

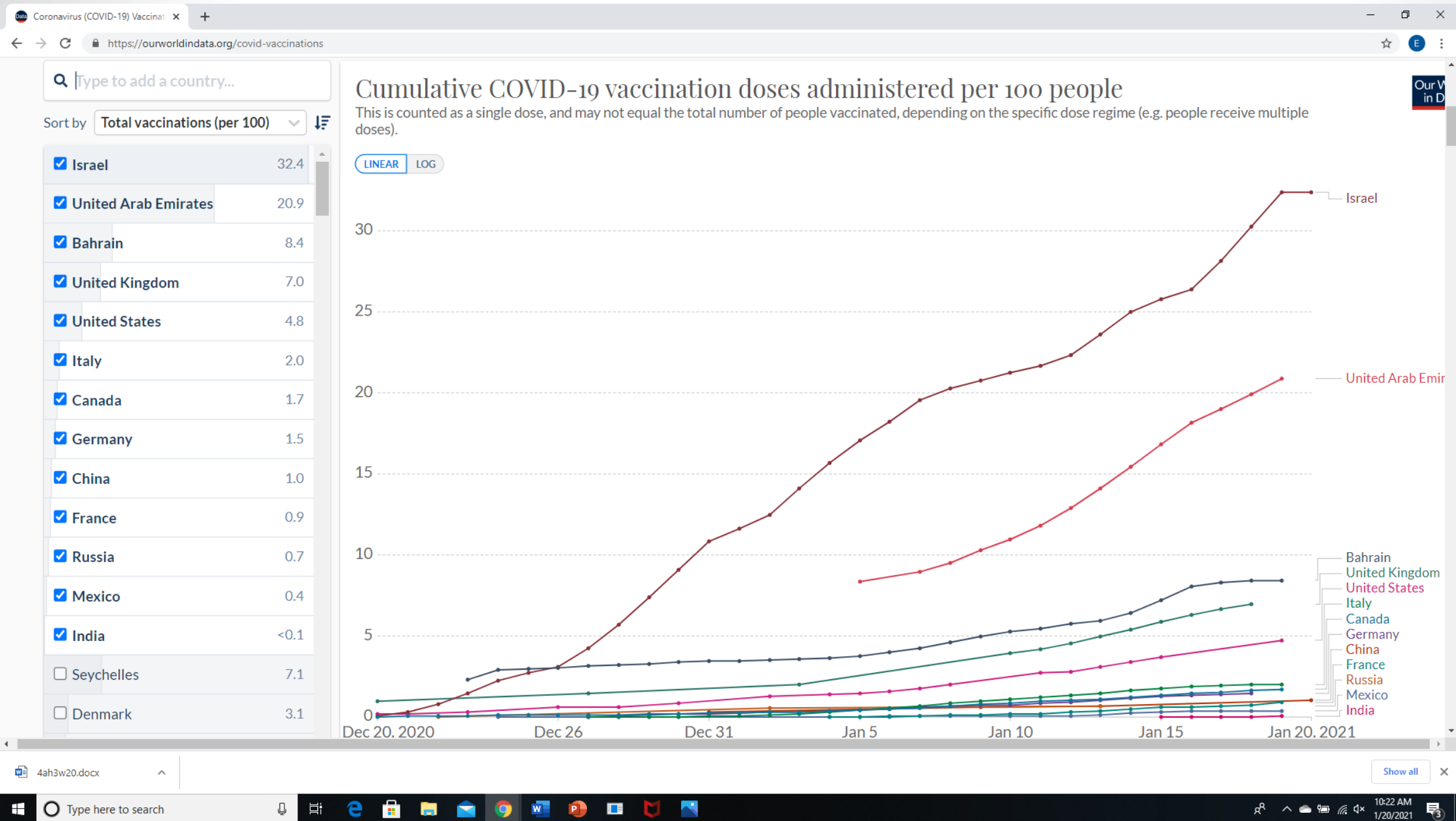
Economics: Global to Local

Edward Coulson, Center for Real Estate, UC Irvine

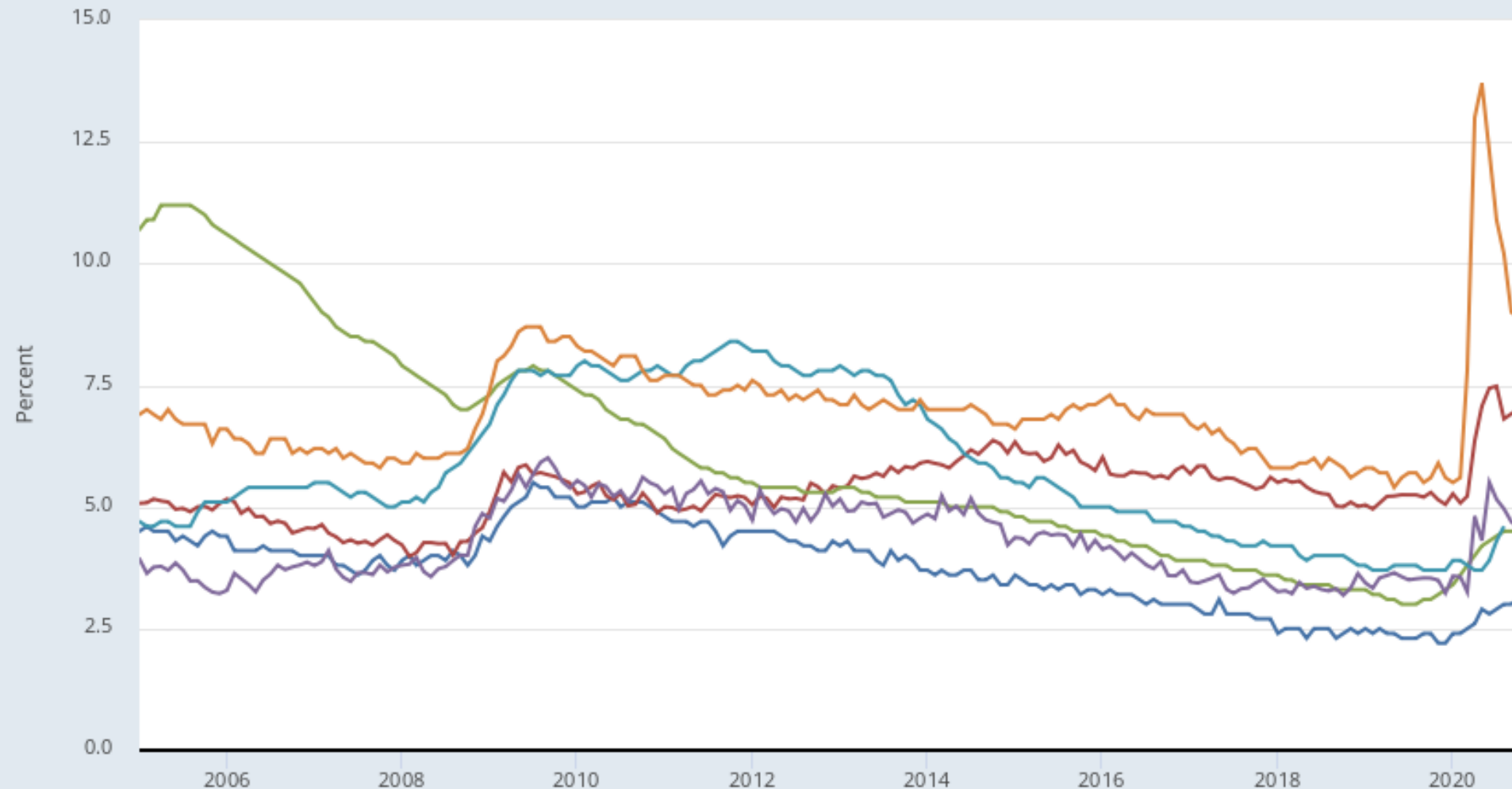


Global economy

- Only one issue unites the world economy



- Harmonized Unemployment Rate: Total: All Persons for Japan
- Harmonized Unemployment Rate: Total: All Persons for Australia
- Harmonized Unemployment Rate: Total: All Persons for Germany
- Harmonized Unemployment Rate: Total: All Persons for Mexico
- Harmonized Unemployment Rate: Total: All Persons for the United Kingdom
- Harmonized Unemployment Rate: Total: All Persons for Canada

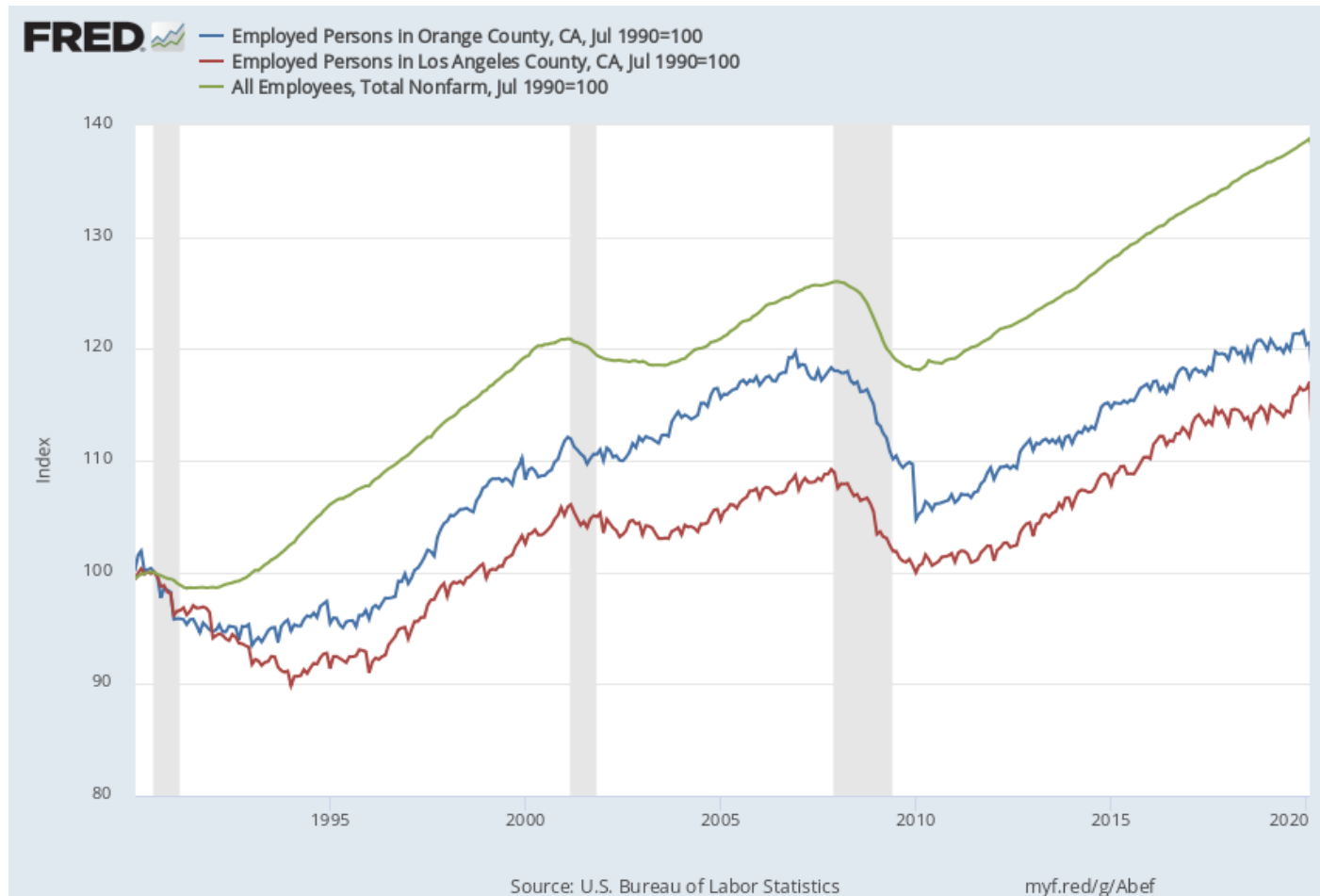


Source: Organization for Economic Co-operation and Development

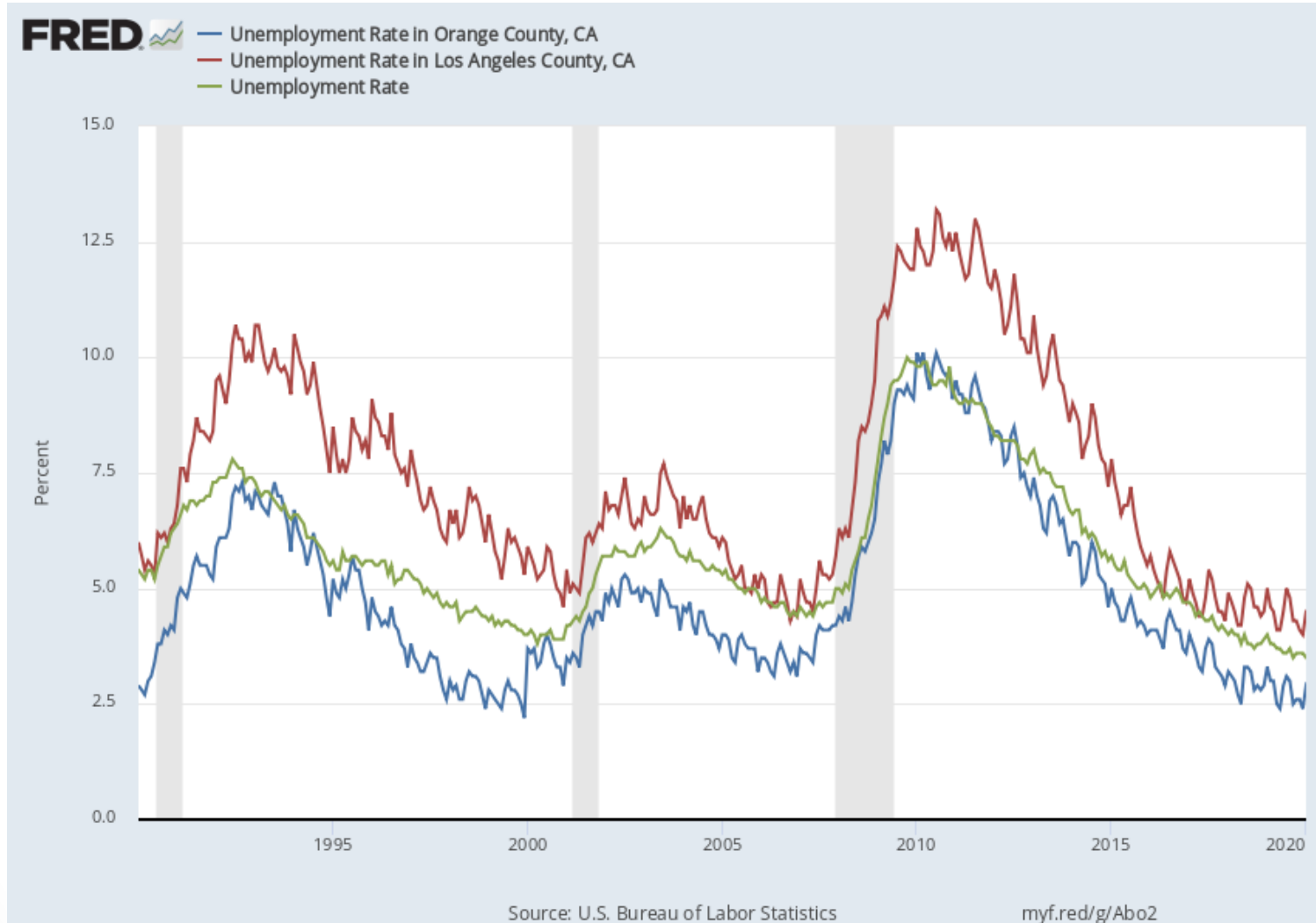
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Southern California Economy

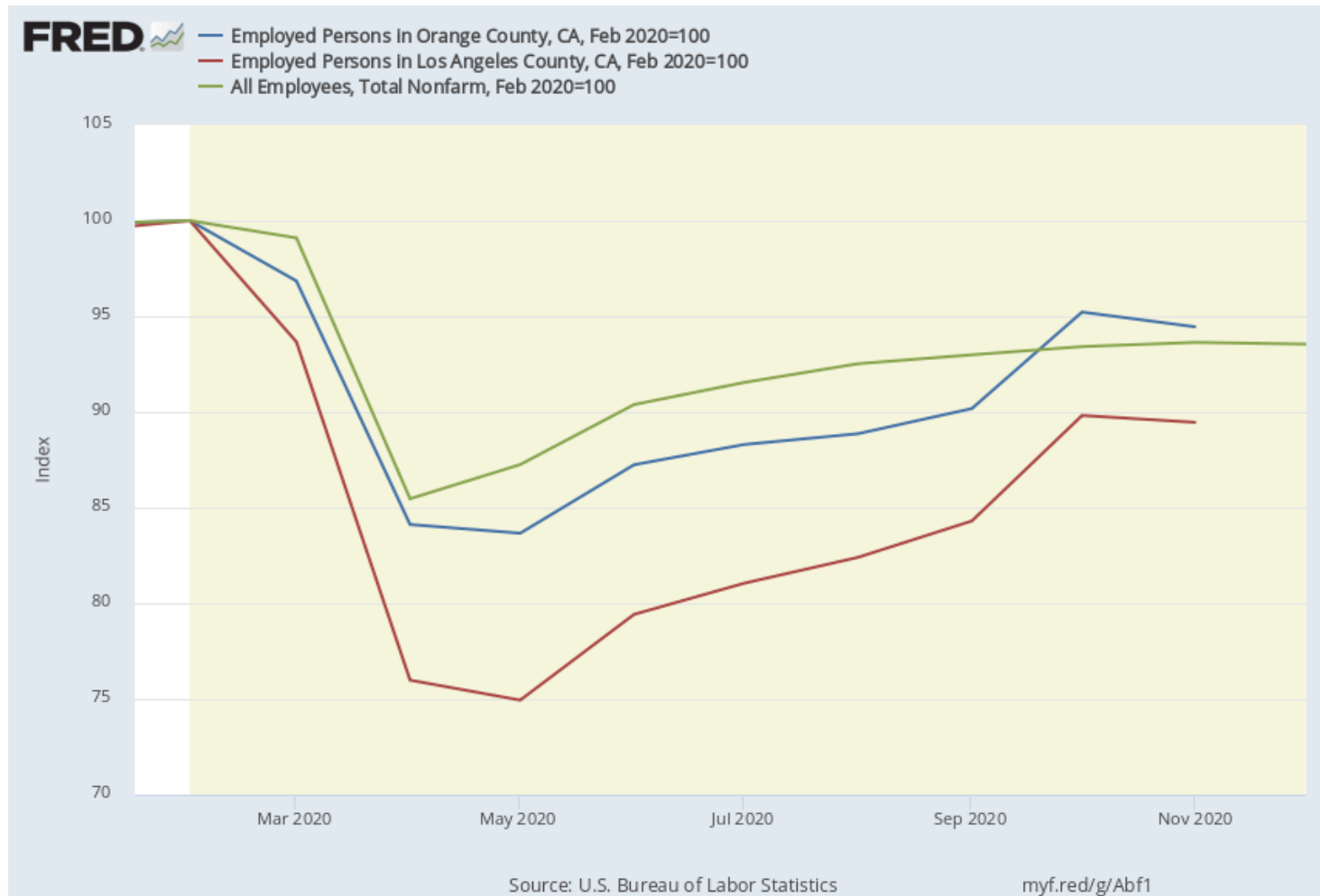
Slowing of trend rate of growth, especially in OC



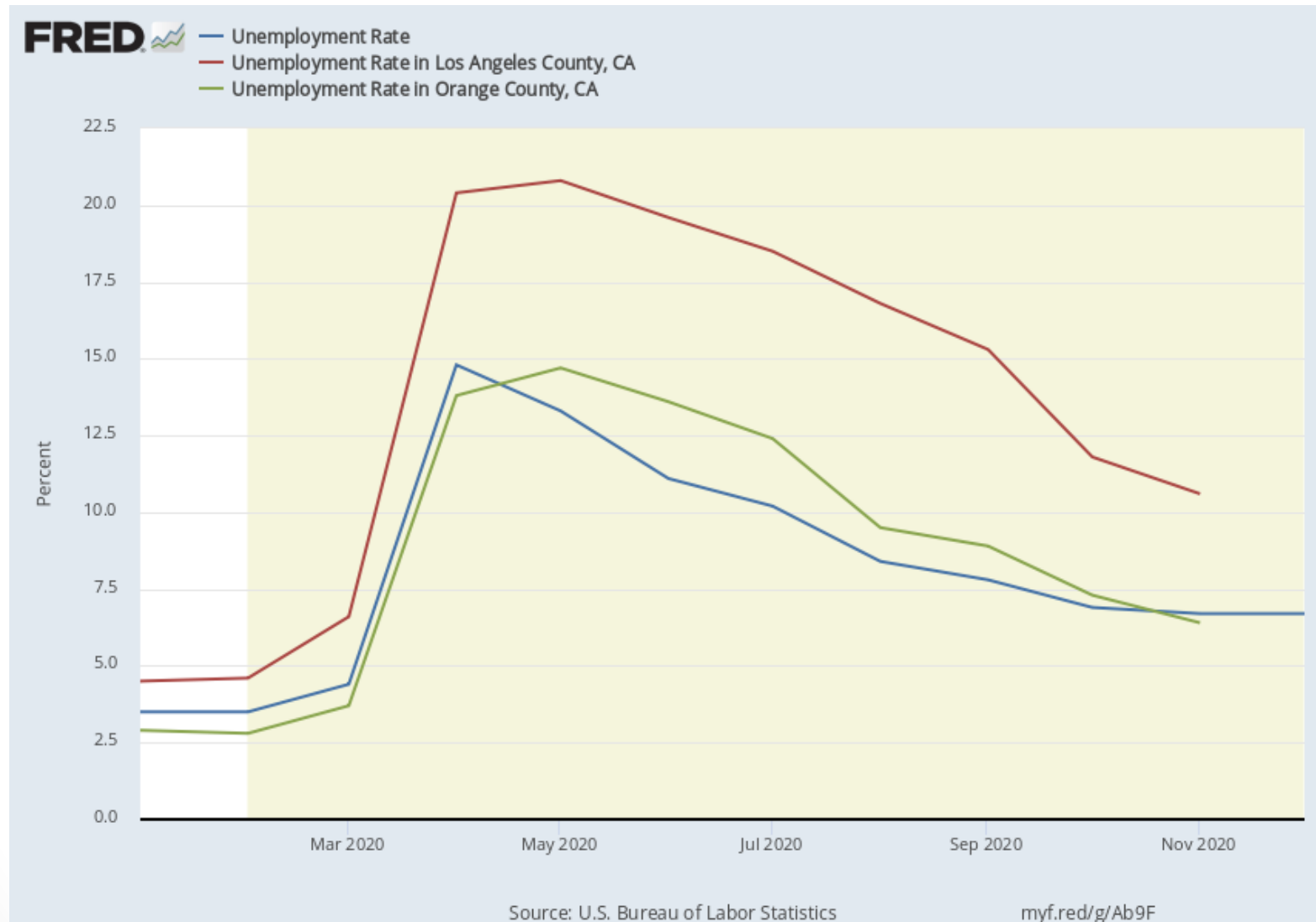
Yet still vigorous, especially in OC



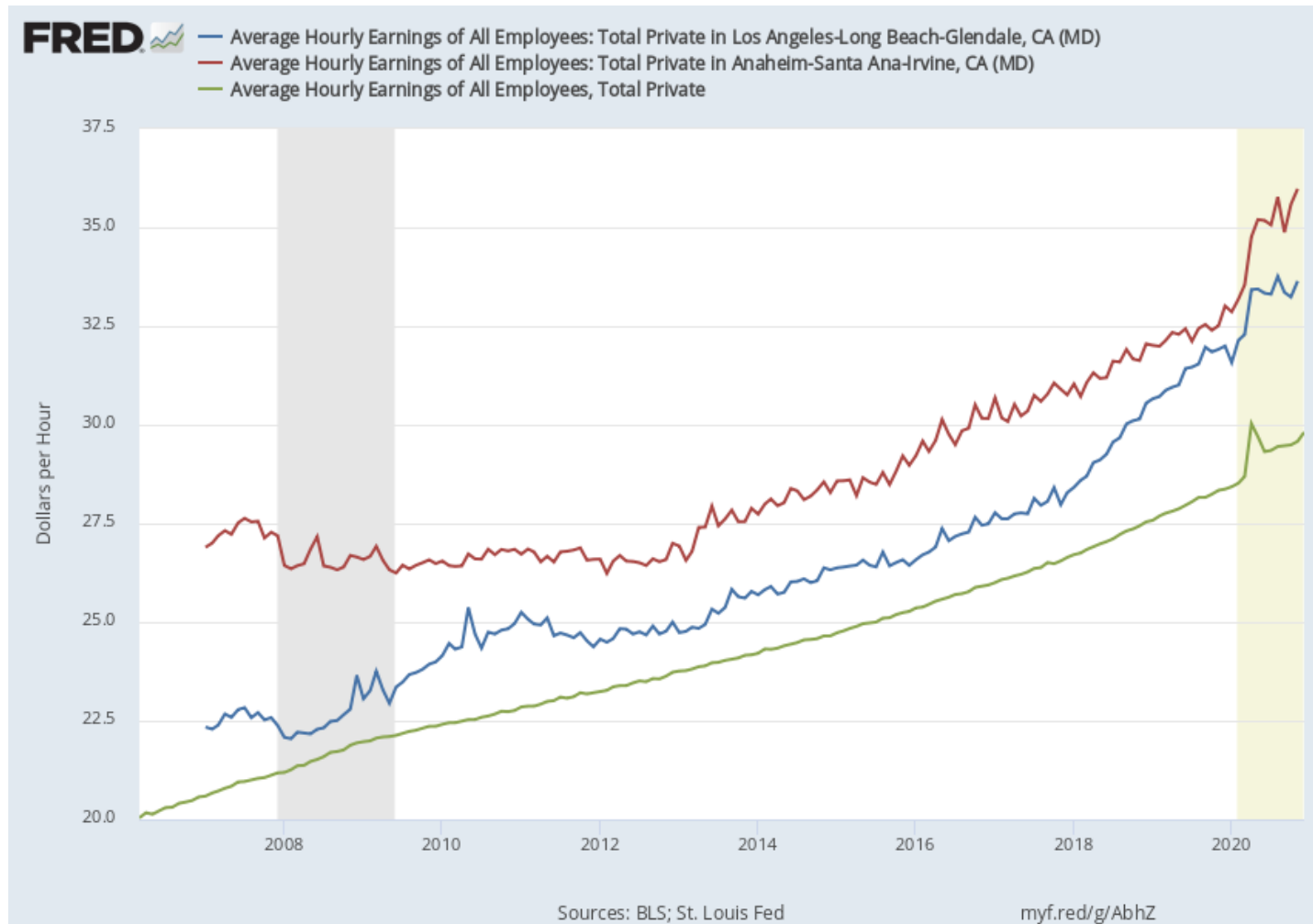
What changed in March?



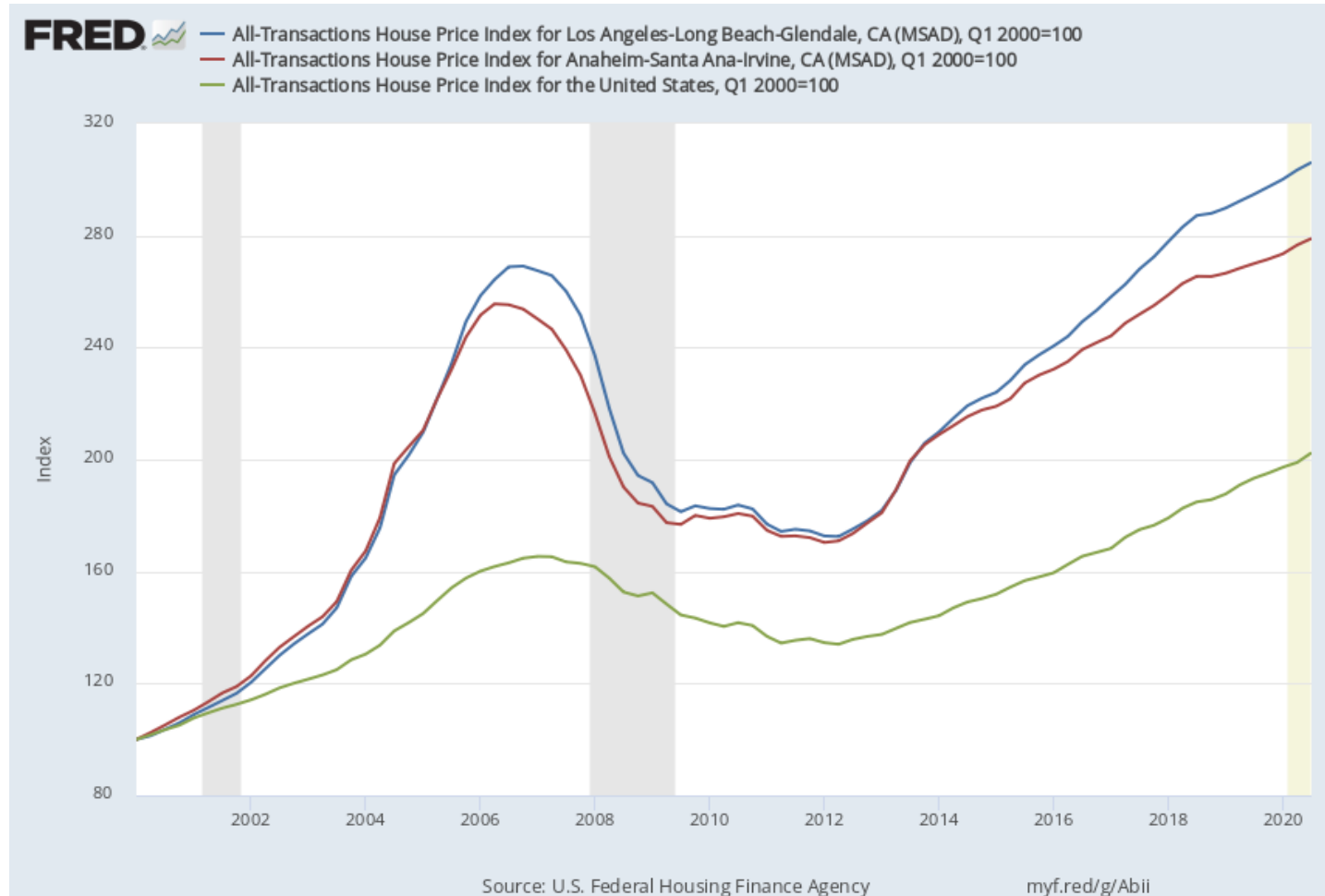
Unemployment



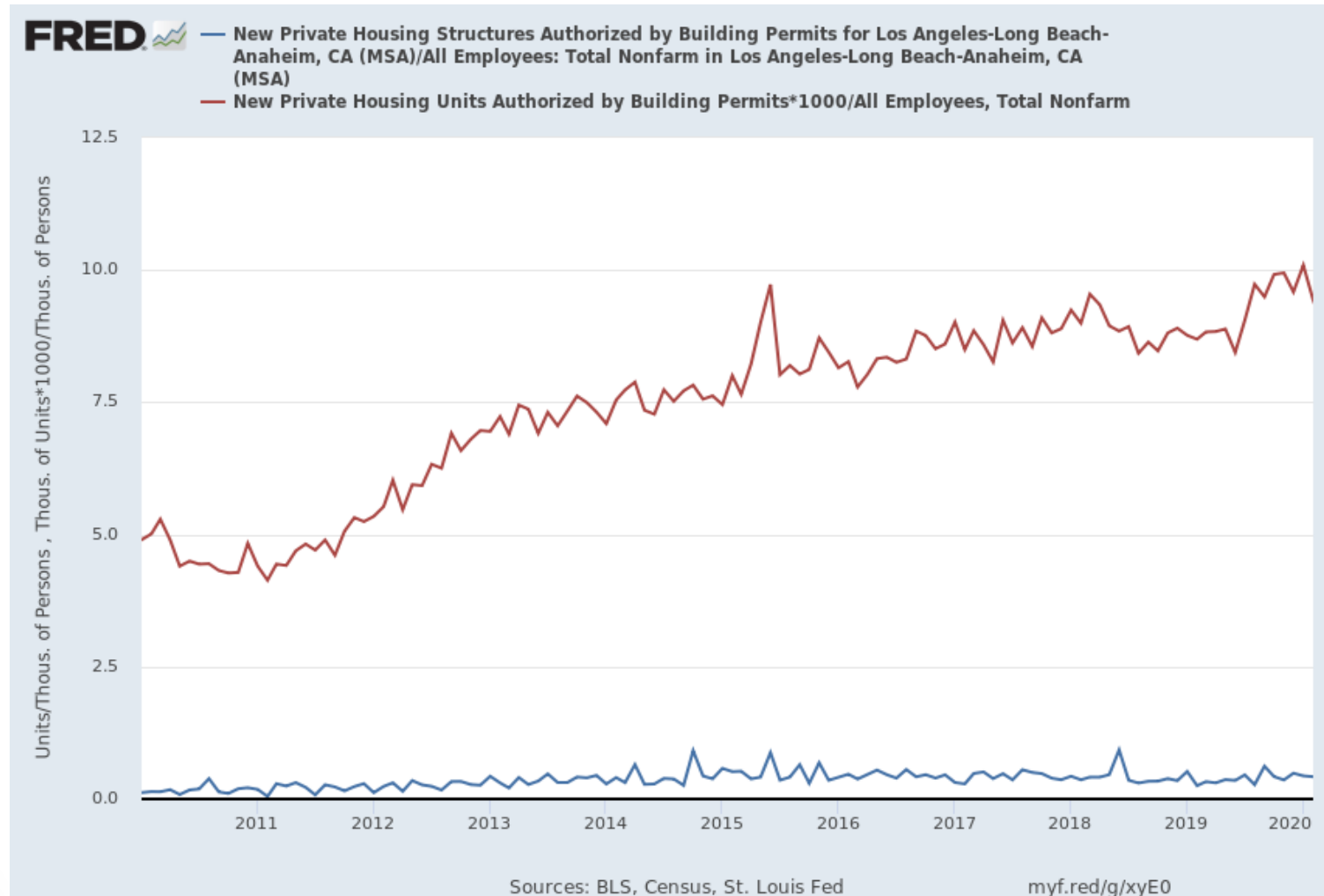
The curious case of wages



Home prices-- the dog that did not bark



As ever, housing remains behind the curve



The outlook

- The pandemic is not a recession
- It's a natural disaster – the important thing is resilience
- What is the economic response to a natural disaster?
 - Relief for those hardest hit
 - Mitigation in shelter markets



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Economic diversification and the resiliency hypothesis: Evidence from the impact of natural disasters on regional housing values

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ABSTRACT

We estimate the effect regional economic diversification has on the resiliency of the U.S. housing market, treating the spatial and temporal variation in natural disasters as exogenous shocks to regional economies. Our study demonstrates that diversity dampens both the magnitude and the duration of the effects of a disaster on local real estate values. Implications of our findings for the potential benefits of diversification in regional economies are discussed.

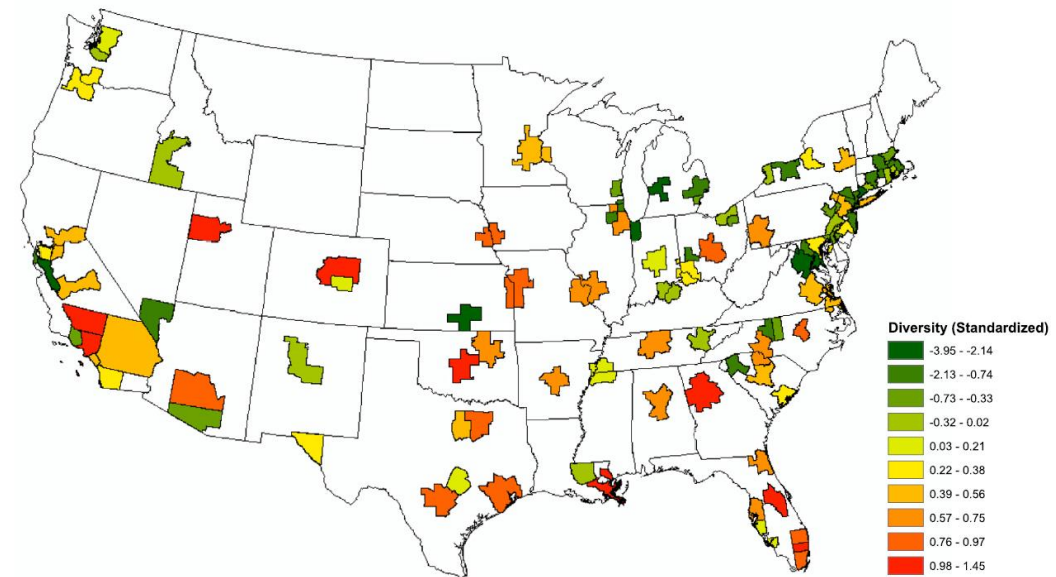
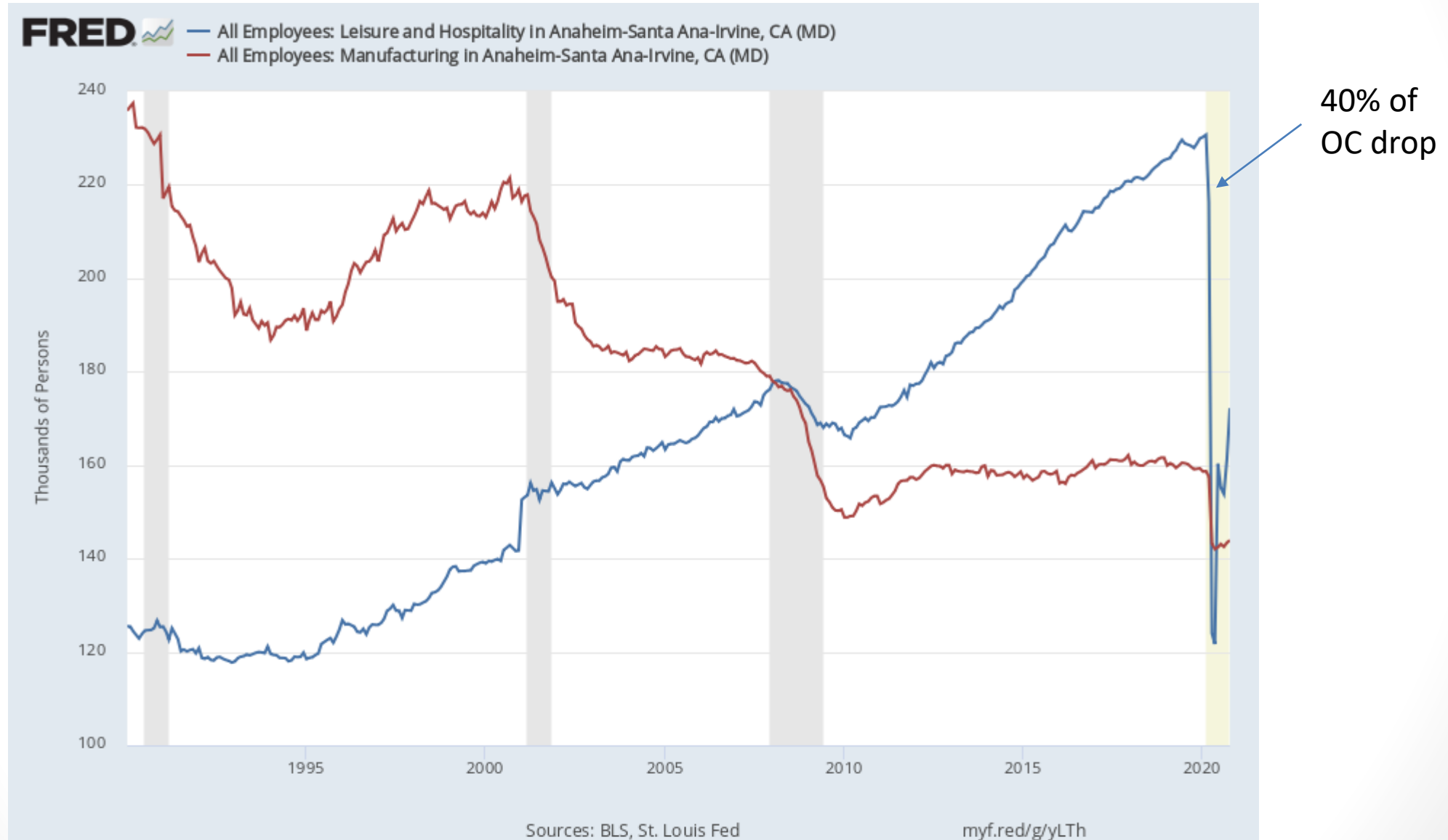


Fig. 1. Study Area. Notes: This figure presents a graphical illustration differences in economic diversification across MSAs in our sample by plotting the standardized (e.g. mean zero standard deviation one) diversity index for each MSA averaged over time within each MSA. Positive (negative) values of the standardized diversity index indicate that the MSA is, on average, more (less) diverse than the average MSA in the sample. The units of the standardized diversity index indicate how many standard deviations above or below any particular MSA is relative to the average MSA with respect to said MSAs level of economic diversity.

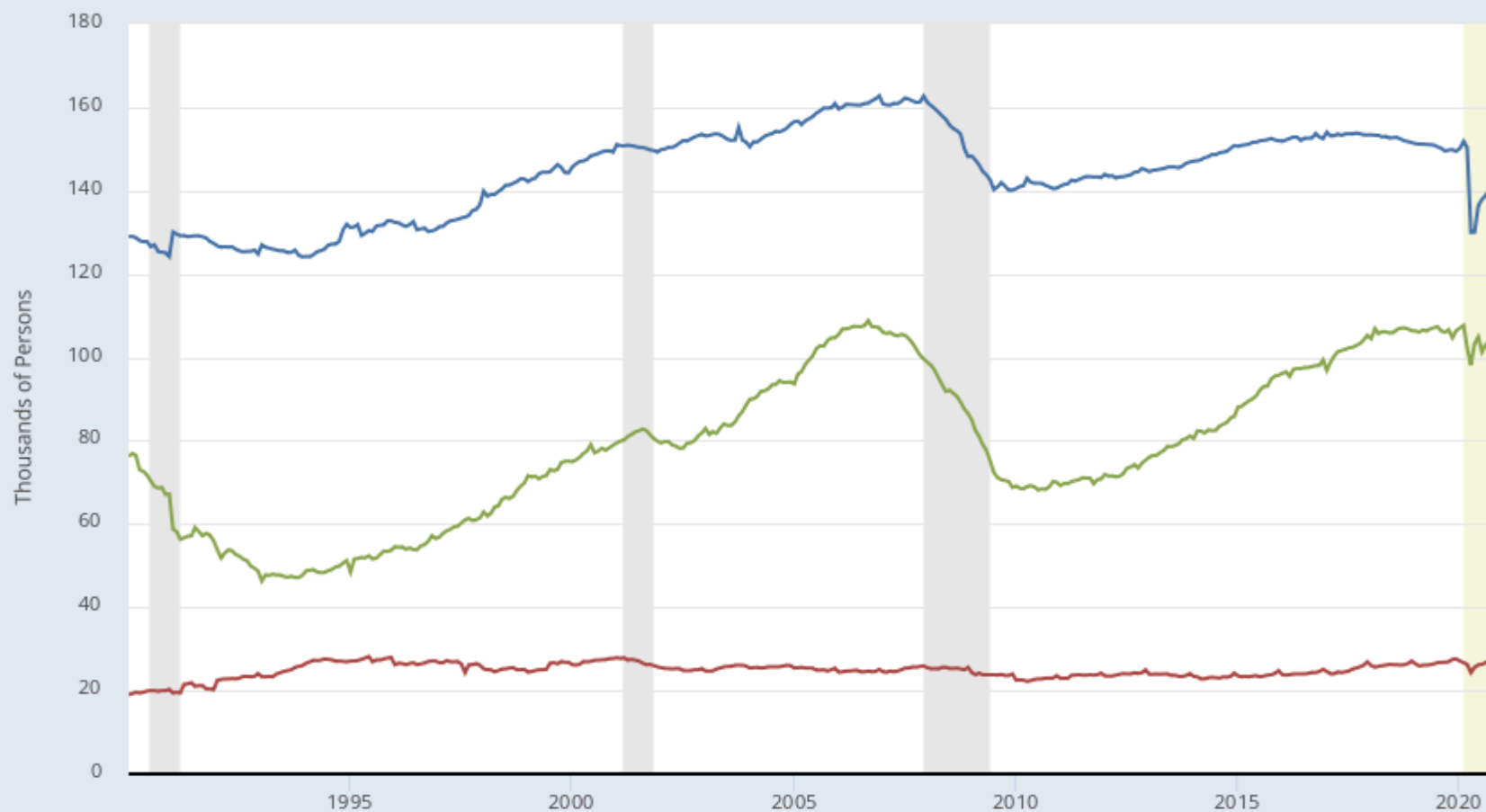
- Orange County has a relatively diversified industrial base (not *super-diversified*, but above average).
- And yet it did slightly worse than average in the first few months of the pandemic
- Possible explanations should rest on basic (export) sectors:
 - Leisure/hospitality
 - Manufacturing

(Over)reliance on tourism?



FRED

- All Employees: Retail Trade in Anaheim-Santa Ana-Irvine, CA (MD)
- All Employees: Transportation and Utilities: Transportation and Warehousing in Anaheim-Santa Ana-Irvine, CA (MD)
- All Employees: Construction in Anaheim-Santa Ana-Irvine, CA (MD)

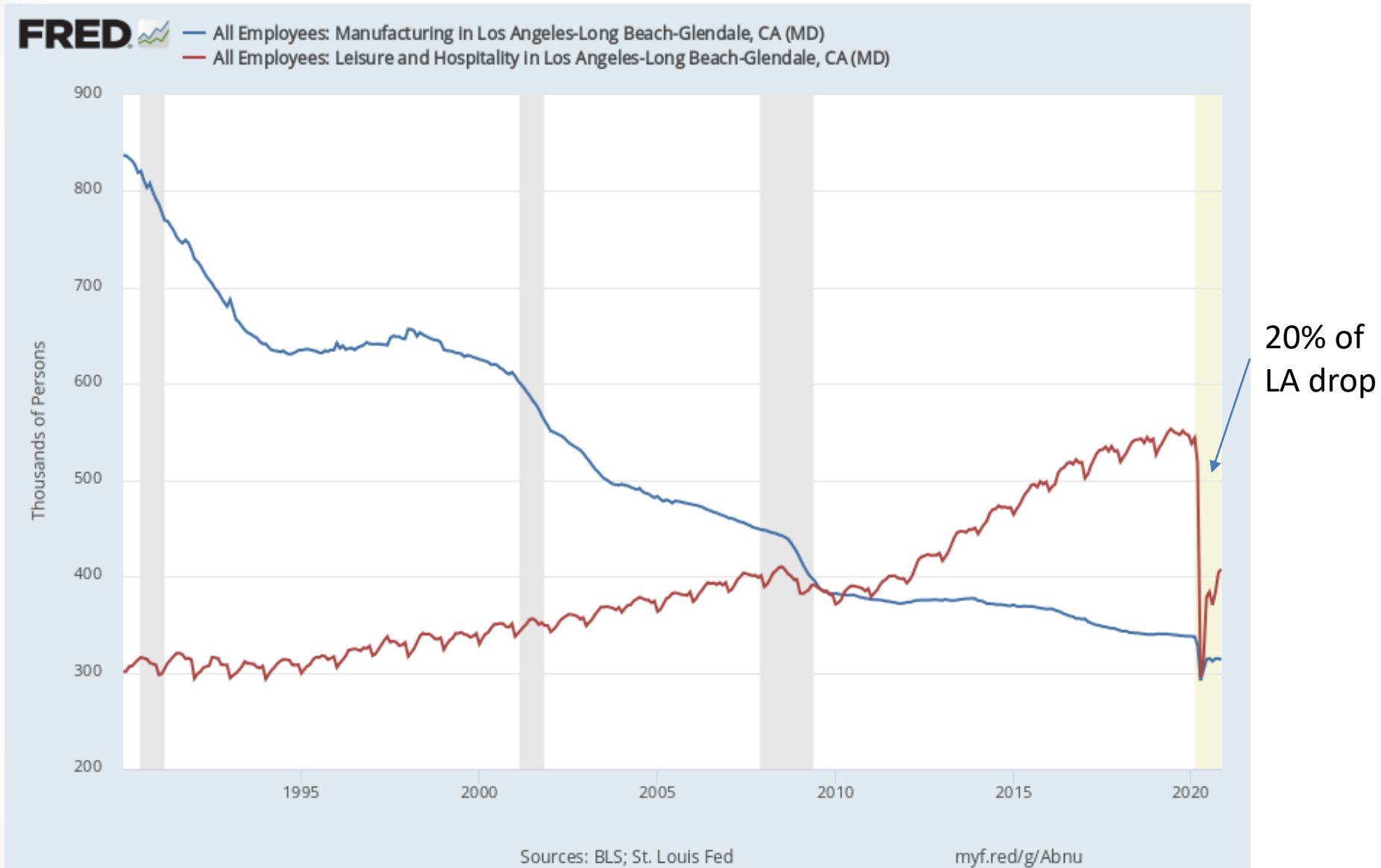


Sources: BLS, St. Louis Fed

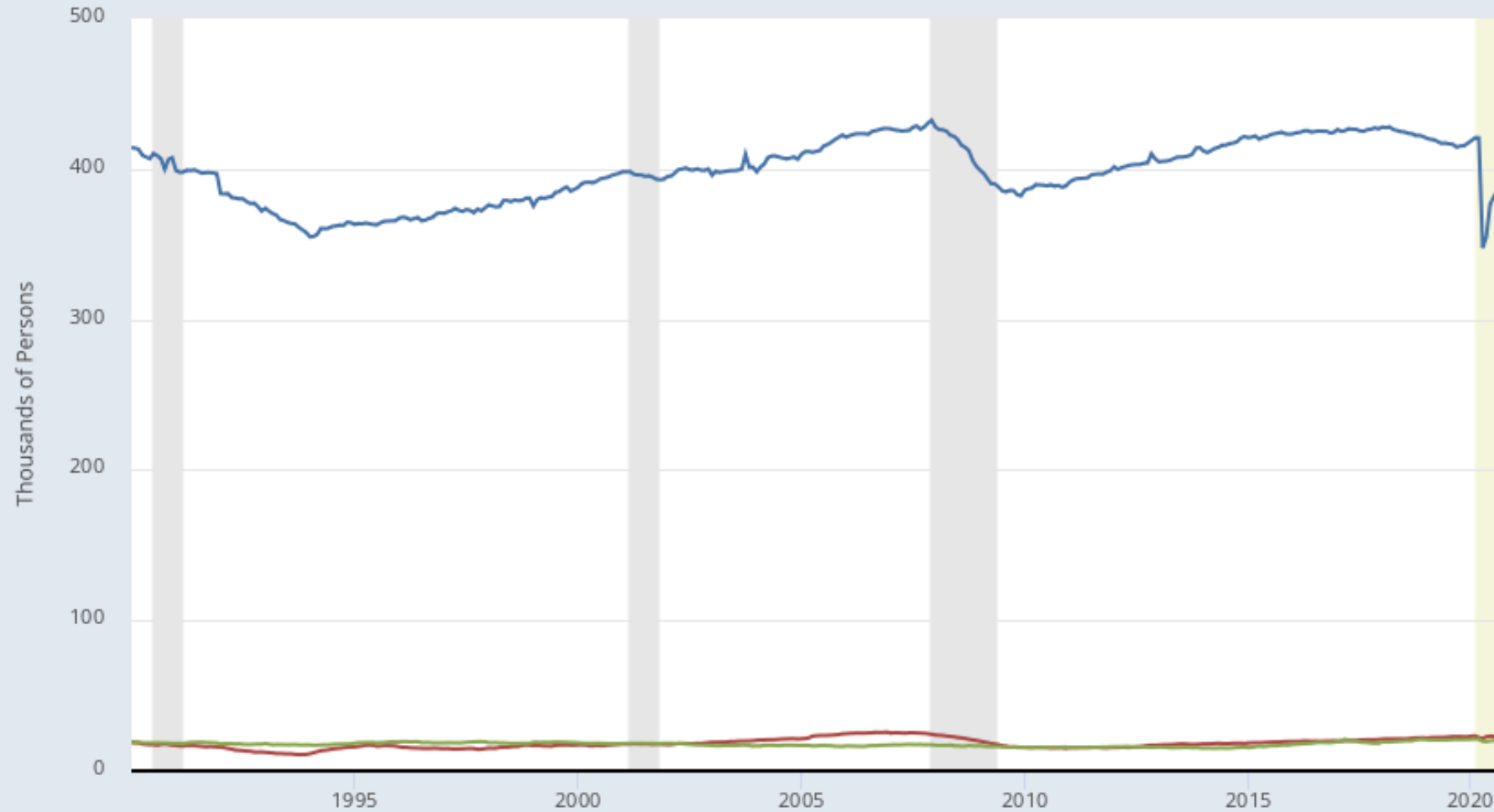
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- Though many sectors were affected, Leisure/Hospitality accounts for much of the steep drop in OC employment.
- Especially when multiplier effect is considered (transportation, retail, etc.)
- Recovery is not complete until Disneyland opens up.

Los Angeles is more complicated



- All Employees: Retail Trade in Los Angeles-Long Beach-Glendale, CA (MD)
- All Employees: Construction: Residential Building Construction in Los Angeles-Long Beach-Glendale, CA (MD)
- All Employees: Transportation and Utilities: Warehousing and Storage in Los Angeles-Long Beach-Glendale, CA (MD)



Sources: BLS; St. Louis Fed

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Overall outlook

- Always look to the fundamentals that will keep OC/LA strong
- Amenities
- Strong basic sectors
- Education
- The lure of Southern California will always be there.
- Housing policy will continue to occupy much of our bandwidth