

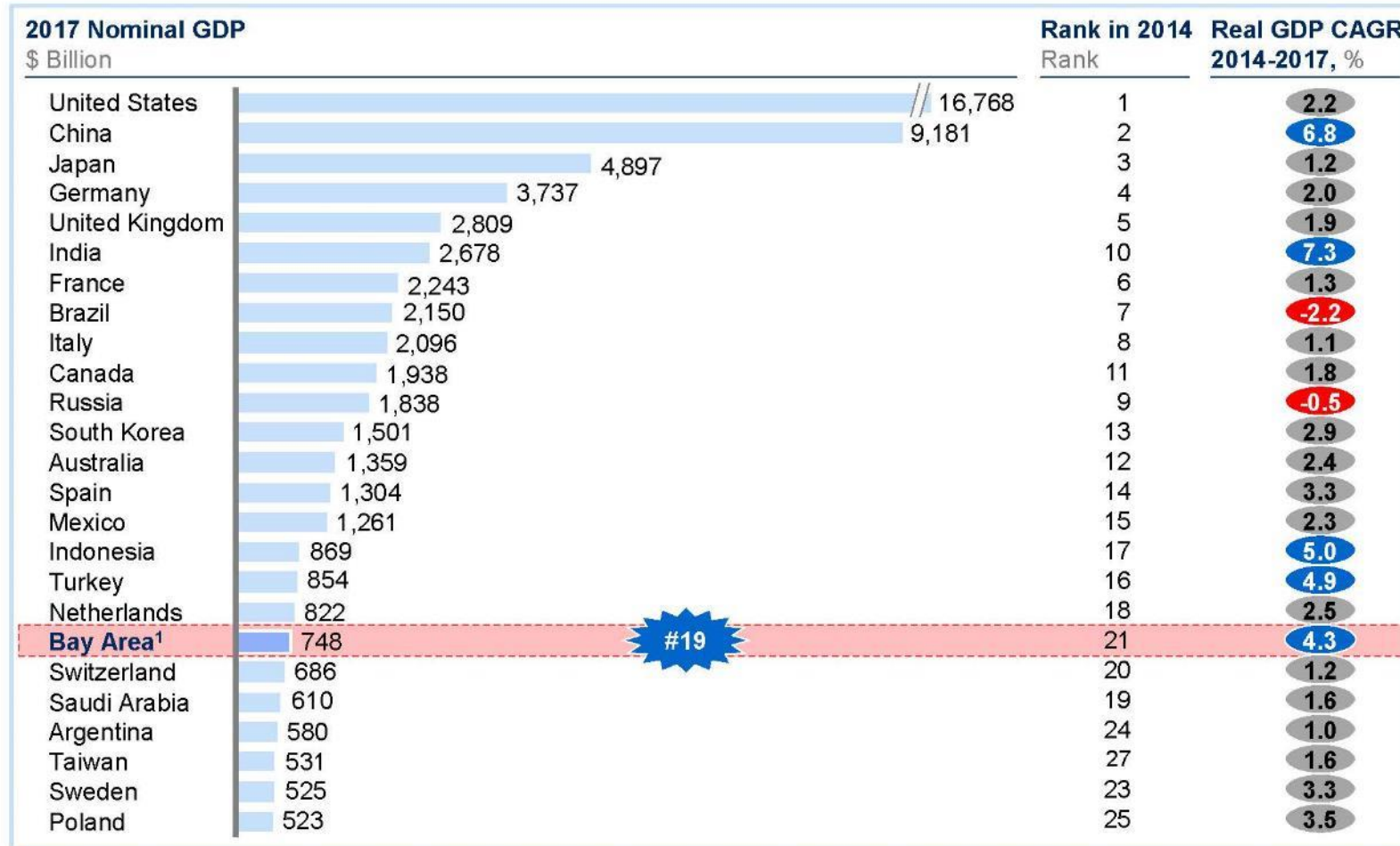


Bay Area Economic Update

Micah Weinberg, President
Bay Area Council Economic Institute
May 2018



The Bay Area is the **19th largest economy** in the world with a GDP of \$748 billion and one of the highest growth rates for the last 3 years

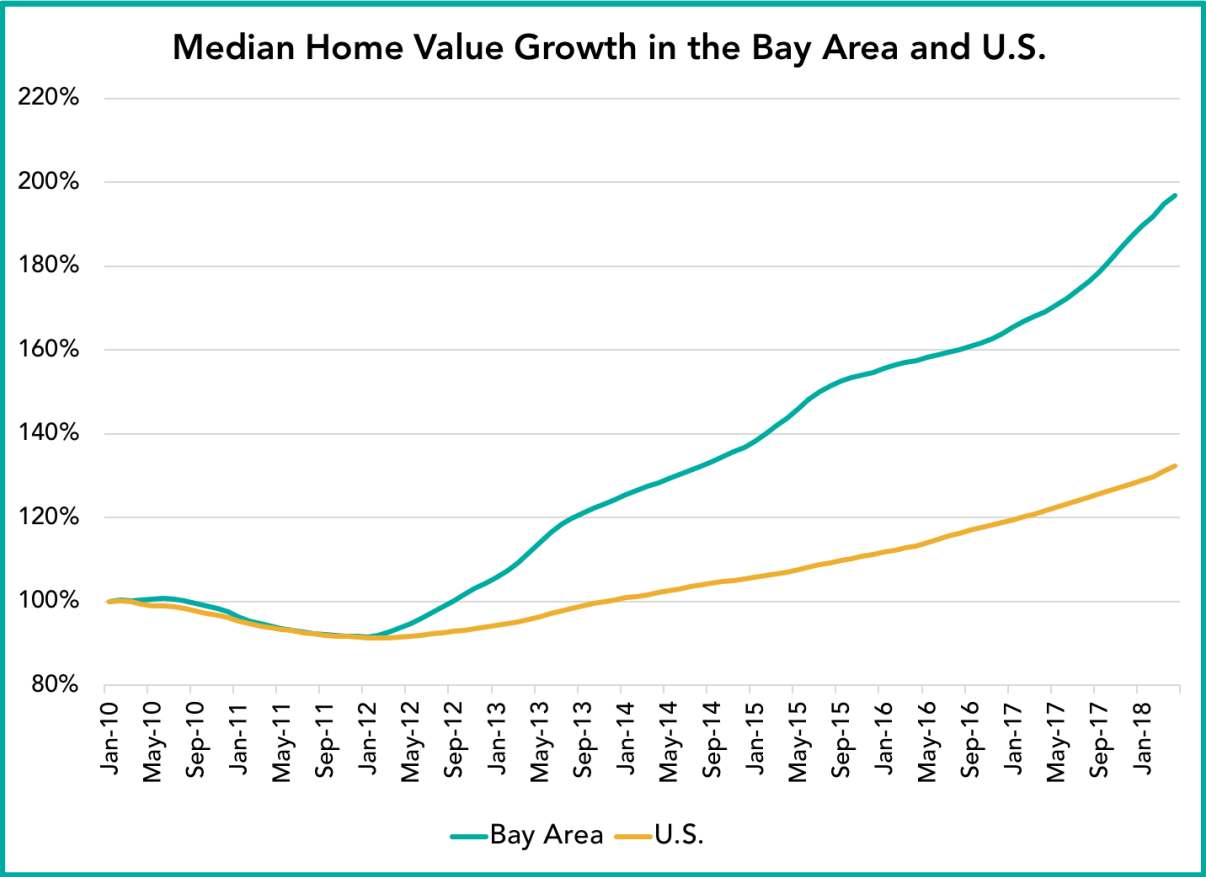
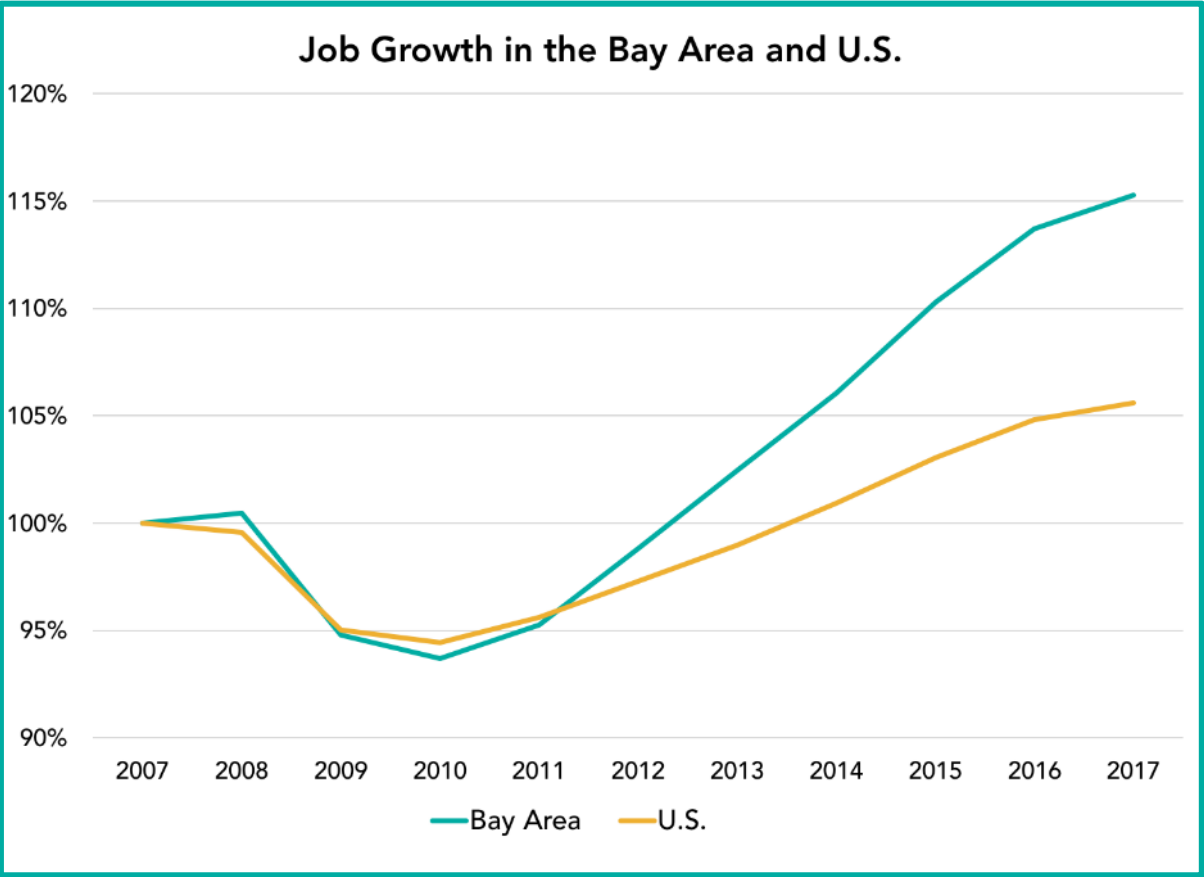


¹ Bay Area defined as San Jose, San Francisco, Napa, Santa Rosa, and Vallejo MSAs

SOURCE: Global Insight, BEA team analysis

McKinsey & Company

Job growth and median home values in the Bay Area are spiraling upward



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Zillow

The Bay Area has performed **better** than domestic competitors since the recession



		2005-2009	2009-2014	2014-2017
Wages Growth, Percent CAGR	Bay Area	2.4%	8.5%	6.1%
	Peer ¹ Average	1.9%	4.6%	3.2%
Population Growth, Percent CAGR	Bay Area	1.0%	1.6%	0.8%
	Peer Average	1.1%	1.4%	1.0%
GDP Growth, Percent CAGR	Bay Area	0.5%	4.5%	4.3%
	Peer Average	0.9%	3.1%	2.5%
H. Income Growth, Percent CAGR	Bay Area	2.7%	2.6%	5.7%
	Peer Average	2.5%	0.9%	3.2%
Employment Growth, Percent CAGR	Bay Area	-0.6%	2.8%	2.9%
	Peer Average	0.0%	2.1%	2.2%
Productivity Growth, Percent CAGR	Bay Area	1.1%	1.5%	1.3%
	Peer Average	0.9%	1.0%	0.3%
Income per capita Growth, Percent CAGR	Bay Area	1.5%	6.2%	5.1%
	Peer Average	2.2%	4.6%	2.7%

- Outperforms peers
- Underperforms peers

Peers for Analysis

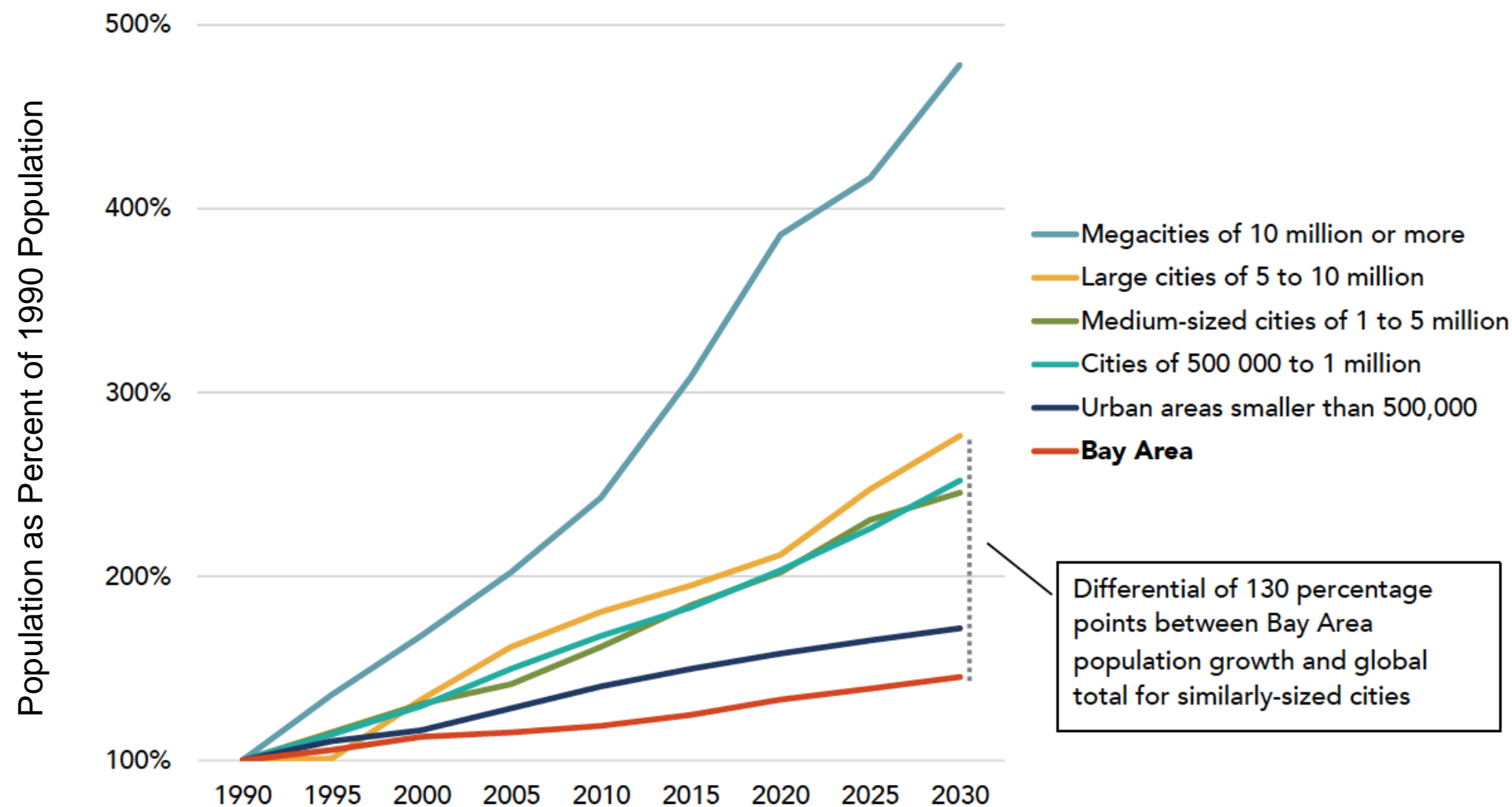
New York
Los Angeles
Austin
Dallas
Boston
Seattle
San Diego

SOURCE: Moody's Analytics



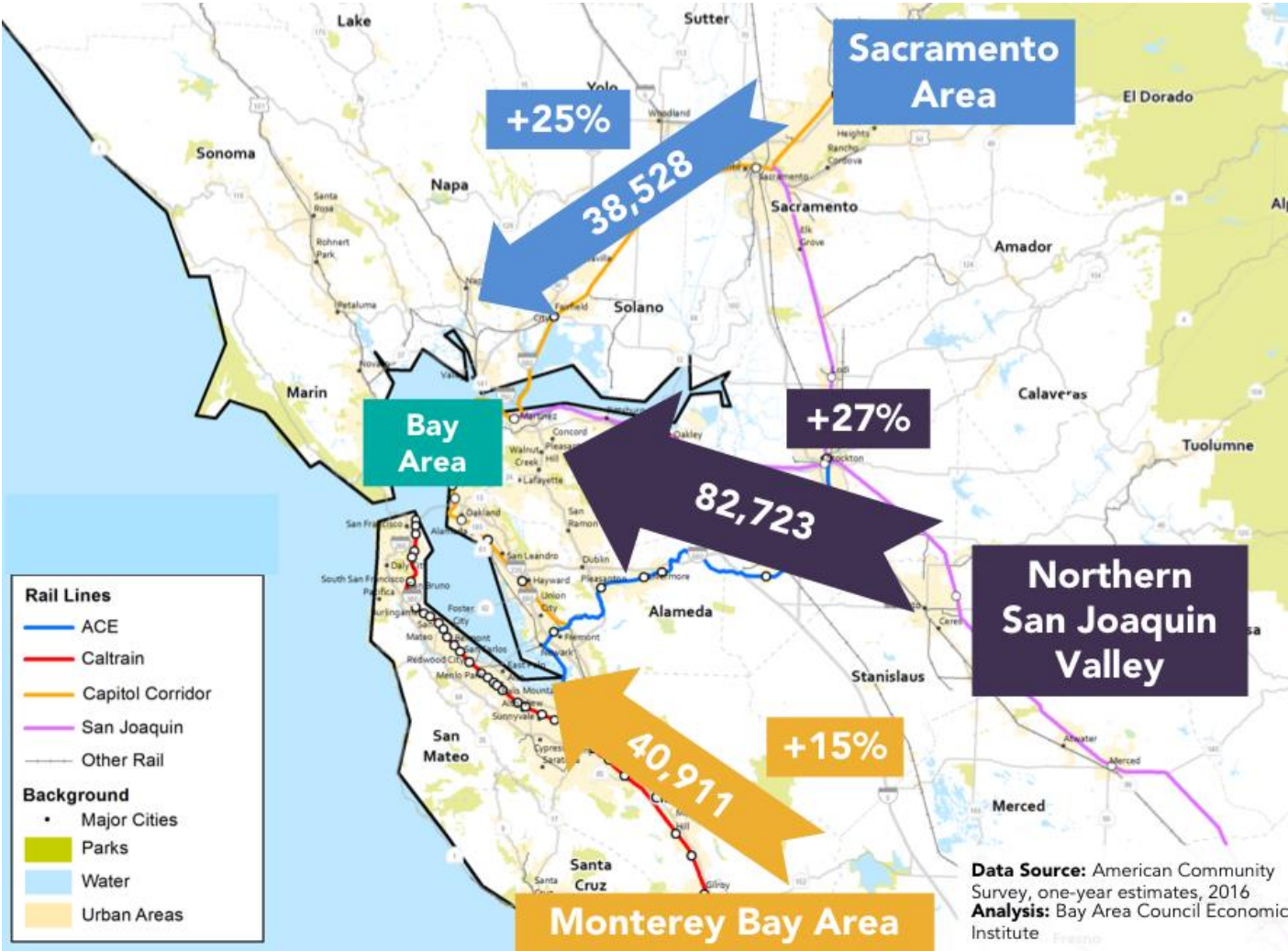
Photo: Carlos Avila Gonzalez, The Chronicle

Bay Area is growing slowly as compared to urban areas worldwide



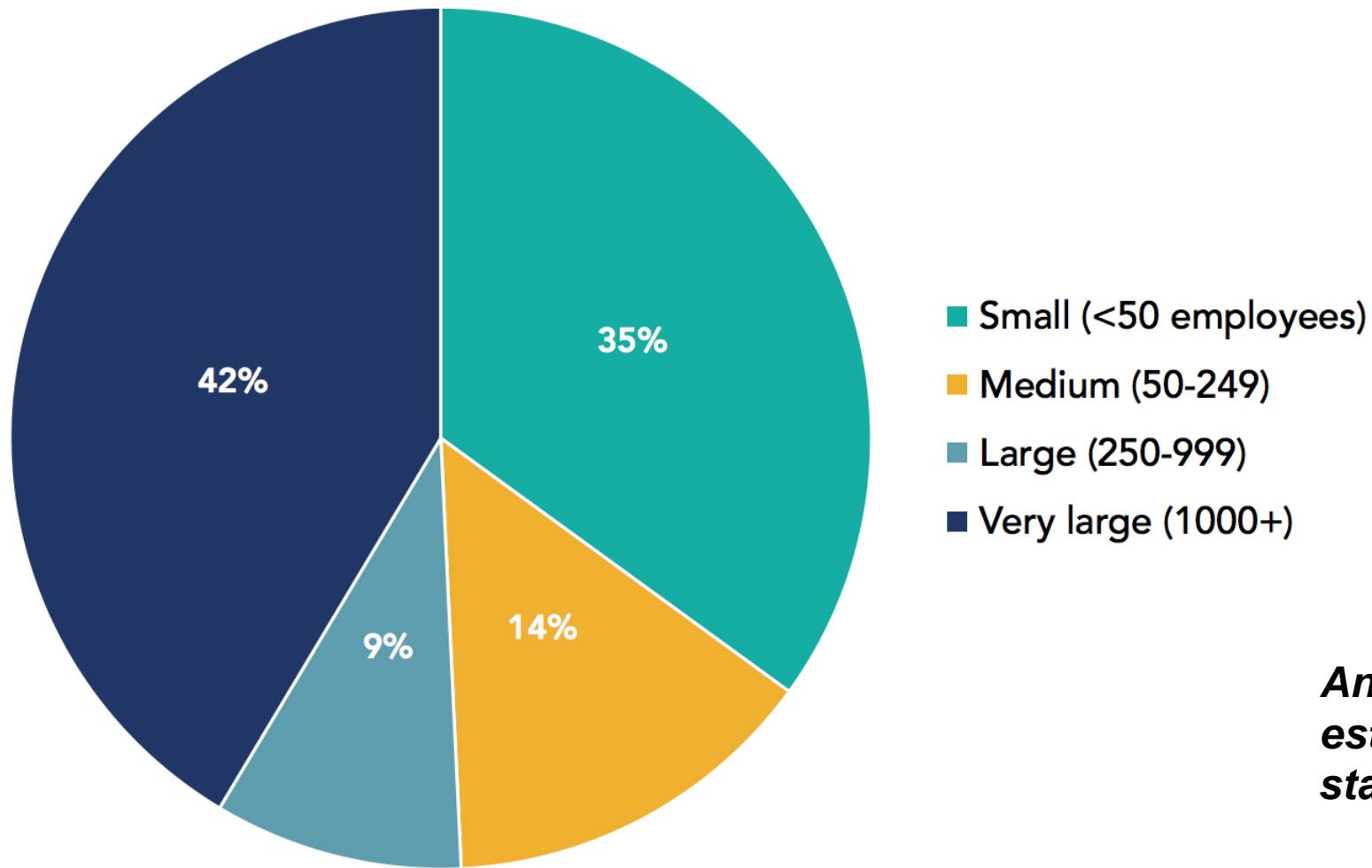
Source: United Nations, Department of Economic and Social Affairs, Population Division (2014). World Urbanization Prospects: The 2014 Revision; California Department of Finance

Bay Area is now effectively a *megaregion*



Source: Census Transportation Planning Products, 2009-2013
Analysis: University of the Pacific

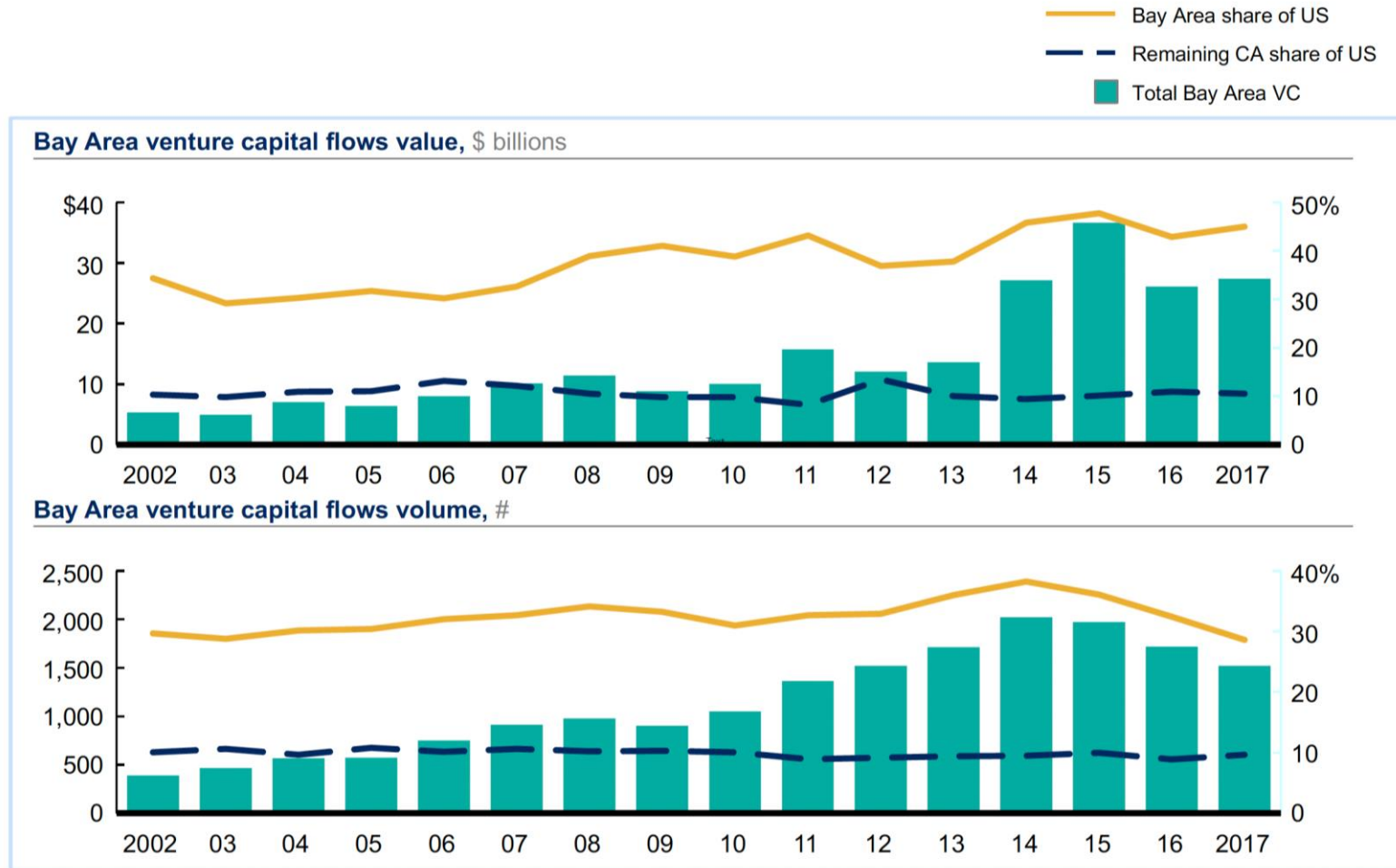
Age of the Titans: Largest number of new jobs in the Bay Area are being created by largest businesses



And venture capital/real estate deals largely late stage/major expansion ...

Source: U.S. Census Bureau, Business Dynamics Statistics, time period 2010-2015














1/2 of US VC Invested in Bay Area; Fewer, Larger, Later Stage Deals



1 Bay Area defined as the San Francisco and Silicon Valley constituent MSAs given data availability on source reports

SOURCE: PwC Moneytree Report, team analysis

Underappreciated Diversity of the Bay Area Economy

2017 US Fortune 500 Companies by Industry ¹					
	Consumer Products	Energy	Financials / Insurance	Tech / Telecom / Media	Others
New York					
Houston					
Bay Area ²					

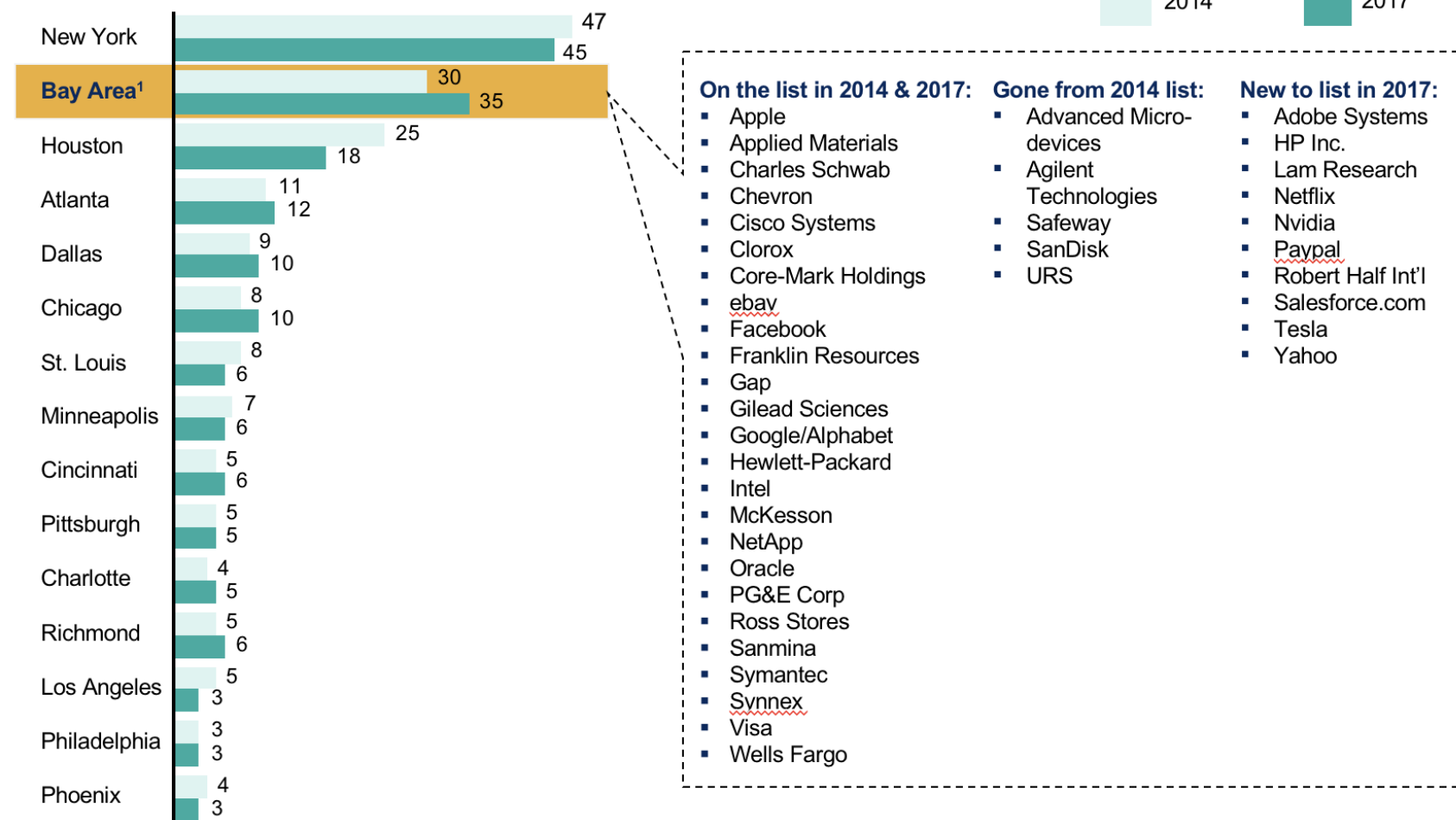
¹ Largest four industries in the three largest regions by Fortune 500 company count

² Bay Area inclusive of 17 cities: Cupertino, Dublin, Foster City, Fremont, Los Gatos, Menlo Park, Mountain View, Oakland, Palo Alto, Redwood City, San Jose, San Mateo, San Ramon, Santa Clara, San Francisco, South San Francisco, Sunnyvale

SOURCE: Fortune, Capital IQ, McKinsey analysis

Recent Changes Closing Fortune 500 Gap with New York

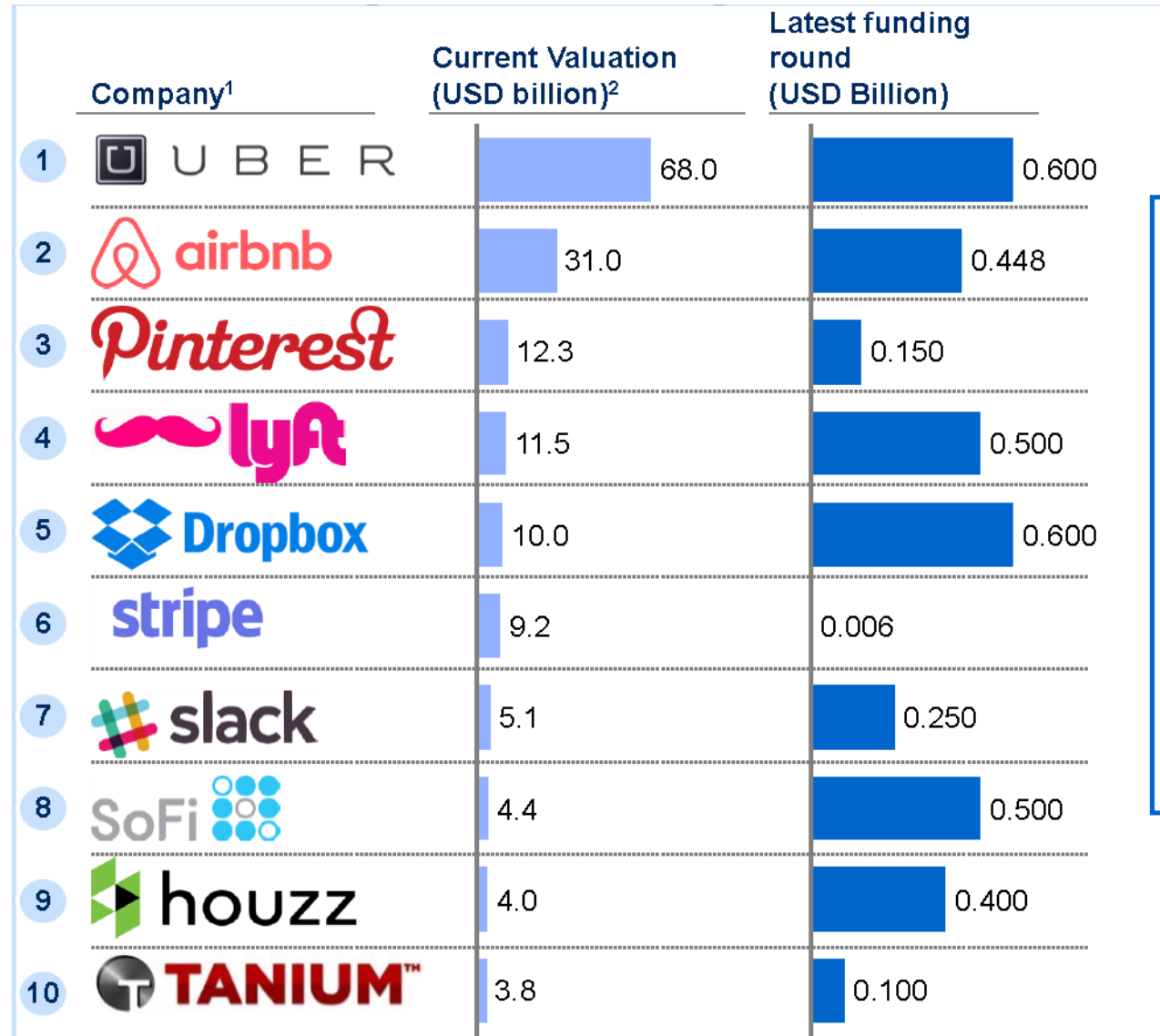
Number of Fortune 500 companies in 2017 vs. 2014



¹ Bay Area inclusive of 17 cities: Cupertino, Dublin, Foster City, Fremont, Los Gatos, Menlo Park, Mountain View, Oakland, Palo Alto, Redwood City, San Jose, San Mateo, San Ramon, Santa Clara, San Francisco, South San Francisco, Sunnyvale

SOURCE: Fortune Magazine, D&B Hoovers, team analysis

Unicorns Bigger than Dinosaurs

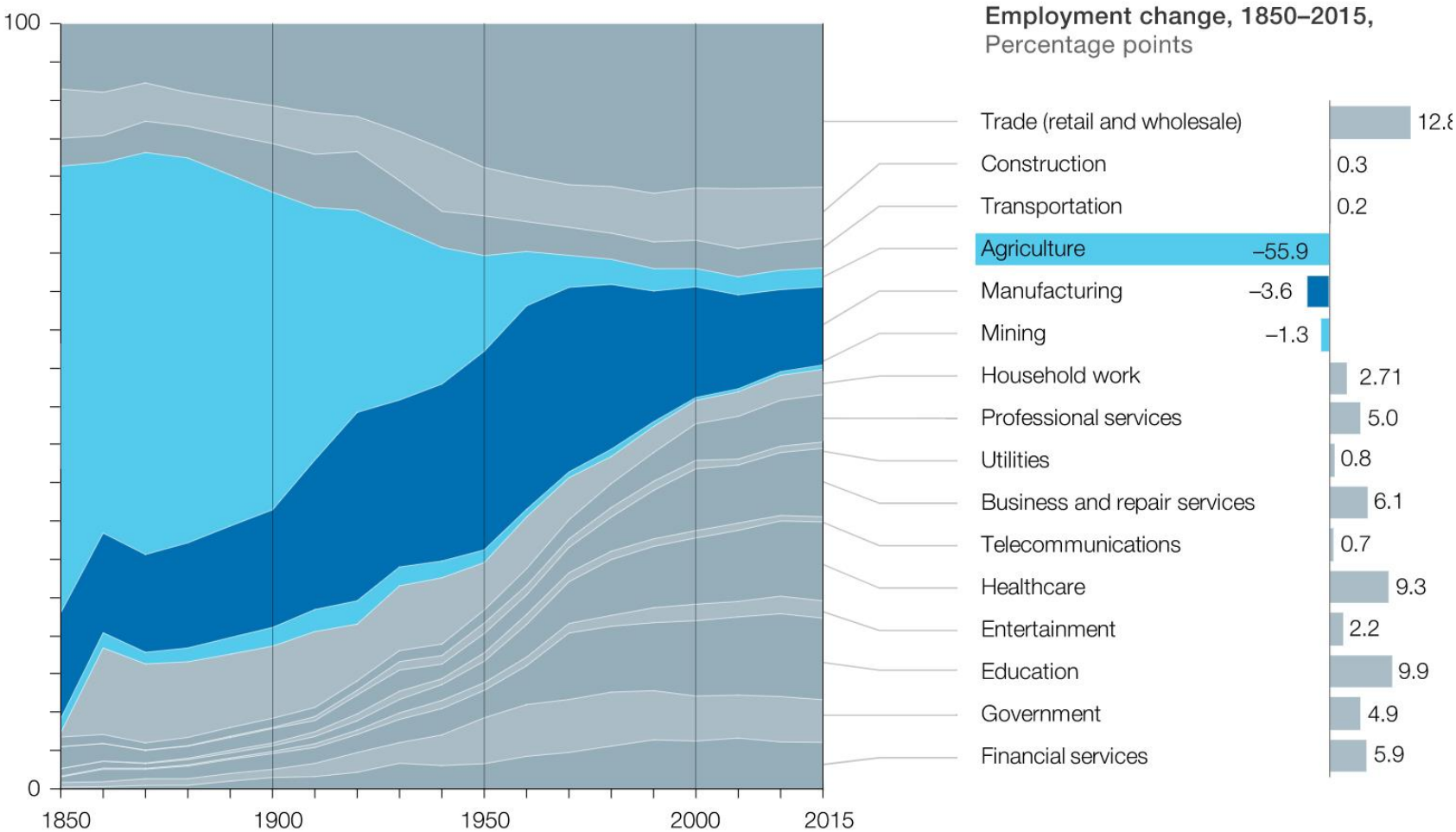


- Funding rounds closed in 2017 were in average of **\$355 million** across these 10 startups
- Privately-held companies like **Uber and Airbnb** are **now valued more** than a significant number of **companies** in the **Fortune 500** list

¹ Private companies ² Based on Pitchbook data pull 12/22/2017

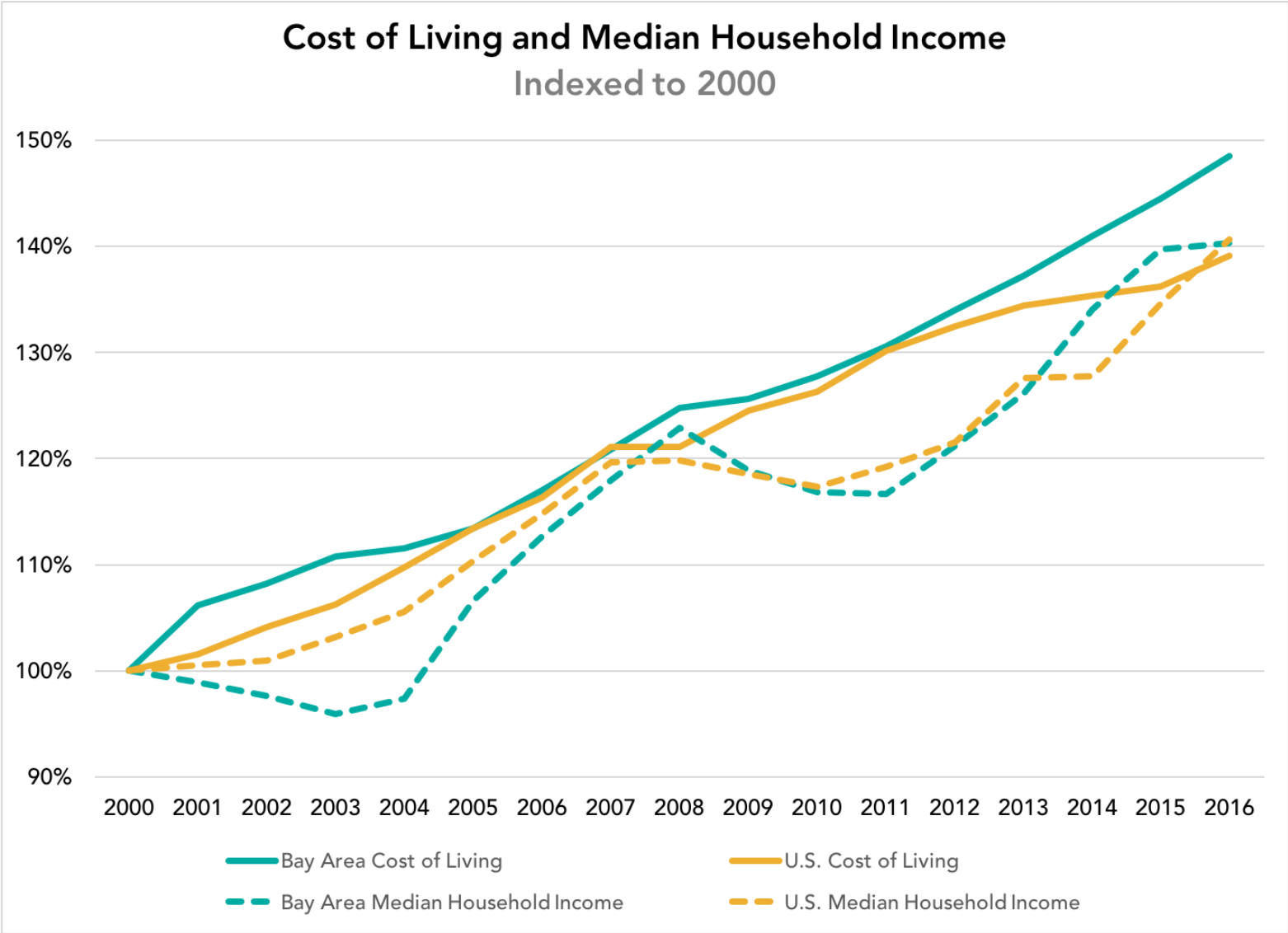
Will Work Disappear? No.

Share of total employment by sector in the United States, 1850–2015, % of jobs



McKinsey&Company | Source: IPUMS USA 2017; US Bureau of Labor Statistics; McKinsey Global Institute analysis

The Issue is Not Jobs but *Livelihoods*

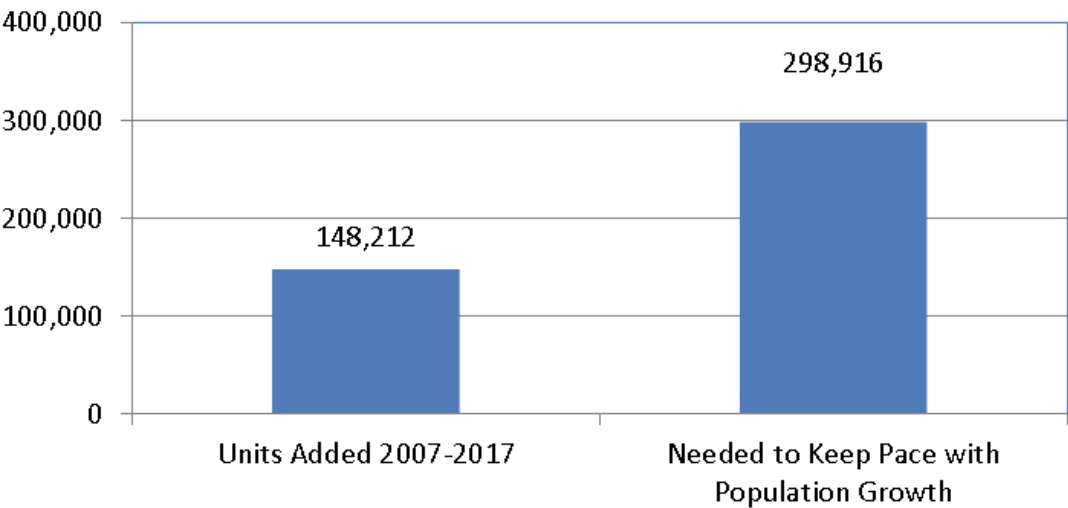


Median Bay Area income
\$89,000!

Median U.S. income
\$59,000

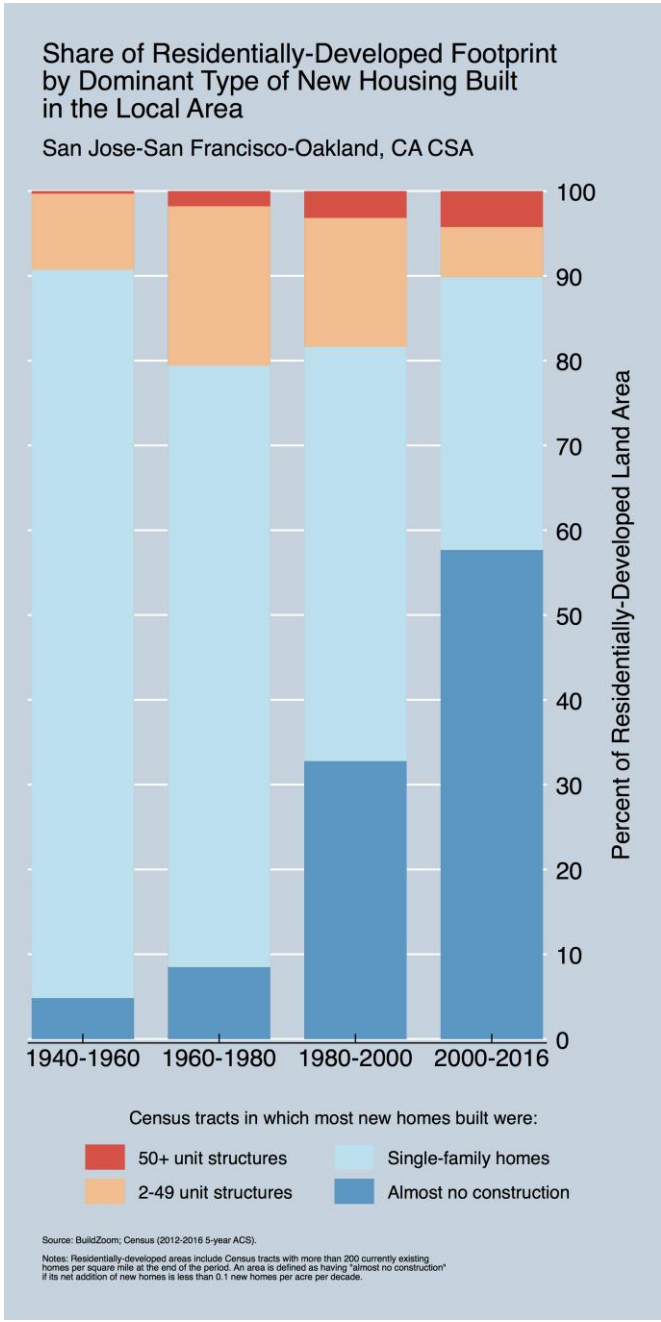
Addressing cost of living must focus on increasing supply of housing ... *everywhere*

Bay Area Housing Units 2007-2017



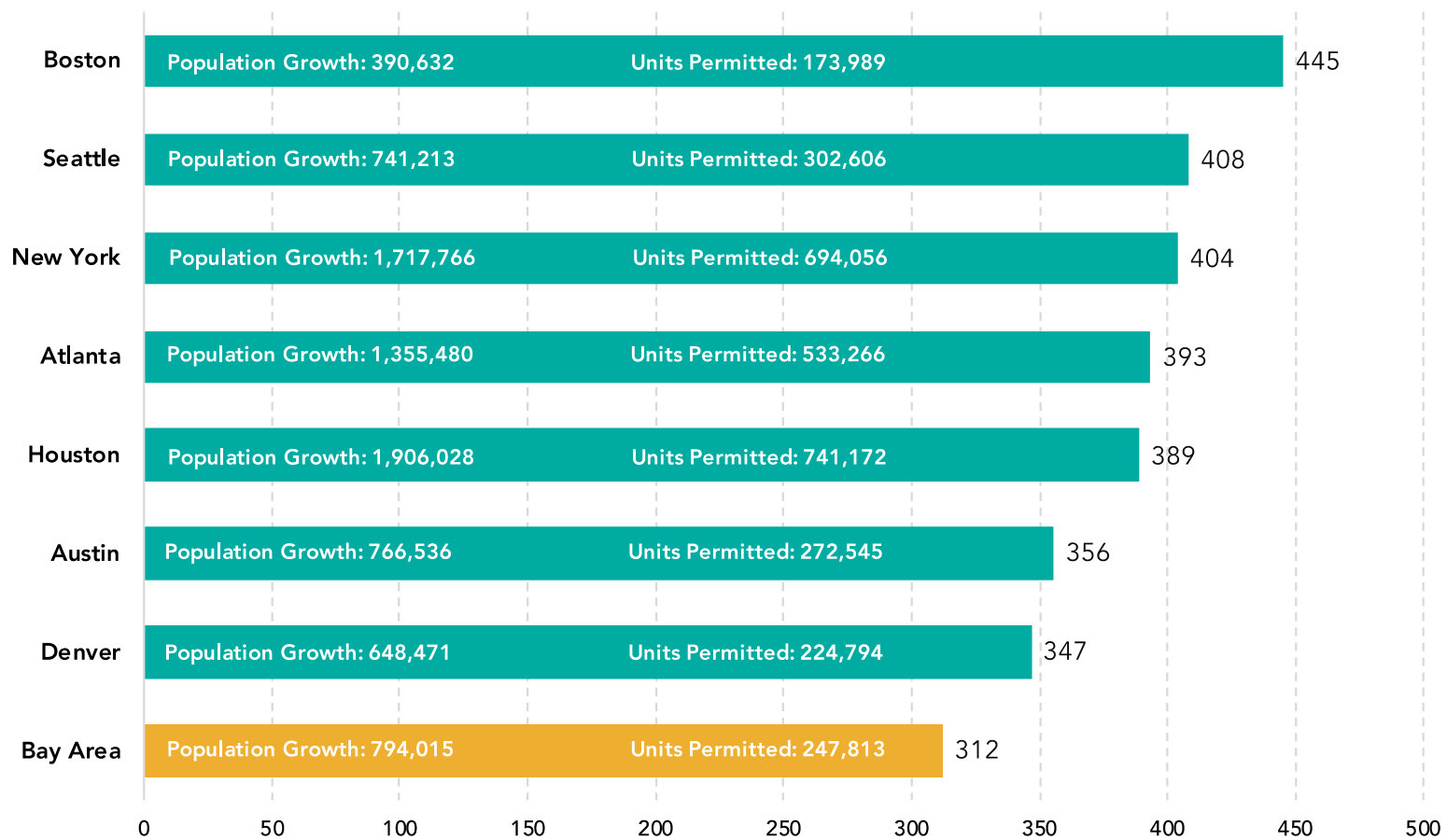
... on top of a 1 million unit generational deficit!

Source: California Department of Finance, Analysis: Center for the Continuing Study of the California Economy



Bay Area builds fewer homes per population added than other metros

Ratio of Housing Units Permitted per 1,000 Person Increase in Population, 2003-2017



Note: "Bay Area" data represents only Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Santa Clara counties. All other locations are metropolitan areas.
Source: U.S. Census Bureau Building Permits Survey; U.S. Census Bureau Metropolitan and Micropolitan Statistical Area Datasets
Analysis: Bay Area Council Economic Institute

Patterns of Development Also Inconsistent with Resilience and Combatting Climate Change

California Off-Track in Race to Meet 2030 and 2050 Climate Goals



Source: California Air Resources Board

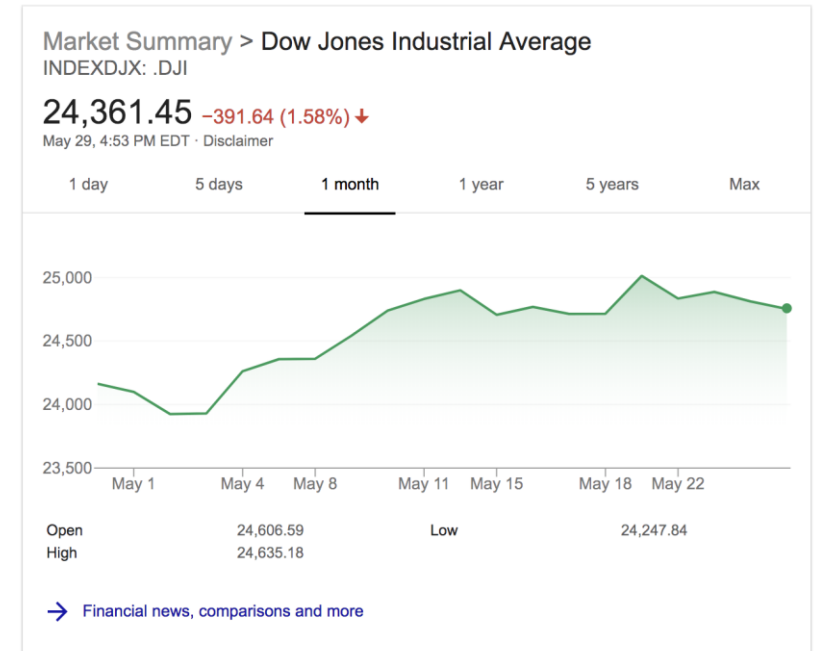
Historical Trend for Per-Capita Daily Miles Traveled



Highcharts.com

Bay Area 2018 Economic Forecast: “From Headwinds to Tailwinds”

- Steady, moderate growth nationwide in the 2%+ range; Fed will raise interest rates accordingly
- Somehow 2018 will be hotter than 2017 in the Bay Area as the region continues to run ahead of the rest of the nation
- X-factors
 - National policies
 - International dynamics
 - Resilience to natural disasters
- Also ... no one actually knows



2018 COMMERCIAL REAL ESTATE OUTLOOK

San Francisco Bay Area (2017 to 2018)	Construction Completions	Rent Growth
OFFICE	▲ +25% to 12 msf (cyclical high: 65% pre-leased)	▲ 3 - 8%
APARTMENT	▲ +17% to 13k units (cyclical high)	▲ 1 - 3%
RETAIL	▶ +3% to 2.5 msf	▶ 0 - 2%
INDUSTRIAL	▲ +35% to 5 msf (well below demand levels)	▲ 8 - 12%

CBRE

Not Much to Talk About, Eh?

