

Job and Population Trends,
What's Ahead
for San Jose and Silicon Valley

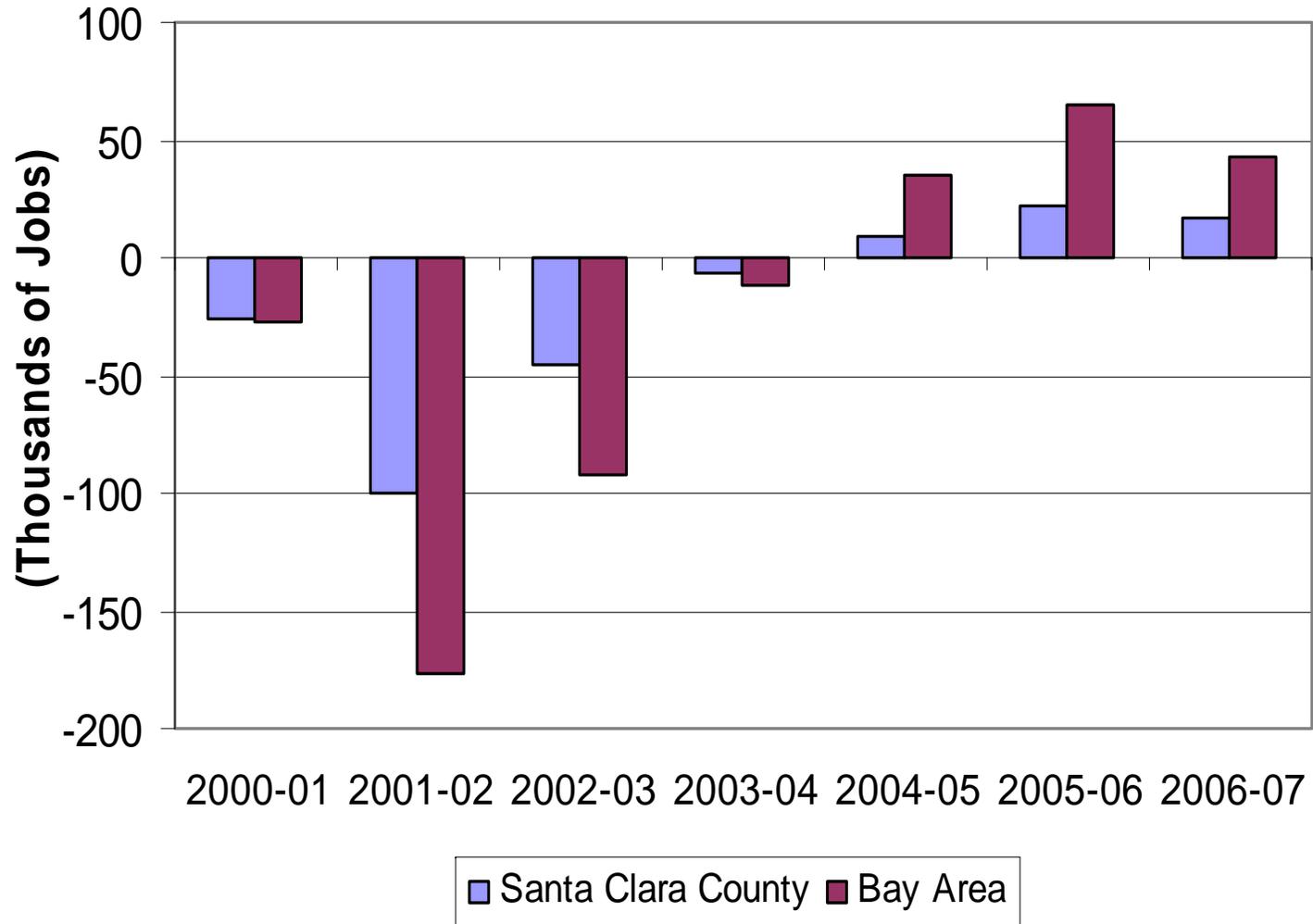
Center for Continuing Study of the
California Economy

May 27, 2008

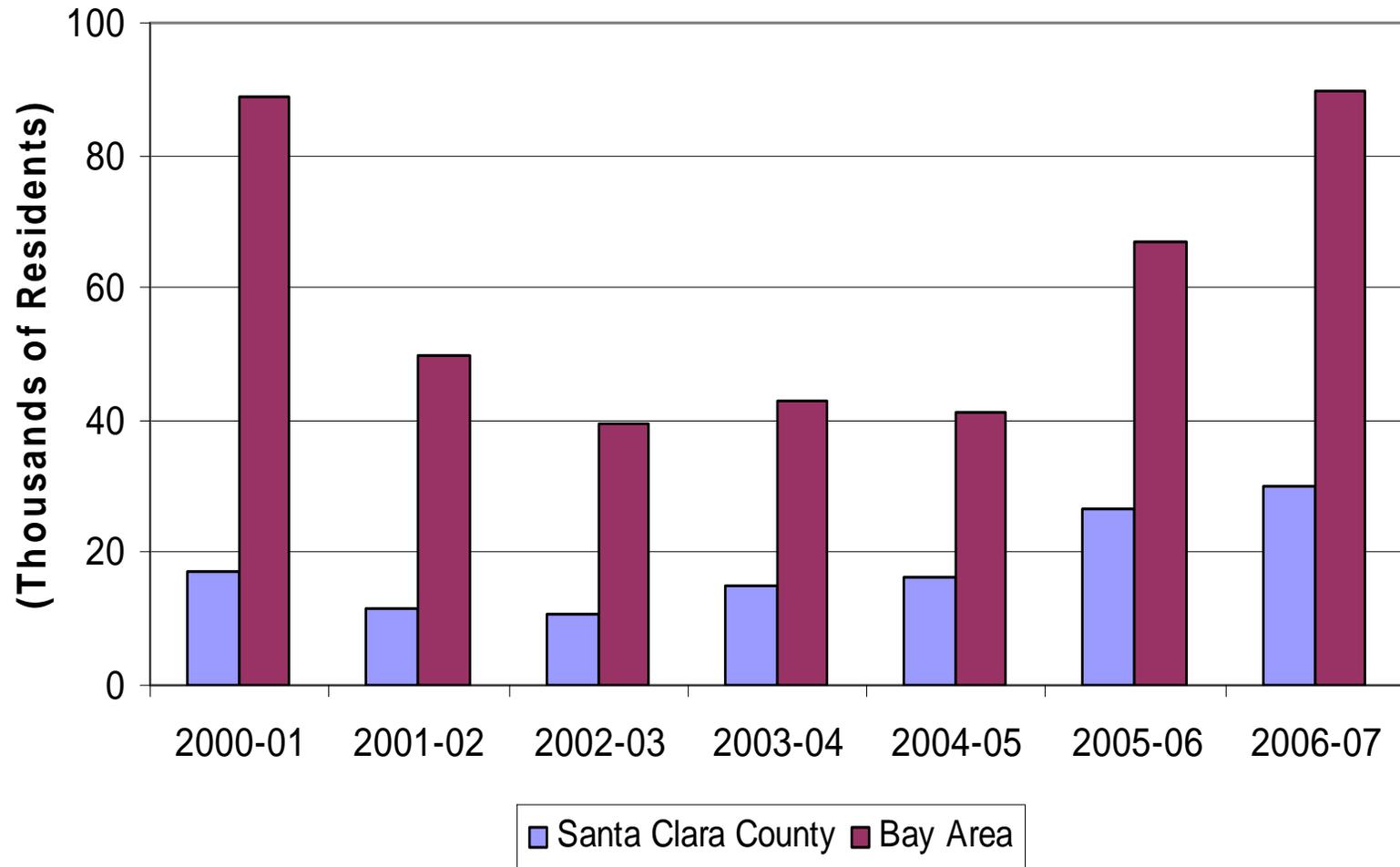
A Turnaround in Silicon Valley

- Job and population growth resume in Santa Clara County
- Our economic base shifts toward information and professional services
- Venture capital funding on the rise
- The Bay Area is again a job growth leader in California

Recent Job Growth Trends

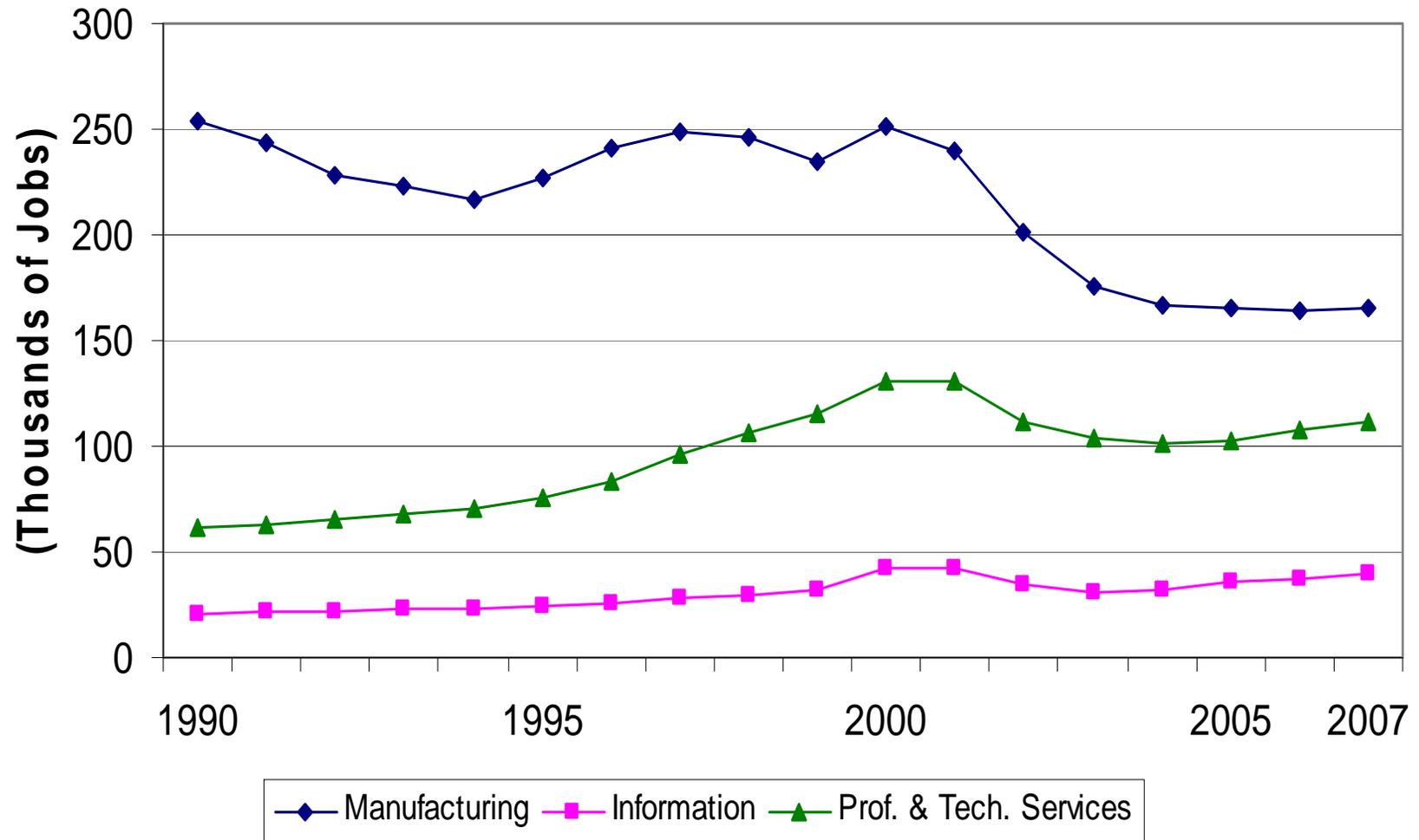


Recent Population Growth Trends



Key Economic Base Sectors

Shifting Trends in Santa Clara County



The Bay Area and Silicon Valley Economy Today—Bottom Line

- A job growth and venture capital leader
- Wage and income growth above the national average
- Population growth reemerged despite high housing prices
- A good economic base with lingering challenges of housing affordability, transportation and quality of life

The Framework for Projecting the Future Economy

- Understanding national demographic and economic trends—the foundation for Bay Area growth
- Developing plausible projections of how the national trends will affect Bay Area growth.
- Analyzing the implications for Santa Clara County and the City of San Jose

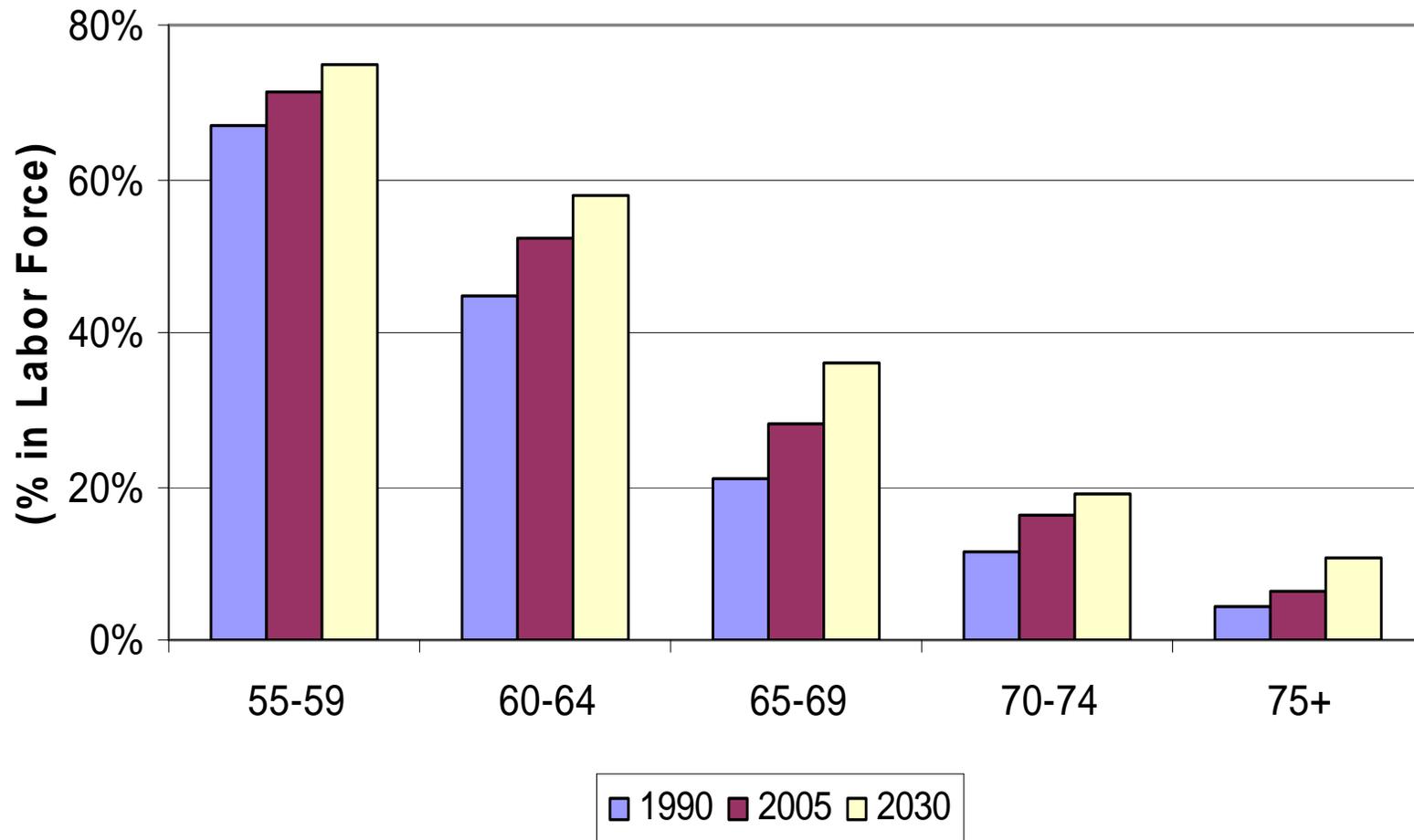
Projecting the Future—The U.S. Growth Outlook

- Despite a delay in retirement for many workers, overall labor force participation rates will slow
- The baby boomer aging and eventual retirement will lead to lower national job growth rates
- And job levels will grow more slowly than population for at least 2 decades

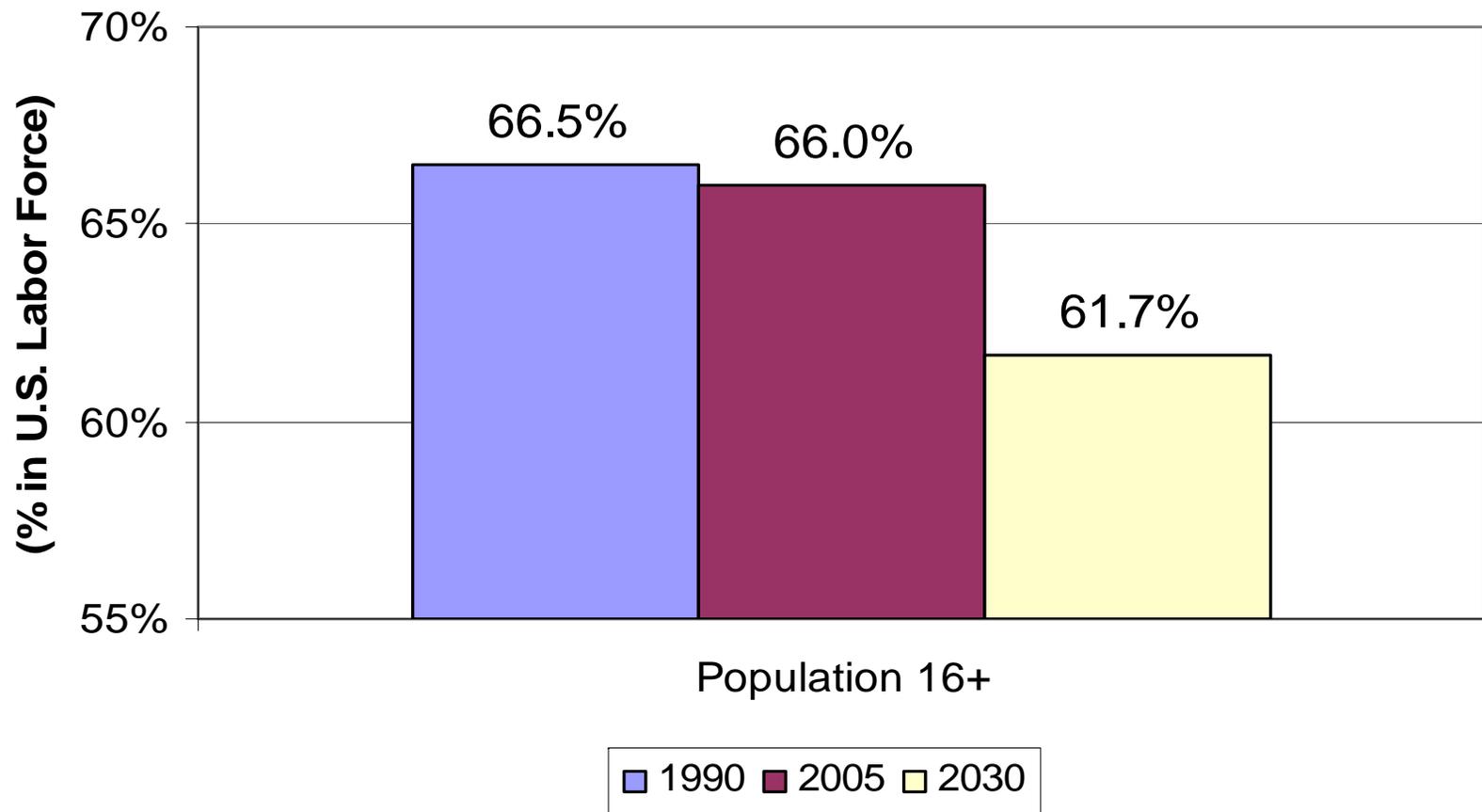
Aging of the Baby Boomers

- All baby boomers will turn 65 during the next 20 years—profoundly affecting labor force and housing market trends in the nation and here
- In the Bay Area, baby boomers will be largely replaced by the children and grandchildren of foreign immigrants plus new foreign immigrants

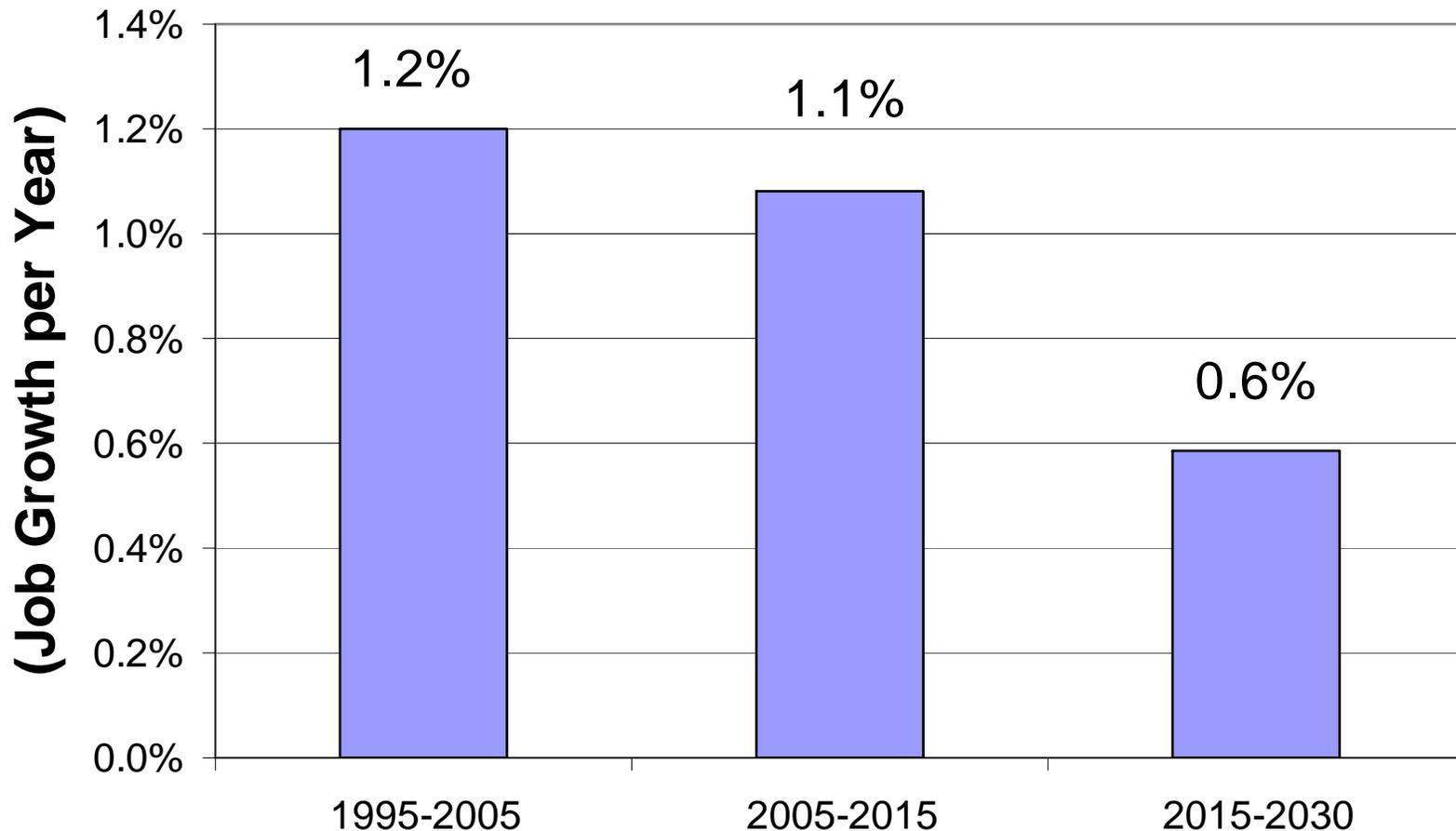
U.S. Labor Force Participation Rates—Later Retirement Ages



Still, Aging Causes a Decline in Overall Labor Participation



Which Causes a Slowdown in U.S. Job Growth After 2015



Bay Area Job Growth—What Will Push Our Economic Base

- Manufacturing job levels will decline
- Growth will be led by professional and technical services
- Internet-related jobs will grow
- Will a new industry emerge to push job levels higher?
- Will we grow faster than the nation?

Bay Area Manufacturing

- 350,000 jobs in 2007 (10% of the total)
- Largest sectors are semiconductors (58,000), computers (40,000), electronic instruments (29,000), fabricated metal products (24,000) and food (22,000)
- Most sectors projected to see job losses except pharmaceuticals

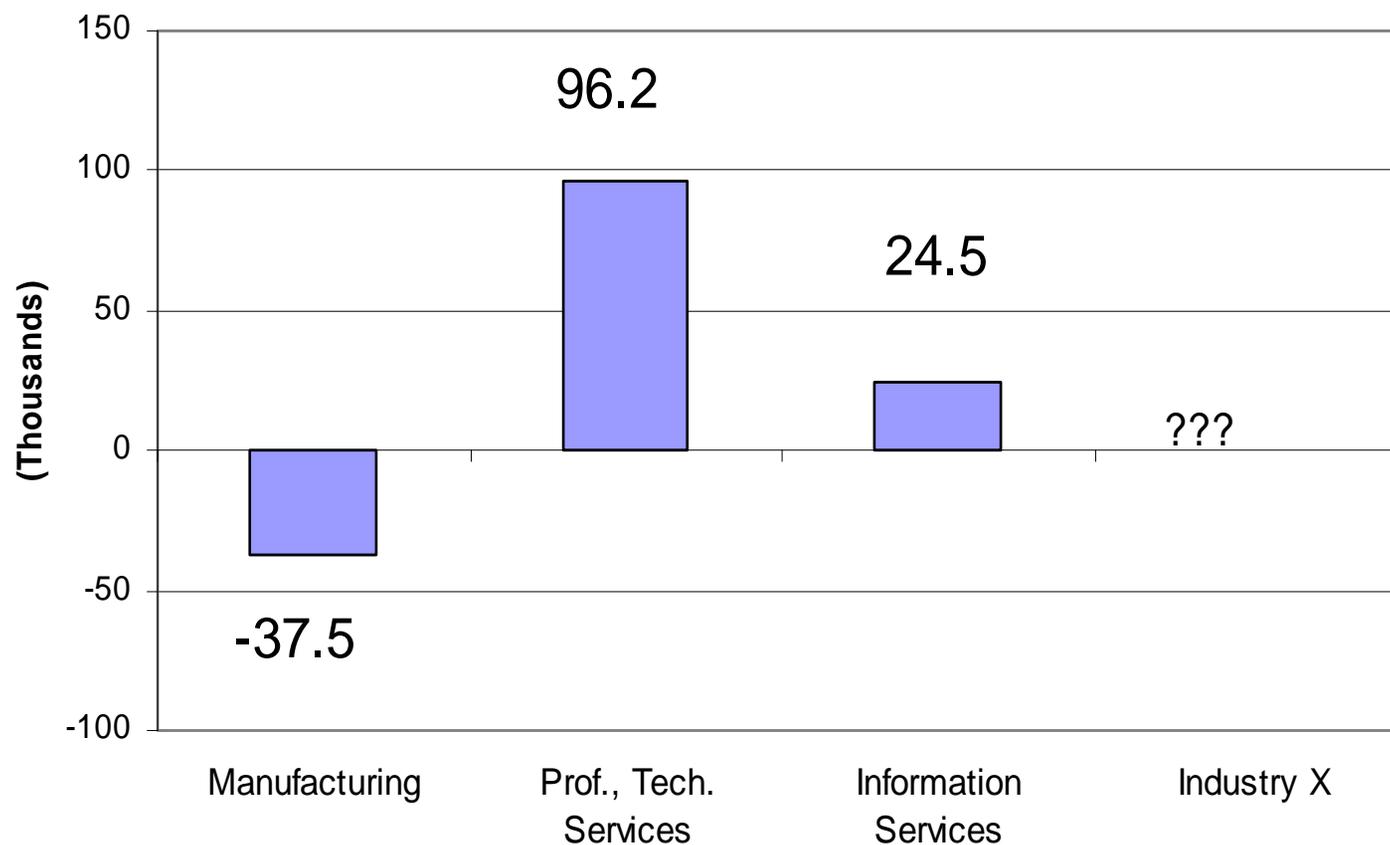
Bay Area Professional Services

- 430,000 jobs in 2007
- Major sectors are computer services (98,000 jobs), management services (54,000), architecture & engineering (48,000) and scientific R&D (45,000).
- All sectors will see large job growth. Internet services is also a major growth sector in the region's economic base

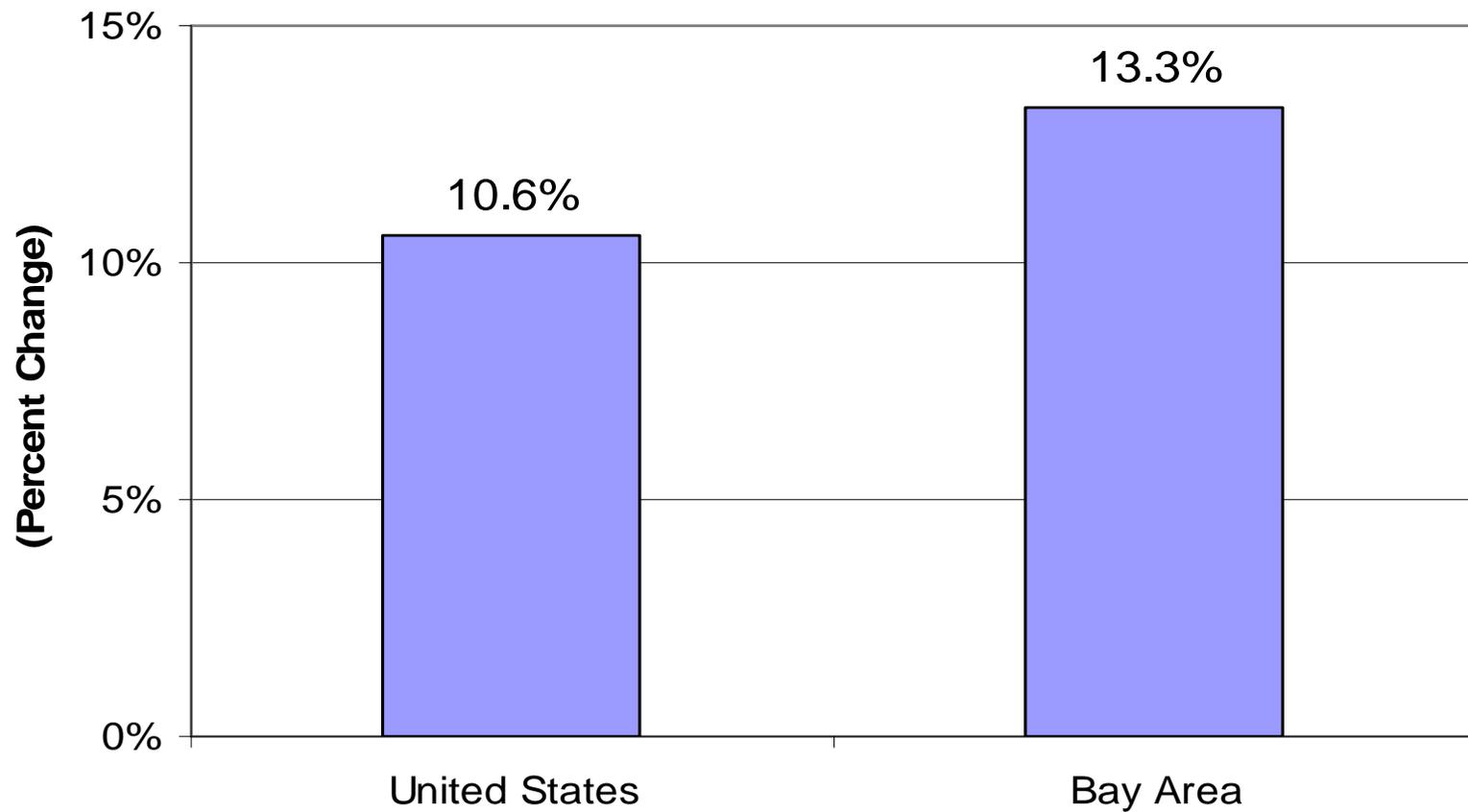
Projecting Bay Area Job Growth

- Focus on the economic base—those sectors that sell goods and services across the nation and around the world
- Look at the “opportunity pot” – the projected national growth rate for key economic base sectors
- Project the share of these jobs likely to be captured by Bay Area firms—old and new

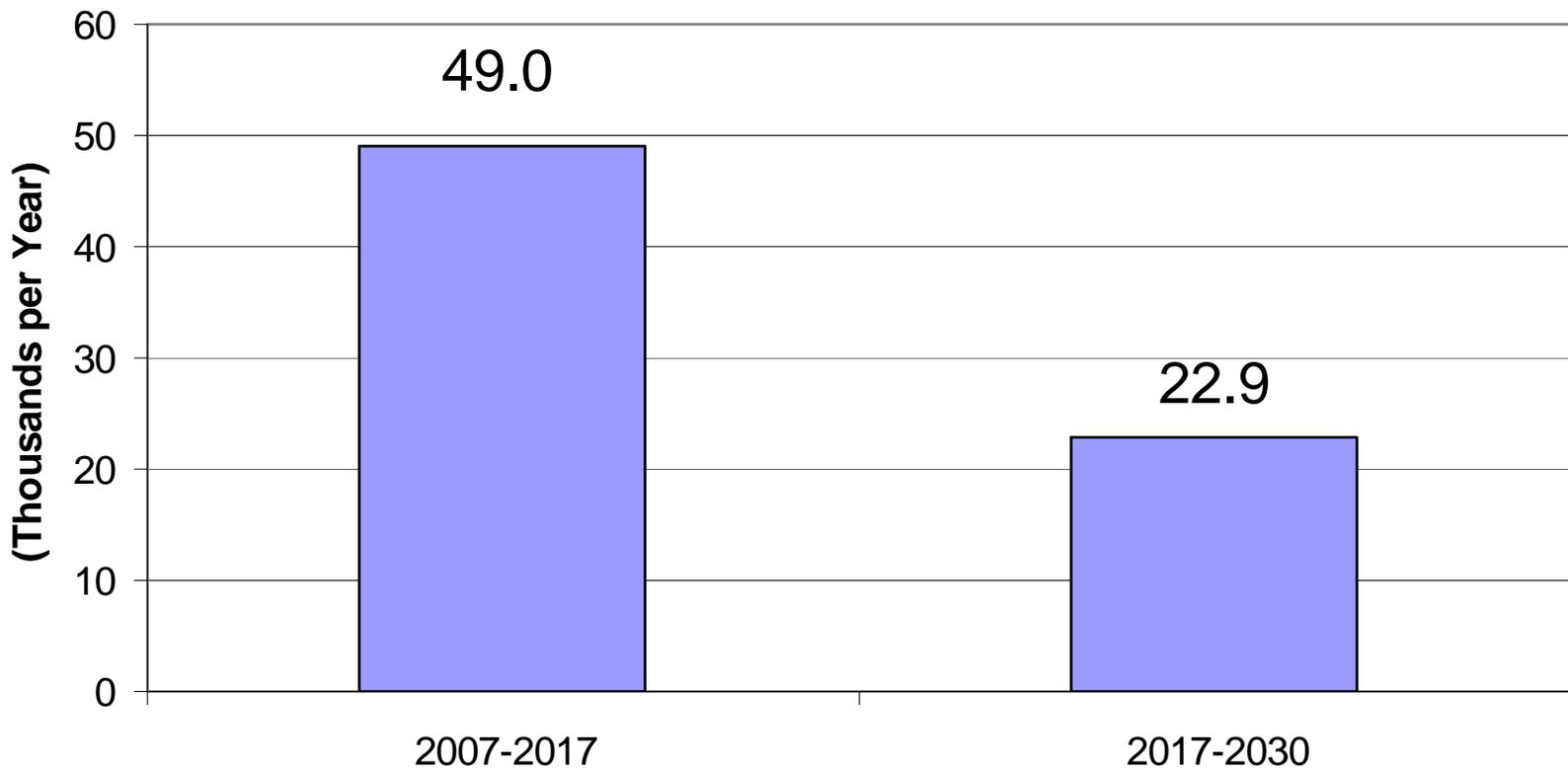
Bay Area Economic Base—Key Sector Growth 2007-2017



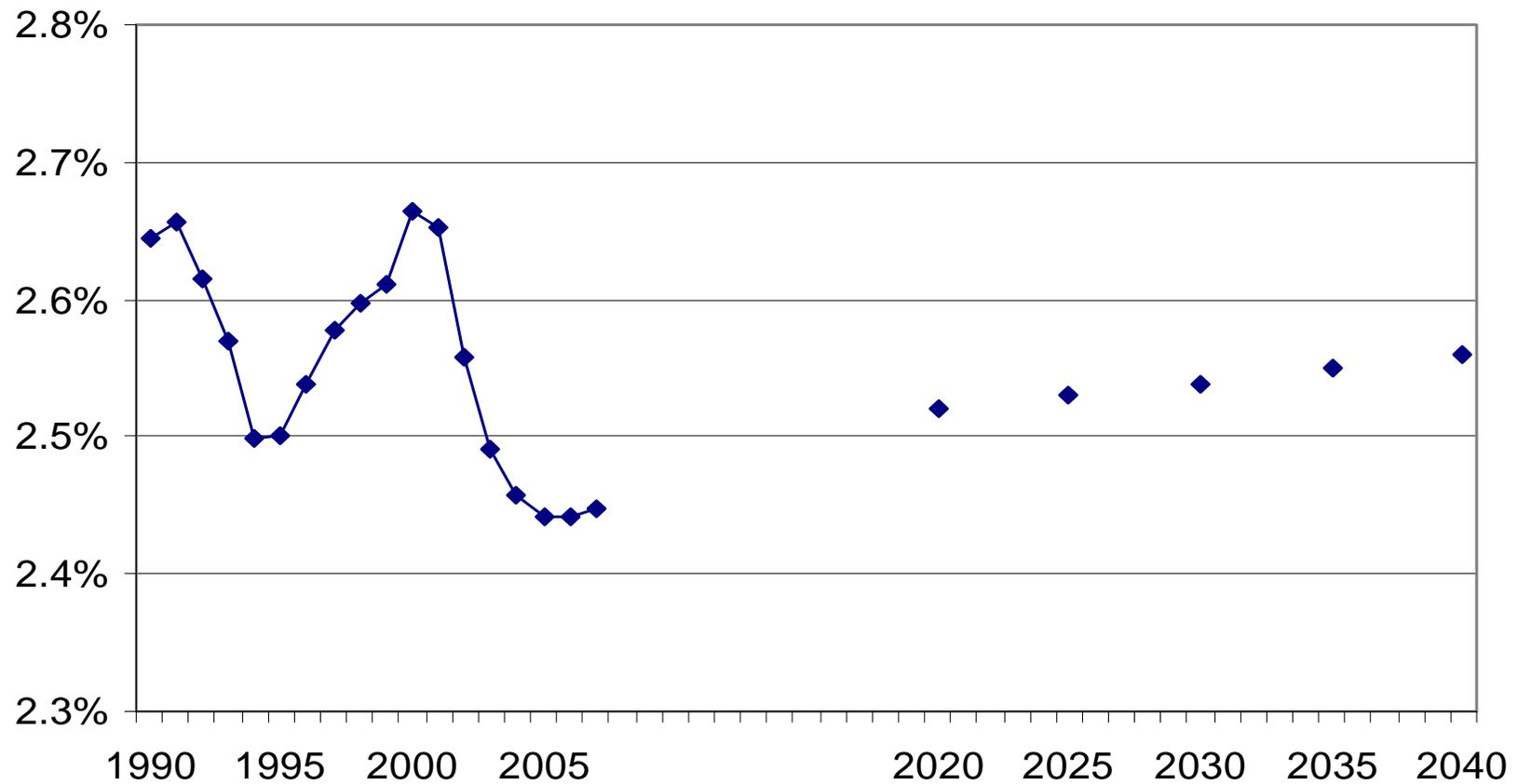
Bay Area Job Growth to Slightly Outpace Nation to 2017



Annual Bay Area Job Growth Slows After 2017



Bay Area Projected to Get Slowly Rising Share of U.S. Jobs



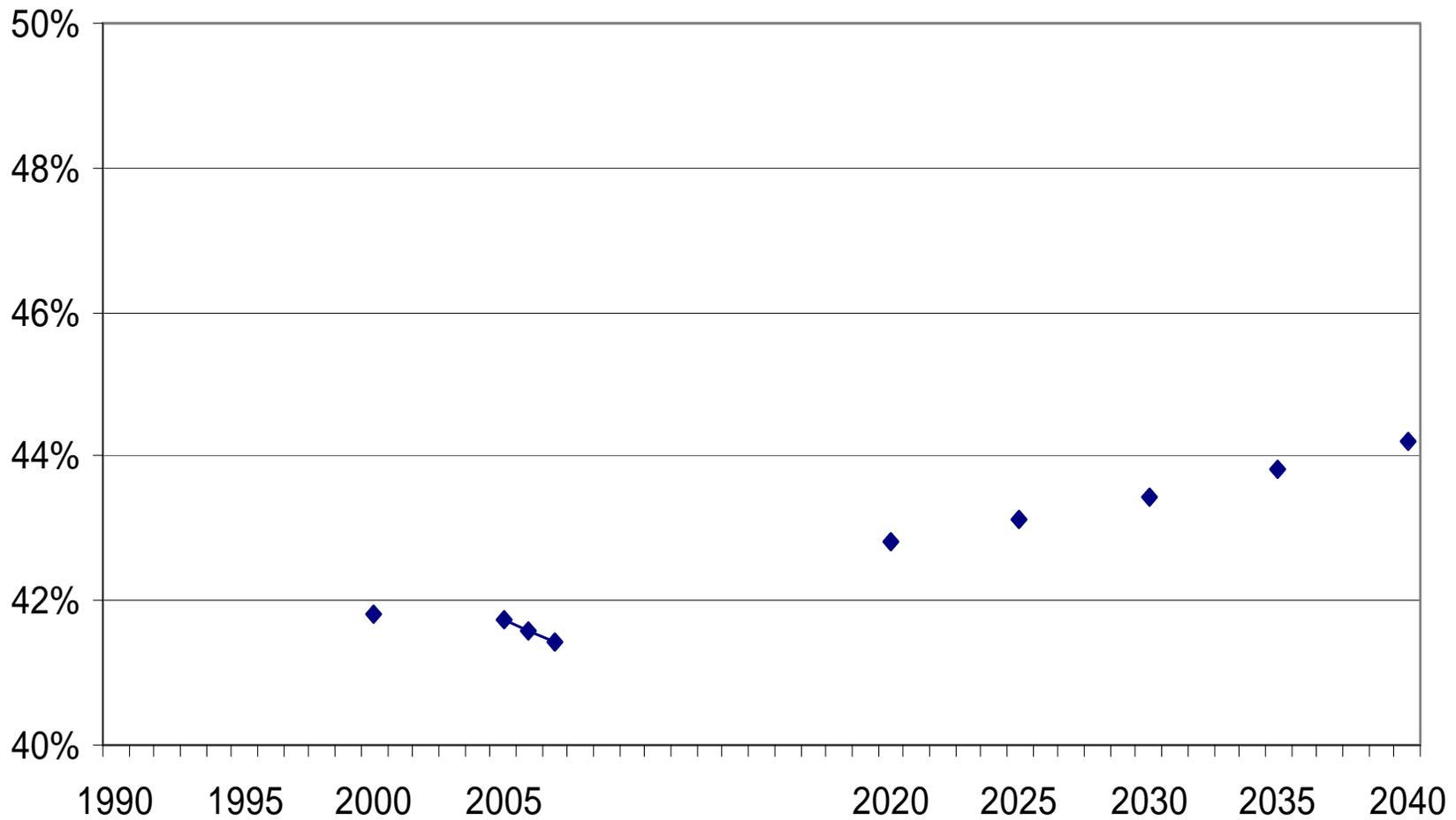
ABAG—The Source for Projecting the County's and City's Share of Regional Growth

- ABAG is the only source for analyzing the projected Santa Clara County share of regional job growth
- And the only source for projecting San Jose's share of county job growth
- ABAG analysis incorporates some local land use data and local input

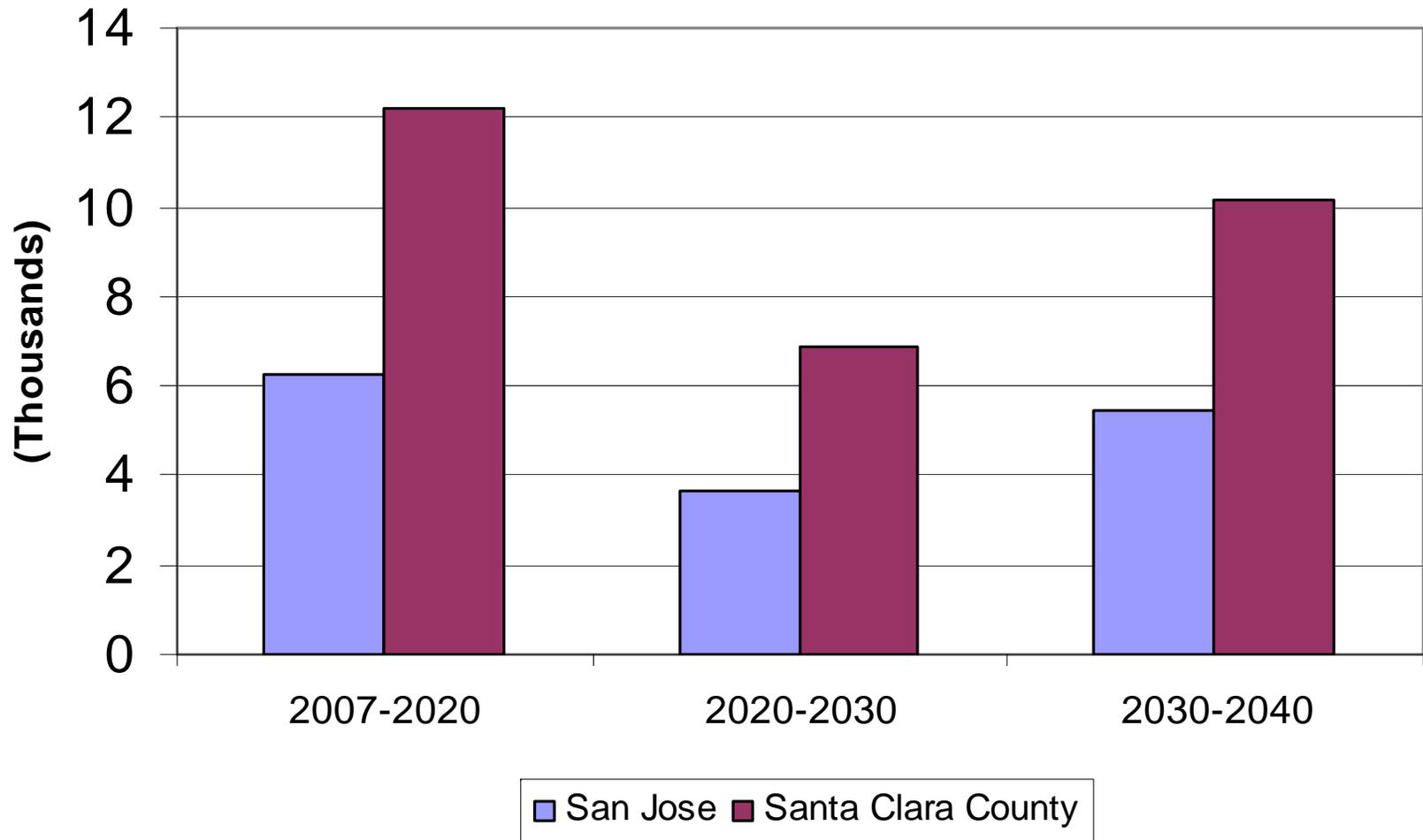
ABAG Projected Job Shares

- ABAG projects that Santa Clara County will get a rising share of Bay Area jobs
- And San Jose will capture an increasing share of County jobs—more than 50% of new jobs in the County
- CCSCE used the ABAG share projections
- But the City should review these projections with ABAG staff based on this project

San Jose Share of Santa Clara County Jobs

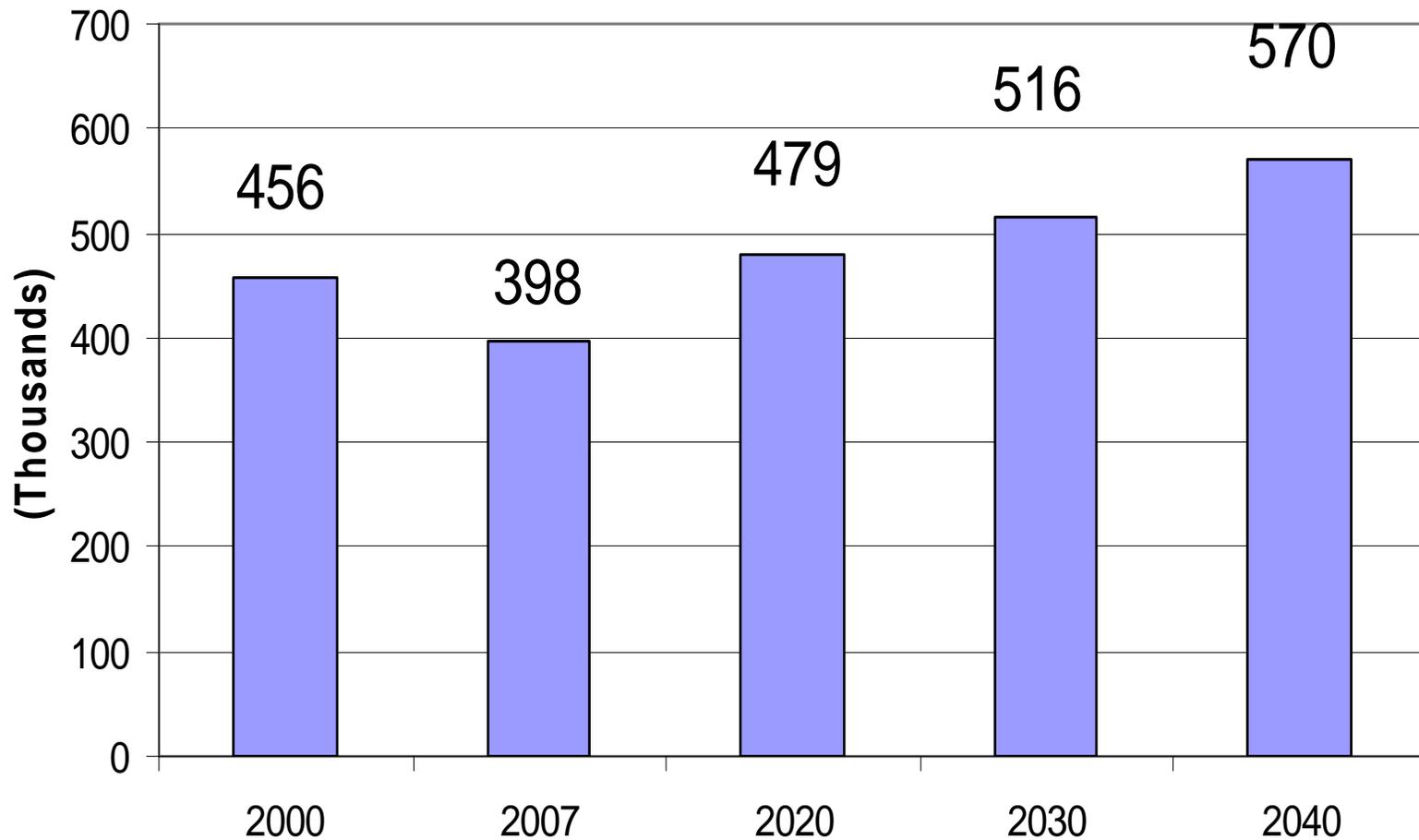


Annual Job Growth



Total Jobs in San Jose

+81,000 to 2020; +172,000 to 2040



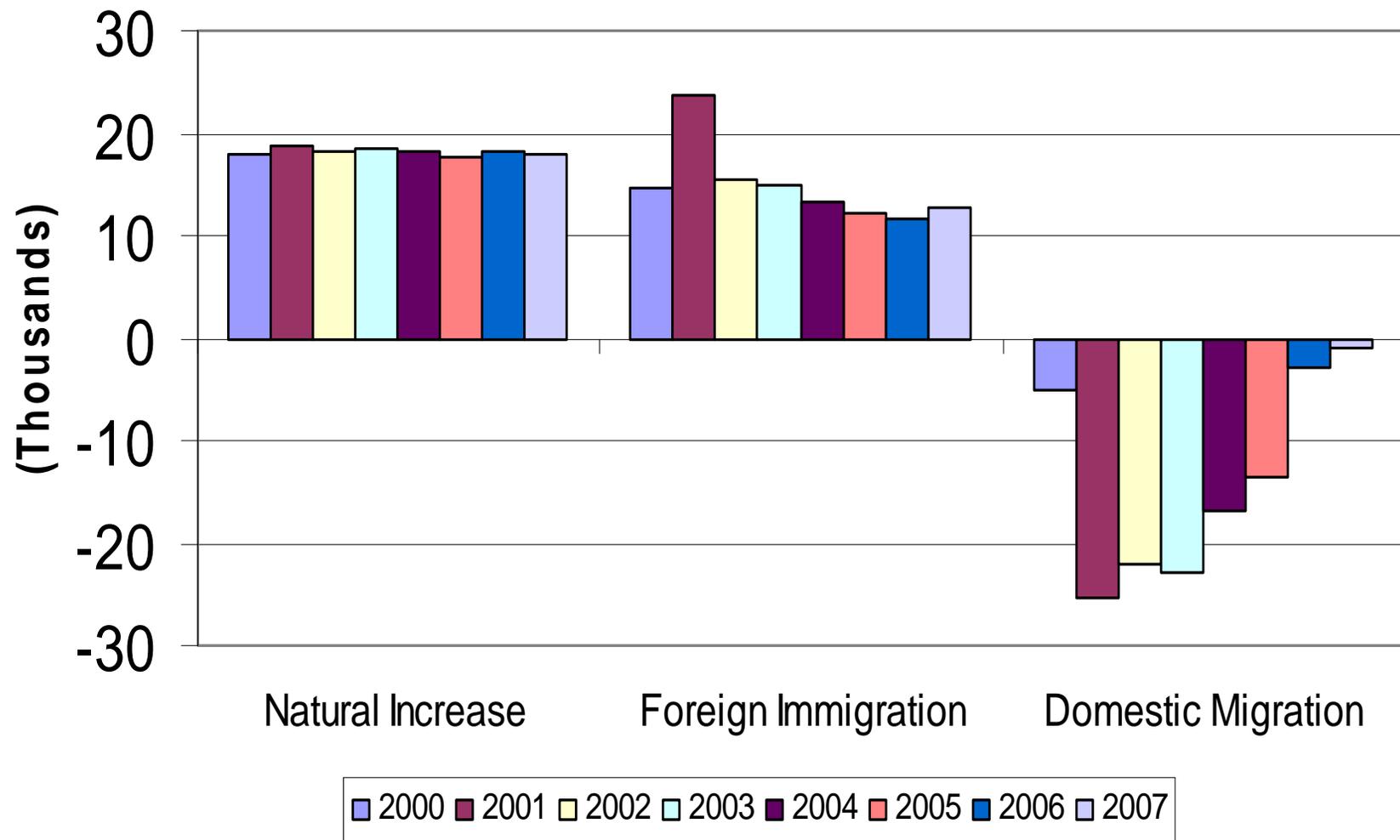
Projecting Population Growth

- Regional population growth projected by CCSCE based on job growth trends
- The Santa Clara County share of regional growth was based on ABAG share projections
- The San Jose share of Santa Clara County growth was based on ABAG share projections

Components of Population Growth

- Recent County population growth has been split fairly evenly between natural increase (births - deaths) and foreign immigration.
- There was also a substantial out migration to other areas, which lessened in 2006, 07
- ABAG projects an increasing share of Bay Area population growth will come from migration, the reverse of what is expected elsewhere in California.

Santa Clara County Population Growth



ABAG Projects San Jose and Santa Clara County To Grow Faster Than the Bay Area

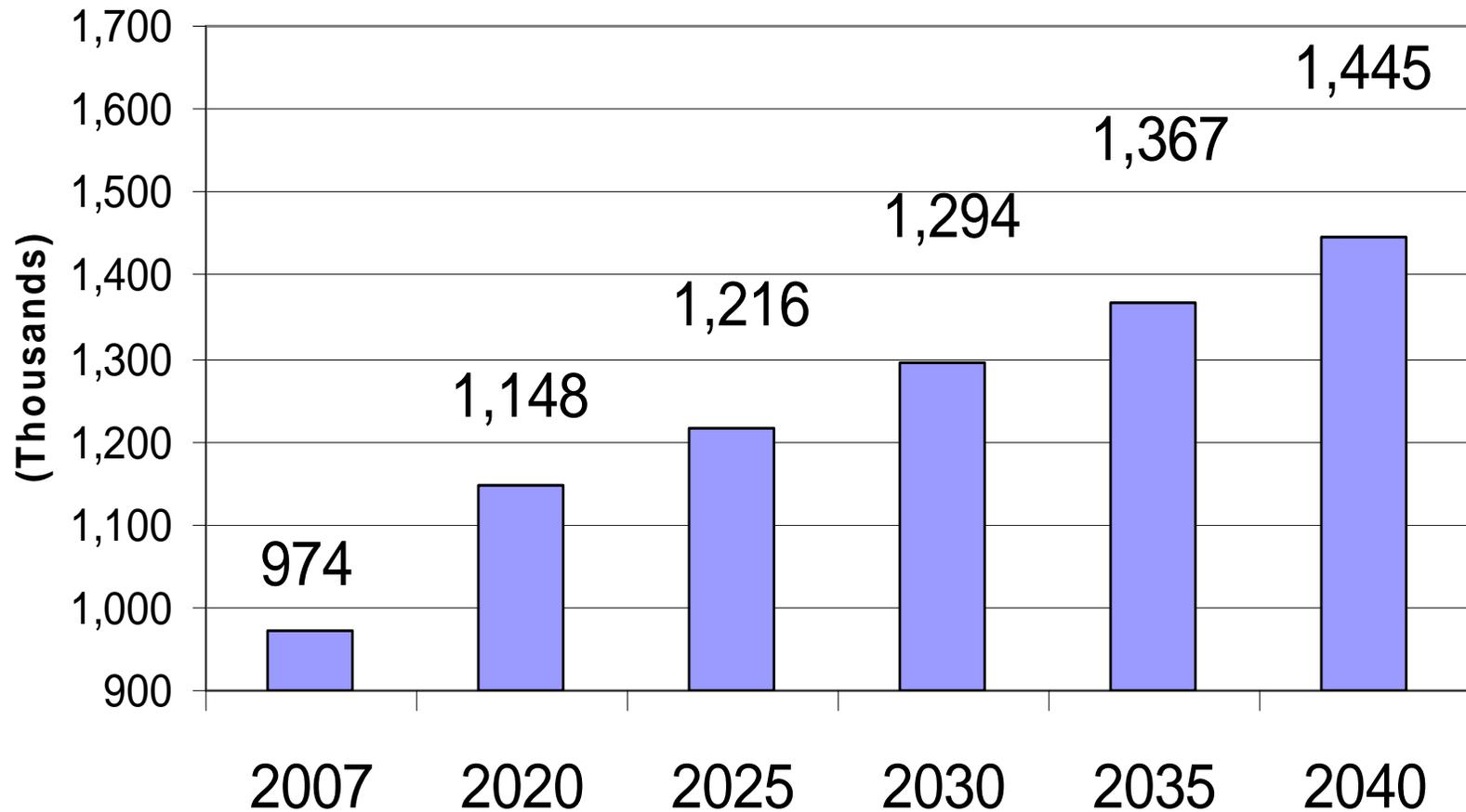
- Santa Clara County had 25% of Bay Area population in 2005—projected to get 30% of regional growth to 2035.
- San Jose had 54% of County population in 2005--projected to account for 67% of county population growth to 2035

San Jose Population Growth

- Projected to add 13,400 residents per year to 2020 and 14,900 residents per year between 2020 and 2040
- San Jose added 11,800 residents per year since 2000 and 17,300 residents in 2007 according to just released DOF estimates
- Population projected to increase by 471,000 residents or nearly 50% by 2040

San Jose Population

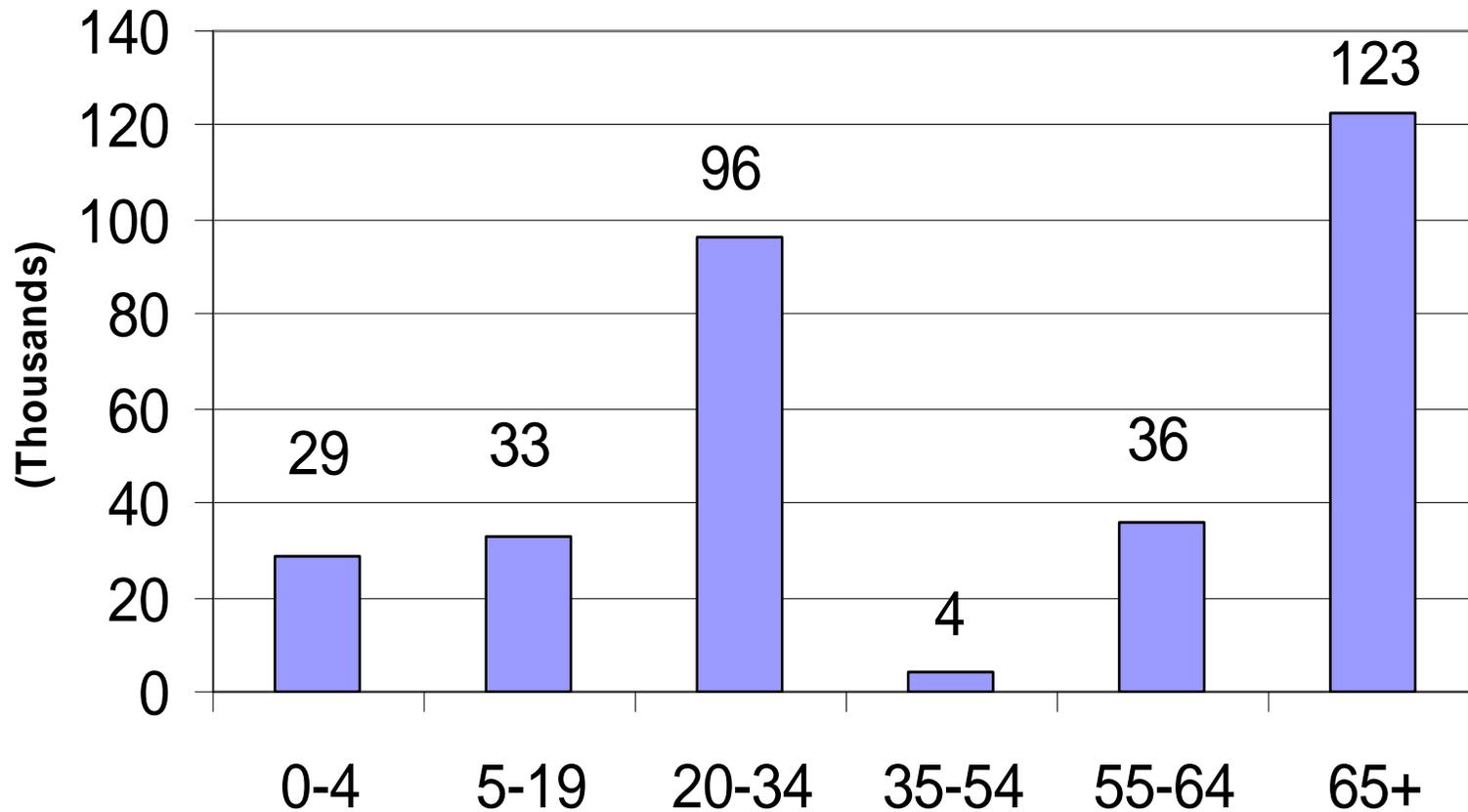
+174,000 to 2020; +471,000 to 2040



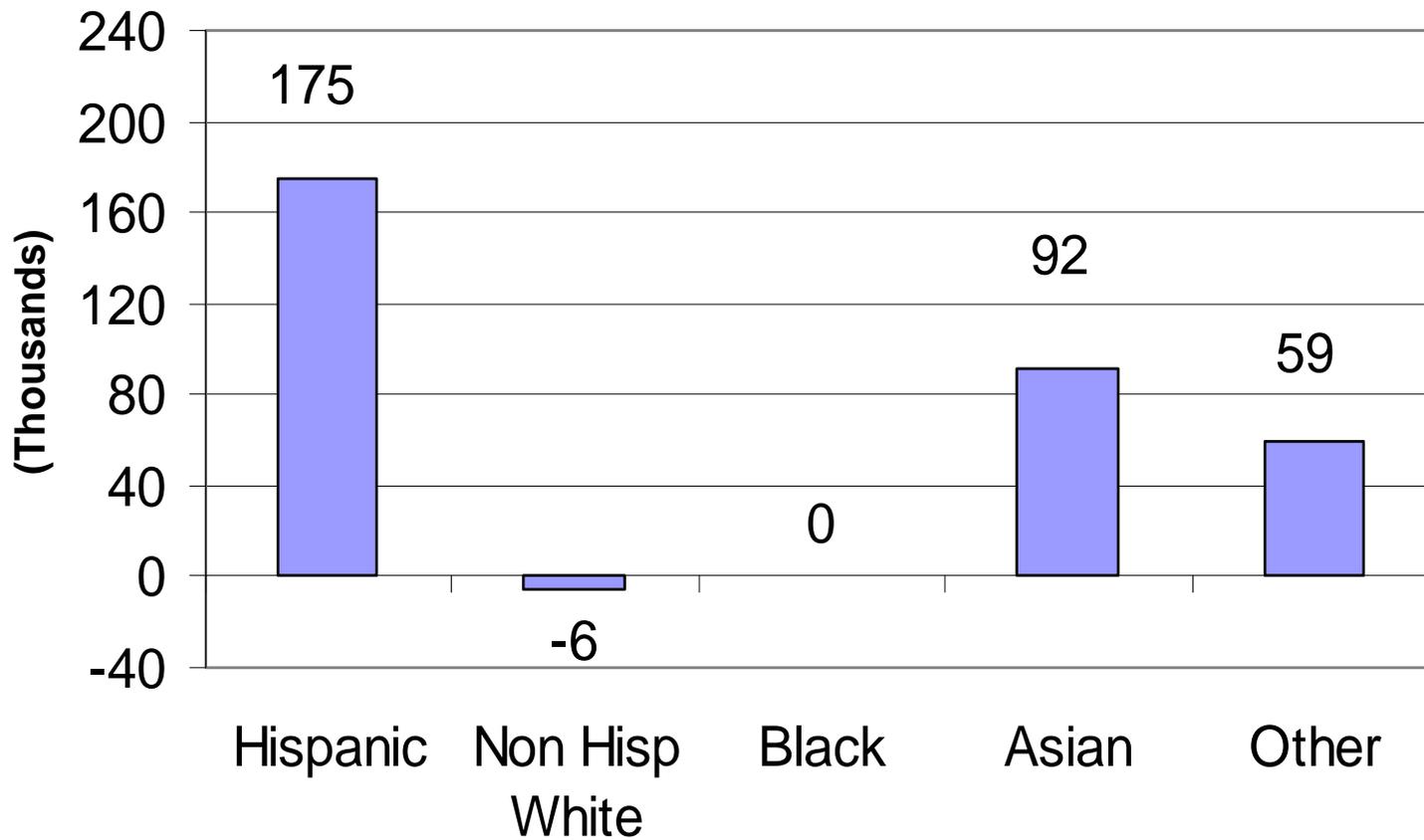
DOF—The Source for Population Change by Age and Ethnic Group

- The only source for county projections by age and ethnic group
- No city projections
- CCSCE will use the DOF pattern of change for Santa Clara County in developing population projections for the City of San Jose

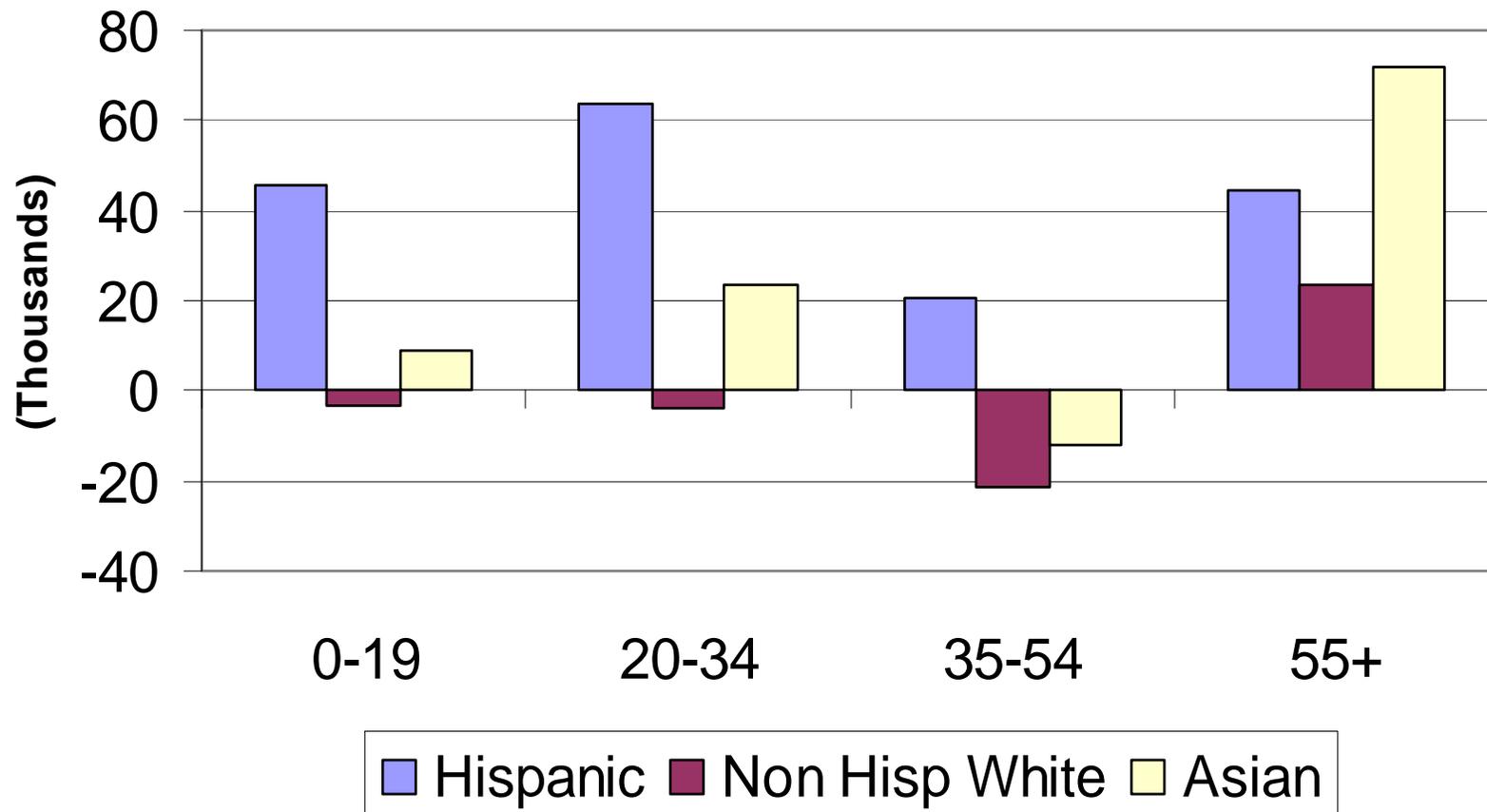
San Jose Population Growth by Age Group 2007-2030



San Jose Population Growth by Ethnic Group 2007-2030



SJ Population Growth by Age and Ethnic Group 2007-2030



Implications of Projections for Housing

- 2/3 of household-age growth in 55+ age groups; 1/3 in 20-34 age groups
- Virtually no growth in 35-54 age groups—a dramatic reversal of recent trends
- Age trends favor smaller units and favor access to dynamic urban settings
- Expect the market to respond to these trends
- Implications for city services??

Implications of Job Growth

- San Jose is projected to get 50% of the total county job growth so the city and county economic future are linked.
- The city's economic base will be in the R&D and “services” side of technology innovation—more detailed industry projections in the next project phase.