EAST BAY JUNE 2004 MONTHLY ANALYSIS

Provided by the Economic Development Alliance for Business (EDAB)
Serving the East Bay, the Bright Side of the San Francisco Bay

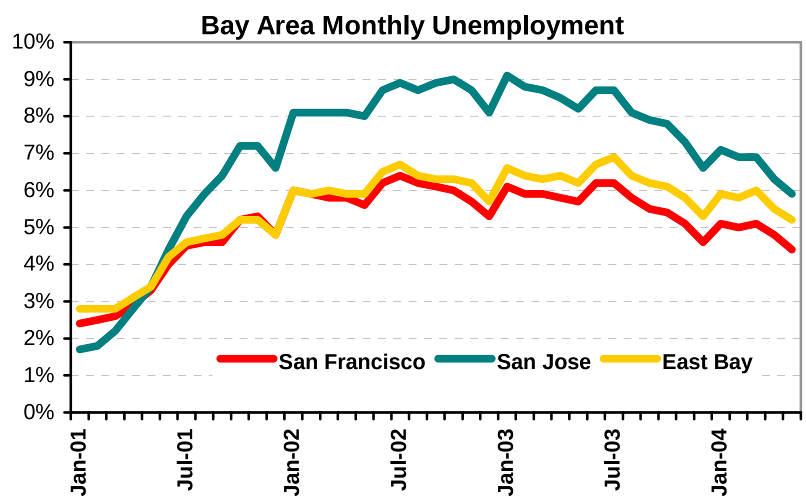
The East Bay Monthly Analysis is prepared by EDAB staff to augment the East Bay Quarterly Forecast authored by economists at the UCLA Anderson Forecast. Monthly and quarterly reports may be viewed at www.edab.org/newsletter.html. EDAB encourages you to forward the current report to anyone interested and welcomes your comments and suggestions.

GDP SUMMARY
The U.S. Bureau of Economic Analysis estimated the real Gross Domestic Product (GDP) growth (the output of goods and services produced by labor and property) located in the United States -- increased at an annual rate of 3.9 percent in the first quarter of 2004.

These GDP estimates are based on more complete source data than were available for the preliminary estimates issued in May, in which the increase in real GDP was 4.4 percent. The major contributors to the increase in real GDP in the first quarter were personal consumption expenditures (PCE), exports, equipment and software, private inventory investment, and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased.

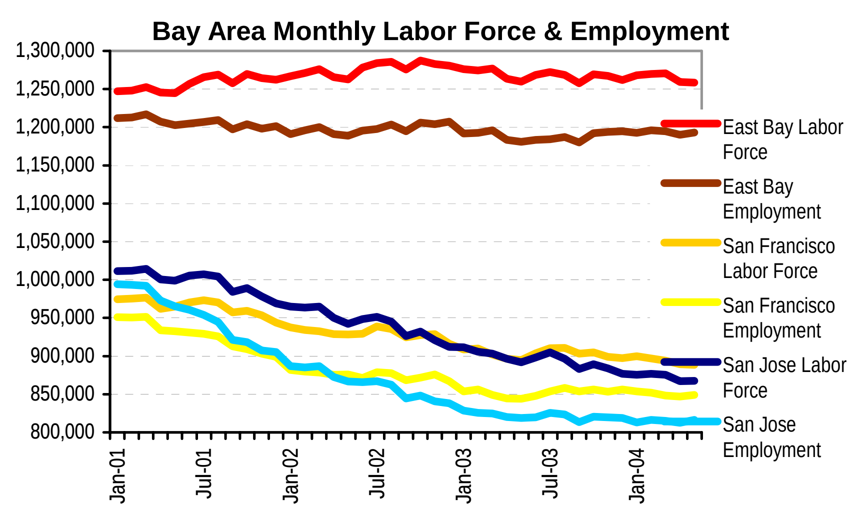
EMPLOYMENT AND UNEMPLOYMENT
Note: The employment data in this analysis has not been seasonally adjusted. March 2001 data is provided as the peak reached before the recession started and January 2004 is currently used as the low point.

The Bay Area's employment picture continued to improve in May 2004. All three regions saw a decline in their unemployment rates. Unfortunately, this was still largely due to substantial decreases in the labor force. Year to year, San Jose lost 24,400 from its labor force, San Francisco 6,400 and the East Bay 1,100 (from May 2003 to May 2004).



But for the first time since the recession started, the number of employed residents (Civilian Employment) in each region increased during the month of May 2004: the East Bay by 3,300; 2,200 in the San Francisco MSA; and 3,800 in the San Jose MSA.

Only one month, however, does not make a trend, especially when from January 2004 to May 2004, the East Bay only increased its number of employed residents by 400; San Jose by 3,400; while in San Francisco, 4,600 fewer residents were employed. But this is a much looked for improvement.



The changes in Payroll Employment (the number of jobs available in a region) most vividly portray the differences in the Bay Area's regional economies during the depth and recovery of the recession.

The following table shows the drastic changes from March 2001 peak numbers to a low point in January 2004 and the improving payroll employment numbers.

From the peak to the low point, San Francisco lost approximately 134,000 jobs; San Jose lost 217,400; and the East Bay, 55,700. However, since January 2004, the East Bay has added 13,300 jobs, San Francisco 12,400 and San Jose 13,700.

Payroll Employment

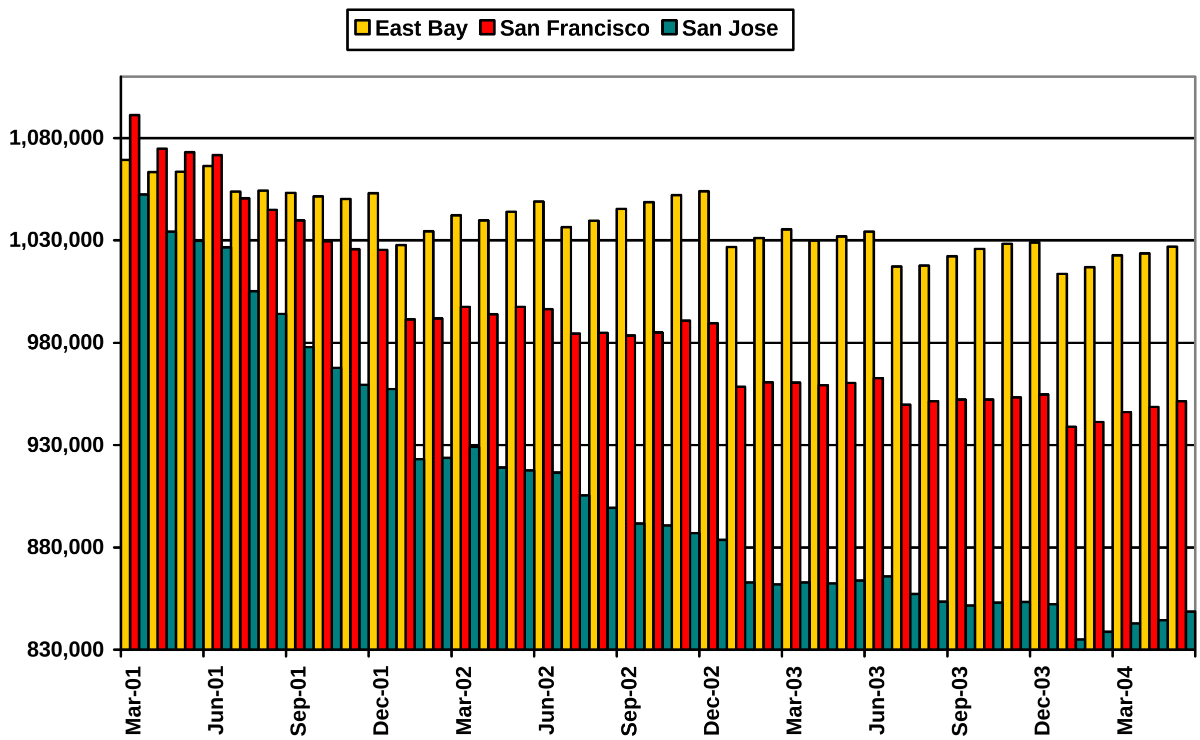
	Mar-01	Jan-04	May-04	Change 3/01-5/04
East Bay	1,069,300	1,013,600	1,026,900	-4.0%
San Francisco	1,091,200	939,000	951,400	-12.8%
San Jose	1,052,400	835,000	848,700	-19.4%

Unemployment

	Mar-01	Jan-04	May-04	Change 3/01-5/04
East Bay	3.0%	5.9%	5.2%	2.2%
San Francisco	2.7%	5.1%	4.4%	1.7%
San Jose	2.4%	7.1%	5.9%	3.5%

The following Payroll Employment chart further illustrates the different experiences of the three Metropolitan Statistical Areas (MSAs) in the Bay Area. San Francisco began with the most employment while the East Bay ended with a substantially stronger position, and San Jose by far lost the most jobs. The trends visible in this is chart also illustrate why multiple years need to be considered when evaluating data. Even though employment has increased more rapidly in the first five months of 2004 (particularly in San Jose and San Francisco), the year-to-year numbers are still lower, but the loss is decreasing.

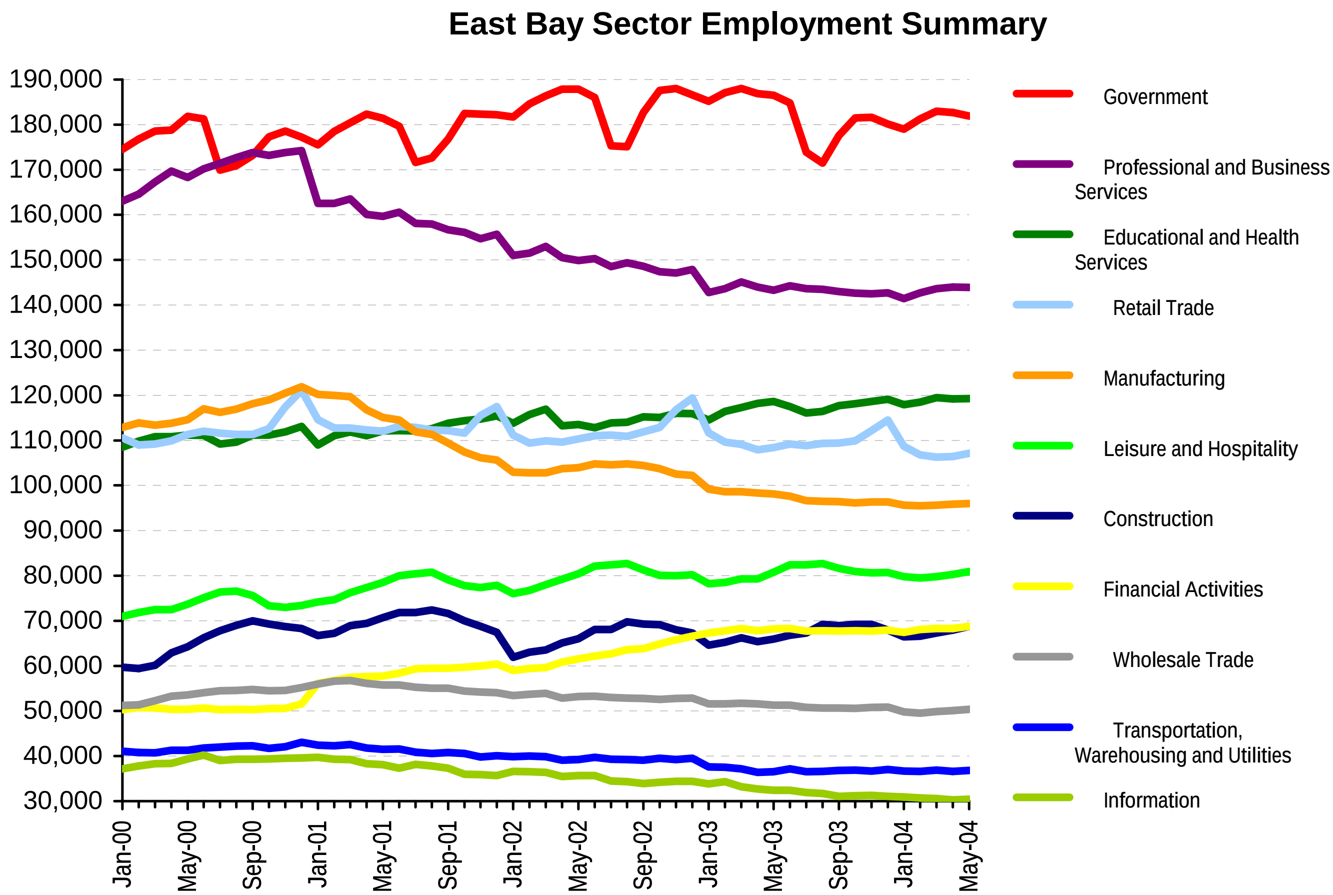
Bay Area Payroll Employment by Region



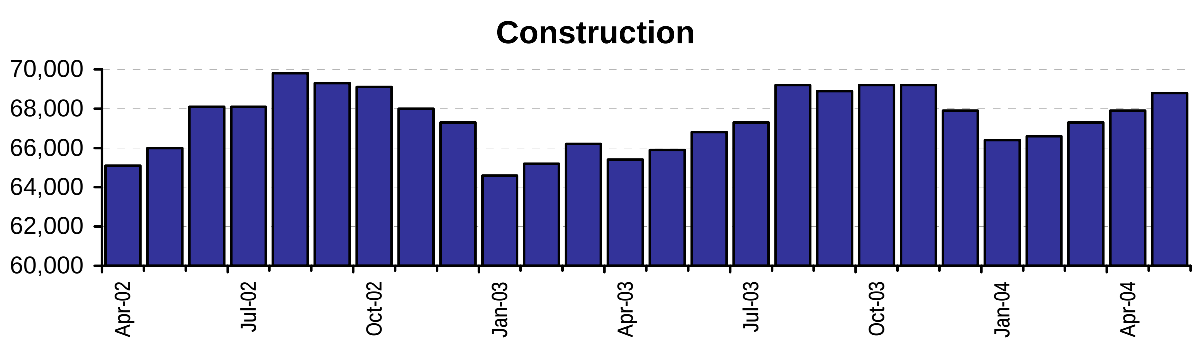
EAST BAY SECTOR EMPLOYMENT

Using data that has not been adjusted for seasonal changes, May 2004 employment in nine of the eleven industry sectors improved since January 2004, resulting in a net gain of 10,700 jobs. The biggest gains were: 2,900 jobs in the Government sector, 2,500 jobs in the Professional and Business Services sector and 2,400 in the Construction sector. The exceptions to these positive numbers occurred in Information Services (-500 jobs) and Retail Trade (-1,600 jobs).

However, on a year-to-year basis, overall sector employment declined by 5,700 jobs. The strongest employment sector the following chart is Government, followed by Professional and Business Services and then Educational and Health Services. Of these only the latter has experienced growth over the last three years, overtaking Manufacturing and Retail Trade to reach third place. Leisure and Hospitality, followed by Financial Services (which is about to overtake Construction for seventh place) and Construction have also experienced some growth.

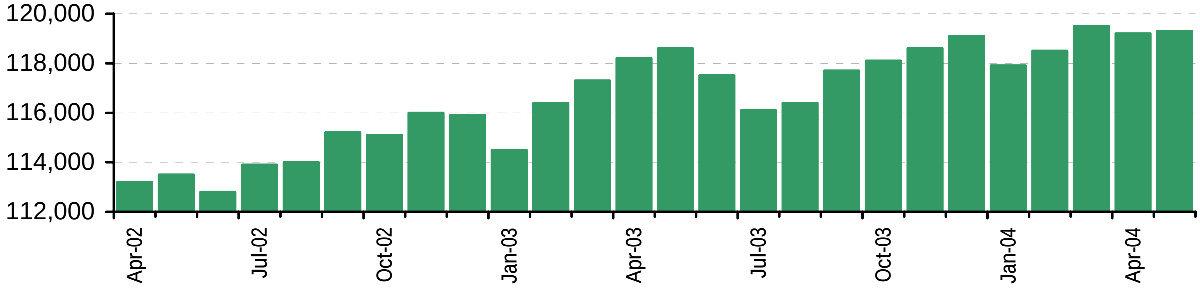


The strongest East Bay employment sector in year-to-year comparisons continues to be Construction, which has added 2,900 jobs since May 2003, 2,400 since January 2004 and 900 in May 2004.



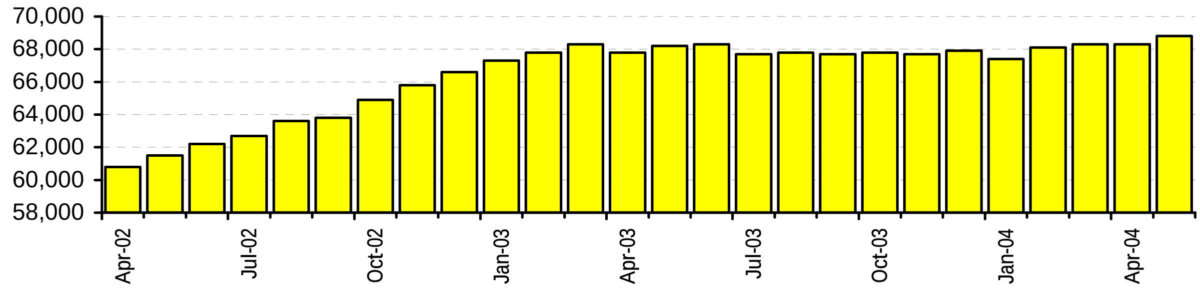
Educational and Health Services is probably the next strongest with 7,400 additional jobs since March 2001, 700 jobs in the last year, 1,400 since January 2004, and 100 jobs in the last month. Hospitals, Educational Services and Nursing and Residential Care Facilities have been the strongest contributors; offset somewhat by decreases in Ambulatory Health Care Services.

Education and Health Services



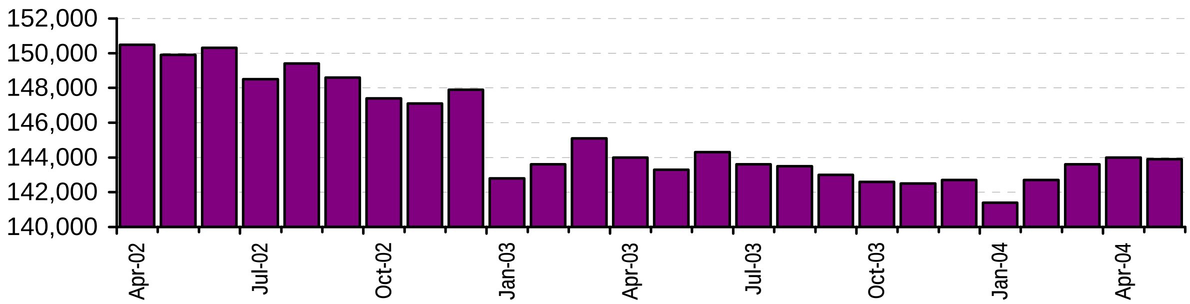
The Financial Activities sector showed the most strength since March 2001 by adding 11,300 jobs since then. This sector experienced much more moderate growth over the last year, with only 600 jobs being added. But it has picked up steam since January 2004 with the addition of 1,400 jobs, 500 of which were added in the last month.

Financial Services



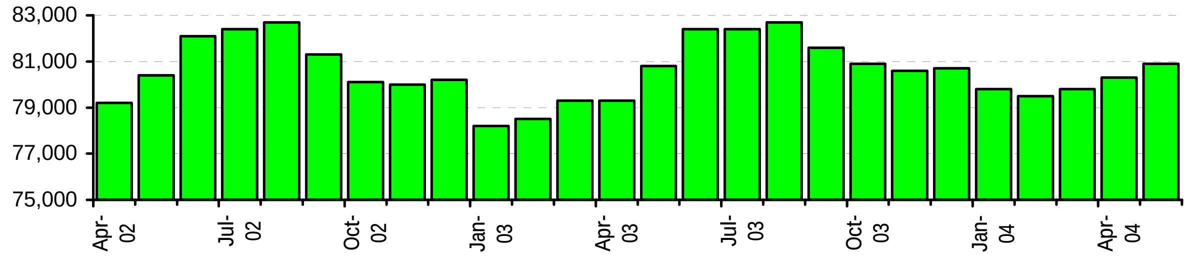
Professional and Business Services, the leading job growth sector in the late 1990s and the East Bay's second largest sector (behind Government), has dropped 19,600 jobs since March 2001, (a 12 percent loss - second only to Manufacturing). But the year-to-year number has actually improved to a positive 600 jobs and this sector has actually gained 2,500 jobs since January 2004, despite losing 100 in the last month. Nevertheless, this sector appears to be stabilizing.

Professional & Business Services



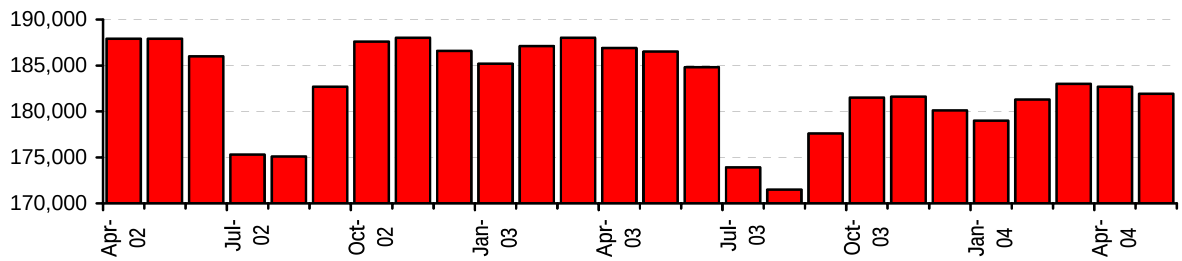
The Leisure and Hospitality sector places third best in the March 2001 to May 2004 comparison, gaining 4,700 jobs. But in the year-to-year comparison, it only added 100 jobs, despite the increase of 600 in the last month. The strongest subgroups included Amusement, Gambling and Recreation and Food Services and Drinking Places.

Leisure and Hospitality



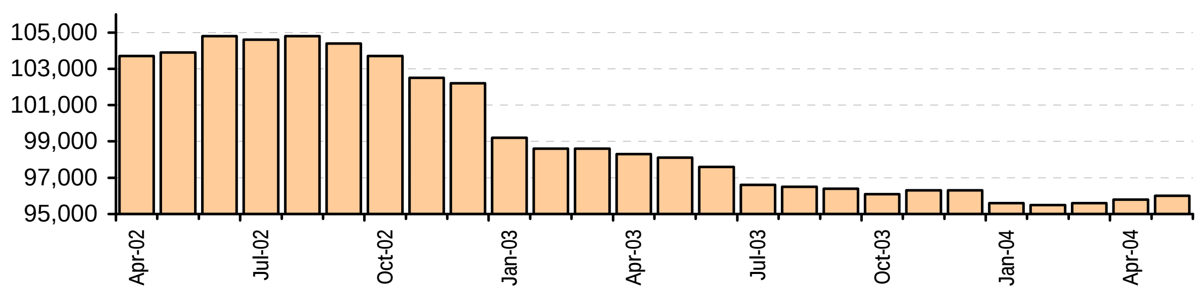
The Government sector in the East Bay added 1,500 jobs since March 2001, but year-to-year comparisons for May 2004 show a decline of 4,600 jobs, with 300 lost in April and 800 in May 2004. This sector was the biggest loser in the last year, and this trend is expected to continue for some time.

Government



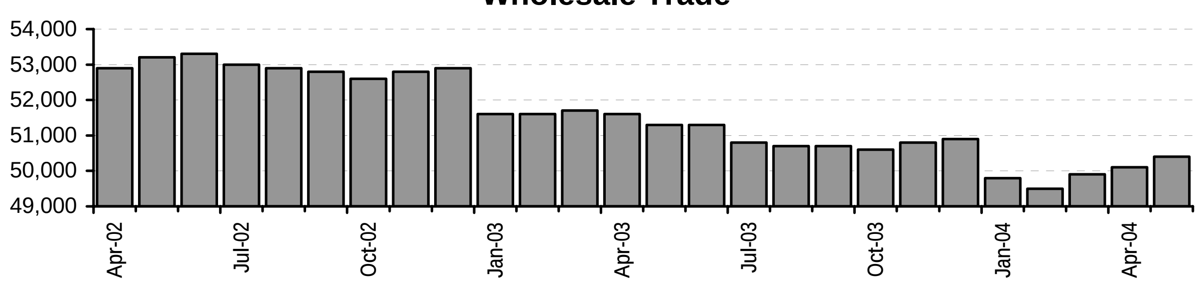
Manufacturing jobs, always of concern because this sector brings new money into the economy and provides higher paying, low to highly skilled jobs, declined by 23,700 since March 2001 (a 19.8 percent loss), but the sector has experienced improvement in the last few months. Computers and Electronic Products, as well as Communications Equipment, combined for most of the jobs lost. Year-to-year, this sector lost 2,100 jobs, but the good news is it has actually had a net increase of 400 jobs since January 2004.

Manufacturing



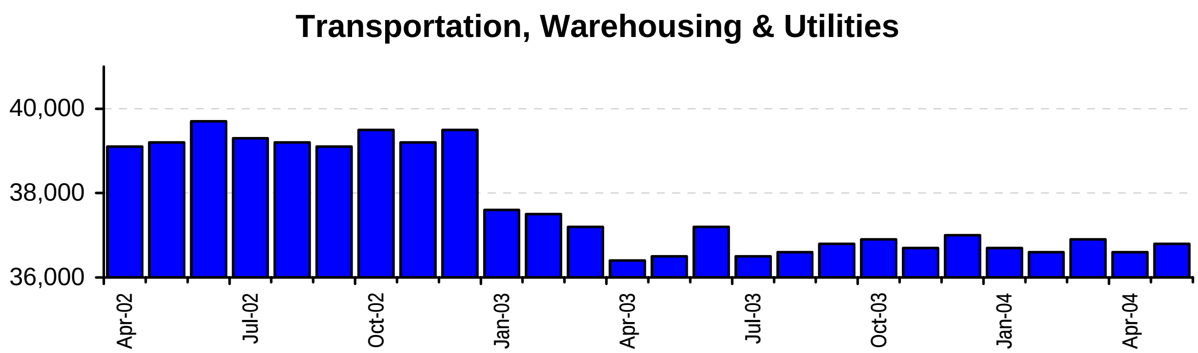
The Wholesale Trade sector has not lost nearly as many jobs since March 2001 (only 6,400 – a 11.3% loss), but it did lose 900 in the last year. Year-to-year monthly comparisons continue to worsen, but at a lower rate, and 300 jobs have been added since January 2004, so the trend appears to be improving.

Wholesale Trade

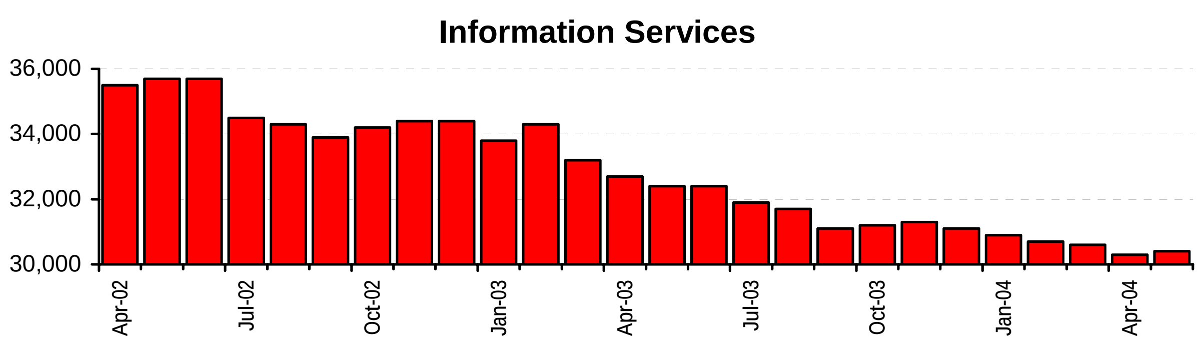


The trend for Retail Trade is similar to Wholesale Trade, though it lost a few less jobs since March 2001 (-5,600) and experienced a lower percentage of jobs lost (5.0 percent). The downward trend continues, however, with only a slight hope for a positive trend beginning to appear: 4,900 jobs were lost from December 2002 to December 2003; 3,000 from January 2003 to January 2004; 1,300 from May 2003 to May 2004; and 1,600 since January 2004. The only sign of hope - a gain of 700 jobs in the last month, which is 200 more than that which occurred from April to May in 2003.

Transportation, Warehousing & Utilities lost a few more jobs since March 2001, (-5,800), but in the last year (May 2003 to May 2004) it did experience a net increase of 300 jobs, mostly because of employment gains in Rail Transportation. It also generated 100 jobs since January 2004 and 200 jobs within the last month. So this sector also appears to be stabilizing.



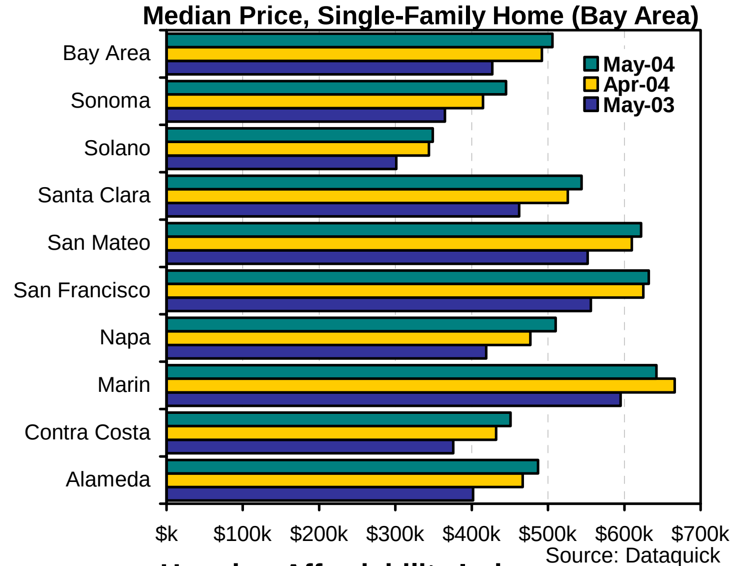
The sector experiencing the third largest number of jobs lost since March 2001, (-8,800), and the highest percentage of jobs lost (22.5 percent), also lost 2,000 in the last year and 500 since January 2004. The good news – it actually gained 100 in the last month. Hopefully the increase in computer related spending projected for this year and next will provide what is needed to stop this downward trend.



HOUSING

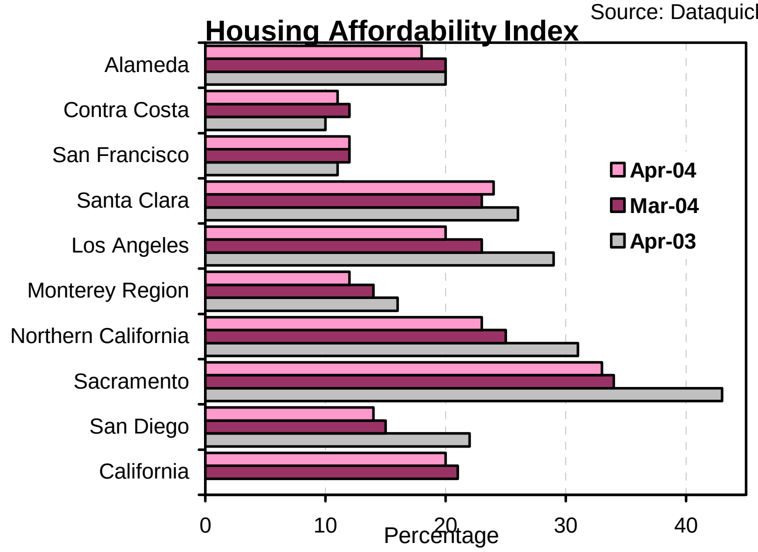
Bay Area home sales surged to near record levels last month as buyers scrambled to lock in mortgage financing before interest rates rose further. Prices have been reported as increasing at their fastest pace in three years.

According to DataQuick Information Systems, the median price paid for a home in the Bay Area passed the half-million dollar mark (to $506,000) in May 2004 as buyers scrambled to finance purchases before mortgage interest rates rise further. The number of homes sold was the most for any May in at least sixteen years.



The May figure was up 2.8 percent from $492,000 in April, and 18.5 percent from $427,000 (May 2003). That year-over-year increase was the highest since January 2001.

DataQuick also reported that a total of 12,028 new and resale houses and condos were sold in the nine-county Bay Area region in May 2004. That was down 3.2 percent from 12,421 the month before and up 13.4 percent from 10,603 for May 2003.



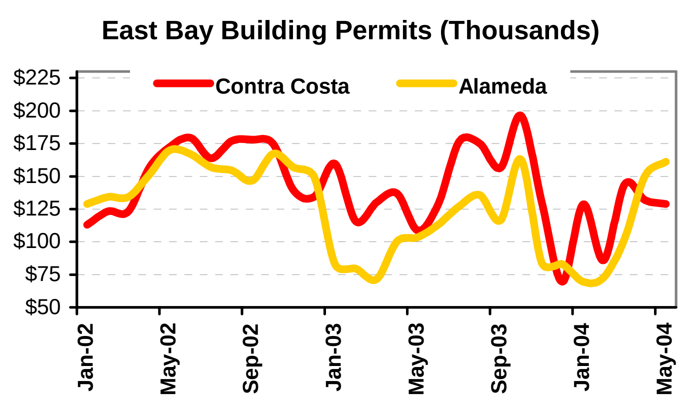
A report released in June 2004 by the California Association of REALTORS® (C.A.R.) found that the percentage of households in California able to afford a median-priced home stood at 20 percent in April 2004, a 7 percentage-point decrease compared to the same period a year ago when the Housing Affordability Index was at 27 percent. This is a further decline of one point from March 2004, when it was 21 points.

According to C.A.R., the minimum household income needed to purchase a median-priced home at $453,590 in California in April was $102,550, based on a typical 30-year, fixed-rate mortgage at 5.42 percent and assuming a 20 percent down payment. The minimum household income needed to purchase a median-priced home was up from $84,510 in April 2003, when the median price of a home was $364,040 and the prevailing interest rate was 5.72 percent.

The minimum household income needed to purchase a median-priced home at $176,000 in the U.S. in April 2004 was $39,790.

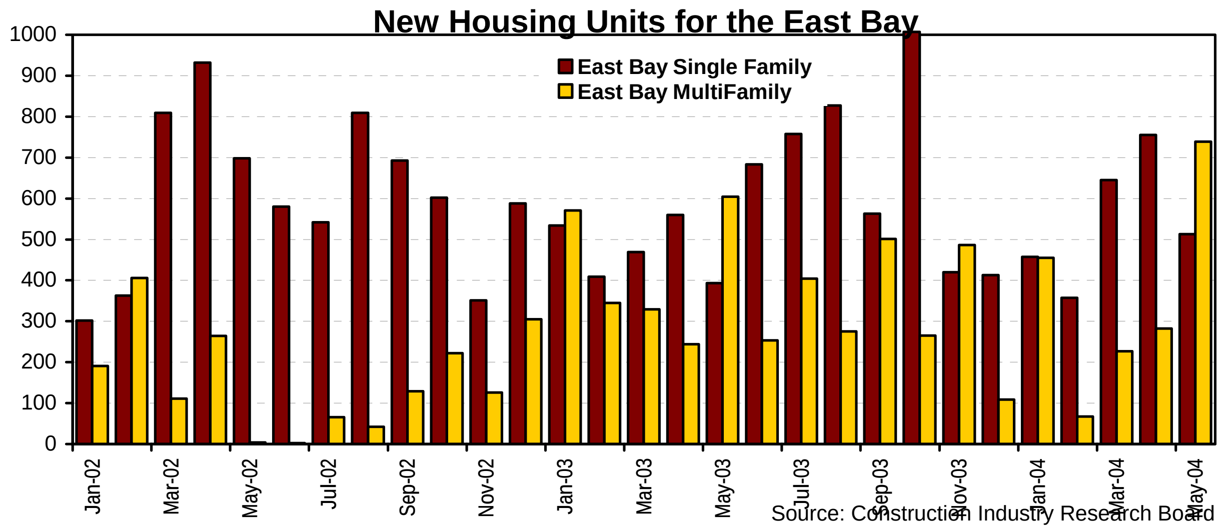
CONSTRUCTION PERMITS

Contra Costa County has consistently issued more single-family housing permits than Alameda County, reaching a peak of $196,216 in 2003. While it only has about two thirds of Alameda County's population, Contra Costa County has about 40 percent more housing supply potential (according to ABAG).



Source: Construction Industry Research Board

The combined counties issued permits for 1,272 units (1,007 of which were single-family) in October 2003, while an unusually large number of projects multifamily permits (739 - 512 of which were in Alameda County) combined with 513 single-family permits to push the total value of permits issued by Alameda County above Contra Costa's in May 2004.



Most of the East Bay's single-family permits for new home construction were again issued in the eastern part of Contra Costa County, though the Tri-Valley area and southern Alameda County were well represented. These areas also led in multifamily permits, although Oakland also had a large number.

Multifamily Permits – May 2004

Brentwood	178
Pleasanton	172
Oakland	139
Dublin	99
Contra Costa County Unincorporated Area	86
Fremont	22
Livermore	19
Richmond	15
Hayward	6
Berkeley	3

Source: Construction Industry Research Board

Single Family Permits – May 2004

Contra Costa County Unincorporated Area	143
Brentwood	83
Pleasanton	52
Hayward	51
Livermore	39
Hercules	34
Oakland	16
Alameda County Unincorporated Area	15
Dublin	15
Union City	14
Richmond	12
Fremont	11
Concord	10
Alameda	8
Pittsburg	3
Antioch	2
Oakley	2
Martinez	1
Walnut Creek	1
San Leandro	1

Source: Construction Industry Research Board

In non-residential permits, however, Alameda County issued twice the dollar value of Contra Costa's with Fremont, Oakland, San Leandro and Livermore leading the way in Alameda County, while Richmond, Brentwood, the Unincorporated Area and Concord issued the most in Contra Costa County.

Non-Residential Permits – May 2004
Alameda County

Fremont	$20,388,707
Oakland	$9,761,939
San Leandro	$8,155,304
Livermore	$3,162,306
Pleasanton	$2,985,287
Hayward	$2,499,702
Emeryville	$2,052,000
Newark	$1,851,000
Berkeley	$1,673,863
Union City	$1,400,000
Dublin	$958,563
Alameda County Unincorporated Area	$747,593
Alameda	$416,817
Albany	$117,000
Piedmont	$116,090

Non-Residential Permits – May 2004
Contra Costa County

Richmond	$6,622,000
Brentwood	$4,285,340
Contra Costa County Unincorporated Area	$3,949,086
Concord	$3,387,104
San Ramon	$2,280,000
Antioch	$2,009,900
Pittsburg	$1,686,875
Walnut Creek	$1,516,300
Oakley	$557,175
Pleasant Hill	$371,741
Danville town	$312,000
Pinole	$292,400
Martinez	$289,311
Hercules	$271,300
San Pablo	$184,620
El Cerrito	$114,000

Source: Construction Industry Research Board

COST OF LIVING

The Bay Area CPI Shelter increased by 2 percent in May 2004. The Items Less Shelter data is only available every other month and was not available for May 2004.