



Quarter 3, 2009

The Atlanta Regional Commission's "The Quarter" looks at some of the leading indicators of overall economic health from a non-economist's view. It compares Atlanta to other metropolitan areas and looks at the counties within the region where the data allow. While this is not a comprehensive look at the local economy, it is a gauge of the general direction the economy is moving.

Jobless Recovery?

The buzzword these days in describing the apparent economic recovery is "jobless." This means that many of the most-watched economic indicators – stock market, housing prices, GDP, etc. – are performing fairly well, but job losses continue to mount. But if we are still losing jobs, does that count as a recovery?

Home prices have risen for five straight months in metro Atlanta and the nation. But residential and commercial building markets are still frozen, and unemployment in metro Atlanta is 10.5 percent as of September (preliminary), only slightly lower than the 10.6 percent observed in July. By the way, that 10.6 percent rate was the highest ever recorded by the Bureau of Labor Statistics (BLS), which began tracking the unemployment rate in metro Atlanta in 1990. There are, however, 100 metros (out of 372) that have a higher unemployment rate.

In Georgia, the unemployment rate in September was 10.1 percent (preliminary), only slightly lower than the 10.3 percent observed in July. And, you guessed it, that 10.3 percent was the highest ever recorded by BLS, dating back to 1976. Georgia unemployment rate is the 14th highest in the nation, but among the lowest in the southeast, with South Carolina (11.6%), Florida (11%), North Carolina (10.8%) Alabama (10.7%) and Tennessee (10.5%) all having higher rates.

Unlike past issues of *The Quarter*, this one at least reports some good news. And although most economists are calling for a jobless recovery, at least the economy is recovering, right?

Highlights include:

- **Employment is down 5.9 percent...** (see page 2)
- **Construction and Manufacturing job sectors hardest hit, down 22 percent and 12 percent, respectively...** (see page 4)
- **Unemployment insurance claims are up 27 percent since this point last year...** (see page 5)
- **Building permits (in the 28-county metro area) are down 73 percent since last year at this time...** (see pages 6-8)
- **Home prices in Atlanta are down 18.5 percent since peak...** (see pages 10-11)
- **Office vacancy rate is 16.7 percent, the highest it's been this decade...** (see page 12)

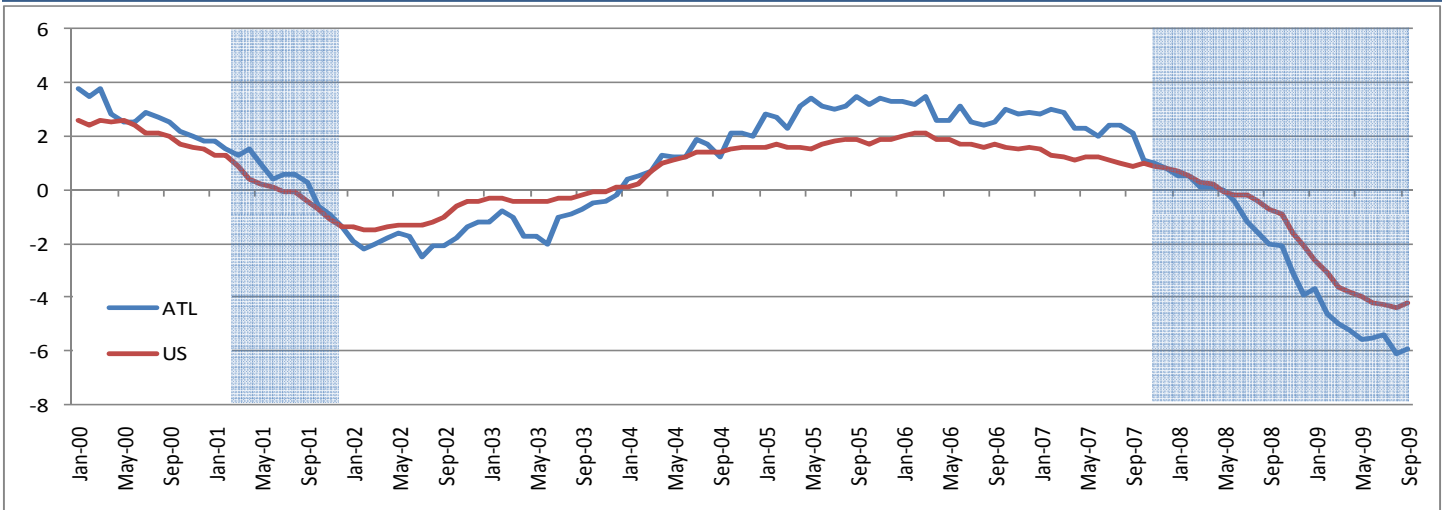




Employment

Total Employment

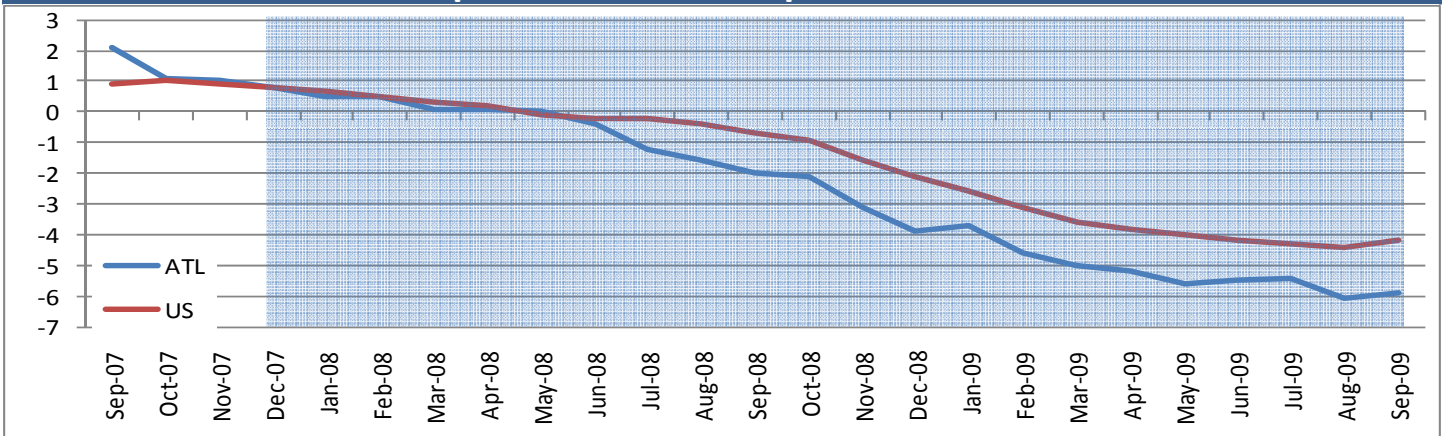
**Year-Over-Year Percent Change in Total Employment
Jan. 2000 – September 2009**



Source: Bureau of Labor Statistics (September figures are preliminary)

The light blue bars represent the two recessions this decade – the first officially beginning in March 2001 and the second beginning in December 2007. The first recession officially lasted only eight months, during which Atlanta’s employment lagged behind the nation’s. The current recession, which many economists say is over, has lasted 22 months, and once again, Atlanta’s employment lags behind that of the nation’s. What will the recovery look like?

**Year-Over-Year Percent Change in Total Employment
September 2007 – September 2009**



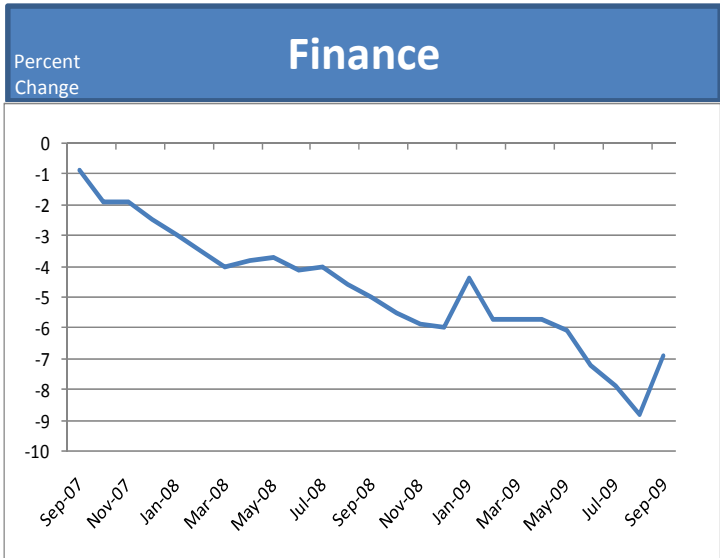
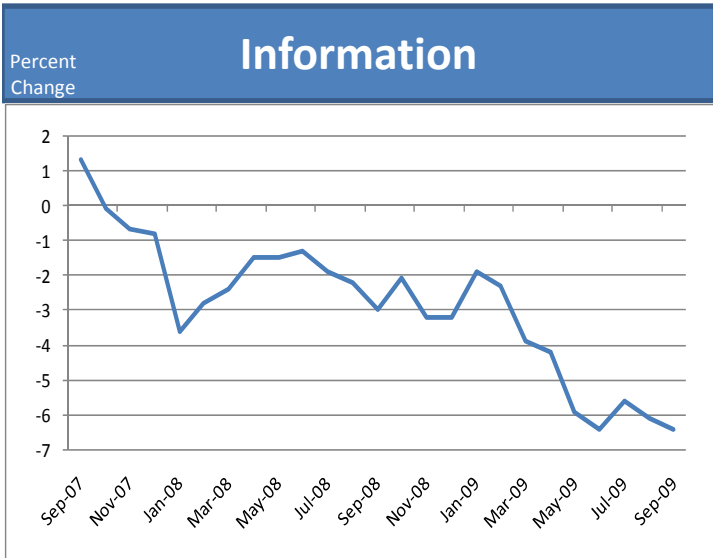
Source: Bureau of Labor Statistics (September figures are preliminary)

In looking more closely at the last two years, job losses in metro Atlanta have been more severe when compared to the nation. This was true in the last recession as well, and once the recovery was sustained, metro Atlanta performed better than the nation. Will this happen again?



Employment

Annual Percent Change – Total Employment in High-Paying Sectors



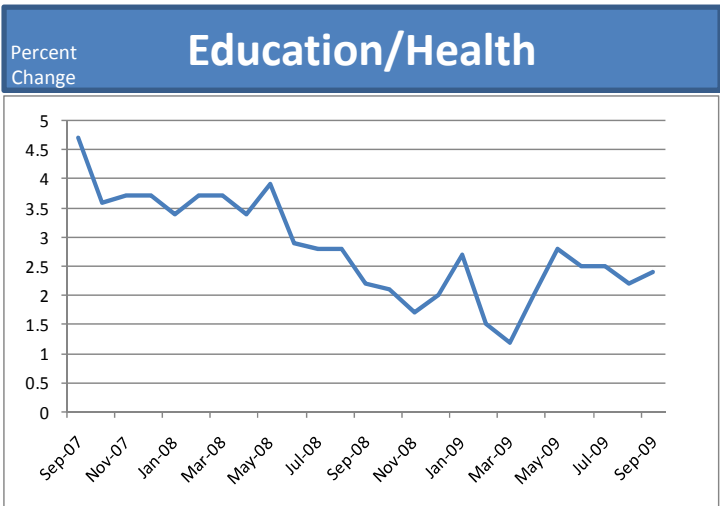
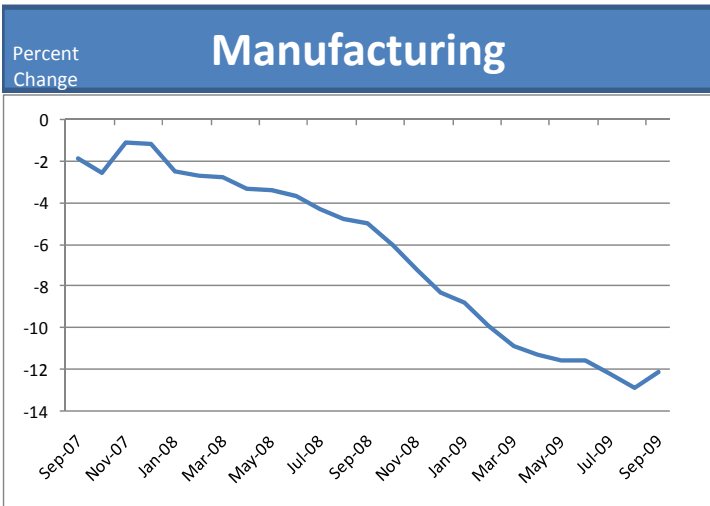
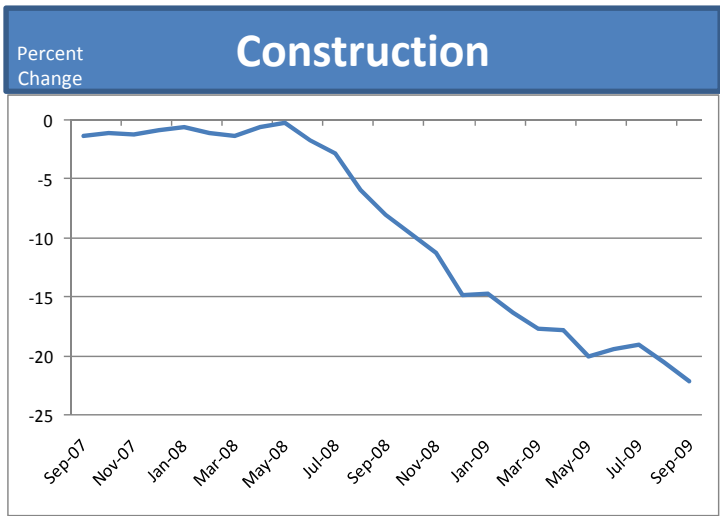
Source: Bureau of Labor Statistics (September estimates are preliminary)

The charts above show employment trends – as measured by percent change from one year ago – for the four highest-paying job sectors. As can be seen, they all share the same downward trend, although the last few months have been more “spiky,” perhaps a signal that the economy is recovering. We’ll need to see a few months of upward trends before making that declaration, however.



Employment

Annual Percent Change – Total Employment in Selected Sectors



Source: Bureau of Labor Statistics (September estimates are preliminary)

No employment sector has been spared in the broad employment slowdown. Some sectors are better off, though, like the Education/Health sector. This sector is a “population-serving” job group, meaning that as long as people keep moving to metro Atlanta, it usually sees moderate growth without the wild fluctuations of some other sectors. Employment in this sector surged earlier this year, and since has leveled off. Still, this is the only sector (not including Government), to have positive job growth.

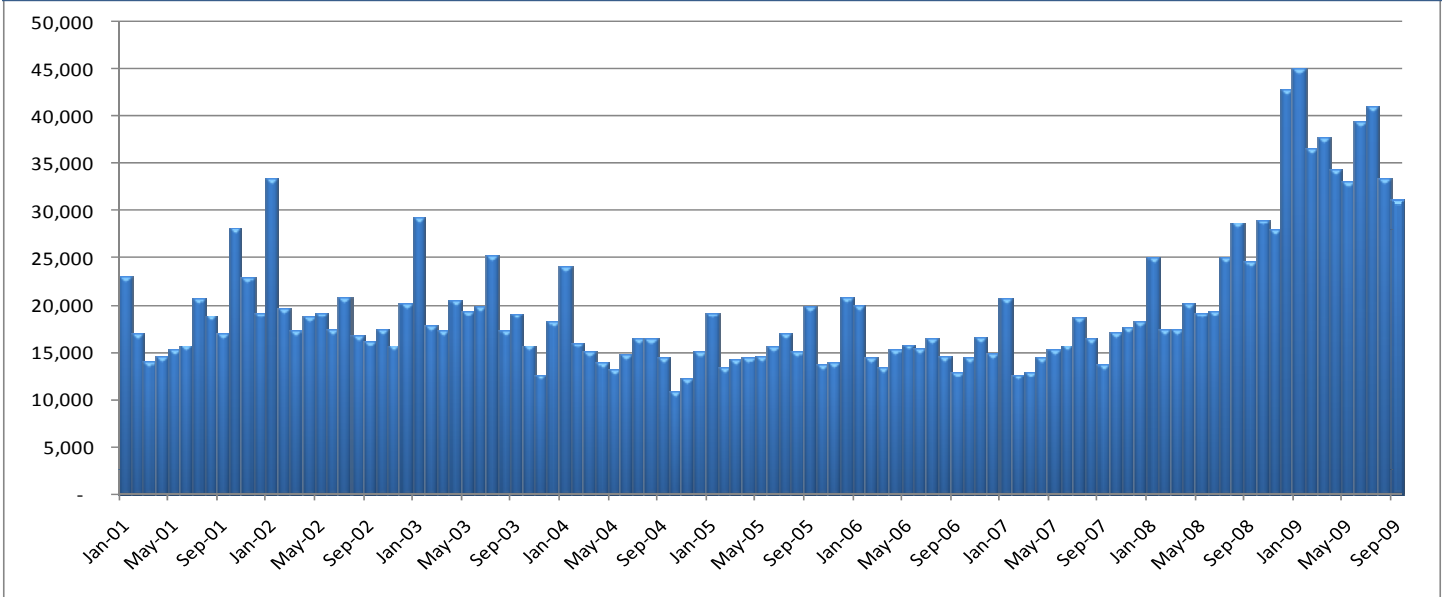
The job losses experienced in the Manufacturing and Construction sectors are particularly worrisome. Traditionally, these jobs were a ticket into the middle class for those without a college degree. To be sure, job sectors that generally require a college degree are suffering too, but not to the extent as Manufacturing and Construction.



Employment

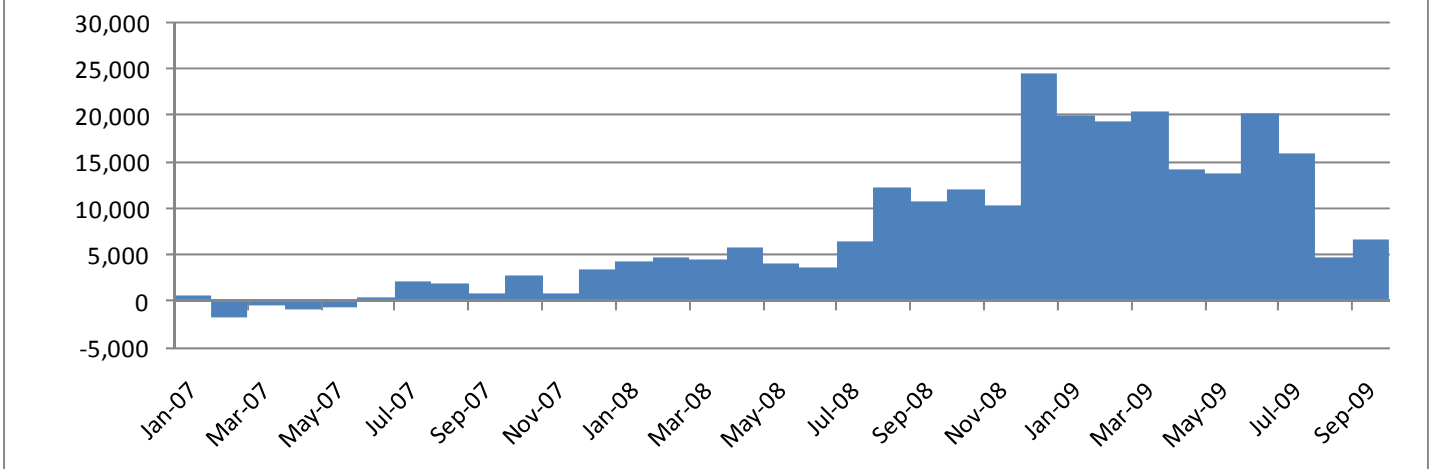
Unemployment Insurance Claims

Total Initial Unemployment Insurance Claims



Source: GA DOL
 Unemployment insurance claims have declined in each of the past two months, which is good. They are still among the highest recorded this decade, which is bad.

Net Annual Change in Initial Unemployment Insurance Claims



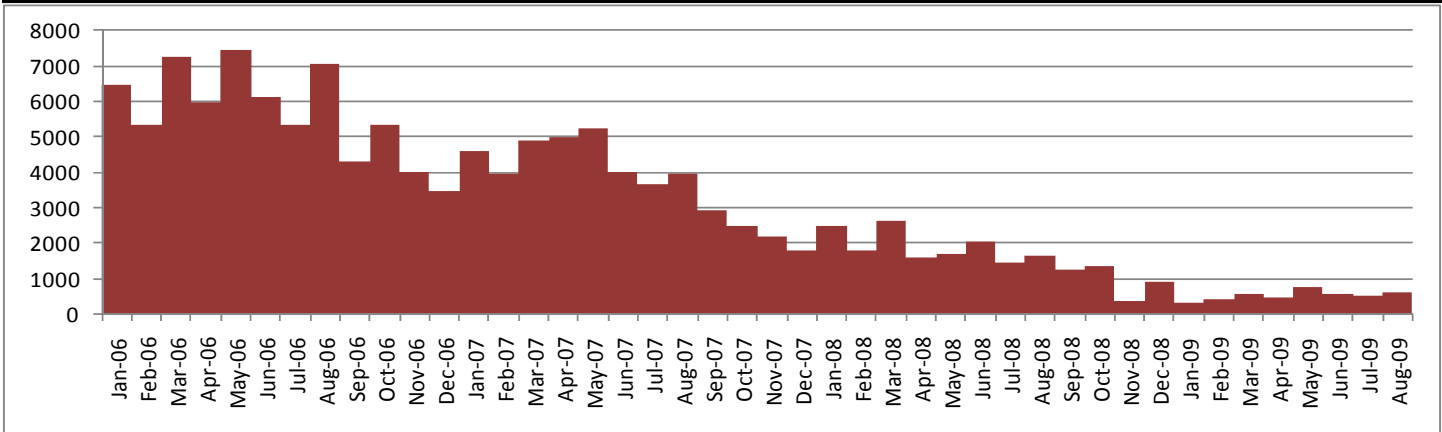
Source: GA DOL
 Unemployment insurance claims have been higher each month (when compared to the previous year) for the last two years or so. But the annual increase in claims during the last couple of month are the lowest they've been since mid-2008.



Housing

Monthly Building Permits

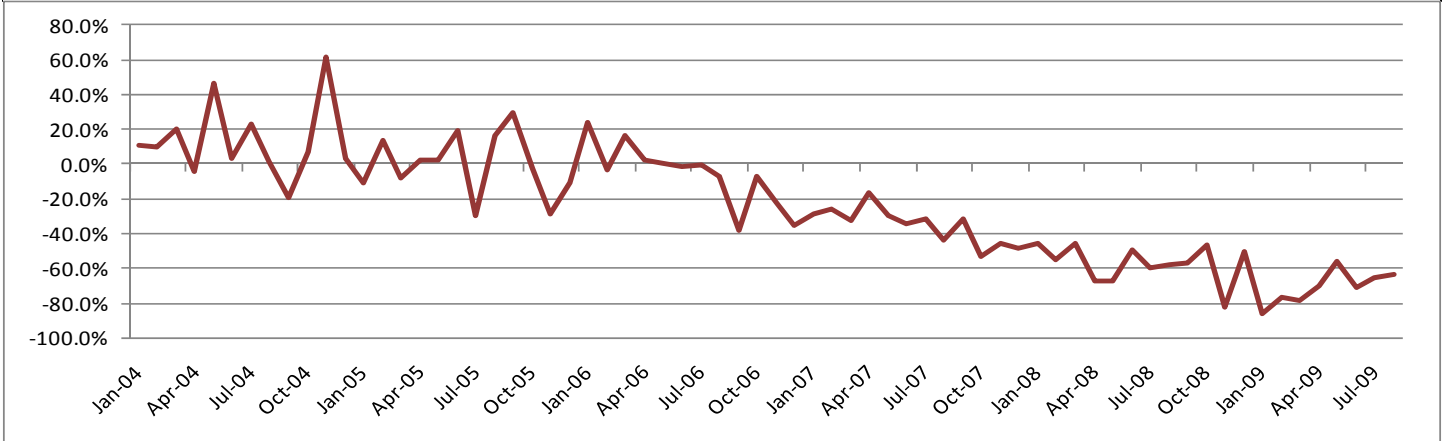
Total Housing Permits Issued – Metro Atlanta



Source: SOCDs

In mid-2006, jurisdictions in metro Atlanta were permitting somewhere between 5,500 and 7,000 residential units each month. Those days are long gone, as metro Atlanta has averaged only 500 permits issued each month this year, and hasn't issued more than 3,000 permits in any month the last two years.

Year-over-Year Change in Building Permits Issued



Source: SOCDs

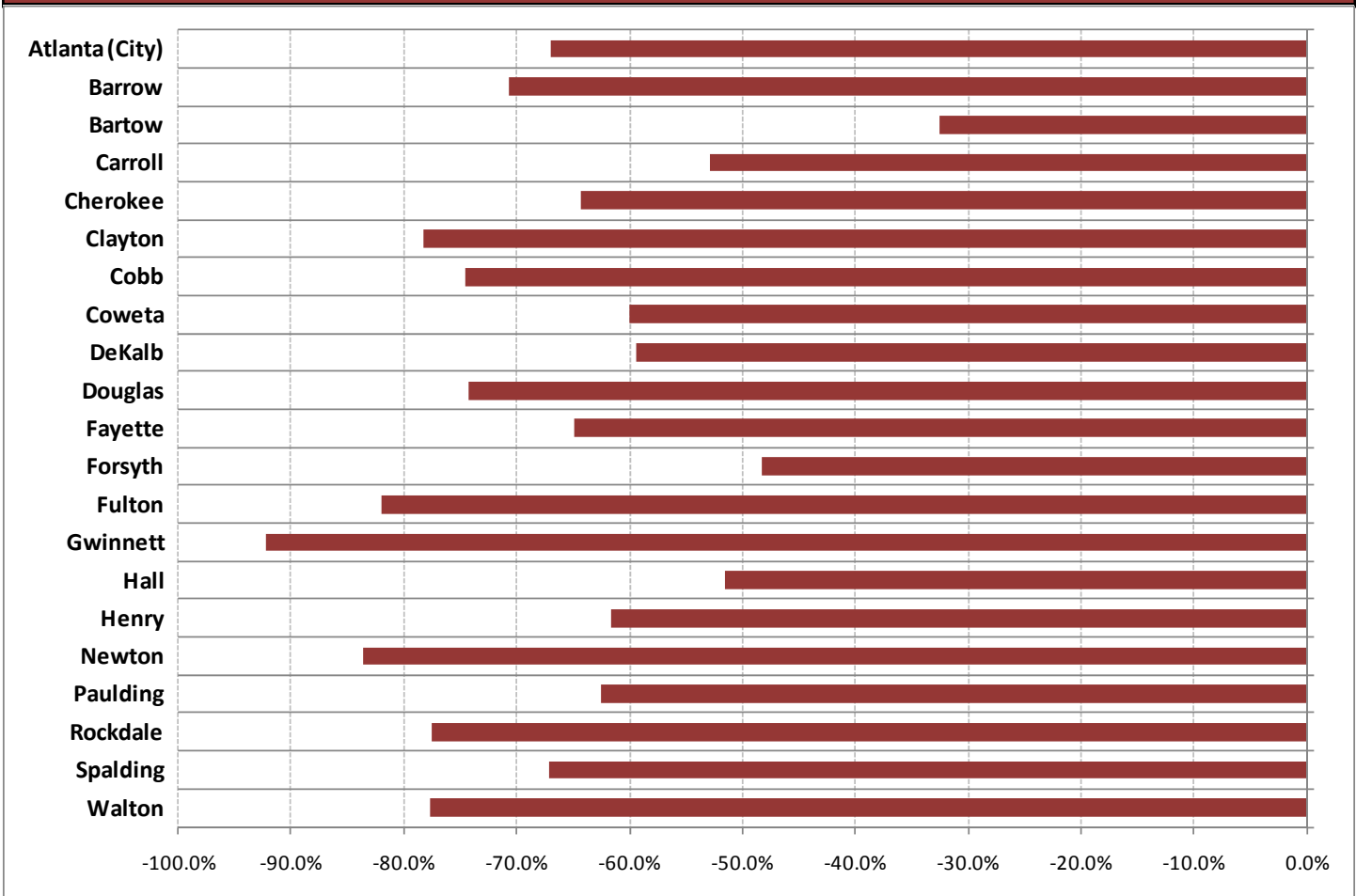
The number of residential units permitted has been on a steady (and spiky) decline for almost three and a half years. The recent trends are still spiky, making it hard to render a verdict on whether the local housing market is on the way "back."



Housing

Monthly Building Permits

**Percent Change in Building Permits Issued
2008 – 2009 (Through August)**



Source: SOCDS

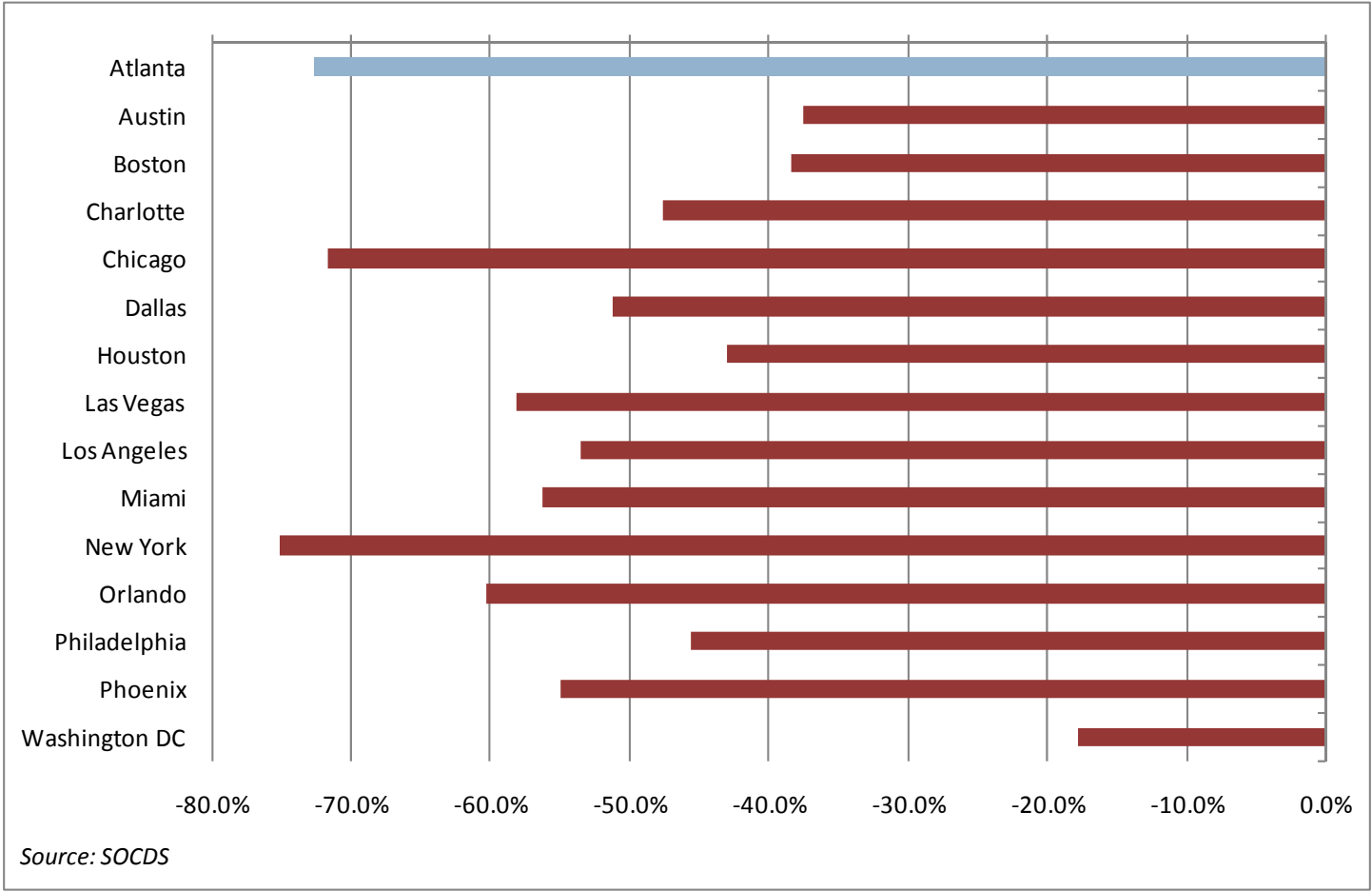
Residential units permitted are down some 73 percent from last year in the 20-county area, with levels in some jurisdictions down more than 80 percent. Homebuilding is still frozen, and it is taking a while to thaw.



Housing

Monthly Building Permits

**Percent Change in Building Permits Issued for Selected Metros
2008 – 2009 (Through August)**



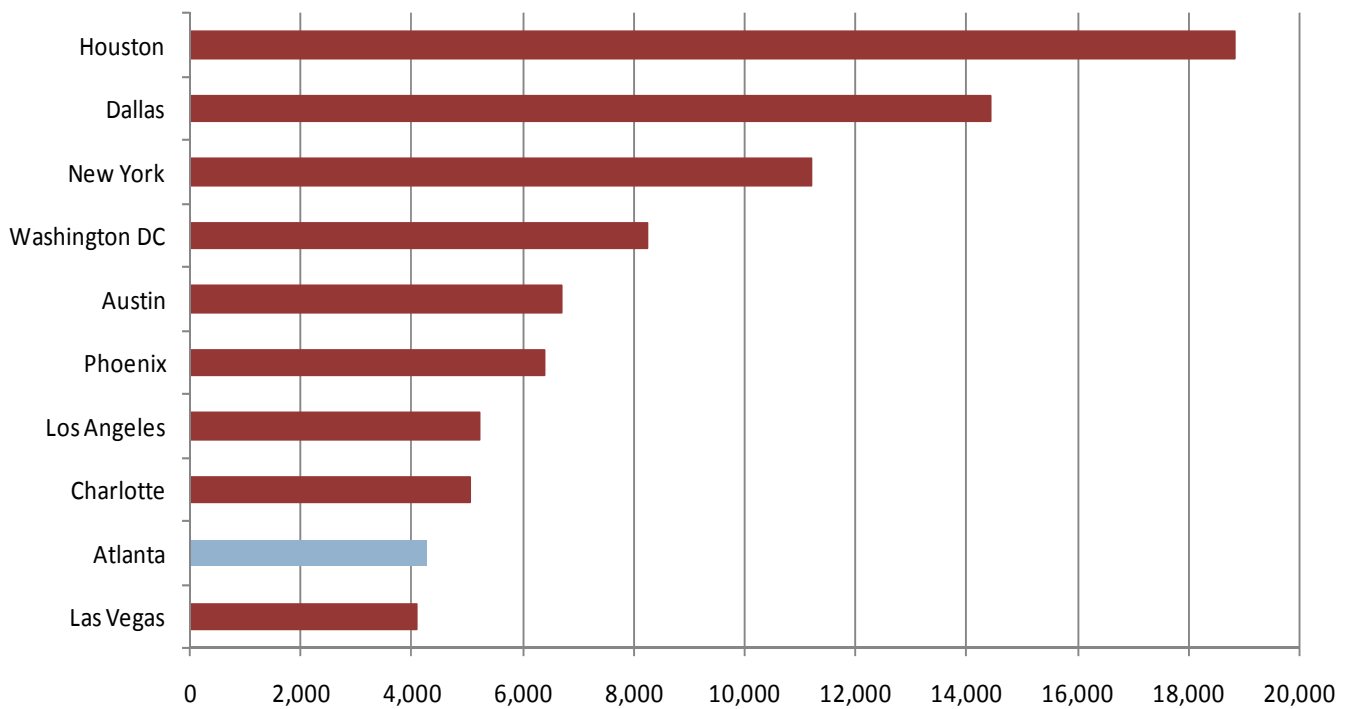
The homebuilding market is bad everywhere, but metro Atlanta has had more than its fair share of suffering, with residential permits down some 73 percent metro-wide. But, remember, metro Atlanta had a long way to fall, as it led the nation in building permits issued each year between 1994 and 2006.



Housing

Monthly Building Permits

**Total Building Permits Issued – Through June 2009
Top 10 Metros**



Source: SOCDs

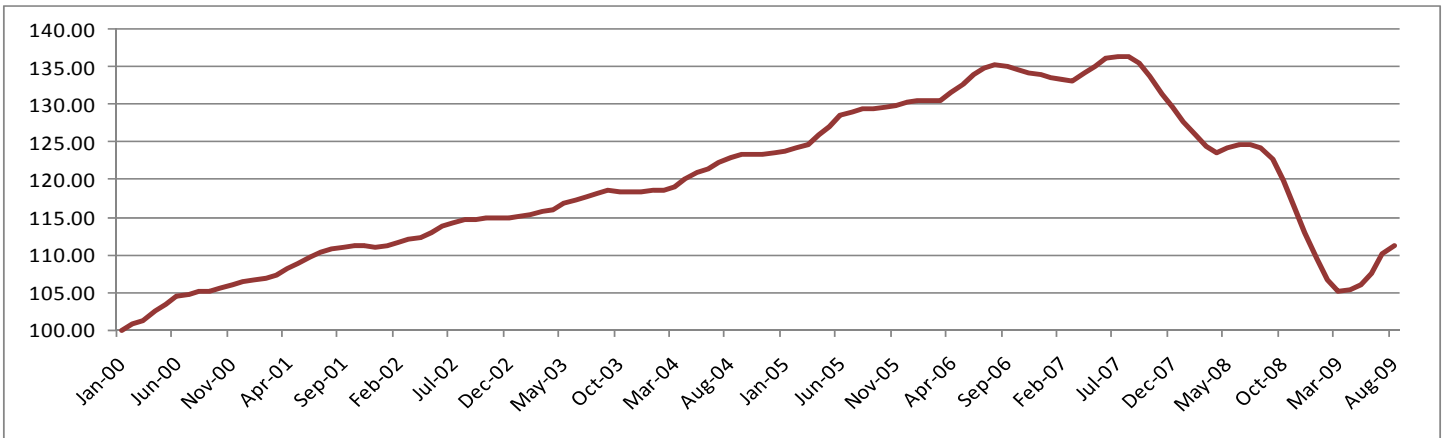
Let's put metro Atlanta's struggles in perspective. Yes, residential building permits are down nearly 73 percent since August of 2008, but we are still permitting the ninth-most units in the nation.



Housing

Home Prices

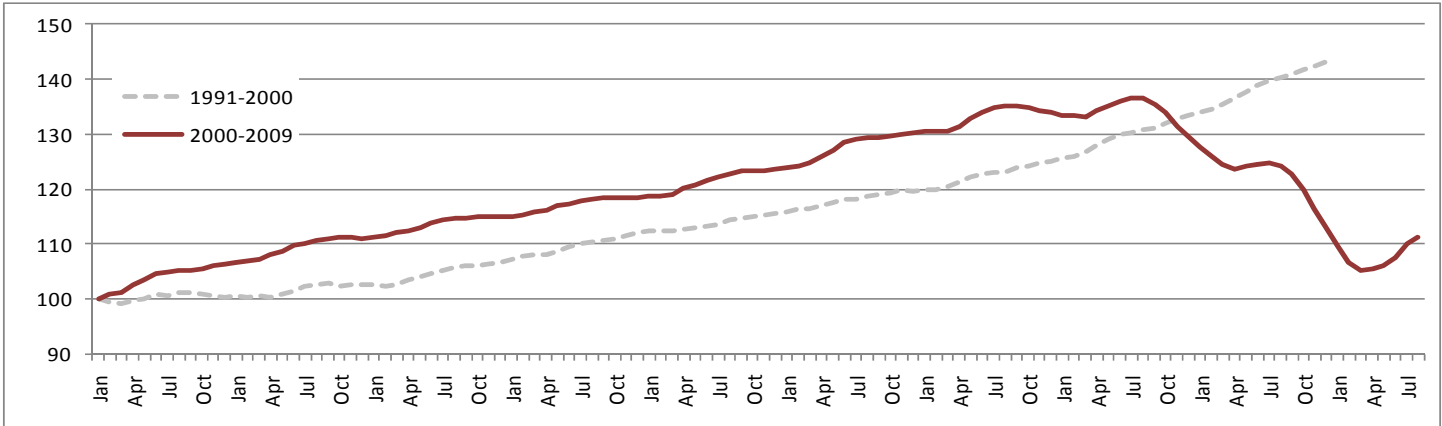
Home Price Index – Metro Atlanta (2000 – Current)



Source: Case-Shiller Index (August 2009)

The good news is that home prices in metro Atlanta are up 11 percent since 2000. The bad news is that they are down 19 percent since the high-water mark in July 2007. But the really good news is that home prices have risen for five months in a row.

Home Price Index Trendlines – Metro Atlanta 1991-2000 & 2000 - 2009



Source: Case-Shiller Index (August 2009)

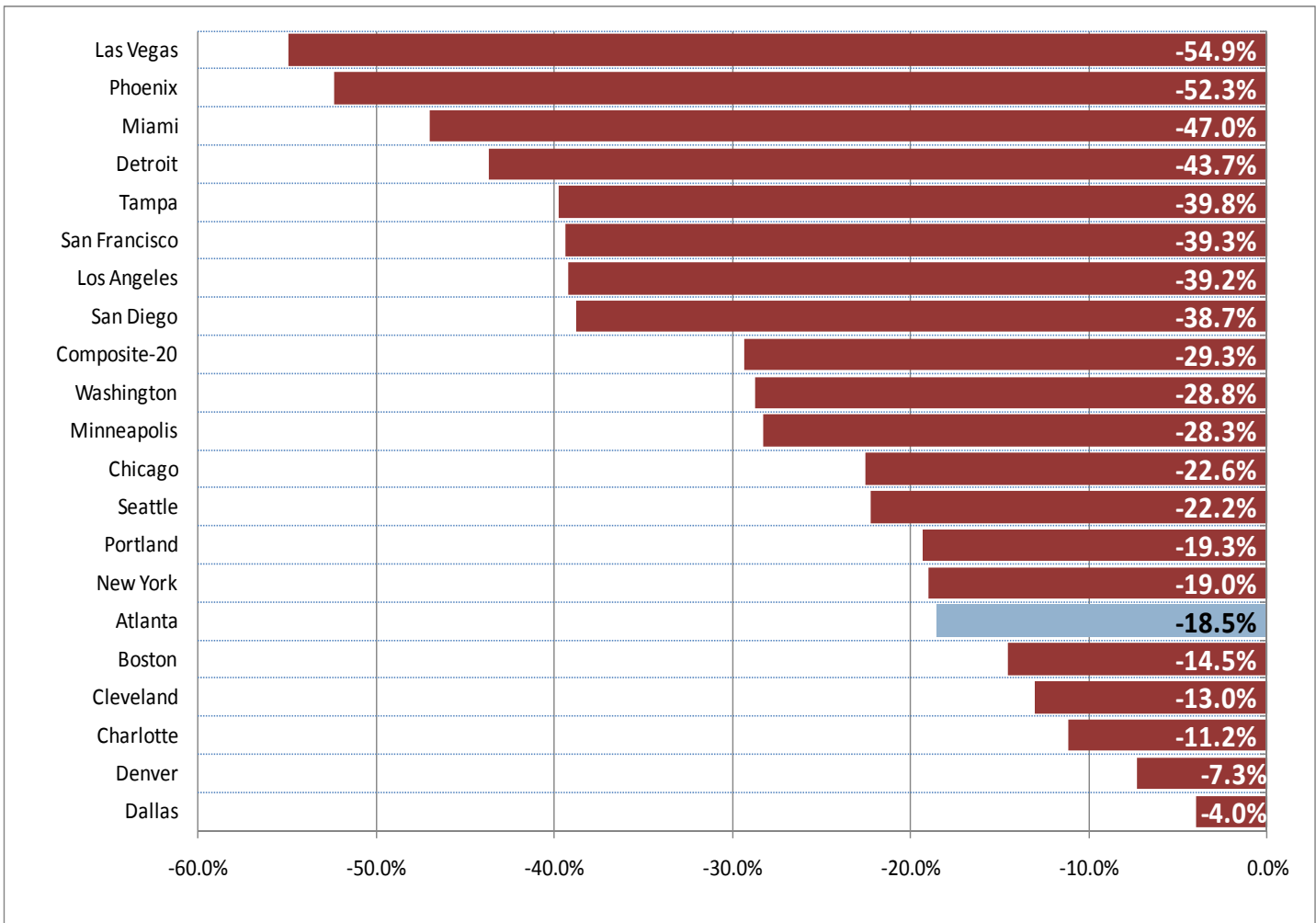
This chart shows the trendlines for the 1990s (the Case-Shiller Index didn't include Atlanta until 1991) and the current decade. What they show is that home prices were increasing steadily throughout the 1990s and then maintained this rate of increase in the 2000s. (Read: no bubble). If you look at the continued path of the dotted line, that's where metro Atlanta's trajectory might have been if not for the downturn.



Housing

Home Prices

Home Price Decline Since Peak – Case-Shiller Index



Source: Case-Shiller Index (August 2009)

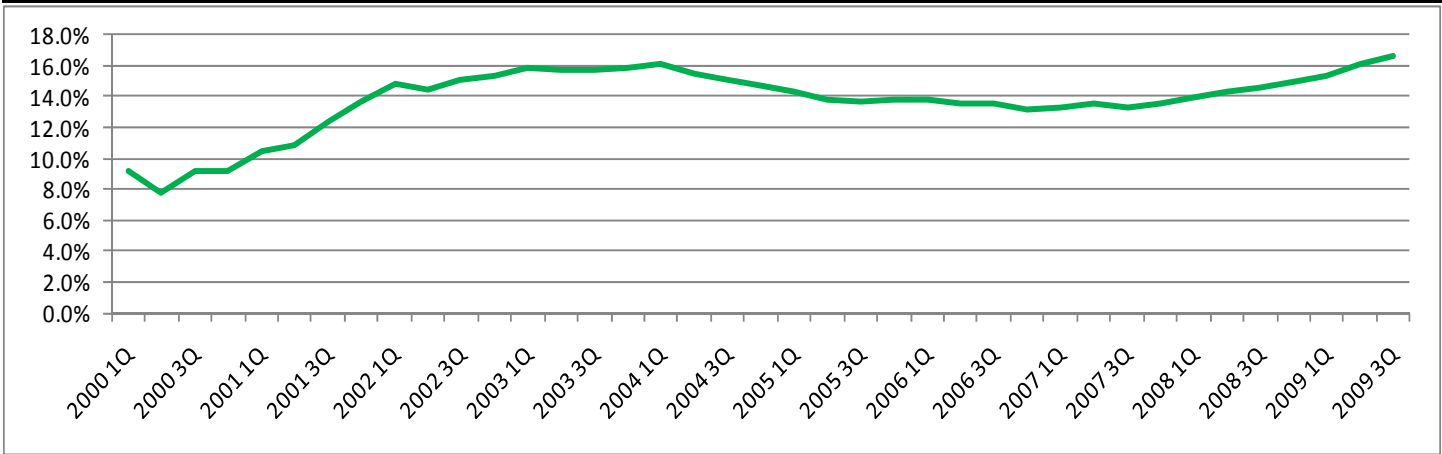
While an 18.5 percent decline in home prices is never good, it is not as bad as some other metro areas, particularly in the previously “hot” coastal markets and western boomtowns.



Commercial Properties

Office – All Classes

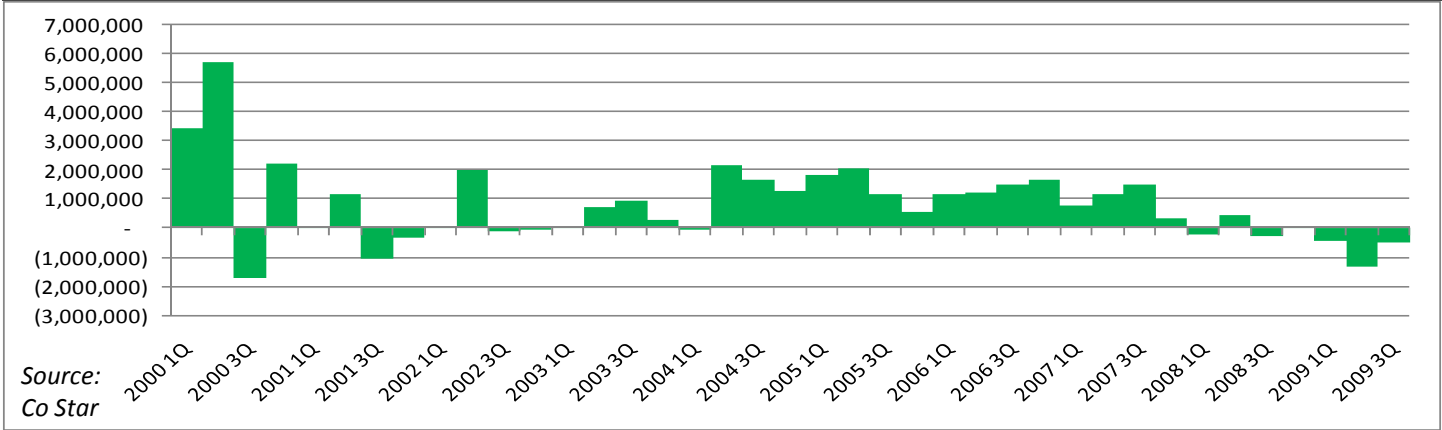
Office Vacancy Rate – Metro Atlanta 2000 - current



Source:
Co Star

The recession earlier this decade drove up office vacancy rates for the next few years, and they never returned to their pre-recession levels. Vacancy rates are now a little bit higher than the highest levels experienced during the last recession.

Total Net Absorption for Office Space 2000 - Current



Source:
Co Star

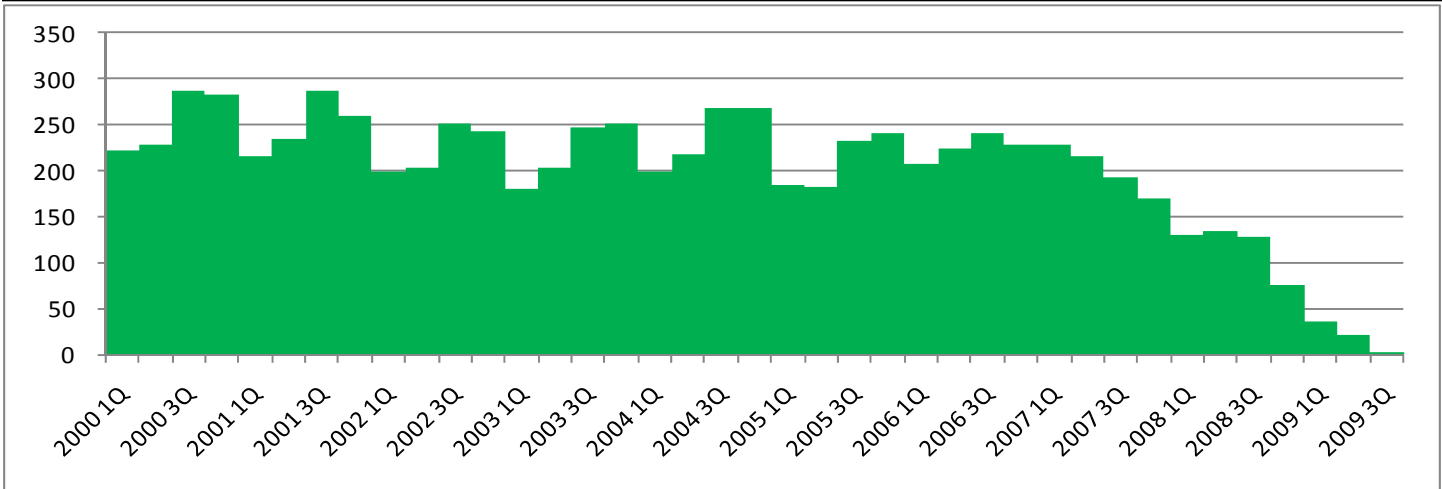
Looking at net absorption (the amount of space occupied at the end of a quarter compared to the beginning of the quarter), after years of relatively stable and positive absorption, there has been negative absorption observed in six out of the last seven quarters.



Commercial Properties

Retail

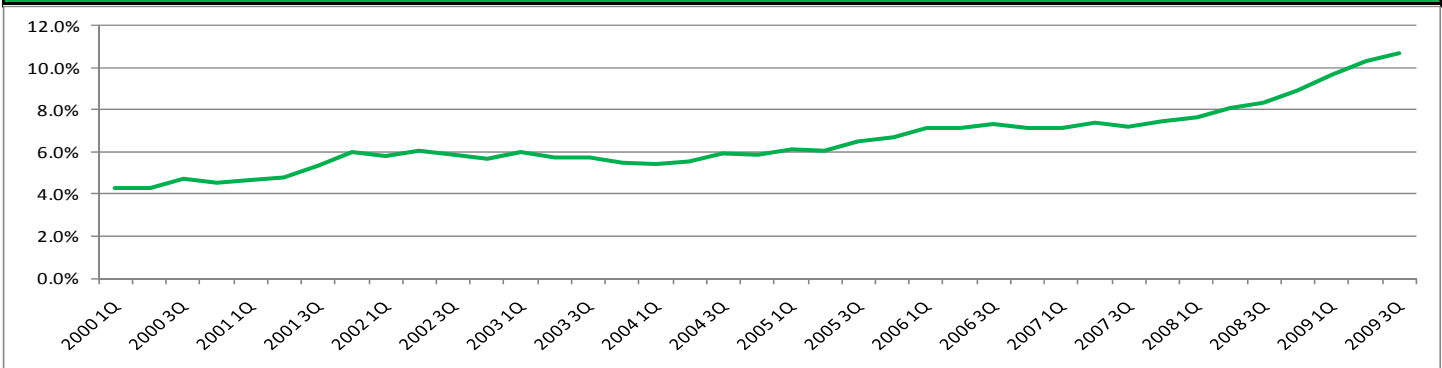
Number of Retail Buildings Under Construction 2000 - Current



Source:
Co Star

As with residential building, construction of retail buildings is also way down when compared to historical trends, with very little construction activity observed during the last year.

Retail Vacancy Rate 2000 - Current



Source:
Co Star

Although the percentage of vacant retail space has been rising relatively steadily since 2000, it has increased markedly over the last two years.