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Economic Outlook 2014: Are We Close to the Peak?

San Rafael, CA

October 31, 2013



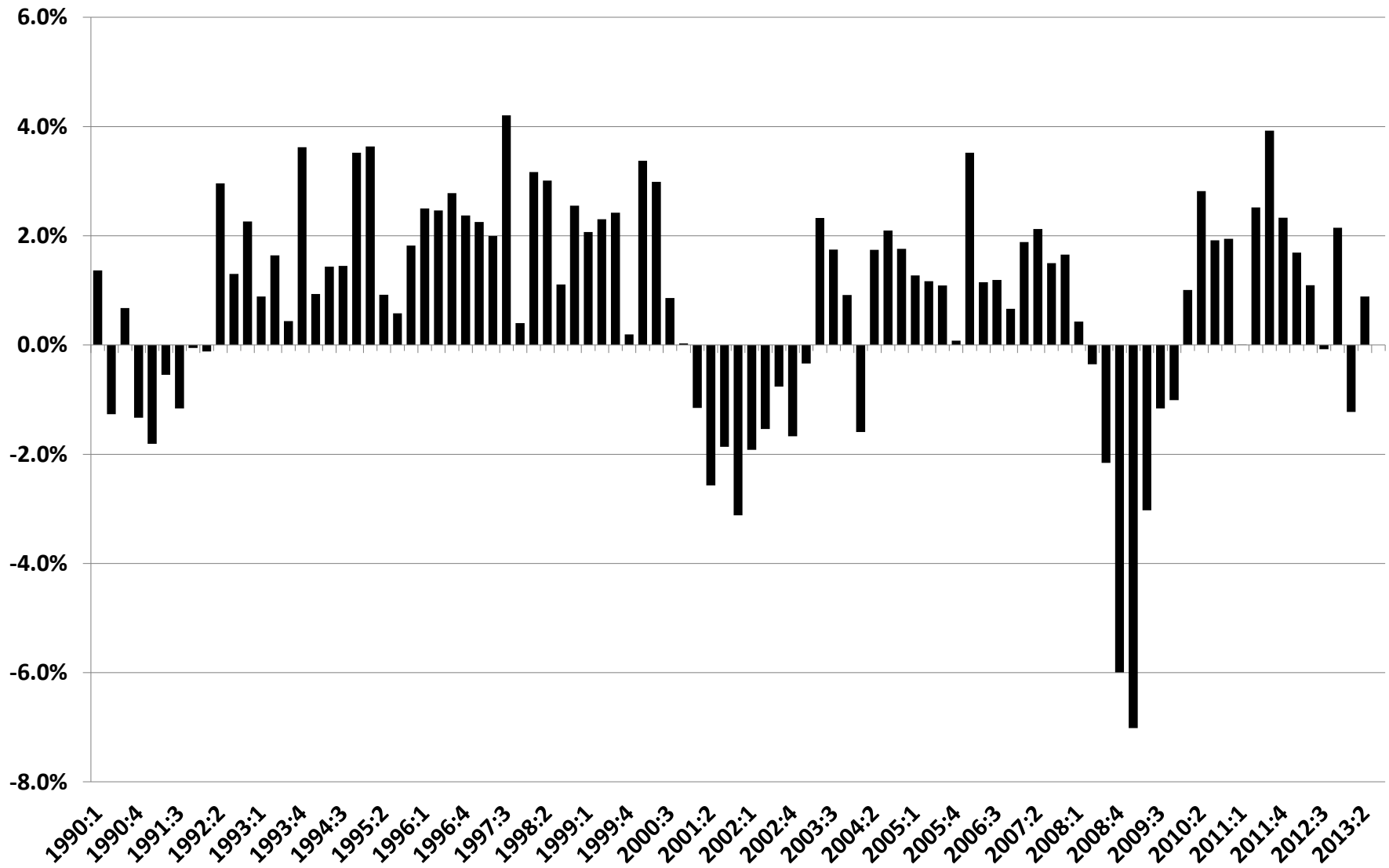
Mission Statement:

The Marin Economic Forum enables Marin's economic stakeholders to collaborate on improving the County's economic vitality, focusing on Marin's targeted industries, while enhancing social equity and protecting the environment.

US Econ: Can We Keep It Together?

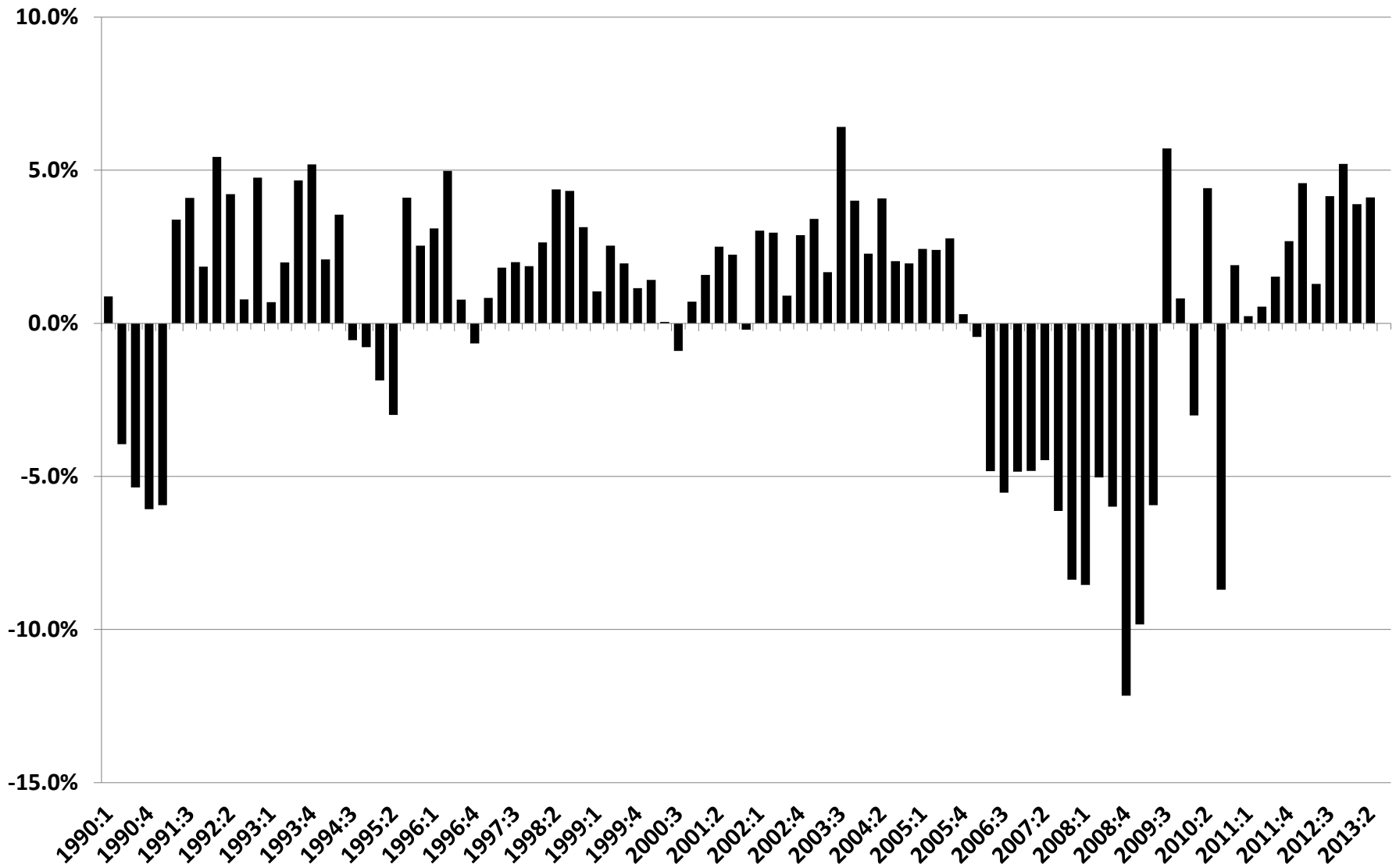
- Economic recovery continues, GDP per person has only just recovered...and
- Including the under-employed and those marginally attached to the labor force, the unemployment rate is in excess of 13%
- Jobs are being created in primarily low-wage sectors...while corporate profits grow rapidly
- The influence of foreign economies on the recovery remains significant, but the tide is turning
- Watch January and February 2014 closely for renewed theater on this in our nation's capital

Non-Residential Investment, US (% change 2005\$, SA), 1990Q1 - 2013Q2



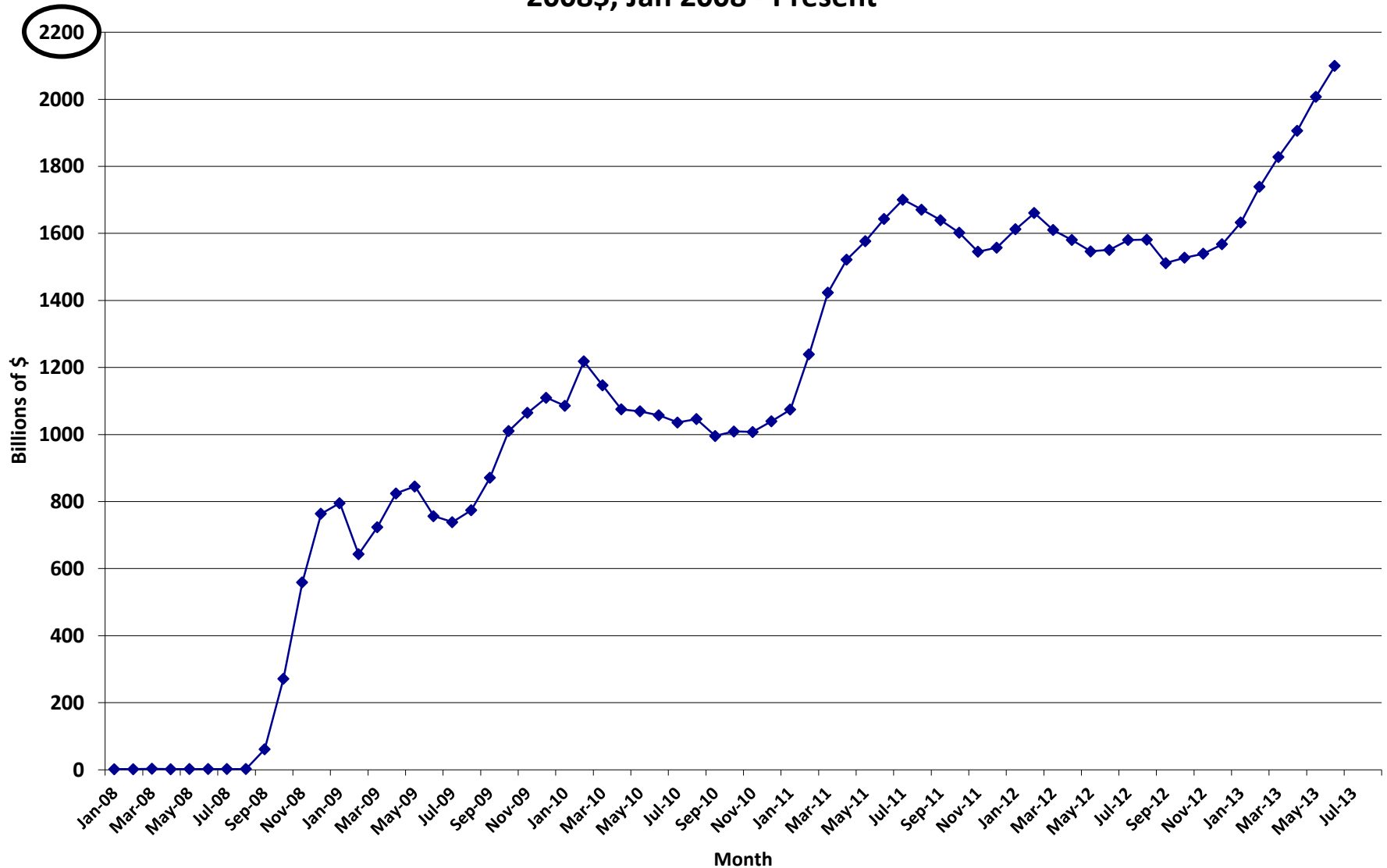
Source: BEA (www.bea.gov)

Residential Investment, US (% change 2005\$, SA), 1990Q1 - 2013Q2



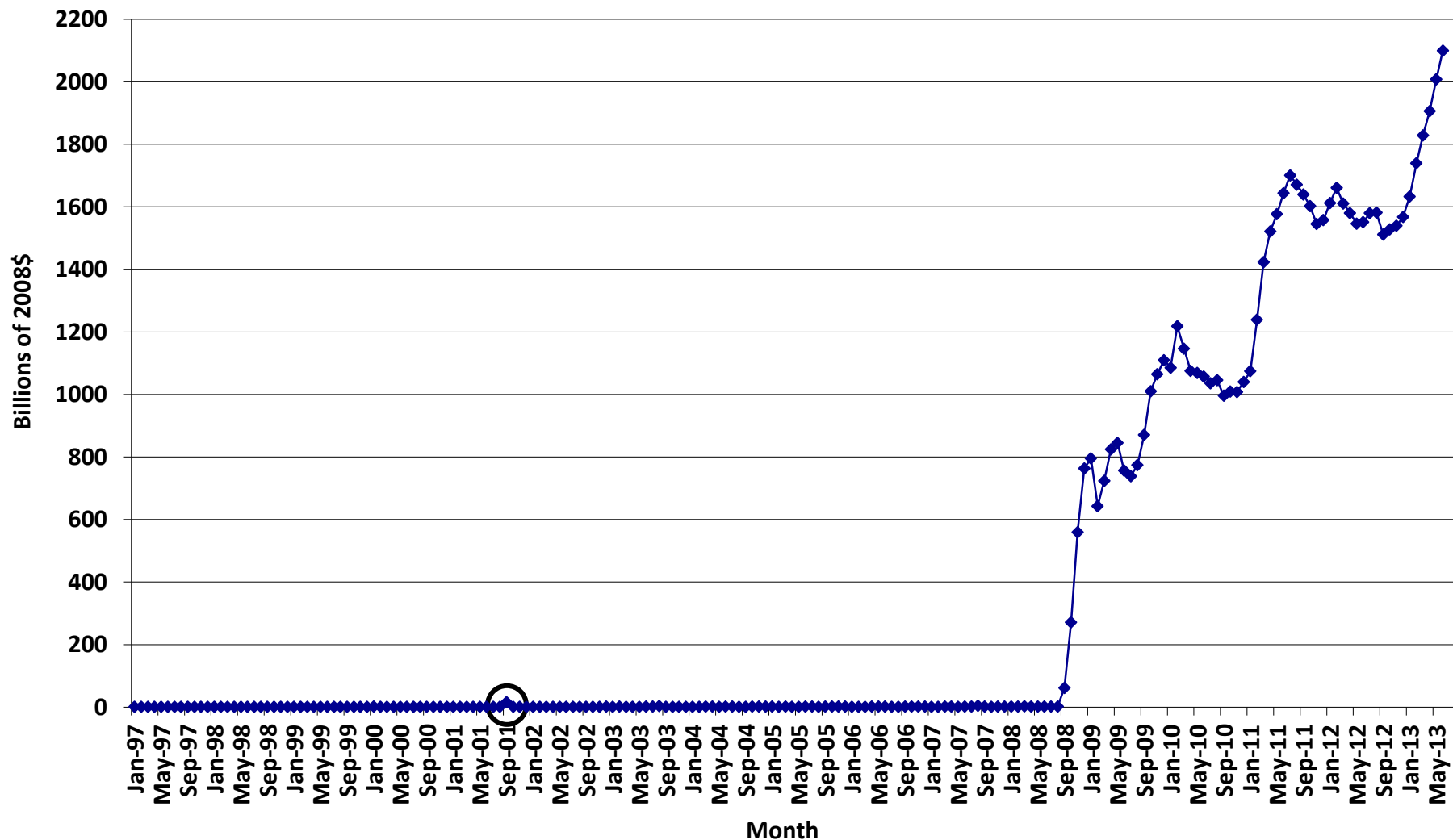
Source: BEA (www.bea.gov)

Excess Reserves at U.S. Depository Institutions (Loanable Funds Not Lent) 2008\$, Jan 2008 - Present



Source: Federal Reserve Board

Excess Reserves at U.S. Depository Institutions (Loanable Funds Not Lent) 2008\$, Jan 1997 - Present



Source: Federal Reserve Board

CA: Hot Mess more Hot than Mess in 2014

- California's unemployment rate has fallen to 8.9%
- Federal and local government employment lower
- Median home prices in August 2013 were up nearly 30% from the previous year
- Residential construction has started to return
- The state government budget returning to normal state of affairs...structural issues remain
- Going into 2014, prospects for economic growth in the state are good, if Washington, D.C. can keep it together

Marin: Top of Mt. Tam Coming Up?

- Housing markets up 28%: are we peaking?
- Marin creating jobs and fewer businesses
- Retail sales and incomes rising in 2014
- Commercial real estate demand slowly rising, mainly for smaller spaces
- Marin to continue its growth through 2014, depends on macro context being positive
- **The Bay Area economy is the major context**

ECONOMIC TRENDS AND FORECASTS FOR CALIFORNIA AND THE BAY AREA

TRACEY GROSE

VICE PRESIDENT

BAY AREA COUNCIL ECONOMIC INSTITUTE



Forecasting the Future
Economic Conference:
Trends & Issues

UCLAAnderson
FORECAST

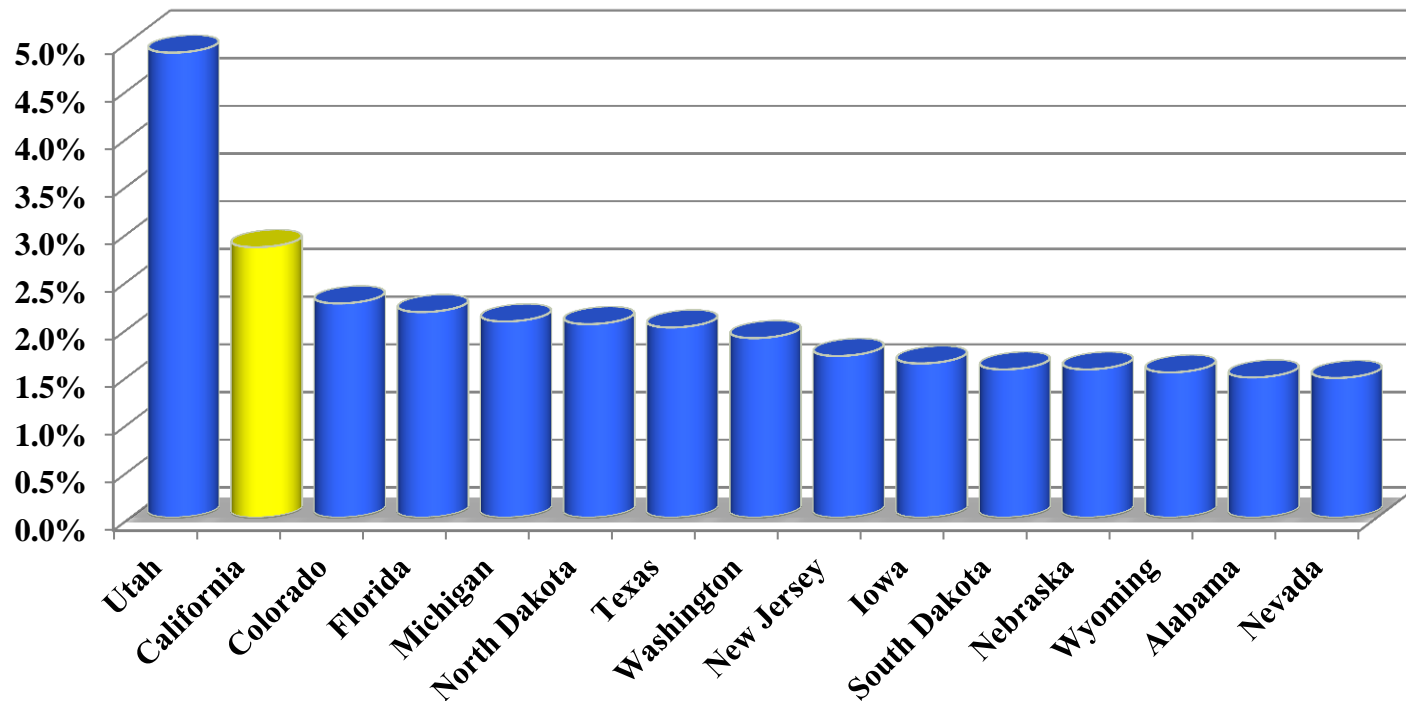
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California Outlook

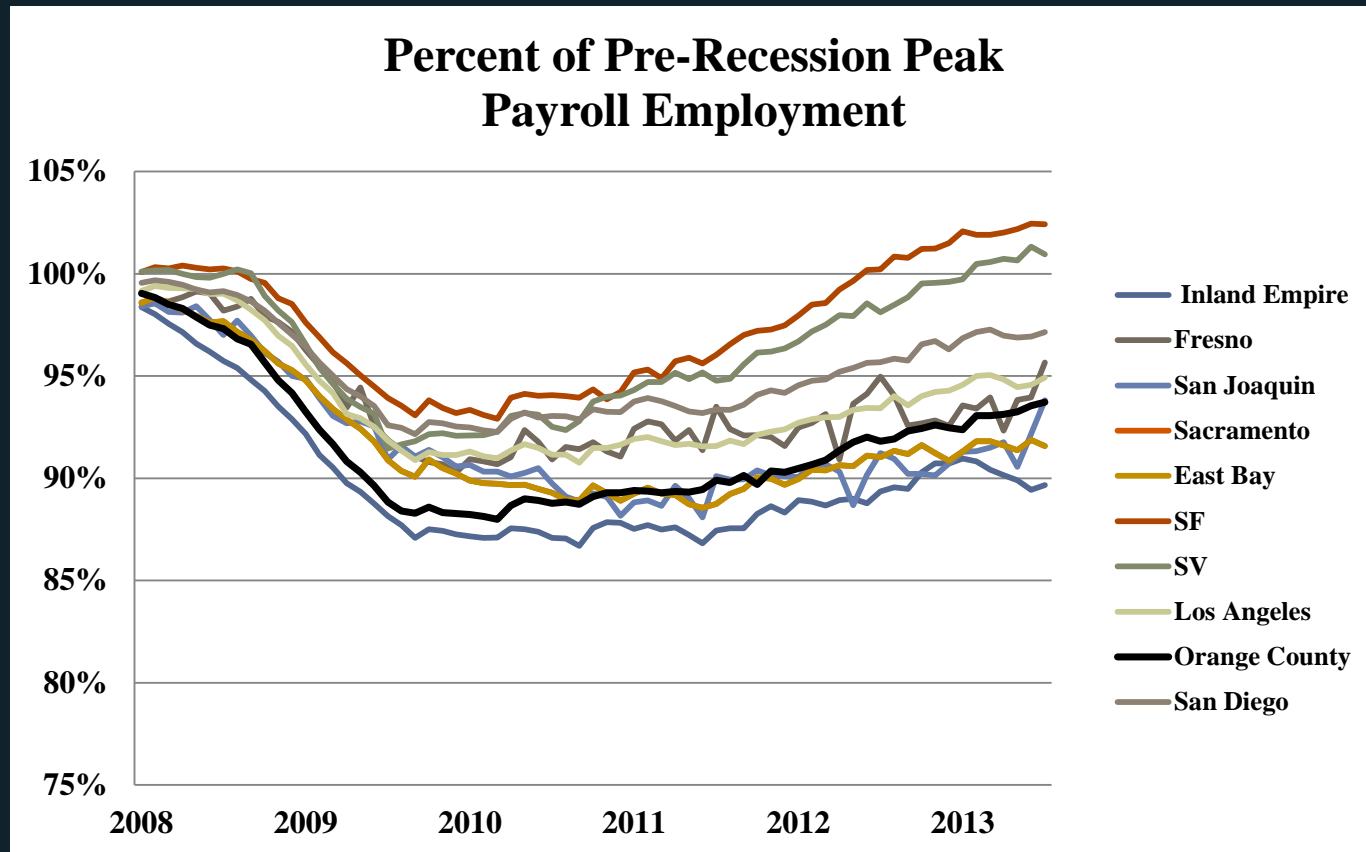
- Economic Growth Stepping up from 2% to 3%--Not Great, but Better than Past 4 Years
- Interest Rates Normalizing
- Housing Rebound to Continue
- Air freight lackluster, seaport volumes flat
- Moderate Employment Growth with Declining Unemployment Rate

Employment is outpacing the US

**Rate of Employment Growth
July 2012 to July 2013**



But, uneven: The Bifurcated Economy Revisited



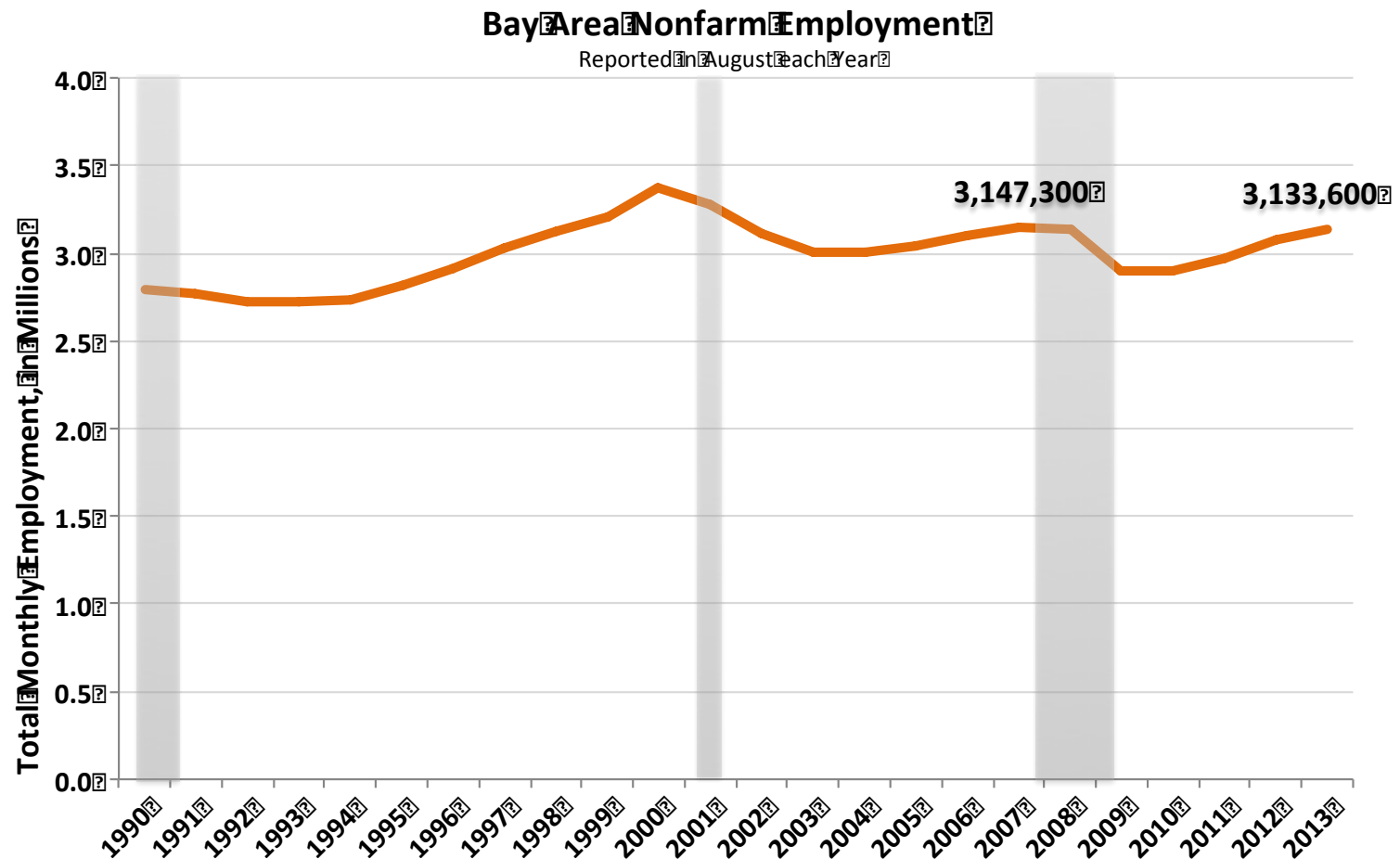
CALIFORNIA FORECAST

	2013	2014	2015
Payroll Employment	1.7%	1.9%	2.2%
Unemployment	8.9%	7.9%	6.9%
Personal Income	1.9%	3.3%	3.3%
Building Permits	78.7	104.1	123.6

THE BAY AREA FORECAST

- Bay Area to continue to outperform
- New employment highs in 2015
- The risks to the Bay Area Forecast are external risks

EMPLOYMENT IS BACK TO 2007 LEVELS



Data Source: California Employment Development Department, CES
Analysis: Bay Area Council Economic Institute

PROFESSIONAL SVS, LEISURE & HOSPITALITY, AND CONSTRUCTION LEAD THE WAY

August 2012 to 2013 Top Job Growth

Total Nonfarm	1.5%
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Professional Services 1.7%

Accounting, Tax Preparation & Bookkeeping Services	1,900	8.6%
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Management, Scientific & Technical Consulting Services	1,400	4.5%
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Hospitality & Leisure 4.1%

Limited-Service Eating Places	3,536	6.1%
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Food Services & Drinking Places	1,400	5.0%
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Performing Arts, Spectator Sports	1,194	8.2%
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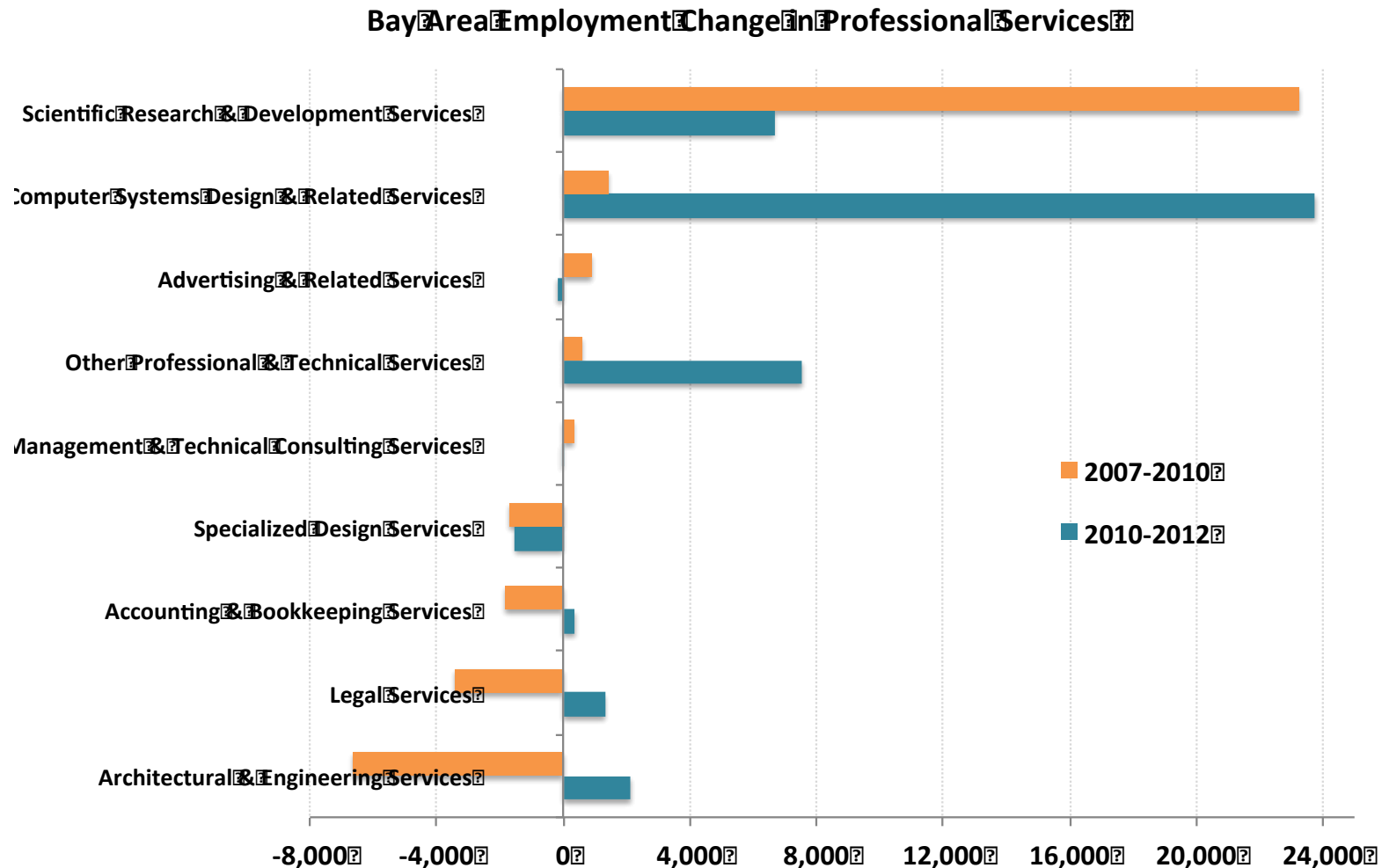
Construction 5.1%

Specialty Trade Contractors	1,194	8.2%
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Residential Building Construction	1,537	7.4%
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Other Specialty Trade Contractors	1,622	9.7%
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STRUCTURAL CHANGES UNDERWAY



Data Source: Employment Development Department, Quarterly Census of Employment and Wages (QCEW)
 Analysis: Bay Area Council Economic Institute

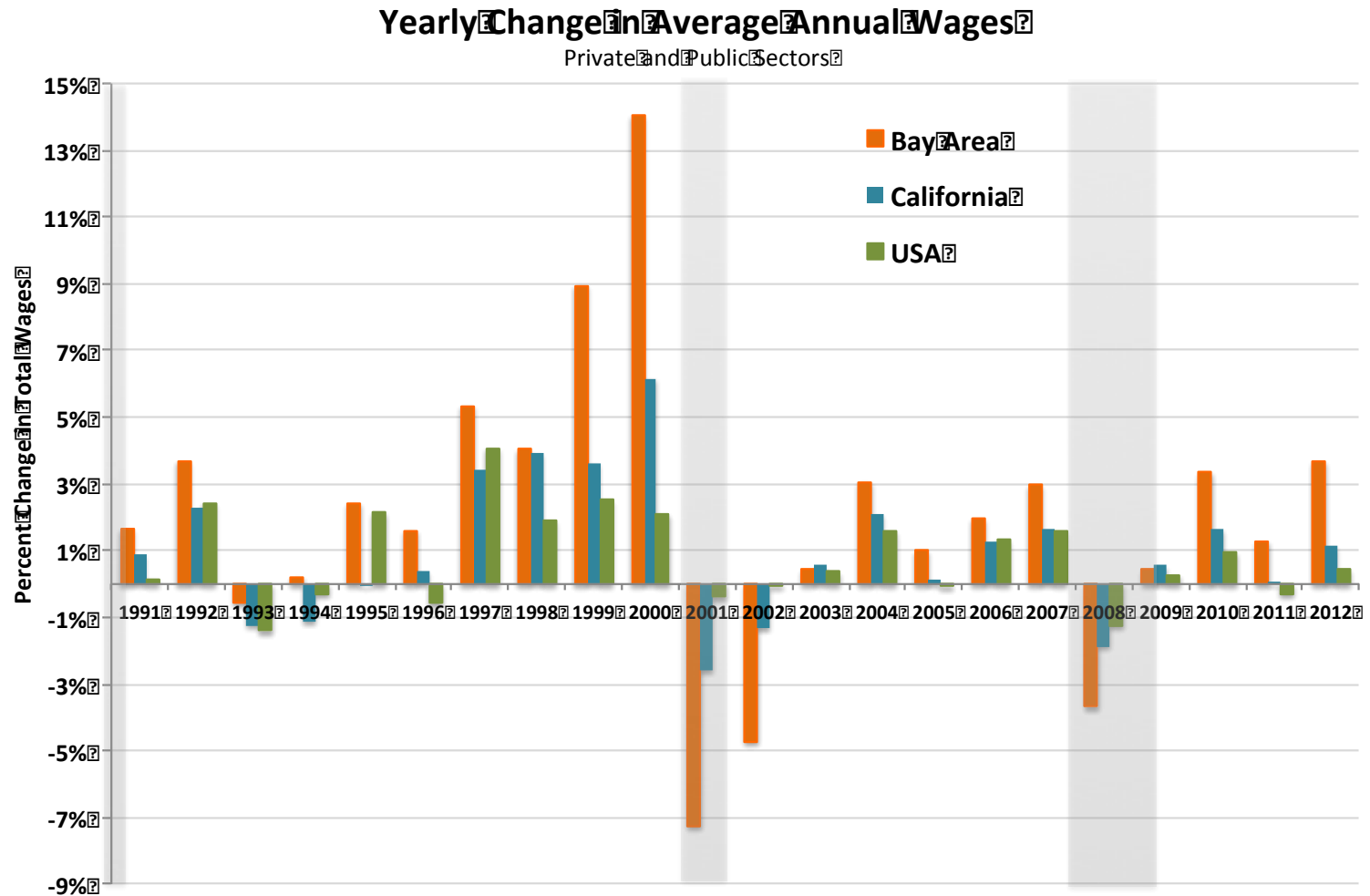
REGIONAL EXPANSION OF TECH

Computer Systems Design & Related Services

County	2007-2010	2010-2012
San Francisco	13,353	19,991
Santa Clara	(3,149)	6,325
San Mateo	1,179	2,964
Alameda	1,462	2,467
Contra Costa	(25)	258
Napa	(106)	(4)
Solano	26	(88)
Sonoma	(112)	(104)
Marin	(292)	(251)
Bay Area	1,386	23,758

Data Source: CA EDD, QCEW

AVERAGE WAGES UP 4% IN 2012



Data Source: California Employment Development Department, Quarterly Census of Employment and Wages (QCEW)
Analysis: Bay Area Council Economic Institute

STRONG WAGE GROWTH IN KEY SECTORS

Change in Earnings

Industry	2011-2012
Professional & Technical Services	17%
Information	5%
Real Estate, Renting & Leasing	5%
Transportation, Warehousing & Utilities	5%
Financial & Insurance	5%
Agriculture & Natural Resources	4%
Construction	1%
Manufacturing	1%
Administration & Management	1%
Wholesale & Retail Trade	1%
Hospitality & Leisure	0%
Health & Education	0%
Government	-1%
Personal Services & Nonprofit	-9%
Bay Area Total	4%

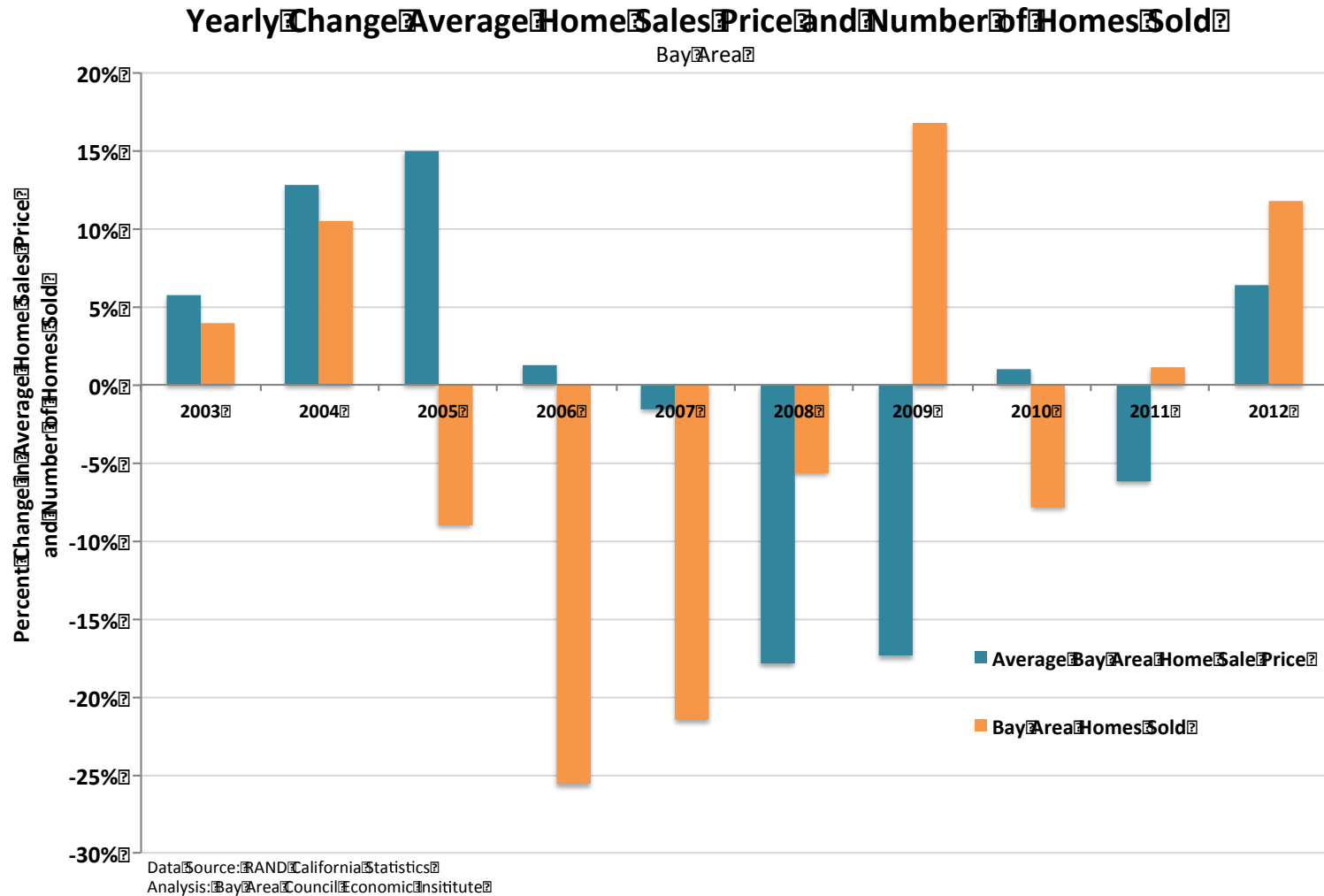
NEW VALUE CREATION IS HUMMING

GDP growth 2011-2012:

- SF/Oakland/Hayward +7.4%
- San Jose +3.6%

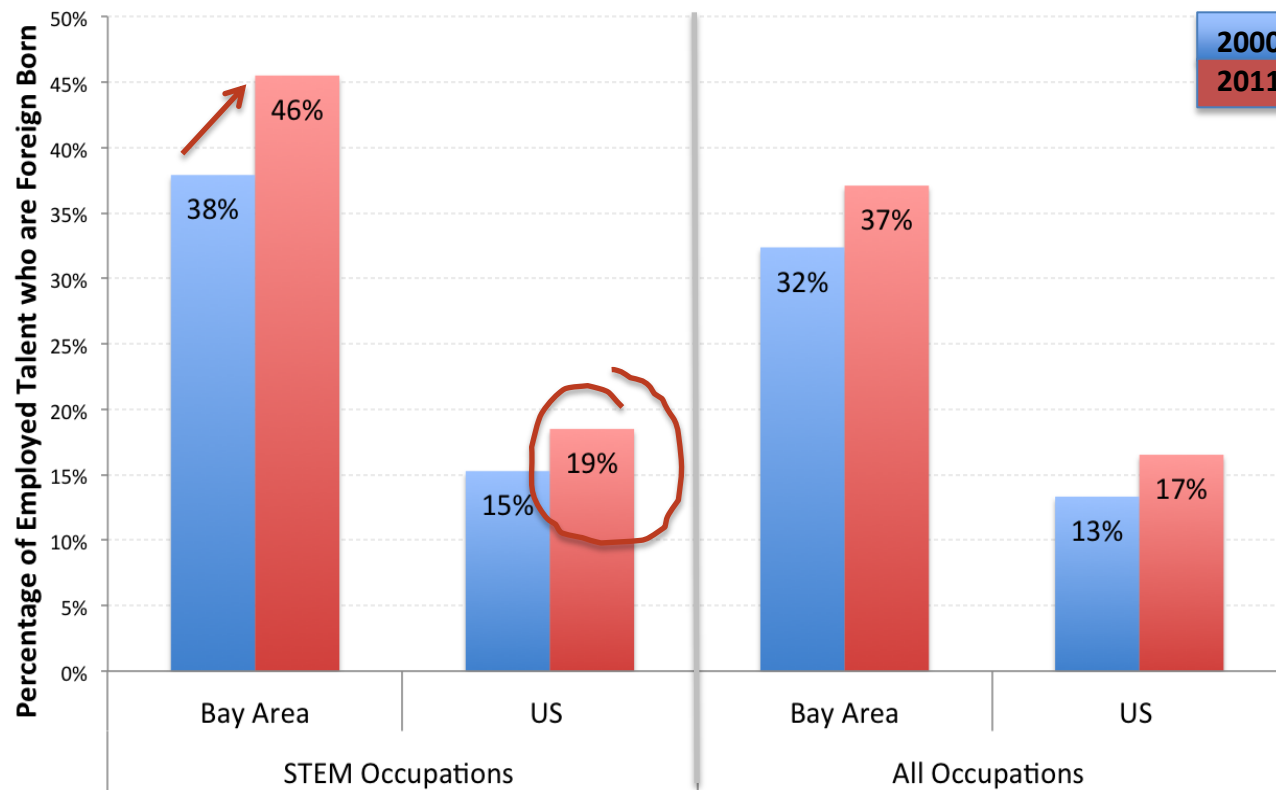
**FASTEST
GROWTH IN US**

HOUSING MARKET HAS RECOVERED



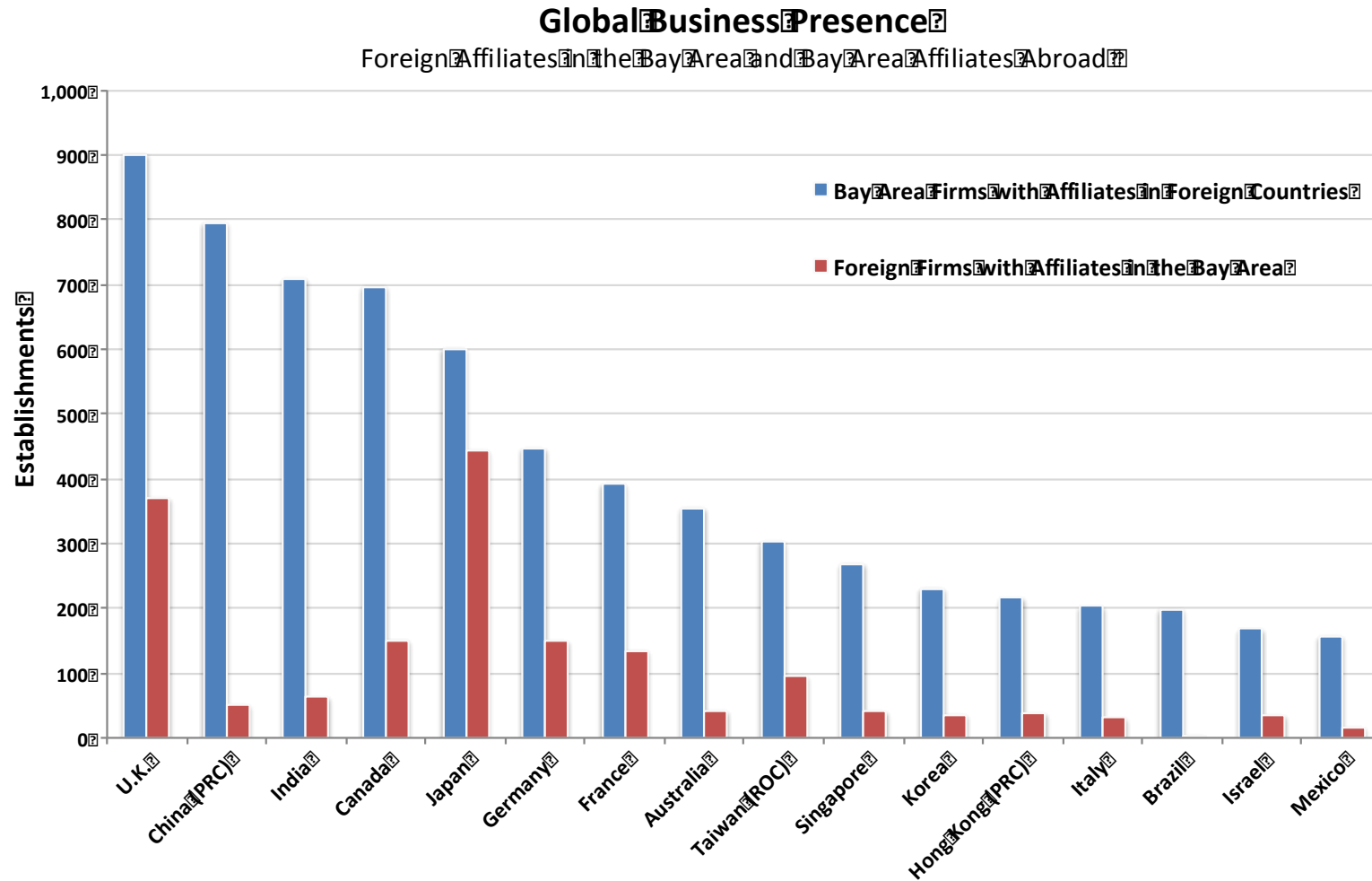
WE CONTINUE TO ATTRACT THE WORLD

Occupational Shares of Foreign-Born Talent
2000 and 2011



Source: US Census, 2000 Decennial Census, ACS Survey 2009-2011 3 year estimate
Calculations by the Bay Area Council Economic Institute

GLOBAL PRESENCE HERE AND BAY AREA ABROAD

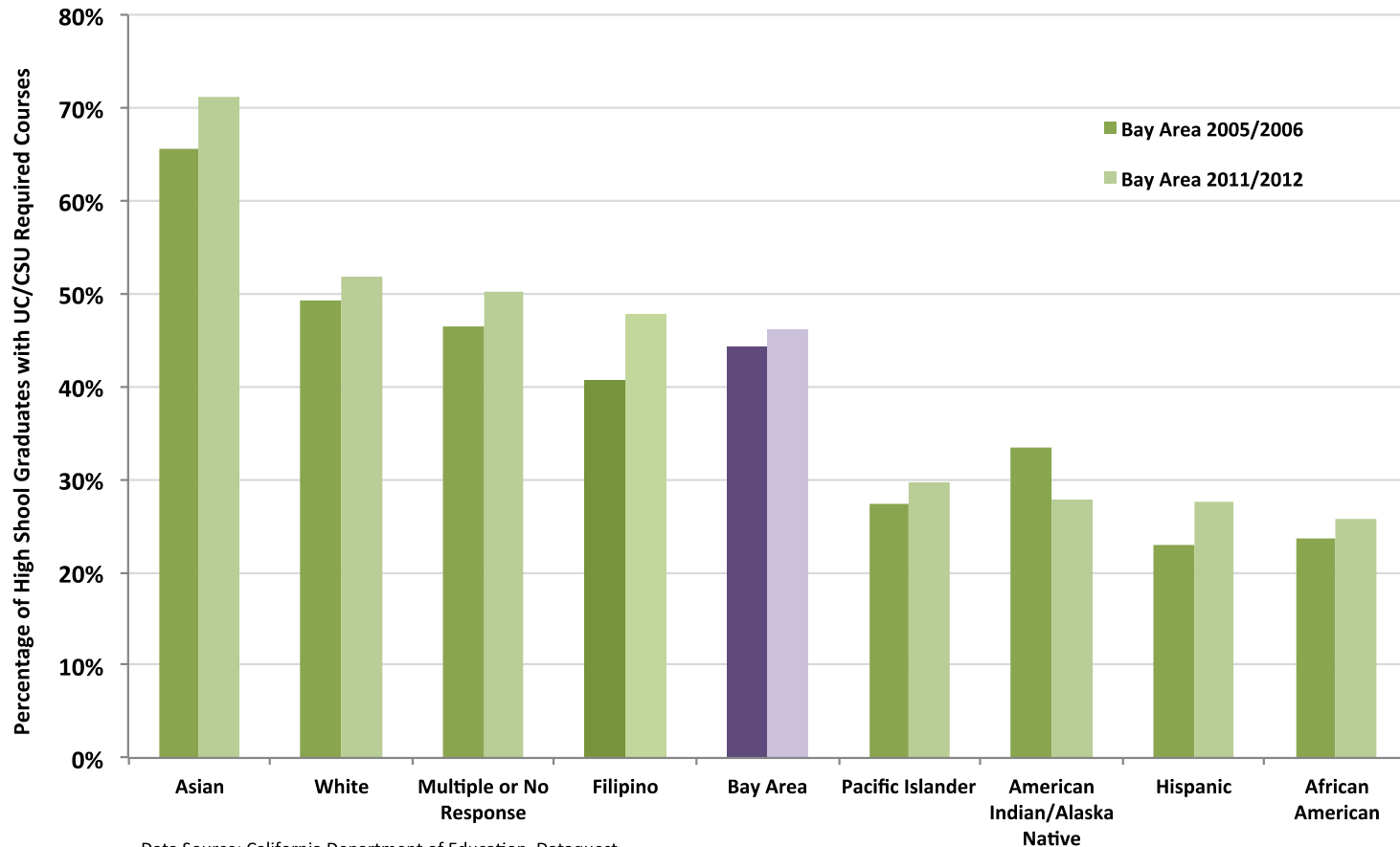


Data Source: Uniworld 2013
Analysis: Bay Area Council Economic Institute

STILL, A NOTE FOR CAUTION

Share of High School Graduates with Required UC/CSU Courses

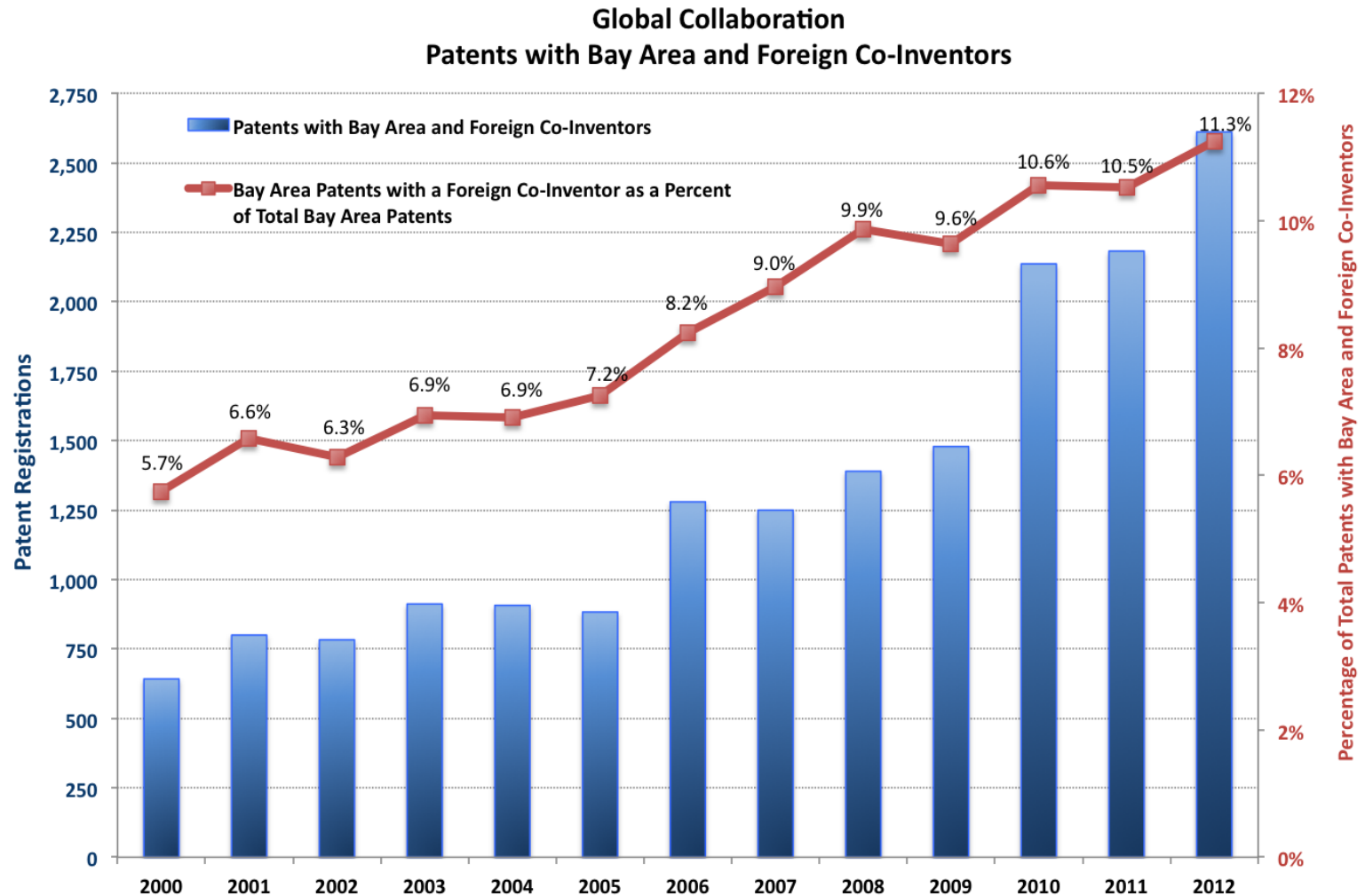
Bay Area, 2005/2006 & 2011/2012



Data Source: California Department of Education, Dataquest
Analysis: Bay Area Council Economic Institute

INVENTION IS STRONG

...AND INCREASINGLY WITH THE REST OF THE WORLD



Note: Patent counts refer to all patents with an inventor from the Bay Area regardless of inventor sequence number
Data Source: U.S. Patent and Trade Office

NEW PLATFORMS AND BUSINESS MODELS ARE EMERGING IN THE REGION



Travel like a human.



COMMERCIAL SPACE IS HOT

SOUTH BAY:

- Occupancy up especially in R&D and Office space

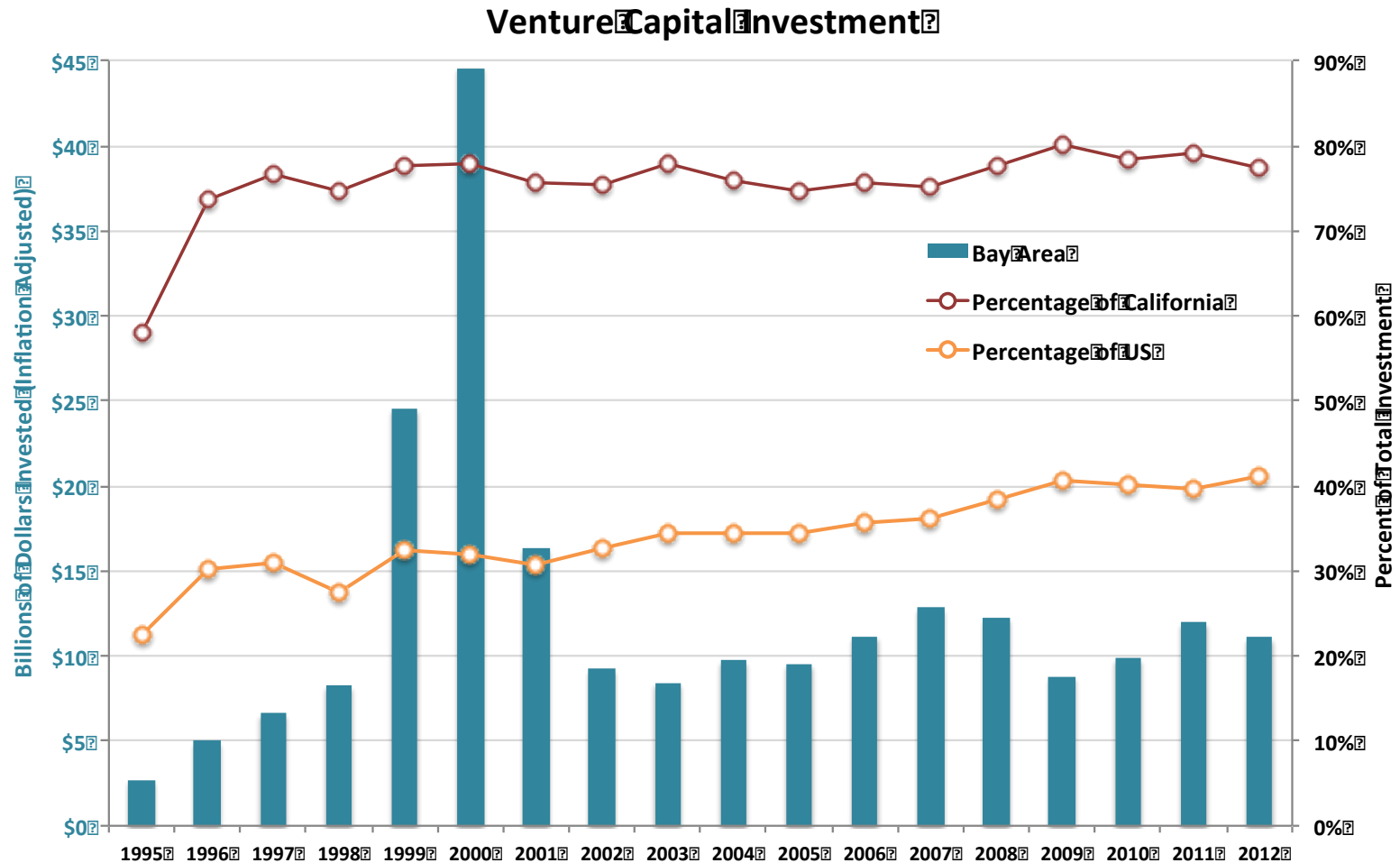
EAST BAY:

- Spec development up in Class A space for 1st time since late 1990s.

SAN FRANCISCO:

- Vacancy rates down - rents and construction are up

CONCENTRATED HERE BUT NOT HEADY



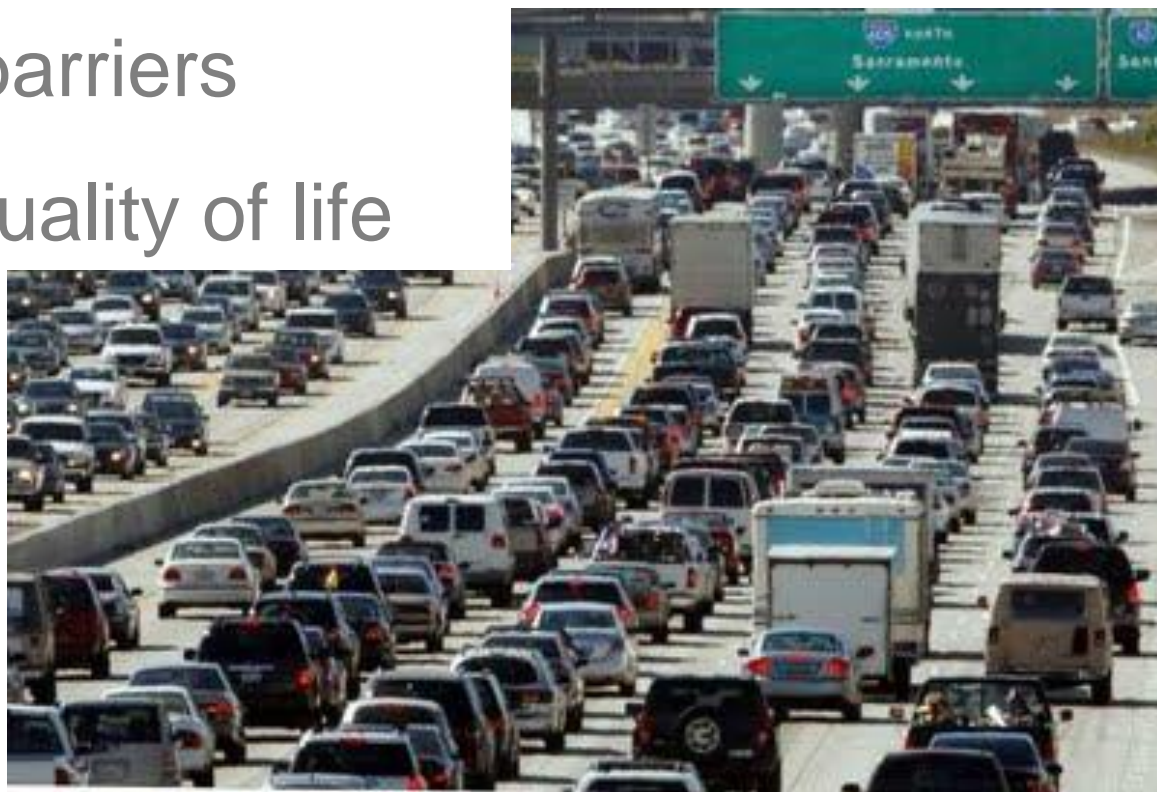
Note: Bay Area includes northwestern California

Data Source: PricewaterhouseCoopers/National Venture Capital Association/MoneyTree™ Report, Data: Thomson Reuters

Analysis: Bay Area Council Economic Institute

THE DOWNSIDES TO BEING A GROWING GLOBAL INNOVATION HUB...

- Housing costs
- Traffic congestion
- Recruitment barriers
- Diminishing quality of life



The Future

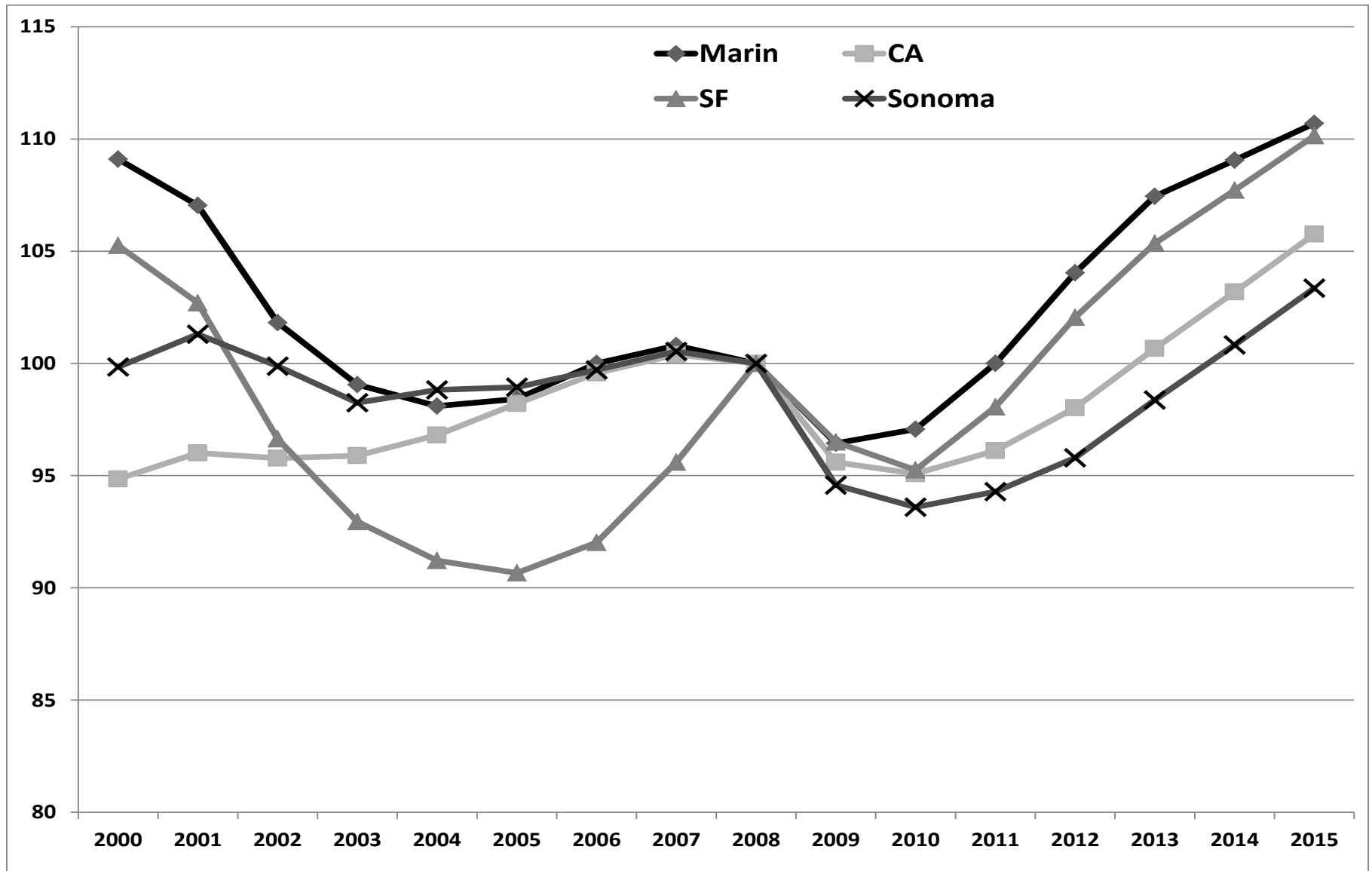
NEXT EXIT



Marin County in 2014

- Continued growth in 2014
 - Continued labor market and income growth
 - Need business growth also
- Life Science focus to begin in Marin County, Novato
- Still driven by Bay Area and North Bay economies
- Real estate:
 - Residential likely to slow in 2014, but still grow: interest rates rising
 - Commercial continues to slowly fill: can we speed the pace?

Employment Growth: Marin, Sonoma, SF and CA, 2000 – 15, Forecasted SA, Jan 2007 = 100



Marin's Targeted Industries

			Alternative and Residential Health	Financial Services
Tourism and Ag	Core Technology	Built Environment		
Food Manufacturing	Multimedia/ Digital Arts	Green Building	Residential Care	Wealth Management
Tourism and Hospitality	Software Engineering	Commercial Real Estate	Alternative Medicine	Boutique Consulting
Boutique Accommodations	Environmental Technology	Energy Efficiency	Niche Medical Procedures	Insurance
Recreation/ Natural Tourism	Biotechnology	Water Efficiency	Biomedical Research	Banking and Credit Unions

Job Growth in Targeted Industries vs. Rest of Marin

Targeted Industries	2005 Q4	2010 Q4	2013 Q1
Tourism and Ag	12,842	12,068	13,646
Building/ Construction	11,466	8,016	7,077
Core Tech	14,875	14,516	12,471
Alt/Resid Health	6,758	7,819	8,446
Finance	6,476	4,732	5,113
Targeted Totals	52,417	47,151	46,753
Other Industries	71,875	75,349	87,547
Marin Totals	124,292	122,500	134,300

MEF/WIB Labor Dashboard

- EDD not providing monthly data for Marin
- MEF uses statistical patterns in Marin data to fill the gaps
 - Using MSA and CA data as context
 - To update quarterly
- Matched against QCEW data
 - This is the official statement by BLS

MEF/WIB Labor Dashboard: Highlights

Year on Year Changes	6 month avg	Dec 2012-June 2013
Construction	+	590
Manufacturing	+	900
Wholesale Trade	+	250
Retail Trade	-	(930)
Transportation, Storage & Utilities	+	380
Information	+	590
Finance & Insurance	+	80
Real Estate	+	60
Professional Services	+	2,790
Educational Services	+	100
Health Care & Social Assistance	-	(600)
Leisure & Hospitality	+	970

Why Marin's Economy Will Grow in 2014

- Sell and provide high quality of life
 - Drives housing and labor markets
 - Does this appeal equally to businesses and residents?
- Provide an educated workforce
 - Still exporting 59% of workers to Bay Area: incomes come back
- Provide a wide array of services options
 - Can we do the same for business to business transactions?

CA Housing data: Least Distressed Counties

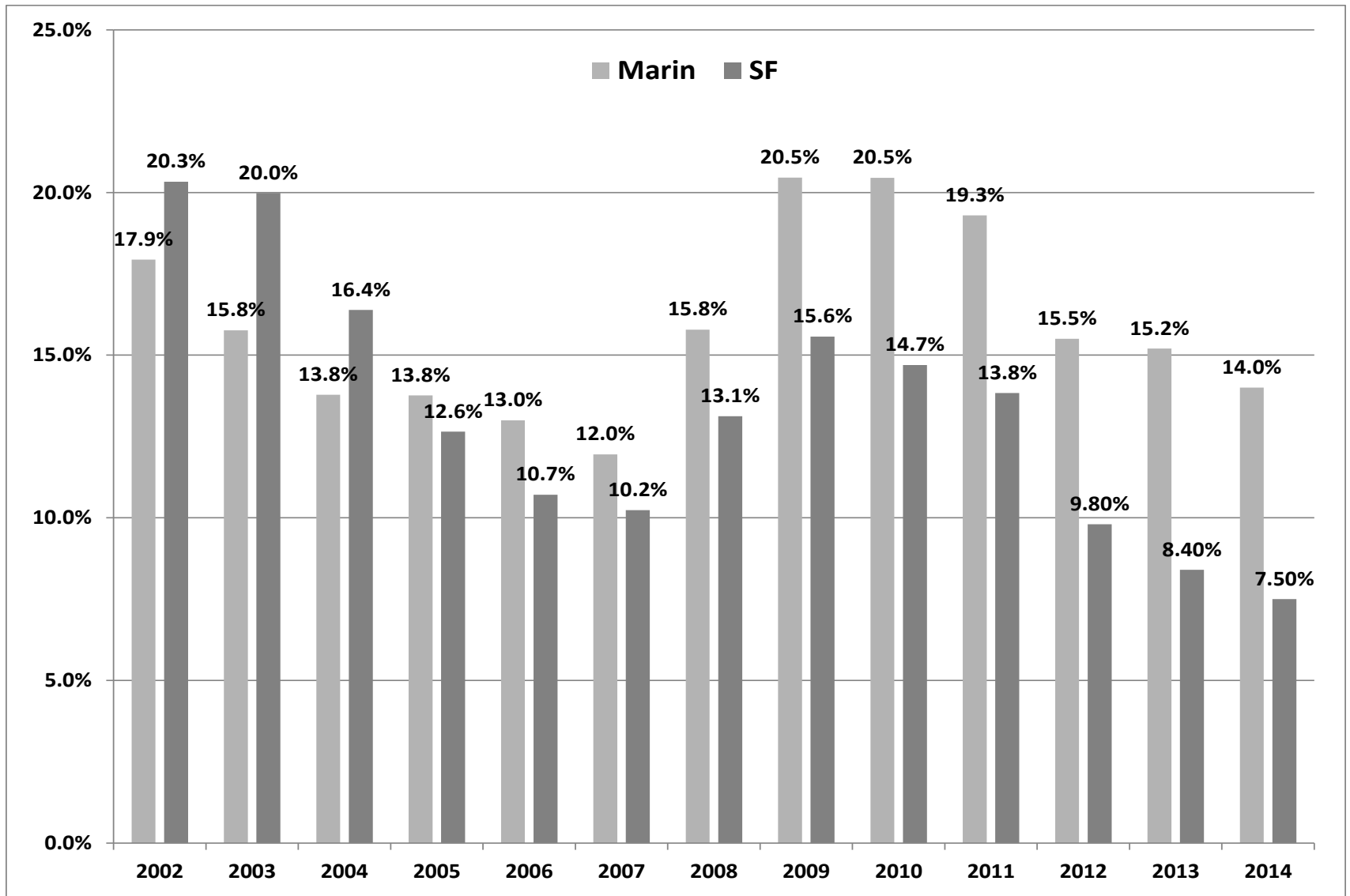
County	Sept-2012	Aug-2013	Sept-2013
Los Angeles	37%	15%	14%
Napa	37%	16%	12%
Sonoma	37%	13%	12%
California	37%	15%	14%
Butte	36%	13%	14%
Santa Cruz	31%	13%	9%
Contra Costa	29%	6%	7%
Alameda	28%	7%	7%
Humboldt	28%	14%	13%
San Luis Obispo	28%	11%	11%
Orange	25%	9%	9%
Marin	24%	8%	7%
Santa Clara	22%	4%	4%
San Mateo	20%	3%	4%
San Diego	15%	5%	4%

What we need to do

- Increase celebration of business in Marin
- Recognize we want to:
 - Preserve Marin County environmentally... but
 - Not strangle it economically
- Provide a place for our kids to come back, regardless of socioeconomic standing

MEF is working on this daily

Commercial Real Estate Vacancy, 2002-13, Class A and B





Marin County Econ Bulletin 2013:
www.marineconomicforum.org

A Fiscally-Sponsored Program of CVNL