

# **The Business Cycle Turns Up:**

*A Path of Recovery for Sonoma County*

*Prepared for:*

Sonoma County Economic Development Board

June 2010

**MOODY'S**  
**ANALYTICS**

121 N. Walnut St., Suite 500  
West Chester, PA 19380  
Toll Free: 1.866.275.3266  
[help@economy.com](mailto:help@economy.com)

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# U.S. ECONOMIC OUTLOOK

## EXECUTIVE SUMMARY

### Recent Performance

- The economic recovery is evolving into a self-sustaining economic expansion. The missing link between recovery and expansion had been the lack of jobs. But April's job report shows that over one-half million private sector jobs have been created so far this year. The resulting income gains should power more consumer spending and production and even more job gains.
- However, with unemployment likely to go back into the double digits this summer, the nascent expansion remains uncomfortably vulnerable to anything that goes wrong. The European debt crisis would qualify.

### Jobs at last

- Not only were April's job gains surprisingly robust, but the leading job indicators, including another increase in hours worked per week and more temp help hiring, were also encouraging. The breadth of gains across industries was also impressive. More than 60% of industries in the BLS payroll survey added to their rolls in April. This percentage is up from an all-time low, below 20%, back in the teeth of the recession and is close to that at the height of the last expansion. Manufacturing and construction, which had been hemorrhaging jobs, both added workers.
- Even though the recent turn in the job market is likely overstated—the gains are not consistent with other data such as still-high unemployment insurance claims—and though gains this summer will be smaller, the conditions for a better job market are in place.
- Corporate profits are surging, as businesses have dramatically reduced their costs and demand for their wares has revived. Historically, improving profits lead job growth by six to 12 months (see Chart 1). Indeed, a literal interpretation of the

historical relationship would suggest that average monthly job gains will exceed 300,000 by the year's end.

- Business balance sheets are also increasingly supportive of more hiring. Businesses are deleveraging, and when combined with low interest rates, their interest payments as a share of cash flow are falling quickly. Cash held by nonfinancial businesses is also ample; the quick ratio—the ratio of liquid assets to short-term liabilities—has never been as high.
- None of this has been lost on stock investors. Recent volatility notwithstanding, the strong rise in stock prices over the past year is an important signal to business managers to resume expanding their operations.
- Businesses need to invest and hire more aggressively in order to generate the future revenue necessary to support their higher stock prices.

### **A deep hole to fill**

- While it feels good to get some job growth, the depth of the hole that the Great Recession left in the job market is numbing. Employment is still nearly 8 million jobs below its previous peak, assuming no further downward revision to the employment estimates, and 26 million people are either unemployed or underemployed.
- This sum does not count the millions who have stepped out of the labor force altogether, thinking that looking for work is not worth the bother. Many will never come back in, opting instead for retirement. Prospects are particularly dim for those 50-somethings who have lost jobs in manufacturing and construction.
- However, millions of laid-off workers will come back as opportunities reappear. Labor force growth will accelerate, and measured unemployment will rise. This phenomenon was already evident in April as the labor force surged and the unemployment rate rose back to just under 10%. The labor force participation rate, the share of the noninstitutional working-age population either working or looking for work, has increased to 65.2% from a low of 64.6% last December. Unemployment will almost certainly rise into the double digits again this summer and will not decline meaningfully until early next year when job growth is in full swing.
- The surfeit of potential workers is weighing heavily on compensation. Wage and salary growth is about as weak as it has ever been (see Chart 2). It is responsible for

the persistent pall over consumer sentiment. While off the bottom, sentiment has improved only to about where it had bottomed out in past recessions. The better job and labor force numbers signal that the economy is moving in the right direction, but the oversupply of potential workers signals that the economy remains extraordinarily vulnerable.

### **Europe must follow through**

- Although to date the European debt crisis has had little impact on the U.S. economy, Europe's problem is a serious threat to the fragile U.S. expansion. The mounting financial panic has been quelled, at least for the time being, following the European Union and IMF's massive \$1 trillion aid package for Greece and other struggling nations and after the European Central Bank began purchasing their sovereign debt. Even if there is no further turmoil, the European economy, which had been barely growing before the crisis, seems likely to backtrack into recession (see Chart 3).
- The dollar has risen in value because of the pressure on the euro and British pound, and U.S. interest rates have declined as nervous investors move into the relative safety of U.S. Treasuries. U.S. stock prices have stumbled, since a weaker Europe is not good for global growth or corporate profits, but stocks were due for a pause anyway after a long upward run.
- The U.S. will feel more ill effects in coming months as the stronger dollar and weaker European economy result in more red ink in U.S. trade with Europe. Even this impact should be modest since Europe accounts for only one-fifth of U.S. exports, and U.S. exports account for less than one-tenth of GDP. A 1-percentage point decline in European real GDP growth and a 10% appreciation in the euro would shave no more than 10 basis points off annual real growth in U.S. GDP.
- Yet, the European debt crisis cannot be dismissed as too small or too far away. Its ramifications for the U.S. will soon become clear if each European nation fails to come forward with a credible plan to correct its fiscal problems. The aid package is massive, but not massive enough to forestall sovereign defaults without big fiscal adjustments. And global investors will make up their minds quickly on whether governments are showing the requisite resolve.
- The U.S. also must soon come to grips with its own daunting fiscal challenges. True, the U.S. economy is much stronger and more competitive than the economies in

much of Europe, and the U.S. will be able to grow its way out of its fiscal problems, at least partly. The U.S. deficit-to-GDP ratio will fall from 10% now to 5% or 6% once the economy is back in full swing. Yet, the U.S. deficit cannot consistently exceed 3% of GDP. A deficit 2% to 3% higher than that equals \$300 billion to \$450 billion, about half the size of the annual defense budget (see Chart 4).

- Global investors are so far giving U.S. fiscal policymakers the benefit of the doubt. The U.S. faced serious budgetary and economic issues in the early 1980s during that period of hyperinflation and double-digit unemployment and again in the early 1990s during the savings and loan crisis. Each time, policymakers more or less came through.
- The problems are more serious now. Demographic trends present greater demands on entitlement programs, and while global investors still have faith, interest rates will rise and our economy will suffer unless U.S. policymakers soon unite behind a credible plan to close this gap.

## **Outlook**

- The U.S. economy faces other significant challenges—notably the ongoing foreclosure crisis and strapped state and local government budgets—but the expansion is expected to prevail. Indeed, the job market's stronger than expected turn for the better leads us to further upgrade our near-term outlook: Real GDP growth is expected to top 3% this year, job gains are expected to average 125,000 per month, and the unemployment rate is expected to top out at 10.3% this fall. Not bad given the state of affairs a year ago.

## **Assumptions**

### **Monetary Policy**

- The Federal Reserve is not expected to begin raising interest rates—either the interest rate paid on reserves or the federal funds rate—until early 2011. The initial rate hike will coincide with the beginning of a decisive move lower in the unemployment rate. Employment has stabilized, but job growth sufficient to consistently bring down the unemployment rate is unlikely until the end of 2010.
- Inflation should also remain low and inflation expectations well contained through at least spring 2011. Core inflation is already at the bottom end of the Fed's implicit

target range and will slow further in coming months given the near double-digit unemployment rate, high vacancy rates, and low utilization rates in manufacturing.

- It will also take the better part of this year for the financial system to fully normalize. The system has stabilized as interbank lending and corporate bond markets have returned to normal, but other parts are still not functioning well. Private residential and commercial mortgage-backed bond issuance is moribund, small banks are still failing, and depository institutions remain reluctant to lend except to the most creditworthy borrowers.
- The Fed will effectively begin tightening monetary policy well before raising interest rates. It recently ended its purchases of mortgage securities and is scheduled to completely wind down the TALF by June. Also, just before raising interest rates, policymakers will begin to drain reserves through reverse repurchase agreements and term deposits.
- Policymakers will then be prepared to begin raising rates, hiking the interest rate on reserves and the federal funds rate simultaneously. The interest rate on reserves is likely to become the key target rate until excess reserves are successfully drained. The funds rate is expected to end 2011 at 2.5% and to have normalized to just over 4% by the end of 2012.

## **Fiscal Policy**

- The federal government's fiscal problems remain enormous. The budget deficit ballooned to \$1.4 trillion in fiscal 2009, up from \$455 billion in fiscal 2008. This year's deficit is expected to be similarly near \$1.4 trillion, and the cumulative deficit over fiscal 2009-2012 will be nearly \$5 trillion.
- This very poor outlook reflects the expected more than \$2 trillion ultimate price tag to taxpayers of the financial crisis and Great Recession, about 14% of GDP. For historical context, the savings and loan crisis in the early 1990s cost taxpayers almost 6% of GDP at that time.
- The budget outlook remains extraordinarily disconcerting even after the costs of the financial crisis abate, as outlays on Medicare, Medicaid and Social Security balloon. President Obama's proposed budget does not significantly address the nation's long-term fiscal problems. The nation's federal debt-to-GDP ratio will rise to over 80% a decade from now under the president's plan, approximately double the ratio that

prevailed before the current financial crisis. The long-term budget outlook will thus remain untenable, and will ultimately force substantial cuts to entitlement programs and tax increases.

## **U.S. Dollar**

- The U.S. dollar has remained largely un-changed since the financial crisis and Great Recession hit in 2007. It has been stronger at times and weaker at others depending on the level of angst in the global financial system; when investors are nervous, the dollar strengthens as global investors flee to the perceived safety of U.S. assets.
- The dollar has received some recent support from the serious fiscal problems in Greece, which are symptomatic of developing difficulties in a number of euro zone countries. The European Central Bank will be under pressure to keep euro zone rates lower for longer in an effort to support the region's economy as necessary budget cutting weighs on growth. The dollar is thus expected to continue appreciating versus the euro in coming months. The pound will also remain under pressure given Great Britain's problems.
- The dollar is expected to drift lower over the next several years, with the Chinese expected to resume revaluation of their currency by this time next year. The dollar is some 25% overvalued against the yuan, and while China will be slow to revalue, the economic logic for doing so is increasingly compelling; this is the most efficient way of addressing China's inflation and speculation concerns.

## **Energy prices**

- The price of a barrel of West Texas intermediate crude oil is around \$75. Over the past two years, oil prices have ranged from well below \$50 at the start of 2009, during the depths of the recession, to a record of almost \$150 in the summer of 2008. Retail gasoline prices have risen to \$2.80 per gallon, compared with an all-time high of close to \$4. Natural gas prices remain low, particularly compared with oil prices, at just over \$4 per million BTU.
- Global economic conditions and their impact on energy demand are the primary drivers of energy prices. Prices are expected to trend generally higher over the next couple of years as the global economy slowly gains traction. Oil is expected to

average \$80 per barrel for all of 2010, and range as high as \$100 in the next several years; this is consistent with trend global demand and supply fundamentals, abstracting from the world business cycle.

- Natural gas prices will have trouble keeping up with oil over the next several years as a very substantial glut of natural gas has developed. Abstracting from the impact of weather, demand has weakened with the recession and supply has increased substantially in response to the previously very high prices. Natural gas prices are expected to average \$6 per million BTU in 2010, and closer to \$9 over the longer term.

## **Forecast Risks**

### **Labor market**

- The recent rally in the job market is the clearest indication that the economic recovery is transitioning to a self-sustaining expansion. April marked the fourth consecutive month of net job gains and the fifth increase in the last six months. However, there are still over 15 million unemployed, and that number only includes those actively looking for work. Job growth is expected to slow in the third quarter as the temporary Census jobs disappear, and then reaccelerate at the end of the year. Formerly discouraged workers will reenter the job market, pushing the unemployment rate above 10% by the end of 2010.
- Overall, however, risks to the labor market have turned to the upside recently as job gains have consistently outpaced expectations. Improving business confidence could further speed the labor market recovery. The major downside risk is external; a double-dip recession in the euro zone would hinder the rebound in U.S. manufacturing employment.

### **Home sales**

- Existing-home sales are now reflecting the boost from the extended and expanded homebuyer tax credit. The pace of sales has picked up nicely, recovering somewhat from the declines of the past several months. March's gain portends further increases in advance of the expiration of the tax credit in June. This credit, however, will be less effective than the one that expired in November. Home sales will likely dip after the credit expires, as they did last year after a similar deadline passed. That said, a bottom in house prices is nearing, the U.S. job market is slowly improving,

and lenders are beginning to open the credit spigot. If the fundamentals continue to improve, the housing recovery could be stronger than expected.

### **The stimulus**

- The biggest boost to real GDP growth from Washington's policy response has passed, but the fiscal stimulus could still provide stronger than anticipated support to the economy over the next few quarters. The federal government has paid out just about one-half of the \$787 billion fiscal stimulus passed in February 2009, providing some potential for a further near-term boost to growth. In particular, the government has paid out less than one-half of infrastructure funding.

### **Trade**

- Export growth has been a major contributor to the recovery, but recent uncertainty surrounding sovereign debt in Europe may slow this important driver. Global trade has made steady advances since bottoming out in the second quarter 2009. The recovery in emerging markets has led to strong export gains, although imports are also increasing with stronger consumer demand. Moody's Analytics expects the global recovery to further boost exports this year. However, with the risk of a double-dip recession in Europe rising, the forecast for strong near-term export growth could prove too optimistic.

### **Dollar**

- The ongoing economic turmoil in Europe has caused the dollar to resume its rise as investors reduce their exposure to sovereign default risks. The dollar will strengthen in the short term as European debt problems persist; a rebound in the euro is unlikely until the crisis is truly contained. On a broad trade-weighted basis, however, the dollar should weaken over the year. A much-discussed revaluation of the Chinese yuan—if it materializes—would further weaken the dollar. A larger than expected depreciation in the U.S. currency could cause inflationary pressures to build faster than expected and lead the Fed to tighten sooner rather than later.

### **Monetary policy**

- The Federal Reserve is not expected to raise either the interest rate on reserves or the target fed funds rate until early next year, and any premature tightening could jeopardize the recovery. The central bank needs to avoid political and market

pressures to raise interest rates until a self-sustaining expansion is firmly established. Also, if the Fed drains excess liquidity too quickly, it could unwind the improvement in financial markets seen since the beginning of 2009, driving borrowing costs higher.

### **Foreclosures**

- The success of the Home Affordable Modification Program is vital to the housing outlook. The government is significantly revamping its foreclosure mitigation efforts, which to date have fallen well short of expectations. The changes are wide-ranging and could end the foreclosure crisis earlier than anticipated. If the revised HAMP does not produce more substantial progress, foreclosures would be greater than expected, leading to even larger house price declines.

### **Consumer spending**

- Much of the support early in the recovery is coming from inventory investment, with comparatively less from final demand. However, with the labor market healing and prospects for labor income improving, consumer spending may turn out to be stronger in 2010 than forecast. Households could also decide that they have done enough to repair their balance sheets, slowing the trend to a higher saving rate and boosting consumer spending more than expected.

### **Fiscal conditions**

- Washington's eroding fiscal situation threatens long-term economic growth, and budget deficits in the future could be much larger than expected. The projected budget deficit for the current fiscal year is \$1.4 trillion, almost 10% of GDP. Although the deficit is expected to decline in coming years as the economy improves, costs for retirement and healthcare programs are set to increase substantially as the baby boomers age. Concerns about budget deficits could drive up interest rates, choking off the nascent recovery.

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## Regional Economic Outlook

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### Sonoma County CA

*Eduardo Martinez, 610.235.5127; Steve Cochrane, 610-235-5114*

### SUMMARY [\(back to top\)](#)

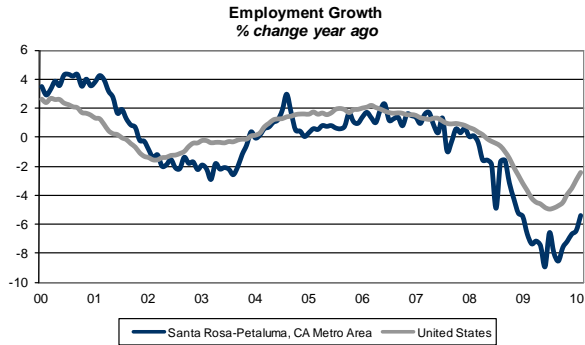
The Sonoma County economy is beginning to recover, strengthened by its core technology and tourism industries. Employment has leveled off following a two-year decline, and the unemployment rate is at or near its peak. Recovery will be modest at first as demand growth and pricing power for Sonoma County's consumer-based industries will be slow this year.

The housing market is more uncertain as it passes through the inflection point toward recovery. House prices and sales both improved in 2009 due to much improved affordability, low mortgage rates, and federal and state tax credits. However, mortgage credit conditions continue to deteriorate, particularly for long-term mortgage delinquencies, and foreclosures could still weigh on house prices. Still-high consumer credit delinquencies in the county indicate that retail spending also could remain sluggish in the near term as households struggle to repair their balance sheets.

The Sonoma County economy will accelerate over the coming year as these imbalances begin to disappear. As the labor market improves, housing demand will improve with near-record high affordability. Further, Sonoma County's technology-producing industries will be supported by rising business investment spending. Over the long term, the county's various food, beverage and tech-producing industries will expand, supplemented by a travel and tourism industry with broader offerings toward health and lifestyle and a workforce that is highly skilled and innovative.

## RECENT PERFORMANCE [\(back to top\)](#)

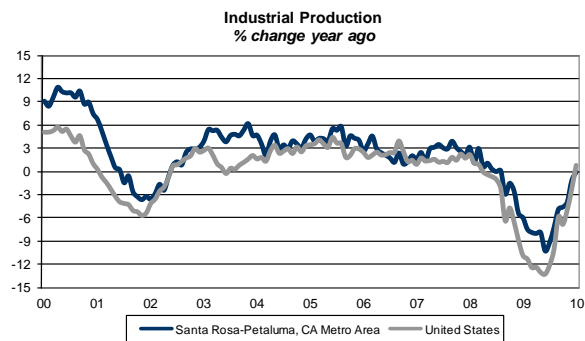
- Sonoma County's economy is emerging from recession. Orders are beginning to rise at its tech-producing industries, the travel and tourism industry is slowly rebounding, and service-producing industries have stabilized. The unemployment rate is high but has stopped climbing in recent months.



Source: Bureau of Labor Statistics

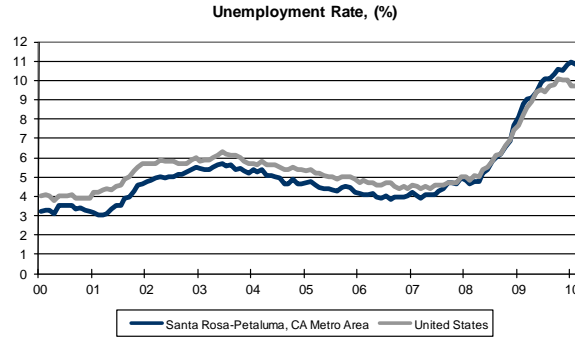
- Lingering weakness from the recession still weighs on Sonoma County's housing market and household finances. House prices stalled in the first quarter of 2010. Construction permits and starts remain close to historic lows, however, allowing excess supply to be absorbed. The mortgage delinquency rate has stabilized but remains extremely elevated, particularly for loans delinquent for 120 days or more. The volume of delinquent consumer loans remains at high levels and now surpasses the rates for both California and the U.S.

- A 2% rise in industrial production over the year is one positive sign for Sonoma County's manufacturing economy. This is roughly on par with the U.S. average. With the county's higher than average share employment in manufacturing, the county will get an extra boost as technology-producing industries and other manufacturers meet accelerating domestic and global demand.



Source: Moody's Economy.com, Inc.

- The local unemployment rate had tracked the U.S. rate since 2000, remaining consistently below the national rate by about 1 percentage point. The area's recession, however, has changed this pattern for the first time since comparable data became



Source: Bureau of Labor Statistics

available in 1990. Sonoma County's rate now exceeds the U.S. rate by about a full percentage point. With the labor force holding rather steady and the jobless rate largely unchanged at close to 11% since January, it may be near its peak. It will not fall until late this year at the earliest, however, once net hiring is consistently positive for several consecutive months.

- At the moment, job gains in education, healthcare, professional services and retailing are not strong enough to offset the continued losses in other industries. The sharp losses that have continued through recent months in leisure and hospitality employment are particularly worrisome, given the industry's role in driving the economy.

<b>Santa Rosa-Petaluma, CA Metro Area Employment, Recent Performance April 2010</b>					
	<b>Annualized growth rate</b>				
	<b>3-mo</b>	<b>6-mo</b>	<b>12-mo</b>	<b>5 yr</b>	<b>10 yr</b>
<b>Total</b>	-0.2	-2.1	-3.8	-2.0	-0.9
<b>Construction</b>	2.5	-10.8	-14.9	-9.7	-4.0
<b>Manufacturing</b>	-2.6	-2.8	-3.9	-3.8	-4.1
<b>Wholesale Trade</b>	-12.5	-6.9	-6.3	-2.3	1.0
<b>Retail Trade</b>	5.2	-0.4	-2.4	-2.5	-1.1
<b>Transportation and Utilities</b>	-12.5	-6.3	-5.5	1.0	-0.8
<b>Information</b>	-10.2	-17.0	-8.3	-9.4	-5.1
<b>Financial Activities</b>	-4.0	-6.9	-6.8	-5.5	-3.1
<b>Professional and Business Services</b>	7.5	4.6	-3.4	-0.6	-0.6
<b>Education and Health Services</b>	5.9	1.0	0.8	1.4	1.1
<b>Leisure and Hospitality</b>	-5.3	-2.0	-1.5	-0.4	1.1
<b>Government</b>	-5.6	-5.3	-6.5	-0.9	0.5
	<b>Percent</b>				
<b>Unemployment rate</b>	10.8	10.8	10.4	6.1	5.3

- Reduced demand for air travel to and from Sonoma County further indicates the weakness of the county's travel and tourism industry. Horizon Air, the sole airline servicing Charles M. Schulz-Sonoma County Airport, reduced the number of its daily flights in 2009 from six to five as demand slowed.
  
- Some impending improvement in the travel industry, however, is a recent rise in the hotel occupancy rate for Sonoma County. The rate now is higher than elsewhere in Northern California, although room rates are not yet on the rise.

## NEAR-TERM OUTLOOK [\(back to top\)](#)

- Sonoma County's economic recovery will take firmer hold as this year progresses. The economy will accelerate in late 2010 and into 2011 as improved macroeconomic factors begin to fully support Sonoma County's basic industry clusters. Improved consumer spending will support the hospitality industry and will strengthen domestic wine consumption. More confident consumers will combine with stable business investment spending to drive the county's technology-producing industries. By 2011, the economic turnaround will generate broader demand for a range of business, personal and creative services. The improvement in the local economy should be evident in accelerated job growth by the second half of this year. The following sections will illustrate trends in four of the leading industries that drive the Sonoma County economy.

### *TOURISM*

- With the U.S. economy recovering at a moderate pace, the near-term outlook for tourism is for gradual improvements. Improved consumer and business confidence have reduced the downward risks to our baseline scenario for the industry. The employment growth in leisure and hospitality industries is projected to rise to an annualized growth rate of nearly 2% in the second half of this year before strengthening in 2011.
- Hotel occupancy and room rates are both expected to improve before the end of this year due to rising demand and a stable supply of hotel rooms. No permits were issued in 2009 for new hotels following a sharp decline in permits in 2008, limiting any new additional supply.
- Over the past 10 years, Sonoma County's tourism cluster had experienced the most steady job growth of its nine clusters that have been identified through Moody's Analytics research. Through the boom years of the late 1990s and the difficult post-recession years of 2002 and 2003, this industry managed to continually expand. Expansion is expected following the Great Recession of 2007-2009, as there

is considerable pent-up demand for business and leisure travel. But there is also a very good possibility that households and businesses will remain cautious, spending less per day on lodging, food and entertainment.

- One reason why this cluster had been so steady over the long term is that it draws its demand from a global pool of visitors. Generally, demand may weaken from one area but remain strong elsewhere. Strong growth in developing Asia in particular provides a pool of potential visitors to Sonoma County in the near term that may offset somewhat weakened demand from Europe as its economy struggles with its debt crisis and a devalued euro.
- The outlook for pricing of Sonoma County's leisure services is for stability in the near term. Rising discretionary spending and falling saving rates—particularly for higher-income consumers—bodes well for hotels to put an end to discounting. While the euro has weakened in recent weeks against the dollar, Asian currencies are holding steady versus the greenback, with some potential for modest revaluation of the Chinese currency in the coming year, possibly adding strength to all Asian currencies and boosting demand for goods and services in the U.S.

## *AGRICULTURE, FOOD AND WINE*

- Demand for wine is expected to improve this year and next, but consumers' flight to value likely will continue to weigh on Sonoma County's wine industry. Wine sales revenues declined for a second consecutive year in 2009—despite increasing unit sales—reflecting consumers' expectations of substantial discounting even for the high-quality wines produced in the county. This will afford high-priced wine growers with less pricing power and allow for reduced levels of profitability. There is some longer-term potential, however, as consumers may have a chance to experience a wider variety of Sonoma wines, to which some loyalty will remain at a time in the future when more pricing power does return to the market.

- Ample supply also will dampen pricing power in the near term. The size of Sonoma County's grape crush rebounded in 2009 after the drought-restrained crops of the previous three years, having an immediate impact on prices for grape growers. This improved input prices for wine makers but will also assure an ample supply of 2009 vintage wines.
- Sonoma County winemakers face a near-term prospect of continued weak pricing power this year—especially for high-margin restaurant sales. The overall decline of restaurant wine sales in 2009 ranged from 6% to 9%, according to the Wine Institute, although industry estimates for the decline of mid- and high-priced wines range from 20% to 30%. Loss of additional pricing power will increase the stress on smaller wineries that rely on restaurant sales.
- Small wineries could face additional risk if proposed federal legislation were to become law that would strengthen the ability of states to regulate and place restrictions on the direct shipment of wine. The bill would roll back many of the prohibitions against the regulation of out-of-state wines that resulted from a 2005 Supreme Court ruling. Since then, the number of states that allow direct shipping has grown from 27 to 38, offering a lucrative avenue of growth, especially for smaller wineries. In contrast to declining on-premise wine sales, direct wine sales held steady in 2009 at \$3 billion.
- Longer term, the outlook for Sonoma County's wine industry remains favorable. The proposed adoption of a conjunctive label for wines produced from grapes grown in the county would boost name recognition domestically and internationally. Rising wine consumption abroad—especially in China—and the potential for strengthening Asian currencies are positive factors driving the industry's outlook.
- The wine industry will benefit from U.S. demographic trends as additional members of the millennial generation—those currently aged 15 to 32—reach legal drinking age. Millennial wine drinkers are already embracing wine consumption at a faster rate than earlier generations and have been more willing to trade up to higher-priced wines, according to the Wine Market Council. Fifty million millennials are now 21 years or older.

- The rapidly expanding global supply of wine has been checked moderately by several factors. First, Chile suffered a 13% loss of its bulk, bottled and aging wine as a result of the earthquake earlier this year. Second, grape growers in Australia are pulling out vines in response to a 20% domestic oversupply of wine grapes. Further, a heat wave last November is expected to reduce the 2009-2010 Australian grape harvest yield by 7%, according to the Australian Bureau of Agricultural and Resource Economics. In contrast, U.S. imports and sales of wines from Argentina continue to increase, boosted by the depreciating Argentine peso.

## *TECHNOLOGY*

- Sonoma County's technology-producing industries have suffered a great amount of volatility over the past decade. Technology industries soared during the late 1990s, when technology saw its relative concentration rise to an unprecedented level. But since 2000, technology industries have faltered, and current employment is two-thirds of what it was at its peak.
- Despite the declining prominence of technology manufacturing industries in Sonoma County, many firms and entrepreneurs from the 2000 tech boom have survived and still call Sonoma County home. There is an indication of some remaining comparative advantage for tech-producing industries in terms of its skilled labor pool, its installed base in the county, and its proximity to tech-producing areas elsewhere in the Bay Area.
- Since the middle of last year, Sonoma County's technology industries have benefited from recovering business IT investment. County producers of broadband and testing equipment, for example, benefit from federal stimulus spending for rural broadband systems and from strong sales of smart phones. An improving investment climate generated conditions suitable for an initial public offering in March by Petaluma-based Calix, Inc.—the first IPO of a Sonoma County-based firm in three years. Rising IT production has helped to stem the rise in industrial property vacancies but has not been strong enough to generate a measurable number of new jobs.

- A new source of potential growth for technology-producing industries lies in rising demand for green technology. This may include, over the long term, a broad set of industries that improve efficient use of water, improve lighting, heating and cooling efficiency of buildings, or allow agriculture to make better use of land and water resources. One recent example is Petaluma-based Enphase Energy, which raised \$40 million in venture capital in the first quarter of 2010 to finance its growing production of equipment and technologies to increase the efficiency of solar power systems.
- U.S. healthcare reform law has the potential to benefit Sonoma County's medical device makers. The increased number of insured households will increase the pool of potential recipients of medical devices designed and manufactured in the county. The only downside to this factor will be a 2.3% excise tax to be placed on medical device manufacturers beginning in 2013, which could drive some future production to lower-cost areas in the U.S. and abroad.

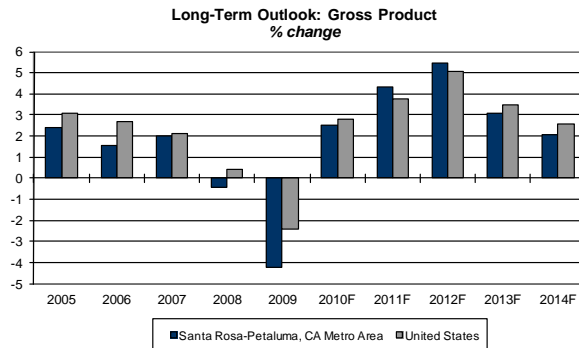
## *CREATIVE PROFESSIONAL SERVICES*

- Creative professional services are comprised of two general types of industries. First are those that directly produce a broad range of creative services. It includes activities ranging from motion picture and video production to scientific research and occupations such as artists, writers and performers. The second type includes professional services that must find creative solutions in supporting small but innovative service providers. Such industries include legal services, accounting, and architectural and engineering services, among others.
- Creative professional services are emerging as an important part of the Sonoma County economy. Taken together, this cluster employs about 11,000, which represents 7% of Sonoma County's total payroll employment and also includes countless others that are self-employed.

- This cluster of industries was hit harder than the rest of the economy during the Great Recession—particularly for accounting, architecture, engineering, and other providers of business services. Although job losses in creative professional services leveled off ahead of total employment in Sonoma County, payroll employment within the cluster fell by 24% from its most recent peak—more than double the rate for other industries.
- Given the area’s relatively skilled workforce, its location close to even higher concentrations of creative talent in the Bay Area, and its highly valued quality of life, there should be good potential in coming years to accommodate, attract and develop a larger creative professional services cluster in Sonoma County. Employment in creative professional services is projected to grow at a slightly faster rate than the rest of the Sonoma County as the economy recovers this year and next.

## LONG-TERM OUTLOOK: POSITIVE FACTORS [\(back to top\)](#)

- Sonoma County's basic industries such as its wineries and specialty foods, travel and tourism and technology-producing industries provide considerable long-term potential for economic growth. These industries build on the comparative advantages that are inherent in the county's resources—its workforce, its natural resources, and its capital.



- These resources are plentiful. For example, the metro area's workforce is relatively skilled. According to the 2008 American Community Survey, 31% of the adult population has a college degree, higher than the U.S. rate of 27% and California's 29% rate. Its natural resources are bountiful, as attested by its rich soil, mild climate, and extensive shoreline, forests and parklands. It has built up local capital through entrepreneurship over the past several decades. Per capita income in Sonoma County exceeds the national and statewide averages.
- The long-term outlook for the winemaking industry remains especially favorable. That said, as the industry matures, growth in the coming decade will not be as fast as it was in the past. Much depends upon how quickly the emerging millennial generation—the children of the baby boomers—takes up the mantle of wine consumption and knowledge in the coming decade. Furthermore, expansion of the industry within Sonoma County will become increasingly difficult as land becomes scarcer and conservation of resources becomes increasingly important.
- National demographic trends, however, do suggest healthy long-term prospects for grape growers and winemakers. Per capita consumption of wine rose to a new peak in 2009, according to the Wine Institute, despite the lingering effects of the recession. International markets are increasingly important, particularly in developing Asian economies.

- The long-term outlook for Sonoma County’s tourism industry remains favorable. The region is growing in recognition, and its proximity to Bay Area attractions will continue to support tourist traffic. Moreover, the continued strong popularity of wine and the wine-related culture underpin the positive fundamental outlook for the industry. The expansion of the visitor experience toward wellness programs and spa experiences adds further long-term upside potential.
  
- Travel and tourism also have potential to expand internationally as the region—including its wine producing areas—become better known overseas and as accommodations and attractions improve. This is especially pertinent as overseas travelers tend to spend more per day than domestic travelers. There is good potential for accelerating demand from Asian travelers given the rapid rebound and renewed expansion of the Asian economy. Travelers in Europe may be slow to return to the wine country given the weakened euro and the region’s slow pace of recovery.
  
- Domestic demographic trends suggest healthy longer-term prospects as well. Baby boomers are nearing retirement age with well-developed tastes for travel and recreation, in addition to the discretionary income to fund these tastes. Retirees in the coming decade will generate strong demand for travel to the wine country. Experience shows that retirees many times chose to retire in places that they love to travel to, suggesting that travel and tourism could have some impact on housing market trends over the coming decade.
  
- Specialty food products have the long-term potential to complement the wine industry within the region. These include olive oils, cheeses, and a range of organic vegetables and meat products. Such goods are linked to the tourism industry as well, as visitors sample these products locally and then generate new markets once they return home. Similarly, these niche industries play an increasingly important role as suppliers to restaurants throughout the San Francisco Bay Area. Consumer demand for locally grown products is bound to rise in coming years.

- The expansion of Charles M. Schulz-Sonoma County Airport will assist in attempts to expand air service to the county. The expansion project—funded by \$1.7 million in federal stimulus—will increase terminal space by a third, including space for additional airline counters. Horizon Air—the airport’s sole carrier—provides service to Los Angeles, Seattle and Las Vegas. The addition of additional flights to and from major hub airports in the West and the Rockies would further improve access to Sonoma County. The risk at hand, however, is that the U.S. domestic airlines are consolidating and reducing capacity, often at the expense of smaller regional airports. Thus, there is some risk that the current air connections may not be expanded.
  
- A sharp improvement in the cost of doing business in Sonoma County is a significant shift in the comparative advantage of its economy that will support economic recovery in the near term. The index of the cost of doing business is, for the first time, now slightly below average at 96 and is at a record low for the County going back to the origin of the index in 1990. The energy component of the index has come down substantially from its peak in 2003. More significantly, the office rent component of the index has fallen considerably over the past two years, a sign of the distressed nature of the commercial property market but also an indicator of the much-improved affordability for new and expanding businesses. Sonoma County’s cost of doing business is not only below the U.S. average, it is the only Bay Area metro area to have below-average costs. Thus, the county is competitive in business costs not only nationwide but also within the Bay Area.

## Index of Relative Business Costs

	Labor Cost		Tax Burden		Energy Cost		Office Space		Overall Index	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank		Rank
<b>Santa Rosa-Petaluma</b>	<b>96</b>	<b>273</b>	<b>99</b>	<b>92</b>	<b>121</b>	<b>81</b>	<b>64</b>	<b>183</b>	<b>96</b>	<b>84</b>
San Francisco-Oakland-Fremont	116	10	99	111	121	92	114	16	121	8
San Jose-Sunnyvale-Santa Clara	128	1	99	109	121	91	111	18	120	11
Oakland-Fremont-Hayward, CA Metropolitan Division	105	75	99	97	121	84	91	57	111	25
Denver-Aurora	110	34	68	373	89	255	92	56	95	98
Seattle-Tacoma-Bellevue	113	23	90	184	95	212	94	51	103	52
Portland-Vancouver-Beaverton	106	61	91	167	85	272	69	141	91	149
Sacramento--Arden-Arcade--Roseville	93	315	99	89	121	80	93	52	100	65
Salt Lake City	98	233	91	169	102	148	70	132	87	224

### Notes:

- 1) Rank is out of 390 metro areas and metro divisions.
- 2) U.S. average = 100.
- 3) Labor Costs are measured by total earnings per employee at the 3-digit NAICS level.
- 4) Tax Burdens are measured by all taxes excluding severance, education, and hospital taxes relative to personal income.
- 5) Energy costs are measured by cents per kWh for industrial and commercial users.
- 6) Office costs are measured by rent per square foot.
- 7) In the Overall Index, Labor Costs have 65% weight, Energy Costs have 15% weight, and Office Costs and Taxes have 10% weight.

- Similarly, housing costs no longer put Sonoma County at a disadvantage. As measured by the Moody's Analytic's housing affordability index, Sonoma County's housing affordability is much improved, with an index of 82, meaning a median income-earning family could afford a house priced at 82% of the median sales price. This is nearly double the level of 44 reached at the end of 2005. Sonoma County's housing affordability is now on par with the San Francisco metropolitan division—which includes the counties of San Mateo, San Francisco and Marin—and the San Jose metropolitan area.

## **LONG-TERM OUTLOOK: NEGATIVE FACTORS** [\(back to top\)](#)

- Congestion and the need for infrastructure improvements further limit long-term growth potential. Despite current highway improvements, access to San Francisco and Oakland is limited to roads that are frequently congested with reduced traffic speed. This is particularly important, since most goods and visitors flow in and out through these areas and rely on their airports and ports for longer journeys.
- Another weakness of the local economy is the specialized nature of the economy, as indicated by its low diversity index of just 0.48. The winemaking industry, the tech-producing industries (with their focus on telecom and medical instruments), and the travel and tourism industries are the primary drivers of growth in the local economy. When U.S. and global demand are strong for these three industries, the local economy thrives. But when demand falters, the local economy slows, creating potential for a volatile pattern of growth over the long term. This is indicated by the area's volatility index of 164, which is ahead of most metro areas in Northern California outside of San Francisco and San Jose. This poses some downside risk should the U.S. economy falter once again on its path toward longer-term growth. Sonoma County's economy could react with another sharp downturn.
- Increasing environmental regulations will increase costs for Sonoma County's wine industries, especially smaller vineries and wineries. In 2010, California will finalize restrictions on the use of Russian River water to protect vineyards from springtime frosts.

## Employment Diversity and Volatility

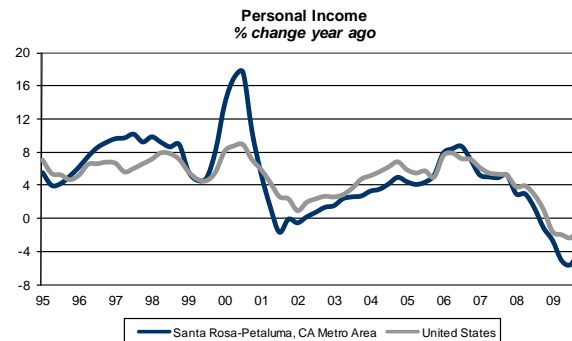
	Diversity <sup>1</sup>	Volatility 2009			Beta <sup>4</sup>
	2009	Total <sup>2</sup>	Systematic <sup>3</sup>	Nonsystematic <sup>3</sup>	
<b>Santa Rosa-Petaluma</b>	<b>0.48</b>	<b>164</b>	<b>90</b>	<b>10</b>	<b>1.48</b>
San Francisco-Oakland-Fremont	0.75	163	89	11	1.44
Oakland-Fremont-Hayward, CA Metropolitan Division	0.76	141	91	9	1.28
Vallejo-Fairfield	0.68	162	60	40	0.97
Portland-Vancouver-Beaverton	0.76	152	93	7	1.40
United States	1.00	100	100	0	1.00
Median	0.50	117	75	25	0.84

**Notes:**

- 1) Diversity is defined as the extent to which an MSA's industrial structure approximates that of the nation. The more closely the MSA's economy resembles the national economy, the higher the value. The diversity measure is bounded between 0 and 1. 1 means the MSA has the same industrial structure as the U.S., 0 means it has a totally different industrial structure than the U.S. Diversity is estimated using data for 2009.
- 2) Total volatility is the standard deviation of an MSA's employment growth. This relative deviation has been indexed to the United States = 100. Volatility is estimated using data for 2009.
- 3) Systematic fluctuation is that portion of an area's economy that is associated with national economic fluctuations. Nonsystematic volatility is that portion of an area's volatility not associated with national economic fluctuations.
- 4) Beta measures the magnitude of an area's sensitivity to national economic conditions. The U.S. average, by definition, is 1. A one percentage point increase in national employment will cause that portion of a metro area's employment base to rise by the percentage value of beta.

## INCOME [\(back to top\)](#)

- Per capita income remains high, exceeding U.S. and statewide averages. Its lead over the U.S. peaked in 2001 and has since narrowed, although the spread remains wide compared with the 1970s, 1980s or early 1990s. The lead is due in good measure to



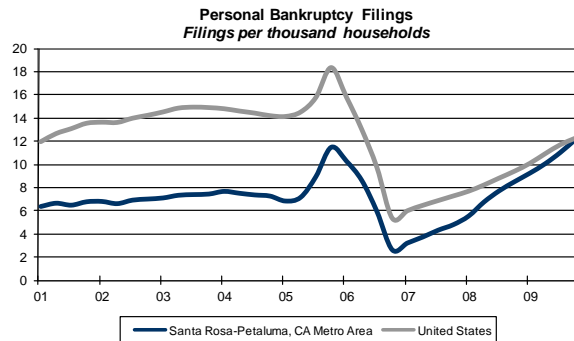
Source: BEA, Moody's Economy.com, Inc.

the high productivity of the economy—high value-added production helps keep wages and salaries of workers in the metro area high.

- Since 2007, however, income growth has faltered. It slowed considerably in 2007, declined in 2008, and is estimated to have declined in 2009. Moreover, since 2007, the county's per capita income has underperformed the national average. The recession hit some of the better-paying industries in the county very hard.
- Expect personal income growth to improve slowly in the coming year as technology industries lift Sonoma County into recovery. An unemployment rate above 10% means there is little pressure to drive up wages except in some of the more specialized industries or occupations. The unemployment rate will peak in the middle of this year but will remain above 10% through the first half of 2011.

## BALANCE SHEETS [\(back to top\)](#)

- Consumer credit conditions have substantially deteriorated in Sonoma County in recent years. Bankruptcy filings have risen faster in the county than nationwide since 2006, and filings per capita now exceed the previous peak reached ahead of bankruptcy law reforms enacted in 2005.



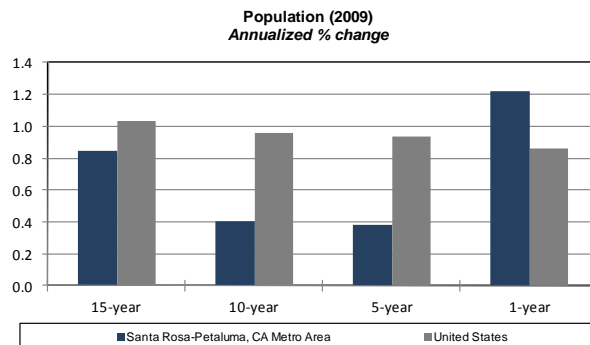
Source: Administrative Office of U.S. District Courts

- Similarly, the delinquency rate on all consumer loans, as estimated by Equifax, has risen fast enough so that Sonoma County's rate is now higher than the national average for the first time since data became available more than 10 years ago. The county's rate remains below the California average, but this comparison is a bit less fair, as credit delinquencies remain high in the hard-hit housing markets of Central and Southern California.
- The combination of a weak labor market, rising unemployment, tightening of lending standards, and a large share of homeowners whose mortgages are under water is keeping mortgage delinquencies and defaults close to historic levels. The rate of mortgage delinquencies is projected to decline this year, but not before a substantial pipeline of delinquent mortgages move into default, posing a further risk to house prices.

## DEMOGRAPHIC TRENDS [\(back to top\)](#)

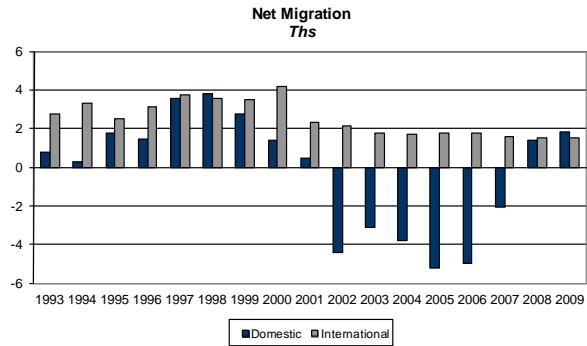
- Demographic trends are stable in Sonoma County despite the struggling economy. In fact, the Census Bureau estimates that population growth accelerated in 2009 to 1.2%, the fastest growth since 2000. Current growth is still well below the 20-year average of over 2% that prevailed prior to 2000, but this is a marked improvement from the first half of this decade, when population fell in four of the five years during the 2002-2006 period.

- It should be noted that a separate estimate by the Demographic Research Unit of the California Department of Finance estimates that population growth did slow considerably mid-decade but never fell. The DRU also estimates that conditions have



since improved; it also estimates a 1.2% growth rate for 2009. If these estimates are borne out by the 2010 census, they will show that the county's economy fully recovered from the 2001 recession by 2006, with population growth now closer to long-term historical trends. DRU supplements its estimation techniques with data from neighboring states on migration trends based on changes of address on driver's licenses.

- Given the improved affordability and cost of doing business in Sonoma County, population growth is expected to remain above 1% for most of the coming decade, outpacing the U.S. and California averages. This rate of growth would be consistent with long-



Source: BOC

term trends and would provide an adequate labor force for the expanding economy. It is based on assumptions of continued growth in the economy and continued housing affordability.

- Yet there is some downside risk to this outlook. Sonoma County’s population is somewhat skewed toward the older cohorts. An above-average share of its population is between the ages of 45 and 65. In the near term, this highly productive cohort will contribute to strong productivity growth. But over the coming 10 years, this cohort will begin exiting the labor force through retirement, which will begin to erode the area’s above-average labor force participation rate and weigh on its long-term productivity growth.
- Over the long term, population growth will increasingly depend upon immigrant households. This will begin to reshape the population. Because immigrant households are generally younger and larger, they will provide a boost to long-term labor force growth as their children age into the working-age groups. But in the meantime, challenges are created to provide education and training needed for the immigrant households to fully participate in the county’s workforce and the broader economy.

Population Profile	% of total Population, 2008	
	Santa Rosa-Petaluma, CA Metro Area	US
Age 5-19	19.0	20.3
Age 25-44	25.3	27.5
Age 45-64	29.3	25.6
Over age 65	13.2	12.8
Birth Rate, (# of Births per 1000)	12.8	14.2
Death Rate, (# of Deaths per 1000)	8.1	8.1
Median Age (2000 Census)	37.5	35.3

Source: BOC

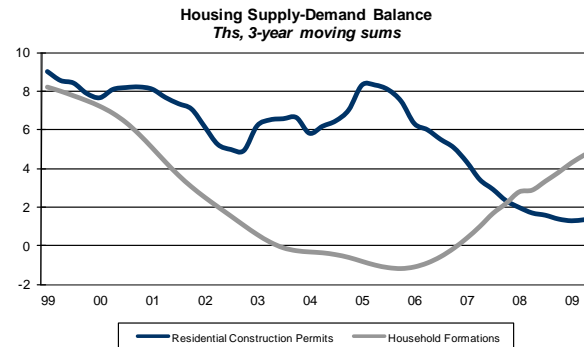
Migration Flows - Santa Rosa-Petaluma, CA Metro Area			
Into Santa Rosa-Petaluma, CA Metro Area	Number of Migrants	From Santa Rosa-Petaluma, CA Metro Area	Number of Migrants
San Francisco-San Mateo-Redwood City, CA Metropolitan Division	2,599	San Francisco-San Mateo-Redwood City, CA Metropolitan Division	1,902
Oakland-Fremont-Hayward, CA Metropolitan Division	1,026	Oakland-Fremont-Hayward, CA Metropolitan Division	976
Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area	711	Sacramento--Arden-Arcade--Roseville, CA Metropolitan Statistical Area	964
Los Angeles-Long Beach-Glendale, CA Metropolitan Division	462	Napa, CA Metropolitan Statistical Area	395
Vallejo-Fairfield, CA Metropolitan Statistical Area	445	Los Angeles-Long Beach-Glendale, CA Metropolitan Division	390
Napa, CA Metropolitan Statistical Area	420	Vallejo-Fairfield, CA Metropolitan Statistical Area	352
San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area	363	San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area	339
San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area	311	San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area	336
Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area	278	Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area	249
Santa Ana-Anaheim-Irvine, CA Metropolitan Division	235	Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area	207
<b>Inmigration</b>	<b>13,499</b>	<b>Outmigration</b>	<b>13,386</b>
		<b>Net Migration</b>	<b>113</b>

**Note:**  
Net Migration: Number of Migrants is the net flow of migrants.

Source: Moody's Economy.com calculation from 2008 IRS data

## RESIDENTIAL REAL ESTATE [\(back to top\)](#)

- House prices finally began to stabilize in 2009 following three years of decline. The approximately 8% rise in prices in the second half of last year began to finally offset the peak-to-trough decline of more than 45% as measured by the Case-Shiller



Source: BOC, Moody's Economy.com, Inc.

home price index. Homebuyers have taken advantage of record-high affordability and the federal tax credit for first-time homebuyers that was extended through the end of April. Similarly, the number of home sales increased by 15% last year.

- The issuance of construction permits is no longer declining, but both remain close to their record-low levels. Dwindling inventories of unsold houses and a new state tax credit for the purchase of new houses do provide some upside risk for a moderate pickup in housing construction to begin by the end of this year.
- Thus, the housing market is poised to recover further, but its near-term pace of recovery is uncertain, and risks remain weighted to the downside. In its favor, mortgage rates are at historical lows, not far from 5% for a 30-year fixed rate. Long-term interest rates are expected to remain low in the near term because of inflation expectations that remain quite contained and sentiment among global investors that still appears to favor U.S. Treasuries. Combined with some pent-up demand left over from the years of poor housing affordability and much-improved affordability, overall housing demand should improve. The predominant risk comes from the rather full pipeline of mortgages delinquent over 120 days. This inventory of troubled loans has grown over the past year, despite mortgage foreclosure mitigation programs that sought solutions for both borrowers and lenders. But as the majority of trial modifications generally lead to default, the number of foreclosures is expected to rise in the second half of this year. If this occurs, a rising supply of foreclosed homes could put some downward pressure on prices through the end of this year.

- One factor that will help determine the house price impact of any rise in foreclosures is the labor market. So far, Sonoma County's labor market turnaround has been muted, but should job growth accelerate noticeably in the second half of 2010, some added demand for housing will be generated, helping to add further stability to the housing market.
  
- Over the coming two years, the housing outlook looks brighter. Strong population growth, affordable house prices, and relatively low interest rates, combined with an accelerating economy and an increasingly diminished excess supply of housing, will help the housing market to recover.

## COMMERCIAL REAL ESTATE [\(back to top\)](#)

- The revival of tech manufacturing output in Sonoma County has helped to ease the rise in the industrial vacancy rate. The rate recently increased moderately to 15.6% in the first quarter of 2010, according to Keegan & Coppin Co., Inc. Previously, the rate had jumped from 10% at the end of 2007 to above 15% in the third quarter of last year. As tech manufacturers exhaust recent productivity gains and finally begin to increase payrolls by the end of the year to meet growing orders, industrial vacancies will begin to fall.
- The rise in office vacancies is also easing, falling slightly in the first quarter to 24.4%, from 24.8% in the fourth quarter of 2009. Vacancies have remained above 20% since mid-2008, reflecting the downsizing of financial services, real estate and business services during the recession. Office-using employment will begin recovering in the second half of this year but will not reach its prerecession peak level until 2015 at the soonest.
- The retail vacancy rate dropped by 0.2 of a percentage point to 9% in the first quarter of 2010, reflecting an easing of retail conditions. Retail was among the first industries in Sonoma County to begin adding payrolls at the end of 2009. Retail employment will continue to add workers at annualized rate of just under 2% before declining in 2013. The worst seems to be over for commercial real estate. The pace of improvement will depend upon growth in employment and industrial production over the coming two to three years.

## FORECAST RISKS [\(back to top\)](#)

- The path to recovery is not a straight one; unexpected curves and bumps will be encountered. The macro outlook is better today than at any time since 2008, but the pace of U.S. economic growth, and with it demand for many of Sonoma County's goods and services, could be curtailed if the European debt crisis is not resolved in an orderly fashion. Under a less orderly default scenario, a likely outcome would be tighter worldwide lending standards that would hinder investment spending, consumer spending and mortgage credit. The European governments and international institutions appear fully committed to supporting Greece and other EU members encountering difficulties repaying debt. What remains to be seen is the long-term commitment to fiscal austerity.
- Another key risk, which has already been mentioned, is mortgage credit quality within Sonoma County. The volume of distress home sales in the coming six months will determine whether the turnaround in house prices will remain steady or falter. Already, the California Association of Realtors estimates that the North Bay median sales price of single-family homes has fallen slightly from a December peak; a peak that was likely skewed upward by the first round of the federal home-buyer tax credit. Mortgage credit quality holds the key to the depth of the housing industry's potential downside risks. If foreclosures begin to increase once again, it could add further to the supply of homes for sale, putting additional downside pressure on prices. Should this happen, demand for new construction could falter further, and the period of falling house prices could extend beyond 2010.
- Some uncertainty remains in Sonoma County's wine industry, which could see a further reduction in the number of smaller wineries operating and a subsequent cutback in employment. If consumers' flight to value of the past two years turns into a permanent structural shift in preference toward lower-priced wines, adjustments in product and pricing will continue.

- The local travel and tourism industry will depend heavily on improved consumer and business confidence over the coming year. If neither materializes, nationwide employment and income growth would not likely be enough to support a strong turnaround in travel and tourism. This would extend pricing weakness for hotels and other visitor-dependent industries.

## MAJOR EMPLOYERS [\(back to top\)](#)

### Major Employers: Sonoma County

Rank	Employer	Industry	Employee
1	Kaiser Permanente	Education or Health Service	2,400
2	St. Joseph Health System	Education or Health Service	1,781
3	Agilent Technologies	Manufacturing	1,350
4	Medtronic CardioVascular	Manufacturing	1,200
5	Sutter Medical Center of Santa Rosa	Education or Health Service	1,097
6	Safeway, Inc.	Retail Trade	1,082
7	Amy's Kitchen	Manufacturing	900
8	River Rock Casino	Leisure and Hospitality	660
9	Wal-Mart Stores, Inc.	Retail Trade	650
10	Kendall-Jackson Wine Estates	Manufacturing	640
11	AT&T	Information	597
12	Mary's Pizza Shack	Leisure and Hospitality	575
13	Washington Mutual	Financial Activities	560
14	Lucky	Retail Trade	552
15	Pacific Gas and Electric Company	Trans./Warehouse/Utilities	500
16	Wells Fargo & Company	Financial Activities	492
17	State Farm Insurance Company	Financial Activities	475
18	Hansel Auto Group	Retail Trade	472
19	JDS Uniphase Corporation	Manufacturing	433
20	Korbel	Manufacturing	426
21	Exchange Bank	Financial Activities	415
22	The Home Depot U.S.A., Inc.	Retail Trade	392
23	Petaluma Acquisitions	Manufacturing	375
24	G&G Supermarket	Retail Trade	350

Source: North Bay Business Journal: Book of Lists, January 2010

## DEMOGRAPHIC PROFILE [\(back to top\)](#)

Indicator	Units	Sonoma County	U.S.	Rank	Year
<b>Households</b>					
Households, % change (2003-2008)	Ann. % change	0.1	0.9	300	2008
Population w/ B.A. degree or higher	% of adult population	28.5	24.4	77	2000
Median household income	\$	65,166	50,303	37	2008
% change year ago		0.4	0.1	177	2008
<b>Population</b>					
Per capita income	\$	46,980	40,166	39	2008
% change year ago		1.4	2.0	175	2008
Population	thousands	472	307,007	133	2009
% change year ago		1.2	0.9	117	2009
White	%	81.6	75.1	206	2000
Black or African American	%	1.4	12.3	321	2000
Hispanic	%	17.3	12.6	64	2000
Asian	%	3.3	3.8	73	2000
Net domestic migration, rate	Persons/th. pop.	3.9	0.0	105	2009
International migration, rate	Persons/th. pop.	3.2	2.8	79	2009
Poverty rate	%	8.1	12.4	44	1999
Median age	years	37.5	35.3	319	2000
<b>Household Cost Indexes</b>					
Housing affordability index		90.2	188.6	382	2009
Median existing home price	\$ ths	418.4	166.8	8	2009
% change year ago		-12.0	-11.4	279	2009
Cost of living	Index: U.S.=100	126.88	100	369	2008

**Table 1: Sonoma County Clusters**

Industries within clusters are listed by their North American Industry Classification System codes

## Composition of Economic Clusters

1) Agriculture, Food and Wine	6) Creative Professional Services
111,112 Farming	5112 Software Publishers
311 Food manufacturing	5121 Motion Picture and Video Industries
3121 Beverage manufacturing	5331 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)
2) Technology-Producing Industries	5411 Legal Services
3344 Semiconductors and other electronic components	5412 Accounting, Tax Preparation, Bookkeeping, and Payroll Services
3345 Navigational, measuring, electromedical, and control instruments	5413 Architectural, Engineering, and Related Services,
3391 Medical equipment and supplies	5414 Specialized Design Services
3) Wealth Management	5415 Computer Systems Design and Related Services
5211 Monetary Authorities - Central Bank	5416 Management, Scientific, and Technical Consulting Services
5222 Nondepository Credit Intermediation	5417 Scientific Research and Development Services
5223 Activities Related to Credit Intermediation	5418 Advertising and Related Services
5231 Securities and Commodity Contracts Intermediation and Brokerage	5419 Other Professional, Scientific, and Technical Services
5232 Securities and Commodity Exchanges	7113 Promoters of Performing Arts, Sports, and Similar Events
5239 Other Financial Investment Activities	7114 Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
5251 Insurance and Employee Benefit Funds	7115 Independent Artists, Writers, and Performers
5312 Offices of Real Estate Agents and Brokers	7) Construction and Green Services
4) Tourism	23 Construction
4811 Scheduled Air Transportation	327 Non-metallic minerals (clay, cement, concrete products)
4812 Nonscheduled Air Transportation	5617 Services to buildings and dwellings
4851 Urban Transit Systems	5621 Waste collection
4853 Taxi and Limousine Service	5629 Remediation and Other Waste Management Services
4855 Charter Bus Industry	2211 Electric Power Generation, Transmission and Distribution
4881 Support Activities for Air Transportation	8) Retail Trade
4884 Support Activities for Road Transportation	RT Retail Trade
7112 Spectator Sports	9) Wholesale Trade
7121 Museums, Historical Sites, and Similar Institutions	42 Wholesale Trade
7131 Amusement Parks and Arcades	
7132 Gambling Industries	
7139 Other Amusement and Recreation Industries	
7211 Traveler Accommodation	
7212 RV (Recreational Vehicle) Parks and Recreational Camps	
7213 Rooming and Boarding Houses	
7221 Full-Service Restaurants	
7222 Limited-Service Eating Places	
5) Health and Wellness	
621 Ambulatory Health Care Services -- would include privately owned community health care	
622 Hospitals	
623 Nursing and Residential Care Facilities	
8121 Personal Care Services	

**Table 2: Sonoma County Historical Summary Indicators**

	2004	2005	2006	2007	2008	2009	Annual Growth 04-09
<b>Economy</b>							
Gross Metro Product (Bil 2000\$)	17.1	17.5	17.8	18.1	18.0	17.3	0.2
% Annual Change	3.3	2.4	1.5	2.0	-0.4	-4.2	
Gross Metro Product (Bil \$)	18.4	19.3	20.2	21.3	21.6	21.0	2.6
% Annual Change	6.2	4.8	4.7	5.4	1.5	-3.0	
Non-farm Employment (Ths)	184.9	186.4	189.1	190.4	186.3	172.7	-1.4
% Annual Change	0.9	0.8	1.5	0.7	-2.2	-7.3	
<b>Components of Employment</b>							
Mining and Natural Resources	0.2	0.2	0.2	0.2	0.2	0.1	-16.6
Construction	13.7	14.2	14.7	14.4	12.8	9.8	-6.4
Manufacturing	24.2	23.5	22.9	22.0	22.0	20.2	-3.6
Trade, Transportation, and Utilities	34.2	34.8	35.5	36.3	35.1	32.1	-1.2
Wholesale Trade	6.6	7.3	7.5	7.8	7.7	6.7	0.3
Retail Trade	23.6	23.8	23.8	24.0	23.0	21.4	-2.0
Transportation and Utilities	3.9	3.7	4.2	4.5	4.4	4.0	0.7
Information	4.3	3.7	3.2	3.0	2.8	2.6	-9.6
Financial Activities	10.0	9.8	9.7	9.3	8.5	7.7	-4.9
Professional and Business Services	19.6	20.4	22.1	23.1	22.9	19.7	0.1
Education and Health Services	22.5	22.8	23.1	23.5	24.2	24.1	1.4
Leisure and Hospitality	20.2	20.4	20.7	21.0	21.0	20.0	-0.2
Other Services	6.4	6.2	6.3	6.4	6.4	6.1	-1.0
Government	29.7	30.4	30.7	31.2	30.3	30.2	0.3
Labor Force (Ths)	255.0	253.9	255.5	258.9	261.2	258.1	0.2
% Annual Change	0.1	-0.4	0.6	1.3	0.9	-1.2	
Number of Employed (Ths)	242.3	242.6	245.2	247.7	246.3	233.0	-0.8
Number of Unemployed (Ths)	12.7	11.3	10.2	11.2	14.9	25.1	14.7
Unemployment Rate (%)	5.0	4.5	4.0	4.3	5.7	9.7	<b>Average</b> 5.5
<b>Income, Demographics, and Consumption</b>							
Personal Income (Mil \$)	18,673.6	19,520.6	21,085.7	22,160.0	22,520.9	21,609.4	3.0
% Annual Change	4.0	4.5	8.0	5.1	1.6	-4.0	
Real Personal Income (Mil 2000\$)	19,230.8	19,519.2	20,521.1	21,003.2	20,656.1	19,782.6	0.6
Per Capita Income (\$)	40,332.1	42,333.6	45,848.4	47,959.4	48,206.8	45,725.4	2.5
Median Household Income (\$)	59,630.3	61,751.4	65,348.9	64,893.7	65,166.4	63,073.4	1.1
Personal Bankruptcy Filings	1,267.0	1,997.0	451.0	837.0	1,503.0	2,170.0	11.4
Consumer Price Index	236.4	255.6	267.2	266.0	257.8	247.7	0.9
Population (Ths)	463.2	461.4	459.8	461.4	466.4	472.1	0.4
% Annual Change	-0.1	-0.4	-0.3	0.4	1.1	1.2	
Age < 4	27.9	28.1	28.1	28.4	28.9	29.3	1.0
Age 5-19	93.8	91.5	89.7	88.7	88.4	88.2	-1.2
Age 20-24	32.3	32.6	32.5	32.8	33.4	34.2	1.1
Age 25-44	124.0	121.2	118.9	118.2	119.1	119.3	-0.8
Age 45-64	127.1	129.4	131.6	133.4	135.4	138.4	1.7
Age > 65	58.1	58.5	59.0	59.9	61.2	62.7	1.5
Households (Ths)	174.6	174.0	173.5	174.0	175.7	176.9	0.3
% Annual Change	0.0	-0.3	-0.3	0.3	1.0	0.7	
Net Migration (Ths)	-2.1	-3.5	-3.3	-0.5	2.9	3.4	
<b>Residential Housing Market</b>							
Total Housing Permits	1,929	2,819	1,912	1,431	612	411	<b>Average</b> 1,519
% Annual Change	-14.3	46.1	-32.2	-25.2	-57.2	-32.9	
Single Family Permits	1,342	1,598	1,357	910	544	389	1,023
Multi Family Permits	587	1,221	555	521	68	21	496
Median Exist. Home Price (SA, Ths \$)	574.8	699.1	686.7	638.5	475.7	418.4	-6.2
% Annual Change	17.2	21.6	-1.8	-7.0	-25.5	-12.0	
Existing Home Sales (Ths)	7.5	8.0	6.7	5.3	7.3	8.2	1.8
Mortgage Originations (Mil \$)	11,618.6	12,695.5	10,041.4	7,541.2	5,441.5	6,936.9	-9.8
Affordability Index	55.1	45.2	45.1	50.1	73.2	90.2	<b>Average</b> 59.8
<b>Nonresidential Construction</b>							
Nonres. Building Permits (Mil \$)	240.7	223.1	228.1	209.0	186.8	70.5	<b>Average</b> 193.0
Total	240.7	223.1	228.1	209.0	186.8	70.5	193.0
Office Buildings	23.7	9.6	10.5	19.3	13.3	0.0	12.7
Retail Space	77.0	66.5	46.7	21.2	33.7	5.7	41.8
Industrial	3.9	3.1	8.9	5.5	4.0	1.2	4.4

**Table 3: Sonoma County Forecasted Summary Indicators**

	2010	2011	2012	2013	2014	2015	Annual Growth 10-15
<b>Economy</b>							
Gross Metro Product (Bil 2000\$)	17.8	18.6	19.7	20.3	20.7	21.3	3.6
% Annual Change	3.0	4.7	5.6	3.2	2.2	2.5	
Gross Metro Product (Bil \$)	21.8	23.0	24.7	25.9	26.9	28.0	5.1
% Annual Change	3.8	5.5	7.4	5.1	3.7	4.0	
Non-farm Employment (Ths)	168.5	170.8	176.1	181.2	184.5	186.8	2.1
% Annual Change	-2.4	1.4	3.1	2.9	1.8	1.2	
<b>Components of Employment</b>							
Mining and Natural Resources	0.1	0.1	0.1	0.1	0.1	0.1	4.5
Construction	8.5	8.6	8.9	9.1	9.2	9.2	1.6
Manufacturing	19.7	19.9	20.3	20.6	20.7	20.7	1.0
Trade, Transportation, and Utilities	31.4	31.8	32.5	33.0	33.2	33.3	1.1
Wholesale Trade	6.5	6.6	6.7	6.9	7.0	7.0	1.6
Retail Trade	21.1	21.4	21.7	22.0	22.1	22.2	1.0
Transportation and Utilities	3.9	3.9	4.0	4.1	4.1	4.1	1.0
Information	2.4	2.4	2.5	2.5	2.5	2.5	1.0
Financial Activities	7.3	7.4	7.5	7.7	7.7	7.8	1.3
Professional and Business Services	19.4	19.8	20.8	22.0	22.8	23.4	3.9
Education and Health Services	24.3	25.1	26.2	27.3	28.4	29.2	3.8
Leisure and Hospitality	20.0	20.4	21.2	22.1	22.6	23.0	2.8
Other Services	6.4	6.6	6.7	6.8	6.8	6.8	1.1
Government	28.9	28.8	29.4	30.0	30.5	30.7	1.2
Labor Force (Ths)	259.3	264.9	269.7	274.5	278.7	282.8	1.8
% Annual Change	0.5	2.2	1.8	1.8	1.5	1.5	
Number of Employed (Ths)	231.2	238.7	248.0	256.0	261.1	265.4	2.8
Number of Unemployed (Ths)	28.1	26.3	21.7	18.5	17.6	17.4	-9.1
Unemployment Rate (%)	10.8	9.9	8.1	6.7	6.3	6.2	<b>Average</b> 8.0
<b>Income, Demographics, and Consumption</b>							
Personal Income (Mil \$)	21,934.8	22,754.3	24,275.3	25,891.6	27,320.9	28,513.3	5.4
% Annual Change	1.5	3.7	6.7	6.7	5.5	4.4	
Real Personal Income (Mil 2000\$)	19,694.2	20,178.8	21,145.2	22,129.7	22,959.4	23,557.3	3.6
Per Capita Income (\$)	45,951.0	47,092.9	49,574.6	52,198.3	54,417.2	56,125.9	4.1
Median Household Income (\$)	62,284.0	63,069.8	65,578.8	68,325.1	70,513.8	72,025.8	2.9
Personal Bankruptcy Filings	2,649.7	3,299.0	3,411.3	2,856.5	2,672.1	2,717.9	0.5
Consumer Price Index	251.7	256.3	265.5	274.2	281.0	287.4	2.7
Population (Ths)	476.6	482.3	488.8	495.2	501.3	507.3	1.3
% Annual Change	1.0	1.2	1.3	1.3	1.2	1.2	
Age < 4	30.3	30.8	31.3	31.8	32.2	32.6	1.4
Age 5-19	88.9	88.4	88.3	88.4	88.6	89.0	0.0
Age 20-24	33.8	34.6	35.2	35.5	35.5	35.0	0.7
Age 25-44	117.3	118.1	119.3	120.6	121.9	123.1	1.0
Age 45-64	142.6	144.9	146.5	148.0	149.6	151.2	1.2
Age > 65	63.7	65.5	68.2	71.0	73.6	76.5	3.7
Households (Ths)	179.1	181.6	185.2	188.7	191.6	194.5	1.7
% Annual Change	1.2	1.4	2.0	1.8	1.6	1.5	
Net Migration (Ths)	2.1	3.2	3.9	3.7	3.2	3.1	
<b>Residential Housing Market</b>							
Total Housing Permits	520	804	1,326	1,392	1,348	1,322	<b>Average</b> 1,119
% Annual Change	27	55	65	5	-3	-2	
Single Family Permits	390	663	1,113	1,173	1,131	1,109	930
Multi Family Permits	130	141	214	219	217	213	189
Median Exist. Home Price (SA, Ths \$)	396.6	379.9	414.2	442.2	454.4	460.7	3.0
% Annual Change	-5.2	-4.2	9.0	6.7	2.8	1.4	
Existing Home Sales (Ths)	8.5	10.3	10.6	11.3	11.8	12.1	7.2
Mortgage Originations (Mil \$)	6,010.7	4,431.1	5,034.9	5,620.1	6,186.7	6,622.8	2.0
Affordability Index	91.5	88.7	81.7	80.6	81.5	82.5	<b>Average</b> 84.4
<b>Nonresidential Construction</b>							
Nonres. Building Permits (Mil \$)							
Total	86.7	96.2	100.9	105.4	110.9	116.3	102.7
Office Buildings	0.6	0.9	1.1	1.4	1.6	1.8	1.2
Retail Space	6.9	10.3	11.7	12.4	12.6	12.9	11.1
Industrial	1.6	2.4	3.6	5.2	6.2	6.6	4.3

**Table 4: Sonoma County Historical Employment by Cluster**  
**Thousands**

	2004	2005	2006	2007	2008	2009	Compound Ann. Growth Rate 04-09	Pct. Share of Employment 2009
Total	197.4	198.3	200.7	202.3	198.3	184.5	-1.3	100.0
% Change	0.7	0.4	1.2	0.8	-2.0	-6.9		
1. Agriculture, Food and Wine	16.8	16.0	15.9	15.8	15.5	14.0	-3.5	7.6
% Change	-5.4	-4.6	-0.8	-0.3	-2.0	-9.5		
2. Technology-Producing Industries	5.5	4.4	4.2	4.1	4.3	4.2	-5.1	2.3
% Change	-12.3	-18.7	-4.9	-2.8	5.9	-3.5		
3. Wealth Management	3.0	3.1	3.2	2.9	2.2	1.9	-8.0	1.1
% Change	-2.2	4.1	5.5	-11.5	-23.0	-12.1		
4. Tourism	15.4	15.9	16.2	16.5	16.5	15.7	0.4	8.5
% Change	1.1	3.3	1.8	1.9	0.0	-4.8		
5. Health and Wellness	17.5	17.8	18.2	18.5	18.9	18.9	1.5	10.2
% Change	0.3	1.4	2.2	2.1	2.0	-0.1		
6. Creative Professional Services	10.2	10.8	11.9	13.2	13.4	11.3	2.2	6.1
% Change	7.7	6.5	10.1	10.7	1.9	-15.6		
7. Construction and Green Services	17.8	18.9	19.5	19.0	17.4	14.0	-4.7	7.6
% Change	4.7	6.2	3.4	-2.7	-8.4	-19.6		
8. Retail Trade	23.6	23.8	23.8	24.0	23.0	21.4	-2.0	11.6
% Change	-0.6	0.5	0.1	1.0	-4.1	-7.3		
8. Wholesale Trade	6.6	7.3	7.5	7.8	7.7	6.7	0.3	3.7
% Change	6.1	10.4	2.8	3.5	-1.7	-12.0		
Sum of Clusters	116.3	118.0	120.4	121.8	119.0	108.2	-1.4	58.6
% Change	0.2	1.4	2.1	1.2	-2.3	-9.1		
Other	81.1	80.3	80.3	80.5	79.3	76.3	-1.2	41.4
% Change	1.4	-0.9	-0.1	0.3	-1.5	-3.8		

**Table 5: Sonoma County Forecasted Employment by Cluster**  
**Thousands**

							Compound Ann. Growth Rate	Pct. Share of Employment
	2010	2011	2012	2013	2014	2015	10-15	2015
Total	180.5	182.8	188.2	193.2	196.6	198.9	2.0	100.0
% Change	-2.2	1.3	2.9	2.7	1.7	1.2		
1. Agriculture, Food and Wine	13.7	13.7	13.8	13.9	13.9	13.9	0.2	7.0
% Change	-2.4	-0.1	0.6	0.6	0.3	-0.1		
2. Technology-Producing Industries	4.1	4.1	4.3	4.4	4.5	4.6	2.4	2.3
% Change	-3.3	2.2	4.3	2.6	1.7	1.1		
3. Wealth Management	1.8	1.8	1.9	1.9	1.9	1.9	1.5	1.0
% Change	-6.7	1.1	2.3	2.2	1.1	0.7		
4. Tourism	15.7	15.9	16.4	16.9	17.2	17.4	2.1	8.8
% Change	0.0	1.3	3.3	3.1	1.7	1.1		
5. Health and Wellness	19.1	19.7	20.6	21.5	22.2	22.9	3.7	11.5
% Change	1.0	3.1	4.4	4.4	3.6	2.9		
6. Creative Professional Services	11.0	11.2	11.7	12.2	12.6	12.9	3.3	6.5
% Change	-3.0	1.9	4.2	4.4	3.2	2.6		
7. Construction and Green Services	12.6	12.8	13.5	14.0	14.3	14.5	2.9	7.3
% Change	-9.9	2.0	4.9	3.8	2.1	1.9		
8. Retail Trade	21.1	21.4	21.7	22.0	22.1	22.2	1.0	11.2
% Change	-1.4	1.4	1.7	1.4	0.3	0.3		
8. Wholesale Trade	6.5	6.6	6.7	6.9	7.0	7.0	1.6	3.5
% Change	-3.9	1.3	2.2	2.5	1.2	0.7		
Sum of Clusters	105.5	107.2	110.5	113.7	115.7	117.3	2.1	59.0
% Change	-2.5	1.6	3.1	2.9	1.8	1.4		
Other	75.0	75.6	77.6	79.6	80.9	81.6	1.7	41.0
% Change	-1.7	0.8	2.7	2.5	1.6	0.9		

**Table 6: Sonoma County Historical Gross Regional Product (Output) by Cluster**  
*Millions of current dollars*

	2004	2005	2006	2007	2008	2009	Compound Ann.	Pct. Share of
							Growth Rate	Total Output
							04-09	2009
Total	18,410.9	19,302.4	20,215.6	21,302.4	21,624.8	20,981.2	2.6	100.0
% Change	6.2	4.8	4.7	5.4	1.5	-3.0		
1. Agriculture, Food and Wine	1,277.3	1,264.7	1,294.0	1,468.5	1,443.8	1,418.2	2.1	6.8
% Change	-1.5	-1.0	2.3	13.5	-1.7	-1.8		
2. Technology-Producing Industries	621.0	560.2	545.6	535.2	555.4	528.9	-3.2	2.5
% Change	-15.5	-9.8	-2.6	-1.9	3.8	-4.8		
3. Wealth Management	1,379.7	1,561.6	1,637.0	1,561.5	1,315.7	1,248.6	-2.0	6.0
% Change	11.7	13.2	4.8	-4.6	-15.7	-5.1		
4. Tourism	743.0	801.5	863.8	911.6	944.0	963.4	5.3	4.6
% Change	9.1	7.9	7.8	5.5	3.6	2.1		
5. Health and Wellness	1,276.9	1,355.2	1,432.2	1,500.9	1,590.1	1,673.3	5.6	8.0
% Change	6.0	6.1	5.7	4.8	5.9	5.2		
6. Creative Professional Services	1,468.5	1,619.4	1,850.9	2,119.7	2,342.3	2,179.0	8.2	10.4
% Change	13.9	10.3	14.3	14.5	10.5	-7.0		
7. Construction and Green Services	1,526.6	1,692.7	1,794.1	1,734.3	1,621.8	1,363.6	-2.2	6.5
% Change	11.5	10.9	6.0	-3.3	-6.5	-15.9		
8. Retail Trade	1,597.1	1,651.8	1,724.2	1,755.7	1,672.1	1,602.8	0.1	7.6
% Change	3.2	3.4	4.4	1.8	-4.8	-4.1		
8. Wholesale Trade	909.1	1,057.5	1,152.4	1,226.9	1,240.8	1,175.5	5.3	5.6
% Change	11.9	16.3	9.0	6.5	1.1	-5.3		
Sum of Clusters	10,799.1	11,564.6	12,294.2	12,814.2	12,725.9	12,153.2	2.4	57.9
% Change	6.2	7.1	6.3	4.2	-0.7	-4.5		
Other	7,611.8	7,737.8	7,921.4	8,488.2	8,898.9	8,828.0	3.0	42.1
% Change	6.1	1.7	2.4	7.2	4.8	-0.8		

**Table 7: Sonoma County Forecasted Gross Regional Product (Output) by Cluster**  
*Millions of current dollars*

	2010	2011	2012	2013	2014	2015	Compound Ann.	Pct. Share of
							Growth Rate	Total Output
							10-15	2015
Total	21,771.0	22,967.9	24,662.6	25,917.8	26,877.0	27,954.4	5.1	100.0
% Change	3.8	5.5	7.4	5.1	3.7	4.0		
1. Agriculture, Food and Wine	1,486.1	1,535.9	1,625.2	1,685.4	1,723.7	1,765.9	3.5	6.3
% Change	4.8	3.4	5.8	3.7	2.3	2.4		
2. Technology-Producing Industries	547.4	606.8	682.6	731.2	776.2	824.7	8.5	3.0
% Change	3.5	10.8	12.5	7.1	6.1	6.3		
3. Wealth Management	1,179.8	1,231.4	1,311.1	1,370.0	1,405.6	1,445.5	4.1	5.2
% Change	-5.5	4.4	6.5	4.5	2.6	2.8		
4. Tourism	1,046.4	1,104.4	1,200.9	1,271.6	1,321.3	1,373.6	5.6	4.9
% Change	8.6	5.5	8.7	5.9	3.9	4.0		
5. Health and Wellness	1,736.0	1,826.5	1,962.3	2,051.9	2,125.1	2,201.1	4.9	7.9
% Change	3.7	5.2	7.4	4.6	3.6	3.6		
6. Creative Professional Services	2,232.6	2,320.9	2,485.8	2,632.2	2,764.5	2,916.7	5.5	10.4
% Change	2.5	4.0	7.1	5.9	5.0	5.5		
7. Construction and Green Services	1,358.6	1,434.8	1,549.6	1,606.3	1,642.2	1,691.7	4.5	6.1
% Change	-0.4	5.6	8.0	3.7	2.2	3.0		
8. Retail Trade	1,707.8	1,868.7	2,037.1	2,161.7	2,267.1	2,396.6	7.0	8.6
% Change	6.6	9.4	9.0	6.1	4.9	5.7		
8. Wholesale Trade	1,251.5	1,367.6	1,500.4	1,613.5	1,710.2	1,817.5	7.7	6.5
% Change	6.5	9.3	9.7	7.5	6.0	6.3		
Sum of Clusters	12,546.2	13,297.0	14,354.9	15,123.9	15,735.9	16,433.2	5.5	58.8
% Change	3.2	6.0	8.0	5.4	4.0	4.4		
Other	9,224.8	9,671.0	10,307.7	10,793.9	11,141.1	11,521.2	4.5	41.2
% Change	4.5	4.8	6.6	4.7	3.2	3.4		

**Table 8: Sonoma County Historical Gross Regional Product (Output) by Cluster**  
*Millions of 2000 dollars*

	2004	2005	2006	2007	2008	2009	Compound Ann.	Pct. Share of
							Growth Rate	Total Output
							04-09	2009
Total	17,076.5	17,486.9	17,754.5	18,109.2	18,027.8	17,270.5	0.2	100.0
% Change	3.3	2.4	1.5	2.0	-0.4	-4.2		
1. Agriculture, Food and Wine	1,117.6	1,151.6	1,227.8	1,287.5	1,168.8	1,107.8	-0.2	6.4
% Change	-4.4	3.0	6.6	4.9	-9.2	-5.2		
2. Technology-Producing Industries	897.0	961.1	1,011.3	1,130.1	999.4	863.5	-0.8	5.0
% Change	-10.9	7.1	5.2	11.7	-11.6	-13.6		
3. Wealth Management	1,277.8	1,429.0	1,471.0	1,373.3	1,137.6	1,053.1	-3.8	6.1
% Change	8.8	11.8	2.9	-6.6	-17.2	-7.4		
4. Tourism	687.7	718.0	750.7	761.4	756.6	748.2	1.7	4.3
% Change	6.2	4.4	4.6	1.4	-0.6	-1.1		
5. Health and Wellness	1,098.2	1,137.3	1,174.9	1,184.5	1,225.1	1,270.7	3.0	7.4
% Change	2.4	3.6	3.3	0.8	3.4	3.7		
6. Creative Professional Services	1,357.2	1,447.8	1,605.6	1,805.6	1,992.7	1,837.4	6.2	10.6
% Change	12.7	6.7	10.9	12.5	10.4	-7.8		
7. Construction and Green Services	1,245.5	1,254.8	1,208.6	1,120.6	1,032.6	860.3	-7.1	5.0
% Change	4.3	0.7	-3.7	-7.3	-7.9	-16.7		
8. Retail Trade	1,586.2	1,686.4	1,769.3	1,830.2	1,743.6	1,653.6	0.8	9.6
% Change	2.4	6.3	4.9	3.4	-4.7	-5.2		
8. Wholesale Trade	881.9	1,008.1	1,032.7	1,064.9	1,042.2	965.3	1.8	5.6
% Change	5.9	14.3	2.4	3.1	-2.1	-7.4		
Sum of Clusters	10,149.1	10,794.0	11,251.7	11,558.2	11,098.5	10,359.9	0.4	60.0
% Change	3.0	6.4	4.2	2.7	-4.0	-6.7		
Other	6,927.4	6,692.9	6,502.8	6,551.0	6,929.2	6,910.6	0.0	40.0
% Change	3.6	-3.4	-2.8	0.7	5.8	-0.3		

**Table 9: Sonoma County Forecasted Gross Regional Product (Output) by Cluster**  
*Millions of 2000 dollars*

	2010	2011	2012	2013	2014	2015	Compound Ann. Growth Rate	Pct. Share of Total Output
							10-15	2015
Total	17,792.6	18,622.1	19,662.5	20,297.6	20,744.6	21,261.8	3.6	100.0
% Change	3.0	4.7	5.6	3.2	2.2	2.5		
1. Agriculture, Food and Wine	1,187.6	1,221.4	1,261.5	1,278.6	1,282.5	1,288.6	1.6	6.1
% Change	7.2	2.8	3.3	1.4	0.3	0.5		
2. Technology-Producing Industries	880.3	960.1	1,060.1	1,118.9	1,170.9	1,225.8	6.8	5.8
% Change	1.9	9.1	10.4	5.5	4.7	4.7		
3. Wealth Management	993.4	1,028.8	1,078.4	1,108.5	1,121.4	1,136.5	2.7	5.3
% Change	-5.7	3.6	4.8	2.8	1.2	1.3		
4. Tourism	804.8	842.4	900.4	936.2	958.7	982.0	4.1	4.6
% Change	7.6	4.7	6.9	4.0	2.4	2.4		
5. Health and Wellness	1,306.5	1,361.3	1,436.4	1,473.7	1,502.4	1,531.4	3.2	7.2
% Change	2.8	4.2	5.5	2.6	1.9	1.9		
6. Creative Professional Services	1,866.9	1,921.0	2,019.4	2,097.6	2,168.3	2,251.2	3.8	10.6
% Change	1.6	2.9	5.1	3.9	3.4	3.8		
7. Construction and Green Services	857.6	898.8	955.6	975.5	985.1	1,001.4	3.2	4.7
% Change	-0.3	4.8	6.3	2.1	1.0	1.7		
8. Retail Trade	1,745.5	1,891.9	2,025.7	2,109.4	2,177.7	2,265.5	5.4	10.7
% Change	5.6	8.4	7.1	4.1	3.2	4.0		
8. Wholesale Trade	1,018.1	1,101.9	1,187.5	1,253.1	1,307.4	1,367.4	6.1	6.4
% Change	5.5	8.2	7.8	5.5	4.3	4.6		
Sum of Clusters	10,660.6	11,227.6	11,925.0	12,351.6	12,674.4	13,049.7	4.1	61.4
% Change	2.9	5.3	6.2	3.6	2.6	3.0		
Other	7,132.1	7,394.4	7,737.6	7,946.0	8,070.1	8,212.1	2.9	38.6
% Change	3.2	3.7	4.6	2.7	1.6	1.8		

**Table 10: Sonoma County Historical Productivity (Output per Worker)**  
*Thousand of current dollars*

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Compound Ann. Growth Rate 04-09</b>
Total	93.2	97.3	100.7	105.3	109.0	113.7	4.0
% Change	5.5	4.4	3.5	4.5	3.6	4.3	
1. Agriculture, Food and Wine	76.1	79.0	81.4	92.7	93.0	101.0	5.8
% Change	4.2	3.8	3.1	13.9	0.4	8.6	
2. Technology-Producing Industries	113.7	126.1	129.1	130.4	127.7	126.1	2.1
% Change	-3.7	10.9	2.4	1.0	-2.0	-1.3	
3. Wealth Management	467.1	508.0	504.7	544.1	595.6	642.9	6.6
% Change	14.1	8.8	-0.7	7.8	9.5	7.9	
4. Tourism	48.3	50.4	53.4	55.3	57.3	61.4	4.9
% Change	7.9	4.4	5.9	3.6	3.6	7.2	
5. Health and Wellness	72.8	76.2	78.9	81.0	84.0	88.5	4.0
% Change	5.8	4.7	3.4	2.7	3.8	5.3	
6. Creative Professional Services	144.4	149.6	155.3	160.6	174.3	192.2	5.9
% Change	5.7	3.6	3.8	3.4	8.5	10.3	
7. Construction and Green Services	86.0	89.8	92.1	91.4	93.3	97.6	2.6
% Change	6.4	4.4	2.5	-0.7	2.1	4.6	
8. Retail Trade	67.6	69.5	72.5	73.1	72.6	75.0	2.1
% Change	3.8	2.9	4.3	0.8	-0.7	3.4	
8. Wholesale Trade	136.7	144.1	152.8	157.2	161.8	174.2	5.0
% Change	5.5	5.4	6.0	2.8	2.9	7.7	
Sum of Clusters	92.8	98.0	102.1	105.2	106.9	112.3	3.9
% Change	6.0	5.6	4.1	3.0	1.7	5.0	
Other	93.9	96.3	98.7	105.4	112.2	115.7	4.3
% Change	4.7	2.6	2.5	6.8	6.4	3.1	

**Table 11: Sonoma County Forecasted Productivity (Output per Worker)**  
*Thousand of current dollars*

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Compound Ann. Growth Rate 10-15</b>
Total	120.6	125.6	131.1	134.1	136.7	140.5	3.1
% Change	6.1	4.2	4.3	2.3	1.9	2.8	
1. Agriculture, Food and Wine	108.4	112.2	118.1	121.7	124.1	127.2	3.3
% Change	7.4	3.5	5.2	3.1	2.0	2.5	
2. Technology-Producing Industri	135.0	146.4	157.9	164.8	172.0	180.9	6.0
% Change	7.0	8.5	7.8	4.4	4.4	5.1	
3. Wealth Management	651.2	672.2	699.8	715.6	725.9	741.6	2.6
% Change	1.3	3.2	4.1	2.3	1.4	2.2	
4. Tourism	66.6	69.5	73.2	75.1	76.7	78.9	3.4
% Change	8.6	4.2	5.3	2.7	2.2	2.8	
5. Health and Wellness	90.9	92.7	95.5	95.6	95.6	96.2	1.1
% Change	2.7	2.0	2.9	0.2	-0.1	0.7	
6. Creative Professional Services	203.0	207.0	212.8	215.8	219.7	225.9	2.2
% Change	5.6	2.0	2.8	1.4	1.8	2.8	
7. Construction and Green Service	107.9	111.8	115.1	115.0	115.2	116.5	1.5
% Change	10.6	3.6	3.0	-0.1	0.2	1.1	
8. Retail Trade	81.1	87.5	93.7	98.1	102.5	108.0	5.9
% Change	8.1	7.9	7.1	4.6	4.5	5.4	
8. Wholesale Trade	193.1	208.3	223.7	234.6	245.7	259.3	6.1
% Change	10.8	7.9	7.4	4.9	4.7	5.6	
Sum of Clusters	118.9	124.0	129.9	133.0	136.0	140.1	3.3
% Change	5.9	4.3	4.7	2.4	2.2	3.0	
Other	123.0	127.9	132.8	135.7	137.8	141.2	2.8
% Change	6.3	4.0	3.8	2.2	1.6	2.5	

**Table 12: Sonoma County Historical Productivity (Output per Worker)**  
*Thousands of 2000 dollars*

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Compound Ann. Growth Rate 04-09</b>
Total	86.5	88.2	88.5	89.5	90.9	93.6	1.6
% Change	2.6	1.9	0.3	1.2	1.6	3.0	
1. Agriculture, Food and Wine	66.6	71.9	77.2	81.3	75.3	78.9	3.5
% Change	1.1	8.0	7.4	5.2	-7.3	4.7	
2. Technology-Producing Industries	164.2	216.4	239.4	275.3	229.9	205.9	4.6
% Change	1.6	31.7	10.6	15.0	-16.5	-10.4	
3. Wealth Management	432.6	464.8	453.5	478.5	515.0	542.2	4.6
% Change	11.2	7.5	-2.4	5.5	7.6	5.3	
4. Tourism	44.7	45.2	46.4	46.2	45.9	47.6	1.3
% Change	5.0	1.1	2.7	-0.5	-0.6	3.8	
5. Health and Wellness	62.6	64.0	64.7	63.9	64.7	67.2	1.4
% Change	2.1	2.2	1.1	-1.2	1.4	3.8	
6. Creative Professional Services	133.5	133.7	134.7	136.8	148.3	162.0	4.0
% Change	4.6	0.2	0.7	1.6	8.3	9.3	
7. Construction and Green Services	70.2	66.5	62.0	59.1	59.4	61.6	-2.6
% Change	-0.4	-5.2	-6.8	-4.7	0.6	3.6	
8. Retail Trade	67.1	71.0	74.4	76.2	75.7	77.4	2.9
% Change	3.0	5.8	4.8	2.4	-0.7	2.3	
8. Wholesale Trade	132.6	137.4	136.9	136.4	135.9	143.1	1.5
% Change	-0.2	3.6	-0.3	-0.4	-0.4	5.3	
Sum of Clusters	87.2	91.5	93.4	94.9	93.3	95.7	1.9
% Change	2.9	4.9	2.1	1.6	-1.7	2.7	
Other	85.4	83.3	81.0	81.4	87.4	90.6	1.2
% Change	2.2	-2.5	-2.7	0.4	7.4	3.6	

**Table 13: Sonoma County Forecasted Productivity (Output per Worker)**  
*Thousands of 2000 dollars*

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Compound Ann. Growth Rate 10-15</b>
Total	98.6	101.8	104.5	105.0	105.5	106.9	1.6
% Change	5.3	3.3	2.6	0.5	0.5	1.3	
1. Agriculture, Food and Wine	86.6	89.2	91.6	92.3	92.3	92.9	1.4
% Change	9.9	3.0	2.7	0.7	0.0	0.6	
2. Technology-Producing Industries	217.1	231.7	245.2	252.2	259.6	268.8	4.4
% Change	5.4	6.7	5.8	2.8	2.9	3.6	
3. Wealth Management	548.3	561.6	575.6	579.0	579.2	583.1	1.2
% Change	1.1	2.4	2.5	0.6	0.0	0.7	
4. Tourism	51.3	53.0	54.8	55.3	55.7	56.4	1.9
% Change	7.6	3.4	3.5	0.8	0.7	1.3	
5. Health and Wellness	68.4	69.1	69.9	68.7	67.6	66.9	-0.4
% Change	1.8	1.0	1.1	-1.7	-1.6	-0.9	
6. Creative Professional Services	169.8	171.4	172.9	172.0	172.3	174.3	0.5
% Change	4.8	0.9	0.9	-0.5	0.2	1.2	
7. Construction and Green Services	68.1	70.0	71.0	69.8	69.1	68.9	0.2
% Change	10.6	2.8	1.4	-1.6	-1.1	-0.2	
8. Retail Trade	82.9	88.6	93.2	95.7	98.4	102.1	4.3
% Change	7.0	6.9	5.2	2.7	2.9	3.7	
8. Wholesale Trade	157.1	167.9	177.0	182.2	187.8	195.1	4.4
% Change	9.8	6.9	5.4	2.9	3.1	3.9	
Sum of Clusters	101.0	104.7	107.9	108.7	109.5	111.2	1.9
% Change	5.5	3.6	3.1	0.7	0.8	1.6	
Other	95.1	97.8	99.7	99.9	99.8	100.6	1.1
% Change	5.0	2.9	1.9	0.2	-0.1	0.8	

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## MOODY'S ECONOMY.COM OFFICES

### London

Moody's Economy.com  
One Canada Square  
Canary Wharf  
London E14-5FA  
United Kingdom  
+44 (0) 20 7621.9068  
+44 (0) 20 7618.2389 (fax)

### Sydney

Moody's Economy.com  
Level 10  
1 O'Connell Street  
Sydney, NSW, 2000  
Australia  
+61 (02) 9270.8111  
+61 (02) 9252.3181 (fax)

### United States

Moody's Economy.com  
121 North Walnut St.  
Suite 500  
West Chester, PA 19380-3166  
610.235.5299  
610.235.5302 (fax)

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