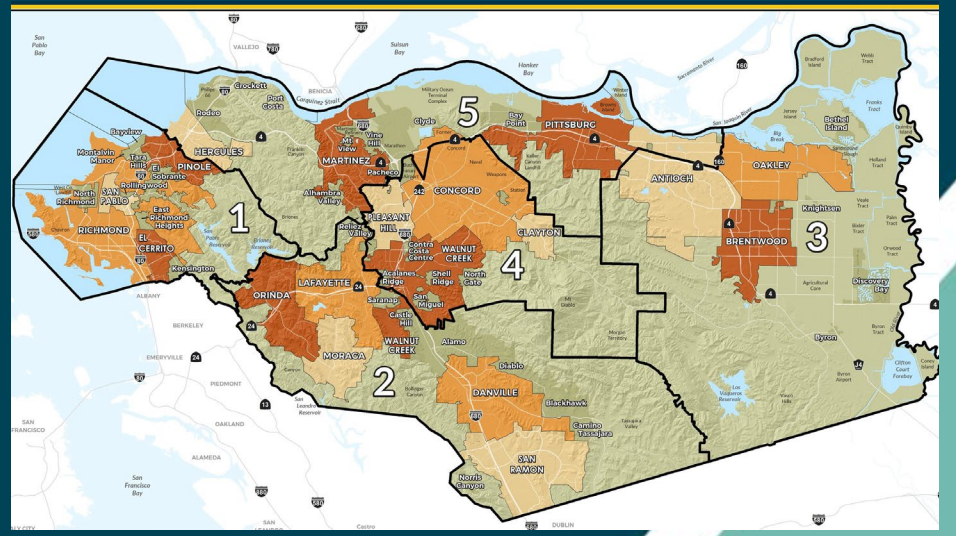
BEACON ECONOMICS

CONTRA COSTA
COUNTY, CALIFORNIA

The Economic Outlook
Focus: Contra Costa County



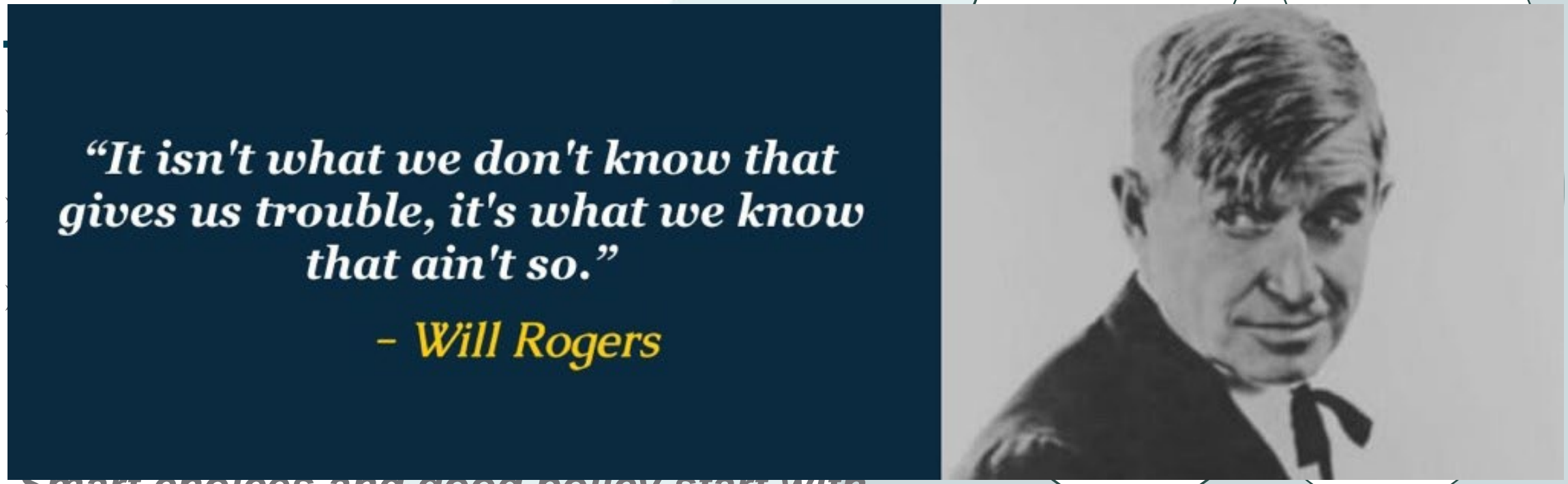
Christopher Thornberg, PhD

Founding Partner, Beacon Economics

January 2025

Beacon Economics

- Economic research firm founded in 2006 with a commitment to letting the *data* drive the *answer*.



Smart choices and good policy start with the correct narrative.

The Recent Macro Narratives

“The only function of economic forecasting is to make astrology look respectable.”

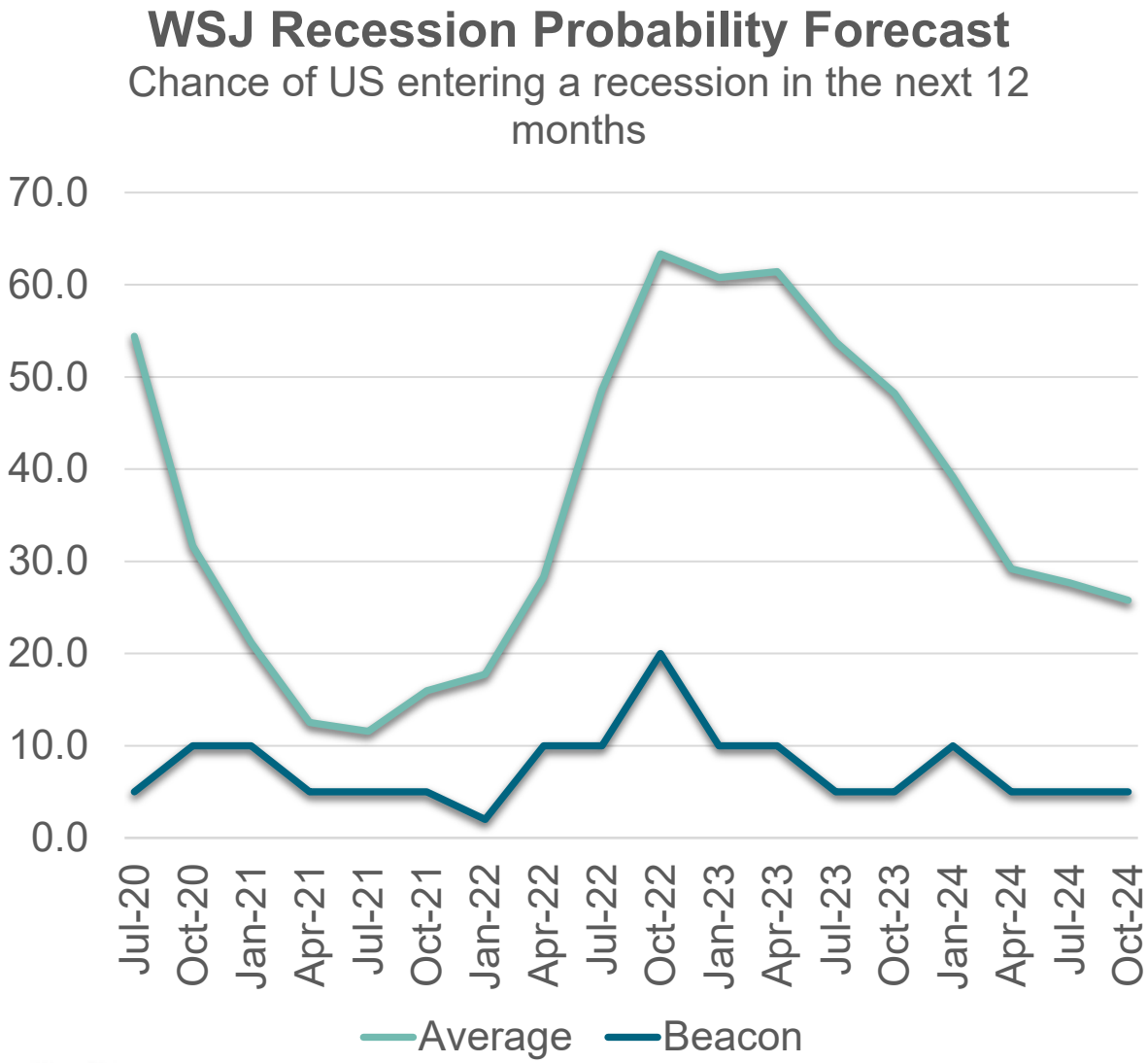
-John Kenneth Galbraith

The 2024 Political Narrative

"The only function of election polling is to make economic forecasting look respectable."

-Christopher Thornberg

Beacon's US Outlook



We aren't worried now…

- Household finances look great, which means consumer demand is strong
- Inflation has cooled and the Fed is backing off and rates are coming down

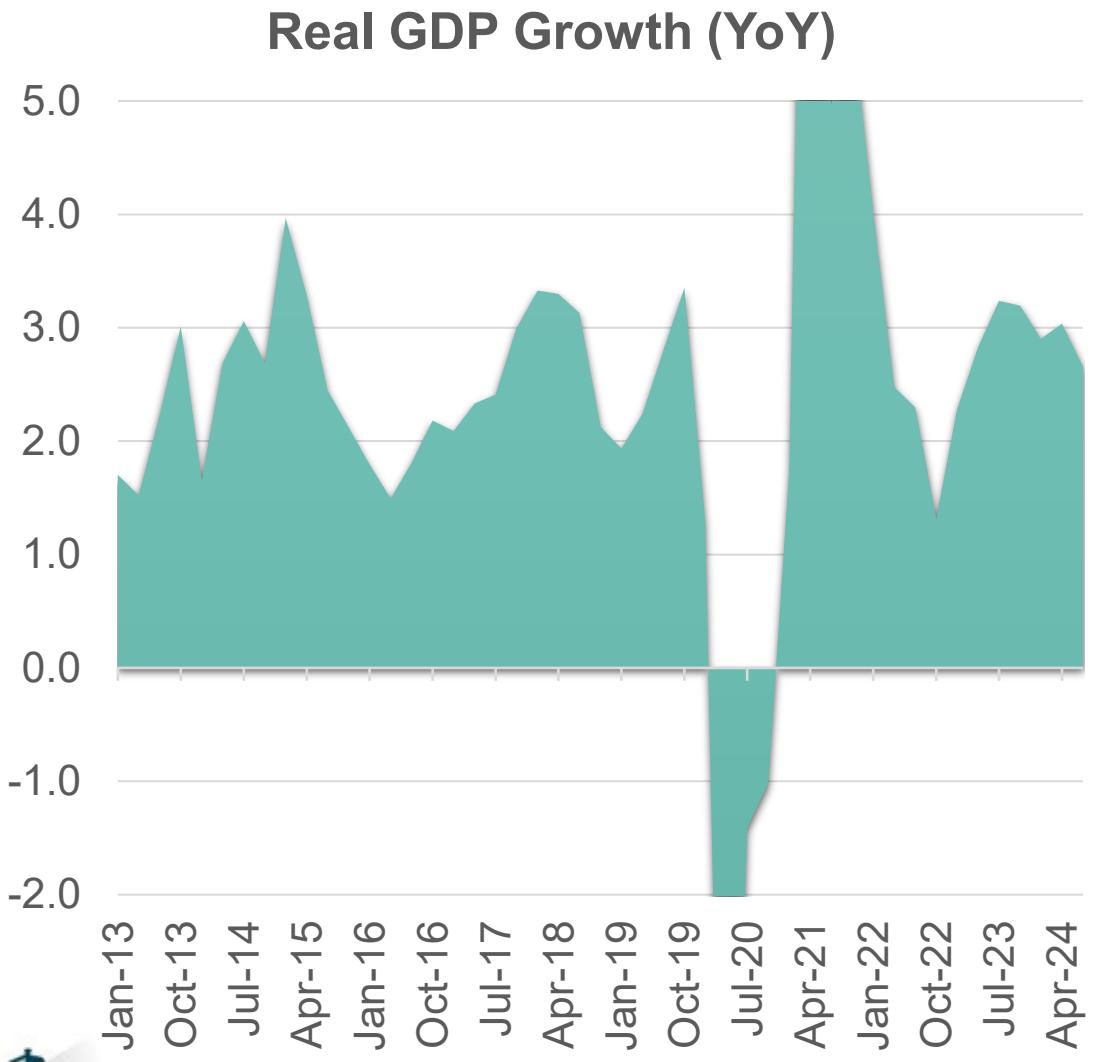
… but we are worried.

- Bubbly asset prices, yawning Federal deficits, external imbalances are all unsustainable
- False narratives driving bad policy

The new administration?

- We don't know what they will do, pros and cons for growth. Turbulence is only prediction.
- The bigger issue is what they don't do

GDP Growth



Contributions to Real Growth

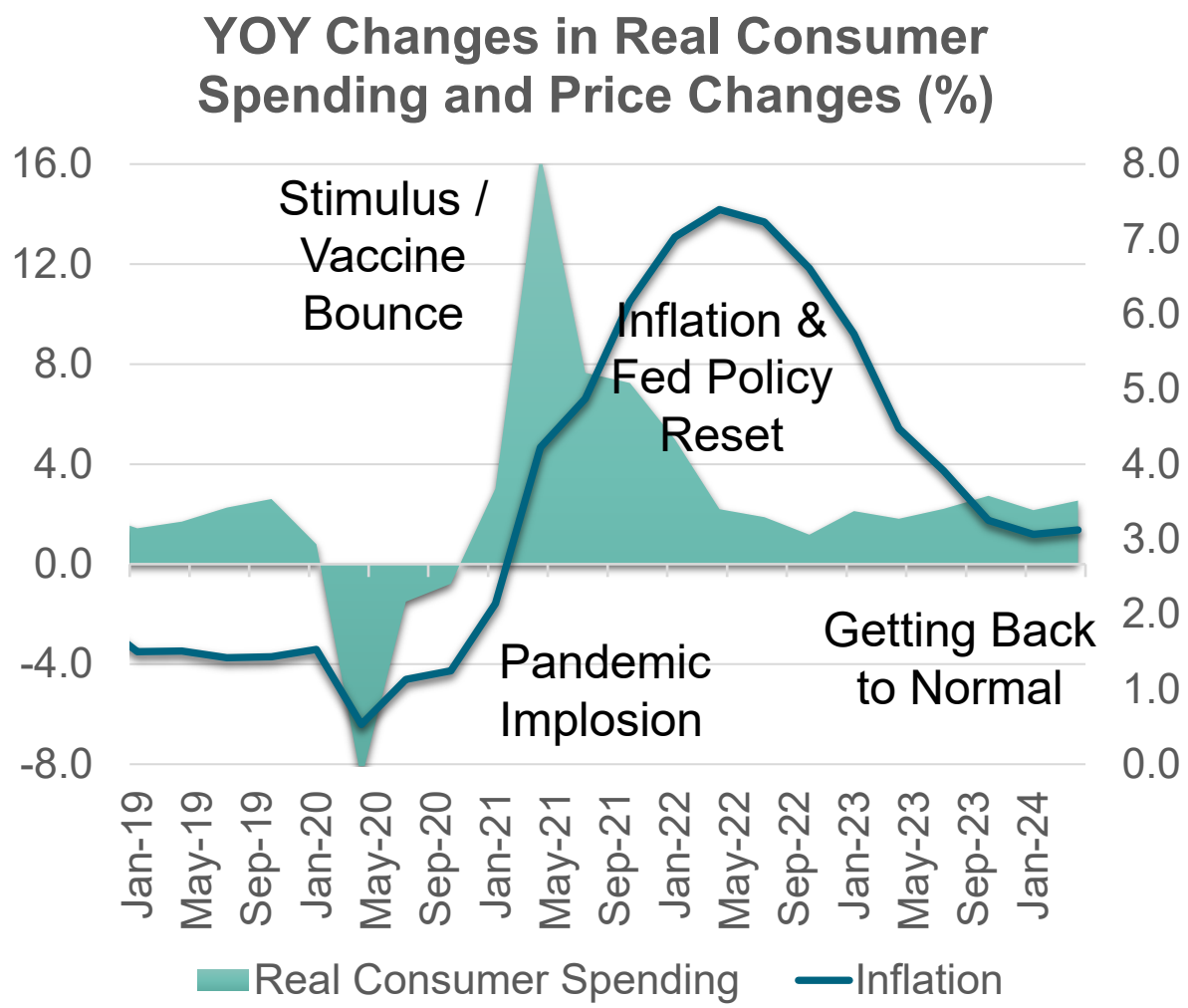
4 Quarter Averages	21-22	22-23	23-24
GDP	**2.35**	**3.25**	**2.65**
Final Demand	**1.93**	**2.94**	**3.17**
Consumption	1.59	1.61	2.00
Goods	-0.07	0.53	0.59
Services	1.66	1.08	1.41
Fixed Investment	0.50	0.53	0.61
NR Structures	0.13	0.32	0.07
Equipment	0.31	0.16	0.28
IPP	0.58	0.26	0.19
Residential	-0.52	-0.21	0.08
Inventories	0.33	0.14	-0.02
Net Exports	0.10	0.17	-0.50
Exports	1.27	0.03	0.48
Imports	-1.18	0.15	-0.97
Government	-0.16	0.79	0.57

Growth in Real Consumer Spending

Average Annual Growth	2019Q3 - 24Q3	2023Q3 - 24Q3
Total	2.8%	3.0%
Foreign travel by U.S.	7.9%	13.3%
Admissions spectators	2.8%	11.0%
Hotels and motels	3.7%	8.3%
Air transportation	6.2%	7.6%
Jewelry and watches	5.0%	4.3%
Sporting equipment	8.5%	3.9%
Recreational items	8.5%	3.8%
Day care nursery school	3.6%	3.8%
Food for off-premises	1.2%	1.7%

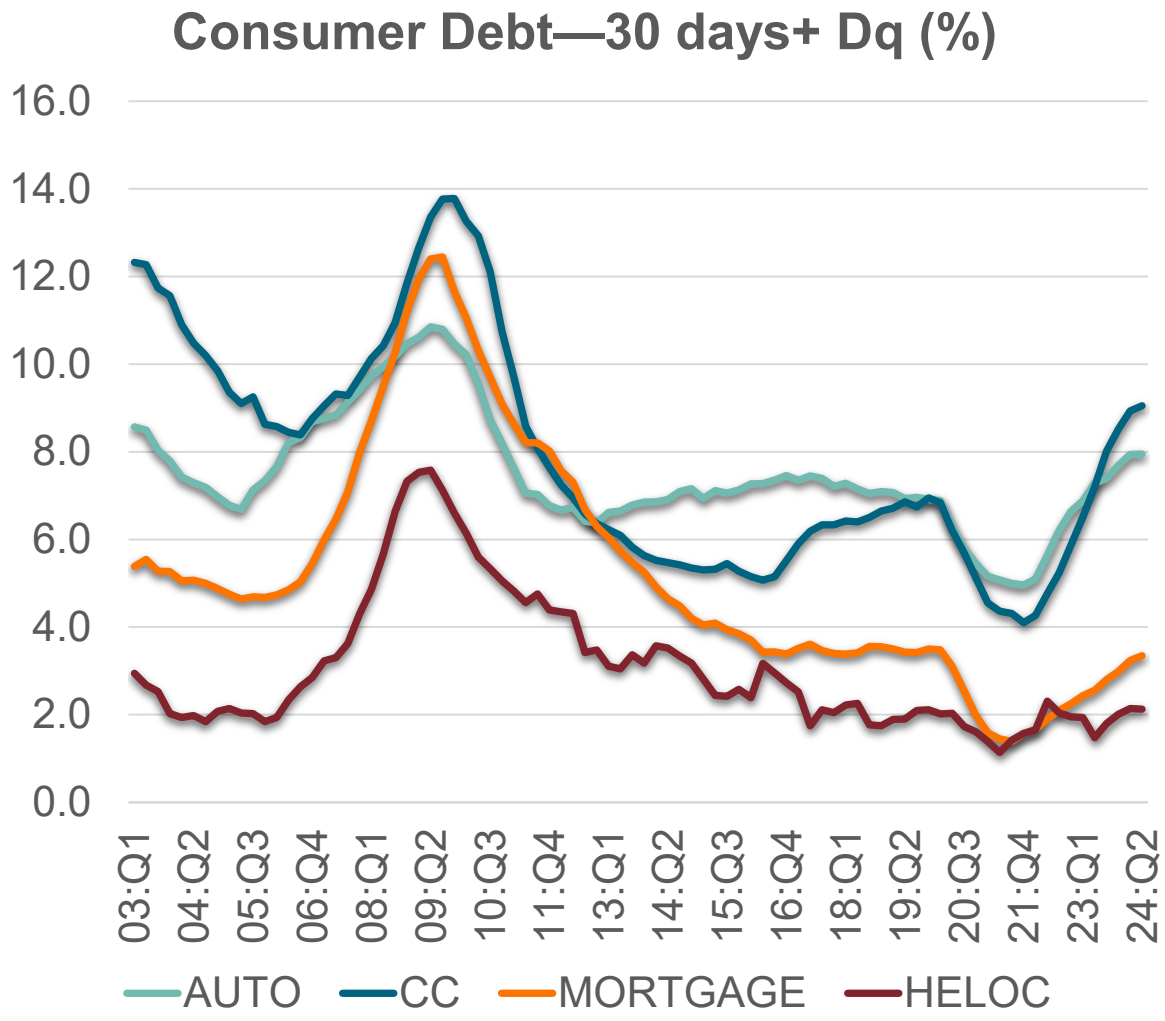
Average Annual Growth	2019Q3 - 24Q3	2023Q3 - 24Q3
Rent tenant housing	1.6%	0.9%
Personal care	-0.2%	0.9%
Gasoline and motor fuel	0.0%	0.8%
Purchased meals	2.2%	0.7%
Higher education	0.3%	0.2%
Sports, recreational veh	3.1%	0.0%
Household utilities	0.1%	-0.4%
Casino gambling	1.0%	-0.8%
Amusement parks	0.7%	-1.0%
New motor vehicles	1.9%	-1.1%

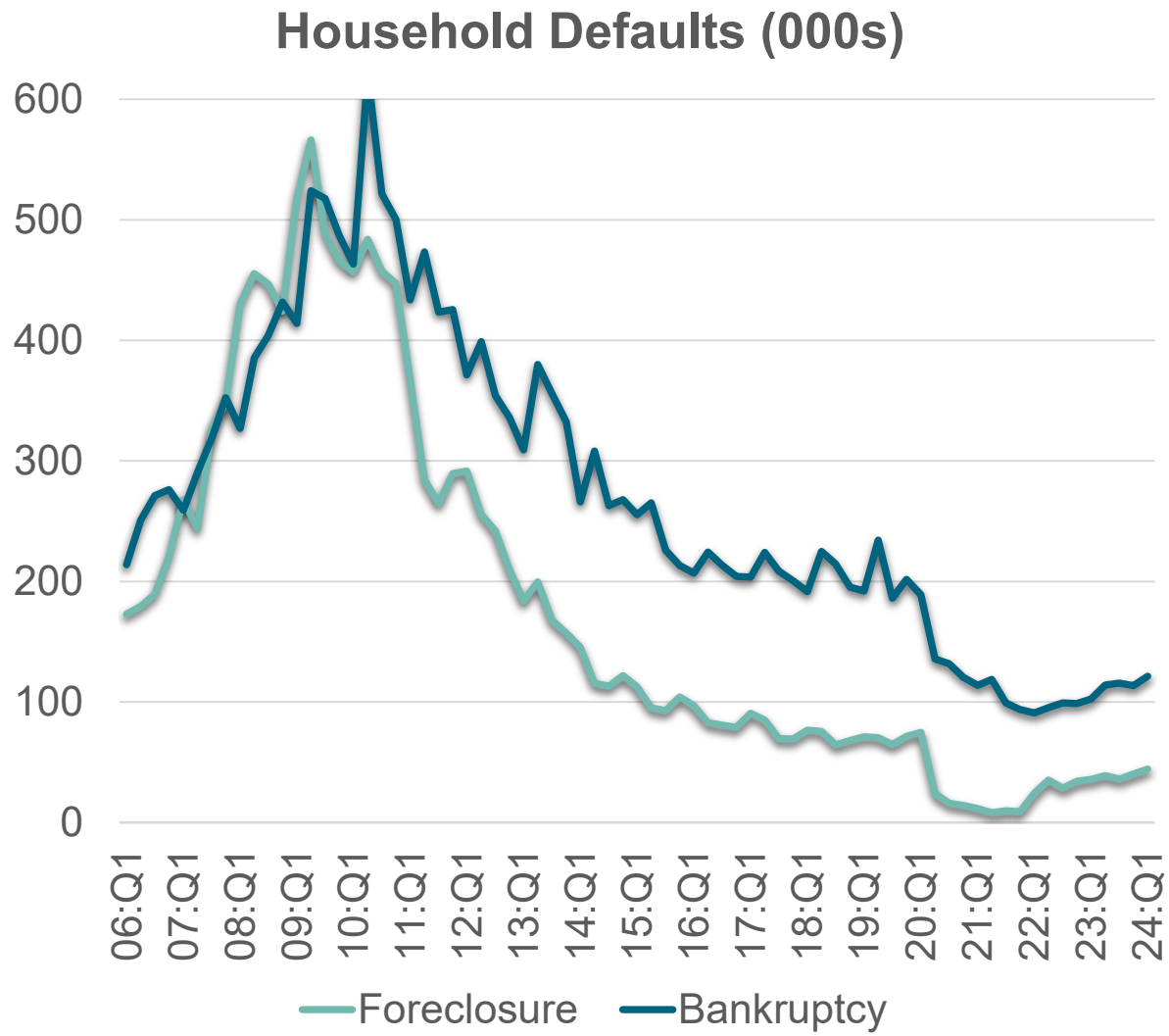
Stages of the Consumer Surge



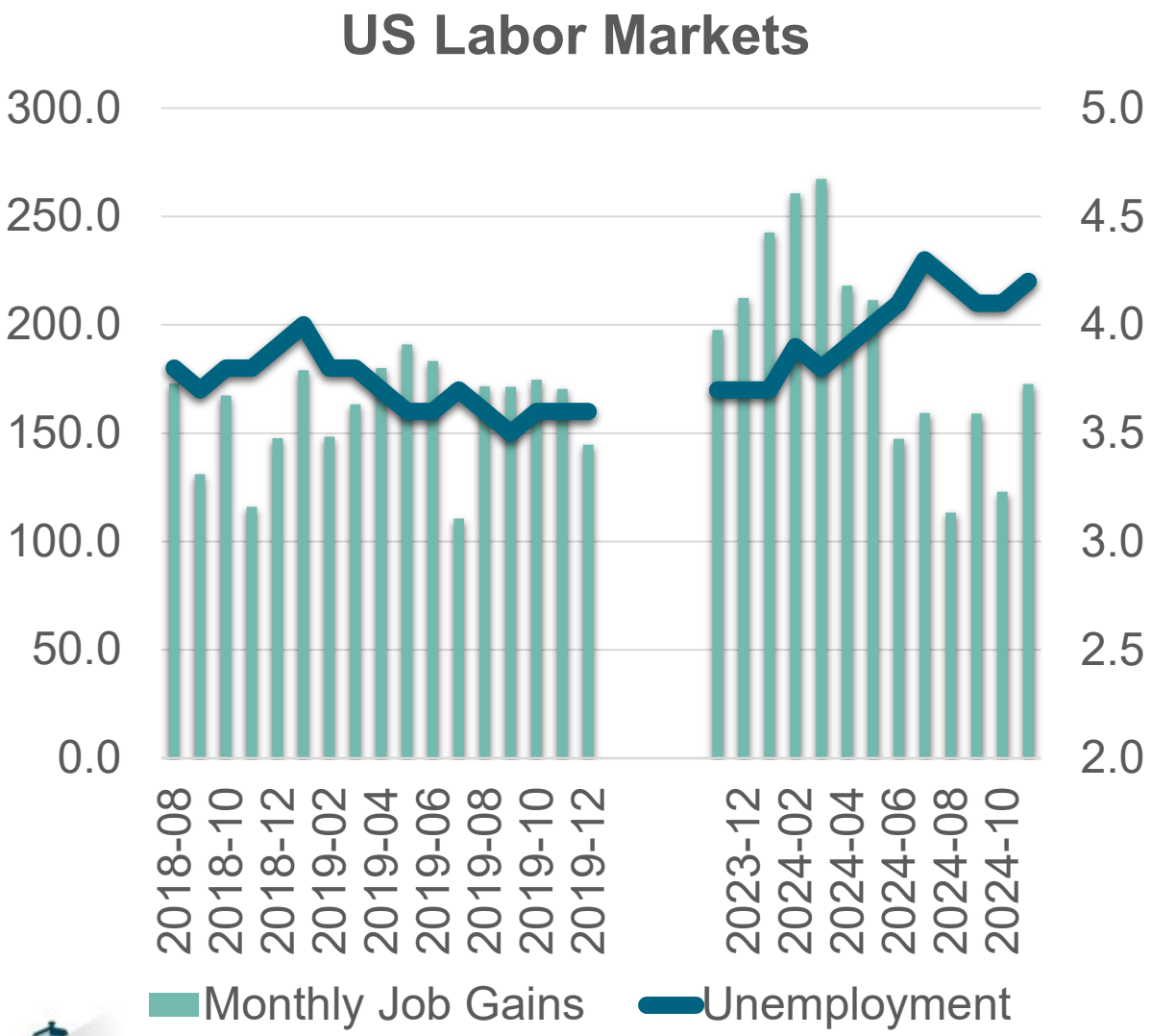
Category	Q3-24 ($, 000s)	Contra Costa 1-Year Chg. (%)
Total	54,914	-4.2
Restaurants and Hotels	6,577	1.1
Food and Drugs	3,183	-0.9
County & State Pool	11,405	-2.1
Autos and Transportation	7,981	-2.5
General Consumer Goods	9,434	-3.6
Building and Construction	4,388	-7.0
Fuel and Service Stations	4,874	-7.8
Business and Industry	6,770	-10.7

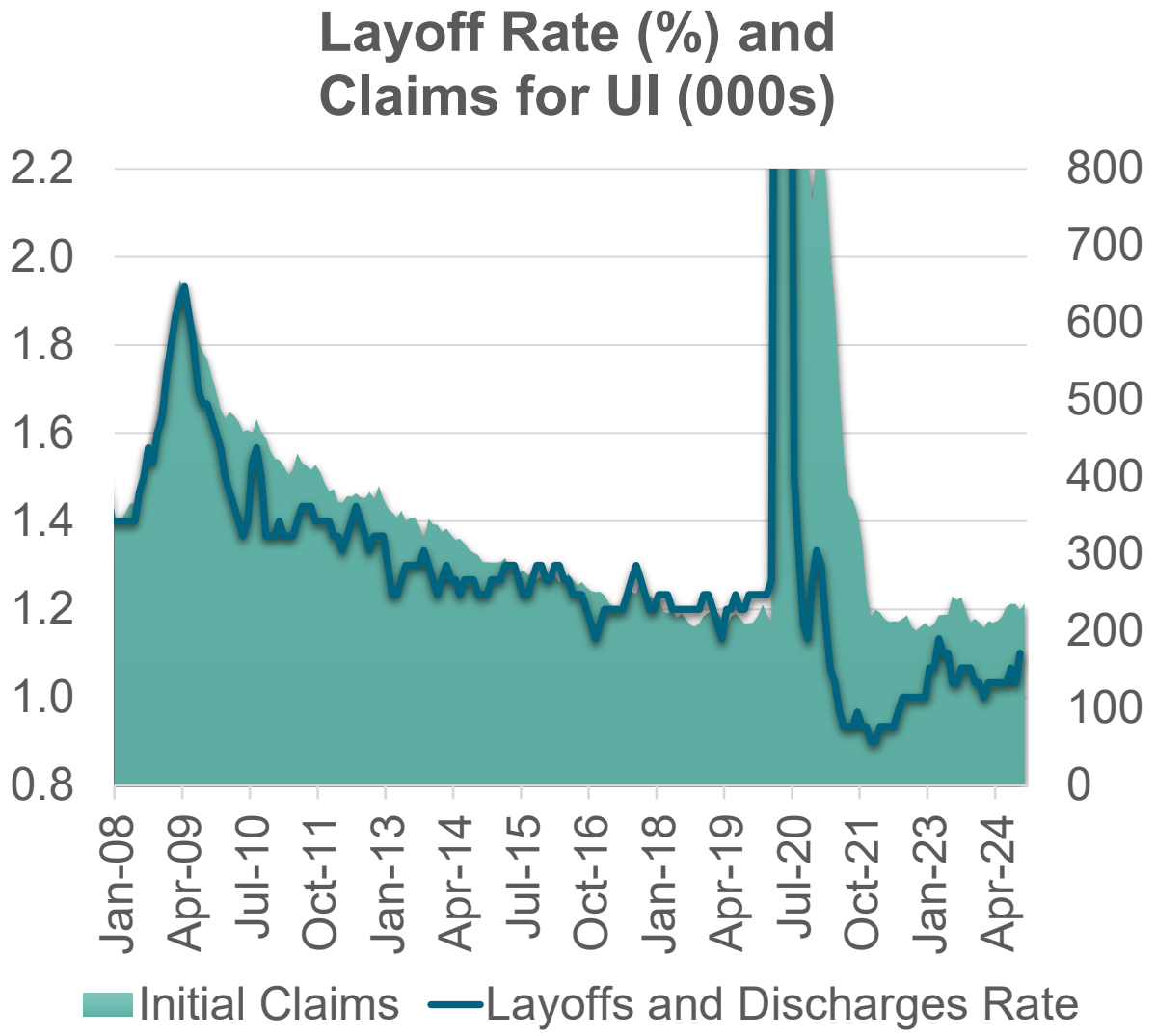
Little topline consumer debt distress





US Labor Markets: Still Tight



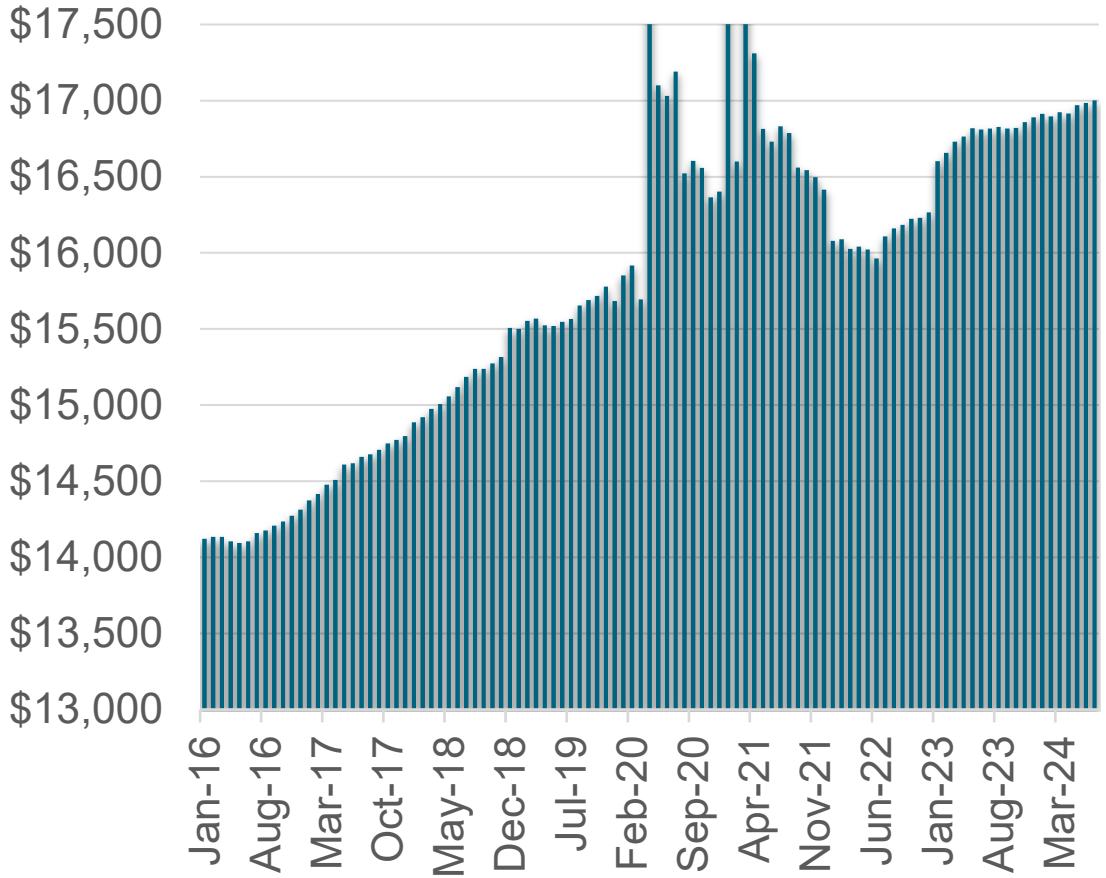


Real Incomes are Rising

Inflation Adjusted Hourly Wage Growth (Annual)

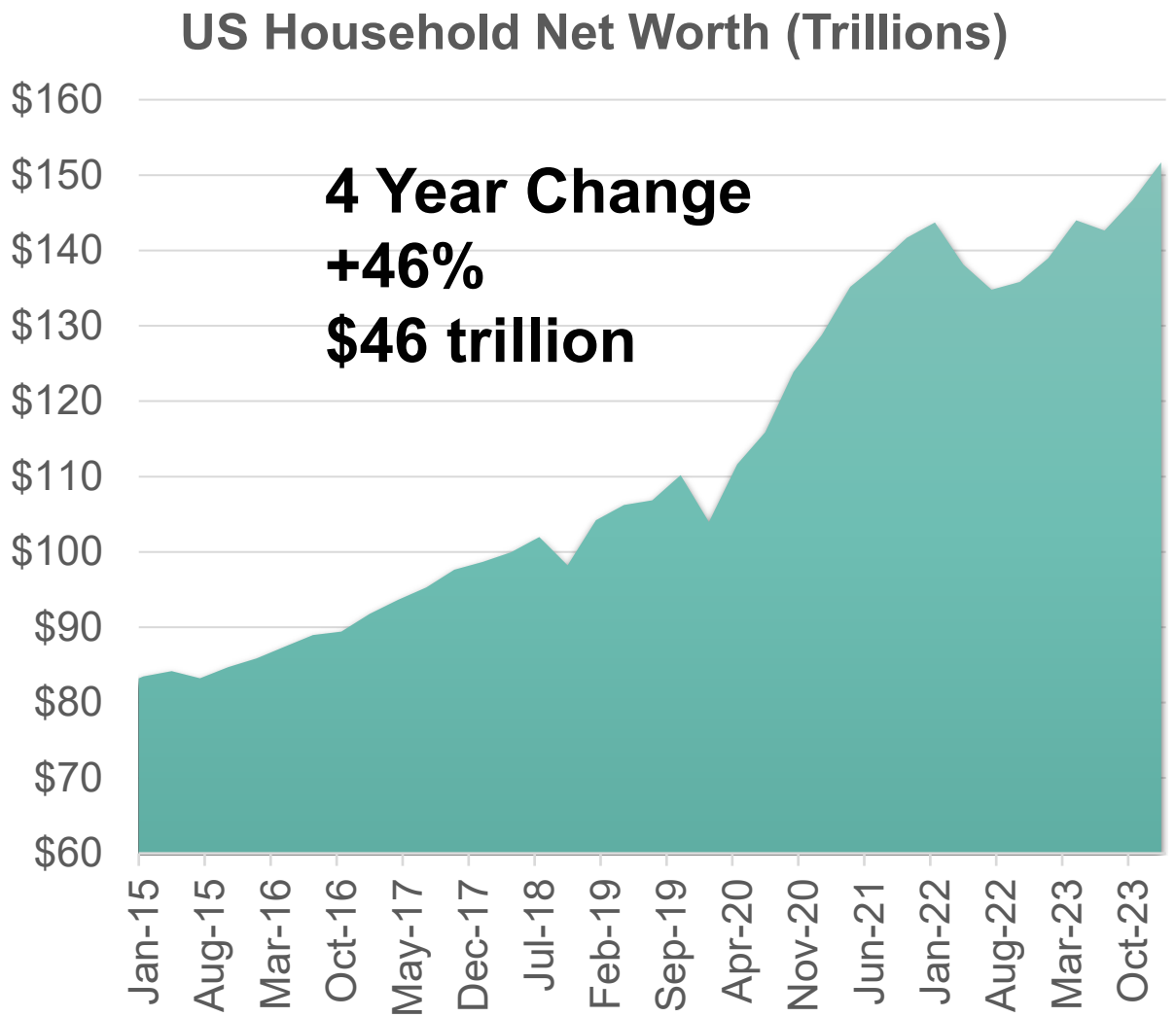
10 Year Real Growth in Hourly Earnings	
Lower 1/2	17.17
Upper 1/2	10.65

US Household Real Disposable Income

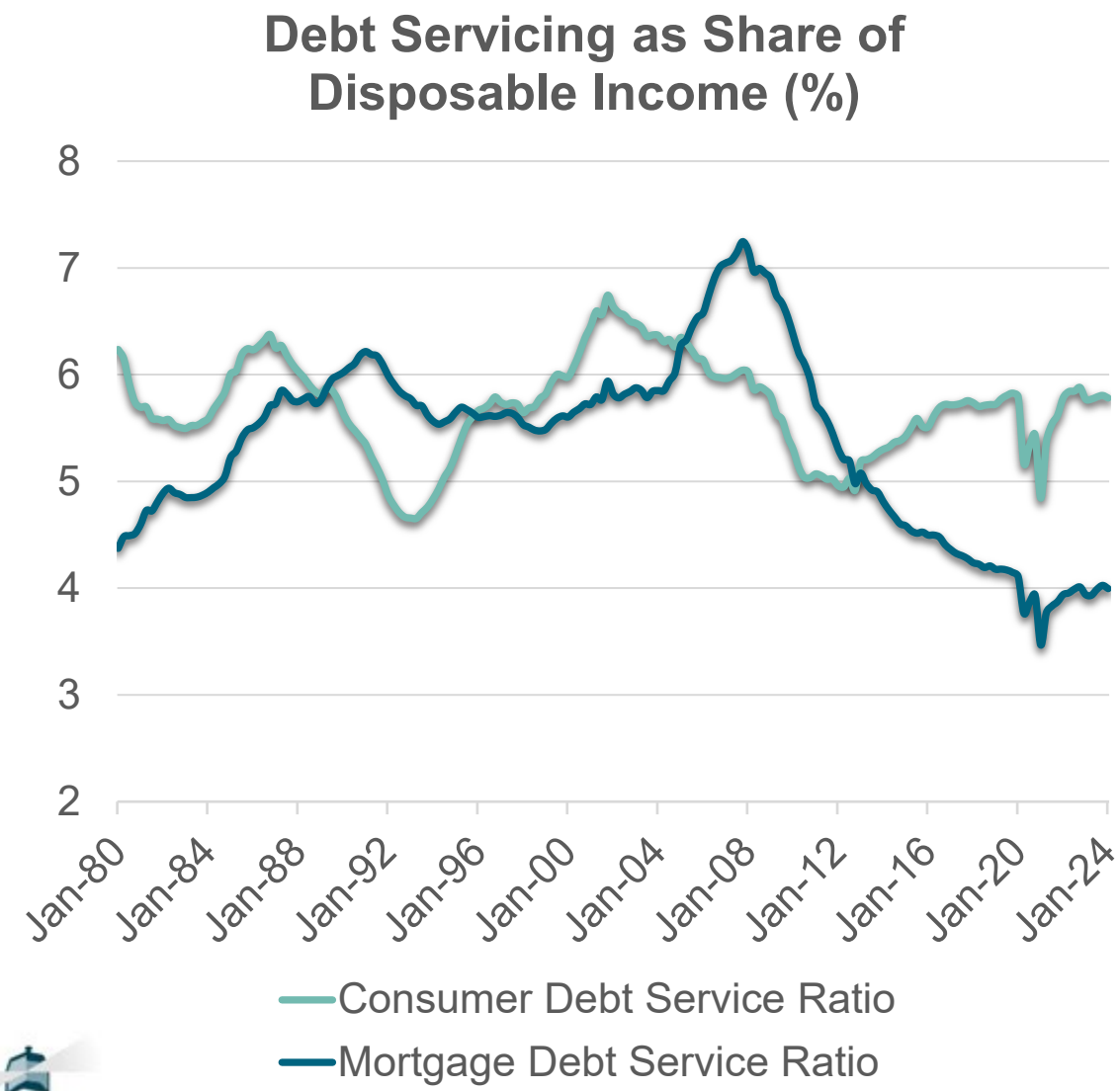


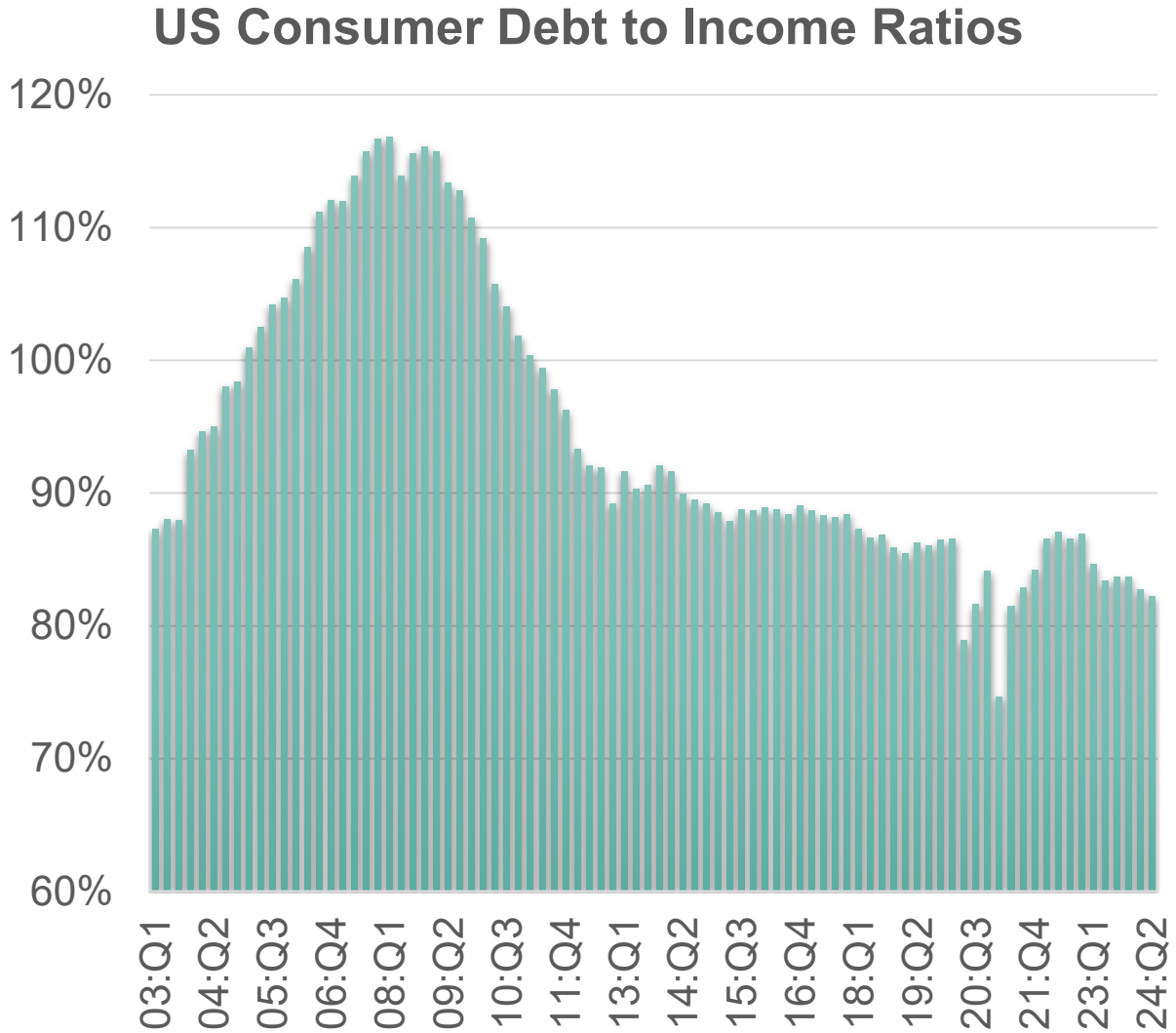
SR Outlook for Consumers: Still Good

Real Median Net Worth for US Households in 2022 ($thousands) and Growth Rate 2013-2022 By Percentile of income		
Less 20	$17	119%
20–39.9	$55	94%
40–59.9	$171	118%
60–79.9	$299	48%
80–89.9	$793	107%
90–100	$2,651	84%

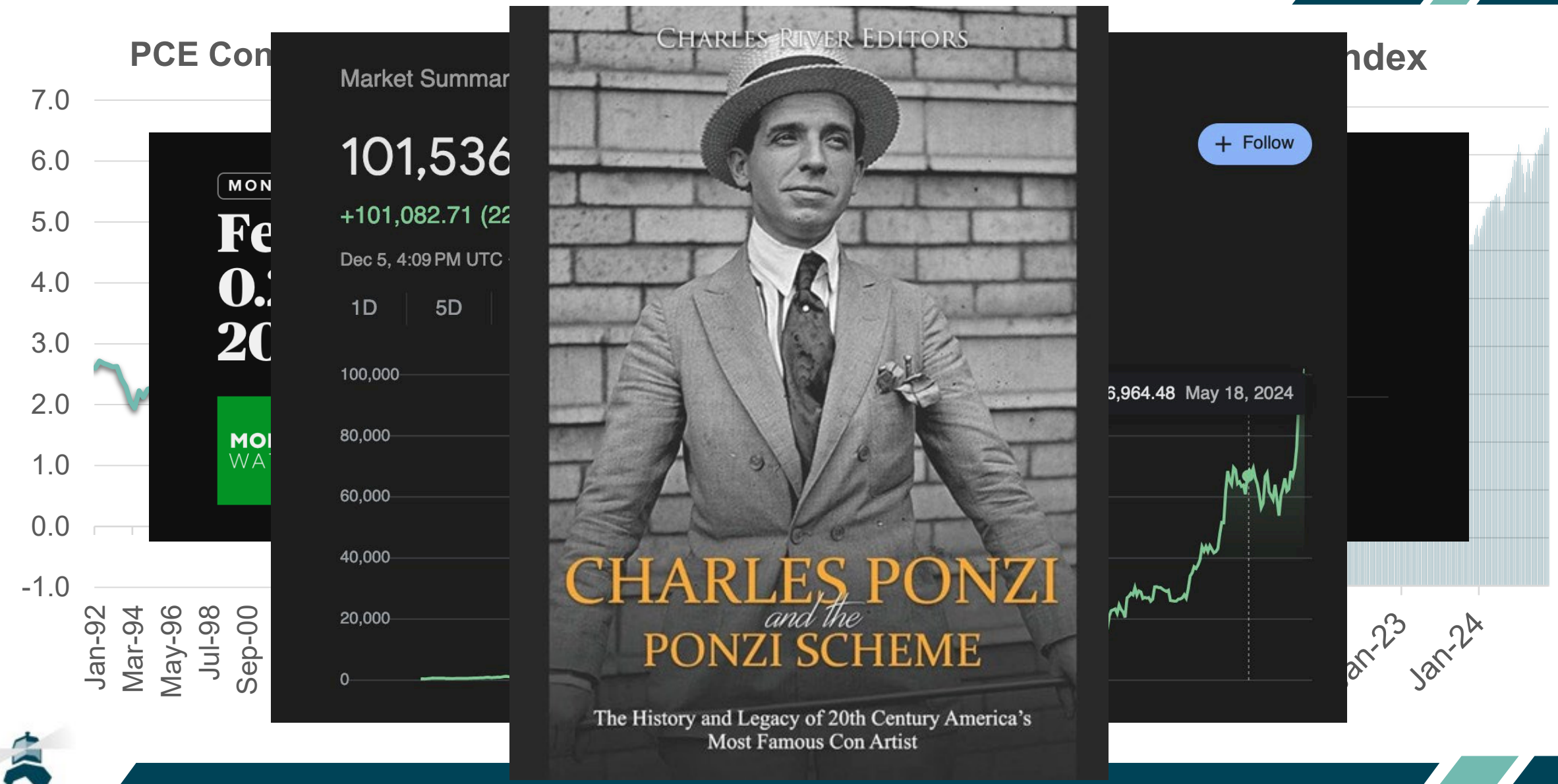


Consumer debt levels falling





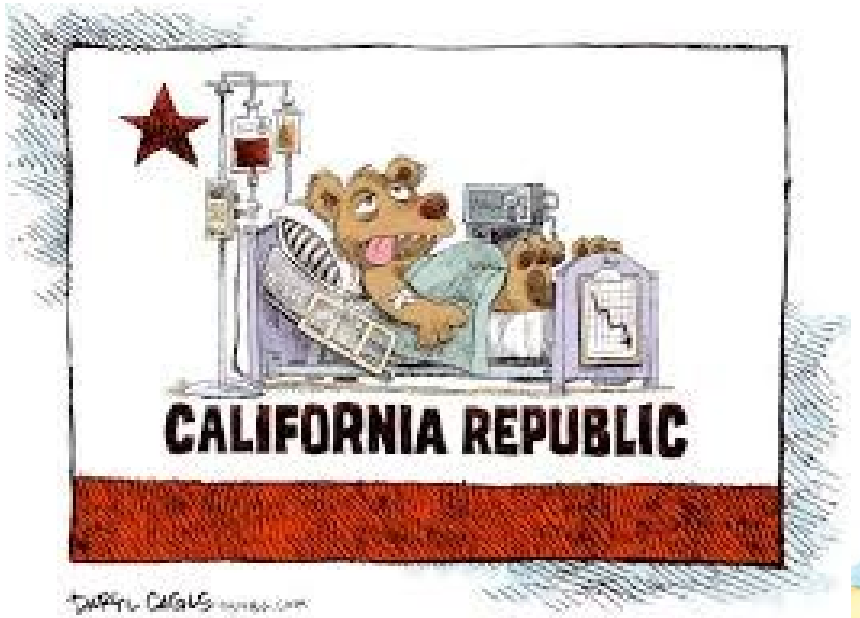
Inflation Down, Markets Up



The national mood?

U Mich Consumer Sentiment Smoothed

And How About California?

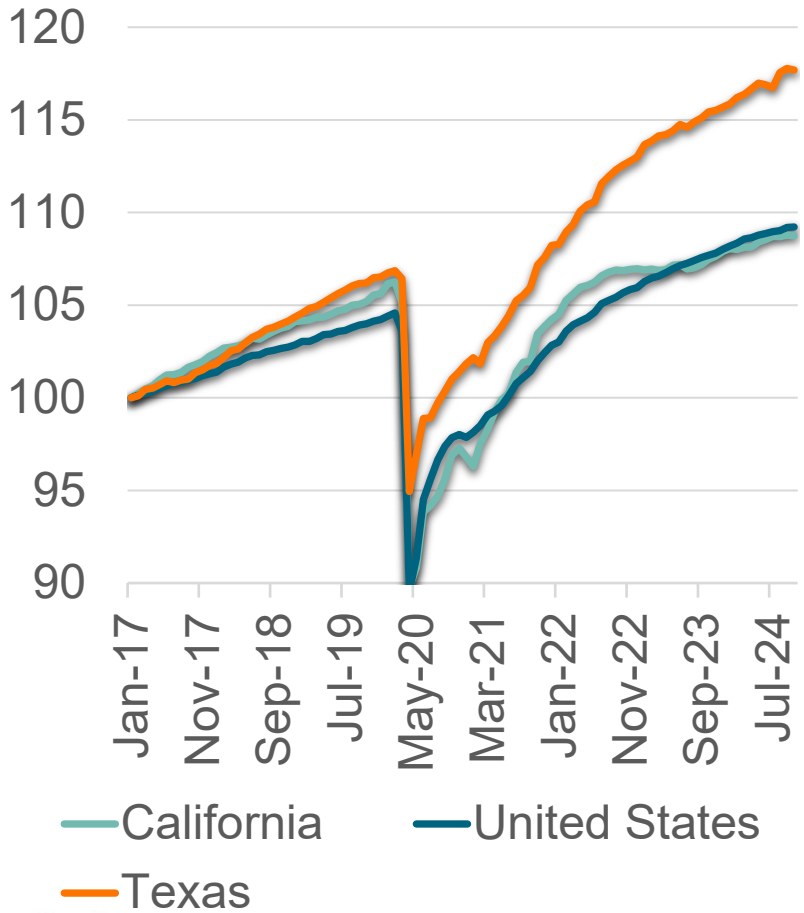


California's Poverty Rate Soars to Alarmingly High Levels in 2023

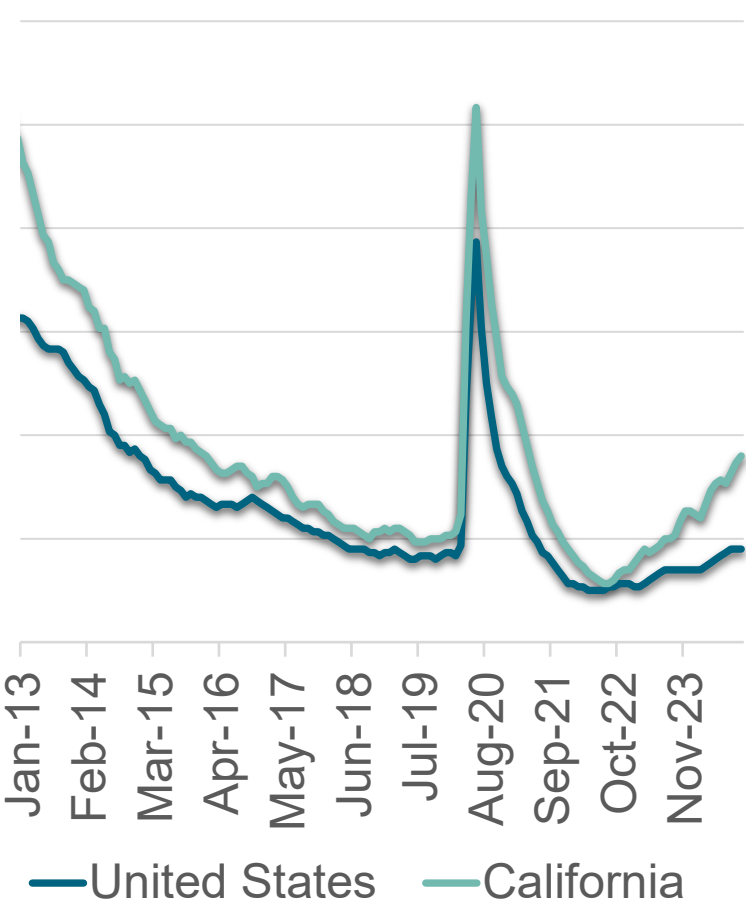
New Census Data Show Disproportionate Hardship for Black and Latinx Californians, as the End of Pandemic-Era Policies Reverses Progress

California Labor Markets

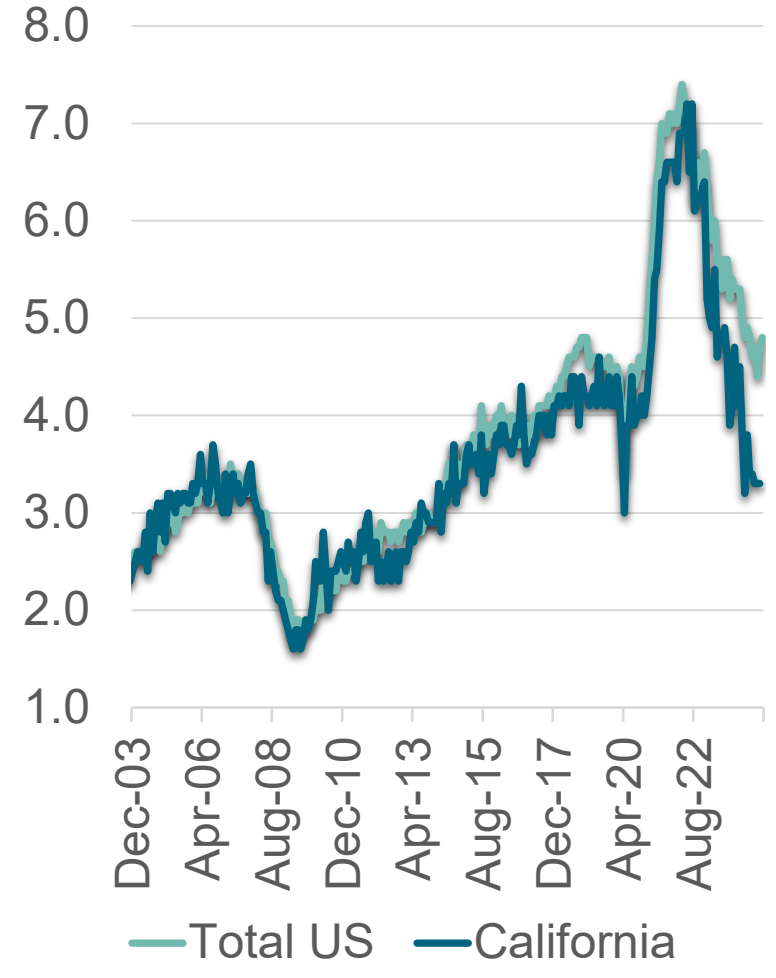
Indexes of Nonfarm Employment



Unemployed to Job Opening Ratio

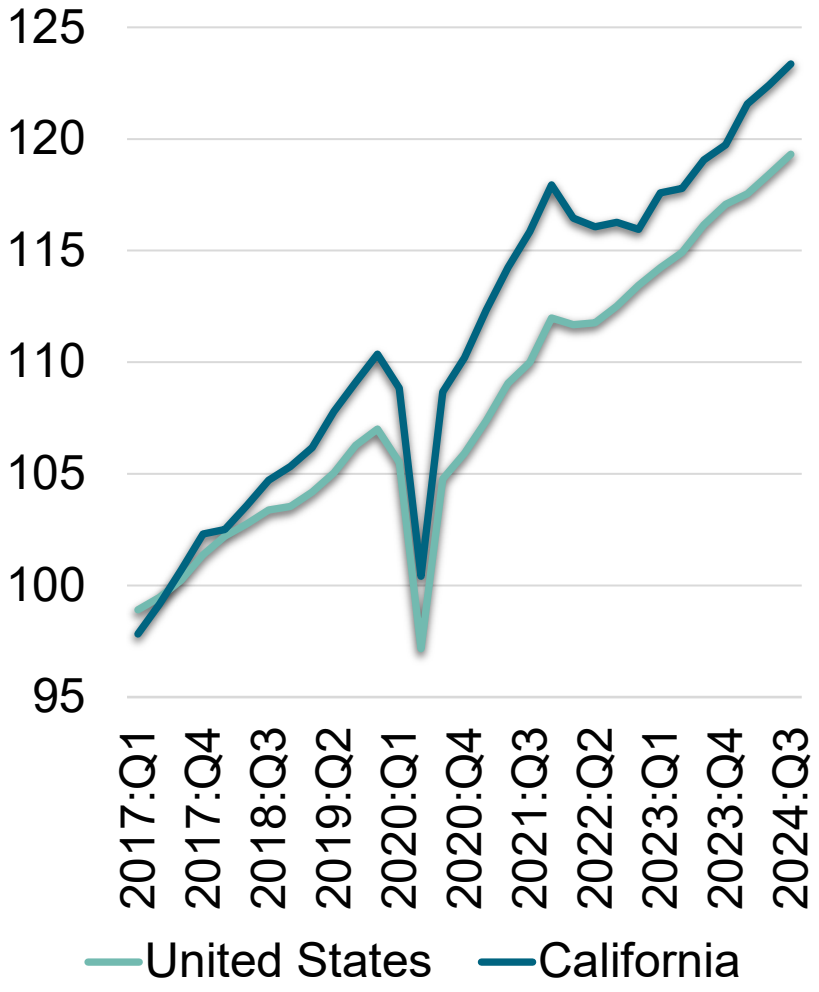


Job Opening Rate

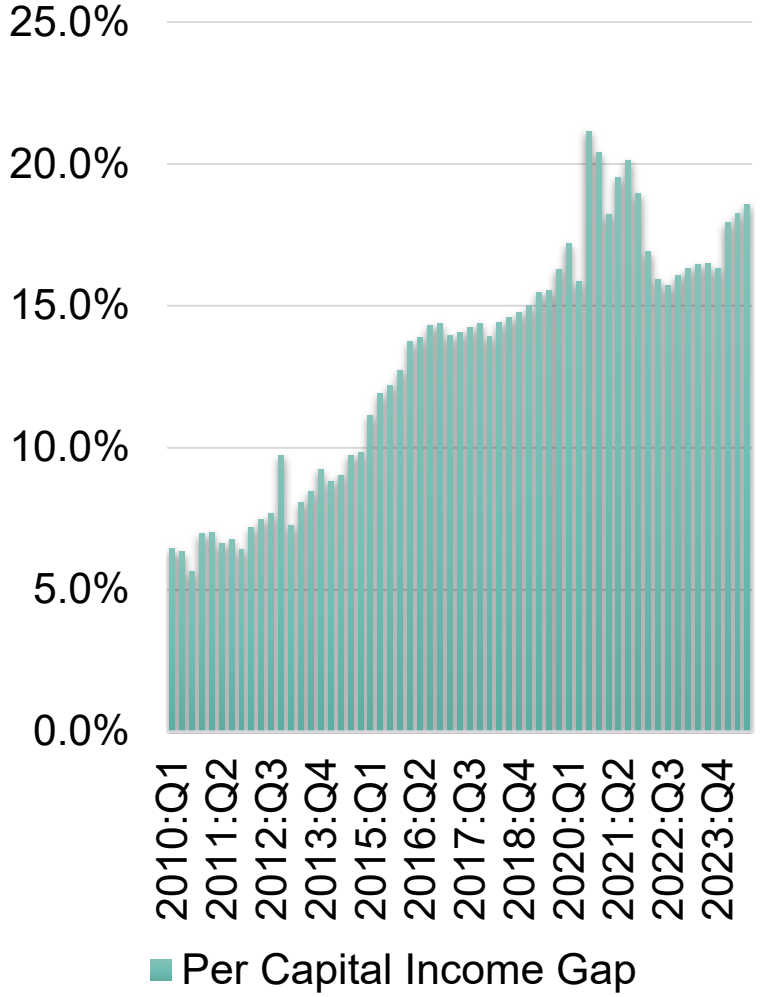


Growth on the Intensive Margin

Real GDP (Index)



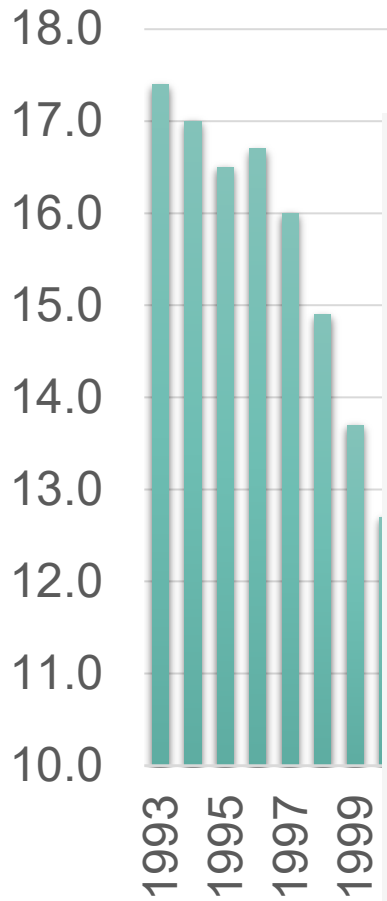
Per Capital Income Gap



Ranked Median Household Income by County

Rank out of 3,200		2023 Med HH Inc
2	Santa Clara	$154,954
3	San Mateo	$151,485
10	Marin	$139,644
18	San Francisco	$126,730
25	**Contra Costa**	**$122,794**
30	Alameda	$119,931
52	Orange	$110,042
54	Placer	$109,713
56	El Dorado	$108,594
59	Ventura	$107,667
61	San Benito	$107,324
70	Santa Cruz	$105,631
77	Napa	$104,686
82	San Diego	$103,674

State Inequality?



California Budget & Policy Center

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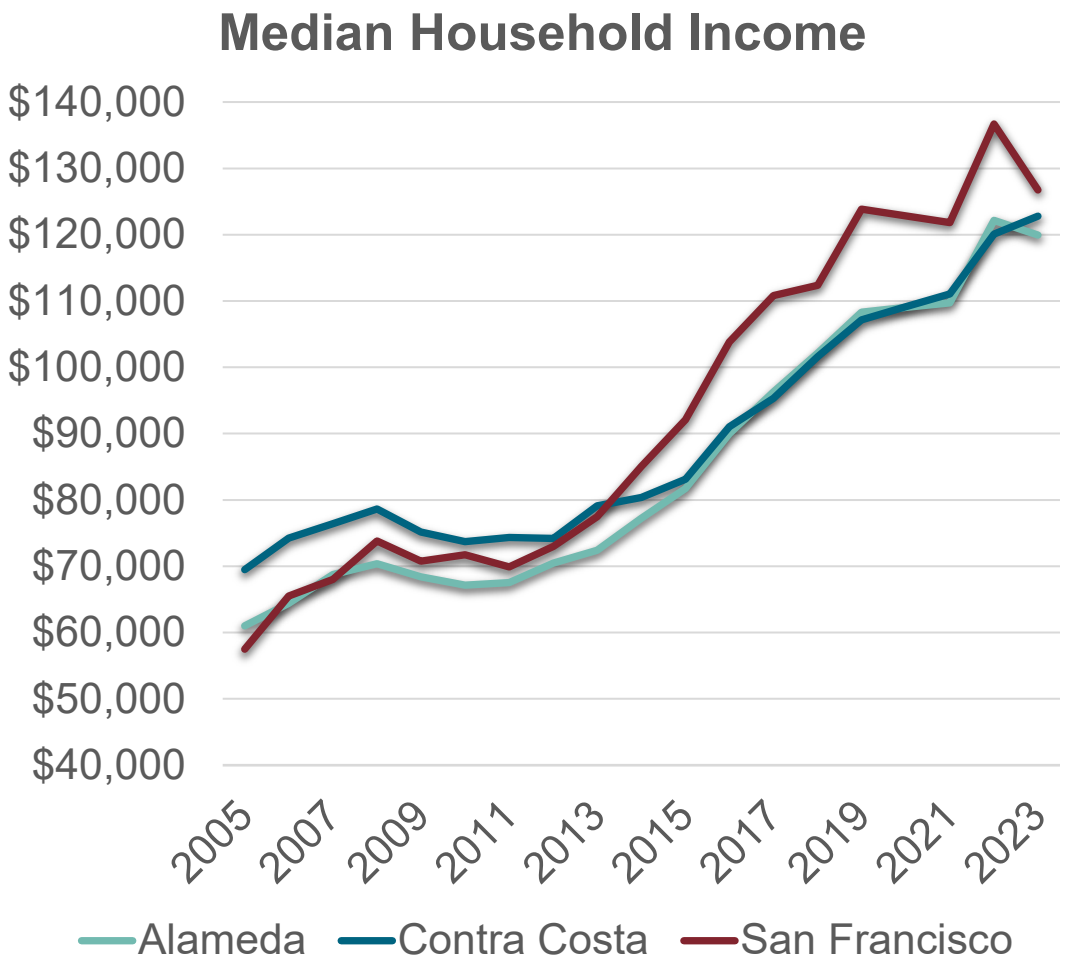
New Census Data Show Disproportionate Hardship for Black and Latinx Californians, as the End of Pandemic-Era Policies Reverses Progress

September 2024 | By Alissa Anderson, Kayla Kitson, Laura Pryor, Adriana Ramos-Yamamoto, and Monica Saucedo

Household Income
023

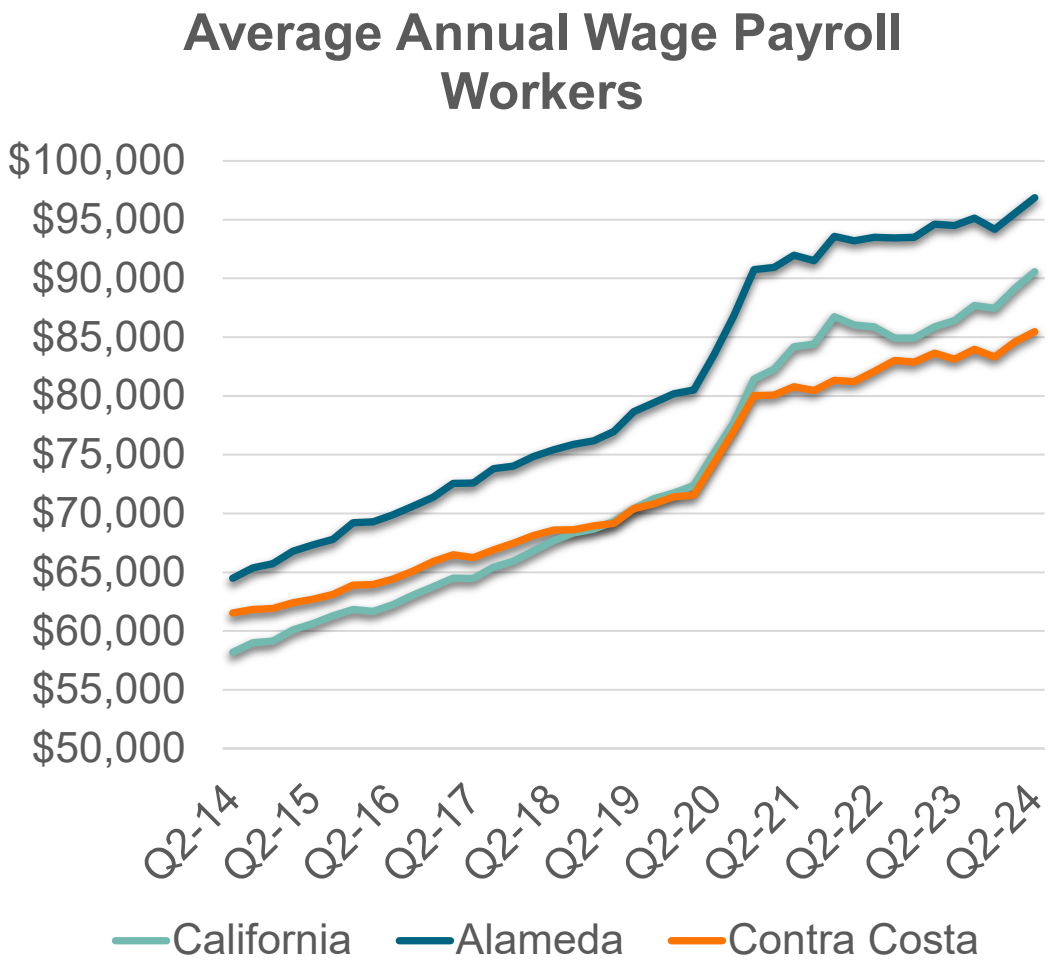
23	CA / US	GR
21	22.9%	18.7%
87	14.0%	24.4%
76	25.1%	22.4%
28	10.8%	19.0%
14	27.8%	15.3%
04	28.5%	13.7%

CC Household Income and Earnings



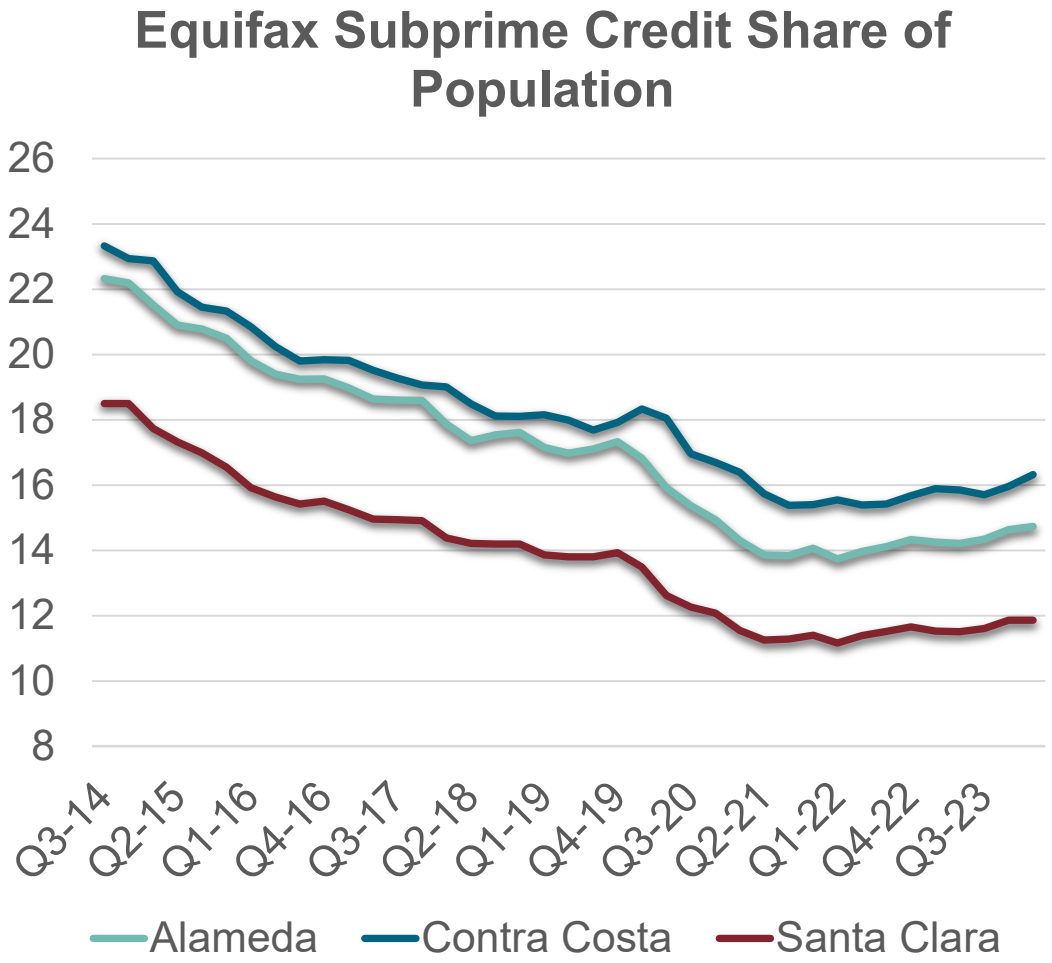
	2023 HH (#)	2023 Share of HH (%)	Chg. Since 2019 (pp.)
Total Households	416,172	100.0	0.0
Less than $25,000	35,800	8.6	-1.6
$25,000 to $49,999	43,063	10.3	-1.3
$50,000 to $99,999	91,475	22.0	-2.7
$100,000 to $149,999	74,372	17.9	-1.0
More than $150,000	171,462	41.2	6.6

Average Annual Wage



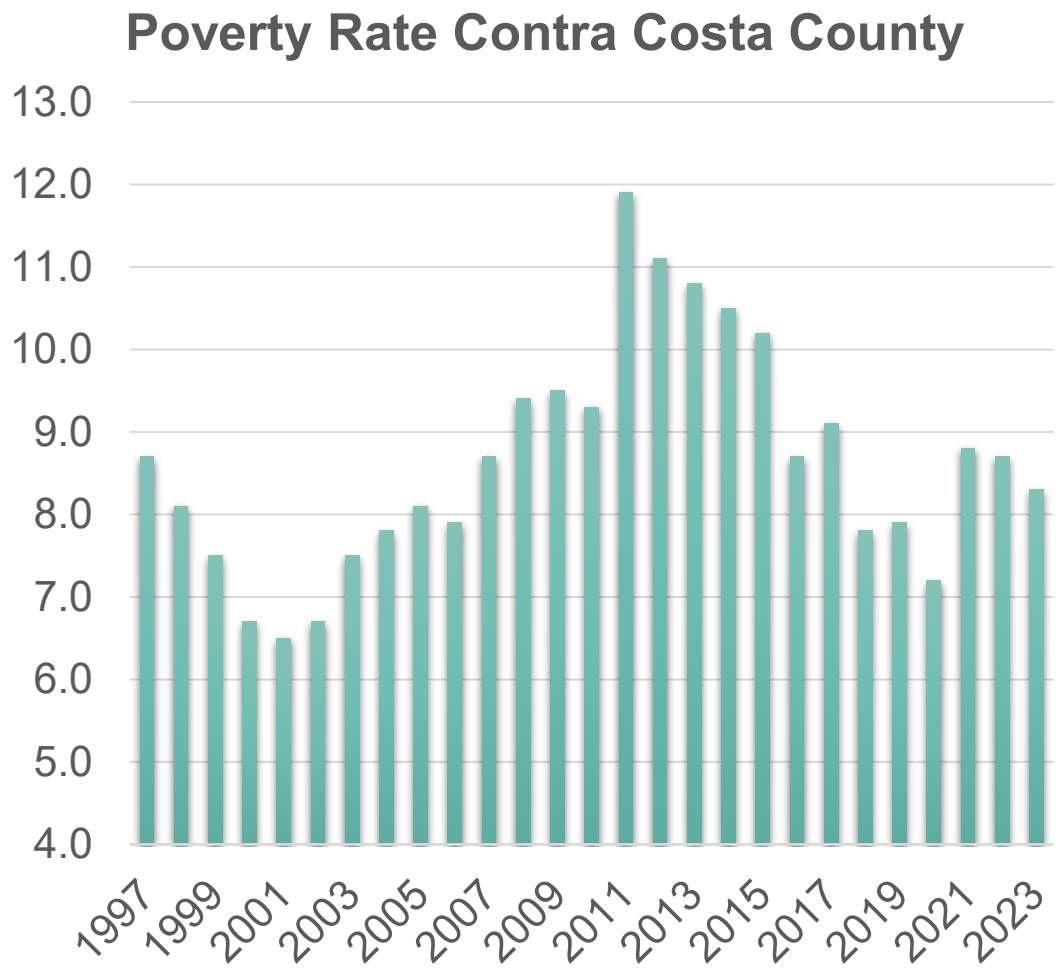
Earnings for Full Time Employed Residents		Percent Male	Percent Female
< $50K	98,727	20.2%	29.1%
Ch 18-23	-29,424	-9.1%	-8.6%
$50-75K	81,950	18.3%	22.5%
Ch 18-23	6,785	0.7%	0.9%
$75-100K	58,525	14.4%	14.3%
Ch 18-23	411	0.9%	-2.5%
> $100K	167,860	45.5%	35.7%
Ch 18-23	39,860	5.9%	11.8%

Distributional Issues



Contra Costa Earnings by Education	2023 Earnings ($)	Chg. Since 2019 (%)
Population 25 and older	69,965	20.7
Less than High School	33,682	12.4
High School Diploma	45,582	9.4
Some College	60,215	20.0
Bachelor's Degree	93,934	19.8
Grad/Prof Degree	113,969	12.4

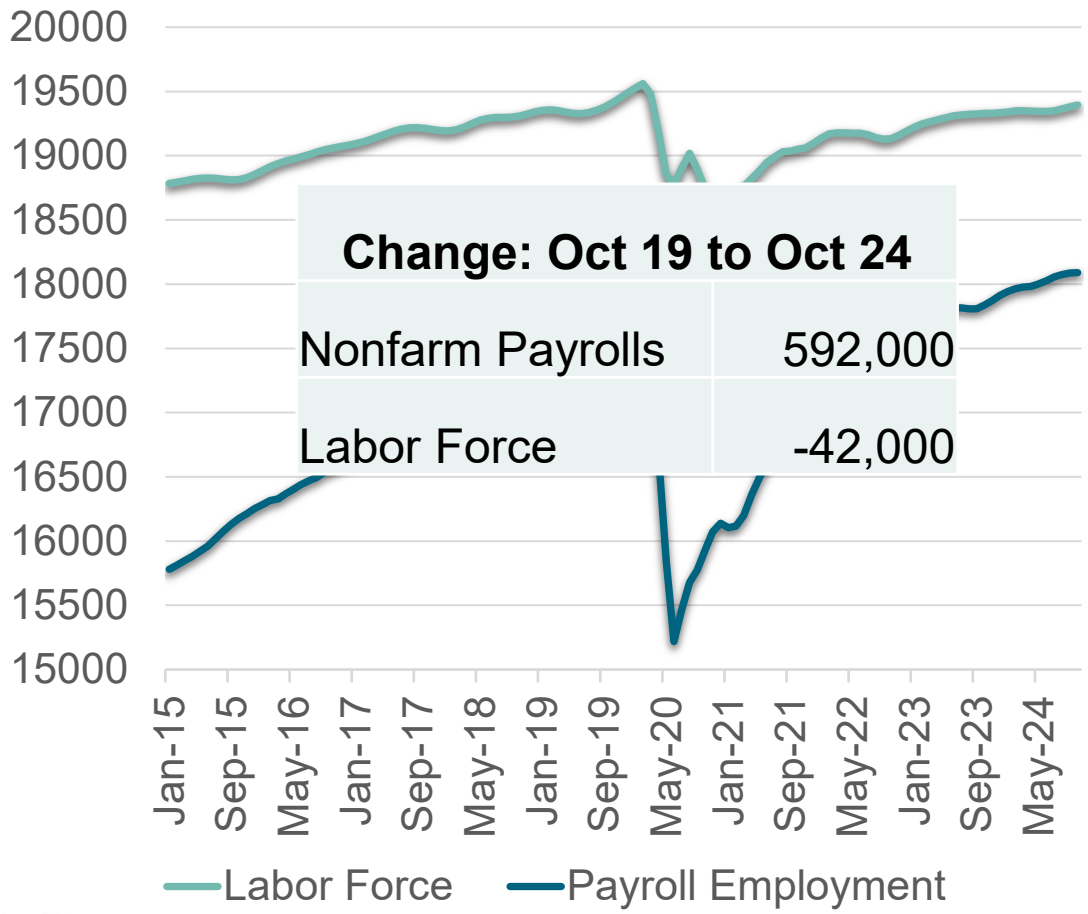
Contra Costa Poverty Rate



Location	Poverty Rate 2023 (%)	8-Year Chg. (%)
Richmond	10.8	-6.5
Pittsburg	14.2	-3.1
Concord	8.6	-2.6
Contra Costa County	8.3	-2.0
Alameda County	9.5	-1.9
Antioch	12.1	-1.1
San Ramon	4.5	-1.0
Walnut Creek	6.5	3.1

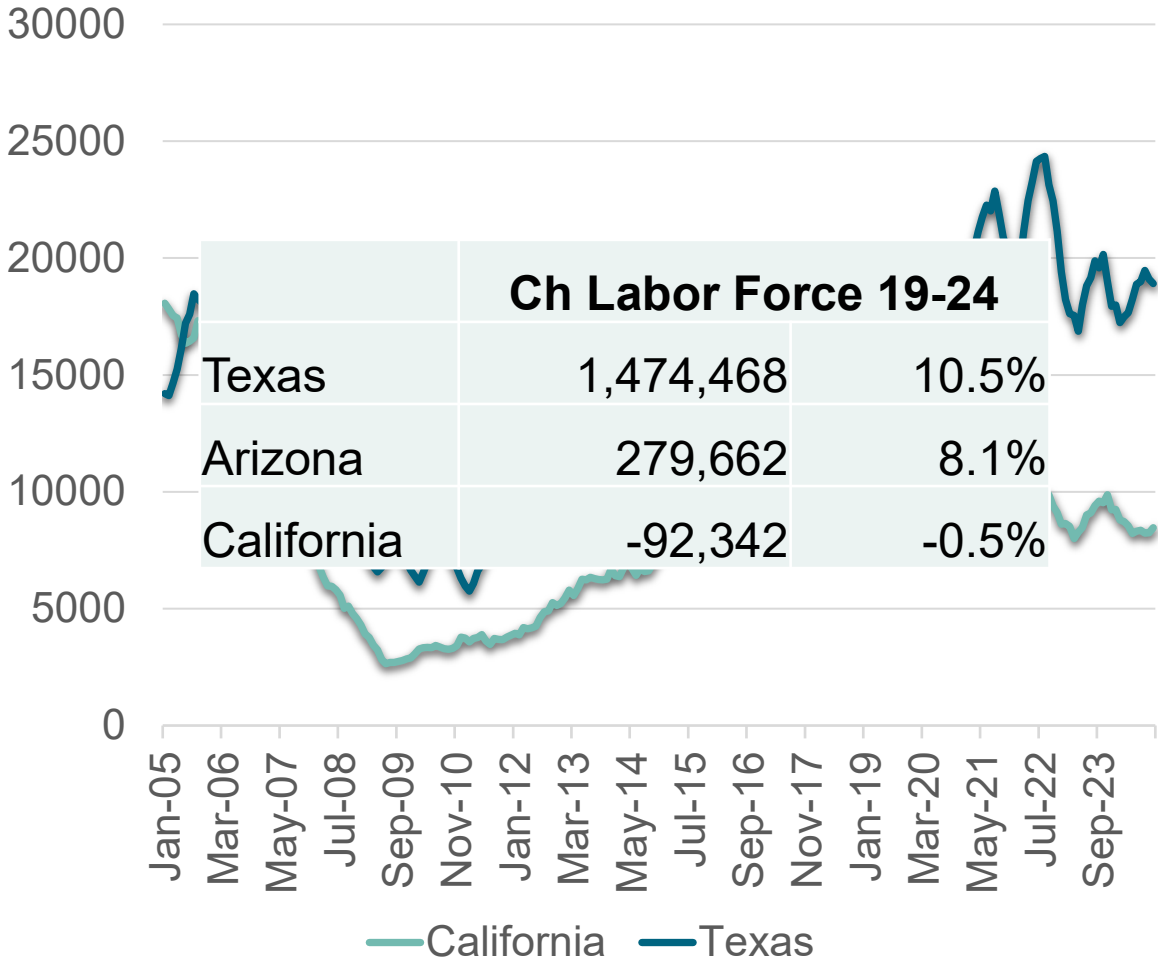
Regional Growth Differences?

California Employment and Labor Force



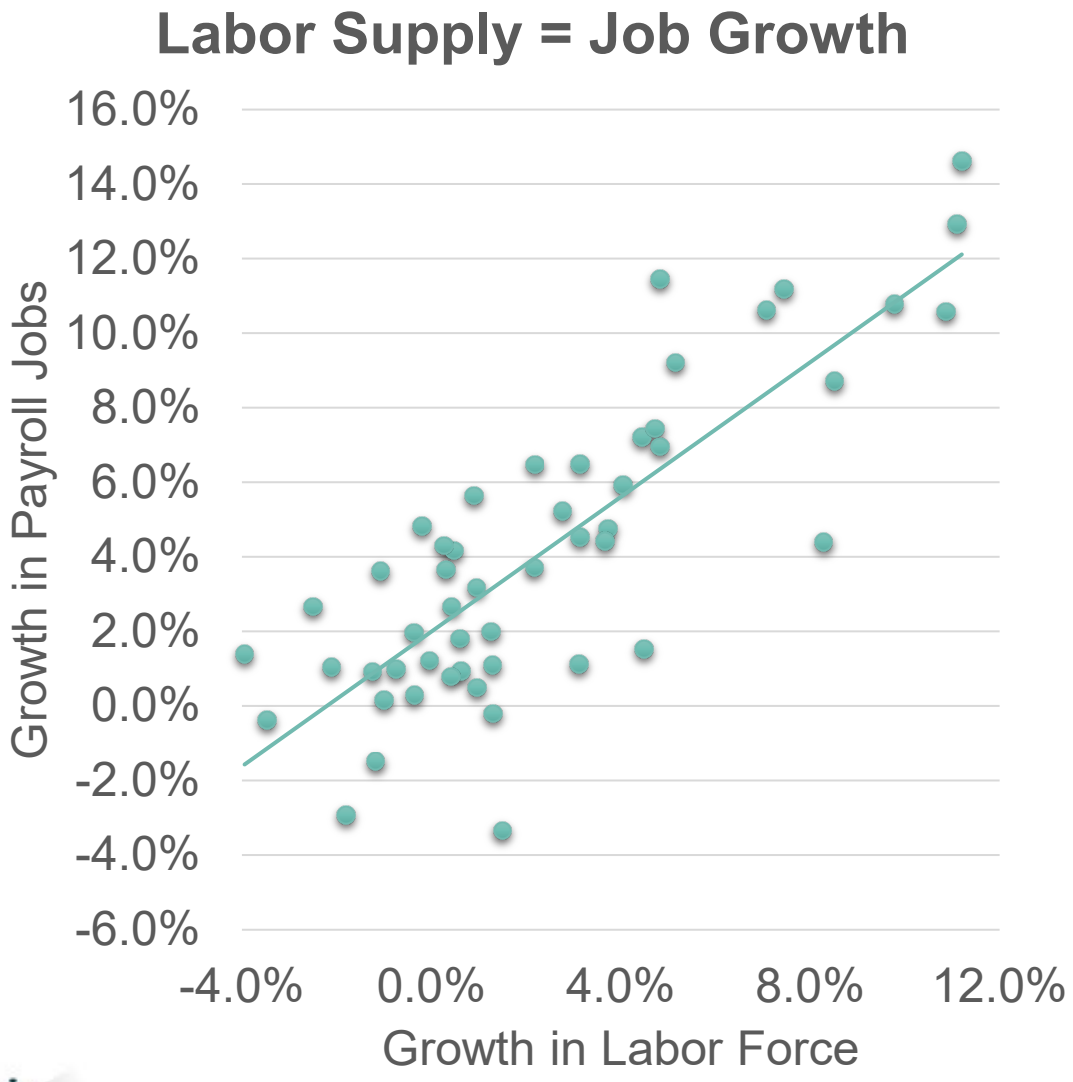
Change: Oct 19 to Oct 24	
Nonfarm Payrolls	592,000
Labor Force	-42,000

Housing Permits by State



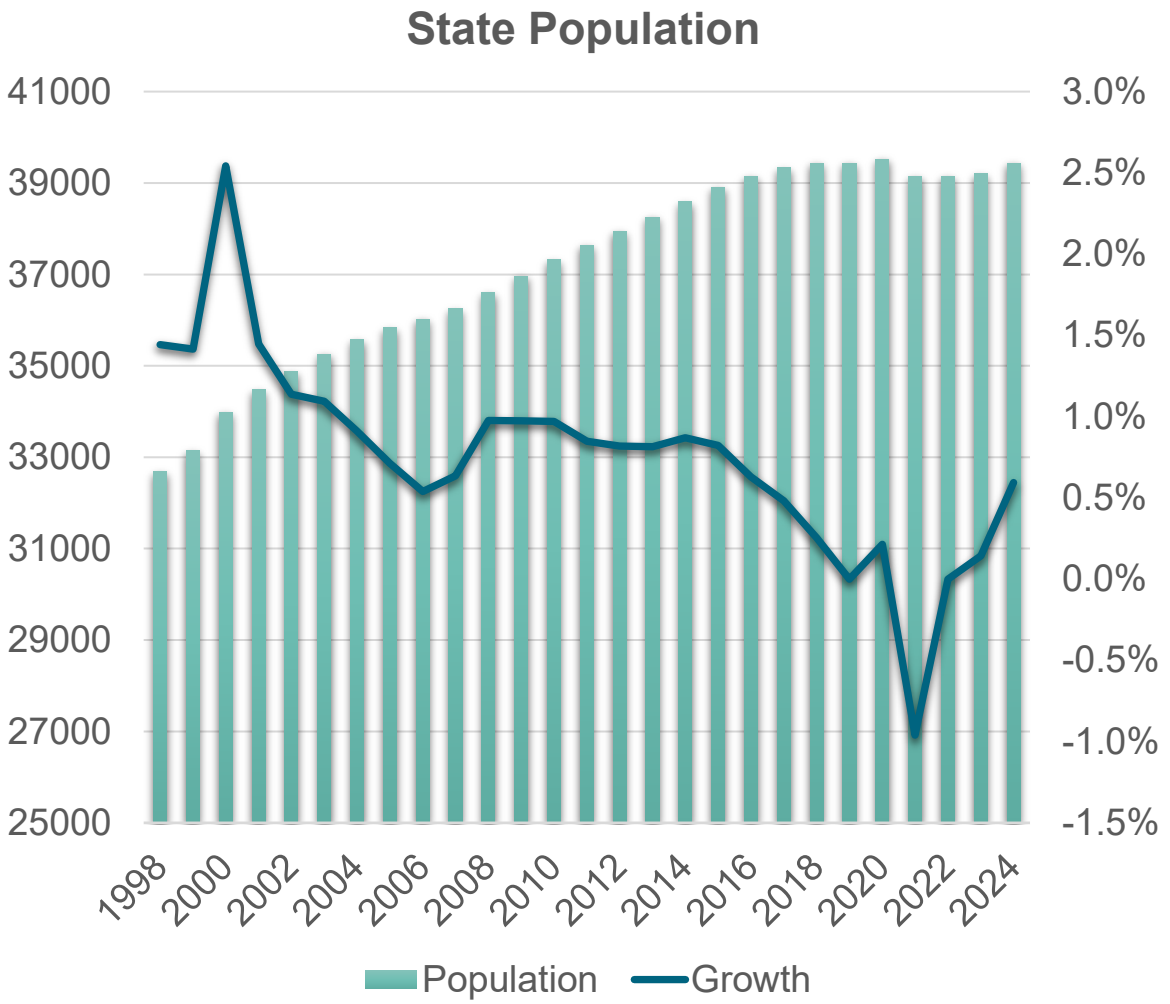
	Ch Labor Force 19-24	
Texas	1,474,468	10.5%
Arizona	279,662	8.1%
California	-92,342	-0.5%

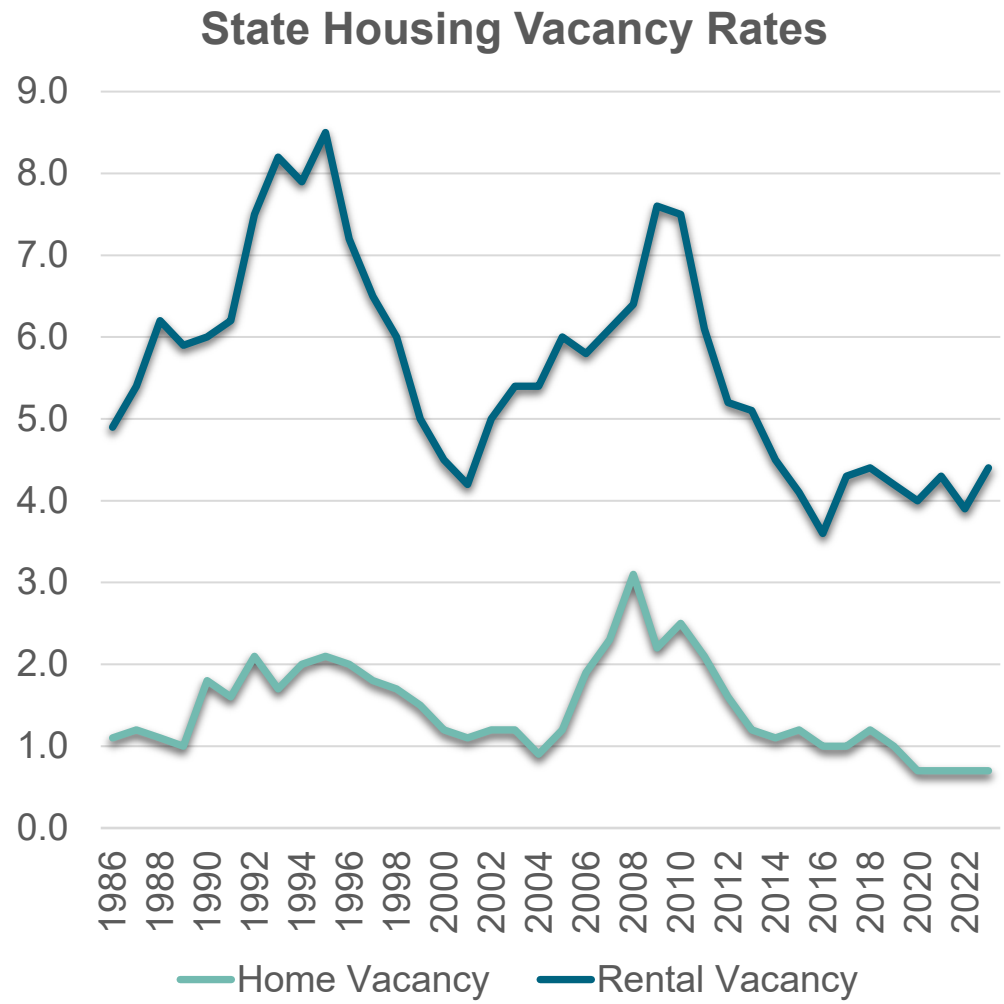
Labor Force = Jobs



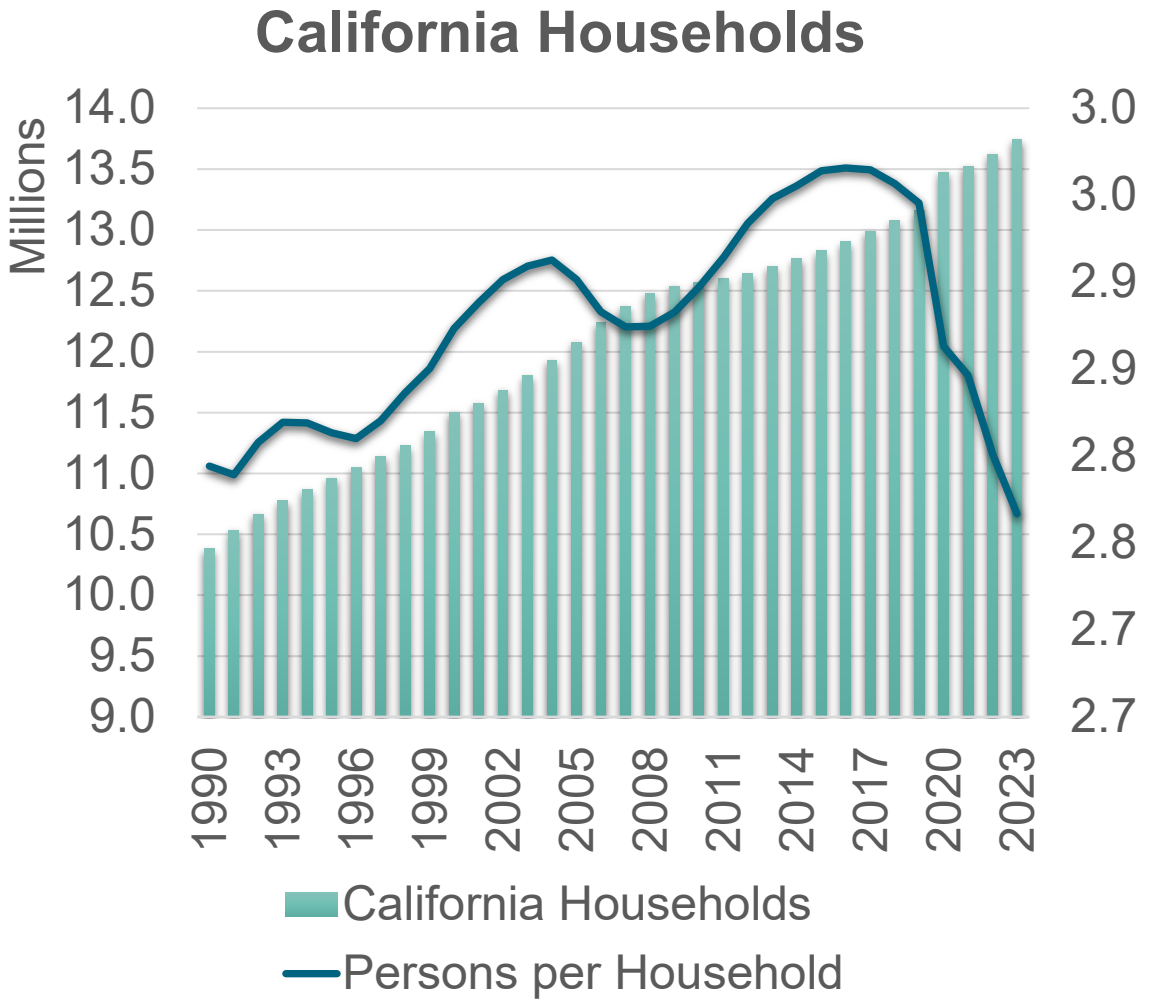
Location	Jul-24 Emplt (000s)	Chg. since Feb-20 (%)	Jul-24 LF (000s)	Chg. since Feb-20 (%)
Stockton	283	10.7	351	5.4
Inland Empire	1,711	7.0	2,188	4.0
Fresno	393	5.7	460	1.3
Sacramento	1,097	5.6	1,138	2.8
Bakersfield	292	4.2	393	0.7
San Diego	1,566	2.7	1,592	0.4
California	18,075	2.2	19,362	-1.2
Orange County (MD)	1,711	1.2	1,595	-1.4
Oakland (MD)	1,201	0.0	1,375	-2.2
San Jose	1,161	-0.5	1,063	-2.4
Los Angeles (MD)	4,594	-0.7	5,098	-2.8
San Francisco (MD)	1,156	-4.2	992	-5.6

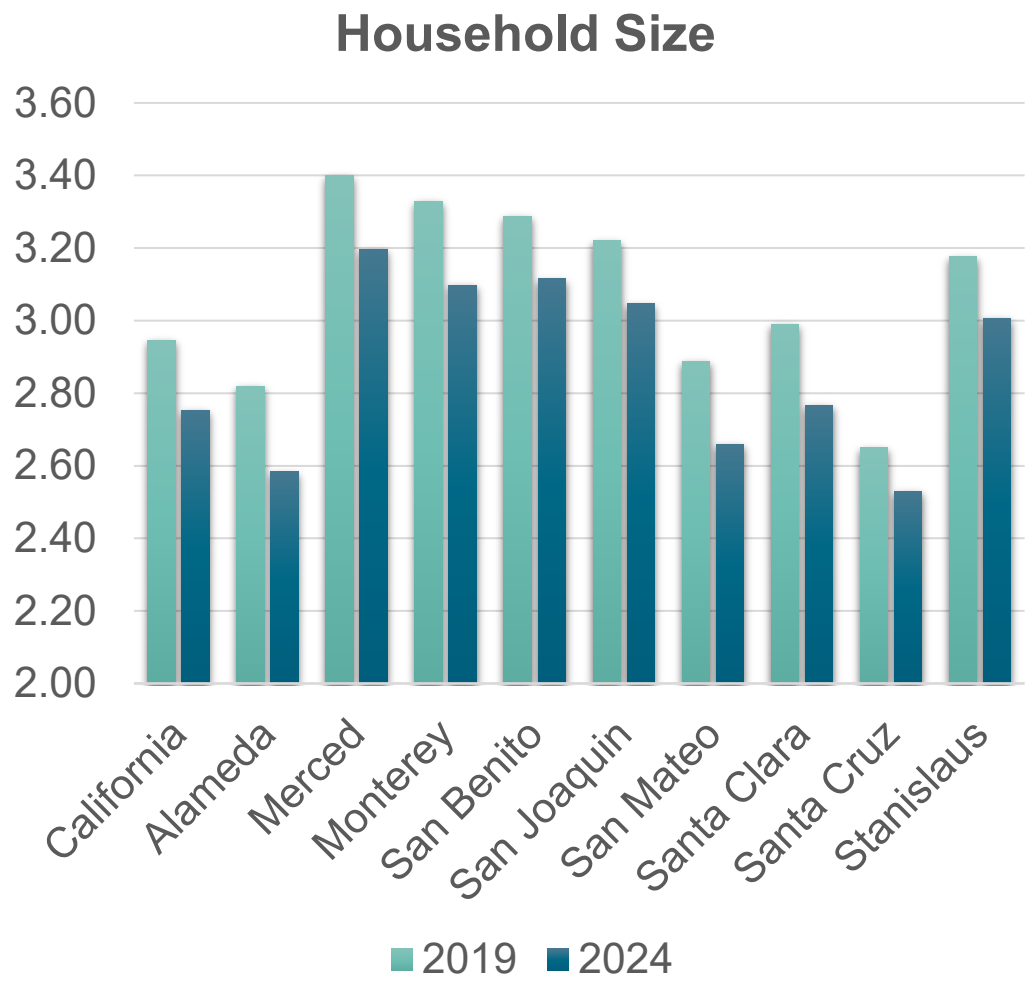
California's "Fleeing" Population?



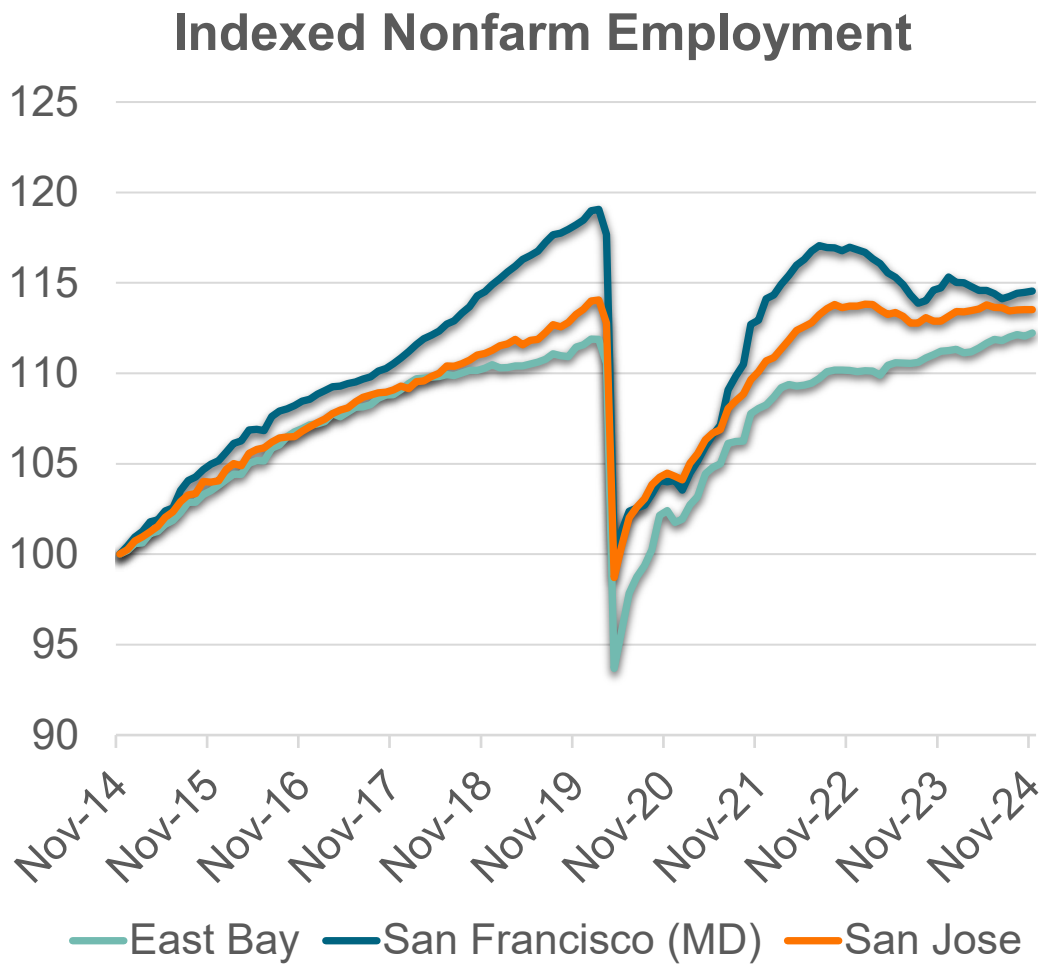


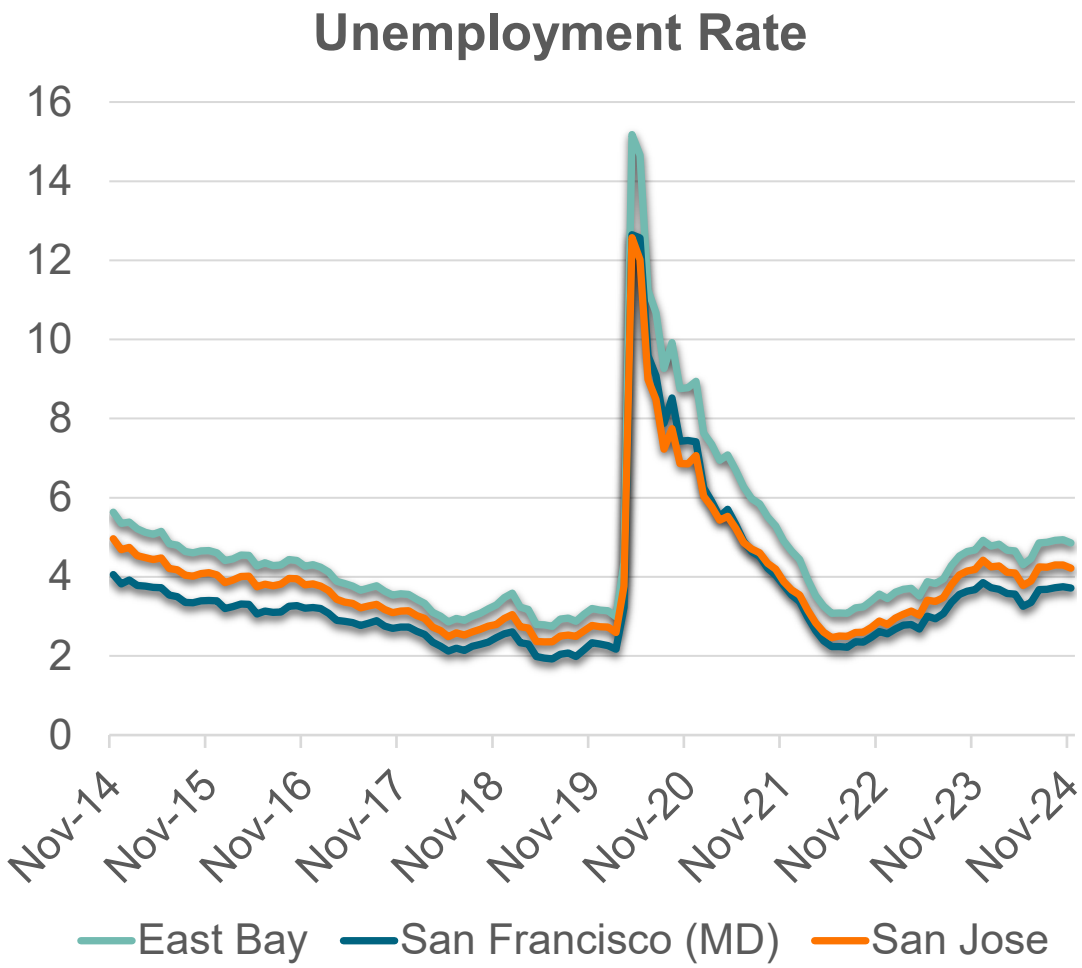
California's "Fleeing" Population?





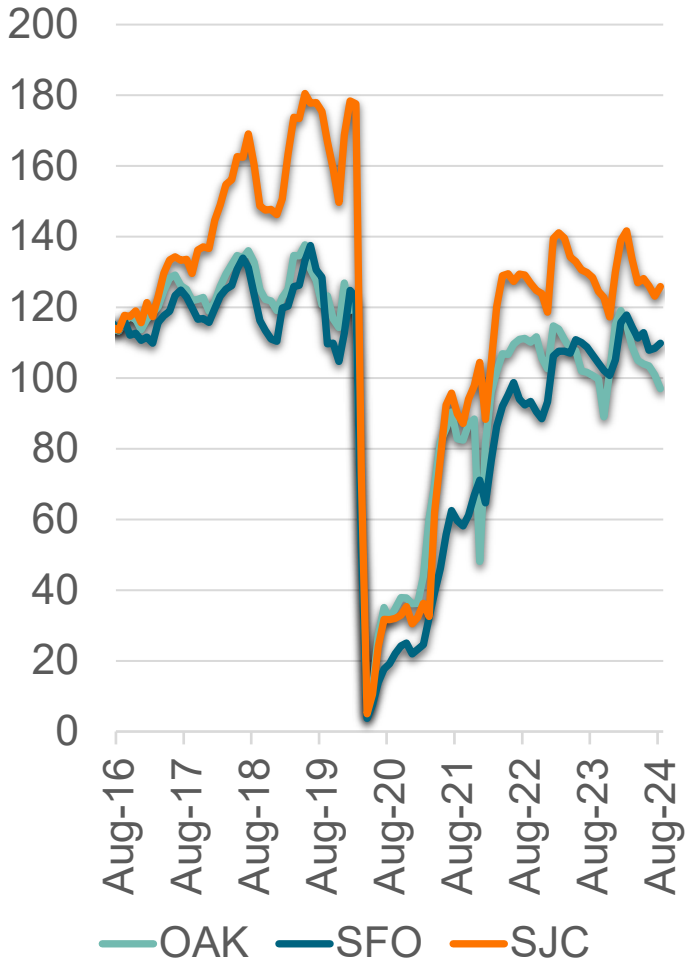
Bay Area Nonfarm Employment



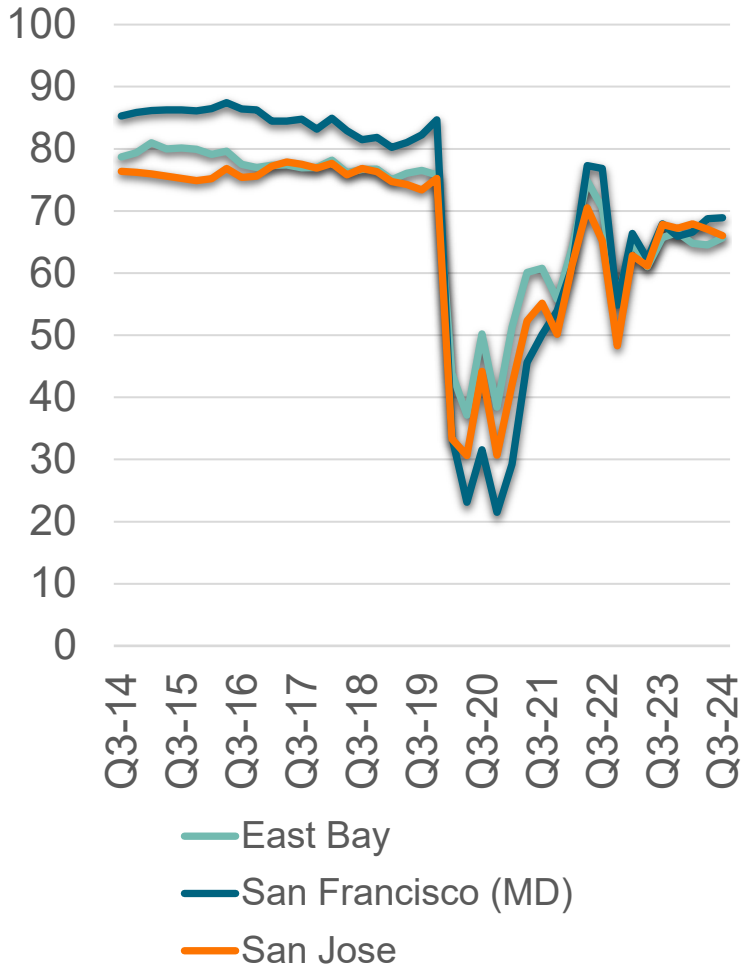


Local Travel

Indexed Air Traffic

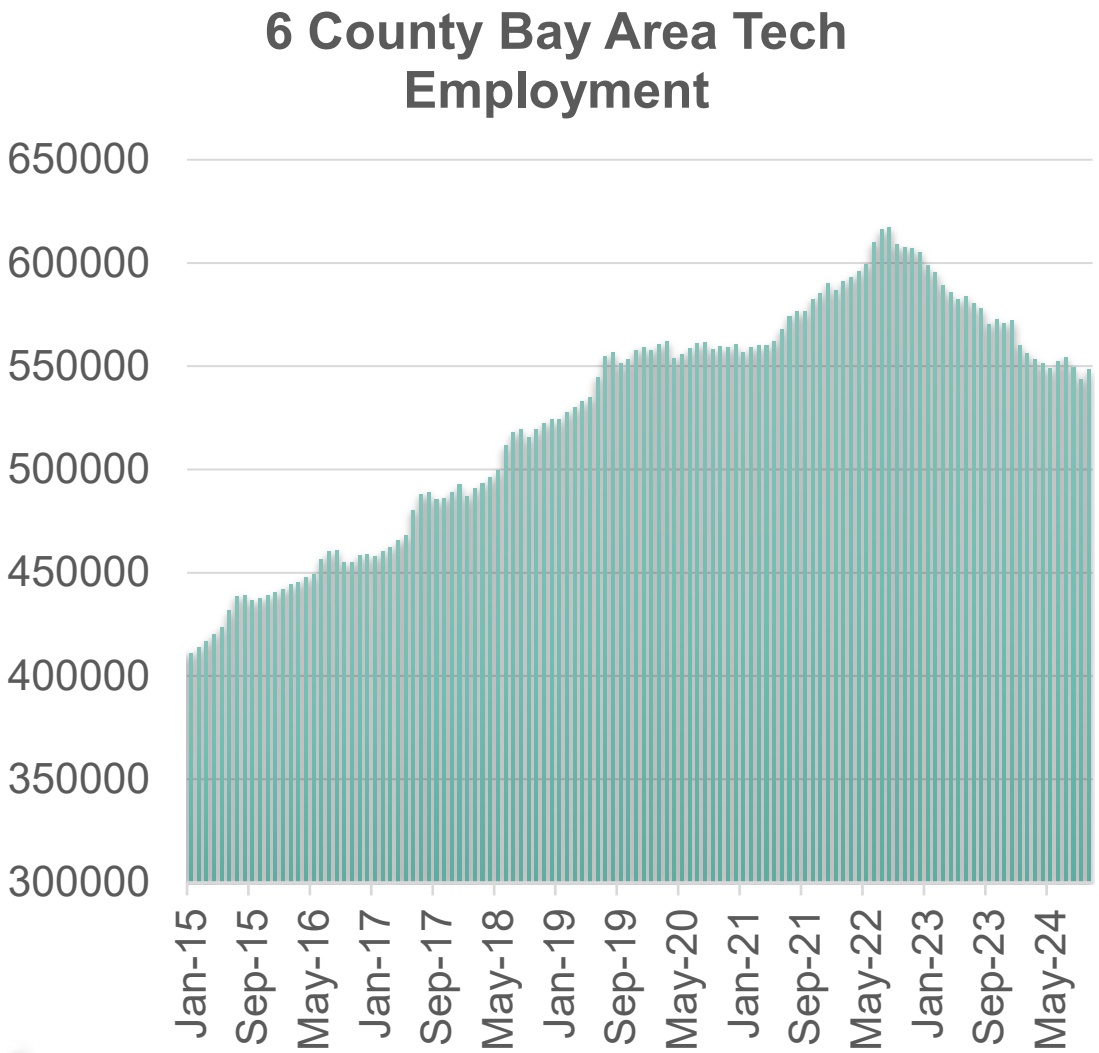


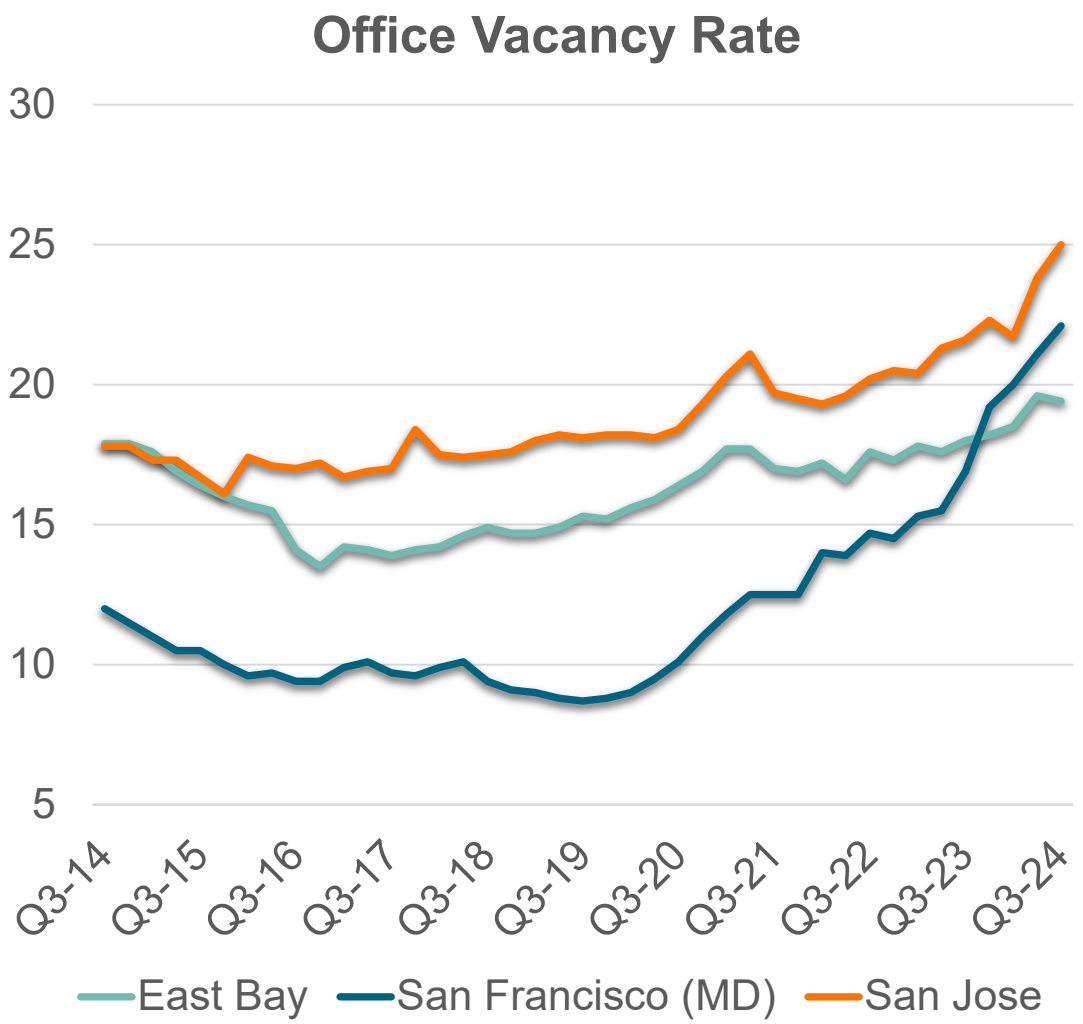
Hotel Occupancy Rate



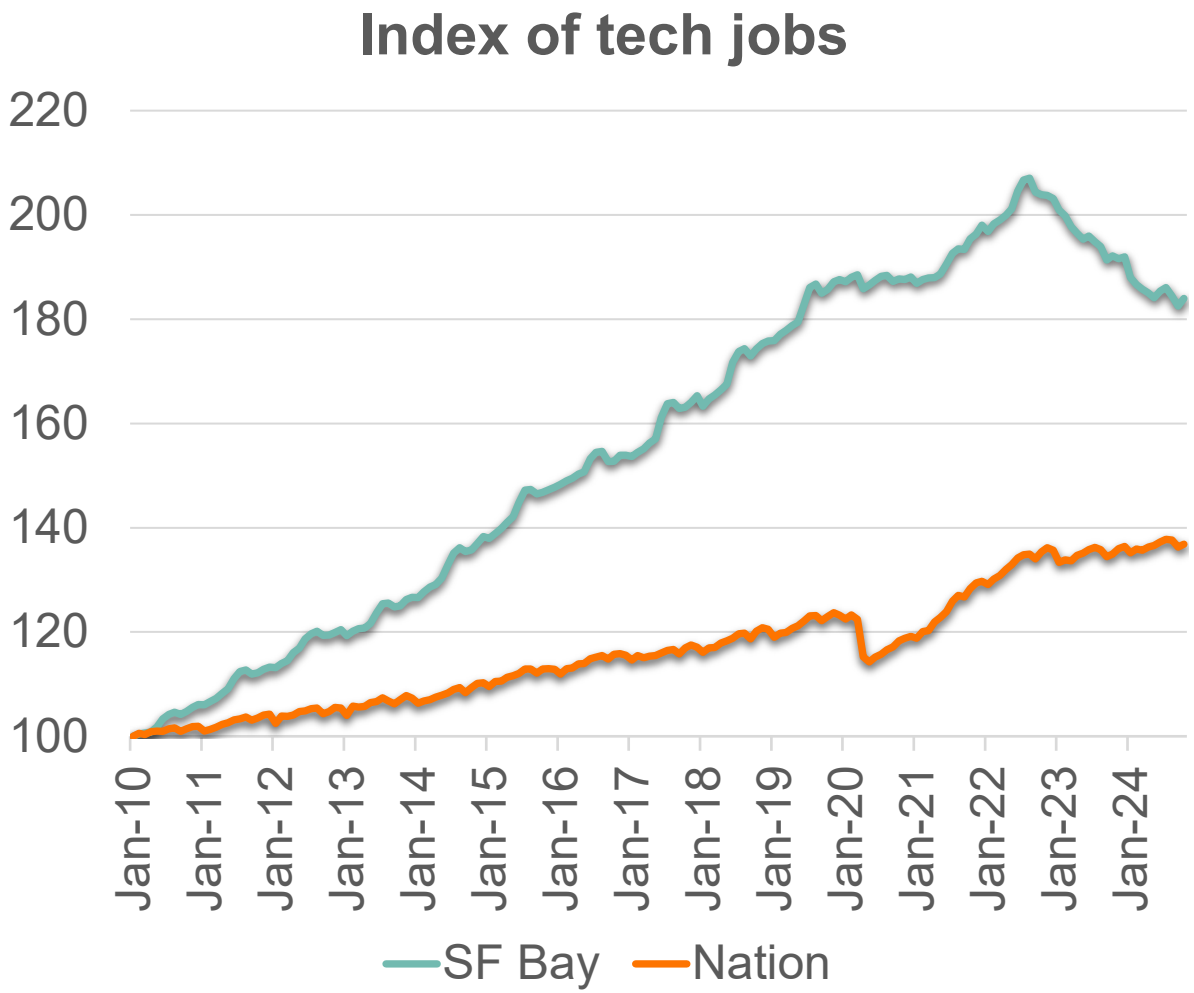
Location	RevPAR Q3-24 ($)	1-Yr Change (%)	Change since Q4-19 (%)
Las Vegas	120.04	10.1	81.1
San Diego	152.55	4.1	37.0
Boston	169.07	3.2	31.8
New York	251.00	4.2	28.7
Phoenix	117.15	1.1	22.6
Los Angeles	151.29	8.7	15.7
Seattle	126.35	10.0	14.6
San Jose	114.17	2.5	-19.6
Oakland (MD)	94.88	0.4	-20.8
San Francisco	143.89	-4.9	-22.8

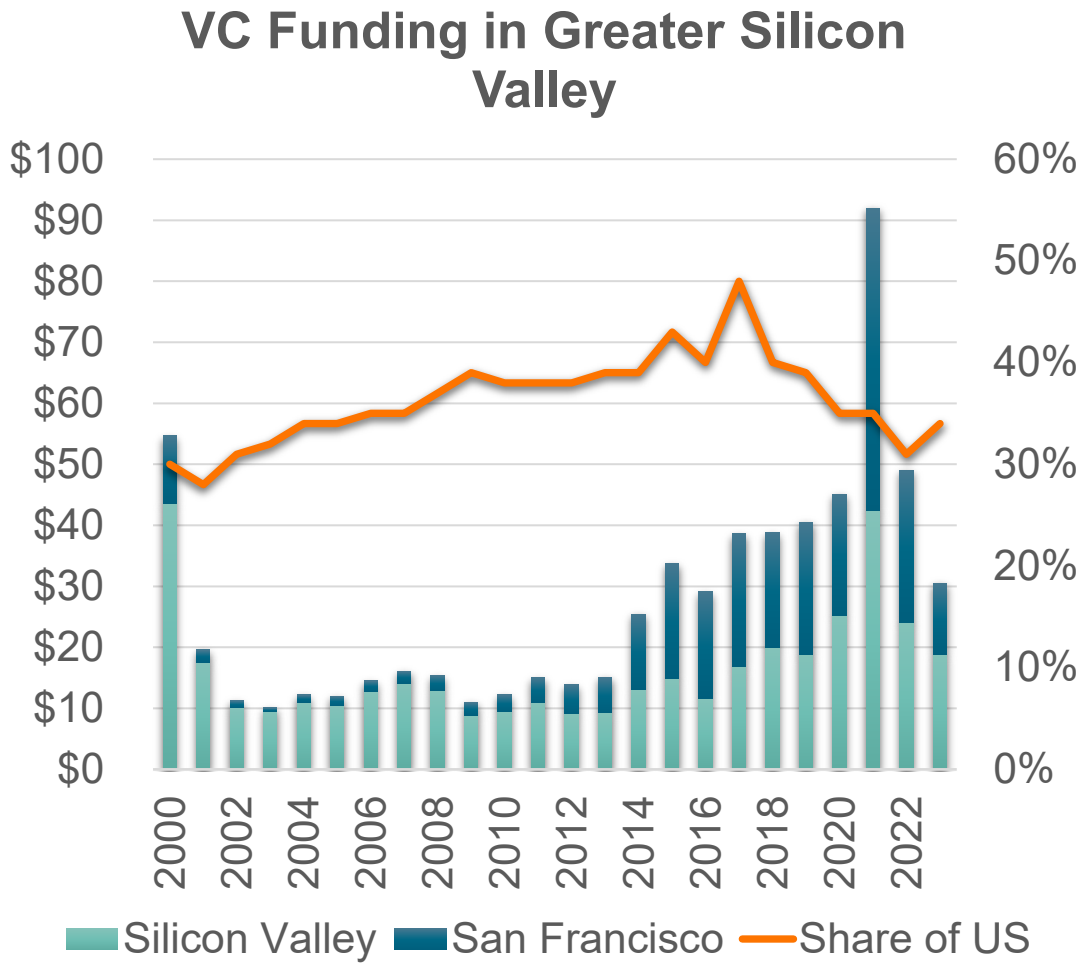
Bay Area Tech



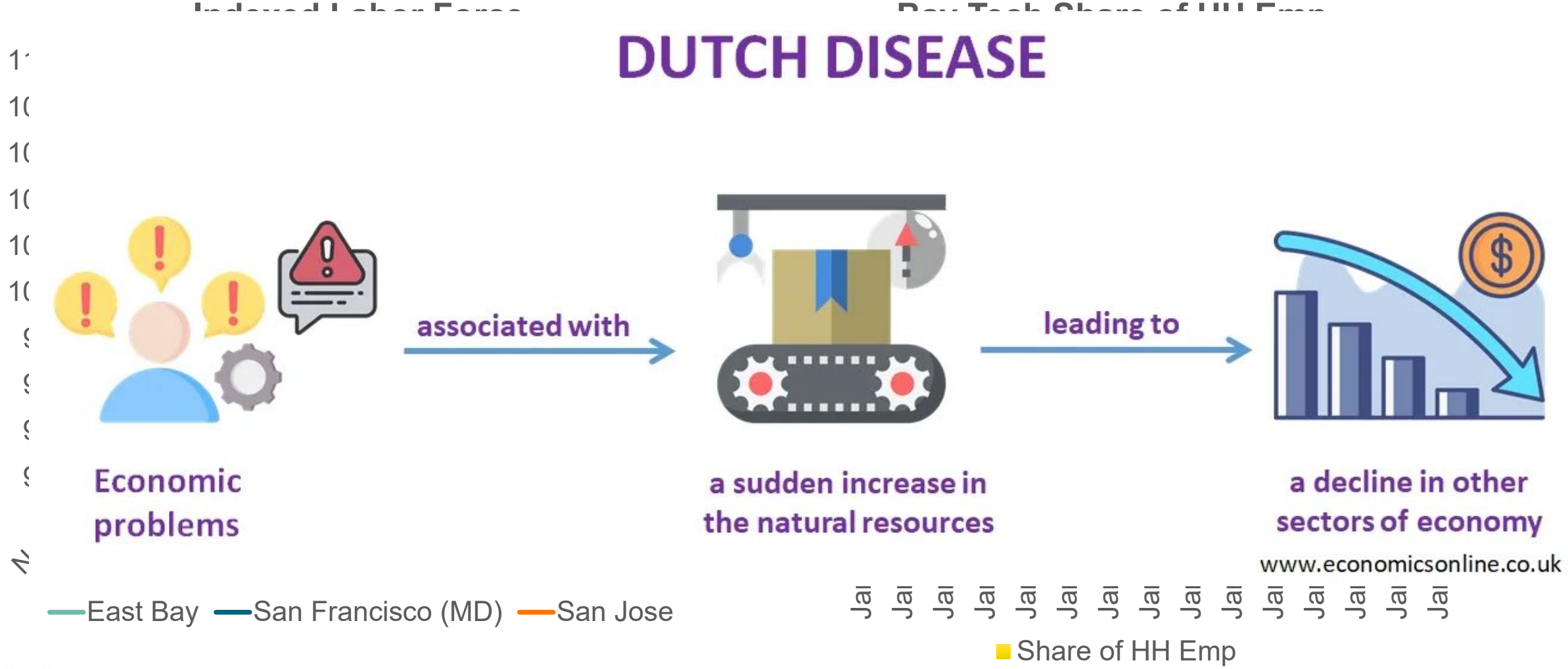


The Tech Sector



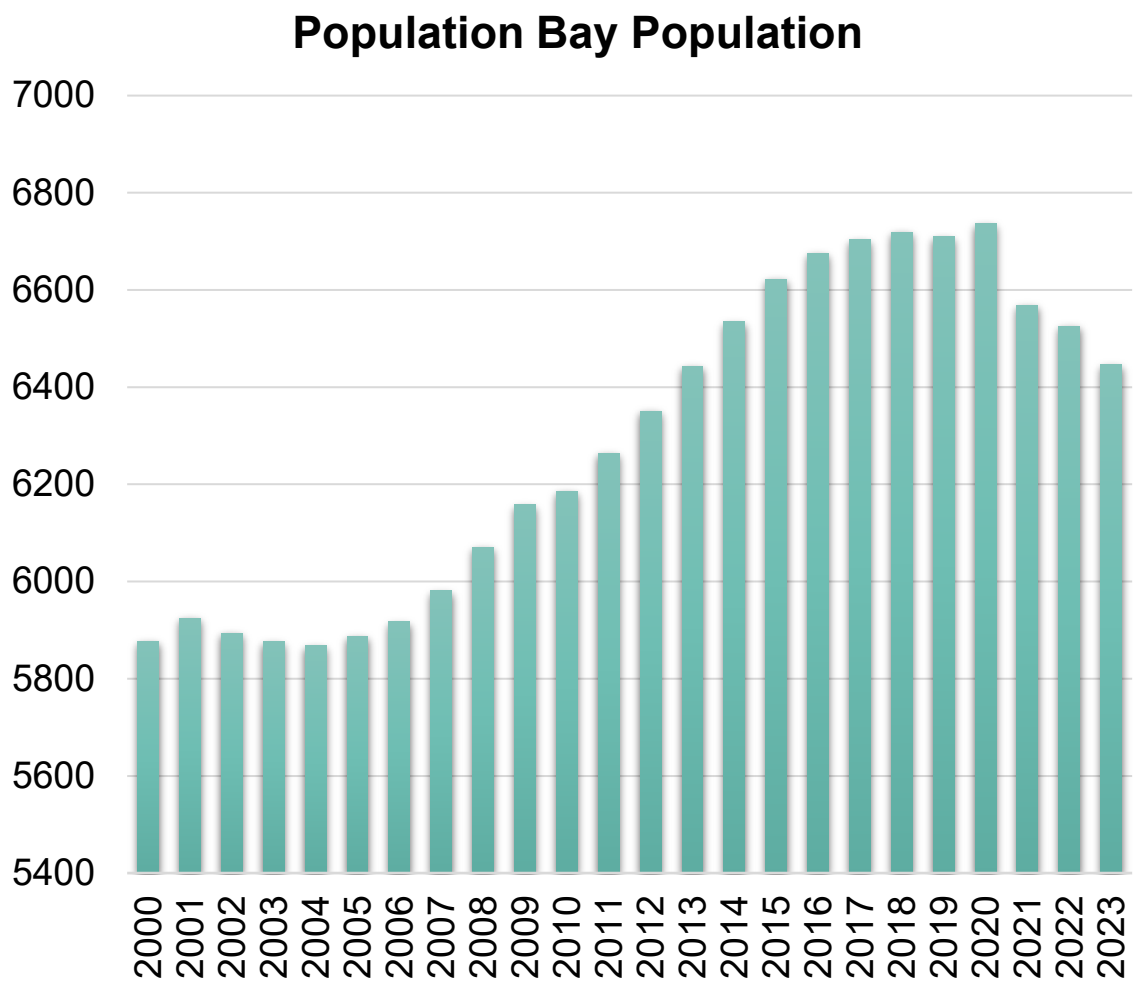


Labor Force

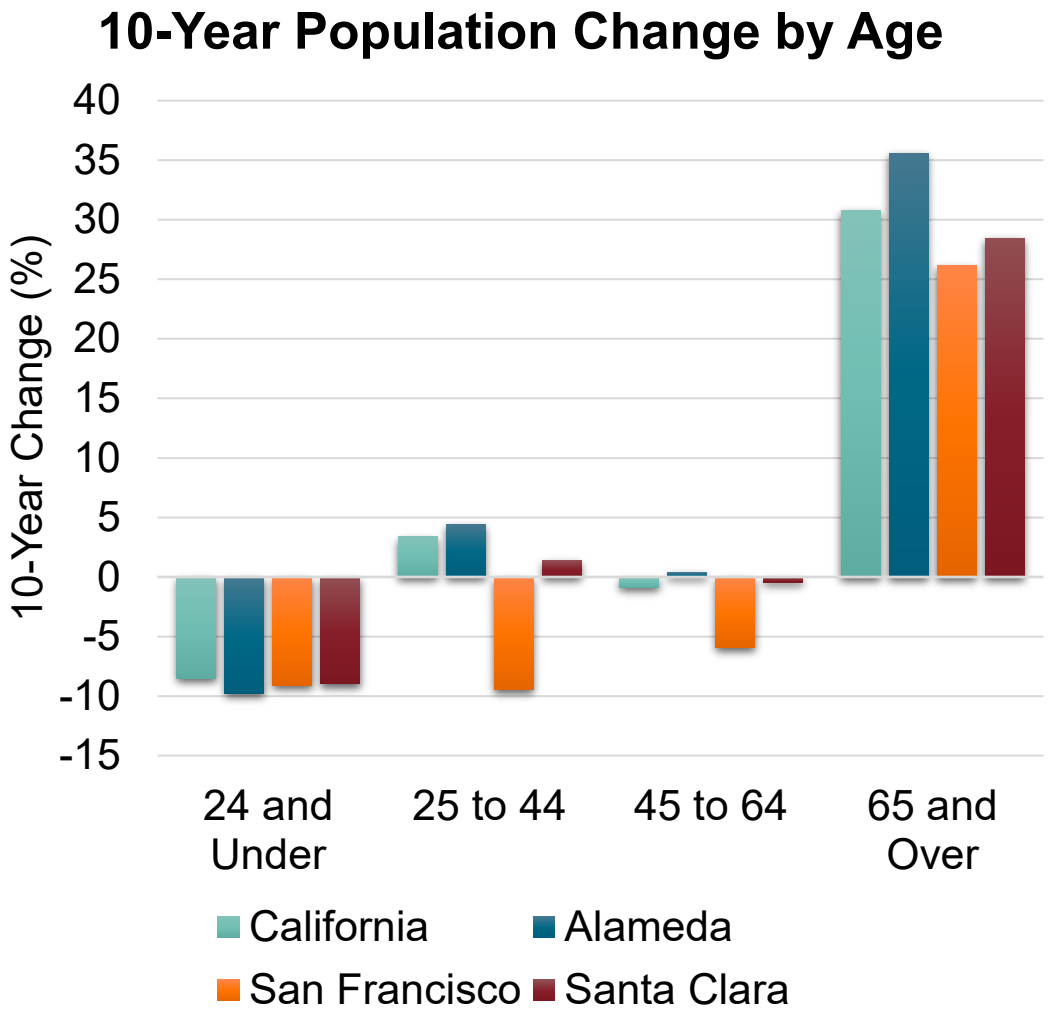

DUTCH DISEASE
Economic problems
associated with
a sudden increase in the natural resources
leading to
a decline in other sectors of economy
www.economicsonline.co.uk
East Bay
San Francisco (MD)
San Jose
Share of HH Emp

Local Housing Needs

County	Alameda	San Mateo	Santa Clara
Population	1,591	731	1,860
Pop 10 Yr Gr	2.5%	-1.4%	0.7%
HHs 10 Yr Gr	10.2%	5.6%	8.4%
PPH	2.58	2.66	2.77
10 Yr Gr	-7.0%	-6.7%	-7.2%



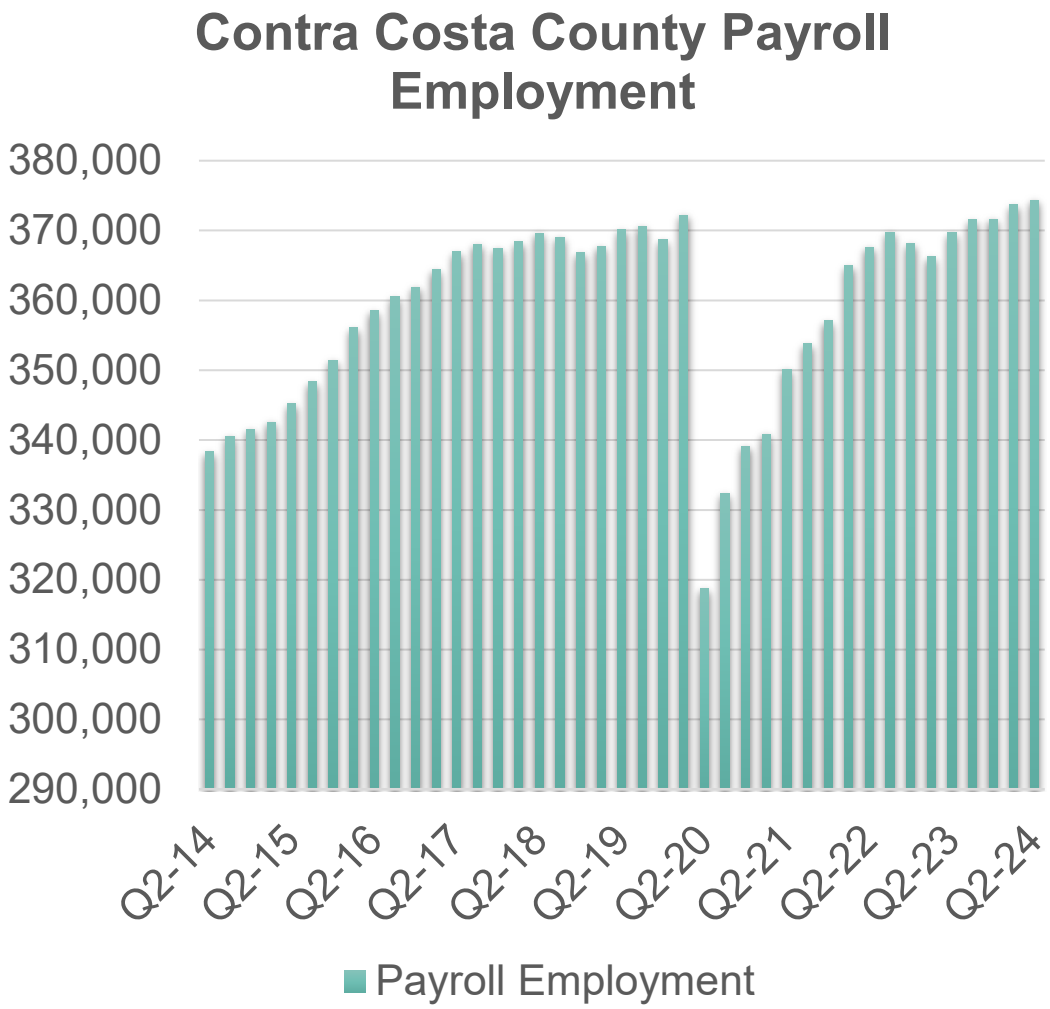
Population Shifts



Contra Costa Demographics

	2023 ACS Est	18-23 Change	Growth
Population 16 +	**937,941**	**16,567**	**1.8%**
24 and Under	125,171	868	0.7%
25-44	302,413	175	0.1%
45-64	305,533	-8,033	-2.6%
65+	204,824	23,557	13.0%
Labor Force	**612,475**	**6,211**	**1.0%**
24 and Under	69,619	-1,305	-1.8%
25-44	259,117	2,183	0.8%
45-64	241,376	1,657	0.7%
65+	42,776	4,172	10.8%
Labor Force by Edu	500,532	3,701	0.7%
Less than HS	46,064	1,960	4.4%
High school	78,826	-523	-0.7%
Some college	126,820	-17,070	-11.9%
Bachelor's plus	248,821	19,334	8.4%

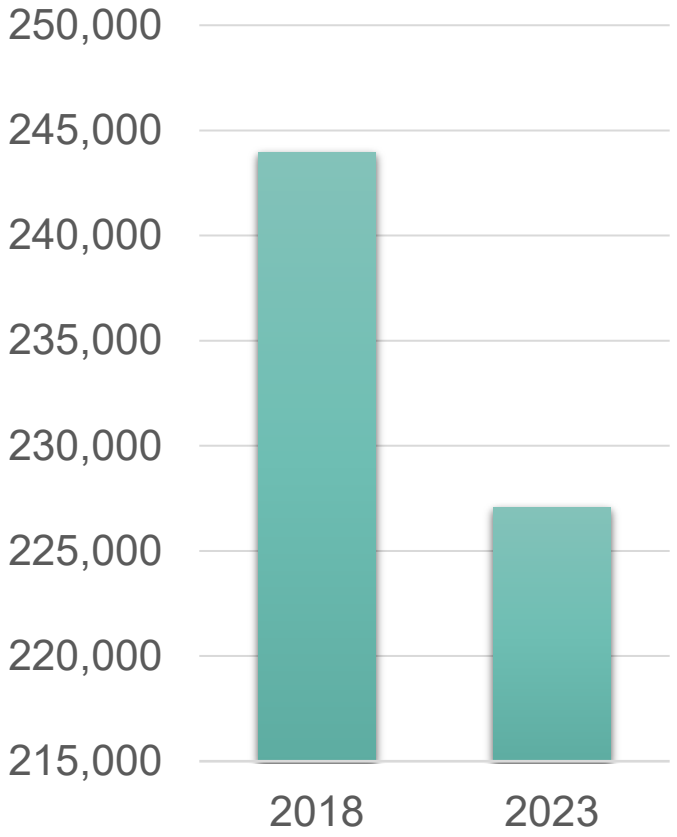
Contra Costa Labor Markets



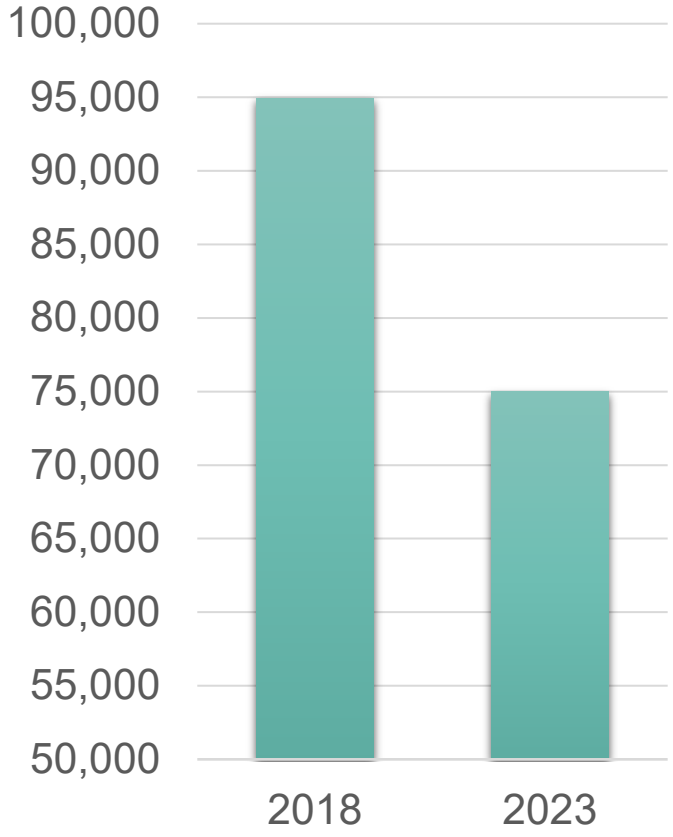
Contra Costa Short Run Employment Changes	Q2-24 Emp. (000s)	CC 1-Year Chg. (%)	LQ
Total	374.4	1.3	1.0
Logistics	12.7	12.4	0.8
Education/Health	83.6	7.6	1.3
Government	48.9	3.4	0.5
Prof, Sci, Tech	25.4	3.1	0.9
Other Services	13.3	3.0	1.1
Leisure and Hospitality	41.0	1.3	1.0
Finance and Insurance	15.6	-1.7	1.5
NR/Construction	28.3	-2.8	1.0
Retail Trade	40.3	-3.0	1.2
Information	5.4	-3.0	0.5
Real Estate	7.3	-3.0	1.2
Manufacturing	13.7	-3.5	0.5
Administrative Support	22.5	-4.6	1.0
Management	5.8	-8.7	1.0

Commuting

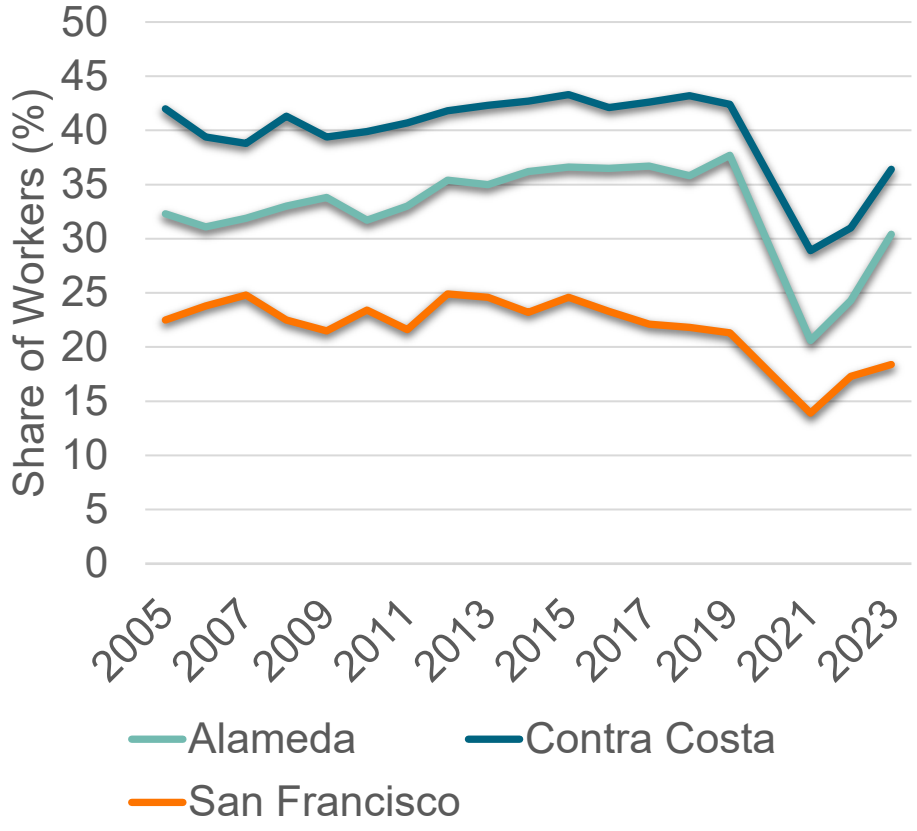
Outbound Workers from Contra Costa



Inbound Workers to Contra Costa



Worked Outside of County of Residence



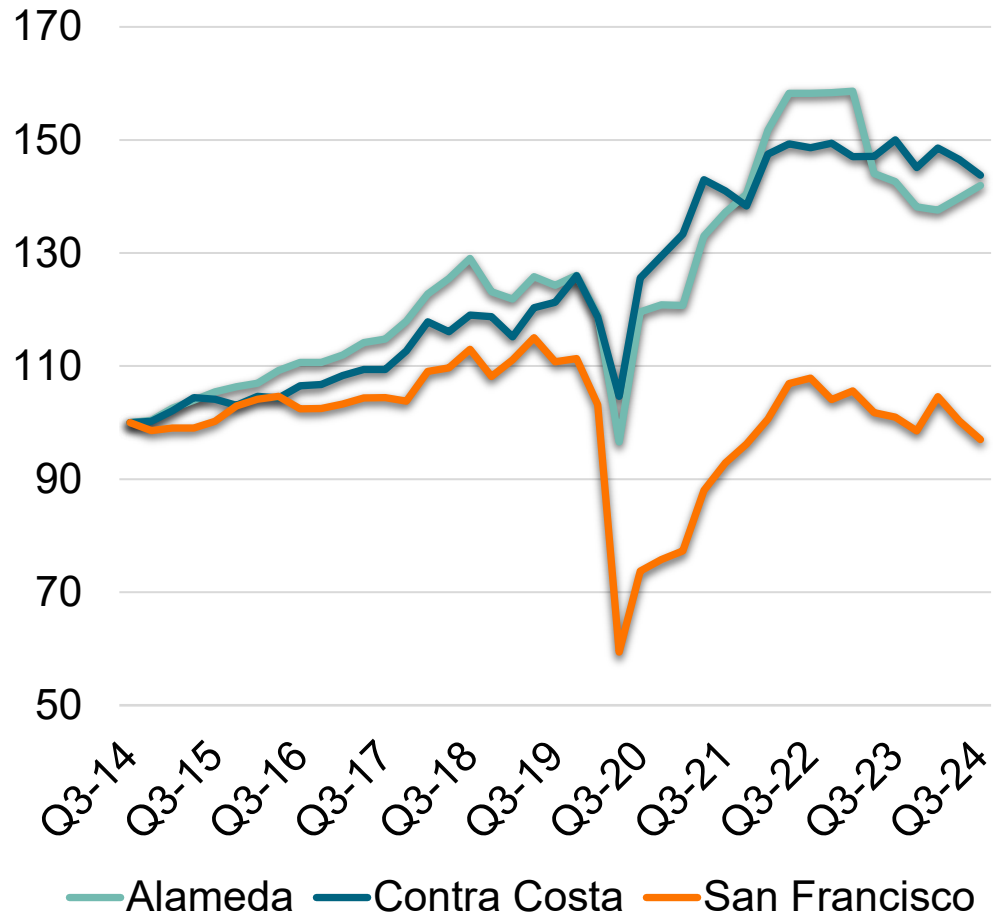
A shifting economic base

Contra Costa Payroll Employment	2023	2017-2023
Total, All Industries	**376,300**	**6,000**
Health Care & Social Assistance	72,800	11,000
Transportation, Warehousing	14,400	2,900
Mining, Logging and Construction	28,000	2,500
Professional, Scientific Technical	24,600	1,600
Other Services	14,100	1,100
Arts, Entertainment Recreation	7,100	700
Administrative and Support	23,500	600
Real Estate & Rental & Leasing	7,500	400
Accommodation & Food Services	33,800	-600
Government	49,400	-1,100
Nondurable Goods	7,700	-1,400
Retail Trade	41,400	-1,700
Wholesale Trade	8,500	-2,100
Information	5,600	-2,400
Finance & Insurance	16,000	-4,200

	2023	Contribution to Growth 18-23		LQ
	CC	CC	CA	
All industry total	97.7	22%	33%	
Nondurable goods	**12.8**	**-2.4%**	**2.6%**	**5.03**
Construction	4.7	3.2%	3.2%	1.50
Finance insurance	5.5	3.0%	4.0%	1.40
Real estate	18.8	30.0%	14.5%	1.32
Health care	8.6	11.9%	7.3%	1.20
Government	7.1	6.0%	7.1%	1.02
Administrative	3.2	4.7%	3.6%	0.93
Retail trade	5.8	11.5%	7.4%	0.80
Accommodation food	2.3	2.8%	3.3%	0.72
Professional scientific	7.2	10.5%	10.8%	0.68
Arts, entertainment	0.7	0.8%	1.4%	0.50
Information	5.6	3.1%	14.0%	0.41
Durable goods	1.5	2.4%	6.3%	0.25

Taxable Sales and Tax Receipts

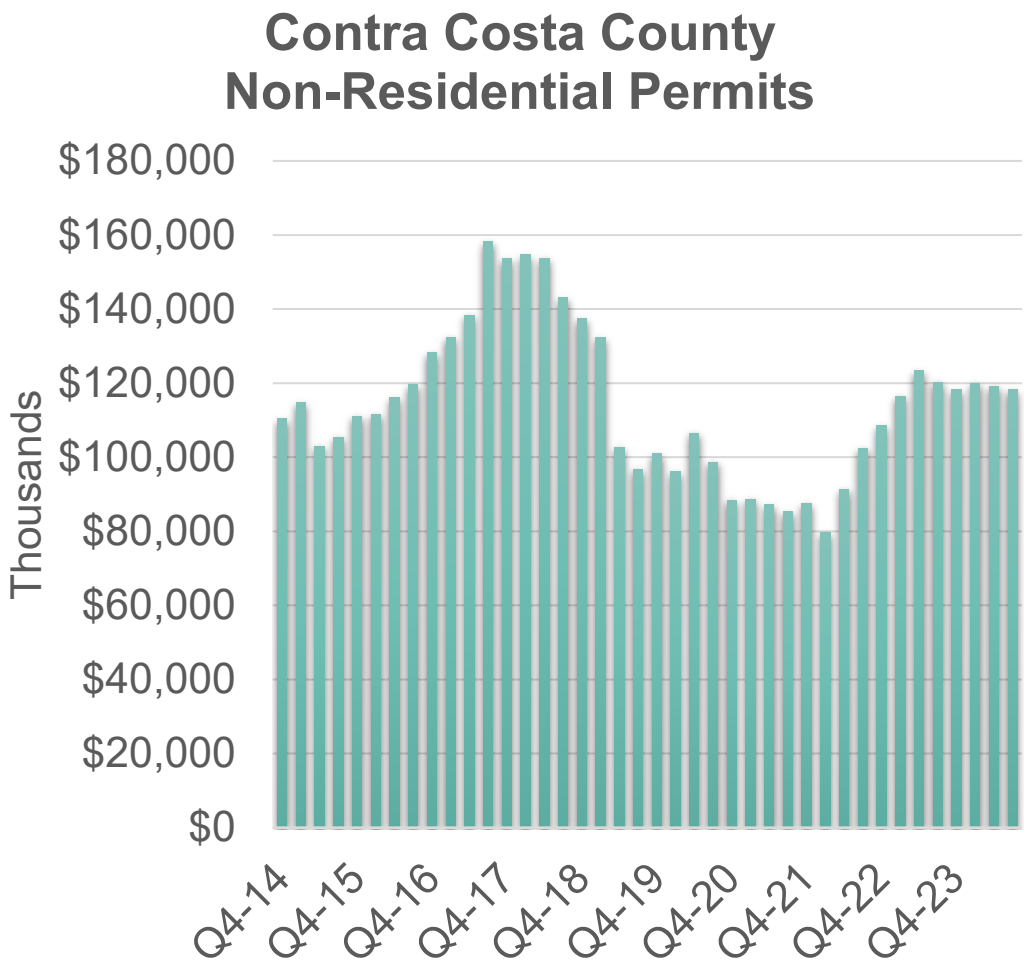
Indexed Tax Receipts



Taxable Sales Growth by County

	Q3-24	1 Yr Gr	5 Yr Gr
San Joaquin	6118	1.0%	68.3%
Fresno	5735	-3.9%	38.5%
Sacramento	8953	-0.9%	32.5%
Placer	3244	-1.7%	26.1%
California	228500	-3.0%	24.1%
Santa Clara	14080	-2.9%	23.4%
Solano	2499	-4.2%	20.4%
Contra Costa	5446	-3.6%	20.0%
Napa	1120	-4.6%	17.7%
Los Angeles	50258	-4.0%	16.3%
Alameda	10017	-1.0%	14.7%
San Francisco	4444	-5.2%	-13.7%

Non-Residential Permits



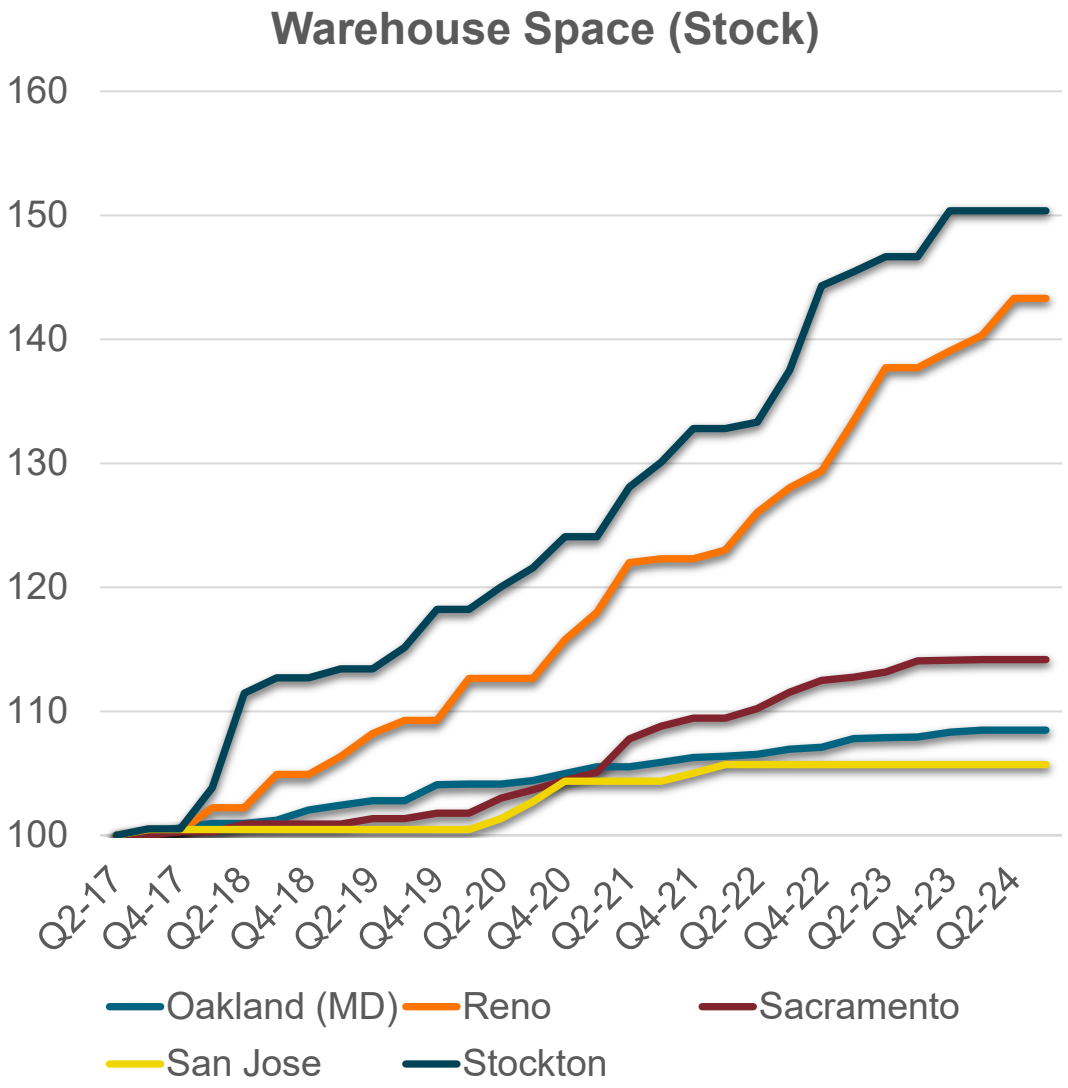
Variable	Q3-24 YTD ($ 000s)	YTD Chg. (%)
Non-Residential Total	373,655	4.2
Commercial	18,038	-42.7
Amusement	1,403	*
Office	0	0.0
Hotel	10,000	*
Retail	6,635	-78.9
Industrial	0	-100.0
Other	101,621	89.3
Alterations	253,996	-6.1

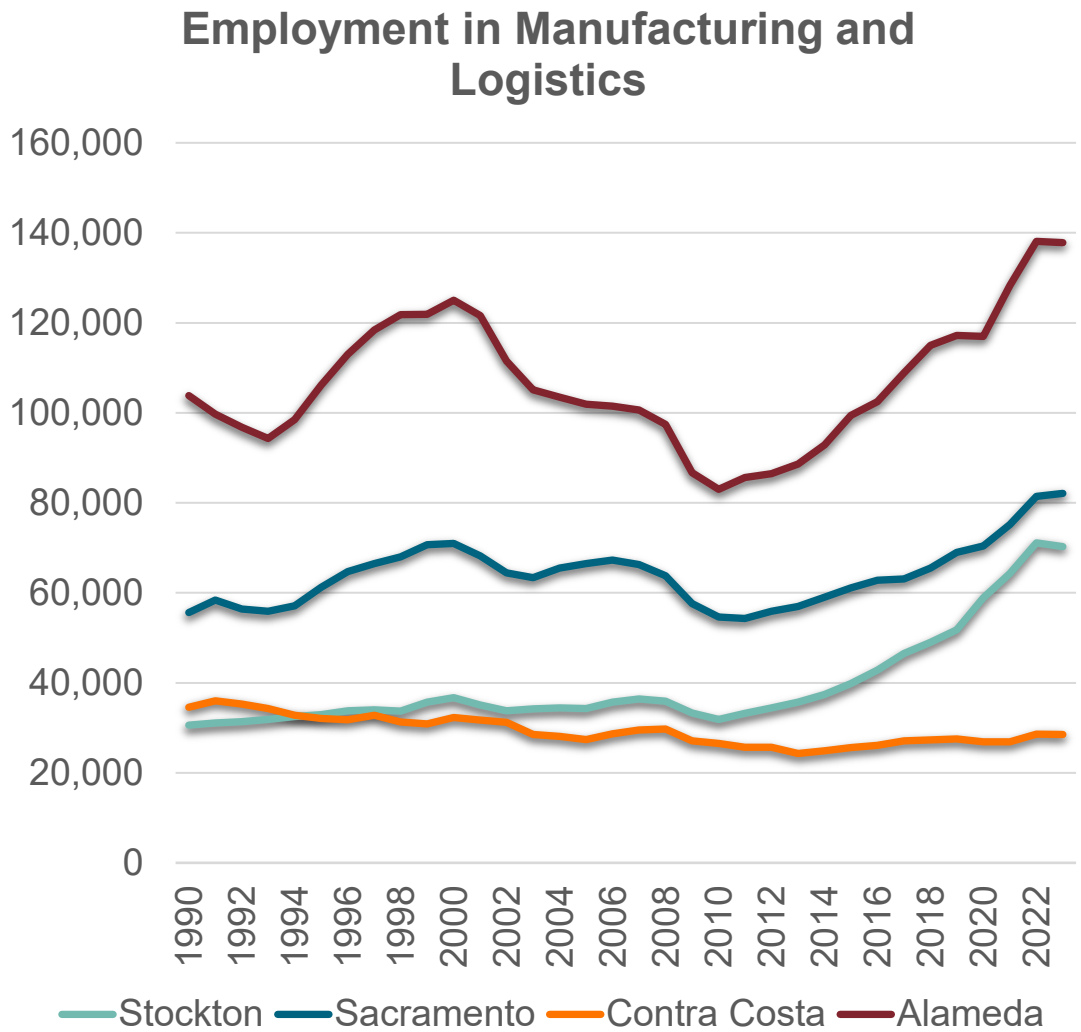
Office Submarkets

Submarket	Cost of Rent		Vacancy Rate	
	Q3-24 ($)	1-Yr Change (%)	Q3-24 (%)	1-Yr Change (pp)
Airport/San Leandro/Hayward	26.25	-0.8	13.6	-2.4
North I-680	28.74	-3.6	9.7	-2.4
Stockton	18.52	0.3	22.0	-1.0
Fremont/Newark	25.11	0.1	21.8	-0.2
West Contra Costa	30.68	-0.8	19.3	-0.1
South I-680	29.00	-1.3	20.0	0.5
Oakland (MD)	34.59	-0.8	19.4	1.4
North Alameda	37.62	2.2	20.3	1.6
San Jose	48.62	0.4	25.0	3.4
North Contra Costa	33.81	0.0	24.7	3.5
San Francisco (MD)	63.11	-1.8	22.1	5.2
Central Business District	48.55	-1.1	22.7	5.3

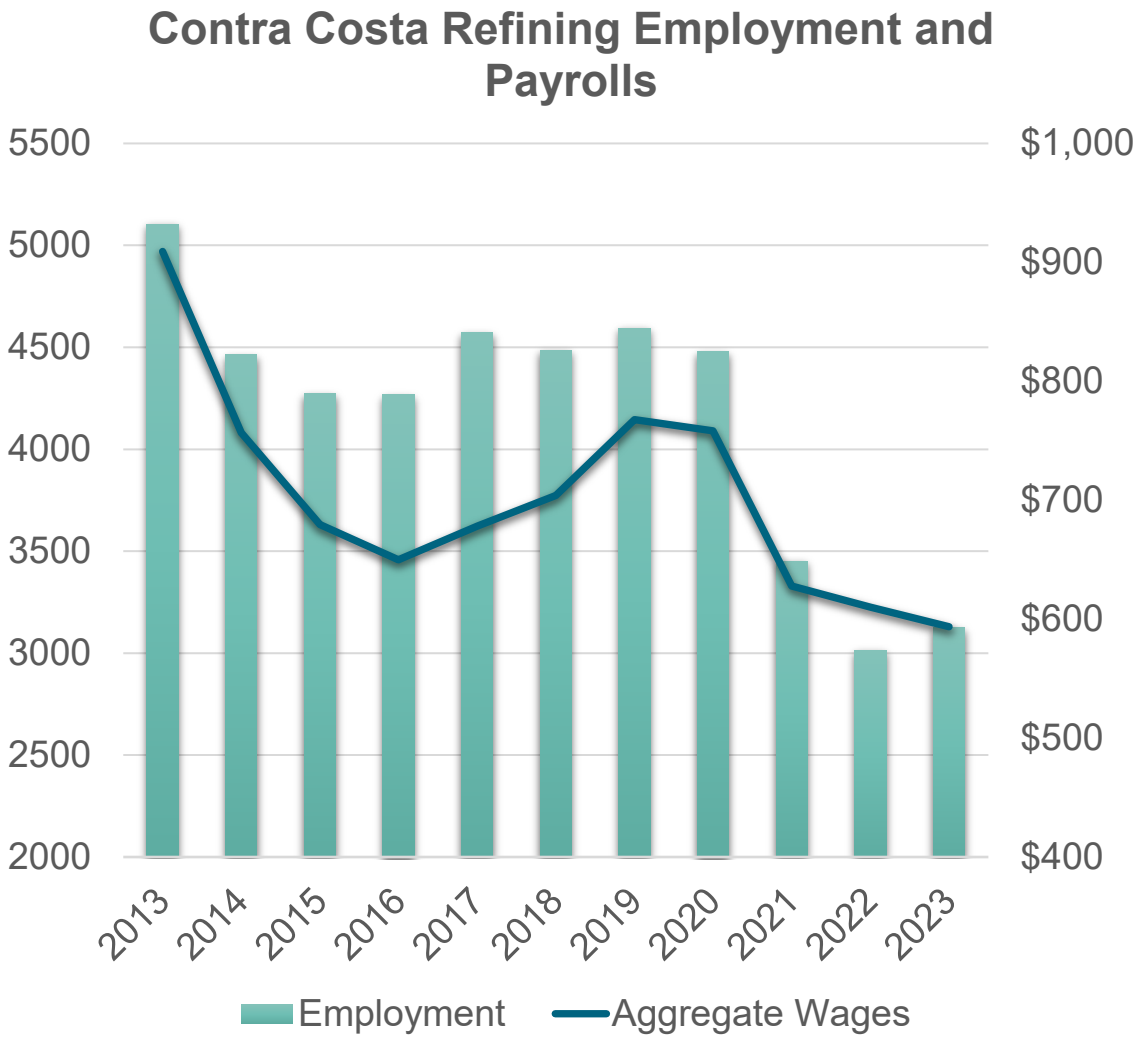
City	Status	Size (SF)
Walnut Creek	Complete	155,176
Hercules	Proposed	75,000
Hercules	Proposed	35,000
Brentwood	Proposed	29,126
Oakley	Proposed	19,000
Lafayette	Proposed	10,605

Industrial Space





The Decline of Refining



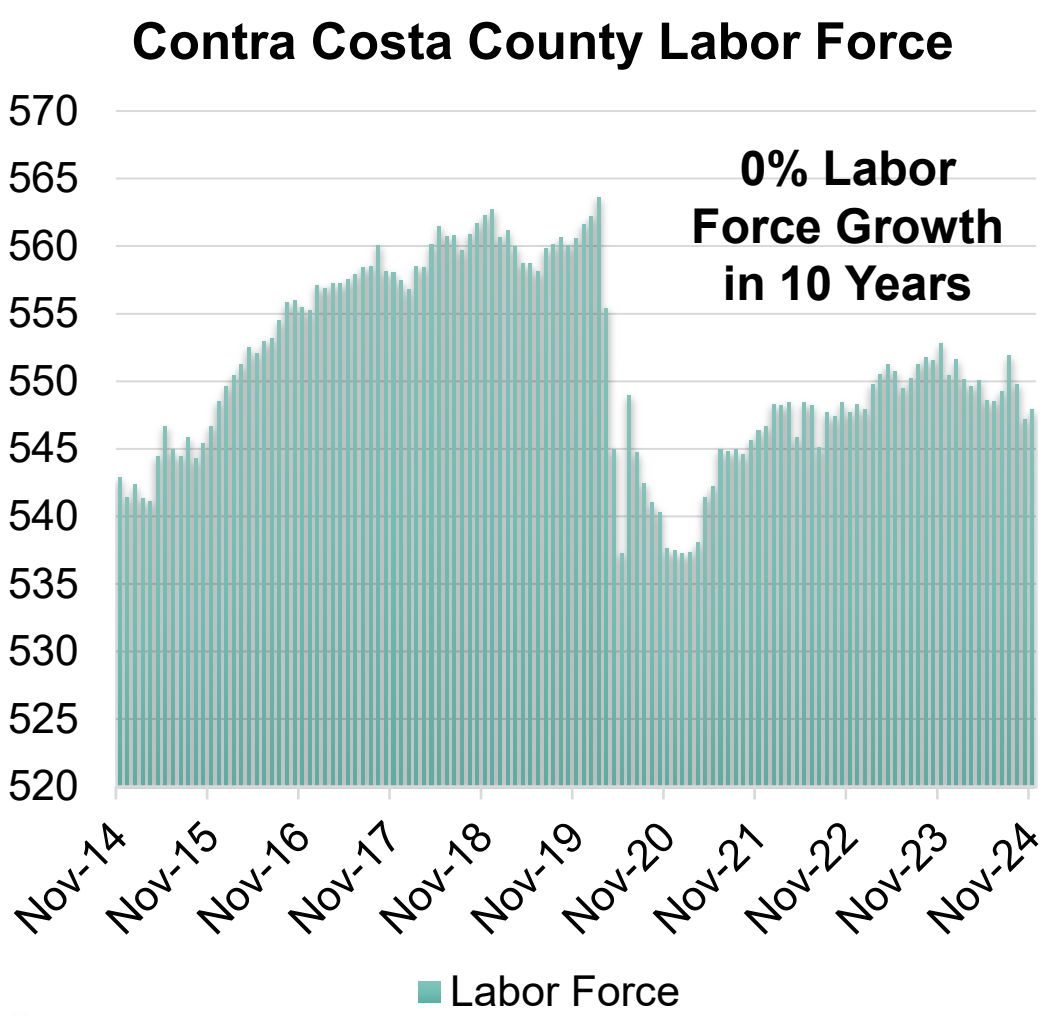
Berkeley Analysis

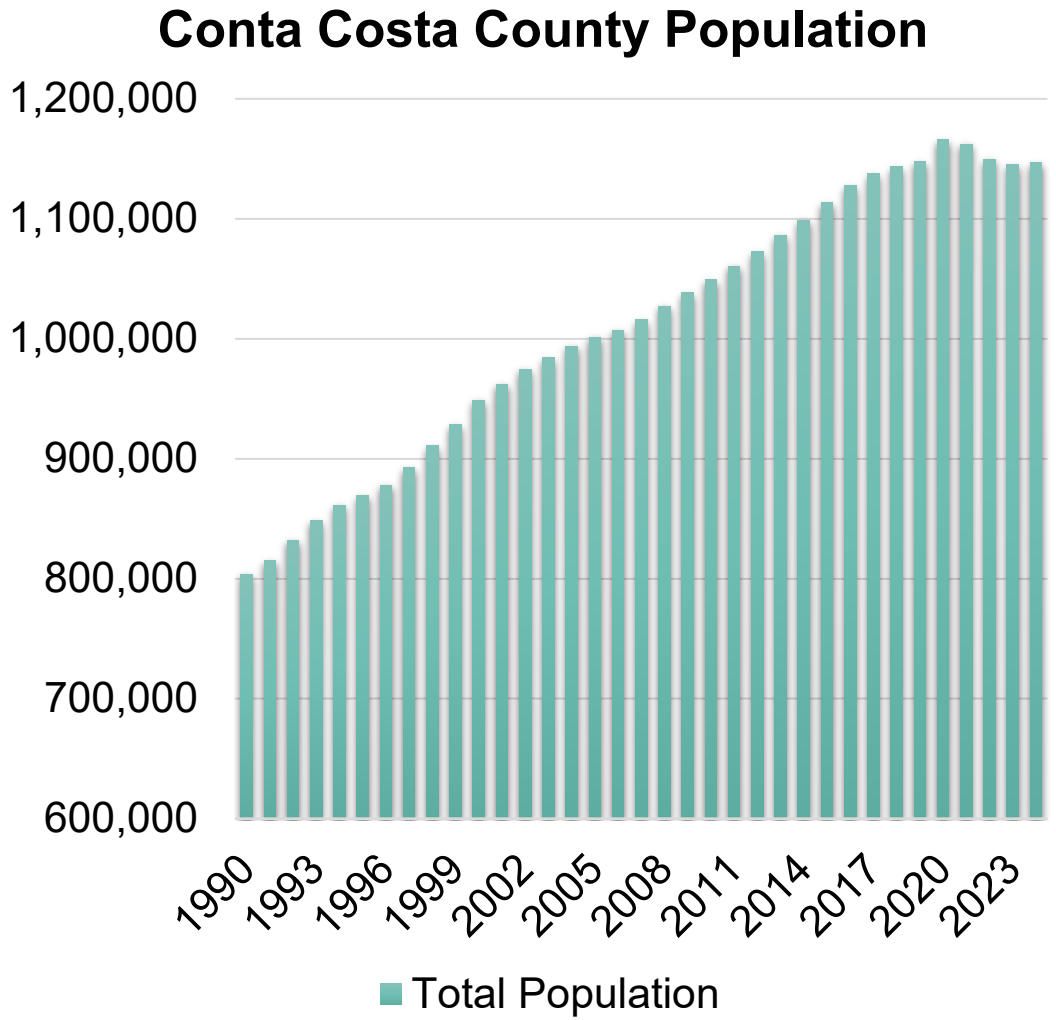
- Multipliers used are incorrect, overstating both job and tax revenue impacts
- Even right multipliers overstate, as much of the supply chain has already left the area
- Employment analysis: While there may be cases of dislocation, overall labor market very healthy. Existing support systems are capable of handling issues
- Historical precedent: Industry down by 50% last decade, 25% since 2019 with little aggregate impact

Taxes and Gross vs Net Analysis

- It isn't what you lose, but what you transition to
- Core issues in Contra Costa is labor supply and building new local employment clusters

Labor Force


Contra Costa County Labor Force
570
565
560
555
550
545
540
535
530
525
520
0% Labor Force Growth in 10 Years
Nov-14
Nov-15
Nov-16
Nov-17
Nov-18
Nov-19
Nov-20
Nov-21
Nov-22
Nov-23
Nov-24
Labor Force

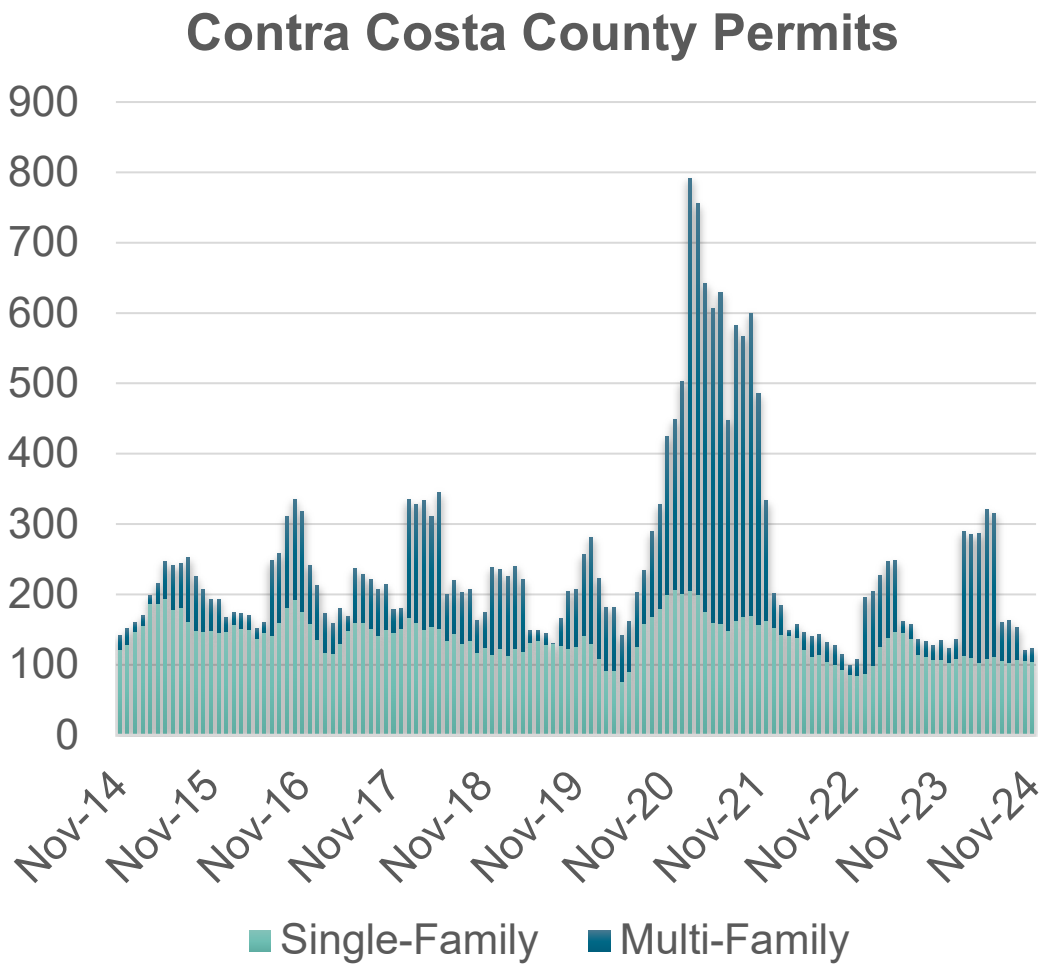

Conta Costa County Population
1,200,000
1,100,000
1,000,000
900,000
800,000
700,000
600,000
1990
1993
1996
1999
2002
2005
2008
2011
2014
2017
2020
2023
Total Population

Local Housing Stock

10 Year Change Population and Households

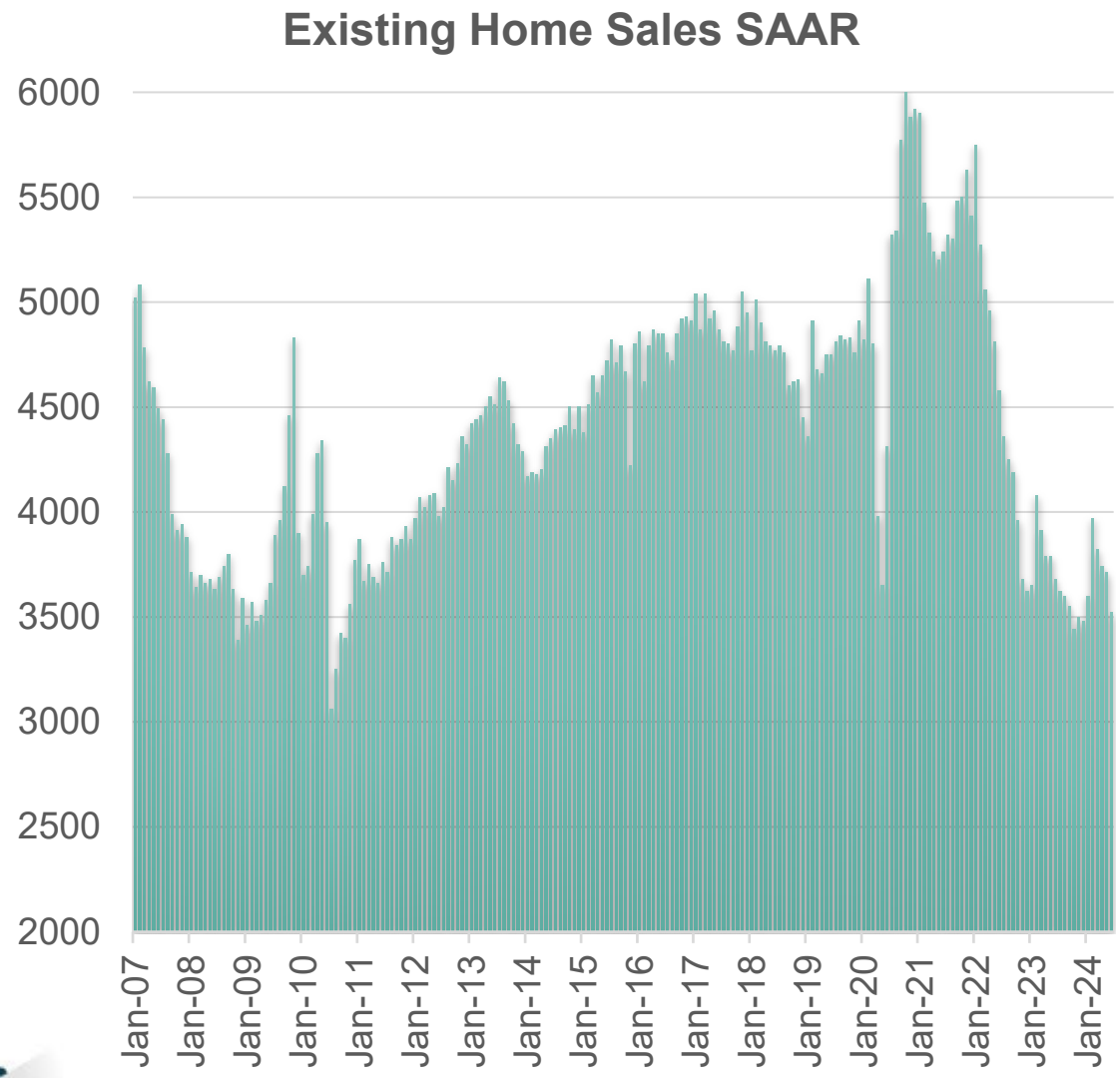
	2024 Pop	Gr Pop	Gr HHs	Ch PPH	Gross New Units	Net New Units
Brentwood	64,512	16.5%	23.8%	-6.1%	3940	2723
Oakley	45,623	17.8%	24.4%	-5.4%	2562	1872
Pittsburg	74,765	10.0%	16.2%	-5.3%	2801	1737
Antioch	114,902	5.9%	10.7%	-4.3%	2726	1509
San Ramon	82,362	5.5%	8.9%	-3.1%	2298	1410
Walnut Creek	68,140	3.0%	6.7%	-3.4%	2067	921
Richmond	111,137	3.2%	6.5%	-3.0%	1416	688
El Cerrito	25,562	4.4%	6.4%	-1.9%	620	429
Hercules	26,003	5.4%	12.3%	-6.0%	913	399
San Pablo	30,603	2.4%	7.6%	-4.9%	366	118
Lafayette	24,699	0.4%	4.1%	-3.6%	441	42
Martinez	35,347	-1.1%	3.9%	-4.9%	452	-124
Clayton	10,672	-4.1%	1.9%	-5.7%	62	-136
Danville	42,300	-1.3%	2.9%	-4.2%	427	-199
Pleasant Hill	32,843	-2.4%	1.8%	-4.0%	208	-271
Concord	120,018	-2.7%	3.5%	-5.9%	774	-613

Residential Permits

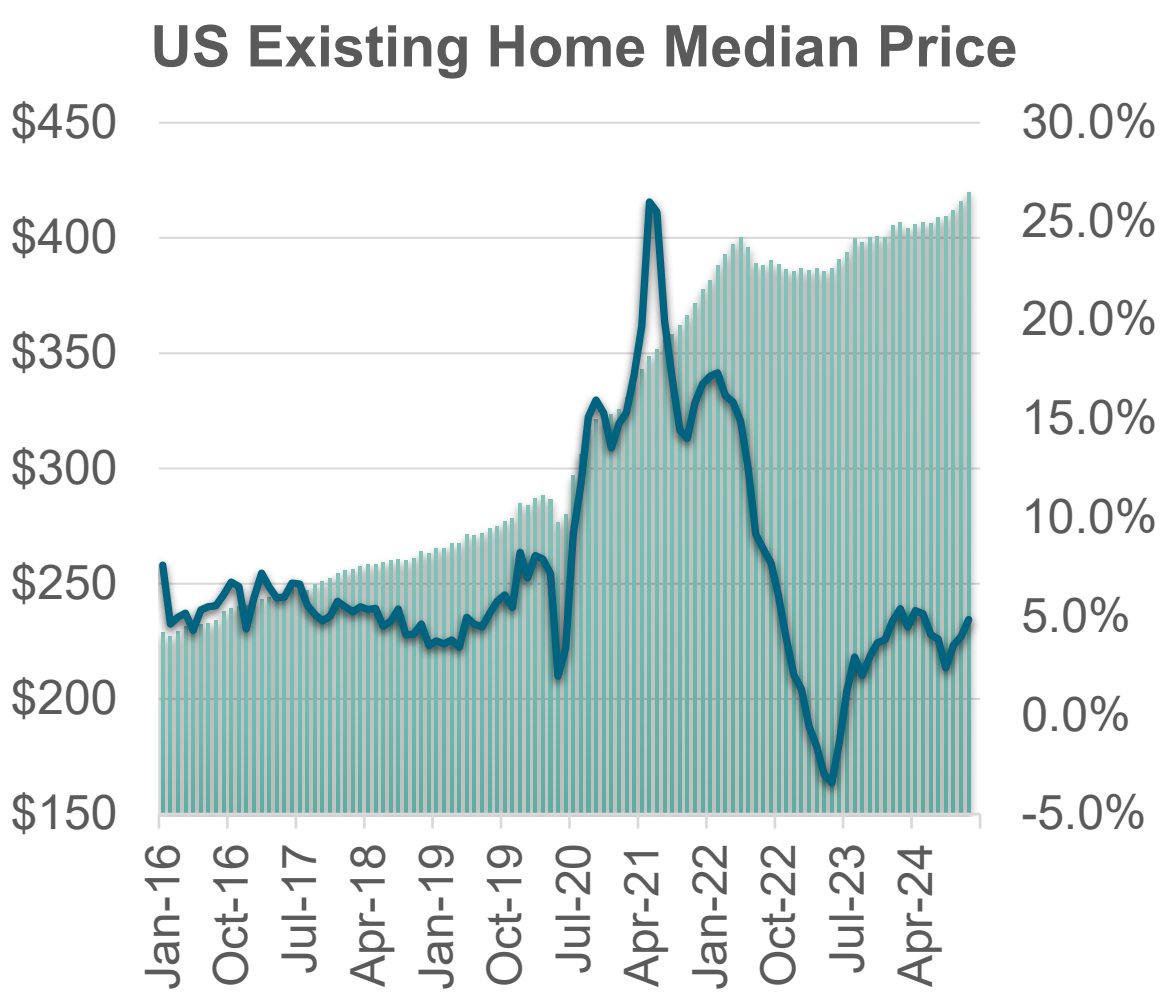


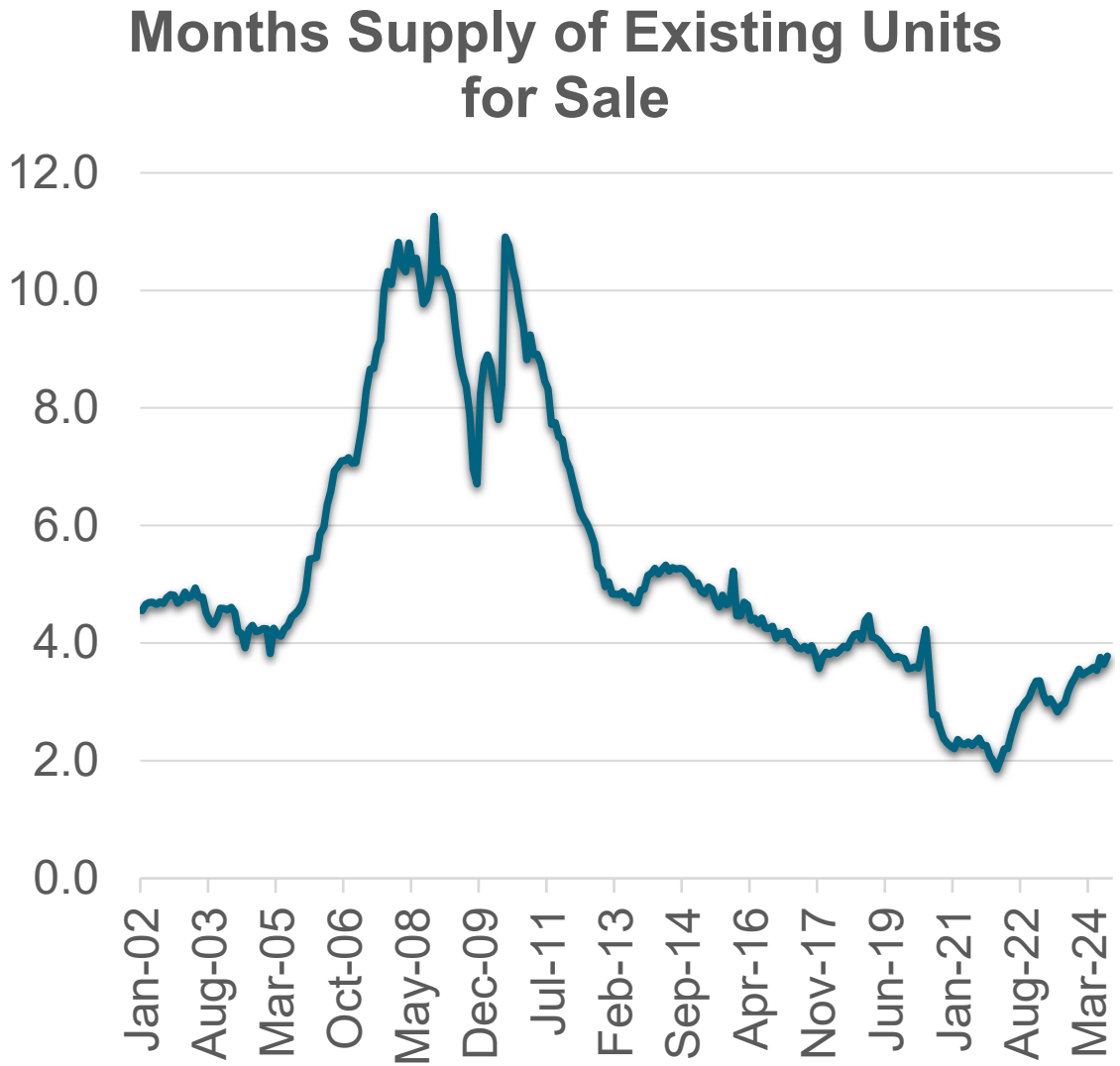
Location	Permits Nov-24 YTD	YTD Change (#)
Contra Costa County	2,076	140
El Cerrito	767	727
Antioch	304	-114
Unincorporated	277	-96
Richmond	161	47
Danville Town	111	13
San Ramon	108	-8
Concord	87	-249
Oakley	86	6
Pittsburg	70	-36
Brentwood	40	-60
Walnut Creek	21	7
Pinole	19	18
San Pablo	16	-43
Martinez	9	-72

A rate shocked existing home market

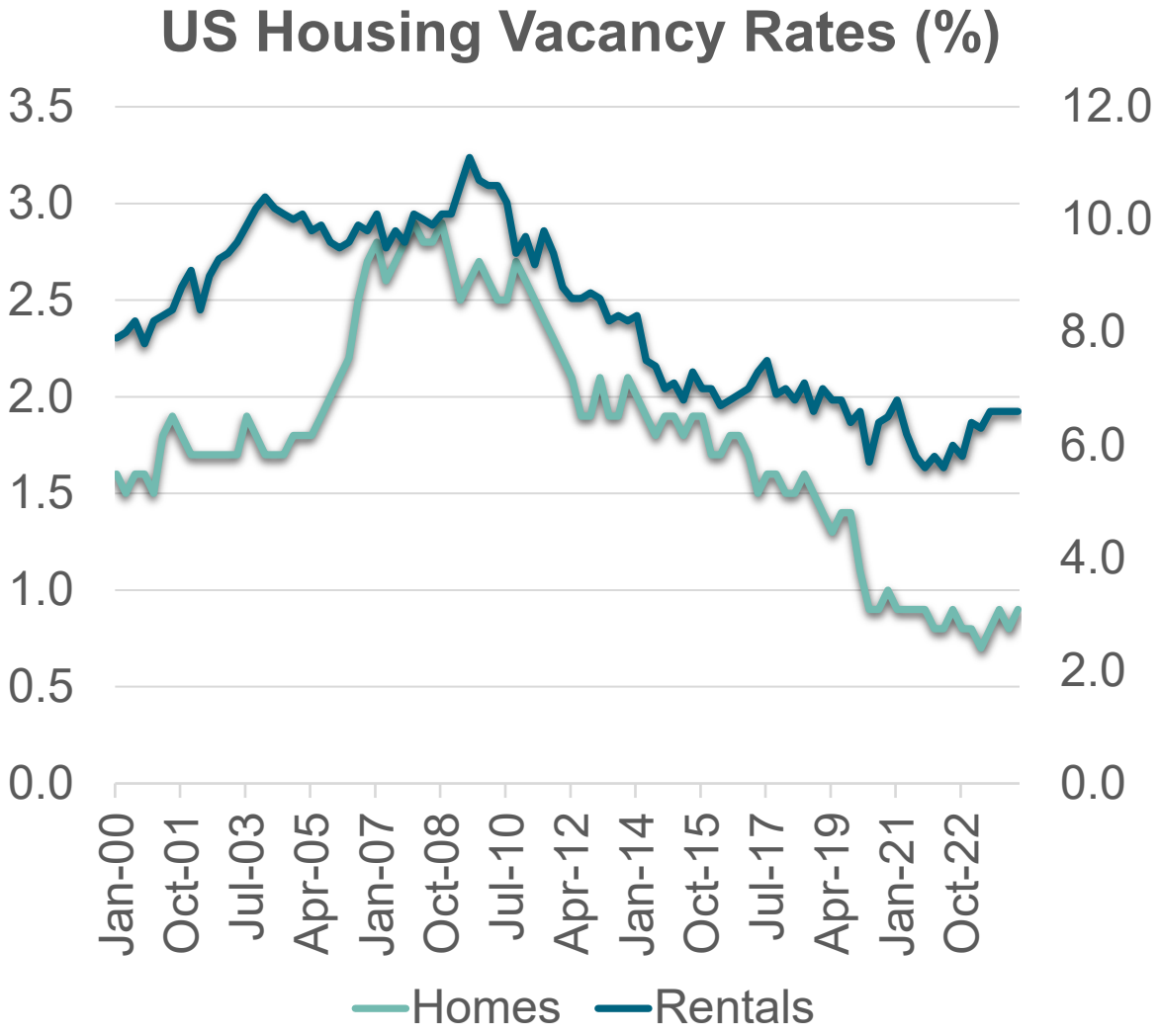


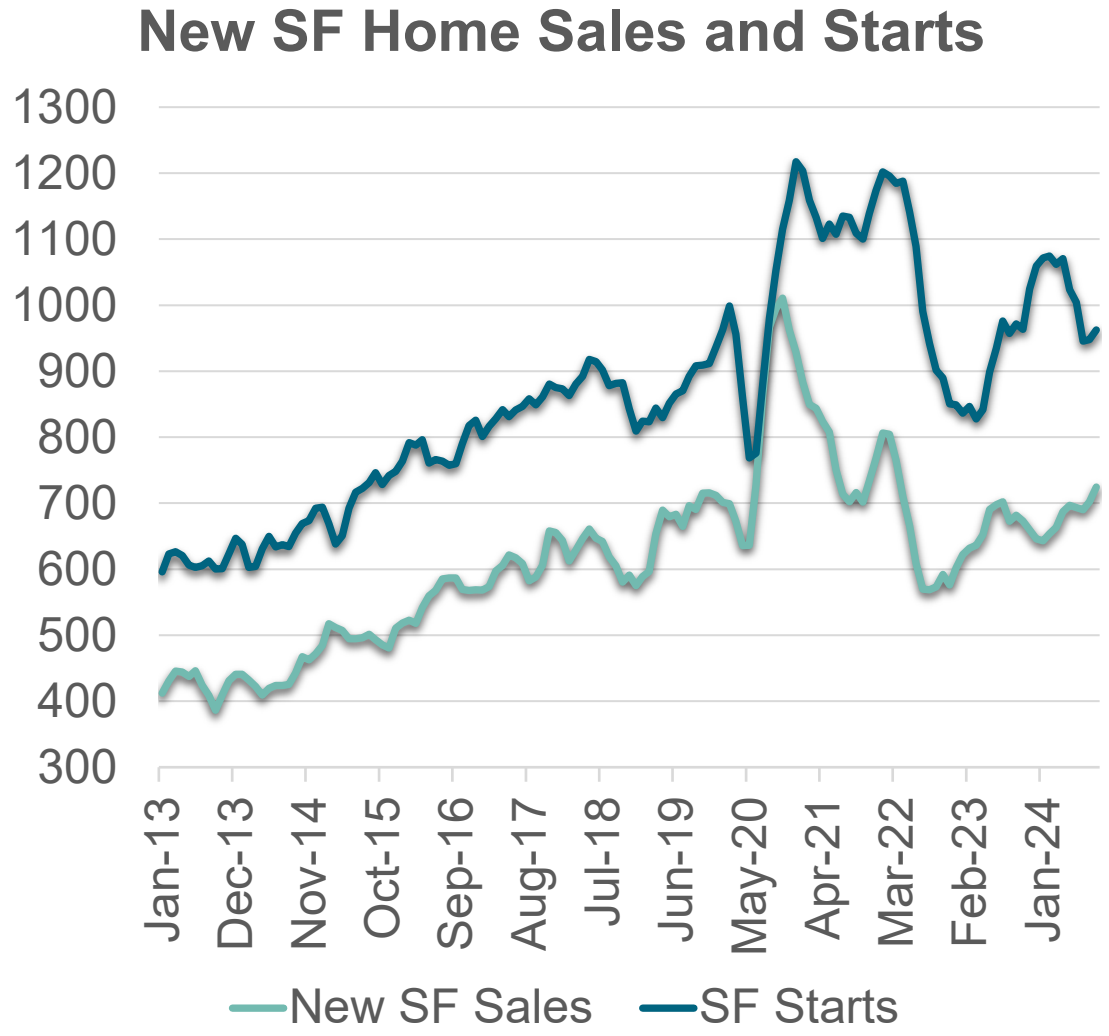
Prices Up


US Existing Home Median Price
$450
$400
$350
$300
$250
$200
$150
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
Jan-16
Oct-16
Jul-17
Apr-18
Jan-19
Oct-19
Jul-20
Apr-21
Jan-22
Oct-22
Jul-23
Apr-24


Months Supply of Existing Units for Sale
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Jan-02
Aug-03
Mar-05
Oct-06
May-08
Dec-09
Jul-11
Feb-13
Sep-14
Apr-16
Nov-17
Jun-19
Jan-21
Aug-22
Mar-24

The Yin and Yang of New Home Markets



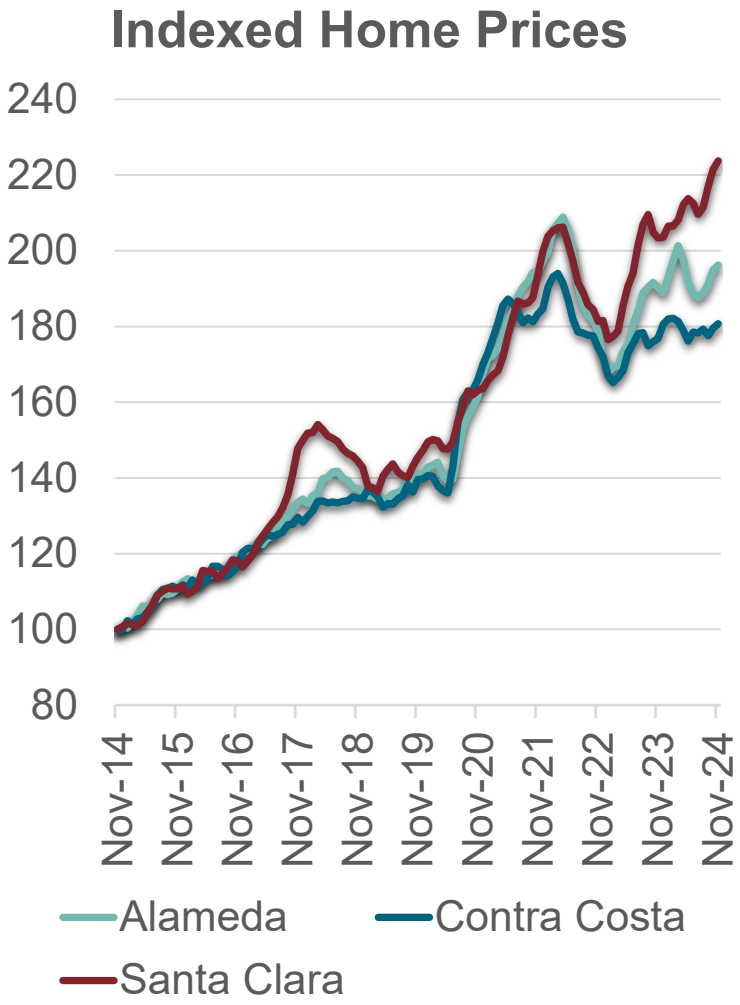


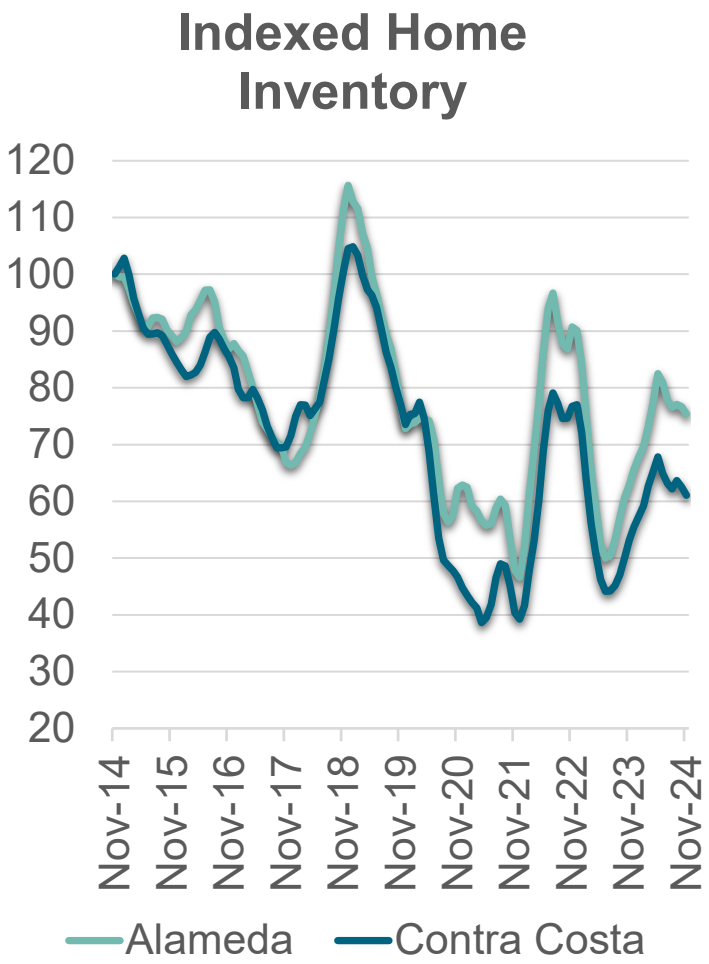
A rate clog in the home-filtering process.

Normal Housing Market

Liquidity Constrained
Housing Market

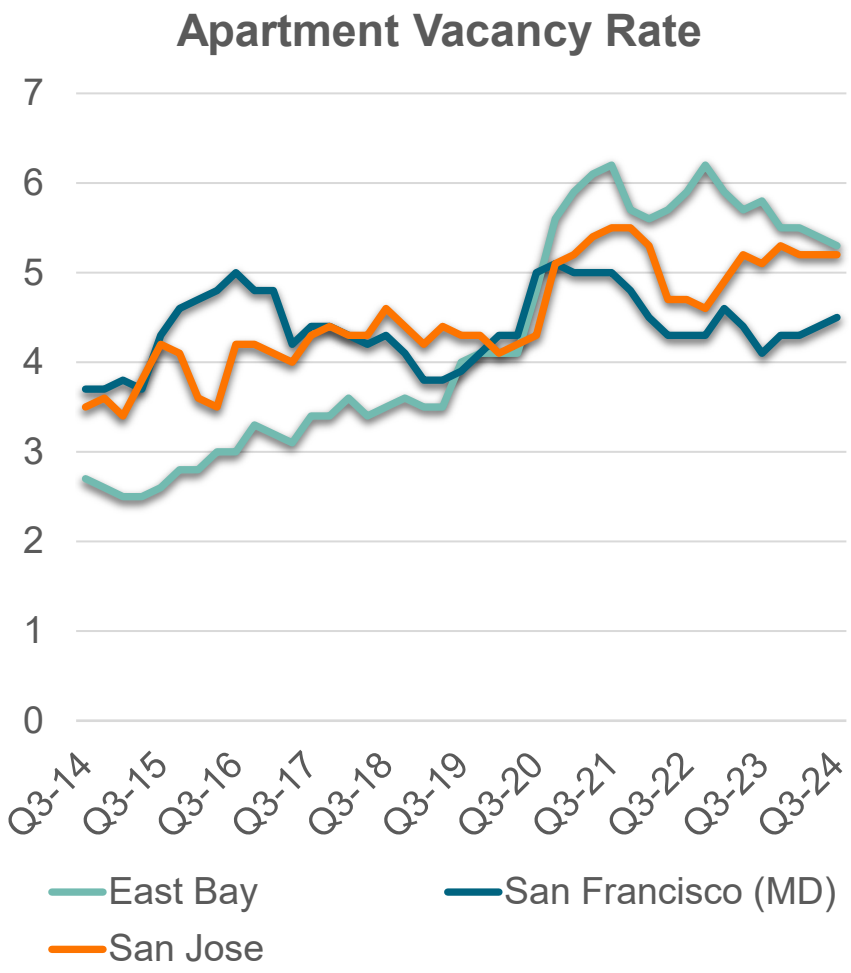
Local Home Market Dynamics





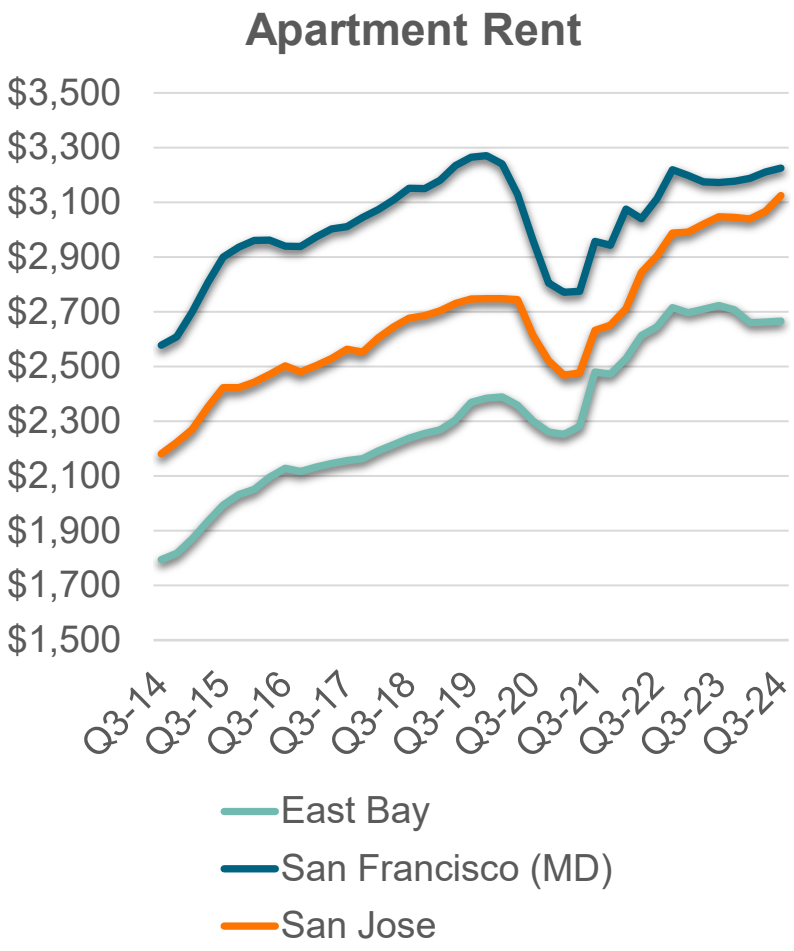
MSA	Nov-24 Median Home Price ($000s)	1-Year Chg. (%)
Santa Clara County	1,980.6	10.0
San Francisco County	1,675.0	6.4
Las Vegas MSA	488.0	6.2
Inland Empire	603.7	5.8
Orange County	1,385.8	5.5
San Diego County	1,040.2	5.2
San Mateo County	1,929.3	4.8
Alameda County	1,302.4	3.1
Denver MSA	652.5	3.0
Contra Costa County	**878.0**	**2.2**
Sacramento MSA	606.5	1.8
Dallas MSA	429.5	-0.1
Austin MSA	448.1	-2.3

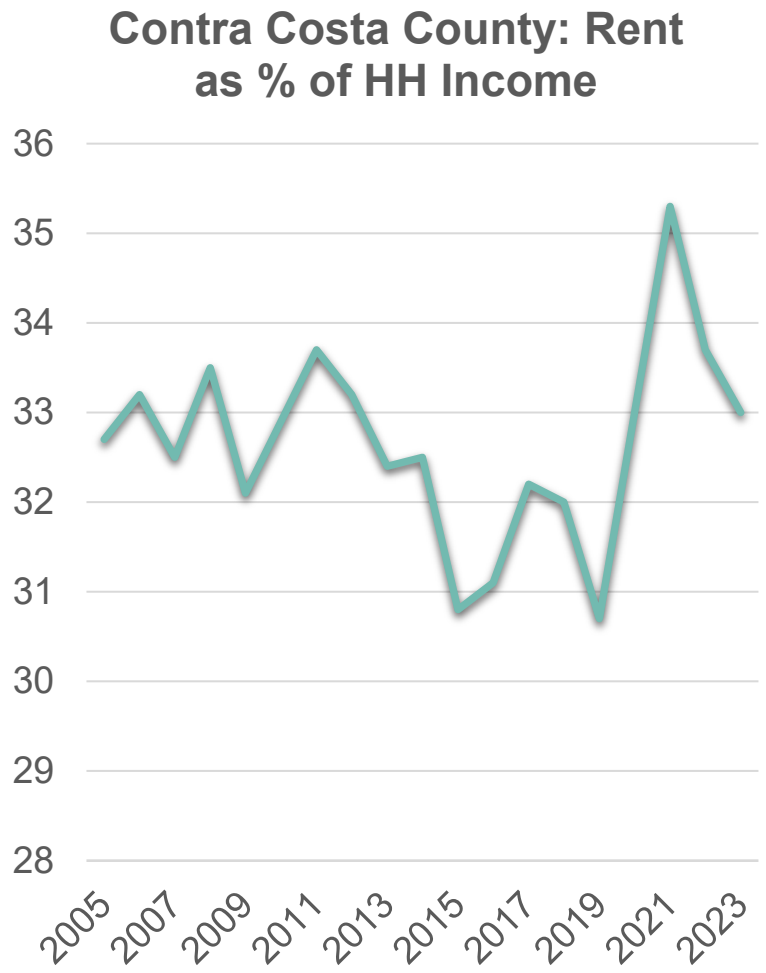
Rental Markets



Submarket	Cost of Asking Rent		Vacancy Rate	
	Q3-24 ($)	1-Yr Change (%)	Q3-24 (%)	1-Yr Change (pp)
East Alameda	2,755	2.0	4.2	-2.1
North Alameda	3,239	-6.2	10.8	-1.7
Fremont/Newark	2,514	0.7	4.6	-0.6
San Leandro/Hayward	2,312	-2.5	1.3	-0.5
Stockton	1,445	-5.8	2.9	-0.1
Concord/Martinez	2,154	-3.3	3.4	0.1
San Jose	3,125	2.5	5.2	0.1
San Ramon/Walnut Creek	2,799	-1.0	4.6	0.2
West Contra Costa	2,635	0.9	2.0	0.3
San Francisco (MD)	3,225	1.7	4.5	0.4
East Contra Costa	2,162	1.3	6.8	3.9

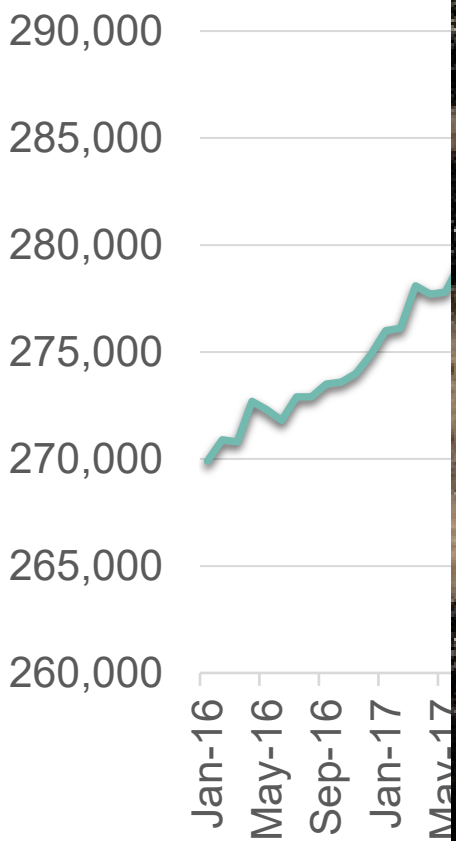
Apartments





	Post Rent Income 2023	Post Rent Income 2018	Rent to Income 2023
Contra Costa County	47474	44440	36.9%
Los Angeles County	42424	32575	34.9%
California	44900	34108	34.7%
Arizona	36258	29555	34.7%
Alameda County	54385	48222	33.7%
United States	34847	27835	32.6%
Texas	35224	28630	32.5%
San Joaquin County	41328	31881	32.5%

And the fires?



rnment

rough housing
ss / housing de-

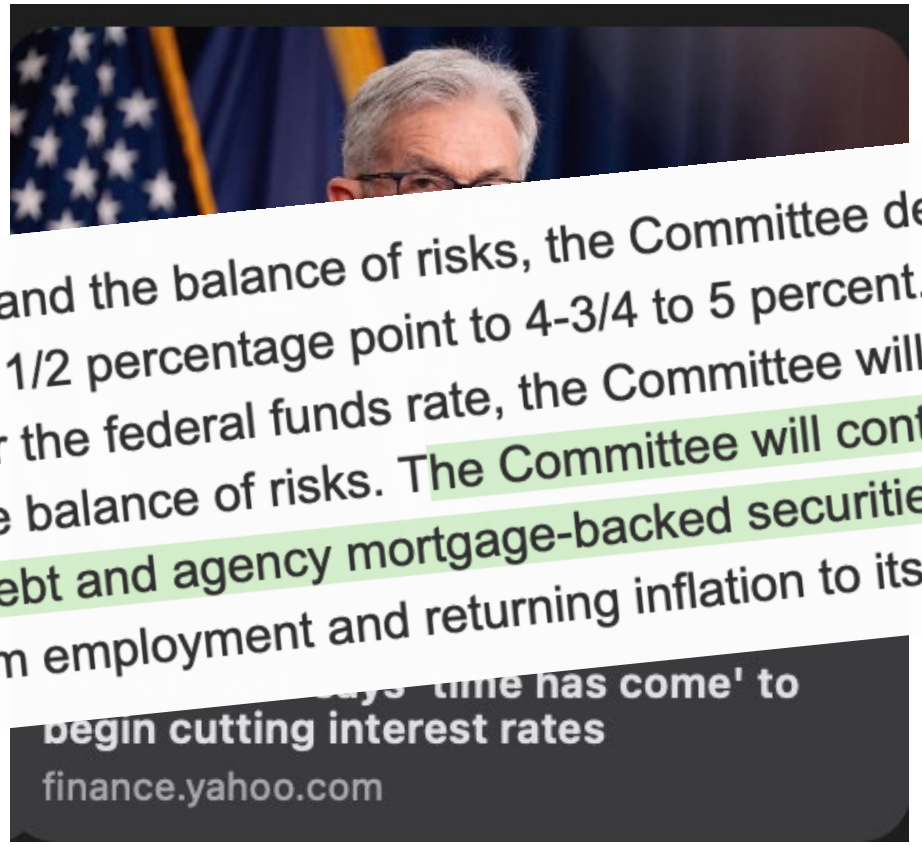
edness

ire	$37,176
uel	$15,563
rvice	$6,250
nter	$2,200
	$800

Narratives of Fed Policy?

The Federal Reserve's Narrative

- US inflation due to some exogenous shock
- Inflation is [illegible]
- [illegible] loss of some jobs / higher unemployment

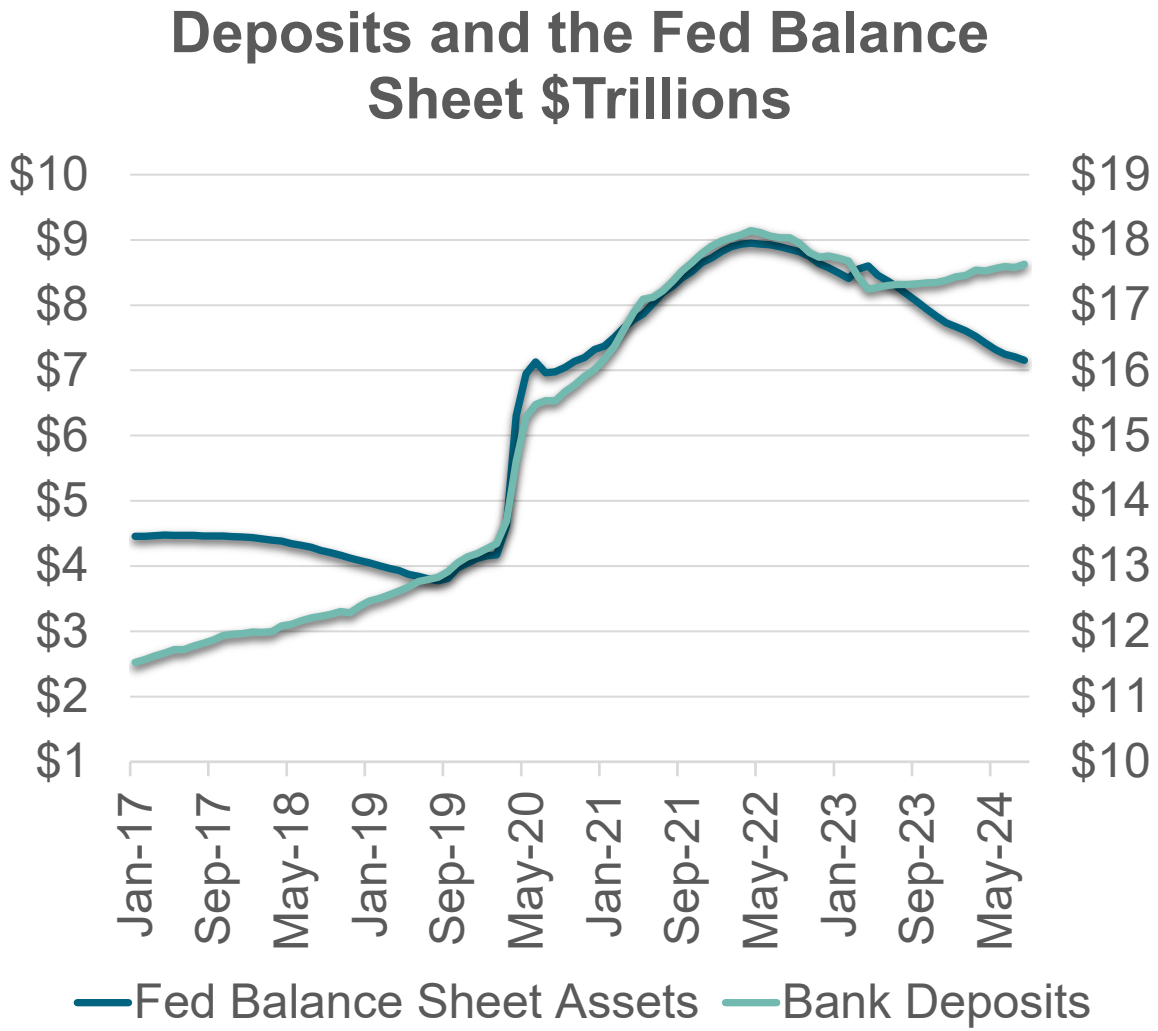


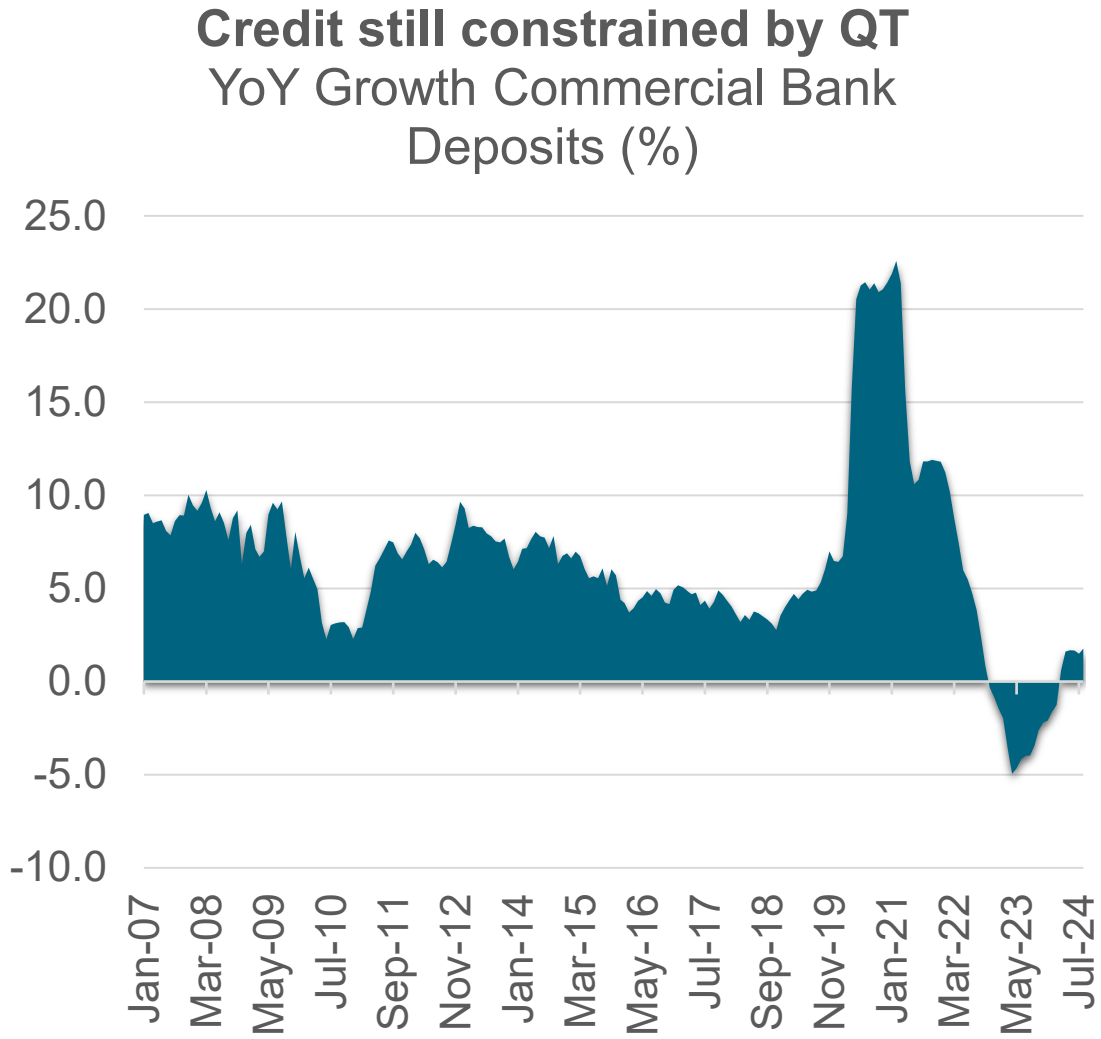
In light of the progress on inflation and the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point to 4-3/4 to 5 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

Yes this is what he said [illegible]

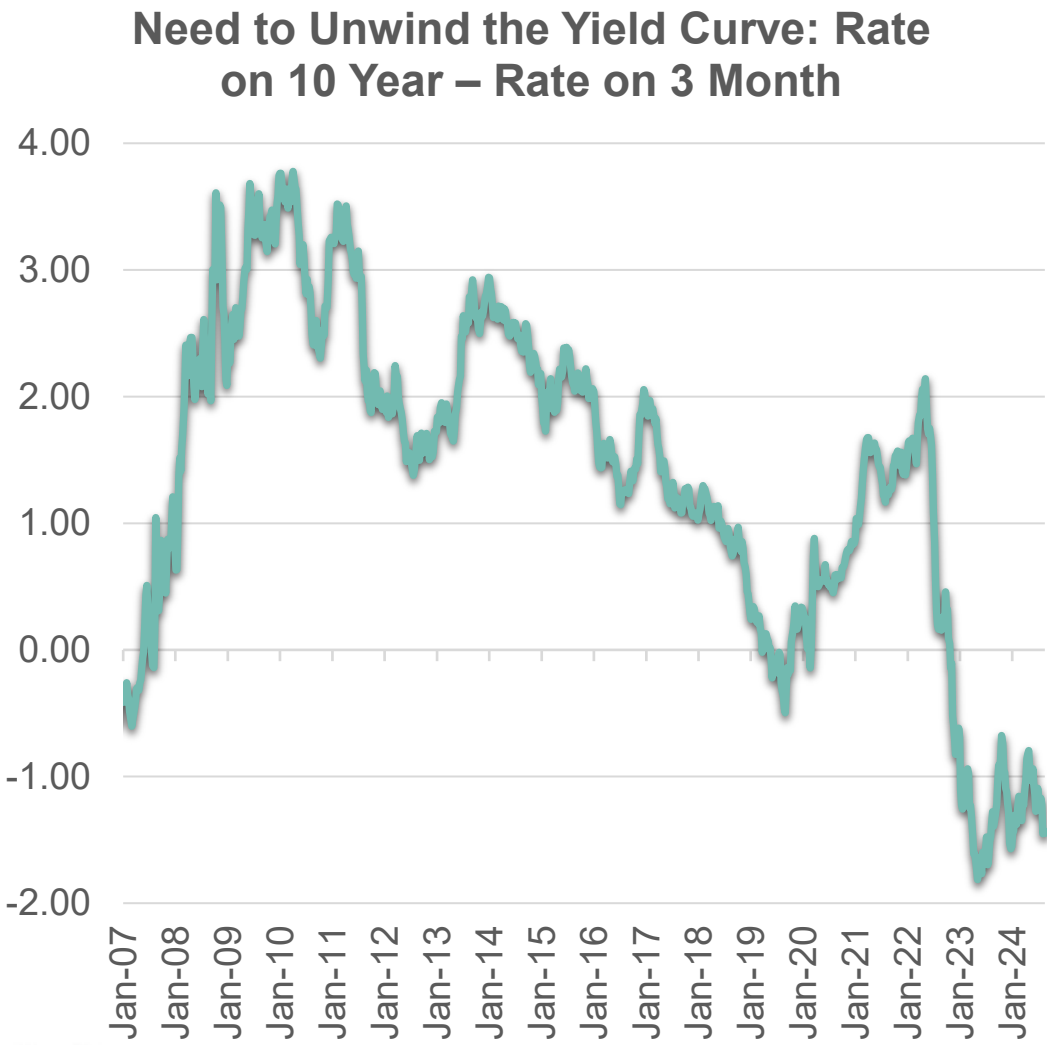
[illegible] depend on incoming data, the evolving outlook, and the balance of risks."

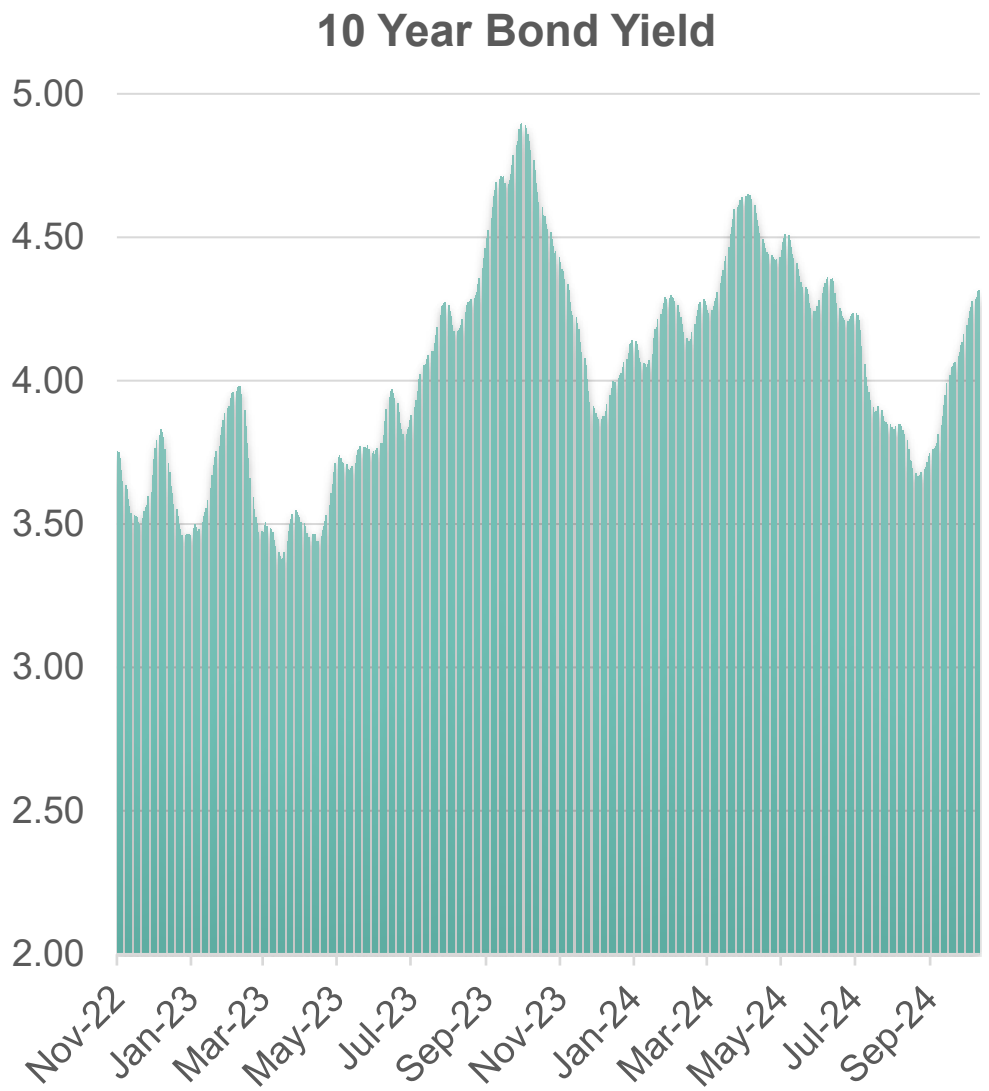
Credit Crunch: Quantity, Not Quality



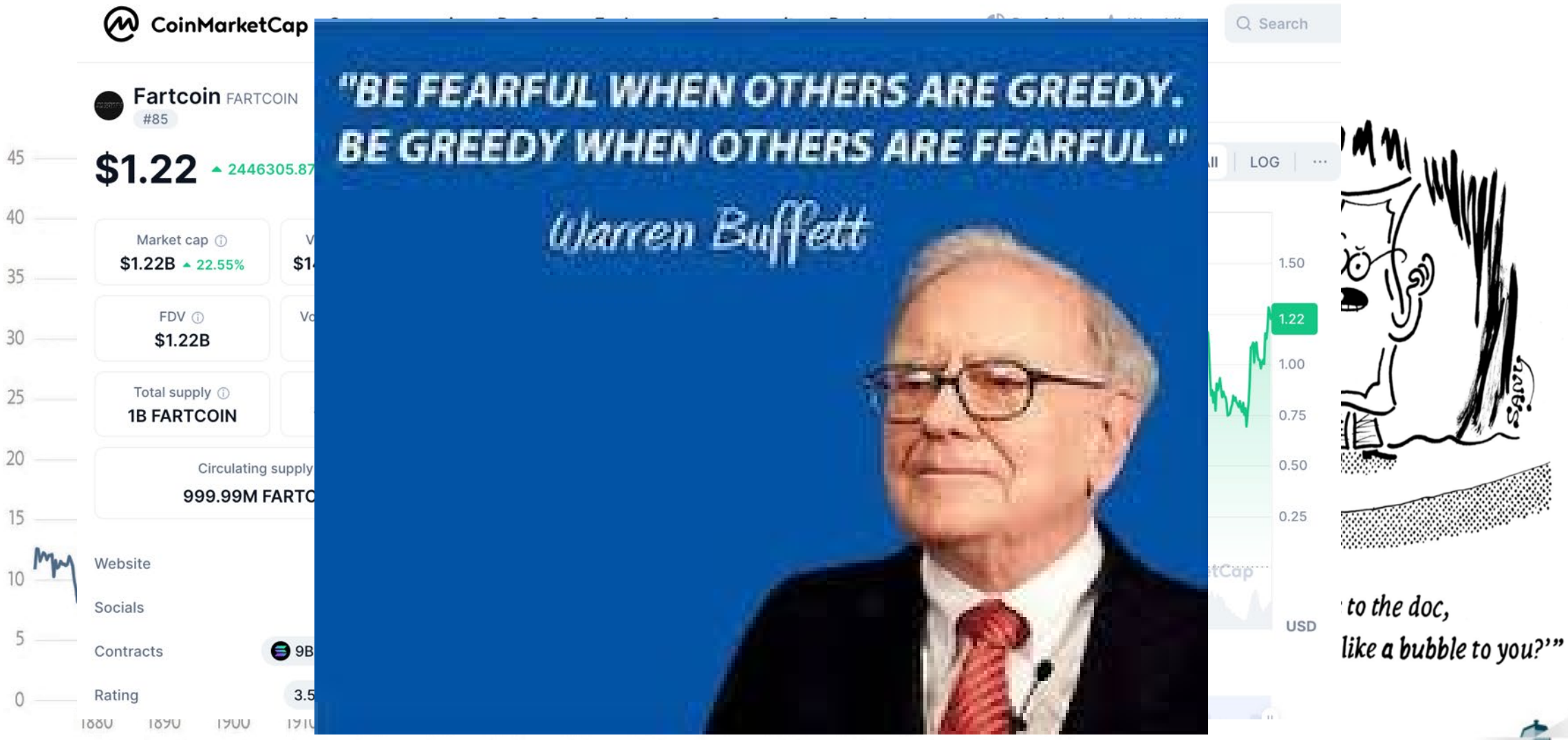


Unwinding the Yield Curve

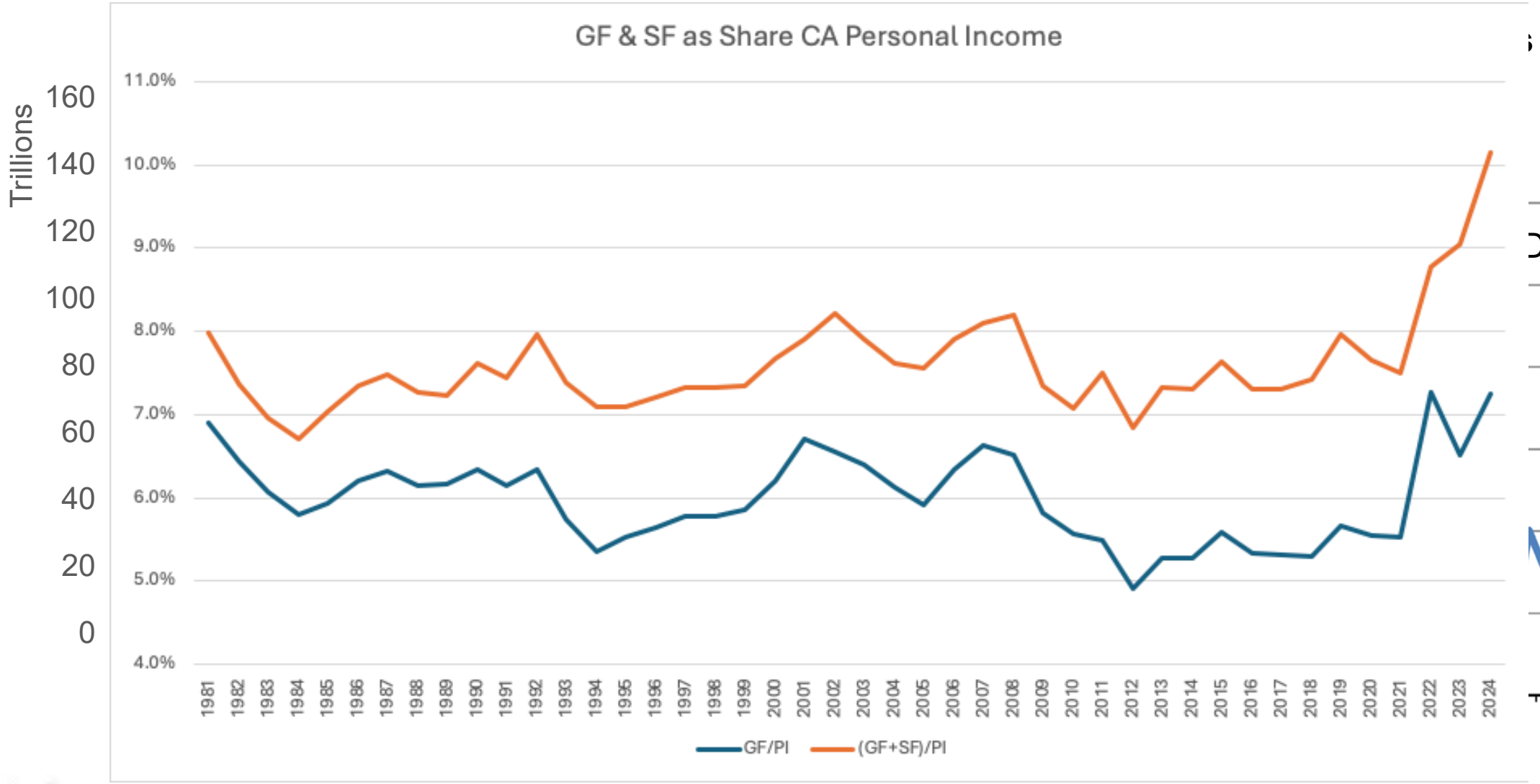




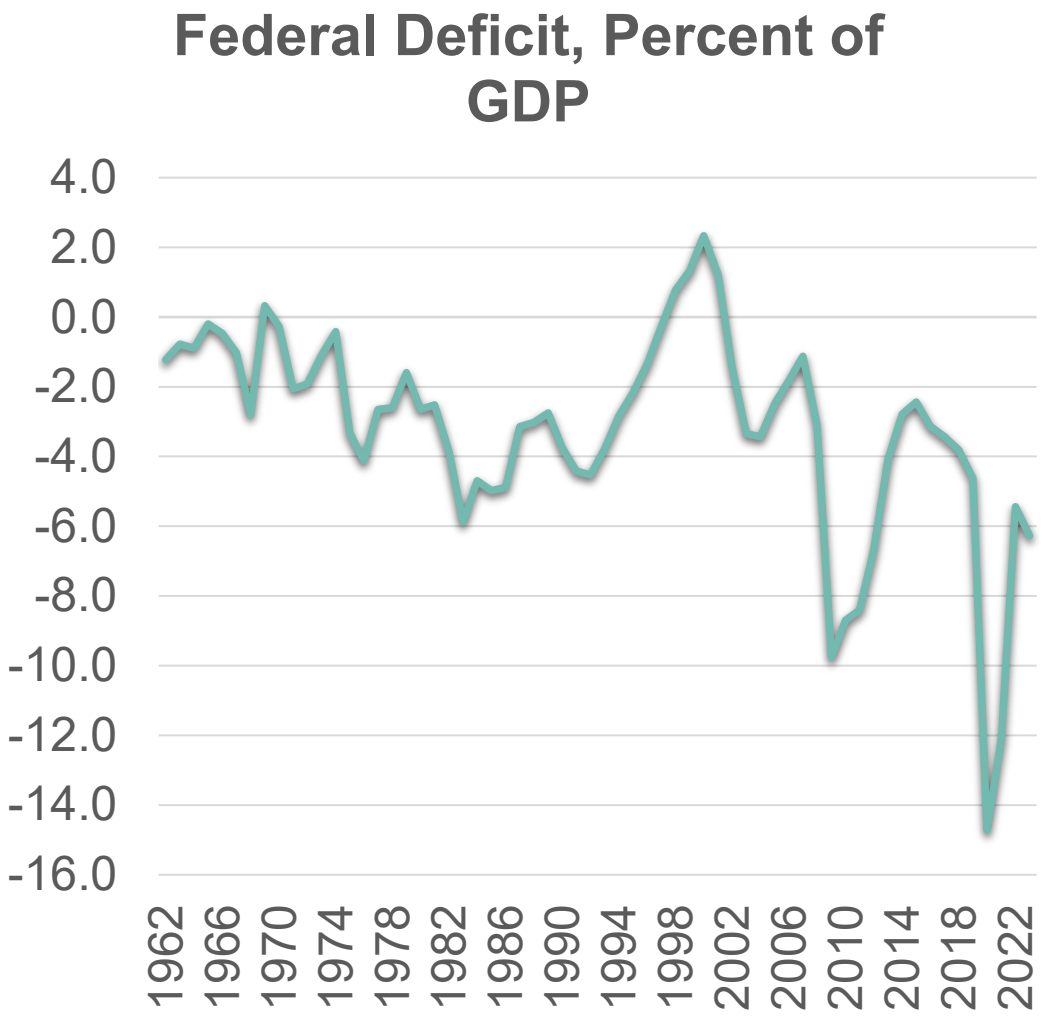
Powell's Other Legacies; Asset Bubbles

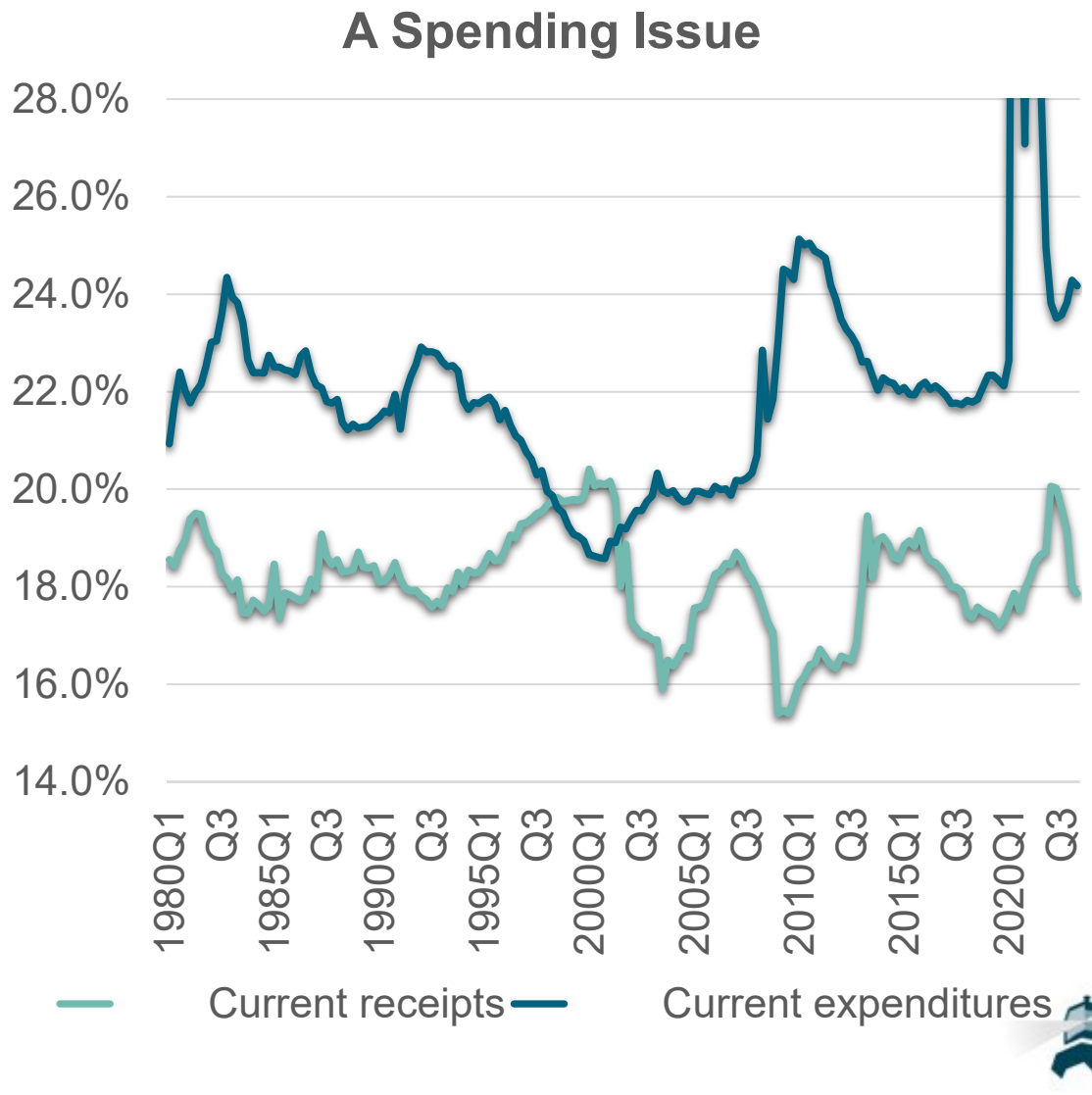


On Bubbles and Budgets!

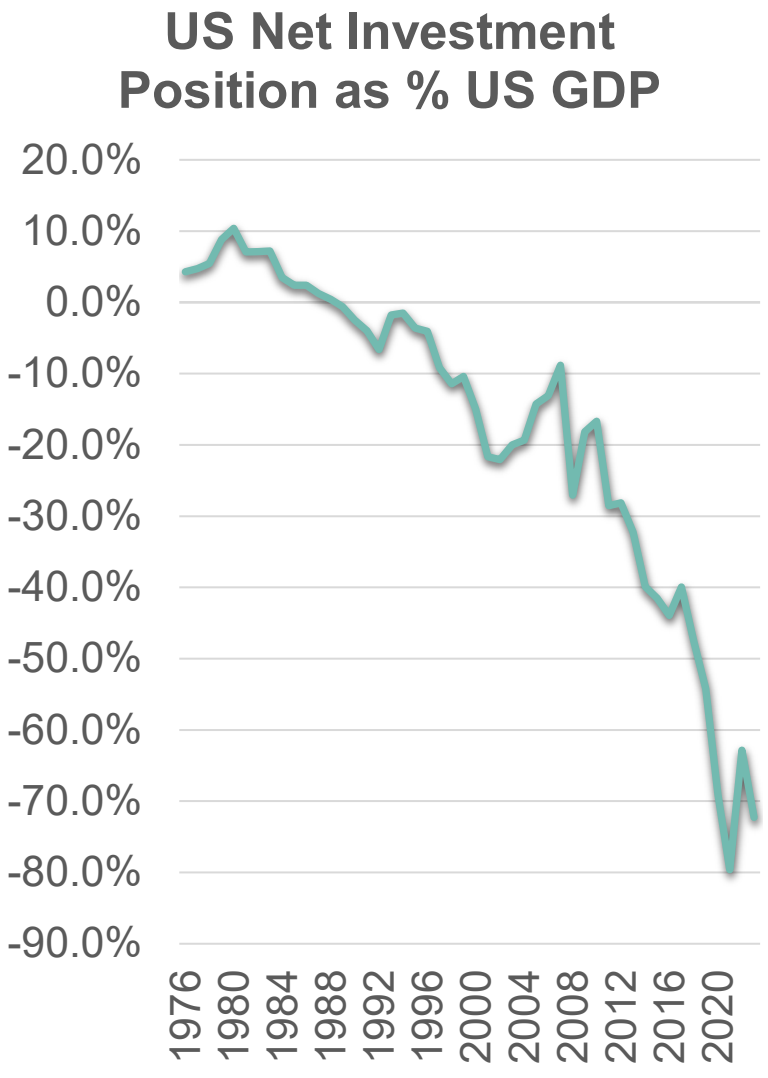


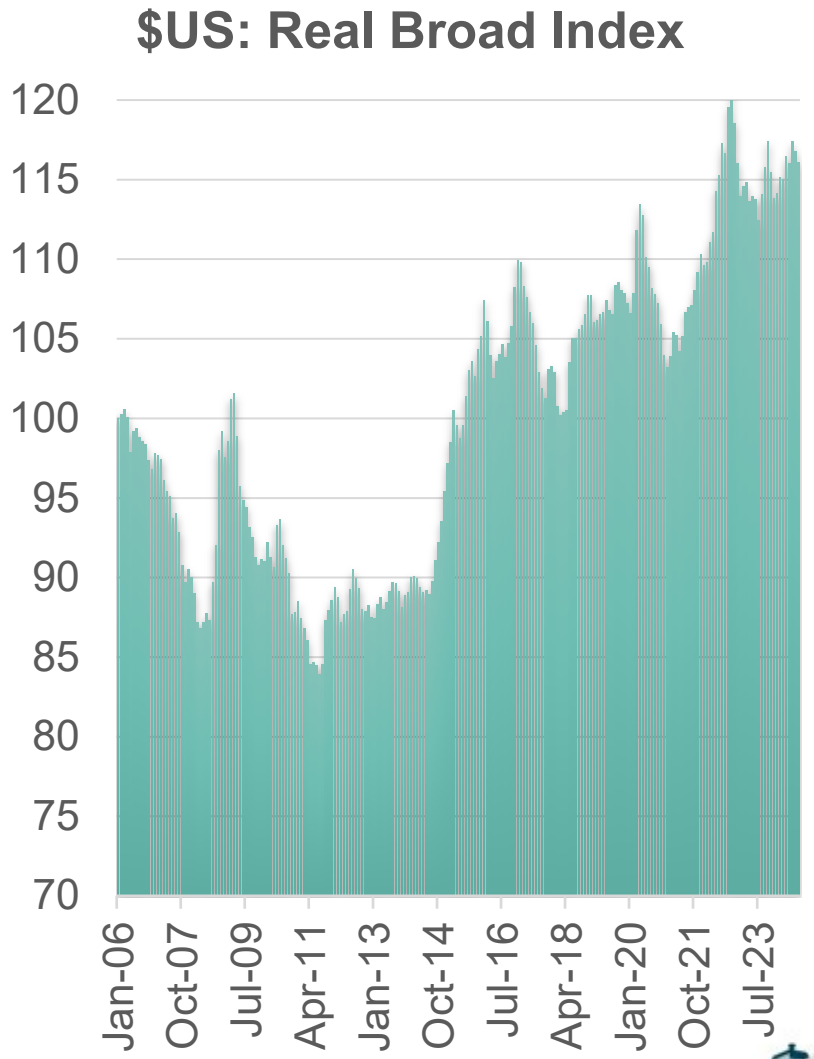
Powell's Legacy: The Federal Deficit





Growing External Imbalances





Final Thoughts on Contra Costa

Don’t Look Back in Anger

- Community doing great, the economy not so much which is holding tax base down
- Region has moved from heavy industry to a bedroom community for the tech driven western bay economies
- Dutch disease preventing new job growth

Employment Base Issues

- Recent gains in jobs mainly driven by household service spending
- Tech: staying in the west bay
- Heavy industry: moving on, bit by bit
- Household spending: moving to warehouses in Stockton, entertainment in Alameda, SF
- Back-Office operations moving to Sacramento

Roofs, roofs, roofs

- Housing supply must grow faster than local housing demand
- Focus on entry-level, high-density housing
- Focus on employment opportunities that can make it in the East Bay: Back-office, household services, household entertainment
- Value add options on trade moving through area

Obstacles to Success

- Core urban areas not building / densifying nearly enough—too much focus on jobs, not labor
- Wasted opportunities: Naval station, North shore waterfront, now refineries?
- Zoning for old economies, infrastructure investments needed

Out of the Woods?

We were never in the woods.

- Consumer demand remains strong
- Short run: the US expansion (4+ years old) will continue

Headwinds will intensify

- Fed deficits and frothy asset markets, external imbalances growing
- **Important #s: The $US, HH savings rate, yield curve**

California: Focused on the wrong issues

- Housing supply, not affordability
- Dutch disease problems driven by a lack of labor

The real issue?

- The narrative is running amuck
- Political chaos in its wake leaving US / CA policy rudderless

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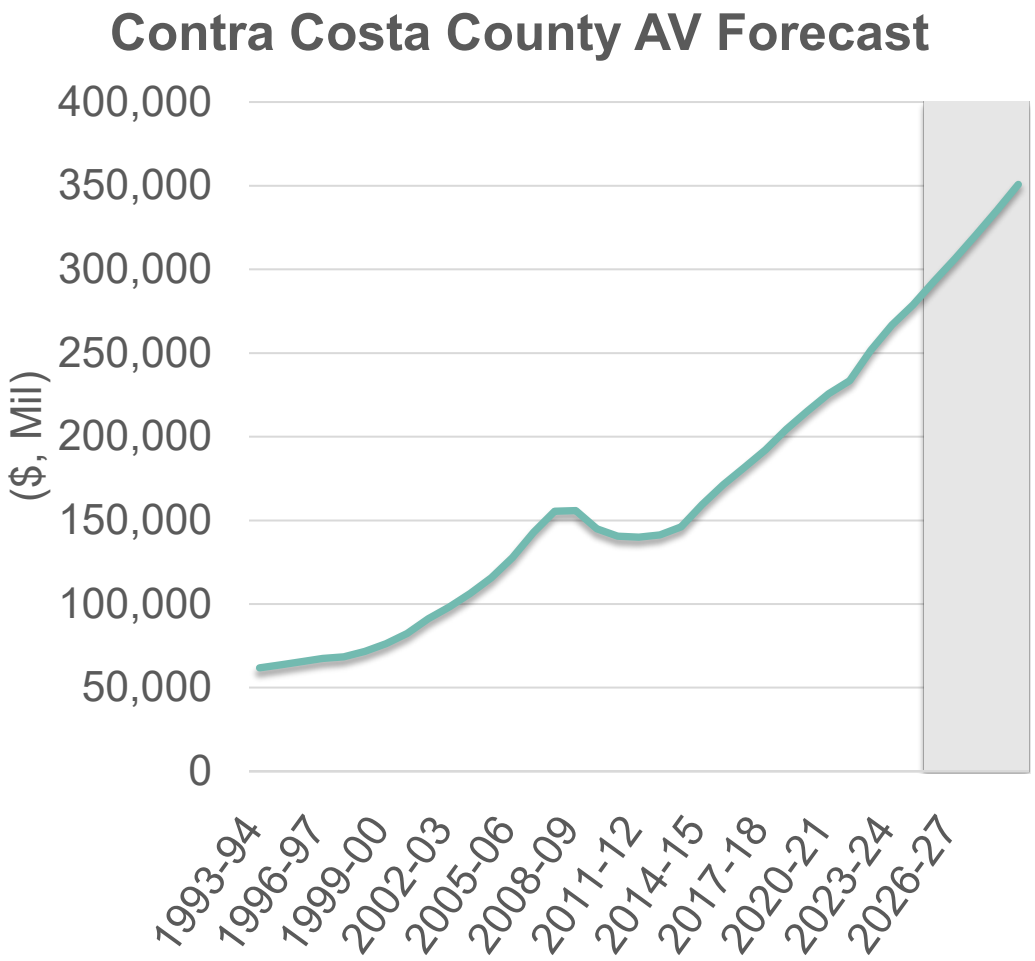
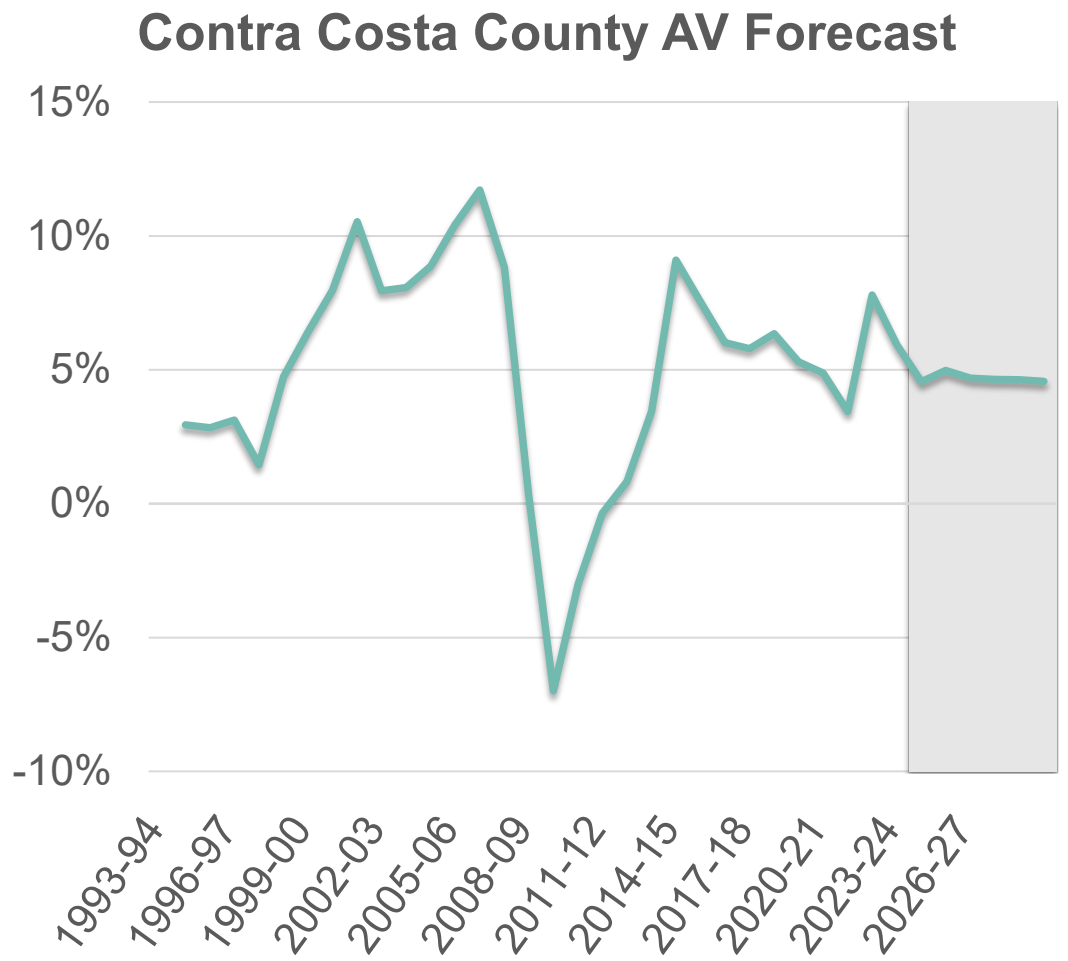
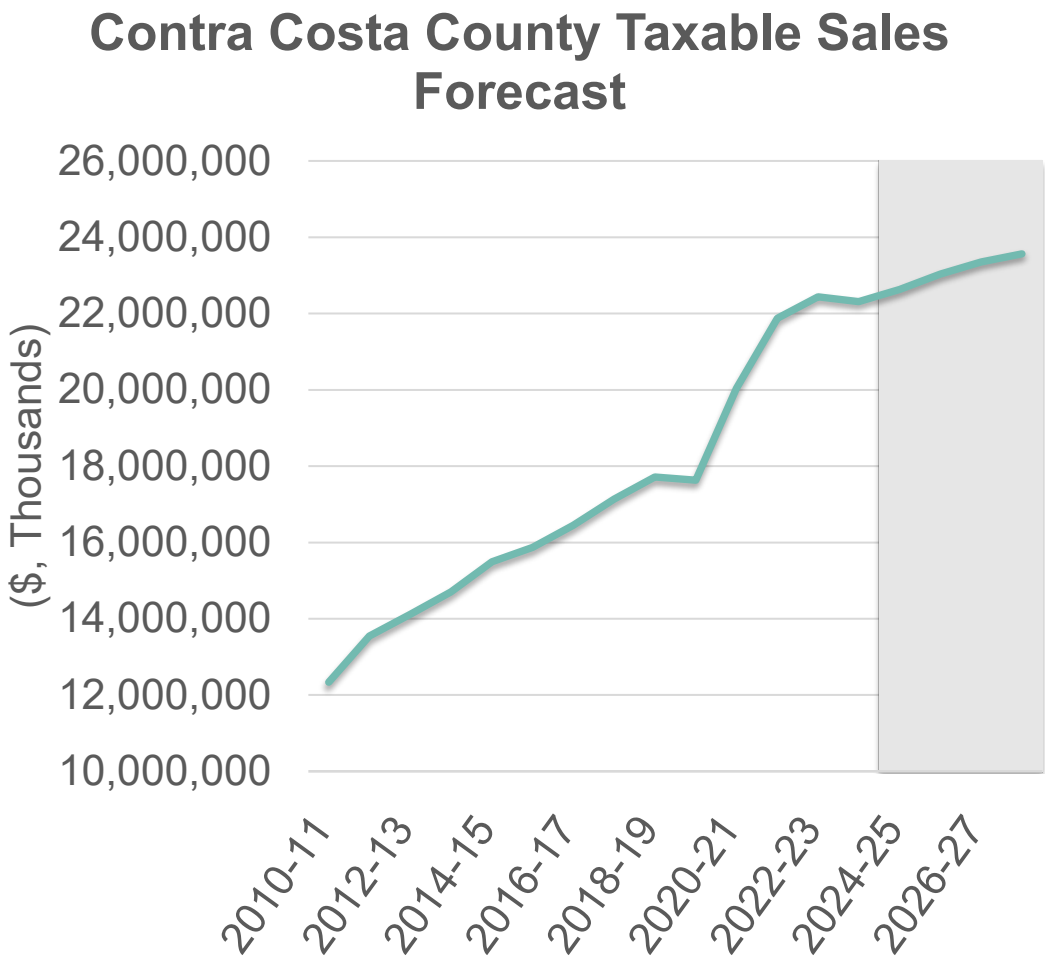
Kristen@beaconecon.com

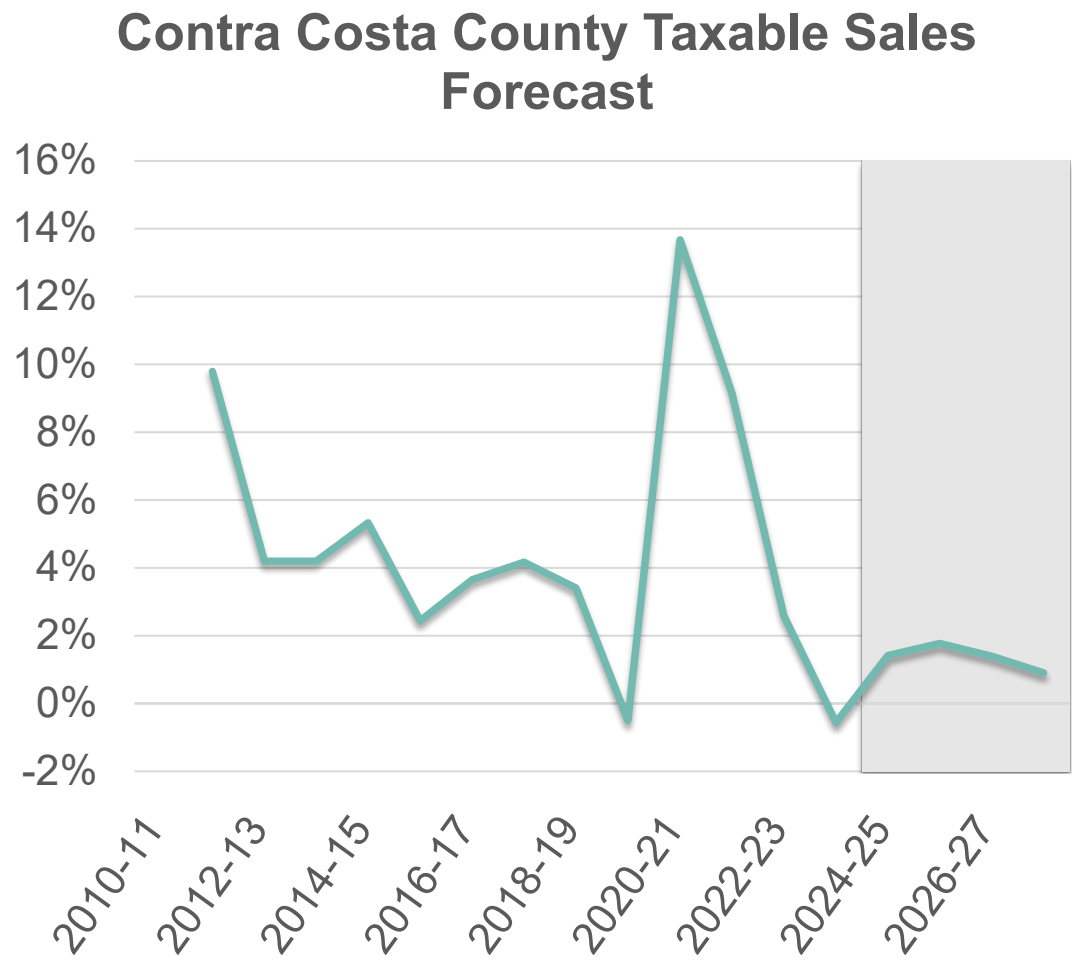
AV Forecast


Contra Costa County AV Forecast
($, Mil)
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
1993-94
1996-97
1999-00
2002-03
2005-06
2008-09
2011-12
2014-15
2017-18
2020-21
2023-24
2026-27

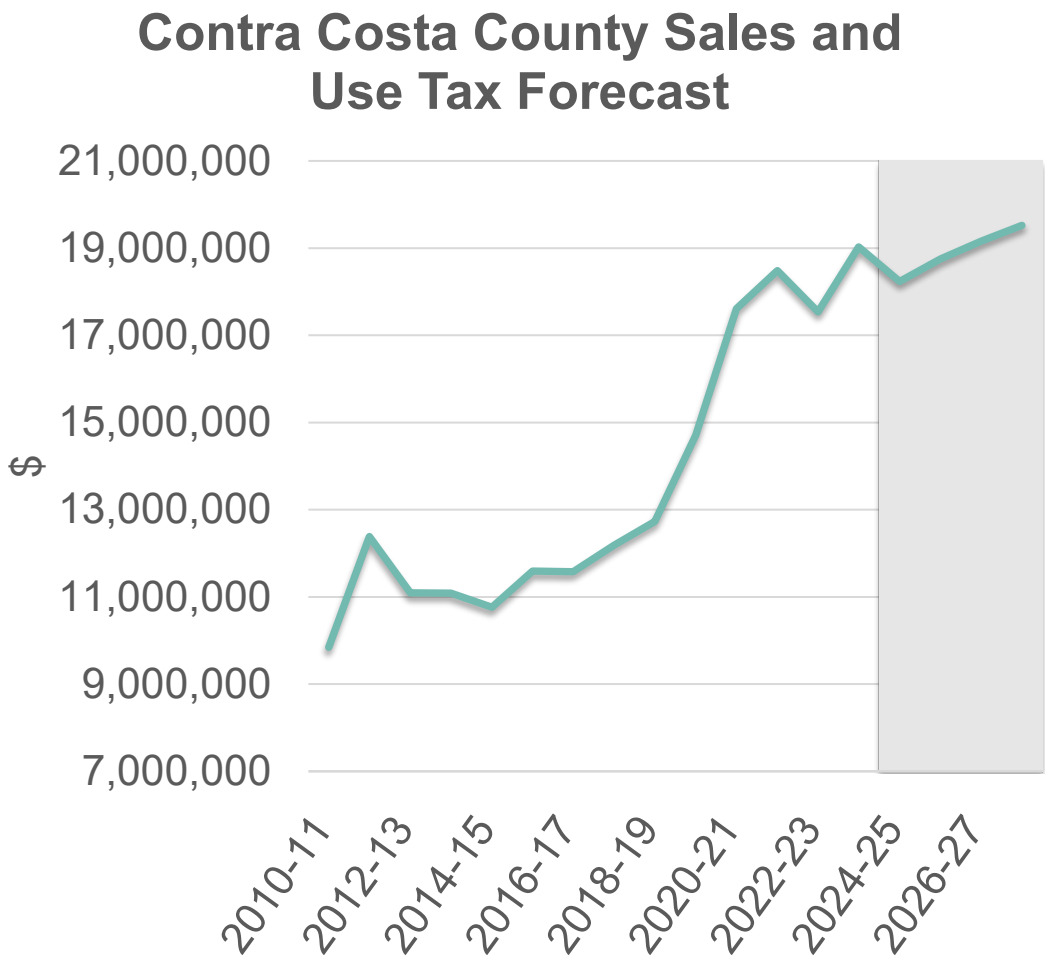

Contra Costa County AV Forecast
15%
10%
5%
0%
-5%
-10%
1993-94
1996-97
1999-00
2002-03
2005-06
2008-09
2011-12
2014-15
2017-18
2020-21
2023-24
2026-27

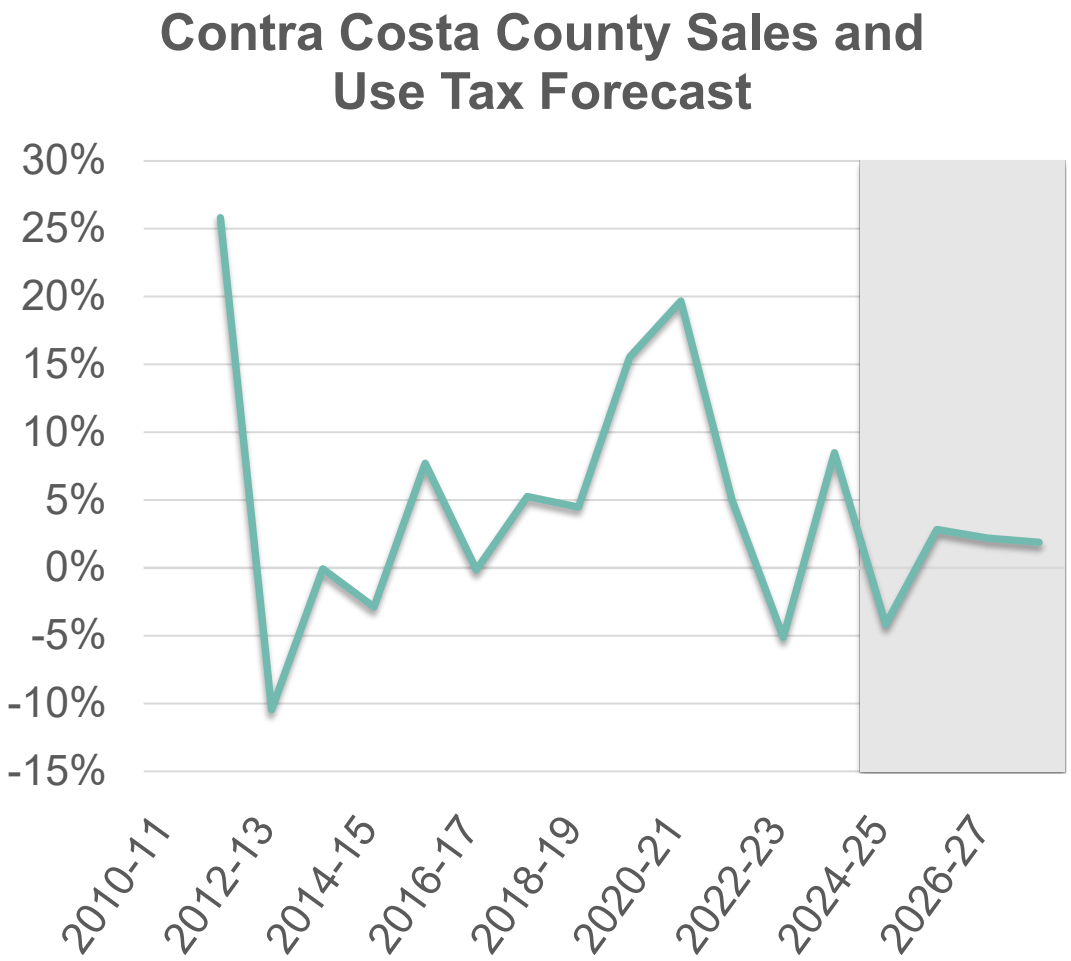
Taxable Sales Forecast



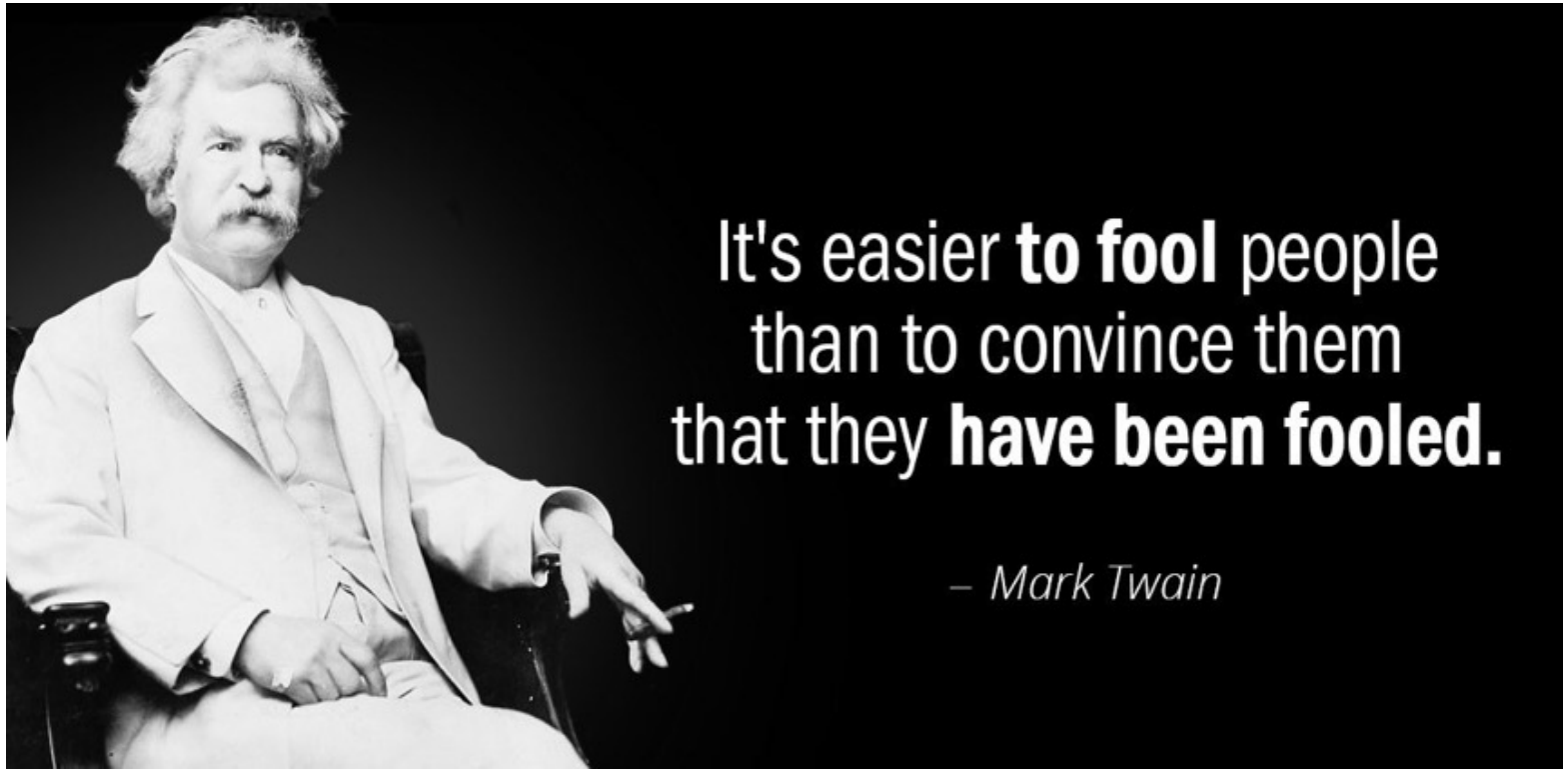


Sales and Use Tax Forecast





Welcome to the Age of Confirmation Bias!



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Thank You!

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