

# Workforce Review

A monthly review of labor market information for Northern Santa Clara County

## September 2014

*Did you know?*

### Increases in U.S. Office Rents Led by San Jose and Dallas

San Jose, California, and Dallas led the U.S. in office-rent increases in the third quarter as cities benefiting from growth in the technology and energy industries outperformed the gradual national recovery. Rents after any landlord discounts, known as effective rents, climbed 6.7 percent from a year earlier in San Jose, compared with the U.S. average increase of 2.6 percent, property researcher Reis Inc. (REIS) said. Dallas rents rose 5.2 percent, followed by San Francisco's 5.1 percent gain, Houston's 4.4 percent increase and New York's 3.9 percent advance. The national sluggishness in the office market's growth is being bucked by parts of Northern California and Texas, where large bases of technology or energy workers drive demand for space, Reis said. Throughout the U.S., increases in office occupancies show that the market "is in the midst of a recovery," according to the New York-based company.

"Five years removed from the advent of economic recovery in the United States, the office-market recovery remains in early stages," Ryan Severino, senior economist at Reis, said in the report. "If the labor market recovery continues its acceleration, this will change, but through the third quarter of this year its struggles continue."

Nationally, payrolls expanded by 142,000 jobs in August, less than economists estimated, putting the unemployment rate at 6.1 percent, Labor Department data show.

#### Occupancy Gains

Office landlords nationwide had net occupancy gains, known as net absorption, of 7.16 million square feet (665,000 square meters) in the third quarter, up from 6.65 million square feet a year earlier and 3.17 million square feet in the second quarter, according to Reis. The gains outpaced new supply last quarter, Reis said. Completions of new office space totaled 4.79 million square feet, down from 5.98 million square feet a year earlier and 4.82 million square feet in the second quarter. Demand for office space in technology- and energy-oriented areas has fueled construction even as the national vacancy rate stands at 16.8 percent, unchanged from the second quarter and down from 16.9 percent a year earlier. Dallas, the country's fifth-largest office market, ranked behind only New York in office construction this year through September, according to preliminary data from Reis. Dallas developers completed 1.54 million square feet of new office space, almost triple the 569,000 square feet added a year earlier.

"They've been riding the coattails of what's been going on in the energy market the last few years," Severino said in a telephone interview.

#### Health Care

Aside from energy-related companies, major employers in Dallas include health-care companies, financial-services firms and educational institutions. From 2010 through the second quarter of this year, 296 companies expanded or relocated in the four major Texas markets, according to a Sept. 30 report by CBRE Group Inc. (CBG), the largest commercial real estate brokerage. San Francisco office rents, the highest in the U.S. after New York and Washington, climbed the most from the previous quarter as the technology industry surpasses the late-1990s boom. Year-to-date office leasing in San Francisco has broken the previous record, from 1999, according to a Sept. 22 report by brokerage Cushman & Wakefield Inc.

The Bloomberg Office Real Estate Investment Trust Index returned 9 percent with dividends during the past year, lagging behind the 11 percent total return of the broader Bloomberg REIT Index.

Source: Title (10/01/14)

<http://www.bloomberg.com/news/2014-10-01/increases-in-u-s-office-rents-led-by-san-jose-and-dallas.html>

Labor Force Statistics (San José–Sunnyvale–Santa Clara MSA)

Unemployment Rate	September 2013	August 2014	September 2014	Percentage Point Change	
				Monthly	Annual
San José–Sunnyvale MSA	6.6%	5.5%	5.2%	- 0.3	- 1.4
California	8.5%	7.5%	6.9%	- 0.6	- 1.6
United States	7.0%	6.3%	5.7%	- 0.6	- 1.3

  

Labor Force	September 2013	August 2014	September 2014	Percentage Change	
				Monthly	Annual
San José–Sunnyvale MSA	955,100	971,200	972,000	+ 0.1%	+ 1.8%
Civilian Employed	892,100	917,400	921,300	+ 0.4%	+ 3.3%
Civilian Unemployed	63,000	53,800	50,600	- 5.9%	- 19.7%

Industry Statistics (San José–Sunnyvale–Santa Clara MSA)

Change in Employment	September 2013	August 2014	September 2014	Percentage Change	
				Monthly	Annual
<b>Total Nonfarm</b>	<b>970,600</b>	<b>999,000</b>	<b>1,004,900</b>	<b>+ 0.6%</b>	<b>+ 3.5%</b>
Construction: Spec.Contracts.	28,400	30,500	30,300	- 0.7%	+ 6.7%
Retail: Personal Care Services	4,900	4,900	5,000	+ 2.0%	+ 2.0%
Professional: Employ. Svcs.	22,200	23,900	24,500	+ 2.5%	+ 10.4%
Healthcare	105,600	112,700	111,200	- 1.3%	+ 5.3%
Local Gov't: Education	41,500	35,700	43,100	+ 20.7%	+ 3.9%

NOTE: San José–Sunnyvale–Santa Clara MSA (Metropolitan Statistical Area) = Santa Clara and San Benito Counties

Source: California Employment Development Department, LMID

Labor Force by County (Nine-county San Francisco Bay Area)

	Labor Force			Unemployment			Unemployment Rate		
	September 2013	September 2014	Annual Change (%)	September 2013	September 2014	Annual Change (%)	September 2013	September 2014	Annual Change (%age point)
<b>California</b>	<b>18,646,100</b>	<b>18,759,200</b>	<b>+ 0.6%</b>	<b>1,577,800</b>	<b>1,300,100</b>	<b>- 17.6%</b>	<b>8.5%</b>	<b>6.9%</b>	<b>- 1.6</b>
Alameda County	785,000	789,800	+ 0.6%	56,000	44,700	- 20.2%	7.1%	5.7%	- 1.4
Contra Costa County	539,700	543,900	+ 0.8%	37,900	31,100	- 17.9%	7.0%	5.7%	- 1.3
Marin County	142,400	145,800	+ 2.4%	6,900	5,700	- 17.4%	4.8%	3.9%	- 0.9
Napa County	81,000	80,900	- 0.1%	4,400	3,600	- 18.2%	5.4%	4.4%	- 1.0
San Francisco County	488,800	499,400	+ 2.2%	26,700	21,800	- 18.4%	5.5%	4.4%	- 1.1
San Mateo County	405,100	414,000	+ 2.2%	21,100	17,000	- 19.4%	5.2%	4.1%	- 1.1
Solano County	218,400	219,100	+ 0.3%	17,300	13,800	- 20.2%	7.9%	6.3%	- 1.6
Sonoma County	263,900	265,900	+ 0.8%	16,200	13,200	- 18.5%	6.2%	4.9%	- 1.3
<b>Santa Clara County</b>	<b>929,200</b>	<b>945,700</b>	<b>+ 1.8%</b>	<b>60,900</b>	<b>48,900</b>	<b>- 19.7%</b>	<b>6.6%</b>	<b>5.2%</b>	<b>- 1.4</b>

NOTE: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

Regional Layoff Activity : September

Company	WARN *	City	Affected	Cause	Layoff Summary	
Broadcom	Yes	Sunnyvale	180	RIF	Individuals Affected YTD †:	858
Symantec	No	Mountain View	4	RIF	Events Current YTD †:	23
			<b>184</b>		Events Previous YTD †:	25

\* **WARN: Worker Adjustment and Retraining Notification**  
(notice of mass layoff or closure)  
† **YTD: Year to Date**  
(Program year: July 1–June 30)

NOTE: Layoff data are reported by NOVA staff responding to layoff events and should be considered only an estimate of regional activity

Source: NOVA's internal Rapid Response database