Sonoma County Economic Development Board

BUSINESS BAROMETER

June 2006

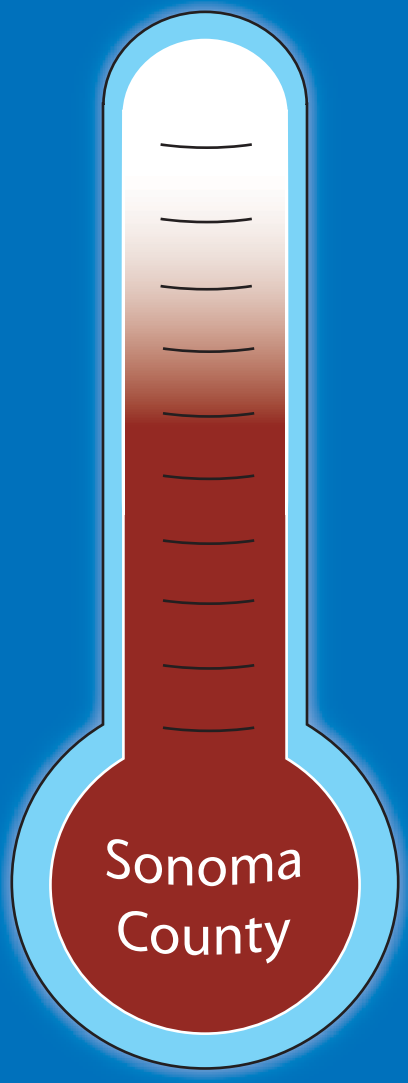
In This Month's Report:

- Newly revised employment data shows that Sonoma County added 2,600 jobs in the 12-month period ending April 2006. The seasonally adjusted unemployment rate in Sonoma County rose to 4.2% in April of 2006. (All employment data is seasonally adjusted by the EDB).

- Home prices in April 2006 were only 2.7% higher than the 2005 median.

- Energy prices have resumed their rise, with gasoline reaching $3.29 per gallon in the Bay Area. Inflation rose in April 2006 to 3.2% per year.

- A special focus this month on the County's Professional Services sector.



Produced in partnership with the Workforce Investment Board

With Acknowledgment and Appreciation to the Underwriters of the Economic Development Board Foundation Research Initiatives Program

Sonoma County Permit & Resources Management Dept. ■ Community Development Commission ■ Sonoma County Health Services ■ Sonoma County Transportation & Public Works

Anderson Zeigler Disharoon Gallagher & Gray — Attorneys at Law, A Professional Corporation

North Bay Construction

Sonoma County Workforce Investment Board

North Bay Business Journal — North San Francisco Bay Area: Sonoma, Napa, and Marin Counties

Christopherson Homes Incorporated

REMLA — Redwood Empire Mortgage Lenders Association

Bank of Marin — Member FDIC

Midstate Construction — Quality Since 1935

Summit State Bank

Frank Howard Allen Realtors

Luther Burbank Savings

CMPR — Carle, Mackie, Power & Ross LLP — Attorneys

Bank of America

NorBAR — North Bay Association of Realtors

Merrill Arnone & Jones, LLP

Moss Adams LLP

NAI BT Commercial — Commercial Real Estate Services, Worldwide.

Circle Bank

Exchange Bank — Since 1890

North Coast Builders Exchange

Sonoma County Office of Education

Safe-Bidco

American AgCredit

Development · Architecture · Management — Simons & Brecht Inc. — Redefining the workplace since 1967

North American Title Company — Like Clockwork®

Matsen — Insurance Brokers

Basin Street Properties

Sonoma County Water Agency

comcast

The Press Democrat

Wells Fargo

Redwood Credit Union

Prudential Santa Rosa | California Realty

Pacific Gas and Electric Company®

Kaiser Permanente® thrive

Codding Enterprises

Sonoma County Alliance

Cushman & Wakefield® — Global Real Estate Solutions

Sonoma Valley Bank

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Infineon Raceway

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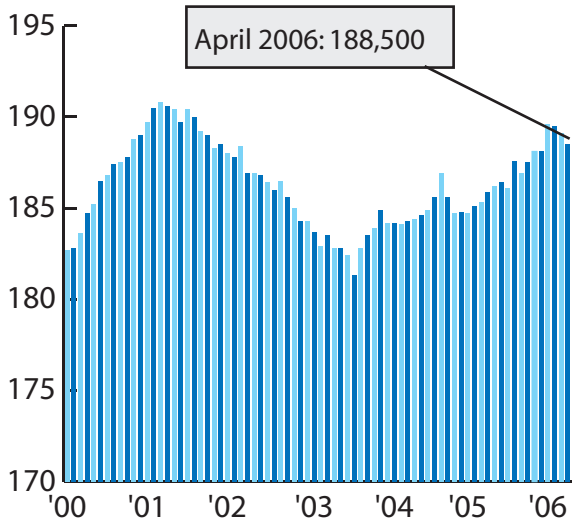
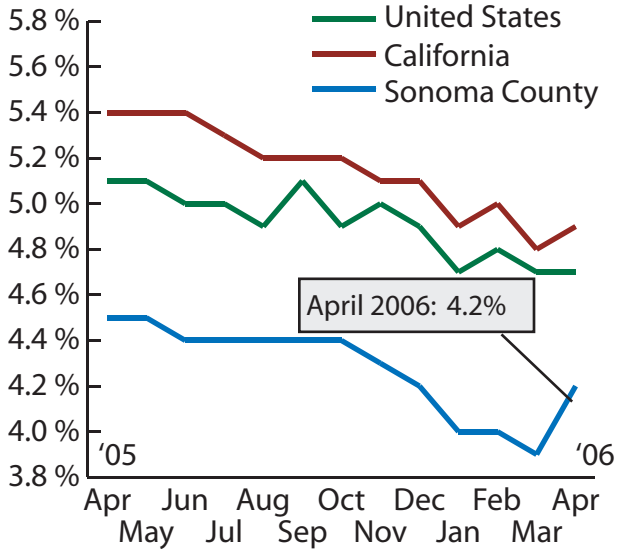
Employment (Thousands)



2,600 Change in jobs since April 2006

2,300 Change in jobs since March 2001

Unemployment Rate



0.3% Change in unemployment rate since April 2005

April's employment statistics suggest that job creation in Sonoma County has slowed. While there were 1500 more Sonoma County jobs in April 2006 than in April 2005, employment in April 2006 was 600 jobs below employment in March 2006.

However, the unemployment rate remains low at 4.2% (well below the U.S. and California unemployment rates), and is below the 4.5% rate of April 2005.

Sonoma County has experienced an overall trend of positive job creation since August of 2003 - Sonoma County has added 5,700 jobs since then.

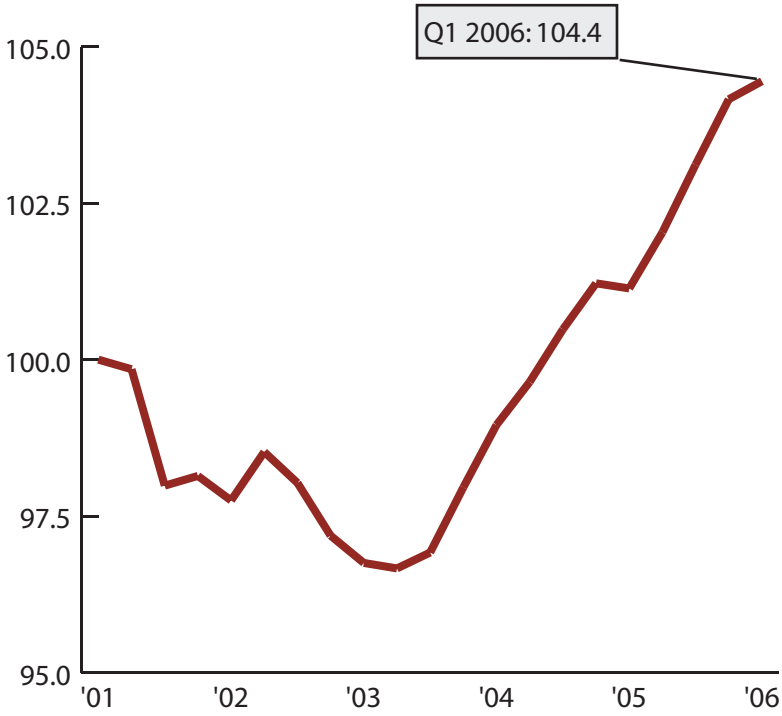
Sources: Bureau of Labor Statistics (http://www.bls.gov)
Data is seasonally adjusted by the EDB

Business Cycle Index

The Sonoma County Business Cycle rose again in the 1st Quarter of 2006. Currently, the Index stands at 104.4 - 4.4% above 1st Quarter 2001. The index "bottoms out" in the first half of 2003, and has been steadily rising since, a representation of the improving economic conditions experienced in the County.

The Sonoma County Business Cycle Index attempts to show the current trends of several key economic statistics in one graph. The Index combines four statistics in varying proportions based on their volatility - those statistics, such as employment, which are relatively stable are considered more important than those statistics, such as business confidence, which tend to vary considerably. Currently the index is weighted in the following approximate proportions: Employment - 51%, Wages - 28%, Taxable Sales - 18%, Business Confidence - 3%. The index is set so that 1st Quarter 2001 = 100.

The index provides a visual representation of the overall business cycle in Sonoma County. Following the decline of the technology sector, the index shows the economic contraction experienced in Sonoma County after 2001.



3.3% Change in index since 1st Quarter 2005

4.4% Change in index since 1st Quarter 2001

Source: Sonoma County Economic Development Board (http://www.sonoma-county.org/edb)

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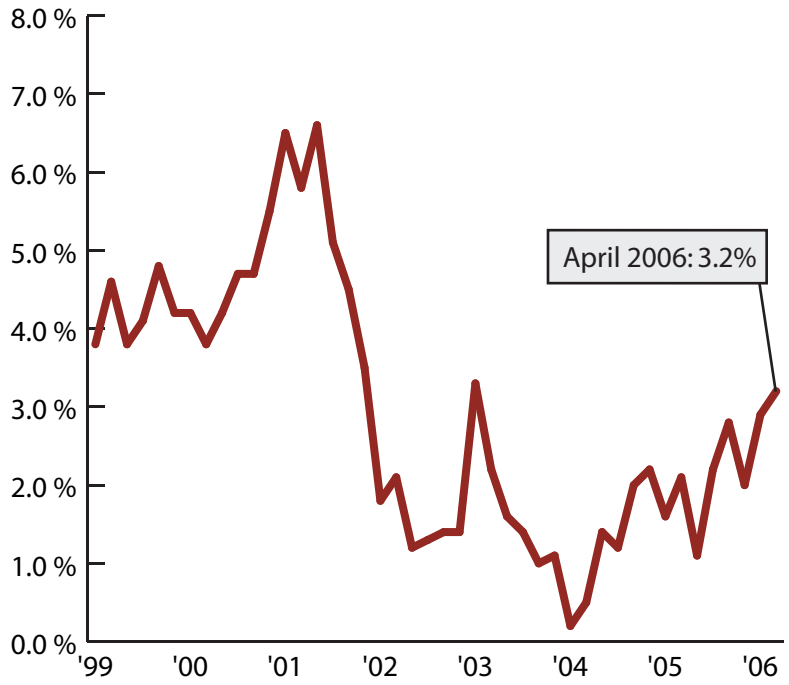
Inflation

Rapidly increasing gasoline and natural gas prices have contributed to significant concern over the possibility of increased inflation. While the rate of inflation has remained relatively low at 3.2% per year, gasoline has recently reached a peak price in the Bay Area of $3.29 per gallon. Overall, gasoline prices are 87 cents higher than they were in May 2005. Similarly, natural gas and electricity prices are well above last year's levels.

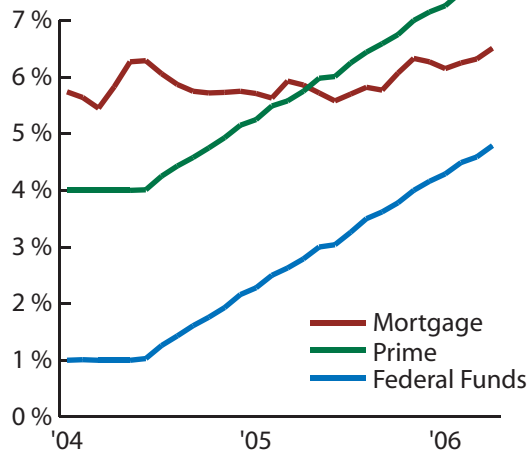
12-Month Change in Prices, *San Francisco/Bay Area*



0.9% Increase in rate of inflation since April 2005

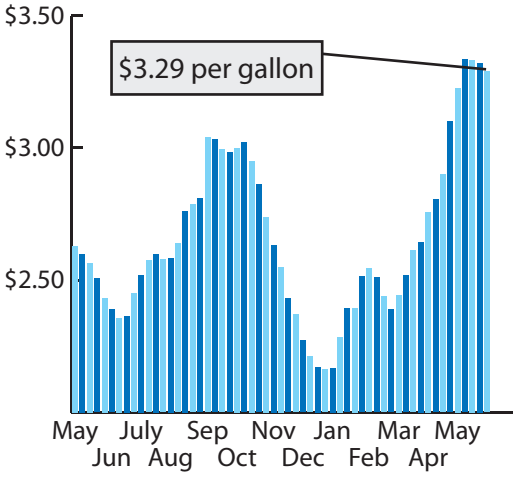
2.6% Decrease in rate of inflation since April 2001

Interest Rates



Sources: Bureau of Labor Statistics (http://www.bls.gov) and The Board of Governors of the Federal Reserve (http://www.federalreserve.gov)

Gasoline, *San Francisco/Bay Area*

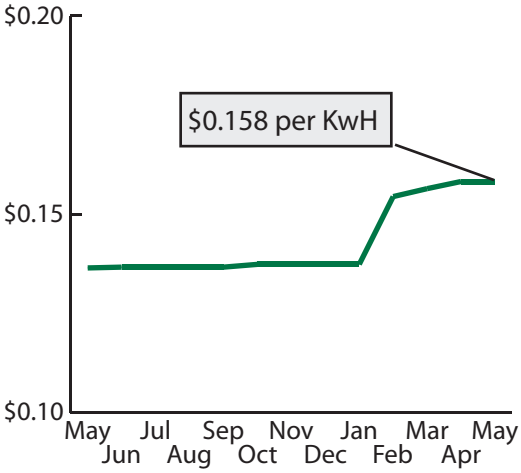


25¢ Increase since September 2005 peak

87¢ Increase since May 2005

Electricity

Price per Kilowatt Hour

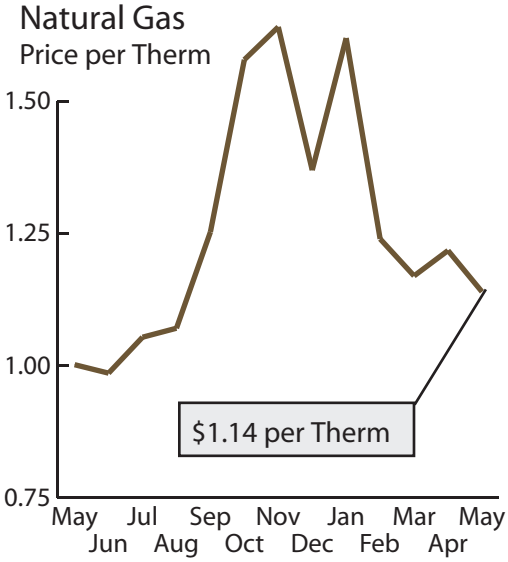


16% Increase since May 2005

0% Unchanged since April 2006

Natural Gas

Price per Therm



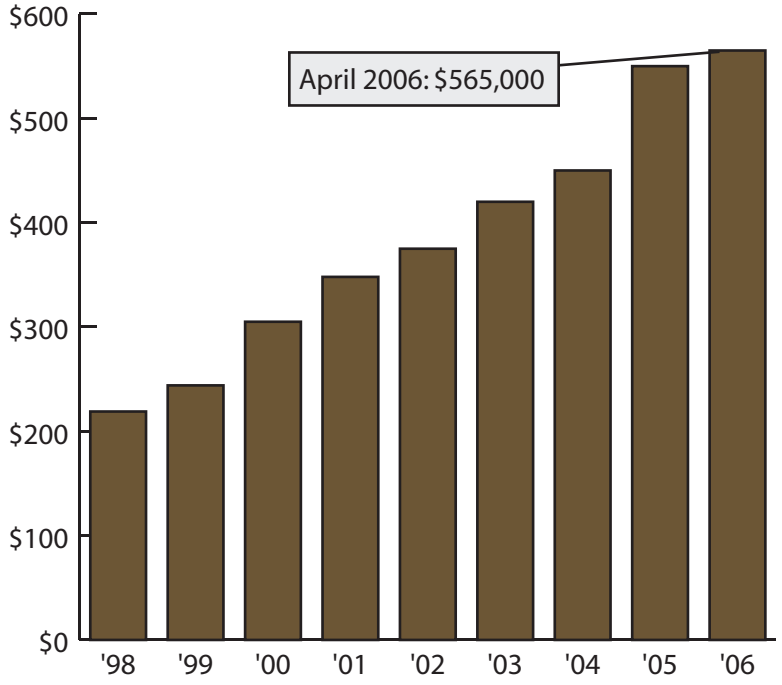
14% Increase since May 2005

6.6% Decrease since April 2006

Sources: Department of Energy (http://www.doe.gov) and Pacific Gas and Electric (http://www.pge.com)

Housing

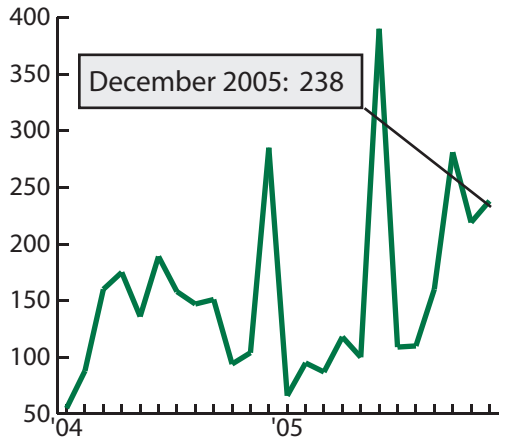
Median Home Price (Thousands)



2.7% Increase since 2005

158% Increase since 1998

Housing Starts



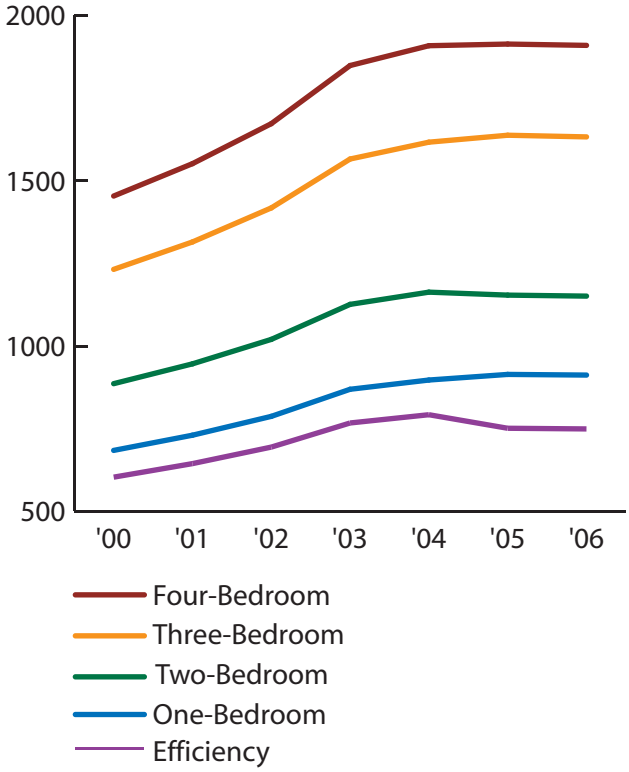
Year	Housing Starts
2004	1742
2005	1973

19 Increase since last month

231 Increase since last year

Sources: California Association of Realtors (http://www.car.org) and The U.S. Bureau of the Census (http://www.census.gov)

Fair Market Rent



Recently, increasing home prices have begun to slow: April 2006's median home price was only 2.7% higher than 2005. Home prices have increased dramatically over the last seven years, and the median home price in April 2006 was $565,000 for Sonoma County, a 158% increase since 1998. "Housing Starts" have risen with 231 more starts in 2005 than last year. (Housing starts are new homes which begin construction during a calender year -- so a housing start in December of 2005 may not be completed for quite some time).

"Fair Market Rents," calculated by the Department of Housing and Urban Development, have reached a plateau in Sonoma County. The current fair market rent for a two-bedroom apartment is $1151 per month.

Sources: Department of Housing and Urban Development (http://www.hud.gov)

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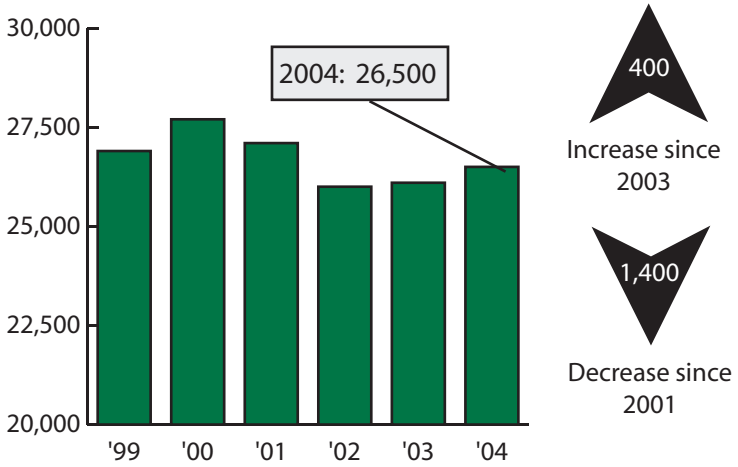
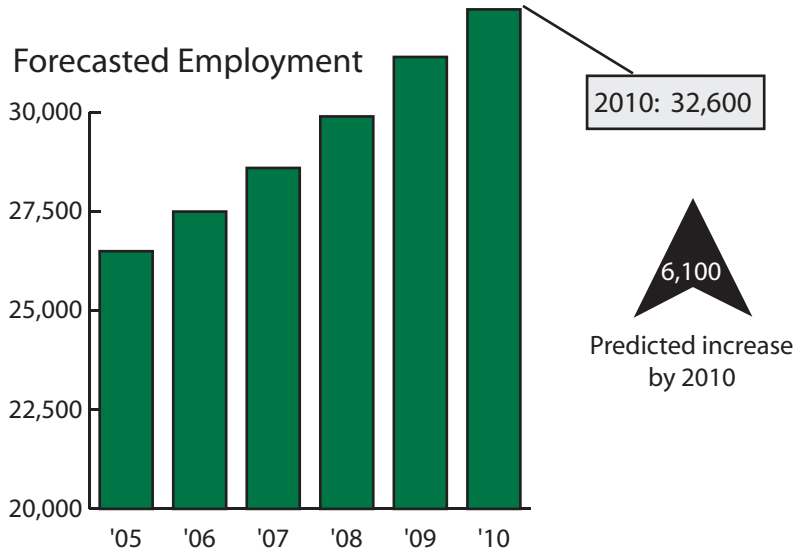
Special Focus: Professional Services

Employment



Source: Economy.com, "Thriving in Sonoma County," May 2005
http://www.sonoma-county.org/edb

Forecasted Employment



Source: Economy.com, "Thriving in Sonoma County," May 2005
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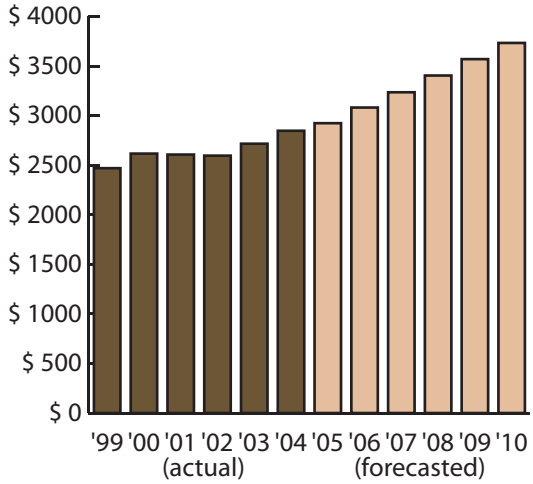
Employment in the Sonoma County Professional Services sector is expected to grow in the future, reaching 32,600 in 2010. Comprising nearly 17% of Sonoma County's economic output, the Professional Services sector is one of the largest sectors in the County. In fact, the output of the Professional Services sector in Sonoma County is larger than the Manufacturing, Tourism, Agriculture, and Health sectors combined.

The Professional Services sector includes "Financial Activities, excluding Real Estate," "Architectural, Engineering, and Related Services," "Scientific Research and Development Services," "Legal Services," "Printing and Support Acitivities," "Accounting, Taxes, Bookkeeping and Payroll Services," "Specialized Design Services," "Management, Scientific, and Technical Consulting," Management of Companies and Enterprises," "Office Administrative Services," "Facilities Support Services," "Employment Services," and others.

Professional Services Sector Output (Millions of 1996 dollars)



Source: Economy.com, "Thriving in Sonoma County," May 2005
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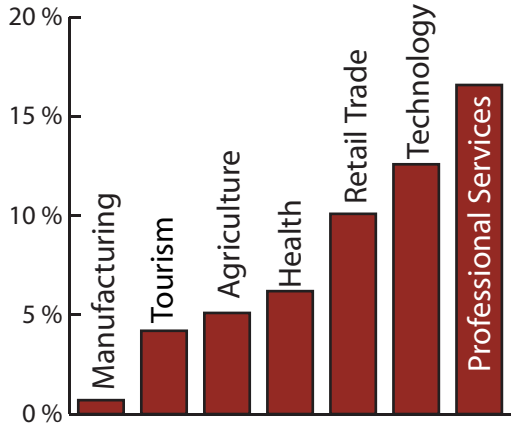
Share of Sonoma County Output



Source: Economy.com, "Thriving in Sonoma County," May 2005
http://www.sonoma-county.org/edb
(Note that "Engineering and Research" is included in both the Technology and Professional Services Sectors)

Notes and Acknowledgements

The purpose of the Business Barometer Report is to provide a sense of how the Sonoma County economy is performing. The indicators selected for this report cover a wide array of economic areas, including employment, housing and construction, prices and inflation, and more. The hope is that briefly presenting this variety of information in one report gives the reader a broad picture of the health and direction of the local economy. The Economic Development Board encourages interested readers to recommend any pertinent local indicator or area that may improve this report. All data is believed to be the most current available at the time of publication. This month's report was prepared by Christina Smith.

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