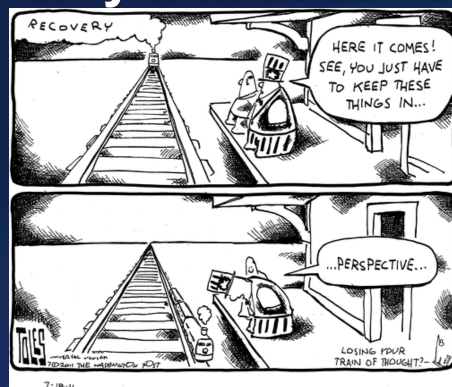
San Mateo County: Economy and Labor Supply



Jon Haveman

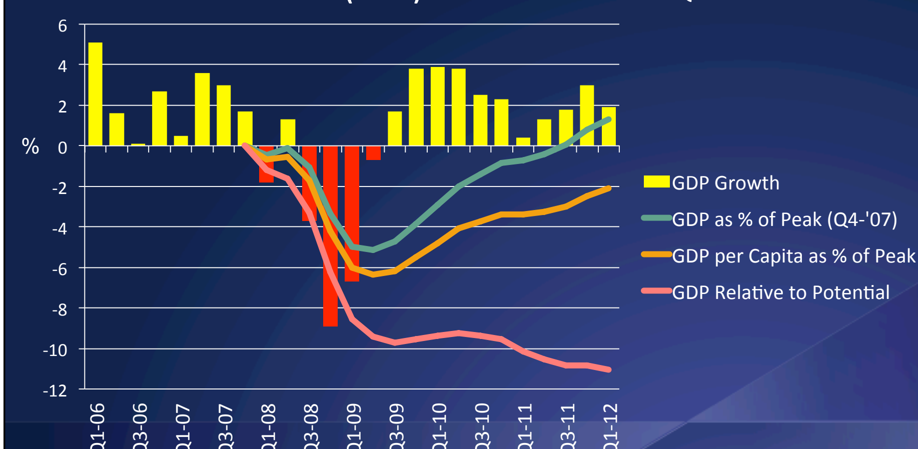
Chief Economist, BAC Economic Institute

May, 2012

The Great Recession

1-2 Punch of Credit Crisis and Consumer Retrenchment

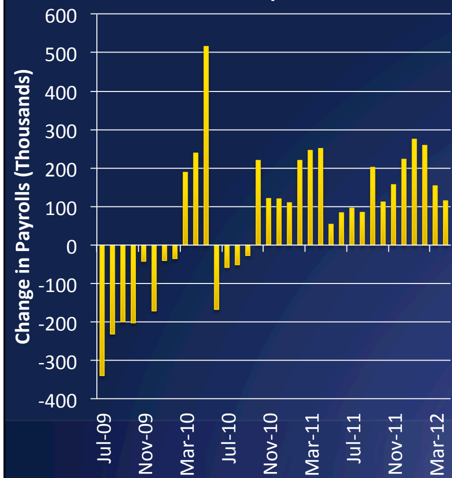
GDP Growth (SAAR) and % of Peak GDP to Q1-2012



Source: Bureau of Economic Analysis

Progress on Jobs

National Change in Payrolls
To April



Source: Bureau of Labor Statistics

Change in Payrolls by Sector

	Jan-03 to Dec-07	Dec-07 to Dec-09	Dec-09 to Present
Total Non-Farm	7,712	-8,663	3,670
Education/Health	2,116	796	899
Admin Support	701	-1,151	796
Leisure/Hospitality	1,377	-617	679
Prof/Sci/Tech	1,201	-375	501
Manufacturing	-1,126	-2,277	481
Retail Trade	614	-1,219	398
Transport/Warehouse	339	-369	159
Finance/Insurance	192	-349	47
Real Estate	118	-196	-7
Federal Gov't	-33	74	-9
State Gov't	105	9	-77
Construction	786	-1,836	-96
Information	-240	-283	-113
Local Gov't	678	20	-424

Where do we stand now?

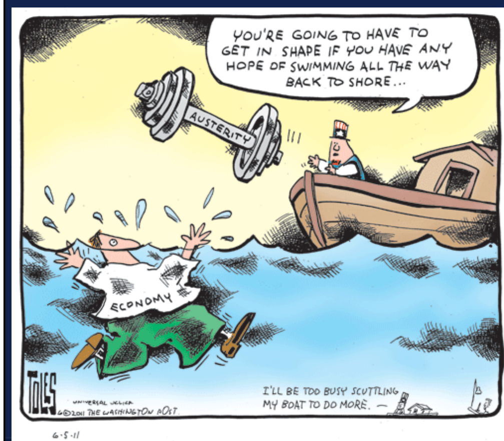
- Many signs of progress
  - ***Consumers*** have been solid
    - How long can they keep it up?
  - ***Businesses*** are doing quite well
    - Cash on hand is off the charts
    - But business investment is slowing
    - Industrial production is slowing
- Signs of woe
  - ***Employment*** growth
    - Trend is positive, but too slow
    - Public sector offsetting private sector
    - Not alleviating long term unemployment problem
  - ***Housing***?

Trouble Spots?

- What could derail the slow recovery?
  - Real danger:
    - Europe
    - Our own fiscal austerity
  - Not so much danger, but out there
    - Domestic housing
    - Domestic consumption
    - Derivatives trading….
    - Gas prices
    - Inflation
    - Interest rates

Europe?

The Fiscal Austerity Issue

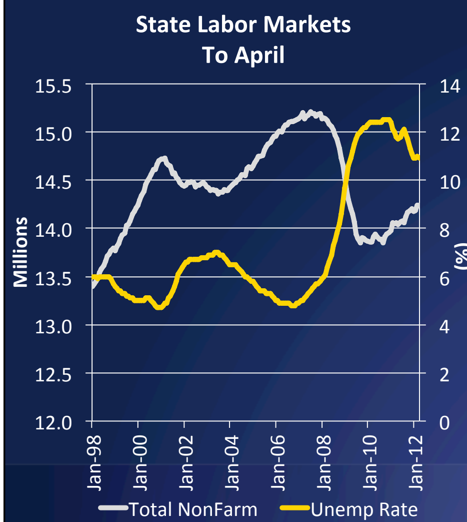


- Austerity:
  - US – cutting spending
  - EU – Greek prescription driving renewed recession
- Continue stimulus until strong growth prevails
- Plenty of time later for austerity
- Remember 1937

"Fiscal Cliff" in 2013

- Tax cuts set to expire
- Spending cuts set to come online
- Could spell big trouble…

California: An Uneven Hit



	April 2011	Peak to Current (%)
Inland Empire	1,134	-11.2
Orange County (MD)	1,388	-9.0
Oakland (MD)	958	-8.9
Los Angeles	5,212	-7.8
CALIFORNIA	14,237	-6.4
San Diego	1,240	-5.6
San Francisco (MD)	971	-3.1
San Jose	903	-1.9

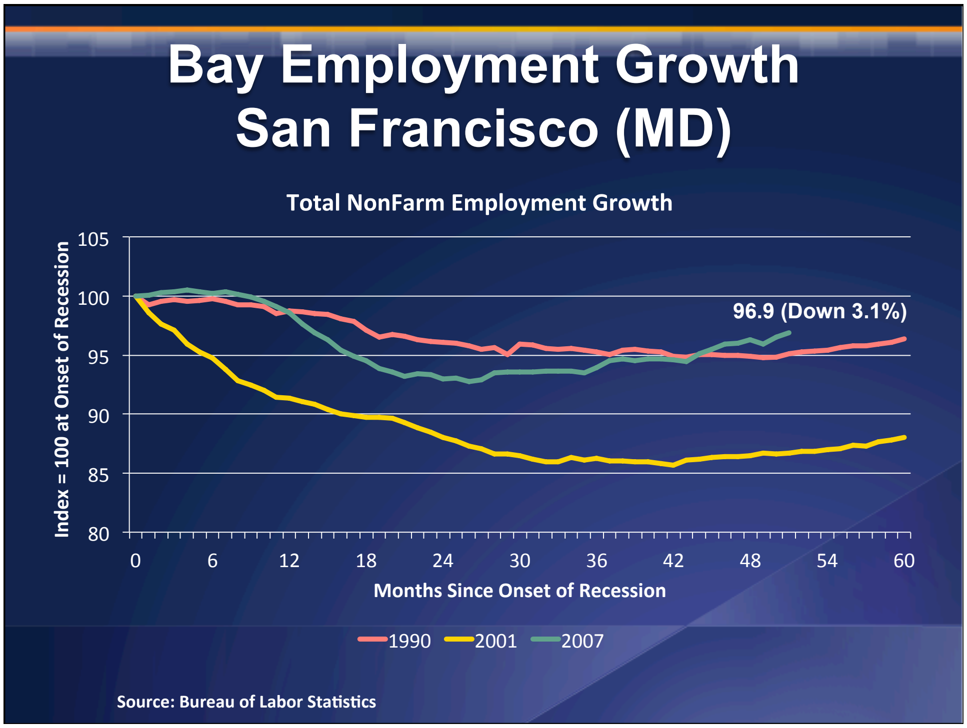
**Total Non-Farm Employment (Thousands)*

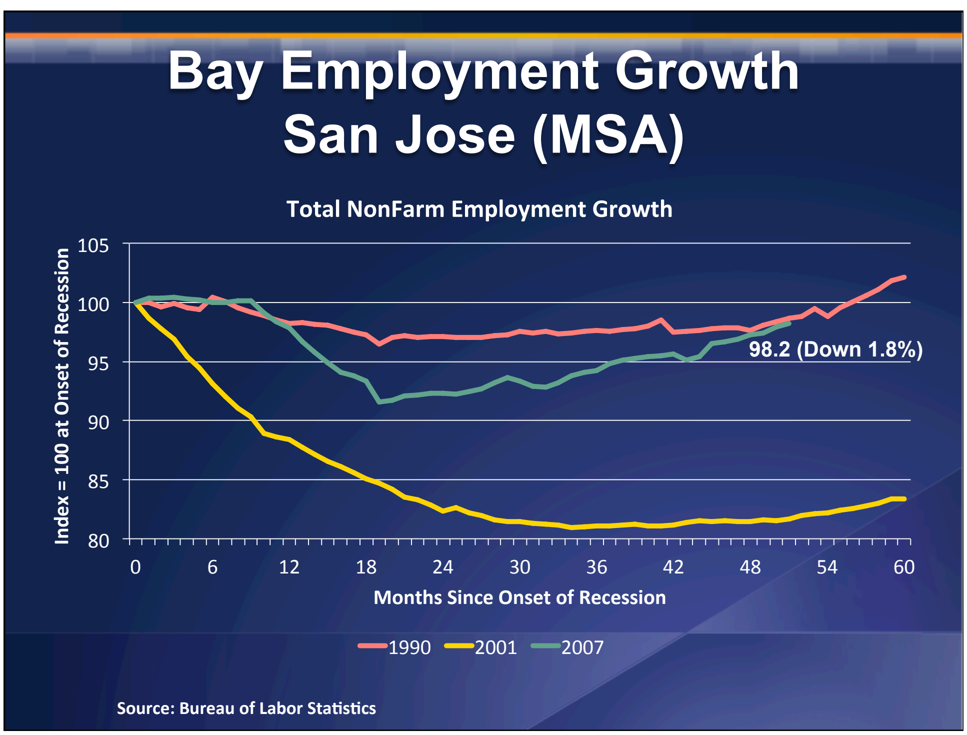
Source: California Employment Development Department

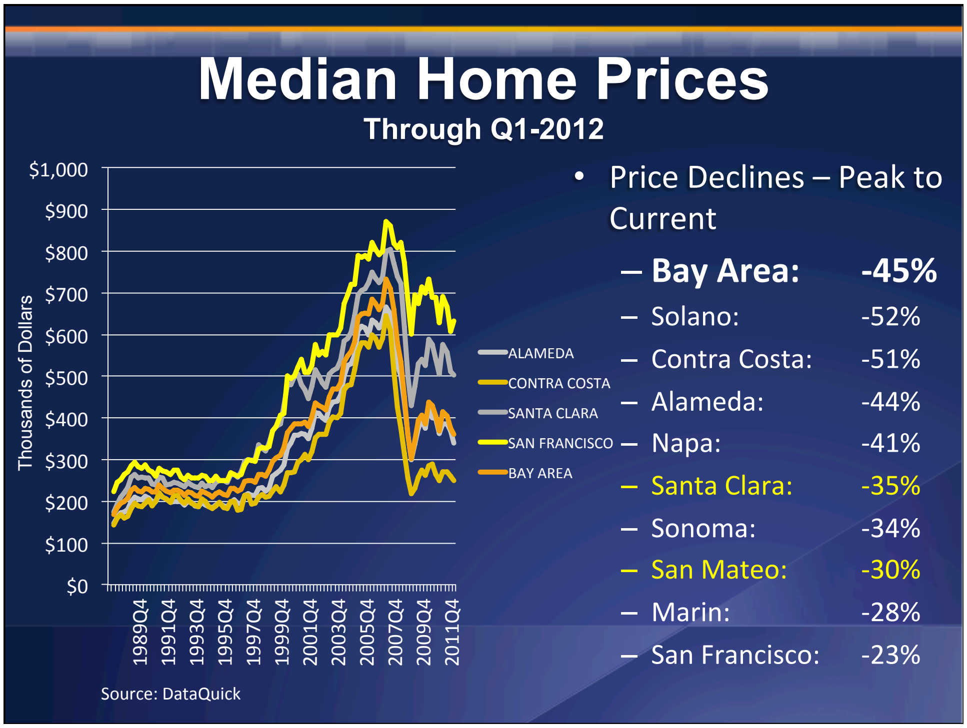
Regional Employment Growth

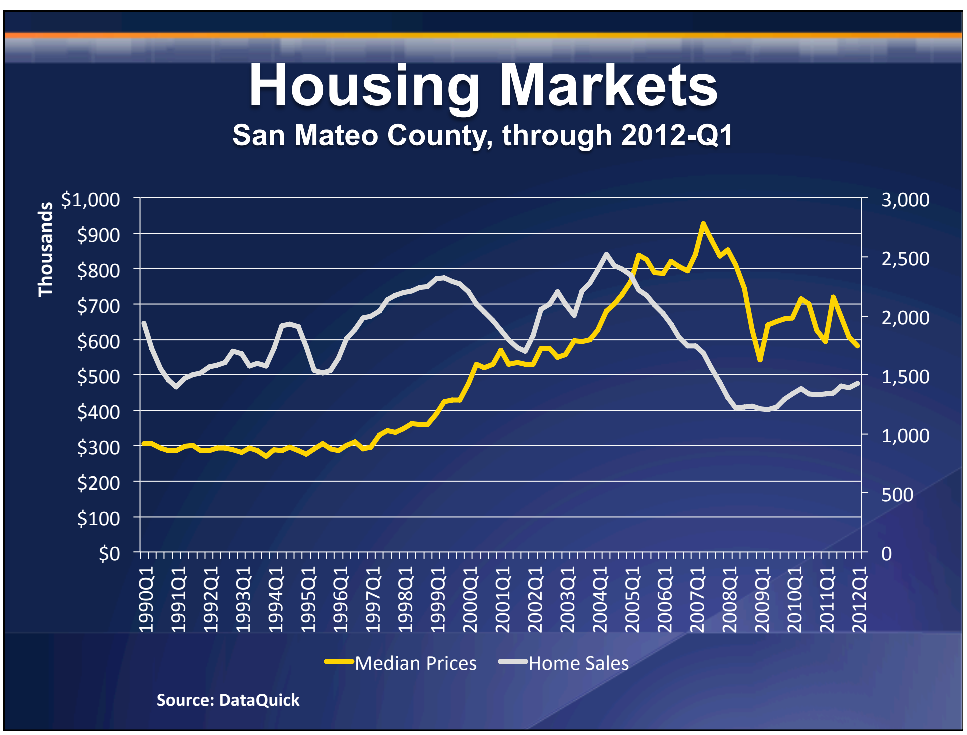
% Change – Annualized Rate for Jan-Apr 2012

Industry	US	CA	Bay Area	San Francisco	South Bay
Total NonFarm	**1.8**	**1.3**	**4.1**	**4.0**	**4.4**
PSTS (Prof, Sci, Tech)	4.5	4.9	7.0	6.9	4.9
Information	-1.8	-3.1	3.2	5.7	3.1
Construction	0.7	0.0	9.5	13.5	22.5
Retail Trade	0.4	2.4	6.7	6.7	6.1


Bay Employment Growth
San Francisco (MD)
Total NonFarm Employment Growth
Index = 100 at Onset of Recession
105
100
95
90
85
80
0
6
12
18
24
30
36
42
48
54
60
Months Since Onset of Recession
96.9 (Down 3.1%)
1990
2001
2007
Source: Bureau of Labor Statistics

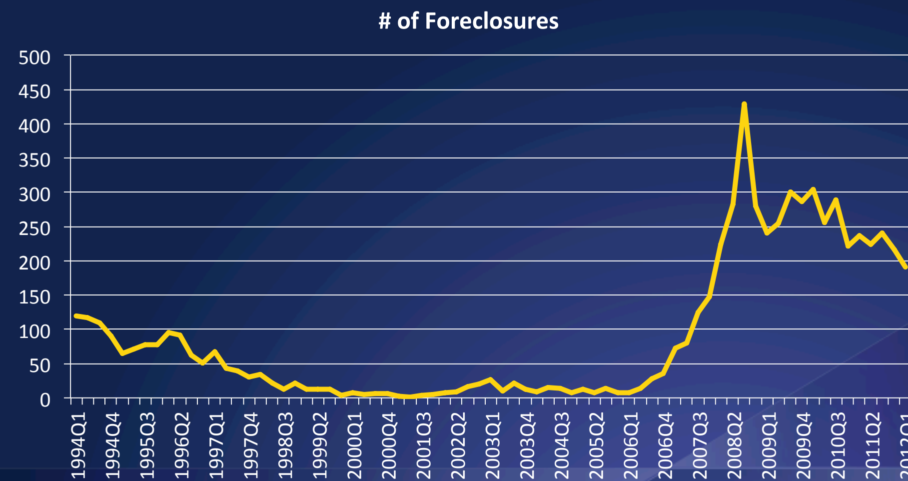

Bay Employment Growth
San Jose (MSA)
Total NonFarm Employment Growth
Index = 100 at Onset of Recession
105
100
95
90
85
80
0
6
12
18
24
30
36
42
48
54
60
Months Since Onset of Recession
98.2 (Down 1.8%)
1990
2001
2007
Source: Bureau of Labor Statistics


Median Home Prices
Through Q1-2012
Thousands of Dollars
$1,000
$900
$800
$700
$600
$500
$400
$300
$200
$100
$0
1989Q4
1991Q4
1993Q4
1995Q4
1997Q4
1999Q4
2001Q4
2003Q4
2005Q4
2007Q4
2009Q4
2011Q4
ALAMEDA
CONTRA COSTA
SANTA CLARA
SAN FRANCISCO
BAY AREA
• Price Declines – Peak to Current
– Bay Area: -45%
– Solano: -52%
– Contra Costa: -51%
– Alameda: -44%
– Napa: -41%
– Santa Clara: -35%
– Sonoma: -34%
– San Mateo: -30%
– Marin: -28%
– San Francisco: -23%
Source: DataQuick


Housing Markets
San Mateo County, through 2012-Q1
Thousands
$1,000
$900
$800
$700
$600
$500
$400
$300
$200
$100
$0
3,000
2,500
2,000
1,500
1,000
500
0
1990Q1
1991Q1
1992Q1
1993Q1
1994Q1
1995Q1
1996Q1
1997Q1
1998Q1
1999Q1
2000Q1
2001Q1
2002Q1
2003Q1
2004Q1
2005Q1
2006Q1
2007Q1
2008Q1
2009Q1
2010Q1
2011Q1
2012Q1
Median Prices
Home Sales
Source: DataQuick

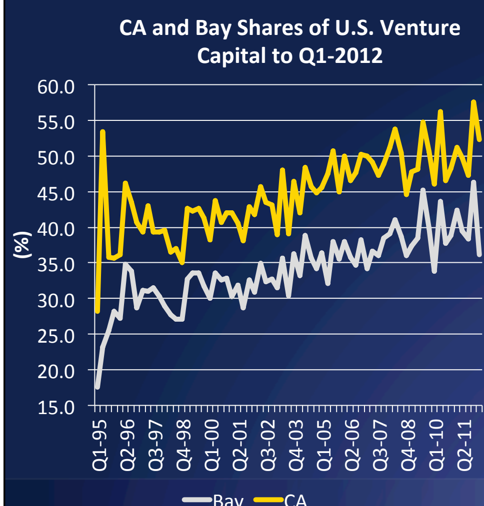
Housing Difficulty

San Mateo County, through 2012-Q1



Source: DataQuick

Venture Capital



Q1-2012	Value of All Deals (Millions)	% of Total US VC
Bay Area	2,080	36
California	3,012	52
United States	5,752	

Source: PriceWaterhouseCoopers MoneyTree

Venture Capital
Largest VC Investments of Q1

Company	City	Amount ($ Millions)	Industry
SquareTrade, Inc.	San Francisco	238	Consumer Prod.
Trion Worlds, Inc.	Redwood City	85	Software
Yammer, Inc.	San Francisco	85	Media and Entertainment
PlayPhone, Inc.	San Jose	67	Software
SolarCity Corp.	San Mateo	66	Industrial Energy

Source: PriceWaterhouseCoopers MoneyTree

Summary

- US Recovery is slow…perhaps slowing?
  – Many obstacles in the way: great uncertainty
- San Mateo area is doing relatively well
  – Strengths are in demand (PSTS, Info)
- Housing markets are showing some signs of life
  – Especially in the S. Bay
- Long term implications of the current situation are very troubling
  – Unemployment
  – Levels of investment

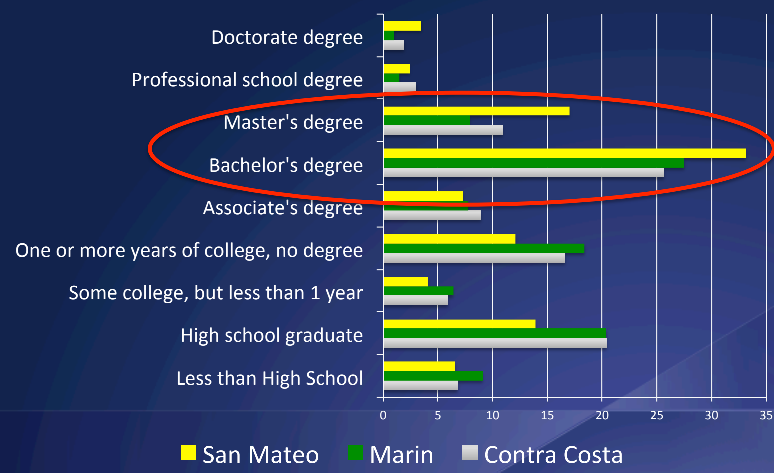
San Mateo Labor Supply and Commute Patterns

- 2010
  - 115,000 Resident workers
  - 177,000 Residents commute OUT
  - 175,000 Workers commute IN
- Top Trading Partners
  - San Francisco 101,000
  - Santa Clara 87,000
  - Alameda 60,000
  - Contra Costa 20,000

San Mateo Commutes

County	% of Residents Work that in County	% of Employees that Live in County
Solano	36	39
Contra Costa	39	51
San Mateo	40	40
Marin	41	39
Alameda	49	47
Napa	55	52
San Francisco	60	40
Sonoma	63	71
Santa Clara	71	61

Bedroom County? Shares of In-Commuters



Directional Flows

	To (Out)	From (In)
San Mateo	40%	40%
San Francisco	23%	12%
Santa Clara	16%	13%
Alameda	11%	13%
Contra Costa	2%	5%
Total	**92%**	**83%**
Other	8%	17%

Most Common Commutes

Table 9: Top 5 Cross-County Commutes

Home City	Work City	Number	Share (%)
Daly City	San Francisco	17,194	4.9
S. San Francisco	San Francisco	8,202	2.3
San Francisco	S. San Francisco	7,397	2.1
San Mateo	San Francisco	7,109	2.0
Pacifica	San Francisco	5,607	1.6
	Total Top 5	45,509	13.0

Source: U.S. Census Bureau, 2010 LEHD.

Table 10: Top Within-County Commutes

Home City	Work City	Number	Share (%)
San Mateo	Burlingame	2,642	2.3
Daly City	S. San Francisco	2,139	1.8
San Mateo	Redwood City	2,103	1.8
San Mateo	S. San Francisco	1,629	1.4
San Mateo	Foster City	1,587	1.4
	Total Top 5	10,100	8.7
Same City	Same City	22,781	19.7

Source: U.S. Census Bureau, 2010 LEHD.

Commute Times and Modes for San Mateo County

	CROSS-County Commuters		WITHIN-County Commuters	
	Time (Mins)	Share	Time (Mins)	Share
Car	37	86	18	86
Public Transportation	54	11	41	4
Other	37	3	15	10

Source: 2010 5-year American Community Survey

Who Commutes Across County Lines?

- Generally more highly educated
  - % w/Bachelor's Degree
    - All Residents: 49.2
    - Commute Out: 57.2
    - Commute In: 56.0
    - Resident Workers: 40.7
- Higher earnings
    - $85,400 vs 65,800 overall
    - $91,000 vs 81,400 with a bachelor's degree

Directional Education Flows

- % with at Least a Bachelor's Degree

	Commute Out	Commute In
San Francisco	50.2	**62.1**
Santa Clara	**68.1**	63.4
Alameda	**54.3**	48.8
Contra Costa	**58.7**	46.3
All Counties	**57.2**	56.0

Who Commutes? (2)

- Age – no clear pattern:
  - Younger (26-45) more commonly travel IN
  - Older (46-55) more commonly travel OUT
- Occupations

Commute Into SMC	Commute Out of SMC
Management	Management
Comp. and Math Occupations	Office and Admin Support
Office and Admin Support	Sales and Related
Sales and Related	Bus. And Financial Operations

Who Commutes? (3)

- Industries

Commute Into SMC	Commute Out of SMC
Prof., Sci, and Tech. Srvcs	Prof., Sci, and Tech. Srvcs
Manufacturing	Health Care & Soc. Assist
Retail Trade	Manufacturing
Trans and Warehousing	Educational Services

Findings

- San Mateo is **not** a bedroom community
  - Straddles 2 different economies
  - Substantial overlap in types of commuters
- Workforce development
  - Broader labor market than just San Mateo County
- Economic Development
  - Can trumpet the wide range of labor available
- Infrastructure
  - Lot's of cross-county commuting
  - Can inform residential RE planning

Bay Area Council Economic Institute

- *Regional Analysis*
- *Business & Market Analysis*
- *Ports & Infrastructure Analysis*
- *Economic Impact Analysis*
- *Public Policy Analysis*

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