NOVEMBER 2004 EAST BAY MONTHLY ANALYSIS

Prepared by the Economic Development Alliance for Business.

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 welcomes your comments and suggestions. Send your email to analysis@edab.org or call us at (510) 272-3885.

GDP SUMMARY

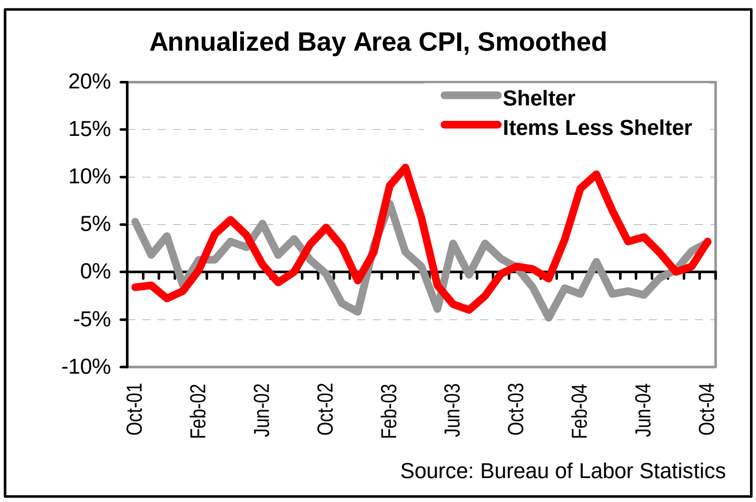
In the third quarter the most comprehensive measure of U.S. economic activity, the inflation-adjusted gross domestic product (real GDP), moved up to 3.7% following a 3.3% increase in the second quarter. This was positive news for the nation after a disappointing second quarter.

The details, however, were mixed. The largest GDP driver (consumer spending) was up, but largely due to increased spending for gasoline. A weakening dollar seemed to help slow down imports (which subtract from the GDP) but exports (which add to the GDP) also slowed. Fortunately, exports decreased more slowly than imports, resulting in a net gain for the GDP.

Other mixed developments: business inventories increased, but less than in the second quarter; government spending was slower despite increased defense spending; and business investment in structures slowed, while the rate of investment in equipment and software remained steady – a plus for the Bay Area.

COST OF LIVING

On a seasonally adjusted basis, the national cost of day-to-day items rose in October and economists are divided on whether this is a temporary situation or a serious sign of inflation. As measured by the CPI-U, October saw a 0.6% increase, the fastest rate since March, following a 0.2% rise in September.



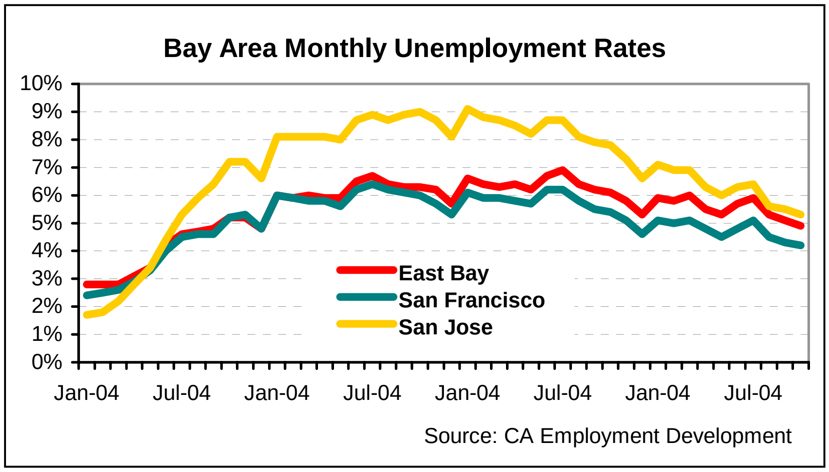
Energy costs, which had been declining after sharp advances in the first half of the year, increased 4.2% in October, accounting for more than half of the advance in the overall CPI-U. Fuel oil and natural gas were major contributors to the rise with increases of 42.6% and 8.0% respectively over the past twelve months. The upsurge in energy costs affected other sectors as well. About 85% of the 2.3% increase in October transportation costs was due to the increased price of gasoline.

Another factor, extreme weather conditions in some of the nation's primary food production areas, caused a 6.0% increase in the price of fruits and vegetables and a 0.8% rise in the cost of food at home. On the other hand, (aside from food and energy) all other items advanced a modest 0.2% in October, following a 0.3% rise in September 2004.

Looking back over the past year, the Bay Area's one-year increase in the day-to-day cost of living was surprisingly one of the nation's most moderate, in spite of higher energy costs and a weakening dollar,. For example, over the past twelve months, the Bay Area's 2.0% increase is less than half of the 4.5% rate for the Los Angeles-Riverside-Orange County area.

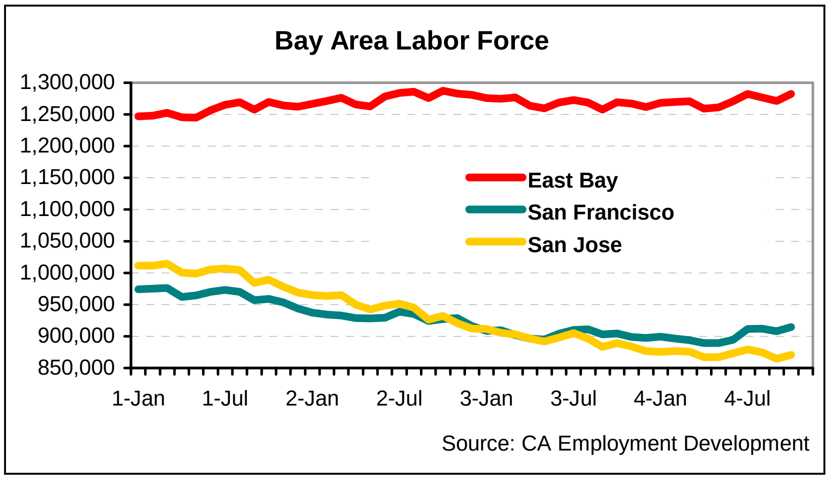
EMPLOYMENT AND UNEMPLOYMENT OF RESIDENTS

All three major Metropolitan Service Area's (MSA's) in the Bay Area continued to see a decline in unemployment rates, reaching 4.9% for the East Bay, 4.2% (San Francisco) and 5.3% (San Jose) in October 2004.



This compares to 5.6% for California and 5.1% for the nation during the same period. The unemployment rate was 5.2% in Alameda County and 4.4% in Contra Costa County.

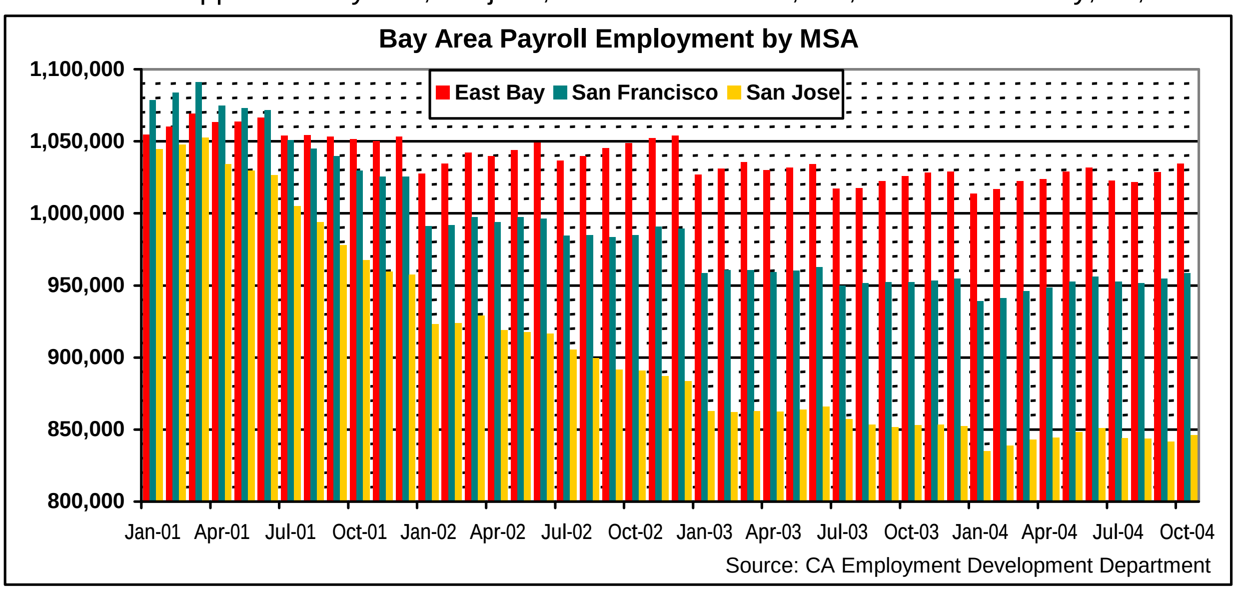
The East Bay and San Francisco's decline came despite increases in their labor forces. However, San Jose, though showing signs of leveling off, continues to lose its workforce, with 18,400 lost from October 2003 to October 2004, and a total of 61,300 since October 2002.



The East Bay is the only one to have increased employment (by 15,600) between October 2001 and October 2004, with 27,300 more employed in the last 12 months. San Francisco added 20,700 and San Jose experienced an increase of 4,700 during the last 12 months.

PAYROLL EMPLOYMENT BY REGION

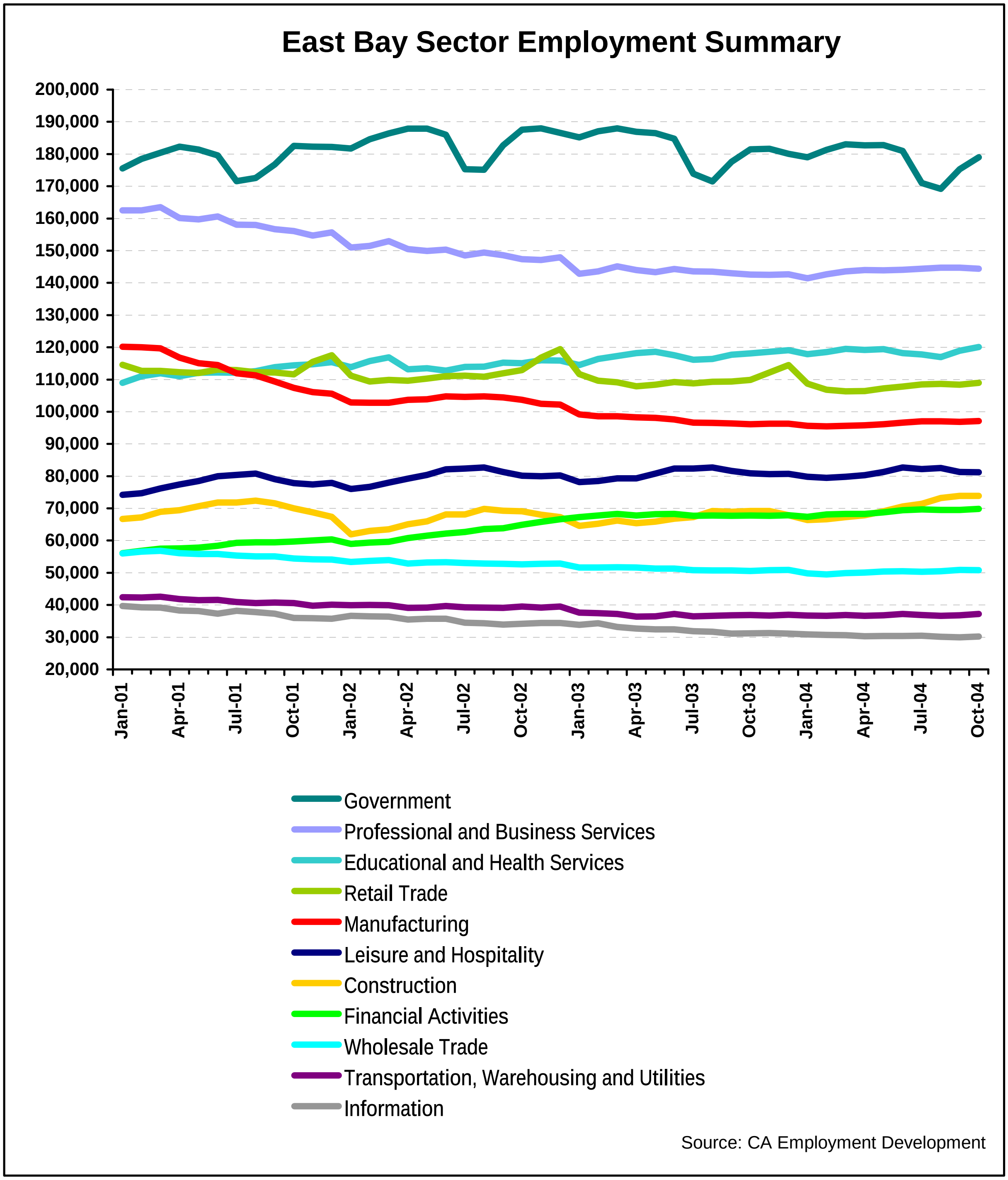
Payroll employment, the number of jobs within a region, more accurately portrays the strengths of the sub-regional economies of the Bay Area. From January 2001 to January 2004, San Francisco lost approximately 139,600 jobs; San Jose lost 209,600; and the East Bay, 41,000.



In the last 12 months the East Bay has regained 8,800 jobs; San Francisco added 6,300 while San Jose lost 7,000.

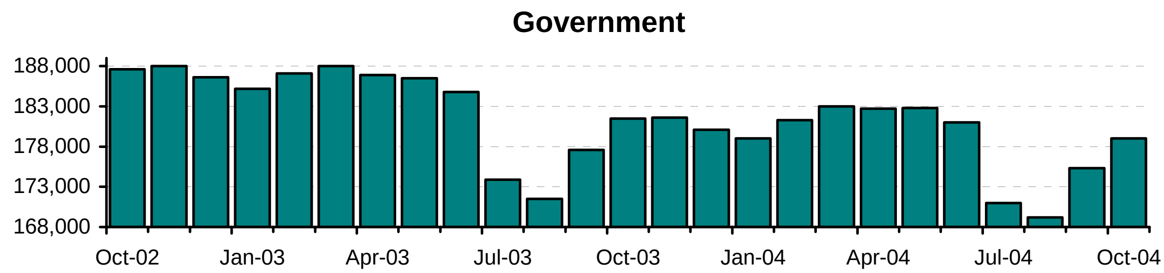
EAST BAY PAYROLL SECTOR EMPLOYMENT

Total payroll employment in the East Bay grew by 6,000 jobs between September and October 2004 to reach a total of 1,034,600 jobs.

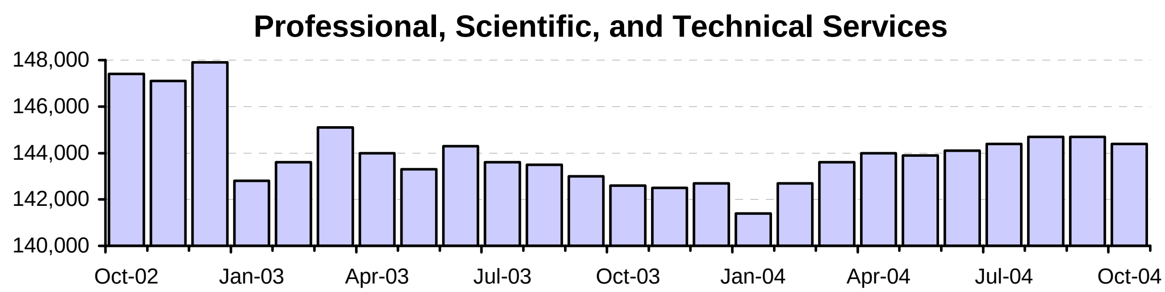


Over the last twelve months, government agencies lost 2,500 jobs, but 3,700 were added in the last month due to the hiring of educational staff.

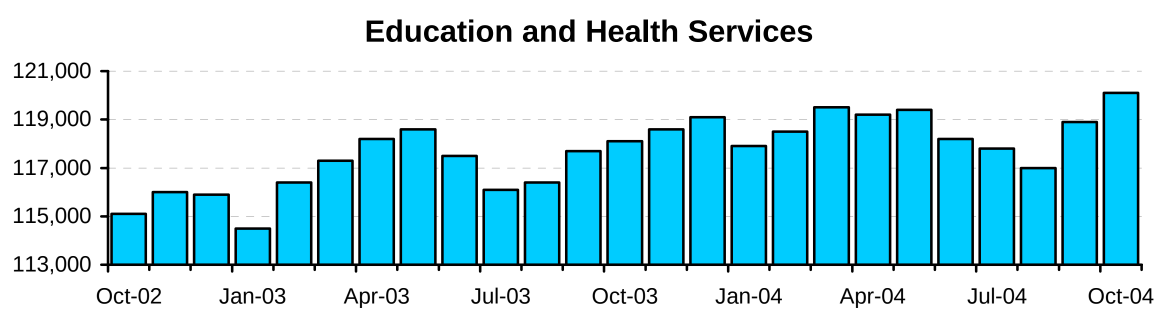
Government employment has lost jobs (year to year) since April 2003.



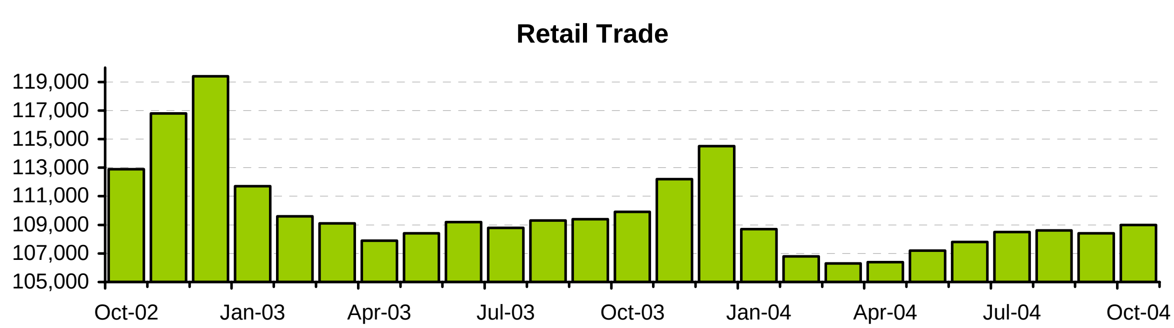
Professional and business services expanded by 1,800 jobs with 1,000 of that gain in employment services (including temporary help agencies) since October 2003 but lost 300 jobs in October 2004.



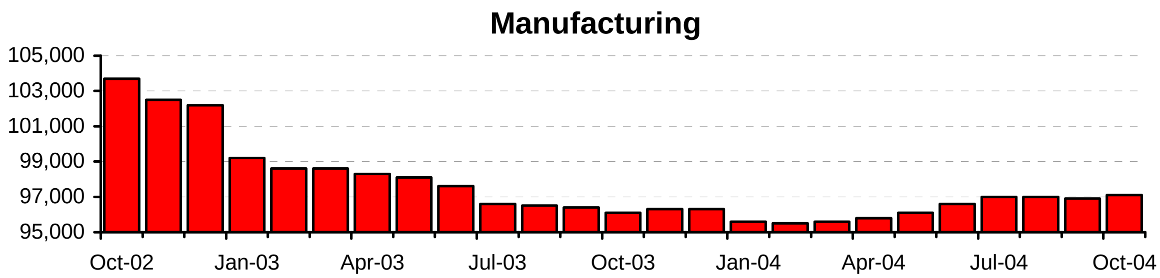
Educational and health services payrolls continued to increase as this section added 2,000 jobs in the last year and 1,200 during the last month.



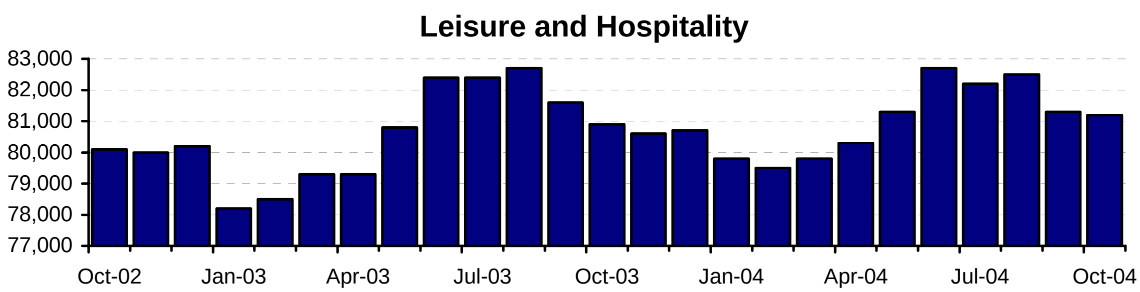
Retail trade also continued its year-to-year slide with 900 jobs lost since October 2003, even though it added 600 in the last month (a normal seasonal increase).



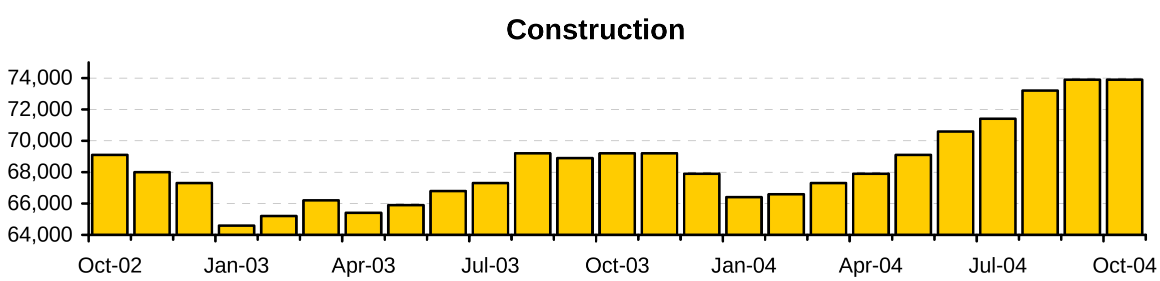
The best news! Manufacturing increased overall by 1,000 jobs since October 2003 as large gains in high technology and other durable goods (1,500 jobs) offset losses in nondurable goods (primarily in petroleum and food). A total of 200 jobs were added in the last month. Manufacturing losses started in June 2001 and the East Bay had lost 17,900 of these very important jobs by June 2004. The overall manufacturing increase signifies a key turnaround.

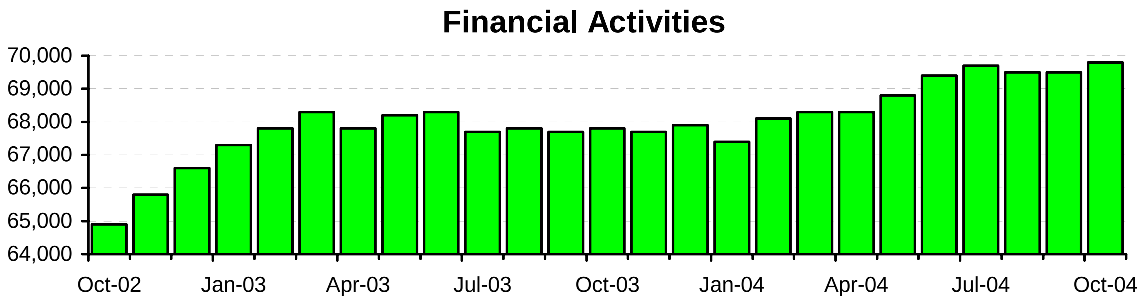


Leisure and hospitality, up 300 jobs October 2003 to October 2004, continued its overall slow but steady increase, even with a seasonal loss of 100 jobs in the last month.

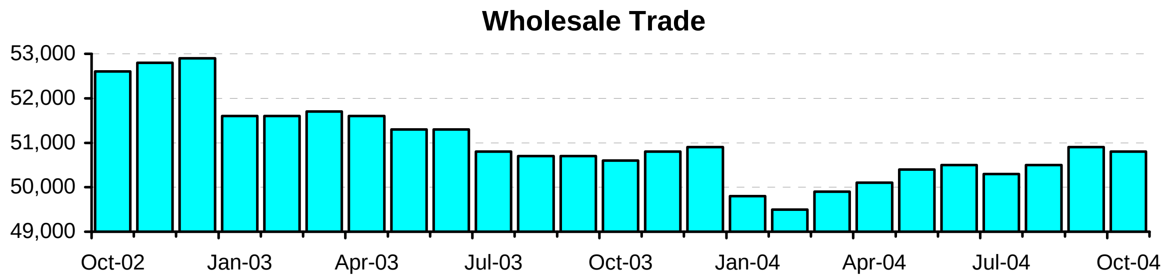


Housing construction continued to support both construction employment (up 4,700 jobs) and financial activities (up 2,000 jobs). These sectors continue to be the East Bay's best performing since the recession.

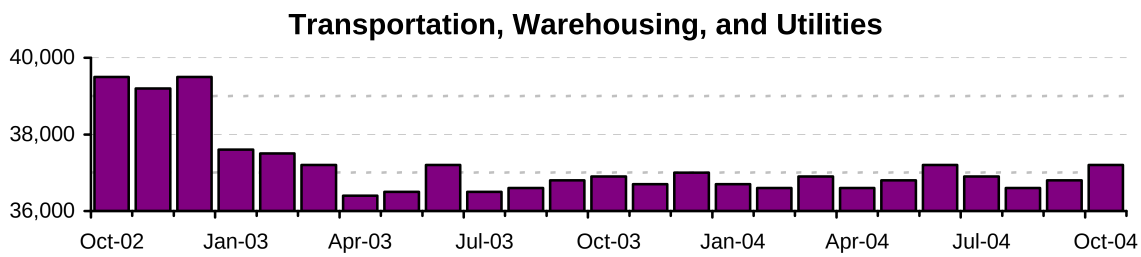




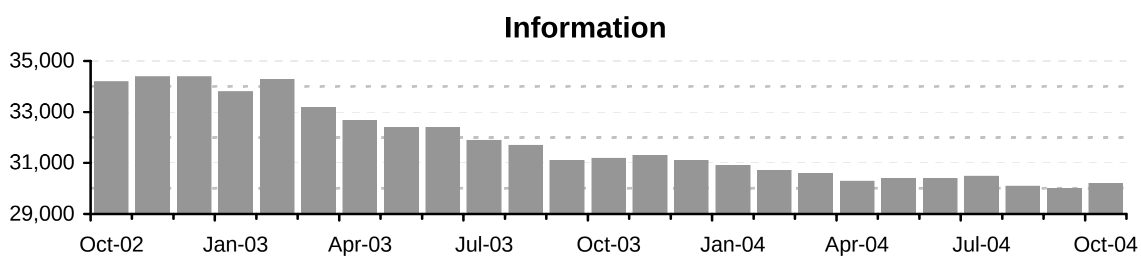
Wholesale trade added 200 jobs since October 2003, but lost 100 in the last month.



Transportation, warehousing and utilities firms added 400 jobs in the last year, 300 in the last month.



The information industry continued to lose jobs, 1,000 jobs in the last 12 months (primarily in telecommunications), but this sector did show an employment increase of 200 jobs in October 2004.

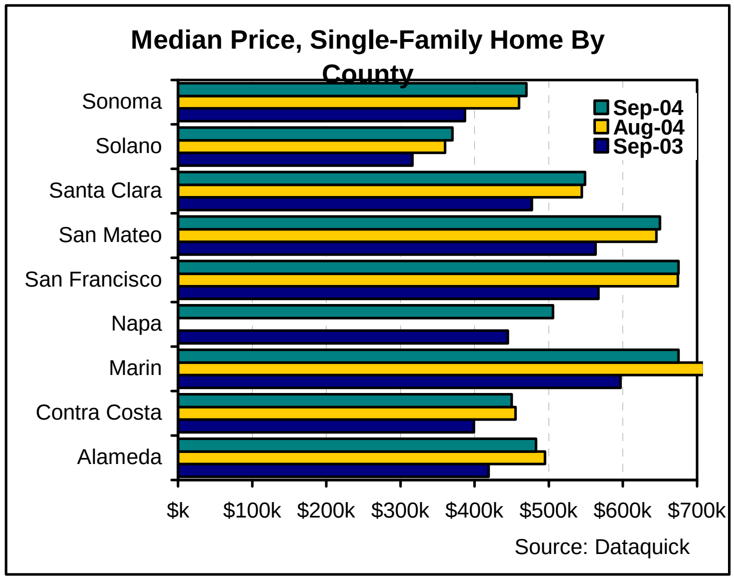


HOUSING

As a result of favorable interest rates and limited supply, DataQuick Information Services reports the number of housing units sold around the Bay Area in October 2004 declined and prices increased compared to a year ago. Perhaps reflecting the added premium of an East Bay location, prices in Alameda and Contra Costa Counties rose more sharply than the other major metropolitan areas, even though the supply was not as limited.

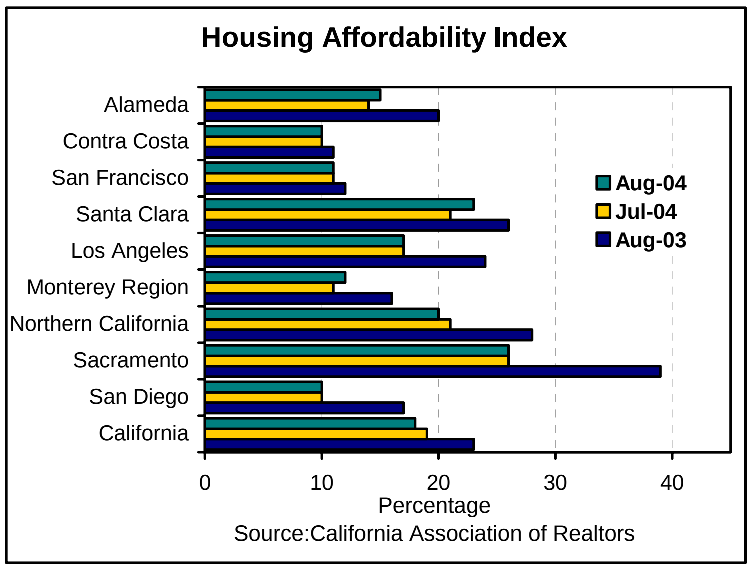
All Homes	# Sold Oct-04	Yearly Change	Median Oct-04	Yearly Change
Alameda	2,458	-2.8%	$497k	18.3%
Contra Costa	2,252	-0.8%	$468k	20.0%
San Francisco	650	-16.6%	$666k	16.6%
Santa Clara	2,595	-9.0%	$552k	14.5%
Bay Area	11,180	-4.7%	$524k	17.5%

On a related note, a Coldwell Banker survey reported in the September 29, 2004 *East Bay Business Times*, examined housing prices in 348 markets in the U.S., Canada, and Puerto Rico. The survey found that eight of the 20 most expensive cities were in the Bay Area including: Oakland/Montclair, #15; Fremont, #19; and Pleasanton, #20.



The California Association of REALTORS' (C.A.R.) monthly housing affordability index, which measures the percentage of households that can afford to purchase a median-priced home in California, stood at 18% in August, a 5 percentage-point decrease compared with the same period a year ago when the index was at 23%.

Alameda County's index increased from 14% in July 2004 to 15% in August while Contra Costa's remained at 10%.



According to C.A.R., the minimum household income needed to purchase a median-priced home ($474,370) in California in August 2004 was $111,180, based on an average effective mortgage interest rate of 5.83% and assuming a 20% down payment. The minimum household income needed to purchase a median-priced home increased from $93,790 in August 2003, when the median price of a home was $406,140 and the prevailing interest rate was 5.66%.

The minimum household income needed to purchase a median-priced home at $190,100 in the U.S. in August 2004 was $44,550.

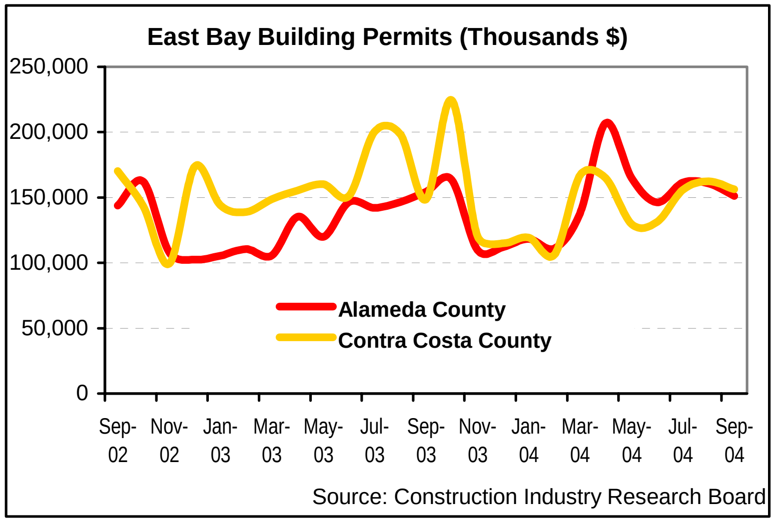
CONSTRUCTION PERMITS

Despite differing seasonal variations, the total value of building permits in both Alameda and Contra Costa Counties for September 2004 (around $150 million) is remarkably similar to previous Septembers.

Single-family housing construction and the building of supporting retail and services has been an important component of the East Bay's economy.

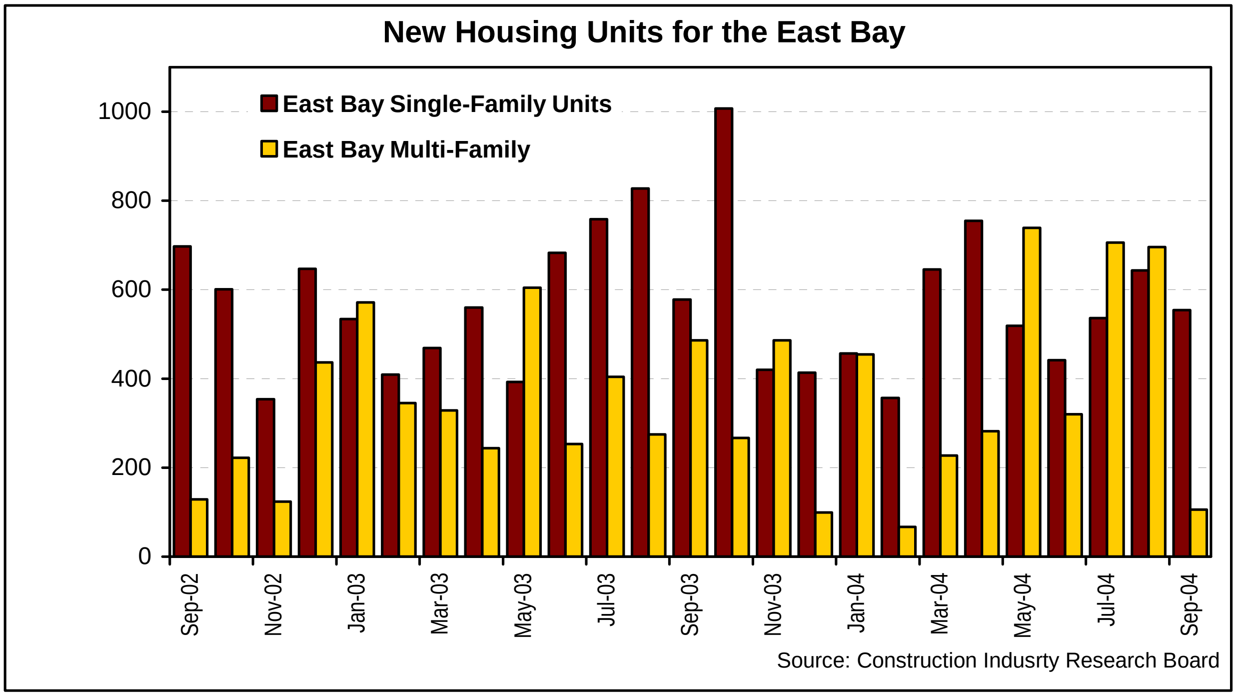
The eight largest issuers in September 2004 were all located in Eastern Contra Costa or Alameda Counties - they accounted for 467 of the 553 single-family permits issued in the East Bay.

In contrast, there were only 106 multifamily permits issued in the East Bay, a small number when compared to the number of single-family permits and especially when compared to the prior two-month's multifamily totals.



East Bay Issuers of Single Family Housing Unit Permits, Sept 2004	# Units
Contra Costa County Unincorporated Area #	148
Brentwood	100
Pittsburg	55
Oakley	43
Dublin	35
Livermore	31
Hercules	31
Pleasanton	24
Oakland	20
Walnut Creek	16
Richmond	15
Alameda County Unincorporated Area	9
Fremont	8
Alameda	7
Berkeley	3
Union City	3
Antioch	2
Danville town	1
Piedmont	1
Albany	1

Multifamily Housing Unit Permits In East Bay Sept 2004	# Units
San Pablo	42
Livermore	35
Oakland	20
Danville town	9
Source: Construction Industry Research Board	



In contrast to residential permits, Alameda County communities along the Bay issued most of the East Bay's non-residential permits in September 2004.

Non-Residential Permits – September 2004	
Alameda County	
Alameda	$13,586,199
Oakland	$9,741,434
Fremont	$8,559,741
San Leandro	$8,266,762
Union City	$4,036,080
Pleasanton	$3,537,135
Hayward	$3,181,996
Emeryville	$3,063,912
Livermore	$2,763,346
Berkeley	$1,700,000
Newark	$1,451,000
Alameda County Unincorp Area	$1,405,577
Dublin	$1,374,833
Piedmont	$139,600
Albany	$55,000

Non-Residential Permits – September 2004	
Contra Costa County	
Contra Costa County Unincorp Area	$6,200,157
San Ramon	$5,595,733
Richmond	$5,450,000
Brentwood	$3,233,862
Walnut Creek	$2,581,373
Concord	$2,411,988
Pittsburg	$1,948,128
Oakley	$1,784,392
Pinole	$722,250
Pleasant Hill	$430,362
Danville town	$310,000
El Cerrito	$129,000
San Pablo	$89,899
Martinez	$76,461
Antioch	$70,000
Hercules	$35,000
Source: Construction Industry Research Board	

HOTEL OCCUPANCY

According to PKF Consulting's "Trends in the Hotel Industry," daily room rates at East Bay hotels at $98.04 were down –1.4% compared to September 2003. However, occupancy improved 12.5% to 65.7%. San Jose experienced a similar pattern, while San Francisco was more typical of other Northern California locations where both rates and occupancy went up.