

FEBRUARY 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.

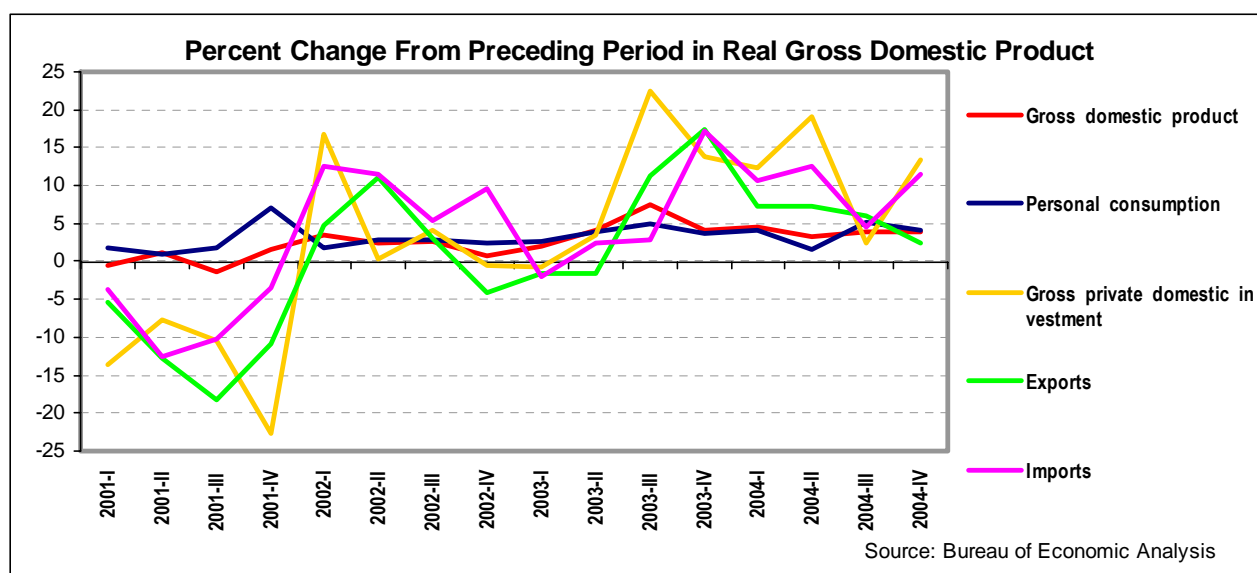
GDP SUMMARY

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 revised advance estimates released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 4.0 percent.

The major contributors to the increase in real GDP in the fourth quarter were personal consumption expenditures (PCE), equipment and software, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

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.

Final sales of computers contributed a half percentage point to the fourth-quarter change in real GDP after contributing only 0.18% to the third-quarter change. Motor vehicle output was also stronger, with a .84% contribution to the fourth-quarter change after contributing 0.34% to the third-quarter change.



The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 2.8 percent in the fourth quarter, 0.1 percentage point more than the advance estimate; this index increased 1.9 percent in the third quarter.

COST OF LIVING

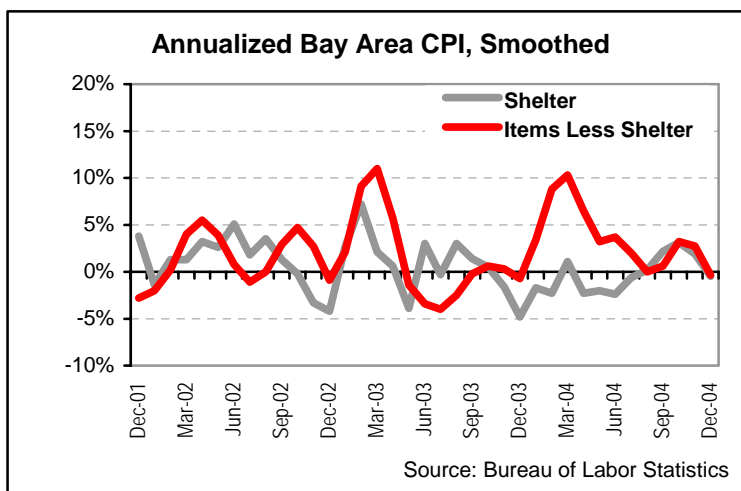
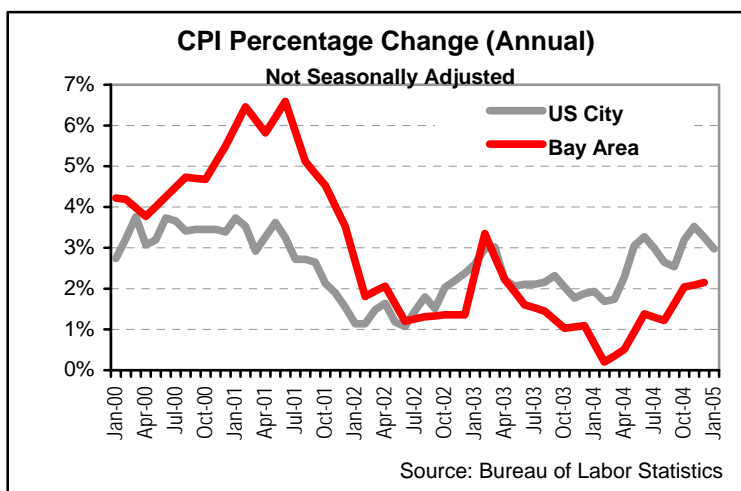
The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% in January, before seasonal adjustment, according to the Bureau of Labor Statistics. The January level of 190.7 (1982-84=100) was 3.0% higher than in January 2004. On a seasonally adjusted basis, the CPI-U, which was unchanged in December, increased 0.1% in January.

The food index also increased 0.1% in January after registering no change in December. A 0.2% decrease in the index for food at home was more than offset by a 0.5% increase in the index for food away from home. Energy costs declined 1.1%, following a 1.3% drop in December.

Within energy, the index for petroleum-based energy declined 2.2% while the index for energy services rose 0.1%.

The index for all items less food and energy increased 0.2 percent in January, the same as in each of the preceding three months. (Note: Bay Area CPI Data is only available for the even months, and we have averaged the preceding and following odd months data to provide continuous data.)

In the Bay Area, Annualized CPI data (smoothed) for Shelter continued to decrease from 1.9% in November to an annualized rate of only 0.5% in December 2004. Meanwhile “All Items Less Shelter” also decreased from 2.7% in November to 0.3% in December.



WORKFORCE AND UNEMPLOYMENT

The unemployment rate in the East Bay decreased to 4.3% in December 2004, down from a revised 4.8% in November 2004 and well below California’s 5.4% and 5.1% for the nation. In Alameda County, the unemployment rate in December 2004 was 4.5% and only 4.0% in Contra Costa County.

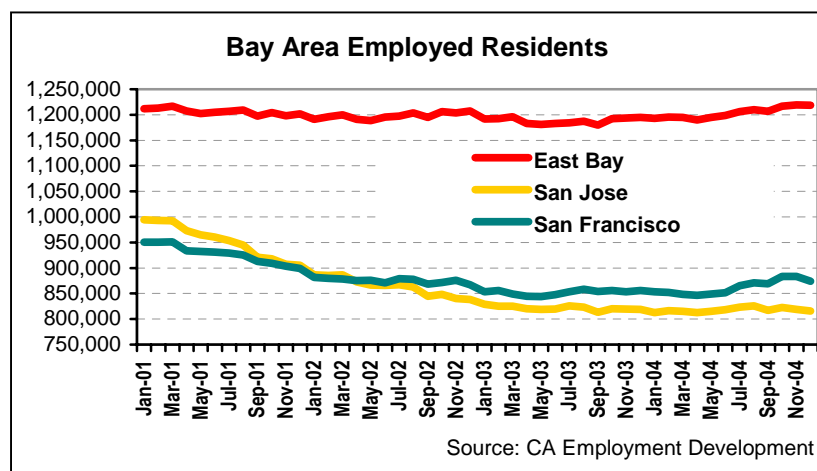
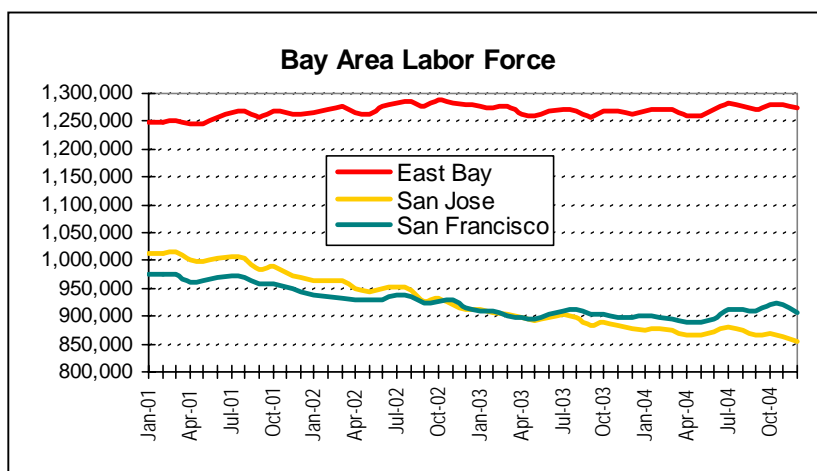
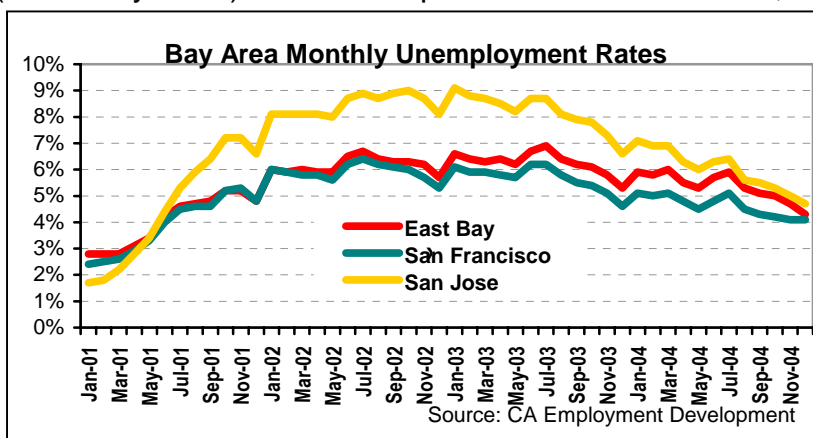
San Francisco and San Jose's rates also continued to decrease; from 4.2% to 4.1% for San Francisco and from 5% to 4.7% for San Jose. San Francisco has decreased the least in the last three months (down only 0.2%). When compared to December 2003, San Jose's December 2004 unemployment rate decreased by 1.9% - almost twice as much as San Francisco and the East Bay, where both saw a 1% decrease.

Part of the reason why San Jose's rate has dropped so much in comparison to the East Bay and San Francisco can be attributed to the loss of 20,800 from its labor force from December 2003 to December 2004. In that same period, San Francisco actually increased its labor force by 9,500 while the East Bay added 11,700 workers.

Of these primary Bay Area MSA's, only the East Bay has increased its number of employed residents (by a total of 6,600) since January 2001 – 23,600 of which were added in the last 12 months.

The number of employed residents increased in San Francisco by 18,300 over the last 12 months, though it still has 76,500 fewer employed than in January 2001.

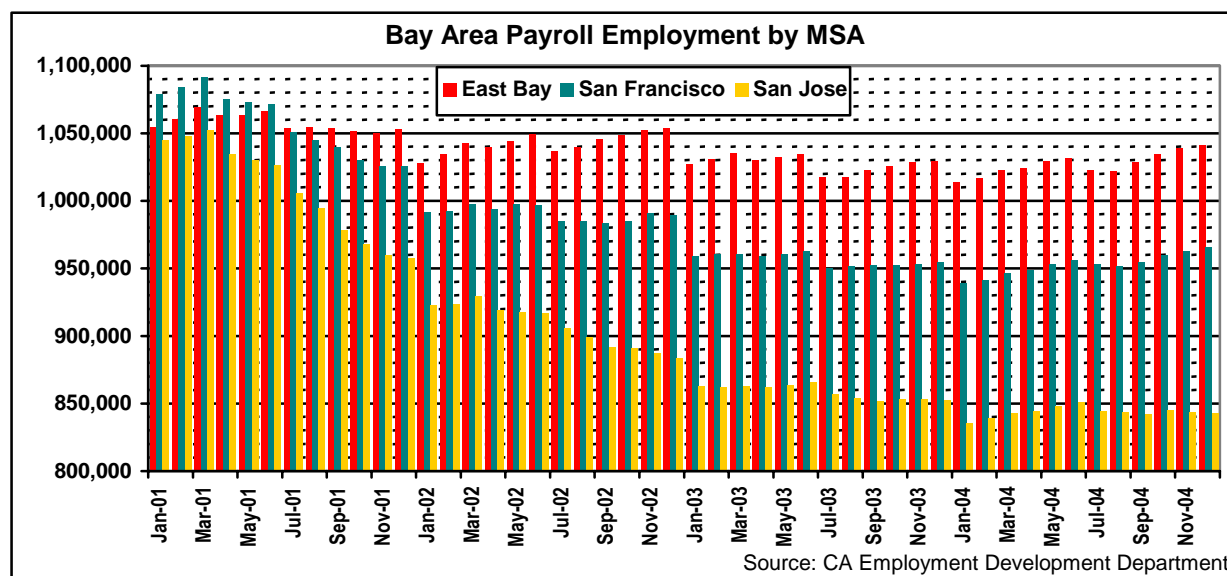
But San Jose experienced the largest employment loss (now reaching over 178,200) since January 2001, and a net loss of 3,000 from December 2003 to December 2004.



EAST BAY PAYROLL EMPLOYMENT BY SECTOR

Payroll employment, the number of jobs within a region, rose in the East Bay by 1,600 to reach 1,041,000 in December 2004.

Between December 2003 and December 2004, East Bay payroll employment grew by 12,100 jobs, or 1.2 percent. This is the largest December year-over gain since the peak of the East Bay's job expansion in 2000. Meanwhile, San Francisco added 10,500 while San Jose lost 9,800.



California's Employment Development Department reported that in December 2004: "The home-building boom continued to bolster both construction employment (up 5,000 jobs) and related financial activities (up by 2,400 jobs).

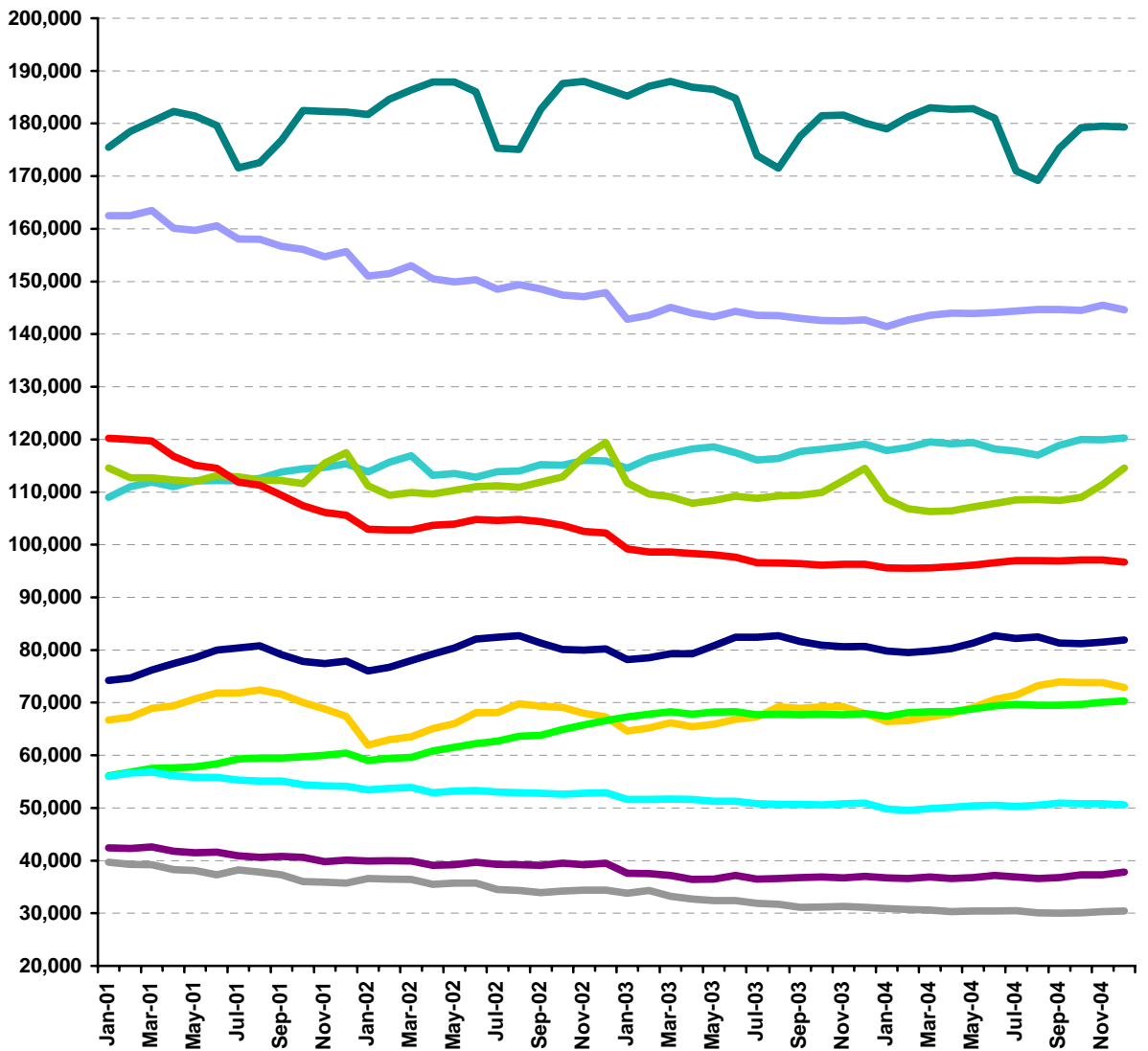
Professional and business services added 1,900 jobs to payrolls. Significant gains included 900 jobs in architecture and engineering services and 500 jobs in employment agencies (including temporary workers).

Trade, transportation and utilities gained 600 jobs despite closure of an airline repair center and a large retail warehouse. Natural resources and mining added 400 jobs in petroleum-related businesses.

Manufacturing added 400 jobs over the year. Six months of year-over gains in manufacturing indicates a changing trend from the major losses that began in 2001.

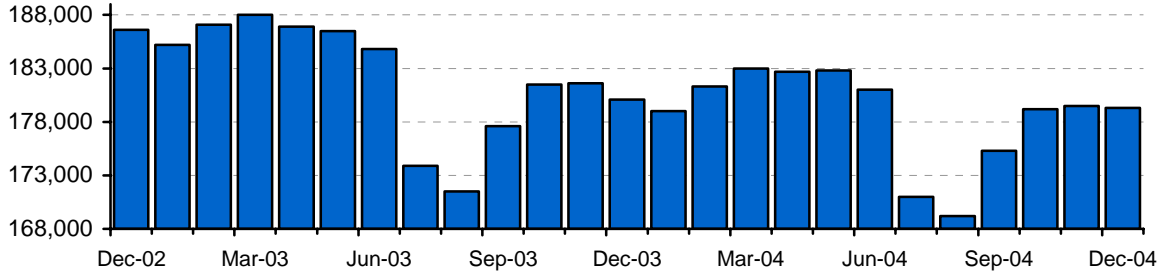
The cutbacks in government employment continued with a loss of 800 jobs over the year and the information industry declined by 700 jobs, continuing a trend of losses since April of 2001."

East Bay Sector Employment Summary

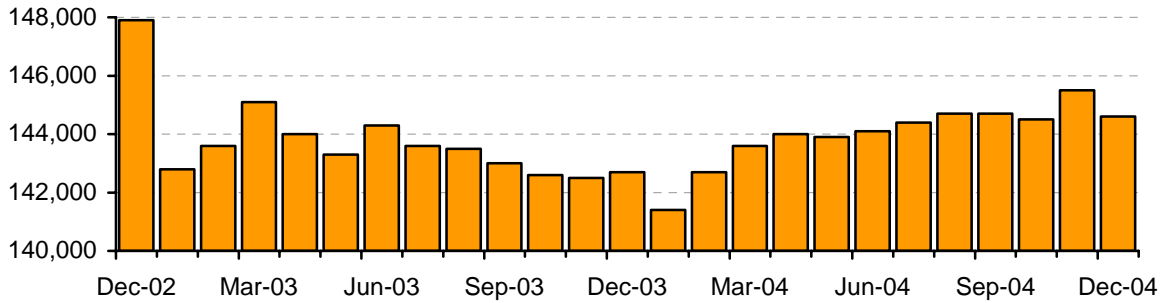


Source: CA Employment Development

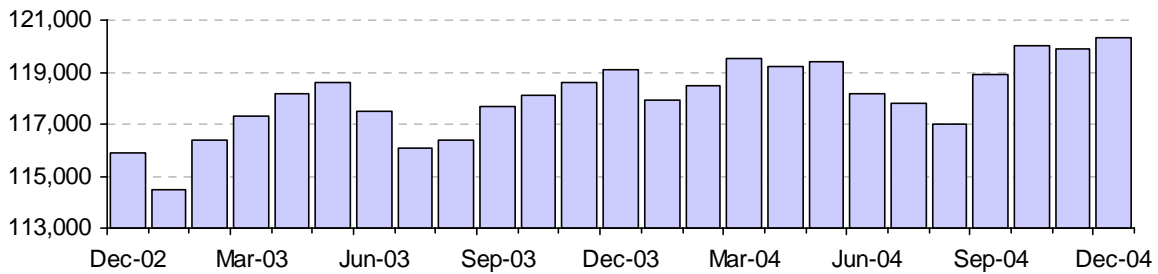
Government



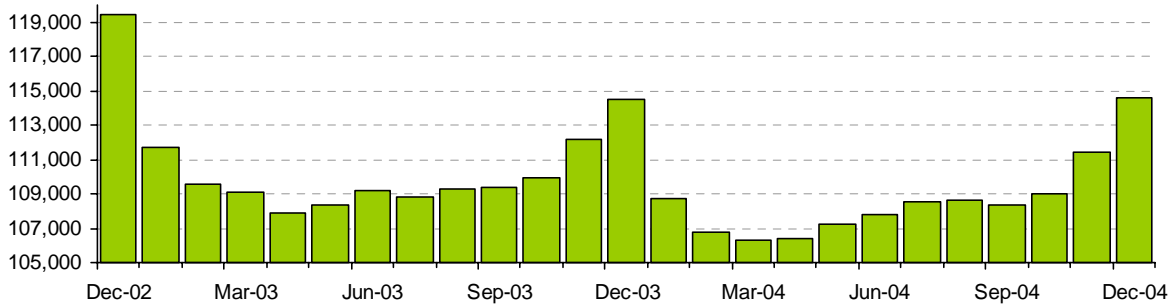
Professional and Business Services



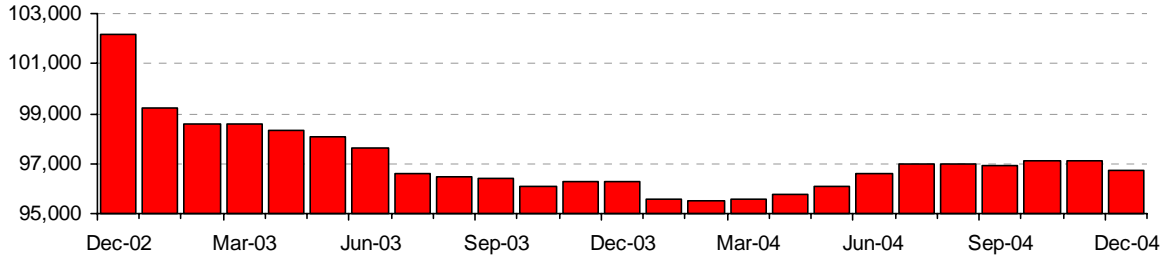
Education and Health Services



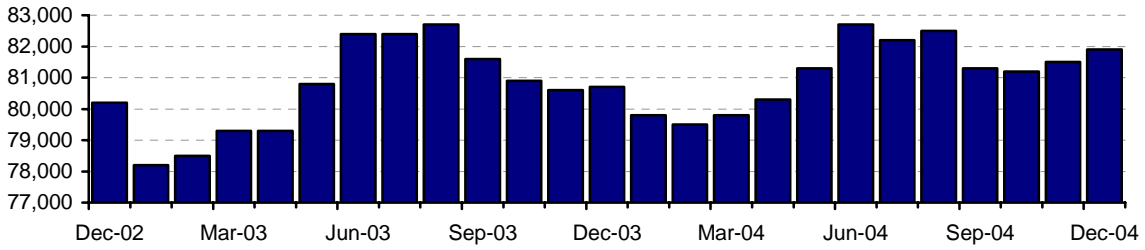
Retail Trade



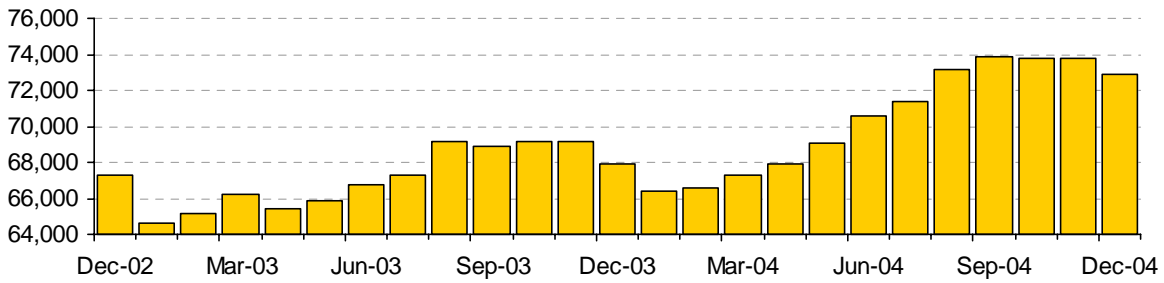
Manufacturing



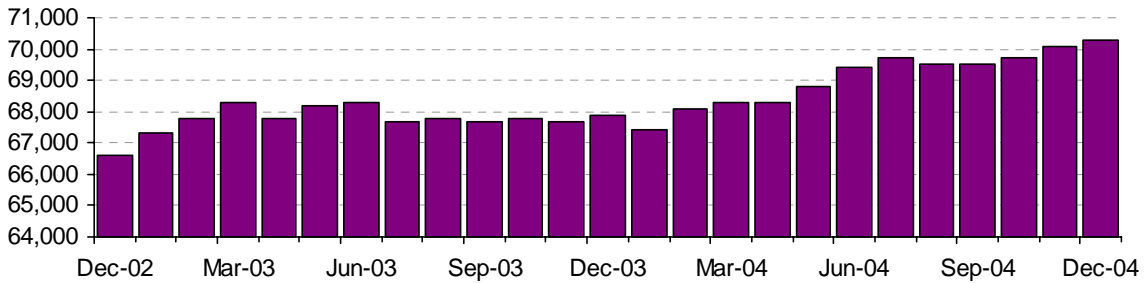
Leisure and Hospitality



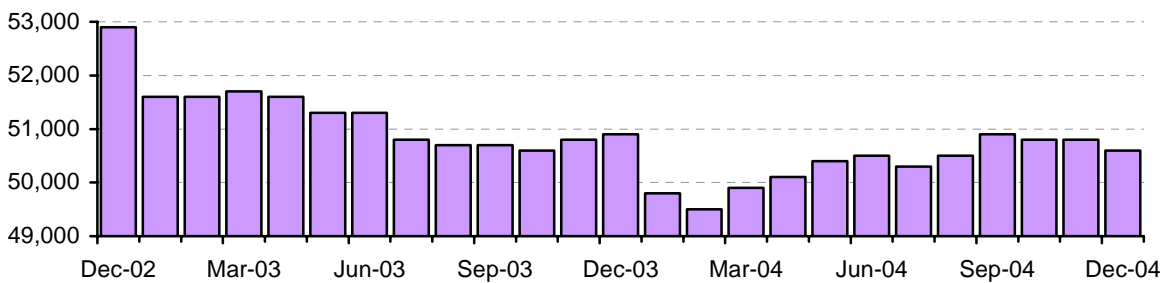
Construction



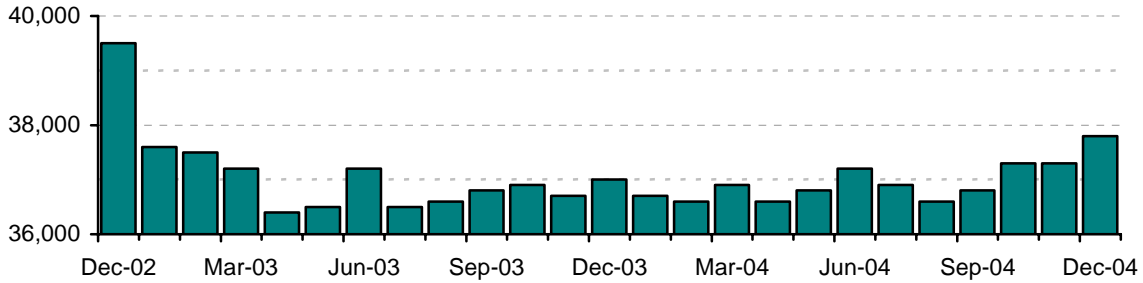
Financial Activities



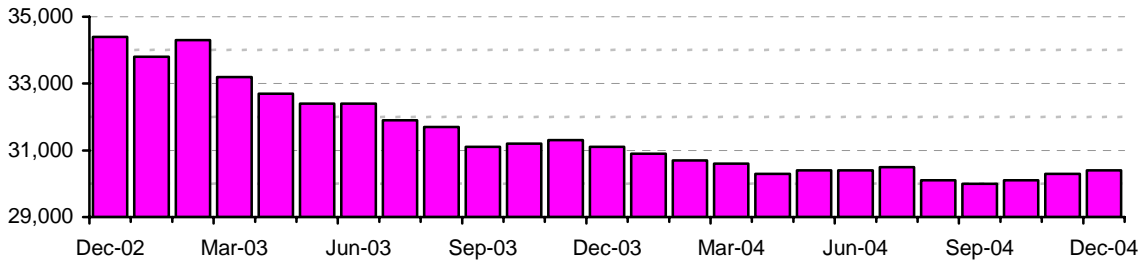
Wholesale Trade



Transportation, Warehousing, and Utilities



Information



HOUSING

Bay Area home sales experienced their strongest January since the late 1980s as prices rose at their fastest pace in four years, a real estate information service reported.

A total of 7,509 new and resale houses and condos were sold in the nine-county region in January. That was down 32.2 percent from 11,068 in December, and up 5.7 percent from 7,102 for January last year, according to DataQuick Information Systems.

Sales always decline from December to January. Last month's sales count was the strongest for any January since 7,646 in 1989. DataQuick reported.

All Homes	# Sold Jan-05	Yearly Change	Median Jan-05	Yearly Change
Alameda	1,449	3.7%	\$495K	19.6%
Contra Costa	1,381	0.9%	\$475K	22.7%
San Francisco	504	-16.1%	\$684K	28.8%
Santa Clara	1,682	10.7%	\$565K	19.5%
Bay Area	7,102	5.7%	\$534K	20.5.4%

Source: DataQuick

The median price of an existing home in California in December increased 18.1 percent and sales increased 1.4 percent compared with the same period a year ago, the California Association of REALTORS® (C.A.R.).

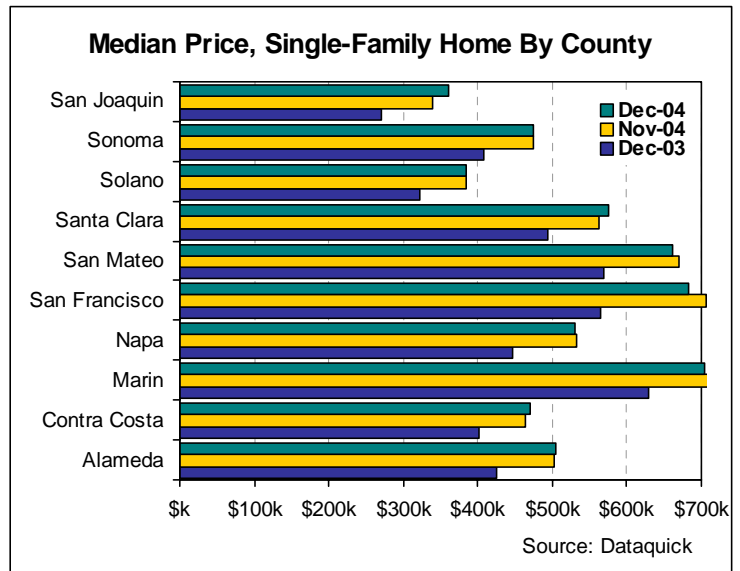
“Homebuyers concerned about future mortgage-rate increases flooded the market in December, driving the median price to an all-time high of \$474,480,” said C.A.R. President Jim Hamilton. “The median price increased by double-digits in every region of the state, with the High Desert, Riverside/San Bernardino, Sacramento, Santa Barbara and North Santa Barbara County regions posting increases of more than 30 percent.”

The median price of an existing, single-family detached home in California during December 2004 was \$474,480, an 18.1% increase over the revised \$401,720 median for December 2003, C.A.R. reported. The December 2004 median price increased 0.5% compared with a revised \$471,980 median price in November.

In December 2004, the median price in Alameda County reached \$505,000 and Contra Costa County's was \$470,000, while the December 2003 to 2004 to increases were 18.8% and 17.2% respectively.

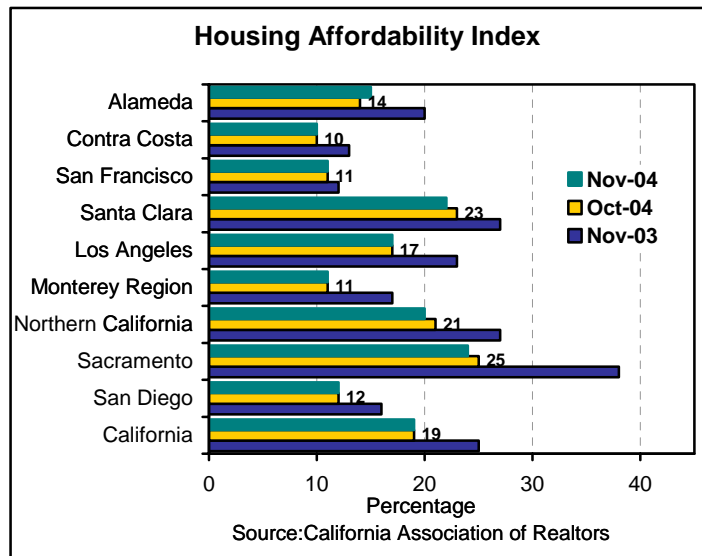
The percentage of households in California able to afford a median-priced home stood at 19% in November, a 6 percentage-point decrease compared with the same period a year ago when the Index was at 25%. The November Housing Affordability Index (HAI) was unchanged from October, when it also stood at 19%.

Contra Costa County was the least affordable County in the State at 10%, even though its median housing price was lower than Alameda County, whose Affordability Index actually improved from 14 to 15% in November 2004.



At 40%, the High Desert region was the most affordable C.A.R. region in the state, followed by the Central Valley region at 25%. The Santa Barbara region was the least affordable in the state at 7%, followed by the Monterey region at 11%.

The minimum household income needed to purchase a median-priced home at \$473,260 in California in November was \$109,670, based on an average effective mortgage interest rate of 5.70 percent and assuming a 20% down payment. The minimum household income needed to purchase a median-priced home was up from \$90,270 in November 2003, when the median price of a home was \$384,470 and the prevailing interest rate was 5.85 percent.



The minimum household income needed to purchase a median-priced home at \$188,200 in the U.S. in November 2004 was \$43,610.

HOTEL OCCUPANCY

The PKF Consulting report on hotel trends in the Bay Area during December contained mixed news. Despite the continuing hotel labor dispute, San Francisco still leads the Bay Area in occupancy rate and of course average daily room rate (ADR). San Francisco's occupancy rate during December 2004 was 62.4%, compared with 56.9% in December 2003, while its ADR increased by 7.3% to \$138.79. The occupancy rate in San Francisco for all of 2004 was 73.2%, compared with 68.1% in 2003. However, the ADR was up by only 1.7% to \$147.23.

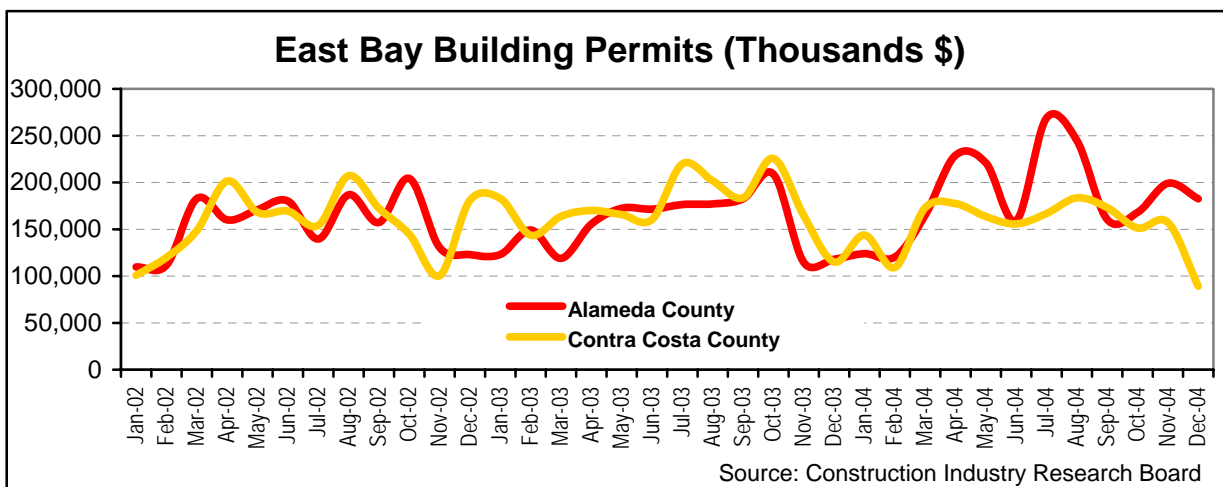
In the East Bay, the December 2004 occupancy rate increased by 4.4% to 52% from December 2003, while the ADR increased by only .5% to 94.62. However, when comparing all of 2004 to 2003, the East Bay's occupancy rate increased by 6.5% to 60.3% while the ADR declined by 1% from 97.15 to 96.21.

In San Jose, the December 2004 occupancy rate was 48.4% compared to 44.1% in December 2003, but its ADR inched up by just 0.2% to \$98.61. For all of 2004, San Jose's occupancy rate was 60.0% compared with 55.6% in 2003, while the ADR declined by 3.1% to \$103.42.

CONSTRUCTION PERMITS

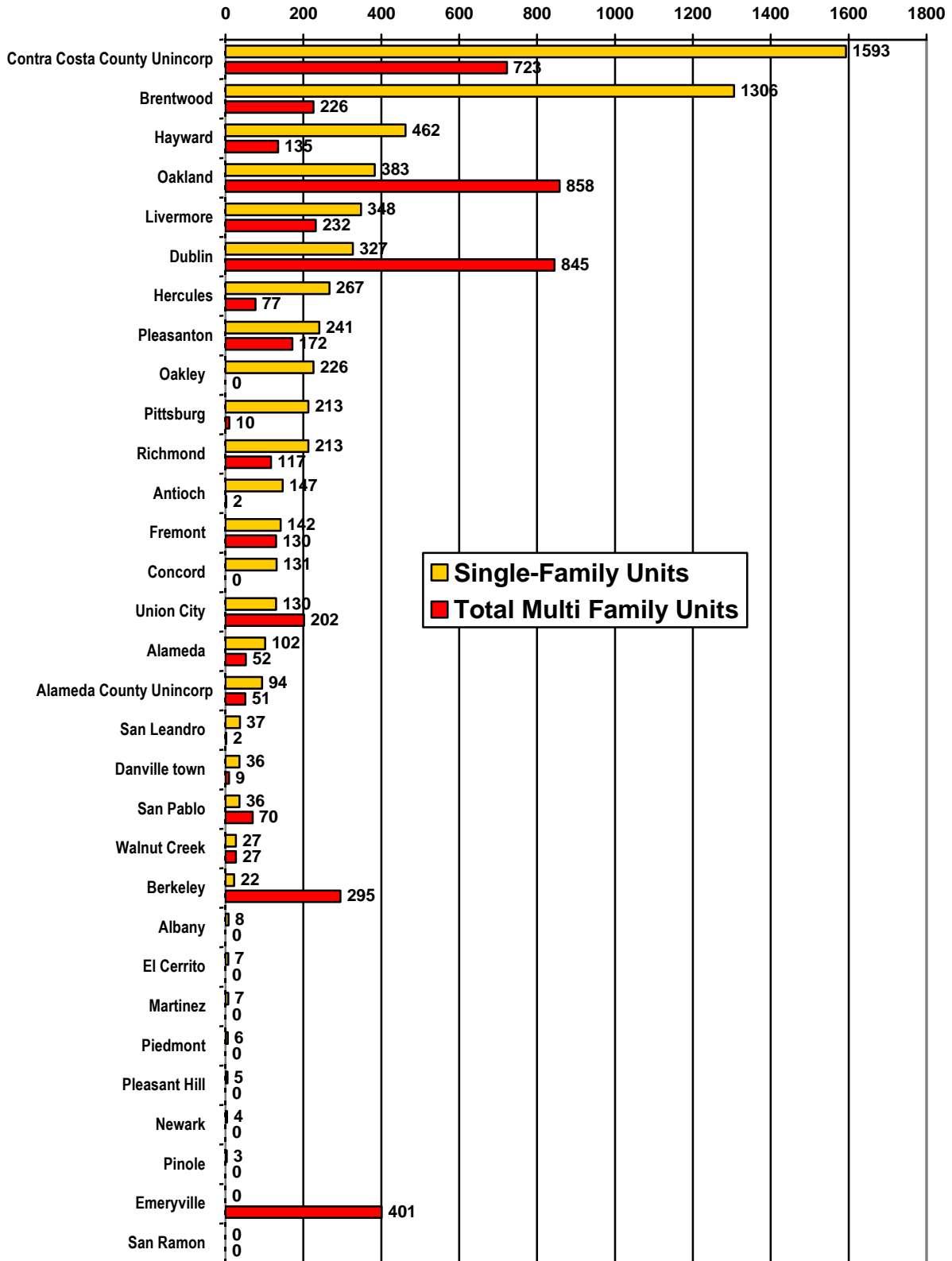
The Construction Industry Research Board released the permit data for all of 2004, so this update will provide the full years data by each issuing entity in Alameda and Contra Costa Counties.

In 2004, Alameda County issued residential permits totaling \$1,535,030,959, and \$707,015,959 in non-residential permits, while Contra Costa County issued residential permits totaling \$1,469,140,011, and \$375,183,758, a little over half of Alameda County's total non-residential permits. The sharp decline in permit dollars issued in Contra Costa for December 2004 was attributed to a residential permit level that was about half of the previous month.



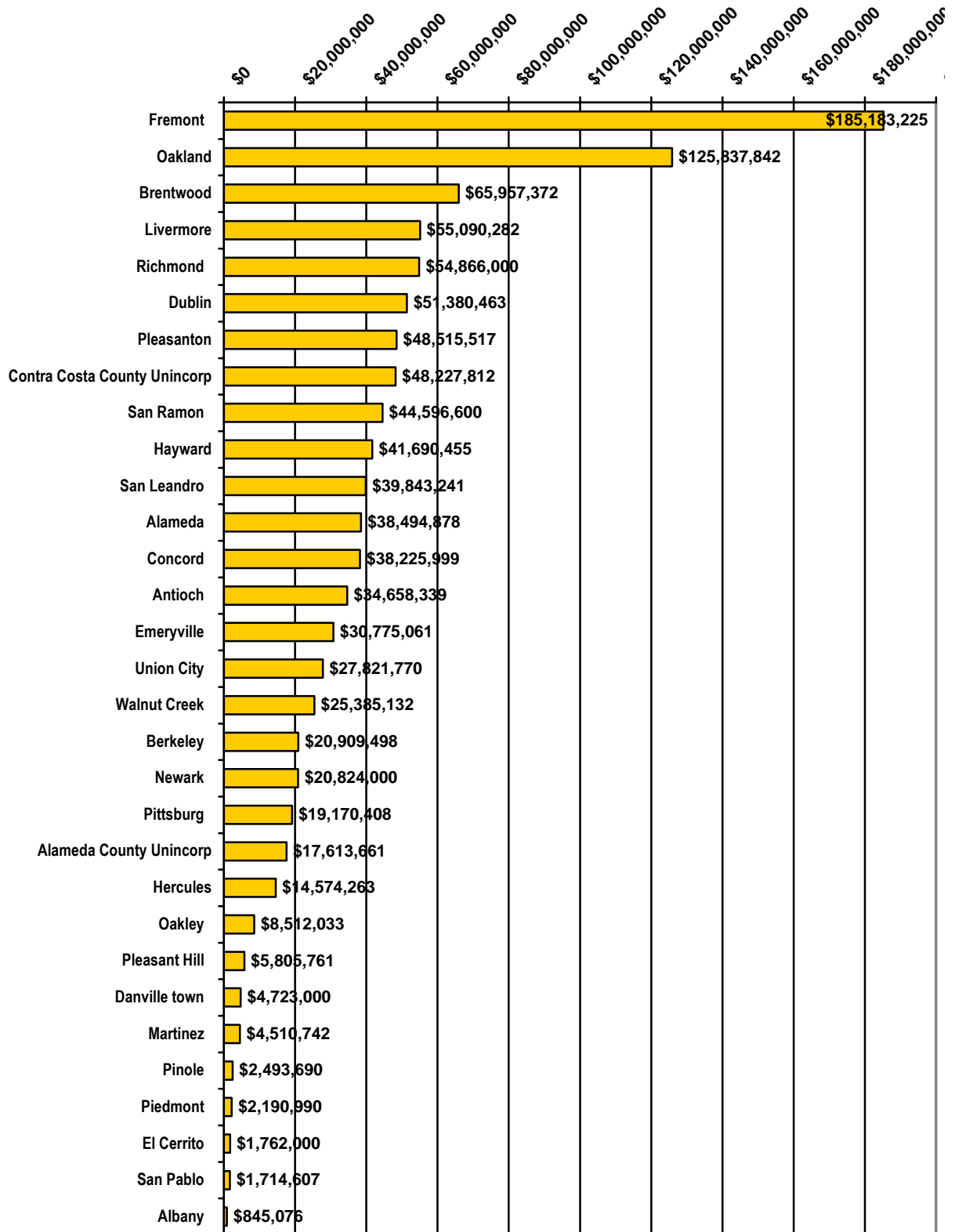
Alameda County's 2004 total was 20% more than in 2003, while Contra Costa experienced a 12% decline

East Bay Housing Unit Permits Issued in 2004 By City / Issuing Entity



Source: Construction Industry Research Board

East Bay NonResidential Permits Issued in 2004 By City / Issuing Entity



Source: Construction Industry Research Board