EAST BAY MAY 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. 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 at 4.4 percent in the first quarter of 2004 (at an annual rate) after adjusting for inflation.

This slight increase (from 4.1 percent in the fourth quarter 2003) reflected a deceleration in imports and accelerations in federal government spending and in personal consumption expenditures that were partly offset by decelerations in exports and in equipment and software.

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.

The Bay Area's employment picture generally continued to improve in May as each of the three major regions added almost 10,000 jobs (Payroll Employment - the number of jobs available in a region) since January 2004, and unemployment rates continued their decline.

However, the number of employed residents in May in each region (Civilian Employment) actually decreased in the East Bay by 2,700 and 6,900 in the San Francisco MSA. Somewhat surprisingly, in the San Jose MSA, 700 more residents were employed. April 2003 to April 2004 comparisons were just the opposite, with 6,900 more East Bay and 2,400 more San Francisco residents employed, while San Jose had 6,700 with jobs.

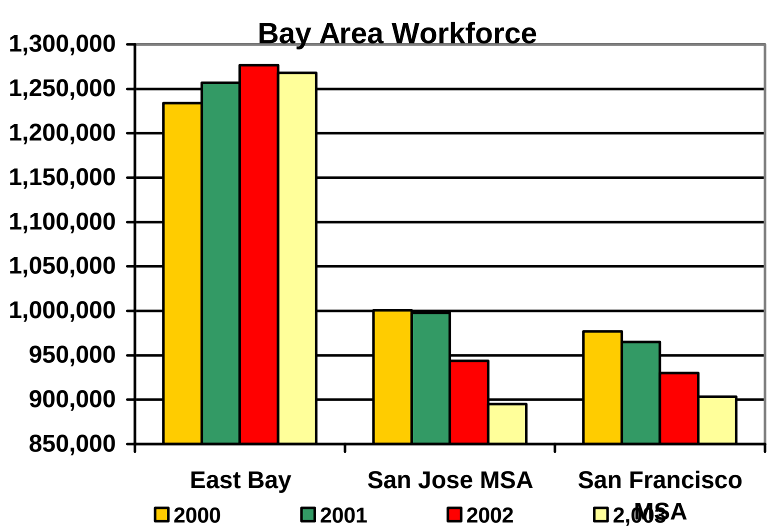
All three regions also saw a decline in their unemployment rates during these same periods, including year to year. Unfortunately in San Jose and San Francisco, this was largely due to substantial decreases in the labor force (San Jose lost 147,100 and San Francisco 76,500) from March 2004 to April 2004. Surprisingly, the East Bay actually added 5,500 people to its labor force during the same period, and this explains why the East Bay's unemployment rate has not decreased as much as its neighbors.

Payroll Employment

	Mar-01	Jan-04	Apr-04	Change 3/01-4/04
East Bay	1,069,300	1,013,600	1,023,000	-4.3%
San Francisco	1,091,200	939,000	948,600	-11.6%
San Jose	1,052,400	835,000	844,900	-19.7%

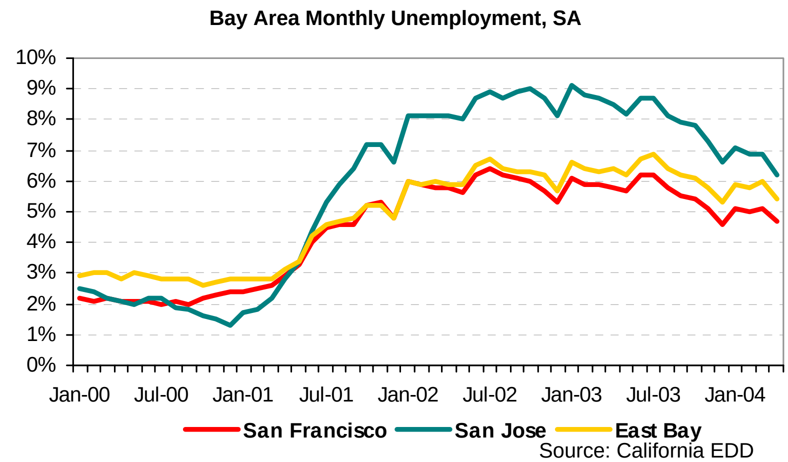
Unemployment

	Mar-01	Jan-04	Apr-04	Change 3/01-4/04
East Bay	3.0%	5.9%	5.4%	2.4%
San Francisco	2.7%	5.1%	4.7%	2.0%
San Jose	2.4%	7.1%	6.2%	3.8%

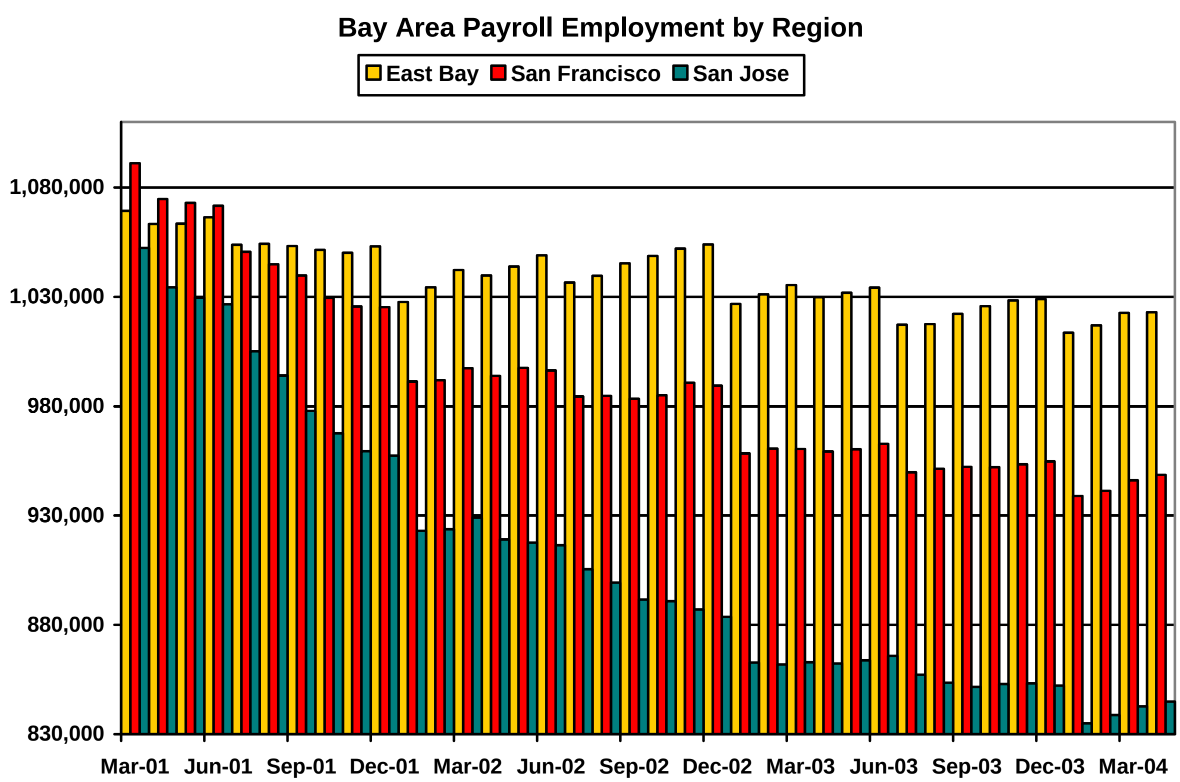


Source: California EDD

Changes in Payroll Employment most vividly portray the differences in the sub-region's economies. The following table shows the drastic changes from March 2001 peak numbers to a low point in January 2004 and improved current payroll employment. At the low point, San Francisco lost approximately 134,000 jobs; San Jose lost 217,400; and the East Bay, 55,700. January 2004 may not have been the low point of the recession for the Bay Area, but the year-to-year losses since then have slowed considerably.



The following chart further illustrates the difference experiences of the three Metropolitan Statistical Areas (MSAs) in the Bay Area.

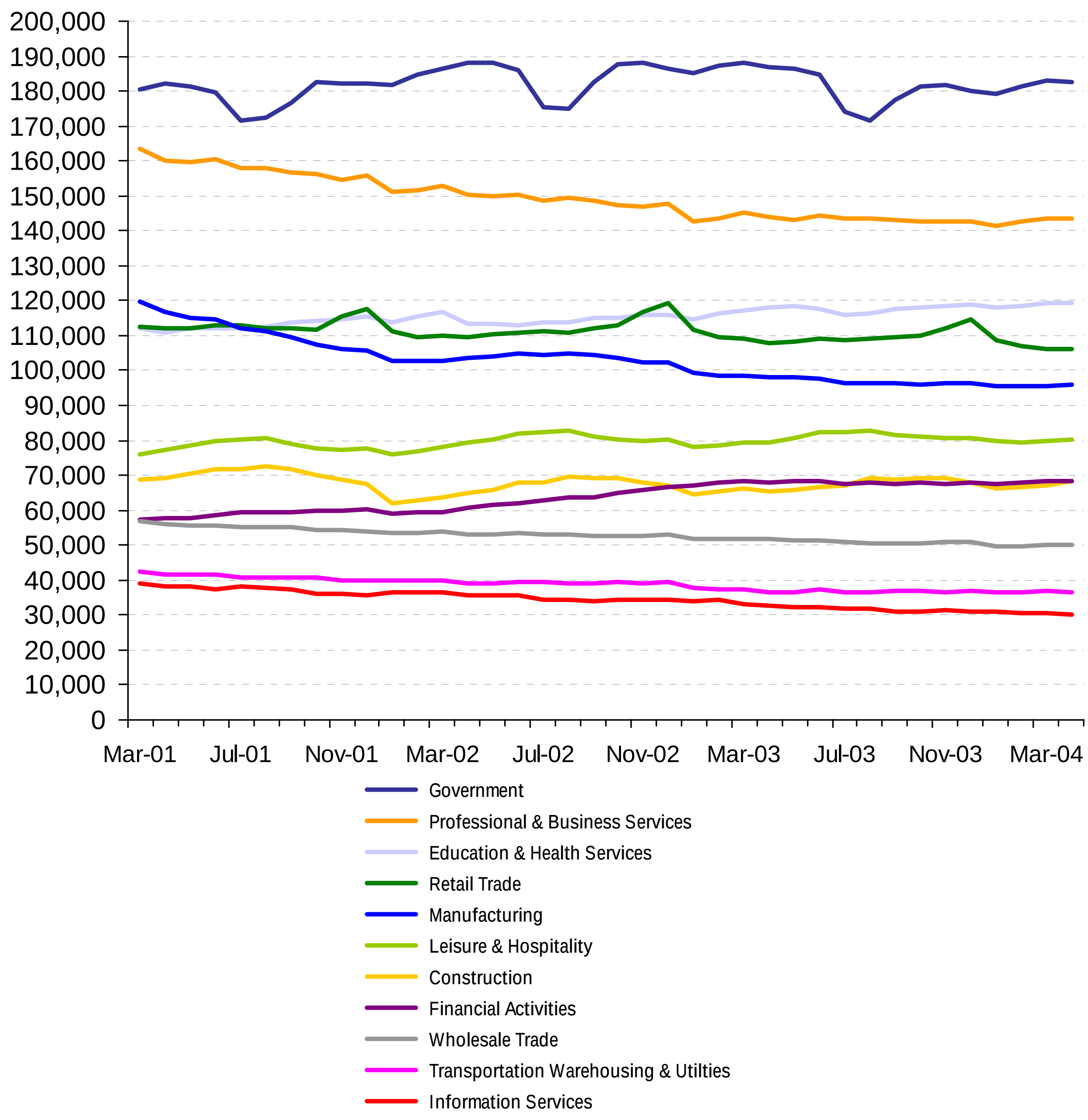


EAST BAY SECTOR EMPLOYMENT

Using data that has not been adjusted for seasonal changes, April 2004 numbers in eight of the eleven industry sectors improved over January, resulting in a net gain of 9,400 jobs. The biggest gains were: 1,000 jobs added in the Government sector and 700 jobs added in the Education and Health Services sector. The major exception to the growth trend was Retail Trade where 1,900 jobs were lost, reflecting a stronger than normal drop-off after the holiday and post-holiday sales period.

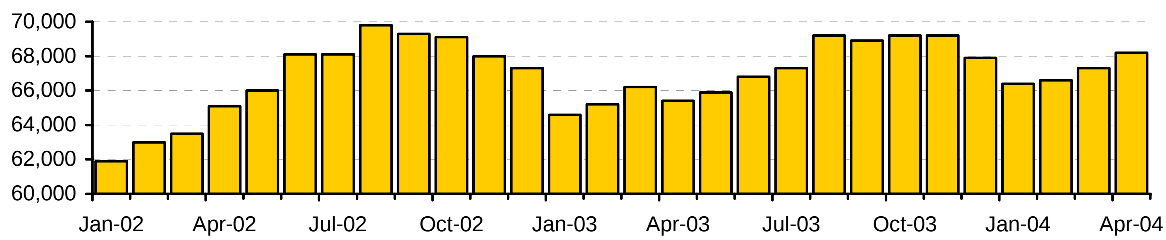
Overall, however, compared to a year ago, sector employment declined by 15,900 jobs with 7,100 of those losses coming in the Government sector. Due to the substantial budget problems facing state and local governments, these losses are expected to continue.

East Bay Sector Employment Summary

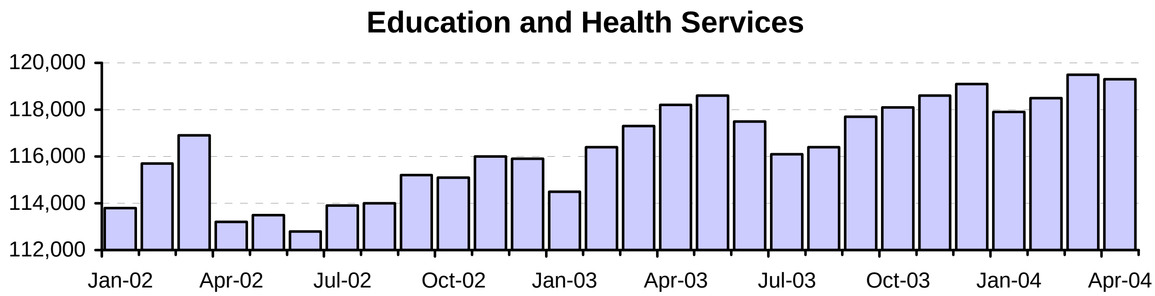


The strongest East Bay employment sector in the last year is a real surprise. Construction has added 2,800 jobs since April 2003, 1,800 since January 2004 and 900 in the last month.

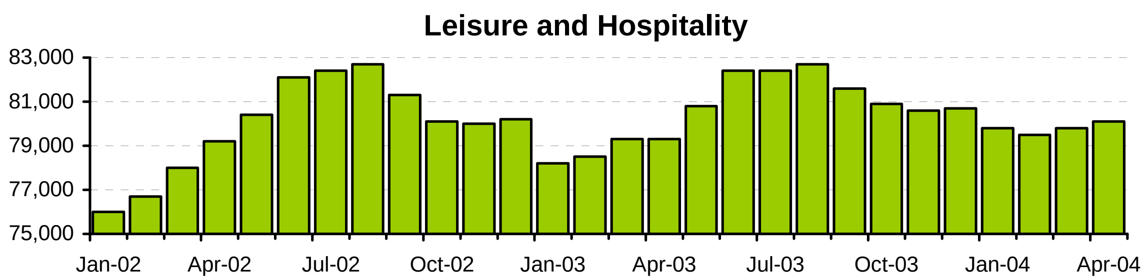
Construction



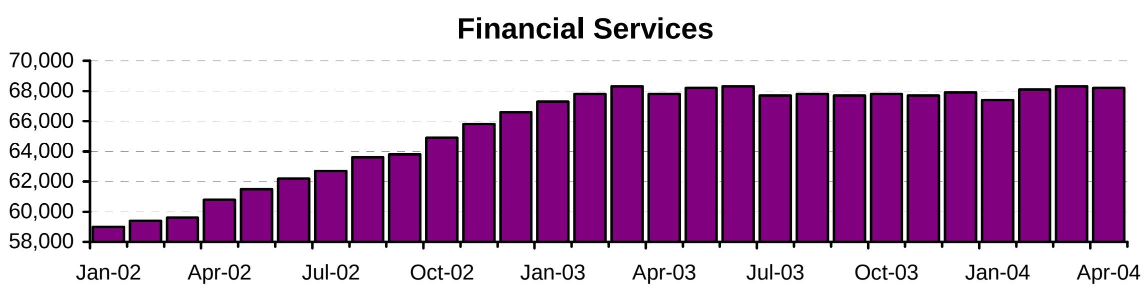
Educational and Health Services is probably the next strongest, with 1,100 jobs in the last year, and 1,400 since January 2004. However, it did drop 200 jobs in the last month. Hospitals, Educational Services and Nursing and Residential Care Facilities have been the strongest contributors; offset somewhat by decreases in Ambulatory Health Care Services. Last month's losses, however, occurred in the first three strongest contributors - Hospitals, Educational Services and Nursing and Residential Care Facilities.



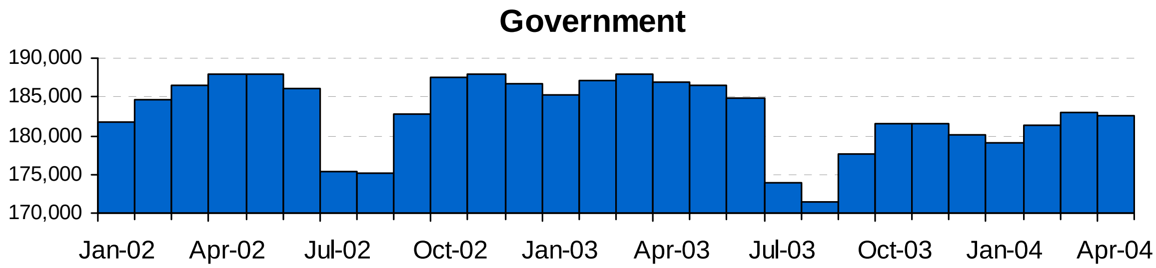
The Leisure and Hospitality sector places third best, adding 800 jobs in the last year and 300 in the last month. Strongest subgroups included Amusement, Gambling and Recreation and Food Services and Drinking Places. The Accommodations subgroup lost 400 jobs over the year.



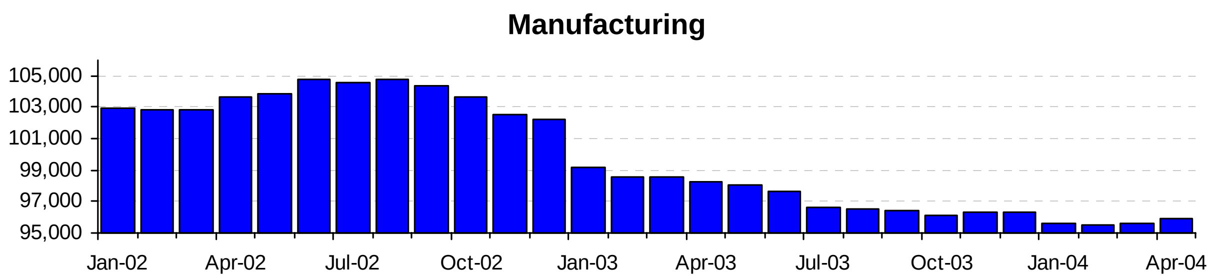
Financial Activities showed some strength over last year, adding 400 jobs, 800 since January 2004, but lost 100 jobs over the last month. This sector has actually added 10,700 jobs since March 2001, the highest and one of five with positive numbers for this time period.



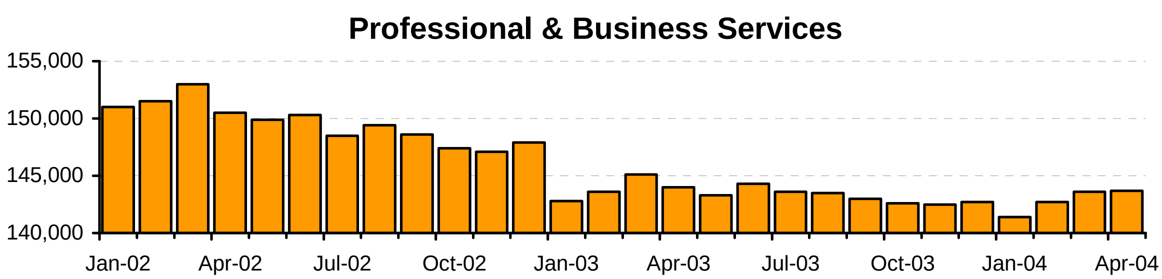
The Government sector in the East Bay added 2,200 jobs since March 2001, mostly in State Government, State Education and County services, but year-to-year comparisons for April 2004 show a decline of 4,300 jobs, 400 in the last month. Of the year-to-year decline, State and Local Education together lost 2,100, State Government lost 700 and County, City and Other Local Governments together lost 700. There are many more job losses to come in this sector. County, City and Other Local Governments are currently working on Fiscal Year July 2004 through June 2005 budgets that will have to adjust to the current round of budget cuts at the State. Layoff notices are going out at unprecedented levels.



Manufacturing jobs, always of concern because this sector brings new money into the economy and provides higher paying, low to semi-skilled jobs, declined by 24,100 since March 2001 (a 20.1 percent loss). Computers and Electronic Products as well as Communications Equipment combined for 22,400 of those jobs lost while Transportation Equipment manufacturing added 700 jobs. The good news is that this sector actually had a net increase of 300 jobs since January 2004.



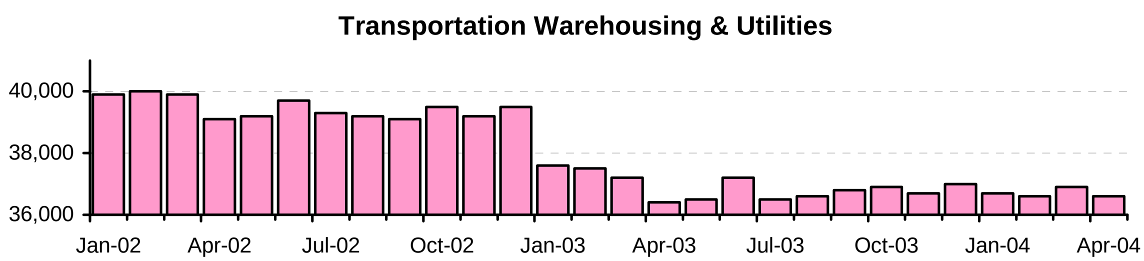
Professional and Business Services, the leading job growth sector in the late 1990s and the East Bay's second largest sector (behind Government), dropped 19,800 jobs since March 2001 as well, (a 12.1 percent loss, second only to Manufacturing). But the year-to-year number was down only 300 and this sector actually gained 2,300 since January 2004 and 100 in the last month, so this sector appears to be stabilizing.



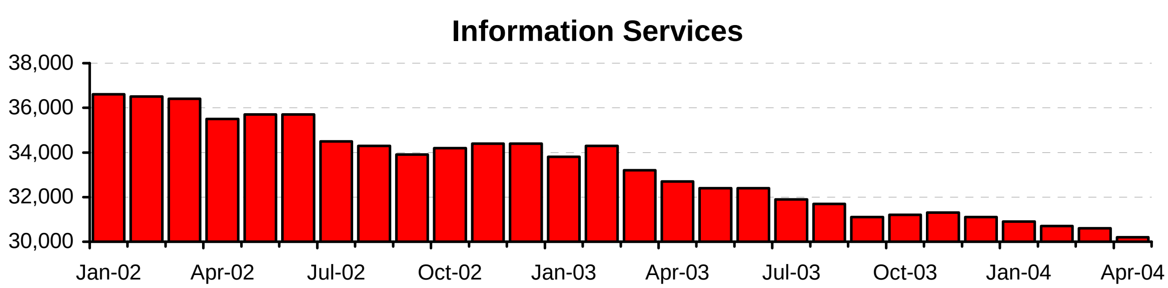
Wholesale Trade has not lost nearly as many jobs since March 2001 (only 6,600 – a 11.6% loss), but it lost 1,400 more in the last year. Year-to-year monthly comparisons are still declining, but at a lower rate, and 400 jobs have been added since January 2004, so the trend appears to be improving.

The trend for Retail Trade is worse than Wholesale Trade, even though it lost the same number of jobs since March 2001 with a lower percentage of jobs lost (5.9 percent). The downward trend does not appear to have ended for this sector - it just continues to lose jobs; 4,900 lost from December 2002 to December 2003; 3,000 from January 2003 to January 2004; 1,800 from April 2003 to April 2004; and 2,600 since January 2004.

Transportation, Warehousing & Utilities also lost 6,600 jobs since March 2001, 900 lost from January 2003 to January 2004. But in the last year (April 2003 to April 2004) it did experience a net increase of 200 jobs, mostly because of employment gains in Rail Transportation (+1,200 jobs). This sector appears to be stabilizing.



The only sector in California to lose jobs over the last month was Information Services (net loss of 5,300), 400 of them in the East Bay. This sector has seen a steady decline in the East Bay since March 2001, (-9,000), losing 2,500 in the last year, 700 since January and 400 in the last month. Hopefully the increase in computer related spending projected for the next year will be 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.

A total of 12,421 new and resale houses and condos were sold in the nine-county region in April 2004, an increase of 12.8 percent from 11,015 the month before and 24.2 percent above the 10,004 sold in April 2003, according to DataQuick Information Systems.

Last month's sales count was the highest for any April in DataQuick's statistics, just slightly below the record of 12,488 in August 2003.

The median price paid for a Bay Area home was $492,000 last month, a new peak - up 3.8 percent from $474,000 in March 2004, 15.5 percent from April 2003 price of $426,000. That year-over-year increase was the highest since March 2001.

According to the California Association of Realtors, the minimum household income needed to purchase a median-priced home of $428,280 in California in March 2004 was $97,340, based on a typical 30-year, fixed-rate mortgage at 5.48 percent and assuming a 20 percent down payment. The minimum household income needed to purchase a median-priced home was up from $82,080 in March 2003, when the median price of a home was $351,130 and the prevailing interest rate was 5.80 percent.

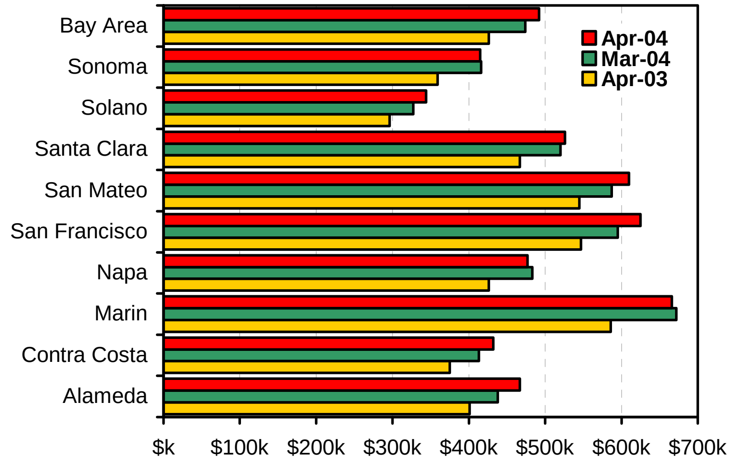
The minimum household income needed to purchase a median-priced home at $174,100 in the U.S. in March 2004 was $39,570.

At 53 percent, the High Desert region was the most affordable region in the state, followed by the Sacramento region at 34 percent. The Monterey, Northern Wine Country, Orange County and Santa Barbara County regions were the least affordable in the state at 14 percent.

California households, with a median household income of $52,320, are $41,360 short of the $93,680 qualifying income needed to purchase a median-priced home at $406,390 in California, according to the California Association of REALTORS® (C.A.R.) Homebuyer Income Gap Index™

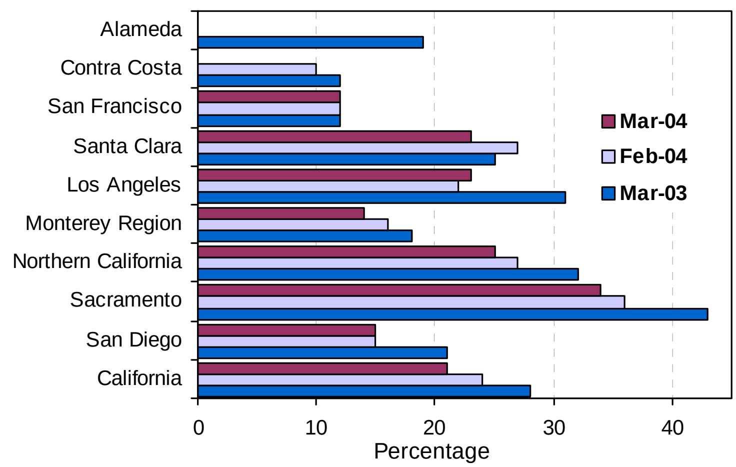
CONSTRUCTION PERMITS
Contra Costa County has consistently issued more housing permits than Alameda County. While it only has about two thirds of Alameda County's population, it has about 40 percent more housing supply potential (according to

Median Price, Single-Family Home (Bay Area)

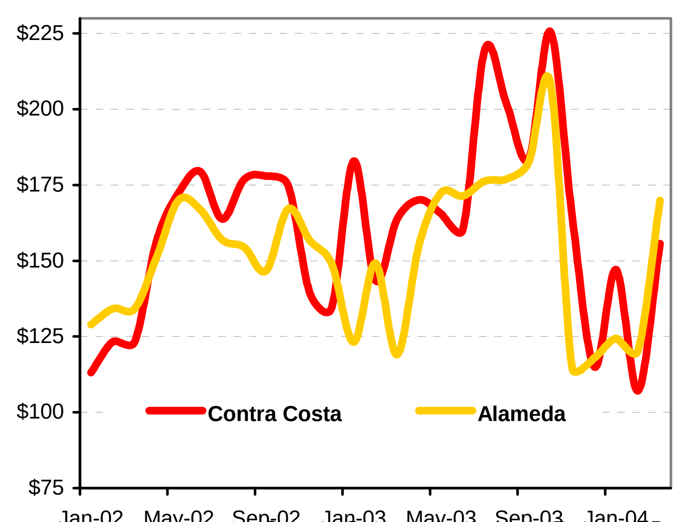


Source: Dataquick

Housing Affordability Index



Source: California Association of Realtors



Source: Construction Industry Research Board

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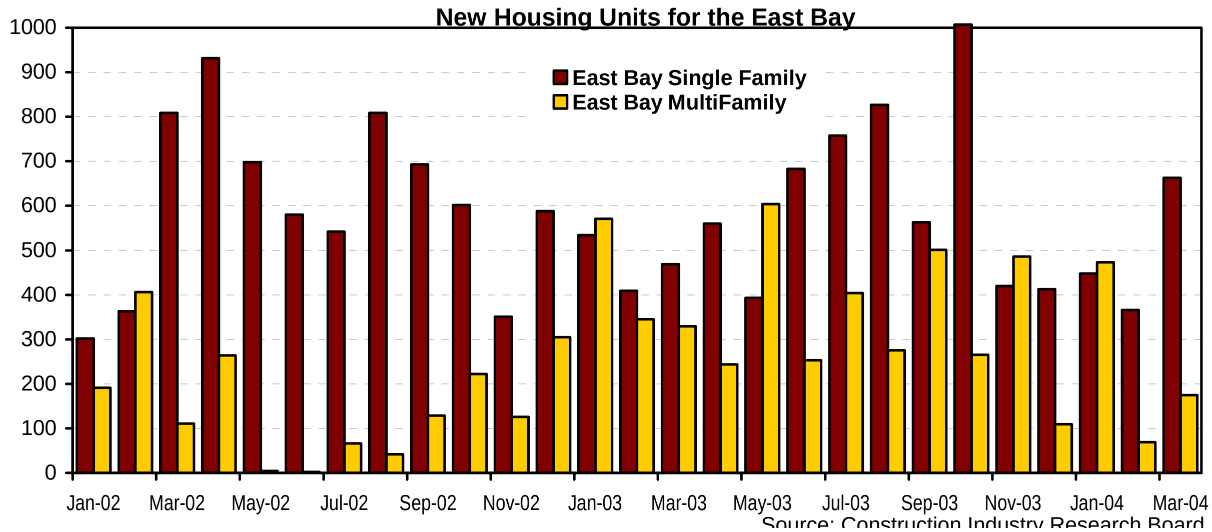
After hitting a peak of 1,007 housing permits issued in October 2003, the pace slowed. But single-family permits picked back up in March 2004 while multifamily permits were considerably below previous levels.



Most of the East Bay single-family permits for new home construction were again issued in the eastern part of Contra Costa County, though southern Alameda County was well represented. These areas also led in multifamily permits, a change in that the more urban areas usually lead this category.

Single Family Permits – March 2004

Brentwood	185
CC Unincorporated	157
Hayward	54
Livermore	28
Fremont	23
Al. Co. Unincorp.	15
Antioch	15
Oakland	13
Richmond	10
Pleasanton	7
San Leandro	4

Multifamily Permits – March 2004

Livermore	44
Brentwood	40
Fremont	33
Al. Co. Unincorp.	30
Union City	20
Oakland	12
CC Unincorporated	11
Richmond	5

Source: Construction Industry Research Board

In non-residential permits, however, Fremont and the Tri-Valley area led the way in Alameda County, while the unincorporated area issued the most in Contra Costa County.

Non-Residential Permits – February 2004
Alameda County

Fremont	$22,731,267
Pleasanton	$10,777,062
Livermore	$7,483,986
Oakland	$7,198,000
Hayward	$4,774,682
Emeryville	$2,438,174
Newark	$1,711,000
San Leandro	$972,637
Alameda	$891,925
Alameda County Unincorporated Area	$872,170
Dublin	$868,100
Berkeley	$792,400
Union City	$387,383
Piedmont	$122,500
Albany	$61,000

Non-Residential Permits – February 2004
Contra Costa County

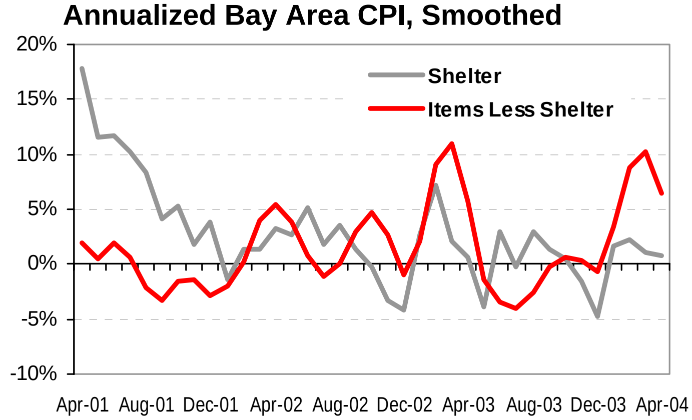
Contra Costa County Unincorporated Area	$7,279,771
Richmond	$3,796,000
San Ramon	$3,655,476
Walnut Creek	$2,231,295
Brentwood	$1,656,986
Concord	$1,192,059
Pittsburg	$952,602
Pinole	$571,290
Oakley	$538,900
Martinez	$315,500
Danville town	$310,000
Antioch	$273,000
Pleasant Hill	$266,788
San Pablo	$249,785
Hercules	$119,000
El Cerrito	$70,000

Source: Construction Industry Research Board

INFLATION
Bay Area shelter declined slightly the last two months after rising 6.5 percent in January 2004.

The CPI for Items Less Shelter, after a short period of no growth, rose sharply (by 8.8 percent) during the first three months of the year due to an increase in energy costs and food, but only increased 0.1 percent in April 2004.

Annualized Bay Area CPI, Smoothed



Source: Bureau of Labor Statistics