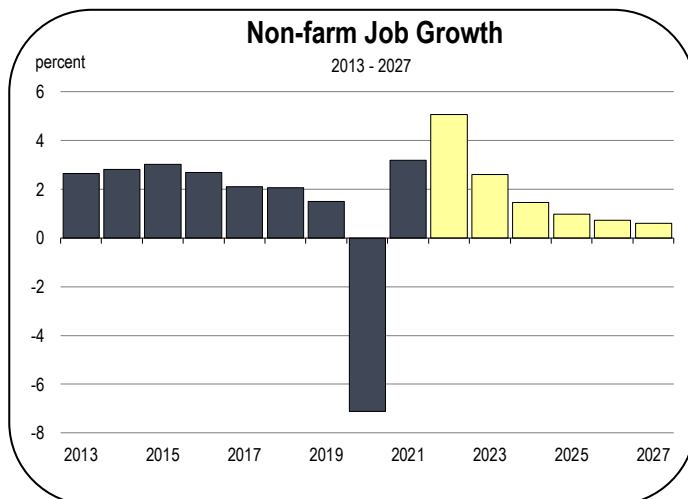


California Economic Forecast

Forecast Summary

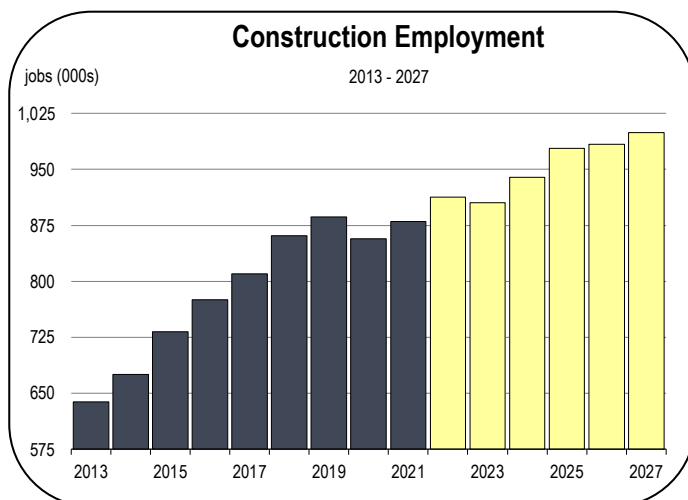
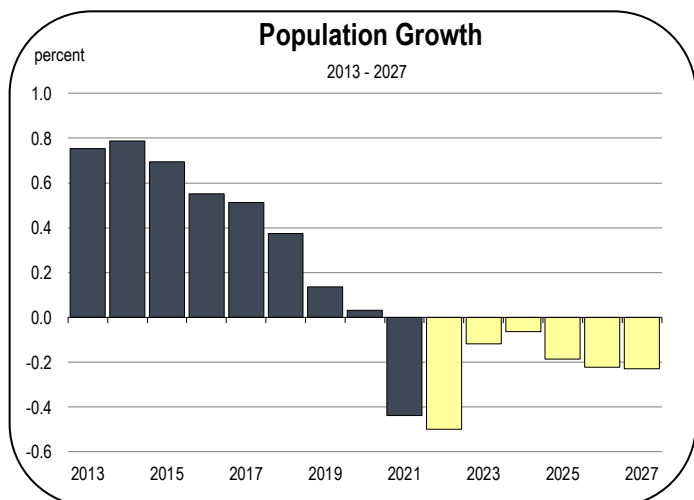
- The California labor market response to restoring jobs impacted by the pandemic recession of 2020 was nothing short of spectacular in 2022, with the creation of 845,000 jobs.
- This was the largest one-year surge in job creation in the history of the state and growth was actually constrained by the labor force which has yet to return to pre-pandemic levels.
- The leisure and hospitality, professional business services, and healthcare sectors accounted for 60 percent of all jobs created in 2022.
- The growth of jobs in late 2022 has started to slow as the higher incidence of layoff announcements especially within the manufacturing and technology sectors is amplified.
- The unemployment rate averaged 7.4 percent in 2021, and is expected to average 4.4 percent in 2022.
- The declining population, due entirely to large migration outflow to other states, is expected to continue over the forecast.
- Population growth will be fastest in the Central Valley and the Sacramento Valley. The population will decline in some counties of Northern California, the Sierra Region, in the Bay Area, and in Los Angeles, Orange and Ventura Counties.
- Housing production has accelerated in the state and for the first time in decades, California will build homes at a rate exceeding population growth.
- Home prices are expected to increase by 5 percent 2022, but modestly decline in 2023.



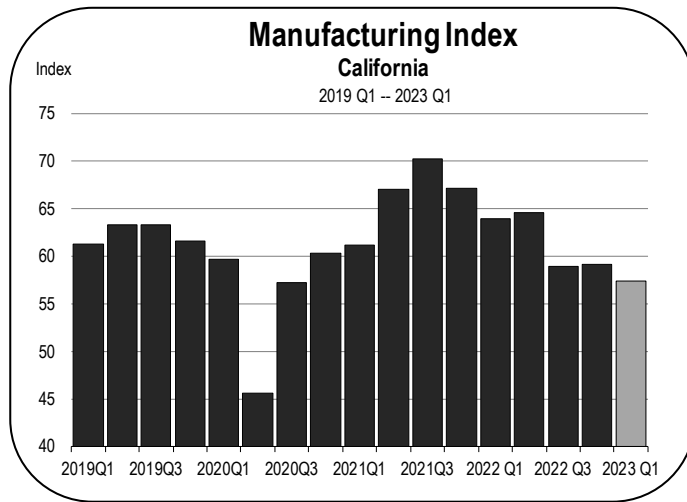
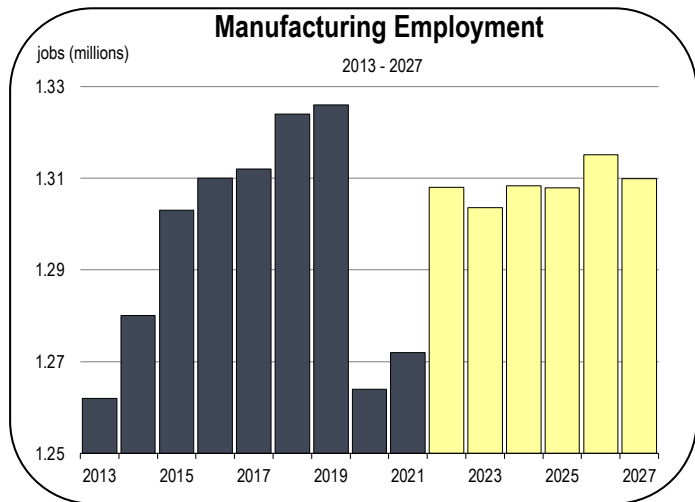
- Home prices are expected to increase by 23 percent 2021, which is faster than almost any year on record. After such a rapid increase, housing affordability in California will become strained, limiting additional price gains in 2022 and 2023.

Construction Employment

- In 2021, the construction sector created 24,000 jobs as it rebounded sharply from the recession.
- During 2022, the industry is on pace to add 33,000 more jobs, pushing the total workforce to its highest level since 2006 when the new housing was overbuilt all over the state.
- Demand for construction workers will be most prominent in the major population hubs of Los Angeles County and the San Francisco Bay Area where the development pipelines are filled with projects.



California Economic Forecast

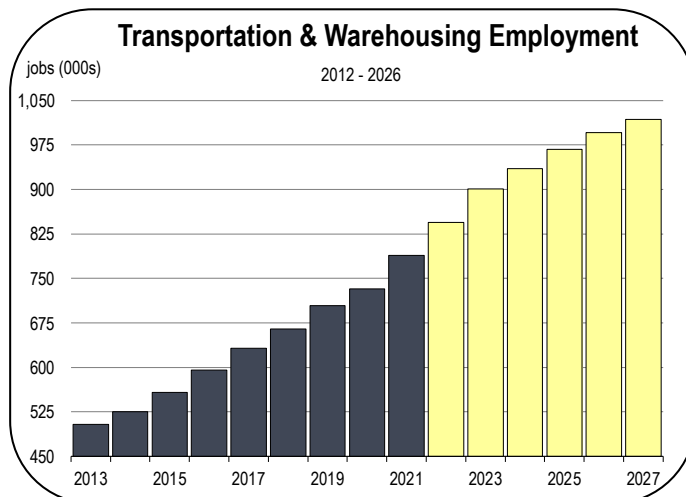


Manufacturing Employment

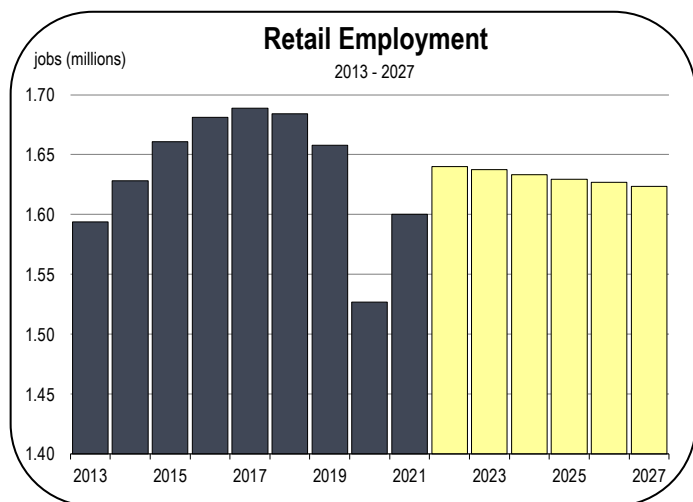
- The recovery in manufacturing jobs has been slow and steady in 2021 and 2022. Durable manufacturing is adding over 20,000 jobs in 2022, or two-thirds of all manufacturing jobs in the state.
- California manufacturing activity has been growing through 2022 though at a declining rate. The Chapman University diffusion index fell further according to the survey among purchasing managers in their outlook for the first 3 months of 2023.
- The jobs forecast is flat over the next several years as California must contend with unfriendly regulation within the industry, continued defection of the labor force, and more pervasive automation of the industry in both the durable and non-durable goods subsectors.

Transportation and Warehousing Employment

- While leisure and hospitality is restoring jobs at the fastest pace compared to any other labor market, transportation and warehousing is the fastest growing industry in terms of new jobs created.
- The industry created 57,000 jobs in 2021 and is on pace to add another 55,000 in 2022. The growth rates are massive at 7.8 and 7.0 percent respectively.
- Massive new logistics centers that have opened throughout inland California, particularly near major transportation arteries like Interstate 5 are resulting in an insatiable demand for workers. The demand is not forecast to slow much as more fulfillment and distribution centers open or are planned to open in 2023 and 2024.
- Smaller warehouses are being established in large population centers along the coast, facilitating services like same-day delivery of consumer products.

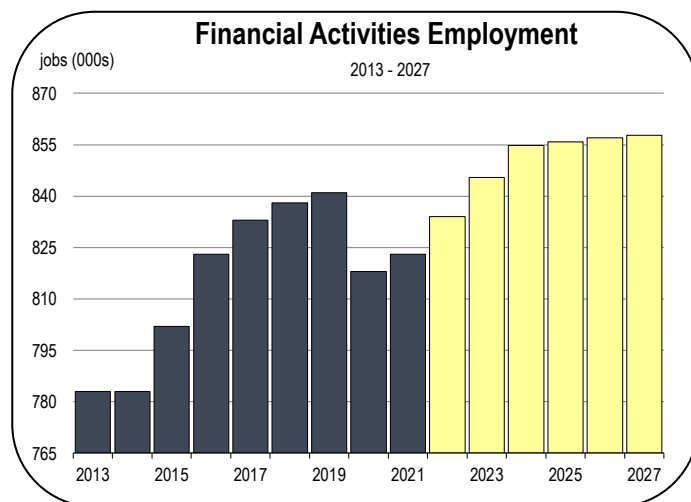


California Economic Forecast



Retail Trade Employment

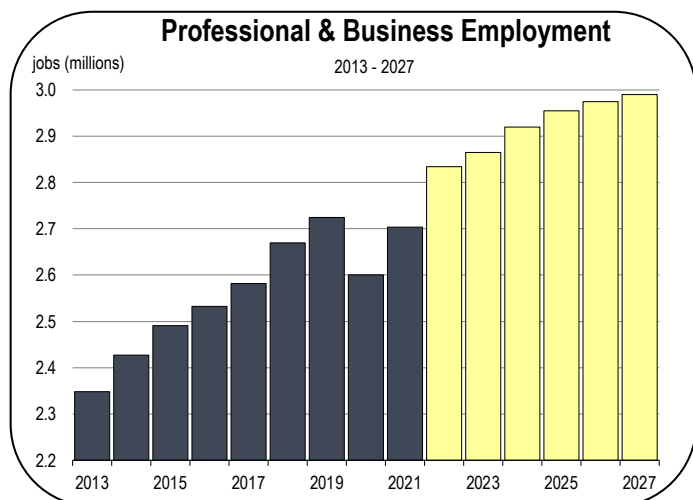
- The uptick in employment within the retail trade sector is gradually restoring jobs lost in the recession, and creating new jobs within retail centers built to support new housing. In 2021 and 2022, a total of 113,000 jobs will add to the retail workforce since the calamity of 2020.
- The “Retail Apocalypse” that began in 2018 is forecast to persist indefinitely, with local stores and shops yielding business to online stores.
- Employee headcounts will decline most acutely in furniture stores, electronics stores, clothing stores, and sporting goods stores. Larger department stores are also shuttering more frequently in California including Macy’s, Nordstrom, Bed Bath & Beyond and Best Buy.
- Some additional growth in retail employment is forecast for 2023 but no net growth is expected in general.



Financial Activities Employment

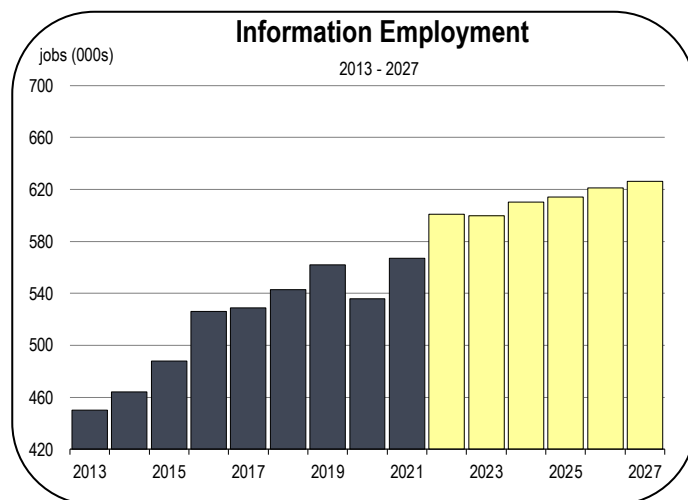
- The financial activities industry is primarily comprised of banks and credit unions, real estate companies, and insurance firms.
- Some large metro areas, like San Francisco and Los Angeles, also have prominent asset management sectors.
- Employment within the financial activities industry is forecast to minimally expand, rising by an average 0.7 percent per year through 2027. Job growth will rise in real estate leasing services and community banking, but consolidate within large banks, mortgage lenders, and in residential real estate during 2023.
- After 2023 or by mid-2024, as large numbers of new home developments are opened, real estate firms will upsize to sell, lease, manage, and secure financing for houses and apartments across California. The risk to the employment forecast is the extent to which many of these traditional services can be automated.

California Economic Forecast



Professional and Business Services Employment

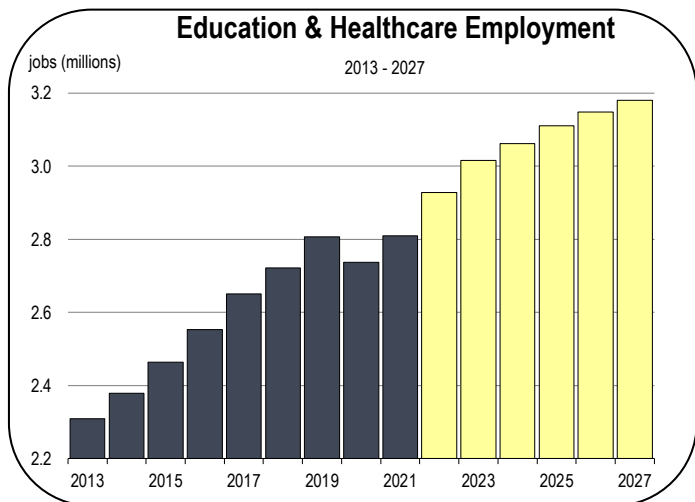
- The professional and business services industry has a diverse array of subsectors, including accounting, law, business and technical consulting, scientific research, marketing and advertising, temporary staffing, building maintenance and security, and corporate management.
- More than half of all jobs created in the broader industry will occur in the professional, technical and scientific consulting sector, which is largely accountants, lawyers, computer systems designers, scientific research and advertising services.
- The next most meaningful contributor to new jobs is the administrative support sector including temporary employment services. This is especially true in the principal metro areas of the state, notably the San Francisco-San Mateo-Santa Clara market, and Los Angeles-Orange Counties metro area.
- Long term growth will be concentrated in technical consulting, IT consulting, and scientific research, particularly in the large markets of Los Angeles County, Orange County, San Diego County, the Sacramento Area, and the San Francisco Bay Area. The unemployment rate for this subsector as of January 2023 was 2.2 percent.
- Over the 2022-2027 period, employment in the professional and business services industry will expand by more than 280,000 jobs, third most after leisure/hospitality and healthcare.



Information Employment

- In California, the information sector is dominated by Internet and data firms, software firms, and the movie and television production industries (especially feature film production).
- Most data/Internet, software, and movie/TV production jobs can be found in Los Angeles County and the San Francisco Bay Area. Currently, employment in movies, video, and sound broadcasting is at all-time record levels.
- Outside of Los Angeles County and the San Francisco Bay Area, the information industry is largely comprised of telecommunications, local radio and TV broadcasting (including local TV news), movie theaters, and local newspapers.
- The software, data, and Internet industries have expanded rapidly in recent years. Total employment, currently at an all-time high of 115,000 workers, will expand over time as will job counts in film, video and sound production.
- Telecommunications, local radio and TV broadcasting, newspaper and book publishers, and movie theaters are all in long-term patterns of stagnation. These subsectors will not generate a meaningful number of jobs in 2022 and over the next 5 years.

California Economic Forecast

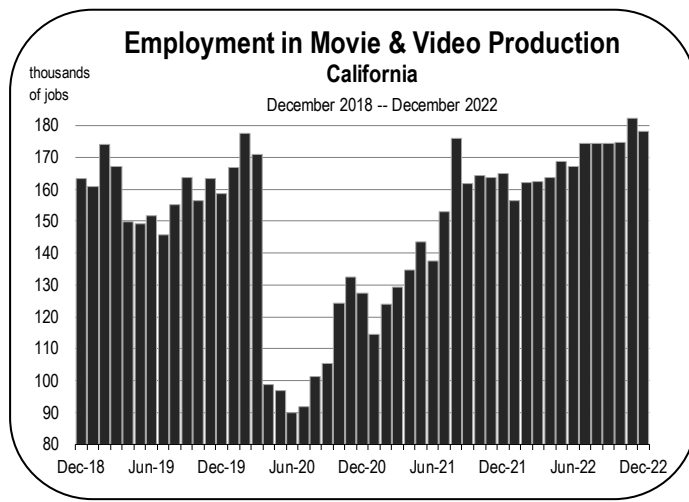


Private Education and Healthcare Employment

- Employment in both education and healthcare are fully restored from the pandemic recession. Job creation will rise 4 percent in 2022, adding 118,000 new jobs.

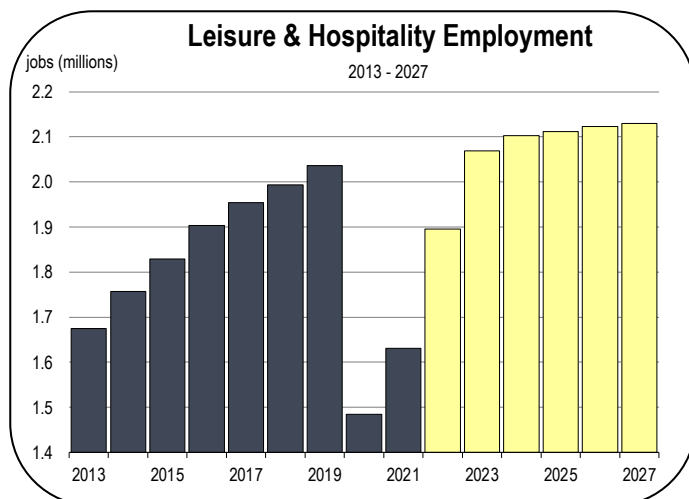
Largest Private Universities California	2022 Enrollment
University of Southern California	49,500
National University	42,000
Stanford	17,326
California Baptist University	11,496
Chapman University	10,001
Loyola Marymount University	9,686
University of San Francisco	9,303
University of San Diego	9,041
Pepperdine University	8,824

- Despite the surge in hiring in 2022, local hospitals and medical clinics have struggled to meet staffing requirements in the post COVID era.
- In particular, hospitals have reported challenges recruiting and retaining enough nurses to meet mandated nurse-to-patient ratios.
- The job occupation most in demand in the state is registered nurse. The labor market most in demand in the state is healthcare. Kaiser Permanente, Sutter Health, Providence, Dignity Health, and Tenet Healthcare are among the largest companies in the state with job openings.
- 90,000 new jobs are forecast in 2023, and 46,000 in 2024.

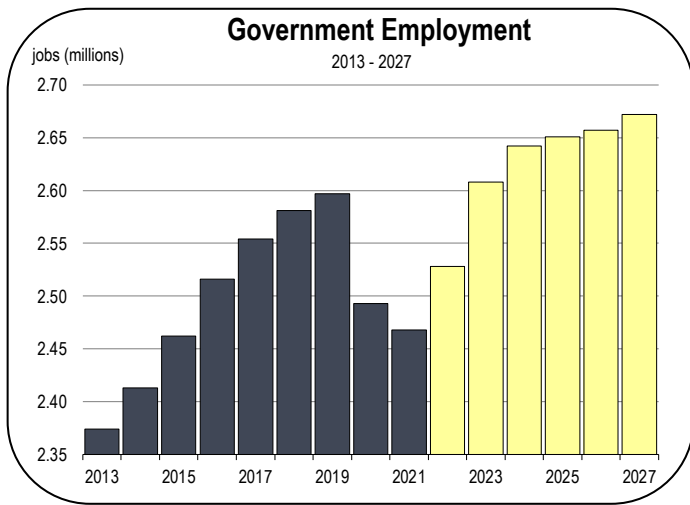


Leisure and Hospitality Employment

- Approximately 265,000 jobs will be created in leisure/hospitality during 2022, a 16 percent increase.
- Most of this gain (77 percent) is occurring in the food services and accommodations sector. Other employment is being restored in the Arts and entertainment sector which should fully recover in 2023.
- The unexpected surge in travel in California that began with the complete opening of the economy in June of 2021 has expedited the recovery of this industry faster than expected. Ski resorts, the wine regions, and amusement parks were the largest beneficiaries of visitors and spending in California over the last 18 months.

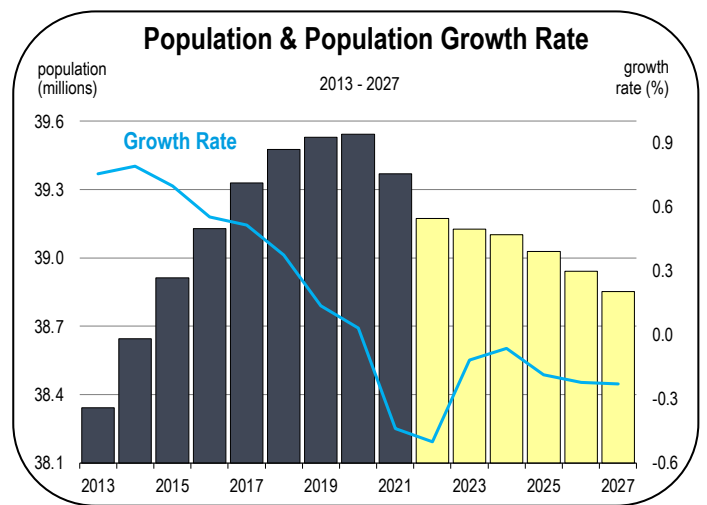


California Economic Forecast



Government Employment

- Total government employment will increase by 60,000 workers in 2022. Eighty percent of these restored jobs will occur in local government departments including the schools.
- A complete restoration of jobs will be delayed because early in the pandemic, public schools and municipal agencies offered early retirement benefits to a large number of workers, leading to a rush of retirements.
- In the second half of 2021, when schools returned to in-person instruction, it became challenging for schools to fill the positions that had been vacated by retired individuals.
- Staffing issues continue to persist. However, together with declining K-12 enrollments, an equilibrium in K-12 staffing levels will be reached in 2023 or 2024.

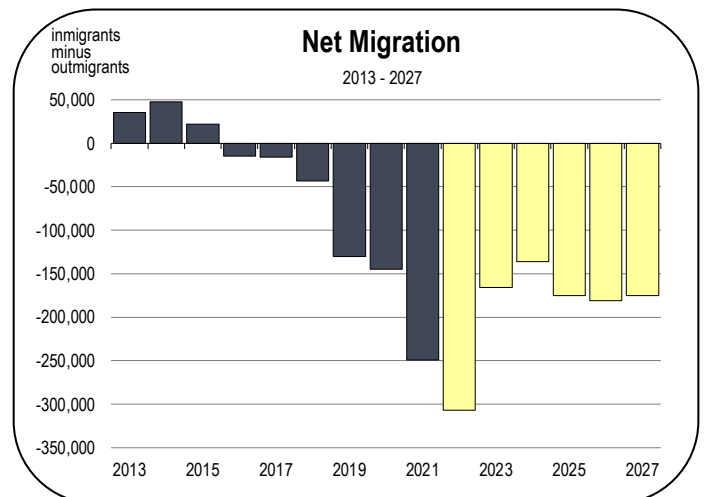
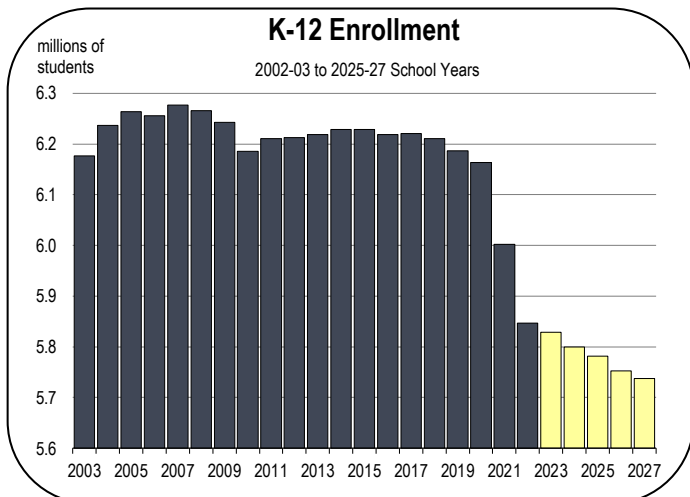


Population Growth

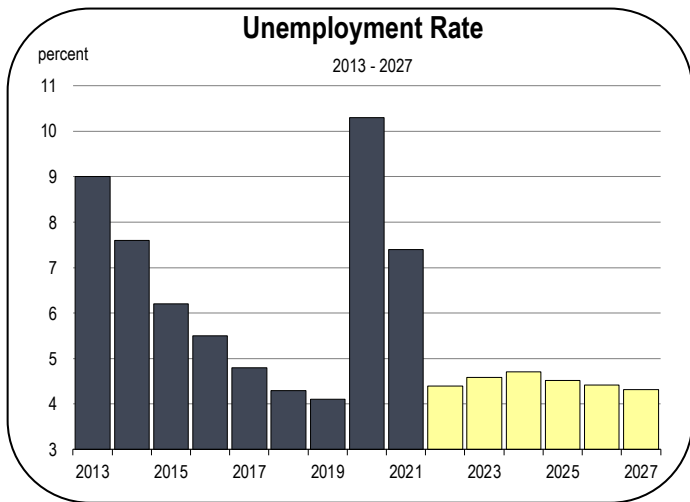
- The California population is now expected to decline over the decade, due to the out-migration of residents to other states. With foreign immigration rising sharply at U.S. southern borders, some of these migrants will locate in California, but not enough to offset out migrating residents.
- Over the 2022-2027 forecast period, all population growth will be the result of new births.
- The population will decline at an annual rate of -0.2% from 2022 to 2027.

Unemployment and Inflation Rates

- The unemployment rate in California averaged 7.4 percent in 2021 and 4.4 percent in 2022.
- An unemployment rate below 5 percent signifies a fully employed workforce in the state.



California Economic Forecast

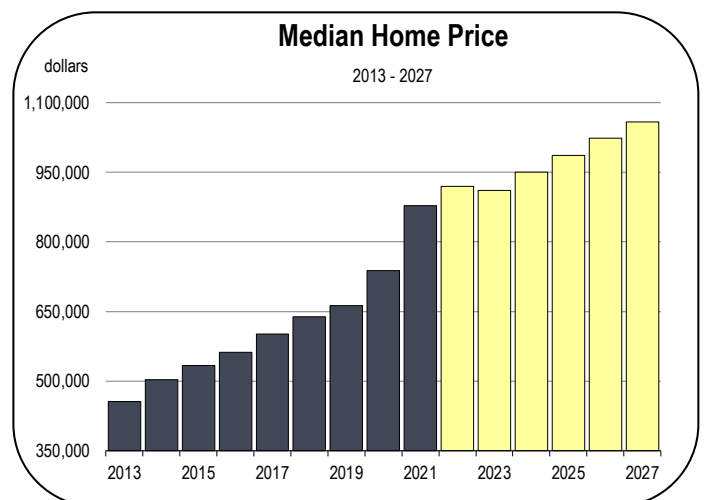
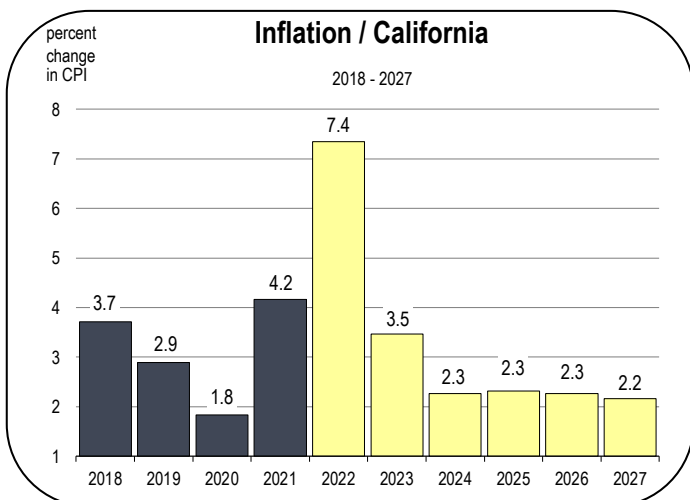


- Inflation soared in 2021 and is expected to remain elevated in 2022 and 2023.
- During 2022 and into 2023, there will be a number of factors that will contribute to higher-than-normal inflation. The most prominent will be:
 - Spending by consumers and the federal government that was especially prolific in 2021 and 2022
 - Global supply chain interruptions (from the pandemic) that have raised the cost of production for many businesses
 - Sharp increases in the cost of housing and energy
 - Labor market recruitment challenges that have led to surging wage increases
- Combined, these factors have pushed 2022 inflation to its highest rate in 40 years. Ultimately, inflation reduces the purchasing power of households and negatively impacts consumer confidence, limiting the growth potential of the economy in 2022 and 2023.

- However, inflation will gradually decelerate in 2023 as supply chains are restored, and the impending economic slowdown moderates the demand for labor and wage increases. Average inflation rates eventually decline to 3 percent again by 2024.

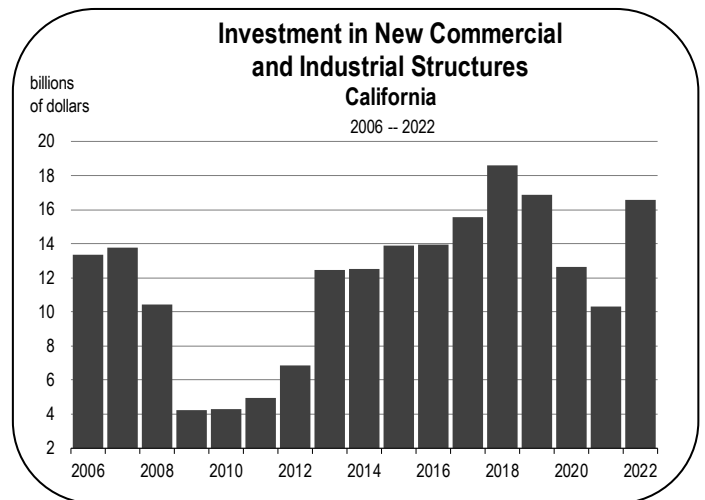
Home Prices and New Housing Production

- In 2021, the median home price in California for a single family detached home was \$784,985, an increase of 19 percent from the previous year.
- The median price is expected to increase 5 percent in 2022, despite falling prices for sales after May 2022.
- Modest negative price appreciation is forecast in 2023, as sharply higher mortgage rates and listing prices for a limited inventory of homes, persist.
- In the coastal areas of the state, housing affordability has become a principal deterrent for many homebuyers.



California Economic Forecast

- In the San Francisco Bay Area, Orange County, Los Angeles County, and the Central Coast, housing costs have become prohibitive for many residents, which has contributed to a meaningful wave of out-migration and has led to slower rates of population growth.
- Home prices are high because there has been a chronic lack of homebuilding, and housing production has not kept pace with population growth.
- From 2016 to 2021, an average of 109,000 new homes were started per year in California. Over the same period, the population grew by 241,000 residents.
- Housing production is expected to average 135,000 units per year from 2022 to 2027, while the population shrinks. The disparity will allow the state to make a small dent in the housing affordability crisis.
- New commercial and industrial development is currently prolific in the state, with near record investment spending on structures during 2022.



The Valencia Project by 5 Point Communities is underway in the Santa Clarita Valley. The first neighborhood of new homes is located adjacent to Magic Mountain Amusement Park. The Valencia Project is one of the largest in California, with an ultimate buildout of 21,246 homes, and 11 million square feet of non-residential construction.

California Economic Forecast

Economic Indicators

2015-2021 History, 2022-2050 Forecast

	Population (millions)	Households (millions)	Net Migration (thousands)	New Homes Permitted (thousands)	Registered Vehicles (thousands)	Personal Income (trillions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (billions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (billions)	Inflation Rate (percent)
2015	38.9	12.8	22	98	34	\$2.4	\$478	\$715	\$440	\$69,957	6.2	\$63	1.4
2016	39.1	12.9	-15	99	35	\$2.5	\$488	\$732	\$442	\$70,980	5.5	\$60	2.3
2017	39.3	13.0	-16	113	35	\$2.6	\$506	\$758	\$473	\$71,686	4.8	\$60	3.0
2018	39.5	13.1	-44	114	36	\$2.7	\$530	\$791	\$496	\$72,223	4.3	\$58	3.7
2019	39.5	13.2	-130	111	36	\$2.8	\$538	\$820	\$505	\$73,339	4.1	\$57	2.9
2020	39.5	13.2	-145	100	36	\$3.1	\$486	\$790	\$569	\$78,199	10.3	\$55	1.8
2021	39.4	13.3	-249	116	36	\$3.4	\$592	\$954	\$593	\$81,791	7.4	\$54	4.2
2022	39.2	13.4	-307	133	37	\$3.4	\$649	\$1,047	\$561	\$78,188	4.4	\$51	7.4
2023	39.1	13.6	-166	134	36	\$3.5	\$669	\$1,060	\$553	\$77,298	4.6	\$68	3.5
2024	39.1	13.7	-136	133	36	\$3.7	\$677	\$1,073	\$568	\$79,104	4.7	\$69	2.3
2025	39.0	13.8	-175	138	36	\$3.8	\$685	\$1,088	\$582	\$80,939	4.5	\$71	2.3
2026	38.9	13.9	-181	136	36	\$4.0	\$693	\$1,101	\$598	\$82,730	4.4	\$71	2.3
2027	38.9	14.1	-175	134	36	\$4.2	\$700	\$1,114	\$610	\$84,490	4.3	\$71	2.2
2028	38.8	14.2	-174	134	36	\$4.3	\$708	\$1,127	\$620	\$86,033	4.2	\$71	2.2
2029	38.7	14.3	-150	137	36	\$4.5	\$726	\$1,157	\$629	\$87,531	4.1	\$72	2.3
2030	38.6	14.4	-132	139	36	\$4.6	\$749	\$1,191	\$638	\$88,861	4.0	\$72	2.2
2031	38.5	14.6	-128	136	35	\$4.8	\$765	\$1,216	\$647	\$90,191	3.9	\$72	2.1
2032	38.4	14.7	-123	135	35	\$4.9	\$784	\$1,247	\$652	\$91,228	3.9	\$72	2.3
2033	38.3	14.8	-127	133	35	\$5.1	\$801	\$1,274	\$662	\$92,763	3.9	\$72	1.9
2034	38.2	15.0	-124	132	35	\$5.3	\$819	\$1,302	\$669	\$94,233	4.3	\$72	2.1
2035	38.1	15.1	-122	131	35	\$5.5	\$842	\$1,337	\$677	\$95,713	4.6	\$72	2.2
2036	38.0	15.2	-120	128	35	\$5.7	\$869	\$1,380	\$681	\$96,807	4.9	\$73	2.6
2037	37.8	15.3	-116	128	35	\$5.9	\$894	\$1,420	\$684	\$97,881	4.9	\$73	2.7
2038	37.7	15.4	-114	126	35	\$6.1	\$920	\$1,459	\$690	\$99,215	4.9	\$73	2.5
2039	37.6	15.6	-111	125	34	\$6.3	\$946	\$1,502	\$693	\$100,395	4.9	\$73	2.7
2040	37.4	15.7	-110	123	34	\$6.5	\$971	\$1,541	\$697	\$101,607	4.9	\$73	2.6
2041	37.2	15.8	-108	122	34	\$6.7	\$994	\$1,576	\$703	\$103,206	4.9	\$73	2.2
2042	37.1	15.9	-100	121	34	\$6.9	\$1,015	\$1,611	\$710	\$104,875	4.9	\$73	2.1
2043	36.9	16.0	-92	120	34	\$7.1	\$1,039	\$1,648	\$716	\$106,599	4.9	\$73	2.0
2044	36.7	16.1	-83	120	34	\$7.4	\$1,058	\$1,678	\$724	\$108,490	4.9	\$73	1.8
2045	36.5	16.2	-75	120	33	\$7.6	\$1,083	\$1,716	\$730	\$110,230	4.9	\$73	1.9
2046	36.4	16.4	-67	119	33	\$7.8	\$1,107	\$1,754	\$735	\$111,792	4.9	\$73	2.0
2047	36.2	16.5	-60	119	33	\$8.0	\$1,131	\$1,792	\$738	\$113,059	4.9	\$73	2.2
2048	36.0	16.6	-52	119	33	\$8.3	\$1,161	\$1,839	\$741	\$114,221	4.9	\$73	2.3
2049	35.8	16.7	-45	118	33	\$8.5	\$1,188	\$1,881	\$746	\$115,732	4.9	\$74	2.0
2050	35.7	16.8	-38	117	33	\$8.7	\$1,216	\$1,926	\$750	\$117,147	4.9	\$74	2.1

Employment Sectors

2015-2021 History, 2022-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufacturing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	(thousands of jobs)											
2015	16,471	423	732	1,303	558	2,350	802	2,491	488	2,464	1,829	2,462
2016	16,905	426	775	1,310	595	2,372	823	2,532	526	2,552	1,903	2,516
2017	17,248	423	810	1,312	632	2,383	833	2,582	529	2,650	1,954	2,554
2018	17,594	422	861	1,324	665	2,381	838	2,670	543	2,722	1,993	2,581
2019	17,853	423	886	1,326	704	2,348	841	2,724	562	2,807	2,036	2,597
2020	16,595	407	857	1,264	732	2,170	818	2,600	536	2,737	1,484	2,493
2021	17,112	407	880	1,272	789	2,244	823	2,703	567	2,809	1,631	2,468
2022	17,965	414	913	1,308	844	2,299	834	2,834	601	2,927	1,896	2,528
2023	18,426	417	905	1,304	901	2,330	845	2,865	600	3,016	2,069	2,608
2024	18,685	415	939	1,308	935	2,325	855	2,919	610	3,062	2,103	2,642
2025	18,865	417	978	1,308	967	2,319	856	2,955	614	3,111	2,112	2,651
2026	19,001	418	984	1,315	996	2,319	857	2,975	621	3,147	2,123	2,657
2027	19,116	419	1,000	1,310	1,018	2,320	858	2,990	626	3,180	2,129	2,672
2028	19,225	420	1,007	1,311	1,031	2,318	859	3,010	628	3,214	2,143	2,683
2029	19,325	420	1,017	1,312	1,043	2,317	860	3,027	630	3,245	2,156	2,691
2030	19,407	420	1,011	1,313	1,054	2,318	862	3,040	632	3,275	2,170	2,699
2031	19,467	420	990	1,313	1,064	2,317	863	3,050	634	3,307	2,183	2,706
2032	19,543	421	992	1,313	1,073	2,314	864	3,061	635	3,337	2,197	2,712
2033	19,590	421	966	1,312	1,081	2,311	865	3,071	637	3,368	2,210	2,718
2034	19,648	421	955	1,311	1,087	2,309	865	3,081	638	3,398	2,224	2,725
2035	19,714	422	951	1,310	1,093	2,310	865	3,090	640	3,427	2,237	2,731
2036	19,781	422	950	1,308	1,099	2,310	865	3,100	641	3,455	2,250	2,736
2037	19,851	422	955	1,307	1,103	2,311	865	3,109	642	3,483	2,264	2,742
2038	19,916	422	954	1,306	1,108	2,313	865	3,118	643	3,510	2,277	2,748
2039	19,985	423	961	1,304	1,112	2,314	865	3,126	644	3,537	2,290	2,754
2040	20,040	423	955	1,303	1,115	2,315	864	3,135	645	3,563	2,303	2,759
2041	20,099	423	953	1,302	1,118	2,317	863	3,143	646	3,588	2,317	2,765
2042	20,157	423	953	1,300	1,121	2,319	862	3,151	647	3,612	2,330	2,771
2043	20,215	424	954	1,299	1,124	2,321	861	3,158	647	3,636	2,343	2,777
2044	20,272	424	956	1,298	1,126	2,323	859	3,166	648	3,659	2,356	2,783
2045	20,330	424	958	1,297	1,128	2,326	858	3,173	649	3,682	2,369	2,788
2046	20,385	424	960	1,296	1,131	2,328	856	3,180	649	3,704	2,382	2,794
2047	20,440	425	961	1,296	1,133	2,331	855	3,187	650	3,725	2,395	2,800
2048	20,494	425	962	1,295	1,135	2,334	853	3,194	650	3,746	2,407	2,806
2049	20,546	425	963	1,294	1,137	2,337	851	3,200	651	3,767	2,420	2,812
2050	20,598	425	964	1,294	1,139	2,340	849	3,207	651	3,787	2,433	2,818

California Economic Forecast

Socioeconomic Indicators

