



**MAY 2021**

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## GOOD NEWS REIGNS, AS THE ECONOMY AND REAL ESTATE MARKET TAKE OFF

Sometimes it just seems that everything goes right. And the first third of this year is evidence of that, nationally and locally.

In the first four months of 2021, the U.S. added 1.8 million jobs and the unemployment rate fell to 6.1%, down from 14.8% last April.

Another very important economic indicator is initial unemployment claims - - folks who have lost their jobs. April a year ago that figure was 3,451,000. Since then, it has fallen to 498,000, a decline of 85%.

### Unemployment Rate United States March 2020-April 2021

Month	Unemployment Rate
March 2020	4.4%
April 2020	14.8%
Year End 2020	6.7%
April 2021	6.1%

Source: BLS

### Initial Unemployment Claims United States April 2020-May 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

Source: BLS



Although April's numbers have not been released, in the first quarter of 2021 San Diego added 40,500 jobs and the unemployment rate fell to 6.9%.

### Unemployment Rate San Diego County Feb.2020-March 2021

Month	% Unemployment
Feb-20	3.2%
Apr-20	15.0%
Feb-21	7.2%
Mar-21	6.9%

Source: BLS



As I have noted repeatedly in past newsletters, the San Diego economy has held up very well during the COVID pandemic, except for the leisure and hospitality (L&H) industries.

And here is the good news: L&H is coming back. The San Diego Tourism Authority projects that after a dismal 2020, 2021 will approach normalcy in terms of visitors. In 2019, we hosted 31 million persons, and in 2021 the Authority is projecting nearly 25 million. Hotel occupancy will gradually return to its 70%-plus level. Hotel rates will still be below par because the downtown convention business that fills the luxury hotel rooms is not anticipated to return to its 2019 high of \$166 until 2023 or 2024.

So look for a positive job recovery in the leisure and hospitality industries this summer.

### Tourism Projection Summary San Diego County 2019-2022

Year	2019	2020	2021	2022
<b>Visits</b>	30,905,000	12,467,000	24,900,000	34,290,000
Day	12,993,000	3,751,000	11,180,000	16,920,000
Overnight	17,912,000	8,716,000	13,700,000	17,370,000
<b>Hotel Sector</b>				
Occupancy (%)	76.6%	48.5%	57.7%	71.1%
Avg. Daily Rate	\$ 166	\$ 129	\$ 128	\$ 146

Source: San Diego Tourism Authority

### Venture Capital Investment San Diego County 2019-2021

Year	Thousands
2019	\$ 2,664,000
2020	\$ 5,207,000
1st Qtr. 2021	\$ 2,340,000

Source: BLS



Another driving force of the San Diego economy is the life sciences, software and hardware industries. And that category of business is doing quite well, thank you. In the first quarter of 2021, venture capital investment in San Diego County almost matched the investment in all of 2019.

Employment in those industries is an important part of the housing market in San Diego County because of those industries high wages, so let's turn there.

## The Housing Industry

A key driver of the housing industry is new construction, and I am delighted to note that in the first quarter of 2021, production of new housing topped that of the first quarter of 2020, increasing 29%.



### Residential Building Permits San Diego County Jan-Mar 2020-2021

Annual	No. of Units		
	Total	Single Family	Multi-Family (1)
<b>2020</b>			
Jan-Mar	2,031	852	1,179
<b>2021</b>			
Jan-Mar	2,622	796	1,826

(1) condominium and rental  
Source: U.S. Census

And according to SDAR, **closings are up 23%** over the first four months of 2020, which is pretty impressive considering the void in inventory. And it certainly looks like May will be a winning month with 3,270 homes and condominiums pending at the end of April. That's an increase of one-third over April 2020.

**Closed Sales  
SDAR  
Thru April 2020-2021**

Year	Detached	Attached	Total
2020	6,357	3,353	9,710
2021	7,402	4,493	11,895
Change	1,045	1,140	2,185
% Change	16%	34%	23%

Source: SDAR



The only sad note is that the months' supply of inventory is 0.7 for both detached (single-family) and attached housing. It's somewhat amazing to see "pending" and "in escrow" signs perched on top of "for sale" signs within days of placement.

Prices continue to escalate, with the median detached home price up 24.4% and attached prices up 21.8% in April 2021 over the same month a year ago. That's a little scary, but with interest rates at an all-time low, I suspect that the demand will continue.

**Median Home Prices - Closed Sales  
End of April 2020-2021**

Month	Detached	Attached
2020	\$ 675,000	\$ 435,000
2021	\$ 840,000	\$ 530,000
<b>Change 2020-2021</b>	<b>\$ 165,000</b>	<b>\$ 95,000</b>
<b>% Change</b>	<b>24.4%</b>	<b>21.8%</b>

Source: SDAR



As a closing note, the Bank of England's main interest rate is 0.1%, the lowest in the Bank's 327-year history, so I suspect mortgage rates on this side of the Atlantic will remain low as well.



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