

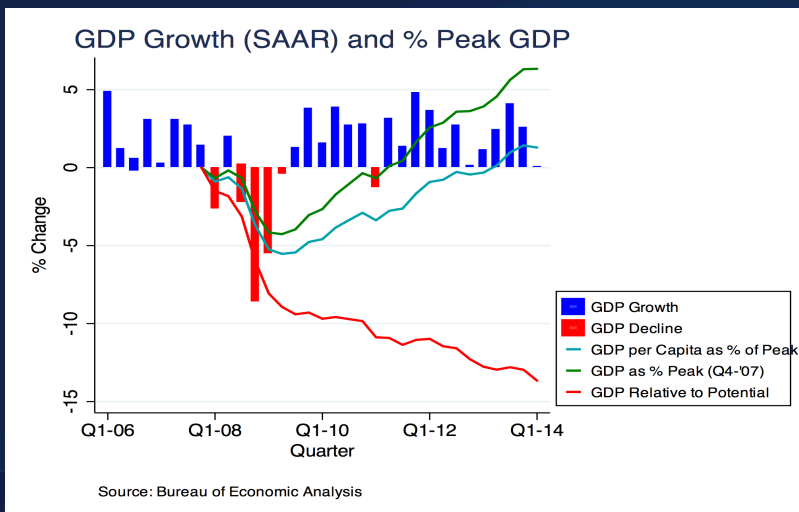
Today's Economy: State of Affairs and Issues

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May 13, 2014

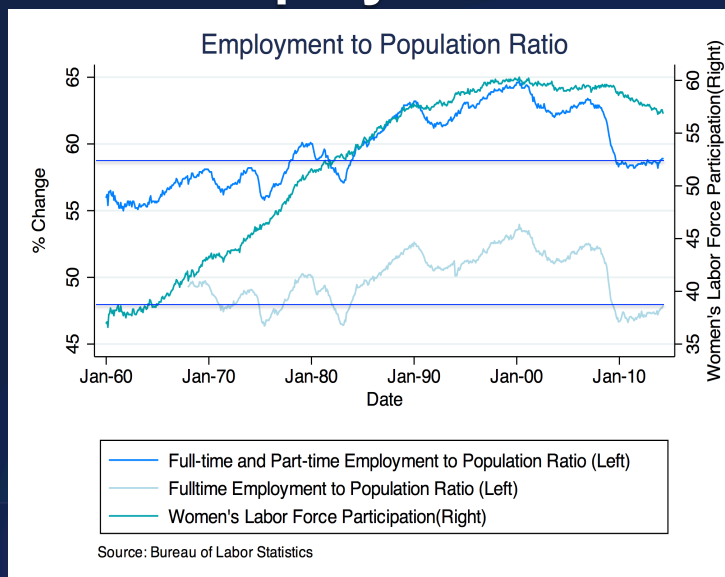
Topics

- US Economy - briefly
- California Economy
 - Broadly
 - Bay Area specifically
- Housing and Inequality as problem areas
- Prosperity Strategy
- Technology in the Bay Area
 - Growth
 - Venture Capital
 - Bubble?

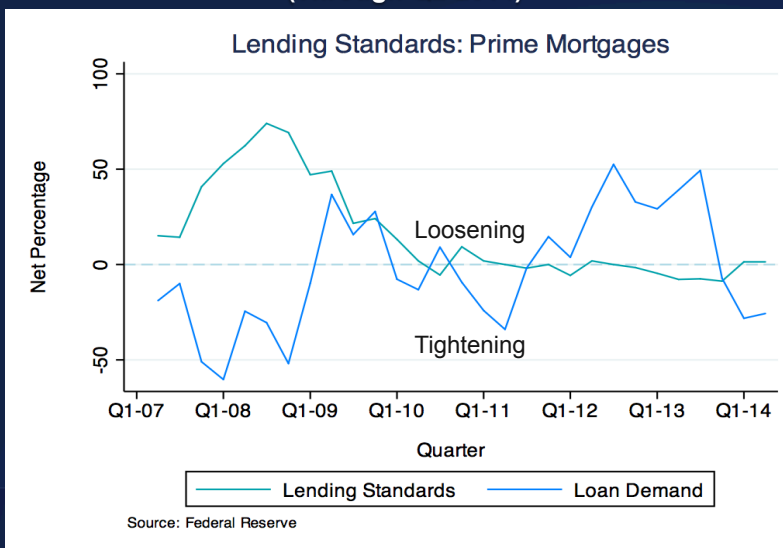
Recovery To Date



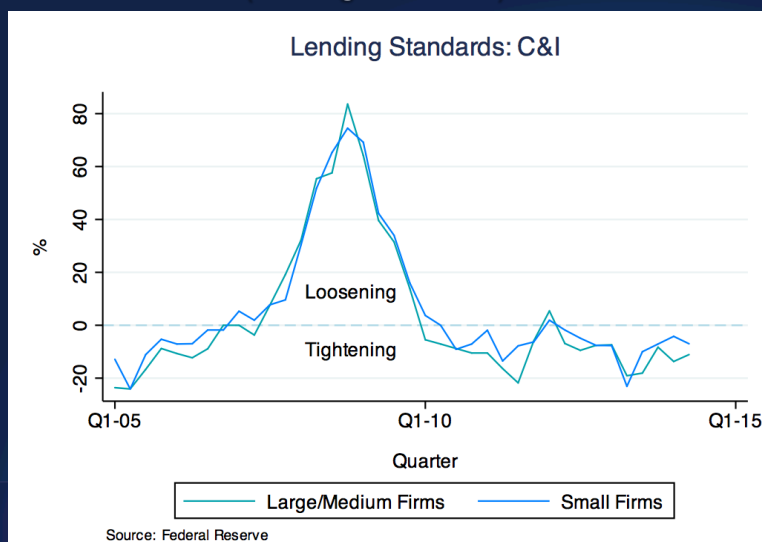
Employment?



Lending Standards: Prime Mtgs. (Through Q2-2014)

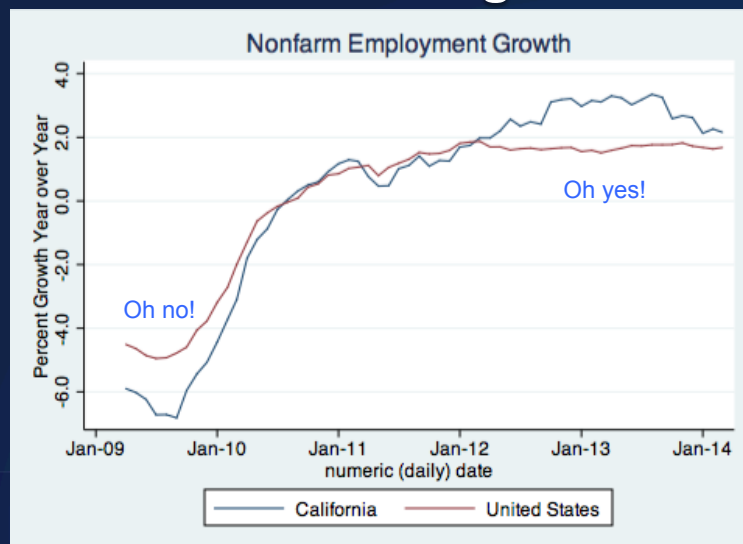


Lending Standards: C&I (Through Q2-2014)



CALIFORNIA

California Broad Employment Picture: Bright!



Regional Recovery

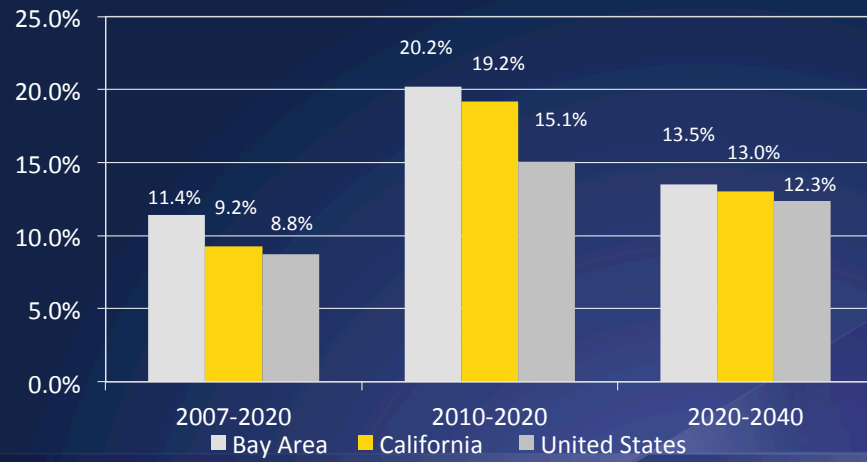
Region	Employment March-14	12 Month % Chg	% Above Peak
San Francisco MD	1,088,701	2.6	7.0
San Jose MSA	990,481	4.3	6.4
Bakersfield MSA	253,307	1.9	4.4
San Diego MSA	1,338,638	2.5	1.0
CALIFORNIA	15,365,500	2.2	-0.5
Fresno MSA	313,542	3.9	-1.0
Oakland MD	1,048,259	1.9	-1.4
Los Angeles MD	4,174,738	2.2	-1.4
Oxnard MSA	290,089	1.5	-3.3
Inland Empire MSA	1,246,304	2.7	-3.6
Sacramento MSA	877,598	1.9	-4.7

Bay Strengths Relative to CA & US (12 month % growth to March 2014)

Industry	Bay Area	California	U.S.
Total Non-Farm Employment	3.0	2.2	1.7
Transport/ Warehouse	5.6	2.3	1.8
Manufacturing	3.6	-0.1	0.7
Information	5.8	4.3	0.2

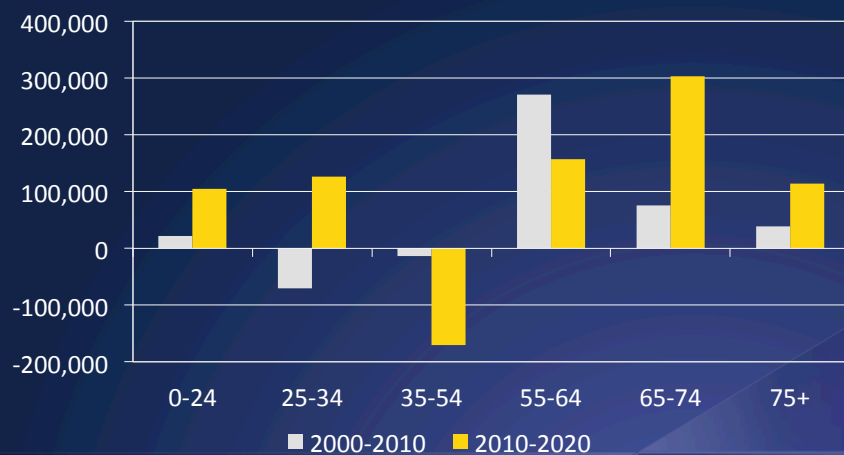
Statewide: fastest growing include Prof/Bus, Information, Leisure & Hosp,
Other Services

Forecast Growth in Total Jobs



Source: Center for Continuing Study of the California Economy

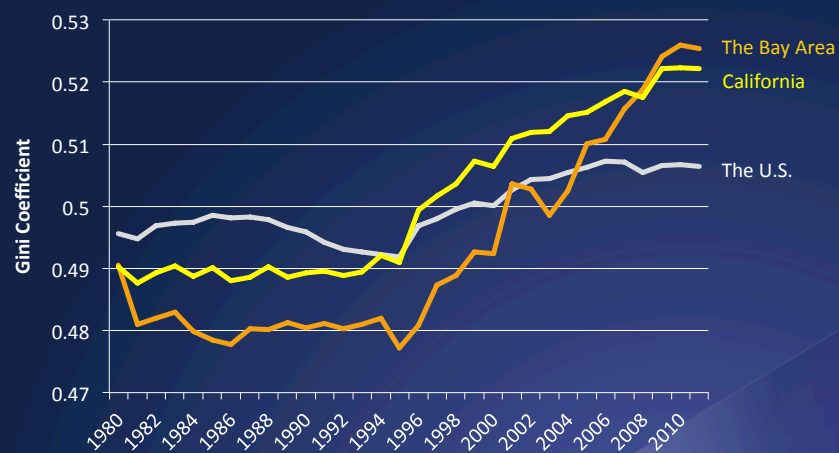
Bay Area Population Growth (thousands)



Source: Center for Continuing Study of the California Economy

CONSEQUENCES OF RECENT BAY AREA GROWTH

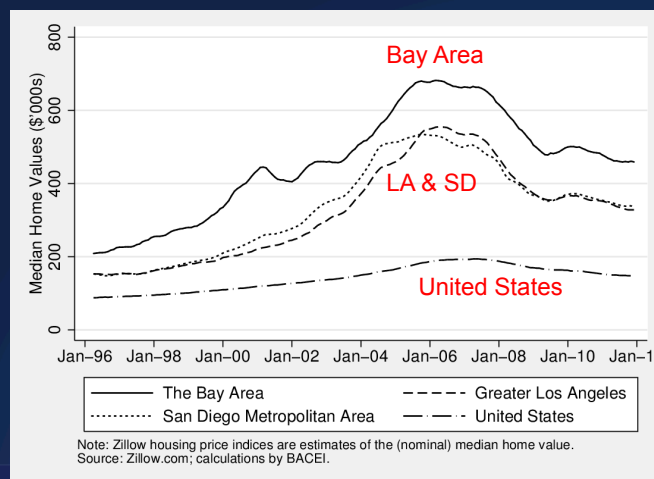
Income Inequality



Facts on Income Inequality

- Top 1%:
 - Collect 24% of all income
 - Own 40% of all wealth
 - Hold 50% of all stocks, bonds, and mutual funds
 - Received 63% of all income gains in recent years
- Problem for residential real estate:
 - Hollowing out of the middle creates a bifurcated residential market. Softening at the bottom and tightening at the top.

High Housing Prices (Median Home Values Over Time)



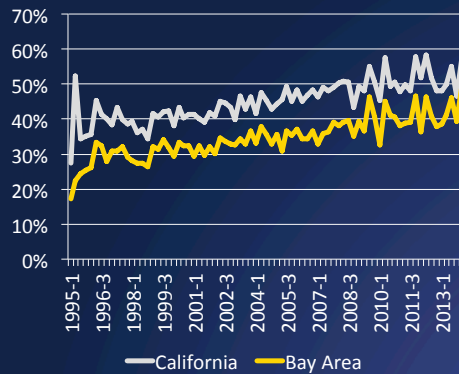
Bay Area Prosperity Strategy

- Motivated in part by vanishing middle age/skill workers
- Aggressively generate potential and opportunity for low skilled workers to move up
- Create conditions locally to bring back middle class
 - Housing, housing, housing
- Grow the local economy

TECH/VENTURE CAPITAL

Venture Capital

CA and Bay Shares of U.S. Venture Capital to Q1-2014

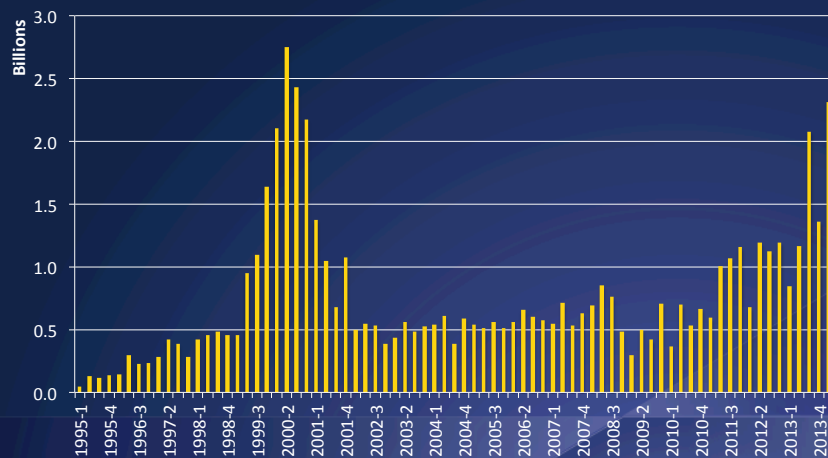


Q1-2014	Value of All Deals (Millions)	% of Total US VC
Bay Area	4,698	50
California	5,461	58
United States	9,469	

Source: PriceWaterhouseCoopers MoneyTree

Getting Back to Bubbles

VC Spending: Software, Bay Area, Through 2014-Q1



Summary

- Economy may be slow – but artificially so
- Employment
 - Growing: faster in CA, faster still in Bay Area
- Lending standards are an impediment
 - How long will cash drive markets?
- Bay area
 - **Demographics** will play a major role going forward
 - **VC** will likely continue, but is facing problems
 - **Tech** likely to be a driver for some time, but no guarantees. Bubble, bubble....

Marin Economic Consulting

- *Local Economic Development*
- *Regional Analysis*
- *Business & Market Analysis*
- *Ports & Infrastructure Analysis*
- *Economic Impact Analysis*
- *Public Policy Analysis*

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