

MARCH 2005 EAST BAY MONTHLY ANALYSIS

Prepared by the Economic Development Alliance for Business.

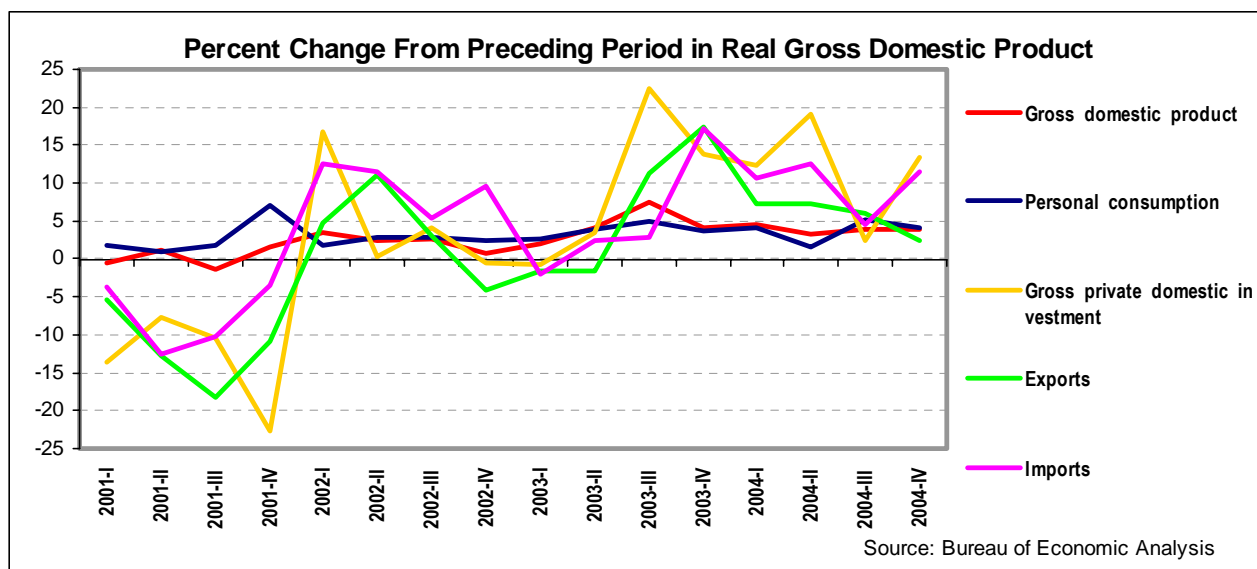
The East Bay Monthly Analysis is prepared by EDAB staff to augment the East Bay Quarterly Forecast authored by economists at the UCLA Anderson Forecast. Monthly and quarterly reports may be viewed and subscribed to for free by going to: www.edab.org/newsletter.html. EDAB welcomes your comments and suggestions. Send your email to analysis@edab.org or call us at (510) 272-3885.

GDP SUMMARY

Real gross domestic product, the output of goods and services produced by labor and property located in the United States, increased at an annual rate of 3.8 percent in the fourth quarter of 2004, according to preliminary estimates released by the Bureau of Economic Analysis, compared to 4.0 percent in the third quarter.

This revised fourth quarter estimate is a .7% increase in the advance estimate of 3.1 percent issued last month. The major contributors to the increase were personal consumption expenditures (PCE), equipment and software, and private inventory investment.

The small deceleration in real GDP growth in the fourth quarter primarily reflected an acceleration in imports of goods and decelerations in PCE for durable goods and in exports of goods that were partly offset by an upturn in private inventory investment.



The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 2.8 percent in the fourth quarter; this index increased 1.9 percent in the third quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.9 percent in the fourth quarter, compared with an increase of 1.7 percent in the third.

COST OF LIVING

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.6 percent in February, before seasonal adjustment, according to the Bureau of Labor Statistics of the U.S. Department of Labor. The February level of 191.8 (1982-84=100) was 3.0 percent higher than in February 2004.

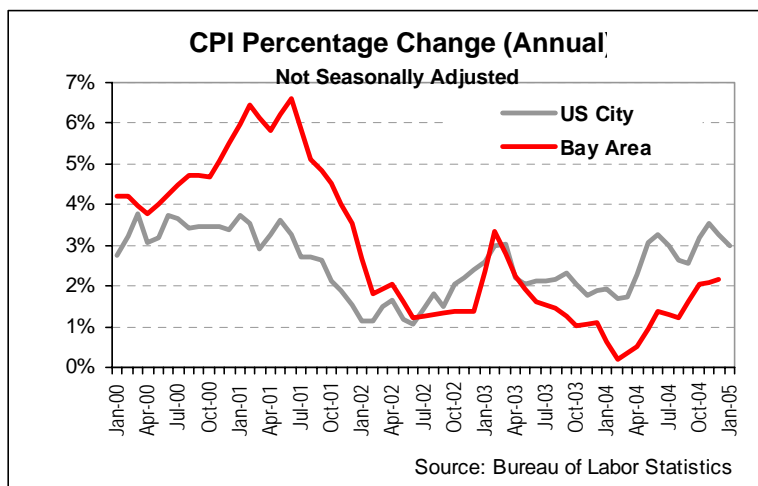
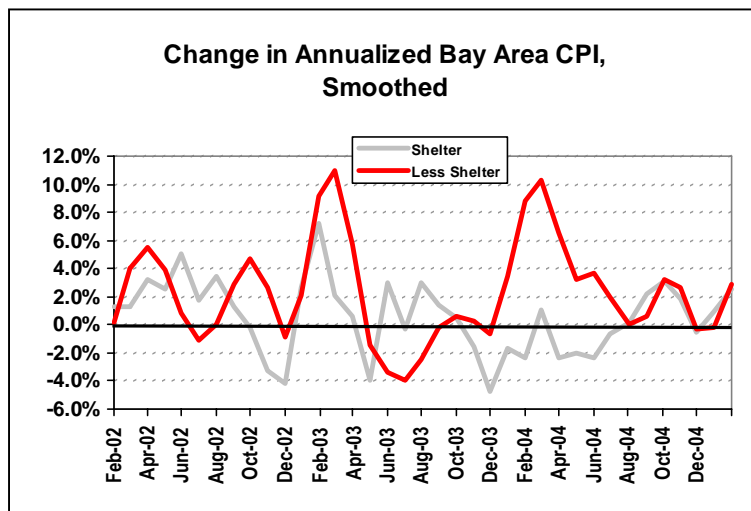
On a seasonally adjusted basis, the CPI-U advanced 0.4 percent in February, following a 0.1 percent increase in January.

The energy index, which registered substantial declines in the preceding two months, increased 2.0 percent in February, accounting for virtually all the acceleration in the overall CPI-U. Within energy, the index for petroleum-based energy increased 3.1 percent and the index for energy services rose 0.8 percent.

The food index increased 0.1 percent in February, the same as in January. A 0.2 percent decrease in the index for food at home was more than offset by a 0.3 percent increase in the index for food away from home. Larger increases in the indexes for shelter and medical care more than offset a smaller rise in the index for new vehicles and a decline in the index for apparel.

In the Bay Area, Annualized CPI data (smoothed) for Shelter continued to increase from a low point of -.5% in December 2004 to an annualized rate of only 1% in January and 2.6% in February 2005. Meanwhile "All Items Less Shelter" almost matched that with increases from -.3% in December 2004 to .2% in January and 2.9% in December.

(Note: Bay Area CPI Data is only available for the even months, so we have averaged the preceding and following odd months data to provide continuous data.)



WORKFORCE AND UNEMPLOYMENT

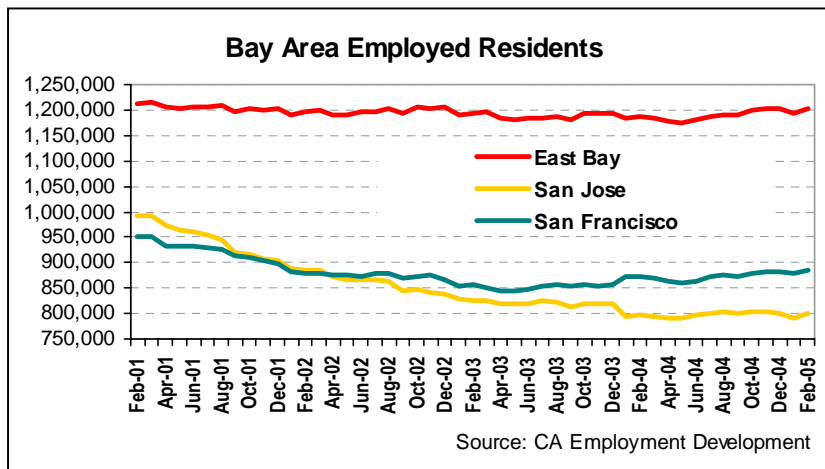
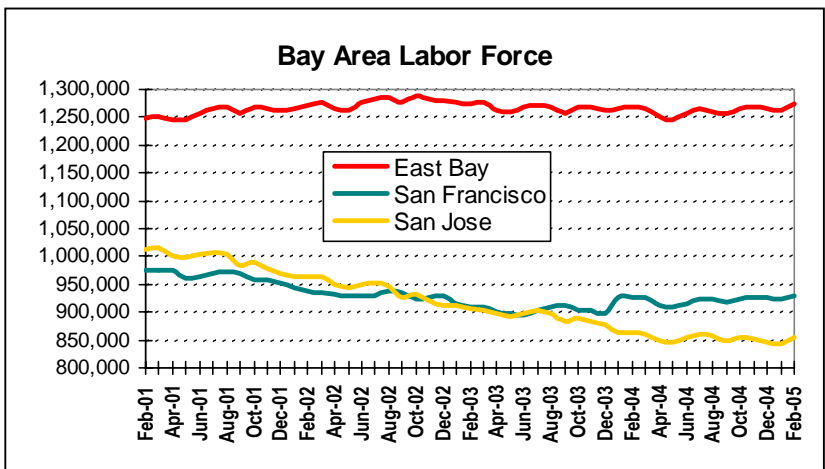
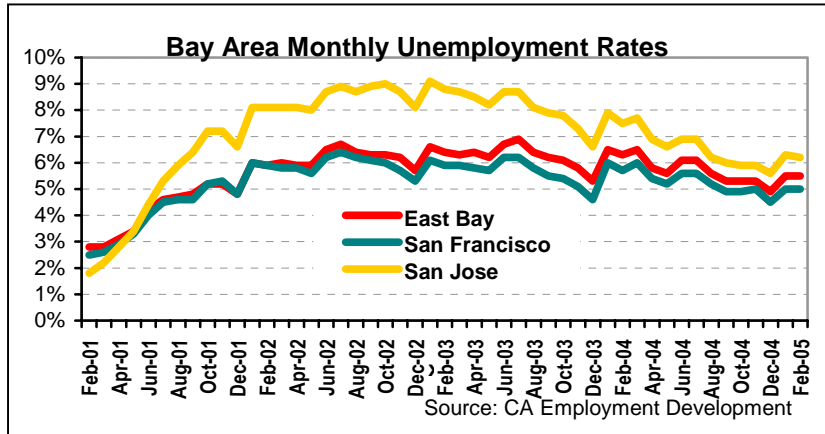
The State of California has implemented major changes in labor force data methodology beginning with State and area estimates for January 2005. Because of this revision process, historical labor force data before January 2004 in all three of the indicators in this section is not currently comparable with the new data. That accounts for the significant increase in the Bay Area unemployment rates between December 2003 and January 2004.

The unemployment rate in the East Bay dipped to 4.9% in December 2004, and increased to 5.5% in January and February 2005. This is still well below California's 6.1% and 5.8% for the nation. In Alameda County, the unemployment rate in February 2005 was 5.7% and only 5.3% in Contra Costa County.

San Francisco's unemployment rate also remained the same for January and February at 5% while San Jose's decreased slightly from 6.3% to 6.2%.

This despite increases in the East Bay's and San Francisco's labor force of 1,100 and 6,900 in the last month, respectively, while San Jose added 9,900.

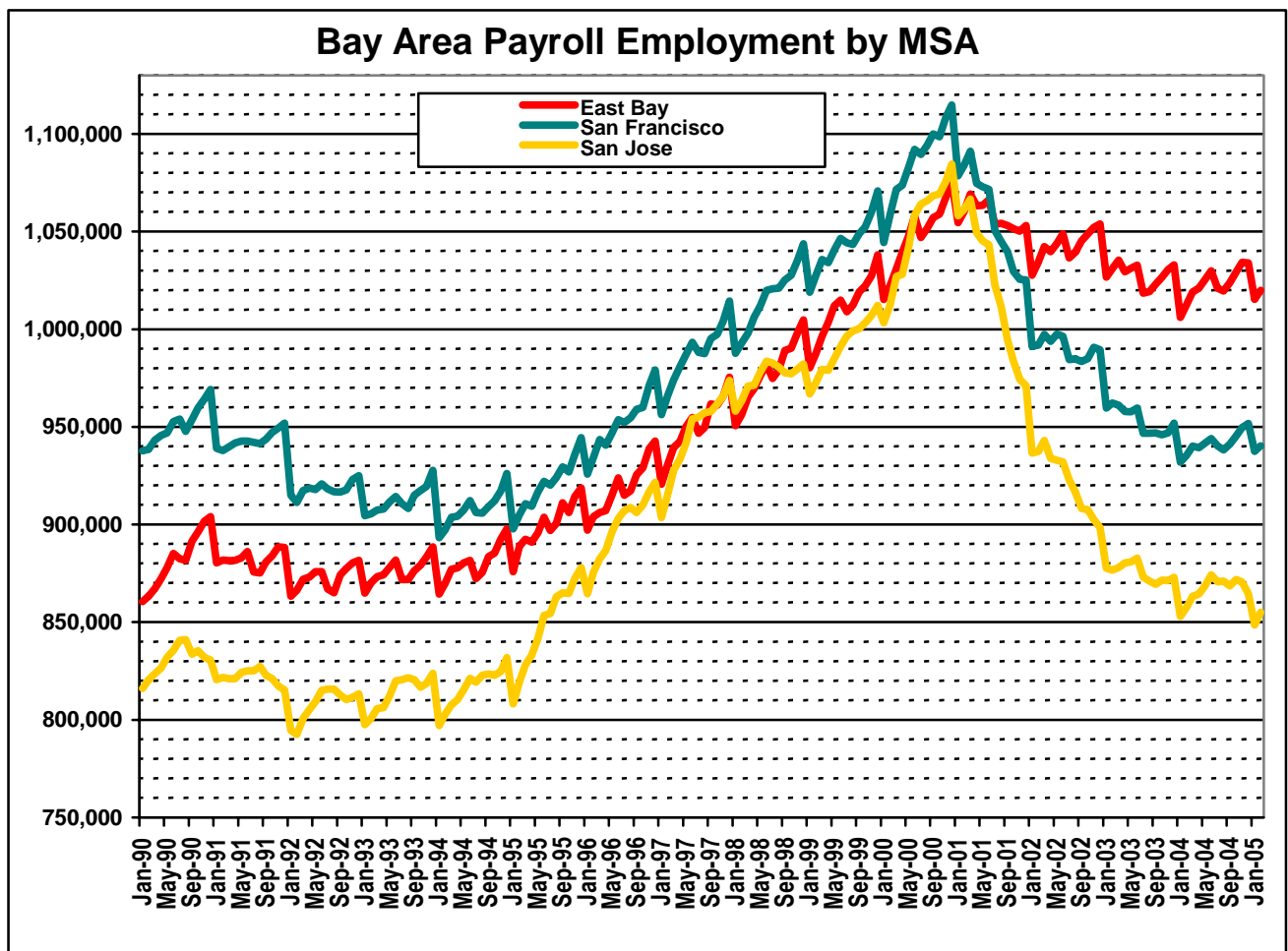
Meanwhile, the number of employed residents in the East Bay increased by 10,700, while 6,700 more in San Francisco and 9,400 in San Jose were employed.



EAST BAY PAYROLL EMPLOYMENT BY SECTOR

Payroll employment, the number of jobs within a region, rose in the East Bay by 4,500 to reach 1,019,900 in February 2005.

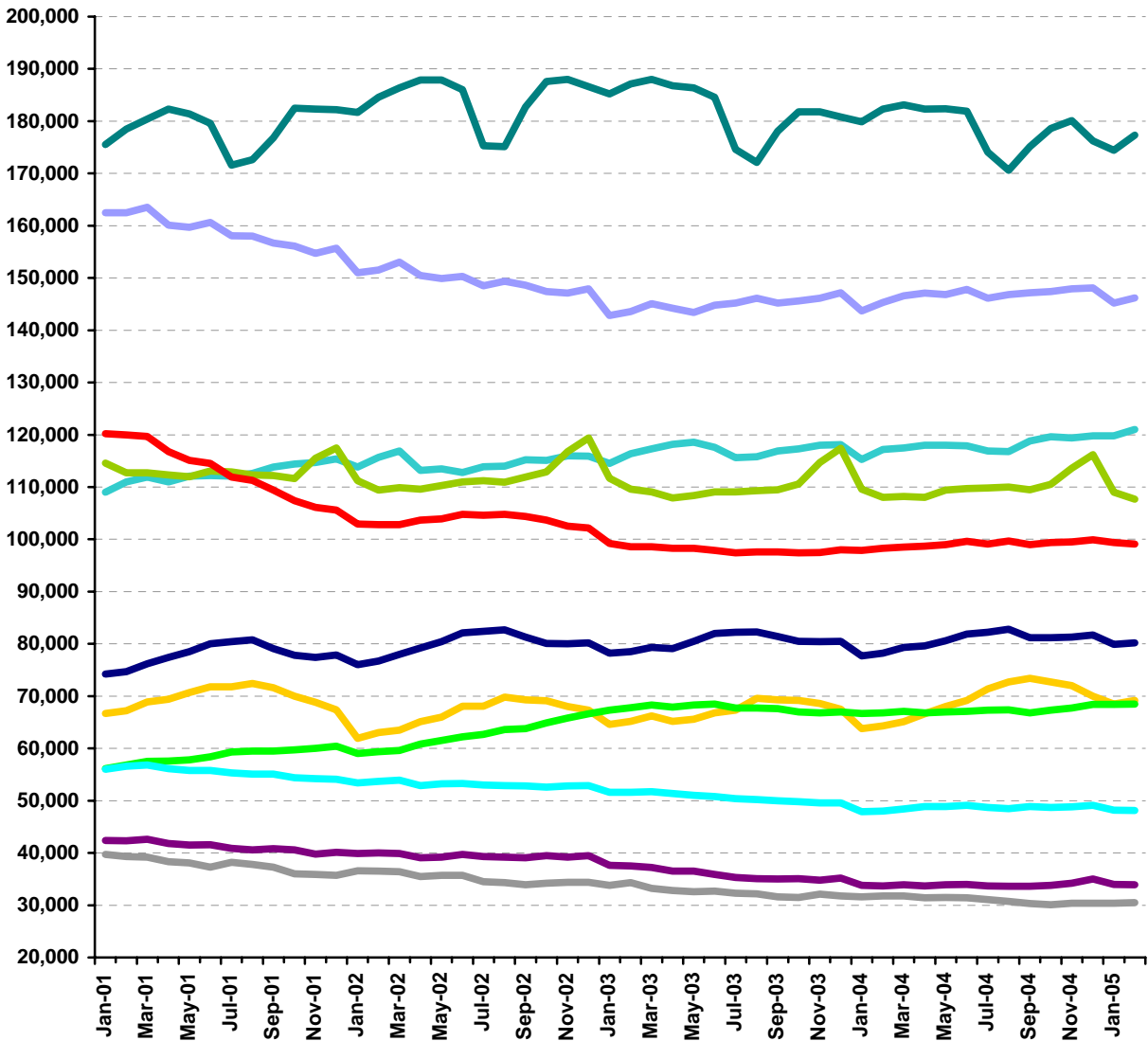
Between February 2004 and February 2005, the East Bay added 7,300 jobs, San Francisco added 4,900 while San Jose lost 2,600.



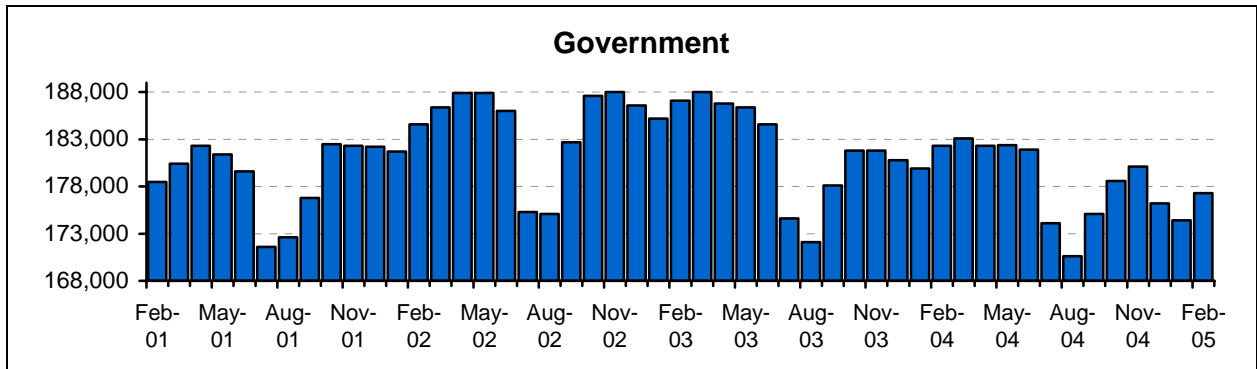
The East Bay added 4,500 jobs between January 2005 and February 2005 to reach a total of 1,019,900, due primarily to seasonal changes.

Over the last year (February 2004 to February 2005), the East Bay added 7,300 jobs, a 0.7% increase.

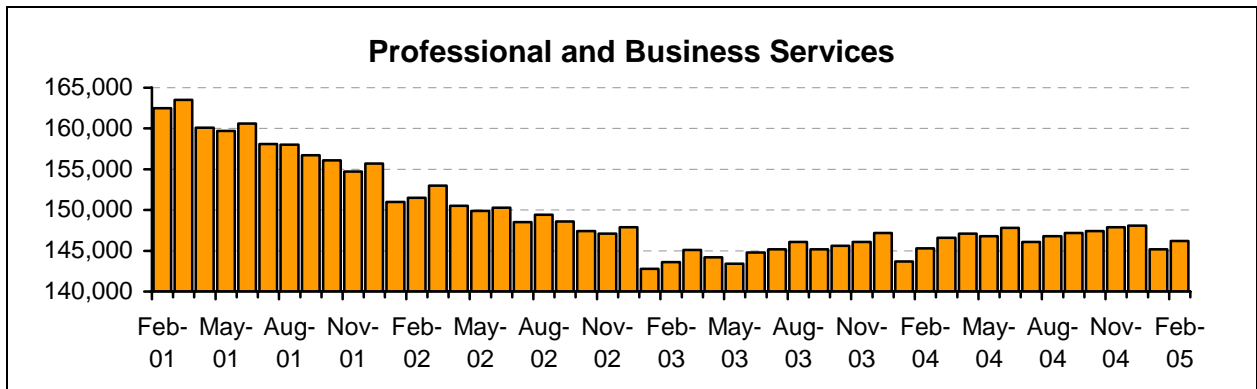
East Bay Sector Employment Summary



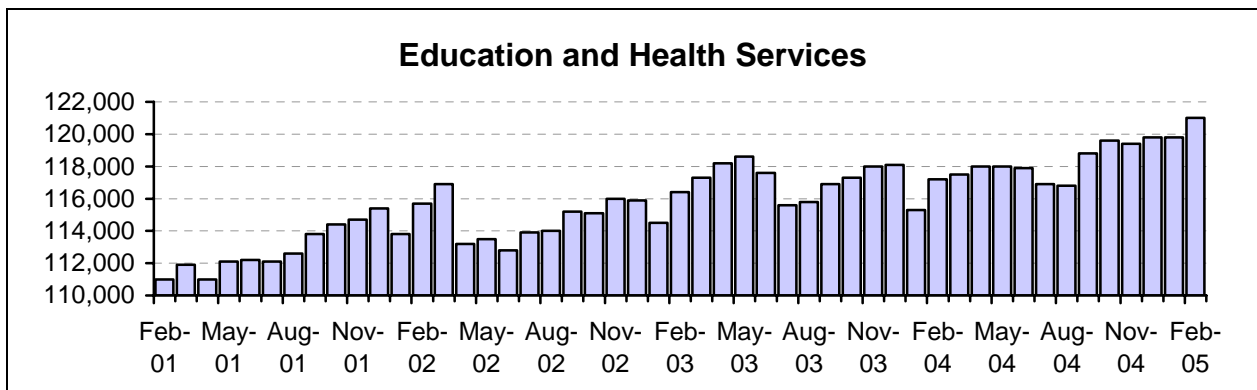
Source: CA Employment Development



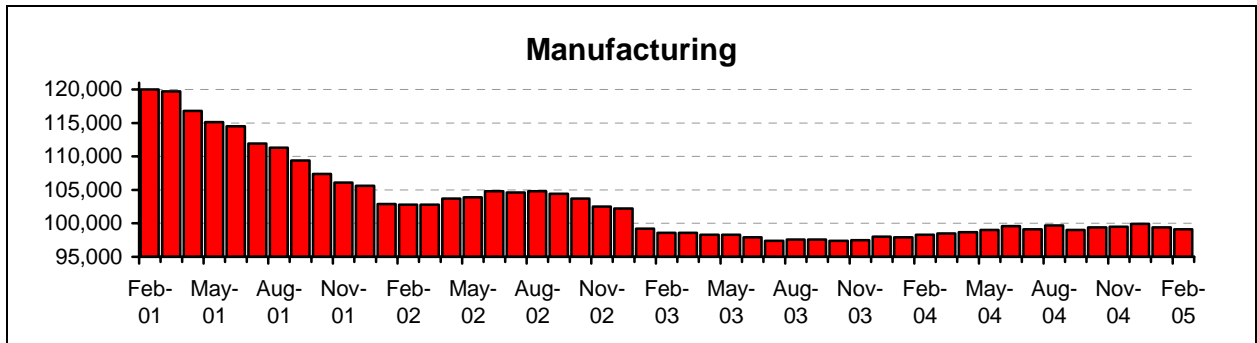
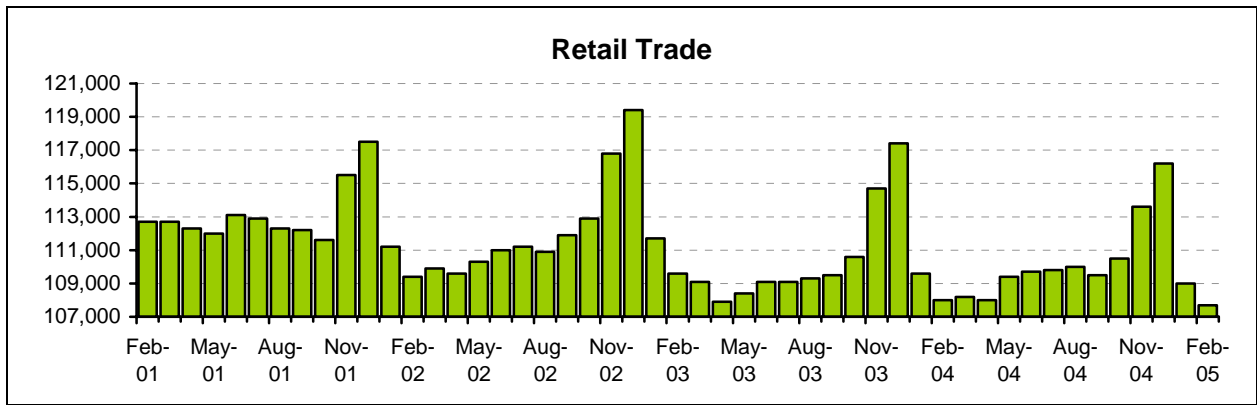
Government employment continued its decline to 177,300, a loss of 5,000 jobs over the last year and 10,700 below the highpoint of 188,000 in November 2002. Local, state and federal government payrolls all reporting losses



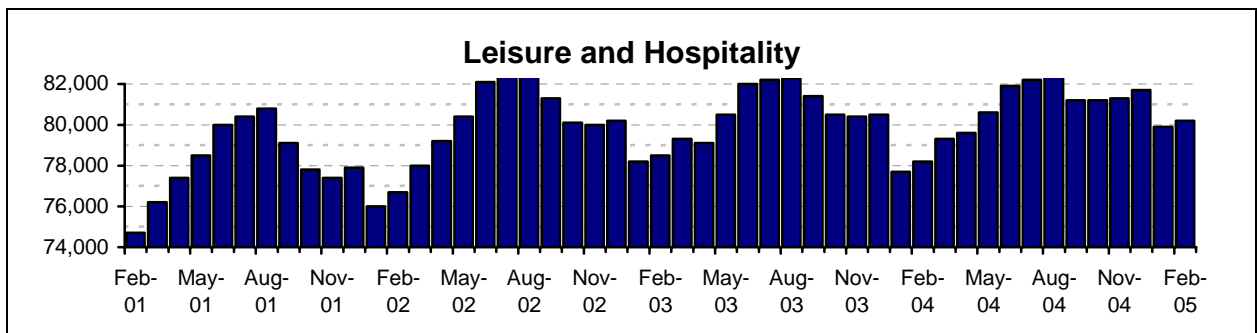
The professional and business services industries sector continued its recovery with 1,000 jobs added in the last month and a net of 900 since February 2004.



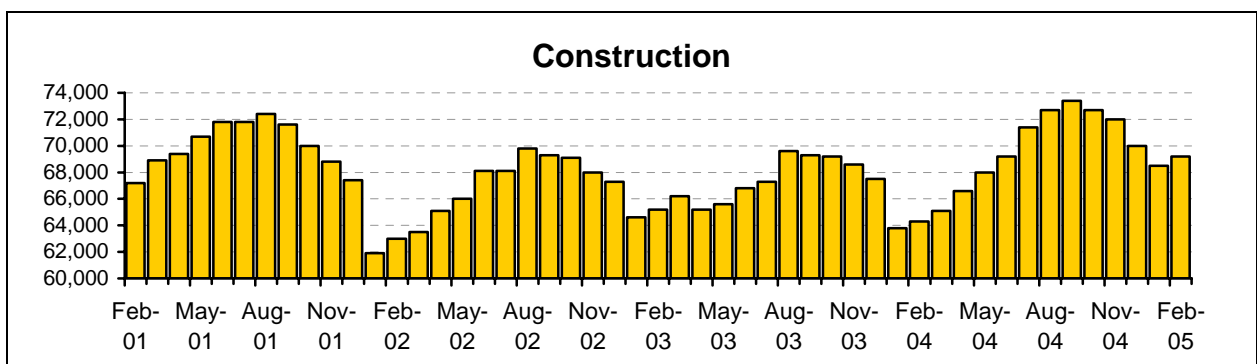
Educational and health services added 3,800 jobs, - 2,900 in health care and social services and 900 (4.9 percent) in private educational services.



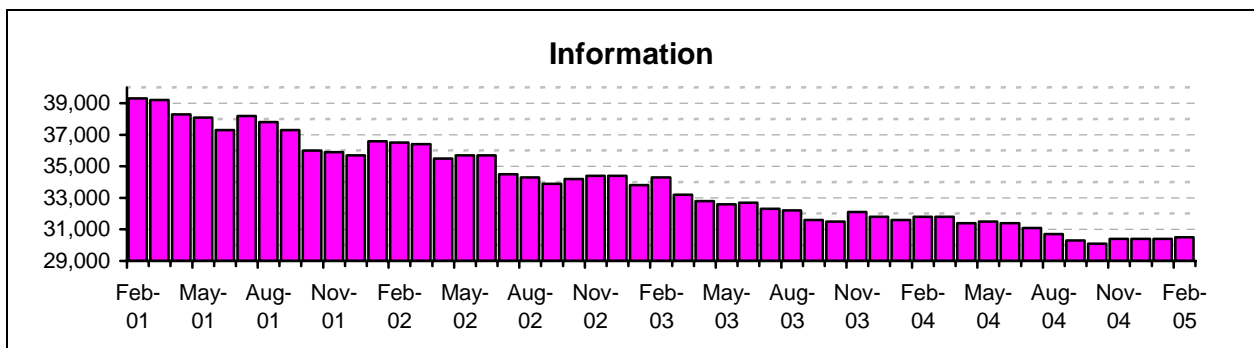
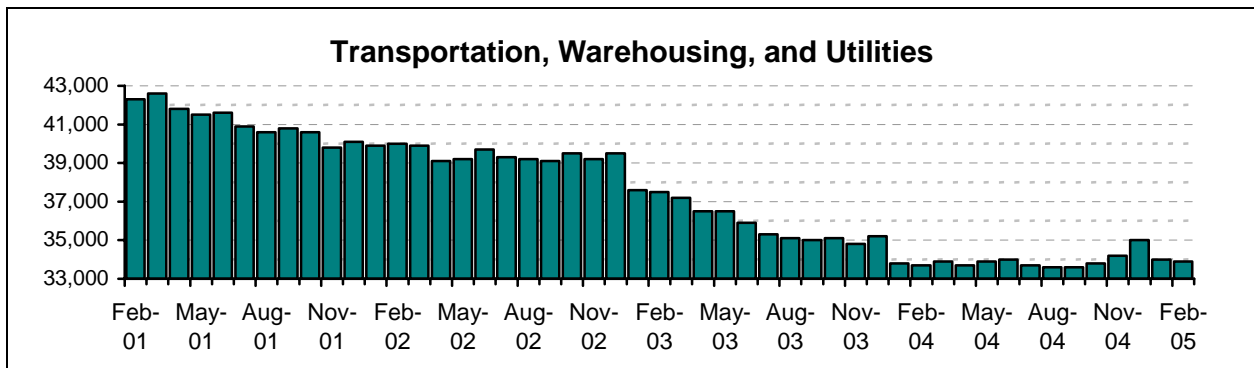
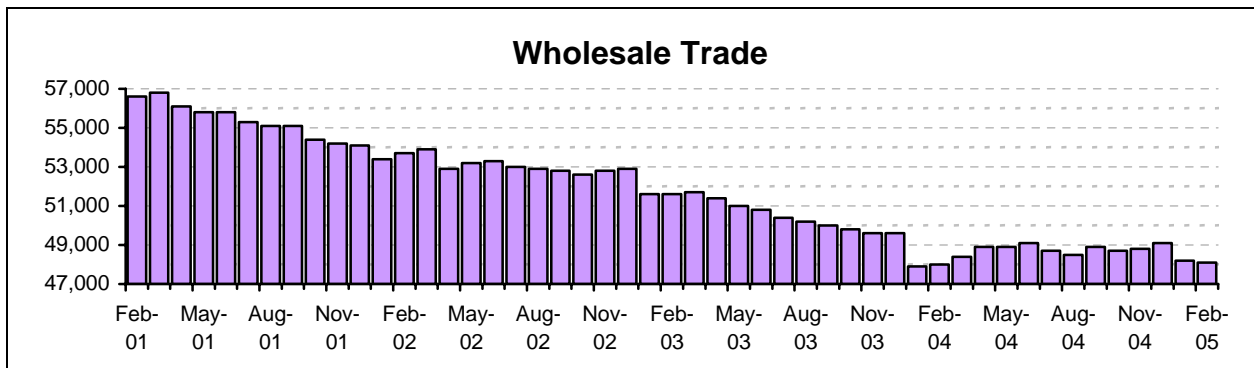
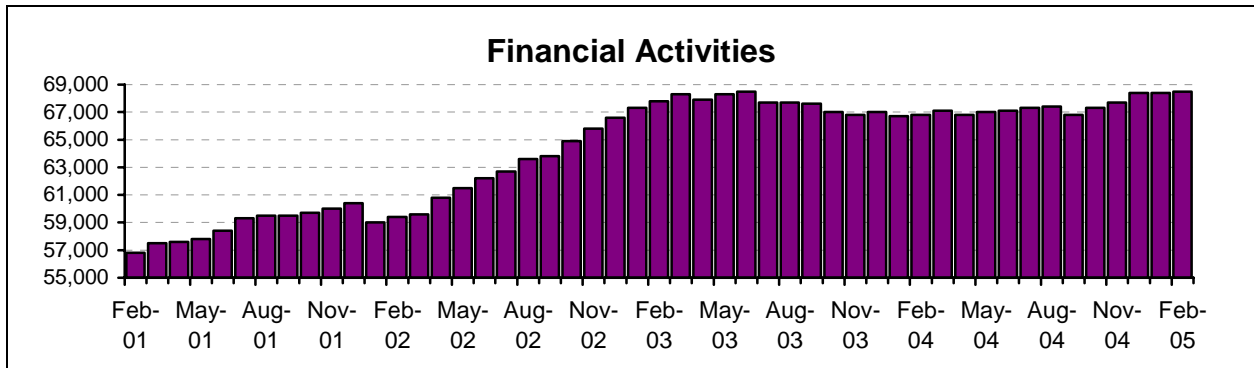
Manufacturing added 800 jobs over the year to reach 99,100, an increase of 1,700 jobs from the low point of 97,400 in October 2003, but 20,900 below the 120,000 jobs it provided in February 2001.



Leisure and hospitality industry added 2,000 jobs from February 2004 to February 2005 gains and 300 during the last month.



Residential construction helped support the construction industry's gain of 4,900 jobs and 1,700 in related financial activities over the last year



The information industry at 30,500 employees continued its decline (down 1,300 over the year) and 9,700 below its high of 40,200 in June of 2000.

HOUSING

Home prices in the Bay Area moved up to a new peak last month, as sales stayed at near-record levels, according to DataQuick Information Systems. A total of 7,463 new and resale houses and condos were sold in the nine-county region in February. That was down 0.6 percent from 7,509 for the previous month, and up 0.7 percent from 7,412 for February last year,

All Homes	No Sold	Pct.	Median	Pct.
	5-Feb	Chg	5-Feb	Chg
Alameda	1,422	-5.00%	\$512K	19.30%
Contra Costa	1,456	-0.60%	\$488K	21.10%
San Francisco	475	-2.10%	\$699K	21.60%
Santa Clara	1,882	0.90%	\$579K	18.20%

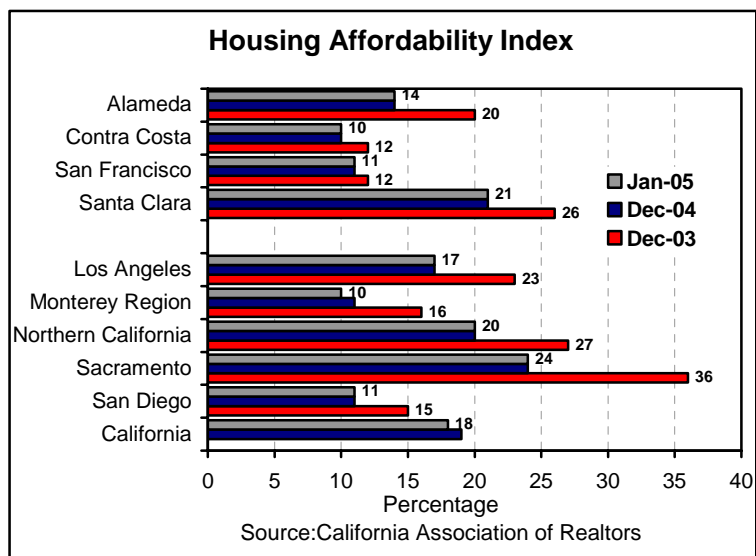
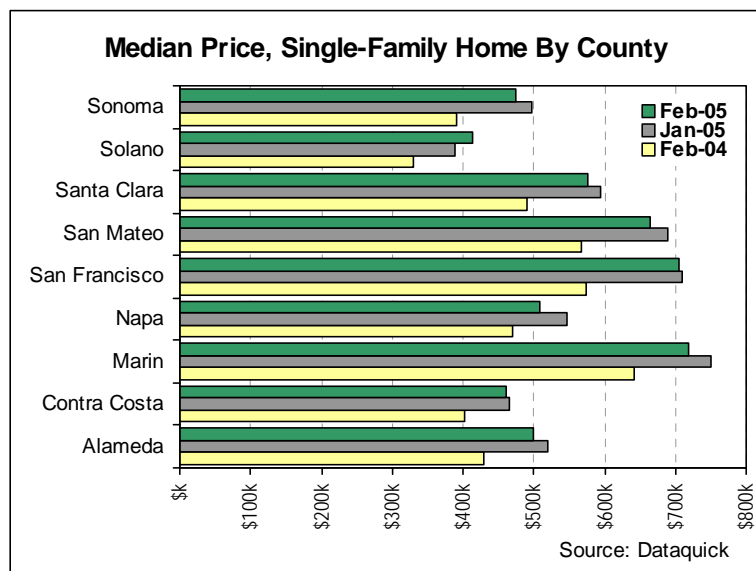
Source: DataQuick

The median price of an existing home in California in February increased 20.4 percent to \$471,620 and sales increased 3.2 percent compared with the same period a year ago.

However, the February 2005 median price decreased 2.9 percent compared with January's \$485,700 median price.

According to the California Association of Realtor's (C.A.R.) monthly housing affordability index, which measures the percentage of households that can afford to purchase a median-priced home in California, the percentage of households in California able to afford a median-priced home stood at 18% in January 2005.

This was a 5 percentage-point decrease compared with the same period a year ago when the Index was at 23%, and a 1 percentage-point decrease from December 2004.



The minimum household income needed to purchase a median-priced home at \$485,700 in California in January was \$113,340, based on an average effective mortgage interest rate of 5.78% and assuming a 20% down payment. The minimum household income needed to purchase a median-priced home was up from \$93,720 in January 2004, when the median price of a home was \$404,460 and the prevailing interest rate was 5.7%.

The minimum household income needed to purchase a median-priced home at \$189,000 in the U.S. in January 2005 was \$44,100.

Both Contra Costa and Alameda County's Index remained unchanged from the previous month at 10% and 14% respectively.

The High Desert region was the most affordable C.A.R. region in the state at 39%, followed by the Sacramento region at 24%. The Santa Barbara region was the least affordable in the state at 7%, followed by the Monterey and Palm Springs/Lower Desert regions at 10%.

Statewide, the 10 cities and communities with the greatest median home price increases in February 2005 compared with the same period a year ago were: Adelanto, 81.8%; Rohnert Park, 77%; Tehachapi, 70.1%; West Sacramento, 69.7%; Hesperia, 67.4%; Twentynine Palms, 64.2%; Union City, 63.8%; Menlo Park, 60%; Norco, 55.7%; San Bernardino, 54.5%

	January 2005	January 2004	Percent Change
Alameda County	\$500,000.00	\$415,000.00	20.50%
Alameda	\$593,000.00	\$507,500.00	16.80%
Albany	\$500,000.00	\$337,500.00	48.10%
Berkeley	\$485,000.00	\$496,750.00	-2.40%
Castro Valley	\$558,000.00	\$449,500.00	24.10%
Dublin	\$580,000.00	\$453,500.00	27.90%
Emeryville	\$385,000.00	\$310,000.00	24.20%
Fremont	\$565,000.00	\$455,000.00	24.20%
Hayward	\$466,500.00	\$393,500.00	18.60%
Livermore	\$545,000.00	\$453,000.00	20.30%
Newark	\$495,000.00	\$407,000.00	21.60%
Oakland	\$390,000.00	\$335,000.00	16.40%
Pleasanton	\$686,500.00	\$632,000.00	8.60%
San Leandro	\$500,000.00	\$415,000.00	20.50%
San Lorenzo	\$485,000.00	\$370,000.00	31.10%
Union City	\$560,000.00	\$420,000.00	33.30%
Contra Costa County	\$460,000.00	\$370,000.00	24.30%
Antioch	\$424,500.00	\$335,000.00	26.70%
Brentwood	\$540,000.00	\$399,000.00	35.30%
Byron	\$572,000.00	\$469,500.00	21.80%
Concord	\$437,500.00	\$355,000.00	23.20%
Danville	\$727,500.00	\$694,000.00	4.80%
Hercules	\$529,000.00	\$326,000.00	62.30%
Martinez	\$410,000.00	\$385,000.00	6.50%
Oakley	\$422,250.00	\$318,000.00	32.80%
Pinole	\$500,000.00	\$409,250.00	22.20%
Pittsburg	\$401,500.00	\$310,000.00	29.50%
Pleasant Hill	\$506,000.00	\$429,000.00	17.90%
Richmond	\$368,500.00	\$305,000.00	20.80%
San Pablo	\$390,000.00	\$289,500.00	34.70%
San Ramon	\$717,000.00	\$615,000.00	16.60%
Walnut Creek	\$575,000.00	\$373,000.00	54.20%

Source: California Association of Realtors

HOTEL OCCUPANCY

The PKF Consulting report on hotel trends in the Bay Area for January 2005 shows improvement across the board, with the East Bay making modest improvements but still trailing the overall average in occupancy by 4% percentage points.

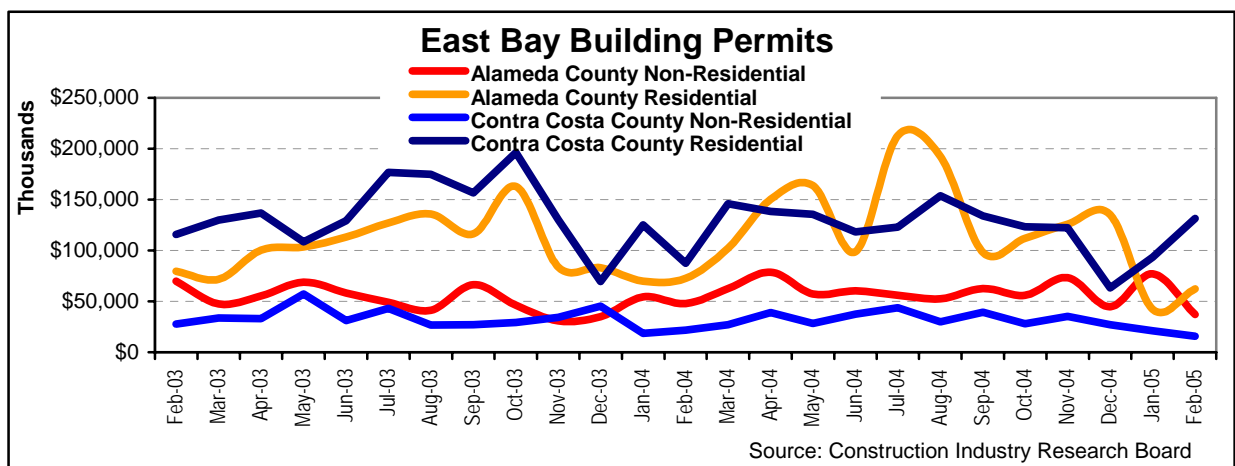
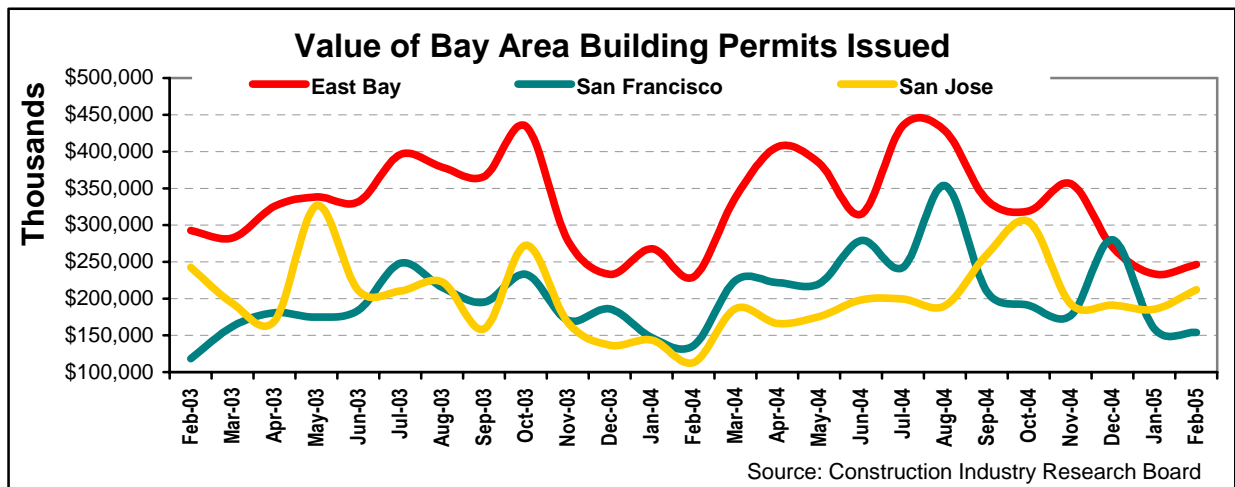
The typical U.S. hotel achieved an estimated 13.3% increase in profits in 2004 according to the **2005 P&L Forecast** published by PKF Hospitality Research (PKF-HR), and they are projecting the industry will enjoy another 14.1% boost to the bottom-line in 2005. This improved profitability is needed as it follows a three-year industry recession that saw unit-level hotel profits decline 36.2% from 2000 to 2003.

January 2005	Average Daily Room Rate			Occupancy%		
	2005	2004	% Chg	2005	2004	% Chg
San Francisco	\$139.77	\$133.75	4.50%	58.70%	54.50%	7.60%
San Francisco Airport	112.58	95.7	17.60%	59.60%	57.30%	4.00%
San Jose/Peninsula	109.47	104.14	5.10%	57.90%	55.60%	4.20%
Oakland/East Bay	99.65	96.71	3.00%	53.60%	51.80%	3.60%
Monterey/Carmel	162.83	155.26	4.90%	51.50%	48.80%	5.60%
Central Valley	62.58	60.77	3.00%	57.70%	58.60%	-1.60%
Sacramento	91.92	87.33	5.30%	64.80%	62.80%	3.20%
Marin County	118.07	115.94	1.80%	59.20%	50.70%	16.70%
Napa/Sonoma Counties	97.97	91.18	7.50%	49.60%	45.20%	9.70%
Other Northern California	99.43	102.79	-3.30%	56.20%	54.20%	3.70%
Overall Average	\$111.21	\$105.01	5.90%	57.60%	55.10%	4.50%

Source: PKF Consulting

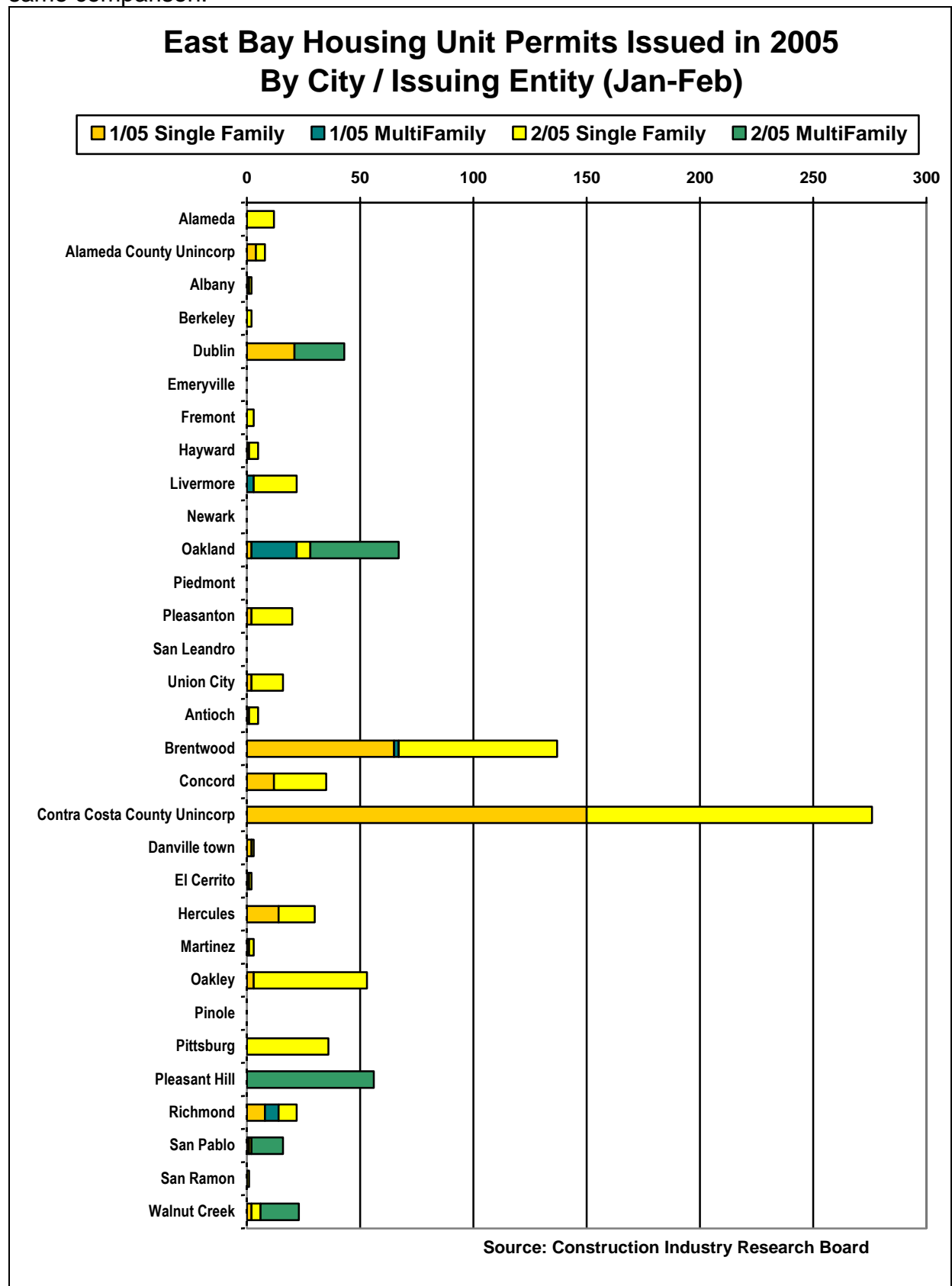
CONSTRUCTION PERMITS

Over the last two years, the East Bay has averaged almost \$122 million a month more in residential permits than San Jose and about \$109 million more than San Francisco.

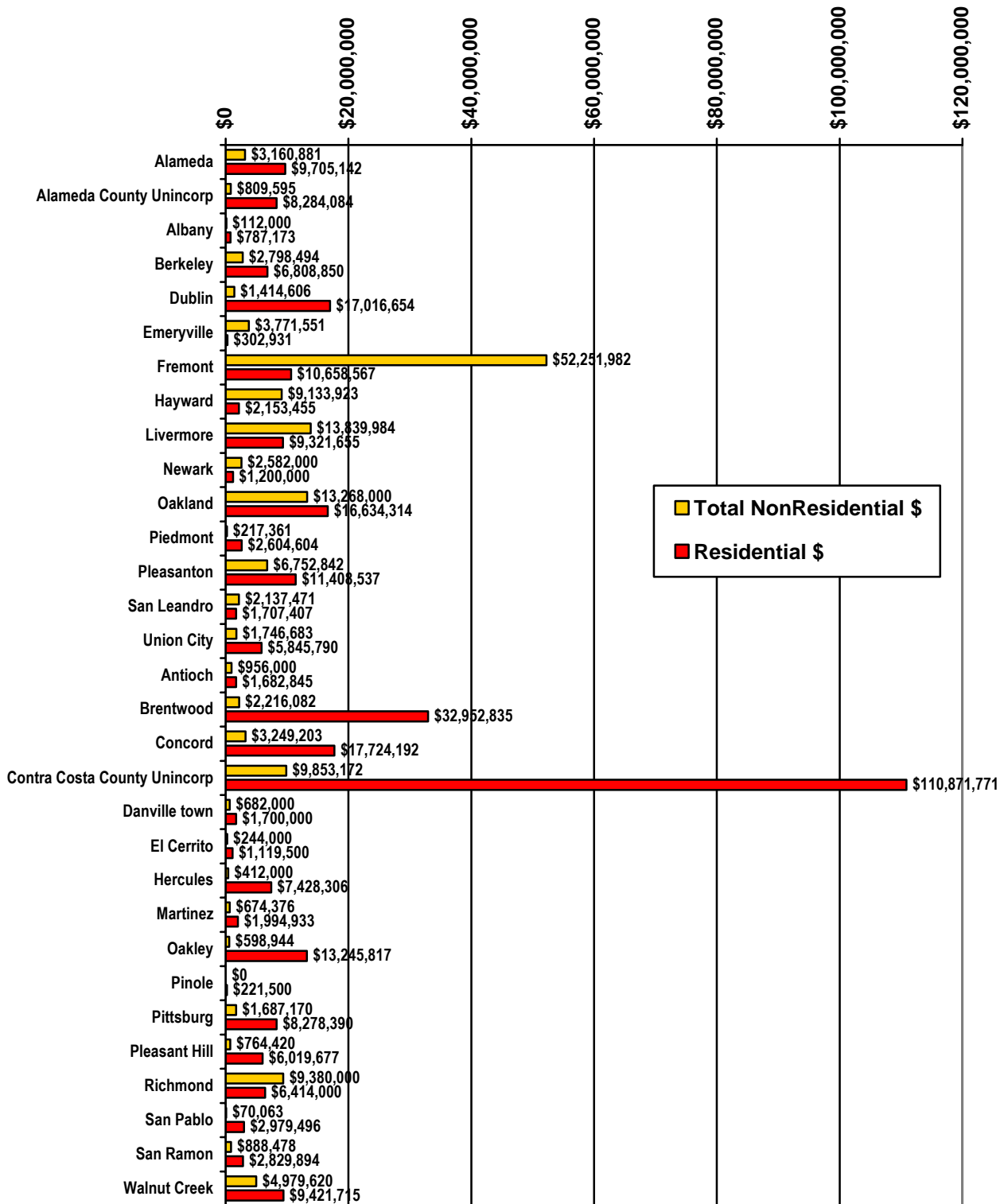


Despite the decline in permits issued in the Alameda County over the last few months, over \$4.5 million in non-residential permits and \$12.8 million in residential permits were issued during the last 12 months than were issued in the previous 12.

Contra Costa County has not been as fortunate, as it experienced a decline of \$4.7 million in non-residential and a \$23.7 million decline in residential permits using the same comparison.



\$ Value of East Bay Permits Issued in 2005 By City / Issuing Entity



Source: Construction Industry Research Board