

# NOVEMBER 2005 EAST BAY MONTHLY ANALYSIS

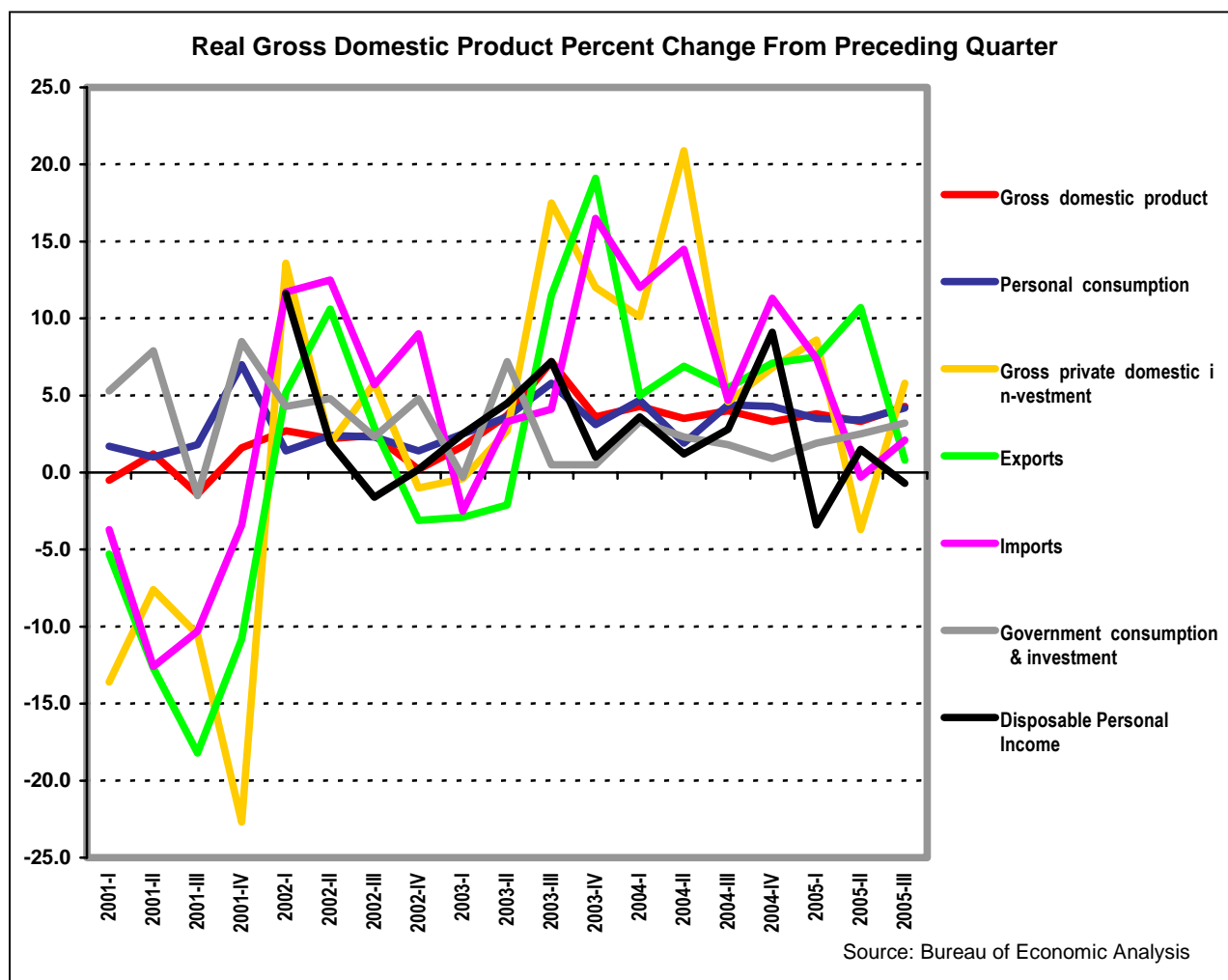
Prepared by the Economic Development Alliance for Business (EDAB).

The East Bay Monthly Analysis augments the East Bay Quarterly Forecast authored by the UCLA Anderson Forecast. A free subscription and downloads of both monthly and quarterly reports are available at [www.edab.org/newsletter.html](http://www.edab.org/newsletter.html). EDAB welcomes your comments and suggestions. Send your email to [analysis@edab.org](mailto:analysis@edab.org) or call us at (510) 272-3885.

## GDP SUMMARY

Real Gross Domestic Product (GDP) -- the output of goods and services produced by labor and property located in the United States -- increased at a surprising annual rate of 4.3% in the third quarter of 2005, following an increase of 3.3% during the second quarter.

The major contributors to the increase in real GDP in the third quarter were Personal Consumption Expenditures (4.2% vs. 3.4%), and Gross Private Domestic Investments (which went from -3.7% to 5.8%) in equipment and software and Federal Government Spending (2.5% to 3.2%). These were partly offset by reductions in Private Inventory Investment, Exports, Residential Fixed Investment and State And Local Government Spending as well as a negative contribution from an increase in Imports.

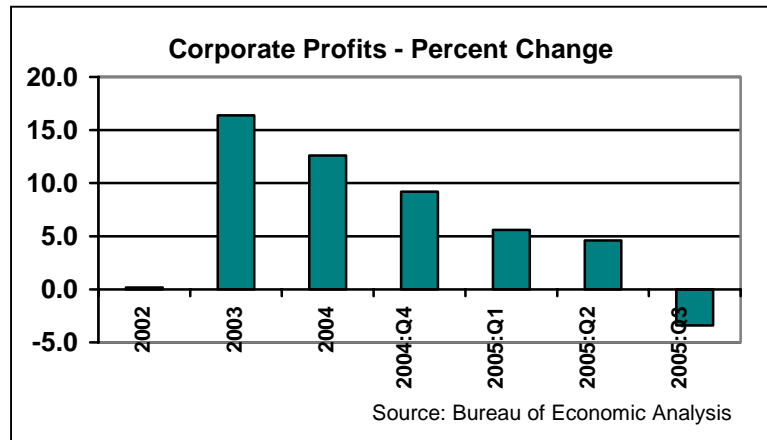


Disposable Personal Income decreased 0.7% in the third quarter, compared with an increase of 1.5% in the second. This slowdown partly reflected the impacts of Hurricanes Katrina and Rita. Rental income and proprietors' income were reduced by the property damage caused by the hurricanes, and current transfer receipts were increased by insurance settlements related to the hurricanes.

## Corporate Profits

Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) decreased \$45.5 billion in the third quarter. In the second quarter, profits increased \$59.3 billion.

Third-quarter profits from current production were reduced by \$151.2 billion because of Hurricanes Katrina and Rita, reflecting the net benefits paid by domestic insurance companies and the uninsured losses of corporate property.



## COST OF LIVING

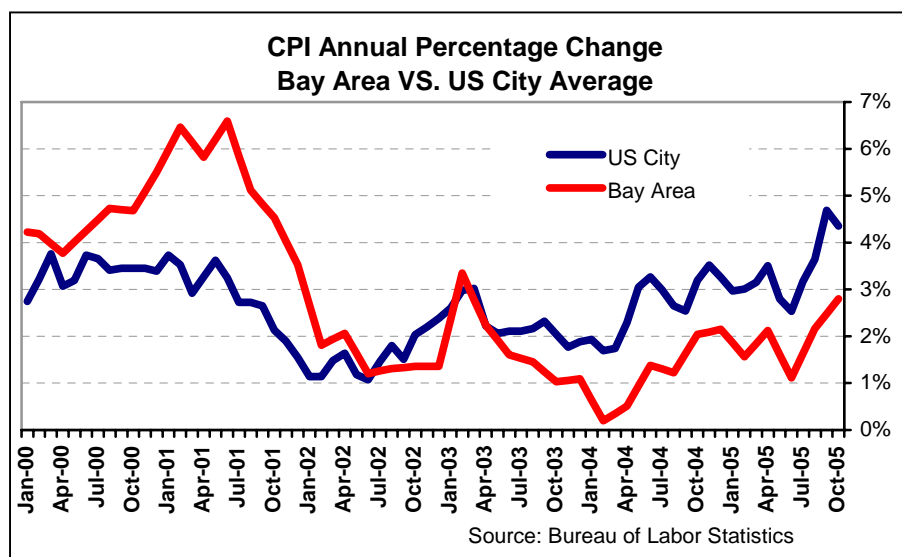
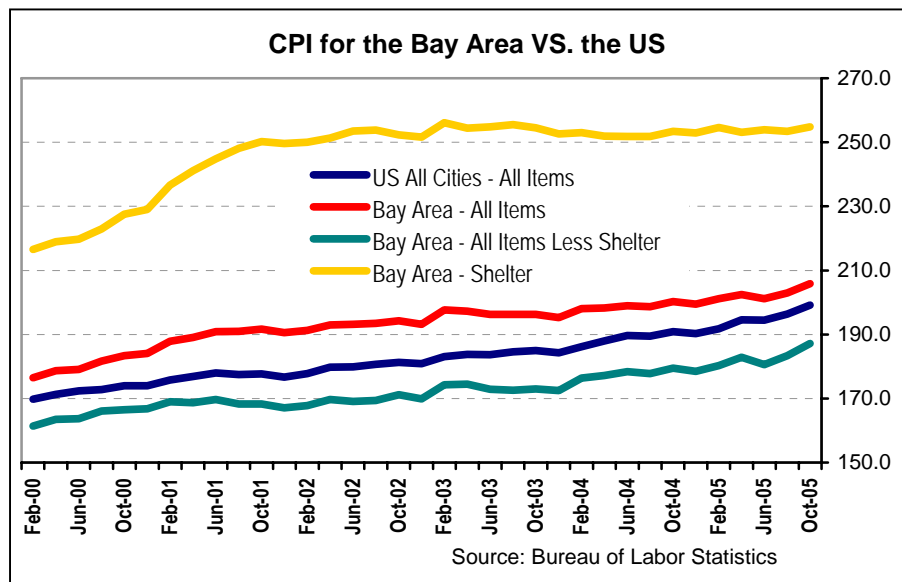
The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% in October 2005, before seasonal adjustment. The October level of 199.2 (1982-84=100) was 4.3% higher than in October 2004.

On a seasonally adjusted basis, the CPI-U increased 0.2% in October. Energy costs, which had risen sharply in each of the previous three months, actually declined 0.2% in October. This was due to a 5.2% increase in the index for household fuels that was offset by a 4.4% decline in the index for motor fuels.

The index for food rose 0.3% in October 2005 the same as in September. The index for All Items Less Food and Energy rose 0.2% in October, following increases of 0.1% in each of the preceding five months.

Shelter costs, which had declined 0.1% in September, advanced 0.5% in October, largely as a result of a sharp turnaround in the index for lodging away from home.

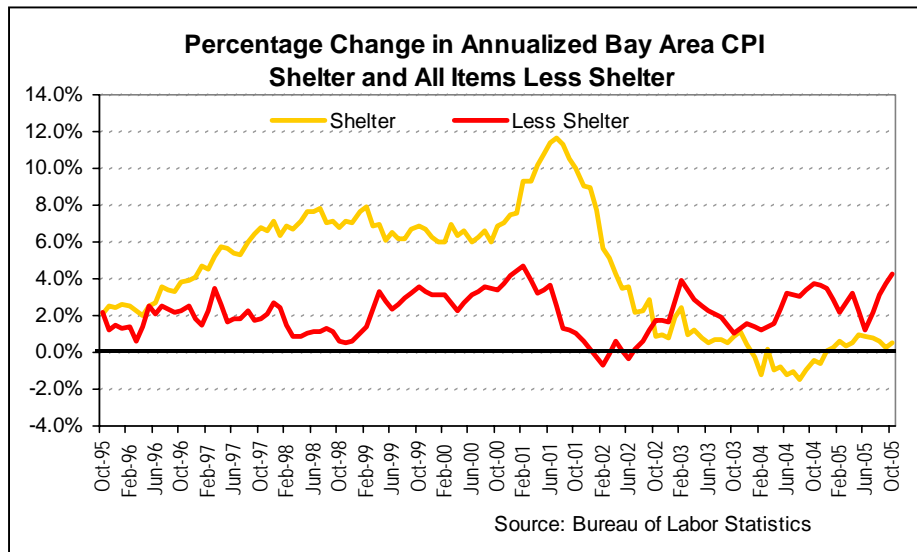
The annual growth rate of the Bay Area's CPI decreased slightly to 2.04% in October (from 2.09% in September), while the US City average decreased from 3.52% to 3.19%.



In February 2003, the Bay Area's CPI was 197.7, 14.7% above the US City figure of 183.1. Since then, consistently lower monthly rates have reduced that lead to only 6.7, with the Bay Area reaching 205.9 vs. the US City index of 199.2.

When the Bay Area CPI data is broken down two categories, Shelter and All Items Less Shelter, Shelter costs do not reflect the significant housing price increases in the Bay Area over the last three years, apparently because rental housing and apartment rates have remained fairly steady.

Since September 2002, All Items Less Shelter has increased by 16.9% while Shelter costs increased only 0.5% in the Bay Area.



The Bay Area's Shelter growth rate did increase from 0.28% in September 2005 to 0.55% in October 2005, while the cost of items excluding shelter increased from 3.72% in September to 4.29% in October.

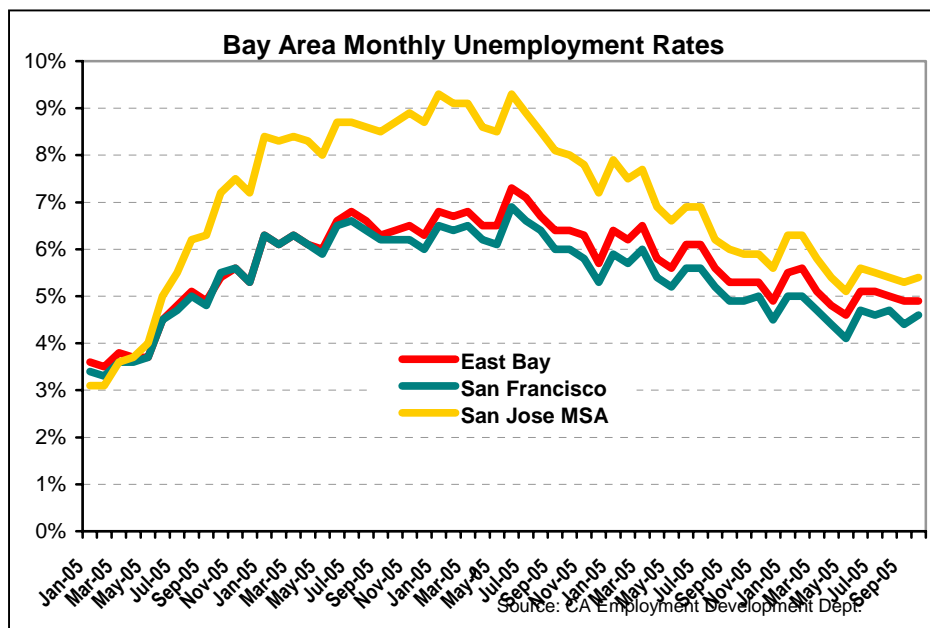
## WORKFORCE AND UNEMPLOYMENT

Unemployment rates (not seasonally adjusted) for the major Bay Area MSAs have remained fairly stable in recent months. In the East Bay, the rate remained at 4.9% for September and October 2005, San Jose's increased slightly from 5.4% to 5.5%, and San Francisco (which continued to have the lowest rate of the three) also experienced an increase from 4.4% to 4.6%.

California's unemployment rate increased from 4.9% in September to 5.0% in October, while the national rate declined from 4.8% to 4.6%.

Within the East Bay, the unemployment rate was 5.1% in Alameda County and 4.7% in Contra Costa County.

The Bay Area's Labor force numbers have improved as a whole since April 2005.



San Jose, the region hardest hit with a decrease in labor force by 123,300 since January 2001, has added 8,900 to its workforce since October 2004, and 8,200 between September and October 2005.

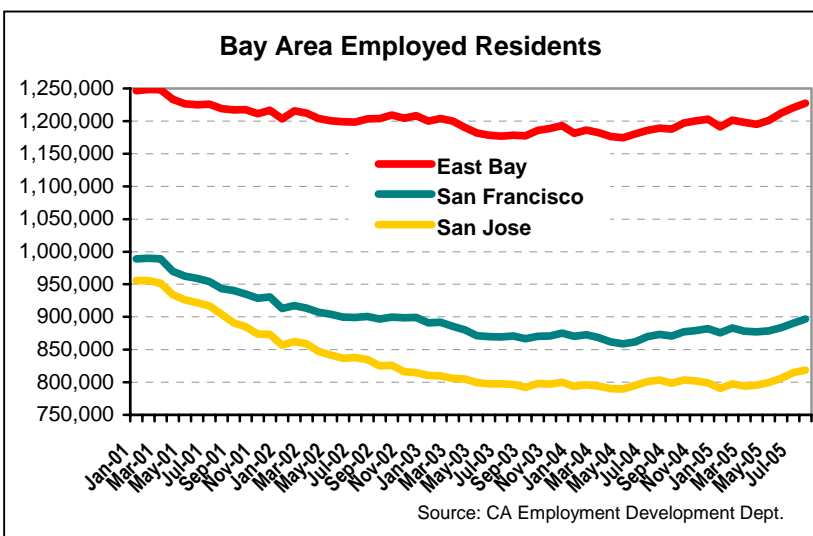
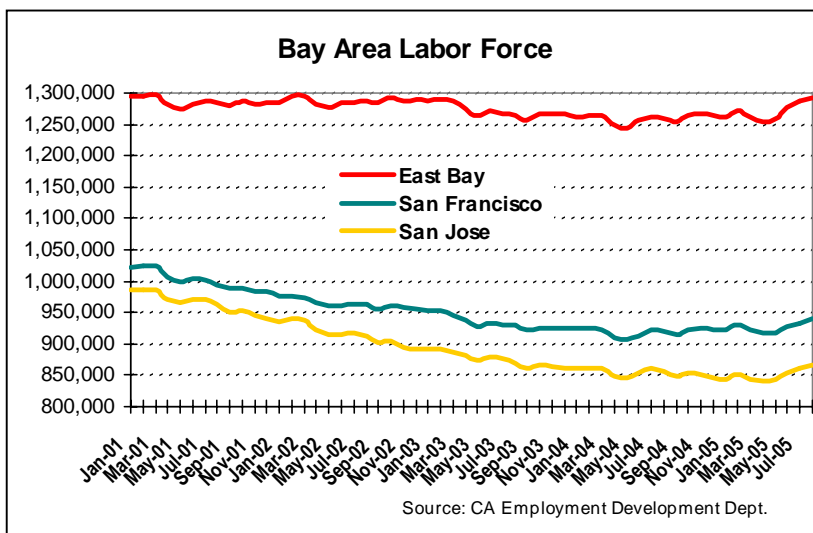
San Francisco's labor force is also a long way from recovering its previous numbers, as it still has 82,100 fewer workers than in January 2001. But San Jose has added over twice as many workers (18,700) since October 2004, but fewer workers (only 7,300) were added in October.

The East Bay is the only region that is approaching its January 2001 level, with just 4,900 fewer workers in October 2005. It has regained almost twice as many workers as San Francisco, (a total of 35,100) since October 2004, and added 13,500 in the last month.

The comparison of employed residents for the three MSA's is similar – with only the East Bay close to approaching 2001 levels.

In the January 2001 to October 2005 comparison, the East Bay has only 12,300 fewer employed residents, while San Francisco had 90,800 fewer employed and there were 139,600 fewer employed residents in San Jose.

In a comparison of the last 12 months, there were 37,700 more residents in the East Bay, 21,100 in San Francisco and 12,700 in San Jose were employed. Within the last month, 11,800 more East Bay residents had jobs, while 5,700 more in San Francisco and 6,600 more San Jose were employed.



## EAST BAY PAYROLL EMPLOYMENT BY SECTOR

### October 2004 to October 2005 Analysis

Between October 2004 and October 2005, payroll employment increased by 19,700 jobs or 1.9%, making sixteen consecutive months of year-to-year job gains in the East Bay! During the same period, San Francisco added 11,000 jobs, a 1.2% increase, and San Jose lost 800 jobs, a 0.01% decrease.

An industry sector comparison for the East Bay from October 2004 and October 2005, finds that the leading sector continues to be Educational and Health Services, which grew by 5,800 jobs (mostly due to an increase of 5,100 jobs in Health Care and Social Assistance). Within the latter, Ambulatory Health Care and Hospitals were each responsible for adding 2,000 jobs.

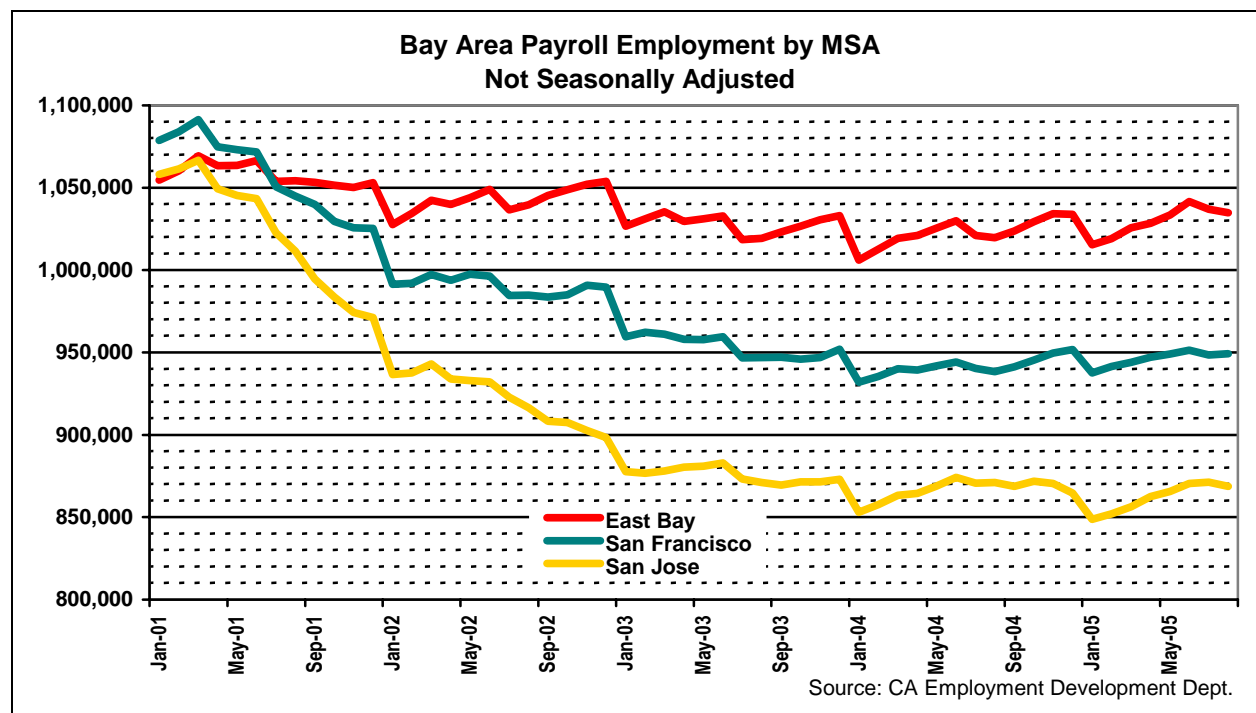
Construction reached its highest year-to-year gain since June 2001 with 5,000 additional jobs: 1,600 in Construction of Buildings (1,200 were in Residential); 2,600 in Specialty Trades; and 800 in Heavy and Civil Engineering Construction.

Construction gains continued to support Financial Activities, which picked up 3,600 jobs, of which Finance and Insurance added 2,800 jobs and Real Estate added 800.

Leisure and Hospitality stepped up its rate of increase – its largest since November 2002 - with the addition of 2,500 jobs.

Professional and Business Services added 2,000 jobs, while Manufacturing was up by 1,500 and Transportation, Warehousing & Utilities also added 1,500. The other gaining sector was Retail Trade with 200 more jobs.

Government led the year-to-year losing sectors with a loss of 1,100 jobs, followed by Other Services (which lost 800), Wholesale Trade (down 500) and Information (minus 100). In the Government sector the biggest job loser continued to be Counties, down 1,700 jobs, but the loss was partially offset by an increase in Local Government Education, which continued to add jobs (1,500). Other Government declines included federal, which was down 400, and state (down 200 jobs).



### September 200 to October 2005 Analysis

Between September and October 2005, East Bay payroll employment increased by 9,100 jobs, or 0.9%.

Government led these month-to-month gains with 3,500 jobs, mainly due to a seasonal increase in Local Government Education, which saw an increase of 3,000 jobs.

Construction added 1,500 jobs in Specialty Trade Contractors, up 1,100 jobs, and Heavy And Civil Engineering, up 400 jobs.

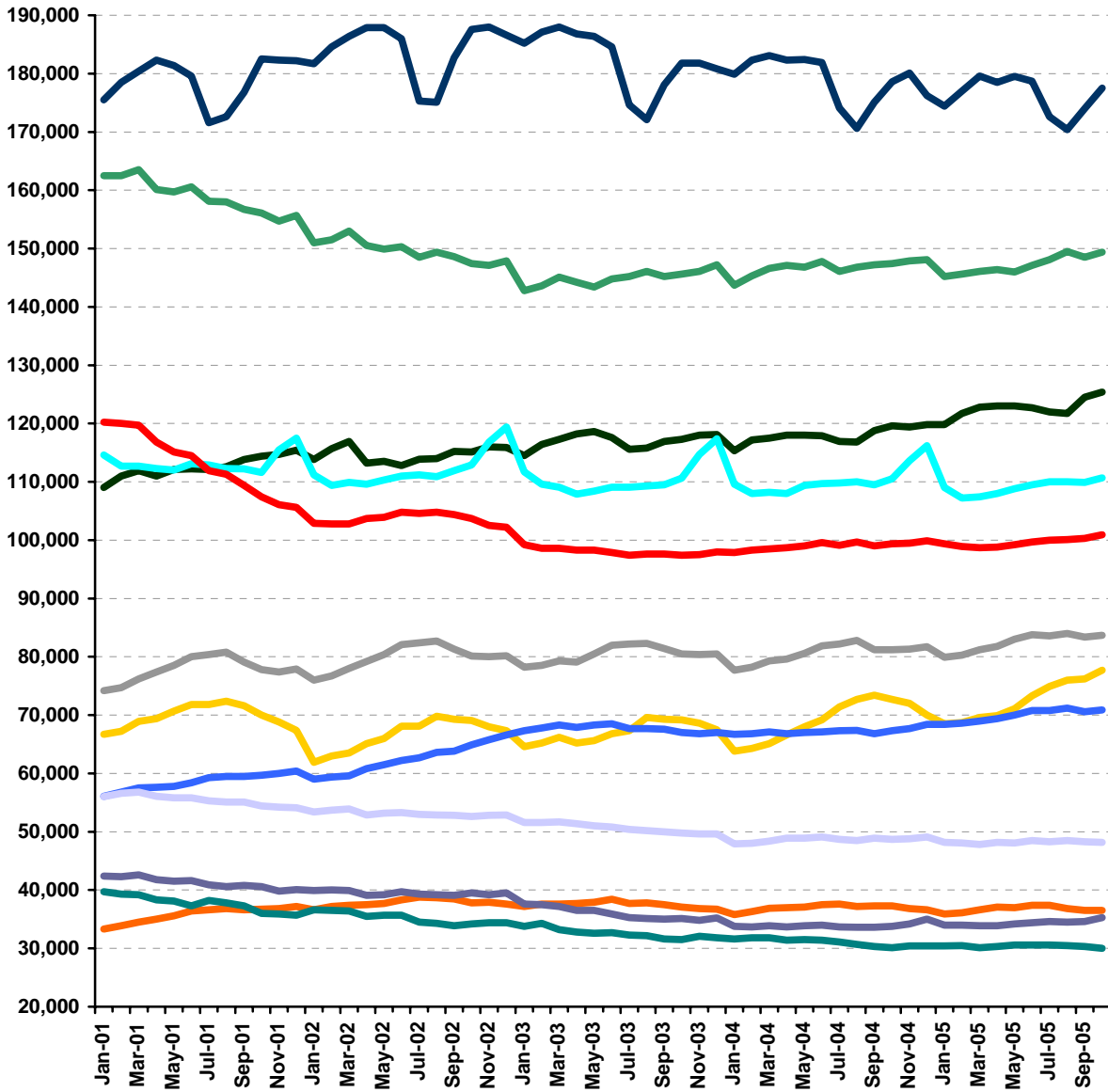
Other sectors with increases were: Professional and Business Services, 900; Educational and Health Services, 900; Retail Trade, 800; Transportation, Warehousing And Utilities, 700; Manufacturing, 600; Leisure And Hospitality, 300; and Financial Activities, 300.

The Information sector reported a monthly loss of 300 jobs, mostly in the publishing industries (down 200 jobs); and Wholesale Trade was also down by 100.

# East Bay Sector Employment Summary

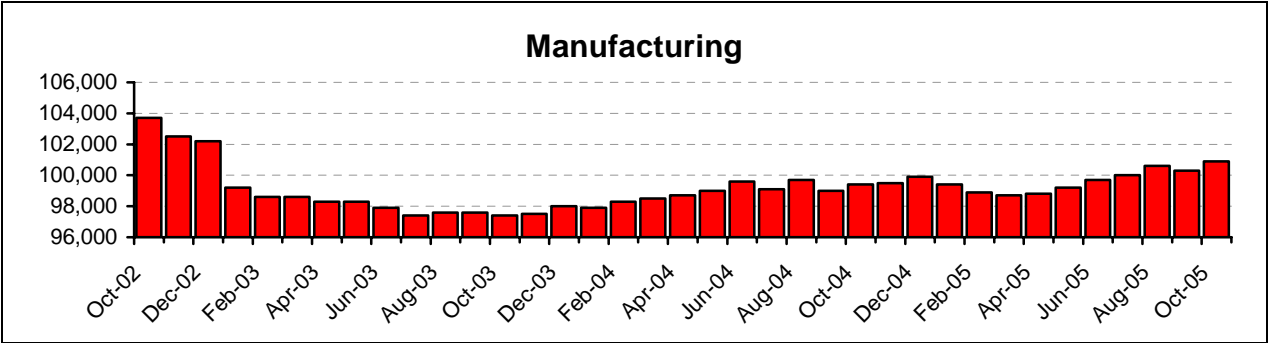
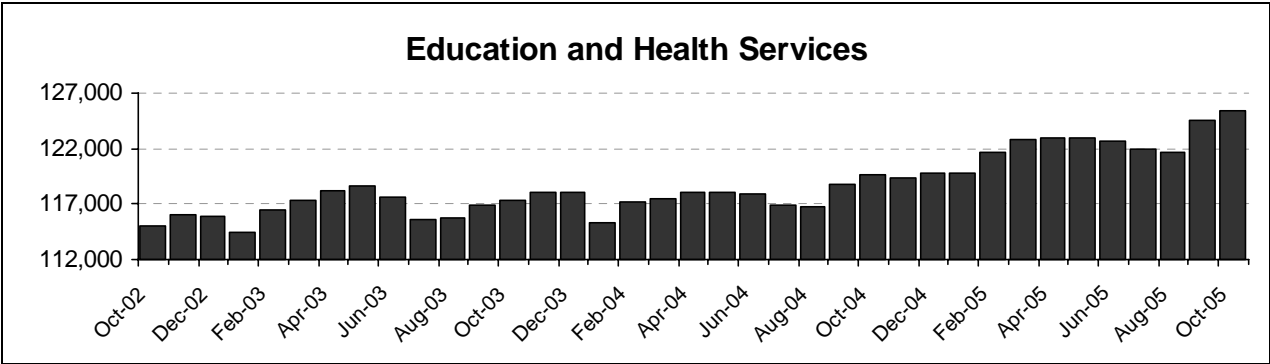
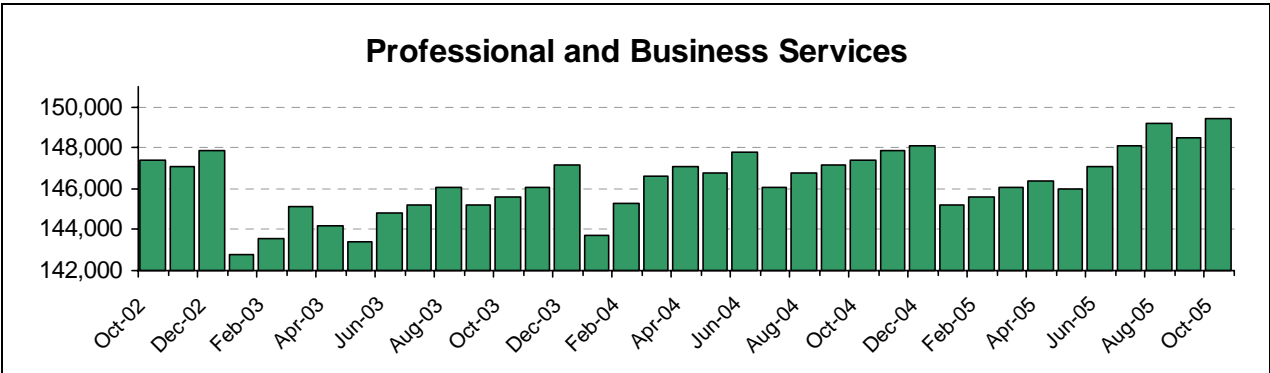
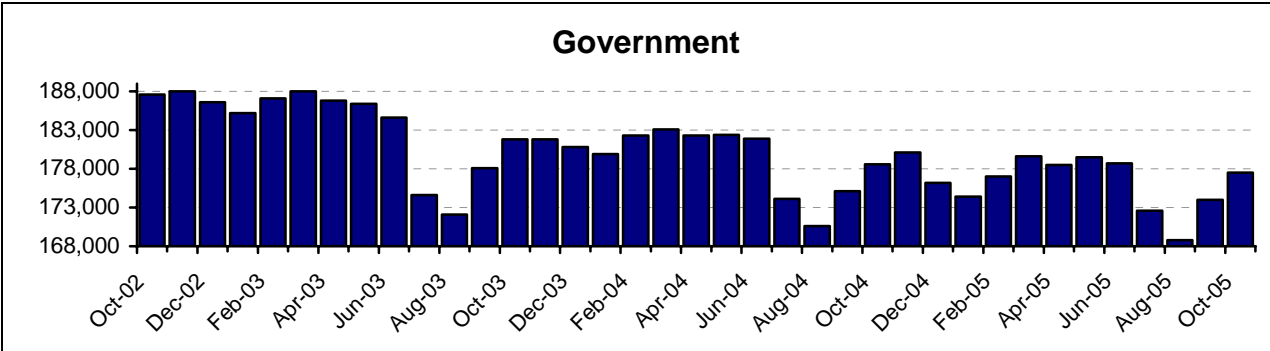
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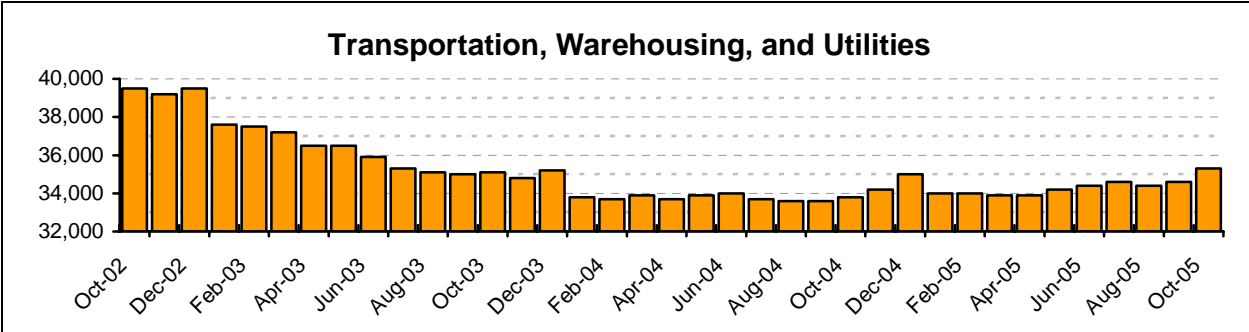
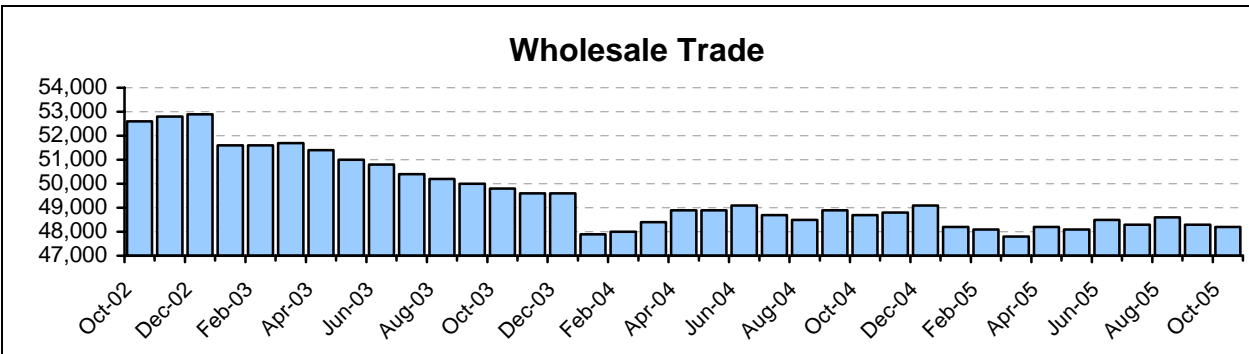
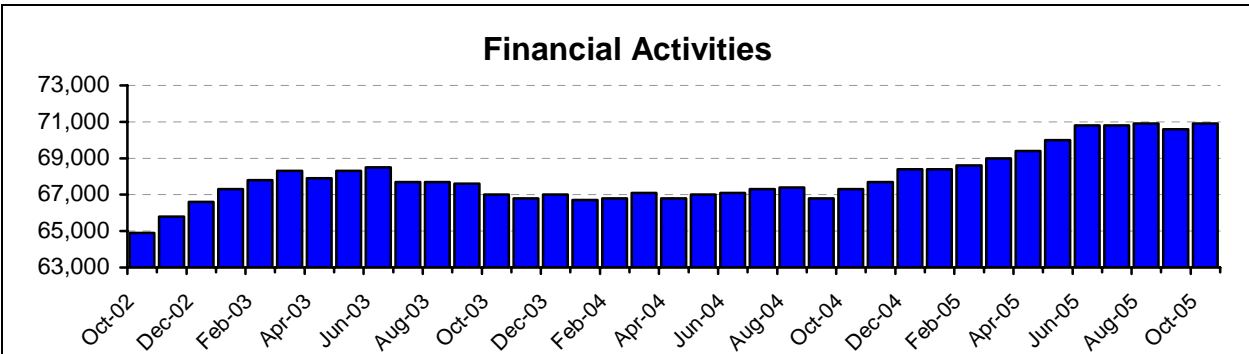
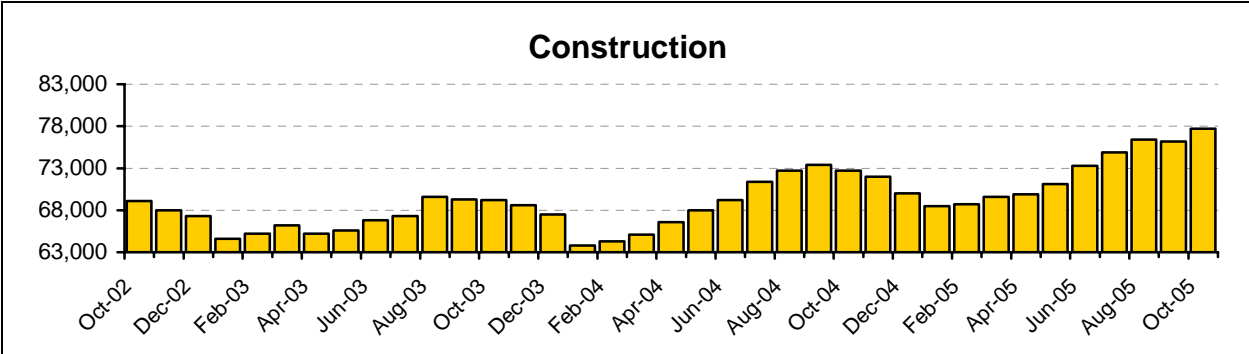
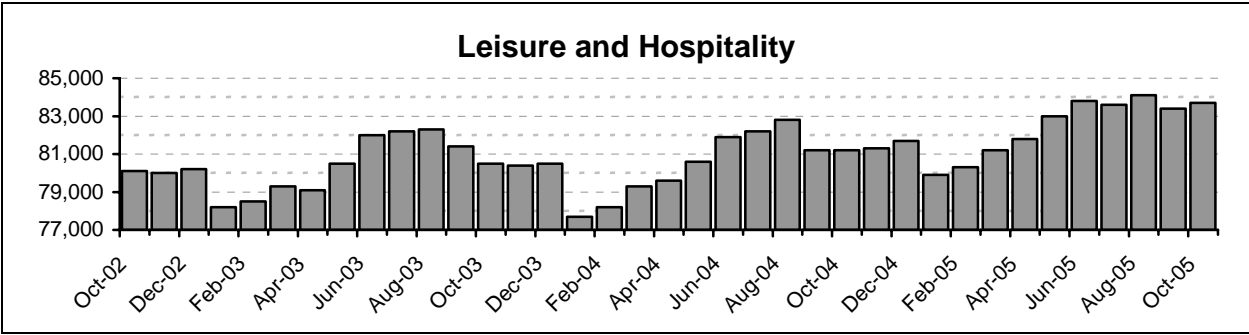
January 2001 through August 2005

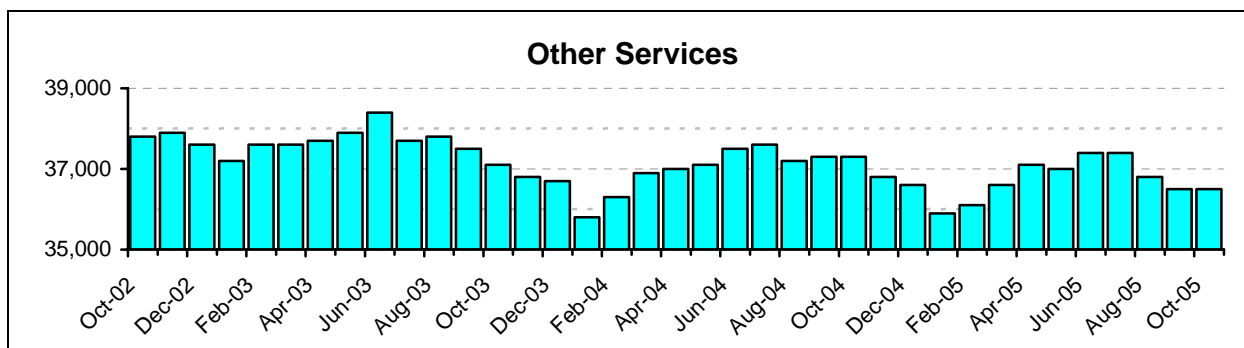
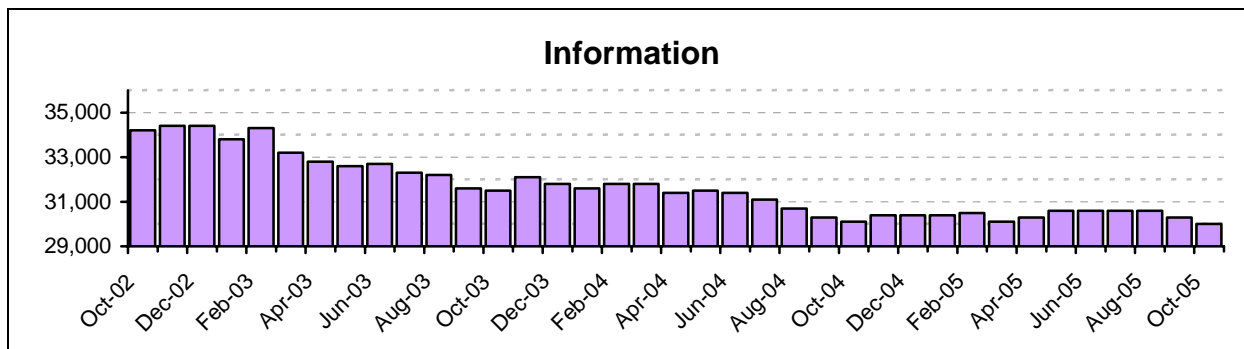


- Government
- Professional and Business Services
- Educational and Health Services
- Retail Trade
- Manufacturing
- Leisure and Hospitality
- Construction
- Financial Activities
- Wholesale Trade
- Other Services
- Transportation, Warehousing and Utilities
- Information

Source: CA Employment Development Dept.







## HOUSING

The number of homes sold in the nine-county Bay Area declined on a year-over-year basis for the seventh month in a row in October, the result of rising mortgage interest rates and declining demand.

A total of 10,508 new and resale houses and condos were sold in the region in October 2005. That was down 6.2% from 11,205 for September, and down 6.0% from 11,180 for October 2004, according to DataQuick Information Systems.

Sales have been lower compared to 2004 every month since April. So far this year 107,099 Bay Area homes have been sold, 5.1% fewer than 112,873 for the same ten-month period last year.

The median price paid for a Bay Area home was \$614,000 last month. That was down 0.3% from \$616,000 in September, and up 17.2% from \$524,000 for October a year ago. Annual price increases so far this year have ranged from 17.2% to 20.5%.

All Homes	Number Sold Oct - 05	Annual Pct. Chg	Median Oct - 05	Annual Pct. Chg
Alameda	2,612	-4.70%	\$586,000	17.90%
Contra Costa	2,497	-2.50%	\$567,000	21.20%
Marin	438	-8.40%	\$822,000	14.60%
Napa	226	0.00%	\$603,000	18.00%
San Francisco	662	-9.90%	\$745,000	11.50%
San Mateo	969	-1.70%	\$773,000	19.10%
Santa Clara	2,832	-6.10%	\$654,000	21.30%
Solano	1,016	0.10%	\$474,000	25.70%
Sonoma	902	-1.40%	\$554,000	19.90%
Bay Area	12,154	-4.10%	\$619,000	19.00%

Source: DataQuick Information Systems

Indicators of market distress are still largely absent. Foreclosure rates are low, down payment sizes are stable and there have been no significant shifts in market mix, DataQuick reported.

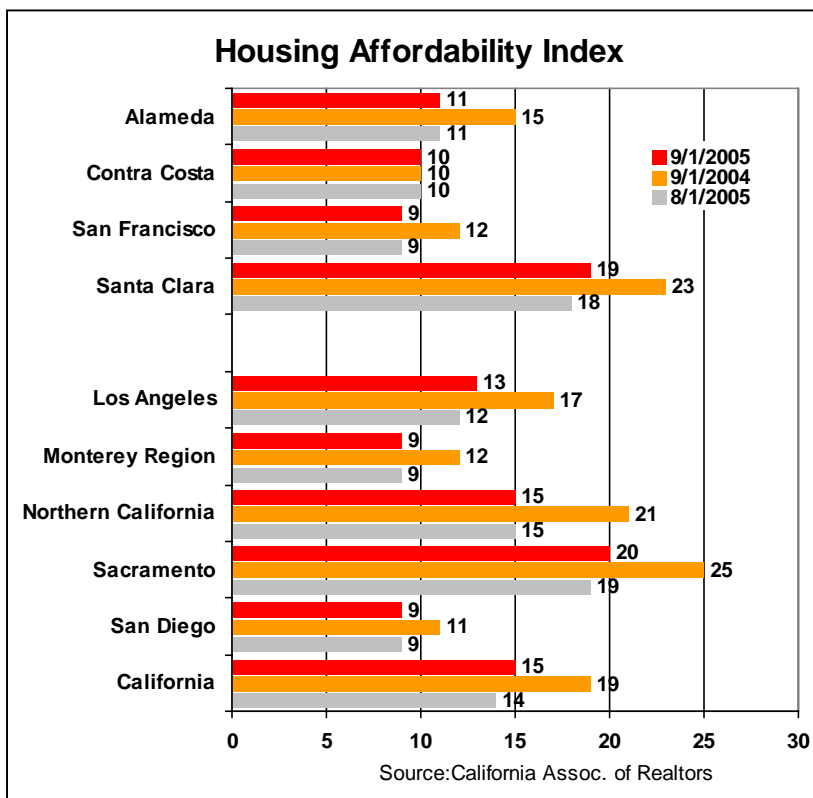
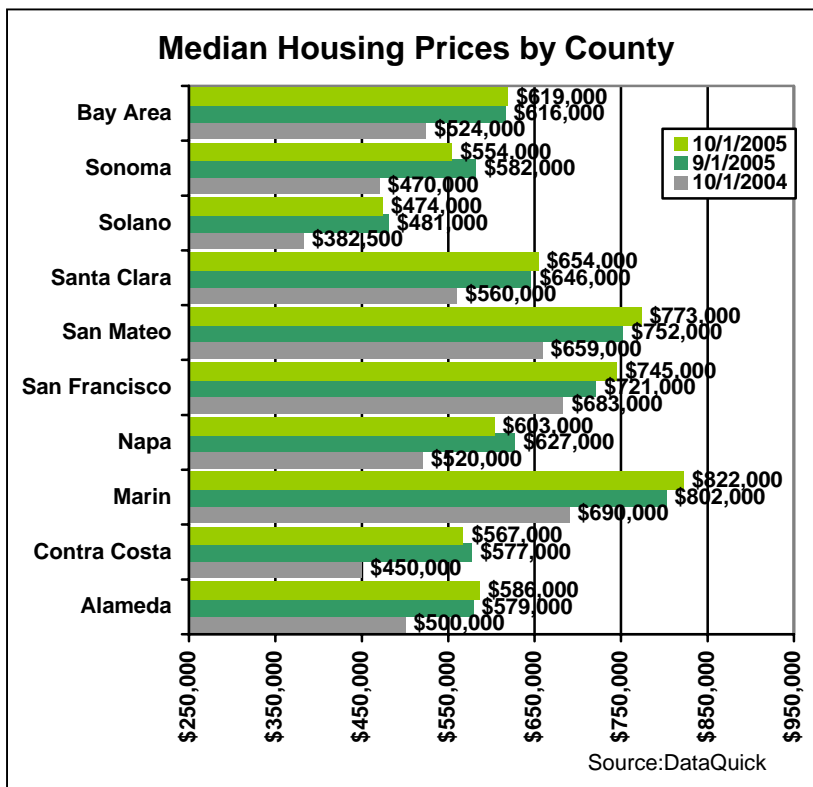
The percentage of households in California able to afford a median-priced home stood at 15% in September 2005, a 4 percentage-point decrease compared with the same period a year ago when the Index was at 19%. The September Housing Affordability Index (HAI) increased 1% compared with August 2005, when it stood at 14%.

C.A.R.'s monthly housing affordability index measures the percentage of households that can afford to purchase a median-priced home in California. and is the most fundamental measure of housing well-being in the state.

The minimum household income needed to purchase a median-priced home at \$543,980 in California in September was \$128,270, based on an average effective mortgage interest rate of 5.9% and assuming a 20% down payment. The minimum household income needed to purchase a median-priced home was up from \$107,440 in September 2004, when the median price of a home was \$463,630 and the prevailing interest rate was 5.7%.

The minimum household income needed to purchase a median-priced home at \$212,000 in the U.S. in September 2005 was \$49,990.

Alameda County September index remained unchanged from August 2005 at 11%, down 4 percentage-pointes from September 2004, while Contra Costa County's index remains at 10%.



At 26 percent, the High Desert region was the most affordable C.A.R. region in the state, followed by the Sacramento region at 20%. The Northern Wine Country region was the least affordable in the state at 7%.

Moraga experienced the highest percentage year-to-year price increase rate with 67.2%, which equals \$404,250, as well as the highest dollar increase year-to-year from October 2004.

Compared to October 2004, Alameda County homes in October 2005 increased \$50,000 more in value than in Contra Costa County and a total of 179 more units were sold in Alameda County than in Contra Costa County.

County/City/Area	# Sold	Oct 2005	Oct 2004	% Change Yr-To-Yr
<b>Alameda County</b>	<b>1,800</b>	<b>\$583,000</b>	<b>\$500,000</b>	<b>16.60%</b>
Alameda	76	\$642,500	\$585,000	9.83%
Albanv	20	\$617,500	\$555,000	11.26%
Berkelev	63	\$700,000	\$675,000	3.70%
Castro Vallev	58	\$602,500	\$570,000	5.70%
Dublin	169	\$584,500	\$620,000	-5.73%
Emerville	31	\$450,000	\$318,000	41.51%
Fremont	272	\$645,000	\$545,000	18.35%
Hayward	209	\$560,000	\$445,000	25.84%
Livermore	162	\$586,250	\$522,000	12.31%
Newark	48	\$606,000	\$502,000	20.72%
Oakland	365	\$490,000	\$420,000	16.67%
Pleasanton	84	\$770,500	\$670,000	15.00%
San Leandro	100	\$565,750	\$470,000	20.37%
San Lorenzo	38	\$556,000	\$463,000	20.09%
Union City	105	\$645,000	\$559,000	15.38%
<b>Contra Costa County</b>	<b>1,621</b>	<b>\$550,000</b>	<b>\$450,000</b>	<b>22.22%</b>
Alamo	23	\$1,390,000	\$1,130,000	23.01%
Antioch	204	\$481,000	\$420,000	14.52%
Brentwood	120	\$636,750	\$485,000	31.29%
Bvron	48	\$689,750	\$503,000	37.13%
Clayton	15	\$725,000	\$658,000	10.18%
Concord	193	\$528,000	\$433,000	21.94%
Crockett	4	\$438,500	\$421,000	4.16%
Danville	78	\$967,500	\$757,000	27.81%
Diablo	1	\$1,950,000	\$1,550,000	25.81%
El Cerrito	28	\$602,500	\$602,500	0.00%
El Sobrante	40	\$555,500	\$447,250	24.20%
Hercules	41	\$531,000	\$453,500	17.09%
Lafayette	30	\$923,000	\$859,500	7.39%
Martinez	56	\$520,000	\$450,000	15.56%
Moraga	11	\$1,006,000	\$601,750	67.18%
Oaklev	70	\$520,000	\$400,000	30.00%
Orinda	15	\$1,170,000	\$910,000	28.57%
Source: DataQuick				

# CONSTRUCTION PERMITS

In the first 10 months of 2005, the East Bay issued over \$3.73 billion in construction permits: \$2.762 billion in Residential and \$968.6 million in Non-Residential. The latter included \$242.7 million Commercial and \$68.8 million in Industrial permits.

In the same time period, San Jose issued \$2.416 billion total, \$1.369 billion Residential and \$1.046 billion Non-Residential, that included \$263 million Commercial and \$11 million Industrial.

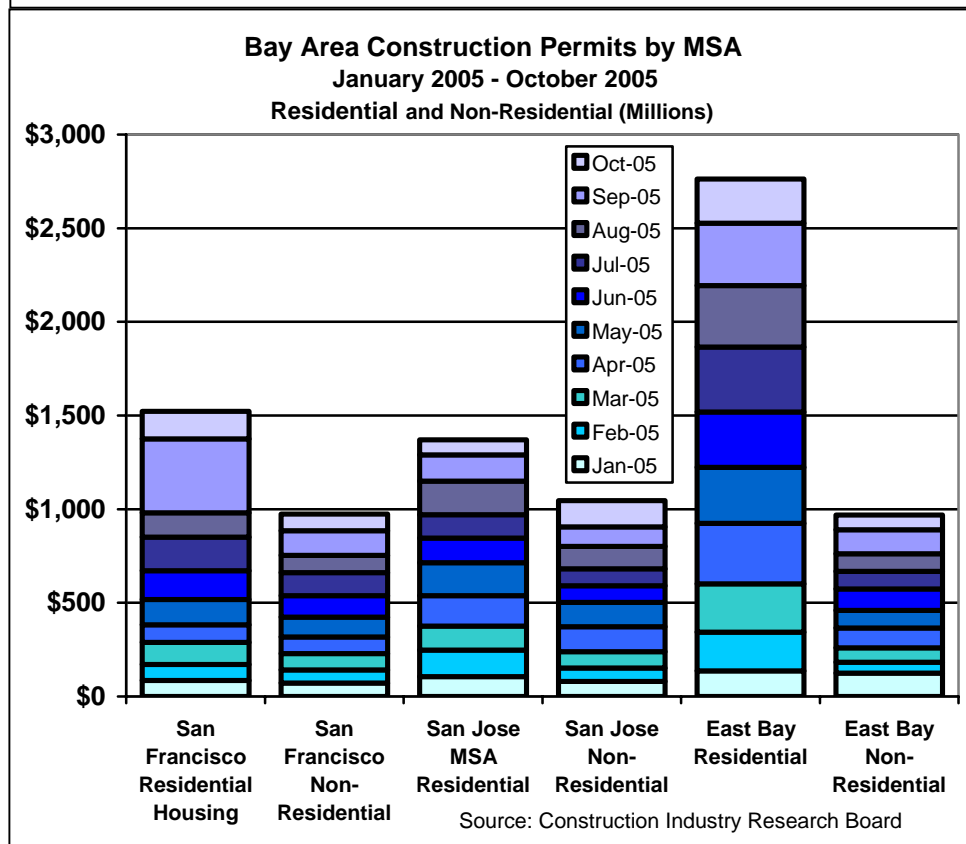
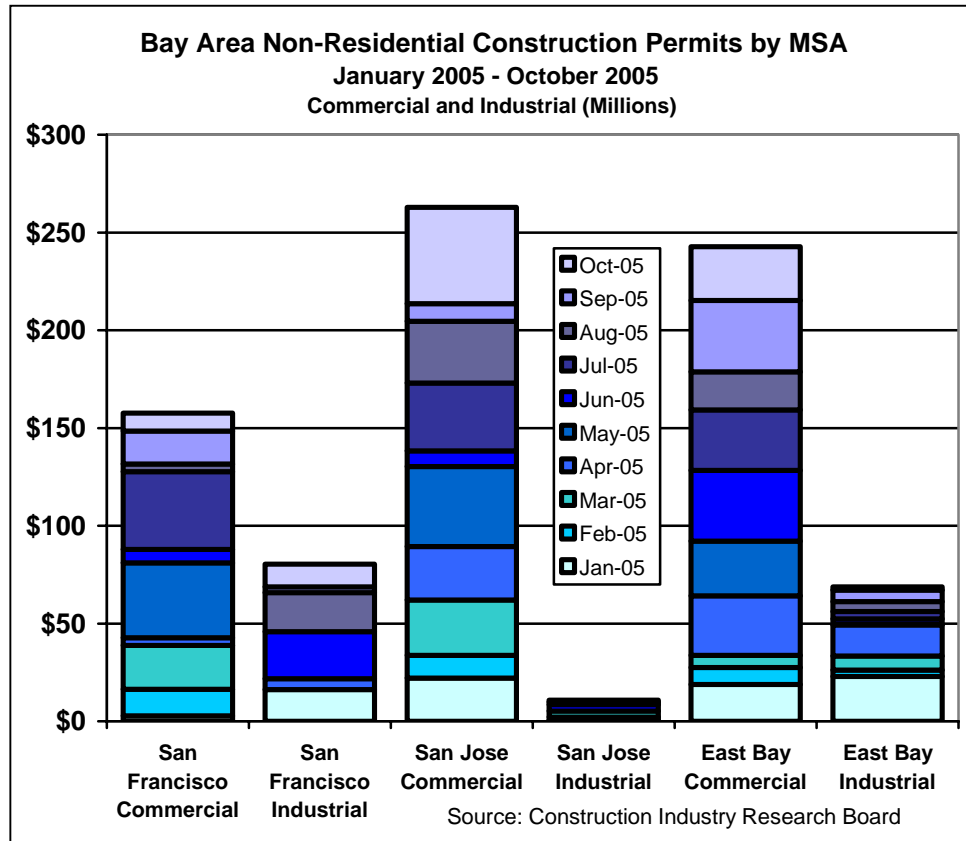
Meanwhile, San Francisco issued \$2.495 billion total, \$1.522 billion Residential and \$974 million Non-Residential, (which included \$157.6 million Commercial and \$80.3 million Industrial).

San Francisco issued permits for a very large multifamily housing project in September 2005 (\$315.7 million for 826 units).

From January thru October 2005, San Francisco issued a total of 5,339 residential unit permits, 1,264 were single family and 4,075 multifamily.

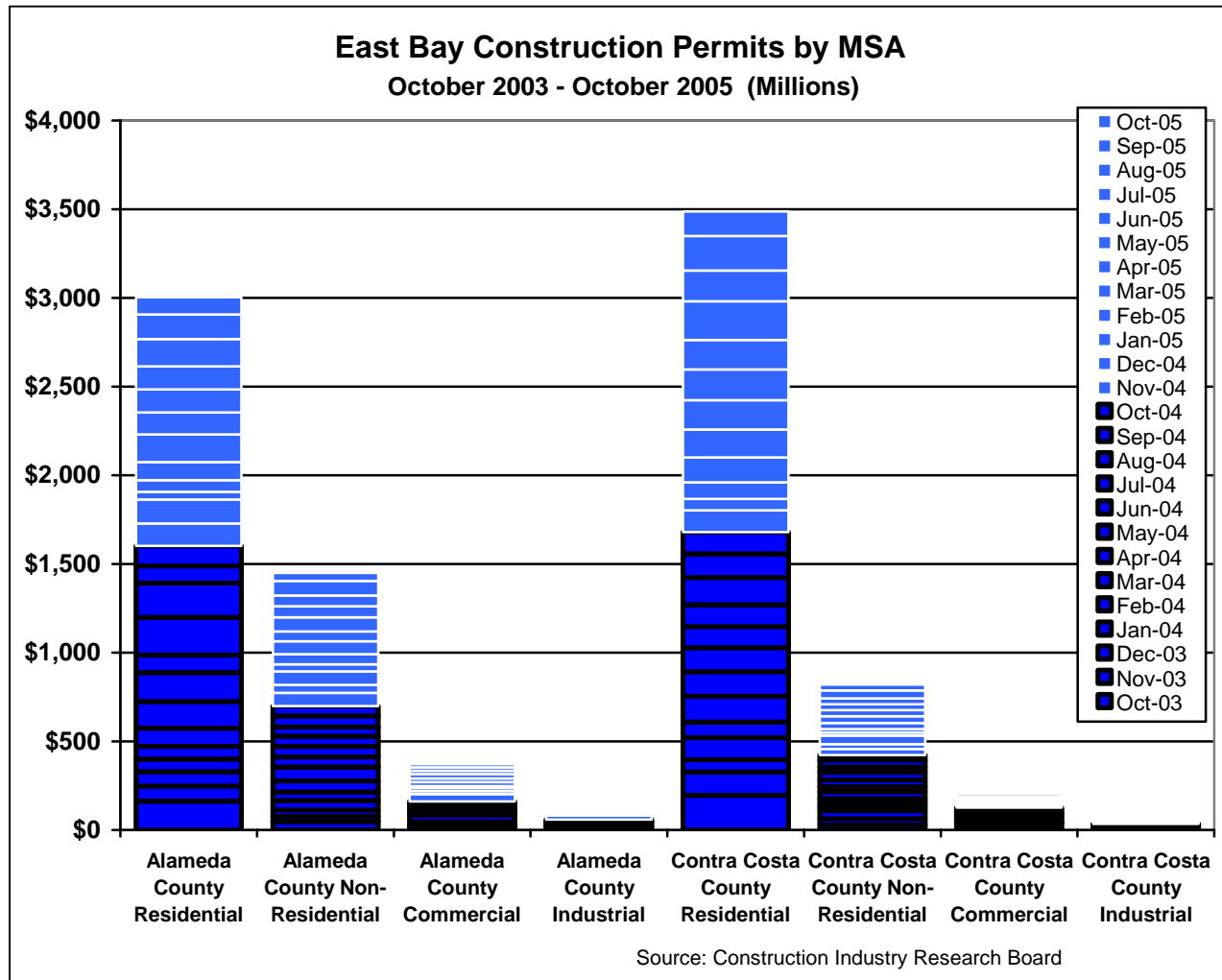
San Jose issued permits for 9,434 total, of which 4,210 were single family and 5,224 multifamily.

The East Bay issued 16,409 total, 11,238 single family and 5,171 multifamily.



In a comparison made of the previous two 12-month periods of construction permits for the East Bay Counties, Alameda issued a total of \$2.092 billion between November 2003 and October 2004 and \$2.152 billion between November 2004 and October 2005, a 12.3% increase.

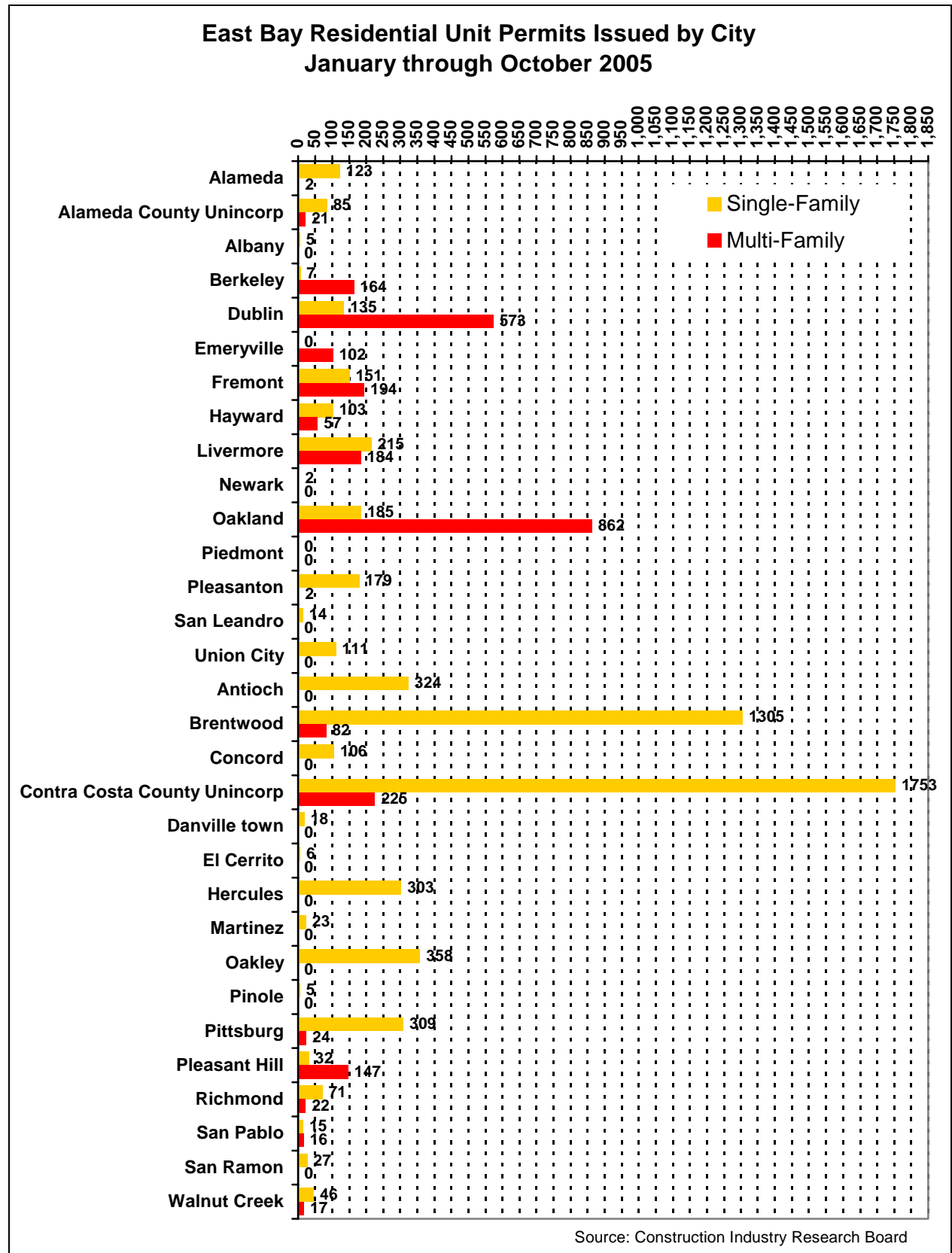
Meanwhile, Contra Costa County issued a total of \$1.877 billion between November 2003 and October 2004 and \$2.205 billion between November 2004 and October 2005, a 23% increase.



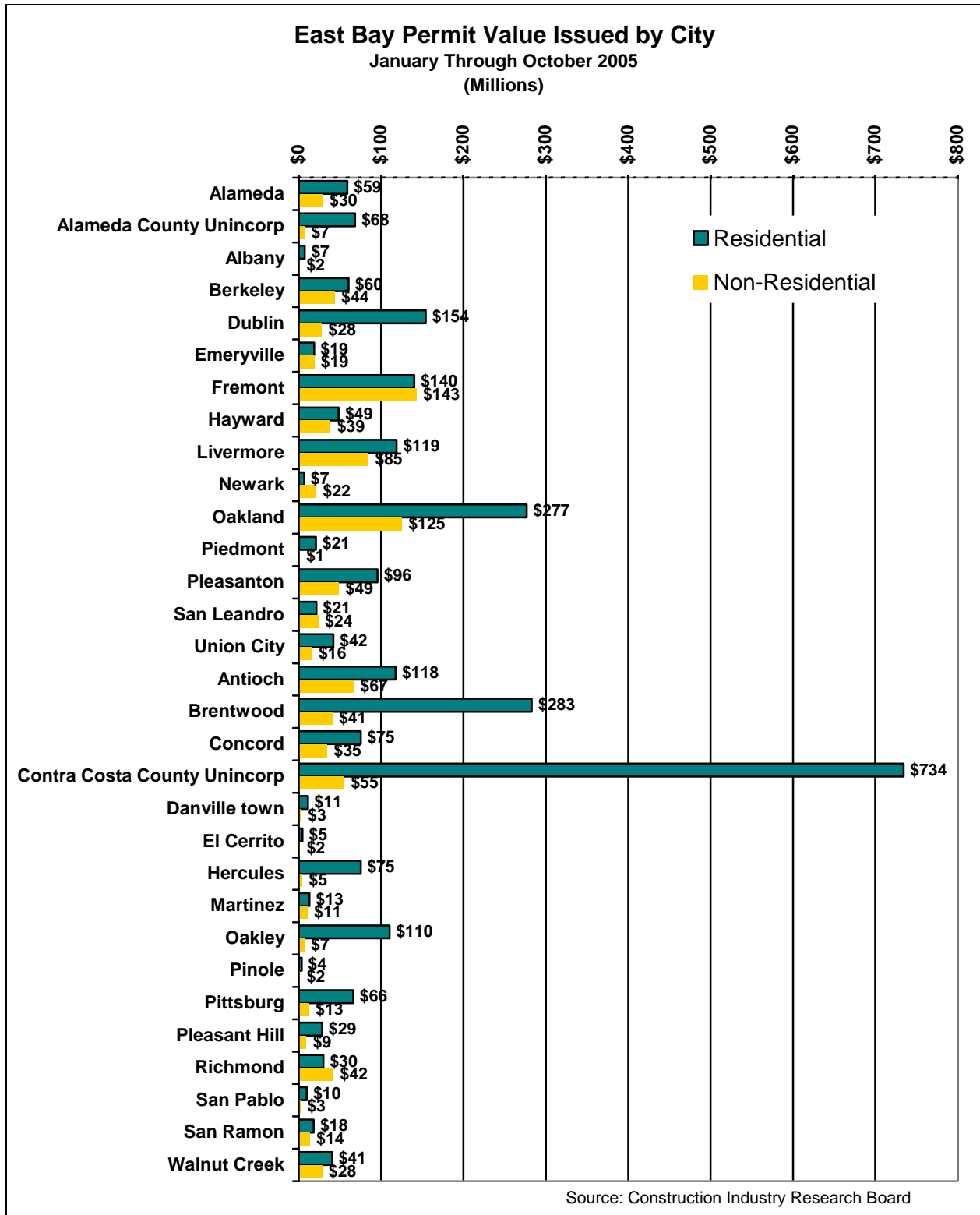
The following table actually shows the total 12-month dollar value of the permits issued for Alameda and Contra Costa County by major permit type so that a year-to-year comparison can be made for each County by major types of permits issued.

County/Permit Type	Nov 03 – Oct 04	Nov 04 – Oct 05	Increase (Decrease)	Percent Change
Alameda County Residential	\$1,439,364,273	\$1,400,733,125	(\$38,631,148)	-2.68%
Alameda County Non-Residential	\$653,268,738	\$750,940,259	\$97,671,521	14.95%
Alameda County Commercial	\$150,553,070	\$225,718,514	\$75,165,444	49.93%
Alameda County Industrial	\$57,012,022	\$54,402,444	(\$2,609,578)	-4.58%
Contra Costa County Residential	\$1,484,459,347	\$1,807,379,665	\$322,920,318	21.75%
Contra Costa County Non-Residential	\$392,773,399	\$397,838,657	\$5,065,258	1.29%
Contra Costa County Commercial	\$113,274,795	\$92,752,384	(\$20,522,411)	-18.12%
Contra Costa County Industrial	\$32,409,793	\$26,067,524	(\$6,342,269)	-19.57%

Between January 2005 and October 2005, 4,701 single-family and 533 multifamily (a total of 5,234 units) residential permits were issued in Contra Costa County. In Alameda County, 1,315 single family and 2,161 multifamily permits were issued for, for a total of 3,476.



Between January 2005 and October 2005, Contra Costa County issued \$1.622 billion in residential and \$335.8 million in non-residential permits, (for a total of \$1.958 billion) while Alameda County issued \$1.140 billion in residential and \$632.8 million in non-residential permits (a total of \$1.773 billion). Included in Contra Costa's non-residential numbers were \$75.8 million for commercial and \$14.4 million for industrial permits. Meanwhile, Alameda County issued \$166.9 million in commercial and \$54.4 million in industrial permits.



## HOTEL OCCUPANCY

The PKF Consulting report on hotel trends for August 2005 shows an increase in room rates throughout Northern California except for Napa County. The East Bay's Average Daily Room Rate of \$100.96 moved up from 7<sup>th</sup> to 6<sup>th</sup> on the list. But the percentage increase for East Bay room rates from August 2004 to August 2005 was 10<sup>th</sup> – only lower than Monterey/Carmel and Napa County.

Occupancy rates also generally increased, with only Marin County and Other Northern California areas declining. The East Bay experienced the 5<sup>th</sup> highest percentage increase in Occupancy with an improvement of 5.3%, raising the East Bay occupancy rate to 70.4%, 5<sup>th</sup> on the list, an improvement from 10<sup>th</sup> in August 2004.

August 2005	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT		
	2005	2004	VAR	2005	2004	VAR
Monterey/Carmel	\$242.25	\$233.59	3.7%	84.9%	83.8%	1.3%
Napa County	181.67	182.48	-0.4%	86.9%	81.6%	6.4%
San Francisco	150.79	141.62	6.5%	88.9%	81.5%	9.1%
Marin County	138.52	128.09	8.1%	75.8%	76.5%	-0.9%
Sonoma County	129.53	117.16	10.6%	77.8%	73.5%	5.9%
Oakland/East Bay	100.96	97.16	6.2%	78.6%	74.9%	5.0%
San Jose/Peninsula	98.66	94.72	3.9%	70.4%	66.8%	5.3%
San Francisco Airport	98.12	88.32	4.2%	64.4%	62.4%	3.2%
Sacramento	96.86	91.16	11.1%	80.0%	73.7%	8.6%
Other Northern California	91.33	85.63	6.2%	76.5%	76.1%	0.5%
Central Valley	67.53	62.86	6.7%	81.3%	82.3%	-1.2%
Overall Average	\$121.59	\$114.51	7.4%	76.2%	73.8%	3.2%

Source: PKF Consulting

The recently arrived September 2005 report shows the East Bay remaining in the same comparative position, with a greater increase in Average Daily Room Rate (6.2% to 7.1%) but a slight decline in Occupancy from August to September (78.6% vs. 69%), but the change in Occupancy from September 2004 to September 2005 is actually an increase of 5.7%.

September 2005	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT		
	2005	2004	VAR	2005	2004	VAR
Monterey/Carmel	\$262.93	\$248.83	5.70%	81.10%	78.30%	3.60%
Napa County	197.8	192.1	3.00%	87.90%	83.40%	5.40%
San Francisco	166.85	146.98	13.50%	94.00%	81.50%	15.40%
Marin County	136.6	126.21	8.20%	86.10%	76.40%	12.60%
Sonoma County	132.96	119.61	11.20%	78.30%	76.70%	2.10%
Oakland/East Bay	105.26	98.24	7.10%	69.00%	65.20%	5.70%
San Jose/Peninsula	104.41	100.23	4.20%	65.10%	61.40%	5.90%
San Francisco Airport	96.81	87.58	10.50%	80.20%	70.90%	13.20%
Sacramento	96.38	90.78	6.20%	74.90%	74.10%	1.00%
Other Northern California	83.9	76.34	9.90%	71.00%	73.60%	-3.60%
Central Valley	67.7	63.95	5.90%	72.50%	72.80%	-0.30%
Overall Average	\$128.21	\$116.10	10.40%	78.70%	73.00%	7.90%

Source: PKF Consulting