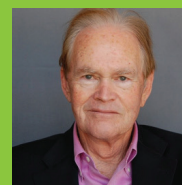


OCTOBER 2021

Alan Nevin - Director of Appraisal and Market Research, Xpera Group



U.S. HOMEOWNERS HAVE \$22.7 TRILLION IN HOME EQUITY

I know I'm a hopeless optimist, but when I look at the statistics that land on my computer almost every day, it's really difficult to be pessimistic. In a report released this week by Core Logic, U.S. homeowners have \$22.7 trillion in home equity. Equally important, Americans have \$23.9 trillion in their savings accounts, not to mention life insurance policies and pension funds. We are rolling in assets.

Quoting Unison CEO Thomas Sponholtz: "We are participating in one of the biggest wealth-building moments we have seen in residential real estate." On that note, I will kick off the third quarter 2021 review of the economy:

The U.S. is in pretty good shape. The unemployment rate has declined to 4.8% and is moving downward each month.

Unemployment Rate United States September 2019-September 2021

Month	Unemployment Rate
Sep-19	3.5%
Sep-20	7.9%
Sep-21	4.8%

Source: U.S. Bureau of
Labor Statistics

Total Employment United States August 2018-August 2021

Month	Jobs	Change
Aug-18	155,604,000	n/a
Aug-19	157,878,000	2,274,000
Aug-20	147,276,000	(10,602,000)
Aug-21	153,154,000	5,878,000

August 2018-2021		(4,724,000)
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Source: BLS

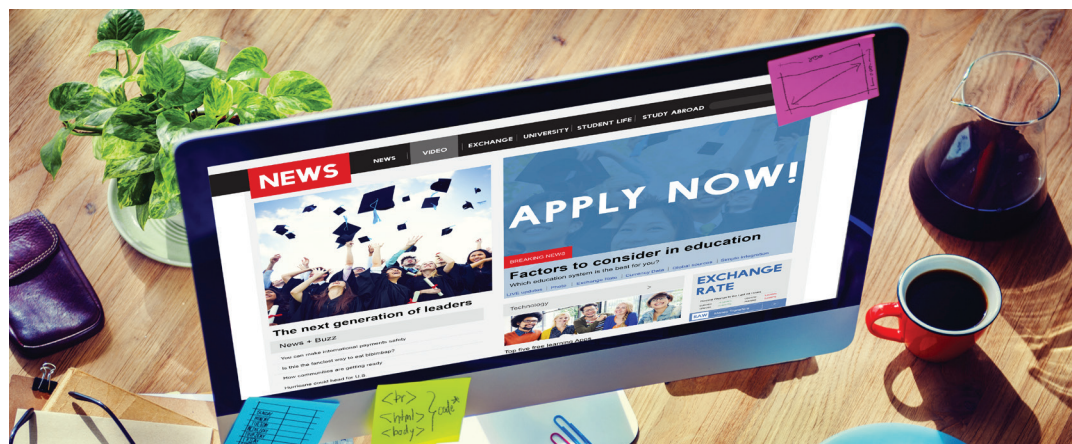
Initial Job Claims United States August 2018-September 2021

Month	Claims	Change
Aug-18	173,331	n/a
Aug-19	171,386	-1,945
Apr-20	5,981,787	+5,810,401
Sep-21	385,950	-5,595,837

Source: BLS

Conversely, the total employment is moving upwards and is only 4.7 million jobs away from the pre-COVID total. Initial job claims peaked during COVID's most brutal months at almost 6 million, and have now subsided to 385,950, not that far away from pre-COVID totals.

Somewhat astounding is the number of job openings, now approaching 11 million. U.S. employers cannot find enough folks who want to work, at any wage level. Most economists think that when the weekly and monthly stipends to the unemployed decline that the openings will gradually fall back to normalcy.



Job Openings United States 2019-2021

Month/Year	# of Openings
May-21	7,300,000
May-21	5,500,000
Aug-21	10,900,000

Source: BLS

The premier measurement of how our economy is doing is real Gross National Product (the sum of all goods and services produced in the U.S.). After a dismal 2020, the economy has bounced back, and the first two quarters of 2021 are the best we have seen in years. We're back in business!



Real GDP U.S. 2018-2021	
Timeframe	%
2018	2.9
2019	2.3
2020	-3.4
1st Q 2021	6.4
2nd Q 2021	6.7

Source: BLS



California, Here They Come

It is true that California's population increase has been minimal, if not negative. But it's an interesting phenomenon. Based on recently released statistics, it appears that those leaving California are the less affluent. Conversely, 60% of adults moving to California have a bachelor's degree or higher -- these are your home buyers.

Our state is making major gains in bringing the best paying jobs to the state. The three metropolitan areas in the United States in terms of venture capital funding are Boston, San Francisco and San Diego. In 2020, more than 50% of the nation's venture capital funding went to California.



In 2020, almost a half-million Californians filed applications for new business licenses; a 21.7% increase over 2020. California, by any measure, leads the nation in business starts.

One very important indicator of how well California is doing is the state's General Fund Revenues. In the past three years, tax collections on personal income have increased 47%. Corporate tax revenue, in the same timeframe, has doubled.

And, in terms of population, when COVID settles down, I suspect that the population will once again increase due to in-migration from south of the border and the far east. Time will tell.

San Diego – Alive and Well

Robert Half, a national employment agency, states that “San Diego has the highest percentage of employers in the United States who plan to hire within the next few months.” The agency adds that 62% of senior managers intend to hire workers soon.

That’s pretty impressive and does relate to the employment numbers. From August 2020 to August 2021, San Diego has added almost 78,000 jobs. A big part of the gain was in the leisure and hospitality industries, the two industries that suffered most in the COVID epidemic.

Non-Farm Employment San Diego County Aug. 2020-Aug. 2021

Month	Jobs
Aug-20	1,353,927
Aug-21	1,431,834
Change	+77,907

Source: BLS



Employment by Category San Diego County August 2020-August 2021

Job Type	Aug-21	Aug-21	Change	% Change
Leisure & Hospitality	133,600	164,600	31,000	23.2%
Professional & Business Services	243,600	249,700	6,100	2.5%
Educational & Health Services	206,500	211,800	5,300	2.6%
Construction	81,400	87,300	5,900	7.2%
Trade, Transportation & Utilities	207,300	208,500	1,200	0.6%
Manufacturing	113,200	113,600	400	0.4%
Government	227,700	224,900	-2,800	-1.2%

Source: BLS

Unemployment Rate San Diego County August 2019-August 2021

Month	Unemployment Rate
Aug-19	3.5%
Aug-20	10.8%
Aug-21	6.6%

Source: BLS

San Diego County’s unemployment rate is 6.6% and gradually moving toward the pre-COVID rate of 3.5%.

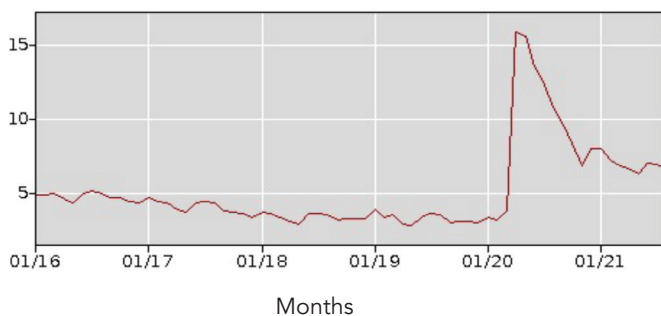


With holiday hiring moving forward in the 4th Quarter, we should see a substantial increase in employment. And with Amazon hiring 1,500 workers for their new Otay Mesa 3.4-million-square-foot facility, the employment numbers should look even better.

The highlight of San Diego County’s employment is the life sciences industry which directly employs 72,000, generating total earnings of \$16 billion. The state’s life sciences sector has tripled over the past 20 years and San Diego is right in the heart of it. The county received nearly \$1.2 billion in National Institutes of Health funding in the past year.

Here’s to a vibrant 4th Quarter 2021.

Unemployment Rate



Residential Real Estate – It Remains Better Than Warm!



Through September more than 30,000 homes were sold by REALTORS® in San Diego County, 16% more than last year at this time. Unfortunately, the number of pending sales is not quite as vibrant as we would like to see and, of course, that is due to a flagging inventory of homes for sale.

Closed Sales San Diego County through September 2021

Type	Total	Detached	Attached
YTD 2020	25,941	17,126	8,815
YTD 2021	30,144	19,031	11,113
Change	+4,203	+1,905	+2,298
% Change	16%	11%	26%

Source: SDAR

Pending Sales San Diego County Sept 2020 & Sept 2021

Type	Sep-20	Sep-21
Detached	2,457	2,147
Attached	1,323	1,183

Source: SDAR



The inventory of both detached and attached homes has plummeted. The inventory of detached homes is down almost in half from a year ago and the attached inventory is down 60%. In the detached market, there is barely a month's inventory of supply and even less in attached housing.



Market Indicators San Diego Inventory September 2020-2021

Indicator	Sep-20	Sep-21	Change
Detached			
Days on Market Until Sale	26	21	5
Inventory of Homes for Sale	3,445	1,919	1,526
Months Supply of Inventory	1.7	0.1	1.6
Attached			
Days on Market Until Sale	25	20	5
Inventory of Homes for Sale	2,088	834	1,254
Months Supply of Inventory	2.1	0.7	1.4

Source: SDAR



Home Pricing



Home prices are softening a bit, but not much. For the past few months, we have seen annual increases of 20% or more and now it is down somewhat from that unsustainable level. That's a good thing!

Change in Median Home Prices San Diego County YTD Sept 2020 - YTD Sept 2021

Type	Detached	Attached
Sep-20	\$742,000	\$485,000
Sep-21	\$860,000	\$565,000
Change	+\$118,000	+\$80,000
% Change	15.9%	16.5%

Source: SDAR



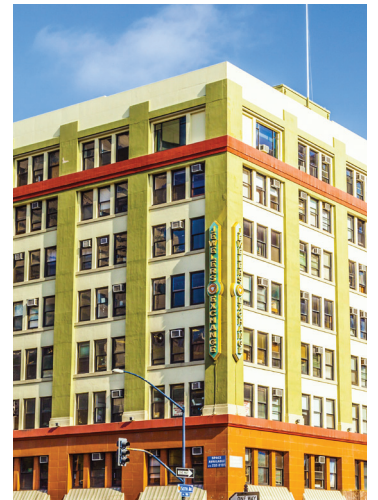
On the pricing front, it is getting more and more difficult to find product to sell for less than \$500,000. On the detached side, home sales over \$750,000 are up 50% over one year ago. Fortunately, interest rates are staying low and that does help affordability. And for those of you who think there might be opportunities in the foreclosure market, I'm afraid that option is not readily available. And that's good thing!

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

Price Range	Detached			
	No. Homes		Change in Sales	
	2020	2021	No.	%
Under \$500,000	3,063	1,196	(1,867)	-61%
\$500,000-750,000	10,641	9,857	(784)	-7%
\$750,000-1,000,000	4,492	6,716	2,224	50%
Over \$1,000,000	5,128	7,748	2,620	51%
Total	23,324	25,517	2,193	9%

Attached			
No. Homes		Change in Sales	
2020	2021	No.	%
7,378	7,030	(348)	-5%
3,169	4,988	1,819	57%
847	1,474	627	74%
703	1,252	549	78%
12,097	14,744	2,647	22%

Source: SDAR



Inventory of Lender-Mediated Properties in San Diego County

