



SAN DIEGO | MLS

# ECONOMIC REPORT

OCTOBER 2022

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# October 2022

## National Economy on a Roll, While Local Real Estate Languishes

This 3rd Quarter newsletter focuses on the national economy and the real estate market in San Diego - - the former is moving in a very positive manner, while the latter is not quite as good.

when the Christmas buying season gets underway. In retailing, as much as 40% of annual sales are rung up between Thanksgiving and Christmas, although I do not quite understand why.

The United States has such a huge number of job openings, especially when there were more than 6 million "hires" in August - - the second highest in the past five years.

### THE NATIONAL SCENE

We continually read that the Feds are trying to create a recession by driving up the cost of federal funds. So far, the only thing that it has driven up is the federal funds rate. All other indicators are highly positive.

Our national unemployment rate is a remarkably low 3.5% and certainly the lowest since before COVID.

Business owners continue to be understaffed, which is a particularly difficult situation

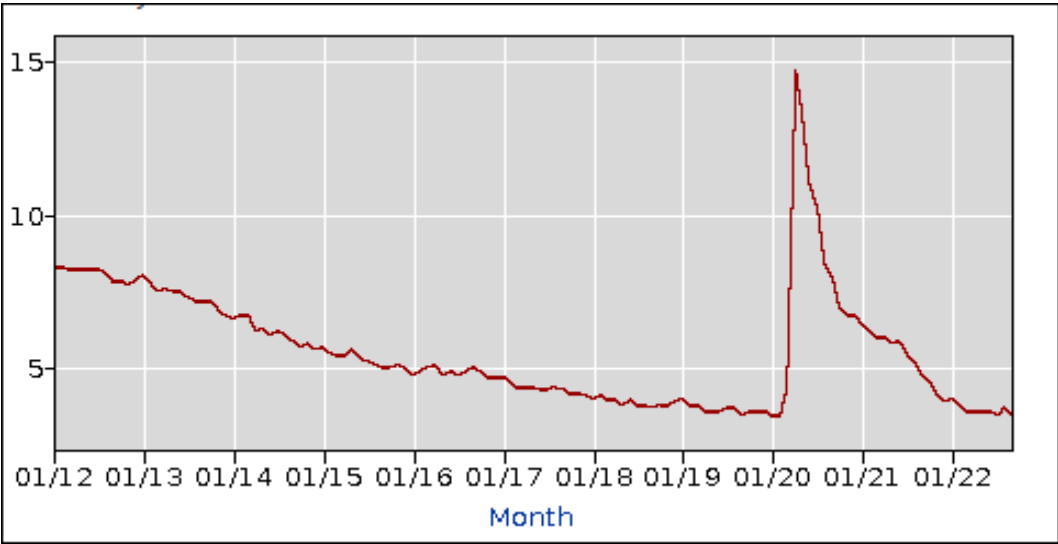
### U.S. Unemployment Rate Month of September 2018-2022

September	Unemployment Rate
2018	3.7%
2019	3.5%
2020	7.9%
2021	4.7%
2022	3.5%

Source: Bureau of Labor Statistics (BLS)



## U.S. Unemployment Rate



The culprit appears to be an unusually high “quit” rate. The Bureau of Labor Statistics (BLS) calls it the “Great Resignation.” The rate of “job quitting” in the U.S. has reached highs not seen since the start of the BLS survey program in 2000. The highest rates of quitting are in the retail trade, leisure and hospitality, and professional and business services.

Overall, the nation is in rather good shape, despite the ratcheting up of the interest rate. Theoretically, higher interest rates cause an economic slowdown, but so far, the only industry suffering from rising interest rates is the real estate industry, a topic I turn to now.

## U.S. Job Openings Month of August 2018-2022

August	Openings
2018	7,100,000
2019	7,166,000
2020	6,493,000
2021	10,600,000
2022	10,100,000

Source: BLS

## U.S. Job Hires Month of August 2018-2022

August	Hires
2018	5,800,000
2019	5,839,000
2020	5,900,000
2021	6,362,000
2022	6,277,000

Source: BLS



# San Diego Real Estate Market

In the first three quarters of 2020 and 2021, home sales totaled more than \$28 billion, a record reported by SDAR. And then came 2022. Not exactly a tragedy as total sales through the first three quarters are only

down 12% from the 2020-2021 average. The good news is that the price of homes in the first three quarters of 2022 were ahead of prices in the 2021 timeframe.



## Total Sales San Diego County 1st Three Quarters 2020-2021-2022

Detached

Home Type	2020	2021	2022	2020-2021		2020-2021	
				Change	% Change	Change	% Change
No. Sold	17,126	19,220	14,875	2,094	12%	(4,345)	-23%
Avg. Price	\$900,616	\$1,122,689	\$1,272,615	\$222,073	25%	\$149,926	13%
Total Sales	\$21,367,000,000	\$21,578,000,000	\$18,928,000,000	\$211,000,000	1%	\$(2,650,000,000)	-12%

Attached

No. Sold	8,815	11,222	8,396	2,407	27%	(2,826)	-23%
Avg. Price	\$534,062	\$631,786	\$751,180	97,724	18%	\$119,394	19%
Total Sales	\$7,029,000,000	\$7,090,000,000	\$6,307,000,000	\$61,000,000	1%	\$(783,000,000)	-11%

Total Sales

No. Sold	25,941	30,442	23,271	4,501	17%	(7,171)	-23%
Avg. Price	\$1,094,638	\$941,725	\$1,008,937	\$(152,913)	-13%	\$67,212	7%
Total Sales	\$28,396,000,000	\$28,668,000,000	\$25,235,000,000	\$272,000,000	1%	\$(3,433,000,000)	-12%

Source: SDAR





## MARKET ACTIVITY SEPTEMBER 2022

The start of fall saw closed sales plummet by 37%. Sales declined from 3,529 in September 2021 to 2,218 in September 2022.

The saving grace was pricing. The median detached home price increased by 7.2%, to a price of \$915,000. On the "attached" side of the ledger (including condominiums and townhomes), housing prices gained 6.2%. Certainly not in the same realm that we have become accustomed to in the past two years, but a positive note nonetheless.

A closer look at pricing reveals that almost the total decline in sales was in homes priced under \$750,000. For homes priced over \$1 million, detached home sales had a minimal decline and attached homes had a decline of 14%.

## Median Home Prices Closed Escrows San Diego County September 2021 & September 2022

Month	Detached	Attached
September 2021	\$853,500	\$565,000
September 2022	\$915,000	\$600,000
<b>Change 2021-2022</b>	<b>\$61,500</b>	<b>\$35,000</b>
<b>% Change 2021-2022</b>	<b>7.2%</b>	<b>6.2%</b>

Source: SDAR

## Closed Sales San Diego County September 2021 & September 2022

Month	Total	Detached	Attached
September 2021	3,529	2,242	1,287
September 2022	2,218	1,433	785
<b>Change 2021-2022</b>	<b>(1,311)</b>	<b>(809)</b>	<b>(502)</b>
<b>% Change 2021-2022</b>	<b>-37%</b>	<b>-36%</b>	<b>-39%</b>

Source: SDAR



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

Price Range	Detached				Attached			
	No. Homes		Change in Sales		No. Homes		Change in Sales	
	Sep-21	Sep-22	No.	%	Sep-21	Sep-22	No.	%
Under \$500,000	1,194	496	(599)	-55%	7,024	3,469	(3,555)	-51%
\$500,000-750,000	9,831	5,414	(4,417)	-45%	4,982	4,638	(344)	-7%
\$750,000-1,000,000	6,703	6,534	(169)	-3%	1,477	1,680	203	14%
Over \$1,000,000	7,758	7,677	(81)	-1%	1,254	1,425	171	14%
<b>Total</b>	<b>25,486</b>	<b>20,121</b>	<b>(5,266)</b>	<b>-21%</b>	<b>14,737</b>	<b>11,212</b>	<b>(3,525)</b>	<b>-24%</b>

Source: SDAR







## New Listings Detached & Attached Homes San Diego County September 2021-September 2022

New Listings	Sep-21	Sep-22	Change	% Change
Detached	2,341	1,805	(536)	-17.3%
Attached	1,224	912	(312)	-14.6%
<b>Total</b>	<b>3,565</b>	<b>2,717</b>	<b>(848)</b>	<b>-16.3%</b>

Source: SDAR

Listings were down 16.3% from September 2021 with declines in both the detached and attached sector. Inevitably, the decline in listings will translate into fewer sales in October.

Looking at the indicators shows that things aren't so bad. Certainly, days on market until sale, the inventory of homes for sale and the months' supply of inventory failed to match September 2021, but in traditional market terms, these numbers look pretty good.

The days on market are barely a month and a months' supply can be considered "normal." (although not in the past two years).

Overall, September can be chalked up as a let-down, but, if you wish, San Diego REALTORS® can call it a "breather" after 2-plus years of raging sales.

## Market Indicators San Diego Inventory September 2021-September 2022

Indicator	Sep '21	Sep '22	Change
<b>Detached</b>			
Days on Market Until Sale	21	32	<b>11</b>
Inventory of Homes for Sale	2,301	2,976	<b>675</b>
Months' Supply of Inventory	1.1	1.8	<b>0.7</b>
<b>Attached</b>			
Days on Market Until Sale	20	29	<b>9</b>
Inventory of Homes for Sale	1,004	1,336	<b>332</b>
Months' Supply of Inventory	0.8	1.4	<b>0.6</b>

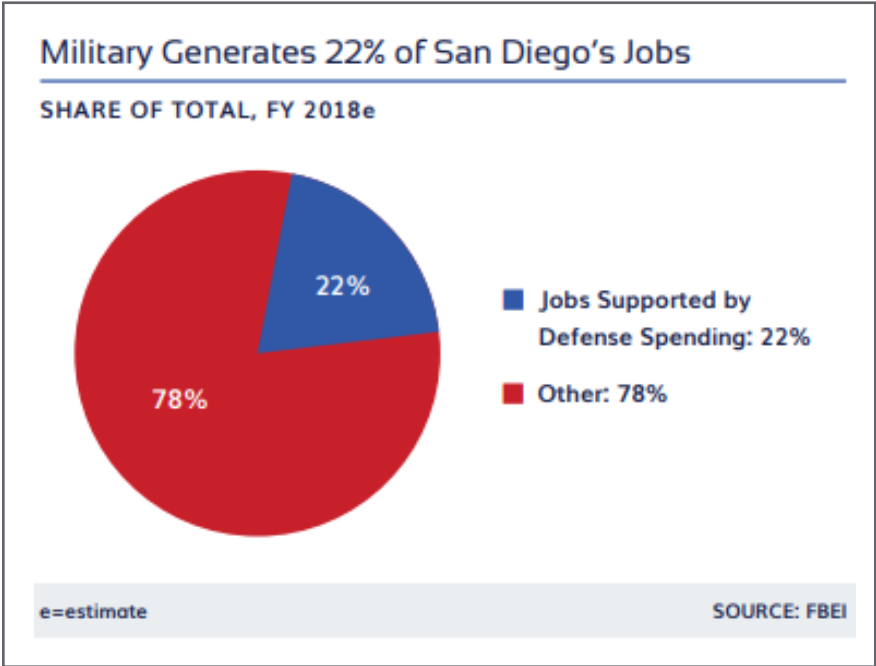
Source: SDAR



# Spotlight on the Military

Folks often say, “San Diego was a Navy town.” The truth is that San Diego “is” a Navy town and the Department of Defense provides almost one-quarter of the entire county’s economy.

San Diego County has almost 400,000 paychecks that are disbursed to the 110,000 persons in uniform, 35,000 civilians, 40,000 retirees and almost 200,000 jobs for defense contracts.





The biggest sector of contract spending for the Department of Defense, as you might expect, goes for ship and aircraft building and equipment.

The most visible elements of the military are tied up south of the Coronado Bridge. There are more than 40 guided-missile destroyers, amphibious, and littoral combat ships. And, highly visible, two nuclear-powered aircraft carriers across San Diego Bay.

On the bayfront, almost as visible as an aircraft carrier, is the new 17-story Navy Operations center on Pacific Highway. Its 373,000 square feet of space is occupied by more than 1,500 Navy personnel.

It is surrounded by the new 1.3-million-square-foot IQHQ life sciences buildings now under construction.



## DOD Funding 2021

No.	Program	%
1	Services	30%
2	Ships	23%
3	Aircraft Engines and Spares	27%
4	Other Aircraft Equipment	20%
	Total	100%

## DOD Paychecks San Diego County 2021

Category	No.	%
In Uniform	110,000	29%
Civilian	35,000	9%
Defense Contracts (1)	200,000	52%
Retirees	40,000	10%
Total	385,000	100%

(1) 1,700 companies

Source: Military Advisory Council

In the 2017 through 2021 timeframe, in spite of COVID at the tail end, the DOD increased its spending here by 44% with contracts and procurement providing the largest share of those gains.

Let us all salute the military. They not only protect our country (and so many others), but they allow San Diego to have one of the most vibrant economies in the nation.



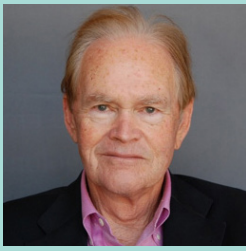
## Direct Spending in San Diego (millions \$) 2017-2021

Category	FY 2017	FY 2021	Change	%
Employee Compensation	\$10,415	\$13,094	\$2,679	26%
Retirement & VA Benefits	\$4,878	\$3,568	\$(1,310)	-27%
Contracts & Procurement	\$9,117	\$18,594	\$9,477	104%
Government Purchase Cards	\$71	\$85	\$14	20%
<b>Total</b>	<b>\$24,481</b>	<b>\$35,341</b>	<b>\$10,860</b>	<b>44%</b>

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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