



SAN DIEGO | MLS

ECONOMIC FORECAST

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Nation's Economy Augurs Well for Home Sales ...When Interest Rates Subside

I realize that a strong national economy has little to do with the lack-luster home sales in San Diego, but it is encouraging to know that a strong U.S. economy will still be there when interest rates subside and listings and home sales return to some form of normalcy.

The U.S. unemployment rate remains negligible, at sub-4%, indicating a complete recovery from the COVID effect.



Unemployment Rate United States May 2020 - 2023

May	Unemployment Rate
2020	11.0%
2021	5.8%
2022	3.6%
2023	3.7%

Source: BLS

The unemployment rate is accompanied by one of the strongest job markets in many years. So far this year, the U.S. has gained more than 1.5 million jobs.

It seems almost impossible for the nation to have more than 10 million job openings, but every month for almost three years that number has

persisted. "Now hiring" signs appear to be in the windows of every store.

The effect is that salaries are rising as employers are forced to increase wage rates (and sometimes benefits) in order to stay in business. It will be a great summer for students seeking employment.

Total Non-Farm Jobs United States December 2022 - May 2023

Month	Jobs	Change
December	154,535,000	--
January	155,007,000	+472,000
February	155,255,000	+248,000
March	155,472,000	+217,000
April	155,766,000	+294,000
May	156,105,000	+339,000

Source: Bureau of Labor Statistics (BLS)





Virtually every industry has shown highly positive employment gains over the past year. Retail, unfortunately, is at the bottom of the job-gain heap as a result of the inability to find a sufficient number of workers.

Americans are feeling good about themselves as evidenced by the major increase in leisure and hospitality. Cruise ships are now being booked for a year from now and foreign travel is up substantially. Reportedly, 2020 was the worst year

in modern tourism history. (Reminder: COVID hit in March 2020.)

Looking up, international tourism in 2022 doubled that of the two years prior. The World Tourism office projects that in 2023 more than 60 million international visitors will travel to the U.S. It's still not quite up to pre-COVID levels, but it's getting there, hence the positive increase in leisure and hospitality employment.

Employment by Category United States May 2022 - 2023

Category	May-22	May-23	Change	% Change
Leisure and Hospitality	15,699,000	16,596,000	+897,000	5.7%
Educational Services	3,772,000	3,952,000	+180,000	4.8%
Health Care	16,187,000	16,812,000	+625,000	3.9%
Government	14,162,000	14,518,000	+356,000	2.5%
Professional & Business Services	22,493,000	23,053,000	+560,000	2.5%
Construction	7,736,000	7,928,000	+192,000	2.5%
Manufacturing	12,789,000	12,984,000	+195,000	1.5%
Retail	15,453,000	15,550,000	+97,000	0.6%

Source: BLS

San Diego Real Estate

With the local economy going strong, I know the demand for housing is equally strong, but also realize that interest rates are the culprit behind mundane sales.

Looking at May 2021, 2022 and 2023 vividly tells the story. The number of new listings has plummeted. Listings of detached homes are down almost by half from a year ago and attached homes are off by 36%.



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

Category	May-21	May-22	May-23
Detached			
Inventory of Homes for Sale	1,818	2,658	2,037
Months' Supply	0.8	1.4	1.6
Days on Market Until Sale	20	19	29

Attached			
Inventory of Homes for Sale	1,042	1,131	940
Months' Supply	0.8	1.4	1.6
Days on Market Until Sale	18	16	23

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

New Listings Detached and Attached Homes San Diego County May 2021-2022-2023

May	Detached	Attached	Total
2021	2,613	1,440	4,053
2022	2,682	1,406	4,088
2023	1,514	897	2,411

Source: SDAR

Lower levels of pending sales follow lower listings. Pending sales are off almost 50% from a year ago, with closings following the same pattern.

The only positive statistic is the median home price. In the past year, prices have stabilized.

I recognize that we had become accustomed to rousing price increases in the recent past, but given today's interest rates, I am quite pleased that prices are holding steady.

One can only imagine what will happen to prices once interest rates subside (and they will). Stay tuned!

Closed Sales San Diego County May 2021-2022-2023

May	Detached	Attached	Total
2021	2,185	1,177	3,362
2022	1,899	1,081	2,980
2023	1,370	780	2,150

Source: SDAR

Pending Sales San Diego County May 2021-2022-2023

May	Detached	Attached
2021	2,438	1,295
2022	1,822	1,009
2023	1,341	787

Source: SDAR

Median Price San Diego County May 2021-2022-2023

May	Detached	Attached
2021	\$865,000	\$540,000
2022	\$980,122	\$670,000
2023	\$955,000	\$640,000

Source: SDAR



Spotlight on Poway

Poway is one of the newer cities in San Diego County, incorporated in 1980. It is known as “The City in the Country” because more than half of the city’s acreage is preserved as dedicated open space.

It is also one of the lesser populated cities in San Diego County with a current population of approximately 50,000.

The City of Poway has created one of the strongest school systems in the county (Poway Unified School District). The District serves approximately 36,000 students, mostly outside of Poway. The District has five high schools, only one of which is within the City of Poway (Poway High School). The test scores for Poway High School are significantly higher than the state average.



Test Scores Poway High School

Subject	Poway	California
English	67	47
Mathematics	48	33

Source: CA Department of Education



Poway Center for the Performing Arts

Poway is also one of the more affluent cities in San Diego County with a median household income of \$120,000. The household income correlates with the educational attainment: 52% of the adult population has a bachelor’s degree or higher (compared to 35% of the county as a whole).

One of the major attractions of the city is the 800-seat Poway Center for the Performing Arts which routinely hosts concerts, plays and dance performances.

The City of Poway also hosts a myriad of businesses, most of them located within the 700-acre Poway

Business Park. Currently, more than 500 businesses with more than 18,000 employees are located in the Park. The most recent major addition is Amazon’s 500,000 square foot “last mile” warehouse.

Poway Real Estate & Home Sales

Within the Poway city limits are approximately 16,000 housing units: 80% of them are single-family detached, and 77% of the housing units are owner-occupied. The typical home in Poway sells for more than \$1 million.

Poway is a highly stable city with relatively few home sales, most them single-family detached. Through May of this year there were 116 detached homes sold, a major departure from the 210 sold through May 2022.

Overall, Poway is a city with a very strong selection of homes priced over \$1,000,000 combined with a major employment base. It has relatively few acres remaining for development.

Single-Family Median Price City of Poway Year-to-Date May 2021-2023

	Median Price	Index
YTD May 2021	\$990,000	100.0%
YTD May 2022	\$1,199,000	121.1%
YTD May 2023	\$1,150,000	116.2%

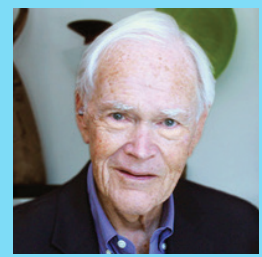
Source: SDAR

Home Sales - Detached & Attached City of Poway Year-to-Date May 2022 - May 2023

Type	YTD May-22	YTD May-23	Change	% Change
Detached	210	116	-94	-45%
Attached	25	29	+4	+14%
Total	235	145	-90	-38%

Source: SDAR





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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 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. Contact him at (619) 417-1817 or nevin.econ@gmail.com.



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