

# West Georgia Regional Update

Carroll, Coweta, Douglas, Haralson, & Paulding County

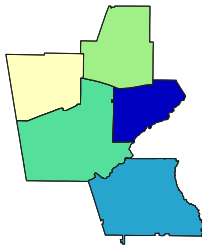
## Industry Spotlight: The Housing Bubble and Beyond

UNIVERSITY of  
**West Georgia**  
Richards College of Business

Department of Economics  
<http://www.westga.edu/~econ/>

Center for Business and  
Economic Research

For a subscription to the Update,  
contact us at: [cber@westga.edu](mailto:cber@westga.edu)



**ANNOUNCEMENT**  
Economic Forecast Breakfast  
Nov 1, 2011  
UWG Campus Center  
**For Reservations Call:**  
Phone: 678-839-6477



Although two states on opposite sides of the country, California and Florida, were first to feel the impact of the now 5-year-old housing downturn, the effects quickly spread across most states. The impact has been especially pronounced among those states that were the most prosperous only a few years earlier, like Georgia. Population and income growth in the Atlanta Metropolitan Area over the past two decade helped make the West Georgia Region attractive to both workers and developers seeking access to Atlanta's markets. The booming population made housing-related employment one of the economic mainstays of the West Georgia economy. But, over-investment in all-things-housing and the subsequent "Great Recession" has turned this engine of economic growth into the biggest obstacle in shifting West Georgia into full recovery mode.

In the West Georgia Region, population growth has been strong over the past two decades; but, not strong enough to absorb the speculation-led housing construction boom occurring in the region. In Carroll and Douglas Counties, annual single family permit growth averaged around 9% from the early 1990s to 2006. In these same counties, the population growth rate was roughly 1/3rd of the permit growth rate. Georgia ranked 6th highest in income growth over the past 50 years, but higher income increases the quality or size of housing purchased, but not necessarily the number of units consumed. In the early 2000s, despite a recession, housing permits and construction soared.

One challenge facing the region is re-employing workers who were formerly employed in or supported construction activities. Employment in the construction industry peaked in 2006-2007 at just above



10,000, but in 2010 numbered only about 6,900. This translates into a loss over that period of about 1/3rd of individuals working in the construction industry. Many construction firms are small businesses, averaging fewer than 7 workers per firm in West Georgia. In 2007, there were 1,569 construction firms located in the West Georgia Region. By 2010, that number

(Continued on page 4)

## West Georgia Regional Update

U.S. real GDP grew by a rather modest 1.8% in the first quarter of 2011 (down from 3.1% growth in the 4th quarter of 2010). On a positive note, the U.S. economy added 244,000 jobs in April 2011. Job gains were broad-based with the exception of the government sector. The overall U.S. unemployment is currently

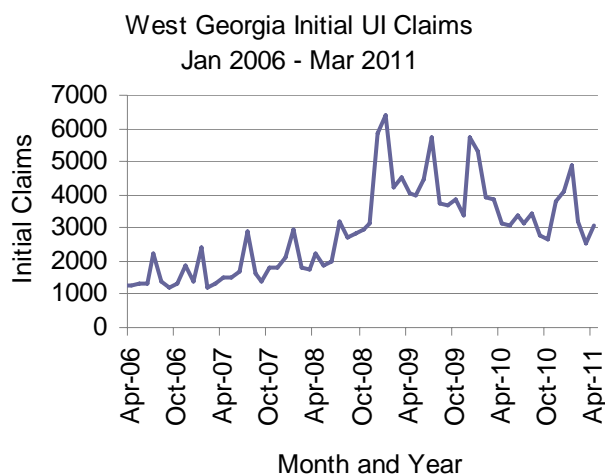
at 9%. The most recent Case-Schiller Home Price Index shows continued weakness in the housing market with home prices down in March 2011 by 3.6% nationally and even more steeply in the Atlanta MSA (-5.2%).

As for the West Georgia Region, unemployment rates

continue to remain above the state and national averages in four of the five counties. As of April 2011, the unemployment rates in Carroll, Douglas, Haralson and Paulding counties exceeded the state rate of 9.6%. Only Coweta County, with an unemployment rate of 8.9%, was able to outperform the state

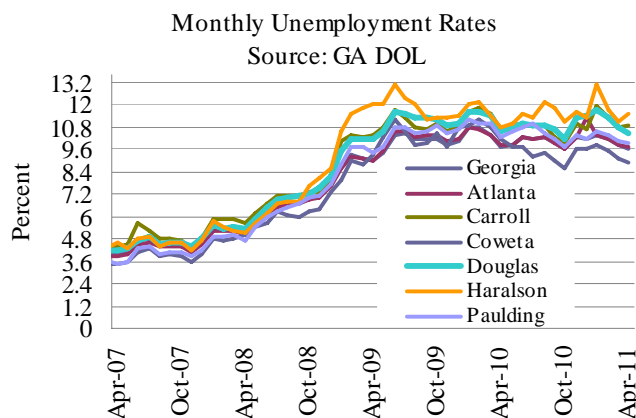
(Continued on page 4)

# West Georgia Employment Update



The region's initial unemployment insurance (UI) claims fell by 2.0% from April 2010 to April 2011, indicating that job losses continue to slow down, but the improvements are coming in smaller doses. Within the region, UI claim changes were mixed. Paulding saw the largest reduction in new claims, falling from 783 to 648 new claims over the period (-17.2%). Carroll posted the highest level of new UI claims in April 2011 (823), but Haralson saw its initial claims bounce from 174 to 280 from April 2010 to April 2011 (+60.9%). Though the region's UI claims have been trending downward due to a gradually strengthening economy, the volatility in this indicator has increased substantially since the beginning of the recession. The larger swings in initial claims may be fueled by employers increased sensitivity to market conditions, which may result in layoffs at the first sign of trouble.

Though the trend in West Georgia's initial UI claims have been downward for two years now, Spring 2011 has not brought much relief in terms of unemployment rates. Three of the five West Georgia counties saw their unemployment rates fall, Coweta, Douglas and Paulding. Coweta posted the largest decline, dropping from 10.1% in April 2010 to 8.9% in April 2011, which is also the lowest unemployment rate in the region. Among West Georgia's counties, only Coweta's is below the state average. Paulding and Douglas experienced declines of 0.4 and 0.1 percentage points respectively over the same period. Haralson experienced the largest increase of 0.7 percentage points. Unemployment rates in the region remain stubbornly high due to a lack of substantive job growth.



Employment Growth (% Change 2009:Q3 to 2010:Q3)				
County	Total Employment	Goods Producing	Service Providing	Govt.
Carroll	-3.4%	0.8%	-2.5%	-10.7%
Coweta	-0.6%	-4.6%	0.4%	-1.1%
Douglas	1.1%	-1.9%	1.9%	-1.0%
Haralson	-0.7%	-3.9%	3.3%	-5.8%
Paulding	-0.8%	-0.2%	-1.5%	-0.3%
Georgia	-0.2%	-3.3%	0.6%	-1.6%

Though double-digit job declines have subsided, the recovery has not yet translated into employment gains. Douglas is the only county in the region to experience (modest) job growth, 1.1% from 2009:Q3 to 2010:Q3. Carroll posted the largest employment decline at -3.4%. Both goods production and the government sector contributed to Carroll's job losses. In Carroll County, goods production employment declined by 10.7%. All counties in the region have sustained employment losses in government. Falling government employment is mainly due to job losses at the local and state levels. Though tax revenues have begun to recover at the state level, the loss of stimulus dollars for the upcoming fiscal year has state officials still trying to find areas of the budget to cut. At the local level, the Governor's April 2011 revenue numbers indicate falling property tax revenues and falling local portions of the sales tax, both of which are key funding sources for county-level services. Falling property values and lower discretionary income (due to higher food and fuel prices) will continue to negatively affect local revenue sources.

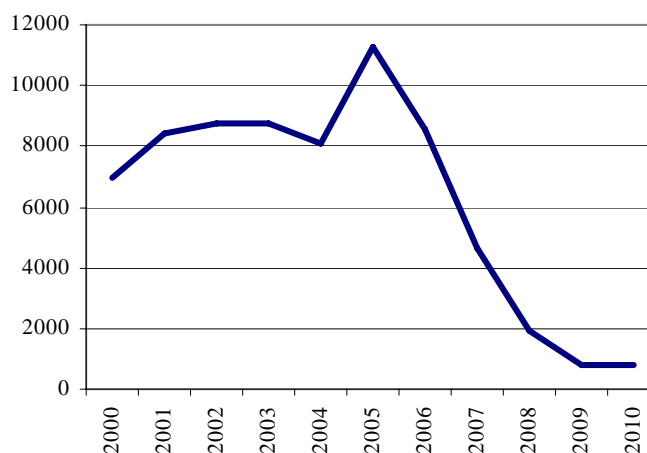
# West Georgia Housing Permit and Vacancy Update

It is difficult to overstate the negatives associated with the West Georgia regional housing market. Permits for new single-family and multi-family housing combined have fallen by 93.0% from the region's peak year, 2005. Of the five-county region, only Carroll and Coweta have seen any upward movement in permit activity in recent months. Foreclosures continue to put downward pressure on housing prices across the region. The huge supply of these bargain-priced pre-existing housing has put home buyers and investors in the driver's seat. As a result, new spec-build housing construction has become practically non-existent in the region. RealtyTrac, a national source for housing foreclosure data, recently announced substantial declines in foreclosures in the 2011:Q1 over the previous quarter and over the same quarter in 2010; however, the likely cause of the declines is a probe launched by the U.S. Justice Department into foreclosure practices, and not a turn-around in homeowner's finances.

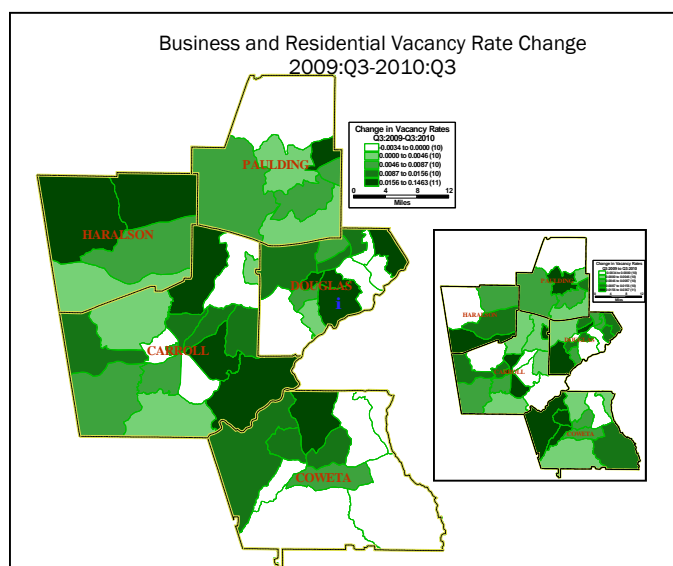
April 2011	
Location	Foreclosure Rate
U.S.	1 in 593
Georgia	1 in 479
Carroll	1 in 311
Coweta	1 in 378
Douglas	1 in 236
Haralson	1 in 643
Paulding	1 in 339

As waves of home foreclosures spread across the region, increasing shares of the housing stock and commercial property have become idle. The maps to the right represent both business (larger map) and residential (smaller map) vacancies. The darker green shading represents areas of increasing residential vacancies in both. Most of the geographic area of the region has experienced rising residential vacancy rates. Only a few locations experienced improvements. East and southeast Carrollton and central Douglas County (south of Douglasville) stand out as the only areas of concentrated residential vacancy declines in the region. Though not exactly the same tracts, business vacancies near these areas have also experienced improvements as well. Similarly, a lone northernmost tract in Paulding has seen vacancies decline in both housing and businesses. A reason for these vacancy rate improvements is the conversion from owner-occupied to rental units.

New Housing Permits, SFR+MFR  
2000-2010 Annually



Even with the measured declines in foreclosure rates, sales of housing in some stage of the foreclosure process accounted for 28% of total sales in the U.S. residential housing market in the 2011:Q1. Since the beginning of the recession, Georgia's foreclosure rate has ranked as high as 4th among states in the share of its housing in foreclosure; however, the current rate places the state at 8th, below Texas and above Ohio. Counties in the suburban ring around the City of Atlanta have experienced some of the highest rates of foreclosures in the state. Douglas continues to be the county in the region most affected by the housing downturn, adding 0.42% of its total housing stock to the list of homes in foreclosure in April alone. Within the West Georgia Region, only Haralson had a lower proportion of homes in some stage of the foreclosure process than did the state.



## Housing (cont.)

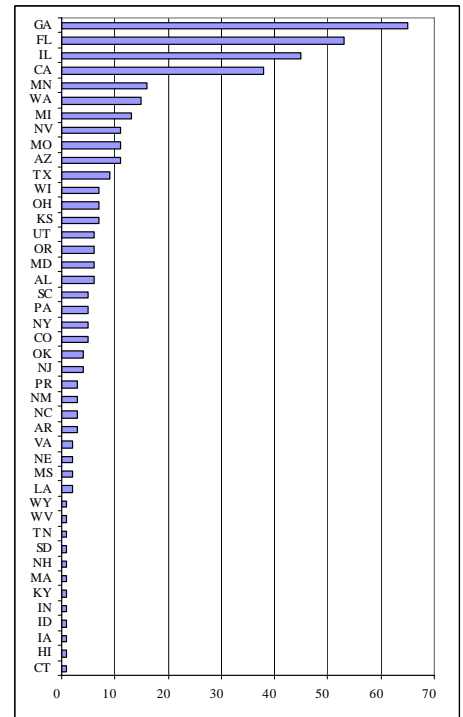
had fallen to an estimated 1,309, or a loss of 16.6% of construction firms in the region.

West Georgia's finance and insurance industry has also suffered substantial employment losses because of the housing downturn. This sector includes workers in commercial banking, consumer lending, mortgage and loan brokers, along with life, property and casualty insurance carriers. In addition to ranking near the top in housing foreclosures, Georgia has also experienced more bank failures than any other state over the past decade (see figure to the right). Since 2000, Georgia has seen 65 of its banks taken over by the FDIC, 7 in the five-county West Georgia Region alone. At its 2007 peak, West Georgia's employment in this sector reached 3,210; however, with the closing of several banks headquartered in the West Georgia Region, along with branches of banks headquartered elsewhere, industry employment fell to 2,771 in 2009 (a decline of 13.8% over the period). Since

2009 (the year the recession ended), four more banks have fallen victim to the housing market and recession, which will undoubtedly translate into even greater job losses in finance and insurance employment in the region in upcoming data releases.

The downturn in the housing market has also impacted another sector, Real Estate, Rental, and Leasing (NAICS 53). This sector includes establishments engaged in managing real estate, renting or buying real estate and appraising real estate. Overall, employment in this sector in the West Georgia Region fell by 22.6% between 2007:Q3 and 2010:Q3 to 1,130 jobs. The number of business establishments engaged in these activities dropped from 418 to 377 (a 10% decline) over this same period.

Bank Closings by State, 2000-2011



## Update

as a whole. Initial claims for unemployment benefits continue downward suggesting an improving job market in the region. For West Georgia as a whole, initial claims were down by 2% in April 2011 compared to April 2010. Over the same period of time, Georgia saw new filings drop by about 10%. The most recently available employment data show continued job losses in the West Georgia region. As summarized in the table on page 2, total employment fell in four of West Georgia's counties between 2009:Q3 and 2010:Q3. Due to a rebound in service-providing jobs, Douglas County posted a modest gain in total employment over this period. The normally stable government sector saw employment declines in each of the counties as well as the state as a whole during this period. Recent housing data show continued weakness as single family permit activity in the West Georgia Region was down by 29.0% in the first four months of 2011 compared to the same

period in 2010. Of the five West Georgia counties, Coweta County has seen the greatest amount of single family housing activity with 80 single family units permitted through April 2011. According to RealtyTrac Inc. (April 2011 data), Douglas County continues to have the most serious foreclosure problem in the region with 1 in every 236 housing units in foreclosure.

There has been some positive economic news in the West Georgia Region in recent months. Yamaha Motor Manufacturing (Coweta County) is expected to add 200 jobs over the next 3 to 5 years as a result of the company shift of all-terrain vehicle manufacturing to the U.S. Coweta County is also the site of West Georgia Technical College's new campus, now under construction at a site off I-85 and Turkey Creek Rd. Tanner Health Systems continues construction on its new emergency department at its Carrollton medical complex. This project

will almost double the number of emergency beds at the hospital to 40. Tanner Health Systems has added over 100 positions in the past year. Carrollton is also the site of a new \$5 million, 10,000 square ft. data center, Fogo Data Center. According to partners in the project, this is the first of several planned data centers. On the banking front, First Choice Community Bank of Dallas was closed by the Georgia Department of Banking and Finance in late April. Branches in Carroll, Coweta, Douglas and Paulding counties will be taken over by the Bank of the Ozarks. In addition, First Georgia Bank was closed by the FDIC in May. Certus Bank, based out of North Carolina, acquired the branches of First Georgia. The Tallapoosa branch of Peoples Community Bank also closed in early May as part of an effort to improve profitability of the community bank.