

EAST BAY MARCH 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 GDP growth at 4.1 percent in the fourth quarter of 2003 (at an annual rate), after adjusting for inflation. This rate is above the average for the past 2 years, but below the unusually high third-quarter rate of 8.2 percent. This estimate of GDP growth reflects upward revisions to consumer spending and to business investment in structures that were roughly offset by downward revisions to business investment in inventories and to investment in structures by state and local governments.

EMPLOYMENT AND UNEMPLOYMENT

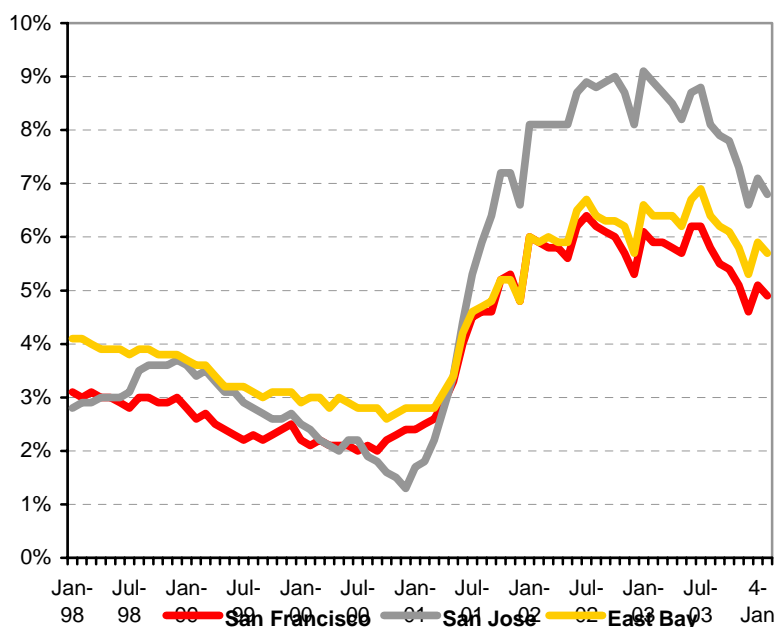
Note: The employment data in this analysis has not been seasonally adjusted.

In February, the Bay Area's entire workforce employment picture improved – for the first time since the beginning of the recession in 2002. The East Bay's February civilian employment increased slightly from 1,013,600 to 1,015,500, while San Francisco's increased from 939,000 to 942,400 and San Jose from 835,000 to 840,100.

All three regions also saw a decline in their unemployment rates during the last month, though the East Bay's 5.7% unemployment rate is still 0.4 above the low reached in December 2003.

The change in each sub region's Labor Force also affects the unemployment rate. Since March 2001, the East Bay has increased its labor force by 13,700 while San Francisco lost 77,000 and San Jose 138,300 from its workforce.

The change in payroll employment (the number of jobs created by businesses in each region) most vividly portrays the differences in the sub-region's economic position. Compared to a high reached in March 2001 of 1,069,300 jobs, the East Bay's current payroll employment stands at 1,015,500, a loss of 53,800 (5%). Over the same period, San Francisco lost approximately 148,800 or 13.6% of its jobs and San Jose lost 212,300, (20.2%) of its jobs.



Payroll Employment

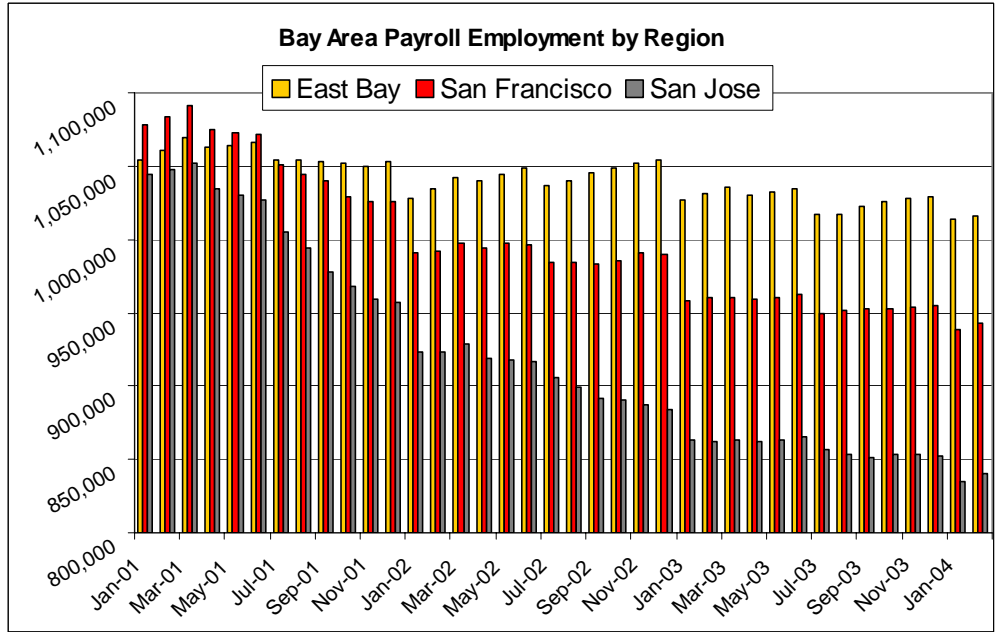
	Mar-01	February-04	Change
East Bay	1,069,300	1,015,500	-5.0%
San Francisco	1,091,200	942,400	-13.6%
San Jose	1,052,400	840,100	-20.2%

Unemployment

	Mar-01	February-04	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%

The following chart has been included to further illustrate the difference between the three Metropolitan Statistical Areas (MSA's).

For the first six months of 2001, San Francisco's Payroll Employment exceeded the East Bay's but the East Bay has been able to retain far more jobs because of the diversification of its economy/industries. San Jose's payroll employment lost 63,500 more jobs than San Francisco's, but it does appear that payroll jobs may finally be stabilizing in San Francisco and San Jose.

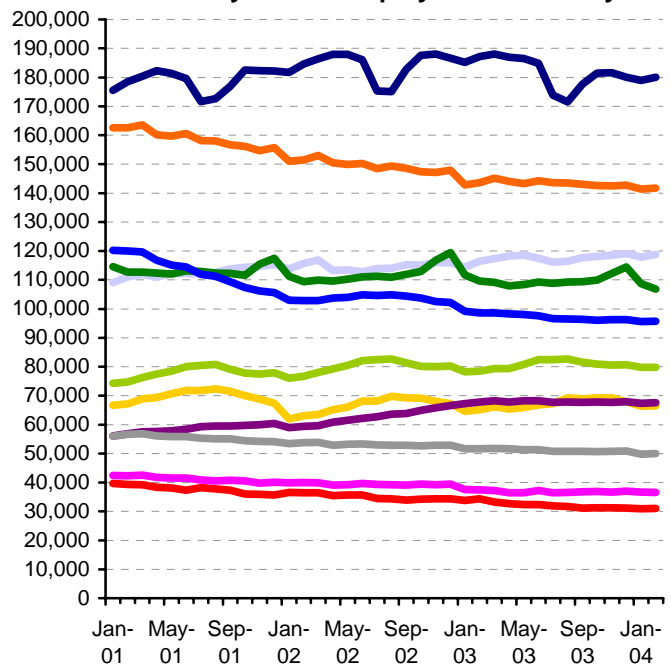


EAST BAY SECTOR EMPLOYMENT

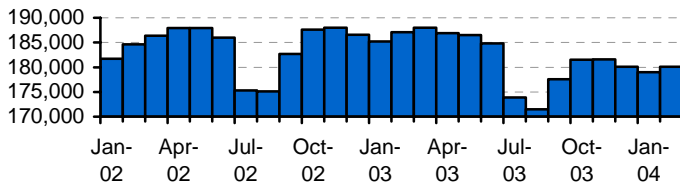
In data that has not been adjusted for seasonal changes, February figures in most sectors improved over January, resulting in a net gain of 700 jobs. The biggest gains were 1,000 jobs added in the Government sector and 700 jobs added in the Education and Health Services sector. The major exception to 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

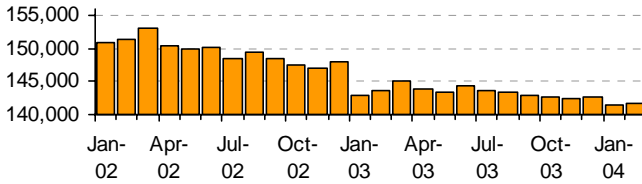


Government

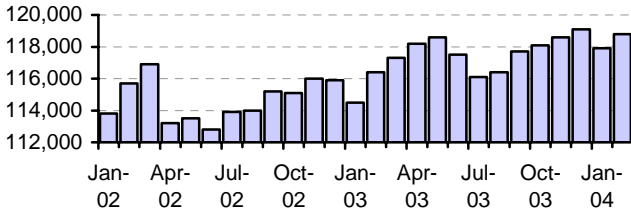


- Government
- Professional & Business Services
- Education & Health Services
- Retail Trade
- Manufacturing
- Leisure & Hospitality
- Construction
- Financial Activities
- Wholesale Trade
- Information Services
- Transportation Warehousing & Utilities

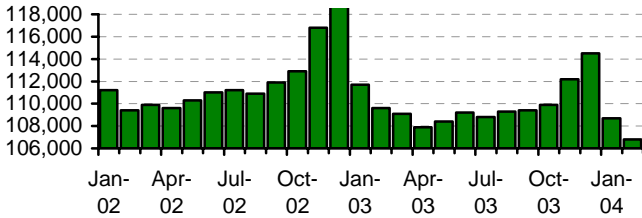
Professional & Business Services



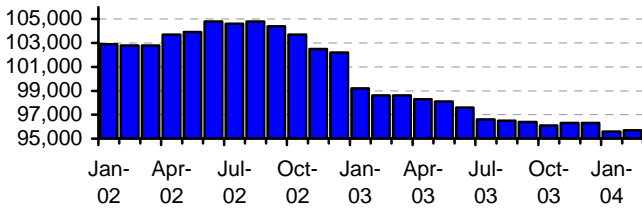
Education and Health Services



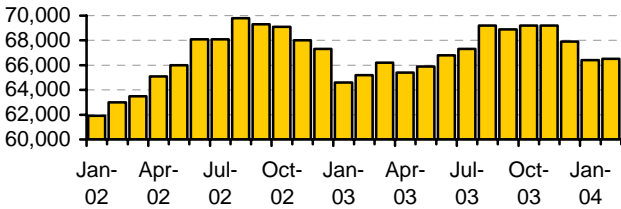
Retail Trade



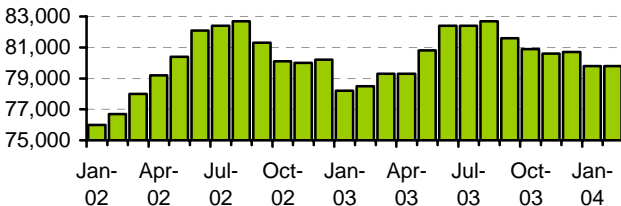
Manufacturing



Construction



Leisure and Hospitality



Professional and Business Services, a major growth area in the late '90s and the East Bay's second largest sector, continued to lose employment, though the rate of loss has moderated.

Education and Health Services, a strong sector in this economic climate, continued its overall trend. Compared to the previous year this represents a gain of about 1,600 jobs.

Retail Trade employment is down about 2,800 from a year ago, but this is actually quite an improvement from the 4,800-job deficit that existed between December 2002 and December 2003.

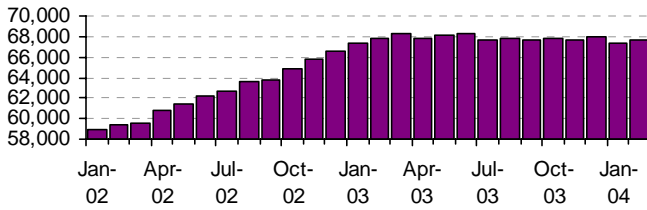
Manufacturing job losses, always a source of concern because of its ripple effects on a number of other industries and the higher paying jobs generated, continues a long-term employment decline (2,900 lost year to year), mostly in computers and electronics. The good news is that this sector actually added 100 jobs in February 2004.

Construction, another sector with a large impact on other industries, has continued to show a positive trend with a gain of about 1,300 compared to the prior year, as did the Leisure & Hospitality sector.

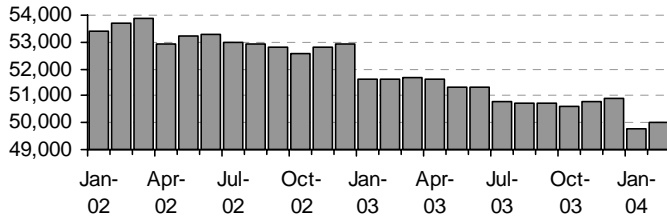
Of the remaining sectors, Financial Activities has experienced a slight loss (about 200 jobs over the last year), while Wholesale Trade followed Retail Trade in its downward trend, Information Services has shown a loss of 900 jobs year to year, but an improvement of 200 jobs from its low point in April 2003.

Transportation, Warehousing & Utilities lost almost 900 jobs in the last year but has also seen improvement since April 2003. The sharp drop between December 2002 and April 2003, which resulted from a loss of 3,100 jobs, occurred when Warehousing & Storage and Truck Transportation sectors each lost 1,100 jobs and Couriers and Messengers lost 700.

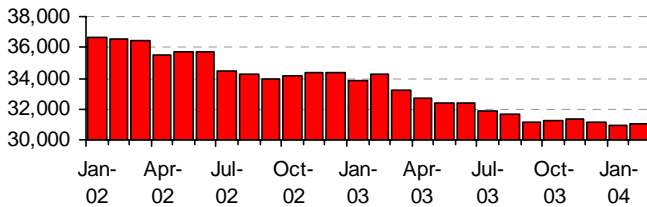
Financial Services



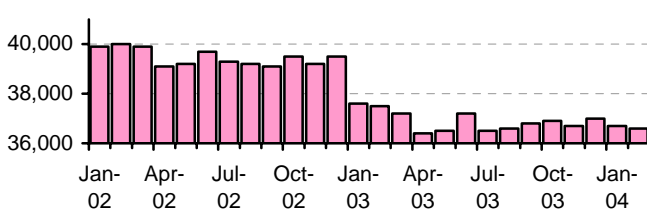
Wholesale Trade



Information Services



Transportation Warehousing & Utilities



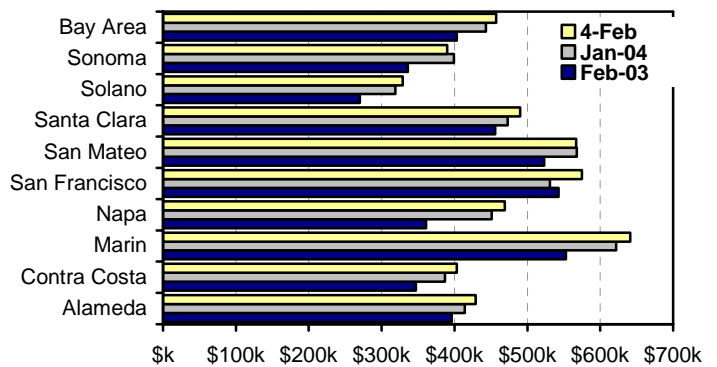
HOUSING

Bay Area homes have 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.

A total of 7,412 new and resale houses and condos were sold in the nine-county region in February. That was up 4.4 percent from 7,102 the month before and up 10.6 percent from 6,704 for February last year, according to DataQuick Information Systems.

The median price paid for a Bay Area home was \$457,000 in February 2004 - up 3.2% from January and 13.4% from February 2003.

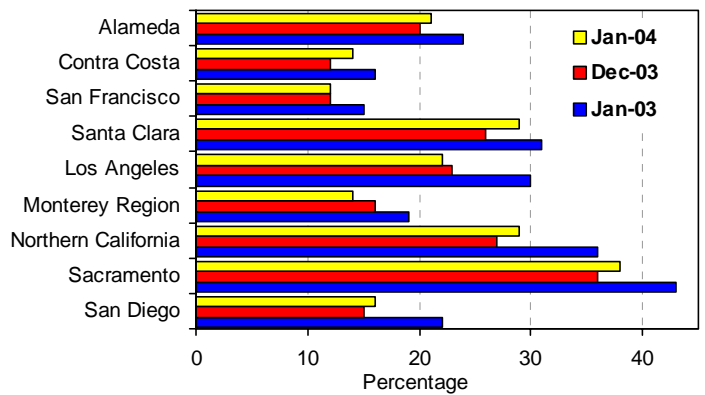
Median Price, Single-Family Home (Bay Area)



Source: Dataquick

According to the California Association of Realtors, the minimum household income needed to purchase a median-priced home at \$405,720 in California in January was \$94,020, based on a typical 30-year, fixed-rate mortgage at 5.70 percent and assuming a 20 percent down payment. The minimum household income needed to purchase a median-priced home at \$168,700 in the U.S. in January 2004 was \$39,090.

Housing Affordability Index



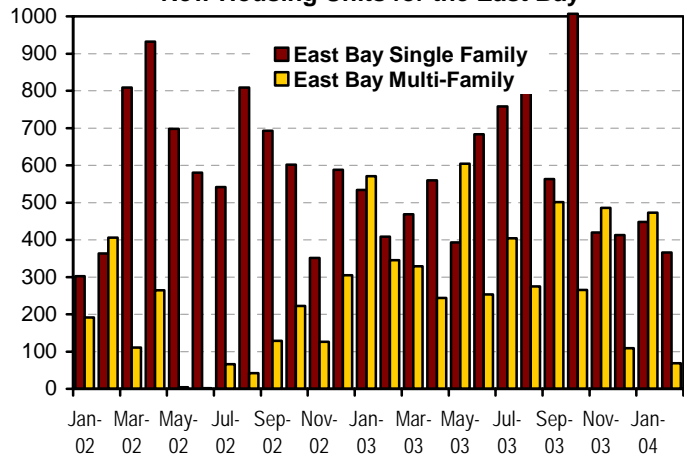
Source: California Association of Realtors

CONSTRUCTION PERMITS

After hitting a peak of 1007 housing permits issued in October 2003, the pace has slowed considerably.

Most of the East Bay permits for new home construction were again issued in the eastern part of the region with 70 new single-family housing permits issued in Brentwood and 74 in the Contra Costa unincorporated area. Other cities issuing single-family permits were: Antioch, 22; Hercules, 34; Richmond, 15; Oakley, 15; Concord, 9; and Pittsburg, 6. Permits for 8 multi-family units were issued in Richmond and 8 also in Brentwood in February 2004.

New Housing Units for the East Bay

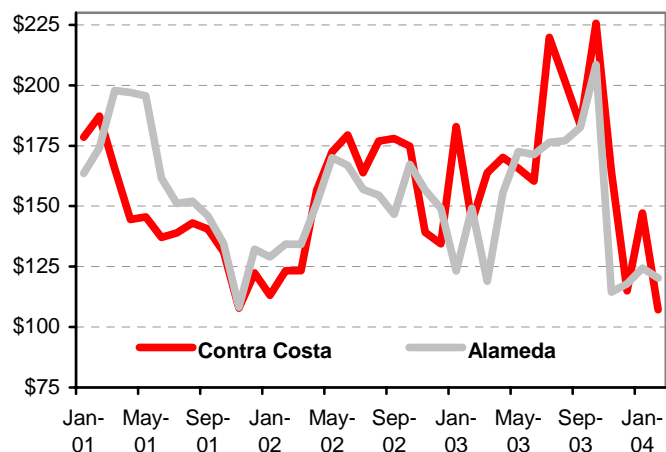


Source: Construction Industry Research Board

In Alameda County, Livermore issued the most single-family home permits, 28, followed by Hayward's 26, and Dublin's 24. Oakland and Pleasanton each issued 6, followed by Union City with 4 and Fremont with 2 single-family permits.

Livermore also led the way in permitting multi-family units with 34, followed by Hayward with 12 and Oakland with 7.

East Bay Building Permits (Thousands)



Source: Construction Industry Research Board

Non-Residential Permits – February 2004

Alameda County

Fremont	\$21,695,965
Alameda	\$6,778,474
Oakland	\$4,480,960
Livermore	\$2,867,090
Pleasanton	\$2,815,081
Union City	\$2,081,000
Hayward	\$1,763,555
Newark	\$1,760,000
San Leandro	\$1,444,659
Emeryville	\$663,326
Dublin	\$506,550
Berkeley	\$356,700
Alameda County Unincorp.	\$264,537
Albany	\$90,000
Piedmont	\$89,500

Source: Construction Industry Research Board

Non-Residential Permits – February 2004

Contra Costa County

Antioch	\$715,000
Brentwood	\$1,689,831
Concord	\$5,178,992
Contra Costa County Unincorp.	\$1,224,780
Danville town	\$325,000
El Cerrito	\$90,000
Hercules	\$1,250,000
Martinez	\$119,918
Oakley	\$392,592
Pinole	\$376,500
Pittsburg	\$647,397
Pleasant Hill	\$145,390
Richmond	\$3,640,000
San Pablo	\$101,255
San Ramon	\$2,768,562
Walnut Creek	\$1,246,470

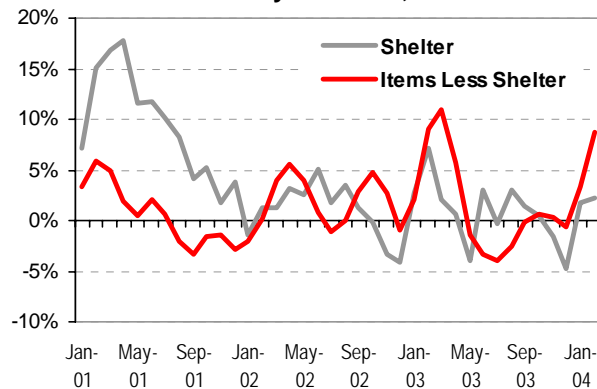
Source: Construction Industry Research Board

INFLATION

Bay Area shelter rose in February 2004 due to increases in owner equivalent rent.

After a short period of no growth, the CPI for Items Less Shelter rose sharply (by 8.8%) due to an increase in energy costs and food.

Annualized Bay Area CPI, Smoothed



Source: Bureau of Labor Statistics