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The Economy of the Eastern Neighborhoods: Businesses, Buildings, Real Estate, and Jobs

The Eastern Neighborhoods have a range of economic activities. Manufacturing and transportation services as well as retail and professional services exist, but by far the largest economic activity in this area is production, distribution and repair (PDR—see definition in Chapter One). While some PDR activities are found in other areas of San Francisco, PDR activities in the Eastern Neighborhoods have a specific character.

The specific character of the PDR businesses in the Eastern Neighborhoods is derived from the clustering of similar and related businesses at specific locations, and the configuration of their buildings and streets. Examples of PDR clusters are: the printing and media clusters in South of Market and Central Waterfront; the furniture and design cluster at Showplace Square; and the food and beverage clusters at South Bayshore. Businesses in these clusters support each other by sharing and exchanging information, modes of transportation, services, infrastructure, and goods.

The physical space of the Eastern Neighborhoods has been shaped by the type of PDR business, their clustering, and their transportation requirements. While buildings and street patterns vary from neighborhood to neighborhood, most buildings offer large floor plates for flexible use options, open storage yards, streets designed to accommodate truck traffic, and easy access to freeways.

The Role of PDR

The role that PDR businesses play in our daily lives and their importance are not always apparent. Many people do not realize that the food, flowers, clothing, furniture, video, mail, opera sets, taxis, and hundreds of other items they consume or enjoy using were designed, made, stored and/or distributed from the Eastern Neighborhood PDR districts. The success of these businesses is essential to the success of virtually every business sector in the City: services, restaurants, conventions, entertainment, finance, hotels, retail, and others.

PDR businesses are typically less vulnerable to the boom and bust cycles of the economy because the goods and services they provide are so intricately woven into the daily lives of San Francisco residents, workers, and visitors. If these essential services move farther away from the City center, cost for services will inevitably be driven up and passed on to other business sectors and ultimately the consumer. The PDR businesses that have survived and grown over the last few years have done so in the face of dramatically increased competition for space from companies that could afford to pay higher rents. Ensuring the availability of land and space for PDR activities is important to the City's economic base, its strength, and its future.

One example of an industry that relies heavily on PDR activities is the tourism/visitor sector. Hotels, restaurants and transportation are all crucial to maintaining strong tourism in San Francisco.



Activities within all three PDR categories play a crucial role in each of these sectors. Nearly half of the restaurant sector's goods and services are supplied by PDR industries within San Francisco. A few examples of other industries that rely heavily on PDR are the arts and entertainment industry, digital media, the high-tech sector, knowledge-based services and finance.

The Bay Area job market is largely split: there are many high-paying, professional and technical jobs and numerous low-skilled service jobs. PDR job opportunities fill the gap between low and high paying jobs, offering stable incomes to skilled employees. The average wage for PDR jobs is 50 percent higher than the average wage for personal services and retail jobs. If PDR businesses close, a significant number of the high quality reasonably paid PDR jobs would be lost to San Francisco.

Between 1998 and 2001, 1,900 net new PDR jobs were created. This was the second highest increase among all economic sectors in the Eastern Neighborhoods. PDR businesses have located in neighborhoods such as the Mission, Showplace Square, Central Waterfront, South Bayshore, and SoMa. Since 1998, most PDR firms in San Francisco (about 87 percent) have either retained or increased their total employment. Such stable employment opportunities are valuable for San Franciscans.

Workers in PDR businesses are often members of specialized labor forces. These pools of trained workers are important resources to the businesses that employ them. Conversely, these specialized labor forces rely on the businesses that employ them to fill particular needs. For example, design firms seek qualified designers who often want to live in San Francisco rather than outlying areas. The proximity of businesses to those whom they seek to employ is an important factor in attracting good talent and a stable work force. This symbiotic relationship is essential to the survival of the businesses themselves, as well as to the ability of laborers to find work within their particular knowledge and skill base.

Finally, PDR activities play an important role in maintaining San Francisco's image as the center of the region. Aspects of San Francisco's culture such as its image as a culinary center and a design hub—both of which are dependent on PDR businesses—are essential to the City's character.

Many PDR businesses that managed to remain in San Francisco have had to adopt technology-intensive production methods in order to compete for labor, land and business. This competition prompts businesses to develop more advanced means to offer their product. The location of PDR firms within the City allows for more efficient, high-end specialized production. Proximity to markets and contractors also means lower transportation, storage and real estate costs as well as the ability to offer quick response and fast turnaround.

Not only are production methods altered because of the urban location, but the character of the product or service being offered is also affected. Most San Francisco based firms produce goods with a distinct design component. This type of specialized production is vastly different from that offered by most firms located outside of the City limits, which often offer more standardized and mass-produced goods.



Business Clusters

PDR activities that offer similar goods and services tend to locate near each other and form what is commonly called a cluster. These clusters evolve slowly and eventually form a mutually beneficial business environment for all components of the cluster. Clustering can facilitate the exchange of information and encourage businesses to work together to produce integrated products. By promoting stronger ties among businesses, companies can realize benefits such as lower operating costs, shared transportation expenses, more efficient production, and increased access to a specialized workforce. Business clusters form over time and the loss of contributing members can cause deterioration of the cluster. Erosion of the cluster can have a negative impact on a group of clusters and eventually an entire PDR neighborhood can be broken apart. Unfortunately, once this happens, a PDR cluster area is not easily reconstituted because often support services have left, buildings have been reconfigured, the market no longer looks to the area for goods and services, and the workforce has moved on.

The furniture industry cluster in Showplace Square is an ideal example of this interdependent relationship. (Figure 4.2.1) There are a total of 120 furniture companies located in Showplace Square and these companies employ 800 people. The

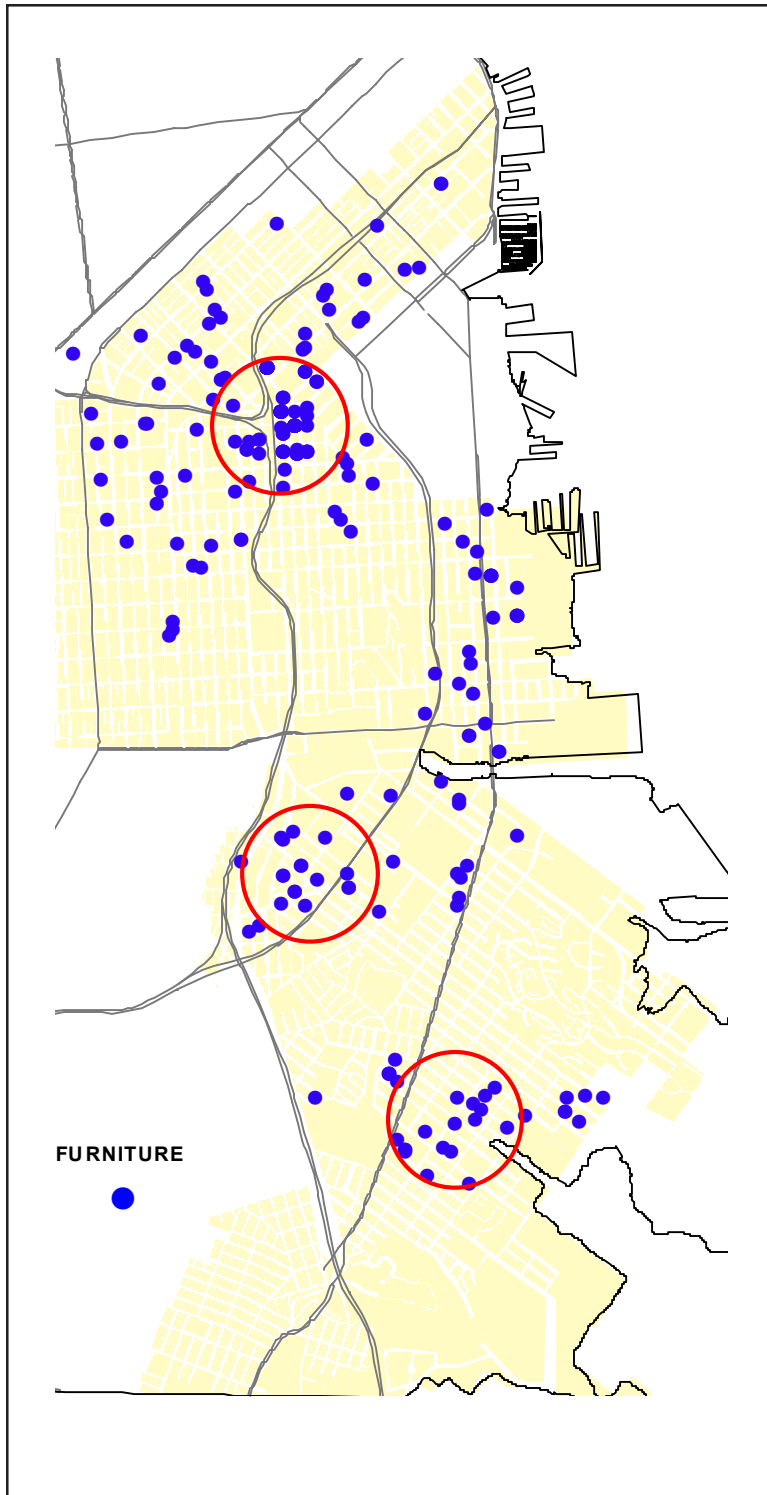


Figure 4.2.1 Furniture Sector Map

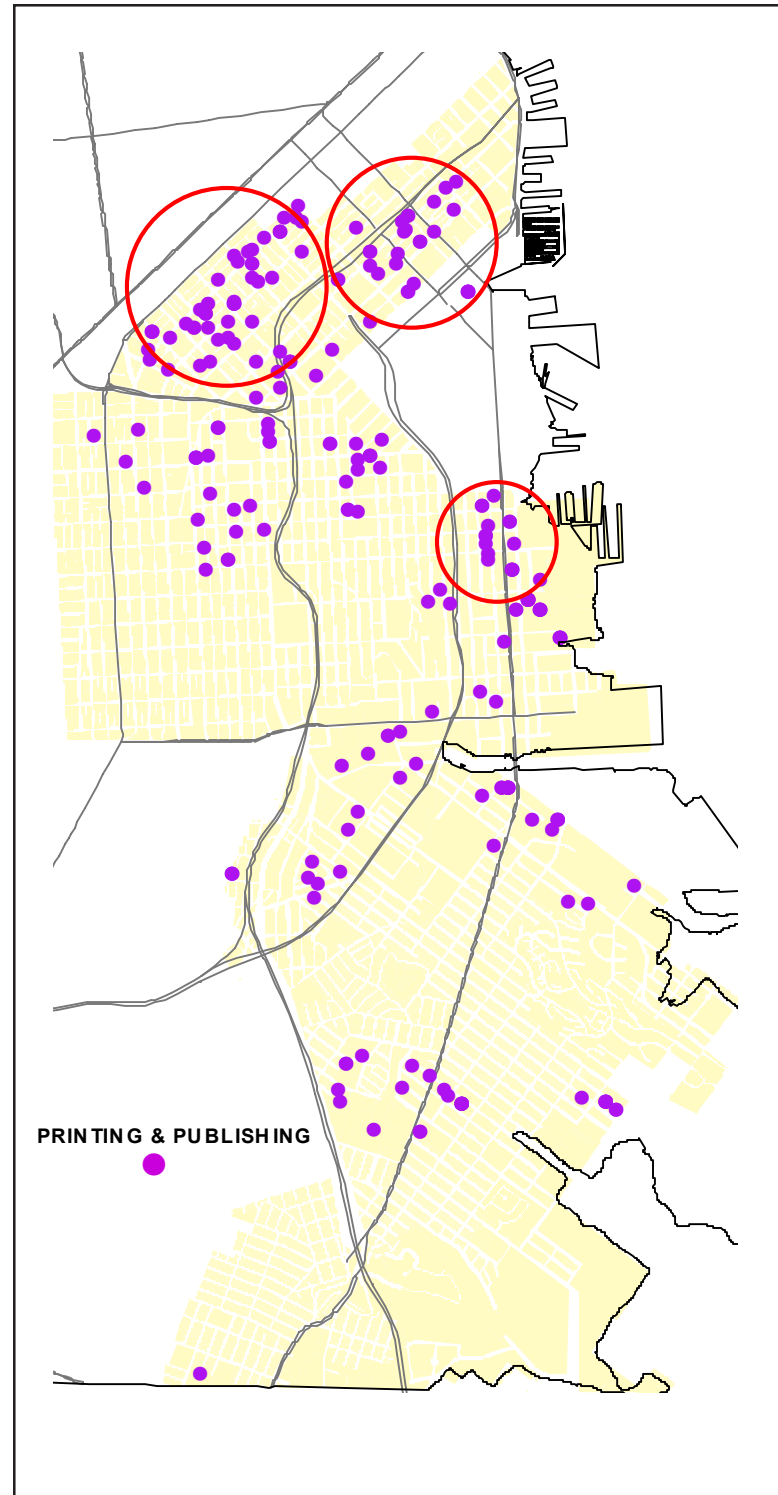


Figure 4.2.2 Printing and Publishing Sector Map

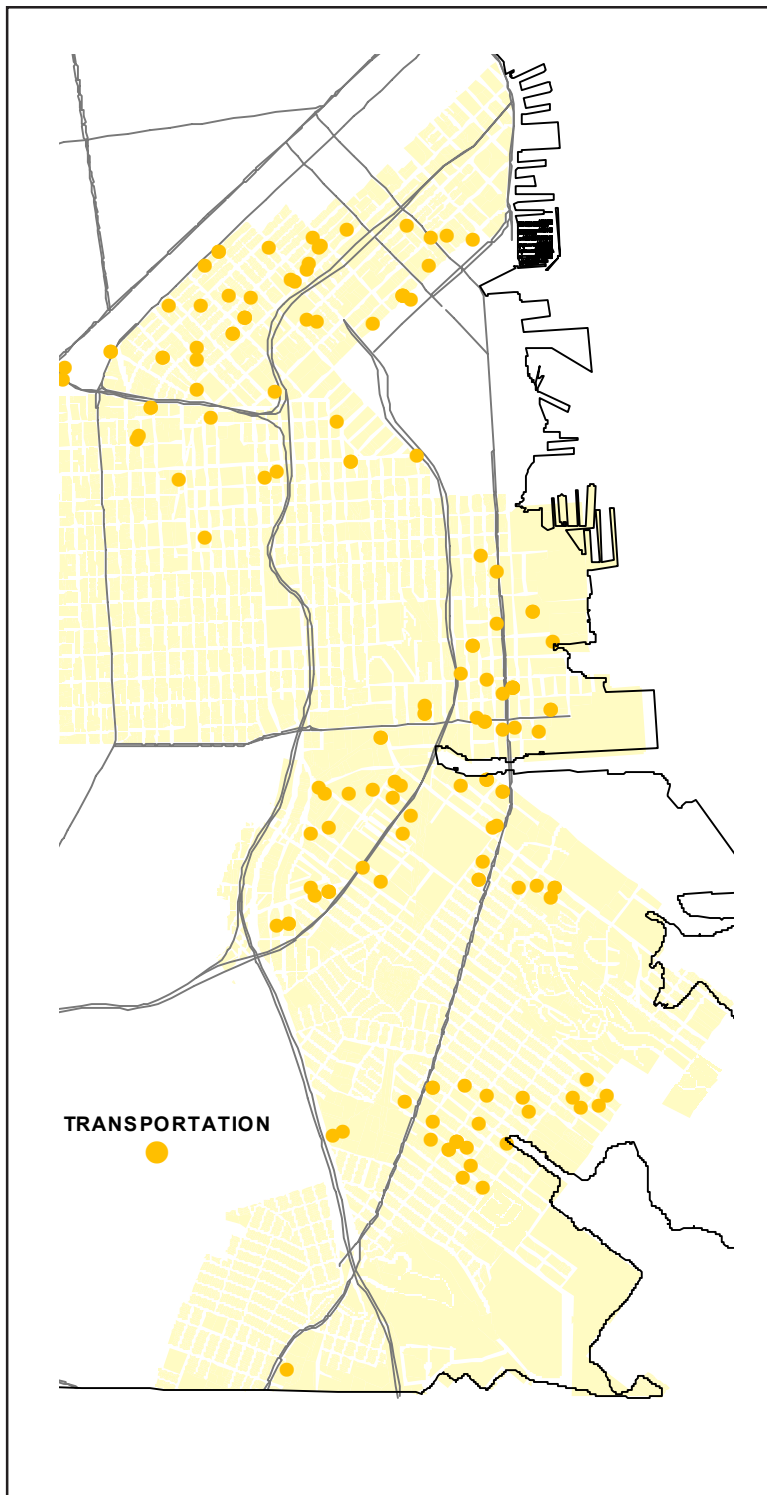


Figure 4.2.3 Transportation Sector Map

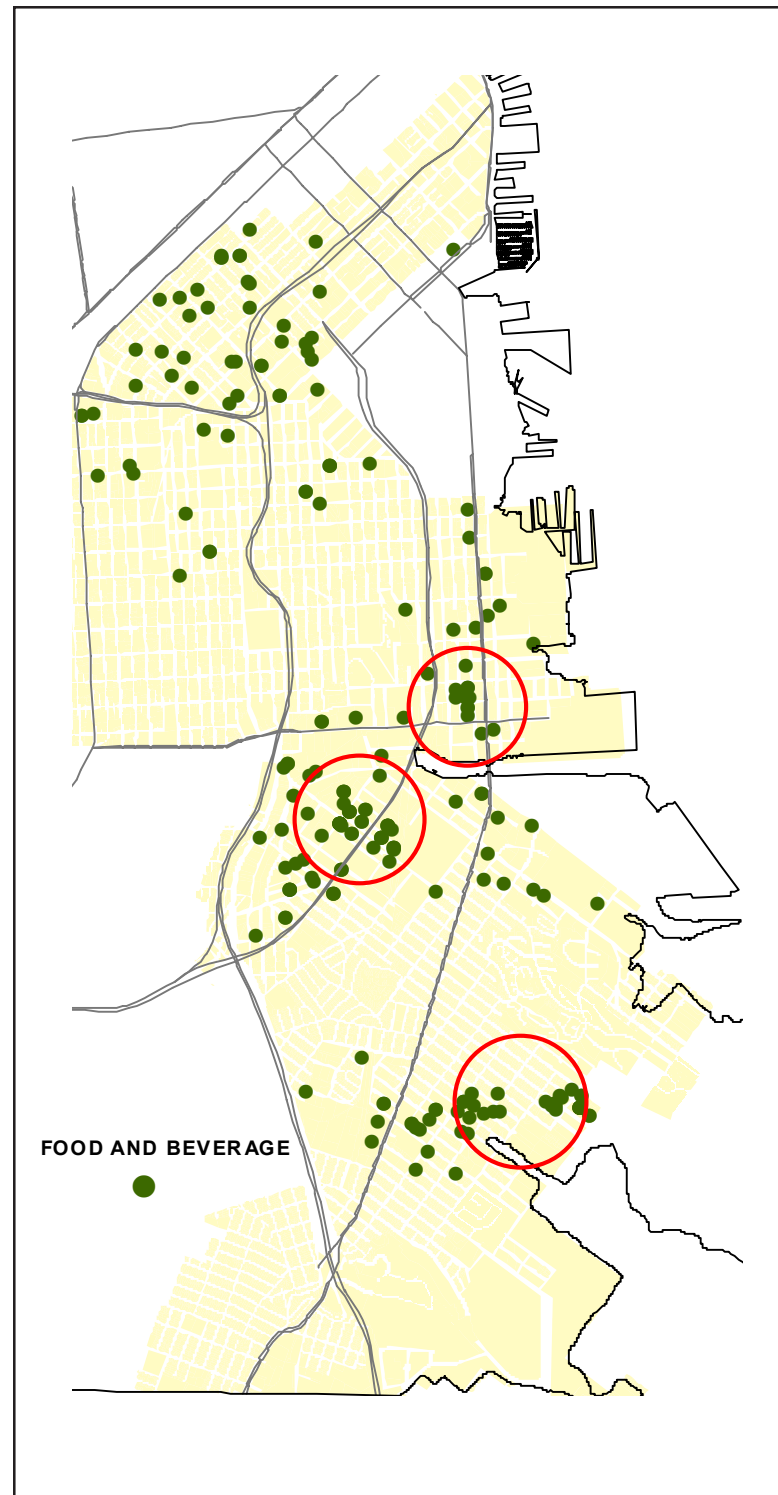


Figure 4.2.4 Food and Beverage Sector Map

home furnishings and upholstery companies have favored this neighborhood as both require large floor plates for storage and display, close proximity to the design community, and availability of local trucking firms for the distribution of goods. These two business types also benefit tremendously from an exchange of ideas, referrals back and forth and the exchange of qualified workers.

The location of printing and publishing companies in SoMa and Potrero Hill is another good example of clustering. (Figure 4.2.2) Extensive investments in digital technology gave these newer companies the capital to relocate in small industrial structures and even office buildings in the downtown areas, rather than in outlying suburban office parks. Being in close proximity to downtown firms allows the printing and publishing companies to flourish as they are better able to serve their downtown clients and can respond quickly to their demands for fast turnarounds.

In addition to the convenience of being located near clients, the printing and publishing companies, along with designers, graphic artists, printers and photographers, make up a professional business cluster. All of these businesses collaborate to produce corporate annual reports, promotional materials, and other products. This particular locational pattern or business cluster is a recent phenomena which began to take shape in the SoMa neighborhoods during the economic boom.

The transportation sector is the key support sector to all of the sectors located in the Eastern Neighborhoods. Transportation businesses are distributed throughout the Eastern Neighborhoods and their services are well used and a valuable asset to the PDR businesses located in the Eastern Neighborhoods (Figure 4.2.3). Their value is well evidenced by the location of firms in the food and beverage, furniture showroom and construction sub sectors which concentrated near transportation. The Central Waterfront, SoMa and South Bayshore all have a significant concentration of furniture showrooms in close proximity to trucking companies. Similarly, in South Bayshore, the perishable fresh fruit and vegetable subsector of the food and beverage sector are clustered around local trucking companies.

Some pattern, linkage, and cluster relationships have been established for a long time while others are new to the Eastern Neighborhoods. The most long-standing geographical concentrations of business sectors in the City are the food and beverage companies (Figure 4.2.4) and apparel firms which began to form as early as the 1940s. Another pattern is visible in the southeast area of South Bayshore where sheet metal and industrial machinery firms are located near construction and auto parts firms.

Key PDR Sectors: Construction, Transportation, and Food and Beverages

The three largest PDR sectors in the Eastern Neighborhoods were determined based on the number of firms, the number of people employed and the amount of floor space occupied. In order of ranking they are the construction, transportation and food and beverage sectors.

PDR SECTOR RANKINGS, 2001			
PDR SECTORS	RANKING		
	Total Employment	Number of Firms	Occupied Space
Transportation	1	8	6
Construction	2	1	2
Apparel	3	6	4
Printing & Pub.	4	4	7
Food and Beverage	5	5	1
Media/Telecomm.	6	7	8
Furniture/Showroom	7	2	3
Auto Repair	8	3	5
Jewelry	9	9	10
Metalwork/Machinery	10	10	9
Flowers	11	11	11
Notes: See Box 1 for general notes.			

Figure 4.3.1 PDR Sector Rankings, 2001

LARGEST PDR SECTORS, 2001						
PDR Sectors	TOTAL FIRMS		TOTAL EMPLOYMENT		TOTAL OCCUPIED AREA (gsf)	
Transportation	150	7%	7,200	30%	1,423,000	11%
Construction	395	18%	6,100	26%	1,682,000	13%
Apparel	190	9%	4,250	18%	1,533,000	12%
Printing & Publishing	235	11%	2,500	10%	1,419,000	11%
Food and Beverage	215	10%	3,450	14%	2,024,000	16%
Media/Telecomm.	165	8%	2,350	10%	654,000	5%
Furniture/Showroom	270	13%	2,000	8%	1,629,000	13%
Auto Repair	255	12%	1,650	7%	1,498,000	12%
Jewelry	140	7%	700	3%	247,000	2%
Metalwork/Machinery	95	4%	600	3%	591,000	5%
Flowers	35	2%	300	1%	181,000	1%
TOTAL	2,145	100%	23,900	100%	12,881,000	100%

Notes:
See Box 1 for general notes.
Total firms rounded to nearest 5, employment to nearest 50, and space to nearest 1000.

Figure 4.3.2 Largest PDR Sectors, 2001

The construction sector placed highest of all three categories because it had the highest number of firms and it ranked second for both employment and the area occupied. The transportation sector is the largest employer; but ranks lower for number of firms (eighth place) and area occupied (sixth). The food and beverage sector uses the most building area, while ranking midway for number of firms and employment. Based on these indicators, the second tier includes furniture and showroom, apparel, printing and publishing, and media and telecommunications. (Figures 4.3.1 and 4.3.2)

The construction sector includes several types of construction: electrical, nonresidential and residential construction, plumbing-heating-and air conditioning, roofing, siding, sheet metal, and others. This sector also includes specialty trades such as fencing, design, ornamental works, and waterproofing. This sector is characterized by small sized businesses typically employing less than 15 people. The large sized companies in this sector are located in the northwest of South Bayshore, the northeastern part of the Mission and the Central Waterfront. It is worth noting that more than 50 percent of these construction companies started after 1980.

The transportation industry businesses are distributed evenly throughout the Eastern Neighborhoods. This is a key PDR sector and makes up about 30 percent of all PDR jobs in the Eastern Neighborhoods. Most of these jobs are concentrated in SoMa, Central Waterfront and South Bayshore. Three of the largest transportation companies in the Eastern Neighborhoods are UPS, Yellow Cab, and Coach USA. These companies employ, as a whole, more than 60 percent of the total transportation sector workforce. The large-sized trucking companies, tour bus operators and taxi cabs, all of which require large parking yards, are located in the Central Waterfront and South Bayshore neighborhoods. Most of the small-sized transportation businesses are located in northern and southern SoMa. The growth of this sector coincided with the business boom of the mid-1990s.

The food and beverage sector occupies more than two million square feet of industrial space and is located primarily in south and east SoMa, Central Waterfront and the northwest area of South Bayshore. This sector includes a variety of types of businesses such as wholesale and retail grocery products, fresh fruits and vegetables, meat and meat products distribution, packaging and processing, wine and beverages, and seafood distribution and processing. The wholesale and retail grocery and grocery-related products businesses alone provide more than a third of the jobs of this sector. Most of the large-sized companies with greater than 25,000 sq. ft. in area are located in Potrero,



south SoMa and northwest South Bayshore. Numerous small-sized food and beverage businesses are scattered throughout the Eastern Neighborhoods. Some of the notable large-sized companies employing a sizeable workforce are Costco, US Export Import Trading, the Pepsi-Cola Bottling Plant, and Interstate Brand West Company. The food and beverage sector includes some of the oldest existing businesses in San Francisco, with some operating as early as the 1850s.

Building Types and Parcel Patterns

Building types and patterns in the Northeastern Neighborhoods vary from north to south, often within neighborhoods themselves. These patterns are described beginning on page 56.

In general, the northern part of the Eastern Neighborhoods has a high mix of building types (Figures 4.4.1 to 4.4.3). These buildings typically include: PDR combined with office and retail; moderate to high building densities or floor-area-ratio (FAR); and small to medium lots. Employment density is high in this environment, but PDR employment tends to be invisible because businesses are not typically located on the ground floor and most do not have equipment or storage yards. These PDR firms primarily produce goods and services such as apparel or print materials.



The southern part of the Eastern Neighborhoods, on the other hand, generally has buildings that are more specialized and PDR uses tend to be segregated from other uses such as office and retail. Floor-to-area ratios typically decrease and lot size increases. Employment density also decreases but PDR employment becomes more visible due to ground floor locations and the accessory yards for storage of equipment. Such PDR building types attract distribution or repair firms such as warehouses, auto repair or parts facilities and construction yards.

Finally, pockets of the very mixed building-type pattern, similar to those of the northern part of the Eastern Neighborhoods, can be found spread among other building type patterns of the Eastern Neighborhoods. These building types and lot patterns are represented as one moves south to areas such as the Dogpatch, which is in the midst of the Central Waterfront industrial area.

In most cases, the type of space needed by PDR firms determines their locational patterns within the Eastern Neighborhoods. Firms requiring large open storage sites (including lumber yards, bus storage, and the Moscone Convention Center staging areas) are located in the Central Waterfront and South Bayshore. The northeastern part of the Mission and sections of Showplace Square have firms with medium to high space requirements, whereas businesses with relatively smaller space usage are located in SoMa and sections of the Mission.

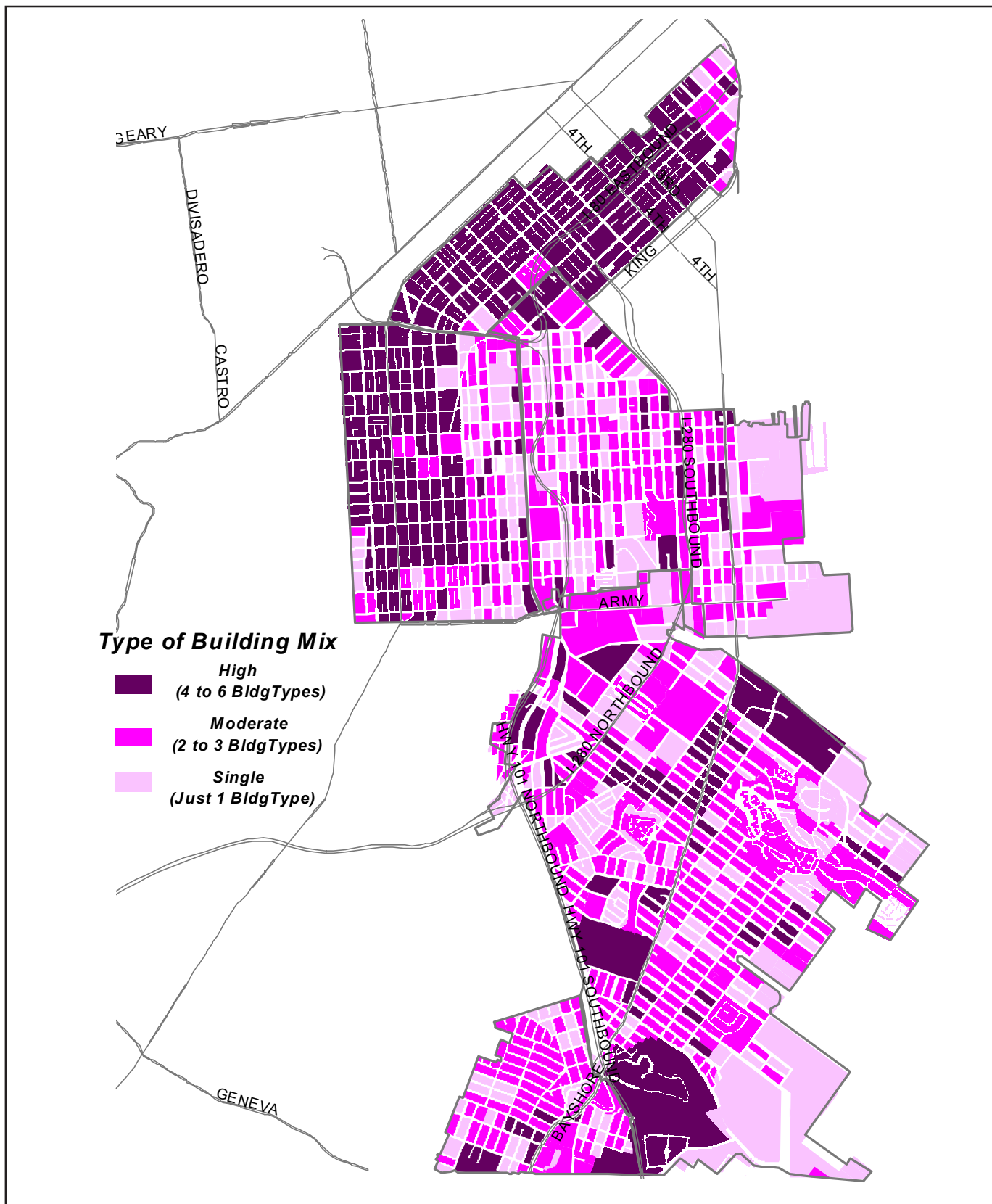


Figure 4.4.1 Mix of Building Type by Block

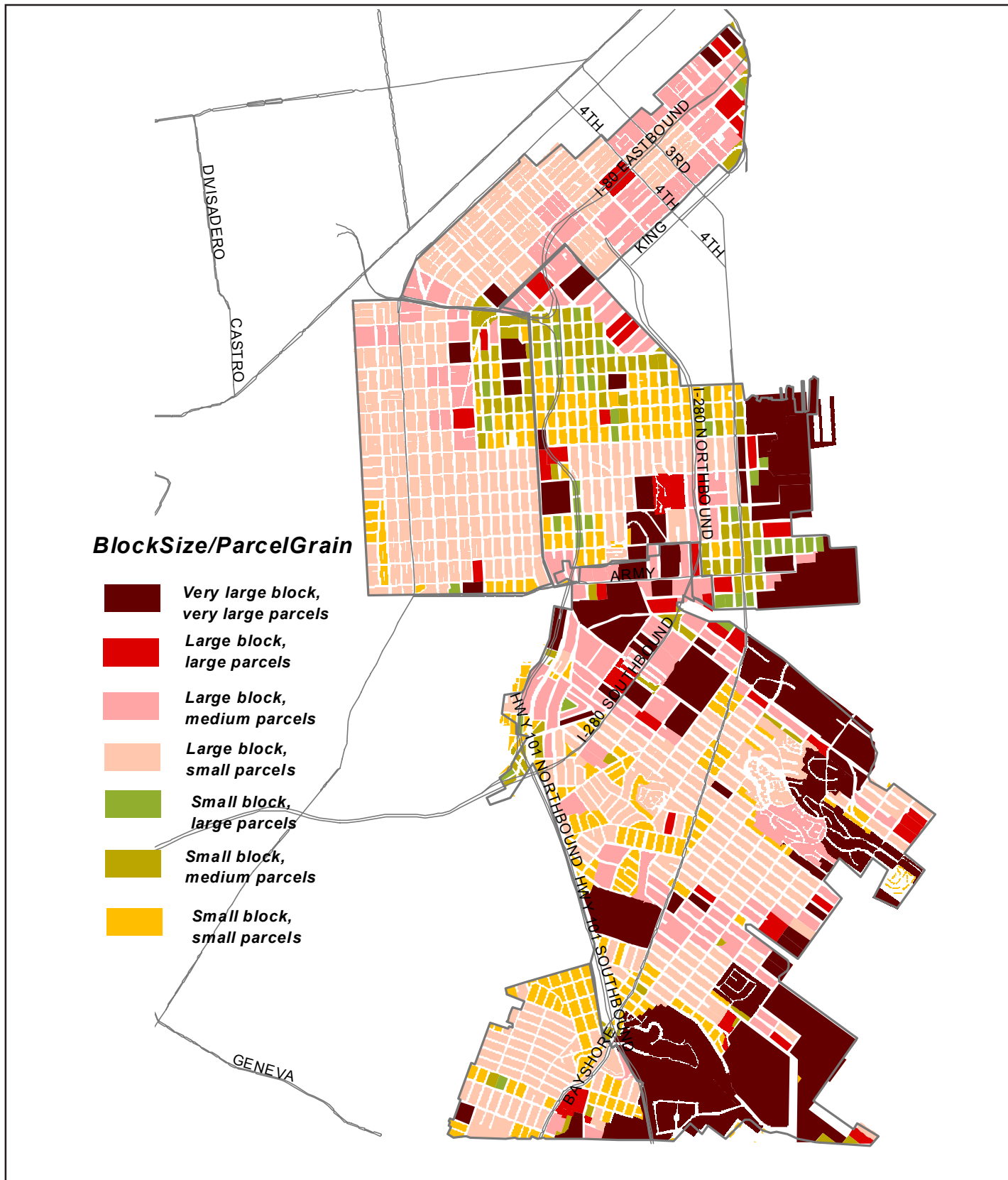


Figure 4.4.2 Block Size and Parcel Grain

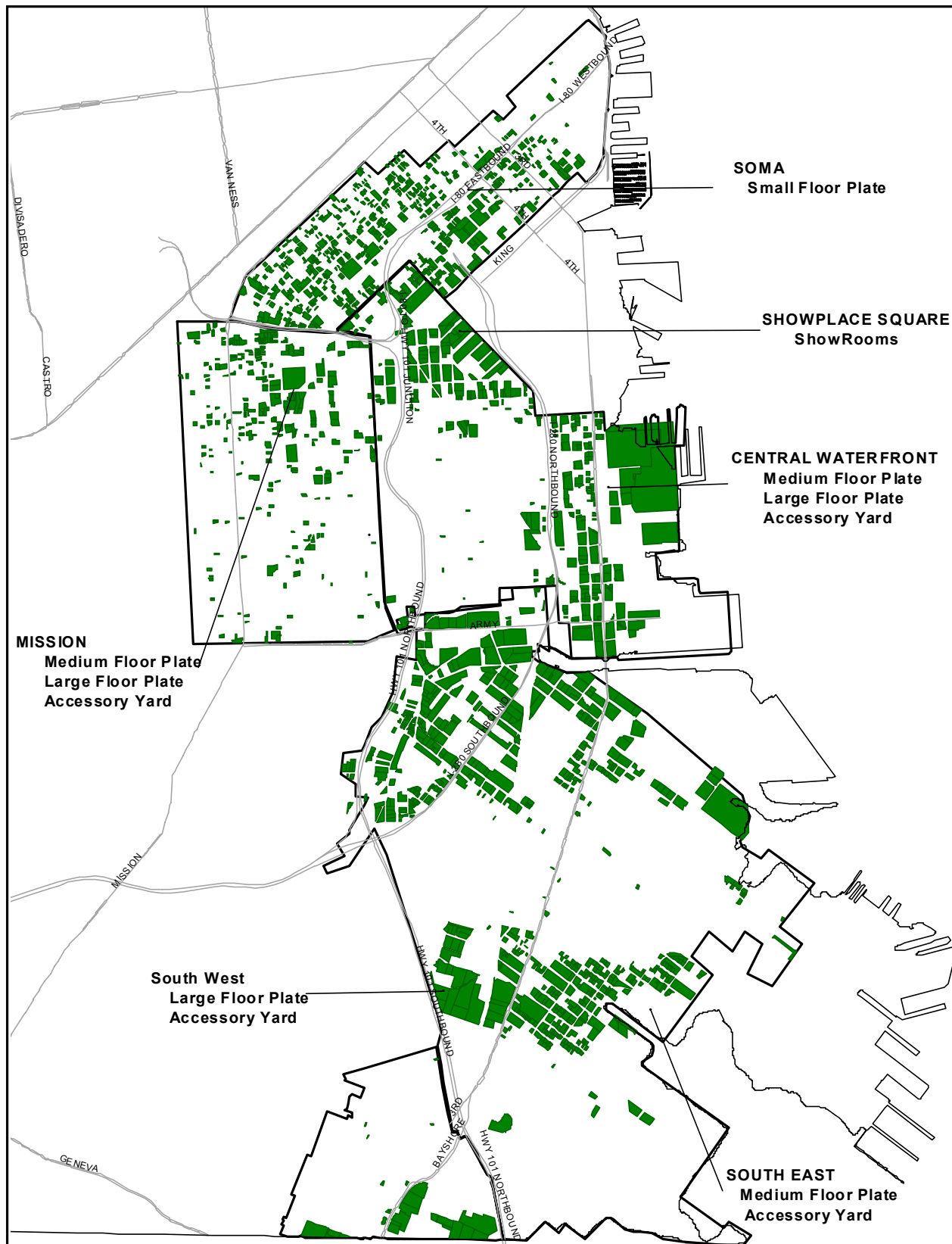


Figure 4.4.3 Type of Space by Sub-Area

Five distinct patterns of buildings and parcel sizes are found throughout the Eastern Neighborhoods. These are: High Mixed Use; High Mixed Use, Separate PDR; Minimal Mixed Use; Single Use PDR; and Some Mixed, Nonresidential Use. Each pattern tends to predominate in one or more areas, their distinct character arising from the associated land uses, economic activity, and urban fabric. Moreover, these patterns exist in more varied configurations within neighborhoods. Understanding their general characteristics allows one to read the landscape and economic dynamics more clearly. In general, High Mixed Use seems to be associated with smaller parcels and higher FAR, regardless of block size, while Limited Mixed Use to Single Use seem to be associated with larger parcels and lower FAR.

High Mixed Use Pattern

The high mixed use pattern is found throughout SoMa but only in isolated pockets in other areas of the Eastern Neighborhoods. This pattern has different building types. PDR, residential and office uses are likely to be found on neighboring lots. The area tends to have large blocks with small to medium sized parcels. All blocks have some residential buildings as well as PDR buildings. Production-related businesses are most often found in this type of space. This pattern is found throughout the Eastern Neighborhoods, with slight variations in SoMa.

High Mixed Use, Separate PDR Pattern

This pattern is found in both the Mission and South Bayshore where there are segregated, distinct subareas of building stock. PDR buildings are almost exclusively found in some blocks and residential, retail, community and office uses and buildings are found in other blocks. The nature of the PDR stock tends to be larger footprint buildings with a moderate-to-high FAR. PDR job density is substantially lower in these blocks than in High Mixed Use blocks. Most blocks have fewer than 100 jobs per block and some have fewer than 50 jobs. A few blocks in High Mixed

Use, Separate PDR areas, however, will have over 300 PDR jobs per block.

Minimal Mixed Use Pattern

This pattern is typically one of small blocks having medium to large parcels, with homogeneous uses and building types. The building stock is mostly PDR or showroom and there are few or no residential uses. The FAR is medium to high and the building height is one to two stories. Blocks tend to have fewer than 100 jobs per block, with several having fewer than 50 jobs. A few blocks, however, will have over 300 PDR jobs. Showplace Square is a typical of the Minimal Mixed Use pattern.

Single Use PDR Pattern

Single Use PDR blocks are small, with medium to large parcels and no residential uses. These blocks have a low FAR and height (typically just one story). The job density is also very low on these blocks, usually with fewer than 50 jobs per block. The types of businesses tend to be warehouse and distribution-related companies which require large open storage space and yards. This pattern is found in the southern Central Waterfront area.

Real Estate Trends in the Eastern Neighborhoods

The buildings that contain PDR uses in San Francisco are generally flexible and can meet the needs of a wide range of users. As vacancy rates in San Francisco dropped and prices rose, industrial buildings became more appealing to non-industrial users. Dot-com firms and software companies outbid photography studios for the same space, just as photography studios outbid garment manufacturers. This has led to a process of upward filtering or commercial gentrification in the local real estate market.

Users willing and able to pay more for real estate moved into PDR space with or without substantial modification. Traditional PDR tenants who were less able to pay, such as certain garment firms, were displaced over time. Low end existing PDR users such as construction, transportation and some wholesale trade, which all use open yards or relatively inflexible single-story buildings, do not necessarily face the same kind of direct competition for their space. However, they are still subject to displacement through redevelopment of the properties they occupy.

Manufacturing and Warehouse Space

Manufacturing in San Francisco reflects a broad range of production activities and takes place in a variety of spaces—from single-story buildings with loading docks to small spaces in multi-story buildings. With the 1998-2000 development boom, many manufacturing establishments were displaced by rising rents. In addition to the outright departure or even closure of manufacturing firms, two additional trends emerged as a result of rising real estate prices.

First, firms producing high-end products that rely on proximity to customers and are willing and able to pay the price of doing business in San Francisco tended to remain. Firms that produce lower-end goods either upgrade, relocate, or go out of business. For example, the garment manufacturers in the Central Waterfront are producing specialized, high-quality garments. They rely not only on a highly skilled labor force that lives in San Francisco but also on proximity to the high-end retail outlets that sell their products. This is the result of the pressure of market forces that have separated those firms that had to be in San Francisco from those that can locate elsewhere.

Second, some manufacturing firms are splitting their administrative and design functions from the actual manufacturing operation—retaining the former in San Francisco in order to have access to the appropriate labor pool, while moving the latter to less expensive parts of the Bay Area.

Such location adjustments are not necessarily negative. They simply reflect the normal functioning of a real estate market and the choices that firms make in response to changing market conditions. They also highlight the fact that the ability, need and capacity to maintain a San Francisco location varies not only from industry to industry, but also from firm to firm and even from activity to activity within a single firm. However, it is important to note that market forces could drive some or all PDR businesses, as well as other business sectors with a lower capacity for rental rates, out of San Francisco altogether. This would lead to the permanent loss of some PDR functions and the flexible PDR building type in which they operate.

Warehouse space differs from some of the other industrial spaces in the City because it is less flexible and less able to accommodate other uses. Warehouses are generally one-story buildings with loading docks and they usually cover all or most of their lot. They are generally used by the distribution component of PDR such as wholesale trade and transportation of goods. These distribution activities play an important role in transporting and supplying goods and services of the City's economy.

Vacancies and Rental Rates

The general economic slowdown is reflected in San Francisco's industrial real estate market as conversion of warehouse space to

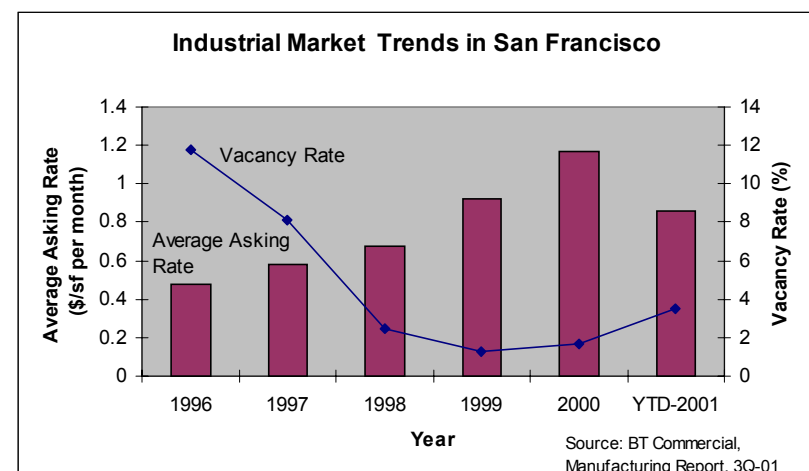


Figure 4.5.1 Industrial Market Trends in San Francisco

other uses decreased and demand for warehouse space from traditional warehouse businesses declined. This decrease in demand for industrial space, however, is minor when compared to the decrease in demand for office space in the City.

Office vacancy rates for the third quarter 2001 are estimated to be approximately 15 percent, a dramatic increase over the 3.4 percent vacancies seen at the peak of the boom at the end of 2000. Vacancy rates for industrial buildings increased from 1.7 percent at the end of 2000 to 3.5 percent at the third quarter 2001. Markets for industrial space undergo less fluctuation and are therefore more stable than office space markets.

As vacancy rates increase, average asking rental rates decrease. Since the third quarter of 2000, average asking rates for industrial buildings decreased from \$1.17 per square foot per month to the current rate of \$0.86 per square foot per month. Rates currently range from \$0.60 to \$1.25 industrial gross per square foot per month. Figure 4.5.2 shows rental rates and average asking rates since 1996.

Despite the recent increase in vacancies, San Francisco has a limited supply of industrial space and vacancy rates are still much lower than national averages. At the end of second quarter 2001, the national average vacancy rate for industrial buildings

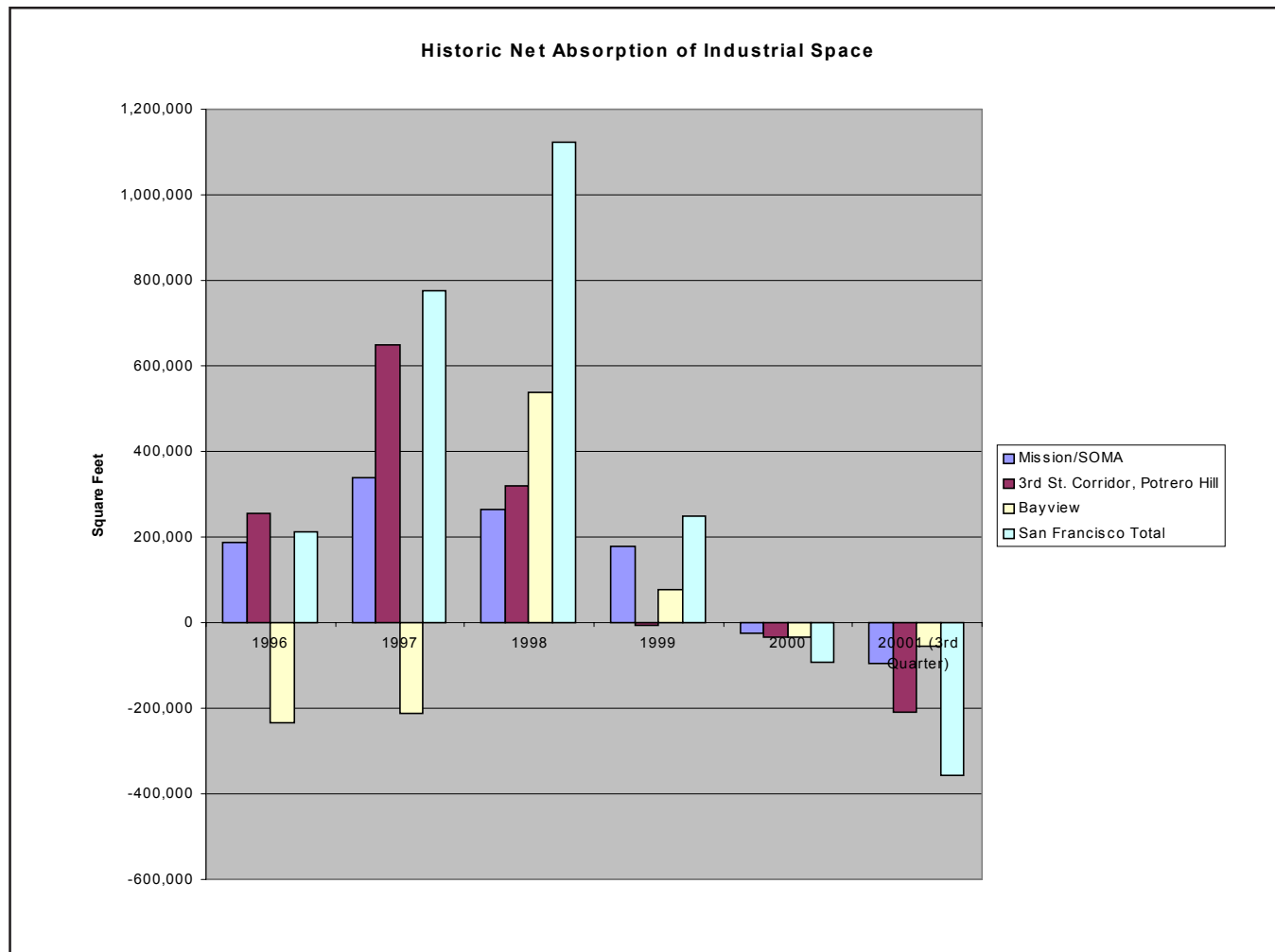


Figure 4.5.2 Historic Net Absorption

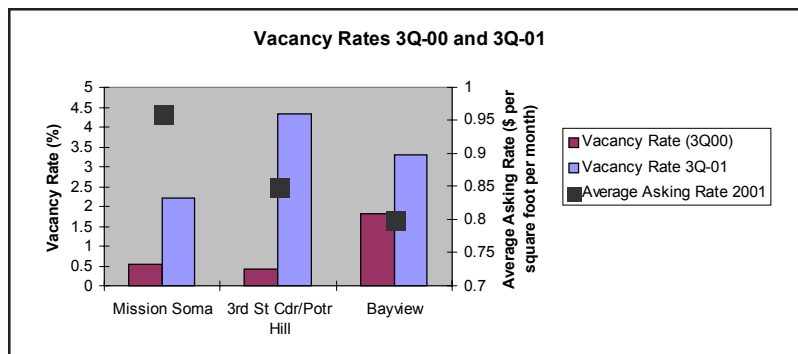


Figure 4.5.3 Vacancy Rates 3Q-00 and 3Q-01



was 3.7 percent. In comparison, Oakland and the East Bay had an average vacancy of 5.7 percent. Demand will continue to exceed supply because of the lack of developable industrial lands in which to substantially expand supply. The fallout from the downsizing of dot-com companies will also be offset by the development of Mission Bay, which will transform one million square feet of industrial lands into offices and R&D laboratories.

Corresponding to the recent increase in vacancy rates for industrial property are two other market conditions: 1) Increases in the average time buildings are on the market and 2) Negative net absorption. The average time that PDR buildings were on the market increased almost 30 percent from 4.8 months in the second quarter of 2001 to 6.3 months by the third quarter.

Net absorption is the change in occupied building square footage in a given time period. Positive net absorption occurs when more space is occupied at the end of any given time period than at the beginning of that period, i.e. more space is rented. Negative net absorption occurs when less space is occupied at the end of a period than at the beginning, i.e. space is vacated. Negative net absorption typically occurs during a slowdown in economic activity. While

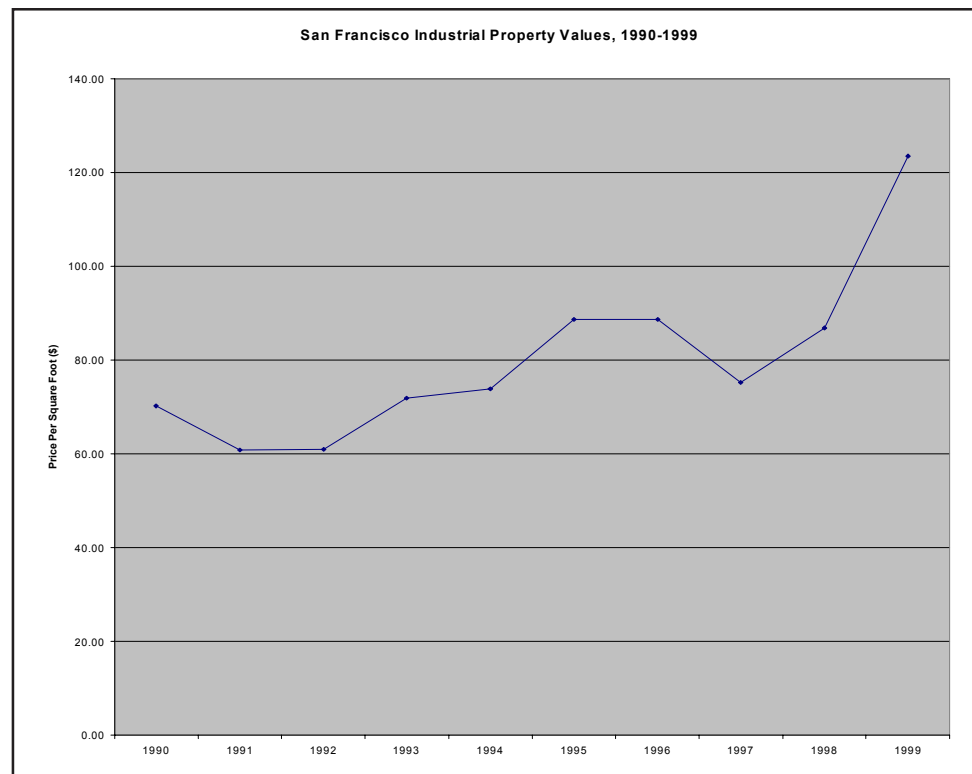


Figure 4.5.4 Industrial Property Values 1990-1999

office space has experienced a dramatic increase in negative net absorption, net absorption of industrial space has been more stable but it experienced some contraction towards the end of 2000 and 2001. Between 1996 and 1999, net absorption was positive. By the end of 2000, net absorption was negative and by the end of the third quarter in 2001, net absorption decreased even further to - 357,730 sq. ft. (Figure 4.5.2).

Figure 4.5.2 presents historic net absorption rates of industrial space by area as compared to the total for San Francisco. The greatest demand for PDR buildings is in the Mission and SoMa, while the greatest increase in vacancies are in the Central Waterfront and Showplace Square (Figure 4.5.3). These neighborhoods do not correspond exactly to the community plan areas but the boundaries of the areas are approximately the same.

Property Values

Property values of industrial lands decreased in the early 1990s but increased as the economy rebounded in the mid-1990s, showing a substantial rise between 1998 and 1999 (Figure 4.5.4). The average value of industrial land in San Francisco was \$70.21 per square foot in 1990 but by 1999 these were valued at \$123.47 per square foot. This trend shows that the value of all PDR space increased substantially as economic growth and development attention shifted to the last area of the City with large, flexible and underdeveloped lots. These lots were located within an area of mixed-use zoning (SLI, SLR, etc.) that permits many different uses. Furthermore, the value of industrial land for industrial uses increased dramatically, indicating a robust industrial sector, not a declining one.

Employment

Between 1998 and 2001, the Eastern Neighborhoods saw remarkable employment growth. New jobs were created at four

JOB CHANGE 1998-2001						
AREAS	ECONOMIC SECTOR /1/					TOTAL
	PDR	MIPS	Retail	Instit	Visitor	
Jobs:						
Show Place Sq. -						
Central Waterfront	4,470	5,620	1,810	910	na	12,810
Mission	1,330	1,730	620	720	15	4,415
SOMA	-600	6,880	-3,370	-240	140	2,810
South Bayshore	-5,300	-20	1,500	-240	-10	-4,070
Visitacion Valley	-145	-90	-90	45	na	-280
Total	-245	14,120	470	1,195	145	15,685
Rate (%)						
Show Place Sq. -						
Central Waterfront	46%	182%	124%	23%	na	71%
Mission	25%	79%	16%	27%	47%	31%
SOMA	-5%	49%	-52%	-12%	57%	8%
South Bayshore	-26%	-1%	81%	-13%	-29%	-15%
Visitacion Valley	-13%	-61%	-34%	23%	na	-16%
Total	-0.5%	61%	3%	11%	46%	16%
<i>Notes:</i>						
See Box 1 for general notes.						
Employment change rounded to nearest ten or five.						

Figure 4.6.1 Employment Change 1998-2001

times the rate of the City as a whole. In four years, total employment in San Francisco grew by approximately 25,550 jobs or 3.9 percent. Almost 15,950 of these jobs, or 62 percent, were in the Eastern Neighborhoods (Figure 4.6.1).

During the second quarter of 2001, however, the rapid employment growth reversed its course. Unemployment in San Francisco was 6.1 percent in November 2001—a higher rate than the state or the nation. Dot-com and new technology companies—most of which were located in the Eastern Neighborhoods—accounted for many of the jobs gained and lost. Many of these seemingly unbeatable ventures laid their employees off. They were also eventually forced to give up their recently built or recently remodeled space, leaving it vacant and reconfigured.

JOBS BY SECTOR -- 2001 Citywide and Study Area						
AREAS	ECONOMIC SECTOR /1/					TOTAL
	PDR	MIPS	Retail	Instit.	Visitor	
Citywide /2/	116,800	329,300	105,200	117,500	18,900	688,000
Study Area /3/	47,100	37,300	14,500	11,800	600	111,400
Share of Citywide Employment	40%	11%	14%	10%	3%	16%

Notes:
See Box 1 for general notes.
Sectoral employment rounded to nearest hundred, total rounded to nearest thousand.

BOX 1
/1/ PDR: Production, Distribution, and Repair activities.
MIPS: Managerial, Informational, and Professional service activities (e.g., office).
Retail: includes entertainment and restaurants.
Institutional: Includes cultural, institutional, and medical activities.
/2/ Citywide total from California State Employment Development Department, all wage and salary workers. Increased by 12% to estimate self-employed.
/3/ Study Area data from Dun & Bradstreet Monthly Business Survey. The 1998 data is from April 1998 while the year 2001 data is from September 2001. The self-reporting survey method yields good estimates of general magnitude, but imprecise point estimates.

Figure 4.6.2 Employment by Sector 2001

JOBS BY NEIGHBORHOOD AND SECTOR -- 2001						
AREAS	ECONOMIC SECTOR /1/					TOTAL
	PDR	MIPS	Retail	Instit.	Visitor	
Showplace Sq. - Central Waterfront	14,100	8,700	3,300	4,900	150	31,150
Mission	6,700	3,900	4,600	3,300	50	18,550
SOMA	10,300	20,900	3,100	1,700	400	36,400
South Bayshore	14,900	3,800	3,400	1,700	25	23,825
Visitacion Valley	1,000	50	200	250	20	1,520
Total	47,000	37,350	14,600	11,850	645	111,445

Notes:
See Box 1 for general notes.
Employment rounded to nearest hundred. Employment less than 200 rounded to nearest 50.

Figure 4.6.3 Employment by Neighborhood and Sector 2001



Concentration of PDR Jobs in the Eastern Neighborhoods

In 2001, the Eastern Neighborhoods accounted for about 16 percent (111,000 jobs) of citywide employment (Figure 4.6.2). The PDR sector accounted for 42 percent of the jobs in the Eastern Neighborhoods, followed by 34 percent in the management, information, and professional services sector (MIPS or more commonly, office). Retail and institutional activities were minor components of the economic base, each with about a 12 percent share. Visitor serving activities continued to be pretty insignificant in the Eastern Neighborhoods with a 1 percent share.

The 42 percent of total jobs in the PDR sector contrasts with the overall Citywide employment profile which includes 48 percent MIPS jobs, 17 percent PDR, 17 percent institutional jobs, 15 percent retail, and only 3 percent in the visitor sector. While Eastern Neighborhoods accommodate 40 percent of the City's total PDR jobs, they only capture 16 percent of the City's overall jobs. For other sectors, the Eastern Neighborhoods have a much lower share of employment. The Eastern Neighborhoods have 14 percent of all retail, 11 percent of all office, 10 percent cultural and institutional and the visitor sector in the Eastern Neighborhood amounts to just 3 percent of the City's overall jobs associated with visitors.

Jobs by Neighborhood: A Wide Variation in Job Type

Jobs by neighborhood and economic sector are listed in Table 4.6.3. SoMa has the largest number of jobs of all the Eastern Neighborhoods, with 33 percent or 36,400 jobs. Showplace Square-Central Waterfront has 28 percent of jobs (31,150); South Bayshore, 21 percent (23,825), and the Mission, 17 percent (18,700). Visitacion Valley is mostly residential with only 1,500 jobs or 1 percent of all jobs in the Eastern Neighborhood (Table 4.6.3).

All Eastern Neighborhoods have PDR jobs. South Bayshore leads with about 14,900 PDR jobs or 62 percent of total jobs in the area. The Showplace Square-Central Waterfront area also has a high number and percentage of jobs in the PDR sector with 14,100 or 45 percent of total jobs. Twenty-eight percent of SoMa jobs are PDR while in the Mission these account for 36 percent of total. Even though Visitacion Valley has very few total jobs, 65 percent of those jobs are PDR.

SoMa has by far the highest concentration of office jobs in the Eastern Neighborhoods. About 21,000 jobs or 57 percent of all jobs in SoMa are MIPS jobs. The primary office users are firms such as advertising, design, computer programming, consulting, commercial art, photography, telecommunication and other business related services. The Showplace Square-Central Waterfront neighborhood has 8,700 MIPS jobs or 28 percent of total jobs. The Mission and South Bayshore each have about 3,850 MIPS jobs or 21 percent and 16 percent of their total jobs, respectively.

The Mission has 4,600 retail jobs or 25% of its total jobs. In terms of percent share, this is almost twice as much as the next highest concentration of retail employment, in the South Bayshore, with 3,400 or 14 percent of total. Most of the Mission's retail space is clustered between South Van Ness Avenue and Valencia Street. The main businesses in this district are: restaurants; bars; grocery stores; beauty shops and other services. The South Bayshore retail neighborhood is located



primarily along the 3rd Street corridor where there is a large concentration of eating places, a number of small grocery stores and other specialty shops. Visitacion Valley has a small retail area with only 200 jobs in this sector, most of which are beauty shops, grocery stores and eating places.

The Mission is the most mixed-use neighborhood of the Eastern Neighborhoods, with a relatively even distribution of job types. Jobs in the Mission are 36 percent PDR, 21 percent MIPS, 25 percent Retail, and 18 percent Institutional.

Job Trends: Growth of Office Jobs and Relocation of PDR

Recently, MIPS jobs accounted for the majority of Eastern Neighborhoods employment growth. During the time period between 1998 and 2001, 14,100 jobs or 89 percent of the new jobs in the Eastern Neighborhoods were in the office sector. Most of this growth was concentrated in SoMa (7,000 jobs) and the Showplace Square-Central Waterfront area (5,600 jobs).

The PDR sector did not grow over the same period although PDR jobs shifted dramatically by neighborhood. Overall, the PDR sector had a minimal net loss of 225 jobs or 0.5 percent. This stable overall condition for the PDR sector masks large variation by neighborhood. For example, South Bayshore lost 5,300 PDR jobs and the Showplace Square-Central Waterfront gained almost 4,500 PDR jobs. SoMa and Visitacion Valley also lost PDR jobs while the Mission gained 1,330 new PDR jobs.

Between 1998 and 2001, net employment changes in other job sectors were relatively small in comparison to MIPS and PDR changes. The loss of 52 percent of retail jobs in the SoMa area is noteworthy, but this retail job loss of 3,370 may have been slightly made up by retail job gains in other Eastern Neighborhoods. Retail job gains in Eastern Neighborhoods were in Showplace Square-Central Waterfront with 1,800 new retail jobs; South Bayshore, 1,500; and the Mission, 620. Along with SoMa, Visitacion Valley had a loss of retail jobs. Visitacion Valley's retail jobs loss was 90, representing a 34 percent reduction in the total of Visitacion Valley retail jobs.

The total increase for all of the Eastern Neighborhoods was 15,685 jobs or an overall increase of 16 percent. (Table 4.6.1) The Showplace Square-Central Waterfront claimed the majority of new jobs, adding a total of 12,810 jobs and accounting for a 71 percent employment increase in that area. Table 4.6.1 also shows a net loss of 4,050 jobs or 15 percent in the South Bayshore; moderate employment growth in the Mission (31 percent); and low growth in SoMa (8 percent). Visitacion Valley had a 15 percent employment loss (265 jobs).