# SEPTEMBER 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 the monthly and quarterly reports are available at 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

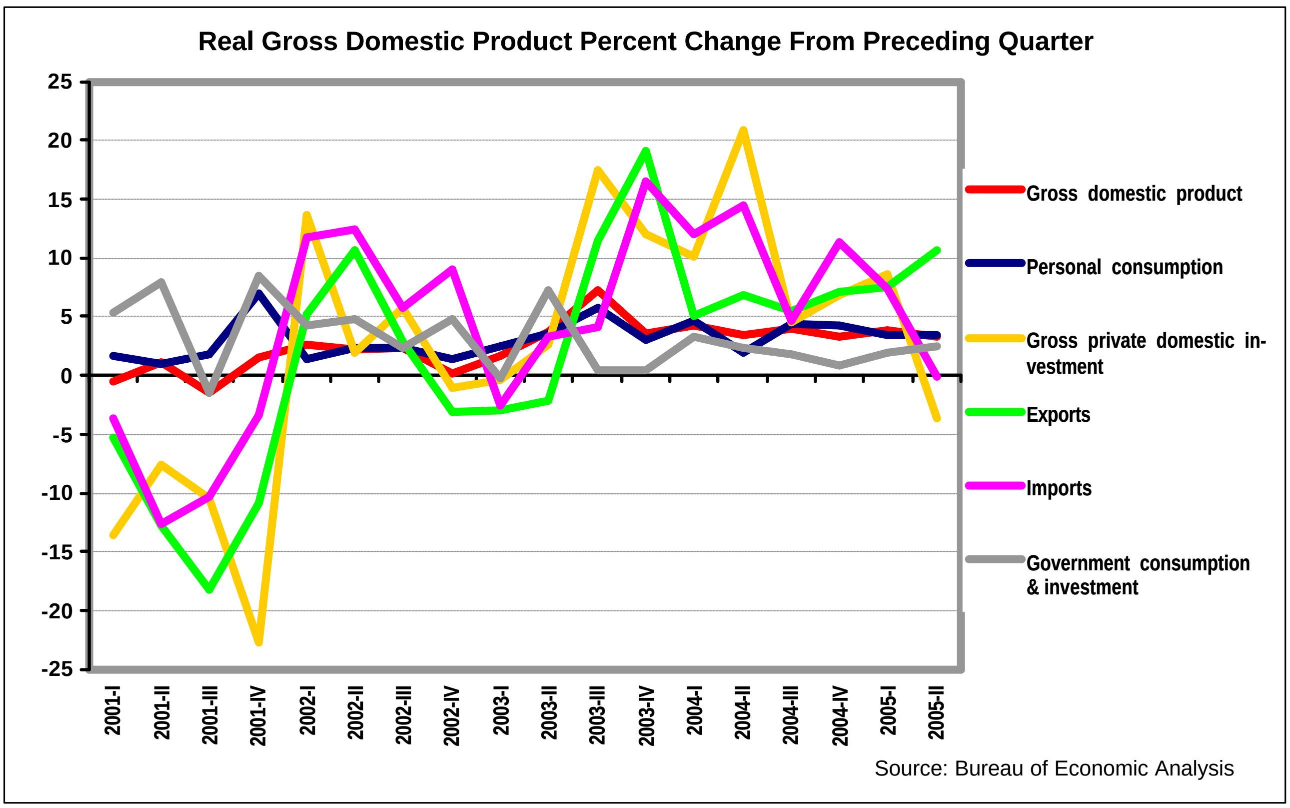
Real Gross Domestic Product (GDP) -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 3.3% in the second quarter of 2005, following an increase of 3.8% during the first quarter.

The good news: exports increased while imports decreased. Real exports of goods and services grew at a rate of 10.7% in the second quarter 2005, compared to 7.5% in the first, while the growth rate of real imports of goods and services decreased to 0.3%, in contrast to 7.4% in the first quarter.

The only bad news was the rate of private domestic investment fell from 8.6% in the first quarter to –3.7% in the second.

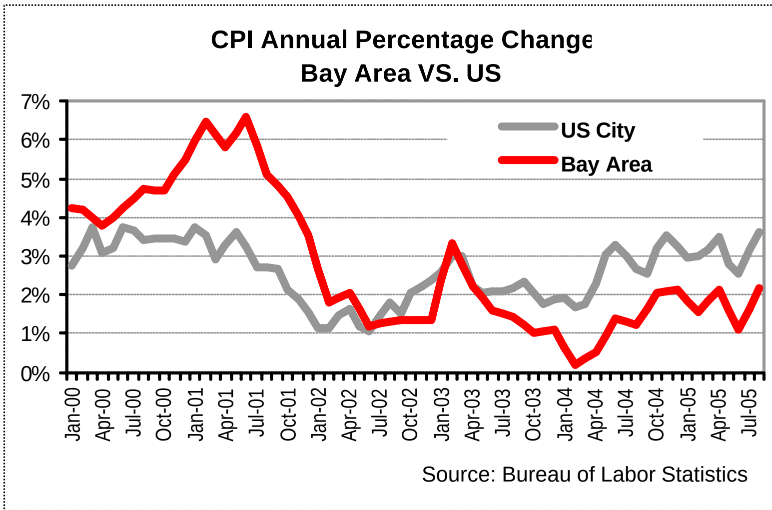
Real personal consumption expenditures increased 3.4% compared with an increase of 3.5% in the first quarter. Equipment and software increased 10.9%, compared with a prior increase of 8.3% and real residential fixed investment increased 10.8%, compared with a prior increase of 9.5%.

The rate of real federal government consumption expenditures increased from 1.9% to 2.5% in the second quarter.



# COST OF LIVING

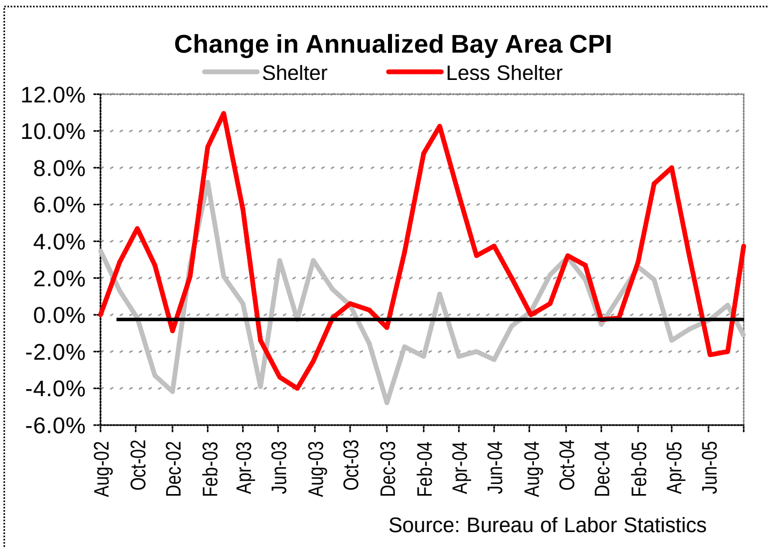
The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.5% in August 2005, before seasonal adjustment. The August level of 196.4 (1982-84=100) was 3.6% higher than in August 2004.




On a seasonally adjusted basis, the CPI-U increased 0.5% in August, the same as in July. Energy costs increased sharply for the second consecutive month--up 5.0% in August. Within energy, the index for energy commodities (petroleum-based energy) increased 7.9% and the index for energy services rose 1.3%.

The index for food was unchanged in August, as a 0.3% increase in the index for food away from home offset a 0.2% decline in the index for food at home.

Shelter costs, which rose 0.3 % in July 2005, were virtually unchanged in August, reflecting a downturn in the index for lodging away from home. This deceleration was largely offset by an upturn in the index for apparel.




In August 2005, the annual growth rate of the Bay Area's CPI increased to 2.16% compared to the US City average of 3.64%.

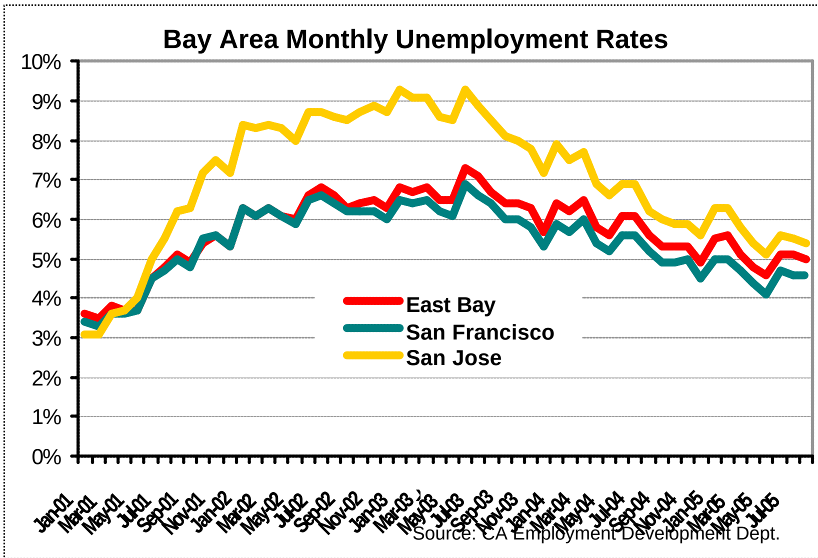
In the Bay Area, the growth rate of the cost of shelter decreased from .5% in July to –1.1% in August, while the cost of items excluding shelter increased from a –2.0% rate in July to 3.7% in August.

# WORKFORCE AND UNEMPLOYMENT

Note: Following new federal definitions, the California Employment Development Department has added San Benito County to Santa Clara County to make up the San Jose MSA. The Bay Area's other two major MSA's remain unchanged, with Alameda and Contra Costa Counties in the Oakland MSA (also known as the East Bay), and San Francisco, San Mateo and Marin Counties in the San Francisco MSA. The workforce data reflects this change.

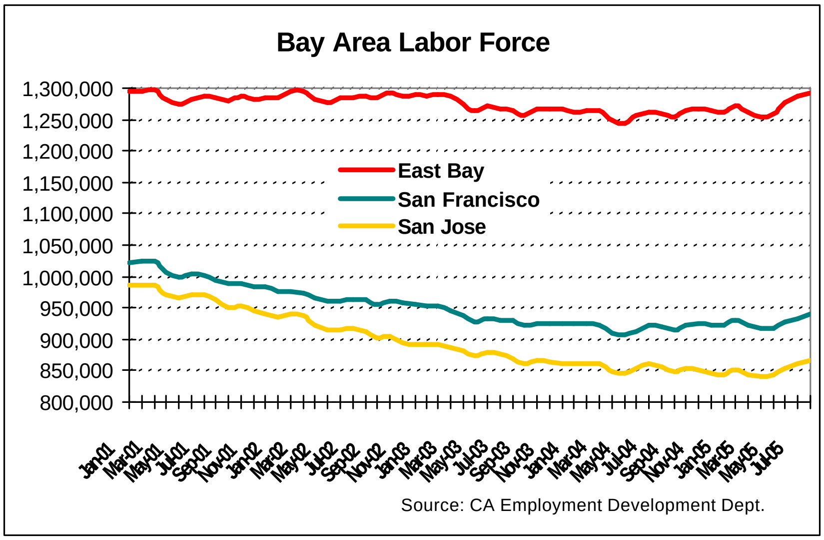
Unemployment rates (not seasonally adjusted) for the Bay Area MSAs have leveled off in recent months. In the East Bay, the rate decreased slightly from 5.1% in July to 5.0% in August 2005, and San Jose's again declined slightly from 5.5% to 5.4%. San Francisco continued to have the lowest rate at 4.6%.

California's unemployment rate declined from 5.4% to 5.1%, following the national rate that declined from 5.2% to 4.8%.



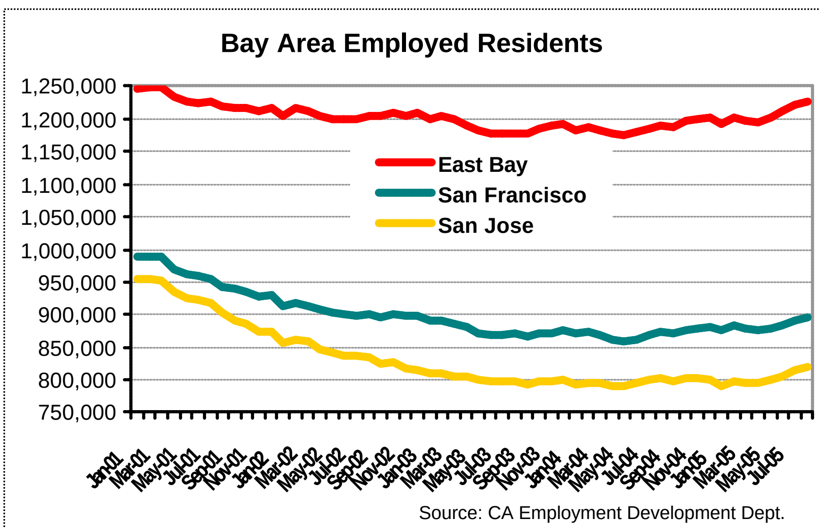

Within the East Bay, the unemployment rate was 5.2% in Alameda County and 4.8% in Contra Costa County.

San Jose's labor force grew by 24,600 since April 2005, adding 3,400 between July and August. However, with 15% of its workforce (145,600 workers), lost between January 2001 and April 2005, San Jose has a long ways to replace the August 2005 deficit of 121,000.




During that same January 2001 to April 2005 period, the East Bay lost 55,600 workers and has reduced that deficit to only 1,700 jobs, regaining 37,100 since April 2005, and adding 6,300 in the last month.

San Francisco's labor force has also increased (by 23,500) since April 2005, and added 7,000 in the last month. Its deficit since January 2001 is 82,800.



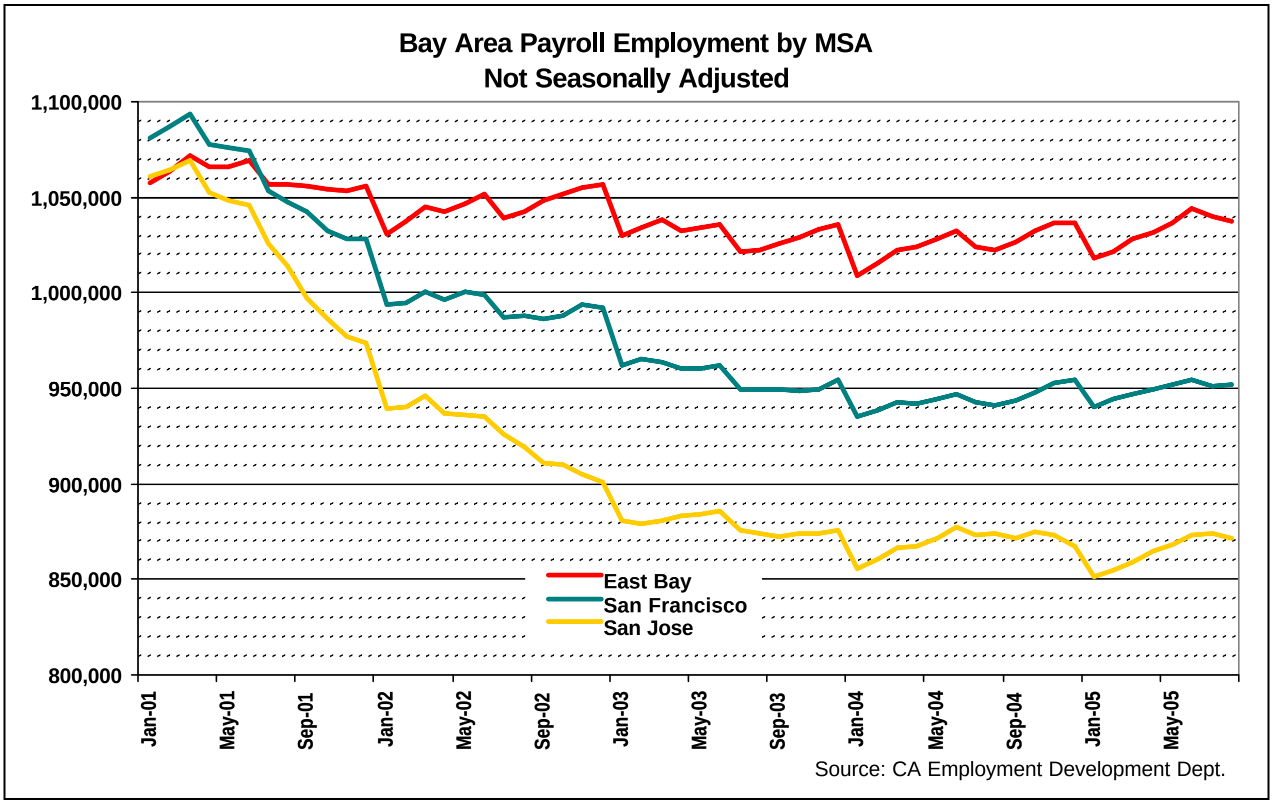

All three MSA's experienced their low point in employed residents in May 2004. When compared to January 2001, 72,500 more residents in the East Bay were without jobs, San Francisco had 129,700 and San Jose, 166,000.

But things have improved significantly. In August 2005, the East Bay had 19,700 fewer employed residents than in January 2001, event though 32,500 had become employed since April 2005. In August 2005, San Francisco had 92,000 fewer employed residents compared to January 2001, with 19,900 more employed than in April 2005. San Jose had 23,100 obtain employment since April 2005, more than San Francisco, but it had 137,200 fewer residents with jobs in August 2005 than in January 2001.

# EAST BAY PAYROLL EMPLOYMENT BY SECTOR

Between August 2004 and August 2005, payroll employment increased by 15,200 jobs or 1.5%, making fourteen 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 2,400 jobs, a .03% decrease.




An industry sector comparison for the East Bay from August 2004 to August 2005, finds the leading sector to be Educational and Health Services, which grew by 4,200 jobs, mostly due to an increase of 3,800 jobs in Health Care and Social Assistance.

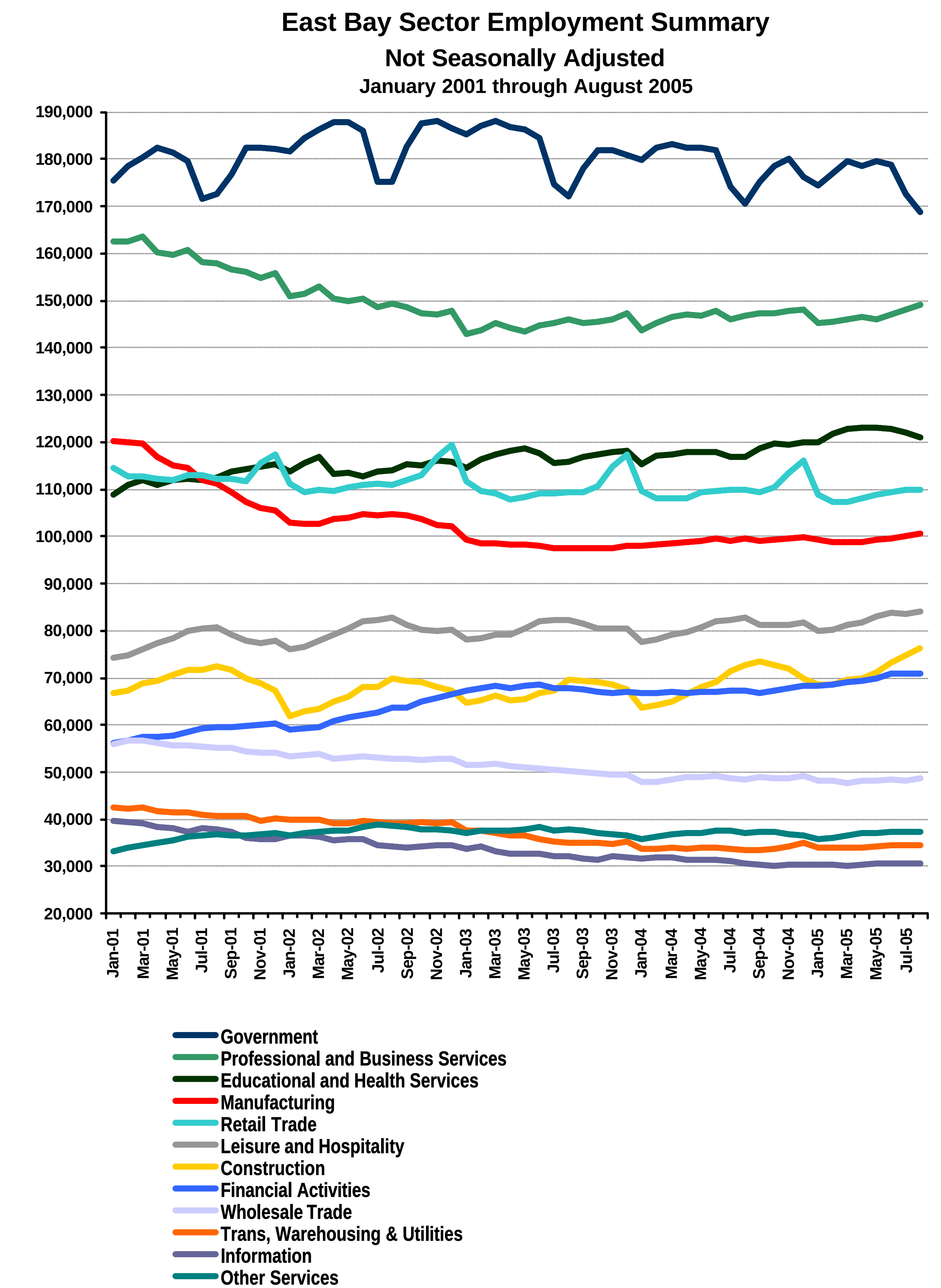
Construction payrolls continued to climb with 3,700 more jobs: 1,900 in Specialty Trades; 1,000 in Heavy and Civil Engineering Construction and 800 in Construction of Buildings.

Supported by Construction gains, Financial Activities picked up 3,700 jobs, with Finance and Insurance adding 2,600 jobs and Real Estate adding 1,000 jobs.

Professional and Business Services experienced the largest year-to-year gain in 14 months, with the addition of 2,400 jobs.

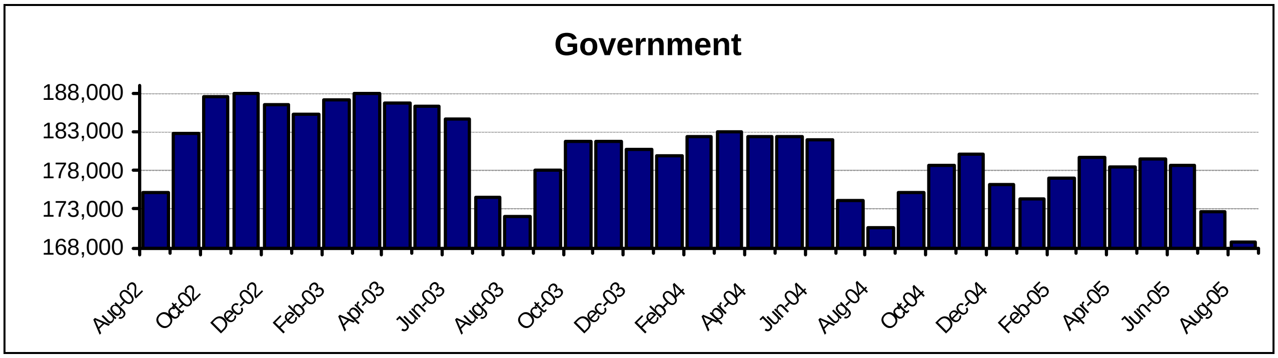
Leisure and Hospitality added 1,300 jobs while Manufacturing was up by 900. Transportation, Warehousing & Utilities added 800. Other Services were 200 to the good and Wholesale Trade had 100 more jobs.

The only year-to-year losing sectors were Government, whose losses continued with a 1,800 - job reduction and Information, which saw a modest 100 job decrease over the previous year. In the Government sector the biggest job loser was Counties, down 2,000 jobs. Local Government Education partially offset that loss by adding 1,100 jobs.

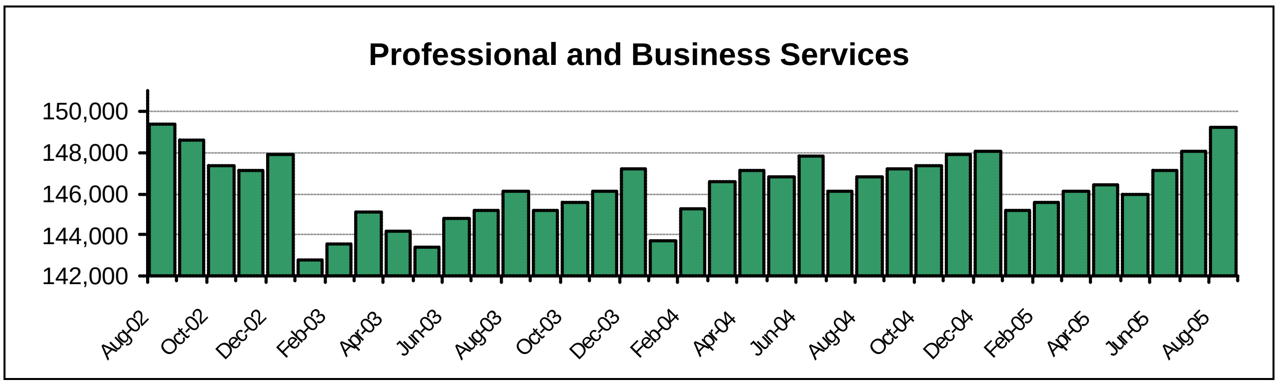



Source: CA Employment Development Dept.

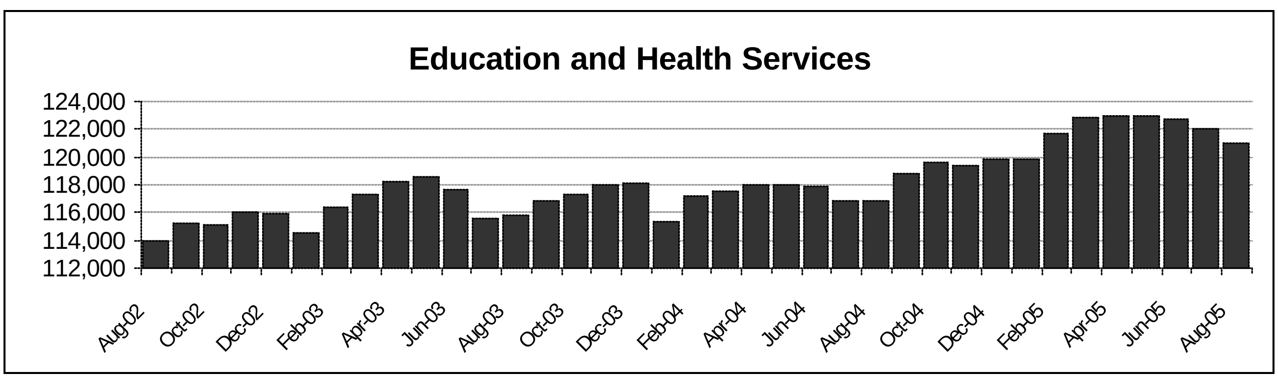
Between July and August 2005 the East Bay's total payroll employment fell by 1,100 jobs to 1,034,800.



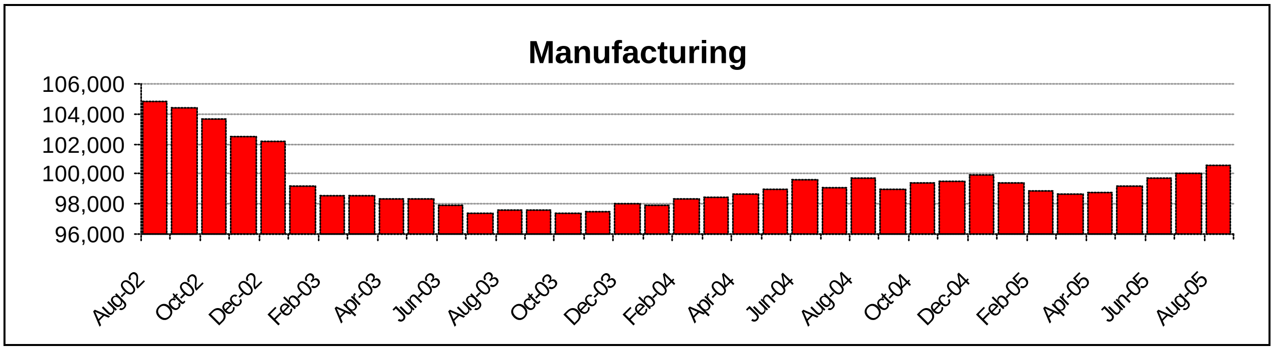

The largest industry sector loser has been Government, which lost 3,800 jobs from July 2005 to August 2005, primarily due to the loss of 2,400 jobs associated with schools closing for the summer. In addition, Counties let 800 go.



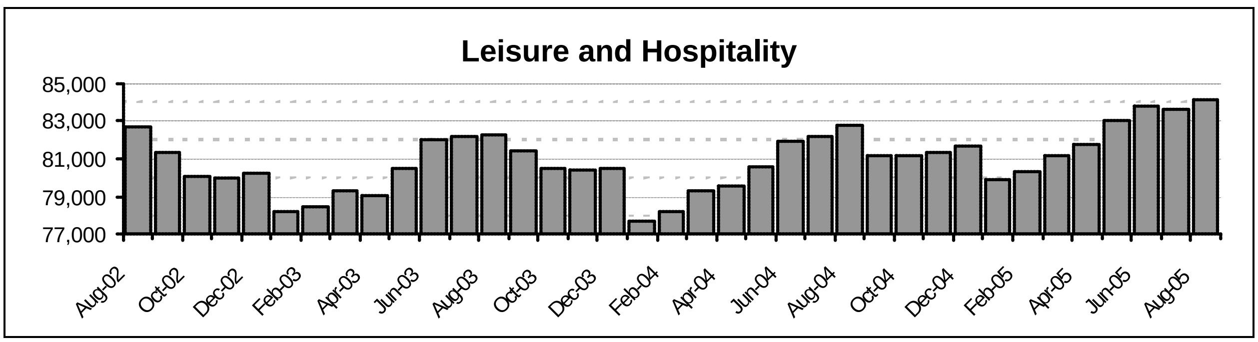

Professional and Business Services picked up 1,200 jobs, mostly reflecting 900 jobs gained in Employment Services, a sector that includes temporary employment agencies.

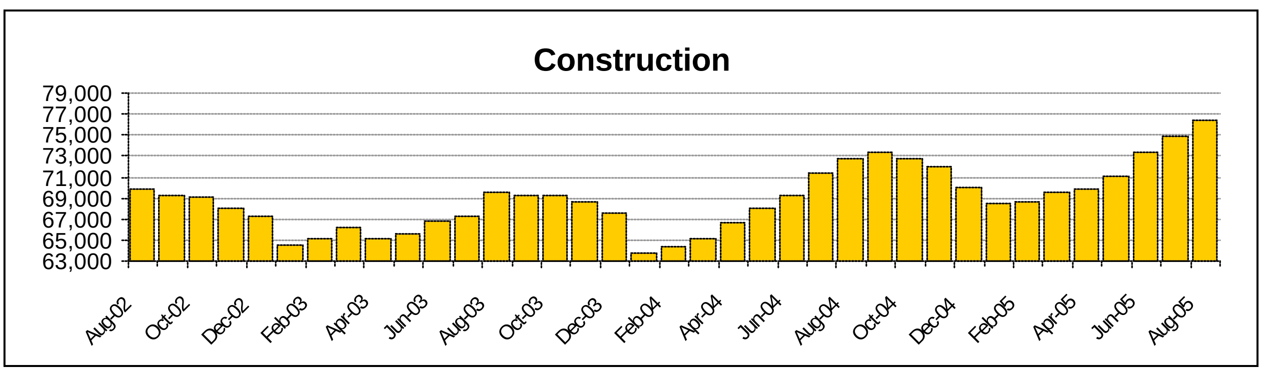



Educational Services registered a decline of 500 jobs in Private Education.

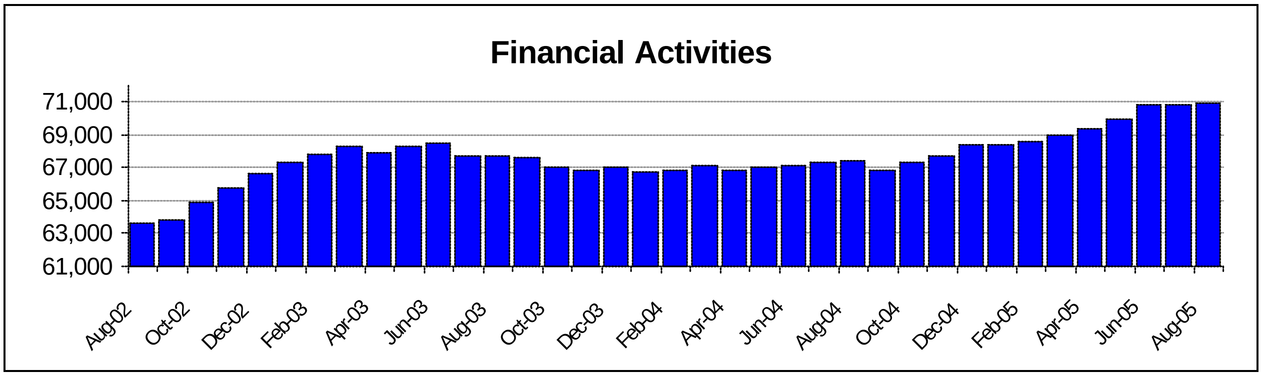


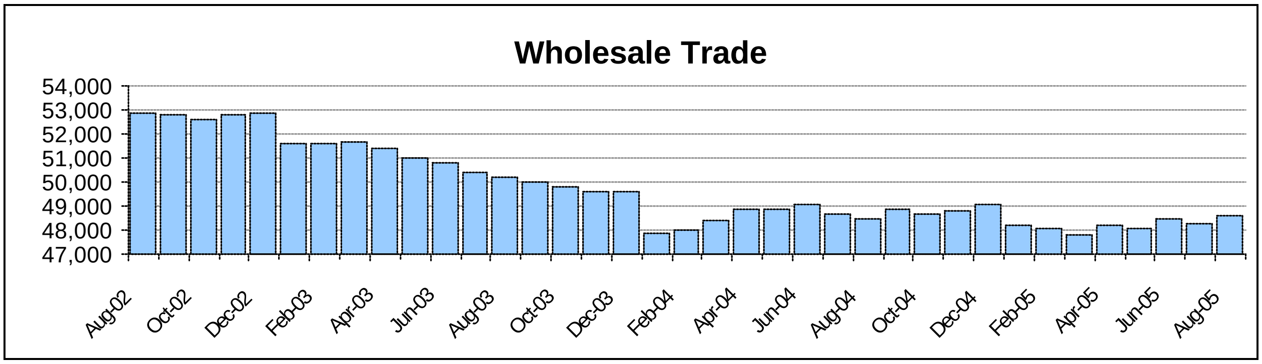

Manufacturing added 600 net jobs from the previous month. Within the sector Residual-Miscellaneous Manufacturing added 300 jobs; Residual-Food Manufacturing, 200 jobs; Transportation Equipment Manufacturing, 100 jobs; Transportation Equipment Manufacturing, 100 jobs; and Computer and Electronic Product Manufacturing, 100 jobs.

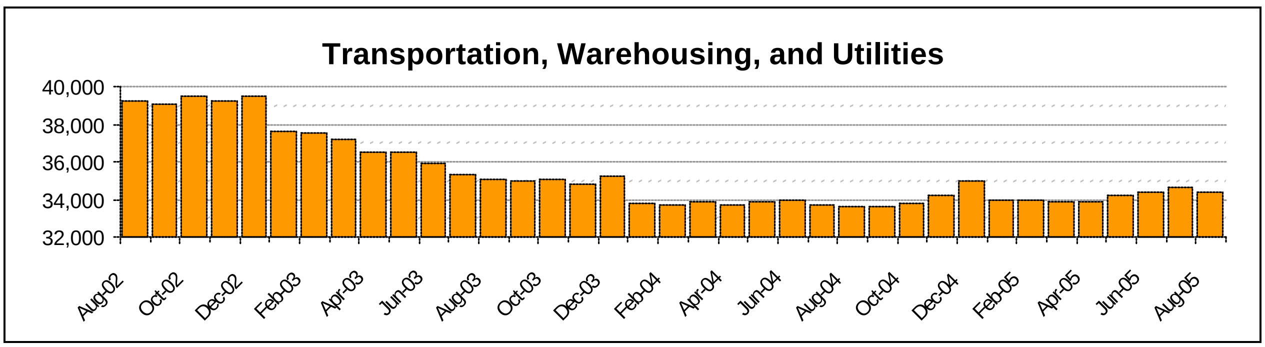



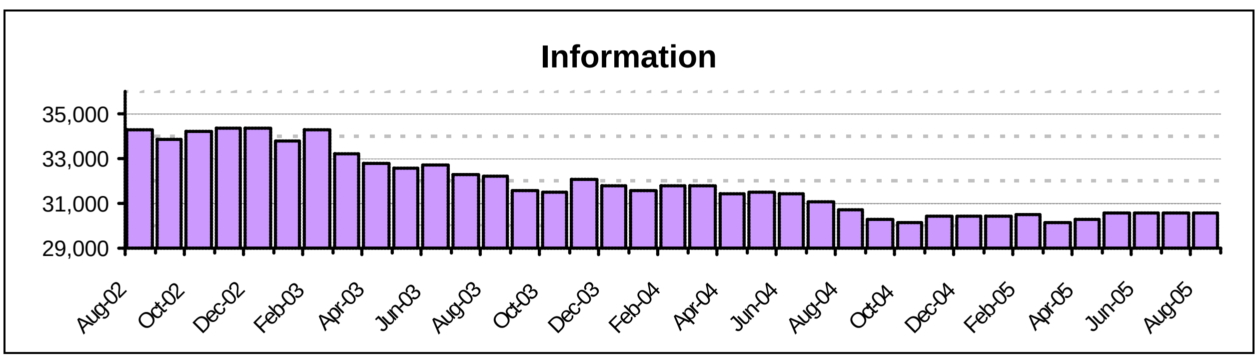



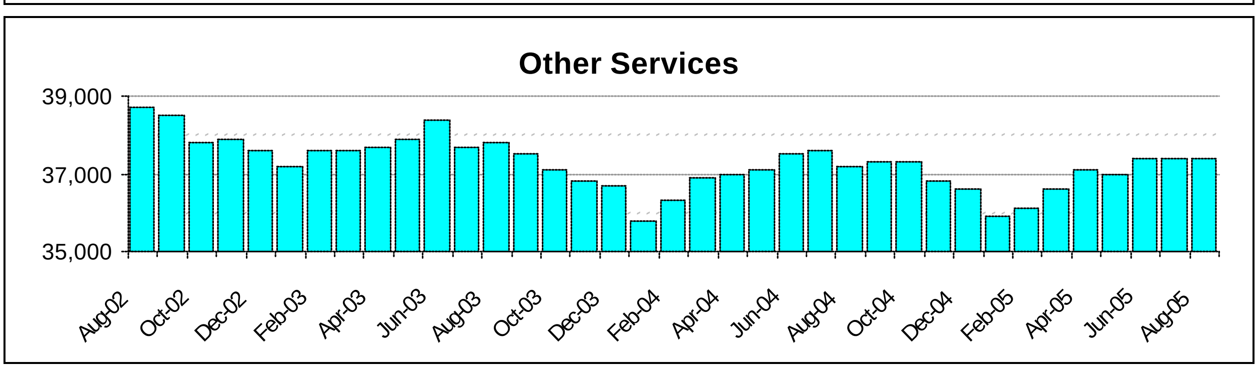

Construction led the month-to-month gainers by adding 1,500 more jobs, with Construction of Buildings, Heavy and Civil Engineering, and Specialty Trade Contractors each adding 500.


Financial Activities
71,000
69,000
67,000
65,000
63,000
61,000
Aug-02 Oct-02 Dec-02 Feb-03 Apr-03 Jun-03 Aug-03 Oct-03 Dec-03 Feb-04 Apr-04 Jun-04 Aug-04 Oct-04 Dec-04 Feb-05 Apr-05 Jun-05 Aug-05


Wholesale Trade
54,000
53,000
52,000
51,000
50,000
49,000
48,000
47,000
Aug-02 Oct-02 Dec-02 Feb-03 Apr-03 Jun-03 Aug-03 Oct-03 Dec-03 Feb-04 Apr-04 Jun-04 Aug-04 Oct-04 Dec-04 Feb-05 Apr-05 Jun-05 Aug-05


Transportation, Warehousing, and Utilities
40,000
38,000
36,000
34,000
32,000
Aug-02 Oct-02 Dec-02 Feb-03 Apr-03 Jun-03 Aug-03 Oct-03 Dec-03 Feb-04 Apr-04 Jun-04 Aug-04 Oct-04 Dec-04 Feb-05 Apr-05 Jun-05 Aug-05


Information
35,000
33,000
31,000
29,000
Aug-02 Oct-02 Dec-02 Feb-03 Apr-03 Jun-03 Aug-03 Oct-03 Dec-03 Feb-04 Apr-04 Jun-04 Aug-04 Oct-04 Dec-04 Feb-05 Apr-05 Jun-05 Aug-05


Other Services
39,000
37,000
35,000
Aug-02 Oct-02 Dec-02 Feb-03 Apr-03 Jun-03 Aug-03 Oct-03 Dec-03 Feb-04 Apr-04 Jun-04 Aug-04 Oct-04 Dec-04 Feb-05 Apr-05 Jun-05 Aug-05

# HOTEL OCCUPANCY

The PKF Consulting report on hotel trends for July 2005 shows an increase in room rates throughout Northern California. The East Bay's Average Daily Room Rate continues to be solidly 7th in the list, followed by Sacramento, the San Francisco Airport, Other Northern California and the Central Valley. But the percentage increase for East Bay room rates from July 2004 to 2005 was even lower than the San Francisco Airport and the Central Valley.

Occupancy rates also generally increased. The East Bay experienced the 2nd highest increase with only Sacramento and the Napa Valley showing a decline. Despite an improvement of 5.4%, however, the East Bay's occupancy rate remains second lowest, exceeding only the San Jose/Peninsula.

| July 2005 | AVERAGE DAILY ROOM RATE | | | OCCUPANCY PERCENT | | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | VAR | 2005 | 2004 | VAR |
| San Francisco | $149.50 | $140.34 | 6.5% | 84.3% | 81.1% | 3.9% |
| San Francisco Airport | 91.28 | 88.91 | 2.7% | 83.3% | 79.4% | 4.9% |
| San Jose/Peninsula | 101.35 | 98.79 | 2.6% | 66.8% | 61.4% | 8.8% |
| Oakland/East Bay | 99.09 | 96.76 | 2.4% | 67.3% | 64.0% | 5.2% |
| Monterey/Carmel | 230.19 | 216.01 | 6.6% | 86.2% | 84.2% | 2.4% |
| Central Valley | 68.32 | 64.77 | 5.5% | 75.3% | 74.7% | 0.9% |
| Sacramento | 93.12 | 91.16 | 2.2% | 72.2% | 74.9% | -3.6% |
| Marin County | 134.42 | 129.31 | 3.9% | 83.3% | 79.7% | 4.5% |
| Napa County | 207.78 | 190.60 | 9.0% | 78.6% | 79.9% | -1.5% |
| Sonoma County | 127.74 | 115.11 | 11.0% | 80.1% | 77.4% | 3.5% |
| Other Northern California | 85.98 | 85.48 | 0.6% | 80.3% | 78.6% | 2.1% |
| | | | Source: PKF Consulting | | | |

# HOUSING

Bay Area home prices continued their upward climb in August 2005as sales remained at near-record levels, the result of continued demand and modest mortgage interest rates.

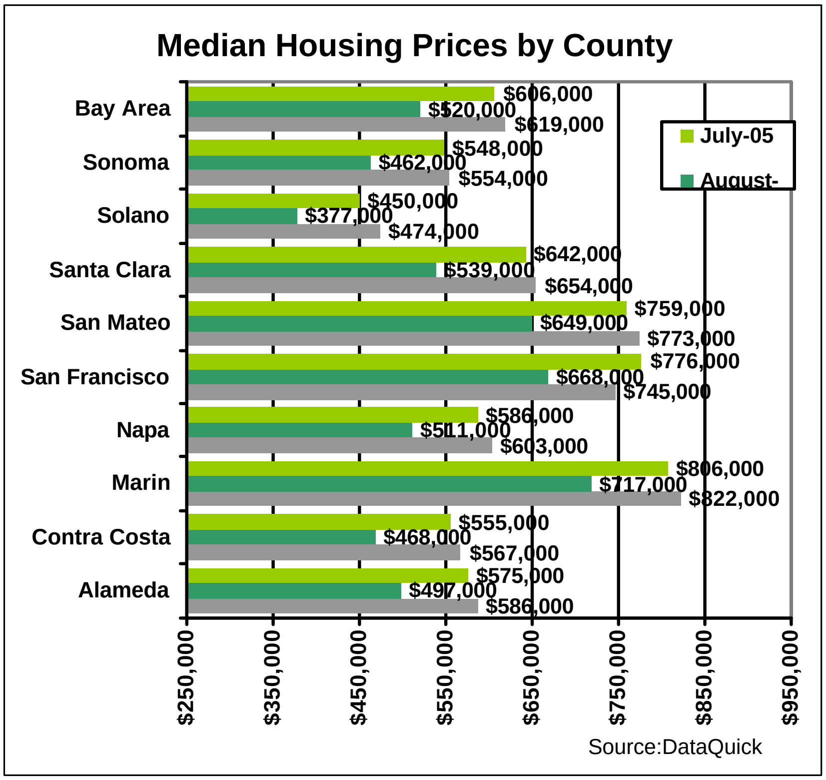
According to DataQuick Information Systems, a total of 12,154 new and resale houses and condos were sold in the nine-county Bay Area in July 2005. That was up 6.0% from 11,470 for July, and down 4.1% from 12,674 for August last year,

It must be remembered, however, that the year-ago sales count was the strongest for any August in DataQuick's statistics, which go back to 1988.

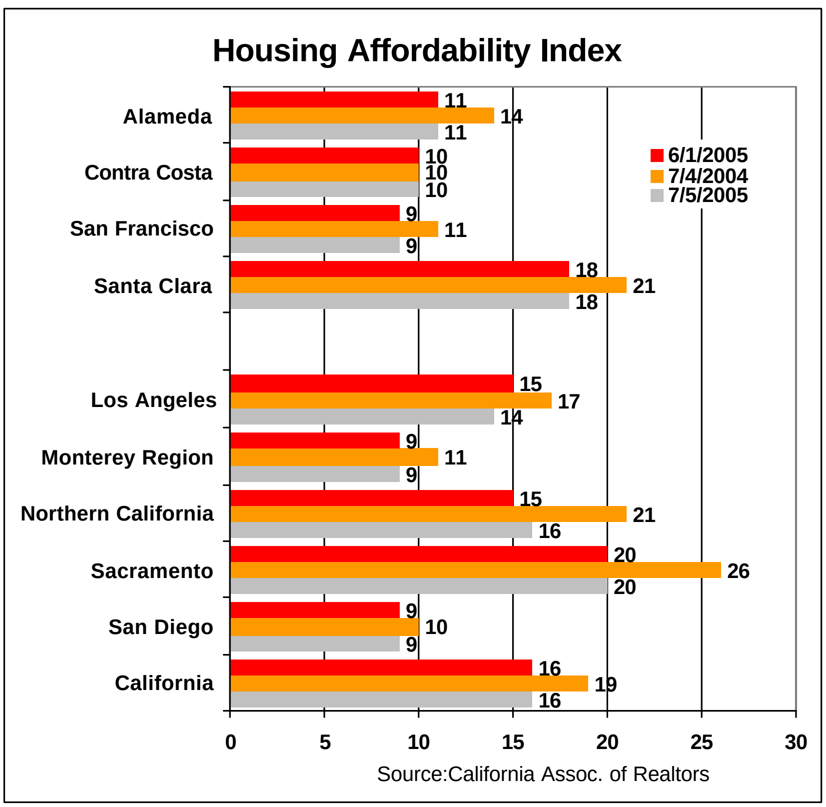
| All Homes | Number Sold July - 05 | Annual Pct. Chg | Median July - 05 | Annual Pct. Chg |
|---|---|---|---|---|
| Alameda | 2,742 | -4.70% | $586K | 17.90% |
| Contra Costa | 2,560 | -2.50% | $567K | 21.20% |
| Marin | 478 | -8.40% | $822K | 14.60% |
| Napa | 226 | 0.00% | $603K | 18.00% |
| San Francisco | 735 | -9.90% | $745K | 11.50% |
| San Mateo | 986 | -1.70% | $773K | 19.10% |
| Santa Clara | 3,017 | -6.10% | $654K | 21.30% |
| Solano | 1,015 | 0.10% | $474K | 25.70% |
| Sonoma | 915 | -1.40% | $554K | 19.90% |
| Bay Area | 12,674 | -4.10% | $619K | 19.00% |
| Source: DataQuick Information Systems | | | | |

"We're a bit surprised at how stable the market is in all categories. Usually one segment of the market will be outperforming the others. Right now, though, the same trends apply to all parts of the market from entry-level on up to the prestige market. This stability means that the market will probably stay strong at least through the end of the year," said Marshall Prentice, DataQuick president.

The median price paid for a Bay Area home was $619,000 last month, a new record. That was up 2.1% from in July, and up 19.0% from $520,000 for August a year ago. Annual price increases have been in the upper teens for a year-and-a-half.




The percentage of households in California able to afford a median-priced home stood at 16% in July 2005, a 3% decrease compared with the same period a year ago when the Index was at 19%, according to the California Association of REALTORS® (C.A.R.). The July Housing Affordability Index (HAI) was unchanged from June, when it also stood at 16%.




The minimum household income needed to purchase the median-priced home of $540,900 in California in July 2005 was $125,670, based on an average effective mortgage interest rate of 5.73% and assuming a 20% down payment. In July 2004 the income needed to purchase a median-priced home was $109,170, the median price of a home was $461,760 and the prevailing interest rate was 5.93%.

Nationally, the median-priced home was $218,000 in July and the minimum household income to purchase it was $50,650.

At 30%, the High Desert region was the most affordable C.A.R. region in the state, followed by Sacramento at 20%. Santa Barbara and the Northern Wine Country were the least affordable in the state at 7%

The indexes for Alameda and Contra Costa County remained unchanged from the prior month at 11% and 10% respectively. Since July 2004 Contra Costa's index has not changed, while Alameda County's has declined from 14%.

In the East Bay, two Contra Costa County cities have average median housing prices above $1 million dollars. Orinda continues to claim the highest median priced home value of $1,200,000, and Lafayette, $1,023,000.

On the other end of the scale, Contra Costa County also had the city with the lowest median priced homes - Pittsburg at $440,000. Closely following were Emeryville, San Pablo and Richmond all at $450,000.

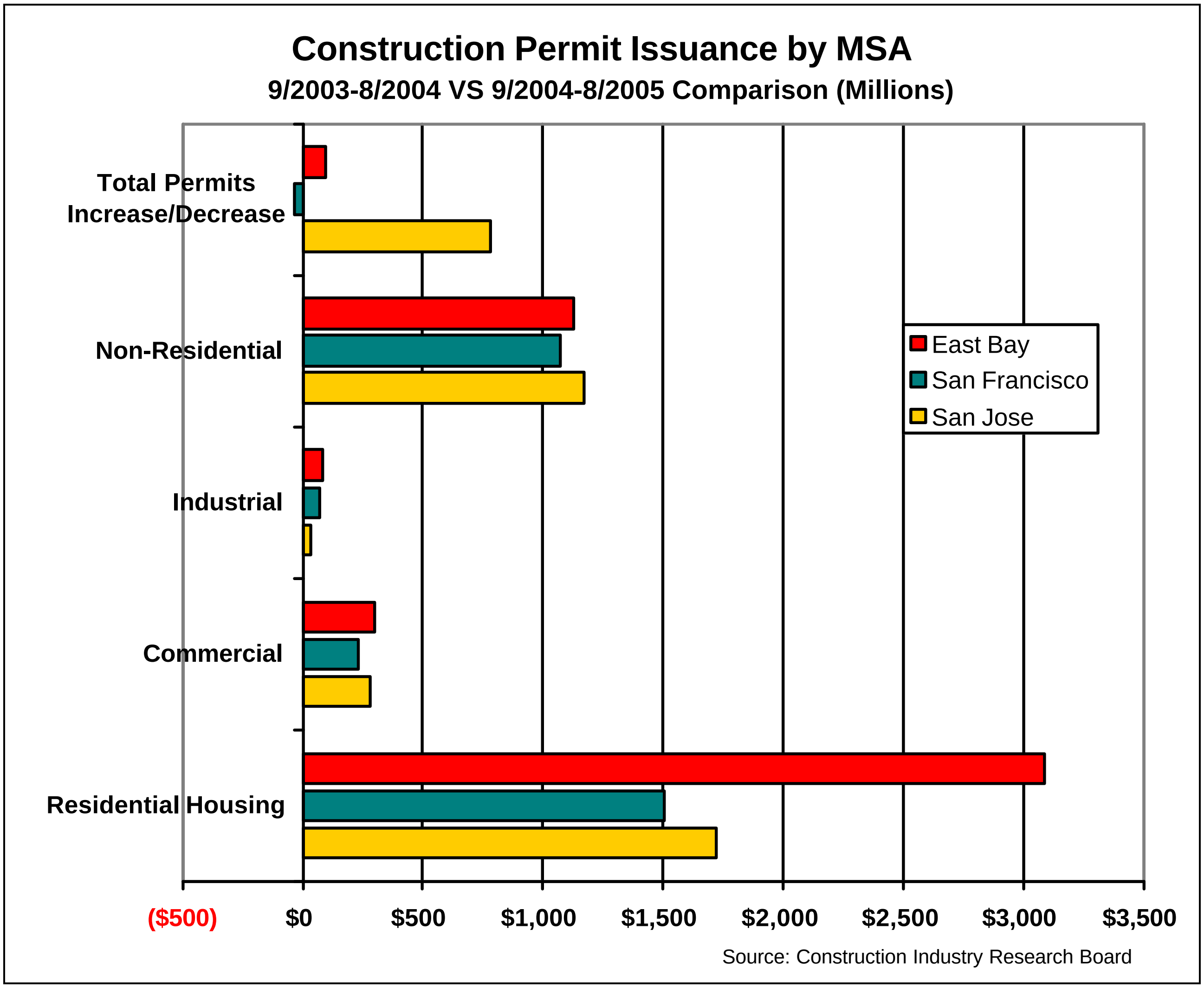
Walnut Creek has experienced the highest percentage year-to-year price increase or 41.1%, which equals $200,000, but the highest dollar increase year-to-year was $250,000 reached by Orinda, a 26.3% gain from August 2004.

Compared to August 2004, Alameda County homes in August 2005 remained $40,000 more expensive than in Contra Costa County. A total of 2,742 units were sold in Alameda County and 2,560 in Contra Costa County.

| County/City/Area | August 2005 | August 2004 | Y-to-Y % Change |
|---|---|---|---|
| Hercules | 475,000 | 511,000 | -7.0% |
| Moraga | 771,000 | 800,000 | -3.6% |
| Dublin | 650,000 | 650,000 | 0.0% |
| Livermore | 575,000 | 525,000 | 9.5% |
| San Ramon | 736,500 | 667,000 | 10.4% |
| Pleasanton | 772,000 | 674,000 | 14.5% |
| Pleasant Hill | 615,000 | 535,000 | 15.0% |
| Pinole | 550,000 | 470,000 | 17.0% |
| San Pablo | 450,000 | 380,000 | 18.4% |
| Fremont | 650,000 | 548,500 | 18.5% |
| Albany | 619,000 | 521,500 | 18.7% |
| Emeryville | 450,000 | 378,000 | 19.0% |
| Alameda County | 590,000 | 495,000 | 19.2% |
| Danville | 989,500 | 829,250 | 19.3% |
| Oakland | 485,000 | 406,000 | 19.5% |
| San Lorenzo | 555,500 | 462,000 | 20.2% |
| San Leandro | 550,000 | 455,000 | 20.9% |
| Contra Costa County | 550,000 | 455,000 | 20.9% |
| Byron | 624,500 | 514,750 | 21.3% |
| Pittsburg | 440,000 | 360,000 | 22.2% |
| Martinez | 540,000 | 440,000 | 22.7% |
| Oakley | 470,000 | 382,500 | 22.9% |
| Castro Valley | 650,000 | 528,750 | 22.9% |
| Lafayette | 1,023,000 | 827,000 | 23.7% |
| Hayward | 550,000 | 442,500 | 24.3% |
| Alameda | 685,000 | 550,000 | 24.5% |
| Berkeley | 741,000 | 587,500 | 26.1% |
| Concord | 530,000 | 420,000 | 26.2% |
| Orinda | 1,200,000 | 950,000 | 26.3% |
| Brentwood | 590,500 | 463,000 | 27.5% |
| Antioch | 525,000 | 410,000 | 28.0% |
| Newark | 625,000 | 480,000 | 30.2% |
| Union City | 667,000 | 498,000 | 33.9% |
| Richmond | 450,000 | 333,000 | 35.1% |
| Walnut Creek | 686,500 | 486,500 | 41.1% |
| | | | Source: DataQuick |

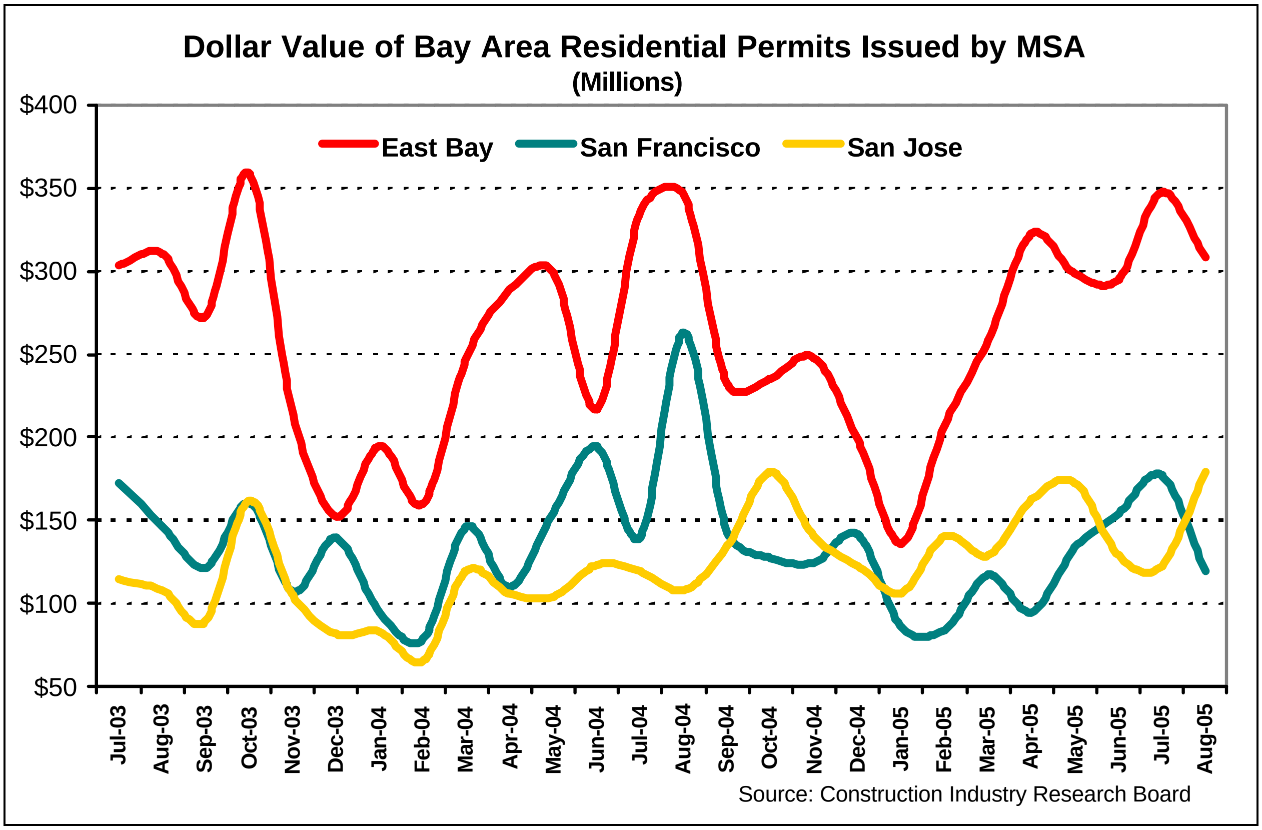
# CONSTRUCTION PERMITS

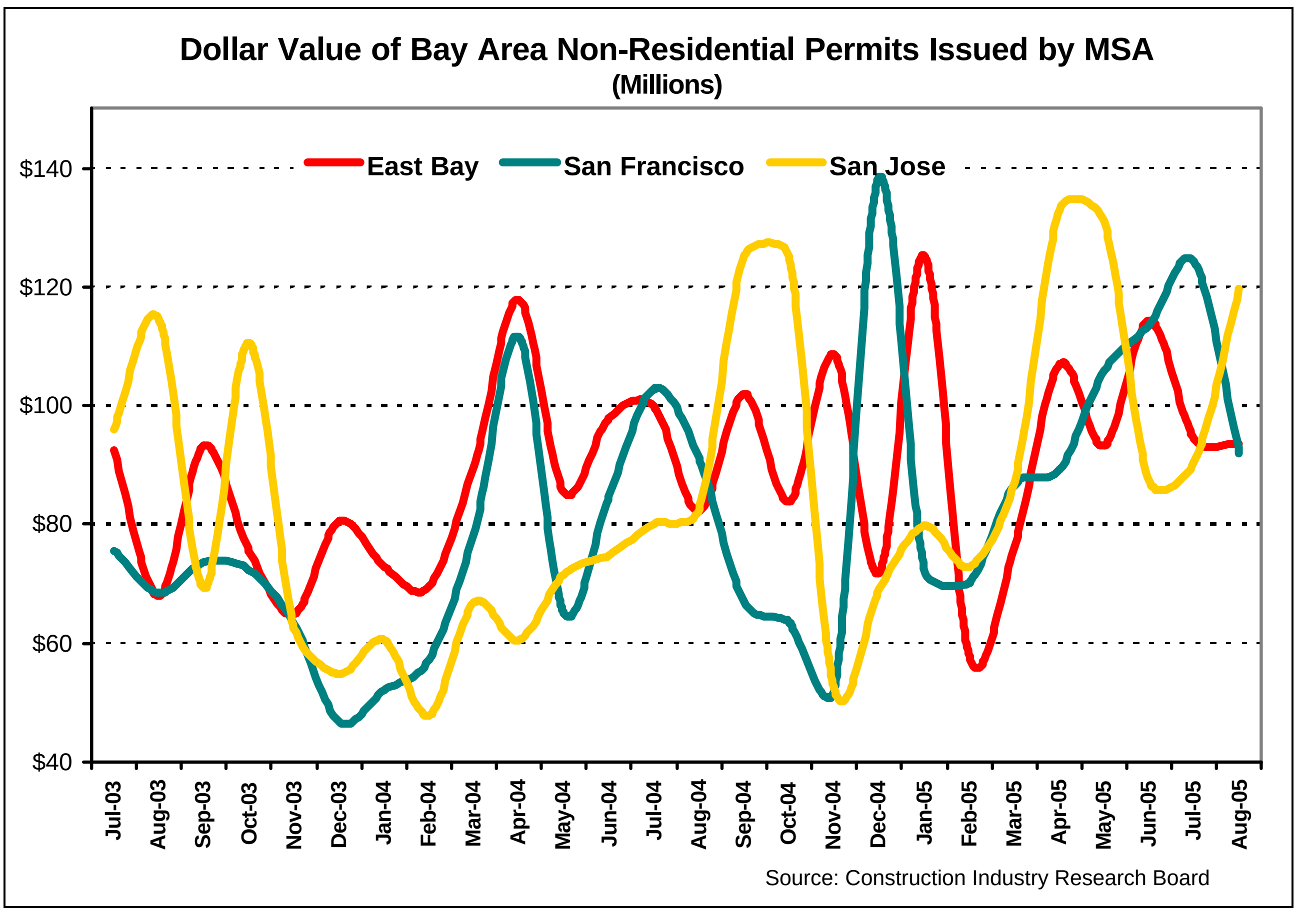
In the previous 12 months ending August 2005, the East Bay issued over $4.22 billion in construction permits, $97.7 million more than in the previous 12-month period ending August 2004. San Jose issued $2.89 billion in the same period, a $781 million increase over the previous 12 months, while San Francisco issued $2.58 billion, $31.4 million less than in the previous 12 months.

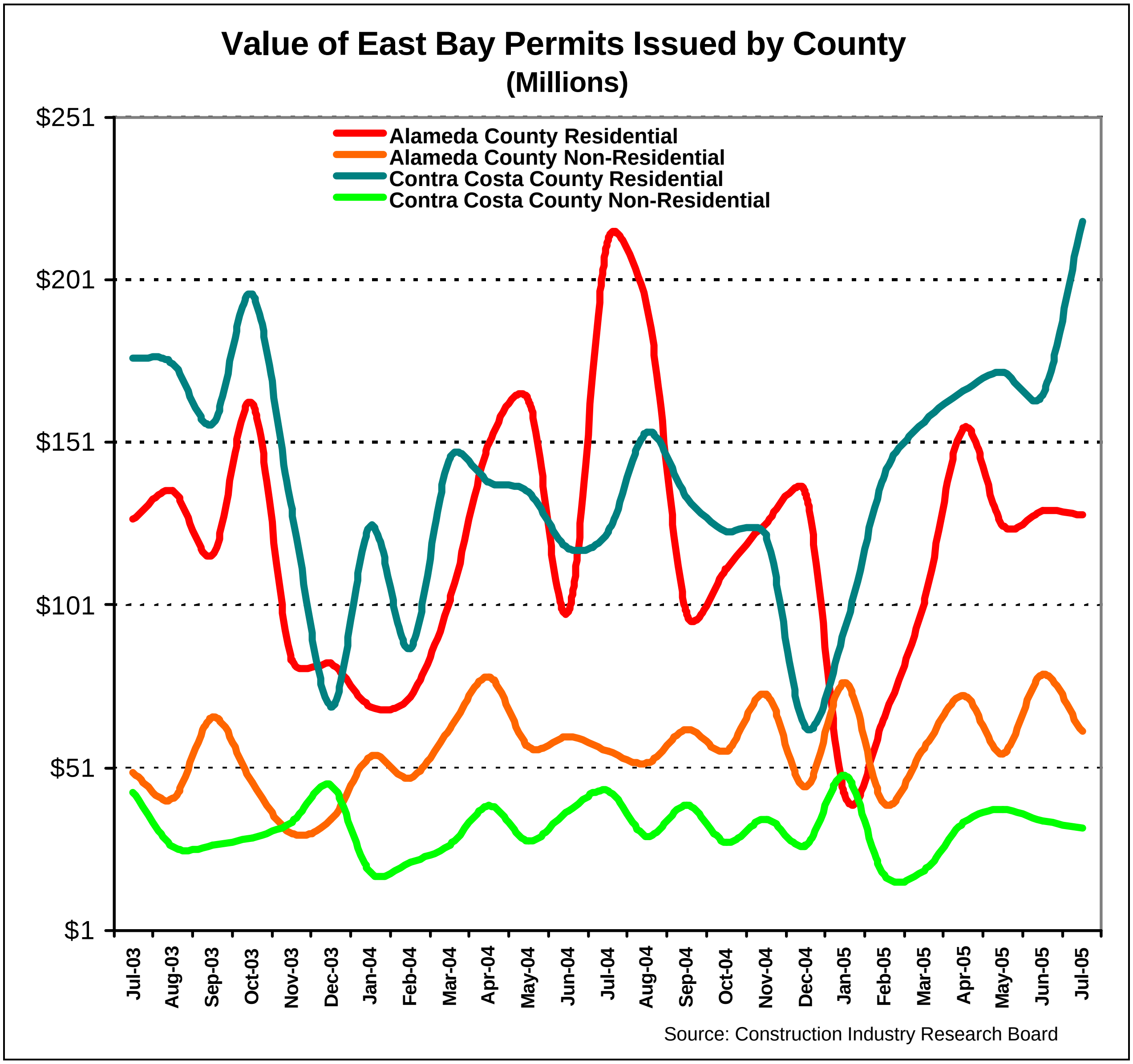



The East Bay issued a total of $3.09 billion in residential permits during the last 12 months, while San Jose issued $1.7 and San Francisco issued $1.5 billion.

San Jose issued the most non-residential permits, – a total of $1.17 billion over the last 12 months, including $282 million in commercial and $31 million in industrial permits. The East Bay issued $1.13 billion in non-residential, which included $302 million in commercial and $84 million in industrial permits. San Francisco issued $1.07 billion in non-residential, including $234 million in commercial and $70 million in industrial – all during the same 12-month period ending August 2005.


Dollar Value of Bay Area Residential Permits Issued by MSA
(Millions)
East Bay
San Francisco
San Jose
$400
$350
$300
$250
$200
$150
$100
$50
Jul-03
Aug-03
Sep-03
Oct-03
Nov-03
Dec-03
Jan-04
Feb-04
Mar-04
Apr-04
May-04
Jun-04
Jul-04
Aug-04
Sep-04
Oct-04
Nov-04
Dec-04
Jan-05
Feb-05
Mar-05
Apr-05
May-05
Jun-05
Jul-05
Aug-05
Source: Construction Industry Research Board


Dollar Value of Bay Area Non-Residential Permits Issued by MSA
(Millions)
East Bay
San Francisco
San Jose
$140
$120
$100
$80
$60
$40
Jul-03
Aug-03
Sep-03
Oct-03
Nov-03
Dec-03
Jan-04
Feb-04
Mar-04
Apr-04
May-04
Jun-04
Jul-04
Aug-04
Sep-04
Oct-04
Nov-04
Dec-04
Jan-05
Feb-05
Mar-05
Apr-05
May-05
Jun-05
Jul-05
Aug-05
Source: Construction Industry Research Board

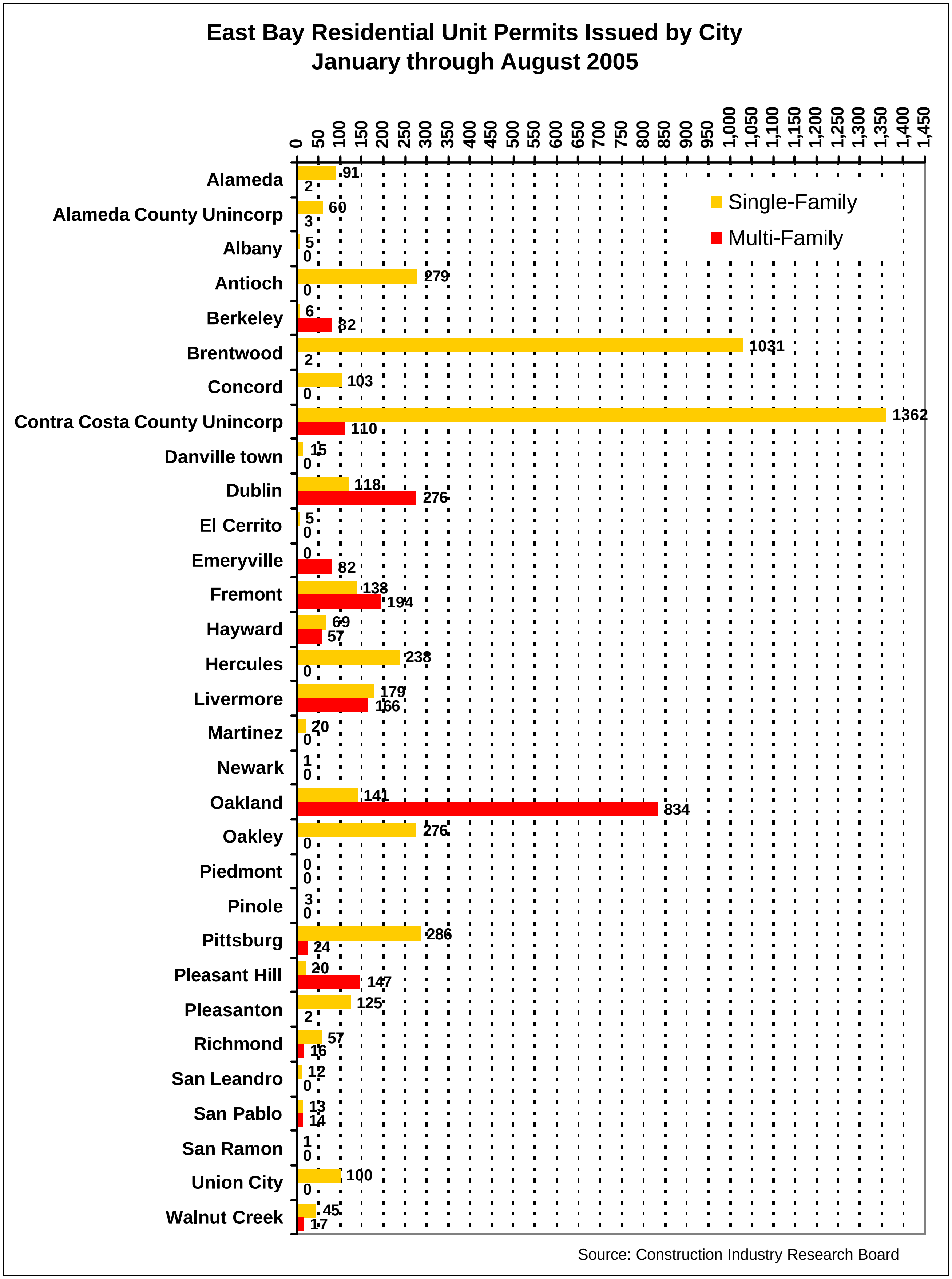


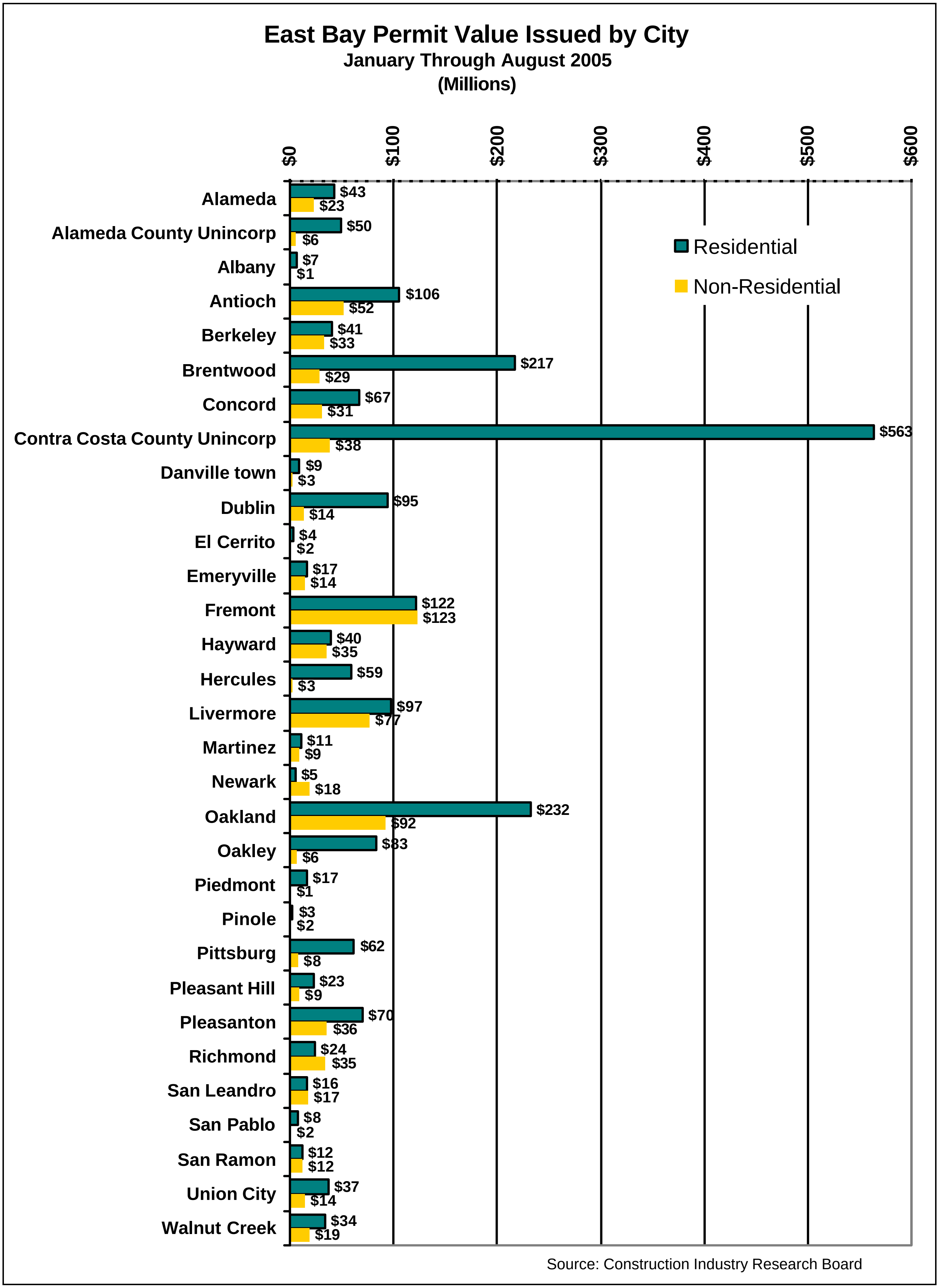

Since the beginning of 2005, a low point in residential permits for both Alameda and Contra Costa Counties due in part to seasonal trends and weather, Contra Costa County has issued $1,286,621,719 in residential and $257,340,673 in non-residential permits, and Alameda County has issued $887,390,778 in residential and $504,362,994 in non-residential permits.

Included in Contra Costa's non-residential numbers from January through August 2005 were $45,260,091 in commercial and $7,956,863 in industrial permits. Meanwhile, Alameda County issued $133,484,295 in commercial and $53,205,300 in industrial permits.

Over the last 12 months ending August 2005, Contra Costa County issued $1.73 billion in residential and $387 million in non-residential, while Alameda County issued $1.36 billion in residential and $741 million in non-residential.

The chart below shows a total of 4,799 single family and 2,028 multifamily housing units permits issued in the East Bay since January 2005. The succeeding chart shows the total dollar value of residential and non-residential permits by city for the same period.


East Bay Residential Unit Permits Issued by City
January through August 2005
Single-Family
Multi-Family
Alameda 91 2
Alameda County Unincorp 60 3
Albany 5 0
Antioch 279 0
Berkeley 6 82
Brentwood 1031 2
Concord 103 0
Contra Costa County Unincorp 1362 110
Danville town 15 0
Dublin 118 276
El Cerrito 5 0
Emeryville 0 82
Fremont 138 194
Hayward 69 57
Hercules 238 0
Livermore 179 166
Martinez 20 0
Newark 1 0
Oakland 141 834
Oakley 276 0
Piedmont 0 0
Pinole 3 0
Pittsburg 286 24
Pleasant Hill 20 147
Pleasanton 125 2
Richmond 57 16
San Leandro 12 0
San Pablo 13 14
San Ramon 1 0
Union City 100 0
Walnut Creek 45 17
Source: Construction Industry Research Board


East Bay Permit Value Issued by City
January Through August 2005
(Millions)
$0
$100
$200
$300
$400
$500
$600
Residential
Non-Residential
Alameda $43 $23
Alameda County Unincorp $50 $6
Albany $7 $1
Antioch $106 $52
Berkeley $41 $33
Brentwood $217 $29
Concord $67 $31
Contra Costa County Unincorp $563 $38
Danville town $9 $3
Dublin $95 $14
El Cerrito $4 $2
Emeryville $17 $14
Fremont $122 $123
Hayward $40 $35
Hercules $59 $3
Livermore $97 $77
Martinez $11 $9
Newark $5 $18
Oakland $232 $92
Oakley $83 $6
Piedmont $17 $1
Pinole $3 $2
Pittsburg $62 $8
Pleasant Hill $23 $9
Pleasanton $70 $36
Richmond $24 $35
San Leandro $16 $17
San Pablo $8 $2
San Ramon $12 $12
Union City $37 $14
Walnut Creek $34 $19
Source: Construction Industry Research Board