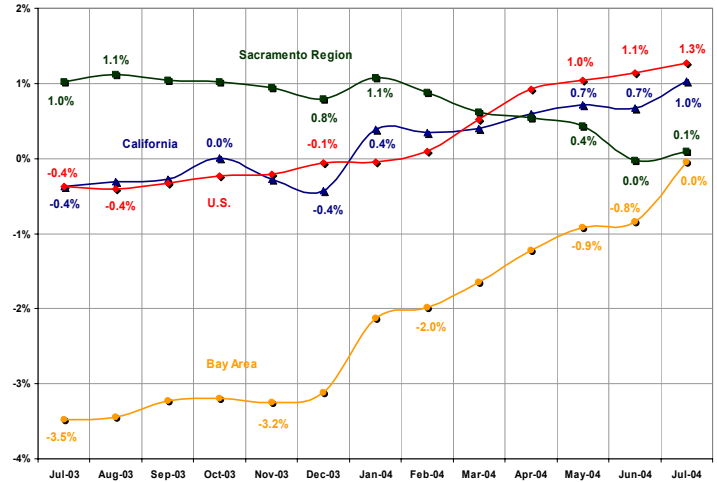


EMPLOYMENT GROWTH IN THE SACRAMENTO REGION, THE BAY AREA, CALIFORNIA, AND THE UNITED STATES

Year-over-year employment growth rates show that the Region has essentially been in a no growth phase over the past few months.

The Sacramento Region's year-over-year employment growth rates have leveled-off over the past few months ending with 0.1 percent growth in July 2004, which corresponds to a gain of 800 Nonfarm jobs. With growth rates hovering close to 0 percent for May, June, and July, the Region is basically demonstrating a no growth pattern compared to the same points in the previous year. While Sacramento's Nonfarm employment has not grown over the past year, the Region also has not shed a substantial number of jobs and continues to show signs of economic stability despite the relatively low growth rates. Unlike the Sacramento Region, the United States and California have both seen increasing employment growth rates since the beginning of 2004 and reached their highest points in the past year in July 2004. Similar to the state and the nation, the Bay Area is also showing evidence of economic recovery, finally reaching a point where year-over-year job losses have ceased—for the period between July 2003 and 2004 the Bay Area saw no employment growth. In general, the economic environments in the Bay Area, the United States, and California appear promising, while Sacramento's outlook remains unclear.

Employment Growth Rate Comparison
Sacramento Region, Bay Area, California, and U.S.



Sacramento Regional Research Institute, August 2004
Data Source: Employment Development Department
Notes: Sacramento Region includes Sacramento, Yolo, and Yuba City PMSAs.
Bay Area includes Oakland, San Jose, and San Francisco PMSAs.
Growth reflects 12 months ending July 2004.

Employment Gains and Losses Selected Major Sectors

Sector	June 2003-2004		
	Sacramento	California	Bay Area
Construction	5,616	31,900	2,200
Prof. & Business Svcs.	3,200	75,600	-200
Edu. & Health Svcs.	1,600	30,700	4,100
Trade, Trans., & Util.	400	34,400	700
Manufacturing	0	4,400	-3,300
Financial Activities	-800	10,000	2,700
Leisure & Hospitality	-1,000	15,600	3,800
Information	-1,200	-7,900	-2,100
Government	-6,400	-44,600	-9,700

Sacramento Regional Research Institute, August 2004
Data Source: Employment Development Department
Note: Growth reflects 12 months ending July 2004.

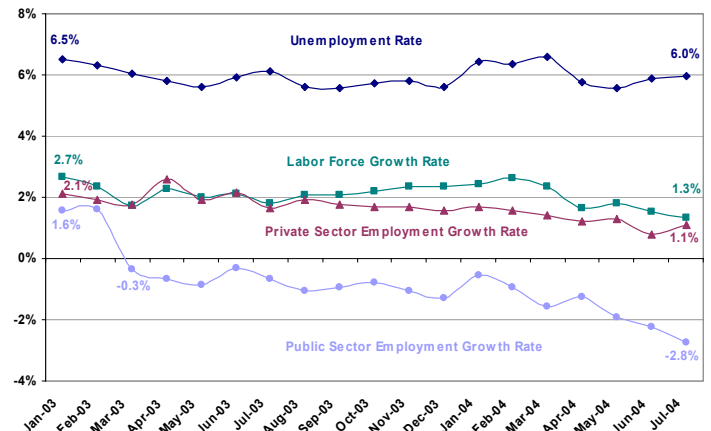
The Construction and Professional & Business Services sectors have been a stabilizing effect on the Region's economy, while the Government sector continues to post losses and mitigate gains in other sectors.

The continuing trend of job gains in the Construction and Professional & Business Services sectors have propped-up the Region's economy, showing year-over-year increases of 5,616 and 3,200 jobs, respectively. While losses in Manufacturing have slowed, the Government sector continues to post negative job growth—the Region lost 6,400 Government sector jobs over the past year. California's greatest job gains and losses remained in the Professional & Business Services and Government sectors, respectively. The Bay Area also saw relatively heavy losses in the Government sector, while the Educational & Health Services and Leisure & Hospitality sectors provided the largest job gains.

Sacramento's economy shows signs of economic health despite the continued public sector employment losses and falling private sector growth rates.

Sacramento's labor force has increased over the past year, creating an increase in the number of employable people in the Region. At the same time, the Sacramento Region's public sector, one of the largest employers, has demonstrated a trend of falling negative employment growth rates. Yet, the unemployment rate (percentage of the labor force that is unemployed) in the Region has not shown significant increases or variations—over the past year it has hovered around 6 percent. This illustrates an important aspect of Sacramento's current economic environment. The private sector appears to be absorbing the growing number of employable people in Sacramento as well as some of the job losses in the public sector. In addition, losses in the public sector seem to point to worker retirement and the elimination of vacant positions along with some layoffs, making public sector decreases less detrimental to the Region's economy. Between July 2003 and 2004, the Sacramento Region added 7,200 private sector jobs, while the public sector lost 6,400. Recently, the private rather than the public sector appears to be acting as the stabilizing force in the Region's economy.

Regional Labor Force and Employment Growth Trends

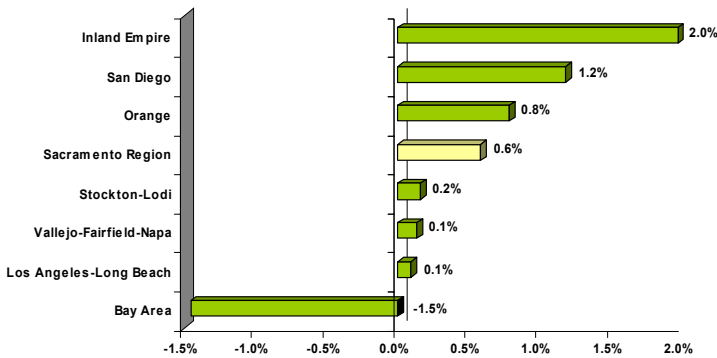


Sacramento Regional Research Institute, August 2004
Data Source: Employment Development Department
Note: Growth reflects 12 months ending July 2004.

EMPLOYMENT GROWTH RATE COMPARISONS

Employment Growth Rate Comparison

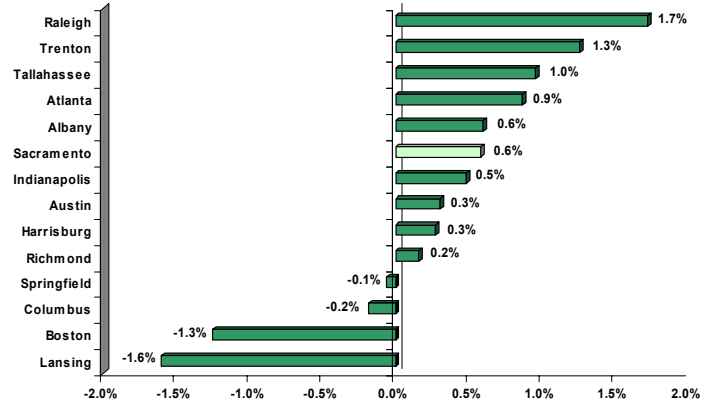
Selected California Economies, 2003-2004 6-Month Average



Sacramento Regional Research Institute, August 2004
 Data Source: Employment Development Department
 Note: Growth reflects average employment between January and June 2003-2004.

Employment Growth Rate Comparison

Capitols of States with Population over 6 Million, 2003-2004 6-Month Average



Sacramento Regional Research Institute, July 2004
 Data Source: Employment Development Department
 Note: Growth reflects average employment between January and June 2003-2004.

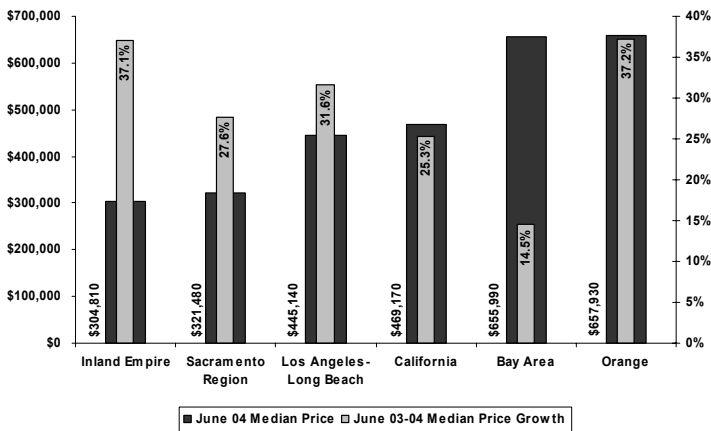
The Sacramento Region's employment growth ranks in the middle of California's major metropolitan areas as well as the capitols of other large states, demonstrating that the Region continues to possess a relatively competitive economic environment, but not at the same levels seen in the past.

Average employment numbers for the first six months of 2004, compared to the same numbers for 2003, show that Sacramento has seen an employment increase of approximately 0.6 percent. This growth rate places the Region in the middle of the rank of California's major metropolitan areas, behind Orange and in front of Stockton-Lodi. The Inland Empire (Riverside-San Bernardino) continues to act as the state's strongest region with 2 percent employment growth. In the past, the Sacramento Region's employment growth rate ranked it near the top, behind the Inland Empire; however, the Region's recent economic environment has created a decrease in Sacramento's relative economic strength, placing it lower in the rank of the state's major metropolitan areas. Compared to the capitols of other large states, Sacramento also falls near the middle in the rank of employment growth rates. Capitols at the top of the rank such as Raleigh, Trenton, and Tallahassee are housed within states that have seen relatively strong overall employment growth over the past year, each with growth around 2 percent. By the same token, regions at the bottom of the rank are within states that have experienced negative employment growth. In most cases, the capitols ranking higher on the list have not experienced declines in their respective public sectors over the past year, while, starting with Sacramento, areas occupying positions around the middle to the bottom have all seen negative employment growth in their Government sectors. Similar to the comparison of California's economies, Sacramento's relative economic strength among the capitols of states with a population over six million has decreased with the Region falling lower in the rank than it typically did in the past.

MEDIAN HOME SALE PRICES

Median Home Sale Price and Growth

Selected California Economies, June 2003-2004



Sacramento Regional Research Institute, July 2004
 Data Source: California Association of Realtors
 Note: Growth reflects 12 months ending June 2004.

Sacramento remains one of the most affordable regions in the state even with relatively high growth in median home sale prices.

The median home sale price for the Sacramento Region in June 2004 was \$321,480, which makes Sacramento one of the most affordable regions in the state along with the Inland Empire. Only three major metropolitan areas saw median home sales prices below the statewide average of \$469,170, including the Inland Empire, the Sacramento Region, and Los Angeles-Long Beach. The most affordable areas have experienced some of the largest year-over-year increases in the median home sale price. Among these regions, Sacramento saw the lowest growth rate at 27.6 percent; however, this growth was still above the statewide average. Orange, now the most expensive region, also saw high growth in the median home sale price between June 2003 and 2004 with an increase of over 37 percent. The Bay Area remains one of the most expensive regions in the state and is still experiencing modest growth in the median home sale price.