FORECAST LA
LA’S ECONOMIC AND CIVIC OUTLOOK FROM ITS LEADERS AND RESIDENTS
Overview

- Los Angeles County *is* in an economic recovery
  - Cyclical issues are waning
  - Growth relatively broad-based
- Structural issues do not jeopardize future growth
  - Analysis suggests situation isn’t so dire
  - Past more positive for us—shapes view of future
  - Structural issues still remain
  - 2020 Commission Report recommendations
    - Economy expected to accelerate in 2014+
      - Despite our issues, LA continues to expand
      - Could be growing faster, but far cry from decline
Cyclical analysis: things *are* improving

Even though progress feels slow
~200K of the State’s 922,500 new jobs

<table>
<thead>
<tr>
<th>Region</th>
<th>Feb-10</th>
<th>Dec-13</th>
<th>Change (000s)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Jose</td>
<td>847.1</td>
<td>951.8</td>
<td>104.7</td>
<td>12.4</td>
</tr>
<tr>
<td>San Francisco (MD)</td>
<td>929.0</td>
<td>1,042.1</td>
<td>113.1</td>
<td>12.2</td>
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<tr>
<td>Bakersfield</td>
<td>223.8</td>
<td>249.7</td>
<td>25.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Orange County (MD)</td>
<td>1,345.3</td>
<td>1,449.1</td>
<td>103.8</td>
<td>7.7</td>
</tr>
<tr>
<td>Other Bay Area</td>
<td>343.4</td>
<td>368.3</td>
<td>24.9</td>
<td>7.3</td>
</tr>
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<td>Central Coast</td>
<td>464.0</td>
<td>496.1</td>
<td>32.1</td>
<td>6.9</td>
</tr>
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<td>San Diego</td>
<td>1,212.3</td>
<td>1,292.4</td>
<td>80.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Other Southern California</td>
<td>315.5</td>
<td>333.3</td>
<td>17.8</td>
<td>5.6</td>
</tr>
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<td>Inland Empire</td>
<td>1,121.0</td>
<td>1,181.1</td>
<td>60.1</td>
<td>5.4</td>
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<tr>
<td>Los Angeles (MD)</td>
<td>3,755.3</td>
<td>3,947.3</td>
<td>192.0</td>
<td>5.1</td>
</tr>
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<td>Oakland (MD)</td>
<td>951.2</td>
<td>992.6</td>
<td>41.4</td>
<td>4.4</td>
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<td>South Central Valley</td>
<td>654.6</td>
<td>677.2</td>
<td>22.6</td>
<td>3.5</td>
</tr>
<tr>
<td>North Central Valley</td>
<td>1,164.8</td>
<td>1,204.6</td>
<td>39.8</td>
<td>3.4</td>
</tr>
<tr>
<td>California</td>
<td>13,845.3</td>
<td>14,767.8</td>
<td>922.5</td>
<td>6.7</td>
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</table>
Bumpy progress, but progress…

Total Nonfarm Employment

Unemployment Rate

Los Angeles (000s, SA)

Percent (SA)

Jan-09  Sep-09  May-10  Jan-11  Sep-11  May-12  Jan-13  Sep-13

3,650  3,700  3,750  3,800  3,850  3,900  3,950  4,000


2  3  4  5  6  7  8  9  10  11  12  13  14

Los Angeles  California

12.7  12.4  12.4  8.3  9.2
Not leading, but keeping pace

**Nonfarm Employment Growth**

**Los Angeles Household vs. Firm Employment**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Nonfarm Empl't</th>
<th>Household Empl't</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak Month</td>
<td>Dec-07</td>
<td>Nov-07</td>
</tr>
<tr>
<td>Peak Employment (000s)</td>
<td>4,136.6</td>
<td>4,648.5</td>
</tr>
<tr>
<td>Trough Month</td>
<td>Mar-10</td>
<td>Dec-09</td>
</tr>
<tr>
<td>Trough Employment (000s)</td>
<td>3,754.4</td>
<td>4,257.6</td>
</tr>
<tr>
<td>Peak to Trough (000s)</td>
<td>-382.2</td>
<td>-390.9</td>
</tr>
<tr>
<td>Peak to Trough (%)</td>
<td>-9.2</td>
<td>-8.4</td>
</tr>
<tr>
<td>Current Month</td>
<td>Dec-13</td>
<td>Dec-13</td>
</tr>
<tr>
<td>Current Employment (000s)</td>
<td>3,947.3</td>
<td>4,487.4</td>
</tr>
<tr>
<td>Trough to Current (000s)</td>
<td>192.9</td>
<td>229.8</td>
</tr>
<tr>
<td>Trough to Current (%)</td>
<td>5.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Remaining to Peak (000s)</td>
<td>-189.3</td>
<td>-161.1</td>
</tr>
<tr>
<td>Remaining to Peak (%)</td>
<td>-4.6</td>
<td>-3.5</td>
</tr>
</tbody>
</table>

Source: California EDD
Wages fall behind lately

**Average Wages**

- Los Angeles
- California

**Wage Growth**

- Los Angeles
- California
"Good jobs" vs. "bad jobs"

### Trough to Current Employment Growth by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Dec-13</th>
<th>Chg. (000s)</th>
<th>2012 Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure/Hospitality</td>
<td>439.6</td>
<td>58.1</td>
<td>34,633</td>
</tr>
<tr>
<td>Education/Health</td>
<td>561.7</td>
<td>43.7</td>
<td>51,473</td>
</tr>
<tr>
<td>Prof./Sci./ Tech.</td>
<td>278.3</td>
<td>35.1</td>
<td>90,183</td>
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<tr>
<td>Admin Support</td>
<td>257.4</td>
<td>32.4</td>
<td>36,981</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>401.1</td>
<td>16.7</td>
<td>32,084</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>214.7</td>
<td>13.4</td>
<td>58,540</td>
</tr>
<tr>
<td>Construction</td>
<td>117.5</td>
<td>11.3</td>
<td>55,764</td>
</tr>
<tr>
<td>Other Services</td>
<td>143.6</td>
<td>7.9</td>
<td>21,708</td>
</tr>
<tr>
<td>Real Estate</td>
<td>77.1</td>
<td>5.9</td>
<td>58,394</td>
</tr>
<tr>
<td>Management</td>
<td>58.4</td>
<td>5.8</td>
<td>99,073</td>
</tr>
<tr>
<td>Logistics</td>
<td>154.8</td>
<td>5.2</td>
<td>52,391</td>
</tr>
<tr>
<td>Finance/Insurance</td>
<td>139.3</td>
<td>1.5</td>
<td>102,679</td>
</tr>
<tr>
<td>Information</td>
<td>189.7</td>
<td>0.9</td>
<td>101,056</td>
</tr>
<tr>
<td>NR/Mining</td>
<td>4.2</td>
<td>0.0</td>
<td>89,243</td>
</tr>
<tr>
<td>Farm</td>
<td>5.0</td>
<td>-1.2</td>
<td>31,306</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>356.0</td>
<td>-17.6</td>
<td>59,729</td>
</tr>
<tr>
<td>Government</td>
<td>553.6</td>
<td>-27.5</td>
<td>62,527</td>
</tr>
<tr>
<td>Total Private</td>
<td>3,393.7</td>
<td>220.4</td>
<td>54,422</td>
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<tr>
<td>Total Nonfarm</td>
<td>3,947.3</td>
<td>192.9</td>
<td>55,506</td>
</tr>
</tbody>
</table>

**Los Angeles County Trough to Current Job Growth by Wage Category**

- **Under $50K**: 52%
- **Over $50K**: 48%
Not just the labor markets
Consumers, business, and tourists

Taxable Sales

Los Angeles ($ Millions, SA)

Q1-06 Q1-07 Q1-08 Q1-09 Q1-10 Q1-11 Q1-12 Q1-13

Year-over-Year (%, SA)

Taxable Sales Growth

Los Angeles California

Q1-06 Q1-09 Q1-12 Q3-07 Q3-10 Q3-13 Q4-06 Q4-09 Q4-12 Q2-08 Q2-11
**Broad based across regions/industries**

### Taxable Sales by City/Submarket

<table>
<thead>
<tr>
<th>City</th>
<th>2013 YTD ($ Bill.)</th>
<th>Chg. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unincorporated</td>
<td>15.3</td>
<td>10.3</td>
</tr>
<tr>
<td>Beverly Hills</td>
<td>1.8</td>
<td>10.3</td>
</tr>
<tr>
<td>San Gabriel Valley</td>
<td>13.7</td>
<td>8.0</td>
</tr>
<tr>
<td>Other</td>
<td>2.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Santa Clarita</td>
<td>2.1</td>
<td>7.4</td>
</tr>
<tr>
<td>West Hollywood</td>
<td>0.9</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Los Angeles</strong></td>
<td><strong>30.8</strong></td>
<td><strong>3.8</strong></td>
</tr>
<tr>
<td>South LA County</td>
<td>12.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Long Beach</td>
<td>4.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>2.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Antelope Valley</td>
<td>2.2</td>
<td>1.4</td>
</tr>
<tr>
<td>San Fern.Valley</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Tri-Cities</td>
<td>6.0</td>
<td>0.5</td>
</tr>
<tr>
<td>South Bay</td>
<td>8.9</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>County Total</strong></td>
<td><strong>103.4</strong></td>
<td><strong>4.6</strong></td>
</tr>
</tbody>
</table>

Source: California State Board of Equalization

### Sales Tax Receipts by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>2013 YTD ($ Mill.)</th>
<th>Chg. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos/Transportation</td>
<td>156.3</td>
<td>7.9</td>
</tr>
<tr>
<td>Building/Construction</td>
<td>62.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Business/Industry</td>
<td>135.0</td>
<td>-2.2</td>
</tr>
<tr>
<td>Food/Drugs</td>
<td>59.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Fuel/Service Stations</td>
<td>124.35</td>
<td>-4.6</td>
</tr>
<tr>
<td>General Consumer</td>
<td>242.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Restaurants/Hotels</td>
<td>141.1</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,035.0</strong></td>
<td><strong>4.4</strong></td>
</tr>
</tbody>
</table>

Source: HdL Companies
Tourism playing a role

### California Air Passenger Traffic

<table>
<thead>
<tr>
<th>Airport</th>
<th>Sep-13 YTD</th>
<th>Change YTD (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange County - SNA</td>
<td>7,106,824</td>
<td>8.2</td>
</tr>
<tr>
<td>Los Angeles - LAX</td>
<td>49,841,945</td>
<td>4.2</td>
</tr>
<tr>
<td>San Jose - SJC</td>
<td>6,400,068</td>
<td>3.9</td>
</tr>
<tr>
<td>San Diego - SAN</td>
<td>13,233,395</td>
<td>2.0</td>
</tr>
<tr>
<td>San Francisco - SFO</td>
<td>33,441,630</td>
<td>0.4</td>
</tr>
<tr>
<td>Sacramento - SMF</td>
<td>6,511,132</td>
<td>-1.1</td>
</tr>
<tr>
<td>Oakland - OAK</td>
<td>7,315,994</td>
<td>-3.1</td>
</tr>
<tr>
<td>Burbank - Bob Hope</td>
<td>2,886,945</td>
<td>-5.5</td>
</tr>
<tr>
<td>Long Beach - LGB</td>
<td>2,216,633</td>
<td>-8.8</td>
</tr>
<tr>
<td>Ontario - ONT</td>
<td>2,920,793</td>
<td>-9.1</td>
</tr>
<tr>
<td>California Totals</td>
<td>131,654,056</td>
<td>2.1</td>
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</table>

Source: VisitCalifornia
Some of the busiest hotels in the US

California Hotel Occupancy and Room Rates by Region, Year over Year

<table>
<thead>
<tr>
<th>Area</th>
<th>Oct-12 Occupancy</th>
<th>YoY Change (%)</th>
<th>Oct-12 ADR</th>
<th>YoY Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles MD</td>
<td>75.7</td>
<td>5.3</td>
<td>132.12</td>
<td>6.9</td>
</tr>
<tr>
<td>Orange County</td>
<td>75.0</td>
<td>4.9</td>
<td>123.99</td>
<td>9.5</td>
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<td>San Diego</td>
<td>70.9</td>
<td>4.4</td>
<td>131.48</td>
<td>5.9</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>65.5</td>
<td>3.1</td>
<td>117.00</td>
<td>4.3</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>63.2</td>
<td>2.9</td>
<td>67.51</td>
<td>5.2</td>
</tr>
<tr>
<td>South Bay</td>
<td>72.1</td>
<td>2.7</td>
<td>127.49</td>
<td>10.5</td>
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<tr>
<td>San Francisco MD</td>
<td>80.5</td>
<td>2.4</td>
<td>177.85</td>
<td>9.7</td>
</tr>
<tr>
<td>California North</td>
<td>58.9</td>
<td>1.7</td>
<td>112.32</td>
<td>7.4</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>63.8</td>
<td>1.5</td>
<td>163.08</td>
<td>4.4</td>
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<tr>
<td>Santa Barbara</td>
<td>66.7</td>
<td>0.5</td>
<td>151.36</td>
<td>3.2</td>
</tr>
<tr>
<td>Central CA</td>
<td>54.8</td>
<td>-3.0</td>
<td>116.84</td>
<td>1.1</td>
</tr>
<tr>
<td>California</td>
<td>69.3</td>
<td>3.6</td>
<td>125.41</td>
<td>6.7</td>
</tr>
<tr>
<td>United States</td>
<td>61.5</td>
<td>1.4</td>
<td>107.23</td>
<td>4.5</td>
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</table>

Source: VisitCalifornia
## City starting to punch above its weight

<table>
<thead>
<tr>
<th>Hotel Occupancy</th>
<th>2013</th>
<th>Change (%)</th>
<th>RevPAR</th>
<th>2013</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOWNTOWN 2</td>
<td>75.21%</td>
<td>5.9</td>
<td>DOWNTOWN 2</td>
<td>87.58</td>
<td>10.1</td>
</tr>
<tr>
<td>SOUTH BAY</td>
<td>78.24%</td>
<td>4.4</td>
<td>OTHER WEST L.A.</td>
<td>225.87</td>
<td>9.8</td>
</tr>
<tr>
<td>WEST HOLLYWOOD</td>
<td>80.66%</td>
<td>4.4</td>
<td>SOUTH BAY</td>
<td>108.61</td>
<td>9.5</td>
</tr>
<tr>
<td>OTHER WEST L.A.</td>
<td>83.01%</td>
<td>4.1</td>
<td>MARINA DEL REY</td>
<td>177.42</td>
<td>8.6</td>
</tr>
<tr>
<td>LONG BEACH</td>
<td>74.62%</td>
<td>3.7</td>
<td>SANTA CLARITA</td>
<td>87.11</td>
<td>8.4</td>
</tr>
<tr>
<td>AIRPORT</td>
<td>87.42%</td>
<td>2.7</td>
<td>WEST HOLLYWOOD</td>
<td>186.15</td>
<td>7.2</td>
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<tr>
<td>DOWNTOWN</td>
<td>76.14%</td>
<td>2.4</td>
<td>AIRPORT</td>
<td>96.09</td>
<td>7.1</td>
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<tr>
<td>SANTA CLARITA</td>
<td>77.91%</td>
<td>2.4</td>
<td>I-5/WHITTIER</td>
<td>81.32</td>
<td>6.9</td>
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<tr>
<td>I-5 /WHITTIER</td>
<td>82.40%</td>
<td>2.2</td>
<td>DOWNTOWN</td>
<td>136.17</td>
<td>6.6</td>
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<tr>
<td>SAN FERN. VALLEY</td>
<td>75.54%</td>
<td>1.8</td>
<td>SANTA MONICA</td>
<td>260.37</td>
<td>6.2</td>
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<tr>
<td>SAN GABRIEL VALLEY</td>
<td>75.68%</td>
<td>1.8</td>
<td>SAN GABRIEL VALLEY</td>
<td>80.90</td>
<td>6.1</td>
</tr>
<tr>
<td>BEVERLY HILLS</td>
<td>77.24%</td>
<td>1.4</td>
<td>BEVERLY HILLS</td>
<td>335.79</td>
<td>5.7</td>
</tr>
<tr>
<td>MARINA DEL REY</td>
<td>79.59%</td>
<td>1.1</td>
<td>SAN FERN. VALLEY</td>
<td>100.58</td>
<td>5.5</td>
</tr>
<tr>
<td>PASADENA</td>
<td>83.70%</td>
<td>0.6</td>
<td>LONG BEACH</td>
<td>98.43</td>
<td>5.4</td>
</tr>
<tr>
<td>SANTA MONICA</td>
<td>85.21%</td>
<td>0.1</td>
<td>PASADENA</td>
<td>133.07</td>
<td>4.6</td>
</tr>
<tr>
<td>HOLLYWOOD</td>
<td>79.63%</td>
<td>-0.5</td>
<td>HOLLYWOOD</td>
<td>154.26</td>
<td>1.0</td>
</tr>
<tr>
<td>OVERALL AVERAGE</td>
<td>79.88%</td>
<td>2.5</td>
<td>OVERALL AVERAGE</td>
<td>136.49</td>
<td>6.8</td>
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</table>
## Ports: slow but contributing

### L.A. County Exports

<table>
<thead>
<tr>
<th>Description</th>
<th>2013 Exports</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Machinery/Computers</td>
<td>17.55</td>
<td>3.6</td>
</tr>
<tr>
<td>Electric Machinery/Sound Equip/TV Equip</td>
<td>13.65</td>
<td>1.9</td>
</tr>
<tr>
<td>Aircraft/Spacecraft/Parts</td>
<td>9.84</td>
<td>40.2</td>
</tr>
<tr>
<td>Optic/Photo/Medic/Surgical Instruments</td>
<td>8.60</td>
<td>-2.9</td>
</tr>
<tr>
<td>Plastics/Articles Thereof</td>
<td>6.59</td>
<td>-4.4</td>
</tr>
<tr>
<td>Minerals/Precious Metals/ Pearls/Etc.</td>
<td>6.57</td>
<td>24.0</td>
</tr>
<tr>
<td>Vehicles/Parts (No Rail)</td>
<td>5.46</td>
<td>0.4</td>
</tr>
<tr>
<td>Miscellaneous Chemical Products</td>
<td>3.64</td>
<td>6.3</td>
</tr>
<tr>
<td>Edible Fruit &amp; Nuts/Citrus/Melon Peel</td>
<td>2.98</td>
<td>18.9</td>
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<tr>
<td>Meat/Edible Meat Offal</td>
<td>2.82</td>
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<tr>
<td>Other</td>
<td>0.00</td>
<td>0.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>125.47</strong></td>
<td><strong>4.6</strong></td>
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</tbody>
</table>

### Diagram:
- LAX
- Port of LA
- Long Beach

---

**Footnote:**
- Analysis: Answers.
Real estate—a driver of growth
**Worst is behind LA County**

### LA County Real Estate

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales (000s, SA)</th>
<th>Prices ($000s, SA)</th>
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<tbody>
<tr>
<td>Q1-05</td>
<td>25</td>
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<tr>
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### Los Angeles County Residential Real Estate

#### City 2012 2013 Change (%)

<table>
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<tr>
<th>City</th>
<th>Sales</th>
<th>Prices</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pasadena</td>
<td>1,028</td>
<td>1,159</td>
<td>12.8</td>
</tr>
<tr>
<td>Torrance</td>
<td>875</td>
<td>951</td>
<td>8.6</td>
</tr>
<tr>
<td>Santa Clarita</td>
<td>562</td>
<td>592</td>
<td>5.2</td>
</tr>
<tr>
<td>Downey</td>
<td>679</td>
<td>691</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Los Angeles</strong></td>
<td><strong>9,758</strong></td>
<td><strong>9,745</strong></td>
<td><strong>-0.1</strong></td>
</tr>
<tr>
<td>Lancaster</td>
<td>2,815</td>
<td>2,740</td>
<td>-2.7</td>
</tr>
<tr>
<td>W. Covina</td>
<td>752</td>
<td>719</td>
<td>-4.5</td>
</tr>
<tr>
<td>El Monte</td>
<td>256</td>
<td>230</td>
<td>-10.1</td>
</tr>
<tr>
<td><strong>County Total</strong></td>
<td><strong>59,680</strong></td>
<td><strong>59,275</strong></td>
<td><strong>-0.7</strong></td>
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</table>

#### Existing Home Sales

<table>
<thead>
<tr>
<th>City</th>
<th>Sales</th>
<th>Prices</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pasadena</td>
<td>1,028</td>
<td>1,159</td>
<td>12.8</td>
</tr>
<tr>
<td>Torrance</td>
<td>875</td>
<td>951</td>
<td>8.6</td>
</tr>
<tr>
<td>Santa Clarita</td>
<td>562</td>
<td>592</td>
<td>5.2</td>
</tr>
<tr>
<td>Downey</td>
<td>679</td>
<td>691</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Los Angeles</strong></td>
<td><strong>9,758</strong></td>
<td><strong>9,745</strong></td>
<td><strong>-0.1</strong></td>
</tr>
<tr>
<td>Lancaster</td>
<td>2,815</td>
<td>2,740</td>
<td>-2.7</td>
</tr>
<tr>
<td>W. Covina</td>
<td>752</td>
<td>719</td>
<td>-4.5</td>
</tr>
<tr>
<td>El Monte</td>
<td>256</td>
<td>230</td>
<td>-10.1</td>
</tr>
<tr>
<td><strong>County Total</strong></td>
<td><strong>59,680</strong></td>
<td><strong>59,275</strong></td>
<td><strong>-0.7</strong></td>
</tr>
</tbody>
</table>

#### Median Prices

<table>
<thead>
<tr>
<th>City</th>
<th>Median Price 2012</th>
<th>Median Price 2013</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Los Angeles</strong></td>
<td>375,805</td>
<td>530,735</td>
<td>41.2</td>
</tr>
<tr>
<td>Lancaster</td>
<td>131,257</td>
<td>168,349</td>
<td>28.3</td>
</tr>
<tr>
<td>Santa Clarita</td>
<td>370,434</td>
<td>454,244</td>
<td>22.6</td>
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<tr>
<td>Downey</td>
<td>351,164</td>
<td>422,582</td>
<td>20.3</td>
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<tr>
<td>W. Covina</td>
<td>345,746</td>
<td>415,427</td>
<td>20.2</td>
</tr>
<tr>
<td>Pasadena</td>
<td>606,853</td>
<td>713,992</td>
<td>17.7</td>
</tr>
<tr>
<td>Torrance</td>
<td>529,843</td>
<td>609,122</td>
<td>15.0</td>
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<tr>
<td>El Monte</td>
<td>316,159</td>
<td>349,019</td>
<td>10.4</td>
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<tr>
<td><strong>County Total</strong></td>
<td>365,819</td>
<td>444,618</td>
<td>21.5</td>
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</table>

**Source:** DataQuick
Distress and inventory levels

Los Angeles County Desaults and Foreclosures

Housing Inventory

Months of Supply

Los Angeles
Low inventory, good trends, more building

<table>
<thead>
<tr>
<th>City</th>
<th>2013 YTD</th>
<th>Change (%)</th>
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</thead>
<tbody>
<tr>
<td><strong>Single-Family Units</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Beach</td>
<td>148</td>
<td>543.5</td>
</tr>
<tr>
<td>San Fern. Valley</td>
<td>24</td>
<td>300.0</td>
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<tr>
<td>Santa Clarita</td>
<td>278</td>
<td>198.9</td>
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<tr>
<td>West Hollywood</td>
<td>10</td>
<td>66.7</td>
</tr>
<tr>
<td>Beverly Hills</td>
<td>31</td>
<td>63.2</td>
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<tr>
<td>Tri-Cities</td>
<td>42</td>
<td>44.8</td>
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<tr>
<td>San Gabriel Valley</td>
<td>629</td>
<td>27.6</td>
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<tr>
<td>South LA County</td>
<td>164</td>
<td>25.2</td>
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<tr>
<td><strong>Los Angeles</strong></td>
<td><strong>1,061</strong></td>
<td><strong>21.3</strong></td>
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<tr>
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<td>378</td>
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<tr>
<td>Santa Monica</td>
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<td>-4.0</td>
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<td>Antelope Valley</td>
<td>167</td>
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<td><strong>County Total</strong></td>
<td><strong>3,614</strong></td>
<td><strong>28.9</strong></td>
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</table>

<table>
<thead>
<tr>
<th>City</th>
<th>2013</th>
<th>Change (%)</th>
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</thead>
<tbody>
<tr>
<td><strong>Multi-Family Units</strong></td>
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<td></td>
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<tr>
<td>Long Beach</td>
<td>65</td>
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<tr>
<td>San Gabriel Valley</td>
<td>798</td>
<td>375.0</td>
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<td>318</td>
<td>86.0</td>
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<tr>
<td><strong>Los Angeles</strong></td>
<td><strong>9,427</strong></td>
<td><strong>62.5</strong></td>
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<tr>
<td>West Hollywood</td>
<td>216</td>
<td>62.4</td>
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<tr>
<td>South Bay</td>
<td>260</td>
<td>15.0</td>
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<tr>
<td>Tri-Cities</td>
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<td>5.8</td>
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<tr>
<td>San Fern. Valley</td>
<td>10</td>
<td>-87.5</td>
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<tr>
<td>Santa Monica</td>
<td>42</td>
<td>-93.8</td>
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<tr>
<td>Antelope Valley</td>
<td>15</td>
<td>-95.4</td>
</tr>
<tr>
<td>Santa Clarita</td>
<td>0</td>
<td>N/A</td>
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<tr>
<td>Beverly Hills</td>
<td>69</td>
<td>N/A</td>
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<tr>
<td><strong>County Total</strong></td>
<td><strong>12,624</strong></td>
<td><strong>41.7</strong></td>
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Source: California Homebuilding Foundation
Commercial markets on the mend
Retail signs of life

<table>
<thead>
<tr>
<th>Submarket</th>
<th>2013</th>
<th>Chg. (%)</th>
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<tbody>
<tr>
<td>San Gabriel Valley-West</td>
<td>2.3</td>
<td>-0.2</td>
</tr>
<tr>
<td>South Bay/Torrance</td>
<td>3.3</td>
<td>-0.6</td>
</tr>
<tr>
<td>Culver City/Inglewood/El Segundo</td>
<td>3.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Santa Monica/Westside/Downtown</td>
<td>4.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Central Los Angeles</td>
<td>4.8</td>
<td>-0.4</td>
</tr>
<tr>
<td>San Fernando Valley-West</td>
<td>4.9</td>
<td>-1.6</td>
</tr>
<tr>
<td>Burbank/Glendale/Pasadena</td>
<td>5.2</td>
<td>-0.4</td>
</tr>
<tr>
<td>Paramount/Downey/East County</td>
<td>6.4</td>
<td>-0.1</td>
</tr>
<tr>
<td>San Fernando Valley-East</td>
<td>7.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Long Beach/Cerritos/Carson</td>
<td>7.6</td>
<td>0.5</td>
</tr>
<tr>
<td>San Gabriel Valley-East</td>
<td>8.0</td>
<td>-0.8</td>
</tr>
<tr>
<td>Santa Clarita Vly/Palmdale/Lancaster</td>
<td>8.7</td>
<td>0.2</td>
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</tbody>
</table>
Office moves ahead too

<table>
<thead>
<tr>
<th>Submarket</th>
<th>2013</th>
<th>Chg. (%)</th>
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<tbody>
<tr>
<td>Century City</td>
<td>8.7</td>
<td>-3.8</td>
</tr>
<tr>
<td>Mid-Cities</td>
<td>17.8</td>
<td>-2.2</td>
</tr>
<tr>
<td>Hollywood/Sunset</td>
<td>16.7</td>
<td>-1.8</td>
</tr>
<tr>
<td>SFV - West</td>
<td>14.5</td>
<td>-1.7</td>
</tr>
<tr>
<td>Marina/Culver City</td>
<td>16.5</td>
<td>-1.5</td>
</tr>
<tr>
<td>SFV - Central</td>
<td>11.8</td>
<td>-1.0</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>9.1</td>
<td>-0.9</td>
</tr>
<tr>
<td>Santa Clarita Valley</td>
<td>17.4</td>
<td>-0.7</td>
</tr>
<tr>
<td>Beverly Hills</td>
<td>7.2</td>
<td>-0.6</td>
</tr>
<tr>
<td>Glendale</td>
<td>19.5</td>
<td>-0.5</td>
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<tr>
<td>South Bay</td>
<td>15.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>Pasadena</td>
<td>13.9</td>
<td>0.2</td>
</tr>
<tr>
<td>LAX/El Segundo</td>
<td>29.4</td>
<td>0.3</td>
</tr>
<tr>
<td>East County</td>
<td>15.4</td>
<td>0.3</td>
</tr>
<tr>
<td>SFV - East</td>
<td>17.2</td>
<td>0.4</td>
</tr>
<tr>
<td>West San Gabriel Valley</td>
<td>16.4</td>
<td>0.5</td>
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<tr>
<td>Downtown</td>
<td>15.6</td>
<td>0.5</td>
</tr>
<tr>
<td>West LA</td>
<td>14.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Burbank</td>
<td>14.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Mid-Wilshire/Miracle Mile</td>
<td>15.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Long Beach</td>
<td>16.0</td>
<td>1.5</td>
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</table>
## Nonresidential permitting mixed

<table>
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<th>Permit Type</th>
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<th>Change (%)</th>
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<td>New Commercial</td>
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<tr>
<td>Office</td>
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<td>246,153</td>
<td>51.2</td>
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<tr>
<td>Retail</td>
<td>141,675</td>
<td>398,367</td>
<td>181.2</td>
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<tr>
<td>Hotel</td>
<td>50,536</td>
<td>145,409</td>
<td>187.7</td>
</tr>
<tr>
<td>Industrial</td>
<td>202,883</td>
<td>128,371</td>
<td>-36.7</td>
</tr>
<tr>
<td>Other Nonres.</td>
<td>478,137</td>
<td>460,773</td>
<td>-3.6</td>
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<tr>
<td>Nonres. Alts./Adds.</td>
<td>2,195,149</td>
<td>2,094,138</td>
<td>-4.6</td>
</tr>
<tr>
<td><strong>Total Nonres.</strong></td>
<td>3,445,418</td>
<td>3,793,003</td>
<td>10.1</td>
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</tbody>
</table>
Some areas faring better than others

<table>
<thead>
<tr>
<th>Submarket</th>
<th>2012 YTD</th>
<th>2013 YTD</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Hollywood</td>
<td>6,372,674</td>
<td>52,491,968</td>
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<td>San Fernando Valley</td>
<td>11,033,705</td>
<td>40,371,026</td>
<td>265.9</td>
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<tr>
<td>Santa Clarita</td>
<td>24,877,634</td>
<td>66,758,582</td>
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</tr>
<tr>
<td>Beverly Hills</td>
<td>31,690,590</td>
<td>75,084,055</td>
<td>136.9</td>
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<tr>
<td>San Gabriel Valley</td>
<td>217,575,054</td>
<td>447,454,078</td>
<td>105.7</td>
</tr>
<tr>
<td>South LA County</td>
<td>222,976,816</td>
<td>349,628,918</td>
<td>56.8</td>
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<tr>
<td>Antelope Valley</td>
<td>20,950,589</td>
<td>29,371,108</td>
<td>40.2</td>
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<tr>
<td>Other</td>
<td>47,232,700</td>
<td>66,187,554</td>
<td>40.1</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>1,473,702,777</td>
<td>1,690,894,760</td>
<td>14.7</td>
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<tr>
<td>South Bay</td>
<td>267,425,388</td>
<td>286,837,043</td>
<td>7.3</td>
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<tr>
<td>Long Beach</td>
<td>180,429,846</td>
<td>175,838,207</td>
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<td>Tri-Cities</td>
<td>225,090,570</td>
<td>198,744,068</td>
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<tr>
<td>Santa Monica</td>
<td>84,111,370</td>
<td>42,661,472</td>
<td>-49.3</td>
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<tr>
<td>Unincorporated</td>
<td>633,625,615</td>
<td>270,679,782</td>
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</tr>
<tr>
<td>County Total</td>
<td>3,445,417,640</td>
<td>3,793,002,640</td>
<td>10.1</td>
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</tbody>
</table>
Are the short-run trends sustainable?

- Clearly cyclical effects of Great Recession waning
- Question: will short-run momentum translate into log-term growth?
- 2020 Commission Report
  - Not a great picture for the City of Los Angeles
  - Many issues raised
  - Will these impede future growth in LA?
- Beacon still optimistic
We’re not without our challenges

- Excessive housing cost
- Traffic: impacted by cost
- Poverty & rising inequality
- Education—Pre-K on up
- NIMBYs and infrastructure
- Local budgets need work
- Structural issues
  - Pensions
  - Healthcare
- 2020 Commission Report
  - Looking forward to recs.
- Taking bad with the good
Structural analysis: not too dire…

Critique #1

Growth (1980-2010)

Total Population Base - Los Angeles County ~ +1 Million

Nonfarm Employment - Los Angeles County ~ -165,000

Only part of the story

<table>
<thead>
<tr>
<th>Year (000s, SA)</th>
<th>Los Angeles</th>
<th>California</th>
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<tbody>
<tr>
<td>1990</td>
<td>3,400</td>
<td>11,000</td>
</tr>
<tr>
<td>1994</td>
<td>3,500</td>
<td>11,500</td>
</tr>
<tr>
<td>1998</td>
<td>3,600</td>
<td>12,000</td>
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<tr>
<td>2002</td>
<td>3,700</td>
<td>12,500</td>
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<tr>
<td>2006</td>
<td>4,000</td>
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</tr>
<tr>
<td>2010</td>
<td>4,300</td>
<td>15,500</td>
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</table>
Misses part of the story completely

Payroll vs. Household Employment

Employment (000s, SA)

Nonfarm Employment

Household Employment
Los Angeles: for better and worse
Slower out of the gate locally...

<table>
<thead>
<tr>
<th>Region</th>
<th>Feb-10</th>
<th>Dec-13</th>
<th>Change (000s)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Jose</td>
<td>847.1</td>
<td>951.8</td>
<td>104.7</td>
<td>12.4</td>
</tr>
<tr>
<td>San Francisco (MD)</td>
<td>929.0</td>
<td>1,042.1</td>
<td>113.1</td>
<td>12.2</td>
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<tr>
<td>Bakersfield</td>
<td>223.8</td>
<td>249.7</td>
<td>25.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Orange County (MD)</td>
<td>1,345.3</td>
<td>1,449.1</td>
<td>103.8</td>
<td>7.7</td>
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<tr>
<td>Other Bay Area</td>
<td>343.4</td>
<td>368.3</td>
<td>24.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Central Coast</td>
<td>464.0</td>
<td>496.1</td>
<td>32.1</td>
<td>6.9</td>
</tr>
<tr>
<td>San Diego</td>
<td>1,212.3</td>
<td>1,292.4</td>
<td>80.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Other Southern California</td>
<td>315.5</td>
<td>333.3</td>
<td>17.8</td>
<td>5.6</td>
</tr>
<tr>
<td>Inland Empire</td>
<td>1,121.0</td>
<td>1,181.1</td>
<td>60.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Los Angeles (MD)</td>
<td>3,755.3</td>
<td>3,947.3</td>
<td>192.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Oakland (MD)</td>
<td>951.2</td>
<td>992.6</td>
<td>41.4</td>
<td>4.4</td>
</tr>
<tr>
<td>South Central Valley</td>
<td>654.6</td>
<td>677.2</td>
<td>22.6</td>
<td>3.5</td>
</tr>
<tr>
<td>North Central Valley</td>
<td>1,164.8</td>
<td>1,204.6</td>
<td>39.8</td>
<td>3.4</td>
</tr>
<tr>
<td>California</td>
<td>13,845.3</td>
<td>14,767.8</td>
<td>922.5</td>
<td>6.7</td>
</tr>
</tbody>
</table>
Still many strengths to leverage

- **Large population base to tap into**
  - Largest county in CA by population (9.96M)
    - 3X larger than #2 San Diego County
  - Largest county in the nation as well
    - Nearly 2X bigger than #2 Cook County, IL

- **Large base of economic assets to build upon**
  - Still a hub for entertainment and manufacturing
  - Busiest airport in CA, 3rd busiest in US
  - Largest ports in US (ahead of Houston)
  - 3 research universities plus dozens more universities located throughout county
  - Largest manufacturing center in the nation
  - An economy that is growing, albeit slowly

- And, let’s not forget the weather...
Quality of life considerations are huge

February in the rest of the United States

Meanwhile, here in LA...
### Entertainment Industry: Growing Overall

#### Employment and Establishments

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Employment (000s)</th>
<th>Establishments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2-10</td>
<td>1,840</td>
<td></td>
</tr>
<tr>
<td>Q4-10</td>
<td>1,860</td>
<td></td>
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<tr>
<td>Q2-11</td>
<td>1,880</td>
<td></td>
</tr>
<tr>
<td>Q4-11</td>
<td>1,900</td>
<td></td>
</tr>
<tr>
<td>Q2-12</td>
<td>1,920</td>
<td></td>
</tr>
<tr>
<td>Q4-12</td>
<td>1,940</td>
<td></td>
</tr>
<tr>
<td>Q2-13</td>
<td>1,960</td>
<td></td>
</tr>
</tbody>
</table>

#### Employment (000s)

<table>
<thead>
<tr>
<th>Category</th>
<th>Employment</th>
<th>1-yr %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amusement parks &amp; arcades</td>
<td>210</td>
<td>1.8</td>
</tr>
<tr>
<td>Motion Pictures</td>
<td>367</td>
<td>2.8</td>
</tr>
<tr>
<td>Spectator sports</td>
<td>151</td>
<td>1.8</td>
</tr>
<tr>
<td>Museums, zoos, and parks</td>
<td>146</td>
<td>3.4</td>
</tr>
<tr>
<td>Gambling industries</td>
<td>134</td>
<td>1.3</td>
</tr>
<tr>
<td>Performing arts companies</td>
<td>113</td>
<td>0.1</td>
</tr>
<tr>
<td>Promoters</td>
<td>106</td>
<td>6.1</td>
</tr>
<tr>
<td>Ind. artists, writers, and perf.</td>
<td>50</td>
<td>2.9</td>
</tr>
<tr>
<td>Agents &amp; managers</td>
<td>21</td>
<td>3.8</td>
</tr>
</tbody>
</table>

---

*Data provided by Beacon Economics*
MOPIC employment still in L.A.

Share of Private Employment in MOPIC in top 10 MSAs

Annual MOPIC Employment from 2002 to 2012

Permitted Production Days LA

2012     2013

Features
5,892     6,972

Television
16,762     18,590

Commercials
8,078     8,453

Other
15,522     17,290
We don’t make “stuff” anymore?!

Manufacturing Output

<table>
<thead>
<tr>
<th>Rank</th>
<th>Metro</th>
<th>Man. Output 2012 ($ Bill.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Los Angeles MSA</td>
<td>67.5</td>
</tr>
<tr>
<td>2</td>
<td>Portland MSA</td>
<td>64.5</td>
</tr>
<tr>
<td>3</td>
<td>Chicago MSA</td>
<td>61.4</td>
</tr>
<tr>
<td>4</td>
<td>Houston MSA</td>
<td>60.2</td>
</tr>
<tr>
<td>5</td>
<td>San Jose MSA</td>
<td>54.9</td>
</tr>
<tr>
<td>6</td>
<td>Dallas MSA</td>
<td>54.6</td>
</tr>
<tr>
<td>7</td>
<td>Boston MSA</td>
<td>34.4</td>
</tr>
<tr>
<td>8</td>
<td>Seattle MSA</td>
<td>30.8</td>
</tr>
<tr>
<td>9</td>
<td>Detroit MSA</td>
<td>30.6</td>
</tr>
<tr>
<td>10</td>
<td>San Francisco MSA</td>
<td>28.5</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>1,449.2</td>
</tr>
</tbody>
</table>
City still holding its own
Shares have not eroded much...
The local forecast
## 3-year forecast

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2016</th>
<th>2016 v</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>10,025,560</td>
<td>10,078,560</td>
<td>10,140,485</td>
<td>10,212,505</td>
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<tr>
<td>Pop. Growth (%)</td>
<td>0.7</td>
<td>0.5</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>9.9</td>
<td>8.8</td>
<td>7.7</td>
<td>6.8</td>
</tr>
<tr>
<td>Unemp. Rate Change (%)</td>
<td>-10.3</td>
<td>-11.2</td>
<td>-12.9</td>
<td>-10.7</td>
</tr>
<tr>
<td>Total Nonfarm Employment</td>
<td>3,927.9</td>
<td>3,996.3</td>
<td>4,075.5</td>
<td>4,163.7</td>
</tr>
<tr>
<td>Employment Growth (%)</td>
<td>1.6</td>
<td>1.7</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Median Home Price</td>
<td>425,903</td>
<td>478,576</td>
<td>510,703</td>
<td>537,339</td>
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<tr>
<td>Home Price Growth (%)</td>
<td>25.7</td>
<td>12.4</td>
<td>6.7</td>
<td>5.2</td>
</tr>
<tr>
<td>Home Sales</td>
<td>61,058</td>
<td>67,931</td>
<td>76,214</td>
<td>79,451</td>
</tr>
<tr>
<td>Home Sales Growth (%)</td>
<td>2.3</td>
<td>11.3</td>
<td>12.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Single-Family Building Permits (000s)</td>
<td>3.3</td>
<td>3.9</td>
<td>5.2</td>
<td>6.8</td>
</tr>
<tr>
<td>Multi-Family Building Permits (000s)</td>
<td>10.8</td>
<td>12.6</td>
<td>16.1</td>
<td>20.9</td>
</tr>
<tr>
<td>Taxable Sales ($ Millions)</td>
<td>140,188</td>
<td>146,973</td>
<td>154,279</td>
<td>161,407</td>
</tr>
<tr>
<td>Tax. Sales Growth (%)</td>
<td>5.0</td>
<td>4.8</td>
<td>5.0</td>
<td>4.6</td>
</tr>
</tbody>
</table>
Wrap-up

- Los Angeles County is in recovery
  - Cyclically, major obstacles fading to rear-view
  - Employment is growing, RE is booming
  - Tourism and spending back to peak
- Longer-term, we’ve got our warts, but strengths as well
  - Still a hub for manufacturing and entertainment
  - Universities, ports, airports, massive economy...
  - Past is more positive than snapshots imply
  - Can’t focus solely on nonfarm
  - Labor force has become increasingly informal
- Even within City of LA, shares holding steady
- Economy expected to accelerate in 2014 and beyond
The 2014 LA Economic Outlook
Focus on the Nation and State
February 2014

Christopher Thornberg
Founding Partner, Beacon Economics
History of Beacon Outlooks

US GDP Growth

-7.0%  -5.0%  -3.0%  -1.0%  1.0%  3.0%  5.0%


We mean it.

This is going to get really ugly, really quick

See? We told you it was going to get really ugly, really quick

Okay, calm down. It isn’t that bad.

Things are actually improving. Really, they are.

Still improving.

Can we talk about something else now?

Analysis. Answers.
2014: Things are continuing to look up

• 2013 ended on a strong note
  – Economy saw solid acceleration in second half with consumers moving past tax hit
  – Business investment soft, but earnings are at a record high level
  – Global economy gaining traction, exports growing
  – State and local government starting to turn the corner
  – Interest rates still very low, residential markets have cooled, not turned, and no-no bubble
  – Federal Budget uncertainty largely behind us, debt ceiling issues aside
  – California is still in the growth mix, drought and all

• Don’t get *that* excited
  – Still unwinding fiscal stimulus, Fed policy next on the list with tapering
  – Bank credit remains tight, construction markets still very depressed
  – Consumers still not saving enough
  – We are dealing with the social impact of technological change on the labor market
  – Long term entitlement reforms needed, inequality issues looming
  – The nation is way behind on infrastructure investments

• On Balance: 2014 will be better than 2013
  – 3 to 3.5% growth range, with the chance of better higher than the chance of worse
  – 2015 Should be better still
GDP: Back on the upswing

<table>
<thead>
<tr>
<th>2013</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross domestic product</strong></td>
<td>1.1</td>
<td>2.5</td>
<td>4.1</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Personal consumption</strong></td>
<td>1.5</td>
<td>1.2</td>
<td>1.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Durable goods</td>
<td>0.4</td>
<td>0.5</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Nondurable goods</td>
<td>0.4</td>
<td>0.3</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Services</td>
<td>0.7</td>
<td>0.5</td>
<td>0.3</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Gross investment</strong></td>
<td>0.7</td>
<td>1.4</td>
<td>2.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Structures</td>
<td>-0.8</td>
<td>0.4</td>
<td>0.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Equipment</td>
<td>0.1</td>
<td>0.2</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>0.1</td>
<td>-0.1</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Residential</td>
<td>0.3</td>
<td>0.4</td>
<td>0.3</td>
<td>-0.3</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>0.9</td>
<td>0.4</td>
<td>1.7</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Net exports</strong></td>
<td>-0.3</td>
<td>-0.1</td>
<td>0.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Exports</td>
<td>-0.2</td>
<td>1.0</td>
<td>0.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Imports</td>
<td>-0.1</td>
<td>-1.1</td>
<td>-0.4</td>
<td>-0.2</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td>-0.8</td>
<td>-0.1</td>
<td>0.1</td>
<td>-0.9</td>
</tr>
<tr>
<td>National defense</td>
<td>-0.6</td>
<td>0.0</td>
<td>0.0</td>
<td>-0.7</td>
</tr>
<tr>
<td>Nondefense</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>State and local</td>
<td>-0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>
Labor Markets

Changes in Payroll Employment to January

Unemployment and Participation to January

- Unemployment
- Participation

BEACON ECONOMICS
Analysis. Answers.
A weak January? Go figure...

- Building Supplies, Gas, Food Up
- Furniture, Restaurants, Electronics Down
Income and Wealth

Aggregate Real Personal Income

Flow of Funds: Households to Q3 13 ($Tril)

- Aggregate Income
- Aggregate DPI
- Net Worth

BEACON ECONOMICS Analysis. Answers.
The End of Deleveraging

Outstanding Consumer Credit (Private)

Household Financial Health

Percent of Disposable Personal Income

Financial Obligation

Savings

BEACONECONOMICS Analysis. Answers.
Earnings: Great

Income by Firm Type

- Proprietors' income with IVA and CCAdj
- Corporate profits with IVA and CCAdj

Equity Spread over 10 year Bond

- Jan-90
- Apr-92
- Jul-94
- Oct-96
- Jan-99
- Apr-01
- Jul-03
- Oct-05
- Jan-08
- Apr-10
- Jul-12
Fed moves to flatten the yield curve

Yield on 10 year Treasury

20 yr – 5 Yr Yield Spread
Inflation? Not a chance...
How about the home front?
Where are those jobs?

<table>
<thead>
<tr>
<th>State</th>
<th>Payrolls</th>
<th>Payrolls Change</th>
<th>Payrolls Change %</th>
<th>Unemployment</th>
<th>Unemployment Change</th>
<th>Unemployment Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Dakota</td>
<td>456.1</td>
<td>17.4</td>
<td>4.0%</td>
<td>North Carolina</td>
<td>6.9</td>
<td>-2.5</td>
</tr>
<tr>
<td>Florida</td>
<td>7645</td>
<td>192.9</td>
<td>2.6%</td>
<td>New Jersey</td>
<td>7.3</td>
<td>-2.2</td>
</tr>
<tr>
<td>Oregon</td>
<td>1682.7</td>
<td>38.9</td>
<td>2.4%</td>
<td>South Carolina</td>
<td>6.6</td>
<td>-2</td>
</tr>
<tr>
<td>Texas</td>
<td>11277.1</td>
<td>252.4</td>
<td>2.3%</td>
<td>Florida</td>
<td>6.2</td>
<td>-1.7</td>
</tr>
<tr>
<td>Georgia</td>
<td>4078.3</td>
<td>89.7</td>
<td>2.2%</td>
<td>California</td>
<td>8.3</td>
<td>-1.5</td>
</tr>
<tr>
<td>Delaware</td>
<td>430.6</td>
<td>9.1</td>
<td>2.2%</td>
<td>West Virginia</td>
<td>5.9</td>
<td>-1.5</td>
</tr>
<tr>
<td>Arizona</td>
<td>2537.6</td>
<td>49.3</td>
<td>2.0%</td>
<td>Indiana</td>
<td>6.9</td>
<td>-1.4</td>
</tr>
<tr>
<td>South Carolina</td>
<td>1913.3</td>
<td>36.8</td>
<td>2.0%</td>
<td>Oregon</td>
<td>7</td>
<td>-1.3</td>
</tr>
<tr>
<td>Washington</td>
<td>2940.2</td>
<td>54.9</td>
<td>1.9%</td>
<td>Utah</td>
<td>4.1</td>
<td>-1.3</td>
</tr>
<tr>
<td>Colorado</td>
<td>2379.7</td>
<td>43.9</td>
<td>1.9%</td>
<td>Colorado</td>
<td>6.2</td>
<td>-1.3</td>
</tr>
<tr>
<td>Nevada</td>
<td>1180.1</td>
<td>21.4</td>
<td>1.8%</td>
<td>Georgia</td>
<td>7.4</td>
<td>-1.3</td>
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<tr>
<td>Indiana</td>
<td>2975.5</td>
<td>51.8</td>
<td>1.8%</td>
<td>New York</td>
<td>7.1</td>
<td>-1.1</td>
</tr>
<tr>
<td>Utah</td>
<td>1288</td>
<td>21.8</td>
<td>1.7%</td>
<td>Nevada</td>
<td>8.8</td>
<td>-1</td>
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<tr>
<td>Mississippi</td>
<td>1127.1</td>
<td>18.9</td>
<td>1.7%</td>
<td>Maine</td>
<td>6.2</td>
<td>-1</td>
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<tr>
<td>Massachusetts</td>
<td>3354.6</td>
<td>55.5</td>
<td>1.7%</td>
<td>Pennsylvania</td>
<td>6.9</td>
<td>-1</td>
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<tr>
<td>Minnesota</td>
<td>2797.7</td>
<td>45.8</td>
<td>1.7%</td>
<td>Washington</td>
<td>6.6</td>
<td>-0.9</td>
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<tr>
<td>California</td>
<td>14767.8</td>
<td>235.7</td>
<td>1.6%</td>
<td>Mississippi</td>
<td>8</td>
<td>-0.9</td>
</tr>
</tbody>
</table>
Where are the jobs?

Index Payroll Employment

Index Household Employment

Balance US  California

Balance US  California
Regional Growth

GDP Growth by State (2012) (%)

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>USA</td>
<td>2.46</td>
</tr>
<tr>
<td>1</td>
<td>N Dakota</td>
<td>13.38</td>
</tr>
<tr>
<td>2</td>
<td>Texas</td>
<td>4.82</td>
</tr>
<tr>
<td>3</td>
<td>Oregon</td>
<td>3.95</td>
</tr>
<tr>
<td>4</td>
<td>Washington</td>
<td>3.63</td>
</tr>
<tr>
<td>5</td>
<td>Minnesota</td>
<td>3.55</td>
</tr>
<tr>
<td>6</td>
<td>California</td>
<td>3.47</td>
</tr>
<tr>
<td>7</td>
<td>Utah</td>
<td>3.42</td>
</tr>
<tr>
<td>8</td>
<td>Indiana</td>
<td>3.30</td>
</tr>
<tr>
<td>9</td>
<td>Tennessee</td>
<td>3.28</td>
</tr>
<tr>
<td>10</td>
<td>W Virginia</td>
<td>3.27</td>
</tr>
<tr>
<td>11</td>
<td>N Carolina</td>
<td>2.68</td>
</tr>
<tr>
<td>12</td>
<td>S Carolina</td>
<td>2.68</td>
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<tr>
<td>13</td>
<td>Arizona</td>
<td>2.60</td>
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<tr>
<td>14</td>
<td>Florida</td>
<td>2.43</td>
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<tr>
<td>15</td>
<td>Maryland</td>
<td>2.43</td>
</tr>
<tr>
<td>26</td>
<td>Illinois</td>
<td>1.91</td>
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# Patterns of Growth

<table>
<thead>
<tr>
<th>Industry</th>
<th>2012</th>
<th>Share</th>
<th>11-12 Gr</th>
<th>Cont.</th>
<th>Gr 07-12</th>
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</thead>
<tbody>
<tr>
<td>All industry total</td>
<td>1751002</td>
<td>3.5%</td>
<td></td>
<td></td>
<td>-0.7%</td>
</tr>
<tr>
<td>Durable goods</td>
<td>141687</td>
<td>8.1%</td>
<td>9.1%</td>
<td>0.7%</td>
<td>16.3%</td>
</tr>
<tr>
<td>Information</td>
<td>145171</td>
<td>8.3%</td>
<td>8.3%</td>
<td>0.7%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>116205</td>
<td>6.6%</td>
<td>5.5%</td>
<td>0.4%</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Real estate</td>
<td>281681</td>
<td>16.1%</td>
<td>2.1%</td>
<td>0.3%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Finance insurance</td>
<td>98692</td>
<td>5.6%</td>
<td>6.2%</td>
<td>0.3%</td>
<td>-6.7%</td>
</tr>
<tr>
<td>Professional serv</td>
<td>239359</td>
<td>13.7%</td>
<td>2.4%</td>
<td>0.3%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>94490</td>
<td>5.4%</td>
<td>4.8%</td>
<td>0.3%</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Nondurable goods</td>
<td>68743</td>
<td>3.9%</td>
<td>6.6%</td>
<td>0.3%</td>
<td>-19.1%</td>
</tr>
<tr>
<td>Construction</td>
<td>51627</td>
<td>2.9%</td>
<td>6.0%</td>
<td>0.2%</td>
<td>-30.5%</td>
</tr>
<tr>
<td>Leisure hospitality</td>
<td>71402</td>
<td>4.1%</td>
<td>3.7%</td>
<td>0.1%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Transportation util</td>
<td>68507</td>
<td>3.9%</td>
<td>3.5%</td>
<td>0.1%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Mining</td>
<td>18037</td>
<td>1.0%</td>
<td>10.2%</td>
<td>0.1%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Health care</td>
<td>109350</td>
<td>6.2%</td>
<td>0.5%</td>
<td>0.0%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Educational serv</td>
<td>15664</td>
<td>0.9%</td>
<td>2.4%</td>
<td>0.0%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Other services</td>
<td>38789</td>
<td>2.2%</td>
<td>0.3%</td>
<td>0.0%</td>
<td>-10.3%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>21382</td>
<td>1.2%</td>
<td>-4.7%</td>
<td>-0.1%</td>
<td>-7.6%</td>
</tr>
<tr>
<td>Government</td>
<td>180832</td>
<td>10.3%</td>
<td>-1.0%</td>
<td>-0.1%</td>
<td>-5.3%</td>
</tr>
</tbody>
</table>
## State Employment Patterns

<table>
<thead>
<tr>
<th>Change in Payrolls</th>
<th>Dec-13</th>
<th>Yr Ch</th>
<th>Yr Gr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Nonfarm</td>
<td>14,767.8</td>
<td>235.7</td>
<td>1.6%</td>
</tr>
<tr>
<td>Accommodation</td>
<td>1,422.8</td>
<td>71.2</td>
<td>5.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>632.1</td>
<td>28.9</td>
<td>4.8%</td>
</tr>
<tr>
<td>Management</td>
<td>210.7</td>
<td>8.2</td>
<td>4.0%</td>
</tr>
<tr>
<td>Admin Support</td>
<td>975.8</td>
<td>36.1</td>
<td>3.8%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>705.7</td>
<td>15</td>
<td>2.2%</td>
</tr>
<tr>
<td>Other Services</td>
<td>514.8</td>
<td>10</td>
<td>2.0%</td>
</tr>
<tr>
<td>Prof Sci Tech</td>
<td>1,139.5</td>
<td>20</td>
<td>1.8%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>260.3</td>
<td>4.5</td>
<td>1.8%</td>
</tr>
<tr>
<td>Logistics</td>
<td>503.7</td>
<td>8.5</td>
<td>1.7%</td>
</tr>
<tr>
<td>Health Care</td>
<td>1,588.6</td>
<td>25.1</td>
<td>1.6%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>1,596.3</td>
<td>21.3</td>
<td>1.4%</td>
</tr>
<tr>
<td>Durable Manu</td>
<td>791.7</td>
<td>8.1</td>
<td>1.0%</td>
</tr>
<tr>
<td>Education</td>
<td>345.9</td>
<td>2.8</td>
<td>0.8%</td>
</tr>
<tr>
<td>Arts Entertainment</td>
<td>273.5</td>
<td>2.2</td>
<td>0.8%</td>
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<tr>
<td>Information</td>
<td>439.7</td>
<td>0.4</td>
<td>0.1%</td>
</tr>
<tr>
<td>State Gov</td>
<td>480.1</td>
<td>-1.3</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Finance</td>
<td>522.9</td>
<td>-1.6</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Local Gov</td>
<td>1,628.2</td>
<td>-12.9</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Non-Durable Manu</td>
<td>459.8</td>
<td>-7.2</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Federal Gov</td>
<td>244.8</td>
<td>-4.2</td>
<td>-1.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change Household Emp. Q4 07 to Q4 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakersfield</td>
</tr>
<tr>
<td>San Francisco</td>
</tr>
<tr>
<td>San Jose</td>
</tr>
<tr>
<td>Merced</td>
</tr>
<tr>
<td>El Centro</td>
</tr>
<tr>
<td>Santa Barbara</td>
</tr>
<tr>
<td>Santa Cruz</td>
</tr>
<tr>
<td>San Diego</td>
</tr>
<tr>
<td>Vallejo-Fairfield</td>
</tr>
<tr>
<td>East Bay</td>
</tr>
<tr>
<td>Visalia-Porterville</td>
</tr>
<tr>
<td>Orange County</td>
</tr>
<tr>
<td>Fresno</td>
</tr>
<tr>
<td>Santa Rosa</td>
</tr>
<tr>
<td>Riverside-San Bern</td>
</tr>
<tr>
<td>Sacramento</td>
</tr>
<tr>
<td>Stockton</td>
</tr>
<tr>
<td>Los Angeles</td>
</tr>
</tbody>
</table>
Spending up

Taxable Sales

<table>
<thead>
<tr>
<th>Region</th>
<th>Q3-13</th>
<th>y-o-y</th>
<th>From Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco</td>
<td>4,260,814</td>
<td>7.7%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>9,340,822</td>
<td>3.6%</td>
<td>9.6%</td>
</tr>
<tr>
<td>San Mateo</td>
<td>3,687,324</td>
<td>6.5%</td>
<td>6.6%</td>
</tr>
<tr>
<td>San Diego</td>
<td>12,569,695</td>
<td>5.9%</td>
<td>4.9%</td>
</tr>
<tr>
<td>California</td>
<td>148,386,851</td>
<td>6.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>1,588,475</td>
<td>5.6%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Contra Costa</td>
<td>3,650,062</td>
<td>6.8%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Alameda</td>
<td>6,616,511</td>
<td>5.4%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Monterey</td>
<td>1,466,671</td>
<td>3.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Fresno</td>
<td>3,195,631</td>
<td>7.2%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>35,027,674</td>
<td>4.3%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Ventura</td>
<td>3,149,515</td>
<td>4.2%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Riverside</td>
<td>7,478,113</td>
<td>5.9%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Placer</td>
<td>1,935,658</td>
<td>9.9%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Sonoma</td>
<td>1,997,505</td>
<td>8.6%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Orange County</td>
<td>14,423,261</td>
<td>5.2%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>7,638,427</td>
<td>4.8%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>4,988,993</td>
<td>4.6%</td>
<td>-5.8%</td>
</tr>
</tbody>
</table>
Tourism / Travel Hot

Hotel Occupancy Rates

<table>
<thead>
<tr>
<th>Airport</th>
<th>Sep-13 YTD</th>
<th>Change YTD (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange County - SNA</td>
<td>7,106,824</td>
<td>8.2</td>
</tr>
<tr>
<td>Los Angeles - LAX</td>
<td>49,841,945</td>
<td>4.2</td>
</tr>
<tr>
<td>San Jose - SJC</td>
<td>6,400,068</td>
<td>3.9</td>
</tr>
<tr>
<td>San Diego - SAN</td>
<td>13,233,395</td>
<td>2.0</td>
</tr>
<tr>
<td>San Francisco - SFO</td>
<td>33,441,630</td>
<td>0.4</td>
</tr>
<tr>
<td>Sacramento - SMF</td>
<td>6,511,132</td>
<td>-1.1</td>
</tr>
<tr>
<td>California Totals</td>
<td>131,654,056</td>
<td>2.1</td>
</tr>
</tbody>
</table>

California Hotel Occupancy by Region

<table>
<thead>
<tr>
<th>Area</th>
<th>Oct-12 Occ</th>
<th>YoY Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles MD</td>
<td>75.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Orange County</td>
<td>75.0</td>
<td>4.9</td>
</tr>
<tr>
<td>San Diego</td>
<td>70.9</td>
<td>4.4</td>
</tr>
<tr>
<td>San Luis Obispo</td>
<td>65.5</td>
<td>3.1</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>63.2</td>
<td>2.9</td>
</tr>
<tr>
<td>South Bay</td>
<td>72.1</td>
<td>2.7</td>
</tr>
<tr>
<td>San Francisco MD</td>
<td>80.5</td>
<td>2.4</td>
</tr>
<tr>
<td>California North</td>
<td>58.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>63.8</td>
<td>1.5</td>
</tr>
</tbody>
</table>
Population Growth

<table>
<thead>
<tr>
<th>County</th>
<th>July 1, 2013</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>10,019,365</td>
<td>74,334</td>
<td>0.75</td>
</tr>
<tr>
<td>Orange</td>
<td>3,104,680</td>
<td>30,134</td>
<td>0.98</td>
</tr>
<tr>
<td>San Diego</td>
<td>3,182,072</td>
<td>28,195</td>
<td>0.89</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>1,853,677</td>
<td>26,799</td>
<td>1.47</td>
</tr>
<tr>
<td>Alameda</td>
<td>1,565,181</td>
<td>25,824</td>
<td>1.68</td>
</tr>
<tr>
<td>Riverside</td>
<td>2,267,760</td>
<td>17,987</td>
<td>0.80</td>
</tr>
<tr>
<td>Contra Costa</td>
<td>1,082,384</td>
<td>12,777</td>
<td>1.19</td>
</tr>
<tr>
<td>San Bernard.</td>
<td>2,076,399</td>
<td>12,281</td>
<td>0.59</td>
</tr>
<tr>
<td>Sacramento</td>
<td>1,447,759</td>
<td>12,077</td>
<td>0.84</td>
</tr>
<tr>
<td>Kern</td>
<td>866,977</td>
<td>10,695</td>
<td>1.25</td>
</tr>
<tr>
<td>Fresno</td>
<td>958,866</td>
<td>10,076</td>
<td>1.06</td>
</tr>
<tr>
<td>San Francisco</td>
<td>831,156</td>
<td>8,865</td>
<td>1.08</td>
</tr>
<tr>
<td>Ventura</td>
<td>840,320</td>
<td>6,954</td>
<td>0.83</td>
</tr>
<tr>
<td>San Mateo</td>
<td>742,719</td>
<td>6,837</td>
<td>0.93</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>432,238</td>
<td>6,133</td>
<td>1.44</td>
</tr>
<tr>
<td>San Joaquin</td>
<td>703,919</td>
<td>5,846</td>
<td>0.84</td>
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</tbody>
</table>
## Long Term Projections

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2060 (est)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Total</td>
<td>37,309</td>
<td>52,694</td>
<td>15,385</td>
</tr>
<tr>
<td>So Cal</td>
<td>21,176</td>
<td>28,087</td>
<td>6,911</td>
</tr>
<tr>
<td>South C.V.</td>
<td>3,365</td>
<td>6,758</td>
<td>3,393</td>
</tr>
<tr>
<td>Bay Area</td>
<td>7,493</td>
<td>10,024</td>
<td>2,531</td>
</tr>
<tr>
<td>North C.V.</td>
<td>2,744</td>
<td>4,373</td>
<td>1,629</td>
</tr>
<tr>
<td>No Cal</td>
<td>1,158</td>
<td>1,701</td>
<td>543</td>
</tr>
<tr>
<td>Central Coast</td>
<td>1,373</td>
<td>1,751</td>
<td>378</td>
</tr>
</tbody>
</table>
The Disappointing Recovery

US GDP

- Hypothetical
- Actual

US Payroll Employment

- Jan-04 to Mar-13

Analysis. Answers.
What is wrong with the economy?

Private Construction % GDP

Trade Balance as % GDP

Government Non-Defense Direct % GDP
The Deficit: Not an Issue, for now

Federal Revenues and Expenditures as % GDP

Federal Debt as % GDP by Holder

Revenues
Expenditures

Private
Federal Reserve
Agencies and Trusts
Social Insurance: Unsustainable

Real Public Spending Per Retiree
Source: Census, BEA

US Support Ratio and Projections
Source: Census

Cost / Working Age Person
$2,059, $8,795, $29,823

* Based on per capita growth half the rate from 1970 to 2010
## Affordable Care Act? Not the issue...

<table>
<thead>
<tr>
<th>Per capita expenditure (PPP int. $)</th>
<th>Per capita government expenditure (PPP int. $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA $8,608</td>
<td>Norway $4,859</td>
</tr>
<tr>
<td>Norway $5,674</td>
<td>Netherlands $4,388</td>
</tr>
<tr>
<td>Switzerland $5,564</td>
<td>USA $3,954</td>
</tr>
<tr>
<td>Netherlands $5,123</td>
<td>Denmark $3,886</td>
</tr>
<tr>
<td>Denmark $4,564</td>
<td>Switzerland $3,640</td>
</tr>
<tr>
<td>Canada $4,520</td>
<td>Austria $3,388</td>
</tr>
<tr>
<td>Austria $4,482</td>
<td>Germany $3,316</td>
</tr>
<tr>
<td>Germany $4,371</td>
<td>Canada $3,183</td>
</tr>
<tr>
<td>Belgium $4,119</td>
<td>Niue $3,136</td>
</tr>
<tr>
<td>France $4,085</td>
<td>France $3,135</td>
</tr>
<tr>
<td>Ireland $3,894</td>
<td>Sweden $3,132</td>
</tr>
<tr>
<td>Sweden $3,870</td>
<td>Belgium $3,128</td>
</tr>
<tr>
<td>Australia $3,692</td>
<td>United Kingdom $2,747</td>
</tr>
<tr>
<td>Finland $3,332</td>
<td>Ireland $2,742</td>
</tr>
<tr>
<td>United Kingdom $3,322</td>
<td>Iceland $2,623</td>
</tr>
<tr>
<td>Iceland $3,264</td>
<td>Japan $2,540</td>
</tr>
<tr>
<td>Japan $3,174</td>
<td>Australia $2,529</td>
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</tbody>
</table>
State and Local

ANPL as % of Revs

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>ANPL as % of Revs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Illinois</td>
<td>241.1%</td>
</tr>
<tr>
<td>2</td>
<td>Connecticut</td>
<td>189.7%</td>
</tr>
<tr>
<td>3</td>
<td>Kentucky</td>
<td>140.9%</td>
</tr>
<tr>
<td>4</td>
<td>New Jersey</td>
<td>137.2%</td>
</tr>
<tr>
<td>5</td>
<td>Hawaii</td>
<td>132.5%</td>
</tr>
<tr>
<td>6</td>
<td>Louisiana</td>
<td>130.2%</td>
</tr>
<tr>
<td>7</td>
<td>Colorado</td>
<td>117.5%</td>
</tr>
<tr>
<td>8</td>
<td>Pennsylvania</td>
<td>105.0%</td>
</tr>
<tr>
<td>9</td>
<td>Massachusetts</td>
<td>100.4%</td>
</tr>
<tr>
<td>10</td>
<td>Maryland</td>
<td>99.5%</td>
</tr>
<tr>
<td>11</td>
<td>Texas</td>
<td>92.5%</td>
</tr>
<tr>
<td>12</td>
<td>Rhode Island</td>
<td>91.3%</td>
</tr>
<tr>
<td>13</td>
<td>West Virginia</td>
<td>86.2%</td>
</tr>
<tr>
<td>14</td>
<td>Maine</td>
<td>76.6%</td>
</tr>
<tr>
<td>15</td>
<td>Montana</td>
<td>62.5%</td>
</tr>
<tr>
<td>16</td>
<td>California</td>
<td>61.8%</td>
</tr>
<tr>
<td>17</td>
<td>Oklahoma</td>
<td>61.8%</td>
</tr>
<tr>
<td>18</td>
<td>Indiana</td>
<td>61.3%</td>
</tr>
<tr>
<td>19</td>
<td>North Dakota</td>
<td>61.2%</td>
</tr>
<tr>
<td>20</td>
<td>South Carolina</td>
<td>59.7%</td>
</tr>
</tbody>
</table>
The Budget Outlook

- Prop 30 is temporary
- State is way behind on infrastructure investments / maintenance
- The budget will be excessively sensitive to changes in the financial markets
- Pensions are still largely underfunded
- Prison settlement yet to be worked out

California Revenues and Expenditures

- GF Revenues
- Expenditures
Global Markets

US Exports of Goods and Services, nominal to Jan

Industrial Production Growth
Most Recent Month, Y-o-Y

China 9.7
Japan 7.4
United States 3.7
Euro Area 3.0
Australia 2.7
Canada 2.6
S. Korea 2.6
Mexico -1.4
Poland 6.6
Hungary 4.7
Turkey 4.6
South Africa 0.4
India -2.1
Brazil -2.3
Argentina -5.4
Thailand -6.1
Euro Growth Q4: .3%

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Domestic Energy Production

Oil Production / Imports Barrels

Natural Gas MCF 3 Mnth MA

BEACON ECONOMICS
Analysis. Answers.
State Exports

TOTAL ALL COMMODITIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Edible Fruit &amp; Nuts</th>
<th>Nat Etc Pearls Prec Etc Stones</th>
<th>Optic Photo Etc Medic</th>
<th>Aircraft Spacecraft</th>
<th>Pharmaceutical Products</th>
<th>Beverages Spirits</th>
<th>Dairy Prods; Birds Eggs; Honey</th>
<th>Mineral Fuel Oil Etc.</th>
<th>Plastics And Articles</th>
<th>Electric Machinery Etc</th>
<th>Miscellaneous Edible</th>
<th>Oil Seeds Etc.; Misc Grain</th>
<th>Edible Vegetables</th>
<th>Articles Of Iron Or Steel</th>
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</tr>
</tbody>
</table>

Change 2007-13

- Edible Fruit & Nuts: 5,149
- Nat Etc Pearls Prec Etc Stones: 4,355
- Optic Photo Etc Medic: 3,616
- Aircraft Spacecraft: 3,375
- Pharmaceutical Products: 1,093
- Beverages Spirits: 809
- Dairy Prods; Birds Eggs; Honey: 805
- Mineral Fuel Oil Etc.: 771
- Plastics And Articles: 701
- Electric Machinery Etc: 656
- Miscellaneous Edible: 591
- Oil Seeds Etc.; Misc Grain: 581
- Edible Vegetables: 245
- Articles Of Iron Or Steel: 177
Housing Markets

Existing Home Sales: NAR to Dec

Pending Home Sales Index: NAR to December

Biggest slowdown, West and Midwest
### Home Prices Appreciation

<table>
<thead>
<tr>
<th>Case Shiller SF</th>
<th>11-12</th>
<th>12-13</th>
<th>3 Mnth AR</th>
</tr>
</thead>
<tbody>
<tr>
<td>FL-Miami</td>
<td>6.6%</td>
<td>13.5%</td>
<td>20.3%</td>
</tr>
<tr>
<td>NV-Las Vegas</td>
<td>0.9%</td>
<td>29.2%</td>
<td>15.5%</td>
</tr>
<tr>
<td>MA-Boston</td>
<td>1.7%</td>
<td>6.3%</td>
<td>14.7%</td>
</tr>
<tr>
<td>CA-Los Angeles</td>
<td>2.1%</td>
<td>21.7%</td>
<td>14.7%</td>
</tr>
<tr>
<td>MN-Minneapolis</td>
<td>7.3%</td>
<td>10.2%</td>
<td>14.2%</td>
</tr>
<tr>
<td>CA-San Francisco</td>
<td>5.3%</td>
<td>25.4%</td>
<td>14.1%</td>
</tr>
<tr>
<td>AZ-Phoenix</td>
<td>18.9%</td>
<td>18.7%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Composite-20</td>
<td>1.9%</td>
<td>12.8%</td>
<td>12.4%</td>
</tr>
<tr>
<td>TX-Dallas</td>
<td>3.7%</td>
<td>9.0%</td>
<td>12.3%</td>
</tr>
<tr>
<td>IL-Chicago</td>
<td>-1.9%</td>
<td>8.6%</td>
<td>9.4%</td>
</tr>
<tr>
<td>NY-New York</td>
<td>-2.3%</td>
<td>3.5%</td>
<td>9.0%</td>
</tr>
<tr>
<td>DC-Washington</td>
<td>3.4%</td>
<td>6.3%</td>
<td>8.6%</td>
</tr>
<tr>
<td>CO-Denver</td>
<td>5.6%</td>
<td>10.1%</td>
<td>6.5%</td>
</tr>
<tr>
<td>WA-Seattle</td>
<td>3.3%</td>
<td>13.2%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAR Median</td>
<td>7.9%</td>
<td>11.4%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Core Logic Nat</td>
<td>5.5%</td>
<td>11.3%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Core Logic x</td>
<td>3.5%</td>
<td>9.9%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

### Months Supply Single Family Homes, NAR to Dec

- **Months Supply Single Family Homes, NAR to Dec**
- **Jan 2005**
- **Jan 2006**
- **Jan 2007**
- **Jan 2008**
- **Jan 2009**
- **Jan 2010**
- **Jan 2011**
- **Jan 2012**
- **Jan 2013**

**BEACON ECONOMICS**

Analysis. Answers.
The California Market

**Median Prices**

- California
- Alameda
- Santa Clara
- Los Angeles
- Riverside

**Califonia Months Supply Existing Homes**

- SF: 62,252
- MF: 76,859
- Total: 139,111

- New Pop Ratio: 4.56
- Population: 634,485

---

Beacon Economics Analysis. Answers.
Fewer Foreclosures = Fewer Sales
New Construction

Single Family Starts and Permits

New Single Family Home Sales to Dec

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Leading Indicators: Better

Ownership % Households

Home Ownership / Rental Price Disparity

Core Logic Underwater Report Q3 13

<table>
<thead>
<tr>
<th>HH Underwater</th>
<th>Equity</th>
<th>Worst</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 11</td>
<td>11.6</td>
<td>3.58</td>
</tr>
<tr>
<td>Q3 12</td>
<td>10.6</td>
<td>3.77</td>
</tr>
<tr>
<td>Q3 13</td>
<td>6.4</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Nevada 32.2%
Florida 28.8%
Arizona 22.5%
Ohio 18.0%
California Construction

### State Permits

- **Los Angeles**: 
  - Single Family: 3242 (25.1%)
  - Multi Family: 11011 (23.7%)
- **Santa Clara**: 
  - Single Family: 1624 (19.4%)
  - Multi Family: 7668 (44.4%)
- **Orange County**: 
  - Single Family: 3449 (58.1%)
  - Multi Family: 5684 (65.5%)
- **San Diego**: 
  - Single Family: 2332 (18.6%)
  - Multi Family: 5264 (24.3%)
- **San Francisco**: 
  - Single Family: 56 (86.7%)
  - Multi Family: 6522 (123.5%)
- **Riverside**: 
  - Single Family: 4126 (24.3%)
  - Multi Family: 827 (-28.6%)
- **San Bernardino**: 
  - Single Family: 1609 (43.5%)
  - Multi Family: 1920 (227.6%)
- **Alameda**: 
  - Single Family: 1207 (22.0%)
  - Multi Family: 1769 (-11.3%)
- **Fresno**: 
  - Single Family: 1829 (47.0%)
  - Multi Family: 529 (81.8%)
- **Sacramento**: 
  - Single Family: 1559 (38.8%)
  - Multi Family: 556 (194.2%)
- **Contra Costa**: 
  - Single Family: 1308 (26.9%)
  - Multi Family: 417 (-66.8%)
- **San Mateo**: 
  - Single Family: 308 (26.7%)
  - Multi Family: 951 (112.8%)
- **Ventura**: 
  - Single Family: 347 (122.4%)
  - Multi Family: 582 (268.4%)
### Where Does the State Stack Up?

<table>
<thead>
<tr>
<th>Metropolitan Area</th>
<th>2013 % Chya</th>
<th>07-12 Net Domestic Migration by Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>$176.6</td>
<td>% Migration</td>
</tr>
<tr>
<td><strong>San Jose-Sunnyvale-Santa Clara</strong></td>
<td>$705.0</td>
<td>Income</td>
</tr>
<tr>
<td>Honolulu, HI</td>
<td>$625.8</td>
<td>Under $10,000</td>
</tr>
<tr>
<td><strong>Anaheim-Santa Ana-Irvine, CA</strong></td>
<td>$600.2</td>
<td>$10,000 to $19,999</td>
</tr>
<tr>
<td><strong>San Francisco-Oakland-Fremont, CA</strong></td>
<td>$593.9</td>
<td>$20,000 to $29,999</td>
</tr>
<tr>
<td>New York-Wayne-White Plains, NY-NJ</td>
<td>$432.8</td>
<td>$30,000 to $39,999</td>
</tr>
<tr>
<td><strong>San Diego-Carlsbad-San Marcos, CA</strong></td>
<td>$412.3</td>
<td>$40,000 to $49,999</td>
</tr>
<tr>
<td>NY: Nassau-Suffolk, NY</td>
<td>$385.4</td>
<td>$50,000 to $74,999</td>
</tr>
<tr>
<td>New York-Northern New Jersey</td>
<td>$368.2</td>
<td>$75,000 to $99,999</td>
</tr>
<tr>
<td>Bridgeport-Stamford-Norwalk, CT</td>
<td>$360.1</td>
<td>$100,000 to $149,999</td>
</tr>
<tr>
<td>Washington-Arlington-Alexandria</td>
<td>$348.7</td>
<td>$150,000 to $199,999</td>
</tr>
<tr>
<td><strong>Los Angeles-Long Beach-Santa Ana, CA</strong></td>
<td>$345.5</td>
<td>$200,000 to $250,000</td>
</tr>
<tr>
<td>NY: Newark-Union, NJ-PA</td>
<td>$334.4</td>
<td>Over $250,000</td>
</tr>
<tr>
<td>Boston-Cambridge-Quincy, MA-NH</td>
<td>$332.2</td>
<td>% Migration</td>
</tr>
<tr>
<td>Seattle-Tacoma-Bellevue, WA</td>
<td>$312.6</td>
<td>-0.53</td>
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<tr>
<td>Barnstable Town, MA</td>
<td>$307.9</td>
<td>-1.86</td>
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<tr>
<td>Burlington-South Burlington, VT</td>
<td>$278.4</td>
<td>-1.62</td>
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<tr>
<td><strong>Barnstable Town, MA</strong></td>
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<td>-1.10</td>
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<tr>
<td><strong>Burlington-South Burlington, VT</strong></td>
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<td>-1.09</td>
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<tr>
<td><strong>Bridgeport-Stamford-Norwalk, CT</strong></td>
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<td><strong>Washington-Arlington-Alexandria</strong></td>
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<td><strong>Barnstable Town, MA</strong></td>
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<td><strong>Burlington-South Burlington, VT</strong></td>
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</tbody>
</table>
Office / Retail slow out of gate

U.S. Office Vacancy

- Class A
- Class B/C

U.S. Retail Vacancy

- Community
- Neighborhood

Vacancy (%)

Years:
- 2000-2013
- 1999-2013

Quarters:
- 2000Q1-2013Q4
- 1999Q1-2013Q4

Office and retail vacancy rates have been relatively stable over the past decade, with slight increases in recent years. Class A and Class B/C office vacancy rates are lower than Community and Neighborhood retail vacancy rates.
The real enemy: efficiency
Non Residential Permits

State Total

Permits by Type

- Total: $20,782.0 (49.7%)
- Other: $5,149.5 (253.3%)
- Alterations: $9,408.2 (20.6%)
- Retail: $2,064.1 (125.4%)
- Garage: $1,054.5 (135.6%)
- Hotel: $322.6 (101.3%)
- Amusement: $243.6 (23.8%)
- Office: $1,455.9 (0.3%)
- Industrial: $1,044.9 (-25.8%)

New
Alterations
So what does it mean?

- **Big Themes for the 2014**
  - Consumers will continue to spend on better income results
  - Housing recovery to rebound by end of year
  - Commercial will continue slow recovery
  - Exports, business spending to grow steadily
  - Energy sector continuing to boom
  - Treasuries to stabilize, long term rates to drift up slowly
  - California one of the points of strength, drought and all, in the US economy

- **Future issues remain**
  - Gains in state and local to have at best a modest offset to Fed cuts
  - Bank credit still tight, financial regulation still in flux
  - European situation could heat up next year
  - Are we really done with political gridlock?
  - We still have to deal with national / state entitlement reform
• **Our Services**
  - Economic Forecasting
  - Regional Intelligence Reports
  - Business & Market Analysis
  - Real Estate Market Analysis
  - Ports & Infrastructure Analysis
  - Economic Impact Analysis
  - Public Policy Analysis

To view or download this presentation please visit: [www.BeaconEcon.com](http://www.BeaconEcon.com)

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