



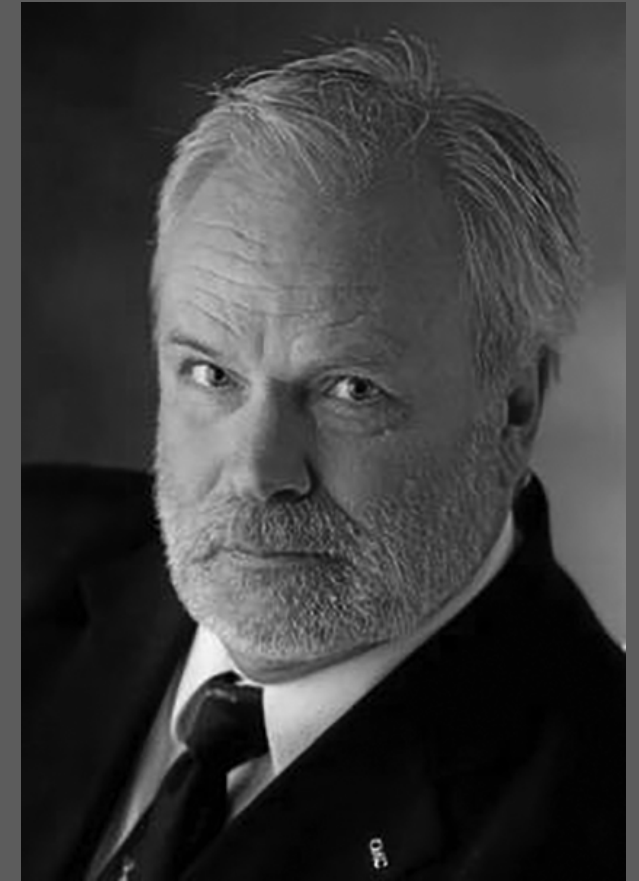
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Manfred W. Keil, Ph.D.

Claremont McKenna College





Coachella Valley Economic Report 2020: An Out-of-Boat Experience in a Whitewater Level 4 Rapid (but the Raft with Potential Saviors is Within Reach)

BY MANFRED KEIL, ROBERT KLEINHENZ, DAVID ROBINSON

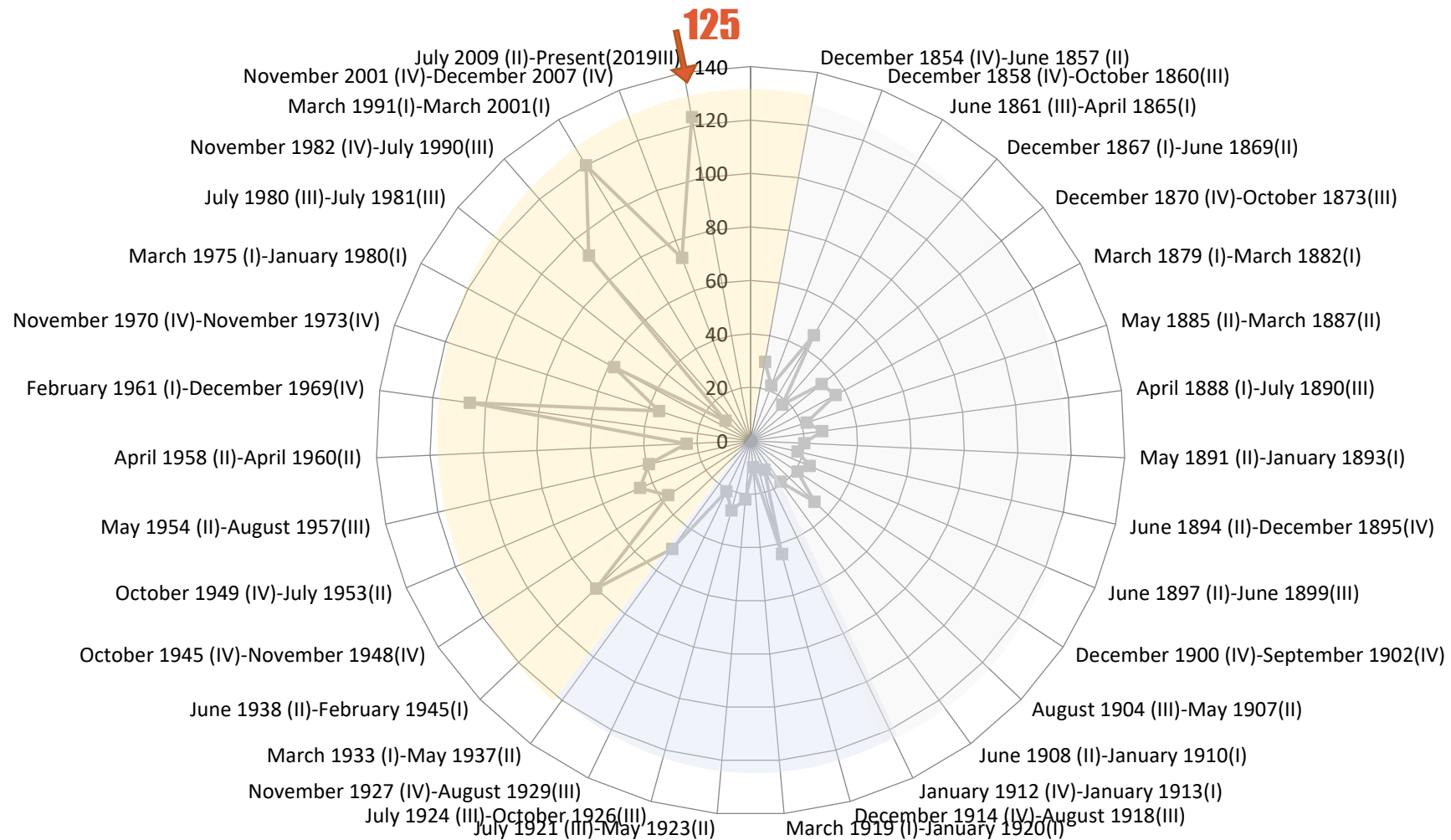
RESEARCH ASSISTANTS

AMANDA HUANG, STUDENT MANAGER | ABHINUV UPPAL, JUNIOR STUDENT MANAGER |

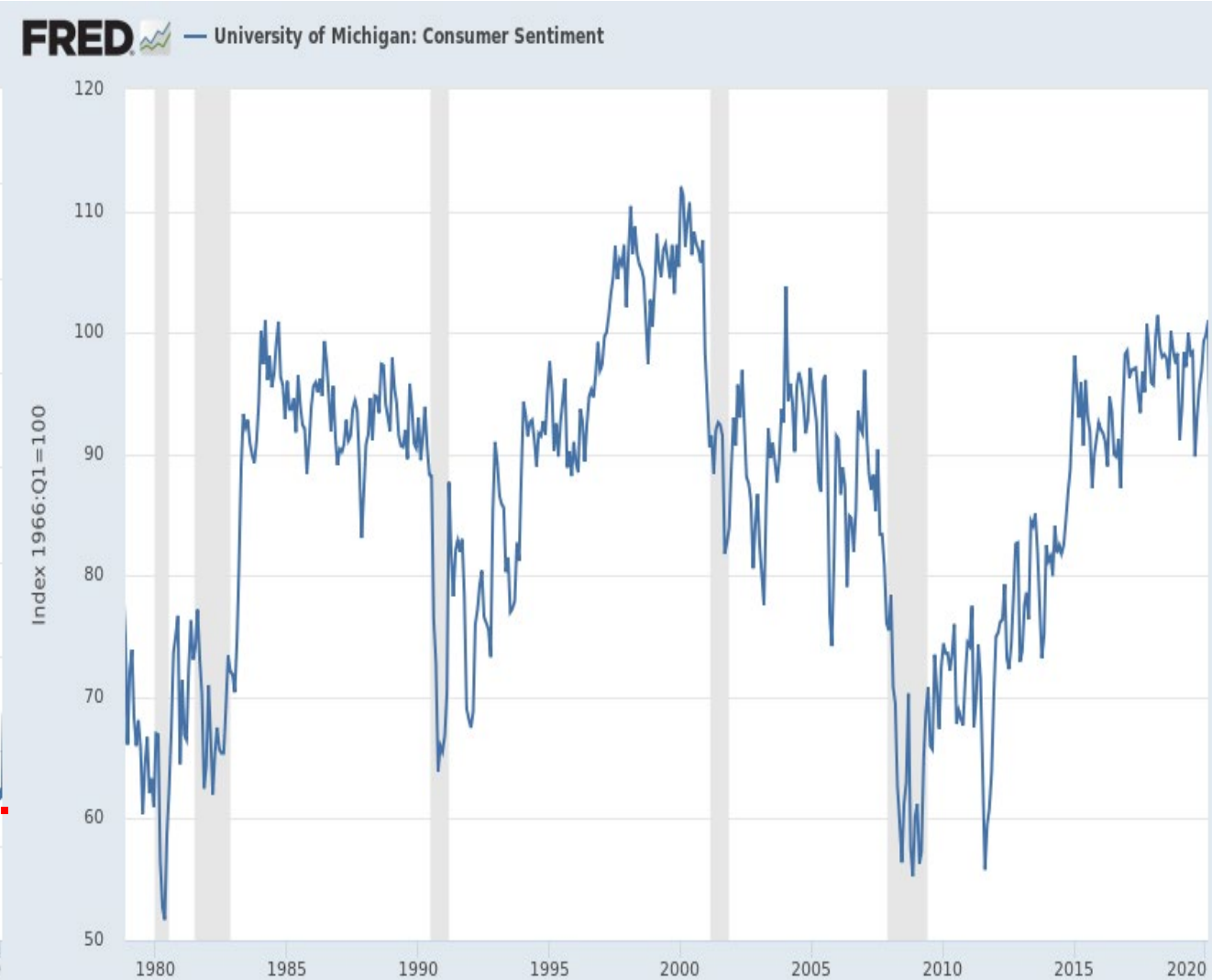
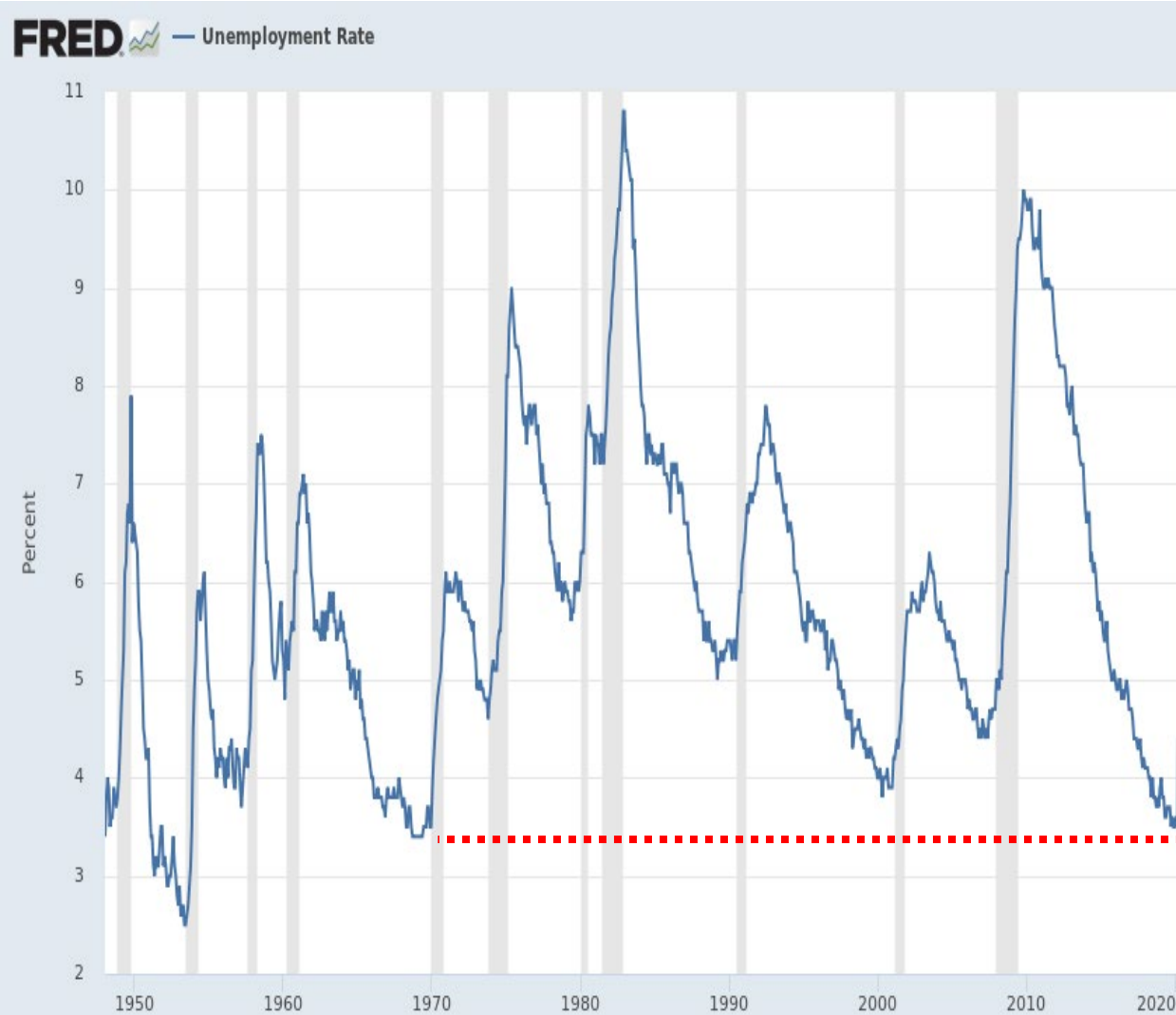
Raina Kim, Nate Tolles, Ashley Wang, Hannah Zhang, Xinyi Zhang, Grace Lu

The Good

Historical Duration in Months of an Expansion



“The Good”: U.S. Unemployment Rate, Consumer Sentiment Index, until Feb 2020

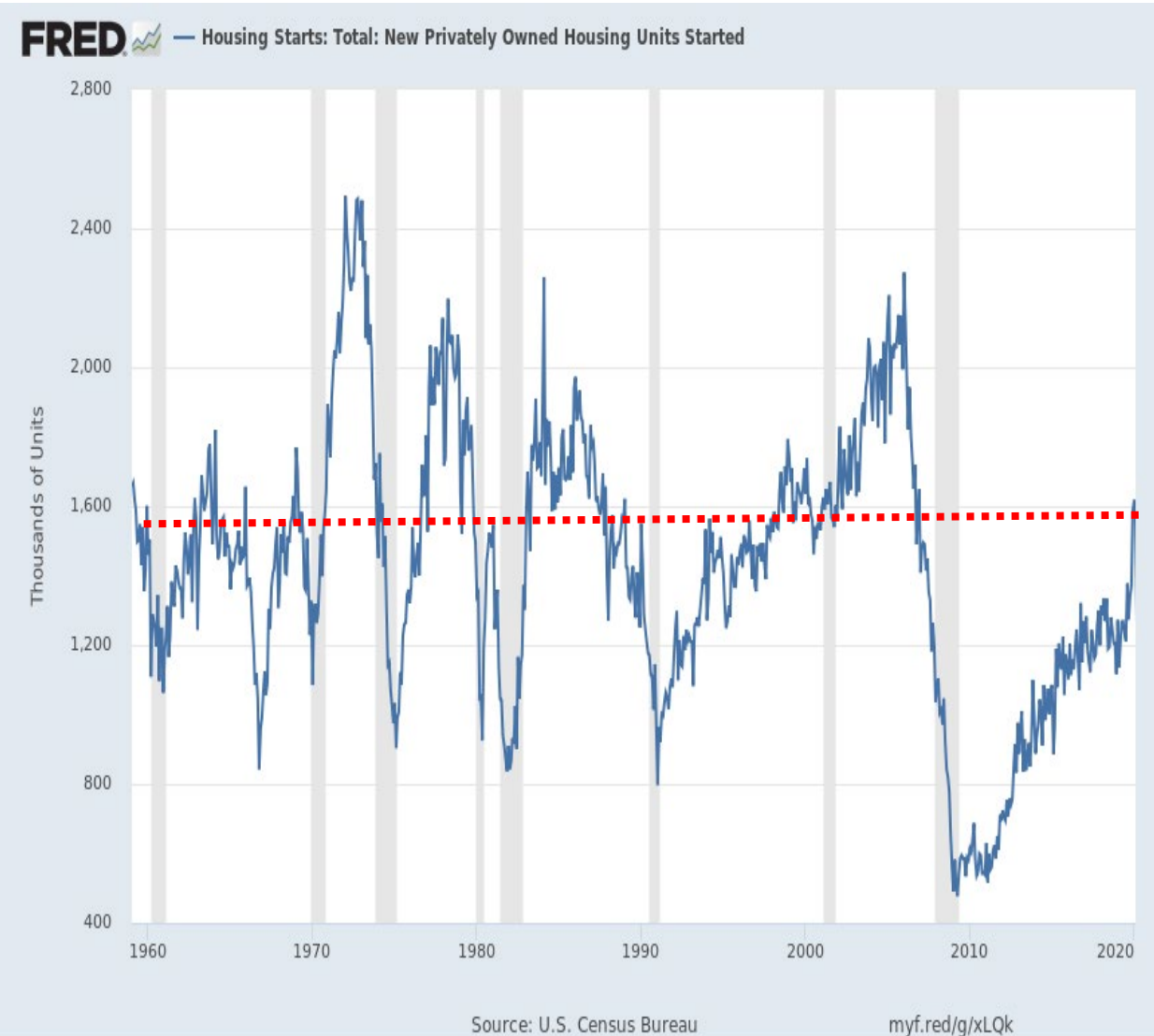
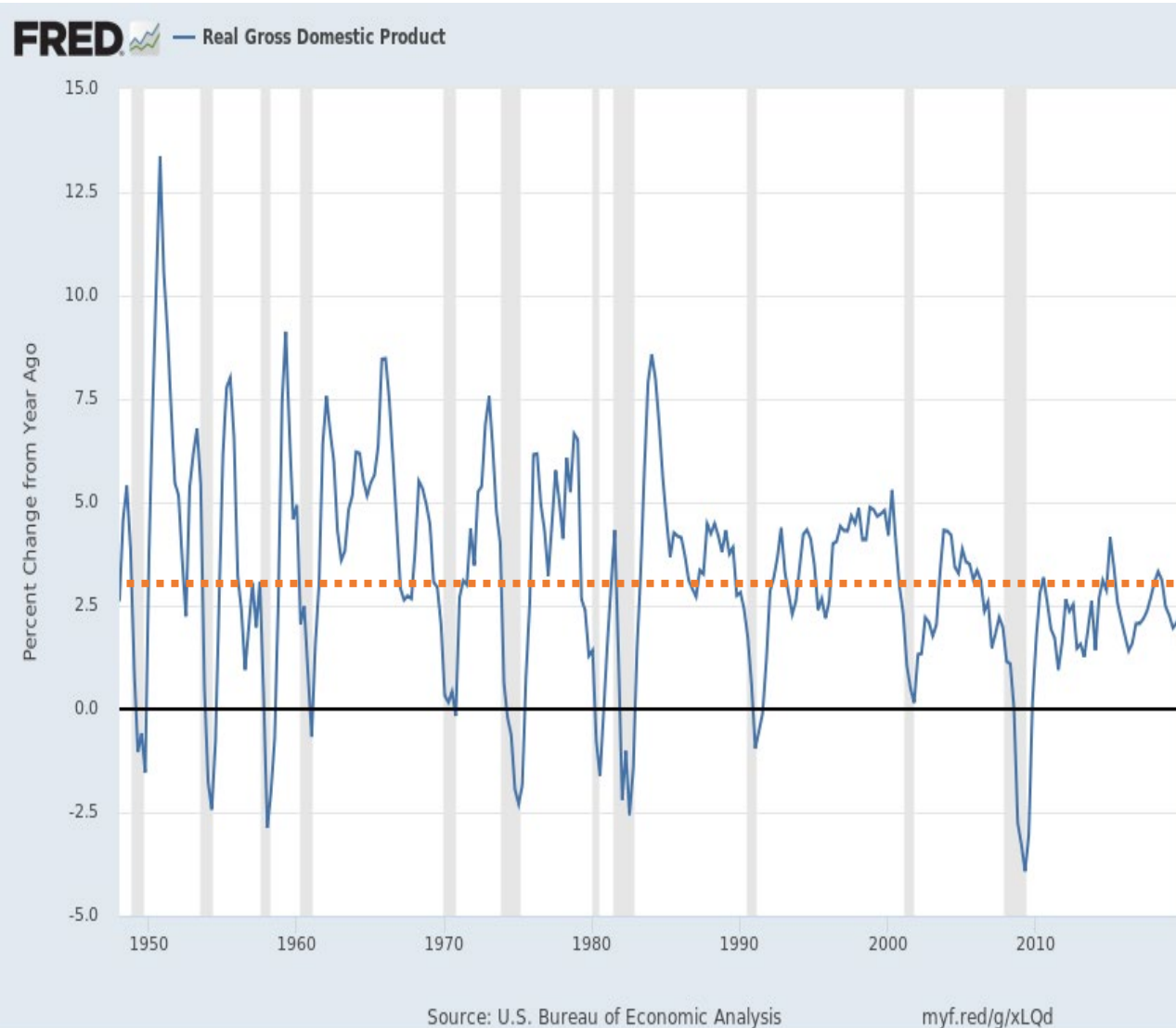


Here we are now...

TABLE 1: GENERAL ECONOMIC CONDITIONS, 2016-2020

	2016 Q4	2017 Q3	2018Q3	2019 Q3	2020 Q3
PRESIDENT	OBAMA	TRUMP	TRUMP	TRUMP	TRUMP
STOCK MARKET	17,930 (early Nov)	22,268	26,828	26,077	27,020
SCAD/SUS	1.28	1.21	1.30	1.33	1.30
CONSUMER SENTIMENT	87.2	93.4	96.2	95.5	80.4
UR_{US}	4.8 (October)	4.3	3.7	3.7	6.9
UR_{CA}	5.3	5.1	4.2	4.1	11.0
UR_{IE}	5.8	5.3	4.0	4.2	10.4
INFLATION	1.6	1.7	2.7	1.8	1.2
OIL PRICES (WEST TEX INT)	\$46.83	\$46.46	\$75.37	\$54.09	41.18
FEDERAL FUNDS RATE	0.25-0.50	1.00-1.25	2.00-2.25	1.75-2.00	0.00-0.25
HOUSING STARTS U.S.	1,328,000	1,155,000	1,282,000	1,191,000	1,388,000

Still Good: Annual Real GDP Growth, Housing Starts (well...)





And then.....

Keil Presentation on March 13, 2020

7 Days before Shutdown

6 days before shutdown,

2 days prior to sending all students at The Claremont Colleges Home

Events since 3/3/2020

- Fed lowers Federal Fund Rate by 0.5 (50 Basis Points). Last time?
- Reserve Bank of Australia acted a day earlier (record low 0.5%). Australia recession? “Dig it up...”;
- Monetary Authorities of Hong Kong, Bank of England, ECB, Malaysia follow
- Group of 7 (G7) statement before Fed announcement: cooperate on actions including fiscal policy stimulus; action follows
- South Korea announces \$8 billion expenditure package, IMF, World Bank make funds available; Congress passes funds bill, considers payroll tax cut
- NBA, NHL...Ukraine...Visa...Hyatt...Lufthansa, Korea Air...toilet paper sales, hand sanitizers and masks...
- UC system wide (well, not UCM) cancellation of in-person classes, Claremont Colleges....

Did the Fed Do the Right Thing in Face of likely Supply Chain Problems?

- “We do recognize a rate cut will not reduce the rate of infection. It won’t fix a broken supply chain. **We get that.**
- But we do believe that our action will provide a meaningful boost to the economy.”
- U.S. threat from uninsured individuals not seeing a doctor (27 million Americans without health insurance). 10,000 tests vs a few 100 (South Korea vs U.S.) – MERS/SARS experience?
- Indian Wells tennis tournament cancelled; SXSW Festival cancelled; Coachella Festival (and Stagecoach) postponed to October
- **Empty Shelves vs. No Customers**
- **Election Year Recession...**

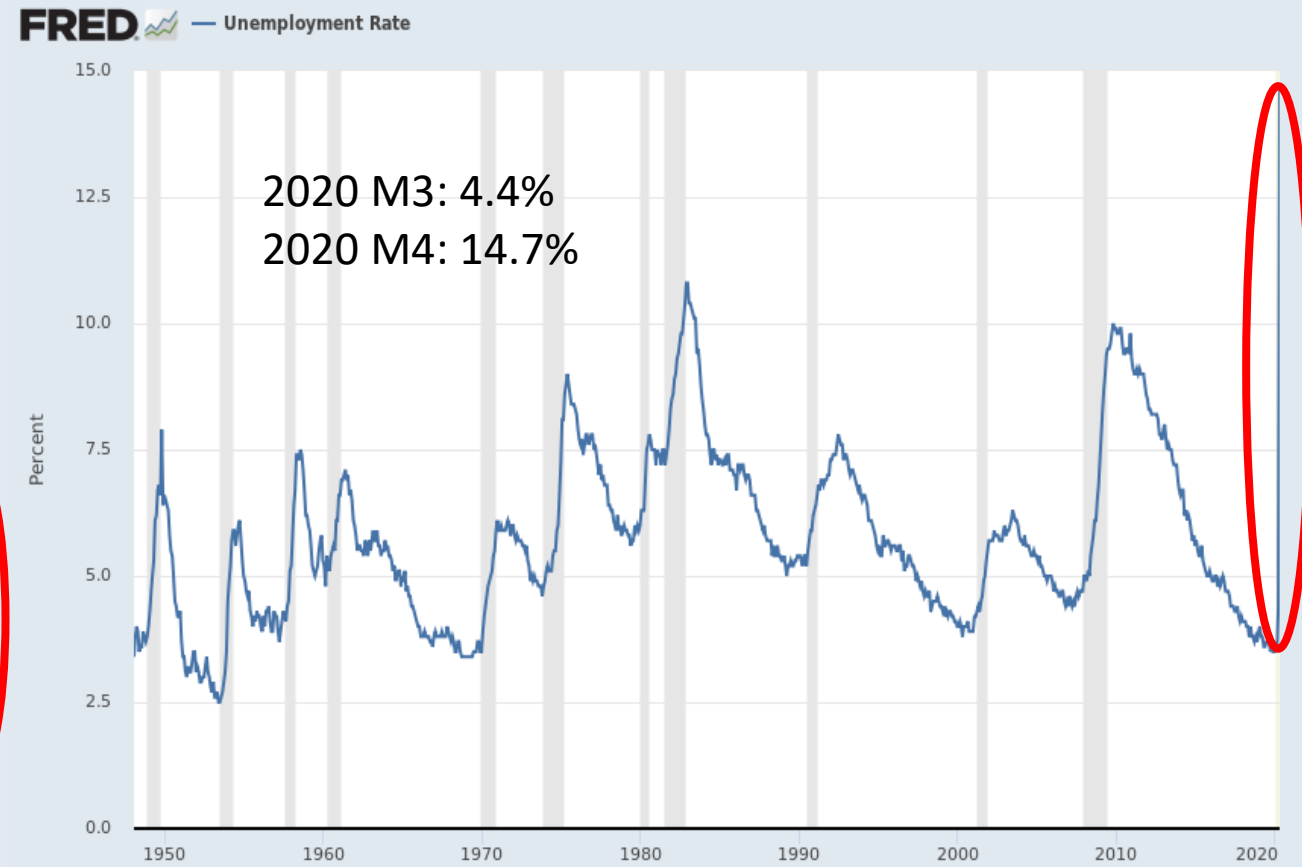
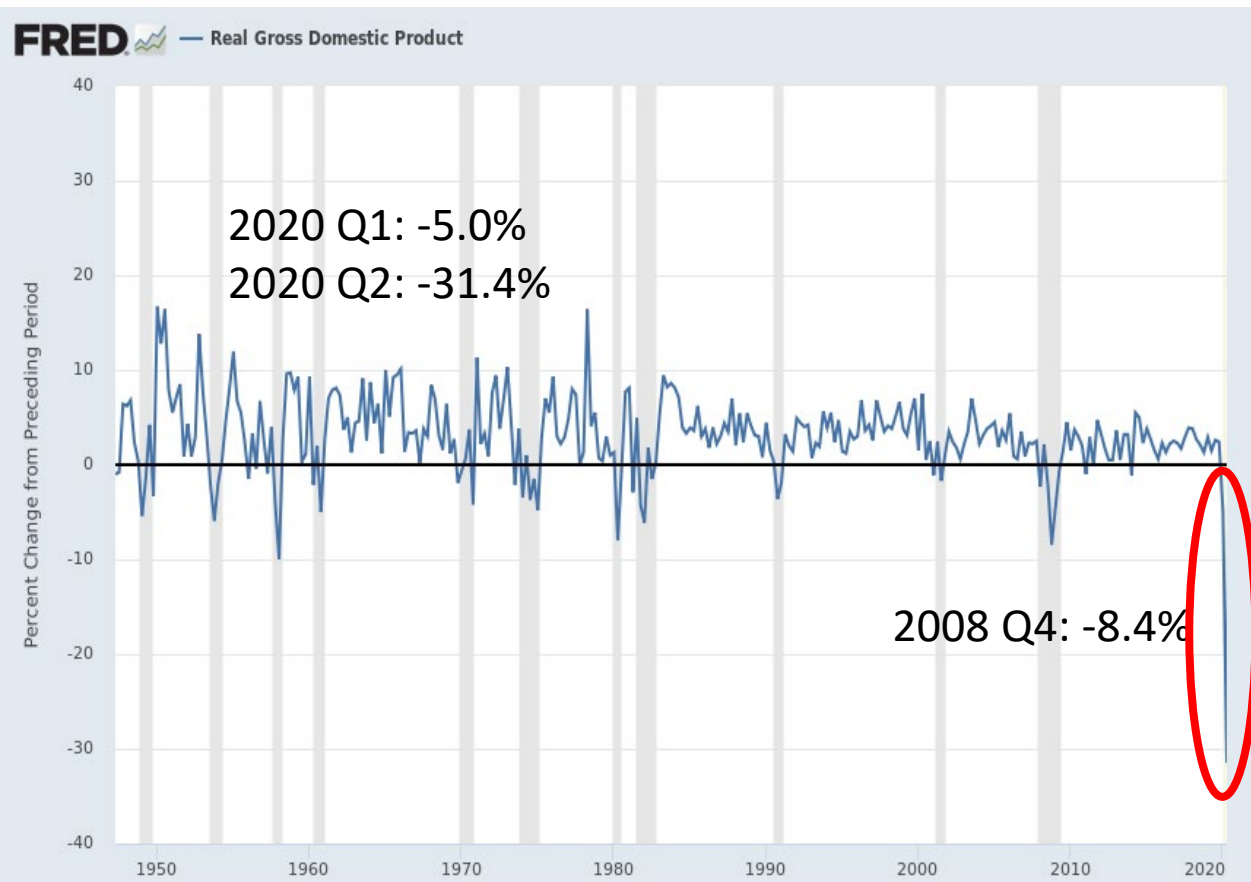
Stopping by TJ that day after the talk....



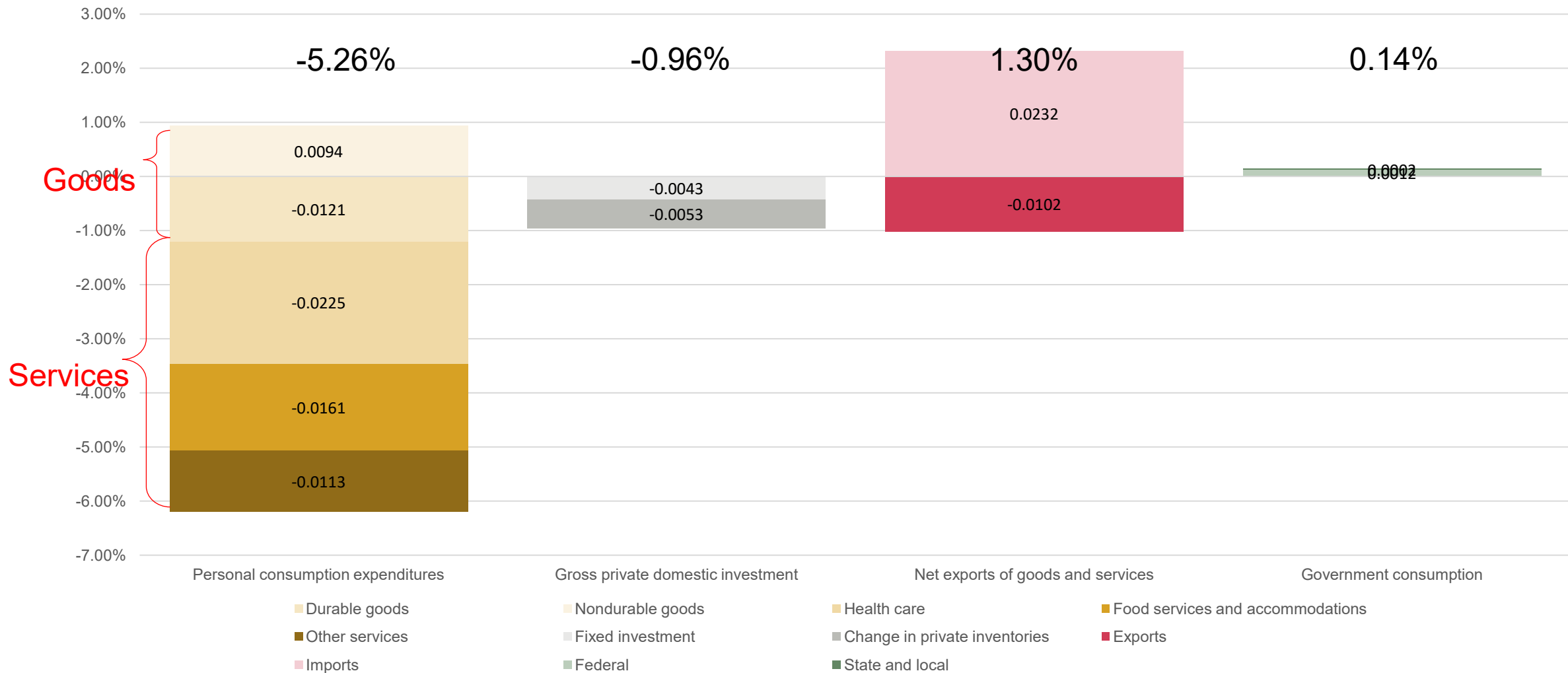
Realistic Choice of Goods to Explain **Opportunity Cost** in Principles of Economics



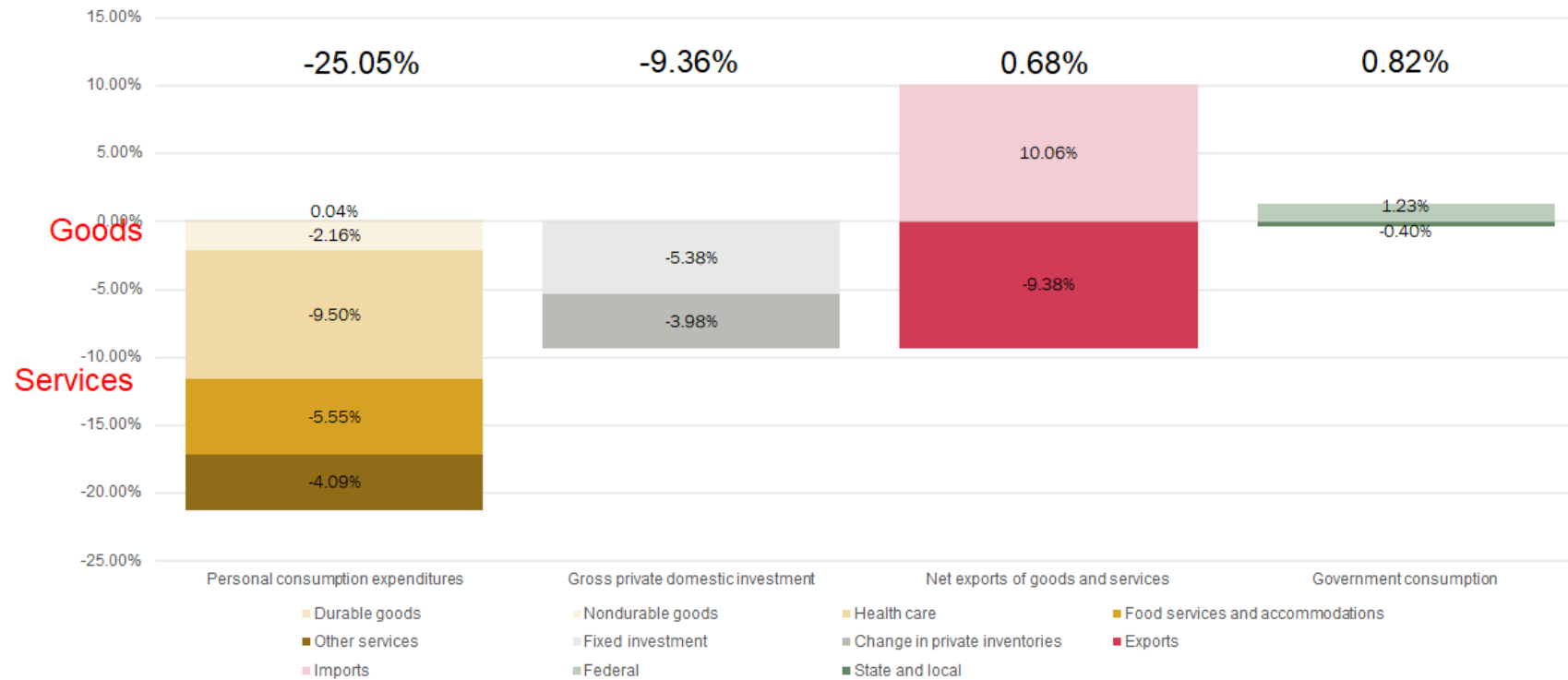
The Bad...



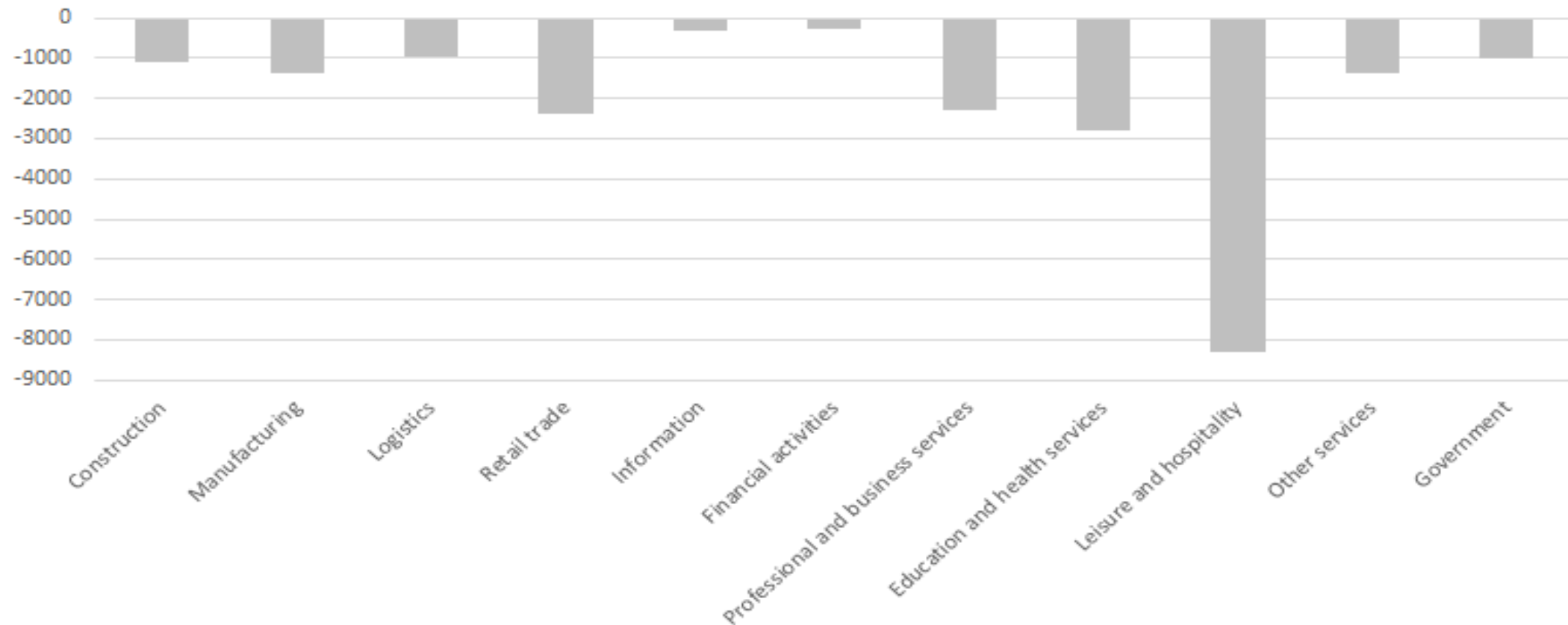
GDP Growth Rate Component, 2020 Q1



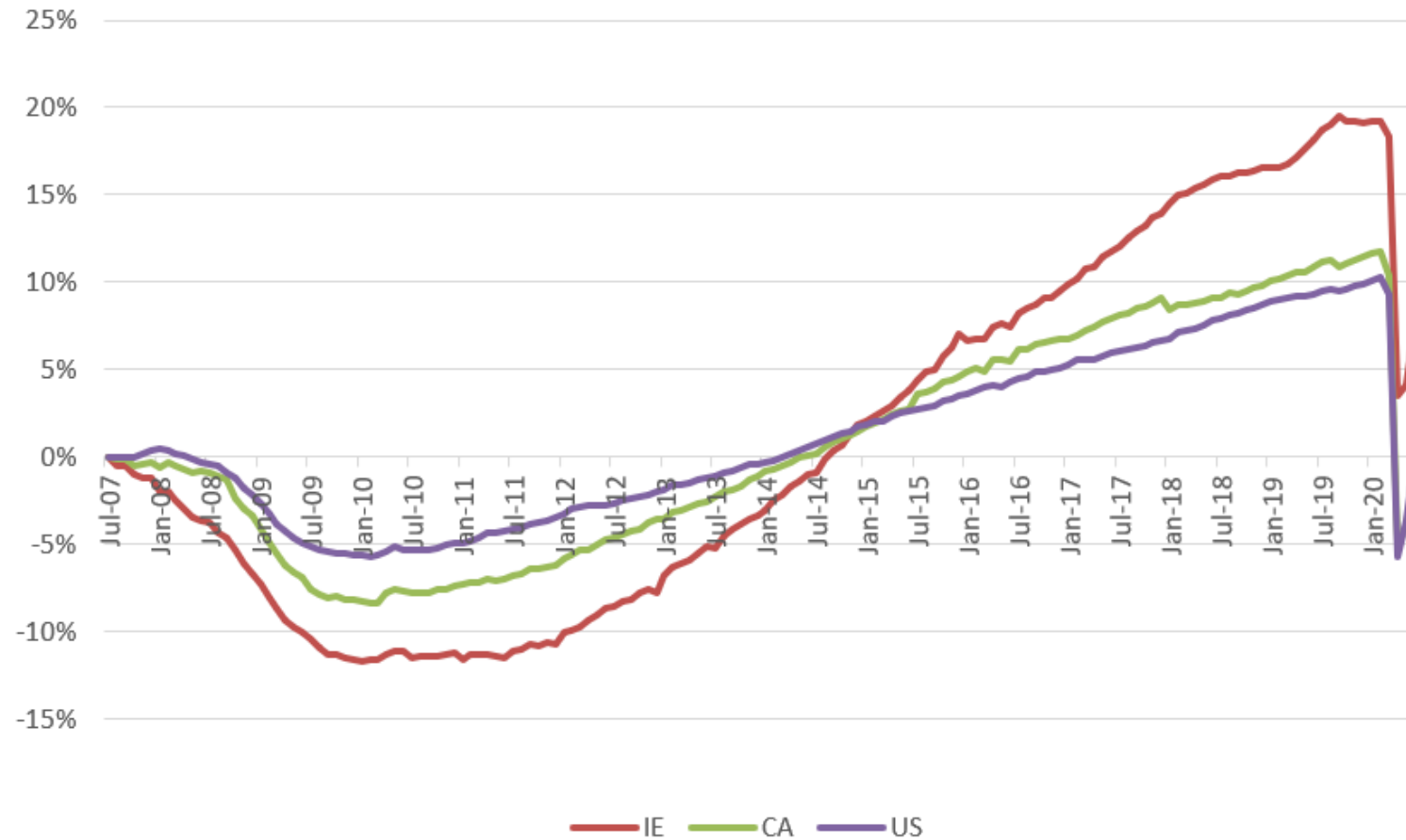
GDP Growth Rate Components, 2020 Q2



Sectoral Job Losses: U.S. Feb 2020 – Apr 2020

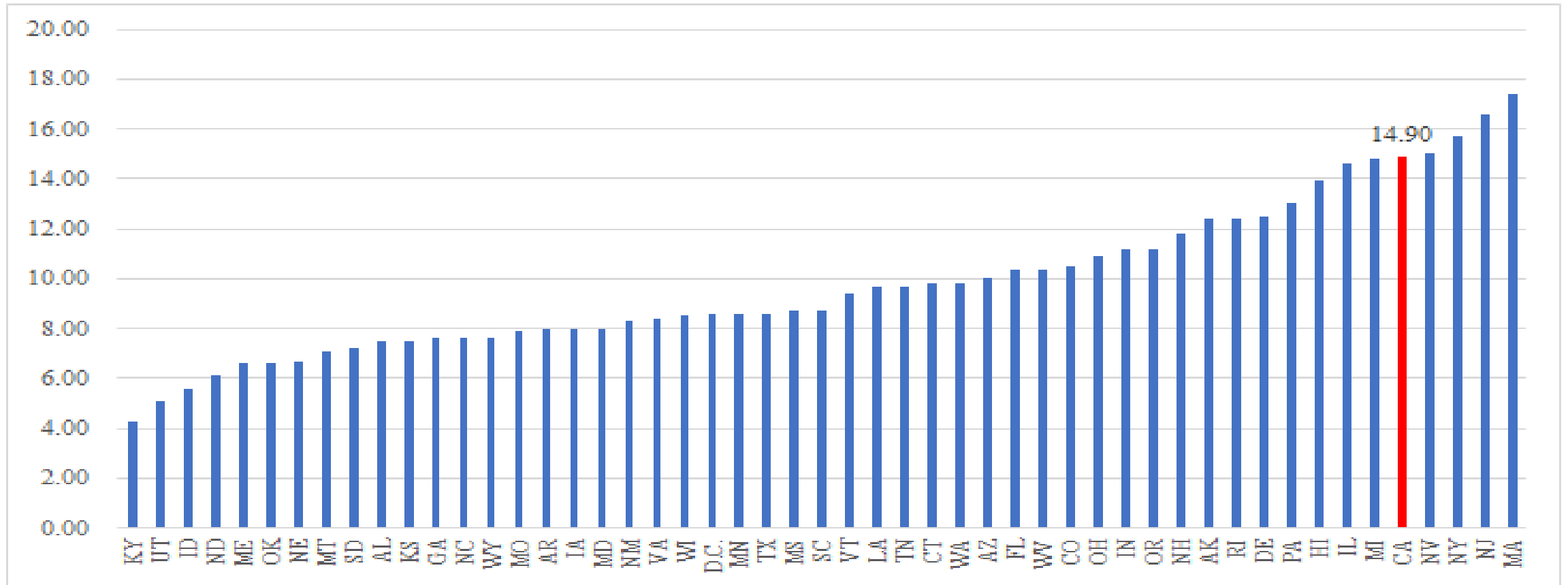


The Bigger Picture: Employment % Changes



CA vs RUST (Rest of United States)

June 2019

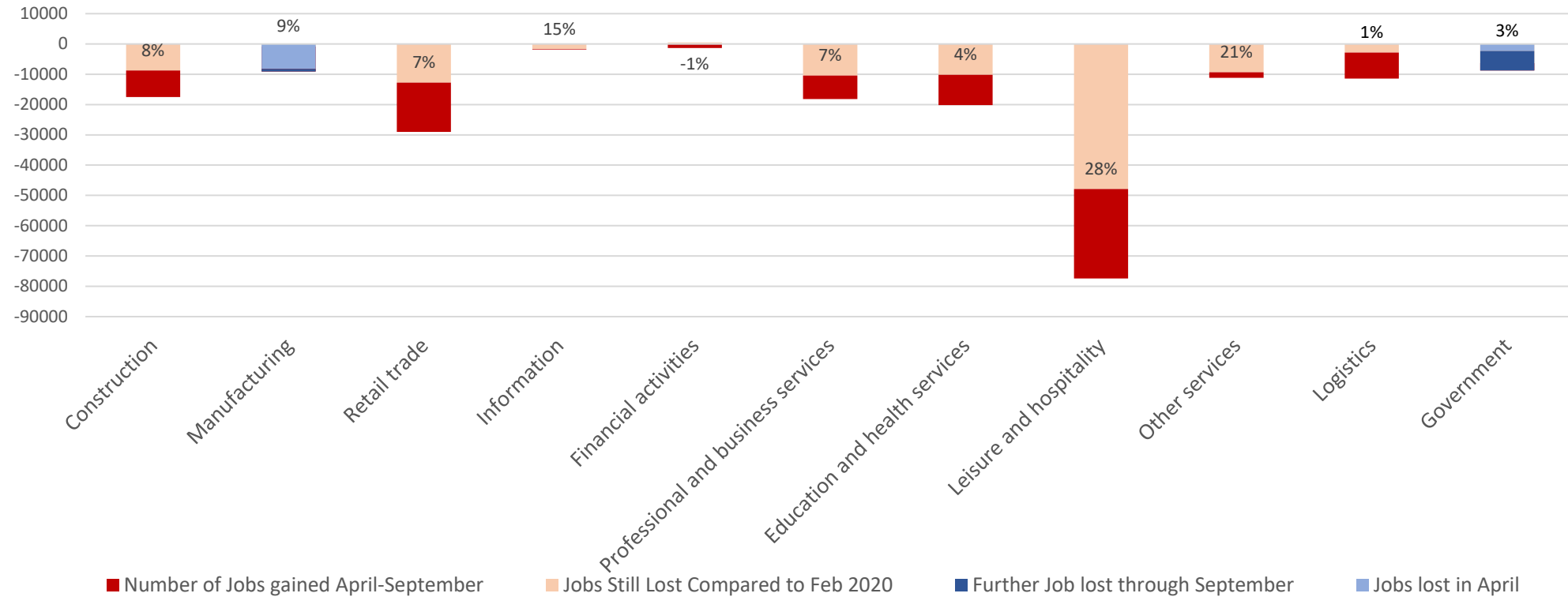


Geographical Variation of Disaster

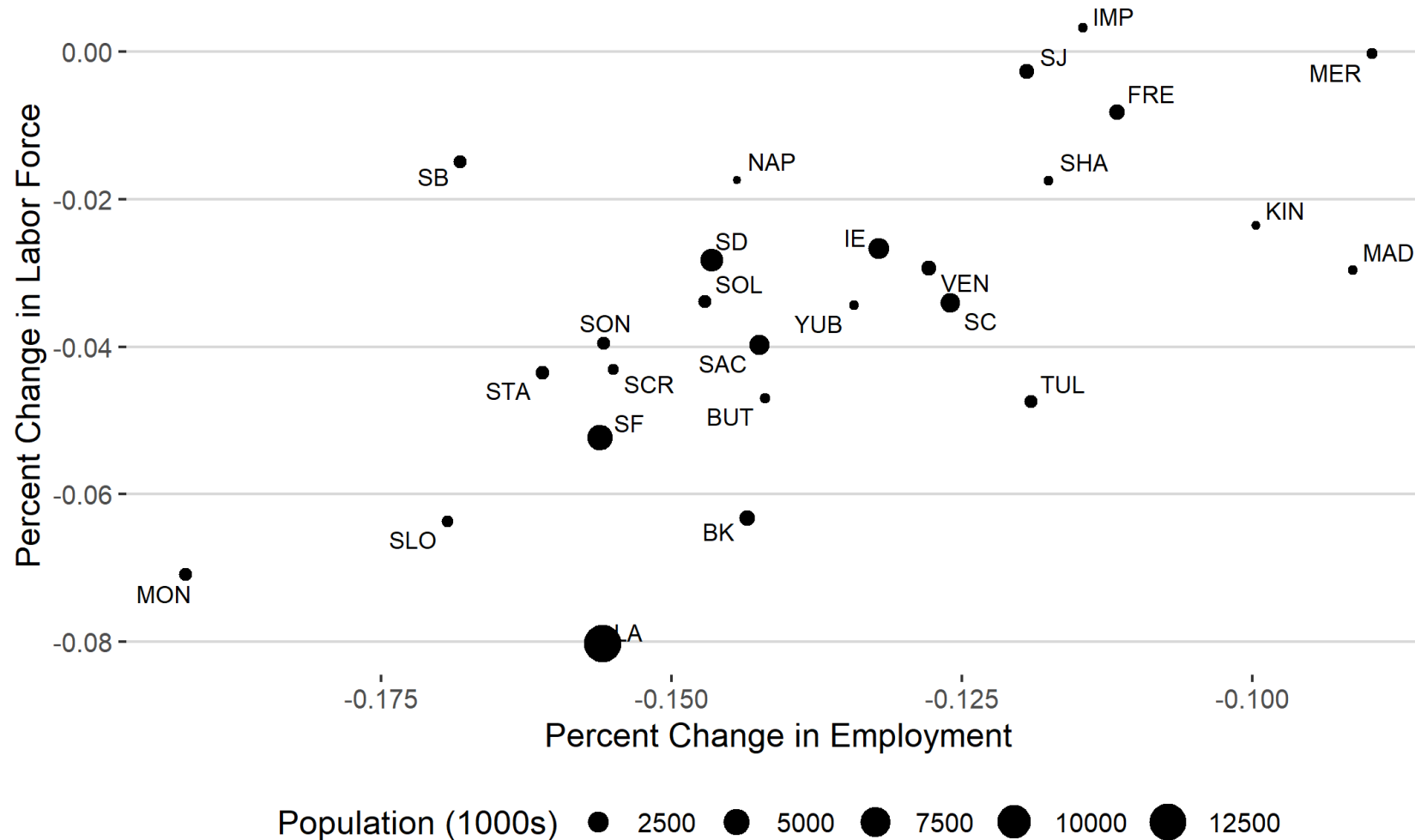
(listen carefully Coachella Valley)

MSA	% Empl Loss Feb-Apr 2020	Employment Share L&H In %	Max Unemployment Rate, %		
Monterey	19.2	18.6	20.5		
SLO	17.8	16.4	14.0		
OC	15.9	13.6	14.7		
SF	15.8	12.4	12.0		
LA	15.5	11.7	20.8		
Oak	15.2	9.9	13.8		
SB	14.9	14.9	12.0		
SD	14.7	13.0	15.2		
IE	13.2	11.3	15.1		
Ventura	13.2	12.1	13.9		
SV	12.6	8.8	12.0		
Imperial	11.5	8.1	28.1		

Sectoral Employment Come Back: U.S.

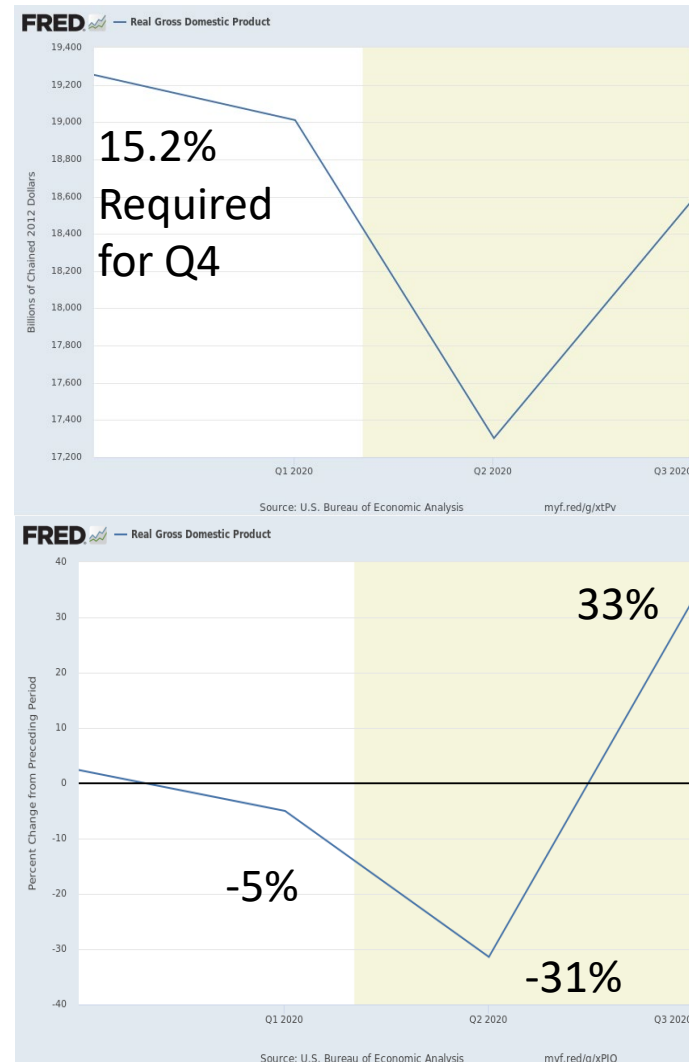


The Relationship Between Employment Changes and Labor Force Changes: Feb 2020 – Apr 2020



What Goes Down Must Come Up..

U.S. Real GDP, Level and Growth Rate



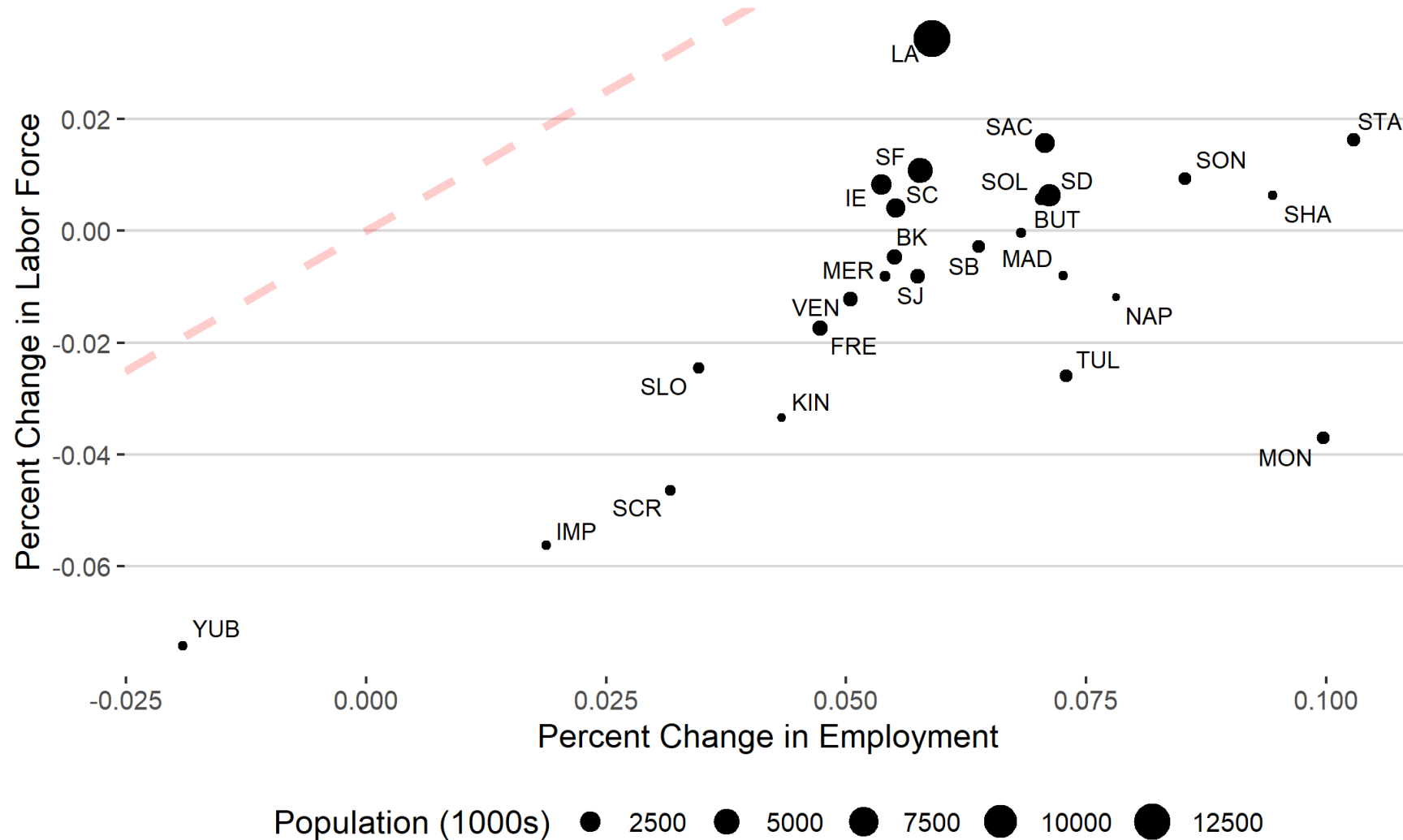
What Goes Up Must Come Down

U.S. Unemployment Rate, 2020




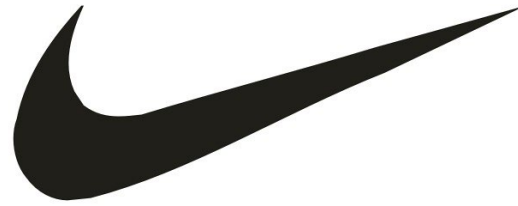
Jan	Feb	Mar	Apr	May	June
3.5	3.5	4.4	14.7	13.3	11.1
Jul	Aug	Sep	Oct	Nov	Dec
10.2	8.4	7.9	6.9	(6.2)	(6.4)

The Relationship Between Employment Changes and Labor Force Changes: Apr 2020 – Sep 2020



Shape of the Recession

- Possible Letters
- V
- 
- Old Verizon V or Nike “Swoosh”
- W
- K





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Can We talk about the Coachella Valley Now?

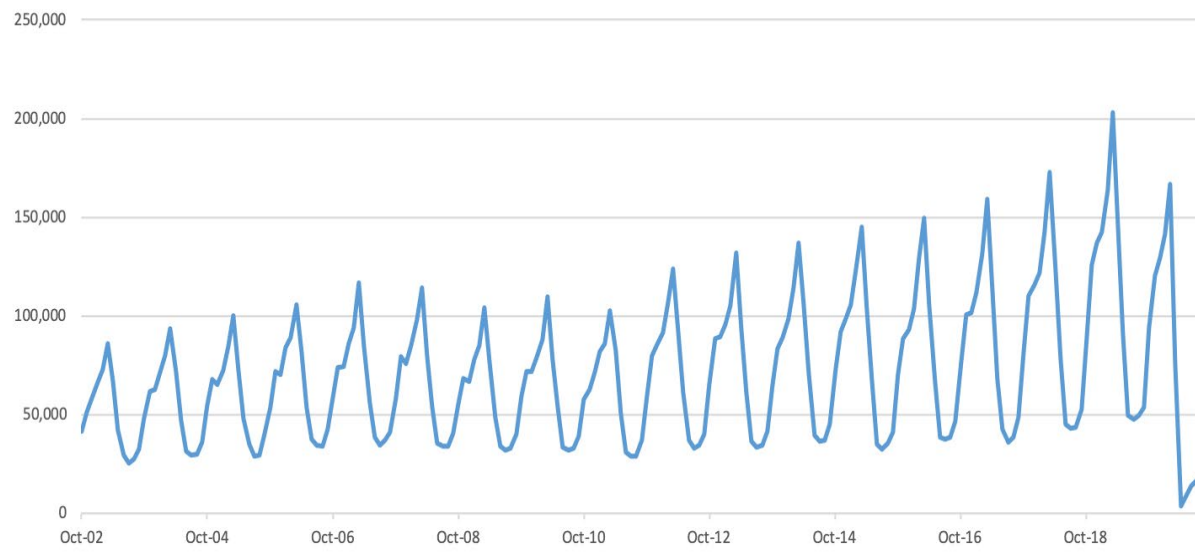
CV Economy March 2020 – Apr 2020

or Manfred Keil on Kern River 2006



A Sharp Decline in Tourism: LAX and PSP

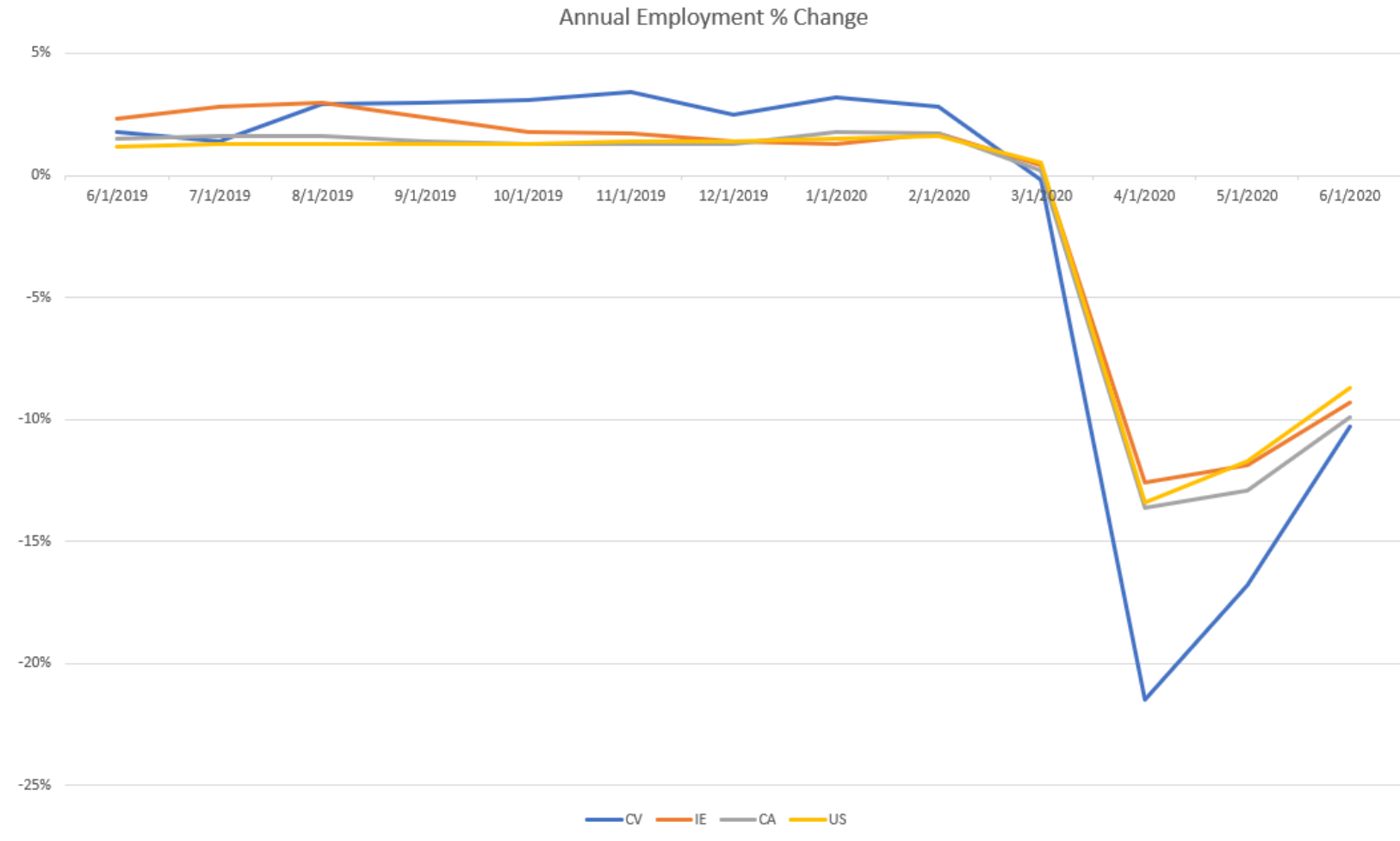
Passengers to Palm Springs
October 2002 - August 2020

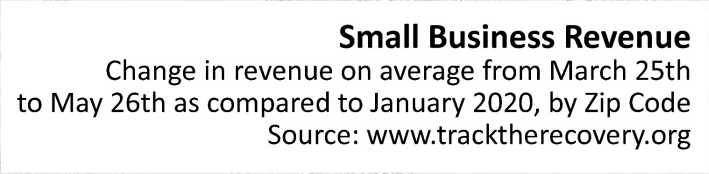


Passengers to LAX
October 2002 - August 2020

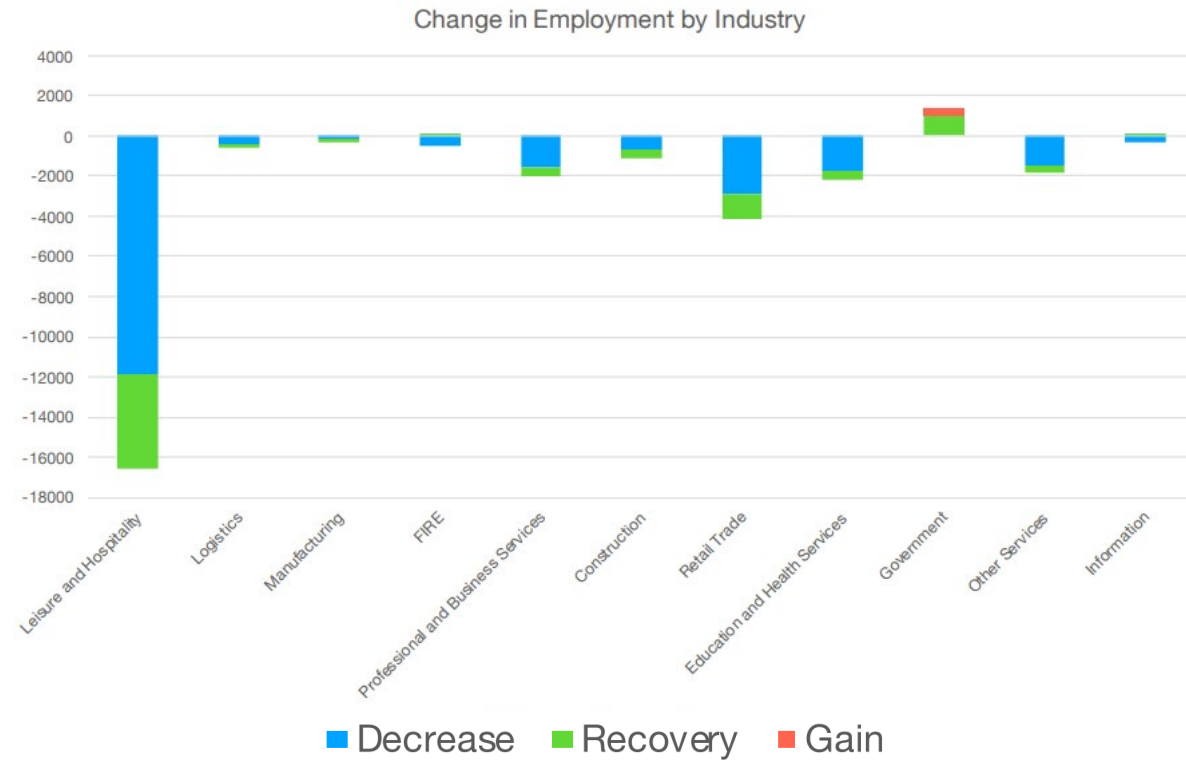


Coachella Valley has more Leisure and Hospitality

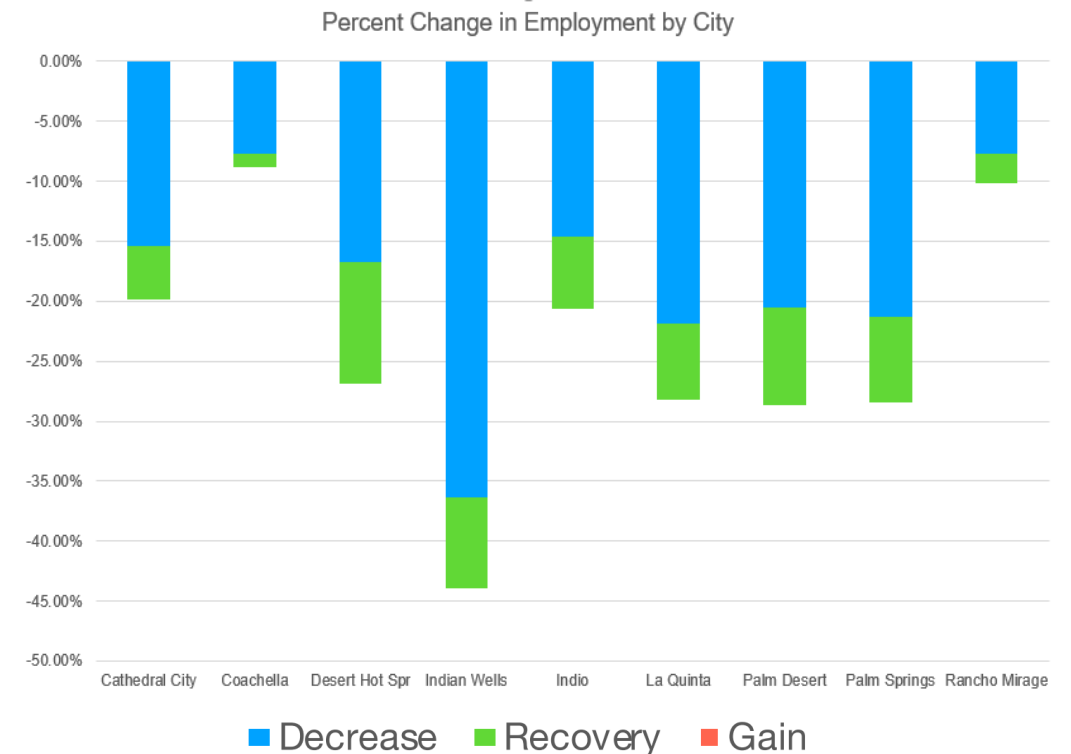
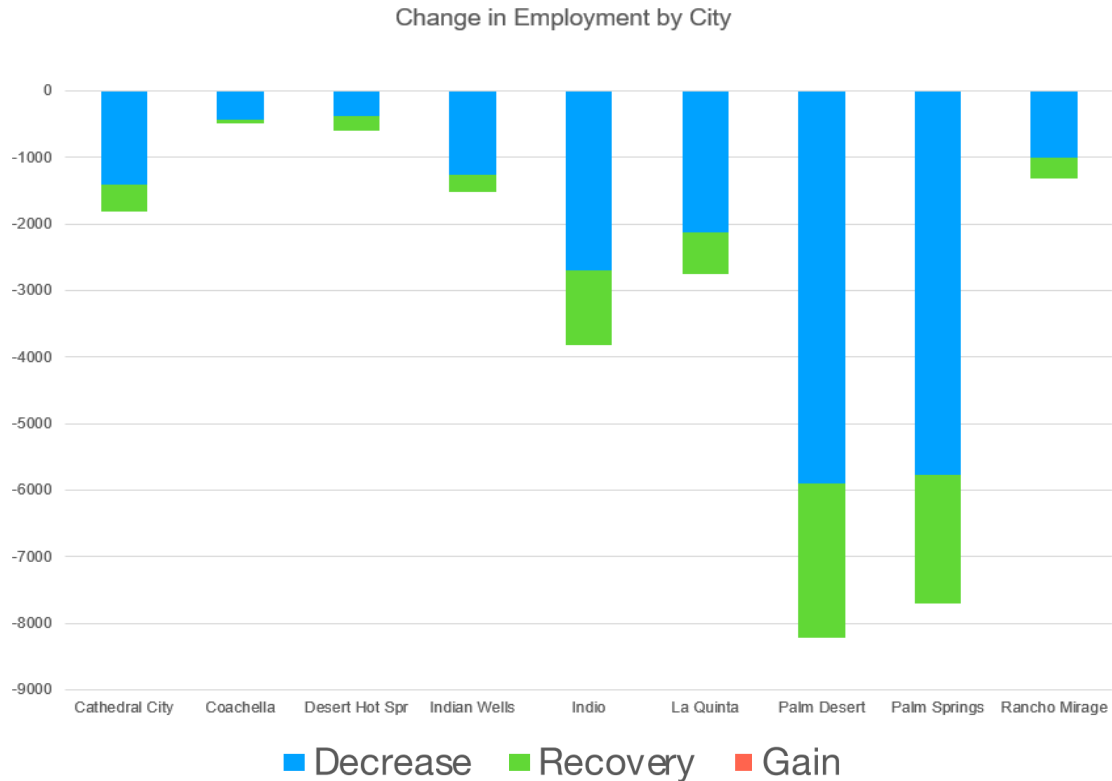




Employment Changes by Industry, Feb 2020 – Jun 2020

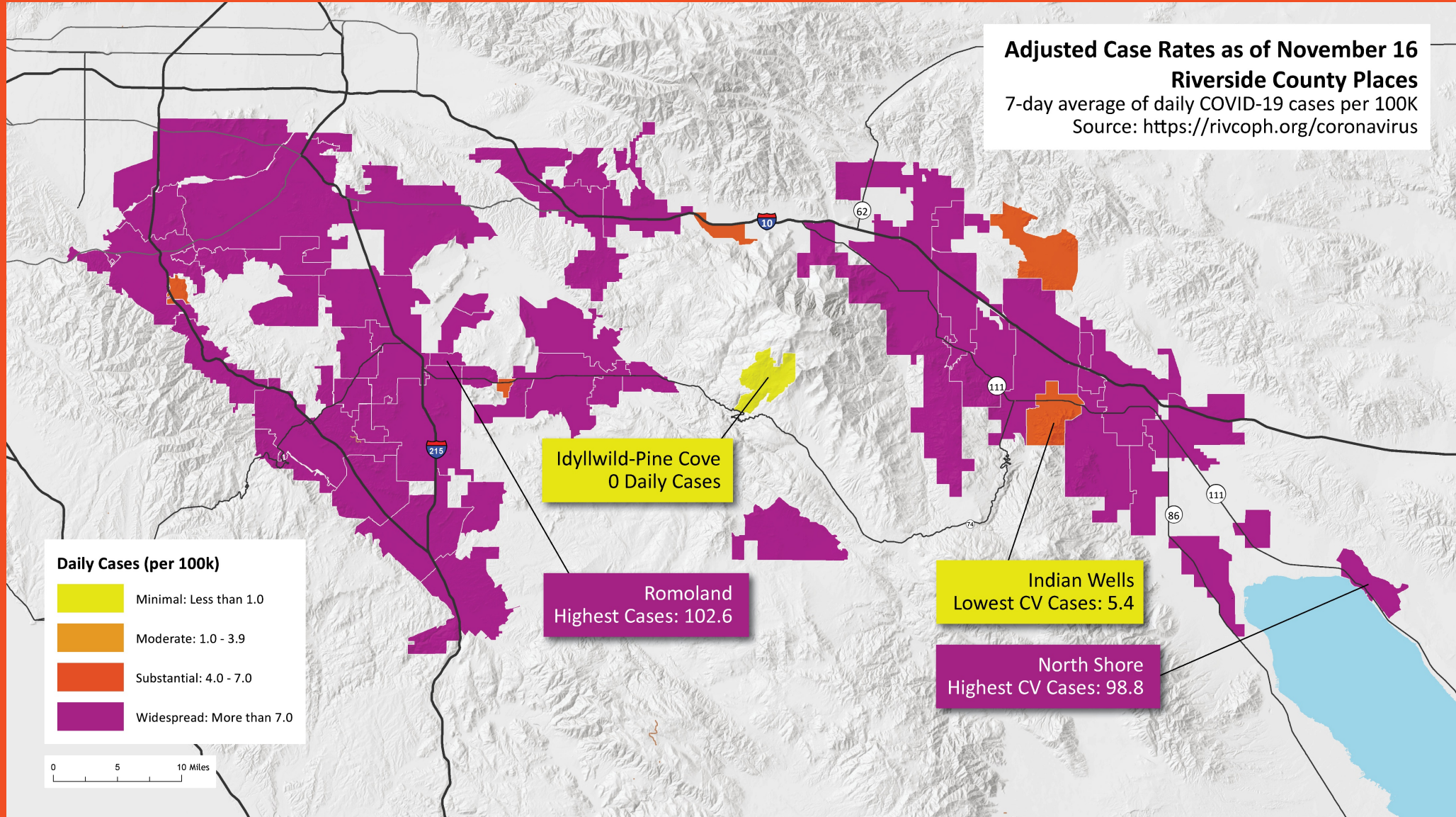


Employment Changes by City, Feb 2020 – Jun 2020



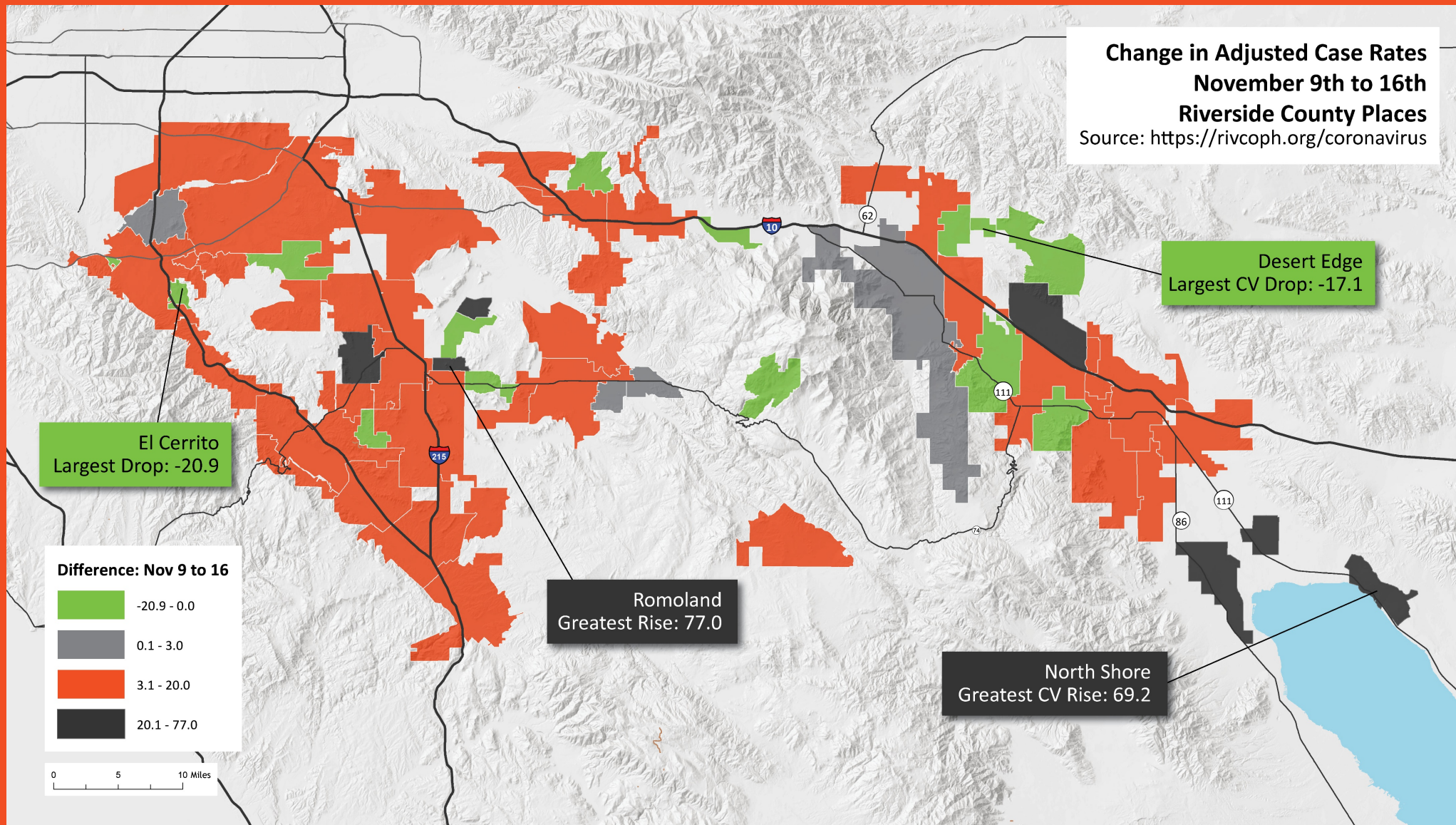
Our Sectoral Employment Projection (using data up to June 2020)

Date	CV_LeisureHosp	CV_Logistics	CV_Manufacturin	CV_FIRE	CV_ProBus	CV_Construction	CV_Retail	CV_EduHealth	CV_Gov	CV_Other
2019-11-01	33385	3787	1934	4152	10708	7601	19671	19738	10520	4400
2019-12-01	33406	3893	1910	4132	10542	7342	19596	19644	10496	4381
2020-01-01	33818	3735	2135	4127	10596	7529	19144	19936	11476	4630
2020-02-01	33897	3603	2166	4155	10801	7814	18969	20115	11462	4704
2020-03-01	33038	3554	2168	4088	10447	7486	18705	19779	11452	4552
2020-04-01	17297	2911	1854	3699	8789	6684	14876	17967	12455	2847
2020-05-01	18176	3013	1908	3624	9113	7124	14899	18304	11639	3023
2020-06-01	22029	3107	2024	3629	9246	7096	16074	18371	11810	3239
2020-07-01	23969	3616	1982	4501	10081	8796	16641	21629	12698	5669
2020-08-01	24089	3641	1977	4482	10092	8898	16866	21833	12356	5740
2020-09-01	24482	3640	1977	4476	10094	8813	17160	21843	12232	5635

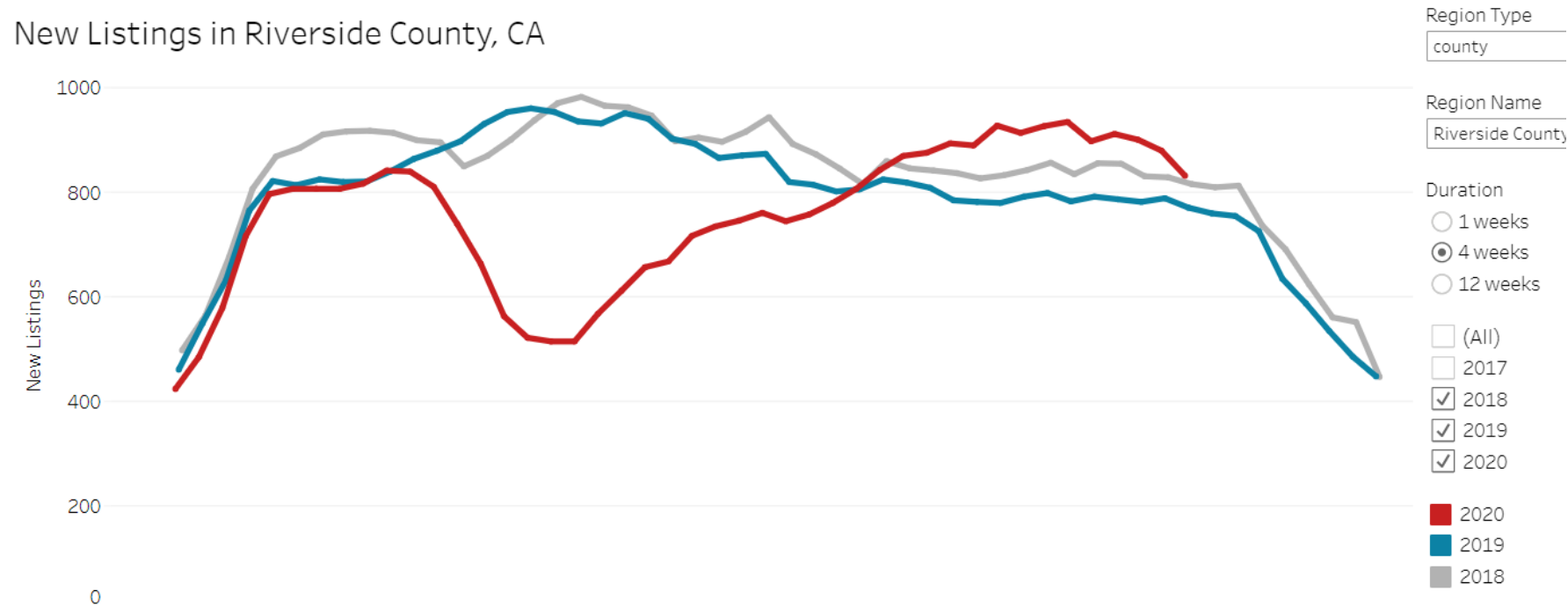




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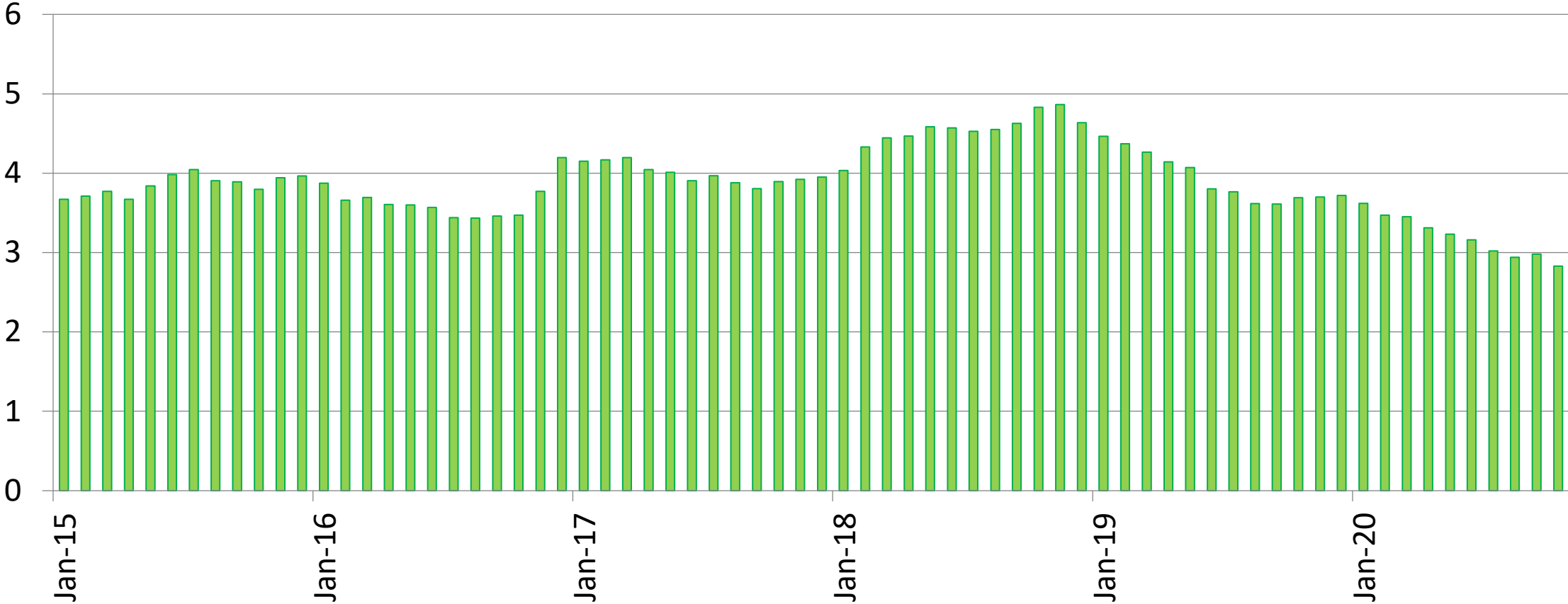
County Listings Have Recovered From Shutdown



Source: Redfin

Mort Rates Drop to Record Lows → Fuel Demand

30 Year Mort



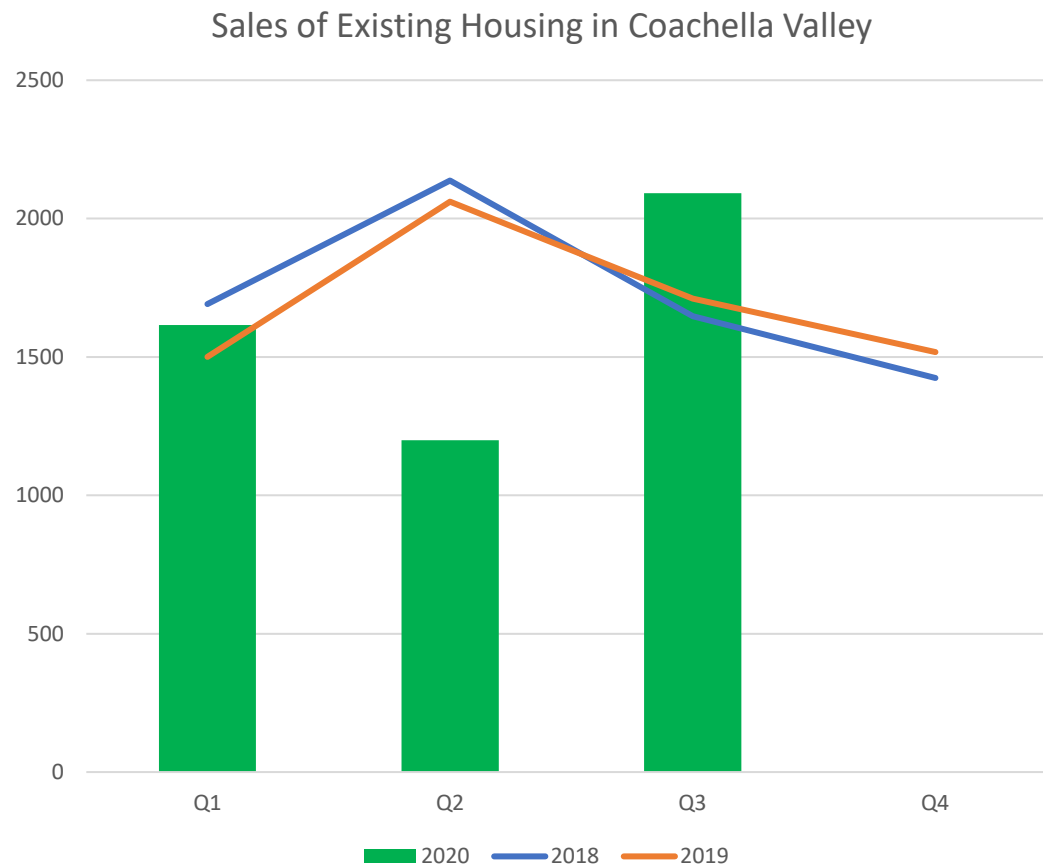
Source: Freddie Mac, KE

Sales and Prices Respond to Low Rates

Southern California	2019.09	2020.08	2020.09	Price MTM% Chg	Price YTY% Chg	Sales YTY% Chg
Los Angeles	\$663,110	\$677,260	\$747,380	10%	13%	16%
Orange	\$830,000	\$930,000	\$915,000	-2%	10%	31%
Riverside	\$429,450	\$486,500	\$480,000	-1%	12%	28%
San Bernardino	\$315,000	\$350,000	\$359,900	3%	14%	20%
San Diego	\$636,750	\$732,560	\$735,000	0%	15%	33%
Ventura	\$659,250	\$741,500	\$787,500	6%	19%	32%

Source: C.A.R., KE

Coachella Valley Real Estate



	Q3-19	Q2-20	Q3-20	QTQ %	YTY %
Cathedral City	\$331,000	\$355,000	\$383,250	8.0%	15.8%
Coachella	\$261,000	\$277,500	\$296,500	6.8%	13.6%
Desert Hot Spgs	\$231,000	\$245,000	\$257,500	5.1%	11.5%
Indian Wells	\$772,500	\$990,000	\$854,000	-13.7%	10.6%
Indio	\$325,000	\$333,000	\$360,000	8.1%	10.8%
La Quinta	\$455,000	\$567,500	\$565,000	-0.4%	24.2%
Palm Desert	\$411,000	\$467,500	\$472,500	1.1%	15.0%
Palm Springs	\$614,500	\$679,500	\$707,500	4.1%	15.1%
Rancho Mirage	\$654,000	\$629,000	\$732,500	16.5%	12.0%

...and Lean Supply Drives Up Price

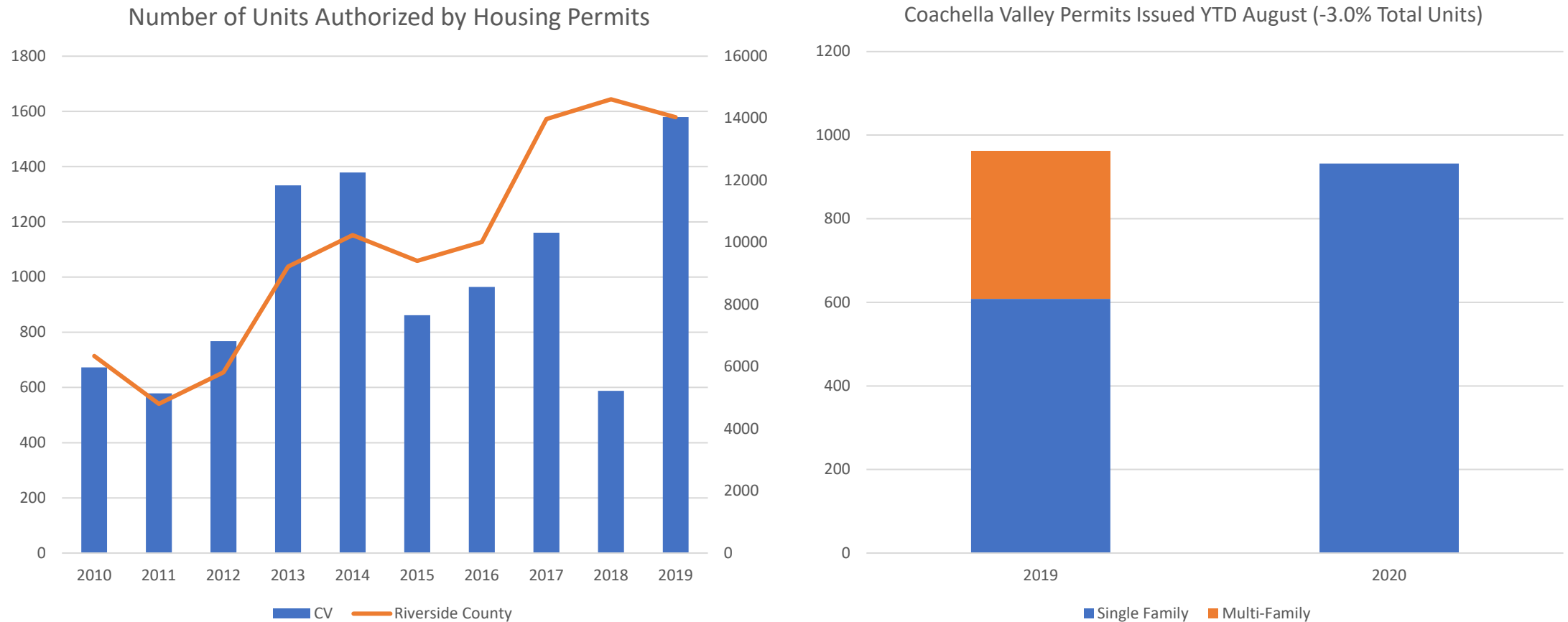
Unsold Inventory Index (Months)			
Region	2019.09	2020.08	2020.09
Los Angeles	3.5	2.3	2.3
Orange	3.6	2.4	2.2
Riverside	3.8	2.2	2.1
San Bernardino	4.1	2.0	2.0
San Diego	3.1	1.9	1.7
Ventura	4.7	2.2	2.0

Source: C.A.R., KE

Overall: Mixed Signals in Housing

- Homeowners:
 - Forbearance in CA at 9% lower than elsewhere in US
 - 30-day delinquency rate in CA at 5.8% (LA 6% vs peak of 10% during Great Recession)
 - Forbearance programs in place for federally backed mortgages
- Late rent, National Multifamily Housing Council
 - October 2020: 94.8% on time
 - October 2019: 96.6%
 - Statewide eviction moratorium through end of January 2021
- Buying time...

CV Home Building in 2020: Single-Family Dominates



Source: US Census Bureau, KE

Overall: Mixed Signals in Housing

- Housing Permits
 - LA-OC: -12% YTD through September 2020
 - RV-SB: -8% YTD

Economy-Housing (dis)Connection...K-shaped trajectory

- Great opportunity for buyers who have financial resources to capitalize on current low rates
- Challenging times for owners/renters who have lost jobs or reduced hours

Commercial Real Estate: May need federal action to limit damage

Our Forecast

- United States
- California
- Inland Empire
- Coachella Valley





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The 16th Annual
Greater Palm Springs Summit.
The live presentation will
return shortly.
Please stay tuned.