



# Insight on the Bay Area Economic Recovery

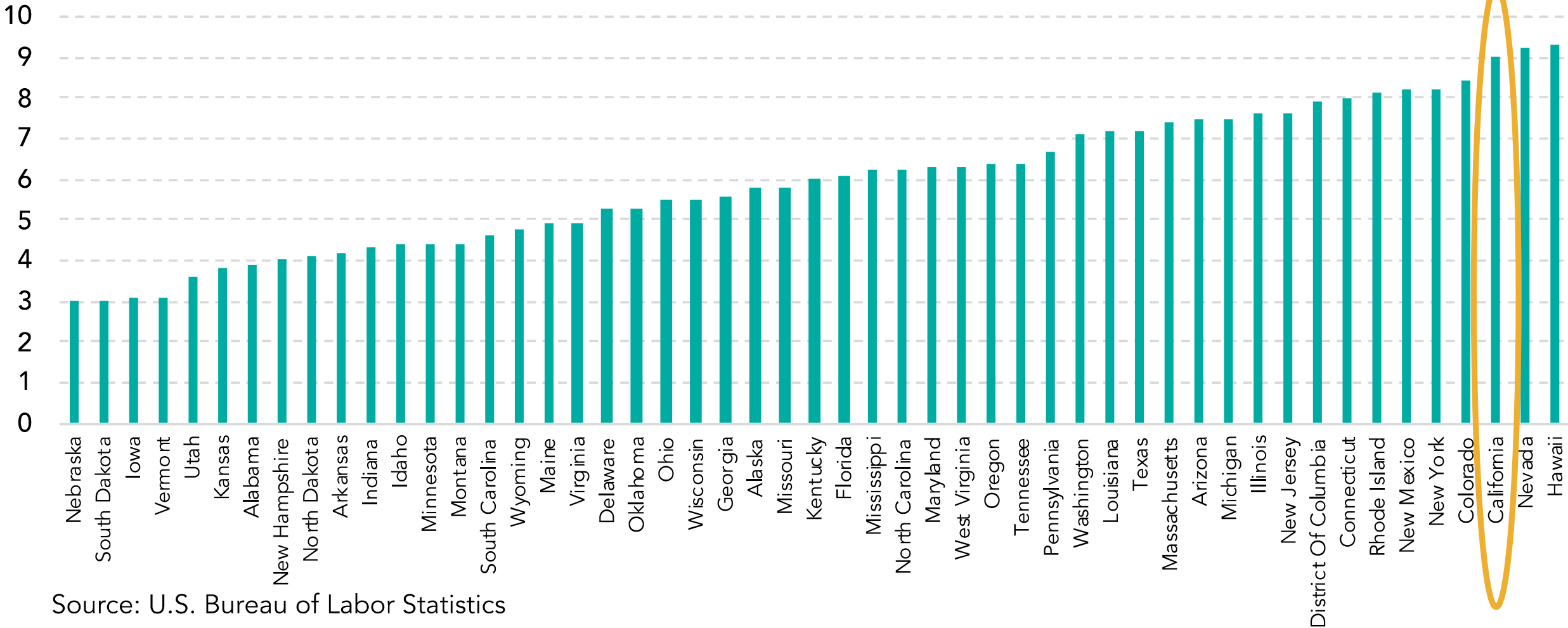
February 25, 2021

Presentation to BART Board



California's unemployment rate sits at 9.0% as of December – up from 8.2% in November – and 3<sup>rd</sup> highest in the nation

## December 2020 State Unemployment Rates (%)



Source: U.S. Bureau of Labor Statistics

**Southern California and Central Valley have experienced the highest unemployment levels in the state, while the Bay Area showed weakening toward end of 2020.**

<b>Unemployment Rates</b>				
Metro Area	Feb 20	Apr 20	Nov 20	Dec 20
Vallejo	3.9%	15.1%	7.5%	8.8%
Oakland	3.0%	14.2%	6.8%	7.7%
Napa	3.2%	16.1%	6.0%	7.3%
Santa Rosa	2.8%	14.5%	5.5%	6.5%
San Francisco	2.2%	12.1%	5.4%	6.1%
San Jose	2.7%	12.0%	5.2%	6.0%
San Rafael	2.3%	11.2%	4.7%	5.5%
Bay Area	2.7%	13.1%	5.9%	6.8%

**Bay Area unemployment: 6.8%**

**Sacramento unemployment: 8.5%**

**San Joaquin unemployment: 10.6%**

**Los Angeles unemployment: 10.7%**

**Merced unemployment: 11.5%**

Source: California Employment Development Department (Seasonally Adjusted)

The Bay Area has lost over 300,000 jobs since the beginning of the pandemic. For perspective, December's job total matches numbers from late 2015/early 2016.

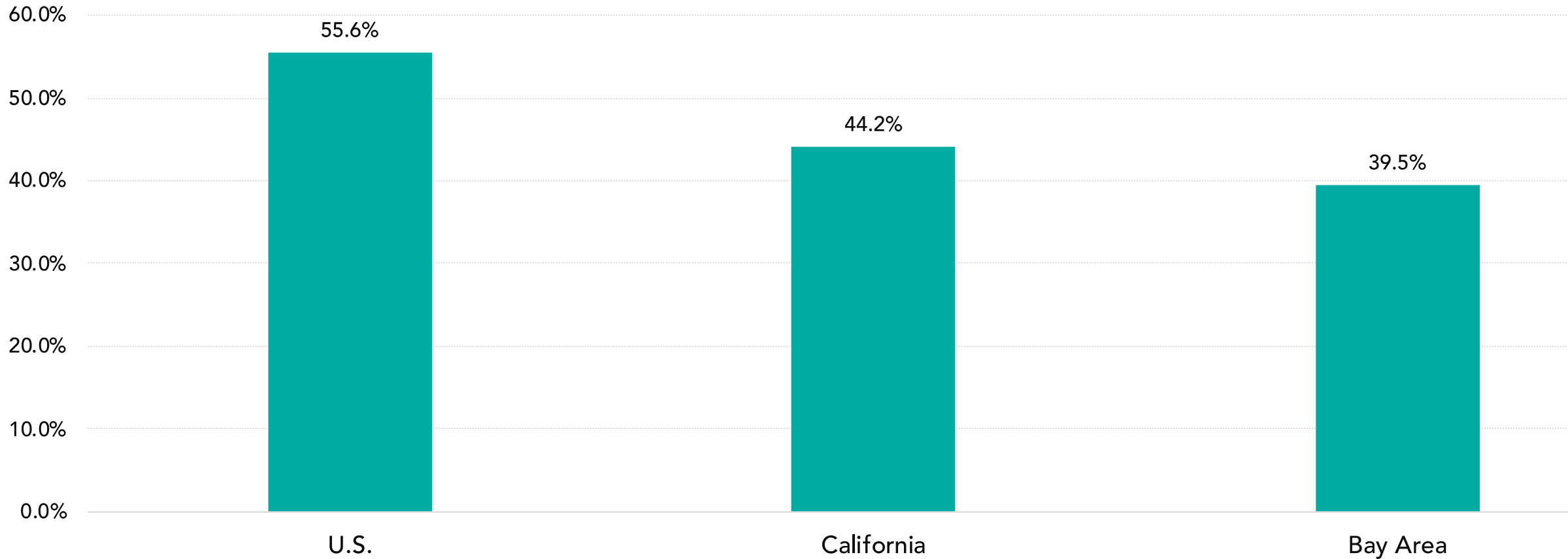
## Bay Area Job Trends by Sector (2020)

Sector	Feb. 20	Dec. 20	COVID Effect	% Gain/Loss
Leisure & Hospitality	436,900	299,400	-137,500	-31.5%
Government	488,600	447,000	-41,600	-8.5%
Education & Health Services	627,600	592,300	-35,300	-5.6%
Manufacturing	367,000	340,400	-26,600	-7.2%
Information	238,100	217,600	-20,500	-8.6%
Professional & Business Services	793,100	783,100	-10,000	-1.3%
Wholesale Trade	118,200	108,300	-9,900	-8.4%
Construction	209,000	200,900	-8,100	-3.9%
Retail Trade	334,100	326,700	-7,400	-2.2%
Transportation & Warehousing	109,000	109,600	600	0.6%
Financial Activities	202,000	203,300	1,300	0.6%
<b>Total Non-Farm Employment</b>	<b>4,068,900</b>	<b>3,747,600</b>	<b>-321,300</b>	<b>-7.9%</b>

Source: State of California Employment Development Department (Seasonally Adjusted)

The Bay Area trails the U.S. and California in terms of the jobs it has recovered. The region has regained just 40% of its lost jobs by December.

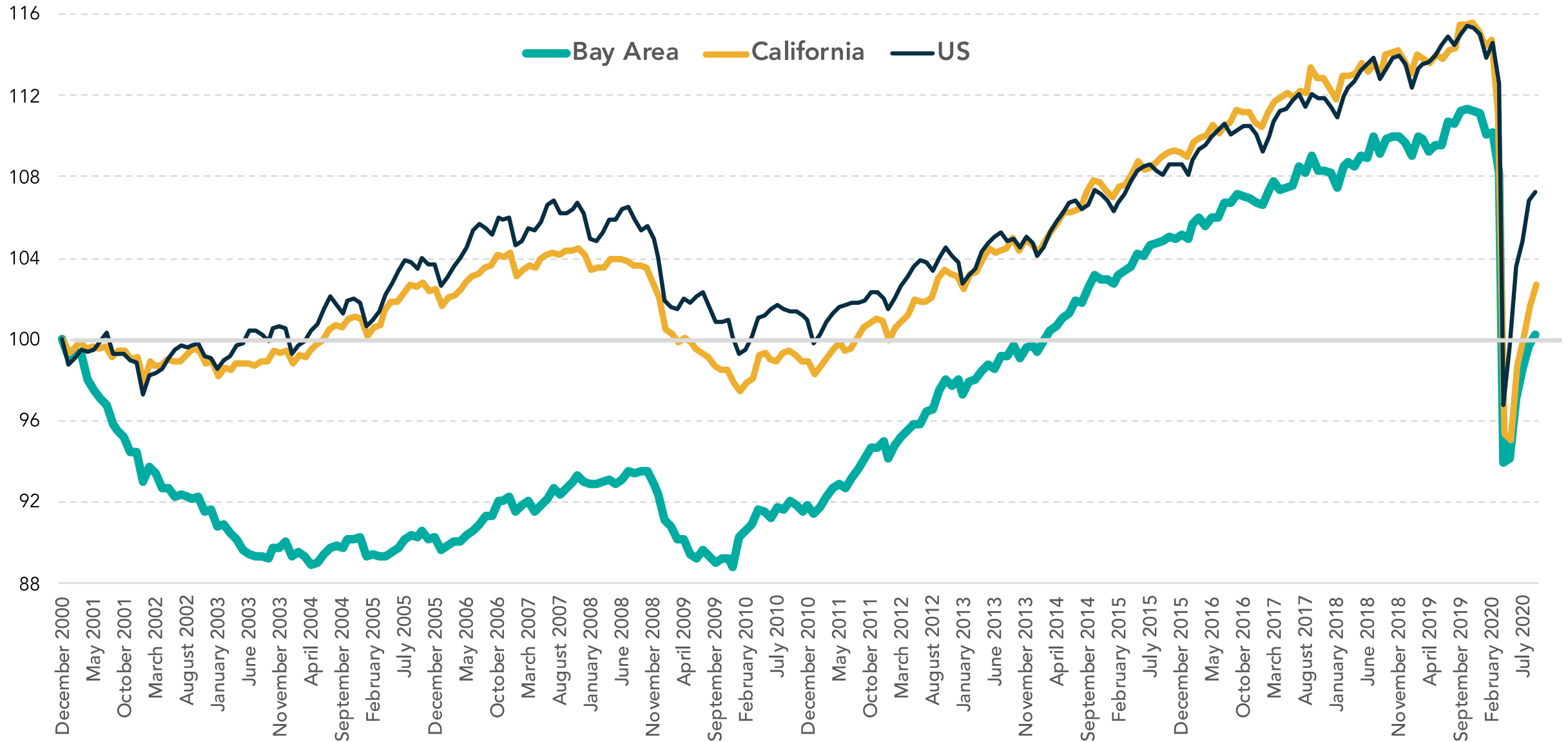
Jobs Recovered by December 2020 as % of Losses



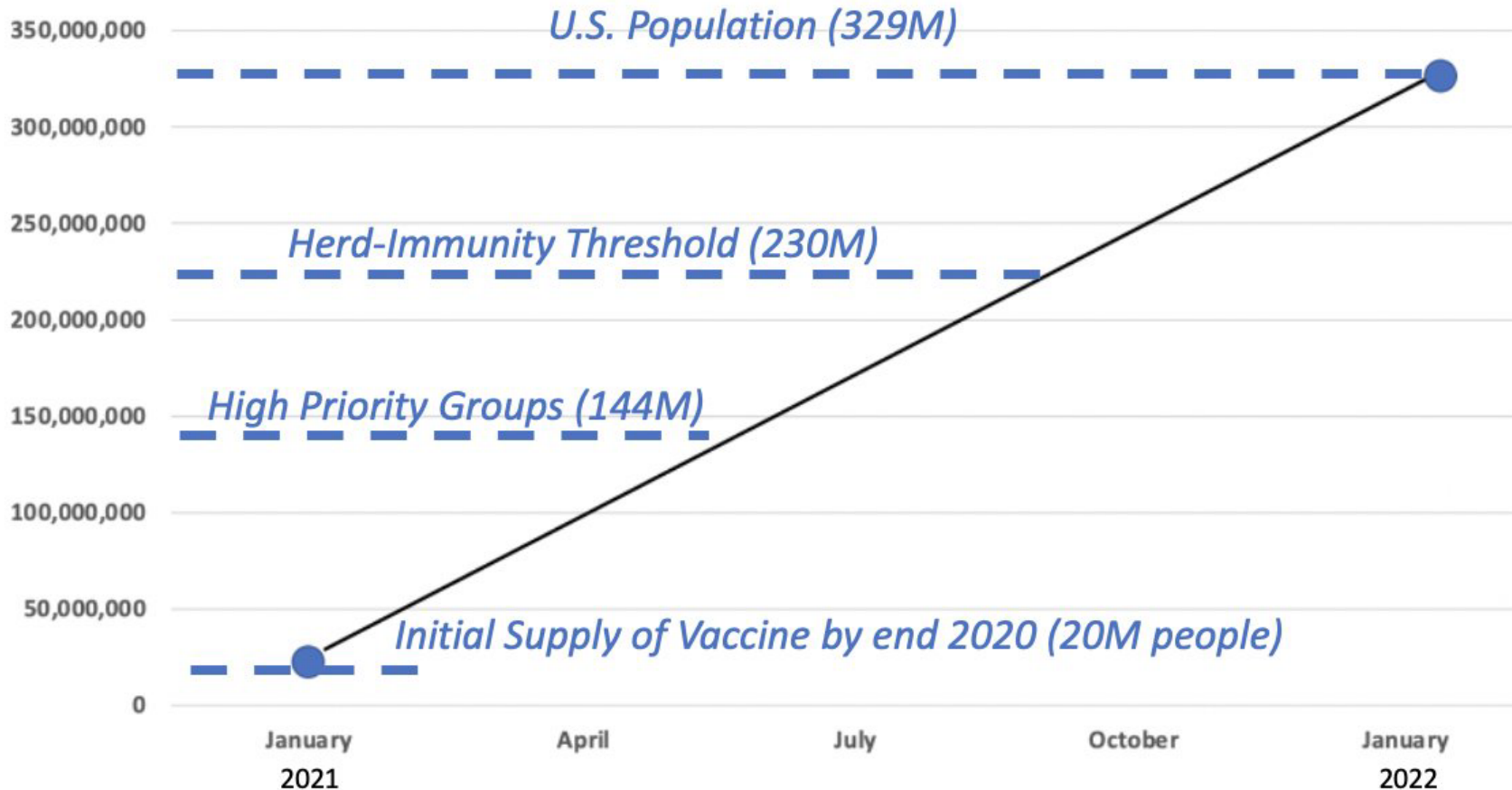
Source: Bureau of Labor Statistics  
Analysis: Bay Area Council Economic Institute



# 20-year Employment Growth: Bay Area vs. California vs. US



# U.S. Vaccine Availability and Eligible Groups



## Some Useful Numbers to Gauge Vaccine Timing (Ariadne estimates)

- Healthcare workers & first responders: 19.3M
- Patients with one or more comorbidities: 92M
- Patients over 65 with no comorbidities: 1.3M
- Over 65 in congregate settings: 2.3M
- Essential workers not fitting other categories: 22M
- Homeless: 6.7M
- Incarcerated: 0.7M

**Total: ~144M**

**Number of people in U.S.: 329M**

**Herd immunity threshold (~70% of total population): 230M**

Source: Bob Wachter

## The case for a rapid rebound: U.S. personal saving rate in December 2020 was 13.7% -- still above pre-COVID high set in the 1970s



U.S. recessions are shaded; the most recent end date is undecided.

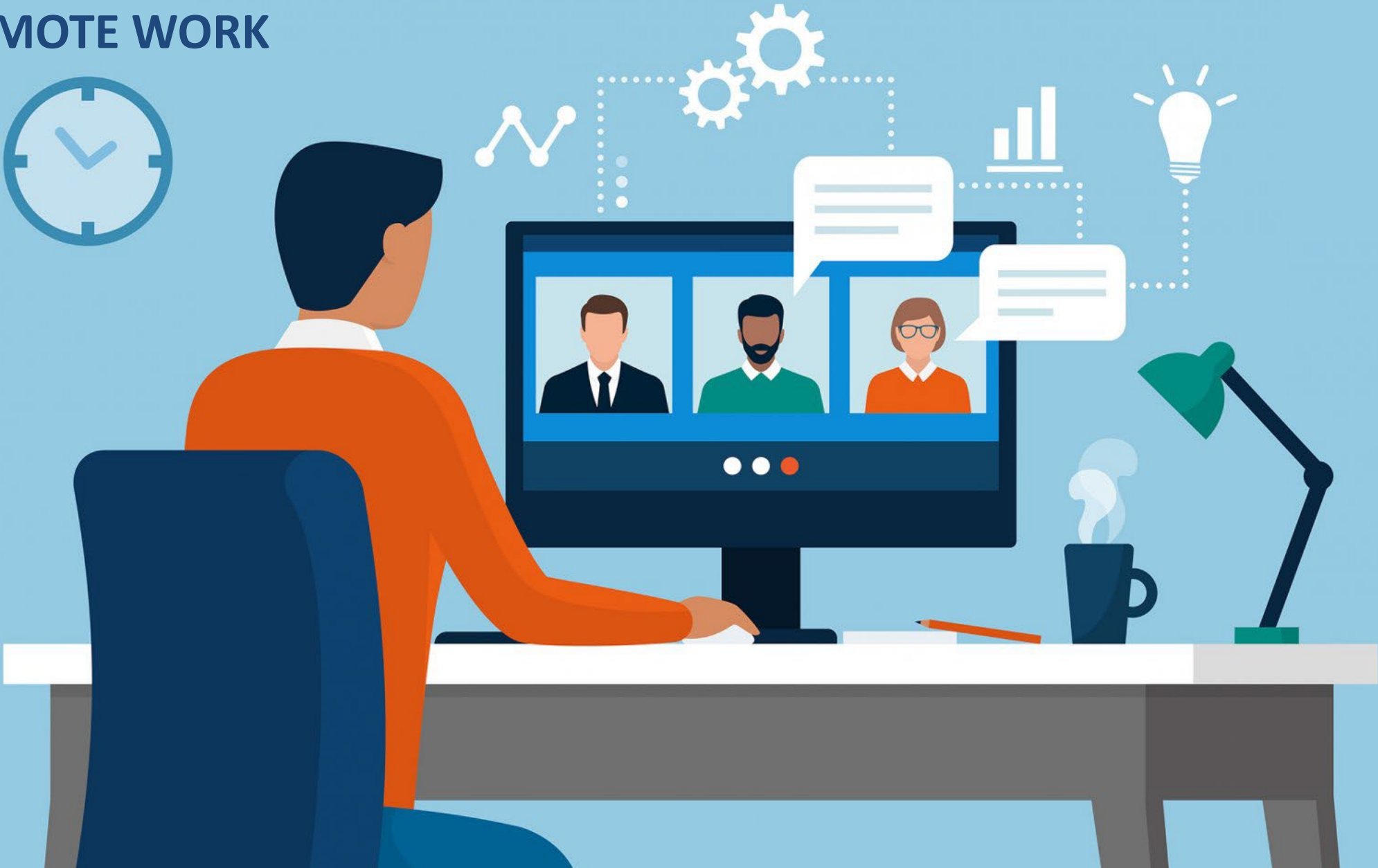
Source: U.S. Bureau of Economic Analysis

fred.stlouisfed.org





# REMOTE WORK



## Nearly half of all Bay Area residents have an occupation that is remote work “eligible”

Pinterest cancels huge SF office lease in unbuilt project, citing work-from-home shift

### *Facebook Starts Planning for Permanent Remote Workers*

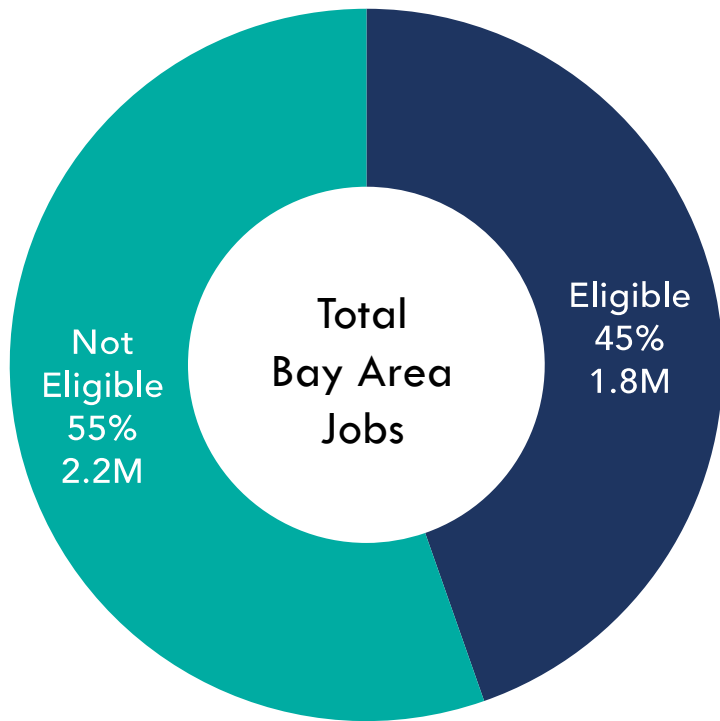
**Tech companies are ending leases and consolidating offices as remote work is here to stay**

Salesforce to allow remote or flexible work for most employees, with big implications for S.F.

## Remote Work Eligibility by Job Location

Counties in bold are included in the nine-county Bay Area

	Share of Jobs Remote Eligible	Remote Eligible Jobs
San Francisco County	51%	391,248
Santa Clara County	51%	569,941
San Mateo County	47%	195,218
Bay Area	45%	1,789,622
Sacramento County	40%	274,133
Alameda County	40%	316,655
San Diego County	39%	580,670
Orange County	39%	642,799
Marin County	39%	45,013
Contra Costa County	38%	140,781
Los Angeles County	38%	1,708,733
Sonoma County	32%	67,926
Fresno County	30%	120,780
Solano County	29%	40,988
Napa County	26%	20,903



	Remote Work Eligible	Not Remote Work Eligible	Total
<b>Race/Ethnicity</b>			
White	838,221	820,667	1,658,888
%	51%	49%	100%
Black	82,977	168,141	251,117
%	33%	67%	100%
American Indian or Alaska Native	3,928	6,747	10,675
%	37%	63%	100%
Asian	531,029	488,549	1,019,578
%	52%	48%	100%
Native Hawaiian or Other Pacific Islander	6,697	14,789	21,487
%	31%	69%	100%
Two or More Races	46,975	57,699	104,674
%	45%	55%	100%
Hispanic or Latino	278,658	659,640	938,298
%	30%	70%	100%
<b>Average Annual Income</b>			
< \$40,000	77,299	1,170,607	1,247,906
	6%	94%	100%
\$40,001-\$60,000	366,006	520,755	886,761
	41%	59%	100%
\$60,001-\$80,000	332,580	216,021	548,601
	61%	39%	100%
\$80,001-\$100,000	312,569	94,559	407,128
	77%	23%	100%
\$100,001-\$150,000	528,401	161,936	690,336
	77%	23%	100%
> \$150,001	172,767	55,896	228,663
	76%	24%	100%

# Bay Area Remote Work Summary Statistics

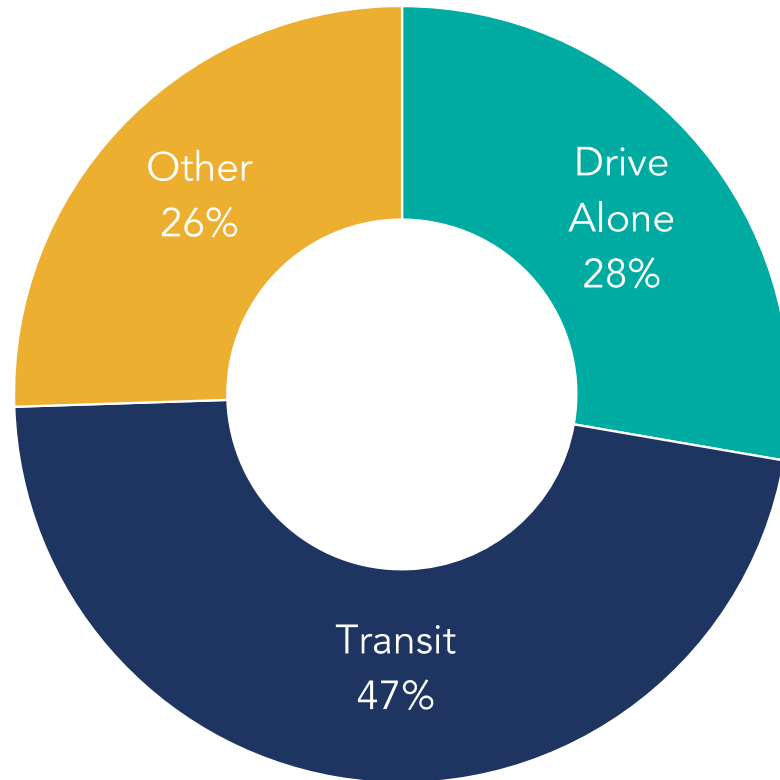
# Example #1: San Francisco Employment

391,248

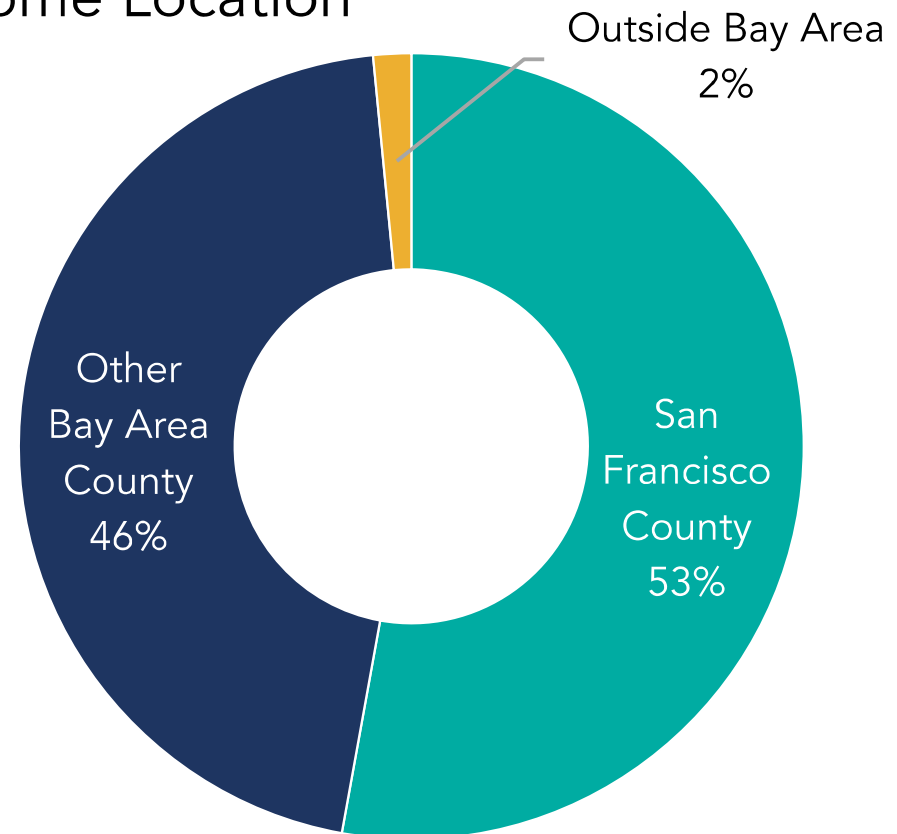
jobs are remote eligible.

51 percent of countywide jobs are remote eligible.

## Mode Share



## Home Location



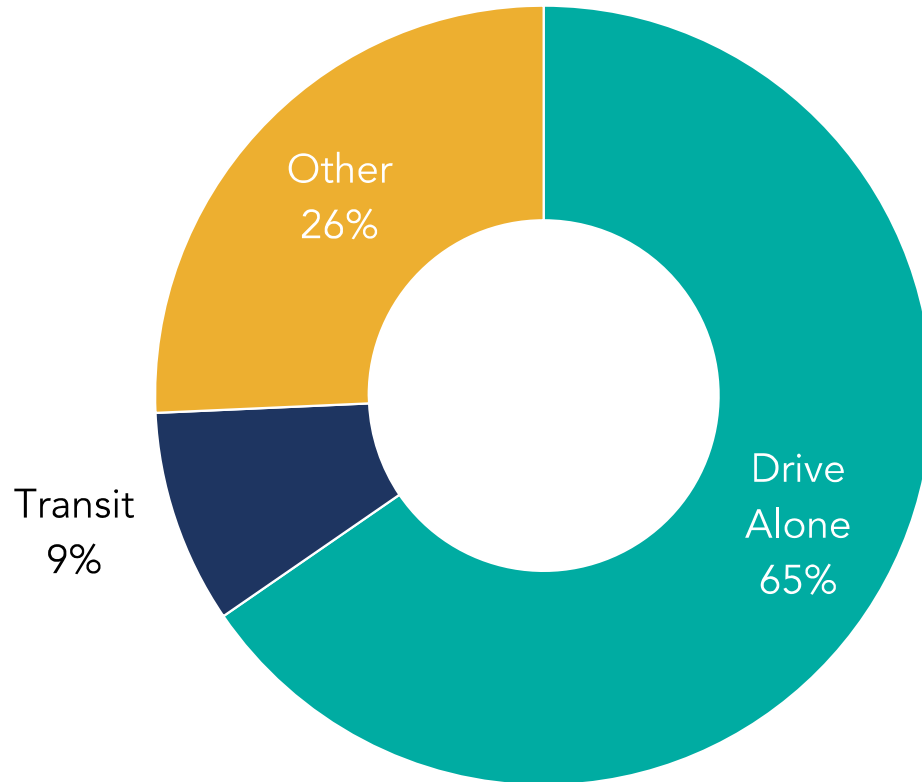
# Example #2: Alameda County Employment

316,655

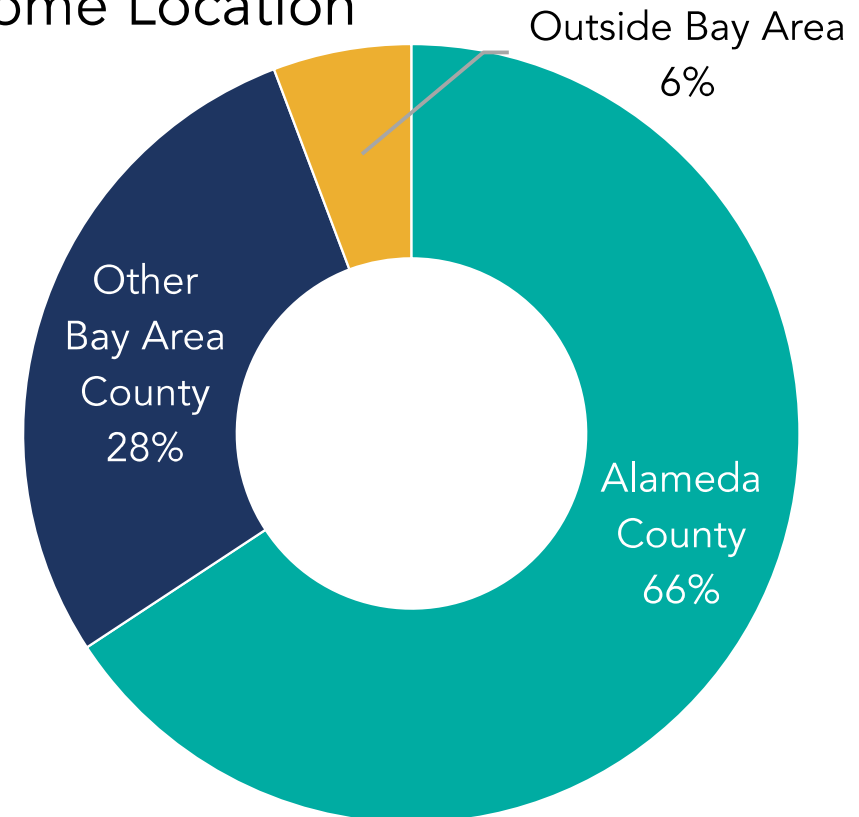
jobs are remote eligible.

40 percent of countywide jobs are remote eligible.

## Mode Share



## Home Location





## Sizing Remote Work Effects

### Weekly Remote Job-Days

Mode	Total Remote Jobs	Weekly Remote Job-Days				
		5 out of 5 days (or 100%)	4 out of 5 days (or 80%)	3 out of 5 days (or 60%)	2 out of 5 days (or 40%)	1 out of 5 days (or 20%)
Drive Alone	1,111,800	5,559,000	4,447,200	3,335,400	2,223,600	1,111,800
→ Transit	265,715	1,328,575	1,062,860	797,145	531,430	265,715
Other	411,157	2,055,785	1,644,628	1,233,471	822,314	411,157
<b>Total</b>	<b>1,788,672</b>	<b>8,943,360</b>	<b>7,154,688</b>	<b>5,366,016</b>	<b>3,577,344</b>	<b>1,788,672</b>

### In-person jobs days reduction among:

Single occupancy vehicle commuters	-	-41%	-33%	-25%	-17%	-8%
→ Transit commuters	-	-55%	-44%	-33%	-22%	-11%
All other mode commuters	-	-63%	-51%	-38%	-25%	-13%
<b>Total reduction in-person job-days (Share of weekly pre-COVID in-person job-days lost)</b>	<b>-</b>	<b>-47%</b>	<b>-38%</b>	<b>-28%</b>	<b>-19%</b>	<b>-9%</b>

Data: Emsi Occupation Data 2019

Note: Pre-COVID in-person job-days calculated using total jobs minus those already working from home pre-COVID based on ACS 2018 1-year estimates.



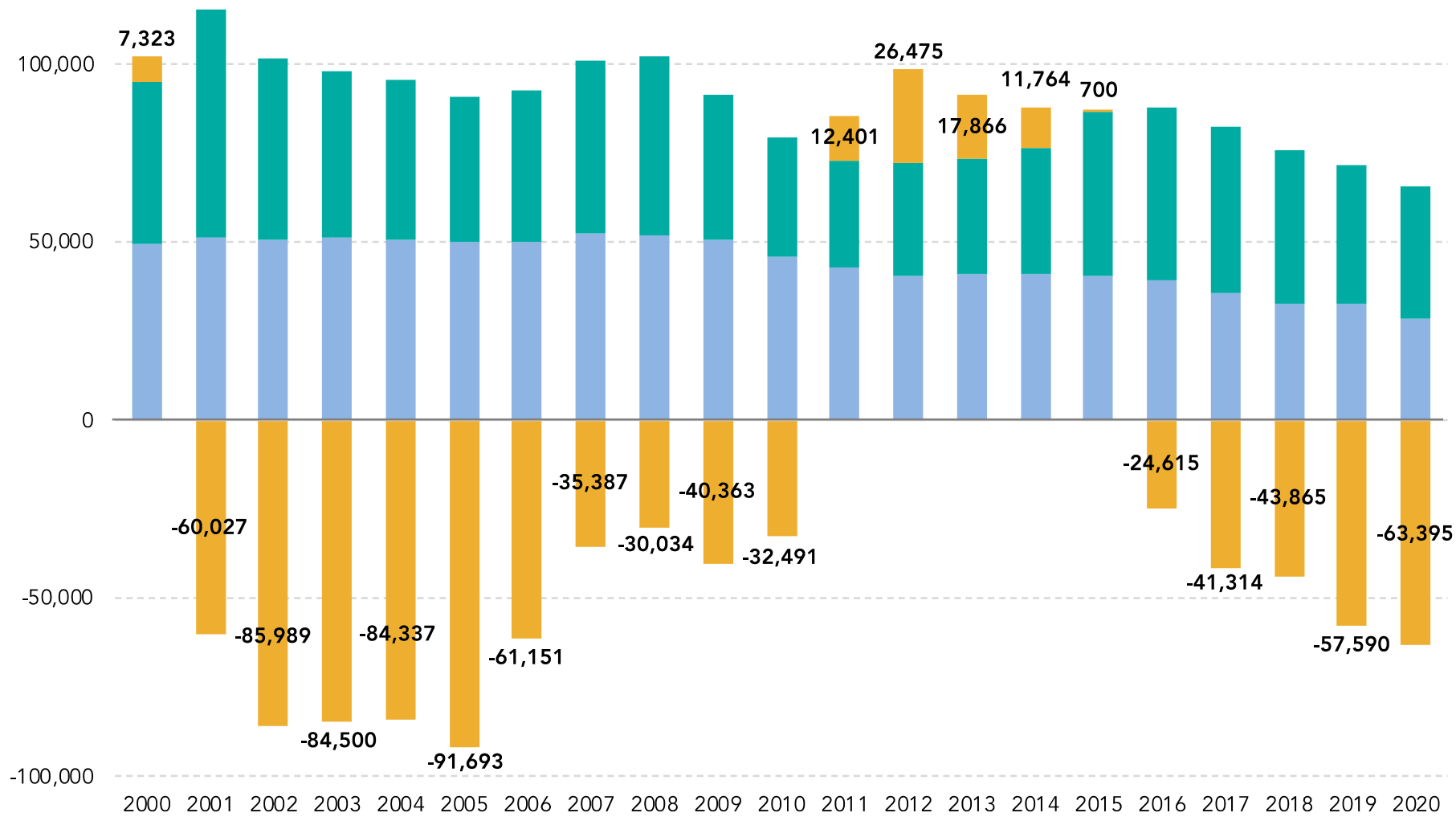
# ON THE MOVE





# Bay Area Population Change

Net Births/Deaths   Net International   Net Domestic

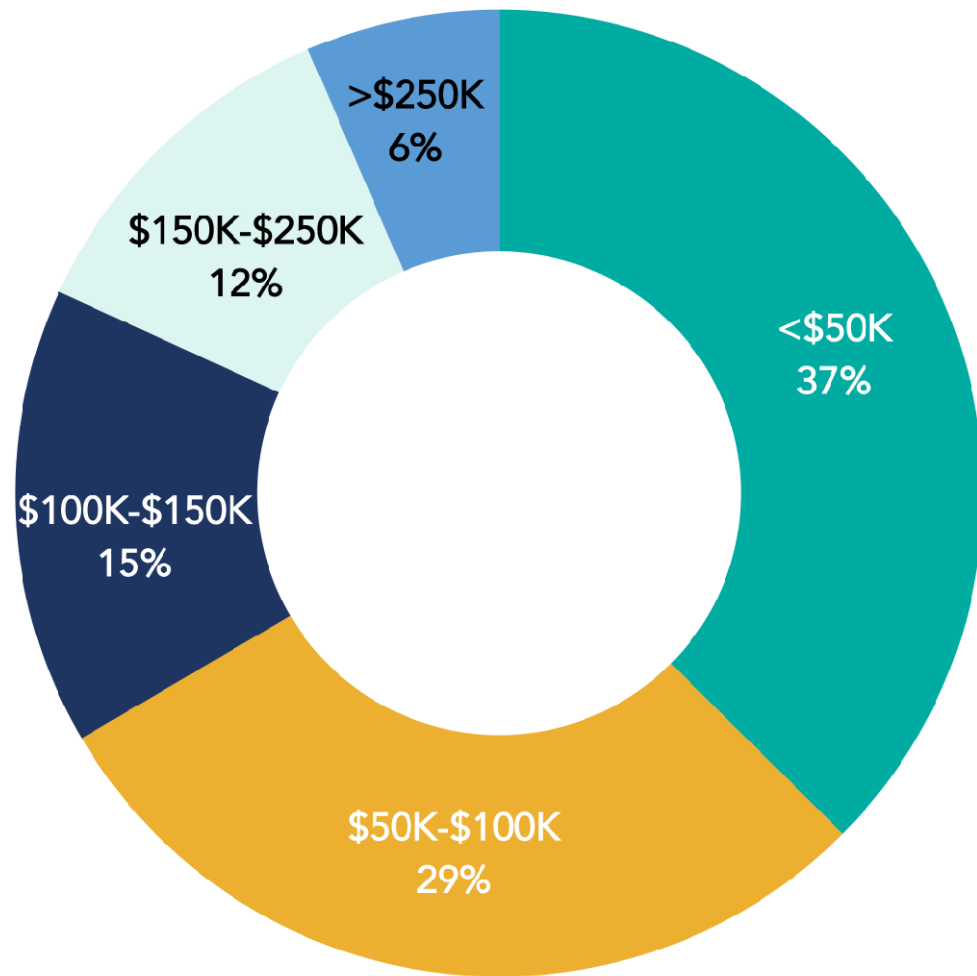


**Net domestic migration was trending negatively even before COVID-19**

Source: California Department of Finance, Demographic Research Unit

Analysis: Bay Area Council Economic Institute

## Household income among those who moved away from California in 2019



Over half of the households that moved away from California in 2019 earned below \$100,000 annually.

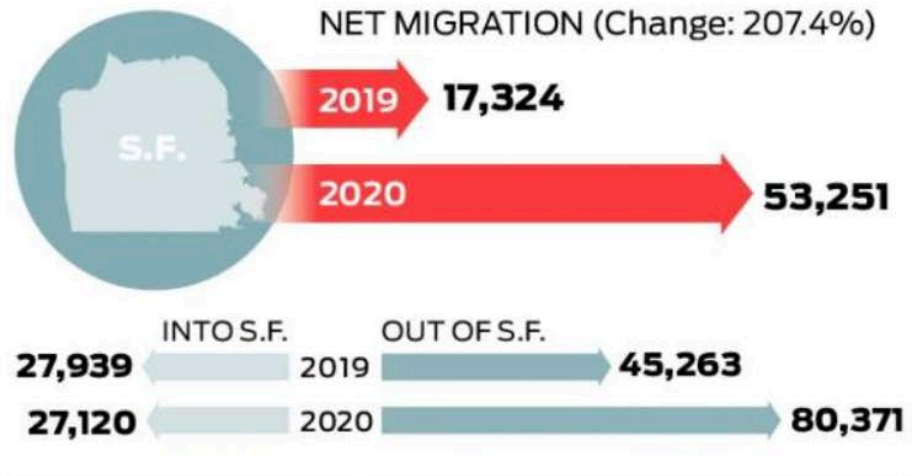
### Top 5 destinations among households that moved away in 2019:

Texas	→ 32,820
Arizona	→ 28,135
Washington	→ 24,402
Nevada	→ 19,206
Oregon	→ 17,665

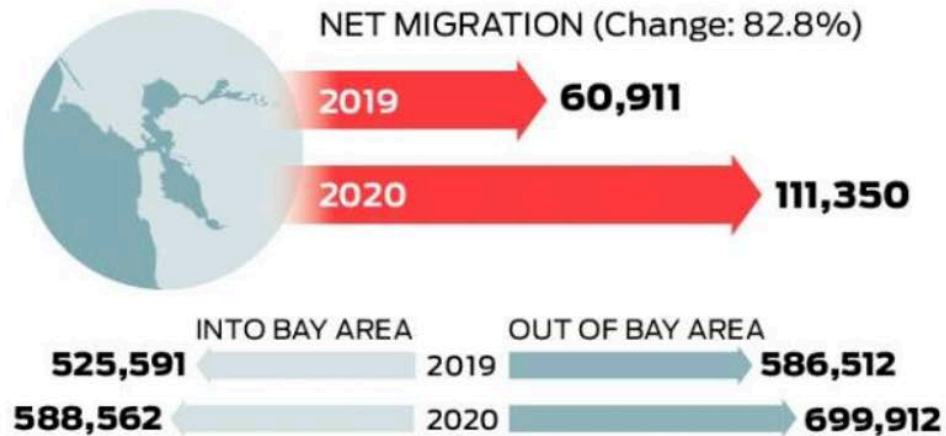
Data: American Community Survey 1-year Estimates  
Analysis: Bay Area Council Economic Institute

## San Franciscans on the move

The number of households in San Francisco/the Bay Area that filed a change of address from March to November:



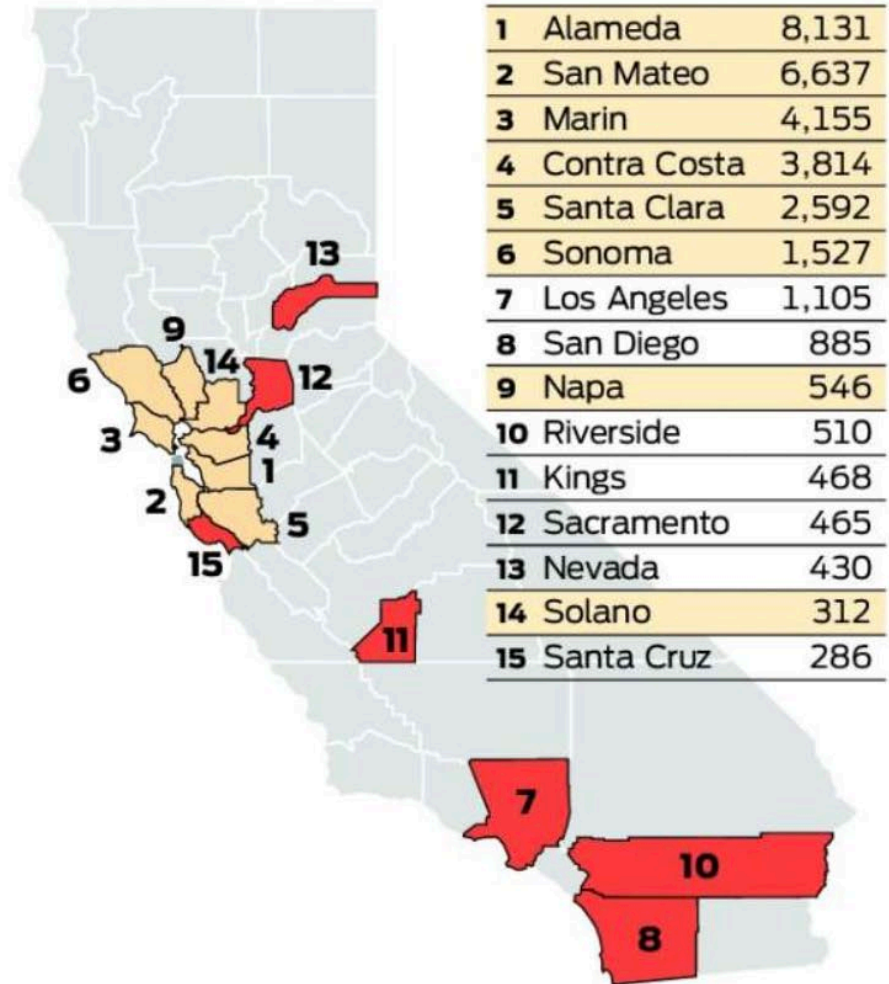
## Bay Area residents on the move



Source: U.S. Postal Service

## Where people moved

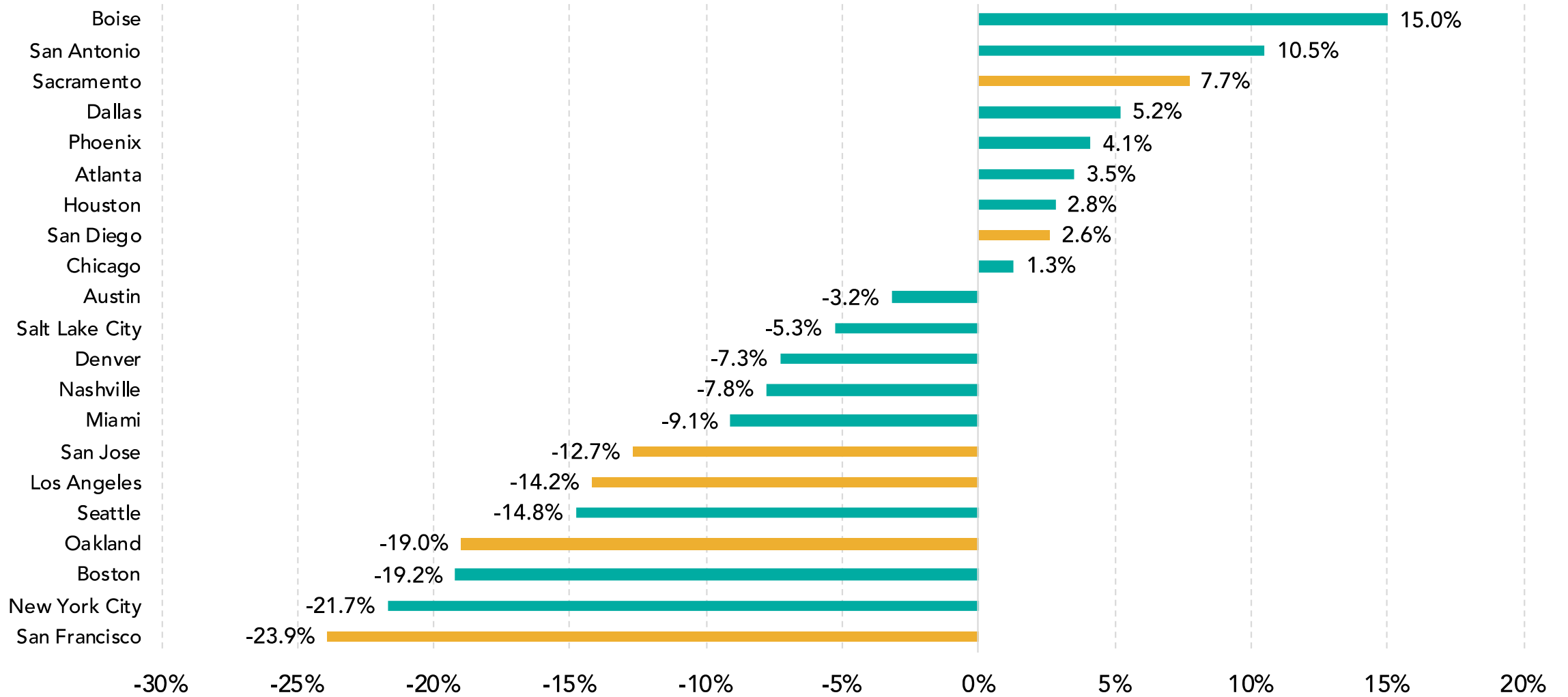
Most popular destinations among those from San Francisco who filed a change of address in a new county:



Todd Trumbull / The Chronicle



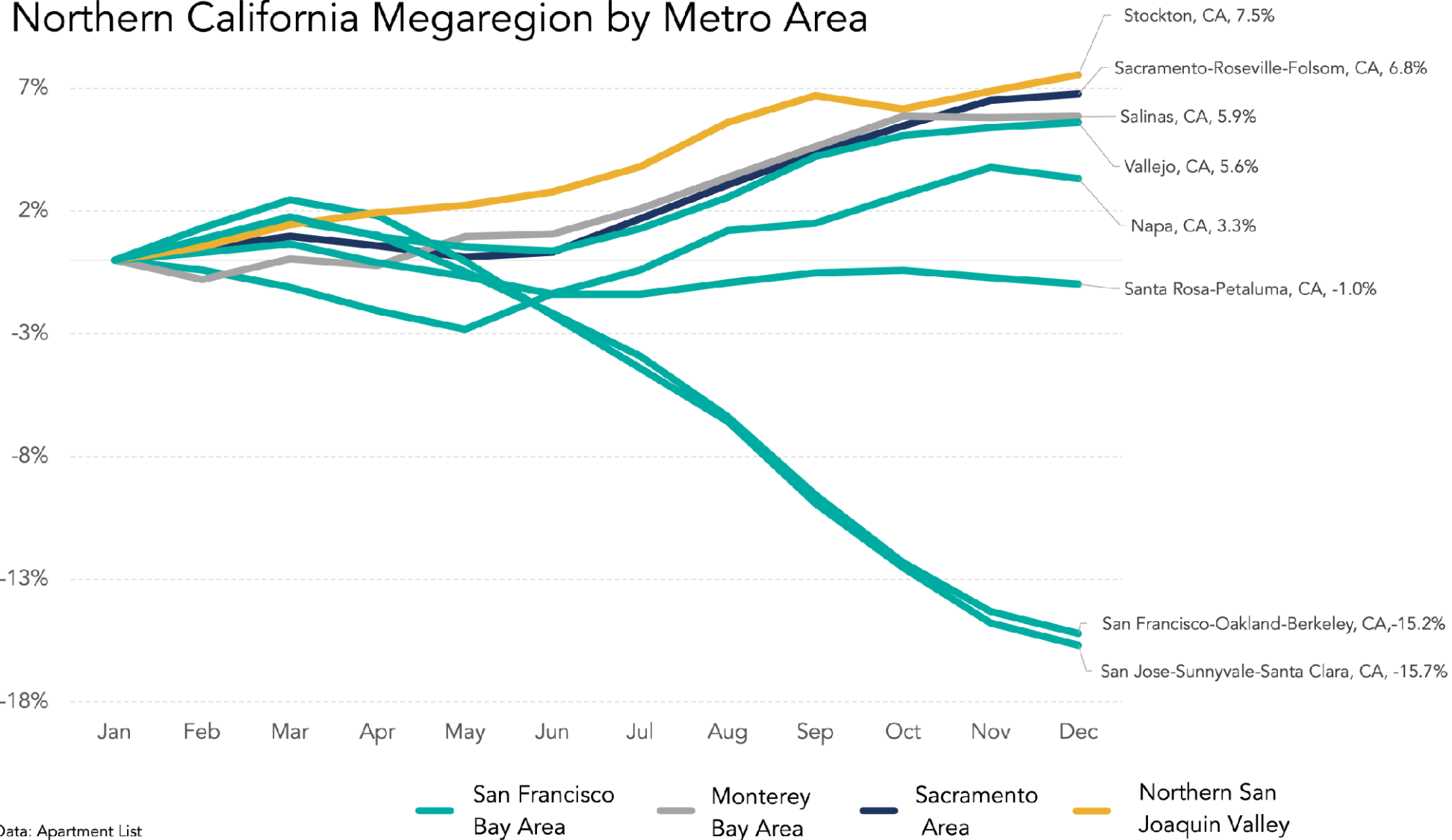
# Percent Change in Average Rent for a 1-Bedroom (January 2020-January 2021)



Source: Zumper

Analysis: Bay Area Council Economic Institute

# 2020 % Change in Overall Rent Estimates Across the Northern California Megaregion by Metro Area



Early trends show COVID-19 has shifted housing preferences across Northern California

Data: Apartment List  
Analysis: Bay Area Council Economic Institute

# Median Home Sale Price in Northern CA Megaregion Counties

Sorted by percent change over the last year amidst the COVID-19 pandemic

	Dec 2012	Dec 2019	Dec 2020	Annual Growth Rate 2012-2019	COVID Impact (2019-2020 % change)
Nevada County	\$ 300,000	\$ 460,000	\$ 575,000	6%	25%
San Benito County	\$ 345,000	\$ 580,000	\$ 720,000	8%	24%
Monterey County	\$ 328,000	\$ 595,000	\$ 726,000	9%	22%
Marin County	\$ 705,000	\$ 1,118,000	\$ 1,335,000	7%	19%
Contra Costa County	\$ 350,000	\$ 619,000	\$ 715,000	8%	16%
Placer County	\$ 295,000	\$ 490,000	\$ 565,000	8%	15%
Sacramento County	\$ 185,000	\$ 375,000	\$ 432,000	11%	15%
Stanislaus County*	\$ 150,000	\$ 331,000	\$ 375,000	12%	13%
Alameda County	\$ 430,000	\$ 815,000	\$ 920,000	10%	13%
Napa County	\$ 338,000	\$ 700,000	\$ 790,000	11%	13%
El Dorado County	\$ 287,000	\$ 480,000	\$ 540,000	8%	13%
Santa Clara County	\$ 603,000	\$ 1,090,000	\$ 1,225,000	9%	12%
Merced County	\$ 130,000	\$ 285,000	\$ 320,000	12%	12%
San Joaquin County	\$ 175,000	\$ 385,000	\$ 430,000	12%	12%
Sonoma County	\$ 359,000	\$ 610,000	\$ 679,000	8%	11%
Solano County	\$ 217,000	\$ 449,000	\$ 497,000	11%	11%
Santa Cruz County	\$ 490,000	\$ 839,000	\$ 925,000	8%	10%
San Mateo County	\$ 680,000	\$ 1,292,000	\$ 1,375,000	10%	6%
San Francisco County	\$ 824,000	\$ 1,328,000	\$ 1,350,000	7%	2%

\*Dec 2012 median sale price unavalbile for Stanislaus County, the number used reflects the closest avilible number which is from February 2013.

Data: Redfin

Analysis: Bay Area Council Economic Institute

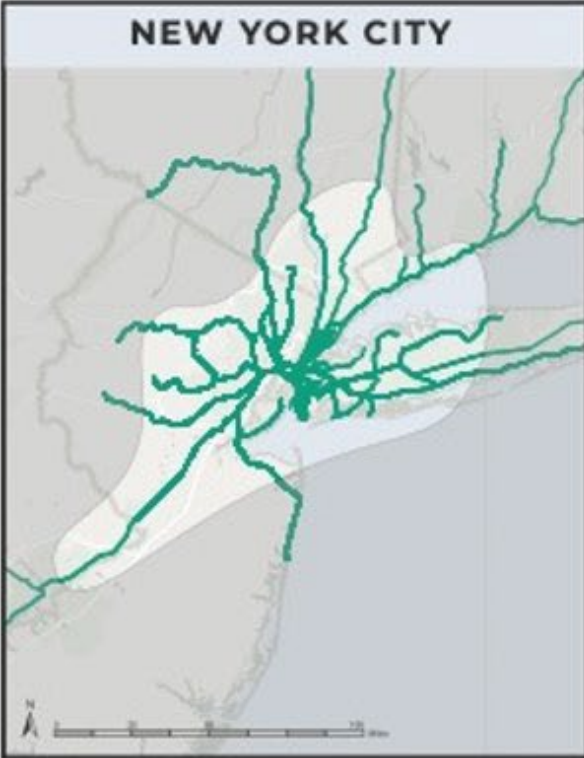
**Home prices  
corroborate  
shift in  
population**

The Northern California megaregional rail system is slow and connects limited geographies compared to peer areas

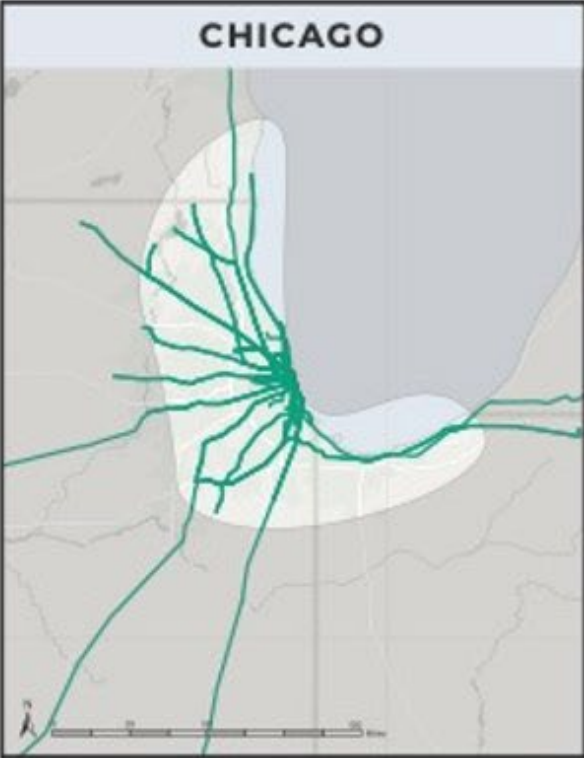
# 1-HOUR COMMUTE SHEDS BY MEGAREGION



Max Distance by Rail  
*~35 miles in an hour*



Max Distance by Rail  
*~80 miles in an hour*



Max Distance by Rail  
*~55 miles in an hour*

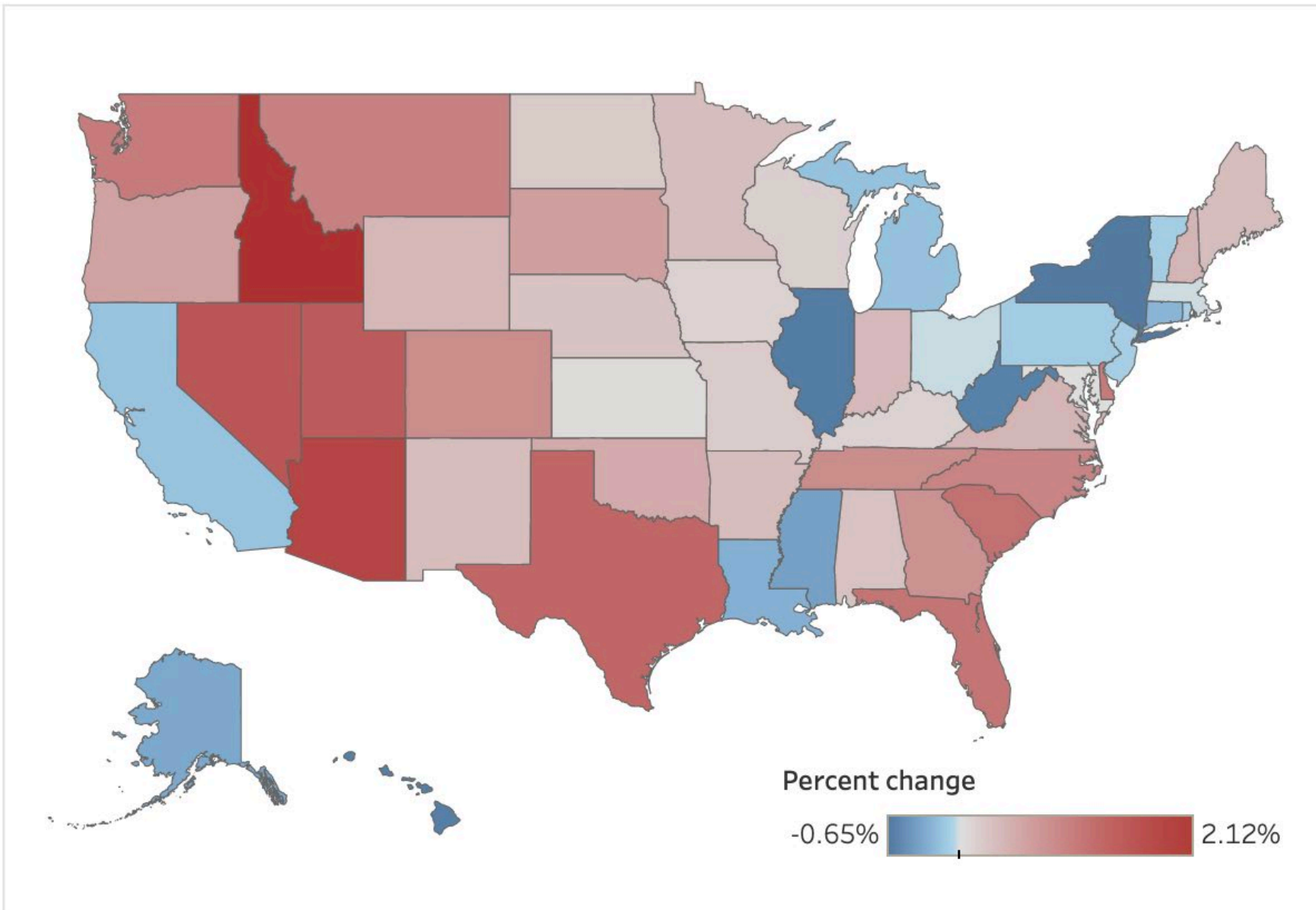


Max Distance by Rail  
*~85 miles in an hour*



# ECONOMIC COMPETITIVENESS



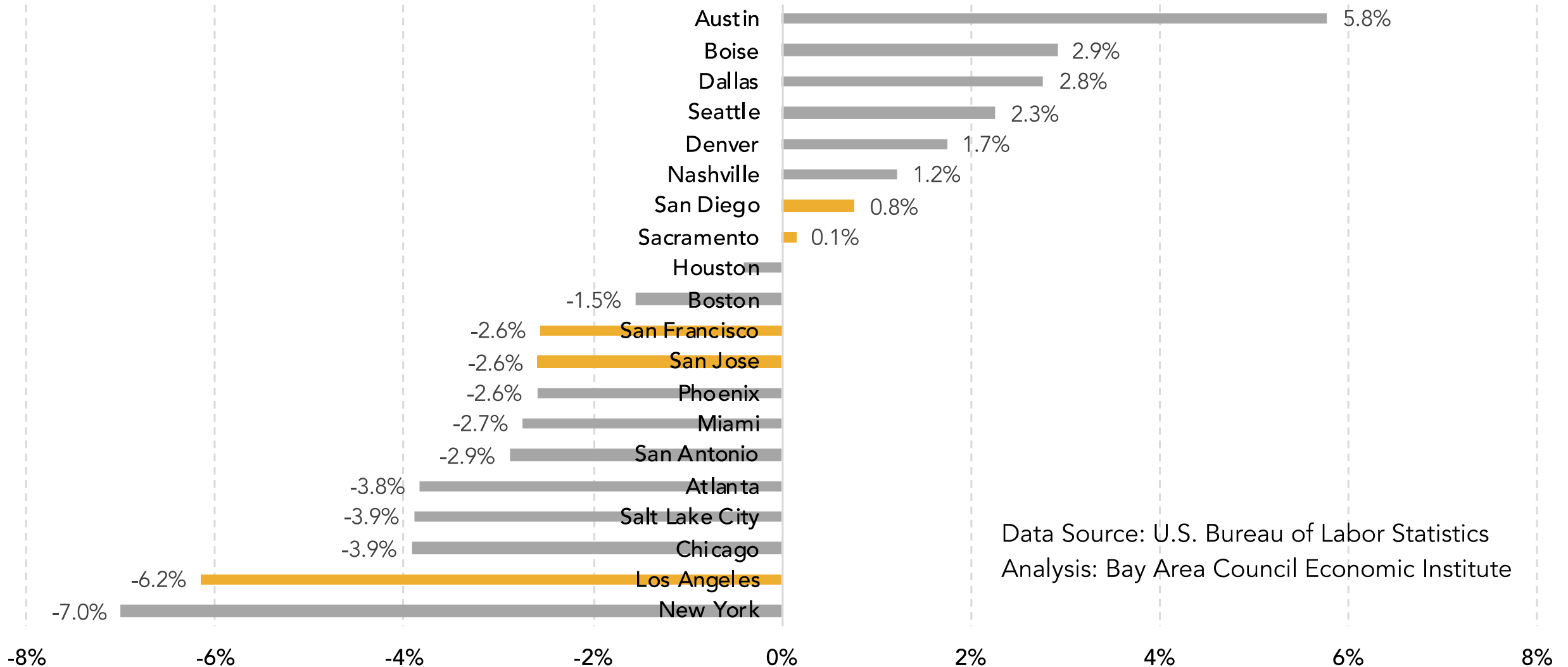


**California is expected to lose population for the first time in 2020 since annual counts began in 1900...**

Source: U.S. Census Bureau population estimates, July 2020

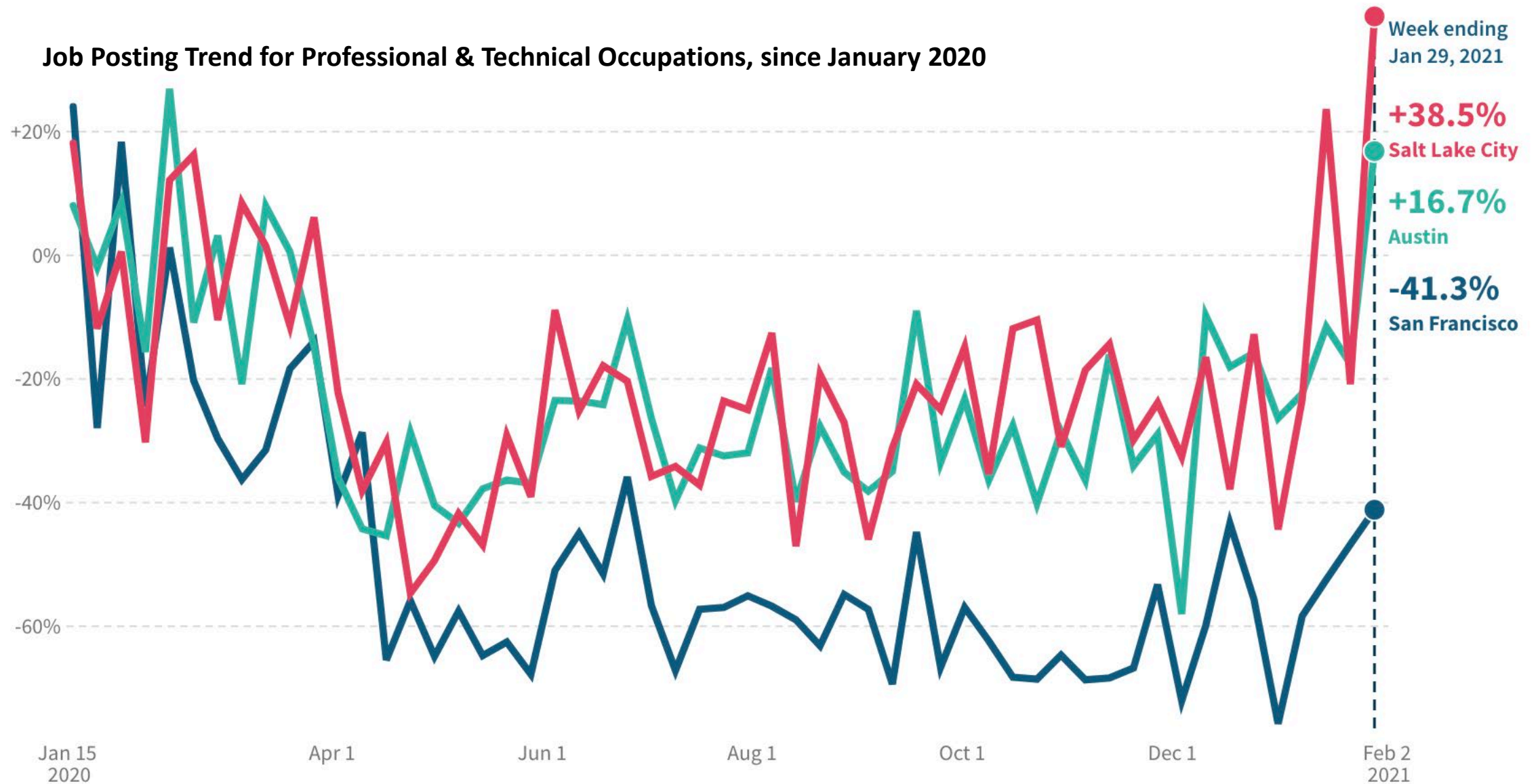
# Metro Area Jobs in Information, Finance, Professional Services

Dec 2019 - Dec 2020 % Employment Change

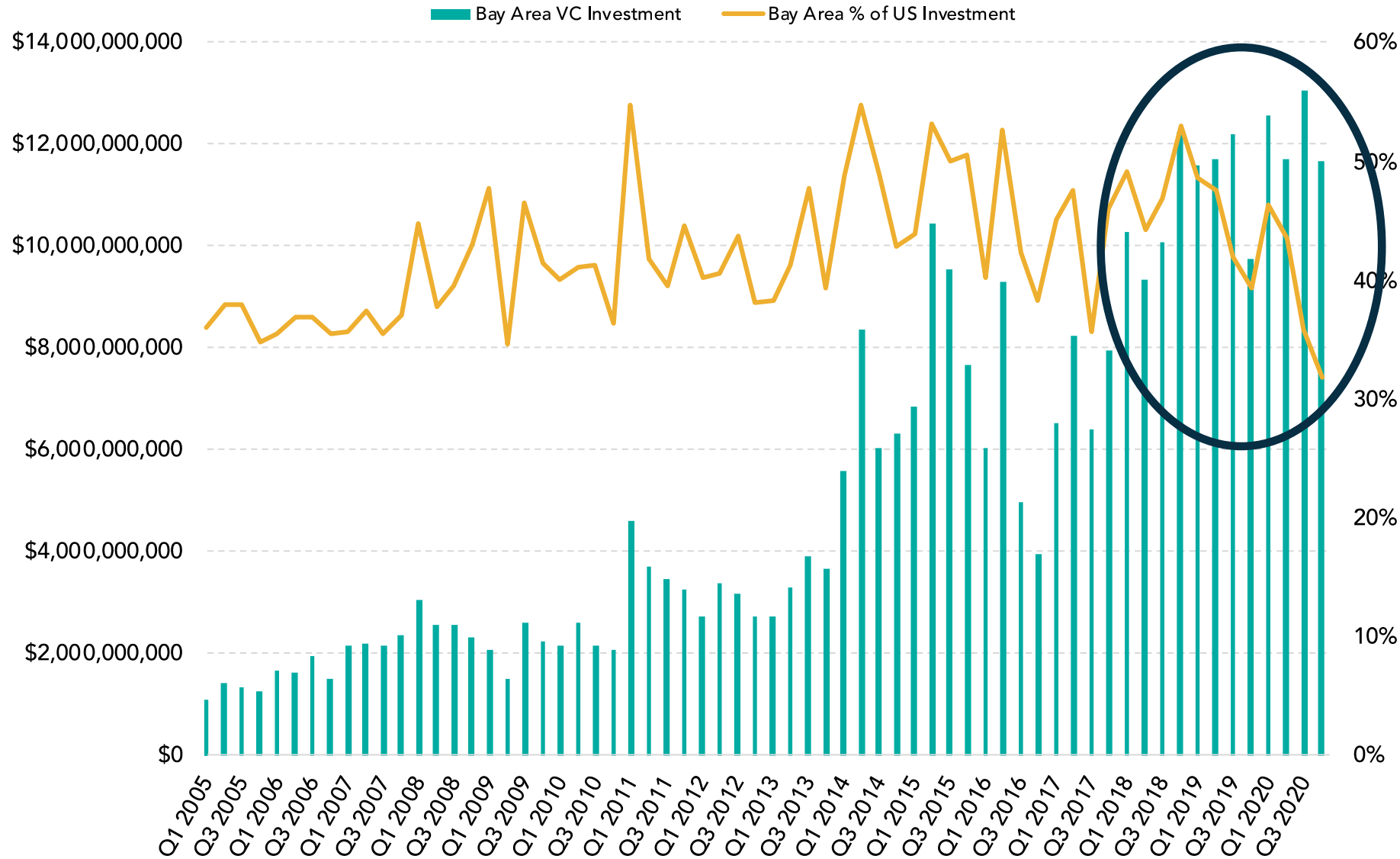


Data Source: U.S. Bureau of Labor Statistics  
Analysis: Bay Area Council Economic Institute

# Office employment in San Francisco has stalled, while “new tech” geographies grow



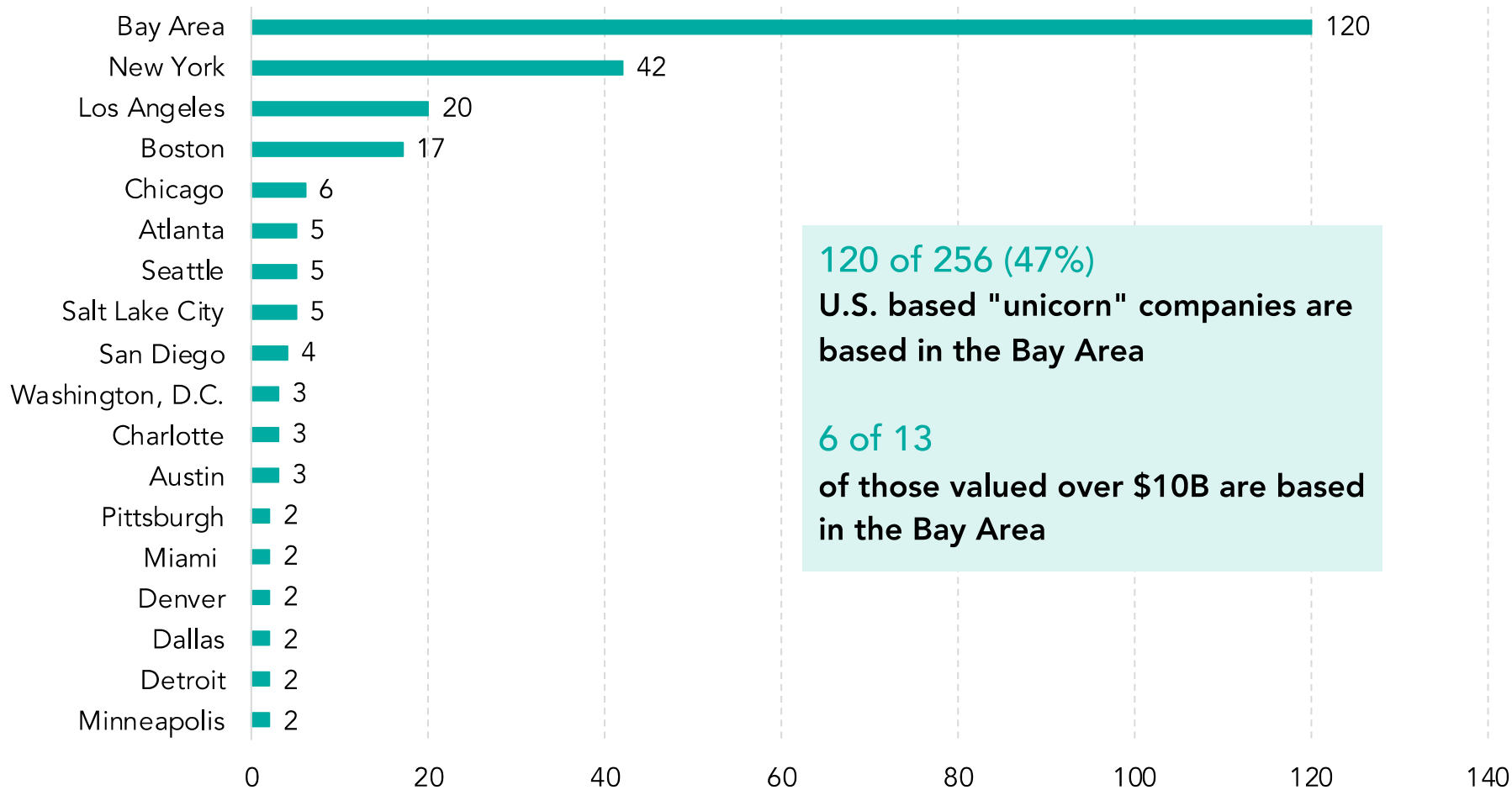
# Bay Area Share of Venture Capital Investment



**The beginning of a pullback in venture capital investment in the region...?**

Source: PwC/CBI Insights MoneyTree  
 Analysis: Bay Area Council Economic Institute

## Companies in IPO Pipeline with Valuations Over \$1 Billion (as of January 26, 2021)



... or is the region's  
innovation  
economy still miles  
ahead of other  
metro areas?

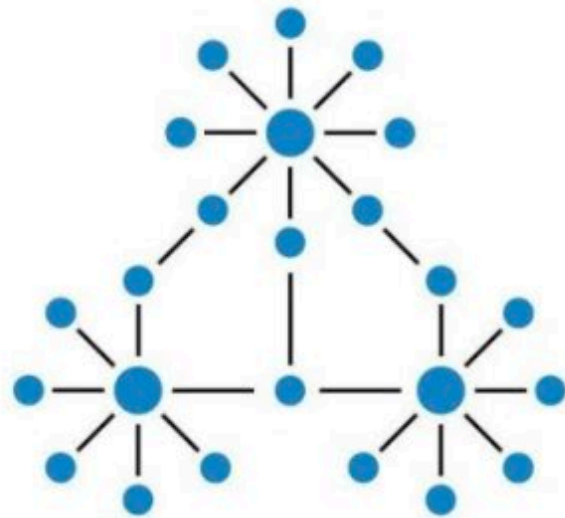
Source: CB Insights

Analysis: Bay Area Council Economic Institute

Note: There is one unicorn company located in each of the following locations: Buffalo, Columbus, Houston, Jacksonville, Kansas City, Milwaukee, Philadelphia, Portland, Raleigh-Durham, Santa Barbara, and Stamford.

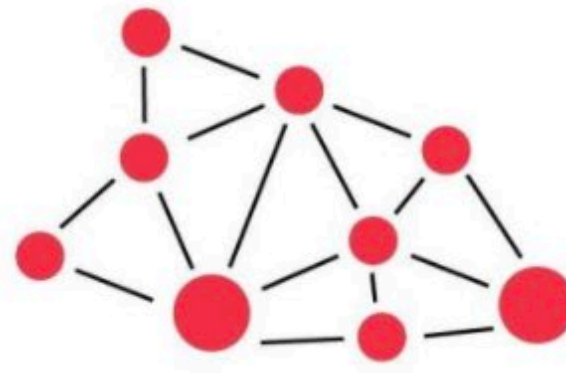
## More tech companies will look to a dispersed workforce post-pandemic

Once the pandemic is over, what office model will your team choose:



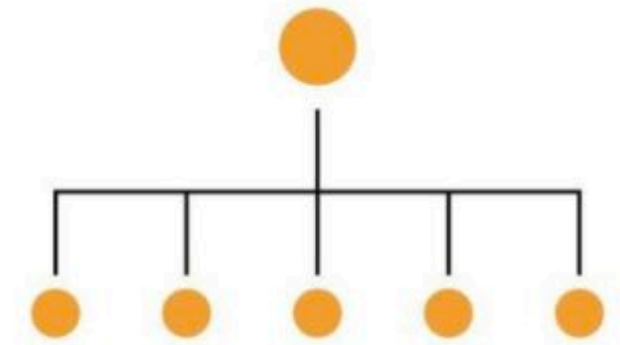
**Hub and Spoke**

**37.3%**



**Fully Decentralized**

**36.1%**



**Primary Office**

**26.5%**



# CA FISCAL SITUATION

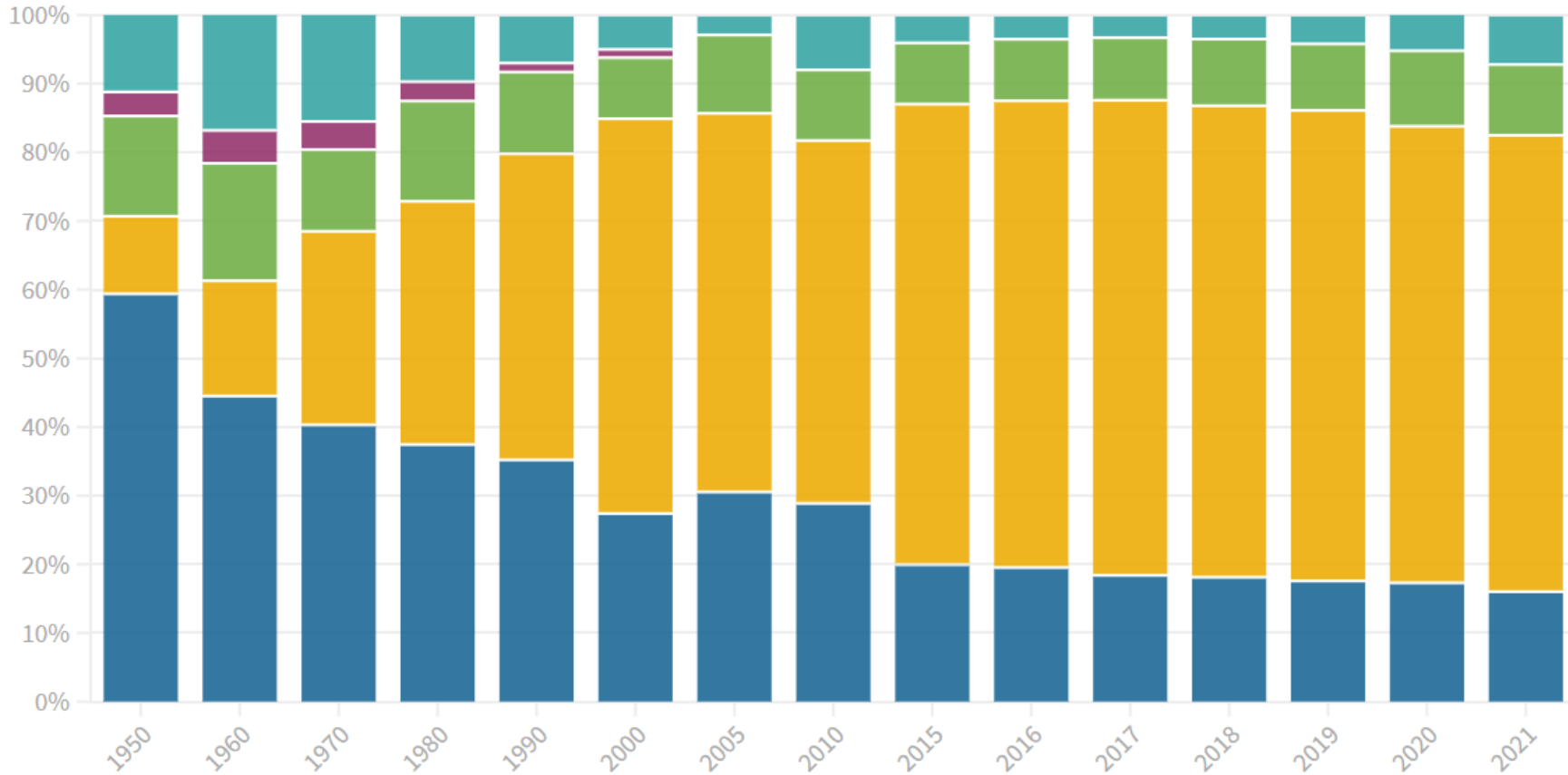


# The sources of California's revenue

1950-2020

California's tax system is considered one of the most progressive in the nation. The state's education, health care and public assistance programs are funded largely by capturing money from the wealthy.

■ Retail Sales and Use Tax ■ Personal Income Tax ■ Corporation Tax ■ Estate Tax ■ Other



Two-thirds of the state's general fund revenues are derived from personal income taxes.

Those making \$1 million or more contribute 40% of personal income tax receipts.

Source: CalMatters

Source: [Governor's Proposed 2021-22 Budget Summary](#)

# 2018 California Personal Income Tax (PIT) by Region

Region	Population	PIT Assessed (\$ in thousands)	% of Population	% of PIT
Bay Area	7,770,564	36,882,041	19.5%	42.0%
Los Angeles	14,341,020	30,530,885	36.0%	34.8%
San Diego	3,533,386	6,404,530	8.9%	7.3%
Inland Empire	4,599,654	3,517,590	11.6%	4.0%
Sacramento	2,516,841	3,499,841	6.3%	4.0%
San Joaquin Valley	4,299,861	3,220,525	10.8%	3.7%
Central Coast	1,513,131	2,637,478	3.8%	3.0%
Rest of State	1,243,328	1,079,865	3.1%	1.2%

Data Source: California Franchise Tax Board

Analysis: Bay Area Council Economic Institute

Note: Excludes tax assessed on non-California residents

# Bay Area Council member companies' 2021 priorities

More affordable housing/workforce **housing**

Improve **business climate**, oppose new business taxes

Help **transportation** system recover from COVID-19

Work to end chronic **homelessness**

**Reduce fire risk ... climate resilience** for water, heat and sea level rise.

**Help 400k laid off workers ...** prepare students for future jobs

Workforce **diversity, equity and inclusion**

Get **office work widely and safely** reopened

Reliable and affordable **energy**

Further strengthen region's **innovation** and technology ecosystem