these losses have been in the education sector. Education, health care, and social service jobs should rebound in 2013.

Finance and insurance jobs in Ventura County edged up in 2011 and ended the year on a high note. Since the financial crisis, many local banks have merged or been acquired by larger and more stable banks. The County Commerce Bank, Santa Clara Valley Bank, and Ojai Community Bank, each headquartered in Ventura County, experienced positive earnings in 2011 and in the first quarter of 2012. Finance and insurance in Ventura County added 800 jobs in 2011. In 2012, an increase of 500 jobs is projected, followed by another 300 jobs in 2013. The **real estate, rental, and leasing** industry added 100 jobs in each of the last two years. The same modest trend should to continue through 2013, unless construction and/or home prices rebound stronger than expected.

The remaining service industry sectors had an unimpressive 2011. **Professional, business, and technical services** shed 600 jobs in 2011, many of which were architectural and engineering services. Employment in this industry sector is expected to increase by 600 jobs per year in 2012 and 2013, with help from legal services, accounting and bookkeeping firms, and computer systems design. **Administrative support and waste services** also shed jobs in 2011, losing 100 jobs over the year. Employment in this industry is expected to increase by 1,000 jobs per year in 2012 and 2013.

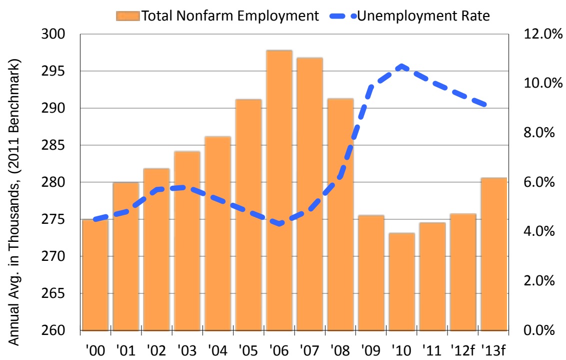
Ventura County Forecast

Ventura County's labor market is recovering at a slower pace than the rest of the state. Fears of residents leaving the county have grown due to the high costs of living and the lack of job growth. This is also visible by the lower than average growth in the size of the labor force over the last two years. The unemployment rate is expected to fall to 9.0% in 2013. In doing so, Ventura County will add 1,300 nonfarm jobs in 2012 and 4,900 nonfarm jobs in 2013. Job gains will occur mainly in service related industries such as professional business services, finance, and tourism.

Average per capita income, which rose by 4.7% in 2011 to $46,752, is expected to rise to $47,733 in 2012 and $49,309 in 2013. Consumer spending remains subpar – taxable retail sales in 2011 were 7.9% below their peak level of $8.9 billion reached in 2006. Retail sales are expected to increase 6.6% in 2012 and 4.6% 2013.

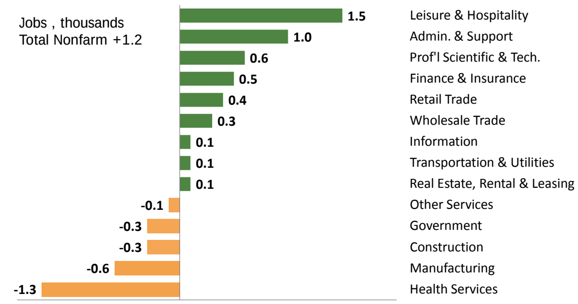
Ventura County Snapshot

Ventura County Employment



Source: EDD Labor Market Information Division; forecast by LAEDC

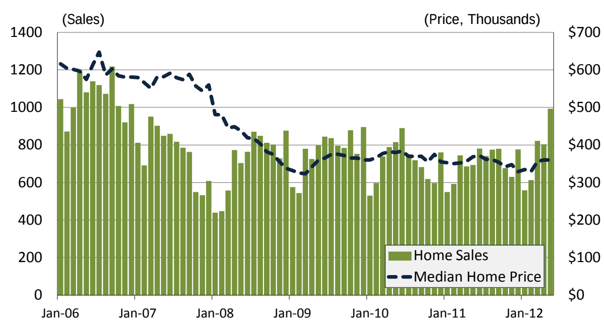
2012 Employment Growth by Industry in Ventura County



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

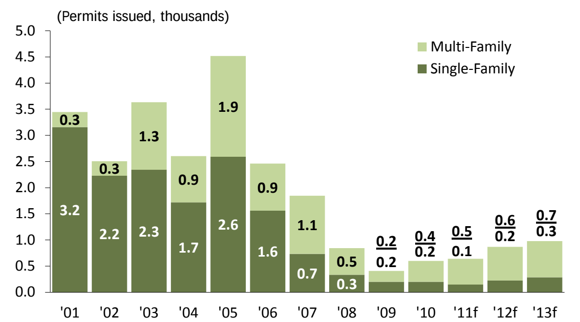
Home Sales & Median Prices Ventura County

New and existing, single-family homes and condos



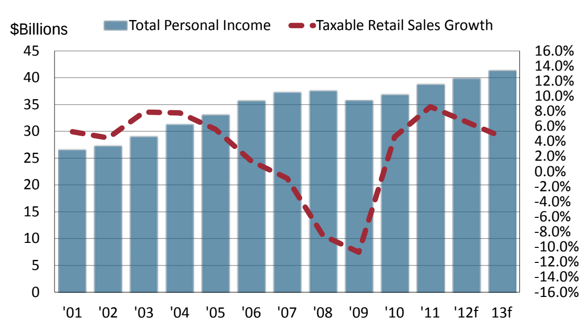
Source: California Real Estate Research Council; DataQuick, Updated March 2012

Residential Building Permits Issued in Ventura County



Source: Construction Industry Research Board, forecast by LAEDC

Ventura County Personal Income & Retail Sales



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

Table 29: Ventura County Economic Indicators

Year	Population on July 1 (Thousands)	Nonfarm Employment (Ave., Thousands)	Unemploy-ment Rate (Ave., %)	Total Personal Income ($Billions)	Per Capita Personal Income ($)	Taxable Retail Sales ($Billions)	Housing Unit Permits Issued	Nonresidential Building Permits ($Millions)
2001	769.0	279.9	4.8	26.6	34,726	6.8	3,446	309
2002	779.9	281.8	5.8	27.3	35,081	7.2	2,507	289
2003	789.4	284.2	5.8	29.1	36,886	7.7	3,635	379
2004	795.0	286.2	5.4	31.3	39,464	8.3	2,603	353
2005	796.9	291.2	4.8	33.2	41,742	8.8	4,516	372
2006	801.2	297.7	4.3	35.7	44,735	8.9	2,461	326
2007	805.9	296.8	4.9	37.3	46,634	8.8	1,847	346
2008	812.0	291.3	6.3	37.6	46,634	8.1	842	345
2009	818.5	275.6	9.8	35.8	43,881	7.2	404	153
2010	825.4	273.2	10.8	36.9	44,653	7.5	590	160
2011	832.0	274.6	10.1	38.8	46,752	8.2	640	147
2012f	839.5	275.8	9.5	39.9	47,733	8.7	870	150
2013f	848.7	280.7	9.0	41.4	49,309	9.1	980	155
% Change								
01/00	1.7%	1.8%		2.6%	1.2%	5.3%	-13.2%	9.6%
02/01	1.4%	0.7%		2.7%	1.0%	4.5%	-27.2%	-6.5%
03/02	1.2%	0.9%		6.3%	5.1%	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%	5.8%	5.6%	73.5%	5.4%
06/05	0.5%	2.2%		7.7%	7.2%	1.4%	-45.5%	-12.4%
07/06	0.6%	-0.3%		4.5%	4.2%	-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%		-4.9%	-5.9%	-10.7%	-52.0%	-55.7%
10/09	0.8%	-0.9%		3.0%	1.8%	4.6%	46.0%	4.6%
11/10	0.8%	0.5%		5.3%	4.7%	8.6%	8.5%	-8.1%
12/11	0.9%	0.4%		2.7%	2.1%	6.6%	35.9%	2.0%
13/12	1.1%	1.8%		3.8%	3.3%	4.6%	12.6%	3.3%

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 30: Ventura County Nonfarm Employment

Annual averages in thousands, March 2011 Benchmark

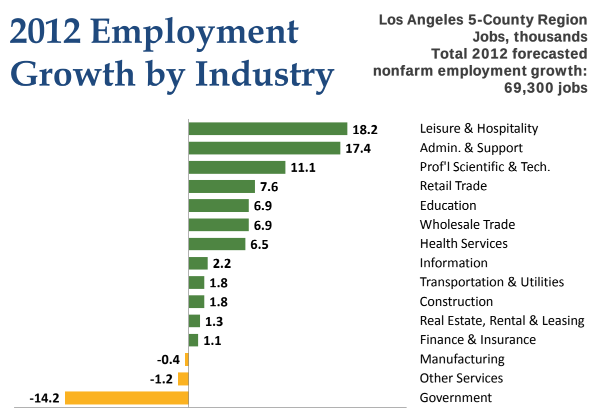
Year	Total Nonfarm Employment	Natural Resources	Construction	Manufacturing	Mfg. -- Durable	Mfg. -- Nondurable	Wholesale Trade	Retail Trade	Transport. & Utilities	Information
2001	279.9	0.6	16.1	40.5	*26.6*	*13.9*	11.0	34.0	5.9	8.4
2002	281.8	0.7	15.7	38.0	*24.9*	*13.1*	11.7	34.2	5.8	8.1
2003	284.2	0.6	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	*23.2*	*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
2012f	275.9	1.2	10.8	30.1	*18.2*	*11.9*	12.9	36.6	5.7	5.0
2013f	280.8	1.2	10.9	30.6	*18.7*	*11.9*	13.2	37.2	5.8	5.2

Year	Finance & Insurance	Real Estate, Rental & Leasing	Prof, Sci & Tech Srvs	Mgmt. of Enterprises	Admin. & Support	Educational Services	Health Care & Social Asst	Leisure & Hospitality	Other Services	Government
2001	15.5	4.2	13.8	3.4	20.0	2.8	22.6	26.6	9.6	45.1
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
2012f	17.6	4.6	15.3	2.5	16.7	4.1	27.1	32.7	8.9	44.6
2013f	17.9	4.7	15.9	2.5	17.7	4.1	27.4	33.4	9.0	44.1

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

Major Industries of the Southern California Economy

Following years of job losses, Southern California region saw modest gains in 2011, a trend that has continued into this year. Continued improvement over the next 18 months depends largely on the trajectory of the national economy.



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

Aerospace and Defense

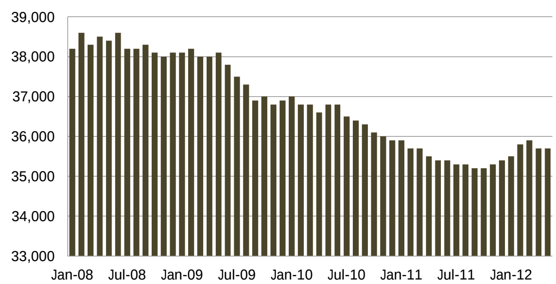
Southern California may no longer be *the* focal point of the aerospace industry in the United States, but it is still a vital component of the regional economy. Southern California's aerospace firms continue to provide a significant number of high-paying jobs and are an important incubator for technological innovation. While complete airplanes are no longer built from the ground up in the area, there is a large base of subcontracting firms that produce everything from fasteners to aircraft seating and in-flight entertainment systems to 747 fuselage panels. The local aircraft manufacturing industry mainly consists of subcontractors who manufacture parts and assemblies for a variety of aircraft, although final assembly of some aircraft still takes place here, notably the Boeing C-17 and Northrop Grumman's Global Hawk unmanned vehicle.

Southern California's aerospace firms continue to provide a significant number of high-paying jobs and are an important incubator for technological innovation.

Employment in aerospace products and parts manufacturing declined by 1,100 jobs (-3.0%) last year. Average employment during the first five months of this year was flat, ticking up by just 80 jobs (0.2%) compared with the same period last year.

Federal budget cuts will be the main 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.

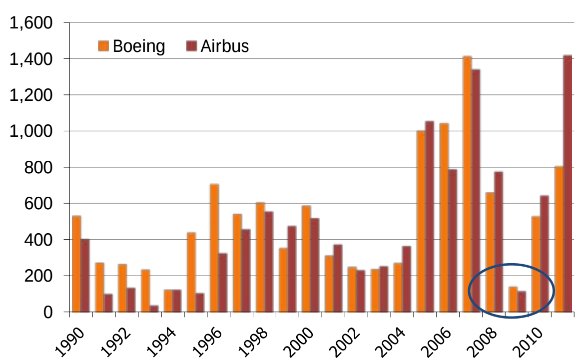
L.A. County Aerospace Products Manufacturing Employment



Source: California EDD

Many aerospace subcontractors in the region supplement their defense contracts with commercial work. Civil aircraft production declined drastically when airlines slashed orders during the recession. However, passenger and freight traffic is coming back and new orders are once again flowing in. 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, especially as Boeing ramps up production of the 787 and 747-8 aircraft.

Boeing & Airbus Orders



Source: Boeing & Airbus Company Websites

Federal budget cuts will also have a major effect on the region's space industry during the next decade. The United States space industry is facing growing competition from India, China and Russia. Perhaps strengthening the competitive stance of the industry in the U.S. is the government's increasing dependence on commercial systems, such as SpaceX's Dragon Spacecraft, to enhance U.S. space programs and launch capabilities. This will create new opportunities for the private sector. In space, the market will continue to be driven by demand for satellites and launch services. In the years ahead, if companies like Virgin Galactic have anything to say about it, space tourism will provide another avenue for growth.

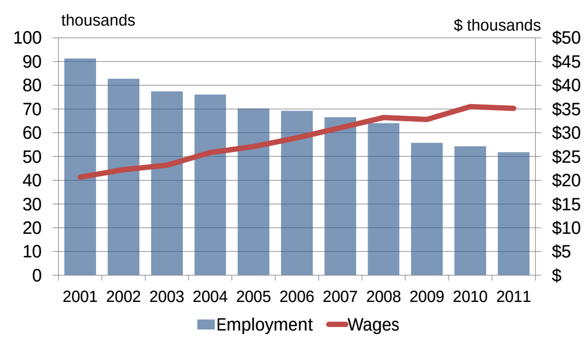
Los Angeles retains several advantages that will continue to attract and retain high-tech aerospace activities in the region: skilled labor, test facilities and research centers, and a robust electronics industry

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 robust 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: cyber security, intelligence, surveillance, defense electronics and energy security. New market opportunities are helping the region's aerospace firms to compete in the commercial space sector and commercial applications of defense products.

Apparel Design and Manufacturing

The apparel design and manufacturing industry makes 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.

Apparel Manufacturing Labor Market in Southern California



Sources: CA EDD. LMID

Still, the fashion industry continues to downsize local apparel manufacturing employment, a trend that has been ongoing for several years. 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.

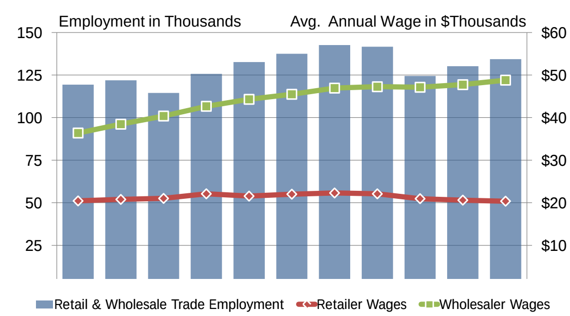
Southern California Manufacturing: The 53,000 apparel manufacturing workforce in Southern California was 4.5% lower in 2011 than 2010. The average wage for Los Angeles County apparel-manufacturing employees also decreased by 1.0% (to $35,000 a year) in 2011. Monthly figures for apparel manufacturing employment in Los Angeles County confirm further job losses early in 2012.

What is the future of local apparel manufacturing? The downward trend in employment will not reverse course without technological innovation, an apparel specific outward-oriented trade policy, and/or dynamic changes in consumer behavior. 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. Current trade flows of manufactured apparel goods have an export-to-import ratio of 1:30 in the Los Angeles Customs District (LACD). During the first five months of 2012, manufactured apparel goods exports increased by $7.4 million in the LACD, while similar imports increased by $264 million.

3,560 fashion designers worked in Southern California in May 2011.

The third catalyst that can increase the need for local apparel manufacturing is the dynamics of domestic consumption. U.S. Census retail sales reports show that clothing and clothing accessories stores are performing better than discount department stores and warehouse clubs and superstores in the early months of 2012. This is important to local businesses because it deters outsourcing of apparel manufacturing and boosts the *fast fashion* model. Los Angeles based companies can rely on their rapid production cycle capabilities, instead of waiting for overseas shipments, when the demand increases for today's fashion trend.

Apparel Retail & Wholesale Trade Labor Market in Southern California



Sources: CA EDD, LMID

Design-related activity is helping the apparel industry retain a strong presence in Southern California

Southern California Design: 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.

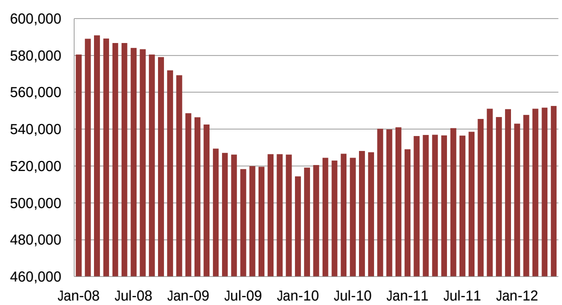
Retailers: As mentioned above, retail clothing and apparel stores sales are up in the early months of 2012. The Census Bureau reports that January through May apparel sales increased by 6.4% to $98.5 billion, compared to $92.7 billion in 2011. Southern California accounts for about 8% of the total.

Southern California retailers employed 107,400 persons in clothing and clothing accessories 2011, up 3.5% from 2010. Meanwhile Southern California apparel wholesalers increased employment to 26,900 jobs in 2011 from 26,400 in 2010. Monthly employment figures for apparel wholesalers and clothing retail stores in Los Angeles County, Orange County, and San Diego County show further job gains early in 2012.

Business and Professional Management Services

California added nearly 51,900 business and professional management services jobs last year, an annual increase of 2.5%. In Los Angeles County, nearly 12,900 jobs were added in 2011, an increase of 2.4%. During the first five months of 2012, statewide jobs in this sector increased by 4.0%, while Los Angeles County experienced a gain of 2.6%. Although the trend for employment in business and professional services has been on the upswing since February 2010, the industry has not yet regained all of the jobs that were lost during the recession.

L.A. County Professional & Business Services Employment



Source: California EDD

Within Los Angeles County, business and professional services job growth has varied widely by segment. Comparing employment growth during the first five months of 2012 with the same period last year, temporary employment services added the largest number of workers, expanding payrolls by 7,900 jobs, an increase of 9.5%. It is typical for temporary employment services to be among the faster growing sectors following a recession, but the fact employers are still using a large number of temporary workers may be indicative of firms' uncertainty regarding the near-term economic outlook and demand for their services.

Illustrating the wide diversity of this industry, below are jobs gains by subsector for the period January through May of 2012 compared with the same five months last year:

- Accounting, tax preparation and bookkeeping added 5,000 jobs (12.1%)
- Consulting services added 2,840 jobs (7.2%)
- Investigation and security added 980 jobs (2.1%)
- Computer systems design added 900 jobs (3.3%)
- Management of companies added 880 jobs (1.6%)
- Legal services, business support services and travel arrangements shed a combined total of 1,420 jobs

With its high number of white collar and high skill jobs, the LAEDC expects this diverse sector to be one of the fastest growing in the region through the remaining months of 2012 and into 2013.

Financial Services

Many segments of the finance and real estate services industry suffered severe cuts in the wake of the Great Recession and accompanying financial crisis. Across the state, the industry lost over 167,000 jobs during the recession, with 127,000 lost in financial services and 40,000 in real estate. Financial services jobs registered a slight increase last year, but job losses continued in real estate.

Financial institutions continue to work through loan delinquencies and foreclosures, although the recent Attorney General settlement may enable banks to speed up this process. The number of foreclosures and short sales in the residential market has probably peaked. While distressed sales will figure prominently in the marketplace over the next two years, they will make up a decreasing share of the total market.

The future of Fannie Mae and Freddie Mac is still up in the air. Congressional action will not take place until next year. These institutions continue to back 90% of new mortgage originations across the country, so restructuring these mortgage giants may have a substantive impact on real estate finance. Still, actual changes to government's role in real estate finance will take years to implement once Congress takes action.

In sum, these developments and continued implementation of Dodd-Frank regulations will force adjustments in the ways the financial industry operates to provide financial services to businesses and households. Meanwhile, long-run growth in this industry will depend on future growth of demand for its services, which in turn will derive from the overall pace of recovery throughout the economy.

Healthcare Services/Bio-Medical

Serving a population of nearly 10 million in Los Angeles County and over 15 million in the five-county Greater Los Angeles metropolitan area, the healthcare services industry accounts for 10% of regional jobs and is one of the leading segments of the Southern California economy. Several nationally-prominent medical facilities are located throughout the region.

Most segments of the healthcare services industry added jobs during the course of the recession, and job gains should continue this year and next. The long-term trend derives from demographics, such as the modest population growth throughout the region, longer life expectancy, and increasing numbers of older Southern California residents. While improvement in the economy should enable more households to afford insurance and medical treatment, the effects of federal health care reform on the industry remains to be seen. Still, many health care institutions across the region are positioning themselves for future growth by expanding their facilities.

With such a large population in a relatively small geographic area, Southern California is an attractive location for medical research and testing. As such, several medical research institutions are located in the region. Both medical research and the manufacture of medical instruments and pharmaceuticals are an important source of economic growth in Southern California.

Employment in the health services industry of Southern California is expected to see job growth of approximately two percent over the next two years, with bigger gains in the communities and counties that are experiencing larger increases in population.

International Trade/Goods Movement

International trade is one of the most important economic engines in Southern California. In addition, it is also a key driver of goods movement throughout the region. Based on recently completed research into industry groupings or "clusters" by the LAEDC, there were 244,110 export-oriented trade jobs in 2010. Los Angeles County has the largest number of these jobs totaling 157,200. It combines transportation, logistics, and distribution services to form the second largest traded industry cluster (after entertainment) in Los Angeles County.

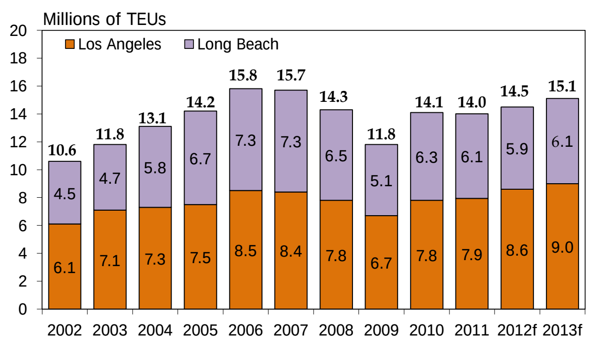
International trade is one of the most important economic engines in Southern California.

The Southern California region continues to adapt to its role as home to the nation's largest container port complex. There is over one billion square feet of industrial space in Los Angeles County alone, with over a half-million square feet of additional space under construction at the end of 2011. The Inland Empire and Orange County support trade and goods movement with expanses of warehouse space. Vacancy rates for industrial space in Southern California are among the lowest in the country. In addition, government agencies continue to increase and improve the region's infrastructure to accommodate further growth. Finally, the ports themselves are expanding their facilities and working with local government and railroads to improve intermodal connections in anticipation of growing trade in the coming years.

The combined total for both ports was up 1.4% year-to-date, the small increase was attributed to weakness in the economies of the U.S. and its trading partners.

The 2012 year-to-date (through June) trade figures for both ports portray two very different pictures, with cargo volume at the Port of Los Angeles up by 6.4%, while volume at the Port of Long Beach total volume was down by 4.9% primarily due to the loss of numerous niche services strings. However, the Port of Long Beach has been able to gain three new strings of vessels from Asia that began services in late May. The combined total for both ports was up 1.4% year-to-date, the small increase was attributed to weakness in the economies of the U.S. and its trading partners.

TEU Throughout LA-LB Ports



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

The POLA and POLB maintained their top two rankings in the U.S. during 2011, handling a total of 14.0 million containers. However, the Los Angeles Customs District (LACD) lost its number one position in the U.S. in 2011 with a two-way trade value of $387 billion (just behind New York with $388 billion). Through May 2012, the value of total two-way trade at the LACD has increased by 8% on a year-to-date basis.

Through May 2012, the value of total two-way trade at the LACD has increased by 8% on a year-to-date 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 14.4% on a year-to-year basis and by 7.0% on a year-to-date basis in May 2012. At Ontario International Airport, tonnage increased by 30% on a year-to-year basis and by over 16% on a year-to-date basis in May.

Over 40% of the nation's imported containers come through the ports of Los Angeles and Long Beach. The outlook for the remainder of 2012 and into 2013 is still relatively positive as the global economy continues its recovery albeit at a slower pace than what was expected at the beginning of the year mainly due to the deepening recession in Europe and the slowdown in China.

The forecast for the remainder of the year and for 2013 calls for a small increase in total trade volumes for both local ports. Total container traffic at the Port of Los Angeles and the Port of Long Beach is projected to expand in 2012 to 14.5 million TEUs, a rise of 3.8% and in 2013 to 15.1 million TEUs, a rise of 4.1%. Both imports and exports should improve this year with exports outperforming imports. The expected improvement in trade will positively impact both ports as well as all the other goods movement industry players, from the longshoremen's union to the independent truck drivers to the railroads.

Total container traffic at the Port of Los Angeles and the Port of Long Beach is projected to expand in 2012 to 14.5 million TEUs, a rise of 3.8% and in 2013 to 15.1 million TEUs, a rise of 4.1%.

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, which have been the second largest contributor to GDP since the end of the Great Recession.

Alameda Corridor

During the recession, the 20-mile rail cargo line that connects both ports to the main railroad yards near downtown Los Angeles experienced a downturn in activity. The number of trains running on the Alameda Corridor plunged by 34.5% between 2006 and 2009. However, in 2010 the number of trains climbed by 8.6% and in 2011 they increased by 7.2%. Through June 2012, the number of trains rose by 4.0% on a year–to-date basis. That figure should increase over the remainder of this year and into 2013.

Alameda Corridor Train Counts

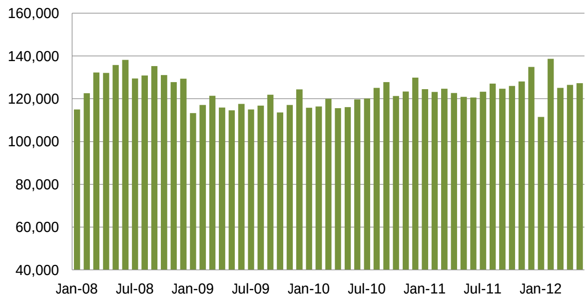
Source: Alameda Corridor Transportation Authority

Motion Picture/TV Production

The Southern California entertainment industry, of which motion picture and TV production is a large part, plays a key role in the regional economy. 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. L.A.'s billing as entertainment capital of the world also draws millions of tourists to the region each year.

In 2011, motion picture and TV production added 4,200 employees, a year-over gain of 3.5%. During the first five months of 2012, average employment in the industry increased by 2,620 jobs or by 2.1% compared with the same period last year. While motion picture and TV production employment increased steadily following the immediate aftermath of the recession, from 2010 to present, employment growth has see-sawed. Part of the reason for this volatility may stem from how difficult it is to measure employment in this sector. The entertainment industry employs a large number of independent contractors who do not show up in these statistics.

L.A. County Motion Picture & Sound Recording Employment



Source: California EDD

On-location film activity also increased in 2011, but still has some way to go to regain the all the ground lost during the recession. Measuring film activity by permitted production days does not capture filming that takes place on sound stages, but it is a reasonable proxy for industry activity. Total permitted production days were up by 4.2% in 2011 compared with 2010.[4] During the first quarter of 2012, total permitted production days were down by 2.1%. Features (movies) jumped by 15.8% and commercials were up by 10.8% during the first quarter. Most of the decline was due to fewer TV shows filmed on location. According to a study by FilmL.A, the share of TV drama series filmed in Los Angeles fell to 43.9% for this year's fall season from 57.1% last year. Locations such as New York, Vancouver, Canada and Toronto all picked up share. The result is a significant number of lost jobs and economic benefits for the region.

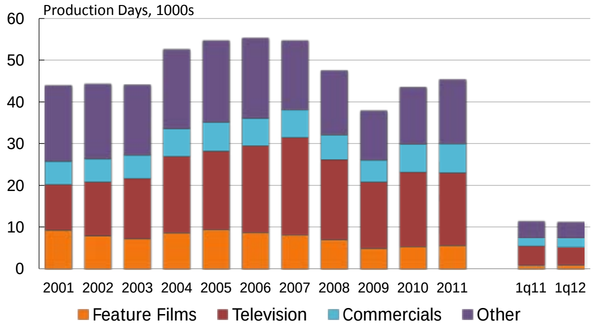
Global box office receipts for all films were up by 3.0% in 2011 to $32.6 billion. All of the growth came from a rise in international receipts. International box office increased by 7.0% to $22.4 billion, while domestic box office declined by 4% to $10.2 billion. International box office, which now makes up 69% of total

[4] Film L.A.

receipts, has increased by 35% over the past five years, driven by growth in a variety of overseas markets.[5]

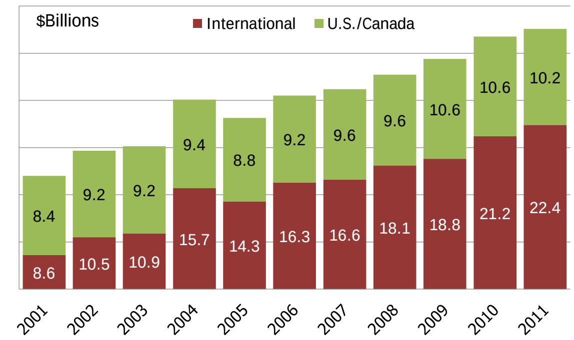
[5] Motion Picture Association of America

On-Location Film Production Days by Type



Source: Film LA

Worldwide Box Office Receipts



Source: MPAA

The recovery of the "at-home" entertainment sector continued during the first quarter of 2012. Total spending on at-home entertainment was up by 2.5% over the same period last year. The strongest growth in this segment of the entertainment industry came from high-margin products such as HDTVs, Blu-ray disc players and disks, video-on-demand (VOD) and electronic sell-through (EST) of movies. Spending on Blu-ray disks jumped by 23% during the first three months of this year and EST increased by 17%. Blu-ray devices are gaining wider acceptance – 2.4 million players were sold in the first quarter and are now in more than 40.8 million U.S. homes. Additionally, 6.5 million HDTVs were sold to U.S. consumers bringing the number of households with HDTVs up to 77.6 million.[6]

Retail Trade

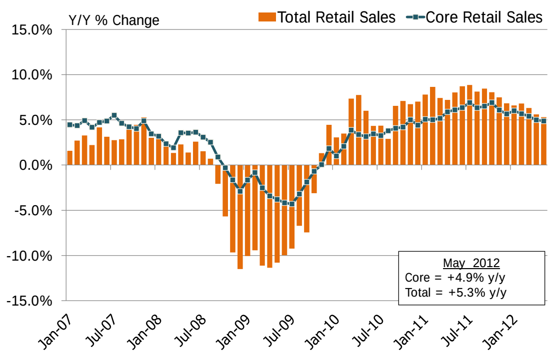
The U.S. retail sector posted a solid performance in 2011. Retail sales continue to improve this year, but at a more moderate pace with a 6.1% increase in the first five months of 2012 over the same period last year. Even after stripping out the more volatile components of the retail sector (automobiles, gasoline stations, and building and garden centers), to arrive at "core" retail sales, the numbers still looked good. Core retail sales, which make up about 65% of total retail sales, were up by 5.4% compared with the first five months of 2011.

Heading into the second half of 2012, the trend is pointing toward softer consumer spending. Slow employment and income growth as well as concerns about the global economy and fitful growth at home are taking a toll on consumer confidence. In May, consumer confidence fell to its lowest point since last December. Consumers are still facing considerable challenges: sluggish income growth, weak labor markets, high debt levels and the loss of wealth following the drastic decline in home prices.

[6] The Digital Entertainment Group

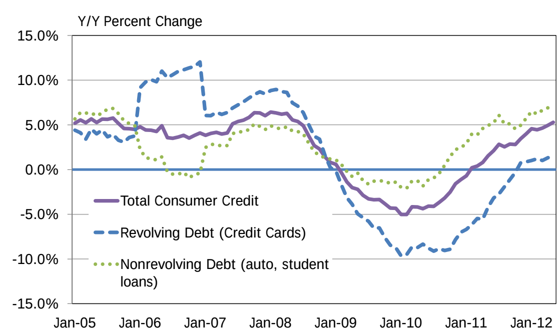
Still, consumers are spending, just not at the pace we have come to expect following a recession. Bright spots in the retail sector include auto sales, electronic (on-line) shopping and mail order houses. On-line shopping is outpacing most other segments of the retail sector. Both discount and luxury retailers will continue to do well, but many mid-range retailers are having a more difficult time coming back. High unemployment and a new cost consciousness among those who are employed have pushed former patrons of mid-range retail outlets to 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. Declining gasoline prices provide a cushion for most consumers and allow households to redirect some spending from gasoline stations to retail spending on consumer goods and entertainment. 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.

U.S. Retail Sales



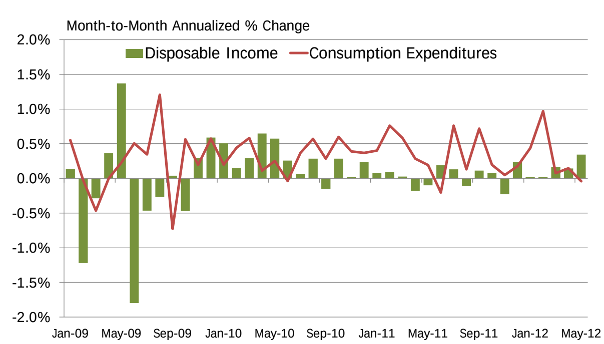
Source: U.S. Census Bureau

Consumer Credit Outstanding



Source: Federal Reserve

Real Disposable Personal Income



Source: Bureau of Economic Analysis

Retail Real Estate
Mirroring improvements in other commercial property sectors, leasing and occupancy of regional malls and shopping centers is slowly improving. The weak housing market and sluggish job growth continue to hamper recovery in the retail property sector. While the number of store closings has slowed considerably during the past year, some big-box chains that made it through the recession are now struggling and closing underperforming stores. Regional malls are doing surprisingly well and discounters catering to lower income households continue to expand.

On the supply side, developers have added little new construction during the past two to three years, but that may be about to change. Absorptions are beginning to outpace completions in some areas. This means retailers are leasing space at a faster rate than new space is becoming available. Permits for new retail construction in the five-county region totaled $324.1 million during the first quarter of 2012, an increase of 289% over the same period last year.

In Los Angeles County, the total retail vacancy rate was 4.8% during the first quarter of 2012. The Orange County retail vacancy rate was 6.1% and in the Inland Empire, the vacancy rate was 7.8%. Nationally, the retail vacancy rate was 7.0% during the first quarter. In 2012, vacancy rates and rents will show modest improvement as the economy continues to expand.[7]

Retail Trade Forecast
Southern California retail sales will grow at a measured pace through the remainder of 2012, but will be soft in the second quarter. The retail real estate market will also post modest progress this year. Growth will vary by sector and region. The areas hit hardest by the housing crisis and those that are saddled with too much supply will be slower to recover.

The LAEDC is forecasting moderate increases in taxable retail sales that will range from 6.7% in Orange and San Diego Counties to 5.8% in Los Angeles County. The Inland Empire and Ventura County should see increases in taxable retail sales of 6.0% and 6.6% respectively.

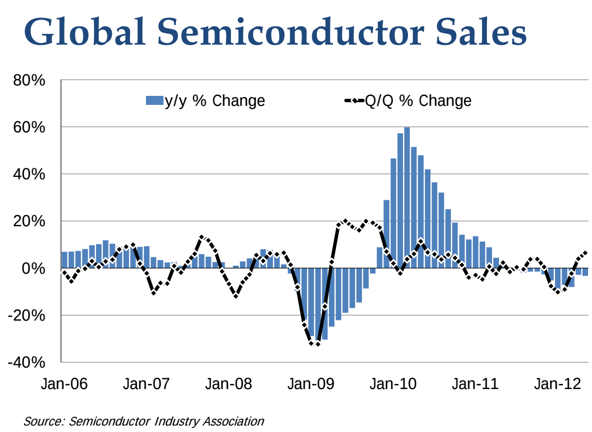
Technology

If one pays close attention, technology seems to be present in every aspect of our lives. For example, in the 2008 Olympics athletes wore swimsuits designed to resemble sharkskin. Since then, athletic apparel has been revamped and has provided the average runner/golfer/in-door-soccer player with lighter weight material and synthetic fabrics. Personal finance is made more convenient with telephone *apps* that help consumers locate the nearest ATM. One can deposit

[7] Jones, Lang, LaSalle; Voit Real Estate Services

instantly checks with a camera equipped smart phone (introduced eight years ago). Measuring technological progress is thus complicated and ever changing.

Global semiconductor sales are one measurement that help gauge the demand for new electronic technology throughout the world. Global semiconductor sales ended 2011 growing at a moderate pace. Worries about the situation in Europe and slower growth in China slowed caused a pull-back in investment and production.



The local technology picture is best observed by employment trends. Technology in Southern California reflects a U.S. trend: growth in the demand for tech services outweighs the growth in the demand for manufactured goods.

Southern California Technology Service Industry: Southern California's technology service industry is mostly composed of management and technical consulting services, computer systems design, scientific research and development, and software publishers.

Employment in these combined tech service industries in Southern California is currently is higher than pre-recession levels. From 2010 to 2011, management and technical consulting services added 8,100 jobs, computer systems design added 3,100 jobs, and software publishers added 400 jobs; however, scientific research and development lost 1,100 jobs. These are mostly high-paying jobs. Wages ranged from $70,800 for the average management and technical consulting employee to $133,300 for the average software publisher.

Southern California Technology Manufacturing Industry: Southern California's computer and electronic products manufacturing includes computer and peripheral equipment, bare printed circuit boards, semiconductors, fiber optic cables, and many other related products. Most local production is based out of Los Angeles and San Diego Counties.

Employment in computer and electronics products manufacturing was 115,000 workers in 2011, 4.9% lower than in 2010. Computer and electronics products manufacturing employment has shrank by a third over the last ten years. Monthly figures for the early part of 2012 show employment in Los Angeles County and San Diego County are continuing to weaken.

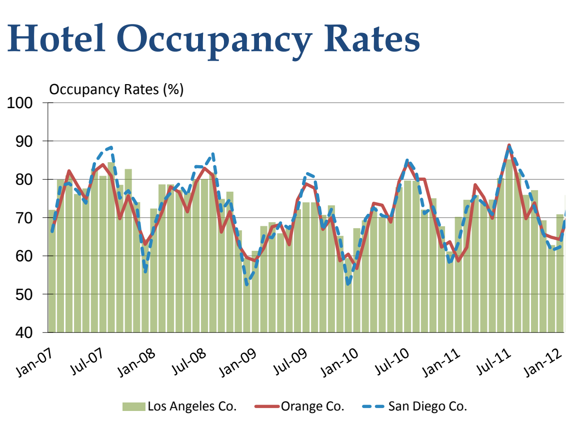
Expectations for Technology in 2012 and 2013: The technology industry can best exemplify the increasingly connected global economy. When large tech- corporations in Silicon Valley or elsewhere boost or cut budgets, local branches and other businesses follow suit. Yet local technology related manufacturing is diverging from this trend, a sign that those types of jobs are moving elsewhere.

Travel and Tourism

Travel and tourism is one of Southern California's largest industries, employing thousands of people and generating billions of dollars in economic activity. Los Angeles County alone hosted a record 26.9 million visitors last year, a 3.1% increase over the previous year. Tourists and business travelers spent $15.2 billion in 2011, an increase of 8.0% over 2010, also a record high.[8]

More international travelers arrived in Los Angeles last year – 5.9 million, an increase of 6.7% compared with 2010. The largest number of international visitors came from Mexico (1.6 million) and Canada (675,000). Australia topped the list of *overseas* residents visiting Los Angeles in 2011, followed by the United Kingdom, China, France, Germany and South Korea. International travelers accounted for nearly 22% of the total number of visitors who arrived in Los Angeles last year and 36.2% of total visitor spending.[9]

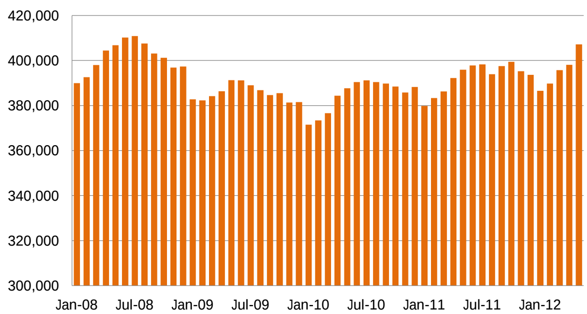
Demand for the region's hotel rooms was strong in 2011, with gains in both occupancy rates and average daily room rates. As 2012 progresses, the lodging sector will benefit from strong corporate travel spending, international visitation, personal income growth (particularly among the professional ranks) and limited new supply.



[9] Los Angeles Tourism Board (formerly LA Inc.)

Employment in this sector is also on the rise. In 2011, the leisure and hospitality industry[10] added 8,000 jobs, representing a 2.1% year-over gain in employment. During the first five months of 2012, average employment in leisure and hospitality was again up by nearly 8,000 jobs (2.1%), over the same period last year. Leisure and hospitality is one of the few industries that has recovered nearly all the jobs it lost during the recession.

Los Angeles County Leisure & Hospitality Employment



Source: California EDD

The outlook for the region's large tourist industry is good, but there are concerns. One is the economic problems in Europe and the euro's decline in value against the U.S. Dollar. Slower growth in many emerging economies could also have a negative impact on the region's tourism industry. On the domestic front, although the labor markets are on the mend, unemployment remains very high – a deterrent to discretionary travel.

Of course, there is always competition from other popular travel destinations in the United States. There are a number of efforts underway to maintain Los Angeles' position as a premier travel destination. The Tom Bradley International Terminal at LAX is undergoing a major face-lift that will make it more attractive and user friendly for travelers. Local theme parks opened several new attractions last year and more are in the works. The region's expanding number of cultural attractions are also a major draw for visitors. A number of hotels are renovating and upgrading their facilities. Los Angeles is also increasingly becoming a convention destination.

[10] This sector 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.

Outlook for Real Estate and Construction

Residential Real Estate

Introduction

Cautious optimism is returning to Southern California's housing market. Sales and median prices are on the rise. Best of all, recent gains are not incentive driven but are based on fundamentals: a growing economy, improving labor market conditions, low mortgage interest rates and excellent home affordability. Potential buyers waiting for a signal that the housing market has finally hit bottom are jumping in to take advantage of current low prices and interest rates.

Rent gains in Southern California's housing market are not incentive driven but are based on fundamentals: improving labor market conditions, low mortgage interest rates and excellent home affordability.

Nevertheless, 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, while others remain locked in homes with negative equity and under water mortgages. There remains a great deal of uncertainty in the wider economy, which in turn has an effect on people's willingness to make the long-term financial commitment of homeownership.

Foreclosure activity has declined significantly from its peak in 2009, but remains high. In May 2012, foreclosure sales accounted for 26.7% of the Southern California resale market. This was down from 33.2% a year ago and was the lowest percentage of foreclosure sales since December 2007.[11]

Existing Home Sales

In 2011, existing single-family home sales in California edged up by 1.1% over the year, while the median price fell by 6.3%. By the close of the year however, the month-to-month changes in median price were beginning to stabilize. In March of this year, the median price for a California home posted its first year-over-year increase in 16 months, rising by 1.6% to $291,030. The average median home price for the state rose again in April (4.7%) and in May (6.6%) reaching $312,110, the highest since September 2010.[12]

Much of the statewide gain was attributable to particularly strong sales in the San Francisco Bay area where job and economic growth has been much stronger than in Southern California.

[11] DQNews.com, June 13, 2012
[12] California Association of Realtors

In Southern California sales and median prices for existing single-family homes by county as of May 2012:[13]

- *Los Angeles County*: the median price was $274,000, which was up by 0.9% over the year. Sales increased by 17.9% over the year to May.
- *Orange County*: the median home price dipped by 1.2% to $538,340, while sales increased by 22.9%.
- *Riverside County*: the median price rose by 6.6% to $213,240 and sales were up by 14.7%.
- *San Bernardino County*: the median price was up by 5.7% to $134,660 and sales rose by 12.3%.
- *Ventura County*: the median price edged down by -0.1% $424,630, while sales jumped by 38.2%.

Table 31: Median Existing Single-Family Home Prices

Year	L.A. County	Orange County	Inland Empire	Ventura County
2001	242,426	353,740	147,703	322,560
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

Annual % Change

Year	L.A. County	Orange County	Inland Empire	Ventura County
2001	12.3%	11.9%	6.6%	9.3%
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%

Source: California Association of Realtors

New Home Construction

Last year (2011) was one of the worst years on record for new home construction. Median home prices had fallen so low builders could not compete with existing home sales. Potential buyers stayed on the sidelines and wary mortgage lenders hindered many of those who did wish to buy a new home.

This year, things are looking up. Builders and realtors are reporting significant increases in buyer traffic and sales. New home building in Southern California is on the upswing (from a very deep bottom). Inventories of new homes are extremely low, a situation that is helping drive some the gains seen so far this year. Prices of existing homes are starting to edge back up, another hopeful

[13] California Association of Realtors

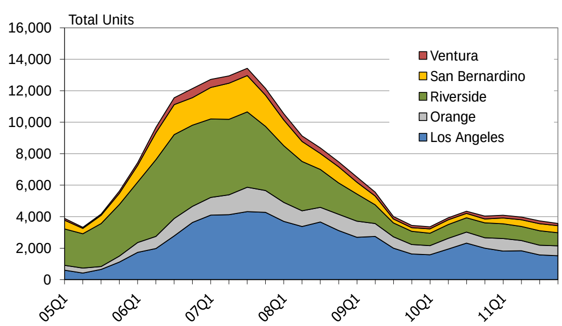
sign for homebuilders. Additionally, the overhang of foreclosed homes is easing, which is lessening downward pressure on prices.

Unsold Inventories of New Homes

Unsold inventories of **resale** homes are extremely low throughout the region. According to the California Association of Realtors, the unsold inventory in California represented a 3.5-month supply at May's sales rates. This was down from 5.7 months in May 2011. The historical average for California is about seven months. Locally, inventories range from a low of 3.1 months in Riverside County to 4.4 months in Ventura County. The inventory of existing homes in Los Angeles County, as of May 2012 was 3.6 months down from 6.0 months a year ago.

Inventories of **new unsold** homes are also very low. This should lead to gains in new construction and help push prices up. In Los Angeles County, the inventory of new unsold homes declined by 30.2% during the first quarter of 2012 compared with the same period last year. In Orange County, inventories declined by 22.5%. Although often treated as a homogenous region, the housing markets of Riverside and San Bernardino counties often behave quite differently. Unsold inventories in Riverside County were down by 22.0% during the first quarter, while in San Bernardino County, inventories *increased* by 29.5% (the seventh consecutive quarterly increase). In Ventura County, the unsold new home inventory declined by 17.9% during the first quarter of 2012.

Southern California Unsold New Housing



Source: California Real Estate Research Council

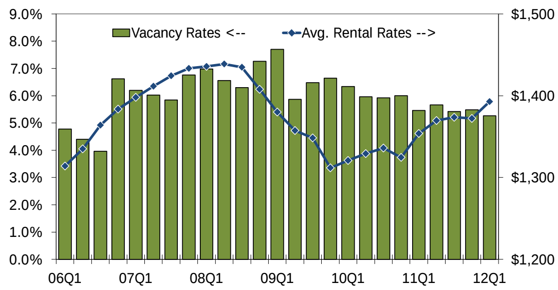
Apartments

Demand for rental units is strong and will continue to strengthen this year and next. Multi-family construction has been the one bright spot in the residential real estate market over the past few years. Although modest, job growth has enabled more young people to establish independent households, while many express a preference for renting over ownership due to the greater mobility it offers. Then there are former homeowners who lost their homes to foreclosure and will likely have to rent for many years to come. Rising demand has pulled vacancy rates lower and pushed up rents.

Apartment vacancy rates were mostly down in Southern California during the first quarter of 2012 compared with the same period in 2011 although results vary by region. The average vacancy rate in Los Angeles County during the first quarter of 2012 was 4.5% compared with 6.1% a year ago. In San Bernardino, apartment vacancy rates edged down to 5.5% from 5.6% and in Ventura County, the rate dropped to 4.6% from 5.0%.

In Orange County, after declining through 2010 and most of 2011, the apartment vacancy rate increased to 5.2% during the first quarter from 5.0% a year ago, and in Riverside County, the rate jumped to 6.5% from 5.6%.

Apartment Vacancy & Average Rental Rates (L.A. 5-County Region)



Note: For apartments with more than 100 units

Source: Real Facts/California Real Estate Research Council

Housing Forecast

The housing market in Southern California is looking better this year. Sales activity is increasing across a broad range of home prices – an indication the market is moving back to a more balanced position. Home prices appear to have finally hit bottom (and may be past the bottom for homes not in foreclosure), but little appreciation will occur this year. Any rise in prices will be due in part to higher demand. The mix of homes sold also had a positive effect. 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.

Sales activity is increasing across a broad range of home prices – an indication the market is moving back to a more balanced position.

In spite of recent improvements in the housing market, the LAEDC is revising its forecast for new home construction down slightly for 2012 to a total of 25,470 new housing units to be permitted in the five-county region, which is still an increase of 20.9% from 2011. Gains will be modest this year and next and could be easily derailed by an unexpected shock, but this is beginning to look like the start of a sustainable recovery for new home construction.

Additional gains in 2012 will depend in large part on improvements in the rest of the economy, particularly stronger job and income growth, and increased household formation. Housing affordability is excellent and pent up demand for housing is building. Increasing numbers of households are on a more solid financial footing -- household asset values are rising and debt levels are declining. Gains in household wealth should ease concerns about another wave of foreclosures from upside down homeowners.

Table 32: Total Housing Permits

Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2001	18,253	8,646	27,541	3,446	57,886
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
2012f	13,100	5,400	6,100	870	25,470
2013f	16,240	6,750	7,302	980	31,272

Annual % Change

Year	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2001	6.9%	-30.1%	25.2%	-13.2%	4.5%
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	25.9%	12.3%	17.0%	35.9%	20.9%
2013f	24.0%	25.0%	19.7%	12.6%	22.8%

Sources: Construction Industry Research Board, forecasts by LAEDC

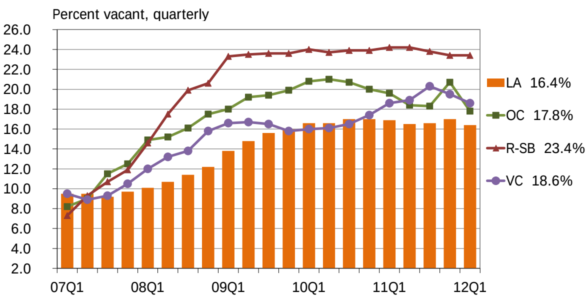
Nonresidential Real Estate

Office Space Recovery in Southern California's office market is starting to take root. Demand for office space is on the upswing, reflecting employment gains in the financial and professional business services sectors, and near record low levels of new construction. Leasing activity is concentrated in renewals, which often involve less space. Firms with stronger balance sheets are taking advantage of low lease rates to move into higher quality space in more desirable areas. Although leasing activity is on the rise, rents will remain soft through the end of 2012. Vacancy rates are so high that even with the declines expected this year, the impact on rental rates will be minimal.

Los Angeles County: The Los Angeles County office market ended the first quarter of 2012 with an average office vacancy rate of 16.4%, down from 16.9% during the same period in 2011. Net absorption for the first quarter of 2012 was 1.1 million square feet. The volume of new space under construction was 526,000 square feet, mainly in West Los Angeles.

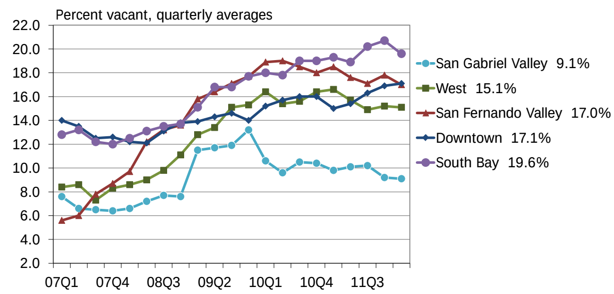
Asking rent for Class A space was $2.95 per square foot, the same as during the first quarter of 2011. However, rents had declined to $2.90 per square foot during the fourth quarter, so upward pressure on rents may be starting to build. Vacancy rates will continue to improve incrementally, but asking rents are likely to remain soft through the end of the year.

Office Vacancy Rates in Southern California



Source: Grubb & Ellis Research Services

Office Vacancy Rates in L.A. County by Area



Source: Grubb & Ellis Research Services

Orange County: In Orange County, the average office vacancy rate declined sharply in the first quarter of 2012 to 17.8% from 19.6% a year ago (the vacancy rate in the fourth quarter of 2011 was 20.7%). No new office space was added in 2011, which was also the situation through the first quarter of this year. The county posted positive net absorption in 2011 (nearly two million square feet) and 620,000 square feet in the first three months of this year.

Orange County has the lowest unemployment rate in the region at 7.5% (as of May 2012), and is creating jobs at a faster rate than the state as a whole. Many of these are office jobs in professional and business services, real estate and financial services. Many tenants have expanded into larger spaces, but the increase in demand for office space has not yet translated to higher lease rates. Class A asking rents were mostly flat over the year in 2011 at $2.16 to $2.18 per square foot, but softened during the first quarter of this year to $2.15 per square foot.

Inland Empire: In the Inland Empire, the office vacancy rate was 23.4% in the first quarter of 2012, down marginally from the same period in 2011 (24.2%). Rental rates have held steady over the last two quarters at $1.93 per square foot, but were down by 3.0% in the first quarter compared with $1.99 per square foot a year ago. Total net absorption in the first quarter of this year was 104,049 square feet, with the greatest gains concentrated in the Riverside and airport submarkets. There was 141,133 square feet of new office space under construction in Riverside during the first quarter.

Anemic employment gains in the Inland Empire have done little to offset the region's high office vacancy rates. Additionally, of the nearly 2.6 million square feet of speculative construction built since 2007, nearly half was still vacant at the end of the first quarter of 2012. Hiring for jobs that use office space is on the rise, but employment is not expanding fast enough to fill the large amount of available vacant space. Little improvement is expected for the remainder of 2012.

New Office Construction

During 2011, office building permits valued at $265 million were issued in the five-county region, a decline of 6.9% from already low levels in 2010. Los Angeles County accounted for 59% by valuation of office building permits issued in the five-county region. Orange County accounted for a 33% share, while the Inland Empire's share was 7% and Ventura County held a 1% share.

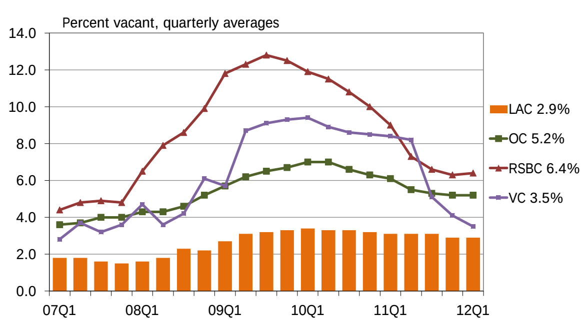
Data on permit values for new office construction in the first quarter of 2012 for the five-county region give little reason to expect much of a pick up this year. New office construction in the first quarter was down by 43% during the first quarter of 2012 compared with the same period last year. The only two counties to show gains over the year were Orange County and San Bernardino County.

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.

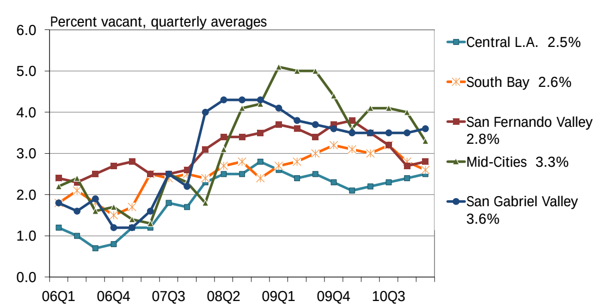
Los Angeles: The market for industrial property in Los Angeles County is in pretty decent shape. First quarter leasing activity is up over the year with tenants attempting to lock in low lease rates. During the first quarter of this year, the Los Angeles County average industrial vacancy rate was 2.9% (the lowest industrial vacancy rate in the nation); down from 3.1% a year ago. New industrial space under construction totaled just over one million square feet (in the South Bay) during the first quarter, and net absorption for the year was positive 2.4 million square feet.

Industrial Vacancy Rates in Southern California



Source: Grubb & Ellis Research Services

Industrial Vacancy Rates in L.A. County by Area



Source: Grubb & Ellis Research Services

Increased leasing activity has helped stabilize vacancy rates, but rents are still at the lowest levels seen in a decade. Over the year, the average asking rent for industrial space (all types) in Los Angeles County ticked up by 2.0% to $0.52 per square foot, while warehouse and distribution rents are holding steady from a year ago. Much of the lack of upward pressure on rents is attributed to flattening inbound container cargo traffic through the ports. Nevertheless, recovery is well underway and lease activity is rising – it just has not been robust enough to have an effect on rents.

Orange County: Orange County's industrial real estate market is still on track for recovery although the pace is slower than anyone would like. The average vacancy rate in the first quarter of 2012 was 5.2% down from 6.1% a year ago. No new space is currently under construction and net absorption was positive for the eighth consecutive quarter.

Demand for industrial space in Orange County is starting to catch up with supply. Rental rates (for all property types) have remained mostly flat over the year at $0.72 per square foot but may start to firm this year. Rents for warehouse/distribution space edged up by a penny in the first quarter to $0.51 per square foot compared with the same period in 2011.

Orange County's industrial real estate market will benefit from increased manufacturing activity through this year and next, especially in the high tech sector, but also in other durable and non-durable goods manufacturing.

Inland Empire: The rebound in international trade and strong growth in retail sales have pushed the Inland Empire industrial real estate market up and out of the trough. The first quarter vacancy rate was 6.4%, a steep decline from the 9.0% rate posted in the first quarter of 2011. After recording nearly 20% of the nation's industrial real estate absorption in 2011, the Inland Empire hit a roadblock. Net absorption was just over 1.7 million square feet during the first quarter of this year, but was sharply down from the 5.5 million square feet recorded a year ago.

During the first quarter of this year 5.1 million square feet of new space was under construction. As this new space comes online, supply pressures will ease. Demand for large modern spaces with desirable amenities (higher clearance heights, LEED-certification and cross dock layouts) that improve a tenant's operating efficiency justify the new construction taking place in the Inland Empire, much of it speculative.

Asking rents (all property types) have been flat over the last three quarters, but were up over the year ($0.33 per square foot versus $0.31 per square foot). Flat import rates and sagging consumer confidence (which affects retail sales and thus demand for warehouse space) continue to push distributors to consolidate operations. Strong demand for Class A warehouse space and limited supply will drive up lease rates as rising demand begins to absorb limited supply, especially for buildings in excess of 400,000 square feet.

Forecast for Private Nonresidential Construction

Demand for commercial properties is improving, especially for warehouse and distribution space. The value of total private nonresidential construction in the five-county region increased to $5.5 billion in 2011, up by 14.9% compared with 2010. However, for 2012 based on current permit activity and observed economic conditions, the LAEDC has revised its nonresidential construction forecast for the region down slightly to $6.1 billion (10.5%).

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 areas, but also appear to be stabilizing.

The outlook for industrial space development is much brighter throughout Southern California. Improvements in vacancy rates and rents will depend largely on trade activity and manufacturing output. Another factor is the rate at which speculative developments come on line – too much supply added too fast could derail recovery. Fuel prices, which affect the of cost trucking goods from the ports to warehouses, will also have an impact as firms weigh transportation costs against rental rates in cheaper (Inland Empire) versus more accessible areas such as Los Angeles.

Table 33: Private Nonresidential Construction Permits

(By Valuation, $millions)

Year	L.A.	Orange	Riv-SB	Ventura	5C-Total
2001	3,539	1,350	1,423	309	6,621
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
2012f	3,525	1,400	1,000	150	6,075
2013f	4,050	1,550	1,200	155	6,955

Annual % Change

Year	LAC	OC	RSBC	VC	5C-Total
2001	7.4%	-23.4%	-7.4%	9.6%	-3.7%
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	12.7%	7.8%	8.5%	1.9%	10.5%
2013f	14.9%	10.7%	20.0%	3.3%	14.5%

Sources: Construction Industry Research Board, forecasts by LAEDC

Index of Statistical Tables

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