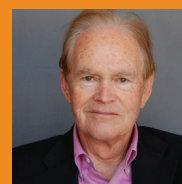


**JULY 2021**

**Alan Nevin** - Director of Economic and Market Research, Xpera Group



## THE RECOVERY CONTINUES FOR CALIFORNIA AND THE SAN DIEGO REGION

Last month I took an in-depth look at the U.S. economy (in addition, of course, to San Diego). This month I am taking a look at California. California has not recovered as quickly as the nation or San Diego County. The unemployment rate in May was 7.9%, modestly higher than San Diego's 6.4%. Having said that, California has regained a half million jobs since the start of 2021.

### Unemployment Rate San Diego County Feb 2020-May 2021

Month	% Unemployment
Feb-20	3.2%
<b>Apr-20</b>	<b>15.0%</b>
<b>Feb-21</b>	<b>7.2%</b>
<b>May-21</b>	<b>6.4%</b>

Source: BLS

### Payroll Jobs California January-May 2021

Month	Jobs
January	15,857,900
February	16,014,000
March	16,146,400
April	16,248,400
May	16,352,900
<b>Total Change</b>	<b>495,000</b>

Source: BLS



Most industries in California have nearly recovered and are approaching the pre-COVID levels. The one continually weak point is leisure and hospitality, a category that accounts for 40% of the job losses since COVID began.

### Job Losses/Gains by Category Wage and Salary Employment California March 2020 -May 2021

Category	COVID March 2020	May-21	Change	
			March 2020 - May 2021	%
<b>Total</b>	<b>17,484,000</b>	<b>16,352,900</b>	<b>(1,131,100)</b>	<b>-6.5%</b>
<b>Leisure and Hospitality</b>	<b>1,984,700</b>	<b>1,540,700</b>	<b>(444,000)</b>	<b>-22.4%</b>
Construction	893,300	882,500	(10,800)	-1.2%
Manufacturing	1,322,700	1,256,100	(66,600)	-5.0%
<b>Professional &amp; Business Services</b>	<b>2,733,900</b>	<b>2,669,700</b>	<b>(64,200)</b>	<b>-2.3%</b>
Education & Health Services	2,855,000	2,779,000	(76,000)	-2.7%
Trade, Transportation & Utilities	3,053,700	2,983,700	(70,000)	-2.3%
Government	2,611,800	2,402,800	(209,000)	-8.0%

Source: U.S. Bureau of Labor Statistics





A second weak point in the California economy is its export industries. In the accompanying exhibit we see the change in exports for the top five countries: Mexico, Canada, China, Japan and South Korea over the past year. The greatest decline was in our exports to Mexico, down 13.9% since 2019. In our own county, we continue to add jobs and have added almost 50,000 jobs since the beginning of the year. In May that number reached more than 1.4 million jobs.

California Exports (\$ Millions)  
Top Five Countries  
2019-2020

Year	2019	2020	Change	% Change
Mexico	27,965	24,078	(3,887)	-13.9%
Canada	16,696	15,923	(773)	-4.6%
China	15,848	15,022	(826)	-5.2%
Japan	11,887	10,651	(1,236)	-10.4%
South Korea	9,199	9,784	585	6.4%

New Jobs  
San Diego County  
January-May 2021

January	1,351,600
February	1,382,200
March	1,392,100
April	1,399,400
May	1,400,600
Gain since January	49,000



Source: U.S. Census, Foreign Trade

The job gains have resulted in a continuing decline in the unemployment rate. In May the unemployment rate was 6.4%, still not quite what it was pre-COVID, but recovering.

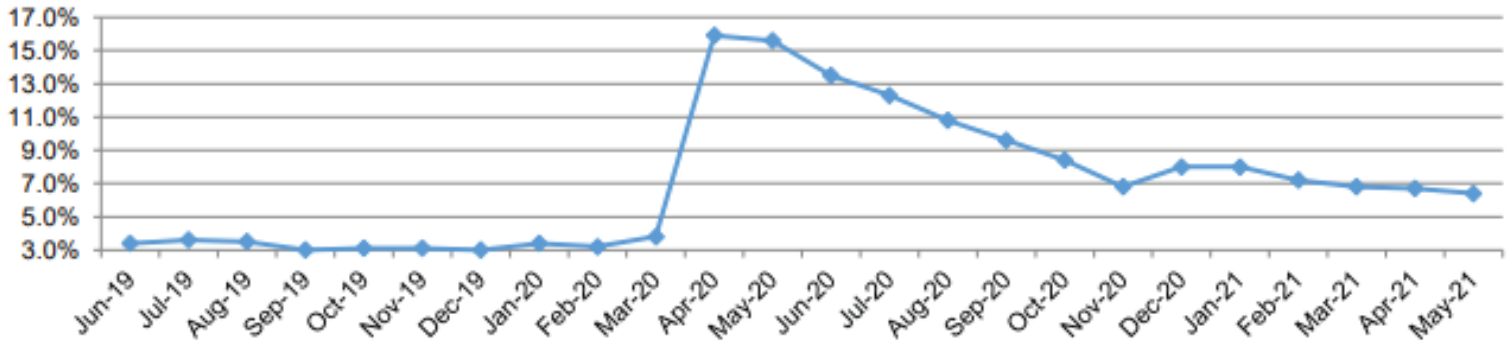
Unemployment Rate  
San Diego County  
Feb 2020-May 2021

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May-21	6.4%

Source: U.S. Bureau of Labor Statistics



Unemployment Rate Historical Trend





The leisure and hospitality industry still account for almost half of the job losses since the beginning of COVID, but in total we are only 100,000 jobs away from returning to pre-pandemic normalcy. Optimally, as summer tourism returns, the unemployment rate in leisure and hospitality will decline. Let us welcome the Zonies (our Arizona tourists) with open arms.

**Job Losses  
Leisure and Hospitality Industries  
San Diego County  
March 2020 -May 2021**

Category	COVID March 2020	May-21	Change	
			March 2020 - May 2021	%
Total	1,500,000	1,400,600	(99,400)	-6.6%
Leisure and Hospitality	192,900	150,200	(42,700)	-22.1%
L&H as % of Total	12.9%	10.7%	43.0%	

Source: U.S. Bureau of Labor Statistics



As a final positive note on our national economy, job openings topped 9.3 million, twice that of one year ago. Employers are desperate for live bodies.

## Real Estate

New home construction is a major driver of the real estate market. Toward that end, construction during the first five months of the year is substantially greater than 2020. Through May, more than 3,500 homes, condominiums, and apartments broke ground, up one-third over 2020. As new homes and condominiums enter the market, the overall market expands, and that's good for the resale market.

**Residential Building Permits  
San Diego County  
Jan-May 2020-2021**

Annual	No. of Units		
	Total	Single Family	Multi- Family (1)
<b>2020</b>			
Jan-May	2,640	989	1,651
<b>2021</b>			
Jan-May	3,559	1,267	2,292
Change	919	278	641
% Change	35%	28%	39%

(1) condominium and rental

Source: U.S. Census



Source: U.S Census





There is some highly positive news in the new home market. In this coming year, there will be almost a dozen new master-planned communities opening for sale, most of them in North County and most with homes in the \$500,000 - \$1 million range. I'll have more on that next month.

On the local front, closings are in full blossom, according to SDAR. In the first six months of 2021, sales of detached homes were up 25% and attached product increased 44%. More than 12,000 housing units were sold by San Diego REALTORS® through June. That's impressive!

### Closed Sales SDAR January Thru June 2020-2021

Year	Detached	Attached	Total
2020	9,737	3,989	5,030
2021	12,212	5,739	7,082
<b>Change</b>	<b>2,475</b>	<b>1,750</b>	<b>2,052</b>
<b>% Change</b>	<b>25%</b>	<b>44%</b>	<b>41%</b>

Source: SDAR



I wish listings were higher so the number of sales pending could be more positive, but detached pending sales in June were up a meager 1.8% while the pending sales for attached homes was up 17.3%.

Days on market until sale are less than three weeks and the months' supply of inventory is at a bottom-scraping 0.8 for detached and 0.9 for attached homes.

### No. of Sales Pending End of Month - June 2020-2021

Year	Total	Detached	Attached
2020	3,637	2,417	1,220
2021	3,892	2,461	1,431
<b>Change</b>	<b>255</b>	<b>44</b>	<b>211</b>
<b>% Change</b>	<b>7.0%</b>	<b>1.8%</b>	<b>17.3%</b>

Source: SDAR

### Key Indicators Existing Homes Sales San Diego County as of June 2021

Category	Detached	Attached
% of Original List Price Received	105.0%	103.6%
Days on Market Until Sale	17	18
Months Supply of Inventory	0.9	0.8

Source: SDAR

I know it gets boring reading about home prices increasing, but it's just a fact of life here in San Diego. Looking at the first six months of the year, the median price of detached homes was up 29.3% and the price of attached was up 22.2%. It's a combination of low interest rates and affluent households that are driving the market.



### Median Home Prices - Closed Sales End of June 2020-2021

Month	Detached	Attached
2020	\$ 680,000	\$ 453,000
2021	\$ 879,000	\$ 553,500
<b>Change 2020-2021</b>	<b>\$ 199,000</b>	<b>\$ 100,500</b>
<b>% Change</b>	<b>29.3%</b>	<b>22.2%</b>

Source: SDAR



Homes are selling well in all price ranges with detached homes under \$500,000 accounting for barely 5% of total sales. The number of detached homes sold priced more than \$1 million almost doubled over a year ago and now account for almost one-third of all detached home sales.

## Homes Sold by Price Range San Diego County Rolling Twelve Month Average June 2020 and June 2021

Price Range	Detached				Attached			
	No. Homes		Change in		No. Homes		Change in	
	2020	2021	No.	%	2020	2021	No.	%
Under \$500,000	3,624	1,536	(2,088)	-58%	7,252	7,357	105	1%
\$500,000-750,000	10,347	10,641	294	3%	2,701	4,734	2,033	75%
\$750,000-1,000,000	3,849	6,426	2,577	67%	689	1,402	713	103%
Over \$1,000,000	4,115	7,757	3,642	89%	557	1,106	549	99%
<b>Total</b>	<b>21,935</b>	<b>26,360</b>	<b>4,425</b>	<b>20%</b>	<b>11,199</b>	<b>14,599</b>	<b>3,400</b>	<b>30%</b>

Source: SDAR

I remain uncertain how much longer the up-pricing can continue. It's just not rational. From this economist's standpoint, it's poisoning the overall economy. We all want our homes to go up in value, but there comes a time when it hits a ceiling. Hopefully, the accelerated pricing will slowly recede and prices will progress at a more normalized pace. Maybe sooner rather than later.





# Spotlight On Rancho Penasquitos

Rancho Penasquitos is a 14,000-acre master-planned community, assembled by developer Irvin Kahn in the early 1960s. It is the largest master-planned community north of I-8 (Miramar Naval Base and Camp Pendleton excluded). Of the total acreage, fully one-third has been left in open space.

Now almost built out, Rancho Penasquitos has 17,000 homes and apartments and a population of 63,000. Its final build-out will be Lennar's Junipers, a 550-home community for the "over 55" market. In addition, a 300-unit apartment project is under construction on the site of the former Karlan Hotel. Both are on the site of the former Penasquitos golf course.

The heart of RP is the Penasquitos Town Center, a Vons-anchored, 60-tenant shopping center surrounded by a library, police station, fire station and a YMCA.

Most of Rancho Penasquitos is in ZIP 92129. The prices of single-family homes in the community have skyrocketed in the past year. In June 2021, the median price of a single-family home was \$1,185,000 up 35.4% over one year ago. Until the recent past, prices in 92129 were relatively stable.

## Median Price June 2018-June 2021 Single Family Detached Homes ZIP 92129

June	Median Price	Index
2018	\$ 880,000	1.00
2019	\$ 879,500	1.00
2020	\$ 875,000	0.99
2021	\$ 1,185,000	1.35

Source: SDAR



Homes in RP received 112% of their listing price and the total days on market until sale was 16. At the end of June, there were only 16 homes unsold in 92129. Penasquitos means "little cliffs" in Spanish... but by all accounts it means big prices in the single-family detached market.



## State of Market Rancho Penasquitos ZIP 92129 as of the end of June 2020 & 2021

Key Metrics	2020	2021
Pending Sales	31	39
% of Original List Price Received	100.3	112.3
Days on Market Until Sale	20	16
Months Supply of Inventory	0.8	0.6

Source: SDAR



SAN DIEGO | MLS

info@sdar.com | (858) 715-8000

4845 Ronson Ct, San Diego, CA 92111

www.sdar.com | www.sdmils.com