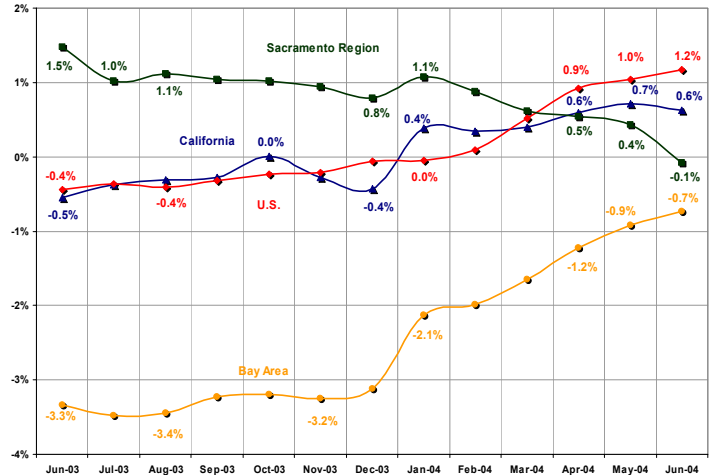


## EMPLOYMENT GROWTH IN THE SACRAMENTO REGION, THE BAY AREA, CALIFORNIA, AND THE UNITED STATES

The Sacramento Region's year-over-year employment growth rate reached negative growth in June 2004.

The pattern of falling year-over-year employment growth rates in the Sacramento Region continued in June 2004, reaching a point of -0.1 percent growth, which represents a loss of 700 Nonfarm jobs. The rate for the combined Sacramento Region ranks below both the nation and the state, which have both been experiencing positive employment growth rates for most of 2004. The United States saw its highest growth rate over the past year with 1.2 percent growth, while California has leveled off over the past few months and experienced 0.6 percent employment growth in June 2004 (a gain of 91,200 jobs). While the state and the nation continue to show evidence of economic recovery, the economic environment in the Sacramento Region is hazy. Although the Region has only dropped slightly negative, job losses may become more severe or growth may be stagnant if the five-month falling employment growth rate trend continues. Demonstrating an opposite trend, the combined Bay Area has seen increasing employment growth rates since the beginning of 2004. Even though the Bay Area has posted markedly higher employment growth rates with increasing rates, the area is still experiencing relatively large job losses. The employment growth rate for June 2003 was -0.7 percent, representing a loss of 20,900 Nonfarm jobs.

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



Sacramento Regional Research Institute, July 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 June 2004.

**Employment Gains and Losses**  
 Selected Major Sectors

| Sector                 | June 2003-2004 |            |          |
|------------------------|----------------|------------|----------|
|                        | Sacramento     | California | Bay Area |
| Construction           | 4,742          | 27,800     | 2,000    |
| Prof. & Business Svcs. | 2,200          | 62,900     | -3,900   |
| Edu. & Health Svcs.    | 900            | 21,900     | 4,400    |
| Trade, Trans., & Util. | 600            | 32,700     | -3,400   |
| Manufacturing          | 0              | -16,600    | -5,900   |
| Financial Activities   | -200           | 11,300     | 1,300    |
| Leisure & Hospitality  | -600           | 12,700     | 600      |
| Information            | -1,100         | -6,900     | -3,500   |
| Government             | -6,200         | -48,100    | -12,100  |

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

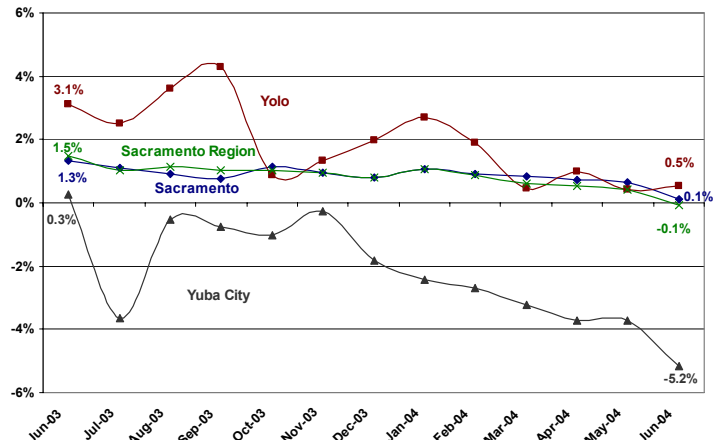
Job losses in the Government and Manufacturing sectors have negatively impacted the Region's economy, while Construction and Professional & Business Services continue to prop it up.

The Sacramento Region experienced the greatest year-over-year job gain in June 2004 in the Construction industry with an increase of 4,742 jobs. The Professional & Business Services sector also posted a relatively large gain of 2,200 jobs. The Construction sector saw gains in most construction-related activities, while the Professional & Business Services sector was influenced primarily by administrative and support activities. The Government and Manufacturing sectors remain the largest drains on the Region's economy, posting job losses of 6,200 and 1,100 jobs, respectively. California's greatest job gains and losses were also 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 sector provided the largest job gains.

With the recent minimal growth in the Sacramento and Yolo PMSAs, the Region has been unable to overcome the continuous negative year-over-year employment growth in the Yuba City PMSA.

Generally, the employment growth rate trend in the Sacramento Region follows its largest metropolitan area, Sacramento, and is pulled slightly up and down by the Yolo and Yuba City PMSAs. With the steady, although minimal, employment growth in Yolo and the Yuba City PMSA, posting falling year-over-year growth rates, the combined Sacramento Region fell to negative growth in June 2004. Even though the Sacramento PMSA experienced slightly positive employment growth (0.1 percent in June 2004), its decreasing growth rate pattern and the influence of the other metropolitan areas has left the region with slightly negative Nonfarm employment growth. The Region, overall, and all three associated metropolitan areas saw some of their lowest year-over-year employment growth rates over the past year in June 2004, and generally all areas have experienced a similar decreasing growth rate pattern over the past few months.

**Employment Growth Rate Comparison**  
 Sacramento Region PMSAs



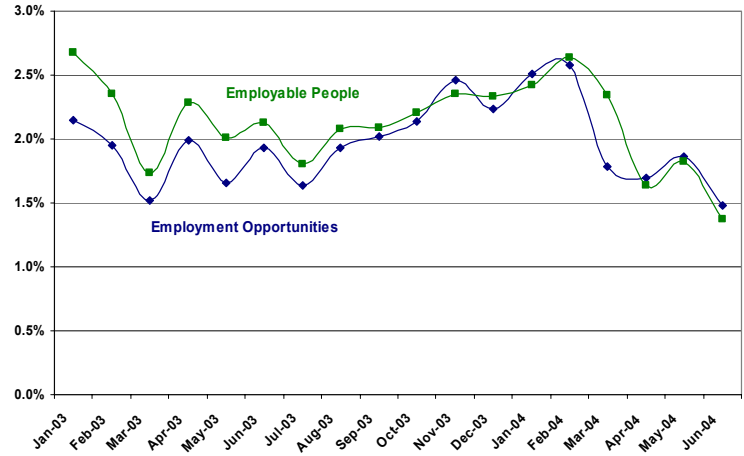
Sacramento Regional Research Institute, July 2004  
 Data Source: Employment Development Department  
 Note: Growth reflects 12 months ending June 2004.

**THE SACRAMENTO REGION'S LABOR FORCE**

*Civilian labor force numbers show signs of improved economic wellbeing over the past few months in the Sacramento Region.*

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. In other words, for economic health, the number of employment opportunities in a region should be growing faster than the number of employable people. It is important to note that the information in the graph to the right 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, the Sacramento Region was not in good economic health in the beginning of both 2003 and 2004—the civilian labor force was growing at larger rates than the number of persons employed. The latter months of 2003 saw convergence in the two growth rates, pointing to greater economic health. Moreover, following a period with a relatively large gap, there has been recent convergence in the two measures—over the past two months, the Region has seen slightly larger growth in the employment opportunities than in employable people, pointing to a somewhat healthier economy. This information makes it clearer that, since the beginning of 2004, the gauges of the Region's economy have been mixed.

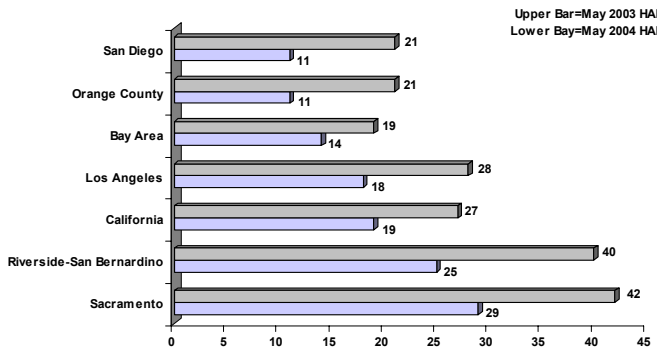
**Growth Rate Comparison**  
Sacramento Region's Labor Force and Employment



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

**HOUSING AFFORDABILITY COMPARISONS OF MAJOR CALIFORNIA REGIONS**

**Housing Affordability Index Comparison**  
Major California Regions and the State, May 2003 and 2004



Sacramento Regional Research Institute, July 2004  
Data Source: California Association of Realtors

*While significantly reduced over the past year, Sacramento's Housing Affordability Index is one of the best in the state.*

The California Association of Realtors reports that California's Housing Affordability Index (HAI) hit the lowest level since 1989 with a May 2004 measure of 19—only 19 percent of households in the state are able to afford a median-priced home. The Sacramento Region posted an HAI of 29, which is one of the highest measures among the major regions in the state. In the Region, 29 percent of households can afford a \$308,380 home (May 2004 median price). All major metropolitan areas throughout the state have seen a drop in HAI over the past year. Notably, the most affordable regions such as Sacramento and Riverside-San Bernardino have seen the greatest drops in housing affordability. Nevertheless, even with the large declines, these regions, with Sacramento at the top, are still the most affordable in the state.

**RESIDENCE AND EMPLOYMENT LOCATION PATTERNS IN THE SACRAMENTO REGION**

*On average, nearly 95 percent of the Sacramento Region's residents work within the Region, mostly in Sacramento County.*

The majority of the residents in each of the six counties making-up the combined Sacramento Region work within their county of residence. Those who do not work within their county of residence primarily work within other counties in the Region. In fact, close to 95 percent of the Region's residents work in one of the six counties, on average. Most people commuting outside their county of residence are employed within Sacramento County. The remaining five percent of the Region's residents who are not employed within any of the six counties, typically work in surrounding counties such as Nevada, San Joaquin, Solano, and Douglas (in the state of Nevada). This information shows the strength of both the Sacramento Region as a self-contained labor pool and Sacramento County as an employment center for the Region.

**Residence and Employment Location Patterns**  
Sacramento Region Counties

| County of Residence | Work within County of Residence | Work within Sacramento Region |
|---------------------|---------------------------------|-------------------------------|
| El Dorado           | 55.10%                          | 88.20%                        |
| Placer              | 59.70%                          | 93.80%                        |
| Sacramento          | 84.50%                          | 95.60%                        |
| Sutter              | 56.10%                          | 92.20%                        |
| Yolo                | 67.20%                          | 92.00%                        |
| Yuba                | 56.10%                          | 92.80%                        |

Sacramento Regional Research Institute, July 2004  
Data Source: US Census Bureau