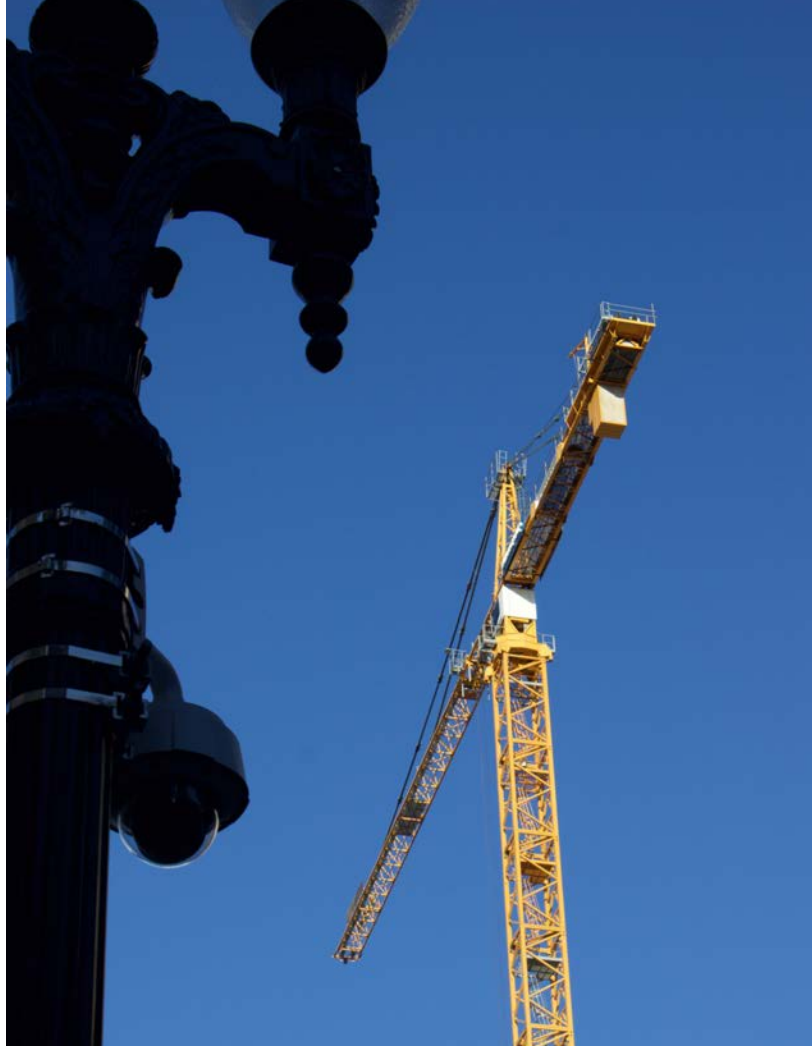


OAKLAND
CHAMBER of COMMERCE

2018 OAKLAND/EAST BAY ECONOMIC FORECAST

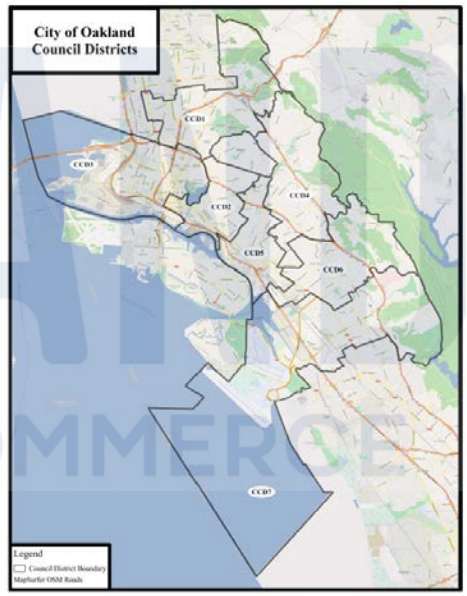

TRIBUNE

Introduction

The Oakland Metropolitan Chamber of Commerce commissioned Beacon Economics to compile a report that would facilitate focused dialogue about economic conditions in the City of Oakland and the East Bay region and would present information on underlying trends in each of its seven City Council districts.

The goal of this, the fourth annual Oakland City Council Districts Report, is to provide economic and demographic indicators for the City of Oakland and the disparate areas within it. This analysis is also intended to track progress, identify potential regional challenges, and provide context for the economic and policy decisions that will shape the future of the City.

As an introduction to its analysis of the City of Oakland, the report presents a broad summary of economic conditions at the national, state, and regional levels. It concludes with a specific analysis of Oakland's current economy as well as each of Oakland's seven City Council districts.



Data Summary

District Boundaries – The data contained in this report is based on the City Council boundaries as laid out in the City of Oakland's City Council boundary geospatial data file.

Employment – Drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW, formerly the ES-202), this database provides the number of employers, employees, and payrolls for every establishment in the City for every month of the year. This data, provided by the Labor Market Information Division of the California Employment Development Department, was entered into geographic information system software to determine the appropriate council district. It was then aggregated into the non-confidential format seen throughout this report. County employment changes were drawn from the Bureau of Labor Statistics' employment by industry report for comparisons. The data cover the calendar years 2008 through 2016.

Demographics – The American Community Survey (ACS) from the U.S. Census Bureau provides demographic, housing, and labor force statistics by place of residency. The data for each City Council District are grouped by census tract and are only available in the five-year version of the survey. To use the data provided by the one-year version of the ACS, Beacon Economics developed a process by which the City of Oakland census tracts were grouped with the associated Public Use Microdata Areas (PUMAs) used in the one-year survey. This process created a share of the total PUMA population in each census tract broken down by several characteristics. This share was then applied to the relevant data used to estimate the demographic characteristics contained in this report. This allowed Beacon Economics to break down the most recent ACS data in a way that represents the City Council Districts in the City of Oakland more accurately than would otherwise be possible. The data cover the calendar years 2015 and 2016.

Sales Tax Revenues – Obtained from HdL Companies, sales tax receipts are a dollar count of revenues from sales tax in each City Council District. The data cover Q1-2009 through Q2-2017.

Building Permits – The City of Oakland Bureau of Building keeps a database of all commercial and residential building permits granted within the City. For the purposes of this report, mix-use development projects have been categorized as residential.

Executive Summary

From a political standpoint 2017 will go down as one of the most chaotic periods in recent U.S. history, although it may well end up being overshadowed by 2018. Economically, on the other hand, 2017 was fairly ho-hum. Overall U.S. GDP output will have expanded by 2.3% in real terms once the fourth quarter is added. This is a better showing than in 2016, but a weaker one than the previous two years with exports and business investment looking stronger, while consumer spending has softened.

The press and public alike have become accustomed to policy announcements via tweet from the White House, shocking revelations about public figures, and seemingly endless news about the chaotic state of affairs in our era. And, it's a safe prediction that there will be more of the same in 2018. But in case you missed it, something's going right: the economy. An array of evidence points to the fact that the California economy has been humming along nicely, and that is expected to continue in the coming year, although the state must face long-term challenges, and the sooner the better.

At the local level, the East Bay economy continued to improve over the past year, with total nonfarm employment growing by 1% and the unemployment rate falling to 3.4% in October—one of the lowest in the state. Similar to California's other major regional economies, employment growth in the East Bay has subsided recently. However, this is due to tightening labor market conditions rather than a slowdown in the economy. Indeed, the East Bay will continue to be a desirable location to both live and work in the years ahead considering its many job opportunities and the home affordability advantage it enjoys relative to other places in the San Francisco Bay Area.

Much like the East Bay, the economy of the City of Oakland experienced a minor cooling in 2016. Yes, the pace of job growth has slowed, but not because the expansion is stalling out. In fact, the City continued to add jobs through 2016, but at a slower rate. Total employment in the City increased 2.6% from 2015 to 2016, less than the 3.1% growth rate in the County of Alameda. Underlying this growth were broad-based gains across a few of the City's industries. In particular, Administrative Support, Education, and Information helped the City's economy continue to thrive.

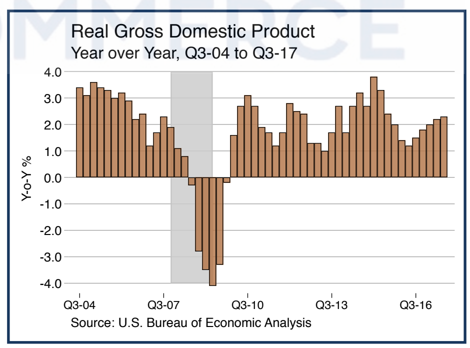
As employment levels continued to rise and the supply of available labor diminished, wage gains were present across virtually all of the City's major industries. Although employers in the County of Alameda pay a higher wage on average than those in the City of Oakland, the gap has narrowed. The average annual wage across all industries in the City increased 5.1% from 2015 to 2016, more than doubling the 2.5% growth at the County level during that period.

The biggest threats to Oakland's growth trajectory are the lack of housing and resulting high prices. These problems can be alleviated by adding to the supply. The outlook is solid, but the City will have to continue to deal with important issues to maintain its newfound prosperity.

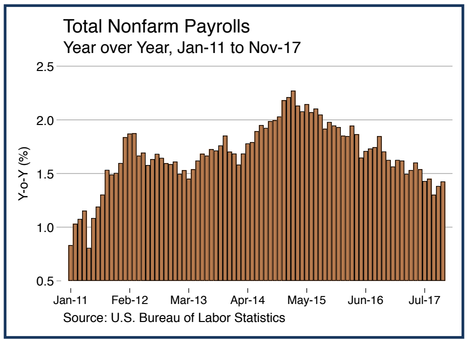
United States Outlook

2018: A turning point

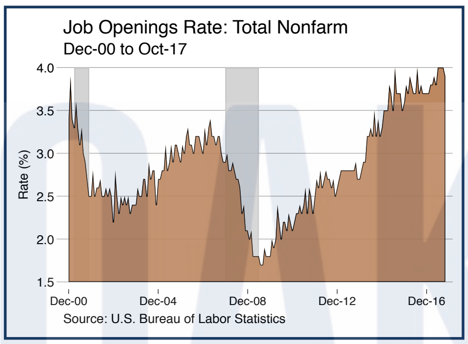
From a political standpoint 2017 will go down as one of the most chaotic periods in recent U.S. history, although it may well end up being overshadowed by 2018. Economically, on the other hand, 2017 was fairly ho-hum. Overall U.S. GDP output will have expanded by 2.3% in real terms once the fourth quarter is added. This is a better showing than in 2016, but a weaker one than the previous two years with exports and business investment looking stronger, while consumer spending has softened. And while output is up, job growth is weaker. U.S. employment growth will end up at slightly less than 1.5% December 2016 to December 2017—the weakest showing since the start of the recovery. Still, that annual growth represents over 2 million new jobs created.



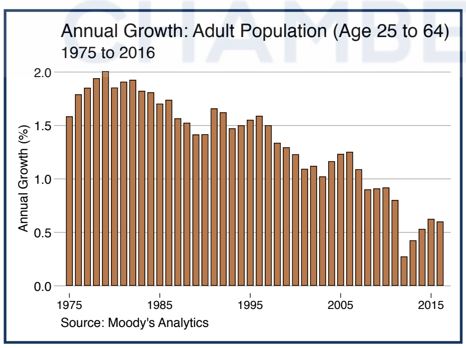
While ho-hum may not excite, the sure and steady growth carries with it another advantage. The U.S. economy is now in the 9th year of its current expansion, and at this point there is little reason to believe that will end in 2018. In fact, this expansion will likely end up being the longest in U.S. history. Still, 2018 will be far from ordinary. The coming year will bring a number of important turning points, which will have far reaching implications for the economy in the years ahead.



Labor shortages mounting: The nation's slowing job growth is not due to a lack of labor demand—the job openings rate has been at or near an all-time high for the last few months. Instead, the slowdown in employment growth stems from a lack of available workers. The U.S. unemployment rate is now 4.1%, the lowest in 45 years with the exception of a few months during the massive tech bubble of the late 1990s—and today, the nation is not experiencing a major bubble of any kind.

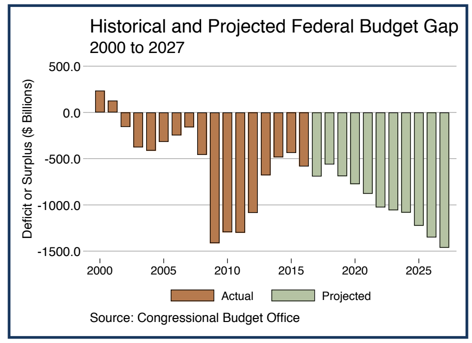


The labor shortage is hardly a surprise. Since the baby boomer generation there has been a sharp slowing in the growth of the working age population—from 1.5% in 1995 to half a percent over the last few years. The nation's workforce today is also, on average, considerably older, which partly accounts for the decline in the participation rate. The labor shortage is being worsened by the clear antipathy that the current administration in Washington has towards immigrants coming to the United States. While we don't have reliable statistics at this point, anecdotal evidence suggests a sharp slowing in the inward flow of immigrants, documented or otherwise. Despite all this, politicians continue to tout job creation in connection with almost any policy put forward, despite the lack of workers to fill these positions (creating jobs is not the problem today). This labor shortage will benefit workers in terms of wage growth – but will also slow economic growth in the years to come.



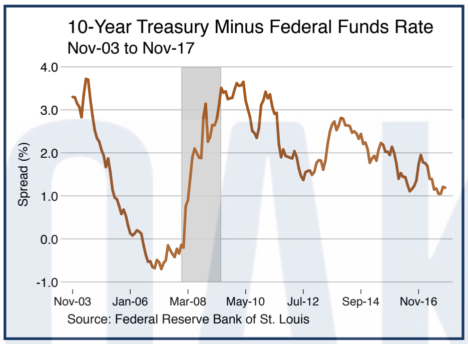
A deficit low water mark: The changing demographics of the U.S. workforce are heralding another major change in the economy – growth in the Federal budget deficit. The national debt as a share of GDP has been steady over the last few years after a big jump in the midst of the 'Great Recession'. This is about to change. Over the next decade over 40 million people will be added to the retirement rolls, and will begin receiving social security and publicly funded healthcare. This surge will cause a sharp increase in Federal entitlement spending without a corresponding increase in the revenues to pay for them.

This disparity is why the Congressional Budget Office was forecasting a sharp increase in debt levels even before the Republican tax proposal emerged, a plan that will take this bad situation and make it worse. The GOP's tax overhaul, which was just passed by Congress as of this writing, is mainly a massive cut in corporate taxes and an attempt to offset the loss in revenue by removing certain tax benefits, such as the mortgage interest deduction.

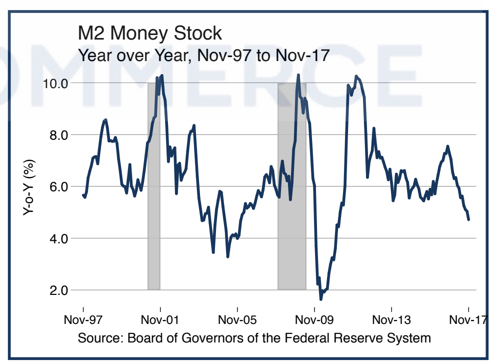


Putting aside the clearly regressive nature of this plan, no credible economist on record believes the proposal will have anywhere near the growth impact needed to pay for itself. When will the Federal debt become untenable? That is almost impossible to guess at, but what is clear is that we will look back at 2018 as the year the tide turned.

Tightening the Fed noose: The GOP's tax plan will have another unintended consequence for the U.S. economy—higher rates and tighter lending markets. As noted, one of the primary features of the tax proposal is that it will lead to more government borrowing, which is broadly stimulative to the economy. But such stimulus is only desirable when there is slack in the system. At this point, no such slack exists. This suggests instead that the stimulus will be reflected in the economy either though higher goods prices or higher asset prices.



There is little sign of the former. Indeed, money supply growth has been decelerating lately. But there are plenty of signs of the latter with markets up 20% plus over the past year, and P/E ratios at their second highest level in the last eighty years. The U.S. economy suffered significantly from the past two asset bubbles and it is likely that the Fed will try to head off a third by being extremely aggressive in 2018 – and this will be on top of the three rate hikes that occurred in 2017. Such efforts will flatten the yield curve and slow lending. This will more than offset the modest stimulative effect of the tax cuts.



On the surface, 2018 looks to be a lot like 2017 in terms of economic growth. But dig a little deeper and growing frictions become apparent. These will begin to create problems in the economy in 2019 or beyond. So enjoy the current economic calm—before long, the ride is going to grow bumpy.

California Outlook

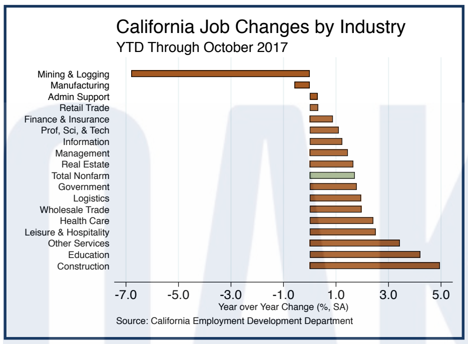
Economic Stability in Midst of Social and Political Turmoil

Late-night talk show hosts and others who find humor in political and social upheaval have had no shortage of material over the last year. The press and public alike have become accustomed to policy announcements via tweet from the White House, shocking revelations about public figures, and seemingly endless news about the chaotic state of affairs in our era. And, it's a safe prediction that there will be more of the same in 2018.

But in case you missed it, something's going right: the economy. An array of evidence points to the fact that the California economy has been humming along nicely, and that is expected to continue in the coming year, although the state must face long-term challenges, and the sooner the better.

Like a car in overdrive

The state's unemployment rate is on track to finish 2017 below 5% for the first time in 11 years. California's unemployment rate is higher than the U.S. rate, but the differential between the two is now at its lowest in over 10 years. Looking across the state, a number of California counties have unemployment rates under 3%, but a few face rates above 7%, in many instances due to the composition of industries and substantial seasonal employment in those counties.



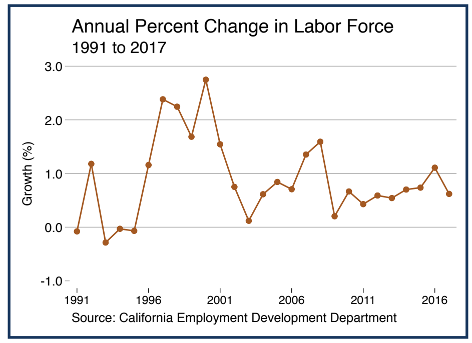
The state's industries have continued to add workers to their ranks, and this has pushed the unemployment rate down. Overall, nonfarm jobs grew 1.7% in year-to-date percentage terms through October 2017. Construction has led the way with a 5.0% increase, and nearly every other industry added jobs over the past year. The only exceptions were Manufacturing, which was down marginally, and Mining and Logging, which has been reeling from weakness in the energy sector for some time.

However, job gains overall and by industry have generally slowed significantly compared to recent years. For example, the state's 1.7% gain for total nonfarm jobs is more than a percentage point slower than the previous year and slightly more than half the gain seen in 2015. With few exceptions, job gains by industry in 2017 have been less than in the previous three years. In particular, there has been a dramatic slowdown in job growth in the Information and Professional Scientific, and Technical Services industries that led the state in the early stages of its economic recovery. In recent quarters, the consumer-facing segments of the economy have experienced the most notable employment gains: Health Care, Leisure and Hospitality, and Other Services.

Percent Changes in Jobs by Industry

Industry	Percent Changes (%)			
	13 to 14	14 to 15	15 to 16	16 to 17
Total Nonfarm	2.8	3.1	2.6	1.7
Mining & Logging	2.9	-8.9	-14.6	-6.8
Construction	5.8	8.5	5.8	5.0
Manufacturing	1.4	1.7	0.3	-0.6
Wholesale Trade	2.1	1.2	1.0	2.0
Retail Trade	2.1	2.0	1.3	0.3
Logistics	4.1	6.2	5.4	2.0
Information	3.0	5.3	7.6	1.2
Finance & Insurance	-1.3	2.6	2.8	0.9
Real Estate	2.5	2.4	2.5	1.7
Prof, Sci, & Tech	2.6	2.4	2.6	1.1
Management	2.0	1.1	-1.0	1.5
Admin Support	4.5	3.7	1.9	0.3
Education	3.6	2.3	2.7	4.2
Health Care	2.8	3.8	3.5	2.4
Leisure & Hospitality	4.9	4.1	3.7	2.5
Other Services	3.8	1.7	2.2	3.4
Government	1.7	2.0	2.1	1.8

Source: California Employment Development Department



To be sure, this slowdown is not symptomatic of a looming recession, but a shortage of workers. Following a 1.1% surge in 2016, the statewide labor force slowed to a growth pace of 0.6% in 2017, just two-thirds of the average rate since 1990. This has occurred as job openings across skilled and unskilled occupations alike have reached record high rates, based on data from the U.S. Bureau of Labor Statistics. Given slow growth in the labor force, California's labor market is like a car in overdrive, moving forward at a steady pace of about 1.5% job growth per year, incapable of moving any faster.

Other measures point to continued progress in the state economy. In the second quarter of 2017, California's Gross State Product increased by 2.6%, adjusted for inflation, the eighth fastest among the states and nicely ahead of the overall U.S. growth rate of 2.0%. California continues to be among ranks of the faster growing states, a constant source of surprise to its naysayers. Over the same period, nominal personal income grew by 3.4% in California compared to a 2.9% increase nationally, and with incomes, spending in the form of taxable sales has been on the rise, up 4.1% in the second quarter of 2017.

So, why worry?

The near-term picture looks good, but long-term problems require attention now. Home sales have edged up, but the statewide homeownership rate remains stubbornly low because of unaffordably high prices. At the same time, rents have increased steadily in many parts of the state in the face of low apartment vacancy rates. It should be no surprise that net domestic outmigration, already negative for several years, surpassed 100,000 persons annually over the last two years. The high cost of housing in California is driving workers out, especially low wage earners. Based on estimates by Beacon Economics and others, the state should be adding approximately 200,000 new housing units annually but is building about half that amount. Connecting the dots, if the state does not build enough homes, outmigration will continue, stunting both increases in the labor force and the growth potential of the California economy.

As if the housing situation in California isn't already challenging enough, the Federal tax plan that passed in mid-December contains measures that will change the playing field for state residents. The homeownership rate in California is already considerably lower compared to the United States as a whole, mainly because the median home price is more than twice that of the nation. Historically, middle-income households in California have been able to count on the deductibility of mortgage interest and property taxes to soften the blow. The new tax plan will cut the limit on mortgage interest deductions from $1 million to $750,000 and also impose a $10,000 limit on state and local tax deductions. This will put the American Dream of homeownership further out of reach for more California residents.

Yet another long-term concern is the gulf between pension obligations and pension funding for state and local governments, which has widened in recent years and will continue to do so over the foreseeable future. Jurisdictions face a difficult choice: They can divert current revenues to pay down pension obligations, but this may diminish services to residents and much needed expenditures on infrastructure. A few communities have won tax hikes that will help support services and infrastructure investment, but they have been the exception rather than the rule. Alameda County, in 2016, passed measure A1 issuing a $580 million bond to fund the creation of permanent affordable housing. In Oakland, Measure KK will issue up to $600 million in bonds to pave streets, repair sidewalks and fund bicycle safety improvements. Additionally, Measure KK will facilitate funding for neighborhood recreation centers, playgrounds and local libraries.

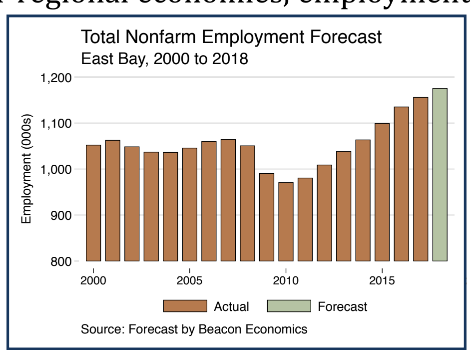
Finally, while the state budget appears to be in good shape for now, and while California lawmakers have made contributions to the state's Rainy Day Fund for several years in a row, the situation could turn on a dime. It is well known that state revenues fluctuate widely with movements in the stock market. Having hit record-high territory in recent months, and knowing that there is a market correction somewhere in the future, it's just a matter of time before the state faces another challenging budget situation.

Each of these long-term problems can be addressed so as to stave off the worst consequences. But in each case elected officials and other stakeholders need to act now, while the economy is doing well, to tackle these challenges and ensure the long-run growth of California.

The East Bay Outlook

Employment, slow but growing

The East Bay economy continued to improve over the past year, with total nonfarm employment growing by 1% and the unemployment rate falling to 3.4% in October—one of the lowest in the state. Similar to California's other major regional economies, employment growth in the East Bay has subsided recently. However, this is due to tightening labor market conditions rather than a slowdown in the economy. Indeed, the East Bay will continue to be a desirable location to both live and work in the years ahead considering its many jobs opportunities and the home affordability advantage it enjoys relative to other places in the San Francisco Bay Area.



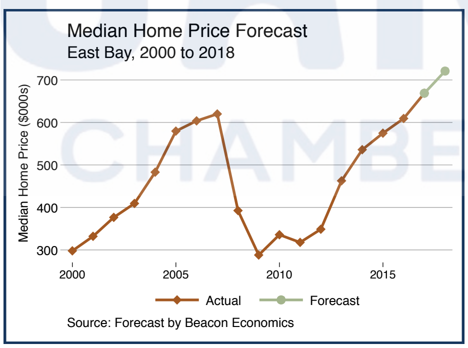
The East Bay's Construction industry saw the most job growth in percentage terms, increasing by 6.8% from October 2016 to October 2017. In absolute terms, the Health Care sector contributed the most positions, adding some 5,400 jobs.

The growth in these two industries is consistent with statewide trends. Construction activity has jumped as many (not all) of California's regional economies have responded to the fierce demand for housing, and demand for health care employees has continued its upward trajectory as more residents become insured and the population ages. On the losing side over the past year was the Administrative Support sector, which experienced a 5.1% decline from October 2016 to October 2017. However, this sector is often volatile as it includes temporary workers, many of whom go on to find full-time work.

With a thriving economy, Beacon Economics is forecasting year-over-year nonfarm employment growth in the East Bay to come in at 1.3% through the third quarter of 2018, an absolute gain of roughly 15,000 employees. The region's unemployment rate should hold steady at around 3.5% through this period as well.

With a strong labor market, the East Bay's median home price has increased considerably over the past year. Between the third quarter of 2016 and the third quarter of 2017, the region's median home price grew by 12%, reaching $667,000. At the same time however, home sales have decreased 5% (about 6,200 sales in total) as more and more residents are priced out of the market. Like other major economies in California, the East Bay must build more residential housing to keep up with demand. Increasing supply will help curb home prices and allow more people to move to the Easy Bay, further growing the local economy.

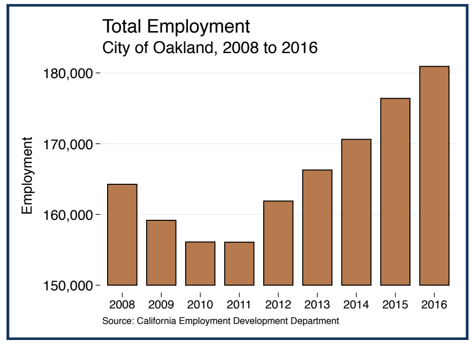
The good news is that permitting activity increased significantly over the past year, which should lead to a boost in sales in the near term. Year-to-date through the third quarter of 2017, the number of multi-family building permits issued was just over 4,600 – a 46% increase over the same period one year earlier. Similarly, the number of single-family permits grew by 10% during this period, reaching some 3,150 total permits.



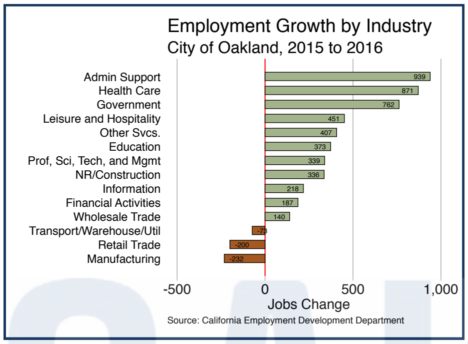
Still, despite the increase in permitting activity, not enough housing is being built. Based on the strong demand and low supply, Beacon Economics is forecasting the East Bay's median home price to increase by about 9% across the next year, while home sales will face increasing constraints due to declining affordability.

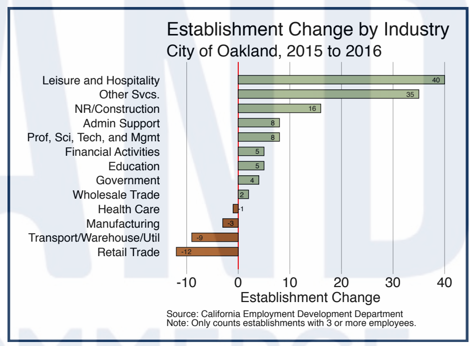
The Local Picture

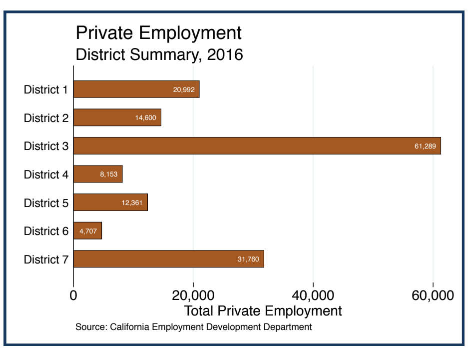
Much like the East Bay, the economy of the City of Oakland experienced a minor cooling in 2016. Yes, the pace of job growth has slowed, but not because the expansion is stalling out. In fact, the City continued to add jobs through 2016, but at a slower rate. Total employment in the City increased 2.6% from 2015 to 2016, less than the 3.1% growth rate in the County of Alameda. Underlying this growth were broad-based gains across a few of the City's industries. In particular, Administrative Support, Education, and Information helped the City's economy continue to thrive. Wages also grew at a solid clip, bolstering local household finances. This has, in turn, provided a boost in demand for local goods and services.



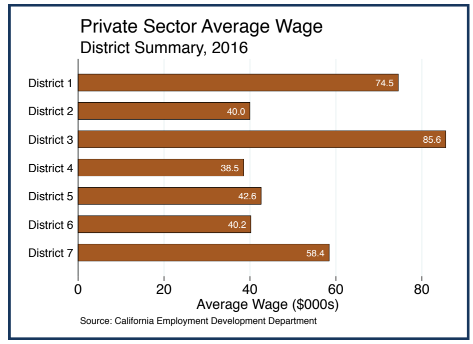
A deeper dive into the employment numbers reveals some noteworthy trends. The Administrate Support industry, which includes office administration, hiring and placing of personnel, document preparation and similar clerical services, experienced an 8.9% increase in its employment base. The increase in employment was partially attributed to expansion in Investigation and Security Services employment, which experienced a 13.3% increase its employment base between 2015 and 2016. Information was a bright spot, with payrolls expanding by 6.7% between 2015 and 2016, followed by Education, which increased its employment base by 6.4%. Only a few industries experienced contractions in overall employment in 2016. Among the largest in terms of overall losses was the City's Manufacturing Sector, which contracted 3.5%. At the County level, as jobs in this industry grouping increased 4.2 % from 2015 to 2016.



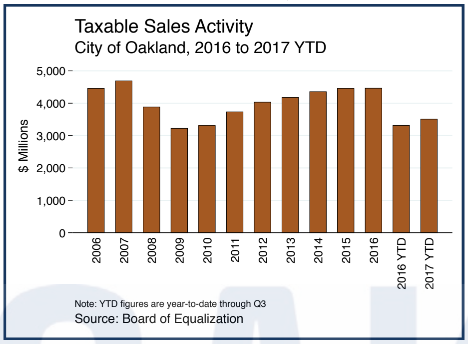




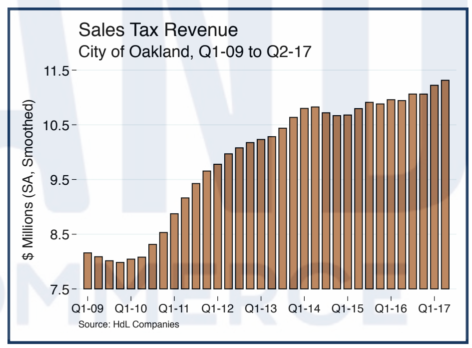
Gains in employment were present across establishments of all sizes. Growth from 2015 to 2016 was strongest in establishments that employ 15 to 24 employees, which experienced a 4.5% rate of growth. Smaller establishments experienced a nice boost in payrolls, with a 2.4% increase in employment for establishments with fewer than 15 employees. However, establishments that employ more than 150 people still account for the largest share of employment within the City, at nearly 32% of all establishments. Strong employment growth reflects an influx of establishments into the region as well as expanding payrolls at existing companies.

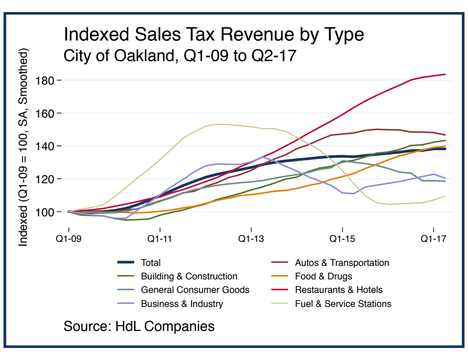


As employment levels continued to rise and the supply of available labor diminished, wage gains were present across virtually all of the City's major industries. Although employers in the County of Alameda pay a higher wage on average than those in the City of Oakland, the gap has narrowed. The average annual wage across all industries in the City increased 5.1% from 2015 to 2016, more than doubling the 2.5% growth at the County level during that period. The limited supply of labor has put pressure on wages at the low and high ends of the wage spectrum. The Information industry, which includes data processing businesses, experienced a substantial boost in wages, up 19.3% year over year in 2016. Wages in the lower-paying Leisure and Hospitality sector also saw a double-digit increase in average wages, up 11.5%. Workers in this industry earned nearly 30% more than the industry average across the County.

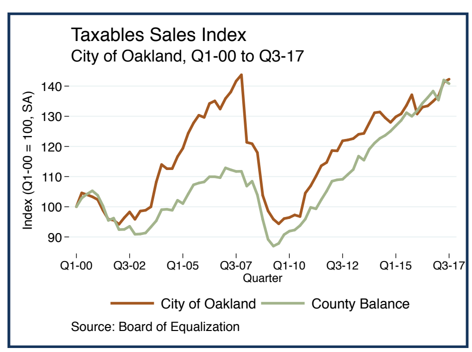


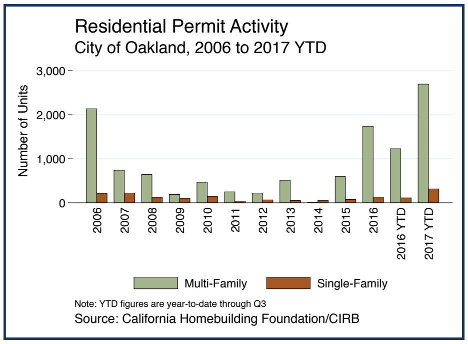
The increase in overall wages has led to a surge in spending by businesses and consumers. Taxable sales data compiled by the California Board of Equalization show that the County outpaced its Bay Area neighbors in overall taxable sales growth. From the third quarter of 2016 to the third quarter of 2017, taxable sales increased 2.4% in the County. Although lower than the state's registered print of 3.9%, the County outpaced growth in Santa Clara, San Francisco, and Contra Costa counties. Of the incorporated cities in Alameda County, Oakland accounts for a large share of the growth. Taxable sales in the City outpaced the state's rate, growing 5.9% from the third quarter of 2016 to the third quarter of 2017.



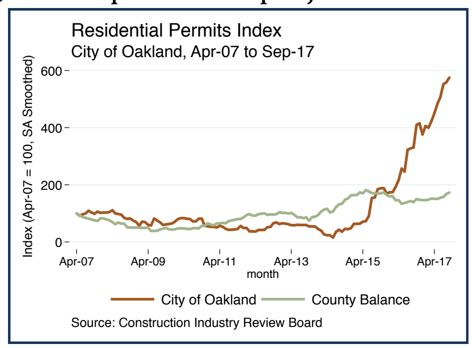


The combination of steady employment growth and robust growth in consumer spending has created strong demand for housing in the City, which is undergoing its largest building boom in decades. Housing remains a critical issue in the East Bay and in California, but the City has undergone a wave of new development as measured by construction activity.

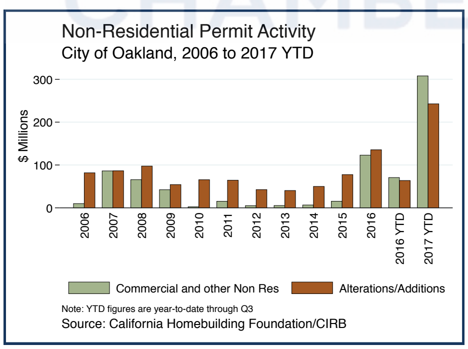




In mid 2016, the Oakland City Council adopted the Affordable Housing Impact Fees Ordinance and the Transportation and Capital Improvements Impact Fees Ordinance, which subjected permit applications on or after September 1, 2016, to fees.[1] In an effort to avoid paying these new fees, developers with projects in the pipeline rushed to the Bureau of Building to obtain permits before the deadline. As a result, permit issuances skyrocketed in July and August, with a number of major developments receiving early approvals for construction. These projects were already in the advanced stages of planning and development and received permission to avoid outsized fees, as projects had not worked fees into development costs.



The momentum in construction carried into 2017 as more than 3,000 housing units were permitted through the first three quarters of 2017, compared to fewer than 1,400 during the first three quarters of 2016. Residential permitting increased in both the single- and multi-family markets relative to 2016, considered an impressive year. It appears that 2017 was a standout year for construction. Activity is primarily concentrated downtown, but there are also projects in the works in Temescal, West Oakland and East Oakland. One of the largest proposed residential projects is a 634-unit tower that would be the City's second-tallest building.[2]



Construction has been equally robust in the nonresidential market. Permit values for non-residential construction projects more than tripled during the first three quarters of 2017 compared to values during the first three quarters of 2016, in part because of a surge in the value of retail permits in 2017.

Non-Residential Permit Values by Type
City of Oakland

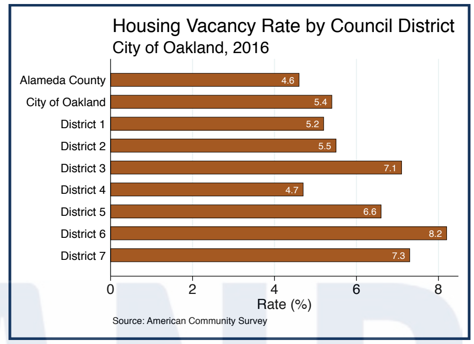
Category	2017 YTD ($000)	Annual Growth (%)
New Commercial	307,117,660	+341.2
Office	124,067,008	+306.2
Retail	68,654,574	+5,975.6
Industrial	0	NA
Other Nonres.	773,370	-23.3
Nonres. Alts./Adds.	242,711,769	+280.7
Total Nonres.	550,602,796	+309.7

Source: Construction Industry Research Board

1 "Transportation, Capital Improvements, and Affordable Housing Impact Fees Summary." July 20, 2016. http://www2.oaklandnet.com/oakca1/groups/ceda/documents/report/oak059845.pdf

2 "Oakland's housing pipeline gushes after years of drought." November 30, 2017. https://www.bizjournals.com/sanfrancisco/news/2017/11/30/oakland-housing-pipeline-apartments-condos.html

By all accounts, prospects for the City's economy are good. Major indicators are trending in the right direction, and Beacon Economics' outlook for the local economy remains positive as nothing on the immediate horizon signals a reversal of current trends. The East Bay economy has exhibited signs of a slowdown in the most recent data, as have economies of the rest of the Bay Area and the state overall, but the region is by no means facing a decline in economic activity. This slowdown is being driven by fundamental market forces: supply and demand. Specifically, the region is affected by a labor shortage that has been amplified by a lack of available housing.



Over the last two years, the local rental market has seen some modest softening, visible in rising vacancy rates and slowing rental price growth. Relative to many other parts of the nation, the housing market is still tight.

As with all economies, the answer boils down to a simple question of supply and demand. Over the last few years, the City of Oakland has seen many new multi-family projects completed and put onto the market. Housing markets do not adjust rapidly, and even with a strong pace of absorption it is understandable that there might be a short-run glut created by this new supply. But this truly is a short-run condition.

The lack of new housing at the start of the recovery combined with the strong pace of job growth in the region left it far behind on housing creation from a long-run standpoint. If supply isn't a cause for worry, perhaps demand is. It was not even two decades ago that the tech bubble of the 1990s collapsed, throwing the local economy into a sharp downturn. There are fears that today's hot economy may take the same turn. But it would be a mistake to compare today's strong economy with that bubble economy, in terms of both the drivers of growth and the results.

The late '90s were a heady time for investments in information technology, which went from being a small portion of total business investment to a dominant one. That growth attracted capital from all parts of the globe, as seen in the explosion of new venture capital funding combined with new heights in the NASDAQ exchange. Unfortunately, the hyperbolic expectations regarding the new world of digital business were far beyond the reality of the situation. IT was evolutionary, not revolutionary. Even as businesses invested more and more, corporate profits were falling.

Eventually the inability to profit from these new investments caused a sharp pullback in business investment, which in turn caused the tech bubble to pop. Today's IT investment demand is far soberer — and more effective. Information technology remains a large and steady part of business investment, and the gains show in terms of record high corporate profits. Valuations of the firms supplying the capital are in line with the firms' revenue and profit growth. And along with business capital, there is the brave new world of consumer IT, which has experienced solid growth.

This isn't to say the sector is immune to an economic downturn. Although the fundamentals of the US economy remain sound, there is always the chance of a national recession, which in turn would have an adverse impact on the local economy. But these would be short-run impacts on housing demand, not the long-run impact of a breaking tech bubble. And the local economy has proven itself resilient; the local economy fared far better through the Great Recession than most of the nation did. The biggest threats to Oakland's growth trajectory are the lack of housing and resulting high prices. These problems can be alleviated by adding to the supply. The outlook is solid, but the City will have to continue to deal with important issues to maintain its newfound prosperity.

Oakland Employment Overview

Industry Employment
City of Oakland, 2016

Industry	Employment (000s)	Annual Growth City (%)	Annual Growth County (%)	Location Quotient*
Health Care	36.9	+2.4	+3.2	3.0
Leisure and Hospitality	17.7	+2.6	+4.7	2.1
Prof, Sci, Tech, and Mgmt	16.2	+2.1	-3.1	1.6
Transport/Warehouse/Util	11.8	-0.6	-0.1	3.6
Admin Support	11.5	+8.9	+2.1	2.3
Retail Trade	10.9	-1.8	+1.9	1.3
Fin. Svcs. and Real Estate	10.3	+1.8	+11.5	3.0
Other Svcs.	8.9	+4.8	+3.0	2.6
NR/Construction	7.2	+4.9	+6.8	1.4
Manufacturing	6.5	-3.5	+4.2	0.7
Wholesale Trade	6.2	+2.3	+1.2	1.4
Education	6.2	+6.4	+1.4	3.4
Information	3.4	+6.7	+28.5	1.6
Total Private	153.9	+2.5	+3.2	-
Government	27.1	+2.9	+3.1	-
Total	180.9	+2.6	+3.1	-

Source: California Employment Development Department
*Measures the concentration of an industry in the City of Oakland relative to the concentration of the industry in Alameda County.

Average Wages by Industry
City of Oakland, 2016

Industry	Avg. Wage ($000s)	Annual Growth City (%)	Annual Growth County (%)	City vs. County (%)*
Information	136.3	+19.3	+17.4	-12.5
Fin. Svcs. and Real Estate	103.8	-1.6	+10.9	+16.2
Prof, Sci, Tech, and Mgmt	100.5	+1.1	-5.0	-13.8
Wholesale Trade	87.6	+3.5	+4.6	+11.2
NR/Construction	80.3	+5.0	+3.5	+3.5
Manufacturing	77.9	+0.3	+3.2	-13.0
Transport/Warehouse/Util	71.0	+9.0	+3.5	+4.3
Health Care	63.9	+7.9	+2.6	+6.2
Education	48.2	+4.3	+3.5	+17.3
Other Svcs.	45.4	+5.3	+5.5	+3.9
Retail Trade	39.9	+3.2	-1.5	+8.0
Leisure and Hospitality	39.6	+11.5	+7.3	+29.2
Admin Support	38.5	-0.4	+2.1	-14.6
Total Private	66.8	+4.8	+2.3	-4.1
Government	77.5	+6.5	+2.7	+8.9
Total	68.4	+5.1	+2.5	-3.0

Source: California Employment Development Department, QCEW
*Industry Wage relative to the Avg. Annual Wage for the Industry in Alameda County.

Employment Gains/Losses by Subsector
City of Oakland, 2015 to 2016

Subsector	Employment Total (000s)	Employment Annual Change	Wage Average ($000s)	Wage Annual Growth (%)
Subsectors with the Most Jobs Gained				
Ambulatory Health Care Svcs.	11.8	+948	102.2	+6.4
Admin and Support Svcs.	10.5	+907	34.7	+0.0
Professional and Technical Svcs.	14.4	+546	99.4	+1.5
Food Svcs. and Drinking Places	13.9	+419	24.3	+5.2
Educational Svcs.	6.2	+373	48.2	+4.3
Subsectors with the Most Jobs Lost				
Warehousing and Storage	0.7	-62	53.7	+8.4
Nonmetallic Mineral Product Manufacturing	0.2	-205	81.8	-1.6
Mgmt of Companies and Enterprises	1.8	-207	108.6	-0.3
General Merchandise Stores	1.0	-327	56.5	+13.4
Social Assistance	14.4	-453	23.0	+8.1
Transit and Ground Passenger Transportation	0.5	-459	32.0	-25.2

Source: California Employment Development Department

Private Employment by Establishment Type
City of Oakland, 2016

Establishment Type	Total Employment (000s)	Annual Growth (%)	Share of Employ-ment(%)
Establishment size			
Less than 15 Employees	40.3	+2.4	26.2
15 to 24 Employees	14.0	+4.5	9.1
25 to 49 Employees	19.0	+2.4	12.4
50 to 150 Employees	31.5	+1.6	20.5
More than 150 Employees	49.1	+2.7	31.9
Establishment Average Wage			
Less than $25,000	37.9	+1.1	24.6
$25,000 to $50,000	44.0	+0.4	28.6
More than $50,000	72.0	+4.6	46.8

Source: California Employment Development Department

Major Employment Subsectors

Private Employment by Subsector

Sector	Job Count 2016	Annual Growth 2016 (%)	Wages ($)	Annual Growth 2016 (%)	Establishment Count*
Admin Support					
Investigation and Security Svcs.	5.7	+13.3	28.5	+1.9	47
Employment Svcs.	2.1	+7.2	38.0	-0.7	28
Svcs. To Buildings and Dwellings	1.4	+5.1	31.6	+5.9	76
Education					
Colleges and Universities	1.8	-4.3	58.9	+8.2	12
Elementary and Secondary Schools	1.5	-1.7	55.0	+5.6	33
Other Schools and Instruction	1.4	+34.0	33.0	+12.5	53
Educational Support Svcs.	1.2	+11.2	46.7	+3.6	36
Fin. Svcs. and Real Estate					
Insurance Carriers	4.1	-4.6	137.0	-6.3	21
Depository Credit Intermediation	1.2	-2.8	77.2	+1.9	80
Insurance Agencies and Brokerages	1.2	+29.1	81.6	+5.4	52
Activities Related To Real Estate	1.0	-1.3	82.1	+35.4	72
Health Care					
Individual and Family Svcs.	12.5	-3.7	20.8	+7.8	242
General Medical and Surgical Hospitals	7.1	+5.1	94.5	+0.2	11
Outpatient Care Centers	6.3	+7.8	117.9	+1.3	73
Offices of Physicians	3.3	+34.0	108.4	+16.4	129
Information					
Motion Picture and Video Industries	0.2	+0.2	50.4	+0.8	11
Data Processing, Hosting and Related Svcs.	0.1	+24.7	89.7	+3.0	9
Leisure and Hospitality					
Restaurants and Other Eating Places	11.9	+4.5	24.8	+4.1	671
Special Food Svcs.	1.6	-5.3	21.1	+13.1	45
Traveler Accommodation	1.2	-0.0	33.8	+4.1	28
Other Amusement and Recreation Industries	0.9	+1.8	24.1	+1.8	39

Source: California Employment Development Department
*Only counts establishments with 3 or more employees.

Private Employment by Subsector (continued)

Sector	Job Count 2016	Annual Growth 2016 (%)	Wages ($)	Annual Growth 2016 (%)	Establishment Count*
Manufacturing					
Bakeries and Tortilla Manufacturing	0.5	-10.3	31.0	-4.2	24
Other Food Manufacturing	0.4	+3.9	34.3	+8.6	7
NR/Construction					
Building Equipment Contractors	2.1	+4.6	82.3	+8.1	60
Residential Building Construction	1.3	-0.4	59.2	-1.3	104
Nonresidential Building Construction	1.2	+15.2	98.5	+5.7	28
Other Svcs.					
Professional and Similar Orgs.	1.6	-4.8	68.0	+7.8	85
Social Advocacy Orgs.	1.4	+10.0	59.9	+4.3	88
Automotive Repair and Maintenance	1.1	+0.2	41.7	+3.7	108
Other Personal Svcs.	0.8	-1.5	27.8	+7.7	59
Prof, Sci, Tech, and Mgmt					
Architectural and Engineering Svcs.	4.2	+0.4	109.5	+2.9	160
Legal Svcs.	2.6	+0.2	105.8	+3.3	170
Mgmt and Technical Consulting Svcs.	2.5	+6.3	91.6	+2.7	144
Computer Systems Design and Related Svcs.	1.9	+4.4	115.8	-0.0	98
Mgmt of Companies and Enterprises	1.8	-10.2	108.6	-0.3	42
Retail Trade					
Grocery Stores	2.9	+4.0	30.0	-0.1	90
Health and Personal Care Stores	1.2	+5.3	49.6	-1.2	68
Transport/Warehouse/Util					
Couriers and Express Delivery Svcs.	4.0	+0.9	47.7	-1.4	13
General Freight Trucking	1.6	+13.1	50.0	+4.7	39
Wholesale Trade					
Grocery and Related Product Wholesalers	1.2	+2.7	62.8	+2.3	58
Electronic Markets and Agents and Brokers	0.7	+0.9	135.1	+11.3	36

Source: California Employment Development Department
*Only counts establishments with 3 or more employees.

Private Employment and Establishment Data

Private Employment and Establishment Statistics

Council District	Employment Statistics: Job Count (000s) 2014	2015	2016	Annual Growth (%) 2015	2016	Wage Statistics: Average 2016 ($000s)	Annual Growth 2016 (%)	Establishment Statistics: Estab.* 2016	Average Employees
1	19.9	20.3	21.0	+2.2	+3.3	74.5	+2.7	775	27
2	14.4	14.8	14.6	+2.3	-1.1	40.0	+2.8	876	17
3	55.4	58.6	61.3	+5.8	+4.5	85.6	+3.9	2,131	29
4	7.4	7.9	8.2	+7.4	+2.7	38.5	+7.0	418	20
5	12.6	12.5	12.4	-1.0	-0.7	42.6	+4.3	538	23
6	5.1	4.8	4.7	-5.4	-2.0	40.2	+4.6	226	21
7	30.1	31.2	31.8	+3.7	+1.8	58.4	+6.3	655	48
City Total	144.9	150.1	153.9	+3.6	+2.5	66.8	+4.8	5,618	27

Source: California Employment Development Department
*Only counts establishments with 3 or more employees.

Private Employment Rankings, 2015 and 2016

Council District	Total Jobs 2015	Total Jobs 2016	Job Growth 2015	Job Growth 2016	Average Wage 2015	Average Wage 2016
1	3	3	5	2	2	2
2	4	4	4	6	5	6
3	1	1	2	1	1	1
4	6	6	1	3	7	7
5	5	5	6	5	4	4
6	7	7	7	7	6	5
7	2	2	3	4	3	3

Source: California Employment Development Department

Industry Employment

Council District Private Industry Employment (000s), 2016

Indusry	District 1	District 2	District 3	District 4	District 5	District 6	District 7	City Total
Admin Support	0.3	1.1	3.8	0.2	0.6	0.3	5.3	11.5
Education/Health Care	11.5	4.1	14.1	3.5	4.1	2.3	3.4	43.1
Fin. Svcs. and Real Estate	0.6	0.5	7.2	0.5	0.3	0.1	1.0	10.3
Leisure and Hospitality	3.5	2.8	5.5	1.2	1.1	0.3	3.2	17.7
Logistics and Wholesale Trade	0.3	0.3	5.3	0.2	1.8	0.3	9.8	18.0
Manufacturing	0.4	0.4	1.7	0.0	1.0	0.4	2.5	6.5
NR/Construction	0.7	0.2	2.6	0.3	0.7	0.2	2.5	7.2
Other Svcs.	1.0	1.6	3.9	0.4	0.7	0.3	1.1	8.9
Prof, Sci, Tech, Info and Mgmt	1.0	2.0	13.6	0.5	0.6	0.2	1.8	19.7
Retail Trade	1.7	1.5	3.5	1.3	1.4	0.5	1.1	10.9
District Total	21.0	14.6	61.3	8.2	12.4	4.7	31.8	153.9

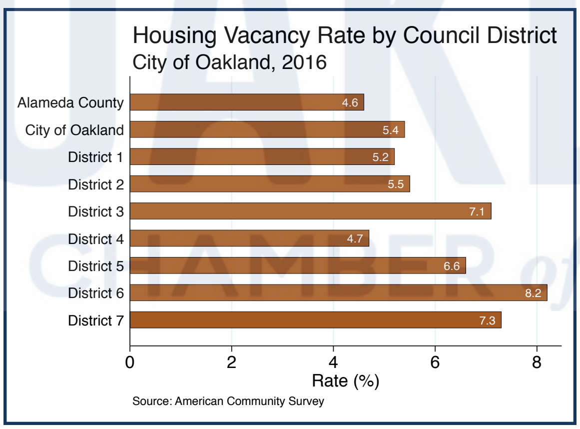
Source: California Employment Development Department

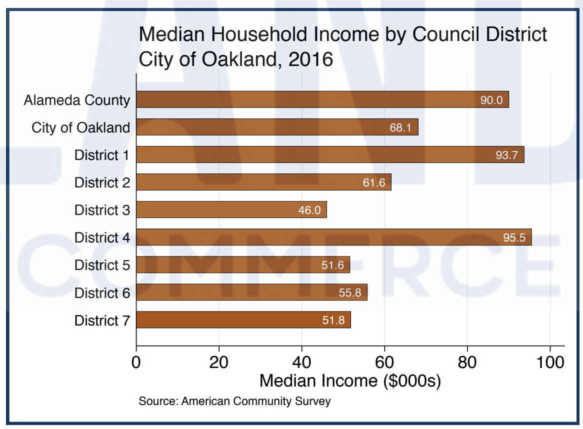
Share of Private Industry Employment (%), 2016

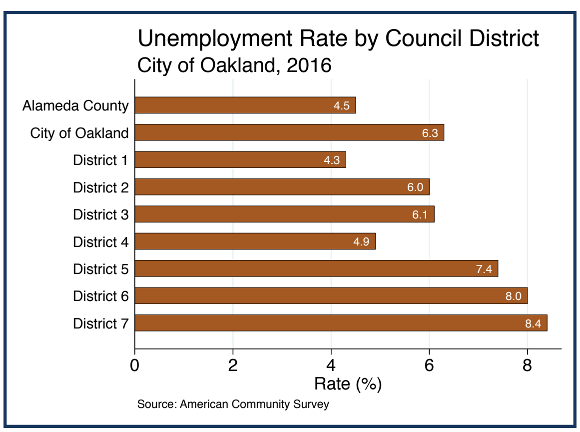
Industry	District 1	District 2	District 3	District 4	District 5	District 6	District 7
Admin Support	2.5	9.3	33.5	1.3	5.1	2.5	45.7
Education/Health Care	26.6	9.6	32.8	8.2	9.5	5.3	8.0
Fin. Svcs. and Real Estate	5.6	5.3	70.0	5.2	3.3	0.7	10.0
Leisure and Hospitality	19.9	16.0	31.2	6.7	6.3	1.8	18.1
Logistics and Wholesale Trade	1.7	1.7	29.2	1.1	10.2	1.4	54.6
Manufacturing	6.1	6.6	26.6	0.5	15.5	5.4	39.3
NR/Construction	9.5	3.0	36.5	3.9	10.0	2.7	34.5
Other Svcs.	11.3	17.7	43.4	4.9	7.3	2.8	12.6
Prof, Sci, Tech, Info and Mgmt	5.2	10.1	69.2	2.4	3.2	1.1	8.9
Retail Trade	15.7	13.8	31.8	12.1	12.5	4.4	9.6
District Total	13.6	9.5	39.8	5.3	8.0	3.1	20.6

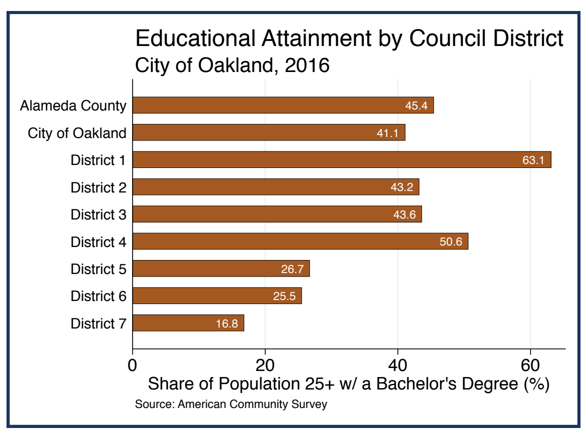
Source: California Employment Development Department

Demographics









OAKLAND
CHAMBER of COMMERCE

Median Earnings by Educational Attainment, City of Oakland 2016

Educational Attainment	Median Earnings ($)	Growth Since 2011 (%)			Growth Since 2015 (%)		
		Oakland	Alameda County	CA	Oakland	Alameda County	CA
Less than High School	21,701	8.0	16.7	18.1	0.8	8.2	3.2
High School Diploma	26,012	11.0	13.5	12.2	10.7	1.2	3.9
Some College or Associate's Degree	32,248	3.7	14.7	4.8	2.4	8.0	2.3
Bachelor's Degree	57,164	12.2	15.2	13.8	9.0	7.5	5.0
Graduate/Professional Degree	80,075	19.0	13.7	7.9	11.7	6.0	2.3
Total	41,540	17.0	20.7	12.5	13.9	4.1	6.7

Source: American Community Survey

Spending Activity

Taxable Sales by Region
Alameda County Cities, Selected Counties, and California, Q3-16 to Q3-17

Region	Quarterly Taxable Sales			Quarterly Taxable Sales Per Capita		
	Q3-16	Q3-17	Change	Q3-16	Q3-17	Change
City	$ Millions		(%)	In $		(%)
Oakland	1,118.5	1,192.6	6.6	2,643	2,799	5.9
Fremont	1,068.3	1,144.7	7.2	4,655	4,941	6.2
Hayward	754.5	730.4	-3.2	4,742	4,536	-4.4
Livermore	641.0	709.8	10.7	7,267	7,917	9.0
Pleasanton	523.4	528.1	0.9	6,974	6,956	-0.3
Dublin	455.1	448.3	-1.5	7,929	7,511	-5.3
Berkeley	409.4	389.1	-5.0	3,412	3,209	-5.9
Newark	257.8	272.2	5.6	5,759	5,993	4.0
Alameda	210.4	226.1	7.5	2,652	2,829	6.7
Emeryville	188.0	192.8	2.5	16,031	16,261	1.4
County	$ Millions		(%)	In $		(%)
Santa Clara	10,496.7	10,681.4	1.8	5,460	5,511	0.9
San Francisco	4,790.2	4,799.1	0.2	5,539	5,490	-0.9
Contra Costa	4,030.4	4,140.1	2.7	3,577	3,633	1.6
Alameda	7,845.1	8,108.9	3.4	4,815	4,928	2.4
California	164,436.9	172,308.3	4.8	4,196	4,360	3.9

Sources: California Board of Equalization, California Department of Finance

City of Oakland Sales Tax Revenues, 2017 YTD

Category	2017 YTD ($)	Year-to-Date Change ($)	Year-to-Date Growth (%)
Autos & Transportation	4,104,243	-214,763	-5.0
Building & Construction	2,437,216	183,204	8.1
Business & Industry	3,003,740	37,051	1.2
Food & Drugs	2,447,340	127,589	5.5
Fuel & Service Stations	2,719,358	416,688	18.1
General Consumer Goods	2,565,101	-1,120	-0.0
Restaurants & Hotels	4,894,042	208,420	4.4
Total	22,171,041	757,069	3.5

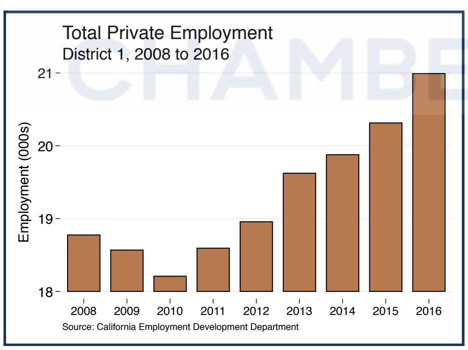
Source: HdL Companies

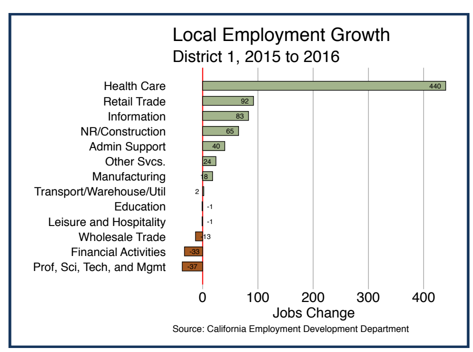
Note: Data are year-to-date through Q2.

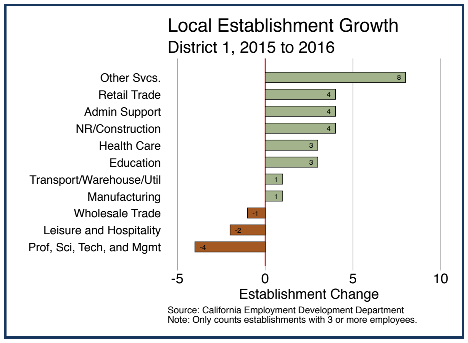
Districts

District 1: Dan Kalb

Robust economic growth continued in District 1 into 2016, and employment continued to inch up. Home to the Rockridge, Piedmont Avenue, and San Pablo shopping districts, District 1 is Oakland's northernmost district. District 1 is the City's 3rd largest district by employment and 2nd in terms of average annual wages. District 1 accounts for roughly 28.0% of the City's Health Care employees and 20% of its Leisure and Hospitality employees, despite only accounting for only 13.6% of the City's employees overall. District 1 is the most educated district — 94.6% of the population 25 years are high school graduates, while 63.1% of this population have a Bachelor's Degree. With significant increases in Information, Administrative Support, Construction and Health Care, the District fared better than the City on average. The ongoing tightening of the local labor market was a boon for workers in the area, as wage levels averaged 11.6% higher in the District than in the City.

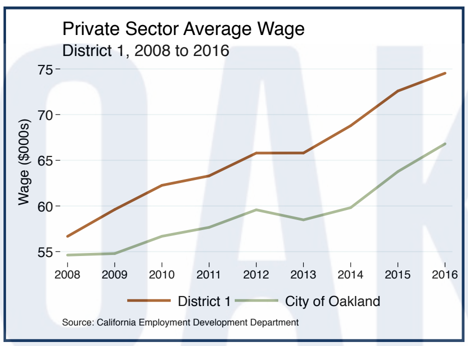






Employment

- Employment in District 1 continued to grow throughout 2016, increasing 3.3% year-over-year to exceed the City's 2.5% employment growth.
- The Health Care sector, 2.4 times more concentrated in District 1 than in the City overall, added 4.4% more workers from 2015 to 2016. As in most urban areas, it is the dominant employer in the District. The Natural Resources and Construction sector reported a 10.4% increase in its employment base, mirroring statewide growth for this industry.
- Despite the overall gains in employment during 2016, a few industries lost jobs. Financial Services and Real Estate experienced the largest loss in District 1, dropping 5.4% from 2015 to 2016 despite growing 1.8% in the City. Professional, Scientific, Technology and Management declined 4.4% during that period compared to a 2.1% increase in the City.



Demographics

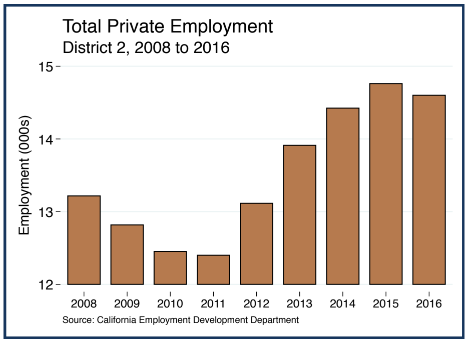
- Median income in 2016 for households in District 1 was $93,700, higher than the City median of $68,100 and the County median of $90,000. Both the City and County experienced double-digit growth in median household incomes in 2016, compared to the still impressive 6.9% growth in the District.
- In District 1, 26.9% of commuters use public transportation, more than in the City (21.9%) or County (15.1%).
- The District's population grew by 1.1% in 2016. As a result, the housing vacancy rate declined 1.2 percentage points as new residents absorbed some previously vacant housing stock. The share of owner-occupied housing in the District increased 1.0 percentage point to 44.7%, and the City and County overall experienced a minor contraction of 0.6 and 0.2 percentage points, respectively.

District 2: Abel Guillen

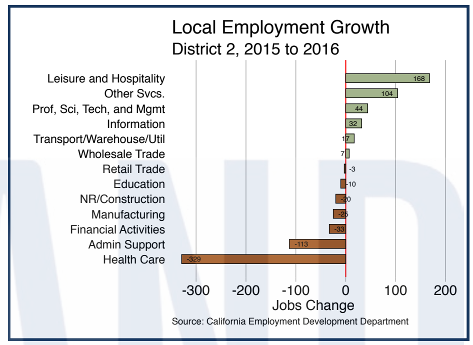
Home to Chinatown and Laney College, District 2 is the City's 4th largest district by employment, 6th in terms of average annual wages, and was the 6th fastest growing district from 2015 to 2016.

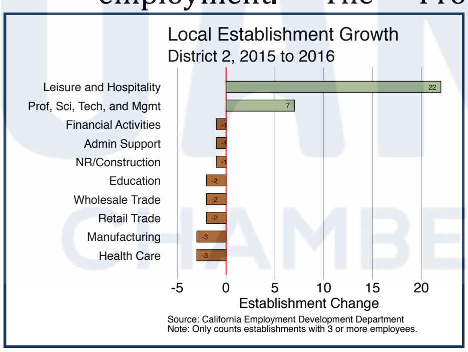
The economy in District 2 fell slightly behind the City's over the last year as private employment declined 1.1%. Despite significant increases in Leisure and Hospitality workers, a sizeable loss of employment in Health Care meant that the local economy experienced an overall loss in workers. Wages increased slightly, fueled in part by increases in high paying jobs in the region.

Employment



- The largest contributor to the loss in total private employment was Health Care, which saw a 7.7% drop in growth from 2015 to 2016. Although it remains the largest employer, it also suffered one of the largest declines in growth of any sector.
- Despite the overall drop in growth for employment, some industries in District 2 added a significant number of employees to their bases. Leisure and Hospitality, the District's second-largest industry, increased payrolls by 6.3% between 2015 and 2016 to 2,800 employees due to an increase in Food Services and Drinking Places employment. The Professional, Scientific, Technological and Management industry increased by 2.4%, roughly on par with the 2.1% increase that occurred in the City.

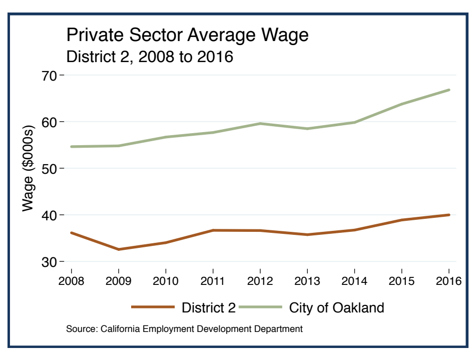




- Although employment has dropped in the District, annual average wages for employees went up by 2.8%. Leisure and Hospitality saw a 4.0% increase in the average annual wage; however, this growth was weaker than the increase in Leisure and Hospitality wages for the City, which increased 11.5%.

Demographics

- Despite a minor drop in employment levels, local conditions for residents in the District improved as the number of employed residents increased 3.4% from 2015 to 2016. As a result, the unemployment rate among the District's residents declined 1.1 percentage points to 6.0%.
- Although median household income in District 2 rose 3.7% in 2016, that is lower than the median household income growth in the City and County.
- The share of households in the District that earn less than $25,000 per year decreased year-over-year by 1.6%. A higher share of

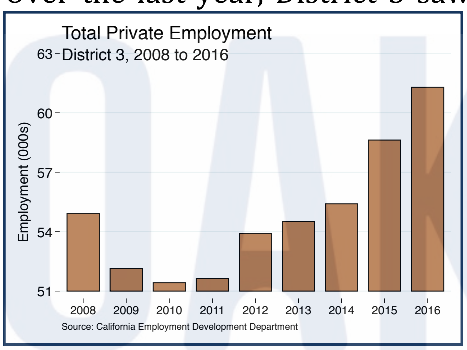


households in District 2 require supplemental nutrition assistance programs or public assistance than in the City and County. Although the City and County saw declines in the share of households in the SNAP program, the District experienced a 0.2 percentage point increase in the share of households registered for the program in 2016 to 9.5%.

District 3: Lynette Gibson McElhaney

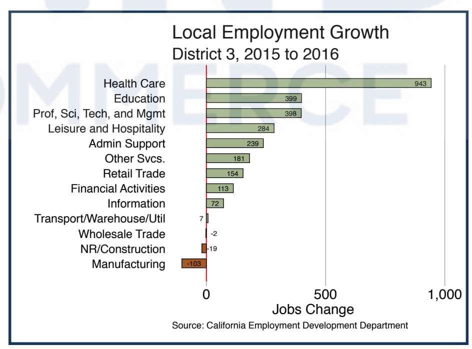
Home to the Port of Oakland, Jack London Square and much of downtown, District 3 is the City's largest district by employment, highest in terms of average annual wages, and was the fastest growing district from 2015 to 2016. District 3 is the home to the majority of the City of Oakland's Professional, Scientific, Technical, and Management positions, accounting for nearly 70% of the sector's citywide jobs.

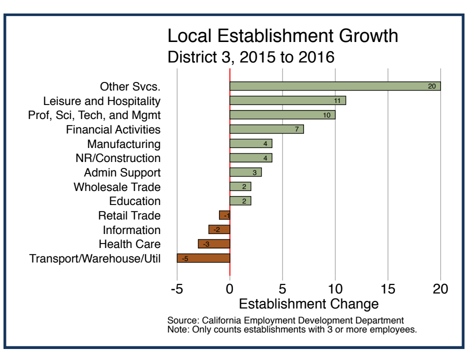
Over the last year, District 3 saw strong growth in both employment and annual private sector wages. Businesses in the District continued to expand payrolls across the board, fueling an influx of jobs across the wage spectrum. To sustain these trends, developers proposed several significant residential construction projects, while companies in the area continued to invest in improving and retrofitting workspaces.



Employment

- Private employment in the District increased 4.5% from 2015 to 2016. Although growth was less than the 5.8% registered print in the previous year, District 3 was the fastest-growing among the City's districts in terms of total private employment.

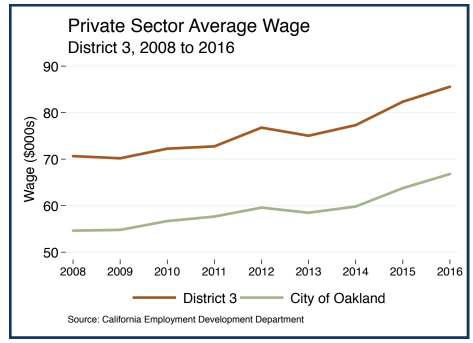




- Much of this growth is the result of gains in Heath Care, which increased 9.0% year over year in 2016. Underlying the increase in Health Care was a large increase in Ambulatory Health Care Services. Education also saw 17.4% growth in 2016, outpacing gains in the City.
- Employment in the Manufacturing sector fell 5.6% in 2016. The loss was mirrored citywide, employment in the sector fell 3.5%.

Demographics

- The educational demographic composition in District 3 reflects significant changes as highly educated people continued to move into the district in large numbers.
- As a result, from 2015 to 2016, the share of residents 25 and older with bachelor's degrees increased 2.4 percentage points to 43.6%. The shifting distribution of educational attainment also had an effect on household incomes. The share of households with a median income of more than $100,000 increased 2.1 percentage points during that period.



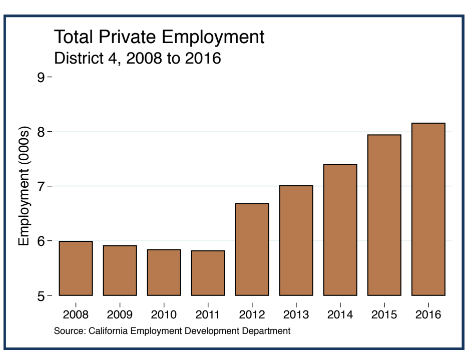
- Improvements in the regional economy have been a boon to residents. Total household employment in the District increased 3.3% from 2015 to 2016. As a result, the District's unemployment rate declined 1.5 percentage points to 6.1%.

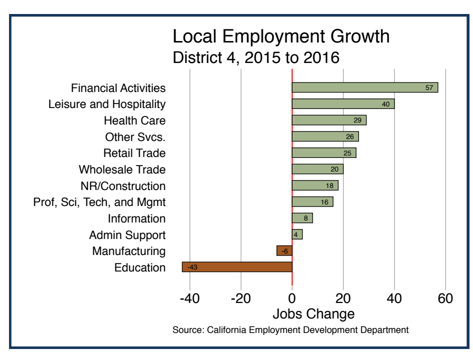
District 4: Annie Campbell Washington

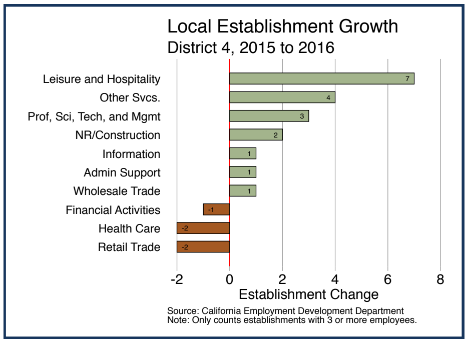
District 4 is home to some of the most prosperous residents in the City. In 2015, the District was fueled by employment gains in services catering to residents. As of 2016, the District has seen broad-based employment growth across a diverse array of industries. All but one of the District's major industries saw an increase in private employment from 2015 to 2016. Because of the high concentration of locally serving industries, particularly retail trade, wage levels are considerably lower than the City average. As the unemployment rate has continued to fall and the labor market continued to tighten, wage levels have risen, and the District has been a prime beneficiary.

Employment

- Total private employment in the District increased 2.7% from 2015 to 2016, marginally higher than the City's growth rate of 2.5% in that year.
- Health Care, the District's largest employer, maintained a moderate growth of 1.0% year over year for 2016. Financial Services and Real Estate had the most significant employment boost, increasing 11.9%.







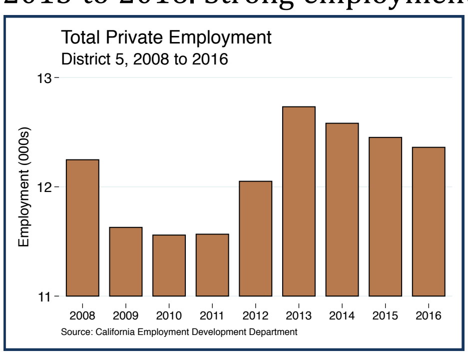
- Average annual wages saw a 7.0% increase, well above the City average. Even so, average wages in District 4 remain the lowest in all districts at $38,500, almost $30,000 below the City average. The lower wage stems from a high concentration of Retail Trade jobs, which tend to be seasonal and typically employ a large share of part-time workers.

Demographics

- The demographic composition of District 4 shifted slightly as the population increased 0.6% between 2015 and 2016.
- The share of households earning less than $25,000 decreased 2.4 percentage points between 2015 and 2016. At the other end of the distribution, households earning more than $100,000 increased by 1.4 percentage points and account for 44.6% of total households.
- Residents in District 4 tend to be older, with a median age of 41.1, compared to the City, with a median age of 36.5, and the County, with a median age of 37.4. The median age in the District decreased slightly from 2015 to 2016.

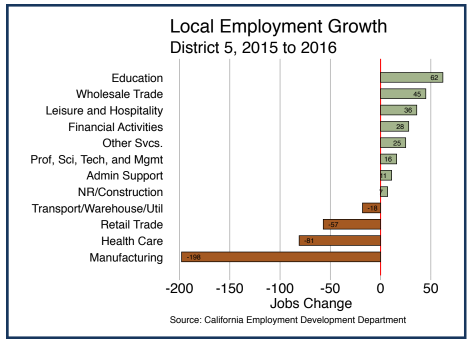
District 5: Noel Gallo

Conditions in District 5 continued to improve, albeit at an uneven pace. Home to the Fruitvale Transit Village, District 5 is the City's 5th largest district by employment, 4th highest in terms of average annual wages, and was the 5th fastest growing district from 2015 to 2016. Strong employment growth in the District's smaller industries was offset by job losses at a few larger industries, including Manufacturing, Health Care, and Retail Trade. Total private employment for establishments with more than 150 employees declined 8.2% over the year, while establishments with 25 to 49 employees increased payrolls by 5.1%. Conditions for residents continued to improve, as marked by robust growth in the number of residents who found employment, which helped provide a boost to household incomes.

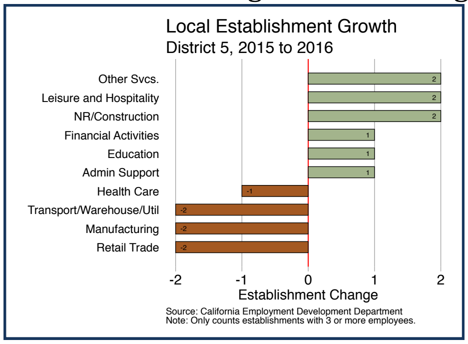


Employment

- Overall employment is trending downward. Total private employment in the District fell 0.7% between 2015 and 2016. Despite that, wages increased 4.3%, slightly less than the City's growth rate of 4.8%.

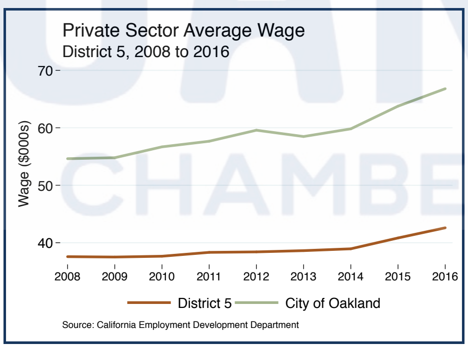


- The Manufacturing industry was particularly hard hit as employment declined by 16.4% from 2015 to 2016. At the City level, Manufacturing employment declined 3.5% during that period.
- The average annual wage across all private sectors in District 5 mirrored the City average, growing by 4.3% in 2016. The Professional, Scientific, Technical Services, and Management and Transportation, Warehousing, and Utilities sectors experienced double-digit wage growth, with average wages for private workers in these industries growing 12.6% and 12.3%, respectively.



Demographics

- At $51,600, median household income remains relatively low in the District, falling $16,500 short of the City median. Despite the gap, household incomes continued to improve, growing 6.4% between 2015 and 2016.
- Although the share of households receiving public assistance decreased 1.1 percentage points between 2015 and 2016, 5.8% of households in the District receive such assistance, compared with 3.1% in the City and 3.2% in the County.
- Residents in District 5 are relatively young; more than one-fifth were younger than 18 in 2016 and the median-aged resident is nearly four years younger than the median-aged resident countywide.

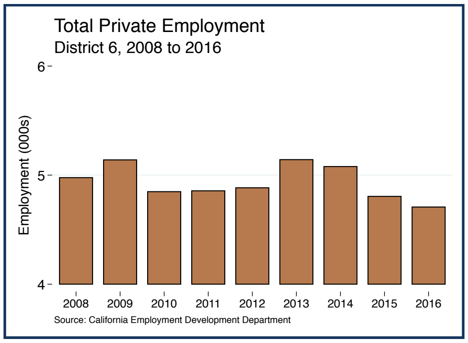


District 6: Desley Brooks

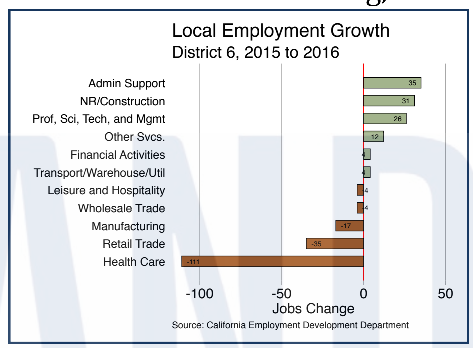
Home to Merritt College and Mills College, District 6 is the City's smallest district by employment and was the slowest growing from 2015 to 2016. Economic performance remained weak as employment dropped in 2016 after a stagnant performance in the year prior. With significant losses in large employers in the region, total private employment decreased. Annual wages have increased slightly, causing household income to increase, but numbers still lag behind City and County averages.

Employment

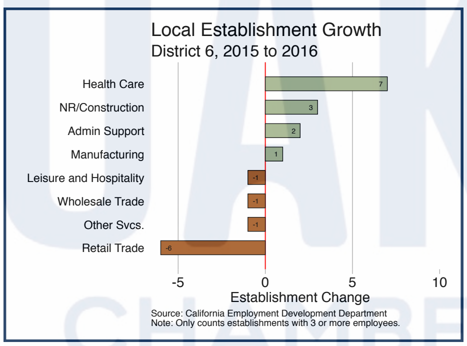
- Employment growth remained stagnant as total private employment in the district is marginally lower than levels during the years following the Great Recession. Total private employment peaked in 2013 but has followed a downward trend since. From 2015 to 2016, total private employment in the District declined 2.0%.



- The loss of employment is the result of declines in employment for the top three employing industries in the District. Health Care shed 6.4% of its employment base between 2015 and 2016. Job losses also occurred in Retail Trade and Manufacturing, which declined 6.7% and 4.7%, respectively.

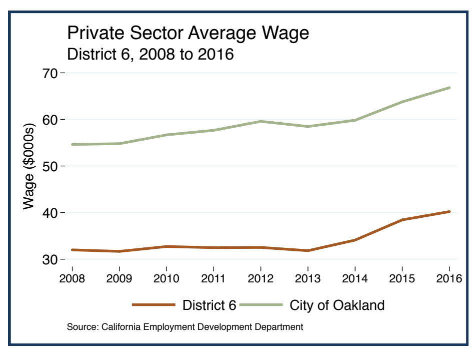


- Despite the loss of employment, annual average wages have gone up 4.6% between 2015 and 2016, with growth roughly on par with the growth in the City. Significant wage gains for private workers occurred in the Manufacturing (7.4%) and Financial Services and Real Estate (15.8%) industries, which helped increase the annual average wage across all industries.

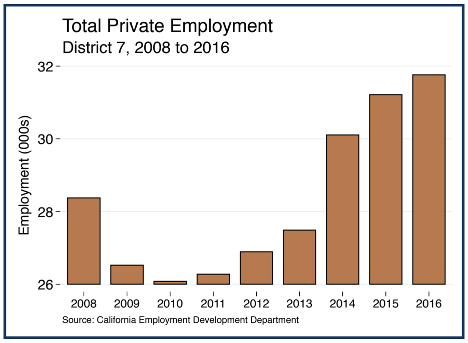


Demographics

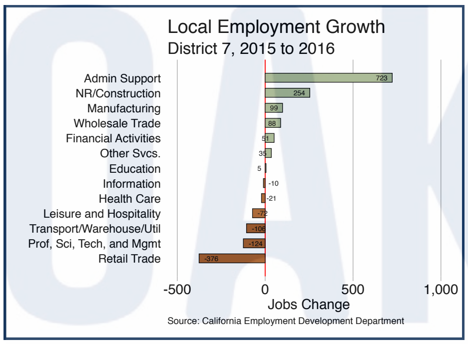
- The unemployment rate for District residents was virtually unchanged in 2016, and at 1.9%, the median household income advanced at a considerably slower pace than in the City and County, which increased 15.7% and 10.1%, respectively.
- At 25.5%, the share of District residents 25 and older who have bachelor's degrees is nearly 20 percentage points below the County average.
- District population increased 1.7% from 2015 to 2016. As a result, the housing vacancies declined 1.3 percentage points in 2016 to 8.2%.



District 7: Larry Reid

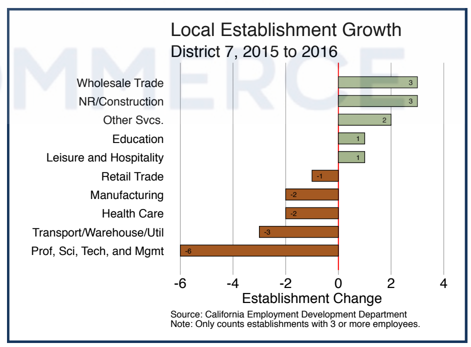


Home to the Oakland International Airport, Oracle Arena, and the Oakland Coliseum, District 7 is the City's 2nd largest district by employment and 3rd highest in terms of average annual wage. District 7 is the hub for the Transportation and Warehousing sector in the City, accounting for 54.6% of the sector's positions citywide. District 7 is also a center manufacturing sector, accounting for 39.3% of the sector's jobs citywide. Economic activity in District 7 has continued to improve, albeit more slowly than in previous years. Private employment increased 1.8% from 2015 to 2016. Overall growth was subdued by declines in its Transportation, Warehousing and Utilities industry, which experienced a 1.2% contraction during that year.



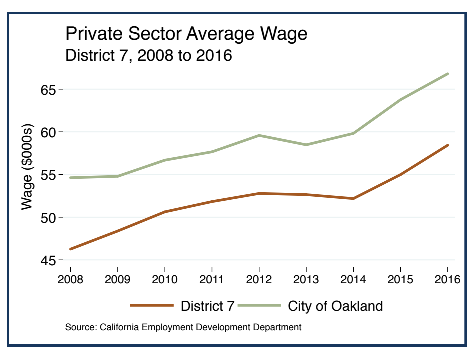
Employment

- The largest sources of growth in the District were the Administrative Support, Manufacturing, and Construction industries. Administrative Support, the second largest industry in the District, received a significant boost in 2016, gaining 15.9% to reach 5,300 workers.
- Wages increased 6.3% in 2016, outpacing the City's 4.8% growth. Nearly every industry in the District experienced an increase in average wages. Leisure and Hospitality experienced a 25.2% boost in wages, earning an average $54,100, 36.8% higher than the City average in that industry.



Demographics

- Median household income in the District increased by 3.6% in 2016. As a result, the distribution of incomes shifted toward the middle and upper ends of the spectrum and the share of households earning more than $50,000 increased by 2.0 percentage points from 2015 to 2016.
- The outlook showed significant signs of improvement in 2016. Total employment



increased 4.6% and the unemployment rate for fell 2.1 percentage points over the year.

- District residents have lower levels of educational attainment than those in the City and County. In 2016, 16.8% of the population ages 25 and older held bachelor's degrees compared to 41.1% in the City and 45.4% across the County.

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OAKLAND
CHAMBER of COMMERCE

Oakland/East Bay Economic Forecast 2018

Understanding Oakland's economy is essential in advocating for new jobs and new industry to grow our local ecosystem. With that growth, we are able to advocate for services and programs that support our community. The Chamber, representing small and large businesses in every district across the city, has commissioned this data not only to help guide the city's economic development activities but also as a tool to measure how government policies impact business growth in Oakland.

The report has enabled the Chamber to influence city leadership with economic data, using the information to inform policy makers to the economic realities of their policy decisions. The report has also been widely distributed and used by Chamber members and the greater government and business community to inform business decisions, educate investors outside our city and region and by our city council during their 2017-19 budget planning sessions.

For information:
Oakland Metropolitan Chamber of Commerce
475 14th Street, Suite 100
Oakland CA 94612

oaklandchamber.com

Report prepared by:

Beacon Economics

Christopher Thornberg, PhD
Founding Partner

Robert Kleinhenz, PhD
Economist and Executive Director of Research

And by:
Adam Fowler, Research Manager
Brian Vanderplas, Senior Research Associate
Justin Niakamal, Senior Research Associate

Beacon Economics
5777 West Century Boulevard, Suite 895
Los Angeles CA 90045
BeaconEcon.com

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