

2010-11 CITY OF NAPA: LOCAL ECONOMIC REPORT



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NAPA CITY: LOCAL ECONOMIC REPORT

June 2011

The Sonoma County Economic Development Board (EDB), the City of Napa, and the Napa County Workforce Investment Board, are pleased to present a collaborative project, the *2010-11 Napa City Local Economic Report*.

Highlights from this *Local Economic Report* include:

- Napa city's unemployment rate has nearly doubled in the past two years climbing from 5.3% to 10.3% in 2010. However, Napa's rate is well below the California average (12.4%).
- Over the next five years, Napa city's median household income is projected to increase 14.6% to \$74,091. Median household income increased 31.6% nominally from 2000-2010.
- There are areas of opportunity for employment and industry growth in Professional & Business Services, Information, Farming, and Health Services.
- The median sales price of an existing home in Napa city has decreased 45% since 2007, although Napa County is projected to have the greatest home price increase in the next year relative to comparable California counties.

Thank you for your interest in research on the City of Napa.

Sincerely,



Jennifer LaLiberte

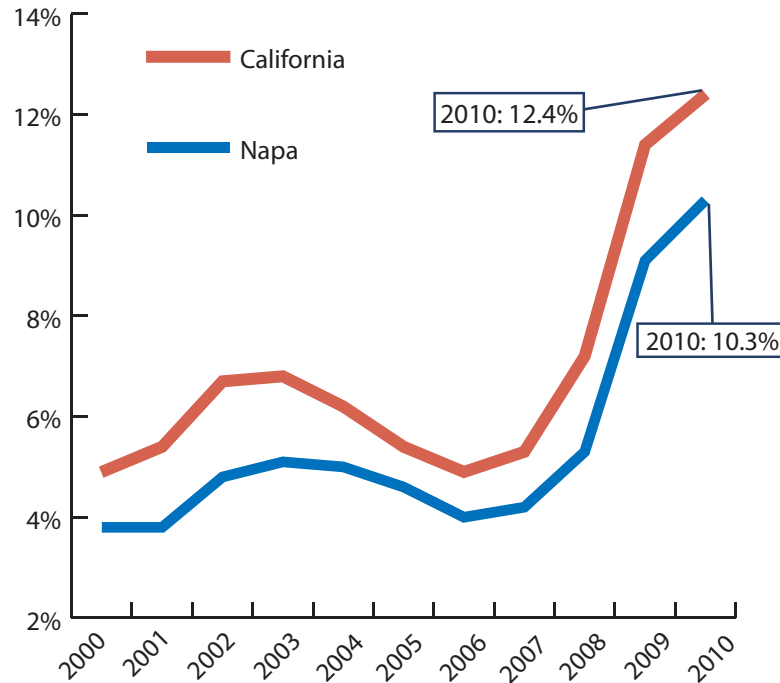
*Redevelopment & Economic
Development Manager
City of Napa*

The Napa city's seasonally unadjusted unemployment rate of 10.3% in 2010, which was well below the state average of 12.4%. Unemployment has nearly doubled in Napa since 2008 (5.3%).

Napa city's population increased sharply in the 1990s, increasing 15.7% from 1990 to 2000. In the 21st century, Napa's population growth has slowed but remained positive and consistent. Between 2000 and 2009, the population grew by nearly 10,000 residents, or 7.2%. Over the past two decades, Napa's population has increased 24%.

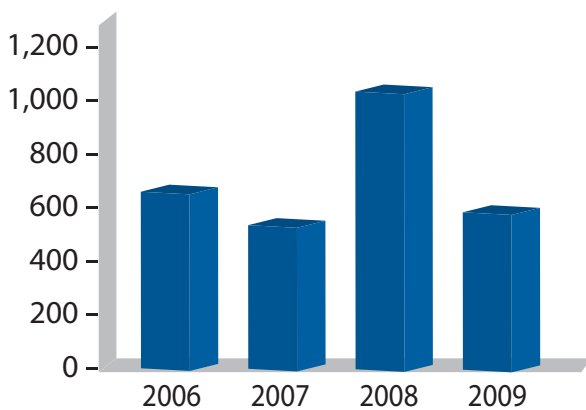
The County of Napa has had positive net total migration for the past four years, the majority stemming from a large amount of foreign migration. Negative domestic migration in 2006 and 2007 was outweighed by large amounts of foreign migration. In the most recent four years, migration has been one of the main factors of population growth in Napa County.

NAPA CITY SEASONALLY UNADJUSTED UNEMPLOYMENT RATE



Source: California Employment Development Department (www.edd.ca.gov)

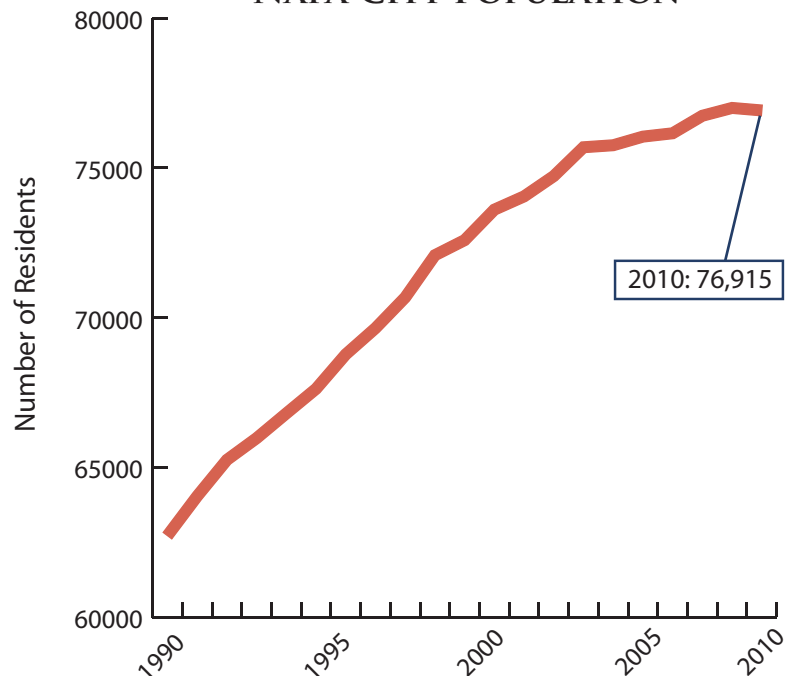
NET MIGRATION, NAPA COUNTY



	2006	2007	2008	2009
Domestic	-180	-214	426	28
Foreign	844	754	618	564
Total	664	540	1,044	592

Source: US Census Bureau (www.census.gov)

NAPA CITY POPULATION



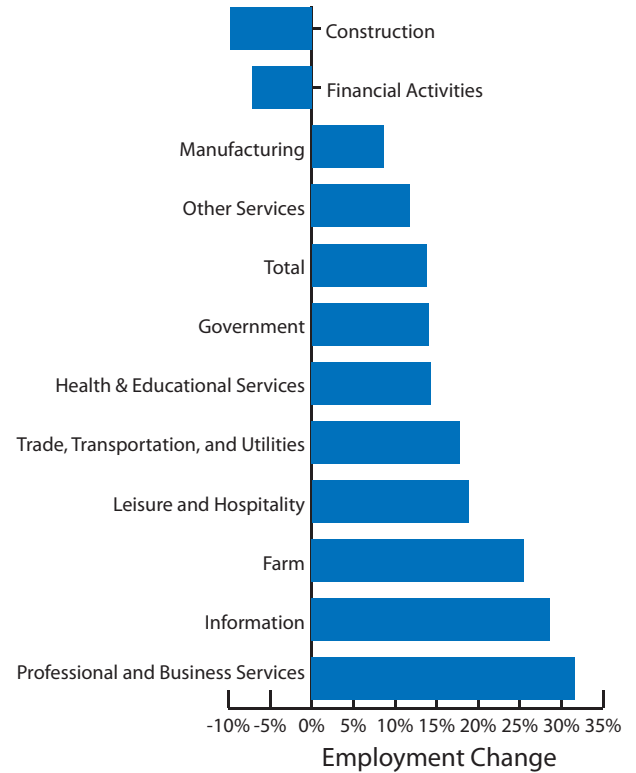
Source: California Department of Finance (www.dof.ca.gov), U.S. Census Bureau, 2010 Census.

The largest industry employment growth projected for Napa County is in Professional & Business Services (32%), Information (29%), and Farming (26%). Projections are calculated by the California Employment Development Department (EDD). The increase translates to 1,800 additional jobs in Professional & Business Services, 200 in Information, and 1,200 in Farming over the ten-year period, 2006-2016. Leisure & Hospitality and Trade, Transportation, & Utilities have a projected 1,600 employment increase, contributing to the ten-year total increase of 10,400.

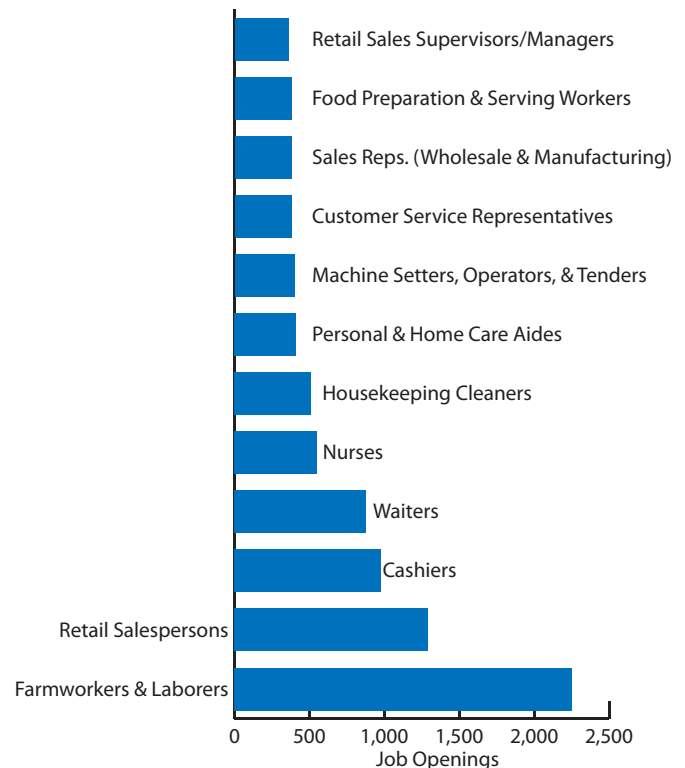
Napa County's high demand occupations reflect a range of sectors including Farm, Retail, and Health Services. High demand occupations are the sum of new jobs and net replacements for the ten-year period from 2006-2016. The need for nurses and home care aides reflects Napa's aging population, as Baby Boomers retire they increase their demand for health care services.

Residents in the Napa city are largely employed in Educational & Health Services, Manufacturing, and Leisure & Hospitality sectors.

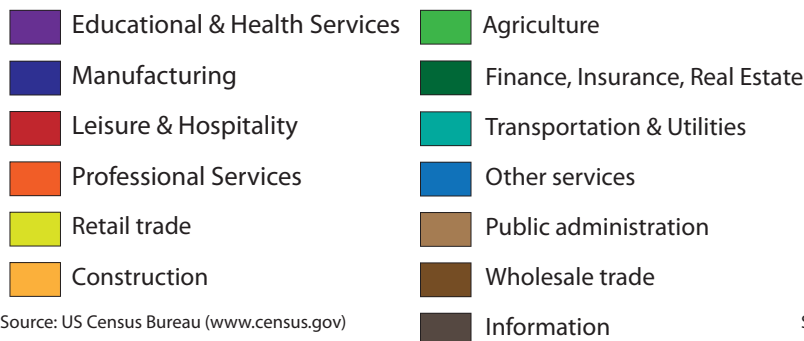
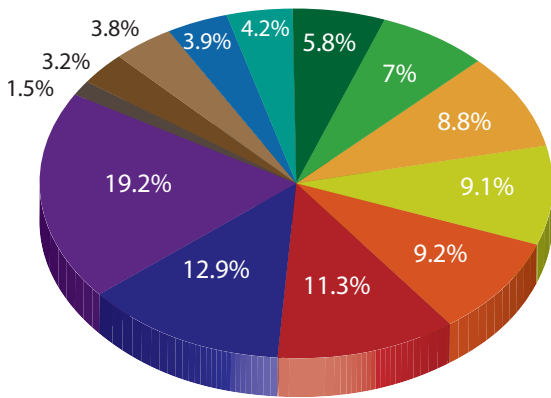
NAPA COUNTY INDUSTRY EMPLOYMENT PROJECTIONS, 2006-2016



NAPA COUNTY HIGH DEMAND OCCUPATIONS, 2006-2016



CITY OF NAPA SECTOR EMPLOYMENT, 2009



Source: US Census Bureau (www.census.gov)

Source (right column): California Employment Development Department (www.edd.ca.gov)

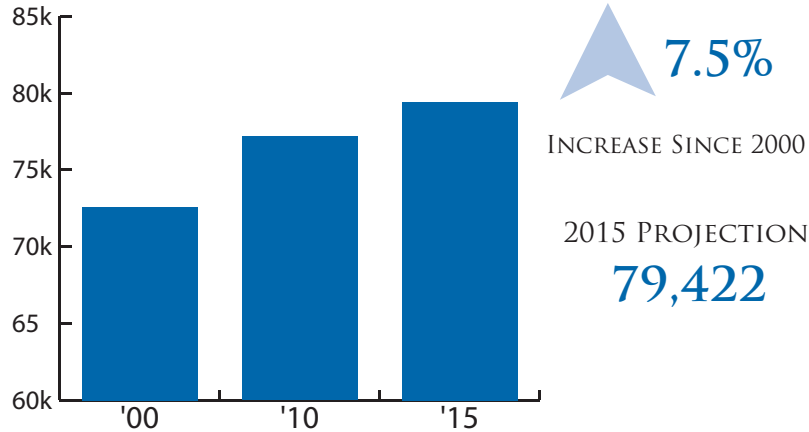
Over the next five years, the population of Napa city is projected to increase to 79,422, which is a slightly slower population rate increase than from 2004-09 when population growth was 2.8%.

Between 2000 and 2010, median household income in Napa city grew by 31.6% in nominal dollars. However, when accounting for inflation, incomes actually decreased 20%. Over the next five years, the nominal median household income for Napa is expected to increase 14.6% to \$74,091.

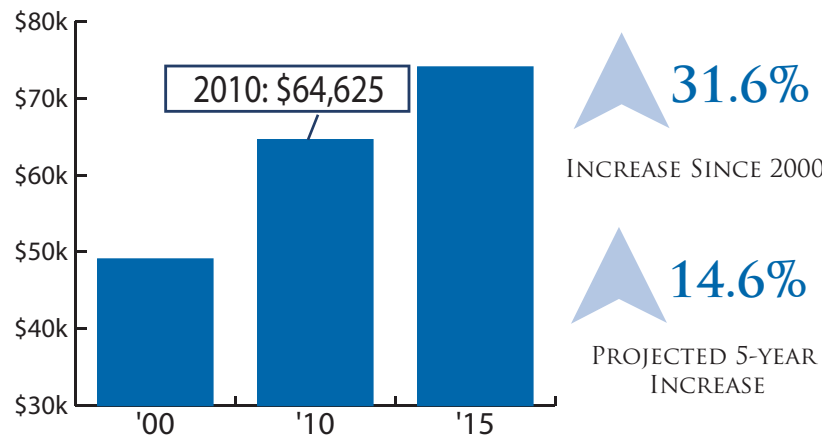
During the past decade, the percentage of households with income less than \$50,000 in Napa city was reduced from 50.9% to 36.7% of total earners. With households earning between \$50,000 and \$100,000 per year growing slightly from 33.5% to 37.1%. The highest percentage growth was from households with income over \$100,000, increasing more than 10% to make up 26.4% of total earners.

Over the next five years, the percentage of households in Napa earning less than \$50,000 per year is expected to decrease further to 27.9% of total earners. Households with income from \$100,000 to \$150,000 are expected to increase from 17% in 2010 to 21.5% in 2015. Other household income brackets are expected to remain relatively unchanged.

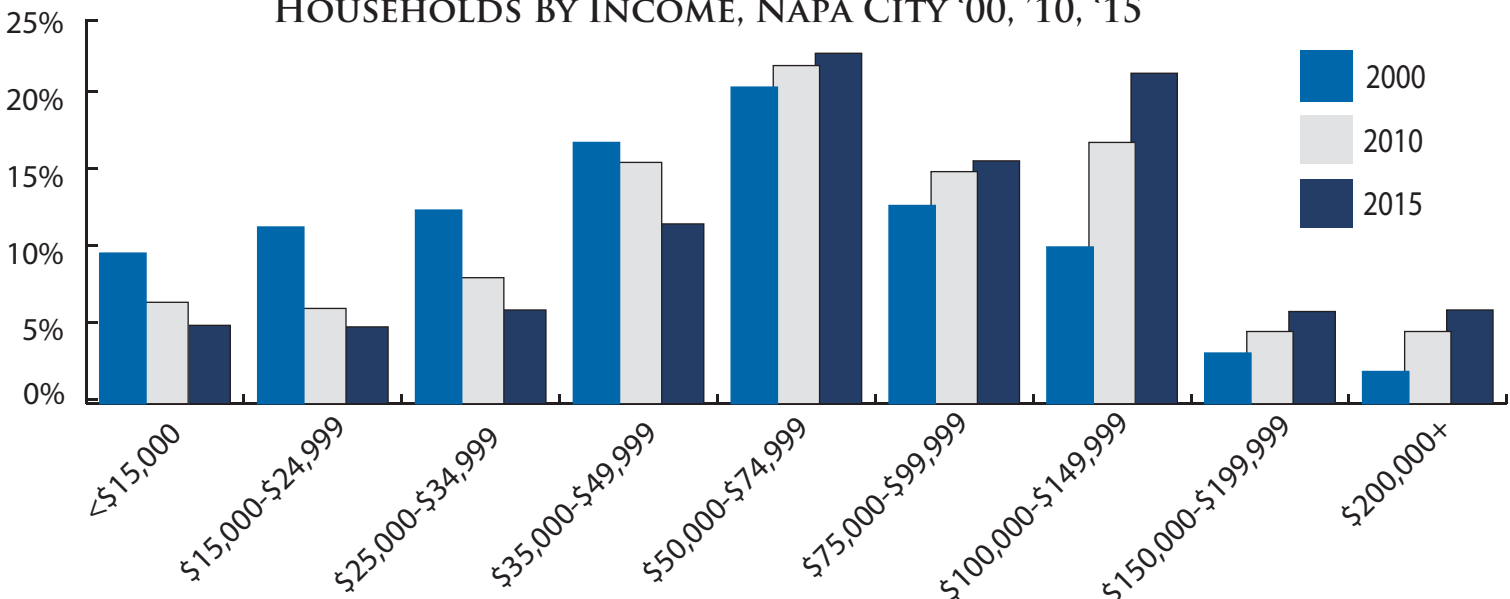
TOTAL POPULATION, NAPA CITY



MEDIAN HOUSEHOLD INCOME NAPA CITY



HOUSEHOLDS BY INCOME, NAPA CITY '00, '10, '15



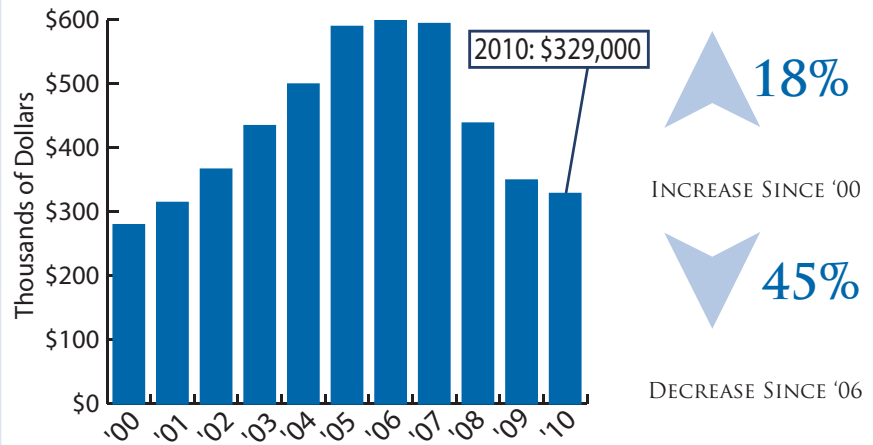
Napa city's median home price decreased \$21,000 (-6%), year-over from 2009 to 2010. This is the fourth consecutive year of decline after a decade of strong advances. However, the small yearly home price decrease from 2009-10, may indicate future price stability for the Napa housing market.

The number of home sales in the Napa city has increased 34.4% since its decade low in 2008. However, the number of homes sold has decreased 32.2% since the decade peak in 2004. Price drops in Napa likely have fueled home sales.

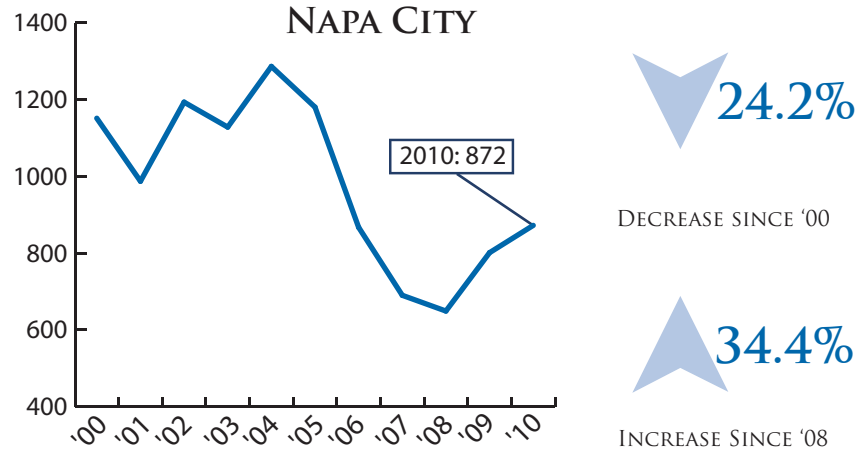
The combined average sale price of a home in Napa city for Q4 2010 was \$459,464 which is just below the county average of \$462,237. Homes sold in Napa (221) make up the majority of the housing market, as a total of 329 units were sold in the entire county in Q4 2010. St. Helena had the highest average sales price of around \$1.25 million, while American Canyon had the lowest average sales price (\$305,000) relative to other areas in Napa County.

Napa County is projected to have the greatest home price increase in the next year, relative to comparable counties. This is a positive indicator of home price recovery.

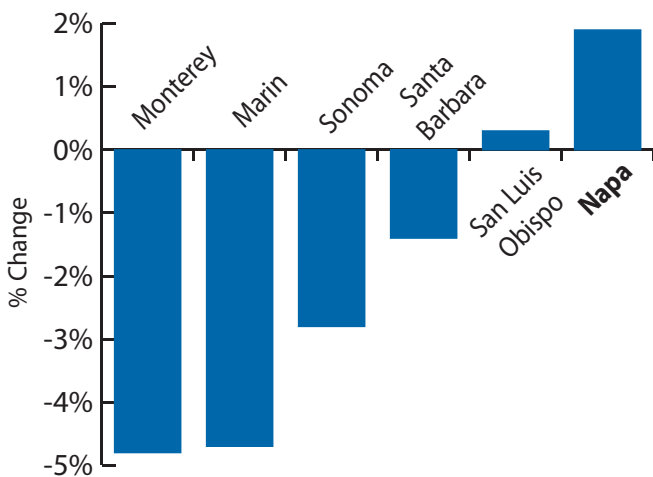
MEDIAN SALES PRICE OF AN EXISTING HOME IN NAPA CITY (\$ THOUSANDS)



TOTAL NUMBER OF HOMES SOLD, NAPA CITY

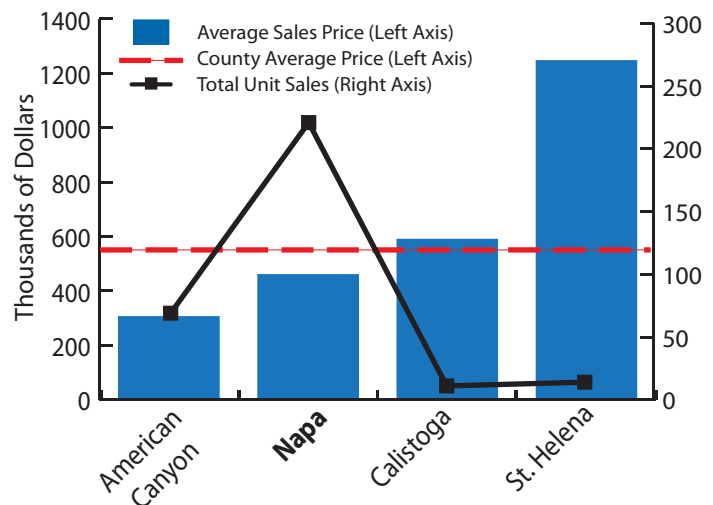


CASE-SHILLER HOME PRICE INDEX, COUNTY FORECAST Q4 2010 TO Q4 2011



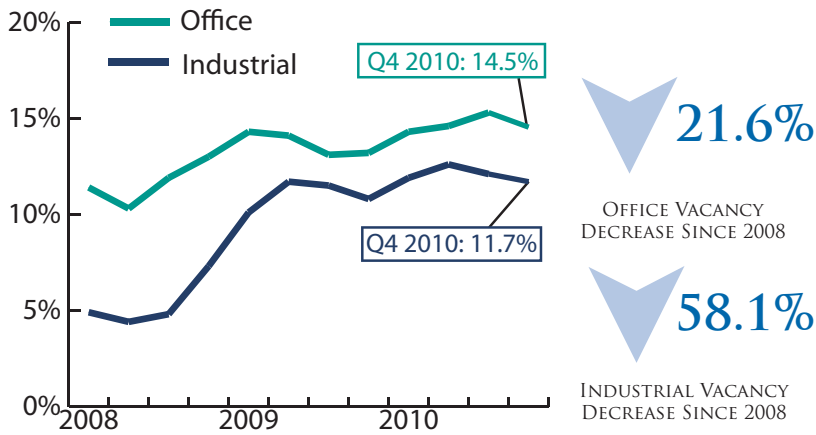
Source: Moody's Analytics, Fiserv

AVERAGE SALES PRICE & TOTAL SALES BY SUB-COUNTY AREA, Q4 2010



Source (all in right column): Bay Area Real Estate Information Services Inc (www.bareis.com)

NAPA COUNTY COMMERCIAL PROPERTY VACANCY RATES



Source: Keegan and Coppin Company, Inc. (www.keegancoppin.com)

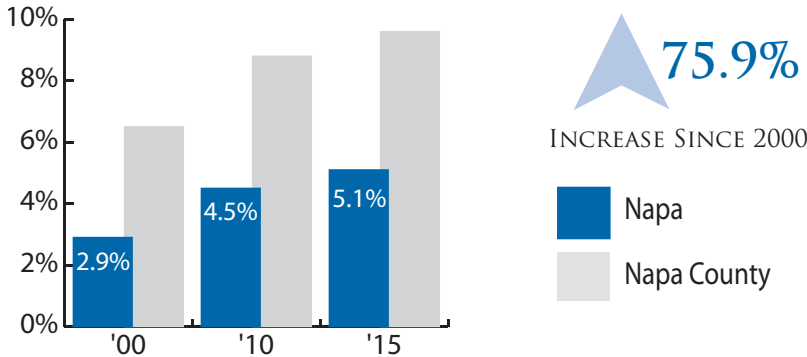
Napa County's commercial vacancy rates are the highest in past three years. Although, Napa County's rates are below the North Bay average. The office vacancy rate in Napa County decreased 0.8 percentage points to 14.5% from Q3 2010 to Q4 2010. However, this rate is still two percentage points higher than one year ago when the rate was 13.2%.

The industrial vacancy rate has remained relatively stable in the past two years, after a sharp increase at the end of 2008 and beginning of 2009. As of Q4 2010, 11.7% of Napa County's industrial space is vacant.

Napa city's residential vacancy rates remain below the county average. Five-year projections forecast the rate remaining just above 5%.

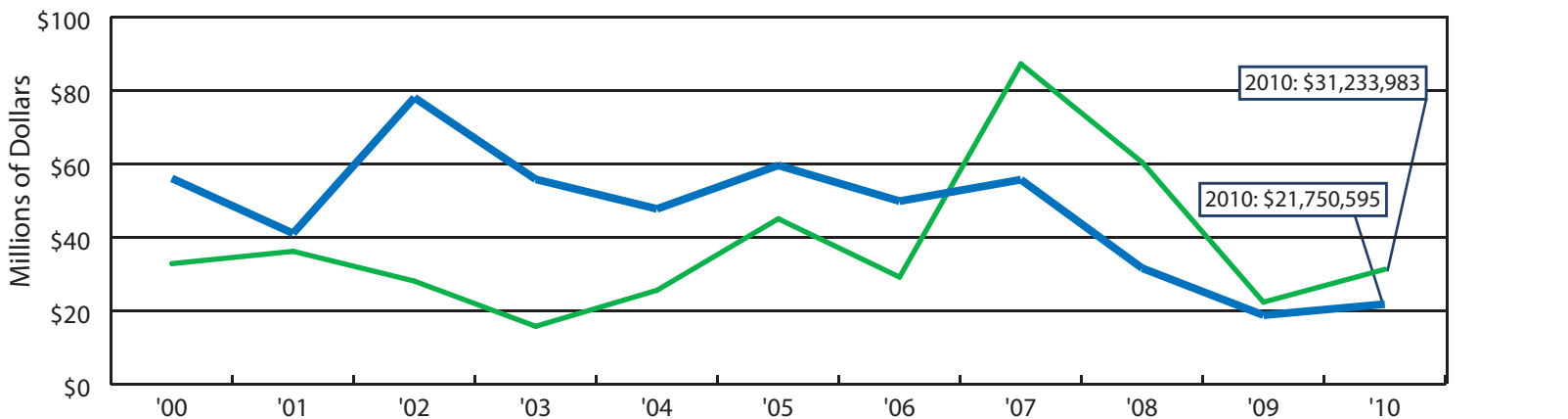
The value of building permits, which reflect trends in construction activity, are at a decade low in Napa City. Both residential and non-residential construction are down considerably from their respective highs in 2005 and 2007. The value of non-residential construction permits has decreased 64.2% since its peak in 2007, while residential permits have decreased 60.9% over the same period.

NAPA CITY AND NAPA COUNTY RESIDENTIAL HOUSING VACANCY



Source: ESRI Business Analyst (www.esri.com)

VALUE OF RESIDENTIAL & NON-RESIDENTIAL BUILDING PERMITS IN CITY OF NAPA (\$ MILLIONS; INCLUDES ALTERATIONS AND ADDITIONS)



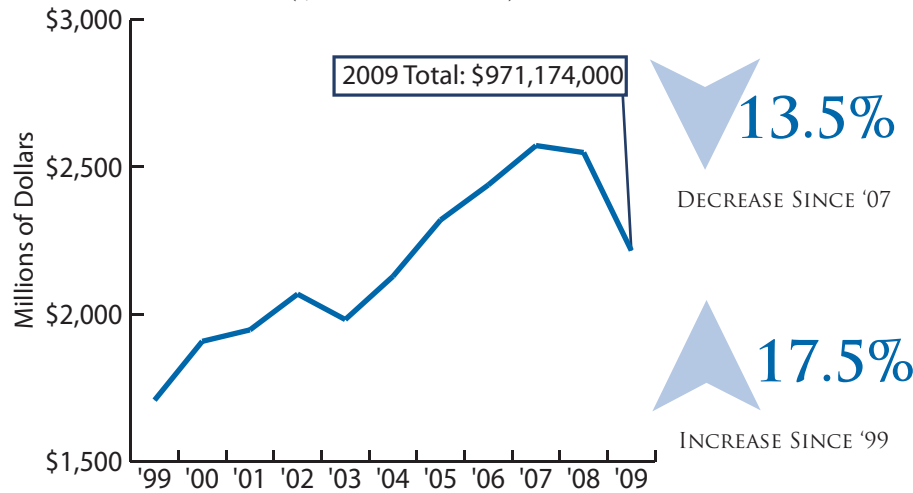
Source: Construction Industry Research Board (www.cirbdata.com)

CONSUMER SPENDING & TAXABLE SALES

Taxable sales in Napa city have declined 13.5% since a decade high in 2007, in line with countywide sales, which have decreased 13.8% over the same time period. The city of Napa made up 43.8% of total county sales in 2009, this share has been decreasing since 1999 when it was 48.4%.

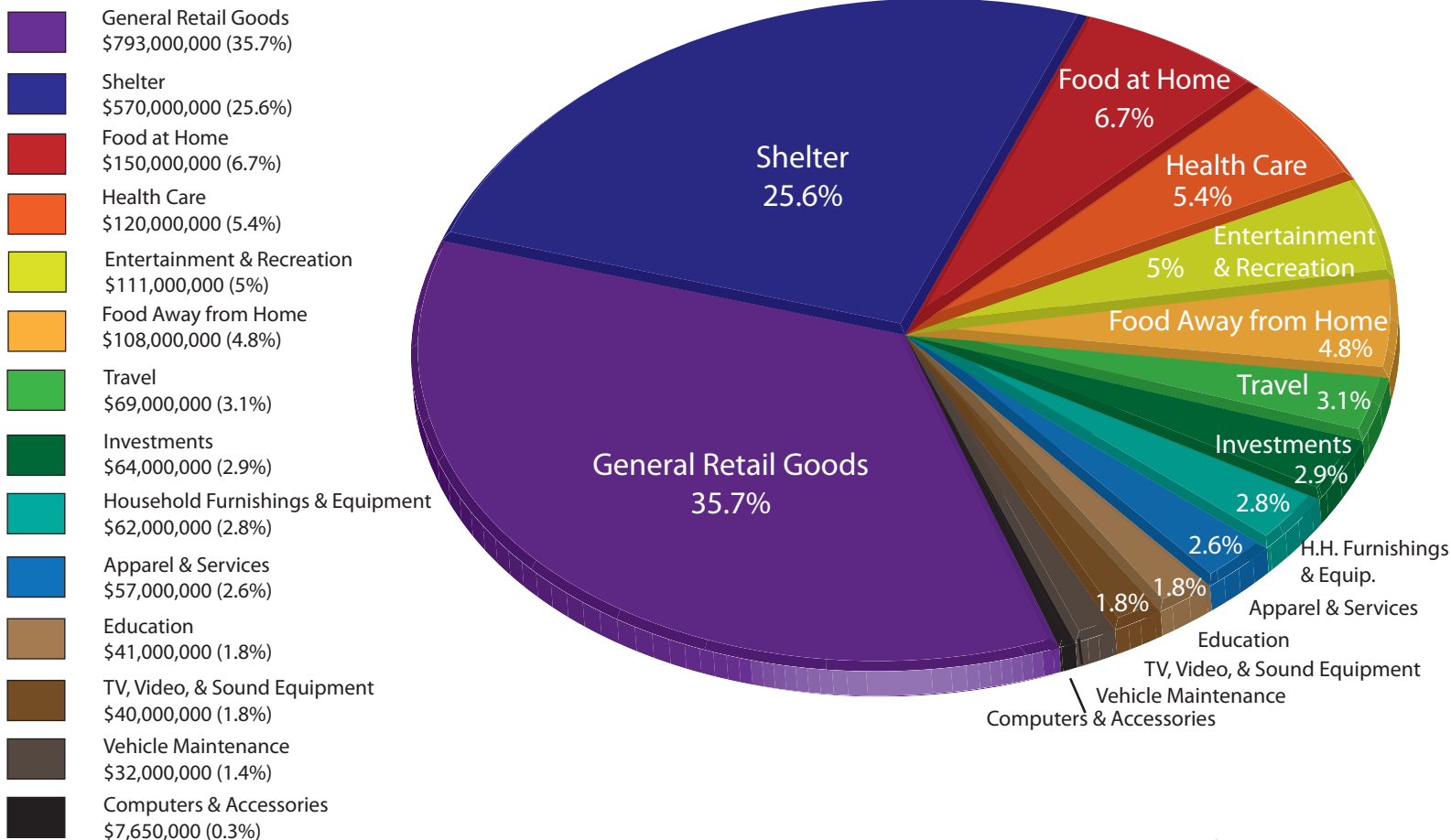
Compared to the California average, Napa city residents spend significantly more per capita on travel, health care, and investments. They spend considerably less on TV, video, and sound equipment and general retail goods. Conversely, nationally, Napa consumers spend considerably more on computers, entertainment/recreation, investments, shelter, and travel; and significantly less on apparel. This data is from Environmental Systems Research Institute (ESRI).

NAPA CITY TOTAL TAXABLE SALES (\$ MILLIONS)



Source: California Board of Equalization (www.boe.ca.gov)

2010 NAPA CITY CONSUMER SPENDING BY COMMODITY



Source: ESRI Business Analyst (www.esri.com)

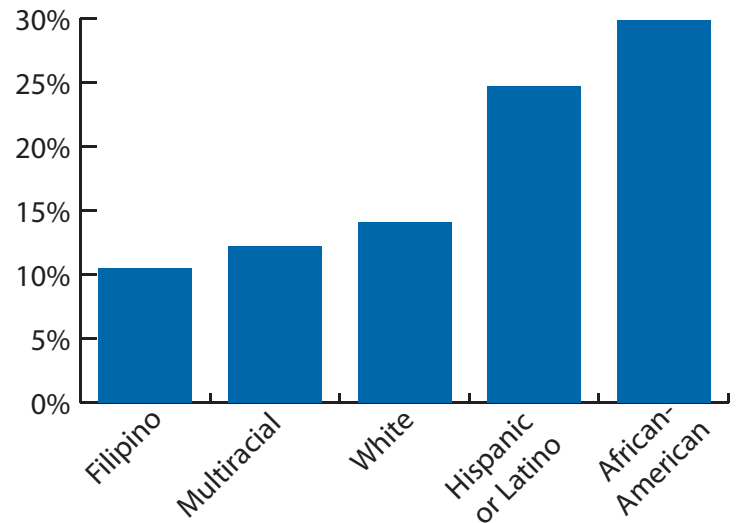
The adjusted dropout rate for Hispanics (24.7%) is 10 percentage points higher than for whites (14.1%), the two major demographic groups in the county. The overall dropout rate for the district is 18.5%, below the state average (21.5%). The disparity between Hispanics and whites indicates an achievement gap.

The high school graduation rate in the Napa Valley Unified School District is now just above the California average (79%). There has been a significant downward trend, as seven years ago the graduation rate was around 97.7%.

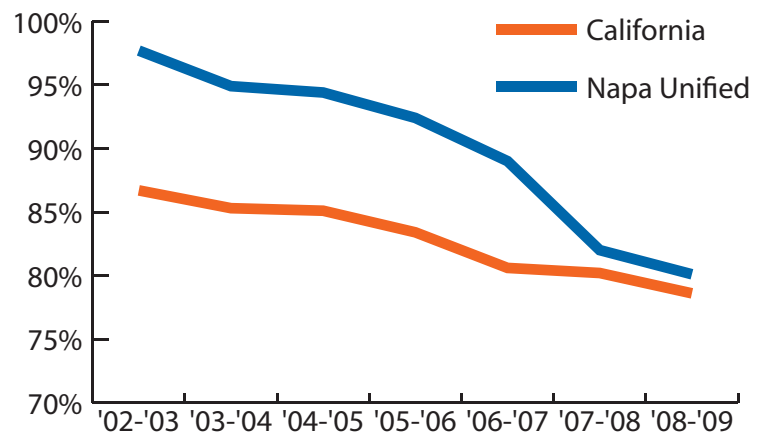
The percentage of English learners in the Napa Valley school district increased steadily from 1994 to 2004, and has since stabilized making up 22% of enrollment in 2009. Napa Valley English learner enrollment percentage is similar to California (23.7%). Students that learn English as a second language must incorporate the extra coursework and are at a disadvantage in graduating from high school.

Nearly 50% of students enrolled in the Napa Valley School District are Hispanic, with whites as the second largest group making up 35%. Filipinos, a growing demographic group, make up 5.5% of enrollment.

NAPA VALLEY SCHOOL DISTRICT, ADJUSTED DROPOUT RATE BY RACE/ETHNICITY, 2008-09

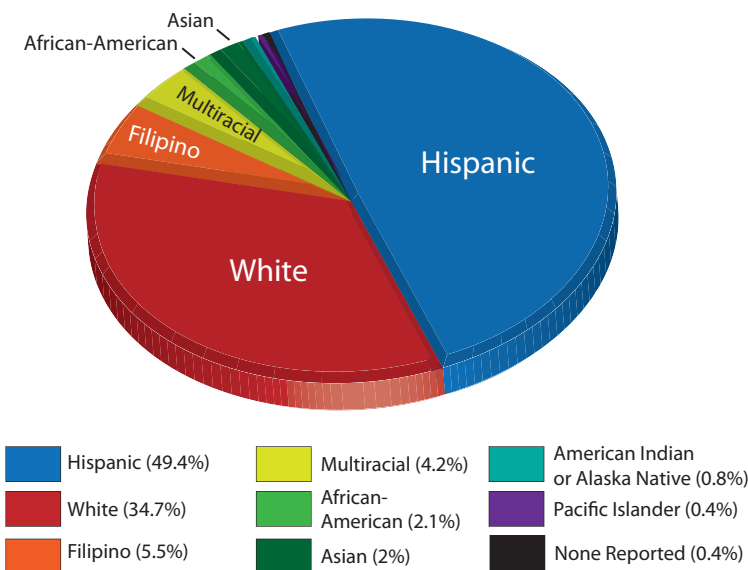


GRADUATION RATES, 2002-2009

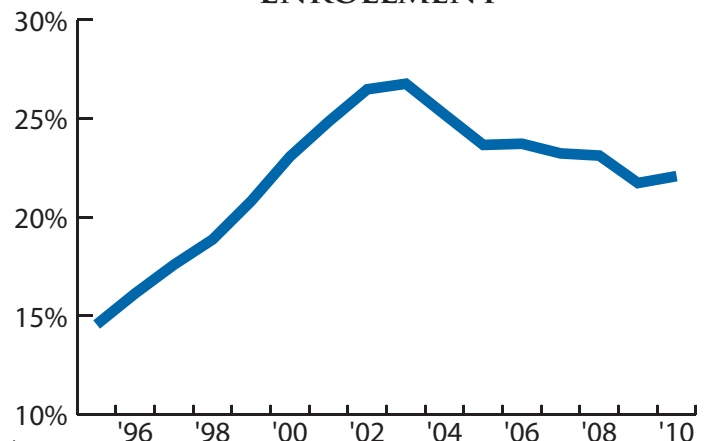


*Graduation and dropout rates are based on the definition by the National Center for Education Statistics

NAPA VALLEY SCHOOL DISTRICT, TOTAL ENROLLMENT BY RACE/ETHNICITY, 2009-10



ENGLISH LEARNERS AS PERCENT OF TOTAL ENROLLMENT



*Source All: California Department of Education, Educational Demographics Unit (www.cde.ca.gov)