



# Jobs Still Lag, But Homebuilding May Soon Help

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Here in the depths of winter, U.S. economic numbers aren't looking so hot. This week, new reports showed growth started to freeze up last fall, and the unemployment rate rose a bit in January, to 7.9 percent.

But most economists say you shouldn't let those cold facts fool you: This spring's data could look much brighter if the housing market continues to heat up.

A stronger real estate sector typically means increased hiring as companies add carpenters, bricklayers, real estate agents, loan processors, carpet installers, landscapers, furniture makers, painters, appliance manufacturers and so many more.

"The all-important housing market has come back to life," says **Bernard Baumohl, chief economist with The Economic Outlook Group**, in Princeton, N.J. "New and existing home sales, starts and permits, along with homebuilder confidence have all rebounded."

Before this potential wave of spring hiring begins, workers first have to slog through the winter. In January, the economy added 157,000 jobs, the Labor Department said Friday. That was in line with what most economists had predicted for the monthly tally.

## **Housing Finds Its Footing**

But job gains are poised to pick up as the housing sector continues to find its footing. The construction sector added 28,000 jobs last month. "Since reaching a low in January 2011, construction employment has grown by 296,000, with one-third of the gain occurring in the last 4 months," the Bureau of Labor Statistics said Friday.

Spending on construction rebounded last year with a gain of 9.2 percent, after falling in 2011, the Commerce Department said Friday. Spending on residential projects saw its ninth straight monthly increase in December.

And new data from the Federal Reserve show household real estate wealth increased by more than \$1 trillion during the first three quarters of 2012. The latest reading of the closely watched S&P/Case-Shiller Home Price Index shows an upward pricing trend is continuing into this year, with homes now selling for about 5 percent more than a year ago.

Rising prices reflect the surge in demand from would-be buyers.

"Builders are not putting up homes fast enough to meet underlying demand," Patrick Newport, U.S. economist with IHS Global Insight, wrote in a housing-market assessment.

## **Pent-Up Demand?**

The chief source of that demand is simply the passage of time. Real estate hasn't been moving much for more than six years, so millions of people have had time to grow older, find partners, have babies, land new jobs, retire and so on. Now they are ready to move up to a bigger home or downsize to a condo.

The National Association of Home Builders, a trade group, says government data show each home start supports about three new jobs, including workers in industries such as lumber, concrete, lighting fixtures, lending and so on.

Traditionally, economic recoveries gain momentum only after the housing market bounces back and revs up that job-creating machinery. From 1980 to

2007, the housing industry accounted for roughly 5 percent of total GDP, but since 2008, the recovery has been weak because housing has been making less than half its normal contribution to total growth.

The Bipartisan Policy Center, a think tank in Washington, said that if the housing sector were to rebound to its historical average of growth, the economy would generate 2.9 million direct jobs for architects, roofers, electricians, real estate agents and others.

### **Setting The Stage For Recovery**

But will it really happen this spring?

A lot of economists say yes. They note that during the worst of the recession, many people moved in with relatives or rented. But since October 2009, when unemployment peaked at 10 percent, employers have created 5.2 million jobs, making it possible for many more people to buy homes.

And even though the jobless rate still remains high, labor analysts say mass cutbacks have ended, bringing more security to more workers. Layoffs in January were down 24 percent compared with last year, according to Challenger, Gray & Christmas, an employment consulting firm.

Meanwhile, rents have risen sharply since 2009. High rents, combined with low mortgage interest rates, are making home ownership an affordable choice.

When it comes to job creation, "the most promising news is related to the housing market," consulting firm CEO John Challenger says. That market, with its rising prices, will make it possible for more people to sell their homes without taking a loss.

That frees them to "relocate to areas where jobs are going unfilled due to lack of labor supply. This could further accelerate the recovery by getting longtime job seekers back onto payrolls," Challenger said.

### **Some Economists Remain Cautious**

Still, even the optimists know not to get too excited about a recovery that has had so many fits and starts. John Engler, president of the Business Roundtable, an association for chief executives, met Thursday with journalists to hash over news that the gross domestic product, a measure of

total growth, suddenly contracted in late 2012.

Most economists chalked up the unexpected reversal to various one-time events, ranging from military cutbacks to Superstorm Sandy to congressional drama. So the economic reality may be stronger than the initial GDP data.

Engler said he wants to be optimistic, especially knowing that when housing perks up, "the spillover effect on the economy is huge."

But he added that even with so many indicators pointing to a strong spring for housing, a big question remains: "Is the confidence there to go out and buy a home?"