



2019 Sacramento Economic Forecast

Jim Wunderman, President & CEO, Bay Area Council

January 16, 2019





- The **Bay Area Council** is a business-sponsored, public policy advocacy organization for the nine-county Bay Area.
- The Council proactively advocates for a strong economy, a vital business environment, and a better quality of life for everyone who lives here.
- Today, more than 325 of the largest employers in the region support the Bay Area Council and offer their CEO or top executive as a member.

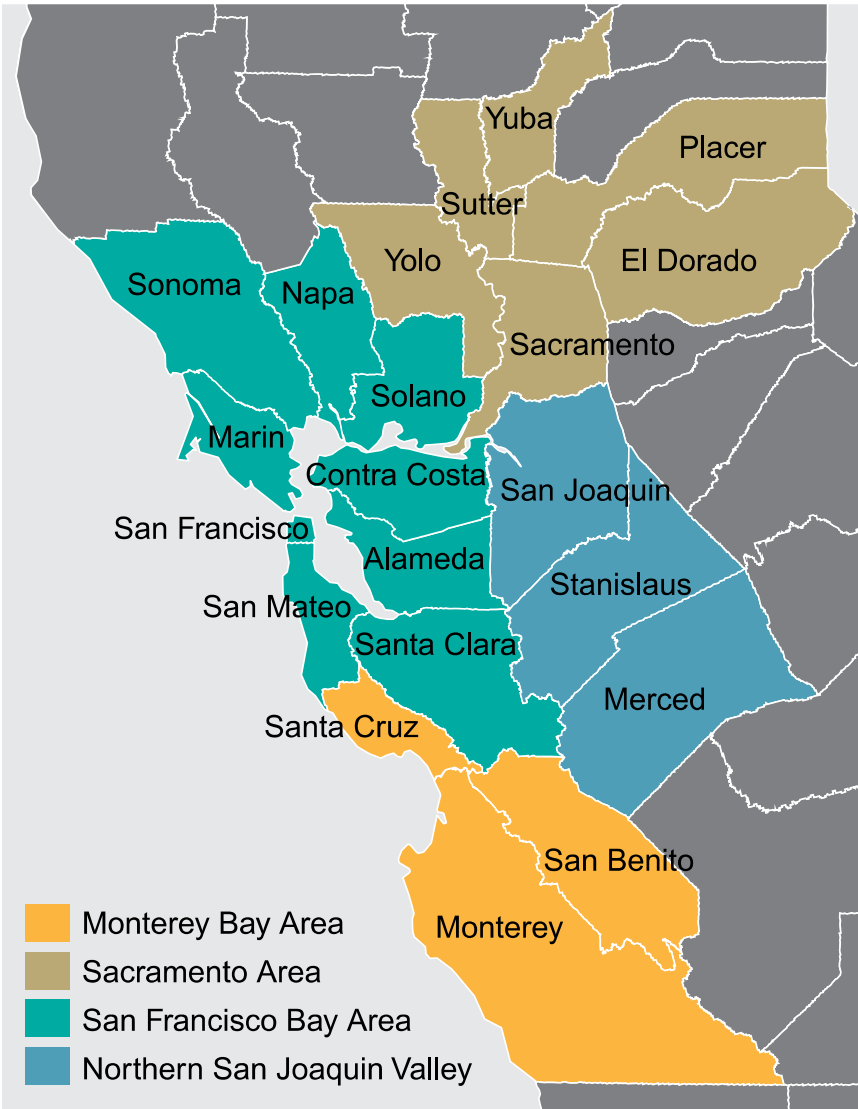


The **Economic Institute** is the leading think tank focused on the most critical economic and policy issues facing the nine-county Bay Area region.

2019 Research Includes:

- North Bay: Building a More Resilient and Inclusive Economy in the Wake of the Fires
- Homelessness in the Bay Area
- Valley to Valley: Shaping the Future of Fresno
- Future of Work Research and Interviews

The Northern California Megaregion



BAC Megaregion work includes:

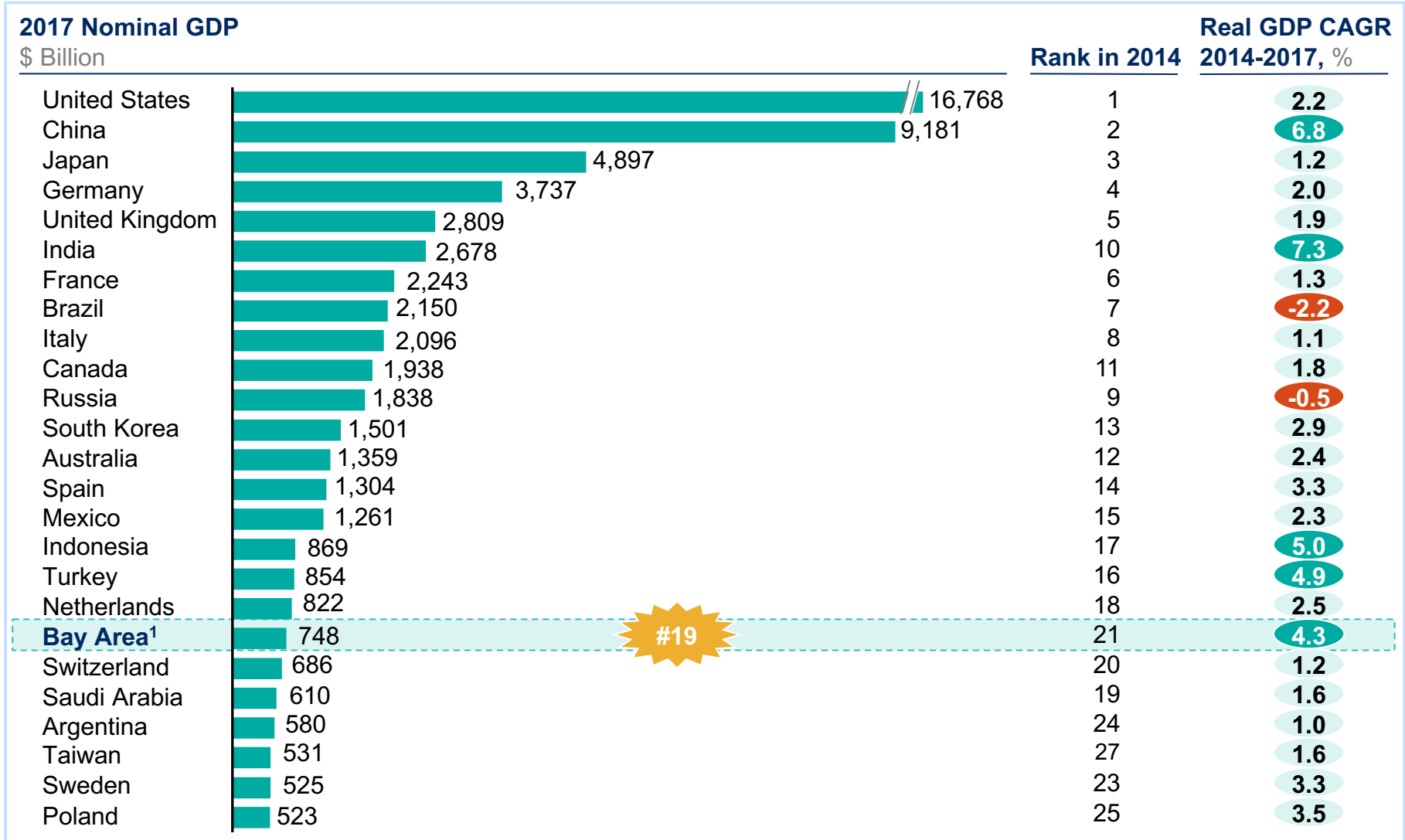
- Valley to Valley: Shaping the Future of Fresno
- The Northern California Megaregion Report
- UC Merced Public Private Partnership



Let's start with the Bay Area



If it were a country, the Bay Area would be the 19th largest economy in the world with a GDP of \$748 billion



¹ Bay Area defined as San Jose-Sunnyvale-Santa Clara, San Francisco-Oakland-Hayward, Napa, Santa Rosa, and Vallejo-Fairfield MSAs

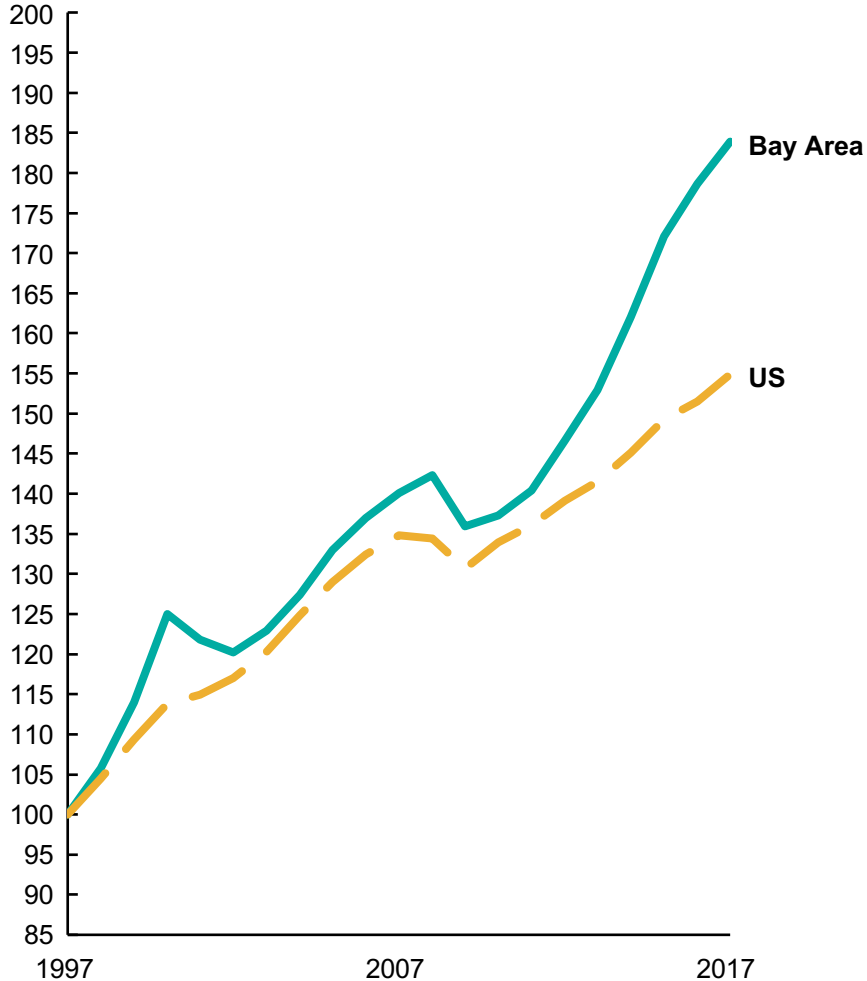
Note: 21-county Northern California Megaregion would have the 16th largest economy at \$952 billion

SOURCE: Global Insight, BEA, team analysis

Bay Area output generally outpaces that of the US, but employment has only accelerated in the years post-recession

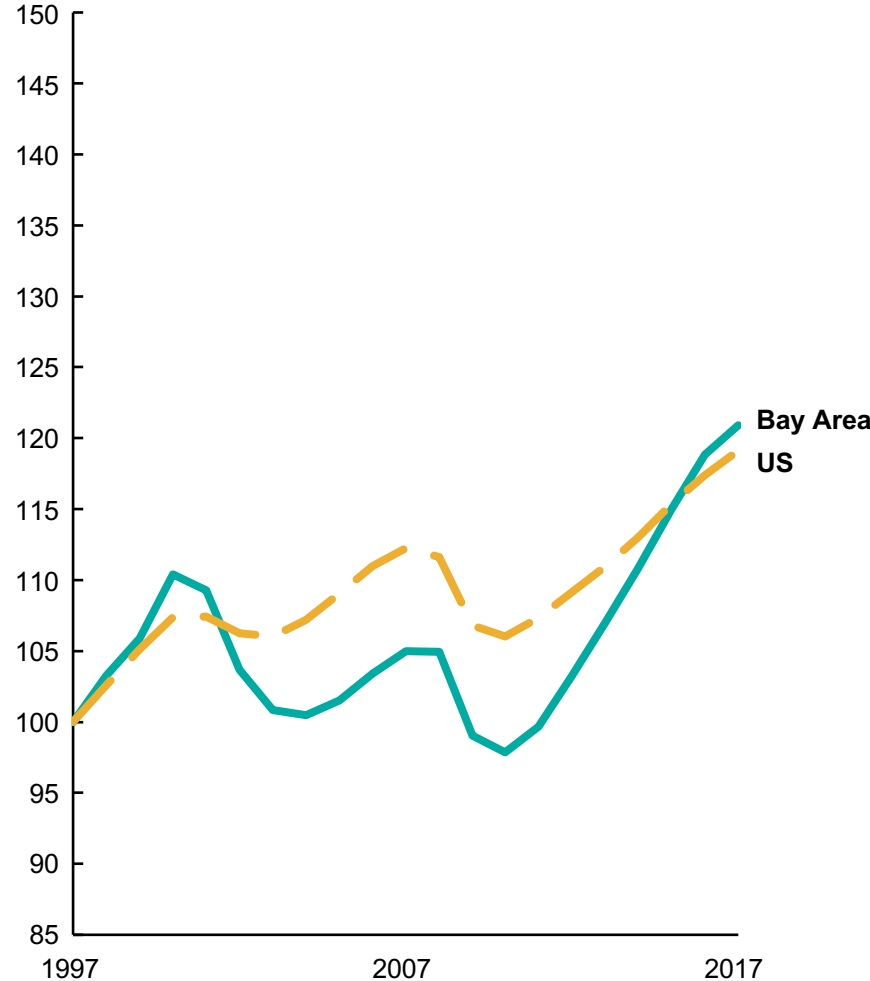
Bay Area¹ vs. United States GDP through Dec 2017

Indexed to 100 (1997 benchmark)



Bay Area¹ vs. United States Employment through Dec 2017

Indexed to 100 (1997 benchmark)

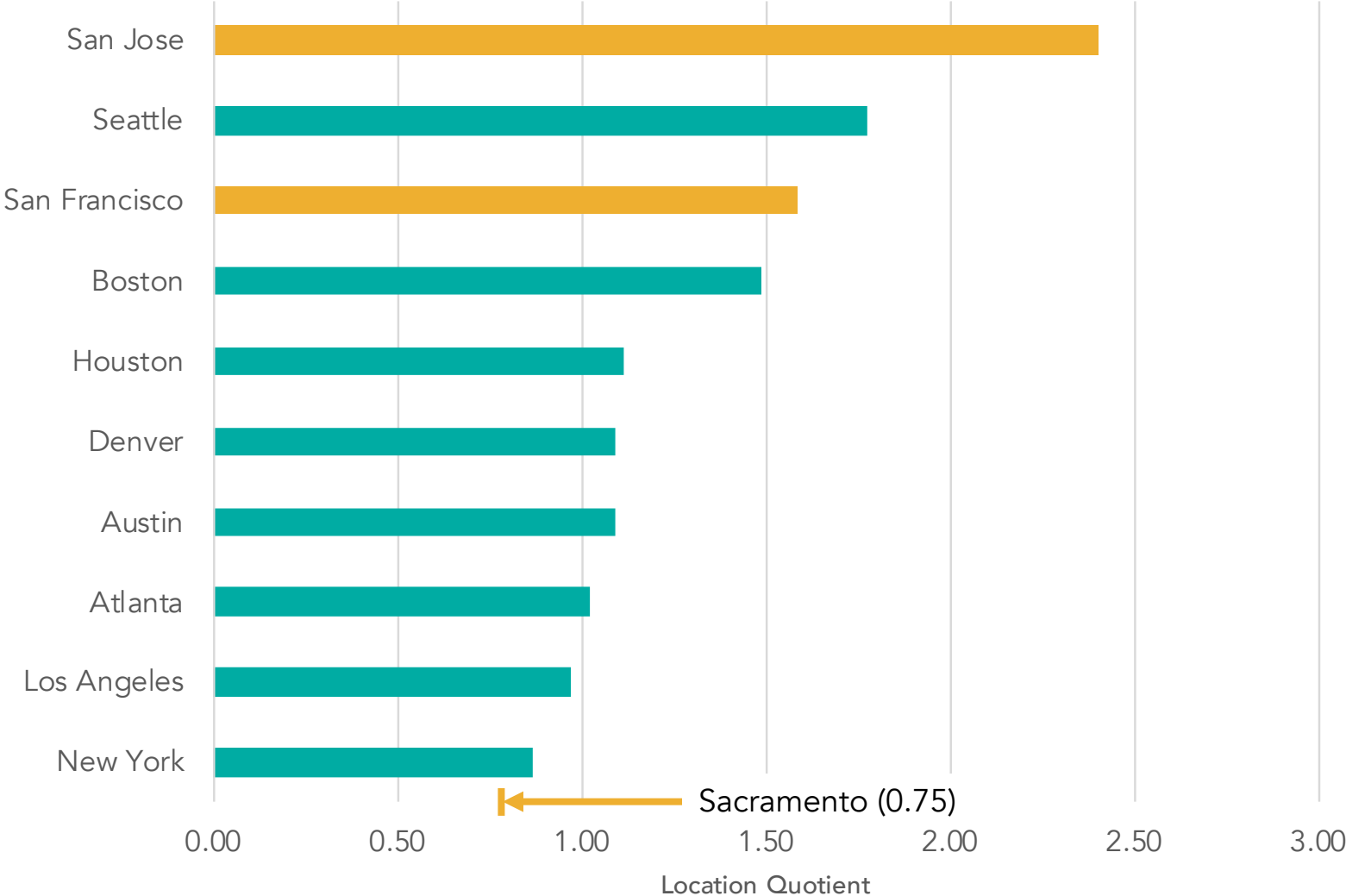


¹ Bay Area defined as San Jose-Sunnyvale-Santa Clara, San Francisco-Oakland-Hayward, Napa, Santa Rosa, and Vallejo-Fairfield MSAs

SOURCE: BLS, BEA, Moody's Analytics

High-tech sectors provide boost to productivity that benefits the Bay Area

Relative Concentration of Jobs in High-Technology Industries (2017)

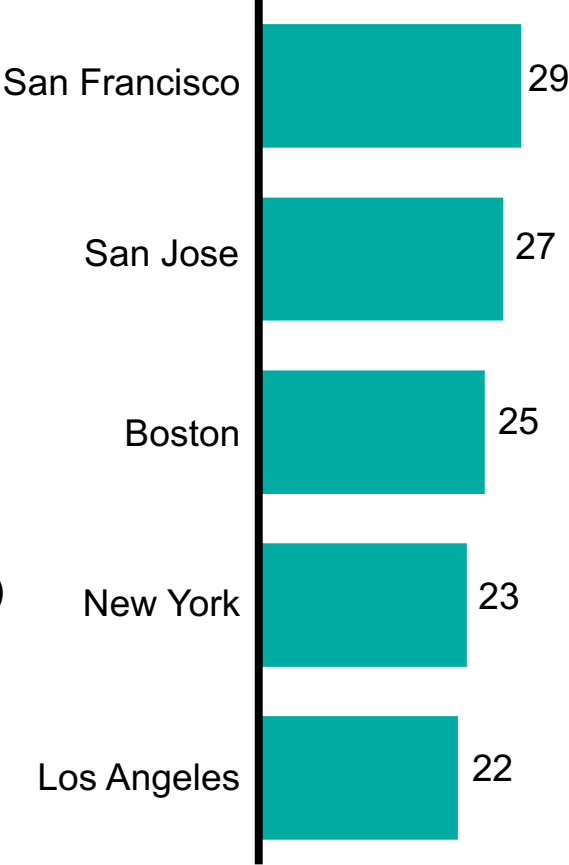
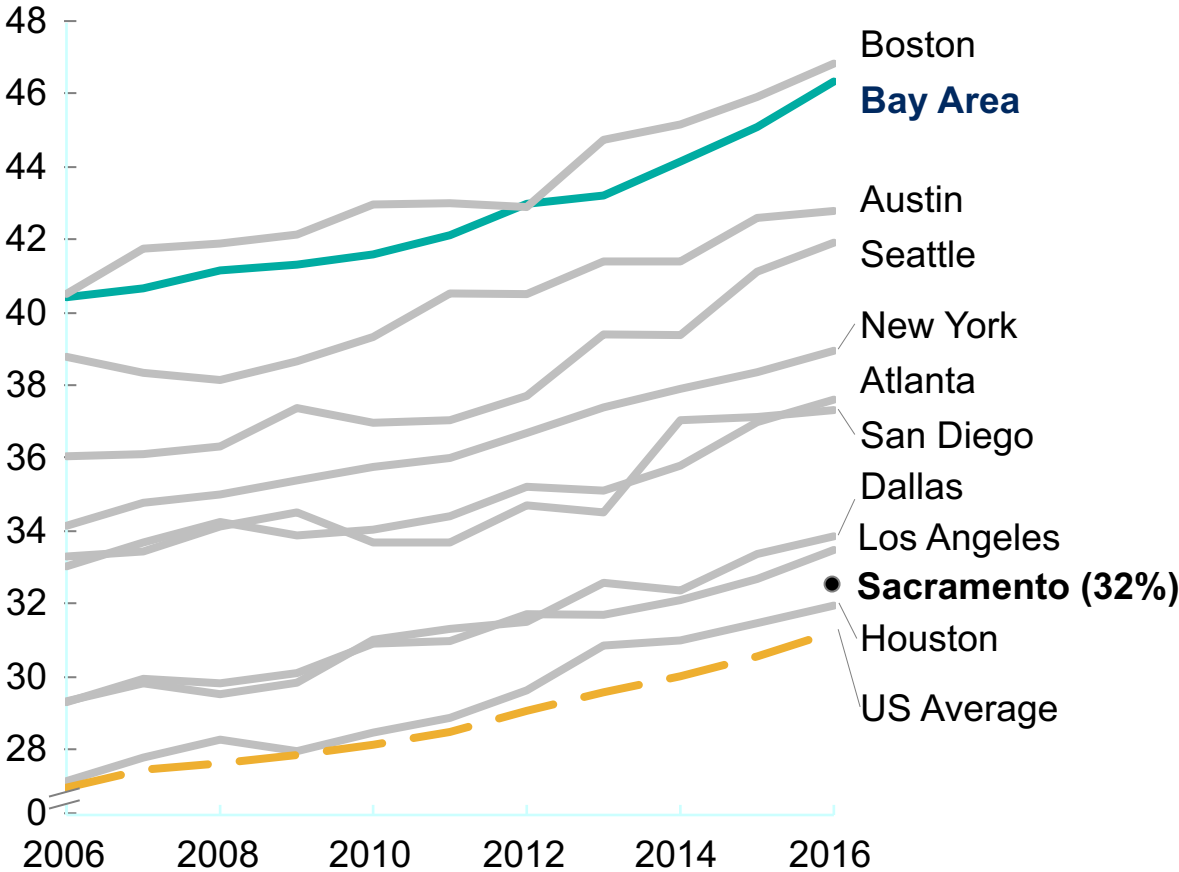


Source: Quarterly Census of Employment and Wages, Bureau of Labor Statistics
Analysis: Bay Area Council Economic Institute

The Bay Area population continues to be one of the most educated compared to other US regions

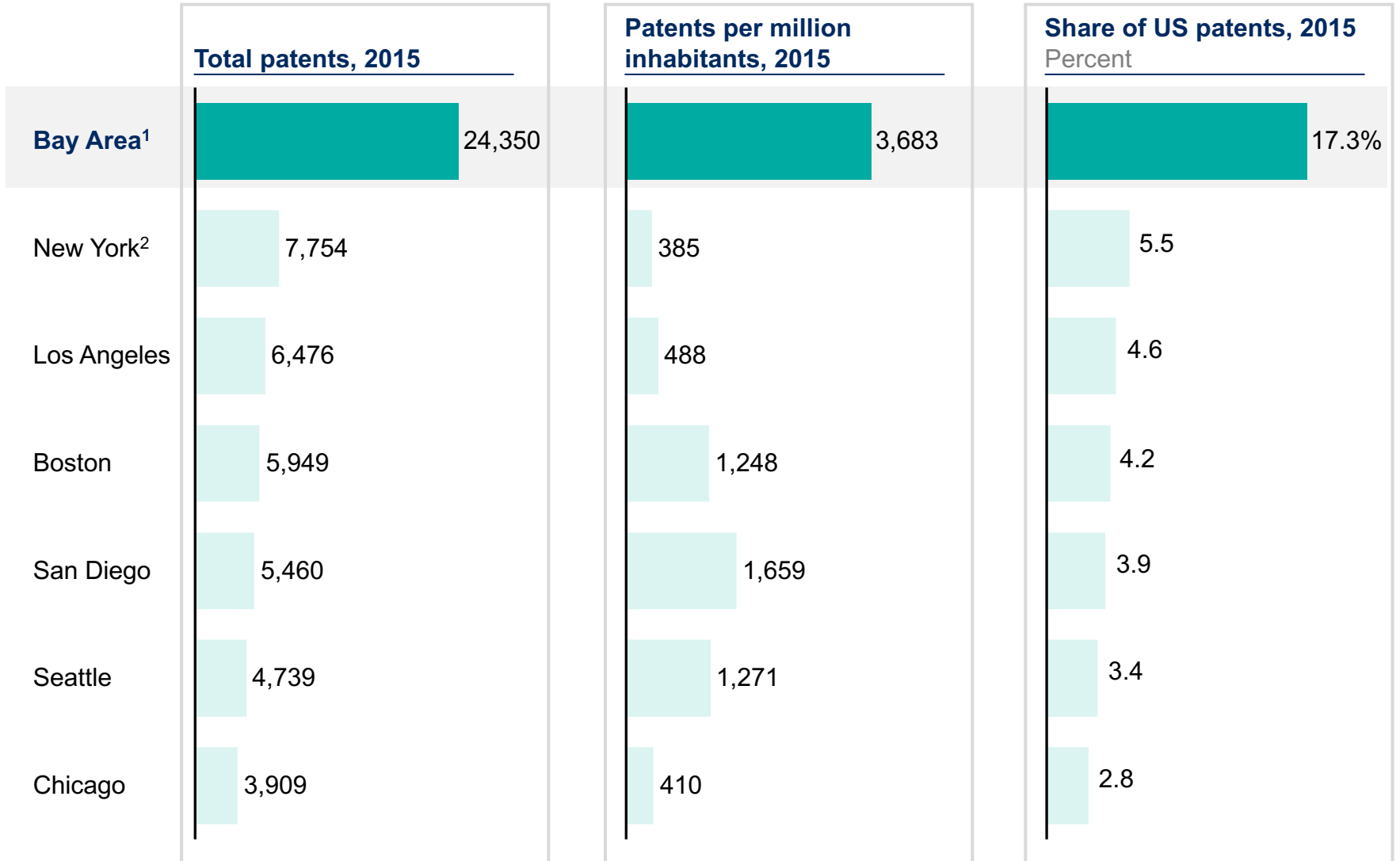
Bay Area¹ educational attainment against peer regions,
Percent w/ bachelor's degree and higher age 25+

Percent of those w/ bachelor's degree born in home state, 2016



¹ Data is at the MSA level, includes San Jose-Sunnyvale-Santa Clara, San Francisco-Oakland-Hayward, Napa, Santa Rosa, and Vallejo-Fairfield MSAs
SOURCE: Moody's Analytics, ACS

The Bay Area far outpaces its peers in patents issued, producing 17% of all patents issued in the U.S. during 2015



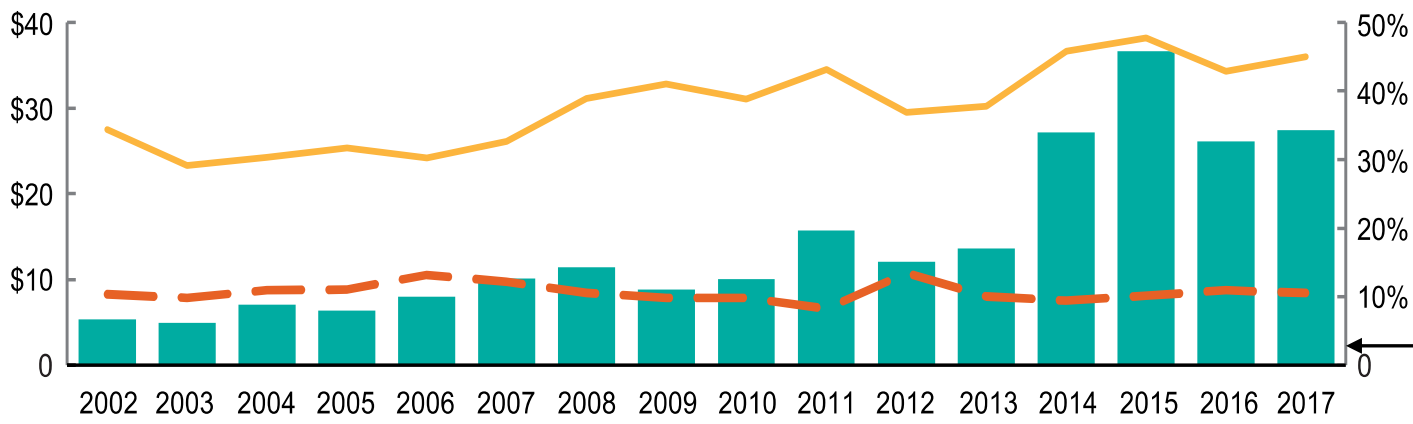
¹ Data for San Jose-Sunnyvale-Santa Clara and San Francisco-Oakland-Hayward MSAs

² All other data points include full MSA data, not just the stated city

SOURCE: US Patent and Trademark Office, US Census Bureau, team analysis

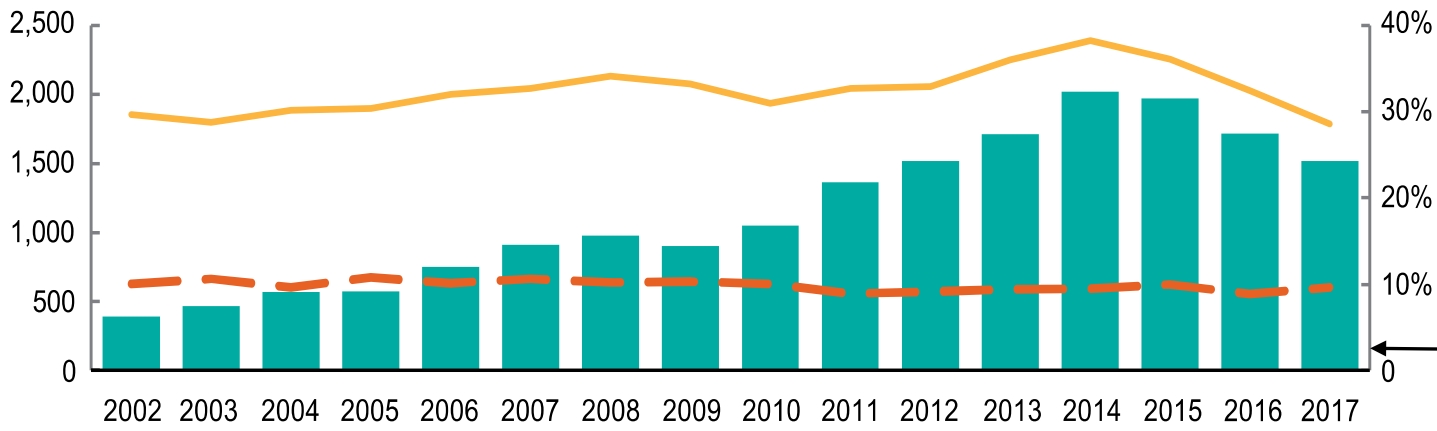
The Bay Area attracts much of the nation's venture capital investment, and deal size in the region is growing

Bay Area Venture Capital Flows Value, USD Billions Bay Area Share of U.S. Remaining CA Share of U.S. Total Bay Area VC



Sacramento
\$179.3 Million

Bay Area Venture Capital Flows Volume, #

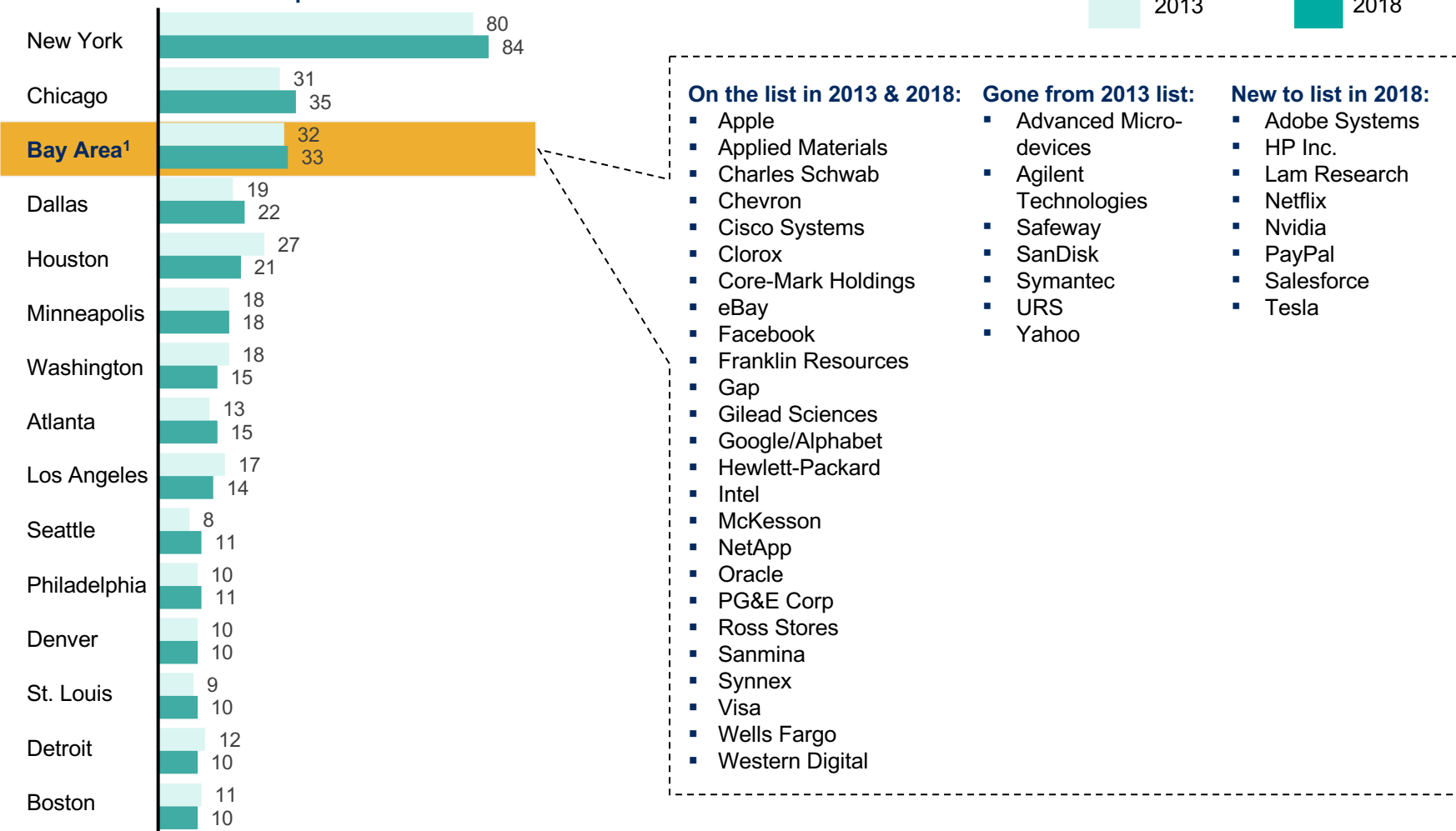


Sacramento
24 Deals

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

The Bay Area has a strong presence of headquartered Fortune 500 companies, and significantly more than similarly-sized metro areas

Number of Fortune 500 companies in 2018 vs. 2013



¹ Data presented are for metropolitan statistical areas in all cases except for the Bay Area, which represents companies from nine counties.

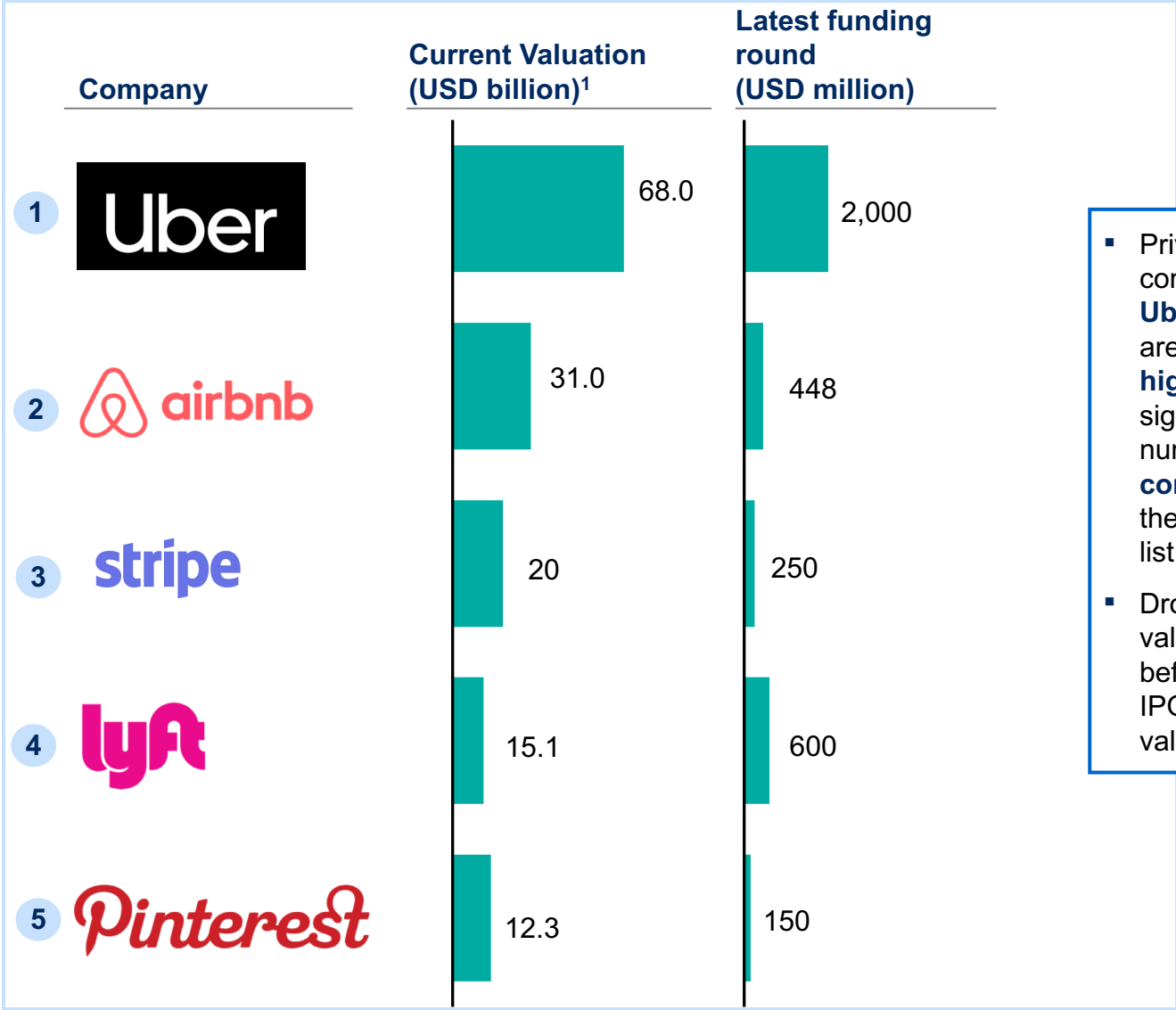
The Bay Area has strong industry diversification across its top performing companies compared to other U.S. economic hubs

2018 US Fortune 500 Companies by Industry

	Consumer Products	Energy	Financials / Insurance	Tech / Telecom / Media	Others
New York City					
Houston Region					
Bay Area ¹					

¹ Bay Area headquarters 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

Five privately-held Bay Area companies have a valuation close to or greater than \$10B



- Privately-held companies like **Uber and Airbnb** are **now valued higher** than a significant number of **companies** in the **Fortune 500** list
- Dropbox was valued at \$10B before its 2018 IPO and is now valued at \$8.8B



¹ Based on Pitchbook data pull 12/22/2017
SOURCE: Pitchbook

Is the Bay Area still a good place to do business?

Companies that have moved or aggressively expanded outside of the Bay Area:

- Jamba Juice
- Charles Schwab
- McKesson

Companies that have moved to or aggressively expanded inside of the Bay Area:

- Amazon
- Chase
- Dell

BIZ & TECH // BUSINESS

Bechtel headquarters leaving SF in favor of Virginia

Mountain View voters pass 'head tax' aimed at Google, other big employers

TECH

Tesla to Choose Nevada for Battery Factory

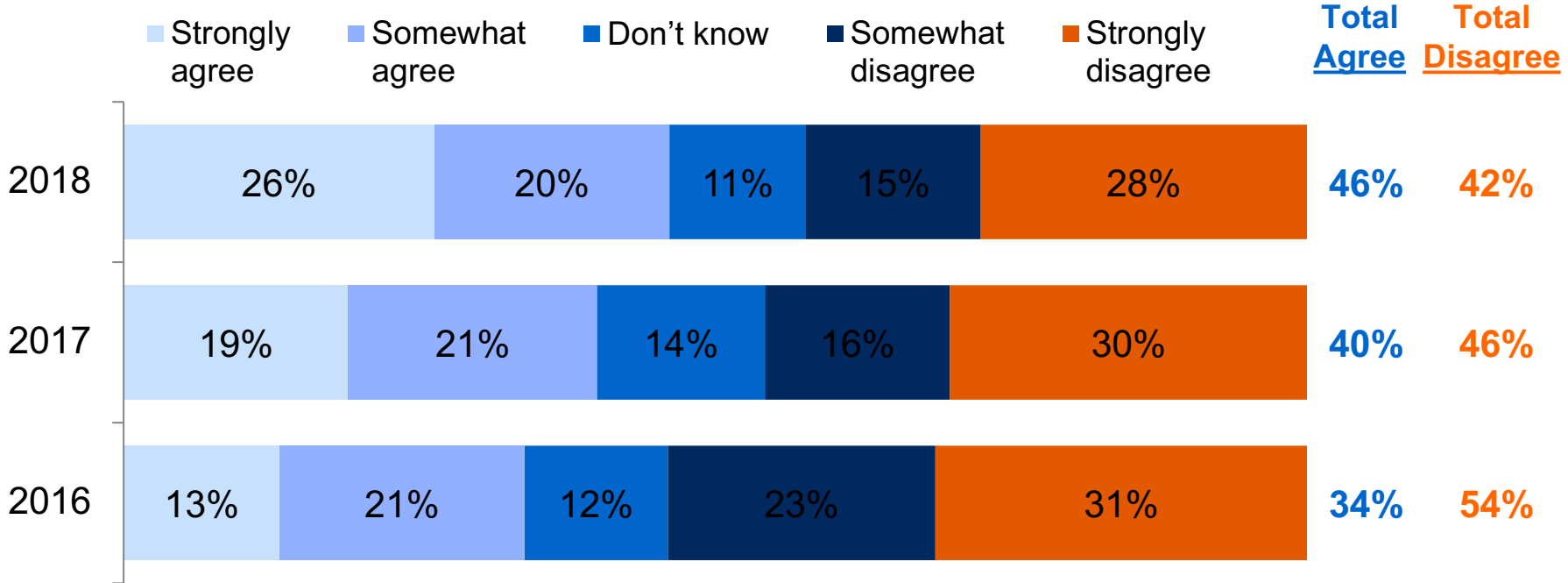
State Likely Offered Large Incentives to Lure \$5 Billion Plant



SF Prop. C homeless tax – measure to raise \$300 million a year wins with 60%

For the first time, more people agree than disagree that they are likely to leave the Bay Area




I am likely to move out of the Bay Area in the next few years.



SOURCE: 2018 Bay Area Council poll, conducted by EMC Research

Population growth is the only area where the Bay Area lags competitors; the region's fast recent growth is based largely on industry mix, not an ability to attract new workers

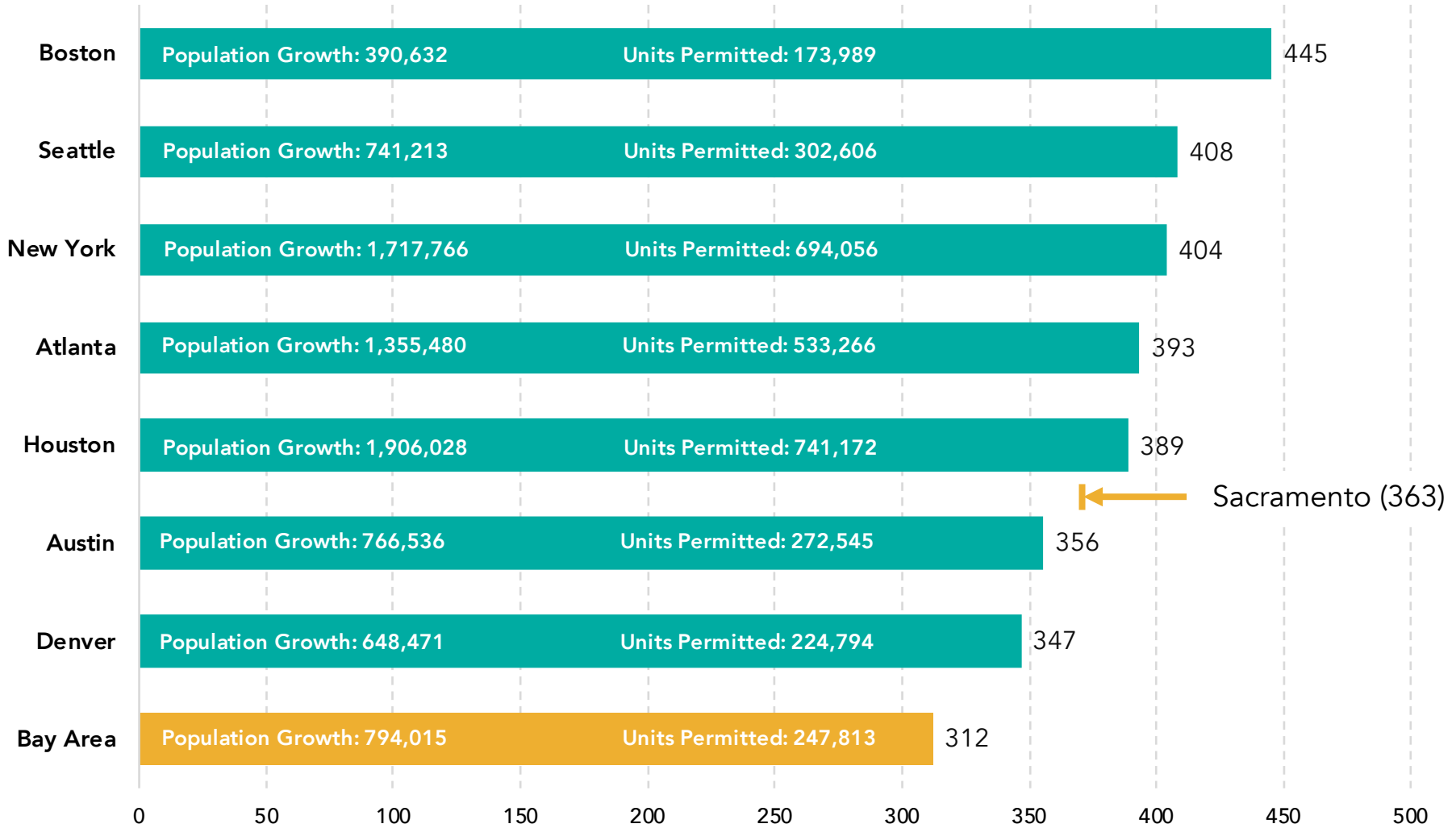
		<u>2009-2014</u>	<u>2014-2017</u>		<u>2009-2014</u>	<u>2014-2017</u>
Wage Growth, % CAGR	Bay Area	8.5%	6.1%			
	Peer¹ Average	4.6%	3.2%			
Population Growth, % CAGR	Bay Area	1.6%	0.8%	Sacramento MSA	1.1%	1.1%
	Peer Average	1.4%	1.0%			
GDP Growth, % CAGR	Bay Area	4.5%	4.3%			
	Peer Average	3.1%	2.5%			
Household Income Growth, % CAGR	Bay Area	2.6%	5.7%			
	Peer Average	0.9%	3.2%			
Employment Growth, % CAGR	Bay Area	2.8%	2.9%			
	Peer Average	2.1%	2.2%			
Productivity Growth, % CAGR	Bay Area	1.5%	1.3%			
	Peer Average	1.0%	0.3%			
Income per capita Growth, % CAGR	Bay Area	6.2%	5.1%			
	Peer Average	4.6%	2.7%			

-  Outperforms peers
-  Underperforms peers
-  Peer average

1 Peers include New York, Los Angeles, Austin, Dallas, Boston, Seattle, and San Diego
 SOURCE: Moody's Analytics

The Bay Area builds fewer homes than other similar metros

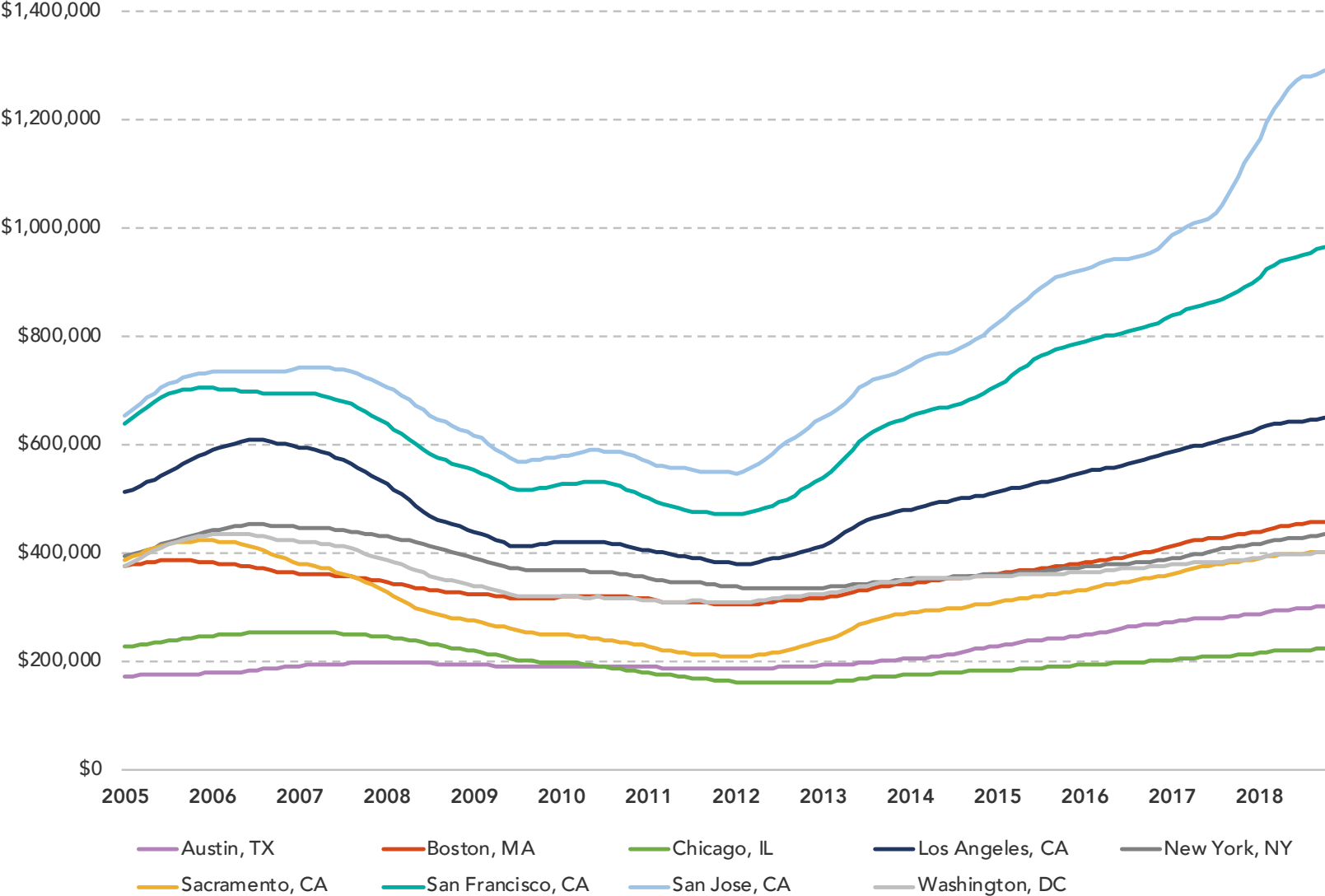
Ratio of Housing Units Permitted per 1,000 Person Increase in Population, 2003-2017



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

Home prices have increased rapidly in the Bay Area, while Sacramento remains relatively more affordable

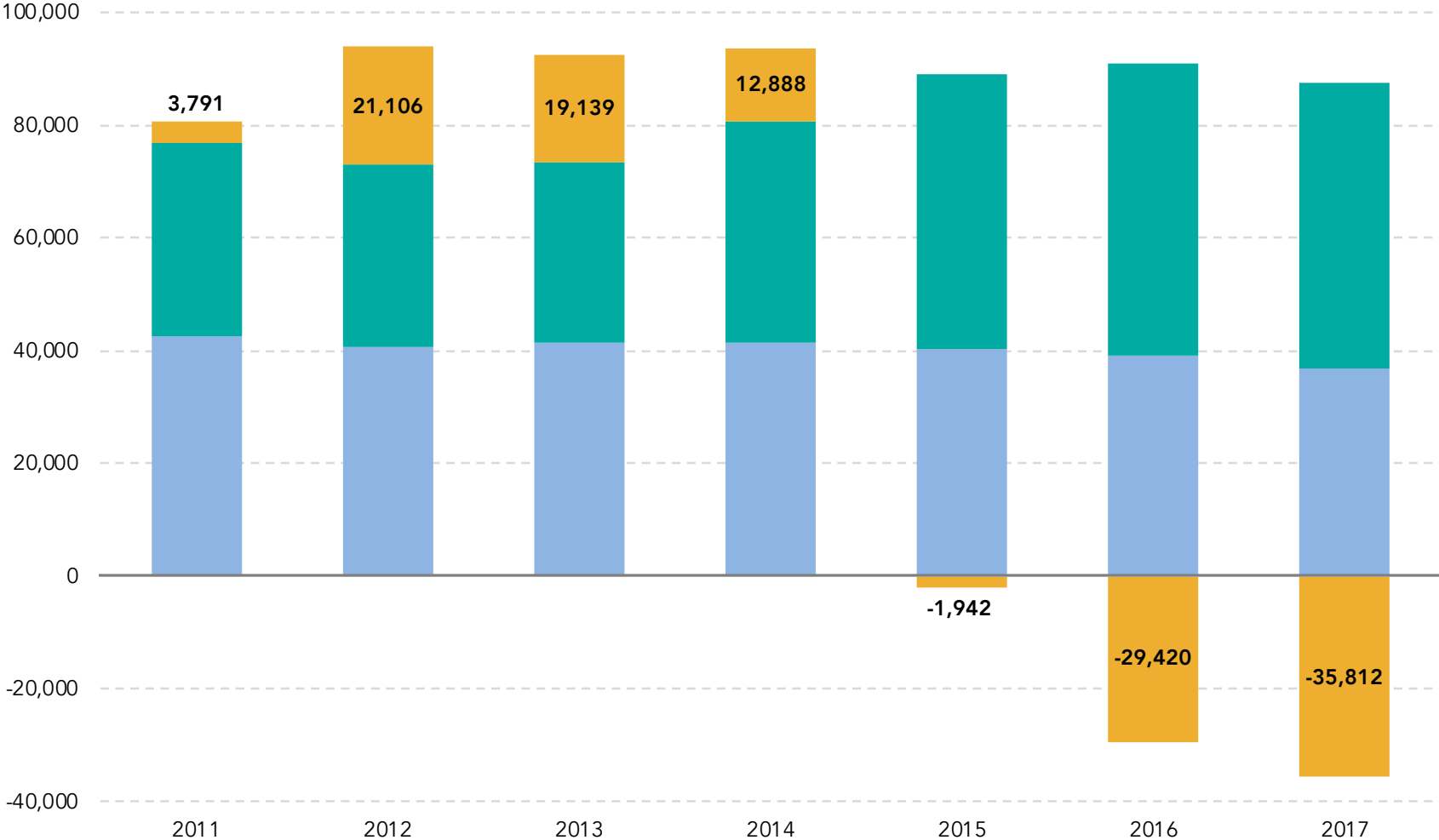
Median Home Value by Metro Area



Net domestic migration to/from the Bay Area has turned negative...

Bay Area Population Change

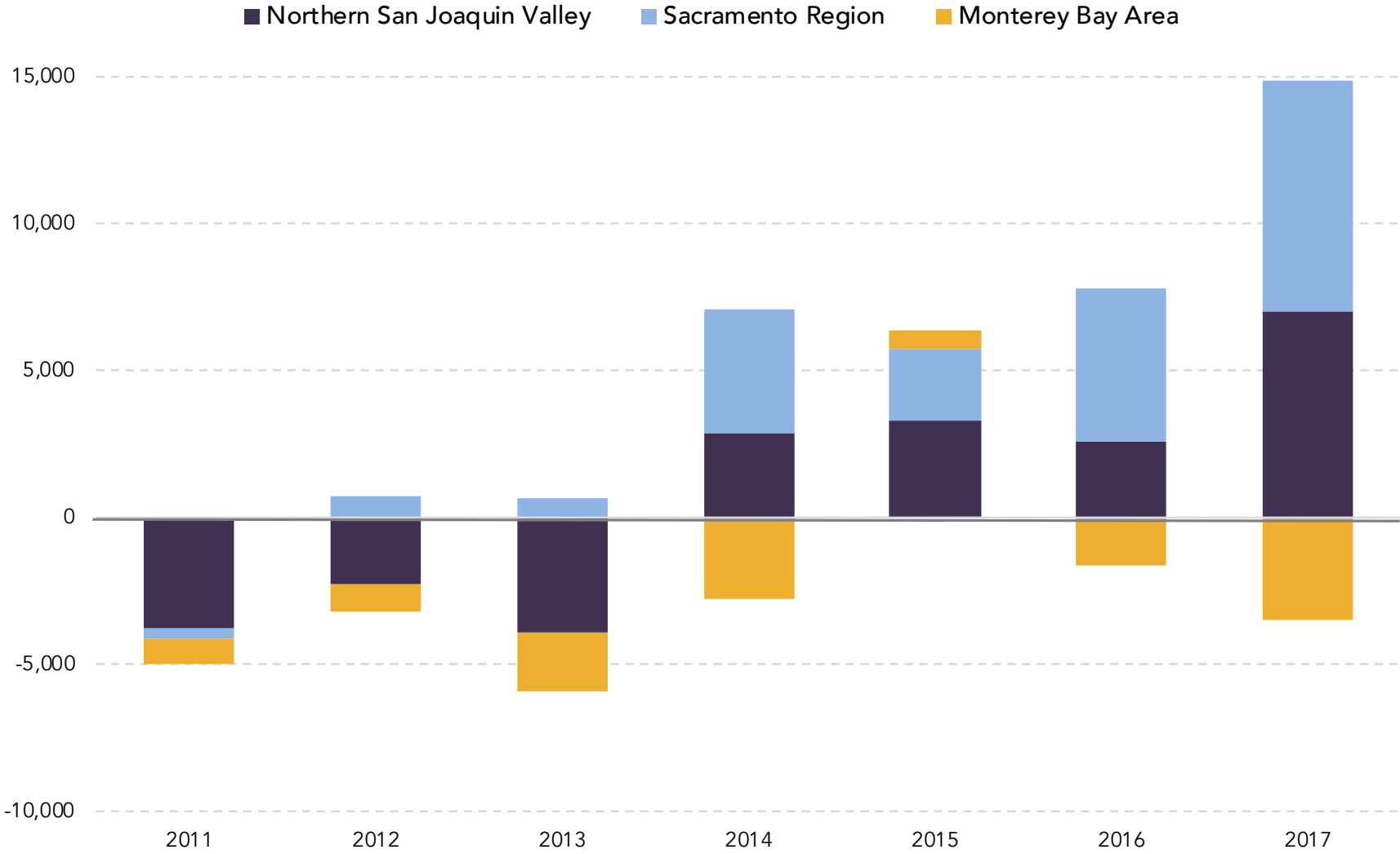
Net Births/Deaths Net International Net Domestic



Source: California Department of Finance, Demographic Research Unit
Analysis: Bay Area Council Economic Institute

...And moved more positively in the outlying areas of the megaregion

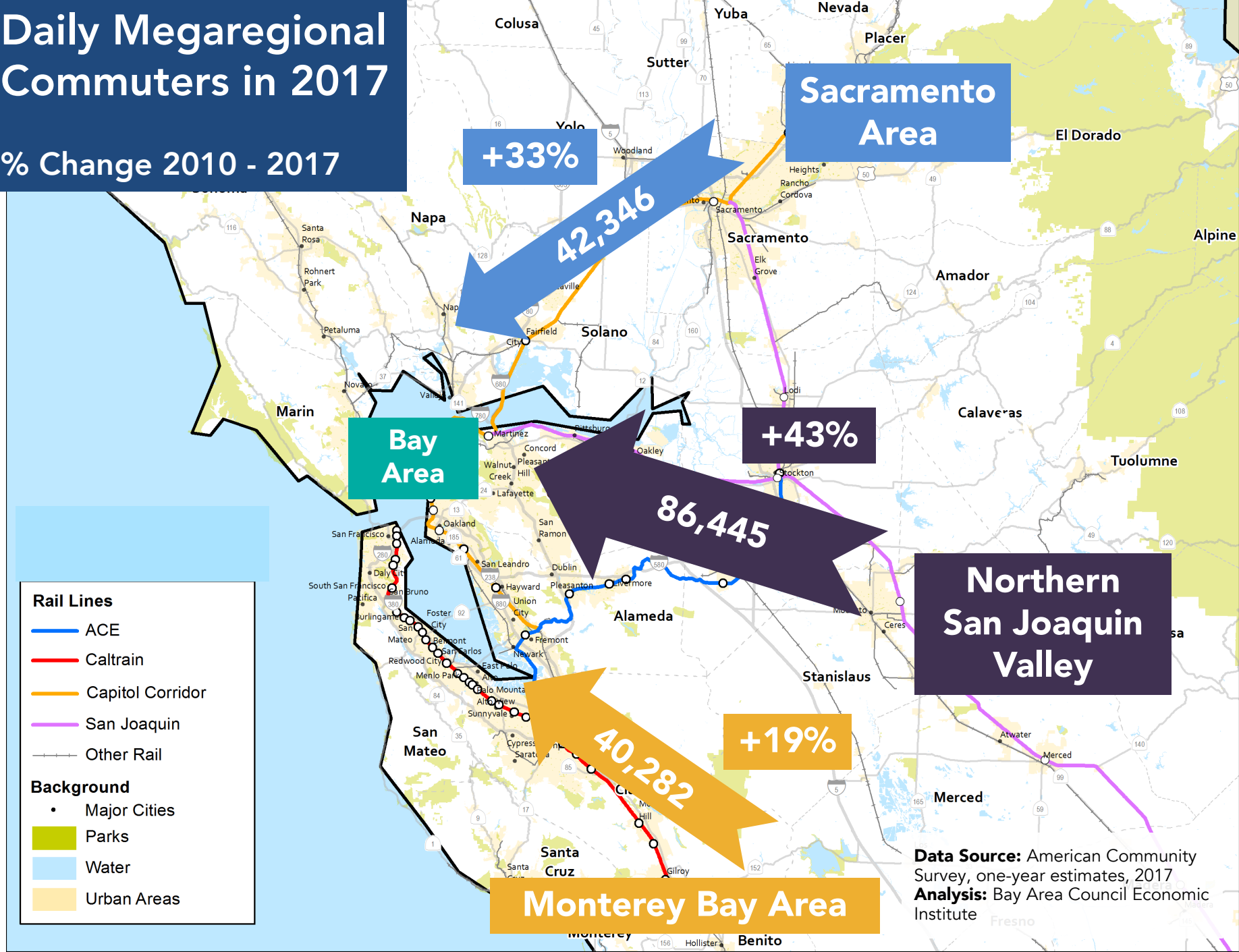
Northern California Megaregion Net Domestic Migration



Source: California Department of Finance, Demographic Research Unit
Analysis: Bay Area Council Economic Institute

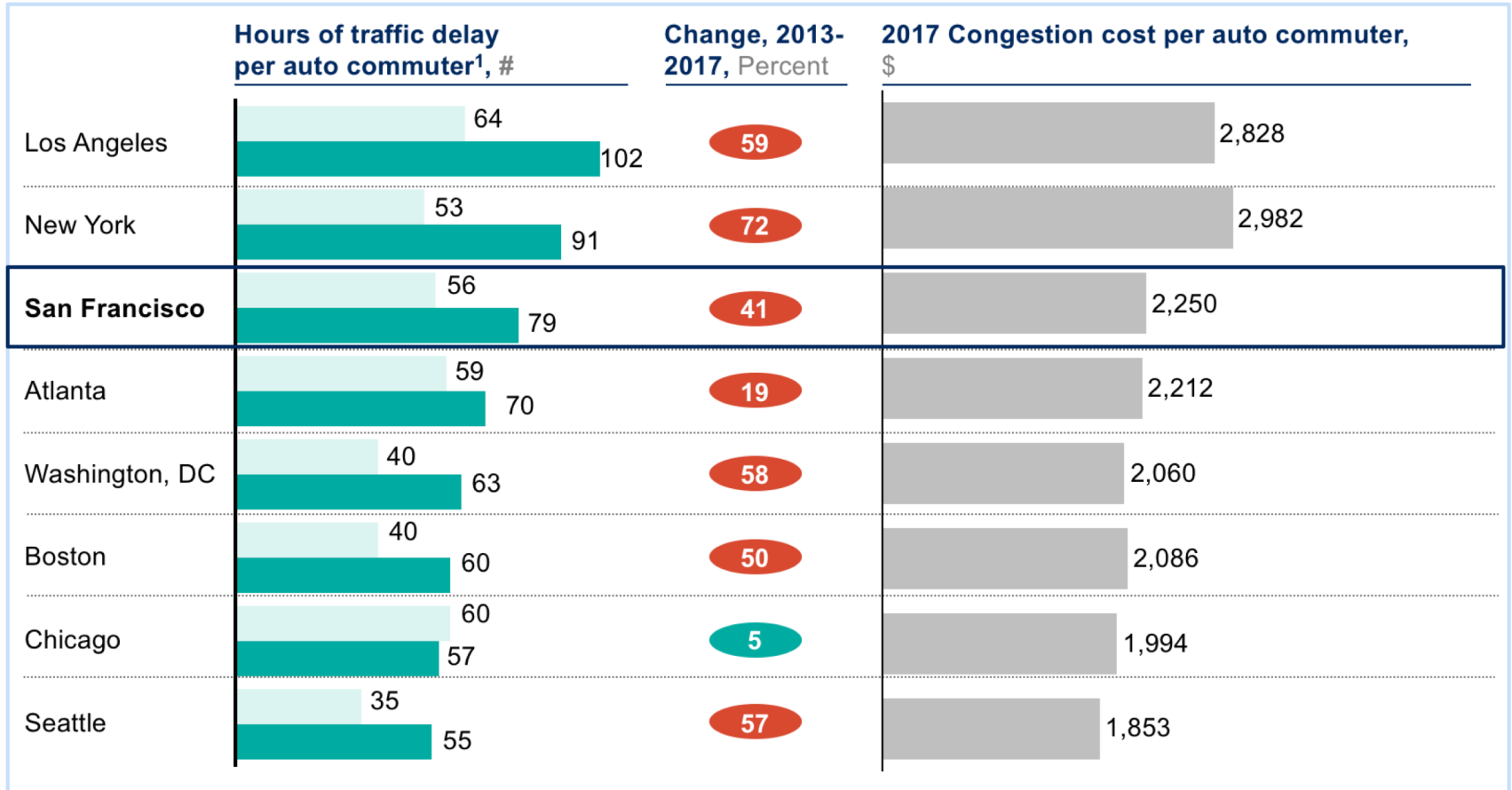
Daily Megaregional Commuters in 2017

% Change 2010 - 2017



Data Source: American Community Survey, one-year estimates, 2017
Analysis: Bay Area Council Economic Institute

San Francisco congestion is third worst among U.S. cities, but traffic is highly correlated to economic activity



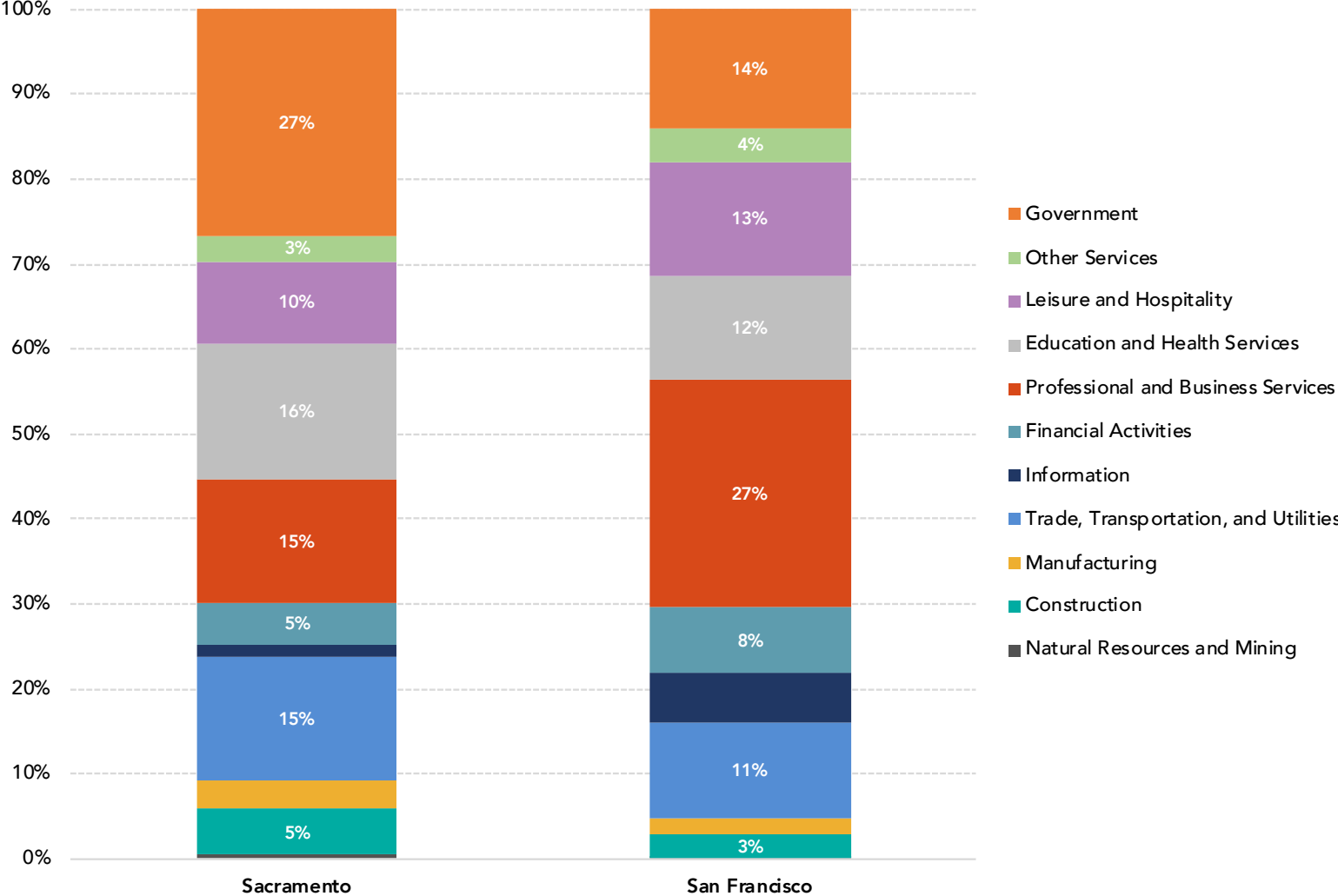
Sacramento residents spent only 25 hours in traffic in 2017 versus 79 hours for Bay Area residents.

¹ Historical number is from 2013, except for Chicago and Atlanta which are from 2015



Government makes up a large piece of Sacramento's economy, while professional and business services dominate San Francisco's economy

Employment by Industry in Sacramento and San Francisco, 2017

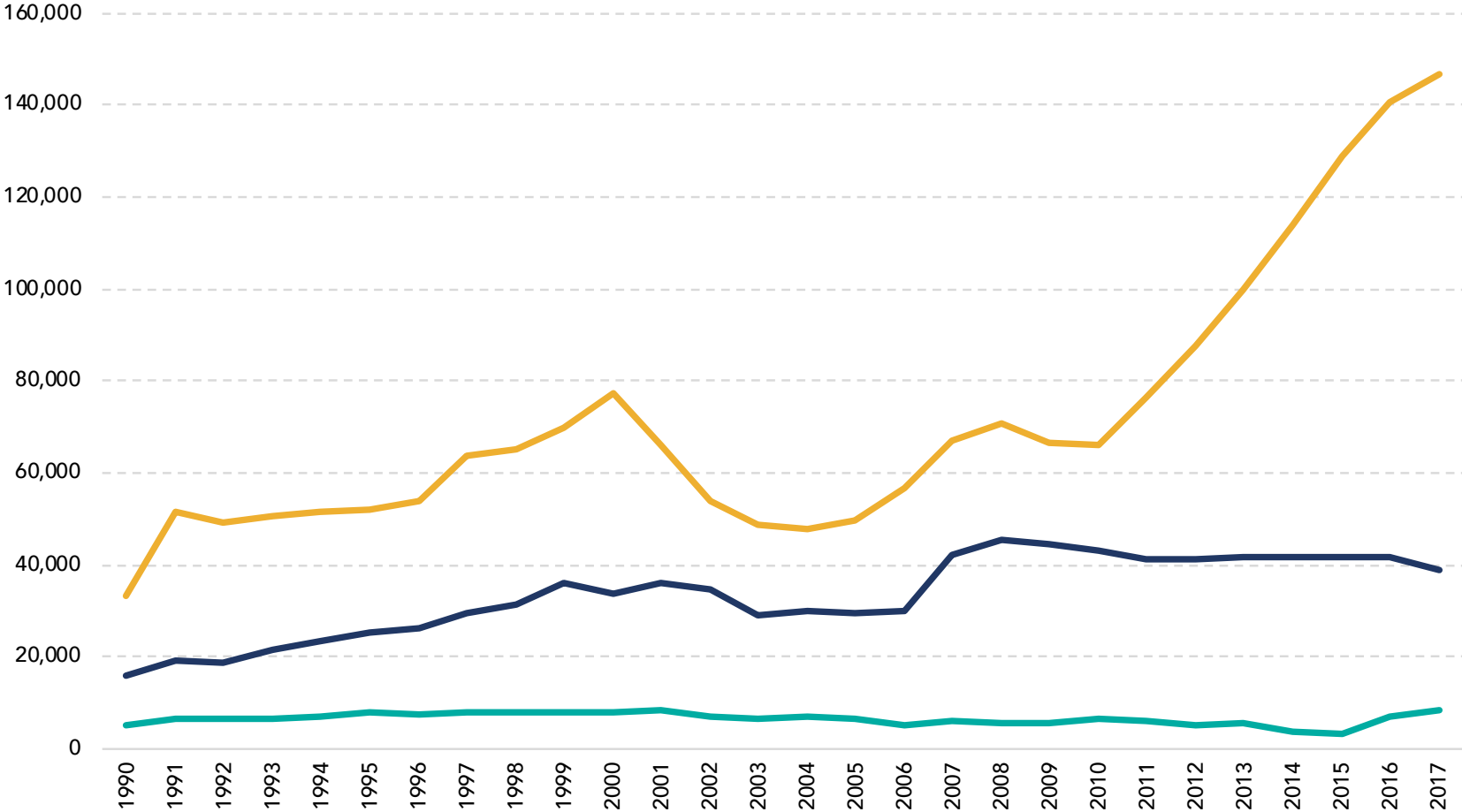


Note: Data represents counties
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Analysis: Bay Area Council Economic Institute

Tech job growth has been concentrated largely in places like San Francisco since the Great Recession

Number of Jobs in High-Technology Industries

— Sacramento — San Francisco — Reno



Note: Sacramento and San Francisco data refers to counties; Reno data refers to metro area

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; California Employment Development Department

Analysis: Bay Area Council Economic Institute

Reno's GDP grew 4.3% annually over the past five years, compared to Sacramento's growth of 2.6%

Business Growth Explodes in Northern Nevada

Bloomberg Businessweek

Reno Is Starting to Look More Like Silicon Valley

Report: 7,000 working at Tesla gigafactory east of Reno

Tech Leaders to Explore Reno as Possible Industry Location

Google Makes Nevada Land Grab for Data Center

Sacramento business leaders have a unique opportunity to effect change in state government

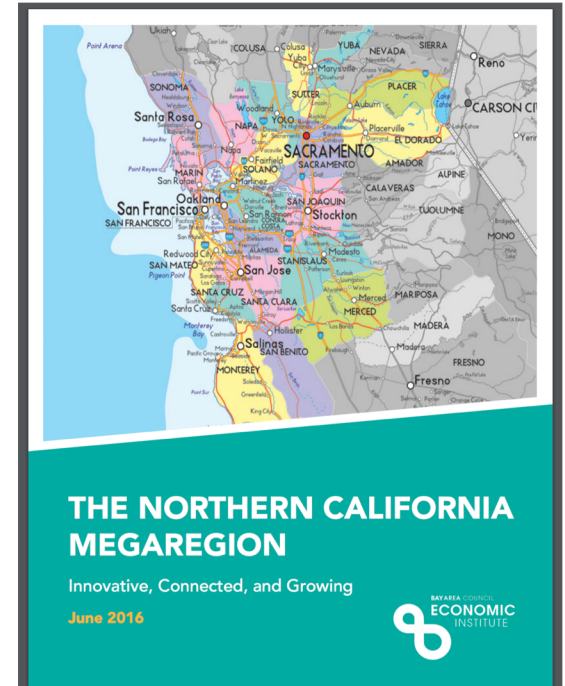


How Sacramento Can Succeed

- 1) Focus on the basics: housing, transportation, workforce
- 2) Expand reach and capacity of Sacramento International Airport
- 3) Reinvent and modernize government
- 4) Improve opportunities for technology transfer at UC Davis
- 5) Act as a leader in improving CA's regulatory environment and bringing down cost of doing business
- 6) Work together with BAC on megaregion strategy



Aggie Square





Thank you

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