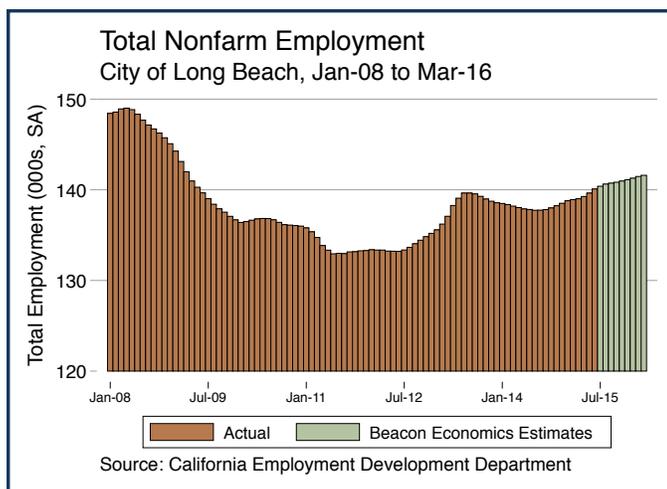


Employment

The Long Beach job market improved over the last year, with jobs growing by 2.0% from March 2014 to March 2015, based on data from the California Employment Development Department (EDD) and Beacon Economics' estimates. Nonfarm employment is estimated at 141,725 jobs, and continues to account for approximately 3.3% of the County's nonfarm workers. Job growth in Long Beach over the last year resembled the rate of growth experienced in the County (2.0%), but the City has lagged the County in recovering from the economic recession: Employment in Long Beach remains 5% below its pre-recession peak from March 2008, while employment in Los Angeles County has surpassed its pre-recession peak by 1.8%.



Providing the largest boost to nonfarm employment growth last year was the Professional, Scientific, Technical, and Management services sector. Wages in this sector tend to be high and the average wage in 2014 is estimated at \$71,000 for those employed in Long Beach.

Another industry experiencing robust job growth in the city was Real Estate services. Homeownership rates have been especially low in recent years, which led to demand for services residential real estate property managers provide.

Job growth in Transport/Warehouse services grew by 3.6% over the year. Port activity has gotten off to a good start in 2016 after a mixed performance in 2015 (see below for more details).

A few sectors in Long Beach lost jobs over the year. Information and Admin Support services accounted for 150 jobs lost, while the Finance and Insurance services sector accounted for another 75 jobs lost. The latter sector has lost jobs since the start of 2014.

Employment by Sector in the City of Long Beach

Sector	Mar-16	YOY (%)
Prof Sci and Tech and Mgmt.	11,675	5.6
Real Estate	3,500	4.4
Transport/Warehouse	13,675	3.6
Government	14,175	3.0
Leisure and Hospitality	20,225	2.6
Education/Health	25,600	1.8
Manufacturing	7,825	1.6
Other Services	6,550	1.6
NR/Construction	6,100	0.7
Retail Trade	13,275	0.6
Wholesale Trade	5,800	0.5
Admin Support	8,625	-1.0
Finance and Insurance	3,175	-2.3
Information	1,525	-3.0
Total All Industries	141,725	2.0

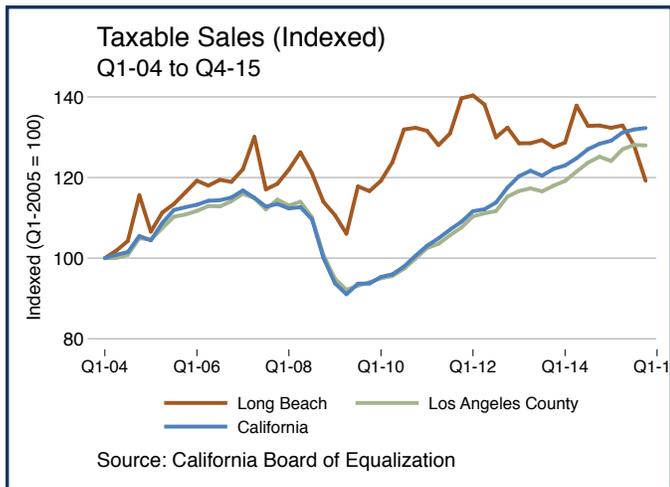
Source: EDD & Beacon Economics

The most recent figures show that average wages in the city's establishments were 9.0% below the County wide average wage (\$51,560 versus \$56,680 in 2014). One reason for this is that Long Beach has a higher concentration of industries that typically provide a lower average annual wage, when compared to the county. For example, there is a higher concentration of leisure and hospitality workers, many of which are part-time workers and many of which are enrolled in college. [IS IT ACTUALLY A HIGHER CONCENTRATION IN LB COMPARED TO COUNTY OR ARE WE JUST CONJECTURING THIS??] The City council will soon need to decide if it will revise its citywide minimum wage ordinance in light of the state's recently adopted minimum wage.

Long Beach's labor market has made great strides since the hard times of the Great Recession, but has a ways to go before it can fully recover all the jobs lost.

Local Spending

Consumer spending has been a driving force in Long Beach's economy since the end of the Great Recession, although that growth slowed during the fourth quarter of 2015. Taxable sales dipped in the fourth quarter of 2015, declining 10.3% year over year. While the decline is noteworthy, it is not necessarily a cause for concern. In general, the smaller the geography, the more volatile the spending, while trends at the county and state levels tend to be more stable. Furthermore, taxable sales data is slightly lagged, so the latest quarters of data are based on early estimates that may be revised upward later.



Among spending categories, autos and transportation has been growing the most. According to the latest data on taxable receipts, spending on autos and transportation grew 8.5% from the third quarter of 2014 to the third quarter of 2015 in Los Angeles County, as consumers responded to cheap gasoline prices and to advantage of low interest rates on auto loans. However, low gasoline prices have led to a steep decline in fuel and service station spending in Los Angeles County as well as the rest of the state. This is good for the local economy because it allows consumers to spend their incomes on other goods and services elsewhere in the economy.

Business and industry taxable receipts growth was flat during the third quarter of 2015 compared to last year's levels. While business-to-business spending on services lagged relative to other economic indicators, businesses continued to spend more on structural improvements and expansions, as marked by the 8.2% increase in taxable receipts from Building and Construction over the same period.

Sales Tax Receipts by Category in Los Angeles County

Category	Annual Growth (%)		\$Mil Q3-2015
	Q3-2014	Q3-2015	
Autos and Transportation	6.1	8.5	61.3
Building and Construction	6.0	8.2	24.6
Restaurants and Hotels	9.1	6.7	54.9
Food and Drugs	4.7	3.1	21.2
General Consumer Goods	3.5	2.9	90.3
Business and Industry	11.0	0.0	50.0
Fuel and Service Stations	0.6	-15.4	34.7
Total	6.0	2.6	381.1

Source: HdL Companies

Growing business and visitor travel was a great benefit to the leisure and hospitality sector. Spending on restaurants and hotels in Los Angeles County increased 6.7% year over year from the third quarter of 2014 to the third quarter of 2015. Hotel data suggests that tourism and business travel are growing steadily in both the City of Long

Beach and the rest of Los Angeles County. From 2014 to 2015, the annual average daily hotel room rate in the City of Long Beach increased by 10.6% to roughly \$156.44, outperforming the overall average for Los Angeles County, which grew 6.6% over the same period. Local residents and businesses have also contributed to leisure and hospitality spending, a trend that should persist as the economy continues to improve.

Port Activity

The City of Long Beach is home to the Port of Long Beach, a major gateway for trade with the rest of the world. A strong U.S. dollar, weakness among our trading partners, and a stronger domestic consumer sector has impact recent trade trends. The weak global economy—particularly a slowdown in growth in China—played a significant, as the Port of Long Beach is an important trade hub for Asian markets. Asian countries remained the largest trading partner for both imports and exports; however, imports continue to make up the bulk of trading activity. In value terms, imports to the Port of Long Beach declined 11.9% from 2014 to 2015, while exports fell 16.1% during the same period. At the Port of Los Angeles, the decline was even more severe, at 20.7%. The value of imports was down in part because the strong dollar made imported goods cheaper, while at the same time it constrained exports by making them more expensive in nominal terms.

The flow of containers was more consistent with economic fundamentals last year. Inbound containers rose by 3.1% in response to the strength of domestic spending within the U.S. By contrast, outbound containers dropped 4.9%, a reflection of the decrease in real goods exports at the national level from 2014 to 2015.¹ Altogether, the total container count actually rose by 5.4% to the third highest level on record, because a 20% increase more than offset the decline in outbound containers.

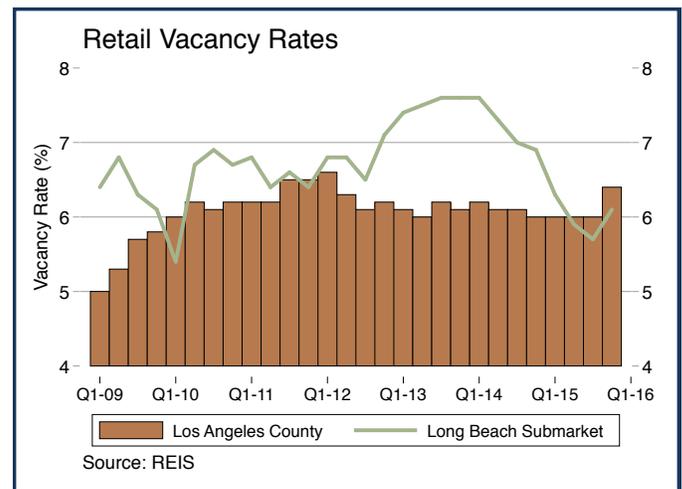
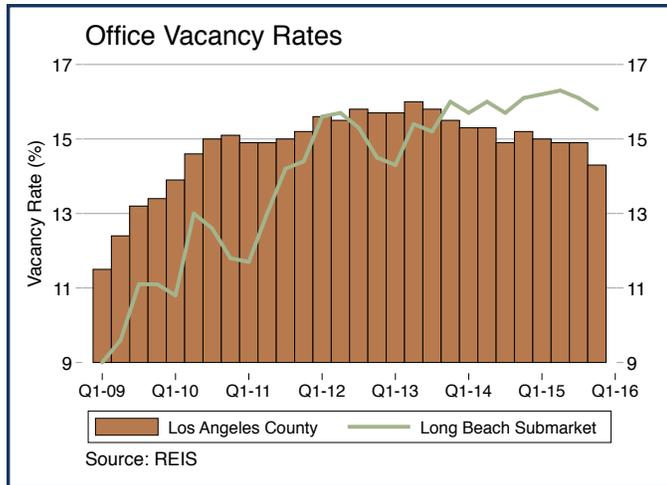
Despite the hurdles in 2015, the outlook for 2016 remains positive. Inbound container volume increased 4.7% year-to-year in the first quarter of this year, while outbound containers rose by 2.5%. Along with an 11.6% increase in empties, total container throughput at the Port was up by 6.1% in the first quarter of 2016.

Commercial Real Estate

The City of Long Beach remains an attractive location for businesses to operate. Commercial real estate statistics show that the demand for office, retail and industrial space improved in 2015.

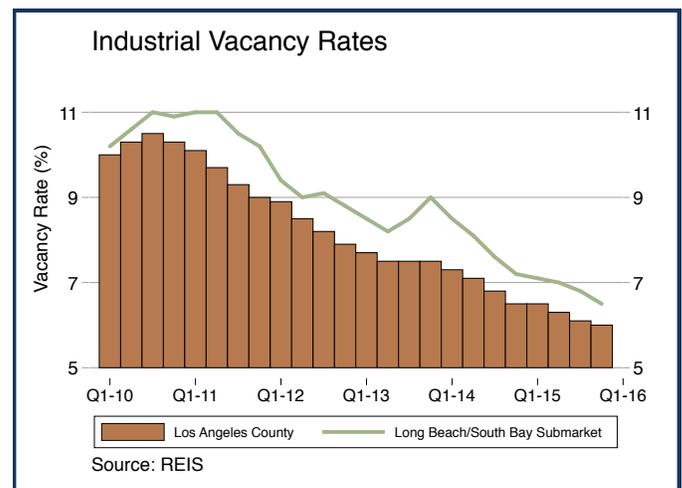
¹ It should be noted that total inflation-adjusted exports actually rose at the national level last year because the decline in real exports of goods was more than offset by the increase in real exports of services.

Office vacancies in the Long Beach market remained elevated due to a high amount of stock added between 2013 and 2015. REIS estimates that the office vacancy rate reached 15.8% in the fourth quarter of 2015, an improvement of 30 basis points from a year before. Office rents grew by 2.4% in the Long Beach market over the same period, compared to 3.9% in the county as a whole. A mixed performance among the city's office-occupying sectors is yet another reason why the office vacancy rate remains elevated, as job gains in the Professional and Business sector were offset by job cuts in the Information sector and in the Finance and Insurance sector.



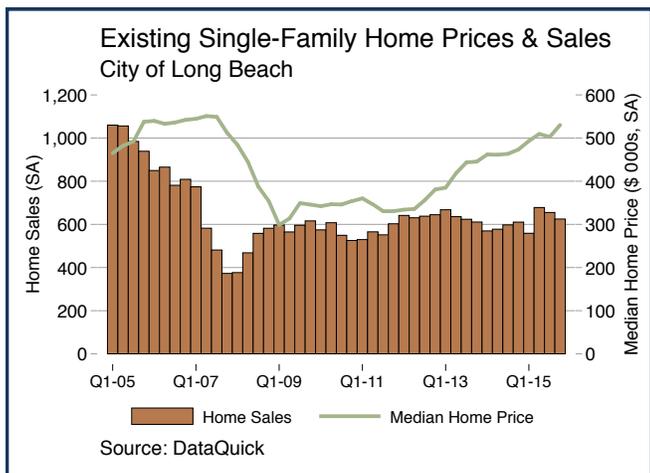
Demand for industrial properties also continues to grow with vacancy rates trending downward and rents on the rise. The vacancy rate for warehouse and distribution centers in the Long Beach/South Bay market reached 6.5% in the fourth quarter of 2015, 70 basis points better than a year earlier. Meanwhile, warehouse and distribution center rents grew by 2.3% in the Long Beach/South Bay market, a hair less than the County rent growth of 2.6%. Last year marked the lowest amount of construction activity for new industrial properties in four years as permits tallied just \$10.0 million in 2015, down from \$17.4 million in 2014 and \$47.4 million in 2013. Yet major industrial projects are already in the works, such the projects at Douglas Park, which was the former home of Douglas Aircraft, DC Jets, and Boeing.

The vacancy rate for retail stores in the Long Beach submarket has improved dramatically for two full years. The retail store vacancy reached 6.1% in the fourth quarter of 2015. Demand is being driven by furniture and home furnishing stores as well as by local food services and drinking places, based on recent employment trends. Retail rents in the Long Beach submarket grew by 5.6% over the year compared to 3.2% in Los Angeles County. Part of the vigorous rent growth stems from growth in new structures. Permits for new retail stores in Long Beach totaled \$16.5 million in 2015, including a permits for a new \$5 million auto dealership. In comparison, construction permit values for new retail stores totaled just \$3.7 million from 2011 to 2014, cumulatively.

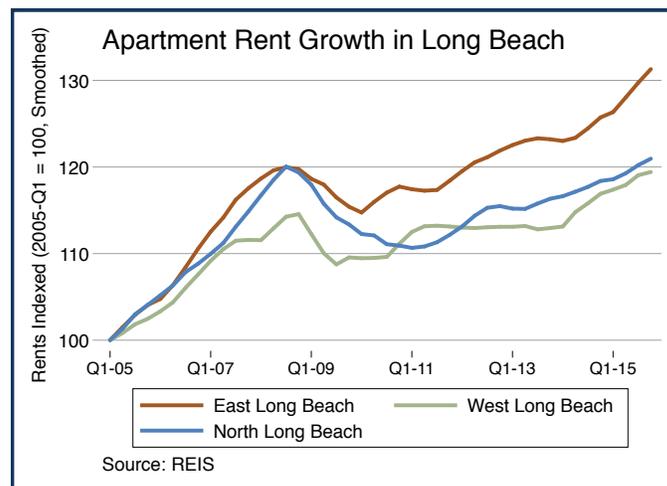


Residential Real Estate

Home prices in Long Beach continued to accelerate over the last year, following the broader trend in the county and the state. The median price of a single-family home rose by 12.0% from the fourth quarter of 2014 to the fourth quarter of 2015, reaching \$530,300. Home prices remained 3.7% below their pre-recession peak, but are much more affordable now than in 2007, given growth in income and historically low interest rates.

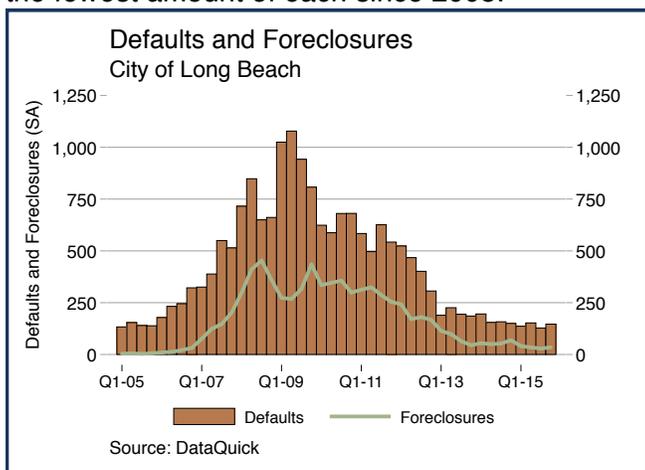


development of many new Long Beach apartments. There were 130 permits for multifamily housing units filed in 2015, on top of the 294 units permitted in 2014. Over the last ten years, the City has permitted three times as many multifamily units as single-family units.



The pace of home sales remained flat in 2015. A shortage of homes on the market remains a concern for the local housing market and much of the state, and will continue to drive home prices higher. Permits for just 20 single-family units were filed in 2015 in Long Beach, not much different than the 25 filed in 2014 and hardly enough to replace homes aging homes that were no longer habitable. Over the last ten years, only 570 single-family units have been permitted in the City, a large reason why there were 1,600 fewer households living in Long Beach in 2014, than there were in 2005.

Trends in foreclosures and defaults in Long Beach indicate that few homeowners are in distress of losing their home. In 2015 there were a total of 562 notices of default and 137 notices of foreclosure, the fewest amount of each since 2005.



Apartment rents also accelerated throughout Long Beach. From the fourth quarter of 2014 to the fourth quarter of 2015, the average rent grew by 4.7% in East Long Beach, by 3.3% in West Long Beach, and by 2.9% in North Long Beach. Since 2005, rents have grown the most in East Long Beach compared to the other two markets. Similarly, vacancy rates have improved significantly in all three markets.

Increased demand, coupled with the absence of a rent control ordinance has helped encourage the