

Economic Briefing 2007:

Sonoma County's Advantage In A Slowing Economy

Prepared for:
Sonoma County Economic Development Board

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U.S. Economic Outlook

RECENT PERFORMANCE [\(back to top\)](#)

- The economy continues to expand below its potential. Over the past year, real GDP growth has tracked just over 2%, measurably below the economy's estimated potential of just under 3%.
- The job market is finally relenting to the weaker GDP growth. Monthly job gains over the past three months have slipped to below the 125,000 necessary to maintain a stable unemployment rate. Unemployment has yet to move higher, but it has stopped falling, and other labor market measures suggest that some slack is developing in the previously tight market. These include a falling labor force participation rate, an increase in the number of workers who are part-time because of the softer economy, moderating average hourly earnings growth, and a decline in the quit rate or the proportion of the unemployed who quit their previous job.

Housing-Related Layoffs

- Job growth is expected to slow further this summer, with average monthly gains of less than 100,000. The unemployment rate is thus expected to rise from its current 4.5% to near 5% by the fall. Behind this outlook are larger anticipated job losses in housing-related industries, ranging from construction to mortgage finance. Since employment in these industries peaked a year ago, only some 200,000 jobs have been lost. Even if housing activity soon stabilized, which is not anticipated, at least another 300,000 jobs will disappear by this time next year. This would still leave employment above that which prevailed earlier in the decade when housing construction and home sales were approximately the same as today.
- Housing-related layoffs have been unusually slow to develop, at least as measured in the jobs data. Many who work in the industry are self-employed, working in small firms not readily accounted for in government surveys, and immigrants, both legal and illegal, who are not captured in the statistics. Moreover, many who work in the industry in occupations ranging from realtors to appraisers may have held out to see how the key spring selling season goes;

it is difficult to give up a job that had paid so well for so long. Those working in the construction trades, and who normally get furloughed in the winter, likely will not get called back to work this spring. This seasonal hiring is most significant in May and June.

Wealth Effect

- The softer job market will weigh on consumers, who have been a mainstay of the expansion. Adding to concern over the staying power of consumers are gasoline prices that are over \$3 per gallon and, more importantly, cumulating negative housing wealth effects. The housing correction is approaching the end of its second year, and still rising inventories of unsold new and existing homes will continue on well into next year. Median existing house prices are off about 4% from their late 2005 peak, and will need to fall by at least as much again for the market to make significant progress toward clearing those inventories. Even this assumes that homebuilders reduce construction further and that lenders provide some forbearance to homeowners who are fast approaching foreclosure.
- Historically, housing wealth effects have been substantial, and they are likely to be even more pronounced in the current period. The boost to consumer spending during the housing boom was juiced up by an unprecedented amount of mortgage equity withdrawal. At the peak in 2005, close to \$1 trillion in homeowners' equity was pulled from homes through capital gain realizations, cash-out refinancings and home equity borrowing.
- The impact on consumer spending is particularly evident by examining the saving rate of renters, homeowners who have not cashed-out equity and those who have. Each of these groups represents approximately one-third of households. Renters' saving rates are low, but they have changed little since the early 1990s. Homeowners who have not cashed out, or more precisely not taken out a home equity line of credit, have a near-zero saving rate, but it was even lower when the stock market was at its all-time high at the turn of the decade. These are wealthier households, whose spending and saving decisions are influenced more by stock prices than house prices. Households who have cashed out, however, have spent aggressively during the housing boom and allowed their saving rate to plunge to a low of negative 12%. It is the massive increase in MEW that enabled these households to run such a deeply negative saving rate for so long.
- It is this latter group of households that are set to become substantially more circumspect in their spending as MEW fades. Indeed, MEW has weakened sharply since last summer and

as of this year's first quarter had been cut nearly in half. It is worth noting that these MEW estimates are based on a Moody's Economy.com calculation using data on mortgage debt outstanding estimated from credit files provided by the credit bureau Equifax. These estimates differ from the more commonly used Greenspan & Kennedy estimates derived from the Federal Reserve's Flow of Funds, which declined much more sharply during the first half of 2006. This decline may be due in part to potential overcounting of mortgages in the Flow of Funds that is more substantial when the mortgage market is active. When the market cooled sharply in early 2006, the overcounting of mortgages subsided, exaggerating the estimated decline in mortgage debt outstanding and thus MEW. While this appears to be an arcane point, it is important in that the fallout from the housing downturn on consumer spending has been seemingly slow to develop, but largely because MEW has only recently significantly weakened.

- The impact of the housing downturn on consumer spending is now becoming evident. Core retail sales growth, excluding vehicle and gasoline sales, has measurably throttled back. Current growth is as slow as it has been since the economy was emerging from the ill effects of the Iraq invasion. Falling employment in the retail trades likely also reflects retailers' understanding that consumers are turning more cautious.

Outlook

- The economic fallout from the ongoing housing correction is expected to be at its most pronounced this summer and fall. Job losses in housing-related industries will be in full swing and consumers will be adjusting to their lower homeowners' equity and fading MEW. Mortgage resetting on the most aggressive subprime and Alt-A loans will also be peaking. The odds of a financial event will also rise during this period as the stresses on the financial system will be measurable. While the expansion will be tested it is not expected to significantly falter, and while the Federal Reserve is not expected to ease monetary policy this year, it quickly will if this outlook proves even just a bit too optimistic.

ASSUMPTIONS [\(back to top\)](#)

Monetary Policy

- Monetary policy remains firmly on hold. Policymakers have held the federal funds rate target unchanged at 5.25% since the last tightening move in June 2006.
- Monetary policy is somewhat restrictive, weighing on the economy's growth, as the 5.25% funds rate target is just above the neutral rate. The neutral rate is equal to the economy's estimated long-run potential nominal GDP growth of 4.5%, and is composed of 3% real growth and 1.5% targeted inflation.
- Forestalling further monetary tightening is a slower growing economy. Growth has been no more than the economy's potential over the past year due to the severe housing correction and cuts in vehicle and other manufacturing production and employment. Policymakers expect growth to remain below potential through midyear until the housing and manufacturing downturns wind down.
- Forestalling any monetary easing is that underlying core inflation remains above policymakers' presumed target. As long as core CPI growth remains above 2.5% and the core consumer expenditure deflator remains above 2%, policymakers will remain predisposed toward future tightening. Moreover, the broader inflationary backdrop remains somewhat disconcerting. It was just a few years ago that energy prices were moribund, the dollar was soaring, and productivity growth was rapidly accelerating. Today, in contrast, energy and other commodity prices are high, the dollar is weak, and productivity growth has decelerated. In this context, inflation expectations, which remain anchored, could quickly come untethered.
- Given the countervailing pressures on monetary policy of an economy growing below its potential but with above-target inflation, the Federal Reserve is assumed to hold policy unchanged throughout this year and into next.

Fiscal Policy

- The federal government posted a better than anticipated \$250 billion deficit in the 2006 fiscal year. Surging corporate and personal income tax revenues were driven by record corporate profits and strong gains in income and realized capital gains by wealthier households.

- The 2007 budget deficit is set to come in no higher than last year's. Adding to this better budget performance is more restrained spending growth, which appears more likely to continue given the adoption of pay-go budget rules by the new Democratically-controlled Congress.
- The longer-term budget outlook is measurably less positive. Using realistic assumptions about future tax and spending policies, the cumulative budget deficit over the coming decade is set to total some \$4 trillion, equal to over 3% of GDP. This baseline, most likely, outlook assumes that: 1) the costs associated with the Iraq and Afghanistan conflicts, which will total nearly \$100 billion this fiscal year, will wind down slowly over the course of this decade; 2) most of the tax cuts instituted in the first Bush term are eventually made permanent; 3) non-defense discretionary spending grows at the rate of nominal GDP; and 4) the AMT is indexed to inflation.

U.S. Dollar

- The dollar remains soft vis-à-vis most currencies. The weakness has been most pronounced against the euro and British pound, as the European Central Bank and Bank of England continue to tighten monetary policy and the Federal Reserve is holding policy unchanged. On a real broad trade-weighted basis, the dollar is off some 15% since peaking in early 2002.
- The only major exception to dollar weakness is against the Japanese yen. The weak yen is a reflection of the still fragile Japanese economy and the near-zero policy rate, which continues to fuel a powerful yen carry trade. Global investors are borrowing cheap short-term money in yen and then buying dollar and euro-denominated assets around the globe. This will continue until the Japanese economy engages in a self-sustaining economic expansion and the Bank of Japan begins to normalize monetary policy. This is expected to occur sometime in the coming year, at which time the yen will appreciate vis-à-vis the dollar.
- Indeed over the next few years, the real broad trade-weighted dollar is expected to fall another 10%, principally against the yen, Chinese yuan, and other Asian currencies. The Chinese are engaged in what is expected to be an extended process toward a substantially stronger and eventually freely floating currency. This process began with China's July 2005 decision to revalue the yuan and adopt a more flexible exchange rate policy. The yuan is expected to appreciate by 5% per annum through the remainder of the decade, and to be freely floating by early in the next decade.

- The dollar is not expected to fall much further against the euro, pound and Canadian dollar. The dollar is appropriately valued with the euro near \$1.25, the pound at \$1.75, and the Canadian dollar at between \$.80 and \$.85.

Energy Prices

- Oil prices have edged higher in recent weeks after falling sharply late last year. A barrel of West Texas Intermediate is currently trading over \$60 per barrel. This is up from its brief low of closer to \$50 per barrel at the end of 2006, but is down substantially from the close to \$80 peak hit last summer. Natural gas prices are currently near \$7 per million BTU.
- Energy prices will remain volatile, buffeted by weather and geopolitical events, but are expected to generally move lower over the next two years. Behind this outlook is the slow but steady response by global energy demand and supply to the heretofore higher prices. Evidence of the demand response is the decline in OECD oil consumption, which is lower today than a year ago. In the U.S., vehicle sales have weakened, and there has been a shift toward more fuel-efficient vehicles and less driving.
- Evidence of the supply response is ramped-up exploration and development in projects ranging from Canadian tar sands to Venezuelan heavy oil. Baker Hughes reports that the number of active rigs in operation has nearly doubled since prices began rising to their highest level since the early 1980s.
- The risk premium in oil prices also appears to have narrowed. With OPEC's recent decision to cut production in an effort to stem the decline in prices, a cushion is now developing between global demand and the global capacity to produce oil. This cushion will eventually calm fears over the potential for supply disruptions.
- Oil prices are expected to remain near \$60 per barrel through this summer, declining to \$55 by late 2007 and bottoming out at \$40 to \$45 per barrel in 2008. Natural gas prices are expected to hover between \$6 and \$10 per million BTU, except during periods of extreme weather, over the next two to three years. Prices will move toward the bottom end of this range later in the decade when new LNG capacity comes on line.

FORECAST RISKS [\(back to top\)](#)

Housing

- The slumping housing market remains the major drag on U.S. growth. The first act of the housing slowdown, characterized by steep contractions in both home sales and home construction, has shown tentative signs of running its course.
- This does not mean, however, that the worst of the overall housing slowdown is over. While sales and homebuilding may become less of a drag as the year progresses, there are still ample reasons to worry. The tentative stability in housing demand is not doing much for prices, which will remain under downward pressure until extremely bloated inventories come back down to earth.
- Moreover, while the negative impact from residential investment will remain in place through the first half of 2007, the fallouts from the potentially more powerful negative housing wealth effect and large job losses in housing-related industries have yet to fully emerge.
- The economic fallout from the ongoing housing correction is expected to be at its most pronounced in the second half of the year. Job losses in housing-related industries will be in full swing and consumers will be adjusting to lower homeowner equity and fading mortgage equity withdrawal. Resetting interest rates on the most aggressive subprime and Alt-A loans will also be peaking. The odds of a financial event will rise during this period due to measurable stresses on the financial system. As such, the trajectory of the housing market correction is the most eminent risk to the sustainability of the current expansion.

Labor Markets

- The April payroll report was weak and a signal that the expected gradual loosening in the labor market in response to below-potential growth is finally under way. The downshift in employment is apparent both in the number of net new jobs—88,000 in April, with a combined downward revision to the two previous months of 26,000—and also in the softening across a wide range of industries. Most notable is a broad-based slowing in private service-producing industries.
- A quick look at major components of our housing-related jobs aggregate shows, surprisingly, very limited payroll losses in these industries, only around 3,000 in April. Rather, it is fewer

new jobs in non-housing related industries, the result of spillover from the housing recession to the rest of the economy, that is behind the downshift in employment growth.

- Nonetheless, there is still good reason to believe that direct housing-related job losses will intensify; this suggests that current softness in job creation will be sustained, since it limits the amount of improvement non-housing related industries can generate. The degree of weakening in the labor market will be a key factor for growth and monetary policy, given the greater reliance on wage income to support consumer spending in the second half of the year.

Monetary Policy

- Global monetary policy continues to tighten; all major central banks have either a tightening bias or a neutral stance on the risks to the outlook.
- The latest FOMC speeches and official statements have noted the growing risks to both inflation and growth. Policymakers are concerned that the recent improvement in inflation may not be sustainable given the rebound in energy prices, higher commodity prices and a still tight labor market.
- Moreover, the ongoing housing correction and weakness in business investment have elevated FOMC concerns about near-term growth. Because of these views, officials do not want to be confined to one policy response, and policymakers are unsure about the direction in which they will be traveling next.
- At 5.25%, the fed funds rate is slightly above the neutral rate, where monetary policy neither adds to nor subtracts from growth. At some point the Fed will need to reduce the fed funds rate to neutral, but this will not occur until there is a substantial change in the economic landscape, which is not expected to emerge for some time.

Energy

- The price of a barrel of West Texas Intermediate crude has rebounded and gasoline prices are now quickly moving higher. The price of gasoline has surged over the past several weeks and recently set a new all-time high for April. Since prices typically rise through Memorial Day and remain elevated and prone to upward spikes until Labor Day, four months away, there is genuine fear that prices could reach as high as \$4.00 in some places, causing

a slowdown in real consumer spending on par with, or even worse than, the episode associated with Hurricane Katrina back in 2005, when growth slowed to less than 1% in the fourth quarter of that year.

- Given the volatility in oil prices over the past few years, risks remain elevated. A further spike in oil prices would threaten the expansion. While fear of high oil prices can become self-fulfilling, undermining even good underlying economic conditions, history suggests that this almost never occurs, particularly when economic fundamentals remain decent. As long as businesses hire and invest, energy prices at their current levels, or even a bit higher, will not have a measurable impact on the sustainability of the current expansion.

Trade

- The prospects for an improvement in the nation's international trade position will be a support to growth this year. Trade has been a consistent drag on growth this decade, shaving one-half of a percentage point from real GDP growth each year between 2000 and 2005. In 2006, trade turned from a drag into a modest, albeit much needed, boost to growth, and a narrowing in the trade deficit this year is set to add almost one-quarter of a percentage point to growth.
- Supporting the better trade situation is sturdy, broad-based global growth. Not a single global economy of any consequence is in recession. Moreover, growth in many countries has shifted from export-led to domestic demand-led, boosting demand for U.S. goods. In addition, the steady decline in the dollar is making U.S. goods more competitive abroad. The declines have been largely against the euro, pound and Canadian dollar. Given the long lags between changes in the dollar and their impact on trade, the trade deficits with Europe and Canada are expected to narrow further in the coming months.

Manufacturing

- Data on manufacturing broadly softened in the last quarter of 2006 and the first quarter of this year. At first this slowdown was limited to a few segments, but weakness spilled over into other parts of the industrial base. However, recent upside surprises in several manufacturing surveys and some tangible improvement in inventories, if sustained, would indicate that the correction had run its course.

- There are still positive supports to domestic manufacturing, and the industry's expansion should remain intact once the current inventory problems pass, albeit at a more modest rate of growth compared to the past few years. That said, given the downside risks to consumer spending and the uncertainty surrounding business investment, risks to manufacturing are still elevated.

Regional Economic Outlook

Santa Rosa, CA MSA

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SUMMARY [\(back to top\)](#)

Santa Rosa's economy is fully recovered from the weakness of the early years of this decade. Employment growth is now faster than at any time since the 2001 recession. The unemployment rate has dipped below 4% this year and the labor force is expanding rapidly.

Other indicators also point to strength in the economy. Industrial production has been expanding well above the U.S. average for nearly the past two years. Household credit quality, while weakening somewhat, remains more stable than elsewhere. And the local housing market correction, which began nearly two years ago, has progressed with little disruption to the broader economy.

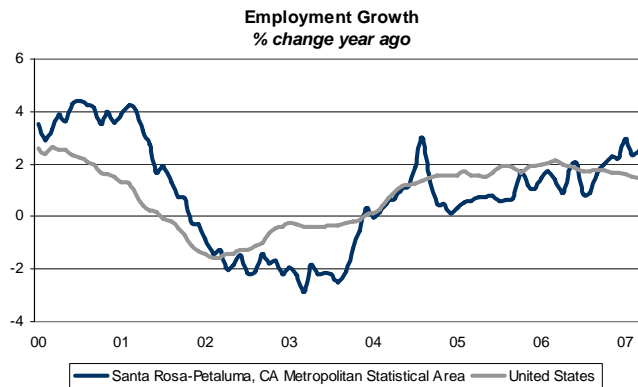
The strong global economy supports export demand for the area's winemaking industry and its technology products. The strength of the higher-end consumer economy in the U.S. also lends support to the wine industry, as well as to the local travel and tourism industry.

Potential for further weakness in the housing market and credit quality generates some near-term risks as homeowners find it difficult to extract equity, and as debt-service burdens rise with rate resets on adjustable-rate mortgages.

Over the long run, Santa Rosa's high costs of living and doing business and the relative lack of land available for development will weigh on growth. Still, as the various food, beverage and tech-producing industries expand, supplemented by a travel and tourism industry with broader offerings toward health and lifestyle, the economy is expected to be an above average performer over the long term.

RECENT PERFORMANCE [\(back to top\)](#)

- The Santa Rosa MSA (Sonoma County) economy is expanding quickly, but the indicators of this strength are not deep. They lie primarily in the labor market, with job growth at its fastest rate since the 2001 recession. Further, job growth has surged ahead of California

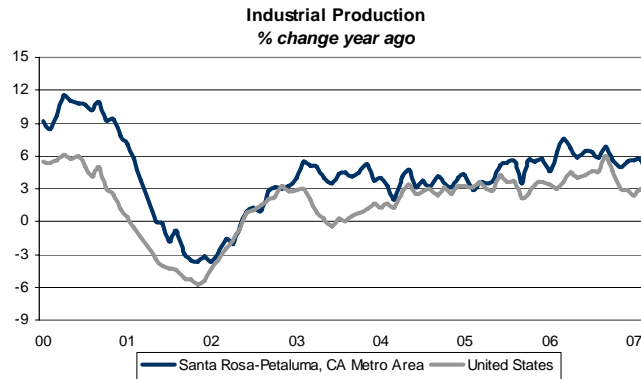


Source: Bureau of Labor Statistics

and U.S. growth rates gains are evenly distributed across most major industries. Santa Rosa's important high-tech sector is expanding once again, indicative of the broadening of the pattern of economic growth in the area. The strongest of the area's basic industries appears to be travel and tourism, as indicated by a rapid rate of job growth. Yet the wine industry also appears poised for another good year with a fall 2006 harvest that was bountiful in quality and quantity. Household finances are in good shape. Consumer loan delinquency rates are rising, but the overall rate remains below average.

| Santa Rosa-Petaluma, CA Metro Area Employment, Recent Performance March 2007 | | | | | |
|--|------------------------|------|-------|------|-------|
| | Annualized growth rate | | | | |
| | 3-mo | 6-mo | 12-mo | 5 yr | 10 yr |
| Total | 3.2 | 3.2 | 2.5 | 0.4 | 1.7 |
| Construction | 15.4 | 11.0 | 9.2 | 3.0 | 5.5 |
| Manufacturing | -2.4 | 4.2 | 3.6 | -3.2 | -0.6 |
| Wholesale Trade | -2.6 | 1.5 | 0.5 | 4.7 | 3.8 |
| Retail Trade | 16.2 | 5.5 | 1.7 | 0.2 | 0.7 |
| Transportation and Utilities | -3.9 | 4.2 | -0.9 | -0.1 | -0.7 |
| Information | 3.3 | 6.4 | -0.8 | -4.1 | 1.2 |
| Financial Activities | 1.7 | 2.9 | 2.3 | -0.7 | 1.0 |
| Professional and Business Services | 3.8 | 4.9 | 4.7 | 3.0 | 2.9 |
| Education and Health Services | -1.0 | 0.0 | 0.9 | -0.5 | 1.7 |
| Leisure and Hospitality | 4.2 | 5.1 | 2.7 | 1.6 | 2.5 |
| Government | -2.2 | -2.8 | 0.5 | 1.3 | 2.0 |
| | Percent | | | | |
| Unemployment rate | 3.9 | 3.9 | 4.0 | 4.8 | 4.1 |

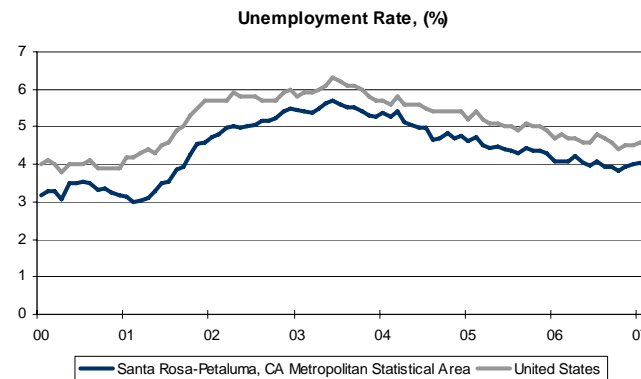
- Our estimate of industrial production for the area is rising at a 4% pace. While this has slowed in recent months, it continues a two-year trend that is well above the national average.



Source: Moody's Economy.com, Inc.

Business investment spending nationwide poses some risk to this side of the local economy, but investment spending does remain positive, supplemented by strong global demand for technology products.

- The local unemployment rate has tracked the U.S. rate since 2000, remaining consistently below the national rate by about one percentage point. If this holds true, the local rate of about 4% is likely the lowest that it will go, given the weakening of the national



Source: Bureau of Labor Statistics

labor market in recent months. One positive factor in the local labor market is a rapid acceleration of labor force growth over the past year. The accelerating pace of economic growth appears to be attracting more people into the labor force—either local persons previously not seeking work or persons migrating into the community—adding more dynamism to the labor market and the overall economy. This appears to be keeping the labor market from getting too tight, providing an increasingly ample supply of labor to expanding industries.

- Manufacturing employment ended a five-year slide last year as it leveled off in early 2006 and today stands 5% above its level of one year ago. This is a critical change of fortune and indicates that the broad restructuring that took place among industries such as telecommunications and biotechnology has ebbed, some stability has returned to the tech-producing industries, and they are hiring once again.

- One remarkable facet of the local economy is that employment in construction industries not only has not fallen, but continues to rise. This is occurring even though permit issuance for residential units fell by 20% in 2006. Non-residential construction, however, accelerated and infrastructure improvements added further to demand for construction labor. This has helped to offset some of the negative impacts on the economy from the slowdown in housing markets.

- Job growth across the various service producing industries is uniformly positive. This year, however, does show some deceleration of the pace of growth seen last year. As the U.S. economy also slows, particularly due to a much sharper correction in housing markets elsewhere, it is likely that the local pace of economic growth will moderate through the remainder of this year before picking up the pace once again in 2008.

NEAR-TERM OUTLOOK [\(back to top\)](#)

- Factors that may lead to a slower pace of growth in the very near term include weakened consumer spending both in California and nationwide due to weakened housing markets, a rising debt-service burden resulting from resetting rates on ARMs, elevated energy prices, and a softening of the U.S. labor markets. Despite these headwinds, however, the outlook for Santa Rosa's economy is good. Sonoma County had been projected to return to above average growth, which it did by late 2006. It is expected to maintain an above average rate of growth through the latter part of this decade, although it would be unrealistic to project growth rates that would match those of the second half of the 1990s. The following sections will illustrate trends in some of the leading industries that drive the Sonoma County economy.

Hospitality

- Sonoma County's tourism industry has performed very well over the past year. Occupancy rates at area hotels averaged nearly 70% for the year, the highest since the local tourism industry weakened in 2001. The strong performance was helped by broad-based strength in the national economy and increased presence of large hotel companies in the market. The outlook for the rest of this year and into 2008 is generally good, but the downside risks are increasing.
- There is currently a brisk pace of development activity in Sonoma County's tourism industry. Projects currently underway are expected to increase the number of hotel rooms available by nearly 11%. Half of the new rooms are slated to be finished by the end of this year. Included in the expansion are several larger hotel brands including the Hampton Inn and the Airport Hilton Garden Hotel, near Charles M. Schulz Airport.
- Sonoma County's airport is seeing increased activity with the introduction of commercial air service to the area for the first time since 2001. Horizon Air, a subsidiary of Alaska Air Group, has started service to Los Angeles and Seattle this spring. This is a very good indicator of the health of the local tourism industry and business travel and is sure to spur even more travel to the area. The added ease of accessibility has the potential to promote Sonoma as a meeting destination for business, as well as leisure.

- Hiring activity in Sonoma's leisure and hospitality industry has been moderate but very stable at about 2% per year for the past three years. Job growth in retailing has been softer, but has accelerated during the first half of this year.
- Conditions in the U.S. economy as a whole have weakened, suggesting that a moderation in demand for tourism is possible in the near term. Real GDP growth over the year has slowed to under 2.5% as of the first quarter, which is below the economy's long-term potential rate of growth, and is expected to remain moderate through the summer months due to weakened housing and manufacturing industries.
- One positive factor in the near term, however, is that the Bay Area economy is much more stable than most of the West and the U.S. Job growth in the Bay Area accelerated through 2006 and job growth is holding steady well above the U.S. average through mid-2007. This strong hiring activity has, in turn, helped to spur income growth in the area. Income growth outpaced the national average by more than a full percentage point through late last year. Thus, with a good share of demand for Sonoma County travel and tourism coming from within the Bay Area, the local industry may experience some softening, but it will be supported by regional demand.
- Pricing power among Sonoma's hotels is still elevated as demand for the area's tourism industry has remained strong over the past year. Hotel statistics for the nearby San Francisco market provide a good estimate of the industry's vitality. According to Smith Travel Research, occupancy rates at San Francisco's hotels are up nearly two percentage points for the fourth quarter 2006, while they were nearly flat for the state and declining nationally. Since Sonoma is only about an hour north of San Francisco, these data provide a good guide regarding the condition of the local industry. Additionally, the average room rate in San Francisco was up more than 10% on a year-ago basis, exceeding both the state and national pricing. This strong demand has buoyed Sonoma's pricing ability.
- The outlook for Sonoma's pricing appears sound, given the continued strong demand for leisure services, the growing popularity of wine and the continued depreciation of the dollar against major currencies. The weaker dollar will help to draw international travelers who will find visiting Sonoma County less expensive.

Wine and food products

- Sonoma County's wine industry is enjoying another good year. After a large, record-setting harvest last year, a smaller yet ample grape crush in 2006 was a welcome follow-up for growers and vintners, as it is helping them work through last year's excess inventories. Furthermore, for the second year in a row, quality was very good, despite more challenging weather conditions.
- Total grape tonnage in California was down by 20% from last year's record crush and, on average, prices increased 3% over last year. In general, prices for red wines were higher in 2006, while white wine prices declined. Sonoma County outperformed the rest of the state, however, as its total harvest was only 6.5% smaller than in 2005. The average price of grapes grown in Sonoma County increased by 6% due primarily to increases in Chardonnay and Pinot Noir.
- The total size of California's grape crush has returned to average levels after 2005's record-setting harvest, which has been fortunate for growers in Sonoma County. The smaller harvest was a result of the cool, wet spring of 2006, which fostered Botrytis infections, as well as the early October rains, which caused many of the thinner skinned grapes to rot on the vine. Nevertheless, 2006 grapes are reported to be of high quality. This will give a significant boost to the industry, as vintners draw down on their inventories and two consecutive years of high quality help them expand their sales volume.
- Consumer demand for wine moderated somewhat last year but remains strong, as personal consumption of wine and brandy at home grew 8% in the second half of 2006. Prices paid by consumers for wine rose by 2% in the second half of 2006, a bit slower than the first half of the year.
- Chardonnay remains the most popular white varietal, but demand is increasing for both Sauvignon Blanc and Pinot Grigio. Furthermore, although total volume is still very small, Riesling sales climbed nearly 30% in 2006, which was the greatest increase of any white varietal and second only to Pinot noir. Planted acreage for Pinot noir continues to increase, but has not been able to keep pace with the booming demand over recent years. Sonoma County's total tonnage of Pinot noir grapes grew by more than 40%, while prices grew by 15%.

- Meanwhile, the wine consumer market continues to grow, supporting demand for wine. According to the latest survey by the Wine Market Council, more than 17% of U.S. adults are now classified as core wine consumers, outnumbering marginal consumers for the first time ever. Core consumers are those who drink at least one glass of wine per week, and account for nearly 90% of total wine consumption. This trend is a result of many marginal consumers drinking wine more regularly, while wine is also gaining popularity with younger consumers.
- Further, consumers are ordering more wine at restaurants. The Wine Market Council estimates that the percentage of core consumers who order wine in casual chain restaurants increased from 44% in 2003 to 58% in 2005. Thus demand appears to be rising for wine consumption at home and while eating out.
- An important industry development has been the Supreme Court ruling that has begun opening up the national wine market to direct shipping from California. In May 2005, the Supreme Court ruled that states could not ban direct shipments of wine through the mail for wineries outside of their border if they allowed the same for wineries within their borders. The ruling opened up over seven large states to national competition for direct shipping, including New York, Florida and Texas. The number of states allowing legal shipping of wine by mail rose from 25 to 33, representing 78% of total consumers in the U.S., versus 50% previously.
- Despite the vast increase in the potential market, the ruling has not been a universal positive for the industry. This is because several states have enacted new bureaucracy and taxes that make it difficult for the smallest wineries to compete and take advantage of the new provisions. Still, as a whole, the development is positive news for vintners and wine sellers looking to expand domestic share, while avoiding expensive distributor networks.
- Pricing power has improved for growers, but is relatively more limited for wineries. The 2005 bumper crop depressed pricing power with a glut of grapes, although quality was high. Last year, quality remained high, while the smaller crop is allowing growers to work through their oversupply. As a result, pricing power is recovering, both on the growers' and on the vintners' ends. Prices received by wineries increased steadily by more than 6% on a year-to-year basis throughout 2006. This is the sharpest increase in the producer price index for wineries in ten years.

- Longer term the outlook for Sonoma County's wine industry remains favorable. Ever improving name recognition and rising wine consumption globally are the positive fundamentals driving the industry's outlook. Wine is steadily gaining popularity among Americans, and currently rivals beer as their most preferred alcoholic drink. This trend is supported by the growing evidence that moderate wine consumption can yield many health benefits.
- The wine industry will benefit from the new millennial generation of wine drinkers that will hopefully pick up the mantle as baby boomers age. The oldest of this new large cohort, almost as big as the baby-boomer cohort, are now in their early 20s, and 40% of this cohort are considered core wine drinkers. The challenge for the wine industry will be to deepen its attraction of marginal drinkers, who have cut their consumption of wine over the past three years.
- The strategic threat of lower-cost wine with fruitier flavors from wineries in Australia, Chile and South Africa is very real. Large wineries have reduced their exposure to this competition by acquiring properties in several of these areas, but local growers and small vintners will continue to be pressured by the cheaper and consumer-friendly wines from the New World wineries.
- The falling U.S. dollar versus currencies more closely tied to the euro and pound sterling (such as South Africa) or more closely tied to the Chinese and Japanese currencies generates some long-term pricing potential for Sonoma County wines sold in overseas markets.

Technology

- The Sonoma County technology industries are enjoying improved performance. Most of the area's technology-producing firms report improved growth of demand and production, and there is a moderate gain in the industry's employment. A strong global economy and a weakening in the U.S. dollar have been the main catalysts for growth as they have bolstered demand for locally produced high-tech goods.
- In the telecom equipment industry, improvement is being helped by a rebound in business investment spending. Internet access and networking equipment firms are doing well. The number of households in the U.S. with broadband internet access has surged over the past two years. As telecom service providers jump into the TV and wireless markets, they will

need to boost the capabilities of their networks and update existing infrastructure. This is not just a domestic trend, but a global one as well. Teknovus, a local manufacturer of chipsets for broadband networks, has established deals to use its chipsets thus far in broadband networks in China, Japan, and Korea.

- The past year has seen improving performance for the medical devices and supplies industry as a whole. The one weakness has been in the cardiac rhythm management business. Innovation in the local industry is high; Medtronic is working toward introducing its Endeavour drug-eluting stent to U.S. markets as early as this year; it is already available in several international markets. Further, Oculus is moving forward on clinical trials for its wound care product Microcyn, also already internationally available.
- Sonoma County is also developing an affinity for specialized software firms focused on the wine industry. There are already several local industries that are involved in the field, with an additional one now added to the mix—a new company, NetBooks, is leasing the once-vacated Next Level Communications building with plans to provide management solutions to wineries.
- The U.S. macroeconomy provides an improved demand environment for technology firms. With healthy corporate balance sheets in all but a handful of industries, business investment spending is expected to expand further. While real investment in communications equipment increased more than 11% in 2006, a majority of the gain was front-loaded last year with a fallout late in the year. Early signs so far this year have been positive. Real investment in communications equipment increased by 28% at an annualized rate in the first quarter of 2007, after declining 8% in the previous quarter. Similarly for electrical equipment, spending increased by 71% at an annualized rate in the first quarter compared to the 15% decline to finish out last year.
- There is currently an ongoing hospital building boom nationwide and many hospitals are upgrading existing facilities. New diagnostic and patient care equipment, as well as information technology upgrades, forms a significant portion of these capital expenditures, promising strong demand for device manufacturers in the near term. This will help to mitigate some of the drag stemming from consumers' hampered ability to pay for healthcare services.

- Pricing power in the telecom equipment industry remains weak, however. According to nationwide producer price indexes, prices for communications equipment on a six-month moving annualized average are nearly flat. This reversed some of the improvement last year when it appeared that telecom equipment prices were finally turning the corner after edging lower for several years. The paring of excess capacity and sturdy demand have gradually boosted pricing power for equipment manufacturers, but domestic manufacturers also have to compete with Chinese manufacturers, whose influence over pricing will only expand in the years to come.
- The outlook for pricing of medical devices and supplies varies greatly across categories. Pricing power for general medical supplies is quite weak, with little prospect for improvement. However, pricing power tends to be strongest early in a product's lifecycle when few substitutes exist. Thus, given the nature of the specialization among many Sonoma County medical suppliers such as Medtronic and Oculus, who are often bringing new products to market, there is some potential that pricing power may remain relatively firm.

Professional services

- One of the strongest segments of the local economy is the demand for business and professional services. As the base economy—those industries that sell their goods and services outside of the county—has improved with stronger revenue and profits, demand for services such as accounting, advertising, legal, scientific and technical services has risen rapidly. Indeed, in late 2005 and early 2006 when the local economy was getting back on its feet, employment in business and professional services was rising by a phenomenal more than 10% growth rate. This unsustainable rate has subsided; but it is still up by 4% over the year as of April 2007.
- Employment in financial services also is expanding despite the weakening in mortgage lending activity. Its improvement has been slower than the broader business and professional services, but hiring in the industry continued to accelerate through early 2007. Financial services, however, should still see considerable demand for commercial and industrial lending while consumer lending may be somewhat weak through the end of this year.

LONG-TERM OUTLOOK: POSITIVE FACTORS [\(back to top\)](#)

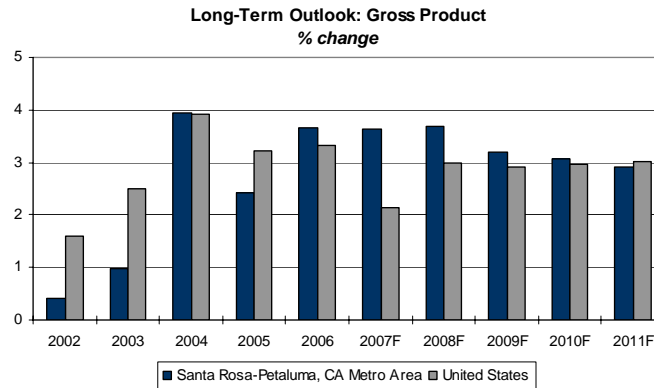
- The long-term outlook for one of the area's key industries, winemaking, remains favorable. Rising global wine consumption and a weakening dollar are positive fundamentals driving international demand for local wines. That said, as the industry matures growth in the coming decade will not likely be as fast as it was in the past. Much depends upon how quickly the emerging Generation Y—the children of the baby boomers—takes up the mantle of wine consumption and knowledge in the coming decade. Furthermore, expansion of the industry within Sonoma County will become increasingly difficult as land becomes scarcer and conservation of resources becomes increasingly important.
- National demographic trends, however, do suggest healthy long-term prospects for grape growers and winemakers. Per capita consumption of wine rose to a new peak in 2005 (latest data available) according to the Wine Institute. International markets are increasingly important. Exports of wine rose sharply in 2006 over a rather soft 2005. Over the past decade, wine exports have more than doubled.
- The long-term outlook for Sonoma County's tourism industry remains favorable. The region is growing in recognition and its proximity to Bay Area attractions will continue to support tourist traffic. Moreover, the continued strong popularity of wine and the wine-related culture underpin the positive fundamental outlook for the industry.
- Demographic trends suggest healthy longer-term prospects as well. Baby boomers are nearing retirement age with well-developed tastes for travel and recreation, in addition to the discretionary income to fund these tastes. Wine consumption is growing among all generational segments, according to MKF Wine Business Advisors. Baby boomers are leading the way, but interest in wine is growing among not only women but men and nearly all ethnic groups. Thus, as baby boomers retire in the years to come, they are expected to generate a great deal of travel to the Bay Area and to Sonoma County in particular. Well-heeled retirees will likely support the housing market longer term as well.
- Specialty food products have the long-term potential to complement the wine industry within the region. These include olive oils, cheeses, and a range of organic vegetables and meat products. Such goods are linked to the tourism industry as well, as visitors sample these products locally and then generate new markets once they return home. Similarly, these

niche industries play an increasingly important role as suppliers to restaurants throughout the San Francisco Bay Area.

- The wealth of the Santa Rosa area creates good long-term potential for financial service providers and a wide variety of personal services. This will become increasingly important as retirees are drawn to the area in the coming decade. Given the high cost of living in the area, retirees will generally have a high level of wealth, generating demand for personal services, financial services, and healthcare.
- A brightening feature of the area's economy is an improvement of the infrastructure linkages between Santa Rosa and the rest of the region. Work continues on the improvement of the long-congested Highway 101 corridor and there is potential for other infrastructure improvements following the passage of statewide bond initiatives in November 2006.
- The return of commercial air service to Santa Rosa improves the area's long-term economic potential. Horizon Air now provides service to Los Angeles and Seattle. Thus, with the improved highway and air links, closer economic ties with the entire West Coast will help to spur local economic growth.
- The increasingly skilled workforce of Sonoma County offers further long-term potential for the economy's growth. According to the 2000 Census, nearly 29% of the population over age 25 has attained a bachelor's degree or higher, versus 24% nationwide and 27% for California. Further, the widening breadth of offerings at Sonoma State University provides increased potential for constant improvement of workforce quality in the county.

LONG-TERM OUTLOOK: NEGATIVE FACTORS [\(back to top\)](#)

- Santa Rosa's major weakness is its very high cost structure. That said, however, the area's relative cost of doing business has fallen in recent years and no longer exceeds the statewide average. As of 2005, Moody's Economy.com



estimates that the cost of doing business index for Sonoma County is at 110. The index is based on 100 equaling the U.S. average, so 110 indicates the overall cost of doing business is 10% higher than the national average. For California as a whole, the index is slightly higher at 112.

| Index of Relative Business Costs | | | | | | | | | | |
|---|------------|------------|------------|------------|-------------|-----------|--------------|-----------|---------------|-----------|
| | Labor Cost | | Tax Burden | | Energy Cost | | Office Space | | Overall Index | |
| | Index | Rank | Index | Rank | Index | Rank | Index | Rank | Index | Rank |
| Santa Rosa-Petaluma | 97 | 202 | 97 | 107 | 163 | 38 | 105 | 39 | 110 | 37 |
| San Francisco-Oakland-Fremont | 120 | 3 | 98 | 78 | 163 | 27 | 144 | 8 | 129 | 5 |
| San Jose-Sunnyvale-Santa Clara | 131 | 1 | 98 | 95 | 163 | 35 | 141 | 10 | 136 | 2 |
| Oakland-Fremont-Hayward, CA Metropolitan Division | 109 | 29 | 99 | 71 | 163 | 24 | 129 | 11 | 121 | 10 |
| Denver-Aurora | 110 | 25 | 71 | 364 | 93 | 203 | 80 | 107 | 101 | 97 |
| Seattle-Tacoma-Bellevue | 111 | 20 | 97 | 102 | 99 | 164 | 92 | 62 | 106 | 59 |
| Portland-Vancouver-Beaverton | 104 | 59 | 95 | 130 | 89 | 246 | 91 | 63 | 102 | 92 |
| Sacramento--Arden-Arcade--Roseville | 96 | 236 | 97 | 112 | 163 | 39 | 116 | 24 | 111 | 26 |
| Salt Lake City | 96 | 218 | 92 | 165 | 96 | 174 | 88 | 72 | 97 | 152 |

Notes:

- Rank is out of 390 metro areas and metro divisions.
- U.S. average = 100.
- Labor Costs are measured by total earnings per employee at the 3-digit NAICS level.
- Tax Burdens are measured by all taxes excluding severance, education, and hospital taxes relative to personal income.
- Energy costs are measured by cents per kWh for industrial and commercial users.
- Office costs are measured by rent per square foot.
- In the Overall Index, Labor Costs have 65% weight, Energy Costs have 15% weight, and Office Costs and Taxes have 10% weight.

- What is more important for Sonoma County is that the business cost index has fallen in recent years from a peak of over 114 in 2003. The improvement is due to lower electric utility rates, which peaked with the severe shortage of power earlier in the decade. The tax burden also has improved over this same time period and is now estimated to be slightly below the U.S. average for the first time since 2001. Unit labor costs have held steady

during the first half of this decade. Office rental rates have risen steadily since 2003. Thus, business costs remain high for Sonoma County. They are not worsening, however, and given the high value added of many industries in the area, a somewhat higher cost of doing business can be absorbed. It does, however, limit the number of industries that have the potential to expand in the area.

- Housing affordability remains a problem in Sonoma County. House prices have fallen moderately over the past year, but not enough to truly improve affordability. The Moody's Economy.com housing affordability stands at 48, indicating that a family earning the median income in the county can qualify for a mortgage at current prevailing interest rates for a home priced at just 48% of the median sales price in the county. On the positive side, this index has not fallen over the past two years, but house prices will have to fall further, or stay constant for some time as household income rises, before there is any considerable improvement in the index.
- Another weakness of the local economy is the specialized nature of the economy, as indicated by its low diversity index of just 0.48. The winemaking industry, the tech-producing industries (with their focus on telecom and medical instruments), and the travel and tourism industries are the primary drivers of growth in the local economy. When U.S. and global demand are strong for these three industries, the local economy thrives. But when demand falters, the local economy slows, creating potential for a volatile pattern of growth over the long term. This is indicated by the area's volatility index of 184, which is well ahead of most metro areas in northern California outside of San Francisco. This poses some downside risk should the U.S. economy falter further through this year and into 2008. Sonoma County's economy could react with a possibly sharper downturn.
- Challenges for Sonoma County over the long term include the ability for winemakers to maintain their competitiveness in an increasingly global market where cost containment and quality control will be critical. Similarly, the tourism industry will have to keep its offerings fresh as wine, specialty foods, and lifestyle offerings become ubiquitous features of global tourism. The area's tech-producing industries will have to continue to find critical niches in R&D capacities for telecom, biotech and other emerging technologies. In the past, the area's economy has proved itself to be resilient and its industries, including technology, have been able to restructure and remain competitive. The projected positive outlook as-

sumes these qualities will continue, and that the area will be able to incubate new as yet unknown industries through its innovative and creative workforce.

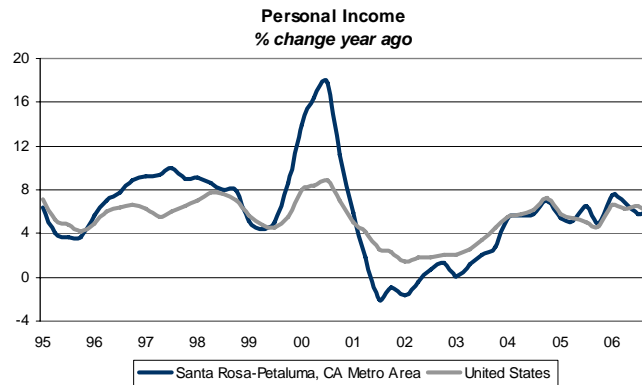
| Employment Diversity and Volatility | | | | | |
|--|------------------------|--------------------|-------------------------|----------------------------|-------------------|
| | Diversity ¹ | Volatility 2006 | | | Beta ⁴ |
| | 2006 | Total ² | Systematic ³ | Nonsystematic ³ | |
| Santa Rosa | 0.48 | 189 | 85 | 15 | 1.60 |
| San Francisco | 0.38 | 280 | 95 | 5 | 2.66 |
| Oakland | 0.75 | 152 | 87 | 13 | 1.33 |
| Vallejo-Fairfield | 0.66 | 127 | 36 | 64 | 0.46 |
| Portland OR | 0.75 | 175 | 85 | 15 | 1.49 |
| United States | 1.00 | 100 | 100 | 0 | 1.00 |
| Median | 0.49 | 124 | 65 | 35 | 0.75 |

Notes:

- 1) Diversity is defined as the extent to which an MSA's industrial structure approximates that of the nation. The more closely the MSA's economy resembles the national economy, the higher the value. The diversity measure is bounded between 0 and 1. 1 means the MSA has the same industrial structure as the U.S., 0 means it has a totally different industrial structure than the U.S. Diversity is estimated using data for 2006.
- 2) Total volatility is the standard deviation of an MSA's employment growth. This relative deviation has been indexed to the United States = 100. Volatility is estimated using data for 2006.
- 3) Systematic fluctuation is that portion of an area's economy that is associated with national economic fluctuations. Nonsystematic volatility is that portion of an area's volatility not associated with national economic fluctuations.
- 4) Beta measures the magnitude of an area's sensitivity to national economic conditions. The U.S. average, by definition, is 1. A one percentage point increase in national employment will cause that portion of a metro area's employment base to rise by the percentage value of beta.

INCOME [\(back to top\)](#)

- The rebound in Sonoma County's economy is particularly evident in a constant acceleration in income growth since 2003. Income growth has outpaced the U.S. average since 2005 and now is nearly back to growth enjoyed back in the second half of the

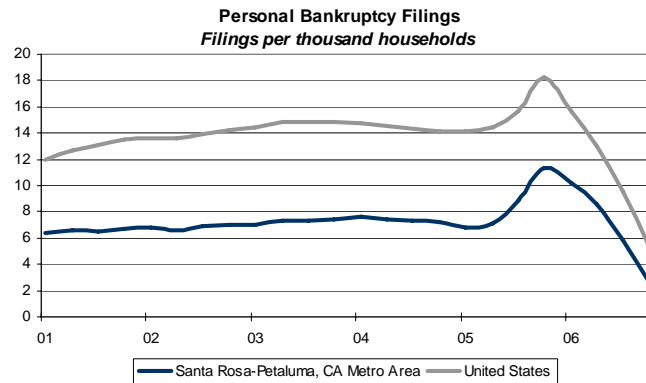


Source: BEA, Moody's Economy.com, Inc.

- 1990s. The strong employment growth creates much of the improvement through wages and salaries. Additionally, households in Sonoma County, with their relatively high level of wealth, are more prone to have their own stock equities and other investments. Thus, income from dividends, interest and rent also currently supports total personal income.
- The overall improvement in Sonoma County's economy has generated some recent improvement in per capita income. Although per capita income remains higher than the national level, the U.S. average has gained ground since the end of the last business cycle in 2000. At that time, per capita income was 22% higher than the U.S. Its position subsequently fell to just 16% higher in 2004 and then improved once again to 17% in 2005. Moody's Economy.com estimates that Sonoma County gained ground again with a modest improvement in 2006.

BALANCE SHEETS [\(back to top\)](#)

- Household credit quality has deteriorated in Sonoma County in recent quarters, although conditions do appear to be more stable in the county than statewide or nationwide. High per capita income and relatively stable house prices have



Source: Administrative Office of U.S. District Courts

contributed to the mild deterioration of credit conditions in the area.

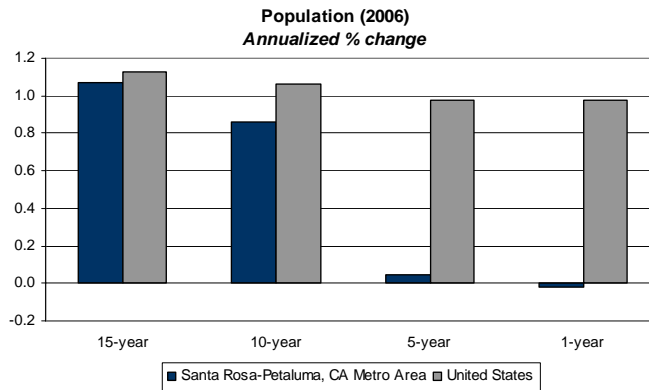
- As expected, even though labor market conditions are rather good in Sonoma County, the halt in house-price appreciation and a tightening of lending standards has resulted in a higher rate of mortgage delinquencies and defaults.
- Mortgage credit quality deterioration has been driven by looser lending standards in Sonoma County, as indicated by a relatively high 23% subprime share of mortgage originations in 2005. Nationwide the figure was closer to 19%. With many subprime mortgages issued with low teaser rates for an initial usually two-year period, many homebuyers of the past two years are now experiencing higher monthly payments due to resets. With lending standards now tightening for mortgage credit and home values down from a year ago, such households wishing to refinance to a new mortgage now must qualify at the higher rate that will prevail longer term. If the debt burden proved to be too great and refinancing could not be arranged, then a final alternative would be to sell the house, adding another unit to the local market inventory. Thus, household financial conditions will likely deteriorate further through the end of this year and into 2008.
- According to CreditForecast.com (a joint service of Moody's Economy.com and Equifax), the delinquency rate of all consumer loans in Sonoma County rose in the first quarter of 2007 to 2.3%; the rate for all mortgage loans rose to 2.2%. Both of these rates were below 1.0% in 2004.

- These rates are rising rapidly and are expected to rise further through this year, but they do remain below the California and U.S. rates. For example the current mortgage delinquency rates are 2.5% for the state and 2.9% for the U.S. But the gap between all three rates has narrowed considerably in recent quarters. The outlook for credit quality depends to a large degree on whether the labor market can remain as robust during the second half of the year.

- Some impact on local consumer spending is already being felt from the deterioration of credit quality and the diminished ability to extract equity from one's home. For example, sales of durable goods, as illustrated by auto sales, have weakened this year. Sales of new cars in the county fell by nearly 12% in the first quarter of 2007 over a year earlier according to AutoCount. It is hard to extract the impact of credit quality and house prices from that of high fuel costs, which also weigh on auto purchases. But the downturn in auto sales is consistent with that seen in areas across the U.S. where mortgage equity withdrawal has been a prominent feature of household cash flow, largely in California, Florida and the Northeast.

DEMOGRAPHIC TRENDS [\(back to top\)](#)

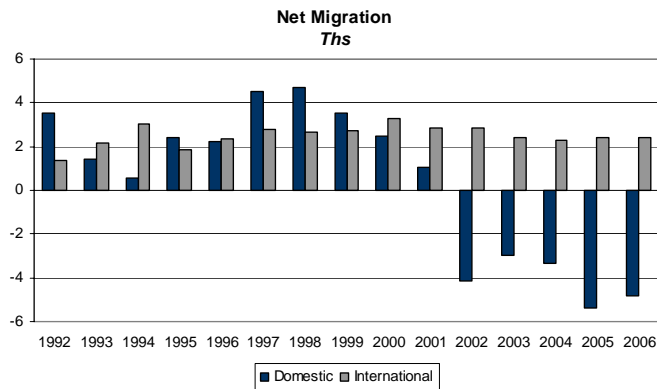
- Despite the rapid improvement in labor market conditions in Sonoma County, the Census Bureau estimates that population remained unchanged during the year ending in mid-2006; this followed an estimated decline of 0.2% in the



previous year. The Census Bureau has estimated a consistent deceleration over the past 15 years.

- It should be noted, however, that a separate estimate by the Demographic Research Unit of the California Department of Finance estimates that population has remained positive and indeed accelerated through 2006. The DRU's estimates for calendar years through the end of 2006 indicate that population growth slowed from 1.3% in 2000 to 0.3% in 2005, recovering to 0.7% in 2006. These estimates seem to be more consistent with overall economic trends in Sonoma County. If these estimates are borne out by the 2010 count by the Census Bureau, they will show that the County's economy fully recovered from the 2001 recession by 2006 with population growth now closer to long-term historical trends.
- The DRU supplements its estimation techniques with data from neighboring states on migration trends based on changes of address on driver licenses. Still, 0.4% is less than the historical average and illustrates the difficulty that high housing prices create in limiting immigration. This then contributes to a slow pace of labor force growth, which could limit long-term growth in the area should this trend continue.

- Population growth is expected to accelerate further in coming years, to exceed 1% annually by the end of the decade and once again lead the U.S. and statewide averages. This rate of growth would be consistent with long-term trends and would be necessary to provide an adequate labor force for the



Source: BOC

expanding economy. It is based on assumptions of continued growth in the economy and improved housing affordability as house-price appreciation remains weak or nonexistent in the near term.

- Yet there is considerable downside risk to this outlook. First, as mentioned above, housing affordability is close to an all-time low. Second, Sonoma County's population is somewhat skewed toward the older cohorts. An above average share of its population is between the ages of 45 and 65. In the near term, this highly productive cohort will contribute to strong productivity growth. But over the coming ten years, this cohort will begin exiting the labor force through retirement, which will begin to erode the area's above average labor force participation rate and weigh on its long-term productivity growth.

| Population Profile | % of total Population, 2005 | |
|------------------------------------|------------------------------------|------|
| | Santa Rosa-Petaluma, CA Metro Area | US |
| Age 5-19 | 20.2 | 20.8 |
| Age 25-44 | 26.3 | 28.3 |
| Age 45-64 | 27.9 | 24.6 |
| Over age 65 | 12.6 | 12.4 |
| Birth Rate, (# of Births per 1000) | 12.0 | 14.0 |
| Death Rate, (# of Deaths per 1000) | 8.1 | 8.3 |
| Median Age (2000 Census) | 37.5 | 35.3 |

Source: BOC

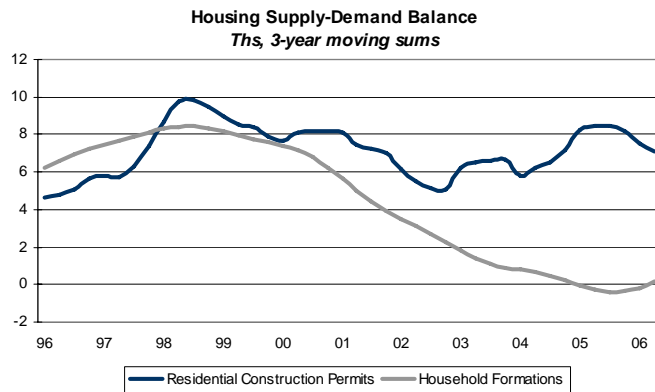
| Migration Flows - Santa Rosa-Petaluma, CA Metro Area | | | | | |
|---|-----------------------|------------------|---|-----------------------|------------------|
| Into Santa Rosa-Petaluma, CA Metro Area | | | From Santa Rosa-Petaluma, CA Metro Area | | |
| | Number of Migrants | Median Income | | Number of Migrants | Median Income |
| San Francisco-San Mateo-Redwood City, CA Metropolitan Division | 3,156 | 37,285 | San Francisco-San Mateo-Redwood City, CA Metropolitan Division | 2,199 | 31,234 |
| Oakland-Fremont-Hayward, CA Metropolitan Division | 1,083 | 31,654 | Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area | 1,370 | 30,628 |
| Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area | 658 | 25,697 | Oakland-Fremont-Hayward, CA Metropolitan Division | 829 | 28,855 |
| Los Angeles-Long Beach-Glendale, CA Metropolitan Division | 552 | 24,921 | Vallejo-Fairfield, CA Metropolitan Statistical Area | 570 | 41,022 |
| Vallejo-Fairfield, CA Metropolitan Statistical Area | 454 | 33,094 | Napa, CA Metropolitan Statistical Area | 465 | 31,666 |
| San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area | 432 | 40,624 | Phoenix-Mesa-Scottsdale, AZ Metropolitan Statistical Area | 415 | 33,057 |
| Napa, CA Metropolitan Statistical Area | 405 | 32,499 | San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area | 414 | 39,106 |
| San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area | 319 | 21,704 | Los Angeles-Long Beach-Glendale, CA Metropolitan Division | 406 | 18,789 |
| Santa Ana-Anaheim-Irvine, CA Metropolitan Division | 226 | 35,832 | San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area | 384 | 20,624 |
| Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area | 223 | 22,482 | Portland-Vancouver-Beaverton, OR-WA Metropolitan Statistical Area | 345 | 32,551 |
| Inmigration | 13,506 | 27,265 | Outmigration | 17,841 | 28,292 |
| | | | Net Migration | -4,335 | -1,027 |

Note:
Net Migration: Number of Migrants is the net flow of migrants.
Income is the difference between the weighted average of the median income of immigrants and that of outmigrants.

Source: Moody's Economy.com calculation from 2005 IRS data

RESIDENTIAL REAL ESTATE [\(back to top\)](#)

- Sonoma County's housing market has faltered over the past year. The median sales price peaked in early 2006 and prices are down about 5%. The supply of homes for sale may increase quickly in the near term if mortgage credit quality deteriorates further, putting more downside pressure on local house prices.



- Homebuilding activity has reacted to the market shift with a slowdown in new construction. Permits issued for new housing units fell by nearly 15% over the past year, with nearly all of the downturn in single-family units. Multifamily construction has held rather steady, which is indicative of the demand for more affordable rental or condominium units.
- The accelerating population growth estimated by the California Finance Department's DRU would indicate that some firming of demand for housing may arise in the near term. This would be a critical aspect of the improvement in the local housing market. The Moody's Economy.com baseline outlook for house prices is for the prices to fall further through mid-2008 before there is some stabilization. Should demographic trends improve beyond expectations, the market could stabilize sooner.

COMMERCIAL REAL ESTATE [\(back to top\)](#)

- The fast pace of job growth in professional and business services generates good demand for office space, a market that has been weak for more than two years. While office vacancy rates still exceed 20% in much of the county, they did improve modestly in last year's second half, with good potential for further improvement going forward. Absorption of vacant space along the Highway 101 corridor in recent months is evidence of this improvement. It will still take some time, however, for supply and demand to return to balance, and thus construction permits for office space are expected to remain low in the near term.
- The industrial space market, with a vacancy rate of just under 10%, also is oversupplied but not nearly to the degree as the office market. Further, manufacturing and tech-producing employment appears to have measurably improved, turning a clear corner one year ago and adding close to 1,000 jobs over the course of 2006. The area's technology-producing industries are hiring once again and absorbing space that was abandoned during the nearly five years of restructuring among Sonoma County's telecom, biotech and electronics industries following the 2001 recession. The impact of the turnaround in manufacturing on the construction industry is evident from Agilent's ongoing \$50 million upgrade to its Santa Rosa facility that will continue through mid-2008.
- Improved state government finances and the passage of infrastructure bond measures last November add further stimulus to construction of public infrastructure and public buildings. More stable long-term funding of highways and transportation systems, and near-term improvements for public schools, is expected to give a boost to the construction industry.
- The office and industrial markets have already begun to improve, so that the profit outlook for commercial construction is brighter. But high costs for construction materials could very well cut into profits for at least one more year until supplies become more plentiful. Given that most basic commodity prices have been rising for three to four years, global investment in new supplies for copper, zinc, nickel and cement, for which there is a long lag time, is finally resulting in added global production. Thus, expect prices for electrical wiring, stainless steel products, and cement and concrete blocks to begin to ease by this time next year.

- While the near-term outlook for the commercial construction industry is hindered by high input costs, the long-term outlook is considerably brighter. The accelerating labor market provides some of the best evidence that the current oversupply of commercial properties will be absorbed and demand pressures for new construction will rise.
- Expect the strongest and most consistent demand to be for new retail space. Retail vacancies already are very low and consumer spending will be driven directly by labor market trends. Retail construction also will be supported by the entrance into Sonoma County of a number of national retailers. This will generate demand at existing shopping centers as well as for stand-alone outlets or new shopping centers.
- Demand for office space appears to be rapidly improving, but given that the office market is the most oversupplied at the moment, it could be 2009 before absorption reaches the point of generating a significant amount of new office construction. Industrial construction will likely improve sooner due to lower vacancies and the turnaround in this industry's labor market.
- The travel and tourism industry could also provide some spark to the local construction industry. The last surge of hotel construction was in 2002 and early 2003, and yet travel and tourism remain strong in the county with steady gains in leisure and hospitality employment. Thus, latent demand is building for new accommodations.
- Industrial construction will be supported by the wine industry's very large crushes of the past several years, requiring more space for storage and processing. While the expansion of tech-producing industries will likely maintain its historic volatility, it too creates considerable potential for further growth as the Bay Area emerges once again as a leading technology center.

FORECAST RISKS [\(back to top\)](#)

- A number of factors may arise in the coming months and years that would cause the economic outlook to deviate from the baseline forecast. Among them, perhaps the greatest near-term downside risk is a further rise in energy prices. Higher fuel prices could limit leisure travel this summer, which would be directly felt in Sonoma County. This would be particularly difficult if consequently competitive pressures in the airline industry subsided and air fares were hiked significantly to offset rising jet fuel costs. If both gasoline and air fares rose considerably, visits by both local and national travelers would be curtailed.
- Additionally, if energy prices do not moderate in the near term as expected, hotels' plans for expansion in Sonoma County could be at risk. Hotels have been planning to build more moderately priced properties, hoping to accommodate more visitors with moderate-income levels. However, these visitors are generally more sensitive to rising energy costs and interest rates. Therefore, these new hotel offerings at lower price points may not see the strong demand that is hoped for. Further hikes in gasoline prices would pinch consumer spending, particularly for nonessential items like travel.
- Mortgage credit quality holds the key to the depth of the homebuilding industry's potential downside risks. If the rate of mortgage delinquencies and foreclosures rises significantly further, it could place a number of units back on the market, with lenders pricing them for a quick sale. Should this happen, demand for new construction could falter and the period of weak house prices could extend well beyond 2008.
- The statewide downturn in housing and its related capital gains, as well as consumer purchases related to housing, adds further risk to state tax revenue in the near term; already January revenue was well below expectations. Near-term funding for transportation and other public construction projects could be at risk over the next two years, despite the authorization of \$43 billion in bond funds in the November 2006 election, if expenditure cuts are necessary to balance the state budget.
- A longer-term risk arises from the potential for credit quality problems to shift from the household sector to the corporate sector. A nearly five-year period of double-digit growth of corporate profits nationwide is beginning to ease. If this trend worsens further, and yet labor

and other input costs continue to rise, deteriorating corporate balance sheets could lead to reduced investment in fixed structures.

- Upside potential comes from the possibility that global demand growth for Santa Rosa's goods and services could improve considerably in the near term. This is likely if the dollar falls further and more rapidly versus Asian currencies now that the Chinese yuan is allowed to be traded more openly, at least within the band restrictions set by the Chinese central bank. It is likely that the dollar will fall by about 5% per year over the coming three years versus the Chinese and other Asian currencies, generating additional pricing power for U.S.-made goods in that region of the world.
- A large portion of the visitors who come to Sonoma County have traditionally been from higher-income households, and would therefore be less sensitive to potential increases in energy prices and interest rates. Demand for the high-end tourism that Sonoma County is able to provide through food, wine and golf could remain stronger than we expect, if the structure of the tourism market there remains heavily weighted toward the upper income bracket.
- Plans for redevelopment of downtown Santa Rosa generate further long-term potential for the construction industry. New commercial and high-density housing could reshape the face of the downtown area. Already, the profile of downtown as a retail center is improving and attracting investor interest.
- The county's industrial market could also see some upside potential around the Charles M. Schulz Airport if Horizon Air's new service meets with success and generates further economic activity in the airport area.
- And finally, if the current acceleration of the entire San Francisco Bay Area economy continues to outpace the state and the nation, investors may increasingly turn to the North Bay region for office, industrial and commercial space.

MAJOR PRIVATE EMPLOYERS [\(back to top\)](#)

Major Private Employers: Santa Rosa-Petaluma, CA Metropolitan Statistical Area

| Rank | Employer | Industry | Employee |
|------|-------------------------------------|-----------------------------|----------|
| 1 | Kaiser Permanente | Education or Health Service | 2,300 |
| 2 | St. Joseph Health System | Education or Health Service | 1,925 |
| 3 | Agilent Technologies | Manufacturing | 1,500 |
| 4 | Medtronic Vascular | Manufacturing | 1,265 |
| 5 | Sutter Medical Center of Santa Rosa | Education or Health Service | 986 |
| 6 | Kendall-Jackson Wine Estates | Manufacturing | 920 |
| 7 | Home Depot | Retail Trade | 900 |
| 8 | Amy's Kitchen | Manufacturing | 893 |
| 9 | Safeway, Inc. | Retail Trade | 800 |
| 10 | JDS Uniphase Corporation | Manufacturing | 650 |
| 11 | River Rock Casino | Leisure and Hospitality | 631 |
| 12 | Hansel Auto Group | Retail Trade | 628 |
| 13 | AT&T California | Information | 600 |
| 14 | Wal-Mart Stores, Inc. | Retail Trade | 587 |
| 15 | Albertsons, Inc. | Retail Trade | 567 |
| 16 | Washington Mutual | Financial Activities | 560 |
| 17 | Longs Drug Stores, Inc. | Retail Trade | 550 |
| 18 | Foster's Wine Estates Americas | Manufacturing | 531 |
| 19 | Beam Wine Estates | Manufacturing | 500 |
| 20 | Pacific Gas and Electric Company | Trans./Warehouse/Utilities | 500 |
| 21 | Mary's Pizza Shack | Leisure and Hospitality | 500 |
| 22 | Korbel | Manufacturing | 500 |
| 23 | State Farm Insurance Company | Financial Activities | 497 |
| 24 | Ghilotti Construction Company | Construction | 400 |
| 25 | North Bay Construction | Construction | 400 |

Source: North Bay Business Journal - Sonoma County, February 2007

DEMOGRAPHIC PROFILE [\(back to top\)](#)

Santa Rosa-Petaluma, CA Metropolitan Statistical Area Demographic Profile

| Indicator | Units | Statistical Area | U.S. | Rank | Year |
|-------------------------------------|-----------------------|------------------|---------|------|------|
| Households | | | | | |
| Households, % change (2001-2006) | Ann. % change | 0.0 | 1.0 | 331 | 2006 |
| Population w/ B.A. degree or higher | % of adult population | 28.5 | 24.4 | 77 | 2000 |
| Median household income | \$ | 68,142 | 48,577 | 23 | 2006 |
| <i>% change year ago</i> | | 5.8 | 4.9 | 90 | 2006 |
| Population | | | | | |
| Per capita income | \$ | 40,451 | 34,471 | 43 | 2005 |
| <i>% change year ago</i> | | 5.2 | 4.2 | 272 | 2005 |
| Population | thousands | 467 | 299,398 | 131 | 2006 |
| <i>% change year ago</i> | | 0.0 | 1.0 | 324 | 2006 |
| White | % | 81.6 | 75.1 | 206 | 2000 |
| Black or African American | % | 1.4 | 12.3 | 321 | 2000 |
| Hispanic | % | 17.3 | 12.6 | 64 | 2000 |
| Asian | % | 3.3 | 3.8 | 73 | 2000 |
| Net domestic migration, rate | Persons/th. pop. | -10.3 | 0.0 | 355 | 2006 |
| International migration, rate | Persons/th. pop. | 5.2 | 4.0 | 66 | 2006 |
| Poverty rate | % | 8.1 | 12.4 | 44 | 1999 |
| Median age | years | 37.5 | 35.3 | 319 | 2000 |
| Household Cost Indexes | | | | | |
| Housing affordability index | | 46.8 | 124.0 | 383 | 2006 |
| Median existing home price | \$ ths | 691.5 | 224.7 | 6 | 2006 |
| <i>% change year ago</i> | | -0.8 | 4.4 | 318 | 2006 |
| Cost of living | Index: U.S.=100 | 142.38 | 100 | 378 | 2005 |

TABLES [\(back to top\)](#)

Table 1: Sonoma County Clusters

Industries within clusters are listed by their North American Industry Classification System codes

Basic Clusters

- 1) Agriculture, Wineries, and Food Processing
 - 111,112 Farming
 - 311 Food manufacturing
 - 3121 Beverage manufacturing
 - 4238 Machinery, equipment, and supplies, wholesale
 - 4245 Farm-product raw material, wholesale
- 2) Information Technology
 - 5112 Software publishers
 - 5161 Internet publishing and broadcasting
 - 5181 Internet service providers and web search portals
 - 5182 Data processing services
 - 5415 Computer systems design and related services
- 3) High-tech electronics
 - 3341 Computer and peripheral equipment
 - 3342 Communications equipment
 - 3342 Audio and video equipment
 - 3344 Semiconductors and other electronic components
- 4) High-tech Instruments and Optical Goods
 - 3345 Navigational, measuring, electromedical, and control instruments
 - 3346 Manufacturing and reproducing magnetic and optical media
 - 3391 Medical equipment and supplies
- 5) Other High-value Manufacturing
 - 3332 Industrial machinery
 - 3334 Ventilation, heating, air-conditioning, and refrigeration equipment
 - 3351 Electric lighting equipment
 - 3352 Household appliances
 - 3353 Electrical equipment
 - 3359 Other electrical equipment and components
- 6) Resource-based Manufacturing
 - 316 Leather and allied products
 - 321 Wood products
 - 322 Paper manufacturing
 - 327 Nonmetallic mineral products
- 7) Financial Activities excluding real estate
 - 521 Monetary authorities - central bank
 - 522 Credit intermediation and related activities
 - 523 Securities, commodities, and other investments
 - 524 Insurance carriers and related activities
 - 525 Funds, trusts, and other financial vehicles
- 8) Tourism
 - 4811 Scheduled air transportation
 - 4812 Nonscheduled air transportation
 - 4853 Taxi and limousine services
 - 4855 Charter bus industry
 - 487 Scenic and sightseeing transportation
 - 4881 Support activities for air transportation
 - 5121 Motion picture and video industries
 - 5321 Automotive equipment rental and leasing
 - 5615 Travel arrangement and reservation services
 - 711 Performing Arts, Spectator Sports, and Related Industries
 - 712 Museums, Historical Sites, and Similar Institutions
 - 713 Amusement, Gambling, and Recreation Industries
 - 7211 Traveler accommodation
 - 7212 Recreational vehicle parks and recreational camps
 - 7221 Full-Service Restaurants
 - 7223 Special Food Services
 - 7224 Drinking Places (Alcoholic Beverages)

Non-basic Clusters

- 9) Engineering and Research
 - 5413 Architectural, engineering, and related services
 - 5417 Scientific research and development services
- 10) Legal Services
 - 5411 Legal services
- 11) Health Services
 - 621 Ambulatory health care services
 - 622 Hospitals
 - 623 Nursing and residential facilities
- 12) Other Professional Services
 - 3231 Printing and support activities
 - 5412 Accounting, taxes, bookkeeping, payroll services
 - 5414 Specialized design services
 - 5416 Management, scientific, and technical consulting
 - 5418 Advertising and related services
 - 5419 Other professional, scientific, and technical services
 - 55 Management of companies and enterprises
 - 5611 Office administrative services
 - 5612 Facilities support services
 - 5613 Employment services
 - 5614 Business support services
 - 5616 Investigation and security services
 - 5617 Services to buildings and dwellings
 - 5619 Other support services
 - 562 Waste management and remediation services
- 13) Retail Trade
 - 441 Motor vehicle and parts dealers
 - 442 Furniture and home furnishing stores
 - 443 Electronics and appliance stores
 - 444 Building materials and garden equipment and supplies
 - 445 Food and beverage stores
 - 446 Health and personal care stores
 - 447 Gasoline stations
 - 448 Clothing and accessory stores
 - 451 Sporting goods, hobby, book, and music stores
 - 452 General merchandise stores
 - 453 Misc. store retailers
 - 454 Nonstore retailers

Table 2: Leading Clusters in Sonoma County

- 1) Agriculture, Wineries, and Food Processing
- 2) Information Technology
- 3) High-value Added Manufacturing
 - a) High-tech electronics
 - b) High-tech instruments and Optical Goods
 - c) Other high-value manufacturing
- 4) Tourism
- 5) Professional Services
 - a) Engineering and Research
 - b) Other professional services
- 6) Retail Trade

Table 3: Sonoma County Historical Summary Indicators

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Annual Growth 01-06 |
|--|----------|----------|----------|----------|----------|----------|-------------------------|
| Economy | | | | | | | |
| Gross Metro Product (Bil 2000\$) | 16.0 | 16.0 | 16.2 | 16.8 | 17.2 | 17.9 | 2.3 |
| % Annual Change | 0.3 | 0.4 | 1.0 | 4.0 | 2.4 | 3.7 | |
| Gross Metro Product (Bil \$) | 16.1 | 16.5 | 17.0 | 18.1 | 19.0 | 20.2 | 4.6 |
| % Annual Change | 1.2 | 2.5 | 3.0 | 6.5 | 4.9 | 6.3 | |
| Non-farm Employment (Ths) | 189.8 | 186.6 | 183.2 | 184.9 | 186.4 | 189.4 | 0.0 |
| % Annual Change | 2.0 | -1.7 | -1.8 | 0.9 | 0.8 | 1.6 | |
| Components of Employment | | | | | | | |
| Mining and Natural Resources | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | -7.8 |
| Construction | 13.7 | 13.3 | 13.0 | 13.7 | 14.2 | 14.9 | 1.7 |
| Manufacturing | 30.4 | 27.3 | 25.3 | 24.2 | 23.5 | 23.0 | -5.4 |
| Trade, Transportation, and Utilities | 34.1 | 34.1 | 33.9 | 34.2 | 34.8 | 35.3 | 0.7 |
| Wholesale Trade | 5.9 | 6.0 | 6.3 | 6.6 | 7.3 | 7.6 | 4.9 |
| Retail Trade | 24.1 | 24.0 | 23.8 | 23.6 | 23.8 | 23.7 | -0.4 |
| Transportation and Utilities | 4.0 | 4.1 | 3.8 | 3.9 | 3.7 | 4.0 | 0.0 |
| Information | 4.5 | 4.2 | 4.0 | 4.3 | 3.7 | 3.4 | -5.8 |
| Financial Activities | 10.4 | 10.3 | 10.3 | 10.0 | 9.8 | 9.8 | -1.0 |
| Professional and Business Services | 20.0 | 19.0 | 19.0 | 19.6 | 20.4 | 22.1 | 2.0 |
| Education and Health Services | 22.9 | 23.3 | 22.7 | 22.5 | 22.8 | 23.2 | 0.2 |
| Leisure and Hospitality | 18.7 | 19.7 | 19.9 | 20.2 | 20.4 | 20.7 | 2.1 |
| Other Services | 6.8 | 6.7 | 6.4 | 6.4 | 6.2 | 6.2 | -1.9 |
| Government | 28.0 | 28.3 | 28.5 | 29.7 | 30.4 | 30.8 | 1.9 |
| Labor Force (Ths) | 257.8 | 257.8 | 254.8 | 255.9 | 256.5 | 258.1 | 0.0 |
| % Annual Change | 1.8 | 0.0 | -1.1 | 0.4 | 0.2 | 0.6 | |
| Number of Employed (Ths) | 248.4 | 244.7 | 240.9 | 243.2 | 245.1 | 247.7 | -0.1 |
| Number of Unemployed (Ths) | 9.4 | 13.1 | 13.9 | 12.8 | 11.4 | 10.4 | 2.0 |
| Unemployment Rate (%) | 3.6 | 5.1 | 5.5 | 5.0 | 4.4 | 4.0 | Average 4.6 |
| Income, Demographics, and Consumption | | | | | | | |
| Personal Income (Mil \$) | 16,968.8 | 16,966.7 | 17,227.9 | 18,260.5 | 19,263.8 | 20,531.7 | 3.9 |
| % Annual Change | 1.1 | 0.0 | 1.5 | 6.0 | 5.5 | 6.6 | |
| Real Personal Income (Mil 2000\$) | 16,621.8 | 16,387.0 | 16,315.0 | 16,849.6 | 17,277.9 | 17,923.7 | 1.5 |
| Per Capita Income (\$) | 36,429.0 | 36,393.9 | 36,870.5 | 39,039.4 | 41,258.2 | 43,954.3 | 3.8 |
| Median Household Income (\$) | 58,993.1 | 58,930.2 | 60,398.2 | 61,047.5 | 64,402.0 | 68,141.8 | 2.9 |
| Personal Bankruptcy Filings | 1,183.0 | 1,223.0 | 1,300.0 | 1,267.0 | 1,997.0 | 451.0 | -17.5 |
| Consumer Price Index | 223.1 | 222.9 | 231.0 | 238.4 | 257.9 | 272.4 | 4.1 |
| Population (Ths) | 465.8 | 466.1 | 467.1 | 467.9 | 467.0 | 466.9 | 0.0 |
| % Annual Change | 1.2 | 0.1 | 0.2 | 0.2 | -0.2 | 0.0 | |
| Age <4 | 27.8 | 27.6 | 28.0 | 28.5 | 29.0 | 29.1 | 0.9 |
| Age 5-19 | 98.2 | 96.7 | 96.0 | 95.5 | 94.8 | 93.8 | -0.9 |
| Age 20-24 | 30.0 | 30.8 | 31.6 | 32.2 | 31.8 | 32.0 | 1.3 |
| Age 25-44 | 132.4 | 129.9 | 127.0 | 124.6 | 121.1 | 119.5 | -2.0 |
| Age 45-64 | 118.9 | 122.8 | 126.1 | 128.7 | 131.5 | 133.5 | 2.3 |
| Age >65 | 58.4 | 58.1 | 58.3 | 58.4 | 58.7 | 59.1 | 0.2 |
| Households (Ths) | 175.1 | 175.3 | 175.8 | 176.1 | 175.8 | 175.8 | 0.1 |
| % Annual Change | 1.2 | 0.1 | 0.3 | 0.2 | -0.2 | 0.0 | |
| Net Migration (Ths) | 3.9 | -1.3 | -0.6 | -1.0 | -3.0 | -2.4 | |
| Residential Housing Market | | | | | | | |
| Total Housing Permits | 2,583 | 1,928 | 2,252 | 1,929 | 2,819 | 2,306 | Average 2,303 |
| % Annual Change | 3.1 | -25.4 | 16.8 | -14.3 | 46.1 | -18.2 | |
| Single Family Permits | 1,717 | 1,350 | 1,503 | 1,342 | 1,598 | 1,455 | -3.3 |
| Multi Family Permits | 866 | 578 | 749 | 587 | 1,221 | 851 | -0.4 |
| Median Exist. Home Price (SA, Ths \$) | 408.1 | 436.2 | 490.3 | 574.0 | 697.2 | 691.5 | 11.1 |
| % Annual Change | 13.2 | 6.9 | 12.4 | 17.1 | 21.5 | -0.8 | |
| Existing Home Sales (Ths) | 8.8 | 7.8 | 7.8 | 7.5 | 8.0 | 6.9 | -4.7 |
| Mortgage Originations (Mil \$) | 9,309.6 | 11,399.0 | 16,550.7 | 11,076.5 | 12,099.7 | 12,526.8 | 6.1 |
| Affordability Index | 63.2 | 64.8 | 62.4 | 55.6 | 46.9 | 46.8 | Average 56.6 |
| Nonresidential Construction | | | | | | | |
| Nonres. Building Permits (Mil \$) | | | | | | | Average |
| Total | 211.7 | 244.4 | 199.1 | 240.7 | 223.1 | 227.8 | 224.5 |
| Office Buildings | 26.5 | 50.1 | 11.8 | 23.7 | 9.6 | 10.5 | 22.0 |
| Retail Space | 35.9 | 54.0 | 35.9 | 77.0 | 66.5 | 46.7 | 52.7 |

Table 4: Sonoma County Forecasted Summary Indicators

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Annual Growth 07-12 |
|--|----------|----------|----------|----------|----------|----------|-------------------------|
| Economy | | | | | | | |
| Gross Metro Product (Bil 2000\$) | 18.5 | 19.2 | 19.8 | 20.4 | 21.0 | 21.6 | 3.1 |
| % Annual Change | 3.6 | 3.7 | 3.2 | 3.1 | 2.9 | 2.8 | |
| Gross Metro Product (Bil \$) | 21.5 | 22.8 | 24.0 | 25.2 | 26.5 | 27.7 | 5.2 |
| % Annual Change | 6.3 | 6.1 | 5.4 | 5.1 | 4.9 | 4.8 | |
| Non-farm Employment (Ths) | 194.3 | 198.5 | 202.6 | 206.7 | 210.9 | 215.2 | 2.1 |
| % Annual Change | 2.6 | 2.2 | 2.1 | 2.0 | 2.0 | 2.0 | |
| Components of Employment | | | | | | | |
| Mining and Natural Resources | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | -0.7 |
| Construction | 15.7 | 16.9 | 17.7 | 17.9 | 17.9 | 17.9 | 2.6 |
| Manufacturing | 23.6 | 23.5 | 23.6 | 23.6 | 23.8 | 23.9 | 0.3 |
| Trade, Transportation, and Utilities | 36.0 | 36.4 | 36.9 | 37.5 | 38.1 | 38.7 | 1.5 |
| Wholesale Trade | 7.7 | 7.7 | 7.8 | 8.0 | 8.1 | 8.3 | 1.6 |
| Retail Trade | 24.3 | 24.7 | 25.0 | 25.4 | 25.8 | 26.2 | 1.5 |
| Transportation and Utilities | 4.0 | 4.1 | 4.1 | 4.1 | 4.2 | 4.3 | 1.1 |
| Information | 3.6 | 3.8 | 3.8 | 3.9 | 4.0 | 4.0 | 2.0 |
| Financial Activities | 10.1 | 10.3 | 10.4 | 10.6 | 10.7 | 10.8 | 1.3 |
| Professional and Business Services | 23.0 | 23.9 | 24.9 | 26.0 | 27.1 | 28.3 | 4.3 |
| Education and Health Services | 23.6 | 24.2 | 24.9 | 25.6 | 26.4 | 27.3 | 2.9 |
| Leisure and Hospitality | 21.6 | 22.2 | 22.9 | 23.7 | 24.5 | 25.4 | 3.3 |
| Other Services | 6.3 | 6.4 | 6.5 | 6.6 | 6.8 | 6.9 | 2.0 |
| Government | 30.5 | 30.6 | 30.8 | 31.1 | 31.4 | 31.7 | 0.8 |
| Labor Force (Ths) | 265.5 | 270.7 | 275.4 | 281.2 | 287.1 | 293.4 | 2.0 |
| % Annual Change | 2.9 | 2.0 | 1.7 | 2.1 | 2.1 | 2.2 | |
| Number of Employed (Ths) | 255.2 | 260.7 | 265.7 | 271.8 | 277.7 | 283.9 | 2.2 |
| Number of Unemployed (Ths) | 10.3 | 10.1 | 9.6 | 9.4 | 9.4 | 9.5 | -1.7 |
| Unemployment Rate (%) | 3.9 | 3.7 | 3.5 | 3.3 | 3.3 | 3.2 | Average 3.5 |
| Income, Demographics, and Consumption | | | | | | | |
| Personal Income (Mil \$) | 21,770.1 | 23,058.0 | 24,392.6 | 25,784.4 | 27,248.5 | 28,724.9 | 5.7 |
| % Annual Change | 6.0 | 5.9 | 5.8 | 5.7 | 5.7 | 5.4 | |
| Real Personal Income (Mil 2000\$) | 18,580.8 | 19,251.3 | 19,971.0 | 20,710.0 | 21,466.8 | 22,200.7 | 3.6 |
| Per Capita Income (\$) | 46,366.4 | 48,678.9 | 50,961.0 | 53,136.1 | 55,246.1 | 57,182.4 | 4.3 |
| Median Household Income (\$) | 70,642.0 | 73,513.1 | 76,275.2 | 78,806.9 | 81,116.7 | 83,137.9 | 3.3 |
| Personal Bankruptcy Filings | 577.8 | 987.1 | 1,086.6 | 1,127.9 | 1,121.7 | 1,095.0 | 13.6 |
| Consumer Price Index | 277.4 | 282.2 | 288.3 | 295.8 | 303.8 | 312.5 | 2.4 |
| Population (Ths) | 468.8 | 473.1 | 477.8 | 484.3 | 492.0 | 501.2 | 1.3 |
| % Annual Change | 0.4 | 0.9 | 1.0 | 1.4 | 1.6 | 1.9 | |
| Age <4 | 29.3 | 29.7 | 30.2 | 30.8 | 31.4 | 32.2 | 1.9 |
| Age 5-19 | 93.1 | 92.6 | 92.2 | 91.9 | 91.8 | 92.2 | -0.2 |
| Age 20-24 | 32.3 | 32.8 | 33.5 | 34.5 | 35.4 | 36.3 | 2.4 |
| Age 25-44 | 118.5 | 118.3 | 118.1 | 118.7 | 120.0 | 122.0 | 0.6 |
| Age 45-64 | 135.8 | 138.4 | 141.1 | 144.2 | 146.9 | 149.3 | 1.9 |
| Age >65 | 59.9 | 61.3 | 62.7 | 64.4 | 66.4 | 69.3 | 2.9 |
| Households (Ths) | 176.8 | 178.9 | 181.2 | 184.3 | 187.9 | 192.1 | 1.7 |
| % Annual Change | 0.6 | 1.2 | 1.3 | 1.7 | 1.9 | 2.3 | |
| Net Migration (Ths) | 0.0 | 2.2 | 2.5 | 4.1 | 5.2 | 6.5 | |
| Residential Housing Market | | | | | | | |
| Total Housing Permits | 2,167 | 2,901 | 2,978 | 3,041 | 3,104 | 3,156 | Average 2,891 |
| % Annual Change | -6.0 | 33.9 | 2.7 | 2.1 | 2.1 | 1.7 | |
| Single Family Permits | 1,388 | 2,129 | 2,151 | 2,120 | 2,124 | 2,127 | 2,007 |
| Multi Family Permits | 778 | 772 | 827 | 922 | 980 | 1,029 | 885 |
| Median Exist. Home Price (SA, Ths \$) | 653.7 | 626.3 | 648.5 | 680.7 | 716.9 | 751.6 | 2.8 |
| % Annual Change | -5.5 | -4.2 | 3.5 | 5.0 | 5.3 | 4.8 | |
| Existing Home Sales (Ths) | 6.3 | 6.5 | 6.9 | 7.3 | 7.6 | 7.9 | 4.6 |
| Mortgage Originations (Mil \$) | 11,681.3 | 9,641.4 | 9,847.9 | 10,304.9 | 10,771.2 | 11,153.9 | -0.9 |
| Affordability Index | 50.1 | 52.3 | 51.7 | 50.6 | 50.0 | 48.8 | Average 50.6 |
| Nonresidential Construction | | | | | | | |
| Nonres. Building Permits (Mil \$) | 223.3 | 223.6 | 230.3 | 232.5 | 233.6 | 236.8 | 230.0 |
| Office Buildings | 15.2 | 14.2 | 16.0 | 16.2 | 16.2 | 16.4 | 15.7 |
| Retail Space | 47.7 | 56.5 | 57.2 | 57.7 | 58.9 | 60.4 | 56.4 |

**Table 5: Sonoma County Historical Employment by Cluster
Thousands**

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate | Pct. Share of Employment |
|-----------------------------------|-------|-------|-------|-------|-------|-------|------------------------------|-----------------------------|
| | 01-06 | 2006 | | | | | | |
| Total | 202.3 | 200.1 | 196.1 | 197.6 | 200.5 | 203.7 | 0.1 | 100.0 |
| % Change | 1.4 | -1.1 | -2.0 | 0.7 | 1.5 | 1.6 | | |
| 1. Agriculture/Food Processing | 17.9 | 19.0 | 18.3 | 17.5 | 18.7 | 19.1 | 1.4 | 9.4 |
| % Change | -3.3 | 6.2 | -3.4 | -4.4 | 6.6 | 2.4 | | |
| 2. Information Technology | 2.1 | 1.7 | 1.6 | 1.7 | 1.2 | 1.3 | -8.7 | 0.7 |
| % Change | 8.2 | -20.7 | -1.8 | 4.7 | -31.1 | 12.6 | | |
| 3. High-tech Electronics | 2.4 | 2.0 | 1.6 | 1.4 | 1.2 | 1.4 | -10.6 | 0.7 |
| % Change | 2.9 | -13.9 | -19.7 | -14.2 | -12.4 | 9.5 | | |
| 4. High-tech Instruments/Optical | 10.6 | 8.1 | 6.2 | 5.3 | 4.2 | 3.8 | -18.5 | 1.9 |
| % Change | 6.0 | -23.1 | -24.1 | -14.0 | -20.8 | -9.8 | | |
| 5. Other High-value Manufacturing | 0.5 | 0.3 | 0.5 | 0.6 | 0.7 | 0.6 | 4.1 | 0.3 |
| % Change | -2.8 | -28.1 | 59.0 | 11.9 | 15.5 | -17.3 | | |
| 6. Resource-based Manufacturing | 1.9 | 1.7 | 1.7 | 1.6 | 1.7 | 1.7 | -1.8 | 0.8 |
| % Change | -7.5 | -11.4 | -0.1 | -2.3 | 5.8 | 0.0 | | |
| 7. Financial Activities | 7.3 | 7.3 | 7.3 | 7.0 | 6.8 | 6.9 | -1.2 | 3.4 |
| % Change | 1.7 | -0.1 | -0.1 | -4.0 | -3.5 | 1.6 | | |
| 8. Tourism | 15.2 | 16.2 | 16.2 | 16.4 | 16.4 | 16.6 | 1.8 | 8.2 |
| % Change | 5.7 | 6.1 | 0.2 | 1.0 | 0.4 | 1.2 | | |
| 9. Engineering and Research | 1.9 | 2.1 | 2.6 | 2.9 | 2.8 | 3.3 | 11.2 | 1.6 |
| % Change | 3.2 | 9.5 | 25.1 | 9.2 | -0.6 | 14.4 | | |
| 10. Legal Services | 1.1 | 1.2 | 1.4 | 1.5 | 1.2 | 1.2 | 0.1 | 0.6 |
| % Change | 6.2 | 7.3 | 10.0 | 10.7 | -22.9 | -0.2 | | |
| 11. Health Services | 17.2 | 17.5 | 16.8 | 16.9 | 17.1 | 17.6 | 0.5 | 8.6 |
| % Change | 2.2 | 1.4 | -3.6 | 0.2 | 1.4 | 3.0 | | |
| 12. Other Professional Services | 16.2 | 15.3 | 14.6 | 14.9 | 16.2 | 17.3 | 1.3 | 8.5 |
| % Change | -3.9 | -5.7 | -4.1 | 1.8 | 8.6 | 6.7 | | |
| 13. Retail Trade | 24.1 | 24.0 | 23.8 | 23.6 | 23.8 | 23.7 | -0.4 | 11.6 |
| % Change | 1.6 | -0.3 | -1.1 | -0.6 | 0.5 | -0.4 | | |
| Sum of Clusters | 90.8 | 88.7 | 85.6 | 84.3 | 85.2 | 87.0 | -0.9 | 42.7 |
| % Change | 0.9 | -2.3 | -3.6 | -1.4 | 1.1 | 2.1 | | |
| Other | 111.4 | 111.4 | 110.6 | 113.2 | 115.2 | 116.7 | 0.9 | 57.3 |
| % Change | 1.8 | -0.1 | -0.7 | 2.4 | 1.8 | 1.2 | | |

**Table 6: Sonoma County Forecasted Employment by Cluster
Thousands**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate 07-12 | Pct. Share of Employment 2012 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|---------------------------------------|-------------------------------------|
| Total | 208.8 | 213.1 | 217.5 | 222.1 | 226.4 | 230.9 | 2.0 | 100.0 |
| % Change | 2.5 | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | | |
| 1. Agriculture/Food Processing | 19.7 | 19.7 | 19.7 | 19.9 | 20.0 | 20.1 | 0.4 | 8.7 |
| % Change | 2.9 | 0.1 | 0.3 | 0.6 | 0.5 | 0.6 | | |
| 2. Information Technology | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 | 5.8 | 0.8 |
| % Change | 7.1 | 6.0 | 5.8 | 5.8 | 5.7 | 5.7 | | |
| 3. High-tech Electronics | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | -1.1 | 0.6 |
| % Change | 6.6 | -2.2 | -1.2 | -0.8 | -0.7 | -0.4 | | |
| 4. High-tech Instruments/Optical | 3.8 | 3.8 | 3.9 | 3.9 | 3.9 | 4.0 | 0.7 | 1.7 |
| % Change | 1.1 | -0.1 | 0.6 | 0.8 | 1.0 | 1.1 | | |
| 5. Other High-value Manufacturing | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.2 | 0.3 |
| % Change | 4.8 | -0.3 | 0.0 | 0.3 | 0.4 | 0.5 | | |
| 6. Resource-based Manufacturing | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 0.5 | 0.8 |
| % Change | -0.8 | 0.2 | 0.2 | 0.5 | 0.8 | 0.8 | | |
| 7. Financial Activities | 7.2 | 7.3 | 7.3 | 7.5 | 7.6 | 7.7 | 1.4 | 3.3 |
| % Change | 4.5 | 1.4 | 1.0 | 1.9 | 1.3 | 1.4 | | |
| 8. Tourism | 17.3 | 17.7 | 18.2 | 18.8 | 19.4 | 20.0 | 3.0 | 8.7 |
| % Change | 4.0 | 2.6 | 2.7 | 3.2 | 3.2 | 3.2 | | |
| 9. Engineering and Research | 3.4 | 3.5 | 3.7 | 3.8 | 4.0 | 4.2 | 4.1 | 1.8 |
| % Change | 4.3 | 3.8 | 4.1 | 4.1 | 4.2 | 4.2 | | |
| 10. Legal Services | 1.1 | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 | 3.2 | 0.6 |
| % Change | -1.3 | 2.9 | 3.2 | 3.2 | 3.3 | 3.4 | | |
| 11. Health Services | 18.1 | 18.5 | 19.0 | 19.6 | 20.2 | 20.8 | 2.8 | 9.0 |
| % Change | 2.8 | 2.4 | 2.7 | 3.0 | 3.0 | 3.1 | | |
| 12. Other Professional Services | 18.0 | 18.7 | 19.5 | 20.3 | 21.2 | 22.2 | 4.2 | 9.6 |
| % Change | 4.4 | 3.8 | 4.1 | 4.4 | 4.4 | 4.4 | | |
| 13. Retail Trade | 23.6 | 24.0 | 24.3 | 24.7 | 25.1 | 25.5 | 1.5 | 11.0 |
| % Change | -0.2 | 1.5 | 1.5 | 1.7 | 1.6 | 1.4 | | |
| Sum of Clusters | 89.3 | 91.0 | 92.9 | 95.1 | 97.4 | 99.8 | 2.2 | 43.2 |
| % Change | 2.7 | 1.9 | 2.1 | 2.4 | 2.4 | 2.4 | | |
| Other | 119.5 | 122.1 | 124.6 | 126.9 | 129.0 | 131.1 | 1.9 | 56.8 |
| % Change | 2.4 | 2.2 | 2.1 | 1.9 | 1.6 | 1.7 | | |

Table 7: Sonoma County Historical Gross Regional Product (Output) by Cluster
Millions of current dollars

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate | Pct. Share of Total Output |
|-----------------------------------|----------|----------|----------|----------|----------|----------|------------------------------|-------------------------------|
| | 01-06 | 2006 | | | | | | |
| Total | 16,110.9 | 16,506.9 | 17,001.0 | 18,106.2 | 18,993.4 | 20,172.2 | 4.6 | 100.0 |
| % Change | 1.2 | 2.5 | 3.0 | 6.5 | 4.9 | 6.2 | | |
| 1. Agriculture/Food Processing | 1,189.1 | 1,335.5 | 1,346.9 | 1,334.1 | 1,437.7 | 1,521.0 | 5.0 | 7.5 |
| % Change | 3.3 | 12.3 | 0.8 | -0.9 | 7.8 | 5.8 | | |
| 2. Information Technology | 329.0 | 274.7 | 294.5 | 362.9 | 289.0 | 341.9 | 0.8 | 1.7 |
| % Change | -8.8 | -16.5 | 7.2 | 23.2 | -20.4 | 18.3 | | |
| 3. High-tech Electronics | 266.9 | 210.5 | 167.6 | 142.9 | 139.8 | 142.7 | -11.8 | 0.7 |
| % Change | -34.8 | -21.1 | -20.4 | -14.7 | -2.2 | 2.1 | | |
| 4. High-tech Instruments/Optical | 1,059.8 | 822.7 | 690.4 | 610.3 | 509.6 | 517.6 | -13.4 | 2.6 |
| % Change | -17.2 | -22.4 | -16.1 | -11.6 | -16.5 | 1.6 | | |
| 5. Other High-value Manufacturing | 41.3 | 29.5 | 47.2 | 59.0 | 68.3 | 62.2 | 8.6 | 0.3 |
| % Change | -35.6 | -28.5 | 60.0 | 24.9 | 15.8 | -8.8 | | |
| 6. Resource-based Manufacturing | 120.2 | 116.7 | 121.1 | 133.8 | 151.5 | 160.1 | 5.9 | 0.8 |
| % Change | -3.1 | -2.9 | 3.8 | 10.4 | 13.3 | 5.7 | | |
| 7. Financial Activities | 1,014.7 | 1,097.7 | 1,180.7 | 1,199.8 | 1,250.8 | 1,345.5 | 5.8 | 6.7 |
| % Change | 7.8 | 8.2 | 7.6 | 1.6 | 4.2 | 7.6 | | |
| 8. Tourism | 669.2 | 751.6 | 783.0 | 846.9 | 907.1 | 986.2 | 8.1 | 4.9 |
| % Change | 7.7 | 12.3 | 4.2 | 8.2 | 7.1 | 8.7 | | |
| 9. Engineering and Research | 229.0 | 273.5 | 351.6 | 413.0 | 457.4 | 527.0 | 18.1 | 2.6 |
| % Change | 3.1 | 19.4 | 28.6 | 17.5 | 10.7 | 15.2 | | |
| 10. Legal Services | 138.3 | 162.3 | 181.3 | 212.5 | 180.3 | 203.6 | 8.0 | 1.0 |
| % Change | 13.9 | 17.3 | 11.7 | 17.2 | -15.2 | 12.9 | | |
| 11. Health Services | 1,057.6 | 1,130.9 | 1,156.7 | 1,217.5 | 1,324.0 | 1,428.8 | 6.2 | 7.1 |
| % Change | 9.8 | 6.9 | 2.3 | 5.3 | 8.8 | 7.9 | | |
| 12. Other Professional Services | 1,034.9 | 1,019.7 | 1,024.8 | 1,112.3 | 1,283.6 | 1,422.2 | 6.6 | 7.1 |
| % Change | -2.9 | -1.5 | 0.5 | 8.5 | 15.4 | 10.8 | | |
| 13. Retail Trade | 1,429.1 | 1,496.1 | 1,529.3 | 1,591.4 | 1,644.6 | 1,749.0 | 4.1 | 8.7 |
| % Change | 4.7 | 4.7 | 2.2 | 4.1 | 3.3 | 6.4 | | |
| Sum of Clusters | 6,248.1 | 6,213.7 | 6,235.2 | 6,472.9 | 6,737.1 | 7,269.8 | 3.1 | 36.0 |
| % Change | -4.5 | -0.6 | 0.3 | 3.8 | 4.1 | 7.9 | | |
| Other | 9,862.8 | 10,293.2 | 10,765.8 | 11,633.3 | 12,256.3 | 12,902.4 | 5.5 | 64.0 |
| % Change | 5.2 | 4.4 | 4.6 | 8.1 | 5.4 | 5.3 | | |

Table 8: Sonoma County Forecasted Gross Regional Product (Output) by Cluster
Millions of current dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate | Pct. Share of Total Output |
|-----------------------------------|----------|----------|----------|----------|----------|----------|------------------------------|-------------------------------|
| | | | | | | | 07-12 | 2012 |
| Total | 21,401.9 | 22,704.1 | 23,928.3 | 25,175.4 | 26,422.3 | 27,692.2 | 5.3 | 100.0 |
| % Change | 6.1 | 6.1 | 5.4 | 5.2 | 5.0 | 4.8 | | |
| 1. Agriculture/Food Processing | 1,602.4 | 1,660.1 | 1,711.7 | 1,768.7 | 1,829.3 | 1,889.5 | 3.4 | 6.8 |
| % Change | 5.3 | 3.6 | 3.1 | 3.3 | 3.4 | 3.3 | | |
| 2. Information Technology | 398.1 | 438.8 | 482.0 | 528.8 | 579.1 | 632.3 | 9.7 | 2.3 |
| % Change | 16.4 | 10.2 | 9.8 | 9.7 | 9.5 | 9.2 | | |
| 3. High-tech Electronics | 154.6 | 161.2 | 167.5 | 174.4 | 182.0 | 190.0 | 4.2 | 0.7 |
| % Change | 8.4 | 4.3 | 3.9 | 4.1 | 4.4 | 4.4 | | |
| 4. High-tech Instruments/Optical | 550.4 | 579.2 | 606.1 | 635.5 | 667.7 | 701.0 | 5.0 | 2.5 |
| % Change | 6.3 | 5.2 | 4.6 | 4.8 | 5.1 | 5.0 | | |
| 5. Other High-value Manufacturing | 68.3 | 72.8 | 76.8 | 81.1 | 85.9 | 90.9 | 5.9 | 0.3 |
| % Change | 9.7 | 6.6 | 5.6 | 5.6 | 6.0 | 5.8 | | |
| 6. Resource-based Manufacturing | 165.6 | 172.9 | 179.4 | 186.6 | 194.4 | 202.4 | 4.1 | 0.7 |
| % Change | 3.4 | 4.4 | 3.8 | 4.0 | 4.2 | 4.1 | | |
| 7. Financial Activities | 1,452.0 | 1,531.2 | 1,601.9 | 1,683.8 | 1,752.7 | 1,816.6 | 4.6 | 6.6 |
| % Change | 7.9 | 5.5 | 4.6 | 5.1 | 4.1 | 3.6 | | |
| 8. Tourism | 1,050.7 | 1,109.7 | 1,170.9 | 1,239.6 | 1,311.0 | 1,384.9 | 5.7 | 5.0 |
| % Change | 6.5 | 5.6 | 5.5 | 5.9 | 5.8 | 5.6 | | |
| 9. Engineering and Research | 565.3 | 609.6 | 651.7 | 694.7 | 740.8 | 789.2 | 6.9 | 2.8 |
| % Change | 7.3 | 7.8 | 6.9 | 6.6 | 6.6 | 6.5 | | |
| 10. Legal Services | 207.8 | 222.7 | 236.6 | 250.7 | 265.8 | 281.6 | 6.3 | 1.0 |
| % Change | 2.1 | 7.2 | 6.3 | 6.0 | 6.0 | 5.9 | | |
| 11. Health Services | 1,481.1 | 1,533.3 | 1,585.9 | 1,640.3 | 1,695.5 | 1,749.6 | 3.4 | 6.3 |
| % Change | 3.7 | 3.5 | 3.4 | 3.4 | 3.4 | 3.2 | | |
| 12. Other Professional Services | 1,507.3 | 1,617.5 | 1,726.5 | 1,837.8 | 1,955.6 | 2,078.3 | 6.6 | 7.5 |
| % Change | 6.0 | 7.3 | 6.7 | 6.4 | 6.4 | 6.3 | | |
| 13. Retail Trade | 1,848.3 | 1,995.2 | 2,144.1 | 2,303.4 | 2,468.0 | 2,639.8 | 7.4 | 9.5 |
| % Change | 5.7 | 7.9 | 7.5 | 7.4 | 7.1 | 7.0 | | |
| Sum of Clusters | 7,745.4 | 8,244.0 | 8,737.2 | 9,263.9 | 9,819.4 | 10,395.9 | 6.1 | 37.5 |
| % Change | 6.5 | 6.4 | 6.0 | 6.0 | 6.0 | 5.9 | | |
| Other | 13,656.5 | 14,460.1 | 15,191.1 | 15,911.5 | 16,602.9 | 17,296.2 | 4.8 | 62.5 |
| % Change | 5.8 | 5.9 | 5.1 | 4.7 | 4.3 | 4.2 | | |

Table 9: Sonoma County Historical Gross Regional Product (Output) by Cluster
Millions of 2000 dollars

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate | Pct. Share of Total Output |
|-----------------------------------|----------|----------|----------|----------|----------|----------|------------------------------|-------------------------------|
| | 01-06 | 2006 | | | | | | |
| Total | 15,963.9 | 16,027.9 | 16,185.7 | 16,825.7 | 17,232.6 | 17,840.6 | 2.2 | 100.0 |
| % Change | 0.3 | 0.4 | 1.0 | 4.0 | 2.4 | 3.5 | | |
| 1. Agriculture/Food Processing | 1,123.6 | 1,222.0 | 1,211.4 | 1,185.1 | 1,256.1 | 1,305.5 | 3.0 | 7.3 |
| % Change | -2.4 | 8.8 | -0.9 | -2.2 | 6.0 | 3.9 | | |
| 2. Information Technology | 319.8 | 261.4 | 279.5 | 352.1 | 275.4 | 323.3 | 0.2 | 1.8 |
| % Change | -11.4 | -18.3 | 6.9 | 26.0 | -21.8 | 17.4 | | |
| 3. High-tech Electronics | 354.6 | 315.2 | 287.1 | 280.4 | 271.6 | 273.5 | -5.1 | 1.5 |
| % Change | -13.4 | -11.1 | -8.9 | -2.3 | -3.1 | 0.7 | | |
| 4. High-tech Instruments/Optical | 1,247.0 | 1,033.3 | 908.8 | 841.1 | 735.9 | 722.9 | -10.3 | 4.1 |
| % Change | -2.5 | -17.1 | -12.0 | -7.4 | -12.5 | -1.8 | | |
| 5. Other High-value Manufacturing | 40.4 | 28.8 | 46.7 | 59.7 | 68.3 | 61.9 | 8.9 | 0.3 |
| % Change | -36.9 | -28.6 | 61.9 | 27.9 | 14.4 | -9.4 | | |
| 6. Resource-based Manufacturing | 120.2 | 115.9 | 120.1 | 125.7 | 140.6 | 147.0 | 4.1 | 0.8 |
| % Change | -3.1 | -3.5 | 3.6 | 4.7 | 11.9 | 4.5 | | |
| 7. Financial Activities | 1,004.8 | 1,053.0 | 1,114.1 | 1,094.8 | 1,124.4 | 1,181.5 | 3.3 | 6.6 |
| % Change | 6.8 | 4.8 | 5.8 | -1.7 | 2.7 | 5.1 | | |
| 8. Tourism | 647.8 | 711.0 | 727.6 | 768.3 | 795.3 | 841.3 | 5.4 | 4.7 |
| % Change | 4.2 | 9.8 | 2.3 | 5.6 | 3.5 | 5.8 | | |
| 9. Engineering and Research | 222.6 | 259.5 | 331.0 | 387.1 | 416.8 | 468.0 | 16.0 | 2.6 |
| % Change | 0.3 | 16.6 | 27.6 | 16.9 | 7.7 | 12.3 | | |
| 10. Legal Services | 134.5 | 154.0 | 170.7 | 199.2 | 164.3 | 174.6 | 5.4 | 1.0 |
| % Change | 10.7 | 14.5 | 10.9 | 16.7 | -17.5 | 6.3 | | |
| 11. Health Services | 1,004.7 | 1,039.3 | 1,024.3 | 1,040.6 | 1,101.3 | 1,157.8 | 2.9 | 6.5 |
| % Change | 4.3 | 3.5 | -1.4 | 1.6 | 5.8 | 5.1 | | |
| 12. Other Professional Services | 1,007.7 | 971.7 | 968.0 | 1,018.7 | 1,150.6 | 1,245.0 | 4.3 | 7.0 |
| % Change | -5.5 | -3.6 | -0.4 | 5.2 | 13.0 | 8.2 | | |
| 13. Retail Trade | 1,464.1 | 1,504.6 | 1,526.8 | 1,606.0 | 1,629.6 | 1,687.9 | 2.9 | 9.5 |
| % Change | 7.3 | 2.8 | 1.5 | 5.2 | 1.5 | 3.6 | | |
| Sum of Clusters | 6,427.6 | 6,307.4 | 6,286.9 | 6,498.5 | 6,599.5 | 6,929.4 | 1.5 | 38.8 |
| % Change | -1.7 | -1.9 | -0.3 | 3.4 | 1.6 | 5.0 | | |
| Other | 9,536.4 | 9,720.6 | 9,898.8 | 10,327.2 | 10,633.1 | 10,911.2 | 2.7 | 61.2 |
| % Change | 1.7 | 1.9 | 1.8 | 4.3 | 3.0 | 2.6 | | |

Table 10: Sonoma County Forecasted Gross Regional Product (Output) by Cluster
Millions of 2000 dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate 07-12 | Pct. Share of Total Output 2012 |
|-----------------------------------|----------|----------|----------|----------|----------|----------|---------------------------------------|---------------------------------------|
| Total | 18,492.2 | 19,167.2 | 19,788.1 | 20,421.9 | 21,023.1 | 21,628.2 | 3.2 | 100.0 |
| % Change | 3.7 | 3.7 | 3.2 | 3.2 | 2.9 | 2.9 | | |
| 1. Agriculture/Food Processing | 1,360.8 | 1,376.9 | 1,389.4 | 1,406.5 | 1,425.1 | 1,443.0 | 1.2 | 6.7 |
| % Change | 4.2 | 1.2 | 0.9 | 1.2 | 1.3 | 1.3 | | |
| 2. Information Technology | 361.8 | 389.5 | 418.9 | 450.4 | 483.3 | 517.3 | 7.4 | 2.4 |
| % Change | 11.9 | 7.7 | 7.5 | 7.5 | 7.3 | 7.0 | | |
| 3. High-tech Electronics | 284.2 | 289.1 | 293.6 | 299.0 | 305.2 | 311.7 | 1.9 | 1.4 |
| % Change | 3.9 | 1.7 | 1.5 | 1.8 | 2.1 | 2.2 | | |
| 4. High-tech Instruments/Optical | 749.3 | 770.1 | 788.8 | 810.1 | 833.5 | 857.6 | 2.7 | 4.0 |
| % Change | 3.6 | 2.8 | 2.4 | 2.7 | 2.9 | 2.9 | | |
| 5. Other High-value Manufacturing | 65.4 | 68.0 | 70.2 | 72.6 | 75.2 | 78.0 | 3.6 | 0.4 |
| % Change | 5.6 | 4.0 | 3.3 | 3.4 | 3.7 | 3.6 | | |
| 6. Resource-based Manufacturing | 148.2 | 151.2 | 153.7 | 156.6 | 159.9 | 163.2 | 1.9 | 0.8 |
| % Change | 0.8 | 2.0 | 1.6 | 1.9 | 2.1 | 2.1 | | |
| 7. Financial Activities | 1,243.1 | 1,281.3 | 1,312.8 | 1,352.6 | 1,379.7 | 1,402.3 | 2.4 | 6.5 |
| % Change | 5.2 | 3.1 | 2.5 | 3.0 | 2.0 | 1.6 | | |
| 8. Tourism | 874.4 | 903.2 | 934.0 | 969.9 | 1,005.8 | 1,042.7 | 3.6 | 4.8 |
| % Change | 3.9 | 3.3 | 3.4 | 3.8 | 3.7 | 3.7 | | |
| 9. Engineering and Research | 488.6 | 515.0 | 539.3 | 563.6 | 589.0 | 615.3 | 4.7 | 2.8 |
| % Change | 4.4 | 5.4 | 4.7 | 4.5 | 4.5 | 4.5 | | |
| 10. Legal Services | 179.7 | 188.2 | 195.9 | 203.4 | 211.4 | 219.6 | 4.1 | 1.0 |
| % Change | 2.9 | 4.7 | 4.1 | 3.9 | 3.9 | 3.9 | | |
| 11. Health Services | 1,170.0 | 1,183.6 | 1,198.9 | 1,215.2 | 1,230.7 | 1,245.2 | 1.3 | 5.8 |
| % Change | 1.1 | 1.2 | 1.3 | 1.4 | 1.3 | 1.2 | | |
| 12. Other Professional Services | 1,284.8 | 1,347.6 | 1,408.8 | 1,469.8 | 1,532.6 | 1,597.3 | 4.5 | 7.4 |
| % Change | 3.2 | 4.9 | 4.5 | 4.3 | 4.3 | 4.2 | | |
| 13. Retail Trade | 1,739.0 | 1,834.8 | 1,931.1 | 2,033.5 | 2,134.9 | 2,239.4 | 5.2 | 10.4 |
| % Change | 3.0 | 5.5 | 5.3 | 5.3 | 5.0 | 4.9 | | |
| Sum of Clusters | 7,208.4 | 7,494.3 | 7,774.2 | 8,075.2 | 8,384.6 | 8,702.4 | 3.8 | 40.2 |
| % Change | 4.0 | 4.0 | 3.7 | 3.9 | 3.8 | 3.8 | | |
| Other | 11,283.8 | 11,672.9 | 12,014.0 | 12,346.7 | 12,638.5 | 12,925.9 | 2.8 | 59.8 |
| % Change | 3.4 | 3.4 | 2.9 | 2.8 | 2.4 | 2.3 | | |

Table 11: Sonoma County Historical Productivity (Output per Worker)
Thousand of current dollars

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate 01-06 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|---------------------------------------|
| Total | 79.6 | 82.5 | 86.7 | 91.6 | 94.7 | 99.0 | 4.5 |
| % Change | -0.2 | 3.6 | 5.1 | 5.7 | 3.4 | 4.5 | |
| 1. Agriculture/Food Processing | 66.6 | 70.4 | 73.5 | 76.2 | 77.0 | 79.5 | 3.6 |
| % Change | 6.8 | 5.8 | 4.4 | 3.6 | 1.1 | 3.3 | |
| 2. Information Technology | 155.6 | 163.8 | 178.7 | 210.4 | 243.1 | 255.5 | 10.4 |
| % Change | -15.7 | 5.2 | 9.1 | 17.7 | 15.6 | 5.1 | |
| 3. High-tech Electronics | 112.3 | 102.8 | 101.9 | 101.2 | 113.0 | 105.3 | -1.3 |
| % Change | -36.7 | -8.4 | -0.9 | -0.7 | 11.6 | -6.8 | |
| 4. High-tech Instruments/Optical | 100.2 | 101.1 | 111.8 | 114.9 | 121.1 | 136.3 | 6.4 |
| % Change | -21.9 | 0.9 | 10.6 | 2.8 | 5.4 | 12.6 | |
| 5. Other High-value Manufacturing | 89.7 | 89.1 | 89.7 | 100.1 | 100.4 | 110.6 | 4.3 |
| % Change | -33.7 | -0.6 | 0.7 | 11.6 | 0.2 | 10.2 | |
| 6. Resource-based Manufacturing | 64.4 | 70.6 | 73.4 | 83.0 | 88.8 | 93.8 | 7.8 |
| % Change | 4.8 | 9.6 | 3.9 | 13.0 | 7.1 | 5.7 | |
| 7. Financial Activities | 139.0 | 150.5 | 162.1 | 171.6 | 185.3 | 196.2 | 7.1 |
| % Change | 6.0 | 8.3 | 7.7 | 5.9 | 8.0 | 5.9 | |
| 8. Tourism | 43.9 | 46.5 | 48.3 | 51.8 | 55.2 | 59.3 | 6.2 |
| % Change | 1.9 | 5.8 | 3.9 | 7.1 | 6.7 | 7.4 | |
| 9. Engineering and Research | 119.5 | 130.3 | 134.0 | 144.1 | 160.5 | 161.7 | 6.2 |
| % Change | 0.0 | 9.1 | 2.8 | 7.5 | 11.4 | 0.8 | |
| 10. Legal Services | 120.4 | 131.6 | 133.7 | 141.5 | 155.8 | 176.3 | 7.9 |
| % Change | 7.2 | 9.4 | 1.6 | 5.8 | 10.1 | 13.2 | |
| 11. Health Services | 61.5 | 64.8 | 68.8 | 72.2 | 77.5 | 81.2 | 5.7 |
| % Change | 7.4 | 5.4 | 6.2 | 5.0 | 7.2 | 4.8 | |
| 12. Other Professional Services | 63.8 | 66.7 | 70.0 | 74.6 | 79.3 | 82.3 | 5.2 |
| % Change | 1.0 | 4.5 | 4.8 | 6.7 | 6.2 | 3.9 | |
| 13. Retail Trade | 59.3 | 62.2 | 64.3 | 67.3 | 69.2 | 73.9 | 4.5 |
| % Change | 3.0 | 5.0 | 3.4 | 4.6 | 2.8 | 6.8 | |
| Sum of Clusters | 68.8 | 70.0 | 72.9 | 76.8 | 79.1 | 83.6 | 4.0 |
| % Change | -5.3 | 1.8 | 4.1 | 5.3 | 3.0 | 5.7 | |
| Other | 88.5 | 92.4 | 97.4 | 102.7 | 106.3 | 110.6 | 4.6 |
| % Change | 3.3 | 4.4 | 5.3 | 5.5 | 3.5 | 4.0 | |

Table 12: Sonoma County Forecasted Productivity (Output per Worker)
Thousand of current dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate 07-12 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|---------------------------------------|
| Total | 102.5 | 106.6 | 110.0 | 113.4 | 116.7 | 119.9 | 3.2 |
| % Change | 3.5 | 3.9 | 3.2 | 3.0 | 2.9 | 2.8 | |
| 1. Agriculture/Food Processing | 81.5 | 84.3 | 86.7 | 89.1 | 91.6 | 94.1 | 2.9 |
| % Change | 2.4 | 3.5 | 2.8 | 2.7 | 2.9 | 2.7 | |
| 2. Information Technology | 277.8 | 288.8 | 299.8 | 311.0 | 322.1 | 332.9 | 3.7 |
| % Change | 8.7 | 4.0 | 3.8 | 3.7 | 3.6 | 3.3 | |
| 3. High-tech Electronics | 107.0 | 114.1 | 120.0 | 125.9 | 132.3 | 138.7 | 5.3 |
| % Change | 1.6 | 6.7 | 5.1 | 4.9 | 5.1 | 4.8 | |
| 4. High-tech Instruments/Optical | 143.3 | 151.0 | 157.1 | 163.4 | 170.0 | 176.5 | 4.3 |
| % Change | 5.1 | 5.3 | 4.1 | 4.0 | 4.0 | 3.9 | |
| 5. Other High-value Manufacturing | 115.8 | 123.8 | 130.6 | 137.5 | 145.1 | 152.7 | 5.7 |
| % Change | 4.7 | 6.8 | 5.5 | 5.3 | 5.5 | 5.2 | |
| 6. Resource-based Manufacturing | 97.8 | 101.9 | 105.6 | 109.2 | 112.9 | 116.6 | 3.6 |
| % Change | 4.2 | 4.2 | 3.5 | 3.4 | 3.4 | 3.3 | |
| 7. Financial Activities | 202.7 | 210.9 | 218.5 | 225.5 | 231.6 | 236.8 | 3.2 |
| % Change | 3.3 | 4.0 | 3.6 | 3.2 | 2.7 | 2.3 | |
| 8. Tourism | 60.8 | 62.6 | 64.3 | 65.9 | 67.5 | 69.1 | 2.6 |
| % Change | 2.5 | 2.9 | 2.7 | 2.5 | 2.5 | 2.4 | |
| 9. Engineering and Research | 166.3 | 172.7 | 177.3 | 181.6 | 185.8 | 190.0 | 2.7 |
| % Change | 2.8 | 3.8 | 2.7 | 2.4 | 2.4 | 2.2 | |
| 10. Legal Services | 182.4 | 190.0 | 195.6 | 200.8 | 206.1 | 211.1 | 3.0 |
| % Change | 3.4 | 4.2 | 3.0 | 2.7 | 2.6 | 2.5 | |
| 11. Health Services | 81.8 | 82.7 | 83.3 | 83.7 | 83.9 | 84.0 | 0.5 |
| % Change | 0.8 | 1.1 | 0.7 | 0.5 | 0.3 | 0.1 | |
| 12. Other Professional Services | 83.6 | 86.4 | 88.5 | 90.3 | 92.0 | 93.7 | 2.3 |
| % Change | 1.5 | 3.4 | 2.5 | 2.0 | 1.9 | 1.8 | |
| 13. Retail Trade | 78.3 | 83.3 | 88.2 | 93.2 | 98.3 | 103.6 | 5.8 |
| % Change | 5.9 | 6.4 | 5.9 | 5.6 | 5.5 | 5.4 | |
| Sum of Clusters | 86.7 | 90.6 | 94.1 | 97.4 | 100.8 | 104.2 | 3.7 |
| % Change | 3.8 | 4.5 | 3.8 | 3.5 | 3.5 | 3.4 | |
| Other | 114.3 | 118.4 | 121.9 | 125.4 | 128.7 | 131.9 | 2.9 |
| % Change | 3.4 | 3.6 | 2.9 | 2.8 | 2.7 | 2.5 | |

Table 13: Sonoma County Historical Productivity (Output per Worker)
Thousands of 2000 dollars

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate 01-06 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| Total | 78.9 | 80.1 | 82.5 | 85.2 | 86.0 | 87.6 | 2.1 |
| % Change | -1.1 | 1.5 | 3.0 | 3.2 | 0.9 | 1.9 | |
| 1. Agriculture/Food Processing | 62.9 | 64.4 | 66.1 | 67.7 | 67.3 | 68.3 | 1.6 |
| % Change | 0.9 | 2.4 | 2.6 | 2.3 | -0.6 | 1.5 | |
| 2. Information Technology | 151.3 | 155.8 | 169.7 | 204.1 | 231.7 | 241.6 | 9.8 |
| % Change | -18.0 | 3.0 | 8.9 | 20.3 | 13.5 | 4.3 | |
| 3. High-tech Electronics | 149.1 | 154.0 | 174.6 | 198.6 | 219.5 | 201.8 | 6.2 |
| % Change | -15.9 | 3.2 | 13.4 | 13.8 | 10.5 | -8.1 | |
| 4. High-tech Instruments/Optical | 117.9 | 127.0 | 147.2 | 158.4 | 174.9 | 190.4 | 10.1 |
| % Change | -8.1 | 7.7 | 15.9 | 7.6 | 10.4 | 8.9 | |
| 5. Other High-value Manufacturing | 87.7 | 87.1 | 88.7 | 101.4 | 100.5 | 110.0 | 4.6 |
| % Change | -35.1 | -0.8 | 1.9 | 14.3 | -0.9 | 9.5 | |
| 6. Resource-based Manufacturing | 64.4 | 70.2 | 72.8 | 77.9 | 82.4 | 86.2 | 6.0 |
| % Change | 4.8 | 8.9 | 3.7 | 7.1 | 5.8 | 4.5 | |
| 7. Financial Activities | 137.6 | 144.4 | 152.9 | 156.6 | 166.6 | 172.3 | 4.6 |
| % Change | 4.9 | 4.9 | 5.9 | 2.4 | 6.4 | 3.4 | |
| 8. Tourism | 42.5 | 44.0 | 44.9 | 47.0 | 48.4 | 50.6 | 3.5 |
| % Change | -1.3 | 3.4 | 2.1 | 4.6 | 3.1 | 4.5 | |
| 9. Engineering and Research | 116.1 | 123.7 | 126.1 | 135.0 | 146.3 | 143.6 | 4.3 |
| % Change | -2.8 | 6.5 | 2.0 | 7.1 | 8.4 | -1.8 | |
| 10. Legal Services | 117.0 | 124.9 | 125.8 | 132.6 | 142.0 | 151.2 | 5.3 |
| % Change | 4.2 | 6.7 | 0.8 | 5.4 | 7.1 | 6.5 | |
| 11. Health Services | 58.4 | 59.5 | 60.9 | 61.8 | 64.4 | 65.8 | 2.4 |
| % Change | 2.0 | 2.0 | 2.3 | 1.4 | 4.3 | 2.1 | |
| 12. Other Professional Services | 62.2 | 63.6 | 66.1 | 68.3 | 71.1 | 72.1 | 3.0 |
| % Change | -1.6 | 2.3 | 3.9 | 3.4 | 4.0 | 1.4 | |
| 13. Retail Trade | 60.7 | 62.6 | 64.2 | 67.9 | 68.6 | 71.3 | 3.3 |
| % Change | 5.6 | 3.0 | 2.6 | 5.8 | 0.9 | 4.0 | |
| Sum of Clusters | 70.7 | 71.1 | 73.5 | 77.1 | 77.4 | 79.6 | 2.4 |
| % Change | -2.6 | 0.5 | 3.4 | 4.9 | 0.5 | 2.9 | |
| Other | 85.6 | 87.3 | 89.5 | 91.2 | 92.3 | 93.5 | 1.8 |
| % Change | -0.1 | 2.0 | 2.6 | 1.9 | 1.2 | 1.4 | |

Table 14: Sonoma County Forecasted Productivity (Output per Worker)
Thousands of 2000 dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate 07-12 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| Total | 88.6 | 90.0 | 91.0 | 92.0 | 92.9 | 93.7 | 1.1 |
| % Change | 1.1 | 1.6 | 1.1 | 1.1 | 1.0 | 0.9 | |
| 1. Agriculture/Food Processing | 69.2 | 70.0 | 70.4 | 70.8 | 71.4 | 71.8 | 0.8 |
| % Change | 1.3 | 1.1 | 0.6 | 0.7 | 0.8 | 0.6 | |
| 2. Information Technology | 252.4 | 256.4 | 260.6 | 264.9 | 268.8 | 272.3 | 1.5 |
| % Change | 4.5 | 1.6 | 1.6 | 1.7 | 1.5 | 1.3 | |
| 3. High-tech Electronics | 196.7 | 204.7 | 210.2 | 215.8 | 221.8 | 227.5 | 3.0 |
| % Change | -2.5 | 4.1 | 2.7 | 2.6 | 2.8 | 2.6 | |
| 4. High-tech Instruments/Optical | 195.1 | 200.7 | 204.5 | 208.3 | 212.2 | 216.0 | 2.1 |
| % Change | 2.5 | 2.9 | 1.9 | 1.8 | 1.9 | 1.8 | |
| 5. Other High-value Manufacturing | 110.9 | 115.6 | 119.4 | 123.0 | 127.0 | 130.9 | 3.4 |
| % Change | 0.8 | 4.3 | 3.2 | 3.1 | 3.3 | 3.1 | |
| 6. Resource-based Manufacturing | 87.6 | 89.2 | 90.4 | 91.7 | 92.8 | 94.0 | 1.4 |
| % Change | 1.6 | 1.8 | 1.4 | 1.4 | 1.3 | 1.3 | |
| 7. Financial Activities | 173.5 | 176.4 | 179.1 | 181.1 | 182.3 | 182.8 | 1.0 |
| % Change | 0.7 | 1.7 | 1.5 | 1.1 | 0.6 | 0.3 | |
| 8. Tourism | 50.6 | 50.9 | 51.3 | 51.6 | 51.8 | 52.1 | 0.6 |
| % Change | 0.0 | 0.6 | 0.7 | 0.6 | 0.5 | 0.5 | |
| 9. Engineering and Research | 143.8 | 146.0 | 146.8 | 147.3 | 147.8 | 148.1 | 0.6 |
| % Change | 0.1 | 1.5 | 0.6 | 0.4 | 0.3 | 0.2 | |
| 10. Legal Services | 157.7 | 160.6 | 161.9 | 162.9 | 163.8 | 164.6 | 0.9 |
| % Change | 4.3 | 1.8 | 0.8 | 0.6 | 0.6 | 0.5 | |
| 11. Health Services | 64.6 | 63.8 | 63.0 | 62.0 | 60.9 | 59.8 | -1.5 |
| % Change | -1.7 | -1.3 | -1.3 | -1.6 | -1.7 | -1.9 | |
| 12. Other Professional Services | 71.2 | 72.0 | 72.3 | 72.2 | 72.1 | 72.0 | 0.2 |
| % Change | -1.2 | 1.0 | 0.4 | 0.0 | -0.1 | -0.1 | |
| 13. Retail Trade | 73.7 | 76.6 | 79.4 | 82.2 | 85.0 | 87.9 | 3.6 |
| % Change | 3.3 | 4.0 | 3.7 | 3.5 | 3.4 | 3.4 | |
| Sum of Clusters | 80.7 | 82.4 | 83.7 | 84.9 | 86.1 | 87.2 | 1.6 |
| % Change | 1.3 | 2.1 | 1.6 | 1.4 | 1.4 | 1.4 | |
| Other | 94.5 | 95.6 | 96.4 | 97.3 | 98.0 | 98.6 | 0.9 |
| % Change | 1.0 | 1.2 | 0.9 | 0.9 | 0.7 | 0.6 | |

Table 15: Sonoma County Historical Employment by Leading Clusters
Thousands

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate 01-06 | Pct. Share of Employment 2006 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| Total | 202.3 | 200.1 | 196.1 | 197.6 | 200.5 | 203.7 | 0.1 | 100.0 |
| % Change | 1.4 | -1.1 | -2.0 | 0.7 | 1.5 | 1.6 | | |
| 1. Agriculture/Food Processing | 17.9 | 19.0 | 18.3 | 17.5 | 18.7 | 19.1 | 1.4 | 9.4 |
| % Change | -3.3 | 6.2 | -3.4 | -4.4 | 6.6 | 2.4 | | |
| 2. Information Technology | 2.1 | 1.7 | 1.6 | 1.7 | 1.2 | 1.3 | -8.7 | 0.7 |
| % Change | 8.2 | -20.7 | -1.8 | 4.7 | -31.1 | 12.6 | | |
| 3. High-value Manufacturing | 13.4 | 10.5 | 8.3 | 7.3 | 6.1 | 5.7 | -15.7 | 2.8 |
| % Change | 5.1 | -21.6 | -20.6 | -12.4 | -16.2 | -6.7 | | |
| 4. Tourism | 15.2 | 16.2 | 16.2 | 16.4 | 16.4 | 16.6 | 1.8 | 8.2 |
| % Change | 5.7 | 6.1 | 0.2 | 1.0 | 0.4 | 1.2 | | |
| 5. Professional Services | 18.1 | 17.4 | 17.3 | 17.8 | 19.0 | 20.5 | 2.5 | 10.1 |
| % Change | -3.2 | -4.1 | -0.6 | 2.9 | 7.1 | 7.8 | | |
| 6. Retail Trade | 24.1 | 24.0 | 23.8 | 23.6 | 23.8 | 23.7 | -0.4 | 11.6 |
| % Change | 1.6 | -0.3 | -1.1 | -0.6 | 0.5 | -0.4 | | |
| Sum of Clusters | 90.8 | 88.7 | 85.6 | 84.3 | 85.2 | 87.0 | -0.9 | 42.7 |
| % Change | 0.9 | -2.3 | -3.6 | -1.4 | 1.1 | 2.1 | | |
| Other | 111.4 | 111.4 | 110.6 | 113.2 | 115.2 | 116.7 | 0.9 | 57.3 |
| % Change | 1.8 | -0.1 | -0.7 | 2.4 | 1.8 | 1.2 | | |

Table 16: Sonoma County Forecasted Employment by Leading Clusters
Thousands

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate 07-12 | Pct. Share of Employment 2012 |
|-----------------------------|-------|-------|-------|-------|-------|-------|---------------------------------------|-------------------------------------|
| Total | 208.8 | 213.1 | 217.5 | 222.1 | 226.4 | 230.9 | 2.0 | 100.0 |
| % Change | 2.5 | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | | |
| 1. Agriculture | 19.7 | 19.7 | 19.7 | 19.9 | 20.0 | 20.1 | 0.4 | 8.7 |
| % Change | 2.9 | 0.1 | 0.3 | 0.6 | 0.5 | 0.6 | | |
| 2. Information Technology | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 | 5.8 | 0.8 |
| % Change | 7.1 | 6.0 | 5.8 | 5.8 | 5.7 | 5.7 | | |
| 3. High-value Manufacturing | 5.9 | 5.8 | 5.8 | 5.9 | 5.9 | 5.9 | 0.2 | 2.6 |
| % Change | 2.8 | -0.6 | 0.1 | 0.4 | 0.5 | 0.7 | | |
| 4. Tourism | 17.3 | 17.7 | 18.2 | 18.8 | 19.4 | 20.0 | 3.0 | 8.7 |
| % Change | 4.0 | 2.6 | 2.7 | 3.2 | 3.2 | 3.2 | | |
| 5. Professional Services | 21.4 | 22.3 | 23.2 | 24.2 | 25.2 | 26.3 | 4.2 | 11.4 |
| % Change | 4.4 | 3.8 | 4.1 | 4.3 | 4.4 | 4.3 | | |
| 6. Retail Trade | 23.6 | 24.0 | 24.3 | 24.7 | 25.1 | 25.5 | 1.5 | 11.0 |
| % Change | -0.2 | 1.5 | 1.5 | 1.7 | 1.6 | 1.4 | | |
| Sum of Clusters | 89.3 | 91.0 | 92.9 | 95.1 | 97.4 | 99.8 | 2.2 | 43.2 |
| % Change | 2.7 | 1.9 | 2.1 | 2.4 | 2.4 | 2.4 | | |
| Other | 119.5 | 122.1 | 124.6 | 126.9 | 129.0 | 131.1 | 1.9 | 56.8 |
| % Change | 2.4 | 2.2 | 2.1 | 1.9 | 1.6 | 1.7 | | |

Table 17: Sonoma County Historical Gross Regional Product (Output) by Leading Clusters
Millions of current dollars

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate | Pct. Share of Total Output |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------------|-------------------------------|
| | | | | | | | 01-06 | 2006 |
| Total | 16,110.88 | 16,506.91 | 17,001.02 | 18,106.18 | 18,993.43 | 20,172.17 | 4.6 | 100.0 |
| % Change | 1.2 | 2.5 | 3.0 | 6.5 | 4.9 | 6.2 | | |
| 1. Agriculture | 1,189.08 | 1,335.53 | 1,346.87 | 1,334.12 | 1,437.72 | 1,521.02 | 5.0 | 7.5 |
| % Change | 3.3 | 12.3 | 0.8 | -0.9 | 7.8 | 5.8 | | |
| 2. Information Technology | 329.02 | 274.66 | 294.47 | 362.91 | 289.00 | 341.87 | 0.8 | 1.7 |
| % Change | -8.8 | -16.5 | 7.2 | 23.2 | -20.4 | 18.3 | | |
| 3. High-value Manufacturing | 1,367.9 | 1,062.7 | 905.2 | 812.2 | 717.7 | 722.5 | -12.0 | 3.6 |
| % Change | -22.0 | -22.3 | -14.8 | -10.3 | -11.6 | 0.7 | | |
| 4. Tourism | 669.16 | 751.58 | 782.97 | 846.93 | 907.14 | 986.21 | 8.1 | 4.9 |
| % Change | 7.7 | 12.3 | 4.2 | 8.2 | 7.1 | 8.7 | | |
| 5. Professional Services | 1,263.9 | 1,293.1 | 1,376.5 | 1,525.4 | 1,741.0 | 1,949.2 | 9.1 | 9.7 |
| % Change | -1.9 | 2.3 | 6.4 | 10.8 | 14.1 | 12.0 | | |
| 6. Retail Trade | 1,429.10 | 1,496.13 | 1,529.26 | 1,591.37 | 1,644.57 | 1,749.03 | 4.1 | 8.7 |
| % Change | 4.7 | 4.7 | 2.2 | 4.1 | 3.3 | 6.4 | | |
| Sum of Clusters | 6,248.12 | 6,213.72 | 6,235.24 | 6,472.86 | 6,737.12 | 7,269.81 | 3.1 | 36.0 |
| % Change | -4.5 | -0.6 | 0.3 | 3.8 | 4.1 | 7.9 | | |
| Other | 9,862.76 | 10,293.19 | 10,765.78 | 11,633.33 | 12,256.31 | 12,902.35 | 5.5 | 64.0 |
| % Change | 5.2 | 4.4 | 4.6 | 8.1 | 5.4 | 5.3 | | |

Table 18: Sonoma County Forecasted Gross Regional Product (Output) by Leading Clusters
Millions of current dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate | Pct. Share of Total Output |
|-----------------------------|----------|----------|----------|----------|----------|----------|------------------------------|-------------------------------|
| | | | | | | | 07-12 | 2012 |
| Total | 21,401.9 | 22,704.1 | 23,928.3 | 25,175.4 | 26,422.3 | 27,692.2 | 5.3 | 100.0 |
| % Change | 6.1 | 6.1 | 5.4 | 5.2 | 5.0 | 4.8 | | |
| 1. Agriculture | 1,602.4 | 1,660.1 | 1,711.7 | 1,768.7 | 1,829.3 | 1,889.5 | 3.4 | 6.8 |
| % Change | 5.3 | 3.6 | 3.1 | 3.3 | 3.4 | 3.3 | | |
| 2. Information Technology | 398.1 | 438.8 | 482.0 | 528.8 | 579.1 | 632.3 | 9.7 | 2.3 |
| % Change | 16.4 | 10.2 | 9.8 | 9.7 | 9.5 | 9.2 | | |
| 3. High-value Manufacturing | 773.2 | 813.2 | 850.4 | 891.0 | 935.7 | 982.0 | 4.9 | 3.5 |
| % Change | 7.0 | 5.2 | 4.6 | 4.8 | 5.0 | 4.9 | | |
| 4. Tourism | 1,050.7 | 1,109.7 | 1,170.9 | 1,239.6 | 1,311.0 | 1,384.9 | 5.7 | 5.0 |
| % Change | 6.5 | 5.6 | 5.5 | 5.9 | 5.8 | 5.6 | | |
| 5. Professional Services | 2,072.6 | 2,227.0 | 2,378.2 | 2,532.4 | 2,696.4 | 2,867.4 | 6.7 | 10.4 |
| % Change | 6.3 | 7.4 | 6.8 | 6.5 | 6.5 | 6.3 | | |
| 6. Retail Trade | 1,848.3 | 1,995.2 | 2,144.1 | 2,303.4 | 2,468.0 | 2,639.8 | 7.4 | 9.5 |
| % Change | 5.7 | 7.9 | 7.5 | 7.4 | 7.1 | 7.0 | | |
| Sum of Clusters | 7,745.4 | 8,244.0 | 8,737.2 | 9,263.9 | 9,819.4 | 10,395.9 | 6.1 | 37.5 |
| % Change | 6.5 | 6.4 | 6.0 | 6.0 | 6.0 | 5.9 | | |
| Other | 13,656.5 | 14,460.1 | 15,191.1 | 15,911.5 | 16,602.9 | 17,296.2 | 4.8 | 62.5 |
| % Change | 5.8 | 5.9 | 5.1 | 4.7 | 4.3 | 4.2 | | |

Table 19: Sonoma County Historical Gross Regional Product (Output) by Leading Clusters
Million of 2000 dollars

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate | Pct. Share of Total Output |
|-----------------------------|----------|----------|----------|----------|----------|----------|------------------------------|-------------------------------|
| | | | | | | | 01-06 | 2006 |
| Total | 15,963.9 | 16,027.9 | 16,185.7 | 16,825.7 | 17,232.6 | 17,840.6 | 2.2 | 100.0 |
| % Change | 0.3 | 0.4 | 1.0 | 4.0 | 2.4 | 3.5 | | |
| 1. Agriculture | 1,123.6 | 1,222.0 | 1,211.4 | 1,185.1 | 1,256.1 | 1,305.5 | 3.0 | 7.3 |
| % Change | -2.4 | 8.8 | -0.9 | -2.2 | 6.0 | 3.9 | | |
| 2. Information Technology | 319.8 | 261.4 | 279.5 | 352.1 | 275.4 | 323.3 | 0.2 | 1.8 |
| % Change | -11.4 | -18.3 | 6.9 | 26.0 | -21.8 | 17.4 | | |
| 3. High-value Manufacturing | 1,642.0 | 1,377.3 | 1,242.6 | 1,181.2 | 1,075.8 | 1,058.3 | -8.4 | 5.9 |
| % Change | -6.3 | -16.1 | -9.8 | -4.9 | -8.9 | -1.6 | | |
| 4. Tourism | 647.8 | 711.0 | 727.6 | 768.3 | 795.3 | 841.3 | 5.4 | 4.7 |
| % Change | 4.2 | 9.8 | 2.3 | 5.6 | 3.5 | 5.8 | | |
| 5. Professional Services | 1,230.3 | 1,231.2 | 1,299.0 | 1,405.8 | 1,567.4 | 1,713.1 | 6.8 | 9.6 |
| % Change | -4.5 | 0.1 | 5.5 | 8.2 | 11.5 | 9.3 | | |
| 6. Retail Trade | 1,464.1 | 1,504.6 | 1,526.8 | 1,606.0 | 1,629.6 | 1,687.9 | 2.9 | 9.5 |
| % Change | 7.3 | 2.8 | 1.5 | 5.2 | 1.5 | 3.6 | | |
| Sum of Clusters | 6,427.6 | 6,307.4 | 6,286.9 | 6,498.5 | 6,599.5 | 6,929.4 | 1.5 | 38.8 |
| % Change | -1.7 | -1.9 | -0.3 | 3.4 | 1.6 | 5.0 | | |
| Other | 9,536.4 | 9,720.6 | 9,898.8 | 10,327.2 | 10,633.1 | 10,911.2 | 2.7 | 61.2 |
| % Change | 1.7 | 1.9 | 1.8 | 4.3 | 3.0 | 2.6 | | |

Table 20: Sonoma County Forecasted Gross Regional Product (Output) by Leading Clusters
Million of 2000 dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate 07-12 | Pct. Share of Total Output 2012 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| Total | 18,492.2 | 19,167.2 | 19,788.1 | 20,421.9 | 21,023.1 | 21,628.2 | 3.2 | 100.0 |
| % Change | 3.7 | 3.7 | 3.2 | 3.2 | 2.9 | 2.9 | | |
| 1. Agriculture | 1,360.8 | 1,376.9 | 1,389.4 | 1,406.5 | 1,425.1 | 1,443.0 | 1.2 | 6.7 |
| % Change | 4.2 | 1.2 | 0.9 | 1.2 | 1.3 | 1.3 | | |
| 2. Information Technology | 361.8 | 389.5 | 418.9 | 450.4 | 483.3 | 517.3 | 7.4 | 2.4 |
| % Change | 11.9 | 7.7 | 7.5 | 7.5 | 7.3 | 7.0 | | |
| 3. High-value Manufacturing | 1,098.9 | 1,127.2 | 1,152.5 | 1,181.6 | 1,213.9 | 1,247.3 | 2.6 | 5.8 |
| % Change | 3.8 | 2.6 | 2.2 | 2.5 | 2.7 | 2.8 | | |
| 4. Tourism | 874.4 | 903.2 | 934.0 | 969.9 | 1,005.8 | 1,042.7 | 3.6 | 4.8 |
| % Change | 3.9 | 3.3 | 3.4 | 3.8 | 3.7 | 3.7 | | |
| 5. Professional Services | 1,773.4 | 1,862.6 | 1,948.1 | 2,033.4 | 2,121.6 | 2,212.6 | 4.5 | 10.2 |
| % Change | 3.5 | 5.0 | 4.6 | 4.4 | 4.3 | 4.3 | | |
| 6. Retail Trade | 1,739.0 | 1,834.8 | 1,931.1 | 2,033.5 | 2,134.9 | 2,239.4 | 5.2 | 10.4 |
| % Change | 3.0 | 5.5 | 5.3 | 5.3 | 5.0 | 4.9 | | |
| Sum of Clusters | 7,208.4 | 7,494.3 | 7,774.2 | 8,075.2 | 8,384.6 | 8,702.4 | 3.8 | 40.2 |
| % Change | 4.0 | 4.0 | 3.7 | 3.9 | 3.8 | 3.8 | | |
| Other | 11,283.8 | 11,672.9 | 12,014.0 | 12,346.7 | 12,638.5 | 12,925.9 | 2.8 | 59.8 |
| % Change | 3.4 | 3.4 | 2.9 | 2.8 | 2.4 | 2.3 | | |

Table 21: Sonoma County Historical Productivity (Output per Worker) by Leading Clusters
Thousands of current dollars

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate 01-06 | Pct. Share of Total Output 2006 |
|-----------------------------|-------|-------|-------|-------|-------|-------|---------------------------------------|---------------------------------------|
| Total | 79.6 | 82.5 | 86.7 | 91.6 | 94.7 | 99.0 | 4.5 | 100.0 |
| % Change | -0.2 | 3.6 | 5.1 | 5.7 | 3.4 | 4.5 | | |
| 1. Agriculture | 66.6 | 70.4 | 73.5 | 76.2 | 77.0 | 79.5 | 3.6 | 80.3 |
| % Change | 6.8 | 5.8 | 4.4 | 3.6 | 1.1 | 3.3 | | |
| 2. Information Technology | 155.6 | 163.8 | 178.7 | 210.4 | 243.1 | 255.5 | 10.4 | 257.9 |
| % Change | -15.7 | 5.2 | 9.1 | 17.7 | 15.6 | 5.1 | | |
| 3. High-value Manufacturing | 102.0 | 101.1 | 108.5 | 111.1 | 117.2 | 126.4 | 4.4 | 127.6 |
| % Change | -25.8 | -0.9 | 7.3 | 2.4 | 5.5 | 7.9 | | |
| 4. Tourism | 43.9 | 46.5 | 48.3 | 51.8 | 55.2 | 59.3 | 6.2 | 59.9 |
| % Change | 1.9 | 5.8 | 3.9 | 7.1 | 6.7 | 7.4 | | |
| 5. Professional Services | 69.7 | 74.4 | 79.7 | 85.8 | 91.4 | 94.9 | 6.4 | 95.8 |
| % Change | 1.4 | 6.7 | 7.1 | 7.7 | 6.5 | 3.8 | | |
| 6. Retail Trade | 59.3 | 62.2 | 64.3 | 67.3 | 69.2 | 73.9 | 4.5 | 74.6 |
| % Change | 3.0 | 5.0 | 3.4 | 4.6 | 2.8 | 6.8 | | |
| Sum of Clusters | 68.8 | 70.0 | 72.9 | 76.8 | 79.1 | 83.6 | 4.0 | 84.4 |
| % Change | -5.3 | 1.8 | 4.1 | 5.3 | 3.0 | 5.7 | | |
| Other | 88.5 | 92.4 | 97.4 | 102.7 | 106.3 | 110.6 | 4.6 | 111.7 |
| % Change | 3.3 | 4.4 | 5.3 | 5.5 | 3.5 | 4.0 | | |

Table 22: Sonoma County Forecasted Productivity (Output per Worker) by Leading Clusters
Thousands of current dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate 07-12 | Pct. Share of Total Output 2012 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--|
| Total | 102.5 | 106.6 | 110.0 | 113.4 | 116.7 | 119.9 | 3.2 | 100.0 |
| % Change | 3.5 | 3.9 | 3.2 | 3.0 | 2.9 | 2.8 | | |
| 1. Agriculture | 81.5 | 84.3 | 86.7 | 89.1 | 91.6 | 94.1 | 2.9 | 78.4 |
| % Change | 2.4 | 3.5 | 2.8 | 2.7 | 2.9 | 2.7 | | |
| 2. Information Technology | 277.8 | 288.8 | 299.8 | 311.0 | 322.1 | 332.9 | 3.7 | 277.6 |
| % Change | 8.7 | 4.0 | 3.8 | 3.7 | 3.6 | 3.3 | | |
| 3. High-value Manufacturing | 131.6 | 139.3 | 145.6 | 151.9 | 158.7 | 165.4 | 4.7 | 137.9 |
| % Change | 4.1 | 5.8 | 4.5 | 4.4 | 4.5 | 4.2 | | |
| 4. Tourism | 60.8 | 62.6 | 64.3 | 65.9 | 67.5 | 69.1 | 2.6 | 57.6 |
| % Change | 2.5 | 2.9 | 2.7 | 2.5 | 2.5 | 2.4 | | |
| 5. Professional Services | 96.7 | 100.1 | 102.6 | 104.8 | 106.9 | 108.9 | 2.4 | 90.8 |
| % Change | 1.8 | 3.5 | 2.5 | 2.1 | 2.0 | 1.9 | | |
| 6. Retail Trade | 73.7 | 76.6 | 79.4 | 82.2 | 85.0 | 87.9 | 3.6 | 73.3 |
| % Change | 3.3 | 4.0 | 3.7 | 3.5 | 3.4 | 3.4 | | |
| Sum of Clusters | 86.7 | 90.6 | 94.1 | 97.4 | 100.8 | 104.2 | 3.7 | 86.9 |
| % Change | 3.8 | 4.5 | 3.8 | 3.5 | 3.5 | 3.4 | | |
| Other | 114.3 | 118.4 | 121.9 | 125.4 | 128.7 | 131.9 | 2.9 | 110.0 |
| % Change | 3.4 | 3.6 | 2.9 | 2.8 | 2.7 | 2.5 | | |

Table 23: Sonoma County Historical Productivity (Output per Worker) by Leading Clusters
Thousands of 2000 dollars

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Compound Ann. Growth Rate 01-06 | Pct. Share of Total Output 2006 |
|-----------------------------|-------|-------|-------|-------|-------|-------|---------------------------------------|---------------------------------------|
| Total | 78.9 | 80.1 | 82.5 | 85.2 | 86.0 | 87.6 | 2.1 | 100.0 |
| % Change | -1.1 | 1.5 | 3.0 | 3.2 | 0.9 | 1.9 | | |
| 1. Agriculture | 62.9 | 64.4 | 66.1 | 67.7 | 67.3 | 68.3 | 1.6 | 77.9 |
| % Change | 0.9 | 2.4 | 2.6 | 2.3 | -0.6 | 1.5 | | |
| 2. Information Technology | 151.3 | 155.8 | 169.7 | 204.1 | 231.7 | 241.6 | 9.8 | 275.8 |
| % Change | -18.0 | 3.0 | 8.9 | 20.3 | 13.5 | 4.3 | | |
| 3. High-value Manufacturing | 122.4 | 131.0 | 148.9 | 161.5 | 175.6 | 185.2 | 8.6 | 211.4 |
| % Change | -10.9 | 7.0 | 13.7 | 8.5 | 8.7 | 5.5 | | |
| 4. Tourism | 42.5 | 44.0 | 44.9 | 47.0 | 48.4 | 50.6 | 3.5 | 57.8 |
| % Change | -1.3 | 3.4 | 2.1 | 4.6 | 3.1 | 4.5 | | |
| 5. Professional Services | 67.9 | 70.8 | 75.2 | 79.1 | 82.3 | 83.4 | 4.2 | 95.2 |
| % Change | -1.3 | 4.4 | 6.1 | 5.2 | 4.1 | 1.4 | | |
| 6. Retail Trade | 60.7 | 62.6 | 64.2 | 67.9 | 68.6 | 71.3 | 3.3 | 81.4 |
| % Change | 5.6 | 3.0 | 2.6 | 5.8 | 0.9 | 4.0 | | |
| Sum of Clusters | 70.7 | 71.1 | 73.5 | 77.1 | 77.4 | 79.6 | 2.4 | 90.9 |
| % Change | -2.6 | 0.5 | 3.4 | 4.9 | 0.5 | 2.9 | | |
| Other | 85.6 | 87.3 | 89.5 | 91.2 | 92.3 | 93.5 | 1.8 | 106.8 |
| % Change | -0.1 | 2.0 | 2.6 | 1.9 | 1.2 | 1.4 | | |

Table 24: Sonoma County Forecasted Productivity (Output per Worker) by Leading Clusters
Thousands of 2000 dollars

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Compound Ann. Growth Rate 07-12 | Pct. Share of Total Output 2012 |
|-----------------------------|-------|-------|-------|-------|-------|-------|---------------------------------------|---------------------------------------|
| Total | 88.6 | 90.0 | 91.0 | 92.0 | 92.9 | 93.7 | 1.1 | 100.0 |
| % Change | 1.1 | 1.6 | 1.1 | 1.1 | 1.0 | 0.9 | | |
| 1. Agriculture | 69.2 | 70.0 | 70.4 | 70.8 | 71.4 | 71.8 | 0.8 | 76.7 |
| % Change | 1.3 | 1.1 | 0.6 | 0.7 | 0.8 | 0.6 | | |
| 2. Information Technology | 252.4 | 256.4 | 260.6 | 264.9 | 268.8 | 272.3 | 1.5 | 290.8 |
| % Change | 4.5 | 1.6 | 1.6 | 1.7 | 1.5 | 1.3 | | |
| 3. High-value Manufacturing | 187.1 | 193.1 | 197.3 | 201.5 | 205.9 | 210.1 | 2.4 | 224.3 |
| % Change | 1.0 | 3.2 | 2.2 | 2.1 | 2.2 | 2.1 | | |
| 4. Tourism | 50.6 | 50.9 | 51.3 | 51.6 | 51.8 | 52.1 | 0.6 | 55.6 |
| % Change | 0.0 | 0.6 | 0.7 | 0.6 | 0.5 | 0.5 | | |
| 5. Professional Services | 82.7 | 83.7 | 84.1 | 84.1 | 84.1 | 84.0 | 0.3 | 89.7 |
| % Change | -0.8 | 1.2 | 0.4 | 0.0 | 0.0 | -0.1 | | |
| 6. Retail Trade | 73.7 | 76.6 | 79.4 | 82.2 | 85.0 | 87.9 | 3.6 | 93.9 |
| % Change | 3.3 | 4.0 | 3.7 | 3.5 | 3.4 | 3.4 | | |
| Sum of Clusters | 80.7 | 82.4 | 83.7 | 84.9 | 86.1 | 87.2 | 1.6 | 93.1 |
| % Change | 1.3 | 2.1 | 1.6 | 1.4 | 1.4 | 1.4 | | |
| Other | 94.5 | 95.6 | 96.4 | 97.3 | 98.0 | 98.6 | 0.9 | 105.2 |
| % Change | 1.0 | 1.2 | 0.9 | 0.9 | 0.7 | 0.6 | | |

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- Community Development Commission
- Sonoma County Health Services
- Sonoma County Transportation & Public Works