

2013 SCAG ECONOMIC SUMMIT REPORT

Orange County Economic Update

Prepared for the Southern California Association of Governments

Orange County Business Council

October 2013

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Section 1: Introduction

In preparation for the 2013 Southern California Association of Governments (SCAG) Economic Summit, this report provides an update of the current state of the Orange County economy, with special attention paid to estimates and projections for economic recovery and job creation in the aftermath of the Great Recession, including data indicators focusing on Orange County's:

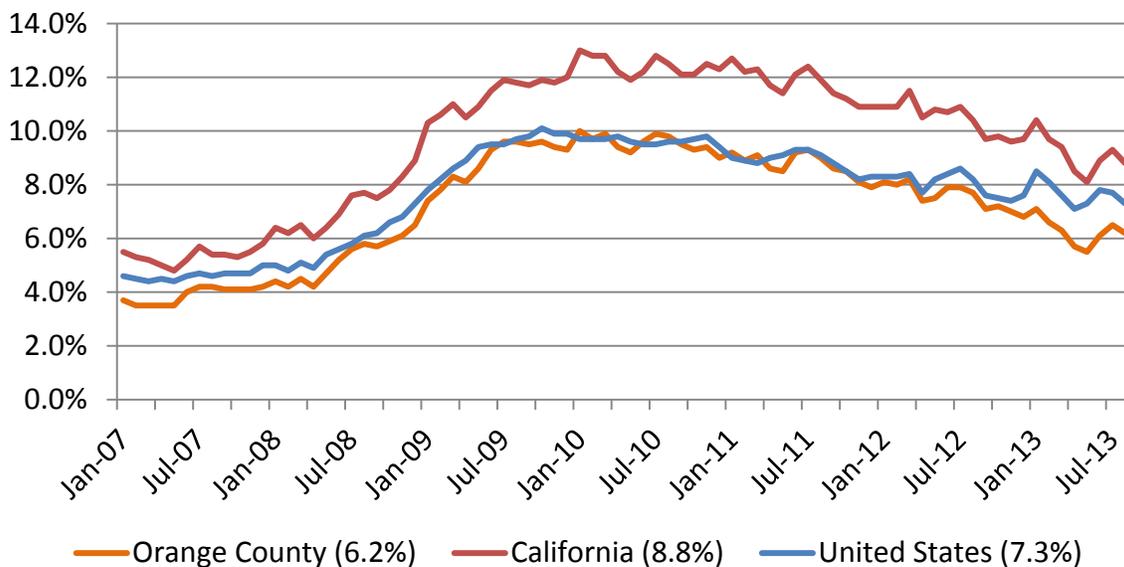
- Key Existing and Emerging Industries
- Occupational Employment and Salary Growth
- Income and Poverty Statistics
- Educational Attainment Demographics
- Housing Market and Construction Activity

The barometers and analysis contribute to understanding a clear picture of Orange County's recovery progress, and helps answer questions regarding when Orange County can expect to re-attain its pre-Recession peak employment levels. Beginning with a general overview of the county's economy and demographics, key barometers show in greater detail the likeliest sources of employment growth amidst the shifting economic landscape. Finally, the report closes with an analysis of Orange County's current and projected economic growth and job creation trends, including estimations and timeline for the county's return to pre-Recession employment levels.

Section 2: Orange County Overview

For the past several decades, Orange County has consistently enjoyed unemployment rates below regional, state, and national averages. Exhibit 2.1 demonstrates that even during the peak months of the Great Recession, Orange County's unemployment rate tracked with the national average, and tended to be at least two percent below California's overall rate. As 2013 has progressed, the gap between Orange County's unemployment rate compared to state and national averages has widened.

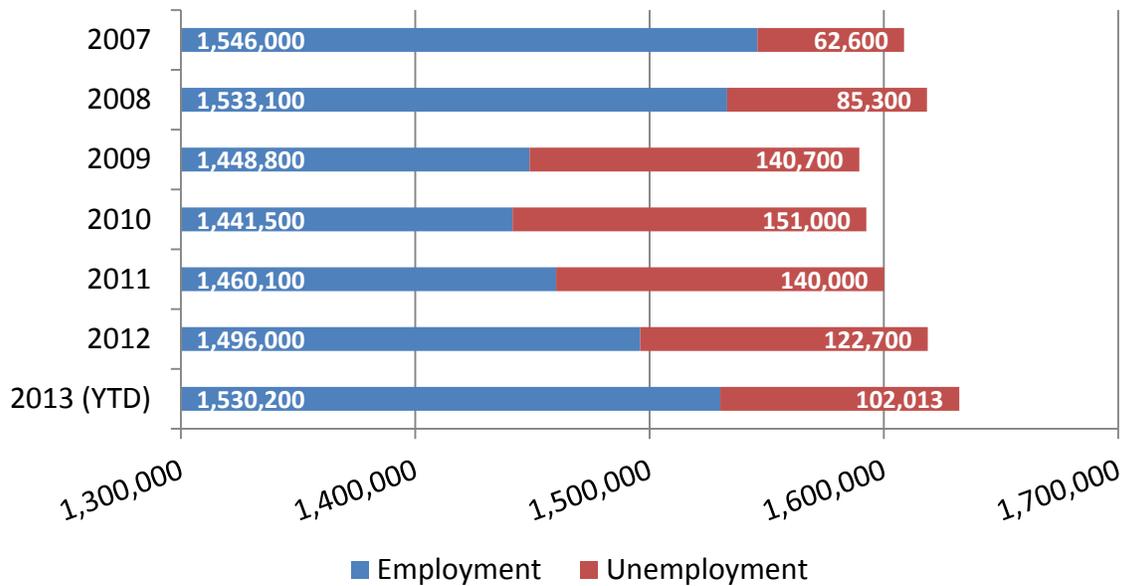
**Exhibit 2.1 - Unemployment Rates
January 2007 - August 2013**



Source: California EDD

However, unemployment levels alone cannot demonstrate the long-lasting impacts the Great Recession has left on the county's labor force, particularly in terms of labor participation rates, students prolonging their education careers, underemployed, discouraged workers, and the long-term unemployed. Exhibit 2.2 shows levels for both employed and unemployed in Orange County, and demonstrates how the labor force shrank during the Recession. The labor force accounts for all those employed and those seeking employment; but does not include discouraged workers, unemployed persons who are not actively looking for work.

Exhibit 2.2 - Orange County Labor Force 2007-2013

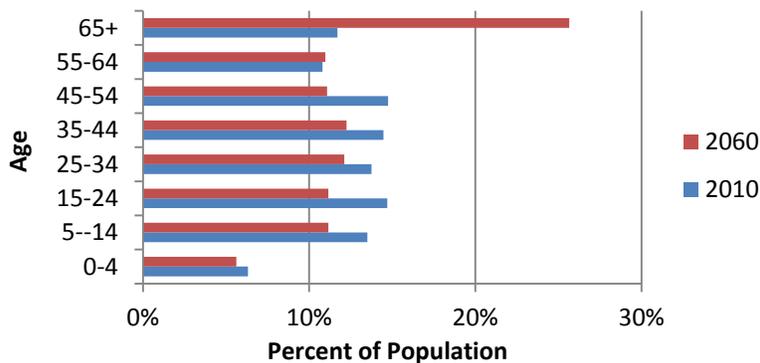


Source: California EDD

Demographics

Exhibit 2.3 summarizes demographic projections showing a dramatic increase in the proportion of residents above the age of 65, a slight increase in the 55-64 age range, and fewer younger residents across the board.

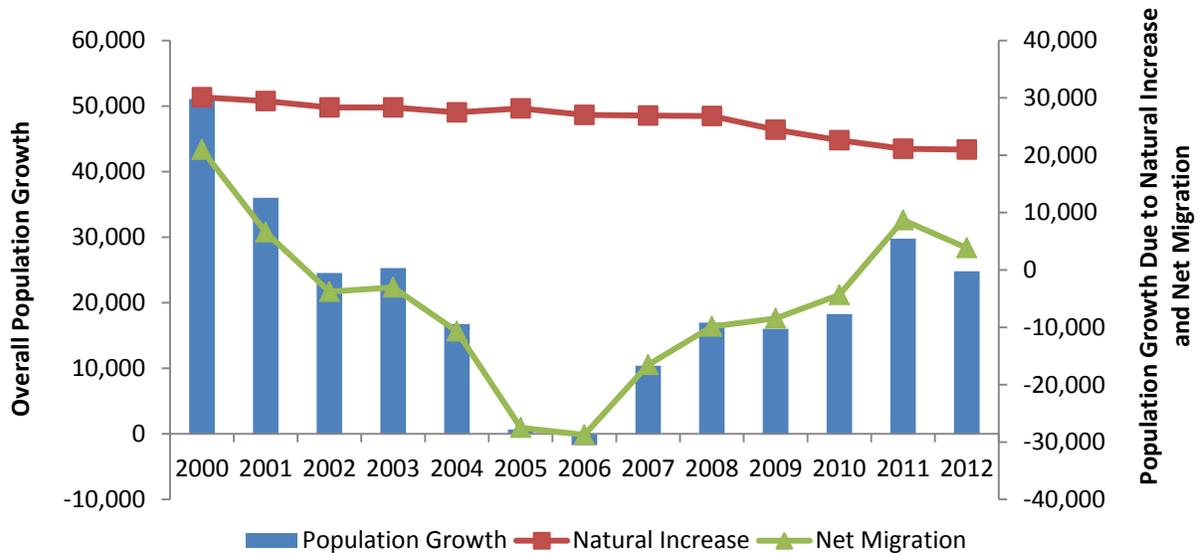
Exhibit 2.3 - Projected Components of Population by Age in Orange County, 2010-2060



Source: California Department of Finance

In recent decades, natural increase has become the main source of Orange County’s population growth (Exhibit 2.4). Foreign immigration to Orange County has continued to trend positively, accounting for over 151,000 in population growth since 2000. Population growth experienced in the 2000s was primarily due to natural increase (299,661 residents), or about 30,000 new births annually. However, population growth due to natural increase has gradually slowed, with the number of births dropping almost 14 percent in 2008, a typical trend during recessionary periods. As Orange County continues toward economic recovery, natural increase rates have yet to return to pre-recession levels, but the return of positive net migration has driven population growth with its relative spike in 2011, the first net positive migration since 2001.

Exhibit 2.4 - Orange County Population Growth, 2000-2012

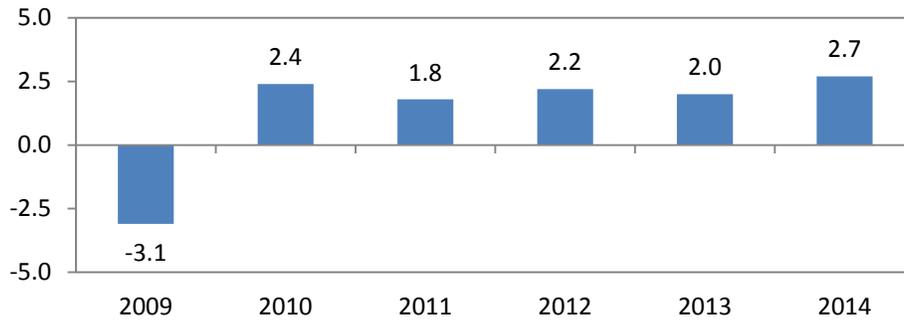


Source: California Department of Finance, Demographic Research Unit

Economic Activity

Real GDP growth estimates for Orange County appear mostly positive, with relatively stable recovery through 2014, where Chapman University estimates 2.8 percent year-over-year improvements, slightly above Cal State University Fullerton’s estimates (forecasting 1.7 percent GDP growth in 2013 and 2.5 percent in 2014) but below Cal State Long Beach estimates of 2.2 percent in 2013 and 3.0 percent in 2014.

**Exhibit 2.5 - Chapman University: Orange County
Real GDP, Annual Percent Change**



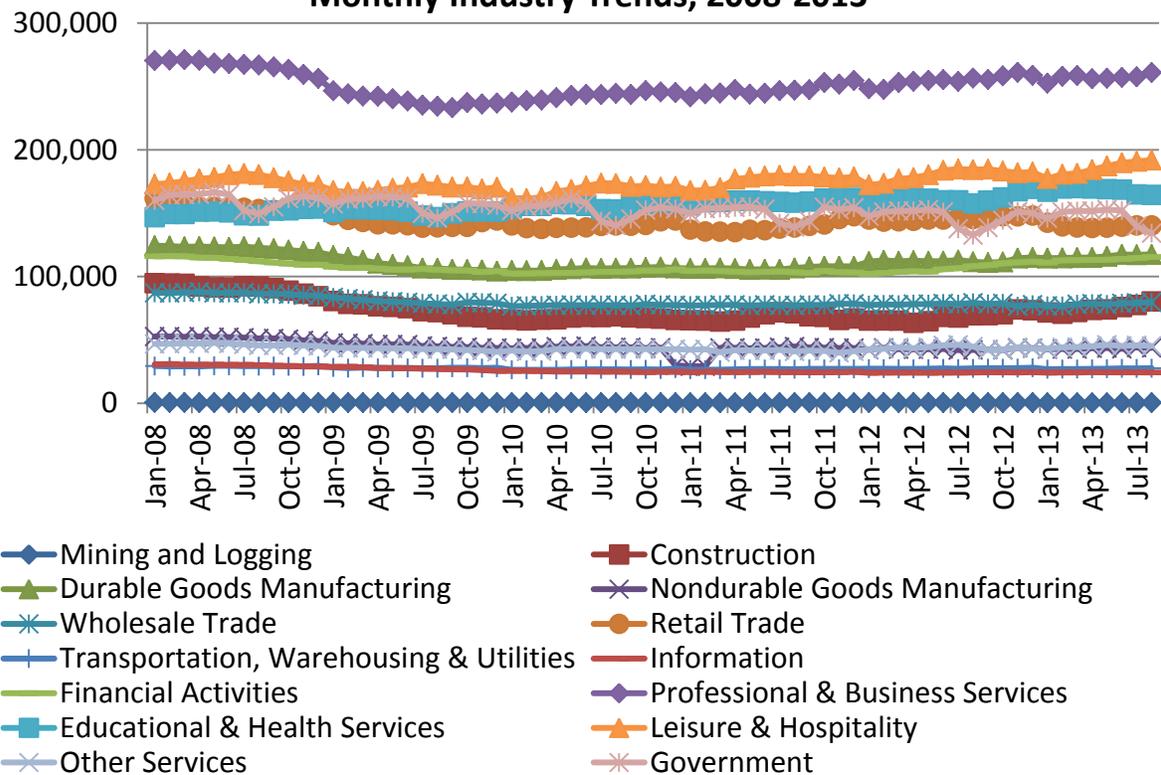
Source: Chapman University Economic Forecast 2013 Midyear Update

Overall, Orange County’s current status shows many positive signs for recovery – unemployment rates are significantly lower than the county’s peers, travel and trade volumes are on the rise, and reports are optimistic that overall production will continue to improve. A deeper look into the industries and occupations that comprise Orange County’s strengths will shed further light on the true status of Orange County’s post-Recession economic wellness.

Section 3: Key Existing and Emerging Industries

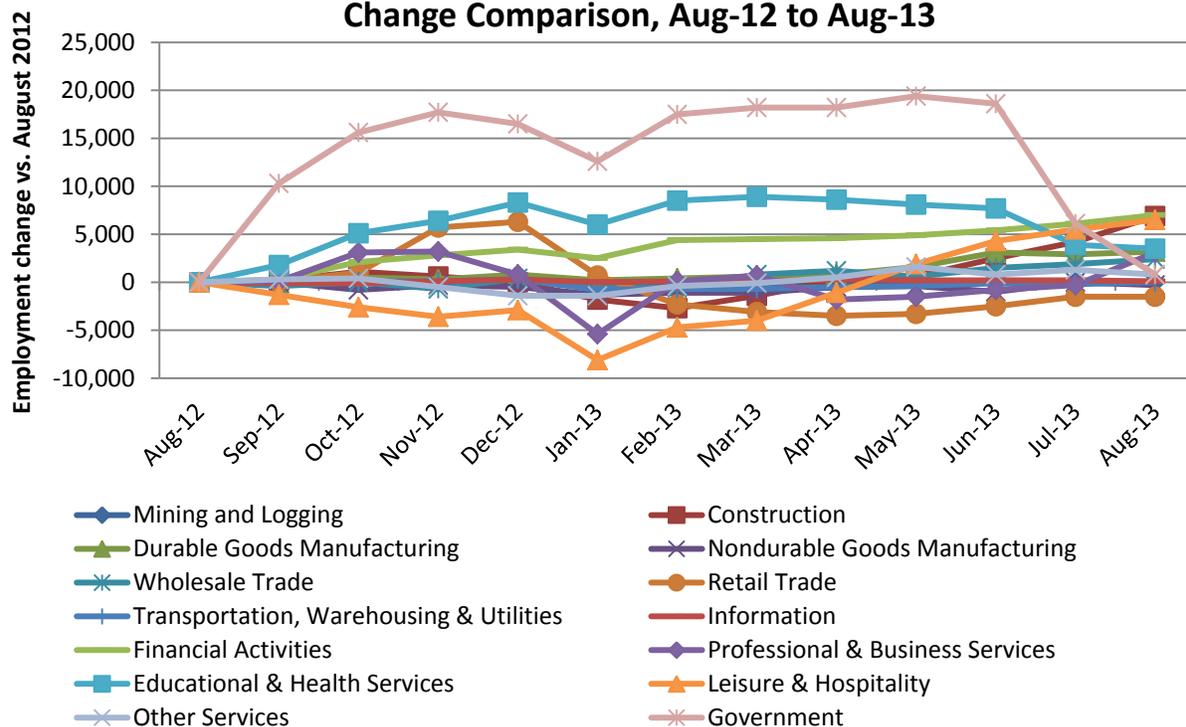
At the two-digit NAICS level, Orange County’s largest industries in terms of total employment are Professional & Business Services, Leisure & Hospitality, and Educational & Health Services. As of August 2013, the greatest year-over-year percentage growth has been seen in Construction at 9.4 percent, Financial Activities at 6.5 percent and Leisure & Hospitality at 3.5 percent; only Retail Trade and Nondurable Goods Manufacturing have seen year-over-year employment declines, dropping by 1.1 percent and 0.7 percent, respectively. While Exhibit 3.1 is a six-year overview of employment changes for the county, Exhibit 3.2 explores changes in the last year in greater detail, showing how each major industry varied in each month’s employment leading to the latest month to date. Government employment spiked dramatically from September 2012 to June 2013, only to drop to almost identical year-over-year levels in August 2013. Conversely, Leisure & Hospitality dropped significantly at the beginning of 2013, but rebounded through the first half of 2013 to experience the second-highest actual growth in employment for the county overall.

**Exhibit 3.1 - Orange County
Monthly Industry Trends, 2008-2013**



Source: California EDD

**Exhibit 3.2 - Orange County Industry Employment:
Change Comparison, Aug-12 to Aug-13**



Source: California EDD

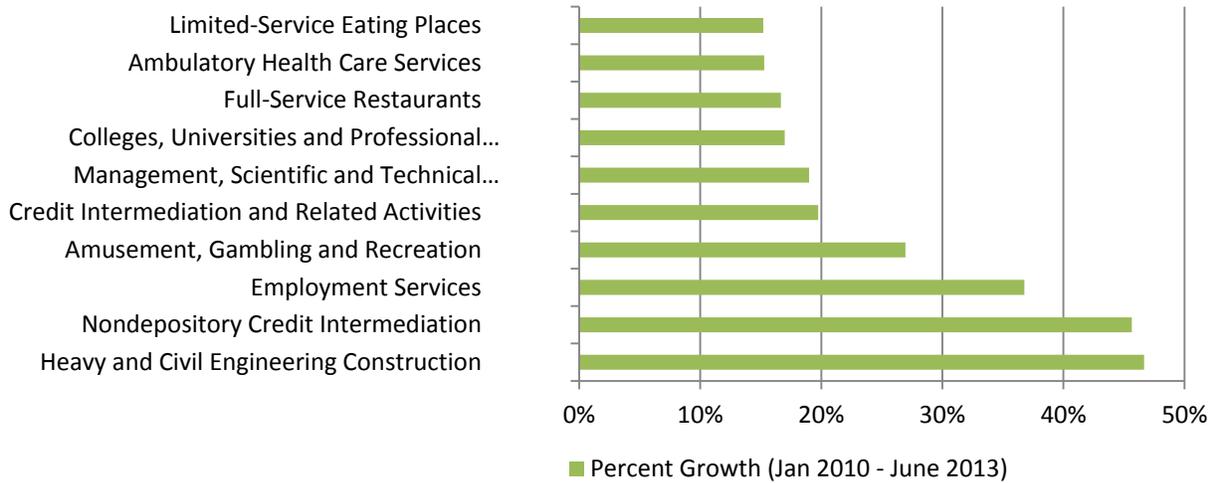
Exhibit 3.3 details Orange County’s most recent industry growth from the California EDD (August 2013) and how it compares to the previous month (July 2013), previous year (August 2012), and the state of employment near the beginning of the Great Recession (October 2007). Farming-related industries have not changed over the past year, reflected in the identical year-over-year and month-over-month changes seen in nonfarm employment and total employment. Only Leisure & Hospitality and Education & Health Services have seen employment increases in their industries since 2007 – many other are still far behind their pre-Recession employment levels. As in the year-over-year comparison, the Construction sector has seen the most significant percent growth in employment from July to August 2013, up by 3.47 percent. In actual employment, Professional & Business Services saw the greatest improvements month-over-month, rising by 3,400 jobs. The unemployment rate is improving well, down 1.6 percentage points year-over-year, but is still a full 2.1 percentage points above the October 2007 target for pre-Recession unemployment.

Exhibit 3.3 - Industry Employment Change		Vs. July 2013		Vs. August 2012		Vs. October 2007	
Industry	Aug-13	Actual Change	Percent Change	Actual Change	Percent Change	Actual Change	Percent Change
Civilian Labor Force	1,633,900	-6,100	-0.37%	22,900	1.42%	21,600	1.34%
Civilian Employment	1,532,900	-300	-0.02%	48,200	3.25%	-13,300	-0.86%
Civilian Unemployment	101,000	-5,800	-5.43%	-25,300	-20.03%	35,000	53.03%
Total, All Industries	1,429,300	2,400	0.17%	32,500	2.33%	-94,000	-6.17%
Total Nonfarm	1,426,800	2,400	0.17%	32,500	2.33%	-91,400	-6.02%
Mining and Logging	500	0	0.00%	0	0.00%	-100	-16.67%
Construction	80,400	2,700	3.47%	6,900	9.39%	-22,200	-21.64%
Durable Goods Manufacturing	117,500	300	0.26%	3,200	2.80%	-7,800	-6.23%
Nondurable Goods Manufacturing	43,700	-300	-0.68%	-300	-0.68%	-9,900	-18.47%
Wholesale Trade	79,800	500	0.63%	2,400	3.10%	-7,600	-8.70%
Retail Trade	140,400	0	0.00%	-1,500	-1.06%	-20,900	-12.96%
Transportation, Warehousing & Utilities	27,700	200	0.73%	0	0.00%	-1,800	-6.10%
Information	24,300	-100	-0.41%	100	0.41%	-6,500	-21.10%
Financial Activities	115,400	900	0.79%	7,000	6.46%	-5,600	-4.63%
Professional & Business Services	261,100	3,400	1.32%	3,100	1.20%	-15,100	-5.47%
Educational & Health Services	164,500	-400	-0.24%	3,500	2.17%	19,000	13.06%
Leisure & Hospitality	191,900	1,000	0.52%	6,500	3.51%	16,500	9.41%
Other Services	45,300	-500	-1.09%	800	1.80%	-2,600	-5.43%
Government	134,300	-5,300	-3.80%	800	0.60%	-26,800	-16.64%
Civilian Unemployment Rate	6.2%	-0.3%		-1.6%		2.1%	

Source: California EDD

Exhibit 3.4 highlights the fastest growing industries in Orange County since January 2010 at the 3-digit NAICS level. Notable appearances include Credit Intermediation at over 45 percent job growth, Scientific Consulting at nearly 20 percent growth and College Employment at over 17 percent growth. These rapidly-growing industries are correlated with Orange County's sizable employment pools in its top three largest 2-digit NAICS-classified industries, and further highlight improvements in the Construction industry – an essential indicator of post-Recession recovery due to expanded land development.

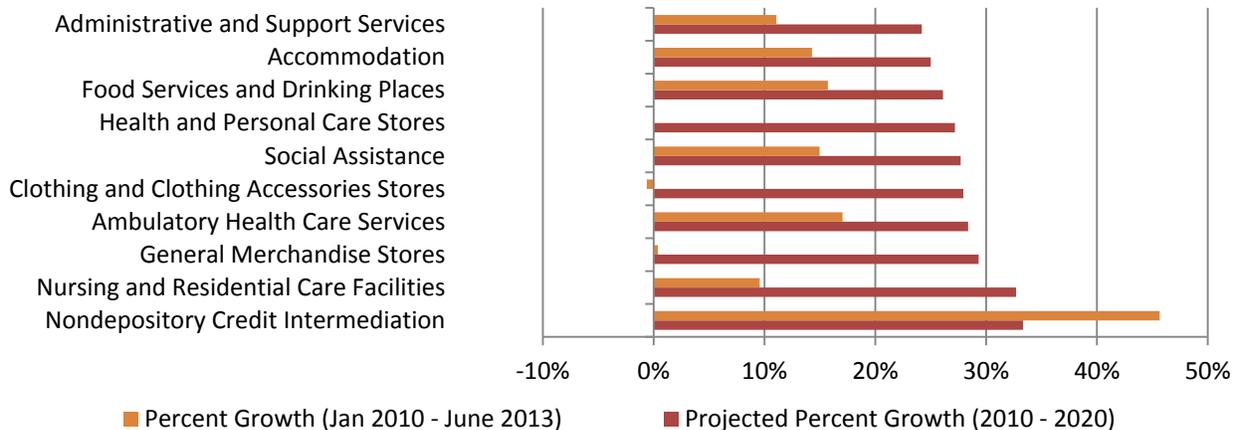
Exhibit 3.4 - Top Ten Fastest Growing Industries in Orange County by Percent Growth, Jan-2010 to June-2013



Source: California EDD

California’s Employment Development Department (EDD) has created estimates for the fastest-growing industries in Orange County through 2020 – Exhibit 3.5 contrasts the EDD’s predictions with actual percent growth from January 2010 to June 2013, showing progress thus far toward reaching the EDD’s predictions. Currently, the only industries that are not meeting or exceeding the EDD’s model are those related to retail stores. Nondepository Credit Intermediation has already surpassed the EDD’s ten-year expectations in just three years, while others such as Ambulatory Health Care and Social Assistance are over halfway to reaching the EDD’s predictions – meaning that employment will likely grow to those levels in less than ten years. For further analysis, review the appendix for a full breakdown of the top 20 industries by employment and their estimated growth through 2016.

Exhibit 3.5 - Projected vs. Actual Percent Industry Growth

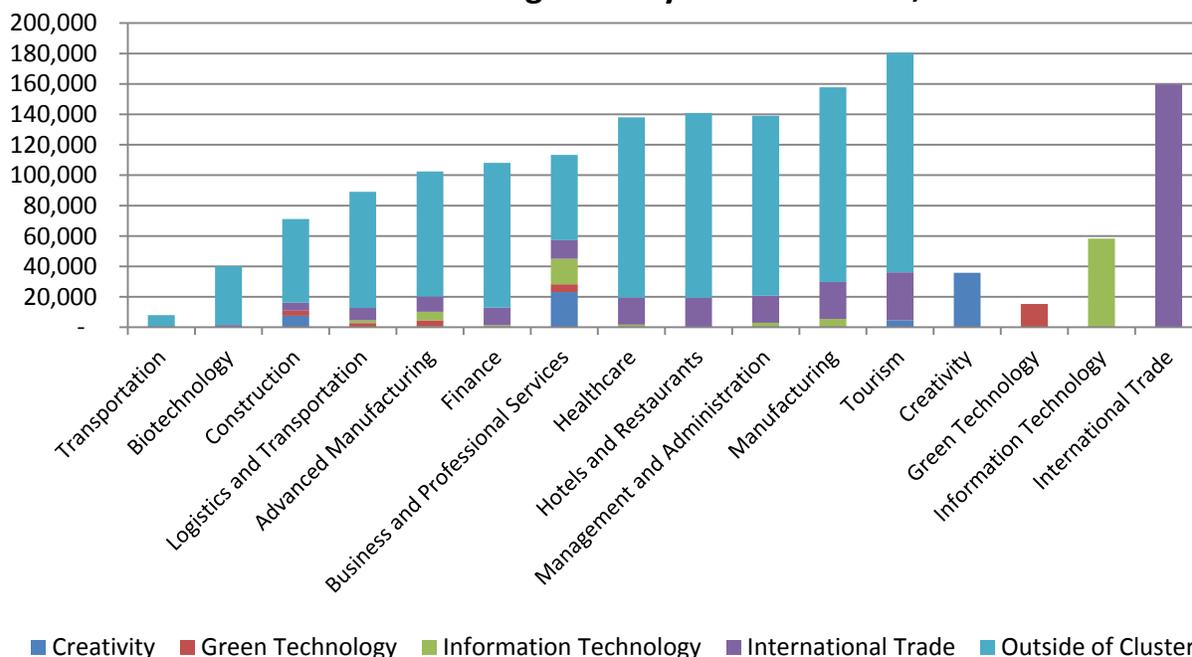


Source: California EDD

The entrepreneurial and innovative community of Orange County is world-renowned, and it is an ideal platform for employers and workforce professionals to unite and develop new opportunities in four emerging groups of industries that blur traditional cluster boundaries – International Trade, Information Technology, Creativity, and Green Technology. These four drivers have become important elements of employment from all of Orange County’s major industry clusters, offering a better understanding of the County’s workforce needs in the County’s most critical areas for growth potential.

Exhibit 3.6 shows the employment levels of each cross-cutting cluster across 12 different industry groups, as well as total employment. The four cross-cutting clusters consist of approximately 246,634 jobs across 12 different industry clusters in 2012. Workers in these cluster drivers earn consistently higher wages than Orange County’s average salary indicates, at nearly \$20,000 above the average. Though the vast majority of industries have an International Trade component, Creativity and Information Technology have their greatest impact on Business Services, one of Orange County’s most important clusters for innovation.

Exhibit 3.6 - Orange County Cluster Drivers, 2012



Source: OCBC Analysis of California EDD Data, OTIS Report, Next10, and LAEDC

International Trade

Orange County is an ideal partner for international trade with many distinct advantages, including proximity to the ports of Long Beach and Los Angeles, a well-connected freeway and road system for fleet transportation, rail lines providing national trade linkages, proximity to

international and domestic airports including John Wayne Airport and LAX, and a constantly growing multicultural presence. CSUF estimates that the Los Angeles-Long Beach-Santa Ana MSA ranks third in the nation for merchandise export volume in 2013, and that roughly 13 percent of Orange County’s gross metropolitan product is generated from exports. As demonstrated by Exhibit 3.7, Asia’s dominant regions of China, Japan and South Korea round out the top five trade partners for the County – the three countries together accounting for 35.3 percent of the county’s merchandise exports. Transportation Equipment and Computer Products combined accounted for over 45 percent of total exports in 2011, together exceeding \$11.3 billion in exports.

Exhibit 3.7 - Orange County Exports by Country, 2005-2014 Forecast

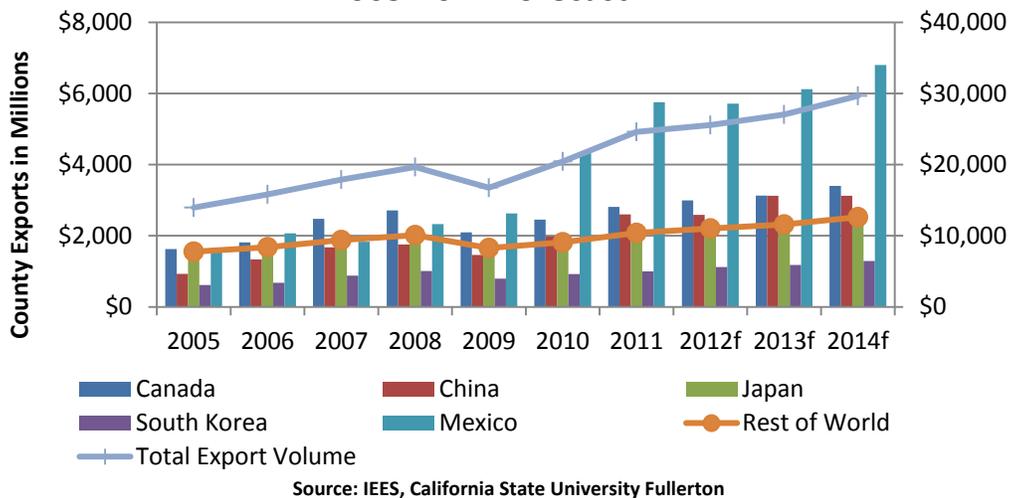
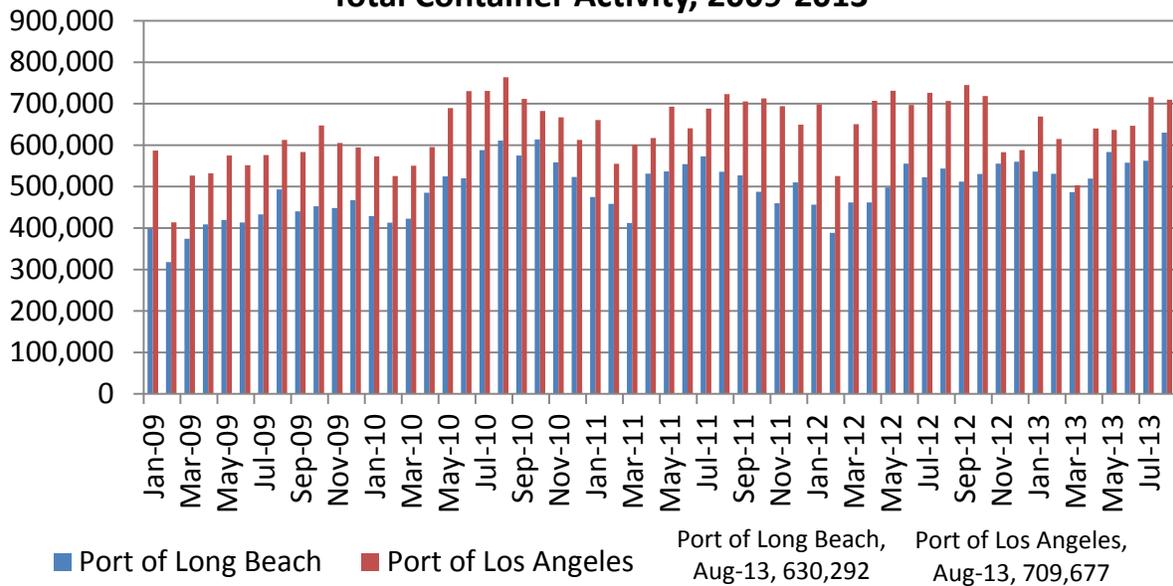


Exhibit 3.8 shows how shipping container activity has remained relatively strong, even through the roughest heights of the Great Recession. The Port of Los Angeles is above activity recorded in August 2012, while the Port of Long Beach hit a significant record for port activity in August 2013, surpassing 600,000 total containers for the first time since October 2010.

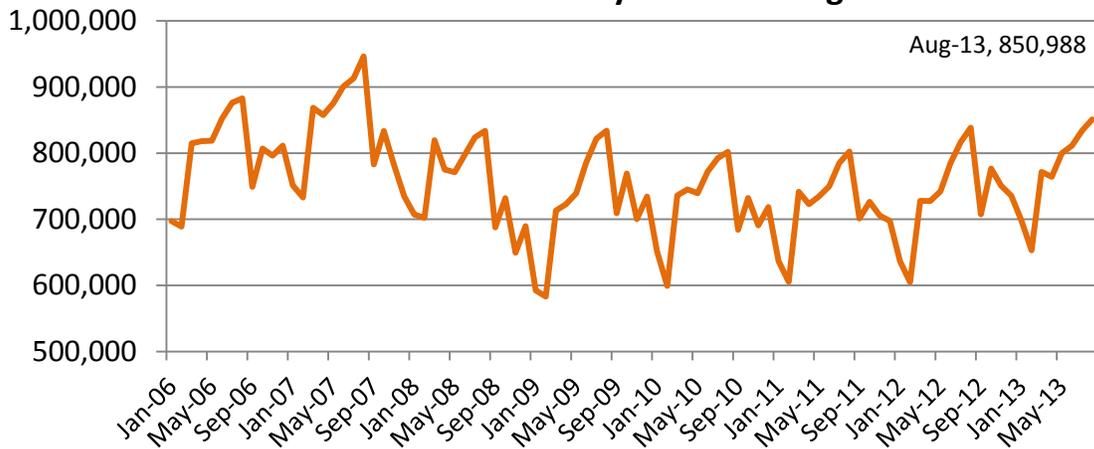
**Exhibit 3.8 - Port of Long Beach & Port of Los Angeles,
Total Container Activity, 2009-2013**



Source: Port of Long Beach, Port of Los Angeles

Tourism is a key component of Orange County’s economic prosperity; beautiful beaches and world-class theme parks draw in visitors from throughout the country and contribute significantly to the county’s monetary inflows. Orange County is home to John Wayne Airport as its travel gateway, and JWA has demonstrated significant recovery in air travel frequency and volume since the Great Recession. Over 850,000 travelers were reported in August 2013, an increase of over 12,000 compared to August 2012. Both passenger totals and air cargo tons have generally been on the rise year-over-year.

**Exhibit 3.9 - John Wayne Airport
2006-2013 Monthly Total Passengers**



Source: John Wayne Airport

Information Technology is one essential industry with tremendous growth potential for the county; through Orange County's Information industry is relatively small, IT is an essential element of many Orange County businesses, and regions with a large and diverse high-tech economy have an edge in attracting and retaining high-tech firms. To this end, Orange County has long been a key player in electronic software, technical services, and hardware manufacturing. As discussed in Section 2's overview of International Trade, the majority of Orange County's international exports are reliant on the success of Information Technology, leaving an ideal foundation for new entrants to build upon. The average IT salary is \$83,078, about \$28,000 more than County's annual average salary for all industries. According to the EDD, the state's top-earning occupations in Information Technology include Information Systems Managers (\$138,874 annual salary), Systems Software Developers (\$114,795 annual salary) and Information Research Scientists (\$115,535 annual salary).

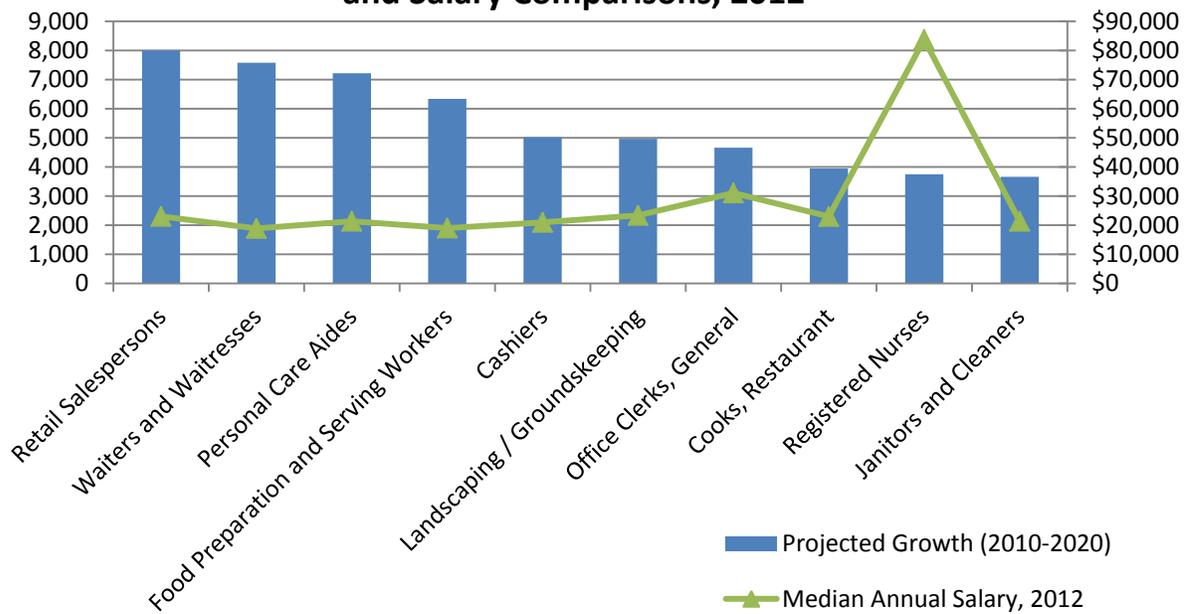
The Creativity sector consists of industries that emphasize culture, art, and design either as a primary driver or significant contributor. Specifically, the sector consists of creative professionals and enterprises that take powerful, original ideas and transform them into practical and innovative goods. Two-thirds of the Creativity cluster's employment is derived from the Business & Professional Services cluster; like Information Technology, creative professions are critical to business success, and have great potential for the future of the county.

Green Technology refers to industries that create solutions for energy, infrastructure, and advanced materials that are both environmentally conscious and cost minimizing. The clusters with the greatest employment totals in Green Technology for 2012 included Business & Professional Services, Advanced Manufacturing, and Construction – a split emphasis in producing environmentally-conscious products and applying concepts at a strategic level via consulting services. The greatest employment growth has stemmed from Advanced Materials, which includes the production of specialized energy-efficiency equipment such as solar cells.

Section 4: Occupational Employment and Salary Growth

Exhibit 4.1 shows the top ten fastest-growing occupations according to the EDD’s predictions, as well as recent actual salary levels for these occupations. In terms of absolute growth, only Registered Nurses have a compensation level above \$30,000 – absolute job growth will stem mostly from entry-level support services, including Retail. Although the Retail industry has shown actual declines since 2010, sales personnel are consistently in high demand.

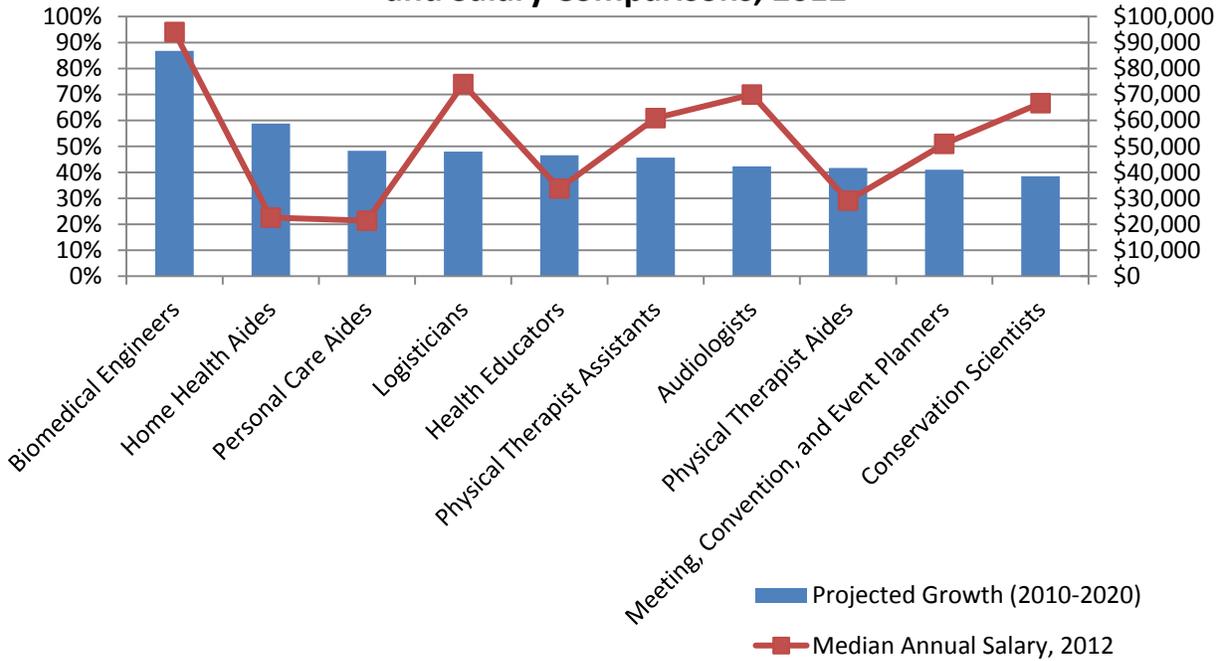
Exhibit 4.1 - Orange County Absolute Occupation Growth and Salary Comparisons, 2012



Source: OCBC Analysis of California EDD Data, QCEW Dataset

In terms of percent job growth as seen in Exhibit 4.2, the fastest-growing occupations are driven by many high-paying scientific, medical, and business positions. In fact, over half of the top occupations by projected percentage growth are related to healthcare. A more detailed overview of the top 20 occupations by employment levels and their projected growth through 2016 is in the appendix.

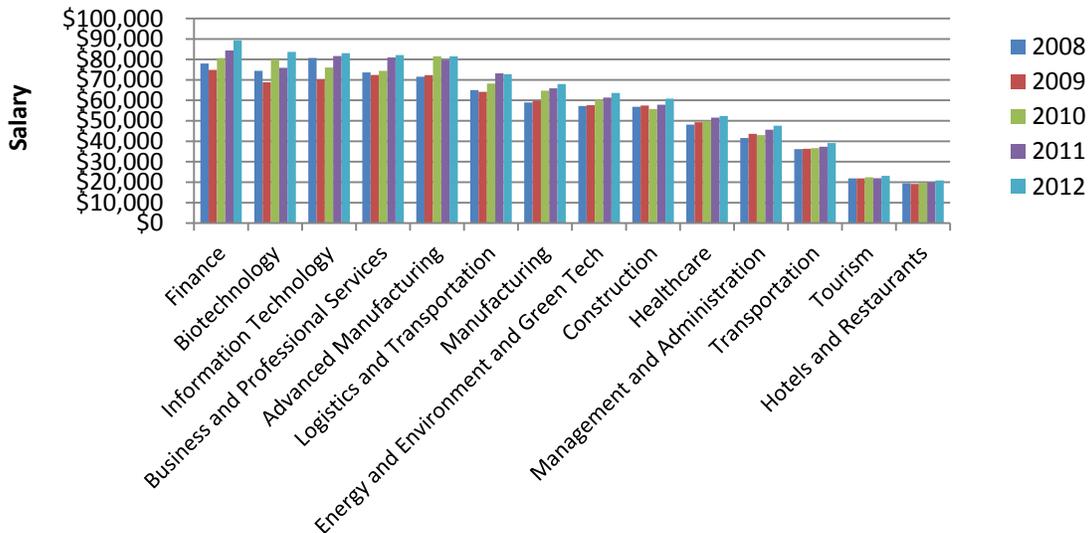
Exhibit 4.2 - Orange County Percent Occupation Growth and Salary Comparisons, 2012



Source: OCBC Analysis of California EDD Data, QCEW Dataset

Overall, salary growth has been positive since the end of the Great Recession; the annual average salary across all industries grew from \$54,851 in 2009 to \$61,988 in 2012, a 13 percent increase. According to Exhibit 4.3, the highest-salary industries such as Finance and Biotechnology were also the ones that experienced the greatest relative growth year-over-year.

Exhibit 4.3 - Orange County Cluster Salary, 2008-2012



Source: OCBC Analysis of California EDD Data, QCEW Dataset

Exhibit 4.4 shows the results of the California EDD's Quarterly Census of Earnings and Wages (QCEW) for 2013, and how the results compare to 2010's annual average salary and employment levels by major occupation group. In aggregate, all occupations have improved their wage levels by 5.5 percent since 2010, averaging \$52,219. The greatest salary growth both in terms of actual and percentage was seen in Computer and Mathematical Occupations, increasing by \$8,129 or 10.2 percent to an average of \$87,677. Other leaders in actual growth include Life, Physical and Social Science (\$6,672 increase) and Architecture and Engineering Occupations (\$5,344 increase).

Percent growth leaders include Construction and Extraction Occupations (8.0 percent) and Protective Service Occupations (8.5 percent), among others. Only three major occupation groups saw declines in their average salaries since 2010: Community and Social Services (down \$2,444), Education, Training and Library (down \$24) and Legal Occupations (down \$6,587). Interestingly, the occupations that experienced employment declines were not the same as those that experienced wage depreciation over the same period of time – in fact, Community and Social Services employment increased by 9.6 percent, the 4th-highest percent growth out of compared occupation groups. However, occupation groups with the highest employment growth tended to also feature higher salary growth over the same period, as seen in examples including Business and Financial Operations, Computer and Mathematical, and various Sciences.

Exhibit 4.4 – Orange County Occupational Wages and Employment, 2010-2013

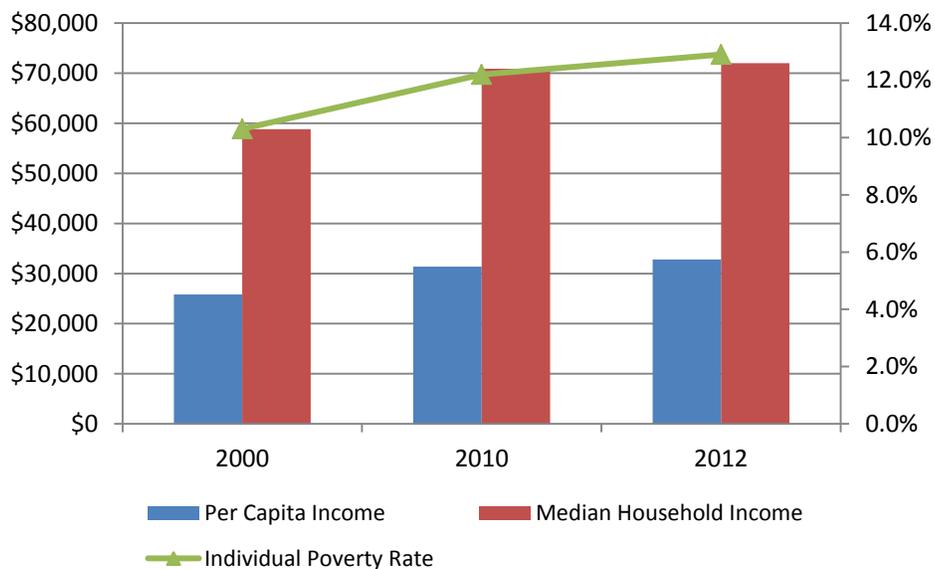
Occupational Title	Annual Average Salary				Annual Average Employment			
	Q1 2013	Q1 2010	Actual Change	Percent Change	Q1 2013	Q1 2010	Actual Change	Percent Change
Total, All Occupations	\$52,219	\$49,513	\$2,706	5.5%	1,410,970	1,374,310	36,660	2.7%
Management	\$126,368	\$121,048	\$5,320	4.4%	86,460	82,930	3,530	4.3%
Business and Financial Operations	\$74,527	\$69,611	\$4,916	7.1%	89,060	80,480	8,580	10.7%
Computer and Mathematical	\$87,677	\$79,548	\$8,129	10.2%	46,740	39,060	7,680	19.7%
Architecture and Engineering	\$87,924	\$82,580	\$5,344	6.5%	33,500	31,060	2,440	7.9%
Life, Physical, and Social Science	\$75,398	\$68,726	\$6,672	9.7%	12,970	10,330	2,640	25.6%
Community and Social Services	\$50,830	\$53,274	-\$2,444	-4.6%	14,940	13,630	1,310	9.6%
Legal	\$107,697	\$114,284	-\$6,587	-5.8%	11,410	11,370	40	0.4%
Education, Training, and Library	\$60,876	\$60,900	-\$24	0.0%	71,910	70,650	1,260	1.8%
Arts, Design, Entertainment, Sports, and Media	\$54,641	\$50,984	\$3,657	7.2%	19,910	23,040	-3,130	-13.6%
Healthcare Practitioners and Technical	\$82,827	\$78,039	\$4,788	6.1%	66,410	65,040	1,370	2.1%
Healthcare Support	\$33,035	\$30,942	\$2,093	6.8%	34,820	35,320	-500	-1.4%
Protective Service	\$51,507	\$47,471	\$4,036	8.5%	21,920	22,360	-440	-2.0%
Food Preparation and Serving-Related	\$23,157	\$22,453	\$704	3.1%	130,780	125,910	4,870	3.9%
Building and Grounds Cleaning and Maintenance	\$26,167	\$26,133	\$34	0.1%	51,770	49,310	2,460	5.0%
Personal Care and Service	\$26,871	\$25,244	\$1,627	6.4%	32,550	32,490	60	0.2%
Sales and Related	\$44,352	\$43,876	\$476	1.1%	154,130	148,690	5,440	3.7%
Office and Administrative Support	\$38,970	\$37,395	\$1,575	4.2%	257,730	255,160	2,570	1.0%
Farming, Fishing, and Forestry	\$23,585	\$23,444	\$141	0.6%	1,650	1,770	-120	-6.8%
Construction and Extraction	\$52,975	\$49,050	\$3,925	8.0%	54,070	58,160	-4,090	-7.0%
Installation, Maintenance, and Repair	\$49,027	\$47,656	\$1,371	2.9%	44,030	41,170	2,860	6.9%
Production	\$33,262	\$31,919	\$1,343	4.2%	103,330	98,630	4,700	4.8%
Transportation and Material Moving	\$31,558	\$30,723	\$835	2.7%	70,890	77,740	-6,850	-8.8%

Source: OCBC Analysis of California EDD Data, QCEW Dataset

Section 5: Income and Poverty Statistics

Orange County features one of the highest median annual incomes in the state, reaching nearly \$72,000 for households and \$32,800 per capita in 2012. Income growth slowed somewhat between 2010 and 2012, which saw increases of less than \$1,500 in both measures of income. Exhibit 5.1 demonstrates the change in each type of income group, as well as the change in poverty rate since 2000. As of 2012, the poverty rate in Orange County is roughly 13 percent of the population, and slowly climbing year over year at an average of 0.35 percentage points per year. As there is significant variance in the cost of living by city within Orange County, the county-level poverty rate may not fully capture the actual conditions of the county’s greatest poverty “red zones” such as Santa Ana.

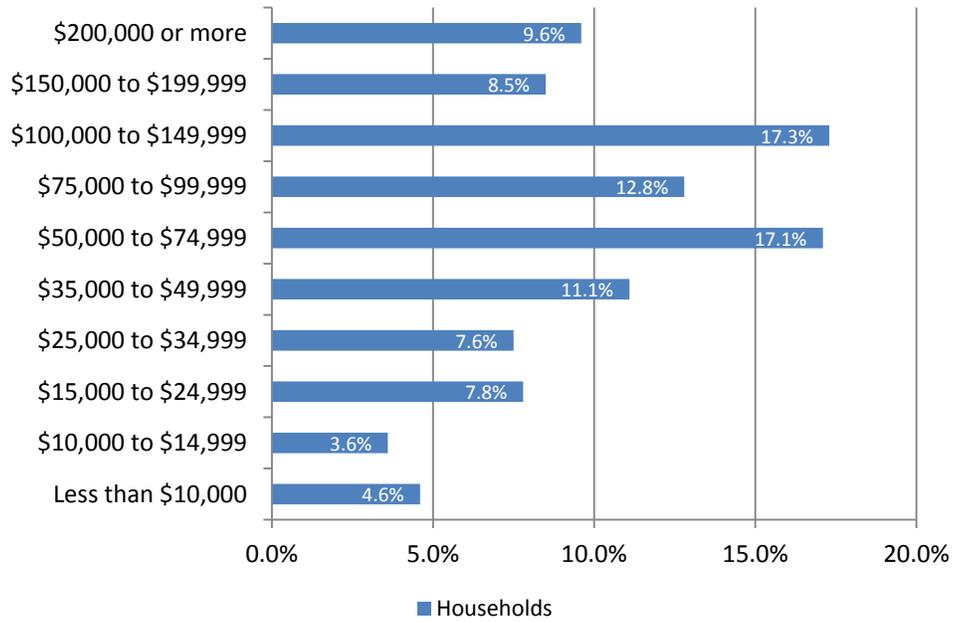
Exhibit 5.1 - Orange County Income and Poverty Rate of Individuals, 2000-2012



Source: Census Bureau, 2012 American Community Survey, 1-year Estimates

\$72,000 is the median income for households in Orange County, but the percentage of households earning above the median is much higher than those earning below the median. Exhibit 5.2 shows the distribution of households earning within certain ranges. The four groups above the \$50,000 to \$74,999 range combined represent 48.2 percent of Orange County households, while the five groups below it comprise only 34.6 percent of households. The largest single range of \$100,000 to \$149,999 is 17.3 percent of households, a somewhat larger group than what encompasses the median household income in 2012.

Exhibit 5.2 - Orange County Income Groups by Percent of Total Households, 2012

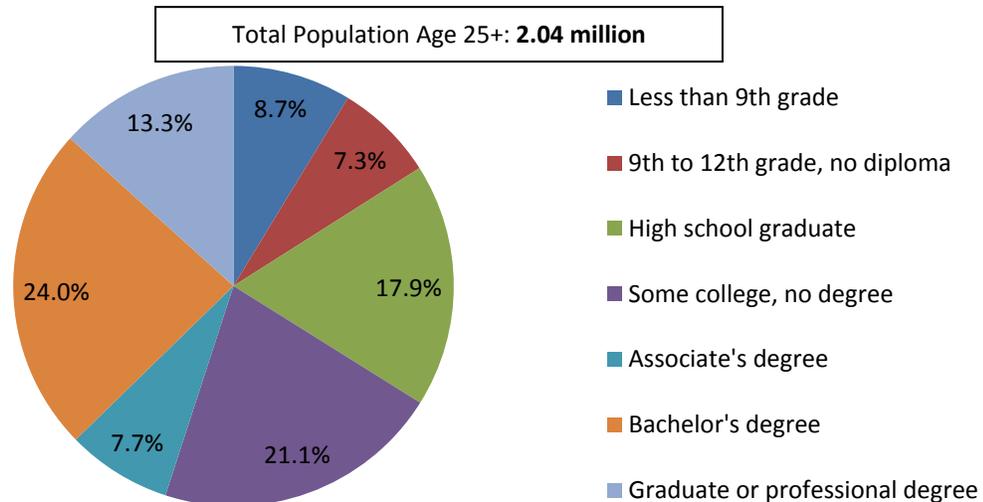


Source: Census Bureau, 2012 American Community Survey, 1-year Estimates

Section 6: Educational Attainment Demographics

Greater educational attainment leads to a better-equipped workforce that earns more, creating greater social and economic contributions back to the county. The following chart in Exhibit 6.1 demonstrates the education demographics of Orange County's population above the age of 25.

Exhibit 6.1 - Orange County Educational Attainment, Population Above Age 25, 2012

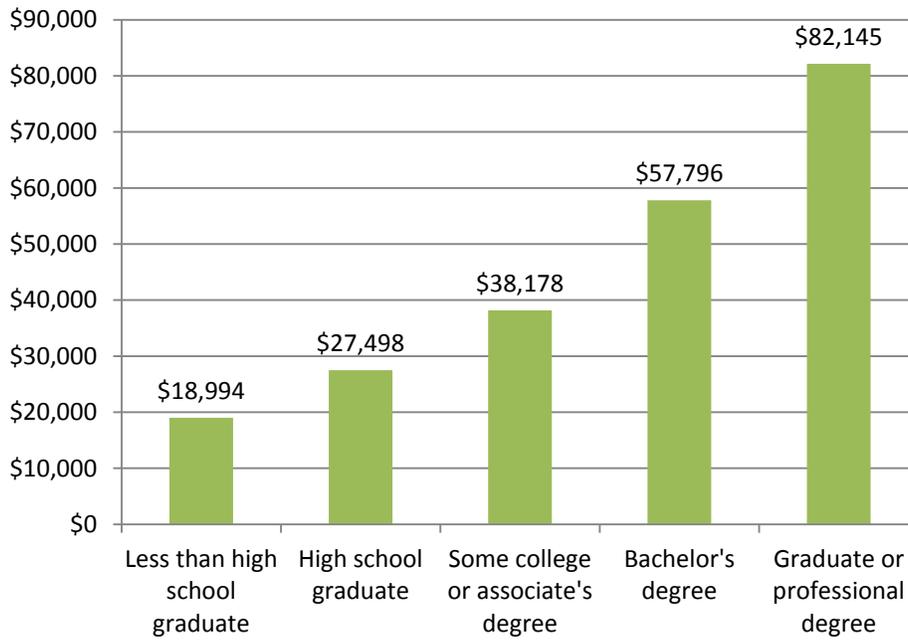


Source: Census Bureau, 2012 American Community Survey, 1-year Estimates

In 2012, Orange County's over-25 population totaled 2,037,907. Orange County's workforce is relatively well-educated – 45 percent of Orange County's "working age" residents have obtained at least an Associate's degree, and 84 percent have obtained at least a high school diploma. The three largest groups are Bachelor's holders, high school diploma holders, and those who have attended college but have not obtained a degree.

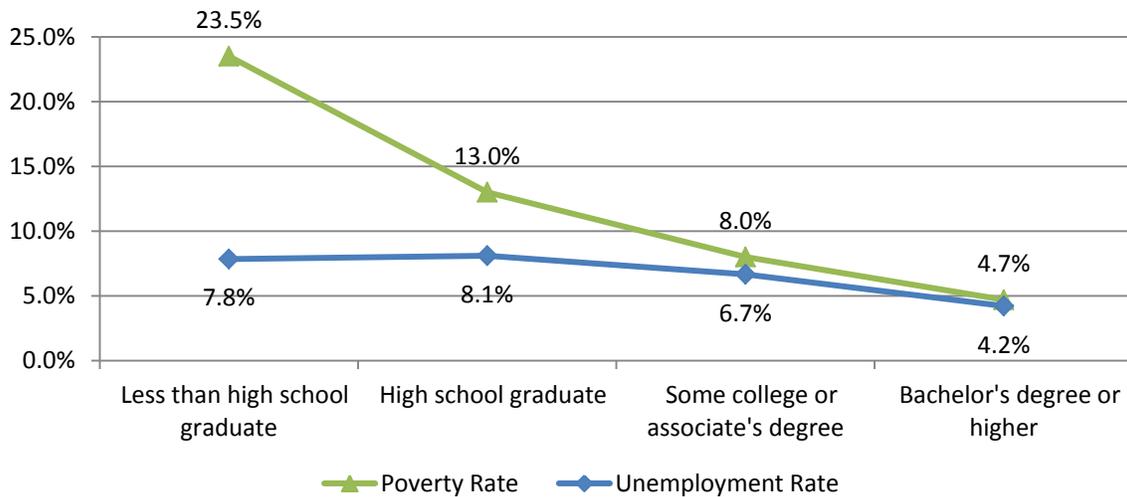
Earning potential and declining poverty rates significantly increase with each successive step in educational attainment, as seen in Exhibits 6.2 and 6.3. Bachelor's degree holders comprise the majority of Orange County's workers above age 25, with a median annual wage of nearly \$58,000.

Exhibit 6.2 - Median Wages by Educational Attainment, Workers Over Age 25, 2012



Source: Census Bureau, 2012 American Community Survey, 1-year Estimates

Exhibit 6.3 - Unemployment and Poverty Rates by Educational Attainment, Population Above Age 25, 2012



Source: Census Bureau, 2012 American Community Survey, 1-year Estimates

Section 7: Housing Market and Construction Activity

While long-term workforce housing demand continues to grow due to job creation and population growth, very few new housing units were constructed in the last five years, particularly at the height of the Great Recession. The Orange County real estate market has recently turned around, with home prices rebounding dramatically since the start of 2013. Exhibit 7.1 shows how Orange County’s median home price has changed throughout recent months, comparing the values of existing home sales and the combined forces of new and existing homes in the market.

According to the California Association of Realtors (CAR), 60.8 percent of Orange County units are owner-occupied, while 39.2 percent are renter-occupied units. In June 2013, the Orange County median price of an existing single-family detached home was \$661,740 — a drastic 16.5 percent increase over June 2012’s median price of \$567,910, and a 1 percent month over-month increase from May 2013. This indicates not just improvement, but a housing boom from the real estate market as property values jumped dramatically at the start of the year and maintained high price points.

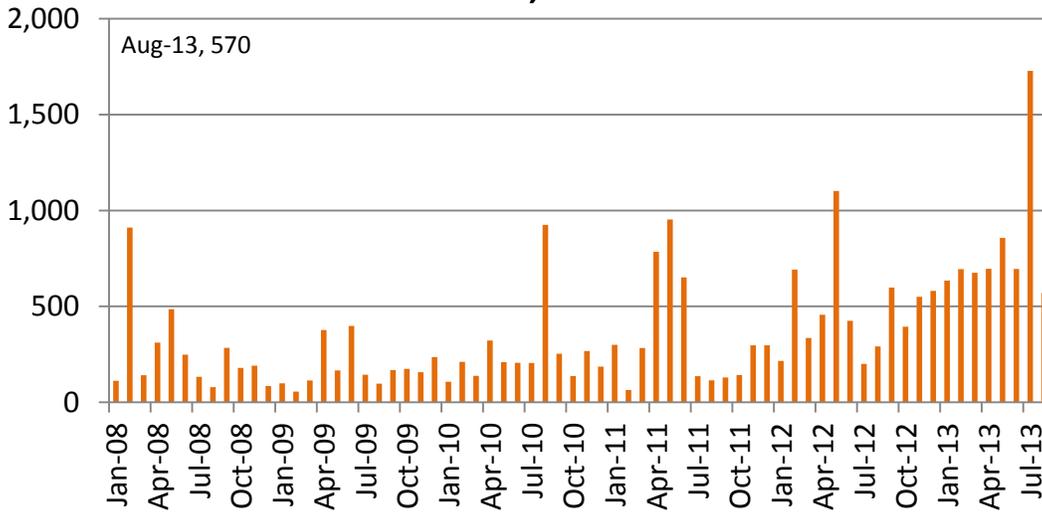
**Exhibit 7.1 - Orange County Median Home Prices 2008-2013
New Versus Existing Homes**



Source: California Association of Realtors

Orange County’s rate of building new housing units has noticeably escalated for 2013, averaging above 600 units per month since January. In particular, July 2013 brought a great influx of new projects to the county, with over 1,700 housing permits totaled for the month. Irvine is the primary city responsible for the majority of new residential permits, with cities such as Yorba Linda, Fullerton and Anaheim contributing small but notable amounts. The full breakdown of building permits per month for Orange County is shown below in Exhibit 7.2.

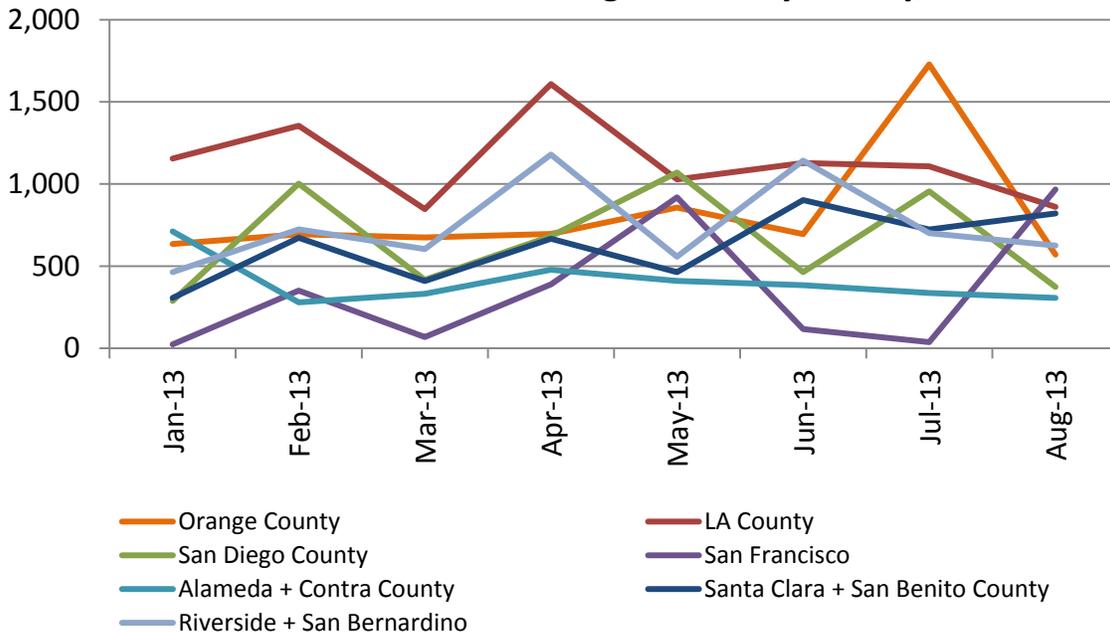
Exhibit 7.2 - Orange County Total Housing Permits, 2008-2013



Source: U.S. Census Bureau CenStats

Among other Southern California counties, Orange County has remained very consistent in its level of building permits generated per month in 2013. Exhibit 7.3 compares Orange County’s permit activity with those of other prominent counties in California. Only Los Angeles has been consistently higher in its level of permit activity than Orange, and Orange County finished its most recent month in the middle of the pack.

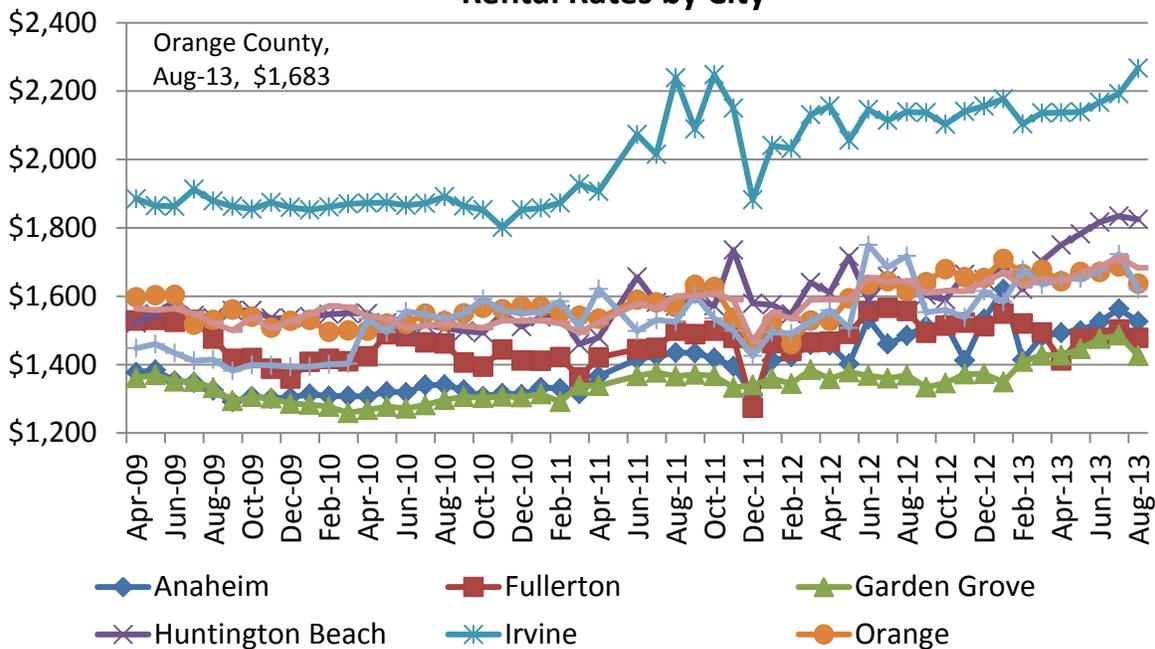
Exhibit 7.3 - Residential Building Permits by County, 2013



Source: U.S. Census Bureau CenStats

Apartment rental rates in Orange County have grown considerably since the beginning of 2013, with the average rent growing by \$61 from 2012 to 2013. At the city level, Irvine has stood with the highest overall rents, while other cities such as Santa Ana and Huntington Beach have varied above and below the county average since previous months.

Exhibit 7.4 - Orange County: Average Apartment Rental Rates by City



Source: RentBits

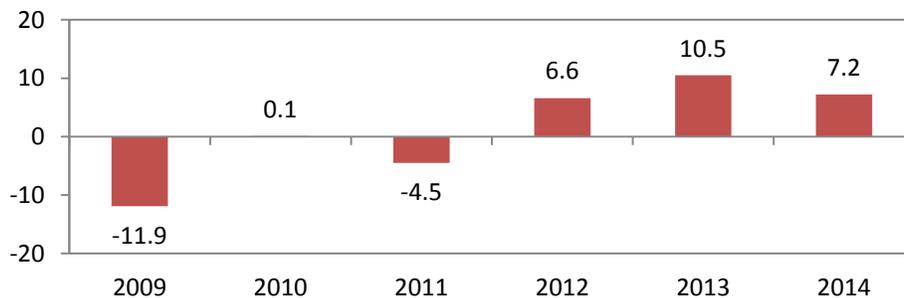
Rental adoption in Orange County is largely due to the difficulties facing families and individuals desiring home ownership in a high-priced market. CAR's Traditional Housing Affordability Index (HAI) measures the percentage of households that can afford to purchase the median priced home in Californian counties, and shows Orange County as the lowest among Southern Californian counties.

Exhibit 7.5 - California Association of Realtors Affordability Index			
County	Q2 2013	Q1 2013	Q2 2012
Orange County	23	28	35
Los Angeles	37	42	49
Riverside County	49	54	65
San Bernardino	69	72	78
San Diego	32	38	44
Ventura	36	42	48

Source: California Association of Realtors

How will Orange County’s home prices change over the coming years? Chapman University’s mid-year economic forecast includes annual average estimates for the median home value in the county. With 2013 making up for lost ground in home values thus far, the Chapman estimates call for a 7.2 percent increase in the median price next year; applied to the August 2013 median home price of \$560,000, August 2014 could see a median home price of \$600,320. Cal State University Fullerton’s estimates for housing recovery are modest by comparison, predicting 2-4 percent growth through 2013 and 4 to 7 percent growth across the following three years.

**Exhibit 7.6 - Orange County Housing Prices:
Annual Percent Change**



Source: Chapman University Economic Forecast 2013 Midyear Update

Additionally, LAEDC’s Orange County analysis includes a forecast for building permit activity at the residential and industrial level. Compared to other Southern Californian counties, Orange County lead its peers in housing permit percent growth since the end of the Great Recession, only slowing compared to its peers in 2014.

Exhibit 7.7 – LAEDC: Total Housing Permits Comparison

Year	Annual % Change				
	L.A. County	Orange County	Inland Empire	Ventura County	LA-5
2002	19,364	12,020	33,280	2,507	67,171
2003	21,313	9,311	43,001	3,635	77,260
2004	26,935	9,322	52,696	2,603	91,556
2005	25,647	7,206	50,818	4,516	88,187
2006	26,348	8,371	39,083	2,461	76,263
2007	20,363	7,072	20,457	1,847	49,739
2008	13,704	3,159	9,101	842	26,806
2009	5,653	2,200	6,685	404	14,942
2010	7,468	3,091	6,404	590	17,553
2011	10,390	4,805	5,280	706	21,181
2012	11,715	6,163	6,419	322	24,619
2013f	17,000	8,800	9,000	500	35,300
2014f	24,600	10,800	14,900	730	51,030

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

Nonresidential permit valuation is a slightly different story for Orange County, showing signs of struggle in 2012 after a major boost in activity for 2010. Forecasts in 2013 and 2014 show steady growth for Orange County that's somewhat slower than compared counties.

**Exhibit 7.8 – LAEDC: Private Nonresidential
Construction Permits by Valuation, in Millions of Dollars**

Year	Annual % Change				
	L.A. County	Orange County	Inland Empire	Ventura County	L.A. 5-County
2002	2,920	1,209	1,473	289	5,891
2003	2,932	1,006	1,720	379	6,037
2004	3,174	1,133	2,485	353	7,145
2005	3,824	1,495	2,394	372	8,085
2006	3,896	2,401	2,852	326	9,475
2007	4,739	2,005	2,824	346	9,915
2008	4,491	1,439	1,781	345	8,055
2009	2,674	952	710	153	4,489
2010	2,677	1,152	792	160	4,782
2011	2,965	1,291	904	141	5,301
2012	3,683	1,271	1,220	108	6,282
2013f	4,400	1,400	1,400	120	7,320
2014f	5,350	1,575	1,625	135	8,685

Year	Annual % Change				
	L.A. County	Orange County	Inland Empire	Ventura County	L.A. 5-County
2002	-17.5%	-10.4%	3.5%	-6.5%	-11.0%
2003	0.4%	-16.8%	16.8%	31.1%	2.5%
2004	8.3%	12.6%	44.5%	-6.9%	18.4%
2005	20.5%	32.0%	-3.7%	5.4%	13.2%
2006	1.9%	60.6%	19.1%	-12.4%	17.2%
2007	21.6%	-16.5%	-1.0%	6.1%	4.6%
2008	-5.2%	-28.2%	-37.0%	-0.4%	-18.8%
2009	-40.5%	-33.8%	-60.1%	-55.5%	-44.3%
2010	0.1%	20.9%	11.7%	4.7%	6.5%
2011	10.8%	12.1%	14.1%	-12.1%	10.9%
2012	24.2%	-1.5%	35.0%	-23.4%	18.5%
2013f	19.5%	10.1%	14.8%	11.1%	16.5%
2014f	21.6%	12.5%	16.1%	12.5%	18.6%

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

Section 8: Employment Estimations for Economic Recovery

Chapman University and the LAEDC have full estimations for employment by industry through 2014 through their respective reports, the Chapman University 2013 Mid-Year Economic Forecast and the Kyser Center for Economic Research 2013-2014 Mid-Year Economic Forecast & Industry Outlook. By comparing each report's estimates for year-over-year growth in each industry, an approximation can be made based on current growth as to when each industry will return to 2007 employment levels, the same levels seen before the Great Recession. The estimated year of employment return for each industry's recovery assumes that current year-over-year growth is constant – true growth is highly likely to fluctuate in reality.

Exhibit 8.1 is an analysis based on Chapman University's midyear report, which include quarterly employment estimates through Q4 2014:

Exhibit 8.1 – Chapman: Orange County Industry Employment

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2007 Average	2007 Vs. Q4 2013	2007 Vs. Q4 2014	Estimated YoY Growth	Estimated Year of Return
Mining & Natural Resources	508	478	500	510	514	600	(93)	(86)	6	2028
Construction	77,242	74,670	75,314	80,139	80,362	103,100	(26,541)	(22,738)	3,120	2021
Non-Durable Manufacturing	43,079	42,926	43,658	43,694	43,291	54,200	(10,677)	(10,909)	212	2064
High Tech Manufacturing	44,936	45,954	45,823	45,951	45,466	56,200	(10,857)	(10,734)	530	2033
Durable Goods Manufacturing	71,150	71,126	71,348	71,659	72,164	91,800	(21,149)	(19,636)	1,014	2033
Trade, Transportation & Utilities	255,255	248,187	251,438	254,001	259,664	277,000	(27,191)	(17,336)	4,409	2018
Wholesale Trade	78,804	78,774	80,543	80,423	80,575	86,900	(8,198)	(6,325)	1,771	2018
Retail Trade	148,149	141,596	142,389	145,220	150,244	161,200	(17,982)	(10,956)	2,095	2019
Utilities	4,251	4,178	4,193	4,144	4,366	3,800	239	566	115	2013
Transportation & Warehousing	24,051	23,639	24,312	24,215	24,479	25,100	(1,250)	(621)	428	2015
Financial Activities	114,832	113,939	114,687	115,992	118,525	127,700	(15,435)	(9,175)	3,693	2016
Services	699,311	693,802	714,783	715,451	722,682	899,300	(206,746)	(176,618)	23,371	2022
Information	24,806	24,608	25,221	25,198	25,209	31,200	(6,518)	(5,991)	403	2029
Professional & Business	268,803	264,902	276,181	275,487	279,018	273,300	(7,714)	5,718	10,215	2014
Education & Health	172,909	174,121	174,179	172,061	178,803	142,600	23,711	36,203	5,894	2013
Leisure & Hospitality	188,065	185,539	193,337	196,825	194,271	172,900	17,822	21,371	6,206	2013
Other Services	44,727	44,632	45,865	45,881	45,380	47,400	(2,147)	(2,020)	653	2016
Federal Civilian Government	10,942	10,883	10,653	10,652	10,793	11,600	(795)	(807)	149	2018
State & Local Government	140,000	140,444	142,453	129,809	142,039	147,800	(19,789)	(5,761)	2,039	2017
Total Payroll Employment	1,457,254	1,442,410	1,470,656	1,467,859	1,495,499	1,520,500	(90,473)	(25,001)	38,245	2015

Source: OCBC Analysis of Chapman University Economic Forecast 2013 Midyear Update

These estimated quarterly employment levels are contrasted with the average annual employment for 2007, taken from California's Employment Development Department (EDD), in order to benchmark how much employment will need to grow in each category. As can be seen above, four industries will have returned to pre-Recession employment levels by 2014: Utilities,

Professional & Business Services, Education & Health Services, and Leisure & Hospitality. This should come as no surprise; the latter three industries are widely recognized as Orange County's largest and most essential differentiators compared to its regional peers. Before analyzing further, the results from a similar analysis of LAEDC's report will be demonstrated in Exhibit 8.2:

Exhibit 8.2 – LAEDC: Orange County Industry Employment

	2007	2008	2009	2010	2011	2012
Natural Resources	600	600	500	500	500	500
Construction	103,100	91,200	74,200	68,000	70,800	71,800
Manufacturing	180,400	174,000	154,800	150,400	156,300	157,800
<i>Durable Goods</i>	126,200	122,500	109,100	106,500	112,800	114,000
<i>Nondurable Goods</i>	54,200	51,500	45,700	43,900	43,500	43,800
Wholesale Trade	86,900	86,700	79,400	77,600	77,000	76,700
Retail Trade	161,200	155,600	142,300	140,100	141,300	142,200
Transportation & Utilities	28,900	29,300	27,800	26,700	27,400	27,700
Information	31,200	30,100	27,300	24,800	24,000	24,200
Finance & Insurance	89,100	76,100	70,600	69,400	73,300	73,600
Real Estate, Rental & Leasing	38,600	37,000	34,500	34,100	34,100	34,400
Professions, Scientific & Technical Services	113,500	116,100	107,300	106,100	109,900	112,700
Management of Enterprises	27,900	26,100	24,300	22,800	23,100	23,200
Administrative & Support Services	127,700	120,200	104,800	110,800	113,100	120,000
Educational Services	21,600	23,600	23,400	23,600	24,600	24,700
Healthcare & Social Assistance	121,100	127,100	128,800	131,900	137,700	138,700
Leisure & Hospitality	172,900	176,400	169,100	168,600	177,900	180,500
Other Services	47,400	46,500	42,600	42,200	43,700	44,300
Government	159,400	160,800	156,600	152,300	148,300	147,800
Total	1,515,500	1,481,600	1,372,200	1,353,700	1,368,700	1,400,300
					Estimated YoY Growth 2012+	Estimated Year of Return
	2013e	2014e	2007 Vs. 2012	2007 Vs. 2014		
Natural Resources	500	500	(100)	(100)	-	-
Construction	76,300	82,500	(31,300)	(20,600)	5,350	2018
Manufacturing	158,600	160,600	(22,600)	(19,800)	1,400	2028
<i>Durable Goods</i>	114,400	115,900	(12,200)	(10,300)	950	2025
<i>Nondurable Goods</i>	44,200	44,700	(10,400)	(9,500)	450	2035
Wholesale Trade	77,900	79,200	(10,200)	(7,700)	1,250	2020
Retail Trade	144,500	147,500	(19,000)	(13,700)	2,650	2019
Transportation & Utilities	28,000	28,400	(1,200)	(500)	350	2015
Information	25,000	25,500	(7,000)	(5,700)	650	2023
Finance & Insurance	76,900	79,800	(15,500)	(9,300)	3,100	2017
Real Estate, Rental & Leasing	35,900	37,400	(4,200)	(1,200)	1,500	2015
Professions, Scientific & Technical Services	116,300	122,700	(800)	9,200	5,000	2014
Management of Enterprises	23,400	23,900	(4,700)	(4,000)	350	2025
Administrative & Support Services	123,100	126,500	(7,700)	(1,200)	3,250	2015
Educational Services	25,300	26,200	3,100	4,600	750	2013
Healthcare & Social Assistance	142,700	146,200	17,600	25,100	3,750	2013
Leisure & Hospitality	186,200	189,800	7,600	16,900	4,650	2013
Other Services	44,400	43,700	(3,100)	(3,700)	300	2026
Government	146,000	148,000	(11,600)	(11,400)	2,000	2020
Total	1,431,100	1,468,300	(115,200)	(47,200)	34,000	2015

Source: OCBC Analysis of LAEDC 2013 Midyear Economic Forecast

LAEDC's estimates are annual averages, yet comparable to the Chapman forecast. Four industries are anticipated to regain pre-Recession employment by 2014, three of which are the same being forecasted using Chapman's predictions. The addition of Healthcare & Social Assistance is another example of speedy recovery in one of Orange County's most prominent industries. Seven other industries in the Chapman analysis are slated to regain 2007 employment within the next seven years, while LAEDC anticipates five. Both forecasts predict Transportation & Utilities, Finance & Insurance, Wholesale Trade and Retail Trade to be among those industries with relatively speedy recoveries.

Both analyses share the conclusion that total employment levels will be equivalent to 2007 levels by 2015. However, the distribution of this employment has shifted dramatically since the beginning of the Great Recession, meaning that each industry will vary in the time it takes to return to pre-Recession employment, if that industry should ever regain its previous employment levels. One example of such a case shared by both reports is Manufacturing: growth has been particularly sluggish compared to other industries, and combined with external factors limiting the expansion of manufacturing in lieu of other industries, there is a high likelihood that the Manufacturing industry in Orange County will not return to its former size for decades.

Both reports differ on which industries are believed to have the fastest year-over-year growth. While LAEDC estimates Construction to be the leader followed closely by Technical Services, Leisure & Hospitality and Healthcare & Social Assistance, Chapman's growth estimates place Construction far behind same-digit NAICS estimates for Professional & Business Services, Education & Health, Leisure & Hospitality, and Transportation & Utilities.

In its latest release, the Cal State University Fullerton Annual Economic Forecast analyzes employment change for Orange County from 2011 through 2015 – beginning in the years just following the end of the Recession. According to the figures projected in Exhibit 8.3, CSUF is bullish on Construction, Durable Goods Manufacturing, and Information employment growth; from 2012 to 2015, Construction employment is anticipated to grow by 36 percent, while Durable Goods and Information are slated to grow by 9.1 percent. Aside from Natural Resources, only Retail Trade is anticipated to decline in employment growth, falling by an anticipated 2.4 percent from 2012 to 2015. CSUF anticipates Goods Producing to overshadow Services in terms of percentage employment growth, rising by an estimated 16.9 percent from 2012 to 2015 compared to 5.7 anticipated growth. Total employment for 2014 is a forecasted 1.464 million workers, an estimate slightly below that of Chapman and LAEDC.

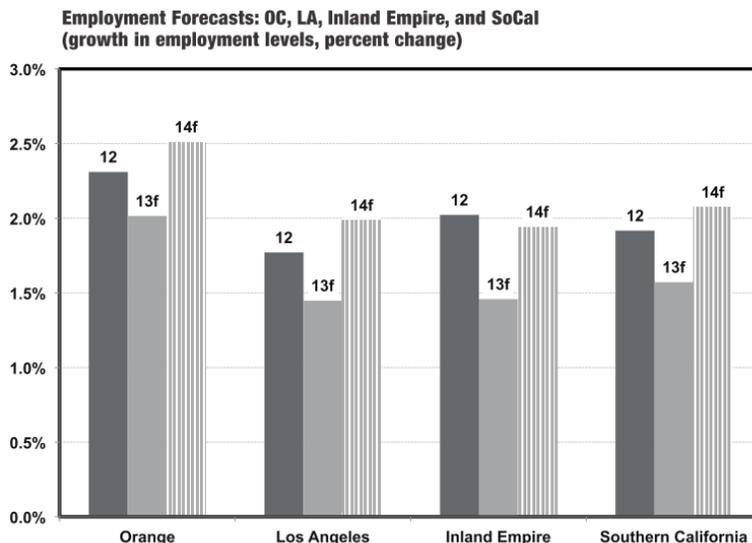
Exhibit 8.3 – CSUF: Orange County Industry Employment

	2011	2012	2013e	2014e	2015e
Goods Producing	223,900	229,600	235,900	248,800	268,400
Natural Resources	500	500	400	400	400
Construction	69,200	71,300	75,900	83,300	97,000
Manufacturing	154,200	157,800	159,600	165,100	170,900
<i>Durable Goods</i>	110,700	114,000	116,100	120,000	124,400
<i>Nondurable Goods</i>	43,500	43,800	43,400	45,000	46,500
Service Providing	1,144,900	1,170,700	1,192,700	1,215,600	1,237,200
Wholesale Trade	77,000	76,700	78,600	81,200	83,600
Retail Trade	140,900	142,200	141,100	139,900	138,800
Transportation & Utilities	27,500	27,700	27,300	27,700	28,200
Information	23,800	24,200	24,700	25,900	26,400
Financial Activities	104,700	108,100	113,200	113,800	114,100
Professional & Business Services	245,700	255,900	258,900	267,400	276,700
Educational & Health Services	158,800	163,400	169,300	172,600	175,900
Leisure & Hospitality	174,000	180,500	186,300	192,000	196,800
Other Services	43,200	44,300	45,100	46,400	47,700
Government	149,300	147,800	148,200	148,700	149,000
Total Nonfarm	1,368,700	1,400,300	1,428,500	1,464,400	1,505,500

Source: California State University Fullerton Economic Forecast 2014

Cal State University Fullerton’s forecast for overall employment change in Orange County anticipates 28,200 new payroll jobs created in 2013 and 35,900 jobs in 2014. Exhibit 8.4 shows this projected percent growth in contrast with Los Angeles County, the Inland Empire, and the six-county Southern California region. Orange County’s payroll job growth is 2.0 percent in 2013 and 2.5 percent in 2014, averaging a full percentage point higher than the forecasted growth for the six-county region.

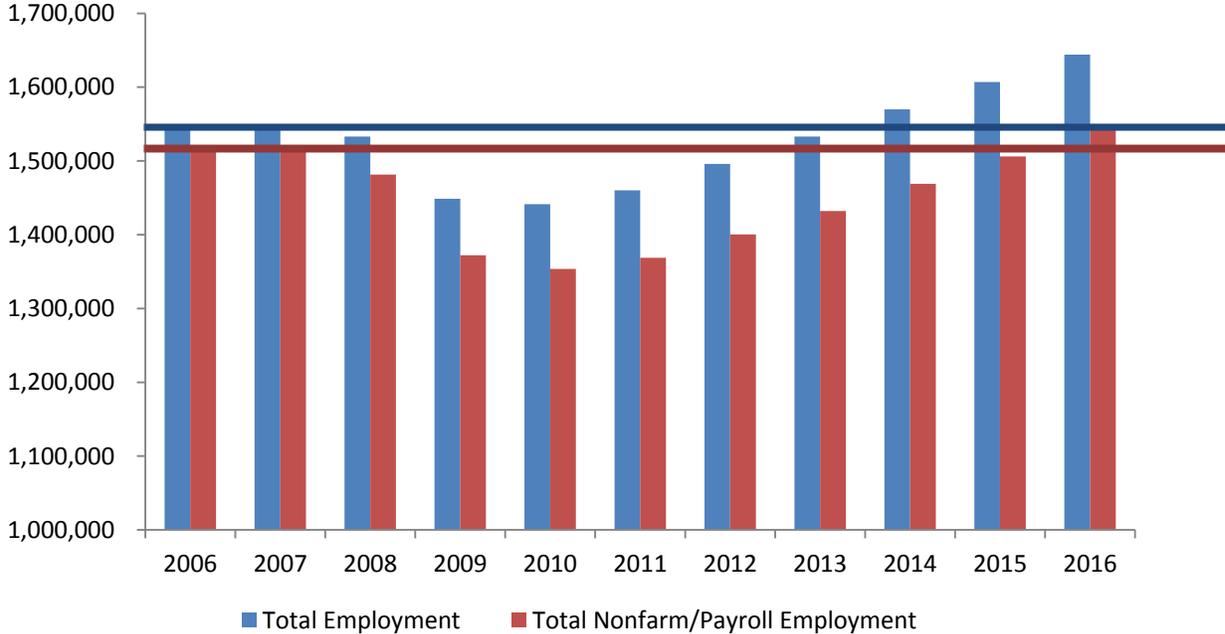
Exhibit 8.4 – CSUF: Total Employment Forecasts by Region



Source: California State University Fullerton Economic Forecast 2014

An important distinction to make is that the above analyses concern nonfarm employment, sometimes called payroll employment, which also excludes self-employed individuals. Many Orange County residents have transitioned to contracted or entrepreneurial work in response to the Great Recession’s negative impact on traditional employer hiring habits. Comparing total employment in the labor force to nonfarm employment, Orange County’s total employment will fully recover much sooner than diagnosed by nonfarm employment forecasts. Exhibit 8.5 shows both of these employment totals side by side, and also demonstrates in what year each is estimated to return to its pre-Recession state. The gap between nonfarm employment and total employment widened significantly from 2008 onward, demonstrating a larger concentration of the labor force migrating to non-payroll means of employment. While nonfarm employment is scheduled to recover between 2015 and 2016, total employment including self-employed and contracted workers may recover as soon as 2014.

**Exhibit 8.5 - Orange County Employment Forecast:
Total Employment vs. Total Nonfarm**



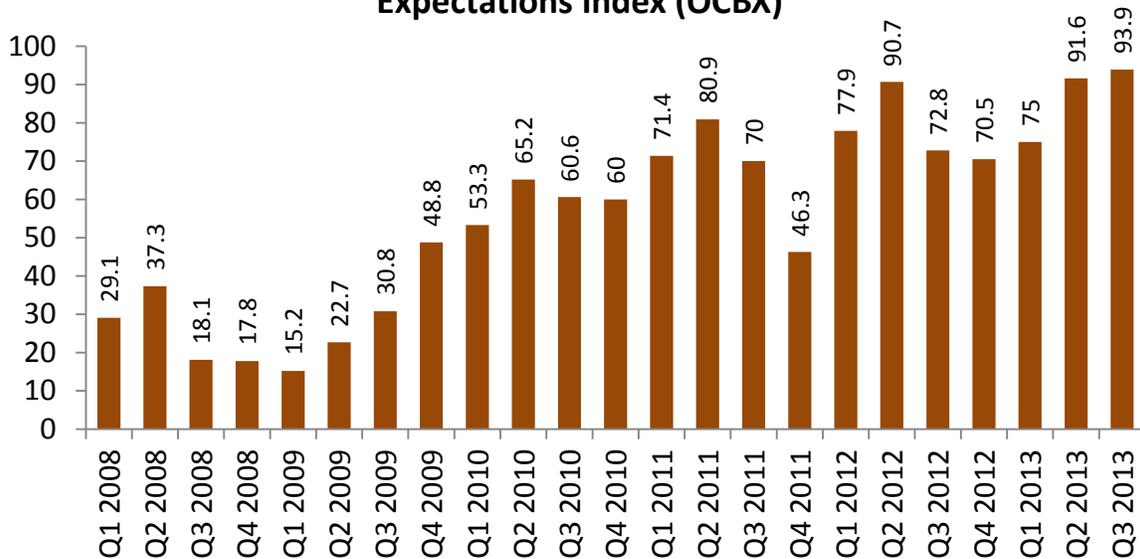
Source: OCBC Analysis

Answering when Orange County will recover its lost employment following the Great Recession is a multifaceted question. While aggregate employment is on track to reach 2007 levels within the next two years, individual recovery in each industry widely varies – some have already achieved pre-Recession employment, while other may never truly regain their former size. Regardless, Orange County is growing where it is most important: in its key industries that differentiate the region and that may help pull forward additional recovery in lagging industries faster than anticipated.

Section 9: Other Predictions for Post-Recession Recovery

CSUF's Orange County Business Expectations Survey (OCBX) is a measure of future business expectations by major Orange County executives. A value above 50 indicates a general expansion of the county's ability to grow new business, and a value below 50 signifies a decline. As seen in Exhibit 9.1, the index currently resides at a striking 93.9 for Q3 2013 – this is the highest rating achieved since July 2004, and a full 43.9 points above the 50-point indicator of expansion, signifying that Orange County businesses executives have a very healthy level of confidence in Orange County's economy for the remainder of the year.

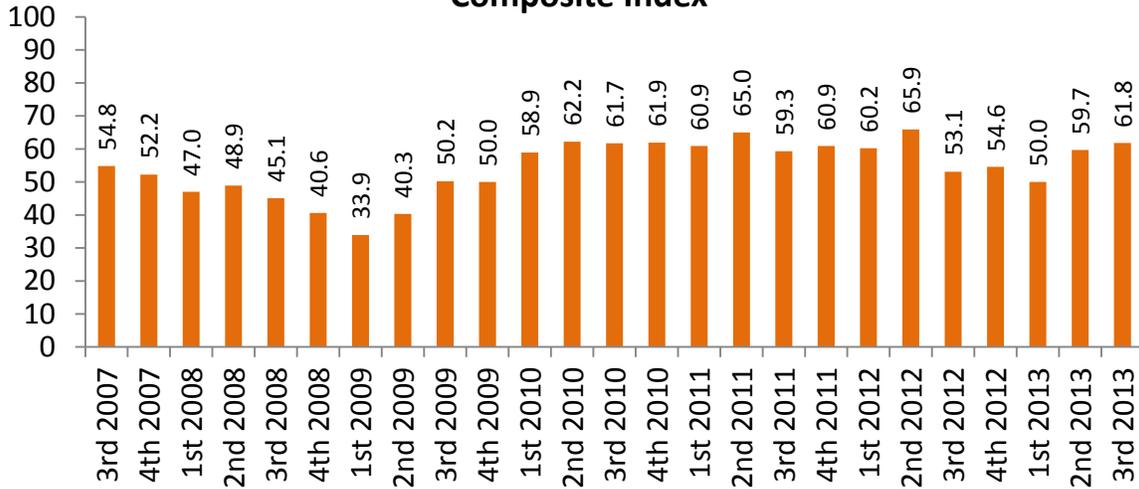
Exhibit 9.1 - Orange County Business Expectations Index (OCBX)



Source: Chapman University

With Orange County's strengths in advanced manufacturing and related high multiplier effects, monitoring the outlook for the manufacturing sector provides a key window on future employment trends. Exhibit 9.2 is a measure of survey results on conditions for manufacturing in Orange County according to purchasing managers. Like the OCBX, a value above 50 for the index indicates general expansion of the manufacturing economy in the county, and a value below 50 shows a decline. Following a slight decline after the 2nd quarter of 2012, the index for 2013 thus far is fairly positive, residing 11.8 points above the expansion benchmark and maintaining growth over the past two consecutive quarters.

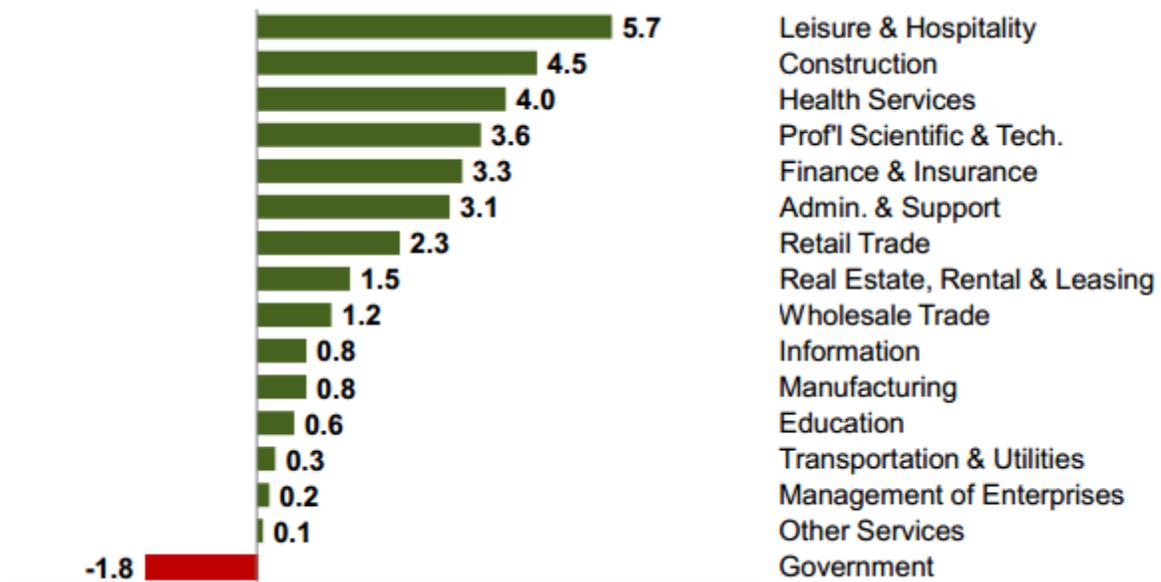
Exhibit 9.2 - Orange County Manufacturing Composite Index



Source: Chapman University

Where will employment growth stem from through the end of 2013? The LAEDC’s assessment of Orange County’s job gains falls in line with post-recession growth since 2012 – driven primarily by Leisure & Hospitality, Construction, and Health Services. These figures capture absolute growth instead of percent growth, and again demonstrate the ever-present industry clusters involving business and tourism indicative of the county.

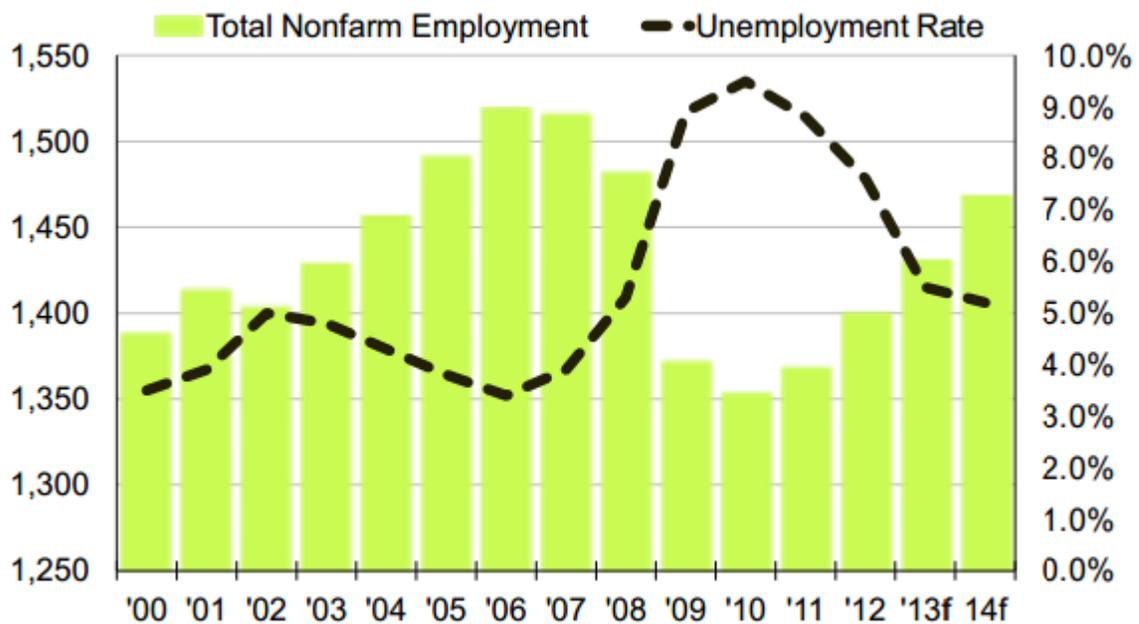
Exhibit 9.3 – Orange County Employment Growth, 2013 Forecast, in Thousands of Jobs



Source: LAEDC 2013 Midyear Economic Forecast

With generally positive job growth forecasted across Orange County’s industries, total employment is steadily reaching pre-Recession levels. The annual averages for employment outlined by the LAEDC anticipate Orange County’s nonfarm employment to surpass 1.46 million in 2014. According to the EDD, the annual average employment in 2007 was 1.52 million for the county; for the year thus far, 2013’s annual average employment is 1.42 million, which is relatively close to the EDD’s estimates for the full year. Assuming gains on the order of the blended average of Chapman/Cal State Fullerton/LAEDC, Orange County should reach 2007’s annual average by 2016 – a point in time slightly later than that concluded in the LAEDC industry employment analysis in the prior chapter. This assumption, of course, presumes that employer demand for additional hiring will remain steady and that employers themselves will be willing to expand their staffs to pre-Recession levels. There are still a large number of discouraged job seekers who are unemployed, underemployed or have stopped looking for work. Companies are maintaining their “lean and mean” employment profiles created in response to the Great Recession and are emphasizing operational efficiency and cost savings as means to achieve profitability. If there is a continued lack of available job opportunities, it will subdue the effects of the county’s otherwise healthy employment outlook.

**Exhibit 9.4 – Orange County Employment Estimates
2000-2014f, in Thousands of Jobs**

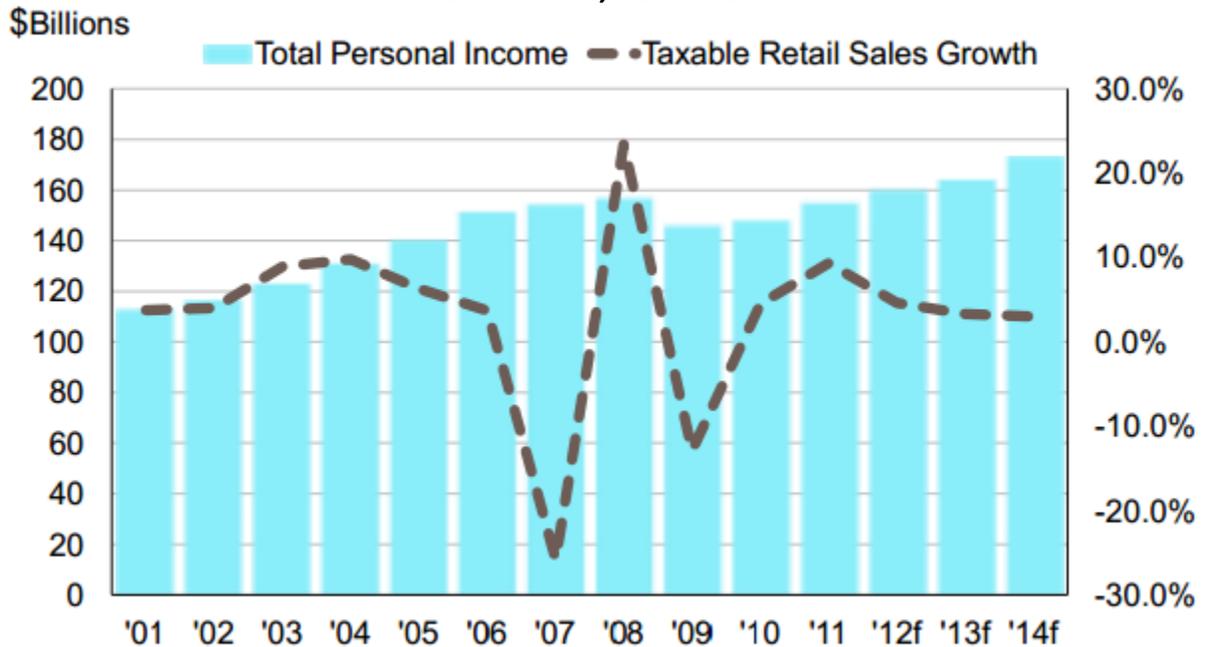


Source: LAEDC 2013 Midyear Economic Forecast

With greater employment levels comes a greater influx of discretionary income for residents to utilize in their daily purchases. Coinciding with the Recession’s rise and fall, income and taxable retail sales have improved over the past several years. Exhibit 9.5 shows how personal income is projected to exceed \$170 Billion by 2014, and retail sales, although slowing due to the

prominence of big-ticket online shopping, are still maintaining growth through the 2014 forecast period. Normalizing spending habits are a clear sign of recovery and a return to the norm for Orange County.

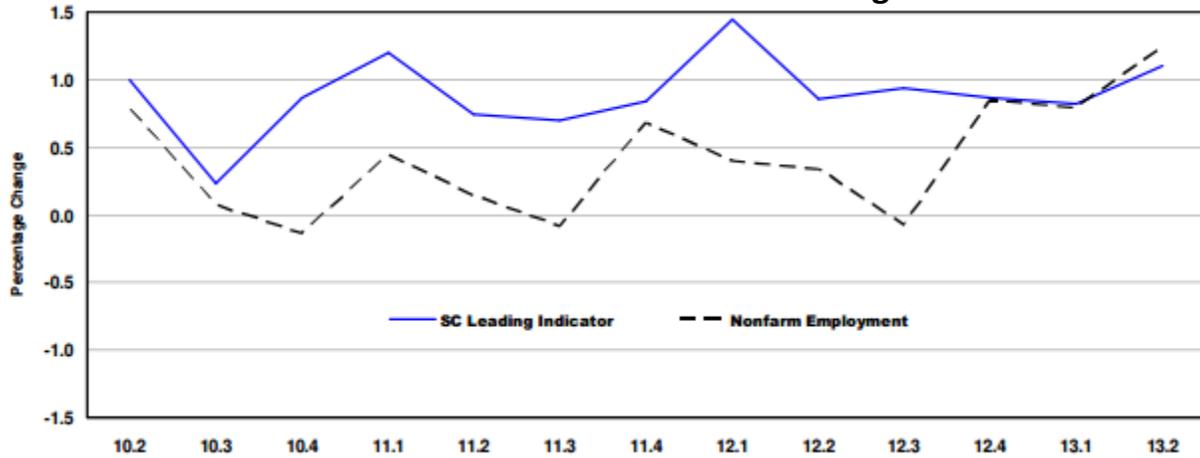
Exhibit 9.5 – Orange County Personal Income Levels and Retail Sales, 2001-2014f



Source: LAEDC 2013 Midyear Economic Forecast

In addition to the business expectations index, Cal State Fullerton is also responsible for the Southern California Leading Indicator, an index that analyzes trends in civilian employment extrapolated from the status of the unemployment rate, building permit activity, and the pacific consumer confidence index. Changes in the index generally take hold slightly before changes in actual employment levels, making the index a reasonable predictor of regional employment. Currently, the index is projecting a positive trend for overall activity in Southern California over the next three to six months.

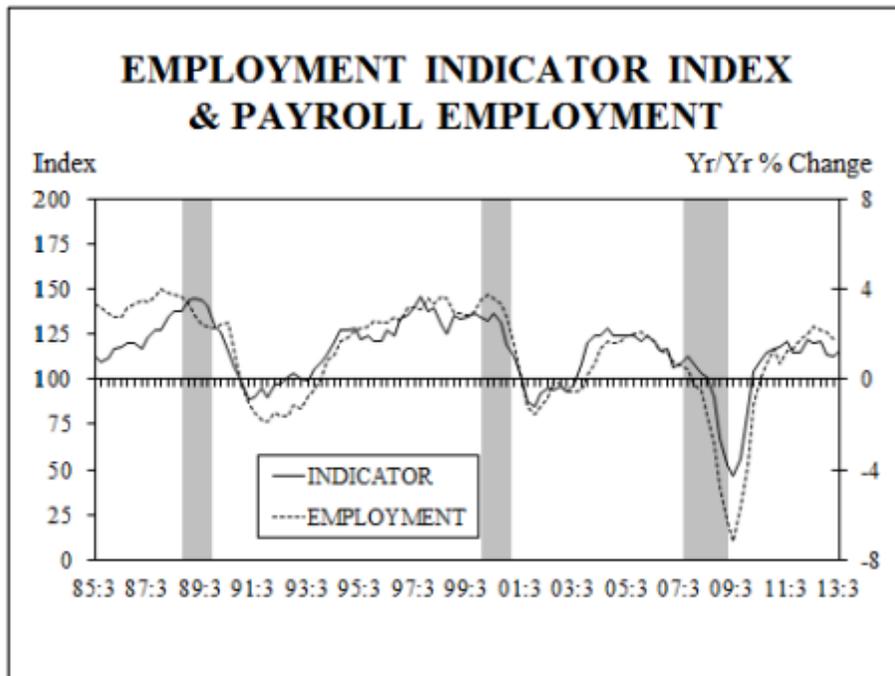
Exhibit 9.6 – CSUF Southern California Leading Indicator



Source: California State University Fullerton

Similarly, Chapman University is projecting year-over-year growth for the entire state of California’s payroll employment in the short term by way of its own Employment Indicator Index. The index is comprised of changes in California’s real GDP, real exports, the S&P 500 and construction spending in the state. Quarter by quarter, the S&P 500’s improvements and substantial increases in building permit valuation are helping the index increase, correlated with the county’s recent employment improvements.

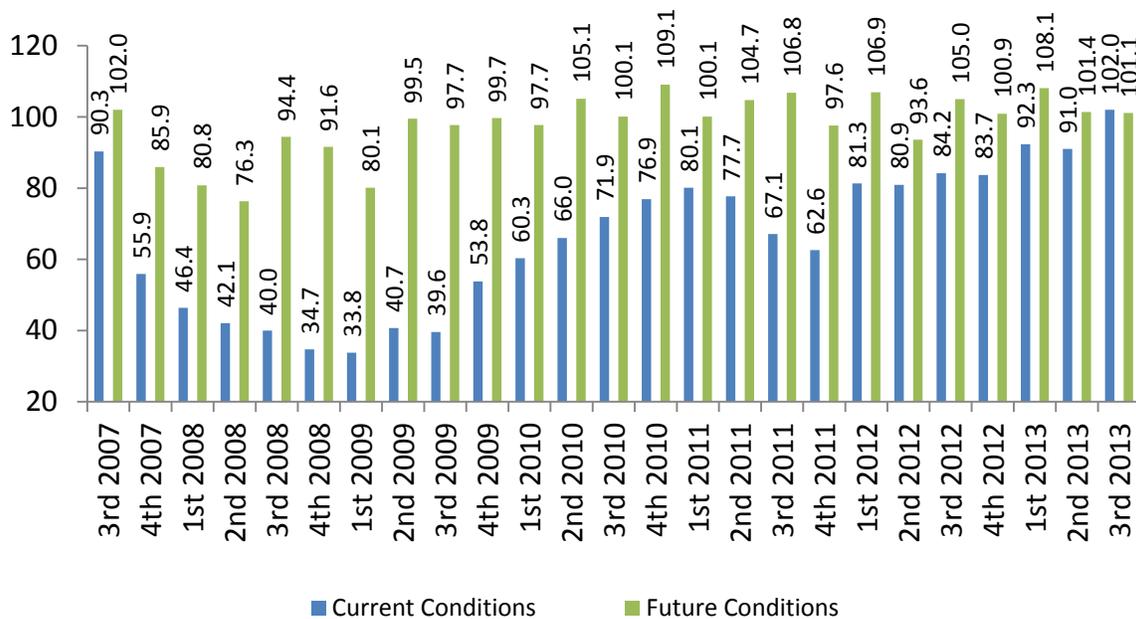
Exhibit 9.7 – Chapman University Employment Indicator Index



Source: Chapman University

As indicated by LAEDC’s measure of personal income and retail sales growth, consumer confidence in Orange County is improving. Chapman’s Consumer Sentiment Index for California shows compares consumer attitudes towards the present-day economy and their thoughts on whether things will changes for better in the future. For the first time since Q1 2007, the current sentiment index exceed 100 points in Q3 2013; a score above 100 indicates an overall positive feeling about the Californian economy, meaning that consumers statewide are feeling more comfortable today to participate in big-ticket spending than in any of the past six years.

**Exhibit 9.8 - California Consumer Sentiment Index
Current Vs. Future Sentiment**



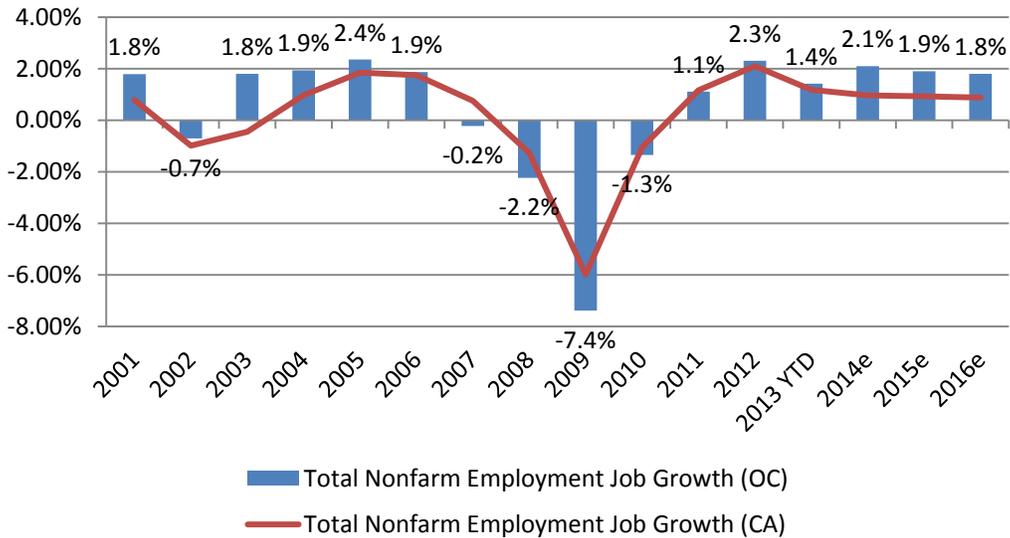
Source: Chapman University

Two significant threats have the potential to impede Orange County’s return to economic strength: job growth in predominantly low-wage sectors, and rises in housing prices affecting affordability. In terms of absolute occupation growth as seen in Exhibit 4.1, nine out of the ten fastest-growing jobs have an annual average salary below \$30,000. When employment levels return to pre-Recession levels, the ratio of low wage to high wage jobs in the county’s makeup may be vastly different. Many of these service jobs are part-time, non-technical, and offer little in terms of advancement. A county dominated by these jobs holds the earning potential of its labor force back. Furthermore, the combination of low income and high home values is a significant risk to steady economic growth. Workforce-affordable housing encourages families to settle in Orange County, giving back to the region through spending, taxes, and work that contributes to the community.

In summation, Orange County's outlook to achieve pre-Recession employment recovery appears on track to occur in the 2014-2016 timeframe. Consumers and business executives alike are united in reporting positive outlooks for the county's economic growth and job creation. Manufacturing improvement has a significant multiplier effect on employment in other sectors, as does Construction with its ability to renew activity in commercial development. The challenge for Orange County will be to maintain this positive push through the next several years – improving the job pipeline from education to employment and accommodating high-wage and/or emerging occupations will be critical in maintaining this momentum. Should Orange County continue on its current trajectory, a full-scale recovery for payroll employment could come within the next two to three years, and even sooner than that for total employment.

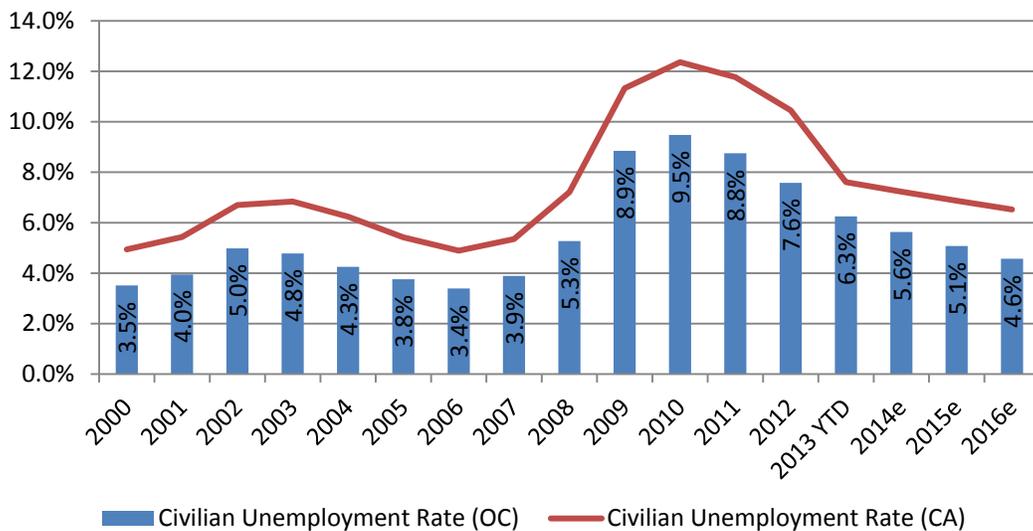
Appendix: EDD Job and Unemployment Estimates

Total Nonfarm Employment Job Growth 2001-2016e



Source: California EDD

Unemployment Rate 2000-2016e



Source: California EDD