EAST BAY AUGUST 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' Real Gross Domestic Product (GDP) advanced estimate for the 2nd quarter of 2004 is a 3.0% annual-rate increase. The Bureau revised its 1st quarter estimate to a 4.5% increase.

The slower estimate in GDP growth was mainly accounted for by decelerations in consumer spending (especially for food and clothing) and, to a lesser extent, in inventory investment.

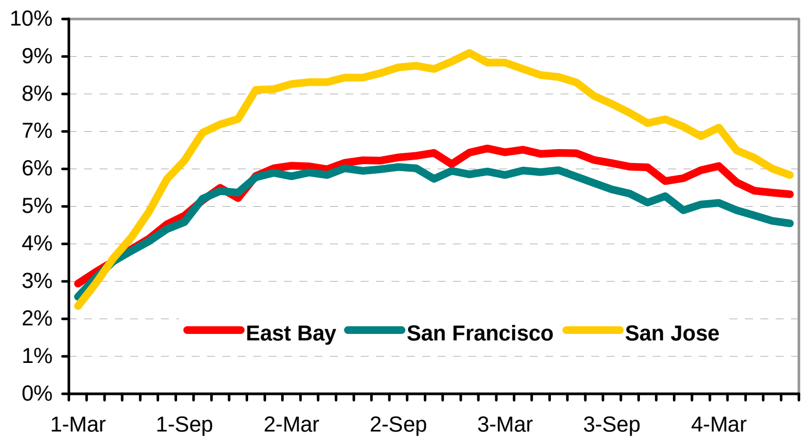
In contrast to the slowdowns in consumer spending and inventory investment:

- Residential investment accelerated on the strength of house sales;
- Business investment accelerated, partly on the strength of aircraft and computer purchases; and
- Exports accelerated, as most categories of both goods and services were stronger than in the first quarter.

For more information go to http://bea.gov/bea/dn/home/gdp.htm.

EMPLOYMENT AND UNEMPLOYMENT

Note: All numbers are **seasonally adjusted** using UCLA Anderson Forecast data. March 2001 data is used as a reference point for the peak in employment that was reached before the recession started.



Payroll Employment

MSA	Mar-01	Jan-04	Jul-04	Change 3/01-7/04
East Bay	1,068,400	1,019,300	1,025,800	-3.99%
San Francisco	1,090,500	945,000	951,900	-12.71%
San Jose	1,047,000	840,300	842,000	-19.58%

Unemployment

MSA	Mar-01	Jan-04	Jul-04	Change 3/01-7/04
East Bay	2.9%	**5.8%**	5.3%	2.4%
San Francisco	2.6%	**4.9%**	4.5%	2.0%
San Jose	2.3%	**7.1%**	5.8%	3.5%

Bay Area monthly payroll job growth is at a high for the current year across the board. The Oakland MSA (East Bay) has added 3,500 jobs (+0.37%), San Francisco MSA 5,500 jobs (+0.55%), and San Jose MSA trailing with 2,200 jobs (+0.26%) more than June.

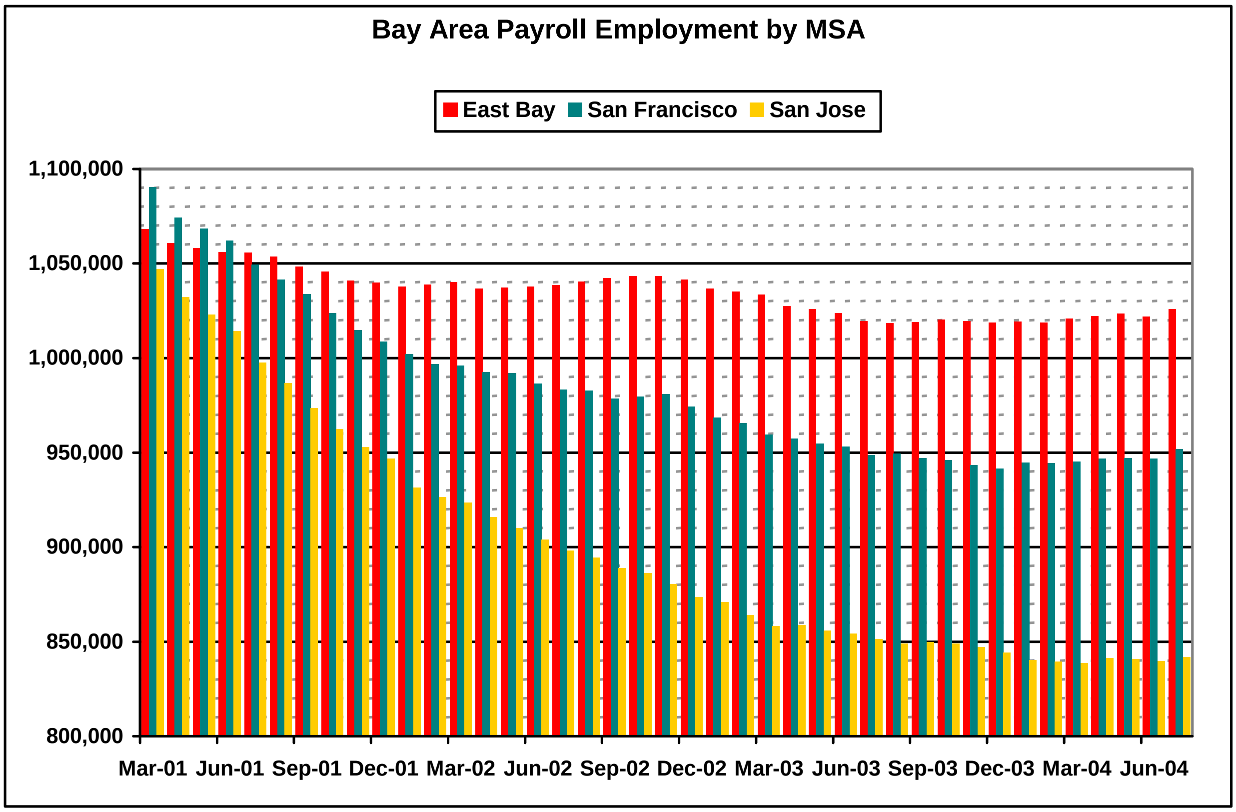
This significant job growth has been accompanied by weak decreases in the unemployment rate since last month. The East Bay has shed -.05%, San Francisco -0.15%, and San Jose -0.29%.

Upon a closer inspection of the numbers we see that while there was significant job growth in the East Bay, unemployment has not declined as much due to an increase in the overall labor force. Furthermore, it is still the case that the East Bay relies heavily on jobs outside its borders.

The number of East Bay residents employed increased by 6,100, while the number of East Bay jobs increased by 3,800. San Francisco MSA and San Jose MSA, on the other hand, created 5,200 and 2,200 jobs this July, respectively, while growing civilian employment (MSA residents employed) by 3,000 and 2,600 respectively.

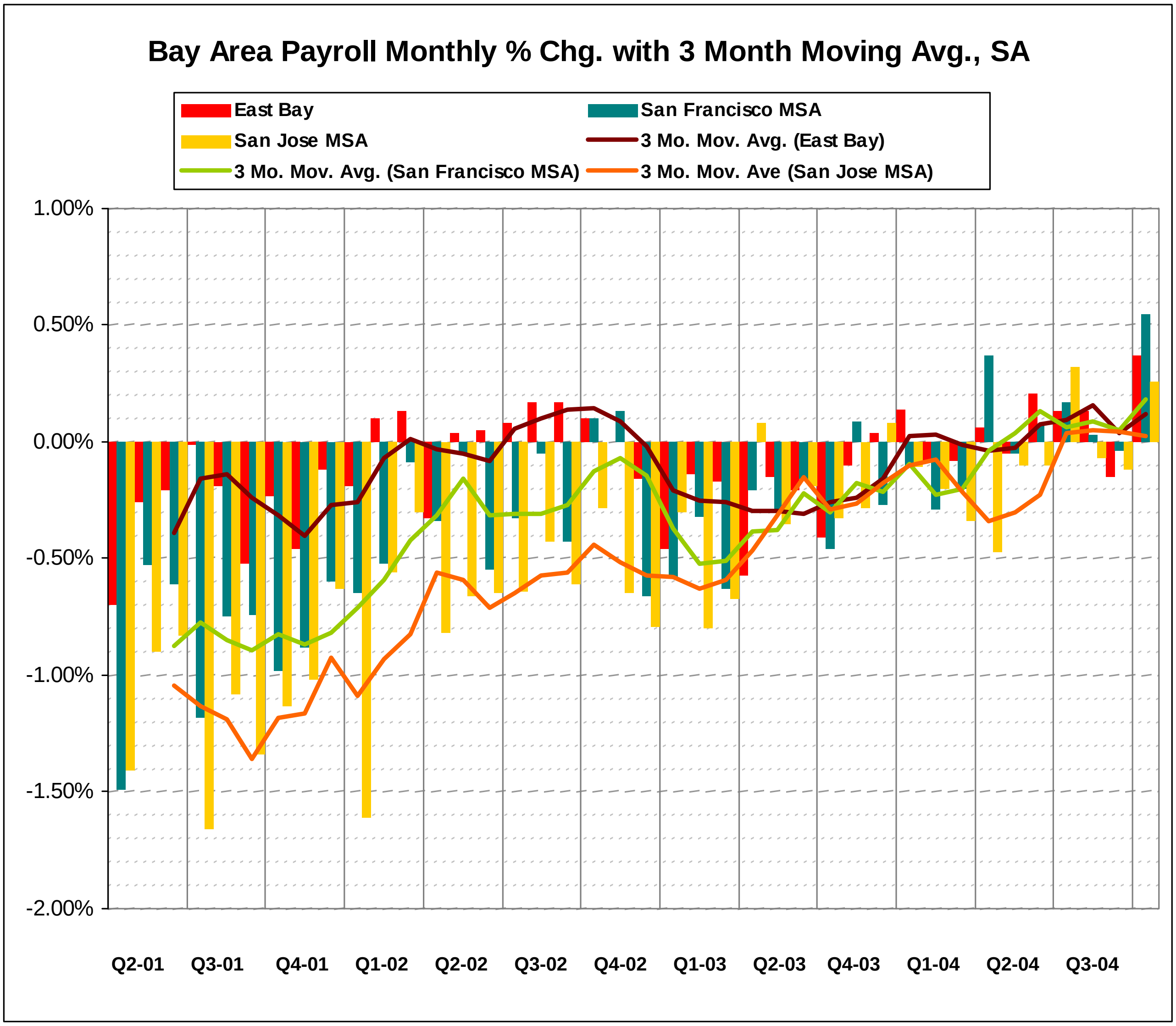
Compared to July 2003, the East Bay's unemployment rate has declined by -1.10%, having 22,400 more employed residents, while growing its labor force by 10,900. San Francisco and San Jose MSAs' unemployment rates declined by -1.25% and -2.47% from a year ago and their labor forces have shrunk. San Francisco MSA's employment grew by 8,500 (+1.00%) while its labor force declined by 2,900 (-0.32%). San Jose MSA experienced the most drastic decline in its labor force, declining by 20,900 or 2.34% of its July 2003 labor force. Since San Jose MSA only added 2,400 (+0.29%) more employed residents during this time, a large number of San Jose MSA's unemployed residents are dropping out of its labor force (or have left the area).

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 low points around the 4th quarter 2003 and 1st quarter of 2004, and then generally improving payroll employment. At their low points, San Francisco had lost approximately 149,000 jobs (Dec-03); San Jose lost 208,300 jobs (March-04); and the East Bay, 49,800 jobs (Aug-03) from the March 2001 peak. Currently payroll is on an upward trend, with the East Bay and San Francisco MSAs leading and San Jose MSA trailing at lower rates.



The following chart provides an analysis of the change in monthly payroll employment using three-month moving averages for each of the three primary Bay Area MSAs to help identify changes in the economy.

These averages, represented by the three lines, show the highest job losses in the 3rd quarter of 2001, (with wide differences between the MSAs in percentage of loss) improving until the 4th quarter of 2002 (with the East Bay actually enjoying job growth for eight months), and then all of the MSAs losing about the same percentage of jobs in 2003, with the East Bay and San Francisco moving into positive numbers in 2004 and San Jose finally obtaining positive changes in the 3rd quarter of 2004.

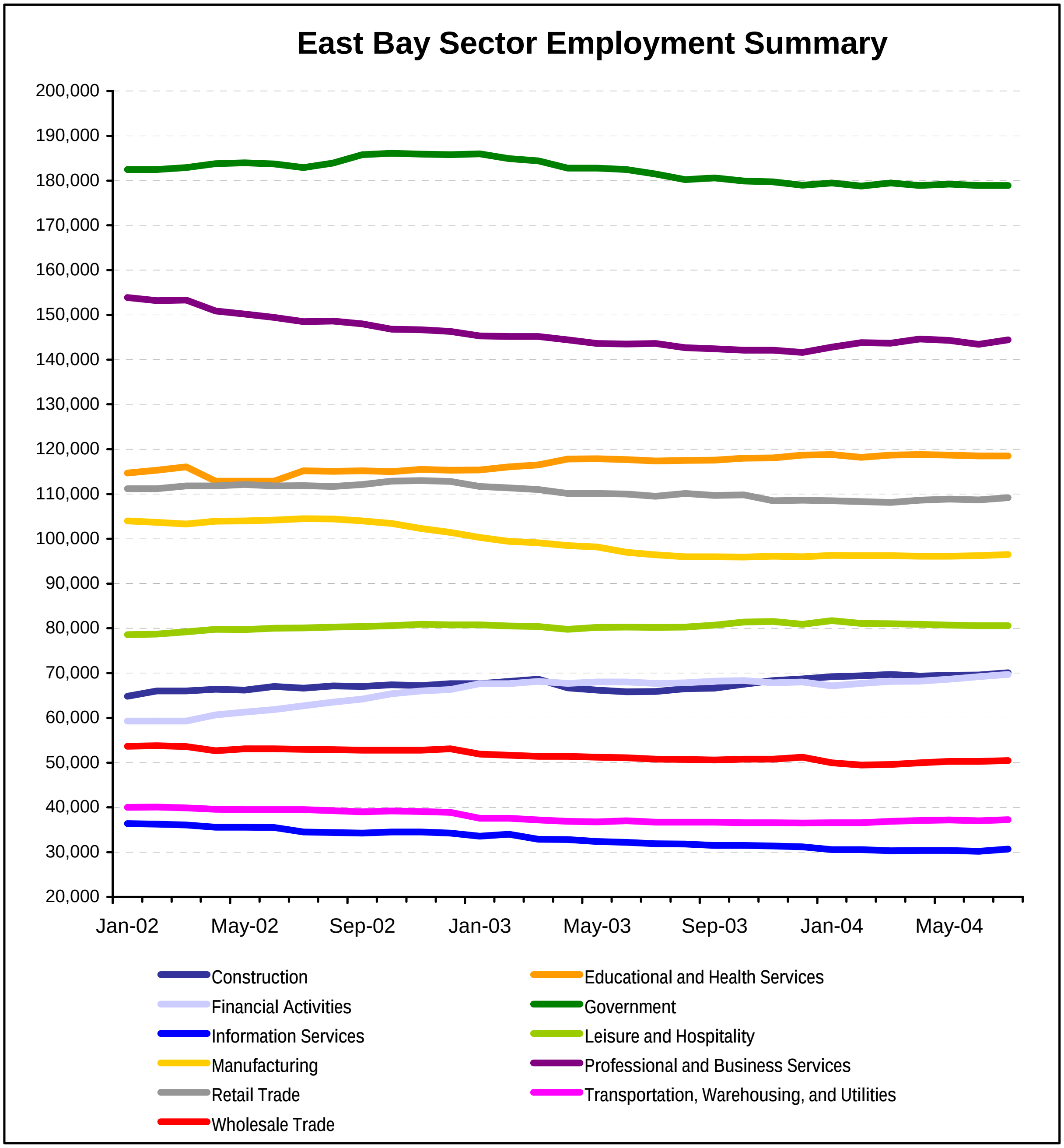


EAST BAY SECTOR EMPLOYMENT

Using seasonally adjusted data, July 2004 job numbers in eight of the eleven industry sectors improved since July 2003, resulting in a net gain of 4,800 jobs in the East Bay.

During this one-year period, the biggest gains were made in Construction (which added 4,200 jobs), Financial Activities (with 2,000 jobs), Educational and Health Services (1,100 jobs) and Professional and Business Services (with 800 jobs). The largest job losses during the same time period (since July 2003) occurred in Government, which lost 2,600, and a total of 4,000 from July 2002; and Information Services (1,200 lost in the last year and 3,800 total since July 2002).

The following chart clearly shows which employment sectors have the most jobs and their trend over the last two years.

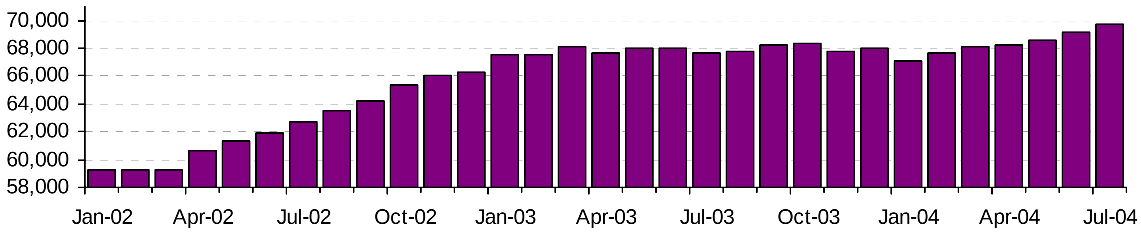


EAST BAY SECTOR EMPLOYMENT ANALYSIS

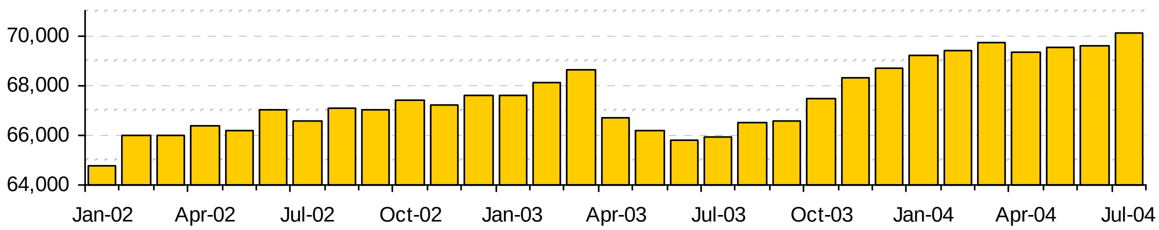
The following individual Sector charts are presented to indicate changes in monthly employment over the last two years, using Seasonally Adjusted (SA) data provided by UCLA Anderson Forecast. This is the first time we have used their SA in this analysis, so it the charts will look different from previous updates.

Financial Activities have not only generated the most jobs over the last two years, they have also maintained pretty steady growth. Construction has been strong except for the middle of 2003 and Education and Health Services overall has also done well, but 300 jobs were lost in the latter sector since January 2004. The other sector with overall improvement is Leisure and Hospitality, though it also lost jobs (1,100) since January 2004. Professional and Business Services lost 4,100 jobs since January 2002, but it has been coming back strong, gaining 800 jobs since July 2003 and 1,600 since January 2004.

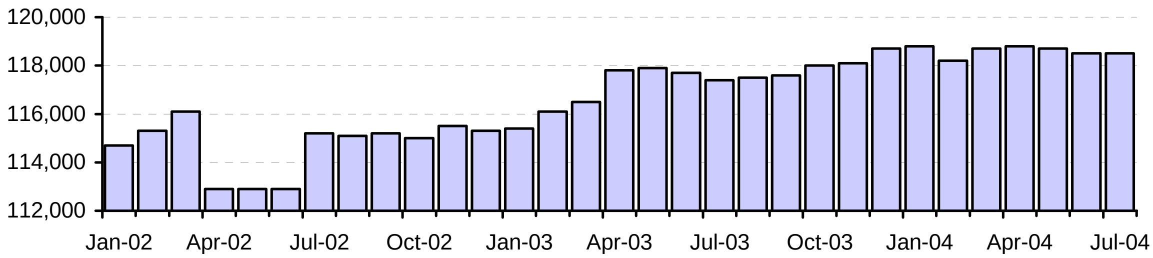
Financial Activities



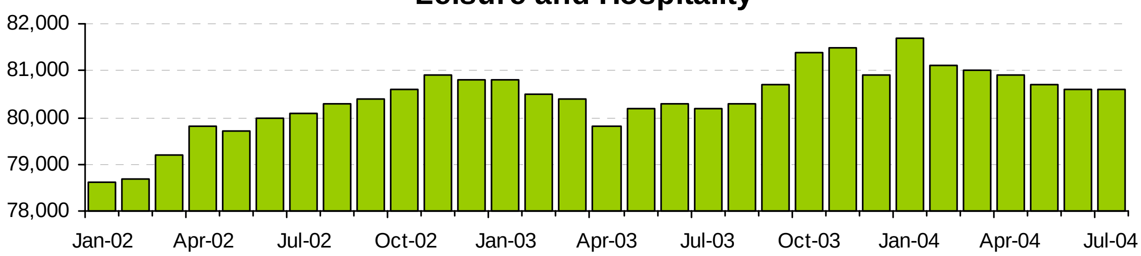
Construction



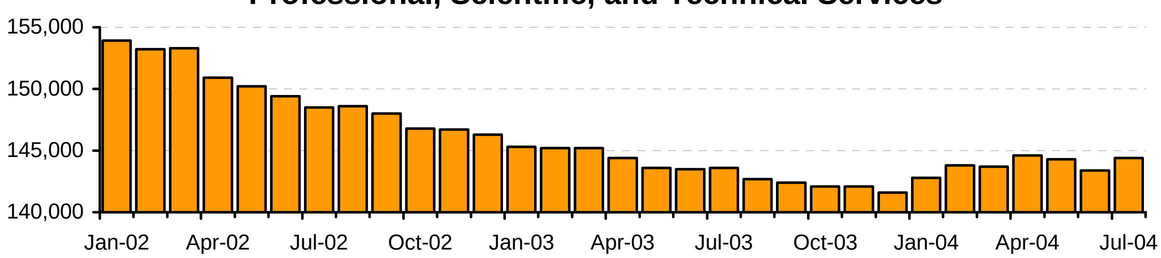
Education and Health Services

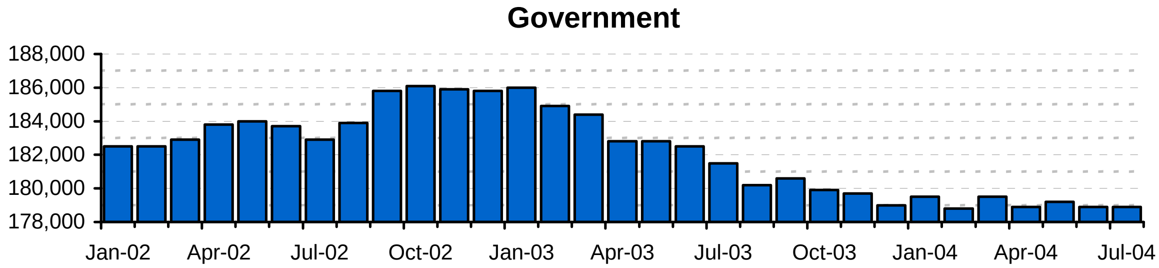


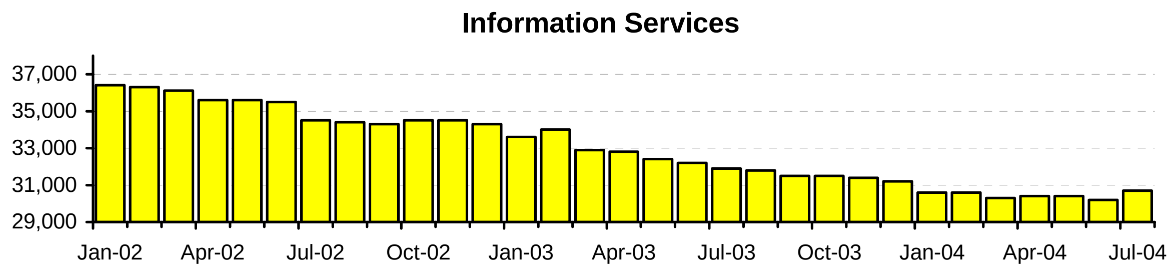
Leisure and Hospitality



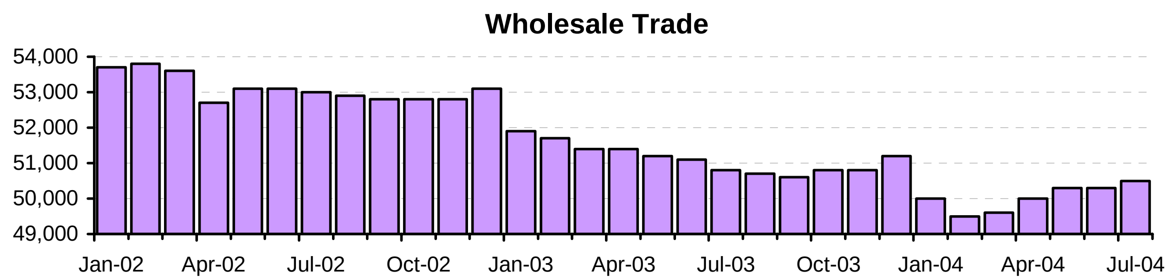
Professional, Scientific, and Technical Services

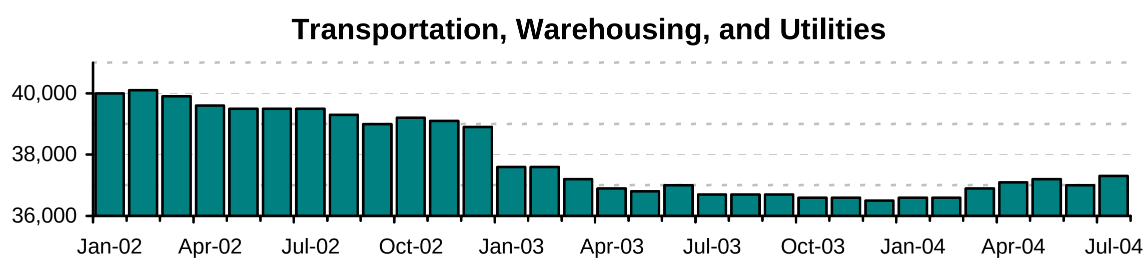


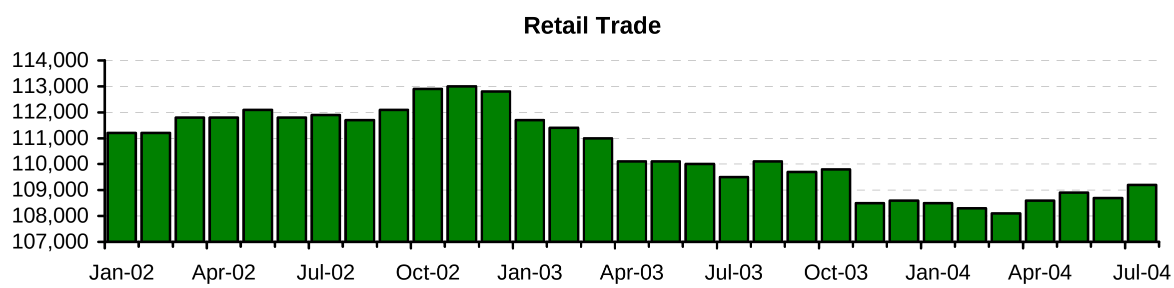

Government
188,000
186,000
184,000
182,000
180,000
178,000
Jan-02
Apr-02
Jul-02
Oct-02
Jan-03
Apr-03
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04


Information Services
37,000
35,000
33,000
31,000
29,000
Jan-02
Apr-02
Jul-02
Oct-02
Jan-03
Apr-03
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04


Manufacturing
105,000
103,000
101,000
99,000
97,000
95,000
Jan-02
Apr-02
Jul-02
Oct-02
Jan-03
Apr-03
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04


Wholesale Trade
54,000
53,000
52,000
51,000
50,000
49,000
Jan-02
Apr-02
Jul-02
Oct-02
Jan-03
Apr-03
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04

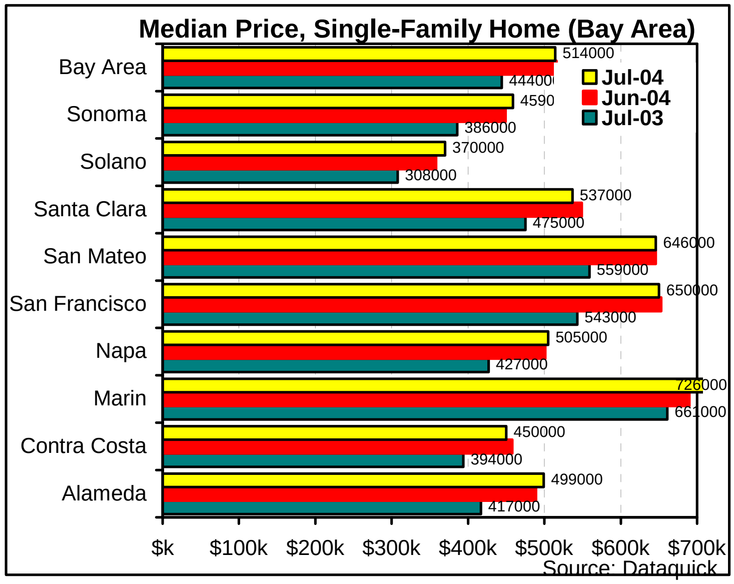

Transportation, Warehousing, and Utilities
40,000
38,000
36,000
Jan-02
Apr-02
Jul-02
Oct-02
Jan-03
Apr-03
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04


Retail Trade
114,000
113,000
112,000
111,000
110,000
109,000
108,000
107,000
Jan-02
Apr-02
Jul-02
Oct-02
Jan-03
Apr-03
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04

HOUSING

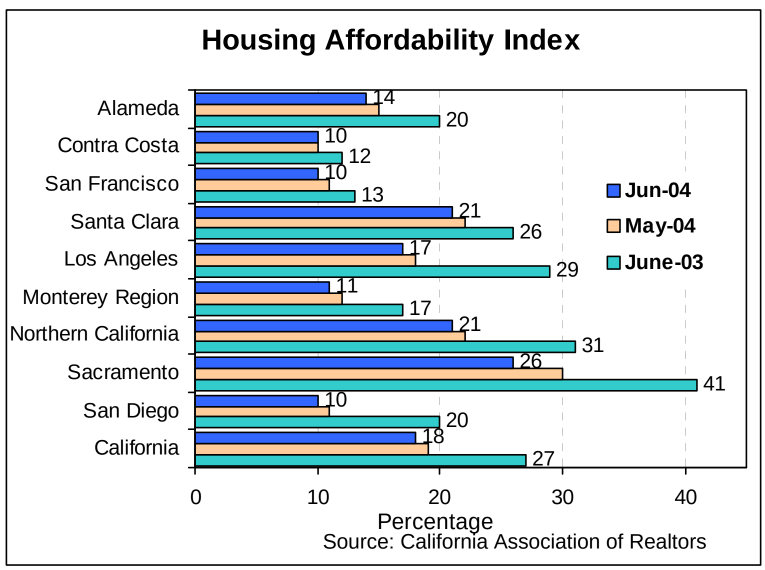
According to the California Association of Realtors (C.A.R), the median price of an existing home in California in June increased 25.3% and sales increased 10.8% compared to the same period a year ago.

C.A.R President, Ann Pettijohn, believes "The real estate market in June experienced the confluence of what is traditionally the peak selling season and consumers' responses to a changing interest rate climate. As mortgage rates began to increase, consumers' expectations of even higher rates in the future pushed many off the fence and into the market."



Median housing prices for Alameda and Contra Costa Counties continued their climb since January of this year, increasing 17.0% and 18.4% over June last year to $489,000 and $450,000 respectively. Their total gains, respectively, since January 2004 have been 17.83% and 21.62%.

C.A.R.'s monthly housing affordability index, which measures the percentage of households that can afford to purchase a median-priced home, found that the minimum household income needed to purchase a median-priced home ($469,170) in California in June 2003 was $111,690, based on an average effective mortgage interest rate of 6.01% and assuming a 20% down payment. That is significantly higher than $84,530 in June 2003, when the median price of a home was $374,540 and the prevailing interest rate was 5.40%. Higher interest rates and increasing prices



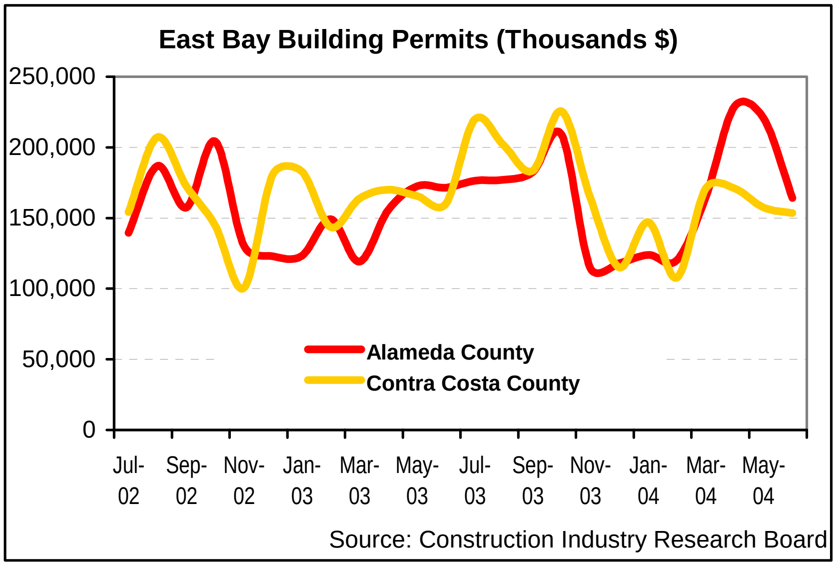
The U.S minimum household income needed to purchase a median-priced home of $191,800 in June 2004 was $45,660.

C.A.R also reported that the percentage of households in California able to afford a median-priced home stood at 18% in June, a 9% decrease compared to the same period a year ago. Alameda County's Affordability Index decreased from 20% a year ago to 14% in June 2003, while Contra Costa's decreased from 12% to 10%.

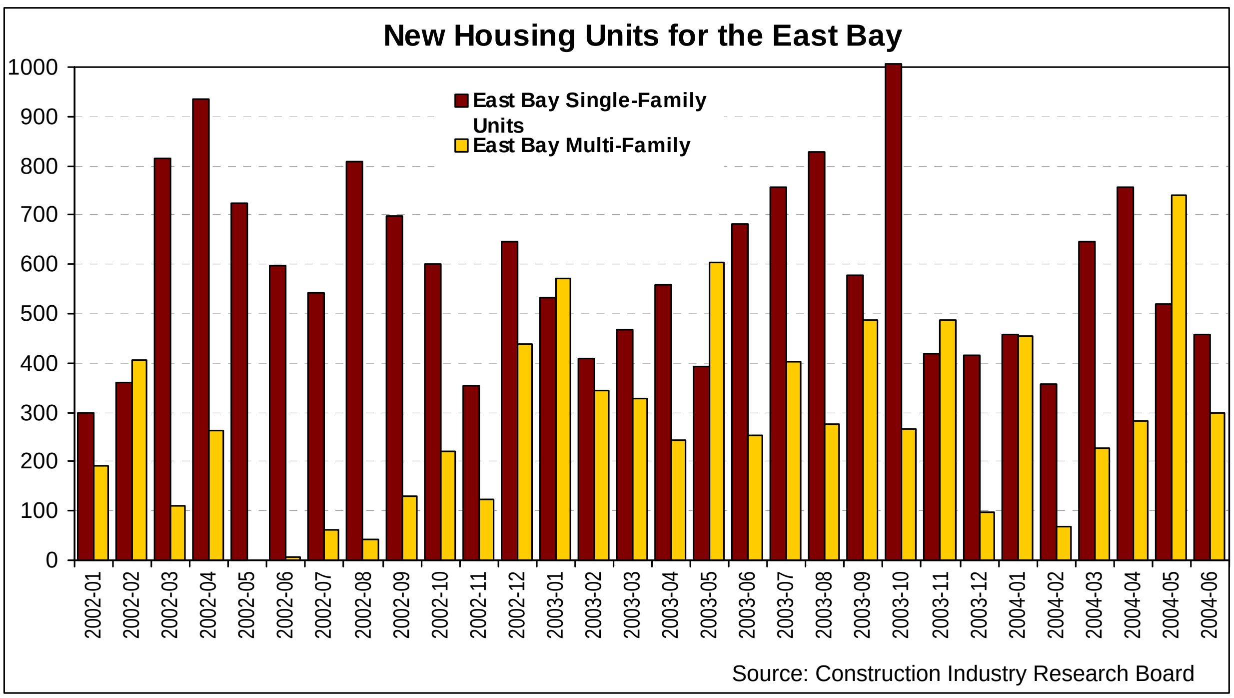
CONSTRUCTION PERMITS

East Bay building permit issuances have dipped below their previous 24-month averages, though Alameda County's was down only about $5 billion while Contra Costa County's was down over $20 billion. Perhaps more significant, the trend for Alameda County is showing about a 7% increase while Contra Costa County has decreased by about 4% over the last year.

An increasing number of multifamily permits issued in Alameda County has helped it achieve its increase, while Contra Costa County has consistently issued more single-family housing permits, reaching a peak of $196,216,000,000 in 2003.

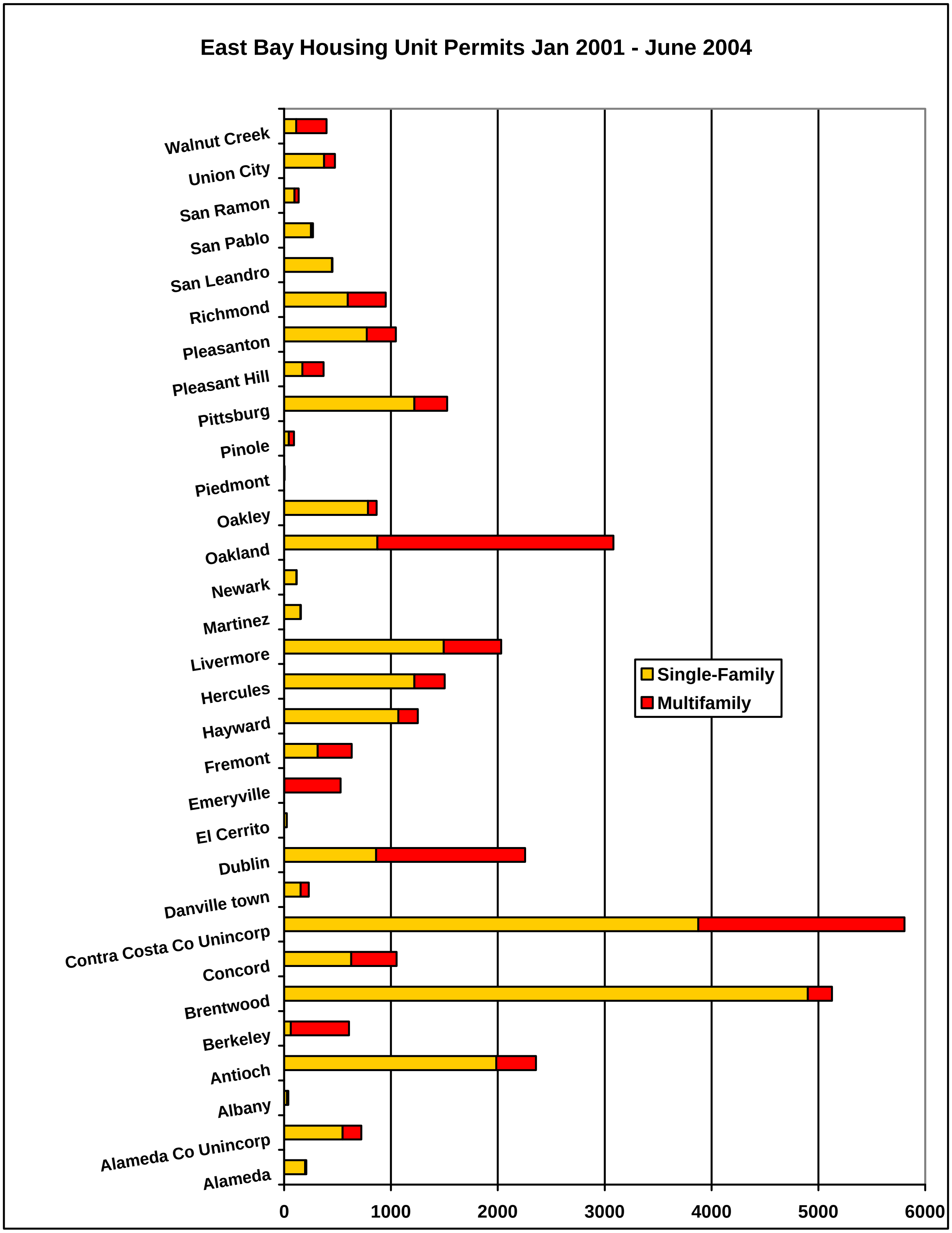


The two Counties combined issued substantially fewer permits in June 2004 (only 755) than the previous month's 1,258 units, which included an unusually large number of multifamily permits (739 - 512 of which were in Alameda County). The majority of the June 2004 permitted units were in Contra Costa County (481, of which 298 were multifamily) while Alameda County issued 274 permits total, 100 of which were multifamily.



There were 280 single-family permits for new home construction issued in Contra Costa County (217 in Brentwood and the unincorporated areas), while172 were issued in Alameda County. The Contra Costa unincorporated area also issued the most multifamily permits (184) followed by Union City.

A chart has been added in the printed copy of this update to provide multifamily and single-family permit activity by city/unincorporated area from January 2001 to the present. It is too large to be included in the email newsletter.



In non-residential permits, however, Alameda County issued about one and a half times the dollar value of Contra Costa's with, Oakland, Fremont and Livermore leading the way in Alameda County, while Brentwood, Antioch and Richmond issued the most in Contra Costa County.

Top 20 Single Family Unit Permits
July 2004

Brentwood	120
Contra Costa County Unincorporated Area	97
Livermore	62
Hayward	31
Oakland	22
Concord	19
Dublin	14
Richmond	14
Alameda	13
Pittsburg	10
Pleasanton	10
Hercules	7
Alameda County Unincorporated Area	6
Fremont	6
Oakley	6
Berkeley	5
Danville town	3
Union City	3
Martinez	2
Pinole	2

Top 6 Multifamily Unit Permits
July 2004

Contra Costa County Unincorporated Area	184
Union City	55
Livermore	22
Oakland	17
San Pablo	14
Fremont	6

Source: Construction Industry Research Board

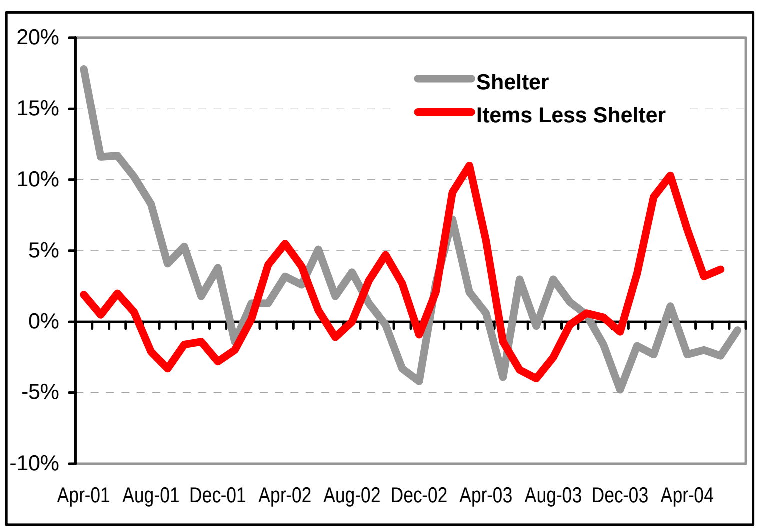
Non-Residential Permits – July 2004

Alameda County	
Oakland	$22,616,603
Fremont	$9,616,961
Livermore	$5,722,023
Alameda	$4,146,700
Berkeley	$4,096,000
Hayward	$3,941,760
San Leandro	$3,687,809
Pleasanton	$3,496,879
Alameda County Unincorp.	$1,877,757
Newark	$1,430,000
Emeryville	$518,866
Union City	$398,710
Dublin	$325,200
Piedmont	$279,000
Albany	$56,000
Contra Costa County	
Brentwood	$12,783,867
Antioch	$5,568,797
Richmond	$3,400,000
Contra Costa Co, Unincorp.	$3,392,045
Concord	$2,951,865
San Ramon	$2,431,319
Walnut Creek	$1,793,850
Pittsburg	$1,207,685
Hercules	$803,038
Martinez	$581,000
Oakley	$511,375
Pleasant Hill	$424,399
Danville town	$310,000
San Pablo	$200,000
El Cerrito	$80,000
Pinole	$0

Source: Construction Industry Research Board

COST OF LIVING

According to the Bureau of Labor Statistics, energy costs declined 1.9% in July 2004 after advancing sharply in the first half of the year. Within energy, the index for motor fuels decreased 4.0%, while the index for household fuels rose 0.4%. The index for food, which rose 0.2% in June, increased 0.3% in July. The index for all items less food and energy registered a 0.1% increase for the second consecutive month. Declines in the indexes for apparel, recreation, and education & communication were largely offset by an increase in the lodging away from home component of shelter.



Note: The Items Less Shelter data is available every other month and was not available for July 2004.