



SAN DIEGO | MLS

ECONOMIC FORECAST

2023 Half-Year Report

ALAN NEVIN - DIRECTOR OF ECONOMIC CONSULTING GROUP, GAFCON





Half-Year Report

The First Half of 2023 is History... Good or Bad?

Despite the continual efforts by the Federal Reserve Board to slow down the economy, it has been relatively unsuccessful as U.S. jobs continue to grow and the unemployment rate remains below 4%.

Perhaps it is time for the Feds to back off and let interest rates subside so that our real estate industry can get back to business. It seems

like real estate is the whipping boy for the Feds.

The good news is that the economy is doing amazingly well, despite high interest rates. And car sales are booming, but then again, the man-

ufacturers are offering very low interest rates.

National unemployment rates are well below 4%, which is another way of saying there is no unemployment at all.

New Car Sales United States First 6 Months '21-'23

Year	# Vehicles
2021	8,315,485
2022	6,787,228
2023	7,709,539

Source: U.S. Bureau of Economic Analysis

Total Non-Farm Jobs United States January - June 2023

Month	Jobs	Change
January	155,007,000	--
February	155,255,000	+248,000
March	155,472,000	+217,000
April	155,689,000	+217,000
May	155,995,000	+306,000
June	156,204,000	+209,000

Source: Bureau of Labor Statistics (BLS)

Employment by Category United States June 2022 - 2023

Category	Jun-22	Jun-23	Change	% Change
Private Education & Health Services	24,081,000	25,302,000	+1,221,000	5.1%
Government	21,963,000	22,710,000	+747,000	3.4%
Professional & Business Services	22,619,000	23,054,000	+435,000	1.9%
Trade, Transportation & Utilities	28,637,000	28,873,000	+236,000	0.8%
Manufacturing	12,900,000	12,989,000	+98,000	0.7%
Leisure & Hospitality	16,501,000	16,576,000	+75,000	0.5%
Retail	15,483,000	15,539,000	+55,100	0.4%
Financial Activities	9,090,000	9,144,000	+54,000	0.6%
Construction	7,932,000	7,947,000	+15,000	0.2%

Source: BLS

In the past year, virtually every category of employment had gains, with Private Education and Health Services leading the way, followed by Leisure and Hospitality and Professional and Business Services.

As I look to the last six months of this year, I see virtually no changes in any of the categories, although I feel fairly confident that the Fed's will begin to reduce the interest rate by the end of the year, thus allowing the resale business to get back to business.

According to the Federal Reserve's gauge of inflation, it is evident that the inflation rate is declining. The bad news is that the Fed's target inflation is 2%. And that means they are not anticipating that level



for several months. Thus, interest rates will not be falling until later this year.

Final note: The misery index. The index is a crude but effective way to measure the health of the economy. You add up the inflation rate and the unemployment rate

to arrive at a misery index. If you are running for President, you want that number to be as low as possible.

When Ronald Reagan won re-election, it was 11.4; George Bush 9.0 and Barack Obama 9.5. Today it's 7.7. Why isn't everybody smiling?

San Diego Real Estate

The reason why REALTORS® aren't smiling is that the real estate business is virtually the only business that has been hurt by the Fed's rate increases. It is as if they are picking on our industry to solve the inflation problem.

The strongest evidence of a slowdown is a collapse of the listing market, down 40% from a year ago.

And as a dependable follow-on to a decline in listings is the decline in closed sales: Almost half of what they were two years ago.

And pending sales tell us rather brusquely what July will look like, just about half of what they were two years ago.

Closed Sales San Diego County June 2021-2022-2023

June	Detached	Attached	Total
2021	2,474	1,300	3,774
2022	1,730	957	2,687
2023	1,252	725	1,977

Source: Greater San Diego Association of REALTORS® (SDAR)

The only blessing is that prices have not collapsed. All we can do is wonder what will happen to sale prices when interest rates subside.

Pending Sales San Diego County June 2021-2022-2023

June	Detached	Attached
2021	2,461	1,431
2022	1,446	864
2023	1,357	758

Source: SDAR

Median Price San Diego County June 2021-2022-2023

June	Detached	Attached
2021	\$879,000	\$553,500
2022	\$975,000	\$632,000
2023	\$1,000,000	\$650,000

Source: SDAR



And finally, a look at the inventory. It is unusually positive in a marketplace slow-down to see that days on market have not increased substantially nor has the months' supply of housing.

Those two market indicators tell us that people still want to buy homes and enough folks are still willing to pay obnoxious interest rates to partake in the American Dream.

Here's to a more vibrant second half of 2023.

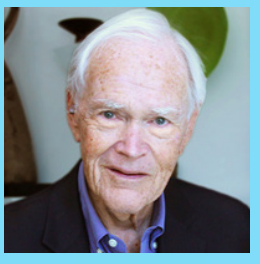
Inventory, Months' Supply, Days on Market Detached and Attached Homes San Diego County June 2021-2022-2023

Category	Jun-21	Jun-22	Jun-23
----------	--------	--------	--------

Detached			
Inventory of Homes for Sale	1,947	3,452	2,495
Months' Supply	0.9	1.9	2.0
Days on Market Until Sale	17	20	24

Attached			
Inventory of Homes for Sale	1,004	1,456	1,125
Months' Supply	0.8	1.4	1.6
Days on Market Until Sale	18	18	20

Source: SDAR



ALAN NEVIN - DIRECTOR OF ECONOMIC CONSULTING GROUP, GAFCON

Economist Alan Nevin is the Director of the Economic Consulting Group at Gafcon, which provides comprehensive services in program and project management, construction, and development. A graduate of Stanford University, Mr. Nevin has a broad background in real estate development, investment and market research. He serves the legal and insurance communities with valuations, market supply and demand and economic loss analyses. His new book, "The Next Half Century," will be released in mid-September. The book describes a very positive picture of the world tomorrow. Mr. Nevin is available for speaking engagements. Contact him at (619) 417-1817 or nevin.econ@gmail.com.



SAN DIEGO | MLS

info@sdar.com | (858) 715-8000

4845 Ronson Ct, San Diego, CA 92111

www.sdar.com | www.sdmls.com