



# The Mortgage Crisis of 2007 & 2008 It's Influence On Construction Employment and The Greater Economy



Data sources: Realtytrac, BLS: Occupational Employment Statistics,  
BLS: Current Employment Statistics, US Census Bureau



# Scope

- The goal of this effort is to look at the correlation between the continuing mortgage/housing crisis of 2007 & 2008 and its impact on construction employment in South Carolina and the greater economy.
- The crisis is still very dynamic and data is suggesting this crisis may have the most significant impact on the nation's economy since "The Great Depression" of the 1930's.
- While there are mixed views from various economic professionals about how much of an impact the mortgage/housing crisis will have, it is evident that US mortgage crisis has far reaching influence on many industries across the nation and around the world, above and beyond construction
- The final chapter in this historic event is yet to be written.



# The Crisis





# History

- Easy credit from years 2002 - 2005, combined with the assumption that house prices would continue to increase, encouraged lenders, borrowers, and speculators to enter into various types of loans the borrowers could not or would not repay
- This caused increased demand for housing construction, and thus, increased existing American home prices also
- Property values increased due to high demand and some home owners chose to refinance their homes and take out second mortgages against the added value of their home and use the funds for consumer spending
- Overbuilding of newly constructed homes increased supply.
- Oversupply drove prices down



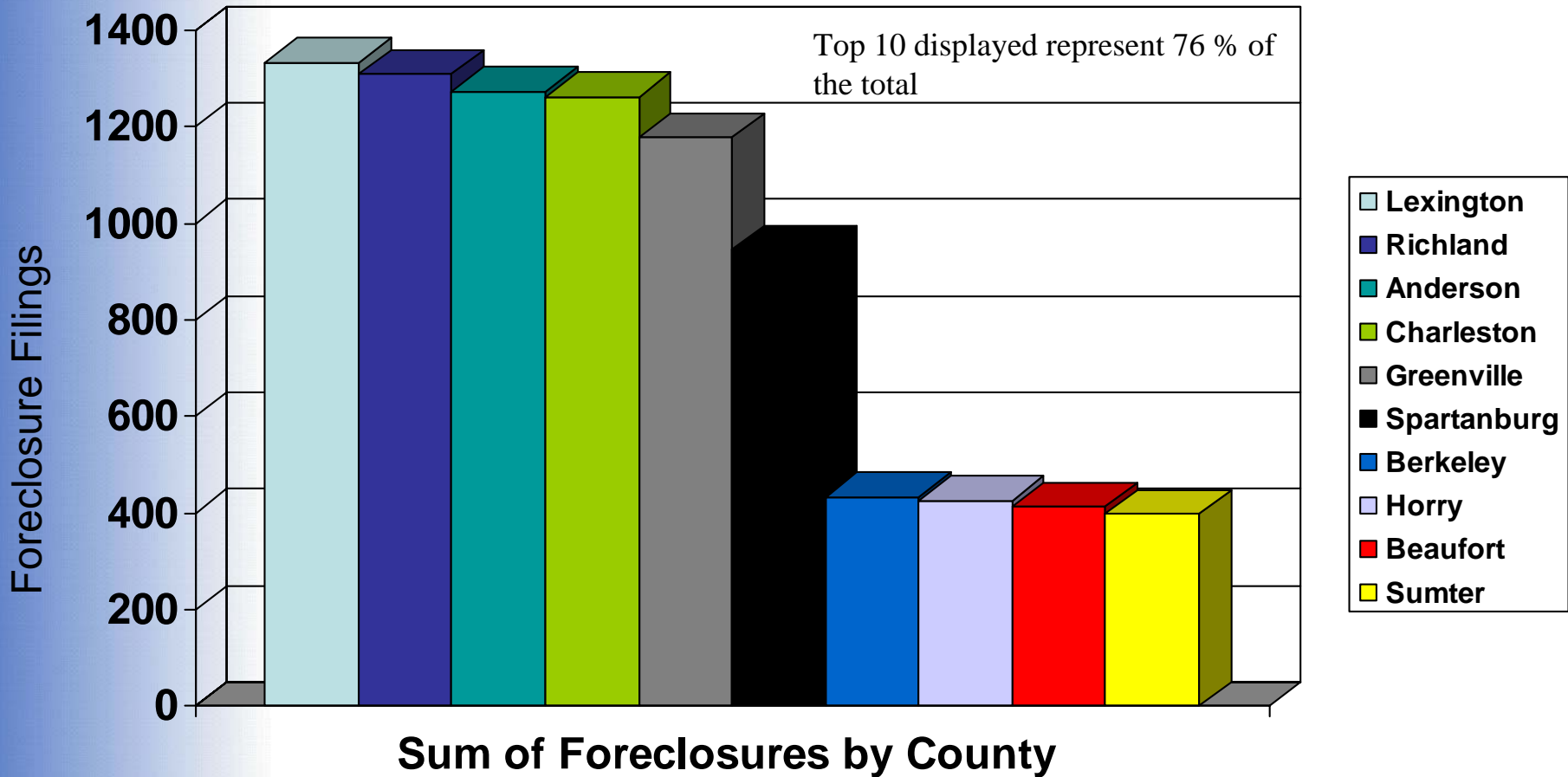
## History Continued

- Borrowers having trouble repaying their adjustable rate mortgages had difficulty refinancing or selling their homes due to the fall in market prices because over supply
- Defaults on the loans began as interest rates and monthly payments increased, further increasing supply because of foreclosure
- As a result, overbuilding and the increase of foreclosures have increased the number of unsold homes to near historic levels.
- This caused residential construction to decrease in many areas of the country
- It also caused many financial institutions across the nation and around the world to suffer significant financial losses due to the mortgage payment defaults
- The crisis is still unfolding with government, economic, and banking professionals speculating that it could take years to end.



# South Carolina Foreclosures by County

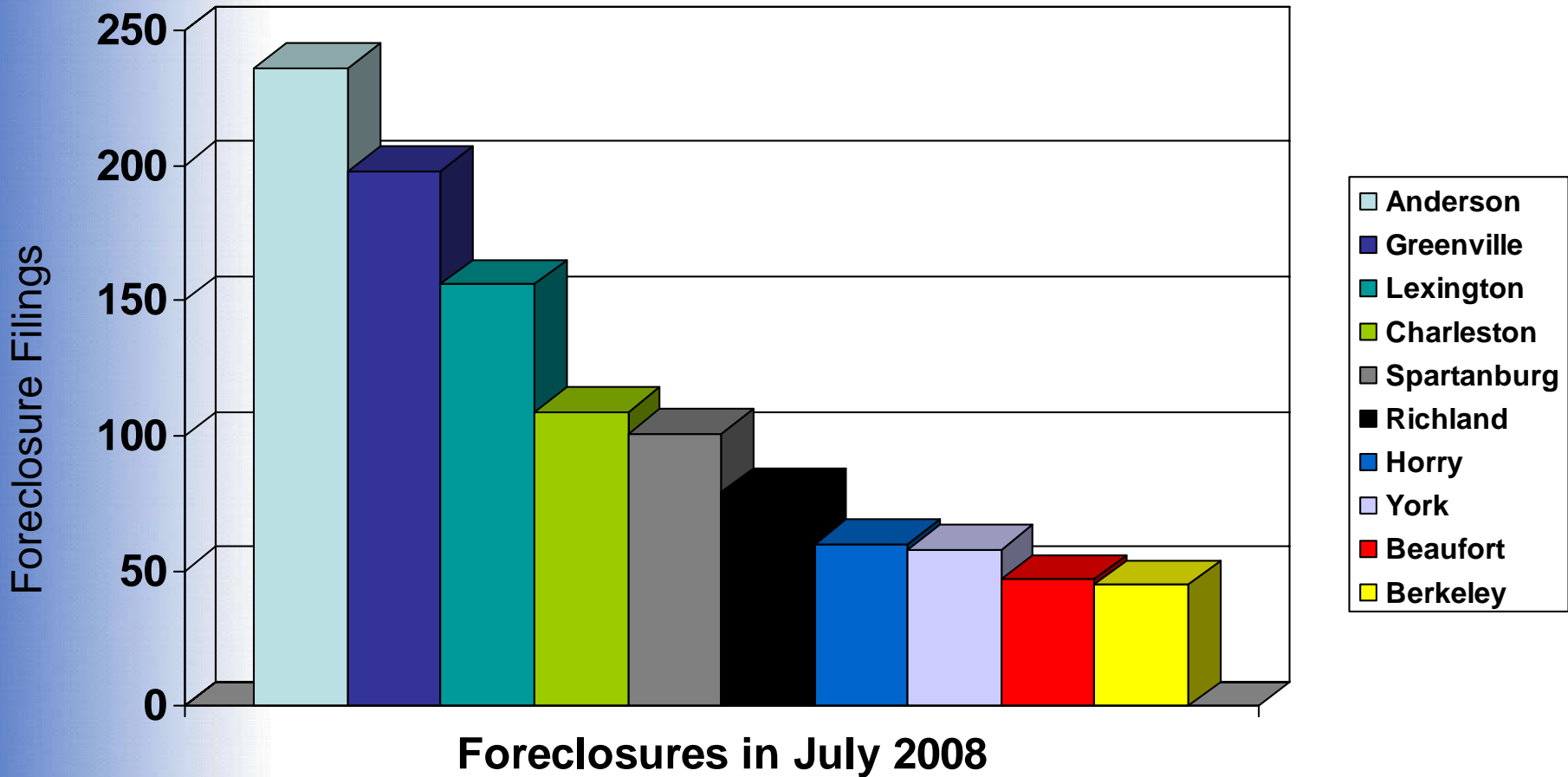
## Jan. 07 – July 08





# South Carolina Foreclosures by County

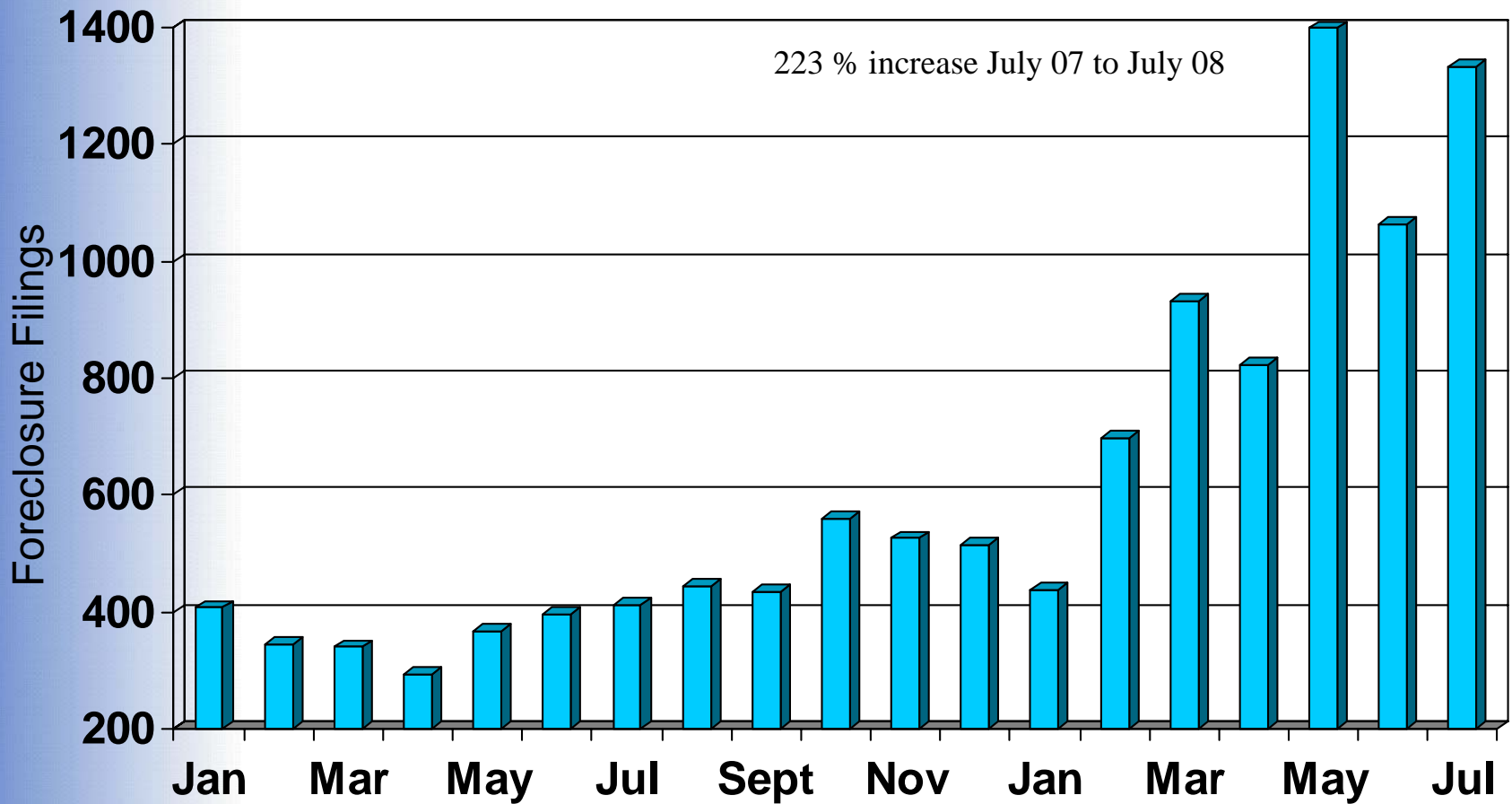
## July 08



Top 10 Displayed

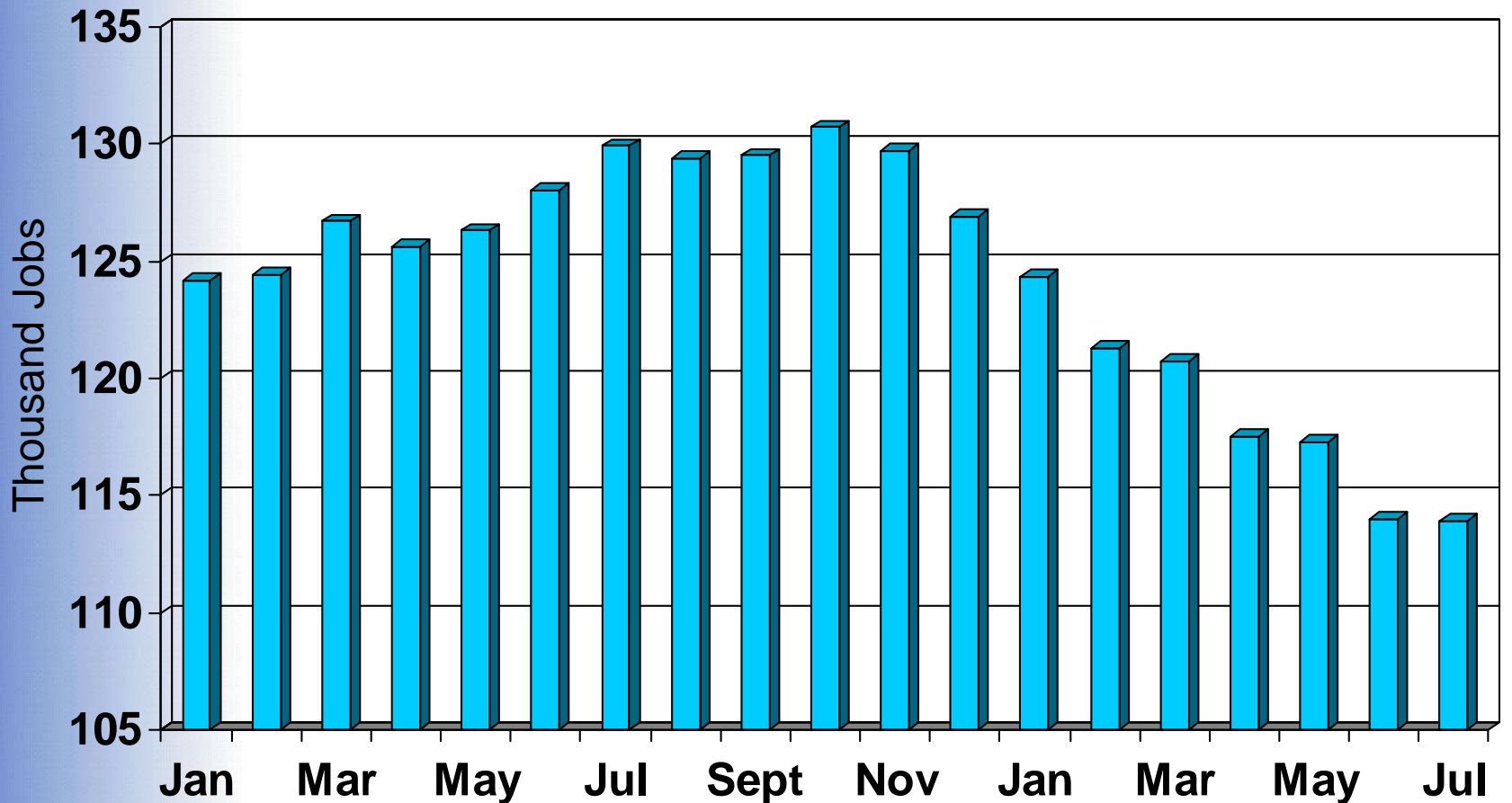


# South Carolina Statewide Foreclosure Monthly Trends Years 07 & 08





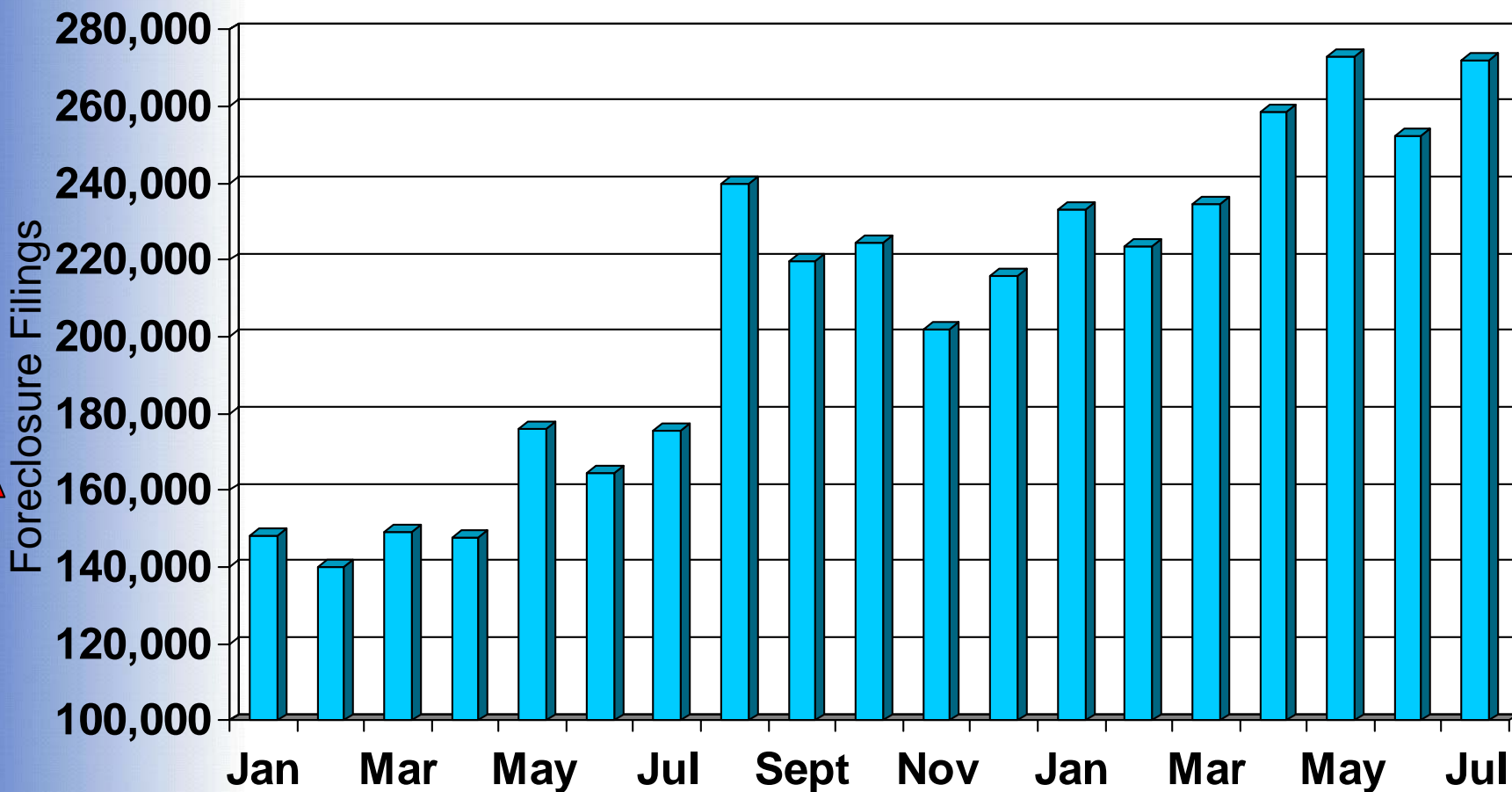
# South Carolina Statewide Construction Jobs Years 07 & 08



Source: BLS - CES

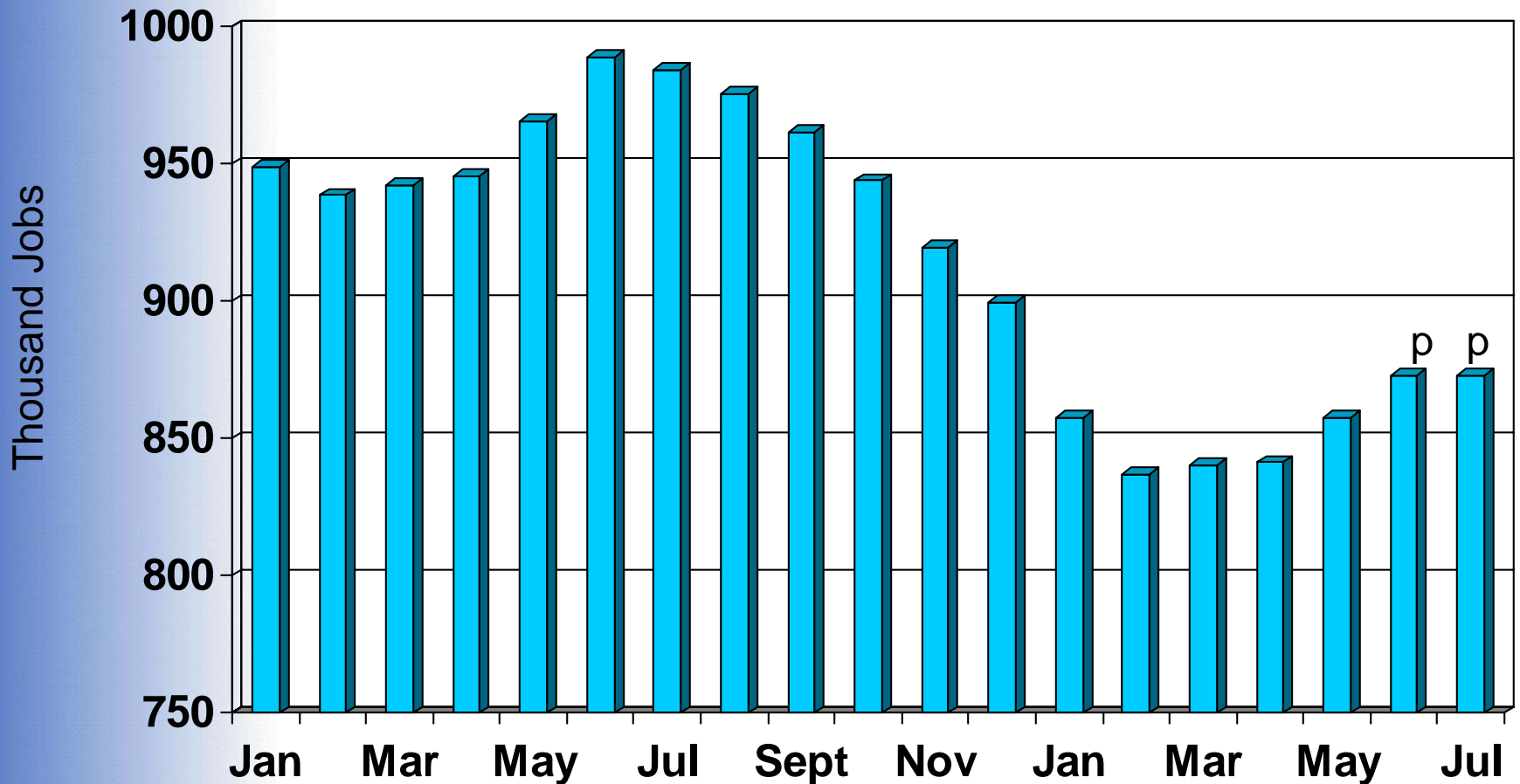


# Nationwide Foreclosure Trends Years 07 & 08





# Nationwide Residential Contractor Jobs Years 07 & 08

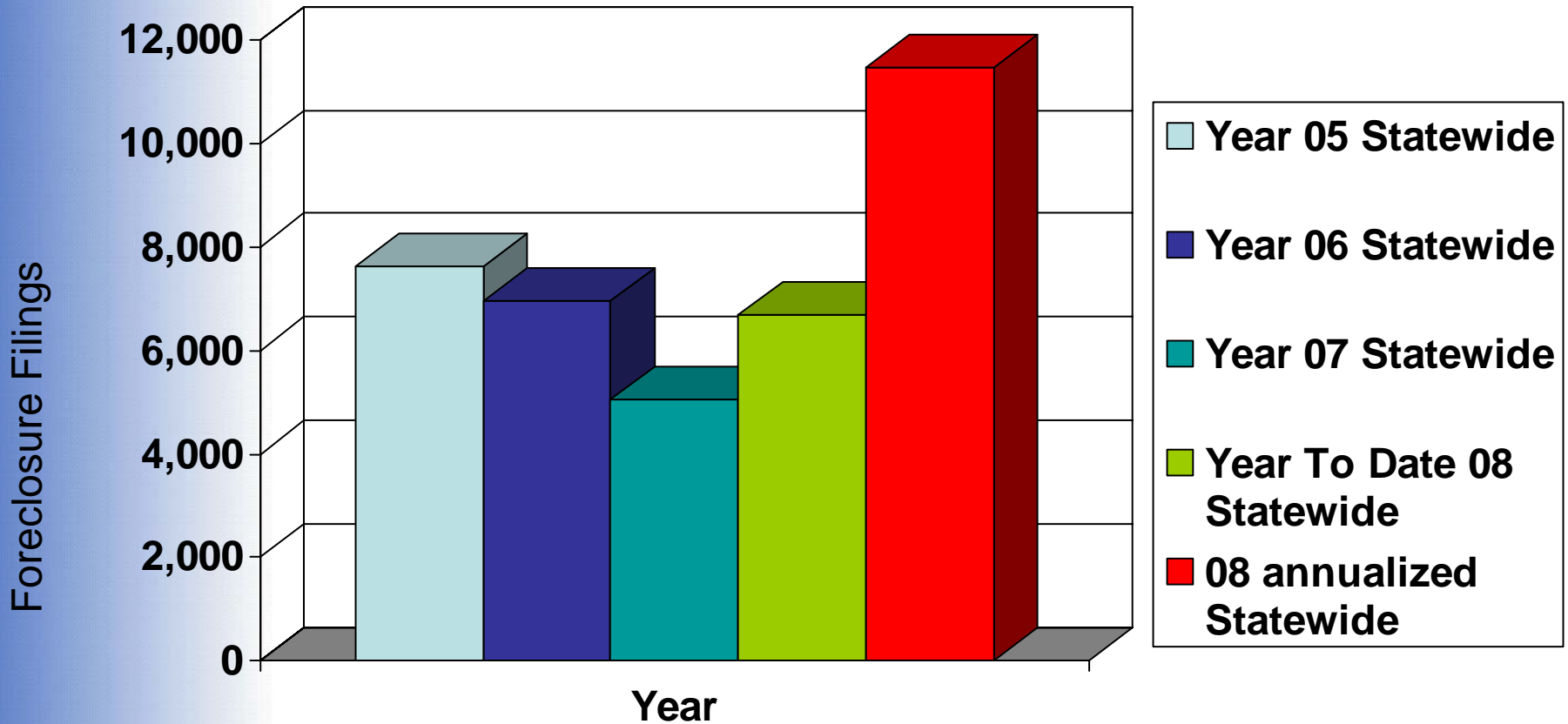


p = preliminary data

Source: BLS - CES

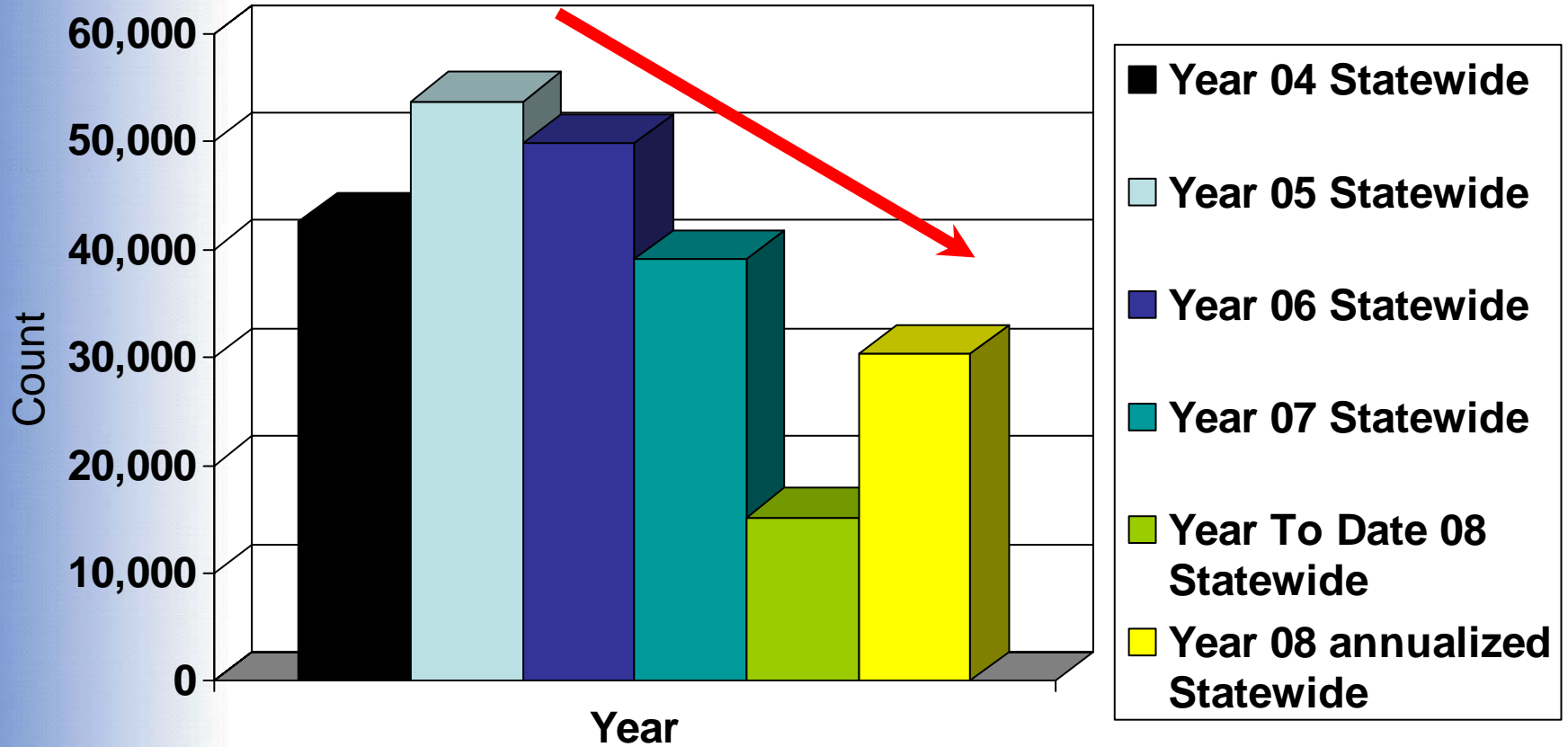


# South Carolina Foreclosure Filings Years 05 Through 08





# SC Housing Units Authorized By Building Permits 05 -08

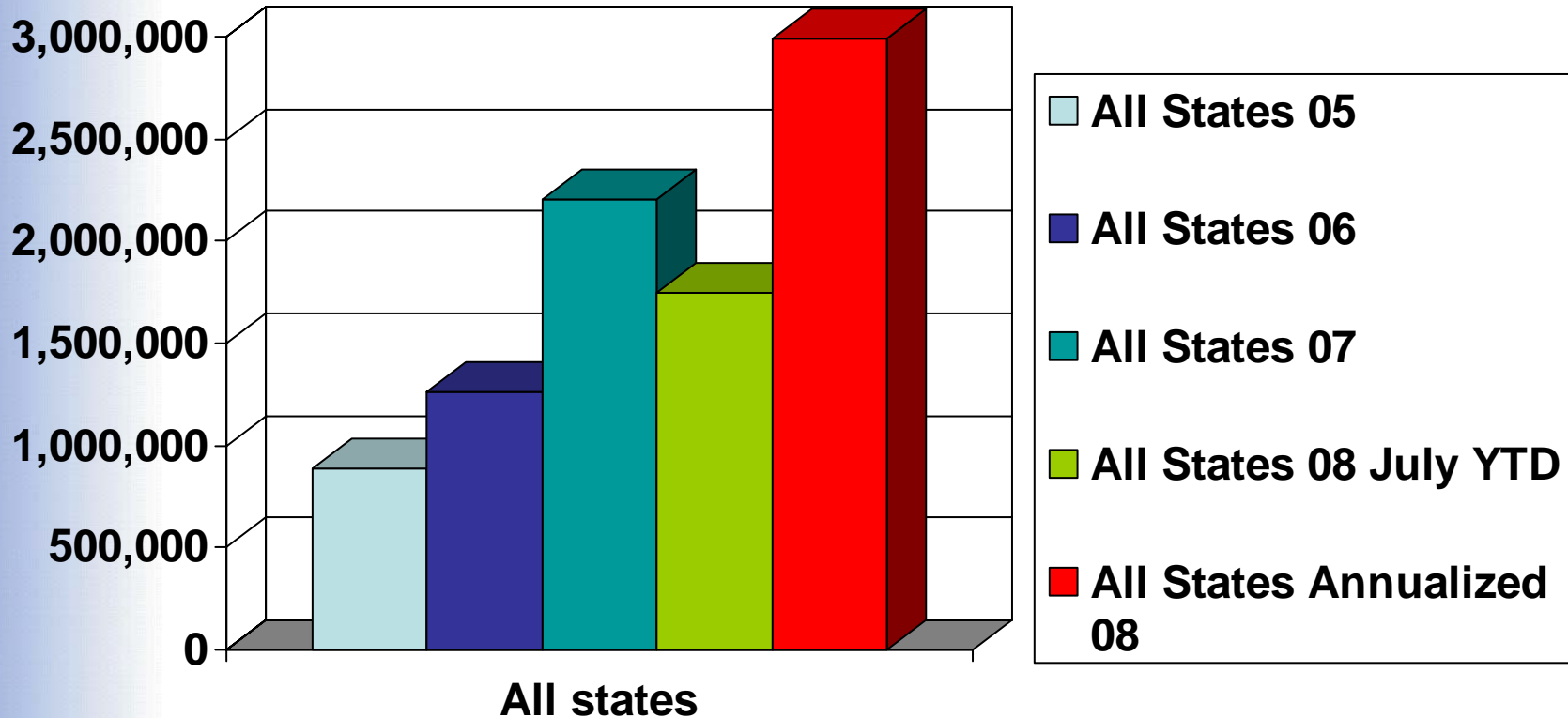


US Census Data



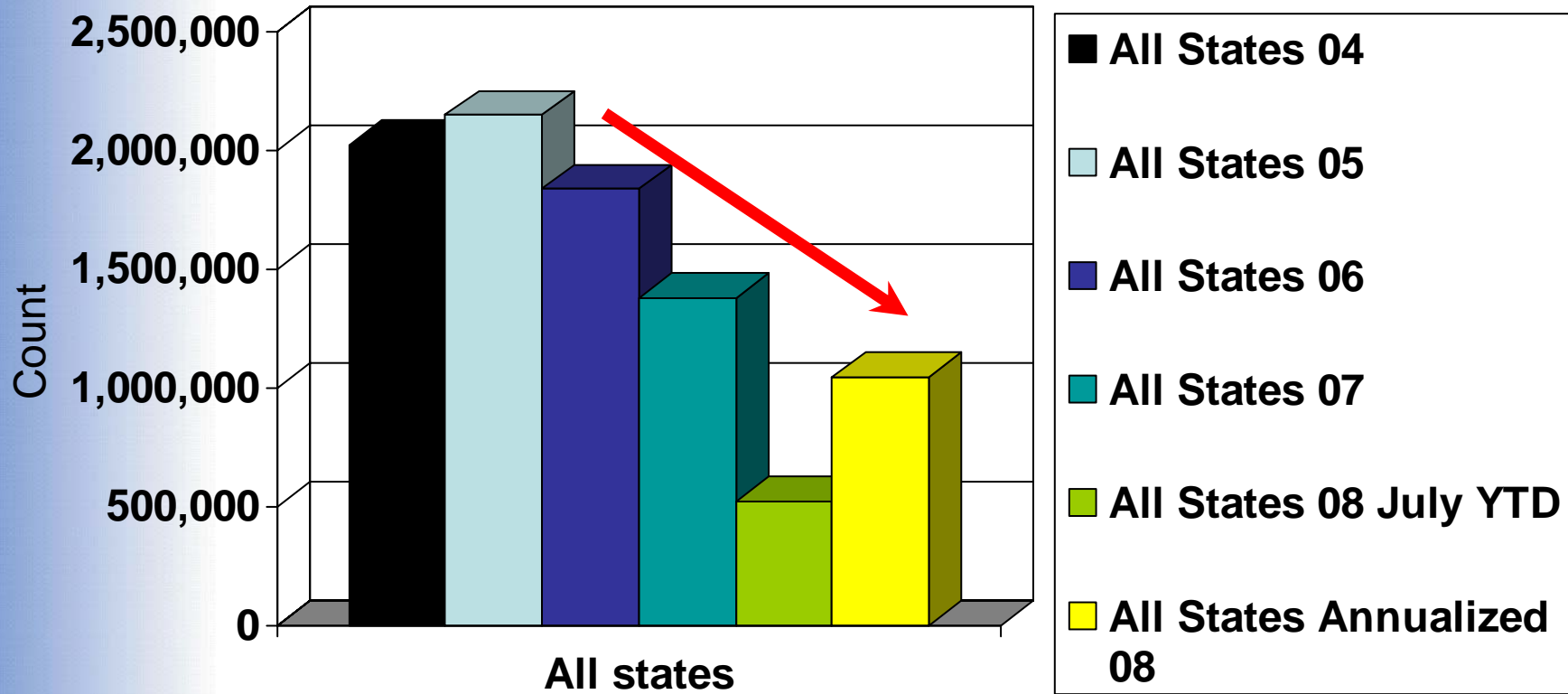
# Nationwide Foreclosure Filings Years 05 - 08

Foreclosure Filings





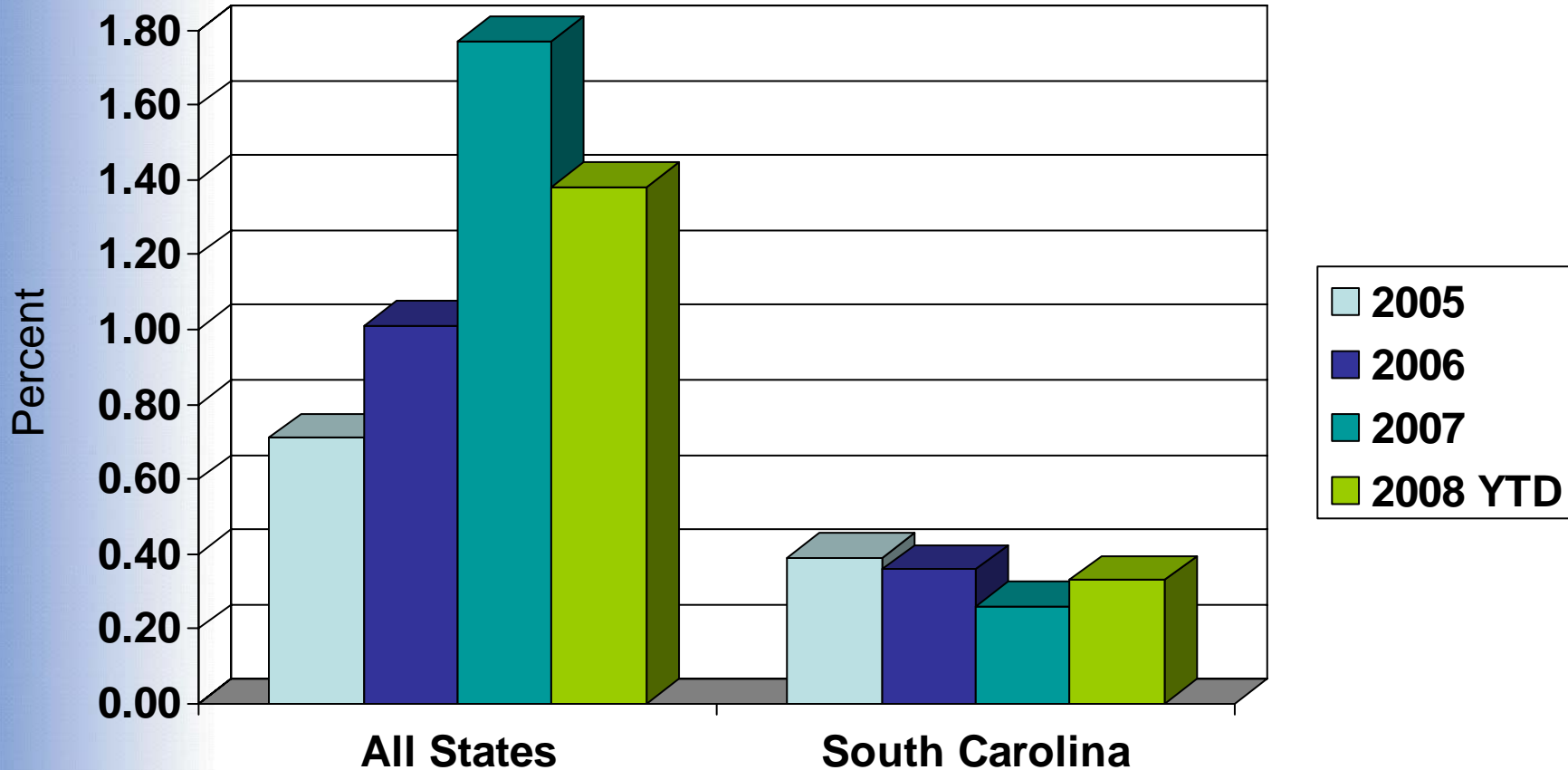
# Nationwide Housing Units Authorized By Building Permits Years 05 - 08



US Census Data

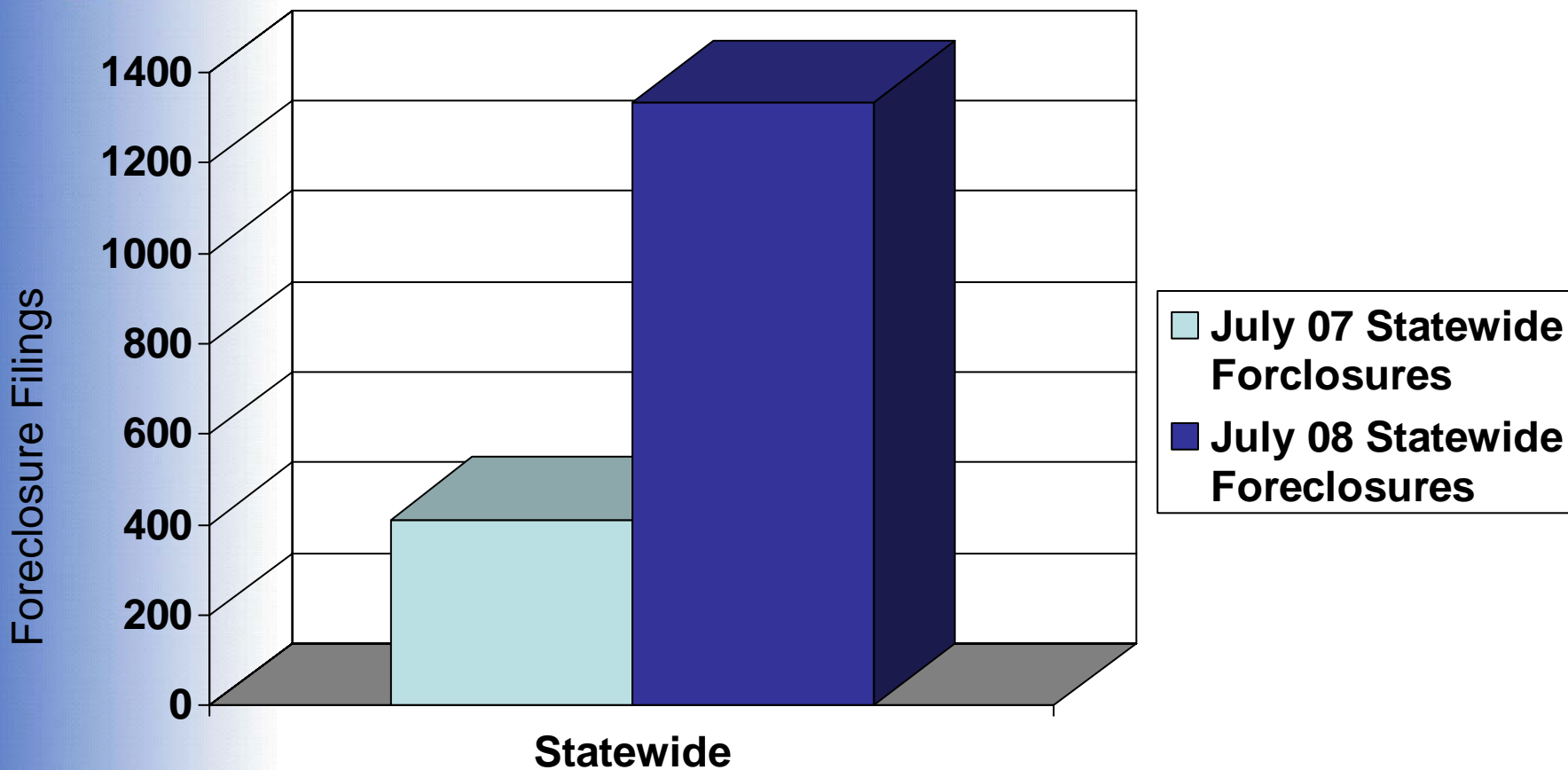


# Percent of Households in Foreclosure 2005 – 2008 YTD





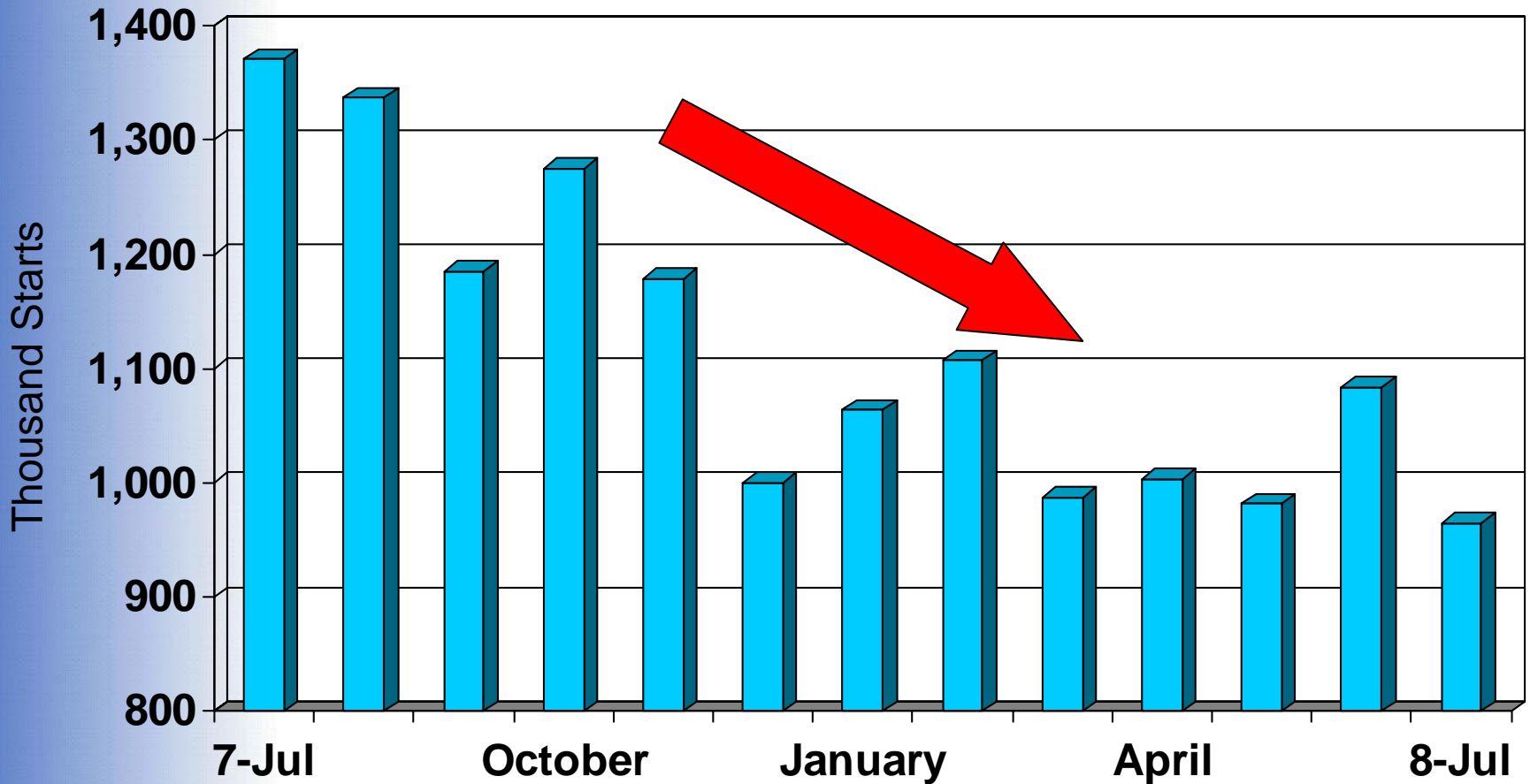
# South Carolina Statewide Foreclosure Filings July 07 vs. July 08 Comparison



223 % Increase



# Nationwide Housing Starts July 07 – July 08



Source: US Census Bureau



# Current and Future Tax Revenues and Fees Affected

- Social Security Taxes– employer & employee contributions
- Personal property taxes
- Personal income taxes
- Motor vehicle taxes
- Sales taxes – personal & business
- Corporate profit taxes
- Motor vehicle license fees
- Appliance disposal fees
- Property transfer taxes
- Fuel excise taxes



## Major Support Industries Impacted

- Wholesale Trade
- Architecture & Design
- Food & Beverage
- Real estate
- Building Materials mfg.—  
lumber, bricks, paint, concrete,  
drywall, electrical, insulation  
etc.
- Motor Vehicles
- Window & door mfg.
- Truck & Rail Transportation
- Plumbing mfg.
- Legal
- Appliance & cabinet mfg.
- Furniture mfg.
- Insurance
- Banking
- Power generation
- HVAC mfg.
- Carpet & flooring mfg.
- Pest Control
- Landscaping
- Steel mfg.
- Site preparation
- Glass mfg.
- Hardware mfg.
- Tool mfg. - power & hand



# Summary

- Foreclosure filings are increasing – the upward trend appears to continue with the end date yet to be determined
- Construction jobs, particularly specialty trade contractors in residential construction, are declining
- Housing permits peaked in 2005 and have been declining since - South Carolina may see a decrease as much as 30% in housing permits authorizing housing starts in 2008.
- Nationally, housing permits authorizing housing starts may decrease as much as 35 % in 2008
- Year over year July 08 housing starts are down 42% as compared to July of 07
- These reductions are expected to continue migrate into housing support industries



## Summary Continued:

Based on CES estimates, South Carolina construction jobs have decreased by 16,000 since July of 07, resulting in excess of **\$516 million** reduction in construction wages. Estimates with the “shadow economy” construction jobs could increase this figure by 40% - approaching \$750 million.

Nationwide, residential contractor jobs have decreased by 111,000 since July of 07, resulting in an annual **\$4.5 billion reduction** in residential construction wages. “Shadow economy” construction jobs could increase this figure by 40% to in excess of \$ 6.3 billion dollars.

In excess of 150 housing construction support industries will be affected also, with employment and wage impacts still unfolding into 2009 and beyond.



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