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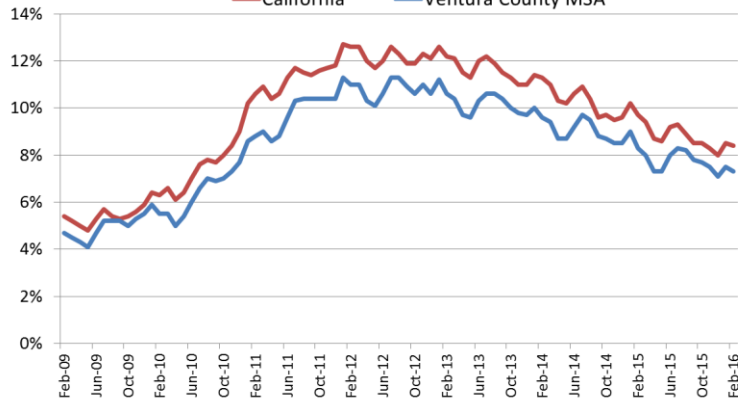
Economic Outlook for Ventura County

April 15, 2016



Unemployment Rate

— California — Ventura County MSA

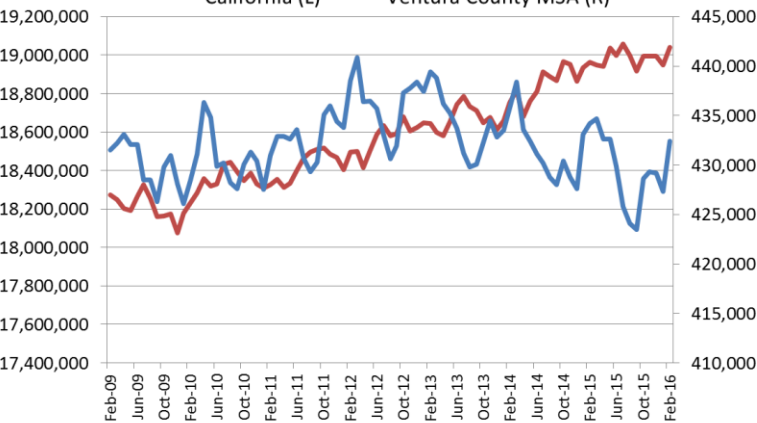


Data Source: CA Employment Development Department (CA EDD)

Note: January 2011 through December 2014 data for Ventura County MSA taken from a previous EDD report. The current report does not include data for this time period.

Labor Force

— California (L) — Ventura County MSA (R)

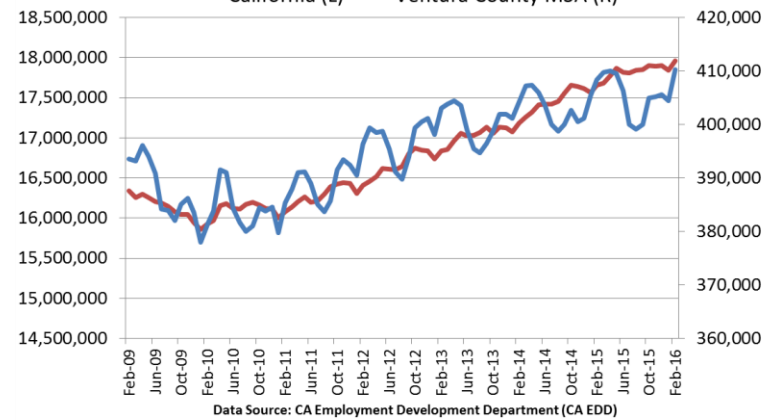


Data Source: CA Employment Development Department (CA EDD)

Note: January 2011 through December 2014 data for Ventura County MSA taken from a previous EDD report. The current report does not include data for this time period.

Employment

— California (L) — Ventura County MSA (R)



Data Source: CA Employment Development Department (CA EDD)

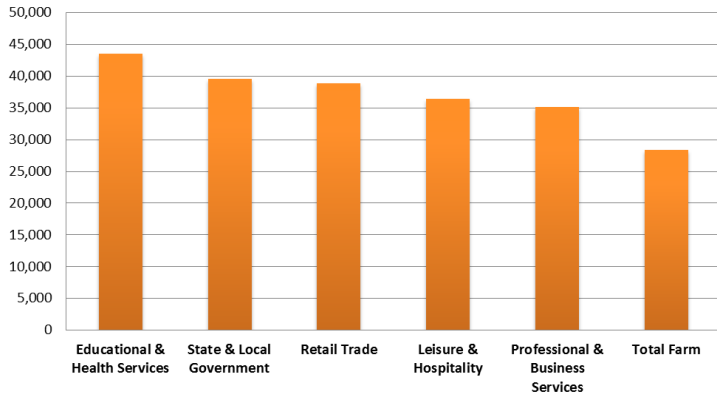
Note: January 2011 through December 2014 data for Ventura County MSA taken from a previous EDD report. The current report does not include data for this time period.

The Ventura County economy is giving mixed signals of recovery. Although the county's unemployment rate has been on a downward trend and dropped to 5.1% in February, down 0.8% from a year earlier, there is concern that the unemployment rate provides a misleading indication of the true state of joblessness due to the downward trend in the county's labor force. In contrast to California's growing labor force, Ventura County's labor force has experienced negative year-over-year growth for most of the last three years.

The main culprit of the county's shrinking labor force is the relatively higher cost of living in Ventura County. Home prices in the county are around 37% higher than the statewide average, while the average rent for an apartment has reached a record high of almost \$1,800 a month. Higher housing costs are largely the result of the county's Save Open Space and Agricultural Resources (SOAR) initiatives, which place stringent regulation on the development of new housing. The escalating issue of poor housing affordability is causing many Ventura County residents to move away, especially those who are having difficulty finding a job. As this occurs, both unemployment and labor force figures decline, reducing the unemployment rate. This is concerning because, while a lower unemployment rate suggests that the jobless situation in the county has improved, the opposite may actually be the case. It is also the main reason why Ventura County's unemployment rate continues to fall below that of the statewide average, which dropped to 5.7% in February.

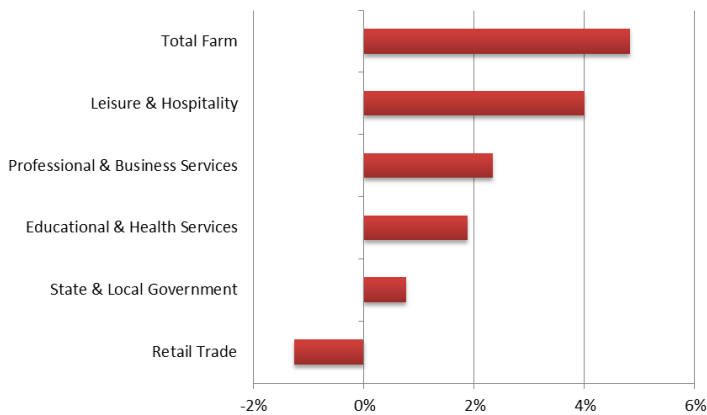
Unfortunately, the higher cost of living is also impacting the structure of Ventura County's labor force; many of the county's recent college graduates, who face an average of \$35,000 in student loan debt, are struggling to get a job that pays enough to afford living in the area. Consequently, an increasing number of these individuals are leaving the county, resulting in a loss of employees that provide new and innovative ways of thinking.

Ventura County Top Sectors of Employment Number of Workers, February 2016



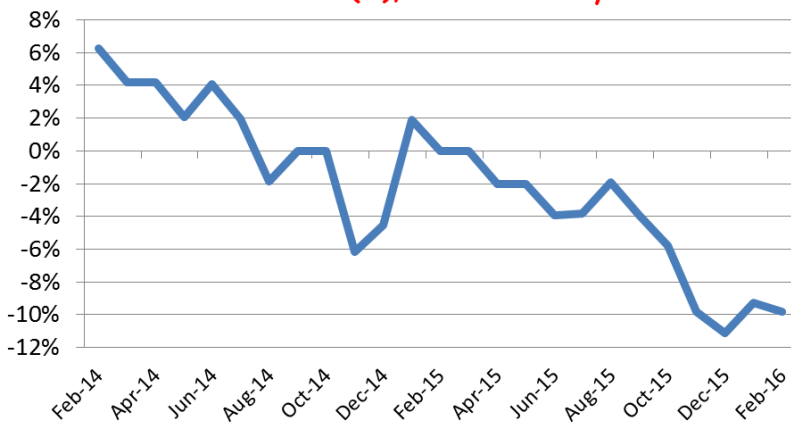
Data Source: CA Employment Development Department (CA EDD)

Change in Employment by Sector February 2015 - February 2016 Ventura County MSA



Data Source: CA Employment Development Department (CA EDD)

Clothing and Clothing Accessories Stores Employment Y/Y Growth (%), Ventura County MSA



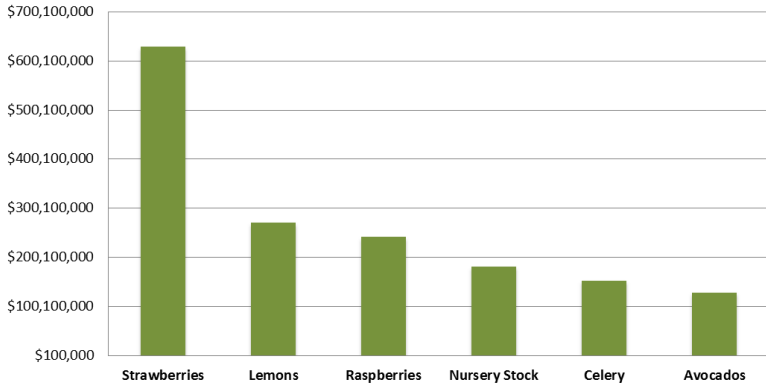
Data Source: CA Employment Development Department (CA EDD)

Despite the worrying trend in the county's labor force, the labor market is still improving, with employment exceeding pre-recession levels. Workers in Ventura County are concentrated in the Education and Health Services, State and Local Government, Retail Trade, Leisure and Hospitality, Professional and Business Services and Farm sectors. In February, Farm employment grew the fastest compared to a year ago. El Dorado Berry Farms, a farming company that grows strawberries and raspberries, recently stopped its operations in Santa Barbara County in order to focus its efforts in Ventura County. While this has likely been a primary driver of the recent growth in Ventura County's Farm employment, employment in this sector has been very volatile over the last few years. The record drought has hurt the county's agriculture industry, with farmers continuing to face rising costs. Although this year's El Niño has brought bouts of very-welcomed rain, much more is needed to replenish reservoir levels after the 4-year drought. Ventura County's farming industry is fueled by high-value and water-intensive crops such as strawberries, lemons, and raspberries. Strawberries remain the highest revenue-producing crop, contributing over \$600 million to the county's agricultural economy in 2014. The drought will continue to increase the cost of water throughout California, threatening the county's \$2 billion agriculture industry.

Thankfully, after dipping slightly during the summer of last year, employment in the county's Leisure and Hospitality sector has experienced a strong rebound. Ventura County has a strong market for tourists looking for an alternative to the higher priced Santa Barbara region and also benefits from its short distance to Los Angeles County. The tourism industry is expected to remain a key driver to the county's employment growth in the near term.

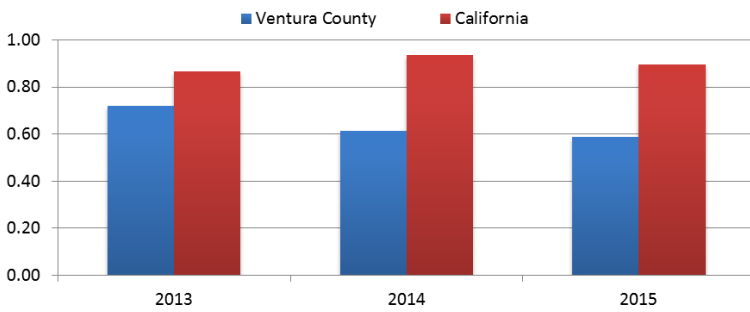
Unfortunately, employment in the county's Retail Trade sector has experienced negative year-over-year growth for the last few months. A downward trend in the county's clothing shop employment, which has declined at double-digit rates since the end of 2015, appears to be the culprit. This trend is concerning because it suggests that consumer spending, and therefore confidence, in Ventura County is deteriorating. Waning confidence levels are likely the result of the county's escalating issue of poor housing affordability, which is not expected to improve any time soon. As a result, the downward trend in consumer confidence and spending will likely persist in the near term, hurting employment growth in the Retail Trade sector.

Ventura County Top Revenue-Producing Crops Value in 2014



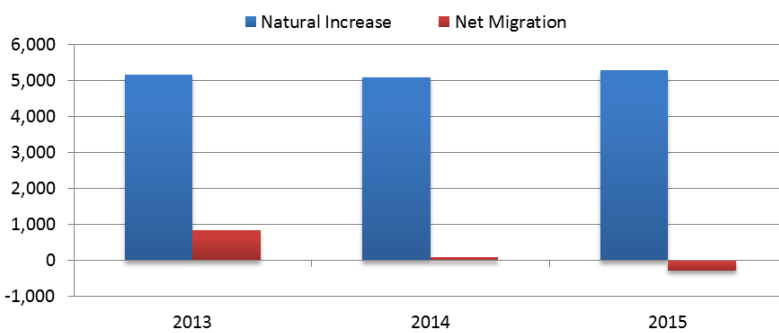
Data Source: Ventura County's Crop & Livestock Report 2014 (www.ventura.org)

Population Y/Y Percent Change



Data Source: CA Department of Finance

Components of Population Change Ventura County



Data Source: CA Department of Finance

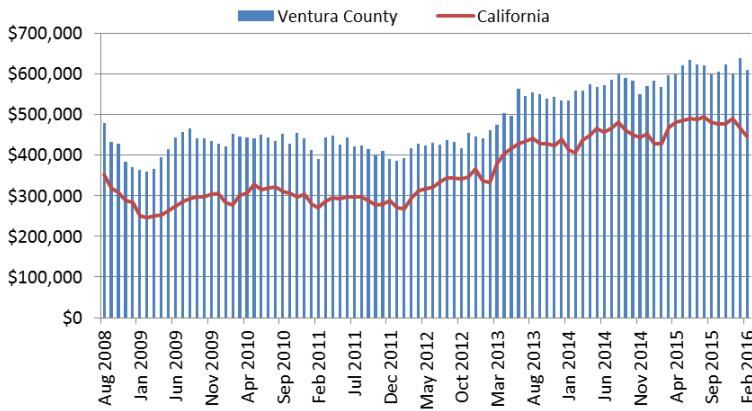
Military defense continues to be a key driver in Ventura County, with the Naval Base being the county's largest employer. The county is also home to many important military facilities that provide technical support to neighboring Point Mugu and Port Hueneme naval bases. Although the threat of military base closures is still a concern, employment in the defense industry is expected to remain strong in the near term since currently existing vital weapon systems will continue to require upgrades and maintenance. There is also hope that the county's defense firms will eventually expand their product lines and client base, given the expertise they have gained and the existing talent pool in the region.

The county's trade sector contributes over a billion dollars in economic activity and supports over 10,000 trade-related jobs in the region. Port Hueneme, the only deep-water port between Los Angeles and San Francisco, is a major gateway for importing cars and agricultural goods before they are shipped around the U.S., ranking among the top ten ports for cars and fresh produce in the country. Although motor vehicle trade is concentrated mainly by European and South Korean automakers, Japanese automakers use the port as well. Trade activity through the port remains strong, with 2014-2015 being the port's best fiscal year in its 78-year history.

Port activity is expected to remain strong in the near term as economic strength across Southern California builds momentum and more of the port's customers feel comfortable diversifying their cargo and developing new markets. Recently approved infrastructure improvement plans, which involve deepening the port's harbor to allow more container ships, should also increase activity by raising the port's competitiveness and opening it up to new markets.

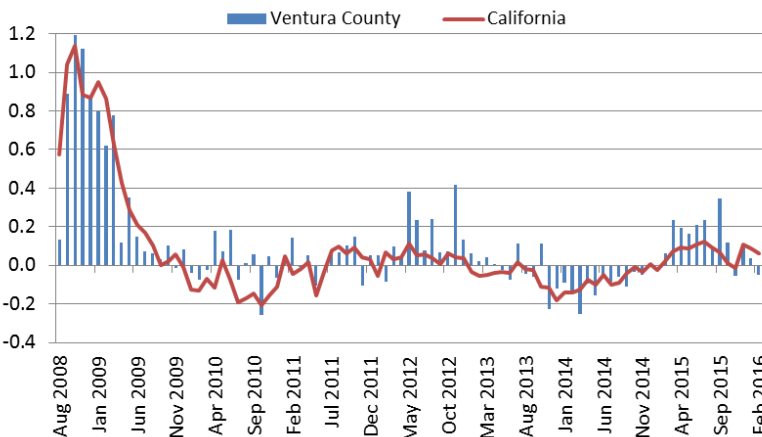
Ventura County encompasses a population of about 853,000 people. The population of Ventura County grew at a slower rate than the state-wide average in 2015 due to a decline in net migration, which dropped to negative territory for the first time since 2012. The downward trend in net migration is likely the result of the relatively higher cost of living in Ventura County, which is causing many residents to move away.

Home Prices Single Family Homes



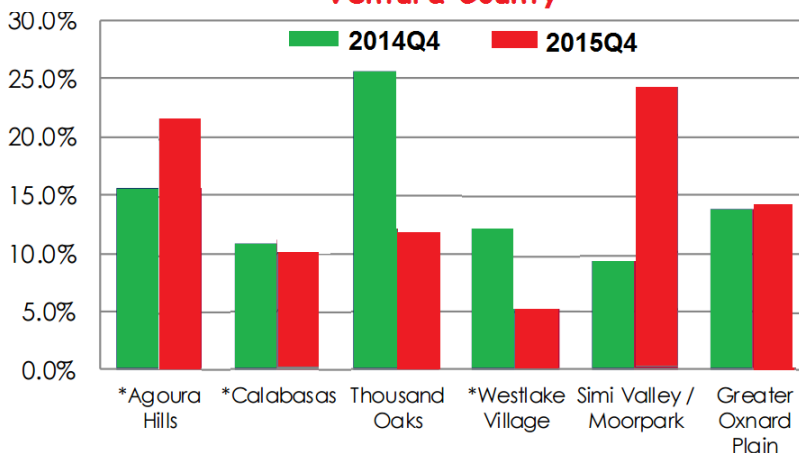
Data Source: California Association of Realtors

Home Sales Y/Y % Change, Single Family Homes



Data Source: California Association of Realtors

Office Vacancy Rates Ventura County



Source: Daum Commercial Market Report

Thankfully, Ventura County's housing market continues to build momentum and is a major source of economic activity. The county's median home price was around \$611,000 in February, significantly above the statewide median of around \$446,500. Home prices in the Conejo Valley communities, such as Thousand Oaks and Westlake Village, continue to be much higher than the rest of the county.

Although the county's home sales dipped slightly in February compared to year earlier, this appears to be an aberration from the general upward trend that has existed for over a year. Higher income and confidence levels, the anticipated rate hikes by the Fed, and the county's very low average apartment vacancy rate of around 2.7% that is raising the cost of renting, are boosting housing demand. This trend is expected to continue in the near term as families attempt to secure a low mortgage rate before further rate hikes by the Fed.

Unfortunately, the county's commercial real estate market has lost steam, with the office vacancy rate remaining around the same rate as a year ago at 13.5%. The overall vacancy rate has failed to decline due to a spike in vacancy in the Simi Valley/Moorpark submarket, which is likely the result of layoffs at Bank of America's Simi Valley-based legacy asset servicing division. The division was created after acquiring Countrywide in 2008 to handle default home mortgages; however, improving economic conditions have resulted in fewer mortgages falling into default, reducing the number of employees needed in the division. This trend will likely continue in the near term as the number mortgages in default declines with improving housing market conditions.

Thankfully, the vacancy rate in the Thousand Oaks submarket has declined significantly; Herri Holdings Corporation, a Chinese pharmaceutical company, recently invested in two large commercial real estate buildings that were empty for over two years. While better economic conditions are expected to lower the county's overall vacancy rate in the coming quarters, Amgen's plan to consolidate and reduce its facilities by 2018 will be a major barrier to significant improvement in the near term. Around six or seven buildings are expected to be gradually released by the company over the next couple of years.



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