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HEADLINE: A delicate jobs equation; House of cards? If housing sector falters and fewer people are employed, economy could sputter.
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We have been building the job market on a narrow, but so far sturdy, foundation.

Private sector payrolls have been rising steadily since the end of a two-year hiring drought in 2003, and a solid chunk of the new jobs are related to just one sector: real estate.

All's well if that sector continues to grow.

But.

Here's the but: If housing crumbles, the job market and the overall economy could get wobbly, too.

Across the spectrum, the housing boom has spurred hiring for jobs that range from swinging a hammer to shuffling papers. Appraisers, roofers, brokers, banks --- the building and the buying creates work for a host of occupations.

"It is just amazing how much we've grown," said Michael Scholl, a project manager and landscaper with Landmark Construction in Atlanta. "I'd say we've about doubled in the last two years. I don't see it slowing down anytime soon. Everybody's expecting a slowdown, but there's just so much growth around Atlanta."

Roughly 3 percent of a home's cost goes to landscaping, he said.

In a huge market like Atlanta, that is a multimillion-dollar spillover --- and it's just one of many.

The sum of those ripples from an unprecedented boom in housing sales and construction helped carry the economy through the 2001 recession.

Housing accounts for 10 percent of all American jobs, but more critically, it has been the dependable base for job growth in the private sector. In fact, housing has accounted for roughly 40 percent of new private jobs since the end of the recession, estimates economist Asha Bangalore of Northern Trust.

'Bubble' warnings

For more than a year, economists have been warning that housing is becoming a "bubble" --- a market that is expanding beyond the fundamentals that support Prices are climbing too fast, sales are too frenetic, and both may fall when the bubble bursts, they say.

When the inevitable happens, they say, housing-related hiring not only will stop growing, there might be large-scale layoffs. And if sales and home building slow sharply enough, consumer spending could crash, too, dragging the economy into recession.

That dismal scenario is seen by just a minority of economists, but the group is vocal. And growing.

Just slipping back to the solid but unspectacular housing market of the mid-1990s would mean losing more than 1.2 million jobs --- about 325,000 in construction, 750,000 in real estate and 150,000 in financial services, said Dean Baker, co-director of the Center for Economic and Policy Research.

Still, how painful it is depends on how fast it happens, he said. "If it's dragged out over three years, we'd feel that, but we expect the economy to add 6 million jobs in that time. We'd feel it, but it wouldn't be a disaster."

That estimate does not include the effects of any chill in consumer spending, wrote economist Andrew Tilton of Goldman Sachs in a note to clients. "From now on, the slowing housing sector is likely to turn from a net contributor to employment growth --- perhaps 20,000-30,000 jobs per month over the past few years --- to a drag."

Signs of a slowdown nationally have been increasing.

A spurt last month in existing home sales came after months of decline, which is widely expected to continue. After spiking to a record high in July, sales of new homes have been trending downward. Last month, those sales slipped to their slowest pace in nearly three years.

Nationally, the number of unsold houses began rising last summer. That inventory last month represented nearly 6.5 months of sales.

Meanwhile, construction has maintained a strong pace, which makes a pileup of unsold homes more likely. The more supply outweighs demand, the more likely a messy pop of the bubble.

Many economists think the end of the boom can come without a nasty plunge that takes the job market and the overall economy with it.

Refinancing has already dipped. After floating to record levels on the updraft of low mortgage rates, refinancing returned to earth as rates rose. The result has been job cuts among lenders and lawyers who cater to that niche.

"There were a lot of newcomers, and now I think we will see some fallout," said attorney Lee Cohen of the Sandy Springs-based law firm Neel & Robinson, which specializes in mortgage closings.

By historical standards, even the slower pace for refinancing and purchases is strong --- so far.
"It's not like it was two years ago, but it's still above a normal refinance market," Cohen said.
For lenders that never depended on refinance, the market remains solid, at least in the Southeast.
Atlanta-based HomeBanc Corp., which last year did nearly all its business in Georgia, Florida and North Carolina, has ballooned from 500 employees five years ago to 1,300 now, said spokesman Mark Scott. "And we are expecting to hire 200 to 300 more in 2006. Florida, Georgia and North Carolina are clearly strong markets and should continue to be so."
Henry Gonzales, an executive loan officer for HomeBanc, agrees.
No matter what the pessimists say, the momentum of real estate is unstoppable, said Gonzales. "My job is to get people into homes. People get married. People have babies. People buy houses."

Mortgages due to 'reset'

Hope for housing is often found on the same turf as the chief worry: mortgage rates.
Rates are no longer at the four-decade lows that propelled the market to record highs, but they are still modest compared with the previous two decades. However, thousands of homeowners bought homes or refinanced using "teaser" rates that stay low for an introductory period --- often three years --- then reset upward.
Roughly $2 trillion worth of mortgages debt is due to "reset" during the next two years, which translates to $15 billion in additional monthly mortgage payments, according to Barry Ritholtz, chief market strategist of the Maxim Group.
More troubling than the monthly payment is the way higher payments and rates handcuff homeowners who have been using the equity in their homes as a cash machine, he said.

Some in trouble

Whiffs of trouble continue to come from reports on stressed homeowners.
More than 9,421 Georgia properties were in foreclosure in February, up roughly one-third from a year ago, said Rodney Dozier in the Atlanta office of Oakland, Calif.-based Entrust Retirement Services, which compiles data on foreclosures.
Georgia has the nation's highest rate, he said. "For the last two years continually, we have pretty much owned the No. 1 spot."
Where is the market headed now? One clue is applications for mortgages, which are down 15 percent from a year ago, according to the Mortgage Bankers Association of America.
Atlanta is, by nearly all accounts, less bubbly than the hottest markets and less susceptible to a painful burst. But that is not because housing is a marginal factor here --- just the opposite. Metro Atlanta has ranked at or near the top nationally in new home construction for a dozen years.
Not counting its spinoffs in finance, law and other sectors, real estate accounts for about 60,000 jobs, while construction tallies about 200,000 jobs in Georgia, with the lion's share in metro Atlanta, said Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University.
And that number is almost certainly a vast understatement, since so much home building is done with crews thought to be illegal immigrants, he said.
Even so, the official data for home construction nationally show payrolls up 25 percent, to 193,700, since early 2001, according to the Bureau of Labor Statistics.

'Multiplier' effect

Housing has to be viewed in light of what economists call the "multiplier," the effect of how money spent on housing is multiplied through the economy, Dhawan said. "Residential real estate is lower value than commercial, but it leads to a lot more jobs. Look at the construction jobs as the seed --- everything grows from that."
But there can be too much dependence on one sector. And there are signs that the job market has tilted toward real estate --- even in places like Georgia where the market is less frenetic: The number of active real estate licenses is up about 10 percent in a year and about 30 percent in the past five years, according to the Georgia Real Estate Commission.
Rhonda Duffy, owner of Duffy Realty, offers evidence of surging growth. She started with three employees four years ago. She has 35 now. Even so, she says the market is nowhere near as hot as the late 1990s, when companies were scrambling to import talent --- and willing to foot hefty moving bills.
There is no bubble in Atlanta to burst, Duffy said. "We don't have the rabid buyers we used to have. But I think it's been steady since 2001."
Although an optimist, she watches with concern as the ratio of homes for sale to buyers continues to grow.
"I think it will be steady. But I think we are in a dangerous time. Right now we have four houses on the market in metro Atlanta for every one buyer --- and that doesn't include new construction."

GRAPHIC: Photo: ALLEN SULLIVAN / Special"Look at the contruction jobs as the seed --- everything grows from that," says one economist. Graphic: ELIZABETH LANDT / StaffRESIDENTIAL CONSTRUCTIONThe housing boom that began in 2001 has created thousands of residential construction jobs since.Graph shows: All employees, in thousands'01 begins near 770'06 ends with 975,500Data for January and February of this year are preliminary.Source: Bureau of Labor Statistics