

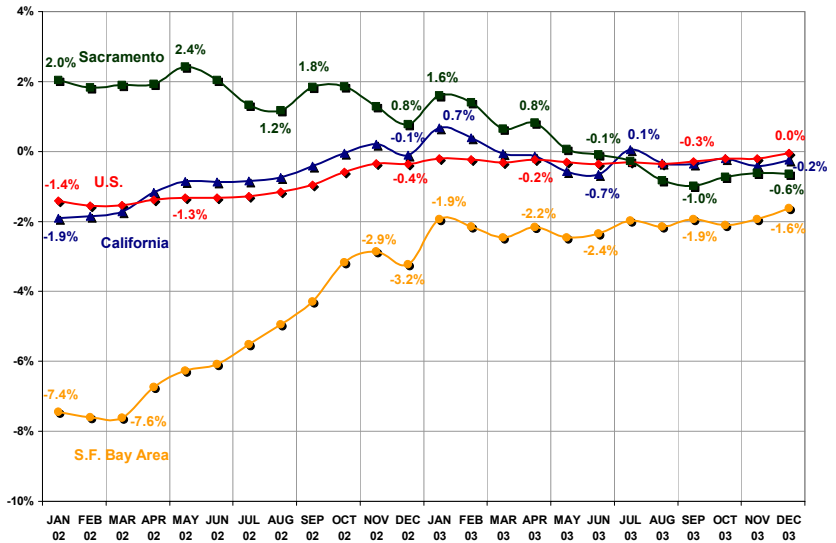


EMPLOYMENT GROWTH IN THE SACRAMENTO REGION, THE SAN FRANCISCO BAY AREA, CALIFORNIA, AND THE UNITED STATES

Sacramento ended the year with a December 2003 year-over-year employment growth rate of -0.6 percent, which was lower than both California and the United States. Over the past five months Sacramento's employment growth rate has been floating around -1.0 percent, reaching its lowest point in September 2003. While California's negative employment growth rates have also remained relatively stable over the past few months, they fall only slightly below zero percent with a December 2003 rate of -0.2 percent. The United States has shown slowly increasing year-over-year employment growth rates arriving at zero percent in December 2003, illustrating the beginnings of a national economic recovery. The Bay Area has also experienced increasing employment growth rates ending the year at -1.6 percent and showing that the Bay Area may have reached the bottom of its economic recession.

Compared to the monthly year-over-year employment growth rates seen in 2002, the United States, California, and the Bay Area have experienced more sluggish rate increases in 2003, all seeing growth rates hovering around similar levels throughout the year. From a high point of 2.4 percent employment growth in May 2002, Sacramento experienced decreasing growth rates which only stabilized starting around August 2003. Compared to the other three areas, Sacramento was the only area to continuously see year-over-year employment growth rates lower than those in 2002. This demonstrates that Sacramento began its economic recession later than the other areas (starting in the summer of 2003) and has not fully begun an economic recovery.

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



Sacramento Regional Research Institute, January 2004
Data Source: Employment Development Department
Note: S.F. Bay Area includes Oakland, San Jose, and San Francisco PMSAs. Growth reflects 12 months ending December 2003.

EMPLOYMENT GAINS AND LOSSES

Employment Gains and Losses Selected Major Sectors

Sector	December 2003			2003 Annual Average		
	Sacramento	California	Bay Area	Sacramento	California	Bay Area
Edu. & Health Svcs.	2,900	26,700	7,400	2,092	27,225	11,917
Trade, Trans., & Util.	1,300	6,400	-6,700	1,158	4,225	-8,717
Financial Activities	1,200	6,400	-800	2,433	12,692	-833
Construction	700	15,300	1,900	1,683	16,200	-2,983
Leisure and Hospitality	-200	22,700	2,100	-350	25,650	-350
Prof. and Business Svcs.	-1,000	-19,700	-13,200	-433	-12,250	-22,058
Information	-1,300	-4,300	-3,500	-1,942	-26,733	-7,042
Manufacturing	-1,700	-33,600	-18,600	-2,833	-57,008	-24,567
Government	-5,800	-51,400	-14,600	-1,158	-7,908	-5,700

Sacramento Regional Research Institute, January 2004
Data Source: Employment Development Department
Note: Growth reflects 12 months ending December 2003 and year-over-year annual average 2002-2003.

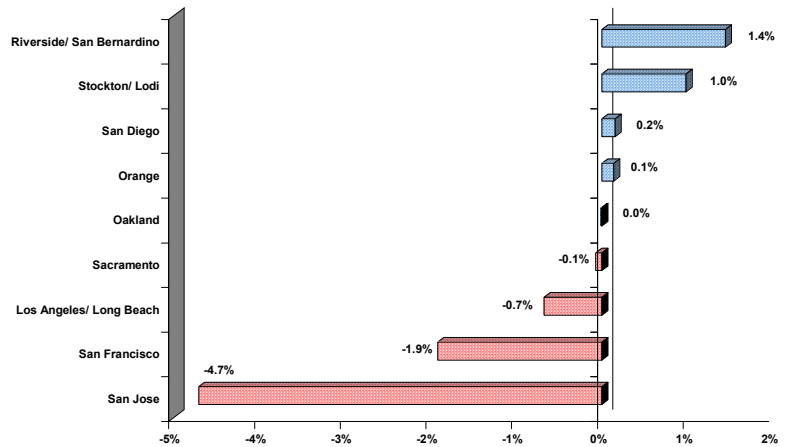
In December 2003, Sacramento saw its largest year-over-year employment gains in the Educational & Health Services sector which has continued to be driven by ambulatory and hospital services. Sacramento's greatest losses were in the Government sector where State Government lost 4,300 of the 5,800 jobs. The Government sector also saw the largest losses in California; however, these decreases were primarily at the Local Government (city and education) level. Like Sacramento, the state's largest job increases were in the Educational & Health Services sector influenced by health-related activities. This sector also provided job gains in the Bay Area, while both Manufacturing and Government experienced the largest losses.

On average, in 2003, Sacramento's greatest job gains were in the Financial Activities industry driven by credit and real estate activities that continue to support the growth in population, construction, and business. The Educational & Health Services sector also showed strong gains in 2003. Unlike the past few months, Sacramento's Manufacturing sector saw the largest employment losses in 2003 followed by the Information industry. The state's greatest job gains in 2003 were in the Educational & Health Services and Leisure & Hospitality sectors, while the largest losses were in Manufacturing. Only one industry showed job gains on average in 2003 in the Bay Area—Educational & Health Services. While losses were spread across various sectors, Professional & Business Services along with Manufacturing experienced the biggest job losses in the Bay Area in 2003. This information demonstrates that throughout the state, Educational & Health Services is one of the strongest sectors influenced primarily by health-related services, while losses in the Manufacturing sector dragged down employment growth trends.

EMPLOYMENT GROWTH COMPARISONS OF MAJOR CALIFORNIA ECONOMIES

Since the beginning of its negative employment growth rate trend in summer of 2003, Sacramento has continuously ranked fifth among major metropolitan areas in California. These negative employment growth rates affected the overall 2003 average employment growth rate (-0.1 percent) and dropped Sacramento into sixth place among the major metropolitan areas in terms of employment growth rates. Four areas including Riverside-San Bernardino, Stockton-Lodi, San Diego, and Orange all saw positive employment growth in 2003. Oakland maintained similar employment levels in 2003 as were seen in 2002. Two major Bay Area economies—San Jose and San Francisco—experienced relatively large employment losses in 2003, while the Los Angeles-Long Beach area saw -0.7 percent growth. Although falling only slightly negative, Sacramento was one of the four major metropolitan areas with negative employment growth in 2003. The negative growth rate trends seen in Sacramento during the latter parts of 2003 and driven by State Government employment losses have placed Sacramento’s previously strong economy below other major areas in California, and may continue to do so if the region sees prolonged government job losses that outweigh growth in other industries.

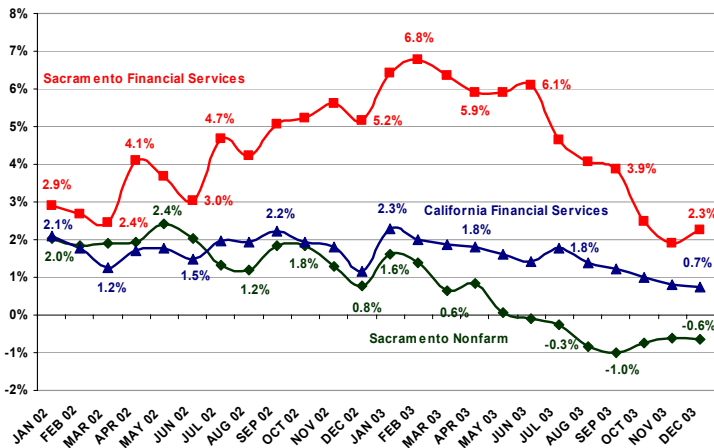
2003 Employment Growth Rates
Major California PMSAs



Sacramento Regional Research Institute, January 2004
Data Source: Employment Development Department
Note: PMSA stands for Primary Metropolitan Statistical Area. Growth reflects year-over-year annual average 2002-2003.

FINANCIAL SERVICES INDUSTRY EMPLOYMENT GROWTH

Employment Growth Rates
Financial Services and Nonfarm



Sacramento Regional Research Institute, January 2004
Data Source: Employment Development Department
Note: Growth reflects 12 months ending December 2003.

The Financial Activities industry began 2003 at a high point of 6.8 percent employment growth, and despite decreasing growth rates throughout the year, the industry has been a strong aspect of Sacramento’s economy. Sacramento’s Financial Activities industry experienced employment growth rates above the same industry in California and Sacramento’s total Nonfarm employment throughout 2002 and 2003. Growth in the Financial Activities industry is driven by real estate activities, as well as credit and deposit institutions and insurance services. The services provided by this industry support a growing population throughout the region and relatively high levels of construction activity in addition to the outsourcing and support needs of many businesses and industries.

Employment in the Financial Activities in Sacramento encompasses the following sub-sectors:

- Insurance Carriers & Related—38 percent
- Credit Intermediation & Related Activities—30 percent
- Real Estate & Rental and Leasing—24 percent
- Residual-Other Finance—8 percent

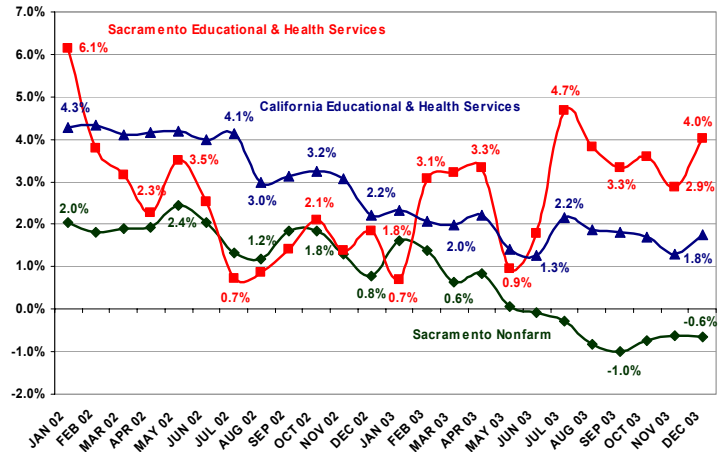
EDUCATIONAL AND HEALTH SERVICES INDUSTRY EMPLOYMENT GROWTH

Year-over-year employment growth rates in Sacramento’s Educational & Health Services sector did not fall negative in 2002 or 2003. Although the highest growth rate seen over the past two years in this industry was in January 2002 (6.1 percent) and was followed by a sharp decline, growth rates in the last half of 2003 showed strong gains and have helped support Sacramento’s overall economy. While private educational activities play an important role in this major sector, health-related services have shown the strongest employment growth rates in both California and Sacramento. Like Financial Activities, this sector provides services to the growing populations of many regions throughout the state and has been a stabilizing factor in most of those economies.

Sacramento’s Educational & Health Services sector employment is housed in the following sub-sectors:

- Ambulatory Health Care Services—35 percent
- Hospitals—23 percent
- Nursing & Residential Care Facilities—14 percent
- Social Assistance—14 percent
- Educational Services—13 percent

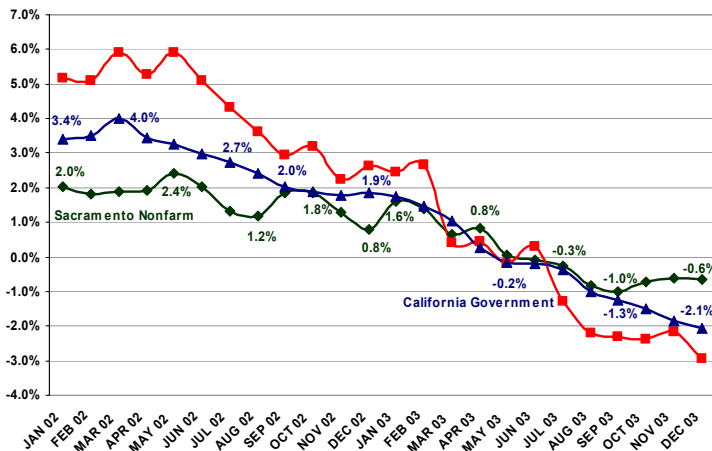
Employment Growth Rates
Educational & Health Services and Nonfarm



Sacramento Regional Research Institute, January 2004
Data Source: Employment Development Department
Note: Growth reflects 12 months ending December 2003.

GOVERNMENT EMPLOYMENT GROWTH

Employment Growth Rates
Government and Nonfarm



Sacramento Regional Research Institute, January 2004
Data Source: Employment Development Department
Note: Growth reflects 12 months ending December 2003.

Government employment growth rates in Sacramento and California began to decline in early 2002 and continued this downward trend through the end of 2003. The growth rates in both the state and Sacramento reached negative points beginning in May 2003. In Sacramento, this was followed shortly by negative growth in total Nonfarm employment in June 2003. At the end of 2003, both California and Sacramento saw Government sector growth rates below -2.0 percent with Sacramento nearly reaching -3.0 percent. Sacramento job losses in this sector have been primarily influenced by State Government decreases, while California has been affected by declines in Local Government primarily in city and education activities. Negative employment growth rates in the Government sector are both affecting and have been affected by the general economic downturn throughout the state. State Government employment losses are mitigating the positive effects of growth in other industry sectors in Sacramento.

The break-down of Government employment in Sacramento consists of the following sub-sectors:

- State Government (non-education)—41 percent
- Local Government Education—31 percent
- County Government—10 percent
- City Government—5 percent
- Federal Government—5 percent
- Other Local Government—4 percent
- State Government Education—3 percent

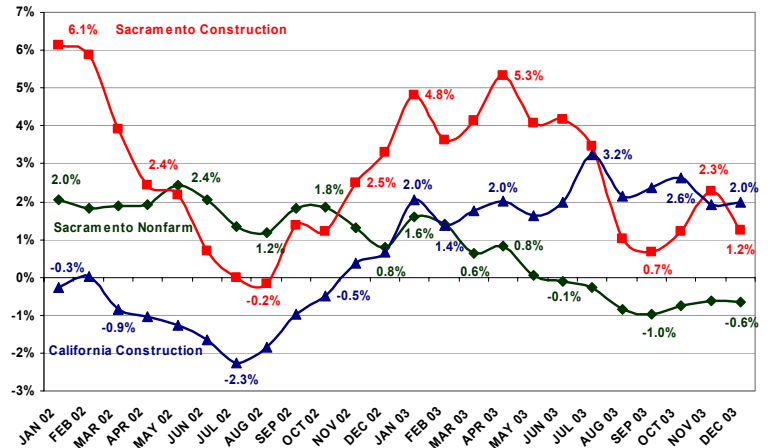
CONSTRUCTION INDUSTRY EMPLOYMENT GROWTH

The Construction industry acted as a stabilizing sector in Sacramento's economy for much of 2002 and 2003. Employment growth rates in Sacramento's Construction industry reached points similar to the state in late 2003, while these growth rates were above the state for 2002 and most of 2003. Recent declines in employment growth rates in the Construction sector demonstrate the decreasing importance of the industry sector in Sacramento; however, it is continuing to show relatively stable growth rates in the state, illustrating the strong role of Construction industry employment in other regions.

The following sub-sectors make up Construction employment in Sacramento:

- Specialty Trade Contractors—69 percent
- Construction of Buildings—20 percent
- Heavy & Civil Engineering Construction—11 percent

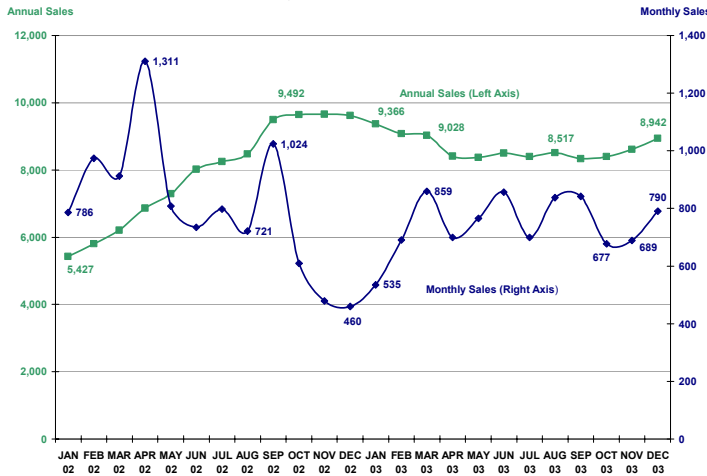
Employment Growth Rates
Construction and Nonfarm



Sacramento Regional Research Institute, January 2004
Data Source: Employment Development Department
Note: Growth reflects 12 months ending December 2003.

SACRAMENTO NEW HOME SALES

Sacramento Region New Home Sales
Monthly and Annual 2002-2003

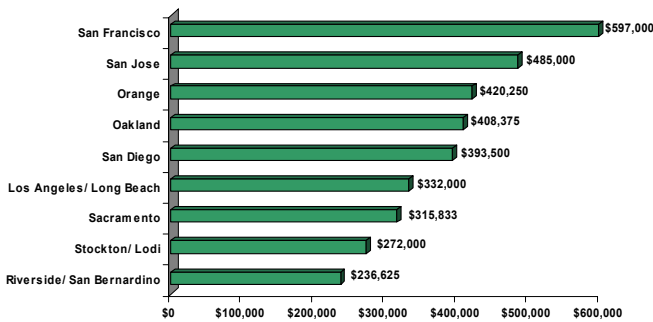


Sacramento Regional Research Institute, January 2004
Data Source: Building Industry Association of Superior California

Monthly new home sales in the Sacramento region saw relatively strong numbers in 2002 with some months reaching over 1,000 new homes sold. However, the latter part of 2002 reached a fairly low point and provided a beginning to 2003 which was much lower than the point seen at the beginning of 2002. Through most of 2003, monthly new home sales hovered between approximately 700 to 800 new homes sold with the highest point in 2003 reaching 859 homes in March (a point much lower than the peak of 1,311 homes in April 2002). Relatively strong and stable monthly sales and low interest rates kept annual sales figures steady throughout 2003 at points typically around 8,500 annual sales. Additionally, net migration into the Sacramento region (from the Bay Area and other locations) continues to remain strong providing further strength to new home sales activities.

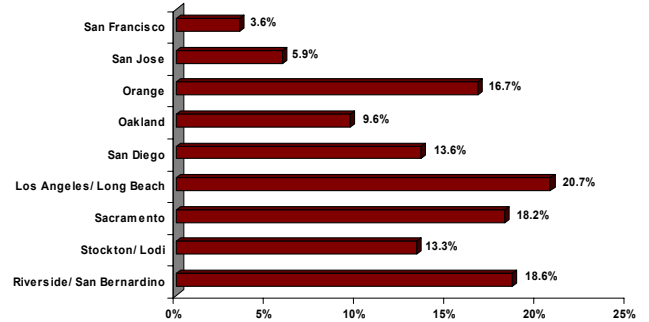
MAJOR METROPOLITAN AREA MEDIAN HOME SALE PRICE COMPARISONS

Median Home Sale Prices
Major California PMSAs, November 2003



Sacramento Regional Research Institute, January 2004
Data Source: California Association of Realtors
Note: PMSA stands for Primary Metropolitan Statistical Area.

Median Home Sale Price Growth Rates
Major California PMSAs



Sacramento Regional Research Institute, January 2004
Data Source: California Association of Realtors
Note: PMSA stands for Primary Metropolitan Statistical Area.
Growth reflects 12 months ending November 2003.

Compared to other major metropolitan areas in the state, Sacramento had relatively low median home sale prices at the end of 2003. Only two other inland areas—Stockton-Lodi and Riverside-San Bernardino—had median home sale prices lower than Sacramento’s \$316,000 price. Bay Area regions along with Orange County saw the highest median home sale prices with all areas above \$400,000. The expensive Bay Area regions have seen the lowest median home sale price growth rates compared to the other major metropolitan areas. With the exception of Orange County, the least expensive areas, including Sacramento at about 18 percent, have experienced fairly large year-over-year median home sale price growth rates. While these areas continue to provide comparatively affordable homes, the prices in these areas may become less competitive if high growth rates continue. Net migration trends in the Sacramento region are also influencing home sale prices and as people continue to move into the region from the Bay Area and other locations, growth in prices may continue to remain relatively high.