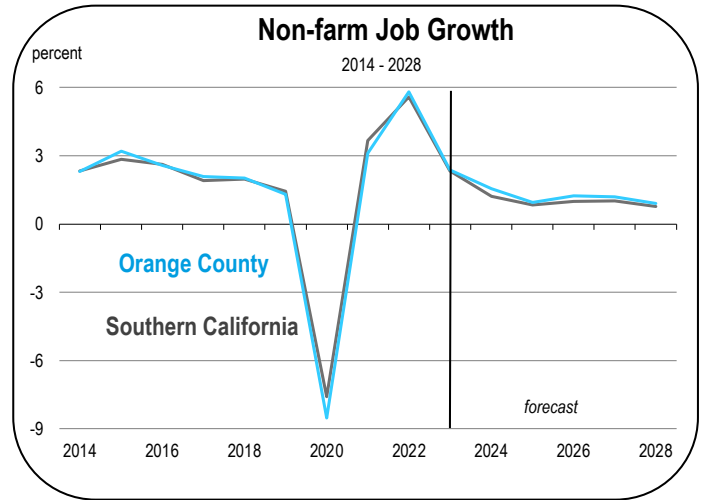


# Orange County Economic Forecast

## Forecast Summary

- About 90,000 non-farm jobs were reinstated in 2022. This is the largest annual increase in employment ever recorded in Orange County.
- Total employment will return to pre-pandemic levels by mid-2023.
- Employment gains in 2023 will be largest in leisure services, healthcare, and professional business services.
- The unexpected surge of tourism occurring after the reopening of both Disneyland and Knott’s Berry Farm have continued to accelerate the recovery of tourism and the leisure and hospitality sector in the county.
- Demand for travel and amusement parks is producing a substantial boost to economic growth in Orange County employment, consumer spending, and tax receipts to municipalities.
- The unemployment rate averaged 3.2 percent in 2022 and is expected to average 3.5 percent in 2023.
- The population has been in decline since 2019. It is expected to continue declining over the forecast period.
- Housing production was unspectacular during 2022, continuing the downward drift in new housing permits that has persisted over the last 5 years. Though a minor rebound is forecast in 2023, total housing production over the 2023-2028 period will decline by an average of seven percent annually.
- Home prices rose sharply in 2022, increasing by 14.7 percent. In 2023, home prices are expected to modestly contract 1.5 percent.
- Future development will remain a principal engine of growth for Orange County. One of the largest master-planned projects in Southern California is ocV!BE which will transform the Anaheim entertainment area east of Disneyland between now and 2028.

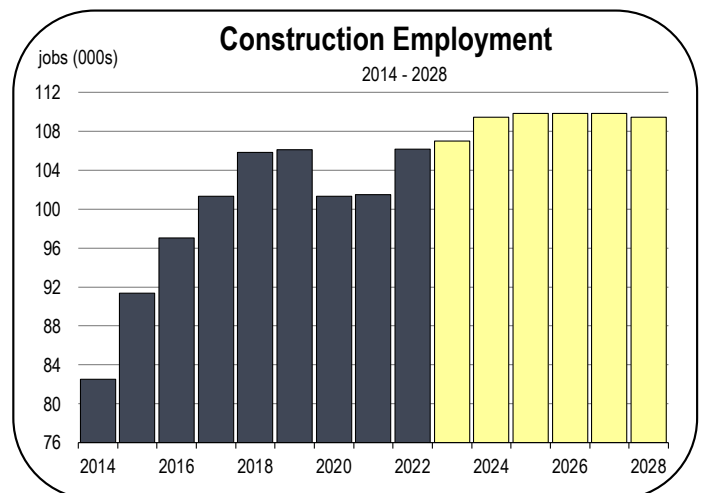
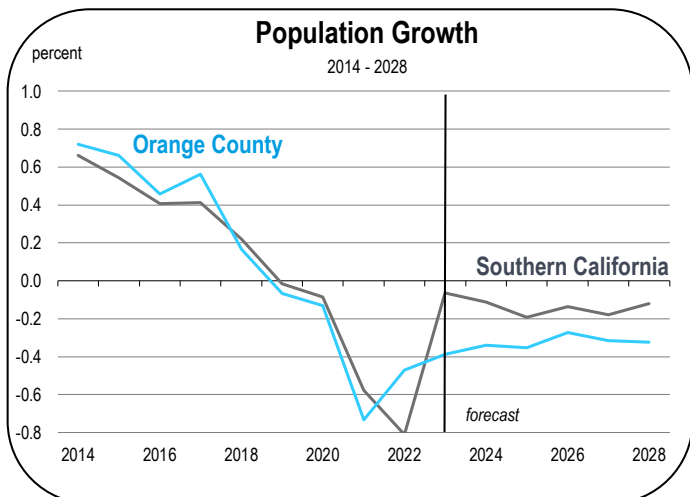


## Job Growth

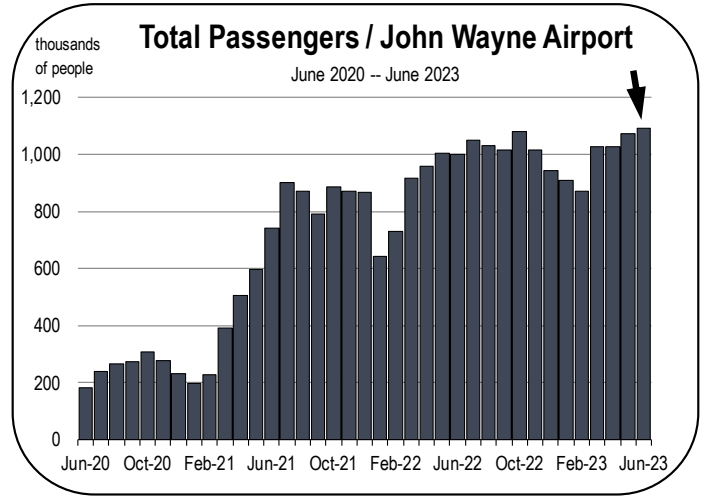
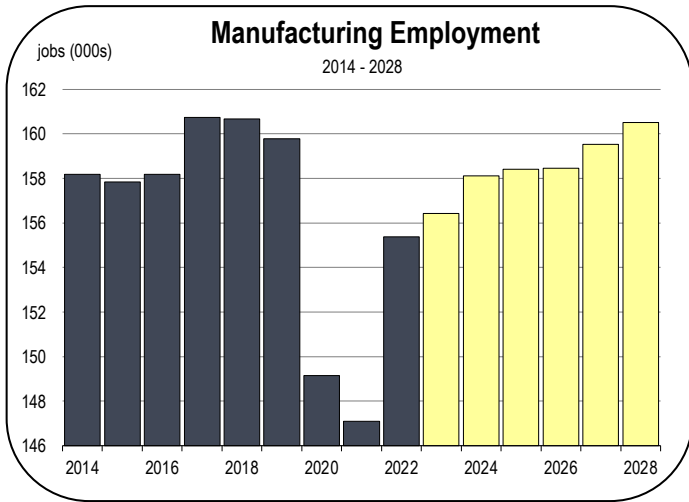
- Total employment in Orange County will expand by 5.8 percent in 2022 and 2.4 percent in 2023.
- Over the entire forecast period, job growth in Orange County will average 1.2 percent per year which moves in tandem with the overall job growth of Southern California.

## Construction Employment

- Orange County employed an additional 4,700 construction workers in 2022. 900 new jobs are in the forecast for 2023, pushing the total construction workforce to the highest level since the housing bubble years of 2006-2007.
- After 2024, the Orange County construction workforce is forecast to level off as housing production declines.
- However, visitor serving projects will keep construction crews busy in the County over the extended forecast period.



# Orange County Economic Forecast

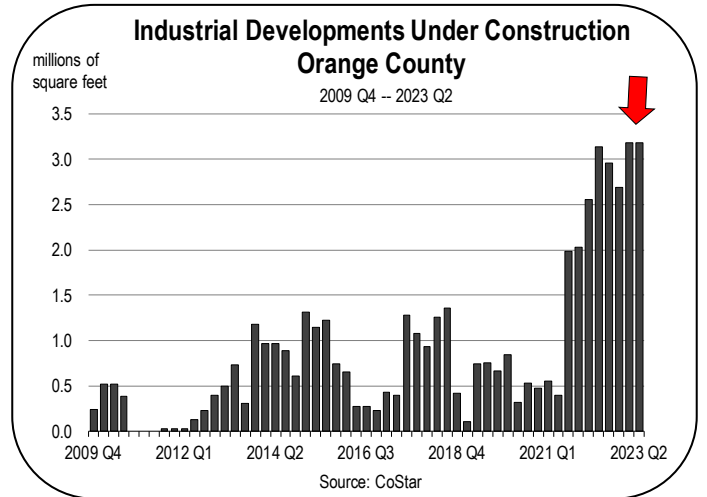
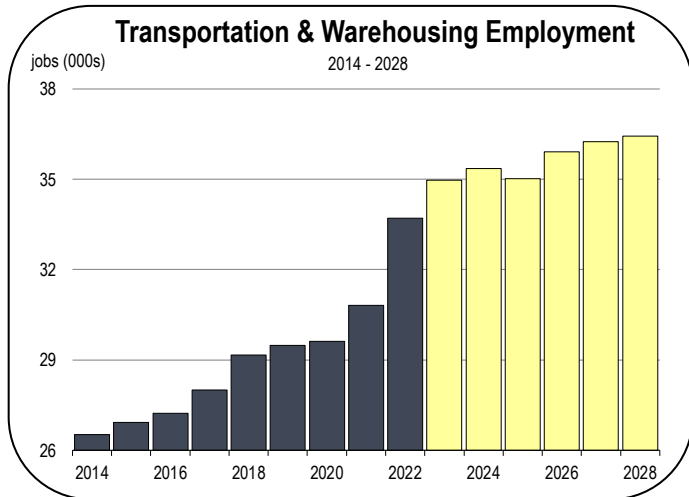


## Manufacturing Employment

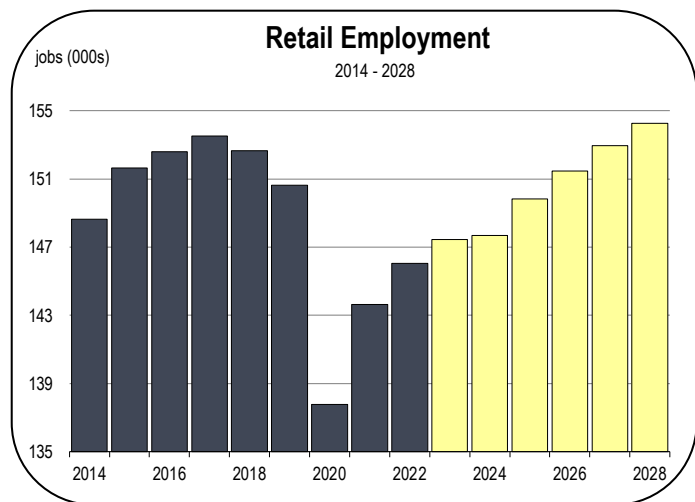
- Manufacturing employment rose significantly by 5.6 percent with the restoration of 8,300 jobs during 2022 bringing the employment level in this sector near to the level it was just prior to the pandemic. Job growth will slow in 2023 to 0.7 percent with the addition of 1050 workers.
- The largest firms are Edwards Lifesciences in Irvine with 5,300 employees, followed by Yokohama Tire Corporation in Santa Ana, and Cal Tech Precision in Anaheim.
- The industry has evolved largely toward advanced manufacturing applications which are less labor intensive. As a result, minimal average annual growth of 0.5 percent is expected over the forecast period.

## Transportation and Warehousing Employment

- Transportation and warehousing employment rose by 9.4 percent in 2022 with the addition of 2,900 jobs.
- Passenger enplanements and deplanements are now at record levels at John Wayne International Airport.
- In 2023, this sector will add 1,300 new jobs representing a growth rate of 3.7 percent. The spate of new industrial space in Orange County and the conversion of retail to industrial, distribution, and fulfillment uses is supporting growth for employment in this industry.
- Growth, however, will slow over the forecast period to an average annual growth rate of 0.8 percent.



# Orange County Economic Forecast

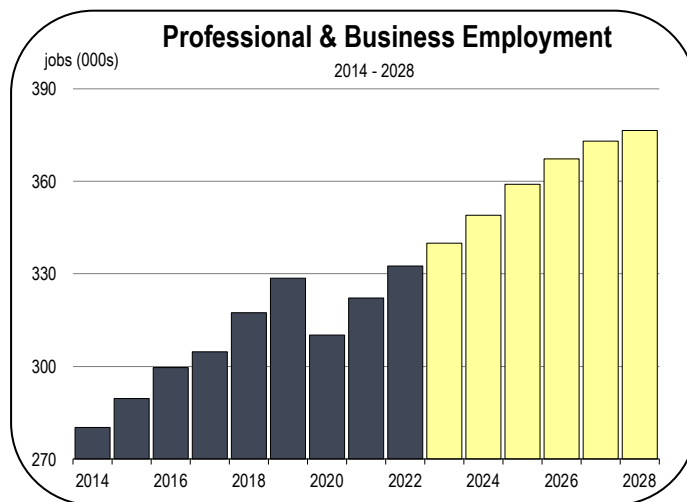
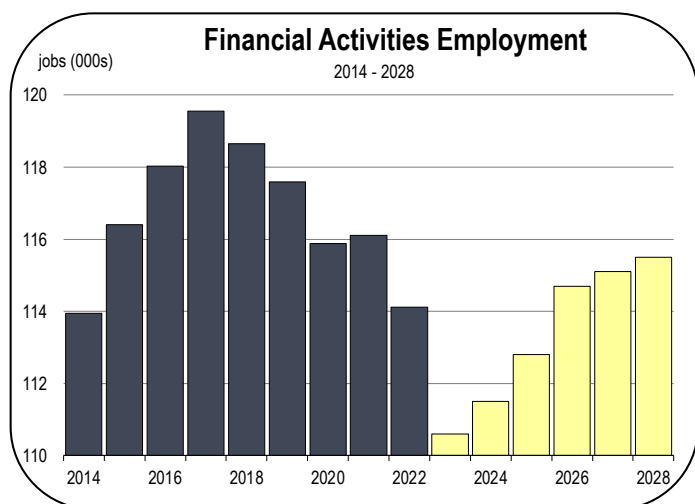


## Retail Trade Employment

- Jobs in the retail sector increased 1.7 percent in 2022 and are forecast to increase an additional 1.0 percent in 2023. Combined, this will result in the addition of approximately 3,800 jobs.
- In Orange County, new retail centers within office and housing projects will require more workers, offsetting the downward trajectory in retail due to automation and ongoing consumer substitution from physical stores to online e-commerce. As a result, retail jobs are forecast to grow an average 0.9 percent per year with the addition of almost 7,000 jobs over the next five years.
- Retail sales and the tax dollars that associate with these transactions will continue to rise over the next several years.

## Financial Activities Employment

- Employment in all sub-sectors of financial activities, including real estate firms, car rental agencies, banks, and asset management



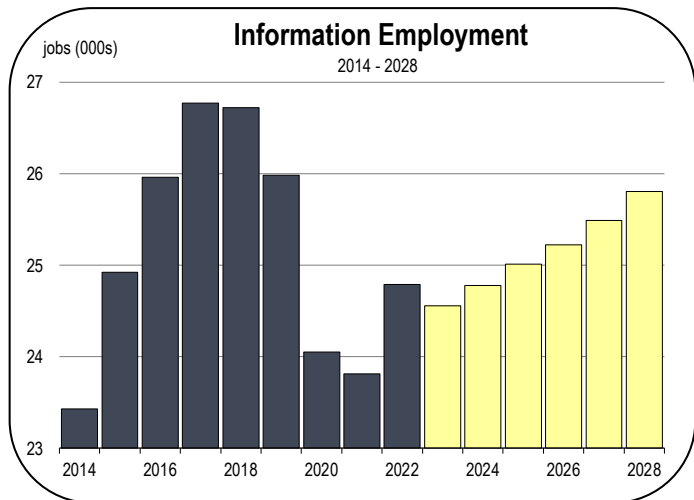
companies, fell 1.7 percent in 2022. Higher mortgage rates have impacted mortgage and escrow companies and the real estate industry.

- This industry is subject to labor saving technology and automation which has reduced the workforce over time. The contraction will continue in 2023 with negative growth of 2.4 percent and a consolidation of 3,000 jobs. Much of this downward movement in financial services jobs occurs in the mortgage and regional banking sectors.
- A recovery in financial sector employment is forecast over the 2024-2028 period. The leading subsector will be real estate brokers, their staffs, and mortgage brokers. By 2028 job restoration from the low point of 2023 will approach 6,000 jobs. The average annual growth rate is 0.9 percent.

## Professional and Business Services Employment

- The professional and business services industry experienced significant growth of 3.2 percent in 2022, adding 10,300 workers.
- The largest job gains were observed in professional, scientific and technical services.
- This same subsector will continue to generate the largest job gains in 2023. Employment growth of 2.2 percent is expected with the addition of 7,300 jobs. Computer systems design employment also remains a consistently growing sector of the broader industry.
- The overall professional and business services industry is forecast to average annual growth of 2.1 percent in the next five years. This will result in the gain of over 36,000 jobs.

# Orange County Economic Forecast

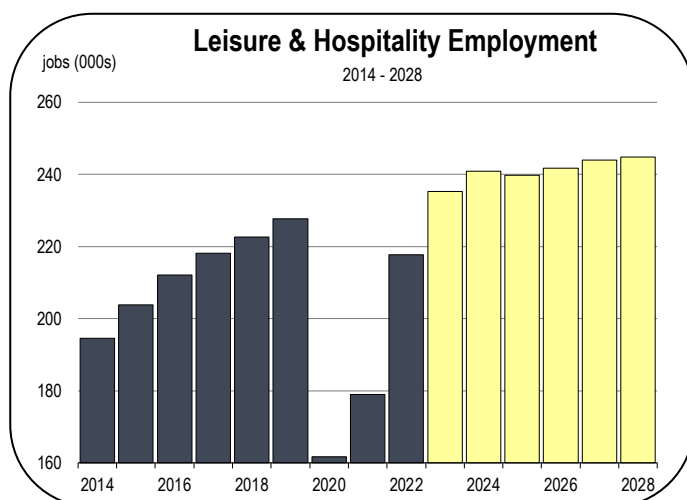
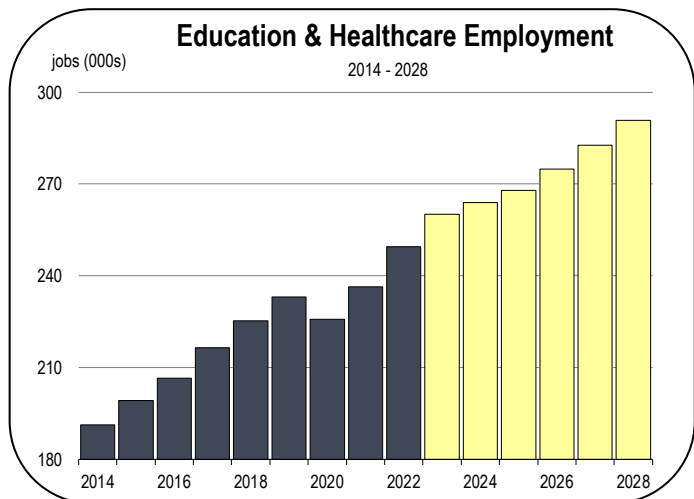


## Information Employment

- In Orange County, the information sector is dominated by software publishing, telecommunications, and Internet/data services.
- Across all subsectors, approximately 1,000 jobs were gained in 2022. A slight contraction of 1.0 percent is forecast for 2023, but average annual growth of 1.0 percent will persist over the forecast period.

## Private Education and Healthcare Employment

- Despite rapid employment growth of 5.5 percent in 2022 and the projected growth 4.2 percent in 2023, unfilled healthcare job positions still represent the most of any other industry in the county.
- Healthcare is the second largest employer in the county, just behind professional and business activities.
- Employment at medical clinics, doctor and dentist offices dominated the growth of healthcare jobs during 2022.



- Healthcare firms represent some of the largest employers in the County. Providence Health employs 12,866 workers; Kaiser Permanente has 8,050 employees, Hoag Memorial Hospital is third with 6,710 employees, and MemorialCare has 5,500 workers.
- Nearly 3,000 jobs were created at private educational institutions in 2022. The largest private universities are Chapman University, the University of La Verne, and Occidental College.
- The sector is forecast to add another 4,000 jobs in 2024, and over 30,000 in the next five years.

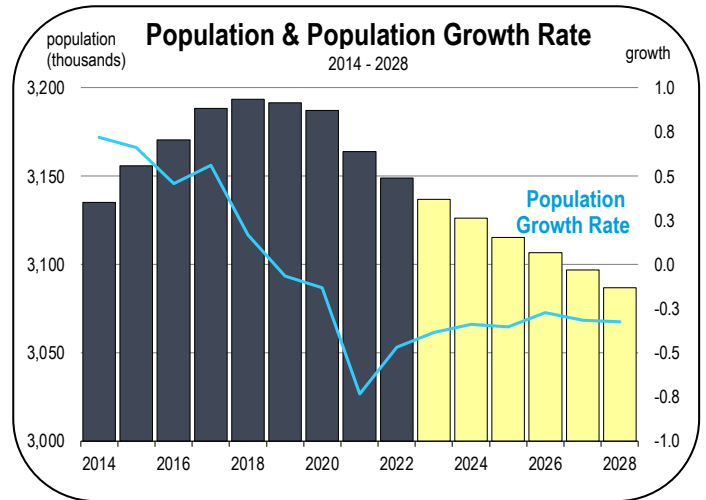
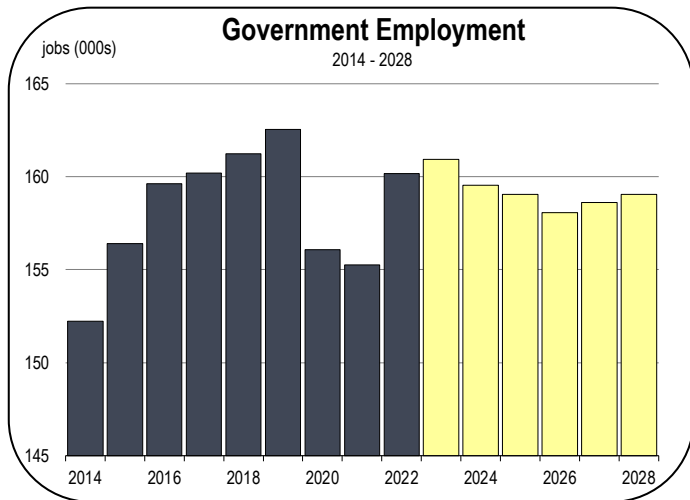
## Leisure and Hospitality Employment

- The largest company in the leisure/hospitality/amusement sector is The Walt Disney Company, with 28,000 employees in Orange County alone.
- Leisure and hospitality employment rebounded sharply during 2022 due to the surge in travel, dining, drinking, and recreation throughout Orange County and most of the California coast. The sector added almost 39,000 jobs, a growth surge of 22 percent over 2021.
- Significant growth will continue in 2023 at a pace of 8.0 percent, generating an additional 17,500 new jobs. Job gains will moderate over the forecast period growing at an annual average rate of 0.8 percent.

## Government Employment

- State and local government departments and schools restored 5,200 jobs in 2022, following the pandemic-influenced reduction of over 7,000 workers from May 2020 to May 2021.

# Orange County Economic Forecast



- The two largest organizations are (1) UC Irvine employing 25,500 staff, faculty, and administrators, and (2) the County of Orange, with 18,600 positions. UCI and the County are the number 2 and number 3 largest employers in Orange County after Disney.
- UC Irvine has limited capacity for increased on-campus enrollments but is planning a 20 percent increase in online student opportunities by 2030.
- Total government employment led by the state and local public sector inclusive of the schools and universities will increase by 750 jobs in 2023. However, over the forecast period, 1,900 jobs will be lost.

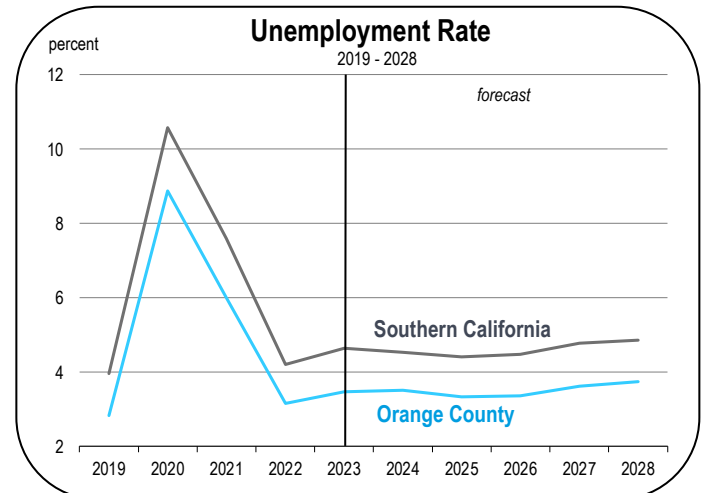
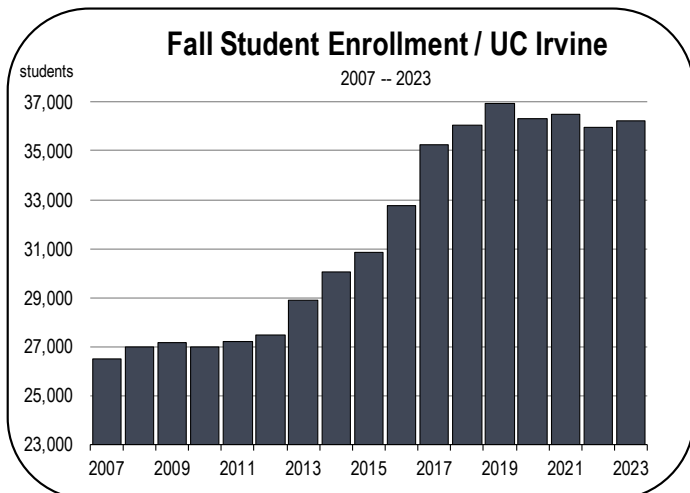
- Over the forecast period, no change in the out-migration trend is expected. Between 2024 and 2028, an average of 14,600 net residents will depart Orange County.
- The natural population increase is still positive, but the extent of net out-migration will result in a gradual decline in population over the forecast.

## Population Growth

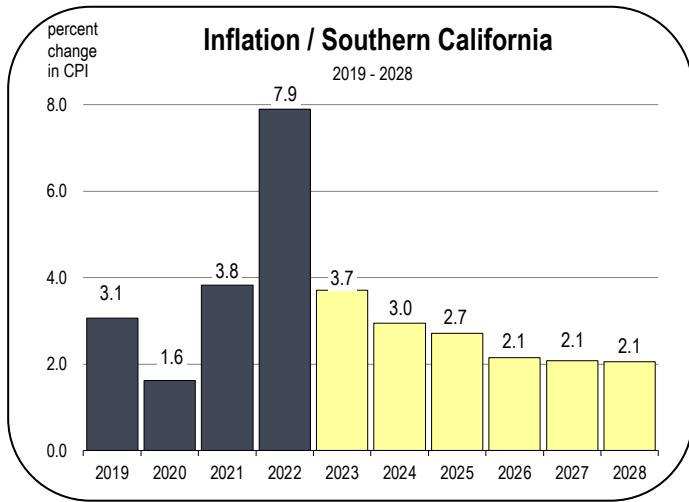
- The Orange County population declined in 2022 by 15,000 residents. The annual decline is part of a trend that started in 2019.
- An estimated 22,000 net in-migrants left the county in 2022. An additional 18,500 are expected to leave in 2023. Housing affordability is the major issue impacting residents contributing substantially to out-migration.

## Unemployment and Inflation Rates

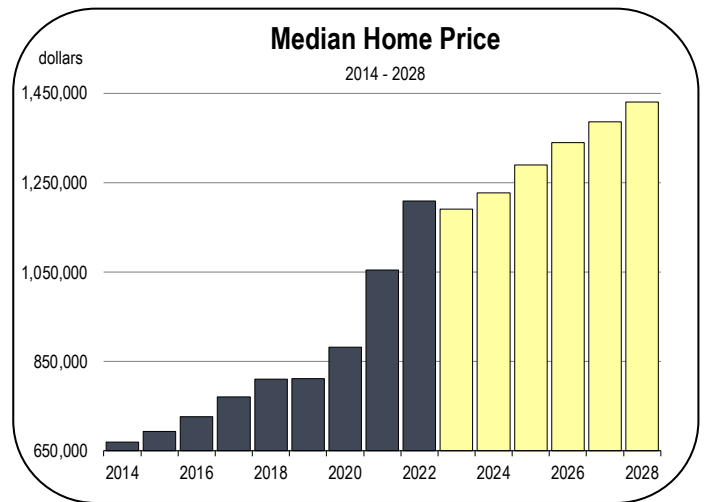
- The unemployment rate in Orange County averaged 3.2 percent in 2022, which was lower than the composite rate for Southern California.
- Even with a slowing national and state economy in 2023, the labor markets will remain strong, and the rate of unemployment is not expected to rise beyond 3.5 percent.
- Inflation soared to 7.9 percent in 2022, its highest rate in 40 years, but will decelerate in 2023 to 3.7 percent due largely to declining energy costs and the restoration of supply chains.



# Orange County Economic Forecast



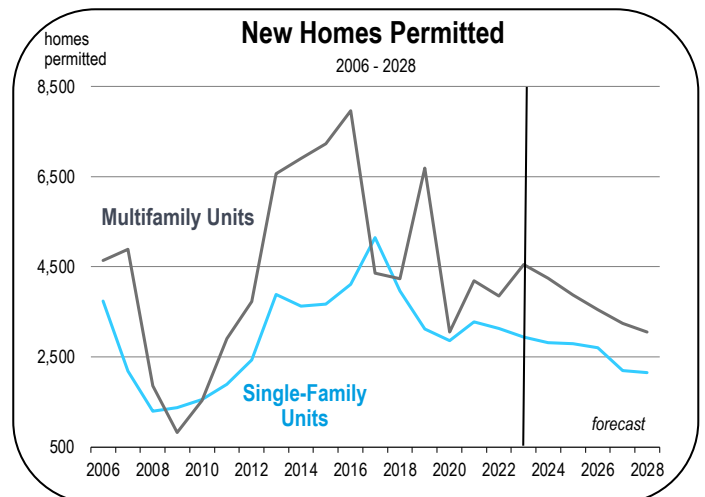
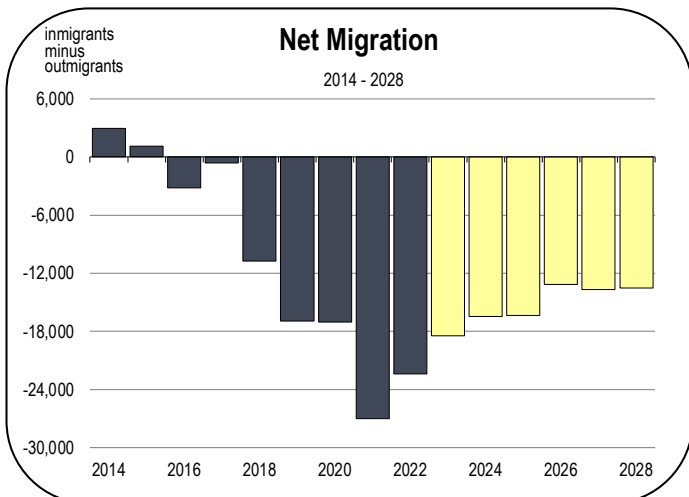
- Ultimately, inflation reduces the purchasing power of households and negatively impacts consumer confidence, limiting the growth potential of the economy in 2023.
- The rate will continuously decelerate over the forecast period as the labor force is gradually restored and interest rates subside. The wildcard risk to the forecast is whether Congressional spending will subside. During 2021 and 2022, this was a principal contributor to the spate of inflation in the United States.
- Inflation is decelerating in 2023, largely because the economy has slowed and wage increases are also subsiding. The economic slowdown is moderating the demand for labor, and this has led to lower wage inflation. Average general inflation rates eventually decline to 3 percent again by 2024.



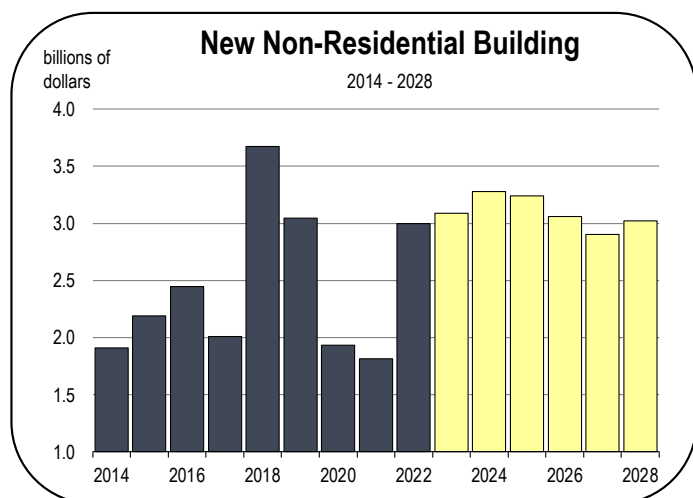
- Home selling prices will match the 2022 level of selling values or decline marginally or between 1 and 2 percent in 2023. The historic trend of property appreciation will continue over the forecast period averaging annual growth of 3.7 percent.
- Home selling values span a wide range by city, depending on coastal versus inland location in Orange County.
- A 20 percent down payment on the median priced home would be approximately \$250,000, which is out of reach for most households.
- Rising interest rates, combined with home prices that have reached historic levels, have served to price many households out of the ownership market.
- From 2017 to 2022, an average of 8,000 new homes were authorized per year. Multifamily units accounted for 55 percent of all units.
- Housing production will average 6,350 homes per year from 2023 to 2028. Approximately 59 percent will be multifamily units.

## Home Prices and New Housing Production

- The median home price for all homes sold in 2022 was \$1,210,000, an increase of 14.7 percent from the previous year.



# Orange County Economic Forecast



Rancho Mission Viejo

- Housing production peaked in Orange County in 2016. The volume of new home permits will continue on a downward trend over the forecast period. Apartments represent the principal new housing throughout the County.
- Between 2017 and 2022, 48,000 units were approved and permitted. Over the next 5 years, the forecast calls for 38,000 new homes to commence construction.

## New Development in Orange County

### New Aquatics Center for upcoming Olympics

- As of January 10, 2023 the Irvine city council reviewed and approved moving forward with phase 1 of the Great Park framework plan. This phase alone is expected to cost \$625 million. The framework plan was approved in July 2022 and divides the park into four sectors:
  - the Botanic Gardens
  - the Heart of the Park
  - the Sports Park
  - the Cultural Terrace
- However, as of March 2023 the city council voted to prioritize an Olympics Aquatic Center at the Great Park location. This aquatic center is a \$90 million project that is intended to host an event at the 2028 Los Angeles Olympics. Unfortunately, with the addition of this aquatic center, the budget of the Great Park isn't large enough to include all the amenities of the original framework plan. Consequently, how the Olympics Aquatic Center will evolve is still uncertain.

### Rancho Mission Viejo

- Rancho Mission Viejo, the mega development in Southern Orange County, is one of the largest residential projects in all of Southern California. Several of the project's neighborhoods are already built and occupied, but the entire project will contain 14,000 homes, with as many as 6,000 reserved for seniors.
- Rancho Mission Viejo residents will soon have a new shopping and community center, after Newport Beach-based real estate development company Westar Associates announced its plans to break ground in April 2023. The center will span 175,000 square-feet and include a supermarket, gym, gas station, retail services and restaurants. The center will also include an open area called "The Commons" which will sit in the center of the community for concerts, movie nights, and other events.

### Huntington Gateway Business Park Project

- The project by Sares Regis is the largest industrial buildout in the County, following the soon-to-be-completed Goodwin Logistics Center in Fullerton. The Business Park includes five new industrial buildings totaling 1,020,000 square feet. Development of phase II is currently underway. More than 700,000 SF is leased. Phase III is also in plan check, and will consist of three industrial buildings totaling 342,000 square feet, and two retail pads with drive through totaling 9,200 SF.

# Orange County Economic Forecast

## One Metro West

- A mixed-use community that brings 1,057 multifamily residences, 25,000 square feet of office space, 6,000 square feet of specialty retail, a park, and an event plaza to Costa Mesa in the northwest corner of the city, adjacent to the 405 Freeway. The project is approved and is currently in pre-construction planning. Measure K, passed in November 2022 paves the way for this project to proceed.

## Hotels

- The 350-room Disney Vacation Club Tower, as part of the larger Disneyland Resort, is currently underway in Anaheim. A tentative date for completion is late 2024.
- The 295-room Pendry Newport Beach Hotel is under construction on Fashion Island and will open This Summer. It includes 14,000 SF of conference space.
- The 138-room Marriott Residence Inn is near completion in Brea, with an anticipated opening data of June 1, 2023.
- Sunset Beach hotel is in plan check in Huntington Beach. The project would include the demolition of an existing car wash in order to construct a three-story, 12-unit hotel with a 1,800 SF commercial tenant space on the ground floor.
- The Verano 8 complex is a massive 7-story 488,000-square foot housing project with 1,055 beds, principally designed for graduate students at UC Irvine. The project was completed in August 2022 and includes parking, study spaces, a lobby, a dog park, basketball and volleyball courts and a community center.

## ocV!BE

- A 4-billion dollar mixed use entertainment distinct in Anaheim was approved in the Fall of 2022. The project will be called ocV!BE, an ambitious master-planned community in the heart of Anaheim adjacent to the Honda Center and Angel Stadium. It will include a 5,700-seat concert hall, 1,500 new residential units including 195 affordable housing units, a 50,000 square foot food hall, 20 acres of public space, dozens of restaurants and retail, 2 new hotels consisting of 550 rooms total, 1-million square feet of office space, and 8,000 parking spaces all across a 100 acre development. This massive project is planned to be completed by the 2028 Summer Olympics in Los Angeles.



Rendering of One Metro West





# Orange County Economic Forecast

## Socioeconomic Indicators

