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The California Monitor

January 2014

by:

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California: Employment

Economic conditions were mixed in California through late 2013: portions of the state expanded while much of the state remained mired in a plodding recovery from the recession. Employment growth in California remained bifurcated with payrolls generally expanding rapidly in markets where innovation industries are concentrated and job creation lagging in markets without a significant concentration of such industries. Through November, the state unemployment rate still exceeded the national unemployment rate of 7.0% by 150 basis points. Moreover, following a gradual decrease in unemployment insurance claims from the depths of the recession in 2009 and 2010, claims increased markedly in the final months of 2013. Through late 2013, construction payrolls increased at the fastest pace, yet despite strong growth in the past three years construction employment remained approximately two-thirds of the pre-recession peak. The leisure and hospitality sector grew rapidly as improving economic prospects encouraged households to spend more on entertainment. Government was the only sector where employment contracted during the year, continuing a multi-year trend that commenced at the onset of the recession.

California received the largest share of venture capital investment of any state in 2013, approximately 55% of all national venture capital totaling more than \$4 billion. Moreover, entrepreneurship continued to be a significant driver of employment growth with new business incorporations in the first half of 2013 approaching the pre-recession peak pace. These will be key drivers of employment growth in coming years – in particular, because of the significant multiplier effect of job creation by high-technology firms, the continued expansion of innovation industries will be critical in the ongoing recovery from the recession.

California Non-Farm Payroll Employment

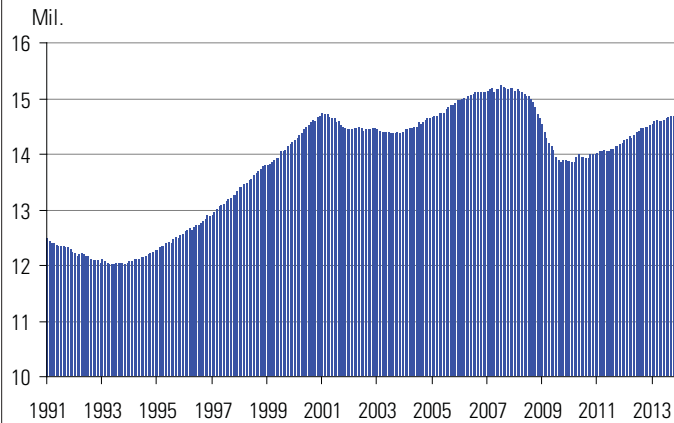
*Nov/Nov (Thou., SA)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Unemployment Rate	6.5%	5.9%	5.1%	4.8%	5.9%	9.2%	12.2%	12.2%	11.1%	9.9%	8.5%
Total Non-Farm	14,395.1	14,634.3	14,958.2	15,117.7	15,180.6	14,645.7	13,878.4	14,000.6	14,205.2	14,511.3	14,722.5
% Change	-0.4%	1.7%	2.2%	1.1%	0.4%	-3.5%	-5.2%	0.9%	1.5%	2.2%	1.6%
Natural Resources & Mining	22.7	22.9	24.3	25.2	27.6	28.9	25.4	27.2	30.0	29.5	30.1
% Change	-0.2%	0.8%	6.1%	3.9%	9.3%	4.6%	-12.0%	7.3%	10.3%	-1.6%	1.5%
Construction	817.7	869.4	939.4	912.5	854.3	726.5	578.9	552.2	571.0	604.9	630.6
% Change	4.6%	6.3%	8.0%	-2.9%	-6.4%	-15.0%	-20.3%	-4.6%	3.4%	5.9%	5.2%
Manufacturing	1,525.7	1,511.2	1,500.3	1,479.4	1,451.2	1,379.2	1,242.7	1,242.6	1,250.0	1,249.9	1,252.7
% Change	-4.2%	-1.0%	-0.7%	-1.4%	-1.9%	-5.0%	-9.9%	0.0%	0.6%	0.0%	0.4%
Trade	2,244.0	2,292.0	2,368.8	2,397.4	2,412.2	2,256.9	2,138.3	2,170.0	2,215.2	2,248.4	2,286.7
% Change	0.2%	2.1%	3.3%	1.2%	0.6%	-6.4%	-5.3%	1.5%	2.1%	1.5%	1.5%
Transportation & Utilities	475.7	485.1	488.3	502.3	512.4	494.2	464.7	469.7	476.9	496.2	503.7
% Change	-2.4%	2.0%	0.7%	2.9%	2.0%	-3.6%	-6.0%	1.1%	1.5%	4.0%	2.6%
Information Services	475.0	481.4	474.6	459.2	472.7	465.6	431.4	431.2	425.3	433.4	438.2
% Change	-0.3%	1.4%	-1.4%	-3.2%	2.9%	-1.5%	-7.3%	0.0%	-1.4%	1.9%	0.4%
Financial Activities	884.5	904.2	934.1	916.7	870.2	817.8	764.5	761.0	764.2	779.0	782.4
% Change	2.4%	2.2%	3.3%	-1.9%	-5.1%	-6.0%	-6.5%	-0.5%	0.4%	1.9%	0.2%
Professional & Business Services	2,070.9	2,125.2	2,188.3	2,265.2	2,270.9	2,168.0	2,042.3	2,100.7	2,170.9	2,259.9	2,312.1
% Change	-1.8%	2.6%	3.0%	3.5%	0.2%	-4.5%	-5.8%	2.9%	3.3%	4.1%	2.4%
Educational & Health Services	1,556.1	1,578.2	1,605.5	1,636.0	1,704.3	1,749.1	1,776.0	1,809.3	1,856.7	1,901.8	1,930.1
% Change	2.1%	1.4%	1.7%	1.9%	4.2%	2.6%	1.5%	1.9%	2.6%	2.4%	1.7%
Leisure & Hospitality	1,417.0	1,455.0	1,496.6	1,539.1	1,574.6	1,547.0	1,485.2	1,519.9	1,551.0	1,619.4	1,695.1
% Change	1.8%	2.7%	2.9%	2.8%	2.3%	-1.7%	-4.0%	2.3%	2.0%	4.4%	4.5%
Other Services	502.8	504.4	504.3	510.3	517.2	500.6	480.7	486.8	500.2	505.6	517.6
% Change	-0.8%	0.3%	0.0%	1.2%	1.4%	-3.2%	-4.0%	1.3%	2.8%	1.1%	1.6%
Government	2,397.6	2,402.2	2,432.9	2,476.9	2,517.2	2,517.9	2,450.0	2,428.6	2,388.9	2,377.7	2,350.2
% Change	-2.3%	0.2%	1.3%	1.8%	1.6%	0.0%	-2.7%	-0.9%	-1.6%	-0.5%	-0.9%

Sources: BLS, CA EDD, RCG

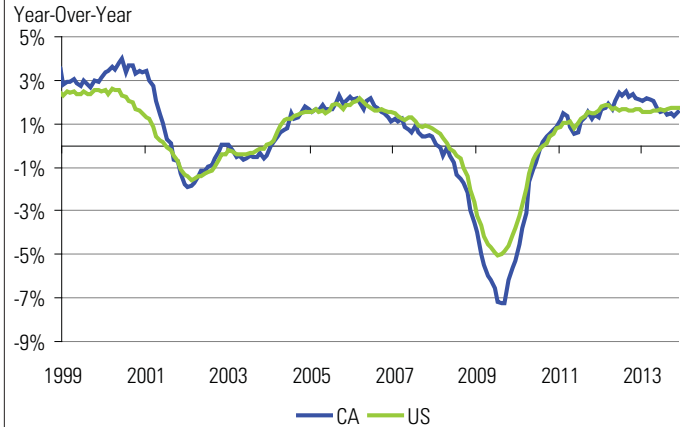
California: Employment

California Non-Farm Employment



Sources: BLS, CA EDD, RCG

Total Employment Growth



Sources: BLS, CA EDD, RCG

California MSA Employment

Ranked by Percent Growth in Jobs, SA

Rank	MSA	Oct-13	Oct-12	Absolute Change (000)	Percent Change	% Growth From Trough	As % of Jobs Lost*	Unempl. Rate
1	El Centro	57.9	56.0	1.8	3.3%	8.4%	124.2%	24.1%
2	Napa	74.0	71.8	2.2	3.1%	8.8%	132.4%	5.8%
3	Los Angeles	4,498.6	4,371.9	126.7	2.9%	5.7%	61.7%	9.5%
4	Redding	71.7	70.1	1.6	2.2%	2.9%	24.6%	10.2%
5	Hanford-Corcoran	53.0	51.9	1.1	2.1%	5.1%	66.2%	12.6%
6	San Louis Obispo	136.6	133.9	2.8	2.1%	13.2%	174.9%	6.2%
7	San Jose	885.3	867.8	17.4	2.0%	11.6%	176.7%	6.5%
8	Stockton	259.1	254.3	4.8	1.9%	5.5%	62.3%	12.2%
9	Vallejo	199.5	196.1	3.4	1.7%	5.8%	101.5%	8.0%
10	San Francisco	968.2	953.5	14.8	1.5%	11.0%	195.8%	5.2%
11	Santa Barbara	217.3	214.3	3.0	1.4%	9.5%	204.2%	6.2%
12	Orange County	1,532.3	1,511.4	20.9	1.4%	7.5%	77.9%	5.8%
13	Chico	90.9	89.8	1.1	1.3%	3.8%	39.5%	9.8%
14	San Diego	1,489.2	1,471.4	17.8	1.2%	7.0%	137.8%	7.0%
15	Santa Cruz	139.2	137.7	1.5	1.1%	9.2%	114.8%	8.7%
16	Inland Empire	1,614.9	1,600.2	14.7	0.9%	6.6%	63.5%	9.7%
17	Fresno	440.6	436.7	4.0	0.9%	5.1%	77.8%	12.3%
18	Ventura	407.4	403.7	3.6	0.9%	6.3%	102.8%	7.3%
19	Merced	94.5	93.7	0.8	0.9%	9.3%	178.7%	14.0%
20	Bishop	171.1	169.9	1.2	0.7%	3.0%	33.0%	12.0%
21	Salinas	204.2	202.8	1.3	0.7%	9.7%	164.8%	9.3%
22	Santa Rosa	239.5	238.1	1.4	0.6%	5.3%	58.2%	6.3%
23	Oakland	1,208.7	1,202.8	5.9	0.5%	6.2%	96.3%	7.0%
24	Sacramento	948.2	943.9	4.3	0.5%	4.0%	47.2%	8.2%
25	Eureka	54.2	54.0	0.2	0.3%	2.3%	30.4%	8.3%
26	Modesto	204.6	205.3	-0.7	-0.3%	5.0%	66.0%	12.5%
27	Visalia	175.3	176.5	-1.2	-0.7%	3.5%	55.1%	13.4%
28	Ukiah	38.5	38.8	-0.3	-0.7%	2.1%	19.9%	7.7%

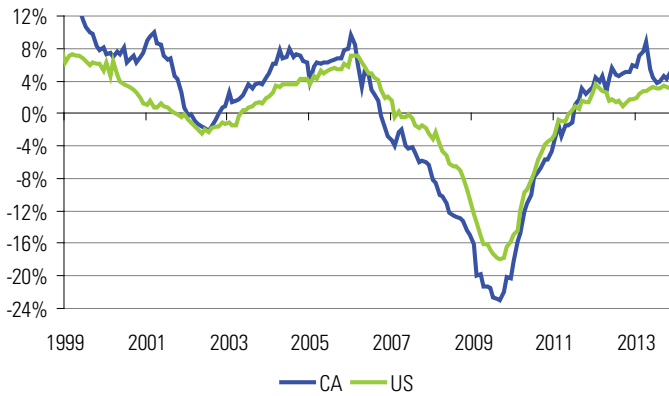
*stated as a percentage of jobs lost during the recession

Sources: BLS, CA EDD, RCG

California: Employment

Construction Employment Growth

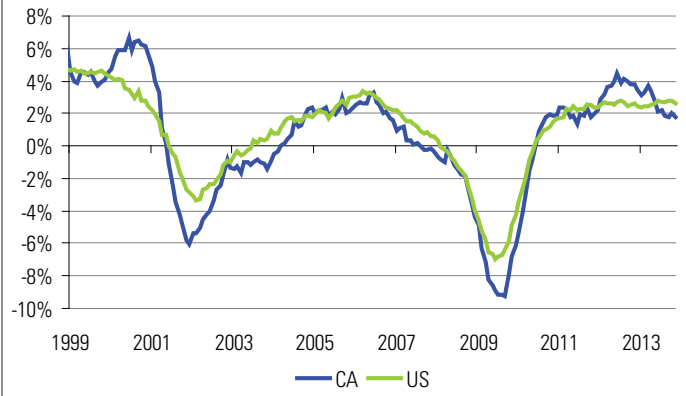
Year-Over-Year



Sources: BLS, CA EDD, RCG

Office-Using Employment Growth

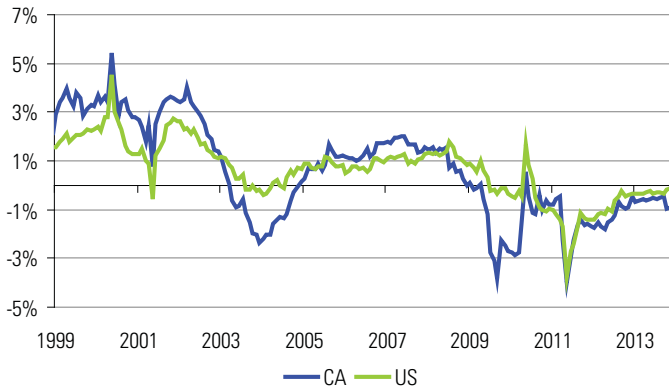
Year-Over-Year



Note: Includes financial activities, informational services, and professional and business services
Sources: BLS, CA EDD, RCG

Government Employment Growth

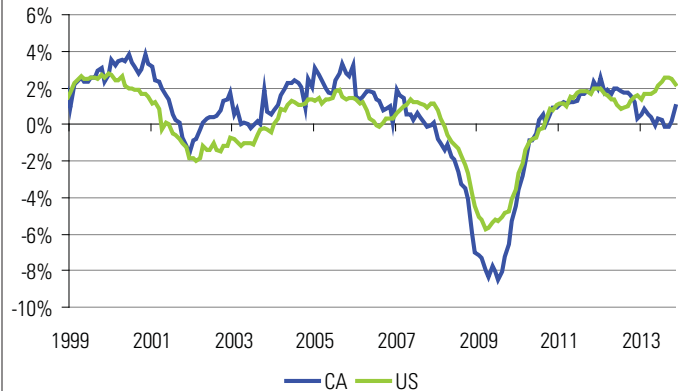
Year-Over-Year



Sources: BLS, CA EDD, RCG

Retail Trade Employment Growth

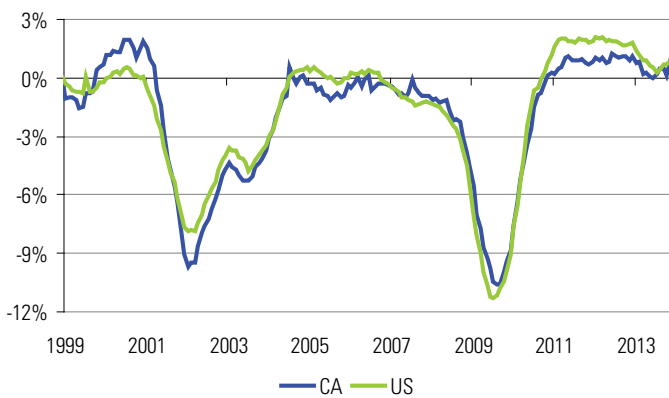
Year-Over-Year



Sources: BLS, CA EDD, RCG

Industrial Employment Growth

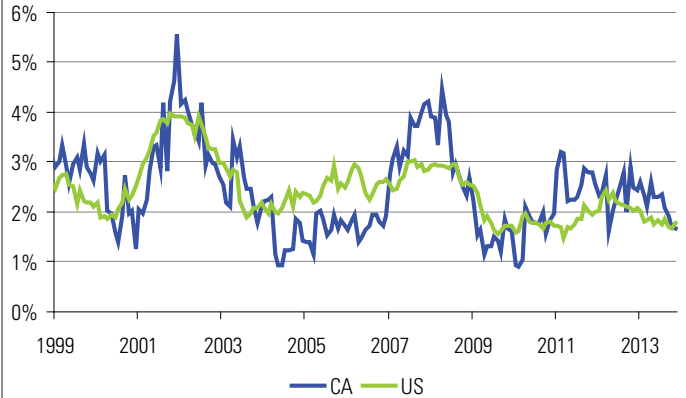
Year-Over-Year



Note: Includes manufacturing, transportation and utilities
Sources: BLS, CA EDD, RCG

Ed. & Health Services Employment Growth

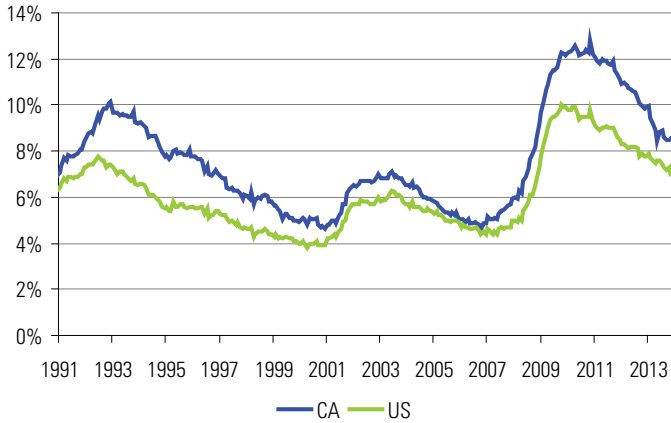
Year-Over-Year



Sources: BLS, CA EDD, RCG

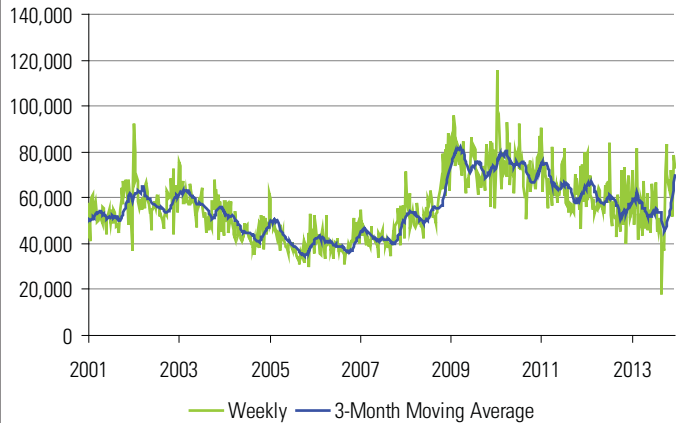
California: Employment

Unemployment Rates



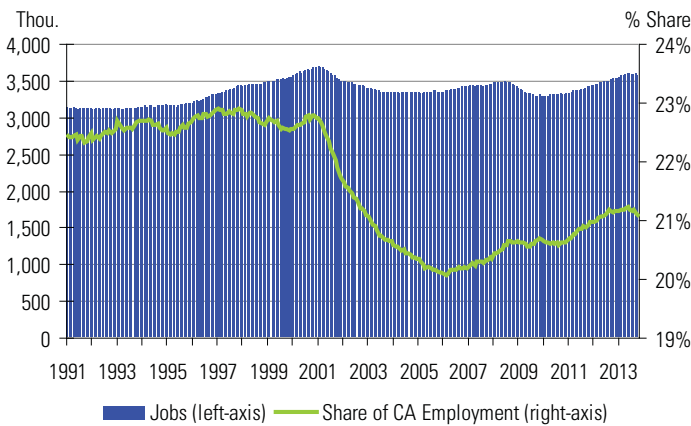
Sources: BLS, CA EDD, RCG

California Unemployment Insurance Claims



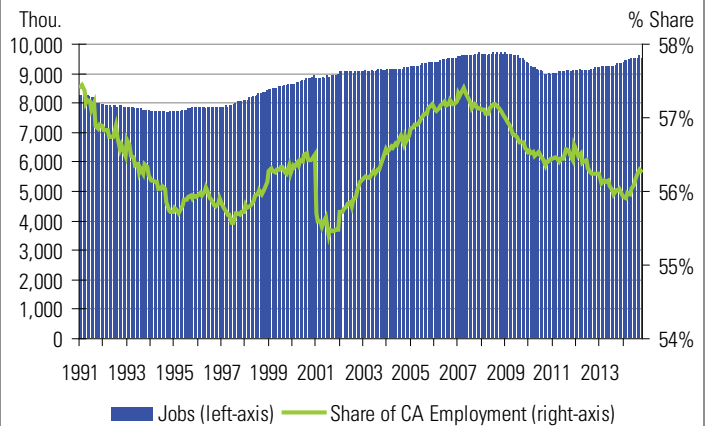
Sources: BLS, CA EDD, RCG

Bay Area Employment



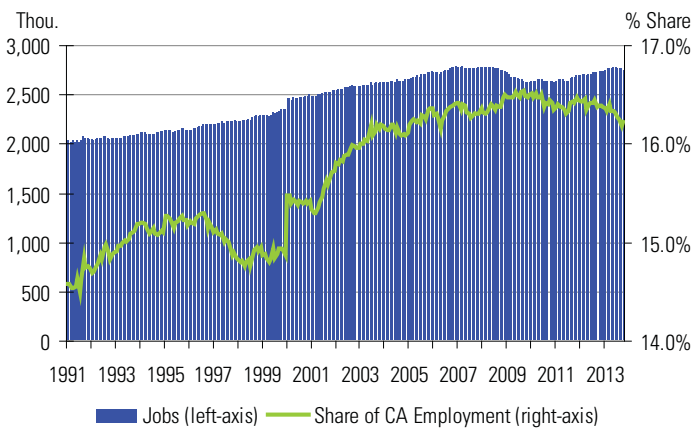
Sources: BLS, CA EDD, RCG

Southern California Employment



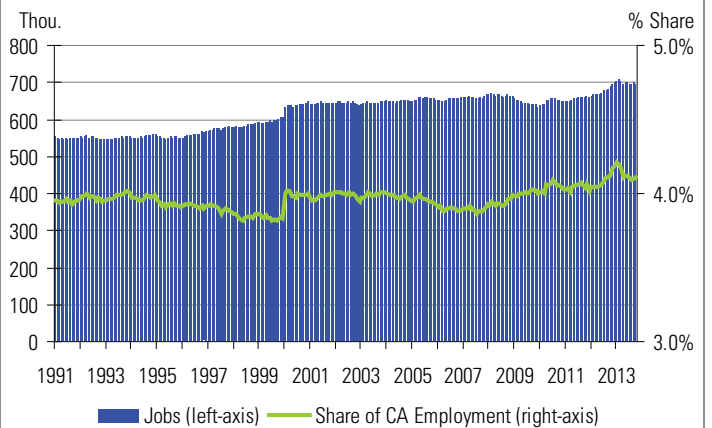
Sources: BLS, CA EDD, RCG

Central Valley Employment



Sources: BLS, CA EDD, RCG

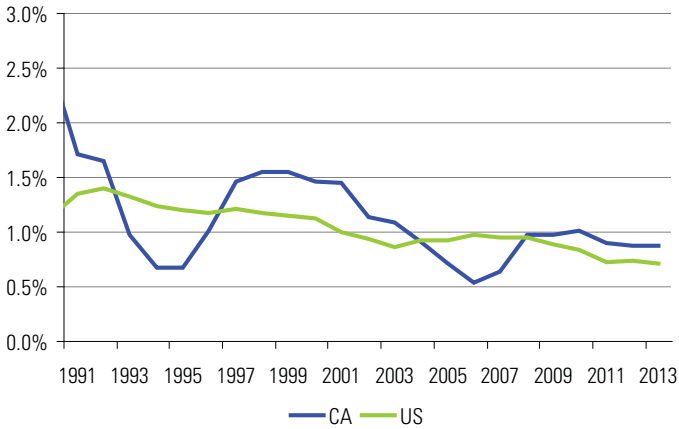
Central Coast Employment



Sources: BLS, CA EDD, RCG

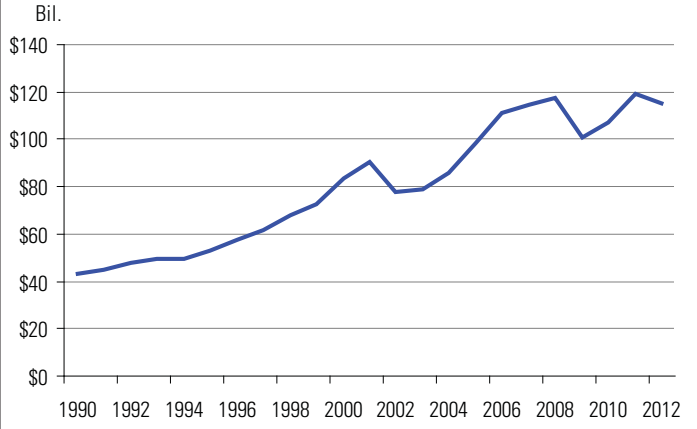
California: Miscellaneous Indicators

Population Growth



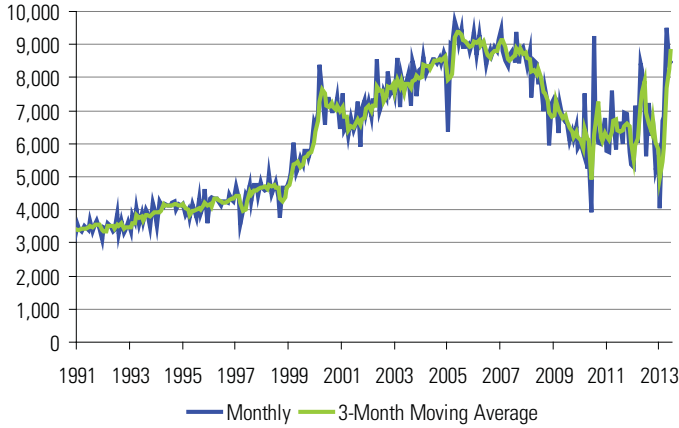
Source: Census

California Total Tax Collections



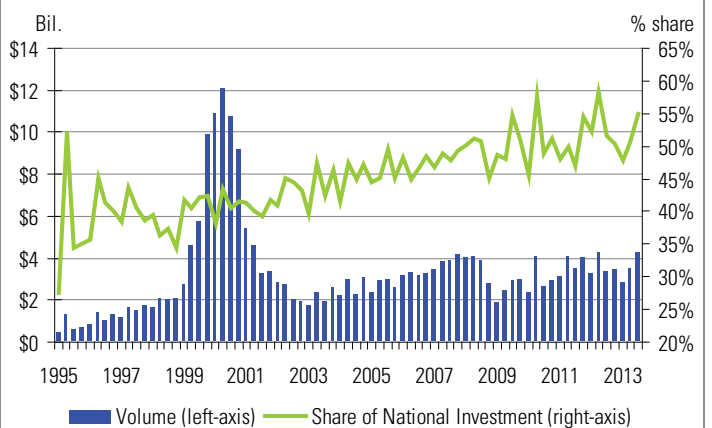
Source: Census

California New Business Incorporations



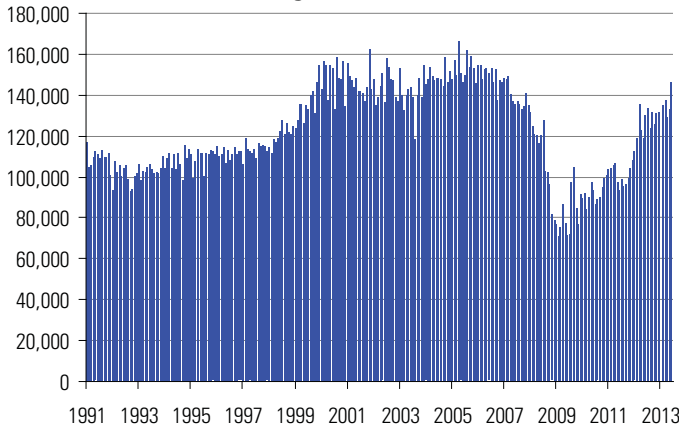
Source: CA DOF

California Venture Capital Investment



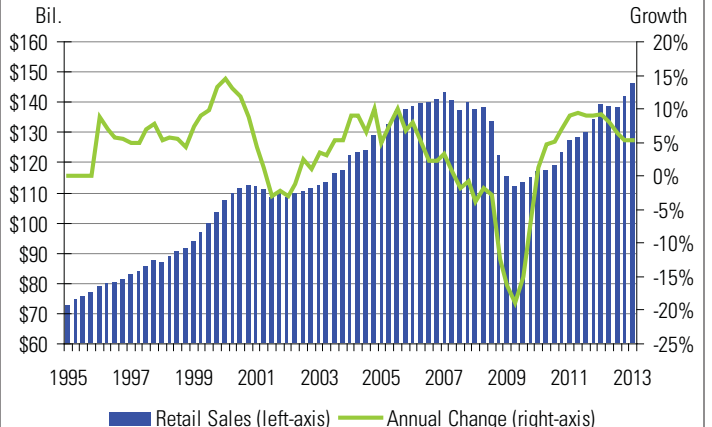
Source: PwC MoneyTree

California New Auto Registrations



Note: Data are seasonally adjusted
Sources: CA DMV, CA DOF

California Retail Sales

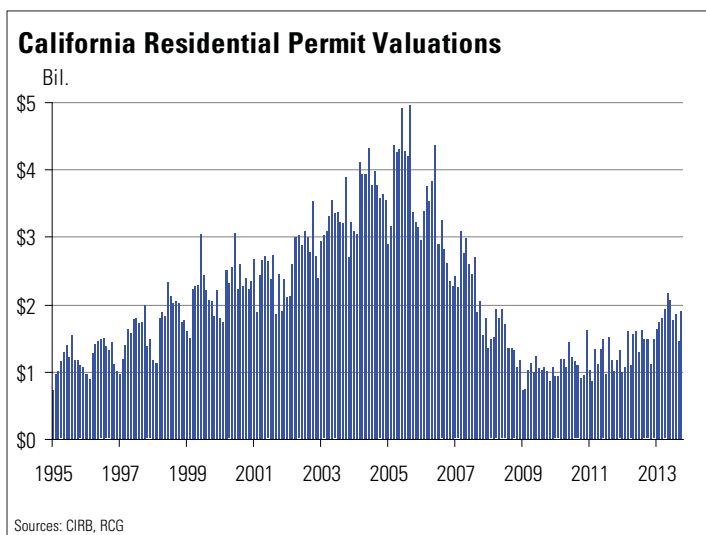
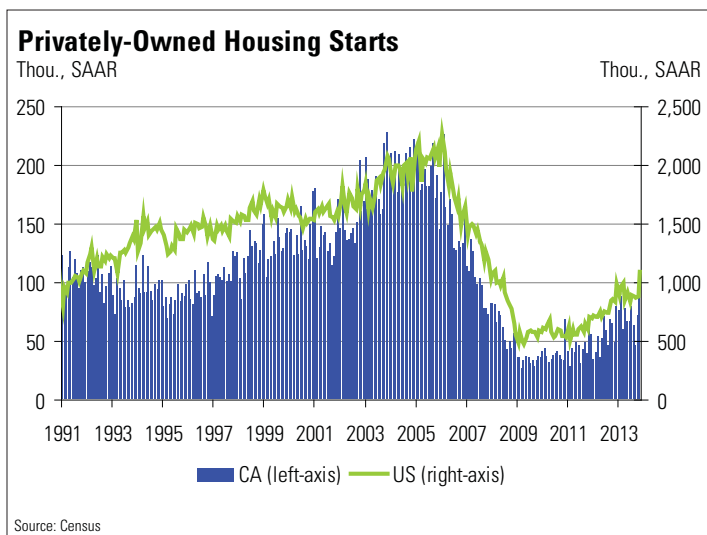
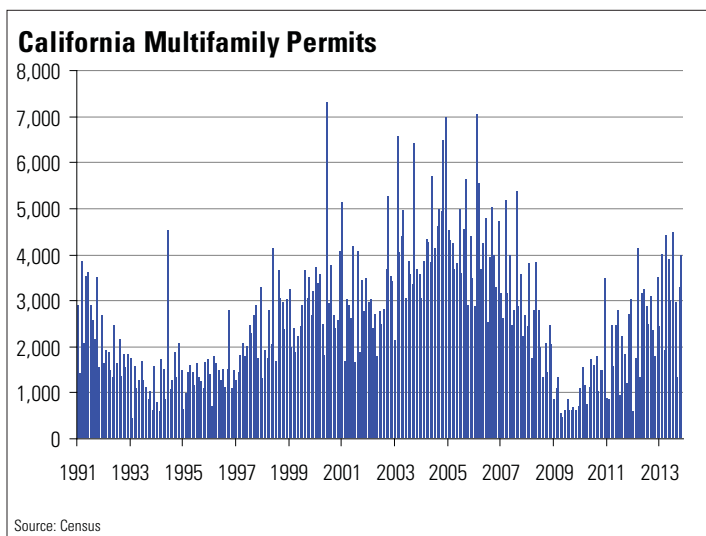
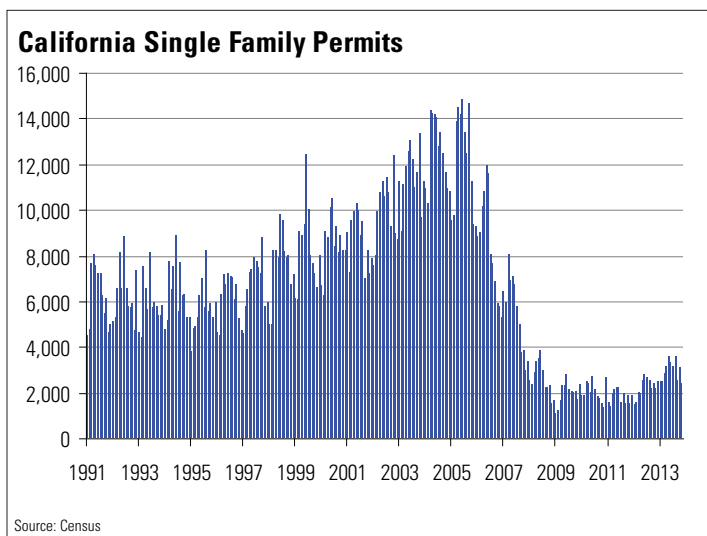


Source: CA BOE

California: Housing

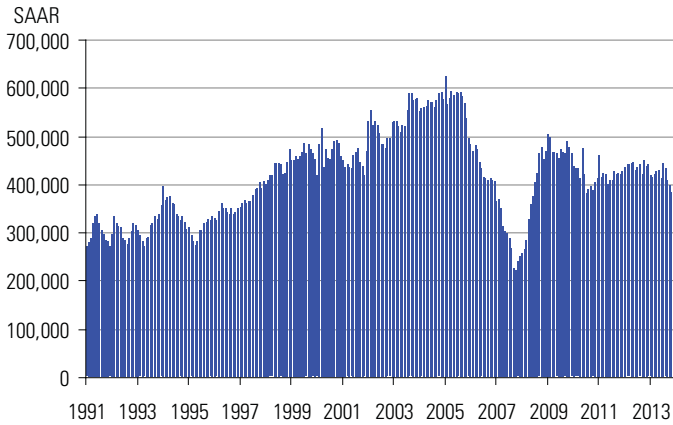
California for-sale housing fundamentals continued to recover as job creation fueled home purchases by first-time buyers and boomerang buyers alike. The surge in median prices during the past two years began to subside as the housing market headed towards normalization. Nevertheless, the increase in home prices combined with rising interest rates hampered affordability and restricted many would-be buyers, contributing to the fourth-straight monthly decline in single family sales through November 2013. While for-sale inventory is trending upward, supply remains below a normalized level, particularly in the trade-up segment. Looking forward, RCG expects the economic recovery and demographic growth to stimulate buyer-driven demand. With organic buyer demand on an upward trend, median price growth will reach a more sustainable level throughout much of the state. Additionally, more sellers will place homes on the market as valuations improve, leading to greater for-sale inventory and more options for trade-up buyers. The recovering sales volume and sustainable house price growth should persist through the medium term even as mortgage rates increase.

Job creation and demographic growth will also fuel robust rental apartment demand moving forward. The large number of echo boomers will continue to find means to form first-time households, and shifting tenure choice will result in extended tenure for new and existing renters. While rising construction levels are leading to concerns about an oversupply potential, apartment development activity is still catching up to the backlog of rental demand. In addition, large-scale apartment construction is concentrated in select pockets and is minimal. Even as the for-sale market recovers, the positive demographic trends will continue to support a strong apartment market. Elevated rental demand combined with limited new supply should result in strong operating conditions through the medium term.



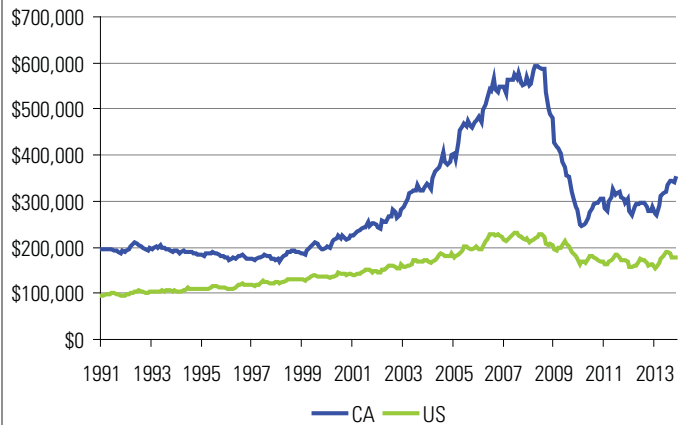
California: Housing

California Single Family Sales



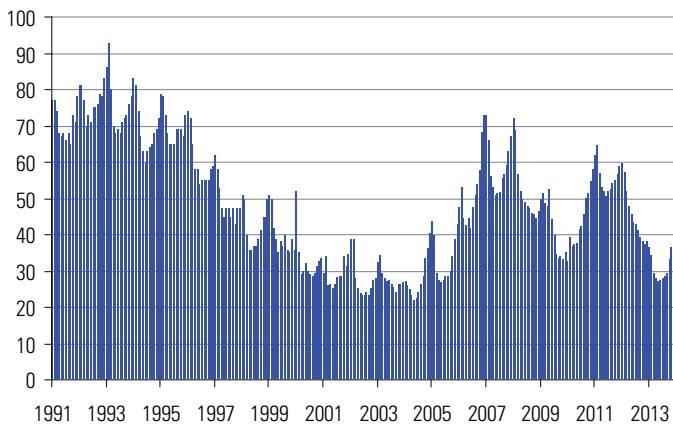
Source: CAR

Existing Single Family Median Price



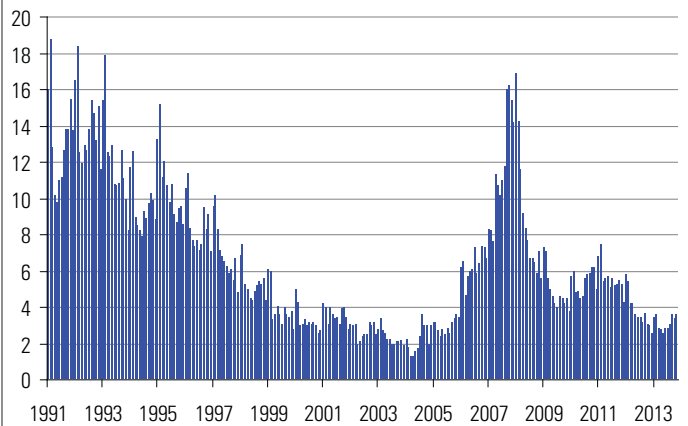
Sources: CAR, NAR

California Single Family Days on Market



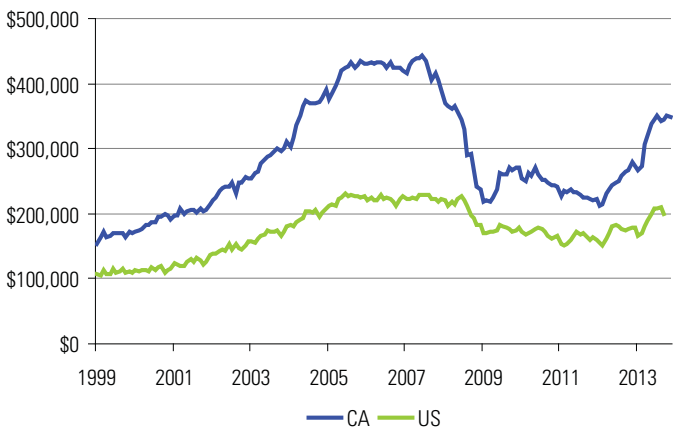
Source: CAR

California Single Family Months of Supply



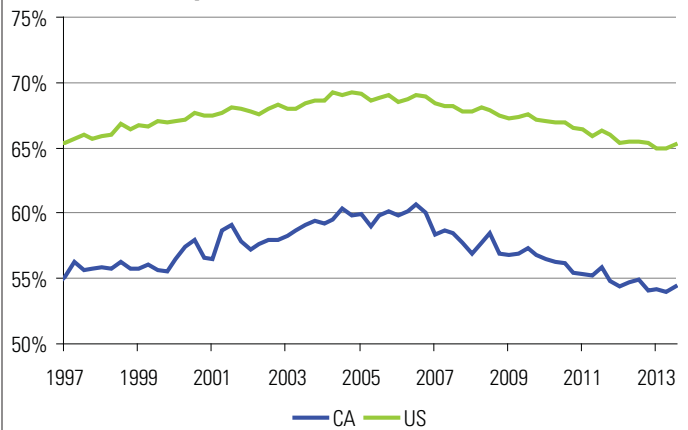
Source: CAR

Existing Condo Median Price



Sources: CAR, NAR

Homeownership Rate



Source: Census

California: Housing

