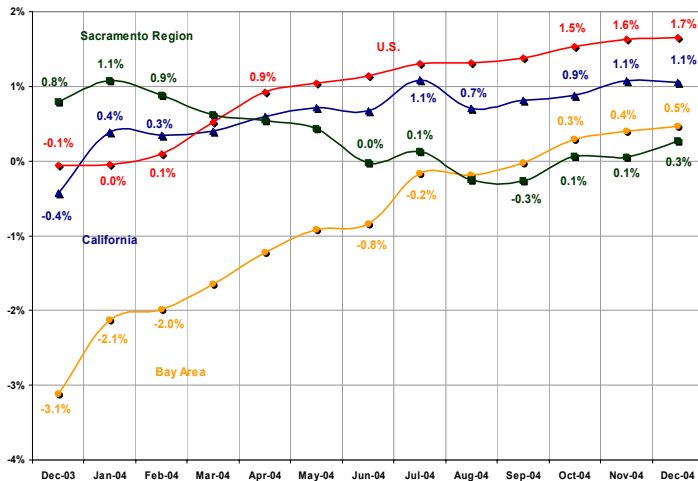


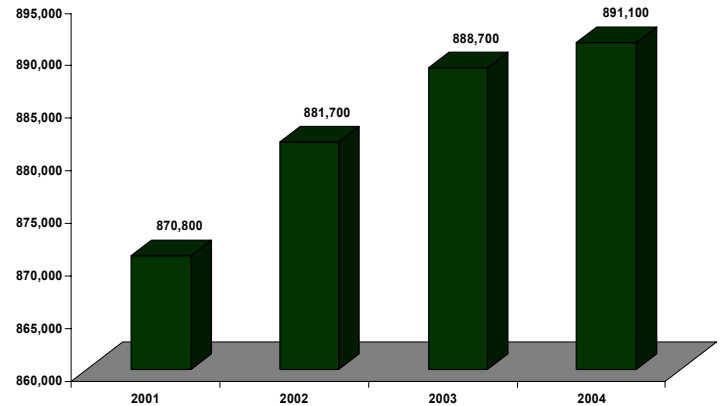
EMPLOYMENT GROWTH IN THE SACRAMENTO REGION, THE BAY AREA, CALIFORNIA, AND THE UNITED STATES

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



Sacramento Regional Research Institute, January 2005
 Data Source: Employment Development Department and Bureau of Labor Statistics
 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 December 2004.

Sacramento Region Nonfarm Employment
December 2001-2004



Sacramento Regional Research Institute, January 2005
 Data Source: Employment Development Department

While showing relatively healthy employment growth rates at the beginning of 2004, the Sacramento Region ended the year with limited year-over-year job growth.

Between December 2003 and 2004, the six-county Sacramento Region added 2,400 jobs, exhibiting a 0.3 percent growth rate. Although year-over-year employment growth rates were around 1.0 percent at the beginning of 2004, by June, job growth had ceased and the Region remained essentially in a no-growth phase throughout the second half of 2004. Job growth levels in the Sacramento Region have been below the statewide and national averages since May and lower than the Bay Area since September. Year-over-year employment growth rates in the state and the nation slowly increased for most of 2004 with the nation experiencing slightly more robust job growth. Over the past year, California gained nearly 152,000 jobs (1.1 percent growth) while the nation added about 2 million jobs (1.7 percent growth). The Bay Area's job growth bottomed out in 2004 and began showing positive year-over-year growth in September. While it began the year with a -2.1 percent employment growth rate, the Bay Area ended the year remarkably higher with 0.5 percent job growth, reflecting a gain of about 13,000 jobs between December 2003 and 2004.

Throughout 2004, the six-county Sacramento Region's economy has primarily been influenced by the Construction and Government sectors.

The Construction and Government sectors experienced the largest job gains and losses in the six-county Sacramento Region between December 2003 and 2004, but the two sectors have basically negated each other in the Region's overall job growth trend. The Construction sector added close to 4,000 jobs over the past year while Government lost nearly 3,000 jobs. Other sectors such as Professional & Business Services and Trade, Transportation, & Utilities have shown relatively strong job growth throughout the year with employment increases of 2,500 and 1,600 jobs, respectively. Toward the end of 2004, Manufacturing also started showing positive year-over-year employment growth posting a gain of 1,100 jobs between December 2003 and 2004. However, Information and Leisure & Hospitality have lost quite a few jobs over the past year, showing a combined loss of 2,300 jobs. Between December 2003 and 2004 the mix of gains and losses throughout the Region's economy has generated a net gain of about 2,400 jobs. Over the past year, the Bay Area saw its greatest gains and losses in the Financial Activities and Government sectors, respectively. The state overall also experienced the most employment losses in the Government sector while its greatest gains were in the Professional & Business Services.

Overall, the Sacramento Region's private sector has been generating job gains that have offset the public sector losses. Although this is important for the Region since its economy has traditionally been influenced by its public sector, its private sector growth has not been as robust as the state or the Bay Area. Statewide private sector gains were almost 10 times as large as public sector losses and close to six times as large in the Bay Area—the Sacramento Region's private sector gains were only about two times as large as the public sector losses. Additionally, while all three areas have been hit with Government job losses, the Sacramento Region experienced employment decreases in five of its private sector industries, while the state and the Bay Area saw losses in only two private sector industries. This information explains the Region's relatively weak job growth for the last part of 2004.

Employment Gains and Losses

Major Sectors

Sector	December 2003-2004		
	Sacramento	California	Bay Area
Total Nonfarm	2,400	152,900	13,000
Private Sector	5,200	170,400	15,800
Public Sector	-2,800	-17,500	-2,800
Construction	3,857	37,700	1,500
Prof. & Business Svcs.	2,500	66,200	500
Trade, Trans., & Util.	1,600	24,400	2,300
Manufacturing	1,100	3,300	700
Other Services	100	-2,400	-900
Nat. Res. & Mining	-157	300	400
Edu. & Health Svcs.	-700	17,000	3,600
Financial Activities	-800	9,400	4,400
Leisure & Hospitality	-1,000	19,900	3,400
Information	-1,300	-5,400	-100
Government	-2,800	-17,500	-2,800

Sacramento Regional Research Institute, January 2005
 Data Source: Employment Development Department

Employment Gains and Losses

Sacramento Region Metropolitan Statistical Areas

Area	December 2003-2004	
	Absolute	Rate
Sacramento Region	2,400	0.3%
Sacramento PMSA	1,700	0.2%
Yolo County	2,200	2.4%
Yuba City MSA	-1,500	-4.0%

Sacramento Regional Research Institute, January 2005
Data Source: Employment Development Department

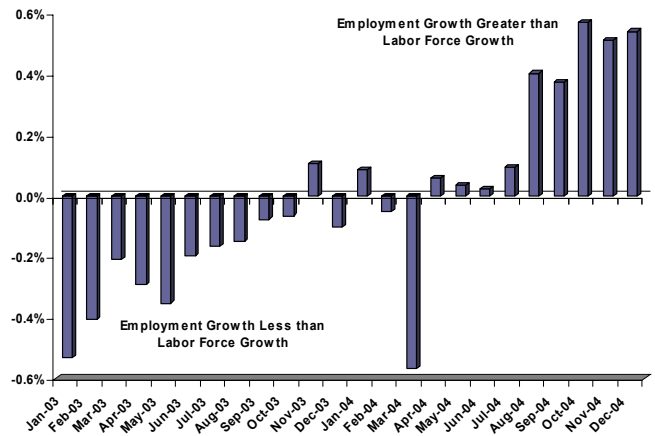
Two of the three Metropolitan Statistical Areas in the Sacramento Region experienced job gains between December 2003 and 2004—the Sacramento PMSA (El Dorado, Placer, and Sacramento Counties) gained 1,700 and Yolo County added 2,200 jobs. The Sacramento PMSA’s growth was primarily influenced by the Construction and Professional & Business Services sectors while Yolo County’s job growth was affected by gains in Manufacturing and Trade, Transportation, & Utilities (interestingly, unlike many other areas in the state, Yolo County did not experience losses in its Government sector). Pulling down gains in the Sacramento PMSA and Yolo County, the Yuba City MSA (Yuba and Sutter Counties) lost around 1,500 jobs over the past year. The Yuba City MSA saw gains in only two sectors, Manufacturing and Financial Activities, but growth in these sectors was limited. In total, these job growth trends created a net year-over-year gain of 2,400 jobs in the six-county Sacramento Region.

Sacramento’s labor force trends show that the Region was in relatively good economic health for much of 2004.

Economic theory suggests that as long as the year-over-year growth rate in the number of persons employed is larger than the growth rate in the civilian labor force, then the region is in good economic health. The graph to the right tracks the six-county Sacramento Region’s civilian labor force data over the past two years. It is important to note that this information is taken from separate set of data than the industry data analyzed earlier in this document, and may show slightly different trends.

In general, following the economic theory, Sacramento shifted from somewhat poor economic health in 2003 to relatively good economic health for most of 2004—beginning in April and carrying throughout the rest of the year the civilian labor force grew at larger year-over-year rates than the number of persons employed. In other words, the number of employment opportunities available to the Sacramento Region’s residents grew faster than the number of employable people in the Region. There were relatively large differences in these two rates at the beginning of 2003, with differences decreasing throughout 2003. Signs of economic health were mixed from the end of 2003 to the beginning of 2004, but Sacramento demonstrated better economic health since the second quarter of 2004 with the two growth rates showing convergence and employment outpacing labor force growth.

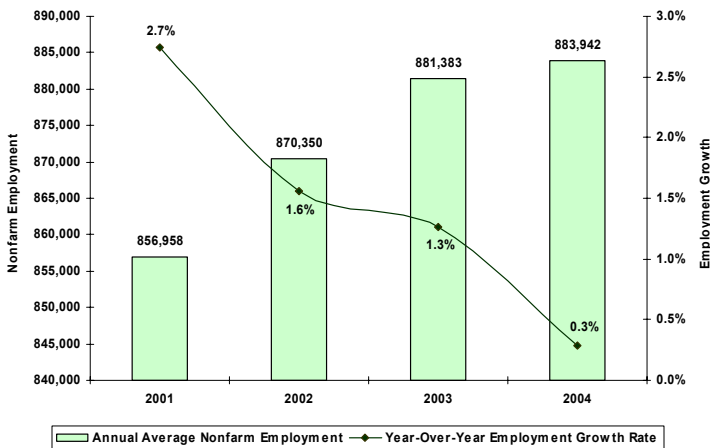
Difference in Employment and Labor Force Growth Rates
Sacramento Region Civilian Labor Force



Sacramento Regional Research Institute, January 2005
Data Source: Employment Development Department

2004 YEAR IN REVIEW EMPLOYMENT GROWTH

Sacramento Region Nonfarm Employment and Growth
Annual Average 2001-2004



Sacramento Regional Research Institute, January 2005
Data Source: Employment Development Department

On an annual average basis, job growth in the Sacramento Region has been slowing over the past four years with 2004 showing only limited employment gains.

On average, firms and organizations in the six-county Sacramento Region provided nearly 884,000 wage and salary jobs in 2004. This was only slightly higher (0.3 percent) than the approximately 881,000 average for 2003. Compared to job growth rates of 1.3 percent in 2003, 1.6 percent in 2002, and 2.7 percent in 2001, 2004 was a relatively weak year for the Region’s economy. While the Sacramento Region has not seen employment declines, the year-over-year employment growth rates have steadily declined over the past four years.

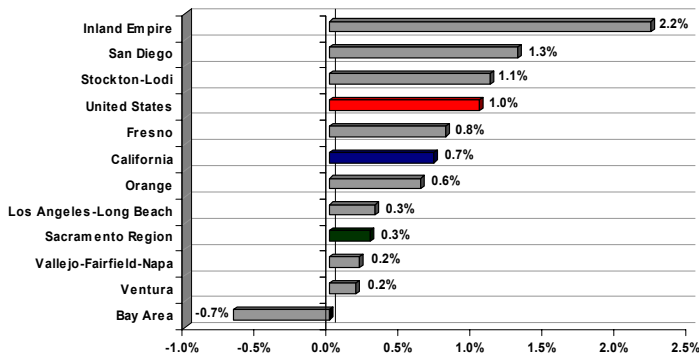
Employment Gains and Losses
Sacramento Region Major Sectors

Sector	Annual Average 2003-2004	
	Absolute	Rate
Total Nonfarm	2,558	0.3%
Private Sector	6,992	1.1%
Public Sector	-4,433	-1.9%
Construction	4,458	6.9%
Prof. & Business Svcs.	2,483	2.5%
Edu. & Health Svcs.	950	1.1%
Trade, Trans., & Util.	933	0.6%
Manufacturing	50	0.1%
Nat. Res. & Mining	25	0.6%
Financial Activities	-167	-0.3%
Leisure & Hospitality	-308	-0.4%
Other Services	-408	-1.4%
Information	-1,025	-4.7%
Government	-4,433	-1.9%

In general, the Construction and Professional & Business Services sectors created the most jobs in the Sacramento Region in 2004 with a combined gain of about 6,900 jobs. The Educational & Health Services and Trade, Transportation, & Utilities sectors also experienced relatively strong employment gains in 2004. The largest losses were posted in the Information and Government sectors producing a total decrease of nearly 5,500 jobs. The combined effects of the Region's major sectors led to the overall minimal job gain for 2004. The year was uniquely marked by the confrontation of the public and private sectors where private sector gains outpaced public sectors losses and two potentially volatile sectors, Government (affected by the state budget situation) and Construction (dependent upon a multitude of supply and demand characteristics), provided the greatest gains and losses in the Region's economy.

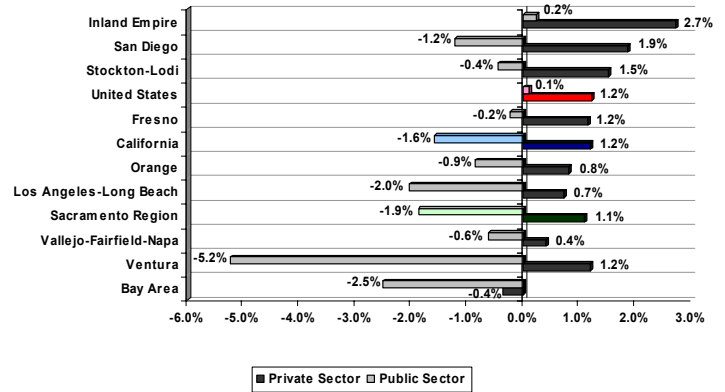
Sacramento Regional Research Institute, January 2005
Data Source: Employment Development Department

2004 Employment Growth Rate Comparison
Annual Average Major California Regions and the United States



Sacramento Regional Research Institute, January 2005
Data Source: Employment Development Department and Bureau of Labor Statistics

2004 Public and Private Sector Employment Growth Rate Comparison
Major California Regions and the United States



Sacramento Regional Research Institute, January 2005
Data Source: Employment Development Department and Bureau of Labor Statistics

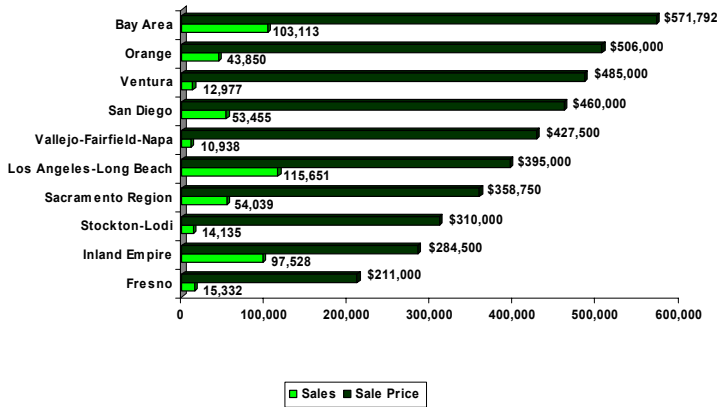
Unlike the past few years when the Sacramento Region has ranked near the top of the list, the Region's 2004 employment growth rate falls near the lower end of California's major metropolitan areas, demonstrating that the difficulties that the Region's economy faced over the past year were not felt to the same degree across the board.

The six-county Sacramento Region's 0.3 percent annual average employment growth rate was below both the statewide and national average as well as many of the other regions throughout the state. The Region was in a group of four areas that saw only limited employment growth over the past year including Los Angeles-Long Beach (Los Angeles County), Vallejo-Fairfield-Napa (Napa and Solano Counties), and Ventura (Ventura County). These four areas ranked above the Bay Area, which saw overall negative employment growth for 2004, and slightly below Orange (Orange County) and Fresno (Fresno and Madera Counties). San Diego (San Diego County) and Stockton-Lodi (San Joaquin County) both had growth above 1.0 percent, but the Inland Empire (Riverside and San Bernardino Counties) had the best economic performance in the state for 2004 with job growth above 2.0 percent. These three areas experienced employment growth above both the national and statewide averages. While the Inland Empire has been at the top of the list for quite some time, previously 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 its relative economic strength, dropping it to a lower rank in the list of neighboring regions and the state's major metropolitan areas.

With the recent state budget situation, many of the areas throughout the state have experienced losses in their public sectors. While the Sacramento Region has experienced disproportionate losses in the state government aspects, like public sector losses in other areas, it has also seen losses in the local government elements. Most areas throughout the state saw overall employment decreases in the Government sector in 2004 confined primarily to the local government aspects. Only one region in the state, the Inland Empire experienced a general increase in its public sector, more closely following the national rather than statewide average. The Sacramento Region's public sector negative employment growth rate was not as severe as some areas like Ventura and the Bay Area, but it was larger than many other areas, especially those near the top of the list such as Stockton-Lodi and Fresno. To balance out these public sector losses, most regions in the state added jobs in the private sector in 2004—only the Bay Area lost jobs in both the public and private sectors. For the regions that ranked highest on the list, the growth rate in the private sector was much larger than the negative job growth in the public sector. Moving down the list the difference between the two rates shrinks with regions near the bottom of the list experiencing negative public sector growth rates that were near the same level or larger than private sector job growth. The combination of a 1.9 percent job loss rate in the public sector along with 1.1 percent job growth in the private sector placed the Sacramento Region near the bottom of the list for overall employment growth in neighboring areas and major California regions for 2004.

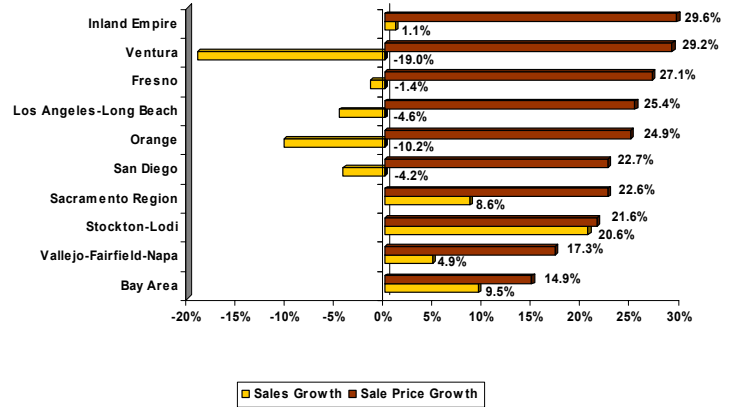
HOUSING MARKET

2004 New and Existing Home Sales and Prices
Major California Regions



Sacramento Regional Research Institute, January 2005
Data Source: DQ News and California Association of Realtors
Note: Data for Sutter and Yuba Counties was not available.

Growth in New and Existing Home Sales and Prices
2003-2004 Major California Regions



Sacramento Regional Research Institute, December 2004
Data Source: DQ News and California Association of Realtors
Note: Data for Sutter and Yuba Counties was not available.

The Sacramento Region remains one of the most affordable areas in the state for housing and continues to see relatively strong growth in new and existing home sales as well as moderate increases in home sale prices.

New and existing home sales topped 54,000 in the Sacramento Region for 2004—this was lower than the sale activity in the Inland Empire (over 97,000) but above the level of other similar sized areas in the state. With over 100,000 new and existing home sales two of California’s largest regions, Los Angeles-Long Beach and the Bay Area, had the most home sale activity for 2004 among the state’s major metropolitan areas. These two areas were followed by the Inland Empire and the Sacramento Region. California’s inland areas, which have seen tremendous construction activity and population growth over the past few years, had the lowest home sale prices in 2004—Sacramento’s \$359,000 sale price was the fourth lowest followed by Stockton-Lodi, the Inland Empire, and Fresno. Continuing a lengthy trend, the highest sale prices in the state were in the coastal areas with the Bay Area topping the list at a sale price of \$572,000.

Two of the state’s most affordable areas had relatively large sale price growth rates between 2003 and 2004—the Inland Empire topped the list with nearly 30 percent growth and Fresno was third on the list with 27 percent growth. While near the top of the list in the past, the Sacramento Region was close to the bottom of the home sale price growth list; however, the Region saw nearly 23 percent growth in home sale prices over the past year. The Bay Area, the state’s most expensive region, experienced the lowest growth in sale price at 15 percent, but continued to see double-digit growth despite high prices and an economic downturn that was particularly severe in the area. The Bay Area also saw the highest growth rate in new and existing home sales with 9.5 percent more homes sold in 2004 compared to 2003. The Sacramento Region had the second highest growth in home sales at 8.5 percent followed by the Vallejo-Fairfield-Napa area. These three regions were the only major regions in the state to experience a higher level of home sales in 2004 compared to 2003. Ventura experienced the largest drop in home sales at 19.0 percent followed by Orange that saw a drop of about 10.2 percent. While many of the state’s housing markets appeared to cool slightly in 2004, the northern California areas all saw healthy sales levels in 2004 and relatively strong growth in sales between 2003 and 2004 despite increasing prices and a general economic slowdown.

ABOUT SRRI

The **Sacramento Regional Research Institute (SRRI)** acquires, analyzes and distributes economic information for the purpose of providing a greater understanding of the regional and statewide economies. Businesses, government entities, and non-profit organizations, inside and outside the Sacramento Region, look to SRRI’s unique economic and demographic research expertise to help them work smarter and more competitively in realizing their economic development objectives. Our primary services include:

- Economic and Demographic Profiles
- Industry Studies
- Economic and Tax Impact Studies
- Market and Feasibility Analyses
- Workforce Studies
- Economic Development Strategies
- Policy Analysis and Program Evaluation Support
- Site Selection Information and Research

If you would like to learn more about our organization or our services, please contact SRRI at (916) 491-0444 or srri@srri.net.