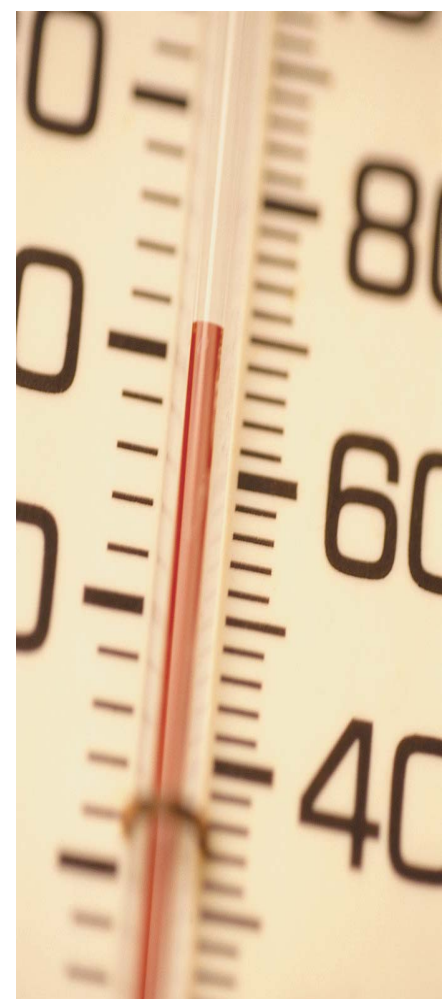




ECONOMY

NORTH BAY BUSINESS BAROMETER SPRING EDITION 2008



WITH ACKNOWLEDGMENT AND APPRECIATION TO LOCAL KEY BUSINESSES
SUPPORTING SONOMA COUNTY ECONOMIC DEVELOPMENT:

CHAIRMAN'S CIRCLE:



EXECUTIVE TIER:



ASSOCIATE TIER:



- County of Sonoma Board of Supervisors ■
- Sonoma County Permit & Resources Management ■
- Community Development Commission ■
- Sonoma County Health Services ■
- Sonoma County Transportation & Public Works ■

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NORTH BAY BUSINESS BAROMETER

2008

June 2008

The Sonoma County Economic Development Board (EDB), in partnership with the Sonoma County Workforce Investment Board (WIB), is pleased to bring you the Spring edition of the North Bay Business Barometer. This type of report was previously done only for Sonoma County. This report primarily covers data from the months of January, February, and March 2008.

The purpose of the Business Barometer Report is to provide a sense of how the North Bay economy is performing, as many businesses operate across the region. The indicators selected for this report cover a broad swath of economic topics, including employment, housing and construction, and prices and inflation. This report provides a North Bay composite of Marin, Mendocino, Napa and Sonoma counties, as well as individual information for those counties in alphabetical order. Sonoma County information contained herein is a reprinted edition of the 2008 First Quarter Calendar Year (CY) Sonoma County Business Barometer.

Highlights from the North Bay Business Barometer include:

- The median price of an existing home sold in March 2008 fell to \$520,750 from \$623,400 in March 2007, a 16.5% decrease.
- Nonfarm employment neared the all-time high of Q1 2001's benchmark of 394,400, to end the fourth quarter 2006 at 393,600.
- The North Bay's seasonally adjusted unemployment rate of 4.8 percent remained lower than the unemployment rate of both California and the United States.

The North Bay Business Barometer may not contain all the information provided for individual counties because of potential differences in the frequency and methodology of data collection. The EDB encourages interested readers to recommend any pertinent local indicator or ways in which we may improve this report. As always, if you have any questions, please feel free to contact us at (707) 565-7170.

Sincerely,



Ben Stone
Executive Director

NORTH BAY BUSINESS BAROMETER

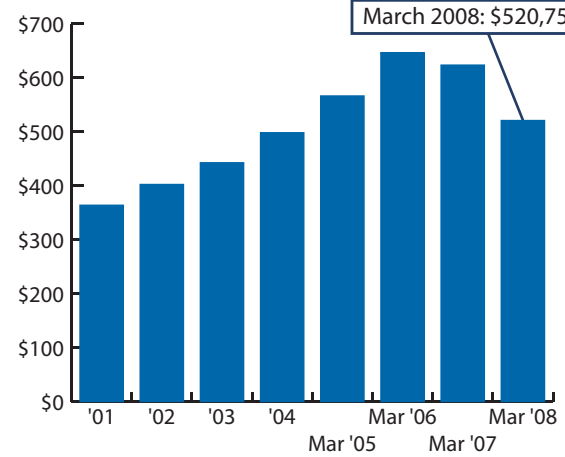
2008



North Bay Counties Summary

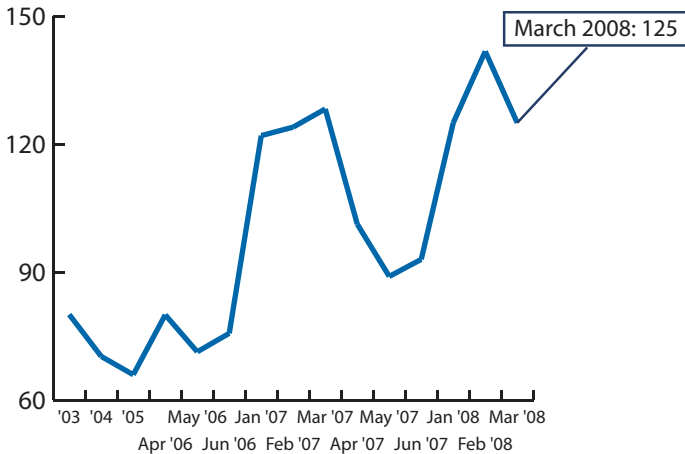
Between 2001 and March 2008, the North Bay median home price of an existing home grew 43 percent, but it declined 16 percent the year-over in March 2008. In addition to the recent decline in home prices, the average number of days on the market has increased since 2003, reaching a high of over four months during the first quarter of 2008. The sales-to-list price ratio of homes sold fell to an unusually low 94.8 percent of asking price, indicating the value of North Bay homes has been impacted by the subprime mortgage crisis. Industrial and office vacancy rates have remained fairly stable over the past two years. Residential and commercial listings of property currently exceed closed sales by 233 percent, indicating a sizeable supply of real estate relative to demand.

MEDIAN PRICE OF AN EXISTING HOME SOLD (\$THOUSANDS)



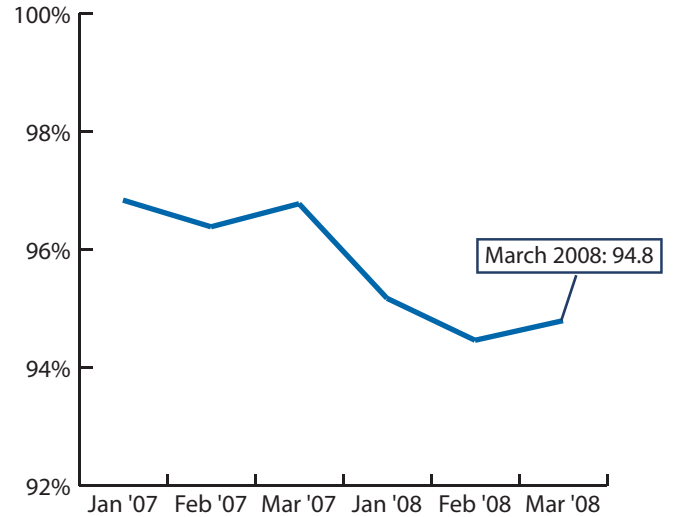
Source: California Association of Realtors (<http://www.car.org>)

AVERAGE DAYS ON THE MARKET



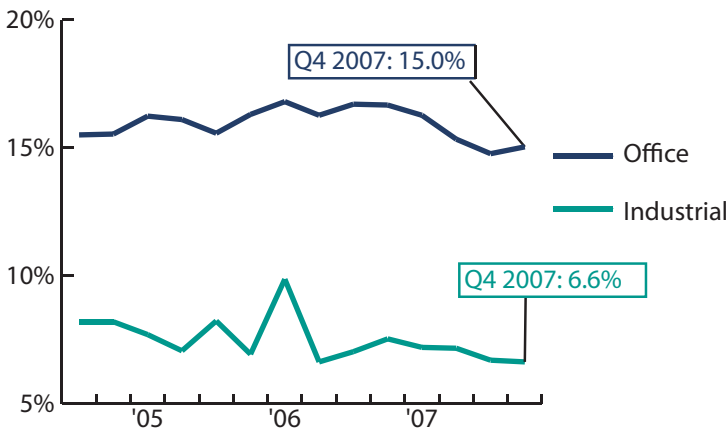
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

SALES/LIST PRICE RATIO OF HOMES SOLD



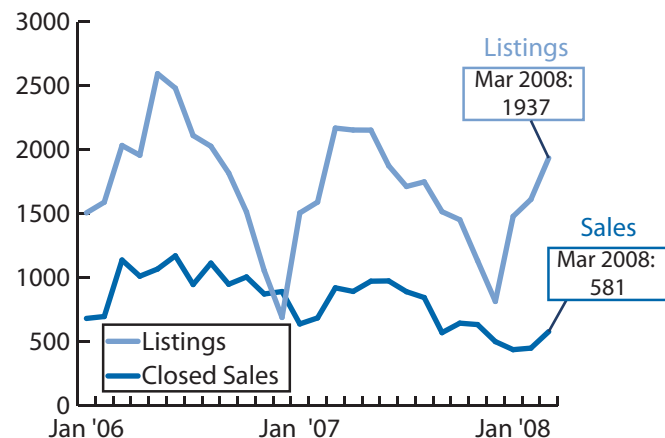
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

COMMERCIAL PROPERTY VACANCY RATES*



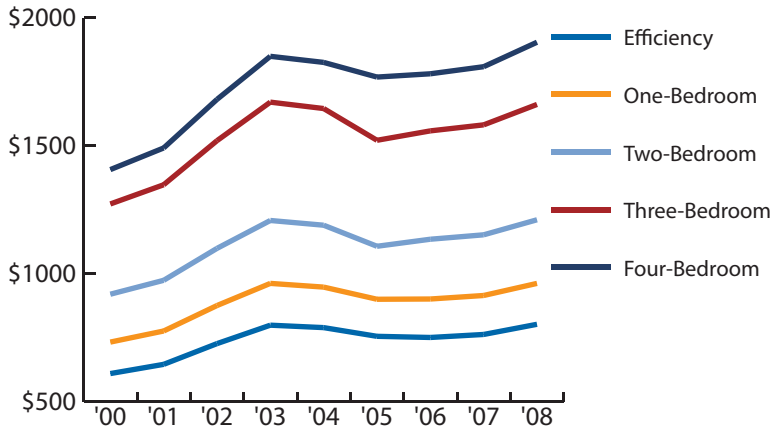
Source: Keegan and Coppin Company, Inc. (<http://www.keegancoppin.com>)
 *Excluding Mendocino County; retail vacancy data not available

LISTINGS AND CLOSED SALES (INCLUDES COMMERCIAL PROPERTIES)



Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

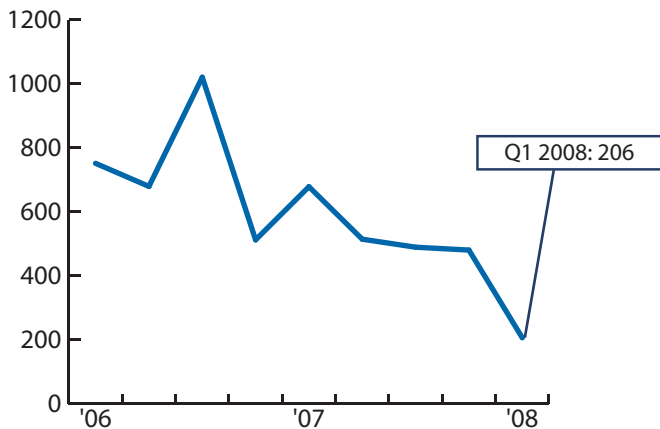
FAIR MARKET RENTS



Source: Department of Housing and Urban Development (<http://www.hud.gov>)

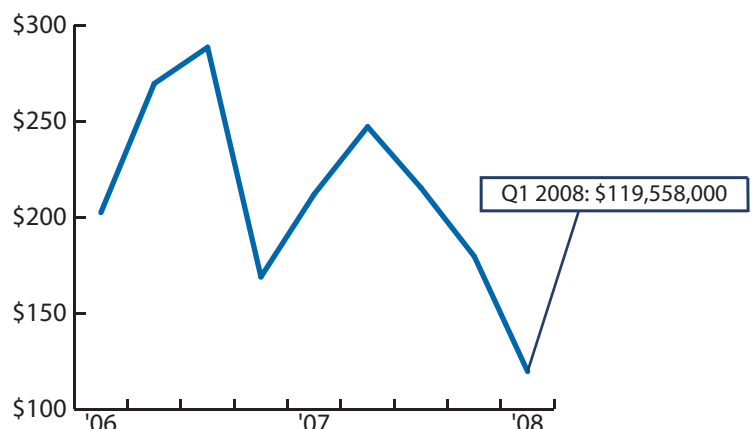
Fair Market Rents in the North Bay have slowly risen since 2000. FMR is tied to the median income of the area, indicating a slow rise in the median income of the North Bay. It should be noted that FMR is not a measure of current market rates, but rather it is a measure of rent affordable to a median income renter in that area. Currently, residential building permit issuance is at an all time low since 2000, as is the value of those permits, indicating a considerable slowdown in North Bay residential housing construction. Notices of default rose every quarter since second quarter 2005 and grew 225 percent the year over first quarter 2008. In addition to tightening mortgage availability, the rapid increase in foreclosed homes may have also contributed to the slowdown in residential housing construction.

RESIDENTIAL BUILDING PERMITS ISSUED (INCLUDES SINGLE- AND MULTI-FAMILY UNITS)



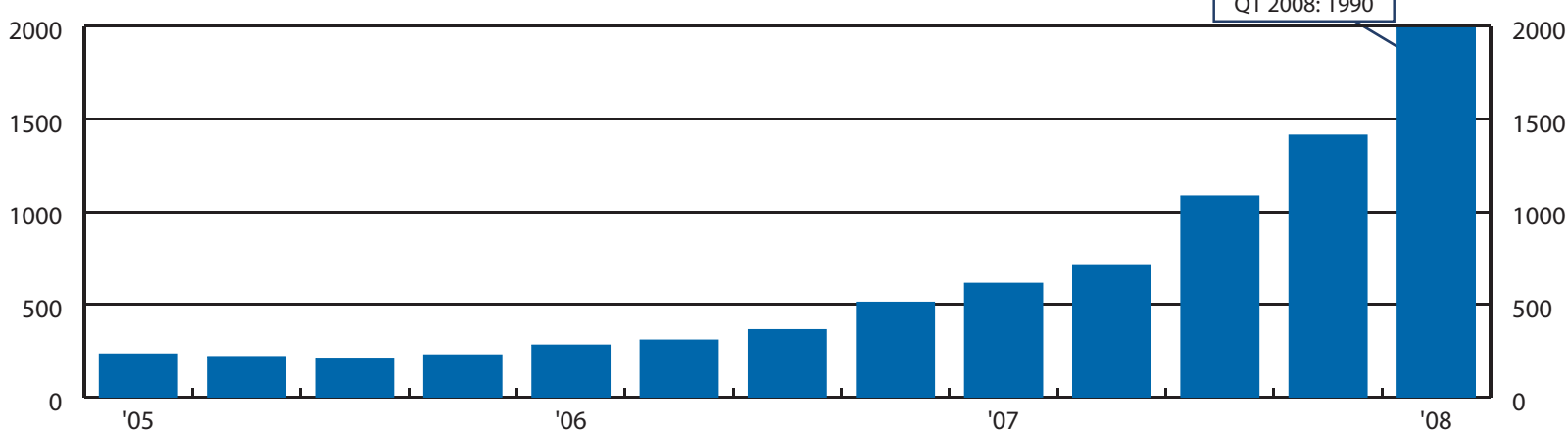
Source: Construction Industry Research Board (<http://www.cirbdata.com>)

VALUE OF RESIDENTIAL BUILDING PERMITS ISSUED (\$MILLIONS)



Source: Construction Industry Research Board (<http://www.cirbdata.com>)
Includes Single- and Multi-family Units

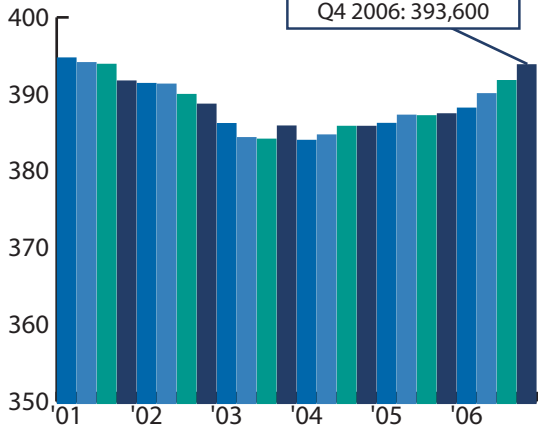
NOTICES OF DEFAULT*



Source: DataQuick Information Services (<http://www.dataquick.com>)
*Excluding Mendocino County

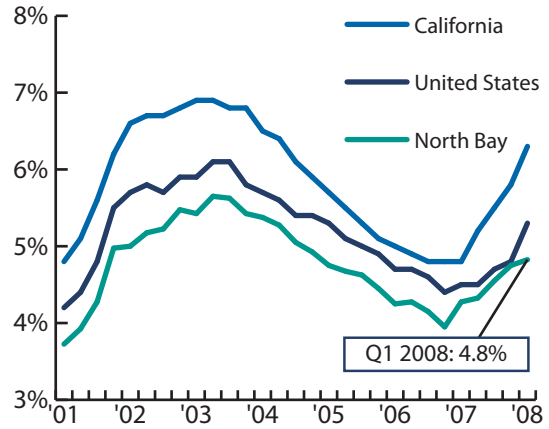
NORTH BAY EMPLOYMENT

SEASONALLY ADJUSTED NONFARM EMPLOYMENT (THOUSANDS)



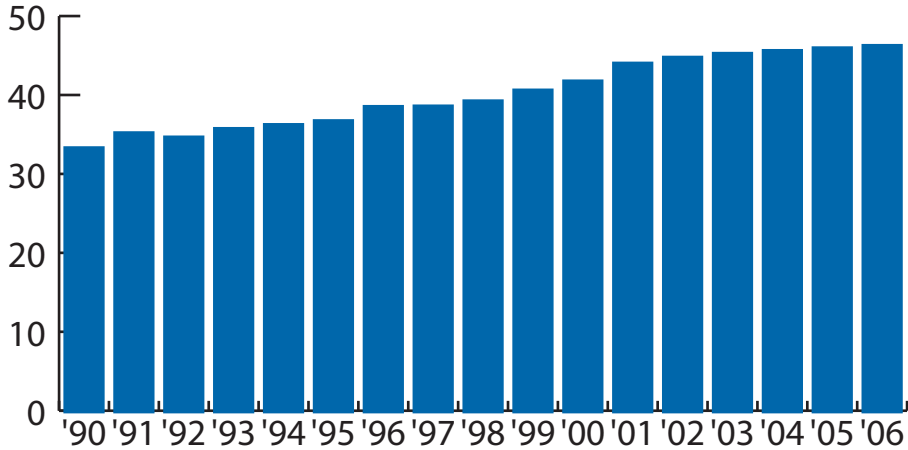
Source: Bureau of Labor Statistics (<http://www.bls.gov>)

SEASONALLY ADJUSTED UNEMPLOYMENT RATE



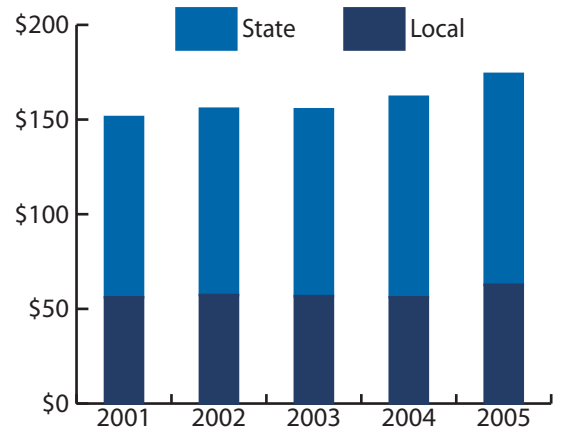
Source: Bureau of Labor Statistics (<http://www.bls.gov>)

LEISURE AND HOSPITALITY EMPLOYMENT (THOUSANDS)



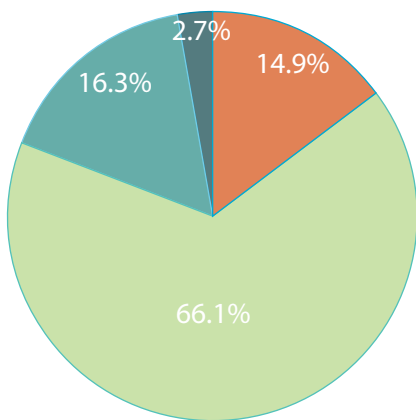
Source: Bureau of Labor Statistics (<http://www.bls.gov>)

TAX RECEIPTS GENERATED BY TOURISM SPENDING (CONSTANT 2005 \$ MILLIONS)



Source: Dean Runyan & Associates (<http://www.deanrunyan.com>)

LEISURE AND HOSPITALITY EMPLOYMENT BY INDUSTRY, 2005

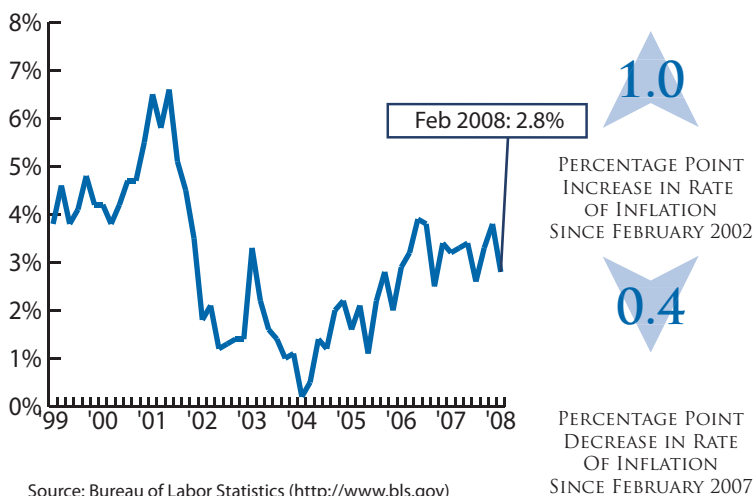


- Performing Arts, Spectator Sports (2.7%)
- Accommodation (16.3%)
- Food Services and Drinking Places (66.1%)
- Amusement, Gambling and Recreation (14.9%)

Source: Bureau of Labor Statistics (<http://www.bls.gov>)

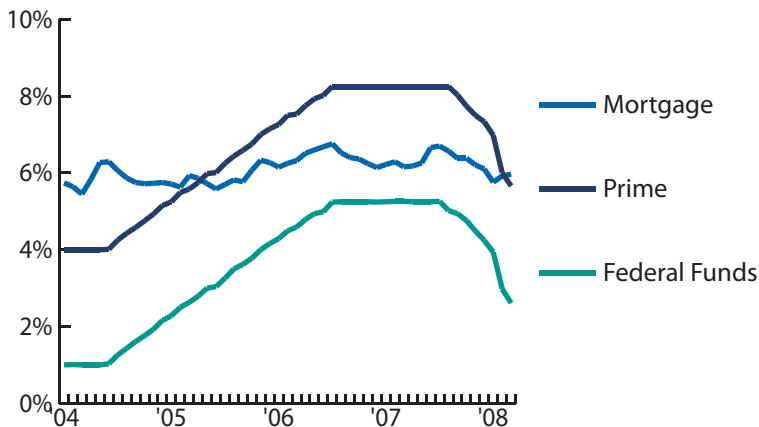
NORTH BAY ENERGY, INFLATION AND INTEREST RATES

12-MONTH CHANGE IN PRICES, SAN FRANCISCO BAY AREA

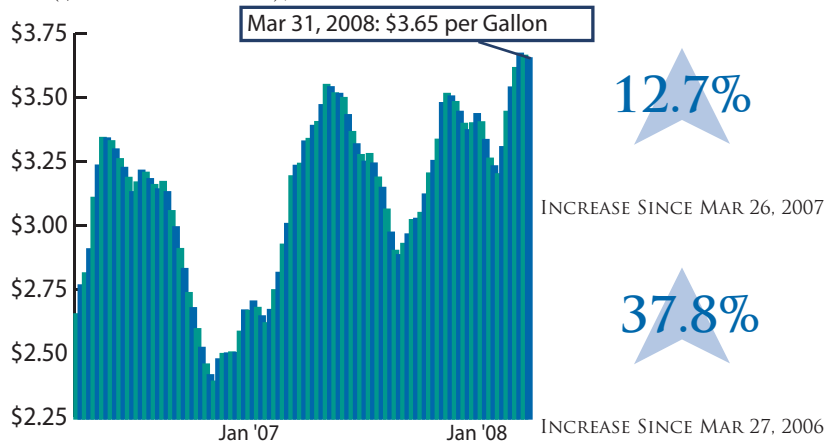


The price of regular unleaded gasoline in the San Francisco Bay Area rose to \$3.65 per gallon in the last week of March 2008, a 12.7% increase over last year's reading of \$3.23. Inflation crept downward from December's reading of 3.8% to 2.8% annualized in March. The Federal Reserve of San Francisco attributed the dip in inflation to a general slowdown in the economy, despite the pressure of rising commodity prices, and core inflation is expected to remain around 2% in 2008 and 2009. The Federal Funds rate fell sharply in Q1 2008 from Q4 2007, reflecting action by the Federal Reserve following the recent subprime loan crisis. According to the Federal Reserve of San Francisco, the falling dollar has contributed to rising gasoline prices.

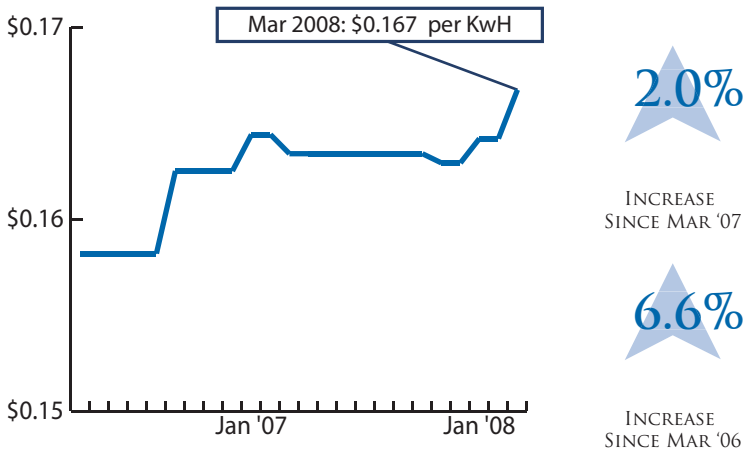
INTEREST RATES



WEEKLY REGULAR UNLEADED GASOLINE PRICES (\$ PER GALLON), SAN FRANCISCO BAY AREA



ELECTRICITY PRICES (\$ PER KILOWATT HOUR)



NATURAL GAS PRICES (\$ PER THERM)



NORTH BAY BUSINESS BAROMETER

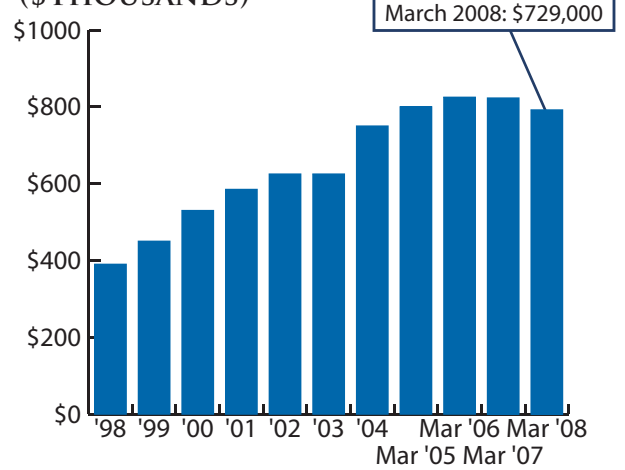
2008



Marin County

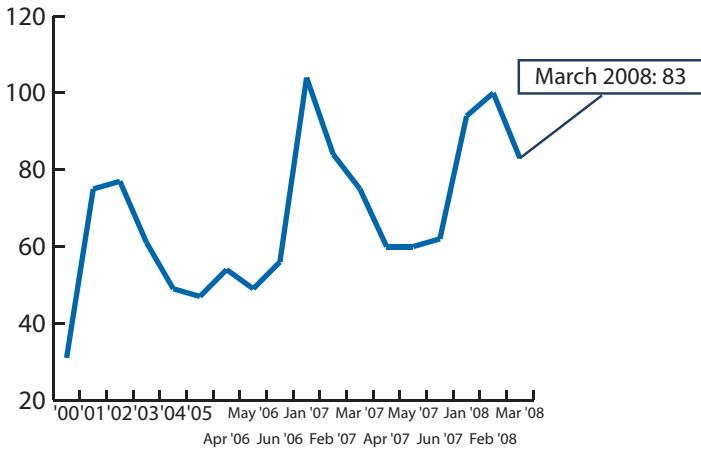
Marin County's residential real estate market experienced some effects of the current subprime mortgage and credit crisis, but it has weathered the difficulties well. The median price of an existing home sold decreased 3.8 percent a year-over in March 2008, indicating some stress in the market. However, the median home price has grown quickly since 1998, rising 103.1 percent over the past decade. The average number of days on the market has fluctuated since 2000, peaking to 104 days in January 2007, but it has recently moderated. The ratio of sales to list price has remained relatively constant, hovering close to 97 percent. The most active areas of home sales were in Novato, San Rafael and Mill Valley, while Kentfield, Point Reyes and Ross maintained the highest average sales prices.

MEDIAN PRICE OF AN EXISTING HOME SOLD (\$THOUSANDS)



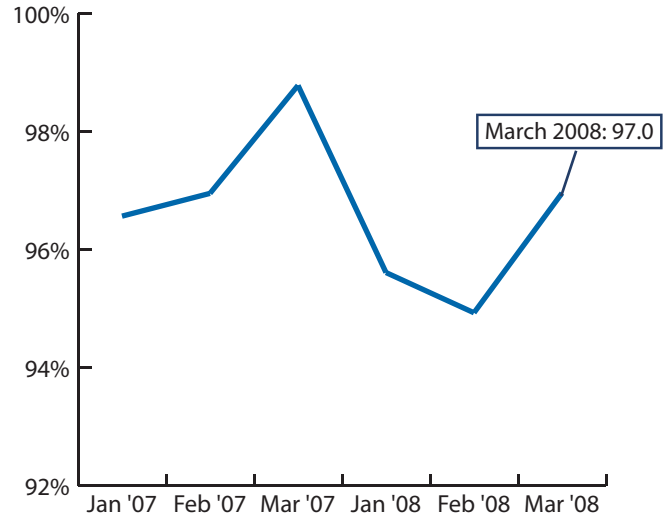
Source: California Association of Realtors (<http://www.car.org>)

AVERAGE DAYS ON THE MARKET



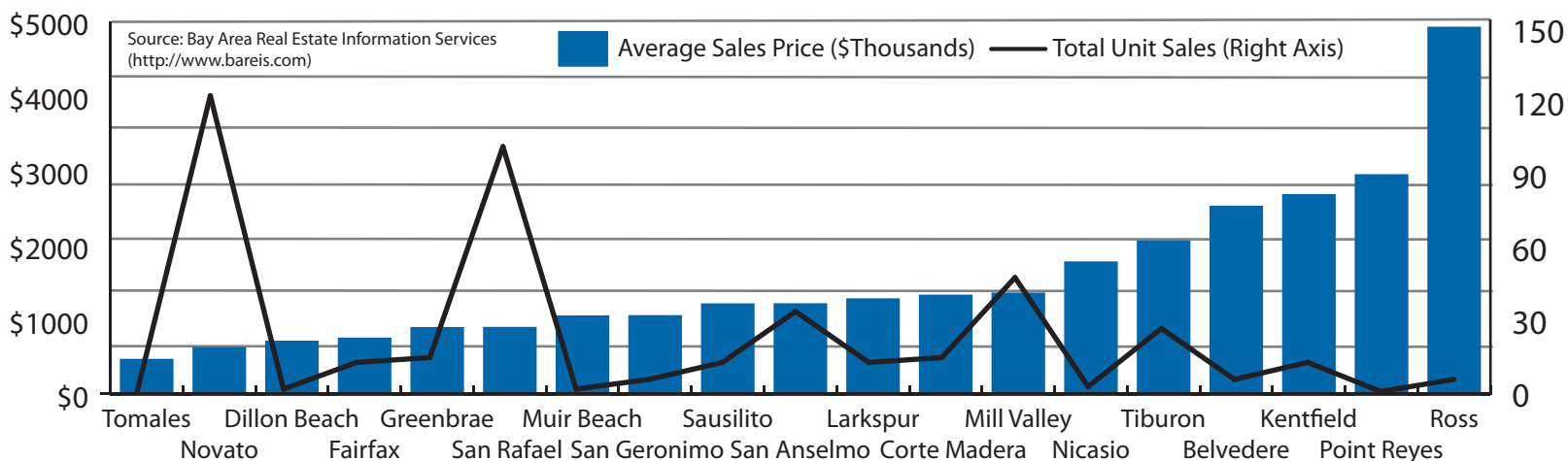
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

SALES/LIST PRICE RATIO OF HOMES SOLD

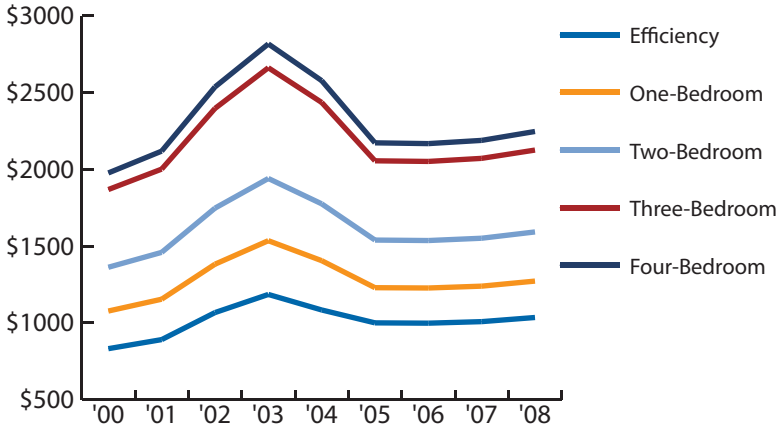


Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

AVERAGE SALES PRICE (\$THOUSANDS) AND TOTAL SALES BY SUB-COUNTY AREA, Q1 2008



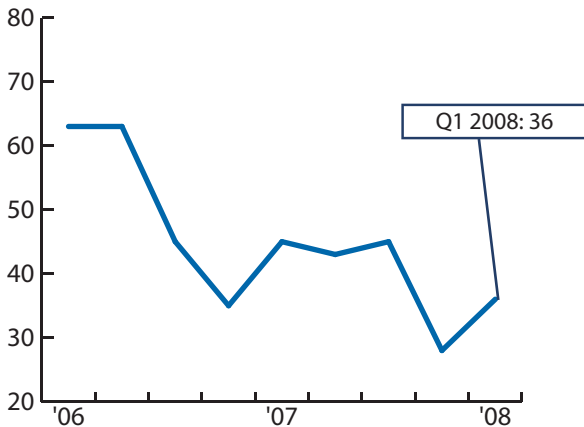
FAIR MARKET RENTS



Source: Department of Housing and Urban Development (<http://www.hud.gov>)

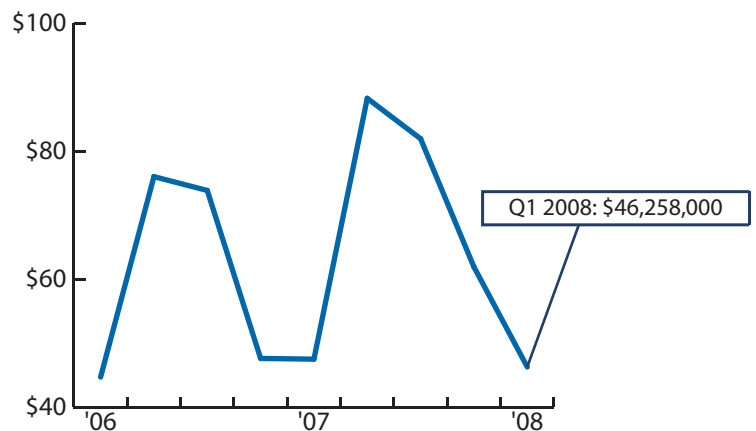
Fair Market Rents in Marin County have remained steady since 2005, down from their peak in 2003. FMR is tied to the median income of the area, and median income does not typically vary considerably between years. Therefore, FMR tends to change slowly over time. The number of residential building permits issued has generally fallen since 2006, although the value of those permits has fluctuated during that time. While the number of permits issued in 2007 was relatively constant across quarters, the spring and summer months carried high value projects. Notices of default are up significantly in 2008, growing 166 percent a year-over in the first quarter and 541 percent since the first quarter of 2000.

RESIDENTIAL BUILDING PERMITS ISSUED (INCLUDES SINGLE- AND MULTI-FAMILY UNITS)



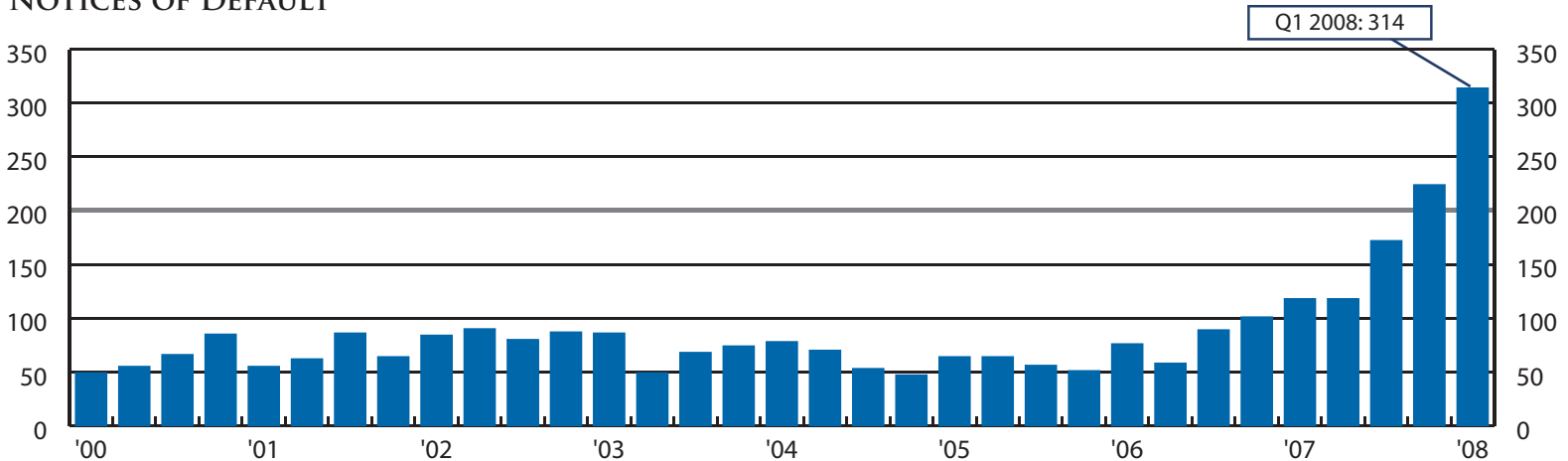
Source: Construction Industry Research Board (<http://www.cirbdata.com>)

VALUE OF RESIDENTIAL BUILDING PERMITS ISSUED (\$MILLIONS)



Source: Construction Industry Research Board (<http://www.cirbdata.com>)
*Includes Single- and Multi-family Units

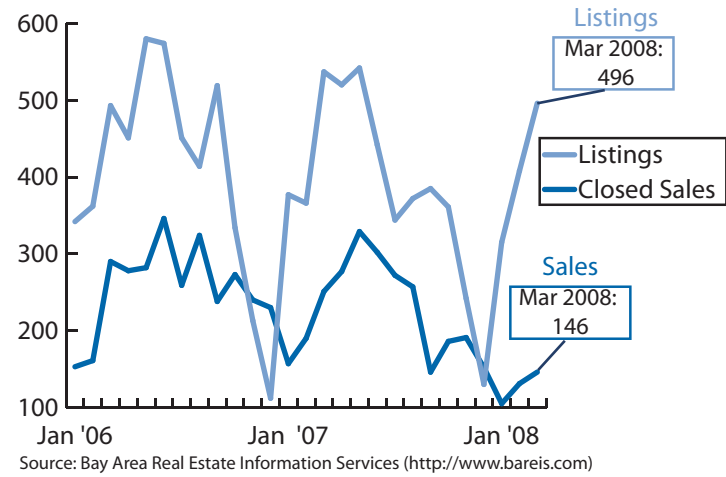
NOTICES OF DEFAULT



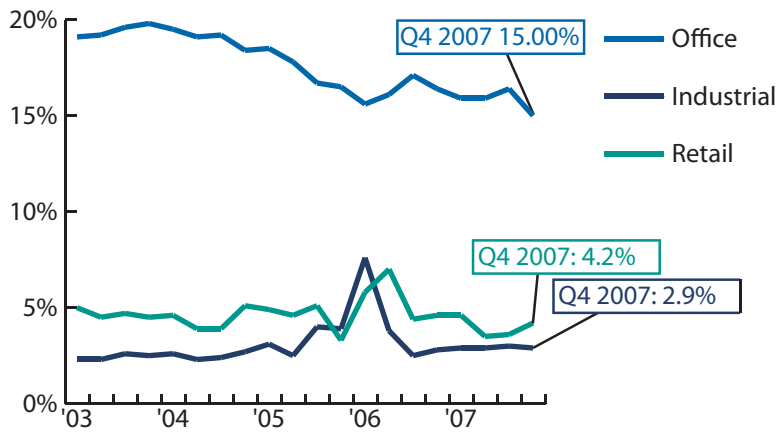
Source: DataQuick Information Services (<http://www.dataquick.com>)

Listings and sales of Marin County properties have quickly accelerated after a lull recorded in December 2007. December is typically the month with the fewest new listings in any given calendar year. Current listings exceed current sales by 240 percent, indicating a sizeable supply of real estate relative to demand following the subprime loan crisis. Office space vacancies have gently declined since 2003 and are at a record low. Industrial and retail vacancies have recovered from the increase recorded in early 2006 to levels around their 2003 to 2005 averages. Marin County enjoyed an unemployment rate of 3.9 percent this quarter, substantially besting both the state and national unemployment rates. In addition, Marin County's rate of unemployment growth is lower than both the state and national rates.

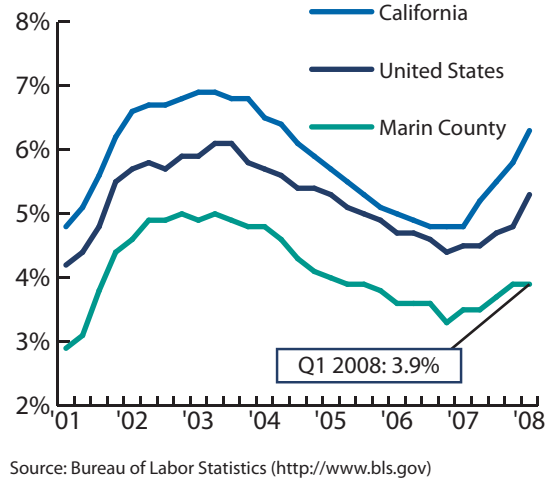
LISTINGS AND CLOSED SALES (INCLUDES COMMERCIAL PROPERTIES)



COMMERCIAL PROPERTY VACANCY RATES

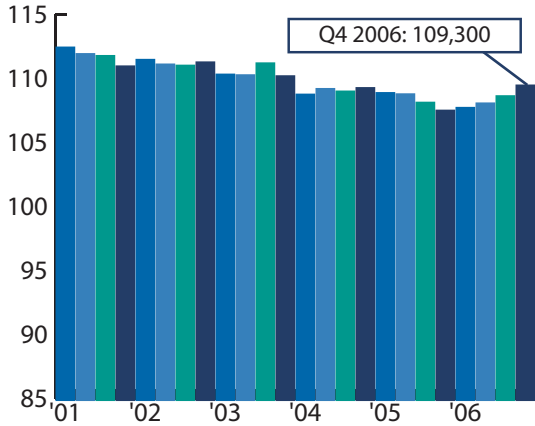


SEASONALLY ADJUSTED UNEMPLOYMENT RATE



MARIN EMPLOYMENT

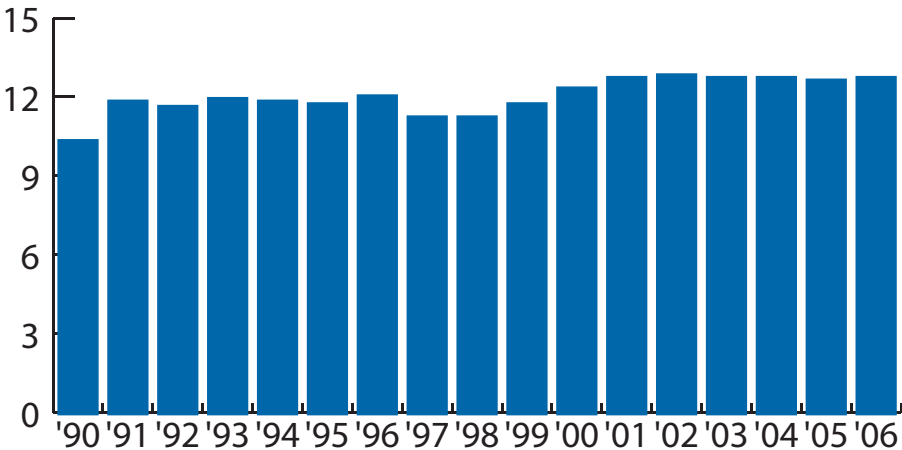
SEASONALLY ADJUSTED NONFARM EMPLOYMENT (THOUSANDS)



Source: Bureau of Labor Statistics (<http://www.bls.gov>)

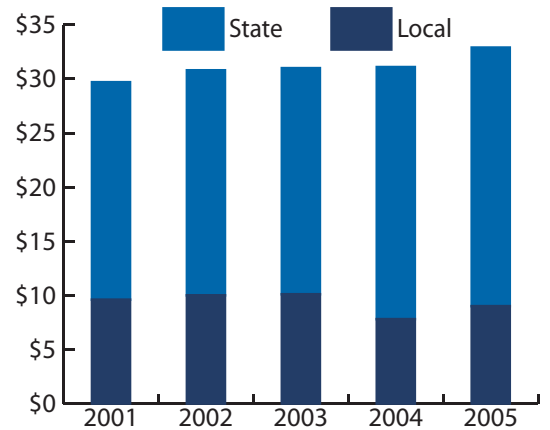
Nonfarm employment is steady in Marin County. On a year-over basis in the fourth quarter of 2006, nonfarm employment is up 1.8 percent. Leisure and Hospitality employment has grown slightly since 1990 and has remained relatively constant since 2000. The sector's employment is up 13 percent since a recent trough in 1999. Tax receipts generated by tourism have also remained relatively constant, although state and local governments have enjoyed a 10 percent increase in receipts since 2001. Leisure and Hospitality employment is centered around food and beverage establishments, followed by amusement, gambling and recreation; accommodation; and performing arts and spectator sports.

LEISURE AND HOSPITALITY EMPLOYMENT (THOUSANDS)



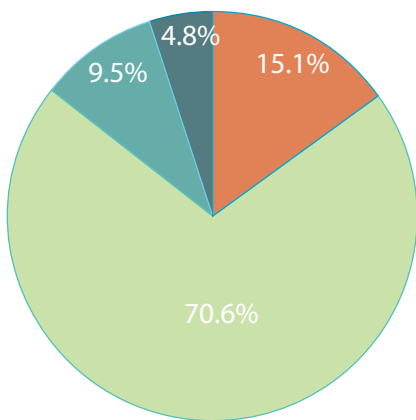
Source: Bureau of Labor Statistics (<http://www.bls.gov>)

TAX RECEIPTS GENERATED BY TOURISM SPENDING (CONSTANT 2005 \$ MILLIONS)



Source: Dean Runyan & Associates (<http://www.deanrunyan.com>)

LEISURE AND HOSPITALITY EMPLOYMENT BY INDUSTRY, 2006



- Performing Arts, Spectator Sports (4.8%)
- Accommodation (9.5%)
- Food Services and Drinking Places (70.6%)
- Amusement, Gambling and Recreation (15.1%)

Source: Bureau of Labor Statistics (<http://www.bls.gov>)

NORTH BAY BUSINESS BAROMETER

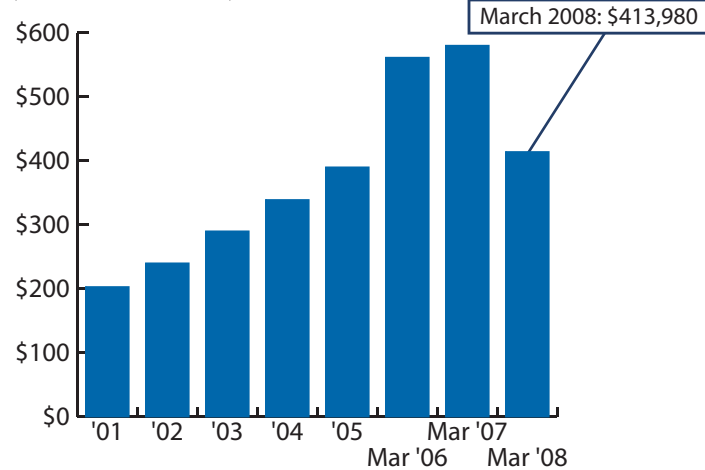
2008



Mendocino County

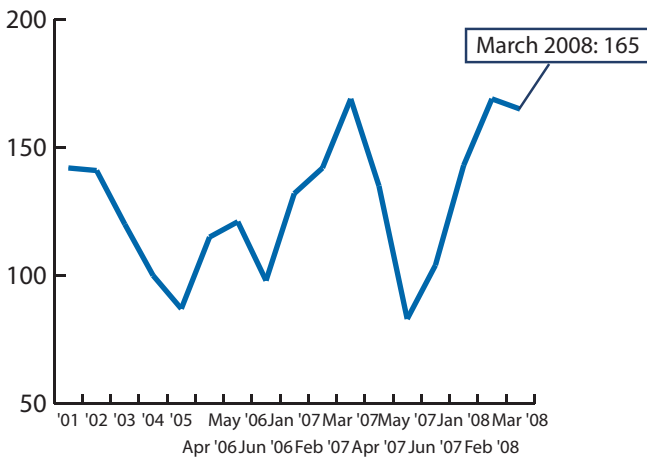
The median price of a Mendocino County home fell 29 percent between March 2007 and March 2008 and is up 104 percent since 2001. The average number of days on the market held steady the year over in March 2008, although there was some fluctuation during those twelve months. The sales-to-list price ratio of homes sold in Mendocino county fell to just over 91 percent of listed price, further revealing some effects of the subprime loan crisis. However, the rising trend in median home price in the area should buffer Mendocino County. Ukiah had the greatest number of homes sold this quarter, followed by Willits. Point Arena and coastal Mendocino had the greatest average sales price in the county.

MEDIAN PRICE OF AN EXISTING HOME SOLD (\$THOUSANDS)



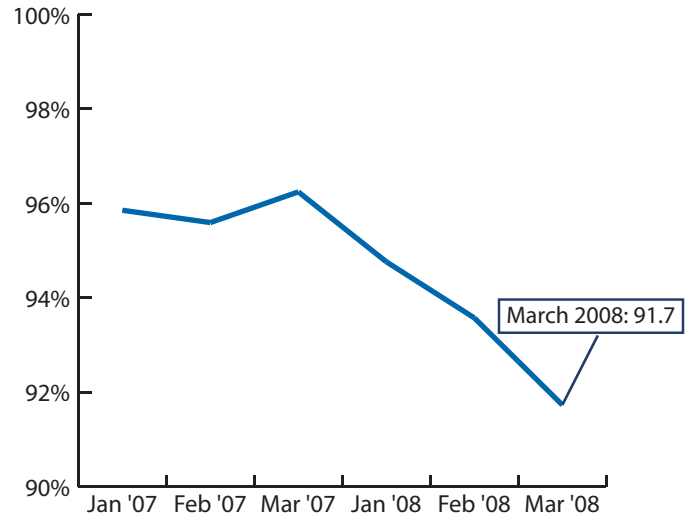
Source: California Association of Realtors (<http://www.car.org>)

AVERAGE DAYS ON THE MARKET



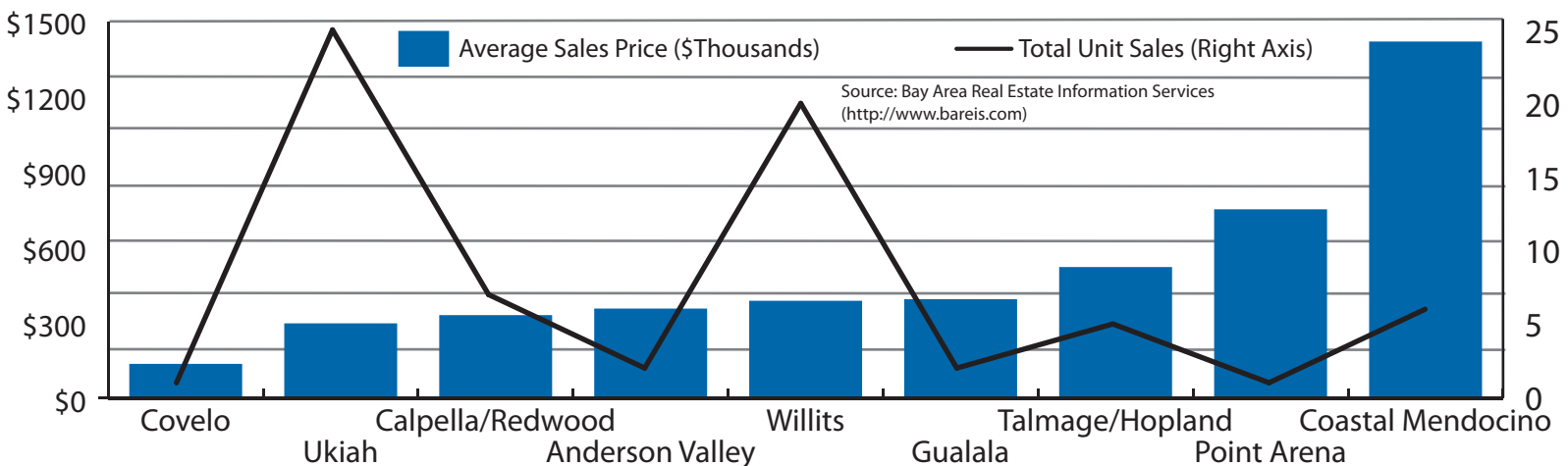
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

SALES/LIST PRICE RATIO OF HOMES SOLD



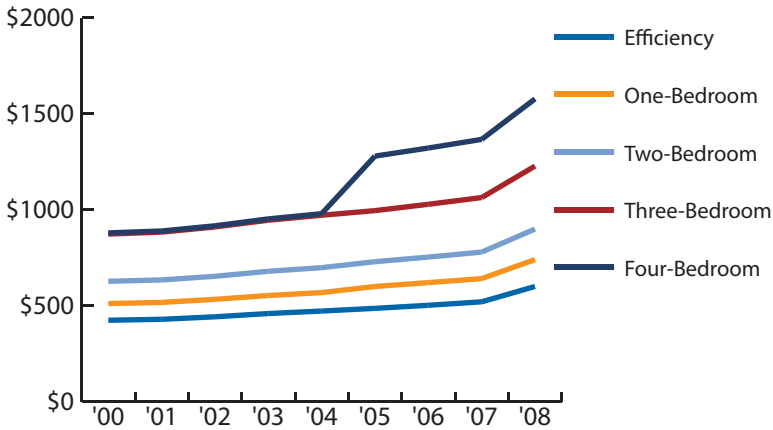
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

AVERAGE SALES PRICE (\$THOUSANDS) AND TOTAL SALES BY SUB-COUNTY AREA, Q1 2008



Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

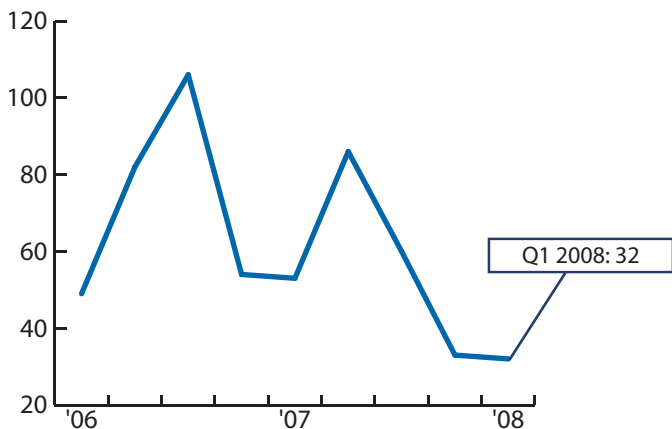
FAIR MARKET RENTS



Source: Department of Housing and Urban Development (<http://www.hud.gov>)

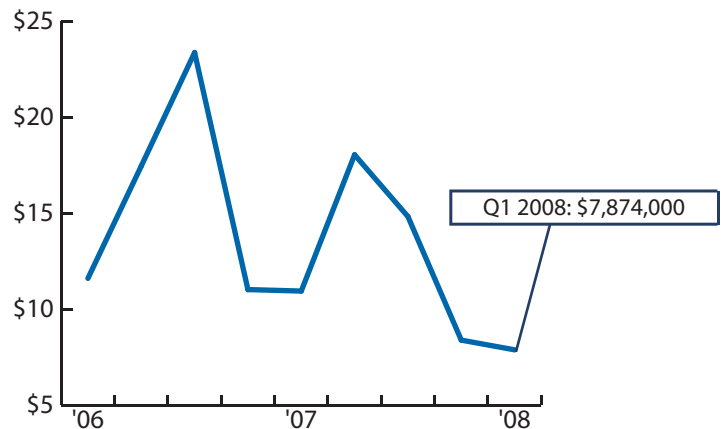
Fair Market Rents in Mendocino County have steadily increased since 2000. All grew at approximately the same rate, although the fair market rent for four-bedroom units spiked between 2004 and 2005. Residential building permits are most issued during the third quarter of each year followed by the second quarter. This quarter's issuance indicates a current and future slowdown in Mendocino County residential construction. The combined value of residential permits closely follows the number issued. Mendocino County's unemployment rate was higher than the national average and nearly as high as the state average. Listings of residential and commercial properties for sale have increased since December 2006, although closed sales are slightly decreasing.

RESIDENTIAL BUILDING PERMITS ISSUED (INCLUDES SINGLE- AND MULTI-FAMILY UNITS)



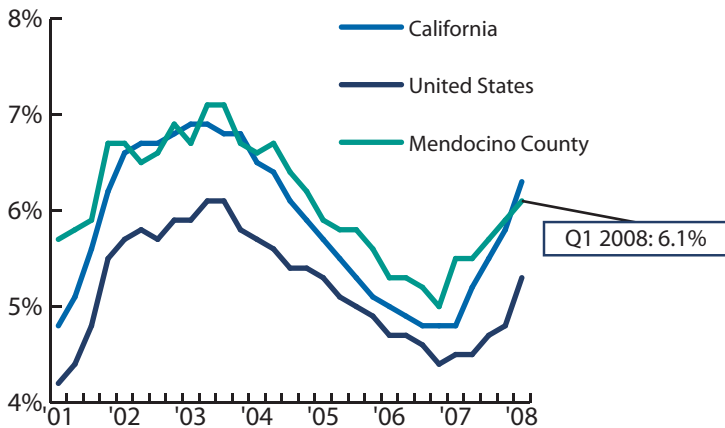
Source: Construction Industry Research Board (<http://www.cirbdata.com>)

VALUE OF RESIDENTIAL BUILDING PERMITS ISSUED (\$MILLIONS)



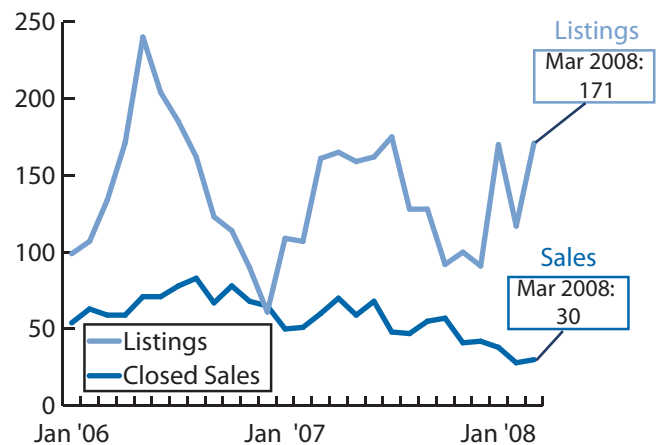
Source: Construction Industry Research Board (<http://www.cirbdata.com>)
*Includes Single- and Multi-family Units

SEASONALLY ADJUSTED UNEMPLOYMENT RATE



Source: Bureau of Labor Statistics (<http://www.bls.gov>)

LISTINGS AND CLOSED SALES (INCLUDES COMMERCIAL PROPERTIES)

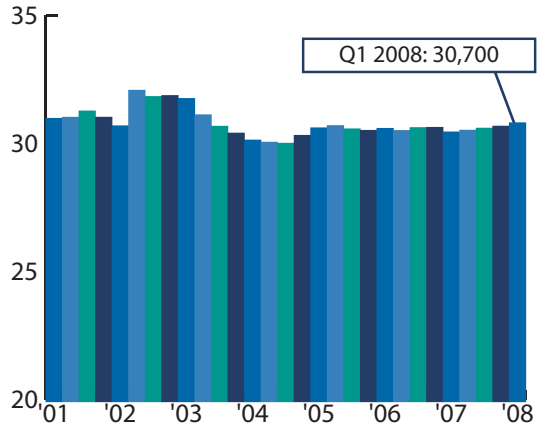


Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

MENDOCINO EMPLOYMENT

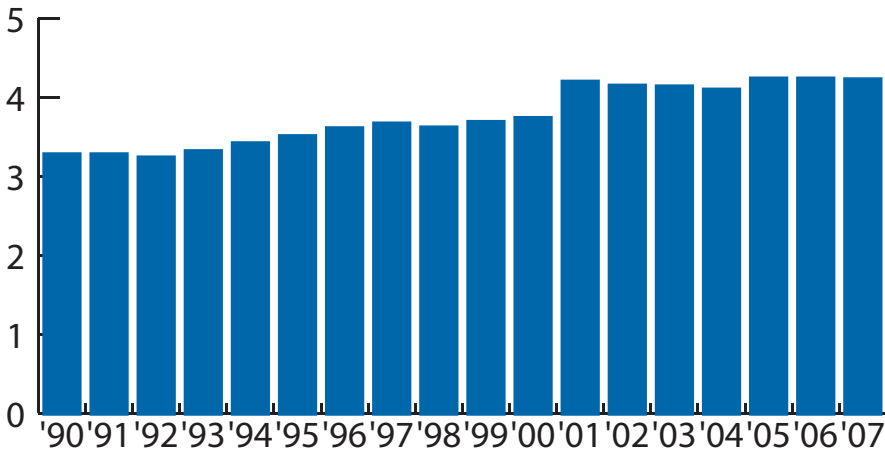
Nonfarm employment in Mendocino County has remained fairly constant since 2001. Leisure and Hospitality employment has grown by close to 30 percent since 1990, with the past three quarters in record levels. On average, leisure and hospitality employment grew by 1.6 percent per year since 1990. Tax receipts generated by tourism spending grew by nine percent between 2001 and 2005. The majority of Mendocino County's leisure and hospitality employees worked at food and beverage establishments, although a significant percentage worked within residual-arts, entertainment and recreation activities.

SEASONALLY ADJUSTED NONFARM EMPLOYMENT (THOUSANDS)



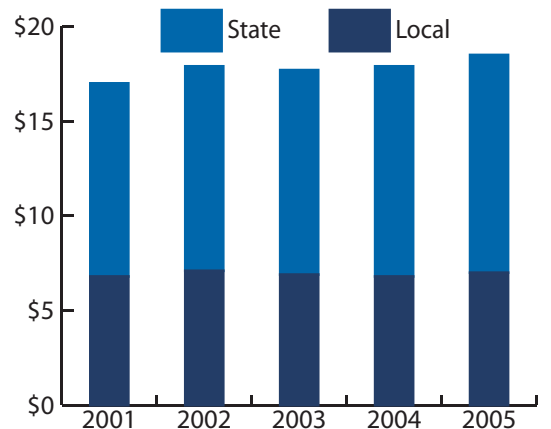
Source: Bureau of Labor Statistics (<http://www.bls.gov>)

LEISURE AND HOSPITALITY EMPLOYMENT (THOUSANDS)



Source: Bureau of Labor Statistics (<http://www.bls.gov>)

TAX RECEIPTS GENERATED BY TOURISM SPENDING, (CONSTANT 2005 \$ MILLIONS)



Source: Dean Runyan & Associates (<http://www.deanrunyan.com>)

LEISURE AND HOSPITALITY EMPLOYMENT BY INDUSTRY, 2006



Source: Bureau of Labor Statistics (<http://www.bls.gov>)

NORTH BAY BUSINESS BAROMETER

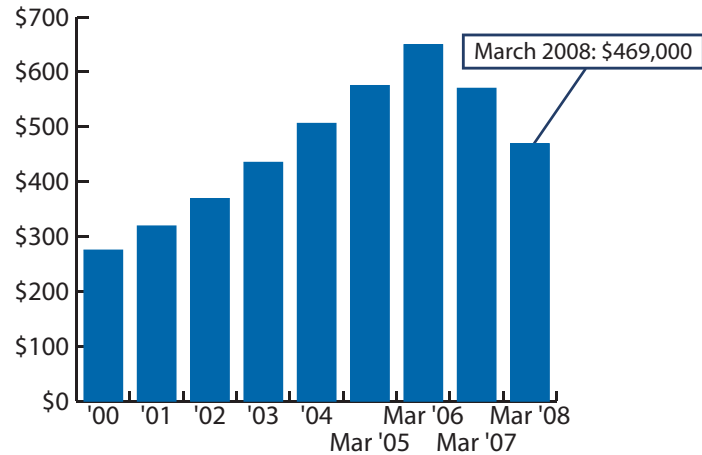
2008



Napa County

The median price of a Napa County home fell 12 percent between 2006 and 2007 and fell 18 percent between 2007 and 2008. However, Napa County homes still appreciated 71 percent between 2000 and March 2008. The average number of days on the market has increased noticeably since 2000, particularly within the past two years. Similarly, the ratio of sales to list price of homes sold fell sharply at times during 2006 and 2007, indicating a large supply of homes relative to demand. The availability of mortgage credit during the subprime crisis could be a factor. The city of Napa had the greatest number of homes sold this quarter, exchanging more than twice the number of homes than all other areas combined. Deer Park homes fetched the highest average sale price.

MEDIAN PRICE OF AN EXISTING HOME SOLD (\$THOUSANDS)



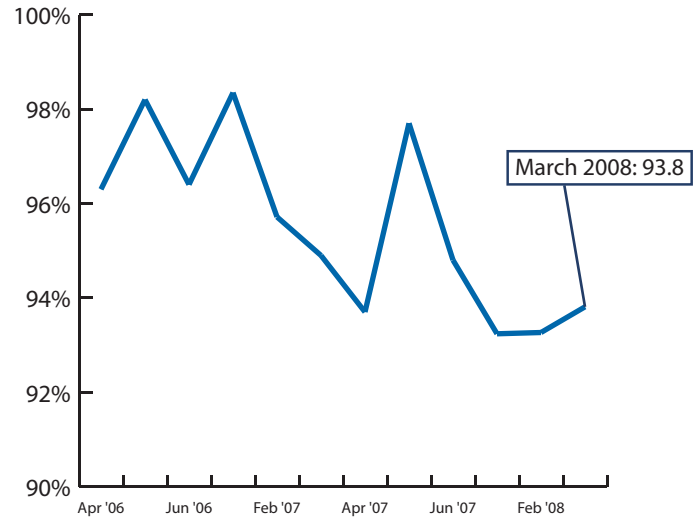
Source: California Association of Realtors (<http://www.car.org>)

AVERAGE DAYS ON THE MARKET



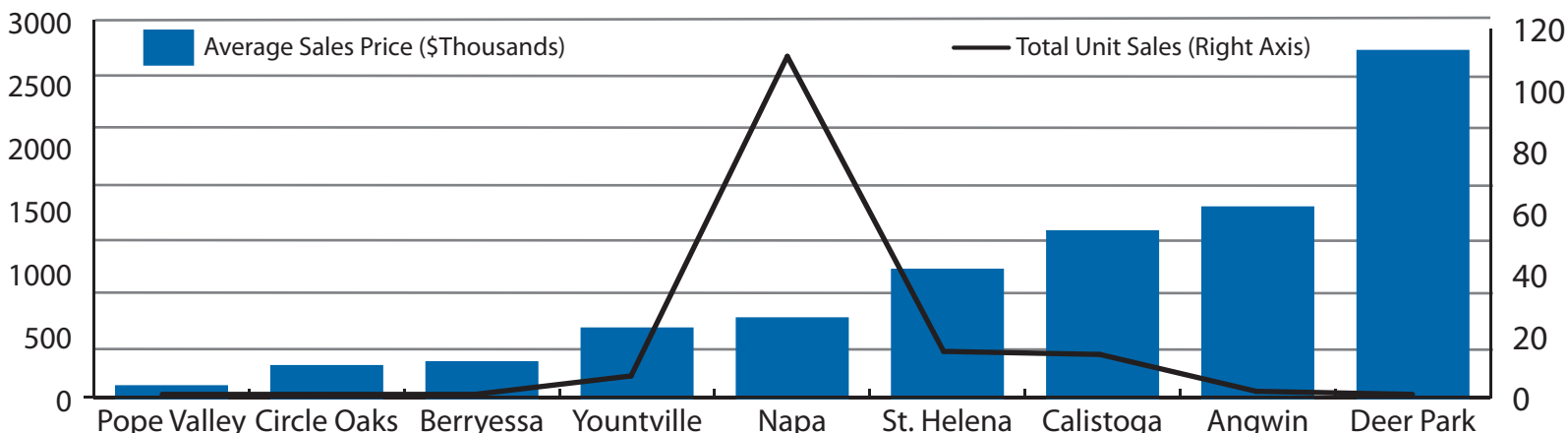
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

SALES/LIST PRICE RATIO OF HOMES SOLD



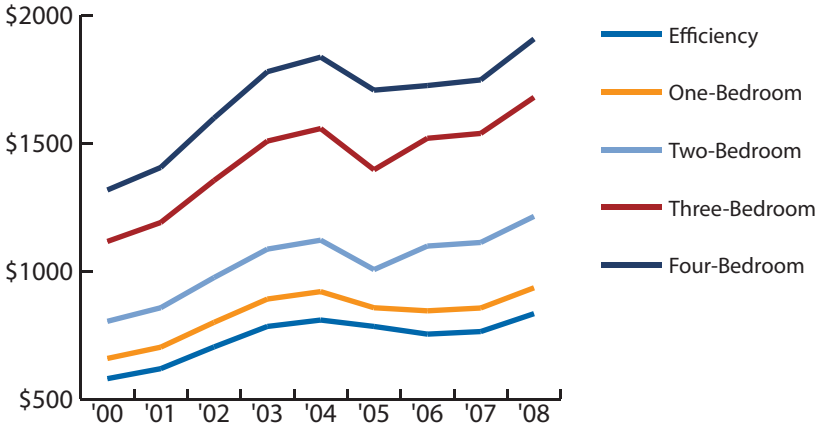
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

AVERAGE SALES PRICE (\$THOUSANDS) AND TOTAL SALES BY SUB-COUNTY AREA, Q1 2008



Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

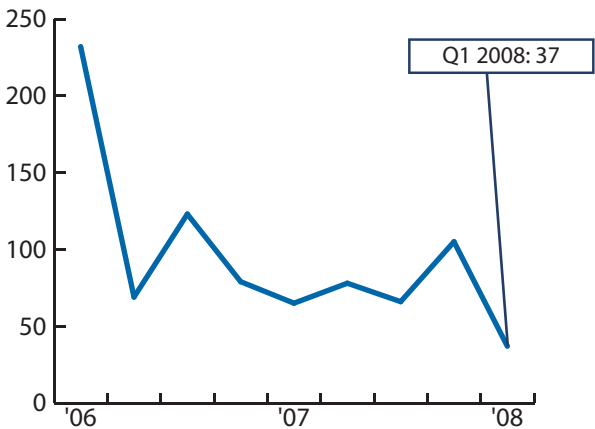
FAIR MARKET RENTS



Source: Department of Housing and Urban Development (<http://www.hud.gov>)

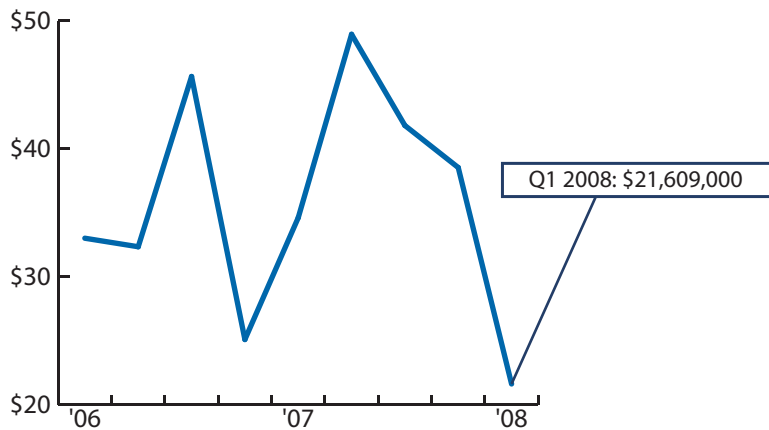
Fair Market Rents in Napa County have been steadily rising the past two years. Residential building permits issued and their combined value have fallen considerably since the third quarter of 2006, falling 43 percent between first quarter 2007 and first quarter 2008. The value of those permits fell in tandem with their issuance. Notices of default increased rapidly over the past four quarters, with first quarter 2008 topping out at 223 percent higher than first quarter 2007. Like Marin and Mendocino Counties, Napa County has been impacted by the subprime mortgage crisis across multiple housing indicators, such as median home price, permit issuance and notices of default.

RESIDENTIAL BUILDING PERMITS ISSUED (INCLUDES SINGLE- AND MULTI-FAMILY UNITS)



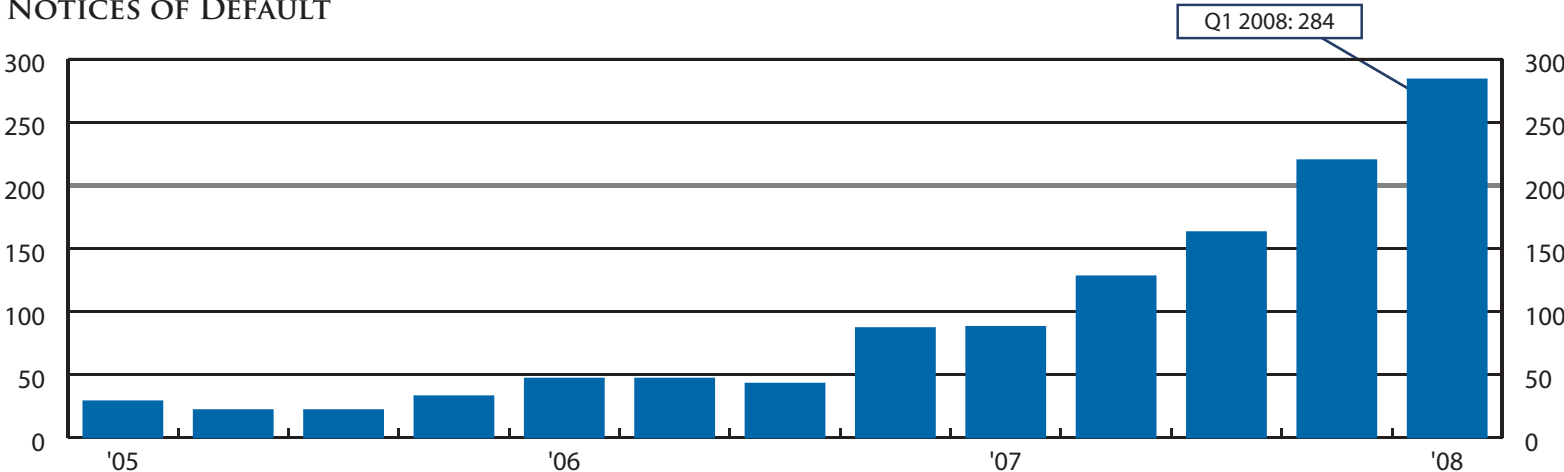
Source: Construction Industry Research Board (<http://www.cirbdata.com>)

VALUE OF RESIDENTIAL BUILDING PERMITS ISSUED (\$MILLIONS)



Source: Construction Industry Research Board (<http://www.cirbdata.com>)
*Includes Single- and Multi-family Units

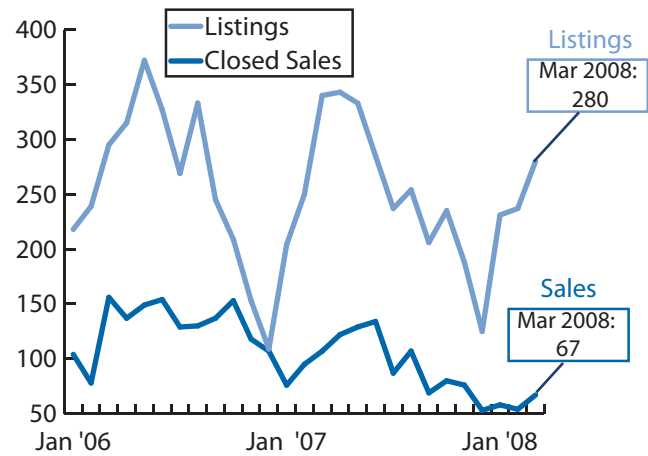
NOTICES OF DEFAULT



Source: DataQuick Information Services (<http://www.dataquick.com>)

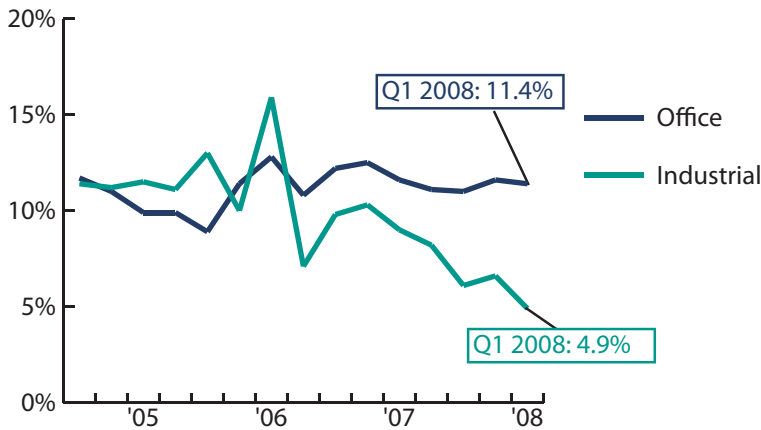
Listings of residential and commercial properties fell more than five percent from first quarter 2007 to first quarter 2008, and closed sales fell more than 35 percent during the same period. Since January 2006, listings have fluctuated seasonally, although sales have remained generally declined. Office space has remained constant since 2004, but industrial vacancy has declined impressively during that time. Napa County's unemployment rate has consistently been below the unemployment rate for both California and the United States, although it does closely mirror the growth in unemployment state- and nation-wide.

LISTINGS AND CLOSED SALES (INCLUDES COMMERCIAL PROPERTIES)



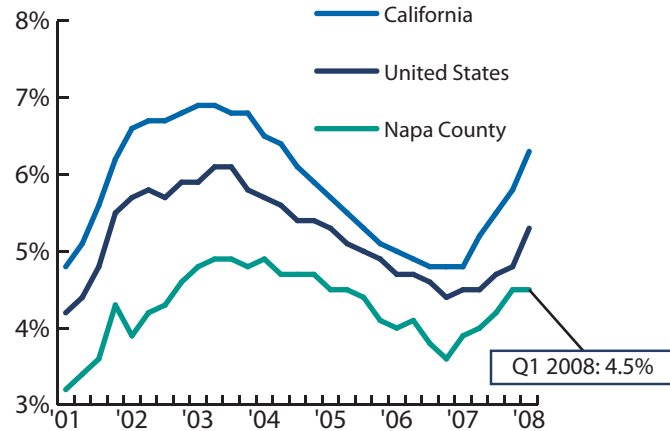
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

COMMERCIAL PROPERTY VACANCY RATES



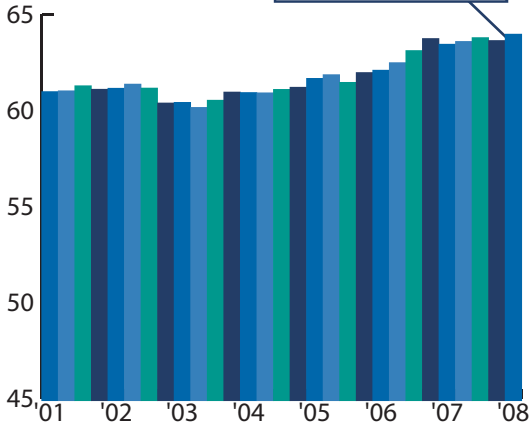
Source: Keegan and Coppin Company, Inc. (<http://www.keegancoppin.com>)

SEASONALLY ADJUSTED UNEMPLOYMENT RATE



Source: Bureau of Labor Statistics (<http://www.bls.gov>)

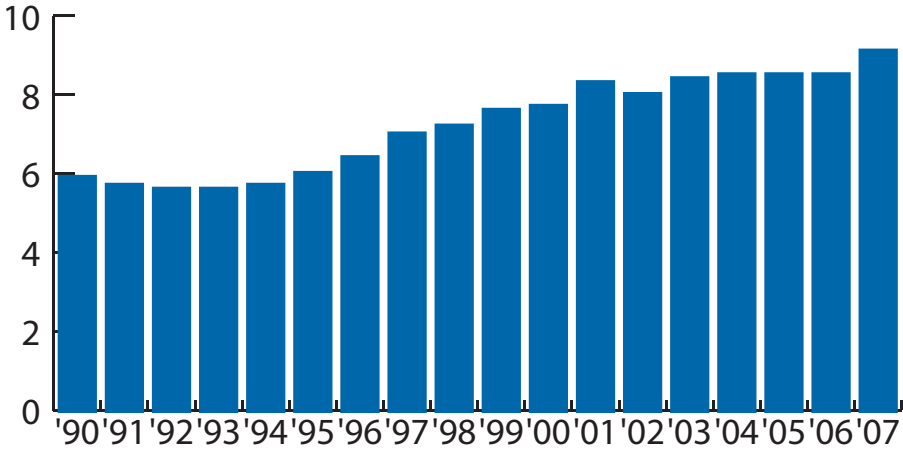
SEASONALLY ADJUSTED NONFARM EMPLOYMENT (THOUSANDS)



Source: Bureau of Labor Statistics (<http://www.bls.gov>)

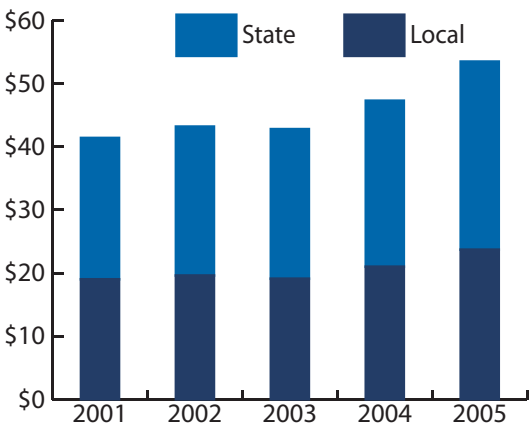
Napa County's nonfarm employment has grown nearly five percent since 2001 after accounting for seasonal variations. Leisure and Hospitality employment grew at a very quick 54 percent since 1990, reflecting Napa County's growth as a leisure and hospitality destination. Tax receipts generated by tourism spending jumped 30 percent since 2001 and 13 percent from 2004. The majority of Napa County leisure and hospitality workers were employed in food service and drinking places, complemented by accommodation employees. Napa County's relatively large share of accommodation employees reflects the large number of over-night guests in the area.

LEISURE AND HOSPITALITY EMPLOYMENT (THOUSANDS)



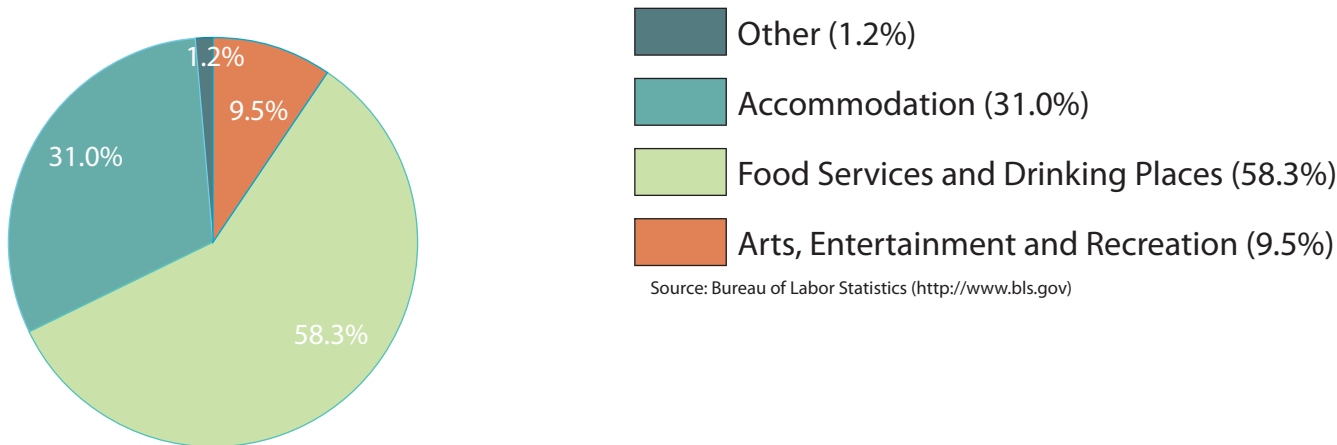
Source: Bureau of Labor Statistics (<http://www.bls.gov>)

TAX RECEIPTS GENERATED BY TOURISM SPENDING, (CONSTANT 2005 \$MILLIONS)



Source: Dean Runyan & Associates (<http://www.deanrunyan.com>)

LEISURE AND HOSPITALITY EMPLOYMENT BY INDUSTRY, 2006



Source: Bureau of Labor Statistics (<http://www.bls.gov>)

NORTH BAY BUSINESS BAROMETER

2008



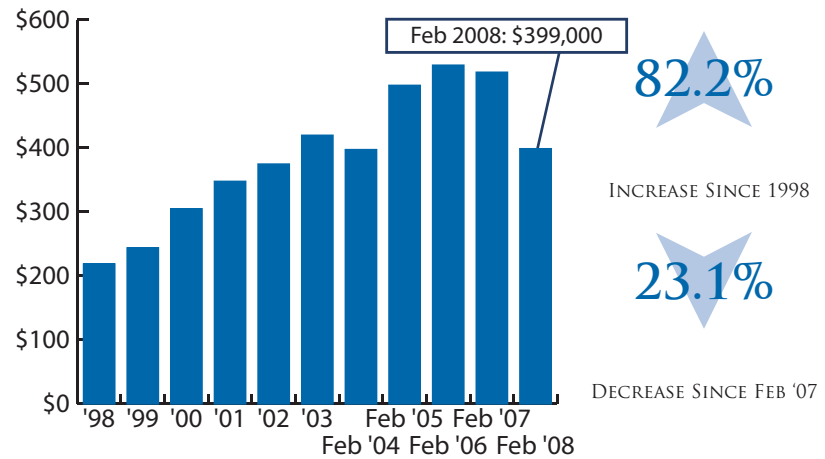
Sonoma County

February's median home price decreased \$119,500, or 23.1%, on a year-over basis to \$399,000. The recent cooling of Sonoma County's residential real estate market follows nearly a decade's worth of strong price advances. According to the Center for Regional Economic Analysis at Sonoma State University, home prices tripled in Sonoma County from 1996 to 2005. In a recent report by Moody's Economy.com, Sonoma County ended 2007 as the 5th least-affordable metropolitan area in the country, based on the ratio of median income to median monthly housing costs.

The average home sold for 95.0% of its asking price in March 2008, down from 97.2% in March 2007 and 98.4% in March 2006. Sonoma County's sales/list price ratio is currently at its second-lowest mark since the EDB began tracking in 2003, with the lowest figure first recorded in January 2008 and equalled in February 2008. The general downward trend in the sales/list price ratio and median price of homes sold suggests buyers have been able to apply more leverage in price negotiations, given current market conditions.

Northwest Santa Rosa, Northeast Santa Rosa and Sonoma had the greatest number of homes sold. Healdsburg, Penngrove and the Sea Ranch had the highest average home price during the first quarter.

MEDIAN PRICE OF AN EXISTING HOME SOLD (\$THOUSANDS)



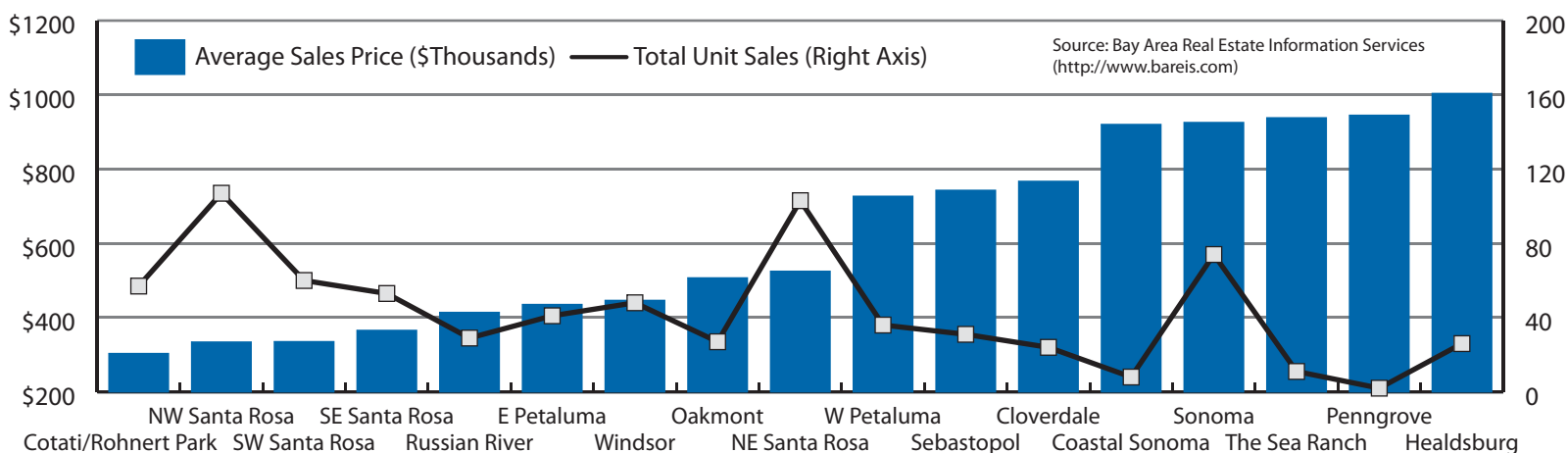
Source: California Association of Realtors (<http://www.car.org>)

SALES/LIST PRICE RATIO OF HOMES SOLD



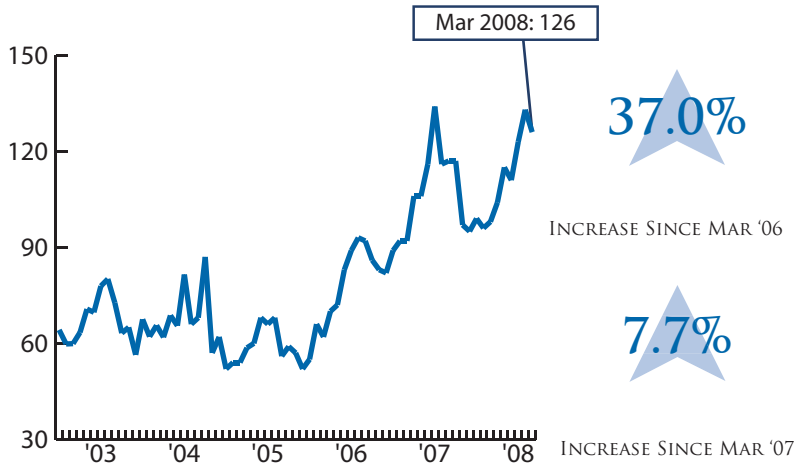
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

AVERAGE SALES PRICE (\$THOUSANDS) AND TOTAL SALES BY SUB-COUNTY AREA, Q1 2008



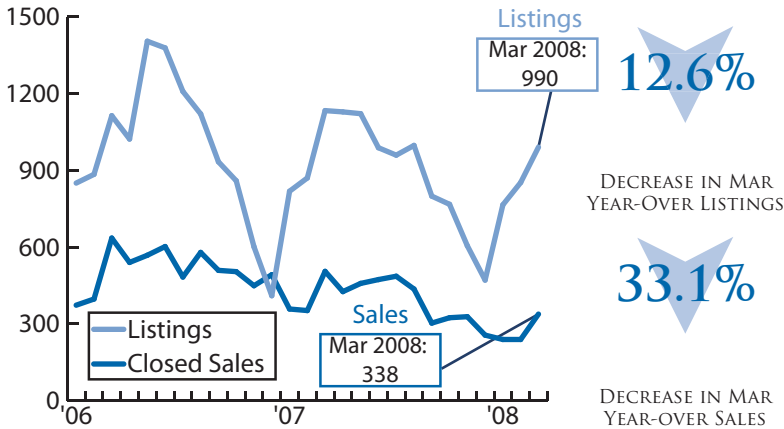
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

AVERAGE DAYS ON THE MARKET



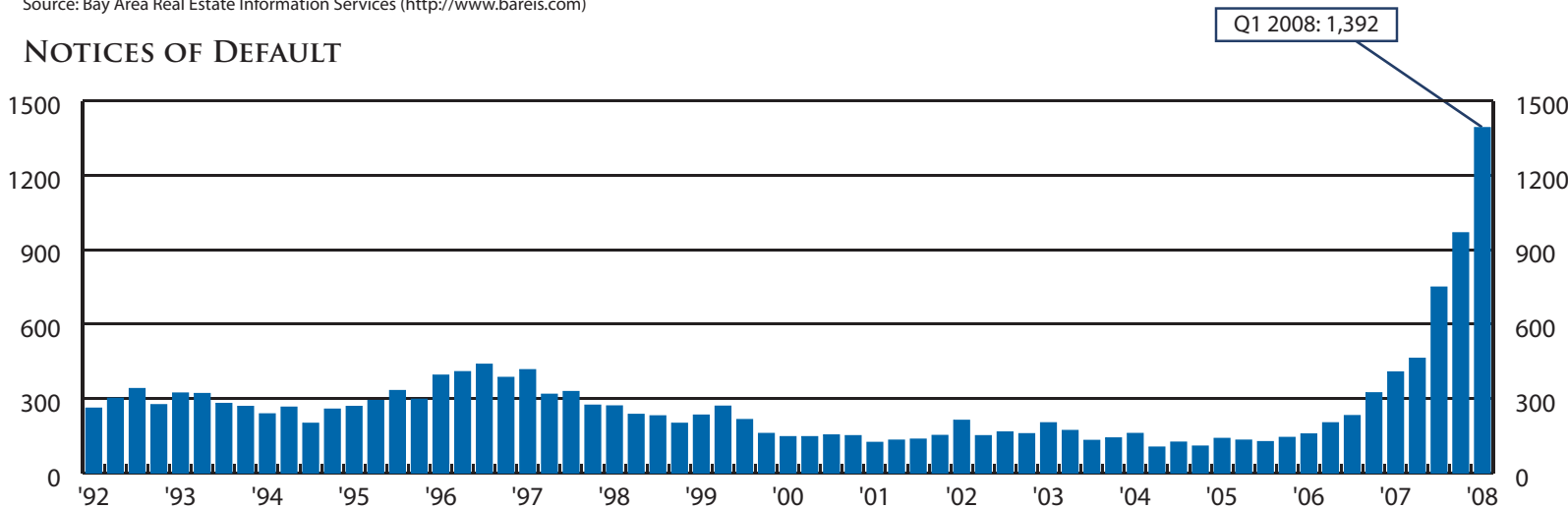
Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

LISTINGS AND CLOSED SALES (INCLUDES COMMERCIAL PROPERTIES)



Source: Bay Area Real Estate Information Services (<http://www.bareis.com>)

NOTICES OF DEFAULT



Source: DataQuick Information Services (<http://www.dataquick.com>)

The average days on the market for sold homes has been volatile since January 2007's peak, and it is up more than 37% in the past two years. The average home stayed on the market for more than four months before being sold in March, up nine days year-over.

One hundred sixty-seven (12.6%) fewer properties were sold in March 2008 than March 2007. The decrease in year-over sales was met with a corresponding decrease in year-over listings, indicating a decreasing supply of housing relative to demand.

Defaults rose 242% from 407 defaults in Q1 2007 to 1,392 in Q1 2008, a new 15-year high. Each of the last four quarters established a new record for the number of defaults.

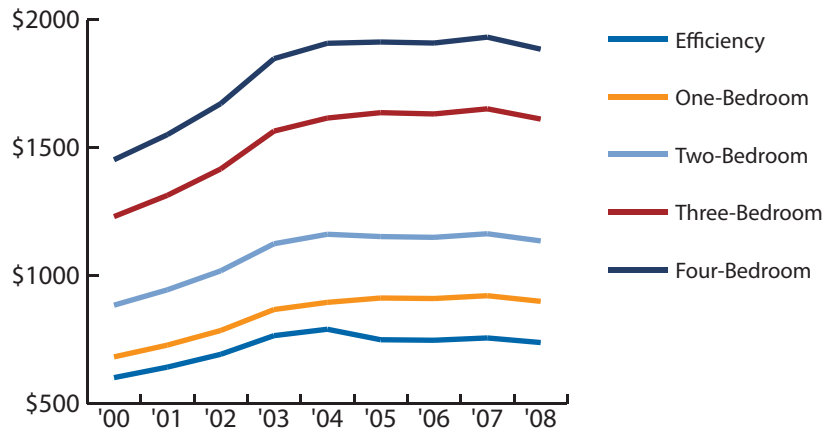
The Fall 2007 Sonoma County Business Confidence Report, published by the EDB, indicated that 85% of Sonoma County executives believed that the subprime loan crisis would have moderate or significant effects on the local economy. Current Business Barometer data reveals a definite slow-down in the local residential and commercial real estate markets.

"Fair Market Rents," calculated by the Department of Housing and Urban Development, have reached a plateau in Sonoma County. The current fair market rents per month in Sonoma County are \$901 for a one-bedroom residency, \$1,137 for a two-bedroom residency, \$1,613 for a three-bedroom residency, and \$1,886 for a four-bedroom residency.

First quarter residential permit issuances were at their lowest quarterly level since recording began in 2000. In total, 9 multi-family permits were issued in Q1 2008, down from 249 in Q1 2007. Additionally, single-family permits showed a year-over decline, falling from 266 in Q1 2007 to 92 in Q1 2008.

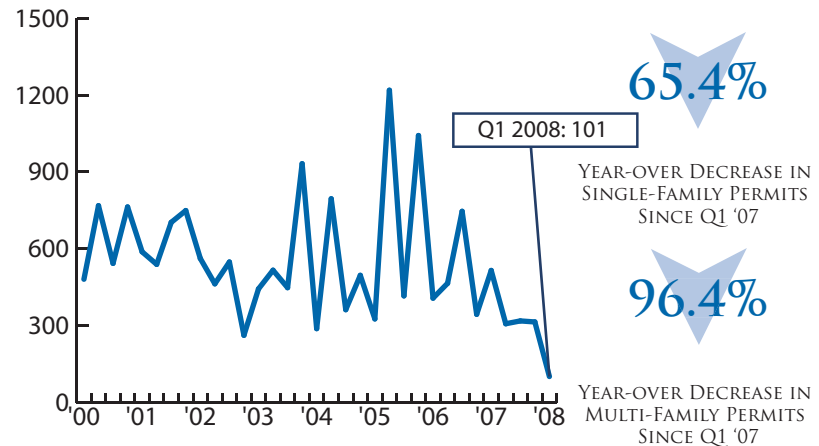
The small number of single- and multi-family permit issuances depressed the value of residential building permits to \$43,817,000 through March, significantly lower than last year's figure and is the lowest figure since 2000. Of \$43.8 million in building permits issued, approximately \$29.7 million (67.7%) was attributable to single-family permits, \$13.1 million (29.9%) to residential alterations and additions permits, and \$1.1 million (2.4%) to multi-family permits.

FAIR MARKET RENTS



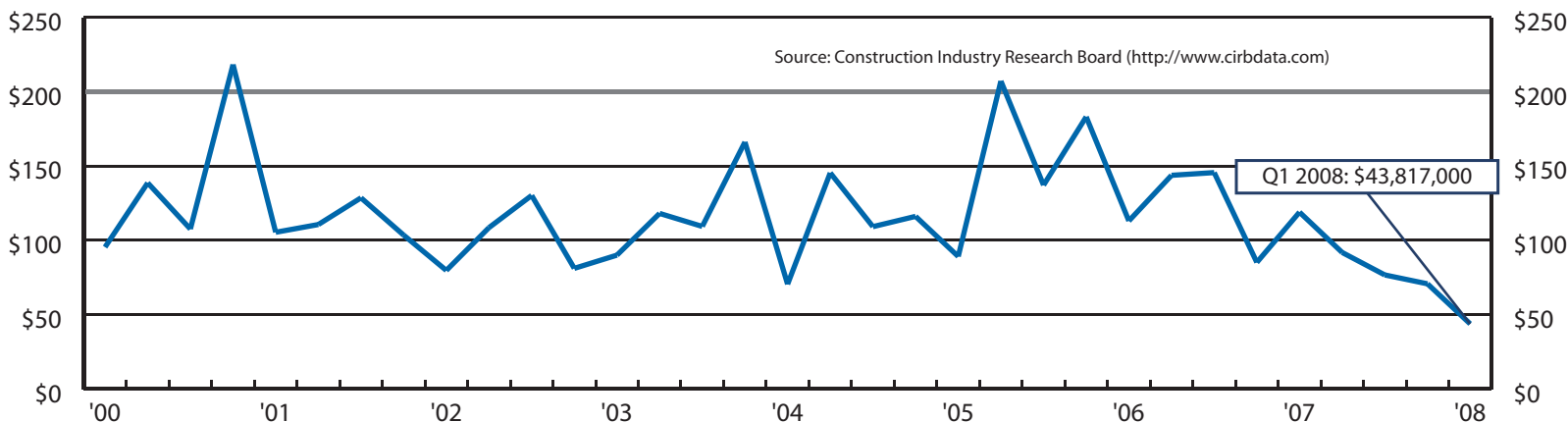
Source: Department of Housing and Urban Development (<http://www.hud.gov>)

RESIDENTIAL BUILDING PERMITS ISSUED (INCLUDES SINGLE- AND MULTI-FAMILY UNITS)



Source: Construction Industry Research Board (<http://www.cirbdata.com>)

VALUE OF RESIDENTIAL BUILDING PERMITS ISSUED (\$MILLIONS; INCLUDES SINGLE- AND MULTI-FAMILY UNITS, ALTERATIONS AND ADDITIONS)



Source: Construction Industry Research Board (<http://www.cirbdata.com>)

63.2%

53.5%

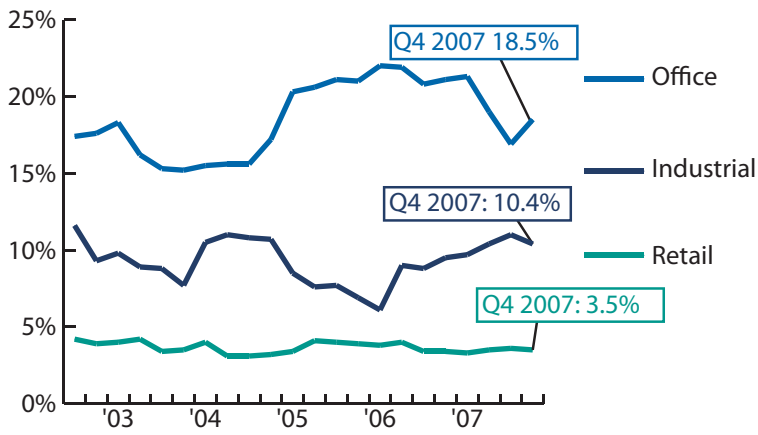
97.2%

YEAR-OVER DECREASE IN RESIDENTIAL PERMIT VALUE SINCE Q1 '07

YEAR-OVER DECREASE IN SINGLE-FAMILY PERMIT VALUE SINCE Q1 '07

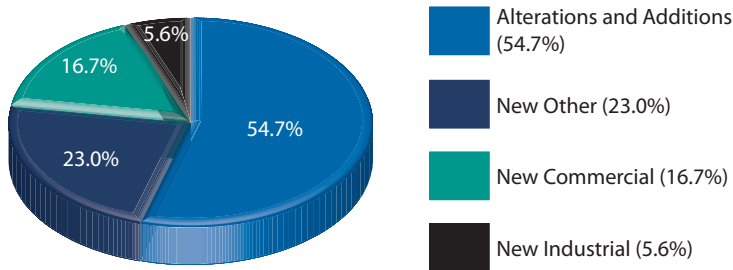
YEAR-OVER DECREASE IN MULTI-FAMILY PERMIT VALUE SINCE Q1 '07

COMMERCIAL PROPERTY VACANCY RATES



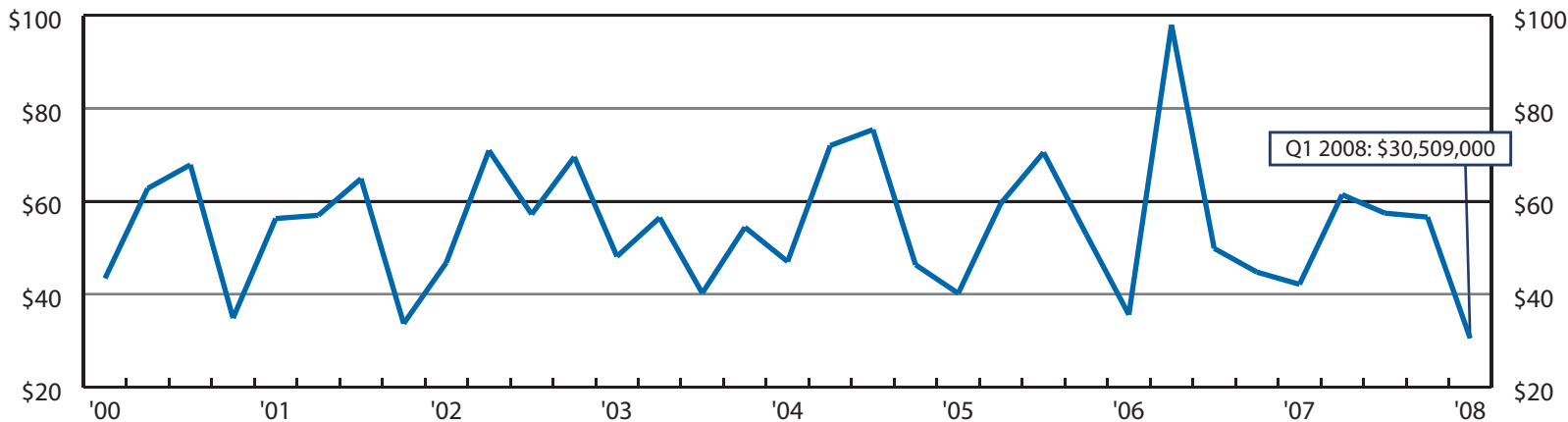
Source: Keegan and Coppin Company, Inc. (<http://www.keegancoppin.com>)

SHARE OF Q1 NONRESIDENTIAL PERMIT VALUE



Source: Construction Industry Research Board (<http://www.cirbdata.com>)

VALUE OF NONRESIDENTIAL BUILDING PERMITS (\$MILLIONS; INCLUDES ALTERATIONS AND ADDITIONS)



Source: Construction Industry Research Board (<http://www.cirbdata.com>)

First quarter data for commercial property vacancy rates were not available at the time of publishing this document. The office vacancy rate for Q4 2007 in Sonoma County was down noticeably from Q4 2006, shifting from 21.1% to 18.5%. The lowest vacancy rates were recorded in Santa Rosa and the "North Corridor" region comprising the airport area, Windsor and Healdsburg. Petaluma and Rohnert Park experienced above-average office vacancies.

The industrial vacancy rate rose slightly from 9.5% in Q4 2006 to 10.4% in Q4 2007. The "North Corridor" area recorded the lowest industrial vacancy rate in Sonoma County at 4.7% for the fourth quarter.

The retail vacancy rate, at 3.5% for Q4 2007, was in line with the five-year average for the area (3.6%). Petaluma and Windsor recorded the lowest retail vacancy rates, and Petaluma will host the greatest amount of planned retail expansion in the next year than any other Sonoma County city.



27.5%

YEAR-OVER DECREASE IN VALUE OF Q1 NONRESIDENTIAL PERMITS

34.8%

DECREASE IN VALUE OF NONRES. PERMITS RELATIVE TO Q1 2002

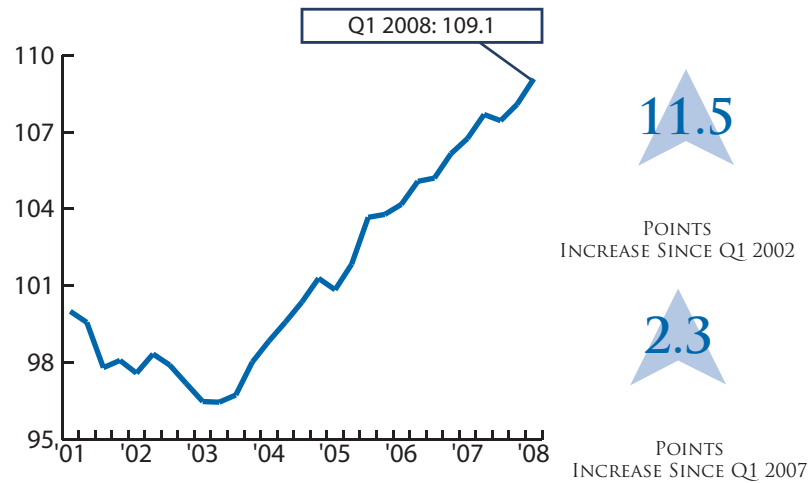
The Sonoma County Business Cycle held steady in the 4th Quarter of 2007. Currently, the Index stands at 109.1 -- 11.5 points above Q1 2001. The index "bottomed out" in the first half of 2003, and has been steadily rising since, a representation of the improving economic conditions experienced in the County.

The Sonoma County Business Cycle Index attempts to show the current trends of several key economic statistics in one graph. The Index combines four statistics in varying proportions based on their volatility - those statistics, such as employment, which are relatively stable are considered more important than those statistics, such as business confidence, which tend to vary considerably. Currently the index is weighted in the following approximate proportions: Employment - 52.0%, Wages - 25.5%, Taxable Sales - 18.8%, Business Confidence - 3.7%. Following the decline of the technology sector, the index shows the economic contraction experienced in Sonoma County after 2001 and is set so that 1st Quarter 2001 = 100.

Sonoma County's seasonally adjusted nonfarm employment is up 2,200 jobs on a year-over basis and remains above 2001 levels for the sixth-straight quarter, indicating that the local economy has fully rebounded from its contraction from 2001 to 2003. Job growth has been strong across virtually every sector between 2006 and 2007, with particularly sizable gains experienced by the Construction, Professional and Business Services, Manufacturing, and the Trade, Transportation and Utilities sectors.

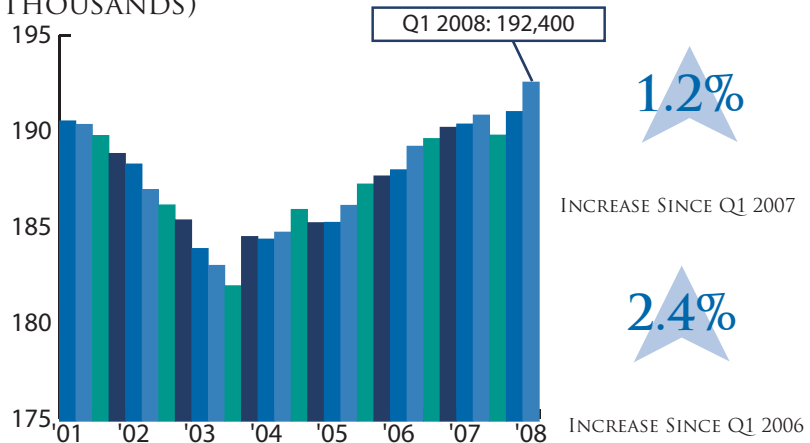
Sonoma County's seasonally adjusted unemployment rate increased to 4.8% in Q1 2008 from 4.2% in Q1 2007. The seasonally adjusted unemployment rate was up 0.1 percentage points from Q4 2007, despite high job numbers in the fourth quarter, but remains below the U.S. (5.3% for Q1 2008) and California (6.3% for Q1 2008) rates. Despite recent shakeups in the real estate and financial sectors, Sonoma County's diversified economy should buffer the area from sudden labor market swings.

BUSINESS CYCLE INDEX



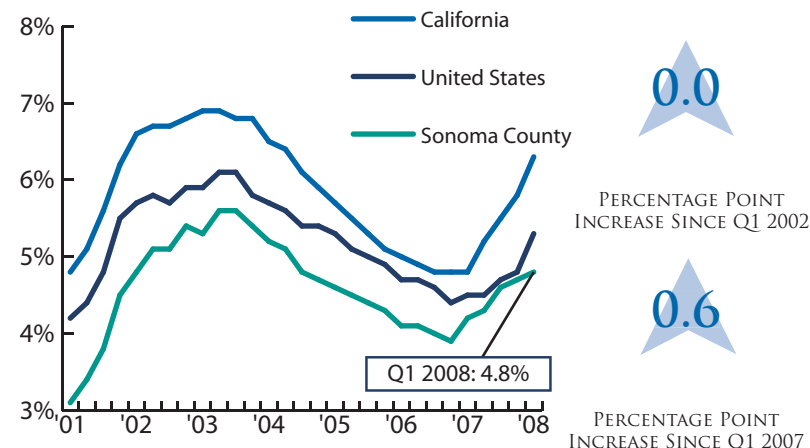
Source: Economic Development Board (<http://www.sonomaedb.org>)

SEASONALLY ADJUSTED NONFARM EMPLOYMENT (THOUSANDS)



Source: California Employment Development Department
Sonoma County's nonfarm employment has been seasonally adjusted by the EDB.

SEASONALLY ADJUSTED UNEMPLOYMENT RATE

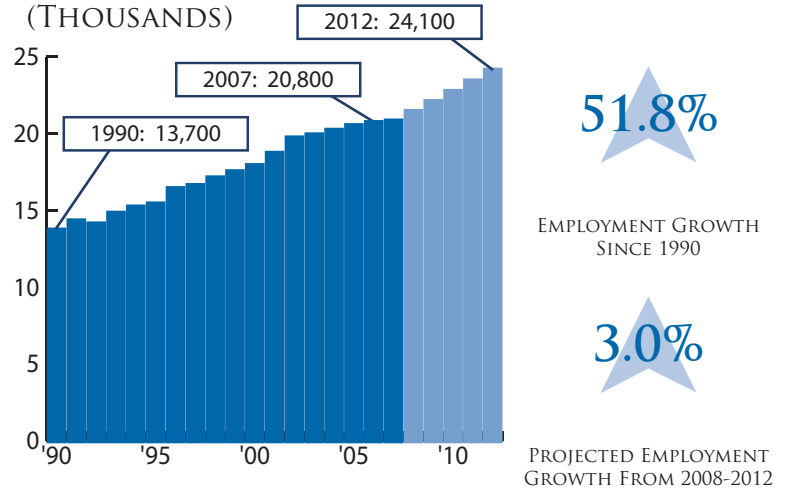


Source: Bureau of Labor Statistics (<http://www.bls.gov>)
Sonoma County's unemployment rate has been seasonally adjusted by the EDB.

The Leisure and Hospitality sector accounts for 8.3% of total civilian employment within Sonoma County as of 2007. Moody's Economy.com forecasts that Leisure and Hospitality employment will grow 3.0% over the next five years. Food Services and Drinking Places accounts for the majority (67.8%) of jobs in the sector. The average annual wage for a Leisure and Hospitality worker grew 19.8% between 2001 and 2006. In 2005, Leisure and Hospitality produced \$725 million in goods and services in the area.

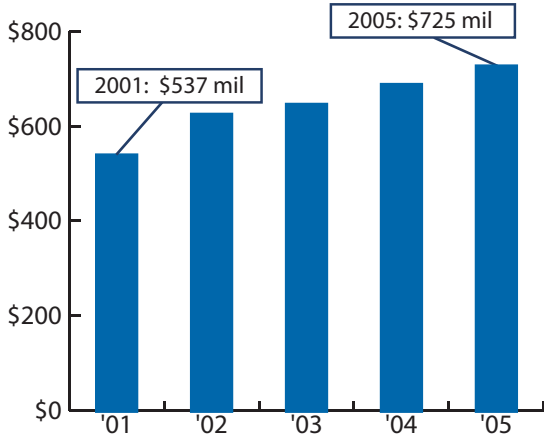
Horizon Air traffic at the Sonoma County Airport averaged nearly 6,500 passengers during the quarter. Although Q1 of any calendar year is often a slow travel period, Q1 2008 passenger volume matched the traditionally higher holidays volume of Q4 2007.

LEISURE AND HOSPITALITY EMPLOYMENT (THOUSANDS)



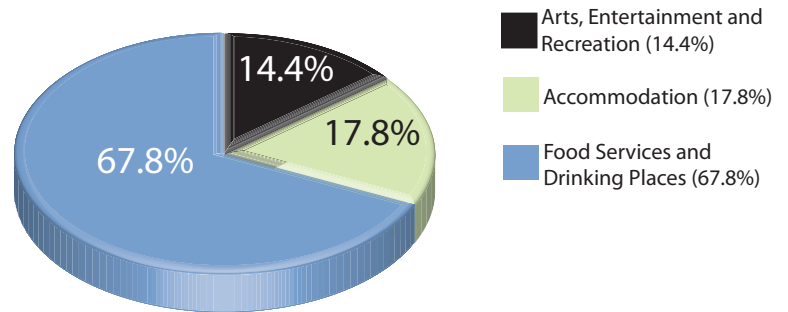
Source: Bureau of Labor Statistics (<http://www.bls.gov>)
Forecast by Moody's Economy.com, "Sonoma County's Advantage In A Slowing Economy," May 2007

LEISURE AND HOSPITALITY'S TOTAL SONOMA COUNTY REGIONAL PRODUCT (\$MIL)



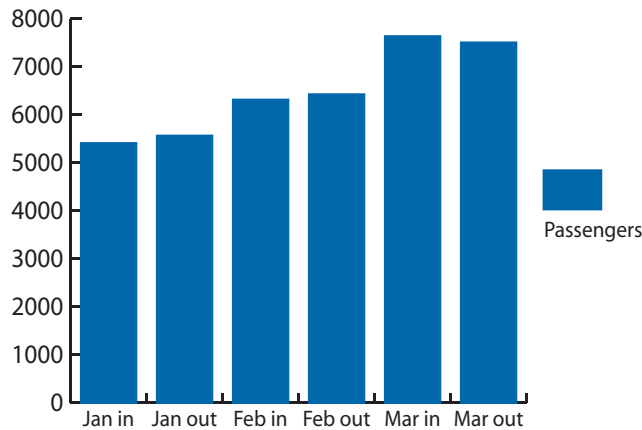
Source: U.S. Bureau of Economic Analysis (<http://www.bea.gov>)

LEISURE AND HOSPITALITY EMPLOYMENT BY INDUSTRY, 2007



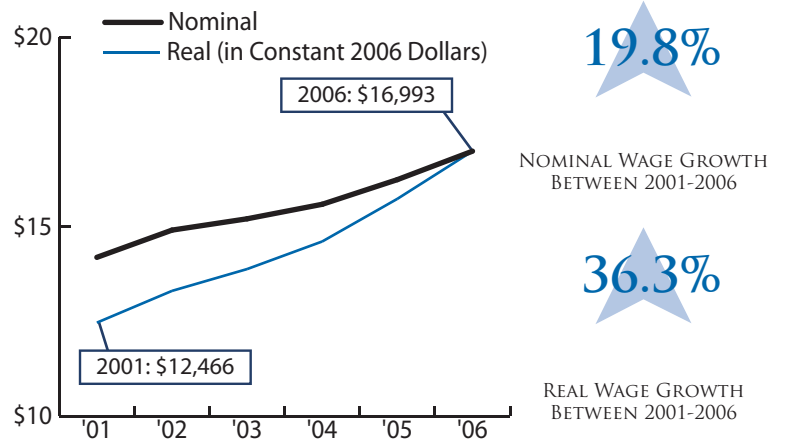
Source: Bureau of Labor Statistics (<http://www.bls.gov>)

STS AIRPORT (SONOMA COUNTY) PASSENGER LOADS, Q1 2008



Source: Sonoma County Airport (<http://www.sonomacountyairport.org>)

LEISURE AND HOSPITALITY AVERAGE ANNUAL WAGE (\$THOUSANDS)



Source: Bureau of Labor Statistics (<http://www.bls.gov>)

WITH ACKNOWLEDGMENT AND APPRECIATION TO LOCAL KEY BUSINESSES
SUPPORTING SONOMA COUNTY ECONOMIC DEVELOPMENT:

CHAIRMAN'S CIRCLE:



EXECUTIVE TIER:



ASSOCIATE TIER:



- County of Sonoma Board of Supervisors ■
- Sonoma County Permit & Resources Management ■
- Community Development Commission ■
- Sonoma County Health Services ■
- Sonoma County Transportation & Public Works ■