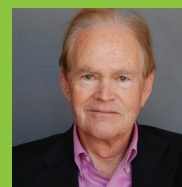


OCTOBER 2020

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ECONOMY IS CLAWING BACK - WHAT WILL THE HOLIDAYS BRING?



The economy is clawing its way back: COVID is, more or less, under control in California and the real estate market for both new and resale homes is booming.

It is true that the "V" recovery that I anticipated is turning out to be more of a "U," but "U" is better than "L" -- a lot better! And next month, we move into the holiday shopping season and that should provide a boost to the economy.

THE STATE OF THE ECONOMY

The U.S. unemployment rate has been cut almost in half since April and now stands at 7.9%. I do want to note that most of the other industrialized nations in the world have returned to very acceptable unemployment rates, with Japan, South Korea and the United Kingdom returning to their pre-COVID rates.

Unemployment Rate United States March-September 2020

Month	Unemployment Rate
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March	4.4%
April	14.7%
September	7.9%

Source: U.S. Bureau of Labor Statistics



Unemployment Rate Selected Countries as of Fall 2020

Country	Unemployment Rate	Country	Unemployment Rate
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Spain	15.8%	China	5.7%
Italy	9.7%	Korea	4.8%
France	6.9%	UK	4.1%
Germany	4.4%	Japan	2.8%

Unemployment Report

Total Employment United States March-September 2020

Month	Total Jobs (000)	Change
March	155,772	n/a
April	133,403	(22,369)
September	147,563	14,160
Need to Recover		8,209

Source: BLS.gov



Unemployment Rate By Years of Educational Attainment United States April-September 2020

Month	April	September
Bachelor's Degree or Higher	8.4%	4.8%
Some College or A.A. degree	15.0%	8.1%
High School (no college)	17.3%	9.0%
Less than a HS Degree	21.2%	10.6%

Source: BLS.gov

As I pointed out last month, low unemployment favors the educated. In April the unemployment rate for those with bachelor's degrees was 8.4%. It's now down to 4.8% and that's not so bad. I need not remind you that most folks who buy a home in San Diego County have degrees, sometimes two or three.

The exhibit below has a lot of numbers, but it is worth focusing on. In San Diego County, we lost more than 200,000 jobs in the month after COVID hit. We have now regained 80,000 of those jobs through August.

As I have noted in past issues of this newsletter, the leisure and hospitality industry took the big hit, but they have made amazing progress on returning to health thanks to summer tourism and outside dining.



Job Losses/Gains by Category Wage and Salary Employment San Diego County March - August 2020

Category	COVID March	April	May	August	Change	
					March - April	April - August
Total	1,494,000	1,291,000	1,305,000	1,371,000	(203,000)	80,000
Leisure and Hospitality	192,900	104,800	114,600	148,000	(88,100)	43,200
Construction	80,200	75,700	77,200	82,800	(4,500)	7,100
Manufacturing	117,100	111,200	106,800	108,300	(5,900)	(2,900)
Professional & Business Services	259,500	243,800	251,000	259,200	(15,700)	15,400
Education & Health Services	219,600	197,600	199,300	202,700	(22,000)	5,100
Trade, Transportation & Utilities	218,800	191,300	190,300	206,600	(27,500)	15,300

Residential Construction

Despite the multiple months of COVID, construction of new homes and apartments is ahead of last year with a substantial increase in single-family home production and sales.

Residential Building Permits San Diego County January-August 2019 & 2020

Annual	No. of Units		
	Total	Single Family	Multi-Family (1)
Total Jan-August 2020	5,910	2,669	3,241
Total Jan-August 2019	5,445	2,087	3,358

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

Apartment construction is also booming. In downtown San Diego, there have been more than 1,500 apartment units completed since the beginning of 2019 with another 2,600-plus units now under construction. Sales of existing condominiums downtown are going well too.

The reason for the slight decline in sales is no mystery: There's hardly anything to sell. The inventory of homes on the market has been in a steady decline for the past two years. There is barely a month's inventory of detached homes on the market.

Summary of Apartment Project Construction Downtown San Diego (92101) 2019-2020

Status	East Village	Little Italy	Gaslamp	Core	Total
Completed 2019-mid 2020	1,008	153	401		1,562
Under Construction	1,695	70	170	701	2,636
Total	2,703	223	571	701	4,198

San Diego Resale Market

I had really hoped that we could beat July and August's closing records, but we didn't quite do it. We did match June's sales and that's positive. We closed 2,739 homes in September.

Closed Sales Existing Homes San Diego County January-September 2020

Month	Detached	Attached	Total
Average Jan-May	1,433	741	2,174
June	1,867	920	2,787
July	2,241	1,165	3,406
August	2,178	1,142	3,320
September	1,814	925	2,739

Closed Sales San Diego County Thru September 2019-2020

Year	Detached	Attached	Total
2019	16,651	8,310	24,961
2020	15,580	8,070	23,650

Source:SDAR

Note that when we compare the first nine months of 2020 with the first nine months of 2019, it's just about even. And if you recall, we didn't know what COVID was in 2019.

San Diego Resale Market

Further evidence of the heat of the market is the substantial decline in days on market. Detached homes fell from 32 to 22 days. That's pretty severe.

As you might suspect, all of the data displaying the tightness of the market has shown a rather substantial increase in home prices. Detached homes sales prices are up a rather amazing 17% from one year ago, and attached homes have increased 7%.

Months Supply of Inventory Homes for Sale San Diego County September 2016-2020

September	Detached	Attached
2018	3.1	2.5
2019	2.5	2.4
2020	1.2	1.7

Source: SDAR

Inventory of Homes for Sale Detached and Attached Homes San Diego County September 2018, 2019 & 2020

End of Month	Detached	Attached
September 2018	5,617	2,395
September 2019	4,500	2,221
September 2020	2,116	1,593

Obviously, this rate of climb cannot continue, but on the other hand, I don't see any wild explosion of homes going on the market. Having said that, if I were even thinking about selling, this would have to be the time to put that "for sale" sign in your front yard.

The San Diego Association of Governments continues to editorialize on the massive shortage of housing in San Diego County. They say we are short 100,000-plus housing units. Perhaps we didn't really entirely believe it, but when those interest rates dipped to the 3% range, we had the chance to demonstrate that a shortage really exists. And not everybody wants to drive from Riverside to their job in San Diego.



Days on Market Until Sale Detached and Attached Homes San Diego County September 2019 & 2020

Month	Detached	Attached
September 2019	32	28
September 2020	22	22

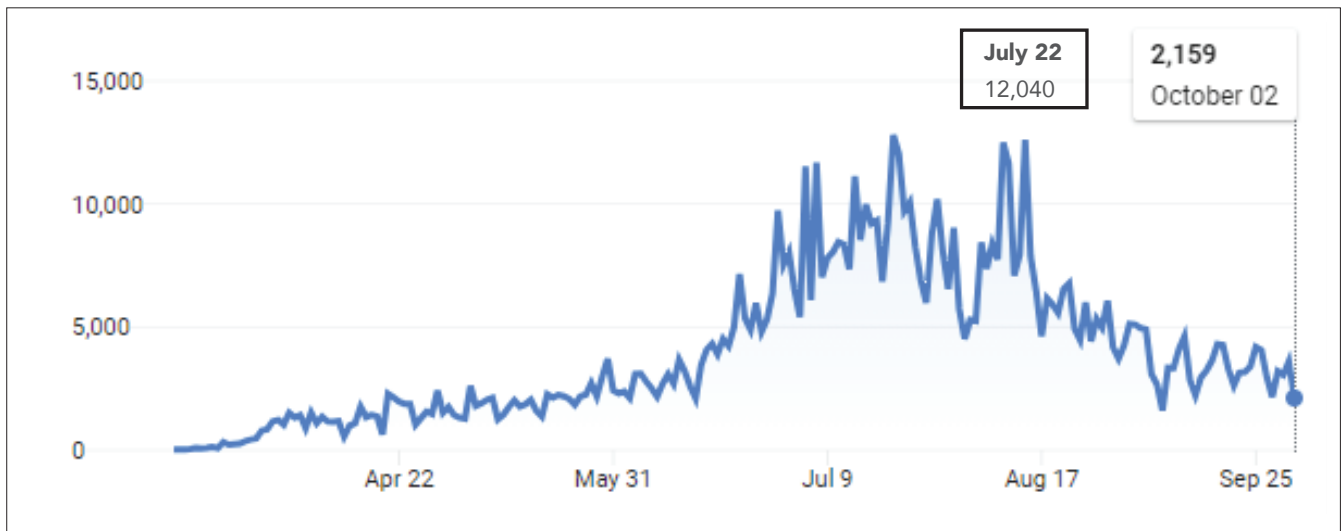
Source: SDAR

Median Home Prices - Closed Sales San Diego County September 2019-2020

Month	Detached	Attached
Sept-19	\$ 644,000	\$ 425,000
Sept-20	\$ 753,500	\$ 455,000
Sept to Sept	\$ 109,500	\$ 30,000
% Change	17.0%	7.1%

COVID Update

The State of California prepared this graph that shows the number of confirmed cases in the state on a daily basis. The number has declined from 12,040 in July to 2,159 on October 2. That is progress.



San Diego, for reasons yet unknown, continues to have far fewer deaths per 100,000 than the nation as a whole.

In San Diego County, COVID deaths among the young are negligible. It is rather astounding that 86% of the COVID deaths are folks over age 60 and almost half of the deaths are in convalescent/nursing homes.

“Keep selling that real estate! San Diegans want to own a home and it is your obligation to make it happen!”



spotlight on El Cajon

The City of El Cajon is one of the oldest cities in San Diego County, founded in 1912. It has been substantially built out for several decades. In the past decade, El Cajon added only 5,000 to its population and now stands at 105,000 persons.

The housing composition of El Cajon consists of approximately 14,000 detached and 18,600 attached homes.

Its two most prominent private sector employers are Taylor Guitars (400 employees) and Chemtronics (850 employees).

The city's most prominent retail center is Parkway Plaza, a 1.3 million square foot regional center with three department stores. Parkway has recently undergone a change of ownership, with the new owners indicating that they will reconfigure the center, but have not provided specific plans.

Through September, there were more than a thousand resales in the three ZIP codes that comprise El Cajon, a modest decline from the same period last year.

Total Sales

Type	Sept-19	Sept-20	Change	%
Detached	869	805	-64	-7.4%
Attached	293	270	-23	-7.8%
Total Sales	1,162	1,075	-87	-7.5%

The strength of the resale market has driven the inventory of homes for sale to exceptionally low levels, substantially lower than in the County as a whole. In some categories, the supply of unsold home is less than a month.

As a result of the short supply and the relatively less expensive homes in El Cajon, prices there have gradually increased over the past year. Detached home prices increased in price by 11% and attached homes by 5%.



Months Supply of Inventory

Detached		
92019	2.0	0.8
92020	2.4	0.5
92021	1.7	0.1
Attached		
92019	1.5	1.4
92020	2.3	1.2
92021	1.4	0.6

Prices - Closed Sales

Type	Sept-19	Sept-20	Change	%
Detached				
92019	\$ 610,000	\$ 679,500	\$ 69,500	11%
92020	\$ 566,000	\$ 637,000	\$ 71,000	13%
92021	\$ 520,000	\$ 558,057	\$ 38,057	7%
Average	\$ 563,503	\$ 625,592	\$ 62,089	11%
Attached				
92019	\$ 340,000	\$ 360,500	\$ 20,500	6%
92020	\$ 260,000	\$ 279,500	\$ 19,500	8%
92021	\$ 299,000	\$ 309,507	\$ 10,507	4%
Average	\$ 301,526	\$ 317,458	\$ 15,933	5%



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