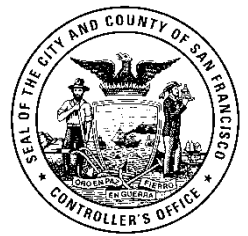


City and County of San Francisco

Office of the Controller – Office of Economic Analysis

ECONOMIC BAROMETER

December 2010



February 14, 2011

CONTROLLER'S OFFICE
Office of Economic Analysis (OEA)

The Office of Economic Analysis identifies and reports on all legislation introduced at the Board of Supervisors that might have a material economic impact on the City. It analyzes the likely impacts of legislation on business attraction and retention, job creation, tax and fee revenues to the City, and other matters relating to the overall economic health of the City and reports its findings to the Board of Supervisors.

About the Economic Barometer:

The purpose of the Economic Barometer is to provide the public, elected officials, and City staff with a current snapshot of San Francisco economic indicators. The Economic Barometer reviews major sectors of the City's economy, including tourism, real estate, retail sales, as well general economy-wide employment indicators.

This is a recurring bi-monthly report. The February 2011 report is scheduled to be issued in April 2011.

Program Team:

For more information, contact the Office of the Controller, Office of Economic Analysis:
Ted Egan, Chief Economist, (415) 554-5268
Kurt Fuchs, Senior Economist, (415)554-5369

Prior editions can be downloaded from the OEA's website: www.sfgov.org/controller/oea

If you would like to receive this report every month, please e-mail your request to Debbie Toy in the Controller's Office: debbie.toy@sfgov.org

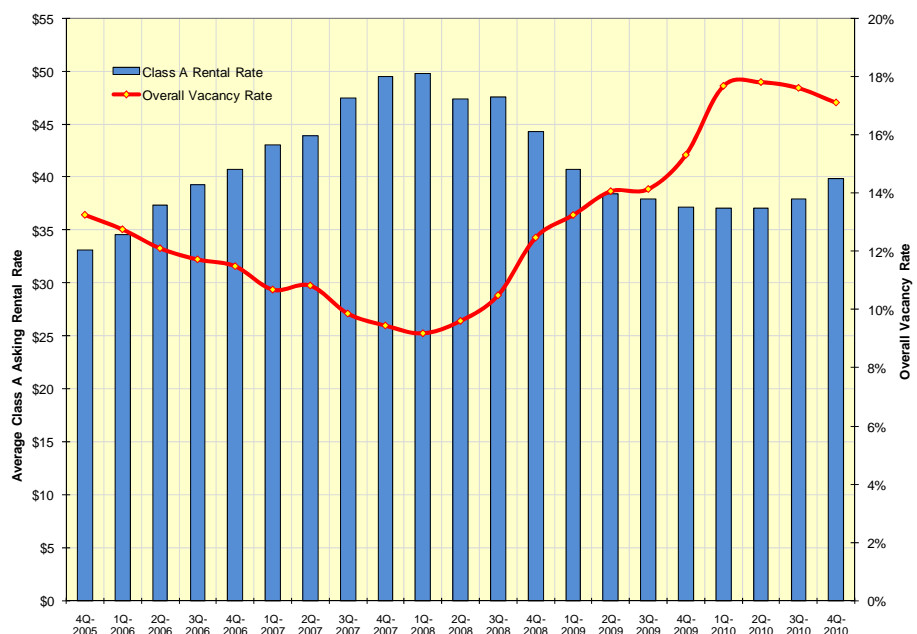
Economic Barometer – December 2010

- The December unemployment rate in San Francisco was 9.2%, up 0.3% on a seasonally adjusted basis from the prior month, and down from 9.4% a year ago. While the number of unemployed in San Francisco decreased by 1,000 since last December, this figure remains above 40,000, as it has since mid-2009.
- Total employment in the 3-County Metro Division remains weak, decreasing 1.4% in the last year, and declining in each of the past two months, on a seasonally adjusted basis.
- Housing prices in San Francisco have been inconsistent in 2010, fluctuating month-to-month depending on the number and type of transactions (i.e., foreclosure and short-sales vs. “normal” sales). Although December marked a decline from the prior month, the annual average price in 2010 of about \$650,000 was up slightly from the 2009 annual average of \$635,000.
- Apartment market conditions improved steadily in 2010, with average asking rents increasing 14% compared to a year ago. However, rental rates are still about 10% below their peak in September, 2008.
- Domestic and international airport traffic at SFO remains steady with both indicators showing healthy annual increases in December, while declining slightly from the prior month, on a seasonally adjusted basis.
- The hotel sector showed signs of improvement in December with both the average daily room and occupancy rates increasing on a seasonally adjusted basis from the prior month. Revenue per available room night showed consistent annual growth for most of 2010, with December’s RevPAR 24% higher than it was a year ago.
- San Francisco’s office market is showing signs of recovery nearly three years after the market last peaked at the start of 2008. Increased tenant demand has resulted in two consecutive quarters of positive net absorption beginning in Q3 2010, after nearly two years of tenants putting more space on the market than they were leasing.

Exhibit 1 shows Class A rental rate and overall vacancy rate trends during the past 5 years. Increased tenant demand has led to modest declines in the vacancy rate and a 7% increase in Class A asking rents compared to a year ago. While vacancy remains high at 17.1%, the rate declined steadily in 2010.

Exhibit 1

San Francisco Class A Office Rental Rates and Overall Vacancy Rate: 4Q 2005 to 4Q 2010



Source: Jones Lang LaSalle.

City and County of San Francisco
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Economic Barometer - December 2010



Economic Sector/ Indicator	Most Recent Month/ Quarter	Value	Adjusted Recent Change ^a	Year-to-Year Change ^b	Five-Year Position ^c	Trend ^d
Economy-Wide						
San Francisco Unemployment Rate ^{1,e}	Dec-10	9.2%	0.3%	-0.2%	Weak	Neutral
Number of Unemployed in San Francisco ¹	Dec-10	41,400	100	-1,000	Weak	Neutral
Consumer Price Index, San Francisco MSA ²	Dec-10	227.7	0.9%	1.5%	Strong	Positive
County Adult Assistance Program Caseload ³	Dec-10	7,496	0.4%	-0.5%	Neutral	Neutral
Total Employment, San Francisco MD ¹	Dec-10	921,200	-0.4%	-1.4%	Weak	Negative
Temporary Employment, San Francisco MD ^{1,f}	Dec-10	14,600	-1.8%	5.0%	Weak	Negative
Real Estate						
Median Home Sales Price ⁴	Dec-10	\$617,000	-6.3%	-5.1%	Weak	Neutral
Average 1BR Asking Rent ⁵	Dec-10	\$2,039	3.4%	14.1%	Neutral	Positive
Office Vacancy Rate ^{6,e}	4Q 2010	17.1%	-0.9%	1.8%	Weak	Positive
Office Average Class A Asking Lease Rate ⁶	4Q 2010	\$39.82	5.5%	7.0%	Weak	Positive
Tourism						
Domestic Air Passengers ⁷	Dec-10	2,469,098	-2.0%	2.9%	Strong	Neutral
International Air Passengers ⁷	Dec-10	688,054	-3.8%	3.3%	Weak	Neutral
Hotel Average Daily Rate ⁸	Dec-10	\$153.64	5.4%	13.7%	Neutral	Positive
Hotel Occupancy Rate ⁸	Dec-10	68.6%	8.0%	9.4%	Strong	Positive
Retail						
Average Daily Parking Garage Customers ⁹	Dec-10	14,012	6.8%	0.0%	Weak	Negative
Powell St. BART Average Saturday Exits ¹⁰	Dec-10	28,880	7.8%	1.0%	Neutral	Positive

Notes:

- [a] - Adjusted recent change is a seasonally-adjusted percentage change to the most recent month or quarter from the prior one.
- [b] - Year-to-Year change is the percentage change from a given month or quarter to the same one last year.
- [c] - Five-year position is a relative measure of how strong or weak the indicator is compared to the average over the last five years.
- [d] - Trend is a relative measure of the indicator's recent performance.
- [e] - Rate change is shown as a percentage point difference, not a percentage change.
- [f] - Temporary employment refers to employment in the "Employment Services" industry.

Sources:

- [1] - California Employment Development Department. MD refers to the San Francisco Metropolitan Division: San Francisco, Marin, & San Mateo counties.
- [2] - US Department of Labor, Bureau of Labor Statistics. CPI-U (all urban consumers) is reported for the San Francisco-Oakland-San Jose MSA.
- [3] - San Francisco Human Services Agency (HSA)
- [4] - MDA DataQuick Information Systems
- [5] - Craigslist
- [6] - Jones Lang LaSalle
- [7] - San Francisco International Airport
- [8] - Colliers PKF Consulting
- [9] - San Francisco Municipal Transportation Agency (MTA). Parking garages include Union Square, Fifth-Mission, Sutter-Stockton, and Ellis-O'Farrell.
- [10] - Bay Area Rapid Transit (BART)