

Construction, Structural Change and the California Economy

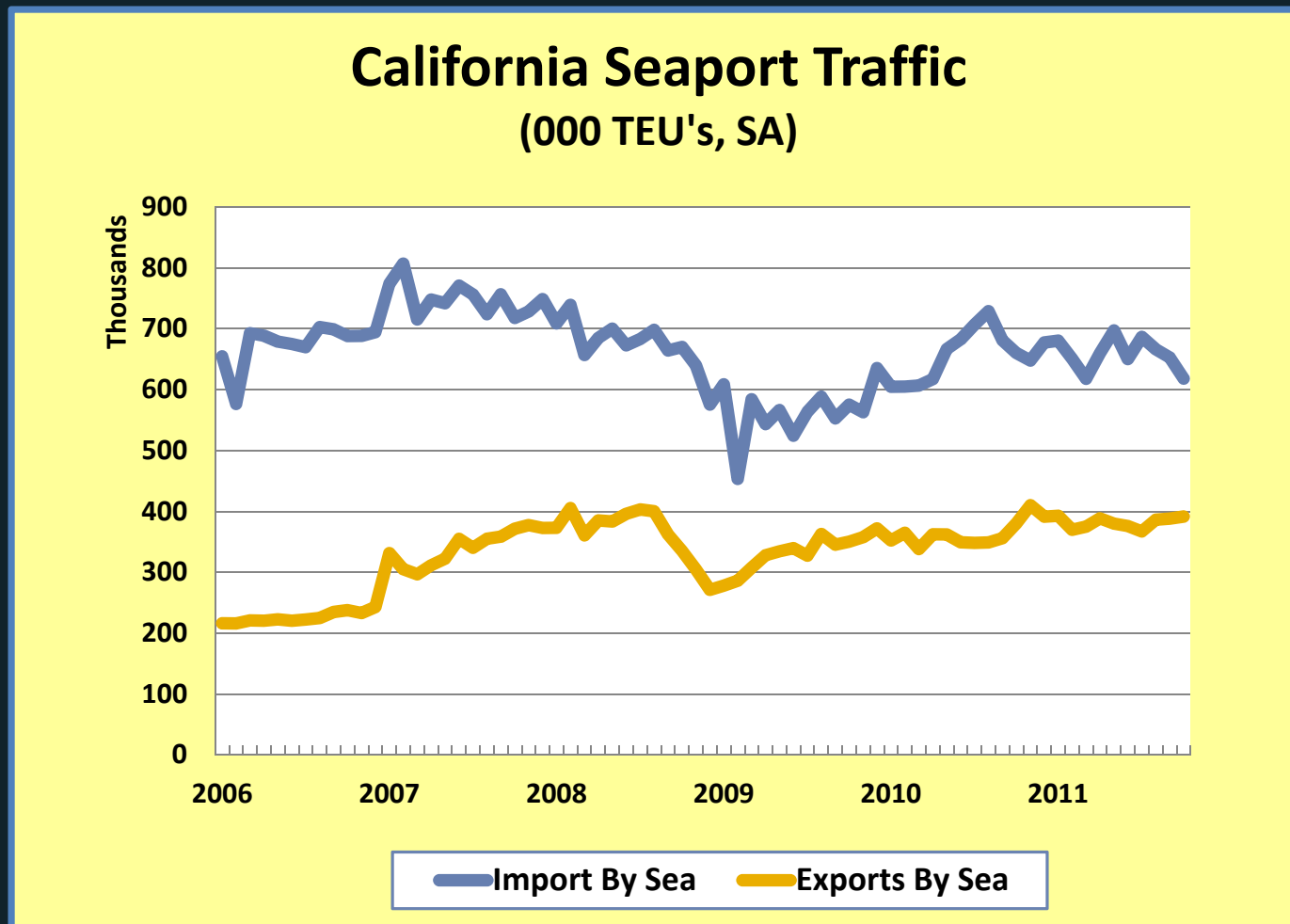
Jerry Nickelsburg
Senior Economist
UCLA Anderson Forecast

Assembly Committee on Housing and
Community Development Hearing
December 5, 2011

Main Themes

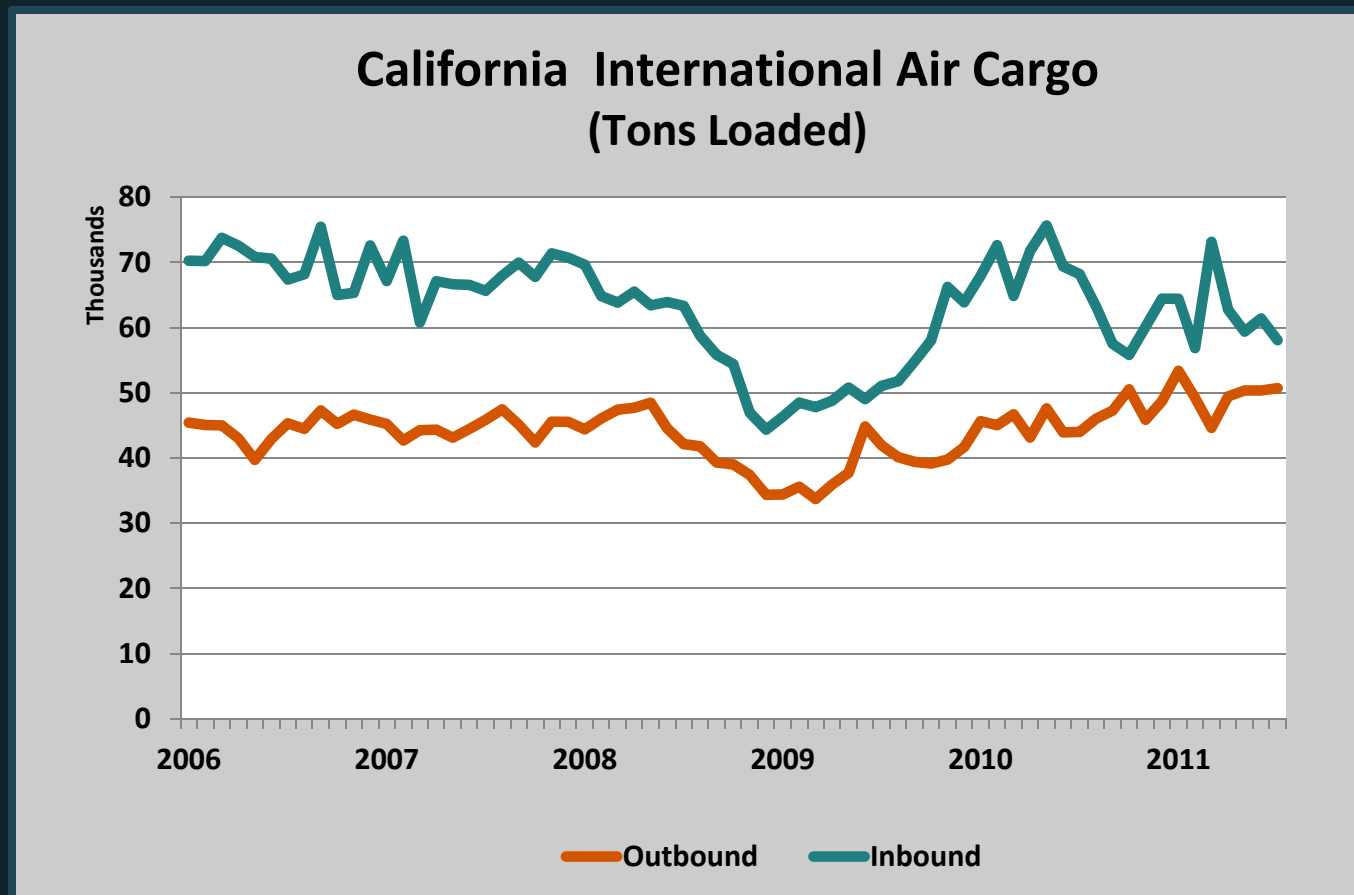
- Trade and Employment Data—An Uneven and weak recovery indicated
- Housing demand shifts to the coast
- The foreclosure issue
- Implications for construction employment

Export growth shows a hint of life



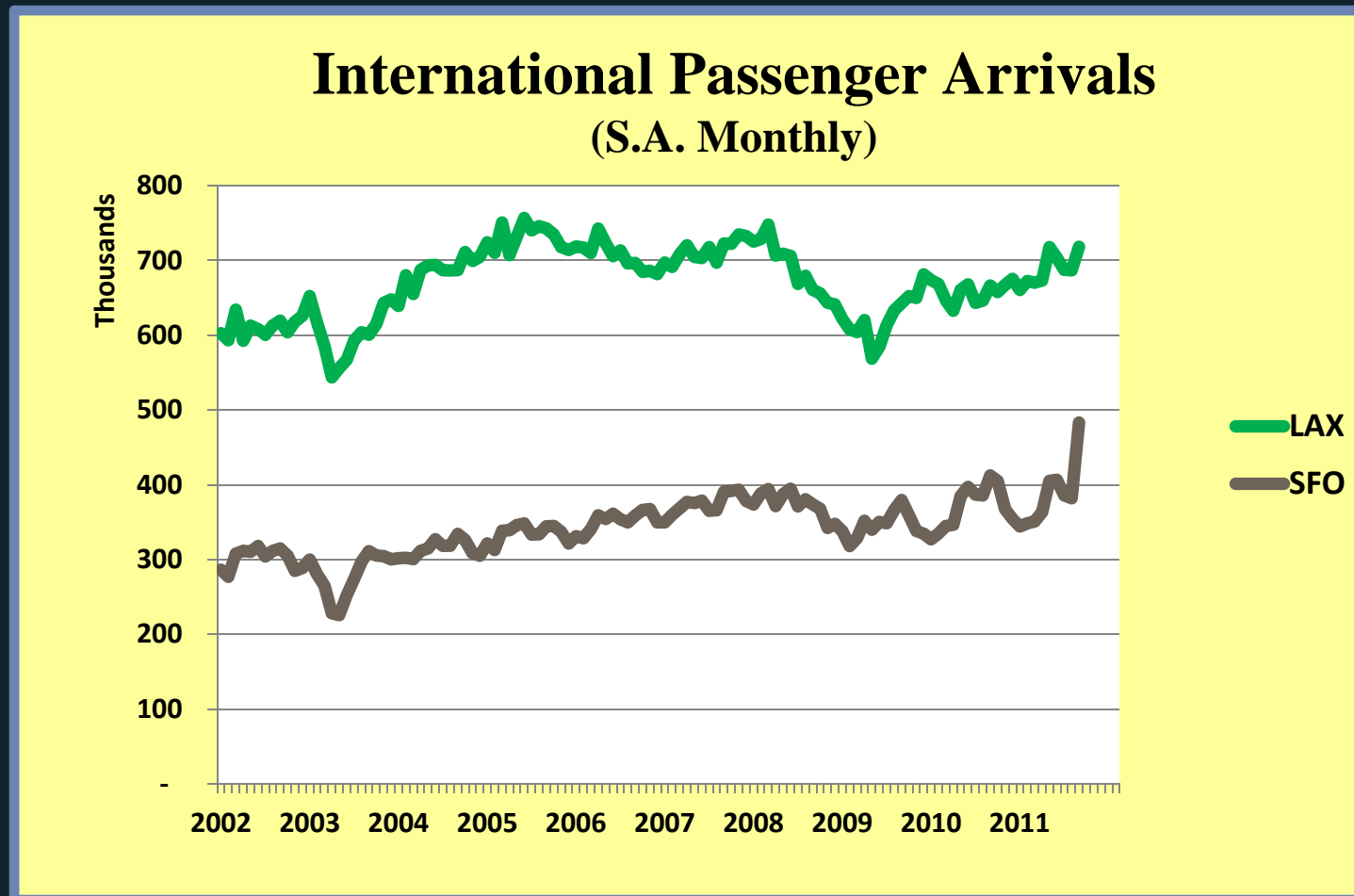
Sources: Ports of Long Beach, Los Angeles, and Oakland, UCLA Anderson Forecast

International Air Cargo



Sources: SFO and LAX Airports, UCLA Anderson Forecast

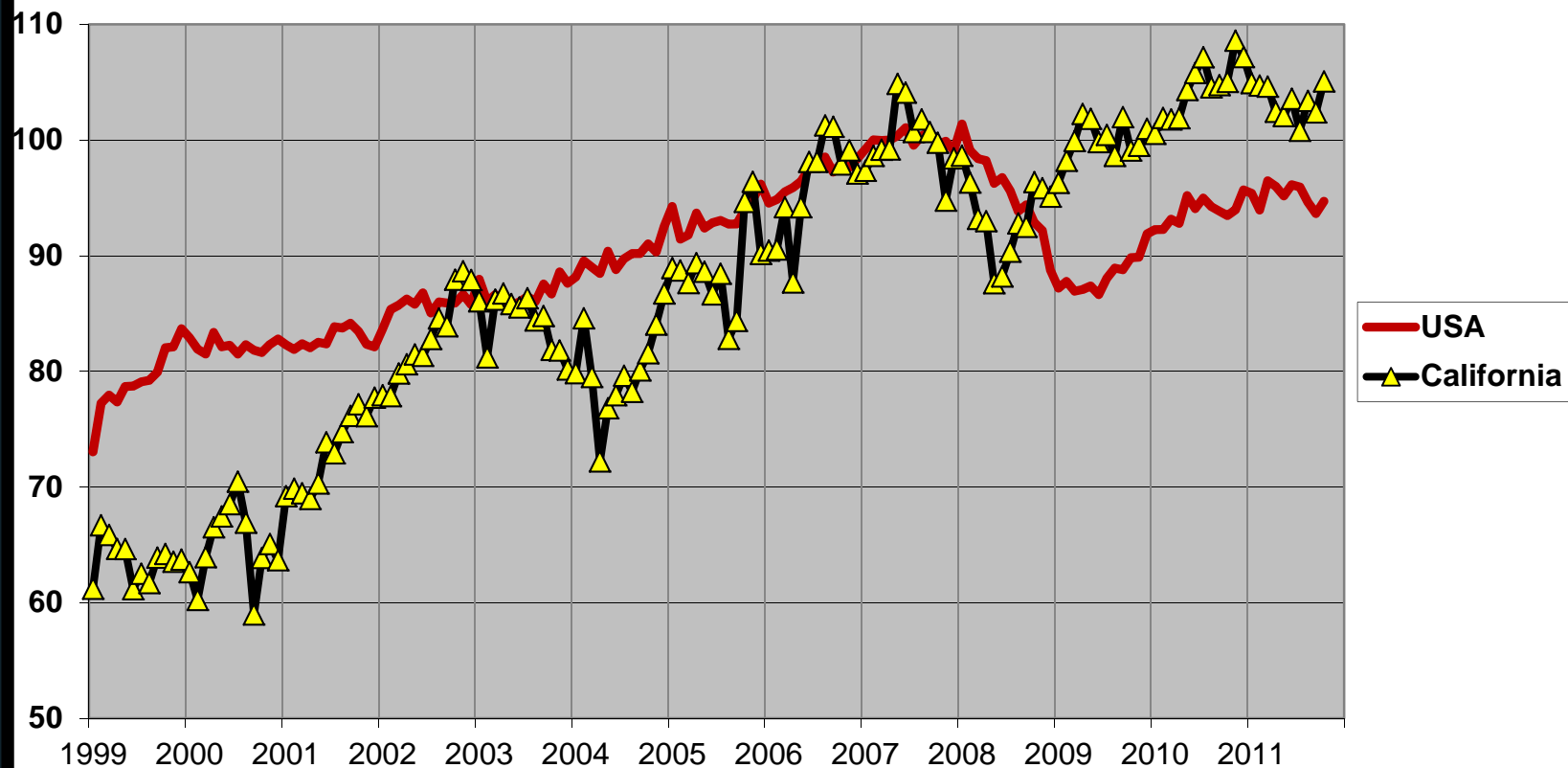
International Tourism growing



Sources: SFO and LAX Airports, UCLA Anderson Forecast

Diesel Truck Traffic

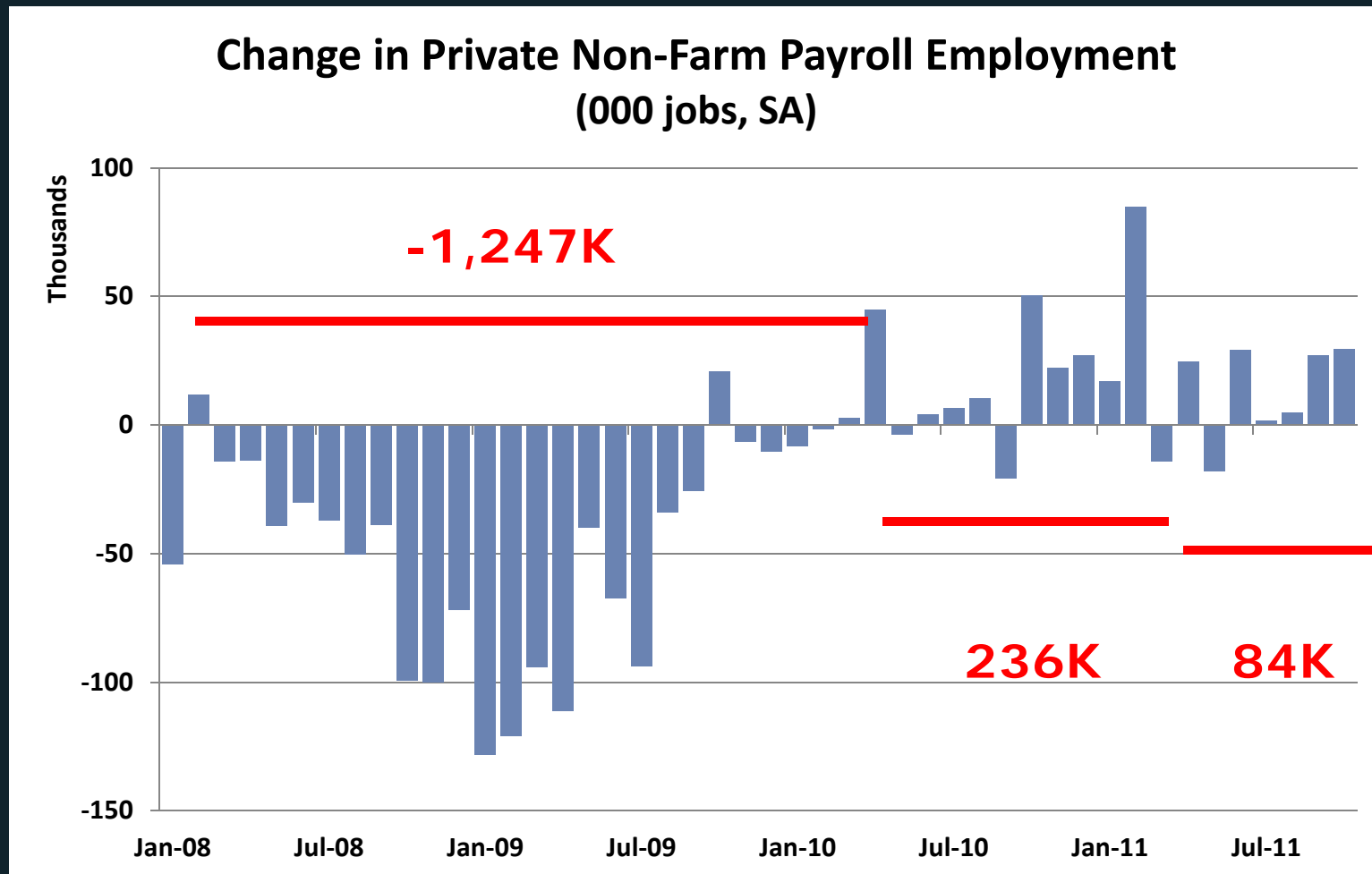
Ceridian-UCLA Pulse of Commerce Index, 1999 to 2011
Workday and Seasonally Adj., 2007=100



Sources: Ceridian, UCLA Anderson Forecast

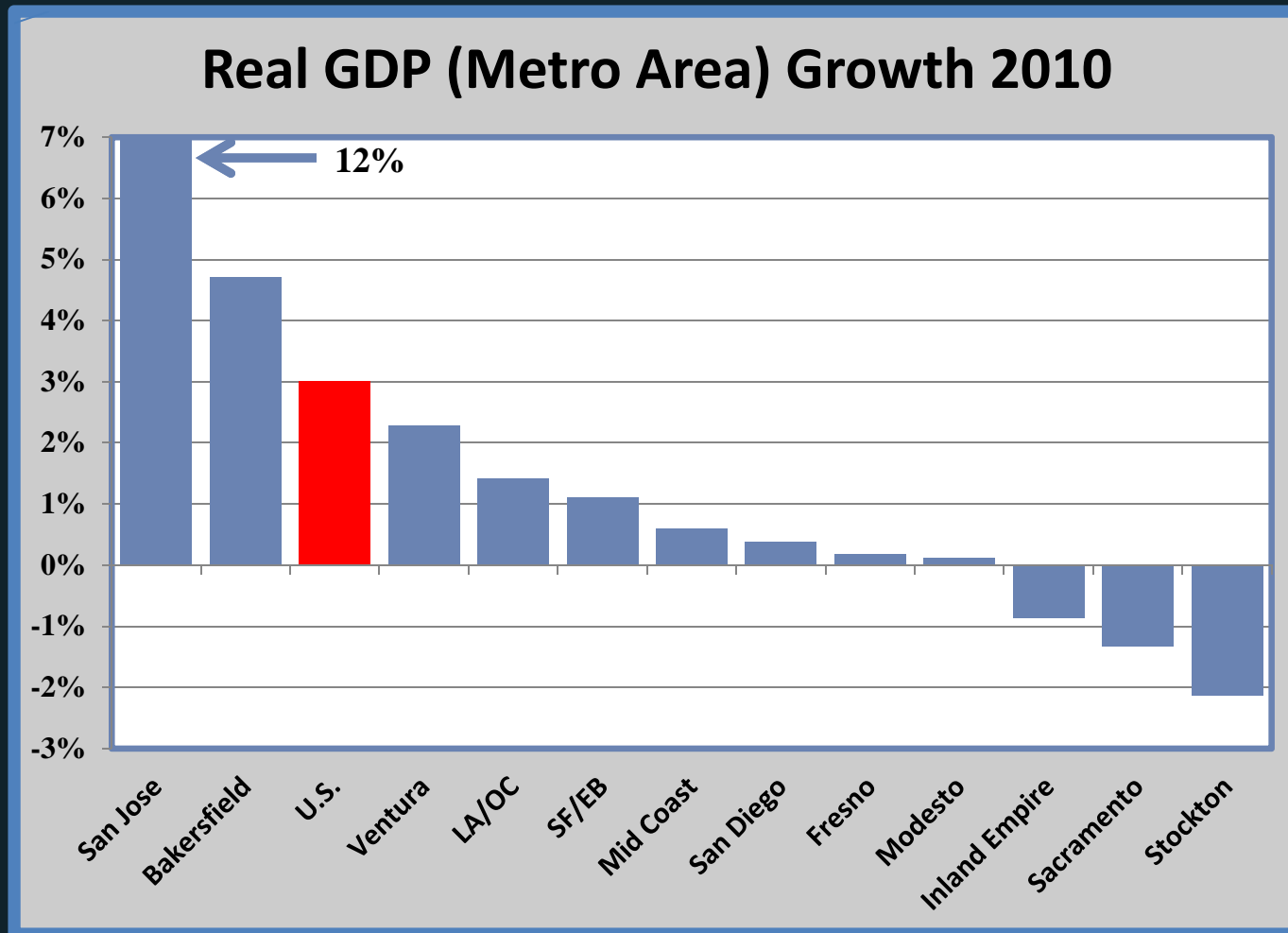
Job Formation

**Change in Private Non-Farm Payroll Employment
(000 jobs, SA)**



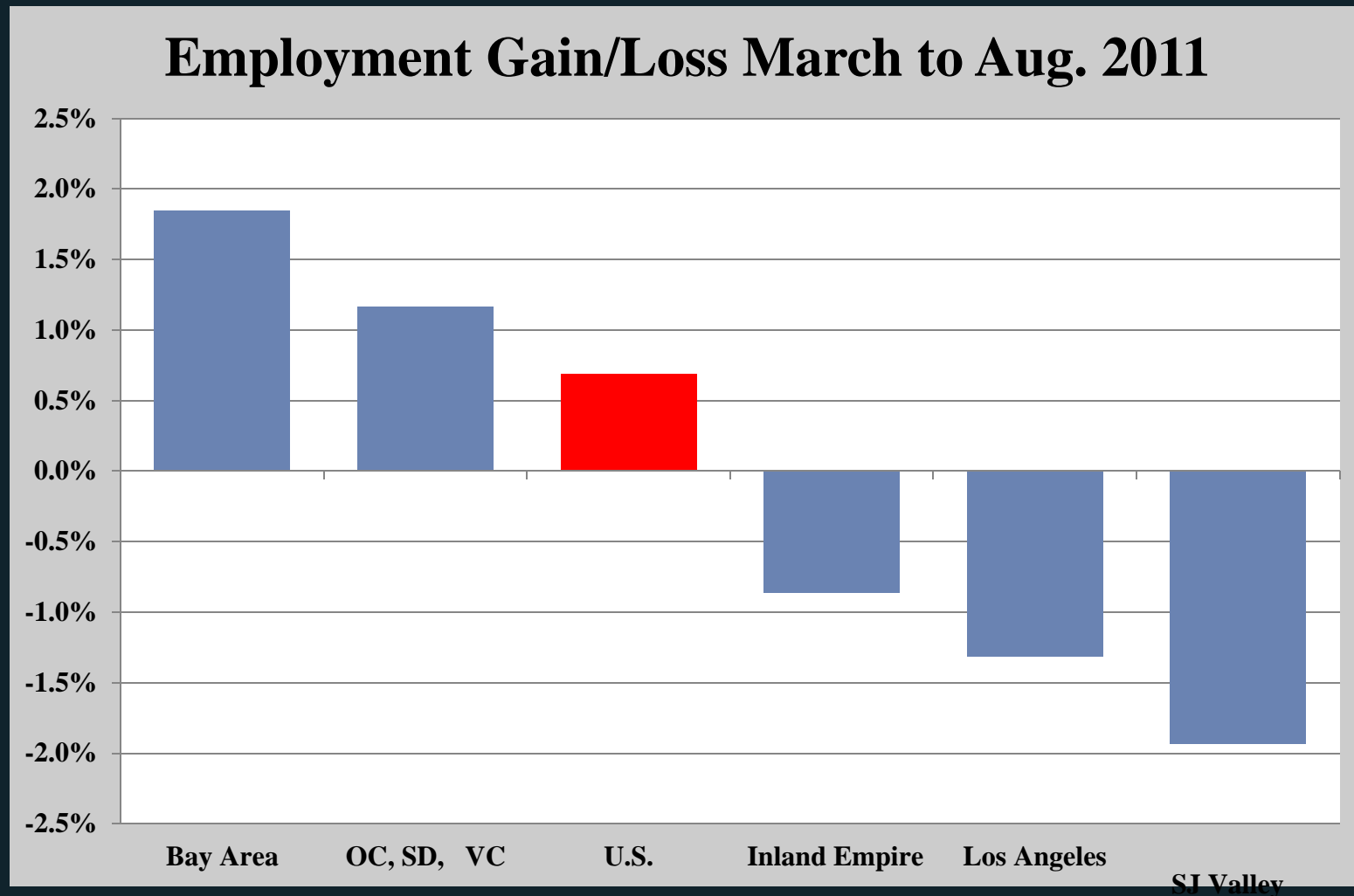
Source: California Employment Development Department

CA Geography of Growth



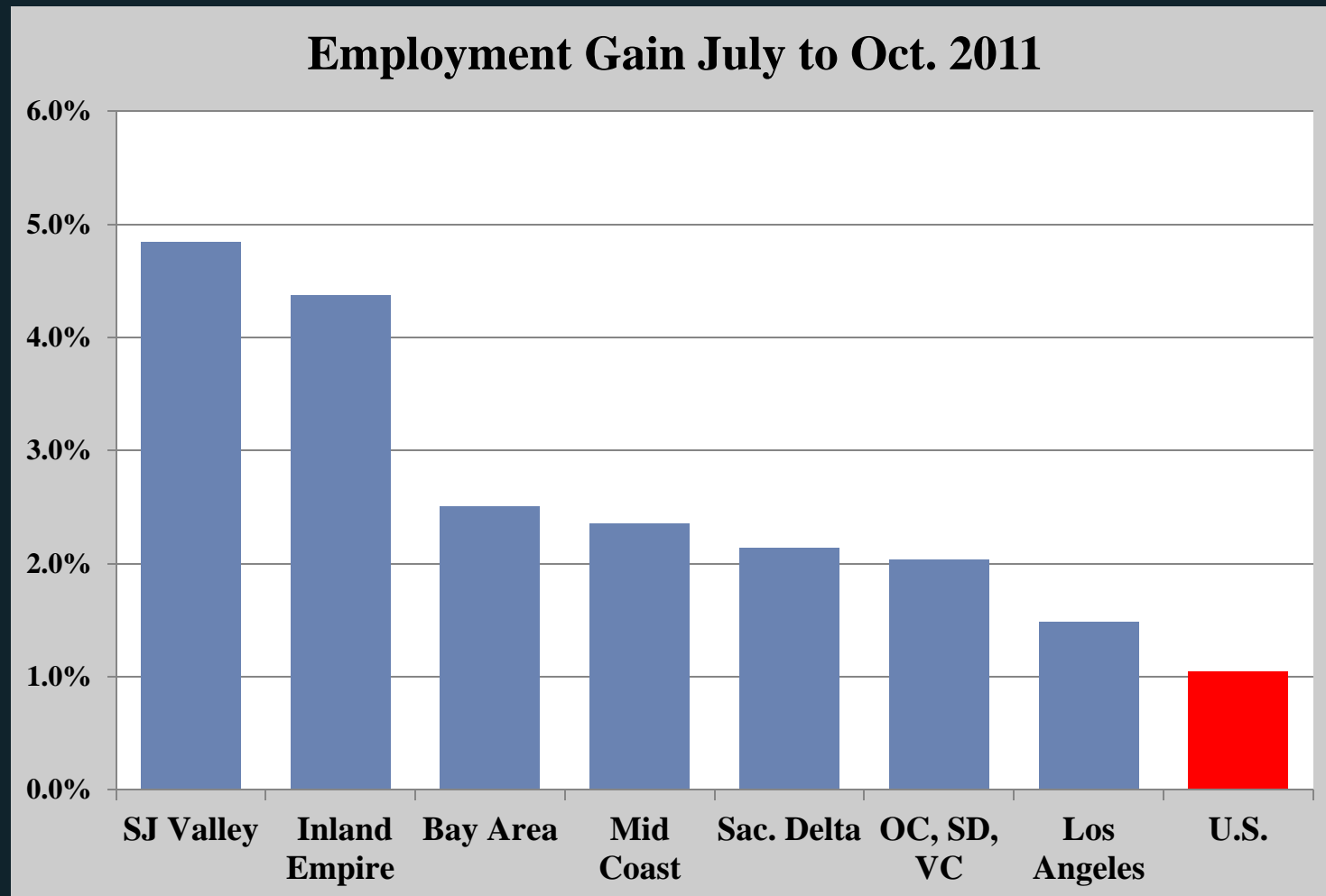
Sources: U.S. Bureau of Economic Analysis

CA Geography of Employment



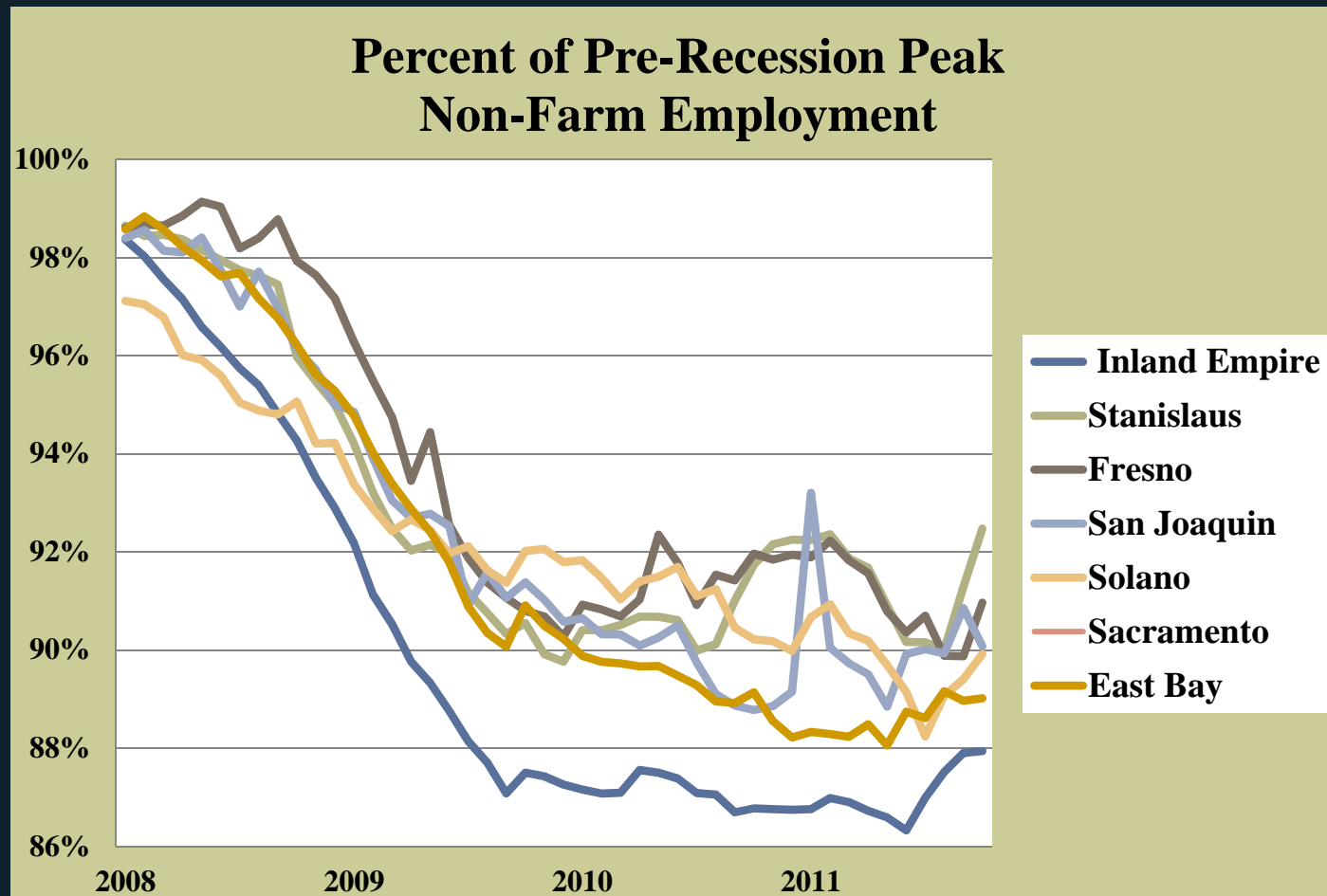
Source: California Employment Development Department, U.S. Bureau of Labor Statistics

CA Geography of Employment (cont.)



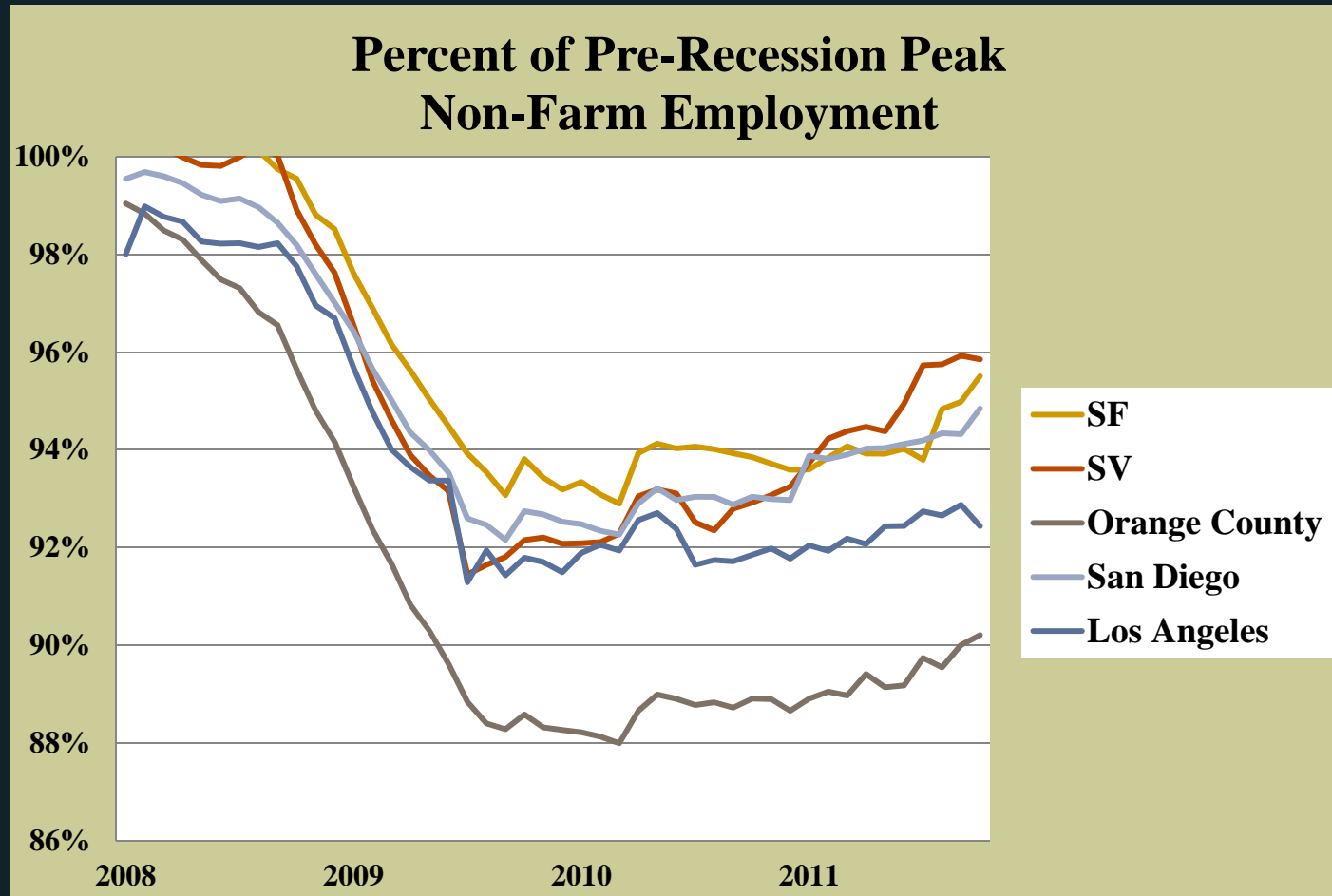
Source: California Employment Development Department, U.S. Bureau of Labor Statistics

Recovery Inland Remains Distant



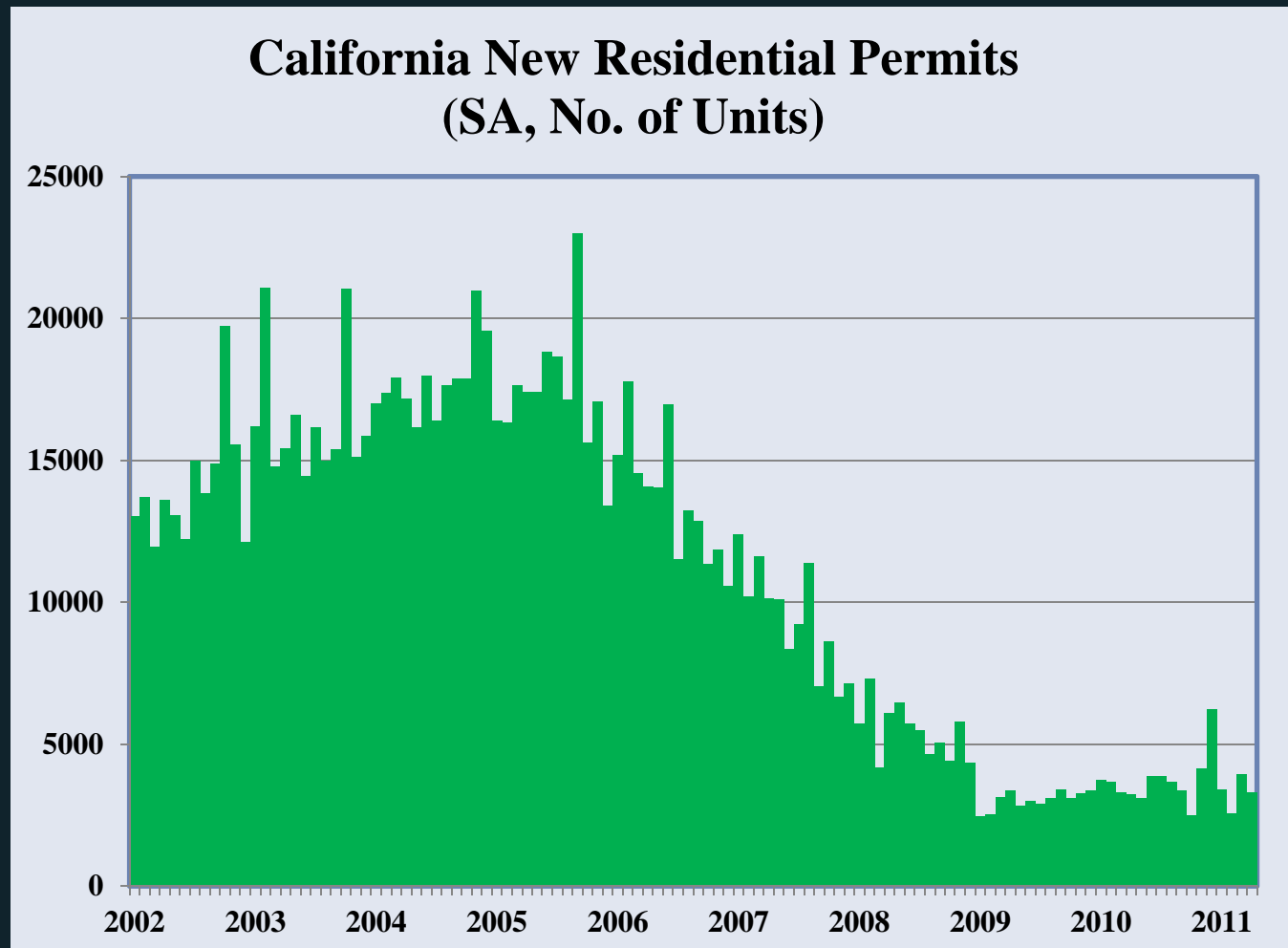
Source: California Employment Development Department

Coastal Recovery Slow But Steady



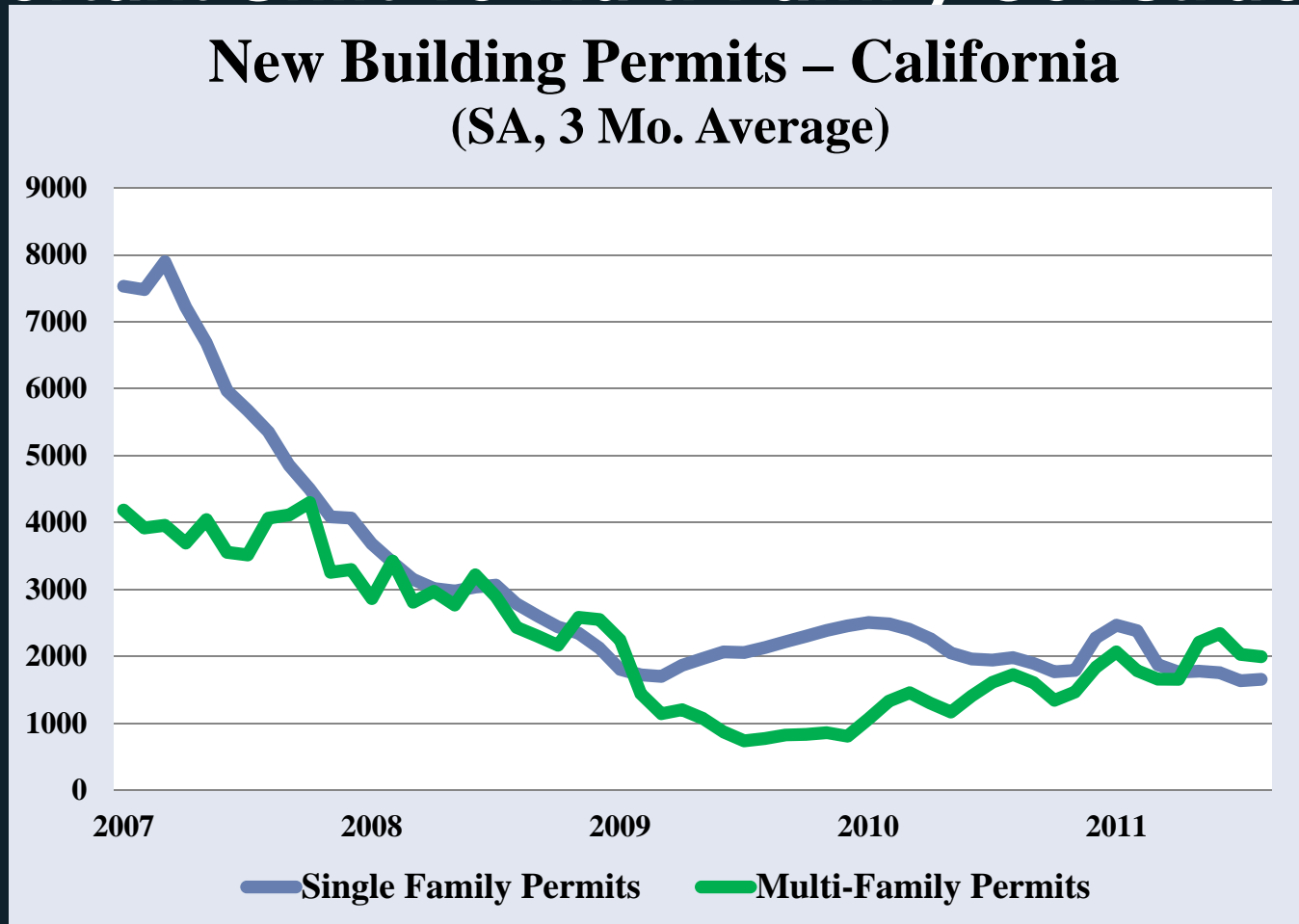
Source: California Employment Development Department

Statewide Construction Remains Minimal



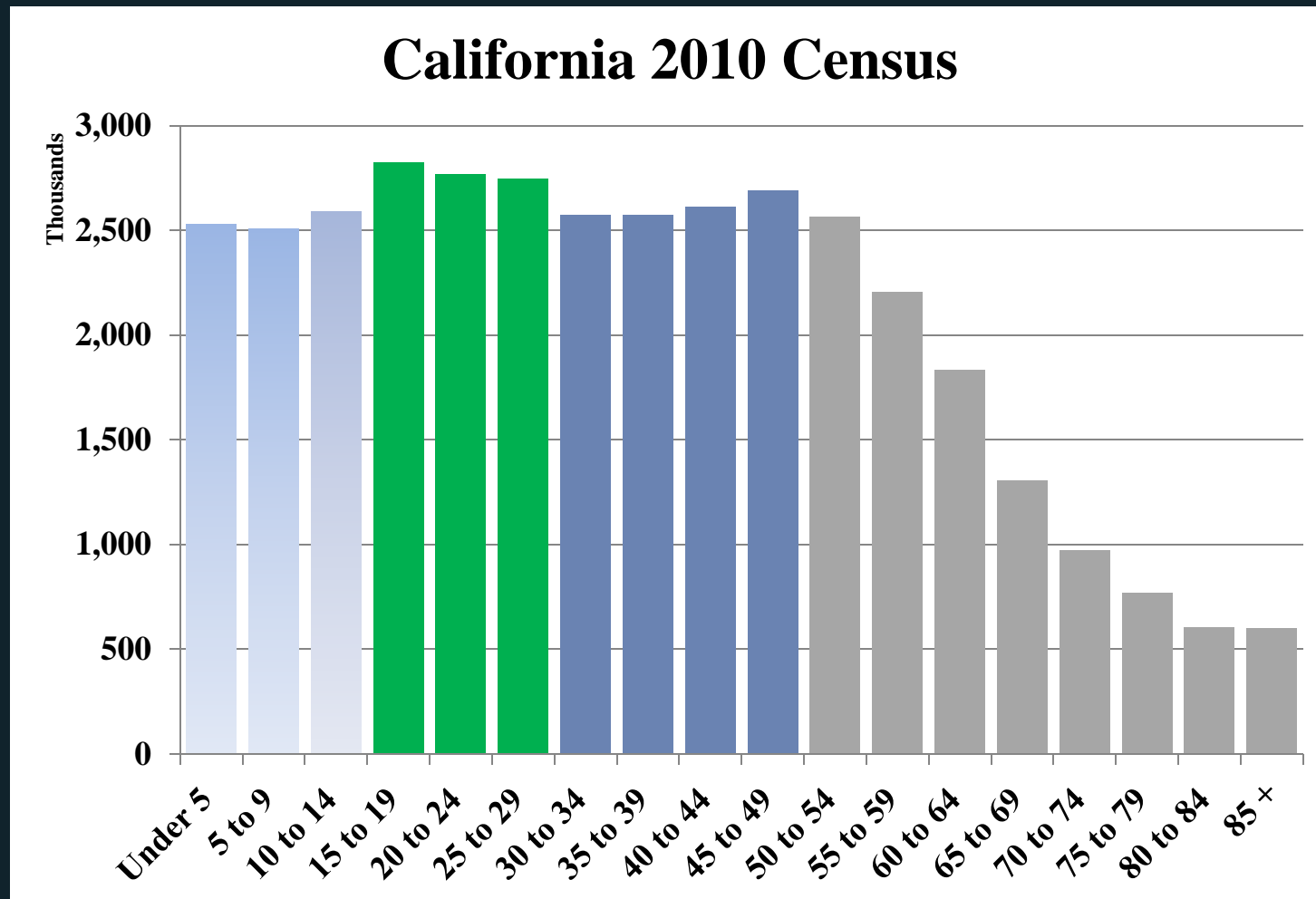
Source: CIRB, UCLA Anderson Forecast

But Aggregate Building Masks An Important Shift To Multi-Family Construction



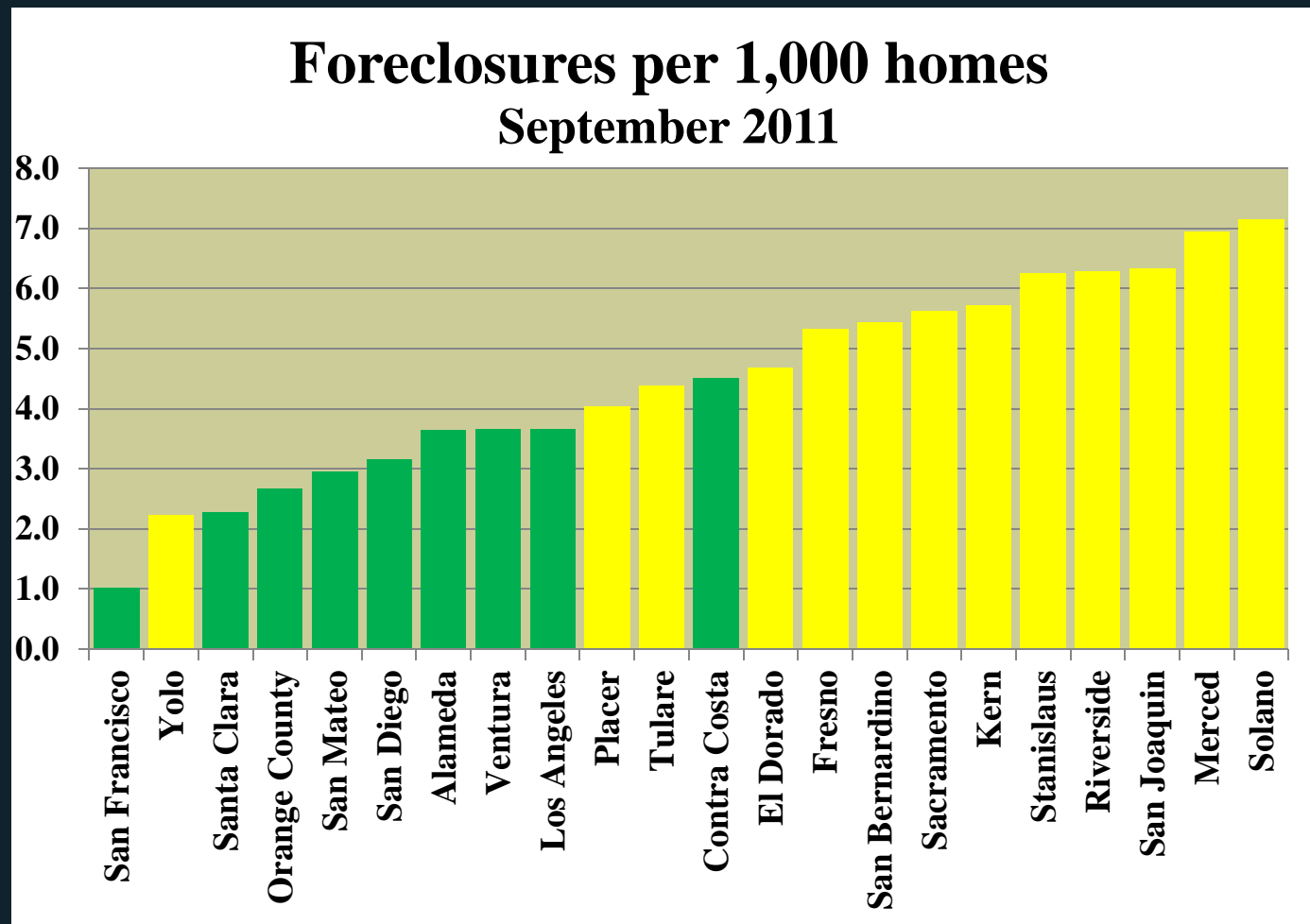
Source: CIRB, UCLA Anderson Forecast

The Demographics Behind Housing Demand



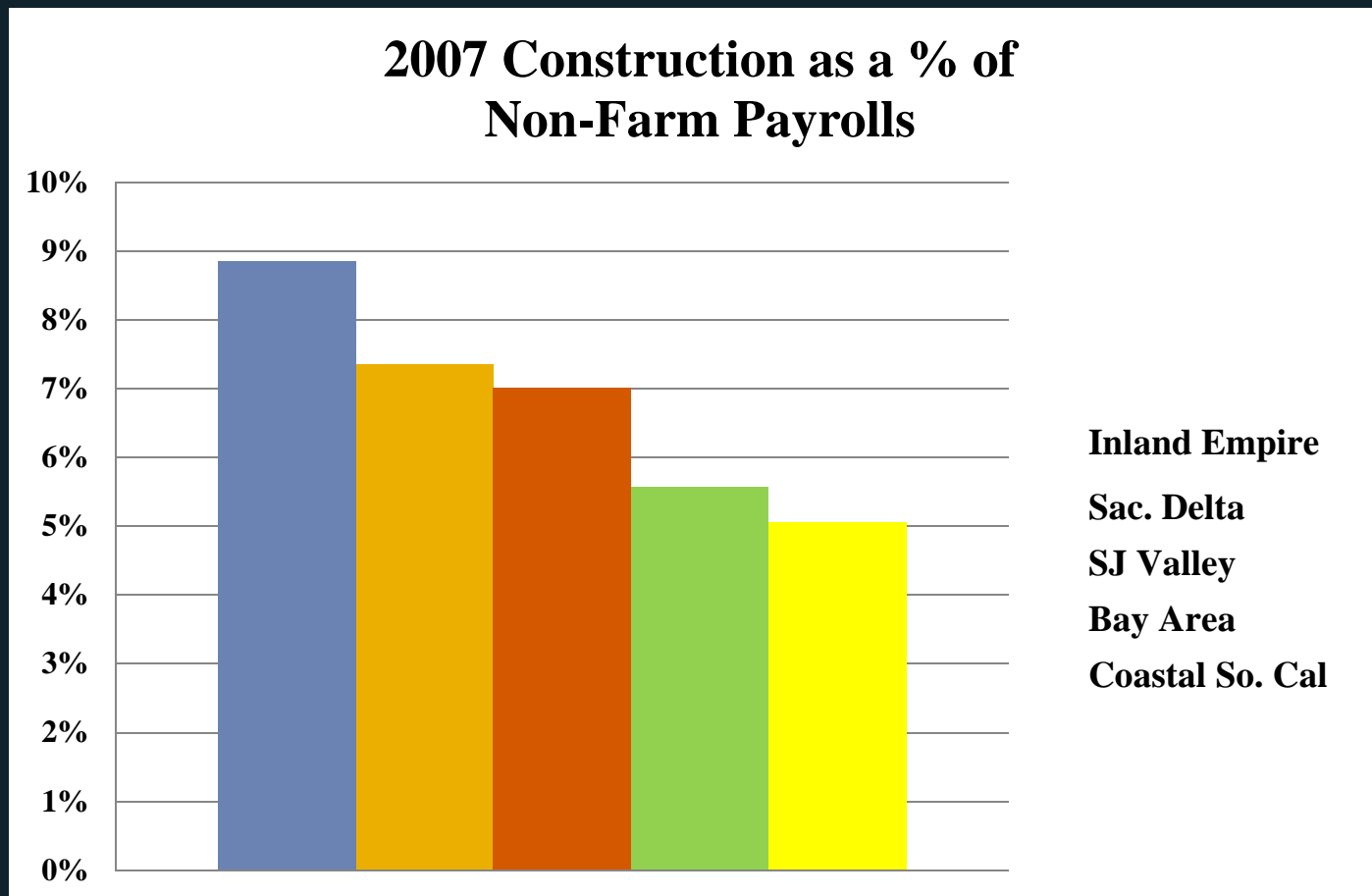
Source: U.S. Department of Census

Supply is Ample Where Demand is Weakest

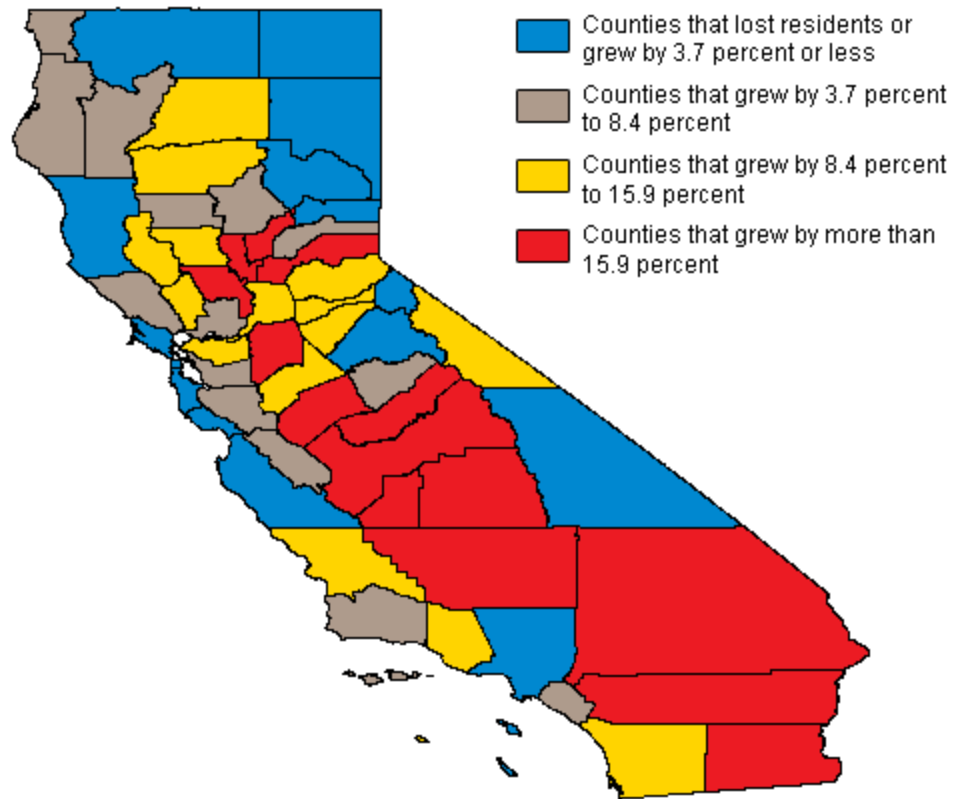


Source: Realty Trac

Where are the Construction Workers?



Source: California Employment Development Board

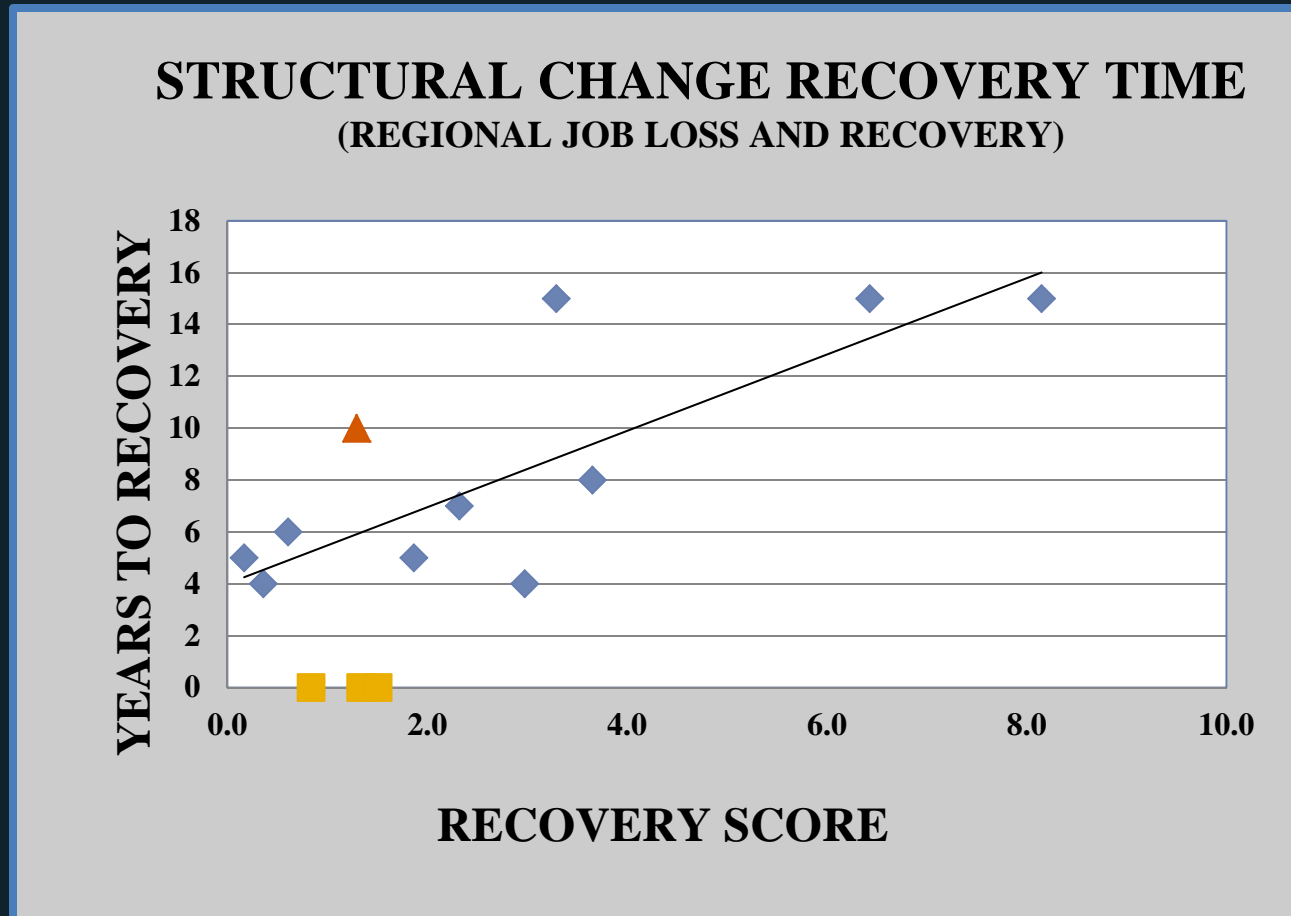


Construction employment levels previously supported by immigration and demand for single family homes

Shift to multi-family & slowdown of immigration implies permanent displacement of inland construction workers

Sources: U.S. Census Bureau, Orange County Register, California EDD

Inland California: How long to recovery? A Historical Analysis



Source: UCLA Anderson Forecast

Summary

- California is growing, but growth is skewed towards coastal cities
- Inland is California's big residential construction market and there is slack demand and ample supply
- Inland is forecast to recover no sooner than 2017
- Faster job creation and more job opportunities Inland is the quickest way to move California's "dead in the water" Inland residential construction sector.
- Quicker approvals of multi-family projects will speed recovery of residential construction in coastal cities.