

FY21/22 Economic Outlook

| May 12, 2021

| Office of Economic Development and Cultural Affairs

| The Shape of Recovery

14 months in – what have we learned?

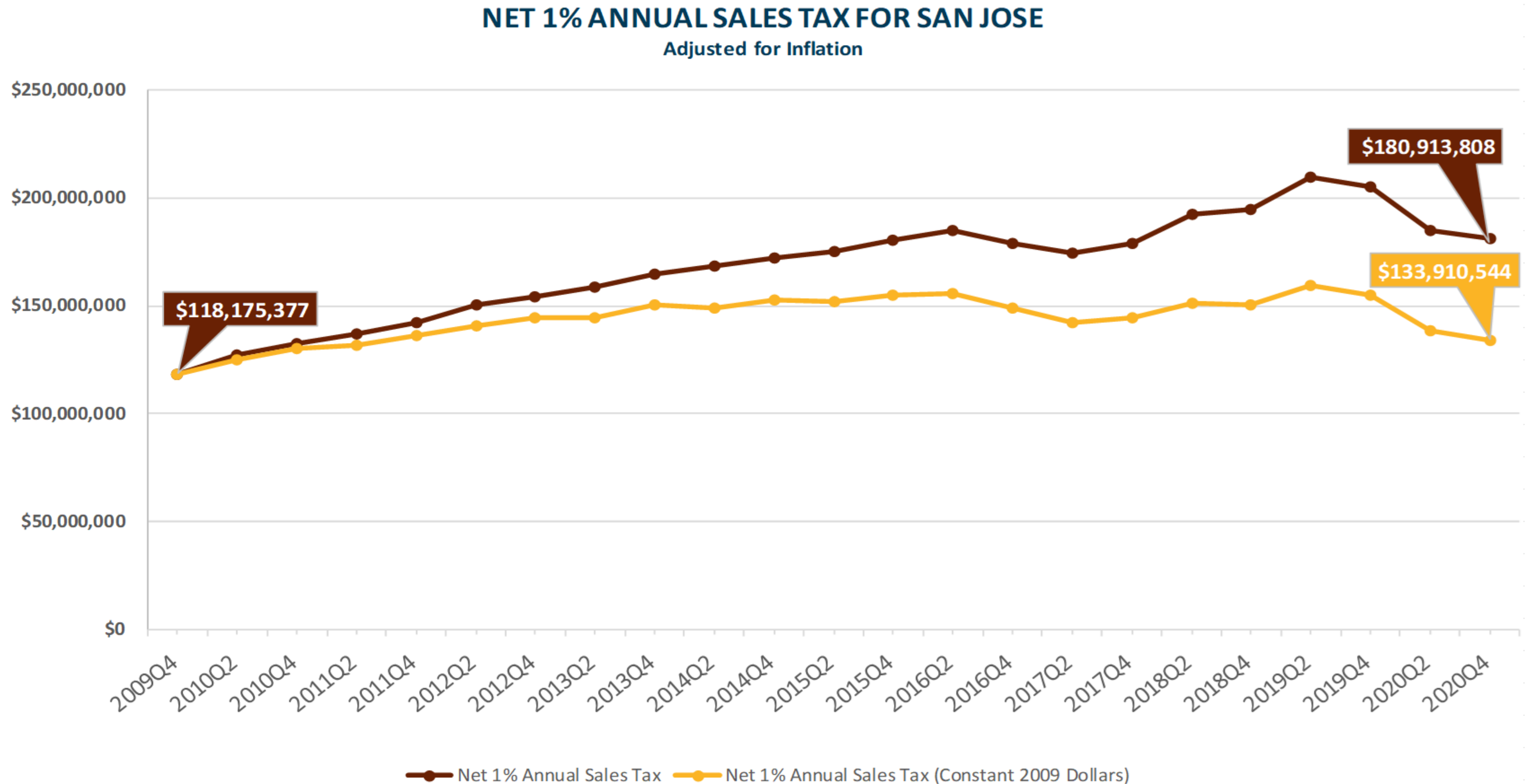
- San Jose's economic realities are continuing into recovery – Stabilized / Holding On / In Crisis
- The recovery is happening – but it depends who you are, what you do, and where you live...
- Pandemic has highlighted the pain points in the local economy
- Those business owners who do not have connections to institutions or networks are at the highest risk
- Workers with the least economic mobility/lowest skill sets are at highest risk – those jobs that were available carried increased risk of exposure



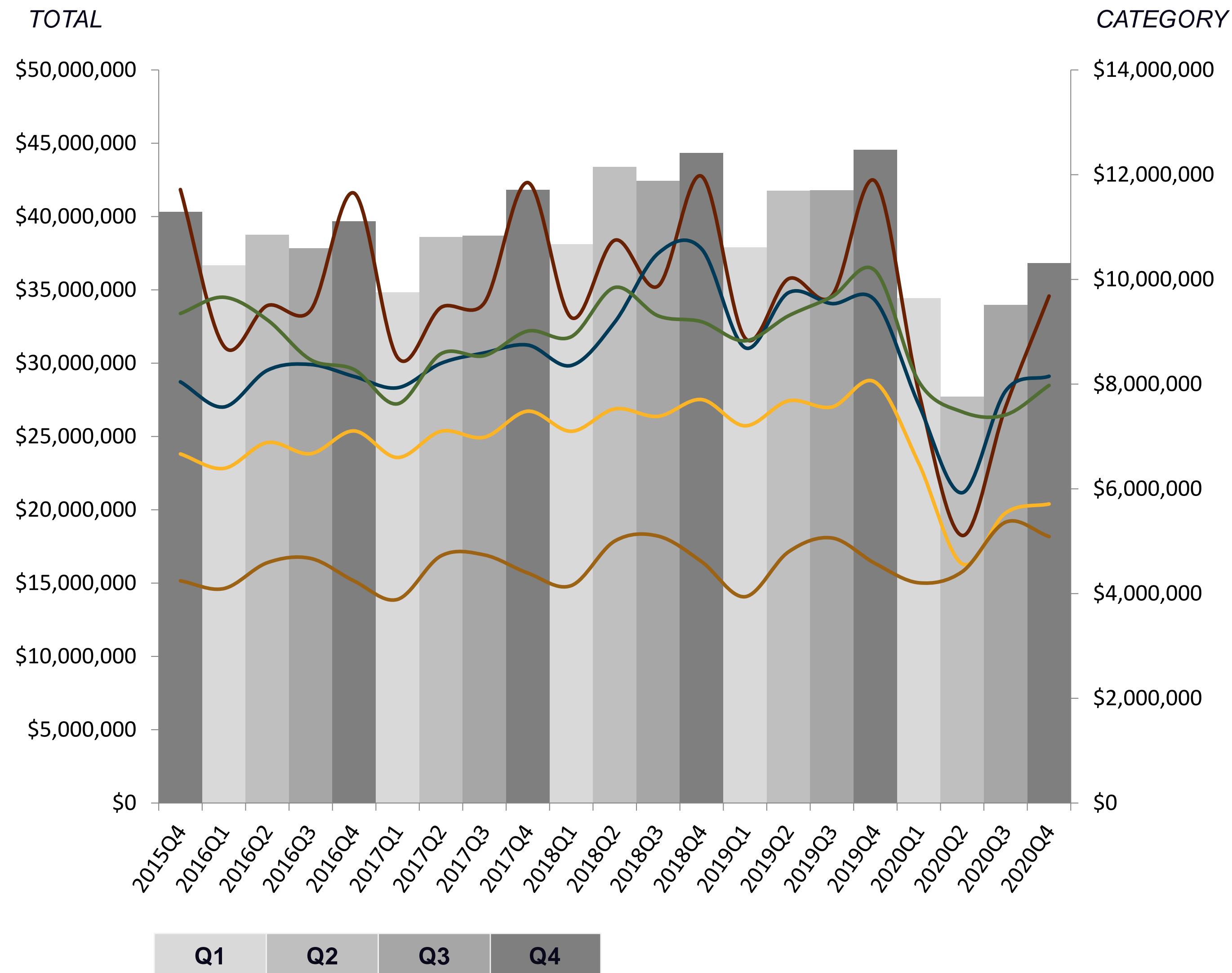
| City Budget Drivers: Sales Tax



Steady growth takes a dip but shows signs of stabilizing



Most sectors showing bounce-back from massive drop



TOTAL				
2020Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$36,822,154	-17.3%	-\$7,724,415	-19.9%	-\$33,102,228

GENERAL RETAIL				
2020Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$9,683,073	-18.4%	-\$2,189,571	-25.3%	-\$10,250,991
% of 2020Q4 Total:		26.3%		

FOOD PRODUCTS				
2020Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$5,711,540	-28.9%	-\$2,324,762	-26.8%	-\$8,177,671
% of Total:		15.5%		

TRANSPORTATION				
2020Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$8,150,198	-15.0%	-\$1,443,455	-21.3%	-\$8,017,981
% of Total:		22.1%		

CONSTRUCTION				
2020Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$5,087,870	11.3%	\$515,621	3.8%	\$705,486
% of Total:		13.8%		

BUSINESS TO BUSINESS				
2020Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$7,975,767	-21.5%	-\$2,187,683	-18.6%	-\$7,057,206
% of Total:		21.7%		

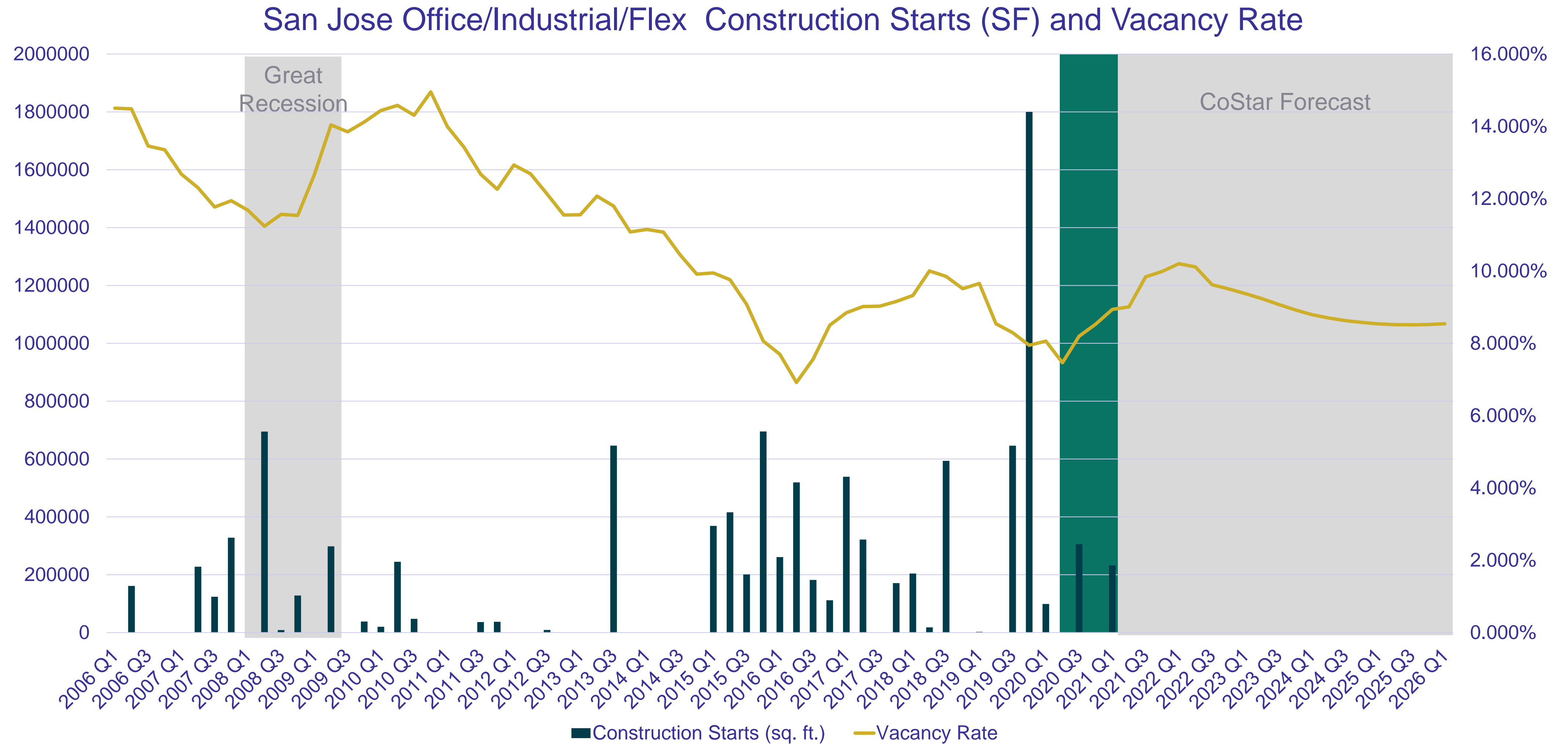
QoQ = 20Q4 / 19Q4

YoY = YE 20Q4 / YE 19Q4

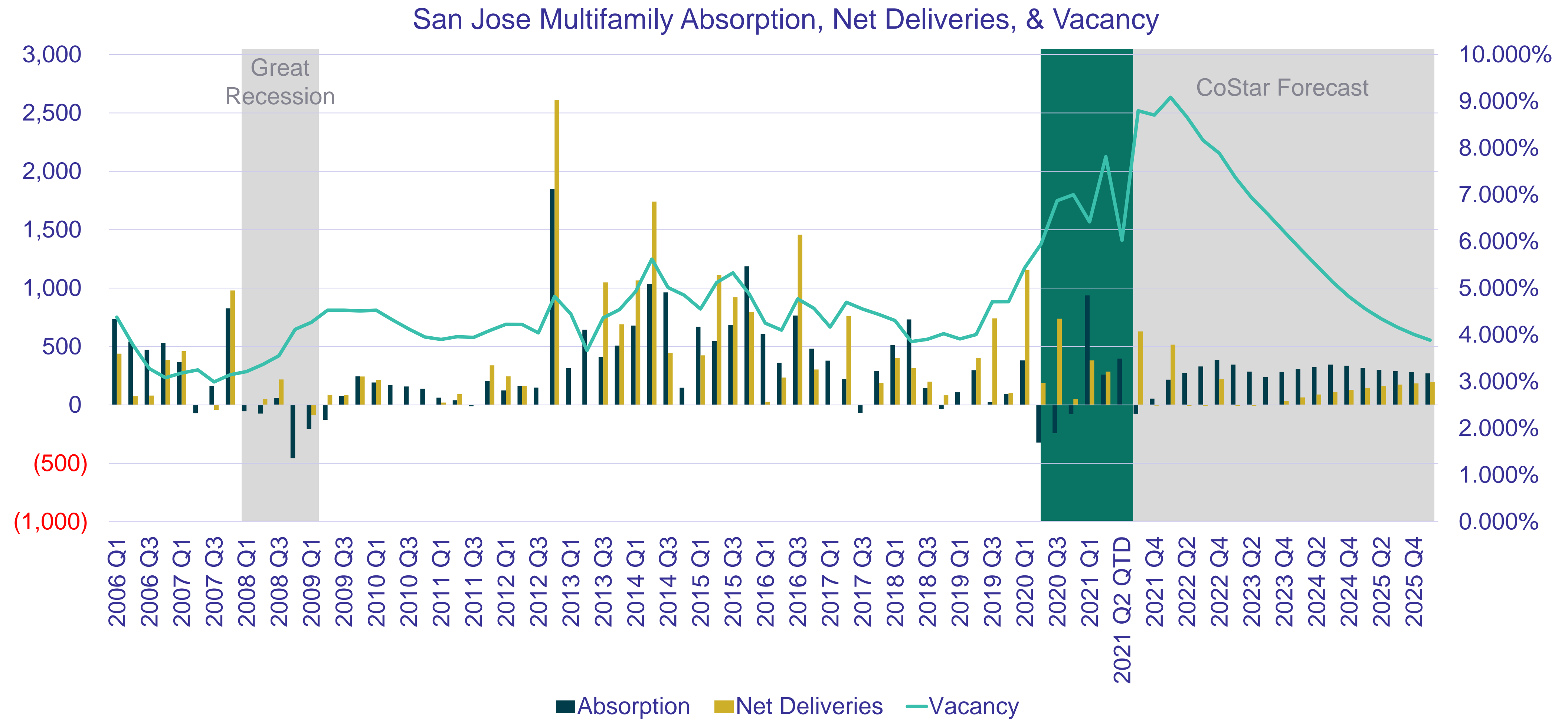
| City Budget Drivers: Development



Increased vacancy, declining construction starts

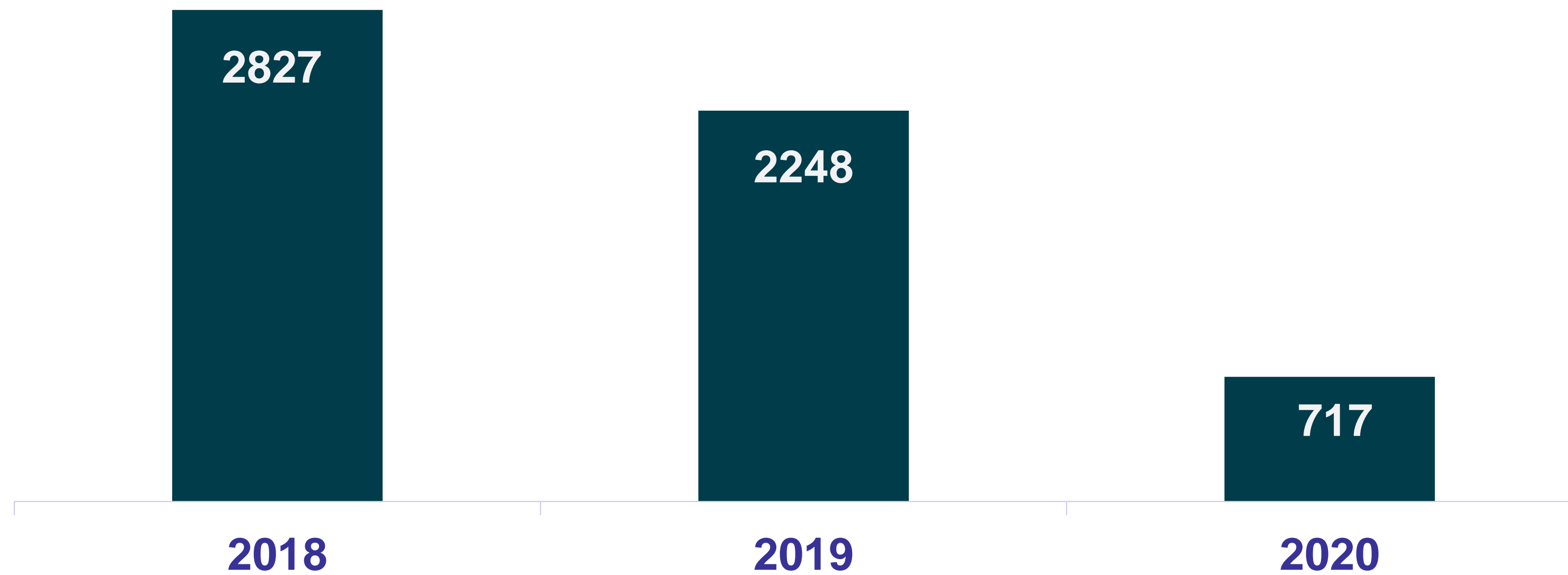


Apartment market takes a hit, but renters slowly returning



Residential construction faces headwinds

Market- Rate Residential Building Permits (unit)

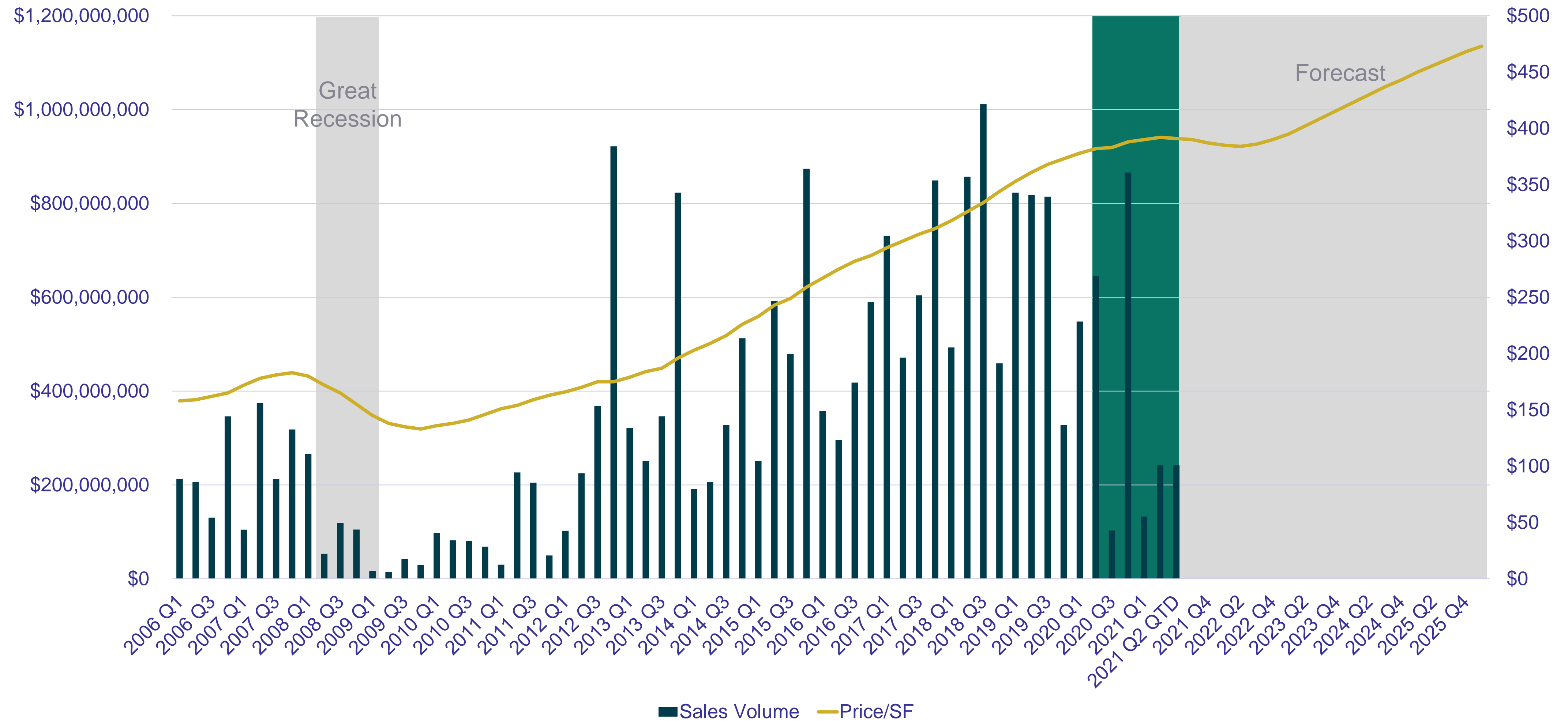


| City Budget Drivers: Commercial Real Estate as a Driver | of Property Tax

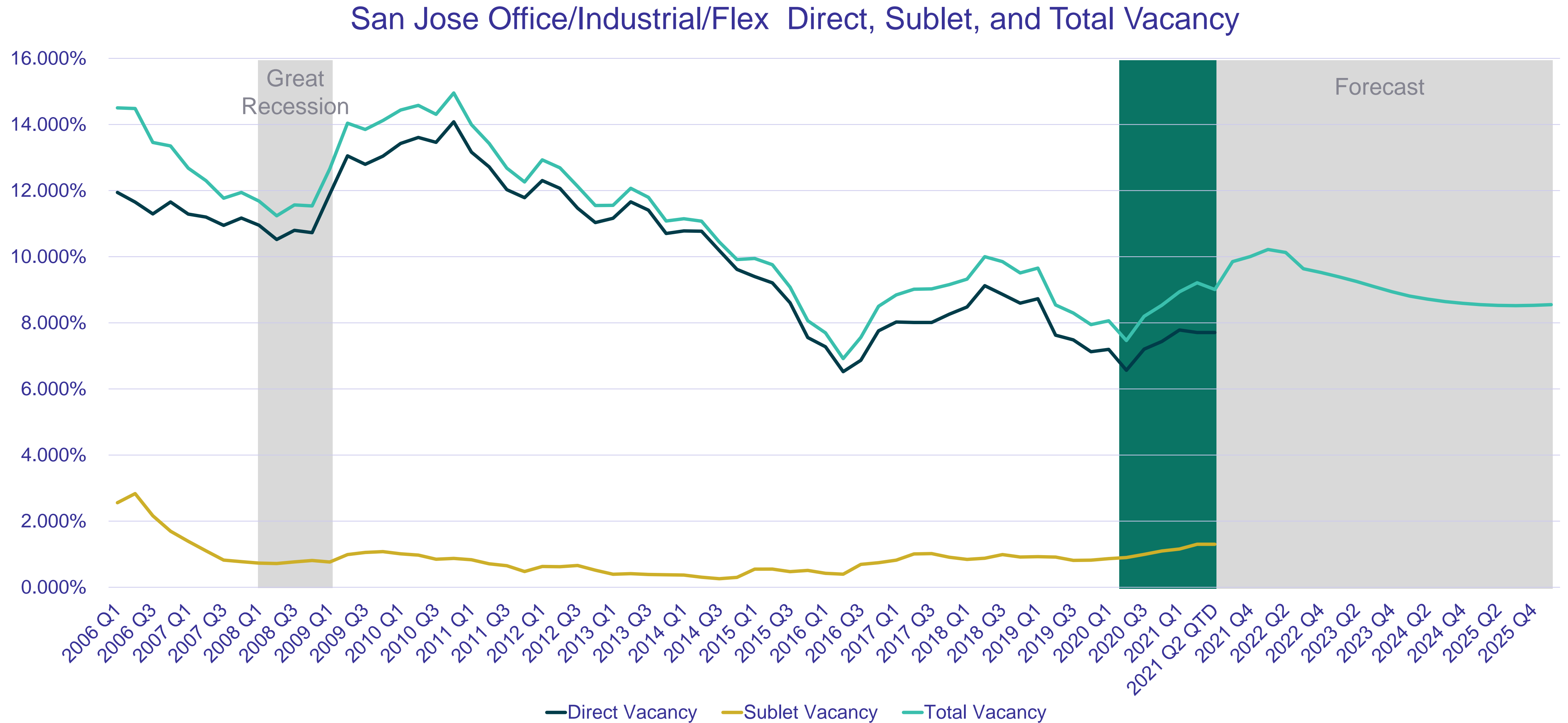


CRE sales volume and price dip, but returning to upward trend

San Jose Office/Industrial/Flex Sales Volume (\$ Millions) and Price Per SF



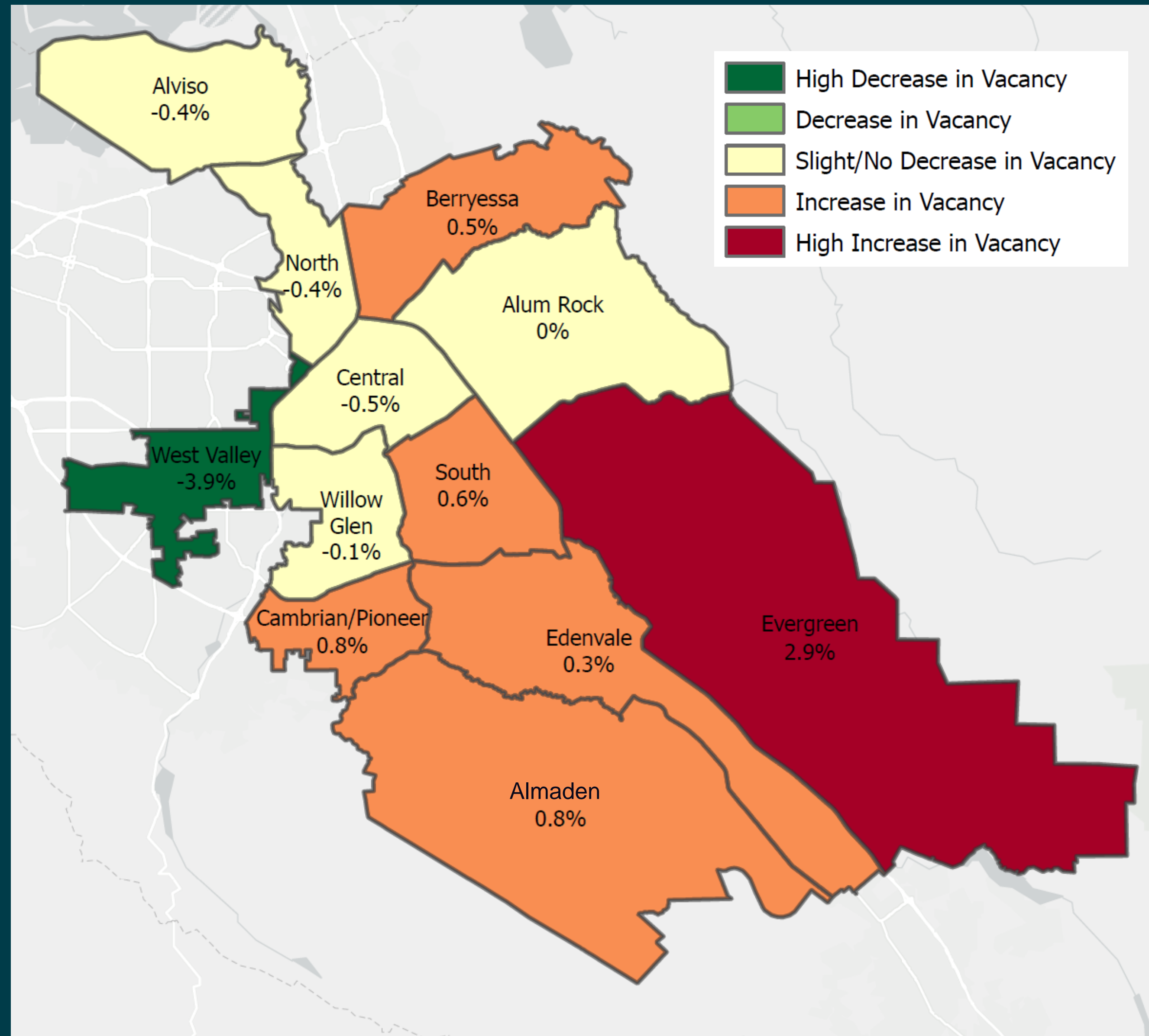
Employment lands vacancy stable, but an uncertain future



| Pandemic leases continue for hardware-oriented companies (and some retail)



Retail: Official vacancy rates little changed, but might not be the whole story



| Economic Context: Employment and Occupations

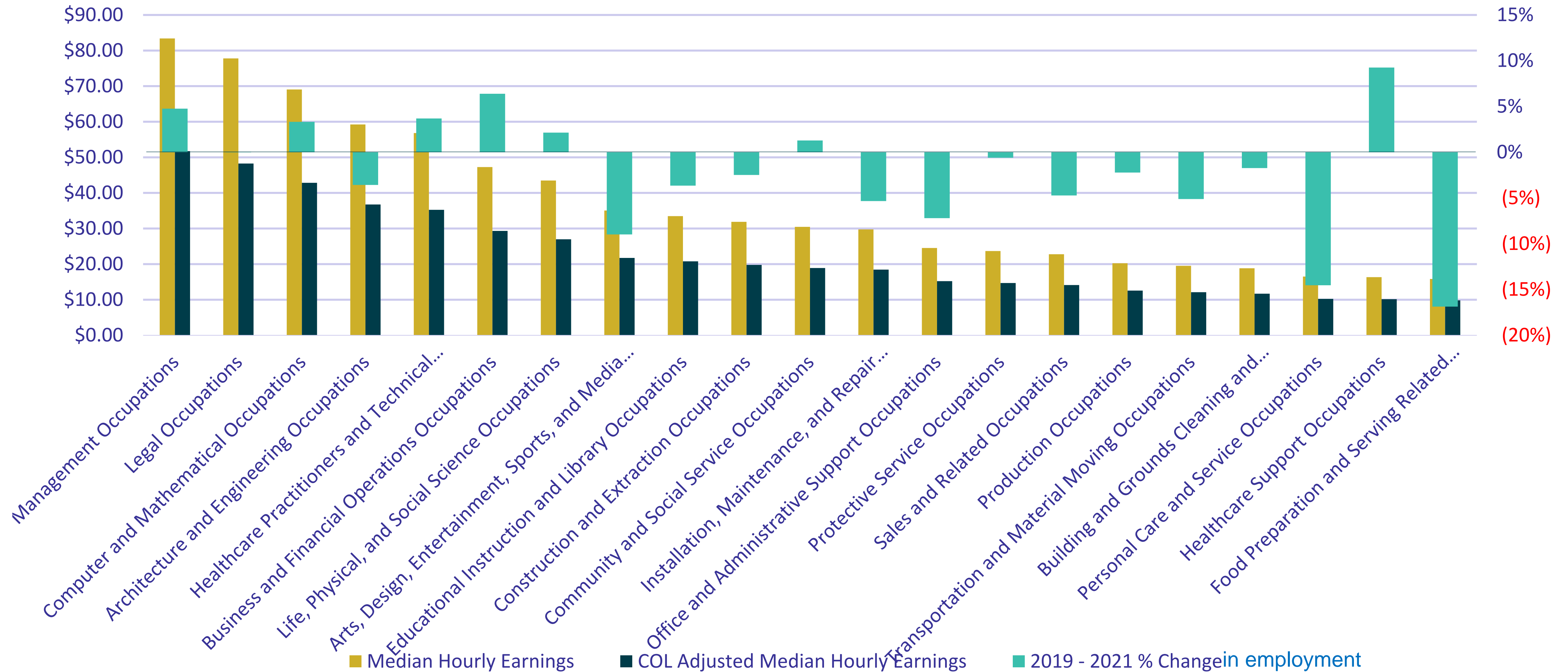


Economic Context: Stabilized versus In-Crisis Sectors

Job Trends by Sector	20-Feb	20-Apr	21-Mar	February-April Job Loss	April 20-March 21 Job Gain	% Recovered	% Not Recovered	Feb 20-March 21 Job Loss
Construction	53,200	34,800	49,300	18,400	14,500	78.8%	21.2%	-3,900
Manufacturing	170,700	165,100	169,400	5,600	4,300	76.8%	23.2%	-1,300
Wholesale Trade	30,800	28,500	28,300	2,300	-200			-2,500
Retail Trade	80,600	62,300	73,600	18,300	11,300	61.7%	38.3%	-7,000
Transportation and Warehousing	16,400	14,200	16,400	2,200	2,200	100.0%	0.0%	0
Information	105,500	104,800	107,500	700	2,700	385.7%		2,000
Financial Activities	39,400	37,300	37,300	2,100	0	0.0%		-2,100
Prof and Business Services	245,200	231,300	239,200	13,900	7,900	56.8%	43.2%	-6,000
Education and Health Services	185,100	163,300	172,300	21,800	9,000	41.3%	58.7%	-12,800
Leisure and Hospitality	105,300	52,900	61,700	52,400	8,800	16.8%	83.2%	-43,600
Other Services	29,000	18,200	22,800	10,800	4,600	42.6%	57.4%	-6,200
Government	99,800	97,000	91,900	2,800	-5,100			-7,900
Total	1,156,500	1,014,800	1,074,700	141,700	59,900	42.3%	57.7%	-81,700

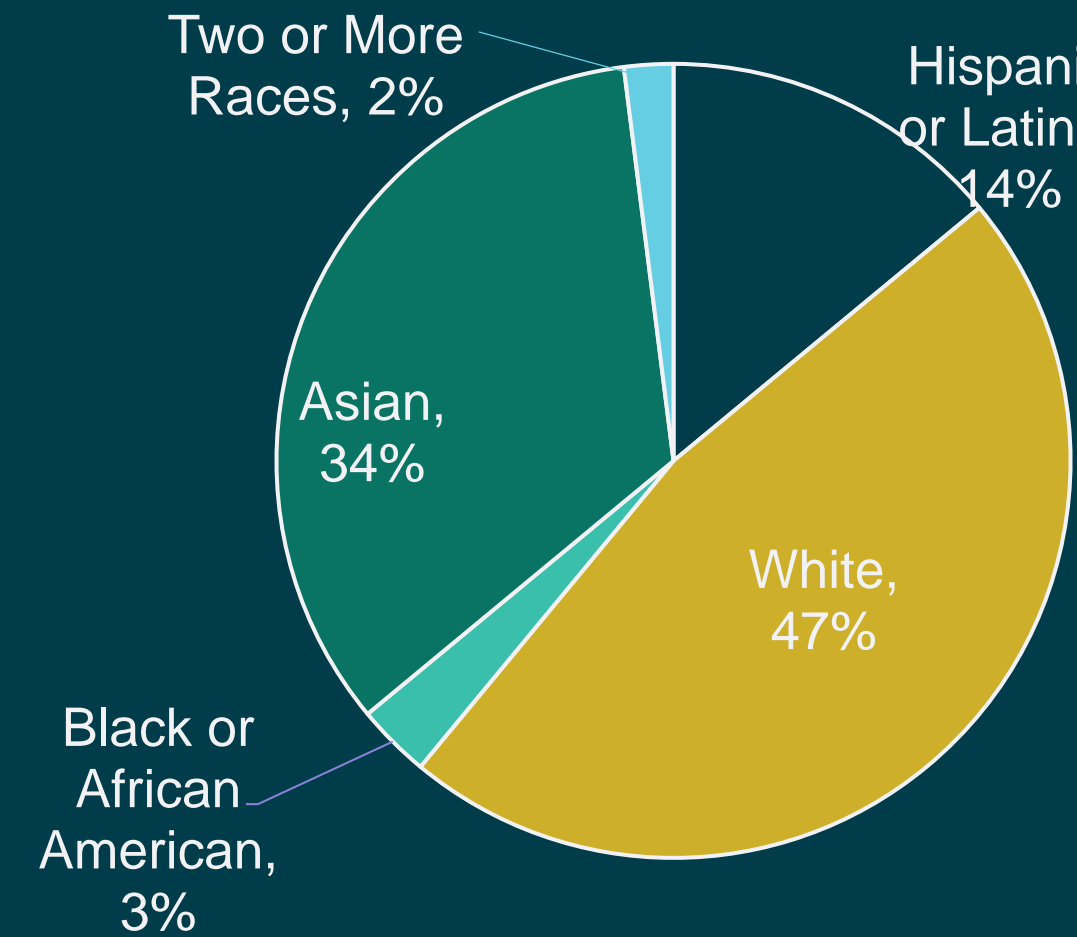
Highest earners see the most opportunity for employment growth

Median and COL Adjusted Median Hourly Earnings, 2019-2020 Employment Change by Occupation



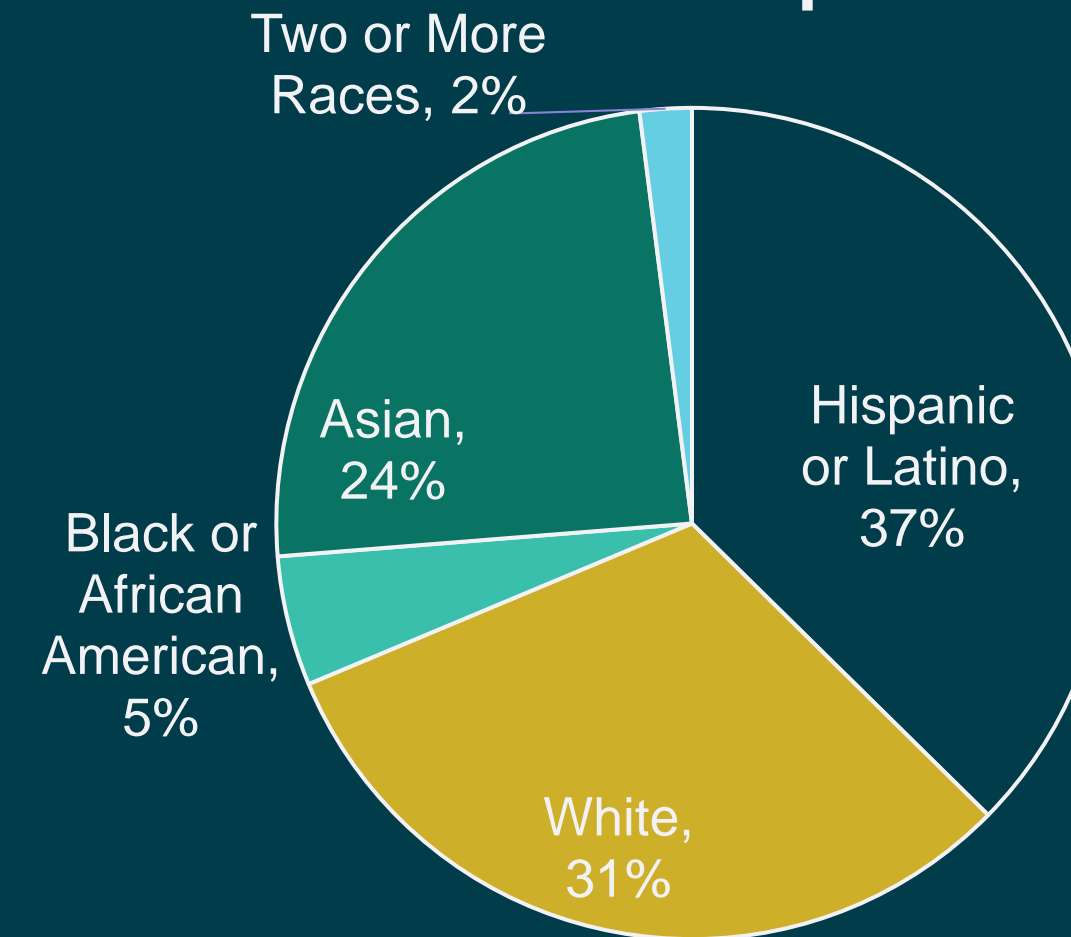
Sample Occupations by Race

Management Occupations



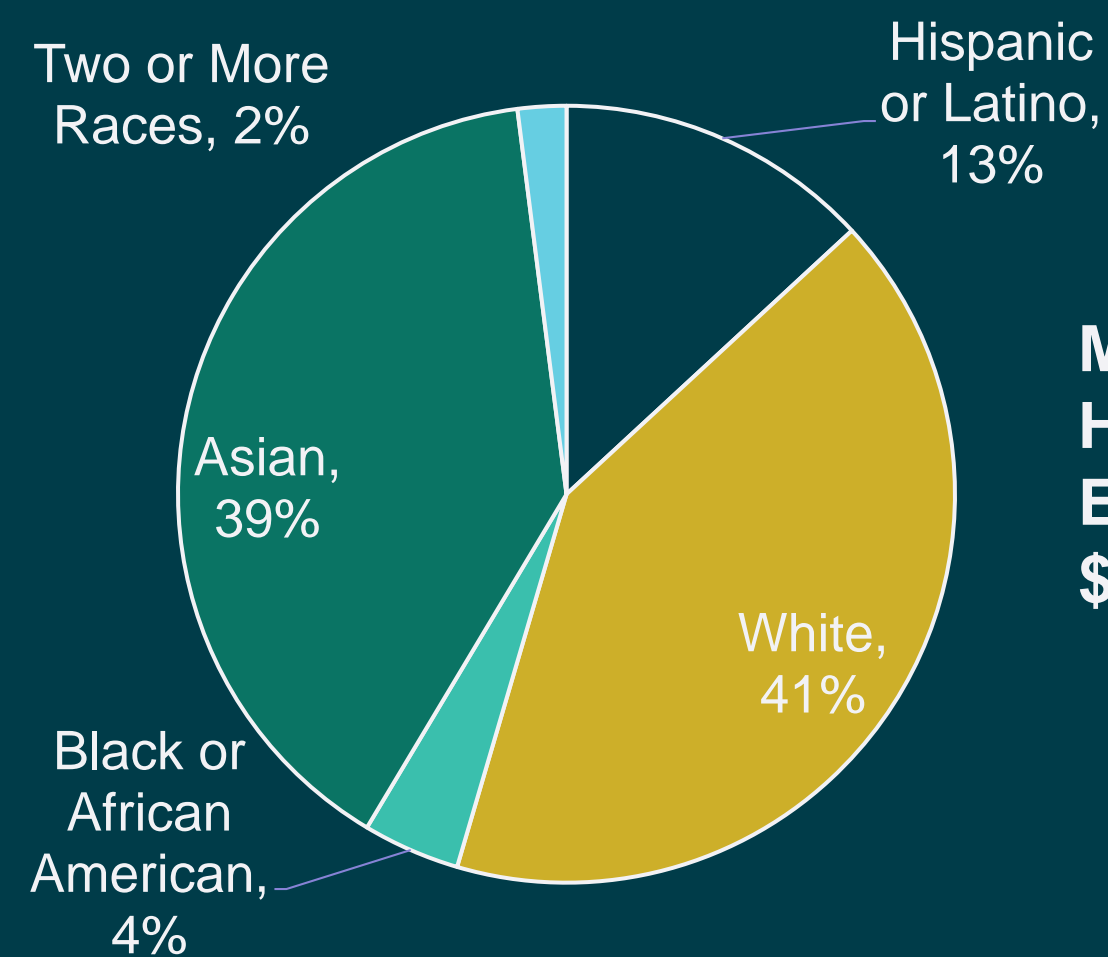
**Median
Hourly
Earnings:
\$84.25**

Food Preparation and Serving Related Occupations



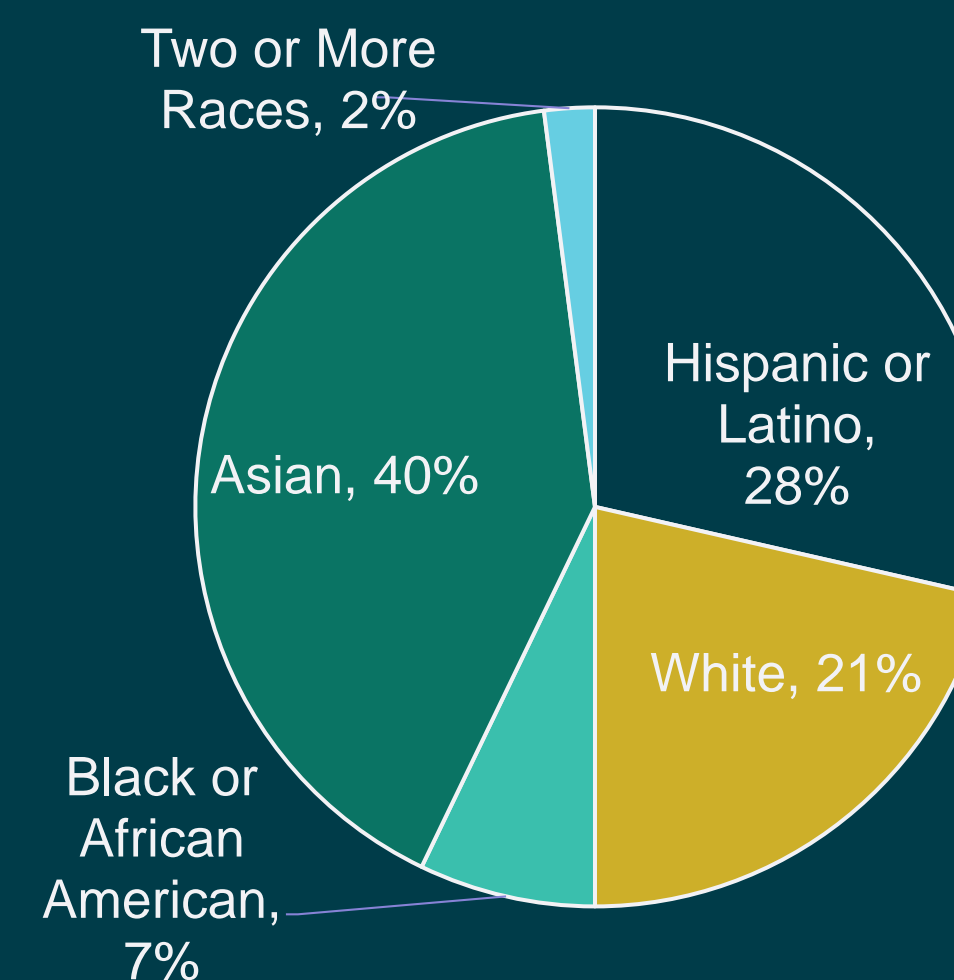
**Median
Hourly
Earnings:
\$15.79**

Business and Financial Operations Occupations



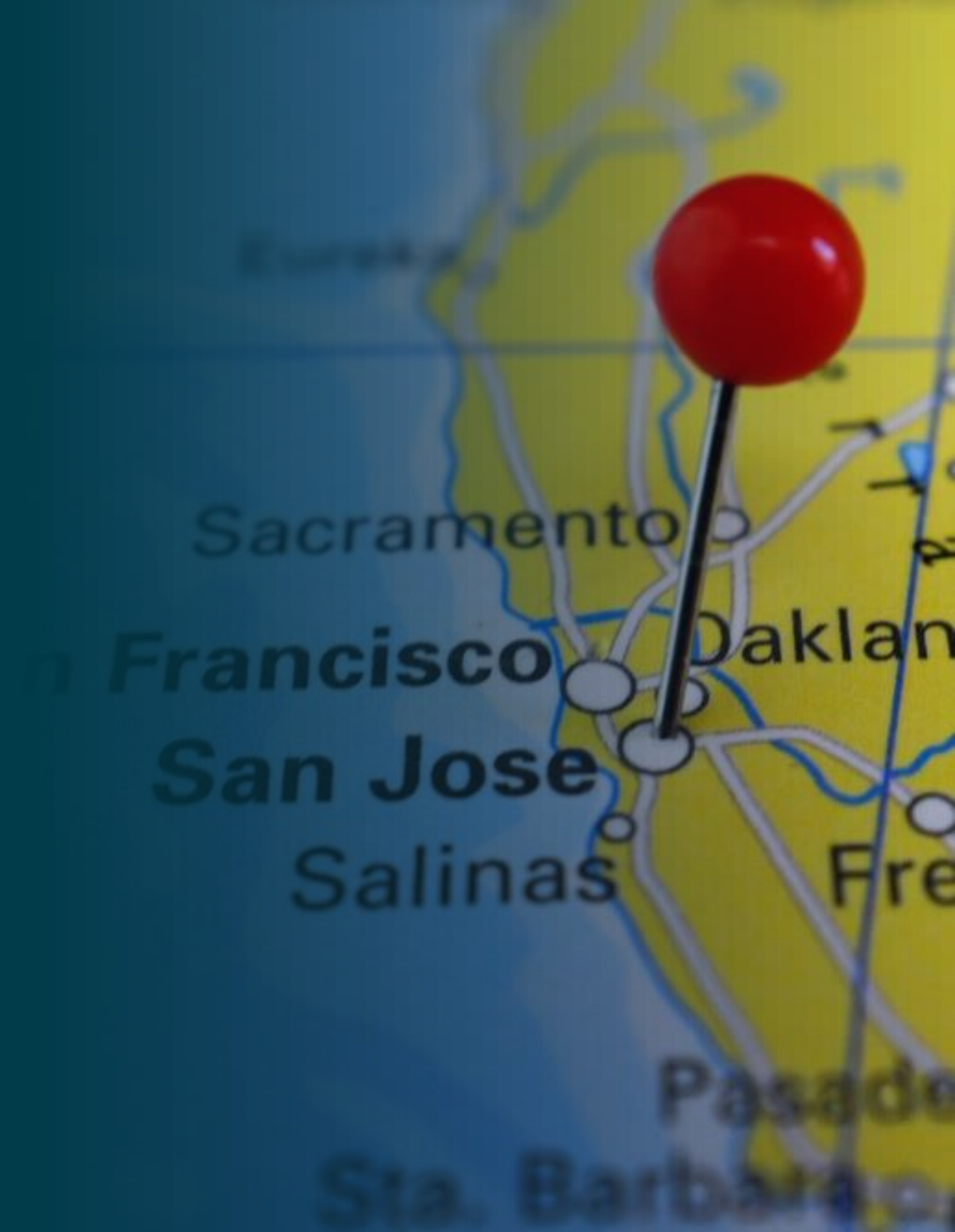
**Median
Hourly
Earnings:
\$47.58**

Healthcare Support Occupations



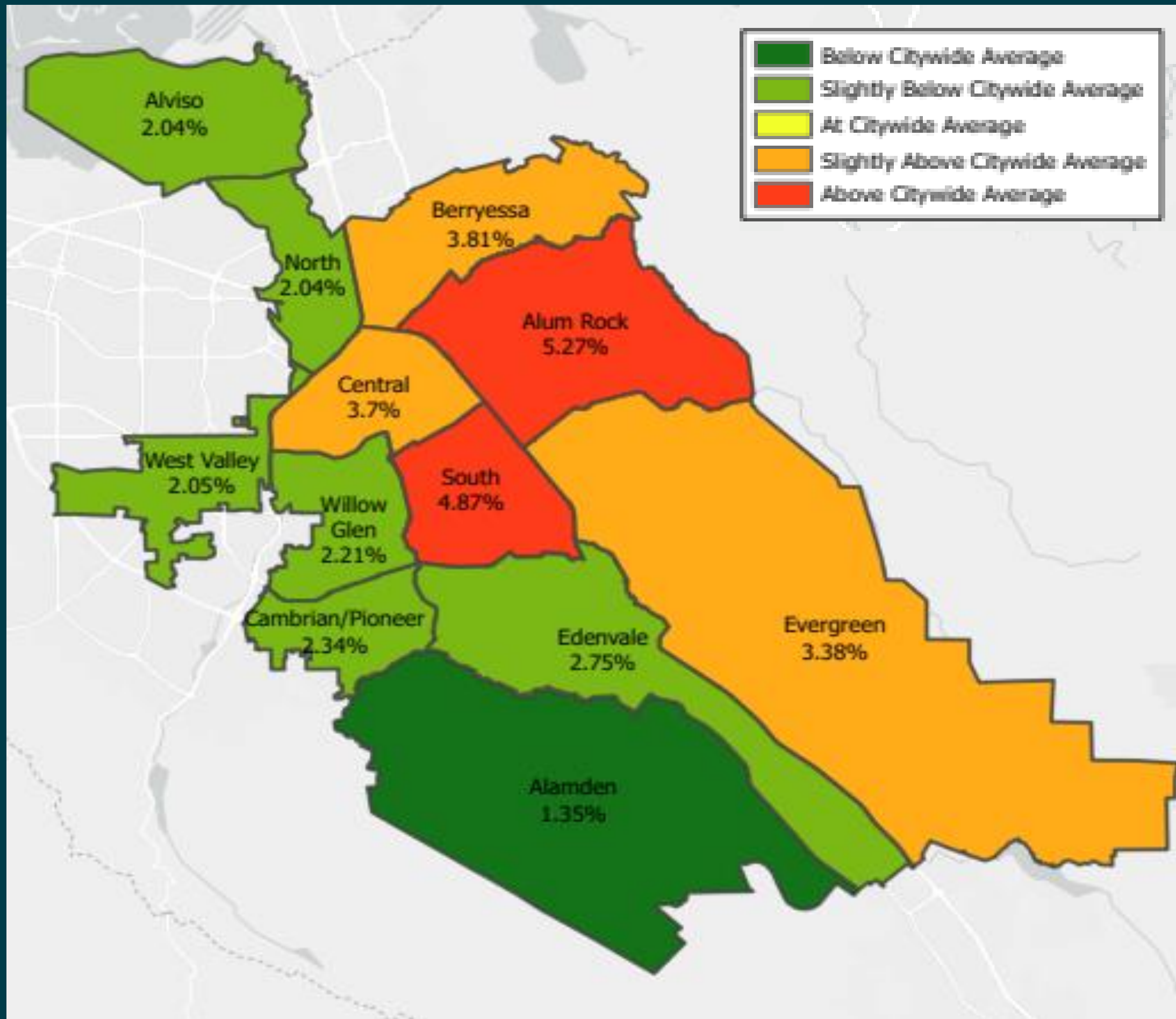
**Median
Hourly
Earnings:
\$16.21**

| Geographic Context:

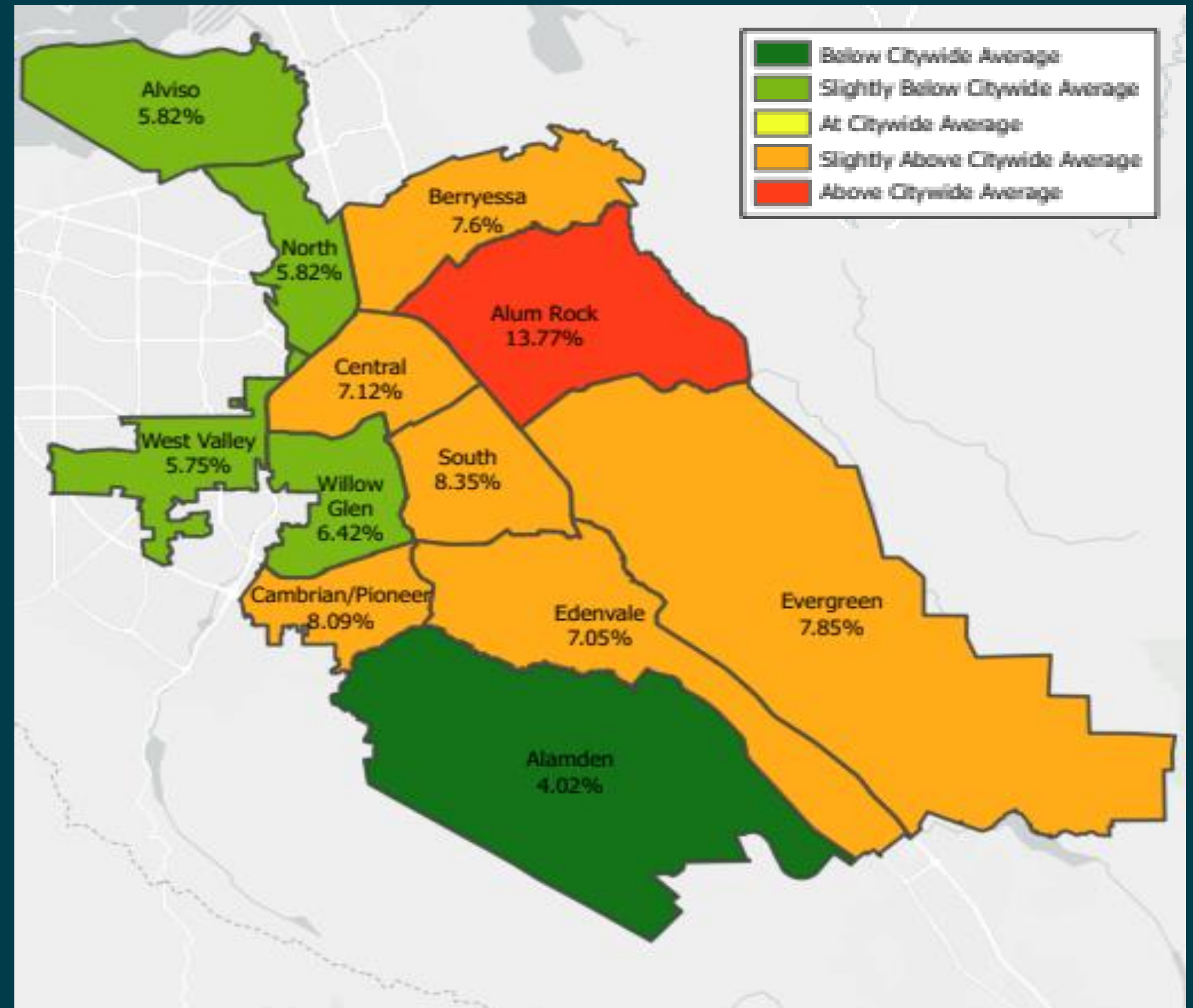


Unemployment by Geography

Unemployment Estimates January 2020
Citywide Estimate 3.3%

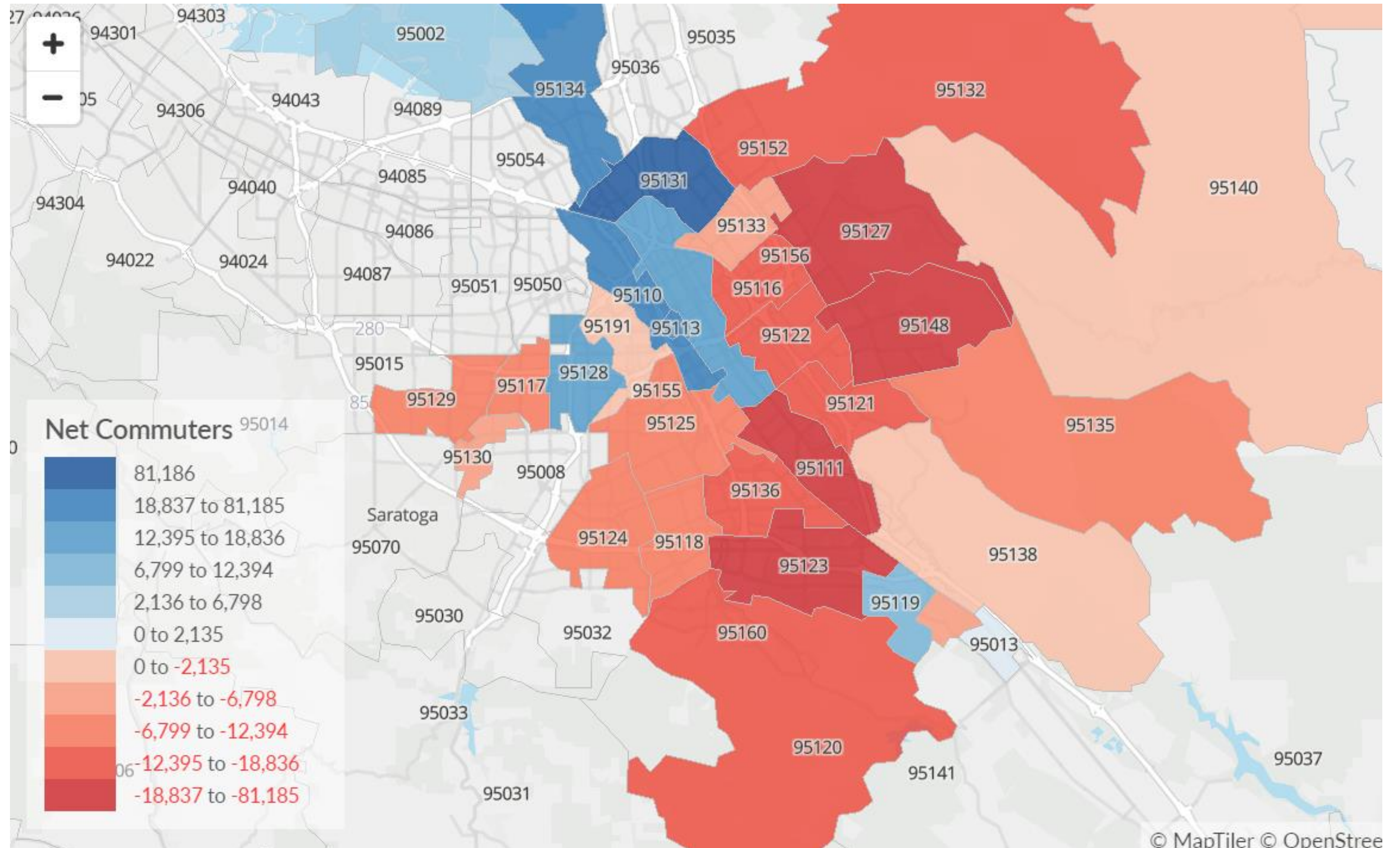


Unemployment Estimates December 2020
Citywide Estimate 6.60%



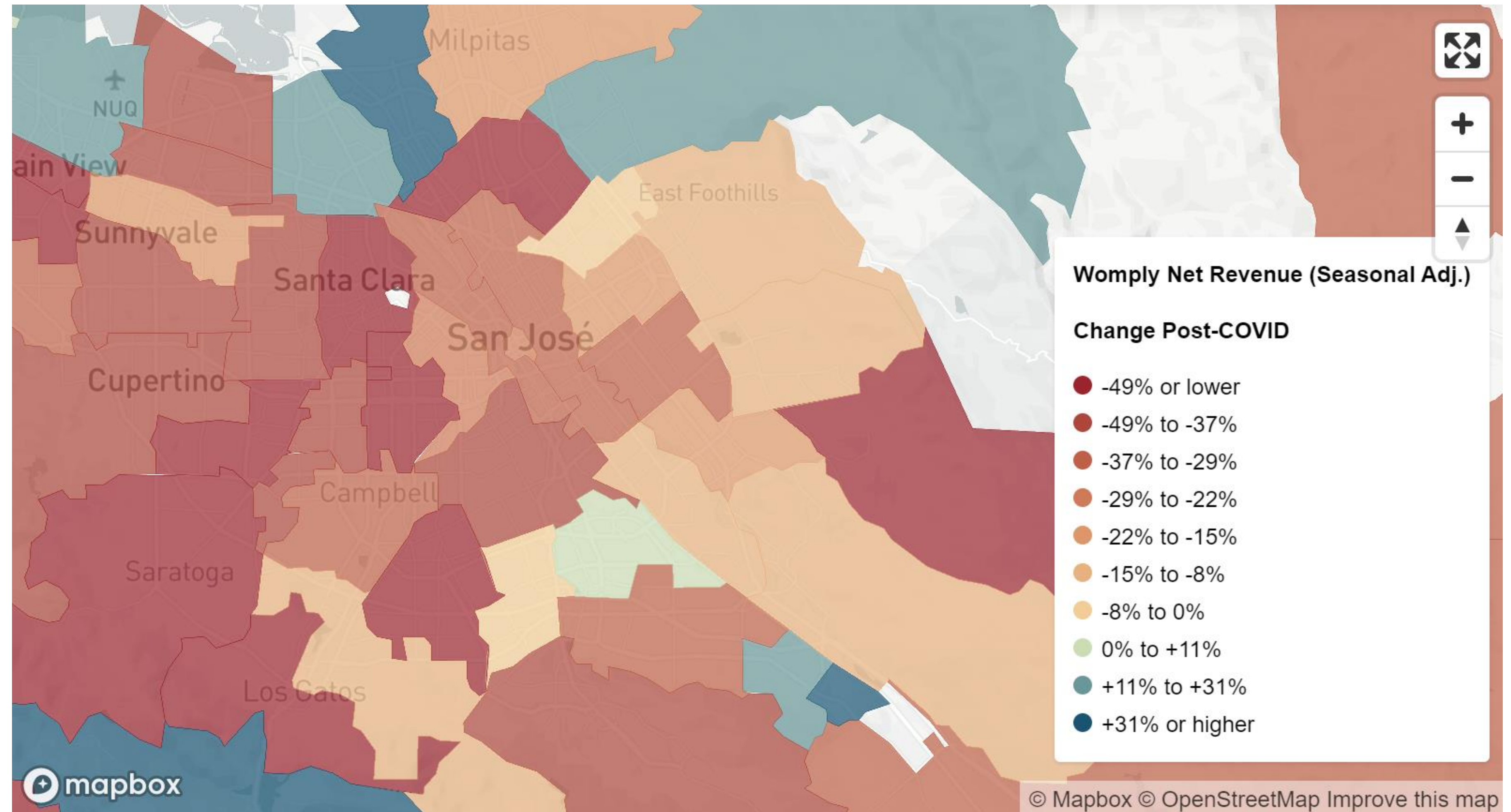
Employed Resident Population Commute Patterns (2021 Q2)

Approximately 60% of employed residents are commuting out of San Jose to work



Small business revenue hit varies by geography

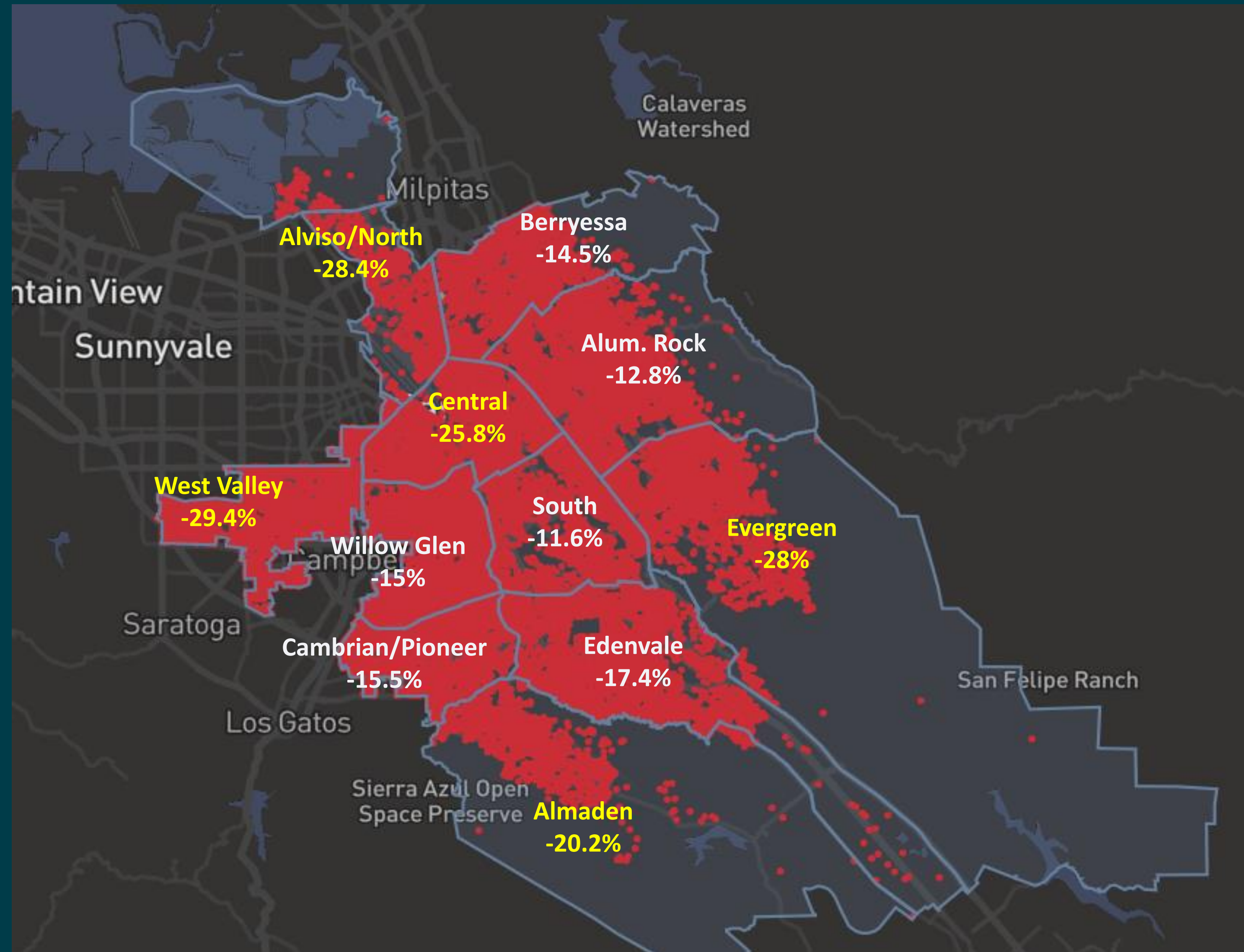
Change in small business revenue by zip code, measured as the change in revenue on average from March 25th to May 26th as compared to January 2020. This series is constructed using data from Womply.



Declines in Sales Tax Across the Board

Sales Tax Change 2019-2020

- City of San Jose: -20%
- Downtown San Jose: -49.9%



Geographic Context: Household Relocations Originating from San Jose

USPS Mobility Data	2019	2020	Change 19-20	Change %	Share of Change %
San Jose to Out of State	2,596	2,870	274	10.6%	3.8%
San Jose to CA	67,459	74,375	6,916	10.3%	96.2%
San Jose to San Jose	40,998	44,773	3,775	9.2%	52.5%
San Jose to Rest of CA	26,461	29,602	3,141	11.9%	43.7%
Total Address Changes Originating from San Jose	70,055	77,245	7,190	10.3%	

Geographic Context: In/Out Migration

Zip	Corresponding Areas	2019 Net	2020 Net	Impact of Covid
95125	South, Willow Glen	418	711	Increasing In Migration
95118	Cambrian/Pioneer, Willow Glen	255	291	Increasing In Migration
95008	West Valley, Willow Glen, Cambrian/Pioneer	-8	268	Increasing In Migration
95117	West Valley	-139	195	Increasing In Migration
95136	Edenvale, South	760	418	Decreasing In Migration
95035	Berryessa, Milpitas	668	385	Decreasing In Migration
95116	Alum Rock, Central	-865	-207	Decreasing Out Migration
95126	Central, West Valley, Willow Glen	-265	-253	Decreasing Out Migration
95134	North/Alviso	-1529	-409	Decreasing Out Migration
95112	Central, Berryessa, North, South	-631	-571	Decreasing Out Migration
95127	Alum Rock	5	-162	Increasing Out Migration
95129	West Valley	71	-205	Increasing Out Migration
95120	Almaden	412	-236	Increasing Out Migration
95122	Alum Rock, Central, Evergreen, South	-284	-516	Increasing Out Migration
95111	Edenvale, South	-139	-641	Increasing Out Migration

| The Anomaly of the Summer of '21

Unique factors potentially scrambling the current moment:

Prolonged disruption to typical worklife

Challenges to childcare access and school transitions

Carryover of UI/PUA (+CA Golden State Stimulus) and impact on labor markets

Pent-up demand for travel, gatherings, events, experiences



| The Recovery Ahead:

- The continued roll of vaccination
- Reopening and return to work
- Risks to growth - inflation risk, transportation, supply chain issues
- Existential risk of workplace transition
- Fragility of recovery



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