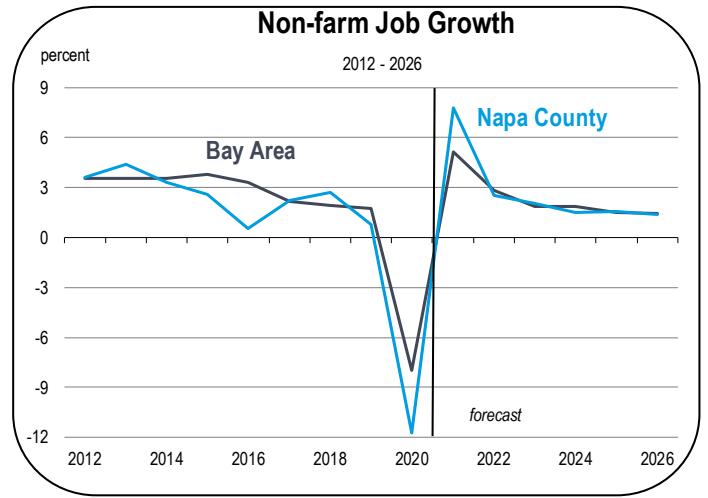


Napa County Economic Forecast

Forecast Summary

- On an annual average basis, 5,200 jobs will be restored in Napa County in 2021.
- A full labor market recovery is expected by 2023.
- Employment gains in 2021 will be largest in leisure services, which will recover 2,500 of the jobs that were lost in 2020.
- Other sectors that will rebound meaningfully in 2021 include construction, transportation and warehousing, private education and healthcare, and professional business services.
- The wine industry had a challenging year in 2020. Wine grape production declined by almost 40 percent and total revenue fell even more sharply.
- The Napa County unemployment rate averaged 8.8 percent in 2020. It is forecast to average 5.3 percent in 2021.
- The Napa County population is expected to decline during the forecast period.
- Fewer homes will be built between 2021 and 2026 than were entitled during the previous five years where many of those permitted homes were fire rebuilds.
- Home prices surged unexpectedly in 2020, rising by 11 percent. Prices are expected to increase by 9 or 10 percent in 2021 and could continue to increase rapidly in 2022.
- Homes in Napa County are more affordable than other parts of the Bay Area, but without sufficient housing construction, an affordability crisis could materialize during the forecast period.

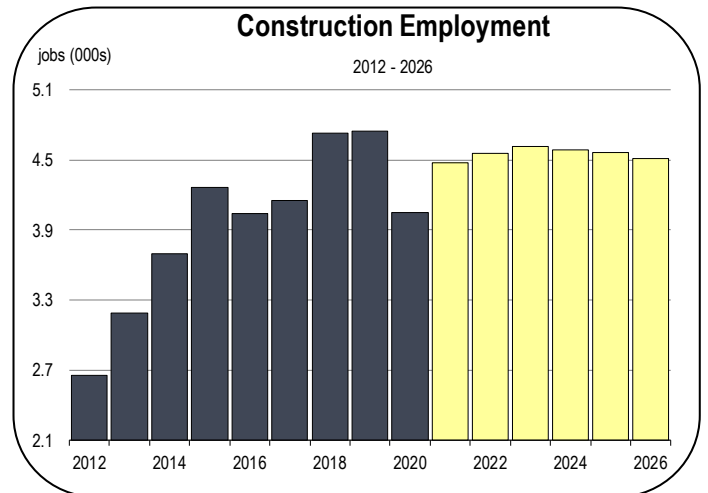
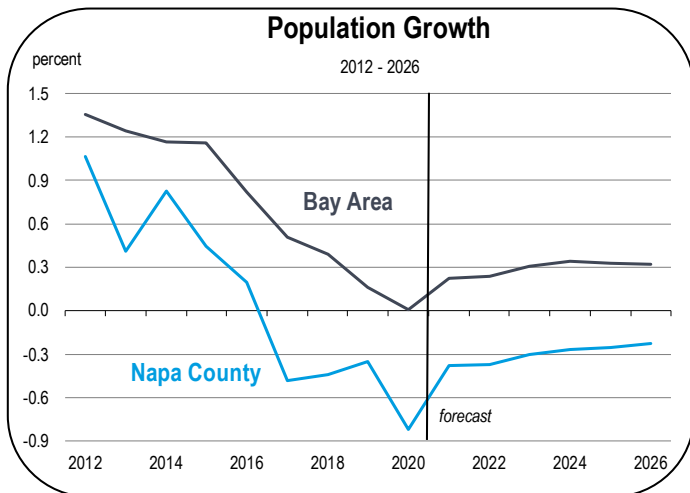


Job Growth

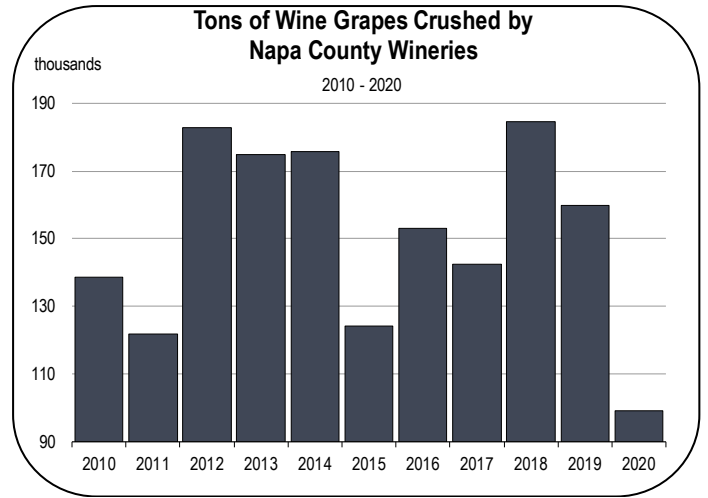
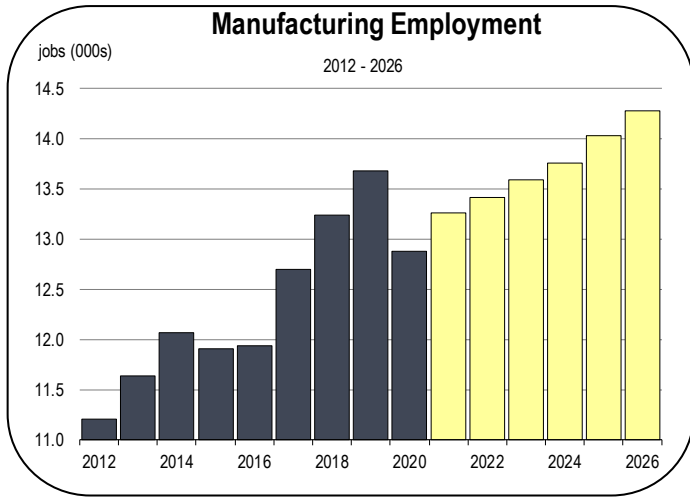
- Total employment in Napa County will expand by 7.3 percent in 2021 on an annual average basis.
- Between 2022 and 2026, employment growth will average 1.7 percent per year, which will be similar to the performance of the broader Bay Area labor market.

Construction Employment

- The construction sector lost jobs 700 in 2020.
- Most jobs will be restored in 2021, but the construction sector is not expected to equal or eclipse 2018-2019 employment levels because (1) the fire rebuilds are mostly complete, and (2) new housing production will be limited over the next 3 years.
- Minimal investment will be made into building and renovating non-residential structures.



Napa County Economic Forecast



Manufacturing Employment

- Wineries account for 85 percent of all manufacturing jobs in Napa County, as wineries are considered to be in the beverage manufacturing industry.
- Wineries had an underwhelming year in 2020 when they processed only 99,000 tons of wine grapes.
- Production declined due to 1) larger than normal wine grape harvests in 2018 and 2019 and 2) the September 2020 Glass

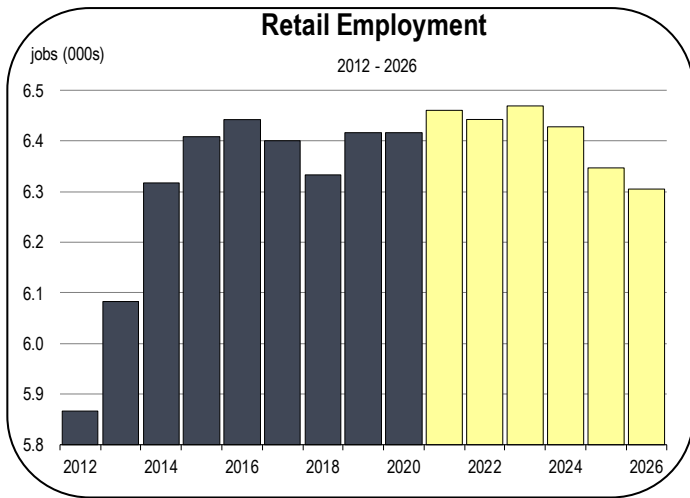
Fire which prevented the industry from operating at full capacity and which reduced harvestable grapes because of smoke taint.

- The Glass Incident Fire burned nearly 50,000 acres in Sonoma and Napa counties and destroyed numerous wineries and structures.
- Producer prices for wine grapes also declined in 2020.
- Overall, wine grape prices declined by 20 percent across Napa County, with some categories like Cabernet Sauvignon falling by higher margins.



Thick smoke from the Glass Fire settles among rows of grapes at a vineyard in Napa Valley on Sept. 29, 2020.

Napa County Economic Forecast

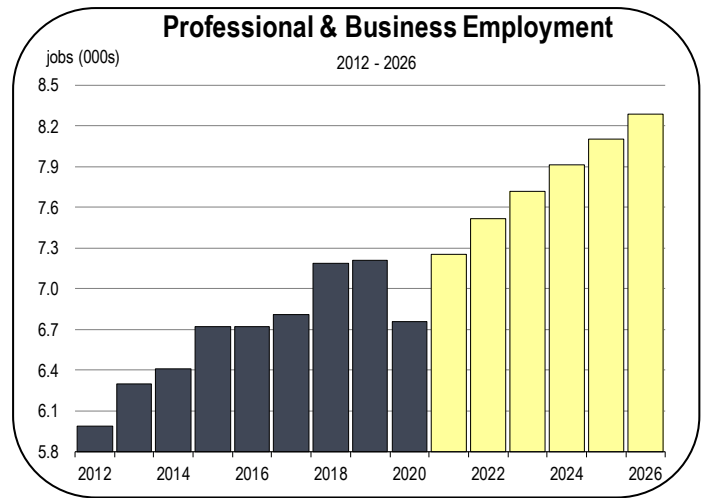
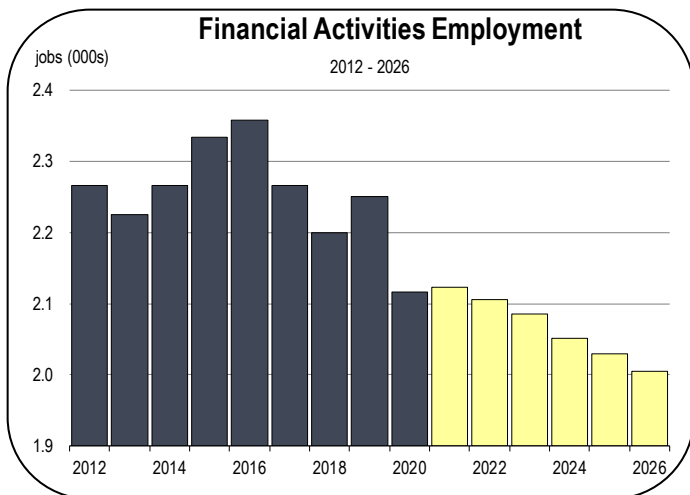


Retail Trade Employment

- Total employment levels in the retail industry fell by approximately 1,000 jobs in April and May of 2020, but by then end of the year, retail employment had fully recovered and surpassed it's previous peak.
- Retail firms will add more jobs in 2021 as storefronts open up to higher capacities, but automation and the transition to online shopping will limit job opportunities and lead to consolidation in this sector by the end of the forecast period.

Financial Activities Employment

- The financial activities industry is largely comprised of real estate firms, banks, and insurance firms.
- As a population-serving sectors, finance, insurance, and real estate employment will decline over time, in tandem with the population decline forecast for Napa County.

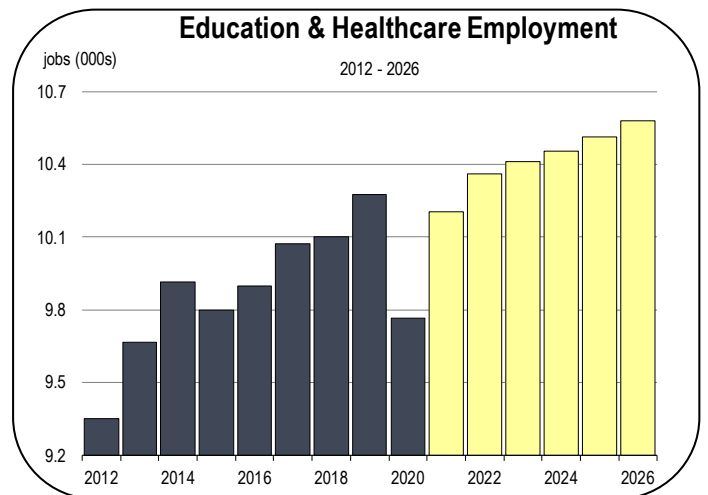


Professional and Business Services Employment

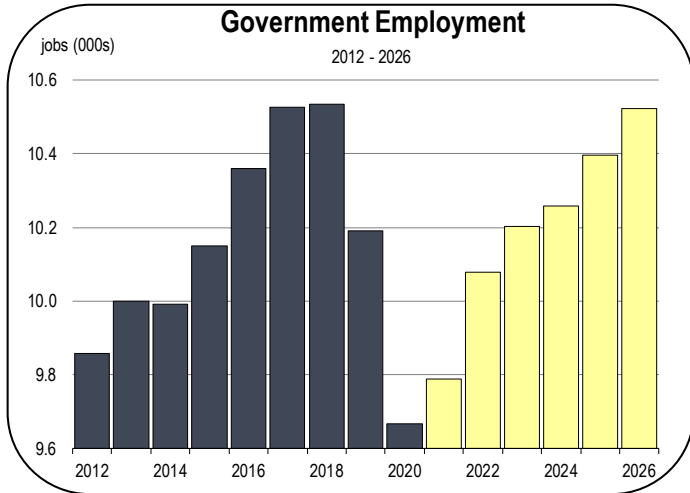
- The professional and business services industry has a diverse array of subsectors, and each was affected differently during the recession.
- The largest losses were at staffing agencies, building maintenance firms, and accounting companies.
- But this composite industry will represent much of the growth in employment opportunities in the future, not only in Napa County but in the entire state.
- Over the long term, growth is expected to be strongest in engineering and technology consulting.

Private Education and Healthcare Employment

- The private healthcare and education industries were characterized by large job losses in 2020.



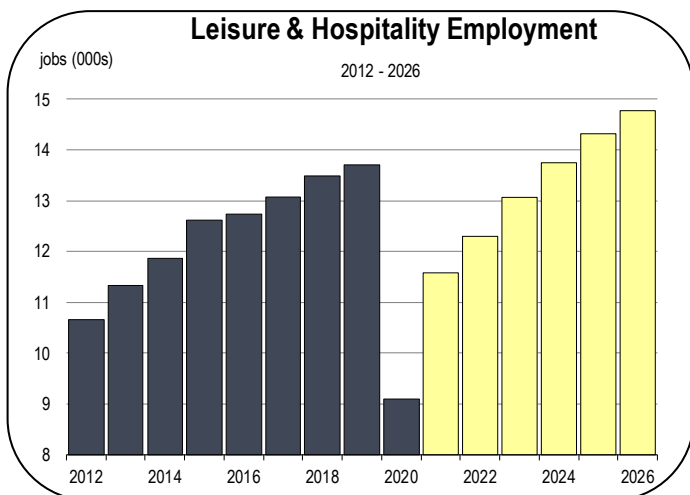
Napa County Economic Forecast



- Employment at hospitals and doctors offices contracted modestly. Employment at dentist offices fell sharply.
- Prominent losses also occurred at child day care centers and private schools.
- Overall, the healthcare and education industry will restore 400 jobs in 2021 and gain another 200 jobs in 2022.

Government Employment

- State and local government agencies lost 600 jobs during 2020.
- Federal government agencies added a small number of jobs in 2020, but this was mainly due the Decennial Census, which creates temporary government jobs every 10 years. These Census jobs have already ended.

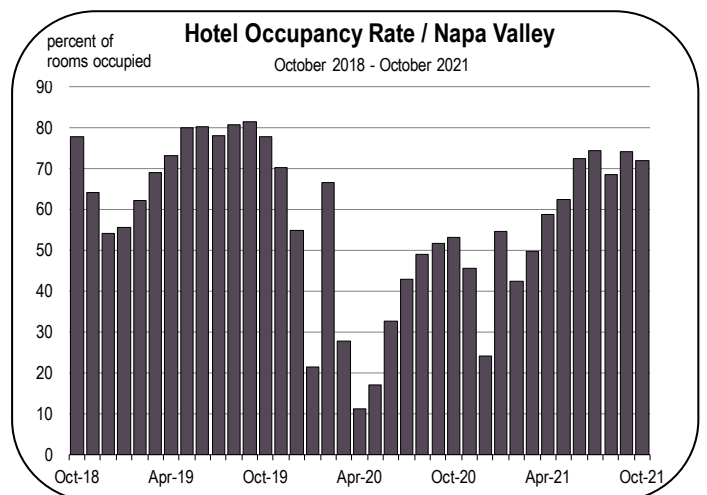


- Some state and local government positions will be restored in fiscal 2022 (beginning in July 2021) with the commencement of in-person schools in the Fall of 2021.

Leisure and Hospitality Employment

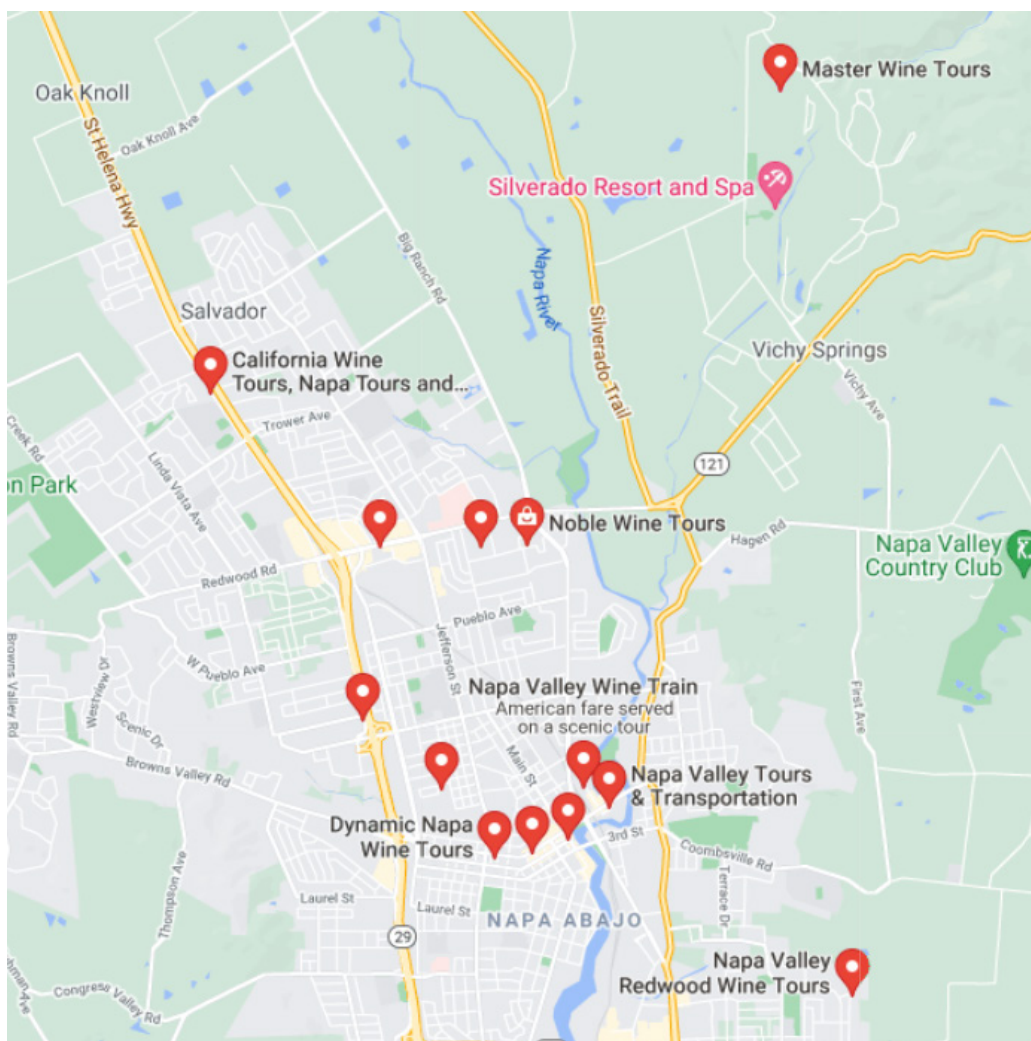
- Leisure and hospitality firms were impacted by restricted business conditions more than any other type of company.
- More than 2,100 jobs were lost at restaurants, a decline of 29 percent, and almost 1,700 jobs were lost at hotels for a contraction of 32 percent.
- Tourism is a large contributor to the Napa County economy, and tourism was severely restricted in 2020, including wine tourism.
- In the spring and summer months, approximately 80 percent of hotel rooms are occupied on any given day, with close to 100 percent occupied on weekends.
- In 2020, the hotel occupancy rate never exceeded 55 percent.
- Leisure and hospitality employment could rebound sharply in the second half of 2021.
- California plans to lift most business restrictions in June 2021, which could pave the way for a surge in travel, dining, drinking, and recreation throughout Napa County.

- Pent-up demand for delayed travel and celebration should help wine sales and wine tourism as the pandemic eases. The base forecast has leisure/hospitality recovering 2,500 jobs in 2021 and another 700 jobs in 2022. Overall recovery will take several years.



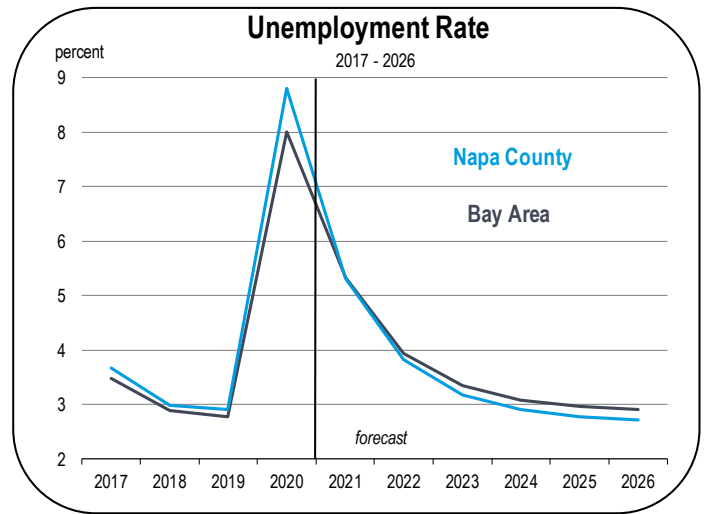
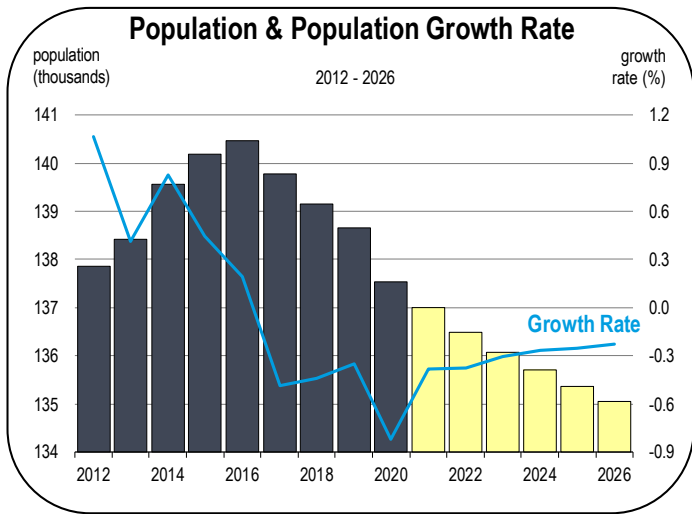
Napa County Economic Forecast

- Wine tourism is the principal form of tourism in the County. Eighty-one percent of all visitors indicate in surveys conducted by Visit Napa Valley, that their principal experience in the County is wine tasting at wineries. Forty-five percent indicate they were on a wine tour.
- The growth of wine tours has been prolific since 2015. It is estimated that 3.9 million visitors tour Napa Valley each year.
- On average, there are 18,857 visitors each day in Napa Valley.
- Visitor spending in 2018 was estimated at \$2.23 billion inside the County, accounting for 22 percent of the total gross domestic product of Napa County.
- 70 percent of total visitor spending is generated from overnight hotel visitors. The average overnight visitor spends \$446 per day. An estimated 26 percent of all visitors stay overnight in the County.
- Day visitors are largely from San Francisco, San Jose, Santa Rosa, and Sacramento. The three countries generating the most international visitors to Napa are Canada (18 percent), China (17 percent), and the United Kingdom (14 percent).
- The top destination is the City of Napa, followed by St Helena, Oakville, Calistoga and Yountville.
- In February 2021, the accommodations sector accounted for 3,000 jobs. After California entirely opens up this summer, jobs in hotels, motels, and B&Bs will rise to 5,300 employed workers.
- The tourism industry remains the second largest employer in Napa County (after the wine industry).



Each red marker is a wine country touring company.

Napa County Economic Forecast



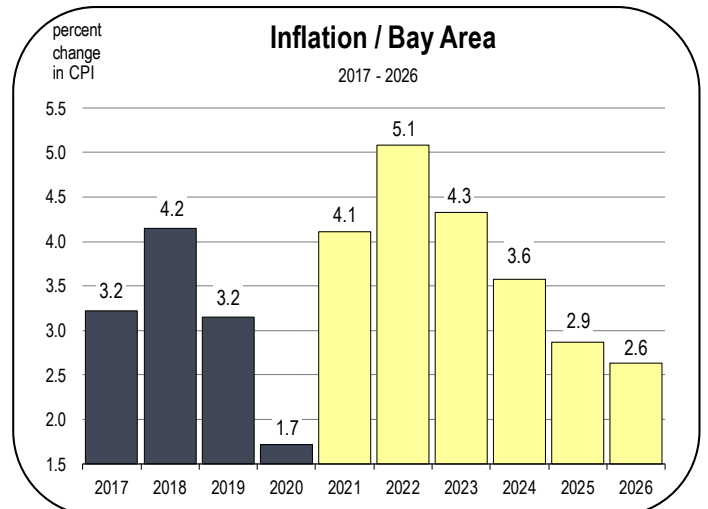
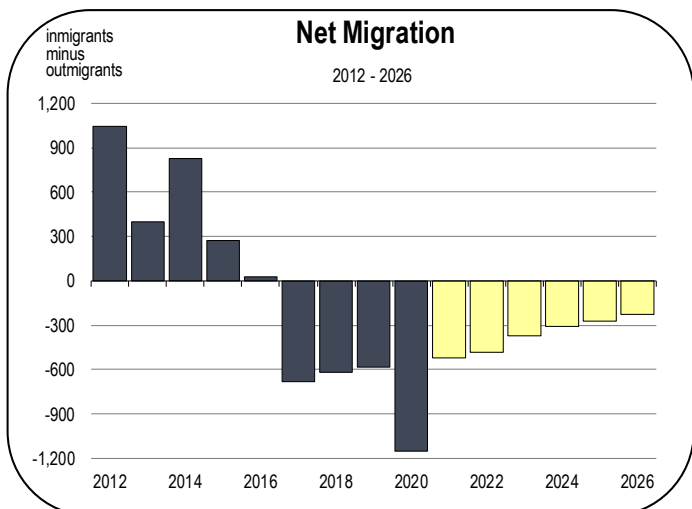
Population Growth

- Almost 1,200 net migrants left Napa County in 2020.
- Migration out of the county did not change much in 2020, but far fewer residents moved into the county than normal.
- Over the forecast period, the Napa County population is expected to decline at an average rate of 0.3 percent per year.
- Net migration will remain negative, and because Napa County has a older population base with a low birth rate, deaths will begin to outnumber births.
- By 2026, the population will have declined to 135,000 residents, a loss of 2,500 residents from 2020 levels.

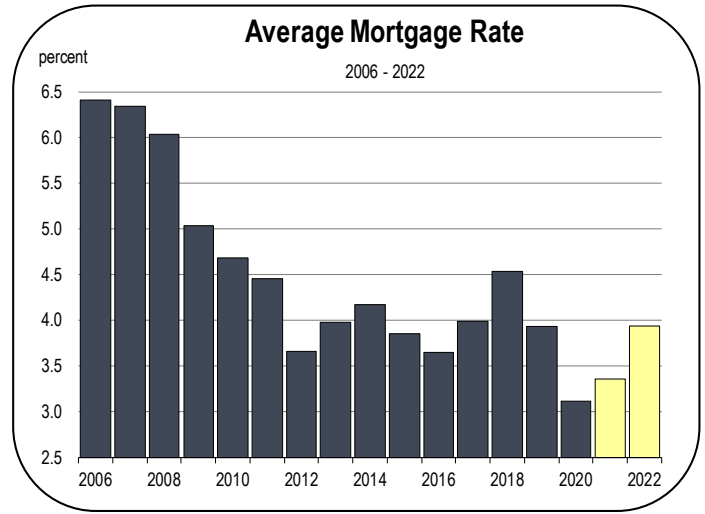
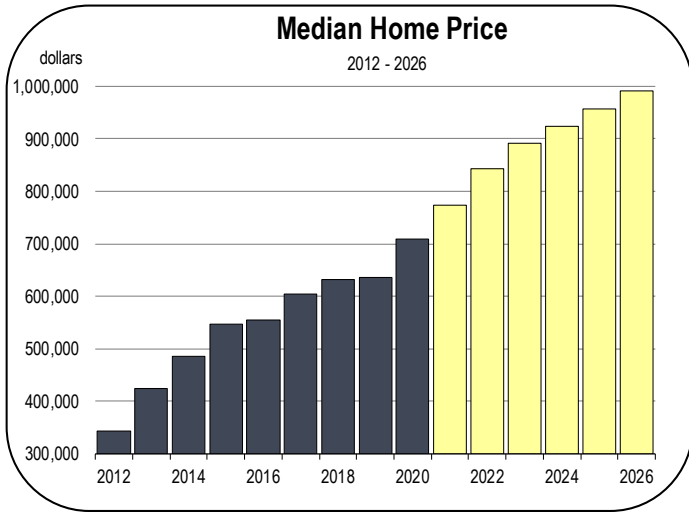
Unemployment and Inflation Rates

- The unemployment rate in Napa County averaged 8.8 percent in 2020, which above the composite rate for the Bay Area.

- An unemployment rate below 4.0 percent signifies a fully employed workforce. The unemployment rate is expected to average 5.3 percent in 2021 and 3.8 percent in 2022.
- Inflation decelerated sharply in 2020, largely because energy prices declined when the demand for fuels plunged. Inflation soared in 2021 and is expected to remain elevated for several years.
- Over the forecast period, there will be a number of factors that will contribute to high inflation. The most prominent will be:
 - Record levels of spending by consumers and government agencies
 - Fractures in the global supply chain that raise the cost of production for many businesses
 - Sharp increases in the cost of housing and energy
 - Labor market recruitment challenges that force companies to raise wages



Napa County Economic Forecast

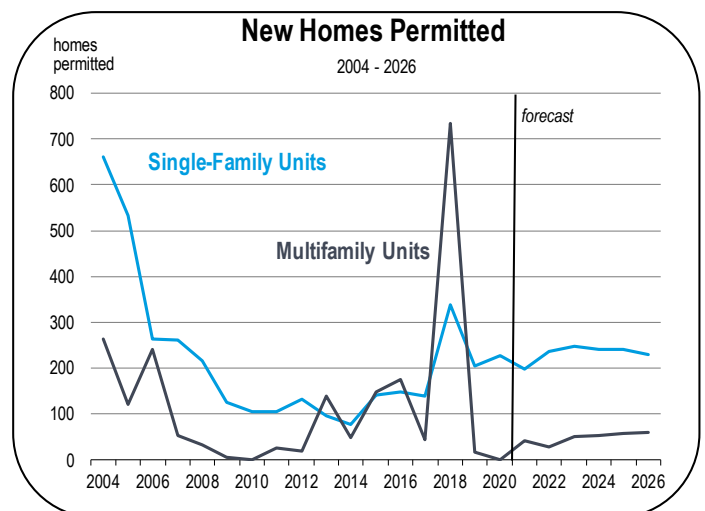
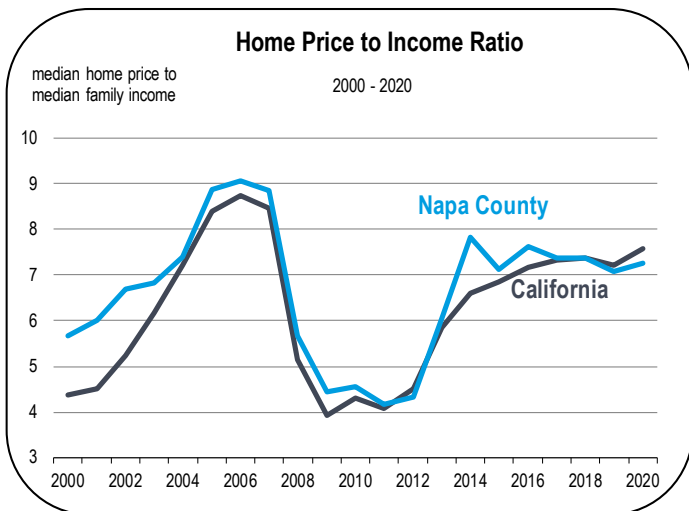


- Combined, these factors will push inflation to its highest rates in 30 years. Ultimately, it will reduce the purchasing power of households and negatively impact consumer confidence, limiting the growth potential of the economy in 2022.
- However, inflation will begin to decelerate as supply chains and the labor force are restored by the second half of the forecast period, eventually falling below 3 percent.

- From 2015 to 2020, an average of 385 new homes were started per year in Napa County. Approximately half were single-family homes.
- Housing production is expected to average 250 to 300 homes per year from 2021 to 2026, consisting primarily of single-family homes.
- Because housing construction is and will remain limited, affordability may become an issue in Napa as it has in other parts of the Bay Area.
- The volume of housing forecast over the next five years will probably be insufficient to prevent home prices from rising indefinitely.
- Interest rates and home prices are expected to rise in 2021 and 2022, in which case housing affordability will become a challenging issue over time.

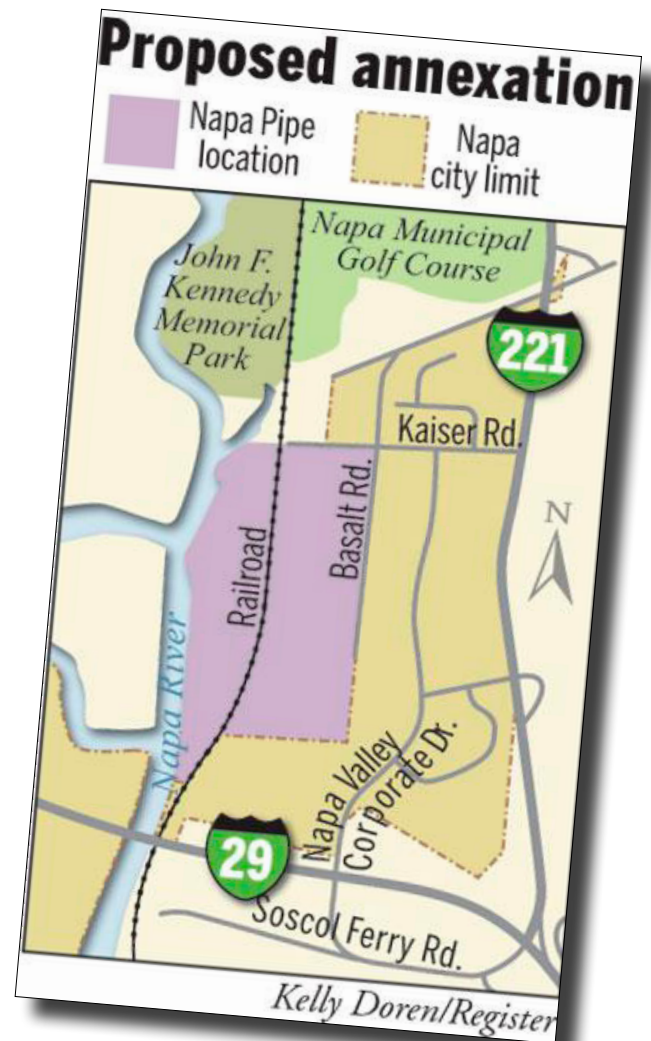
Home Prices and New Housing Production

- In 2020 the median home price in Napa County was \$709,000.
- Home prices increased rapidly in 2020, rising by 11 percent.
- Homes in Napa County are more affordable than in other parts of the Bay Area. In 2020, the typical family would have needed to spend 30 percent of its income to afford the median priced home, which is well within most affordability guidelines.



Napa County Economic Forecast

- The most prominent development project is the Napa Pipe, located at 1025 Kaiser Road in unincorporated Napa County.
- The owner of the 154-acre property proposes a high-density residential neighborhood of approximately 945 homes and a Costco on the eastern portion of the site.
- Construction began in 2021.
- The developer, Catellus Development Corp. of Oakland, plans to bisect the property to have 20 dwellings per 43,560 square feet and designated 190 of the 945 residential units as affordable.
- Besides housing and a Costco, Napa Pipe is slated to receive an additional:
 - 150 units of senior housing
 - 150-room hotel
 - 90,000 square feet of office, commercial, light industrial space
 - 40,000 square feet for retail space
 - 1,481,040 square feet for parks and open space
- In total, 6,708,240 square feet of commercial and industrial development will occupy the area.
- The City of Napa plans to annex the project site.



Napa County Economic Forecast

Economic Indicators

2015-2020 History, 2021-2050 Forecast

	Population (people)	House- holds (thousands)	Net Migration (people)	New Homes Permitted (homes)	Registered Vehicles (thousands)	Personal Income (billions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (billions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (millions)	Inflation Rate (percent)
2015	140,184	49.2	271	289	146	\$9.1	\$1.9	\$3.3	\$3.1	\$75,447	4.7	\$642	2.6
2016	140,455	49.3	30	323	149	\$9.6	\$1.9	\$3.4	\$3.2	\$77,307	4.3	\$831	3.0
2017	139,774	49.4	-682	183	148	\$9.9	\$2.0	\$3.5	\$3.2	\$77,173	3.7	\$826	3.2
2018	139,153	49.0	-615	1,073	148	\$10.0	\$2.2	\$3.7	\$2.9	\$75,512	3.0	\$1,096	4.2
2019	138,662	49.0	-582	222	151	\$10.4	\$2.2	\$3.8	\$2.9	\$76,511	2.9	\$954	3.2
2020	137,524	49.1	-1,154	227	147	\$10.5	\$1.9	\$3.2	\$3.0	\$76,152	8.8	\$985	1.7
2021	136,999	49.3	-520	239	148	\$10.9	\$2.2	\$3.6	\$3.0	\$77,533	5.3	\$967	4.1
2022	136,485	49.6	-482	265	149	\$11.5	\$2.3	\$3.8	\$3.1	\$79,554	3.8	\$978	5.1
2023	136,070	49.8	-371	298	150	\$12.2	\$2.3	\$4.0	\$3.2	\$82,067	3.2	\$989	4.3
2024	135,705	50.1	-307	294	151	\$12.8	\$2.4	\$4.2	\$3.2	\$83,745	2.9	\$1,000	3.6
2025	135,362	50.4	-272	298	152	\$13.3	\$2.5	\$4.3	\$3.3	\$85,292	2.8	\$1,012	2.9
2026	135,049	50.7	-226	288	153	\$13.9	\$2.5	\$4.4	\$3.4	\$86,963	2.7	\$1,023	2.6
2027	134,754	51.0	-193	277	154	\$14.6	\$2.6	\$4.4	\$3.5	\$88,898	2.7	\$1,035	2.4
2028	134,577	51.3	-53	276	156	\$15.2	\$2.6	\$4.5	\$3.6	\$90,637	2.7	\$1,048	2.5
2029	134,445	51.6	1	290	157	\$15.8	\$2.7	\$4.6	\$3.7	\$91,914	2.7	\$1,060	2.4
2030	134,332	51.9	33	293	158	\$16.5	\$2.8	\$4.8	\$3.7	\$93,283	2.7	\$1,073	2.4
2031	134,223	52.2	50	282	160	\$17.1	\$2.8	\$4.9	\$3.8	\$94,568	2.7	\$1,086	2.5
2032	134,125	52.5	76	280	161	\$17.7	\$2.9	\$5.0	\$3.8	\$95,584	2.7	\$1,099	2.4
2033	134,035	52.7	96	278	163	\$18.4	\$3.0	\$5.2	\$3.9	\$96,889	2.7	\$1,113	2.2
2034	133,905	53.0	64	276	164	\$19.0	\$3.1	\$5.3	\$4.0	\$98,025	2.7	\$1,126	2.3
2035	133,748	53.3	51	271	165	\$19.7	\$3.2	\$5.4	\$4.0	\$99,085	2.7	\$1,141	2.3
2036	133,564	53.6	45	265	167	\$20.4	\$3.3	\$5.6	\$4.1	\$99,807	2.7	\$1,155	2.3
2037	133,342	53.8	26	250	168	\$21.1	\$3.4	\$5.8	\$4.1	\$100,441	2.7	\$1,170	2.4
2038	133,056	54.1	-12	244	170	\$21.8	\$3.5	\$6.0	\$4.1	\$101,272	2.7	\$1,185	2.3
2039	132,772	54.3	2	247	171	\$22.6	\$3.6	\$6.2	\$4.2	\$101,937	2.7	\$1,200	2.3
2040	132,480	54.6	9	223	172	\$23.3	\$3.7	\$6.4	\$4.2	\$102,581	2.7	\$1,216	2.2
2041	132,180	54.8	14	200	174	\$24.1	\$3.8	\$6.6	\$4.2	\$103,498	2.7	\$1,232	2.3
2042	131,875	55.0	23	196	175	\$24.8	\$3.9	\$6.7	\$4.3	\$104,489	2.7	\$1,248	2.2
2043	131,564	55.2	33	193	176	\$25.6	\$4.0	\$6.9	\$4.4	\$105,540	2.7	\$1,265	2.1
2044	131,251	55.4	41	190	178	\$26.3	\$4.1	\$7.1	\$4.4	\$106,710	2.7	\$1,282	2.2
2045	130,934	55.6	50	188	179	\$27.1	\$4.2	\$7.2	\$4.5	\$107,752	2.7	\$1,299	2.3
2046	130,626	55.8	62	185	180	\$27.9	\$4.3	\$7.4	\$4.5	\$108,643	2.7	\$1,317	2.3
2047	130,337	56.0	77	182	181	\$28.6	\$4.4	\$7.6	\$4.5	\$109,300	2.7	\$1,335	2.3
2048	130,068	56.1	94	181	183	\$29.4	\$4.5	\$7.8	\$4.6	\$109,844	2.7	\$1,354	2.4
2049	129,809	56.3	106	180	184	\$30.2	\$4.6	\$8.0	\$4.6	\$110,616	2.7	\$1,373	2.1
2050	129,563	56.5	116	178	185	\$31.1	\$4.7	\$8.2	\$4.6	\$111,270	2.7	\$1,392	2.1

Employment Sectors

2015-2020 History, 2021-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	(thousands of jobs)											
2015	75.3	5.0	4.3	11.9	2.0	8.1	2.3	6.7	0.4	9.8	12.6	10.2
2016	75.6	5.0	4.0	11.9	2.0	8.1	2.4	6.7	0.4	9.9	12.7	10.4
2017	77.3	5.0	4.2	12.7	2.0	8.1	2.3	6.8	0.4	10.1	13.1	10.5
2018	79.3	5.1	4.7	13.2	2.1	8.1	2.2	7.2	0.4	10.1	13.5	10.5
2019	79.9	5.2	4.7	13.7	2.1	8.2	2.3	7.2	0.3	10.3	13.7	10.2
2020	71.0	5.0	4.1	12.9	1.8	8.0	2.1	6.8	0.2	9.8	9.1	9.7
2021	76.2	5.1	4.5	13.3	2.2	8.1	2.1	7.3	0.2	10.2	11.6	9.8
2022	78.0	5.1	4.6	13.4	2.2	8.1	2.1	7.5	0.2	10.4	12.3	10.1
2023	79.5	5.1	4.6	13.6	2.3	8.1	2.1	7.7	0.2	10.4	13.1	10.2
2024	80.7	5.2	4.6	13.8	2.3	8.1	2.1	7.9	0.2	10.5	13.7	10.3
2025	81.9	5.2	4.6	14.0	2.4	8.0	2.0	8.1	0.2	10.5	14.3	10.4
2026	83.0	5.2	4.5	14.3	2.4	8.0	2.0	8.3	0.2	10.6	14.8	10.5
2027	84.2	5.2	4.5	14.5	2.5	8.0	2.0	8.5	0.2	10.6	15.3	10.6
2028	85.3	5.3	4.4	14.8	2.5	8.0	2.0	8.6	0.2	10.7	15.8	10.7
2029	86.4	5.3	4.5	14.9	2.5	8.0	1.9	8.8	0.2	10.8	16.3	10.8
2030	87.6	5.3	4.5	15.1	2.6	8.1	1.9	9.0	0.2	10.9	16.8	10.9
2031	88.6	5.3	4.4	15.3	2.6	8.1	1.9	9.1	0.2	10.9	17.2	11.0
2032	89.4	5.4	4.4	15.4	2.6	8.1	1.9	9.3	0.2	11.0	17.6	11.1
2033	90.2	5.4	4.4	15.6	2.7	8.1	1.9	9.4	0.2	11.1	17.8	11.1
2034	91.0	5.4	4.4	15.7	2.7	8.1	1.9	9.6	0.2	11.2	18.0	11.2
2035	91.6	5.4	4.4	15.9	2.7	8.2	1.9	9.7	0.2	11.3	18.2	11.3
2036	92.3	5.5	4.4	16.0	2.7	8.2	1.8	9.9	0.2	11.4	18.3	11.3
2037	92.8	5.5	4.3	16.1	2.8	8.2	1.8	10.0	0.2	11.5	18.5	11.4
2038	93.4	5.5	4.3	16.2	2.8	8.3	1.8	10.1	0.2	11.6	18.6	11.4
2039	94.0	5.6	4.3	16.3	2.8	8.3	1.8	10.2	0.2	11.7	18.8	11.4
2040	94.4	5.6	4.2	16.4	2.8	8.3	1.7	10.4	0.2	11.8	18.9	11.5
2041	94.9	5.6	4.1	16.5	2.9	8.3	1.7	10.5	0.2	11.9	19.0	11.5
2042	95.4	5.7	4.1	16.6	2.9	8.3	1.7	10.6	0.2	12.0	19.2	11.5
2043	96.0	5.7	4.1	16.8	2.9	8.3	1.7	10.7	0.2	12.0	19.3	11.5
2044	96.6	5.7	4.1	17.0	2.9	8.4	1.6	10.8	0.2	12.1	19.5	11.6
2045	97.1	5.7	4.0	17.1	2.9	8.4	1.6	10.9	0.2	12.2	19.6	11.6
2046	97.6	5.8	4.0	17.2	2.9	8.4	1.6	11.0	0.2	12.2	19.8	11.6
2047	98.0	5.8	4.0	17.3	3.0	8.4	1.6	11.1	0.2	12.3	19.9	11.6
2048	98.4	5.8	4.0	17.4	3.0	8.5	1.5	11.2	0.2	12.4	20.0	11.6
2049	98.8	5.9	4.0	17.5	3.0	8.5	1.5	11.3	0.2	12.4	20.1	11.6
2050	99.2	5.9	4.0	17.6	3.0	8.5	1.5	11.4	0.2	12.4	20.2	11.7

Napa County Economic Forecast

Socioeconomic Indicators

