



SAN DIEGO | MLS

ECONOMIC REPORT

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ALAN NEVIN - DIRECTOR OF APPRAISAL & MARKET RESEARCH, VERTEX





September 2022

Fall is Fine in San Diego

It's a shame that inflation grabs all the business section headlines, but it is rather important for us to analyze what a 9% rate of inflation means.

Let's look at your monthly expenses: If you are like most homeowners, your mortgage payments are the same every month, as are your insurance and property taxes. If you have a car loan, it's the same amount every month. If you have life insurance, it's the same each month.

The reality is that for most of us, inflation only relates to less than half of our monthly expenditures. So, in all likelihood, your personal annual inflation rate is less than 5%.

The really good news is that the national and local economies are doing swimmingly well. In July of this year, San Diego has recovered all its job losses from COVID and

has returned to 1.5 million jobs.

Better yet, our unemployment rate is 3.2% -- that's almost as close to zero as you can get.

Employment San Diego County July 2021-July 2022

Month	Employment
Jul-21	1,447,000
Jul-22	1,508,800
Change	61,800

Pre-Covid	1,508,000
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Source: Bureau of Labor Statistics (BLS)



Employment Changes San Diego County July 2021 - July 2022

Category	July '21	July '22	Change	% Change
Leisure & Hospitality	176,900	203,200	26,300	14.9%
Professional & Business Services	265,300	278,200	12,900	4.9%
Health Care	214,000	218,900	4,900	2.3%
Government	225,700	234,000	8,300	3.7%
Construction	84,500	87,500	3,000	3.6%

Source: BLS

All of the major job categories had gains with leisure and hospitality leading the way. That category has now regained all the losses they suffered from COVID. That means that the hotels, the convention business, restaurants and cruise ships are back in business big-time.

And the residential construction business is having its best year since 2005 with 6,000 units permitted in the first half of this year.

Residential Units Permitted San Diego County 2017-2022

Year	Total	Single Family	Multi-Family
2017	10,415	4,058	6,357
2018	9,788	3,510	6,278
2019	8,082	3,023	5,059
2020	9,447	2,898	6,549
2021	9,358	3,232	6,126
2022 (thru June)	6,012	3,806	2,206

Source: CIRB

It appears that the summer slump is before us. New listings are down 24.1%, which inevitably leads to fewer sales.

With fewer listings and buyer hesitancy, total sales in August were down by one third from August of last year.

Sales through August of this year are down; however, looking at the last five years, the average number of closings through August is 23,053, not dramatically down from the five-year average. And, as you no doubt are reminded, 2021 was an unusually vibrant year for home sales.

The median home prices declined from August 2021 to August 2022, with detached homes off 11.4% and attached homes down 12.6%. That means there are better opportunities for your clients.



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

New Listings	Aug '21	Aug '22	Change	% Change
Detached	2,606	2,010	(596)	-22.9%
Attached	1,392	1,024	(368)	-26.4%
Total	3,998	3,034	(964)	-24.1%

Source: SDAR

Closed Sales San Diego County August 2021 & August 2022

Type	Total	Detached	Attached
August 2021	3,604	2,249	1,355
August 2022	2,466	1,564	902
Change 2021-2022	(1,138)	(685)	(453)
% Change 2021-2022	-32%	-30%	-33%

Source: SDAR

Closed Sales San Diego County First 8 Months 2018-2022

Thru August	Detached	Attached	Total
2018	15,222	8,011	23,233
2019	14,722	7,358	22,080
2020	14,592	7,575	22,167
2021	16,978	9,835	26,813
2022	13,386	7,584	20,970
Average	14,980	8,073	23,053

Source: SDAR



Median Home Prices Closed Escrows San Diego County August 2021-August 2022

Month	Detached	Attached
August 2021	\$850,000	\$555,000
August 2022	\$910,000	\$625,000
Change 2021-2022	\$60,000	\$70,000
% Change 2021-2022	7.1%	12.6%

Source: SDAR

The market indicators continue to be fairly strong. For instance, days on market for detached homes was less than a month, and the supply of inventory was less than two months. A similar set of statistics applies to the attached home market.

As I have noted over the past several months, the softness in the market is predominantly in the lower price ranges. Homes priced over \$750,000 held steady in terms of the number of sales as it has with the attached sector.

As a final note, it is nice to know that "Lender Mediated Sales" remain negligible:

Overall, with interest rates in the 5% range, a decline in sales can be expected. Gradually, buyers will become accustomed to higher rates because I see no decline in rates until inflation ebbs and that will require gas prices to subside and imported goods from the Far East to return to normal shipping patterns.

Market Indicators San Diego Inventory July 2021-July 2022

Indicator	Aug '21	Aug '22	Change
Detached			
Days on Market Until Sale	20	28	8
Inventory of Homes for Sale	2,531	3,039	508
Months' Supply of Inventory	1.2	1.7	0.5

Attached			
Days on Market Until Sale	18	24	6
Inventory of Homes for Sale	1,118	1,367	249
Months' Supply of Inventory	0.9	1.4	0.5

Source: SDAR

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

Price Range	Detached				Attached			
	No. Homes	Change in Sales			No. Homes	Change in Sales		
	2021	2022	No.	%	2021	2022	No.	%
Under \$500,000	1,233	479	(754)	-61%	7,006	3,501	(3,505)	-50%
\$500,000-750,000	9,994	5,449	(4,545)	-45%	5,167	5,103	(64)	-1%
\$750,000-1,000,000	6,782	6,864	82	1%	1,531	1,856	325	21%
Over \$1,000,000	8,282	8,869	587	7%	1,216	1,695	479	39%
Total	26,291	21,661	(4,630)	-18%	14,920	12,155	(2,765)	-19%

Source: SDAR

Lender Mediated Sales San Diego County August 2021-August 2022

Type	August '21	August '22	Change
Listings	198	166	-32
Closed Sales	138	130	-8

Source: SDAR





Spotlight on UCSD (92093)



This month, 43,000 students start the fall semester at UCSD, San Diego County's most populous university and the university with the second highest number of applications in the nation (second only to UCLA).

Of the 43,000 students, 33,000 are undergraduate and 10,000 are graduate, including almost 4,000 students working on their doctorate degree.

The school's three leading undergraduate fields of study are Engineering, Biology and Physical Sciences.

UCSD is the largest (civilian) employer headquartered in San Diego County with some 35,000-plus employees, including those at the UCSD medical center and its affiliates. Outpatient visits to UC San Diego Health total almost 1 million annually.

UCSD received \$1.54 billion in sponsored research funding for FY2021. This marks the 12th consecutive year that the campus has earned more than \$1 billion to support its extensive research enterprise. And more than 1,000 companies utilize technology created by UCSD.



UCSD is also the largest center of construction in San Diego County.

The Blue Line Trolley has opened for business and has two stations at UCSD. The line runs from UTC, UCSD, the VA Hospital and La Jolla Village Square to downtown San Diego. Now folks can travel to Petco Park and the Rady Shell

without driving. And if you are a senior citizen, one-way tickets are \$1.25. Not so bad. It's a nice ride.

In addition, UCSD has broken ground on a 250,000-square-foot outpatient center on a ten-acre site on their Hillcrest campus (Bachman Place) and a garage with 1,800 spaces. Also planned is a

replacement for the existing UCSD Hospital in Hillcrest and several new high-rise residential towers.

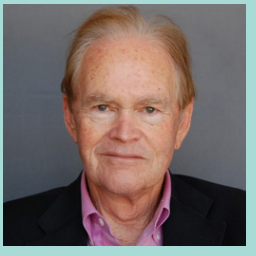
And finally, UCSD Extension opened a 60,000-square-foot facility in downtown San Diego within the new Meriam apartment project.

Current and Proposed Construction Activity UCSD

Project	Status	No.	Type
Ridgewalk North Living and Learning Neighborhood	Proposed	2,000	Beds
Torrey Pines Fire Station	Proposed	10,500	Sq .Ft.
Viterbi Family Vision Research Center	Proposed	100,000	Sq. Ft.
Triton Center	Proposed	TBD	
Epstein Family Amphitheater	Under Construction.	3,000	Seats
Pepper Canyon Housing (20 and 22 story)	Under Construction.	1,300	Apts.
8980 Villa La Jolla Drive - Office/Classrooms	Under Construction.	110,000	Sq Ft.
Living & Learning - Theater District (20 and 22 story)	Under Construction.	2,000	Beds

Source: SDAR





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