

ORANGE COUNTY ECONOMIC FORECAST

The population of Orange County is nearly 3.1 million people. In any given year it is the third or second largest county in California, depending on population trends in neighboring San Diego County, which also has a population of 3 million. There are more than 1.5 million wage and salary jobs located in the county. Employment growth in services such as healthcare, leisure, and professional services remains strong. Employment in construction has also jumped sharply in the past four years. Employment in manufacturing has been flat since 2003, after heavy job losses in the early part of the decade.

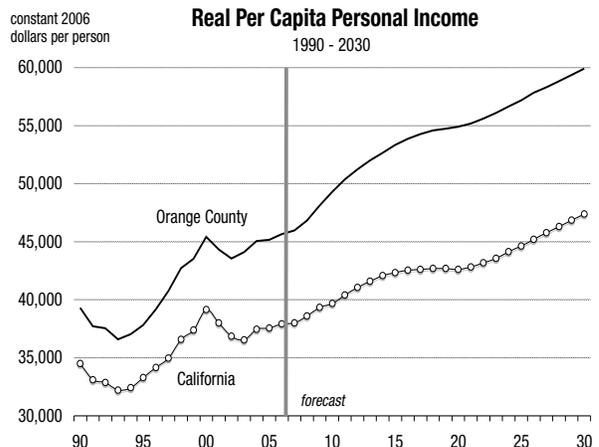
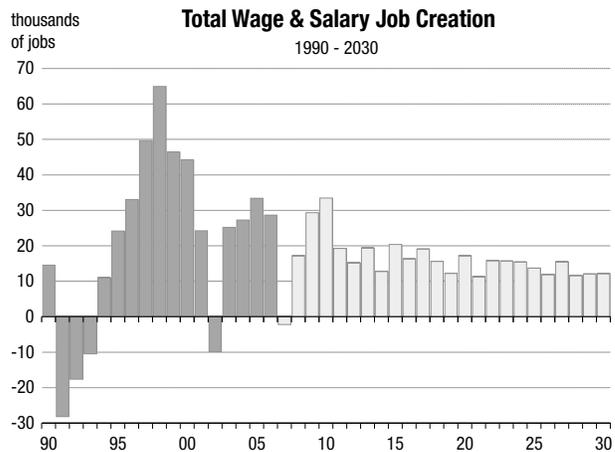
Economic growth in Southern California has been strong during the decade, but was even more impressive during 2006. Last year 29,000 jobs were created in Orange County, representing a growth rate of 1.9 percent. The unemployment rate fell to 3.4 percent in 2006, indicative of a tight labor market.

The net population gain from January 2006 to January 2007 in Orange County was 26,000 people, 30 percent of which was located in Irvine, the fastest growing city in the county.

The current nationwide downturn in residential real estate will have a large impact on Orange County. Recent growth in the county has been driven in part by the expansion of mortgage loan companies headquartered in Orange County. In the past year, a number of these companies have significantly downsized or declared bankruptcy as loan volumes declined and loan defaults rose. Heavy job losses in the financial sector are expected in 2007 and 2008, but are not expected to derail the county economy, especially past 2008. However, commercial markets will experience higher vacancy rates and less new construction due to the downsizings in the office-using financial sector.

FORECAST HIGHLIGHTS

- Job growth falls sharply in 2007, averaging -0.1 percent. Job growth rebounds in 2008 to 1.1 percent. Over the next five years, the average annual growth rate is 1.2 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 1.2 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, information services and leisure services is expected to grow more than 10 percent between 2007 and 2011. Employment in financial services declines by nearly 20,000 jobs by 2008.

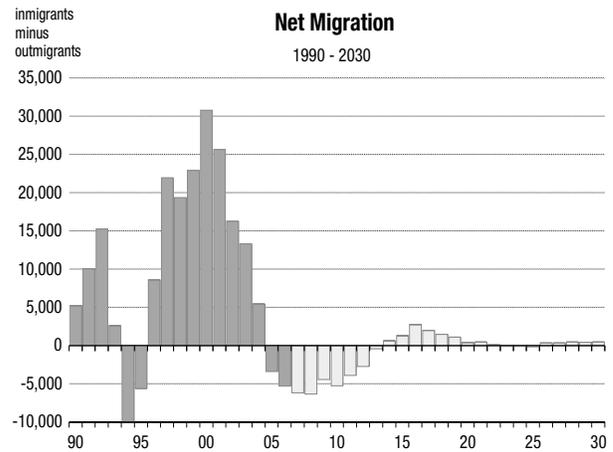
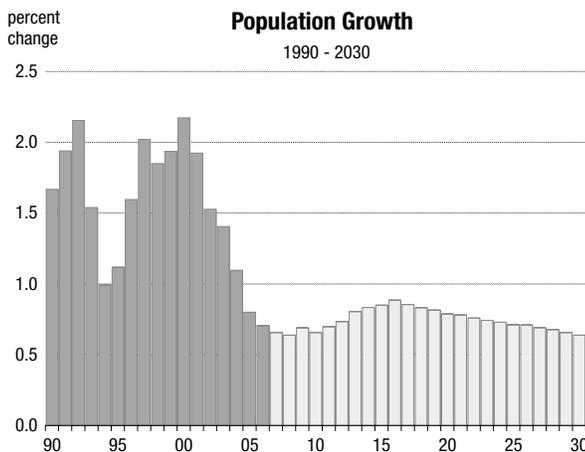


- Annual population growth in the 2007 to 2011 period averages 0.7 percent per year.
- Net migration has fallen significantly since 2000 and turned negative in 2005 and 2006. On average between 2007 and 2011, the forecast has approximately 5,200 net migrants leaving the county per year.
- Real per capita incomes increase at a rate of 0.7 percent in 2007. An annual compound rate of growth of 2.0 percent is forecast over the next 5 years.
- Total taxable sales are expected to increase by an average of 6.9 percent over the next five years.
- Industrial production will increase by 4.0 percent in 2007. From 2007 to 2011, the industrial production will average gains of 3.8 percent per year.

Orange County Economic Forecast

1997-2006 History, 2007-2030 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	\$40,752	1.7	363.0	21.9	3.3
1998	2,749,564	19,353	2.12	892.5	10,101	\$37.1	\$90.6	\$42,724	1.4	378.5	23.1	2.9
1999	2,802,818	22,924	2.16	900.6	12,348	\$40.4	\$96.3	\$43,532	2.3	432.9	24.6	2.7
2000	2,863,706	30,792	2.25	935.3	12,367	\$44.5	\$106.0	\$45,408	3.3	449.5	27.2	3.5
2001	2,918,791	25,647	2.31	941.9	8,646	\$44.6	\$109.0	\$44,325	3.4	378.7	22.9	4.0
2002	2,963,394	16,278	2.37	951.4	12,020	\$44.9	\$111.8	\$43,548	2.8	397.6	21.8	5.0
2003	3,005,043	13,321	2.36	959.1	9,311	\$47.5	\$117.7	\$44,096	2.6	350.8	23.2	4.8
2004	3,037,949	5,443	2.52	966.9	9,322	\$51.7	\$125.7	\$45,058	3.3	319.8	24.1	4.3
2005	3,062,275	-3,373	2.50	976.5	7,206	\$55.1	\$132.6	\$45,155	4.5	325.7	24.4	3.8
2006	3,083,894	-5,293	2.55	982.7	8,371	\$57.9	\$140.7	\$45,638	4.3	306.6	24.7	3.4
2007	3,104,193	-6,179	2.57	988.8	8,418	\$63.2	\$147.8	\$45,969	3.6	316.5	25.7	4.0
2008	3,124,024	-6,333	2.60	996.5	12,741	\$67.5	\$155.3	\$46,824	2.5	328.2	26.8	3.9
2009	3,145,581	-4,426	2.65	1,008.1	11,714	\$71.6	\$164.7	\$48,102	2.5	317.4	27.8	3.6
2010	3,166,277	-5,260	2.70	1,018.8	11,989	\$76.2	\$175.2	\$49,296	3.1	305.0	28.8	3.4
2011	3,188,408	-3,887	2.75	1,029.8	11,128	\$80.8	\$185.3	\$50,355	2.9	299.2	29.7	3.7
2012	3,211,826	-2,721	2.78	1,039.9	7,460	\$85.3	\$195.1	\$51,223	2.7	292.6	30.7	3.9
2013	3,237,694	-395	2.81	1,046.8	7,684	\$90.0	\$205.3	\$51,986	2.8	293.8	31.7	3.9
2014	3,264,714	644	2.84	1,053.8	6,319	\$94.7	\$215.6	\$52,647	2.8	283.7	32.8	4.1
2015	3,292,446	1,299	2.88	1,059.6	5,004	\$99.7	\$227.0	\$53,327	3.1	284.2	33.8	4.0
2016	3,321,645	2,750	2.91	1,064.1	5,617	\$104.8	\$238.6	\$53,861	3.2	272.0	34.7	4.0
2017	3,350,080	1,981	2.94	1,069.3	4,861	\$110.1	\$250.2	\$54,270	3.2	287.9	35.7	4.0
2018	3,378,003	1,484	2.98	1,073.7	4,181	\$115.0	\$261.5	\$54,582	3.0	285.3	36.9	4.1
2019	3,405,545	1,096	3.00	1,077.5	3,518	\$119.9	\$272.4	\$54,735	3.0	270.9	38.1	4.1
2020	3,432,369	407	3.03	1,080.7	3,017	\$124.6	\$283.6	\$54,900	3.0	279.9	39.3	4.0
2021	3,459,180	463	3.06	1,083.5	3,309	\$129.1	\$295.7	\$55,170	3.0	279.8	40.2	4.1
2022	3,485,473	86	3.08	1,086.5	3,532	\$133.8	\$309.4	\$55,606	3.0	294.9	40.8	4.0
2023	3,511,385	-86	3.10	1,089.7	3,050	\$138.5	\$323.7	\$56,094	3.0	298.3	41.5	4.0
2024	3,537,021	-94	3.13	1,092.5	3,300	\$143.2	\$338.6	\$56,648	2.8	283.6	42.4	4.0
2025	3,562,233	-172	3.15	1,095.5	3,450	\$148.1	\$354.1	\$57,180	2.9	261.8	43.2	4.1
2026	3,587,544	337	3.16	1,098.7	3,544	\$153.2	\$371.2	\$57,827	2.9	266.1	44.0	4.1
2027	3,612,399	339	3.18	1,101.9	3,090	\$158.7	\$388.1	\$58,305	3.0	258.2	44.6	4.0
2028	3,636,897	487	3.20	1,104.8	3,088	\$164.7	\$406.8	\$58,837	3.2	265.5	45.4	4.1
2029	3,660,821	441	3.22	1,107.6	2,705	\$171.0	\$426.3	\$59,370	3.2	275.8	46.3	4.1
2030	3,684,203	461	3.23	1,110.0	2,967	\$177.3	\$446.3	\$59,914	3.1	291.4	47.2	4.1



Orange County Employment Forecast

1997-2006 History, 2007-2030 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	1,240.7	6.93	58.9	207.6	29.6	207.8	91.6	195.6	32.3	105.7	131.2	132.7
1998	1,305.7	6.58	64.9	213.3	28.6	217.2	99.5	219.1	34.4	107.1	136.0	136.4
1999	1,352.2	6.99	71.8	212.1	29.0	223.8	101.2	234.4	36.3	109.6	142.6	141.1
2000	1,396.5	7.63	76.6	215.5	30.3	227.8	100.9	247.5	41.2	112.1	145.9	146.6
2001	1,420.8	7.09	80.8	209.0	30.5	231.9	106.1	249.0	40.3	114.8	154.6	150.9
2002	1,411.0	7.26	79.2	190.8	28.7	233.8	110.2	248.8	36.8	118.4	155.4	155.1
2003	1,436.2	7.16	83.7	183.9	29.0	236.0	122.2	252.6	35.2	126.3	158.6	154.2
2004	1,463.4	6.69	92.2	183.5	29.2	235.7	132.3	254.9	33.8	131.0	162.9	153.4
2005	1,496.8	5.49	99.7	183.1	28.7	241.2	138.5	264.7	32.8	133.4	165.0	155.3
2006	1,525.5	5.44	107.0	183.4	28.4	242.3	139.0	274.8	31.7	138.9	169.5	156.5
2007	1,523.4	5.39	105.2	182.1	28.6	245.1	123.8	279.2	32.3	141.8	173.2	157.7
2008	1,540.6	5.38	102.0	181.2	28.8	248.6	119.6	291.1	32.7	145.6	177.3	158.9
2009	1,570.0	5.34	104.9	180.7	29.0	252.4	120.1	301.5	33.2	149.6	183.1	160.1
2010	1,603.5	5.29	107.6	179.6	29.2	256.7	123.1	314.8	35.1	154.5	186.4	160.8
2011	1,622.8	5.23	111.3	179.2	29.4	261.1	125.9	315.7	36.9	157.0	188.8	161.5
2012	1,638.1	5.17	109.6	178.8	29.5	265.1	128.8	317.9	38.4	160.4	191.0	161.9
2013	1,657.5	5.13	112.8	178.3	29.6	269.0	131.9	320.7	39.7	163.7	192.7	162.1
2014	1,670.3	5.07	113.9	177.4	29.7	272.6	134.4	321.9	40.7	166.4	193.4	162.4
2015	1,690.8	5.03	115.4	176.2	29.7	276.0	136.1	329.9	41.7	170.6	194.5	162.6
2016	1,707.1	4.97	116.3	175.9	29.7	279.3	137.0	333.3	42.7	174.7	196.6	162.9
2017	1,726.2	4.96	119.0	175.4	29.7	282.5	137.9	338.8	43.8	178.2	198.3	163.2
2018	1,741.8	4.95	119.7	175.1	29.7	285.3	138.4	343.1	44.9	181.9	200.0	163.7
2019	1,754.1	4.91	120.2	174.8	29.7	287.8	138.8	345.4	45.8	185.5	201.0	164.4
2020	1,771.3	4.90	122.8	174.0	29.7	290.1	139.1	351.7	46.6	189.5	201.2	165.4
2021	1,782.6	4.89	122.7	173.4	29.6	292.3	139.7	354.2	47.3	192.7	202.4	166.3
2022	1,798.5	4.92	124.2	172.9	29.6	294.4	140.3	359.2	48.1	195.8	204.1	167.3
2023	1,814.2	4.95	125.4	172.6	29.6	296.2	141.8	363.4	48.9	198.9	205.7	168.2
2024	1,829.7	4.94	126.9	172.5	29.6	298.0	143.5	366.8	49.6	201.5	207.7	169.1
2025	1,843.4	4.87	127.1	172.7	29.6	299.7	144.6	370.1	50.3	204.5	209.5	170.2
2026	1,855.4	4.84	127.5	173.0	29.6	301.5	144.8	372.1	51.0	207.2	211.8	171.2
2027	1,870.9	4.79	129.2	173.4	29.6	303.2	145.1	376.7	51.8	209.4	214.0	172.3
2028	1,882.6	4.77	129.8	173.9	29.5	305.1	144.8	378.6	52.6	211.6	216.2	173.4
2029	1,894.7	4.78	129.7	174.5	29.5	306.9	144.6	381.5	53.4	213.7	218.6	174.4
2030	1,906.9	4.83	130.0	175.0	29.5	308.8	144.7	384.1	54.1	215.7	221.0	175.5

