

EAST BAY FEBRUARY 2004 MONTHLY ANALYSIS

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

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

GDP increased at an annual rate of 4.0% in the fourth quarter of 2003 following an extremely high third quarter rate of 8.2%. Personal consumption expenditures (PCE) (2.6%), exports (19.1%), equipment and software (.76%), and inventory investment and residential fixed investment (10.6%) were the major contributors to the fourth quarter increase.

EMPLOYMENT AND UNEMPLOYMENT

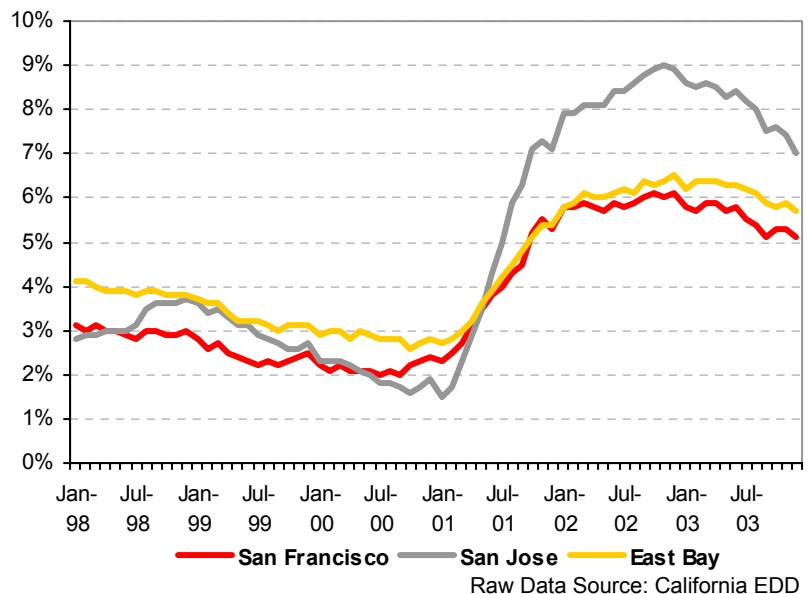
In December 2003, the East Bay's workforce employment picture looked better than it has for the past two years. The East Bay's December civilian labor force declined slightly to a seasonally adjusted 1,313,153 from November's all time high of 1,314,319, but at the same time the 1,237,734 employed residents represents a new all-time high. By contrast the household survey of employment shows San Francisco still 75,600 below its March 2001 level and San Jose 148,300 below its March 2001 level. The East Bay's 75,419 unemployed represent the lowest level since January 2002 and the 5.7% unemployment rate is the lowest since December 2001.

Although the East Bay continues to surpass the rest of the Bay Area in creating and retaining jobs, because many East Bay workers have historically commuted to work, the unemployment rate in the East Bay is greatly influenced by the success of its neighbors.

Compared to a seasonally adjusted high in March 2001 of 1,067,480 jobs on the payrolls of East Bay businesses, the East Bay's current payroll employment stands at 1,037,442, a loss of 2.8%. Over the same period San Francisco lost approximately 129,200 or 11.8% of its jobs and San Jose has lost 187,100, or 17.8% of its jobs.

While it appears that unemployment rates in all the metropolitan areas in the Bay Area are declining, it also appears that payroll jobs are continuing to be lost in San Francisco, and particularly in San Jose. The unemployment rates in both these areas are being moderated because unemployed residents are leaving at an even faster rate. In fact San Jose's seasonally adjusted labor force in December 2003 is at its lowest level since January 1997.

Bay Area Monthly Unemployment, SA



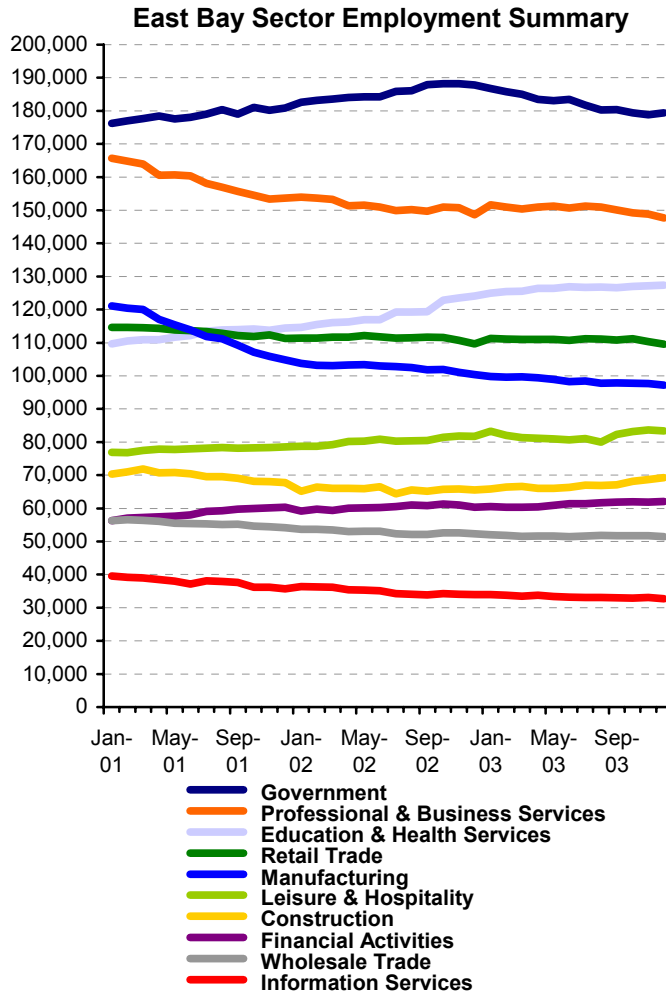
Payroll Employment			
	Mar-01	December-03	Change
East Bay	1,067,480	1,037,442	-2.8%
San Francisco	1,092,798	963,576	-11.8%
San Jose	1,048,606	861,506	-17.8%

Unemployment			
	Mar-01	December-03	Change
East Bay	3.0%	5.7%	2.7%
San Francisco	2.7%	5.2%	2.5%
San Jose	2.4%	7.0%	4.6%

EAST BAY SECTOR EMPLOYMENT

On a seasonally adjusted basis, the largest East Bay sector, government, reversed a yearlong slide with a slight monthly increase in December 2003. However, in the current funding climate it is unlikely that

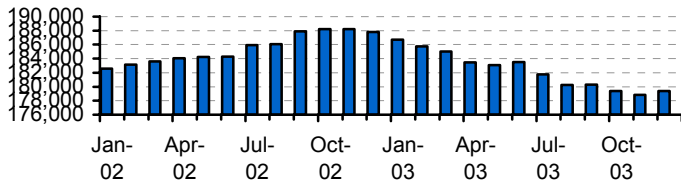
this will continue to be a major source of job growth. Professional and Business Services, a major growth area in the late '90s and the East Bay's second largest sector, continued to lose jobs from its most recent high in August 2003.



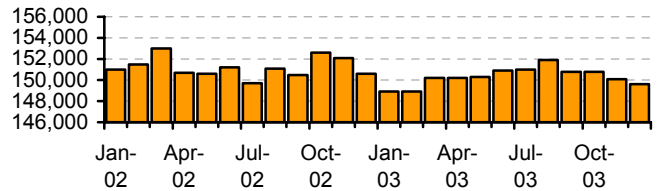
Education and Health Services, a strong sector in recent months, continued to increase with 200 more jobs added in December. Compared to the previous year this represents a gain of 2950 jobs. December's Retail Trade jobs were down about 700 from November and 100 from the previous year, a disappointing result for an economy that is supposed to be in recovery. Manufacturing, always a source of concern because of its ripple effects on a number of other industries, continues a long-term employment decline as companies continue to increase their productivity. However, Construction, another sector with a large impact on other industries, showed a gain of about 300 compared to the prior year.

Of the remaining sectors Leisure & Hospitality and Financial Activities both recorded healthy gains compared to the previous year while Wholesale Trade and Information Services both recorded losses. The net result was a gain of 1,266 jobs in these four sectors.

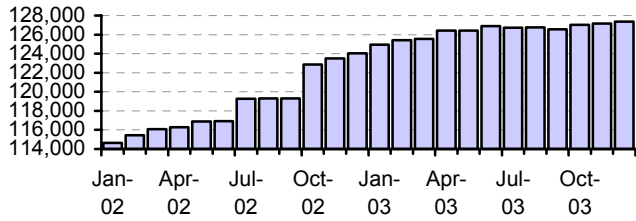
Government



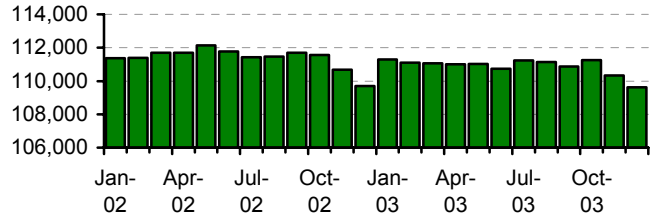
Professional & Business Services



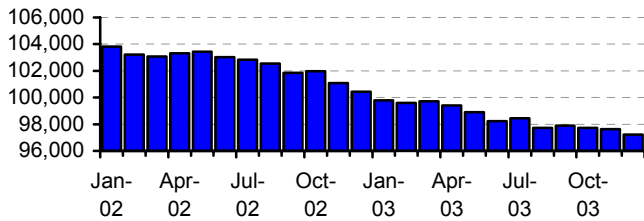
Education and Health Services



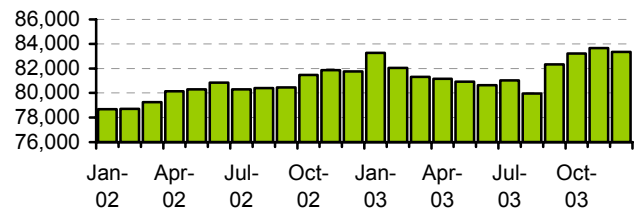
Retail Trade



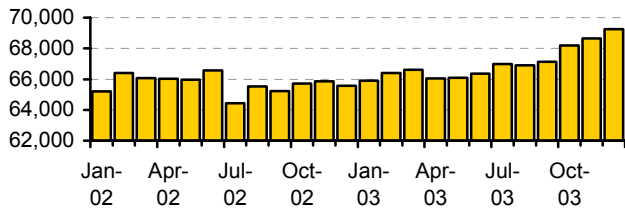
Manufacturing



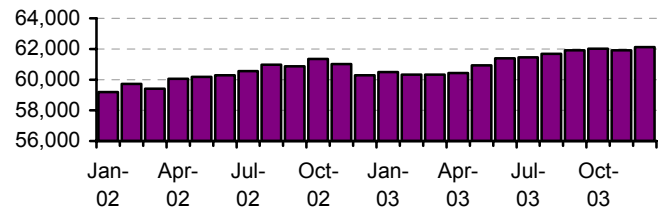
Leisure and Hospitality



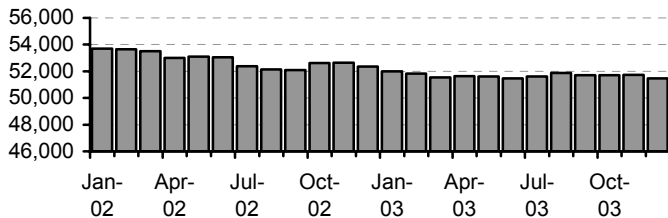
Construction



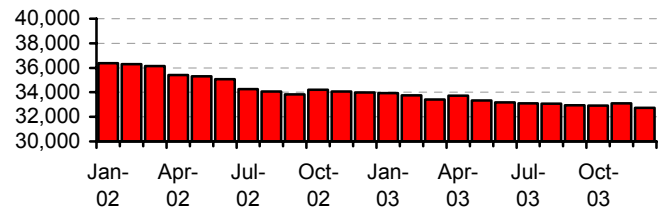
Financial Services



Wholesale Trade



Information Services

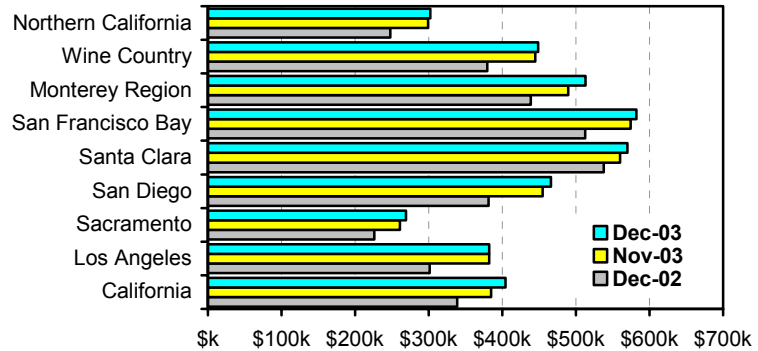


HOUSING

Bay Area homes continued to sell at their fastest pace in fifteen years. Continued demand exceeding supply and low mortgage interest rates resulted in a new peak in median sales price last month.

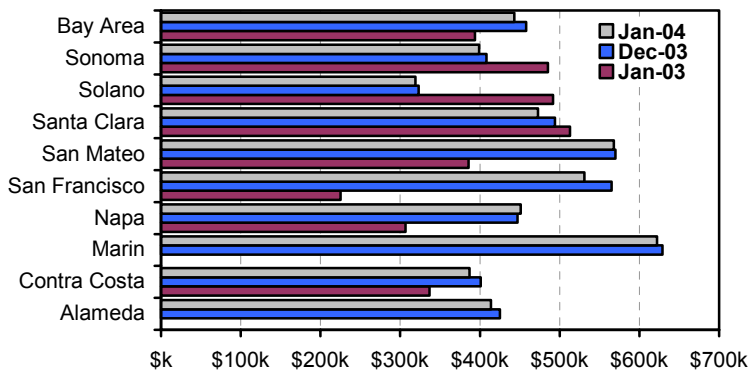
A total of 7,102 new and resale houses and condos were sold in the nine-county region in January 2004. According to DataQuick Information Systems, that was down 37.3% from the 11,354 units sold the month before, and up 2.3% from the 6,944 units sold in January 2003.

Median Price, Single-Family Home (California)



Source: California Association of Realtors

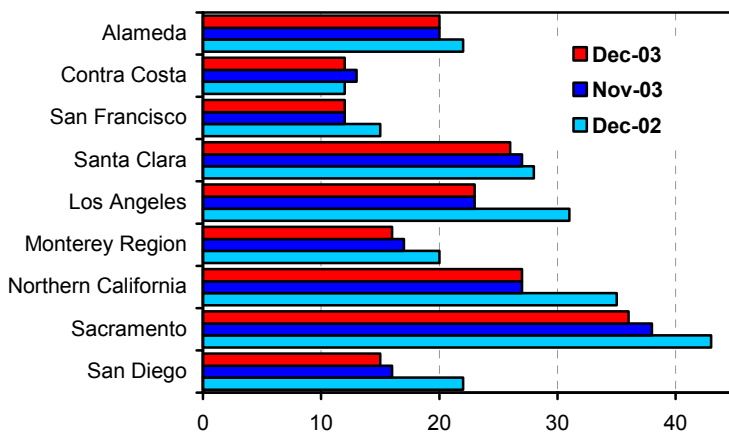
Median Price, Single-Family Home (Bay Area)



Source: Dataquick

The median price paid for a Bay Area home was \$443,000 in January 2004. The median was down 3.3% from December and up 9.7% from January 2003.

Housing Affordability Index



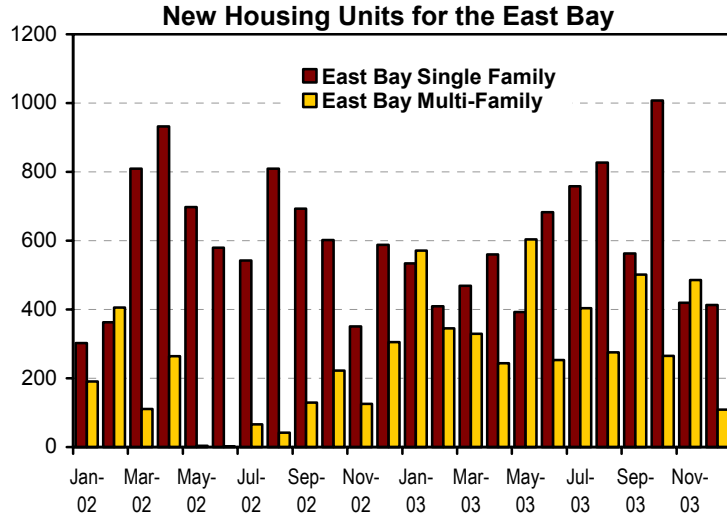
Source: California Association of Realtors

In December, the minimum household income to purchase the median-priced California home was \$94,730, based on a \$404,520 home with a 30-year, fixed-rate mortgage of 5.82 percent and assuming a 20 percent down payment. This represents a 16.5% jump from the \$81,290 required in December 2002, when the median price of a home was \$338,840 and the prevailing interest rate was 6.10 percent.

CONSTRUCTION PERMITS

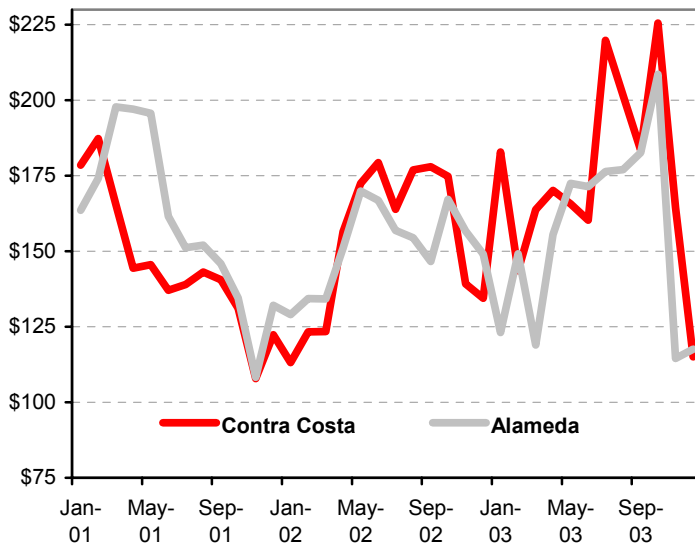
After hitting a peak of 1007 housing permits issued in November, the pace slowed considerably in December. Most of the East Bay permits for new home construction were again issued in the eastern part of the region with 84 new single-family housing permits issued in Brentwood and 107 in the Contra Costa unincorporated area. No permits for multi-family units were issued in Contra Costa County in December.

In Alameda County, Pleasanton issued the most single-family home permits 59, followed by Hayward's 49, and Livermore's 32. Oakland led in permitting multi-family units with 82, followed by Livermore with 27.



Source: Construction Industry Research Board

Building Permits (3 month rolling avg., millions)



Source: Construction Industry Research Board

The value of non-residential permits issued by Livermore was \$10,418,117, followed by Oakland, \$8,306,506; San Leandro, \$2,689,314; and Pleasanton, \$2,603,801.

In Contra Costa County, Antioch issued permits for \$1.7 million worth of new hotels and \$2.4 million worth of new stores. Contra Costa unincorporated led the way with \$26.7 million in new industrial buildings.

INFLATION

Bay Area shelter prices fell even more in December due to decreases in both rental prices and owner equivalent rent. After a short period of growth, the CPI for Items Less Shelter declined by -0.7%.

