

JUNE 2021

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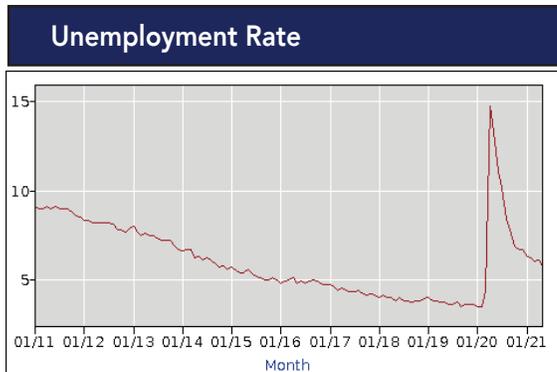
BOOMING ECONOMY DRIVES RESALES IN LATEST NEWS ON HOME FRONT

Ordinarily, I take more time to talk about San Diego than the U.S. as a whole, but this month, the national statistics are so positive that I want to dwell on them. The reality is that San Diego is 1% of the nation, population-wise, and as the nation goes, so does San Diego.

First, the U.S. unemployment rate has declined to 5.8%, not that far from where we were when COVID-19 reared its ugly head.

Unemployment Rate United States March 2020-May 2021

| Month | Unemployment Rate |
|---------------|-------------------|
| March 2020 | 4.4% |
| April 2020 | 14.8% |
| Year End 2020 | 6.7% |
| May 2021 | 5.8% |



Source: BLS

Source: U.S. Unemployment Rate Through May 2021



Second, "Initial Unemployment Claims" have declined 89% since COVID set in. That means no long lines for claims and a lot more people working. And, as you no doubt have been reading, employers are desperate for new workers.

Initial Unemployment Claims United States April 2020-June 2021

| Month/Year | No. |
|------------------------------------|------------|
| April 25 2020 | 3,451,000 |
| February 6 2021 | 761,000 |
| March 6 2021 | 734,000 |
| April 3 2021 | 742,000 |
| May 1 2021 | 498,000 |
| June 1 2021 | 385,000 |
| Decline since April 25 2020 | 89% |

Source: BLS

Third, this past month, the nation gained 559,000 jobs and a total of 2.4 million since the beginning of the year. The nation is back in business, big time!



And, fourth, as usual, those with a college degree in hand are doing swimmingly well, with an unemployment rate of 2.9%. Tell your kids to stay in school! Now let's look at San Diego. We're doing pretty well, too. Here's a snapshot:

New Jobs United States January May 2021

| | |
|-------------|------------------|
| January | 233,000 |
| February | 536,000 |
| March | 785,000 |
| April | 278,000 |
| May | 559,000 |
| Gain | 2,391,000 |

Unemployment Rate Based on Educational Attainment United States

| | | |
|--------------------------|----------|----------|
| | May 2020 | May 2021 |
| Bachelors Degree or High | 7.2 | 2.9 |
| High School Degree | 15.0 | 6.5 |
| No High School Degree | 18.5 | 8.2 |

Source: BLS



I want to conclude the California/San Diego section with some bragging rights -- some of which I included last month but are worth repeating:

- 60% of adults moving to California have a bachelor's degree or higher
- In 2020, more than 50% of the nation's venture capital went to California
- In 2020, almost a half million Californians filed for new business licenses (a 22% increase over the year before)
- California leads the nation in business starts
- UCSD generates the second largest annual number of STEM degrees in the U.S. (6,482 in 2020)
- UCSD had 118,000 applications for enrollment this year (highest of any school in the nation), and SDSU was 10th.

Texas, dream on!

The Employment Scene San Diego County

Our unemployment rate has dipped below 7.0%
We have gained 50,000 jobs since January
Tourism jobs have gained 28,000 and summer's just warming up
The cruise ships are back.
Foreclosures have disappeared almost entirely



Real Estate

Let's Talk Real Estate. New home construction is a major driver of the real estate market. Toward that end, construction during the first four months of the year is substantially greater than 2020. Through April, more than 3,300 homes, condominiums and apartments broke ground.



Residential Building Permits San Diego County Jan-April 2020-2021

| Annual | No. of Units | | |
|-------------|--------------|---------------|------------------|
| | Total | Single Family | Multi-Family (1) |
| 2020 | | | |
| Jan-April | 2,640 | 989 | 1,651 |
| 2021 | | | |
| Jan-April | 3,359 | 1,066 | 2,293 |
| Change | 719 | 77 | 642 |
| % Change | 27% | 8% | 39% |

(1) condominium and rental
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 San Diego County and most with homes in the \$500,000 to \$1 million range. I'll have more on that next month.

On the SDAR home front, closings are in full blossom. In the first five months of 2021, sales of detached homes were up 26% and attached product 44%. A total of more than 15,000 housing units were sold by San Diego REALTORS® through May. That's impressive!

Closed Sales San Diego County January through May 2020-2021

| Year | Detached | Attached | Total |
|-----------------|--------------|--------------|--------------|
| 2020 | 7,685 | 3,989 | 11,674 |
| 2021 | 9,670 | 5,739 | 15,409 |
| Change | 1,985 | 1,750 | 3,735 |
| % Change | 26% | 44% | 32% |

Source: SDAR



With the paucity of listings, I don't know how this happens, but at the end of May pending sales were up nearly 24%. Pointedly, there are folks who are actively thinking of selling their homes, and with open houses back in vogue, pending listings should accelerate.

No. of Sales Pending End of Month - May 2020-2021

| Year | Total | Detached | Attached |
|-----------------|--------------|--------------|--------------|
| 2020 | 3,014 | 1,984 | 1,030 |
| 2021 | 3,733 | 2,438 | 1,295 |
| Change | 719 | 454 | 265 |
| % Change | 23.9% | 22.9% | 25.7% |

Source: SDAR

Having said that, 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.

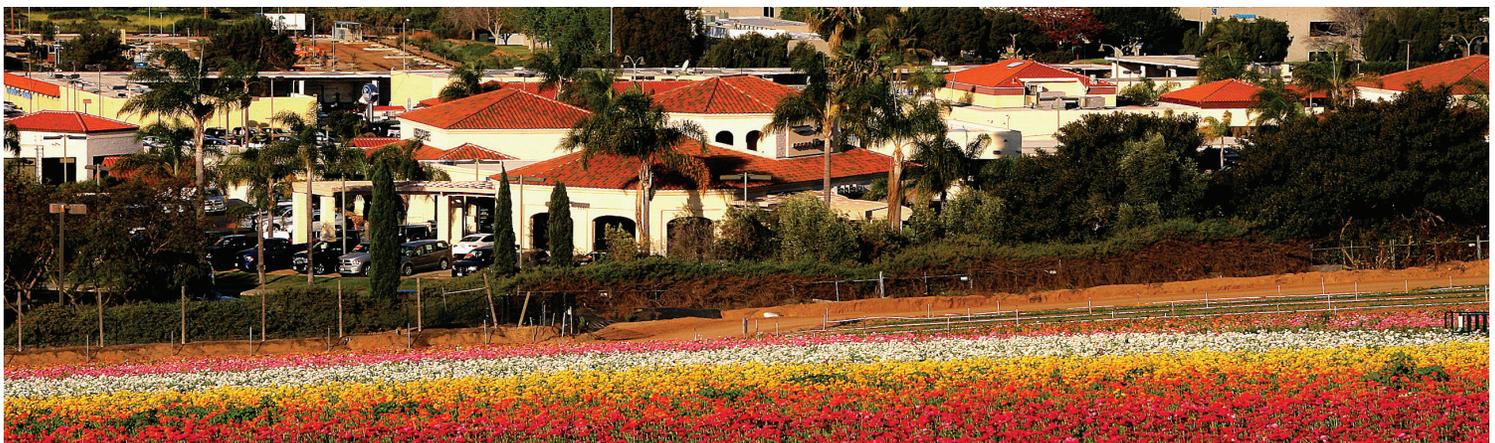
I know it gets boring reading about home prices increasing, but it's just a fact of life here in San Diego. Looking at the first five months of the year, detached homes were up almost 21% and attached increased by more than 18%. We're not quite at the camp-out stage yet, but it looks like we are heading that way.

Homes are selling well in all price ranges with detached homes under \$500,000 going the way of a dodo (or a commute to Riverside County). Note the enormous increase in detached homes priced more than \$750,000, which account for more than half of the sales.

Key Indicators Existing Homes Sales San Diego County as of May 2021

| Category | Detached | Attached |
|-----------------------------------|----------|----------|
| % of Original List Price Received | 104.7% | 103.5% |
| Days on Market Until Sale | 20 | 18 |
| Months' Supply of Inventory | 0.8 | 0.9 |

Source: SDAR



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

| Price Range | Detached | | | |
|---------------------|-----------|--------|-----------|------|
| | No. Homes | | Change in | |
| | 2020 | 2021 | No. | % |
| Under \$500,000 | 3,750 | 1,729 | (2,021) | -54% |
| \$500,000-750,000 | 10,280 | 10,876 | 596 | 6% |
| \$750,000-1,000,000 | 3,850 | 6,065 | 2,215 | 58% |
| Over \$1,000,000 | 4,123 | 7,208 | 3,085 | 75% |

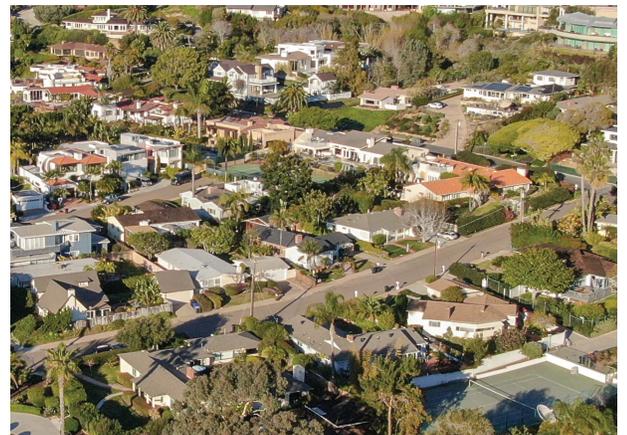
| Price Range | Attached | | | |
|---------------------|-----------|-------|-----------|-----|
| | No. Homes | | Change in | |
| | 2020 | 2021 | No. | % |
| Under \$500,000 | 7,275 | 7,468 | 193 | 3% |
| \$500,000-750,000 | 2,673 | 4,507 | 1,834 | 69% |
| \$750,000-1,000,000 | 684 | 1,302 | 618 | 90% |
| Over \$1,000,000 | 559 | 1,021 | 462 | 83% |

| | | | | |
|--------------|---------------|---------------|--------------|------------|
| Total | 22,003 | 25,878 | 3,875 | 84% |
|--------------|---------------|---------------|--------------|------------|

| | | | | |
|--------------|---------------|---------------|--------------|-------------|
| Total | 11,191 | 14,298 | 3,107 | 244% |
|--------------|---------------|---------------|--------------|-------------|

Yes, it is true that some folks are leaving California for Arizona and Texas, but the reality is that San Diego's attraction to affluent folks from elsewhere in the nation and outside the nation is so strong that they are creating a mega-market for our housing.

And that augurs very well for our industry on a long-term basis. Let's face it: Who is going to buy Bill and Melissa Gates home on the beach in Del Mar for \$45 million and move it to Phoenix or Austin. Ain't gonna happen!



Spotlight On Bankers Hill / Hillcrest / Mission Hills

The Bankers Hill, Hillcrest, and Mission Hills community contains several of the major employers in San Diego County, and also several of its more luxurious apartment and condominium projects.

Hillcrest is one of the oldest established sub-areas of San Diego County, tracing its roots back to the early 1900s. It was and continues to be one of the most favored residential areas of the county, lying immediately west of Balboa Park and is freeway proximate.

Balboa Park was established 100 years ago. It contains the "world famous" San Diego Zoo and Botanical Gardens, 18 museums, an organ pavilion, a miniature train ride and extensive walking trails. Immediately east of Balboa Park is an 18-hole public golf course and the Balboa Tennis Club.

The employment heart of the area is its three major hospitals: The 392-bed UCSD Hillcrest, the 433-bed Scripps Mercy and the 272-bed Balboa Naval Medical Center. The area surrounding the hospitals has numerous medical/health care offices and is generally known as "Pill Hill." More than 10,000 health care personnel work in the hospitals and immediate area surrounding them.

In the coming decade, the UCSD Hillcrest campus will undergo a massive redevelopment and expansion, replacing the aged existing hospital and adding several high-rise residential towers as well as other medical facilities.

And Scripps Mercy Hospital is under construction with a 15-story tower, replacing an older facility.

In addition to the medical facilities, the area is also a highly popular center of restaurants, bars and nightlife with 1,400 businesses operating in the greater Bankers Hill/Hillcrest/Mission Hills area.

Year to Date Resales Bankers Hill/Hillcrest/Mission Hills

| Category | Detached | Attached |
|-----------------------------|--------------|------------|
| Closings thru May | 87 | 173 |
| Median Sales Price | \$ 1,420,213 | \$ 621,000 |
| Months Supply of Inventory | 1.3 | 1.5 |
| Days on Market Until Sale | 27 | 22 |
| Inventory of Homes for Sale | 23 | 54 |

Source: SDAR



The Demographics of Bankers Hill/Hillcrest

Demographically, persons in households in the zip code 92103 are older, more educated, and have higher incomes than the county as a whole.

In terms of education, 92103 is substantially more educated than the county as a whole with 59% of persons over age 25 holding a bachelor's degree or higher, compared to 35% countywide.

Coinciding with the educational levels, the household income levels are substantially higher than in the county as a whole. Based on recent IRS returns, in 92103, 23% have incomes over \$100,000. This compares with 17% in the county, respectively.

Hillcrest is one of the most expensive communities in San Diego County. The median sales price of a detached home in May of this year was \$1,420,213 and attached homes was \$621,000. And the inventory of homes on the market is minimal.

Unfortunately, there are very few new condominiums or detached home developments underway, although there are several high-density rental projects under construction including Greystar's 201-unit high-rise at 6th and Olive, a 111-unit at 7th and Robinson (Hillcrest 111) and Gilman Bishop's 100-unit at 5th and Redwood. Dan Floit's 160-unit ultra-luxury high-rise at 6th and Thorne is in planning.



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