

Housing holds back economy

• Downturn in mortgage, construction industries tempers strong East Bay job growth

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The implosion of the mortgage and housing industries has caused the East Bay's job market to stall.

The East Bay economy, which as recently as a year ago was bolstered by the startling growth of the housing industry and its satellite sectors, now is struggling to produce jobs on a consistent basis, according to a state labor report released Friday.

"We are in a housing recession in Northern California," said Scott Anderson, a senior economist with San Francisco-based Wells Fargo Bank. "I see the fingerprints of the housing slowdown in a number of industries."

The Employment Development Department estimated that, adjusted for seasonal changes, the East Bay in September lost 800 jobs.

And over the last year, the housing, construction and mortgage industries have hobbled the pace of job growth in the Alameda-Contra Costa region. The area is adding jobs despite the housing market, not because of it.

"The East Bay is being hit very hard by the residential real estate downturn," said Jon Haveman, an economist and partner with Beacon Economic, which tracks regional economies in the state. "It has been hit hard for the last several months."

During the 12 months that ended in September, the East Bay gained 9,900 jobs. But those year-to-year gains are much weaker than earlier in 2007. During those early months of this year, the region was expanding its payrolls at an annual rate of 15,000 to 20,000 jobs.

Why the decline? The weakness in four key sectors tied directly to housing -- residential construction, specialty trades construction, real estate, and credit intermediation, which consists largely of mortgage agents and loan officers -- tells much of the tale. Over the yearlong period, those four industries shed 8,100 jobs.

But in 2006, the housing market produced a starkly different story. Those same four industries during the year that ended in September 2006 produced 5,500 jobs. That's a swing of nearly 14,000 jobs from the positive to the negative column.

"Housing is a bigger and bigger drag and is holding back growth rates," Anderson said.

This is also one reason why the East Bay in recent months has consistently lagged the job growth in California. During the last year, payrolls in the Alameda-Contra Costa area expanded 0.9 percent. California's job base grew 1.1 percent.

Even worse, the housing-related woes have battered the East Bay to a greater rate than California overall.

A survey of the four housing-related industries shows that California lost 33,000 of those types of jobs during the 12 months. The East Bay accounted for one-fourth of those losses. And 23 percent of all the construction jobs that were lost in California in the last year vanished in the East Bay.

Fortunately for the East Bay, not everything is linked to housing. The region's diverse job base has helped to keep the area economy afloat, for now.

Professional-technical-scientific services, health care, food and beverage services, and educational services combined to produce 9,400 jobs for the region in the last year. Retail and manufacturing also have performed strongly.

That's one reason why employment professionals say employers remain eager to hire people to work in well-paying occupations in the East Bay.

"Skilled laborers are demanding higher salaries, even for lower-level management and entry-level supervisors," said Lisa Townsend, an East Bay branch manager for Spherion Corp., a staffing services firm. "It is difficult to find skilled workers."

The East Bay has several hot industries, said Peter Yerardi, a branch manager with Adecco, an employment company.

"Biotech is still hot, and in technology, there is still huge demand for Web developers, network administrators, people who are working to build a business infrastructure," Yerardi said.

The weakness in the housing market has also surfaced statewide, said Dennis Meyers, an economist with the state Finance Department.

"Almost all of the job losses in September in California were in construction, finance and real estate," Meyers said. California gained 9,300 payroll jobs last month.

Perhaps the most worrisome trend in the East Bay is the possibility that the housing malady has begun to infect the rest of the region's economy, Anderson warned.

"We are seeing secondary effects on retail trade, there is some weakness in restaurants, clothing stores, home furnishing stores," Anderson said. "Some durable goods manufacturing that is related to housing is getting hit."

Some economists believe California and the East Bay won't soon escape the housing nose dive.

"We don't think this will be over any time soon," Haveman said. "We expect home price declines in California to continue through 2009. Employment declines will continue into 2008. The real estate bubble has a long way to go before it completely bursts."

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