

ORANGE COUNTY ECONOMIC FORECAST

The population of Orange County has now eclipsed 3 million people. It is the second largest county in California. There are nearly 1.5 million wage and salary jobs located in the county. Employment growth in services such as healthcare, information, and professional services remains strong. However, employment in manufacturing, which accounts for over 12 percent of total employment in the county, continues to decline.

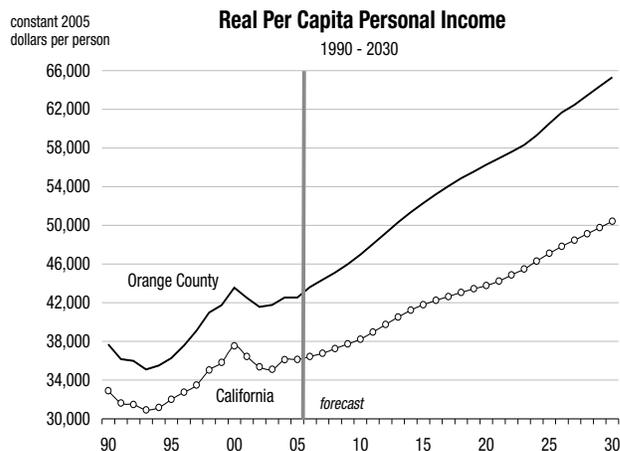
Economic growth in Southern California has been strong since the start of the decade, but was even more impressive during 2005. Last year 34,000 jobs were created in Orange County, representing a growth rate of 2.3 percent. The unemployment rate fell to 3.7 percent in 2005, indicative of a tight labor market.

The net population gain from January 2005 to January 2006 in Orange County was 25,000 people, 40 percent of which located in Irvine, the fastest growing city in the county. Santa Ana and Anaheim are the two largest cities in the county, each with over 340,000 residents, and each city grew by 0.2 percent in the last year.

Employment and population continue to grow at a healthy rate in Orange County. However, high housing prices and cost of living in the county, combined with a lack of vacant land for affordable residential production, will continue to give inland communities a competitive advantage in job creation over the next several years. Home values are expected to level off this year and rise at low single digit rates of appreciation over the forecast horizon.

FORECAST HIGHLIGHTS

- Job growth falls slightly in 2006, averaging 1.8 percent. Job growth declines again in 2007 to 1.4 percent. Over the next five years, the average annual growth rate is 1.6 percent per year.
- Average salaries adjusted for inflation are currently well above the California state average, and will remain so over the forecast horizon. Real average salaries rise an average of 0.7 percent per year over the next 5 years.
- The services sector remains the growth engine of jobs in Orange County. Employment in health care and education, professional services and leisure services is expected to grow between 2.0 and 2.5 percent per year between 2006 and 2010. Employment in information technologies is expected to grow by 4 percent per year for the next five years.
- Real per capita incomes increase at a rate of 2.5 percent in 2006. An annual compound rate of growth of 2.0 percent is forecast over the next 5 years.

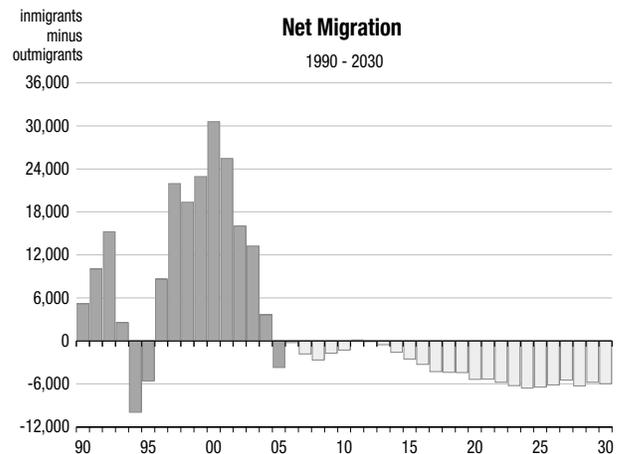
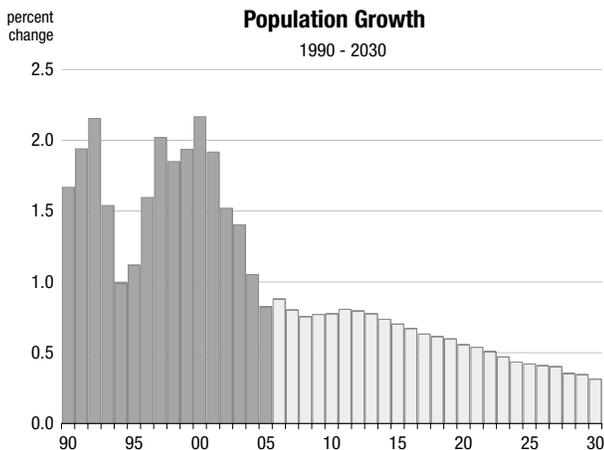


- The population growth rate, which has sharply eased from 2.2 percent in 2000 to 0.8 percent in 2005, will stay positive, but continue its downward trend over the long term forecast period. Annual growth in the 2006 to 2010 period averages 0.8 percent per year.
- Net migration averaged 18,000 people entering the county each year between 1996 and 2004. In 2005, net migration turned negative. This year, net migration is expected to remain negative, and on average between 2007 and 2010, the forecast has approximately 7,500 net migrants leaving the county. The natural rate of population growth will therefore be responsible for all of the population gain in Orange County over the next several years.
- Industrial production will increase by 2.5 percent in 2006. From 2006 to 2010, the growth rate of industrial production will average gains of 1.7 percent per year.

Orange County Economic Forecast

1997-2005 History, 2006-2030 Forecast

	Population (people)	Net Migration (people)	Registered Vehicles (millions)	Households (thousands)	New Homes Permitted (homes)	Total Taxable Sales (billions)	Personal Income (billions)	Real Per Capita Income (dollars)	Inflation Rate (% change in CPI)	Real Farm Crop Value (millions)	Real Industrial Production (billions)	Unemployment Rate (percent)
1997	2,699,584	21,969	1.98	883.2	12,251	\$34.9	\$83.6	\$39,084	1.7	348.2	20.6	3.3
1998	2,749,564	19,353	2.12	892.5	10,101	\$37.1	\$90.6	\$40,976	1.4	363.0	22.6	2.9
1999	2,802,818	22,924	2.16	900.6	12,348	\$40.4	\$96.3	\$41,750	2.3	415.2	24.4	2.7
2000	2,863,529	30,615	2.25	935.3	12,367	\$44.5	\$106.0	\$43,553	3.3	431.1	27.4	3.5
2001	2,918,427	25,460	2.31	941.7	8,646	\$44.6	\$109.0	\$42,516	3.4	363.2	22.8	4.0
2002	2,962,808	16,056	2.37	951.3	12,020	\$44.9	\$111.2	\$41,570	2.8	381.3	22.3	5.0
2003	3,004,371	13,235	2.36	958.9	9,311	\$47.5	\$116.2	\$41,767	2.6	336.4	24.0	4.8
2004	3,036,002	3,661	2.52	968.1	9,322	\$51.7	\$123.6	\$42,547	3.3	306.7	25.8	4.3
2005	3,061,094	-3,698	2.60	976.7	7,211	\$54.6	\$130.2	\$42,528	4.5	317.1	26.7	3.7
2006	3,088,028	-207	2.68	983.1	12,833	\$60.0	\$139.4	\$43,601	3.5	339.6	27.3	3.8
2007	3,112,823	-1,796	2.73	994.9	13,822	\$63.9	\$147.0	\$44,364	2.8	386.6	27.7	4.0
2008	3,136,367	-2,643	2.79	1,007.5	12,802	\$68.6	\$155.4	\$45,120	3.1	428.0	28.1	4.1
2009	3,160,575	-1,707	2.84	1,019.2	9,862	\$73.3	\$164.4	\$45,974	3.0	440.1	28.5	4.1
2010	3,185,115	-1,256	2.89	1,028.2	8,362	\$78.3	\$174.7	\$46,956	3.2	444.3	29.0	4.0
2011	3,210,807	126	2.94	1,035.8	7,722	\$83.5	\$185.8	\$48,067	3.1	449.6	29.8	3.9
2012	3,236,329	-69	2.99	1,042.9	6,839	\$89.1	\$197.2	\$49,185	2.9	450.1	31.1	4.0
2013	3,261,439	-510	3.03	1,049.1	6,358	\$95.0	\$209.3	\$50,301	3.0	455.5	32.3	4.1
2014	3,285,496	-1,582	3.07	1,054.9	5,819	\$101.0	\$221.7	\$51,352	3.0	447.5	33.7	4.2
2015	3,308,560	-2,531	3.11	1,060.2	4,504	\$107.5	\$234.7	\$52,295	3.2	448.8	34.9	4.2
2016	3,330,804	-3,263	3.15	1,064.3	5,617	\$114.2	\$248.3	\$53,205	3.3	436.6	35.9	4.2
2017	3,351,847	-4,266	3.20	1,069.5	4,861	\$121.4	\$262.4	\$54,055	3.4	451.8	36.9	4.3
2018	3,372,460	-4,375	3.24	1,073.9	4,181	\$128.7	\$276.5	\$54,857	3.2	448.5	38.2	4.4
2019	3,392,654	-4,391	3.27	1,077.7	3,518	\$136.6	\$290.7	\$55,555	3.2	433.6	39.5	4.5
2020	3,411,544	-5,352	3.30	1,080.9	3,017	\$144.7	\$305.3	\$56,270	3.1	442.0	40.7	4.5
2021	3,429,975	-5,321	3.33	1,083.7	3,309	\$153.3	\$320.3	\$56,938	3.1	441.2	41.6	4.6
2022	3,447,422	-5,741	3.35	1,086.7	3,532	\$161.9	\$336.0	\$57,596	3.2	456.0	41.9	4.6
2023	3,463,653	-6,219	3.37	1,089.9	3,050	\$170.8	\$352.4	\$58,310	3.1	459.1	41.9	4.7
2024	3,478,734	-6,568	3.39	1,092.7	3,300	\$180.3	\$370.6	\$59,304	3.0	444.5	41.3	4.7
2025	3,493,376	-6,423	3.41	1,095.7	3,450	\$190.9	\$391.3	\$60,531	3.0	422.9	40.6	4.6
2026	3,507,665	-6,121	3.43	1,098.9	3,544	\$201.8	\$412.6	\$61,678	3.1	427.0	40.5	4.5
2027	3,521,805	-5,467	3.45	1,102.1	3,090	\$213.0	\$432.6	\$62,449	3.1	419.0	40.4	4.6
2028	3,534,293	-6,260	3.47	1,105.0	3,088	\$224.9	\$455.6	\$63,423	3.3	426.0	40.7	4.6
2029	3,546,498	-5,759	3.49	1,107.8	2,705	\$237.4	\$479.3	\$64,365	3.3	436.2	41.1	4.6
2030	3,557,672	-5,973	3.51	1,110.2	2,967	\$250.2	\$503.7	\$65,305	3.2	451.7	41.0	4.6



Orange County Employment Forecast

1997-2005 History, 2006-2030 Forecast

	Total Wage & Salary	Farm	Construction	Manufacturing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
-----employment (thousands of jobs)-----												
1997	1,241.8	6.93	59.2	208.7	28.9	208.7	91.8	196.5	32.5	106.2	127.6	133.7
1998	1,307.4	6.47	64.8	215.0	27.7	218.9	99.8	220.6	34.7	108.2	131.3	136.6
1999	1,352.6	6.99	72.2	213.3	28.6	225.1	100.7	235.7	36.5	110.3	137.9	141.6
2000	1,396.2	7.63	77.0	216.7	30.4	228.7	100.8	248.8	41.5	112.8	140.7	146.3
2001	1,421.7	7.09	80.7	208.5	30.4	234.0	105.9	248.4	40.2	114.6	154.3	151.8
2002	1,411.2	7.26	79.2	190.8	28.7	233.8	110.2	248.8	36.8	118.4	155.4	155.4
2003	1,435.9	7.16	83.7	183.9	29.0	236.0	122.2	252.6	35.2	126.3	158.6	153.9
2004	1,463.8	6.69	92.2	183.5	29.2	235.7	132.3	254.9	33.8	131.0	162.9	153.7
2005	1,497.6	5.27	99.2	182.9	28.8	240.5	138.5	267.2	32.8	133.3	164.6	155.6
2006	1,525.1	4.80	105.0	183.2	29.1	244.2	142.0	273.9	33.1	136.0	167.6	156.7
2007	1,546.8	4.55	106.9	183.0	29.3	247.6	144.9	279.1	33.6	139.1	170.8	158.1
2008	1,570.4	4.44	109.2	181.5	29.5	251.2	146.9	284.3	35.9	143.0	174.4	159.5
2009	1,592.9	4.39	109.4	180.3	29.8	255.8	148.4	290.3	37.9	146.8	178.3	160.4
2010	1,619.2	4.36	110.5	179.5	30.2	260.9	149.8	298.5	39.9	150.7	182.3	161.0
2011	1,646.5	4.35	111.3	179.8	30.6	266.0	151.0	308.0	41.8	153.2	186.8	161.5
2012	1,673.3	4.34	110.7	180.5	31.0	270.6	151.7	318.3	43.4	156.8	191.4	161.8
2013	1,700.5	4.34	111.1	181.0	31.5	275.0	152.2	328.9	44.7	160.1	196.2	162.0
2014	1,725.1	4.33	110.3	181.0	31.9	279.3	152.4	339.8	45.9	163.0	201.1	162.1
2015	1,746.8	4.33	106.4	180.5	32.4	283.4	152.6	351.0	46.8	166.8	205.7	162.3
2016	1,770.8	4.30	104.7	180.7	32.8	287.4	152.7	361.7	48.0	170.8	210.0	162.5
2017	1,794.0	4.30	103.6	180.8	33.3	291.4	152.8	372.2	49.1	174.1	213.9	162.7
2018	1,815.4	4.30	103.0	180.9	33.8	295.0	152.9	380.4	50.3	177.7	217.4	163.2
2019	1,830.7	4.27	102.0	181.1	34.3	298.3	153.0	383.6	51.2	181.1	220.7	163.8
2020	1,845.4	4.27	101.1	180.8	34.8	301.3	153.2	387.1	52.0	184.8	223.5	164.7
2021	1,858.3	4.26	99.9	181.2	35.4	304.3	153.2	388.6	52.9	188.0	226.3	165.6
2022	1,868.5	4.29	98.4	181.6	35.9	307.1	153.2	388.3	53.7	190.9	229.3	166.4
2023	1,878.2	4.31	97.6	181.8	36.5	309.7	153.4	386.8	54.6	193.8	232.4	167.3
2024	1,888.9	4.30	96.0	182.4	37.1	312.0	153.6	386.7	55.2	196.6	235.9	168.2
2025	1,901.3	4.25	94.6	183.1	37.6	314.3	154.0	387.4	55.8	199.9	239.6	169.2
2026	1,915.8	4.22	93.4	183.3	38.2	316.7	154.3	390.4	56.4	203.0	243.4	170.2
2027	1,926.3	4.18	91.7	183.5	38.8	318.9	154.7	391.0	56.9	205.5	247.0	171.2
2028	1,939.0	4.17	89.7	183.8	39.3	321.2	154.9	393.9	57.2	208.1	250.7	172.3
2029	1,950.2	4.17	87.8	183.9	39.8	323.6	155.0	395.7	57.5	210.6	254.3	173.3
2030	1,960.2	4.21	85.6	183.9	40.3	325.9	155.1	397.1	57.7	212.9	257.9	174.3

