



SAN DIEGO | MLS

# ECONOMIC FORECAST

MARCH 2023

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# March 2023

## Participation in the labor market reaches impressive numbers

Is spring just around the corner?

Well, from a calendar standpoint, it is, but the typical San Diego spring doesn't appear to have much bounce in it -- at least from a climatic and home sale standpoint.

Having said that, the national employment numbers are doing just fine. There continue to be an enor-

mous number of job openings and job hires, all of which lead to continuingly low interest rates. With the exception of the COVID year (2020), the economy has been perking up at high speed for the past six years with no signs of abating.

An interesting note: U.S. women saw their labor participation return to pre-pandemic levels last month. The

female labor force expanded to 77.8 million in February, the largest on records that go back to the 1940s.

Here in San Diego, from January 2022 to January 2023, San Diego County added an amazing 62,700 jobs - perhaps a record, with leisure & hospitality, and education and health services leading the way.

### Unemployment Rate United States February 2018-2023

Feb	Unemployment Rate
2018	3.9%
2019	3.0%
2020	8.4%
2021	4.1%
2022	2.9%
2023	3.7%

Source: Bureau of Labor Statistics (BLS)

### Job Hires United States February 2018-2023

Feb	Hires
2018	5,800,000
2019	5,839,000
2020	5,900,000
2021	6,362,000
2022	6,100,000
2023	6,400,000

Source: BLS

### Job Openings United States February 2018-2023

Feb	Openings
2018	7,100,000
2019	7,166,000
2020	6,493,000
2021	10,600,000
2022	10,100,000
2023	10,800,000

Source: BLS



## Major New Construction Projects San Diego County as of March 2023

Project	Developer	Cost	Size	Completion (est)
New Terminal 1 - Airport	Airport Authority	\$2.6 billion	1.2 mil sf	2028
Gaylord Pacific Resort & Convention Center	RIDA	\$1.35 billion	1,600 rooms; 664,000 sf Convention Center	2024
Theater District Living & Learning Neighborhood	UCSD	\$935 million	2,000-bed housing; office space	2023
Riverwalk Mixed Use	Hines	\$460 million	4,000 apts; 1 million sf office space	2026
West Campus	SDSU	\$457 million	Snapdragon Stadium; 4,000 apts; 500,000 sf office & dorms, hotel	2023
Pepper Canyon Living & Learning Neighborhood	UCSD	\$335 million	2,000 beds	2024

## Major New Construction

In previous issues I have informed you of the enormous amount of local construction in the life sciences and medical industries. They are major reasons why our economy is booming. I want to take this occasion to give you an idea of the enormity of the construction activity outside of those two industries.

These six projects have a budget of more than \$6 billion. Three of them are university related: two are major dorms (2,000 beds each) at UCSD and the West Campus of SDSU. The first of the two high-rise dorm projects will be completed this year. The second will be complete next year.

The redevelopment of Terminal 1 at the Airport is, by far, the

largest of the undertakings with a cost of \$2.6 billion. It will increase the total number of gates to 62, add additional garage parking and office space.

The two biggest master-planned communities, anchoring the east and west ends of Mission Valley are Hines' Riverwalk with 4,000 apartments and 1 million square feet of office and retail space and the West Campus of SDSU. The first project there is Snapdragon Stadium, shortly thereafter to be followed by several hundred apartments by Lincoln Properties as well as a major park.

My databank has 12,000-plus multi-family units in the planning stage in Mission Valley. There may be an occasional traffic problem.



# San Diego Real Estate

Let's take a look now at the local real estate market. The story is rather clear, to say the least. Virtually the entire price drop in the market has been homes priced under \$750,000. Home priced over \$750,000 continue to sell – certainly not at the pace of the past couple of years, but enough to show that the affluent sector of the market is still alive and well.



## Sales by Price Range Detached and Attached Homes San Diego County February 2022 & 2023

Price Range	2022	2023	Change	% Change
<b>Detached</b>				
Under \$500,000	749	417	(332)	-44%
\$500,000-750,000	8,461	4,299	(4,162)	-49%
\$750,000-1,000,000	7,217	5,402	(1,815)	-25%
\$1,000,000+	8,163	6,871	(1,292)	-16%
<b>Attached</b>				
Under \$500,000	5,729	2,650	(3,079)	-54%
\$500,000-750,000	5,191	4,013	(1,178)	-23%
\$750,000-1,000,000	1,600	1,471	(129)	-8%
\$1,000,000+	1,352	1,257	(95)	-7%

Source: SDAR



After five rather decent years, the first two months of this year were off by 33% for the detached sector and 36% for the attached sector.

Indicative of the underlying strength of the market is the fact that home prices have barely moved downwards. This very positive sign is indicative of a marketplace which is short of product.



## Closed Sales Detached and Attached Homes San Diego County February 2018-2023

Year	Detached	Attached
2018	1,246	637
2019	1,360	695
2020	1,370	774
2021	1,466	833
2022	1,487	872
2023	998	557
<b>Change 2022-2023</b>	<b>(489)</b>	<b>(315)</b>
<b>% Change</b>	<b>-33%</b>	<b>-36%</b>

Source: SDAR

## Median Price Detached and Attached San Diego County February 2022 & 2023

Year	Detached	Attached
2022	\$910,000	\$626,000
2023	\$900,000	\$616,000
<b>Change</b>	<b>(\$10,000)</b>	<b>(\$10,000)</b>
<b>% Change</b>	<b>-1.1%</b>	<b>-1.6%</b>

Source: SDAR

With interest rates pushing 7%, we can see that homes are still selling for near their original price and the months supply of product is negligible. It is most obvious that folks who don't have to sell are just sitting back and waiting for the rates to subside.

Don't give up! In just a few short months, interest rates will start to subside as those in office begin their battle for a 2024 victory; and they know that they will not be able to achieve a viable win without lower interest rates. So it is business as usual, though not quite as vibrant as you would like it to be.



## Market Indicators San Diego Inventory February 2022 & 2023

Indicator	2022	2023	Change	% Change
<b>Detached Homes</b>				
% of Original Price Received	105.2%	97.5%	-7.7	-7.3%
Days on Market Until Sale	23	43	20	87.0%
Inventory of Homes for Sales	1,540	1,512	-28	-1.8%
Months Supply of Inventory	0.8	1.1	0.3	37.5%
<b>Attached Homes</b>				
% of Original Price Received	105.6%	98.2%	-7.4	-7.0%
Days on Market Until Sale	19	39	20	105.3%
Inventory of Homes for Sales	729	759	30	4.1%
Months Supply of Inventory	0.6	1.0	0.4	66.7%

Source: SDAR



# Spotlight on La Jolla

## The Perpetual Jewel of San Diego County

Recently I had occasion to speak to the Top Producers in La Jolla at an evening get-together. I focused on the unique position of La Jolla in the world real estate market.

My thesis is that if you live in the Far East or south of the border and are affluent and want to own a residence in the U.S. that the choice of warm weather locations near the Ocean is rather limited. It's either a high-rise condominium in Miami Beach or a home or condominium in San Diego County. And within San Diego County, that probably means that you can narrow your choice to very few locations, one of which, of course, is La Jolla.

The folks in the Far East are not alone in their desire for a second home in a warm weather climate. We must not forget the chilled residents in Calgary, Vancouver and Chicago.

The only problem with La Jolla is that it has been built out for a half century or more and therefore the inventory of housing is static.

Looking at a snapshot of La Jolla, the population of 92037 is equally static with virtually no change in the past 20 years.



### Snapshot La Jolla, California 92037

Indicator	2000	2020	Change	% Change
Population	42,468	42,514	46	0.1%
Median Age	38	43	5	13.2%

Housing Units	2000	2020	Change	% Change
Single-Family	11,941	11,216	(725)	-6.1%
Multi-Family	7,500	8,814	1,314	17.5%
<b>Total</b>	<b>19,441</b>	<b>20,030</b>	<b>589</b>	<b>3.0%</b>
% Single-Family	61%	56%		

Source: SANDAG



The only parts of La Jolla and vicinity that are growing are the University of California San Diego (it has its own ZIP: 92093) and the employment in the life sciences industries in and surrounding La Jolla.

UCSD is on a growth path with 43,000 students and a labor force of 36,000 people.

UCSD's job and student growth path requires much more development in order to accommodate this growth machine. In the very near term future, they will be adding three major projects with 5,700 beds and office and teaching facilities with a grand total of almost 2,000,000 square feet. Thank goodness for the school's bonding capacity.



According to the San Diego Association of Governments (SANDAG), there are some 160,000 jobs surrounding La Jolla in University City, Carmel Valley and Sorrento Valley, including a substantial number of jobs in the life science industries. In the exhibit below, there are seven projects that total more than 2.5 million square feet.

## Life Science Development La Jolla/UTC

Project Name	Developer	Sq. Ft.
Costa Verde	Alexandria	400,000
Bristol Myers Squibb	Alexandria	427,000
The Boardwalk	Healthpeak	195,000
National University Headquarters	Alexandria	140,000
N/A	Square Mile Capital	316,000
N/A	Breakthrough	442,000
Neuroprine	Lincoln	650,000
		<b>2,570,000</b>



Those affluent households that want a nice home near the water in San Diego County do have a few choices. Among them are Rancho Santa Fe, Carmel Valley and Coronado. All have had rather bullish sales in the past few years. This past year those four communities combined sold more than 800 detached homes with an average price in excess of \$3 million.

In La Jolla, despite the rise in interest rates, almost 600 homes and condominiums sold in 2022. And the prices have continued to steadily rise.

I have made my case: La Jolla is still the jewel of San Diego County.

## Sales Comparison 2022 Detached Homes La Jolla, Rancho Santa Fe, Carmel Valley, Coronado

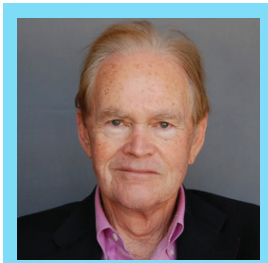
Community	ZIP	No. Sales	Median Price
La Jolla	92037	279	\$3,430,000
Rancho Santa Fe	92067	181	\$4,590,000
Carmel Valley	92130	268	\$2,365,000
Coronado	92118	120	\$3,055,000

Source: SDAR

## Detached and Attached Homes La Jolla, California 92037 2018-2022

Year	Detached Homes		Attached Homes	
	No. Closed	Median Price	No. Closed	Median Price
2018	329	\$2,020,000	417	\$749,000
2019	343	2,104,700	342	\$736,500
2020	400	\$2,300,000	357	\$840,000
2021	387	\$2,950,000	440	\$889,000
2022	279	\$3,430,000	291	\$1,160,000
Change 2018-2022		\$1,410,000	Change 2018-2022	\$411,000
% Change		70%	% Change	55%
Annual % Change		14%	Annual % Change	11%

Source: SDAR



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