



SAN DIEGO | MLS

ECONOMIC REPORT

Q2 2022

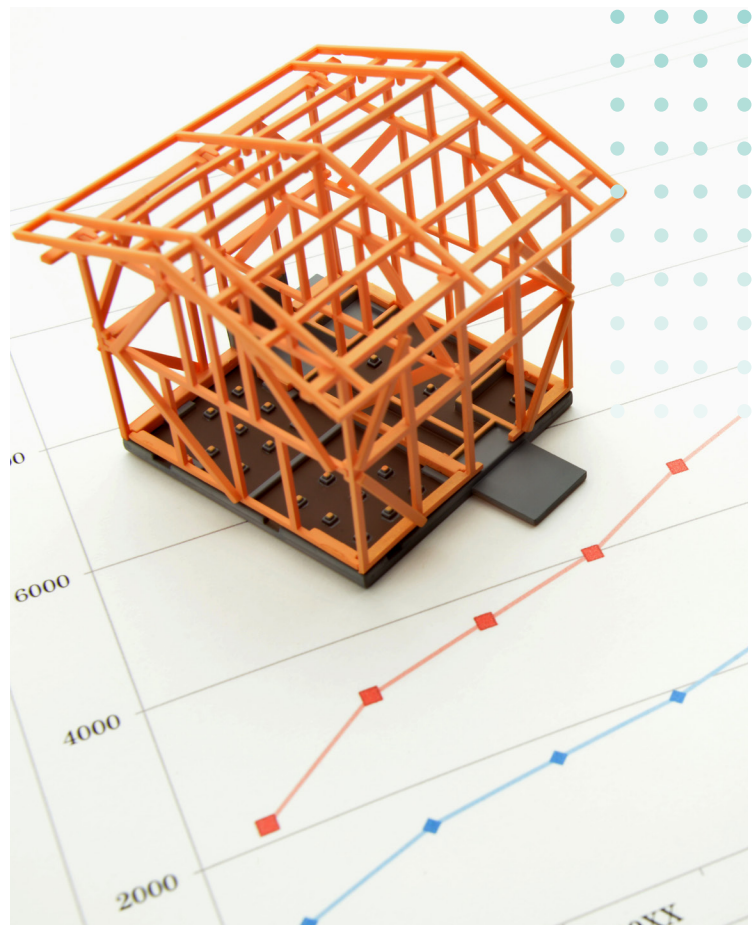
ALAN NEVIN - DIRECTOR OF APPRAISAL & MARKET RESEARCH, VERTEX



Q2 2022

SAN DIEGO HOME PRICES ARE THE 4TH HIGHEST IN THE NATION

This second quarter newsletter begins with a statistic that may be worth bragging about, but I'm not sure of that. In the latest Lending Tree survey, San Diego has the fourth highest share of \$1 million-and-up homes in the United States (13.5%), trailing only San Jose, San Francisco and Los Angeles. An average of only 4.7% of the owner-occupied homes in the nation's 50 largest metros are valued at \$1 million or more.



Percent of Home Values over \$1 Million for Selected Metropolitan Areas

Highest		Lowest	
Metro	%	Metro	%
San Jose	52.9%	Buffalo	0.56%
San Francisco	40.4%	Cleveland	0.59%
Los Angeles	18.5%	Pittsburgh	0.67%
San Diego	13.5%	Columbus	0.73%

Source: Lending Tree

The National Economic Scene

The unemployment rate continues to decline with a new low of 3.6% the past June, down from 5.9% one year ago. In that timeframe, the U.S. added almost 6.5 million jobs. Better yet, Initial Unemployment Claims declined from 403,000 to 235,000.



Employment Facts United States June 2021 and June 2022

Category	June '21	June '22	Change	%
Employment	151,612,000	158,111,000	6,499,000	4.3%
Unemployment Rate	5.9%	3.6%	-2.3%	
Initial Unemployment Claims	403,000	235,000	(168,000)	

Source: Bureau of Labor and Statistics (BLS)

Equally impressive is the unemployment rate by educational attainment. For those with a bachelor's degree, it would be very difficult to achieve an unemployment rate below 2%.

Note that San Diego County can boast that 38% of its population over age 25 has a bachelor's degree or higher.

Employment Rate by Educational Attainment June 2021 and June 2022

Attainment	June '21	June '22
High School Degree	6.9%	3.6%
Bachelor's Degree or Higher	3.4%	2.1%

Source: Bureau of Labor and Statistics (BLS)



San Diego County

And speaking of San Diego County, our economy is booming. Our unemployment rate is down to 2.7% (basically no unemployment) and in the past year added 83,900 jobs.

There are two categories I watch very closely because they are major drivers to our local economy: Professional and Business Services, and Leisure and Hospitality. Both categories have experienced major job gains in the past year. Leisure and Hospitality jobs are almost back to a pre-COVID high of 210,000.

Immigration Drives Our Economy

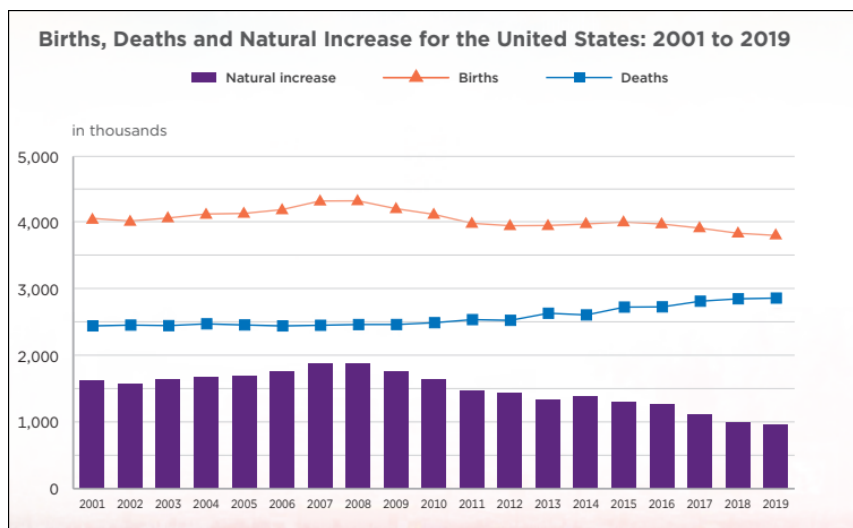
I closely follow demographic patterns because they obviously have a strong impact on our economy and our housing market, particularly on the West Coast.

Overall, 2021 will go down as the year with the slowest population growth in U.S. history, the result of a smaller number of births and, thanks to politics at the federal level and COVID, a substantial decline in immigration.

Employment and Unemployment Rate San Diego County May 2021 and May 2022

Category	May '21	May '22	Change
Number of Jobs	1,431,900	1,515,800	83,900
Unemployment Rate	6.6%	2.7%	-3.9%
Prof. & Business Services	261,900	280,000	18,100
Leisure & Hospitality	158,600	195,500	36,900

Source: BLS



It is anticipated that in 2022, the demographic trends will remain level and the number of “green card” recipients will increase, predominantly on the West Coast. Thus, the nation’s and California’s future growth will become more dependent on immigration.

As it relates to real estate, Lending Tree noted that 24% of San Diego homeowners are foreign born, the 9th highest of any metropolitan area in the nation. Number one is San Jose with 45% of owners foreign born. Five of the top ten are in California.

In 2021, almost half of the foreign buyers were from Asia. Latinos accounted for 11% of foreign buyers.

The National Association of REALTORS® (NAR) 2021 report states that almost 300,000 homes nationwide were acquired by foreigners. More than 10% of the total were in California.

COVID substantially hindered foreign sales, but there appears to be strengthening of that market sector in 2022.

As an interesting note, Canada

intends to ban foreigners from buying houses because they are putting homeownership out of reach for Canadians. Home prices increased more than 25% in Canada in the past year.

Persons Obtaining Resident Status “Green Cards” 2017-2021

Year	No. of Persons
2017	1,183,000
2018	1,127,000
2019	1,096,000
2020	707,000
2021	740,000

Source: U.S. Dept. of Homeland Security



San Diego Housing Market

It was bound to happen. Interest rates are to blame. Home sales are down one-third from last June to this June.

Oddly enough, prices of the homes sold continued to rise, with detached homes up 13% and attached homes up 16%. I wonder what July will bring.

Though home sales were down, homes of both detached and attached homes priced over \$750,000 sold rather well. I find it interesting that attached homes priced over \$750,000 had solid sales. And, as you might expect, the folks trying to make their first foray into homeownership were put off by higher interest rates or just couldn't qualify.



Closed Sales San Diego County June 2021 and June 2022

Type	Total	Detached	Attached
June 2021	3,944	2,569	1,375
June 2022	2,578	1,658	920
Change 2021-2022	(1,366)	(911)	(455)
% Change 2021-2022	-35%	-35%	-33%

Source: SDAR

Prices of Homes Sold San Diego County June 2021 and June 2022

Type	Detached	Attached
June 2021	\$875,000	\$550,000
June 2022	\$987,225	\$638,000
Change 2021-2022	\$112,225	\$88,000
% Change 2021-2022	13%	16%

Source: SDAR



Homes Sold by Price Range San Diego County Rolling 12 Month Average: June 2021 & June 2022

Detached

Attached

Price Range	No. Homes		Change in Sales		No. Homes		Change in Sales	
	Jun '21	Jun '22	No.	%	Jun '21	Jun '22	No.	%
Under \$500,000	1,548	498	(1,050)	-68%	7,416	4,101	(3,315)	-45%
\$500,000-750,000	10,705	6,196	(4,509)	-42%	4,771	5,421	650	14%
\$750,000-1,000,000	6,453	7,293	840	13%	1,415	1,883	468	33%
Over \$1,000,000	7,788	9,255	1,467	19%	1,114	1,702	588	53%
Total	26,494	23,242	(3,252)	-12%	14,716	13,107	(1,609)	-11%

Source: SDAR

Listings were down somewhat as owners took a “wait and see” position.

The market indicators aren’t looking so bad. The days on market and months’ supply of inventory haven’t moved dramatically. And the inventory of detached homes for sale has increased 20%, but the attached homes inventory was dead level with a year ago.

On balance, the market is reacting to rising interest rates as most folks expected it to. The question remains: will the market recognize that interest rates will not be going down anytime soon and they might as well bite the bullet and make the buy.

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

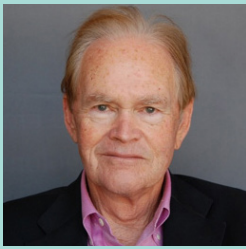
New Listings	Jun '21	Jun '22	Change	% Change
Detached	2,920	2,630	(290)	-9.9%
Attached	1,590	1,336	(254)	-16.0%
Total	4,510	3,966	(544)	-12.1%

Source: SDAR

Market Indicators San Diego Inventory June 2021 and June 2022

Indicator	June '21	June '22	Change
Detached			
Days on Market Until Sale	17	20	3
Inventory of Homes for Sale	2,431	3,039	608
Months' Supply of Inventory	1.1	1.6	0.5
Attached			
Days on Market Until Sale	18	18	0
Inventory of Homes for Sale	1,207	1,281	74
Months' Supply of Inventory	1.0	1.2	0.2

Source: SDAR



ALAN NEVIN - DIRECTOR OF APPRAISAL & MARKET RESEARCH, VERTEX

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.



SAN DIEGO | MLS

info@sdar.com | (858) 715-8000

4845 Ronson Ct, San Diego, CA 92111

www.sdar.com | www.sdmls.com