



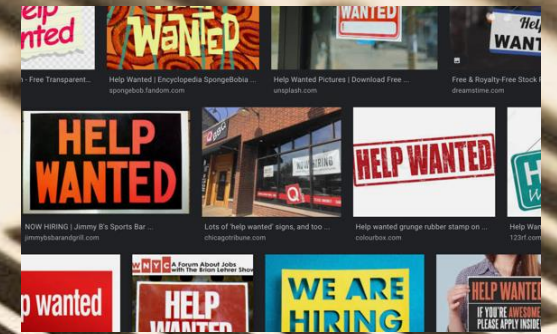
The Post-Covid New World Order It's a seller's market for now.

January 2022

Christopher Thornberg, PhD

Founding Partner, Beacon Economics

*Director, UCR SoBA Center for Economic Forecasting and
Development*



The Big Picture



- The Covid pandemic is a tragic natural disaster, yet history shows that natural disasters have little long-run economic impact. A quicker-than-normal recovery was certain.
- The narrative of miserabilism drove fiscal and monetary policy reactions to the crisis that have been excessive and are overheating the economy.
- The recovery is not even—in terms of the structure of output as well as the availability of inputs. The resultant supply chain issues are a drag on the rebound, not a threat to it.
- Low private sector debt levels reduces some of the short run risk to the economy. Cyclical risks now lie primarily in the public sector; the twin issues of inflation and an out-of-control budget deficit.
- Labor markets have flipped, and shortages are here to stay. This has important implications for economic development and social policy
- There are no economic “new-normals” from the pandemic, but it has accelerated underlying trends that were already in place, particularly WFH, retirements, and online shopping. For Contra Costa County these changes will increase demand for residential and an employment shifts towards local services

The Wall of Forecast Shame



Coronavirus to cause worst economic downturn since Great Depression, IMF forecasts

Economy

CBO: Coronavirus pandemic will scar U.S. labor market for the next decade

The agency is predicting that the unemployment rate in the fourth quarter of 2030 will be 4.4 percent, compared with 3.5 this year.

30-40 Million People in America Could Be Evicted from Their Homes by the End of 2020

Aug 07, 2020

As many as 30% of Americans with home loans — about **15 million** households — could stop paying if the U.S. economy remains closed through the summer or beyond, according to an estimate by Mark **Zandi**, chief economist for Moody's Analytics.

CNBC

JPMorgan now sees economy contracting by 40% in second quarter, and unemployment reaching 20%

Home prices rose in June, but they'll likely fall in 2021: CoreLogic

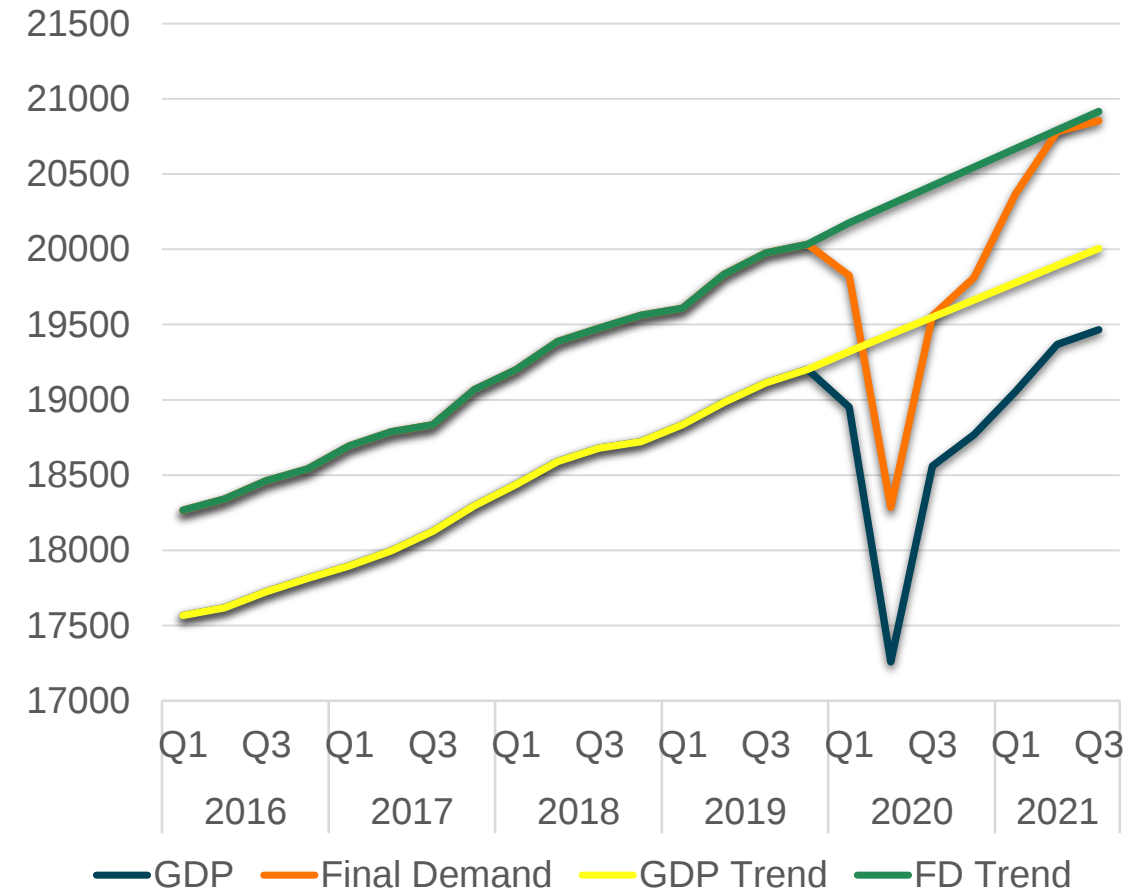
'Make no mistake...the pandemic morphed into a Depression-like crisis,' says UCLA economist, who predicts U.S. economy won't recover from coronavirus until 2023

Published: June 26, 2020 at 7:55 a.m. ET

The U or V Debate...

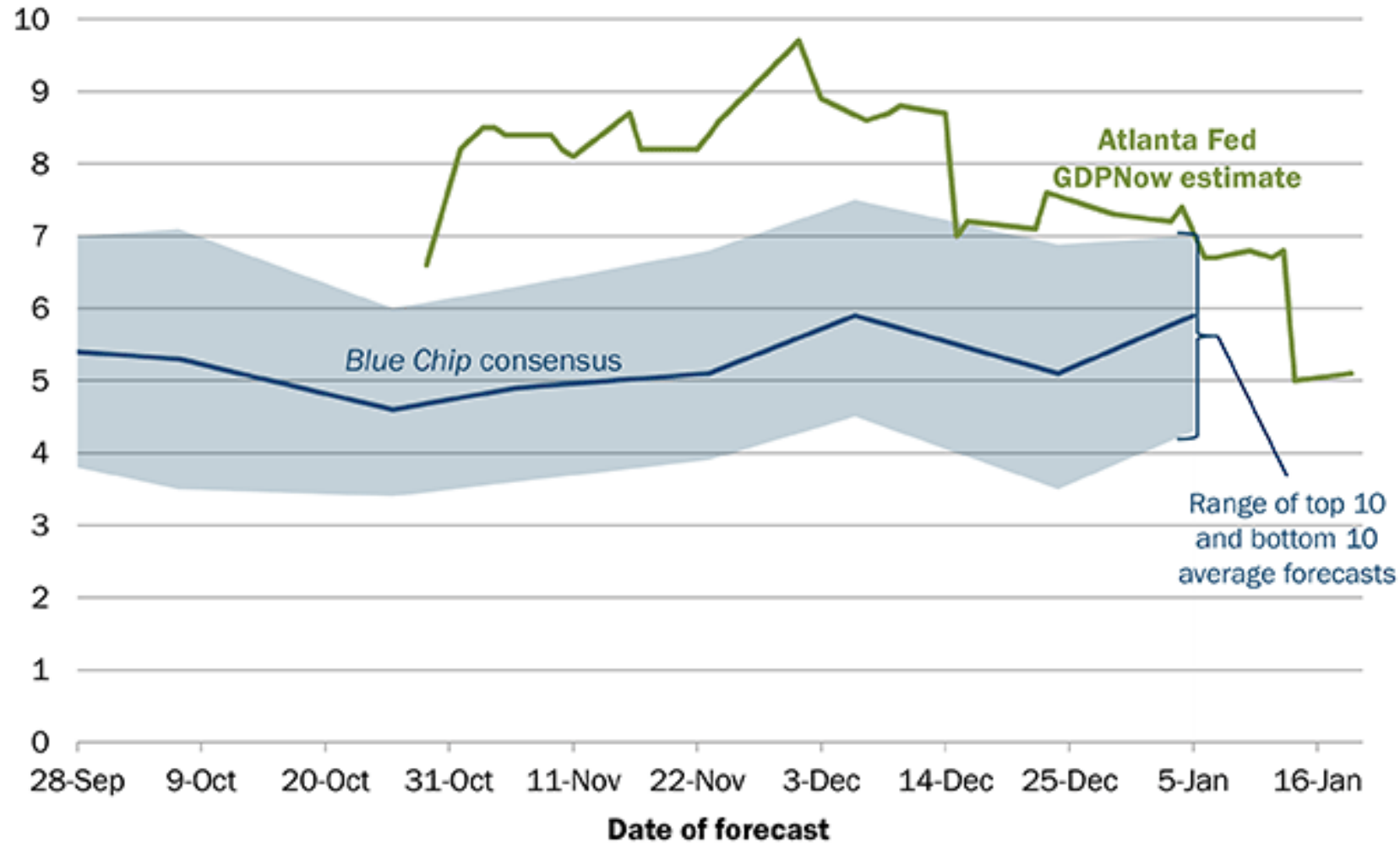
	2021		
	Q1	Q2	Q3
GDP	6.3	6.7	2.0
Final Demand	10.5	8.1	1.1
Consumption	7.4	7.9	1.1
Durables	3.5	1.0	-2.7
Nondurables	2.2	2.0	0.4
Services	1.8	4.9	3.4
Fixed investment	2.3	0.6	-0.1
Structures	0.1	-0.1	-0.2
Equipment	0.8	0.7	-0.2
IPP	0.8	0.6	0.6
Residential	0.6	-0.6	-0.4
Inventories	-2.6	-1.3	2.1
Net Exports	-1.6	-0.2	-1.1
Exports	-0.3	0.8	-0.3
Imports	-1.3	-1.0	-0.9
Government	0.8	-0.4	0.1
Federal	0.8	-0.4	-0.3
State and local	0.0	0.0	0.5

Real GDP and Final Demand



Evolution of Atlanta Fed GDPNow real GDP estimate for 2021: Q4

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

The Great Recession vs Today



Then

The Pre-Recession
Economy

Over-heated by
sub-prime lending
bubble

Recession Driver

Demand shock caused by
collapse in wealth, flow-
stock issues

Government
Response

Inadequate

Now

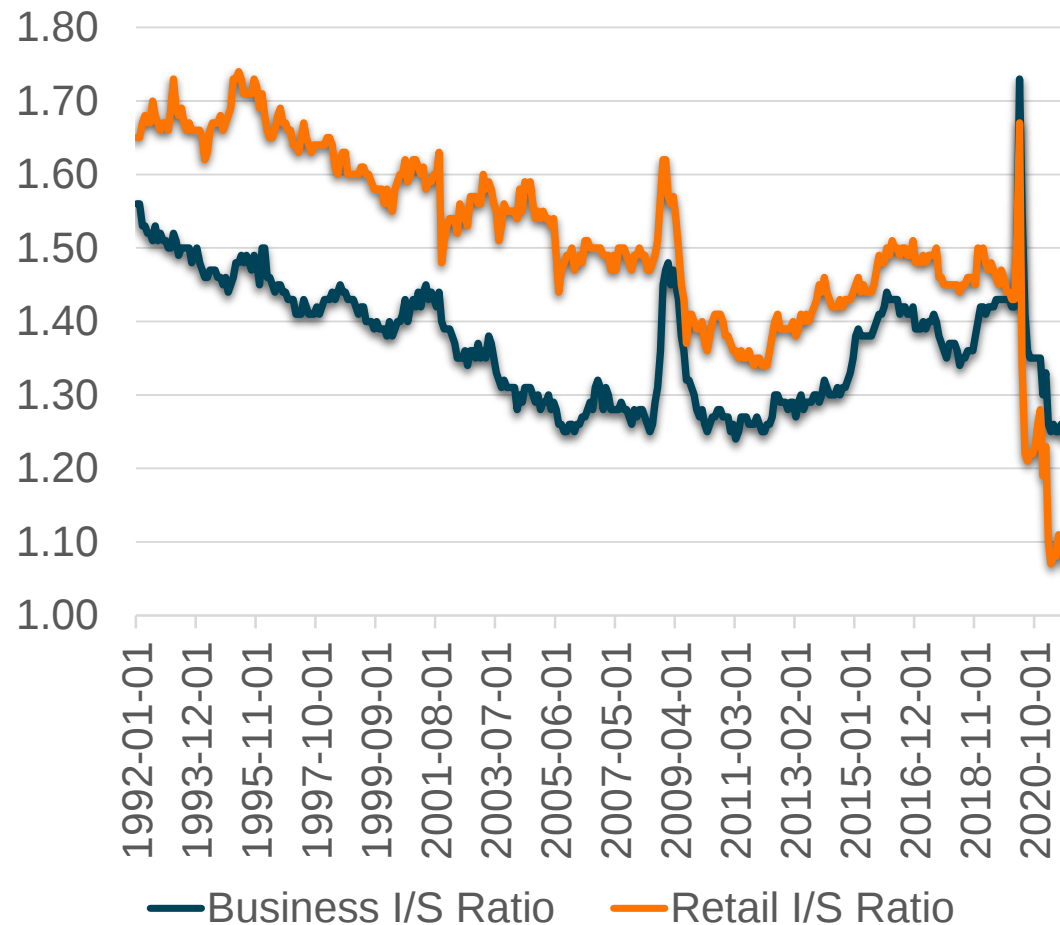
Slow but steady growth
due to labor shortages /
trade disruptions

Short run supply shock
driven by fear and health
mandates

Excessive

Filling the consumption gap

Inventory to Sales Ratio

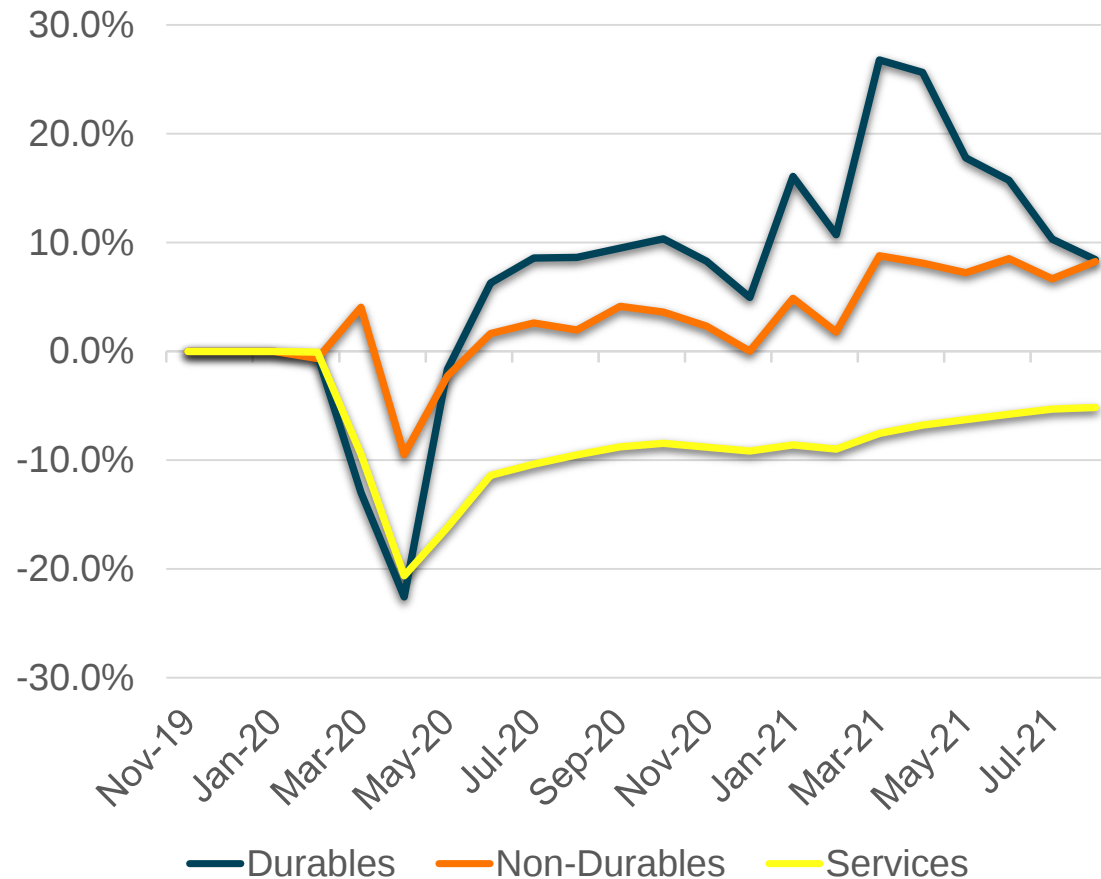


US Net Exports / GDP

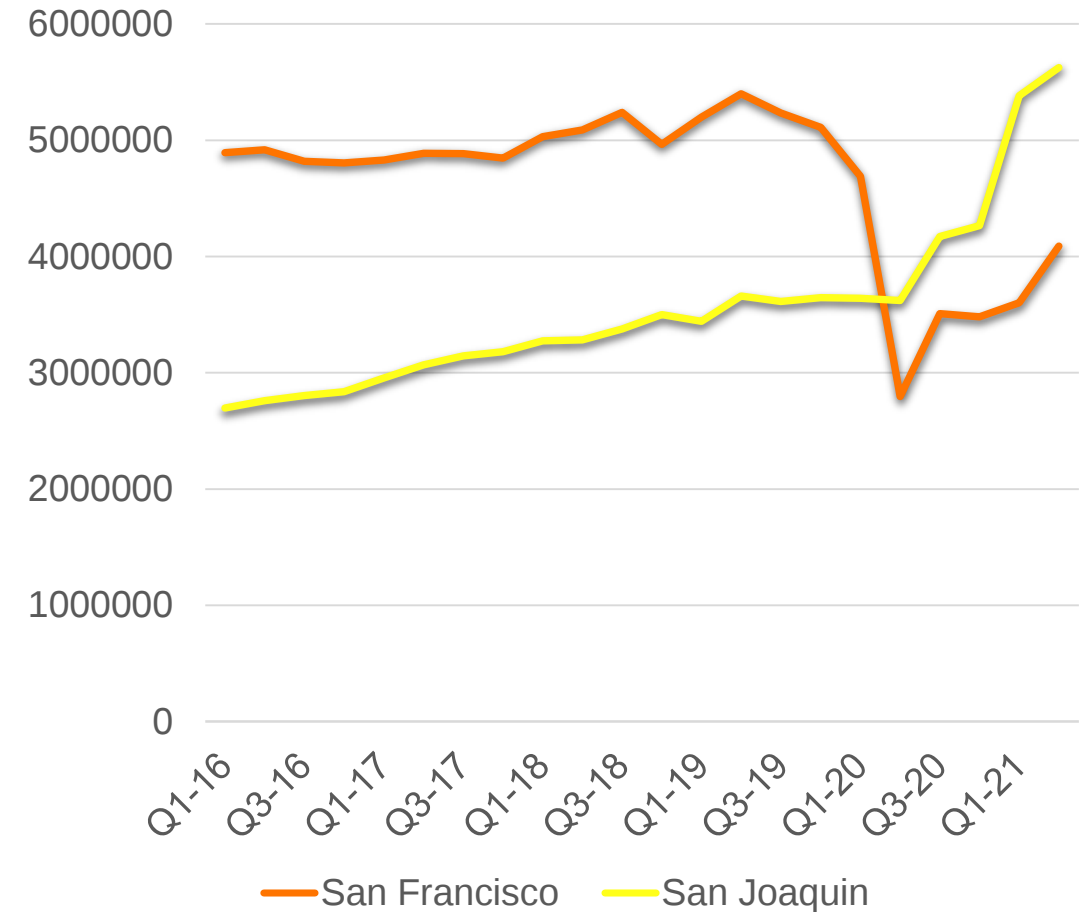


An Uneven Recovery

Real Consumer Spending Relative to Trend

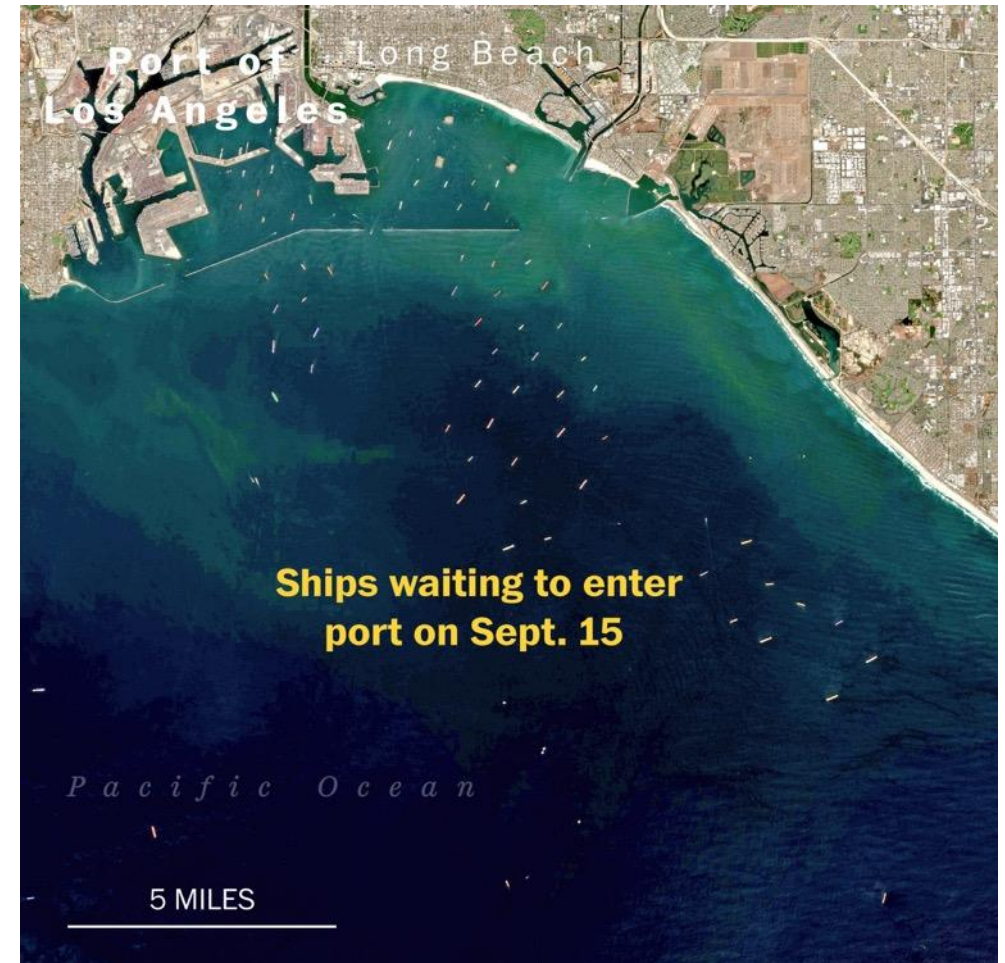


Taxable Sales



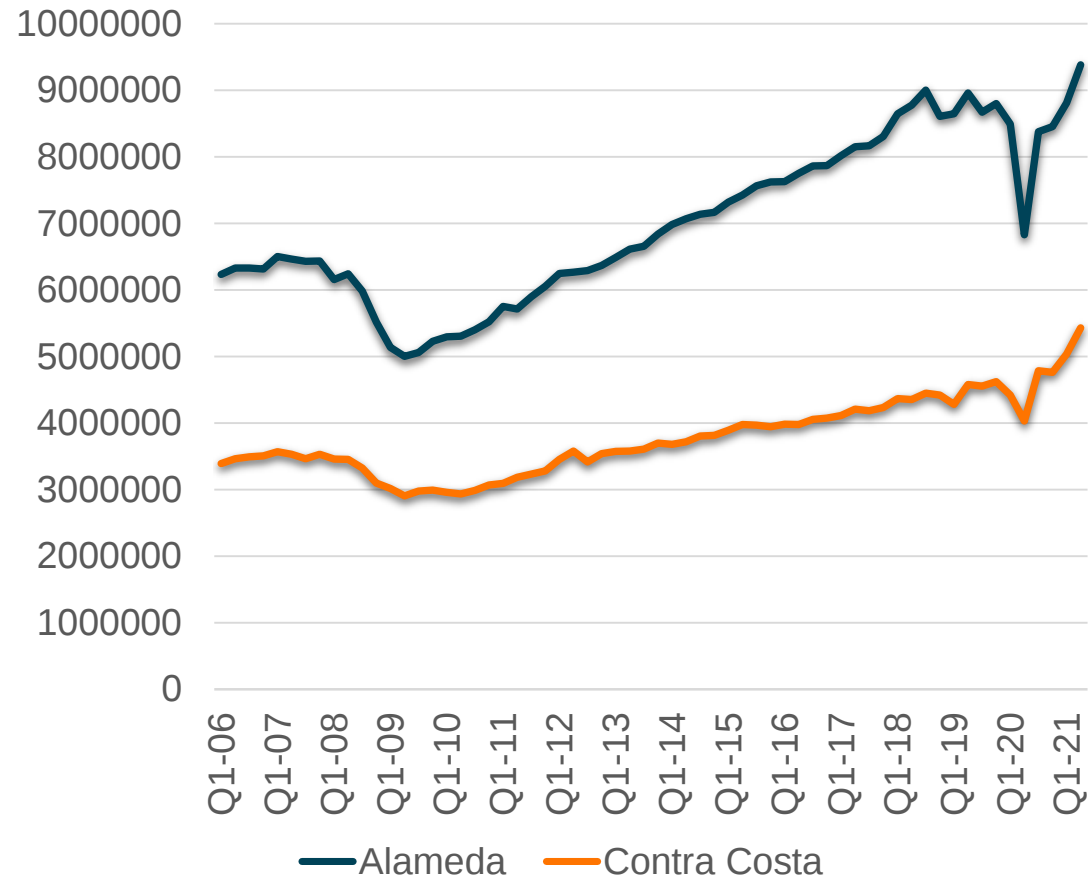
The Shipping Problems

- Domestic Industries
 - JIT Inventories
 - Bad forecasts in 2020
 - Excess demand by consumers
- Global production capacity
 - Slow shipping capacity growth in recent years
 - Small delays cascade where a lot of capacity is sitting idle waiting to get into port
- Foreign Suppliers
 - Worker outages
 - Rising input costs

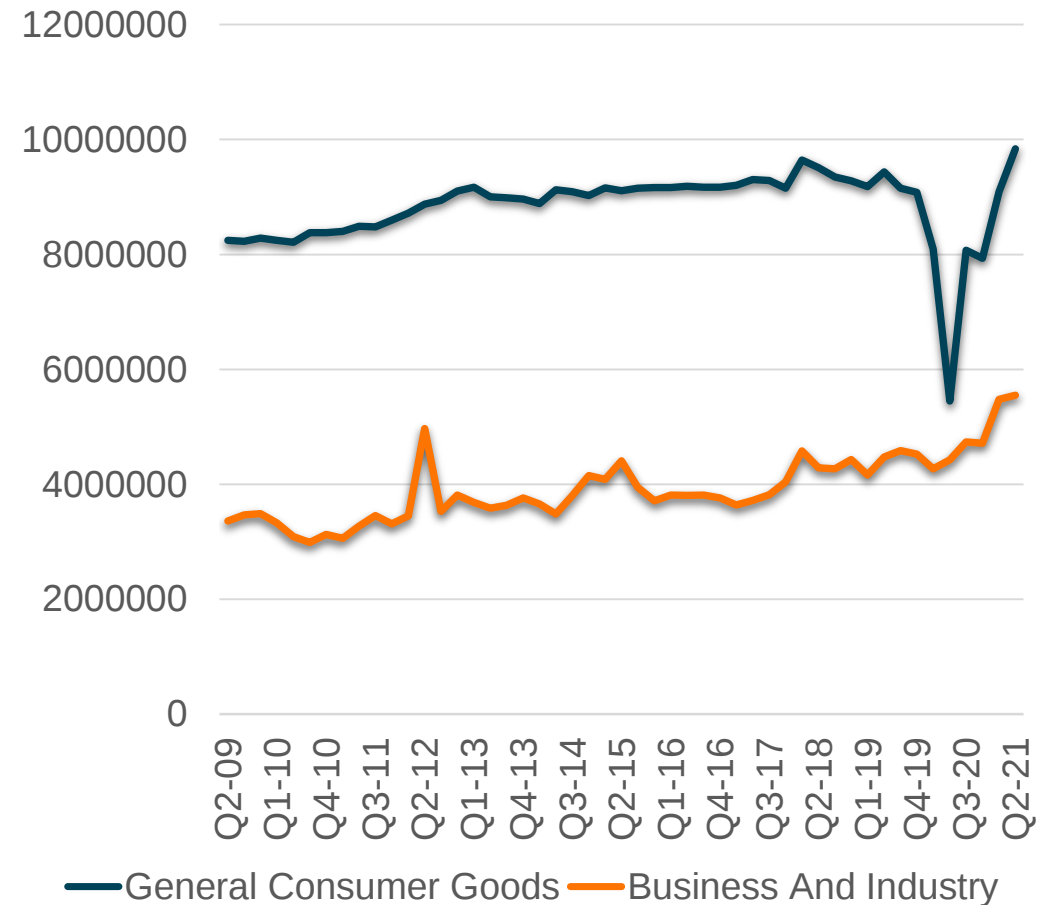


Local Sales

Taxable Sales



CCC Taxable Receipts (HdL)

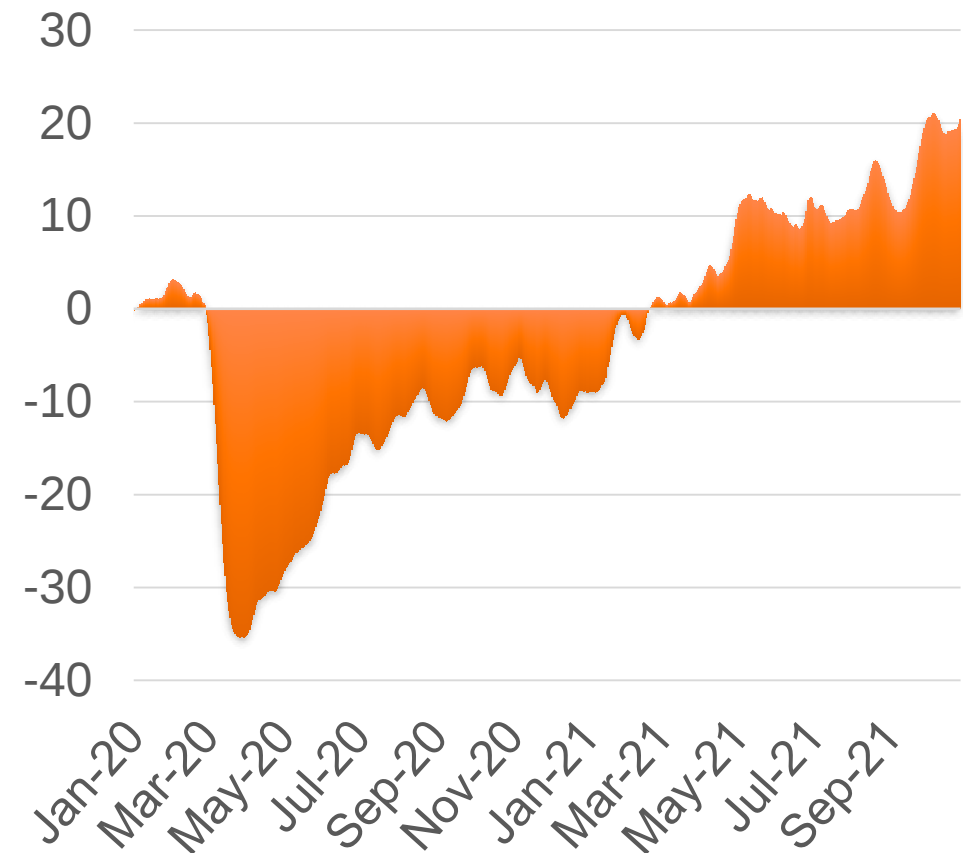


Business Activity



Category	CC 2021 to Q3 Sales Tax Receipts (\$, Mil)	2-Yr Growth (%)
Total	152.6	14.9
County & State Pool	33.1	49.9
Business and Industry	16.5	27.5
Building and Construction	14.8	22.8
Autos and Transportation	25.3	13.2
Food and Drugs	9.2	12.0
General Consumer Goods	26.4	2.7
Restaurants and Hotels	15.1	-5.0
Fuel and Service Stations	12.0	-8.9

CCC Consumer Spending Opportunity Insights

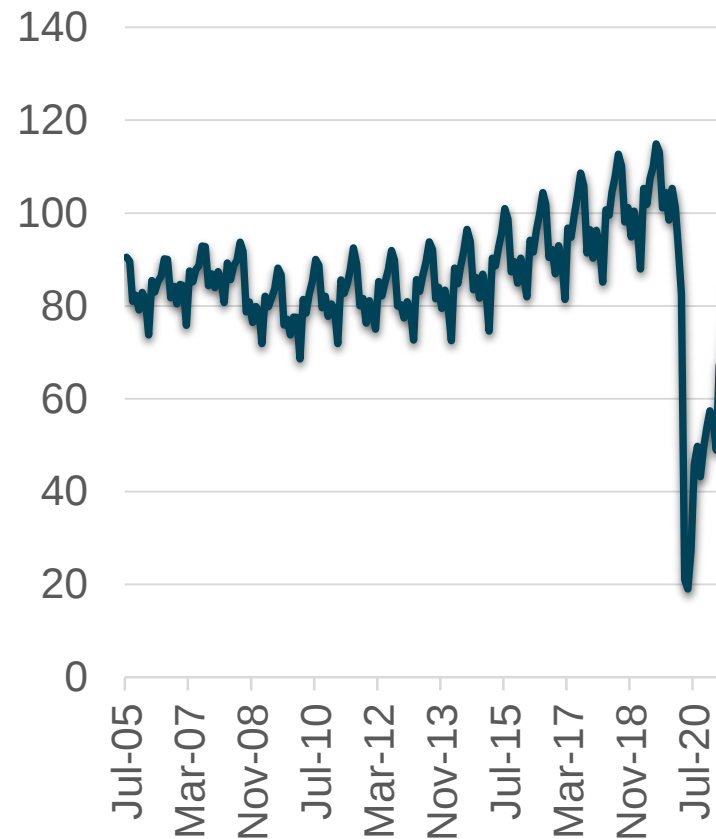


As for the service sector...

Real Consumer Spending Services Q4 19 to Q3 21

Financial insurance	878.6	3.3%
Housing utilities	2149.8	1.8%
Food accommodations	850.9	-0.4%
Other services	1120.6	-1.1%
Health care	2224.1	-1.7%
Transportation services	399.8	-13.4%
Recreation services	420.4	-17.6%

Available Passenger Seat Miles

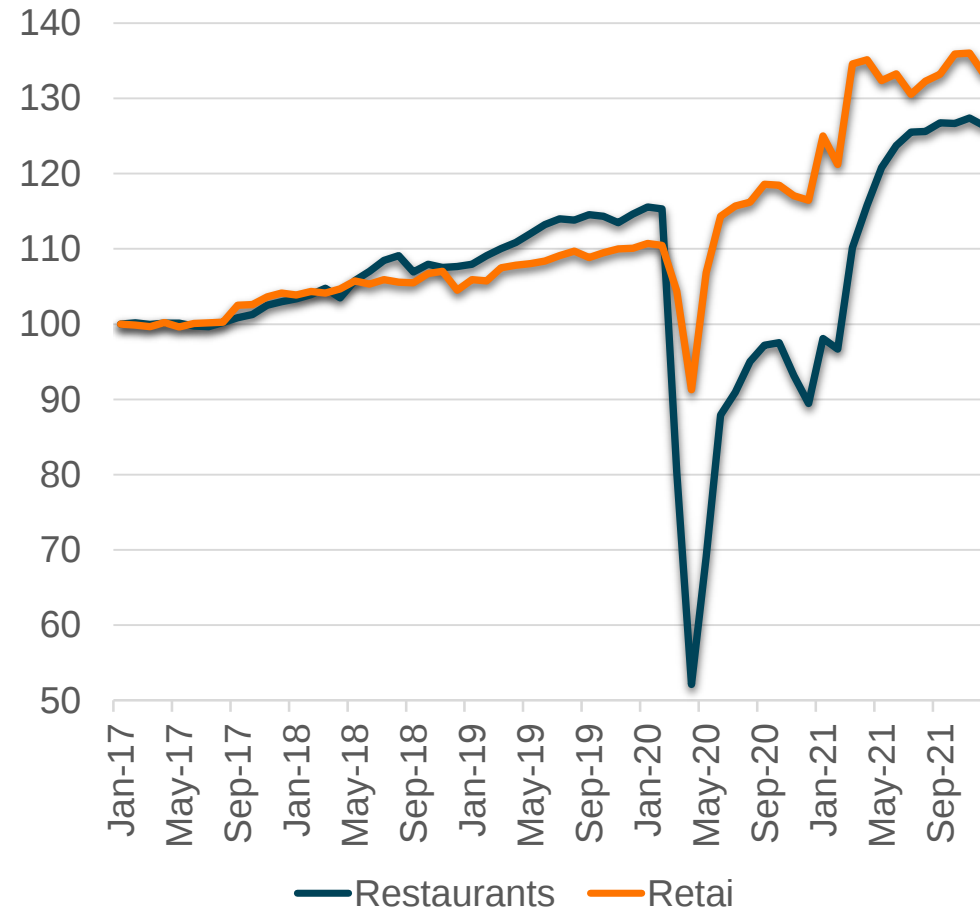


Hotel Statistics

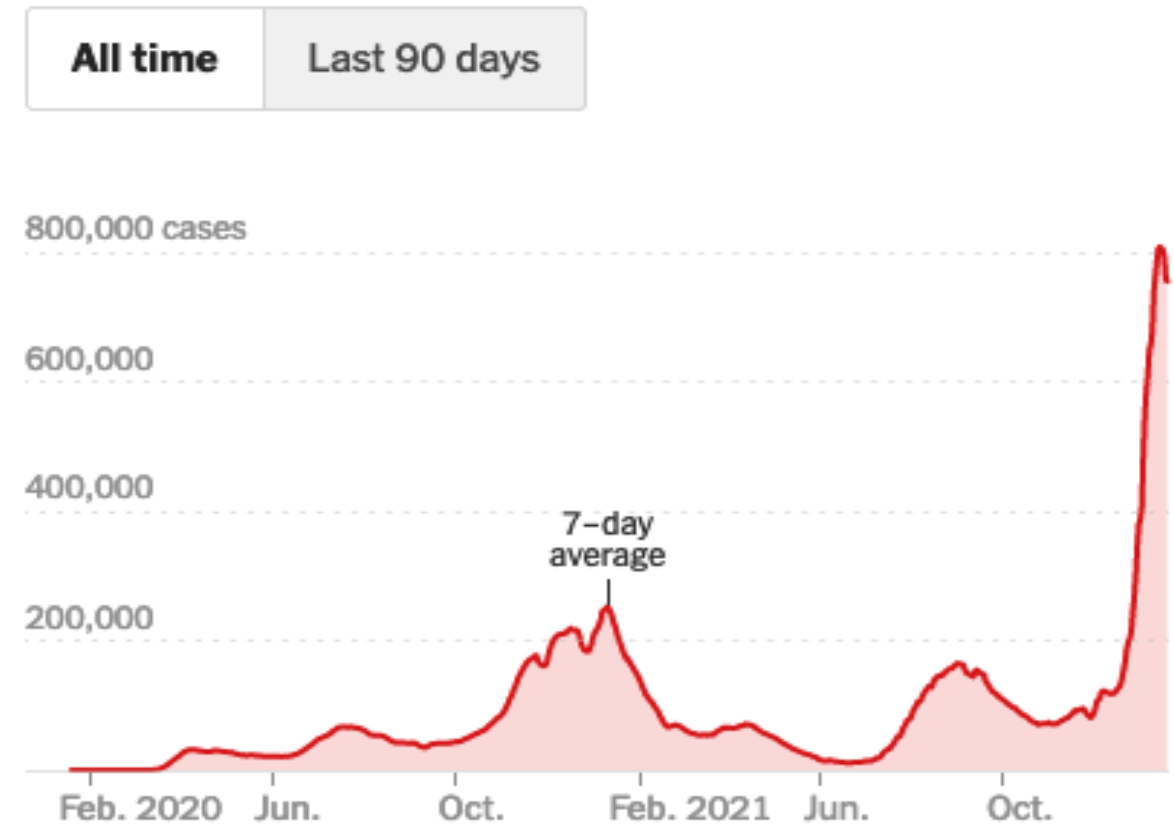
	2021 Rev	% Chg
California	16,796	49.2
Central Coast	2,017	72.7
Central Valley	1,012	38.5
Deserts	726	60.8
Los Angeles	3,670	53.6
Orange County	1,791	70.6
San Diego	2,162	68.8
SF Bay Area	2,724	19.0

Omicron?

Consumer Spending (Retail Sales)

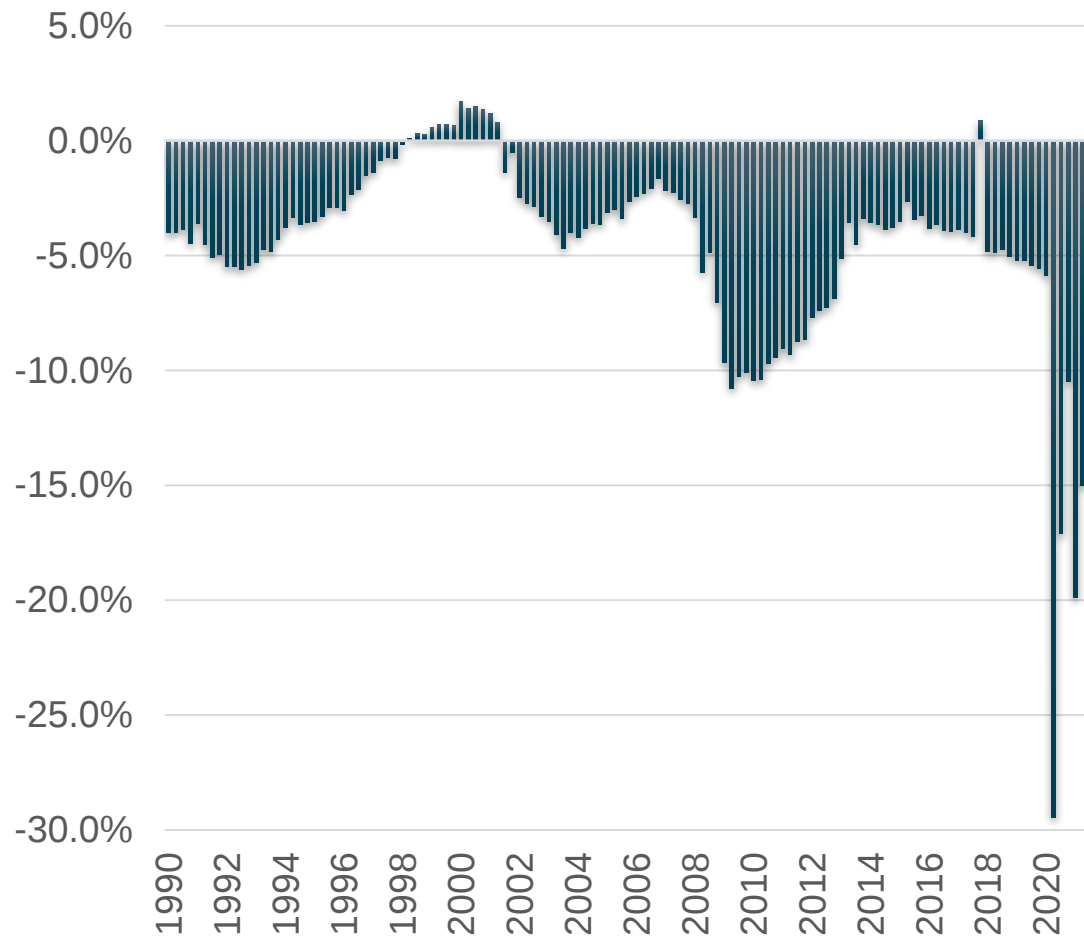


New reported cases

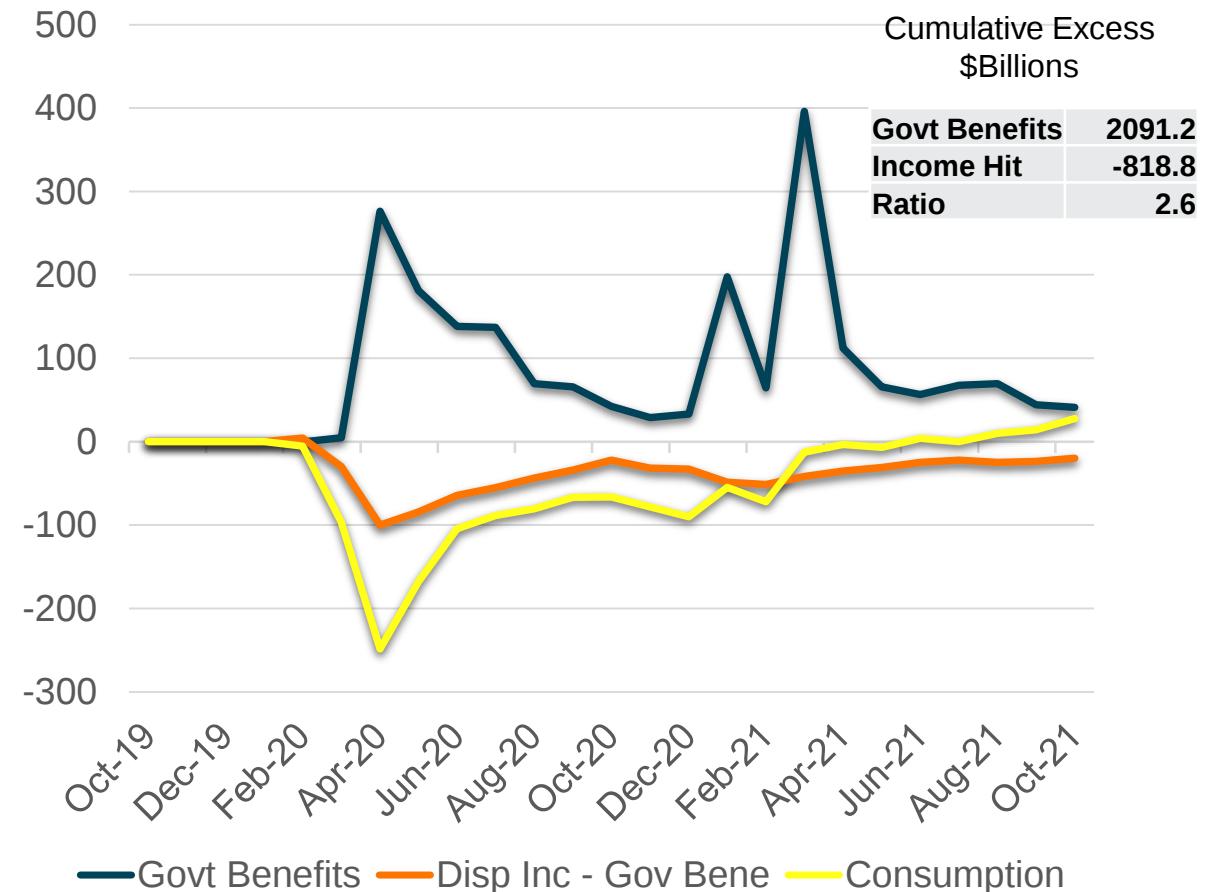


Federal Fiscal (Over)reaction

Net Federal Borrowing as % GDP

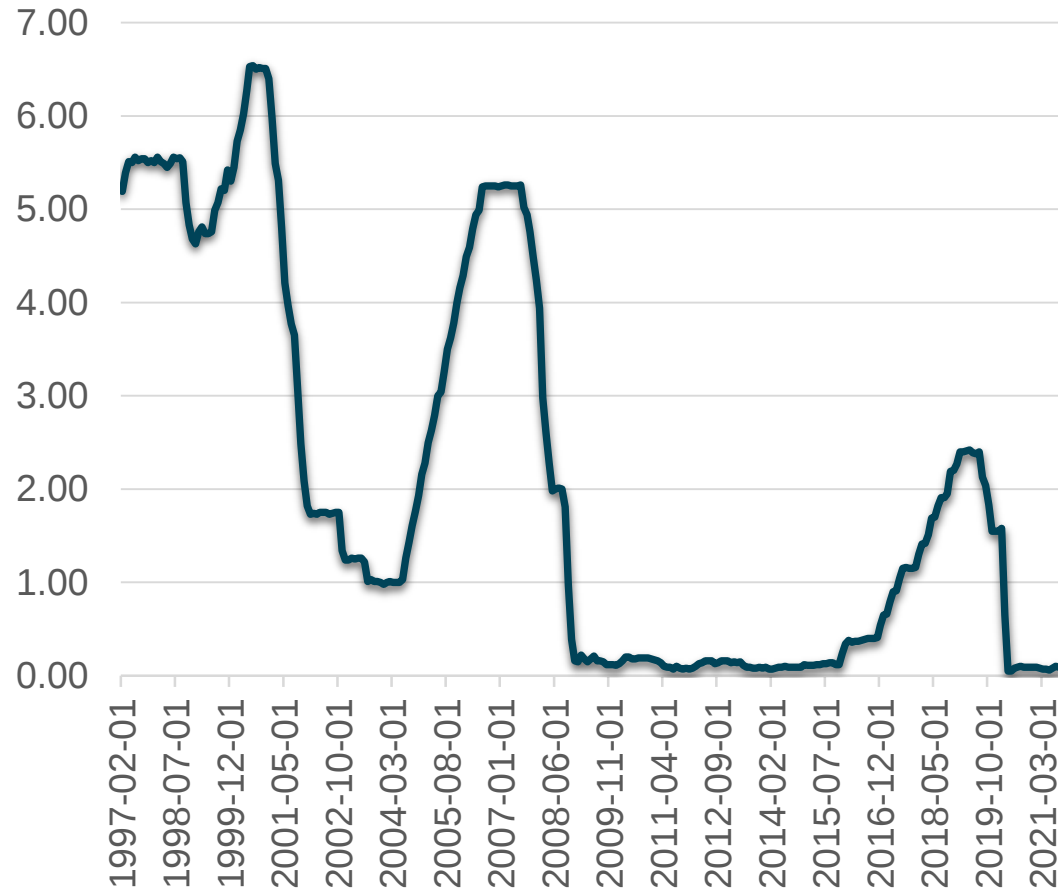


Levels of Personal Income Relative to Pre-Pandemic Trends

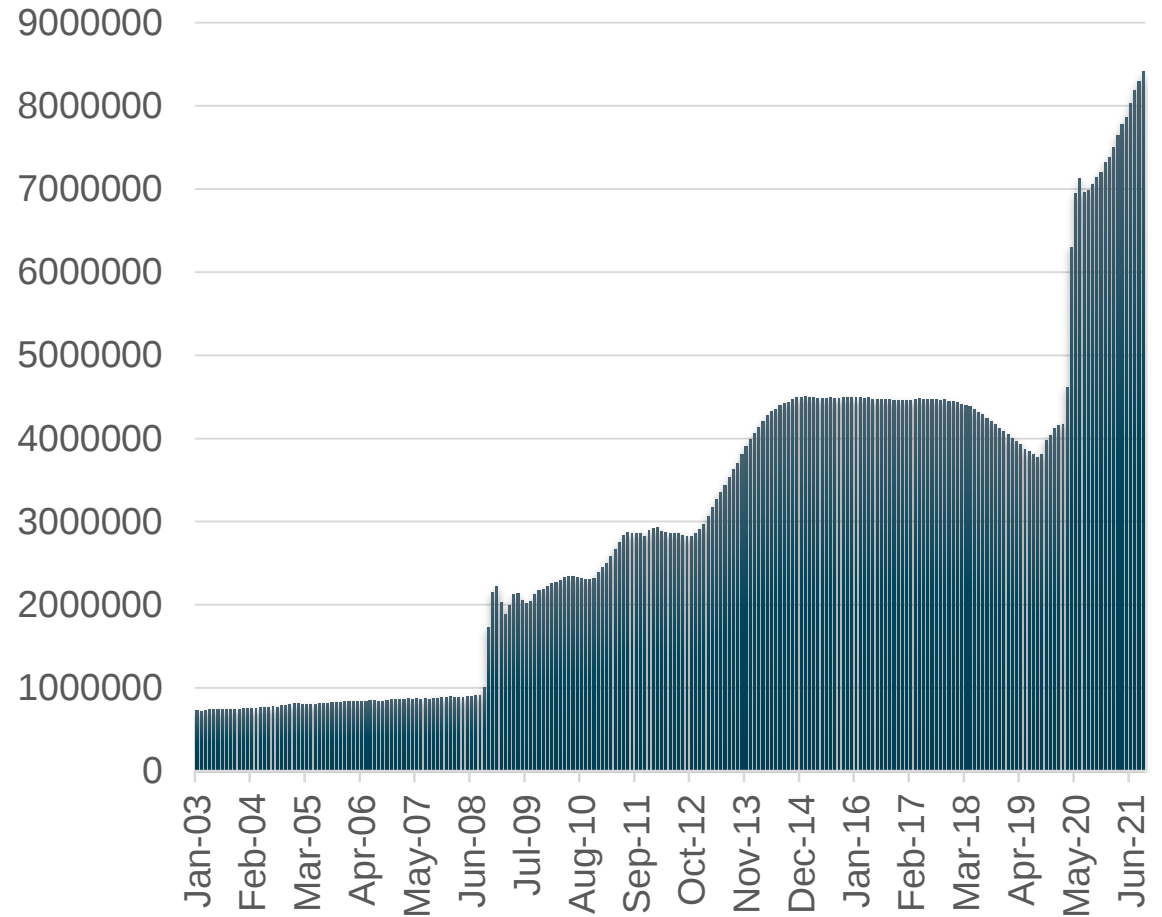


Fed Policy

Federal Funds Rate

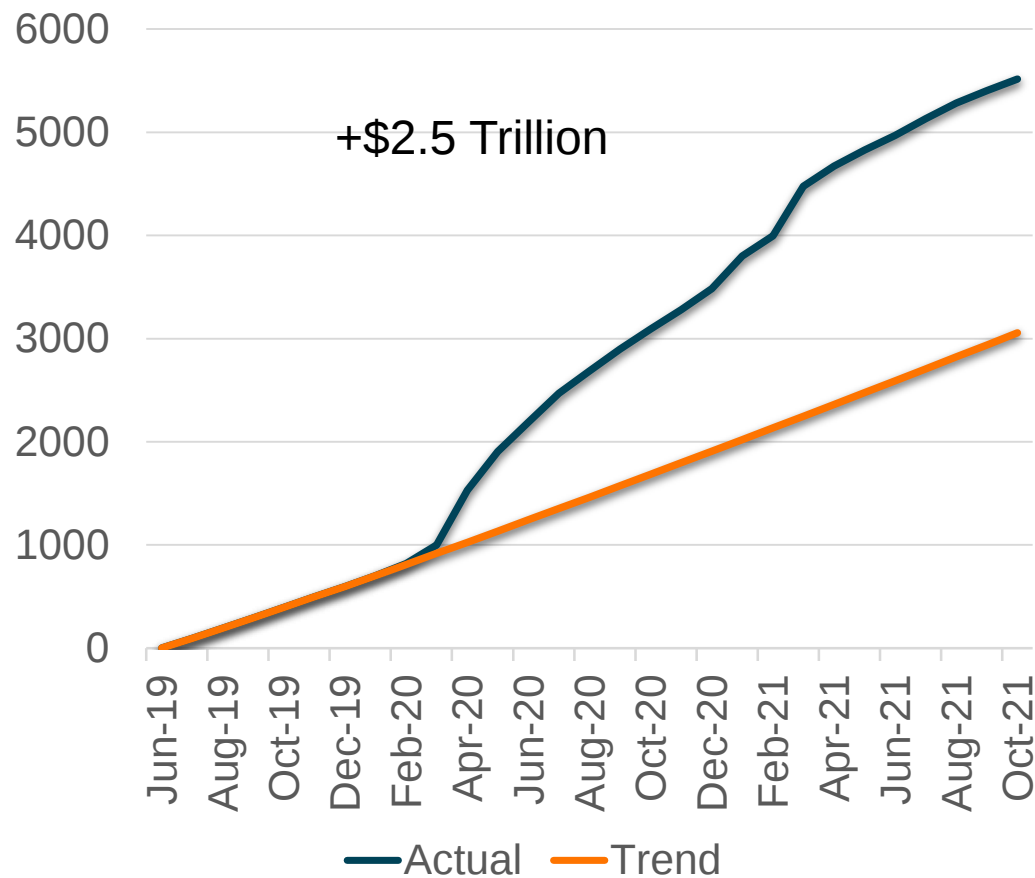


Federal Reserve Balance Sheet

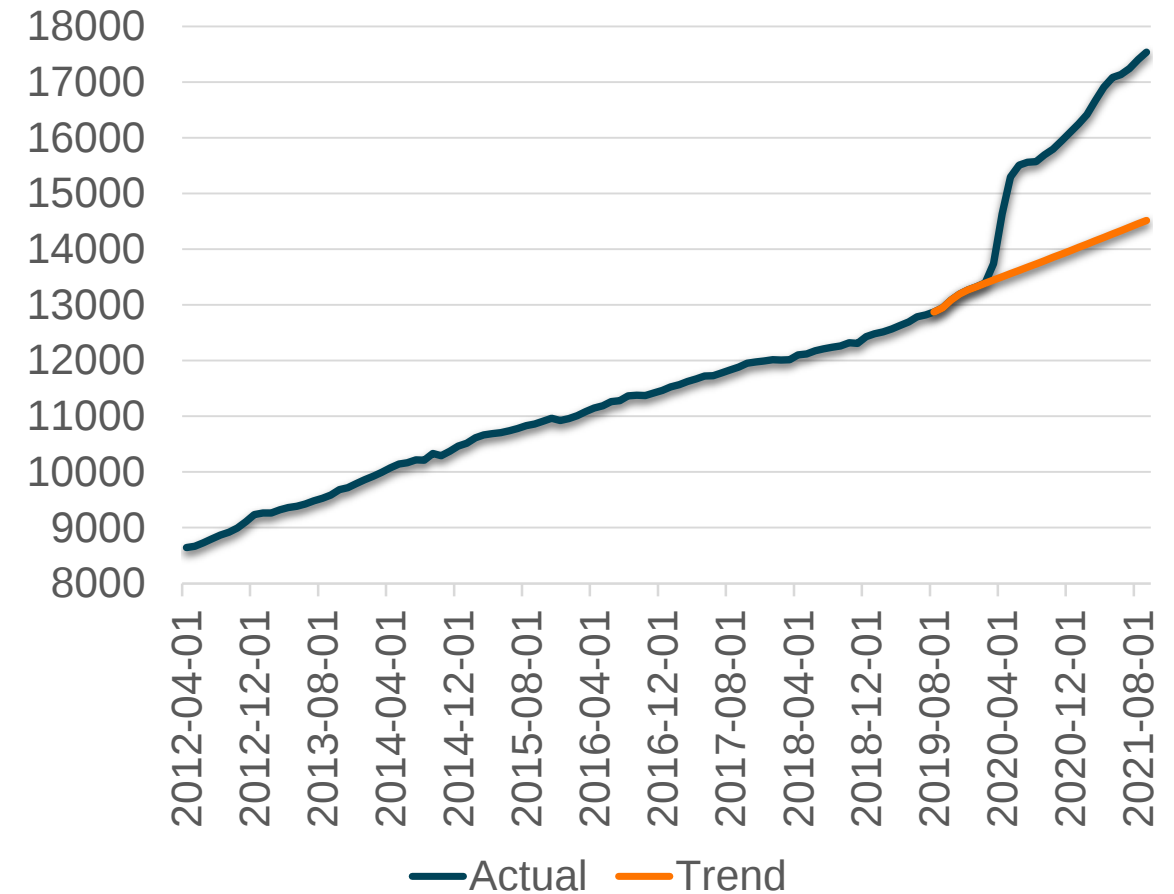


The Covid boondoggle

Cumulative Personal Savings



Commercial Bank Deposits 9\$Bil)



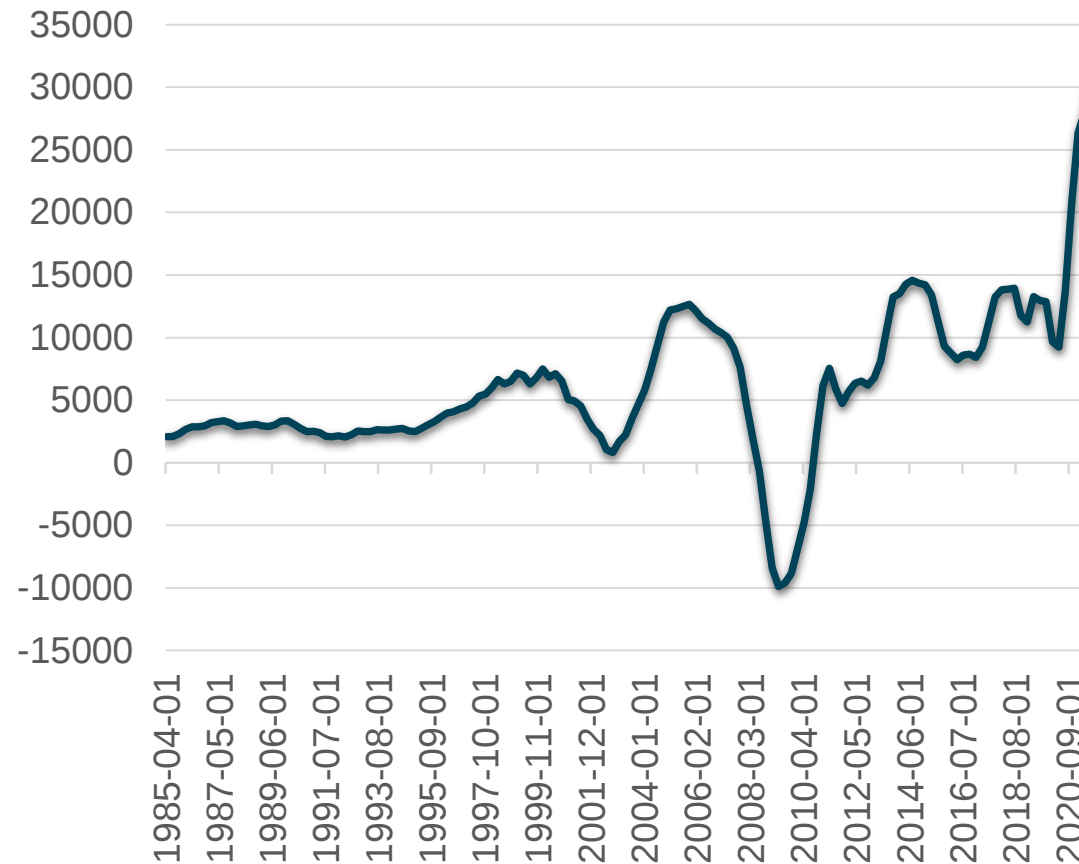
Speculation Planet



Credit and Wealth



2 Year Change Household Net Worth (\$Bil)



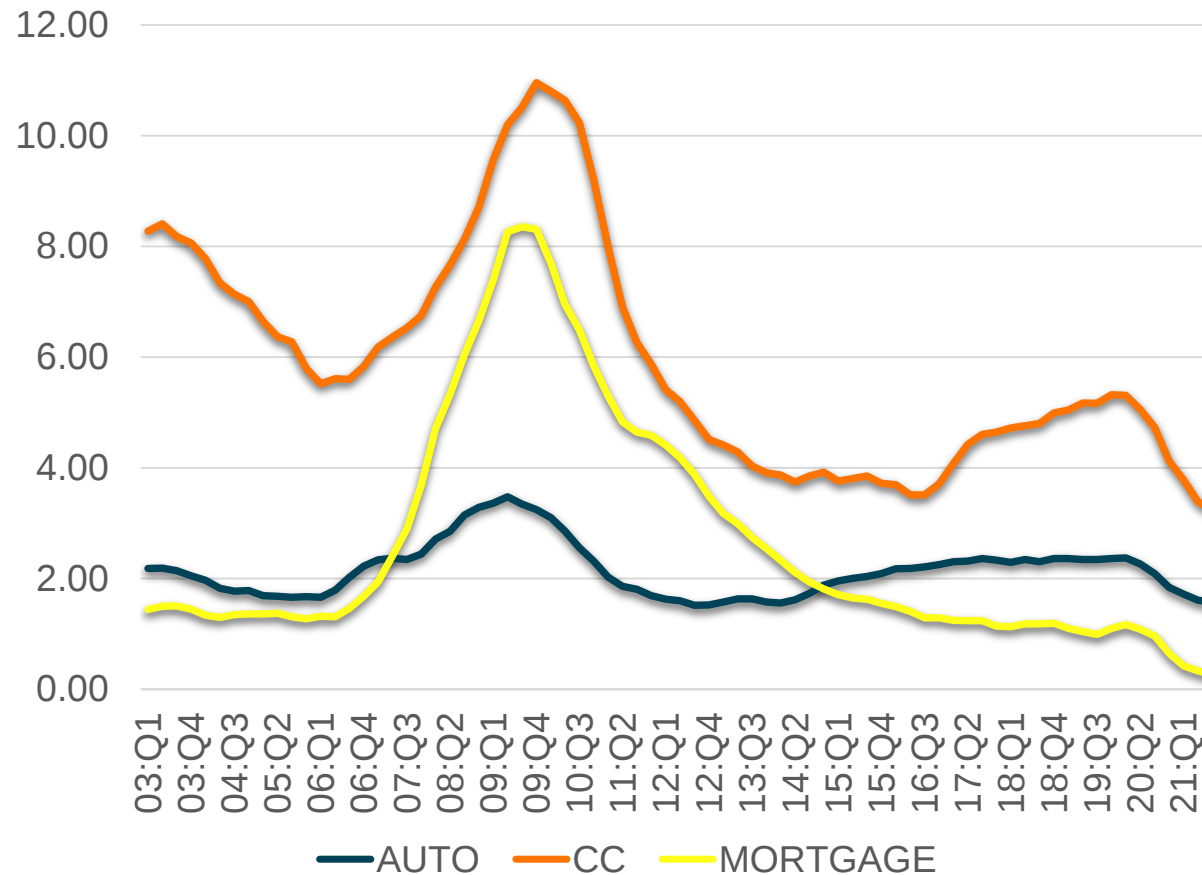
US Financial Obligations Ratio



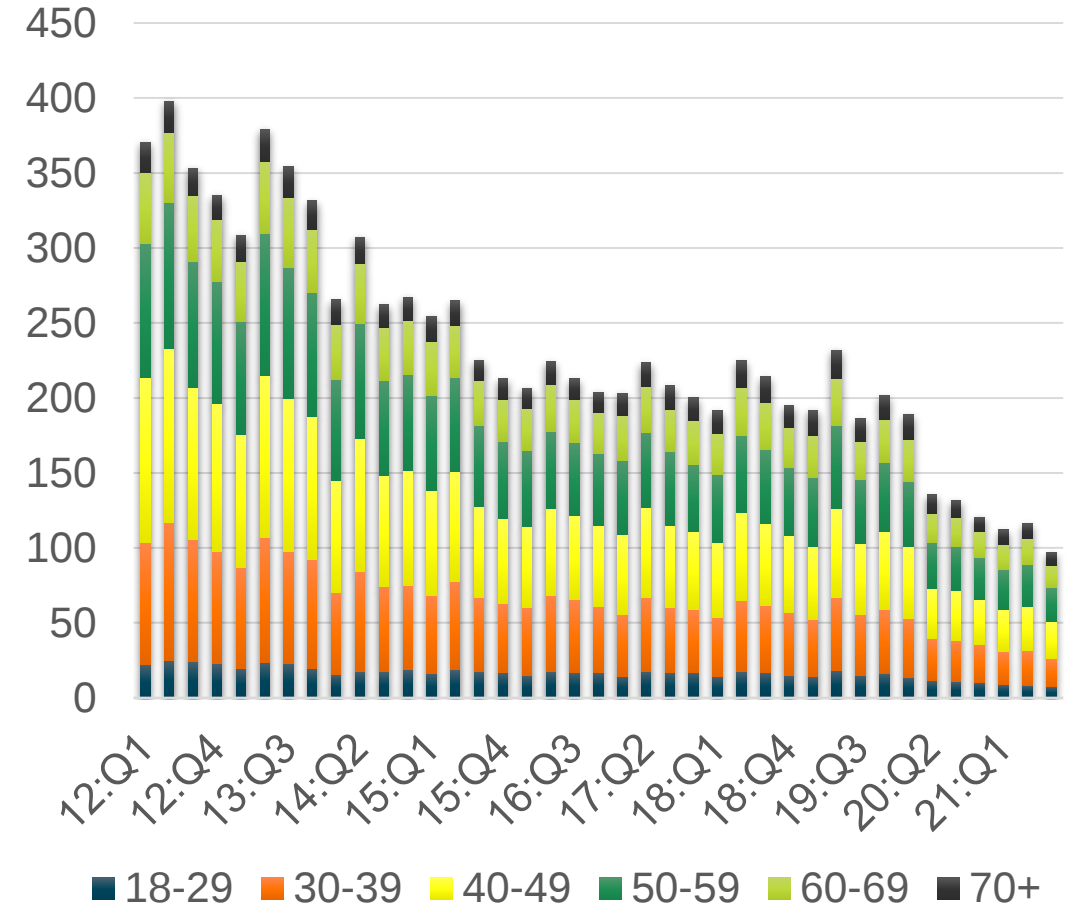
Hardly a surprise...



Share of Consumer Debt Serious Delinquency (90day+)



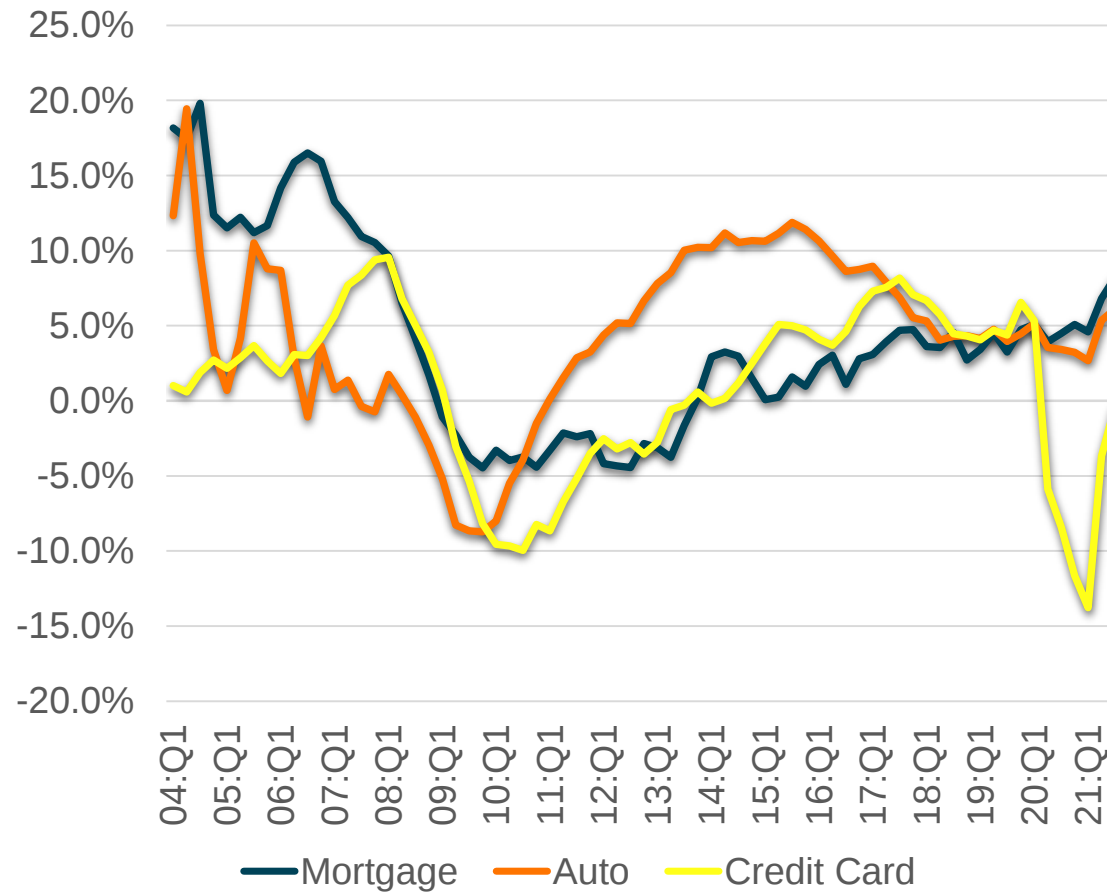
New Personal Bankruptcies



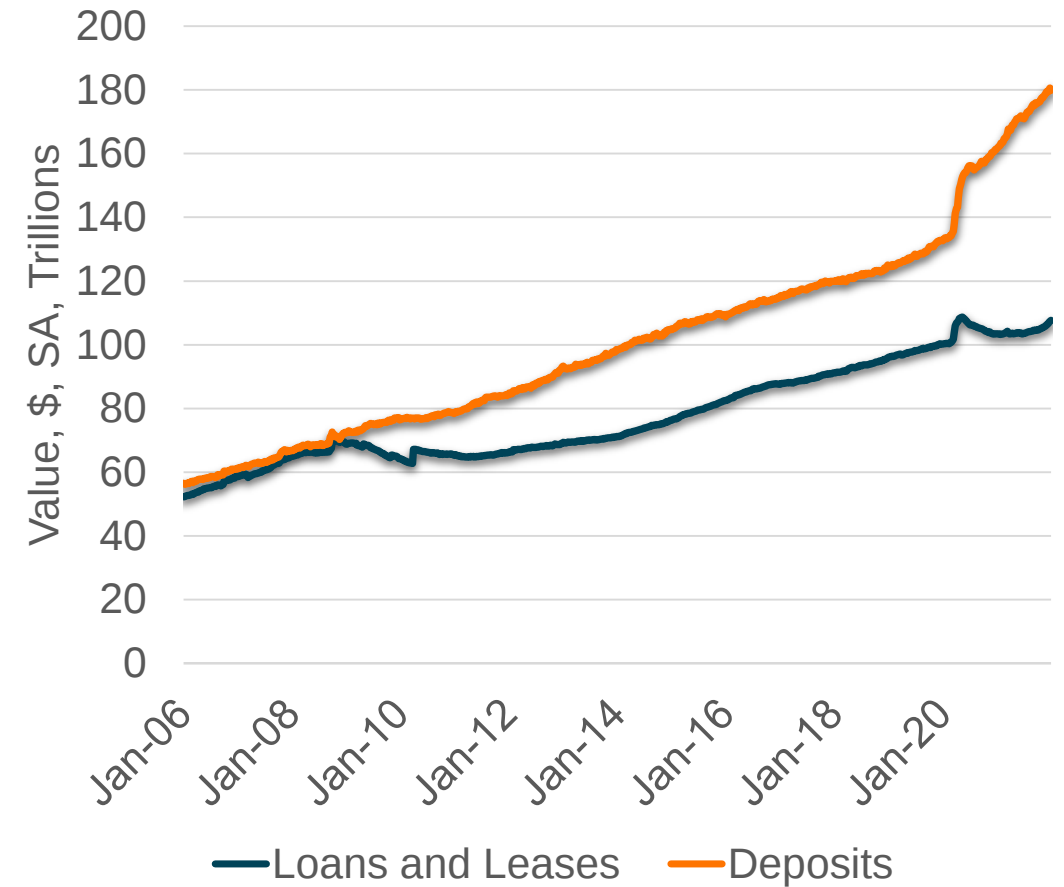
Credit Markets



Consumer Debt Growth
(NY Fed Consumer Credit Panel)

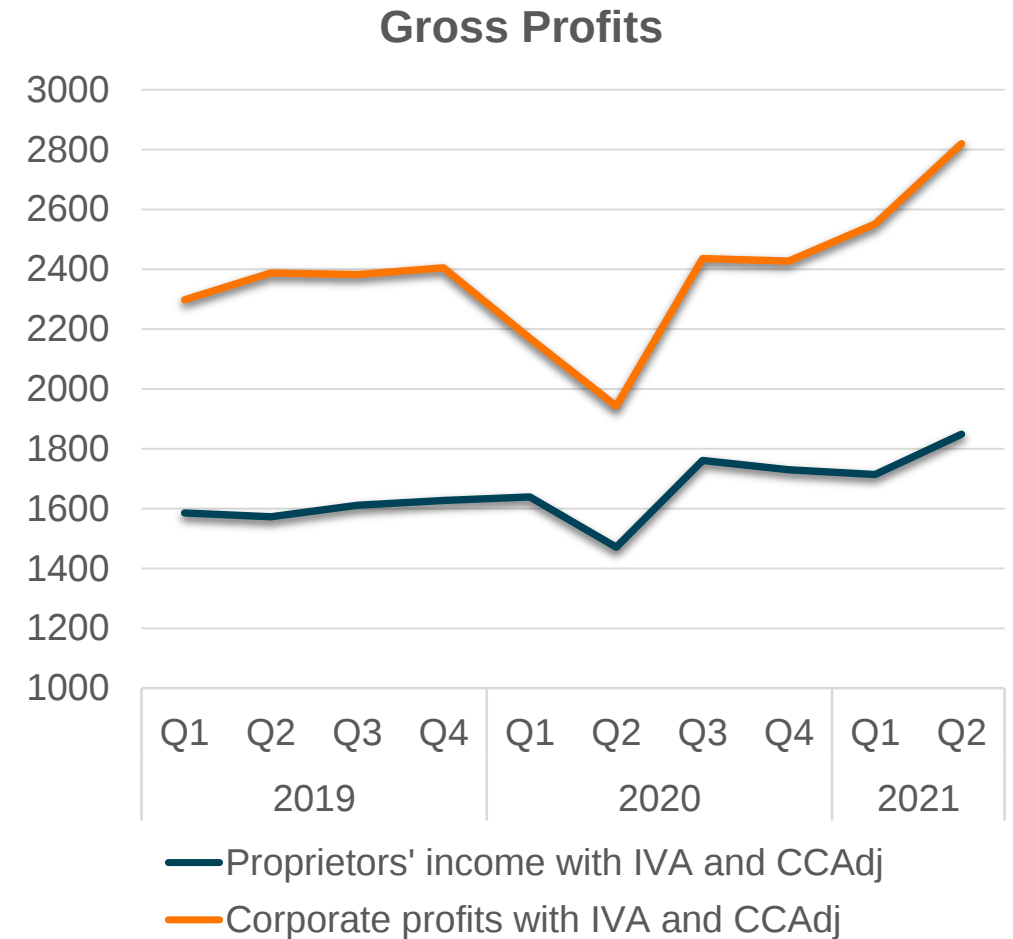


Bank Assets and Deposits

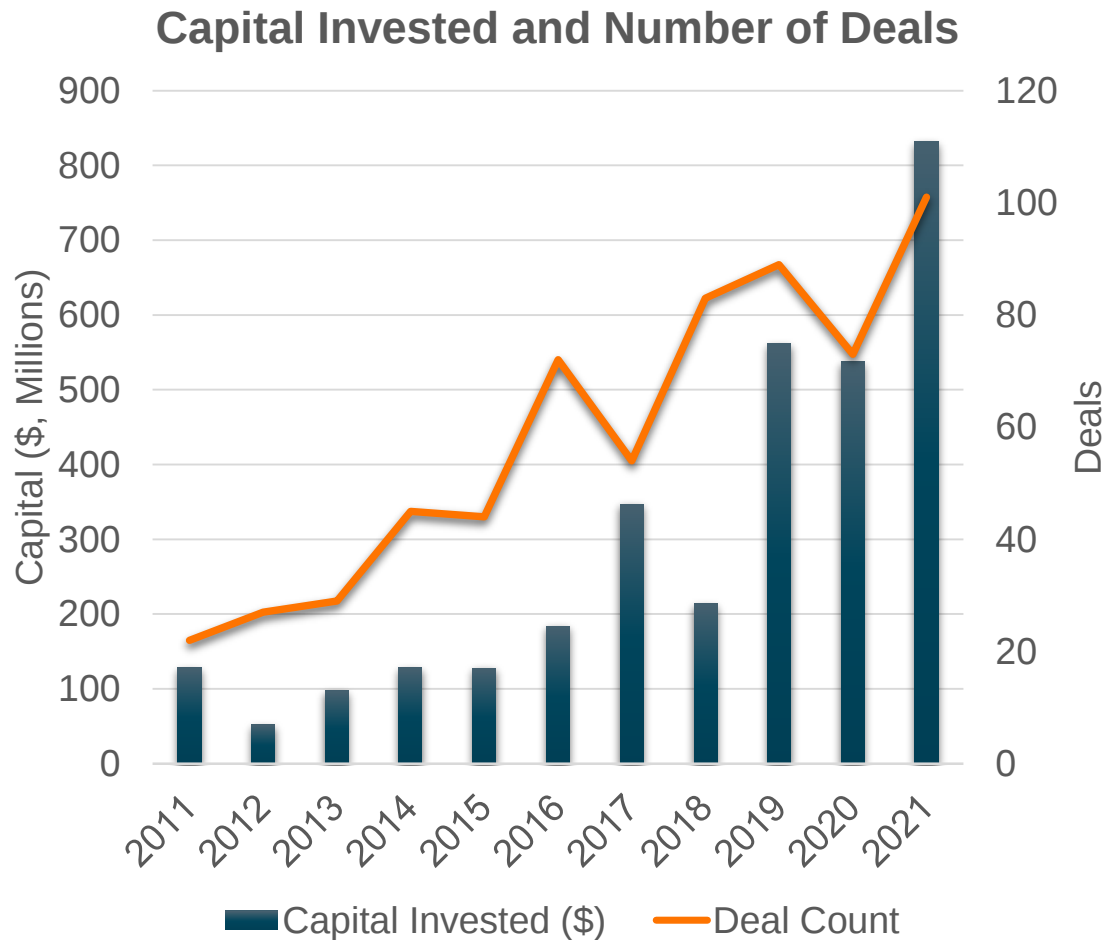


Profits and Investments

	2019	2021	
	Q4	Q3	
Private fixed investment	3439.9	3586.1	4.3%
Software	483.8	586.5	21.2%
Information processing eq	490.8	579.3	18.0%
Industrial equipment	235.8	268	13.7%
Residential	612.2	694.2	13.4%
Research and development	463.4	504.3	8.8%
Other equipment	243.1	263.3	8.3%
Entertainment, literary	86	82.4	-4.2%
Commercial and health care	173.8	151.9	-12.6%
Manufacturing	61.8	53.4	-13.6%
Mining exploration	110.4	87.9	-20.4%
Transportation equipment	282.7	224.3	-20.7%
Power and communication	126.8	92	-27.4%
Other structures	101.4	70	-31.0%



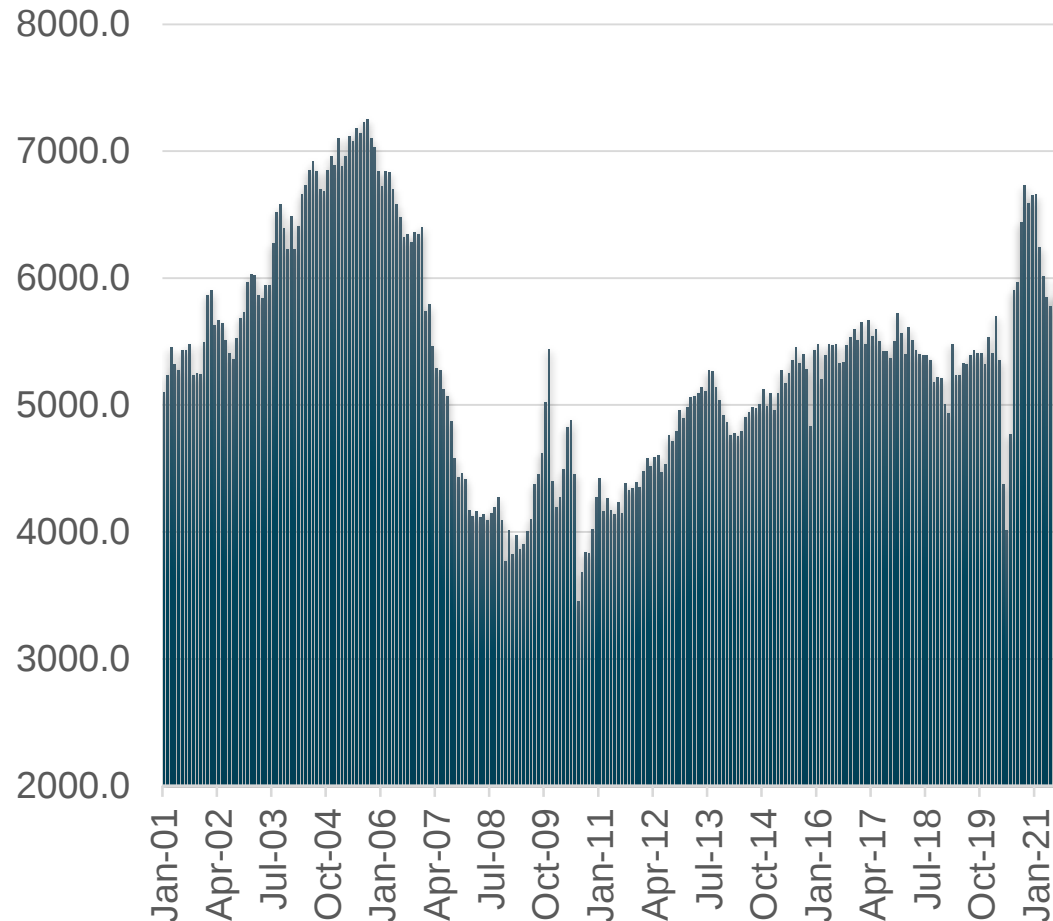
Venture Capital – Contra Costa County



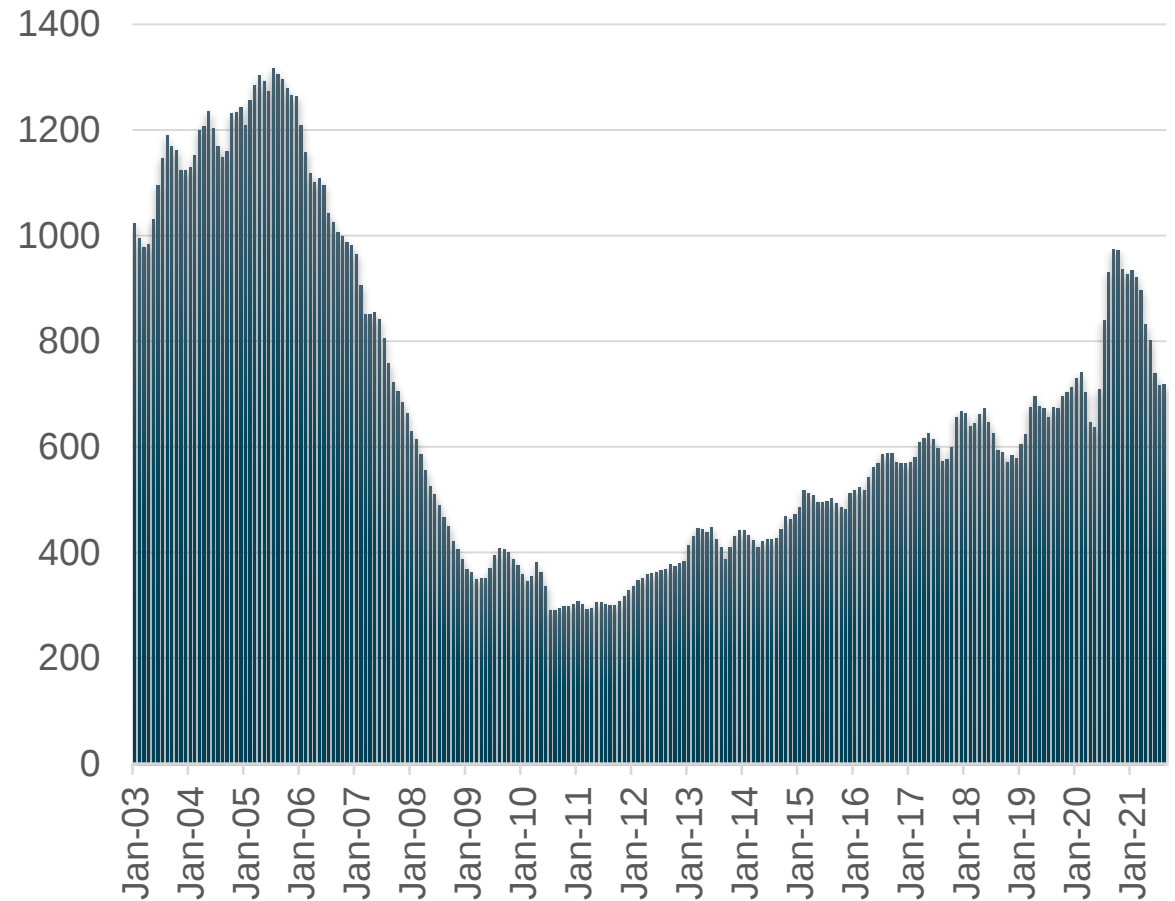
Company (Contra Costa HQ)	Deal Size (\$, Mil.)	Industry Code
Dialpad	170	Information Technology
Dialpad	125	Information Technology
BioAge	90	Healthcare
YapStone	71	Information Technology
TrustArc	70	Information Technology
Monarch Tractor	61	Business P&S (B2B)
Reputation	53	Information Technology
Dialpad	50	Information Technology
YapStone	50	Information Technology
Volansi	49	Business P&S (B2B)
DayTwo	48	Consumer P&S (B2C)

Housing – U.S.

Existing Home Sales

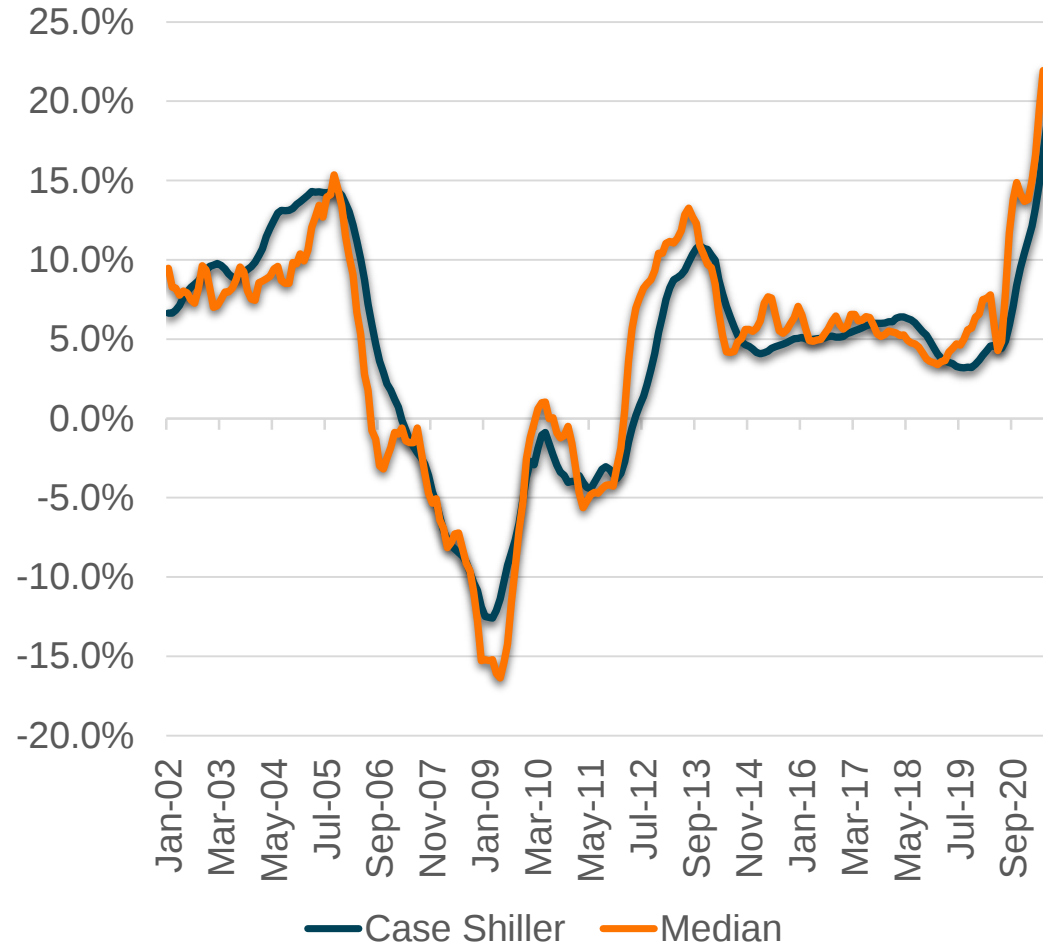


New Home Sales



Housing – U.S.

HPA: YoY Growth

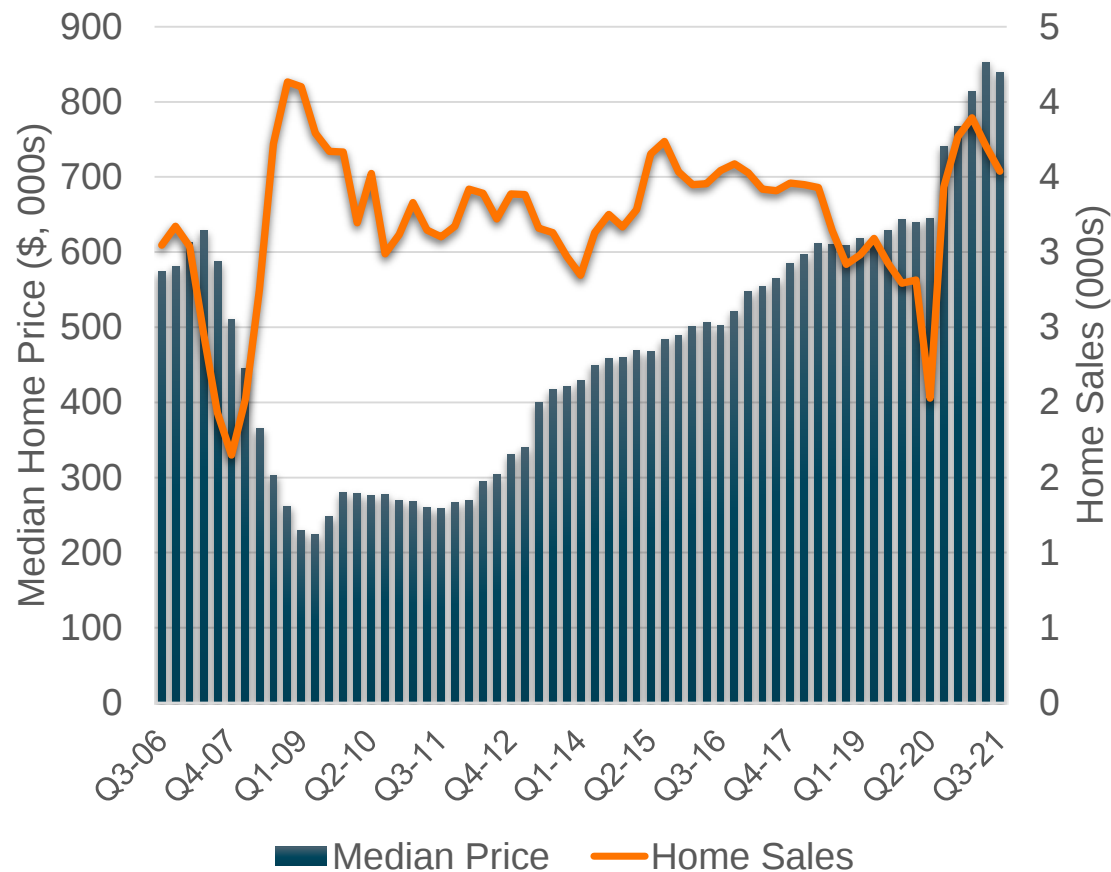


	18-19	19-20	20-21
Phoenix	5.8%	9.2%	28.3%
San Diego	2.0%	5.5%	26.0%
Seattle	-0.6%	7.0%	24.1%
Dallas	2.8%	3.3%	20.7%
Tampa	4.6%	5.9%	20.7%
San Francisco	0.2%	2.8%	20.4%
Miami	2.7%	4.1%	19.4%
Las Vegas	4.7%	3.4%	19.3%
Denver	3.1%	4.4%	18.9%
Charlotte	4.6%	6.0%	18.0%
Portland	2.5%	5.1%	18.0%
Los Angeles	1.2%	5.4%	17.2%
New York	1.2%	2.3%	16.7%
Atlanta	4.2%	4.9%	15.8%
Cleveland	3.2%	5.4%	15.1%
DC	2.7%	4.4%	15.0%
Chicago	1.8%	1.3%	12.5%

Housing Market



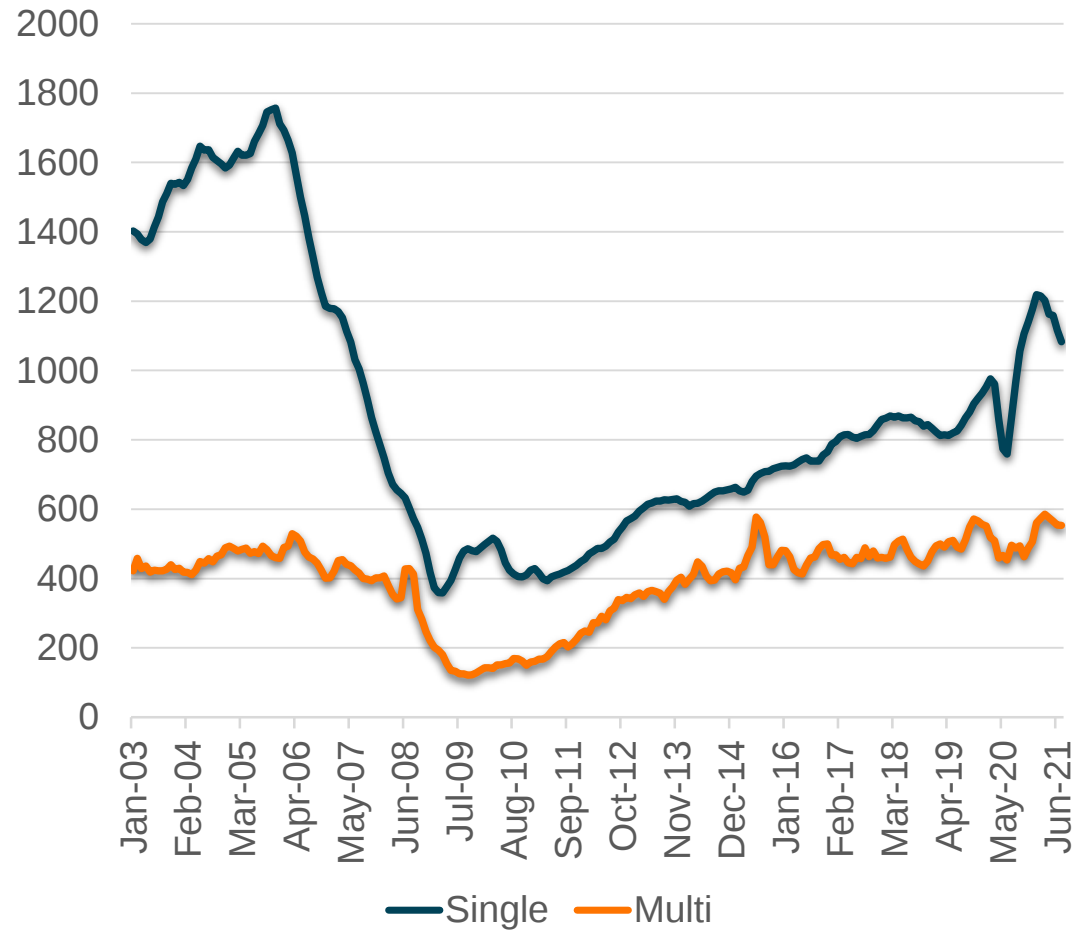
Contra Costa Home Prices and Sales



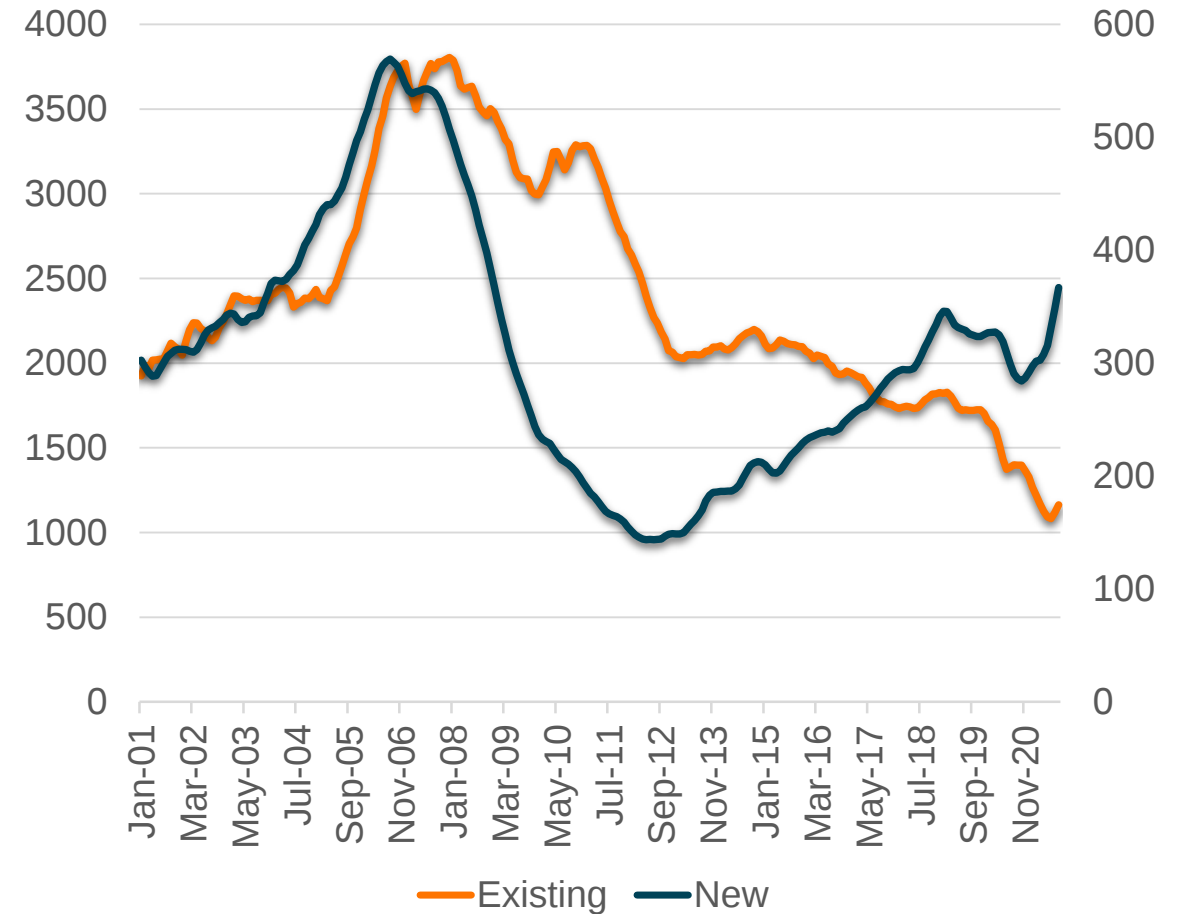
County	Median Prices		Home Sales	
	Q3-21 (\$)	2-Yr % Gr	Q3-21	2-Yr % Gr
Alameda	1,161,573	35.5	3,710	33.3
Contra Costa	839,606	33.4	3,538	20.9
Ventura	792,901	24.7	2,111	16.9
Monterey	773,374	23.6	838	22.6
San Francisco	1,723,741	14.3	868	39.2

Construction Activity

Residential Permits

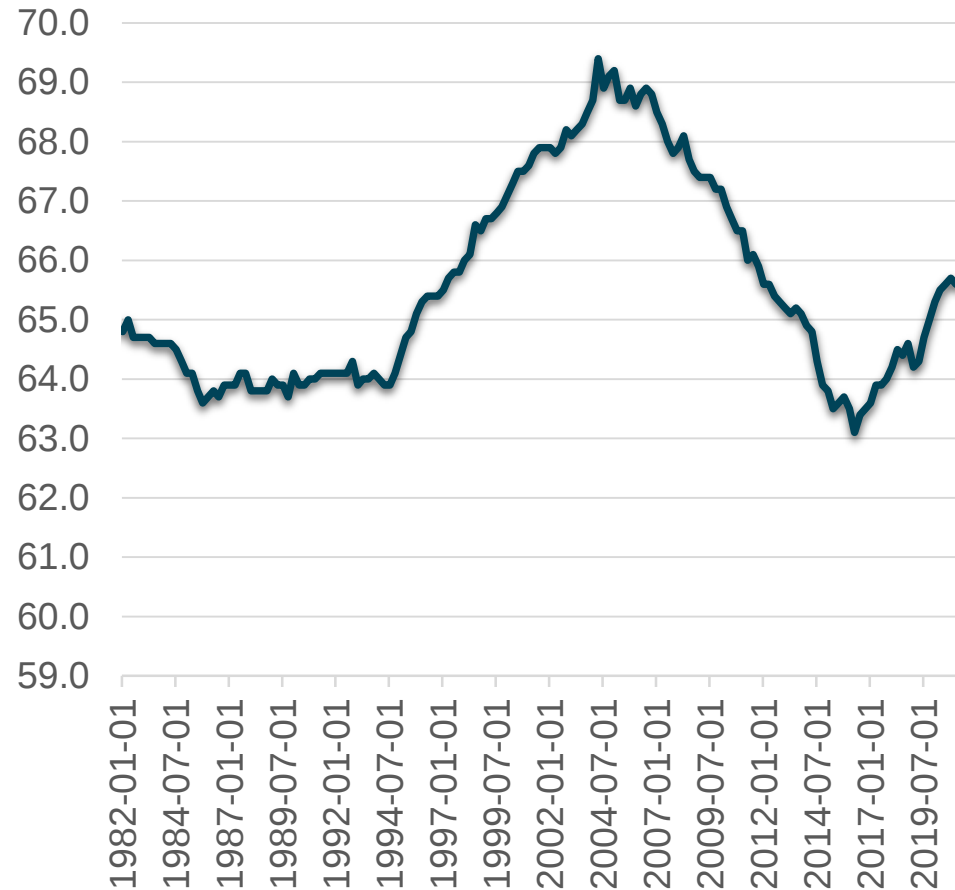


Inventory of Homes for Sale



Long Run Drivers

Homeownership Rate

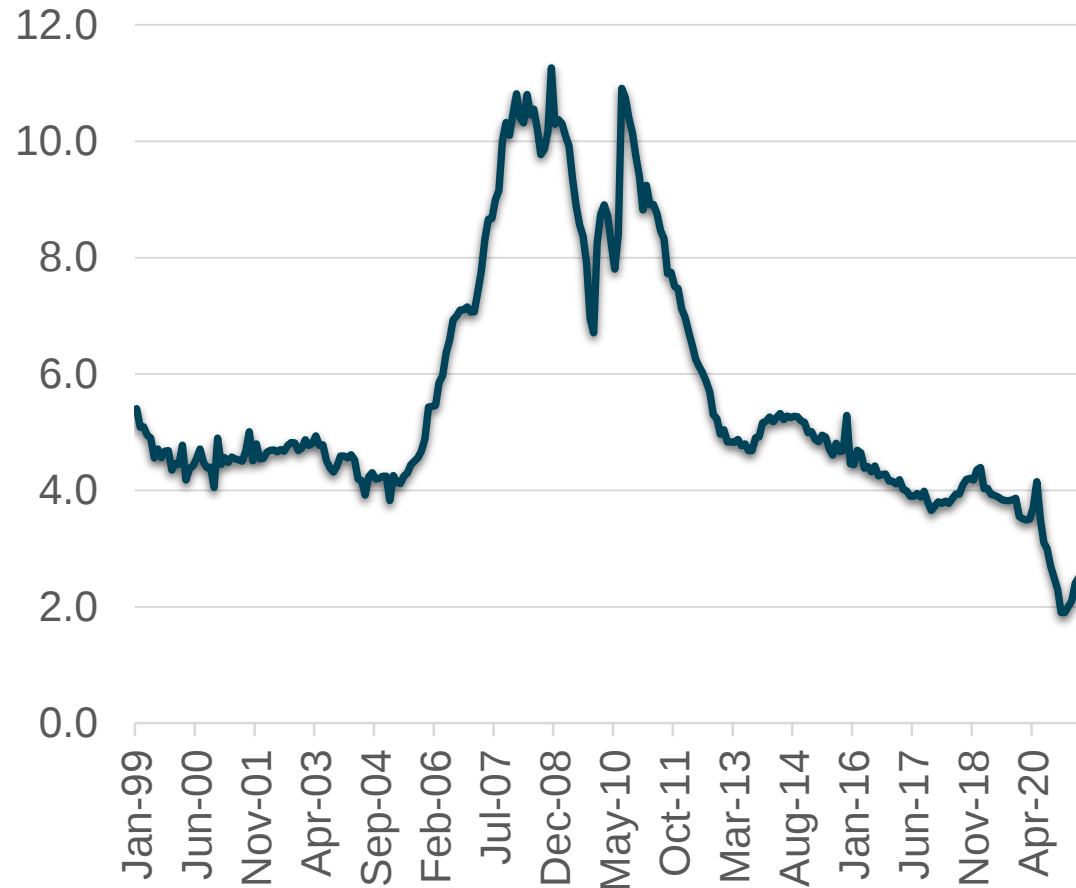


Tenure and SF Rentals
2013-2019

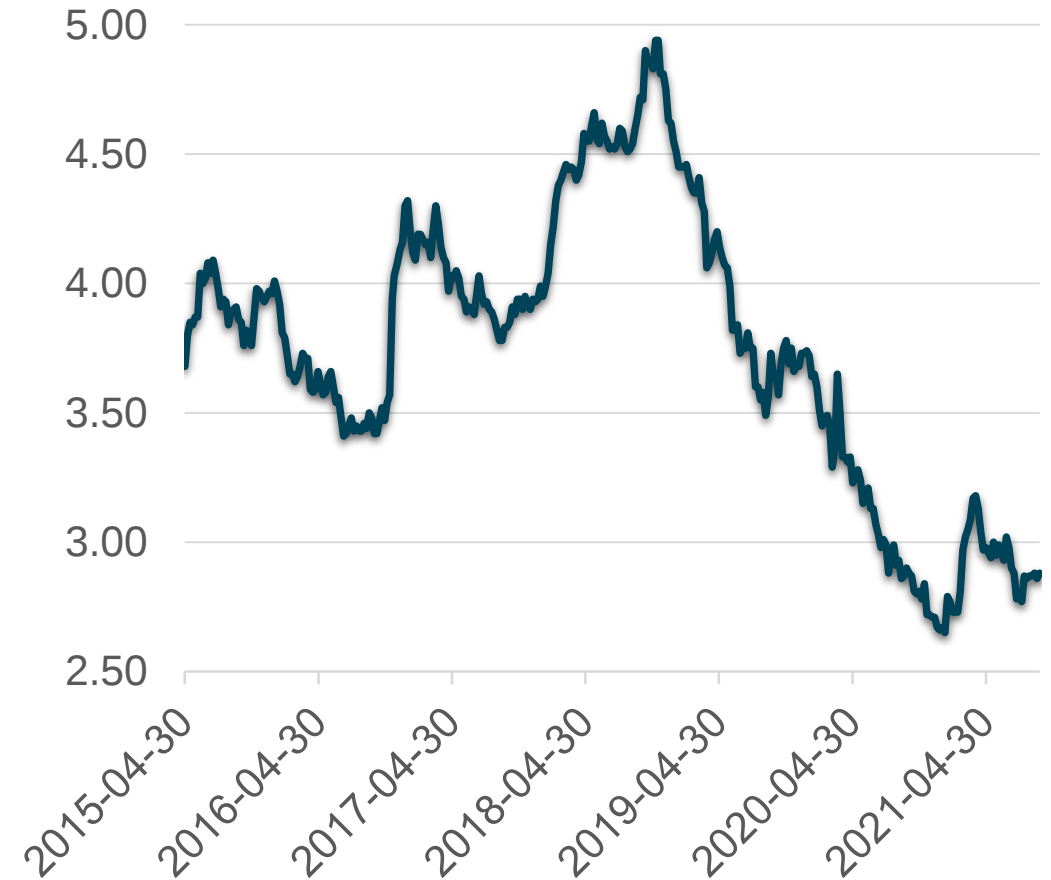
	Change SF Owner	Percent	Change SF Rental	Percent
United States	4,113,819	6.8%	-466,986	-3.8%
Arizona	203,875	16.7%	-48,619	-13.5%
California	303,949	5.4%	-120,034	-6.7%
Nevada	86,904	19.0%	-12,025	-7.0%
Washington	176,054	12.8%	-19,632	-6.5%

Drivers of the Boom

Months Supply of Existing Homes



Mortgage Rates (30 Yr Fixed)



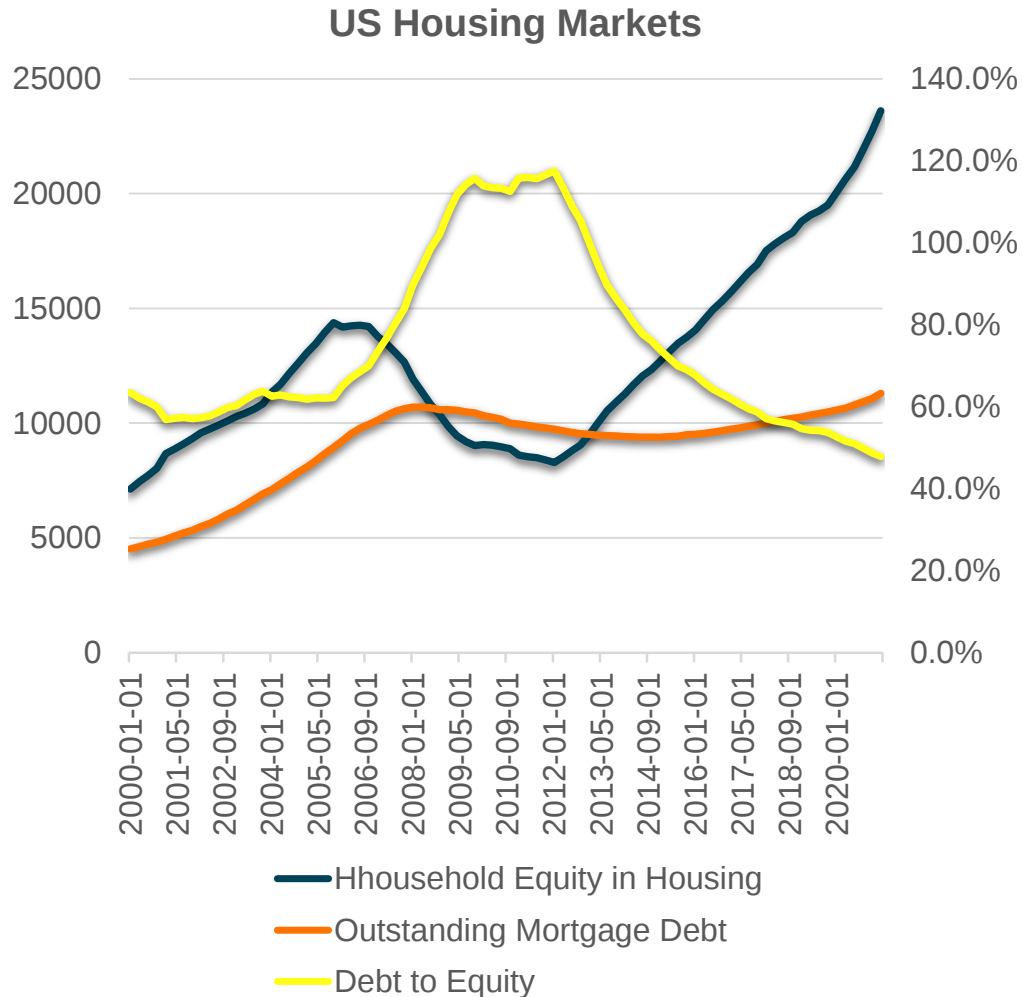
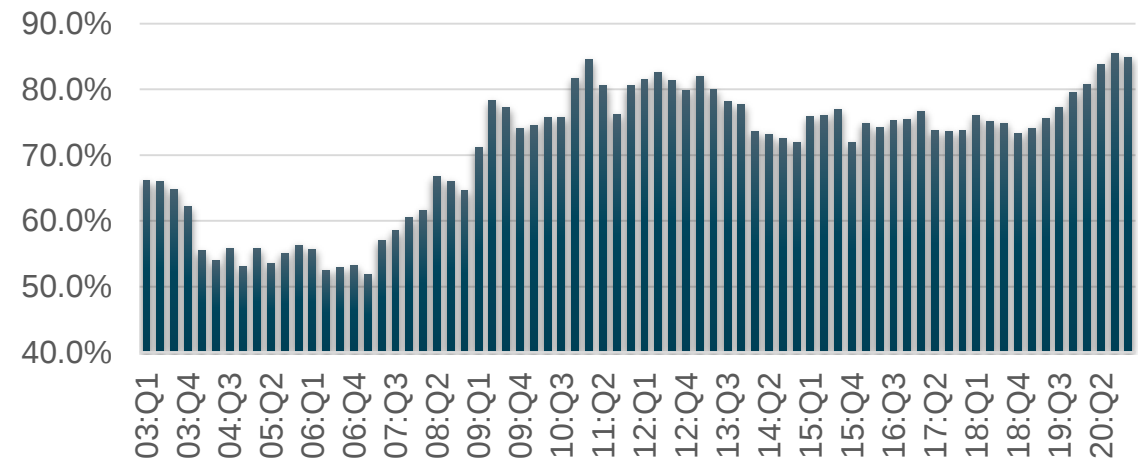
Bubble Alert? Not yet...



Share Owners Housing Cost Constrained

		2011	2019
		35.0 percent or more	
US	49,049,732	28.1%	19.9%
Arizona	1,023,943	30.5%	19.3%
California	5,064,795	38.6%	28.5%
Colorado	948,904	26.1%	20.7%
Nevada	403,792	33.4%	21.0%
Utah	446,690	24.9%	16.9%

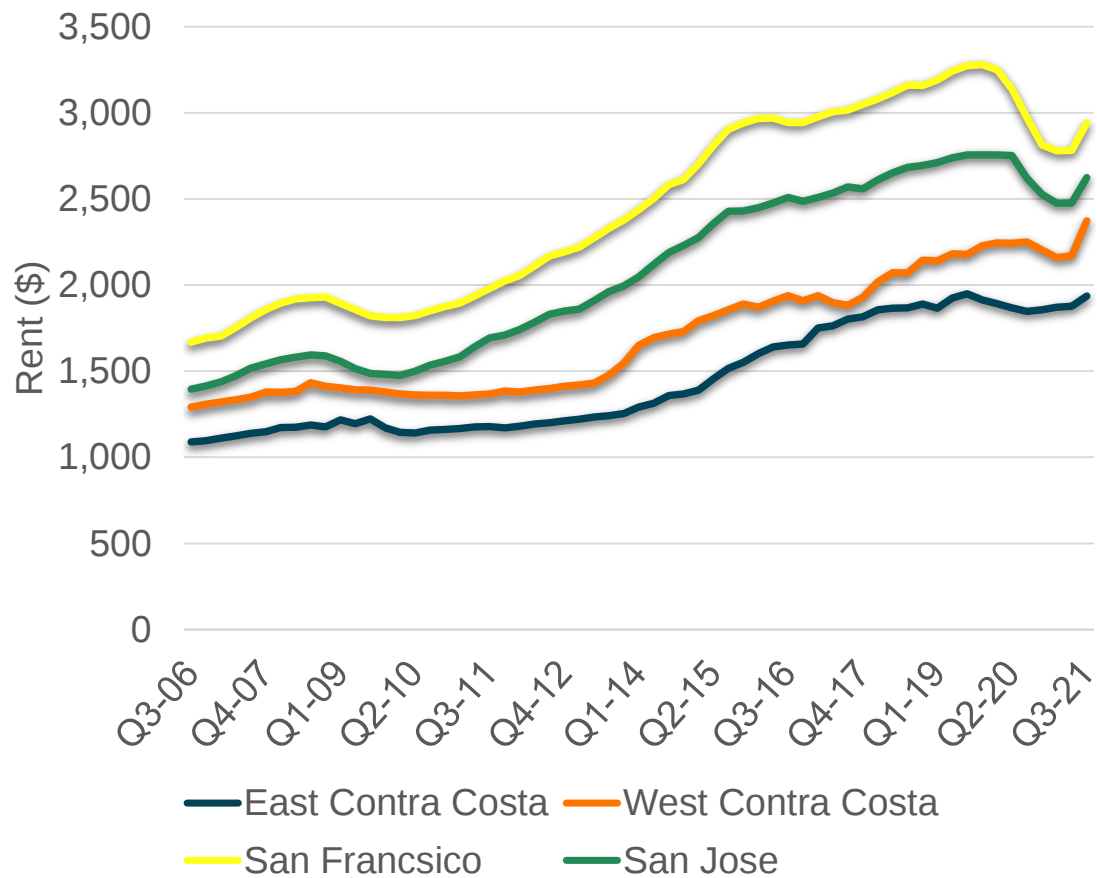
Share Mortgage Originations > 720 Fico



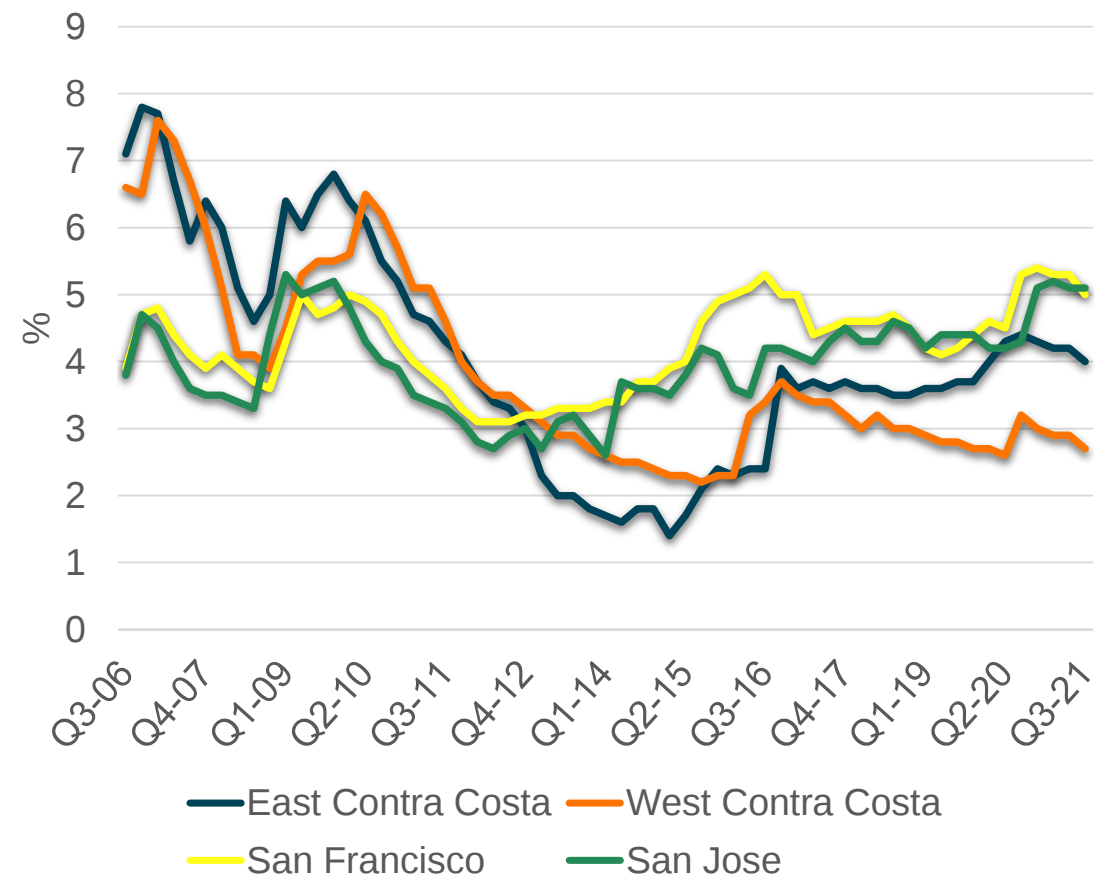
Apartments



Cost of Rent



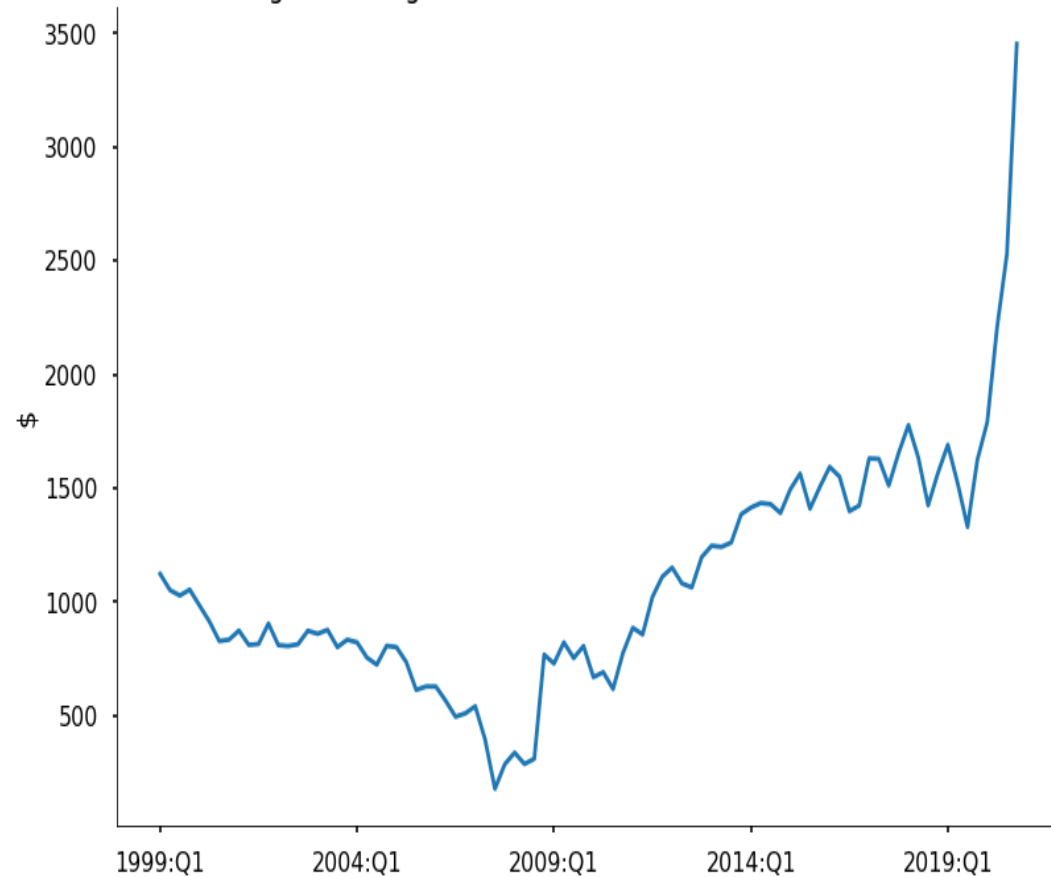
Vacancy Rates



Apartments and Lower Income Families



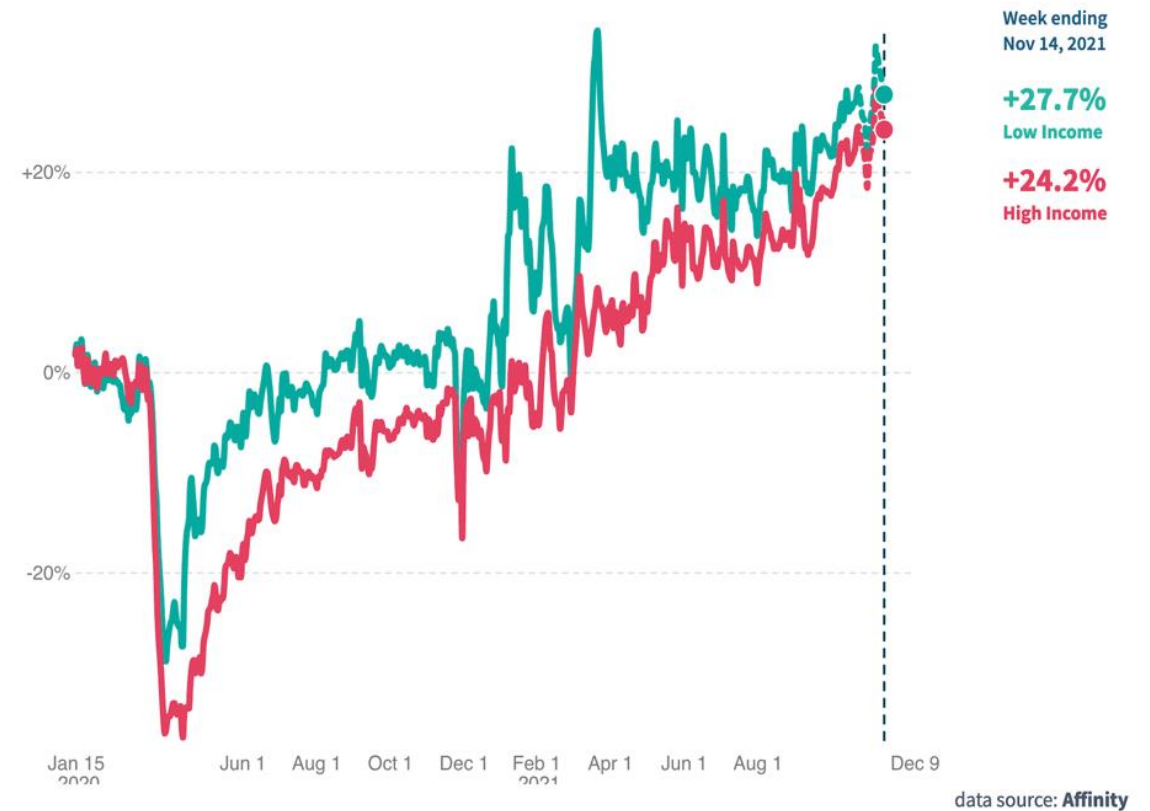
Average checking account balance for bottom 50% of earners



SRC: Federal Reserve Board, DFA

Percent Change in All Consumer Spending*

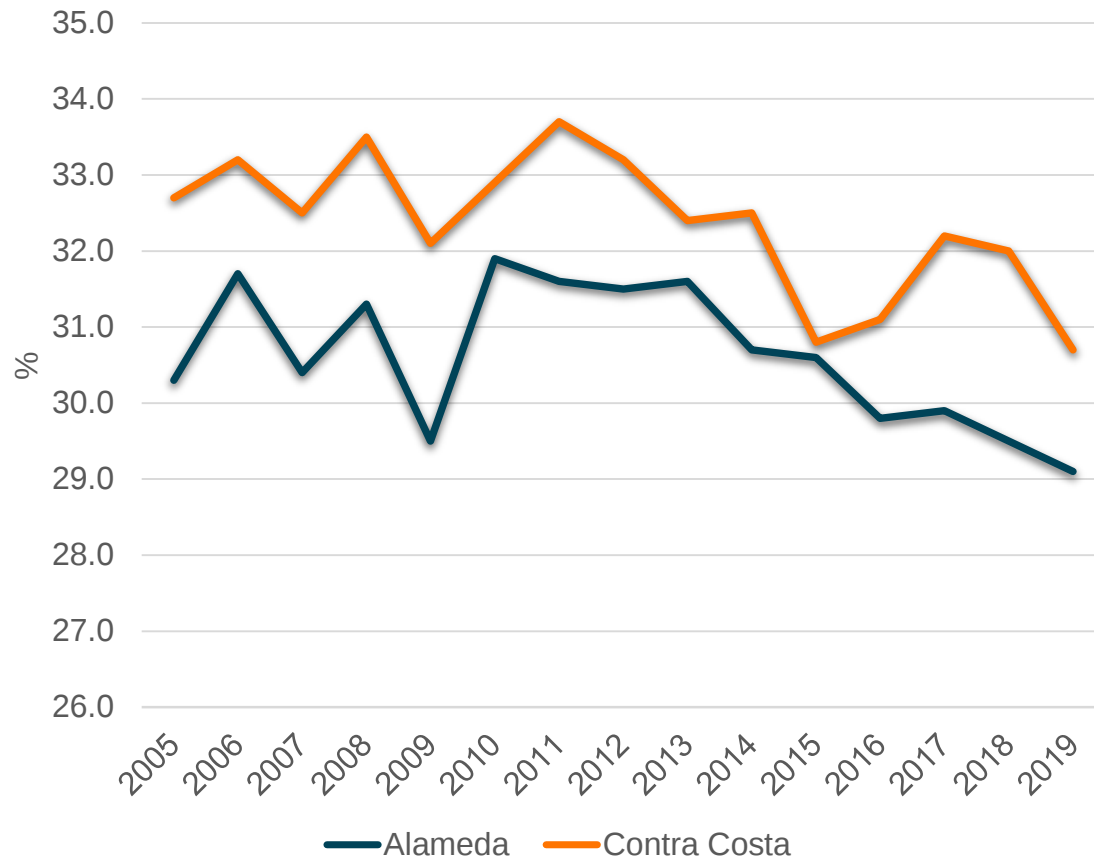
In the United States, as of November 14 2021, total spending by low-income consumers increased by 27.7% compared to January 2020.



Household Income



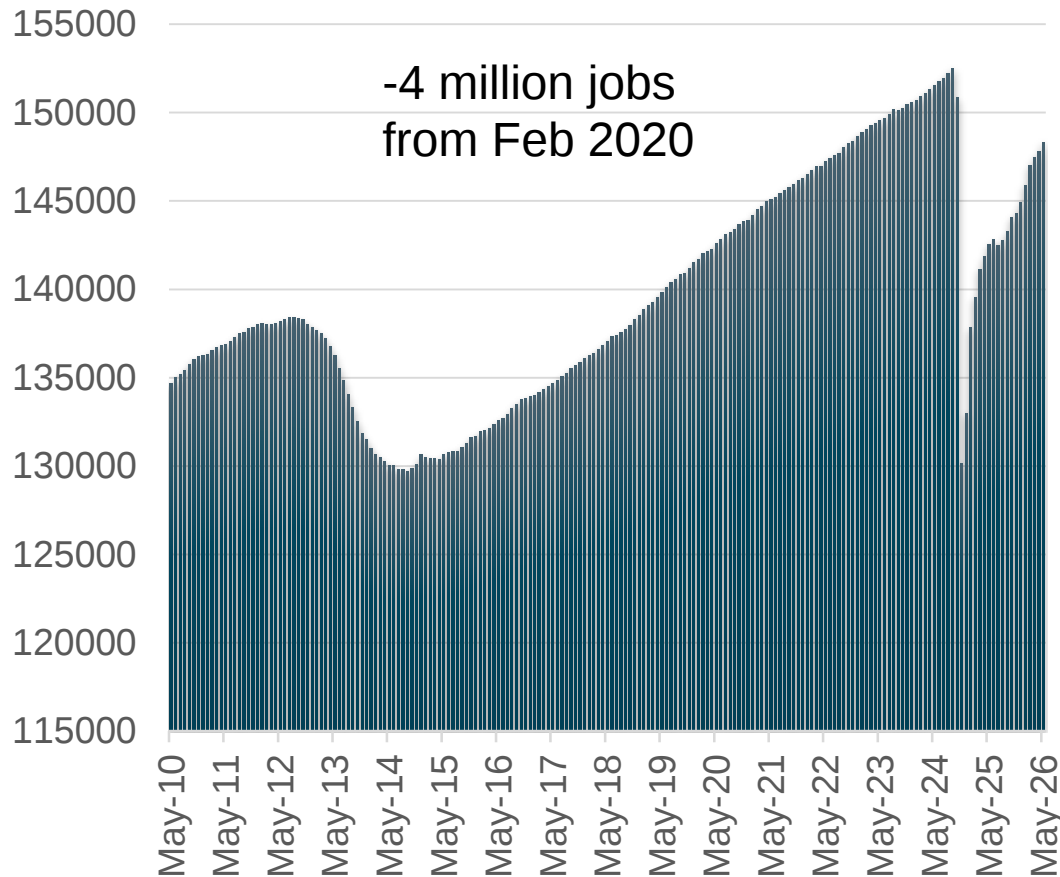
Median Rent as % of HH Income



Income	East Bay Home Ownership		CA Home Ownership	
	2019 (000s)	3-Yr % Growth	2019 (000s)	3-Yr % Growth
Less than \$75,000	131.2	-17.5	2,405.8	-11.7
\$75,000 to \$149,999	170.7	-2.0	2,386.6	4.7
\$150,000 and Up	264.0	26.4	2,314.1	27.3

A Labor Market Paradox?

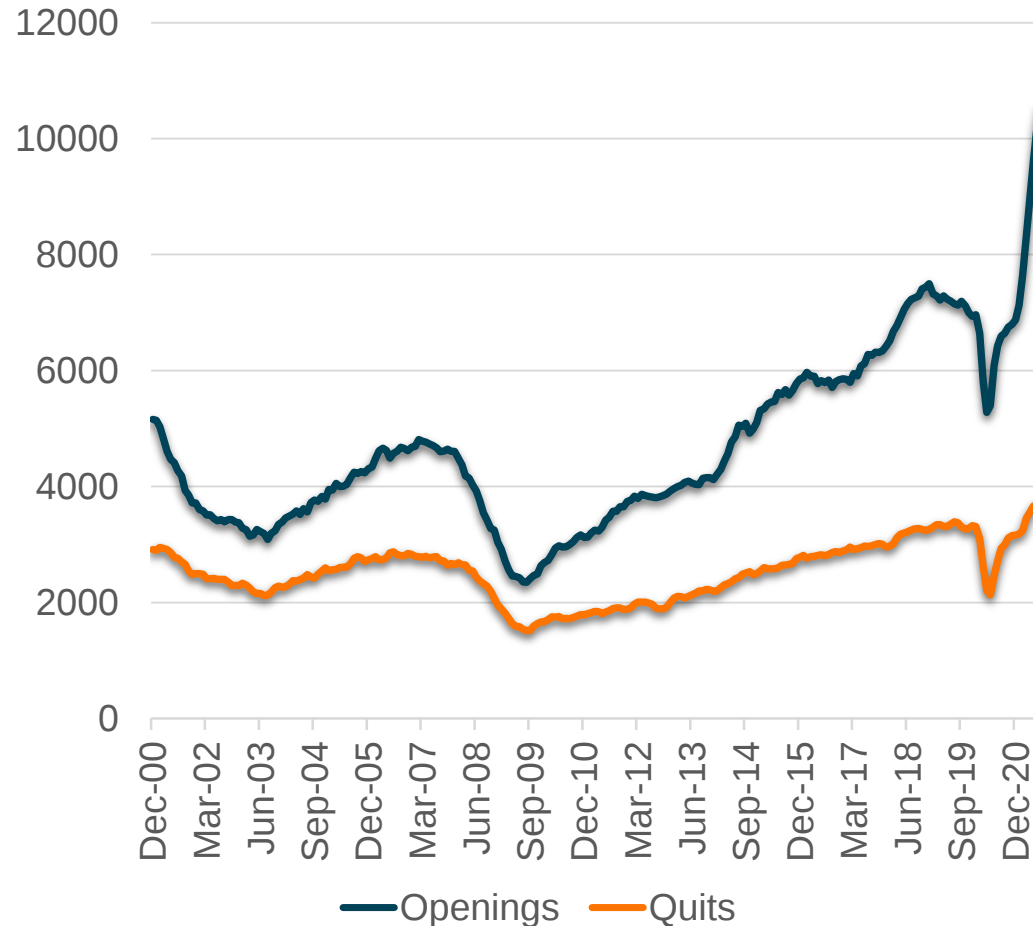
US Payroll Jobs



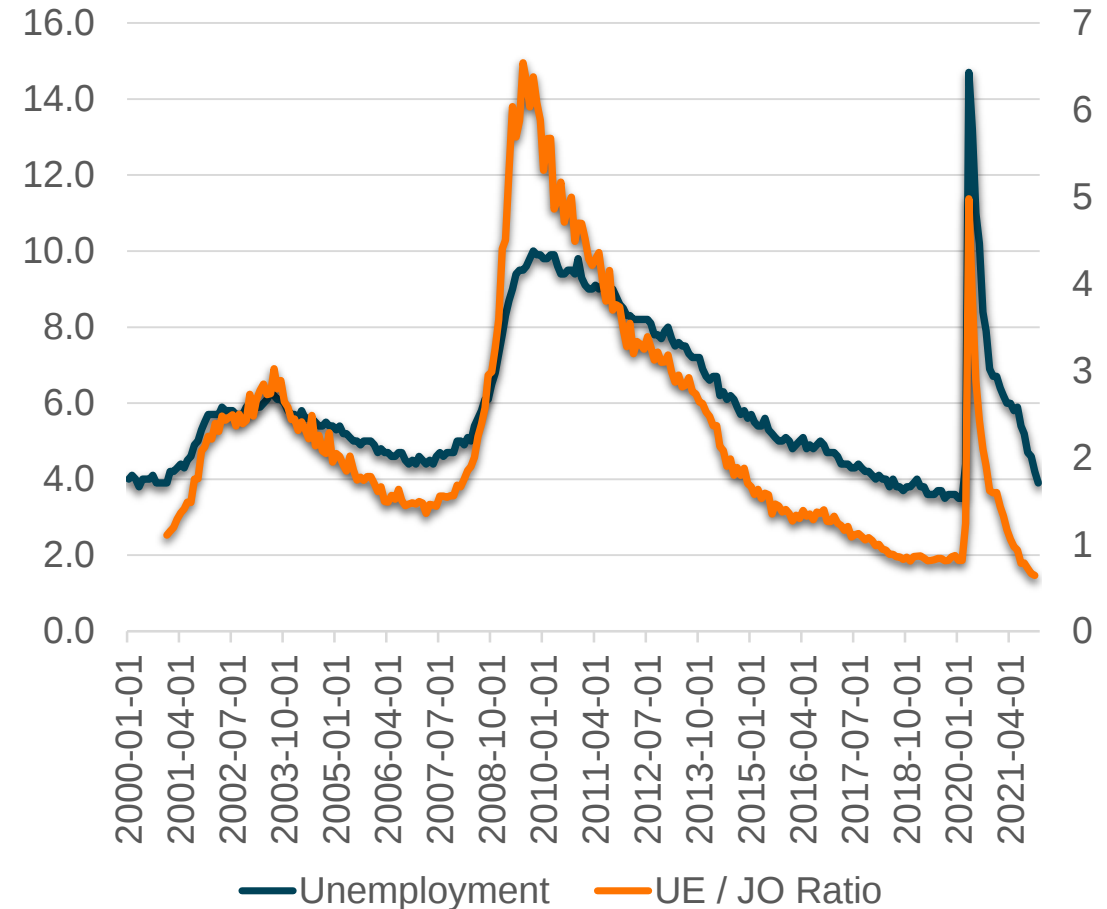
	Current	2 Yr Ch	2 Yr Ach
Financial activities	8887.7	0.9%	83.3
Construction	7498.0	-0.5%	-40.0
Professional business	21299.7	-0.3%	-73.3
Information	2788.7	-3.1%	-90.0
Other services	5768.3	-2.4%	-139.3
Retail trade	15435.0	-1.0%	-154.6
Manufacturing	12509.3	-2.3%	-291.0
Education and health	23749.7	-2.5%	-600.7
Government	21944.0	-3.3%	-755.3
Leisure and hospitality	15509.0	-7.2%	-1205.7
Hours	34.8	1.2%	
Hourly Pay	26.3	10.6%	

Labor supply, not labor demand

Job Openings and Quits

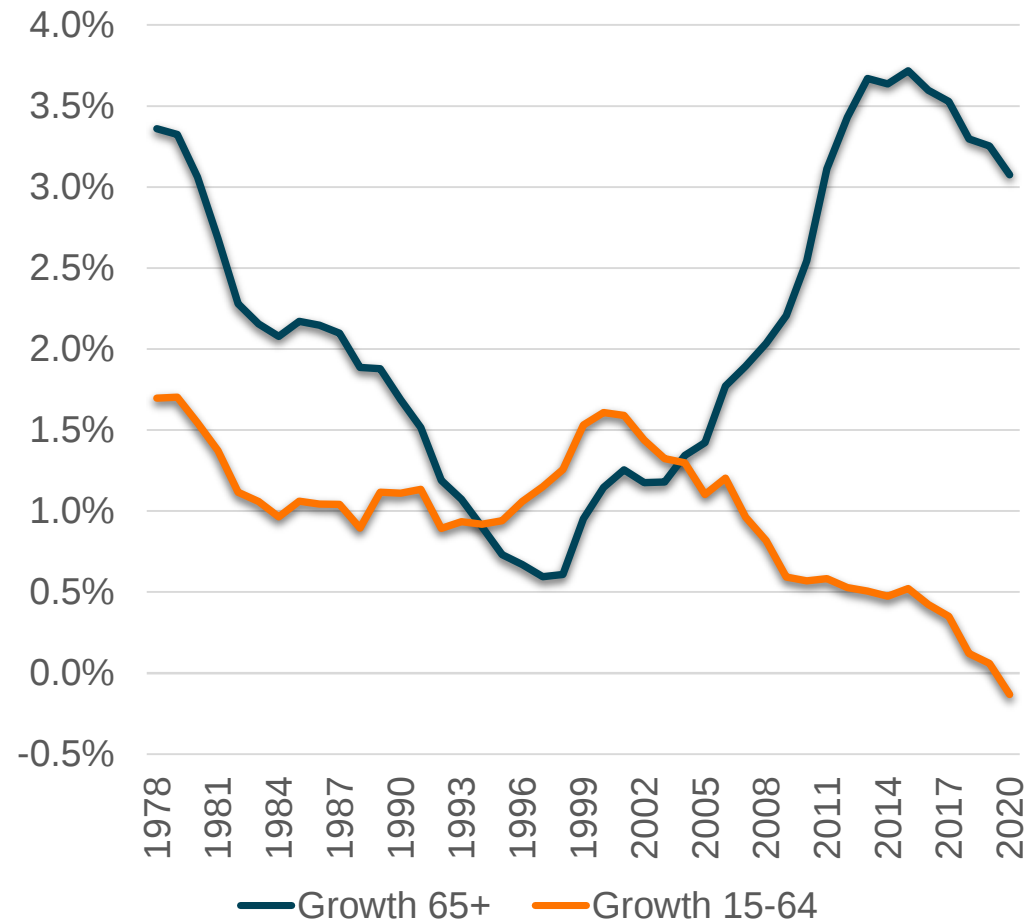


Unemployment and Openings

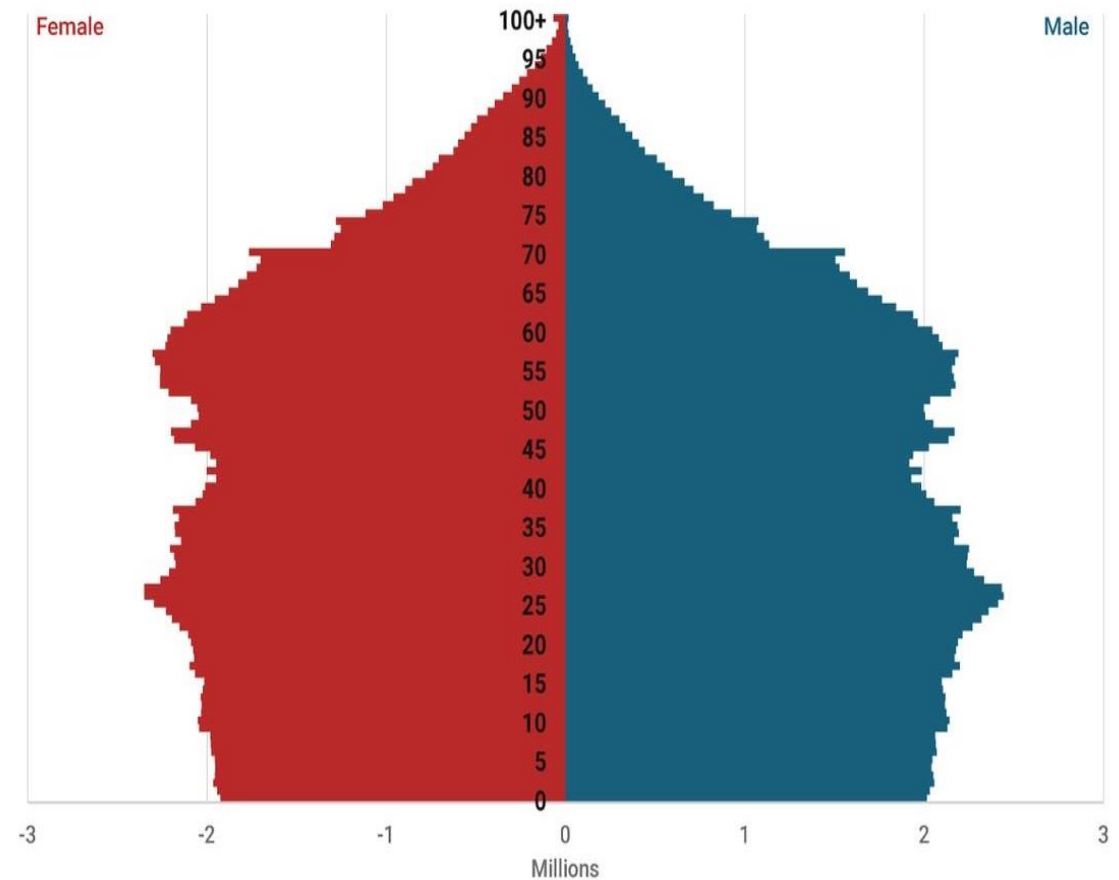


The Long Run Labor Force Issue

Population Trends

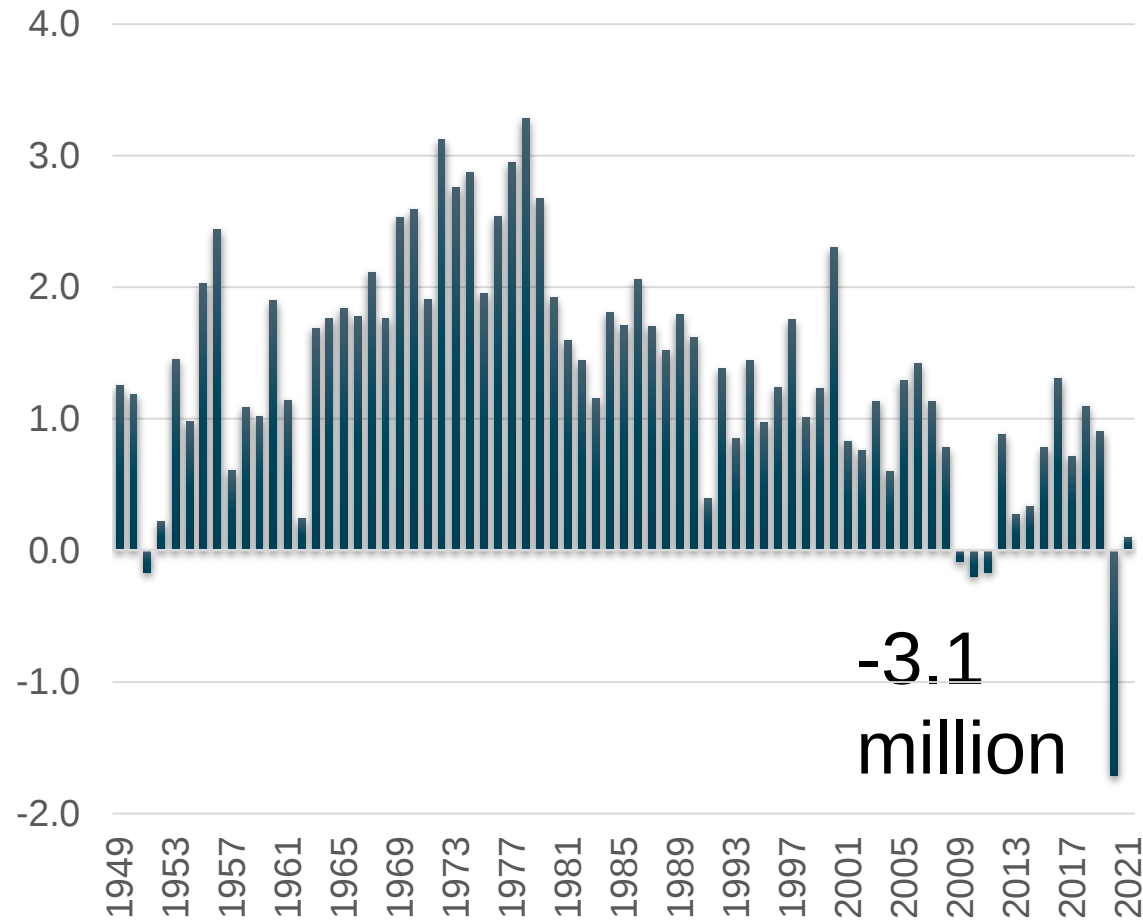


US population by age and sex, 2017

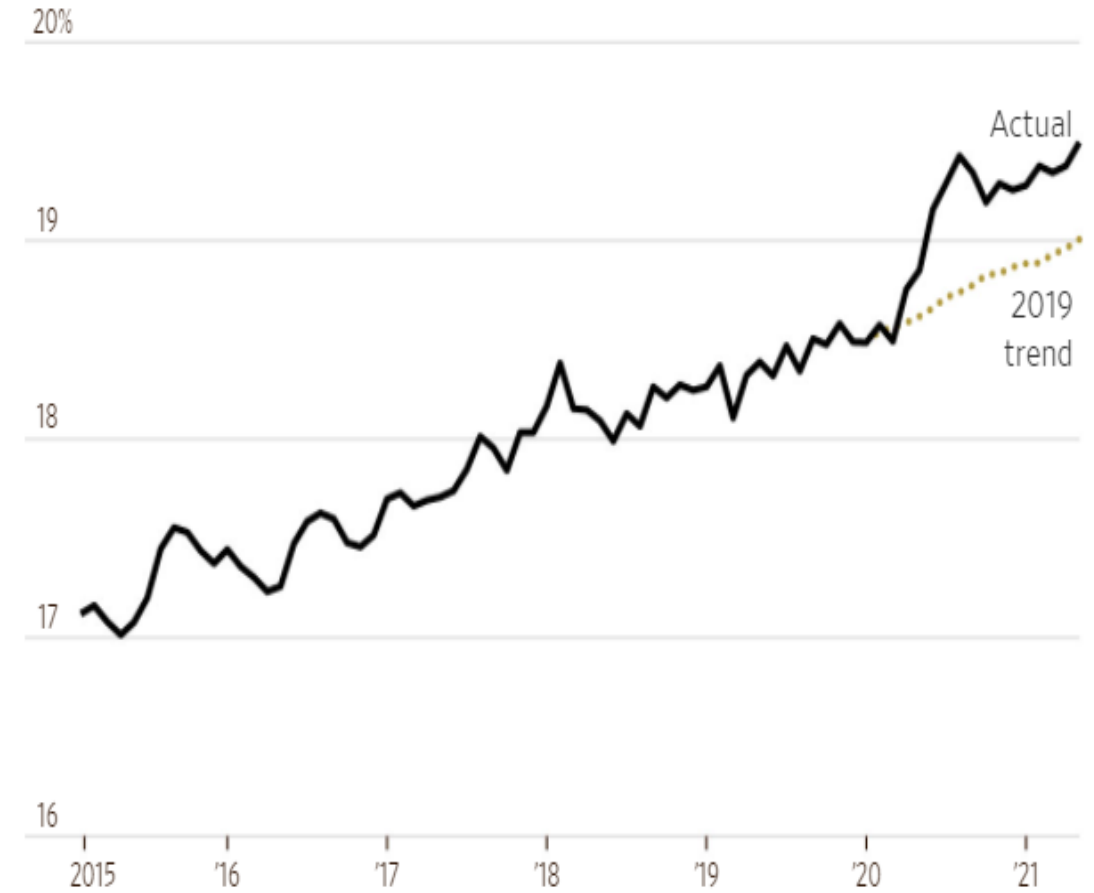


Labor supply, not labor demand

YoY Growth US Labor Force



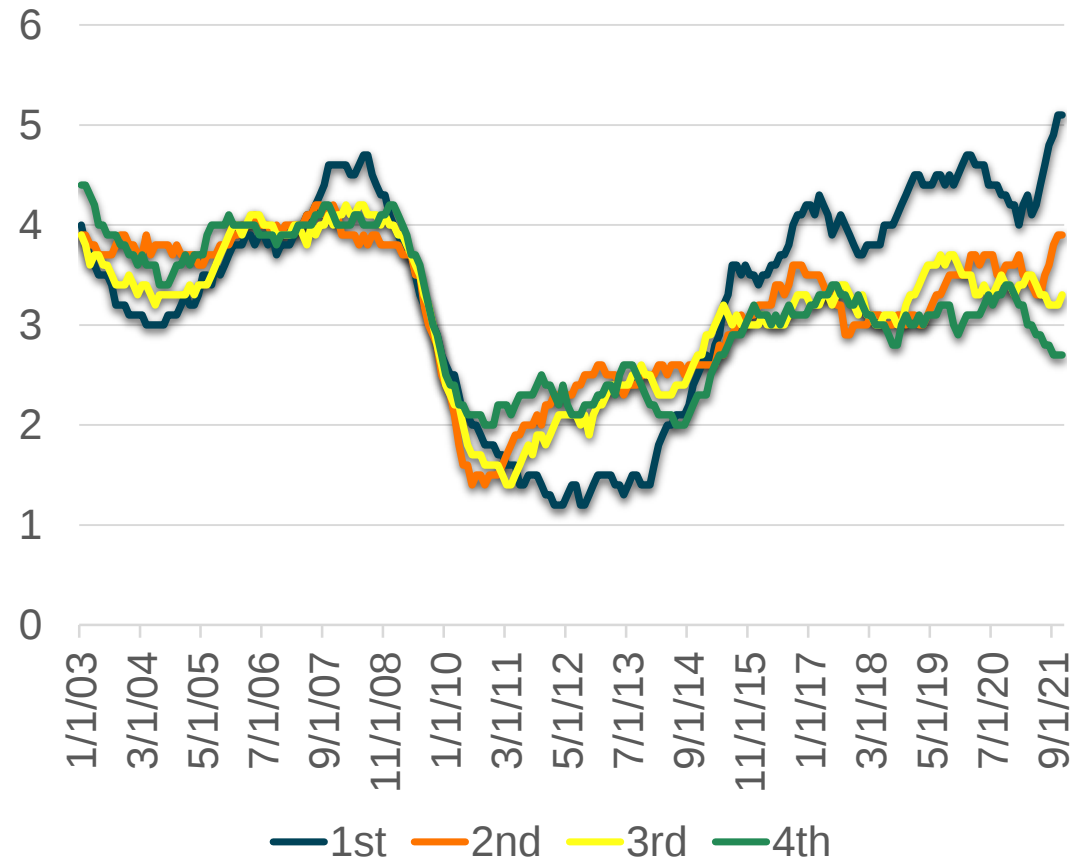
Share of U.S. population retired



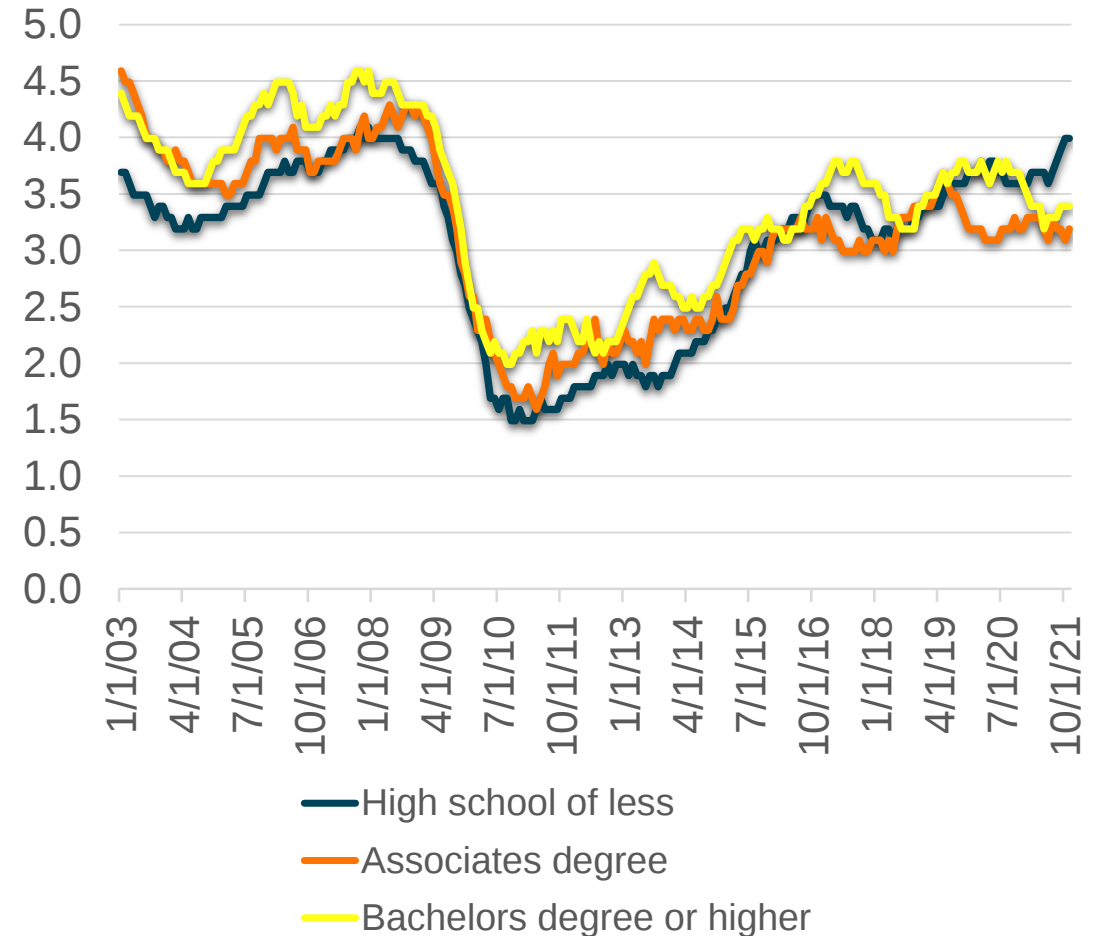
Source: IPUMS-CPS, University of Minnesota via Federal Reserve Bank of Dallas

A sellers' market in labor

Earnings Growth by Income Quartile



Earnings Growth by Education



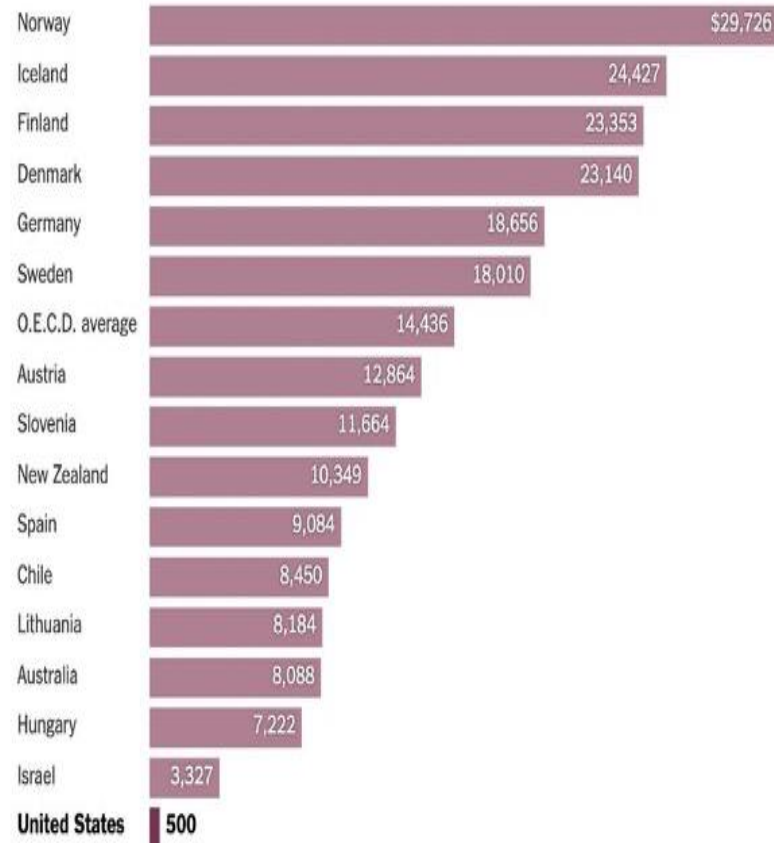
Labor Shortage Solutions



■ Solutions

- Extensive: Increasing labor force through immigration (SR) or birthrates (LR)
- Intensive: Raising participation rates among the existing population
- Productivity enhancements: capital investments / skill training

Annual public spending per child on early childhood care



Labor force participation rate
Females 25-54

Sweden	88.7
Austria	85.7
Finland	84.9
Canada	83.5
Netherlands	83.3
Germany	83.3
France	83.1
Denmark	82.8
Spain	82.3
United Kingdom	81.5
Belgium	80.3
Japan	80.0
Israel	79.9
Australia	79.3
Poland	79.0
Greece	77.6
United States	76.0
Korea	67.8

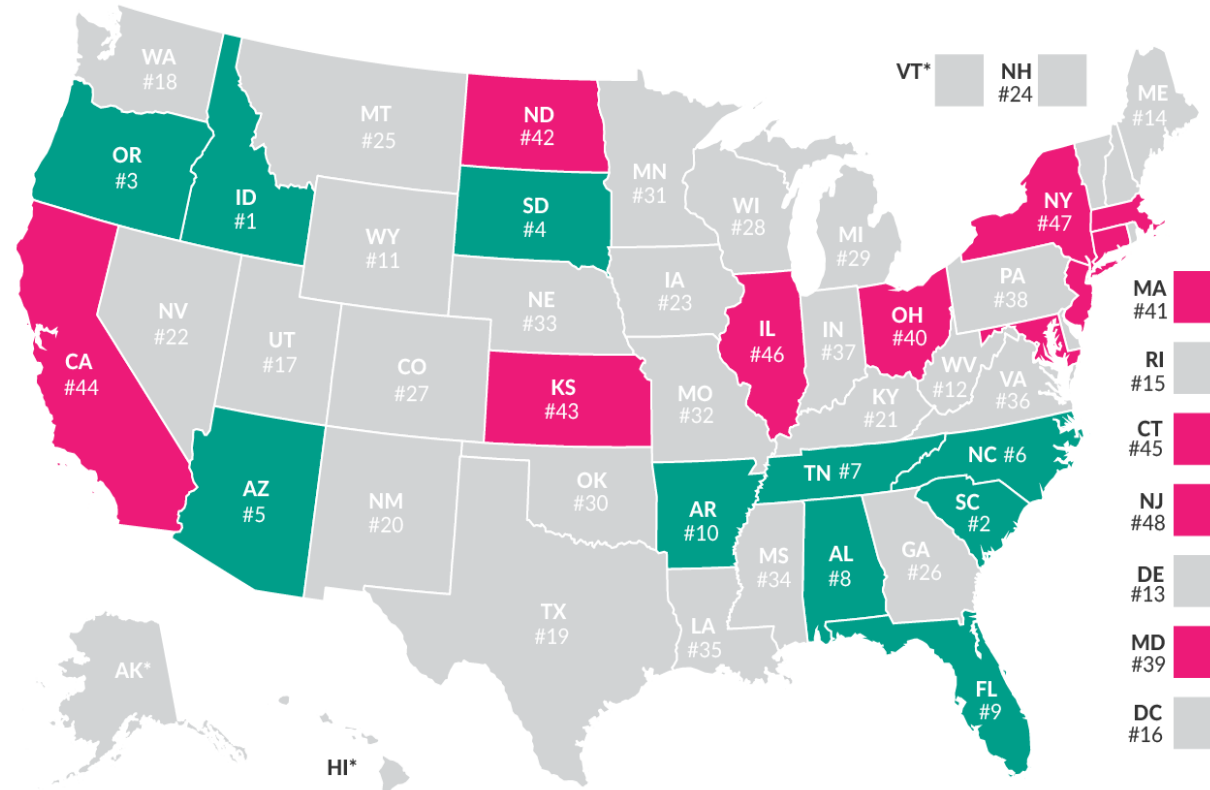
1 pp = 600,000 female workers in US

The Future of Economic Development



Where Did Americans Move in 2020?

State Migration Patterns, from Most Inbound to Most Outbound, 2020



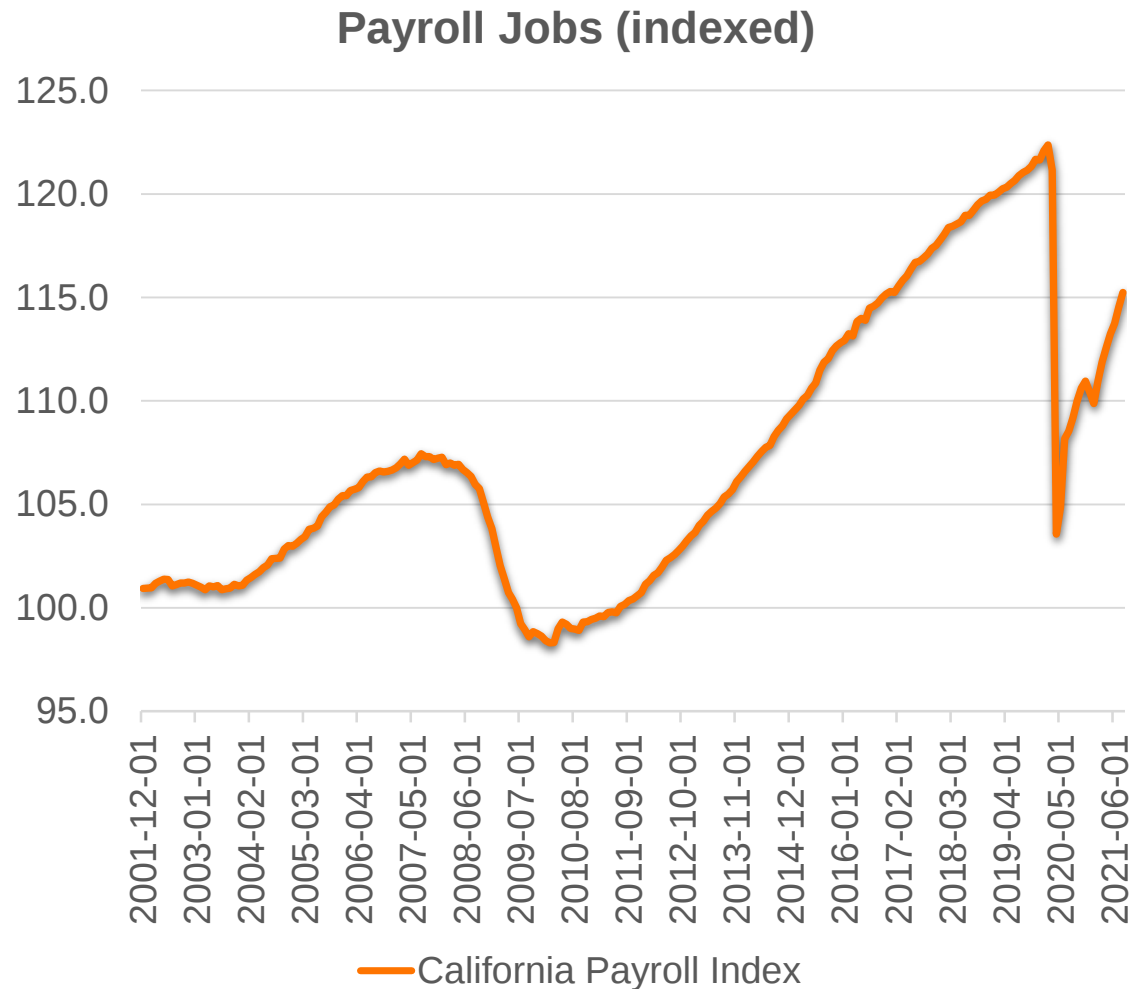
Note: Rankings are determined based on the number of inbound moves as a percentage of total moves in a state. DC is included in state rankings while Vermont is excluded because of its small sample size. Alaska and Hawaii are not included in the study.

Source: United Van Lines, 2020 National Movers Study.

Top 10 States for Inbound Migration

Top 10 States for Outbound Migration

The State Employment Situation



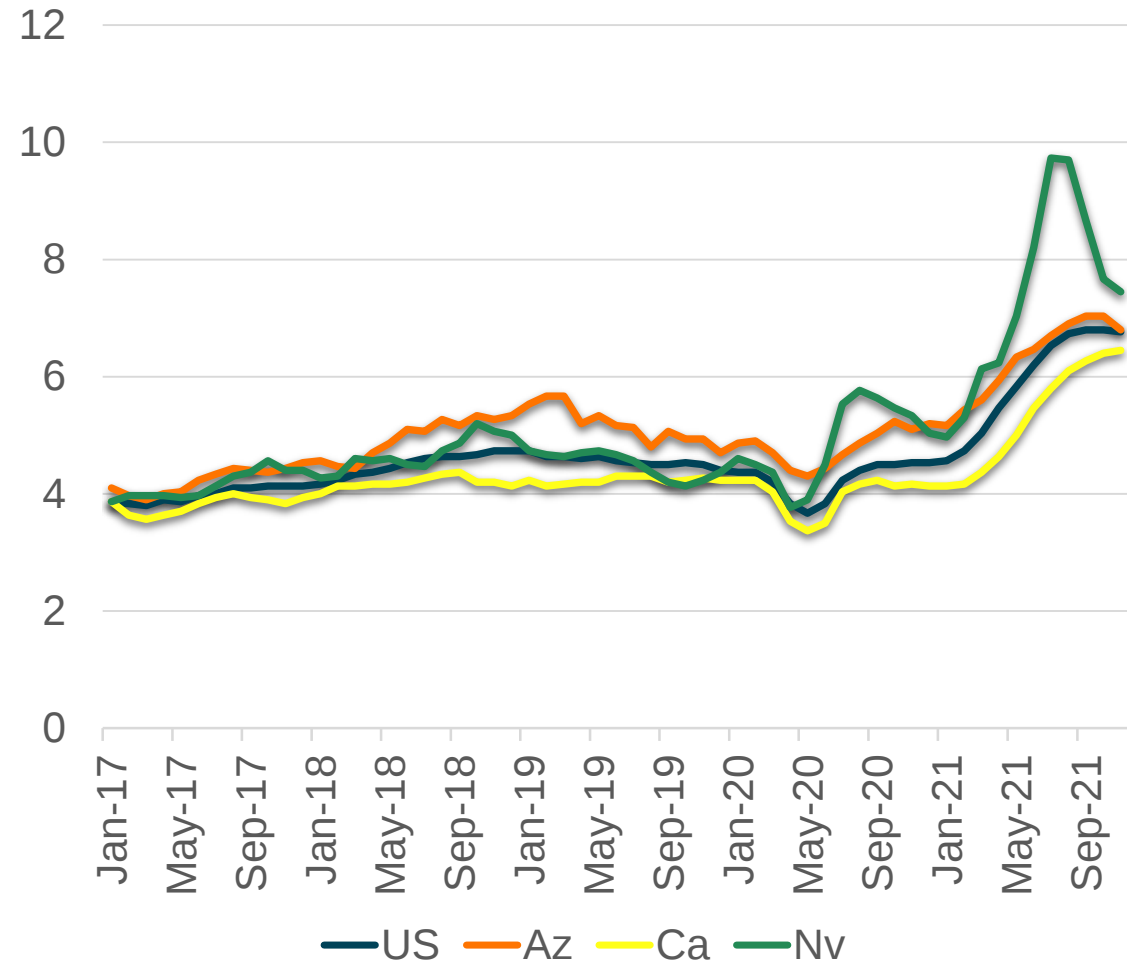
Industry	Nov-21 Emp (000s, SA)	2-Yr Chg (000s, SA)	2-Yr % Growth	
			East Bay	CA
Total Nonfarm	1,111	-84	-7.0	-4.1
Prof Sci and Tech	112	9	8.8	4.0
Education/Health	197	-4	-1.9	-1.2
Manufacturing	98	-4	-3.5	-4.3
Management	24	-1	-5.6	-4.6
Information	26	-2	-6.0	-2.5
Financial Activities	51	-4	-7.5	-3.9
Admin Support	63	-5	-7.9	-1.8
Construction	70	-6	-8.1	-1.1
Government	160	-15	-8.7	-5.7
Wholesale Trade	41	-4	-9.0	-5.5
Retail Trade	99	-12	-10.5	-4.3
Leisure and Hospitality	86	-33	-27.8	-16.1

Regional Changes

Unemployment Rate Nov 2021

Puerto Rico	7.8
California	6.9
Nevada	6.8
New Jersey	6.6
New York	6.6
New Mexico	6.2
Alaska	6
Connecticut	6
District of Columbia	6
Hawaii	6
Michigan	5.9
Illinois	5.7
Pennsylvania	5.7
Maryland	5.4
Massachusetts	5.4
Texas	5.2
Colorado	5.1

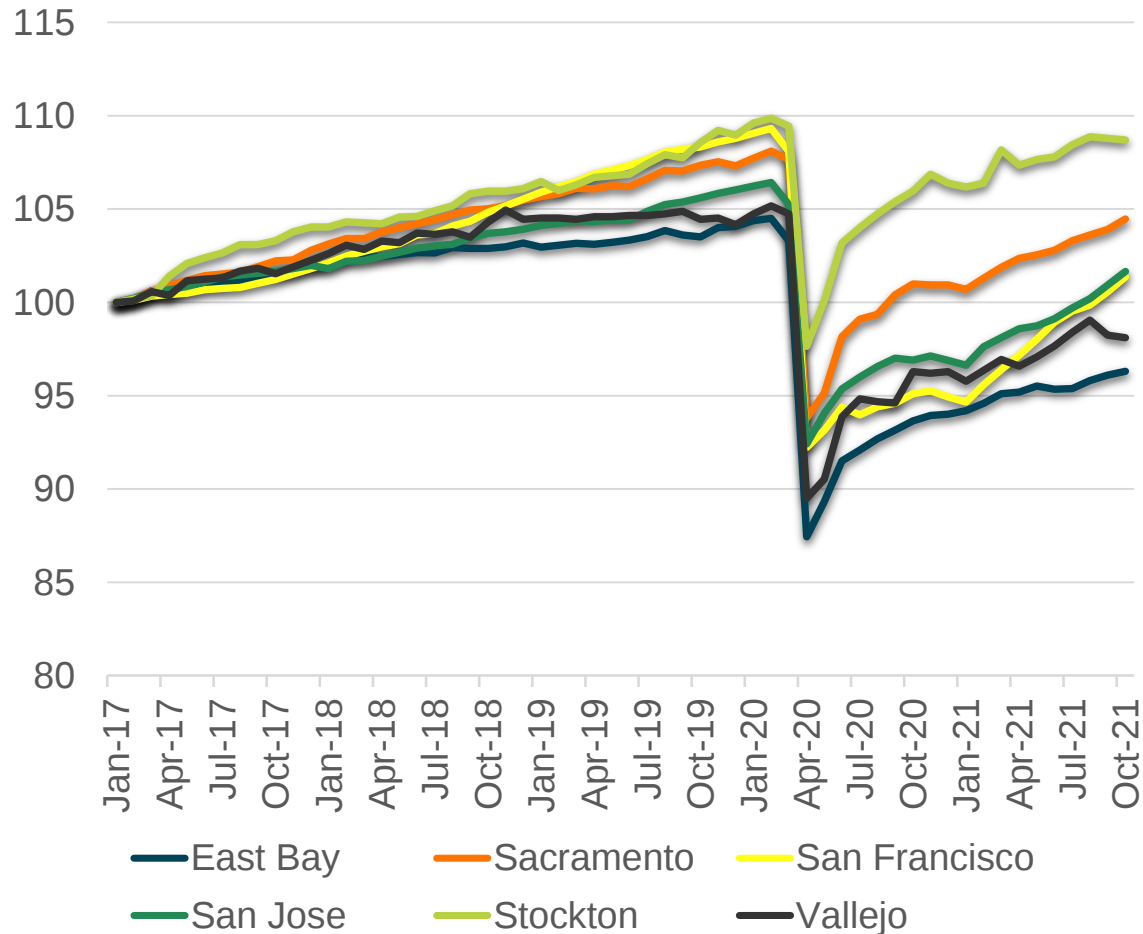
Job Openings Rate



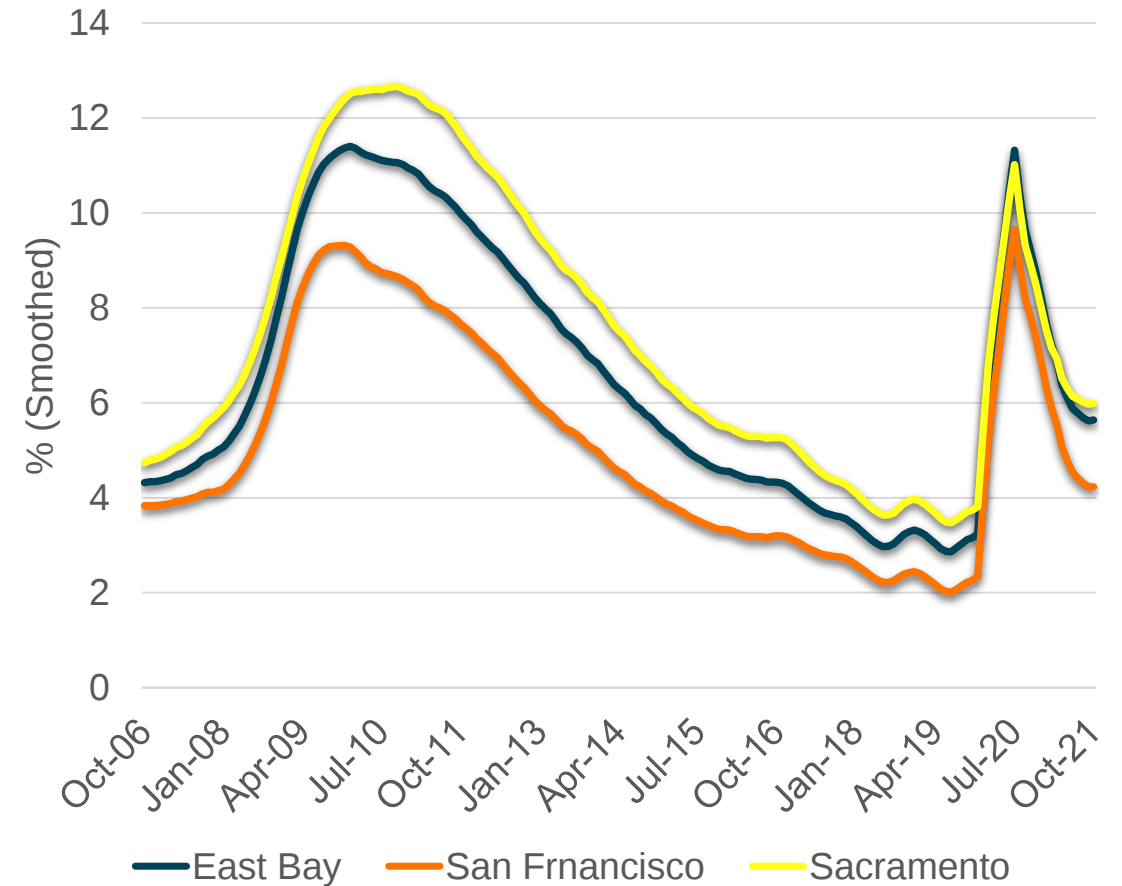
Labor Market



Index of Payroll Jobs



Unemployment Rate



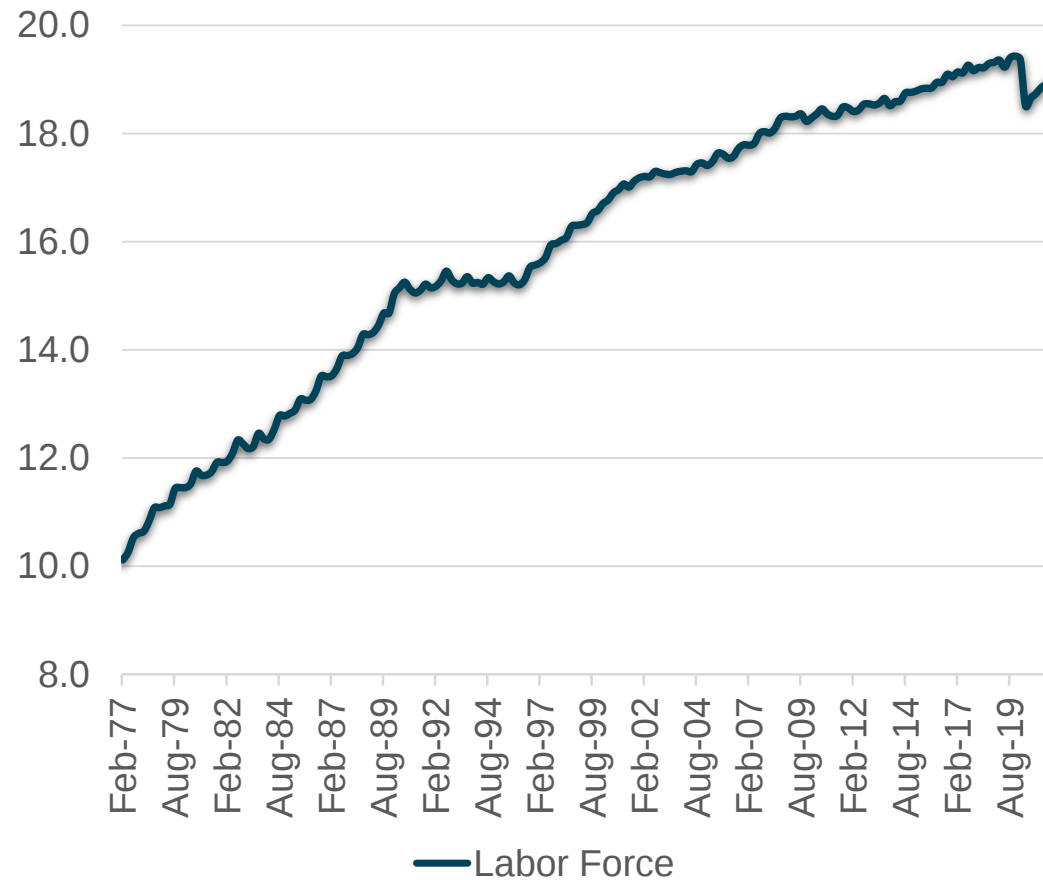
Regional Differences



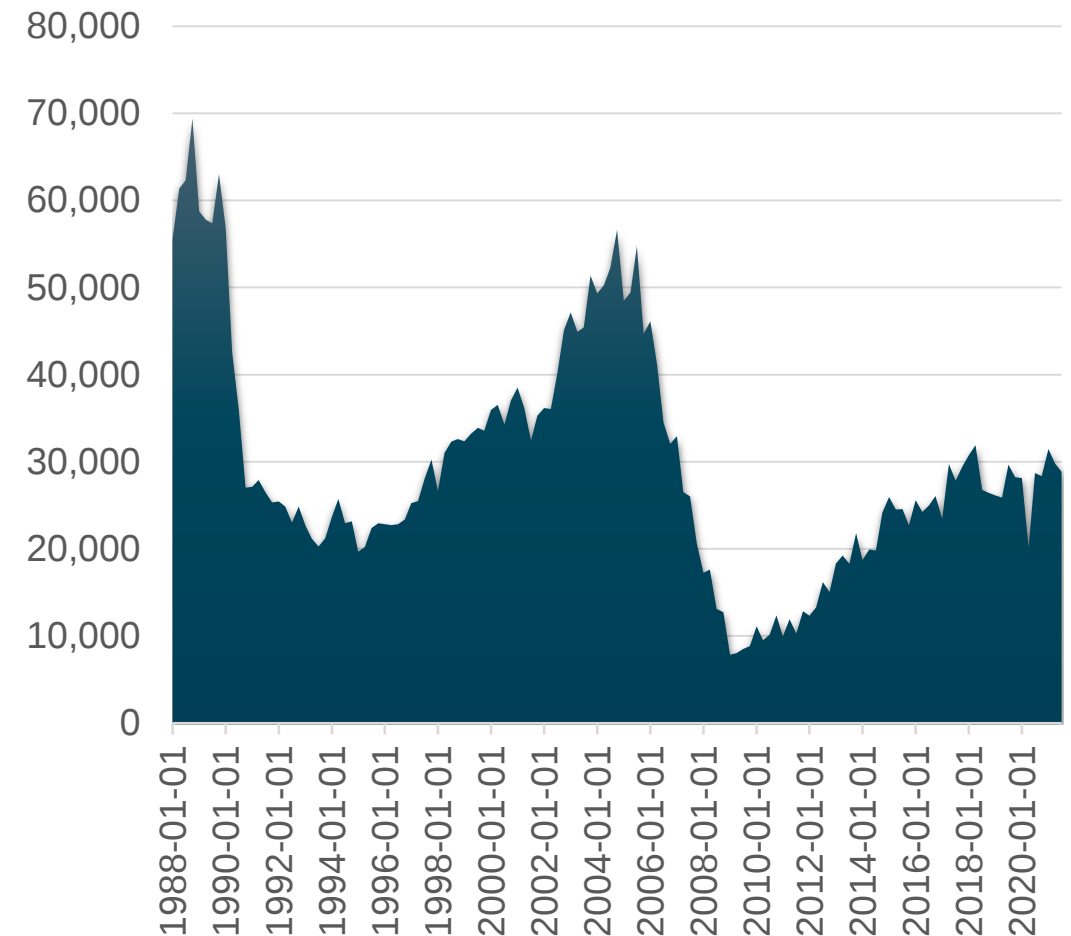
	Nov-21	2 Yr Ch		Ch Unemp	UE / Job Loss
California	16835.1	-725.3	-4.3%	517.3	0.71
Stockton	248.6	-2.5	-1.0%	4.1	1.64
Inland Empire	1550.1	-27.1	-1.7%	40.7	1.50
Fresno	358.7	-9.5	-2.6%	0.2	0.02
Sacramento	1000.5	-31.4	-3.1%	16.6	0.53
Modesto	177.4	-6	-3.4%	1.8	0.30
San Jose	1113.1	-47.2	-4.2%	10.2	0.22
Santa Barbara	187.9	-8.5	-4.5%	1.6	0.19
Orange County (MD)	1606.6	-74.2	-4.6%	27.9	0.38
Bakersfield	264.1	-12.6	-4.8%	3.1	0.25
San Diego	1441	-73.4	-5.1%	25.6	0.35
Ventura	298.9	-15.8	-5.3%	3.3	0.21
Salinas	138.1	-7.4	-5.4%	2.0	0.27
Los Angeles (MD)	4317.2	-274.4	-6.4%	209.6	0.76
Vallejo	134.8	-8.6	-6.4%	4.3	0.50
San Francisco (MD)	1116.4	-73.8	-6.6%	16.3	0.22
Santa Rosa	197	-13.2	-6.7%	3.2	0.24
East Bay (MD)	1111.1	-84.2	-7.6%	25.6	0.30

State Labor Shortage Issues

California Labor Force Growth

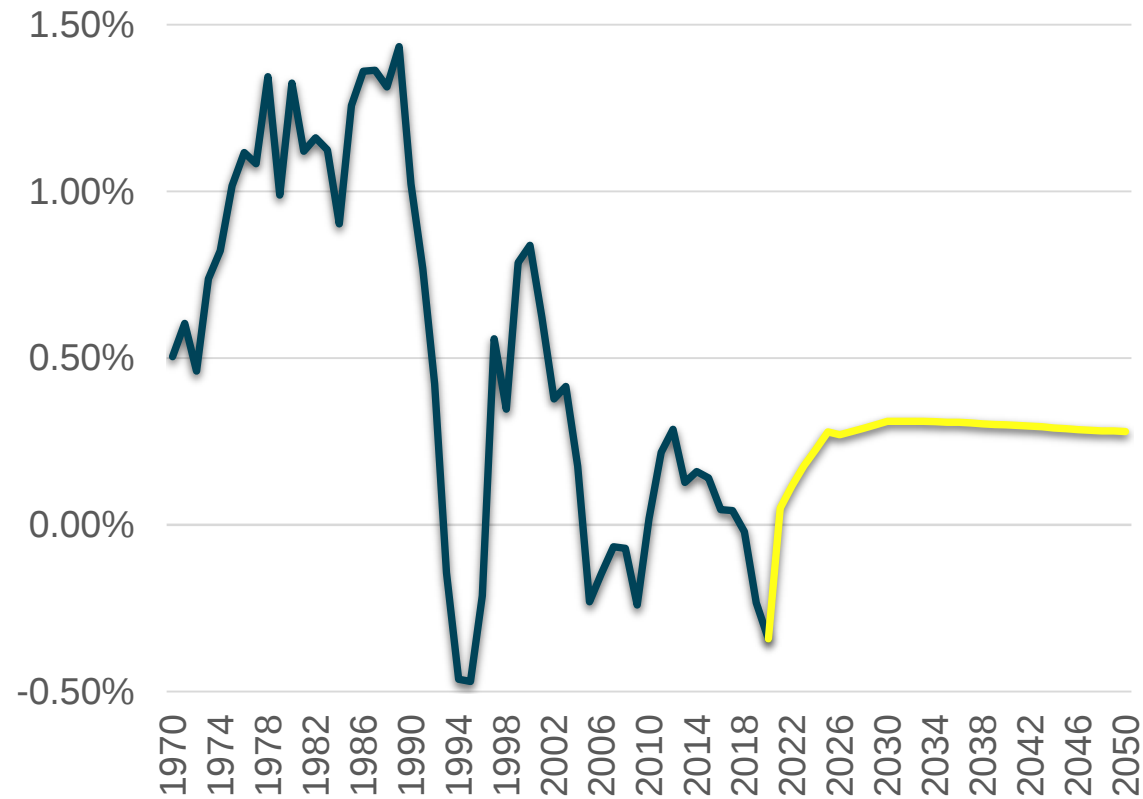


California Residential Unit Permits

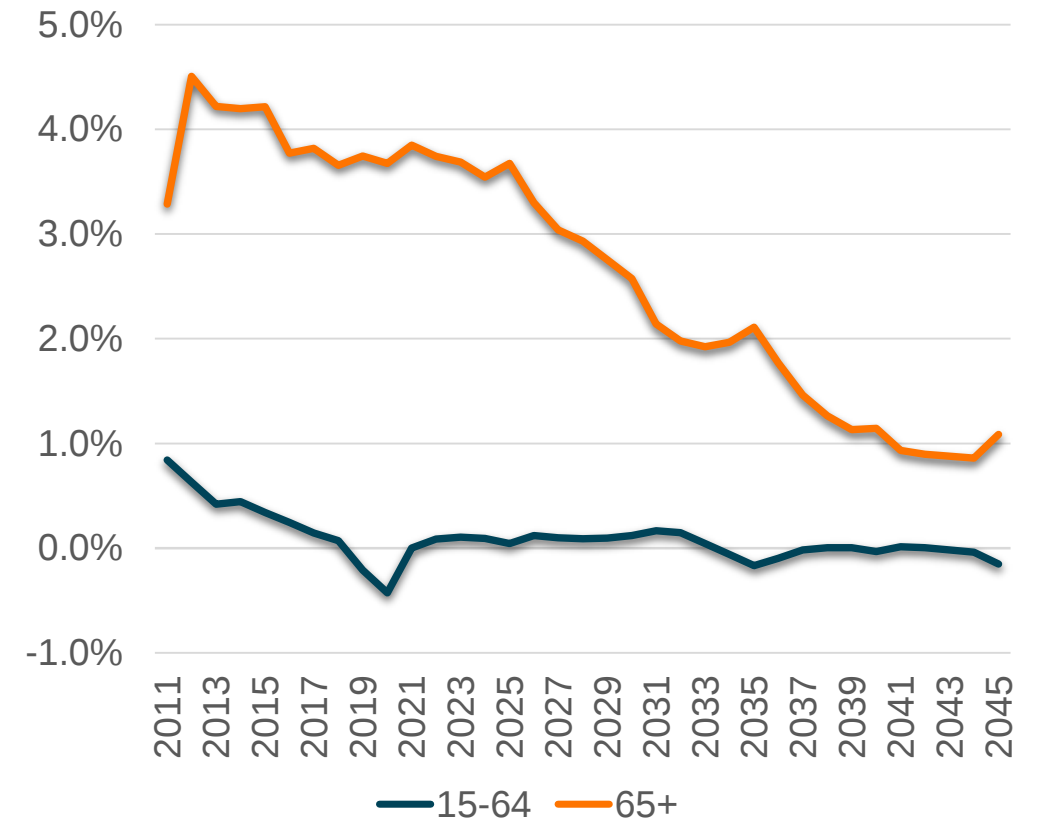


Wishful Thinking?

State Net Migration with Forecast (CA DoF Est.)



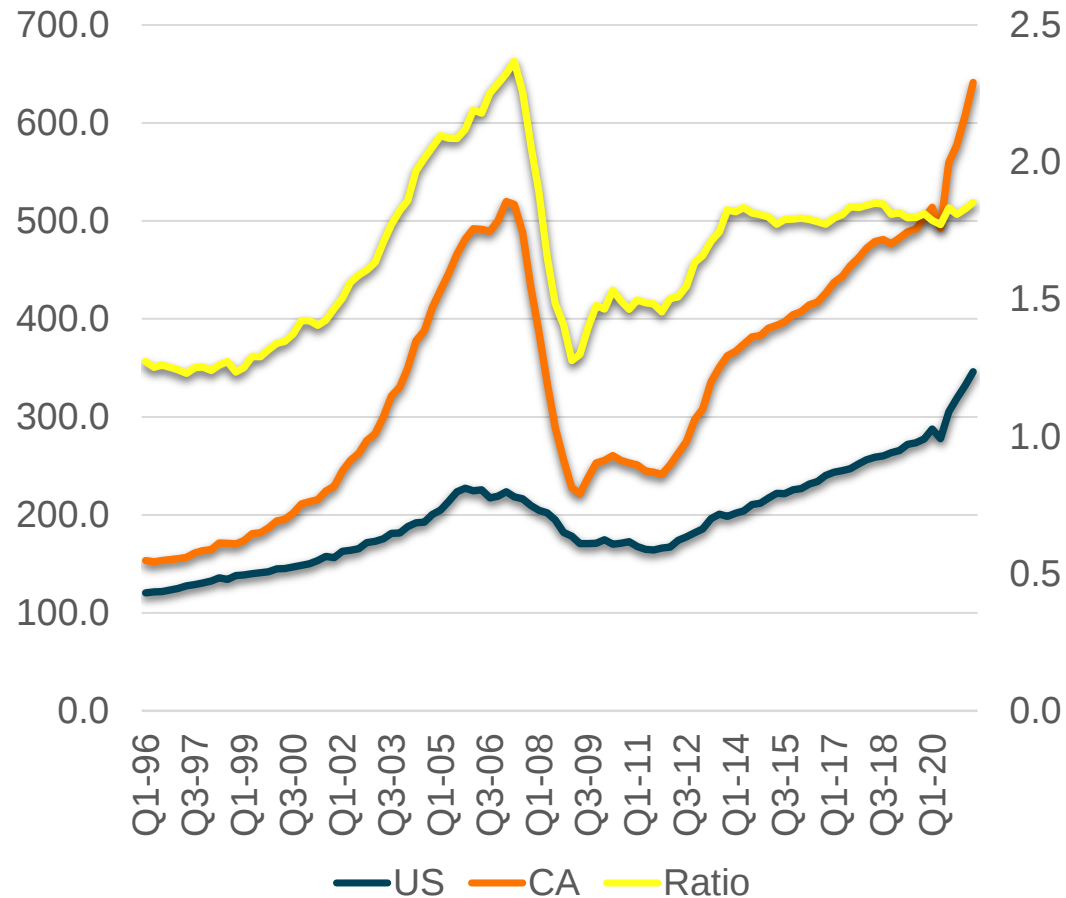
California Population Forecasts by Age (CA DoF est.)



Affordability or Supply



State vs National Prices



Worst States for Housing Affordability (>35% Cost to Income)

Share Owned			Share Rented		
Hawaii	31.1%	-9.3%	Florida	46.4%	-4.3%
California	28.5%	-12.4%	Hawaii	45.0%	-2.3%
Florida	25.0%	-14.3%	Louisiana	43.7%	0.0%
New Jersey	24.6%	-11.9%	California	43.6%	-4.2%
New York	24.4%	-8.2%	Vermont	43.3%	1.1%
Connecticut	22.9%	-8.5%	New York	41.2%	-2.7%
New Mexico	21.7%	-5.8%	Nevada	41.1%	-2.4%
Massachusetts	21.5%	-8.4%	Connecticut	40.6%	-4.2%
Montana	21.5%	-6.7%	Maryland	40.6%	-0.6%

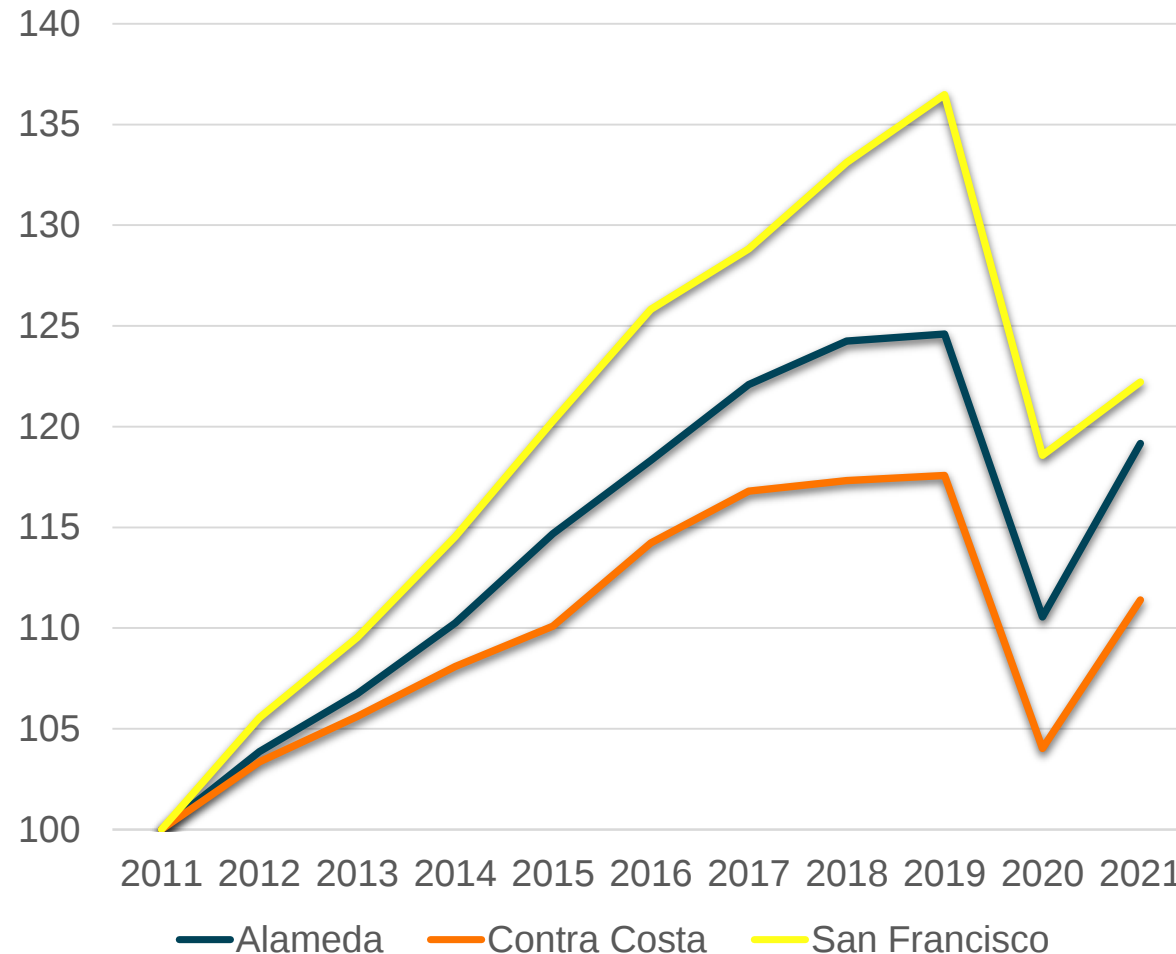
Housing Stock Age

	Share Built After 2010	Share Built After 2000	Share SF
Texas	14.1%	32.4%	66.1%
California	4.6%	15.4%	57.7%

County Dynamics



Index of Payroll Jobs (QCEW, June figures)



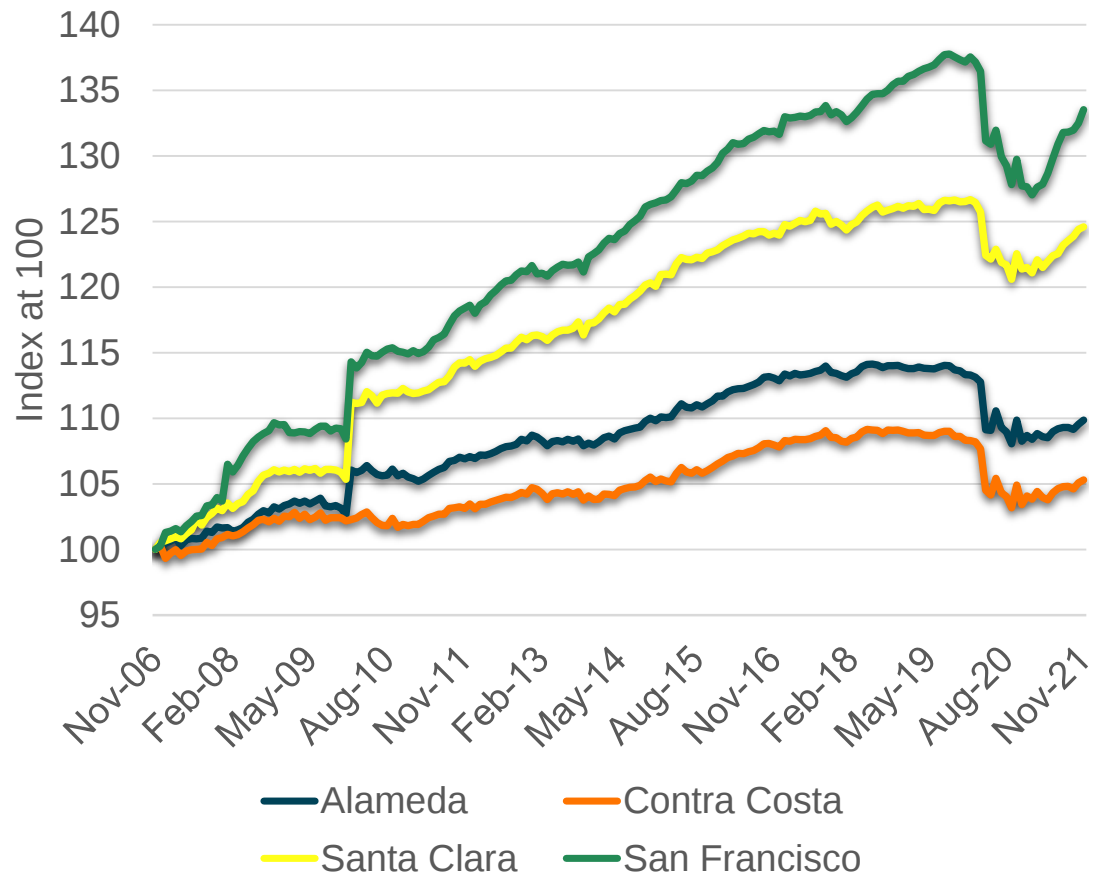
Contra Costa Payrolls (QCEW)

	June 2021	17-19	19-21
Total, all industries	352256	0.7%	-5.3%
Professional and business	56396.5	3.3%	0.3%
Education and health	71005	3.5%	0.3%
Trade, transportation	60630	-5.0%	-0.6%
Construction	25969.5	3.5%	-1.0%
Financial activities	25024	-1.5%	-7.4%
Manufacturing	13936.5	3.8%	-13.8%
Other services	11405	6.0%	-13.8%
Information	5984	-11.7%	-15.6%
Leisure and hospitality	35836	5.5%	-18.7%

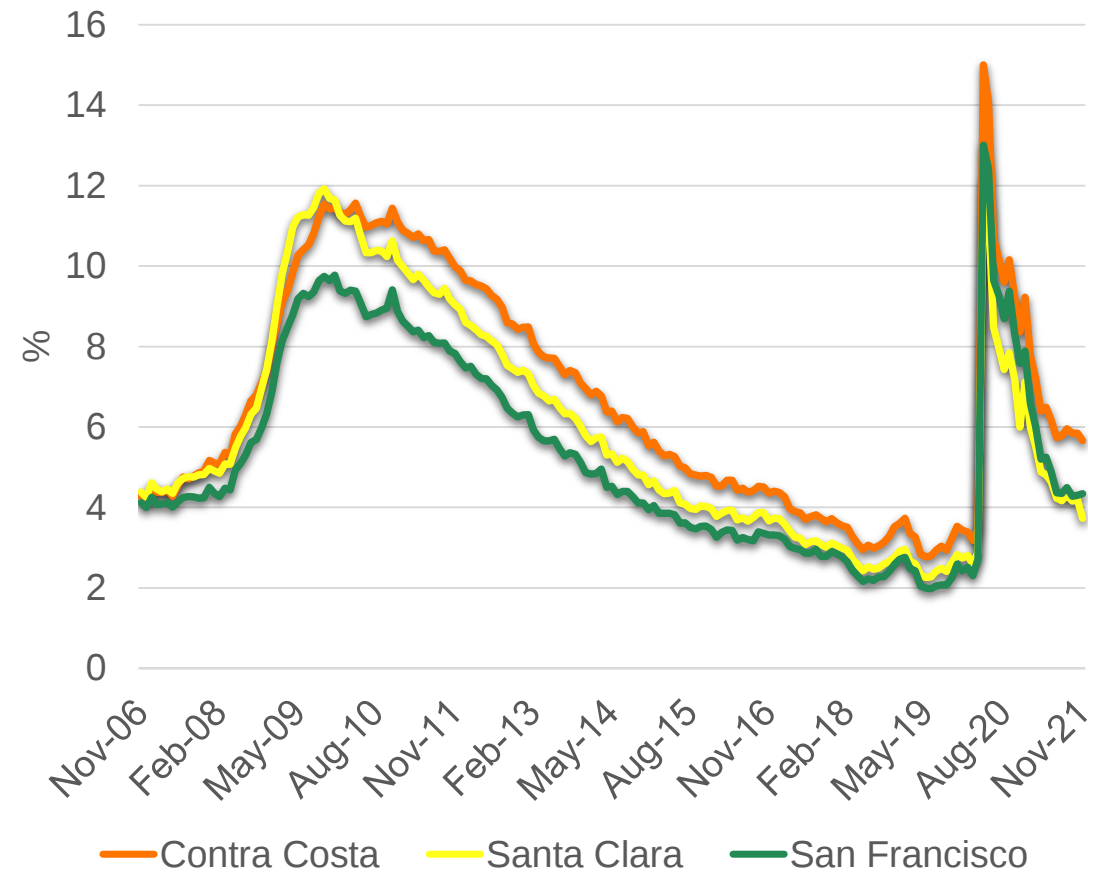
Labor Market - Bay Area



Labor Force Growth

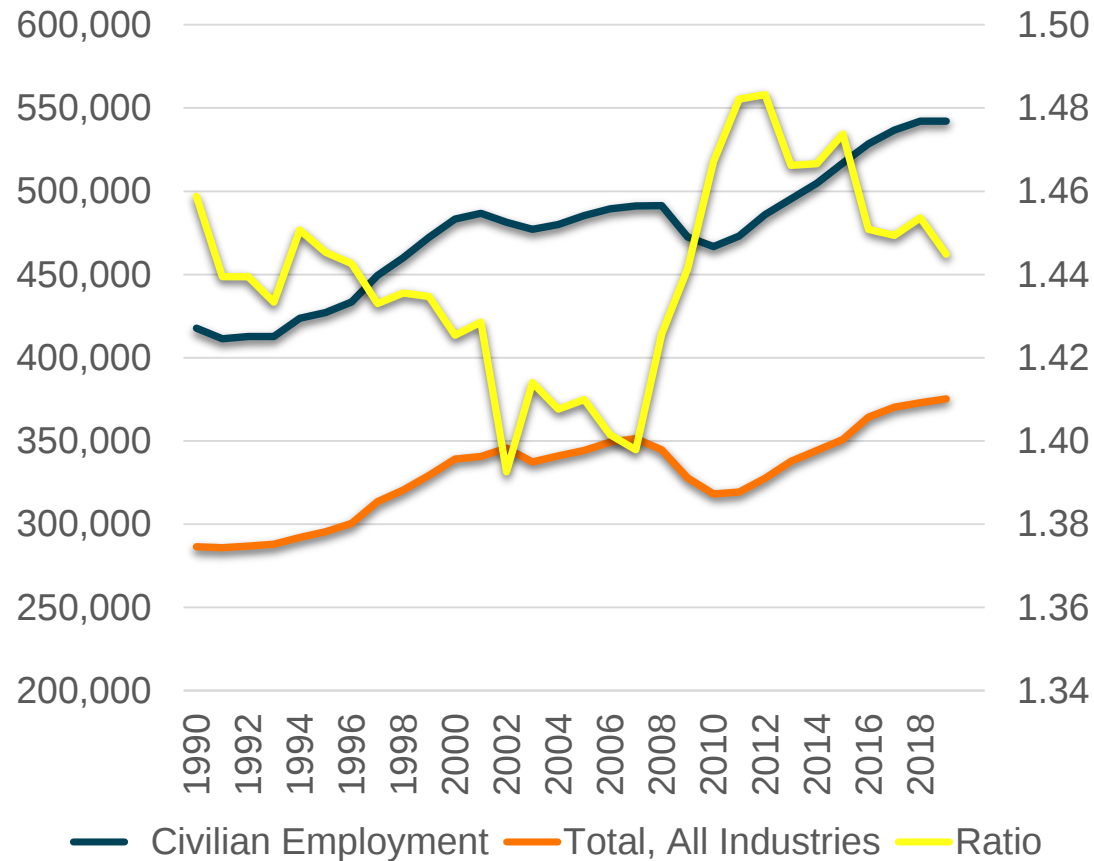


Unemployment Rate

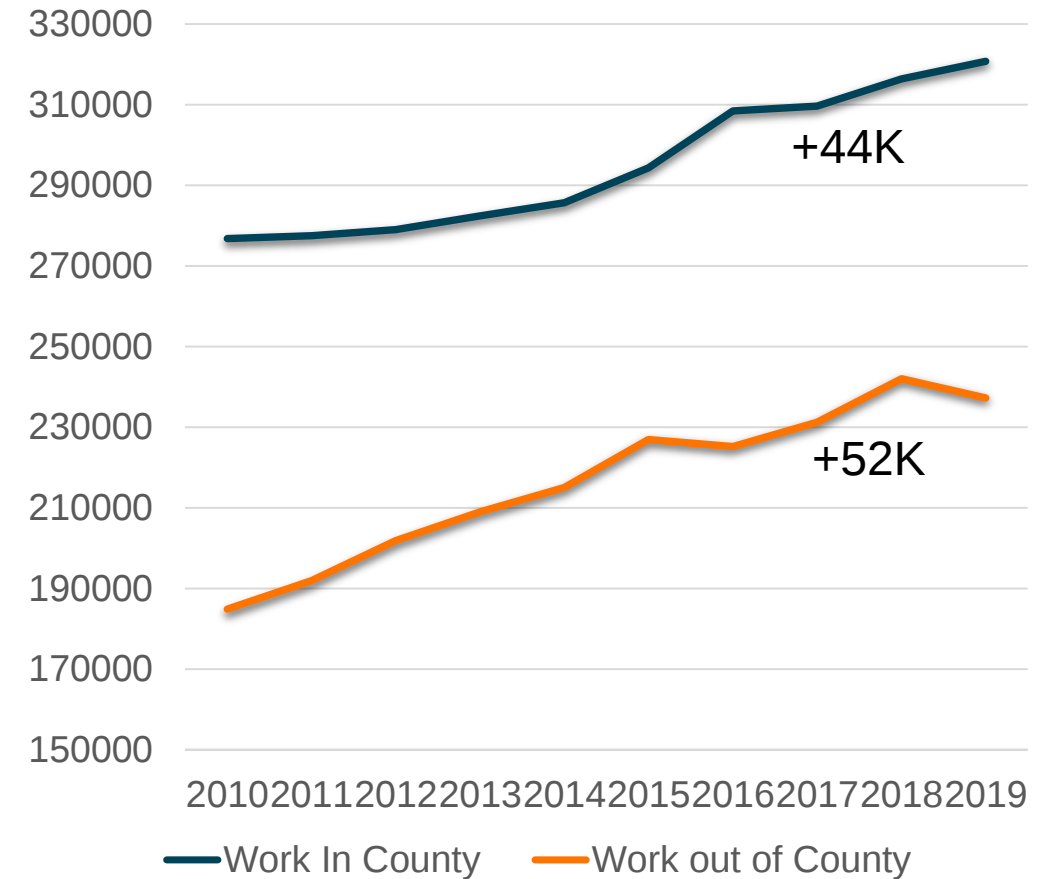


Contra Costa: A Commuter Community

Payroll vs Household Employment



Employed Residents by Place of Work



Local Payroll Shifts



Contra Costa Share of Bay

	2010	2010 Bay Share	2019	2019 Bay Share	Change Share
Civilian Labor Force	525,700	16.7%	559,700	15.9%	-0.8%
Total, All Industries	318,100	11.8%	375,200	10.6%	-1.1%
Management of Companies	5,600	6.6%	8,900	8.8%	2.2%
Administrative & Support	15,500	12.9%	23,300	14.4%	1.4%
Wholesale Trade	7,600	5.1%	9,000	5.8%	0.7%
Health Care	47,500	13.9%	64,700	14.3%	0.4%
Other Services	11,800	6.5%	13,700	6.8%	0.3%
Educational Services	6,300	4.2%	7,700	4.1%	-0.1%
Leisure & Hospitality	31,300	16.2%	43,000	15.9%	-0.2%
Durable Goods	6,900	3.3%	6,500	2.6%	-0.7%
Construction	18,300	17.0%	26,100	15.1%	-1.9%
Government	49,200	11.3%	50,700	9.0%	-2.2%
Retail Trade	40,400	19.3%	41,500	16.9%	-2.4%
Professional, Scientific	22,600	11.0%	24,400	8.3%	-2.7%
Logistics	8,000	10.0%	11,500	7.3%	-2.7%
Information	9,600	6.9%	7,100	3.3%	-3.6%
Financial Activities	25,300	13.3%	27,000	9.2%	-4.2%
Nondurable Goods	11,600	18.3%	9,500	13.2%	-5.1%

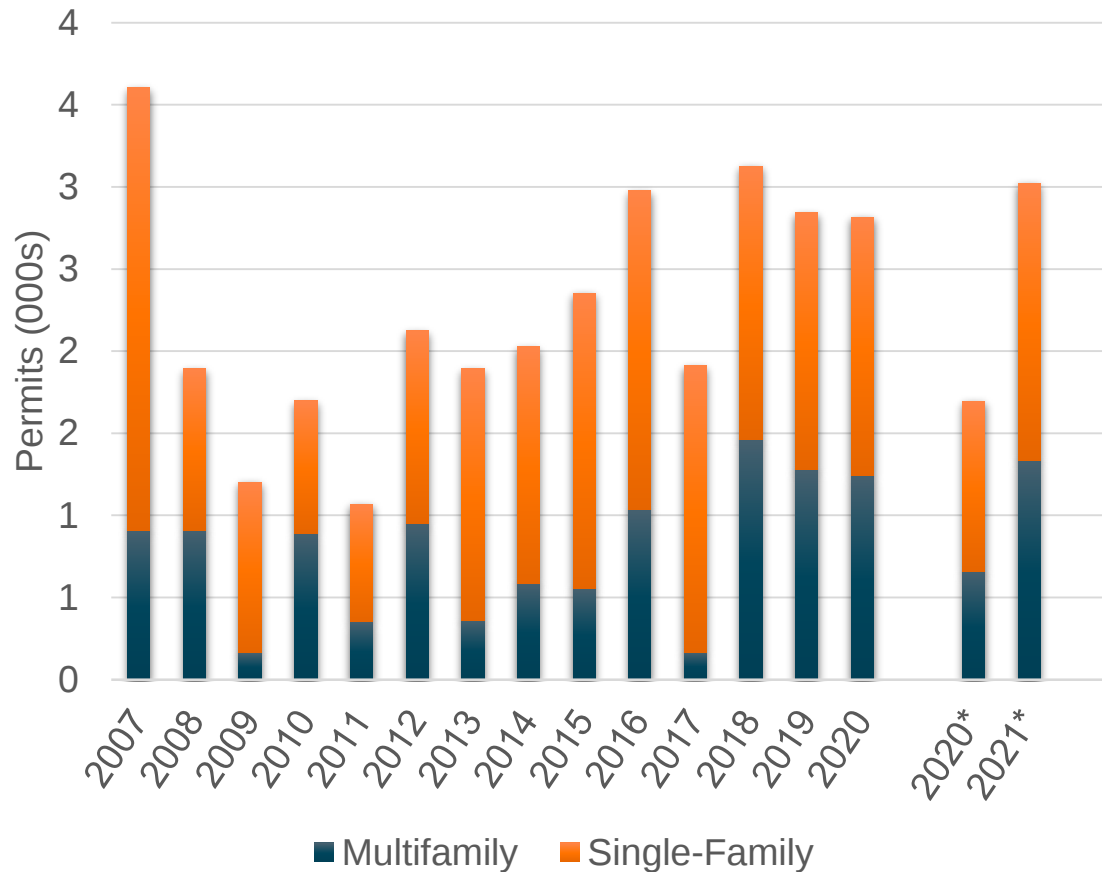
Contra Costa Share and Share Changes

	Relative Share 19	Share Change 10-19
<i>Running Ahead</i>		
Administrative & Support	1.35	0.25
Health Care	1.34	0.16
Leisure & Hospitality	1.50	0.12
<i>Catching Up</i>		
Management of Companies	0.83	0.27
Wholesale Trade	0.54	0.11
Other Services	0.64	0.08
Educational Services	0.39	0.03
<i>Shrinking Lead</i>		
Construction	1.41	-0.03
Retail Trade	1.59	-0.05
Nondurable Goods	1.24	-0.32
<i>Falling Behind</i>		
Durable Goods	0.25	-0.04
Government	0.85	-0.11
Professional, Scientific	0.78	-0.15
Logistics	0.69	-0.16
Financial Activities	0.86	-0.28
Information	0.31	-0.28

Residential Permits



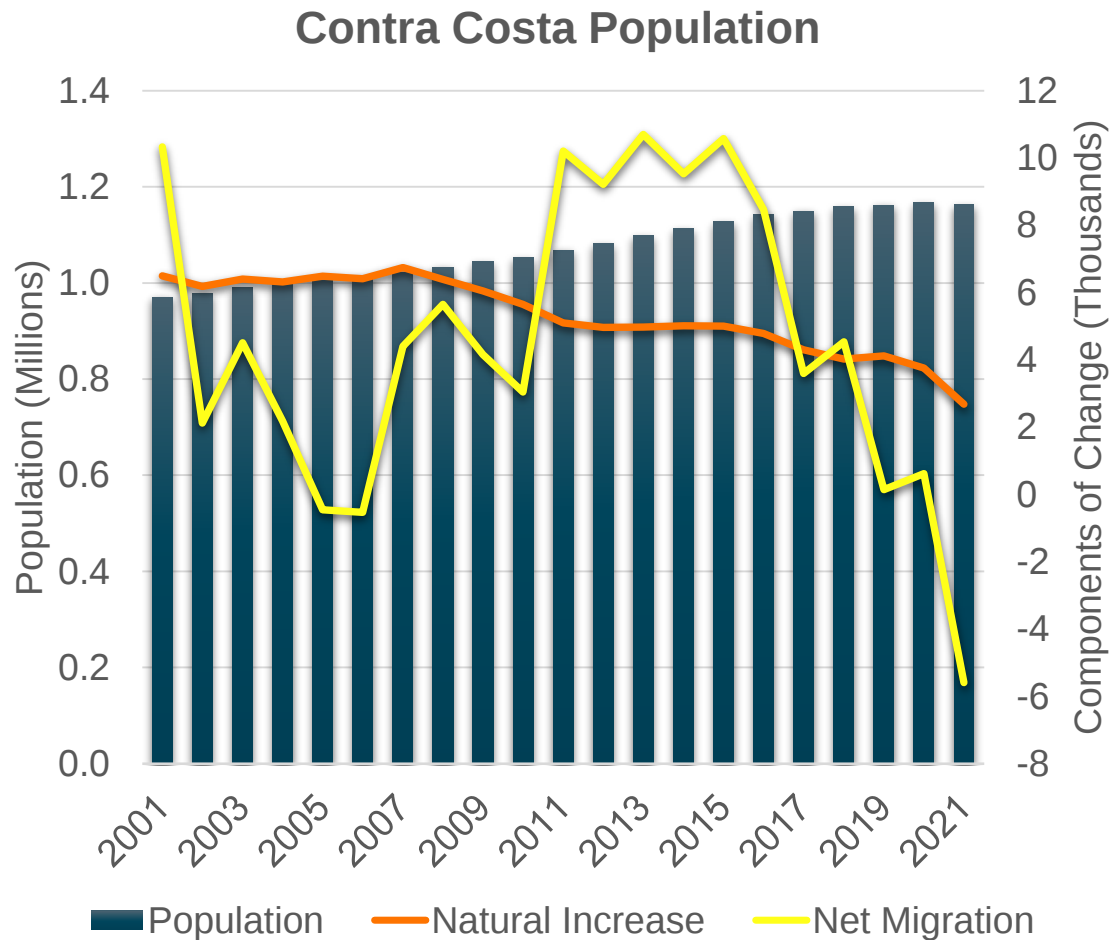
Contra Costa Permits



*YTD through Q3

County	Single-family Permits		Multifamily Permits	
	2021*	Abs. Chg, 2019*	2021*	Abs. Chg, 2019*
Contra Costa	1,687	466	1,336	580
San Francisco	86	9	2,075	-552
Alameda	1,241	-41	2,953	-126
Monterey	345	-53	277	221
Ventura	330	-198	450	-136

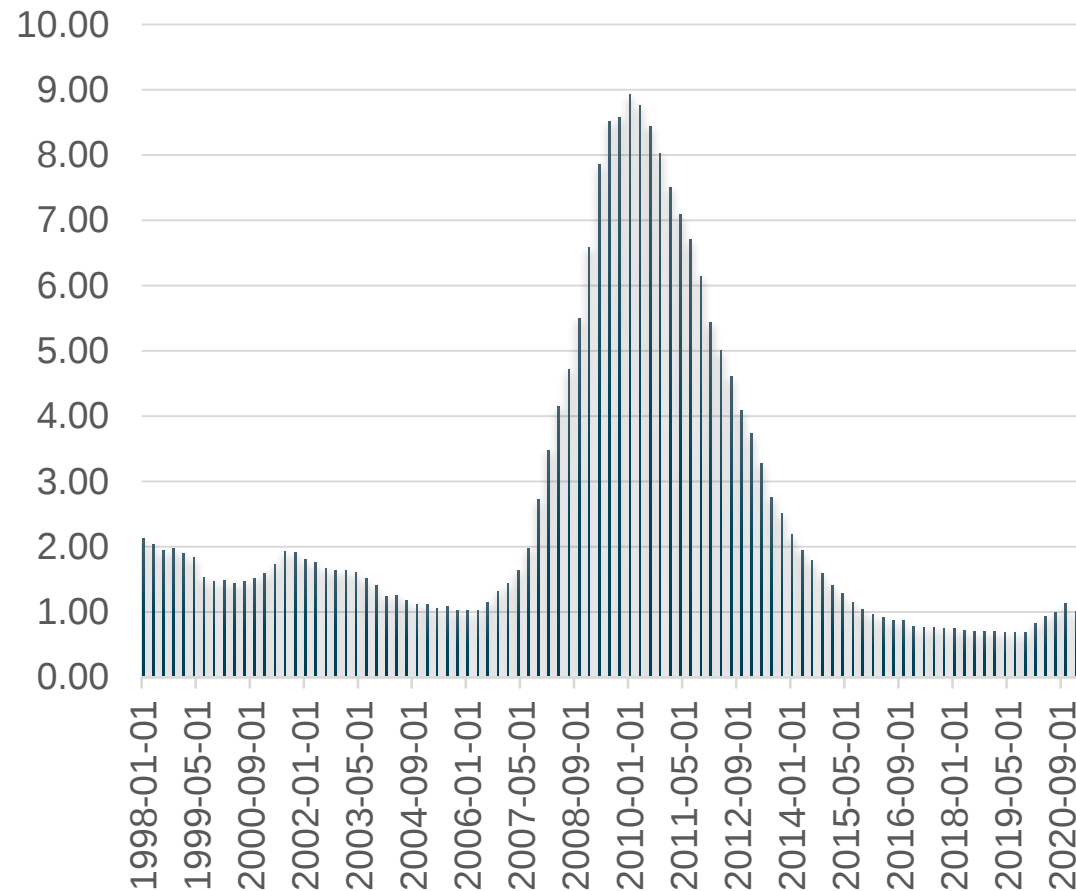
Population



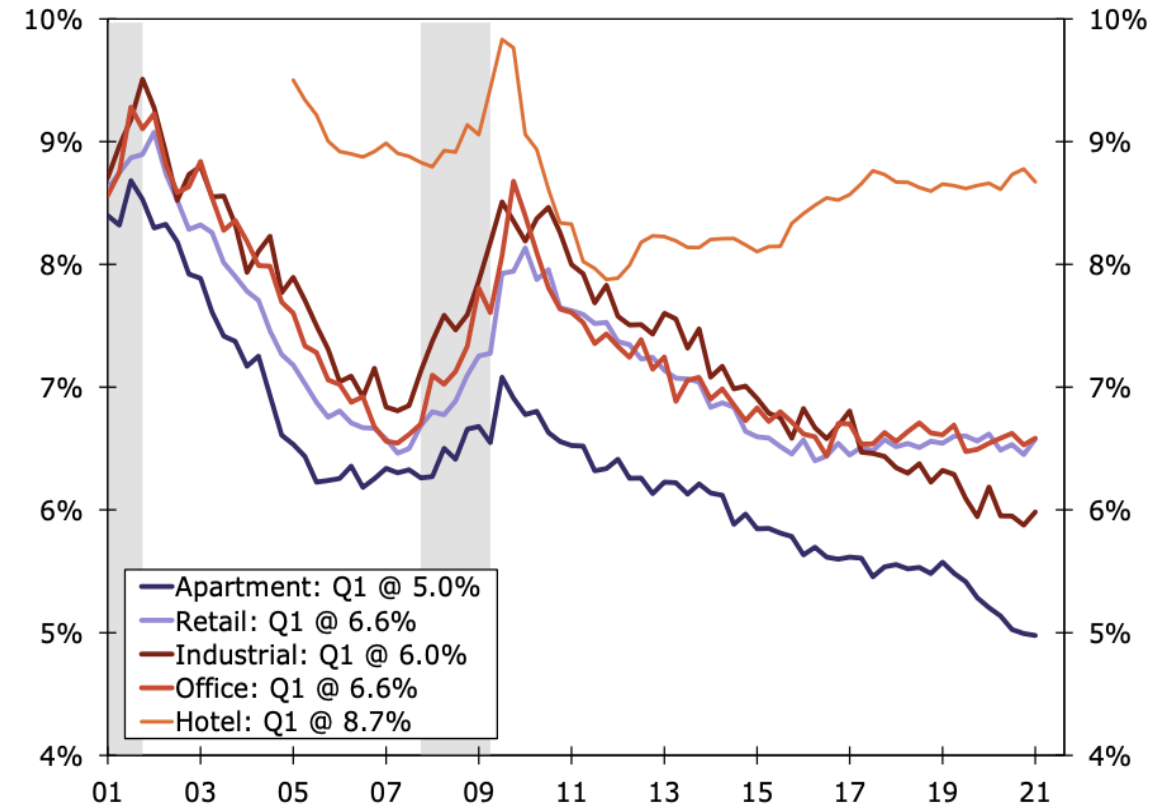
City	2021 Population	2-Yr % Growth
County Total	1,153,854	0.5
Brentwood	66,097	2.5
San Ramon	83,863	2.1
Pittsburg	74,498	1.2
Walnut Creek	71,317	0.8
Antioch	112,848	0.6
Incorporated	979,431	0.6
Unincorporated	174,423	0.4
Richmond	110,130	0.1

Commercial Markets: Financials

Commercial RE Loan Dqs



CRE Cap Rates by Property Type

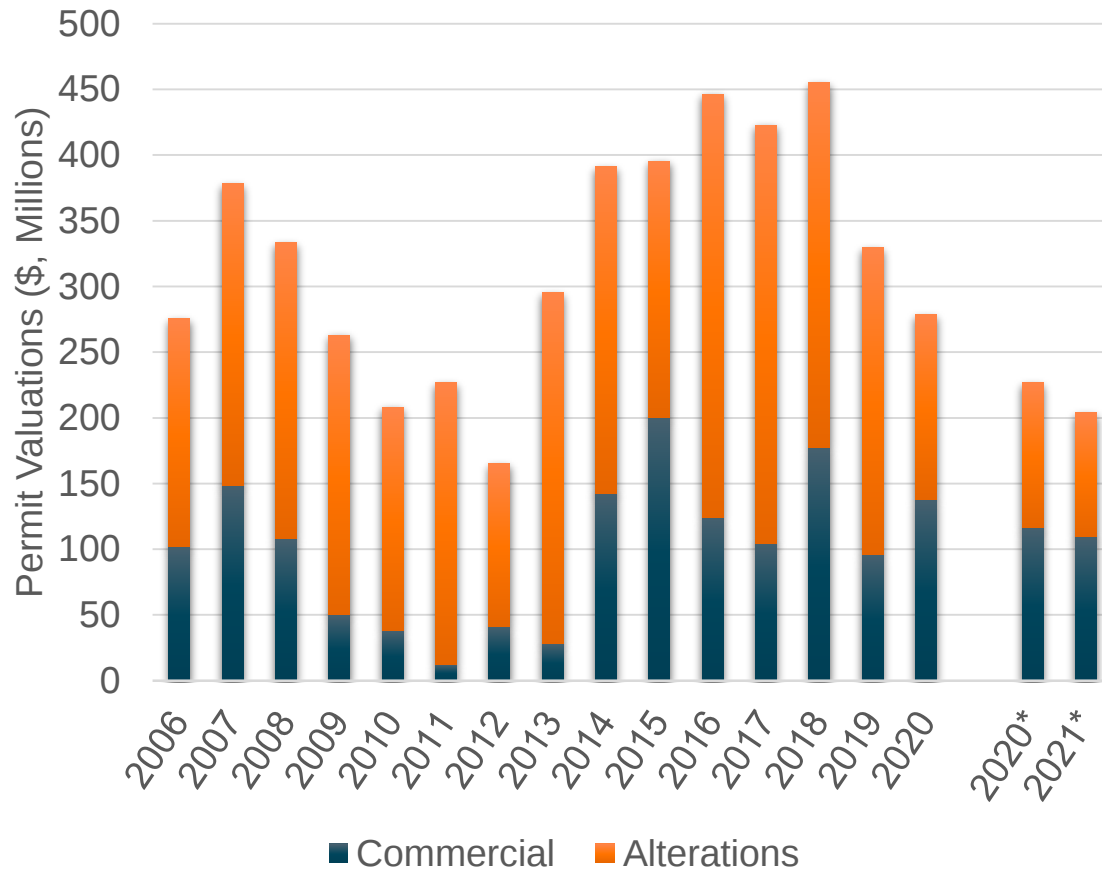


Source: Real Capital Analytics and Wells Fargo Securities

Nonresidential Real Estate



Contra Costa NonRes Permit Values



*YTD through Q3

Permit Type	2021* Permit Value (\$ Mil)	Abs. Change vs. 2020* (\$ Mil)
Commercial	109.6	15.0
Alterations	94.3	-18.7
Store	64.5	-35.2
Office	26.3	19.5
Hotel	0	0

Nonresidential Rents and Vacancies



Office	Cost of Rent		Vacancy Rates	
	Q3-21 (\$/sf)	2-Yr % Gr	Q3-21 (%)	2-Yr Abs. Chg
San Jose	48.0	3.1	19.7	1.5
Oakland (MD)	35.2	1.2	17.0	1.7
San Francisco (MD)	64.6	0.2	12.5	3.8

Retail				
San Jose	37.8	0.2	5.7	0.3
Oakland (MD)	31.9	-0.7	8.9	0.9
San Francisco (MD)	40.8	-0.8	4.8	0.6

Warehousing/Distribution				
Oakland (MD)	7.1	4.6	6.9	-2.1
San Jose	8.8	4.3	7.3	-0.5
San Francisco (MD)	10.6	2.5	4.9	-0.7

Nonresidential Rents and Vacancies



Office	Cost of Rent		Vacancy Rates	
	Q3-21 (\$/sf)	2-Yr % Gr	Q3-21 (%)	2-Yr Abs. Chg
North I-680	30.1	0.9	12.7	-1.2
West Contra Costa	31.8	0.1	20.5	4.1
North Contra Costa	33.4	-0.3	17.8	2.1

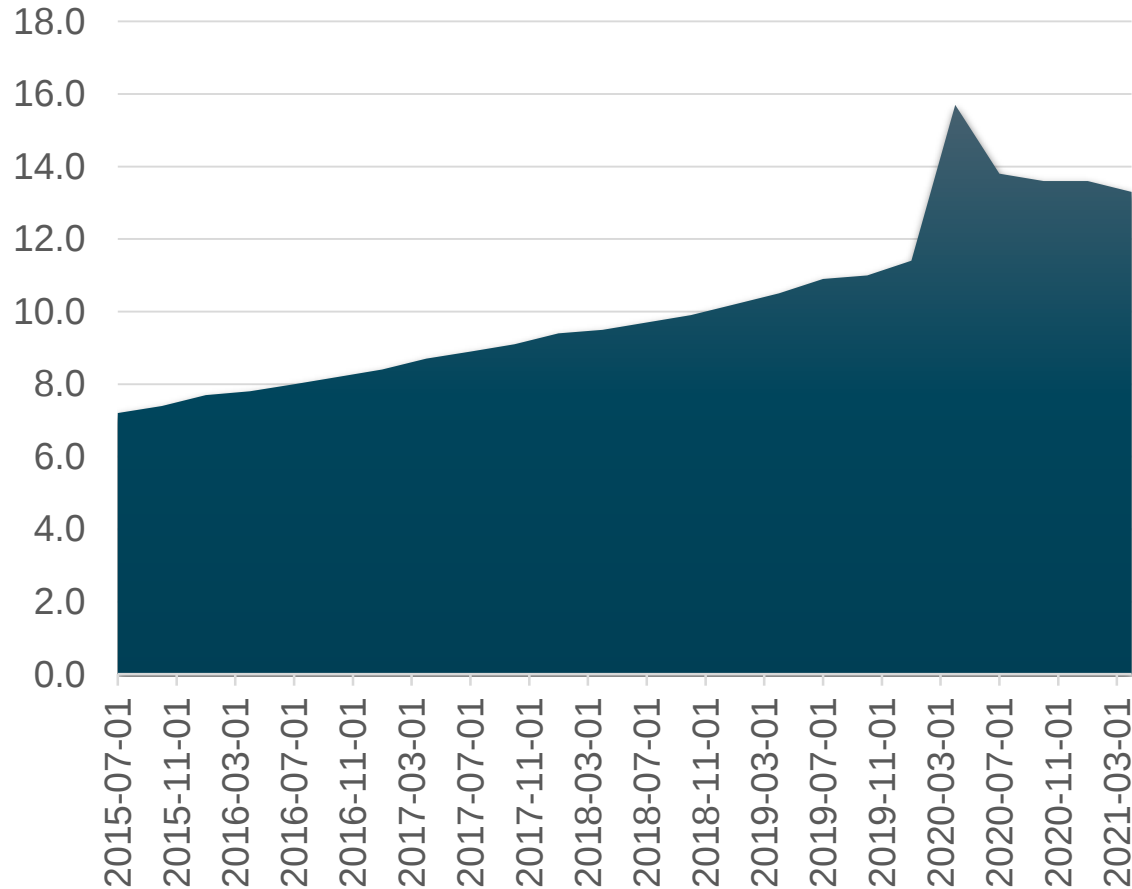
Retail				
Central Contra Costa	35.5	-0.4	8.2	1.3
East Contra Costa	24.8	-1.2	9.6	0.2
West Contra Costa	35.1	-1.5	9.7	0.9

Warehousing/Distribution				
Berkeley, Richmond, and Martinez	7.4	4.1	6.0	-5.8
Concord/Pittsburg	5.8	3.9	6.7	-1.5

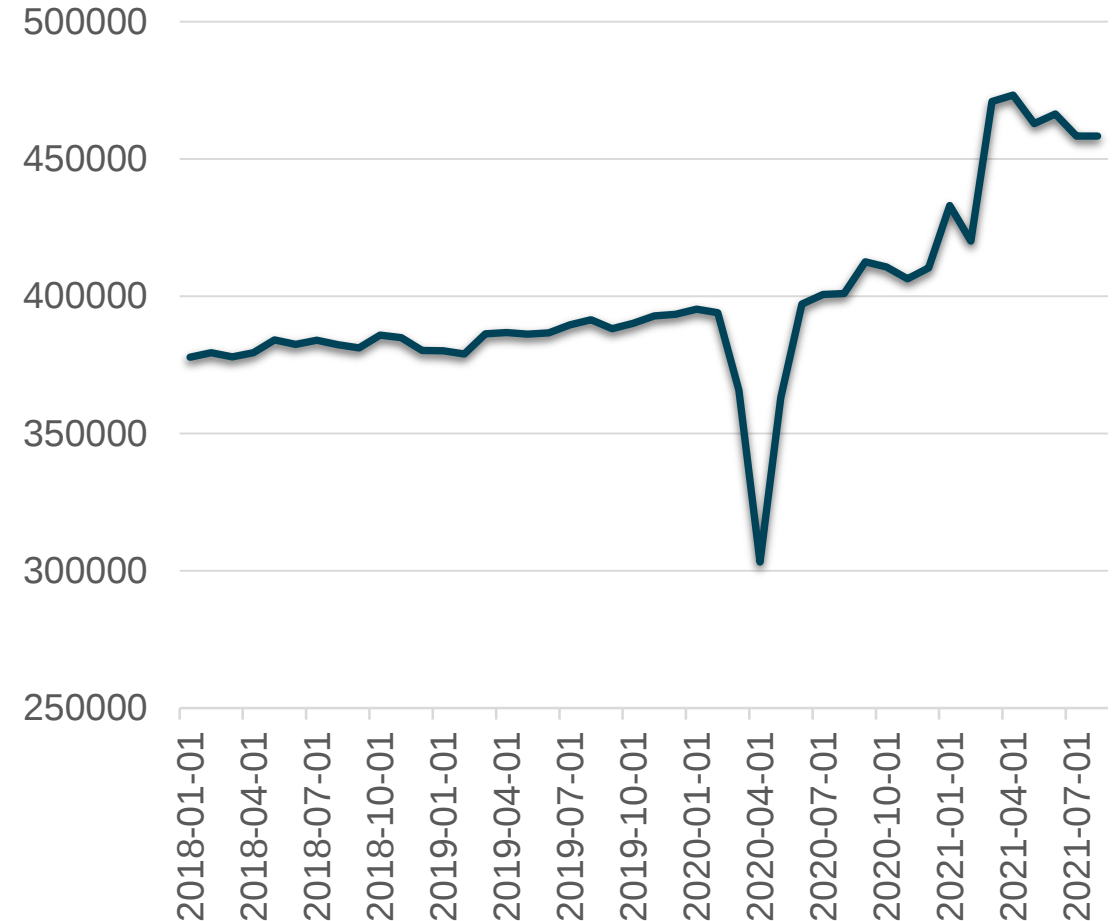
Retail / Industrial: The mix



E-Commerce Share of Retail



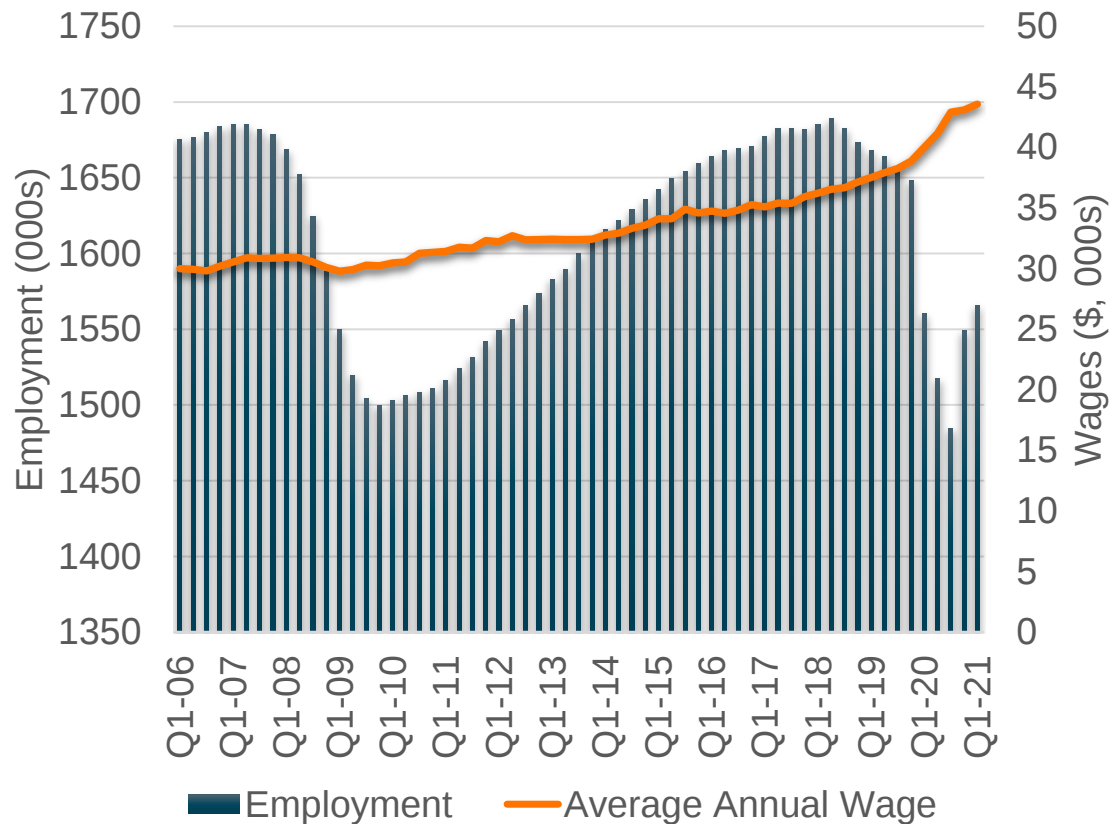
Retail Sales Minus Non-Store Retailers



California Retail Employment



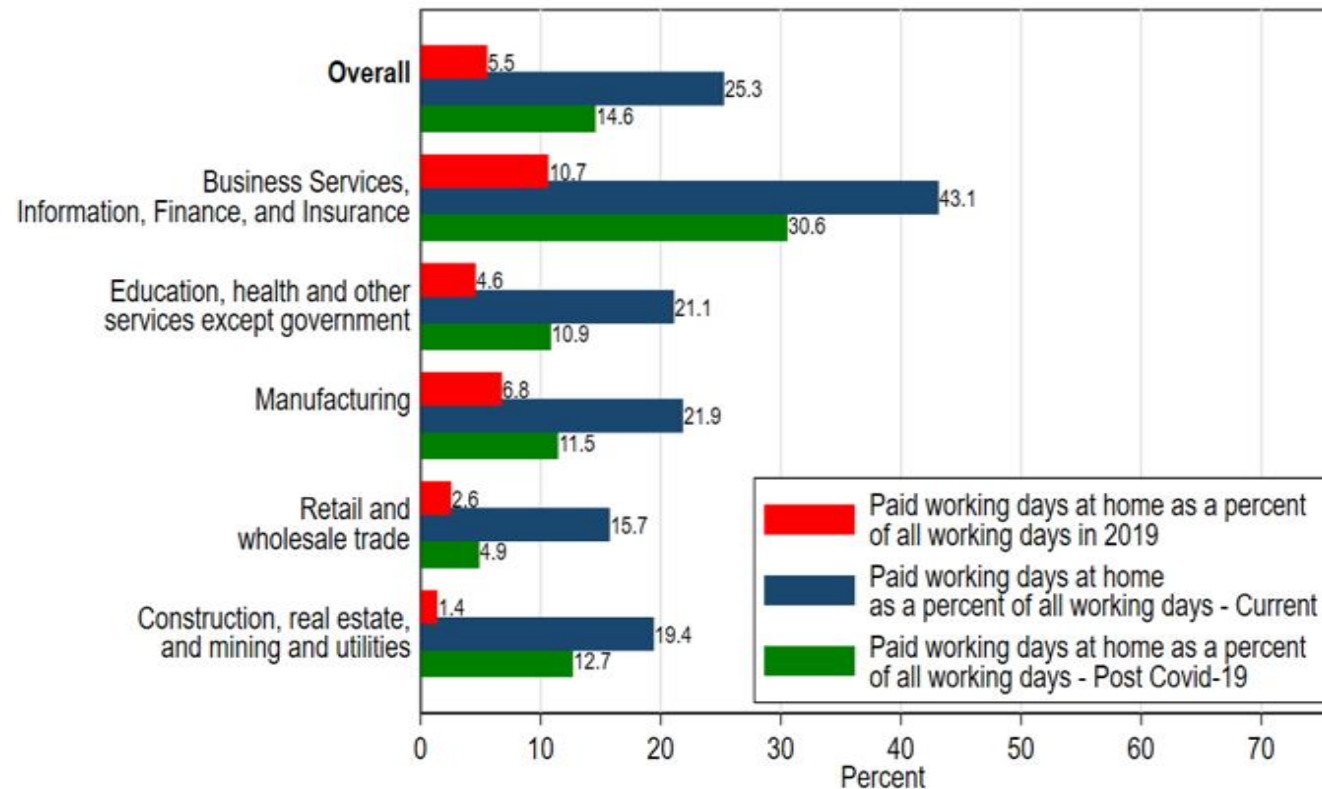
Retail Employment and Wages
California



Industry	Employment		Wages	
	Q1-21	1-Yr % Gr	Q1-21 (\$)	1-Yr % Gr
Building material	134,533	9.8	43,309	6.4
Food and beverage	367,845	3.7	33,130	0.6
General merchandise	288,785	2.6	30,597	3.0
Nonstore retailers	62,846	1.4	108,117	17.8
Gasoline stations	61,238	-3.7	30,856	5.6
Health/personal care	108,223	-5.1	49,179	3.9
Sports, hobby, etc.	55,521	-6.4	27,871	11.9
Motor vehicle	178,097	-8.2	66,928	11.6
Furniture	47,293	-9.0	43,867	6.5
Miscellaneous	82,067	-9.5	36,120	6.6
Electronics	52,218	-11.1	54,535	7.2
Clothing	132,579	-25.8	30,416	5.6

WFH Before, During, and After COVID

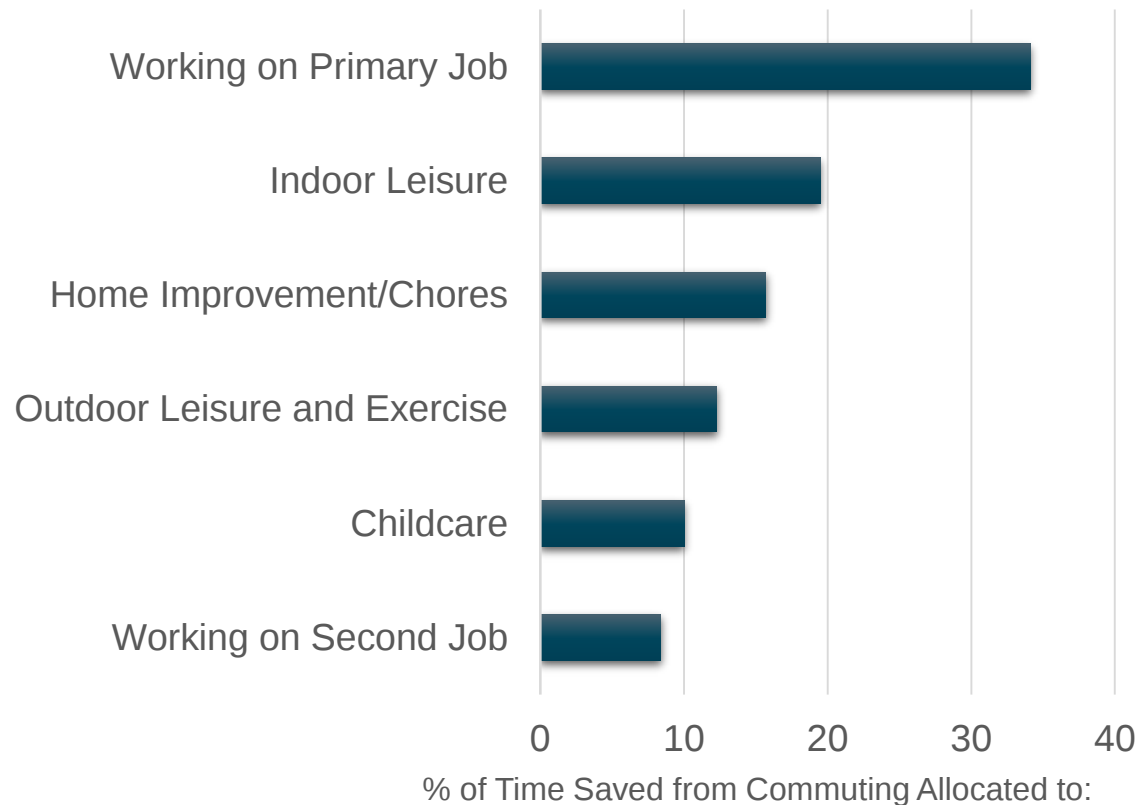
Chart 2: Paid WFH Days as a Share of All Working Days before, during, and after the Pandemic



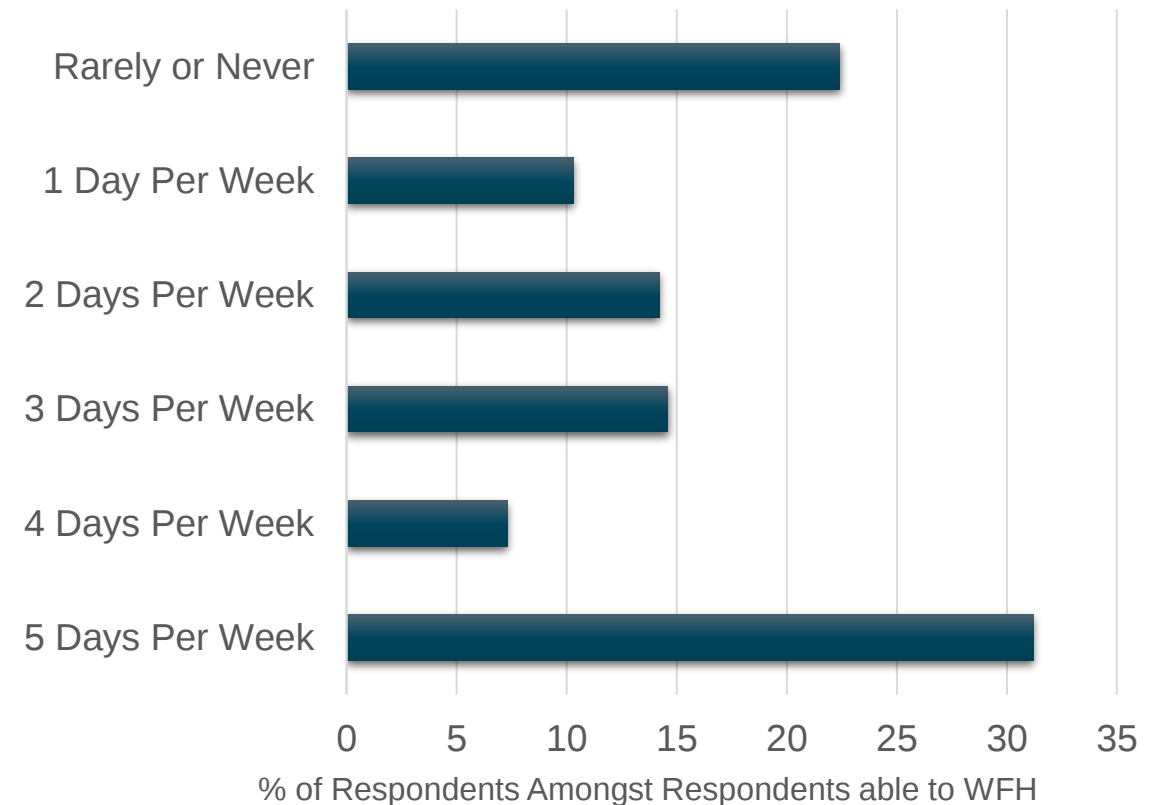
WFH – Time and Preferences



How are you now spending time you saved by not commuting?

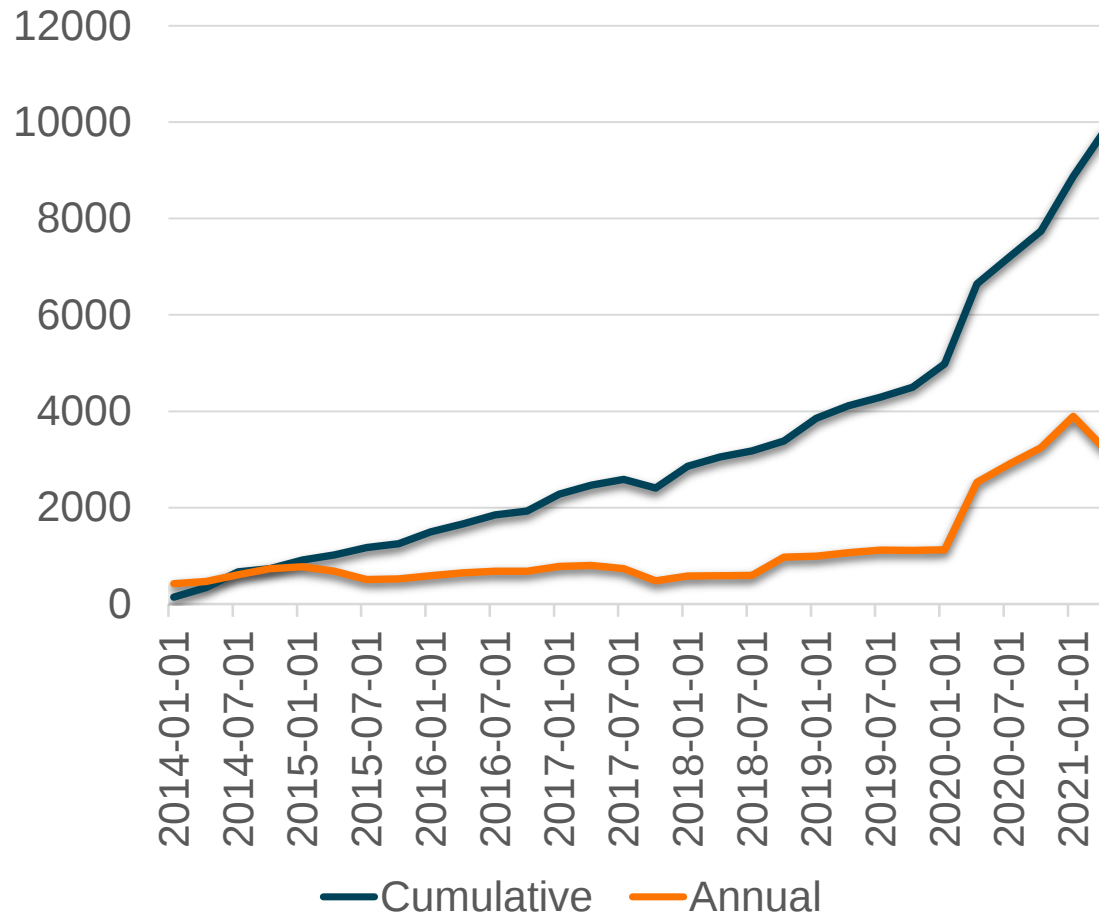


Workers' desired amount of post-COVID WFH days

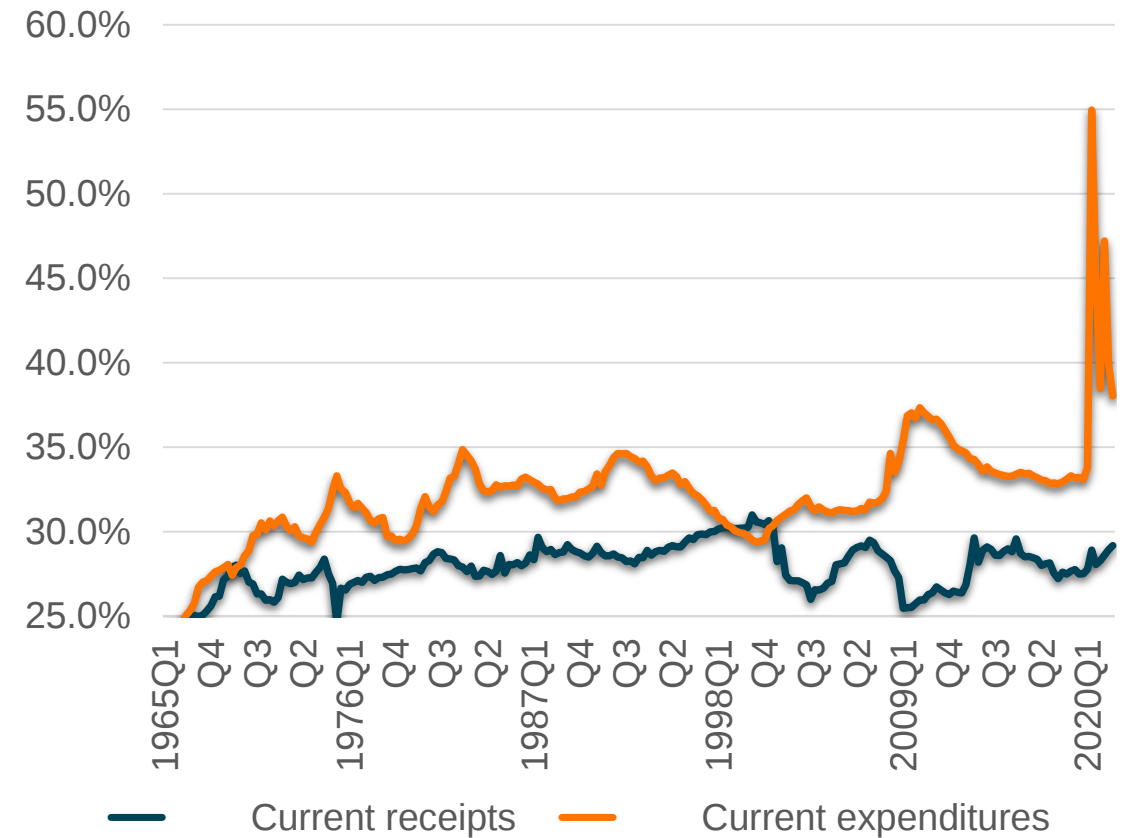


No such thing as a free lunch...

Federal Debt Accumulation



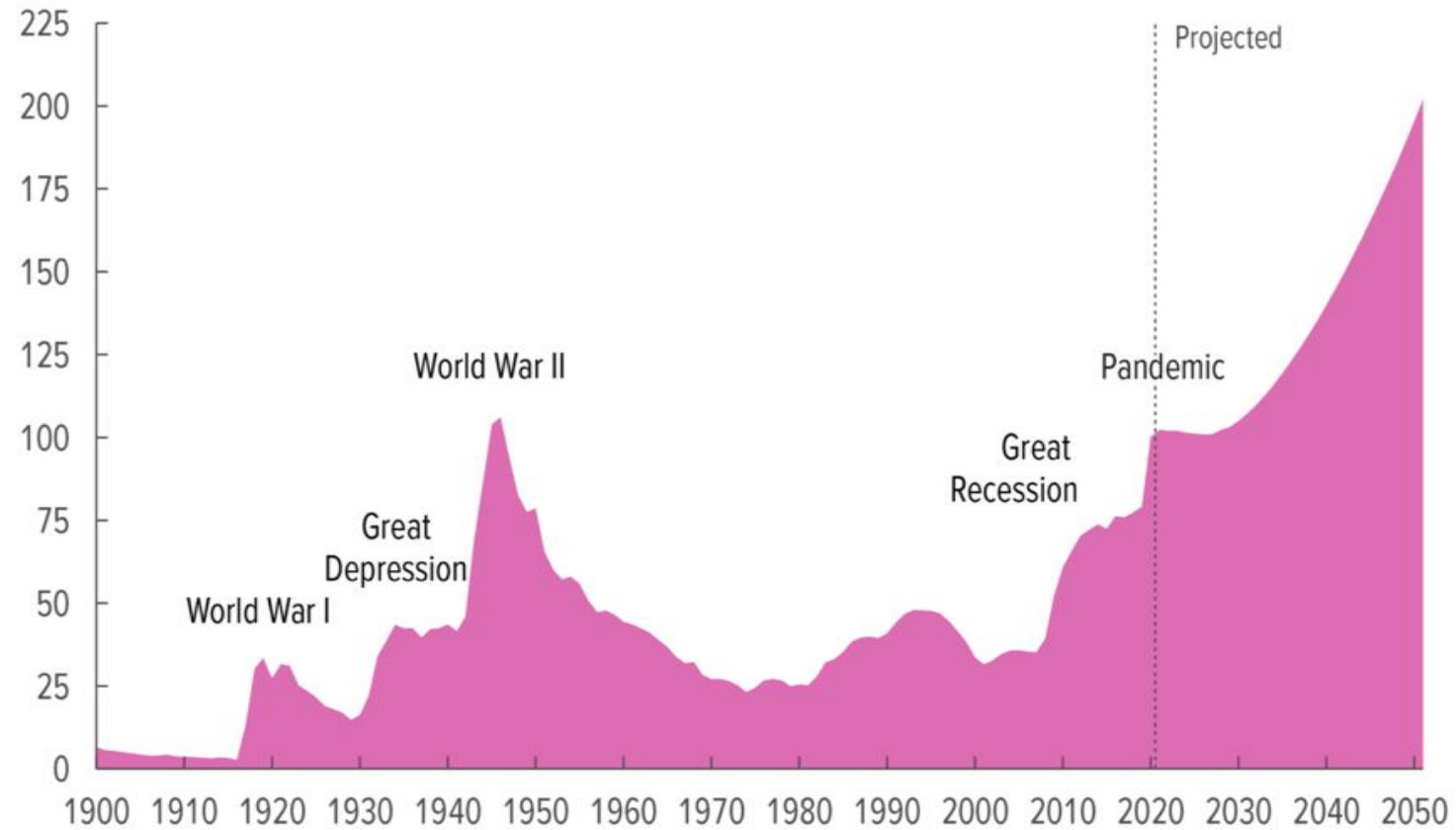
US Government Expenses and Revenues (All levels)



The golden age of debt

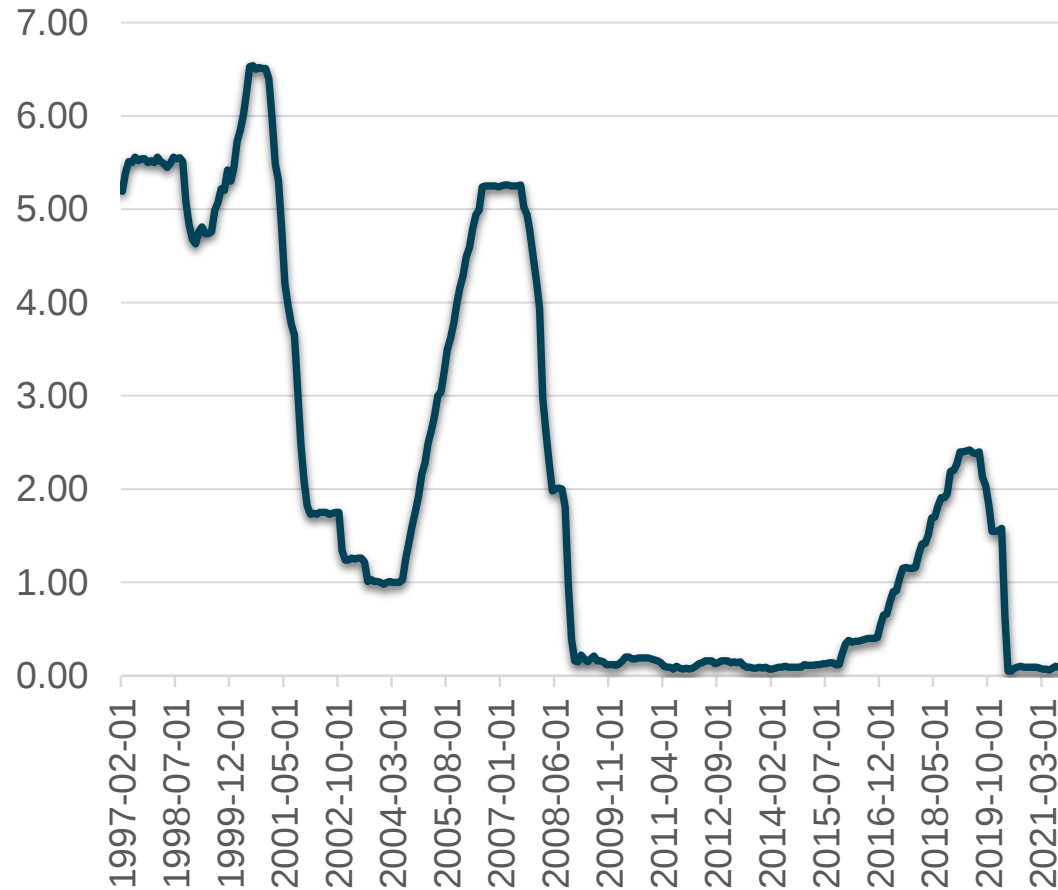


Percentage of Gross Domestic Product

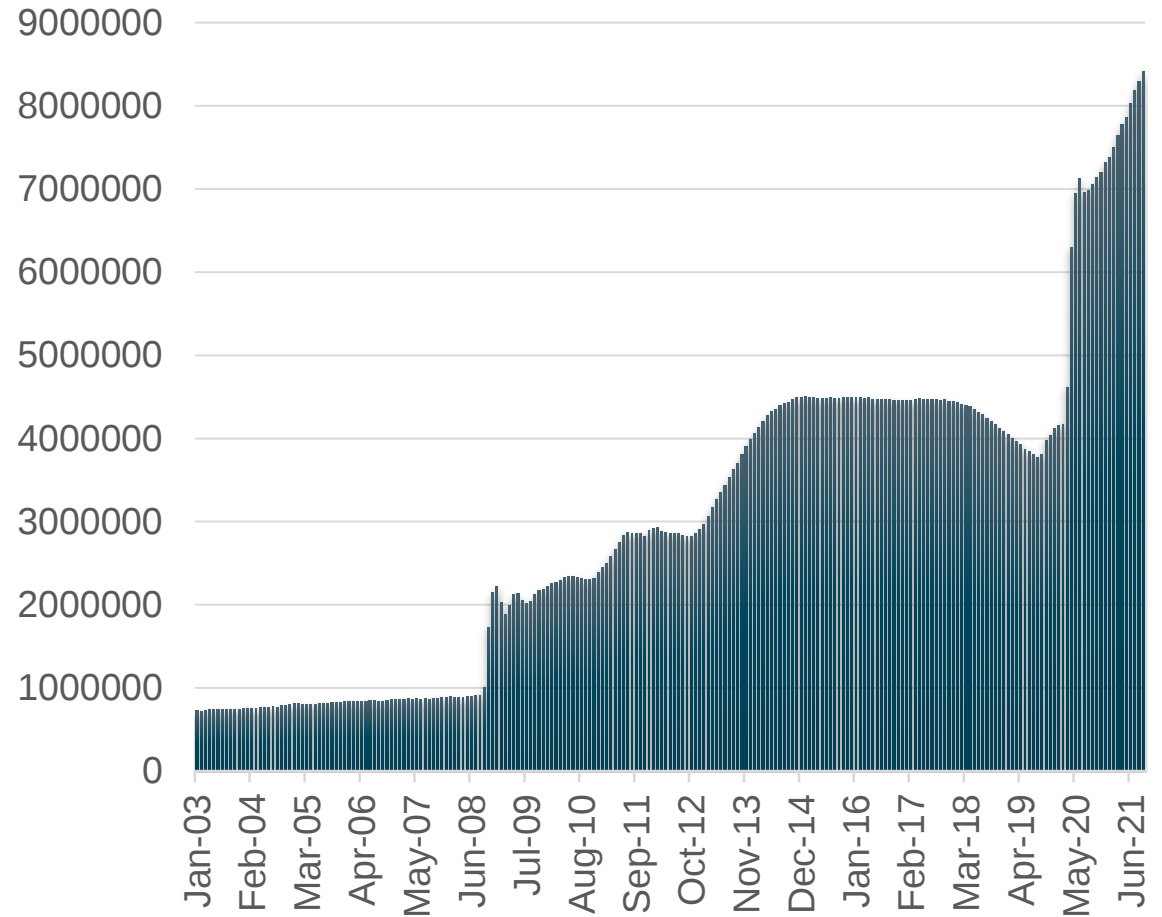


Mr. Powell's War

Federal Funds Rate



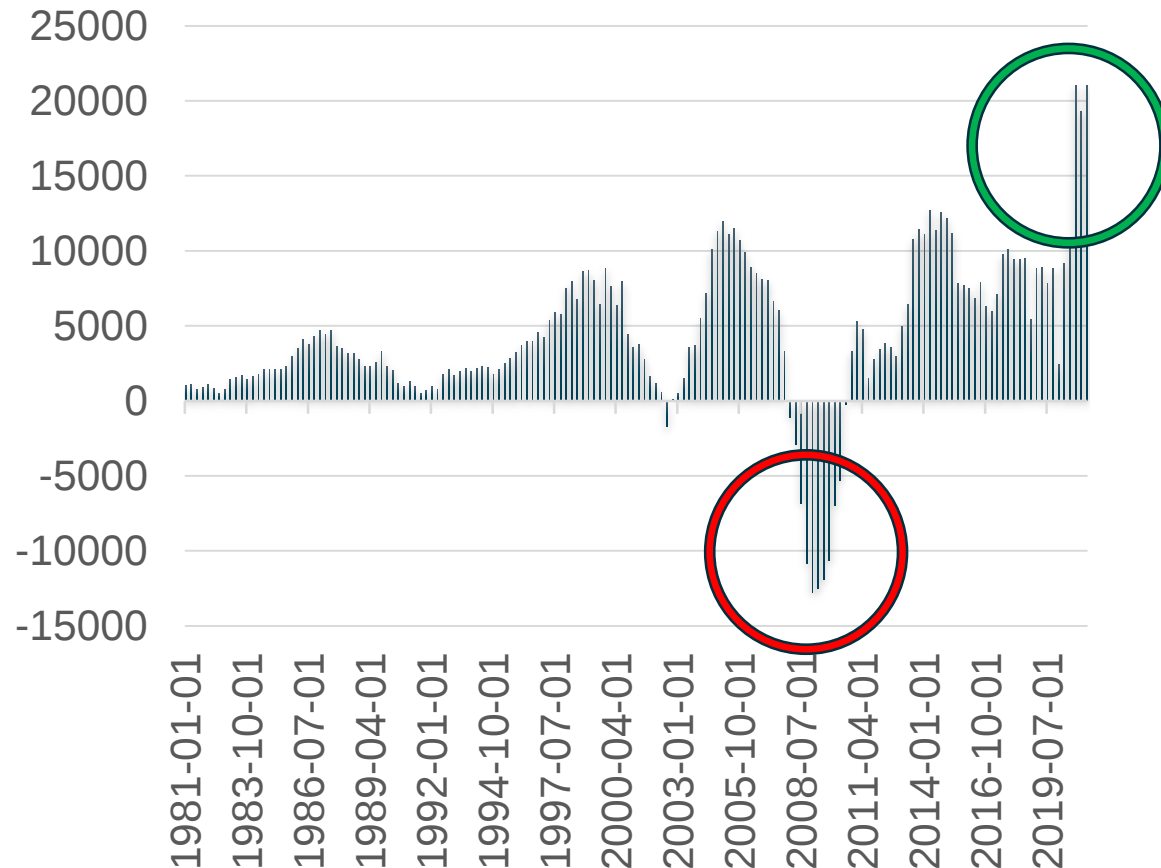
Federal Reserve Balance Sheet



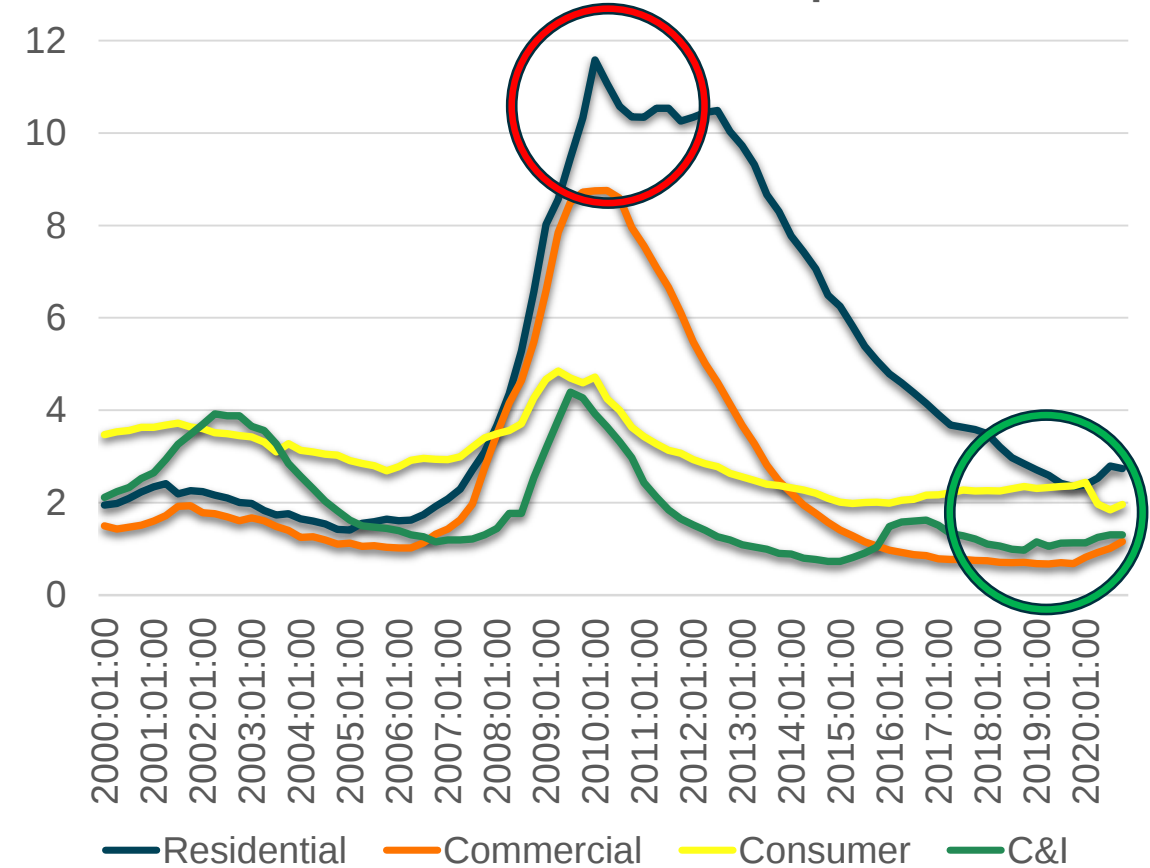
Expansion HH Net Worth



2 Year Change Real Household Net Worth \$Billions

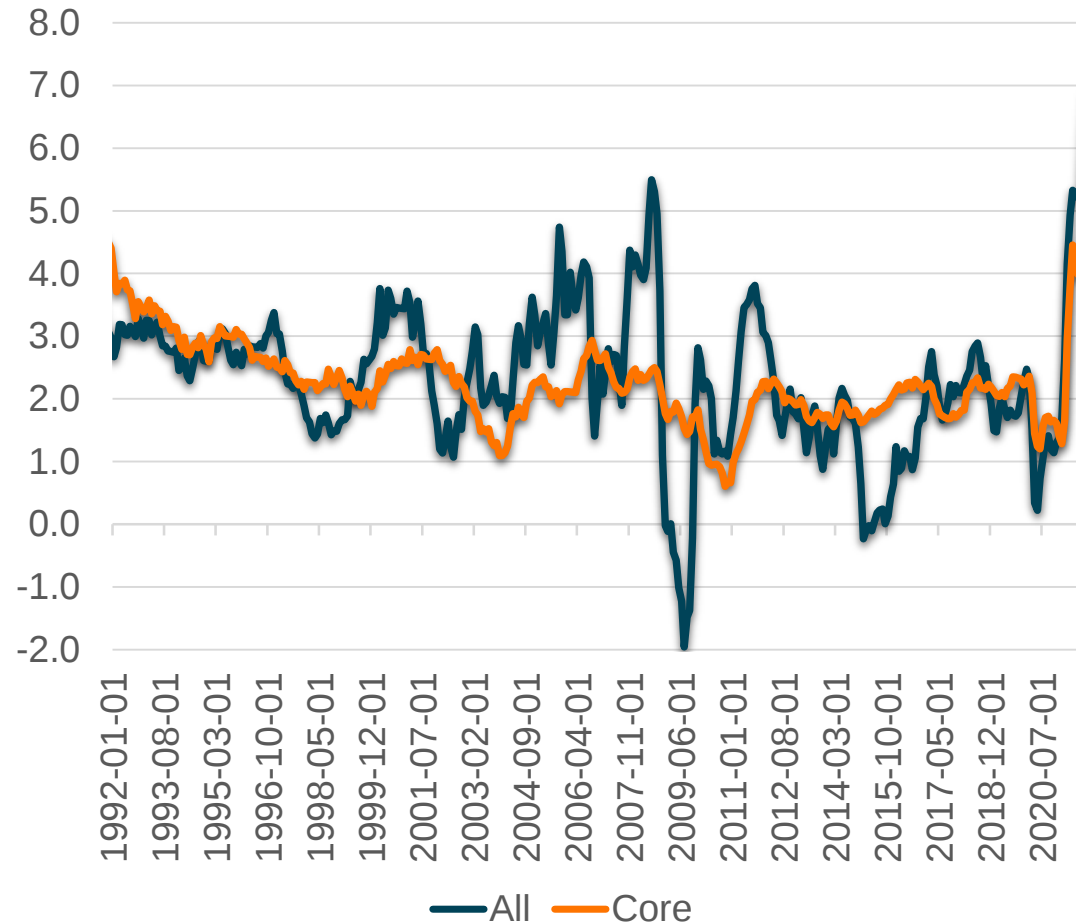


Commercial Bank Loan Delinquencies

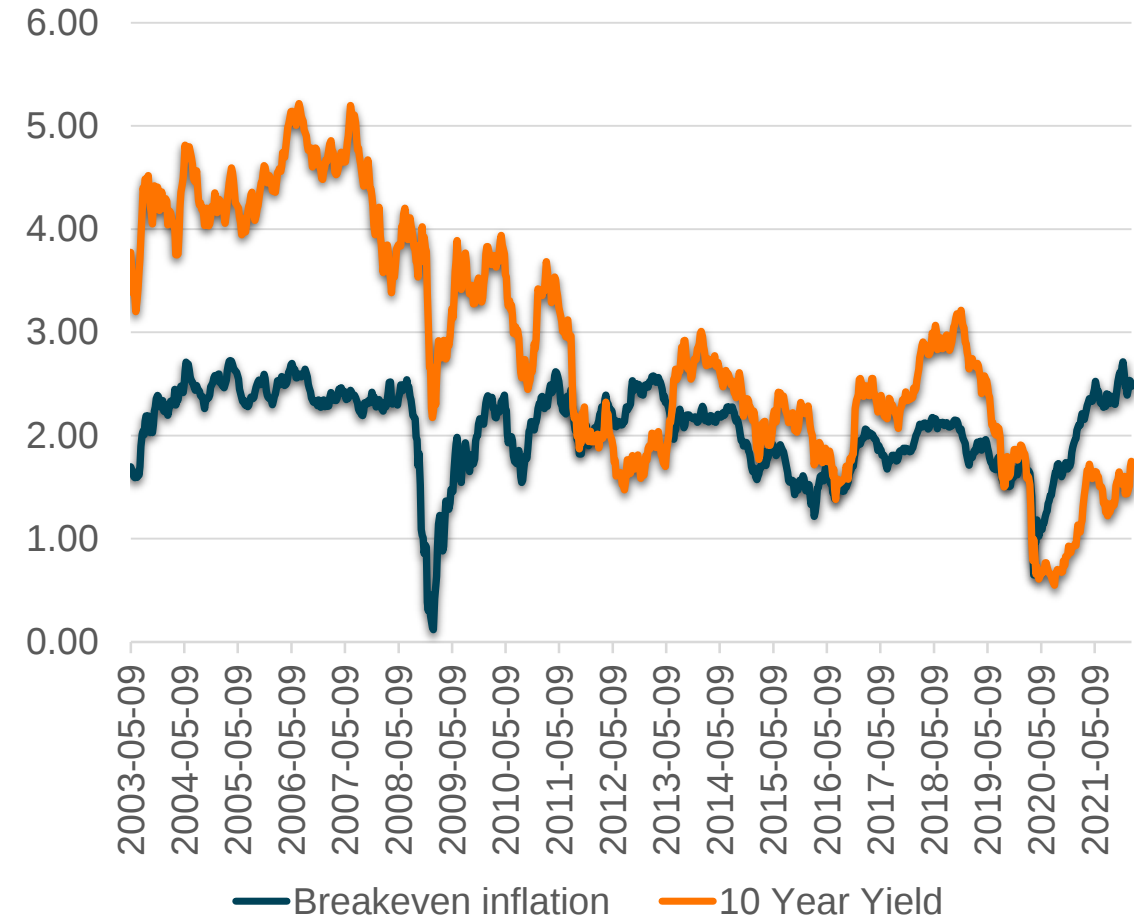


Inflation nation...

YoY Change Consumer Prices

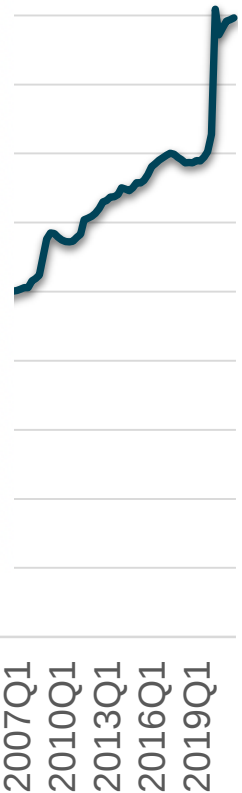


Inflation? What inflation?



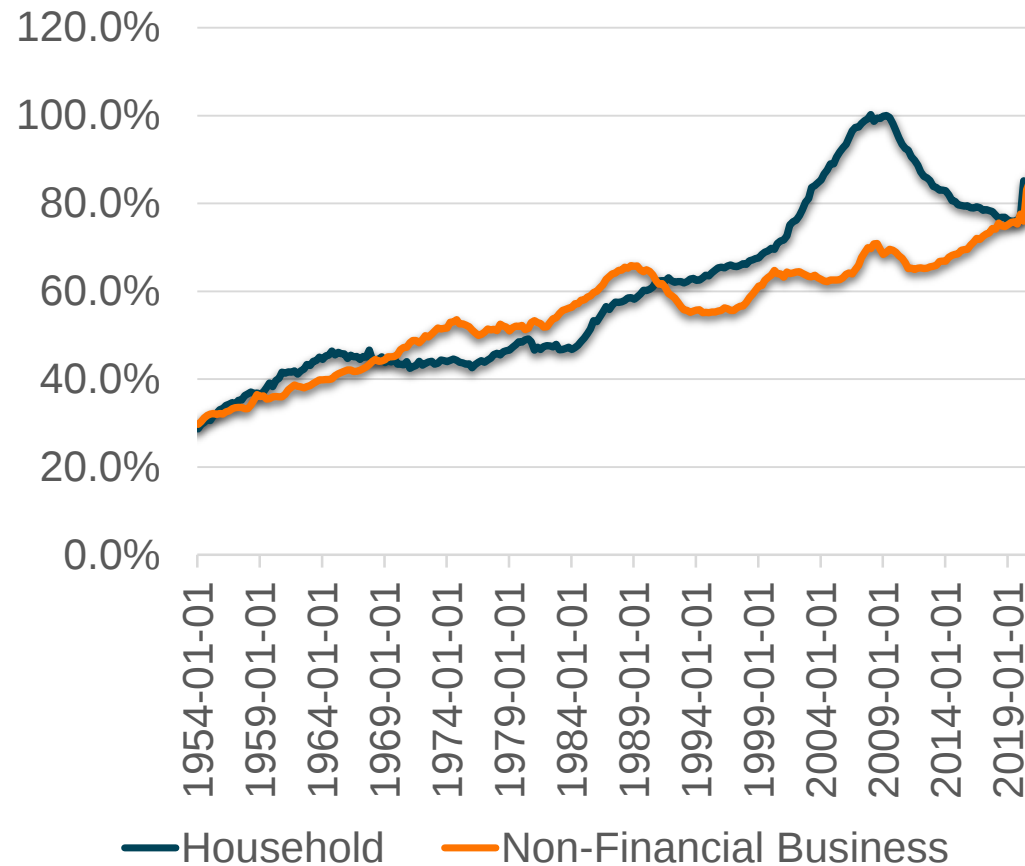
What drives...

- Drivers
 - Federal Reserve
 - Commercial banks
 - Federal Reserve
 - Wage
 - Money
 - Demand

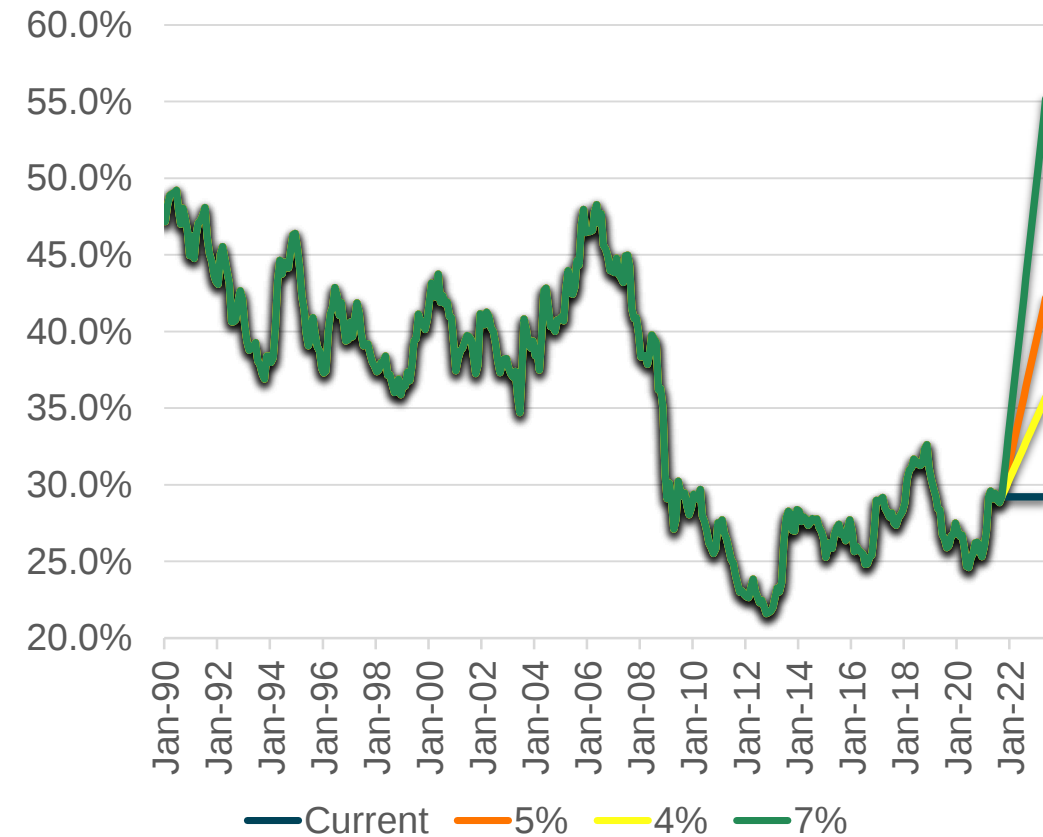


Impact of an Interest Rate Shock

Private Sector Debt to GDP

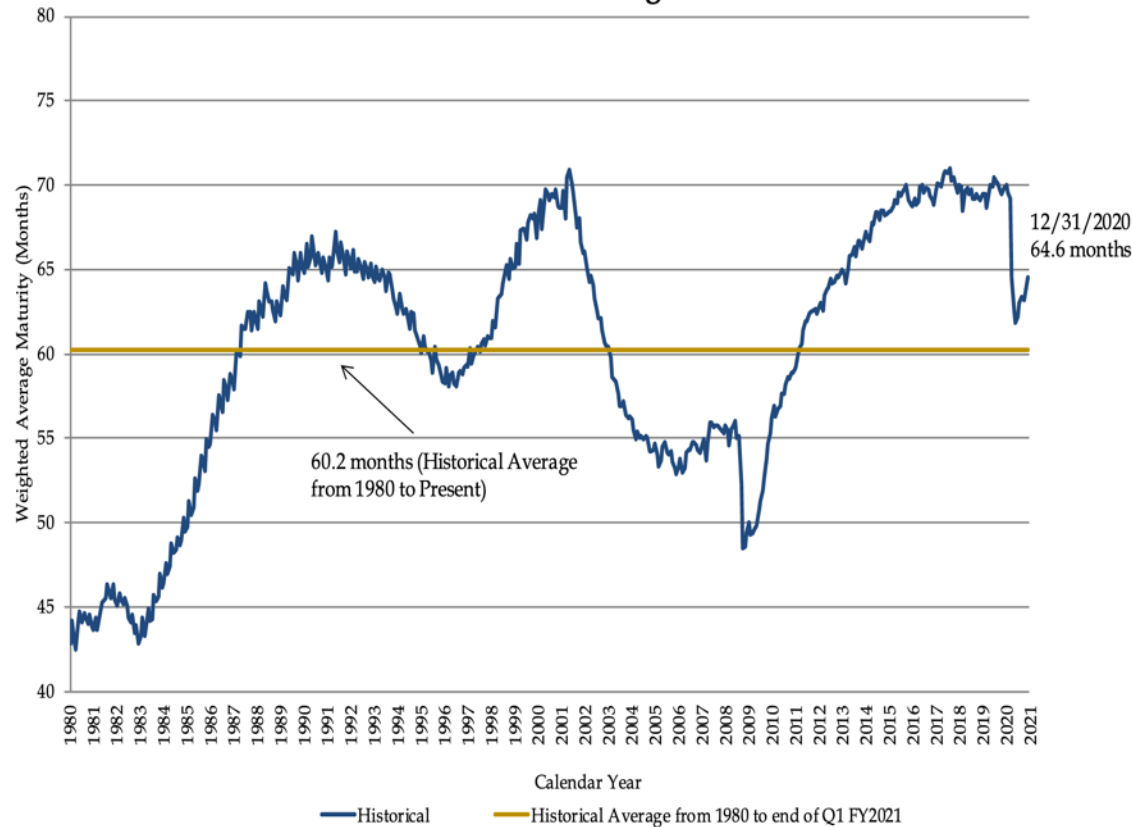


% Annual Income to Support Mortgage and Taxes

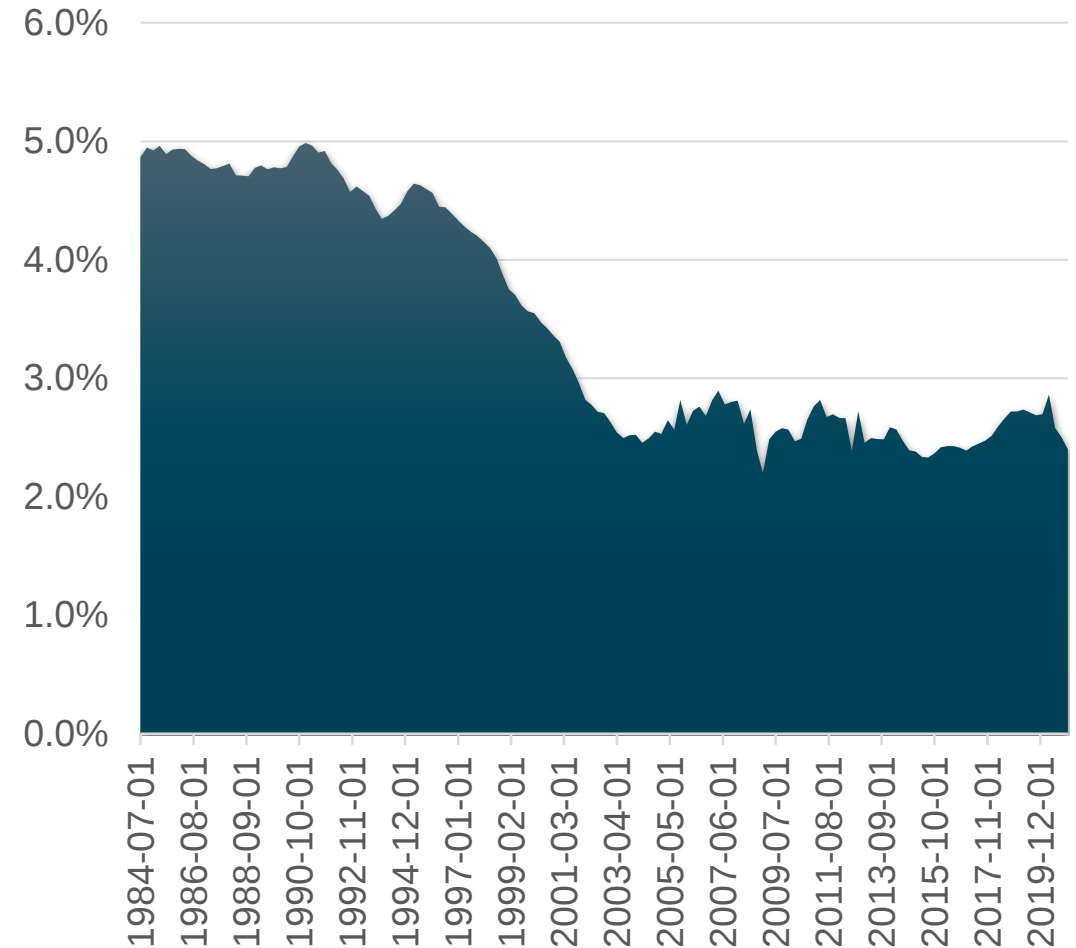


Interaction of Monetary and Fiscal Problems

Historical Weighted Average Maturity of Marketable Debt Outstanding



Federal Interest Payments as % of GDP



The Long Run Still Matters



- The Economy is back..
 - The “V” was the only logical outcome
 - Recovery hampered not by lack of demand but by lack of supply
 - Economy has plenty of pent up demand to drive it forward for the near future
- Labor market slow recovery is a function of labor supply
 - Good for workers at all skill levels, reduces inequality issues
 - Bad for businesses, consumers in short run
 - Immigration policy, Programs to encourage senior and female employment
 - Local Development = Workforce Attraction
- The Outlook
 - 6.5% Q4 US economy will remain heated for the next few years: a new roaring 20's
 - Unemployment to 3.4% by year end, labor market tightness sets off an investment boom
 - Expect a sugar crash to come, combination of tight federal budget and inflation.
- Scenarios
 - 1: Dramatic Fed action / bond market turns the tide before things get out of control
 - 2: Consumer Spending drives the economy until a moderately painful crash
 - 3: Investment / debt fueled boom drives the economy even farther with a more painful crash



Thank You

Chris@BeaconEcon.com | beaconecon.com