



SAN DIEGO | MLS

ECONOMIC REPORT

JUNE 2022

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June 2022



U.S. Economy Rolls On – Flaws Not Pointing to Recession

Economy at a Glance United States May 2021-2022

Factor	May '21	May '22	Change
Unemployment Rate	5.8%	3.6%	-2.2%
Number Employed	151,292,000	151,682,000	390,000
Job Openings	9,639,000	11,400,000	1,761,000
Initial Job Claims	427,000	200,000	227,000
Residential Bldg. Permits	1,765,000	1,819,000	54,000

Source: Bureau of Labor Statistics

Everybody wants to know when we are going into a recession. Well, I have no crystal ball, but I continually look at the economics of the nation and, so far, I don't see any economic flaws that would lead to the conclusion of a recession.

The unemployment rate is remarkably low; the number of jobs continue to expand; job openings are way up; initial job claims are way down; and residential building permits this year are ahead of the last year.

Is there a flaw? Well, obviously, interest rates are up and existing home sales are down.

The latest study from the National Association of REALTORS® (NAR) shows that 17% of the national Gross Domestic Product (GDP) in 2021 was real estate related. The study also estimated that every home sale generated an average of two jobs.

The jury, therefore, is out. We do know that existing home sales nationally are down. NAR forecasts

that in the second quarter of this year, there will be 5,670 homes sold on an annualized basis compared to 5,950 one year ago. They are also forecasting that in the second quarter, existing U.S. home prices will average \$423,000, up almost 10% from one year ago.



Mortgage rates: Yes, they are higher than they were one year ago, but we have sold homes continuously in the United States, even when mortgage rates were at 18.5% as they were in 1980. That was the year President Carter handed the keys to the White House to President Reagan.

30-Year Mortgage Rates & Existing Home Sales United States 1980-2022

Year	Rate	Homes Sold
1980	18.5%	2,973,000
1990	9.6%	3,184,000
2000	7.1%	5,031,000
2010	4.6%	4,180,000
2020	3.7%	5,640,000
2021	3.5%	5,410,000
2022	4.7%	4,990,000

Source: FRED St. Louis



Home Sales Activity in San Diego County

Let's take a look at San Diego:

Another stellar month for the employment scene. This month we passed 1.5 million jobs and have gained 117,155 jobs in the past year. That must be a record!

With all those new jobs, we must be selling a lot of homes. Well, not quite as many as in the recent past. The culprit is listings, down an overall 16.3% from May 2021 to May 2022. Both the detached and attached sector were down.

And, of course, there is a direct correlation between listings and closed sales. Closed sales are 17% off from one year ago. No shortage of buyers. Just not enough product.

Job Creation San Diego County April 2021 - April 2022

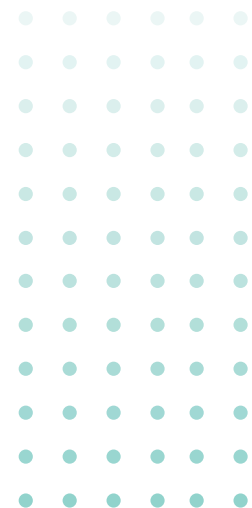
Month	Jobs
Apr-21	1,410,345
Apr-22	1,527,500
Change	117,155

Source: BLS



And prices continue to accelerate. Detached home prices are up 18% over one year ago and attached homes are up 23%. It appears that mortgage rates haven't put a damper on sales.

Unfortunately, for first-time homebuyers, there is a rather sparse selection of product. Existing homes priced under \$500,000 are quickly disappearing. Detached homes priced under \$500,000 account for only 3% of detached homes sold.



Closed Sales San Diego County May 2021-May 2022

	Total	Detached	Attached
May 2021	3,474	2,250	1,224
May 2022	2,885	1,837	1,048
Change 2021-2022	(589)	(413)	(176)
% Change 2021-2022	-17%	-18%	-14%

Source: SDAR

New Listings Detached & Attached Homes San Diego County

Type	May-21	May-22	Change	% Change
Detached	12,479	11,384	(1,095)	-17.3%
Attached	7,035	5,993	(1,042)	-14.6%
Total	19,514	17,377	(2,137)	-16.3%

Source: SDAR

Median Prices of Homes Sold San Diego County May 2021-May 2022

Type	Detached	Attached
May 2021	\$810,000	\$520,000
May 2022	\$955,000	\$640,000
Change 2021-2022	\$145,000	\$120,000
% Change 2021-2022	18%	23%

Source: SDAR



Homes Sold by Price Range San Diego County Rolling 12 Month Average: May 2021-May 2022

Detached

Price Range	No. Homes		Change in Sales	
	2021	2022	No.	%
Under \$500,000	1,863	615	(1,248)	-67%
\$500,000-750,000	11,059	7,120	(3,939)	-36%
\$750,000-1,000,000	6,114	7,305	1,191	19%
Over \$1,000,000	7,305	8,352	1,047	14%
Total	26,341	23,392	(2,949)	-11%
% Under \$500,000	7%	3%		

Attached

No. Homes		Change in Sales	
2021	2022	No.	%
7,741	4,716	(3,025)	-39%
4,442	5,242	800	18%
1,313	1,727	414	32%
1,116	1,469	353	32%
14,612	13,154	(1,458)	-10%
53%	36%		

Source: SDAR



Market Indicators San Diego Inventory May 2021-May 2022

Indicator	May '21	May '22	Change	% Change
Detached				
Days on Market Until Sale	20	19	(1)	-5%
Inventory of Homes for Sale	2,295	2,248	(47)	-2%
Months' Supply of Inventory	1.0	1.2	0.2	20%
Attached				
Days on Market Until Sale	18	16	(2)	-11%
Inventory of Homes for Sale	1,125	952	(273)	-15%
Months' Supply of Inventory	1.0	0.9	(0.1)	-10%

Source: SDAR

Similarly, sales of detached homes priced in the \$500,000-750,000 range have taken a major dip – down 36% from one year ago. It appears that attached product is taking its place in that price range.

The market indicators show the “behind the scenes” numbers that are creating the shortage

of homes for sale. Days on market, the inventory of homes for sale and the months’ supply of inventory are all reasons why there isn’t enough product to sell and prices continue to rise. Folks aren’t lining up around the block as they were a year ago, but they still want to buy a home in San Diego. Who can blame them?

In closing, the first five months of the year were not brilliant in terms of sales, but those prices just keep rising. How long that will continue, I do not have an answer; however, we continue to add jobs month after month and the jobs are very often at pay scales that justify the prices we seek for our homes.

Spotlight on Rancho Peñasquitos (92129)

Rancho Peñasquitos is a planned urban community surrounded by the Los Peñasquitos Canyon Preserve, a wooded area that covers more than 4,000 acres and is maintained by the City and County of San Diego. The canyon is home to more than 500 plant species, 175 types of birds, and a broad selection of lizards, opossums and an occasional mountain lion.

The community has 17,000 homes and apartments and a population of more than 50,000. The heart of Rancho Peñasquitos, or RP as it's known, is the Peñasquitos Town Center, a Vons-anchored, 60-tenant shopping center, surrounded by a library, police station, fire station, and a YMCA.

In the recent redistricting process in the City of San Diego, 92129 gained a major new housing component – Park Village. It was moved from Mira Mesa to Rancho Peñasquitos.

The schools in 92129 are within the Poway School District and contain several of the highest rated schools in the state. Among them are Westview, Del Norte, and Mt. Carmel high schools. The exhibit here notes the test scores for three of the high schools in Poway School District and compares them with the average in the San Diego Unified School District.



Test Scores Rancho Peñasquitos High Schools

School	Math	English
Westview	82.0%	79.0%
Del Norte	86.0%	81.0%
Mt. Carmel	79.0%	65.0%
San Diego USD	38.0%	47.0%

Source: Niche.com

Home Prices - Closed Escrows Rancho Peñasquitos May 2019-2022

Year	Detached	Change	%
2019	\$854,000	NA	NA
2020	\$879,760	\$25,760	3.0%
2021	\$1,225,000	\$345,240	39.2%
2022	\$1,500,000	\$275,000	22.4%
2019-2022		\$646,000	75.6%

Source: SDAR

Home prices have accelerated substantially in the past four years in Rancho Peñasquitos, adding 76% between May 2019 and May 2022. The May 2022 average price of a detached home in Rancho Peñasquitos was \$1.5 million.

Arguably, the most prestigious suburban ZIP code in the City of San Diego is 92130 (Carmel Valley).

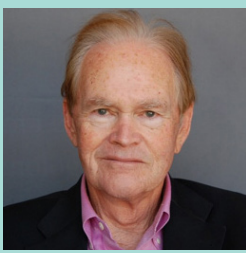
Its home prices have accelerated dramatically in the past few years, almost doubling since 2019. I point this out because the average home price in Rancho Peñasquitos is now what it was in Carmel Valley in 2020. Thus, Rancho Peñasquitos may become a prestigious suburb (but its residents already know that).

The high quality of the schools has been a major draw to educated parents. In RP, 36% of the adults have a bachelor's degree and another 27% have a master's degree or higher. The median household income is \$144,000, one of the highest of any ZIP in San Diego County.

Detached Home Sales Carmel Valley (92130) May 2021-May 2022

May	Detached	Change	%
2019	\$1,300,000	NA	NA
2020	\$1,454,500	\$154,500	11.9%
2021	\$1,805,000	\$350,500	24.1%
2022	\$2,432,000	\$627,500	34.8%
2019-2022		\$1,132,500	87.1%

Source: SDAR



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Economist, Alan Nevin is the Director of Appraisal and Market Research at Vertex. 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 book "The Great Divide" focuses on the future of the U.S. and the industrialized nations of the world. Mr. Nevin is available for speaking engagements.



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