

Economic Update

THE PENINSULA ECONOMY

June 2016



Prepared by Stephen Levy

This publication is one in a series of periodic updates on the local economy published by the Silicon Valley Institute for Regional Studies. The updates present data of timely significance for decision-makers in Silicon Valley and the broader Bay Area.

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UPDATE

THE PENINSULA ECONOMY

This brief provides an update on the economy in Silicon Valley and San Francisco, here referred to as “the Peninsula economy.” The Peninsula sub region includes Santa Clara, San Mateo and San Francisco counties.

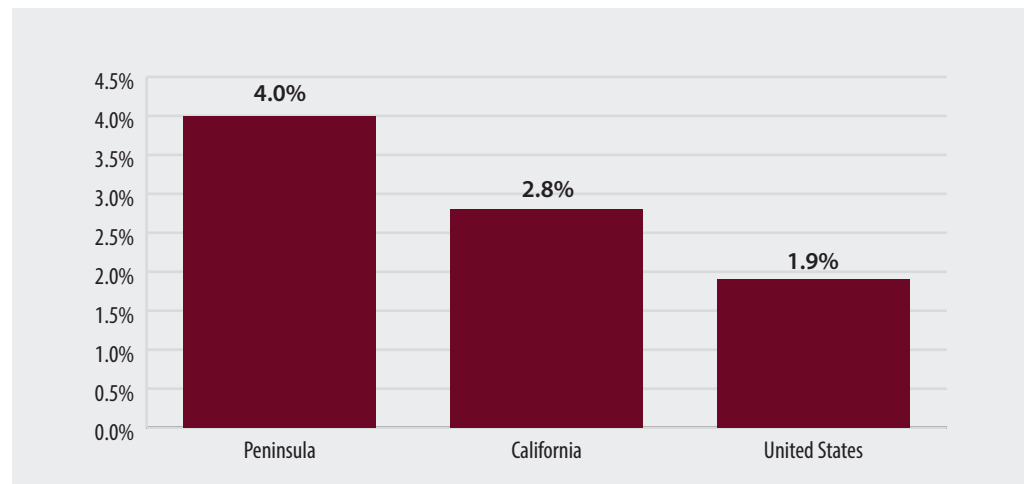
Highlights

- The Peninsula continues its explosive job growth, adding jobs at a rate more than double the national average.
- The Peninsula added 215,000 residents between 2011 and 2016, but added only half of the new housing units needed to keep pace with the growth.
- With corporate expansions planned by Facebook, Apple, Google and other companies, the Peninsula’s challenges will worsen without more housing and more alternatives to driving.

Job Growth

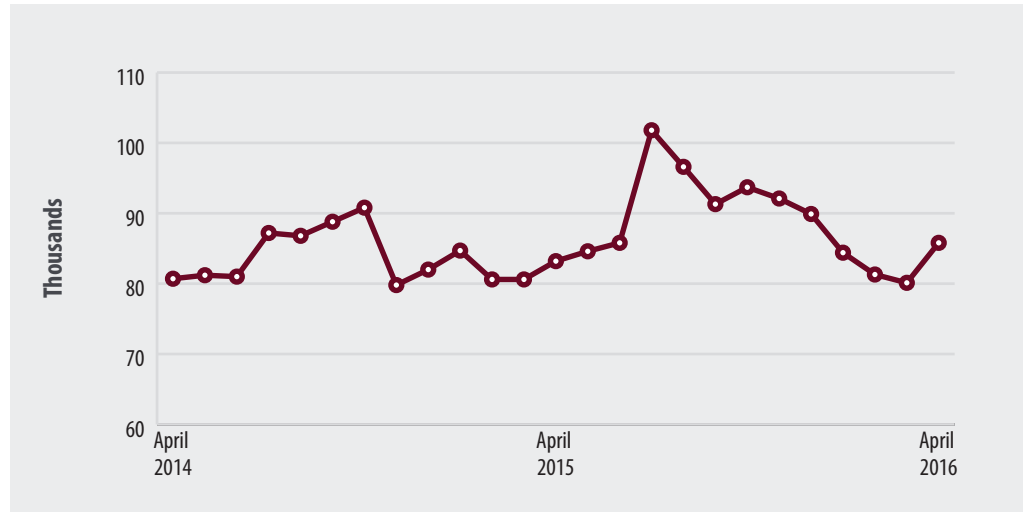
April brought continuing job growth in the Peninsula economy with a seasonally adjusted gain of 15,000 jobs, capping a year in which job growth was more than double the national average.

Figure 1: Job Growth for Year Ending April 2016



Year-over-year job growth has ranged between 80,000 and 100,000 for the past two years, with annual growth rates of over 4 percent, a rate that outpaces the state and nation as well as the rest of the Bay Area.

Figure 2: Year-Over-Year Job Growth



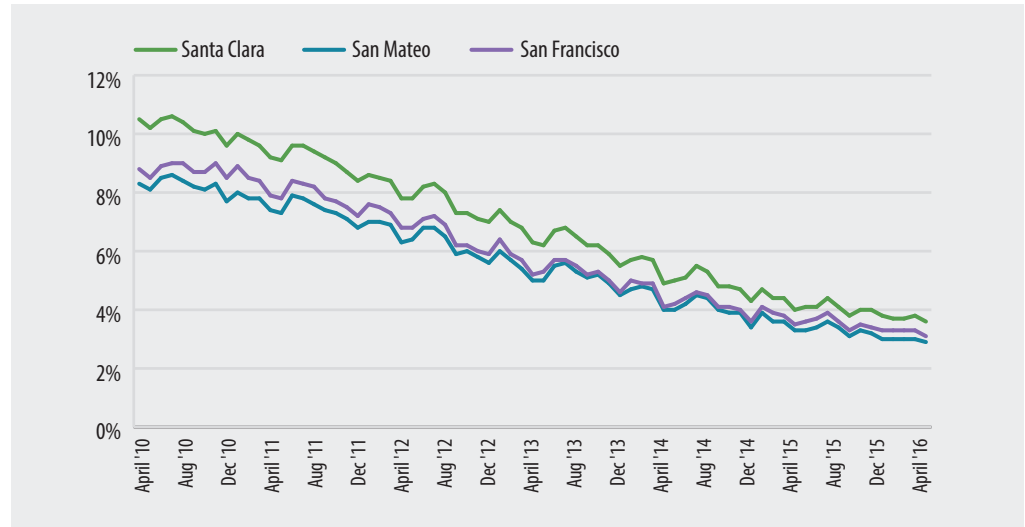
The continuing job gains have been accompanied by an increase in the number of Worker Adjustment and Retraining (WARN) Notices in Silicon Valley. There is increasing churn within the continuing job growth. The tech sector is very competitive and many companies are competing for the same product or service niche and not all succeed.

An increasing share of jobs appears to be concentrated in the larger companies.

At the same time as the surge in WARN notices, some established companies—including Apple, Facebook, Google and LinkedIn—are proceeding with major expansion plans.

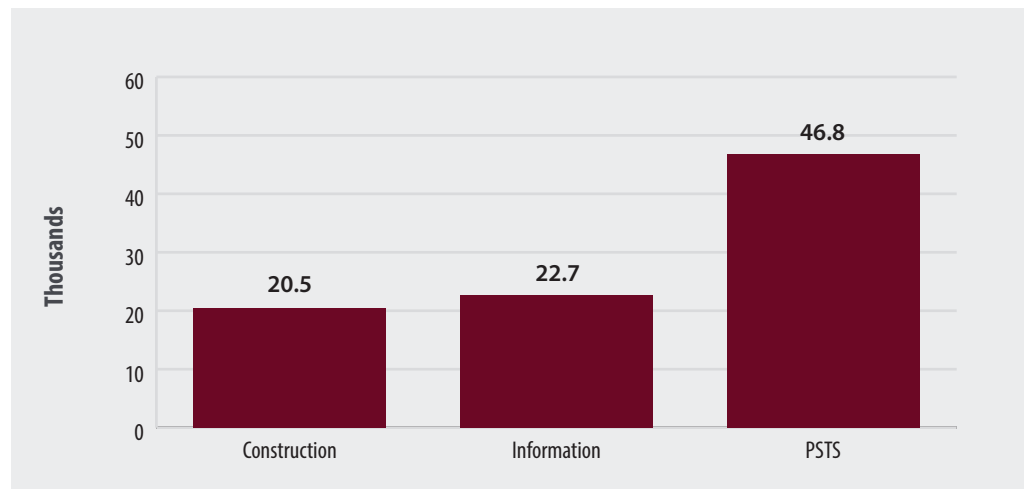
The surge in job growth has brought unemployment rates down to levels not seen since the dot-com peak in 2000.

Figure 3: Unemployment Rates



The pattern of recent job growth has been strong for middle and high wage jobs. Construction added 20,500 jobs between April 2014 and April 2016. The Information sector posted a gain of 22,700 jobs and the Professional, Scientific and Technical Services sector (which includes the computer services, R& D services and technical services industries) added 46,800 jobs.

Figure 4: Job Growth April 2014-2016 (Thousands)



Population and Housing Trends

The Peninsula was the fastest growing part of California between 2011 and 2016 and Santa Clara County was the fastest growing county in the state during this period. The Peninsula area added 215,000 residents for a 6.4 percent

growth rate, far exceeding the 4.6 percent state average. All three Peninsula counties grew faster than the state and nation.

The growth occurred despite falling birth rates and rapidly rising home prices and rents, and reflected the strong and continuous job growth on the Peninsula and throughout the Bay Area.

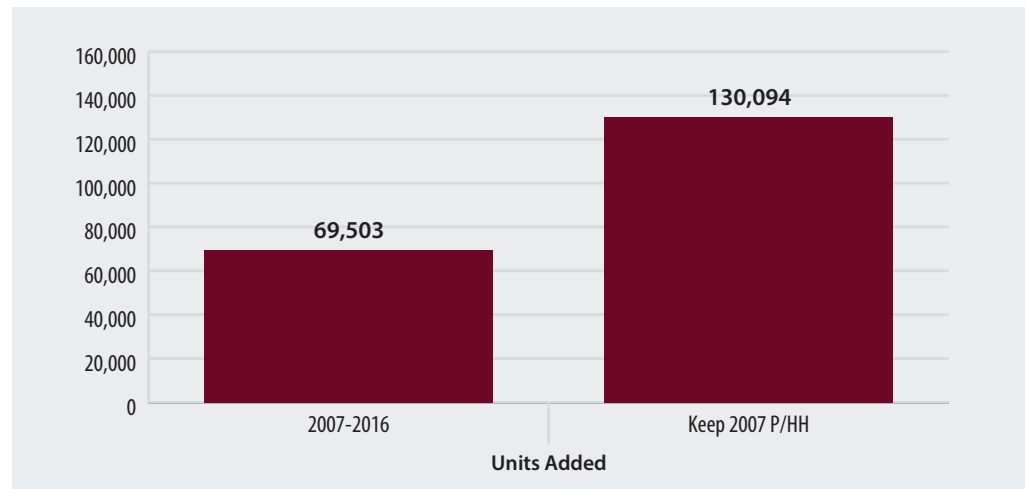
Jan 1 Population (thousands)					
					% Increase
	2011	2015	2016	2011-2016	2011-2016
San Francisco	815.9	857.5	866.6	50.7	6.2%
San Mateo	726.3	759.2	766.0	39.7	5.5%
Santa Clara	1,803.4	1,904.0	1,927.9	124.5	6.9%
Peninsula	3,345.5	3,520.6	3,560.5	215.0	6.4%
California	37,536.8	38,907.6	39,255.9	1,719.0	4.6%

Source: California Department of Finance

The population surge has not been met by increased housing supply. In fact, the housing shortage relative to population growth continues to increase. Between 2007 and 2016 the Peninsula saw an increase of 69,503 housing units. During the same period household population increased by 344,149 and the average household size grew from 2.65 to 2.77. To keep pace with population growth 130,094 units should have been added or an additional 60,000.

Demographic trends (declining birth rates and older households) would normally suggest that average household size would shrink rather than increase. Yet that is not happening Peninsula; if it were, the housing shortage would be even larger.

Figure 5: Housing Needed to Keep Pace with Population Growth



Implications for the Future

Expansions are planned up and down the Peninsula from the surge of new construction San Francisco to the Facebook expansion in Menlo Park to the expansion in the North Bayshore area of Mountain View to the land acquisition in San Jose by Apple and Google. Earlier this year Ford announced a new “mobility technology center” in Palo Alto.

This means that the Peninsula’s challenges will intensify unless steps are taken to address the housing shortage and to create viable transportation alternatives that do not require driving or driving alone. In November, voters in Santa Clara County will decide on a new transportation funding measure (sales tax increase). Local jurisdictions and the state are also adding funding for subsidized housing and looking for ways to ease the process of approvals for new housing.

This update was prepared by Stephen Levy, Senior Economist for the Silicon Valley Institute for Regional Studies and Director, Center for Continuing Study of the California Economy.

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The Silicon Valley Institute for Regional Studies provides research and analysis on a host of issues facing Silicon Valley's economy and society. The Institute is housed within Joint Venture Silicon Valley.

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