Welcome To the 14th Annual State of the Inland Empire

IEEP Board Chairman

IEEP President & CEO

The Economic State of the Nation

Johannes Moenius, Ph.D.
University of Redlands
Institute for Spatial Economic Analysis

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School of Business
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The US Economy: A Brief Report Card

Employment

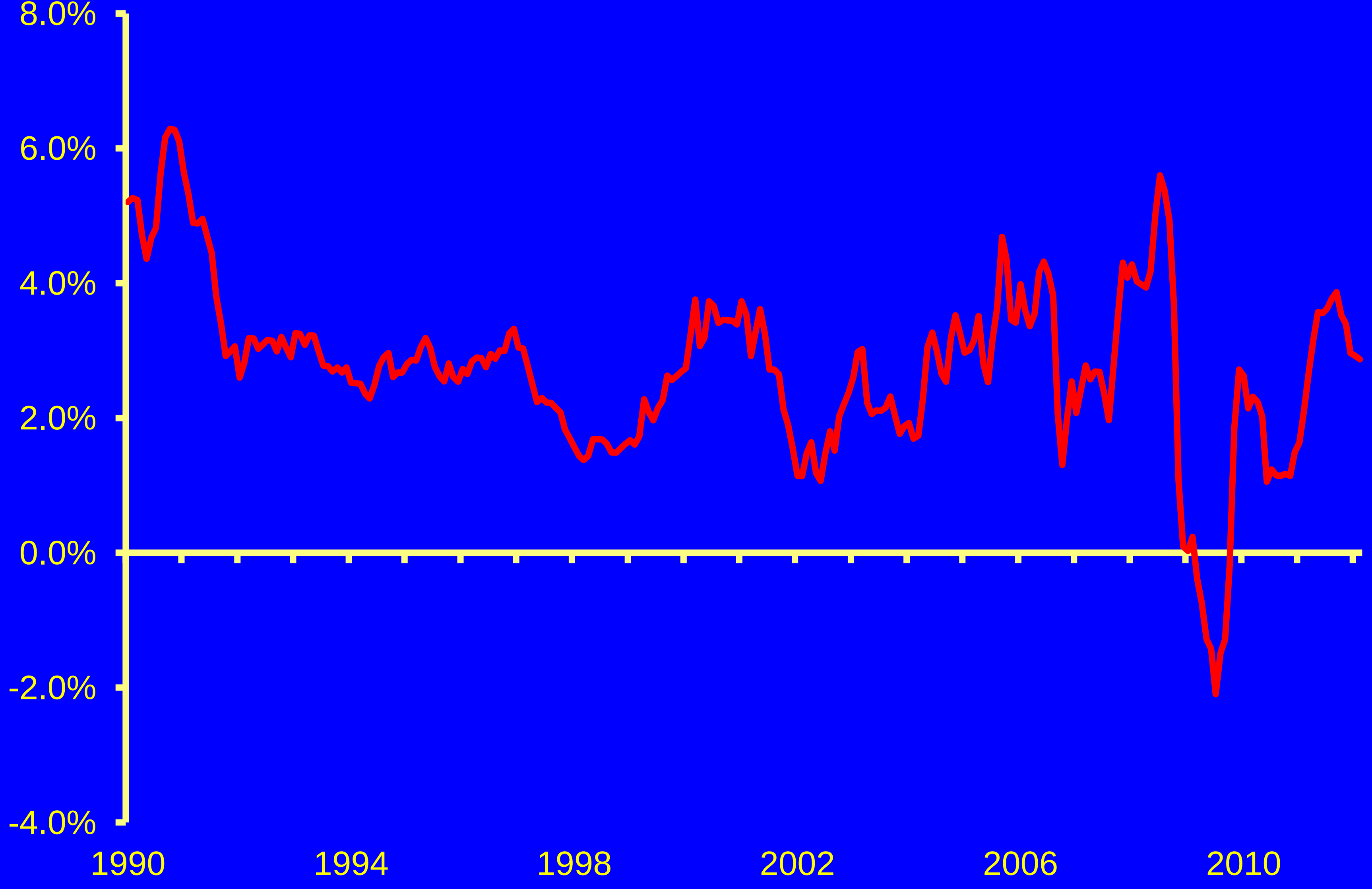
Price stability

External balances

Growth

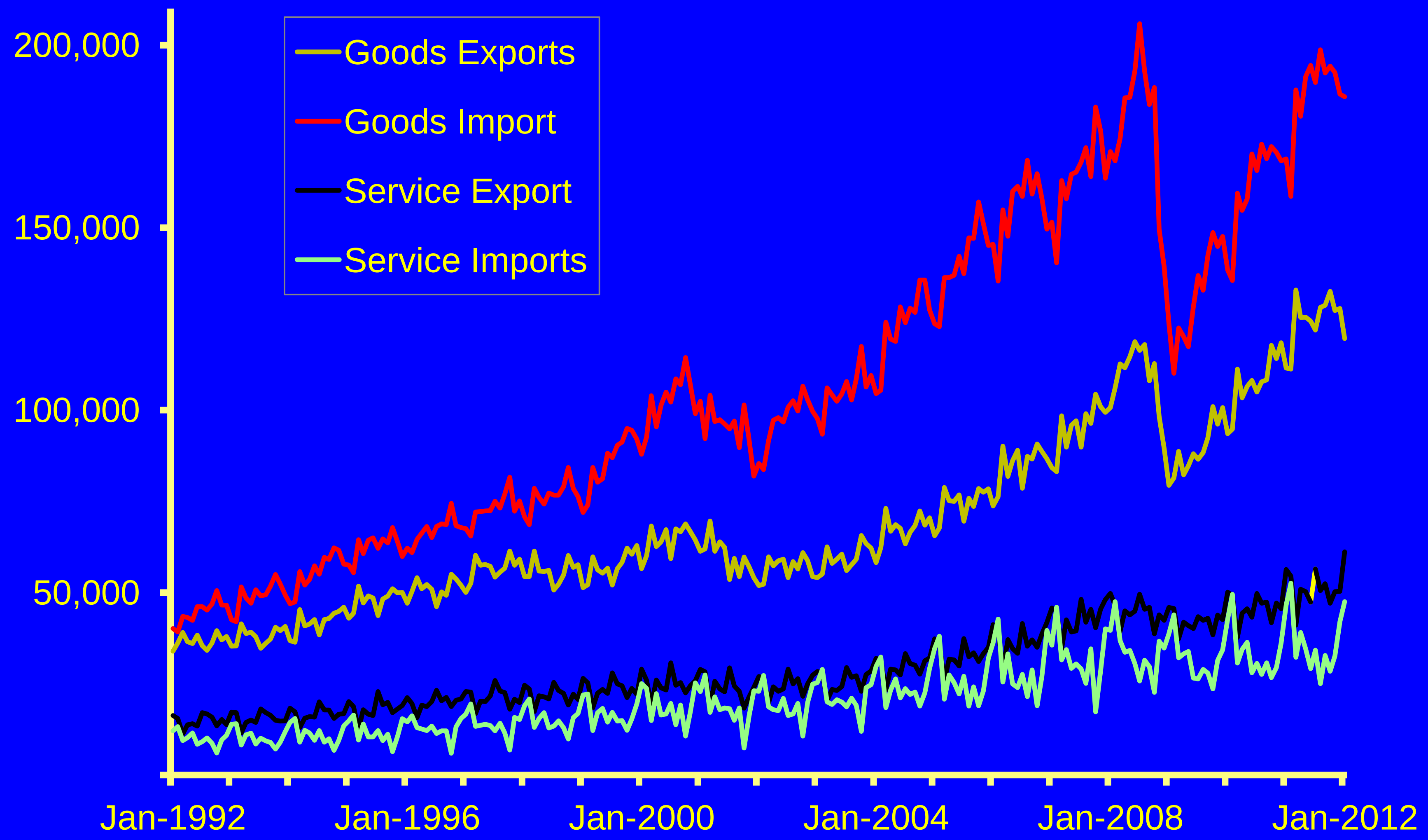
Source: Bureau of Labor Statistics

Inflation in Normal Range



Source: Bureau of Labor Statistics

External Balances Increasing Again



Source: Census

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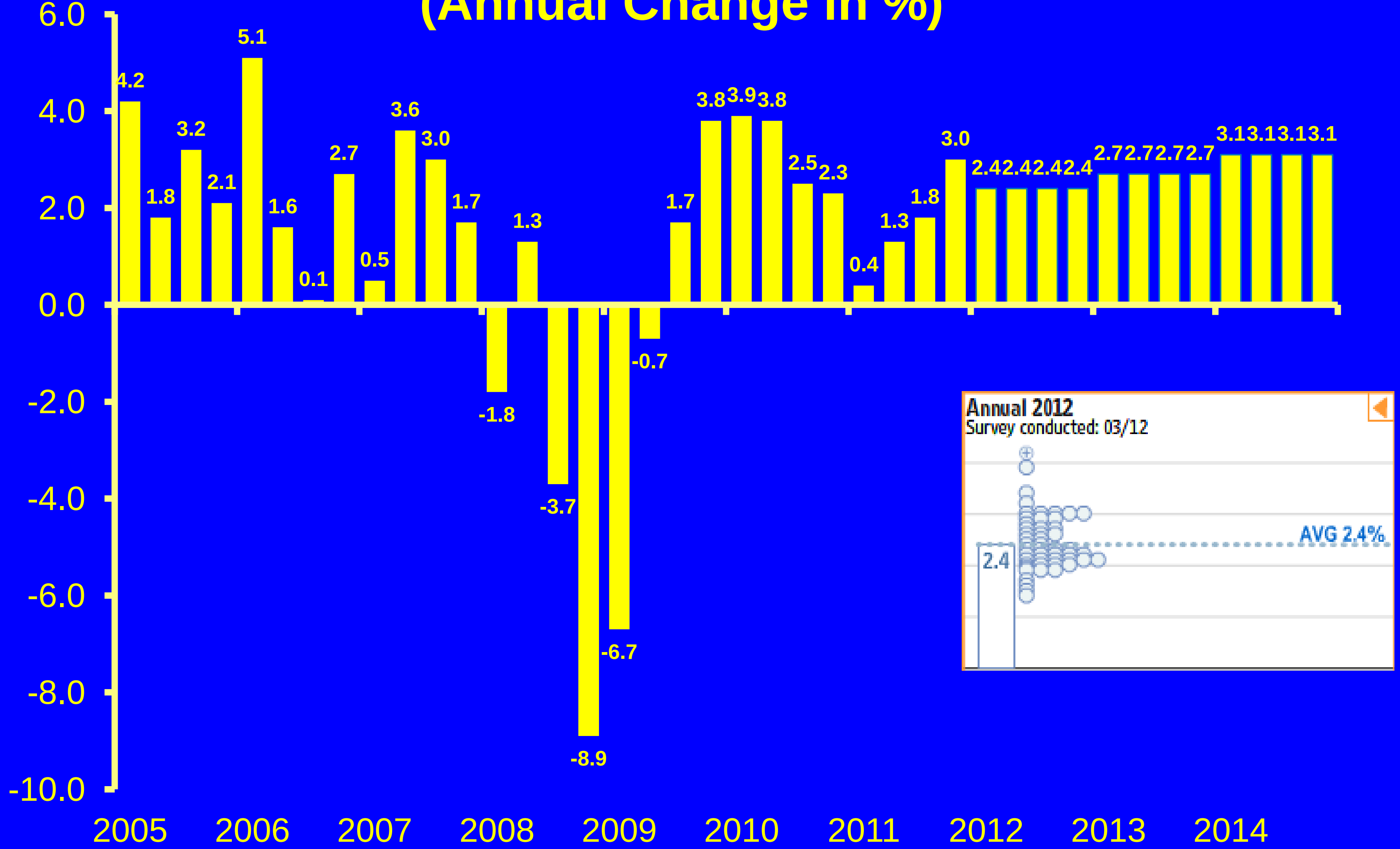
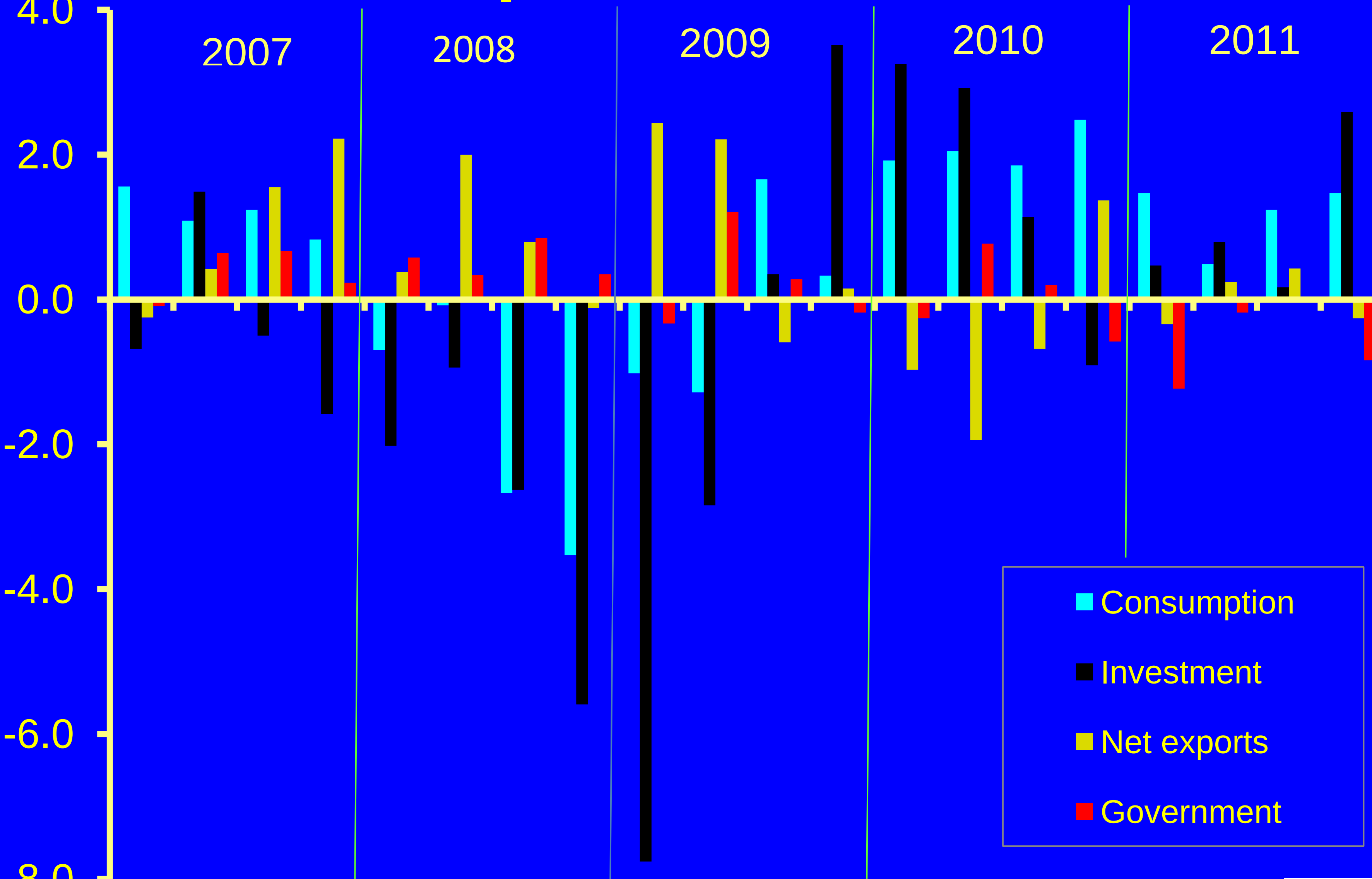
Real Growth Expected to Increase

(Annual Change in %)



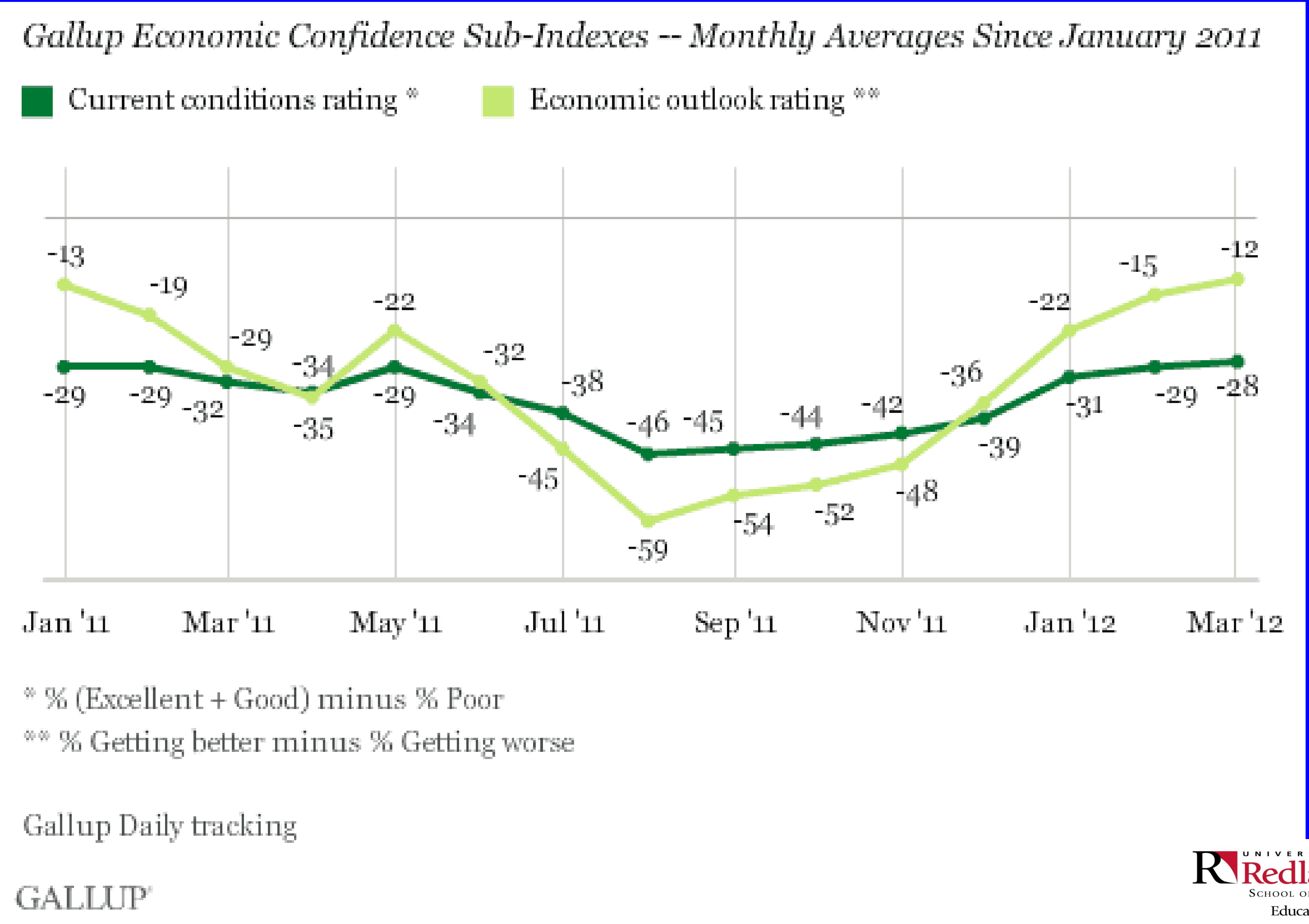
Source: BEA

Composition of Growth



Source: BEA

Leading Indicator: Economic Confidence



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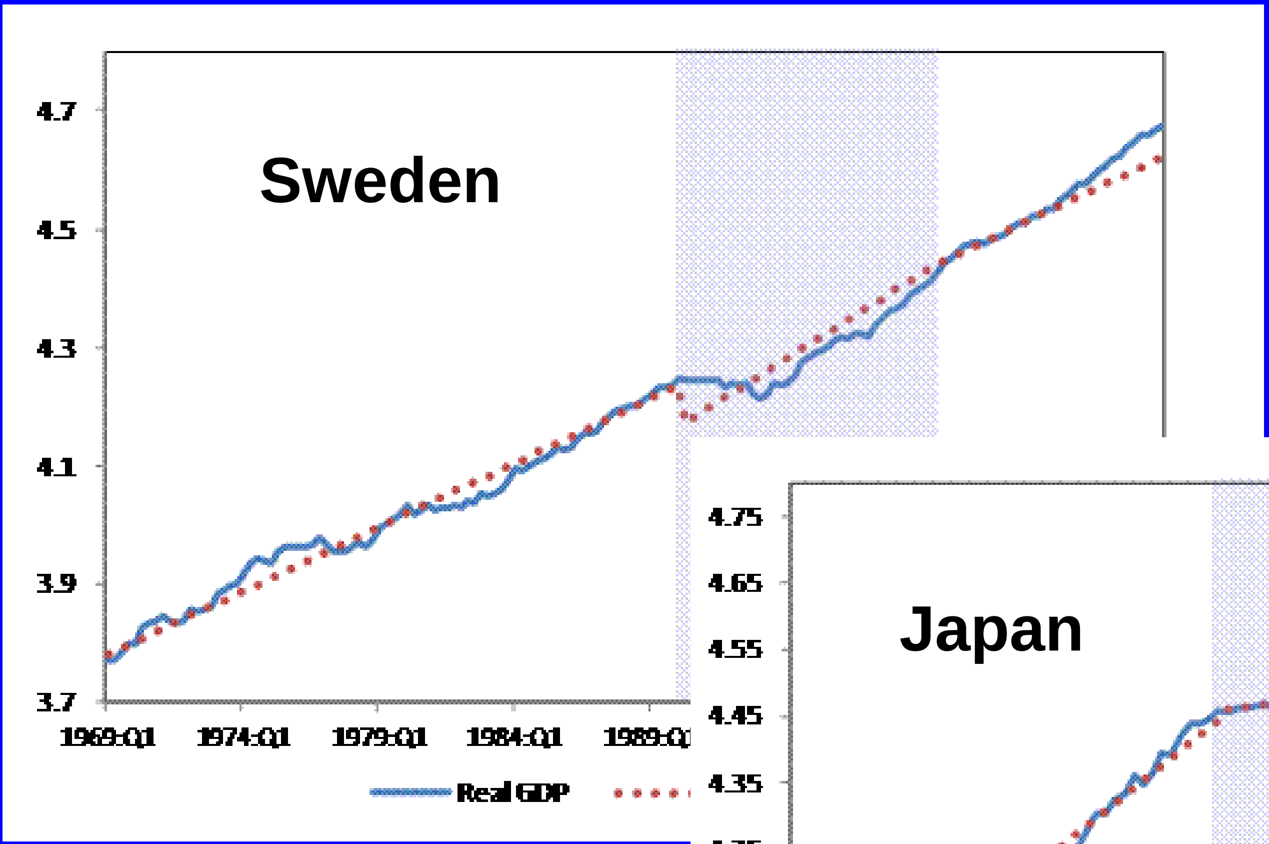
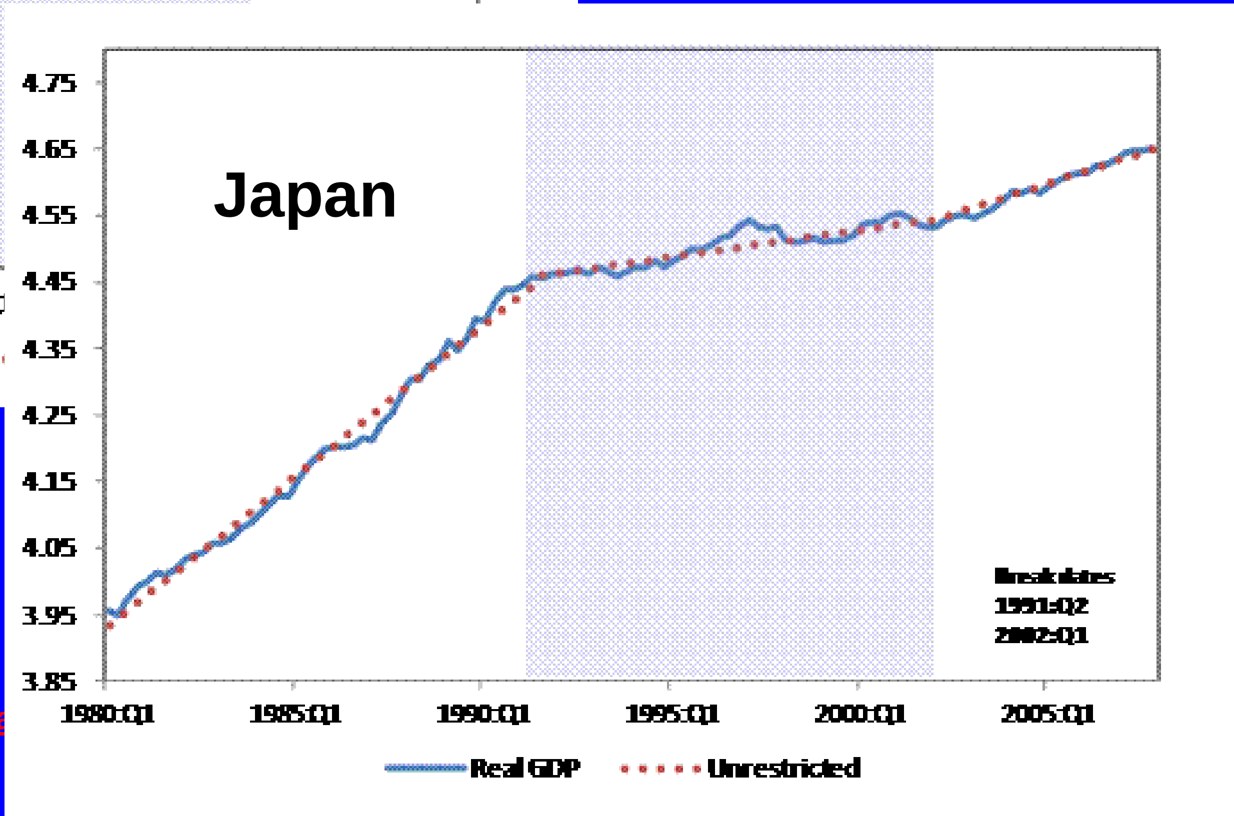
Looks All Good!

But I do have some comments …

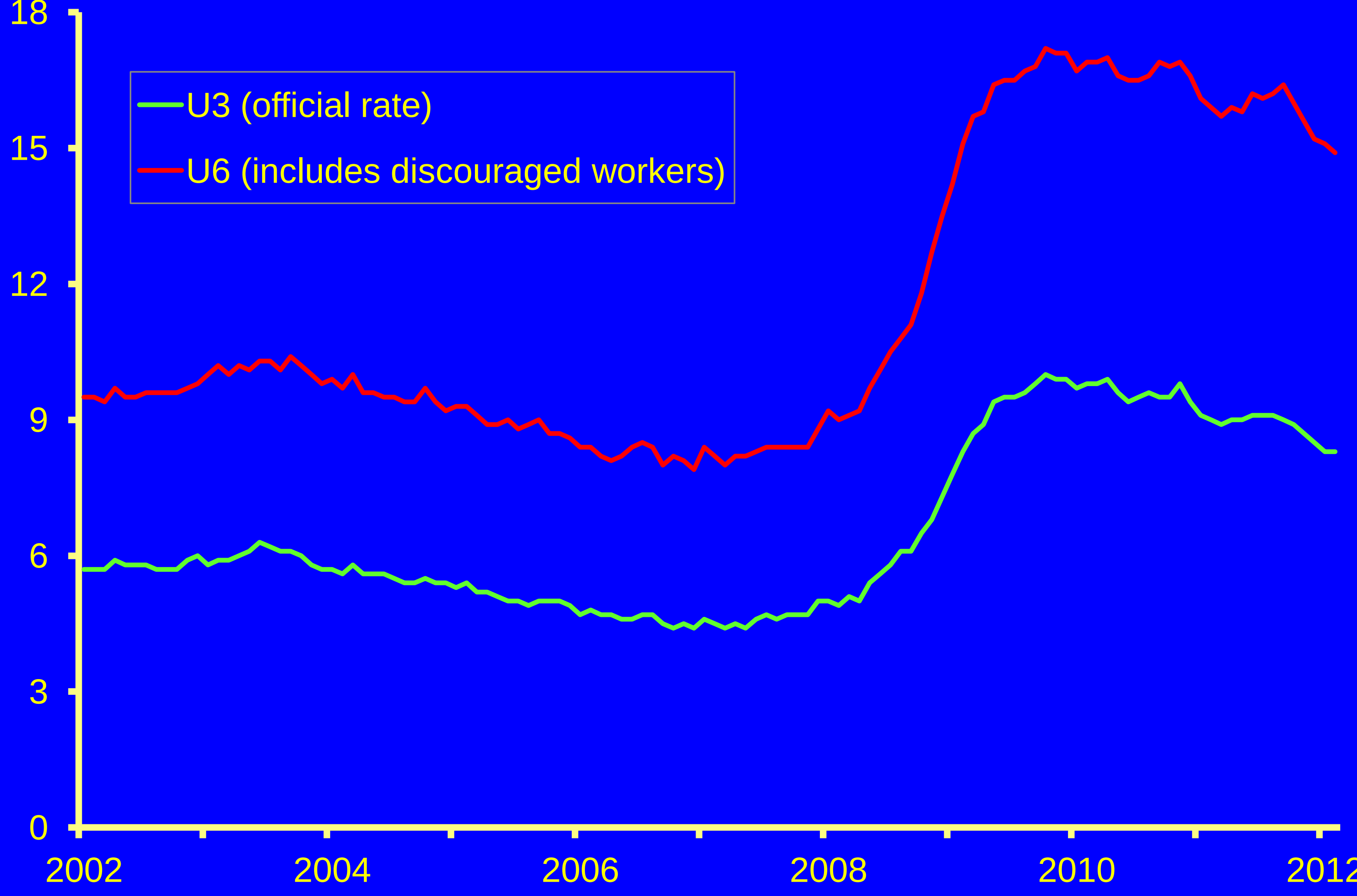
Why Economist's Predictions Differ





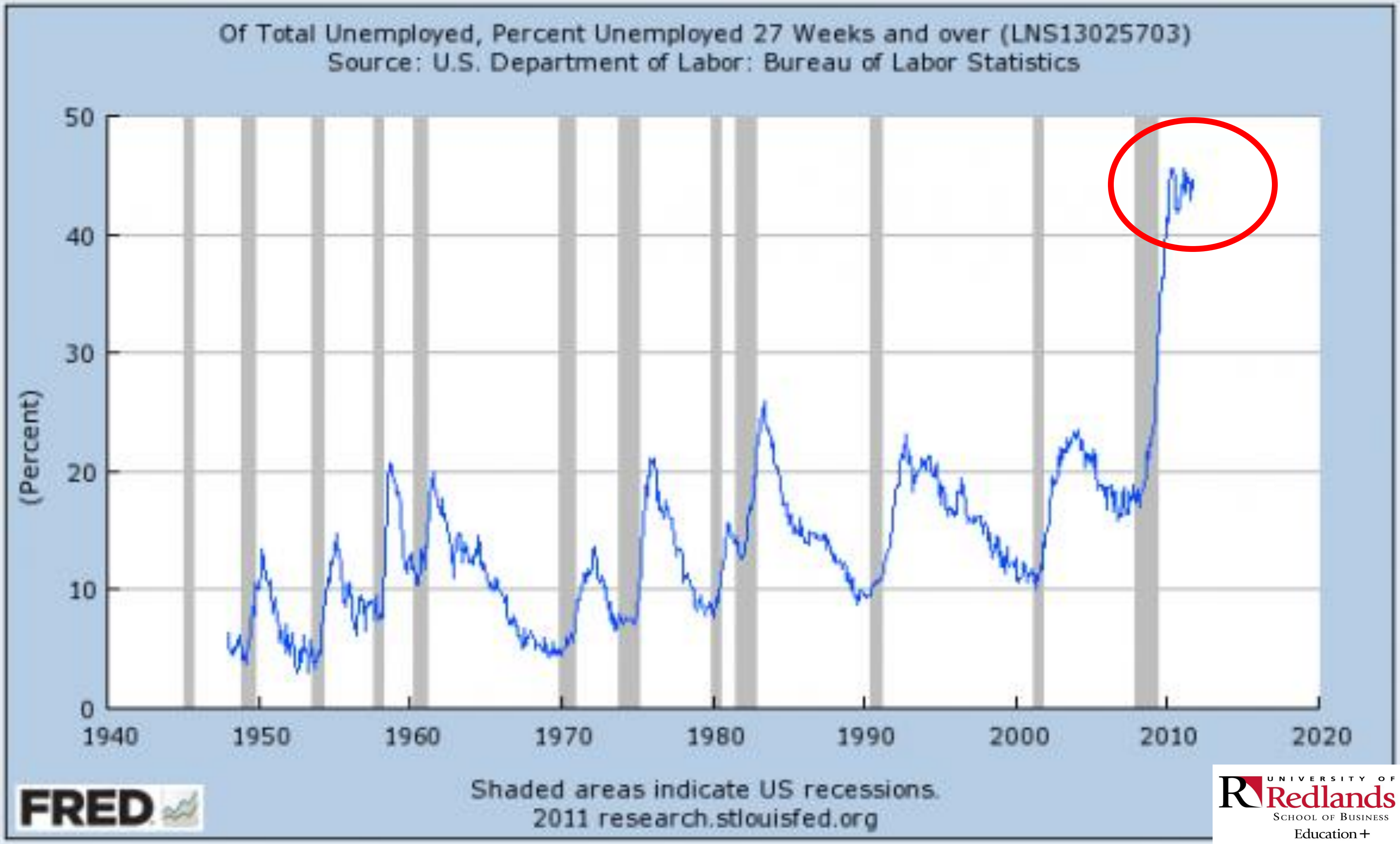
Source: http://www.econbrowser.com/a

Unemployment: A Measurement Issue



Source: Bureau of Labor Statistics

Half of Unemployed Are Long-Term



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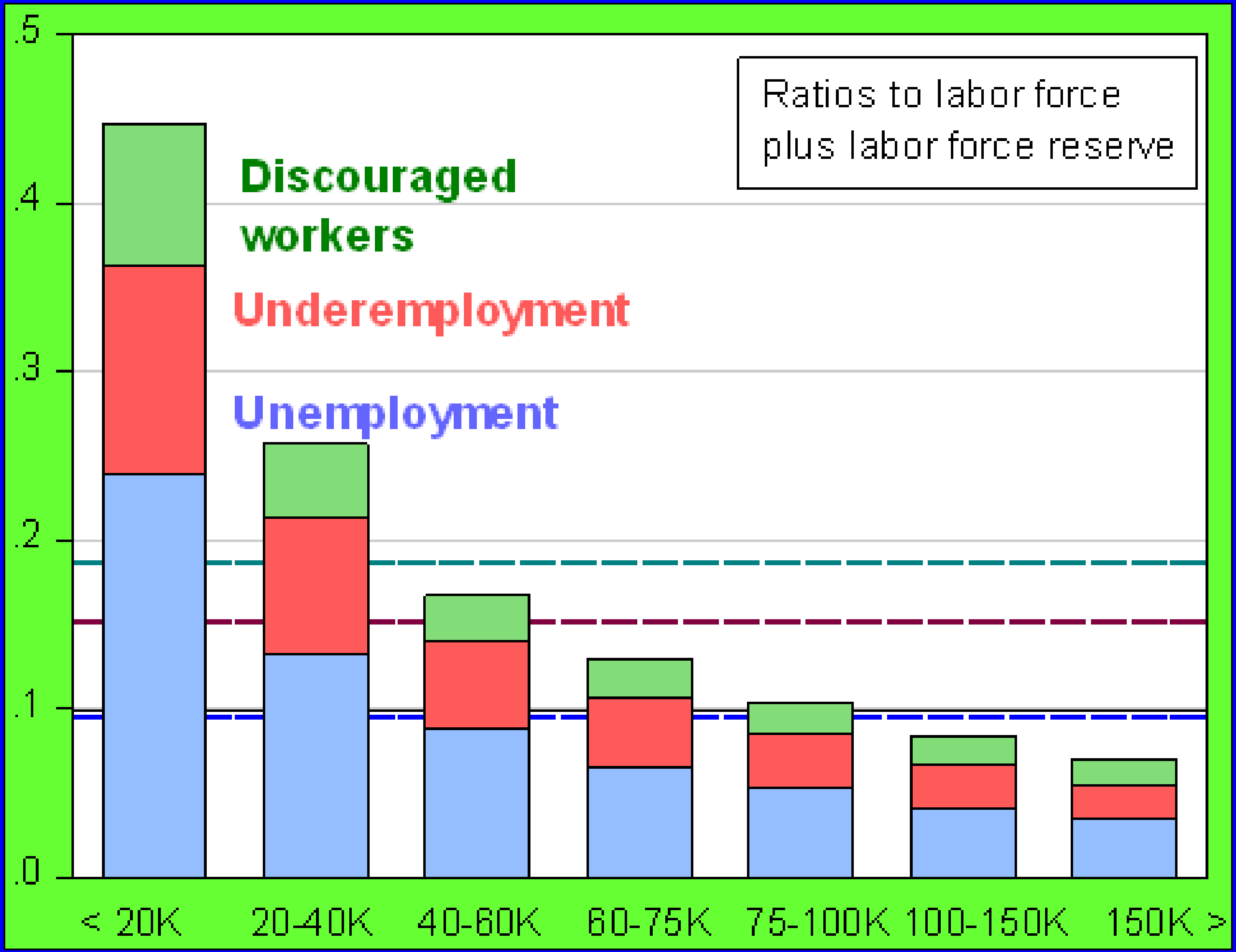
Most Unemployed Previously Low Income



Source: http://www.econbrowser.com/archives/2010/10/the_incidence_o_1.html, **Accessed 11/2/2010**

Only Silicon Valley Recovered All Jobs

Share of Jobs Recovered in Populated Areas by Zip Code, Jan 2010 - Nov 2011

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Less than 0 % | 0 - 33 | 33 - 67 | 67 - 100 | More than 100 %

Data Sources: EDD, US Census Bureau
Map created by:
The Institute for Spatial Economic Analysis (ISEA)
and the Redlands Institute (RI), University of Redlands, 2011

Annual Percent Changes in Employment in Populated Areas by Zip Code, Nov 2010

ISEA
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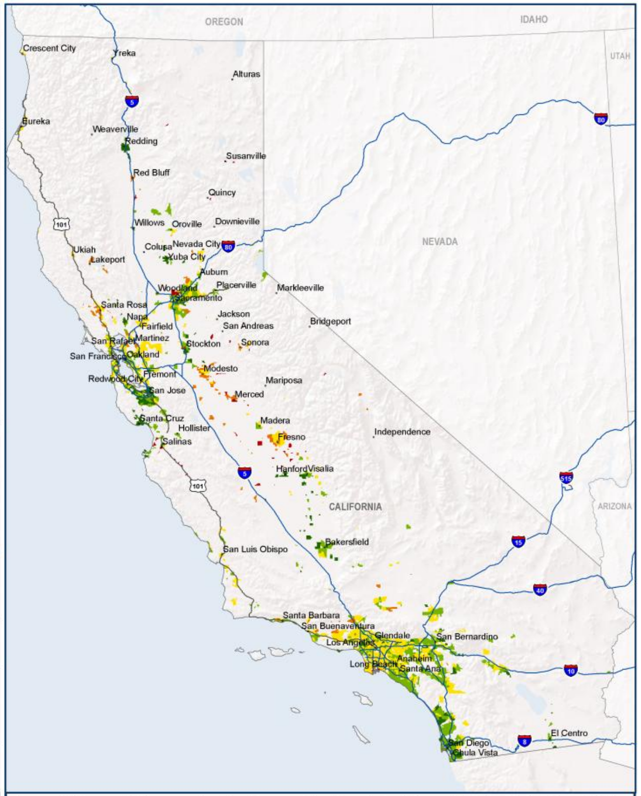
Less than -3% | -3% - -1% | -1% - 1% | 1% - 3% | More than 3%

Data Sources: EDD, US Census Bureau
Map created by:
The Institute for Spatial Economic Analysis (ISEA)
and the Redlands Institute (RI), University of Redlands, 2011



Annual Percent Changes in Employment in Populated Areas by Zip Code, Nov 2011

ISEA
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Less than -3% | -3% - -1% | -1% - 1% | 1% - 3% | More than 3%

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Map created by:
The Institute for Spatial Economic Analysis (ISEA)
and the Redlands Institute (RI), University of Redlands, 2011

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A New Euro Coin for Greece …

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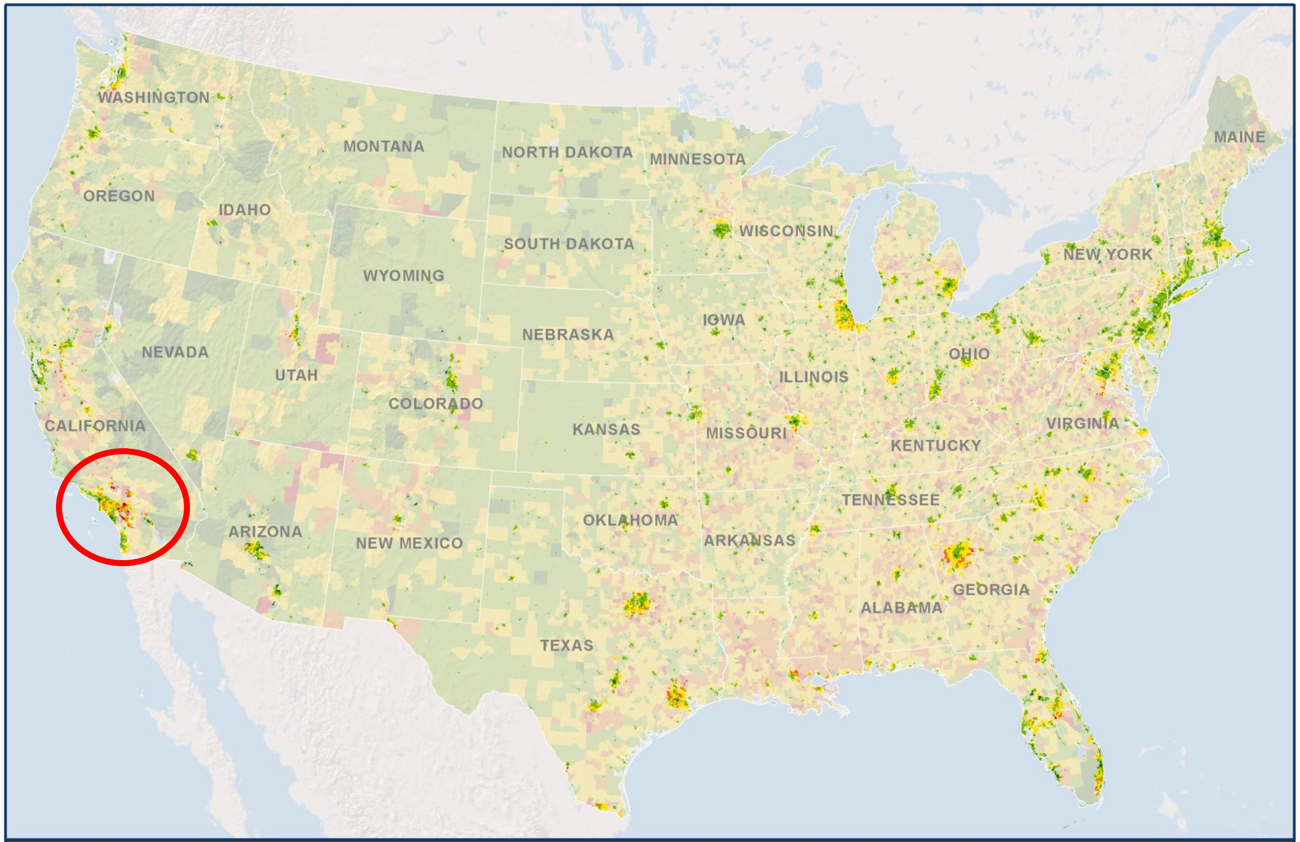
Gas Price Burden = Commute Vs Income



Percent of Income Spent on Gasoline by Zip Code, 9th of May 2011

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Populated areas (Greater than 500 people per sq mile)
Less Populated areas (Less than 500 people per sq mile)
0% - 2% | 2.1% - 4% | 4.1% - 6% | 6.1% - 8% | More than 8%

Data Sources: GasBuddy.com, ESRI

Map created by:
The Institute for Spatial Economic Analysis (ISEA)
and the Redlands Institute (RI), University of Redlands, 2011

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Solution for John: 94 MPG

A New Type of Recession

Causes were highly locally and sectorally concentrated (housing and oil)

Global interconnection → need to consider feed-back loops

Policy response close to the limit, not much wiggle room at the federal level

Quo Vadis, Inland Empire?

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At Last, Inland Empire Economic Growth . . .

Will it Take Off?

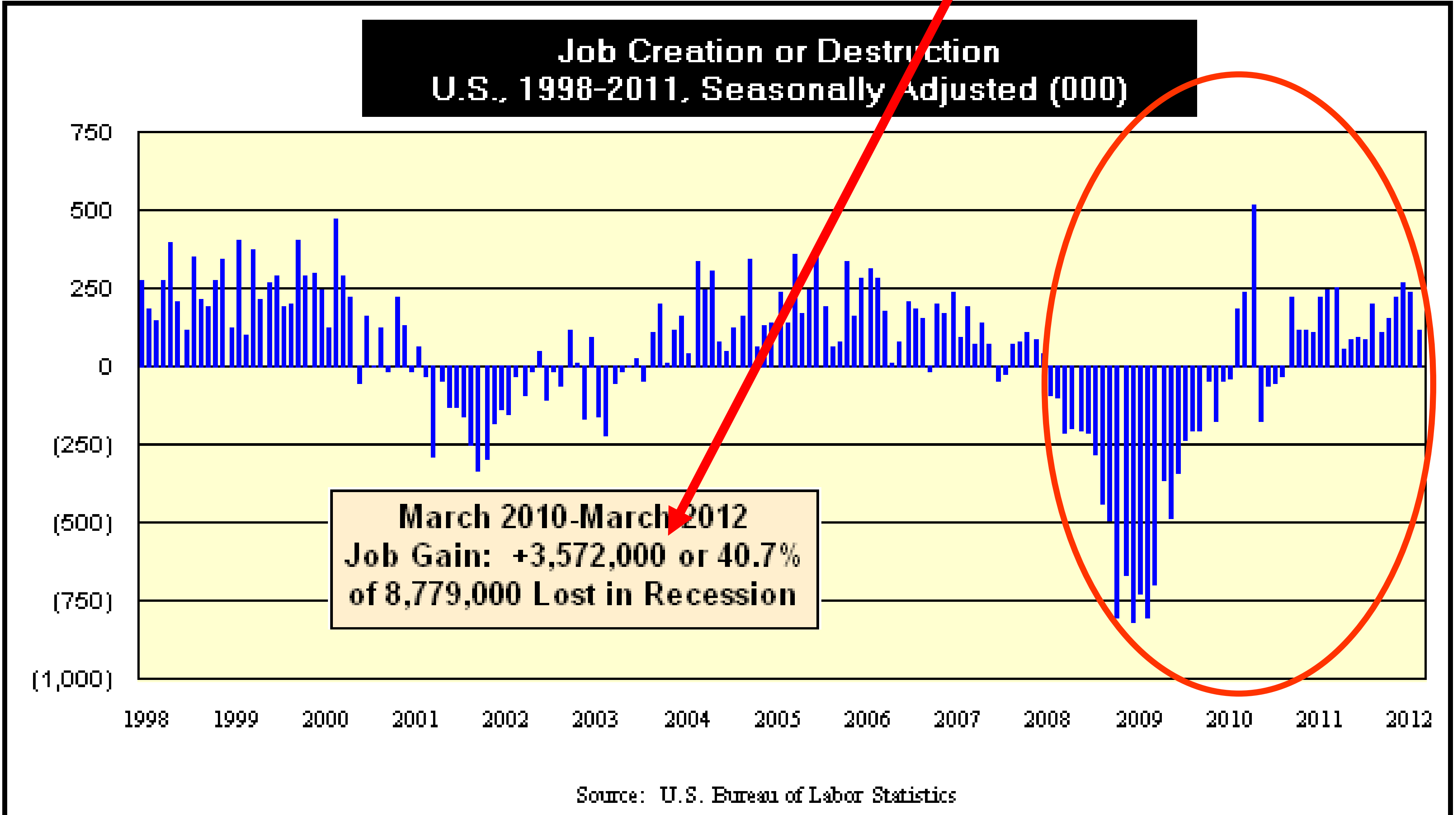
John Husing, Ph.D.

Economics & Politics, Inc.

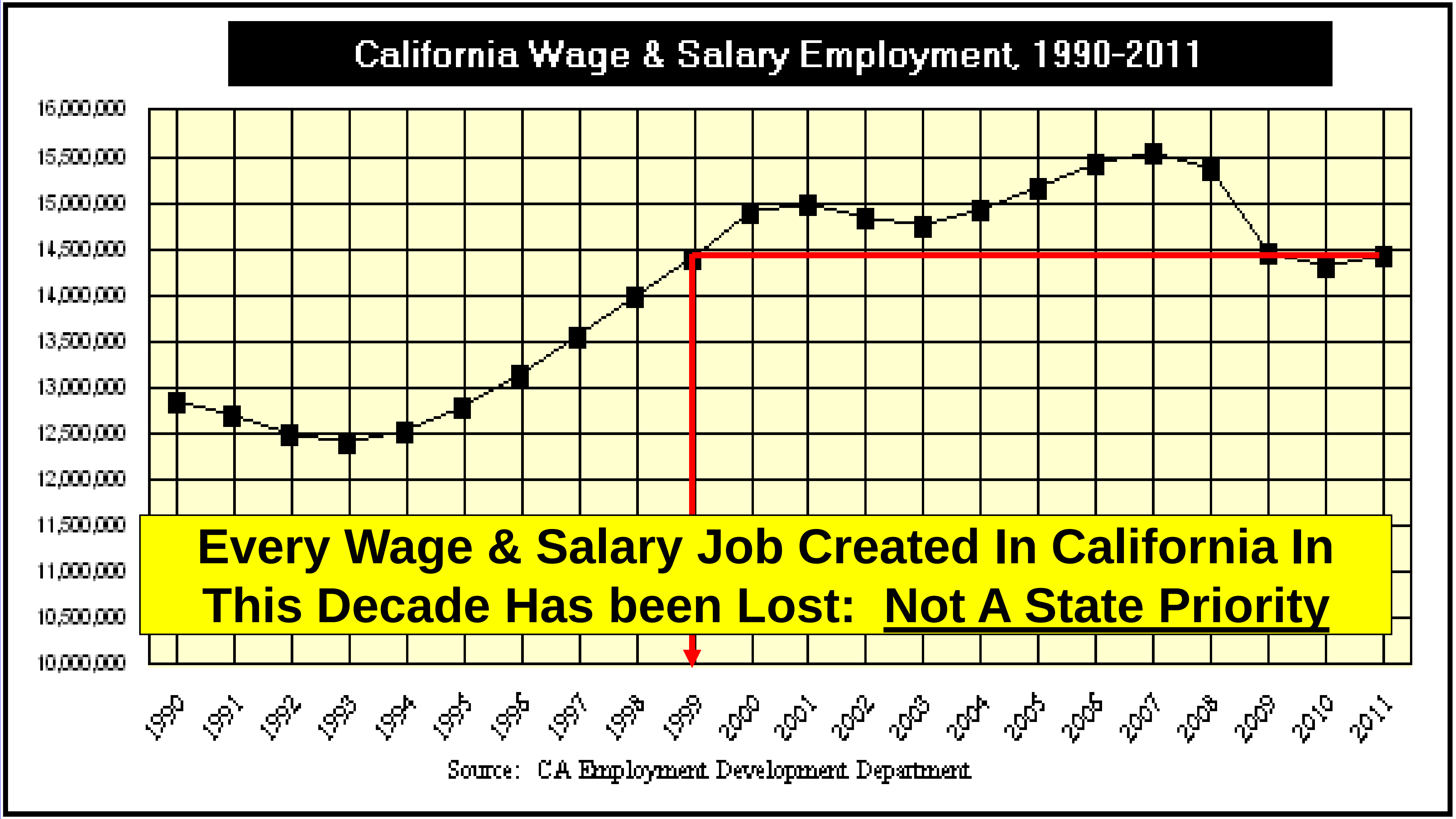
&

Chief Economist, IEEP

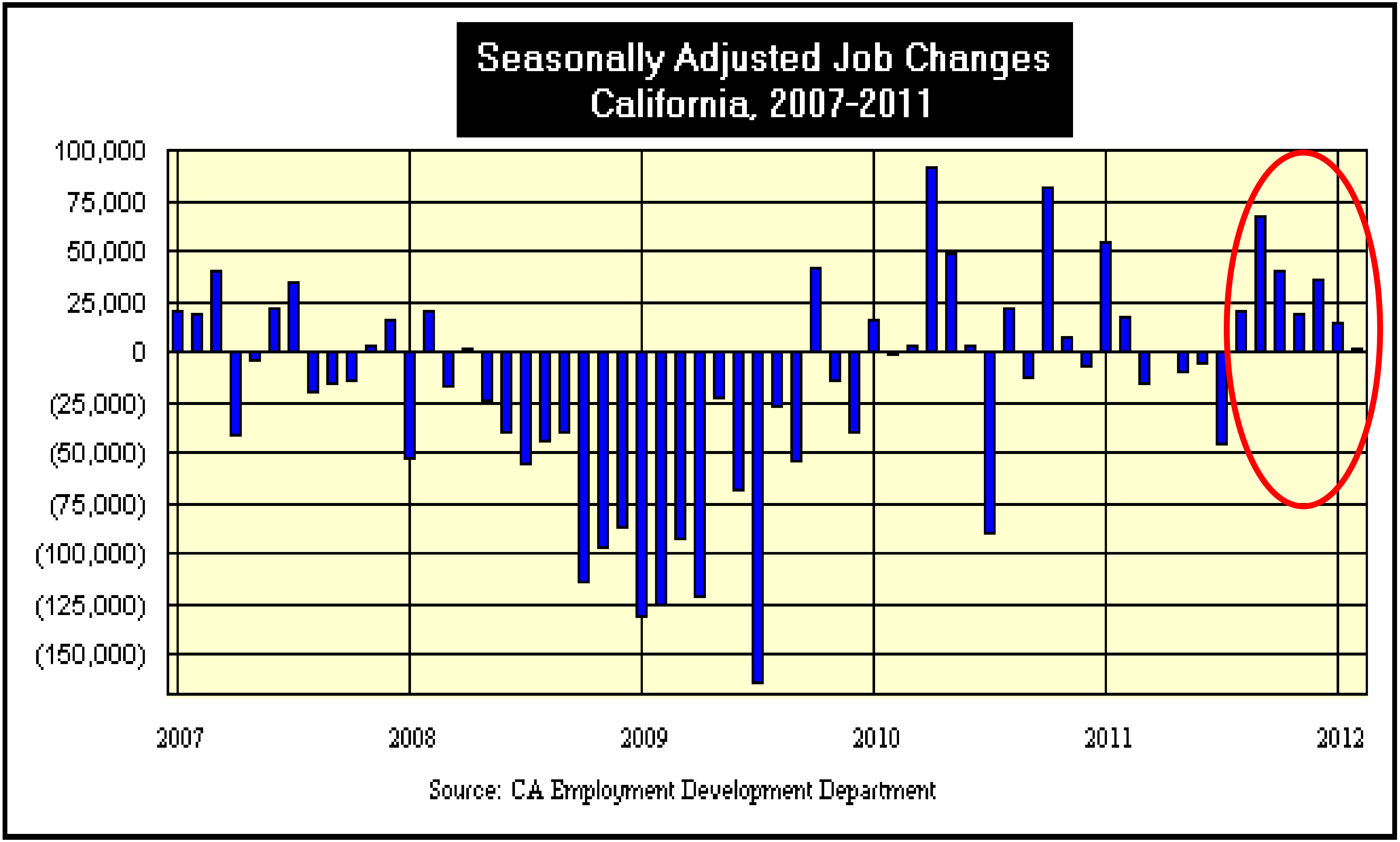
After Losing 8.78 Million Jobs …
U.S. Job Creation is Beginning to Mature
Unemployment 8.2%



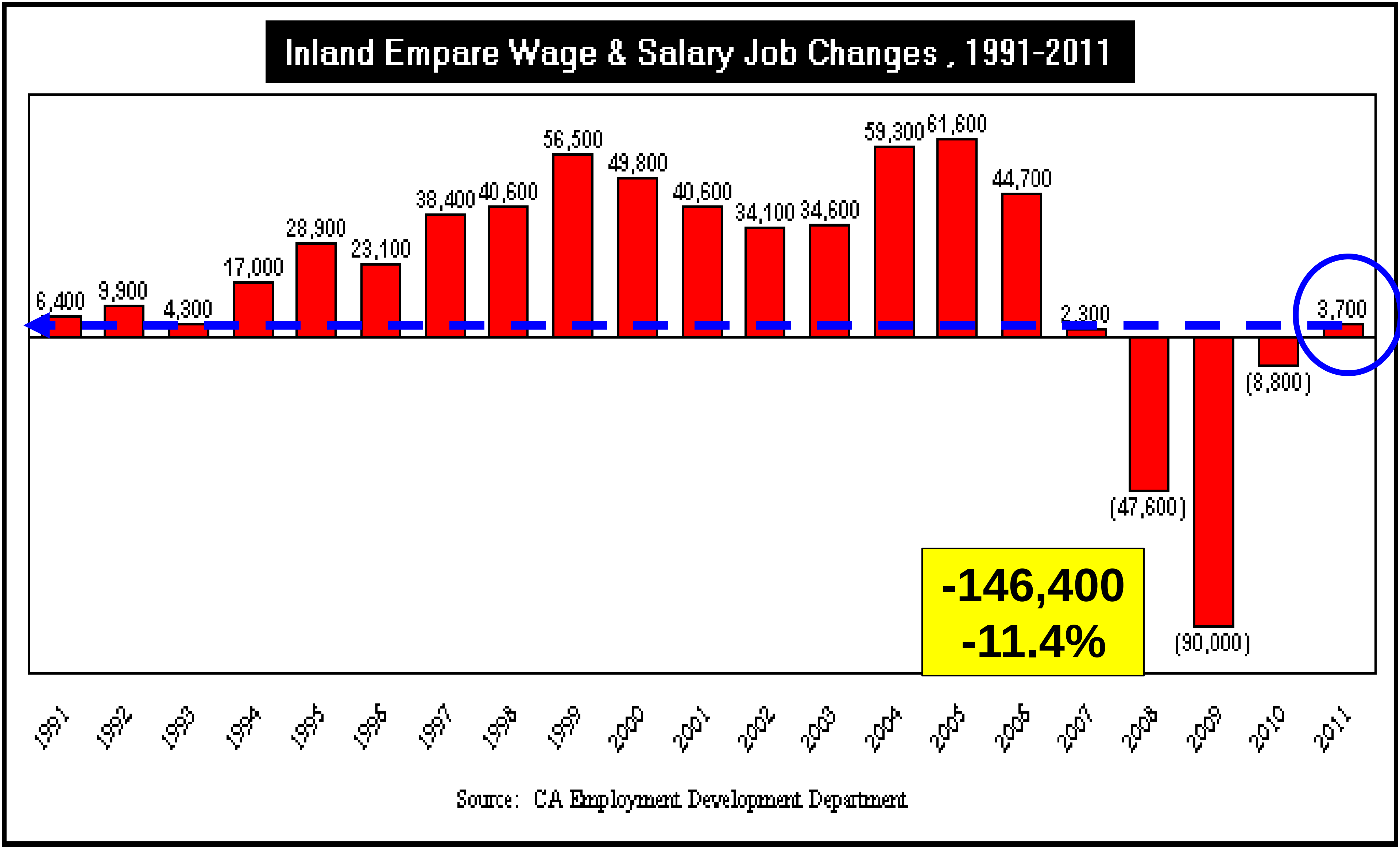
California Wage & Salary Employment Back to 1999 Level



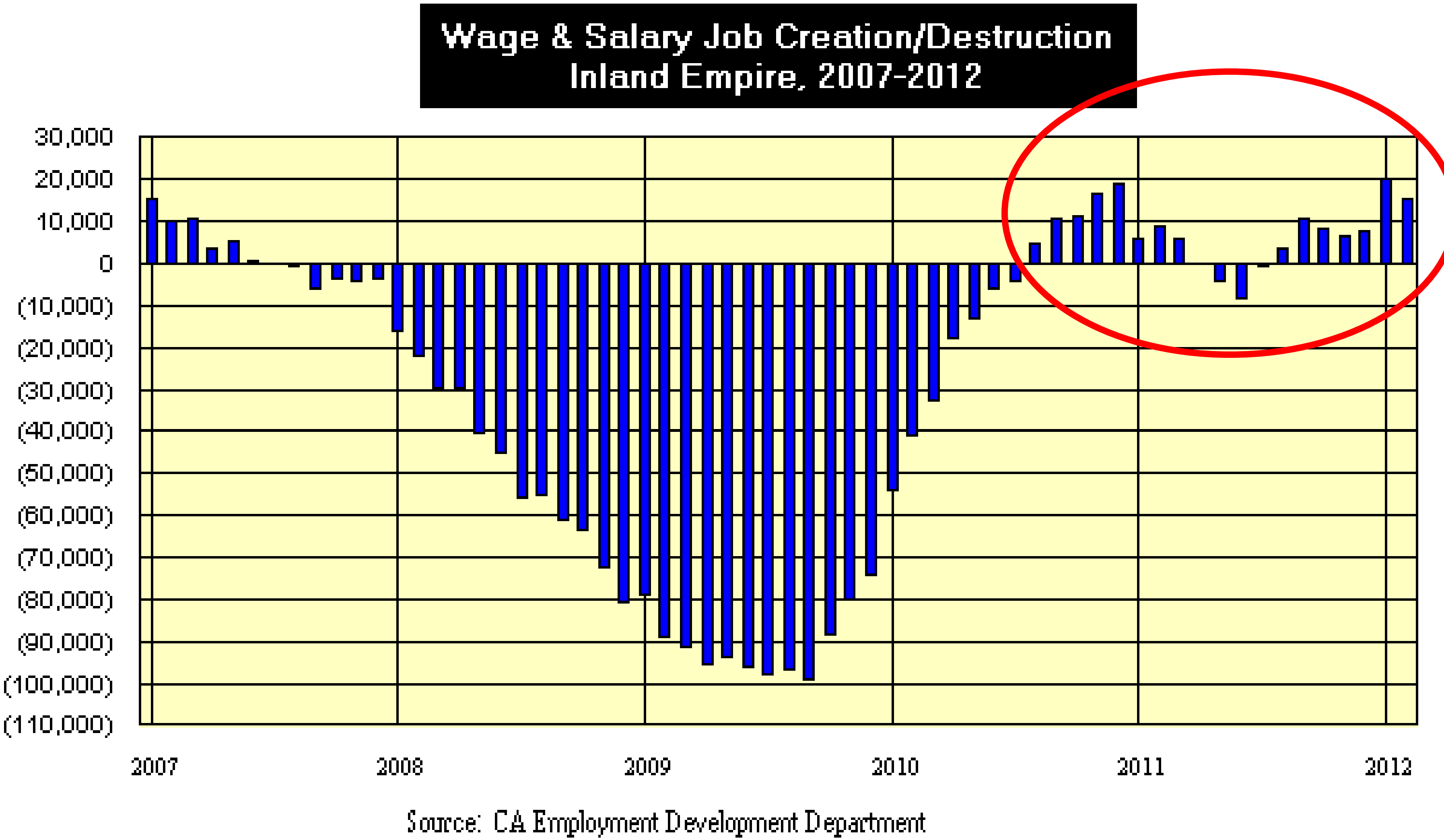
California, Seasonally Adjusted Jobs From Irregular To Positive



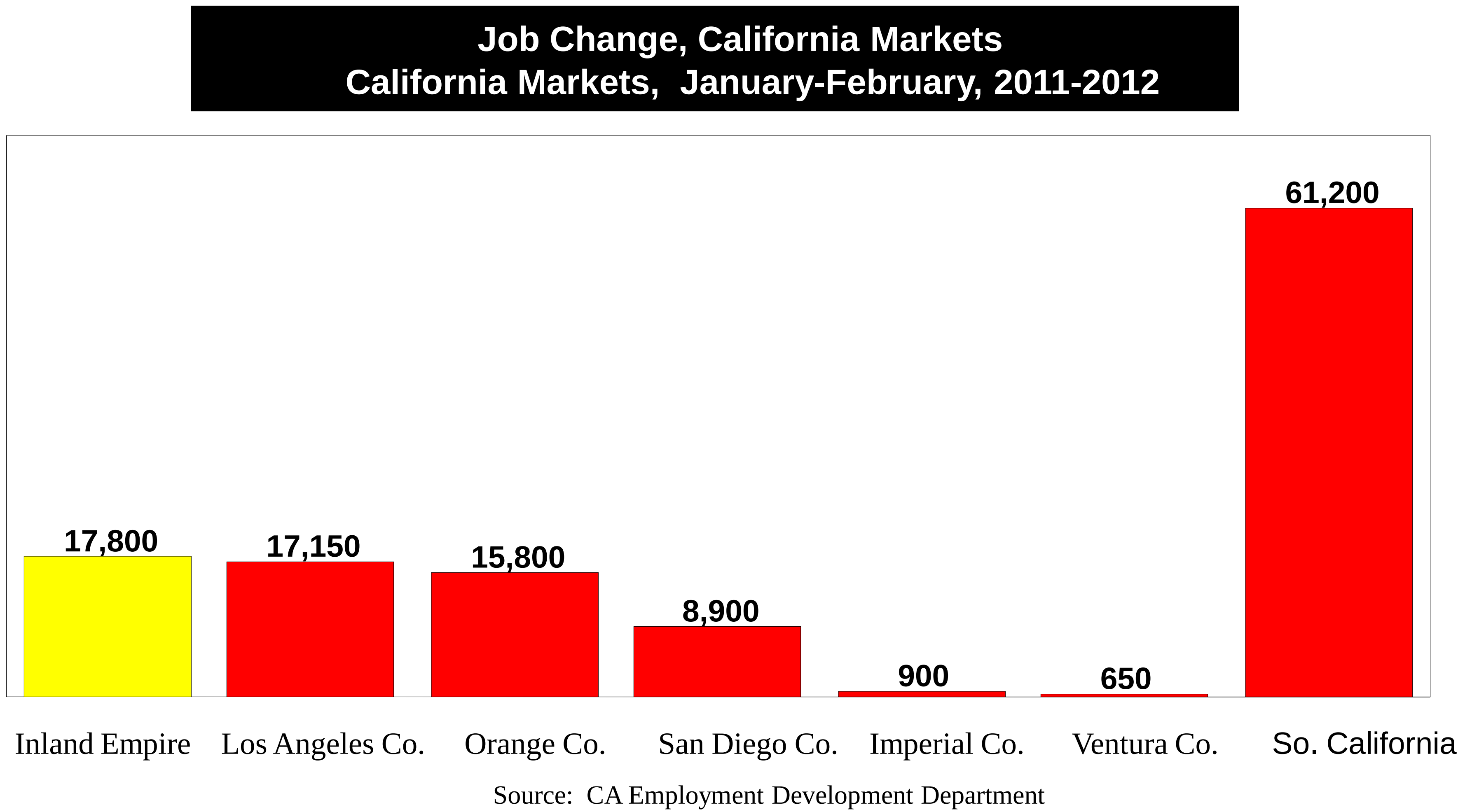
IE Up 3,700 Jobs in 2011
2010 Revised from Loss of -23,700 to -8,800



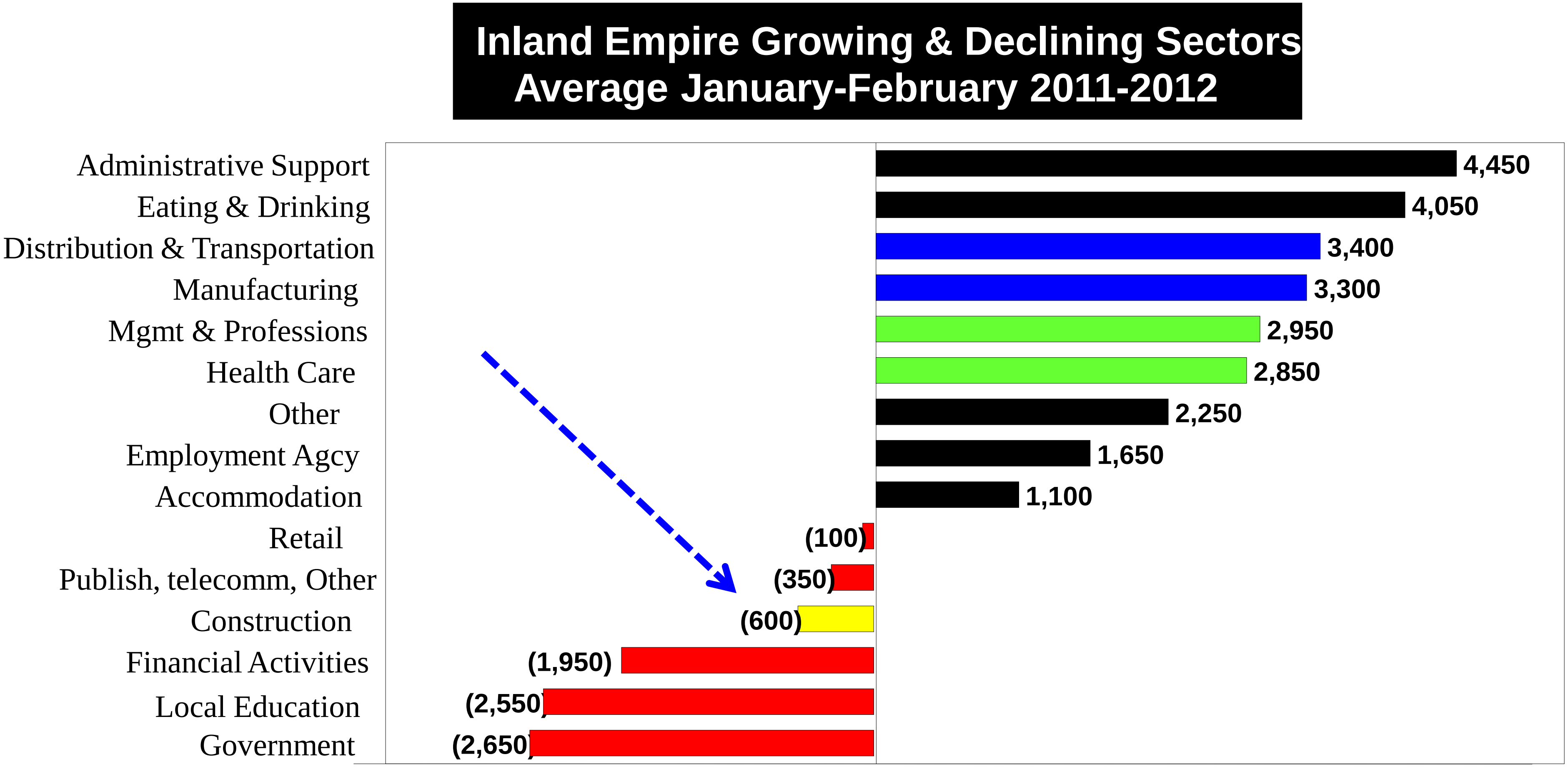
Job Growth Turned Positive Aug-2010



Inland Empire Out-performed Coastal Counties In Jan-Feb 2011-2012 *Without Construction*



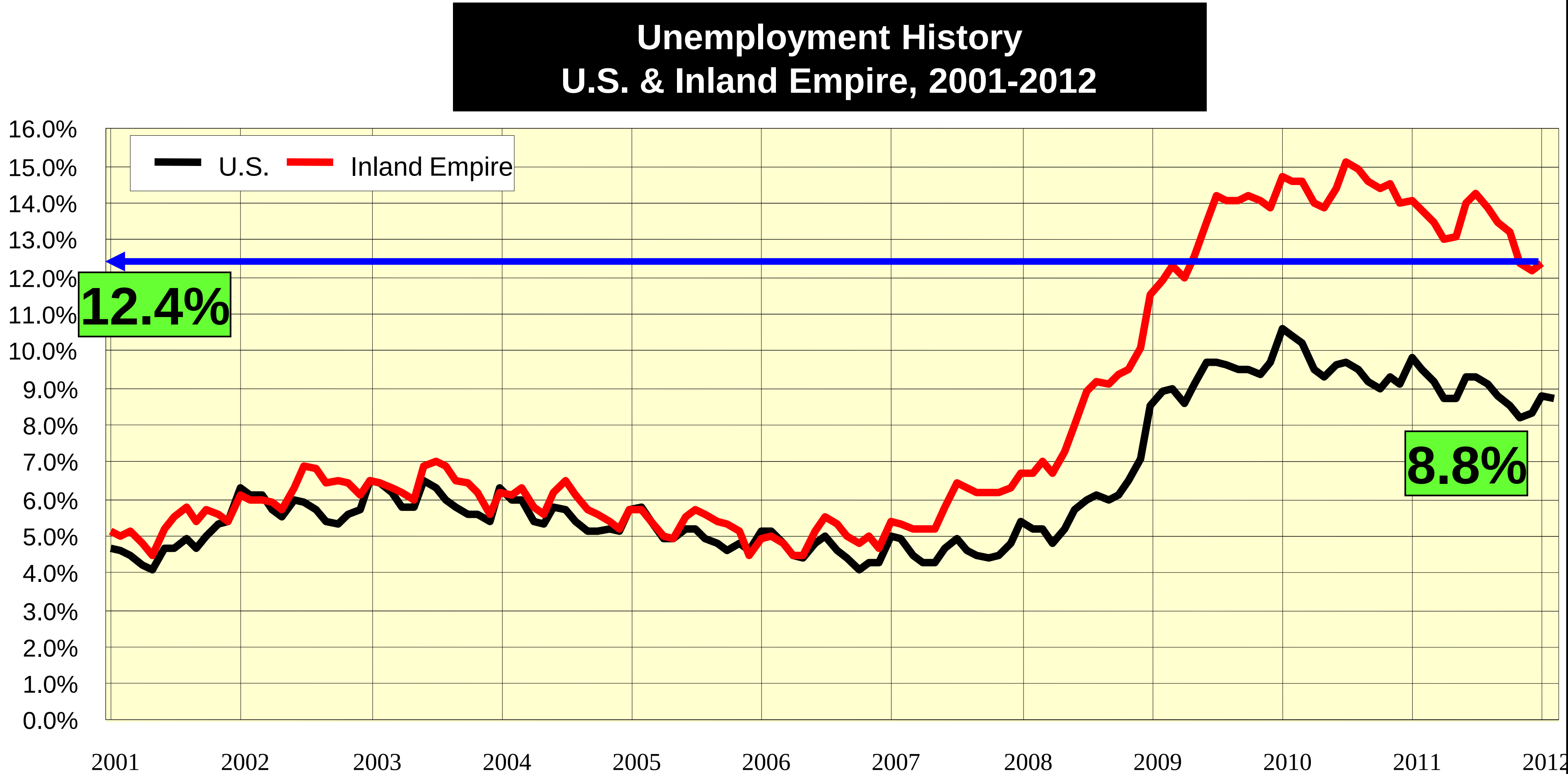
Inland Empire Added 17,800 Jobs
Jan-Feb, 2011 v. 2010
Some Surprises in Why



Source: California Employment Development Department

In Jan-2012, Inland Empire's unemployment was 12.4%, second to Las Vegas

U.S. was 8.8%, CA was 11.3%



Source: U.S. Bureau of Labor Statistics, CA Employment Development Department

2011 CONFESSION

- **Forecast Job Change: +5,200 vs. +3,700 Actual**
- **Error 1,500 jobs of 1,145,000 or 0.1%**

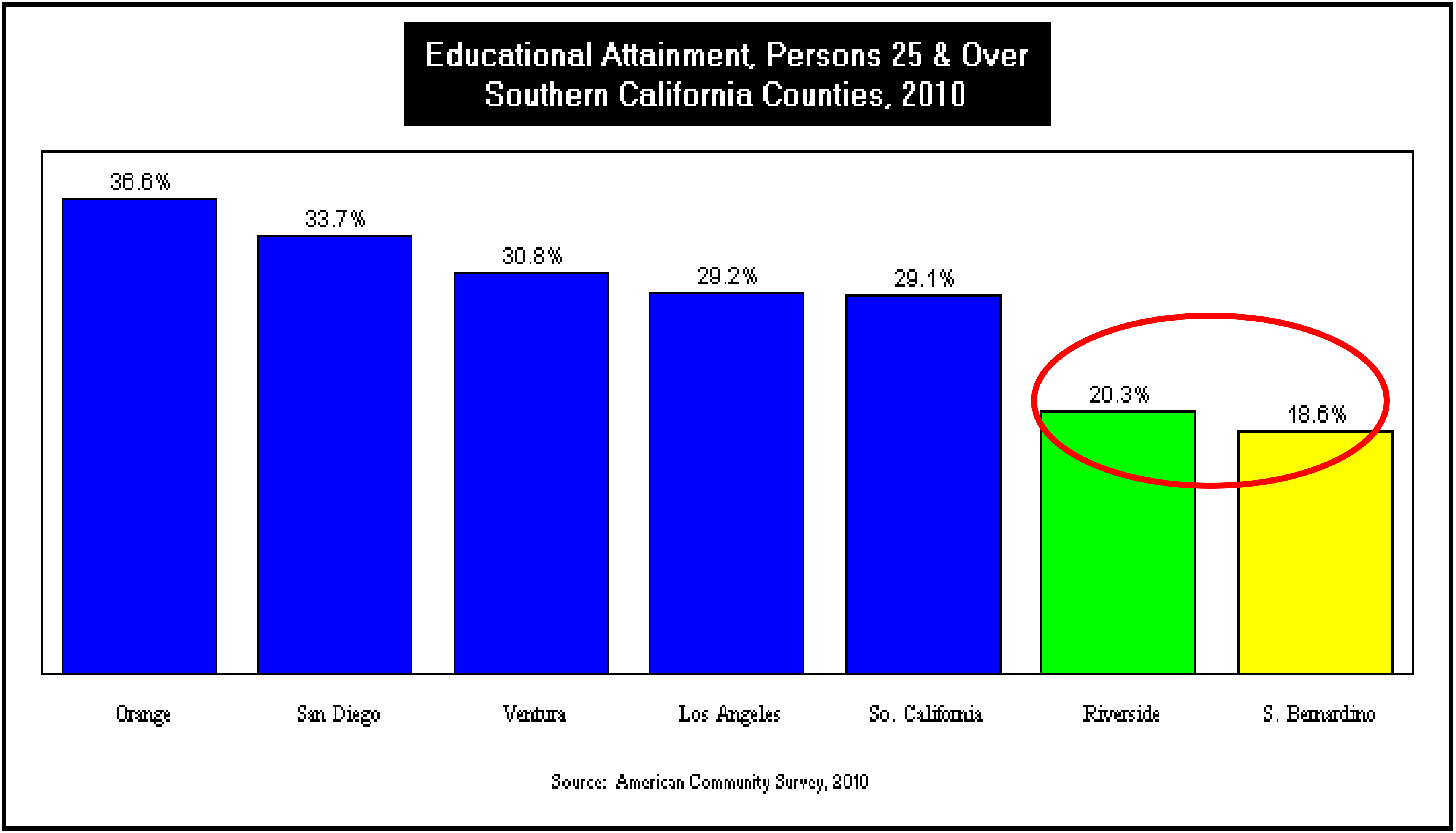
Gold Mine Theory

Secondary Tier

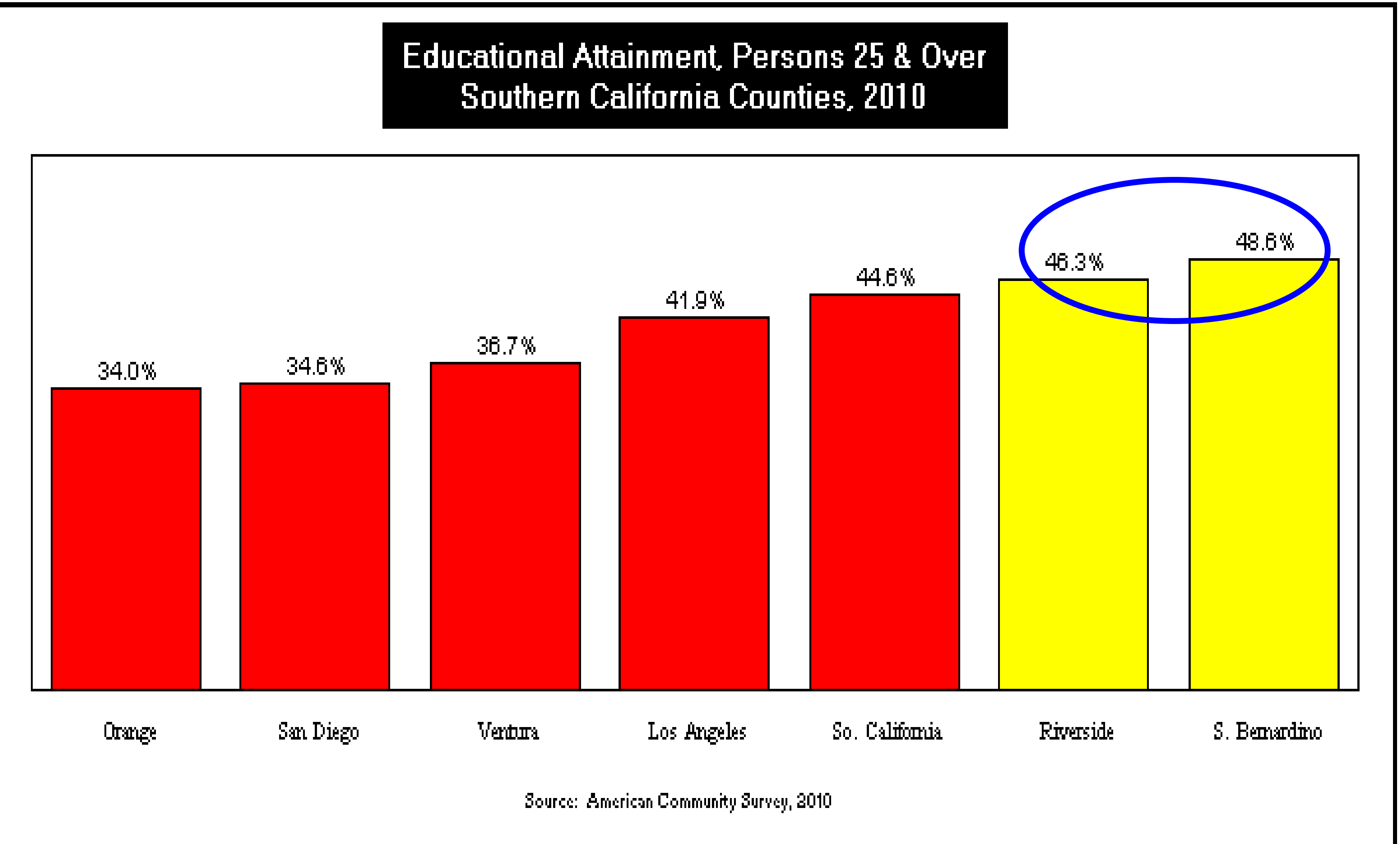
Primary Tier

Logistics:	**Blue Collar**
Health Care:	**White Collar**
Manufacturing:	**Blue Collar**
Construction:	**Blue Collar**

BA or BS Degrees or Higher



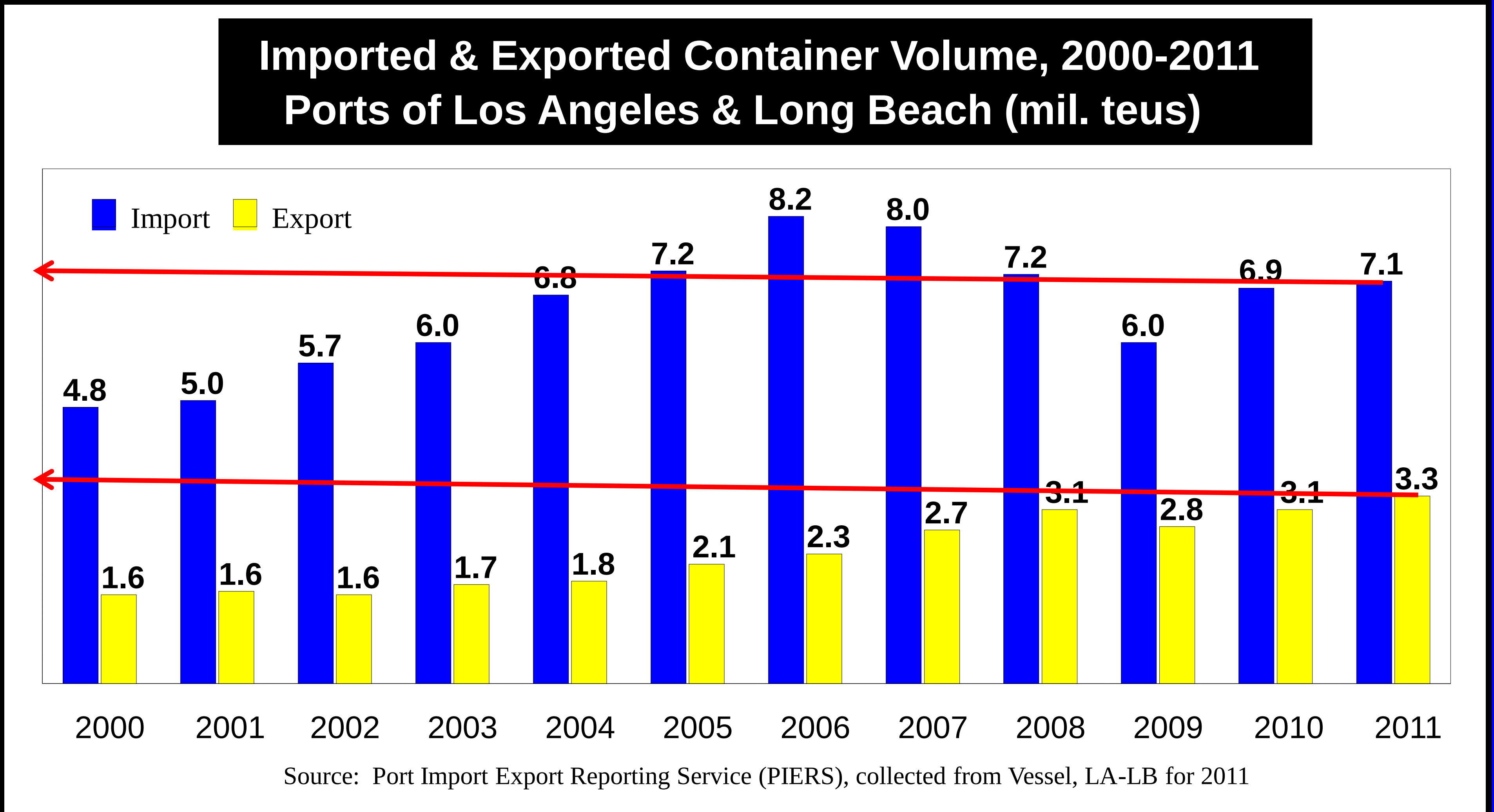
Adults With High School Or Less Educations



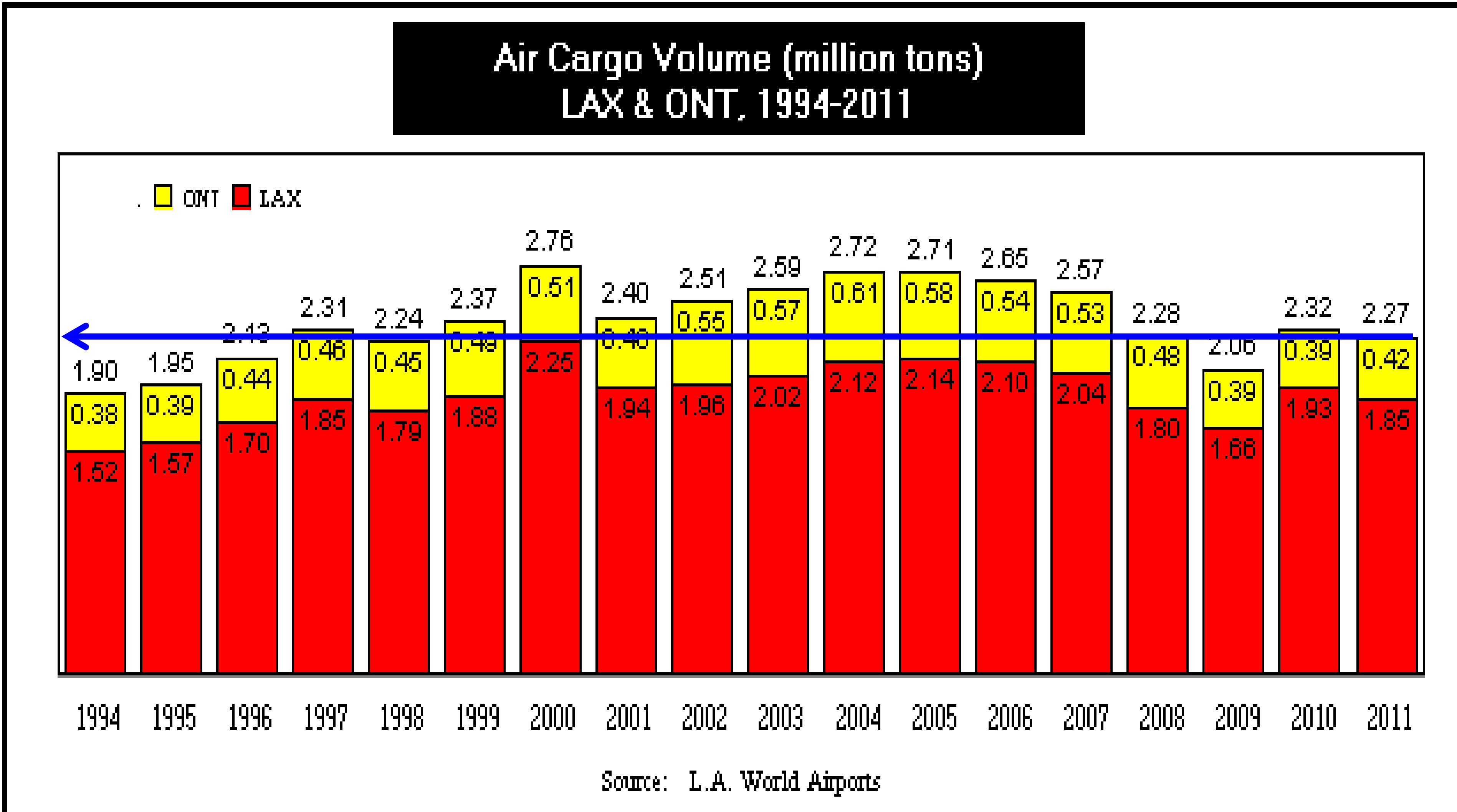
Logistics Flow of Goods


23
22
21
20
19
18

Port Container Volumes

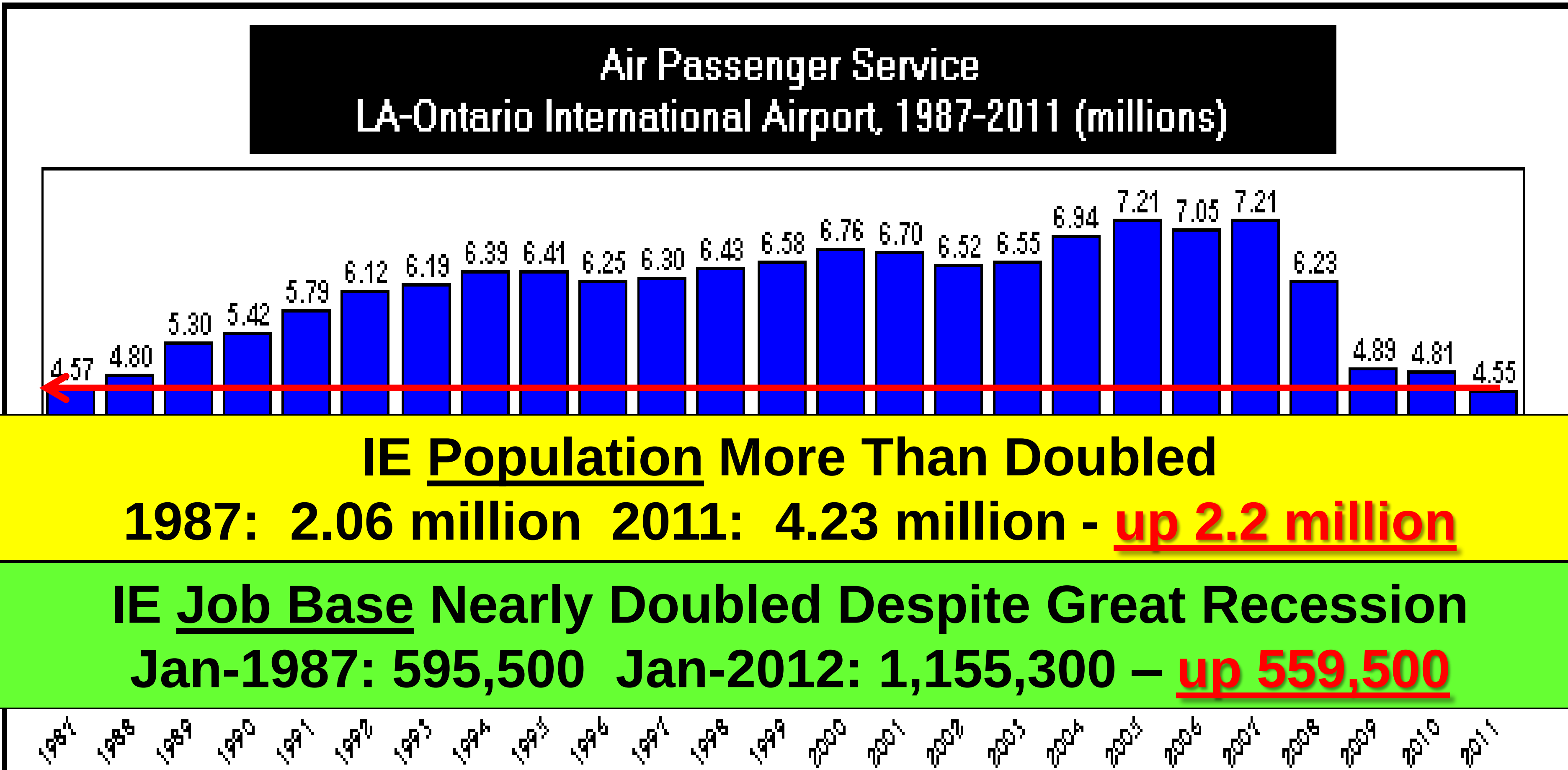


Air Cargo Volumes



Passenger Volume Back to 1987 Level

Is This Because of The Economy? NO!



IE Population More Than Doubled

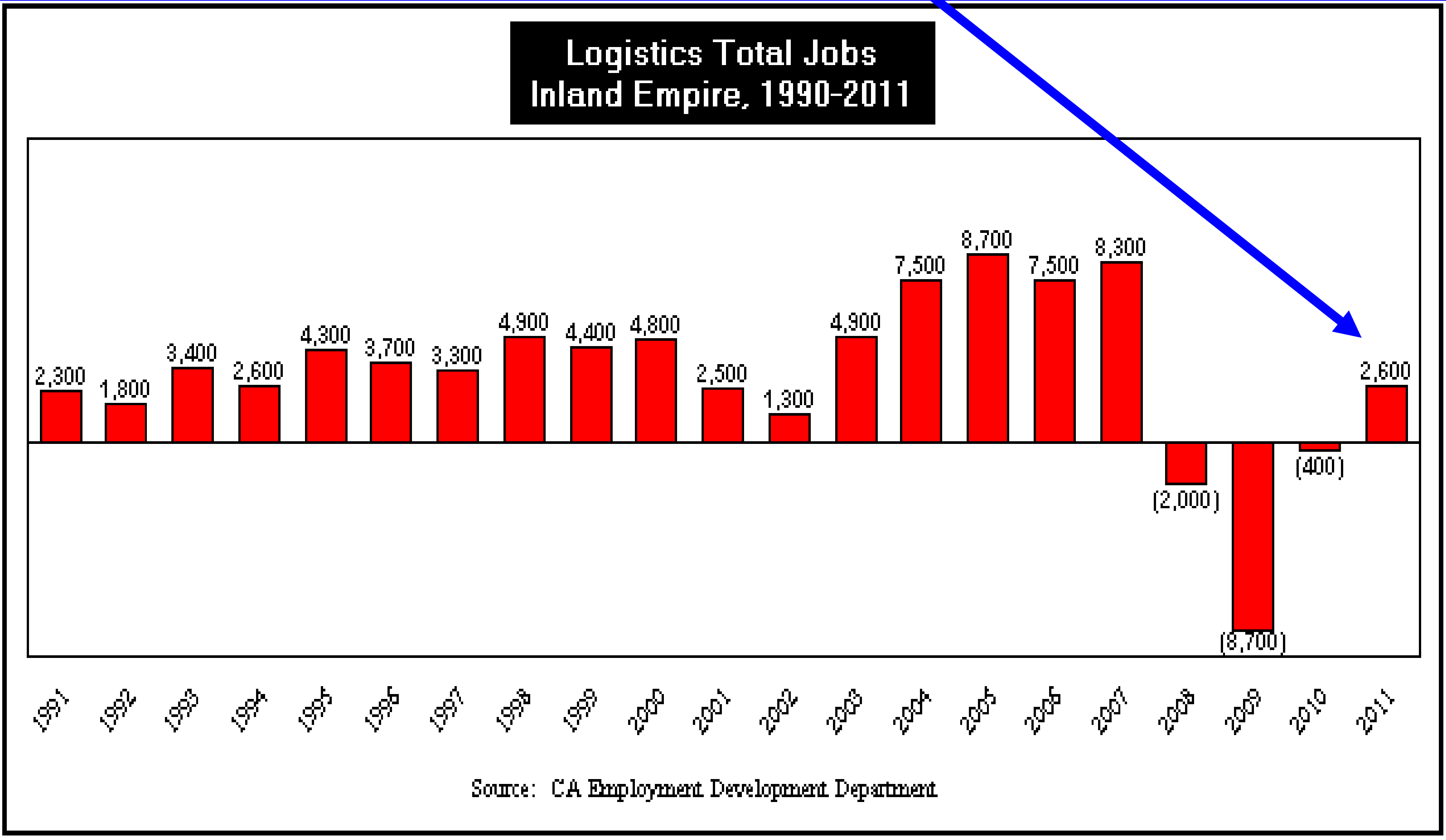
1987: 2.06 million 2011: 4.23 million - up 2.2 million

IE Job Base Nearly Doubled Despite Great Recession

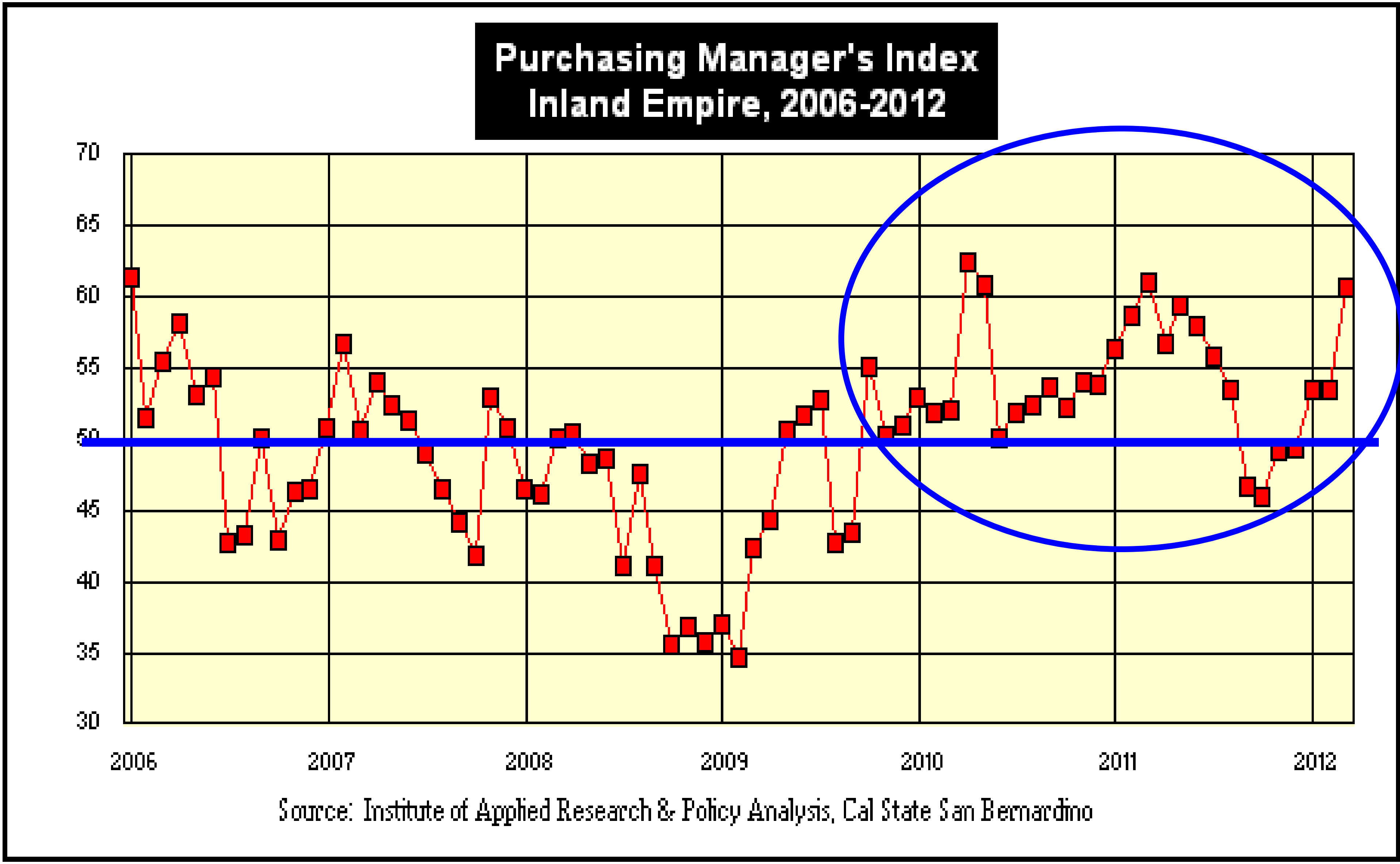
Jan-1987: 595,500 Jan-2012: 1,155,300 – up 559,500

Result: Millions of VMT & Associated Emissions

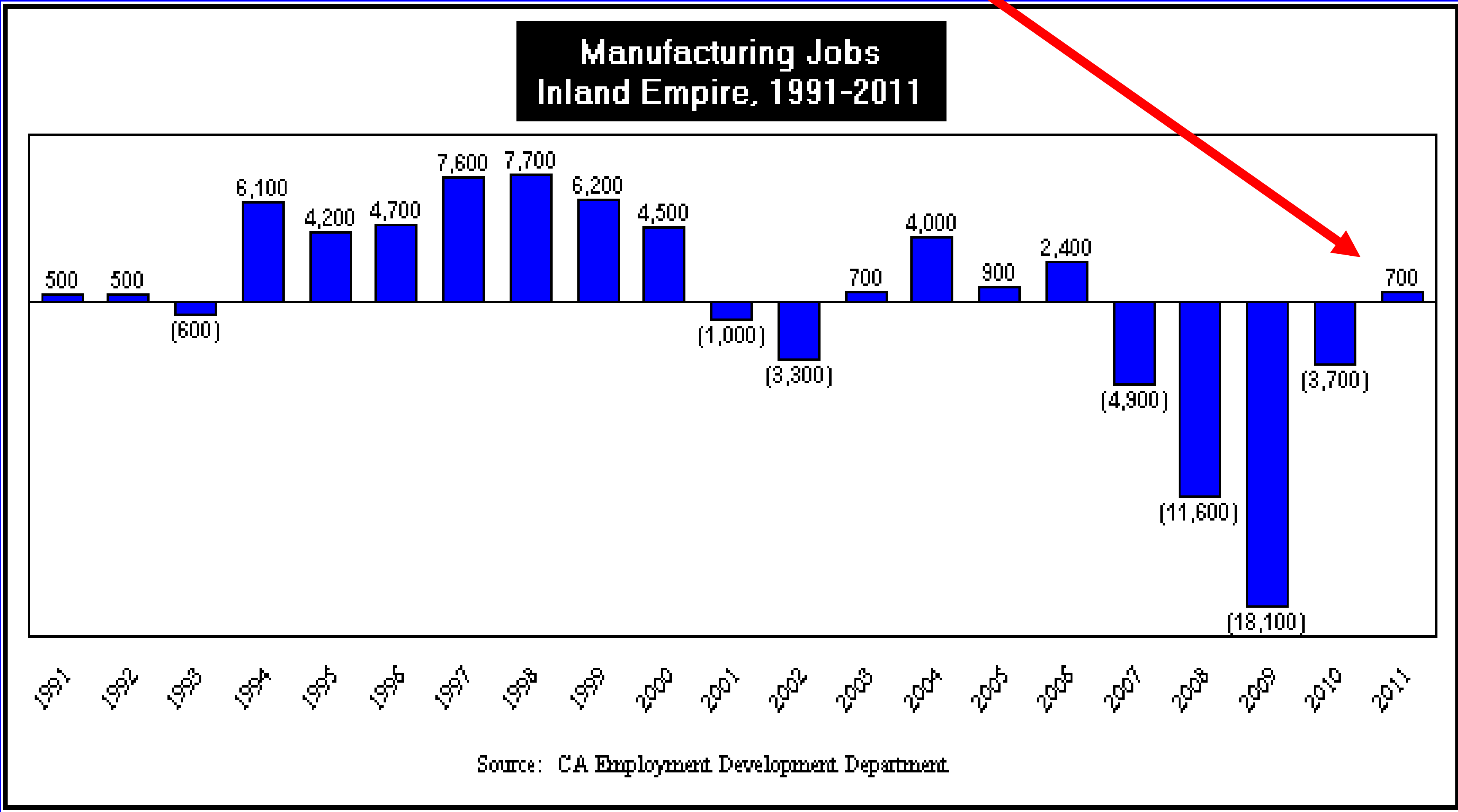
Inland Empire Logistics Jobs



Manufacturing Orders Rising



Inland Empire Manufacturing Jobs



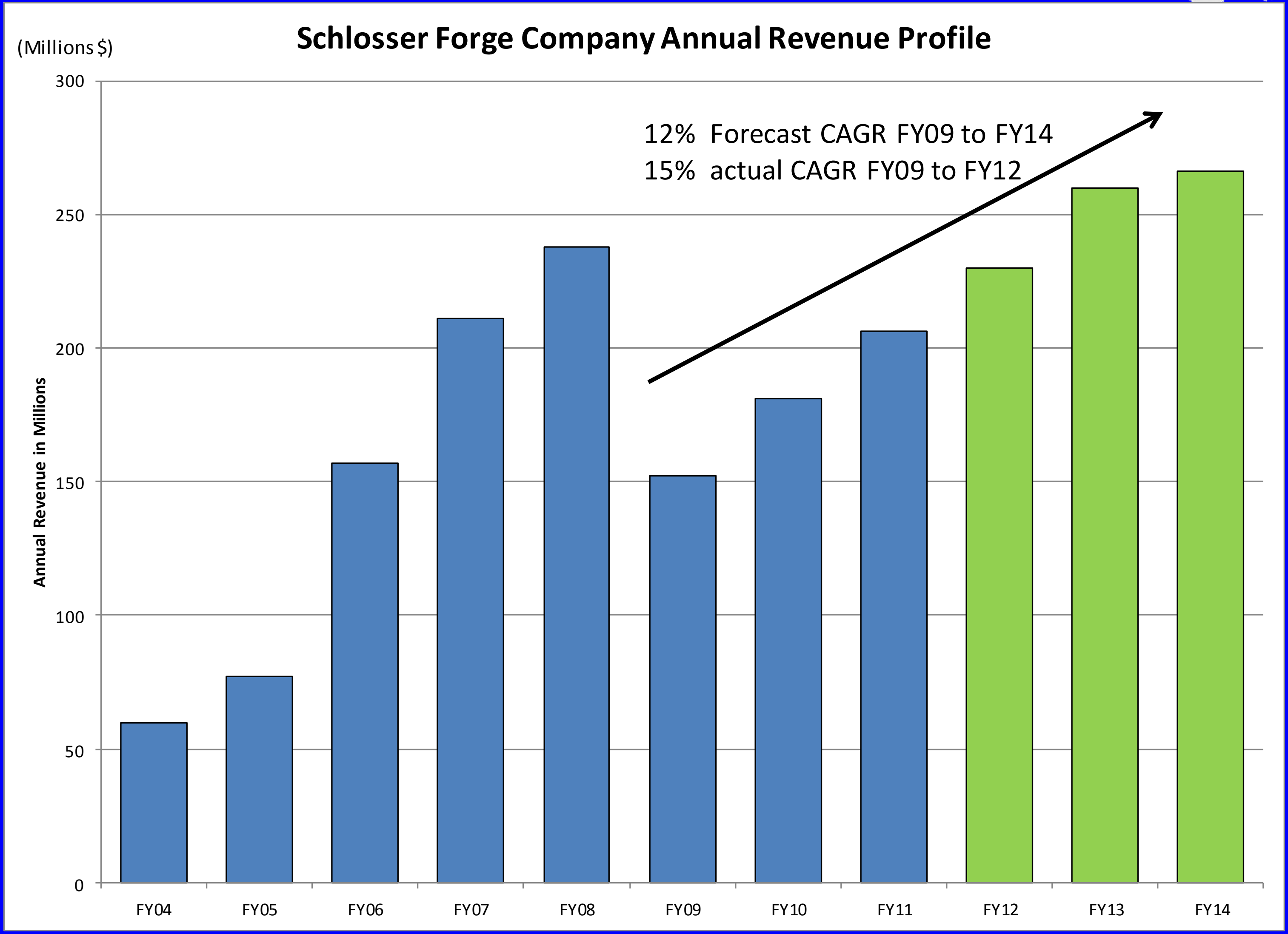

AARON JOHNSON
General Manager
Firth Rixson Rings Schlosser Forge Co.

Firth Rixson

We are at the heart of the engines that keep millions of people in the air every day ®

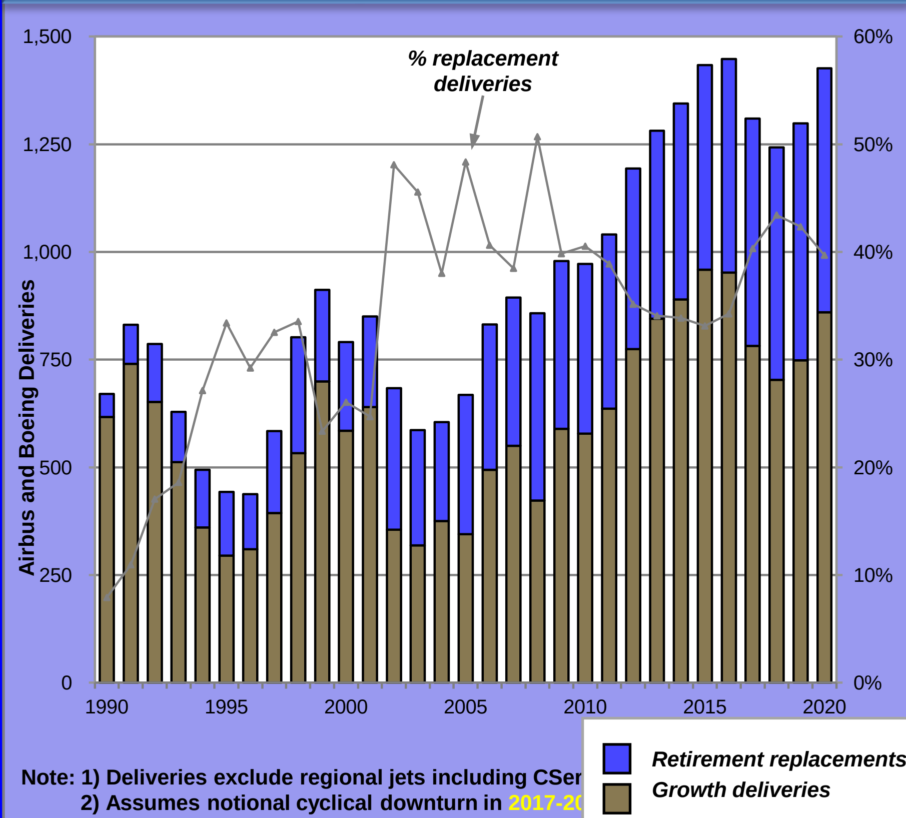
Schlosser Forge Co.

Manufacturing is Taking Off

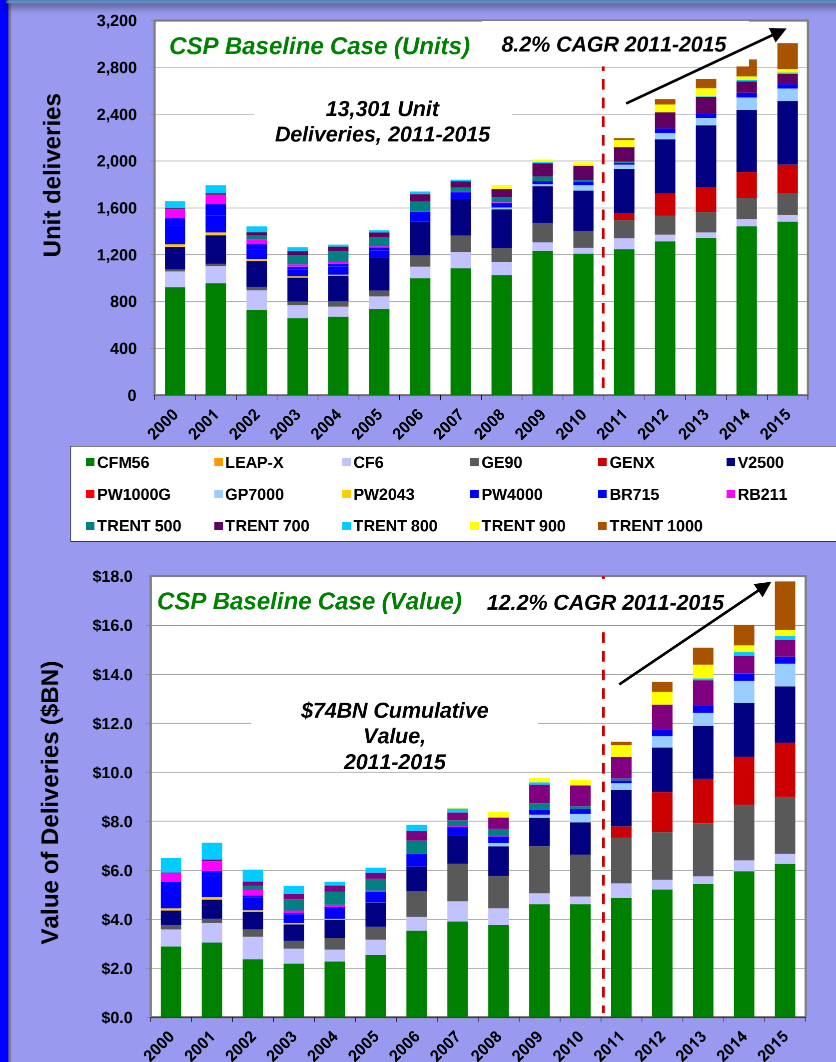


Commercial Aerospace : 2011 was the Beginning of a Sustained Growth Cycle for Commercial Aeroengines

Commercial Transport Deliveries – 1990A – 2020F



Engine Deliveries – *2000A-2015F (Units and Value)*



Source: Company reports, Ascend, CSP estimates

- Aircraft retirements drive 35% of deliveries 2011 – 2016
- Key narrowbody production rates increasing to record levels
- Production ramp-ups of new widebody programs enhance growth profile
- Increasing proportion of widebody aircraft causes value of engine deliveries to grow faster than unit deliveries

Aerospace – Certified Value Chain

Well defined strategic position within aeroengine rings and forgings

LTA & Certification Relationship

Raw Material Suppliers → **Forgings /Rings Manufacturers** → **Machining & Finishing Providers** → **Sub-System Integrators** → **Engine OEMs** → **Aircraft Primes**

Players

- Raw Material Suppliers: CARPENTER; RTI International Metals, Inc.
- Machining & Finishing Providers: Many Providers
- Sub-System Integrators: Avio; MTU Aero Engines; snecma
- Engine OEMs: Rolls Royce; GE; Pratt & Whitney
- Aircraft Primes: AIRBUS; BOEING

Key Features

- Raw Material Suppliers: Metal supply, usually in specific alloy form
- Forgings /Rings Manufacturers: Supply OEMs with custom design products
- Machining & Finishing Providers: Final stage of service; often outsourced by manufacturers or OEMs
- Sub-System Integrators: Logistical management of smaller suppliers; some finishing
- Engine OEMs: Key decision makers; maintain tight control due to safety critical nature
- Aircraft Primes: Dominated by Boeing and Airbus who sell globally

KEY TAKE AWAY: 95% of SFC's sub-contractors are in Los Angeles or Orange Co, Machining, Heat Treatment, Destructive Testing, Non-Destructive Testing, Freight

An Opportunity Lost for California

Greenfield Site in Savannah, Georgia

Plant and Equipment

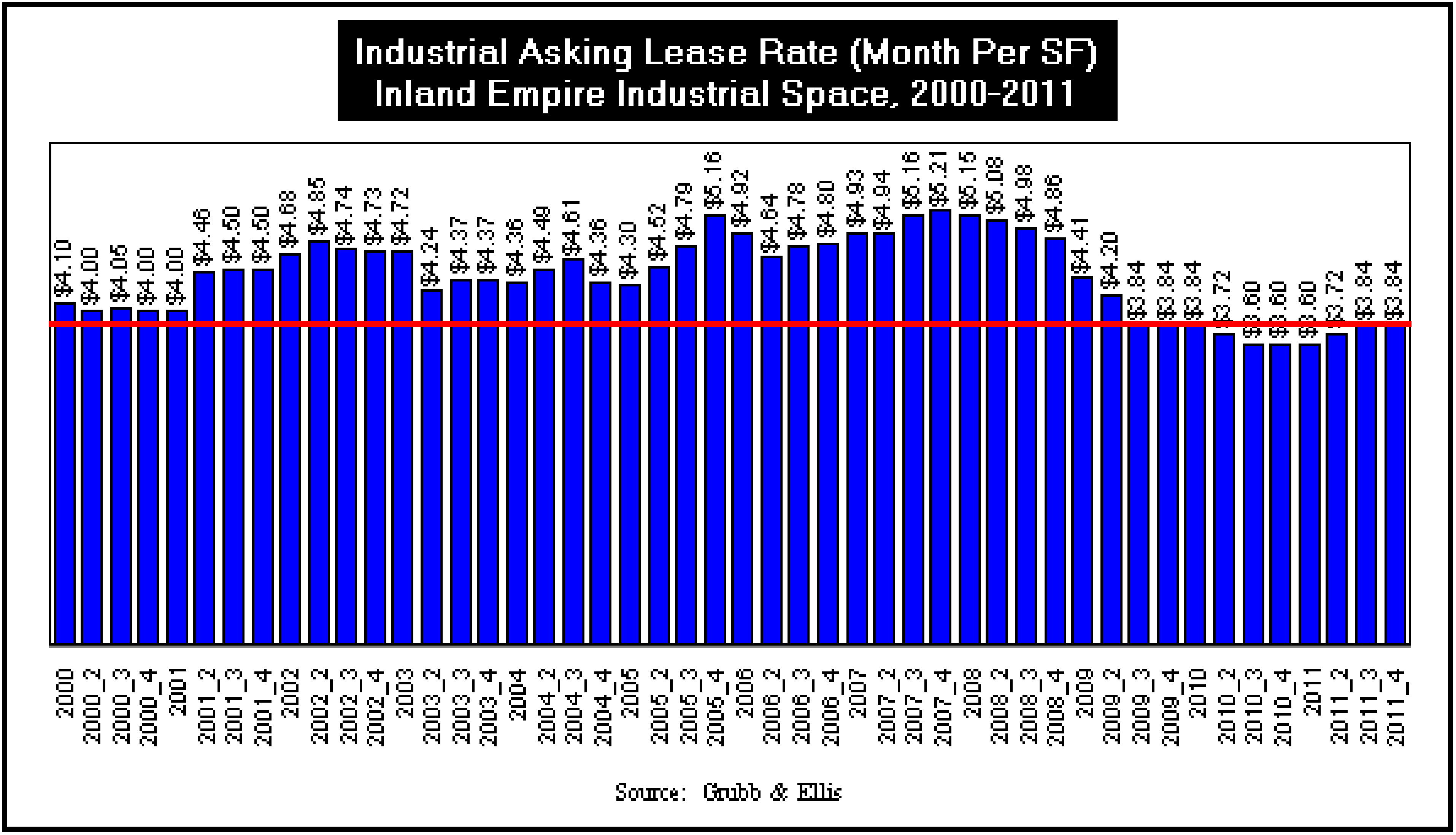
- TROPOS ERP, Q-Pulse Quality, I-Historian (integrated)
- ***134 Person Team growing to 165 by Sept '12***
- 44 engineers employed in design, NPI, manufacturing
- Customer committed execution dates are paramount
- All equipment fully installed and operational
- CFD Modeling key component of success
- NDT/DT purchased services (Hanson, Stork, DTC)

210,000 Square Foot Closed Die/Isothermal Forging Facility in 11 Months

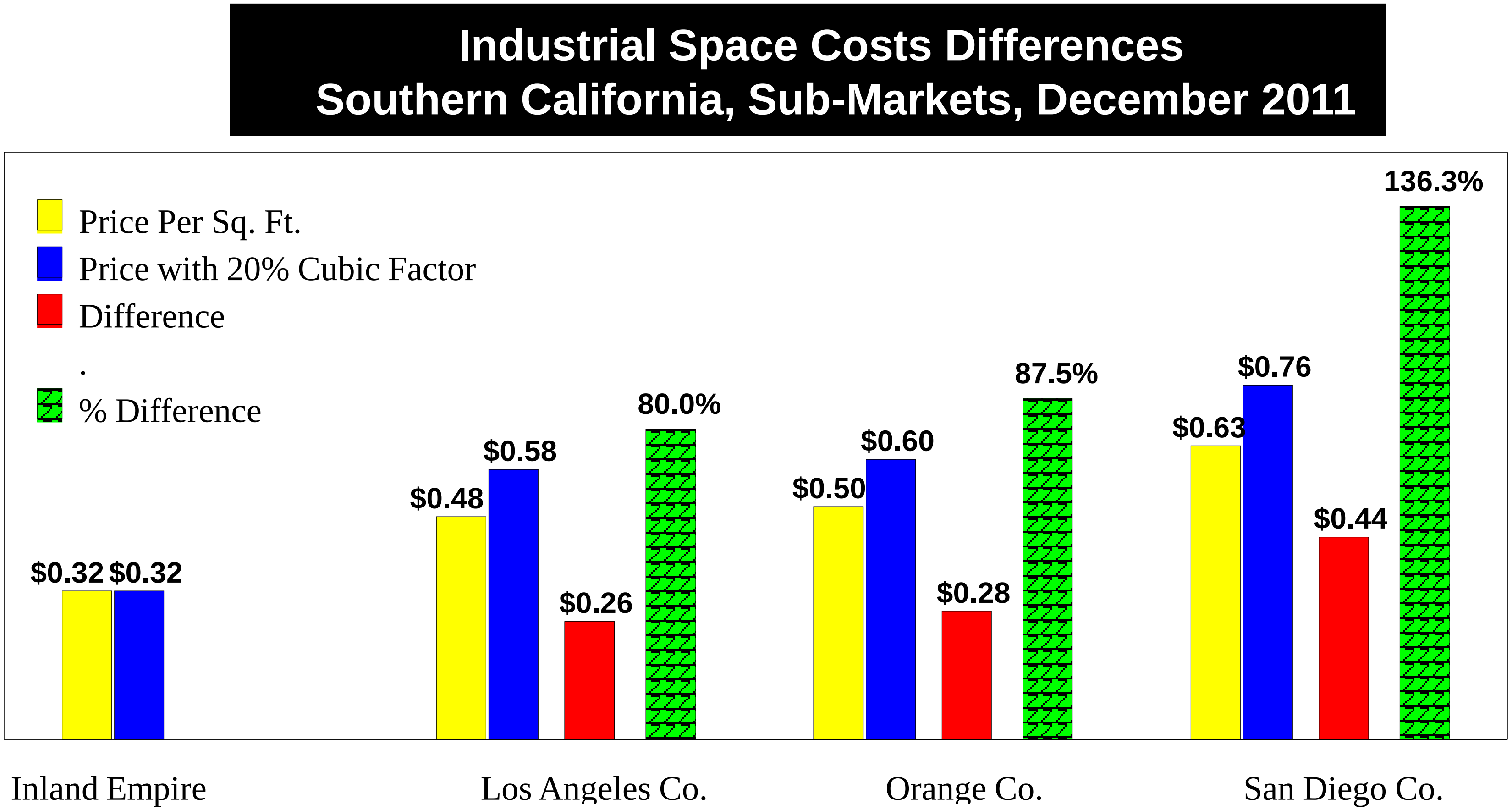
Industrial Vacancy Rate Recovering Everywhere!

	2005/2006	2009Q3	2011Q4
Inland Empire	2.7%	12.8%	6.2%
San Diego	7.0%	12.0%	10.5%
Orange Co.	5.4%	6.5%	5.2%
L.A. Co.	2.1%	3.2%	2.9%

Industrial Lease Rate



Industrial Space Cost Savings



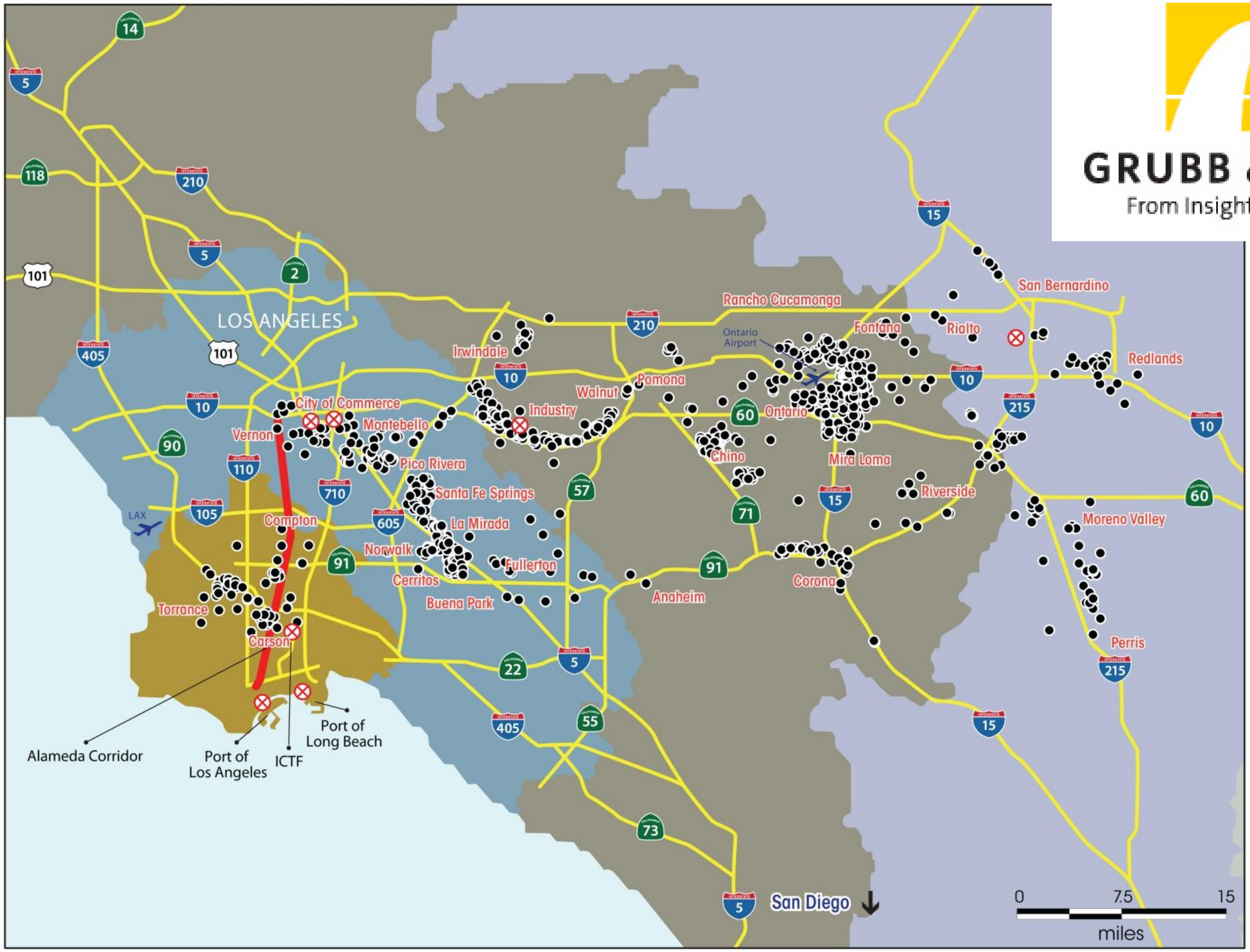
nnn=net of taxes, insurance, common area fees
Source: Grubb & Ellis

Dave Burback

Executive Vice President & Managing Director

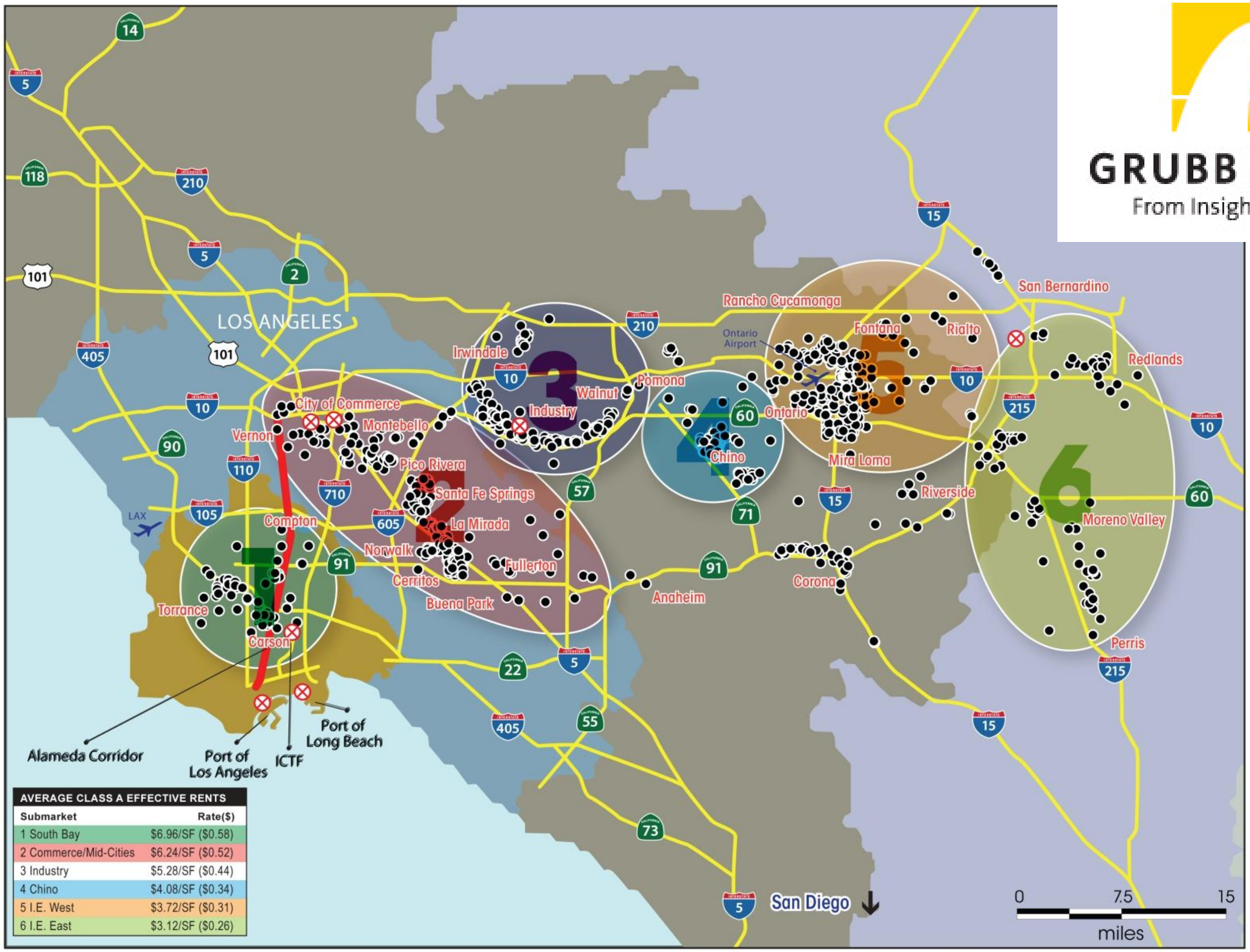
Grubb & Ellis

Los Angeles Basin Logistics



GRUBB & ELLIS.
From Insight to Results

Los Angeles Basin Logistics



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Los Angeles Basin Logistics

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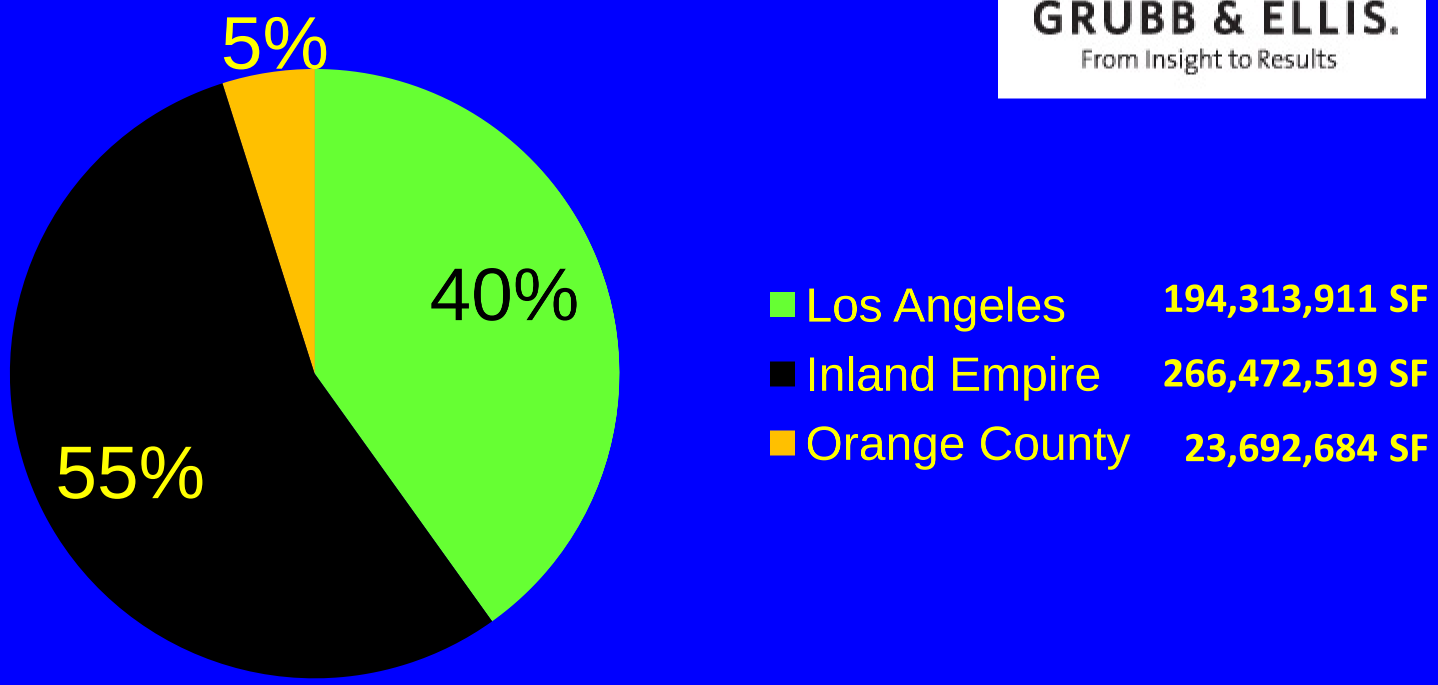
From Insight to Results

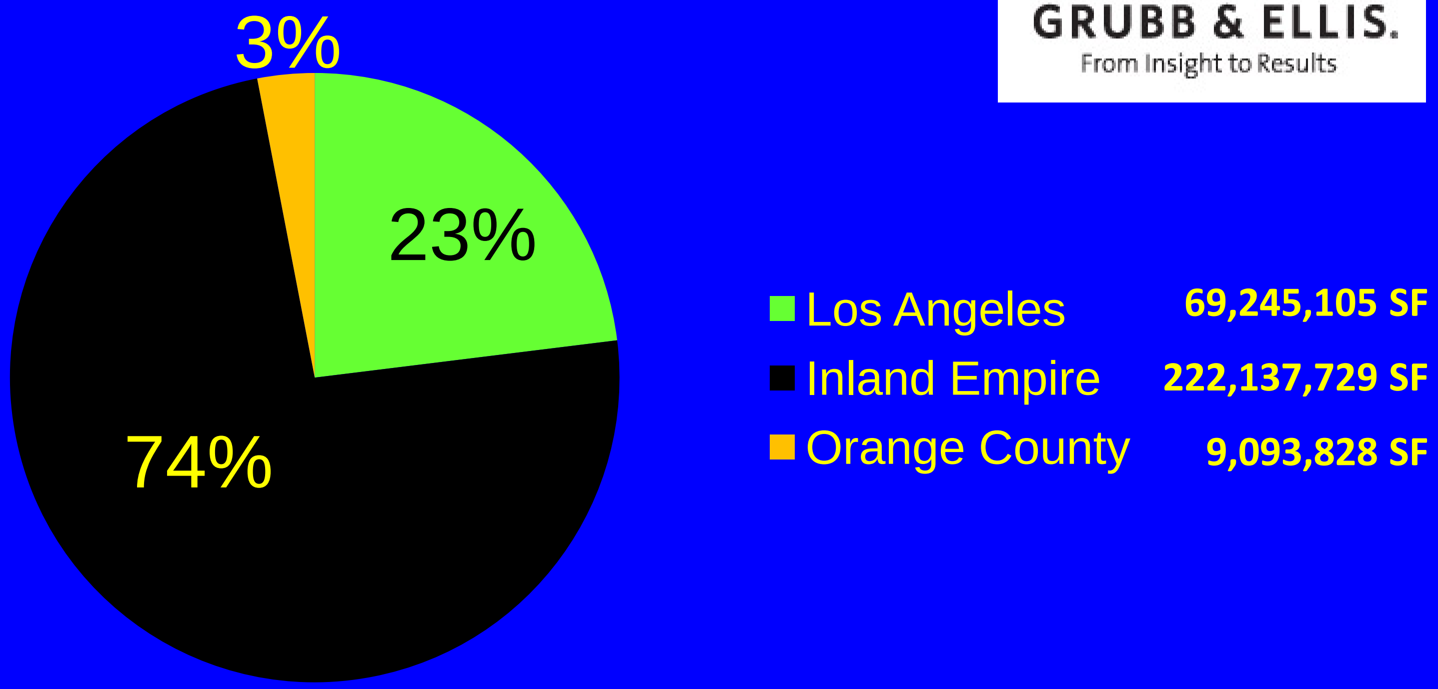
Total Logistics Market Size



Class A & B Logistics buildings 100,000 square feet or greater

Los Angeles Basin Logistics

Class A Logistics Market Size



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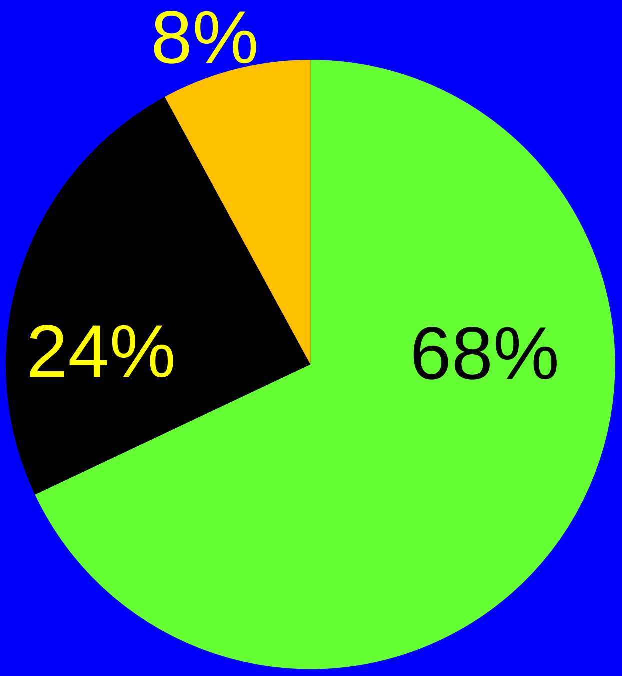
Class A & B Logistics buildings 100,000 square feet or greater

Los Angeles Basin Logistics

Class B Logistics Market Size



Los Angeles	125,068,806 SF
Inland Empire	44,334,790 SF
Orange County	14,598,856 SF

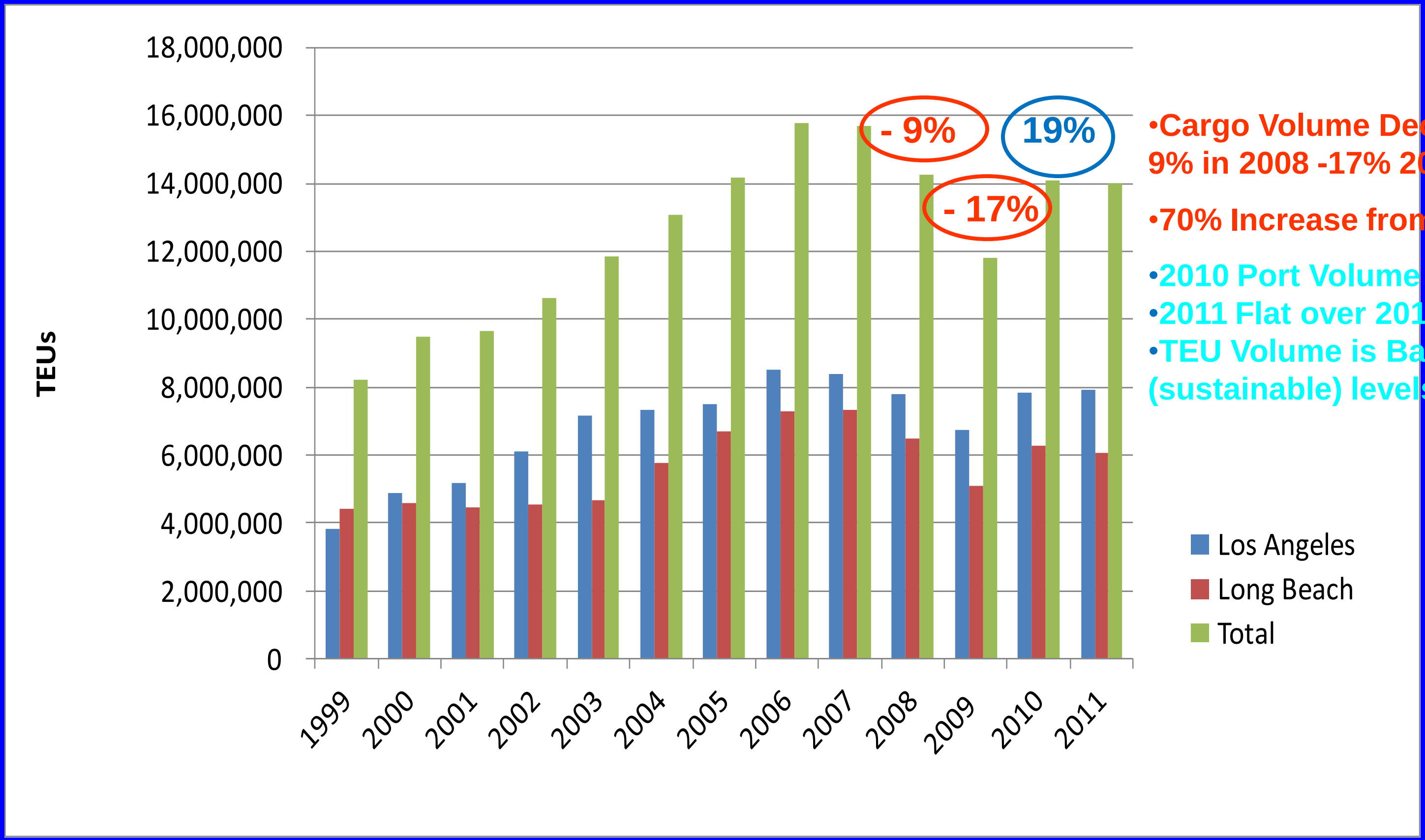
GRUBB & ELLIS.
From Insight to Results

Class A & B Logistics buildings 100,000 square feet or greater

Port of Los Angeles & Long Beach Yearly Cargo Volumes 1999-2010

GRUBB & ELLIS.
From Insight to Results

Cargo Volume TEUs

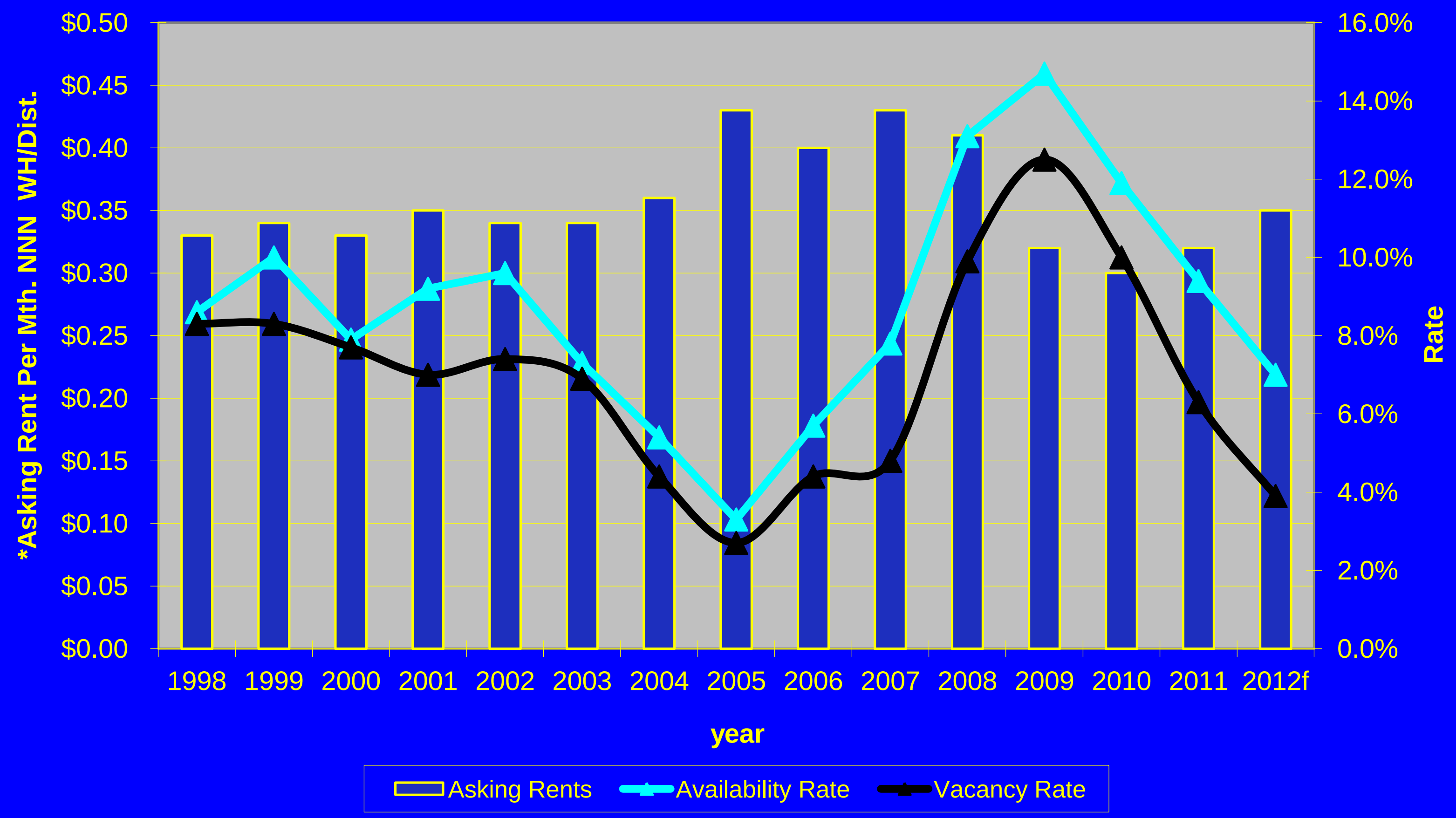


- Cargo Volume Declined by 9% in 2008 -17% 2009
- 70% Increase from 1999-2011
- 2010 Port Volume up 19% over 2009
- 2011 Flat over 2010
- TEU Volume is Back to 2005 (sustainable) levels

The two Ports together account for approximately 44% of the U.S. international container volume. 50% of the cargo unloaded at the ports is bound for local markets.

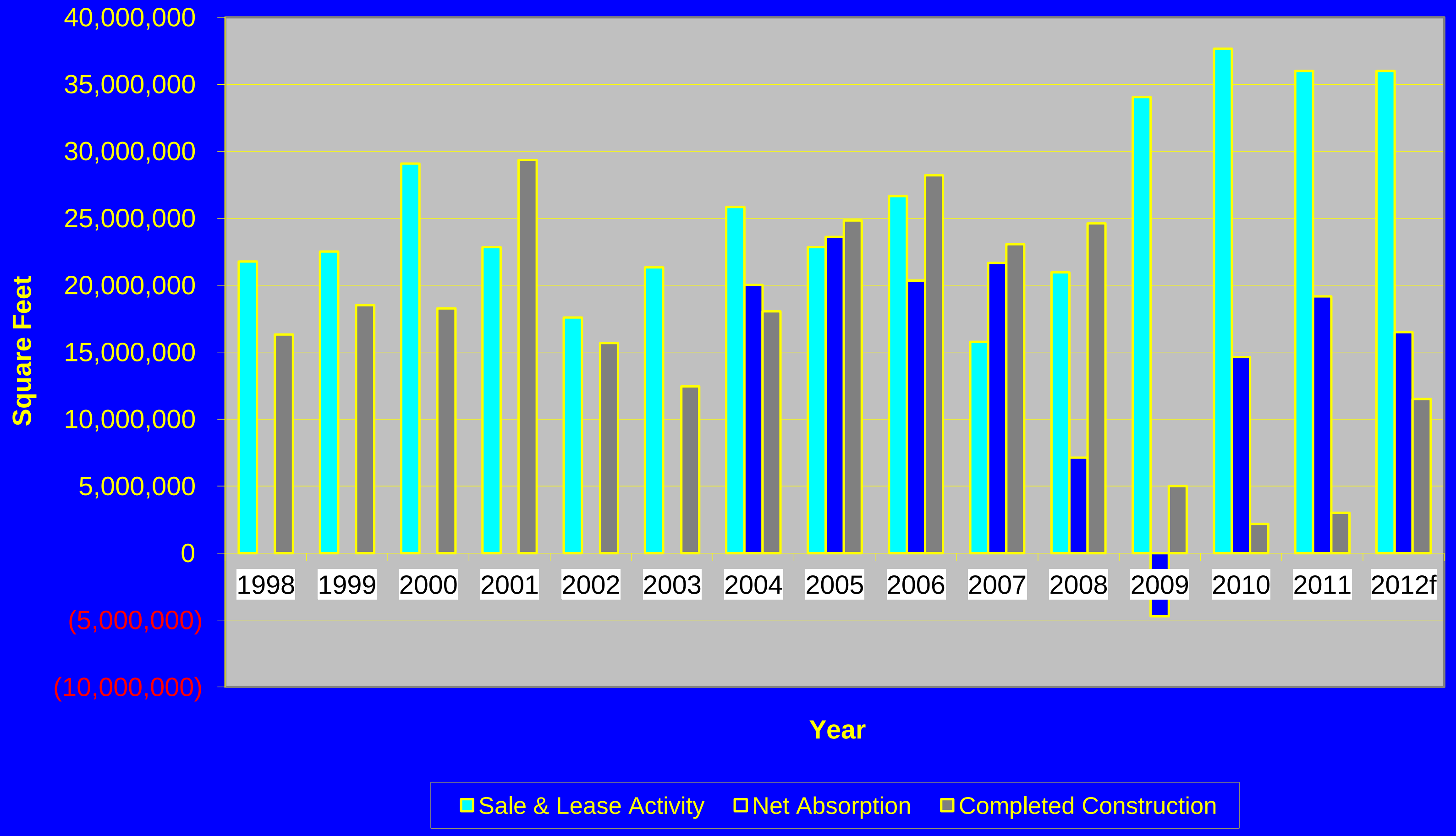
Inland Empire Industrial Market
Asking Lease Rates*, Availability and Vacancy Rate

GRUBB & ELLIS.
From Insight to Results



The availability rate of industrial space in the Inland Empire has consistently been tight with the vacancy rate due to new construction coming on line both vacant and available. As the availability rate increased, rents declined hitting bottom in 2010.
Rents are off 26% from the high reached in 2005-2007.

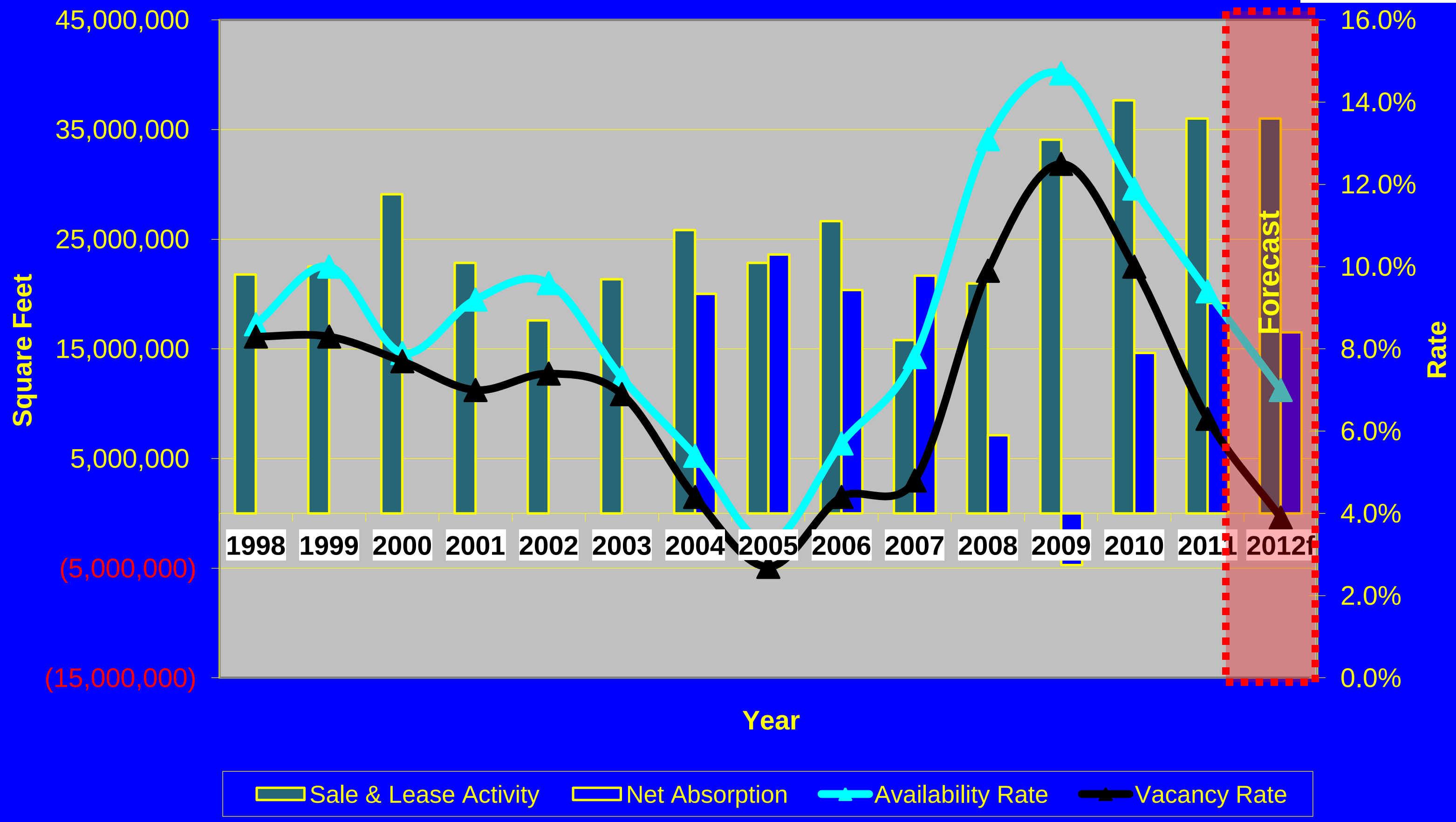
Inland Empire Industrial Market
Sale and Lease Activity, Net Absorption vs. Completed Construction



At the height of the market, in 2005, completed construction began to exceed net absorption and sale and lease activity, indicating an over supply of space in the market. In other words, the market got ahead of demand until 2008.

Inland Empire Industrial Market - Forecast
Sale & Lease Activity, Net Absorption, Availability and Vacancy Rate

GRUBB & ELLIS.
From Insight to Results



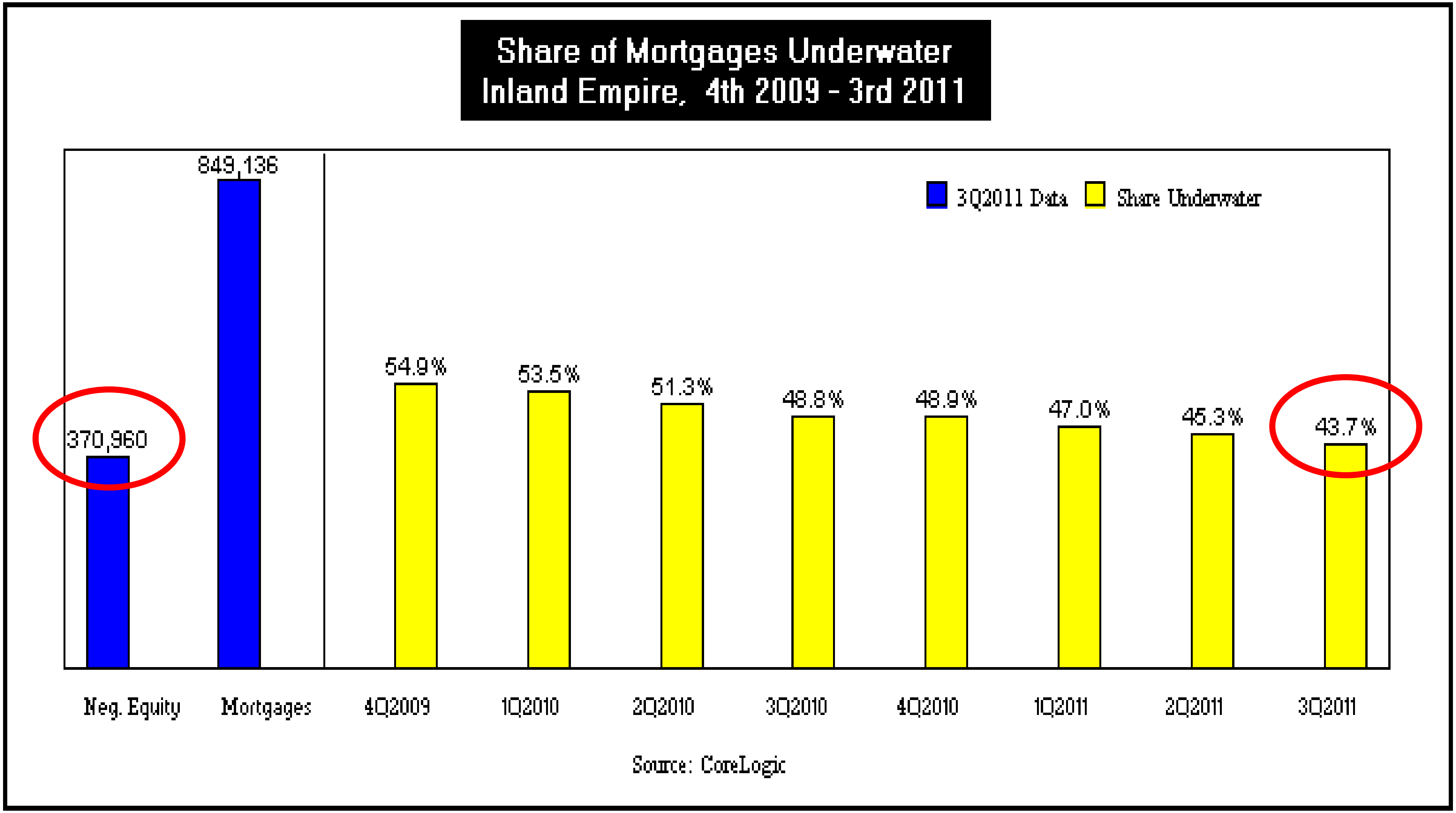
Forecast:

- Vacancy to hover around 3.9 percent by the end of 2012
- Sale & lease activity will remain brisk

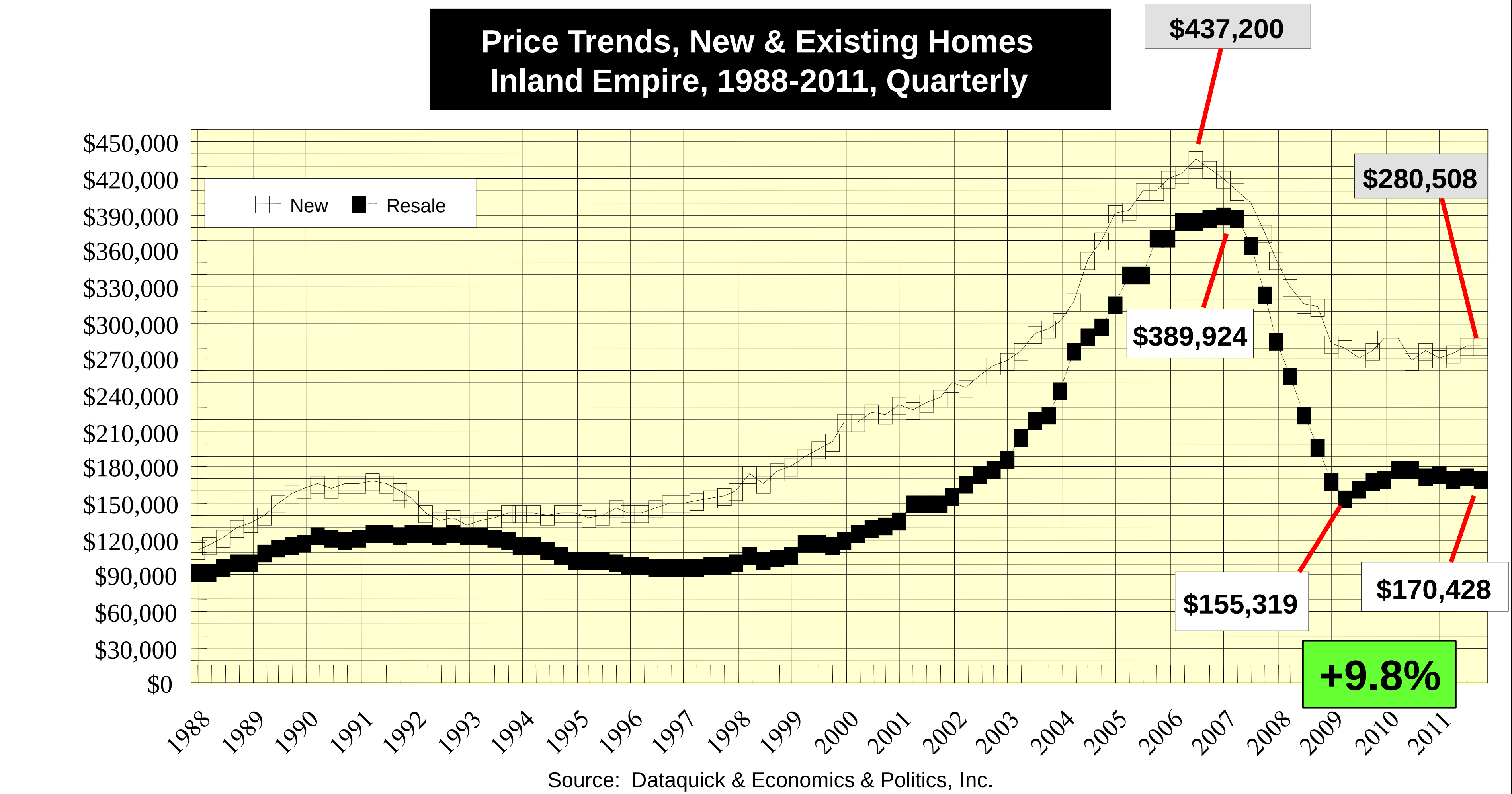
- Net Absorption will be positive with tenants pushing to get the last of the low rents as Landlords take concession off the table
- Rents will likely rise 9 percent in 2012 over 2011
  - Still down 19% from 2005-2007 high

Residential Market

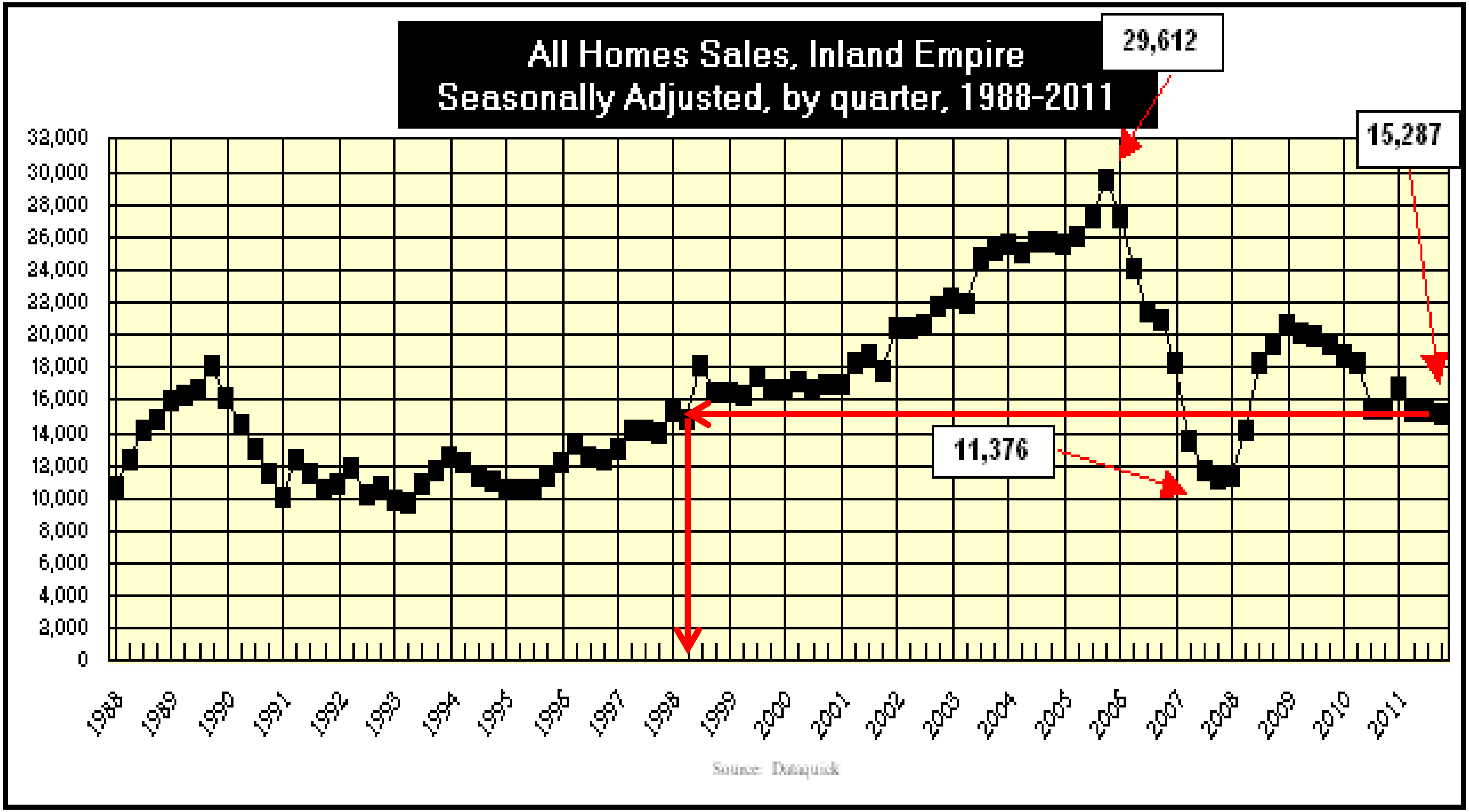
Underwater Inland Empire Homes



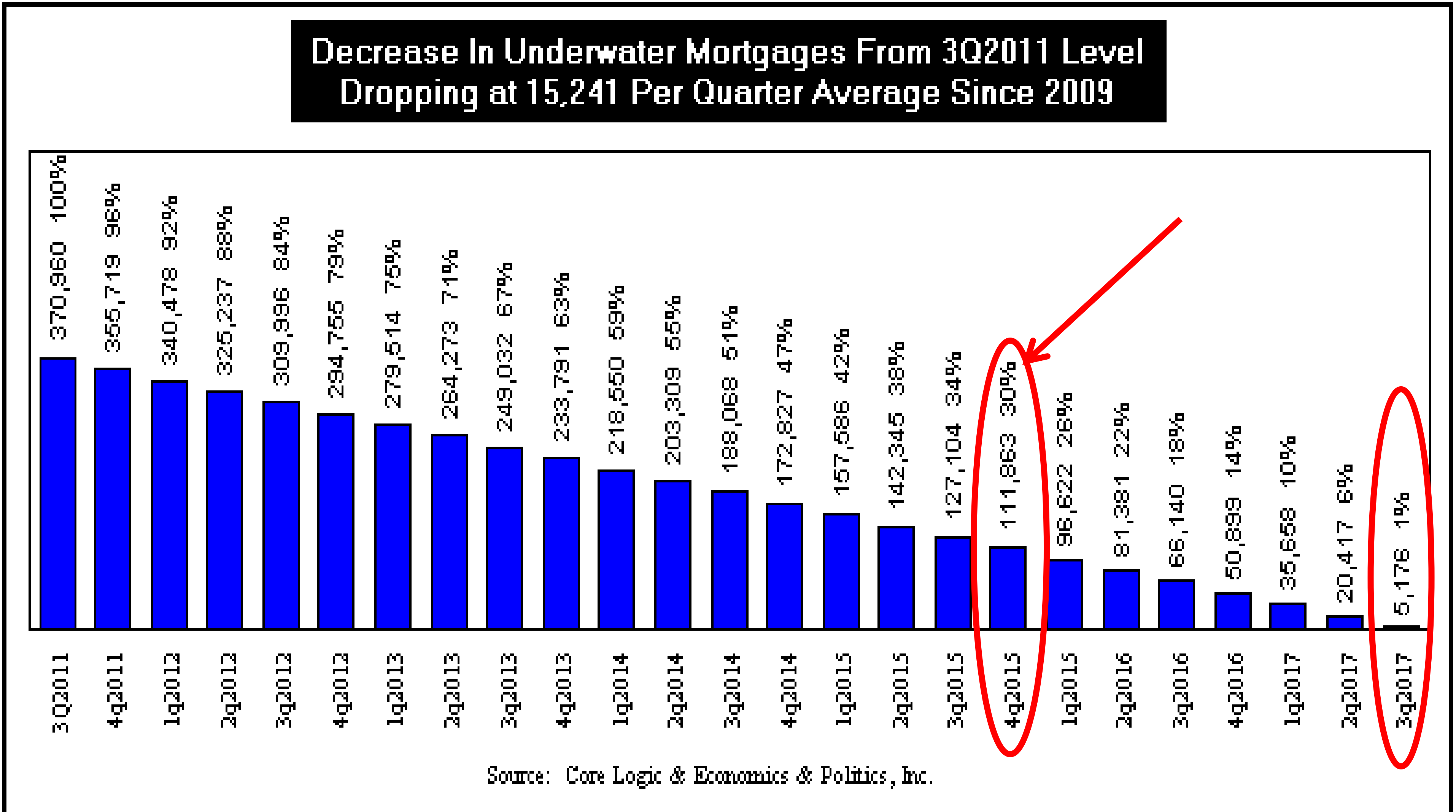
Existing Home Prices at a Plateau



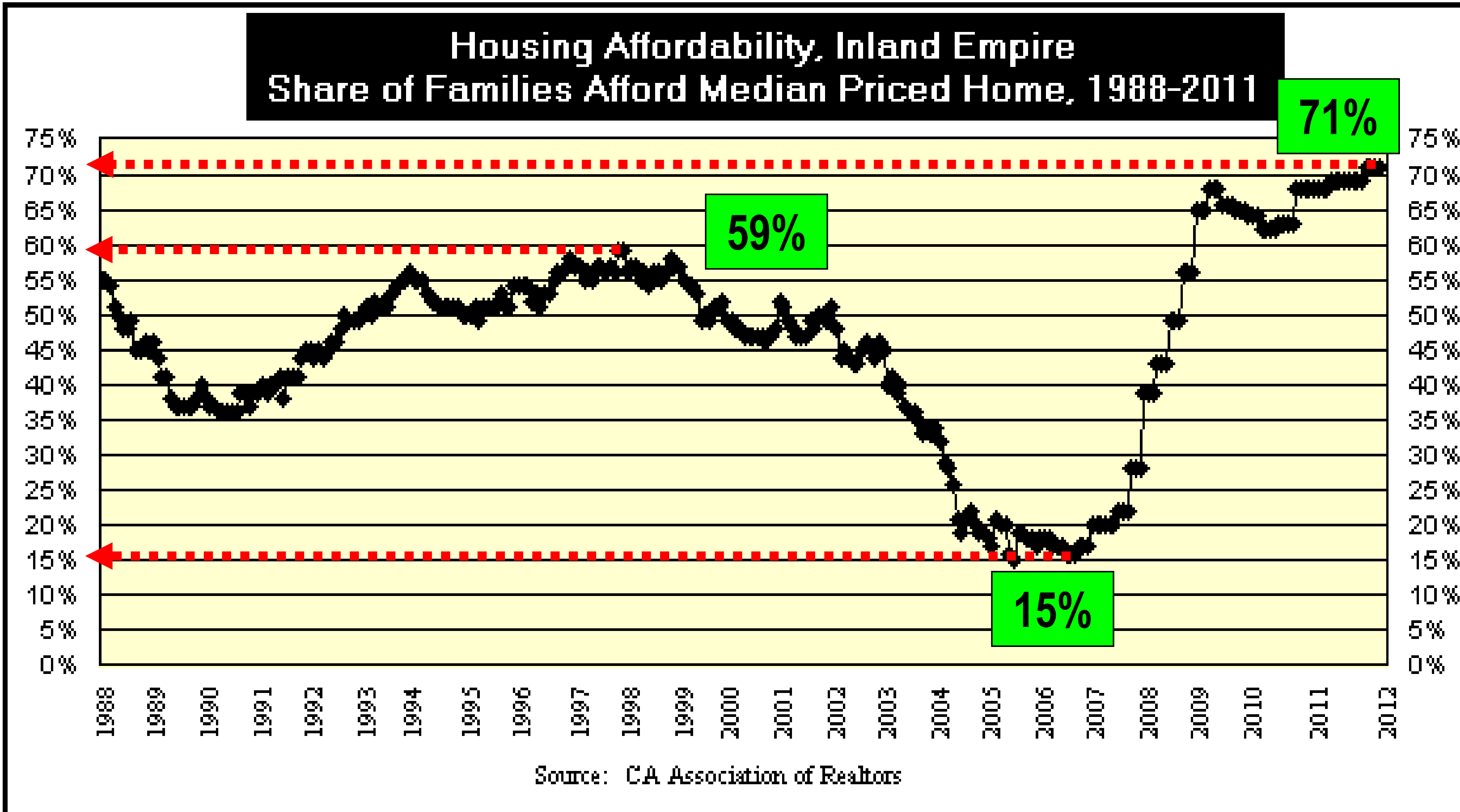
Home Sales Volume



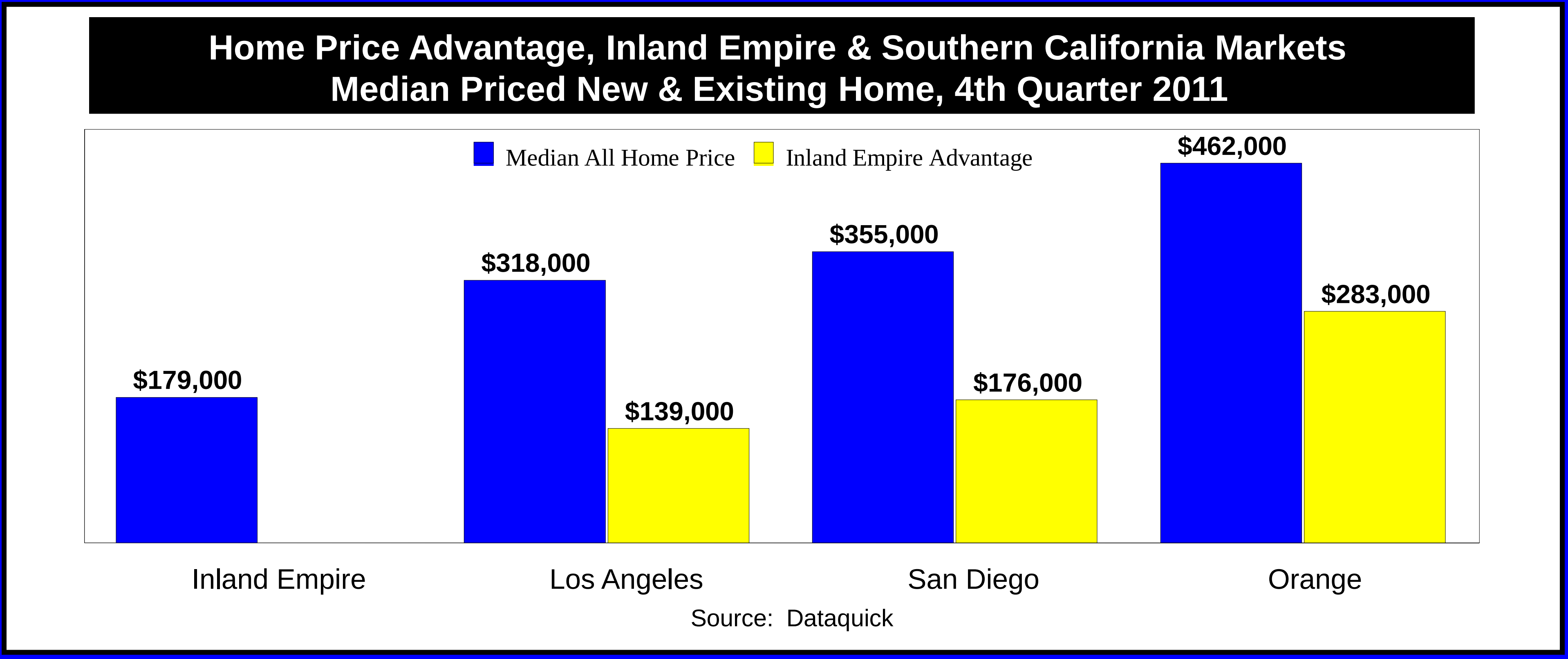
When Does Foreclosure Crisis End?
If No Demand Growth, No Gov't Solution



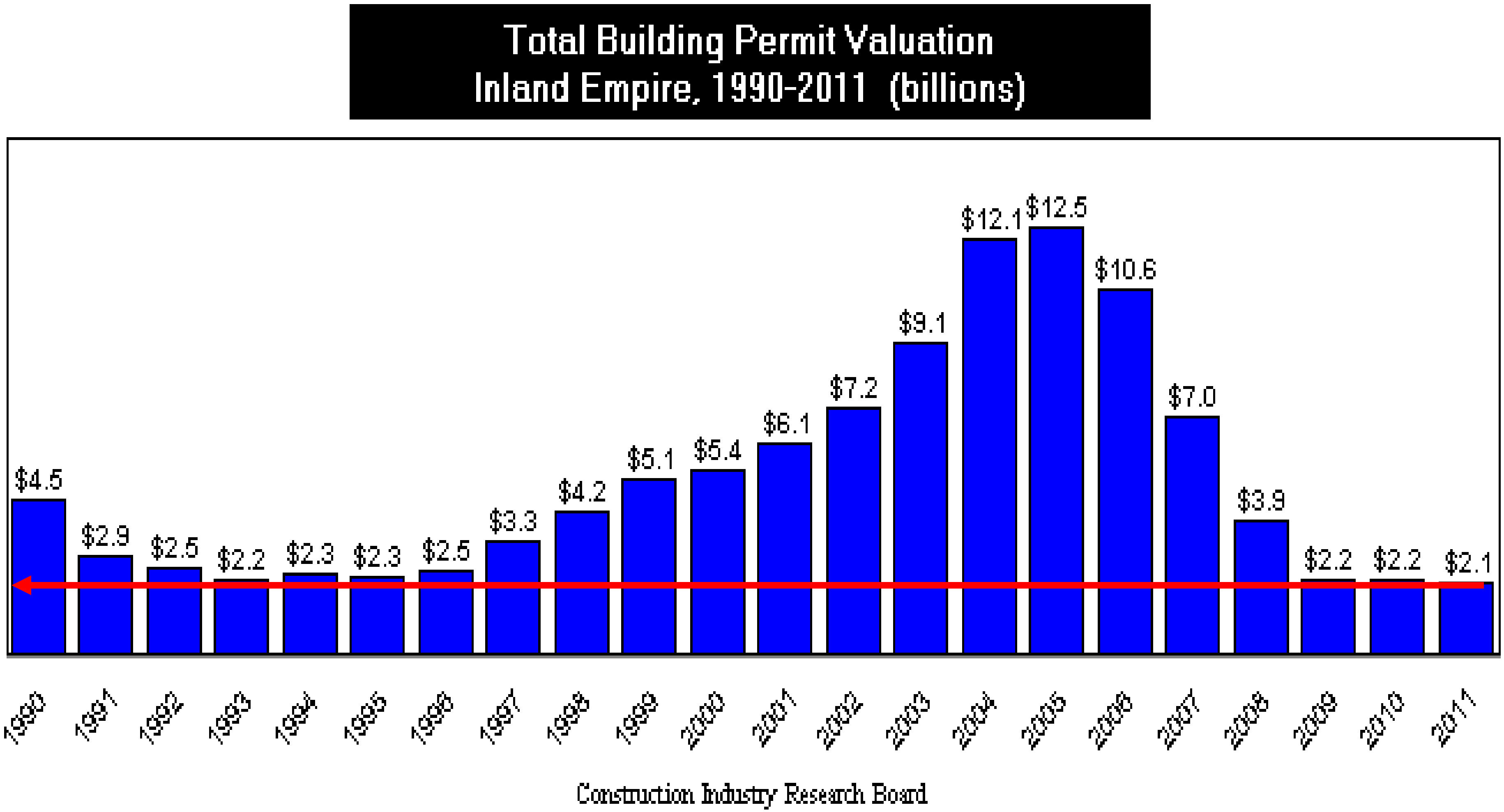
Record Inland Housing Affordability Should Be Stimulating Demand



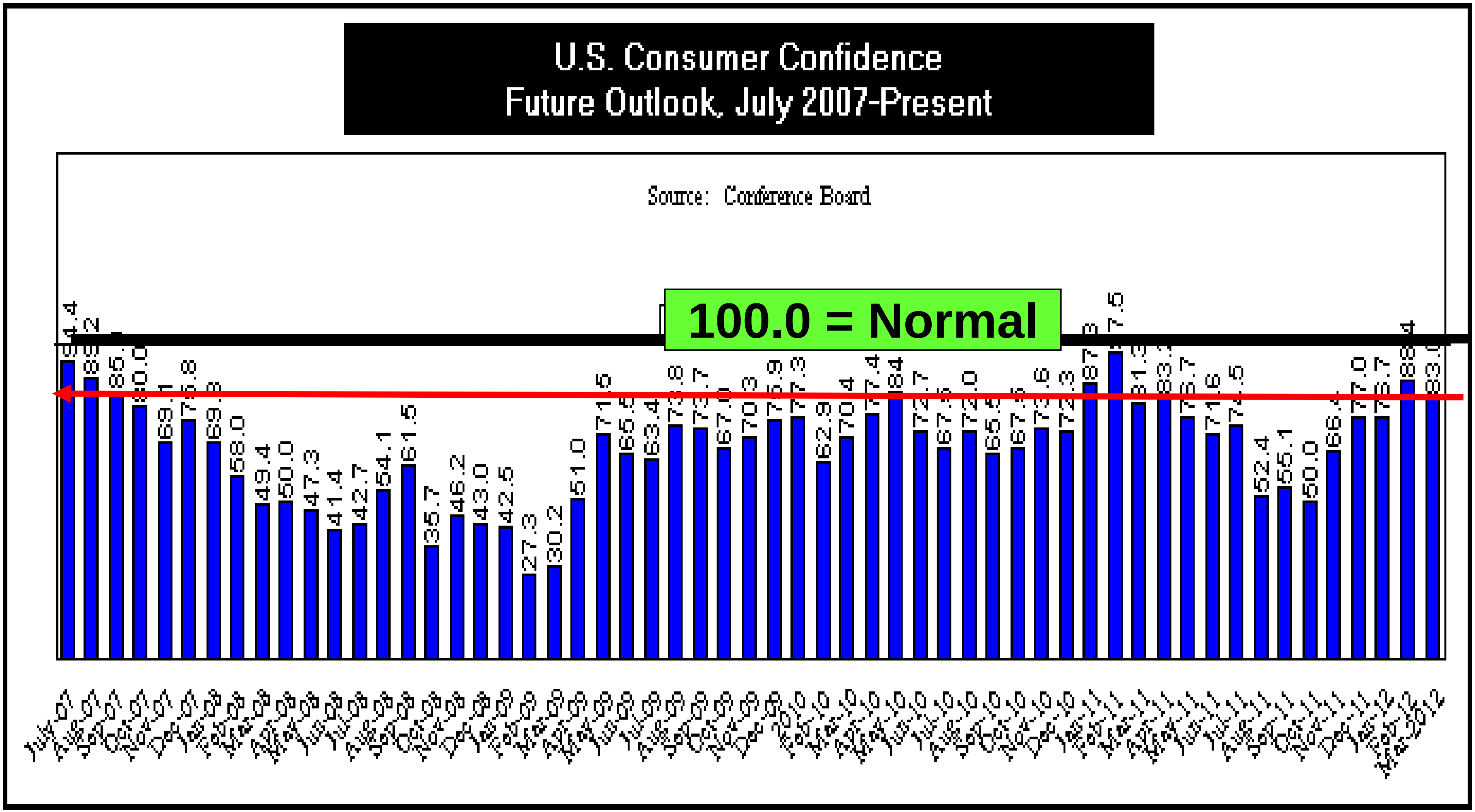
Dirt Still = Price Advantages



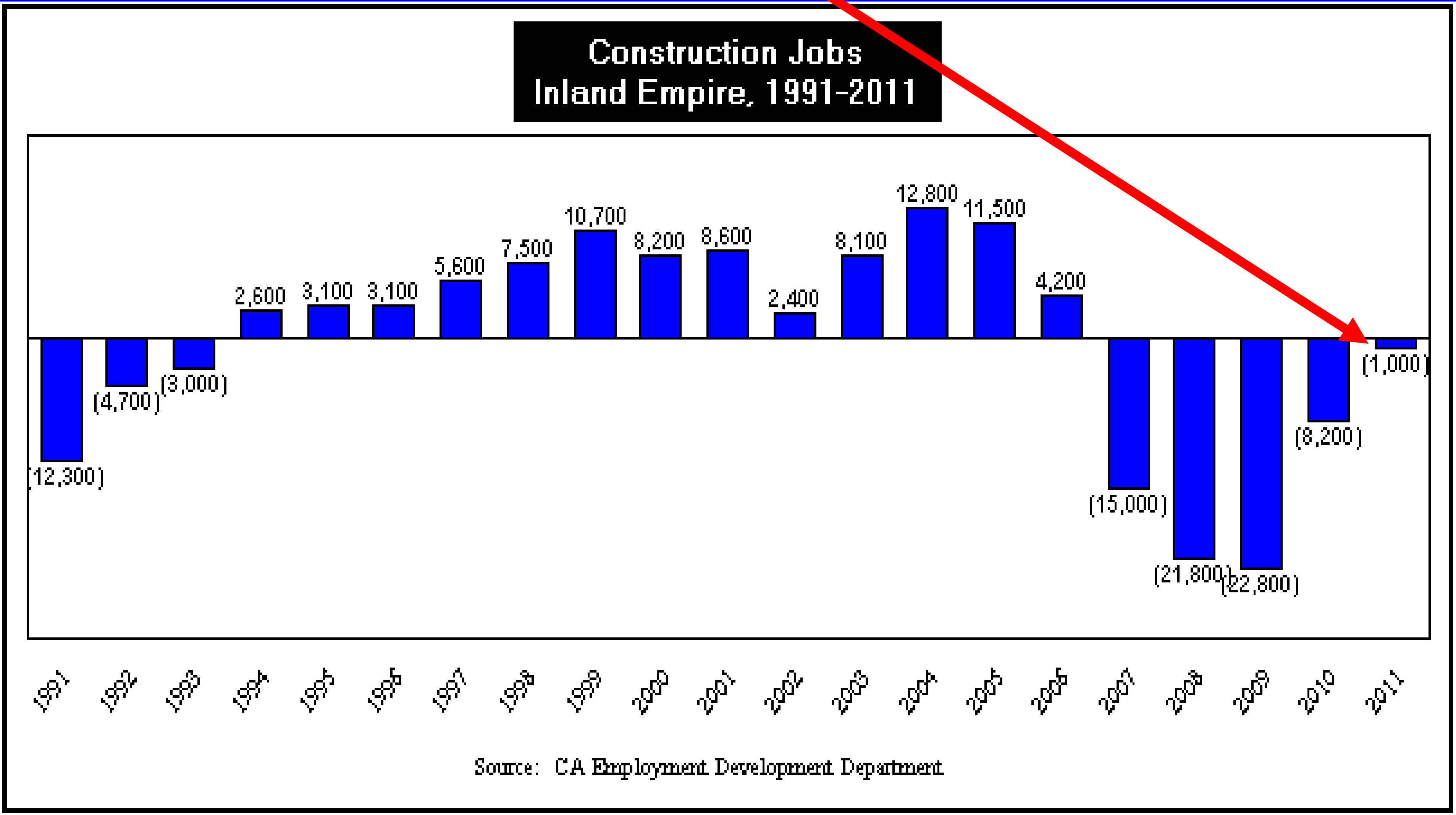
Construction Permits At An Historic Low !



But Consumers Are Less ***Skeptical*** About The Near Term Future



Construction Jobs



Steve Ruffner

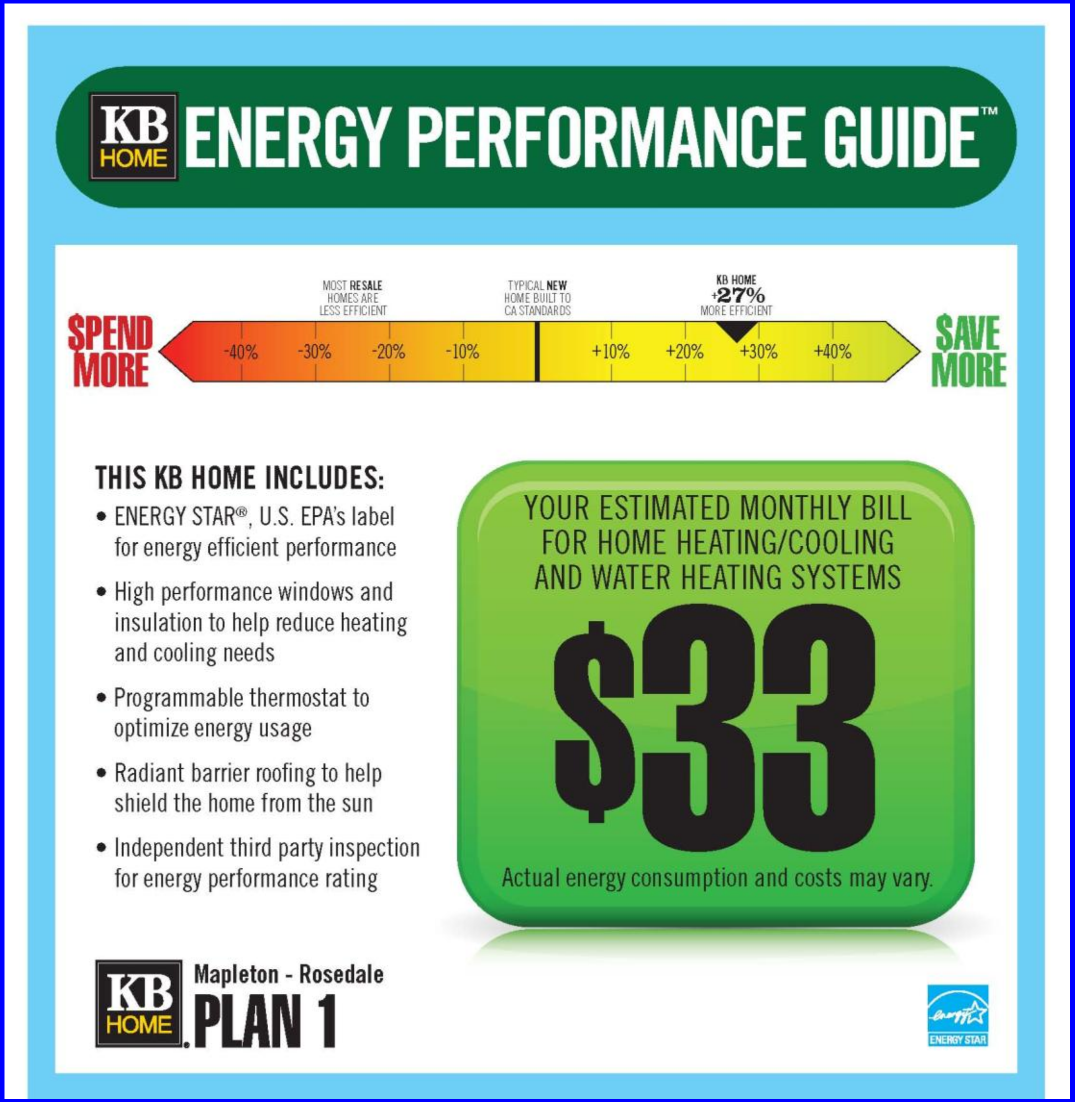
President, Inland Division

KB Homes

KB Home – Green Sheet

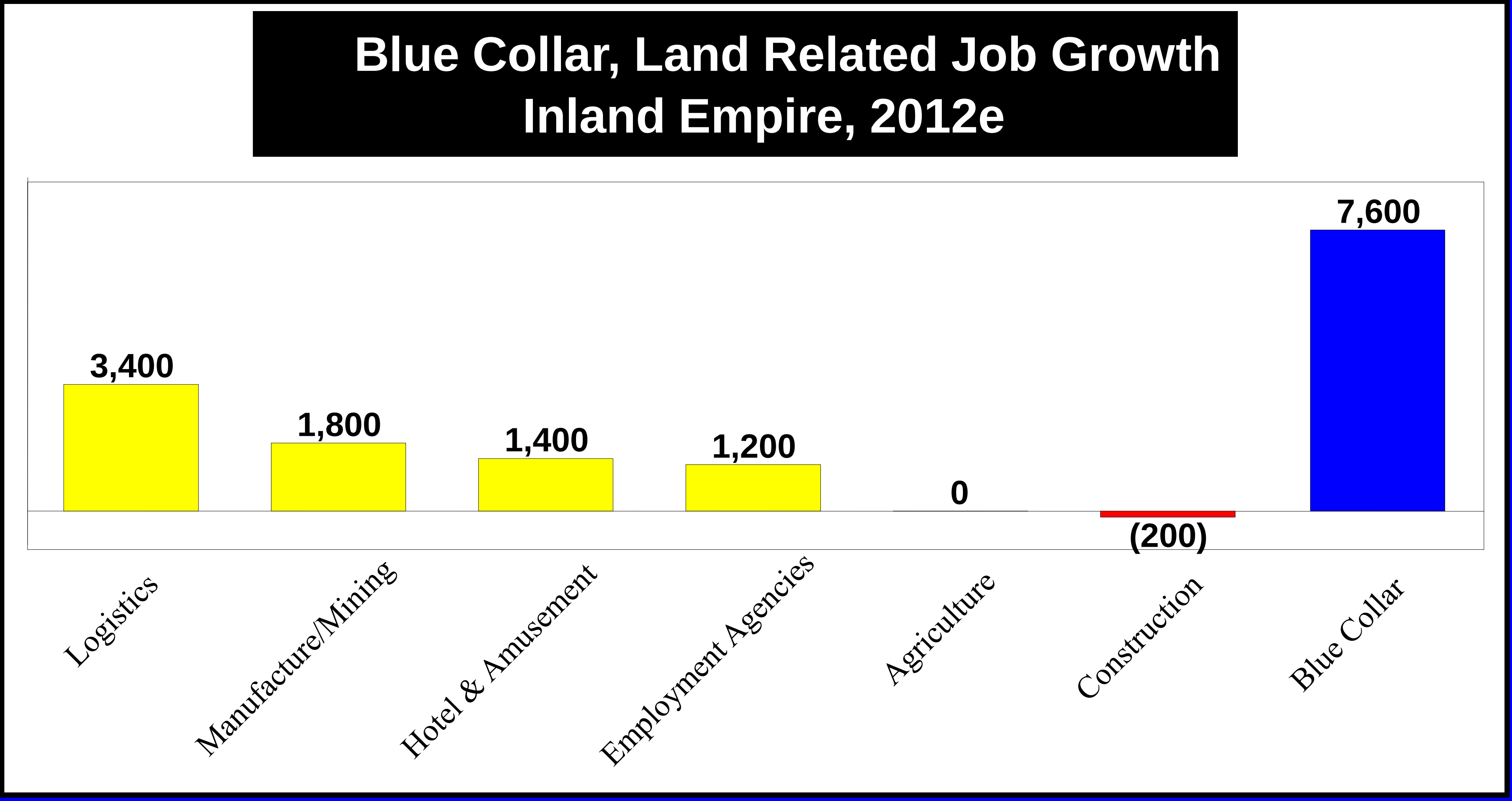
Mapleton- Green Building & Energy Star	Standard	Option	2035 Fair Market Value	2284 Fair Market Value	2328 Fair Market Value
Energy Star					
Insulation	x		$ 261.64	$ 293.66	$ 299.31
Drywall (Prelim & Caulking)	x		$ 348.86	$ 391.54	$ 399.09
Energy Inspections	x		$ 290.71	$ 326.29	$ 332.57
Electrical (CFMs, etc.)	x		$ 305.05	$ 342.37	$ 348.97
Tankless	x		$ 1,133.79	$ 1,272.51	$ 1,297.03
Windows (Low E)	x		$ 181.70	$ 203.93	$ 207.86
Appliances (Dishwasher)	x		$ 42.86	$ 42.86	$ 42.86
Stucco (R- Value on Exterior Wall)	x		$ 145.36	$ 163.14	$ 166.29
HVAC (Inspections, efficiency, & duct insulation)	x		$ 944.82	$ 1,060.43	$ 1,080.86
			$ 3,654.78	**$ 4,096.73**	**$ 4,174.83**
Green Building (Cal Green, WaterSense, etc.)					
Electrical (Humidistat fans)	x		$ 116.29	$ 130.51	$ 133.03
Garage Door Insulation	x		$ 71.43	$ 71.43	$ 71.43
Radiant Barrier	x		$ 1,017.50	$ 1,142.00	$ 1,164.00
Plumbing (Faucets & Toilets)	x		$ 43.61	$ 48.94	$ 49.89
HVAC (Inspections & Efficiency)	x		$ 218.04	$ 244.71	$ 249.43
Energy Inspections	x		$ 71.43	$ 71.43	$ 71.43
			$ 1,538.29	**$ 1,709.03**	**$ 1,739.20**
Subtotal (Energy Star & Green Building)			**$ 5,193.07**	**$ 5,805.76**	**$ 5,914.03**
KB Home Green Options					
Tankless		x	$ -	$ -	$ -
Attic Insulation Upgrade		x	$ 1,098.90	$ 1,233.36	$ 1,257.12
LED Lighting (Whole House)		x	$ 2,610.00	$ 3,180.00	$ 3,295.00
Solar Hot Water Heater		x	$ 7,022.00	$ 7,022.00	$ 7,023.00
Argon Gas Windows		x	$ 4,884.00	$ 5,481.60	$ 5,587.20
Solar Standards & Options					
1.8 Solar	x		$ 3,500.00	$ 3,500.00	$ 3,501.00
2.3 Solar		x	$ 4,069.00	$ 4,069.00	$ 4,070.00
2.7 Solar		x	$ 4,535.00	$ 4,535.00	$ 4,536.00
3.2 Solar		x	$ 5,400.00	$ 5,400.00	$ 5,401.00
Solar Fair Market Value					
1.8 Solar	x		$ 12,008.00	$ 12,008.00	$ 12,009.00
2.3 Solar		x	$ 13,563.00	$ 13,563.00	$ 13,564.00
2.7 Solar		x	$ 15,116.00	$ 15,116.00	$ 15,117.00
3.2 Solar		x	$ 16,670.00	$ 16,670.00	$ 16,671.00
Tax Credit on Solar Fair Market Value*					
1.8 Solar			$ (3,602.40)	$ (3,602.40)	$ (3,601.40)
2.3 Solar			$ (4,068.90)	$ (4,068.90)	$ (4,067.90)
2.7 Solar			$ (4,534.80)	$ (4,534.80)	$ (4,533.80)
3.2 Solar			$ (5,001.00)	$ (5,001.00)	$ (5,000.00)

KB Home – EPG


ENERGY PERFORMANCE GUIDE™
MOST RESALE HOMES ARE LESS EFFICIENT
TYPICAL NEW HOME BUILT TO CA STANDARDS
KB HOME +27% MORE EFFICIENT
$PEND MORE
-40% -30% -20% -10% +10% +20% +30% +40%
$AVE MORE
THIS KB HOME INCLUDES:
• ENERGY STAR®, U.S. EPA's label for energy efficient performance
• High performance windows and insulation to help reduce heating and cooling needs
• Programmable thermostat to optimize energy usage
• Radiant barrier roofing to help shield the home from the sun
• Independent third party inspection for energy performance rating
YOUR ESTIMATED MONTHLY BILL FOR HOME HEATING/COOLING AND WATER HEATING SYSTEMS
$33
Actual energy consumption and costs may vary.
Mapleton - Rosedale
PLAN 1
ENERGY STAR

2012 BLUE COLLAR FORECAST

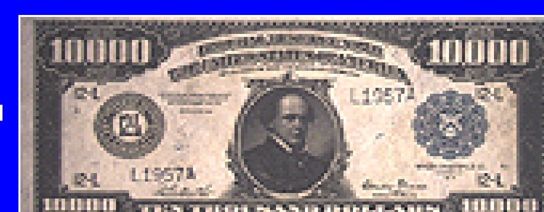
+7,600 jobs vs. 1,800 in 2011



Gold Mine Theory

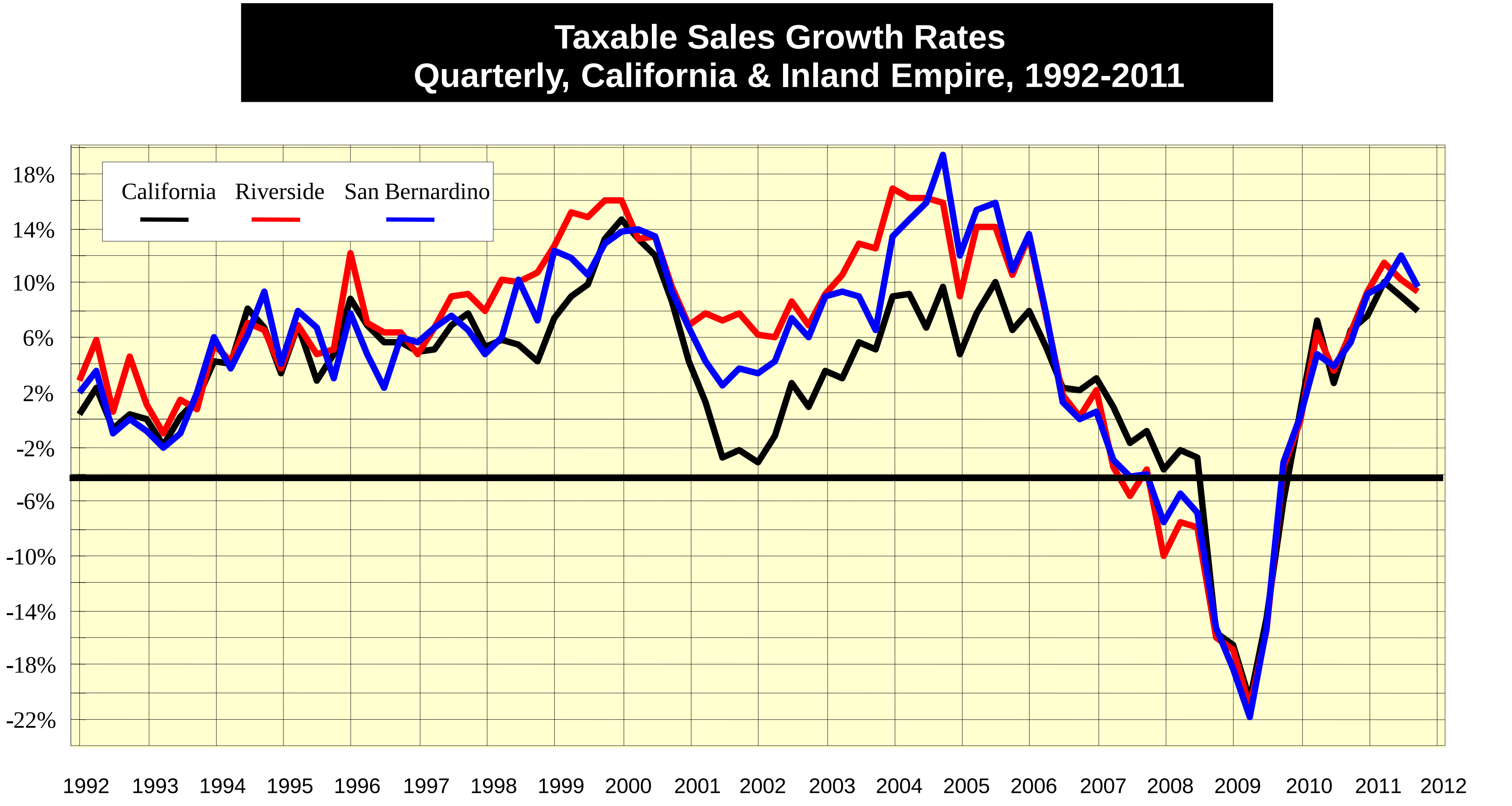
Secondary Tier

Primary Tier



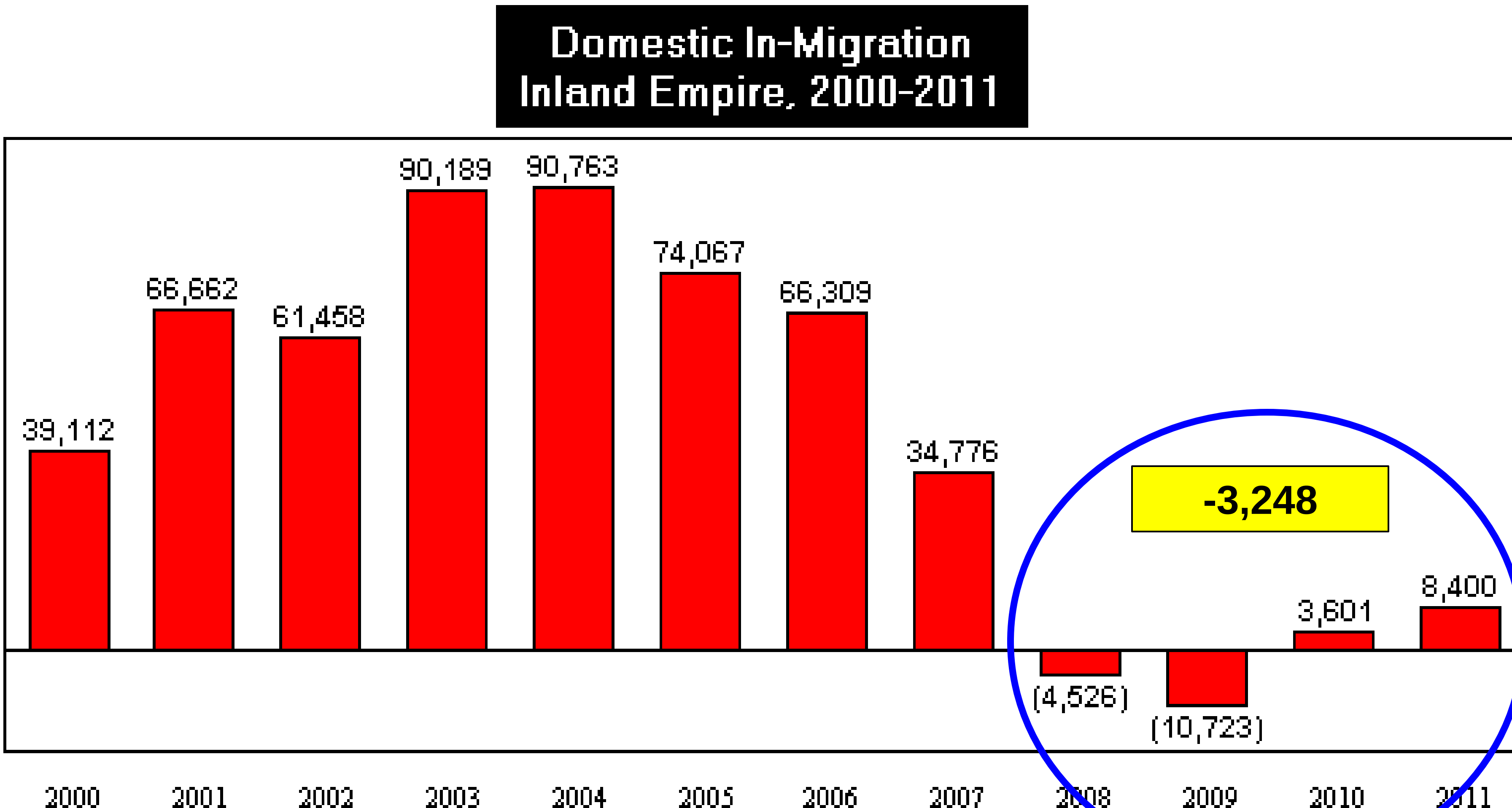
POPULATION SERVING JOB FORECAST

Taxable Sales Recovery Started



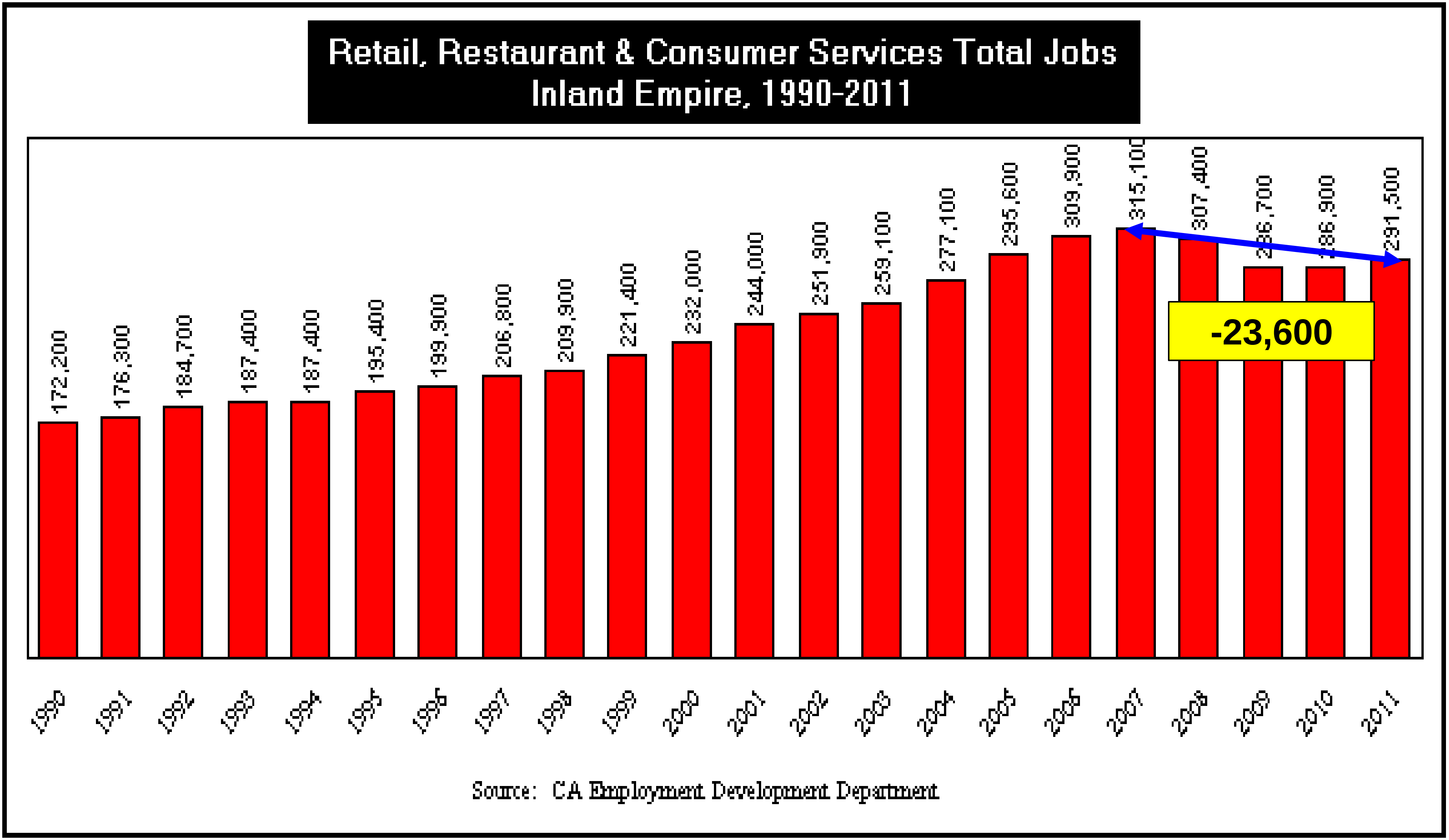
Source: CA Board of Equalization, CA Dept. of Finance, Hinderliter DeLlamas

Inland Empire's In-migration From Coastal Counties Has Stopped

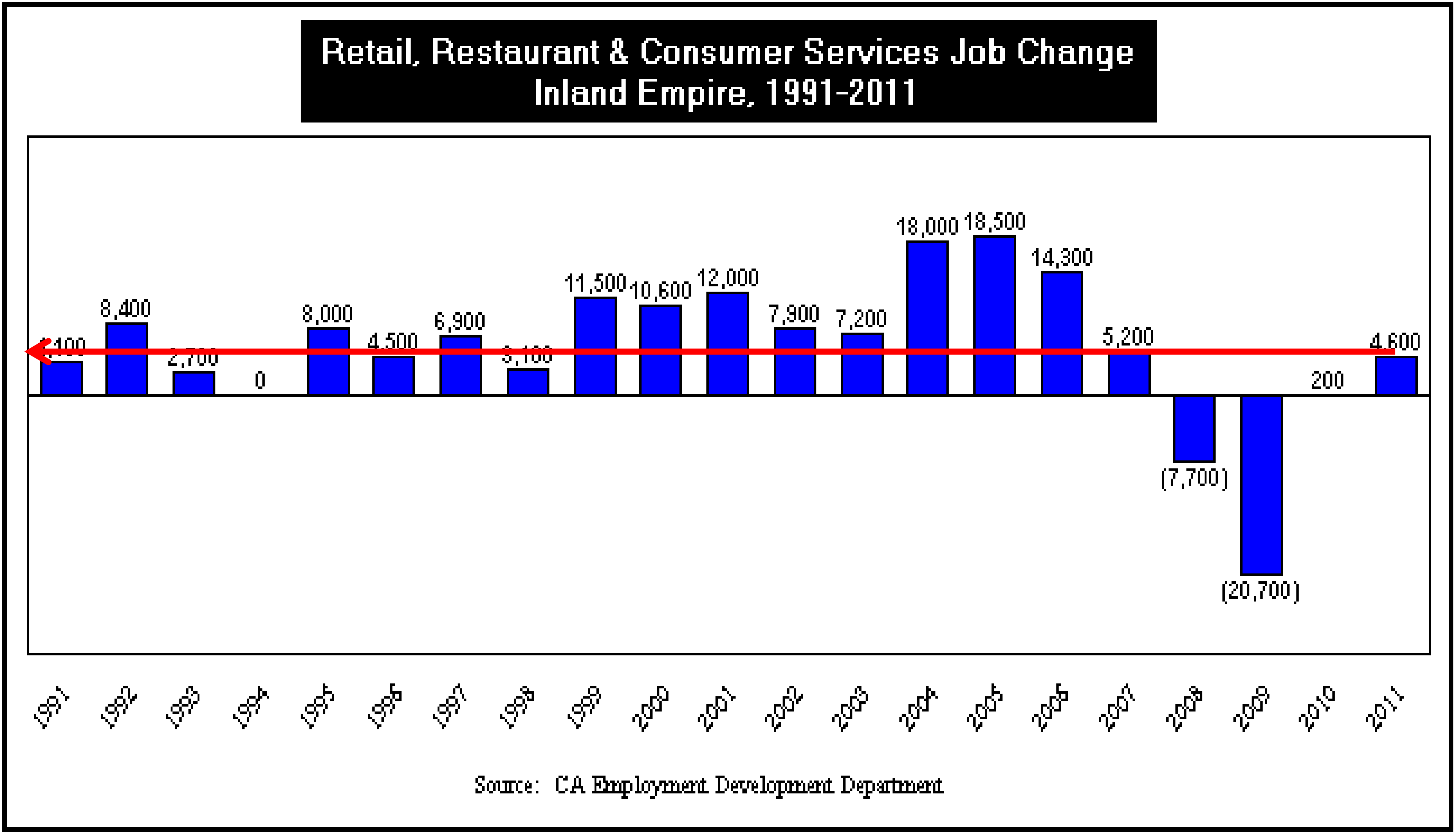


Not Bringing Skills, Wealth, Income & Spending

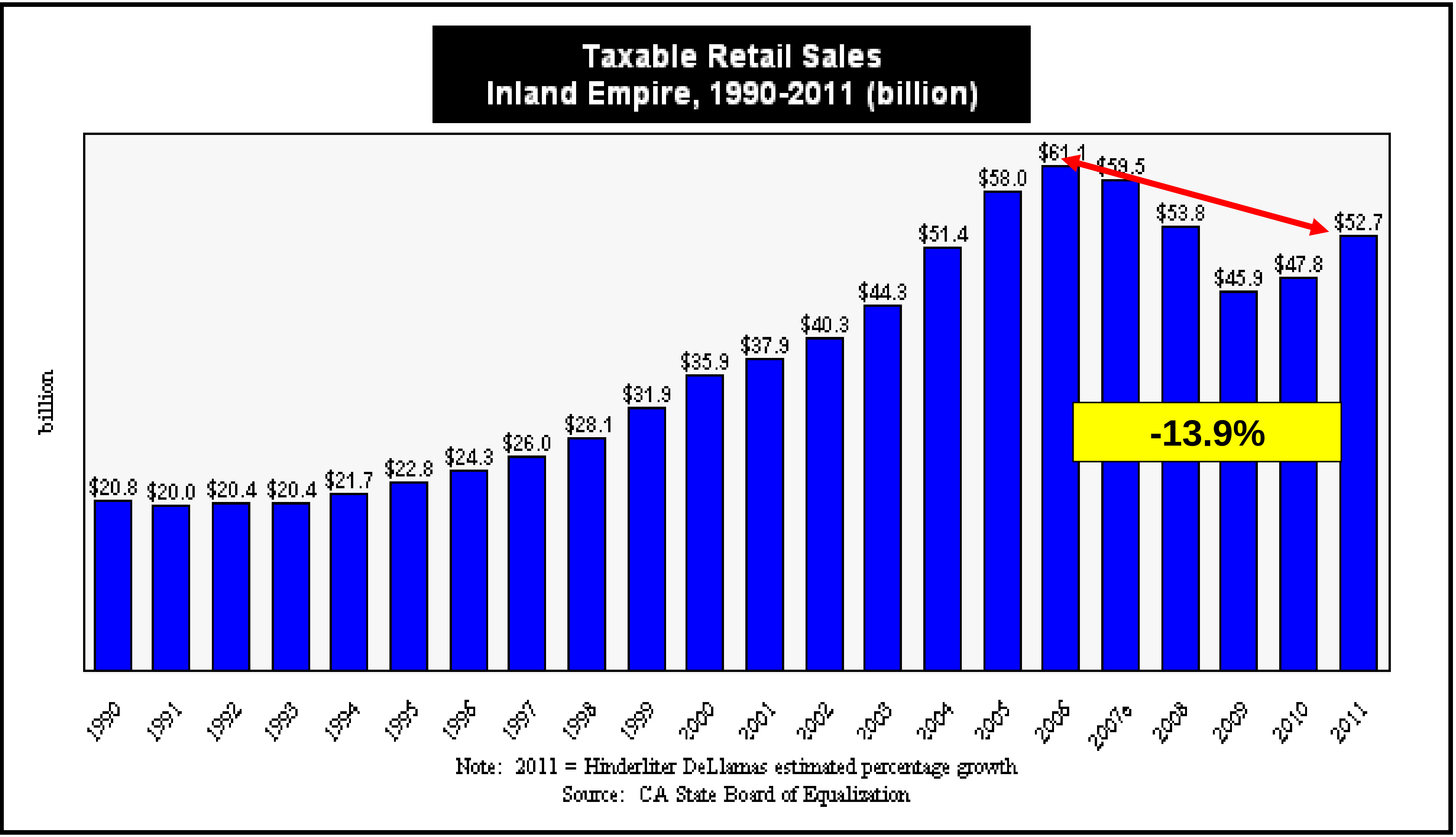
Consumer Service Jobs
Some Growth But Well Below Peak



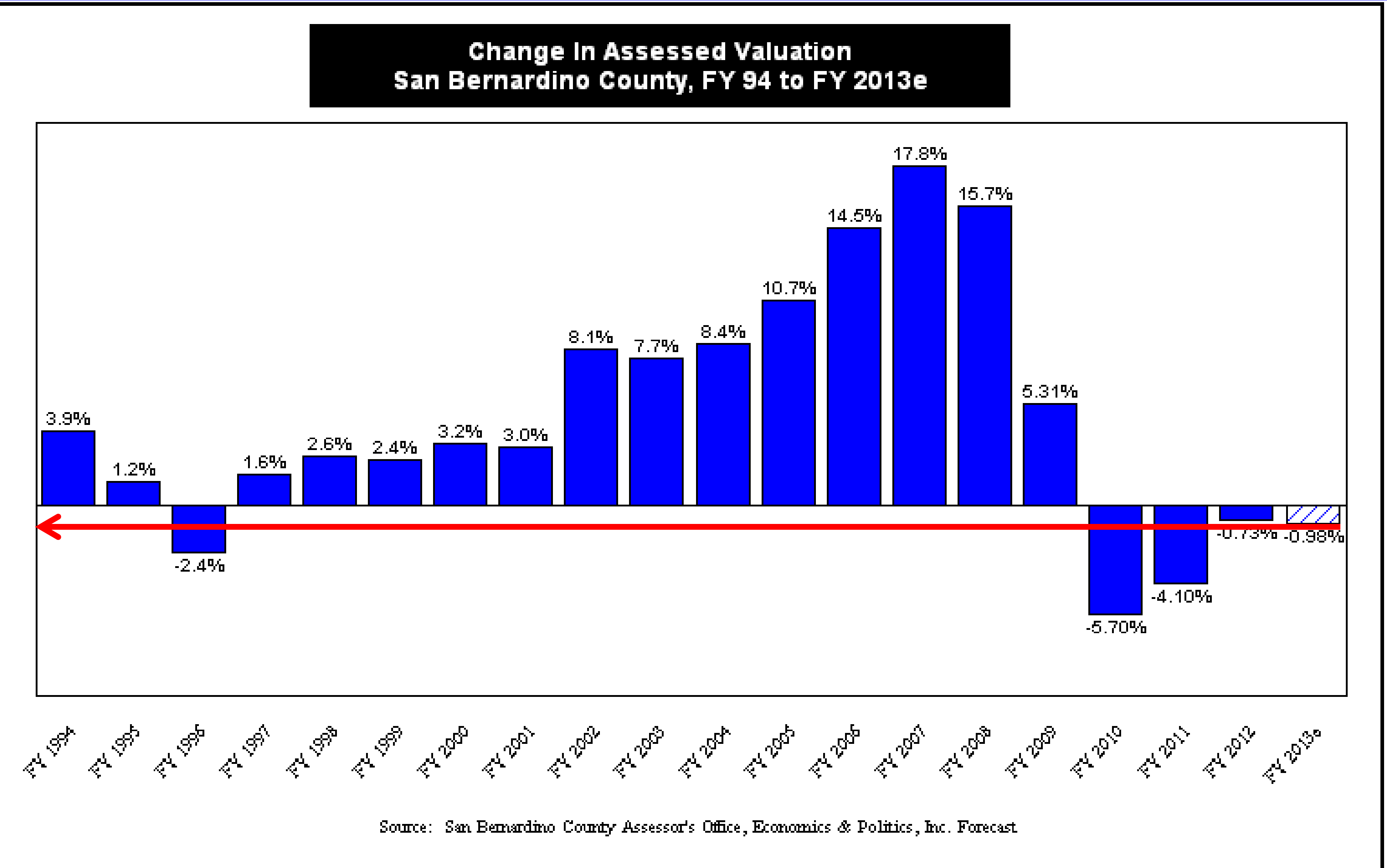
Consumer Service Sectors Adding Jobs Slowly



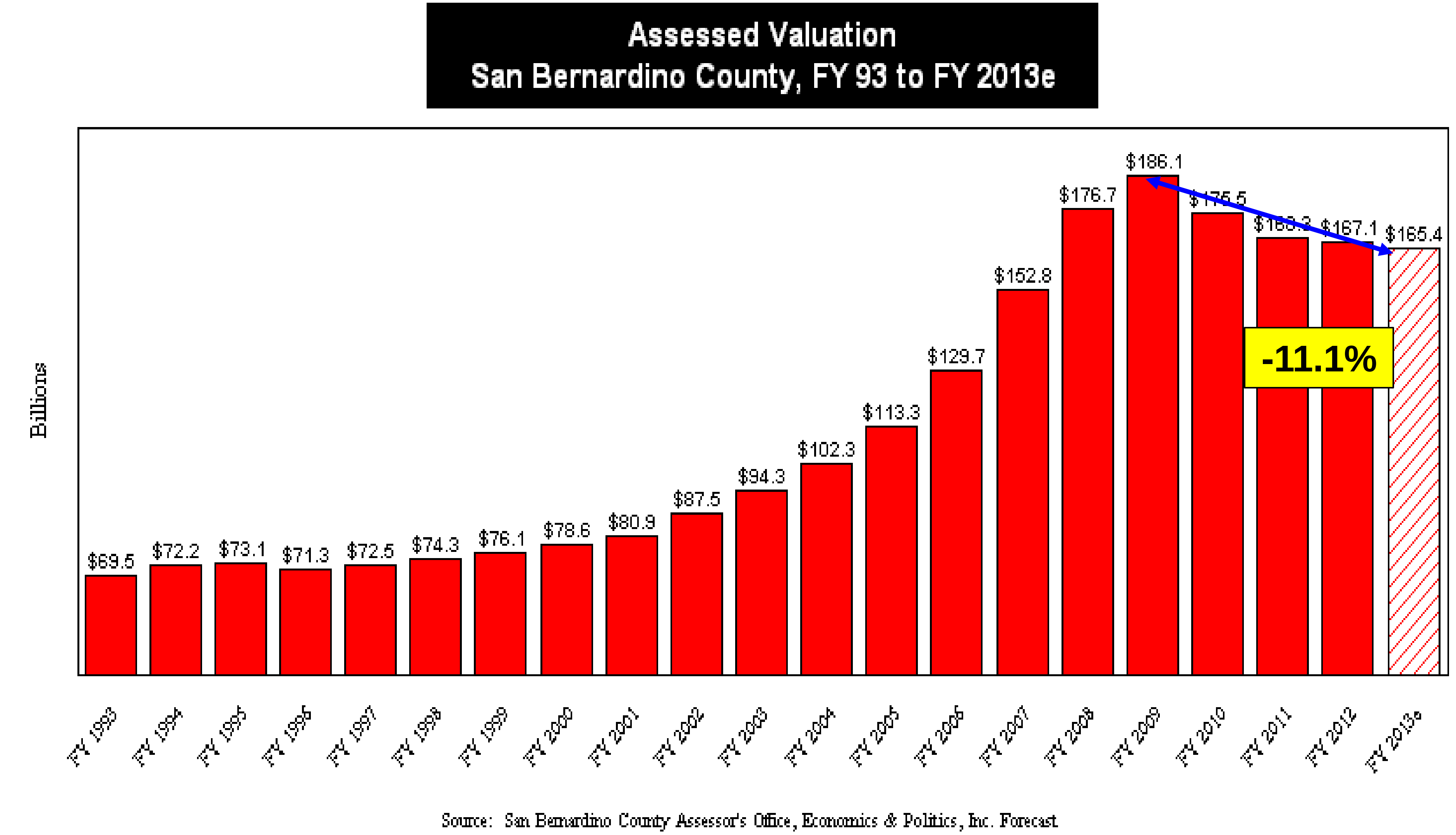
Taxable Retail Sales Coming Back But Still Have A Long Way To Go



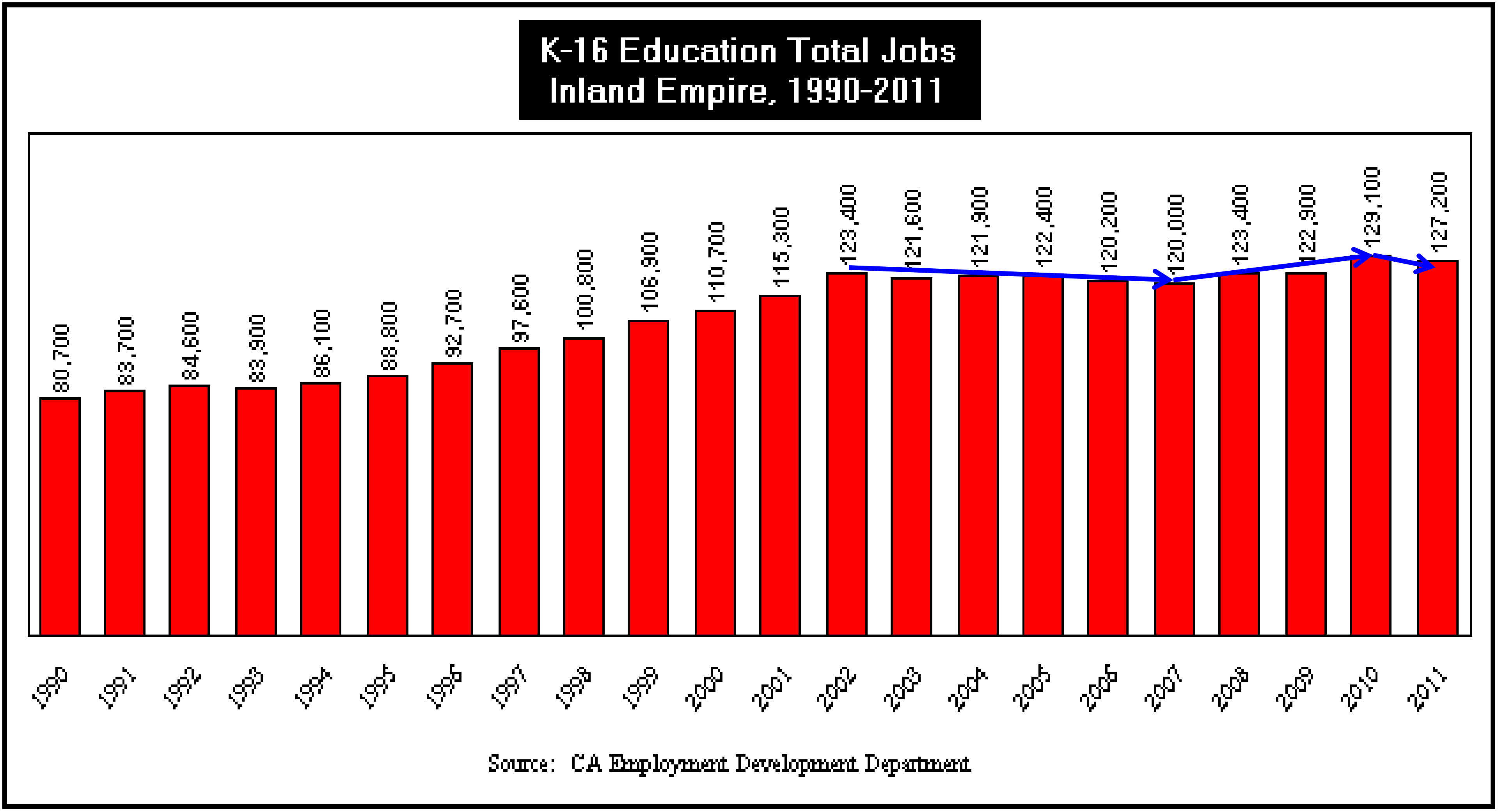
Assessed Valuation Still Not Growing



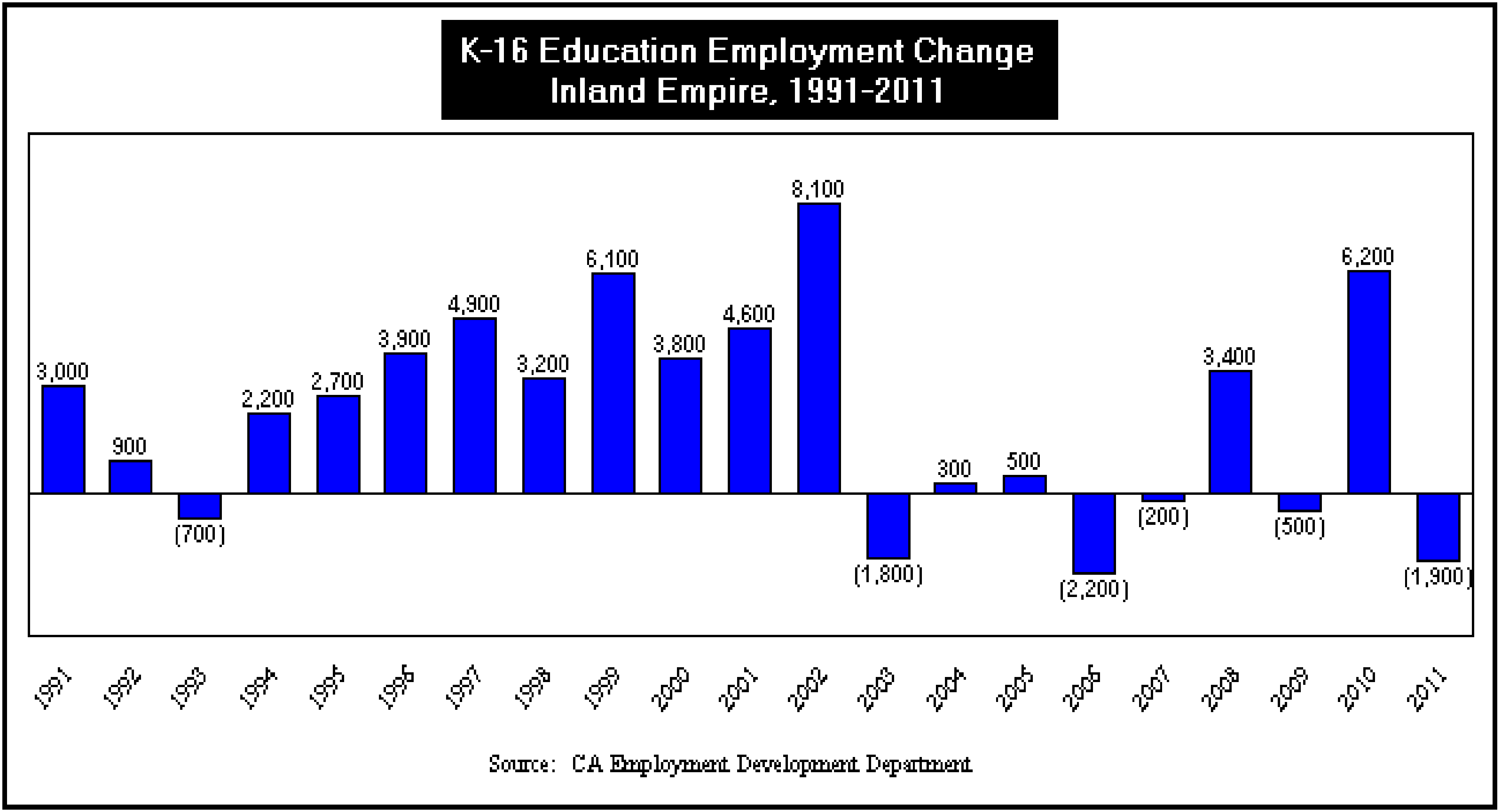
Assessed Valuation, Almost Stopped Falling



K-16 Employment Somewhat Flat To Date



K-16 Employment, Including Private Schools Wildly Fluctuating



California Grabbing Money From Local Government … School Funding Cut

Mary Jane Olhasso
Economic Development Administrator
San Bernardino County

COUNTY OF
SAN BERNARDINO
WORKFORCE INVESTMENT BOARD

It’s All About Business

Business is investment

Businesses need a stable and predictable environment for success

Local government must be a resource

A business to business model with an emphasis on building mutually beneficial and fruitful relationships

Timely, responsive, dependable service

COUNTY OF
SAN BERNARDINO
WORKFORCE INVESTMENT BOARD

The Vision

- A common Vision and collaborative Action result in change

- The Vision Project provides a roadmap to guide decision making, unites businesses and municipalities, and establishes the framework for a future full of opportunities and advantages

- Elements driving future economic development
  - Jobs & Economy
  - Education
  - Infrastructure
  - Health
  - Education

COUNTY OF SAN BERNARDINO
WORKFORCE INVESTMENT BOARD

Services

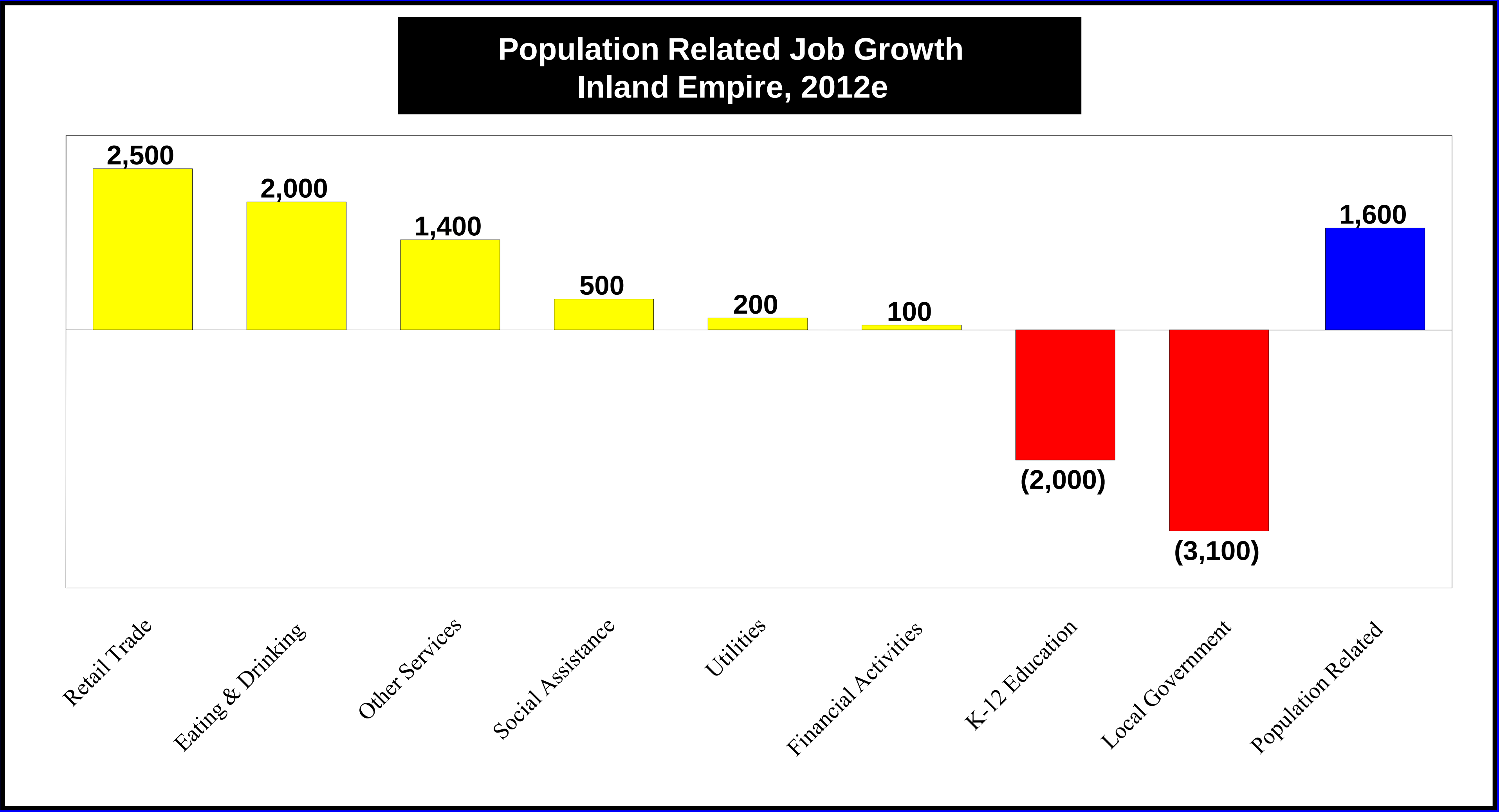
The County's services assist businesses with improving their operational efficiency, marketing capabilities and management expertise

- **General Business Planning and Information**
- **Coordination in Development Review Process**
- **Site Selection, Evaluation and Market Research**
- **Workforce Recruitment**
- **Job Matching**
- **Customized Training Programs**
- **On-the-job Training Incentives**
- **Employment Training Panel Incentives**
- **Human Resource Hotline**

COUNTY OF
SAN BERNARDINO
WORKFORCE INVESTMENT BOARD

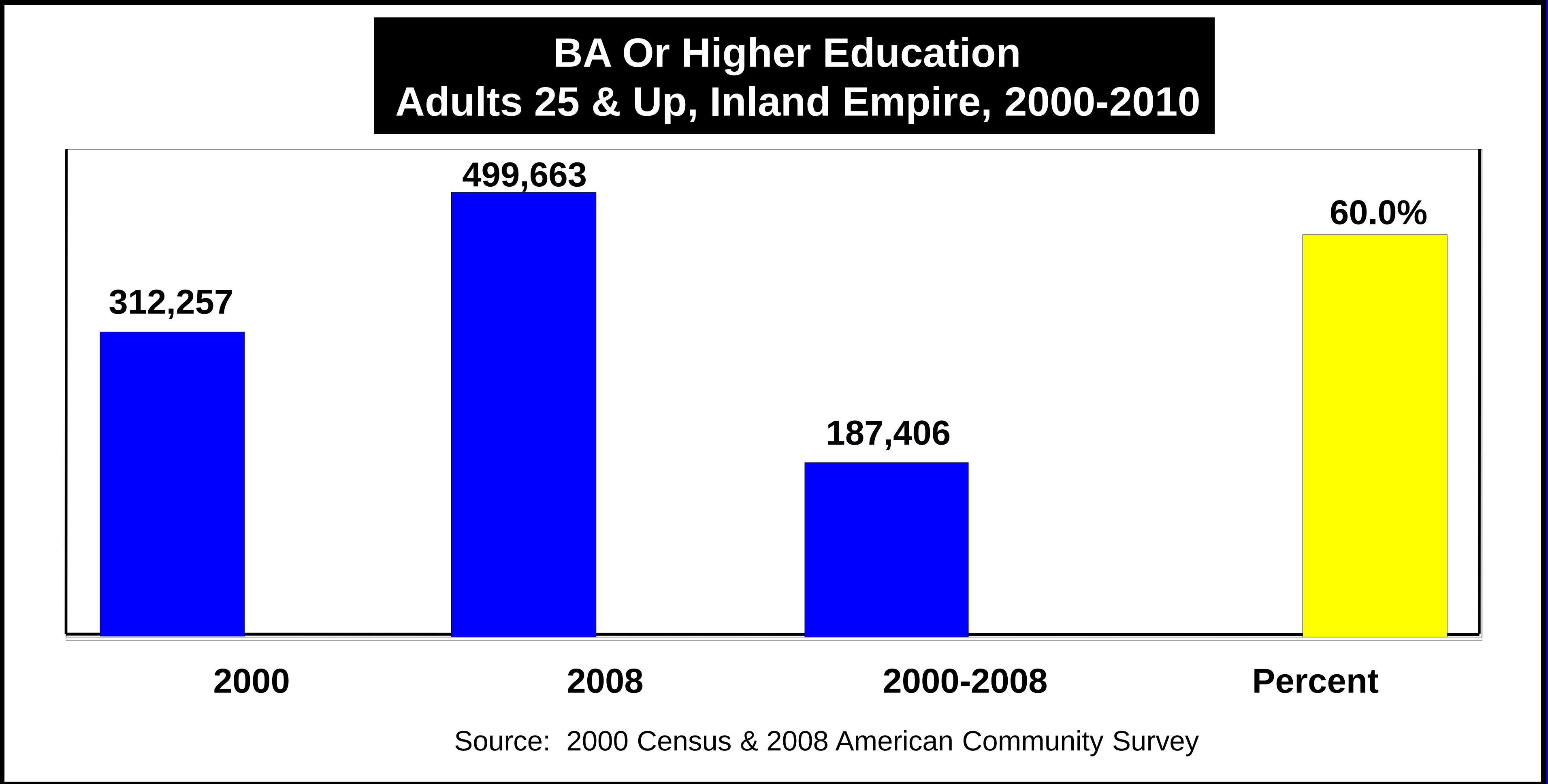
2012 Population Serving Forecast

+1,600 jobs vs. -2,200 in 2011

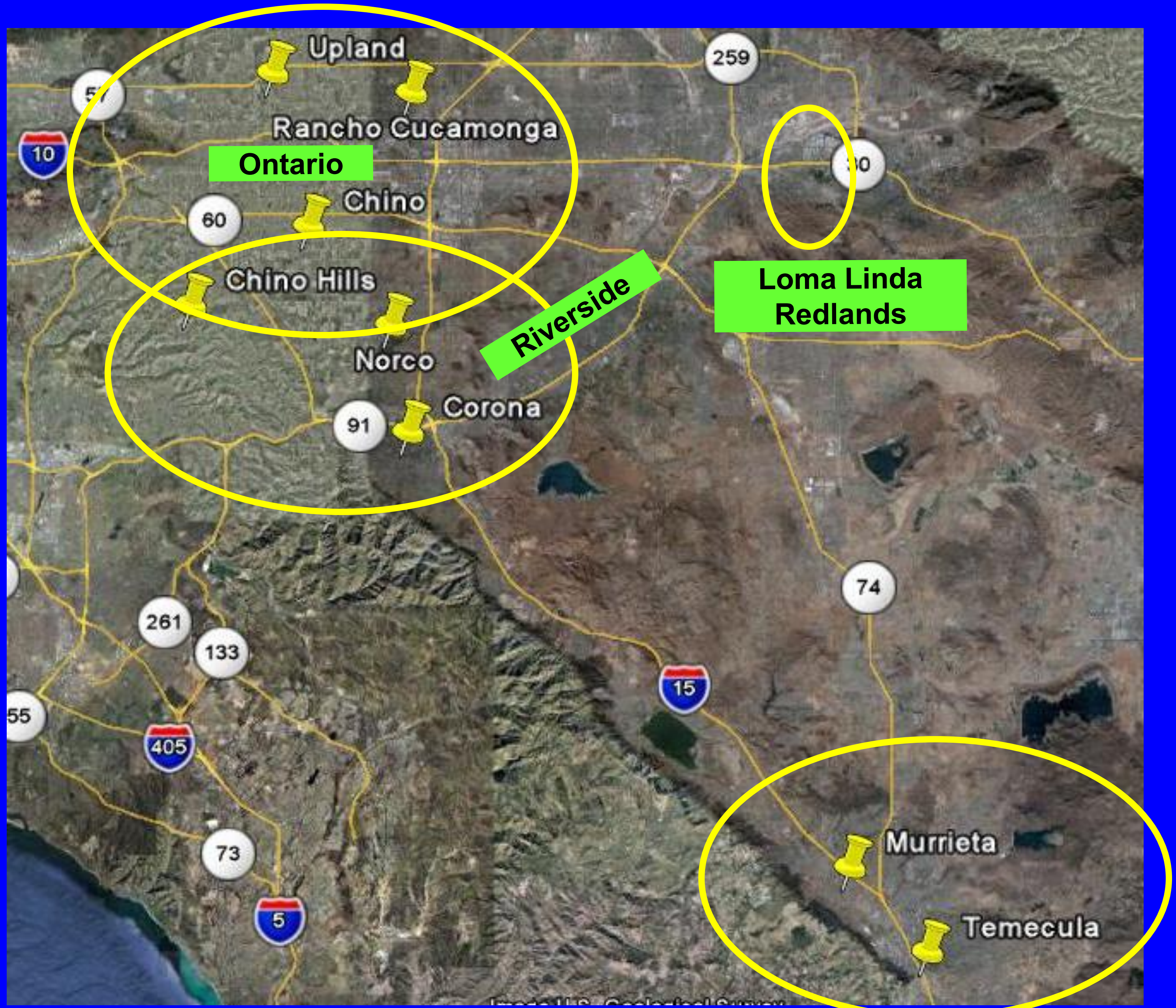


HIGH-END/OFFICE JOB FORECAST

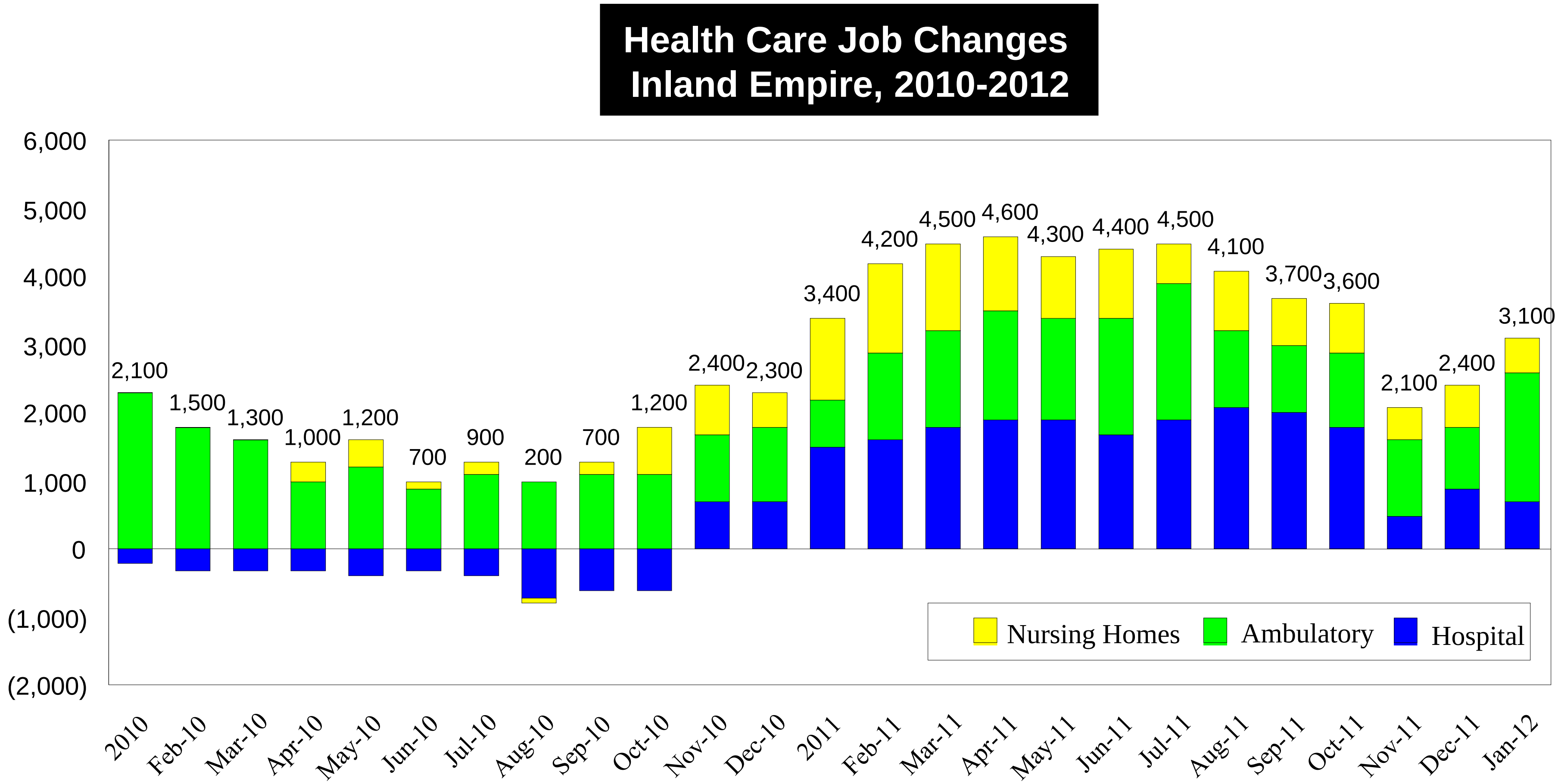
Well-Educated Workers Were Migrating Inland



High-End Economic Strategy

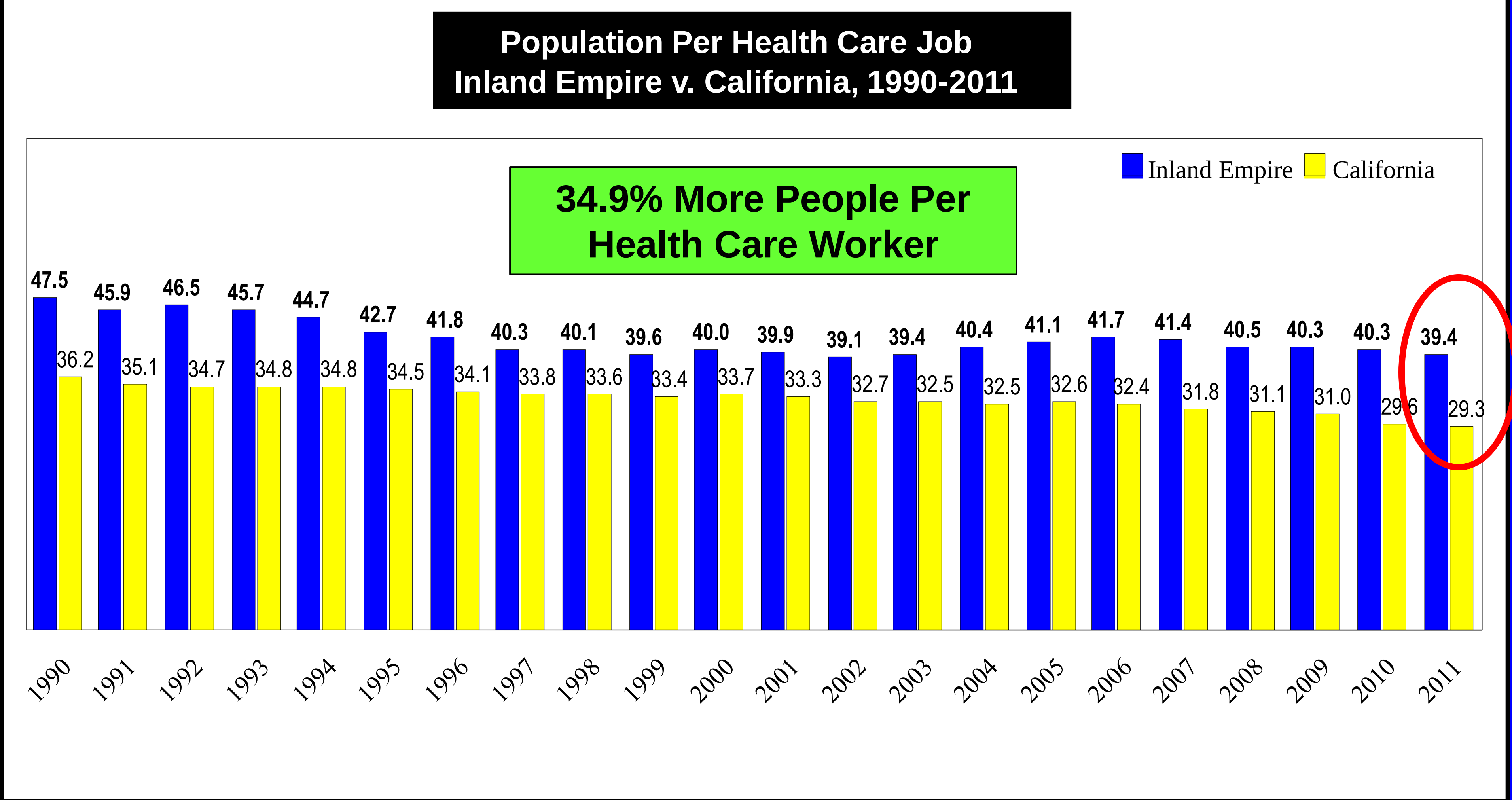


Health Care … Strongest Sector



Source: CA Employment Development Department

Inland Empire Underserved by Health Care Workers



Harris Koenig
President & CEO
San Antonio Community Hospital

SAN ANTONIO
COMMUNITY HOSPITAL

Healthcare Demand Providers

<u>Upward Pressures</u>

Aging population

Obesity

Chronic conditions

Disconnected incentives

Upward Pressure

Aging Population

Will move from 12% of total population to over 20% in the next 20 years

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COMMUNITY HOSPITAL

Upward Pressure

Aging Population

Consumes healthcare at a rate that is 4 times that of the rest of the population

Extended life expectancy means an increase in the prevalence of chronic conditions

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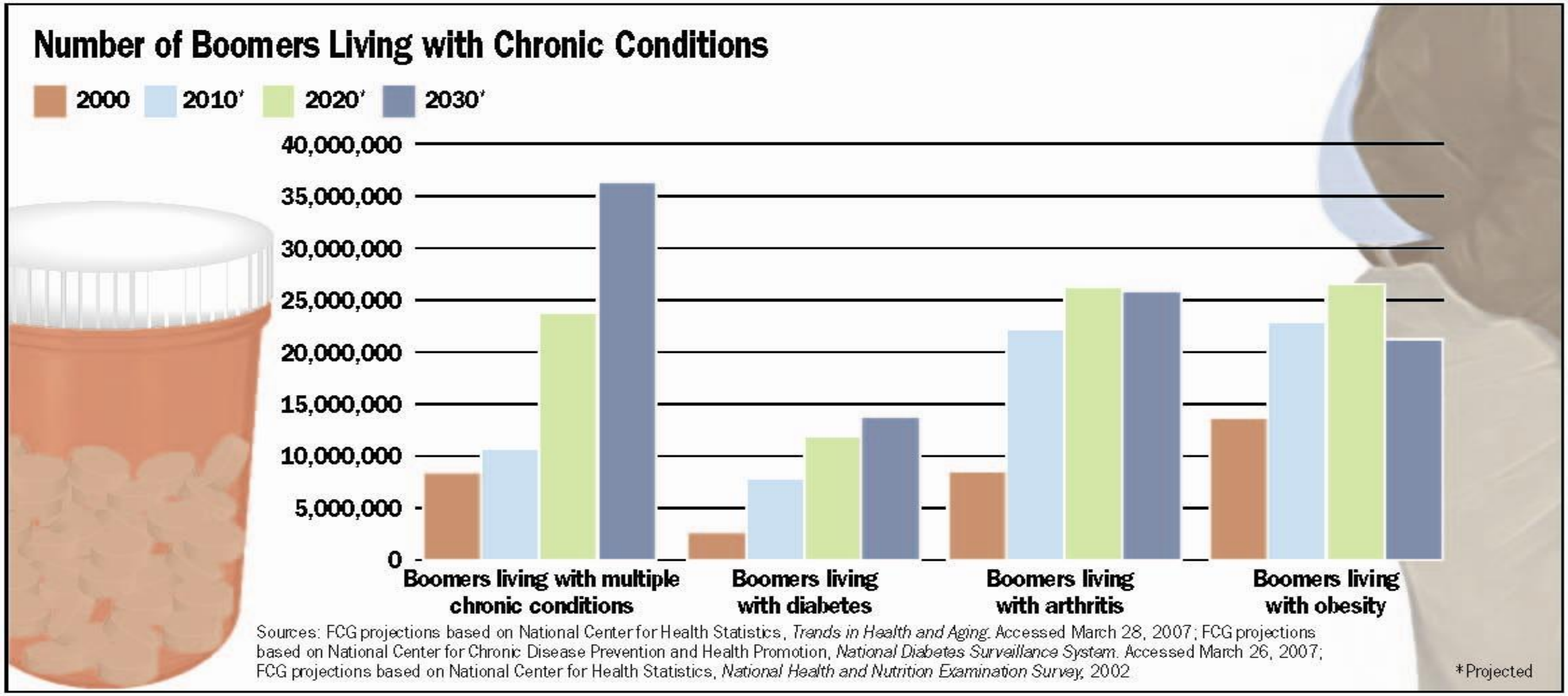
Chronic Conditions

Year 2030… 37 Million Boomers With Multiple Chronic Conditions



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Upward Pressure

Obesity

Prevalence skyrocketing and with it many preventable conditions:

- **Diabetes**
- **Heart failure**
- **Vascular disease**
- **High blood pressure**
- **Joint deterioration**

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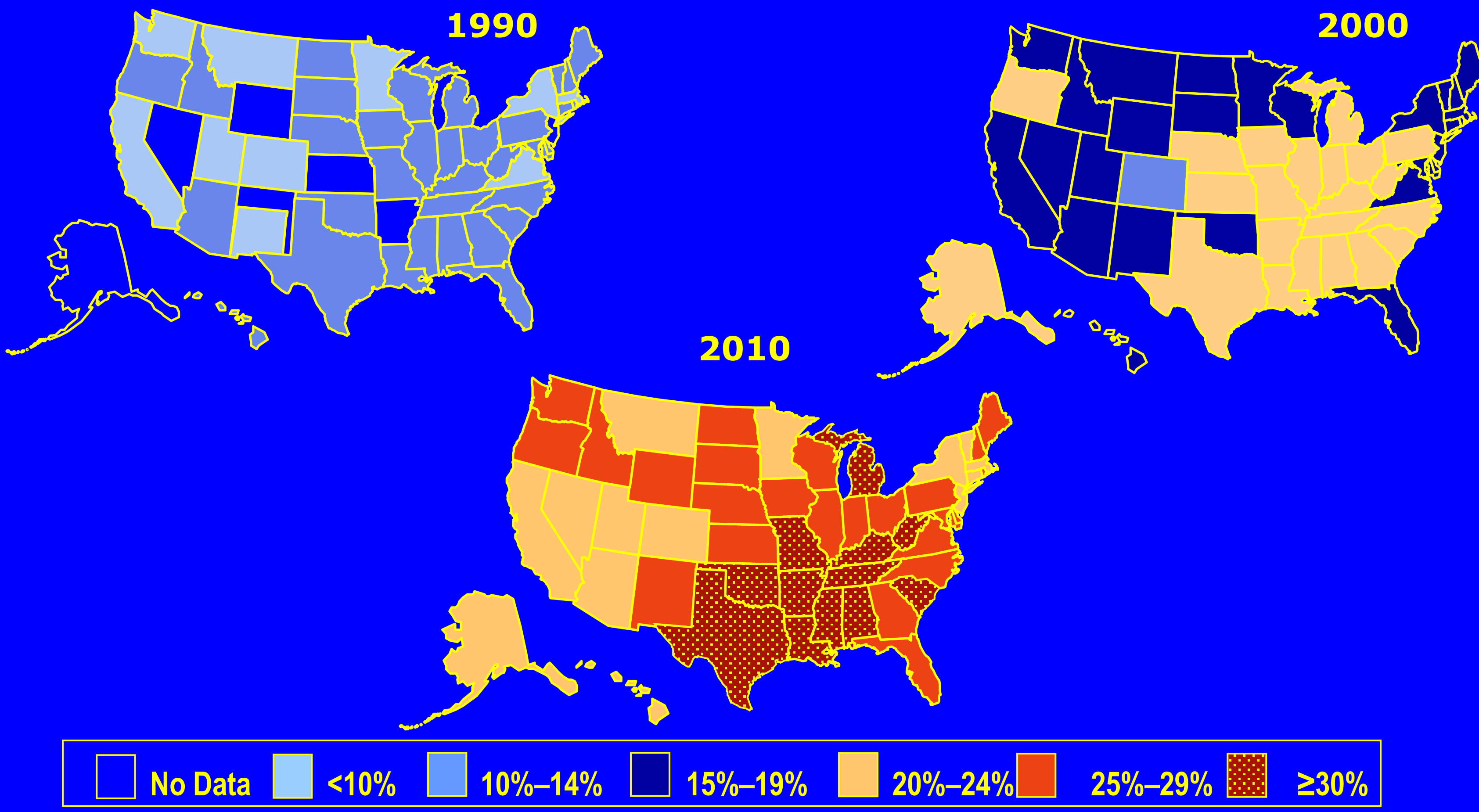
COMMUNITY HOSPITAL

Obesity Trends* Among U.S. Adults
BRFSS, 1990, 2000, 2010
(*BMI ≥30, or about 30 lbs. overweight for 5’4” person)



Source: Centers for Disease Control, 2012
Behavioral Risk Factor Surveillance System

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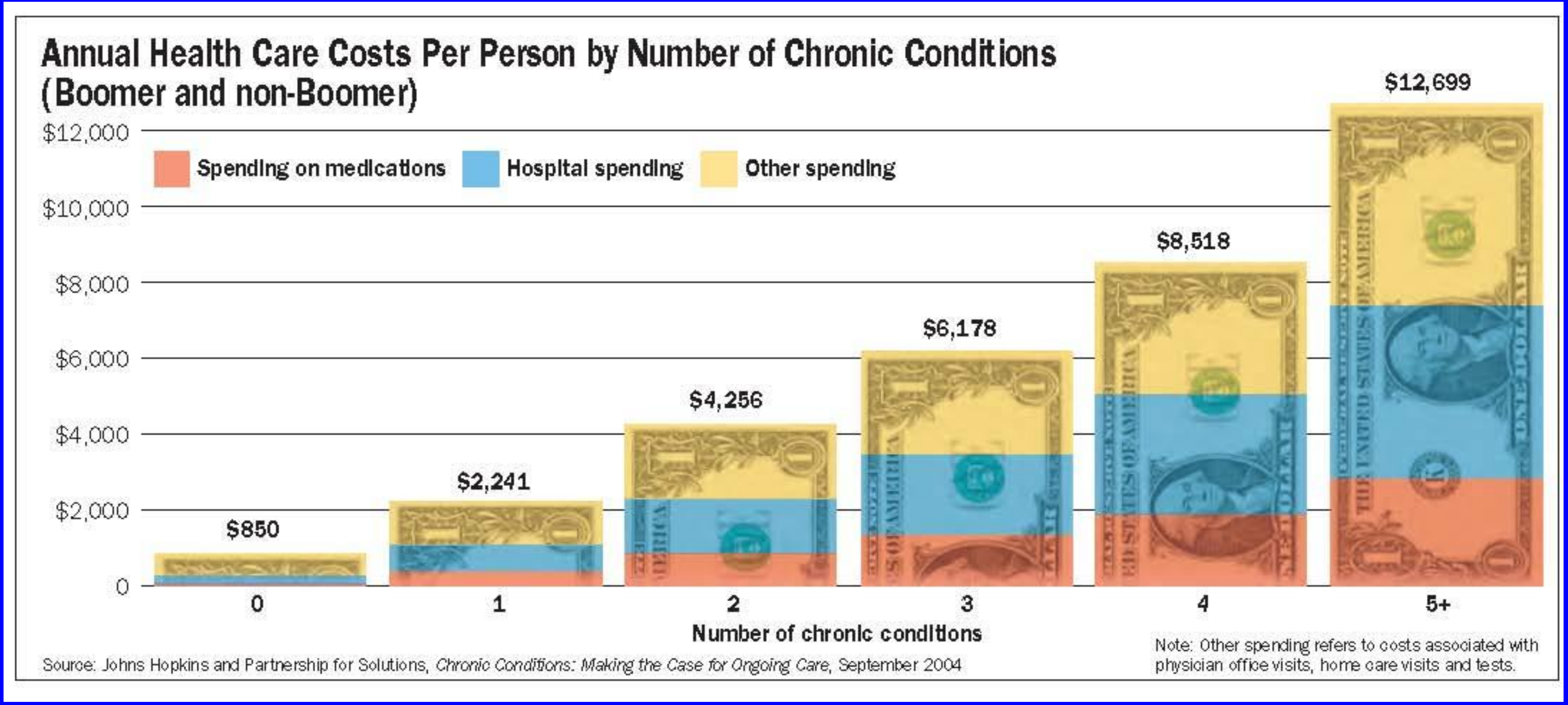
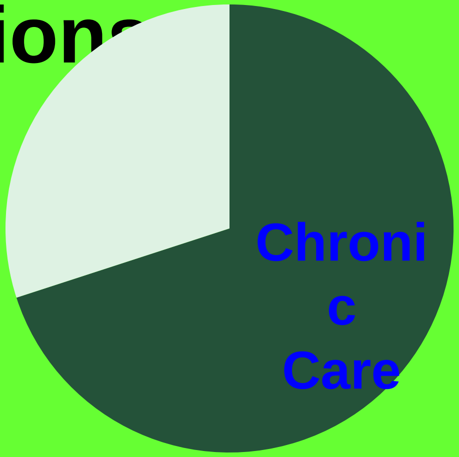
Chronic Conditions



Population / Disease Management

70% of healthcare expenditures are to care for chronic conditions



- Congestive heart failure
- Diabetes
- Obesity
- Asthma
- Chronic pulmonary disease

Chronic care disease management = less demand for hospital care (ER and Inpatient)

SAN ANTONIO COMMUNITY HOSPITAL

Disconnected Incentives

Hospital Payment: Fixed Basis

Physician Payment: Volume Driven

SAN ANTONIO COMMUNITY HOSPITAL

Disconnected Incentives

- Physicians control 80% of patient care expenditures

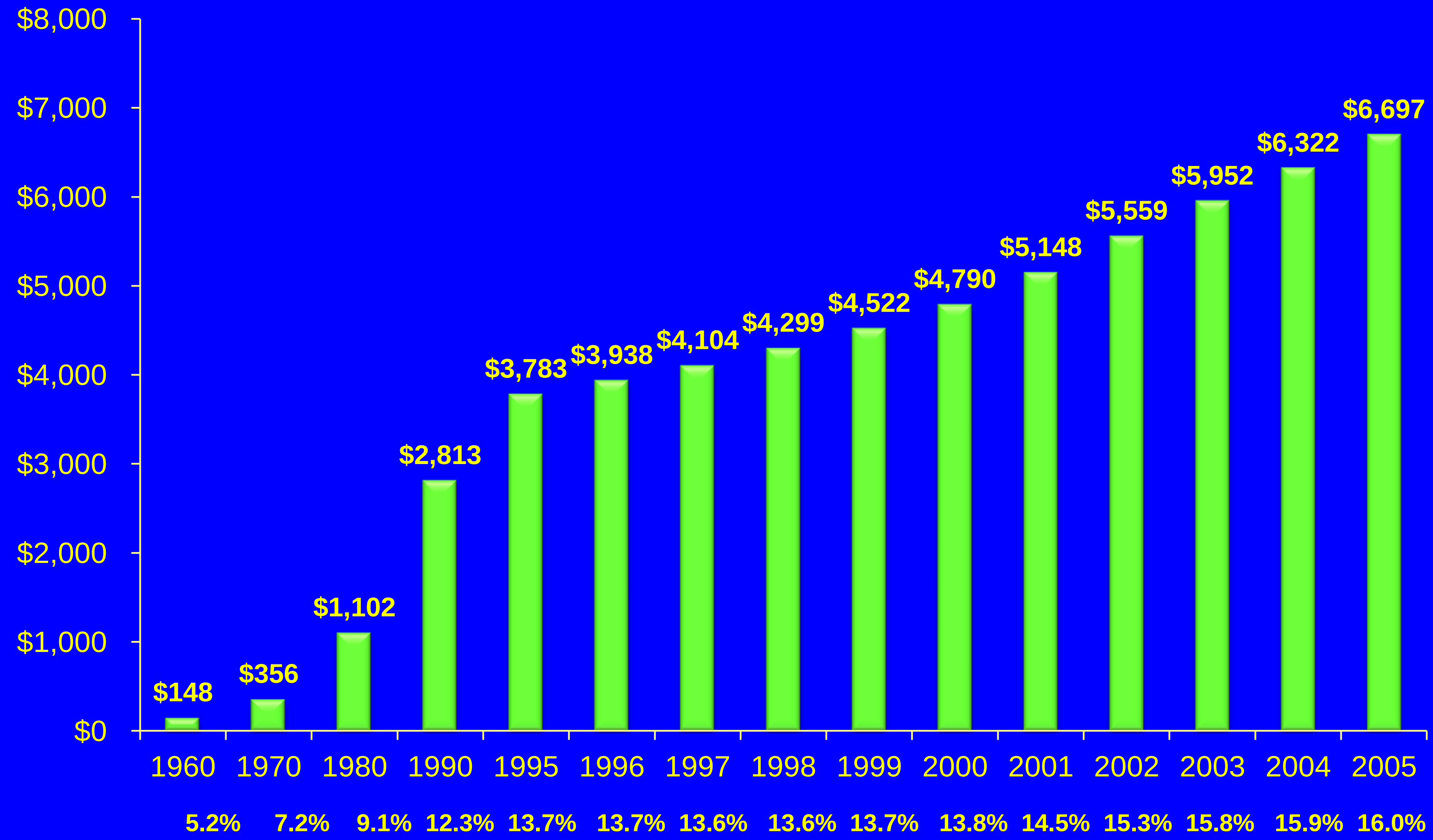
Healthcare Reform

Healthcare Reform – Why?

Healthcare Reform

Healthcare System Today
Unsustainable

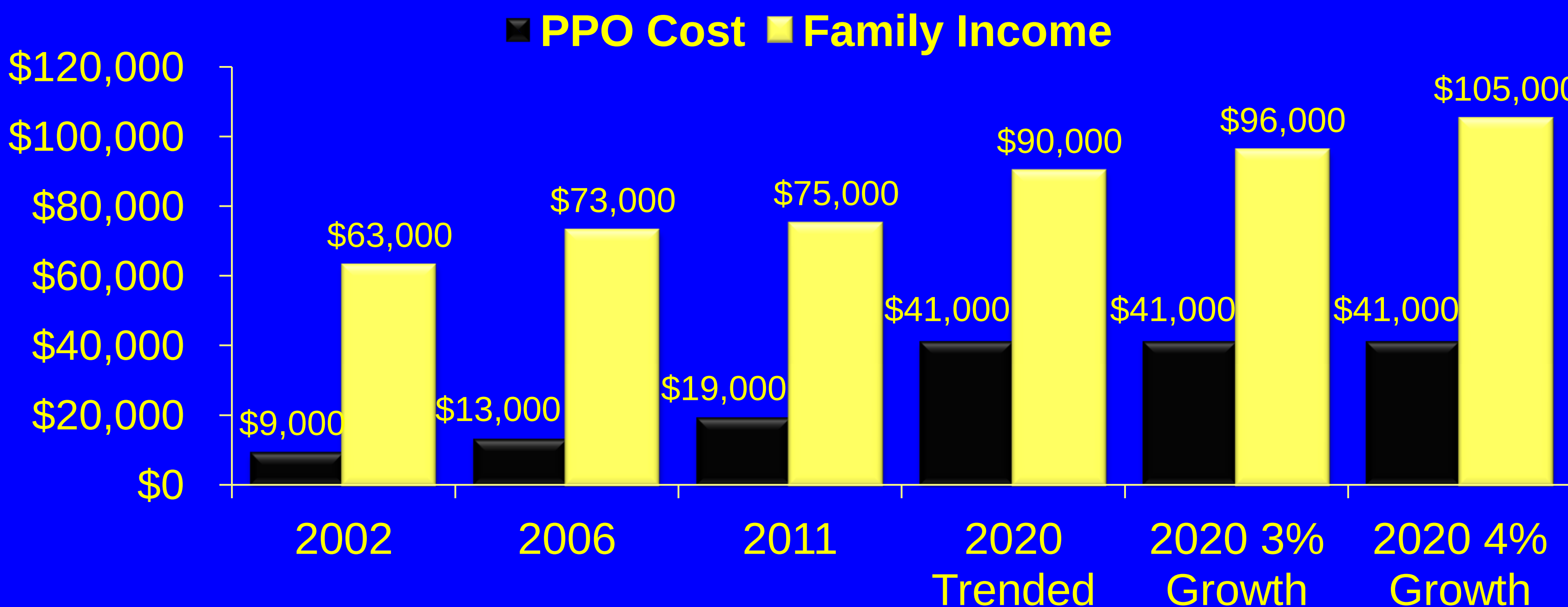
National Healthcare Expenditures Per Capita and Their Share of GDP, 1960 - 2005



Source: Centers for Medicaid Services, Office of the Actuary, National Health Statistics Group

Private Health Insurance

Trends for commercial insurance as a percent of personal income is unsustainable



% of Income	***15%***	***18%***	***26%***	***45%***	***42%***	***38%***

Family of Four – Total PPO Cost Versus Median Family Income

Healthcare Reform

Supreme Court

- Little will change even if the Court rules to strike down the individual mandate

Health Insurance Exchanges

- Increased transparency and competition

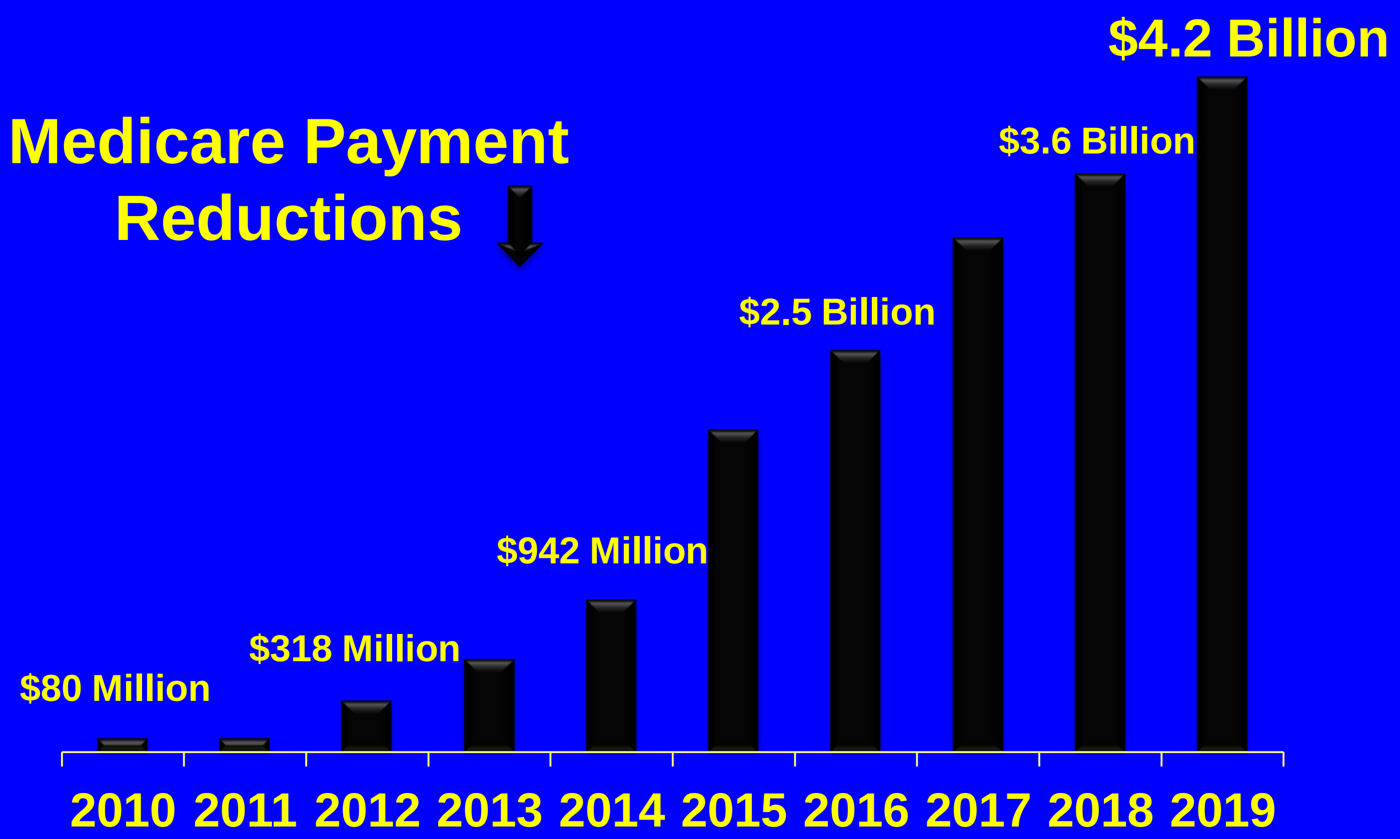
Accountable Care Organizations

- Focused on reduced cost through decreased volumes

Decreased Pricing

Government and private insurance rate pressures will negatively impact hospital and physician payments over next decade

Healthcare Reform



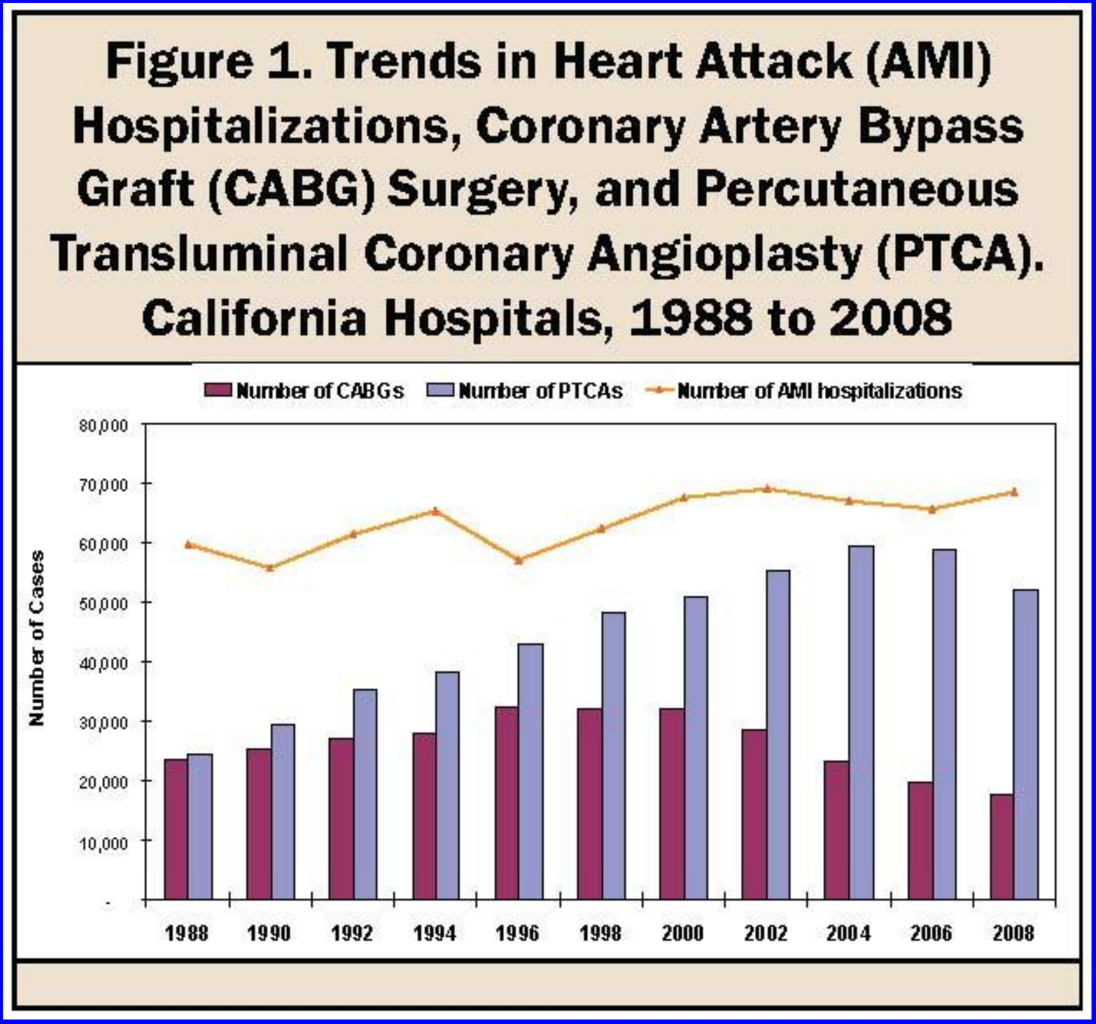
Year 2020 – Independent Payment Advisory Board makes binding recommendations for hospital payments

Private Healthcare Insurance

If Individual Mandate is struck down…

- Meant to offset cost of uninsured and high risk patients
- An influx of new Medi-Cal (Medicaid) population will force more cost shifting
- Rate Regulation?

Technology Impact on Demand



Downward Forces

Population and Disease Management

Healthcare Reform

Decreased Pricing

General Employment Outlook
Healthcare Providers

Federal and commercial insurance companies will reduce the volume and relative pricing available to healthcare providers…

General Employment Outlook
Healthcare Providers

BUT!

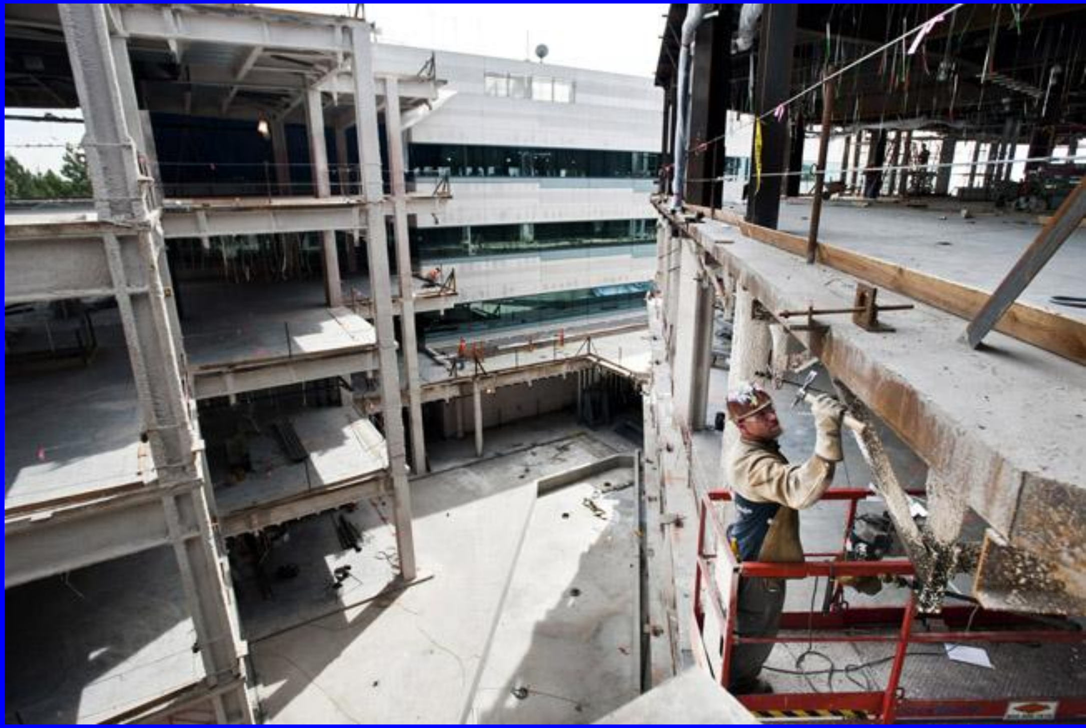
General Employment Outlook
Healthcare Providers

The aging baby boomers and the obese population will increase volumes such that employment in healthcare will be stable with opportunity for marginal increases

Related Employment - Construction

- Hospital capital expenditures will continue

- California Seismic Law = new construction and retrofit projects



California Seismic Projects

- Key dates - 2015 and 2030
- Inland Empire could be up to $1 billion next few years (OSHPD)
- Another wave 2025 - 2030

SACH Expansion Project

- $200 Million
- 44% IE Contractors and Suppliers

Building for Tomorrow »

SAN ANTONIO
COMMUNITY HOSPITAL

123

Healthcare Summary

Providers

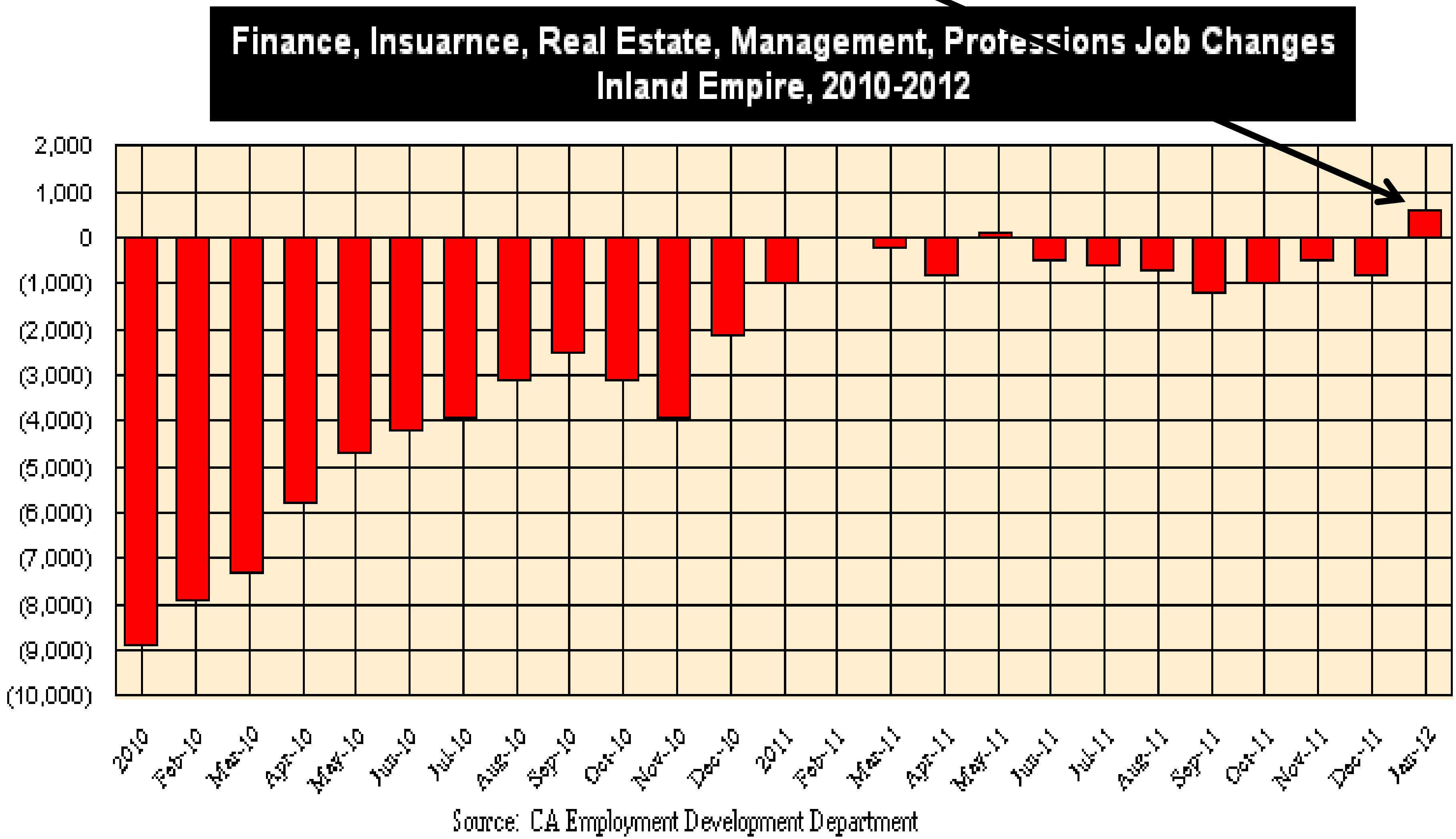
Marginal to moderate growth

Need for skilled labor to fill shortages (Boomer vortex)

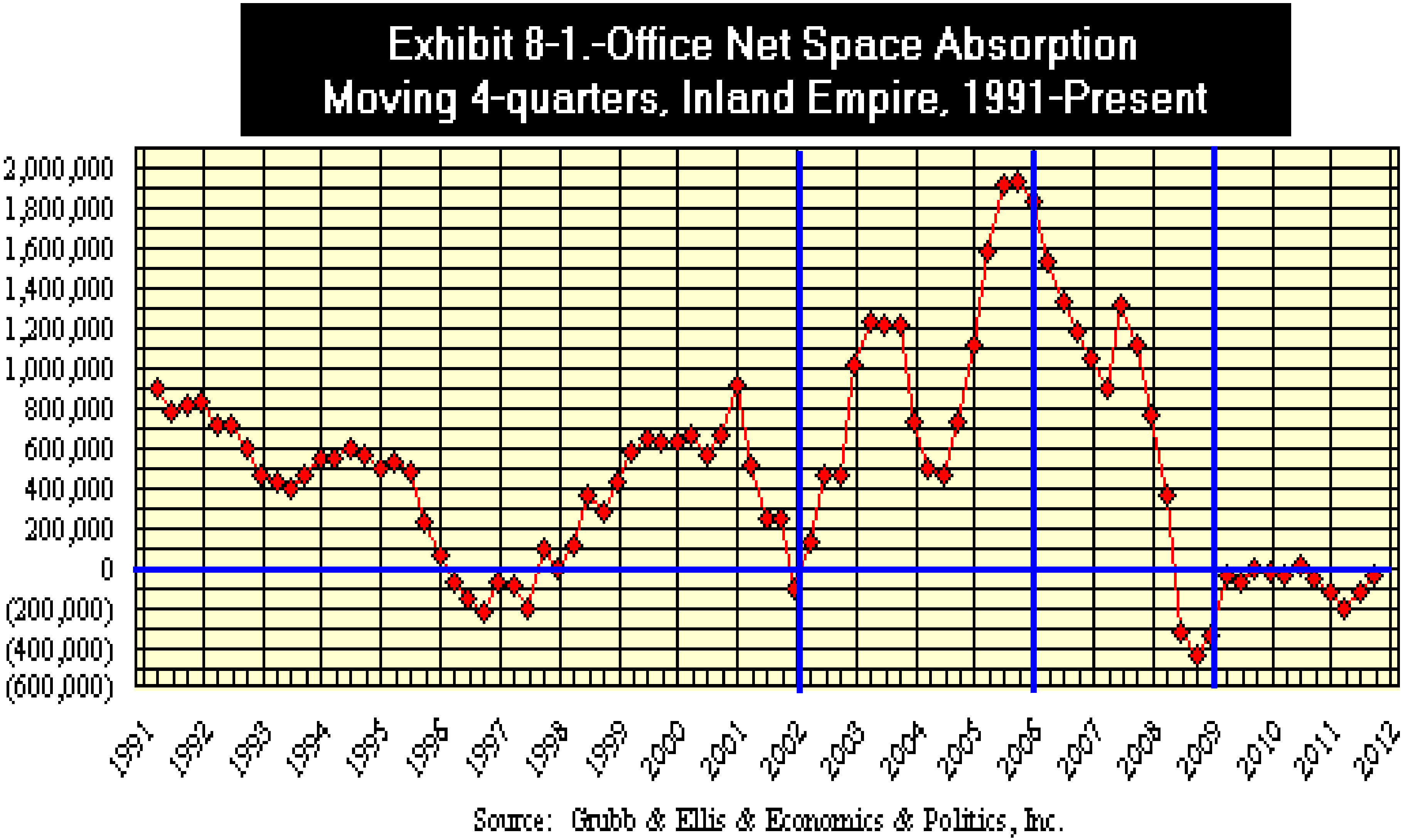
Construction Sector

Ongoing construction projects driven by seismic requirements

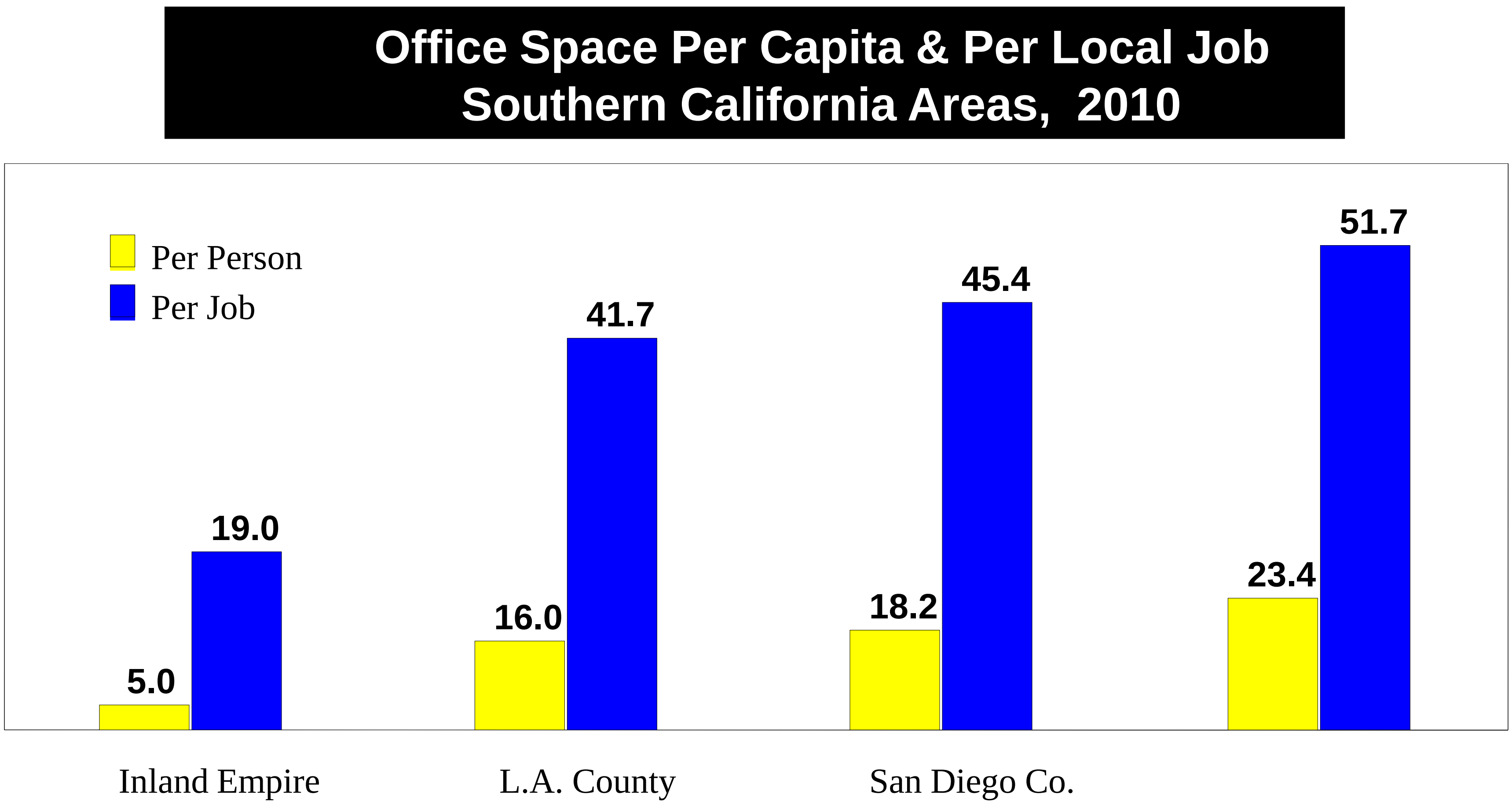
Other Office Occupations Very Weak



Office Absorption: Collapsed In 2007-8 … Flat In 2009-11



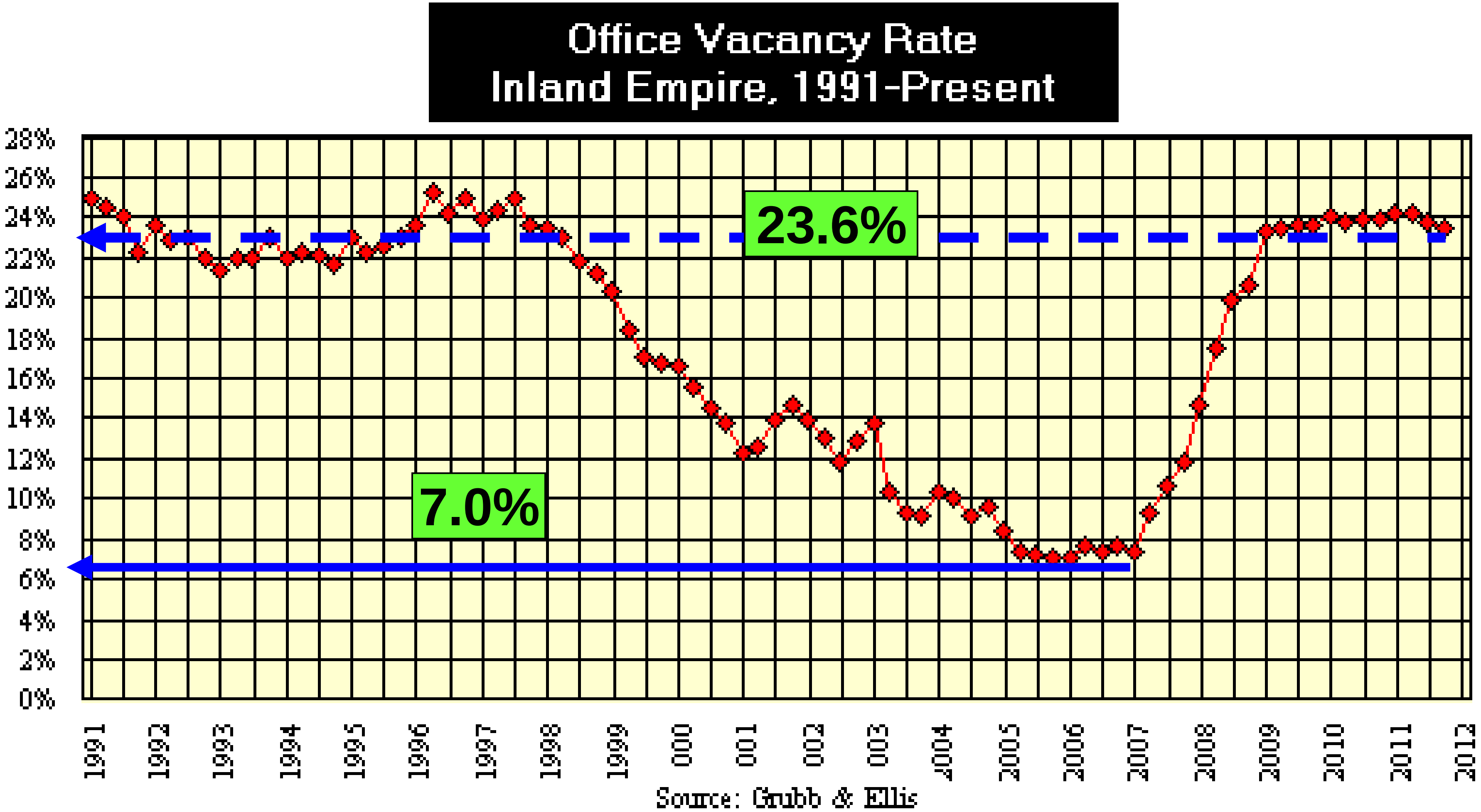
Inland Empire is under-officed



Sources: Grubb & Ellis, CA Employment Development Dept., CA Dept. of Finance

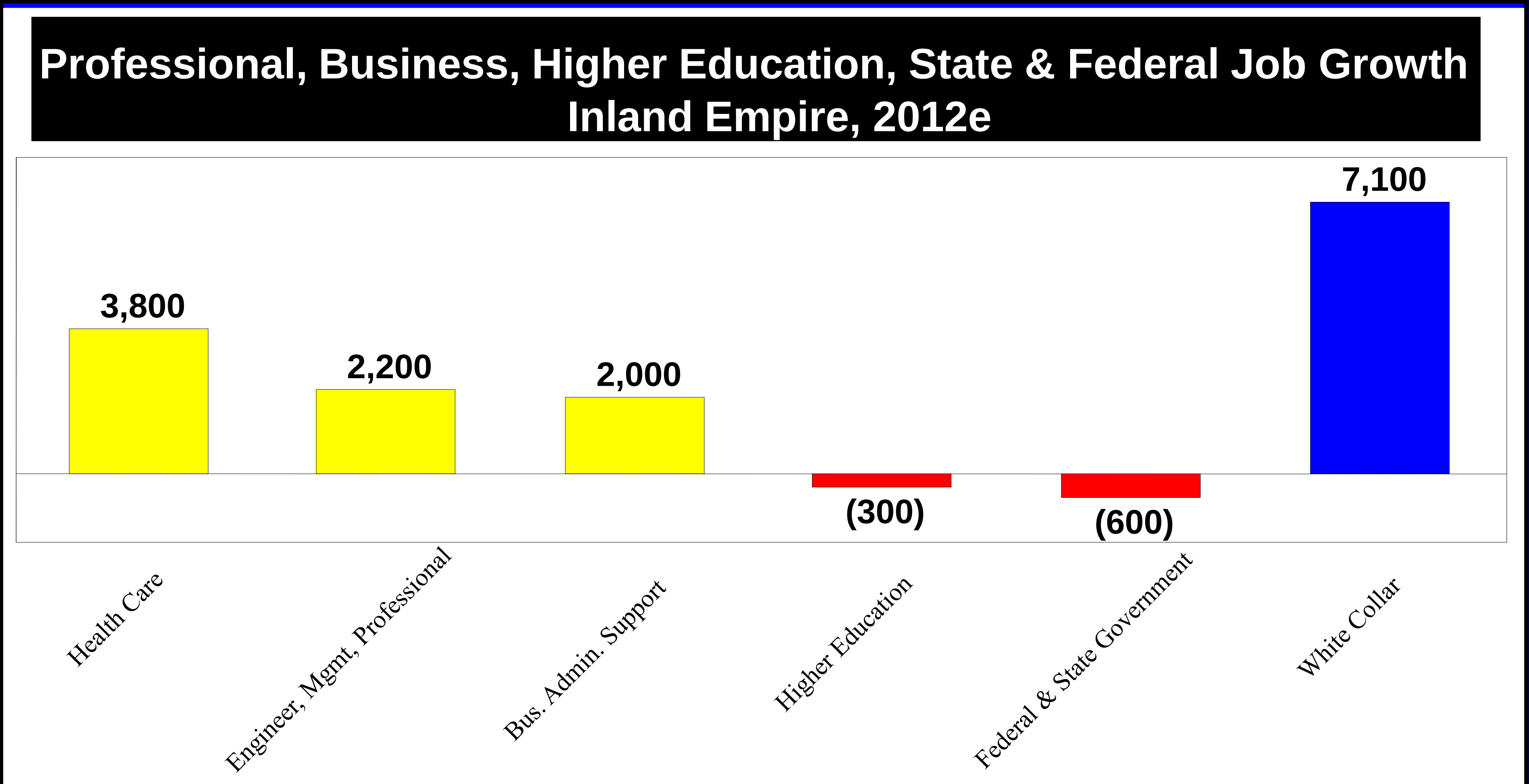
Office Vacancy Was 3rd Lowest In U.S.

Now Very High as Housing Collapsed



2012 High-end/Office Forecast

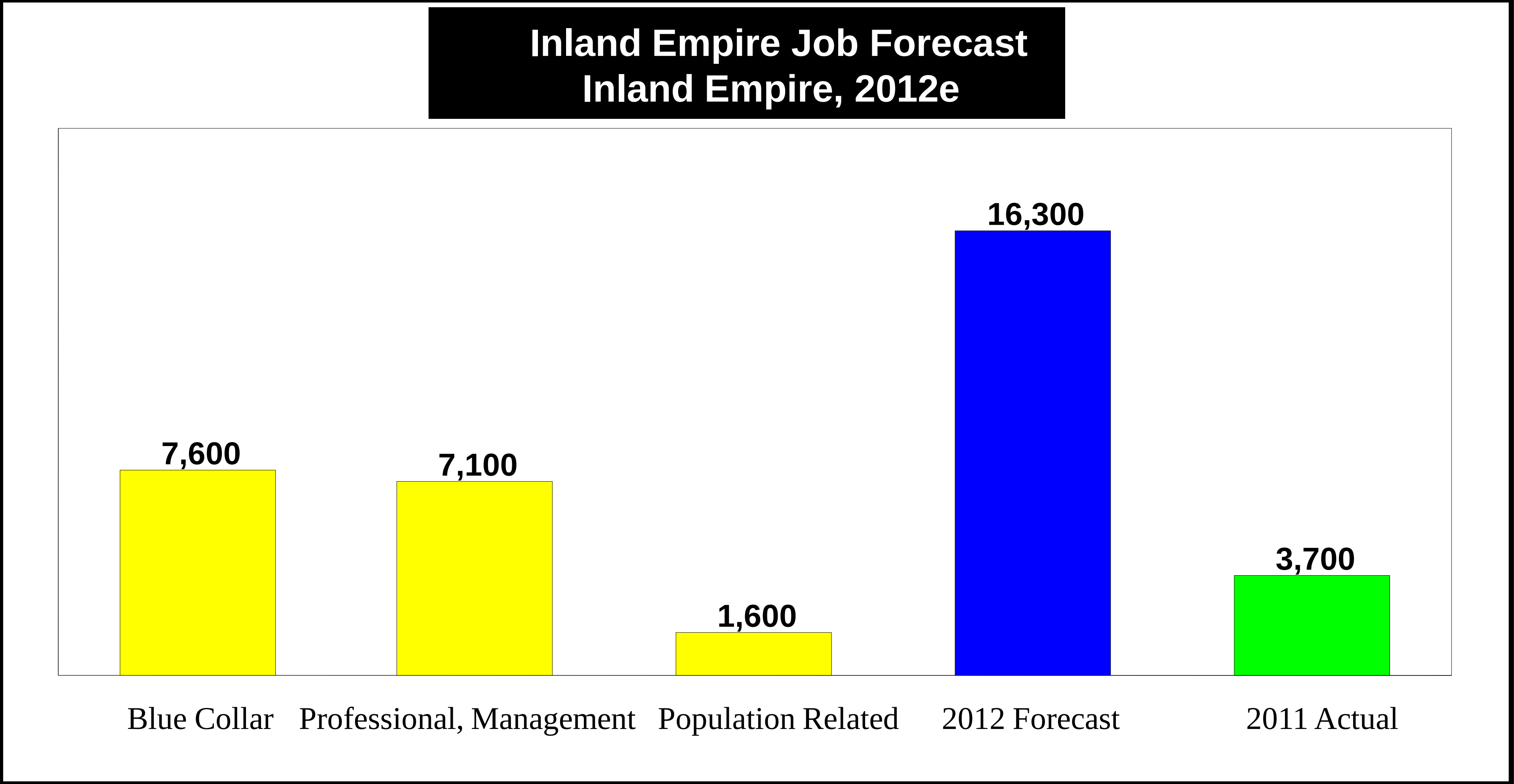
+7,100 Jobs, vs. 4,100 in 2011



2012 Forecast: Job change: +16,300

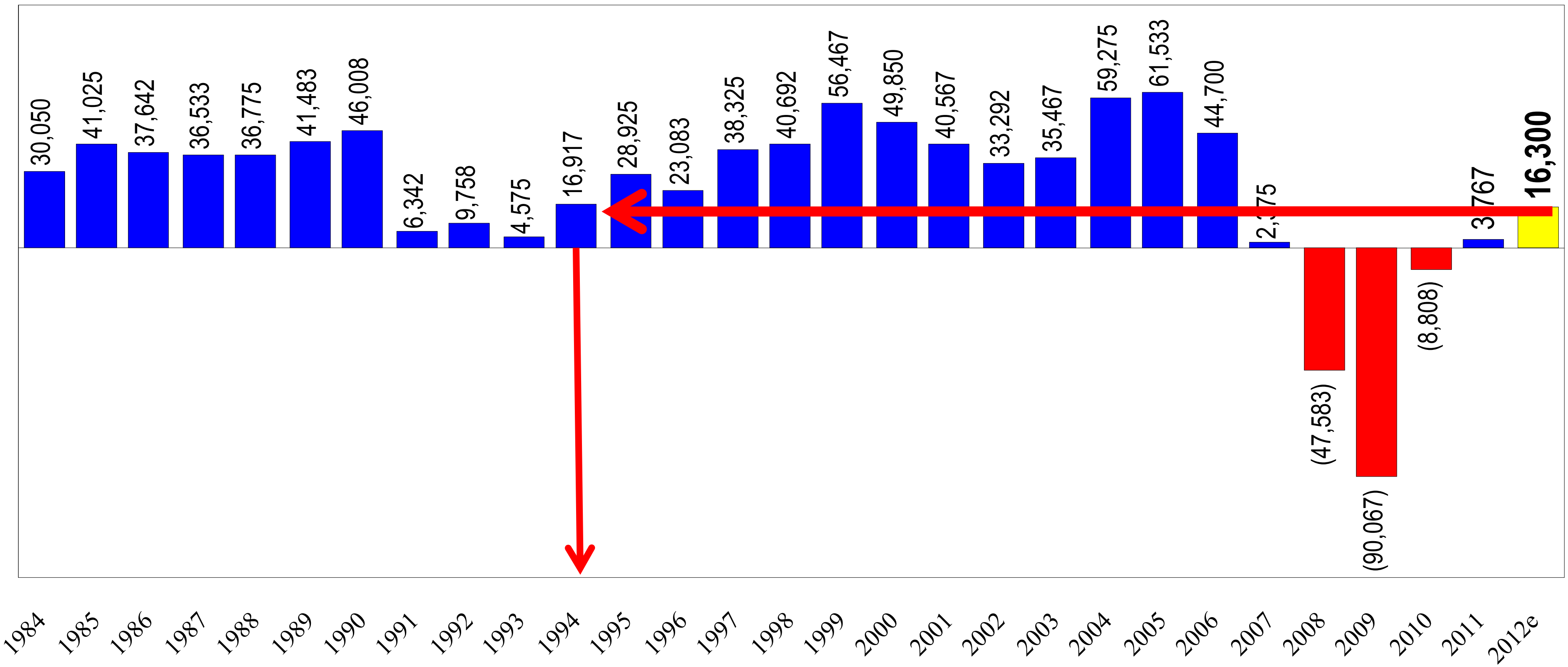
Job growth rate: 1.4%

Unemployment: 11.5%



Job loss in 2008-10: -146,458
Small Gain in 2011: +3,767
Stronger Gain in 2012: <u>16,300</u>

Wage & Salary Job Change
Inland Empire, Annual Average, 1984-2012e



Sources: CA Employment Development Department, Economics & Politics, Inc.

Forecast Risk: Inland Empire's forecast will be too high if:

- The U.S. recovery slows dramatically due to high gasoline costs and federal cutbacks.
- Local government and school cutbacks are greater than already anticipated.
- International trade recovers more slowly than expected, suppressing an inland job turnaround.
- Inland manufacturing hesitates after its recent growth.
- CA regulatory climate hinders growth even more than anticipated.

Forecast Risk: Inland Empire's forecast will be too low if:

- International trade recovers faster than expected, stimulating faster inland logistics job growth.
- Inland manufacturing responds more strongly than anticipated to a U.S. recovery.
- Health care growth picks up speed more than expected.
- Population serving sectors respond more than forecasted to expansion in the inland economic base.

www.johnhusing.com