



SEPTEMBER 2006 MONTHLY ANALYSIS

East Bay Economic Development Alliance
The bright side of the San Francisco Bay



Prepared by the East Bay Economic Development Alliance (East Bay EDA)

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.

East Bay EDA welcomes your comments and suggestions. Send your comments, questions or suggestions to stephanie@eastbayeda.org or call us at (510) 272-6843.

SNAPSHOT: THE EAST BAY IN AUGUST 2006

- The East Bay **unemployment rate was 4.5% in August**, down from 4.7% in July
- Between August 2005 and August 2006, **the East Bay showed the largest year-over-year growth since August 2000 by adding 23,300 payroll jobs**
- East Bay **home sales continued to slow**, and **home sale prices fell** in year-over-year comparisons
- East Bay **residential construction permit values reached record highs** due to **large numbers of multi-family residential permits issued in Oakland, Dublin and Emeryville**
- East Bay **hotels enjoyed increases in occupancy and daily room rates**

East Bay Economic Development Alliance
1221 Oak Street, Suite 555
Oakland, CA 94612
510 272-6843
www.eastbayeda.org

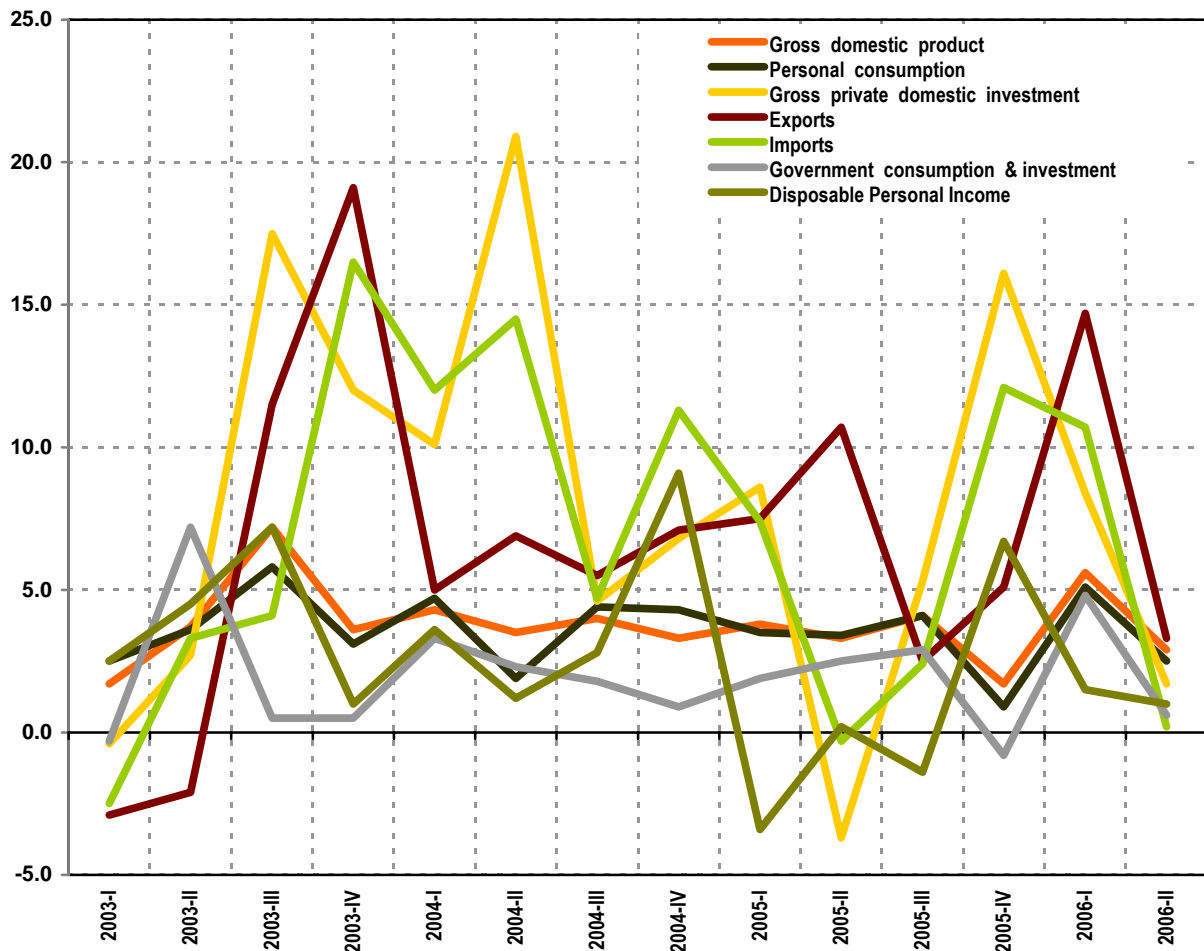
Serving the East Bay, the **Bright** Side of the San Francisco Bay

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 2.6 percent in the second quarter of 2006, according to final estimates released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 5.6 percent.

The increase in real GDP in the second quarter primarily reflected positive contributions from personal consumption expenditures (PCE) for services, exports, nonresidential structures, state and local government spending, and private inventory investment that were partly offset by negative contributions from residential fixed investment and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased.

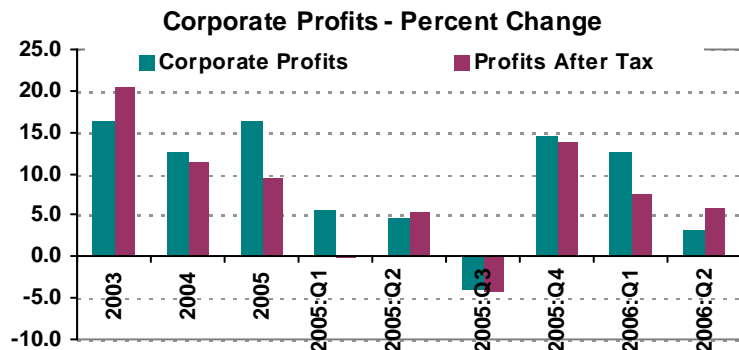
Real GDP Percent Change From Preceding Quarter



Source: Bureau of Economic Analysis

CORPORATE PROFITS

Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased \$22.7 billion in the second quarter, compared with an increase of \$175.6 billion in the first quarter.

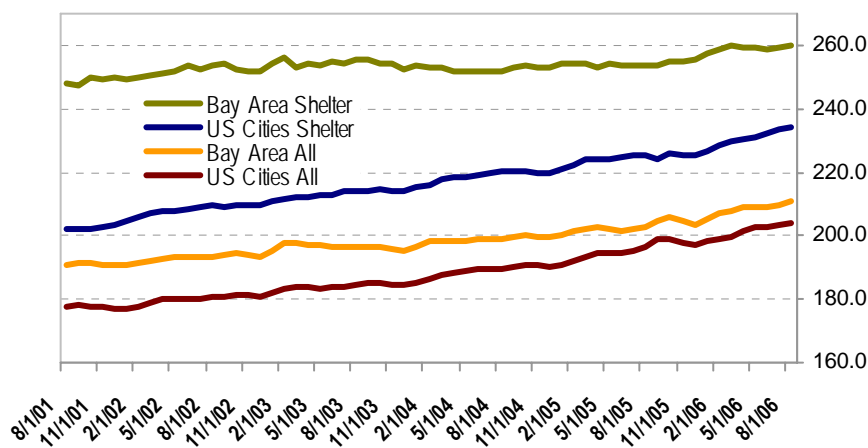


Source: Bureau of Economic Analysis²

COST OF LIVING

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in August, before seasonal adjustment, according to the Bureau of Labor Statistics. The August level of 203.9 (1982-84=100) was 3.8 percent higher than in August 2005.

CPI for the Bay Area vs the US



On a seasonally adjusted basis, the CPI-U advanced 0.2 percent in August, following a 0.4 percent rise in July. Energy prices, which advanced 2.9 percent in July, rose 0.3 percent in August. Within energy, the index for petroleum based energy increased 0.4 percent and the index for energy services rose 0.2 percent.

Source: Bureau of Labor Statistics

% Change in Annualized CPI	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06
US City Annual % Chg	3.60%	4.70%	4.30%	3.50%	3.40%	4.00%	3.60%	3.40%	3.50%	4.20%	4.32%	3.93%	3.82%
Bay Area Annual % Chg	2.20%	2.50%	2.80%	2.40%	2.00%	2.40%	2.90%	3.10%	3.20%	3.54%	3.93%	3.86%	3.79%

In the Bay Area in August, shelter costs were up 0.5 percent, and the index for all items was up 0.8 percent.

The Bay Area's annual growth rate in CPI was 1.59 percent higher in August 2006, than August 2005 – a significant increase. The annual growth rate of the US CPI was 0.28 percent higher in August 2006 than in August 2005.

	Aug 2005	Sep 2005	Oct 2005	Nov 2005	Dec 2005	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 06
US All Cities - All Items	196.4	198.8	199.2	197.6	196.8	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9
US All Cities - Shelter	225.6	224.4	225.7	225.4	225.6	226.8	228.3	229.9	230.7	231.3	232.2	233.6	234.2
Bay Area - All Items	203.0	204.4	205.9	204.6	203.4	205.2	207.1	208.0	208.9	209	209.1	209.9	210.7
Bay Area - All Items Less Shelter	183.4	185.3	187.2	185.1	183.1	185.0	186.9	188.2	189.5	190	190	191	192.0
Bay Area - Shelter	253.4	253.9	254.8	255.1	255.6	257.5	259.0	259.7	259.2	259.4	258.5	259.2	259.7

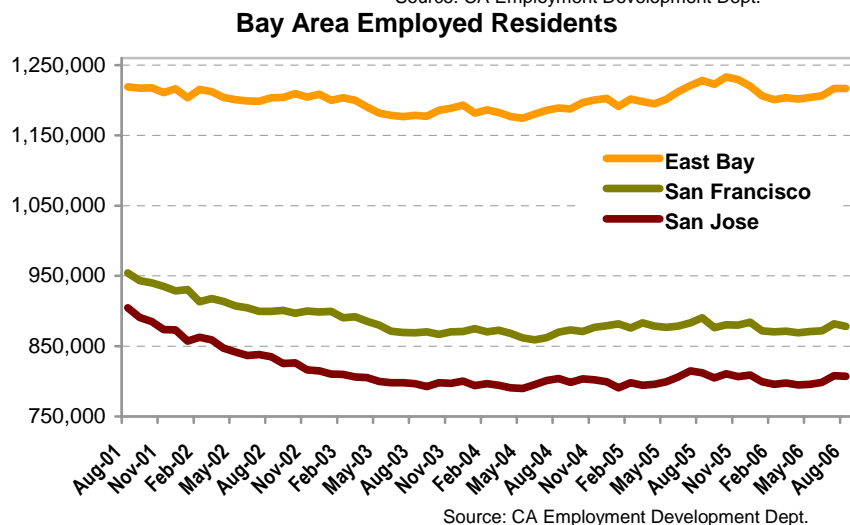
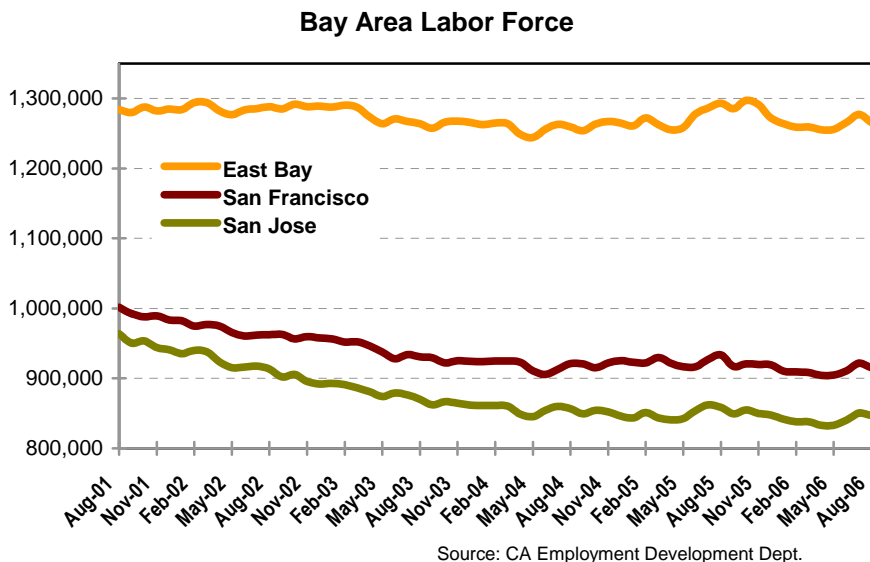
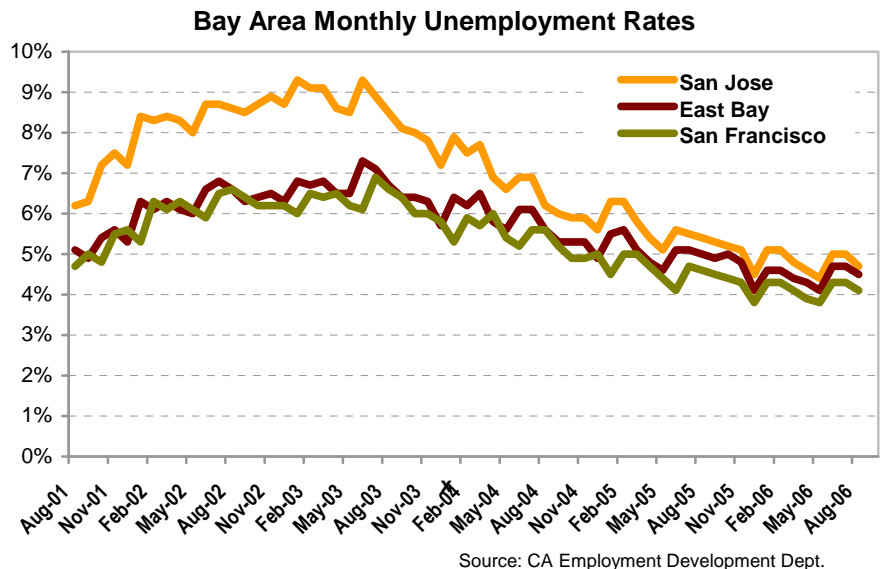
BAY AREA LABOR FORCE, UNEMPLOYMENT & EMPLOYED RESIDENTS

The unemployment rate in the Oakland-Fremont-Hayward Metropolitan District was 4.5 percent in August 2006, down from 4.7 percent in July 2006, and below the year-ago estimate of 5.1 percent. This compares with an unadjusted unemployment rate of 4.9 percent for California and 4.6 percent for the nation during the same period.

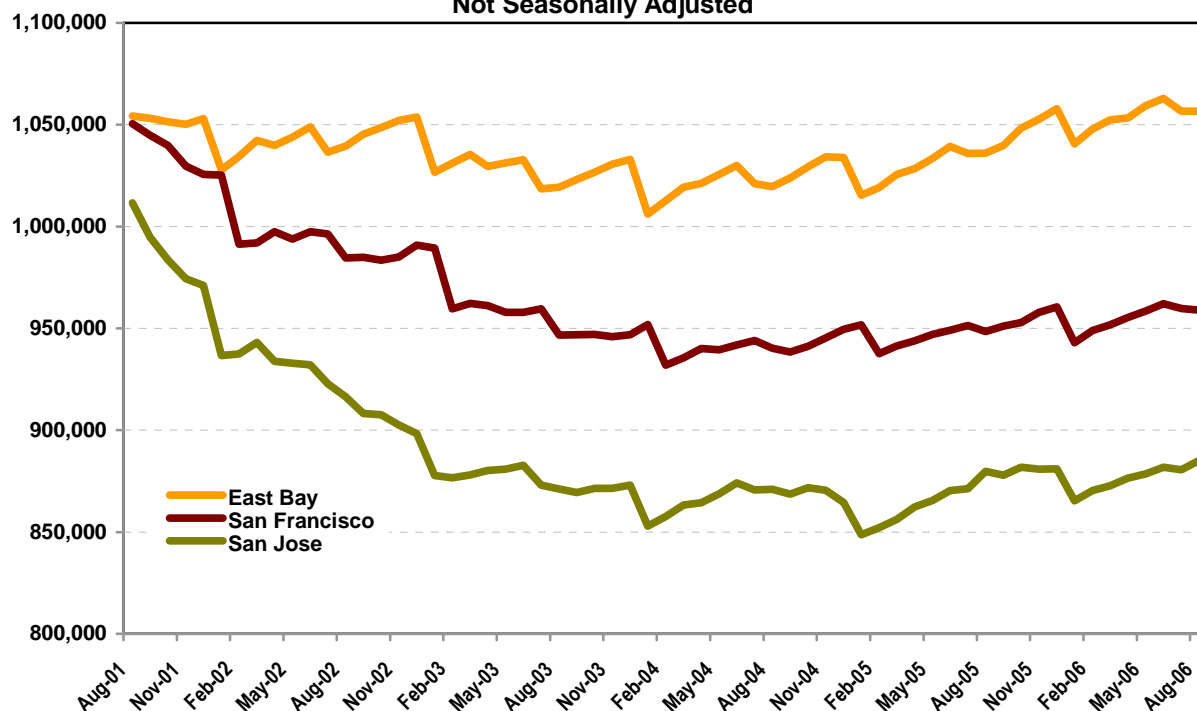
Within the East Bay, Alameda County's unemployment rate was 4.7 percent in August 2006, down from 4.9 percent in July, and Contra Costa County's rate was 4.2 percent, down from 4.4 percent in July.

In August there were 11,200 fewer workers in the East Bay's labor force than in July, in San Francisco's there were 6,100 fewer, and San Jose, 3,300 fewer. A year-over-year comparison of August 2006 with August 2005 shows the East Bay with 27,300 fewer, San Francisco with 7,500 less and San Jose with 11,400 fewer. After three months of gains leading into July, losses in August were quite steep.

In terms of Employed Residents, all three Bay Area regions experienced seasonal losses between July and August of 2006. In the East Bay there were 7,400 fewer employed residents in August than in July, in San Francisco 3,800 fewer and in San Jose 600 fewer. A comparison of August 2006 and August 2005 shows the East Bay with 9,000 more employed residents, and San Francisco and San Jose with 18,800 and 4,800 fewer, respectively.



Bay Area Payroll Employment by Region Not Seasonally Adjusted



Source: CA Employment Development Dept.

Between July and August of 2006, East Bay payroll employment lost 2,800 jobs, making August the second month of job losses following six months of gains between January and June. During the same period, San Francisco lost 400 jobs and San Jose gained 4,600 jobs.

- Government lost 2,400 jobs, mainly due to local schools (down 1,200 jobs) closing for summer break.
- Other services cut back 400 jobs, mainly due to the normal seasonal decrease in religious, grant making, civic, and professional organizations (down 300 jobs).
- Leisure and hospitality (up 700 jobs) regained all of the losses reported in July. Improvements were scattered among food services (up 500 jobs), and arts, entertainment, and recreation (up 300 jobs).

EAST BAY PAYROLL EMPLOYMENT BY SECTOR

East Bay Primary Industry Sectors	1 Month Change	12 Month Change	24 Month Change	Change from 5/01
Construction	1,300	7,500	11,100	12,400
Professional and Business Services	600	5,400	8,100	-4,000
Educational and Health Services	-1,200	3,500	4,900	8,400
Retail Trade	500	3,100	4,400	2,200
Financial Activities	-200	2,600	5,800	15,800
Leisure and Hospitality	-700	2,200	3,300	7,400
Manufacturing	-100	1,000	-2,700	-19,000
Trans, Warehousing & Utilities	400	300	900	-7,100
Government	-6,200	300	700	-5,700
Wholesale Trade	-100	200	-700	-7,200
Other Services	-100	-300	-1,100	700
Information	-200	-900	-1,800	-8,500

Source: CA Employment Development Dept.

Between August 2005 and August 2006, the East Bay showed the largest year-over-year growth since August 2000 by adding 23,300 jobs, while San Francisco added 9,600, and San Jose 5,300.

- Construction showed the 29th consecutive month of year-over growth by adding 7,100 jobs. Specialty trade contractors accounted for the bulk of the gains (up 3,900 jobs).
- Professional and business services reported the largest August to August growth since 2000 by picking up 3,600 jobs, mostly in employment services (up 2,400 jobs).
- Educational and health services grew by 3,300 jobs. Gains were scattered throughout educational services (up 1,500 jobs) and health care and social assistance (up 1,800 jobs), which includes hospitals and nursing and residential care facilities.
- Trade, transportation, and utilities added 2,600 jobs, predominantly due to the expansion in retail trade (up 2,400 jobs).

In the same year-over-year comparison, the East Bay's manufacturing sector showed an improvement of 1,000 jobs between August 2005 and August 2006. In Food, Miscellaneous and Machinery Manufacturing, the year to year gains were substantial, with gains of 1,000, 800 and 300 jobs, respectively.

Residual-Miscellaneous Manufacturing gained 100 jobs over the past month, while Chemical Manufacturing lost 100 jobs. Compared to May 2001, total manufacturing is down 19,000 jobs.

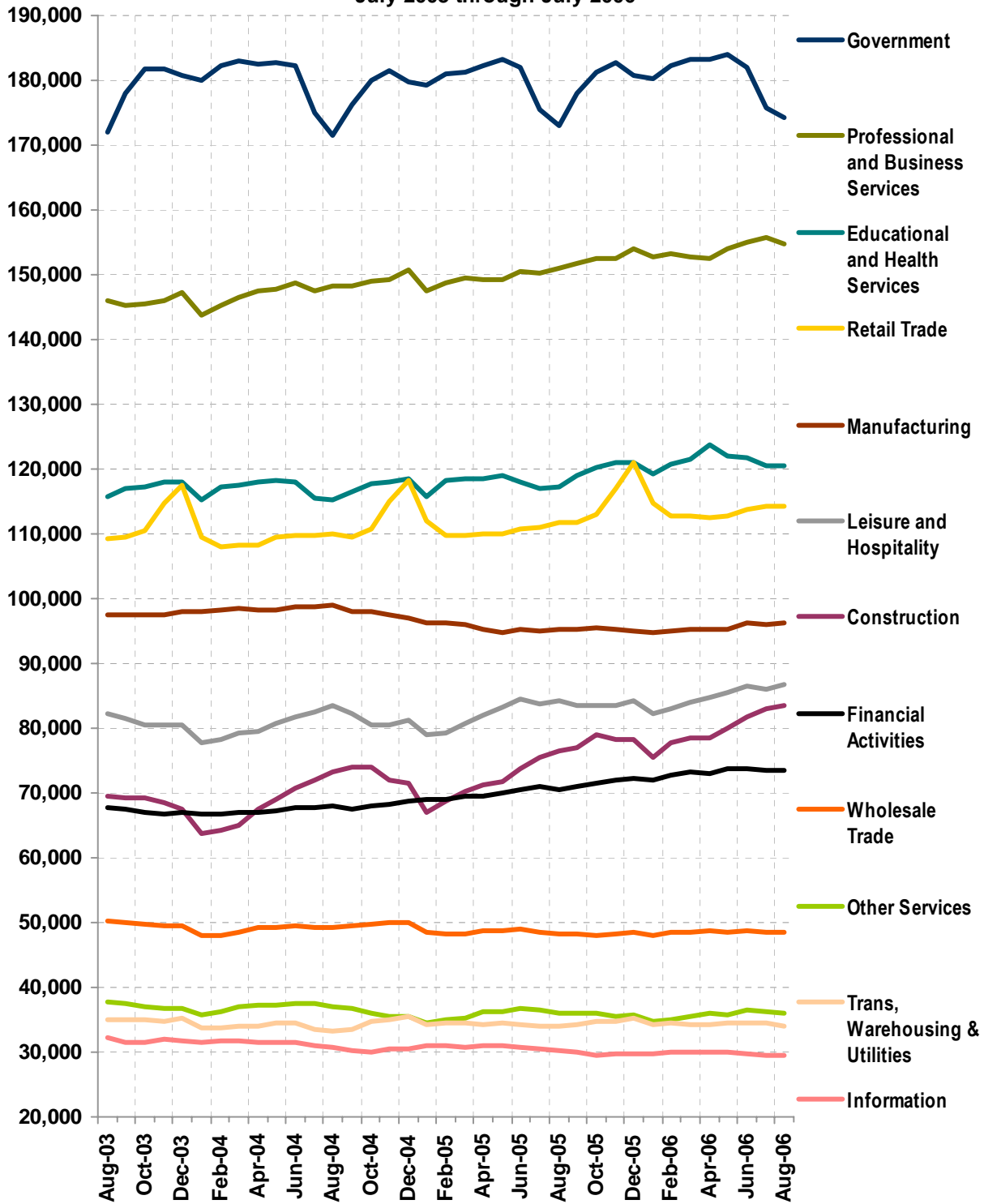
East Bay Manufacturing Sector	7/2006 Employment	1 Month Change	12 Month Change	24 Month Change	Change from 5/01
Residual-Food	22,200	0	1,000	4.7%	-2,600
Residual-Miscellaneous	23,200	100	800	3.6%	-2,800
Machinery	6,200	0	300	5.1%	-2,600
Chemical	7,200	-100	100	1.4%	-1,000
Residual-Other General Purpose Machinery	2,900	0	0	0.0%	-700
Transportation Equipment	7,700	0	0	0.0%	400
Petroleum & Coal Products	6,600	0	0	0.0%	-400
Primary Metal	2,800	0	-100	-3.4%	-400
Residual-Communications Equipment	16,600	0	-400	-2.4%	-6,500
Computer & Peripheral Equipment	4,000	0	-500	-1,300	-2,700
Total Manufacturing	96,100	-100	1,000	-2,700	-19,000

Source: CA Employment Development Dept.

East Bay Sector Employment Summary

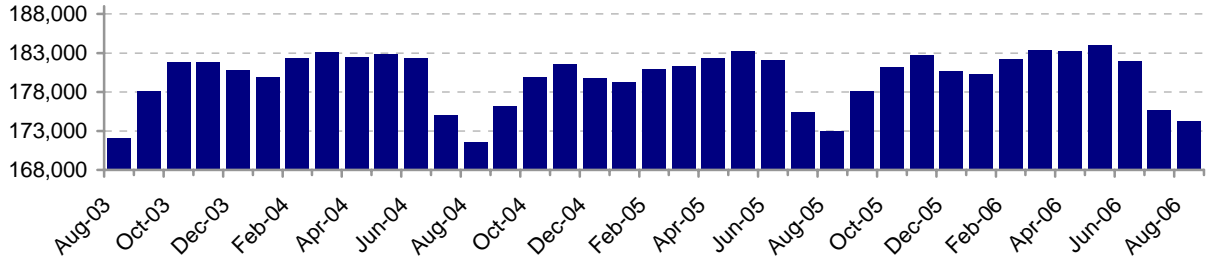
Not Seasonally Adjusted

July 2003 through July 2006

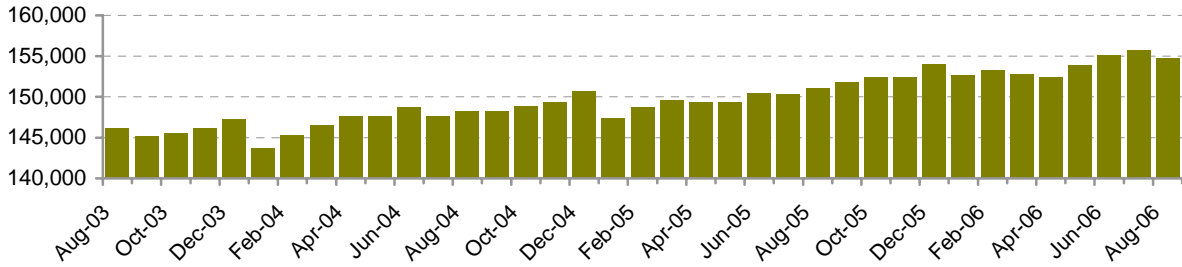


Source: CA Employment Development Dept.

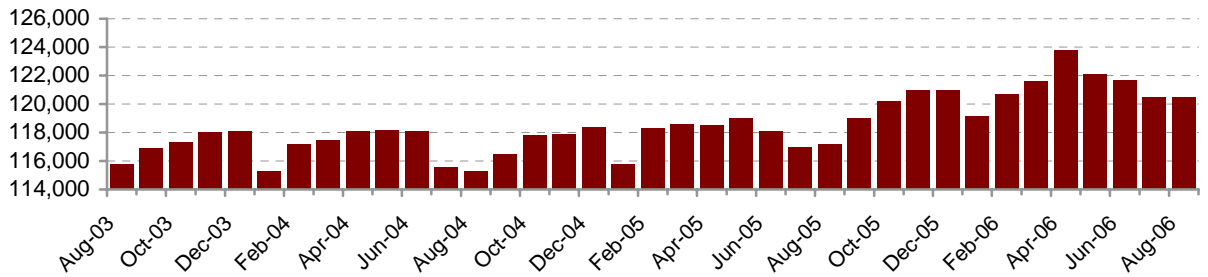
Government



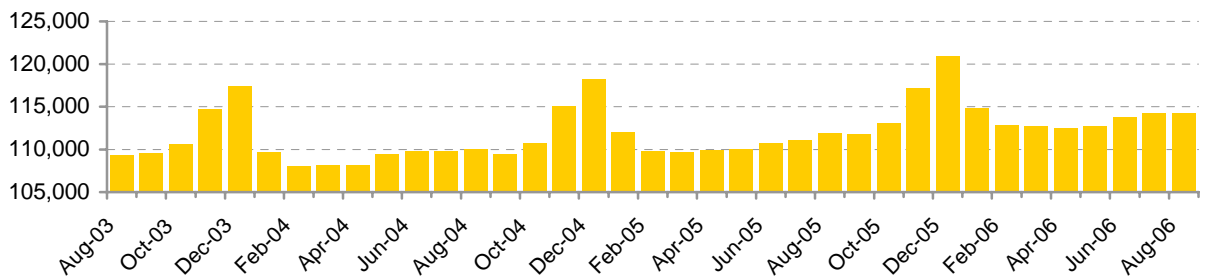
Professional and Business Services



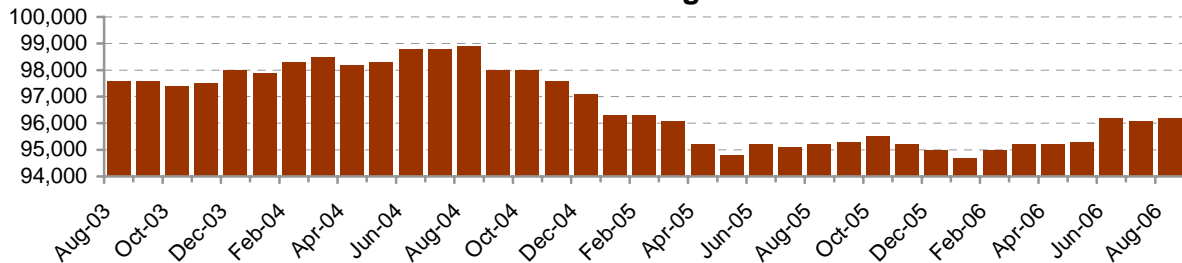
Education and Health Services



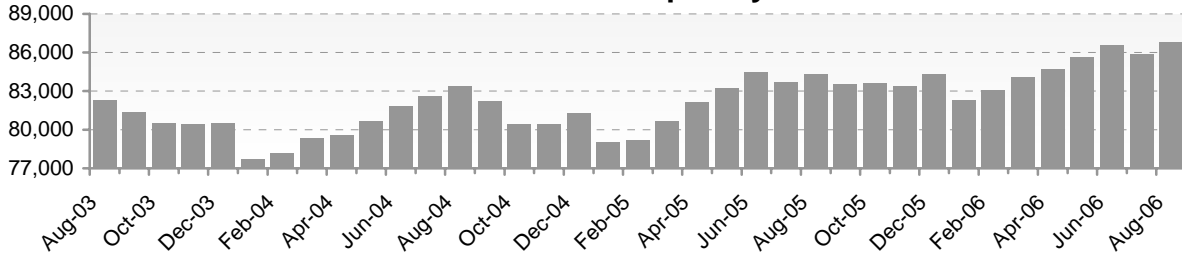
Retail Trade



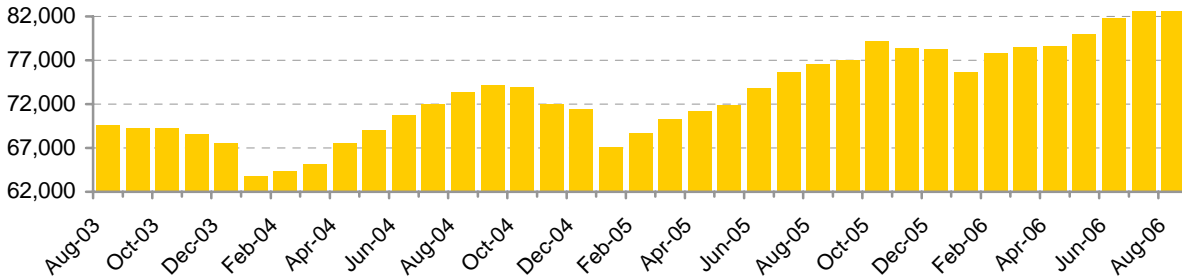
Manufacturing



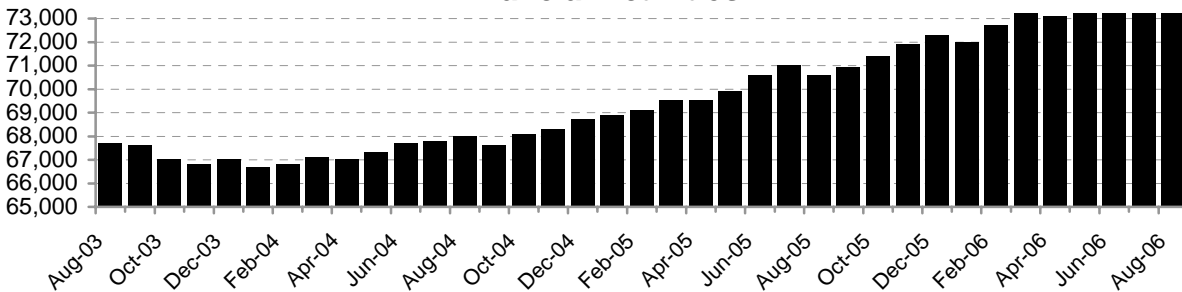
Leisure and Hospitality



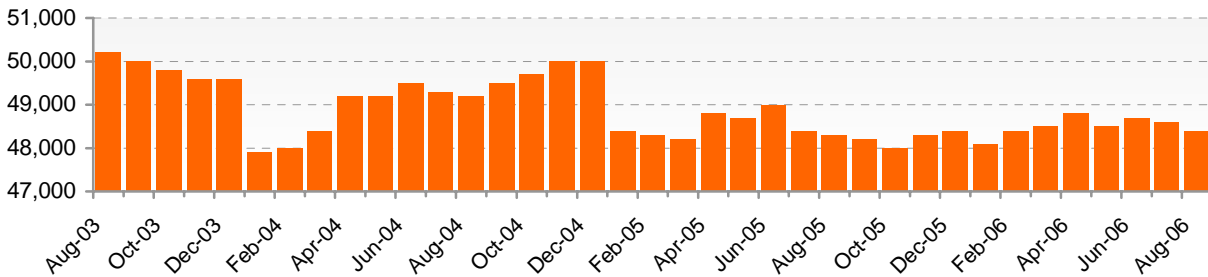
Construction



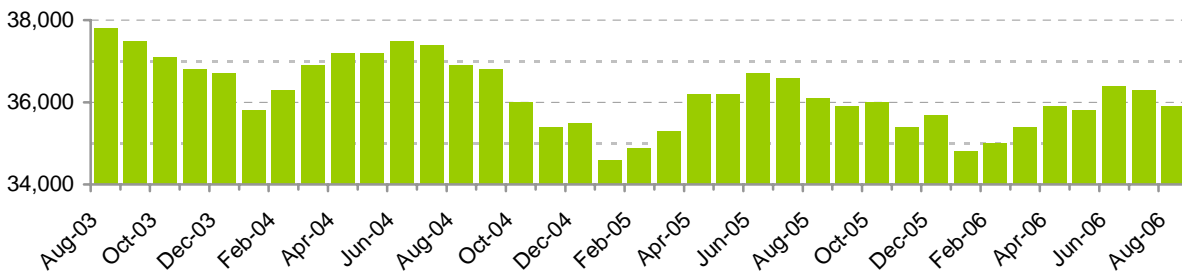
Financial Activities



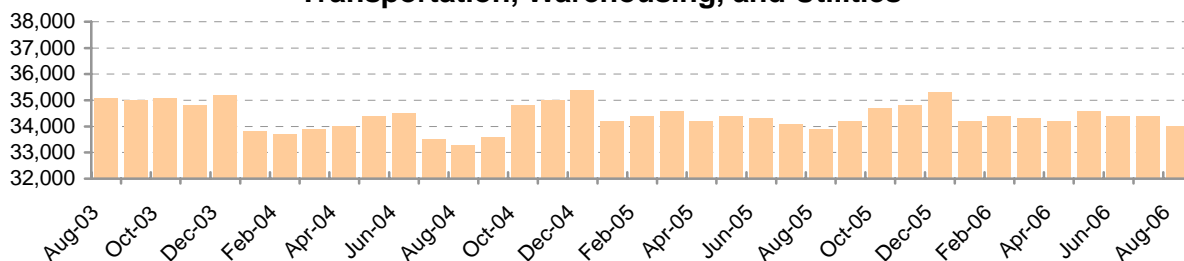
Wholesale Trade



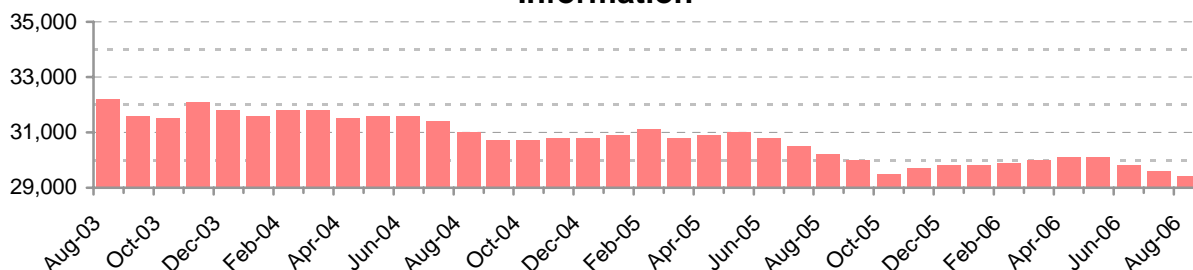
Other Services



Transportation, Warehousing, and Utilities



Information



HOUSING

Home sales in the Bay Area declined again in August, as prices continued to level off.

A total of 9,128 new and resale houses and condos were sold in the nine-county region last month. That was up 14.9 percent from 7,941 for July, and down 24.9 percent from 12,154 for August last year, according to DataQuick Information Systems.

Last month was the slowest August since 1997 when 9,080 homes were sold. DataQuick's statistics go back to 1988: the slowest August was in 1992 with 6,326 sales, the strongest was in 2003 with 12,488. The average August sales count since 1988 is 9,530.

All nine Bay Area counties saw a decrease in the number of homes sold in August 2006 versus August 2005. In Alameda and Contra Costa Counties these decreases were average when compared to other Bay Area counties, at 28.20 percent and 23.50 percent, respectively. In Napa County the number of homes sold fell 47.30 percent compared to August 2005.

All Homes by County	Number Sold August 2006	Annual Pct. Chg	Median August 2006	Median Annual Pct. Chg
Alameda	1,876	-28.20%	\$577K	-1.50%
Contra Costa	1,910	-23.50%	\$567K	0.00%
Marin	380	-13.20%	\$803K	-2.30%
Napa	119	-47.30%	\$616K	2.20%
San Francisco	613	-7.40%	\$750K	0.70%
San Mateo	792	-18.30%	\$721K	-6.70%
Santa Clara	2,126	-24.90%	\$658K	0.60%
Solano	668	-34.30%	\$483K	1.90%
Sonoma	644	-28.60%	\$557K	0.50%
Bay Area	9,128	-24.90%	\$620K	0.20%

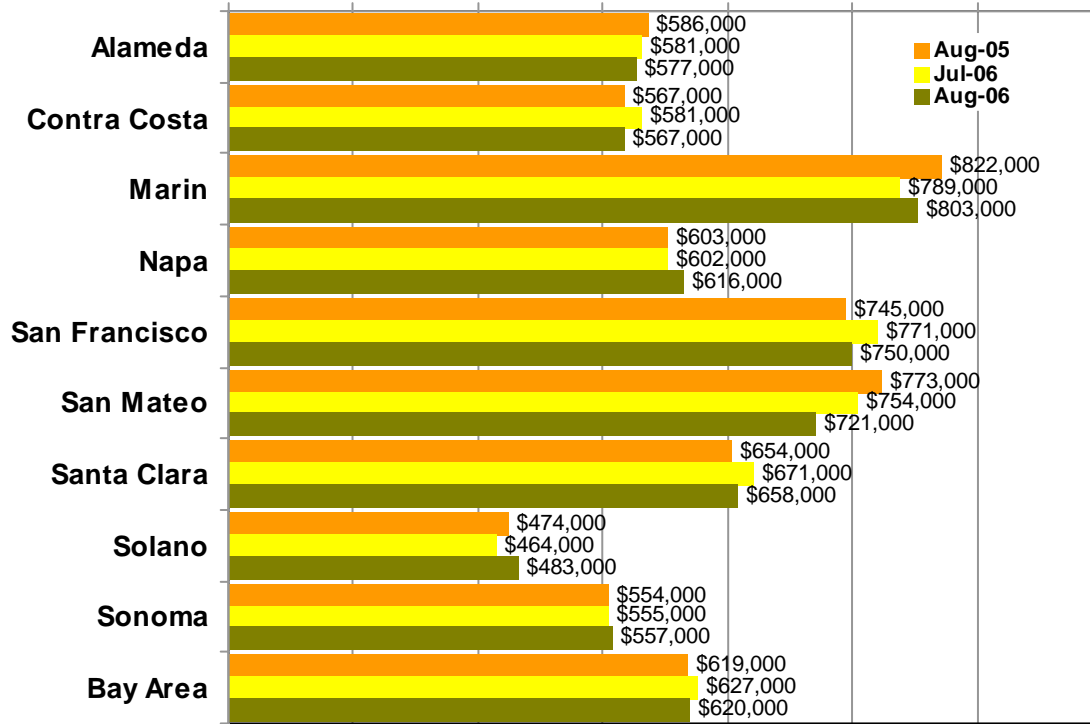
Source: Data Quick Information Systems

The median price paid for a Bay Area home was \$620,000 last month. That was down 1.1 percent from \$627,000 in July, and up 0.2 percent from \$619,000 for August a year ago. Last month's year-over-year increase was the lowest since March 2002 when the \$381,000 median

fell 1.3 percent. In Alameda, Contra Costa, San Francisco, Santa Clara and Solano Counties, median home sale prices were down from July.

The typical monthly mortgage payment that Bay Area buyers committed themselves to paying was \$2,966 in August. That was down from \$3,106 in July, and up from \$2,761 for August a year ago. Adjusted for inflation, mortgage payments are 16 percent higher than they were at the peak of the prior cycle sixteen years ago.

Median Housing Prices by County



Source: Data Quick Information Systems

EAST BAY HOME SALES

In August 2006 the median home sale price in Alameda County was \$600,000 – a 2.2 percent, or \$13,000, increase compared to August 2005. In Contra Costa County the median home sale price was \$578,000 in August 2006 - a 3.2 percent, or \$18,000, increase compared to August 2005.

The largest year-to-year percentage increase in the East Bay was in Hercules where the median price was up 23.2 percent from August 2005, an increase of \$110,000.

The East Bay's largest year-to-year decrease in the East Bay was in Union City, where the median home sale price fell 16.0 percent, or \$105,000.

Within Alameda County, Pleasanton had the highest median home sale price of \$772,000 and Emeryville had the lowest median home price, at \$425,000, which was down from \$450,000 in August 2005.

In Contra Costa County, Alamo had the highest median home sale price of \$1,524,500, a 20.2 percent increase from August 2005, and Richmond had the lowest median sale price - \$430,000.

NOTE: The housing costs provided by DataQuick include all home sales – new and existing, condos and single-family.

AUGUST 2006 EAST BAY HOME SALES

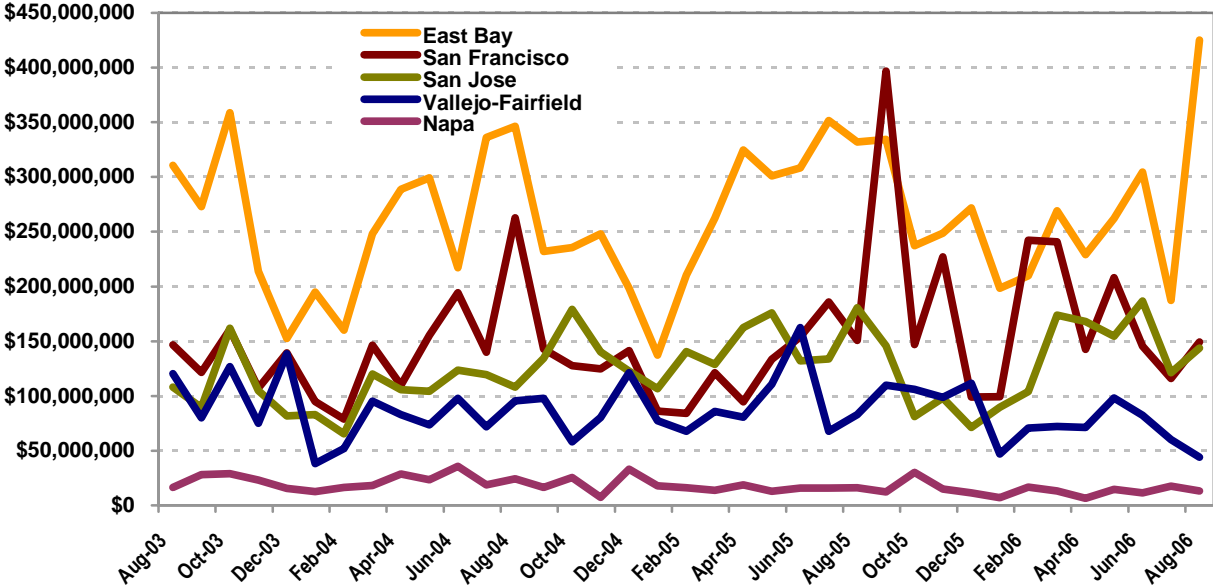
County/City/Area	# Sold	August 2006	August 2005	% Change Yr-To-Yr
Alameda County	1,590	\$600,000	\$587,000	2.2%
Alameda	75	\$655,000	\$700,000	-6.4%
Albany	26	\$672,500	\$619,000	8.6%
Berkeley	66	\$706,500	\$736,000	-4.0%
Castro Valley	71	\$640,000	\$640,000	0.0%
Dublin	61	\$675,000	\$662,500	1.9%
Emeryville	42	\$425,000	\$450,000	-5.6%
Fremont	234	\$640,000	\$650,000	-1.5%
Hayward	179	\$565,000	\$550,000	2.7%
Livermore	128	\$610,000	\$575,000	6.1%
Newark	56	\$605,000	\$625,000	-3.2%
Oakland	362	\$532,500	\$485,000	9.8%
Pleasanton	94	\$772,500	\$770,500	0.3%
San Leandro	88	\$550,000	\$550,000	0.00%
San Lorenzo	35	\$580,000	\$556,000	4.3%
Union City	73	\$550,000	\$655,000	-16.0%
Contra Costa County	1,617	\$578,000	\$560,000	3.2%
Alamo	12	\$1,524,500	\$1,268,750	20.2%
Antioch	152	\$517,500	\$525,000	-1.4%
Brentwood	122	\$639,250	\$594,000	7.6%
Byron	41	\$599,000	\$624,500	-4.1%
Clayton	19	\$775,000	\$730,000	6.2%
Concord	185	\$545,000	\$530,000	2.8%
Danville	70	\$997,727	\$1,025,000	-2.7%
El Cerrito	35	\$625,000	\$675,000	-7.4%
El Sobrante	29	\$575,000	\$545,000	5.5%
Hercules	45	\$585,000	\$475,000	23.2%
Lafayette	18	\$1,147,500	\$1,023,000	12.2%
Martinez	47	\$525,000	\$540,000	-2.8%
Moraga	26	\$882,500	\$771,000	14.5%
Oakley	106	\$542,000	\$470,000	15.3%
Orinda	22	\$1,328,250	\$1,240,000	7.1%
Pinole	23	\$512,500	\$550,000	-6.8%
Pittsburg	115	\$460,000	\$441,250	4.3%
Pleasant Hill	34	\$672,500	\$615,000	9.4%
Richmond	119	\$430,000	\$450,000	-4.4%
Rodeo	19	\$525,000	\$500,000	5.0%
San Pablo	79	\$490,000	\$450,000	8.9%
San Ramon	174	\$800,000	\$869,500	-8.0%
Walnut Creek	116	\$677,500	\$695,000	-2.5%

Source: DataQuick

CONSTRUCTION PERMITS

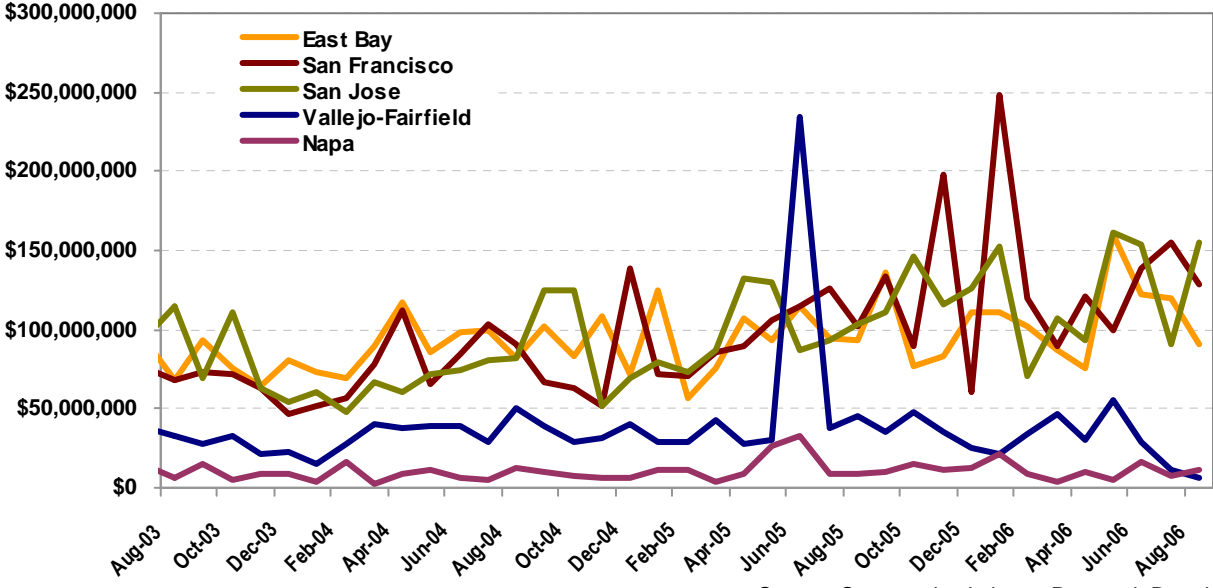
The following two charts of residential and non-residential permit values issued in each of the Bay Area's regions since August 2003 provide a quick comparative view of activity. Data follows in subsequent tables.

Dollar Value of Bay Area Residential Permits Issued by Region



Source: Construction Industry Research Board

Dollar Value of Bay Area Non-Residential Permits Issued by Region



Source: Construction Industry Research Board

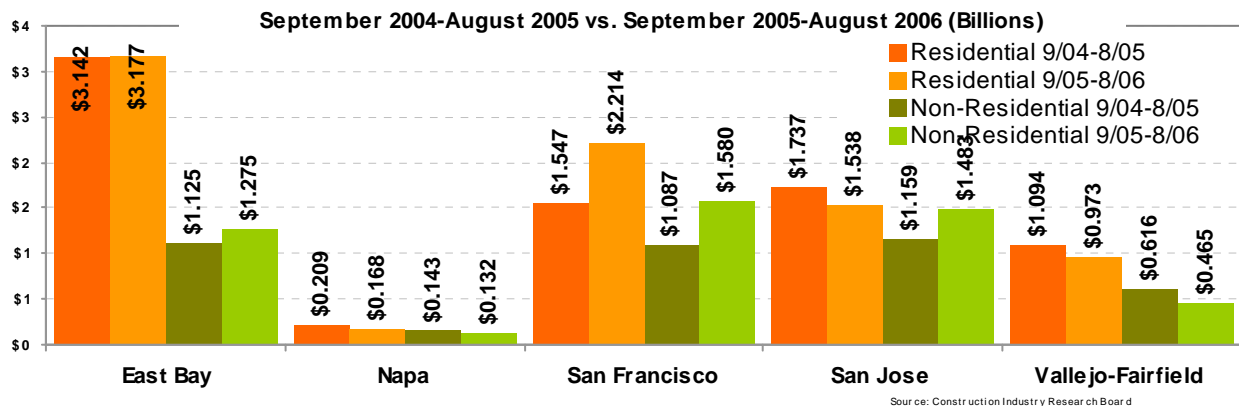
In August 2006 over \$425 million in residential permits were issued in the East Bay, up from \$187 million in July. This increase in permit values can be attributed to the 1,438 multi-family residential permits issued in the East Bay – the majority issued in the cities of Oakland, Dublin and Emeryville. The number of East Bay Multi-family permits issued in August is the highest number issued in any of the MSAs in over five years. Non-residential permits were down from July 2006 in the East Bay, San Francisco and Vallejo-Fairfield MSAs, while San Jose and Napa both experienced increases.

In a comparison of two twelve-month periods (September 2004 - August 2005 and September 2005 – August 2006), the East Bay saw a \$185 million increase in the total value of permits issued. The San Francisco MSA saw \$1.1 billion more in permit values and the San Jose MSA \$125 million more. The Napa and Vallejo-Fairfield MSAs experienced a decrease in permit values.

Total Construction Permit Change	August '05 - August '06	Percent Change
East Bay	\$185,423,452	4.3%
Napa	-\$50,849,347	-14.5%
San Francisco	\$1,160,420,242	44.1%
San Jose	\$125,754,094	4.3%
Vallejo Fairfield	-\$272,092,421	-15.9%

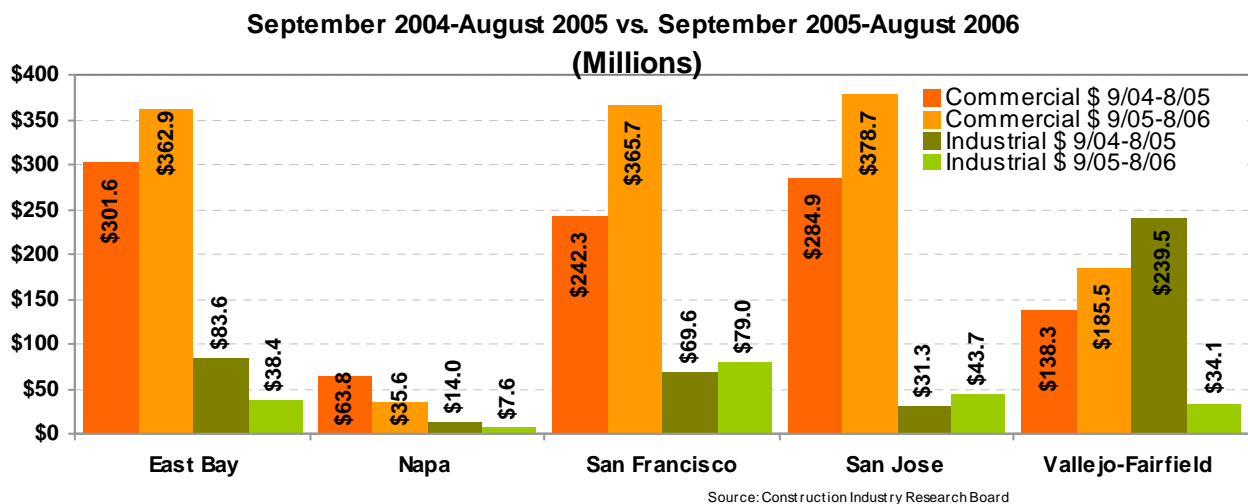
Examining the same two twelve-month periods reveals the East Bay and San Francisco as the only MSAs to see increases in the value of residential permits issued. In the East Bay, residential permit values were roughly \$35 million more in the period ending August 2006 than in the previous period ending 2005. When compared with the previous period, non-residential permits in the East Bay, San Francisco and San Jose MSAs were all up, while the Napa and Vallejo-Fairfield MSAs saw declines.

Value of Bay Area Construction Permits Issued by Region, Residential and Non-Residential



The East Bay, along with the San Francisco, San Jose and Vallejo-Fairfield MSAs, all saw increases in the value of commercial permits issued, with San Francisco issuing over \$123 million more in commercial permits between September 2005 and August 2006, than in the previous period. San Francisco and San Jose were the only MSAs to see an increase in industrial permits during this period. The Vallejo-Fairfield area had a decrease in industrial permits of over \$200 million.

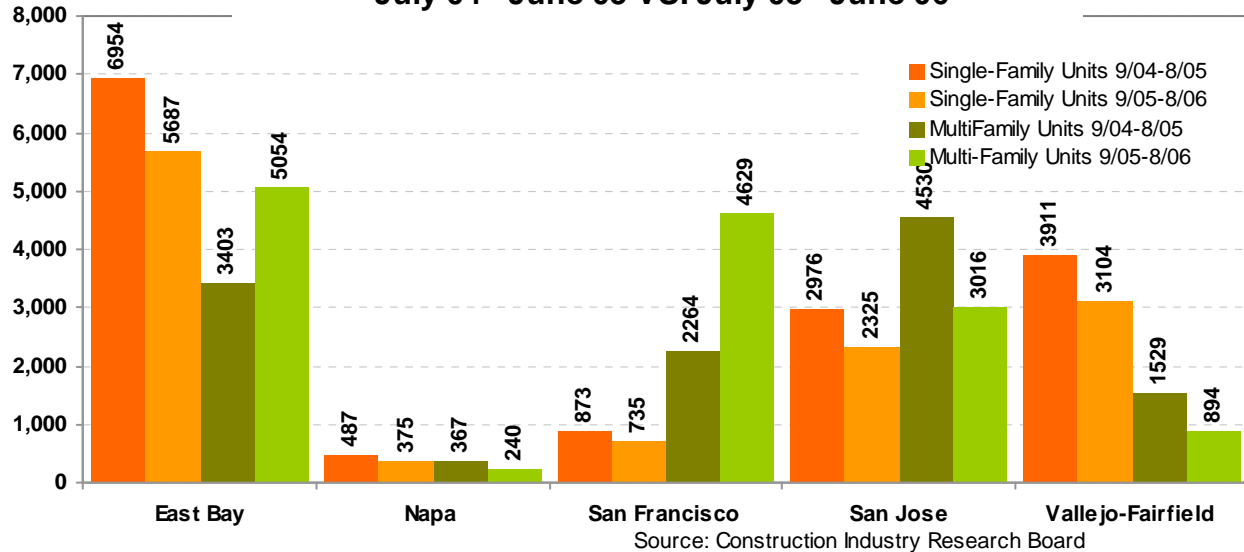
Value of Bay Area Construction Permits Issued by Region Commercial and Industrial



In the twelve-month period ending August 2006, the East Bay and San Francisco saw increases in the number of multi-family unit permits issued, while the number of single-family permits declined across the five metro areas.

Bay Area Single Family and Multi-Family Permits Issued by Region

July 04 - June 05 VS. July 05 - June 06



The following tables examine these permit categories for the same comparative time periods for Alameda and Contra Costa Counties.

Alameda County saw an 83.3 percent decrease in the value of industrial permits, while Contra Costa County saw a 41.0 percent increase.

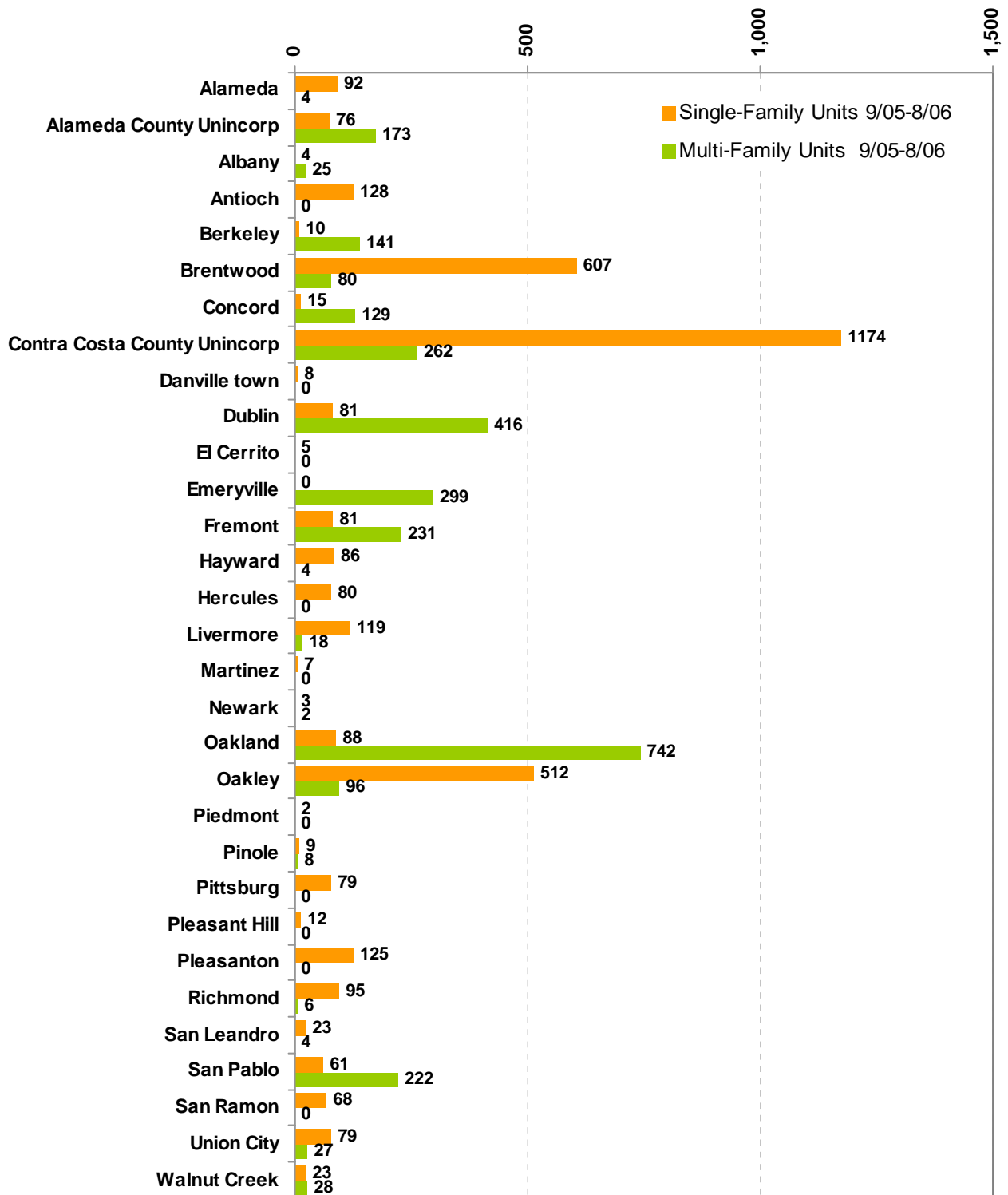
Construction Permit Values	September 2004 – August 2005	September 2005- August 2006	Change	% Change
Alameda County Residential	\$1,376,411,676	\$1,538,254,036	\$161,842,360	11.8%
Alameda County Non-Residential	\$741,446,122	\$859,368,649	\$117,922,527	15.9%
Alameda County Commercial	\$214,125,274	\$266,144,079	\$52,018,805	24.3%
Alameda County Industrial	\$63,886,581	\$10,655,714	-\$53,230,867	-83.3%
Contra Costa County Residential	\$1,765,282,537	\$1,638,853,329	-\$126,429,208	-7.2%
Contra Costa County Non-Residential	\$383,873,218	\$415,960,991	\$32,087,773	8.4%
Contra Costa County Commercial	\$87,492,028	\$96,787,486	\$9,295,458	10.6%
Contra Costa County Industrial	\$19,668,490	\$27,728,446	\$8,059,956	41.0%

Both Alameda and Contra Costa Counties saw decreases in the number of Single-Family construction permits issued, and increases in Multi-Family permits. There was an increase of 973, or 80.5 percent, in multi-family permits issued in Contra Costa County, and an increase of 1217 or 42.5 percent in Alameda County.

Housing Unit Permit Comparison	September 2004- August 2005	September 2005 – August 2006	Change	% Change
Alameda County Single-Family Units	1719	1529	-190	11.1%
Contra Costa County Single-Family Units	5235	4158	-1077	-20.6%
Alameda County Multi-Family Units	2864	4081	1217	42.5%
Contra Costa County Multi-Family Units	539	973	434	80.5%

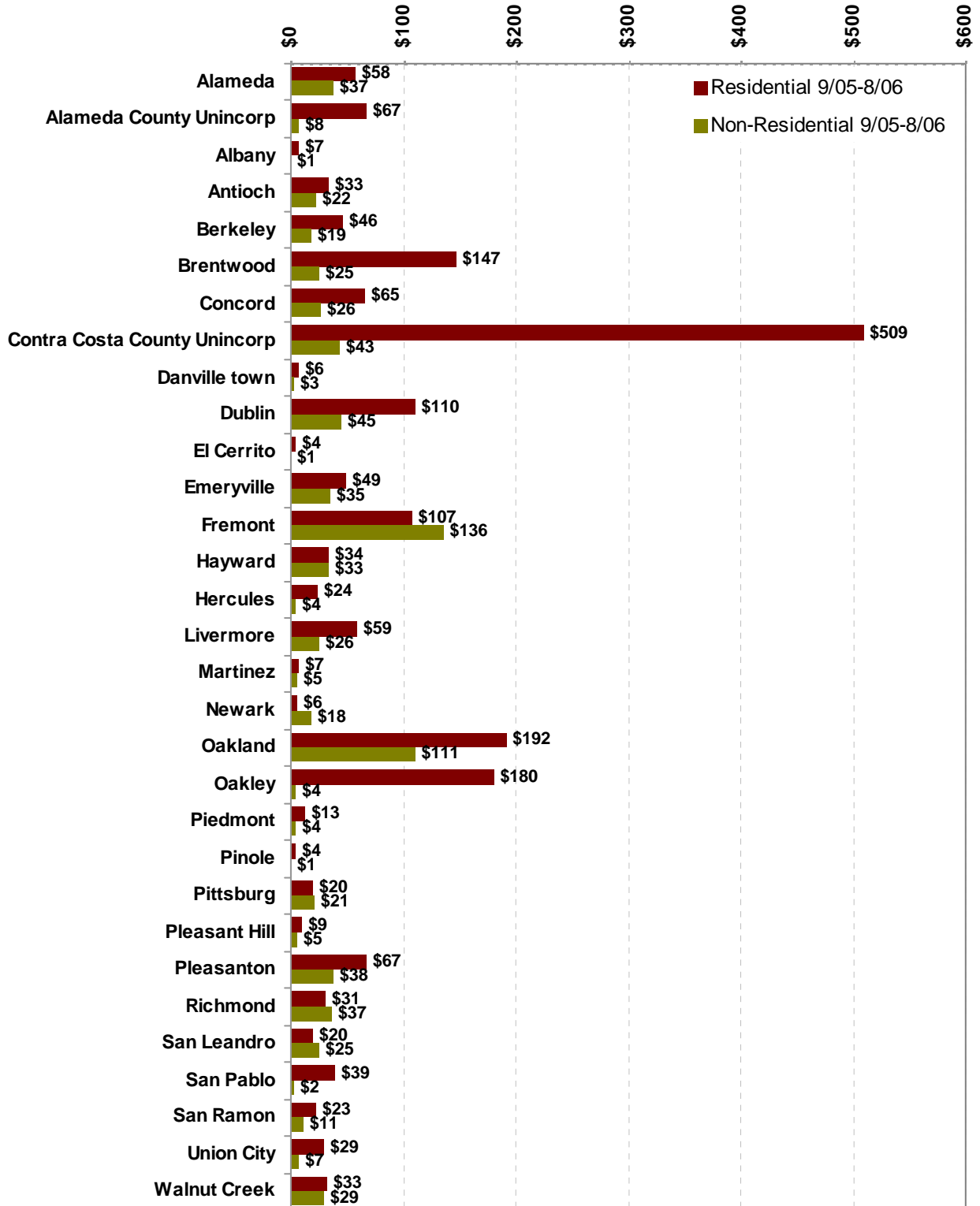
The following charts show the number and value of single, multi-family, residential and non-residential construction permits issued within the East Bay for the twelve-month period ending August 2006.

Number of East Bay Residential Unit Permits Issued by City August 2005 - August 2006



Source: Construction Industry Research Board

Value of East Bay Permits Issued by City September 2005-August 2006 (Millions)



Source: Construction Industry Research Board

HOTEL OCCUPANCY

The PKF Consulting report on hotel trends for July 2006 shows a 0.70 decrease in overall average room rates in Northern California. The East Bay's average daily room rate showed a year-to-year increase of 5.5 percent, and is now ranked 7th in Northern California. Hotels in the San Jose/Peninsula area saw the largest year-to-year increase in Northern California, with average daily room rates increasing by 12.4 percent between July of 2005 and July of 2006.

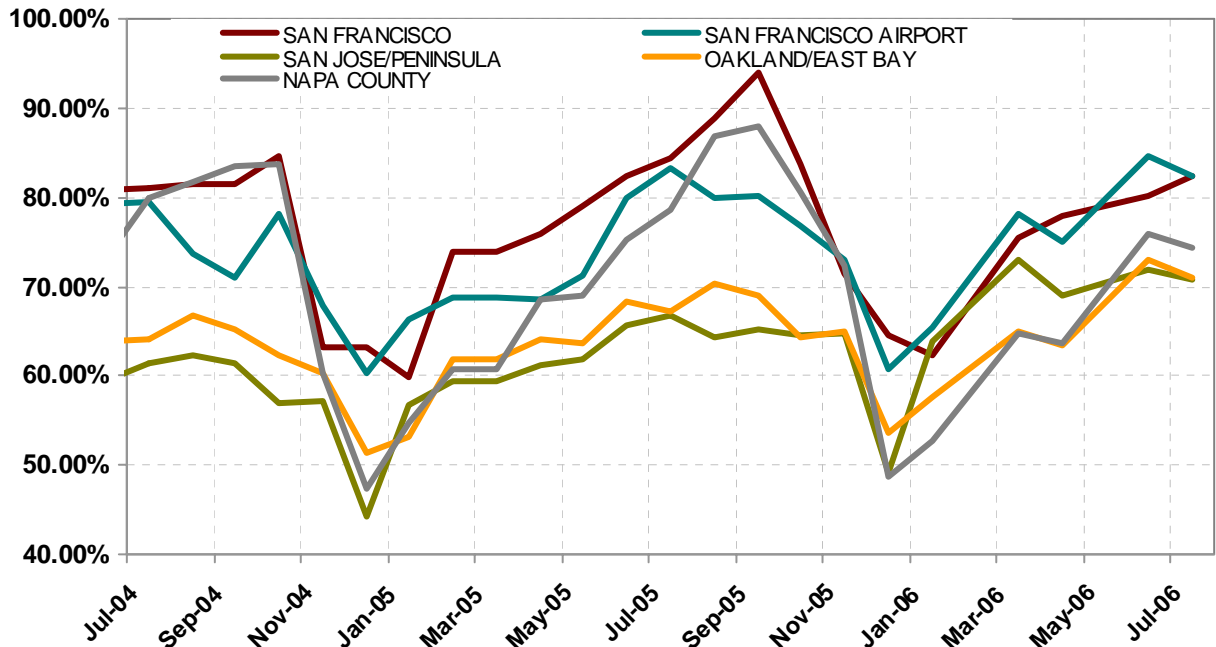
Hotel occupancy percent remained above 70 percent for all regions, with the East Bay's occupancy increasing 5.9 percent since July 2005. Many regions saw decreases in occupancy compared to July 2005, such as Napa County with a 6.5 percent decline and Marin County with a decline of 5.1 percent.

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT		
	July 2006	July 2005	% Change	July 2006	July 2005	% Change
Monterey/Carmel	\$250.10	\$238.66	4.80%	84.40%	87.00%	-3.00%
Napa County	\$207.35	\$190.76	8.70%	74.40%	79.60%	-6.50%
San Francisco	\$166.94	\$150.67	10.80%	82.30%	84.40%	-2.50%
Marin County	\$152.43	\$140.54	8.50%	82.90%	87.40%	-5.10%
Sonoma County	\$136.57	\$128.07	6.60%	82.60%	80.00%	3.20%
San Jose /Peninsula	\$113.16	\$100.67	12.40%	70.70%	67.30%	5.00%
Oakland/East Bay	\$103.20	\$97.79	5.50%	70.90%	66.90%	5.90%
San Francisco Airport	\$99.26	\$88.39	12.30%	82.40%	84.80%	-2.80%
Sacramento	\$95.64	\$91.28	4.80%	70.40%	71.00%	-0.70%
Other Northern California	\$94.82	\$89.22	6.30%	78.60%	83.40%	-5.70%
Central Valley	\$71.13	\$65.06	9.30%	74.20%	79.00%	-6.00%
Overall Average	\$131.43	\$120.93	8.70%	77.0%	77.60%	-0.70%

Source: PKF Consulting

Bay Area Hotel Occupancy

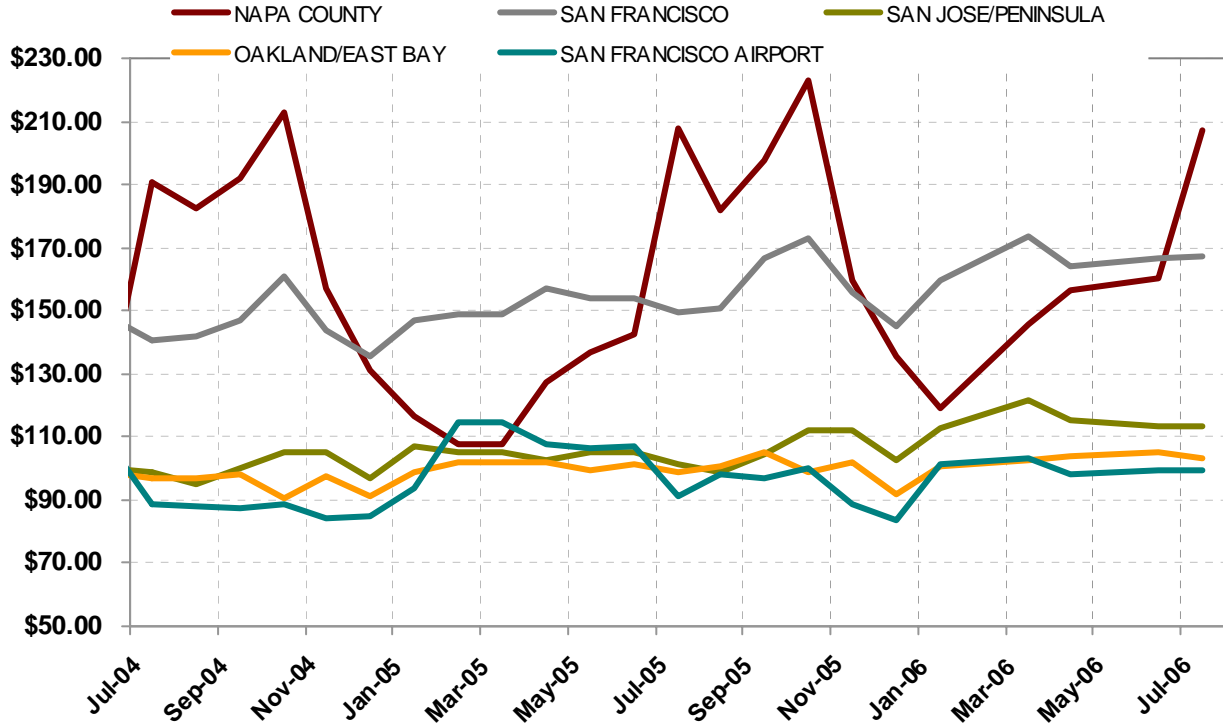
June 2004 - June 2006



Source: PKF Consulting

The East Bay's Average Daily Room Rate continued to be steadier than those of San Francisco and the Napa/Sonoma region – and is the second best deal in the Bay Area.

Bay Area Hotel Average Daily Room Rate June 2004 - June 2006



Source: PKF Consulting