



MARIN ECONOMIC BULLETIN
FALL 2014



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Fall 2014 Economic Bulletin

The **Marin Economic Bulletin** is published annually by the Marin Economic Forum (**MEF**), a nonprofit organization working to build a strong local economy that supports start-up, expanding, and entrepreneurial businesses within Marin County, while maintaining social equity and environmental balance.

This year's Bulletin was presented by Dr. Robert Eyler, MEF's Chief Executive Officer, at the *11th Annual Forecasting the Future Economic Conference: Trends & Issues* held on October 30, 2014 in San Rafael, California. MEF would like to thank Umpqua Bank (www.umpquabank.com) for their support of the Economic Bulletin and the *Forecasting the Future Economic Conference*. The information and data contained in this report were compiled by Marin Economic Forum staff. MEF also sponsored reports on the California and US economies produced by Jon Haveman of Marin Economic Consulting and MEF.

Marin Economic Forum is a collaboration of local elected officials, business owners and executives, bankers, health care providers, food producers, chamber of commerce leaders, educators, hoteliers, and others, committed to meeting local challenges through education and cross-disciplinary exchange. MEF is the only Marin-based nonprofit analyzing complex local questions and answering them in way that educates and informs tough public policy questions. By collecting and analyzing local and regional data impartially, MEF assists local governments, business leaders, and service providers in making balanced strategic decisions needed to move the county forward sustainably.

Please contact MEF if you are seeking answers to public policy questions in Marin County or the North Bay overall, or looking for data or information that may help your business. www.marineconomicforum.org.

October 30, 2014

Key Findings

Marin County

- Marin County's real personal income is projected to rise , and is now forecast to grow at an average rate of 2.2 percent between 2014 and 2016;
- Inflation in Marin County is likely to rise at over 2 percent per year from 2014 to 2017;
- Marin County's taxable sales per capita are the third highest in California;
- Marin County's payroll employment shows continued growth and shows that services and manufacturing are growing in 2014;
- Marin County added 2,600 payroll jobs in 2014 and gained about 200 payroll businesses;
- Since 2014, Marin County's median home prices have been just over \$1 million but somewhat flat; and
- Commercial properties have seen some reduced vacancies, but this reduction has slowed since 2013, while rents have remained steady at \$2.60 per square foot.

US Economy

- Economic recovery continues, with the pace of recovery appearing to quicken, as forecasts suggest annual growth rates in excess of 3.0% for the next several years. This is a pace of growth not seen on an annual basis since 2005.
- There are concerns abroad: growth in China and other parts of Asia remains slow, there is the prospect of deflation in Europe, and other mounting geopolitical issues such as ISIS and Ebola can affect the mood of consumers.
- Forecast gains in US GDP through 2017 are based on rising income domestically and abroad, which may prove to be optimistic.
- GDP per capita in the United States has recovered to its prerecession levels. In this sense, the economy has recovered, but current levels of GDP remain far below the economy's potential.
- Employment has also recovered to prerecession levels, but unemployment is still high. Declines in labor force participation suggest that joblessness is a bigger problem than is evidenced by the unemployment rate.
- Equity markets, along with corporate profits, are booming. The rapid increase in stock values may well be a source of concern. There have been wobbles, with significant one-day losses, but these do not necessarily portend a significant correction in the near future.
- Housing markets have largely recovered, with the help of low interest rates. Federal Reserve policy is supporting this recovery, while at the same time keeping a keen eye on inflation, which is hovering at about 2% at the national level.
- Income inequality is growing rapidly in the United States. Research increasingly shows that extreme levels of inequality are deleterious to economic growth. The US is among the countries with the highest levels of inequality, a fact that may deleteriously affect growth in the future.

California

- Forecasts suggest that California should continue to be a bright light in economic and employment growth in the United States.
- California's employment growth has outpaced the rest of the country throughout most of the recovery and is likely to continue to do so.
- The Bay Area has been a primary driver of this faster employment growth rate.
- The unemployment rate remains above the national average but is falling, and some forecasters predict that it will be only slightly above the national rate by 2016.
- Personal income in California has rebounded well following the recession. Although potentially a source of increasing inequality in the state, this is a positive development.
- Housing markets have recovered from the recent boom-bust, with current prices above long-term trend growth. This has contributed to a resurgence in construction employment growth and to some extent residential fixed investment.
- Income inequality and poverty are becoming significant and growing problems in California.
- A key driver of prosperity in California is investments in new technologies and products. California and the Bay Area in particular have no peers in the United States. Venture capital funding is easier to obtain in the Bay Area than anywhere else in the country.
- The state is not without difficulties. Providing adequate education to offset the issues of inequality and poverty and managing the effects of the recent and continuing drought rank highly among the state's most pressing issues.

An overview of the state and national economies is available through Marin Economic Forum in partnership with Dr. Jon Haveman of Marin Economic Consulting. Please see those reports and copies of this report at www.marineconomicforum.org.

Marin County Economic DASHBOARD

	2009	2010	2011	2012	2013	FORECAST		
						2014	2015	2016
Population (Beginning of Year)	252,449	252,409	253,040	254,790	254,696	255,846	256,500	258,000
Total Payroll Employment	121,800	123,500	126,900	130,900	134,700	137,700	139,000	141,500
Unemployment Rate, Payroll Jobs	7.7%	8.0%	7.4%	6.3%	5.0%	3.8%	3.5%	3.2%
Personal Income (millions 2003\$)	\$17,670	\$17,915	\$19,137	\$19,602	\$20,035	\$20,437	\$20,868	\$21,354
Per Capita Personal Income (2003\$)	\$69,994	\$70,976	\$75,628	\$76,934	\$78,662	\$79,880	\$81,357	\$82,767
Gross County Product (millions 2003\$)	\$21,289	\$21,584	\$23,057	\$23,617	\$24,139	\$24,623	\$25,142	\$25,728
Median Prices, SFD Detached	\$676,487	\$710,309	\$640,414	\$693,305	\$801,557	\$766,795	\$763,752	\$786,061
Taxable Sales (Millions 2003\$)	\$3,211	\$5,701	\$3,775	\$465	\$479	\$491	\$511	\$531
Number of Payroll Businesses	11,336	11,320	11,428	11,100	11,400	11,500	11,700	11,600
Number of Home-Based /Self Employed Businesses	35,231	35,840	36,340	36,500	37,250	37,600	37,900	38,200
Marin CPI (Index, 2003 = 100)	114	116	119	122	125	128	131	134

DATA SOURCES:

Population: CA Department of Finance

Total Employment: [Employment Development Department of California, Payroll Employment](#)

Unemployment Rate: [Employment Development Department of California, Payroll Unemployment](#)

Personal Income: [Bureau of Economic Analysis](#)

Per Capita Personal Income: [Bureau of Economic Analysis](#)

Gross County Product: [Bureau of Economic Analysis](#) and [Marin Economic Forum](#)

Median Prices, Detached Single Family Homes (SFH): [California Association of REALTORS®](#)

Taxable Sales: [CA Board of Equalization](#)

Number of Businesses: [US Census Bureau](#) and [Employment Development Department of California](#)

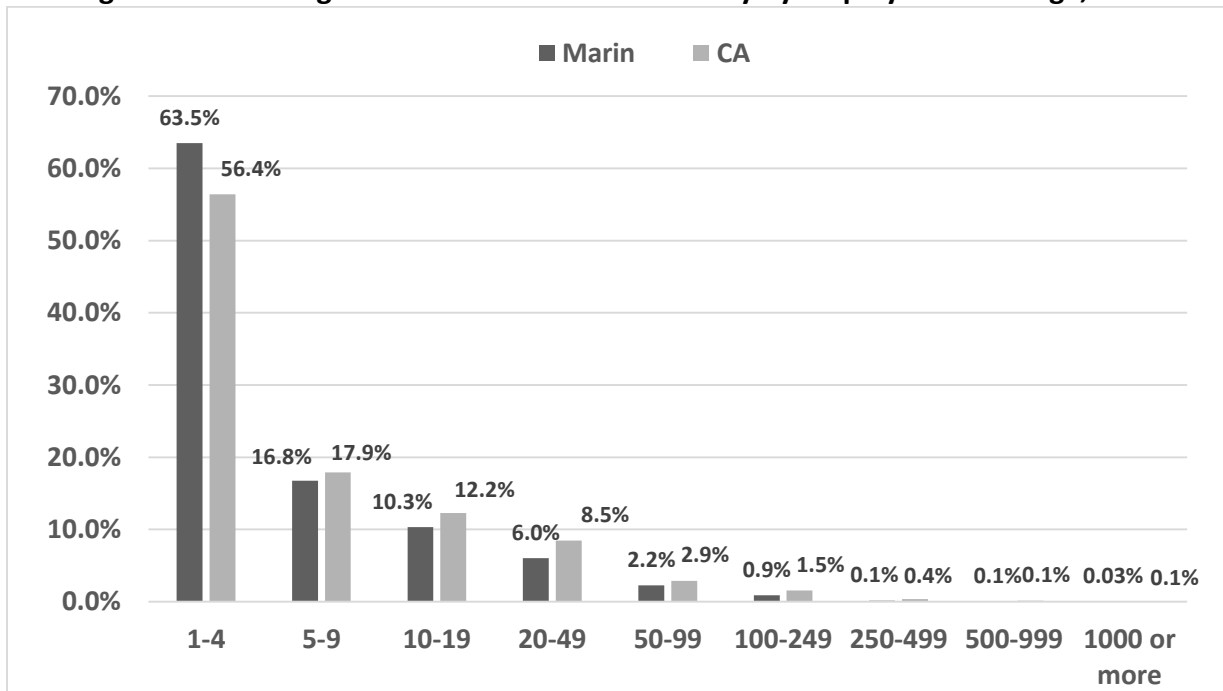
Marin CPI: [Bureau of Labor Statistics](#) and [Marin Economic Forum](#)

Economic Bulletin 2014

This Economic Bulletin continues Marin Economic Forum’s commitment to educating Marin County’s residents, businesses, nonprofit organizations, and elected officials about local economic issues and trends. Marin Economic Forum (MEF) also has produced national and state economic overviews in order to provide context for the county-level forecasts contained in this Bulletin.¹ Regional economies are generally measured in terms of housing markets (e.g., access to financing and housing), labor markets (e.g., job and business growth) and goods markets (e.g., income generation and retail sales).

Employment growth continues in Marin County. In August 2014, the California Employment Development Department (EDD) calculated that Marin County had added more than 2,600 jobs since August 2013. Unemployment has fallen from 4.9 percent to 4.0 percent over the same time frame, which implies that Marin County is experiencing real gross county product (GCP) growth of approximately 1.8 percent since August 2013. MEF predicts that unemployment will be approximately 3.8 percent by 2014 year end after seasonal adjustments. Government unemployment measurements for Marin County signify those persons who are unemployed and actively seeking work as **residents** of Marin County.

Figure 1: Percentage of Businesses in Marin County by Employee Size Range, 2014



Source: CA Employment Development Department

¹ This year, we have again asked Jon Haveman of Marin Economic Consulting to produce those updates.

Figure 1 shows that over 90 percent of payroll businesses have less than 20 employees; Figure 1 also shows California overall is a place dominated by small business. Marin County gained 256 payroll businesses from 2013 Q1 to 2014 Q1 (2.3 percent growth). Health care businesses, professional services, and some construction and manufacturing grew since 2013. Approximately 11,650 businesses with payroll employment are located in Marin County, according to EDD; in general, the typical business size in Marin is small. The Census Bureau states that an additional 36,500 businesses operate in Marin County, but they do not generate payrolls because there are no traditionally-defined employees (i.e., they are “nonemployers” or sole proprietorships).²

Marin Economic Forum forecasts suggest that both California and the United States will experience continued economic growth in 2015. As always, uncertainty exists due to global and domestic upheaval. As Marin shifts to more service-oriented industries, employment growth in its targeted industries will slow somewhat; weekly wages in Marin County fell by \$64 between 2013 and 2014, suggesting that even at low unemployment rates, surplus labor remains in the market.

Incomes and Spending

National and state forecasts provide context for regional outlooks. MEF’s analysis of the US and California economies suggests that Marin’s broader economic influences will continue to support local growth through at least 2017.³ The California Department of Finance, the UCLA Anderson School Forecast and the Federal Reserve provide forecasts for the state and national economies. These forecasts corroborate each other and suggest that growth of national GDP in real terms (inflation-adjusted) will be approximately 3.0 percent per year until 2017, where 2017 is predicted to show slightly slower growth (approximately 2.9 percent).

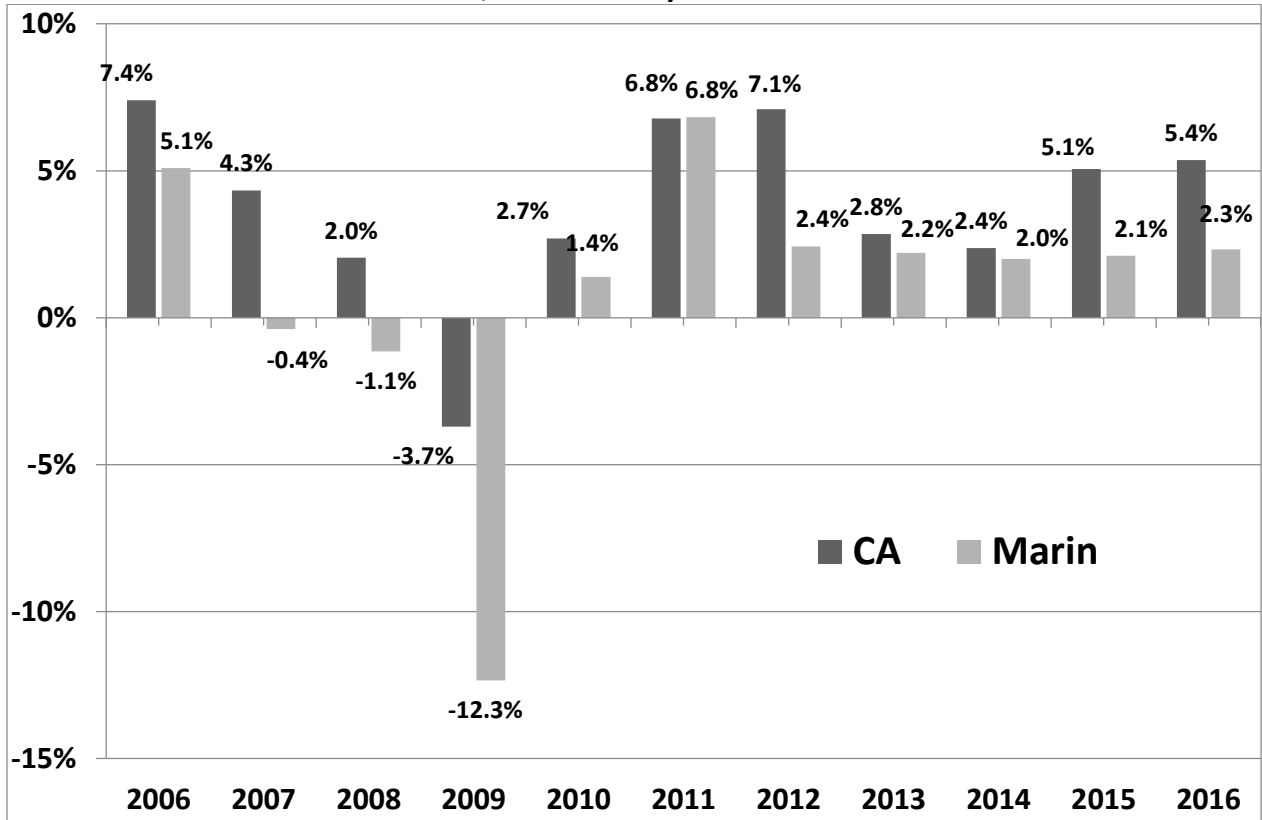
For California, the growth rates are slightly faster than the national picture, which suggests that the state economy will continue to be an economic leader for the nation overall. California is predicted to experience growth of 3.2 percent from 2015 to 2017 in terms of gross state product (GSP) and 4.5 percent in terms of real personal income growth. Marin County generates approximately \$18 billion in gross county product and over \$24 billion in county personal income. To add some perspective to the size of the personal income figure (the basis for retail sales and housing purchases), Sonoma County has about \$500 million less personal income than Marin County (about \$23.5 billion), and San Francisco County has \$66 billion. According to the 2014 edition of

² See the Census website on non-payroll businesses, the latest data is for 2012 as of October 2014: <http://censtats.census.gov/cgi-bin/nonemployer/nonsect.pl>.

³ Please see www.marineconomicforum.org for the US and CA economic overviews.

the California Retail Survey, household spending in Marin County reached the third highest level of taxable sales per capita of all California counties, following only Placer and San Francisco counties).⁴

**Figure 2: Growth Rates of Personal Income Less Transfer Payments
2003\$, Marin County and California⁵**



Sources: Bureau of Economic Analysis and Marin Economic Forum.

Marin County incomes are forecast to grow faster next year than during 2013, due to continued job growth momentum in Marin County and in the Bay Area in general as well as other income derived from financial and housing markets. Personal income mostly consists of the sum of incomes made from working plus passive incomes made from financial assets and housing ownership.

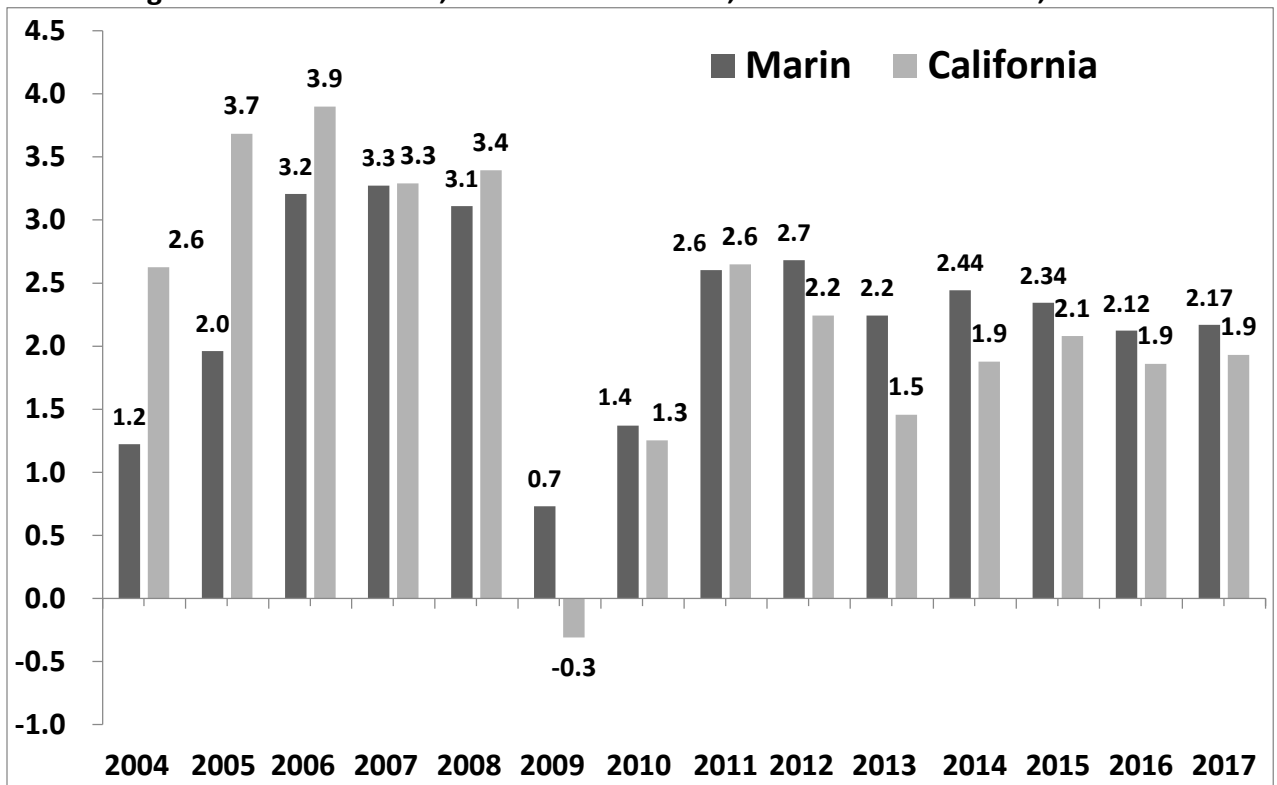
⁴ Please see <http://californiaretailsurvey.netfirms.com/> for more information.

⁵ Personal income data for Marin County is available through 2009, estimated for 2010 and beyond by MEF. The Bureau of Economic Analysis (BEA) recently revised and updated its data for counties across the United States.

Inflation and Labor Markets

In Marin County, wages have increased 4 percent overall since 2010, but only 4.5 percent overall from 2006 to 2013. The annual average rate of growth in wages is 1.3 percent, which is slower than inflation growth. Figure 3 shows the inflation rates for California and the Bay Area since 2001.

Figure 3: Inflation Rates, Marin and California, Actual and Forecasted, 2001-17



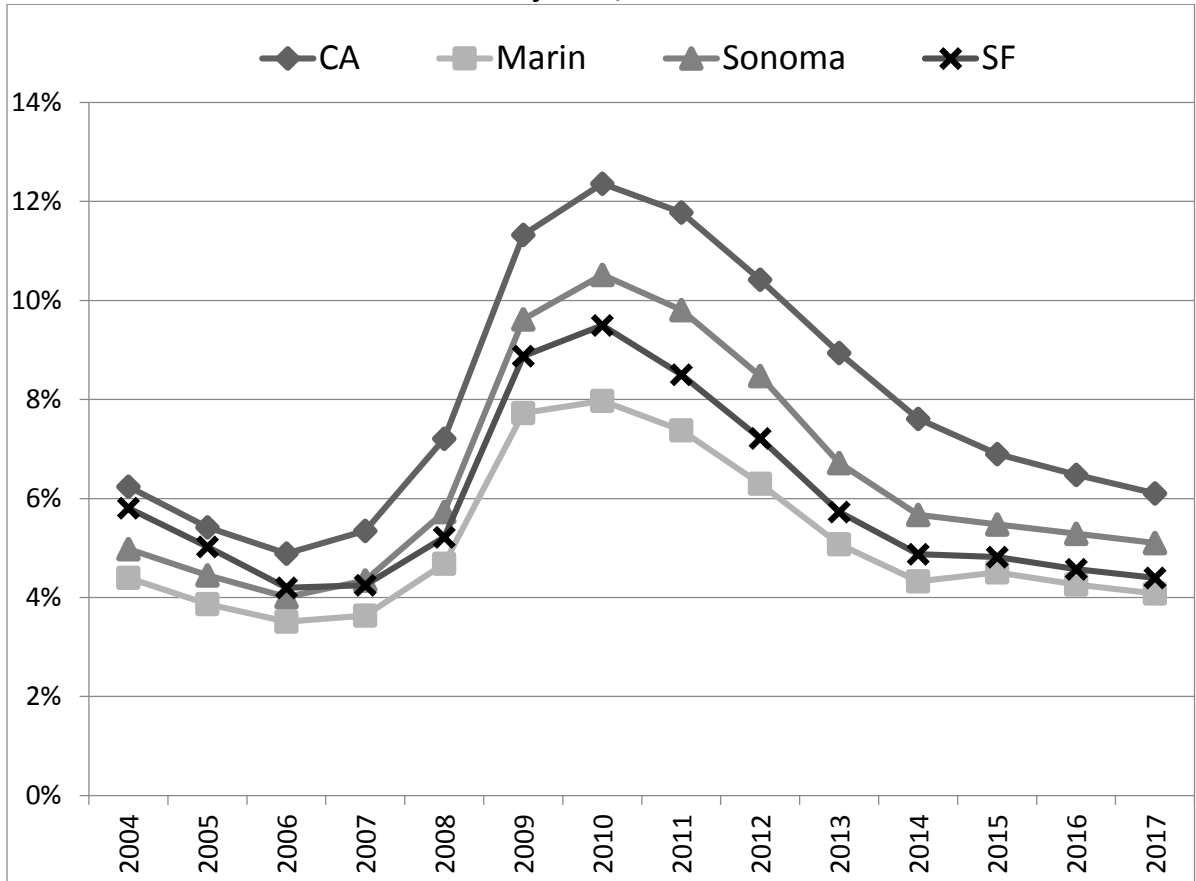
Source: CA Department of Finance and Marin Economic Forum.

Inflation remains a slow-moving variable nationally and regionally. It is important to note that national inflation measures typically include housing but exclude food and energy prices. Wage inflation (i.e., the need for employers to pay higher wages due to a scarcity of skilled workers for open positions and/or to meet the rising price of consumer goods) provides a metric for rising general prices of goods and services.

Despite the Federal Reserve's declarations of an improving economy, interest rates set by monetary policy actions remain unchanged and historically low. Slower than expected growth rates in the national economy have led to stable inflation forecasts. However, because of rising housing prices, the cost of living in the Bay Area and Marin County specifically is likely to rise in 2014 at the same pace as 2013. Inflation figures for both California and the Bay Area are estimated by the Bureau of Labor Statistics and then forecasted by the California Department of Finance.

Figures 4 and 5 show the movements of unemployment rates and employment in payroll jobs for Marin County, San Francisco County and California overall. Ultimately, growth in retail sales and labor demand will drive cost of living dynamics.

Figure 4: Unemployment Rates, Marin County, San Francisco and California: Seasonally Adjusted, 2004–2017

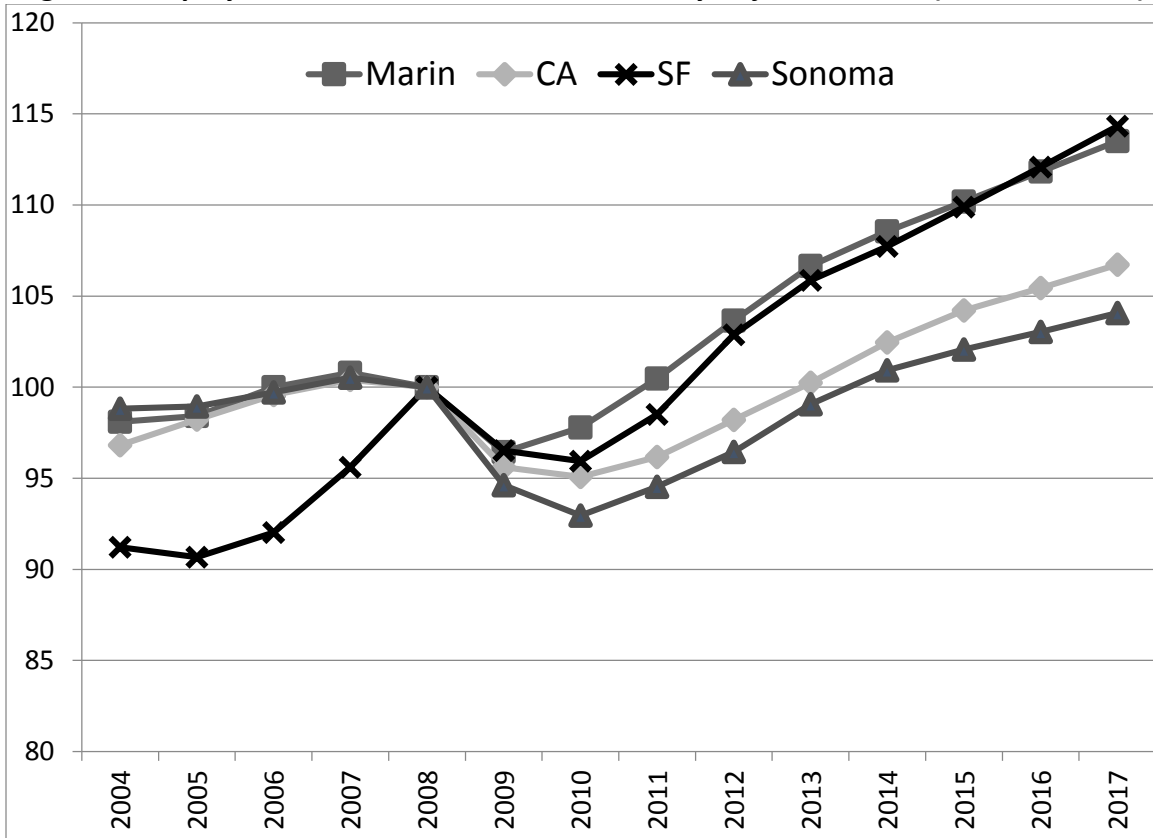


Sources: CA Employment Development Department and Marin Economic Forum.

Notice that both Figures 4 and 5 suggest continued labor market growth local and regionally. Marin County is seeing the ranks of the unemployed shrink more quickly than California and San Francisco County in Figure 4; employment is rising in stride with San Francisco County and faster than California overall in Figure 5. This is good news. Because Marin County is part of a regional economy that moves based on national and state economy changes, the total outlook of growth through 2017 should also support growth of income and jobs in Marin County.⁶

⁶ See the “Marin County Economic Dashboard” on page 5 of this report.

Figure 5: Employment Levels, 2004-2017, Seasonally Adjusted, Index (Jan 2008 = 100)



Sources: CA Employment Development Department and Marin Economic Forum.

Figure 6 shows comparisons of recent changes in payroll employment from specific dates in the past to the first quarter of 2014. Overall, Figure 6 shows that employment growth was rising after 2009, and then has slowed down since 2011. As the local economy pushes unemployment closer to zero, the ability to grow jobs will need to come from the growth of businesses/employers. Marin County will need to watch how continued growth of employment puts pressure on local cost of living to rise, as Marin County’s employed residents have more purchasing power and draw incomes from businesses outside of Marin County.

In summary, employment growth continues in Marin County, and 2015 is forecast to remain a time of growth. The assumptions made here include the likelihood of continued economic growth in the Bay Area and California economies overall. For Marin County, the issues of relatively high cost of living, workers who commute long distances to work and how to provide opportunities for business growth will likely dominate the list of local challenges for the foreseeable future.

**Figure 6: Comparison of Employment Growth
Change in Payroll Employment, Marin County**

Industry	2013 Q1 – 2014Q1	2011- 2014 Q1	2010- 2014Q1	2009- 2014Q1
Total, All Industries (includes Govt)	2,529	6,049	6,117	5,103
Agriculture, Forestry, Fishing & Hunting	-4	-32	-41	-100
Construction	491	190	89	-360
Retail Trade	564	769	690	1,056
Wholesale Trade	1,054	241	271	313
Information	57	-95	679	421
Finance and Insurance	564	-34	21	-347
Real Estate and Rental and Leasing	635	-18	29	-348
Professional and Technical Services	-284	-302	-1,176	-952
Management Consulting	-354	66	135	238
Administrative and Waste Services	60	392	220	211
Educational Services	-265	77	182	157
Health Care and Social Assistance	-41	2,639	2,546	2,342
Arts, Entertainment, and Recreation	-180	-114	-92	-351
Accommodation and Food Services	-238	1,446	2,095	1,945
Other Services	991	-503	-818	-483

Sources: CA Employment Development Department and Marin Economic Forum.

Targeted Industries: The North Bay Life Sciences Alliance

Part of MEF’s work involves partnerships and leadership for initiatives that stimulate job and business growth in industries that provide both social equity and environmental balance. In June 2014, Marin Economic Forum, along with City of Novato’s Economic Development Department and BayBio (www.baybio.org) presented the North Bay Life Science Alliance (www.nblsa.com) at BIO 2014 in San Diego, California. NBLSA is a four-county partnership to drive more life sciences businesses to the North Bay (Marin, Napa, Solano, and Sonoma counties). Figure 7 shows recent employment data for these industries in sum. Notice that Marin County life sciences employment grew over the last decade and that expansion has continued steadily in this decade.

Figure 7: Employment in Life Sciences Businesses, 2001–2013 (Q1), Bay Area Counties

Year	Bay Area	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma
2001	112,651	17,141	3,689	727	257	1,637	18,640	58,073	1,462	11,025
2002	105,755	18,083	3,473	796	164	1,559	20,073	52,723	136	8,748
2003	101,021	17,823	4,182	836	452	1,920	19,035	48,073	1,628	7,072
2004	95,306	17,855	5,609	869	177	1,880	13,873	46,418	1,836	6,789
2005	93,191	17,913	5,088	922	306	1,521	14,553	45,484	2,007	5,397
2006	92,667	18,804	5,086	1,020	314	2,105	14,744	43,593	2,076	4,925
2007	77,725	20,689	5,010	977	173	2,027	16,149	26,096	2,288	4,316
2008	102,230	25,148	4,502	1,077	236	2,044	16,933	45,443	2,188	4,659
2009	95,545	24,445	4,261	1,157	287	1,952	14,727	42,369	2,151	4,196
2010	95,305	25,182	5,051	1,343	312	2,121	14,426	40,760	2,313	3,797
2011	96,638	26,500	4,559	1,456	334	2,915	12,825	41,892	1,984	4,173
2012	110,809	27,119	4,882	1,590	131	3,692	24,472	41,947	2,922	4,054
2013	110,337	26,893	4,453	1,703	131	3,575	25,628	40,981	2,926	4,047

Sources: EDD (www.edd.ca.gov) and BLS (www.bls.gov)

Marin County is home to over 200 companies involved in life sciences; with a population of just over 255,000 people, Marin County has more life-science businesses per capita than any other county in California. Marin County’s biomedical companies will generate estimated total annual revenue of \$783 million in 2013, up from \$731 million in 2012 and \$689 million in 2011. Given Marin County's size, these businesses generate almost all of their income from exports (sales outside Marin County). Marin County employs over 1,700 people in life sciences businesses, mainly in biopharmaceuticals, instruments and diagnostics, and research institutions. Sonoma County, Marin's neighbor to the north, has most of its life sciences employees (over 4,000 workers) in medical device businesses. Total life sciences jobs in Marin County have grown since 2001 from approximately 727 positions to over 1,700. Recent expansions at the Buck Institute for Aging Research as well as other smaller pharmaceutical companies in Novato suggest continued employment growth. As a strategic plan, NBSA recommends the following actions for Marin County.

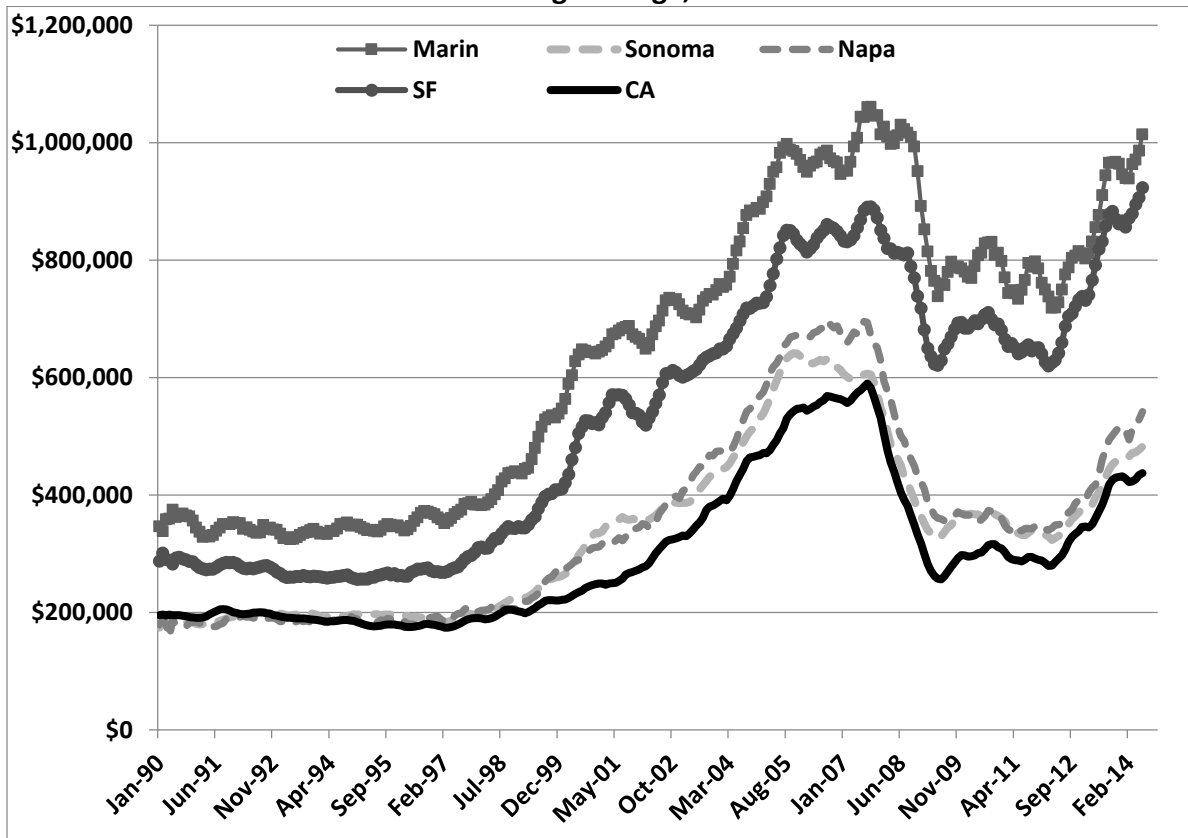
- 1. Utilize the regional connections forming between Marin, Sonoma, Napa, and Solano counties.**
- 2. Through partnerships with local commercial real estate professionals, identify properties that can be repurposed for scientific and research use as expansions of laboratory environments;**
- 3. Identify commercial, educational or nonprofit partnerships that can be fostered to provide a pipeline for more life sciences businesses;**
- 4. Consider diversity in attraction to reduce perceived competition over labor from other life sciences businesses already in Marin County; and**
- 5. Advertise any and all financial institutions or venture funding sources in Marin County or the North Bay that are willing to partner with new businesses in life sciences.**

Real Estate and Financial Markets

Marin County housing prices continue to increase in the face of regional demand and some change in the markets. According to the California Association of REALTORS®, Marin County’s median home price for a single-family home was approximately \$977,460 in August 2014, down from \$987,740. The five months before August 2014 saw prices above \$1 million at the median in Marin County. It is important to consider that the number of sales in that time period fell by 3 percent and that we may be in an adjustment period following 2013 (when home prices and sales volume soared). The period between August 2012 and August 2013 saw 12 percent growth in sales, and 25 percent increase in median home prices for Marin County.

The last two years have seen some amazing housing market activity, especially in the wake of the previous four years. From 2008 to 2012, the regional housing markets (specifically those in the Bay Area and the North Bay), fell quickly in terms of price and demand. As incomes and employment began to rise again, the Bay Area became a draw for global wealth and jobs, and housing demand increased quickly.

**Figure 8: Median Home Price Growth, Single-Family Residential Real Estate
Six-Month Moving Average, 2002–2014**

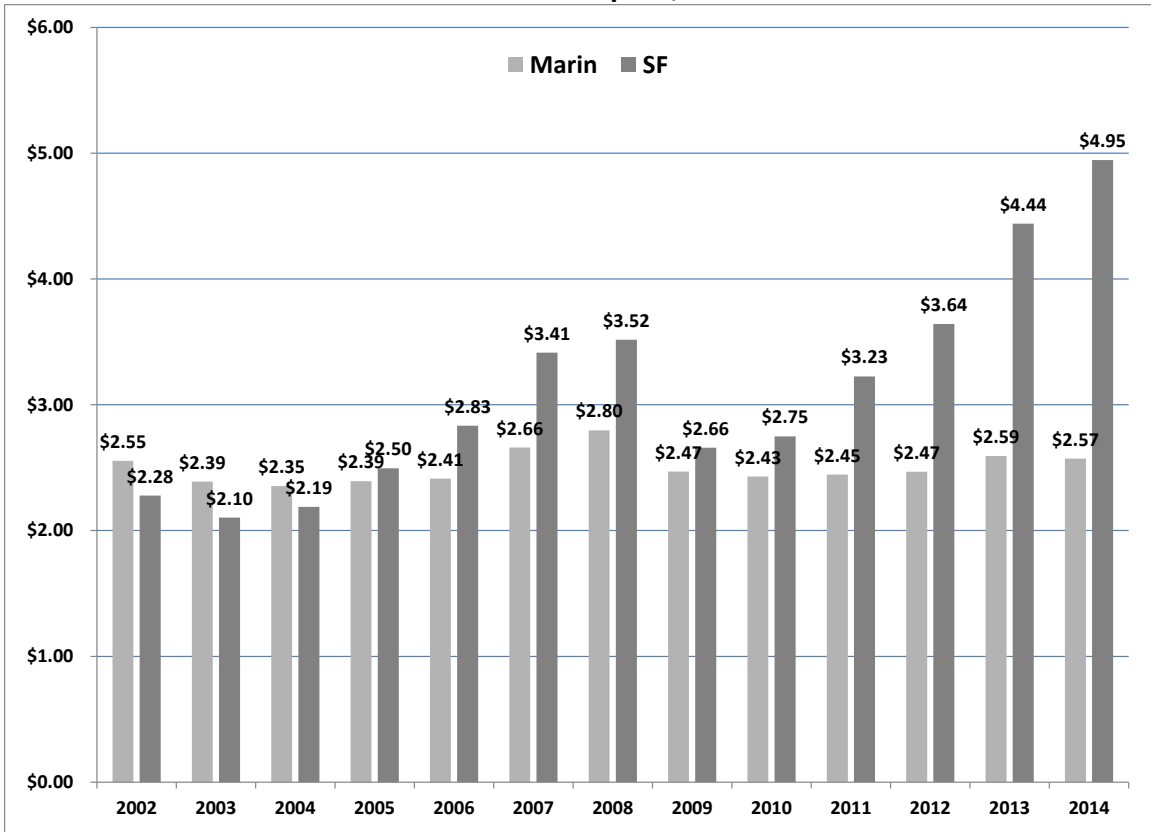


Source: California Association of REALTORS®

Sales of existing homes, forced to sell due to lost property values, foreclosure, or other reasons, gave way to a wave of refinancing and support for homeowners remaining in place. In 2013 and 2014, the Bay Area residential market saw a final clearing from the housing markets of homes that remained “distressed” (negative equity or bank-owned), and after seven years of uncertainty the market seems to be again functioning with normal dynamics—albeit at low inventory levels. Based on new inventory coming onto the market due to interest rate increases, prices remaining high, or both, 2015 should be an interesting year of transition. A lack of inventory in rental housing—Marin County has less than 2 percent vacant rental units in 2014—supports relatively high prices locally.

Commercial real estate continues its recovery throughout the Bay Area. Available office space in San Francisco has now become smaller in volume and choice. Office rents are rising throughout the region, with a slower pace of growth in northern Marin County versus southern. Office space remains plentiful in the region overall; rents are not moving with vacancy rates as in the past.

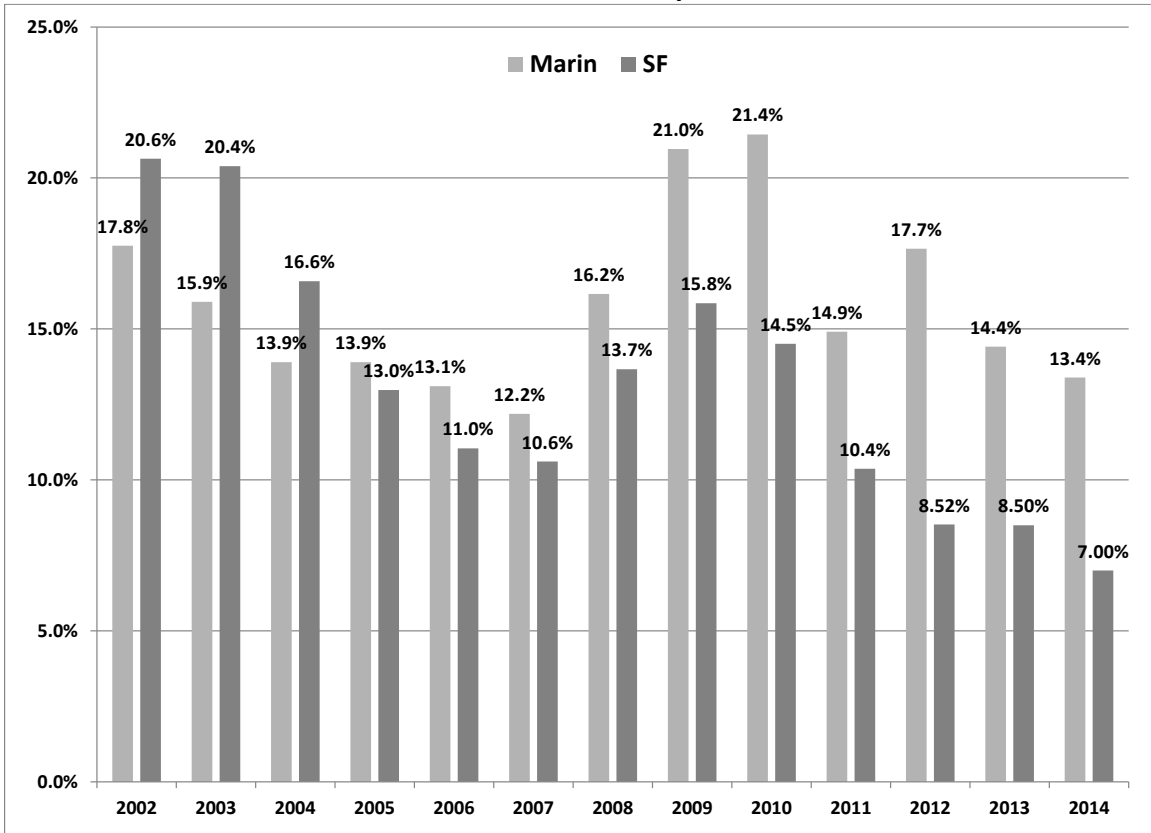
Figure 9: Commercial Real Estate Pricing Comparison, Price per Square Foot Class A and B Office Space, 2002–2014



Sources: Cassidy/Turley BT Commercial and Marin Economic Forum

Cassidy Turley BT Commercial (CTBT) estimates that there is approximately million square feet of Class A and B office space available in Marin County as of the third quarter of 2014.⁷ However, lease rates average approximately **\$2.60** per square foot for Class A space, and **\$2.57** for Class A and B combined. Figures 9 and 10 provide a comparison of Marin County and San Francisco County in terms of commercial lease rates and vacancy rates respectively.

Figure 10: Commercial Real Estate Vacancy Comparison, Marin and Bay Area Counties, % Vacant Class A and B Office Space, 2002–2013



Sources: Cassidy/Turley BT Commercial and Marin Economic Forum.

One should consider vacant commercial space as potential economic vitality waiting to happen. If local decision makers and policy planners strive to provide a quicker and more transparent path to receiving land development and tenant improvement approvals, the stock of fully-utilized, tax-generating buildings will increase in Marin County over time. If current properties are specialized and do not have zoning or tenant-improvement options, Marin County will not be able to house new or growing businesses easily.

⁷ See <http://www.cassidyturley.com/markets/northern-california/local-research/local-market-snapshots>.

Social Issues and Environmental Balance

Marin Economic Forum is watching two major issues for Marin County as 2014 closes and we start to look at 2015. The first is potential drought, which is an issue beyond the Bay Area and may affect global markets if we do not receive rain to support California farmers.

The second issue appearing in Marin County is the housing/transportation matrix in connection with social and environmental concerns. Both of these issues present no easy answers, some tough ones, and considerations about the way in which residents, governments and businesses all interact in the face of incentives to grow and incentives to preserve resources.

In May 2014, Dominican University of California, North Bay Leadership Council, and Marin Economic Forum convened an educational gathering on the economics of drought and the “market” for water. After the winter of 2014 had ended, it was obvious that the summer and fall were going to bring some difficult decisions about how local water utilities intend to allocate and price water resources over the next few years. Choices over new housing stock and business mix are likely to be affected adversely due to lower water supplies. (Businesses that are water-dependent will likely see water shortage reactions similar in effect to taxes because of higher costs due to volume restrictions, price increases or both.)

Figure 11: Social Indicators Comparison Table, 2005–09 versus 2009–13

Metric	2005–09			2009–2013		
	Marin County	San Francisco	California	Marin County	San Francisco	California
Median Household Income (\$)	87,728	70,040	60,392	96,580	77,485	60,190
Median Age (years)	43.7	38.2	34.6	45.5	38.7	35.7
% of Population under 18 years old	20.4%	14.3%	26.0%	20.6%	13.4%	23.9%
% of Population between 18 and 64	64.2%	71.5%	63.1%	60.5%	72.4%	65.6%
% of Population 65 and above	15.4%	14.2%	10.9%	18.9%	14.2%	12.5%
% of Household with more than \$200,000 annual income	16.5%	11.3%	6.3%	20.4%	16.4%	7.7%

Source: Census Bureau

Housing and traffic have become a spotlight issue again in 2014. Traffic and high housing demand (and subsequent pressure on housing prices to rise) come with economic growth. Because Marin County is not alone in terms of regional growth, the Bay Area’s economic recovery has spilled over somewhat onto Marin County in terms of housing markets. Relatively high wages in the Bay Area versus Sonoma, Napa, and parts of Marin County draw workers from throughout the North Bay and utilize the four lanes of freeway going through Marin County in both directions. Further, use of city and town streets has increased as more people travel to and from work. These opportunity costs come with rising home values, rising employment levels, rising sales and property tax levels, and rising incomes and wealth.

We have seen an expansion of Pacific Gas and Electric (PG&E), Marin Clean Energy (MCE) and similar programs that attempt to provide energy efficiency and independence simultaneously. Renewable energy sources reduce the demand for energy to create energy; local sources of energy generation reduce how much energy (which equates to income) is provided to entities outside the local area. The combination can create more local economic impacts. Figure 11 provides recent demographic data for Marin County compared to both San Francisco County and California overall. These data show some stark differences between Marin County and other parts of California, as well as similarities between San Francisco and Marin County.

Conclusions and Forecast for Marin County

The Marin County economy is now in full expansion and is beyond “recovery” from the recent recession. While the local cost of living has increased due to both rising incomes and home prices, employment growth and new businesses are also positive outcomes of this growing economy. Traffic, housing density and resource constraints are now more challenging.

Employment growth since last year is approximately 2,600 jobs, mainly in service-oriented industries. More than 200 new payroll businesses started in Marin County in net. This is a classic outcome of economic growth in a region where local and regional technology and manufacturing companies grow quickly and then services grow to support these high-growth industries and their employees. Marin County provides services to the greater Bay Area and to its own residents and businesses.

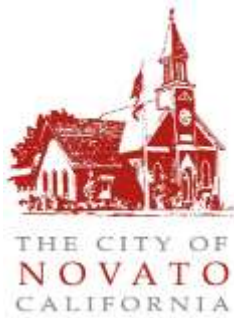
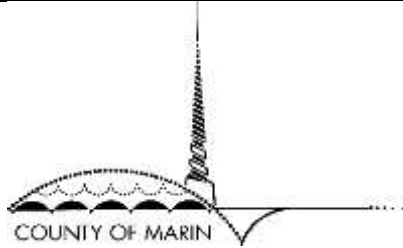
Personal income growth in Marin County is likely to be slower in real terms (inflation adjusted) than in California overall, because growth is slowly moving toward lower-income areas of the state and inflation is rising more slowly than in Marin County and the Bay Area. Personal income generates retail sales and continuing payments for housing; Marin County has the highest personal income per capita in the state of California for counties with populations over 250,000.

Real estate markets experienced an amazing rebound in 2013, when Marin County’s median home prices for single-family, detached homes grew over 25 percent from 2012. In 2014, the price growth has slowed due to a reduction in inventories and a reduced number of transactions. Cash deals are driving some markets, and 2014 and 2015 are likely to be continued years of price growth, albeit slower growth each successive year.

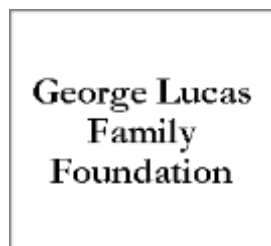
In Marin County, commercial real estate vacancies continue to be filled, but with slower speed in comparison to San Francisco County. Vacancies remain above 10 percent, as many of the larger parcels that remain on the market are built for larger tenants or require a larger number of tenant improvements from their original use. Rents in Marin County are rising slowly, although prices for parcels that are closer to San Francisco (physically or through transportation) are rising more quickly.

MEF provides overviews of the state and national economies which suggest that 2015 will remain a year of growth. It will also be a year where the efforts to attract, retain and grow life sciences businesses in Marin County will generate more businesses, more employees and further signals to the global market that Marin County can be a highly advantageous place to do business.

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