

2018-2019



ECONOMIC FORECAST — & — INDUSTRY OUTLOOK



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Los Angeles County Economic Development Corporation



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SOUTHERN CALIFORNIA COUNTIES
2018-2019

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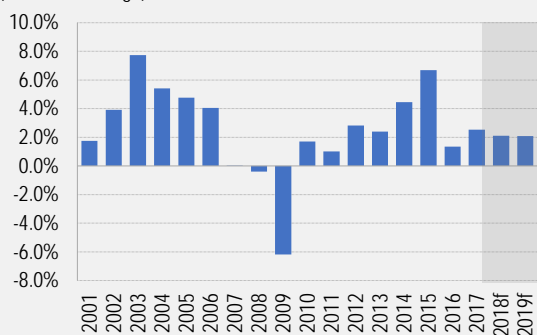
Orange County

The Orange County economy is one of the strongest performing in California in terms of job creation and unemployment. The county continues to follow the long-term trajectory of a diminished manufacturing sector vis-à-vis steady annual growth in professional and business services. Facilitating the transformation of Orange County's economy has been its success in attracting a highly skilled workforce and thereby producing a per capita income exceeding the state. Over 84 percent of the adult population in Orange County has a high school diploma and roughly 39 percent has a bachelor's degree or higher, both above the statewide average.

In 2017, Orange County's economy grew at an estimated rate of 2.5 percent compared with 2.5 percent for the State and accounted for 10.5 percent of California's Gross State Product while being home to just 8.1 percent of the state's population. Orange County's real gross county product is expected to decelerate modestly to 2.1 percent this year and maintain that rate in 2018.

Exhibit 4-1

Growth in Real GDP Orange County
(Annual % change)



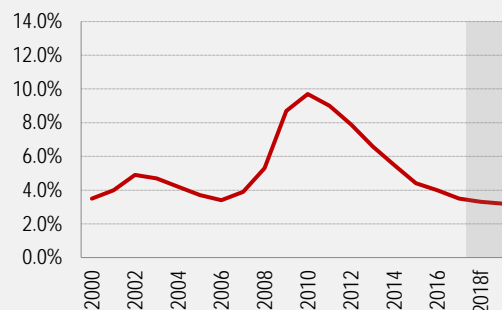
Source: BEA; estimates and forecast by LAEDC

Labor Market

In 2017, Orange County's unemployment rate averaged 3.5 percent, the lowest since it was 3.4 percent in 2006. In 2018, the unemployment rate is expected to drop again to 3.3 and then to 3.2 percent in 2019.

Exhibit 4-2

Unemployment Rate

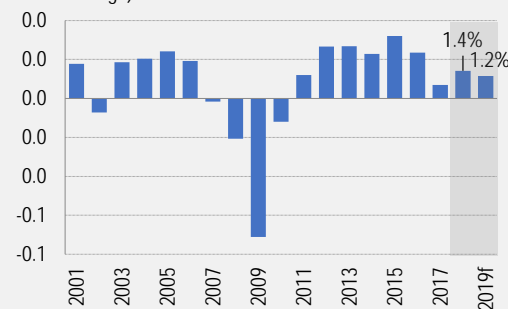


Source: CA EDD; forecast by LAEDC

Orange County added 36,300 wage and salary jobs last year, increasing the number of nonfarm jobs from 1.58 million 2016 to 1.59 million in 2017. This corresponded to an annual growth rate 0.7 percent, compared with 1.9 percent for the rest of California.

Exhibit 4-3

Change in Employment
(Annual % change)



Source: CA EDD; forecast by LAEDC

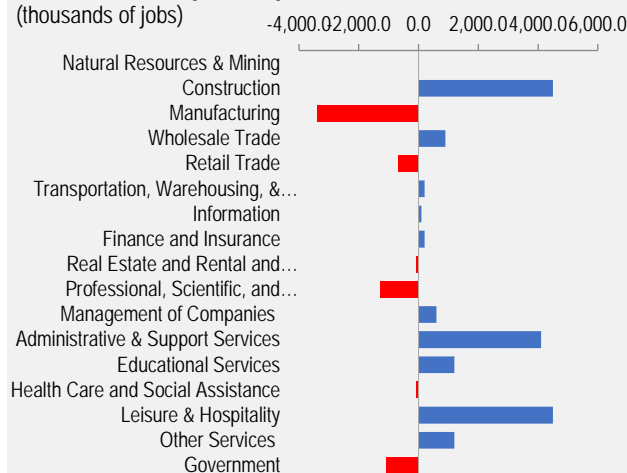
The labor market in Orange County will experience additional improvements over the next two years with an anticipated annual increase in nonfarm jobs of 1.4 percent this year before slowing slightly to 1.2 percent in 2019.

Most industries in the county added jobs last year, notably excluding manufacturing (-2.2 percent). The largest percentage gains were construction (4.6 percent), administrative and support services (4.6 percent), and educational services (4.0 percent).

In absolute terms, the construction industry added the largest number of jobs (4,500), joined by leisure and hospitality (4,500 jobs), and administrative and support services (4,100 jobs).

Exhibit 4-4**Job Growth 2017 by Industry Sector**

(thousands of jobs)



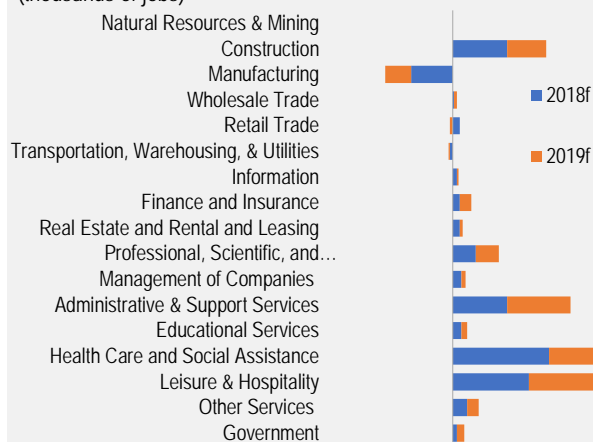
Sources: CA EDD; forecast by LAEDC

The sectors that posted employment declines were manufacturing (3,400 jobs); professional, scientific and technical services (1,300 jobs); and government (1,100 jobs).

Most industries are expected to add to their payrolls this year (2018), the top-hiring being health care and social assistance (6,700 jobs), leisure and hospitality (5,300 jobs), construction (3,800 jobs), and administrative and support services (3,800). Two industries are projected to lose jobs: manufacturing (2,900 jobs) and transportation, warehousing and utilities (200 jobs). ❖

Exhibit 4-5**Job Growth 2018 and 2019 by Industry Sector**

(thousands of jobs)

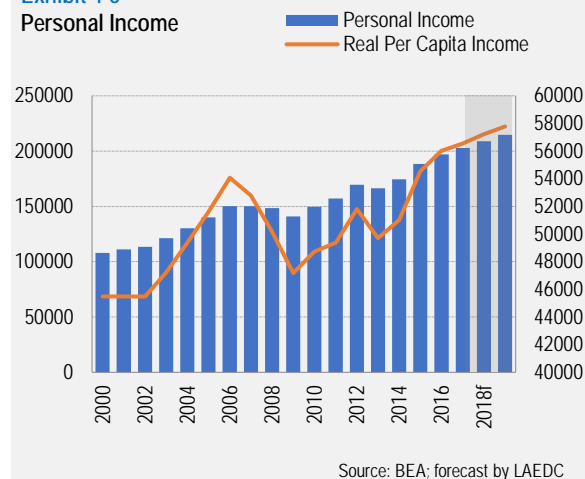


Source: CA EDD; forecast by LAEDC

Personal Income & Expenditures

In addition to rising levels of employment, Orange County's residents have also experienced gains in personal income. Due to increases in both employment and wages, total personal income in the county edged up by 3.0 percent in 2017 to \$203 billion (nominal). Personal income has been rising in Orange County on a year-over-year basis since 2010 (except for a 1.9 percent decline in 2013) and is expected to reach \$209 billion this year, rising yet again in 2019 to \$214.6 billion. Higher income is generally associated with increased levels of consumer spending, but the rate at which spending increases will be influenced by the rate of inflation, changes in tax policy and household decisions regarding how much to save and invest.

Real per capita personal income was \$56,556 last year, up from \$56,026 in 2016. Persistent job growth, record low unemployment and low inflation likely contributed to this. Over the next two-year, modest gains in real per capita income are expected to continue: 1.8 percent in 2018 and almost 1.0% in 2019. Compared with the other counties in Southern California, Orange County had the highest real per capita income compared to any other county. ❖

Exhibit 4-6**Personal Income**

Source: BEA; forecast by LAEDC

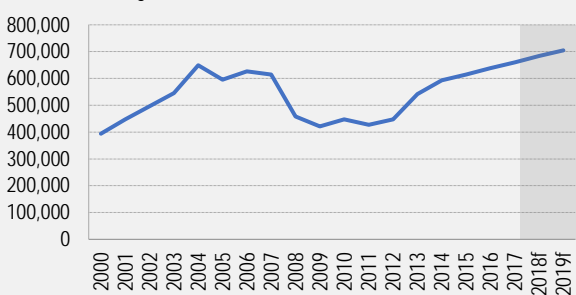
Housing Market

The nation's housing markets have taken far longer to recover from the 2007 housing crash than most industry experts anticipated, and Orange County is

no exception. After the second home price nadir in 2011, the upward trend in home prices continued to do so in 2017 and is project to do so through 2019. The median price for all homes (attached and detached, new and existing) in Orange County was \$659,400 in December 2017, up by 3.3 percent from a year earlier. The median home price in Orange County has risen on a year-over-year basis since the second quarter of 2012 and in 2017 exceeded the pre-recession price peak. In this instance, Orange County defies most of the region.

Exhibit 4-7

Orange County Median Home Prices (New and existing, attached and detached homes)

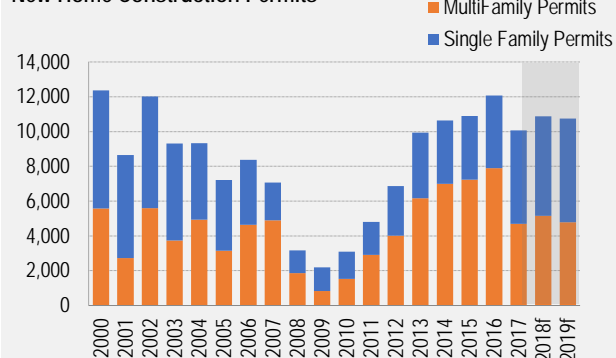


Source: DataQuick Information Systems; estimates and forecast by LAEDC

New home construction decelerated in 2017, declining by 16.6 percent to 10,065 new residential units permitted compared with 12,073 in 2016. Part of this could be consumer demand, and thereby developer demand, chronically high and rising housing prices in the greater Los Angeles-Orange County region. The feedback loop, then, threatens to reinforce endemic problems in housing affordability and access: high prices discourage demand more than they encourage new supply, stymying the creation of new housing and therefore forcing prices higher. ❖

Exhibit 4-8

New Home Construction Permits



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

Looking Ahead

Over the next two years, the growth rate of Orange County's economy is expected to marginally exceed that of California, stimulating employment and income gains across most industries in the county. This will cut the county's unemployment rate from 3.3 percent in 2018 to 3.2 percent in 2019.

Although constrained somewhat by the high cost of housing, the population of Orange County will grow moderately. Orange County's construction, technology services, administrative services, health care and hospitality industries are projected to have the strongest growth, providing the employment pressures for continued real wage gains and regional prosperity into 2019. ❖

Exhibit 4-9

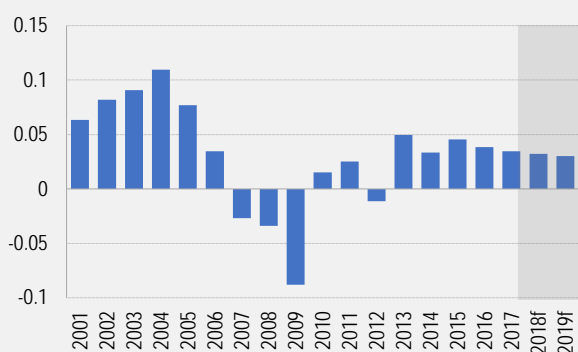
			Historical				Forecast	
	2012	2013	2014	2015	2016	2017	2018f	2019f
GDP								
Real GDP (millions \$ 2009 chained)	204,296	209,191	218,511	233,100	236,216	242,187	247,315	252,448
Annual percent change in real GDP	2.8%	2.4%	4.5%	6.7%	1.3%	2.5%	2.1%	2.1%
Total Personal income (millions)	169,583	166,369	174,586	188,471	196,920	202,801	208,896	214,637
Per capita personal income (nominal)	54,972	53,451	55,699	59,708	62,071	63,654	65,314	66,885
Per capita personal income (\$2009)	51,802	49,708	51,027	54,538	56,029	56,556	57,226	57,782
Population								
Population (thousands)	3069	3103	3127	3152	3172	3194	3220	3241
Population growth rate (percent)	1.1	1.1	0.8	0.8	0.6	0.7	0.8	0.6
Labor Market								
Unemployment rate (percent)	7.9	6.6	5.5	4.4	4	3.5	3.3	3.2
Average annual nonfarm employment	1,424,600	1,462,800	1,496,200	1,544,200	1,580,500	1,591,400	1,614,000	1,632,600
Annual percent change in employment	2.7	2.7	2.3	3.2	2.4	0.7	1.4	1.2
Jobs (change over previous year)								
Total Nonfarm	36,900	38,200	33,400	48,000	36,300	10,900	22,600	18,600
Natural Resources	0	0	100	-100	-100	0	0	0
Construction	2,600	5,500	4,700	8,500	5,400	4,500	3,800	2,700
Manufacturing	4,100	-400	-600	-500	-400	-3,400	-2,900	-1,800
Wholesale Trade	0	2,100	1,500	-100	0	900	100	200
Retail Trade	1,400	1,500	2,900	3,000	900	-700	500	-200
Transport / Warehousing / Utilities	500	-500	-1,000	400	700	200	-200	-100
Information	400	700	-500	1,000	500	100	300	100
Finance & Insurance	2,700	3,100	-700	2,400	200	200	500	800
Real Estate / Rental & Leasing	900	1,600	1,200	0	1,300	-100	500	200
Prof / Scientific / Tech Services	4,500	3,200	6,100	4,200	3,100	-1,300	1,600	1,600
Management of Companies	1,700	1,300	1,200	1,400	1,900	600	600	300
Administrative & Support	6,500	2,300	1,800	4,500	4,800	4,100	3,800	4,400
Educational Services	300	500	0	200	900	1,200	600	400
Health Care / Social Assistance	4,700	8,400	4,700	7,800	4,200	-100	6,700	3,600
Leisure & Hospitality	6,600	7,100	6,600	9,400	8,100	4,500	5,300	5,100
Other Services	1,400	1,000	1,700	1,600	1,400	1,200	1,000	800
Government	-1,400	800	3,500	4,200	3,700	-1,100	300	500
Housing								
Residential Permits	6,862	9,936	10,636	10,897	12,073	10,065	10,873	10,746
Median home price	447,628	541,742	593,152	614,641	638,200	659,367	683,423	704,772

Riverside County

Along with San Bernardino, Riverside County economy was a powerhouse of economic growth until the Great Recession. Beginning in 2013, Riverside has posted between 3.3 and almost 5 percent GDP growth per annum. Unlike most of the state, Riverside is projected to add manufacturing jobs, albeit modestly, in addition to professional service employment. Likewise, farm production has remained stable while industrial production has increased. In part facilitated by lower-than-average median home prices, Riverside is rife with economic opportunity and potential as it continues to recover from the recession and indeed exceeds several pre-recession benchmarks. Due to Riverside's dependence on the rest of the region for much of its economic infrastructure, the prosperity of Southern California writ large will enhance the economic fortunes of Riverside and vice versa.

In 2017, Riverside County's economy grew at an estimated rate of 3.4 percent compared with 2.5 percent for the State and accounted for 2.9 percent of California's Gross State Product while being home to 6 percent of the state's population. Riverside County's real gross county product growth is expected to decelerate modestly to 3.2 percent in this year and again to 3.0 percent in 2019, still above the projected California gross state product growth.

Exhibit 5-1
Growth in Real GDP Riverside County
(Annual % change)

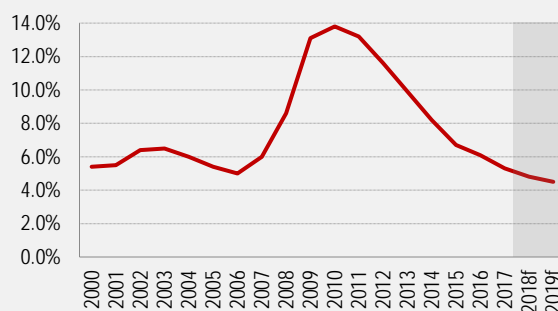


Source: BEA; estimates and forecast by LAEI

Labor Market

In 2017, Riverside County's unemployment rate averaged 5.3 percent, the lowest since it was 3.4 percent in 2006. In 2018, the unemployment rate is expected to drop again 4.8 and then to 4.5 percent in 2019.

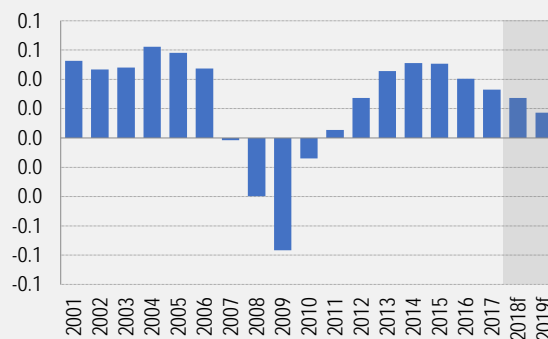
Exhibit 5-2
Unemployment Rate



Source: CA EDD; forecast by LAEDC

Riverside County added 22,700 wage and salary jobs last year, increasing the number of nonfarm jobs from 689 thousand in 2016 to 711 thousand in 2017. This corresponded to an annual growth rate 3.3 percent, compared with 1.9 percent for the entire state of California.

Exhibit 5-3
Change in Employment
(Annual % change)



Source: CA EDD; forecast by LAEDC

The labor market in Riverside County is predicted to experience additional improvements over the next two years with an anticipated annual increase in nonfarm jobs of 2.7 percent this year before slowing slightly to 1.7 percent in 2019.

Most industries in the county added jobs last year, a pattern notably excluding job contractions in the information sector (1.5 percent) and education services (1.2 percent). The largest percentage gains were construction (15.2 percent), transportation, warehousing and utilities (5.2 percent), and leisure and hospitality (4.6 percent).

In absolute terms, the construction industry added the largest number of jobs (9,000), followed by leisure and hospitality (4,200 jobs), and health care and social assistance (3,000 jobs).

Exhibit 5-4**Job Growth 2017 by Industry Sector**

(thousands of jobs)



The sectors that posted employment declines were information, administrative and support services, and educational services, all of which lost 100 jobs between 2016 and 2017.

Most industries are expected to add to their payrolls this year (2018), the top-hiring being construction (3,800 jobs), health care and social assistance (3,600 jobs), and leisure and hospitality (3,400 jobs), and government (2,900 jobs). No industries are estimated to lose jobs; however, natural resources and mining, information, and management of companies are projected to have no employment changes in 2018. ❖

Exhibit 5-5**Job Forecast 2018 and 2019 by Industry Sector**

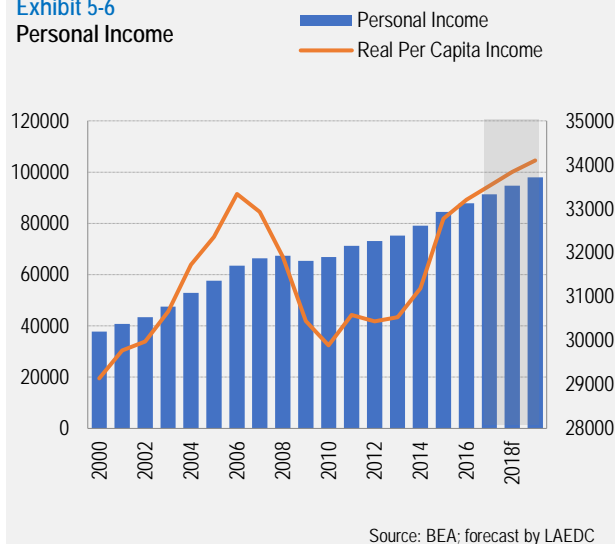
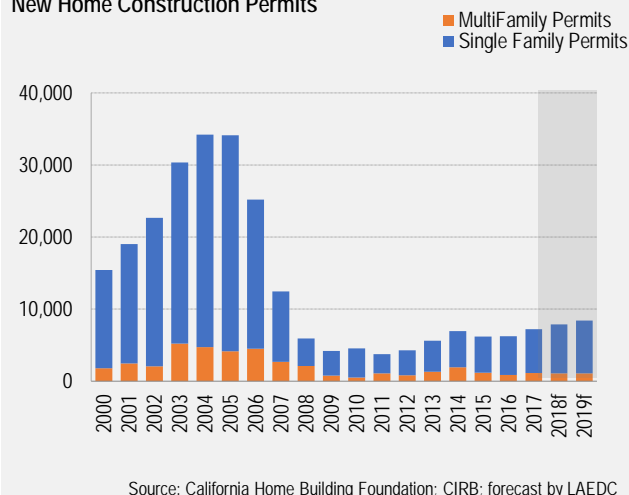
(thousands of jobs)



Personal Income & Expenditures

In addition to rising levels of employment, Riverside County's residents have also experienced gains in personal income. Due to increases in both employment and wages, total personal income in the county increased by almost 4.0 percent in 2017 to \$91.3 billion (nominal). Personal income has been rising in Riverside County on a year-over-year basis since 2009 – indeed, it has been rising since 2001 except for 2009 – and is expected to reach \$94.7 billion this year, rising yet again in 2019 to \$98 billion.

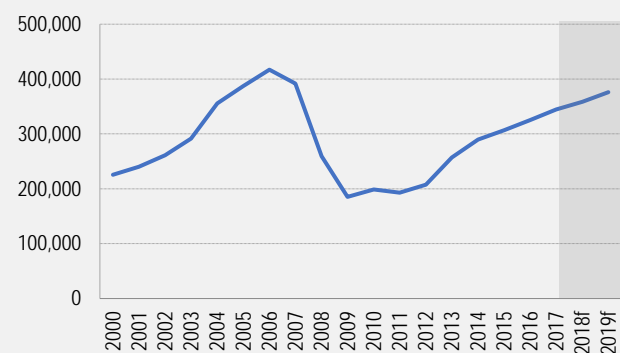
Real per capita personal income was \$33,520 last year, up from \$33,202 in 2016. Persistent job growth, diminished unemployment and low inflation likely contributed to this. Over the next two-year, modest gains in real per capita income are expected to continue: 0.9 percent in 2018 and almost 0.8 percent in 2019. Compared with the other counties in Southern California, Riverside County has the lowest per capita income compared to any other county. ❖

Exhibit 5-6**Personal Income****Exhibit 5-7****New Home Construction Permits**

Housing Market

The housing market in Riverside County has experienced the same, relatively feeble recovery emblematic of the rest of region. In fact, the number of new housing permits in Riverside last year reached just over 20 percent of the number of permits issued in 2004, the pre-recession peak. After the second home price valley in 2011, the upward trend in home prices continued to trend thusly in 2017 and is projected to do so through 2019. The median price for all homes (attached and detached, new and existing) in Riverside County was \$345,000 in December 2017, up by 0.6 percent from a year earlier. The median home price in Riverside County has risen on a year-over-year basis since the second quarter of 2012 and in 2017, though home prices have yet to recover to the county's pre-recession peak in 2006.

New home construction improved in 2017, rising by 15.8 percent to 7,228 new residential units permitted compared with 6,241 in 2016. New housing permit increases are projected to modestly increase in 2018 and 2019. However, these increases are still estimated to be less than a quarter of the new housing permits issued in 2004, the high watermark of pre-recession Riverside housing construction. As income increases, housing demand should increase and, therefore, new permit issuances. ❖

Exhibit 5-8**Riverside County Median Home Prices**
(New and existing, attached and detached homes)

Looking Ahead

Over the next two years, the growth rate of Riverside County's economy is expected to wholly exceed that of California, stimulating employment and income gains across most industries in the county. This will cut the county's unemployment rate from 4.8 percent in 2018 to 4.5 percent in 2019.

Riverside's population growth is forecast to exceed that of the rest of Southern California, adding to the

narrative of Riverside as an area of economic optimism and opportunity. Riverside County's construction, health care, hospitality, public sector and retail industries are projected to have the strongest growth, and, provided many of these jobs are well-paying, this growth will stimulate employment pressures for continued real wage gains and regional prosperity into 2019.

Exhibit 5-9

			Historical				Forecast	
	2012	2013	2014	2015	2016	2017	2018f	2019f
GDP								
Real GDP (millions \$ 2009 chained)	54,618	57,320	59,228	61,926	64,310	66,528	68,671	70,733
Annual percent change in real GDP	-1.1%	4.9%	3.3%	4.6%	3.9%	3.4%	3.2%	3.0%
Total Personal income (millions)	73,158	75,223	79,066	84,429	87,827	91,311	94,684	98,006
Per capita personal income (nominal)	32,301	32,828	34,044	35,883	36,782	37,728	38,619	39,470
Per capita personal income (\$2009)	30,438	30,529	31,189	32,776	33,202	33,520	33,837	34,098
Population								
Population (thousands)	2,239	2,266	2,291	2,318	2,348	2,384	2,425	2,463
Population growth rate (percent)	1.2	1.2	1.1	1.2	1.3	1.6	1.7	1.5
Labor Market								
Unemployment rate (percent)	11.6	9.9	8.2	6.7	6.1	5.3	4.8	4.5
Average annual nonfarm employment	573,100	599,300	630,000	661,900	688,600	711,300	730,700	743,300
Annual percent change in employment	2.7	4.6	5.1	5.1	4.0	3.3	2.7	1.7
Jobs (change over previous year)								
Total Nonfarm	15,200	26,200	30,700	31,900	26,700	22,700	19,400	12,600
Natural Resources	100	0	0	0	-300	0	0	0
Construction	2,000	6,700	5,100	6,000	4,600	9,000	3,800	2,400
Manufacturing	800	200	1,600	1,500	1,500	600	300	-400
Wholesale Trade	1,300	700	500	600	700	300	600	200
Retail Trade	1,200	1,100	3,700	4,300	2,900	300	1,500	1,600
Transport / Warehousing / Utilities	500	400	1,600	3,200	1,800	1,300	1,200	300
Information	-200	0	0	100	100	-100	0	100
Finance & Insurance	100	600	300	0	200	300	200	200
Real Estate / Rental & Leasing	500	300	500	800	600	300	300	200
Prof / Scientific / Tech Services	800	400	1,300	1,000	200	600	600	500
Management of Companies	200	200	200	-300	100	0	0	0
Administrative & Support	800	3,100	3,200	1,100	-500	-100	200	300
Educational Services	300	300	-300	1,100	400	-100	300	200
Health Care / Social Assistance	4,400	7,500	3,900	6,200	4,400	3,000	3,600	3,300
Leisure & Hospitality	3,300	2,800	6,200	3,700	5,000	4,200	3,400	2,100
Other Services	400	600	1,000	400	600	600	400	400
Government	-1,600	1,200	2,100	2,200	4,300	2,500	2,900	1,200
Housing								
Residential Permits	4,286	5,623	6,938	6,196	6,241	7,228	7,899	8,424
Median home price	207,431	256,895	289,772	306,644	325,300	344,575	358,535	375,807

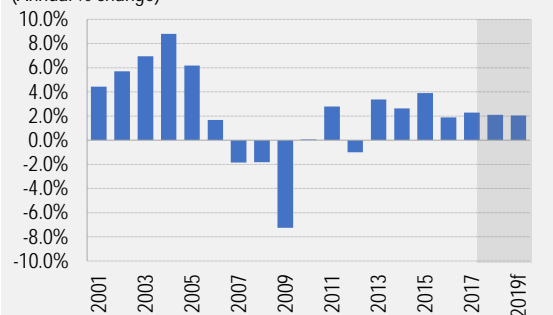
San Bernardino County

Though perhaps not as bullish in terms of GDP growth as Riverside County, San Bernardino County echoes the overall narrative of recovery for the Inland Empire. Unlike the coastal counties, San Bernardino has seen gains in manufacturing and transportation, warehousing and utilities, traditional bastions of higher income employment opportunities. Combined with a lower cost of living, year-on-year declines in unemployment, and continued real income growth since 2010, the story of growth and expansion of San Bernardino and the Inland Empire writ large continues apace.

In 2017, San Bernardino County's economy grew at an estimated rate of 2.3 percent compared with 2.5 percent for the State and accounted for 3 percent of California's Gross State Product while being home to 5.4 percent of the state's population. San Bernardino County's real gross county product is expected to decelerate modestly to 2.1 percent this year and again to 2.0 in 2019, roughly on parity with the state average.

Exhibit 6-1

Growth in Real GDP San Bernardino County
(Annual % change)



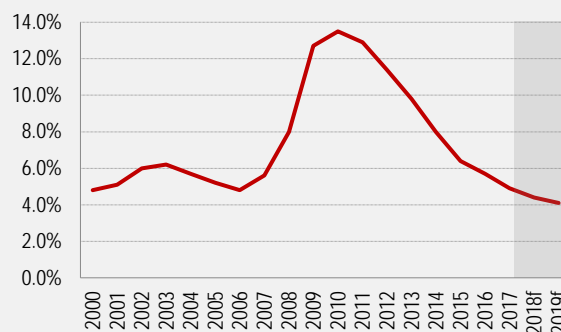
Source: BEA; estimates and forecast by LAEDC

Labor Market

In 2017, San Bernardino County's unemployment rate averaged 4.9 percent, the lowest since it was 4.8 percent in 2006. In 2018, the unemployment rate is predicted to drop again 4.4 and to 4.1 percent in 2019.

Exhibit 6-2

Unemployment Rate

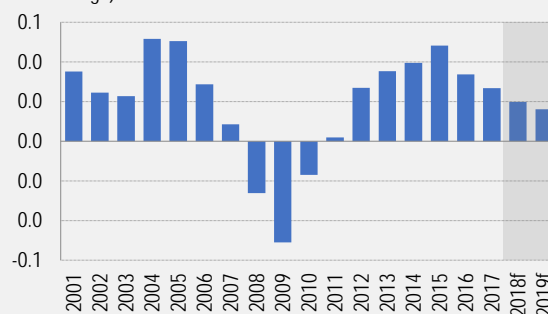


Source: CA EDD; forecast by LAEDC

San Bernardino County added 19,100 wage and salary jobs last year, increasing the number of nonfarm jobs from 714 thousand 2016 to 733 thousand in 2017. This corresponded to an annual employment growth rate 2.7 percent, compared with 1.9 percent average for the rest of California.

Exhibit 6-3

Change in Employment
(Annual % change)

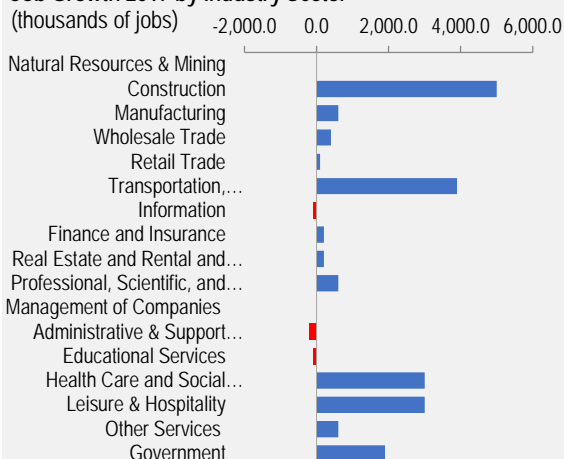


Source: CA EDD; forecast by LAEDC

The labor market in San Bernardino County is forecast to experience additional improvements over the next two years with an anticipated annual increase in nonfarm jobs of 2.0 percent this year before slowing slightly to 1.6 percent in 2019.

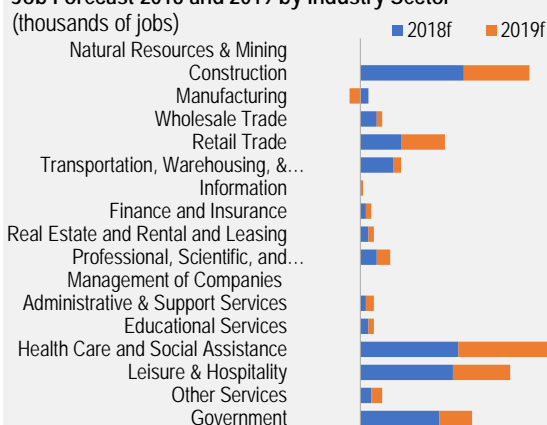
Most industries in the county added jobs last year, with the exception of employment contraction in the information sector (2.0 percent) and education services (1.0 percent), akin the trends observable in Riverside County. The largest percentage gains were construction (15.1 percent), transportation, warehousing and utilities (4.9 percent), and leisure and hospitality (4.4 percent).

In absolute terms, the construction industry added the largest number of jobs (5,000), transportation warehousing and utilities (3,900 jobs), and health care and hospitality industries (3,000 jobs each).

Exhibit 6-4**Job Growth 2017 by Industry Sector**

The sectors that posted employment declines were administrative and support services (200 jobs), and the educational services and information, both of which lost 100 jobs between 2016 and 2017.

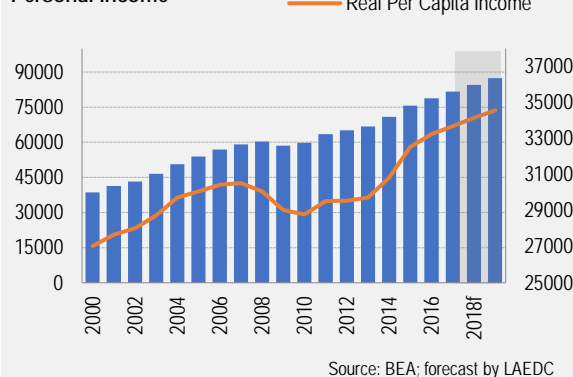
Most industries are expected to add to their payrolls this year (2018), the top-hiring being construction (3,100 jobs), health care and social assistance (2,800 jobs), transportation, warehousing and utilities (2,600 jobs), and leisure and hospitality (2,300 jobs). No industries are estimated to lose jobs; however, natural resources and mining, information, and management of companies are projected to have no employment changes in 2018. ❖

Exhibit 6-5**Job Forecast 2018 and 2019 by Industry Sector**

Personal Income & Expenditures

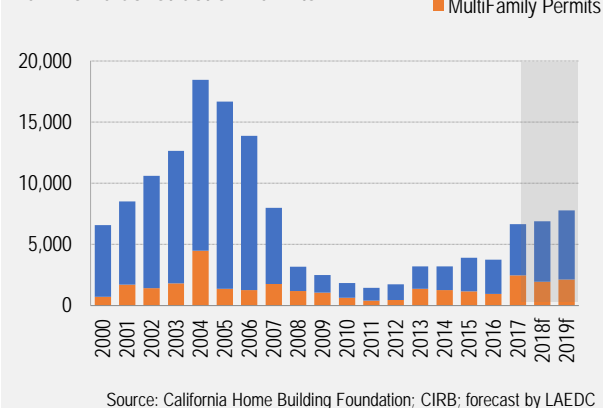
In conjunction with, and because of, rising levels of employment, San Bernardino County's residents have also experienced gains in personal income. Total personal income in the county increased by almost 3.7 percent in 2017 to \$81.7 billion (nominal). Personal income has been rising in San Bernardino County on a year-over-year basis since 2009 – it has been rising nominally since 2001 apart from 2009 – and is expected to reach \$84.6 billion this year, rising yet again in 2019 to \$87.3 billion.

Real per capita personal income was \$33,699 last year, up from \$33,249 in 2016, marginally higher than Riverside. Persistent job growth, diminished unemployment and low inflation likely contributed to this. Over the next two-year, modest gains in real per capita income are expected to continue: 1.4 percent in 2018 and almost 1.2 percent in 2019. Compared with the other counties in Southern California, San Bernardino County has the second lowest per capita income compared to any other county. Taken as a whole, then, the Inland Empire stands behind coastal Southern California in terms of average per capita income but on parity with if not in excess of the regional averages for income growth. ❖

Exhibit 6-6**Personal Income**

Housing Market

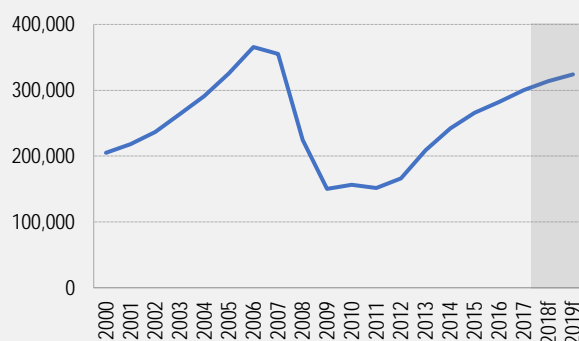
Like the rest of the region, San Bernardino has been subject to the anemic housing recovery in terms of new supply and prices. However, compared to Riverside, San Bernardino has experienced a stronger housing market rebound, reaching in 2017 36 percent of the number of permits issued in 2004, the pre-recession peak. After the second home price basement in 2011, the upward swing in home prices continued to trend thusly in 2017 and is project to do so through 2019. The median price for all homes (attached and detached, new and existing) in San Bernardino County was roughly \$300,000 in December 2017, up by 6.3 percent from a year earlier. The median home price in San Bernardino County has risen on a year-over-year basis since the second quarter of 2012 and in 2017, though home prices have yet to recover to pre-recession peak in 2006.

Exhibit 6-7**New Home Construction Permits**

New home construction rapidly accelerated in 2017, rising by 77.2 percent to 6,672 new residential units permitted compared with 3,765 in 2016. New housing permit increases are projected to modestly increase in 2018 and more rapidly 2019. However, these increases are still estimated to be less than a half of the new housing permits issued in 2004, the apex of pre-recession San Bernardino housing construction. As income increases, housing demand should increase and, therefore, new permit issuances. ❖

Exhibit 6-8**San Bernardino County Median Home Prices**

(New and existing, attached and detached homes)



Looking Ahead

Over the next two years, the growth rate of San Bernardino County's economy is expected to keep relative pace that of the California average, stimulating employment and income gains across most industries in the county and Inland Empire. This is forecast to cut the county's unemployment rate from 4.4 percent in 2018 to 4.1 percent in 2019.

San Bernardino's population growth is forecast to slightly exceed that of the rest of Southern California, augmenting the tale of growth and economic expansion for the greater Inland Empire. San Bernardino County's construction, logistics, health care and hospitality industries are projected to have the strongest growth. Given the wage strength of particularly logistics and health care, this employment growth should continue the several-year trend of real wage gains and regional prosperity into 2019.

Exhibit 6-9

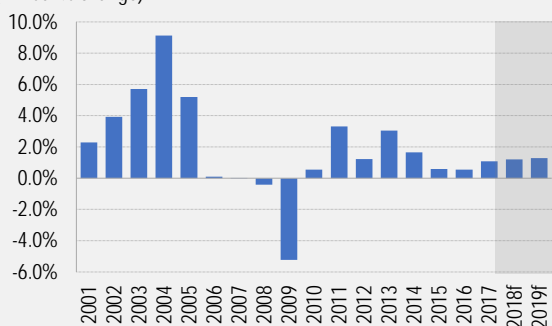
			Historical				Forecast	
	2012	2013	2014	2015	2016	2017	2018f	2019f
GDP								
Real GDP (millions \$ 2009 chained)	60,013	62,030	63,663	66,151	67,405	68,937	70,388	71,829
Annual percent change in real GDP	-1.0%	3.4%	2.6%	3.9%	1.9%	2.3%	2.1%	2.0%
Total Personal income (millions)	651,531	66,754	70,869	75,619	78,830	81,708	84,564	87,336
Per capita personal income (nominal)	31,365	31,972	33,652	35,627	36,835	37,928	38,993	40,012
Per capita personal income (\$2009)	29,556	29,733	30,830	32,542	33,249	33,699	34,165	34,567
Population								
Population (thousands)	2,070,374	2,086,576	2,101,525	2,122,015	2,135,724	2,160,256	2,185,083	2,207,672
Population growth rate (percent)	0.8	0.8	0.7	1.0	0.6	1.1	1.1	1.0
Labor Market								
Unemployment rate (percent)	11.4	9.8	8	6.4	5.7	4.9	4.4	4.1
Average annual nonfarm employment	612,500	634,100	659,200	691,000	714,300	733,400	748,000	760,000
Annual percent change in employment	2.7	3.5	4.0	4.8	3.4	2.7	2.0	1.6
Jobs (change over previous year)								
Total Nonfarm	612,500	634,100	659,200	691,000	714,300	733,400	748,000	760,000
Natural Resources	200	200	300	300	200	200	200	200
Construction	25,600	26,300	28,800	30,900	33,200	38,200	41,300	43,100
Manufacturing	47,200	47,600	50,000	53,300	54,800	55,400	55,600	55,300
Wholesale Trade	29,500	33,000	35,100	37,100	37,800	38,200	38,900	39,300
Retail Trade	79,200	80,500	81,400	82,000	84,000	84,100	84,000	84,600
Transport / Warehousing / Utils	54,900	59,900	66,400	74,000	79,400	83,300	85,900	86,900
Information	5,200	5,100	4,800	4,900	4,900	4,800	4,800	4,700
Finance & Insurance	13,900	13,700	13,800	14,100	14,300	14,500	14,700	15,000
Real Estate / Rental & Leasing	7,200	7,600	7,800	7,700	8,200	8,400	8,600	8,800
Prof / Scientific / Tech Services	20,900	21,600	22,200	20,500	20,500	21,100	21,600	22,100
Management of Companies	5,300	5,300	5,300	6,000	6,200	6,200	6,200	6,300
Administrative & Support	45,800	46,000	47,600	55,300	54,300	54,100	54,500	55,900
Educational Services	9,600	10,500	10,300	9,900	10,400	10,300	10,600	10,800
Health Care / Social Assistance	85,400	90,600	94,300	97,800	101,900	104,900	107,700	110,700
Leisure & Hospitality	55,800	59,400	62,100	65,300	68,600	71,600	73,900	75,300
Other Services	19,900	20,400	21,200	21,800	22,300	22,900	23,300	23,700
Government	107,000	106,400	107,900	110,200	113,400	115,300	116,200	117,300
Housing								
Residential Permits	1,748	3,206	3,203	3,912	3,765	6,672	6,898	7,777
Median home price	166,352	208,995	241,904	265,715	282,500	300,242	313,875	324,236

San Diego County

Second only to Orange County in terms of the percent of the population with a university degree, San Diego County is the fifth most populous county in the country and contains the 17th largest city. Forty-two percent of San Diegan college graduates hold so-called STEM degrees. The county is notable for its high concentration of tourism, health care, defense and biotechnology. As was noted above, San Diego County is home to a highly skilled workforce. Indeed, the county boasts the 12th most concentrated population of advanced degree holders in the country in addition to being the youngest major American county. With higher than average median incomes and lower than average unemployment compared to the state, San Diego possesses a strong present economy and promising economic outlook.

In 2017, San Diego County's economy grew at an estimated rate of 1.1 percent compared with 2.5 percent for the State and accounted for 8.4 percent of California's Gross State Product, commensurate to hosting 8.4 percent of the state's population. San Diego County's real gross county product is expected to increase modestly to 1.2 percent this year and to 1.3 percent in 2019.

Exhibit 7-1
Growth in Real GDP San Diego County
(Annual % change)



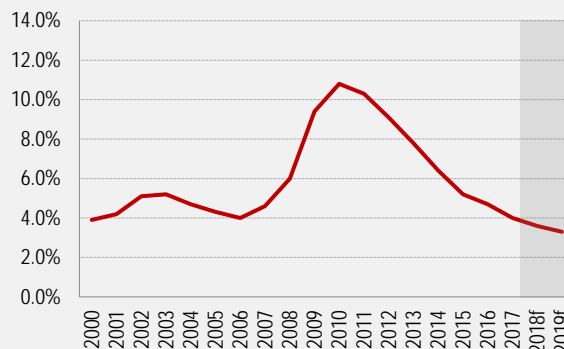
Source: BEA; estimates and forecast by LAEDC

Labor Market

In 2017, San Diego County's unemployment rate averaged 4.0 percent, the lowest since it was 4.0 percent in 2006. This is well below the state unemployment rate and second only to Orange County. In 2018, the unemployment rate is

predicted to drop again 3.6 and then to 3.0 percent in 2019.

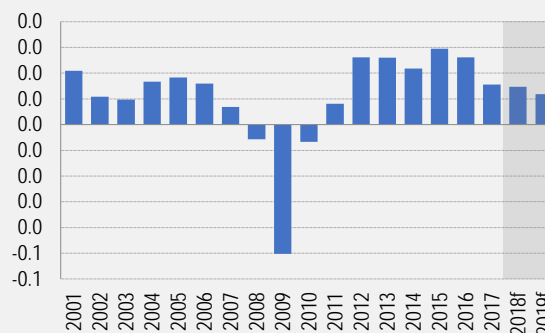
Exhibit 6-2
Unemployment Rate



Source: CA EDD; forecast by LAEDC

San Diego County added 22,200 wage and salary jobs last year, increasing the number of nonfarm jobs from 1.42 million 2016 to 1.45 million in 2017. This corresponded to an annual employment growth rate 1.6 percent, compared with 1.9 percent average for the rest of California.

Exhibit 7-3
Change in Employment
(Annual % change)



Source: CA EDD; forecast by LAEDC

The labor market in San Diego County is forecast experience additional improvements over the next two years with an anticipated annual increase in nonfarm jobs of 1.5 percent this year before slowing slightly to 1.2 percent in 2019.

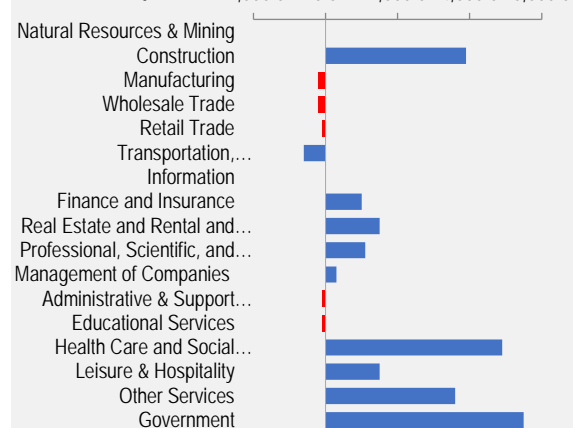
Most industries in the county added jobs last year, a trend bucked by labor market contractions in transportation, warehousing and utilities (2.0 percent) and wholesale trade (0.5 percent). The largest percentage gains were other services –

personal services or maintenance repair work, for example - (6.6 percent), real estate, rental and leasing (5.3 percent), and construction (5.1 percent).

In absolute terms, the largest number of jobs were added by the public services industry (5,500), health care and social assistance (4,900 jobs), and construction (3,900 jobs each).

Exhibit 7-4**Job Growth 2017 by Industry Sector**

(thousands of jobs)



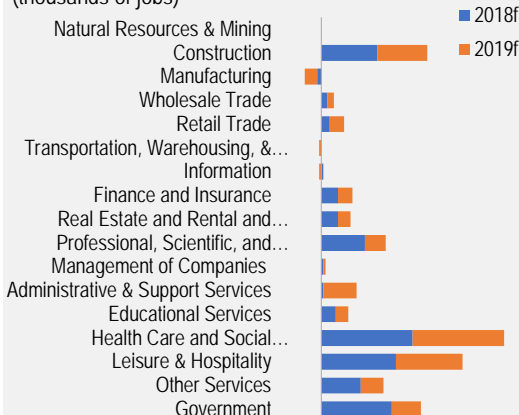
Sources: CA EDD; forecast by LAEDC

The sectors that posted the largest employment declines were transportation, warehousing and utilities (600 jobs), manufacturing (200 jobs), and wholesale trade (200 jobs) between 2016 and 2017.

Most industries are expected to add to their payrolls this year (2018), the top-hiring being health care and social assistance (4,400 jobs), leisure and hospitality (3,600 jobs), public utilities (3,400 jobs), and construction (2,700 jobs). Only manufacturing is predicted to lose employment (200 jobs), but this is in keeping of a broader regional trend of either eliminating manufacturing opportunities or transitioning to automated production. ❖

Exhibit 7-5**Job Growth 2017 by Industry Sector**

(thousands of jobs)



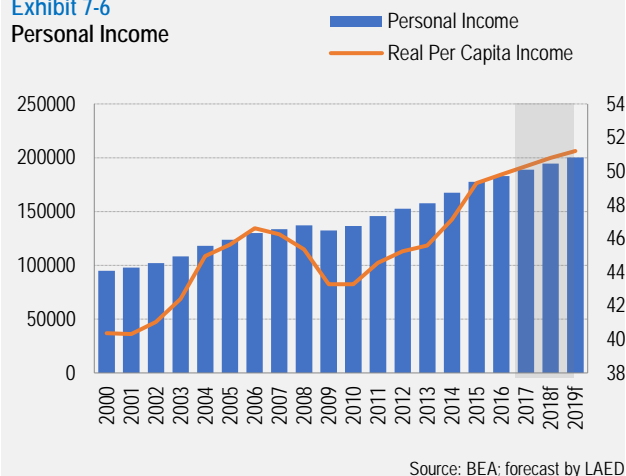
Source: CA EDD; forecast by LAEDC

Personal Income & Expenditures

In conjunction with, and because of, rising levels of employment, San Diego County's residents have also experienced gains in personal income. Total personal income in the county increased by almost 3.2 percent in 2017 to \$189 billion (nominal). Personal income has been rising in San Diego County on a year-over-year basis since 2009 –it has been rising nominally since 2001 except for 2009 – and is expected to reach \$194.6 billion this year, rising yet again in 2019 to \$200.1 billion.

Real per capita personal income was \$50,295 last year, up from \$49,798 in 2016, below Orange and Los Angeles Counties but relatively high for the region. Persistent job growth, diminished unemployment and low inflation likely contributed to this. Over the next two years, modest gains in real per capita income are expected to continue: 1.0 percent in 2018 and almost 0.8 percent in 2019. Again, real per capita income in San Diego County is high for the region. Moreover, the slow growth in real per capita income is likely due to low county growth and job creation in sectors, especially hospitality, personal services and construction, that are not the highest paying. ❖

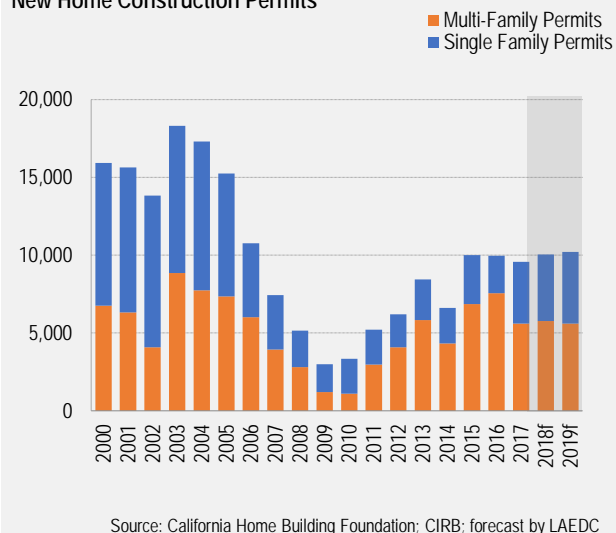
Exhibit 7-6
Personal Income



Housing Market

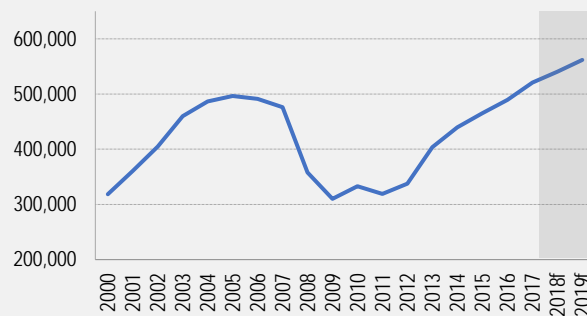
The nation's housing markets have taken far longer to recover from the 2007 housing crash than most industry experts anticipated, but San Diego County has recovered better than other counties. Indeed, the number of new housing permits issued in 2017 were 55.7 percent of permits issued in 2003, the pre-recession peak. After the second home price nadir in 2011, the upward swing in home prices continued to trend thusly in 2017 and is project to do so through 2019. The median price for all homes (attached and detached, new and existing) in San Diego County was roughly \$521,000 in December 2017, up by 6.5 percent from a year earlier. The median home price in San Diego County has risen on a year-over-year basis since the second quarter of 2012 and in 2017 and have exceeded the pre-recession peak of \$496,000 in 2004. This puts San Diego County on par with Orange County in terms of average home price recover vis-à-vis pre-recession prices.

Exhibit 7-7
New Home Construction Permits



New home construction minorly decelerated in 2017, declining by 3.9 percent to 9,580 new residential units permitted compared with 9,970 in 2016. New housing permit increases are projected to modestly increase in 2018 and more modestly still in 2019. However, these increases are still estimated to be less than two thirds of the new housing permits issued in 2003, the apex of pre-recession San Diego housing construction. As median home prices increase, the signaling should prompt developers to demand additional new housing permits. Therefore, it might be expected for the housing stock to continue expanding in the medium term. ❖

Exhibit 7-8
San Diego County Median Home Prices
(New and existing, attached and detached homes)



Looking Ahead

Over the next two years, the growth rate of San Diego County's economy is expected to be somewhat below that of the California average. Indeed, the county's economy is only projected to have grown by 2.5 percent by 2019, making San Diego the lowest growth county in the region outside Ventura. An extremely inelastic labor supply and job growth in absolute terms in lower wage industries could be contributing to this stagnation.

San Diego's population growth is forecast to keep pace with that of the rest of California. This puts the county as regionally intermediate in terms of population growth. San Diego County's construction, real estate, health care and hospitality industries and personal services industries are projected to have the strongest growth. Though much of this growth is not in well-paying jobs, the county possesses the human capital base, low unemployment and real income levels capable of stimulating brighter economic horizons.

Exhibit 7-9

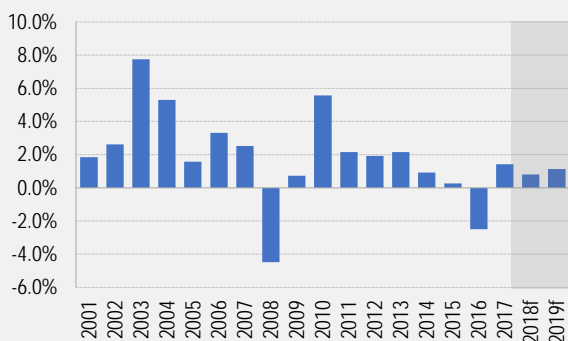
			Historical				Forecast	
	2012	2013	2014	2015	2016	2017	2018f	2019f
GDP								
Real GDP (millions \$ 2009 chained)	181,362	186,884	189,966	191,084	192,114	194,190	196,507	199,013
Annual percent change in real GDP	1.2%	3.0%	1.6%	0.6%	0.5%	1.1%	1.2%	1.3%
Total Personal income (millions)	152,723	157,757	167,633	177,551	183,032	188,877	194,633	200,124
Per capita personal income (nominal)	48,004	49,017	51,439	53,963	55,168	56,607	57,967	59,266
Per capita personal income (\$2009)	45,236	45,584	47,125	49,291	49,798	50,295	50,789	51,200
Population								
Population (thousands)	3,153,951	3,195,215	3,231,651	3,266,192	3,286,717	3,316,192	3,346,155	3,372,342
Population growth rate (percent)	1.1	1.3	1.1	1.1	0.6	0.9	0.9	0.8
Labor Market								
Unemployment rate (percent)	9.1	7.8	6.4	5.2	4.7	4.0	3.6	3.3
Average annual nonfarm employment	1,284,600	1,318,100	1,346,800	1,386,600	1,422,800	1,445,000	1,466,200	1,483,500
Annual percent change in employment	2.6	2.6	2.2	3.0	2.6	1.6	1.5	1.2
Jobs (change over previous year)								
Total Nonfarm	1,284,600	1,318,100	1,346,800	1,386,600	1,422,800	1,445,000	1,466,200	1,483,500
Natural Resources	400	300	400	300	300	300	300	300
Construction	57,000	61,000	63,900	69,900	76,100	80,000	82,700	85,100
Manufacturing	98,200	99,500	102,200	106,200	107,800	107,600	107,400	106,800
Wholesale Trade	43,500	43,900	43,700	44,000	44,800	44,600	44,900	45,200
Retail Trade	137,200	141,300	144,300	146,800	147,500	147,400	147,800	148,500
Transport / Warehousing / Utilities	27,300	27,200	27,000	28,400	29,400	28,800	28,800	28,700
Information	24,500	24,400	24,400	23,800	23,700	23,700	23,800	23,700
Finance & Insurance	43,700	43,900	42,100	43,500	44,900	45,900	46,700	47,400
Real Estate / Rental & Leasing	26,100	26,900	27,300	27,600	28,100	29,600	30,400	31,000
Prof / Scientific / Tech Services	117,700	121,000	123,800	126,200	129,200	130,300	132,400	133,400
Management of Companies	19,000	20,900	21,500	21,800	21,500	21,800	21,900	22,000
Administrative & Support	76,700	79,300	79,000	82,200	83,300	83,200	83,300	84,900
Educational Services	29,000	29,500	29,700	29,400	30,000	29,900	30,600	31,200
Health Care / Social Assistance	145,500	151,600	156,400	163,200	168,600	173,500	177,900	182,300
Leisure & Hospitality	161,700	168,600	177,000	183,900	190,700	192,200	195,800	199,000
Other Services	49,200	49,300	52,000	53,200	54,900	58,500	60,400	61,500
Government	227,900	229,600	232,000	236,100	242,200	247,700	251,100	252,500
Housing								
Residential Permits	6,193	8,447	6,603	10,005	9,970	9,580	10,044	10,210
Median home price	337,568	403,759	439,430	465,245	489,400	521,033	540,276	561,819

Ventura County

The Ventura County is often considered, perhaps unfairly, the bedroom community for the San Fernando Valley and much of Los Angeles County. However, this belies the economic reality of this coastal Southern California county: economic indicators tell a story of a county as healthy, if not slightly more so, than the rest of the state. Moreover, a significant number of Ventura County residents work and live in-county, 64 percent, though a significant number of Ventura residents do in fact commute daily to the more populous Los Angeles and Orange counties next door. Like the remainder of the state, Ventura has recovered well since the recession and is predicted to continue prospering in terms of growth, unemployment and overall job creation.

In 2017, Ventura County's economy grew at an estimated rate of 1.4 percent compared with 2.5 percent for the State and accounted for almost 2 percent of California's Gross State Product while being home to 2.2 percent of the state's population. Ventura County's real gross county product is expected to decelerate to 0.8 percent this year and rise again to 1.1 percent in 2019.

Exhibit 8-1
Growth in Real GDP Ventura County
(Annual % change)



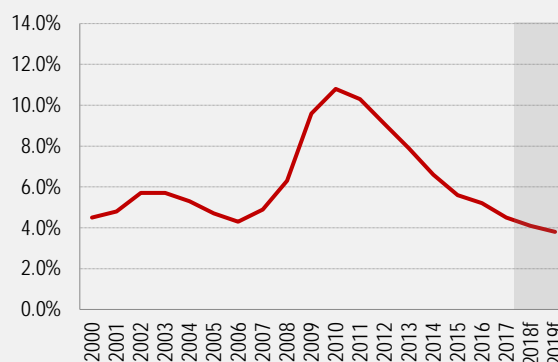
Source: BEA; estimates and forecast by LAEDC

Labor Market

In 2017, Ventura County's unemployment rate averaged 4.5 percent, the lowest since it was 4.3 percent in 2006. This is comfortably below the state unemployment rate and third to Orange and San Diego counties. In 2018, the unemployment

rate is predicted to drop again 4.1 and then to 3.8 percent in 2019.

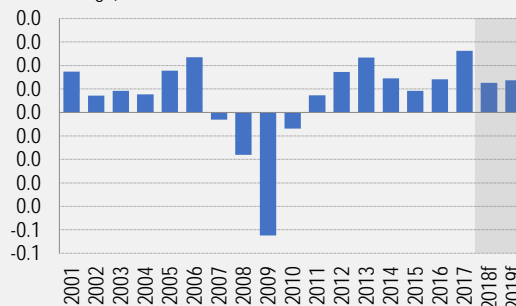
Exhibit 8-2
Unemployment Rate



Source: CA EDD; forecast by LAEDC

San Diego County added 7,900 wage and salary jobs last year, increasing the number of nonfarm jobs from 301 thousand 2016 to 309 thousand in 2017. This corresponded to an annual employment growth rate 2.6 percent, compared with 1.9 percent average for the rest of California.

Exhibit 8-3
Change in Employment
(Annual % change)



Source: CA EDD; forecast by LAEDC

The labor market in Ventura County is forecast to experience additional improvements over the next two years with an anticipated annual increase in nonfarm jobs of 1.3 percent this year before slowing slightly to 1.4 percent in 2019.

Most industries in the county added jobs last year, a pattern notably excluding declines retail trade (2.3 percent) and information (2.0 percent). The largest percentage gains were in educational services (9.4 percent), health care and social

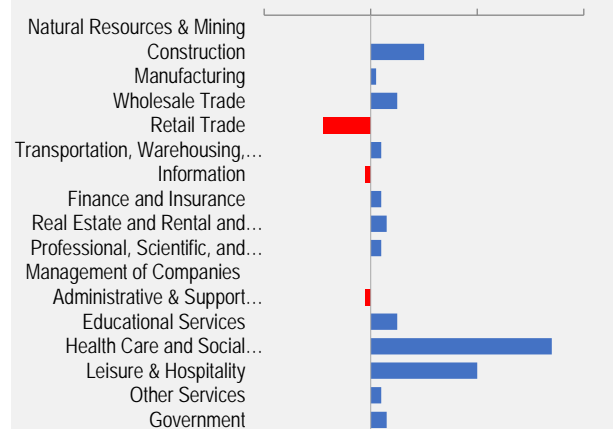
assistance (8.7 percent), real estate, rental and leasing (7.0 percent), and construction (6.9 percent).

In absolute terms, the largest number of jobs were added by the health care and social assistance industry (3,400), leisure and hospitality (2,000 jobs), and construction (1,000 jobs each).

Exhibit 8-4

Job Growth 2017 by Industry Sector

(thousands of jobs) -2,000.0 0.0 2,000.0 4,000.0



Sources: CA EDD; forecast by LAEDC

The sectors that posted the largest employment declines between 2016 and 2017 were retail trade (900 jobs), information (100 jobs), and administrative and support services (100 jobs).

Most industries are expected to add to their payrolls this year (2018), the top-hiring being health care and social assistance (1,200 jobs), leisure and hospitality (1,000 jobs), and construction (600 jobs). Only manufacturing is predicted to lose employment (600 jobs), but this is in step with broader regional trend of either eliminating manufacturing opportunities or transitioning to automated production. ❖

Exhibit 8-5

Job Forecast 2018 and 2019 by Industry Sector

(thousands of jobs)



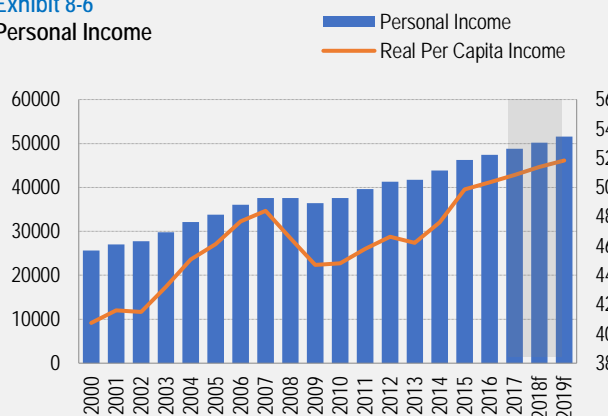
Source: CA EDD; forecast by LAEDC

Personal Income & Expenditures

In conjunction with, and because of, rising levels of employment, Ventura County's residents have also experienced gains in personal income. Total personal income in the county increased by 3.0 percent in 2017 to \$49 billion (nominal). Personal income has been rising in Ventura County on a year-over-year basis since 2009 –it has been rising nominally since 2001 except for 2008 and 2009 – and is expected to reach \$50.2 billion this year, rising yet again in 2019 to \$51.6 billion.

Real per capita personal income was \$50,858 last year, up from \$50,349 in 2016, below Orange County but just above Los Angeles County and relatively high for the Southern California region. Persistent job growth, diminished unemployment and low inflation likely contributed to this. Over the next two-years, modest gains in real per capita income are expected to continue: 1.1 percent in 2018 and almost 0.9 percent in 2019. Again, real per capita income in Ventura County is high for the region. Moreover, the slow growth in real per capita income, compared to bullish growth in 2014 and 2015, is likely due to higher job creation in sectors, especially hospitality, health care services and construction, that are on average not the highest paying. ❖

Exhibit 8-6
Personal Income

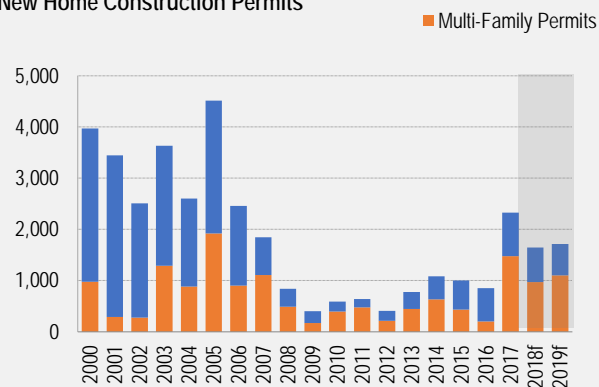


Source: BEA; forecast by LAEDC

Housing Market

Ventura County's housing markets have experienced the same languid recovery compared to much of the Southern California region and indeed the nation. Indeed, the number of new housing permits issued in 2017 were only 38 percent of permits issued in 2005, the pre-recession peak in Ventura. After the second home price nadir in 2011, the upward swing in home prices continued to trend thusly in 2017 and is project to do so through 2019. The median price for all homes (attached and detached, new and existing) in Ventura County was roughly \$562,000 in December 2017, up by 8.2 percent from a year earlier. The median home price in San Diego County has risen on a year-over-year basis since the second quarter of 2012 but as of 2017 have yet to exceed the pre-recession peak of \$651,000 in 2004.

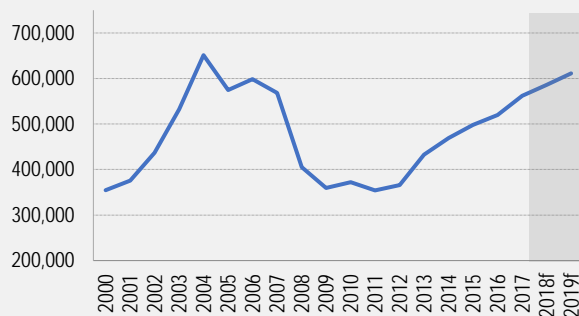
Exhibit 8-7
New Home Construction Permits



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

However, new home construction greatly accelerated in 2017, increasing by 172 percent to 2,326 new residential units permitted compared to 854 in 2016. New housing permit increases are projected to modestly decrease in 2018 and modestly rebound in 2019. The 2017 housing supply increase is still estimated to be less than forty percent of the new housing permits issued in 2005, the zenith of pre-recession Ventura County housing construction. As median home prices increase, the signaling should prompt developers to demand additional new housing permits. Therefore, it might be expected for the housing stock to continue expanding in the medium term. This may, in turn, dampen housing prices holding demand for new housing equal. ❖

Exhibit 8-8
Ventura County Median Home Prices
(New and existing, attached and detached homes)



Source: DataQuick Information Systems; estimates and forecast by LAEDC

Looking Ahead

Over the next two years, the growth rate of San Ventura County's economy is expected to be somewhat below that of the California average. Indeed, the county's economy is only projected to have grown by 2.0 percent by 2019, making Ventura the lowest growth county in the region in terms of gross county product. High median home prices, second only to Orange and Los Angeles counties, and job growth in absolute terms in lower wage industries could be contributing to this stagnation.

Ventura County's population growth is forecast to be about half that of the rest of California. This puts the county as regionally last in terms of population growth. Ventura County's construction, education, health care and hospitality industries are projected to have the strongest growth in terms of employment. Though much of this growth is not in well-paying jobs, the county possesses the human capital base (Ventura residents are slightly better educated than the state average), low unemployment and real income levels capable of stimulating brighter economic horizons.

Exhibit 8-9

			Historical				Forecast	
	2012	2013	2014	2015	2016	2017	2018f	2019f
GDP								
Real GDP (millions \$ 2009 chained)	42,465	43,379	43,780	43,895	42,797	43,409	43,762	44,262
Annual percent change in real GDP	1.9%	2.2%	0.9%	0.3%	-2.5%	1.4%	0.8%	1.1%
Total Personal income (millions)	41,294	41,728	43,878	46,269	47,397	48,823	50,207	51,580
Per capita personal income (nominal)	49483	49706	51984	54581	55779	57242	58657	60005
Per capita personal income (\$2009)	46629	46225	47624	49855	50349	50858	51394	51839
Population								
Population (thousands)	834	840	847	851	853	857	860	864
Population growth rate (percent)	0.6	0.8	0.7	0.5	0.3	0.4	0.4	0.5
Labor Market								
Unemployment rate (percent)	9.1	7.9	6.6	5.6	5.2	4.5	4.1	3.8
Average annual nonfarm employment	282,900	289,500	293,700	296,400	300,600	308,500	312,400	316,700
Annual percent change in employment	1.7	2.3	1.5	0.9	1.4	2.6	1.3	1.4
Jobs (change over previous year)								
Total Nonfarm	282,900	289,500	293,700	296,400	300,600	308,500	312,400	316,700
Natural Resources	1,300	1,200	1,300	1,000	800	800	800	700
Construction	11,800	12,600	13,700	14,100	14,600	15,600	16,200	16,600
Manufacturing	29,900	29,900	30,600	30,500	30,700	30,800	30,400	30,000
Wholesale Trade	12,600	12,900	12,800	12,600	13,000	13,500	13,700	14,000
Retail Trade	37,300	38,500	39,200	39,900	39,800	38,900	38,900	39,100
Transport / Warehousing / Utilities	5,700	5,900	6,000	6,000	6,000	6,200	6,300	6,400
Information	5,200	5,200	5,300	5,100	5,000	4,900	4,900	4,800
Finance & Insurance	15,400	14,500	14,200	13,500	13,100	13,300	13,500	13,800
Real Estate / Rental & Leasing	4,200	4,400	4,500	4,300	4,300	4,600	4,600	4,700
Prof / Scientific / Tech Services	15,700	16,100	15,900	15,800	15,900	16,100	16,300	16,500
Management of Companies	1,900	1,800	1,800	2,000	2,100	2,100	2,100	2,000
Administrative & Support	18,000	19,100	18,200	18,000	18,100	18,000	18,200	18,500
Educational Services	5,100	5,100	5,200	5,000	5,300	5,800	5,900	6,100
Health Care / Social Assistance	33,000	35,300	36,500	37,900	39,100	42,500	43,700	45,300
Leisure & Hospitality	32,800	33,700	34,800	35,700	36,700	38,700	39,700	40,800
Other Services	9,400	9,700	9,800	9,700	9,700	9,900	10,000	10,000
Government	43,600	43,600	44,000	45,400	46,600	46,900	47,200	47,400
Housing								
Residential Permits	410	777	1,082	1,006	854	2,326	1,649	1,715
Median home price	365,697	432,783	469,537	498,338	519,800	562,250	585,721	610,936

ECONOMIC FORECAST & INDUSTRY OUTLOOK

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INSTITUTE FOR APPLIED ECONOMICS
Los Angeles County Economic Development Corporation

