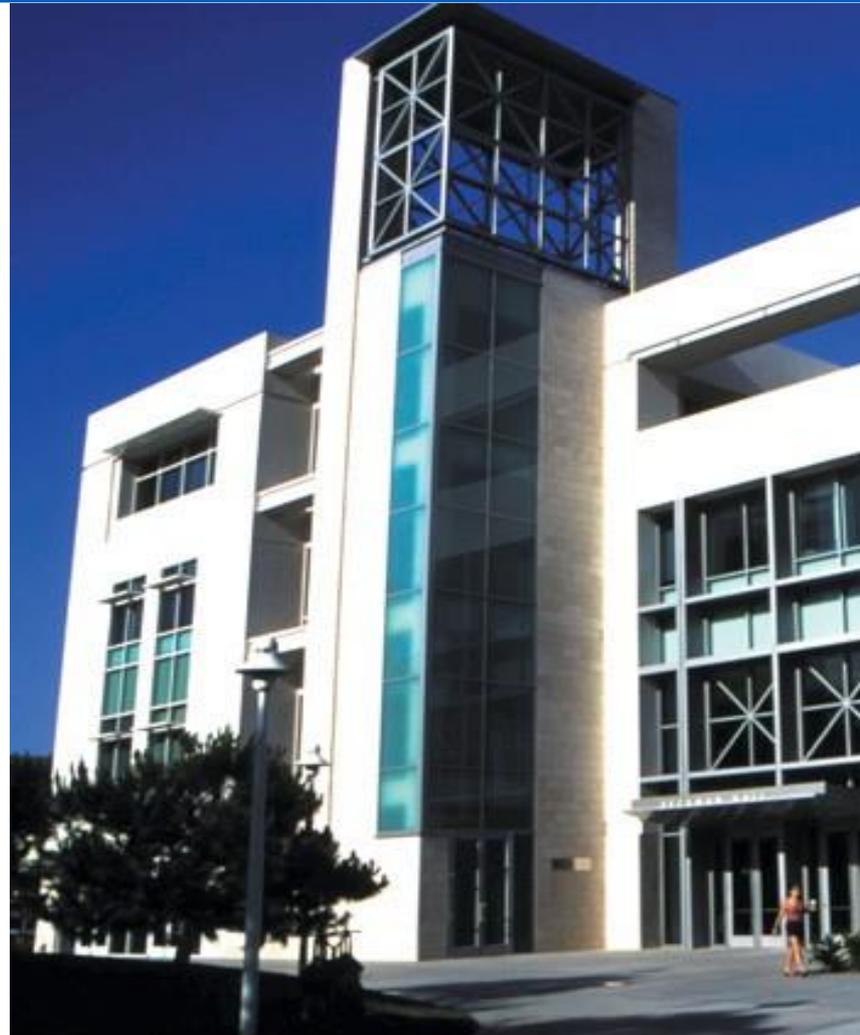


The Chapman University Economic Forecast



**A. GARY ANDERSON CENTER FOR ECONOMIC RESEARCH
ARGYROS SCHOOL OF BUSINESS AND ECONOMICS**

Real GDP & Payroll Employment 2007-09 Recession and Recovery

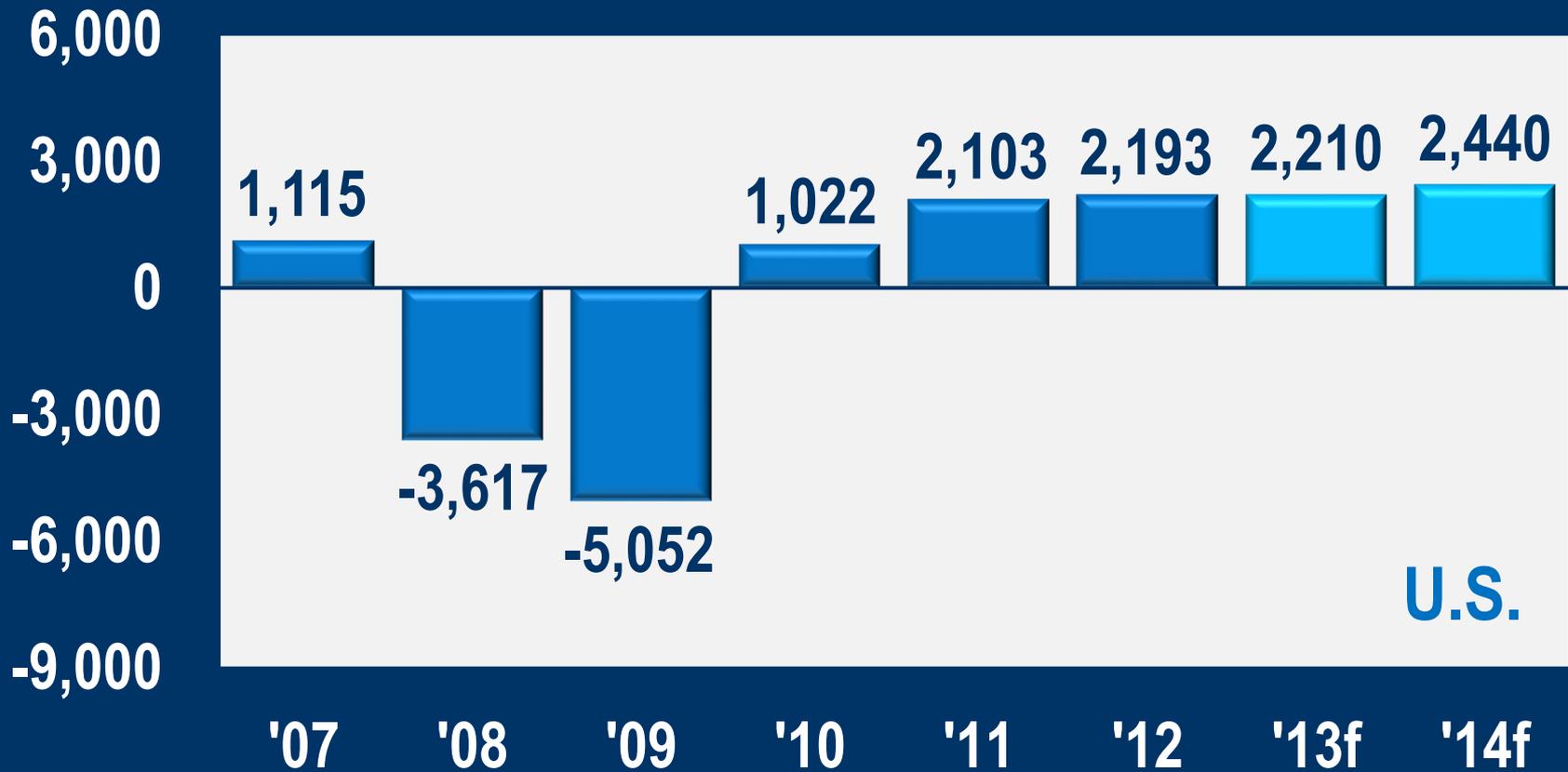


Real GDP



Payroll Employment

In Thousands



2012 Payroll Job Growth

	Preliminary % Change	Revised % Change	Difference %
Orange County	1.6	2.3	0.7
San Diego	1.6	2.1	0.5
California	1.7	2.1	0.4
Inland Empire	1.4	2.0	0.6
Los Angeles	1.4	1.8	0.4
U.S.	1.7	1.7	0.0

Change in Payroll Employment

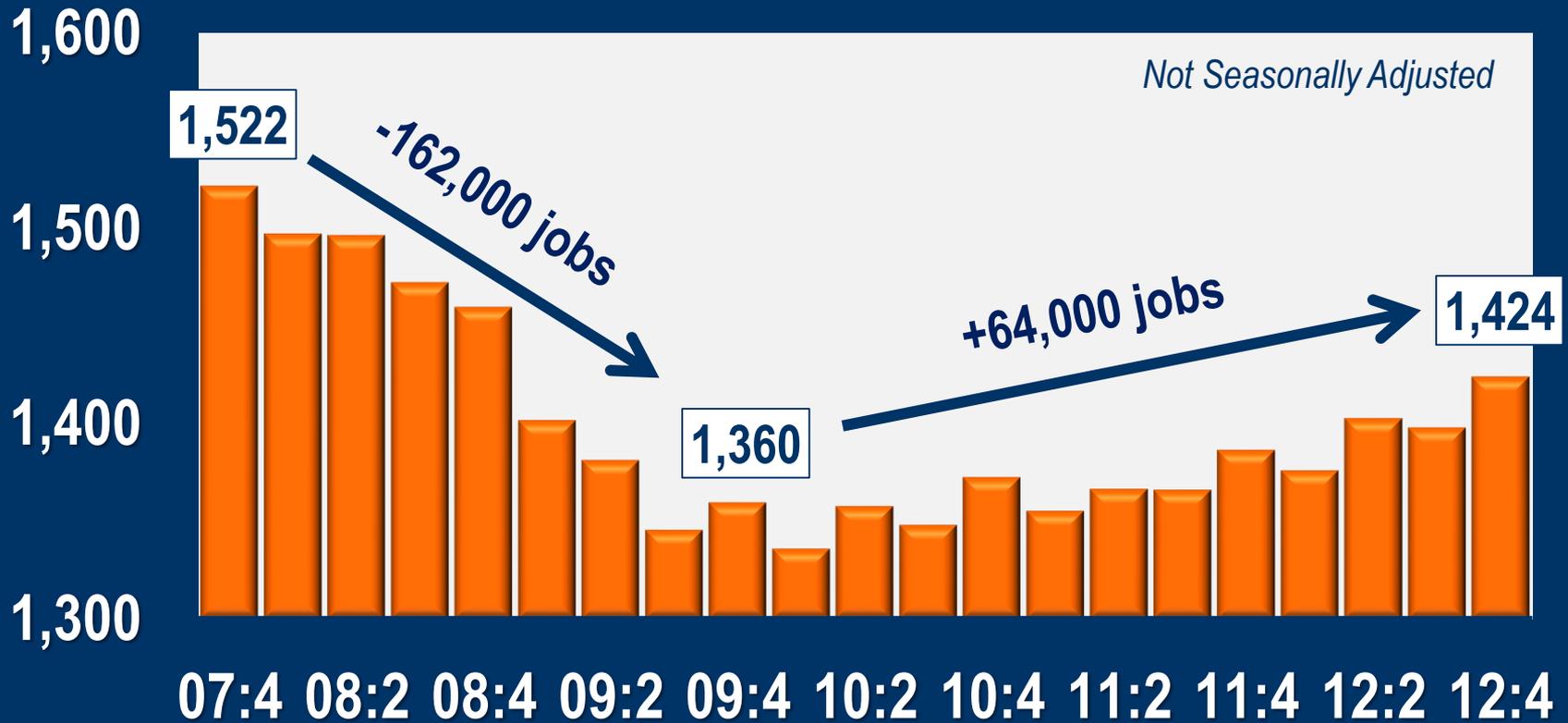
Dec. 2011 to Dec. 2012

Orange County

Sectors	Change	% Change
Construction	4,300	6.2
Financial Activities	5,700	5.4
Educational & Health Services	7,900	4.9
Leisure & Hospitality	6,900	3.9
Professional & Business Services	8,200	3.3
Information	600	2.5
Manufacturing	1,800	1.2
Trade, Transportation & Utilities	400	0.2
Government	-1,000	-0.7
Other Services	-400	-0.9
Total Nonfarm	34,400	2.5

Payroll Employment Orange County

In Thousands



Unemployment Rates

2007 Recession

	Pre-recession Low	Recession High	Current
Orange County	3.1%	9.9%	5.5%
San Diego	3.7%	10.9%	6.7%
California	4.8%	12.4%	8.6%
Los Angeles	4.3%	13.3%	9.2%
Inland Empire	4.5%	15.0%	9.2%
U.S.	4.4%	10.0%	7.6%

The Most Influential Economic Variables Affecting Job Outlook

	Projected Impact					
	2009	2010	2011	2012	2013	2014
Real GDP	 -3.1%	 +2.4%	 +1.8%	 +2.2%	 +2.0%	 +2.7%
Real Exports	 -9.1%	 +11.1%	 +6.7%	 +3.4%		
Construction Spending	 -26.6%	 -33.7%	 -4.9%	 +10.7%		

Merchandise Exports California

Billions of \$



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Vacancy Rate & Asking Rent

Orange County Office Market

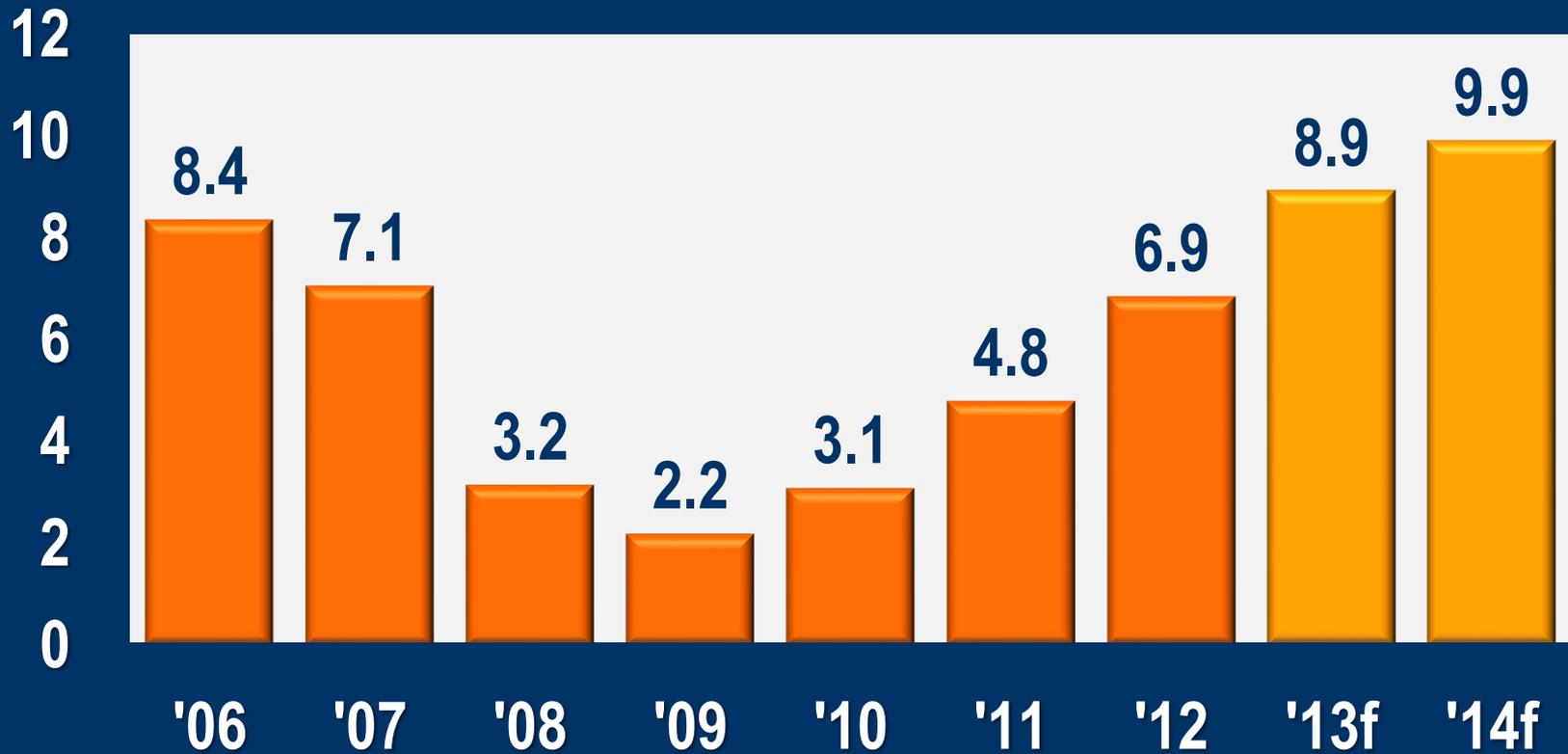
Vacancy Rate %



Source: VOIT Real Estate Services

Housing Permits Orange County

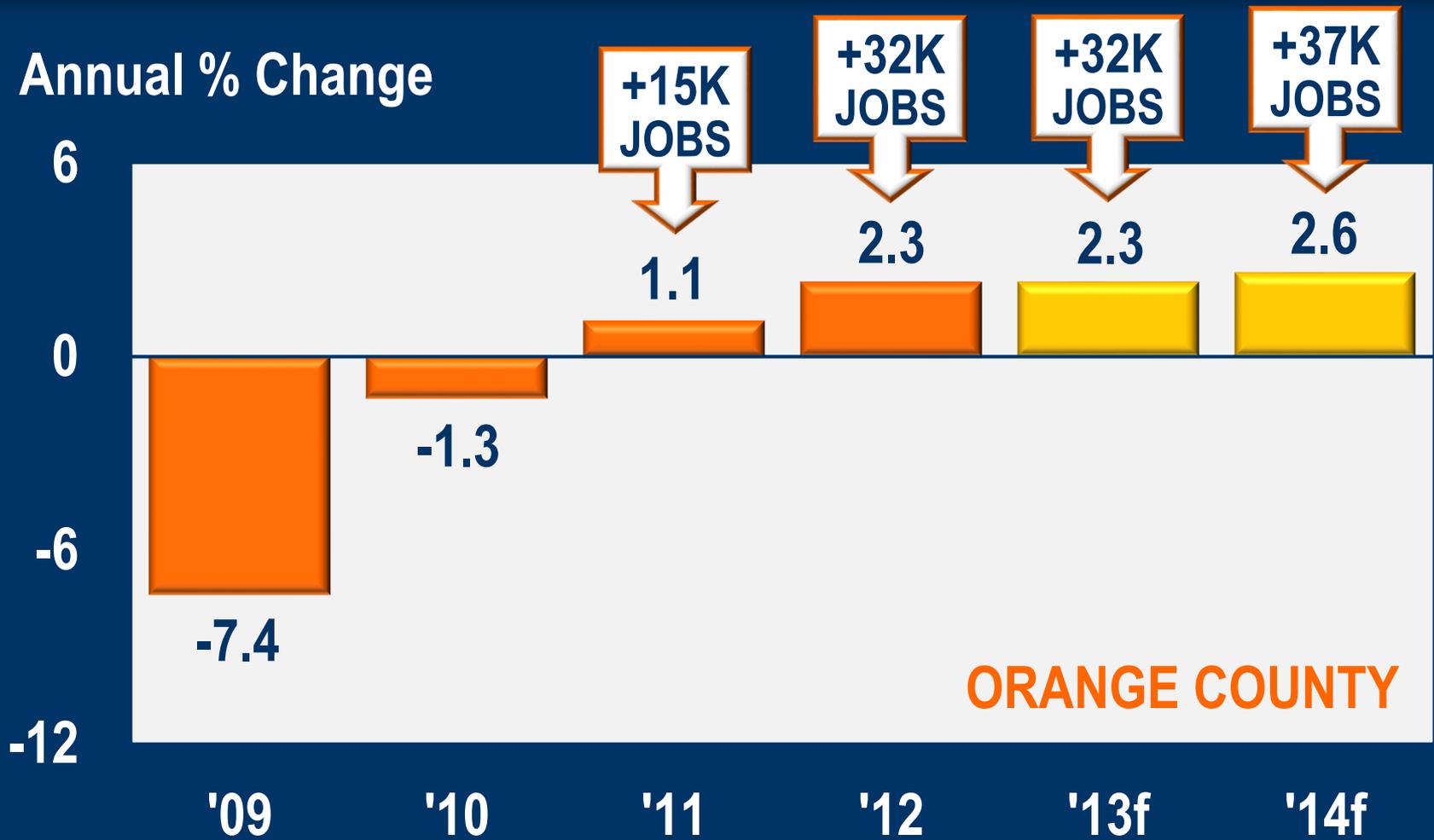
In Thousands



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Construction Spending	 -26.6%	 -33.7%	 -4.9%	 +10.7%	 +15.4%	 +17.6%

Job Growth



Job Growth by Sector & Average Pay Per Worker

Orange County

Above Average

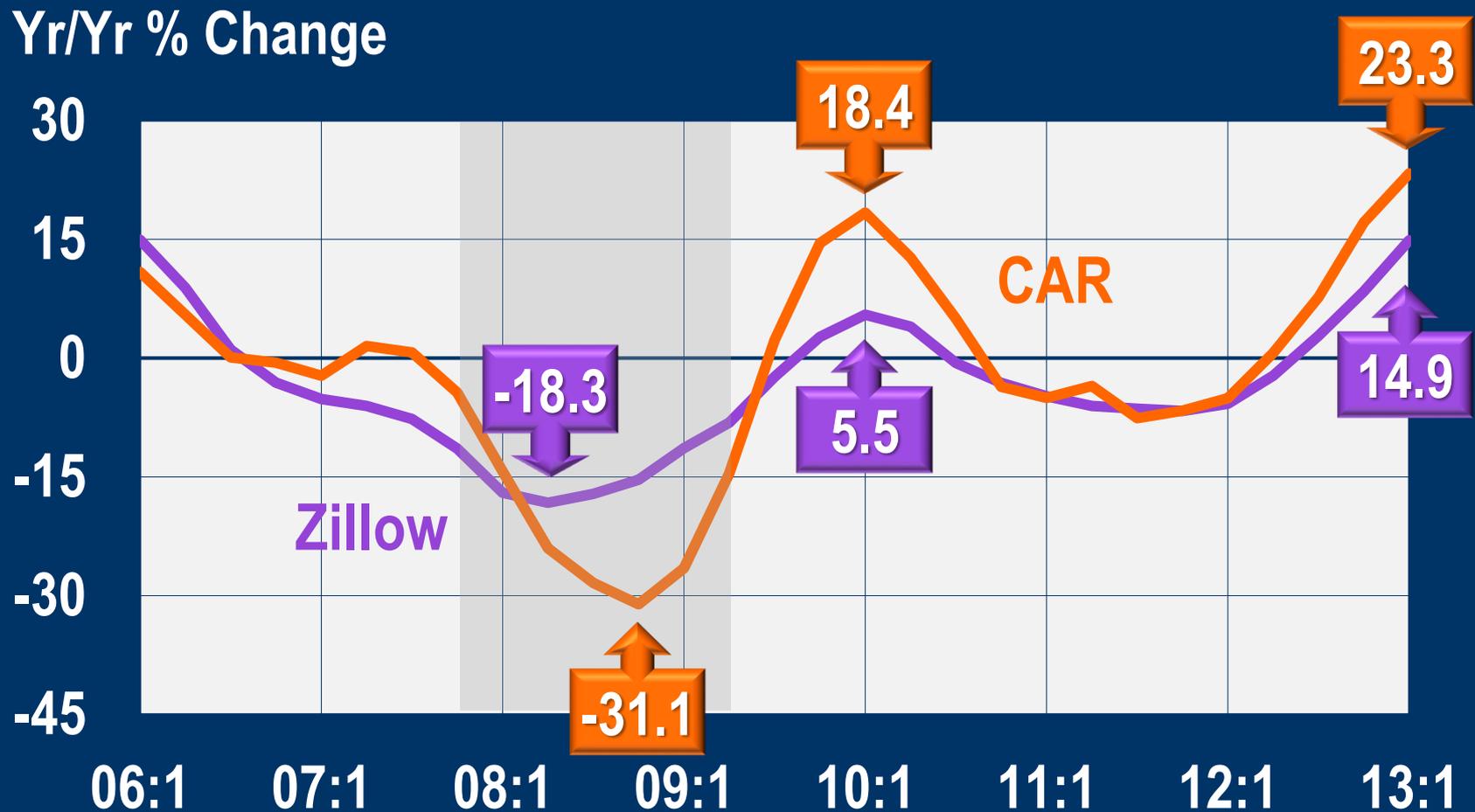
- Construction (\$61K)
- Professional & Business Services (\$66K)
- Education & Health Care Services (\$54K)
- Leisure & Hospitality (\$21K)
- Financial Services (\$98K)

Below Average

- Retail Trade (\$51K)
- Manufacturing (\$67K)
- Information (\$78K)
- State & Local Government (\$53K)
- **Federal Government** (\$73K)

Single-family Home Prices

Orange County

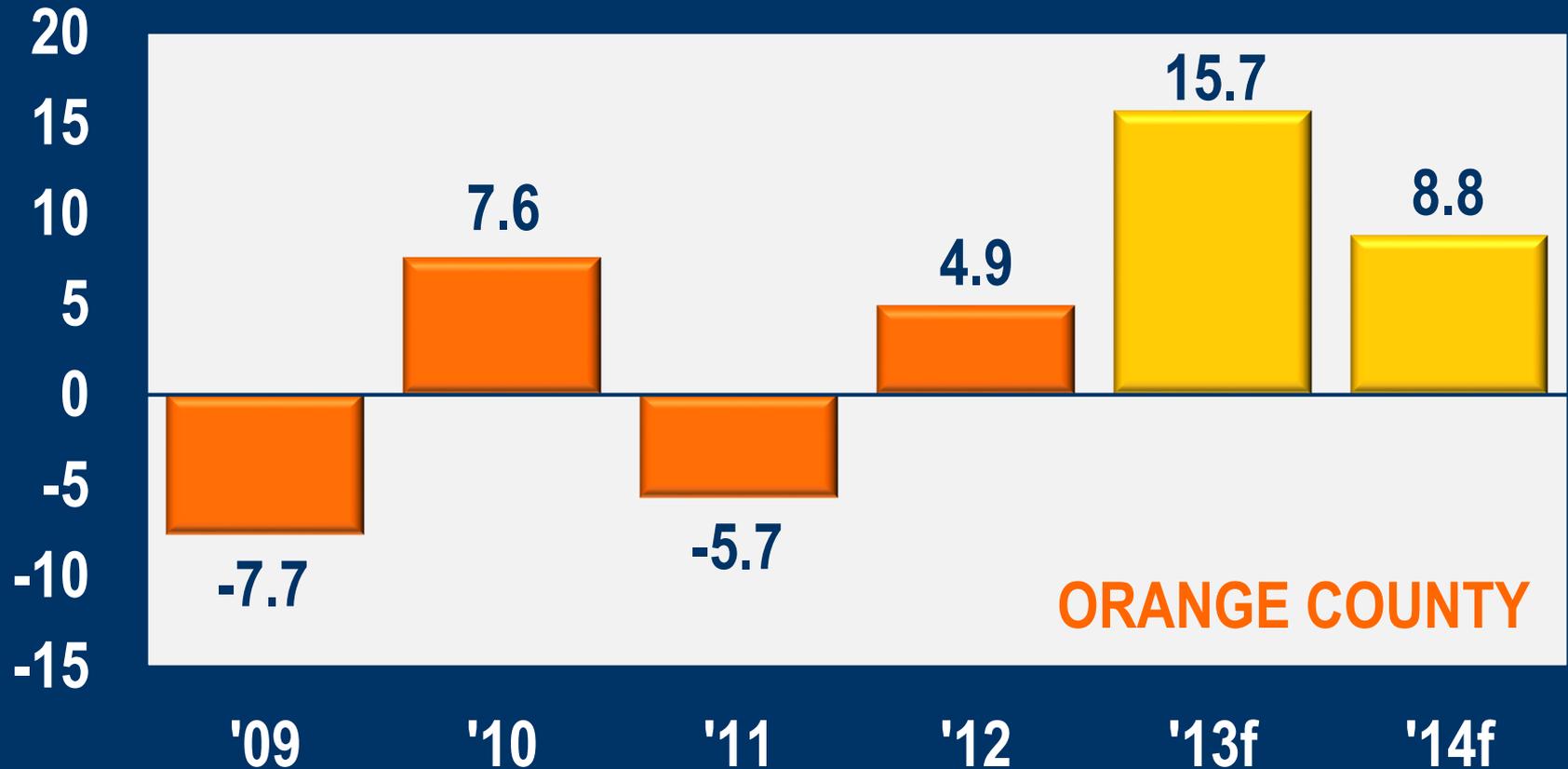


Factors Affecting Home Prices

	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
DEMAND:					
Jobs/ Unemployment				✓	
Housing Affordability					✓
SUPPLY:					
Permits		✓			
Unsold inventory				✓	
EXPECTATIONS				✓	

Resale Single-Family Housing Prices

Annual % Change

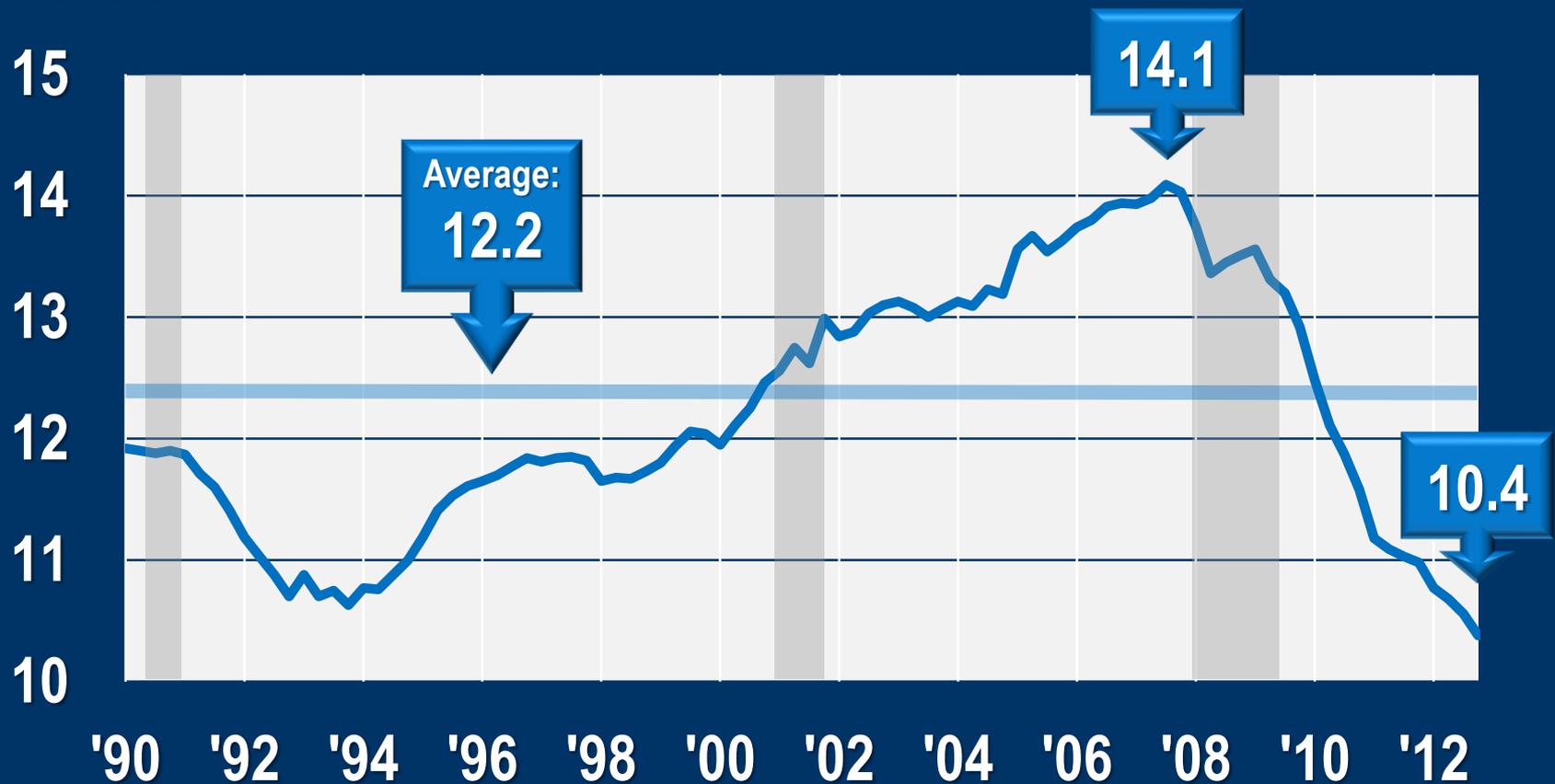


Factors Affecting Consumer Spending

- **Job and income growth**

Household Debt Service Payments As a Percentage of Disposable Income

Percent

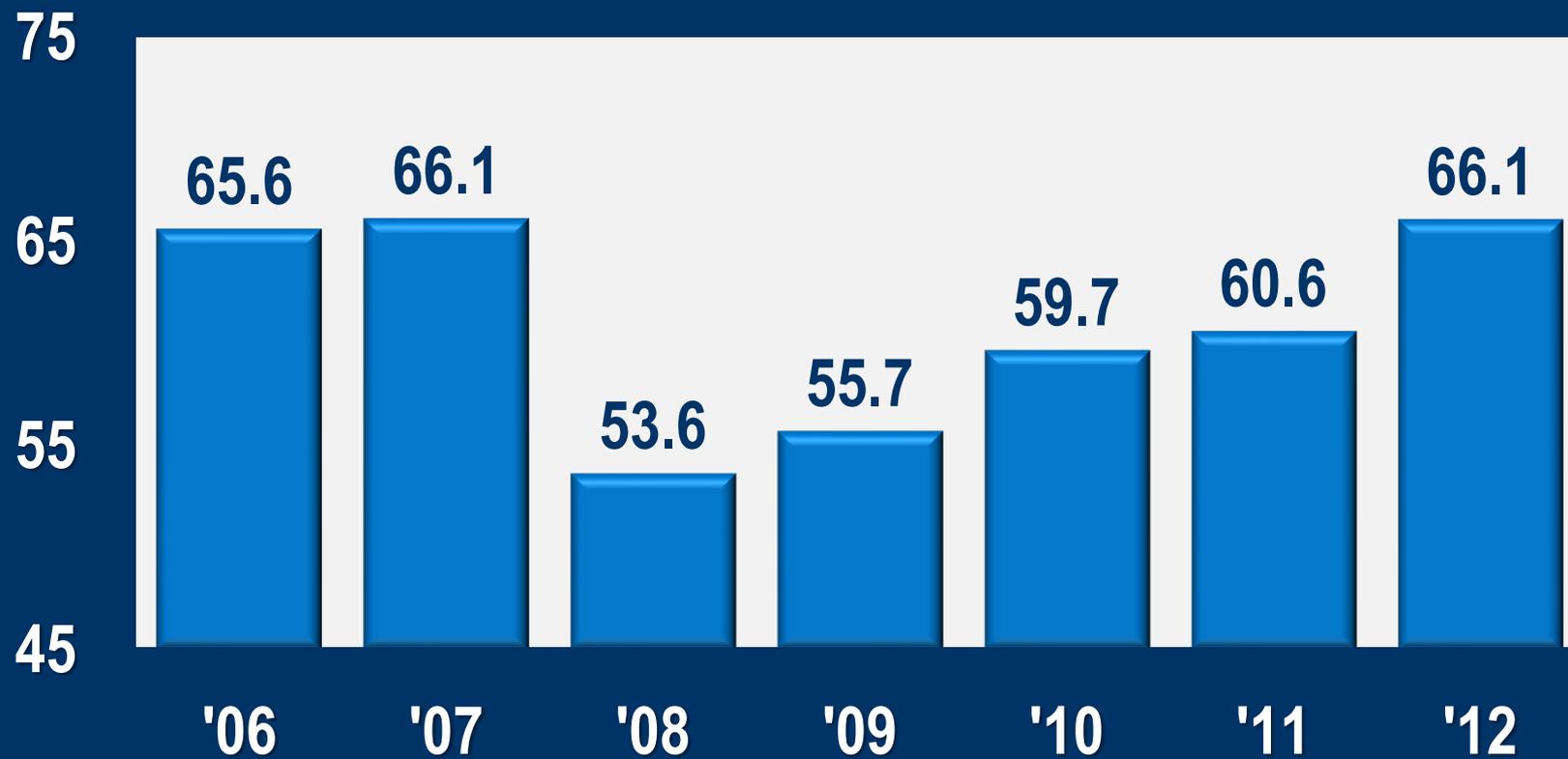


Factors Affecting Consumer Spending

- **Job and income growth**
- **Higher home prices**

Household Net Worth

Trillions of \$

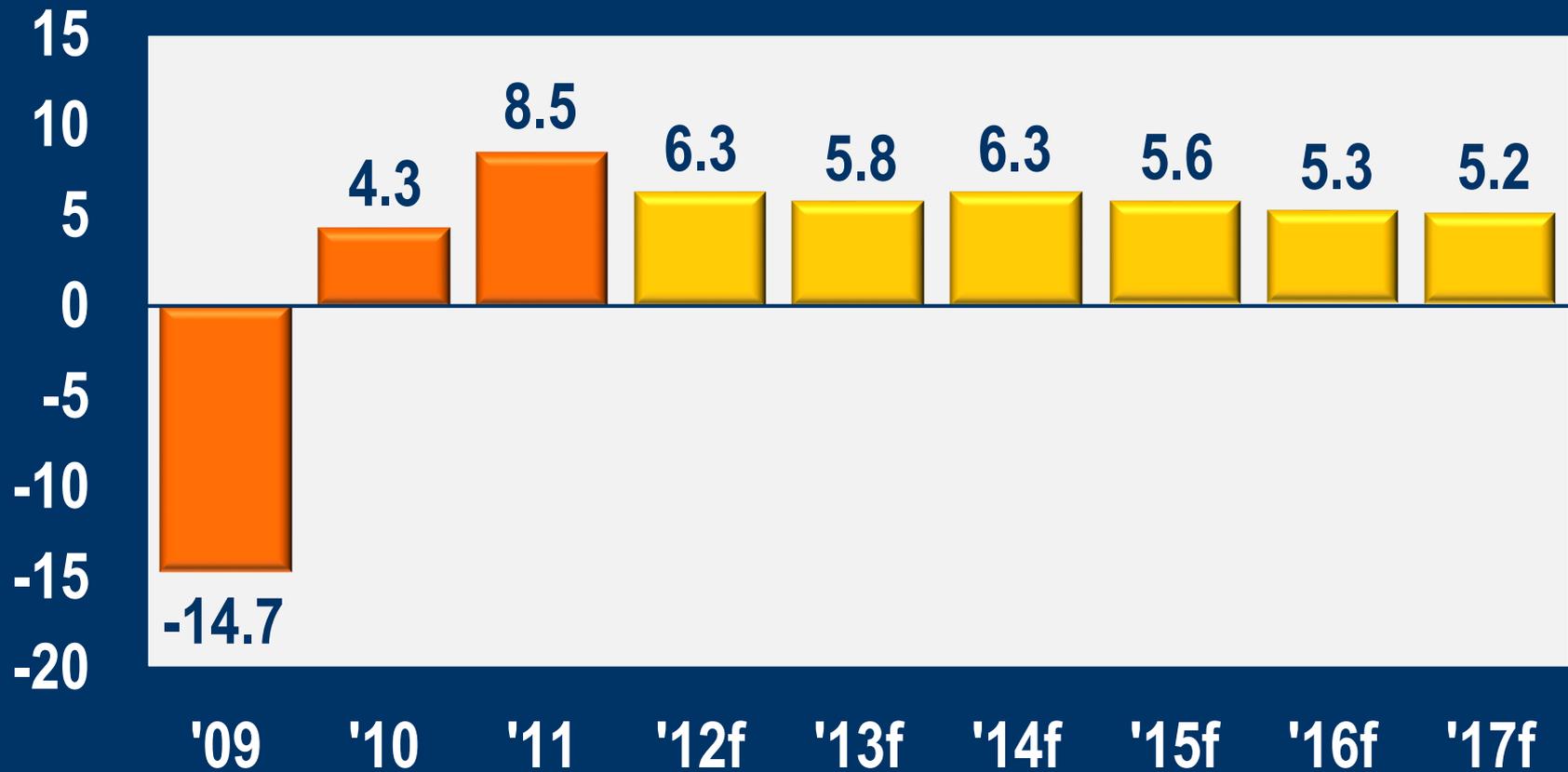


Factors Affecting Consumer Spending

- Job and income growth
 - Higher home prices
 - Strong equity market
- } Positive wealth effect
- Higher payroll taxes
 - Higher sales and income taxes

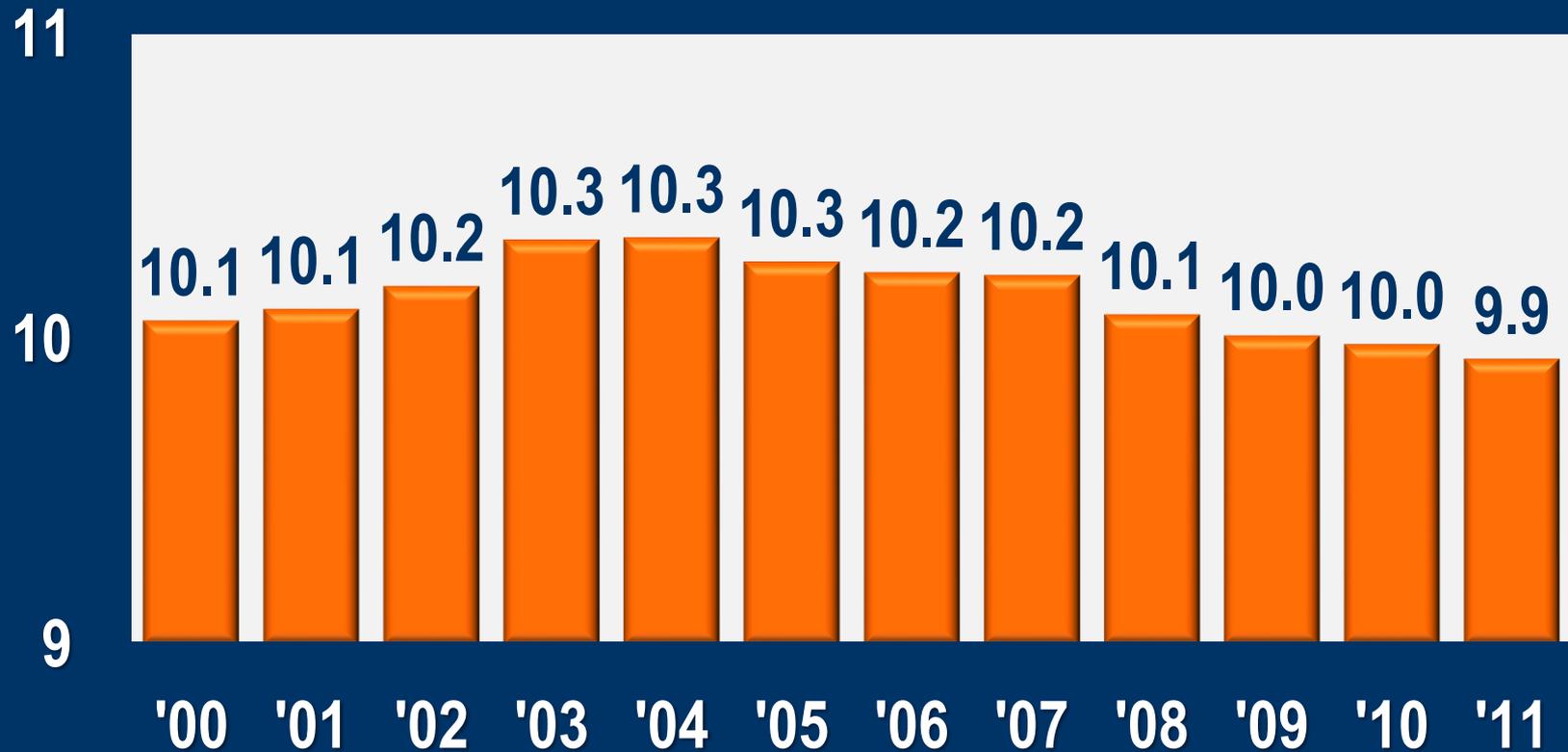
Taxable Sales

Annual % Change



Ratio of Total Taxable Sales OC to CA

Percent



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