

MAY 2005 EAST BAY MONTHLY ANALYSIS

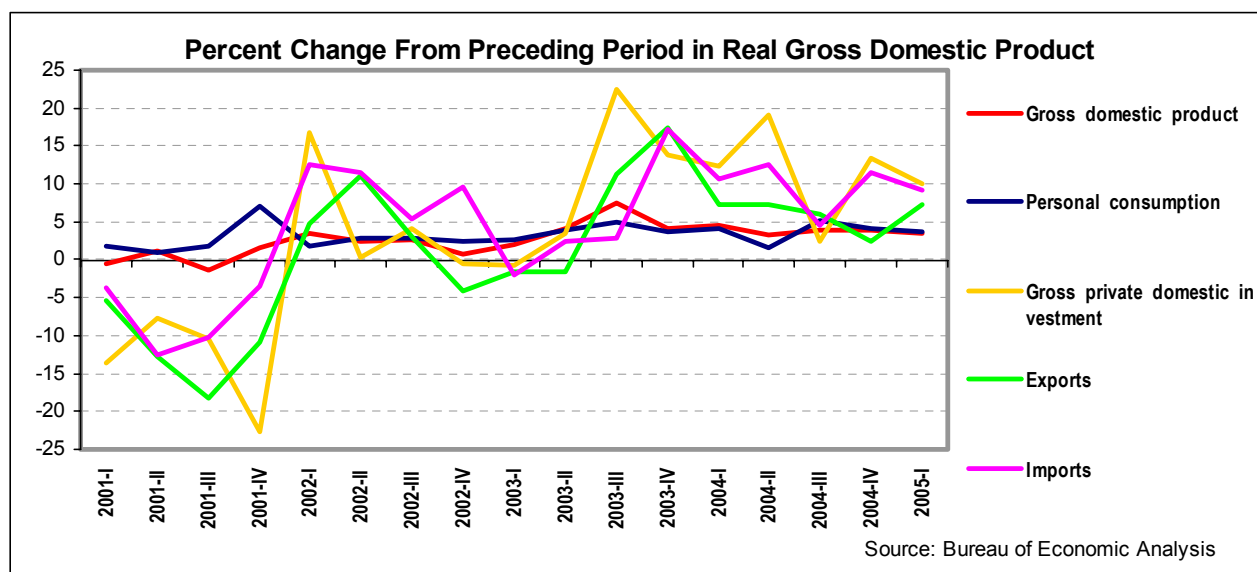
Prepared by the Economic Development Alliance for Business.

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

Gross Domestic Product (GDP) -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 3.5% in the first quarter of 2005, according to preliminary estimates. First-quarter corporate profits increased 13.8% from the same quarter one year ago.

The 3.5% increase in inflation-adjusted GDP primarily reflected increases in consumer spending, business inventory investment, and exports for the first quarter. The upward revision to the GDP growth rate mainly reflected lower imports of goods that were partly offset by a lower inventory investment.



Real personal consumption expenditures increased 3.6% in the first quarter, compared with an increase of 4.2% in the fourth quarter of last year. Real nonresidential fixed investment increased 3.5%, compared with an increase of 14.5% in the fourth quarter 2004. Equipment and software increased 5.6%, compared with an increase of 18.4%. Real residential fixed investment increased 8.8%, compared with an increase of 3.4%.

The real change in private inventories added 0.78 percentage point to the first-quarter change in real GDP, after adding 0.46 percentage point to the fourth-quarter change. Private businesses increased inventories \$68.4 billion in the first quarter 2005, following increases of \$47.2 billion in the fourth quarter 2004 and \$34.5 billion in the third.

Real exports of goods and services increased 7.2% in the first quarter, compared with an increase of 3.2% in the fourth. Real imports of goods and services increased 9.1%, compared with an increase of 11.4%.

COST OF LIVING

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.7% in April, before seasonal adjustment, according to the Bureau of Labor Statistics of the U.S. Department of Labor. The April level of 194.6 (1982-84=100) was 3.5% higher than in April 2004.

On a seasonally adjusted basis, the CPI-U rose 0.5% in April, following an increase of 0.6% in March. Energy costs advanced sharply for the third consecutive month--up 4.5% in April. Within energy, the index for petroleum-based energy increased 6.3% and the index for energy services increased 2.3%.

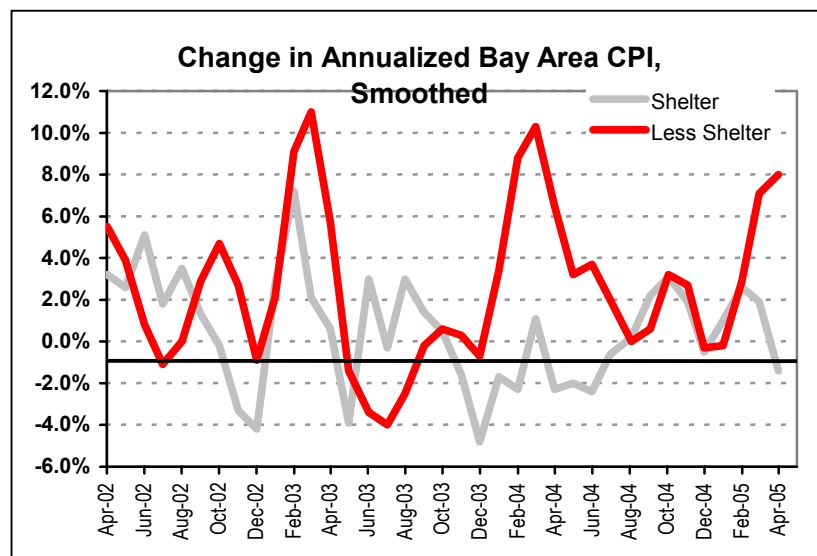
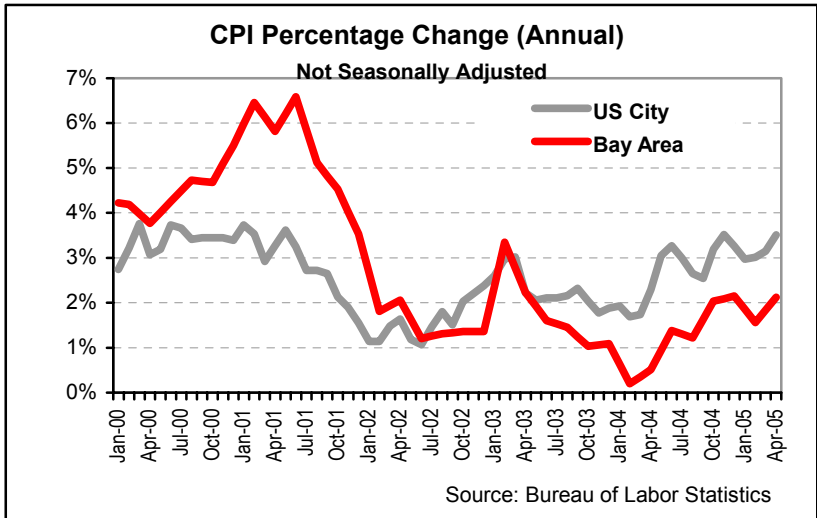
The index for food rose 0.7%. The index for food at home increased 1.1%, its largest advance since a similar rise in May 2004. The index for all items less food and energy, which increased 0.4% in March, was virtually unchanged in April.

Declines in the indexes for apparel and for lodging while away from home, which had accounted for the acceleration in March, were largely responsible for the deceleration in April.

(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.)

In the Bay Area, Annualized CPI data (smoothed) for Shelter continued to increase from a low point of -4.8% in December 2003 to an annualized rate of 1.9% in March 2005 and down again to -1.4% in April 2005.

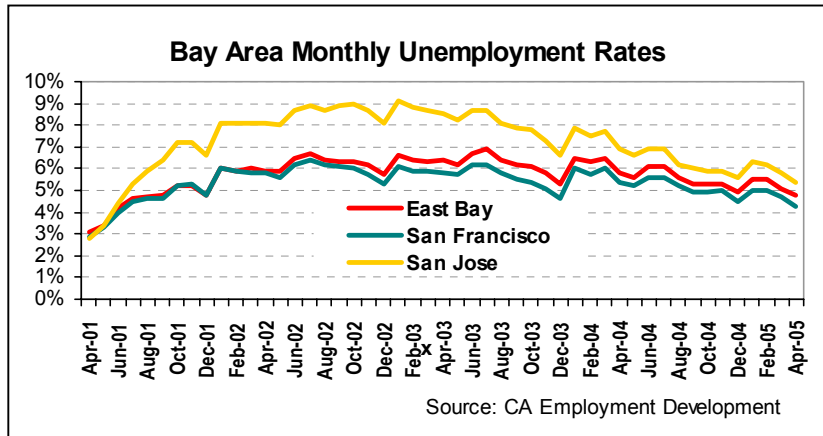
Meanwhile "All Items Less Shelter" diverged significantly from that trend in February with increases from 1.9% in March 2005 to 7.1% in March and 8% in April 2005.



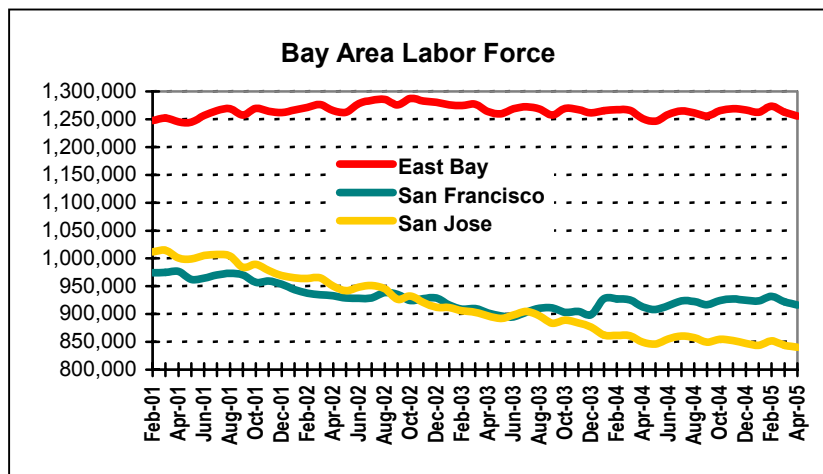
WORKFORCE AND UNEMPLOYMENT

Note: Historical labor force data before January 2004 in all three of the indicators in this section is not currently comparable with the new data due to the State of California's implementation of major changes in labor force data methodology. That accounts for the significant increase in the Bay Area unemployment rates between December 2003 and January 2004.

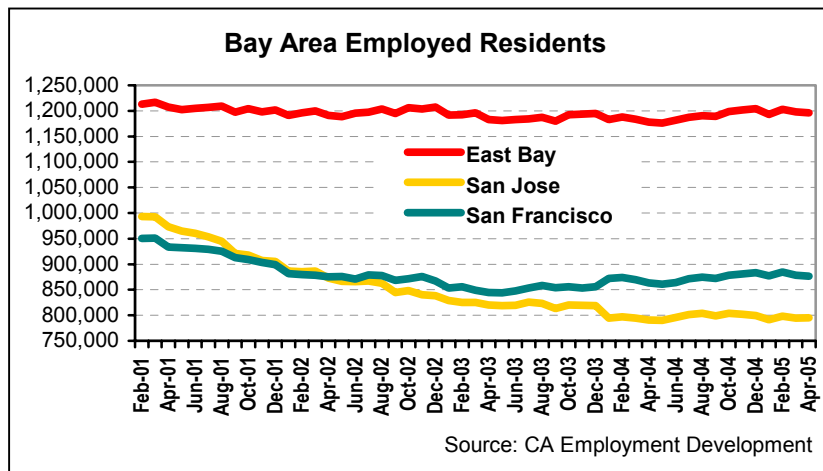
The unemployment rates (not seasonally adjusted) for the Bay Area MSAs continue to decline - in the East Bay it decreased to 4.8% in April 2005, while San Francisco had the lowest with 4.3% and San Jose 5.4%. The East Bay's is still well below California's 5.2% and 4.9% for the nation. In Alameda County, the April 2005 unemployment rate was 4.9% and it was only 4.6% in Contra Costa County.



Part of these Bay Area decreases are tied to a decrease in labor force. The East Bay's April 2005 number was 18,000 below February 2005 and 7,000 lower than March. San Francisco's labor force also decreased by 15,600 and 5,800 while San Jose lost the fewest, 11,200 and 3,200, in the same period.



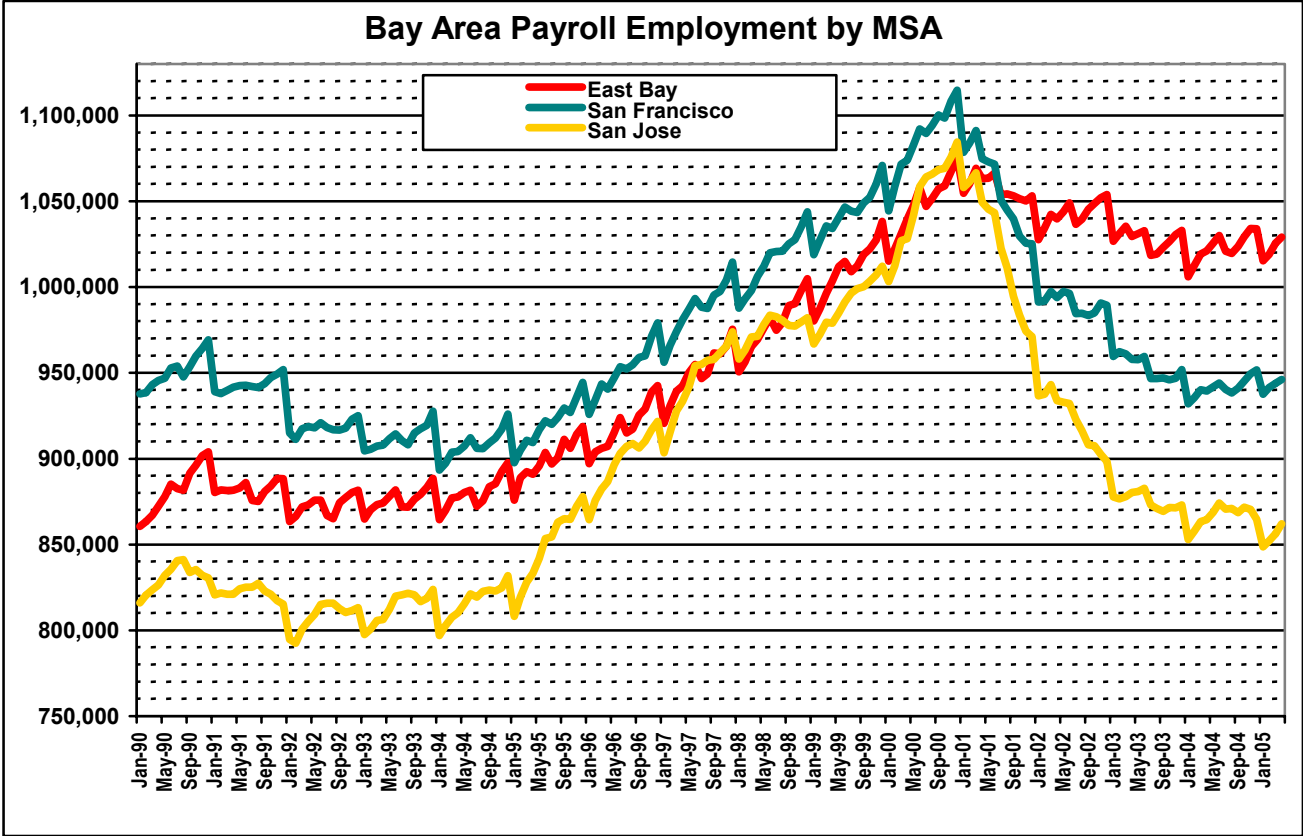
The change in the number of employed residents in these MSAs was mixed, as the East Bay had 5,000 fewer employed in February 2005 and 2,200 less in March, while San Francisco lost 6,500 and 2,100 in the same time periods. Only San Jose showed some improvement - after a decrease of 3,600 from February to March, there was an increase of 700 more employed in April than the previous month.



EAST BAY PAYROLL EMPLOYMENT BY SECTOR

In April 2005, Payroll employment (the number of jobs within a region), reached 1,029,100 in the East Bay, 946,200 in San Francisco and 862,100 in San Jose.

Between April 2004 and April 2005, the East Bay added 8,000 jobs (an .8% gain), San Francisco added 6,800 while San Jose lost 2,300.



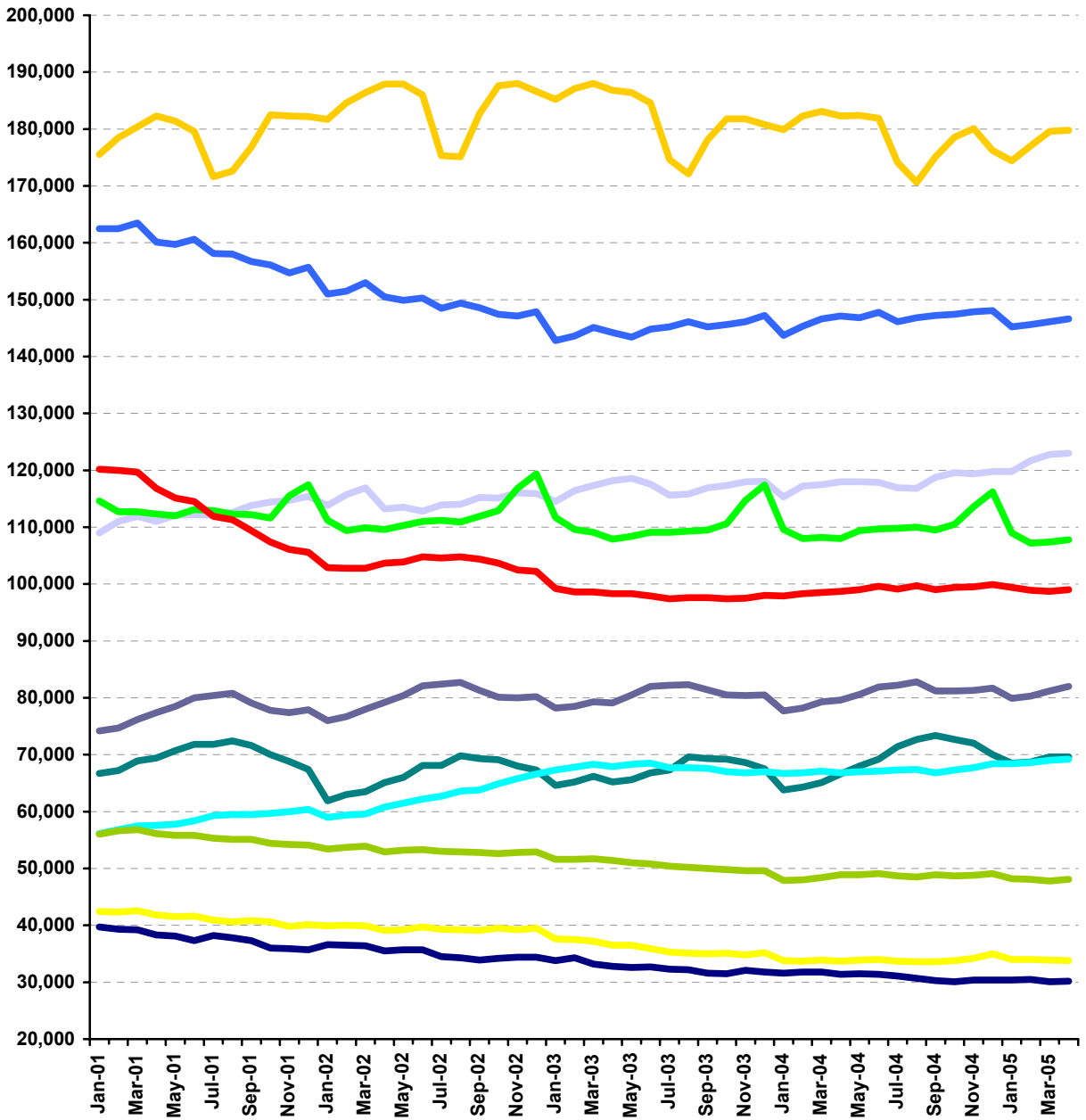
In the East Bay, all of the industry sectors showed job gains from the previous month except for transportation, warehousing and utilities!

The most notable gains were in leisure and hospitality, which added 800 jobs; professional and business services added 500 jobs, mostly in administrative and support services (which includes temporary employment agencies); while retail trade added 400 and wholesale trade 300. Two industries critical to the Bay Area, manufacturing and information, added 300 and 100 jobs respectively, perhaps indicating that the turning point has been reached for these beleaguered sectors.

In a year-to-year comparison (April 2004 to April 2005), educational and health services added 5,000 jobs, (with health care and social assistance leading the way with 3,300). The construction industry continued to provide major support to the East Bay economy, with an annual increase of 3,000 jobs, and related financial activities added another 2,400.

The leisure and hospitality sector also added 2,400 jobs, mostly in arts, entertainment, and recreation, but government dropped 2,500 jobs, continuing the job loss trend that began in April 2003.

East Bay Sector Employment Summary



- Government
- Professional and Business Services
- Educational and Health Services
- Retail Trade
- Manufacturing
- Leisure and Hospitality
- Construction
- Financial Activities
- Wholesale Trade
- Transportation, Warehousing and Utilities
- Information

Source: CA Employment Development

HOUSING

Bay Area home prices moved up to another new high last month as sales remained at near-record levels, the result of strong demand and flat mortgage interest rates, according to DataQuick Information Systems.

A total of 11,158 new and resale houses and condos were sold in the nine-county Bay Area in April 2005. That was down 1.3% from 11,310 for the previous month, and down 10.2% from 12,421 from April 2004.

Last year's April was the strongest April in DataQuick's statistics, which go back to 1988 and last month was the second-strongest. Last month's year-over-year sales decline was the first of this year.

The median price paid for a Bay Area home was \$586,000, a new record that was up 3.2% from \$568,000 in March, and 19.1% from April 2004. The Bay Area's appreciation rate has passed Southern California's for the first time in four years.

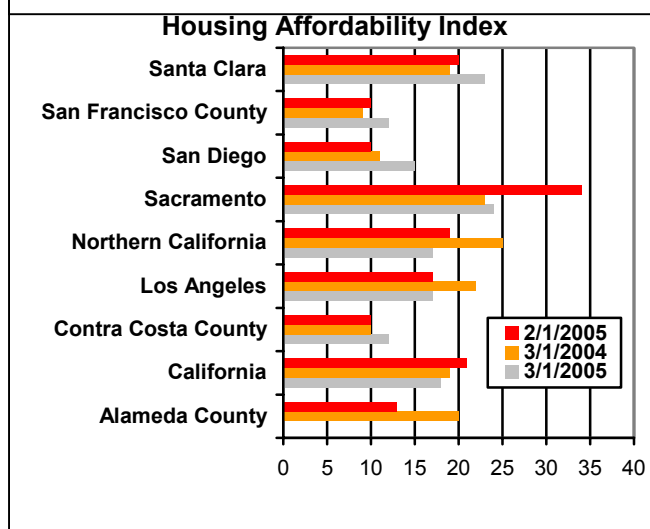
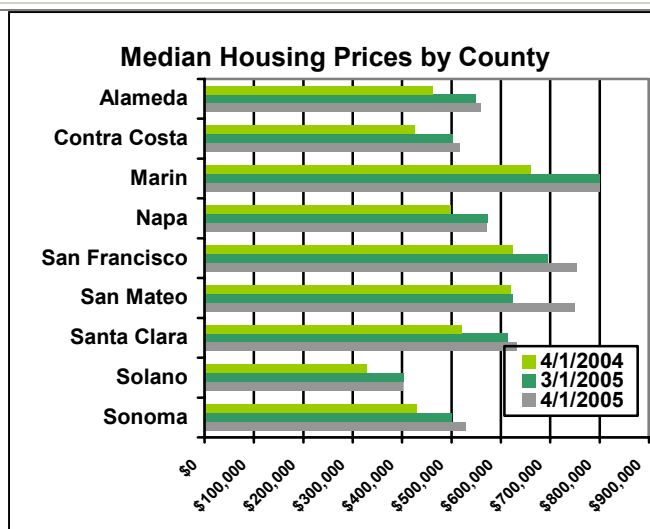
The median price paid for a home in April 2005 in California was \$424,000, also a new record. That was up 0.7% from \$421,000 for March and up 17.5% from April 2004.

A total of 55,975 new and resale houses and condos were sold statewide in April 2005. Total sales were down 1.2% from March 2005 and down 5.7% from 59,350 for April 2004.

The California Association of REALTORS® (C.A.R.) monthly housing affordability index (HAI), which measures the percentage of households that can afford to purchase a median-priced home in California, stood at 18% in March, a 3 percentage-point decrease compared with the same period a year ago when the Index was at 21%. The March HAI declined 1 percentage point from February, when it stood at 19%.

All Homes	No Sold Apr-05	Pct. Chg	Median Apr-05	Pct. Chg
Alameda	2,244	-11.9%	\$552K	18.2%
Contra Costa	2,119	-12.4%	\$530K	22.7%
Marin	481	-10.1%	\$779K	17.0%
Napa	205	10.8%	\$574K	20.3%
San Francisco	681	-10.3%	\$751K	20.2%
San Mateo	850	-1.3%	\$731K	19.8%
Santa Clara	2,830	-15.4%	\$619K	17.7%
Solano	1,037	9.9%	\$409K	18.9%
Sonoma	711	-14.1%	\$534K	28.7%
Bay Area	11,158	-10.2%	\$586K	19.1%

Source: DataQuick Information Systems



The minimum household income needed to purchase a median-priced home at \$495,400 in California in March was \$115,910, based on an average effective mortgage interest rate of 5.81% and assuming a 20% down payment. The minimum household income needed to purchase a median-priced home at \$195,000 in the U.S. in March 2005 was \$45,620.

At 36%, the High Desert region was the most affordable C.A.R. region in the state, followed by the Sacramento region at 23%. The Northern Wine Country and Santa Barbara regions were the least affordable in the state at 9%, followed by the Monterey and San Diego regions at 10%.

Contra Costa Index remained unchanged from the previous month at 10%. March 2005 data was not available for Alameda County.

In the East Bay, Lafayette

claims the highest median priced home at \$989,500 and Emeryville the lowest priced at \$385,000. Brentwood experienced the highest year-to-year gain, from \$438,250 in April 2004 to \$594,500 in April 2005 - a 35.7% increase.

County/City/Area	April 2005	April 2004	Y-t-Y Percent Change
Alameda County	\$560,000.00	\$462,000.00	21.2%
Alameda	\$649,000.00	\$536,500.00	21.0%
Albany	\$580,000.00	\$541,000.00	7.2%
Berkeley	\$720,000.00	\$581,000.00	23.9%
Castro Valley	\$566,000.00	\$502,250.00	12.7%
Dublin	\$650,000.00	\$525,000.00	23.8%
Emeryville	\$385,000.00	\$378,500.00	1.7%
Fremont	\$657,000.00	\$500,000.00	31.4%
Hayward	\$510,500.00	\$400,000.00	27.6%
Livermore	\$589,500.00	\$500,500.00	17.8%
Newark	\$557,500.00	\$431,500.00	29.2%
Oakland	\$445,000.00	\$389,000.00	14.4%
Pleasanton	\$765,000.00	\$640,000.00	19.5%
San Leandro	\$512,000.00	\$425,500.00	20.3%
San Lorenzo	\$522,500.00	\$425,000.00	22.9%
Union City	\$558,000.00	\$477,500.00	16.9%
Contra Costa County	\$517,000.00	\$425,000.00	21.6%
Antioch	\$460,000.00	\$365,000.00	26.0%
Brentwood	\$594,500.00	\$438,250.00	35.7%
Byron	\$577,000.00	\$455,500.00	26.7%
Concord	\$495,000.00	\$380,000.00	30.3%
Danville	\$930,000.00	\$800,000.00	16.3%
Hercules	\$442,500.00	\$416,750.00	6.2%
Lafayette	\$989,500.00	\$802,500.00	23.3%
Martinez	\$506,500.00	\$420,000.00	20.6%
Moraga	\$800,000.00	\$750,000.00	6.7%
Oakley	\$450,000.00	\$349,500.00	28.8%
Pinole	\$510,000.00	\$400,000.00	27.5%
Pittsburg	\$425,000.00	\$330,000.00	28.8%
Pleasant Hill	\$585,000.00	\$496,000.00	17.9%
Richmond	\$405,000.00	\$310,000.00	30.6%
San Pablo	\$414,000.00	\$330,000.00	25.5%
San Ramon	\$766,000.00	\$631,250.00	21.3%
Walnut Creek	\$656,000.00	\$513,500.00	27.8%

HOTEL OCCUPANCY

The PKF Consulting report on hotel trends in the Bay Area for April 2005 shows an improvement in room rates except for San Francisco and San Jose, while occupancy rate improvements were mixed, though the Northern California averages improved. The East Bay saw continued improvements but is still trailing the Northern California averages.

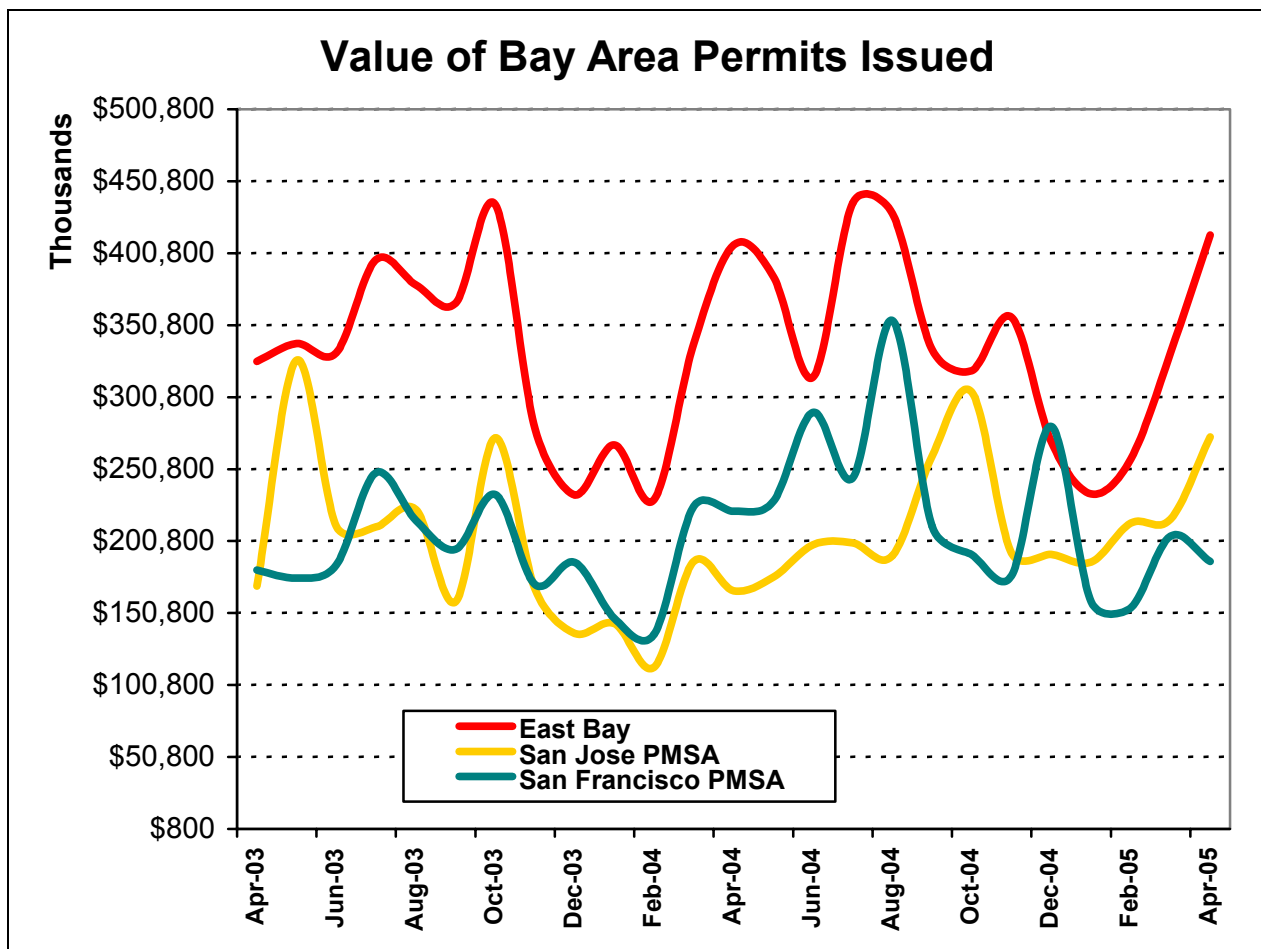
PKF Consulting noted that from 2000 to 2003, total hotel telecommunications department revenue declined 50.3%, while revenue derived from such sources as fax machine, Internet charges, and commissions increased 9.1% over the same period. This decline in telecommunications revenue is solely attributable to the drop in guest use of in-room phones. Hotel managers will need to adapt to new technologies and find ways to provide the amenities and services that guests use at home and at work, and their challenge will be to provide these evolving amenities and services and find a way to profit from them.

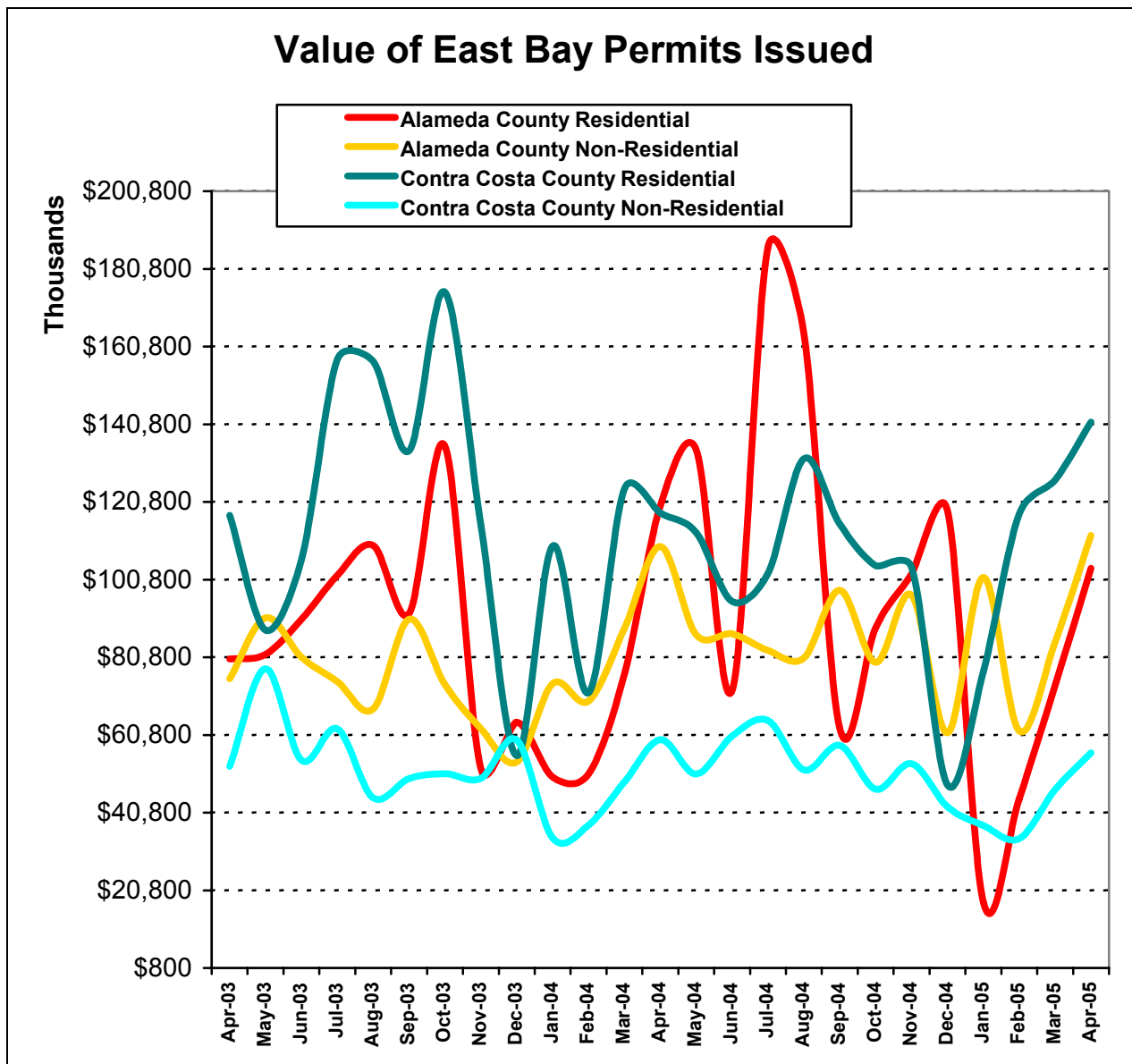
	Average Daily Room Rate			Occupancy%		
	2005	2004	VAR	2005	2004	VAR
SAN FRANCISCO	\$148.89	\$154.22	-3.50%	74.00%	73.60%	0.50%
SAN FRANCISCO AIRPORT	114.34	107.33	6.50%	68.70%	70.70%	-2.80%
SAN JOSE/PENINSULA	105.04	105.43	-0.40%	59.40%	61.70%	-3.70%
OAKLAND/EAST BAY	102.09	99.4	2.70%	61.90%	59.10%	4.80%
MONTEREY/CARMEL	203.2	194.43	4.50%	66.80%	66.40%	0.70%
CENTRAL VALLEY	64.85	62.57	3.60%	73.00%	72.50%	0.60%
SACRAMENTO	97.32	92.39	5.30%	75.20%	78.60%	-4.30%
MARIN COUNTY	116.47	112.84	3.20%	63.60%	64.80%	-1.90%
NAPA/SONOMA COUNTIES	107.58	98.97	8.70%	60.70%	57.60%	5.30%
OTHER NORTHERN CALIFORNIA	98.9	90.67	9.10%	68.60%	61.50%	11.50%
OVERALL AVERAGE	\$116.94	\$115.55	1.20%	67.90%	67.80%	0.20%

Source: PKF Consulting

CONSTRUCTION PERMITS

Since January 2005, the East Bay has issued \$92.8 million more in construction permits than San Jose and about \$151.8 million more than San Francisco. In April 2005, the East Bay issued \$413,448,757; San Jose issued \$273,210,221; while San Francisco only issued \$186,746,626, a \$17.5 million decrease from the previous month.





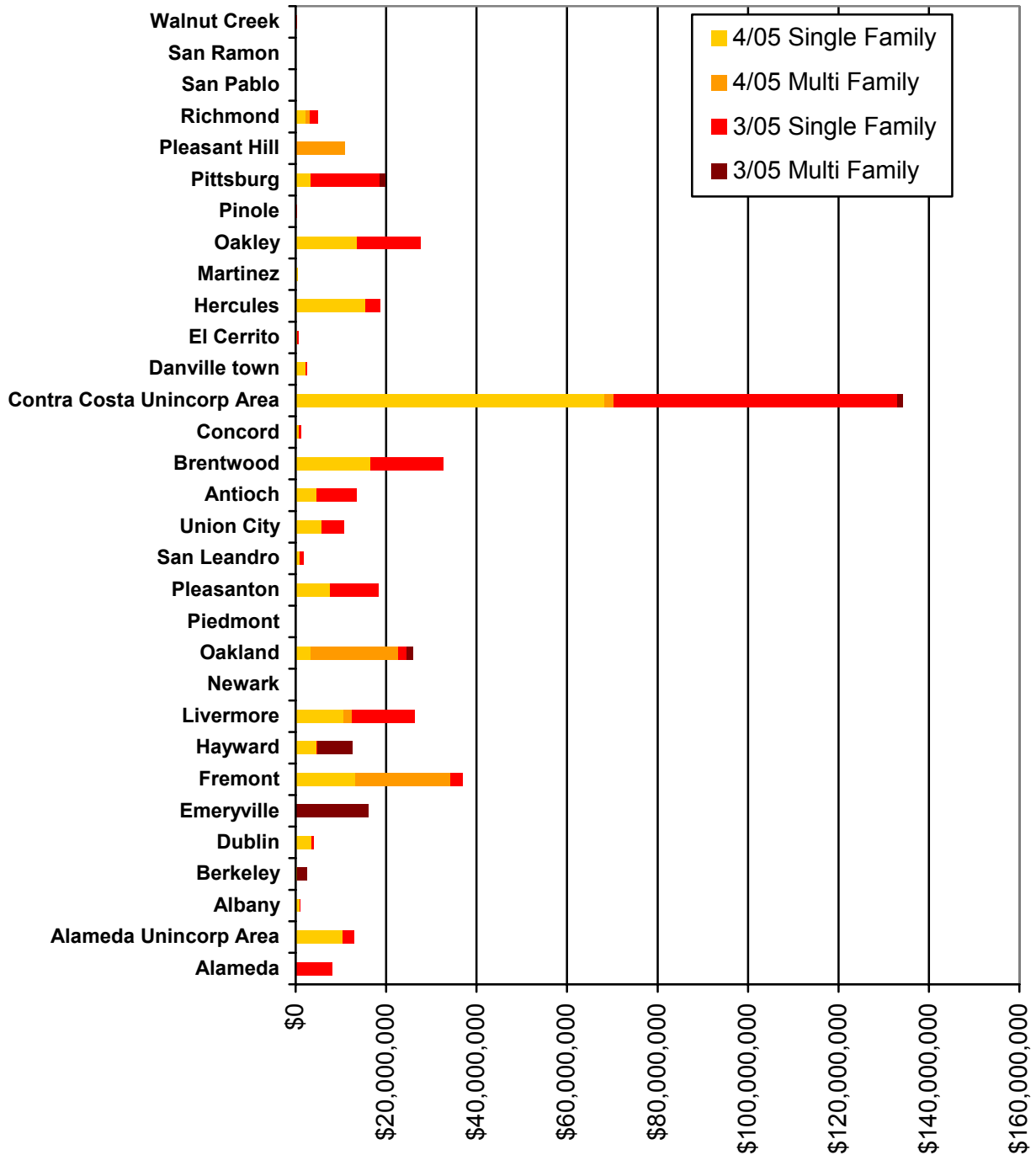
Despite the decline in permits issued in the East Bay's Counties the first of 2005 (a not-uncommon decline), Contra Costa County issued \$141,360,528 in residential permits in April 2005 while Alameda County issued \$103,696,982.

Non-residential permits in both Counties also rose, with Alameda County exceeding its May 2004 high of \$109,282,259. Contra Costa County has turned around its 10-month decline of \$4.7 million in and a \$23.7 million decline in residential permits using the same comparison.

In a comparison of the total value of permits issued during the last 12 months (March 2004 through April 2005), versus the previous 12 months total (March 2003 through April 2004), Alameda County has issued almost \$144 million more in residential permits and \$97 million more in non-residential.

Contra Costa County has not been as fortunate, as it experienced a decline of \$134.5 million in residential and a \$26 million decline in non-residential permits using the same 12-month to 12-month comparison.

East Bay Components of Residential Permit Value by City (March - April 2005)

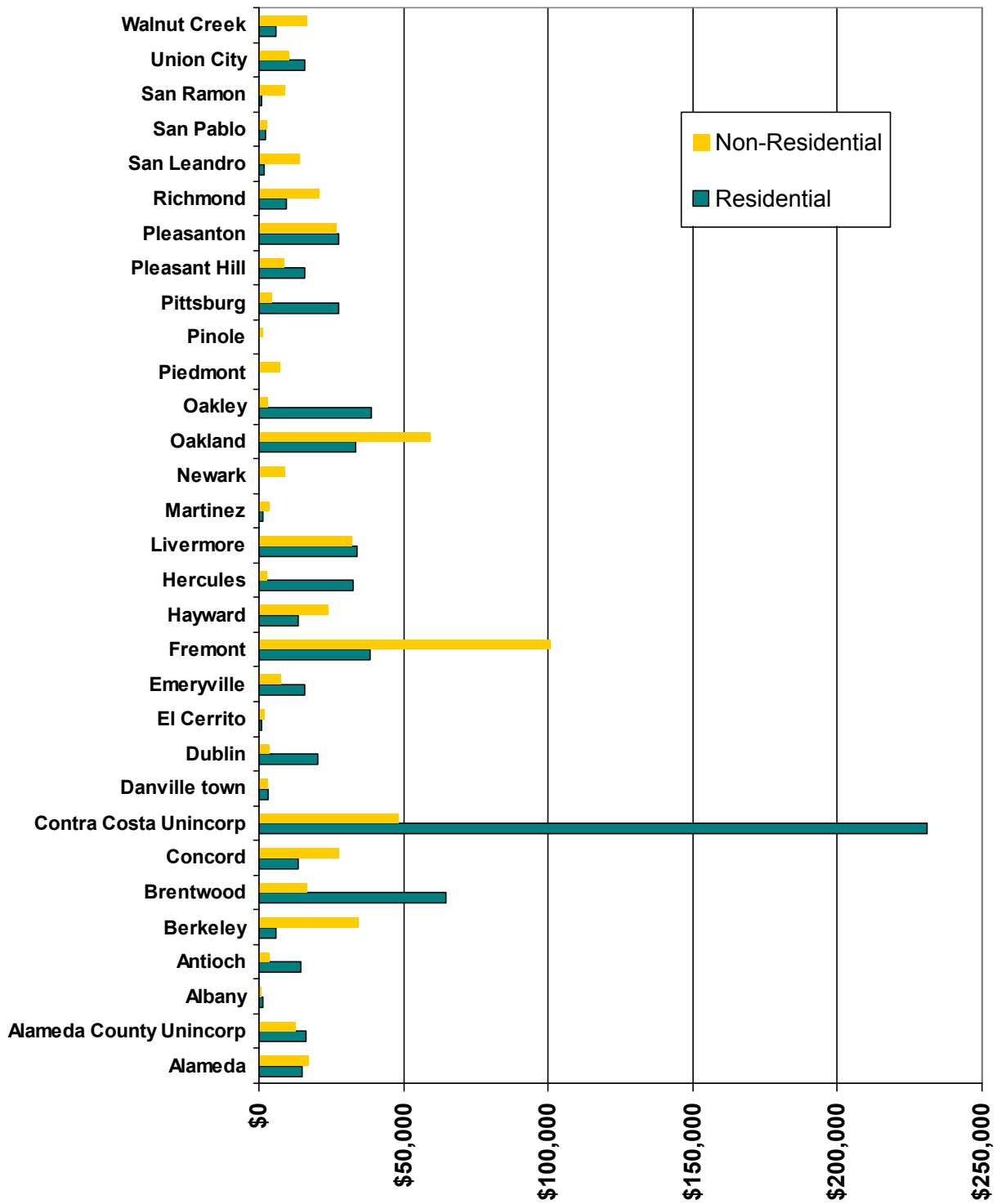


Source: Construction Industry Research Board

During the last two months (March and April, 2005), the Contra Costa County Unincorporated area issued \$134,244,174 in residential permits (\$130,931,903 single family), with Brentwood (\$32,620,717), Oakley (\$27,527,701), and Livermore (\$24,407,911) all exceeding \$20 million in single family permits.

Fremont led the way in multi-family permits issued with \$21,167,147, along with Oakland (\$20,963,000), Pleasant Hill (\$10,878,230) and Hayward with \$7,769,305.

East Bay Permit Value by City, YTD (Thousands of \$)



Source: Construction Industry Research Board