ROCKY MOUNTAIN LAND USE INSTITUTE
MOVING BEYOND RECESSION:

WINNERS AND LOSERS OF THE 2008-2010 RECESSION

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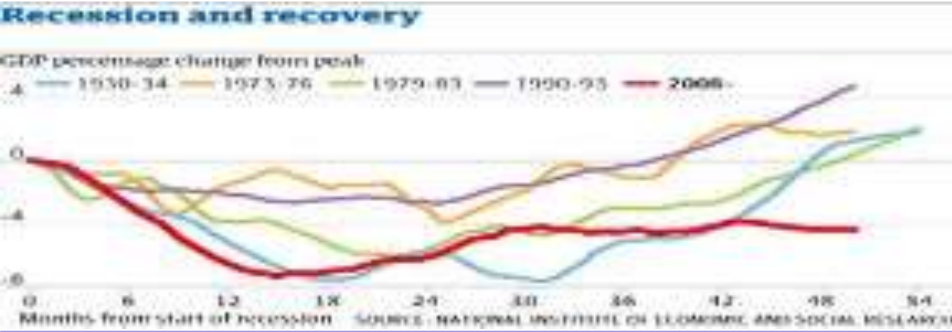
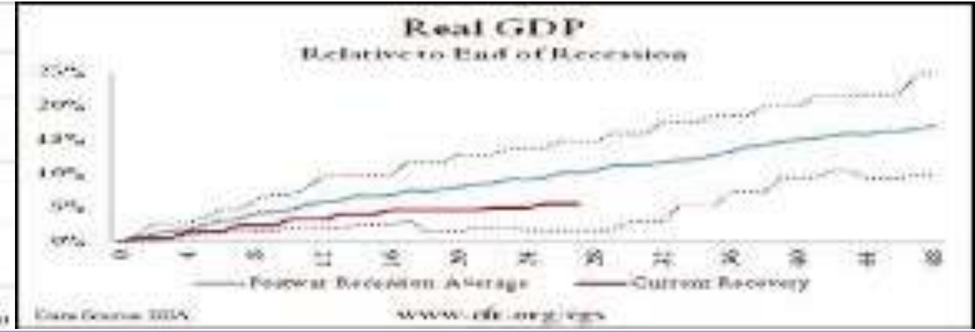
Recession (2008-2010) and Recovery (2010-2014) Effects

Recession (2008-2010)

- Longest Post-War recession: 18 months vs. 10.5 month average.
- Deepest recession: employment loss: -6.3 percent (8.7 million jobs); output -5.1 percent
- 2008-2010 – 40% households – unemployed, negative equity or in arrears.
- 1940s-1990s recessions never took more than two years to gain back all jobs.
  - 1990-1991 (-1.7 million jobs) – 21 months
  - 2001-2003 (dot-com bust) (-2.7 million jobs) – 18 months
  - Current recession (-8.7 million jobs) – 48 months
- Six years is the overall time in recession and recovery; double the worst previous post-war recession.





Post Recession (2010-2014)

- Unemployment in 10/2009 rose to 10+% near the 1980 Post-War high of 11%. Currently (2014) the unemployment rate is 7.00%.
  - Share of unemployment for 27 weeks or more (2014), is 45% of total unemployed; 4.4% of the total labor force.
  - People who want to work full time but can't find work or can only find part-time work – 17% 11/2009; 12.7% 1/2014.
  - Beginning of recovery (July 2010), 7 people looking for every job available; today, 2.5 people looking for every job available.
  - GDP would have been lower today and unemployment higher, without the American Recovery Act (09 Stimulus).
  - Personal savings rate 15% (1975); 0.8% (2005); 6.4% (2013); 3.9% (2014).

Losers and Winners of the Recession

THE EMPLOYMENT SECTOR

- **Losers**
  - Proportion of U.S. jobs that are part-time at an all time high.
  - Overall job losses – real estate (-12,000) hardest hit followed by: construction (-7,200), and hotel/motel (-6,000) [2008-2010].
  - Those out of the labor force largest number of any postwar recession. 5.7 million fewer are working or looking for work.
- **Winners**
  - Last 48 months – private employers added 8.7 million jobs – 181,250 per month.
  - Restored 80 percent of private sector jobs lost: 6.96 million
  - At one point it was believed that it would take until 2021 to return to 2008 employment levels; this may be done by 2016.

THE CONSTRUCTION SECTOR

- **Losers**
  - Most states – 2.4 million construction jobs nationally lost from 2007-2012 – 24% loss dropped construction from 6th to 8th largest employment sector.
  - North Carolina, Ohio, Georgia, Florida, Illinois, Michigan, California – hardest hit.
  - Road (public works) repair and construction has kept industry afloat.
- **Winners**
  - North Dakota – up 65% from 2001 – up 23% from 2010.
  - Hawaii, Oklahoma, Montana, Washington D.C. – least hit.
  - New Jersey: New Jersey Turnpike expansion and Garden State Parkway expansion are two of the largest road building projects in the United States.


THE RESIDENTIAL SECTOR

- **Losers**
  - 2014 U.S. homeownership at lowest rate in 20 years – 65.1%. May be a good thing; homeownership had gotten *too* high
  - Homeownership rates of families with children under 18 fell 15% from 2006-2012. Probably not a good thing!
  - More than half of recent residential property purchases (2013) made in cash by investors or hedge funds (investment rather than shelter is the object of purchases).
- **Winners**
  - Improved future outlook for all residential sectors; best products: infill townhouses, senior housing, SF housing.
  - Housing (2014) at 80% of peak production level of 2006.


THE MANUFACTURING SECTOR

- **Losers**
  - Output losses – in 2014, the demand for goods and services was 3.8% less than what the economy supplied.
  - This leads to persistent unemployment – idle production capacity for businesses.
  - Manufacturing continued to be led by international players (China, Mexico, India); United States reactive, not proactive.
- **Winners**
  - China labor rates higher; transportation costs increasing.
  - 2010-2013, U.S. added 500,000 new manufacturing jobs. Still low.
  - Costs of U. S. manufacturing production, post-2010, are 11 percent lower than post-2000.
  - Panama Canal widening – boon to multiple eastern ports.

THE RETAIL SECTOR (I)

- **Losers**
  - Retail stores experienced decreased demand due to eBay and Craigslist competition; could no longer pay prime rents. These electronic sites, in part, recession driven.
  - During recession (2008-2010), number of shopping trips down as well as the amount spent per shopping trip.
  - Electronic (Radio Shack), toy and department stores and office supplies (Staples) are especially hard hit.
  - Standard format restaurants; remain today (2014) 30% off 2006 highs. Lunch business suffered more than dinner business.
  - Furniture and rug stores are declaring Chapter 11. This employment sector down 30% (2014) over 2006. Boats/aircraft also down.

THE RETAIL SECTOR (II)

- **Winners**
  - American households – moved from uncontrolled discretionary spending to saving and paying down debt.
  - American households experienced an array of new direct retail advertisements and related supply through eBay and Craigslist: good for consumers.
  - Grocery stores fared better than drug, convenience, and mass merchandizers. Dollar stores, warehouse clubs and grocery supercenters are up.
  - Dunkin Donuts (coffee and donuts) and 7-11 (sandwiches) are experiencing increased breakfast and lunch business as opposed to diners and luncheonettes (which have raised prices)

THE OFFICE SECTOR

- **Losers**
  - Office industry -- more working at home; less space per employee; more competition (Starbucks) for space; Dunkin Donuts glassing-in meeting tables for $50/hour.
  - Use of contractors, part time workers, and temps; creates overall less demand for space.
  - The bulk of future office space is already on the ground.
- **Winners**
  - New York City, Washington, D.C., Seattle, Honolulu -- all building more space – unique locations are able to survive.
  - Reconfigured office space (shared space) in high demand; urban locations are the new work at home sites.
  - Select urban locations have residential conversion options.


US METROPOLITAN LOCATIONS

- **Losers**
  - Suburban office space markets least able to respond to decrease in demand. Significant oversupply of suburban office.
  - All locations – fewer employees; less space per employee; less time at work; other space alternatives. All bode poorly.
- **Winners**
  - Central City – Generation Y (born 1980-1995) want to be close to work and school. 40% want urban residence; 60% want to move to a house.
  - Transportation located – mass transit access in good locations is drawing new residents and new convenience retailing.
  - Mixed use development – sought by redeveloping areas and welcomed by existing and future residents of these areas.

US REGIONAL LOCATIONS

- **Losers**
  - High cost states: California, Connecticut, Ohio, New Jersey: difficult to attract lower middle-income population. Housing costs, taxes, prices, transportation costs– too high.
- **Winners**
  - Energy states – due to an increased supply of domestic natural gas/oil.
  - Manufacturing moving from South back to Rust Belt since 2010 – Midwest got ½ of manufacturing job increases from 2010-2014 – 2x South: Michigan 19%, Indiana 12%.
  - Top 15 housing markets – San Francisco, Houston, San Jose, NYC, Dallas/Ft. Worth, Seattle, Austin, Miami, Boston, Orange County, Denver, Los Angeles, San Antonio, San Diego.
    - (California 5, Texas 4, rest 1 each).



THE HOUSEHOLD SECTOR (I)

- **Losers**
  - Americans lost one quarter of their net worth from 2007-2012. Home value off 32%; retirement income off 23%.
  - The vast majority of recession job losses were middle income jobs ($14-$21 hr.); the vast majority of recovery job gains were lower income jobs ($8-$14 hr.)
  - There was a 33% increase in households where one parent was unemployed (+148% in Nevada).
  - Higher percentage of adults (25-34) lived in parents house (2000 versus 2010).
  - Women (65-74) returning to children’s homes (2000-10).

THE HOUSEHOLD SECTOR (II)

- **Winners**
  - Energy assistance receipts to poor families (LIHEAP) increased 8% during the recession (available to those at <150% of the poverty level – rural Northeast and Midwest got the most funding).
  - Married parents fare better; 9% of married families living below the poverty level receive food stamps; for single mother households , the proportion is 4X greater.
  - Adults moving in with older children; older children moving in with parents, all less apt to fall into poverty.
  - Divorce rates down; expensive and organized recreational activities down; family outings and informal activities, up..

THE INSTITUTIONAL SECTOR (I)

- **Losers**
  - Banks – Americans lost faith in banks. $150 billion withdrawn in a 2 day period in October 2008.
  - GSEs – Freddie, Fannie relics of the past, in conservatorship with undetermined future roles. FHFA and Freddie/Fannie are currently under investigation.
  - Large insurance companies, holders of much of the worst mortgage debt, are viewed by the public as being duped by banks and having too much profit to spend on bad investments.

THE INSTITUTIONAL SECTOR (II)

- **Winners**
  - Banks – improved underwriting standards – credit more involved; appraisals more arms length
  - Banks – improved management; overall, less viewed by public as unstable.
  - GSEs – GinnieMae, a GSE that backs FHA mortgages, has grown stronger during the demise of Fannie/Freddie. GinnieMae is backed by the government, is not a private entity, and was not involved in the scandals that Freddie and Fannie were involved in.
  - Insurance companies are complying with new industry-wide standards of investment limitations.

THE GOVERNMENT SECTOR

- **Losers**
  - The Federal government has not passed a budget in six years. Congress' approval rating (at 14%) is the lowest on record.
  - State and local governments have lost 681,000 jobs since 2008 – the largest recession drop in 50 years.
- **Winners**
  - The federal government is making progress on reducing the deficit through the Sequester; Congress' inability to agree on a cutback strategy is actually reducing the deficit.
  - State and local government levels of employees per 1,000 population are the lowest since World War II.

Summary - Losers and Winners of the Recession



SUMMARY: LOSERS OF THE RECESSION

- Discretionary items or expenditures; especially big ticket items
- Elected officials and organizations that appear indecisive or unresponsive
- Net-based suburban office space providers as opposed to residential developers near transit
- First-world employers in competition with firms that rely on third-world labor
- Locations with inclement weather and no mineral resources

SUMMARY – WINNERS OF THE RECESSION

- Cheap sources of necessary items
- Elected officials who generate confidence and can make decisions
- Internet retailers and employers
- Third-world suppliers of less expensive products due to lower labor costs
- Places with mild climates that offer recreational, retirement, and good work opportunities

Summary – Impact on Infrastructure

INFRASTRUCTURE: LESSONS FROM THE LOSERS

- Infrastructure is viewed as a permanent, big-ticket item
- Infrastructure is viewed as a federal or state responsibility. Federal government is broken; state governments are broke.
- The Internet is indifferent to most infrastructure decisions.
- Third-world is a source of easy debt; takes away the focus on infrastructure debt.
- Easier to build in warmer, low-wage places; harder in colder, high-wage places. The low lying fruit is opted for.

INFRASTRUCTURE: LESSONS FROM THE WINNERS

- Infrastructure spending helped us out of the recession; Feds and Congress are otherwise inert.
- Local, county, and regional governments are being looked to for infrastructure provision.
- Impact fees, tax-increment financing, and public improvement districts need to be ramped up at the local and regional levels.
- The U.S. must look inward over the short term – to get its infrastructure house in order
- Critical and small necessary projects are paramount.