



California Hype:

- Business unfriendly
- High taxes
- Over regulated
- People/business fleeing

Reality

- “Dumb” tax state
- Still outperforming the U.S.
- Certain industries more vulnerable than others
- Real enemy: housing costs

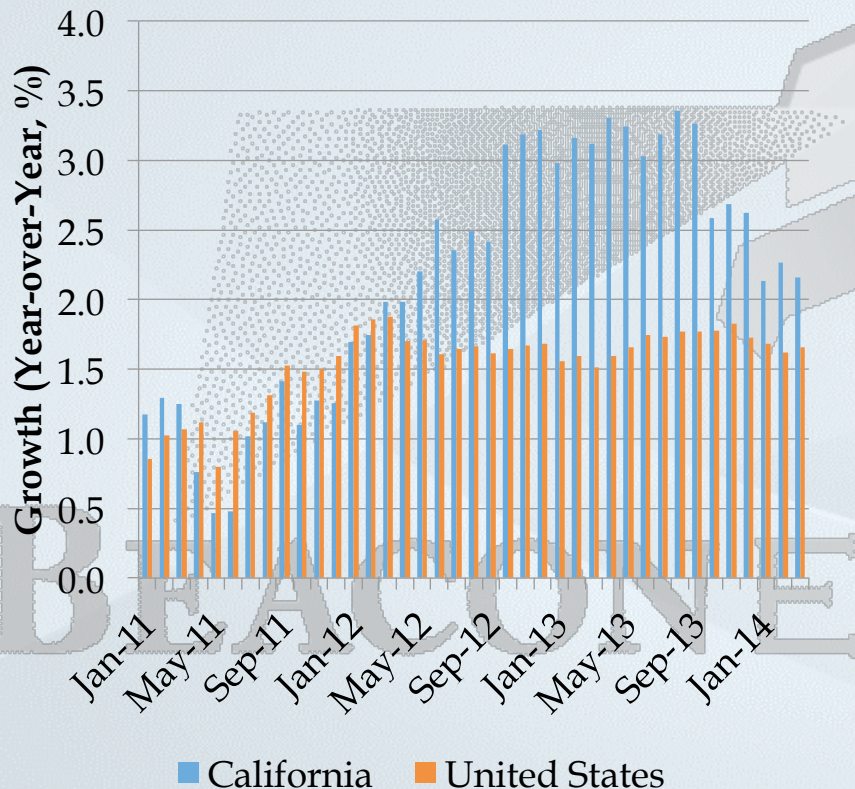
8th Fastest over past year

Nonfarm Employment Growth by State

Location	Apr-13	Apr-14	Change (000s)	Change (%)	Share of Total (%)
North Dakota	438.1	460.9	22.8	5.2	1.0
Nevada	1,168.2	1,212.9	44.7	3.8	1.9
Florida	7,531.7	7,778.5	246.8	3.3	10.4
Texas	11,129.1	11,477.1	348.0	3.1	14.7
Utah	1,284.2	1,322.7	38.5	3.0	1.6
Colorado	2,367.3	2,438.1	70.8	3.0	3.0
Oregon	1,667.2	1,716.4	49.2	3.0	2.1
California	15,084.4	15,424.6	340.2	2.3	14.4
Washington	2,974.8	3,039.0	64.2	2.2	2.7
South Carolina	1,889.3	1,929.2	39.9	2.1	1.7
United States	135,885.0	138,252.0	2,367.0	1.7	100

Almost back to peak

Nonfarm Employment Growth



Indicator	Nonfarm Empl't	Household Empl't
Peak Month	Jul-07	Jan-08
Peak Employment (000s)	15,449.8	17,022.9
Trough Month	Feb-10	Nov-09
Trough Employment	14,121.0	15,948.4
Peak to Trough Change	-1,328.8	-1,074.5
Peak to Trough (%)	-8.6	-6.3
Current Month	Apr-14	Apr-14
Current Employment	15,424.6	17,195.3
Trough to Current Change	1,303.6	1,246.9
Trough to Current (%)	9.2	7.8
Remaining to Peak (000s)	-25.2	172.4
Remaining to Peak (%)	-0.2	1.0

San Jose leading the pack

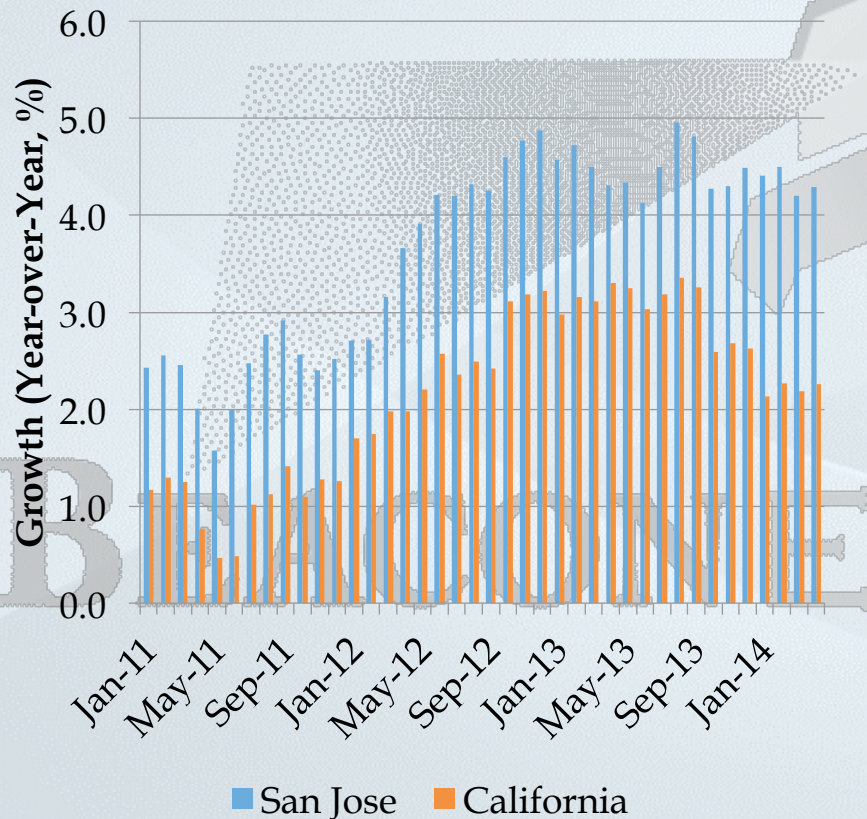
South Bay Employment Growth by Major Industry, Year over Year

Industry	Apr-13	Apr-14	Change (000s)	Change (%)
NR/Mining	0.2	0.3	0.1	51.0
Information	57.5	63.3	5.8	10.1
Management	11.7	12.7	1.0	8.9
Education/Health	142.5	151.9	9.4	6.6
Construction	36.8	39.1	2.3	6.2
Wholesale Trade	36.2	38.0	1.8	5.0
Manufacturing	154.9	161.9	7.1	4.6
Real Estate	12.9	13.4	0.5	4.1
Admin Support	54.1	56.2	2.1	4.0
Transport, Warehouse, Util.	13.9	14.4	0.5	3.9
State Government	6.2	6.4	0.2	3.3
Government	91.5	94.3	2.8	3.1
Prof Sci and Tech	123.0	126.7	3.6	3.0
Leisure and Hospitality	87.4	89.3	1.9	2.2
Retail Trade	84.7	86.5	1.8	2.1
Finance and Insurance	20.7	20.8	0.2	0.8
Other Services	25.3	25.2	-0.1	-0.5
Total Private	861.6	899.7	38.1	4.4
Total Nonfarm	953.1	994.0	40.9	4.3

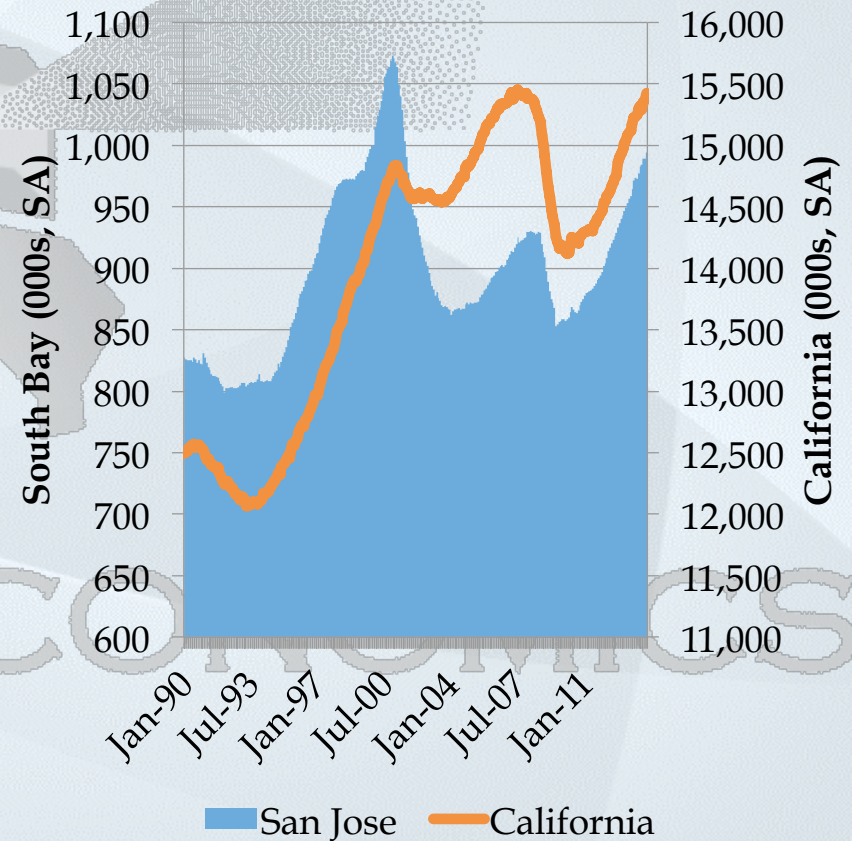
Source: California EDD

Outpacing CA for 51 consecutive months

Nonfarm Employment Growth

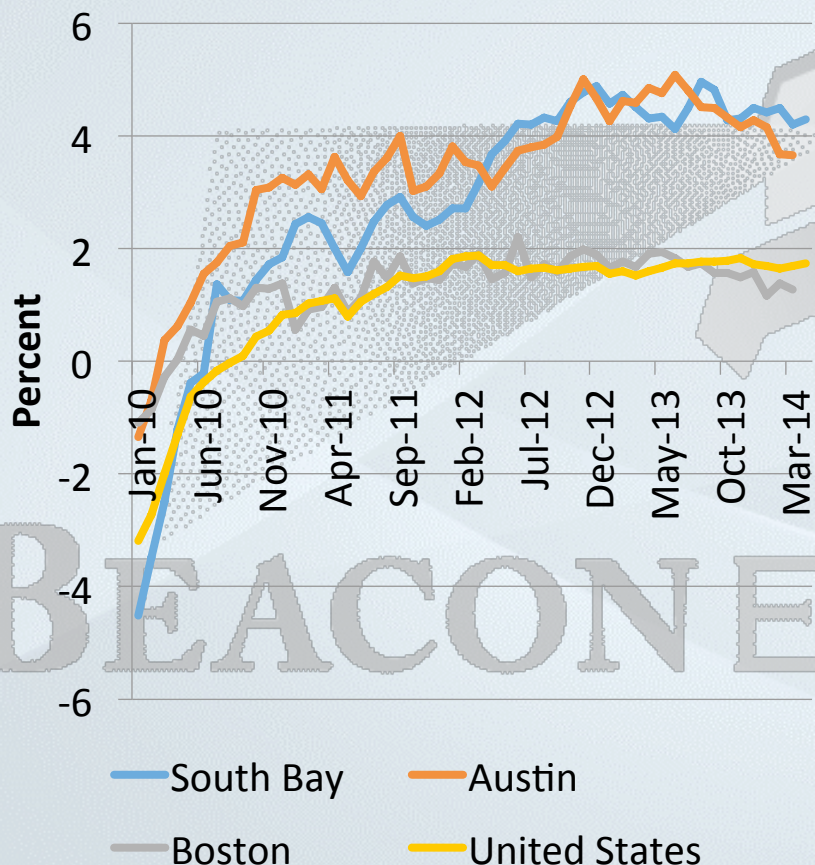


Total Nonfarm Employment



Still the top-dog of the tech world

Nonfarm Job Growth

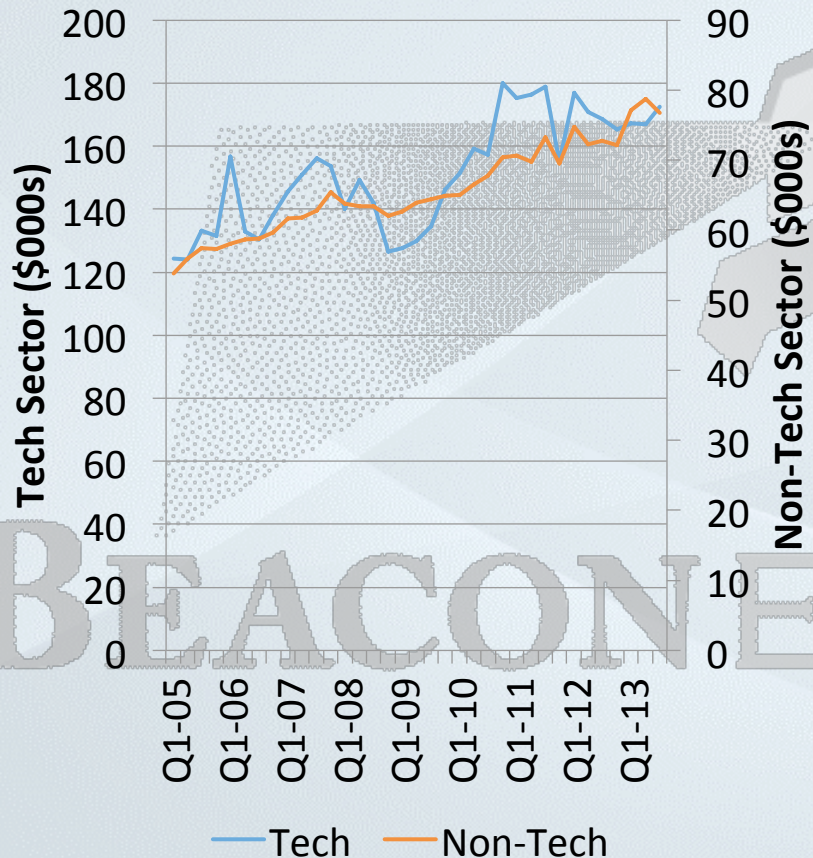


Subject	South Bay	Austin Metro	Boston Metro
Population 16+	1,491,380	1,423,425	3,782,563
Job Growth in 2013	4.5%	4.6%	1.7%
March 2014 Unemployment	6.3%	4.5%	5.7%
Jobs in Info. and Prof-Tech.	188,455	99,755	322,120
Bachelor's degree	25.8%	27.3%	23.9%
Grad/Professional degree	20.6%	13.2%	19.1%
Bachelor's degree +	46.4%	40.5%	42.9%
Median HH Inc.	90,737	59,433	71,738
Avg. HH Inc.	118,103	80,411	97,385
Per Capita Inc.	40,539	30,295	37,860

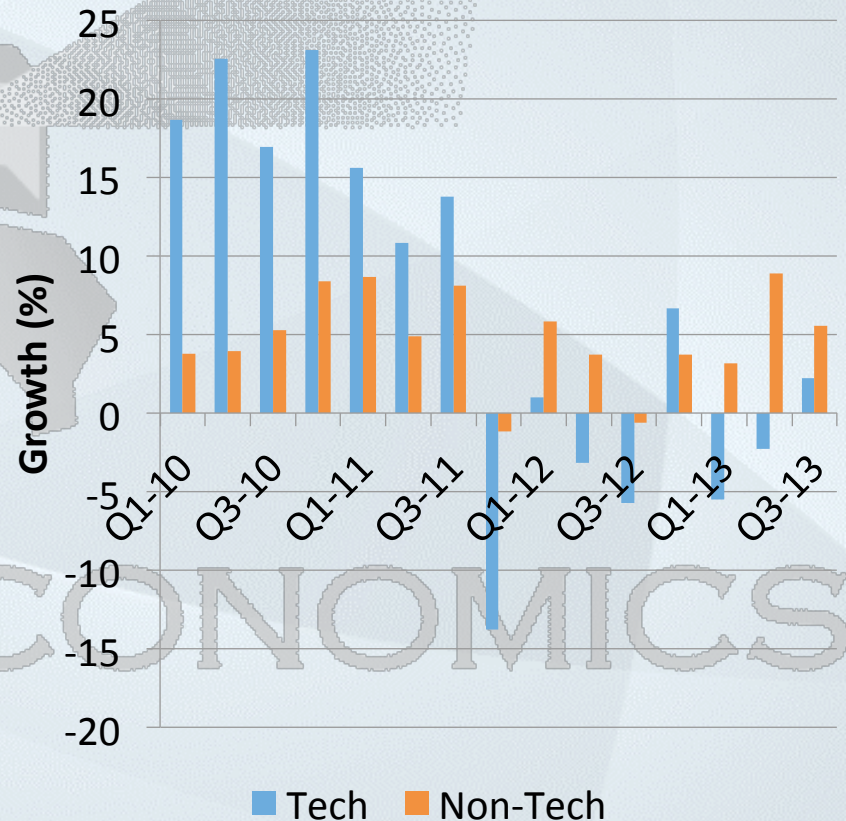
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Tech growth benefits all workers

South Bay Wages

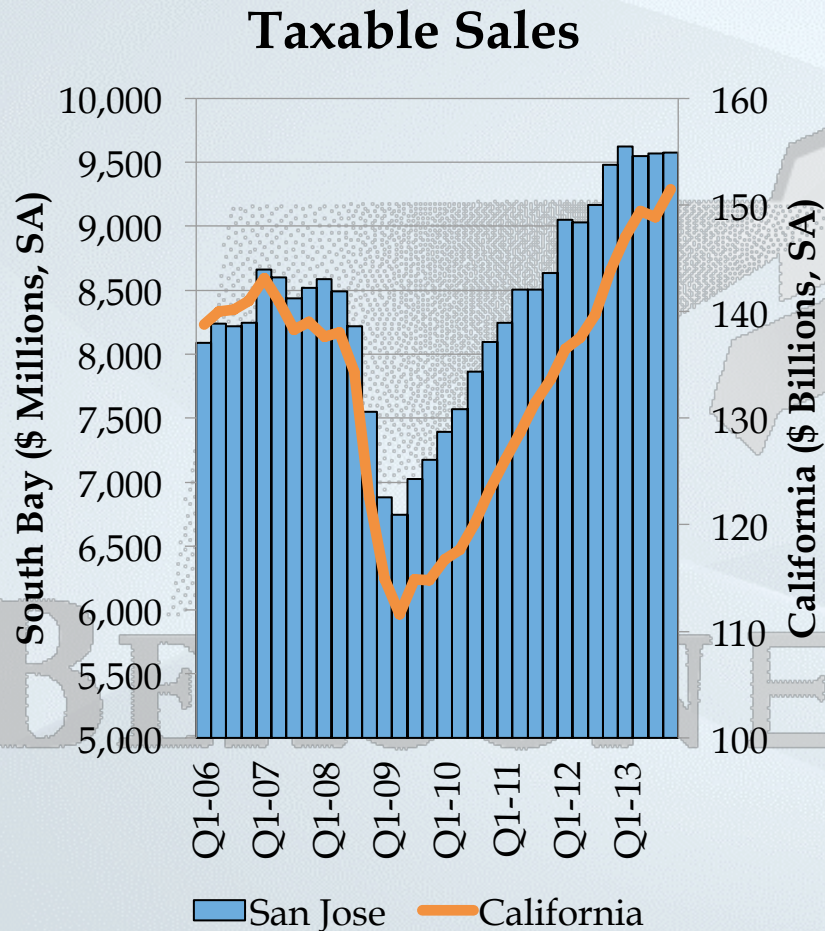


South Bay Wage Growth



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Consumer/Business spending



South Bay Taxable Sales by City/Submarket

City	2013	Change (%)
Palo Alto	2,492,766	20.2
Saratoga	102,298	13.8
Los Altos Hills	8,641	8.0
San Jose	14,227,939	6.7
Unincorporated	110,081,520	5.5
Morgan Hill	700,800	5.5
Santa Clara	3,925,165	4.9
Campbell	873,221	4.8
Gilroy	1,247,006	3.1
Mountain View	1,379,938	2.9
Los Altos	211,534	0.9
Los Gatos	692,575	-1.9
Sunnyvale	2,668,758	-3.4
Cupertino	2,053,354	-8.3
Milpitas	1,198,599	-32.0
Monte Sereno	799	-38.7
County Total	141,864,914	4.9

Source: California State Board of Equalization

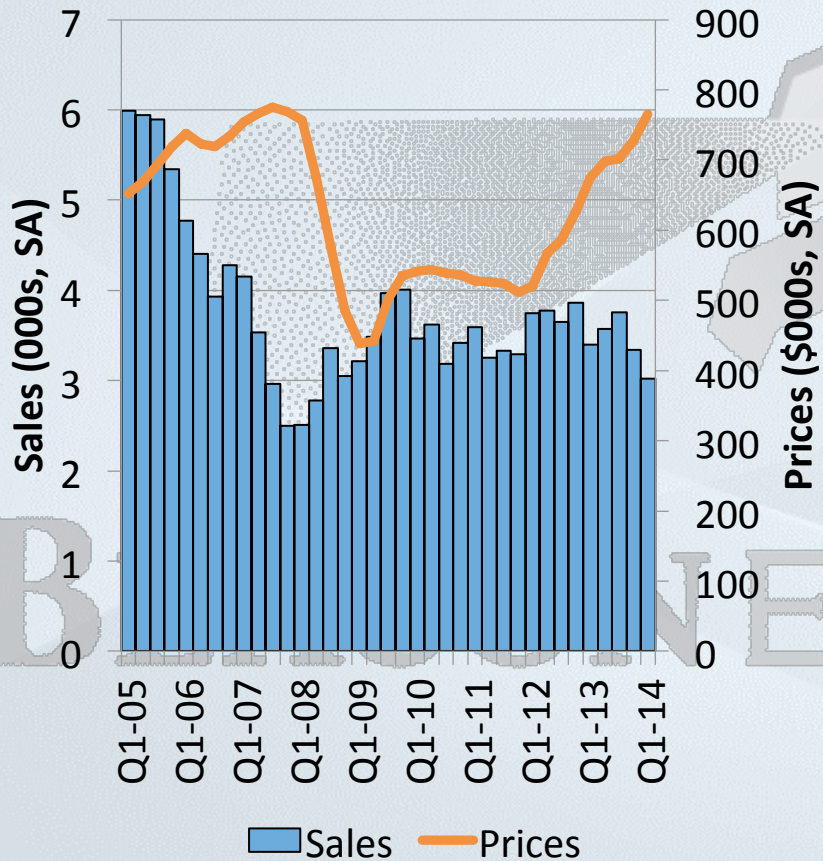
Prices finally cooling off

County/MSA	2013	2014	Year over Year	YOY (%)
Median Prices				
Oakland MD	403,123	512,172	109,049	27.1
Inland Empire	213,267	255,554	42,287	19.8
Los Angeles	386,756	462,260	75,503	19.5
Santa Barbara	385,917	454,337	68,420	17.7
San Luis Obispo	405,422	476,206	70,784	17.5
San Francisco MD	805,951	946,568	140,617	17.4
San Diego	403,947	469,974	66,027	16.3
South Bay	674,266	765,653	91,387	13.6
Existing Home Sales				
San Francisco MD	2,997	2,690	-308	-10.3
South Bay	3,400	3,021	-380	-11.2
Inland Empire	14,259	12,145	-2,114	-14.8
Los Angeles	15,165	12,875	-2,290	-15.1
Oakland MD	6,360	5,356	-1,003	-15.8
San Diego	6,877	5,757	-1,120	-16.3
Santa Barbara	811	631	-180	-22.2
Monterey	839	562	-277	-33.0

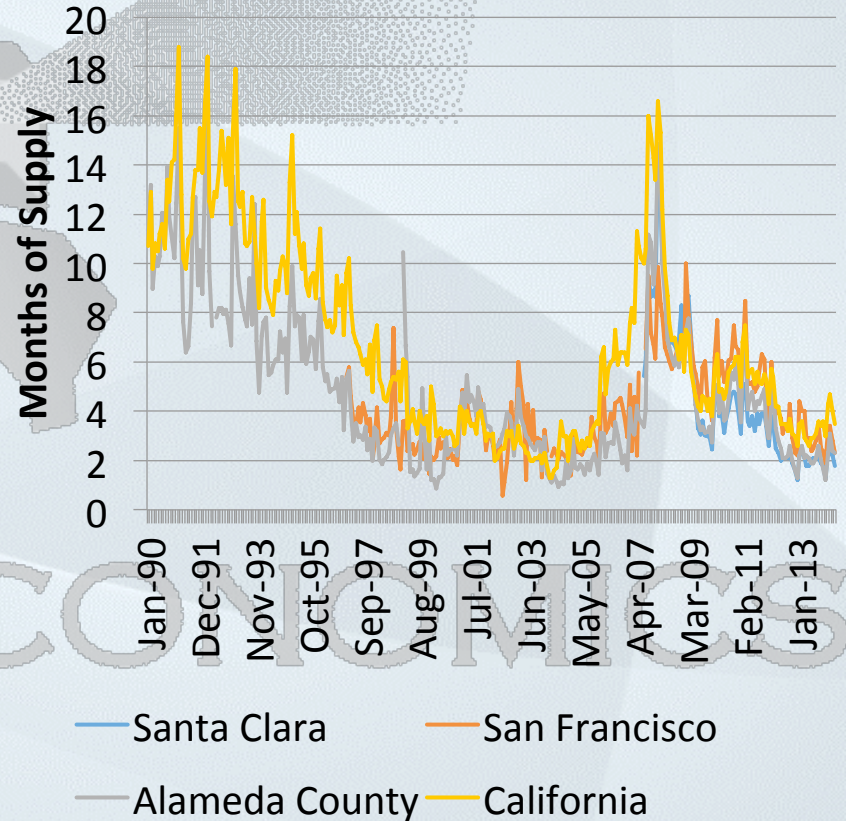
Source: DataQuick

Almost back to peak prices

South Bay Real Estate

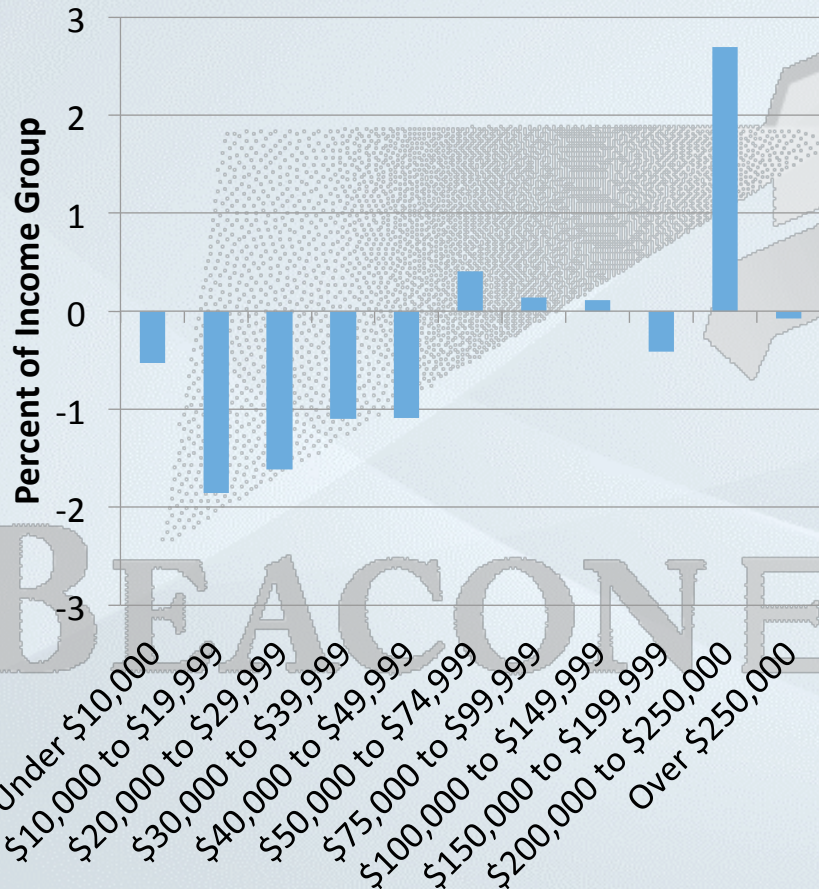


Housing Inventory

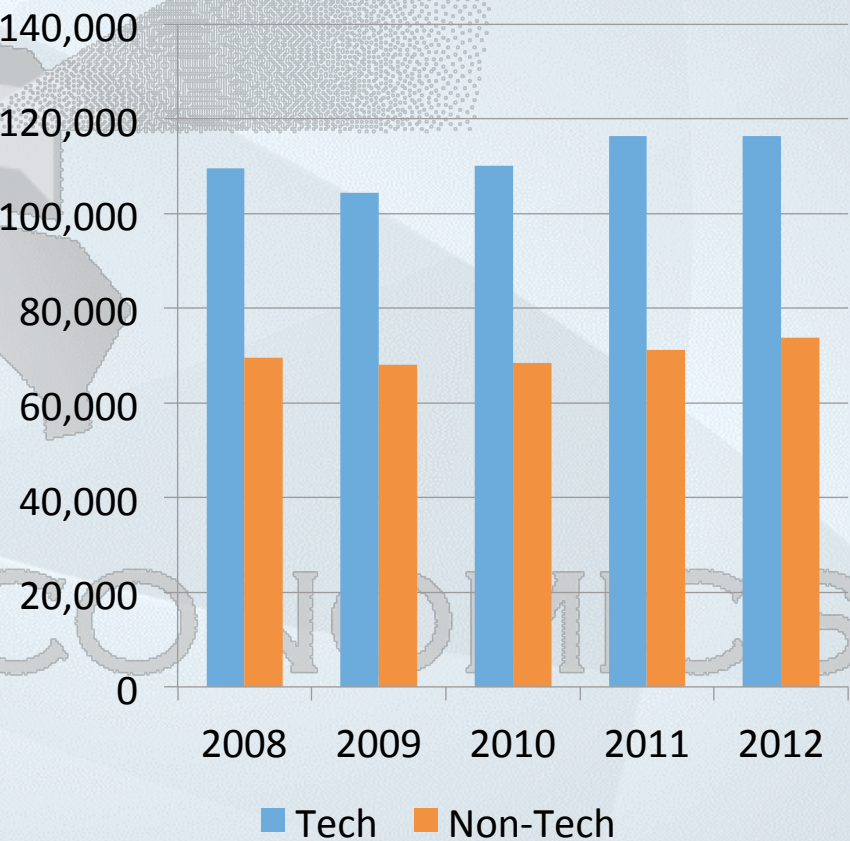


Affordability a huge issue

CA Net Migration by Income



South Bay Average Incomes

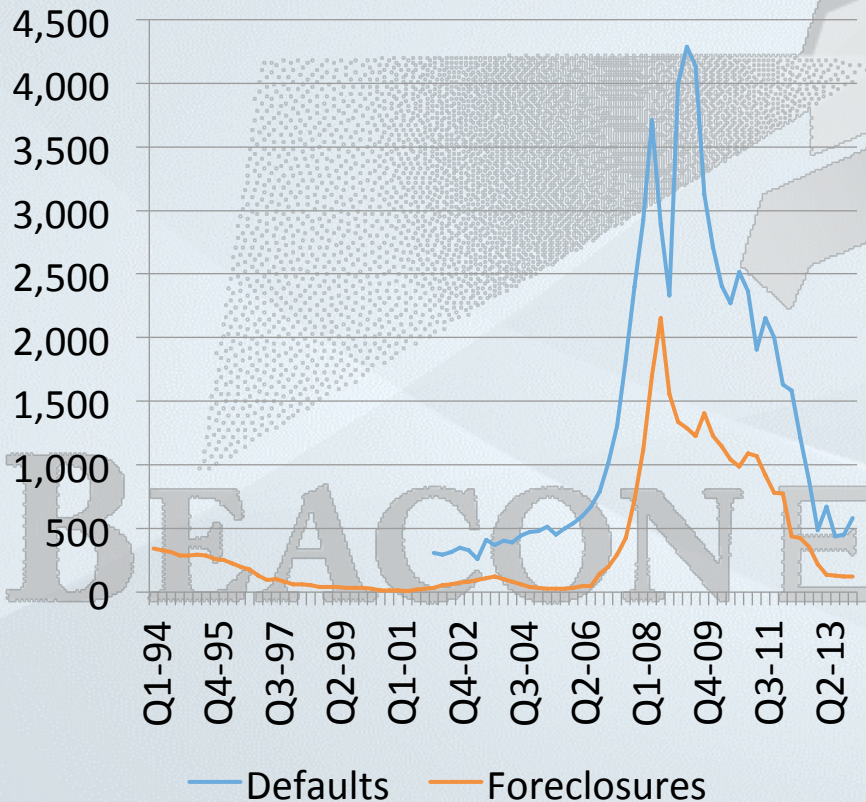


More workers commuting in

Place of Residence	Count	Share	Occupation	Inbound Commuters	% Inbound Commuters
Santa Clara	495,395	61.6%	Management	39,142	32%
Alameda	77,978	9.7%	Computer/Mathematical	27,609	29%
San Mateo	51,083	6.4%	Sales	20,021	19%
Contra Costa	23,102	2.9%	Architecture/Engineer.	19,395	28%
San Francisco	22,455	2.8%	Office/Administrative	17,369	17%
Santa Cruz	17,958	2.2%	Business/Financial	14,662	25%
Sacramento	12,416	1.5%	Construction	13,983	37%
San Joaquin	12,123	1.5%	Healthcare Practitioner	11,706	25%
Monterey	9,670	1.2%	Education	9,190	18%
Los Angeles	9,195	1.1%	Production	7,699	19%
All Other Locations	72,984	9.1%	Total	233,017	24%
Total Primary Jobs	804,359	100.0%			

Cyclically, fundamentals better

South Bay Defaults and Foreclosures



South Bay Defaults and Foreclosures by City

City	2013	2014	Change (%)
Defaults			
San Jose	306	368	20.3
Santa Clara	20	24	20.6
Sunnyvale	19	24	25.1
South Bay	488	585	20.0

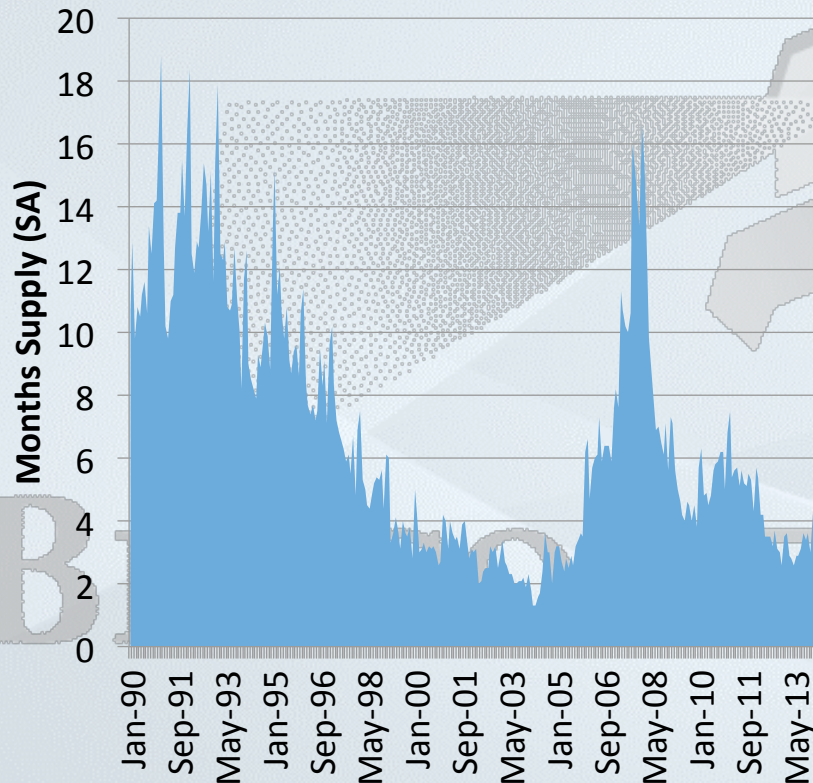
Foreclosures			
Santa Clara	10	5	-50.2
San Jose	142	80	-44.0
Sunnyvale	4	6	46.8
South Bay	220	124	-43.5

Source: DataQuick

More fundamental: tight market

Short-run

Housing Inventories



Long-run

Rental Vacancy Rate (%)

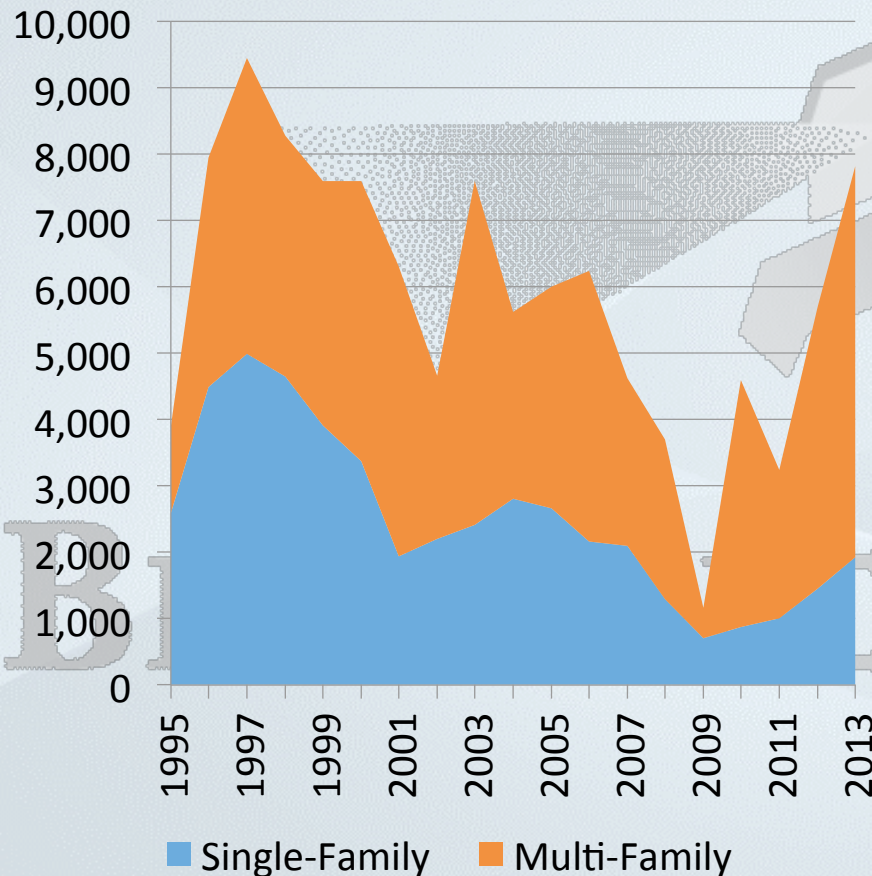
Rank	State	Q1-14
1	Oregon	3.6
2	Idaho	4.0
3	Montana	4.0
4	Maine	4.4
5	Wisconsin	4.4
6	California	5.2

Ownership Vacancy Rate (%)

Rank	State	Q1-14
1	Colorado	0.6
2	South Dakota	0.9
3	Minnesota	1.0
4	Nebraska	1.0
5	North Dakota	1.0
6	California	1.2

Short supply stimulates construction

South Bay Permits



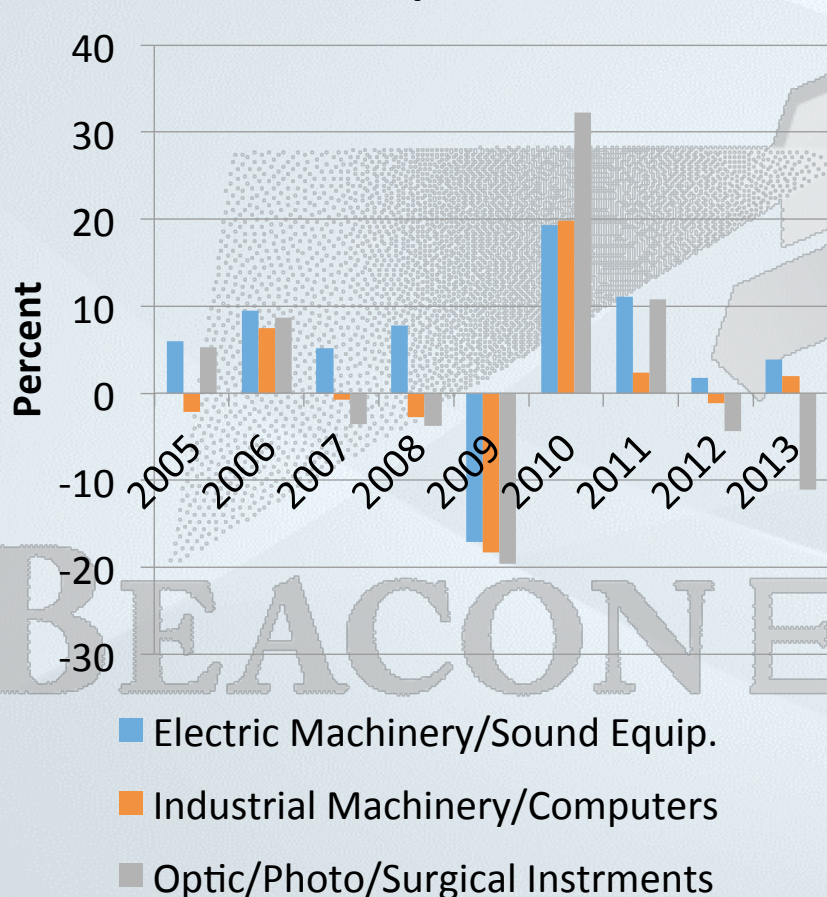
California Residential Building Permits by Metro

Region	Total Res.	Change (%)
Non-Metros	205	28.1
San Jose	1,621	18.1
San Francisco (MD)	1,007	18.1
Bakersfield	606	12.6
Los Angeles (MD)	4,773	-2.4
Other So. Cal	136	-4.2
San Diego	1,620	-6.5
N. Central Valley	1,536	-14.0
Other So. Cal.	34	-15.0
San Luis Obispo	193	-19.2
Inland Empire	1,535	-30.9
S. Central Valley	683	-36.3
Orange County	1,879	-36.5
Oakland (MD)	828	-37.7
Central Coast	143	-45.6
Other Bay Area	175	-68.9

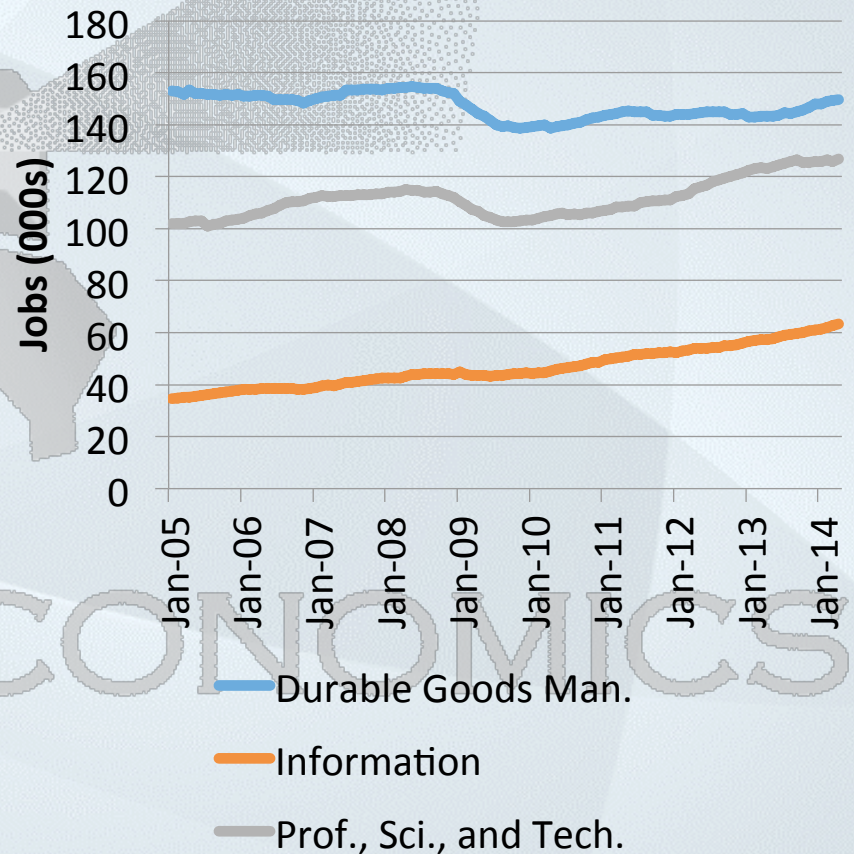
Source: California Homebuilding Foundation

Tech exports slow. A big deal?

California Export Growth



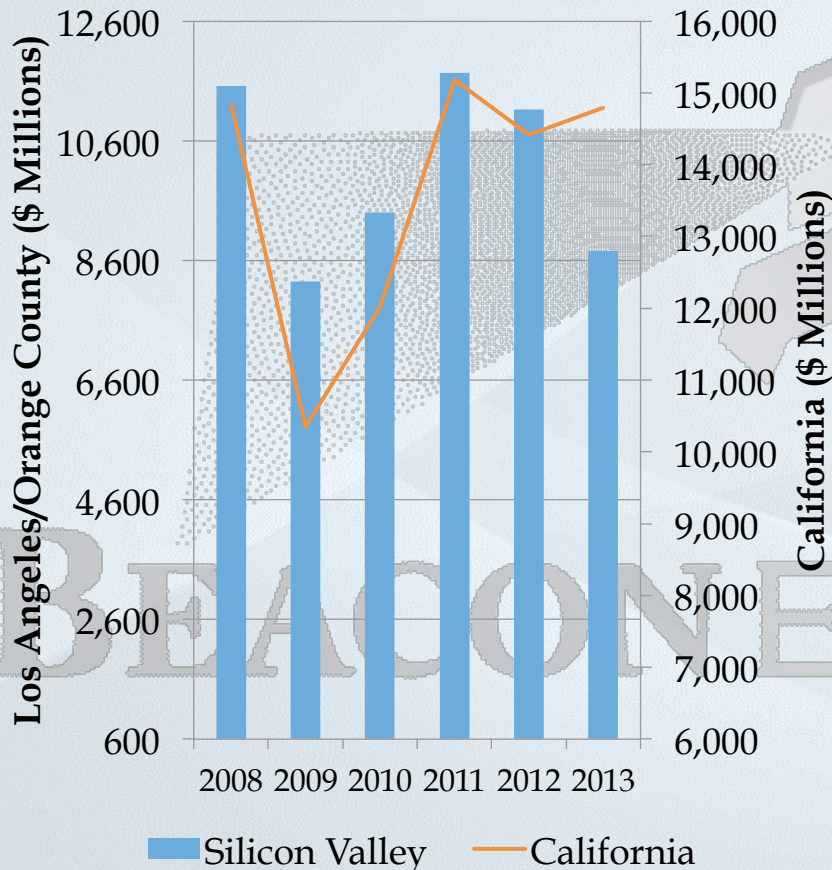
High-Tech Employment



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VCs are still optimistic

Venture Capital Investment

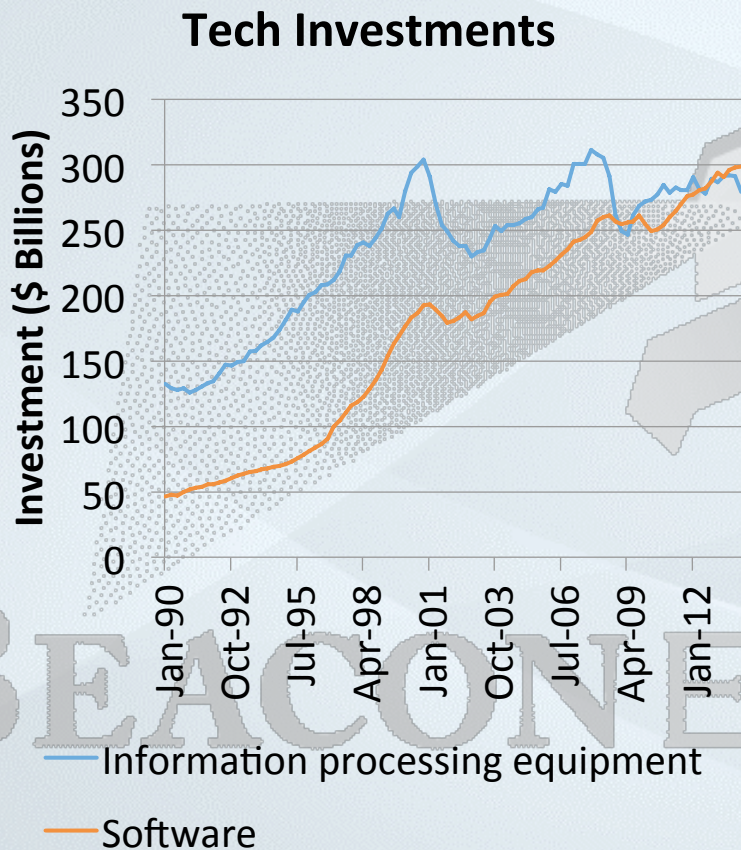


Top 10 Venture Capital Recipients in 2013

Company	Industry	Investment (\$ Mill.)
Palantir Technologies	Software	374.0
Pure Storage Inc	Computers/Peripheral	150.0
Bloom Energy Inc	Industrial Energy	121.8
Box Inc	Software	100.0
A10 Networks Inc	Networking/Equip.	80.0
Nest Labs Inc	Consumer Products and Services	80.0
Coursera Inc	Media/Entertainment	63.0
Roku Inc	Media/Entertainment	60.0
Skyera Inc	Computers/Peripheral	51.6
Kingsoft Office Software Inc	Software	50.0

Source: PWC MoneyTree

Shifting tech base: from PC to ?



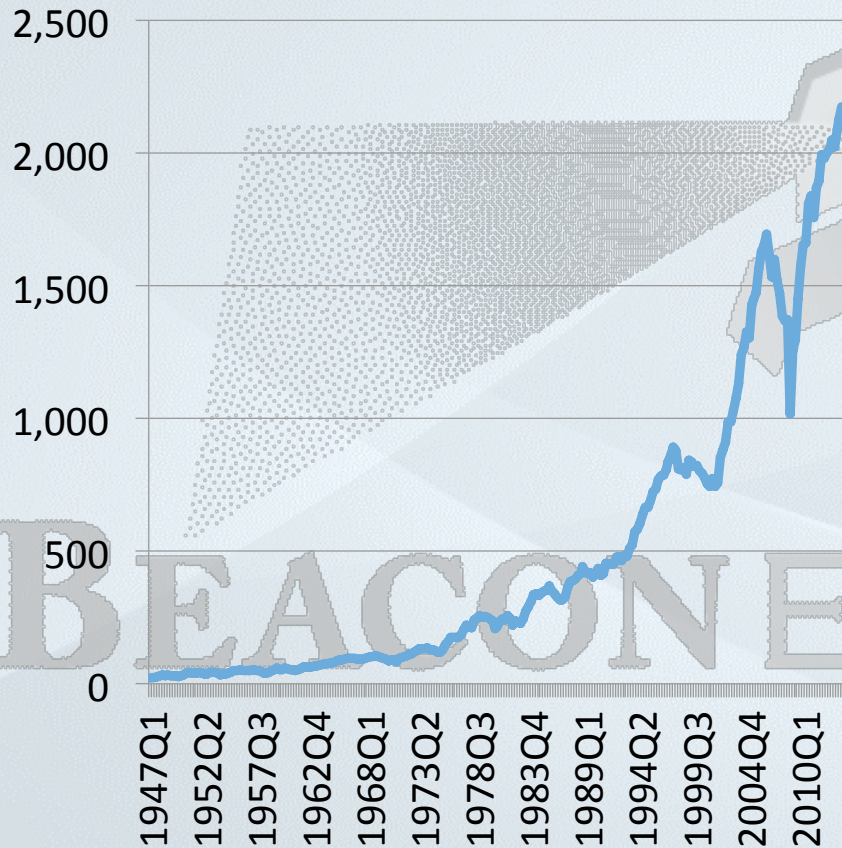
Silicon Valley Venture Capital Investment

Industry	Silicon Valley	Share (%)
Software	4,101.8	66.1
Biotechnology	952.9	49.7
Media/Entertainment	902.1	51.5
IT Services	639.5	62.9
Medical Devices/Equip.	423.1	43.2
Industrial Energy	368.4	61.3
Computers/Peripherals	275.6	84.4
Consumer Products/Svcs.	259.3	61.4
Semiconductors	215.8	54.6
Telecommunications	173.5	44.4
Networking/Equipment	152.7	71.9
Financial Services	116.0	72.7
Retailing/Distribution	61.6	50.6
Business Products/Svcs.	42.0	46.1
Electronics Instrumentation	31.0	32.6
Other	21.6	92.1
Healthcare Services	18.5	22.9
Total	8,755.4	59.2

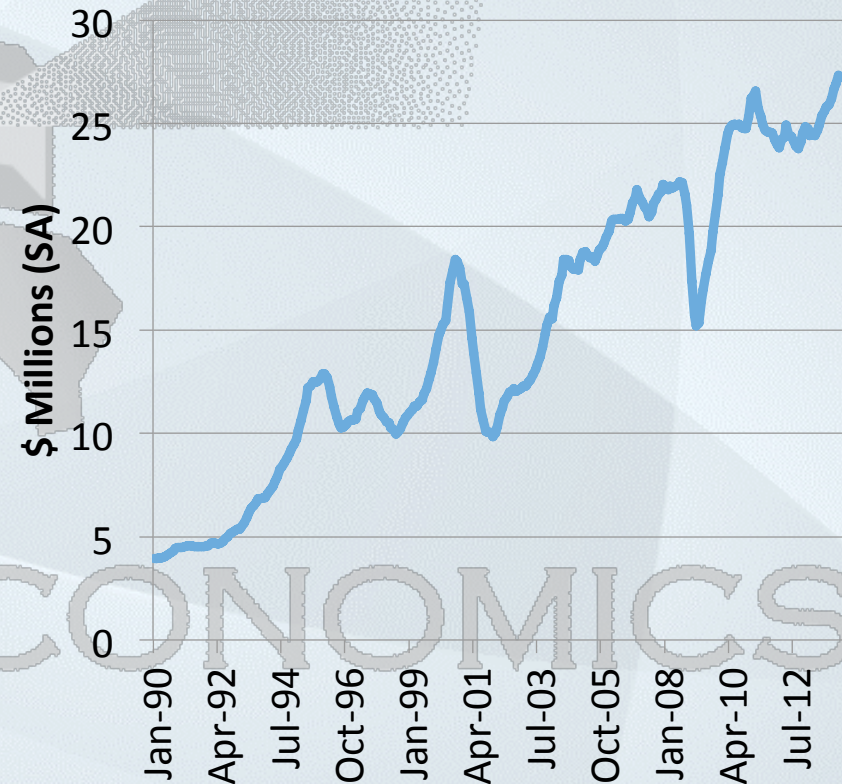
Source: PWC MoneyTree

New tech bubble?

U.S. Corporate Profits



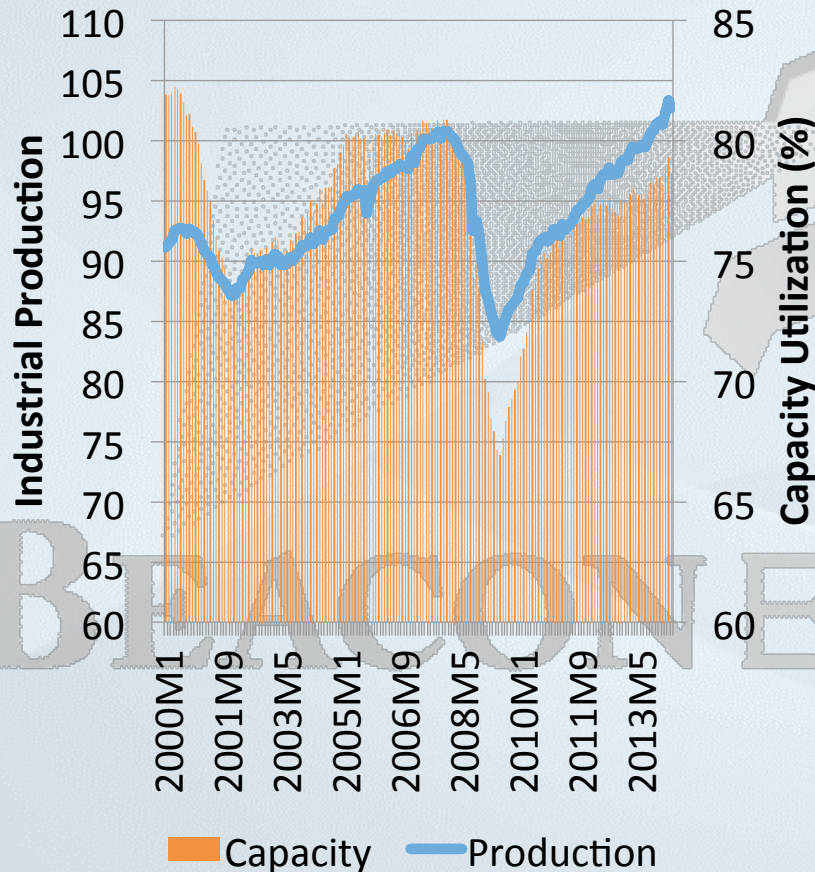
Global Semiconductor Sales



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Poised for growth in 2014

U.S. Production and Capacity



Investment/Profit Ratio



Wrap-up

- California is leading the national recovery
 - San Jose solidly leading the state
- Tech growth:
 - Benefitting tech and non-tech workers alike
 - Shift from hardware to software
 - Not in a bubble and poised for growth
- Housing bounces back, no bubble yet
 - Affordability is a huge issue for all of CA
 - San Jose is turning out permits more quickly

Wrap-up continued

- We have business climate/friendliness issues:
 - CA not seeing same manufacturing bounce
 - Real enemy is housing + building costs
- But... California & South Bay are in a recovery:
 - Employment, population, consumers, housing, apartments, commercial real estate, new construction, fiscal budgets
- Forecasting ongoing growth in 2014 and beyond