

# San Diego Economic Outlook

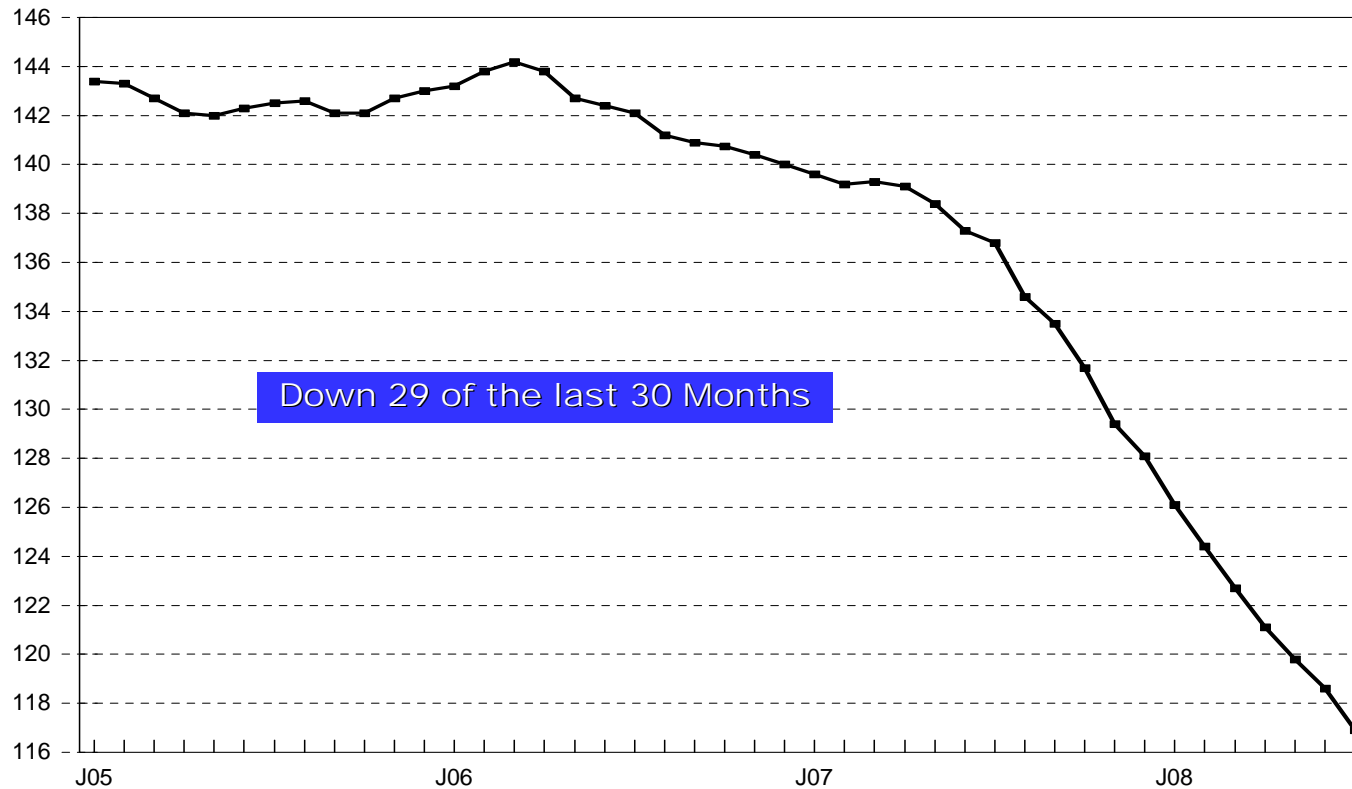


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# USD Index of Leading Economic Indicators for San Diego County

- Designed to lead local economy
- Components:
  - Residential units authorized by building permits
  - Local stock prices
  - Initial claims for unemployment insurance
  - Online help wanted advertising
  - Local consumer confidence
  - National Index of Leading Economic Indicators
- Short-term forecasting tool – 6-12 month outlook

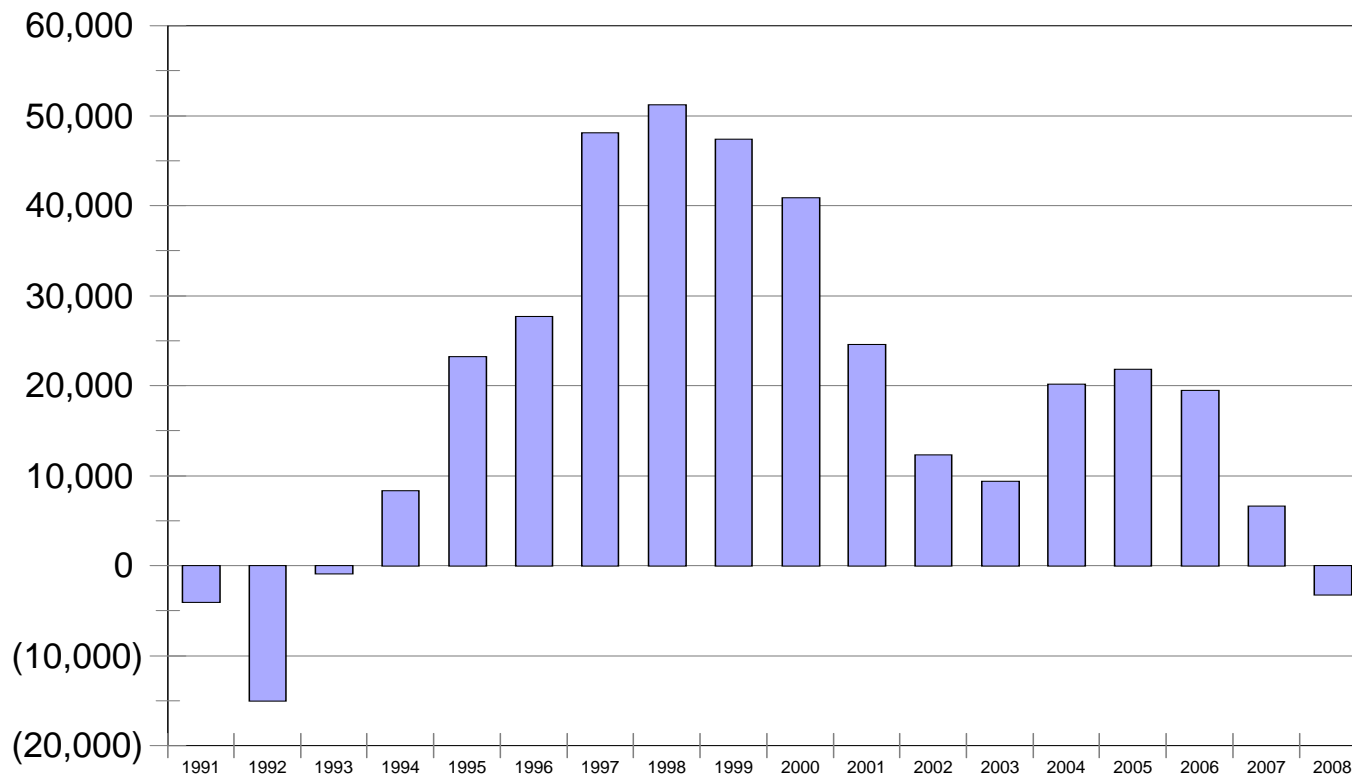
## Index of Leading Economic Indicators San Diego County, 2005 - 2008



Source: Burnham-Moores Center for Real Estate, University of San Diego

# Employment Growth

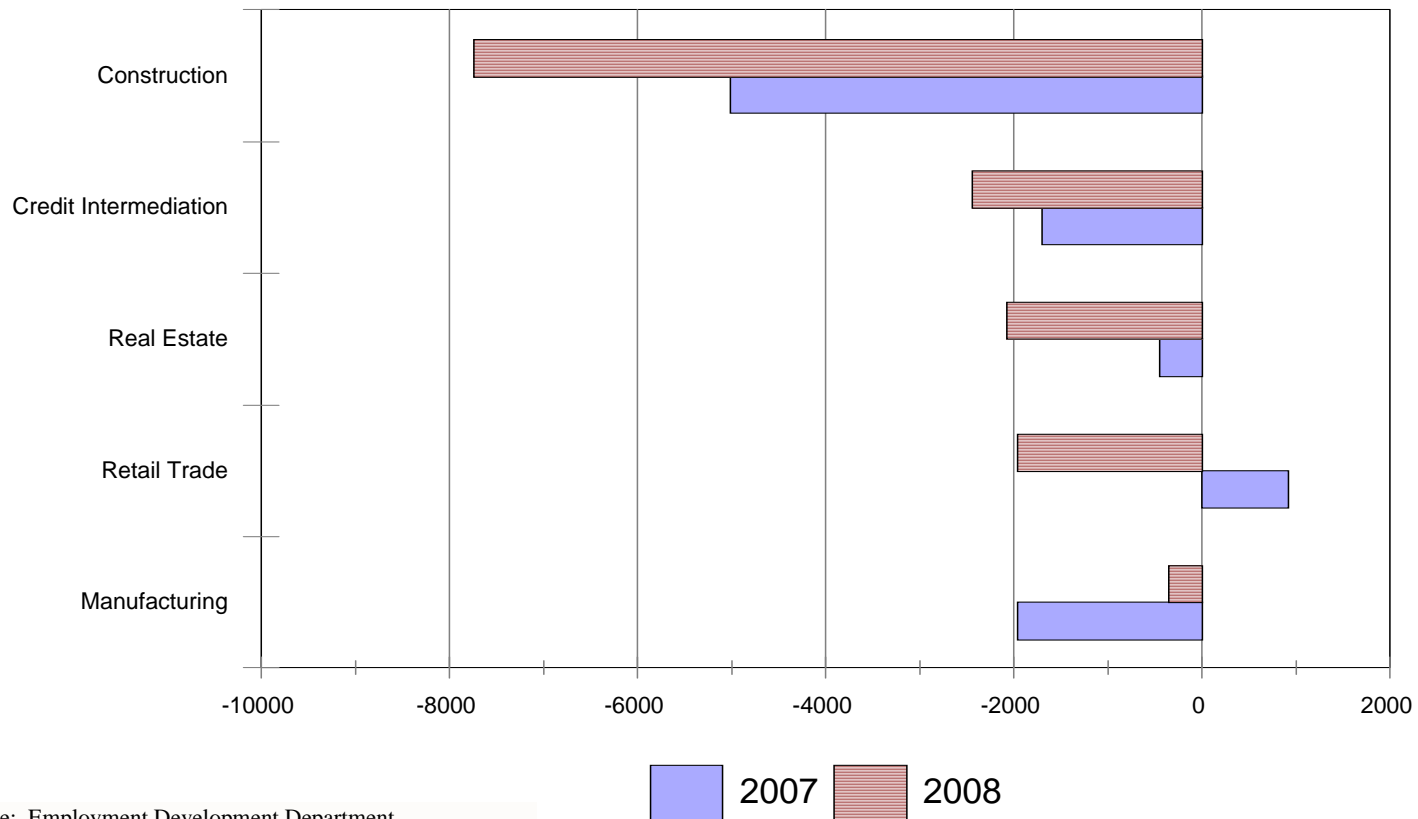
## San Diego County (1991 - 2008)



Source: Employment Development

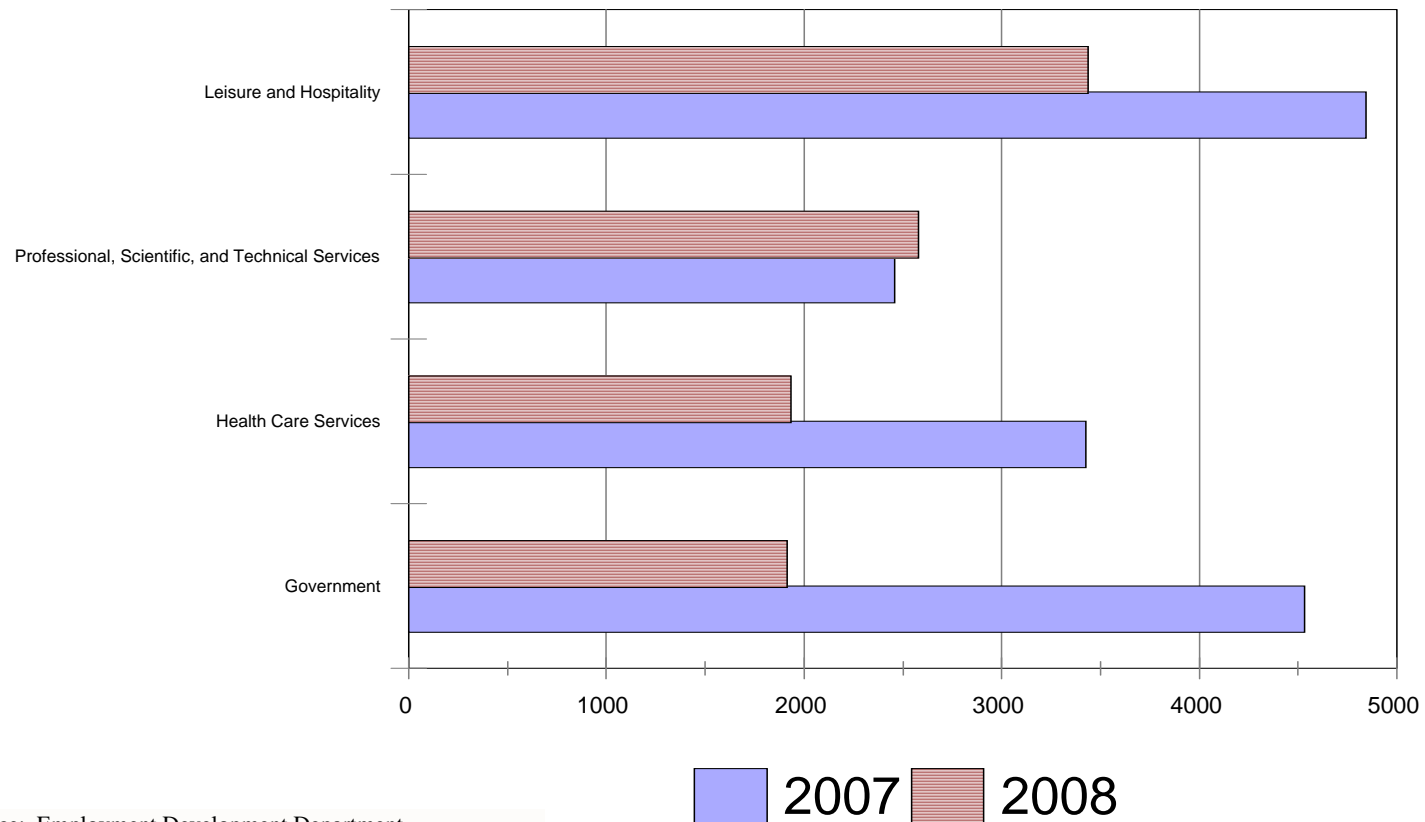
# Job Growth

January - October (2007 vs. 2008)



# Job Growth

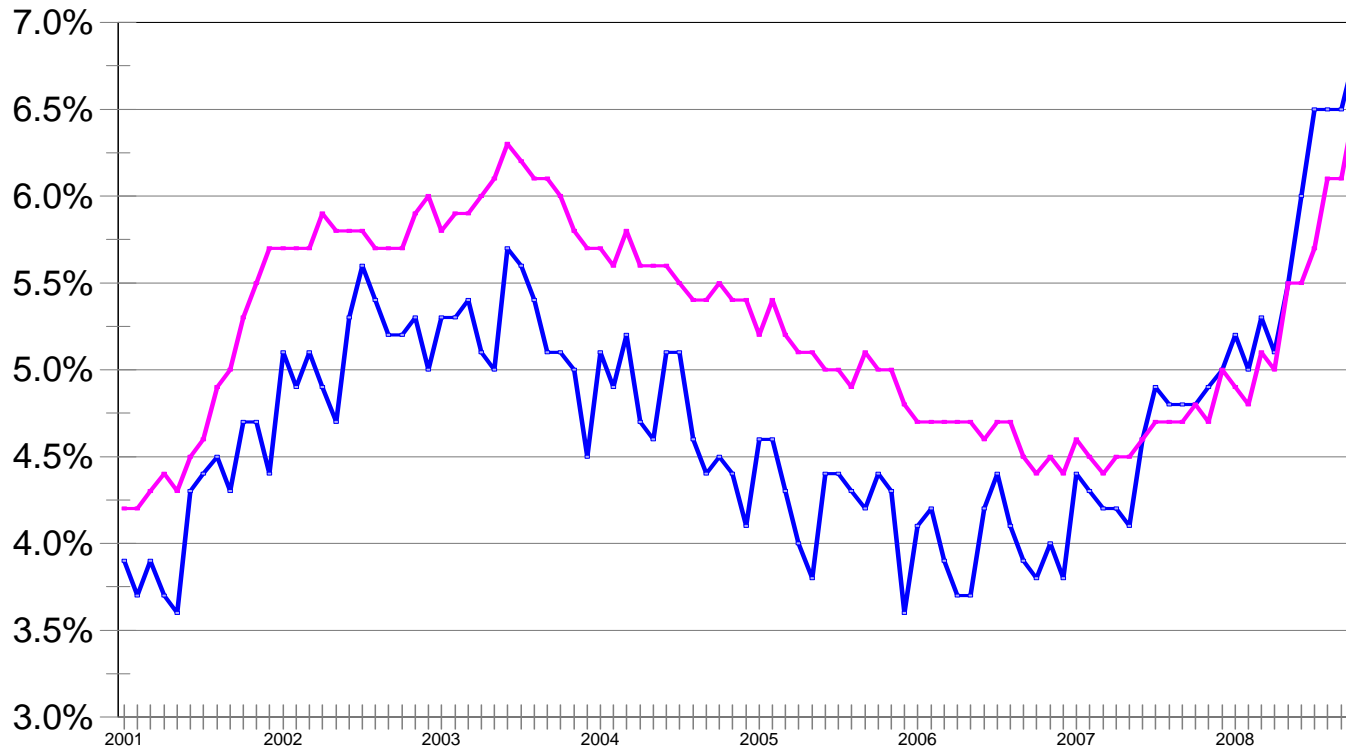
January - October (2007 vs. 2008)



Source: Employment Development Department

# Unemployment Rate

## San Diego County (2001 - Present)



Source: Employment Development Department

— San Diego — United States

# Current Situation

- San Diego likely in a recession at this point
  - Employment decreased only 4 times in the last 30 (3 years in the 1990s)
  - Beginning to spread beyond real estate-related sectors
  - Consumer confidence at historic lows
  - Indications of a weak Christmas buying season ahead

# Some Relief at the Pump

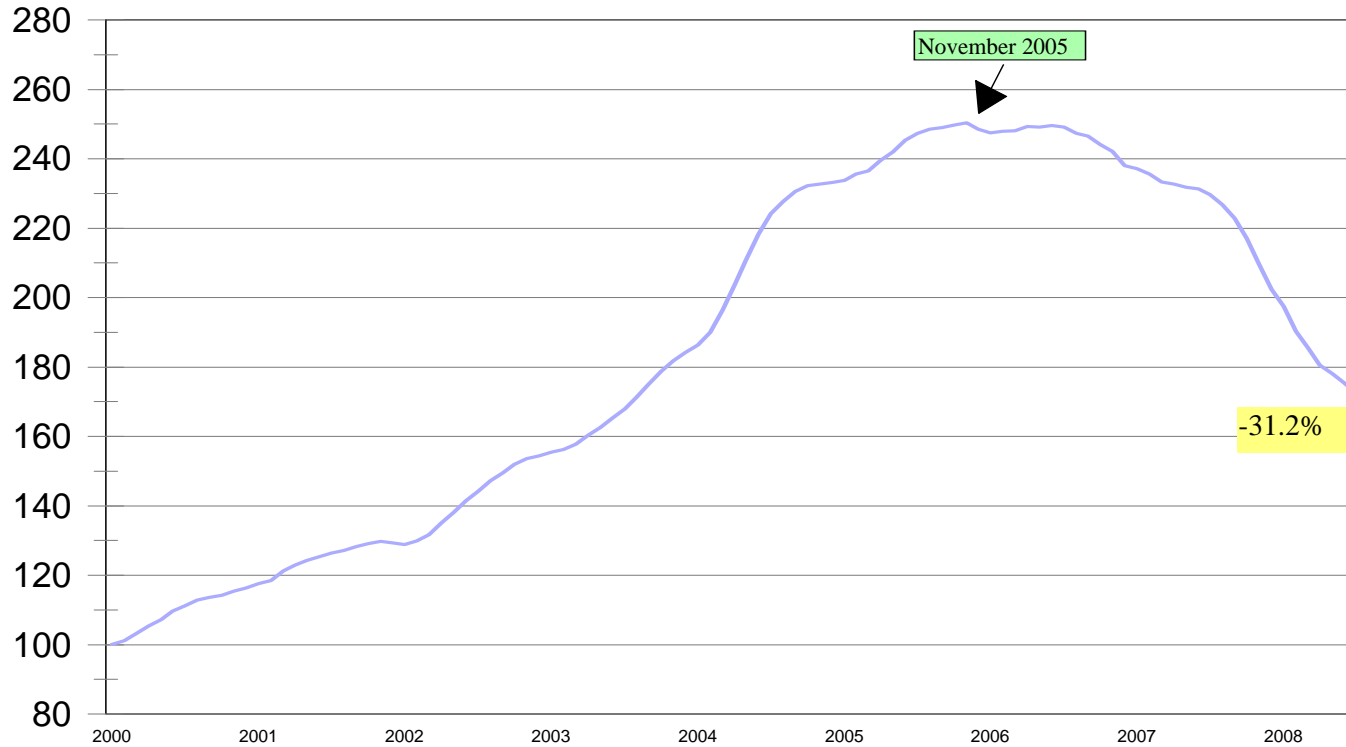
- Currently \$2.22 per gallon
- Each \$0.10 per gallon increase in the price of gasoline takes \$7 million per month out of the local economy
- \$4.62 per gallon at peak
  - ⇒ Impact on economy reduced by \$170 million per month

# Real Estate Market Outlook



# S&P/Case-Shiller Home Price Index

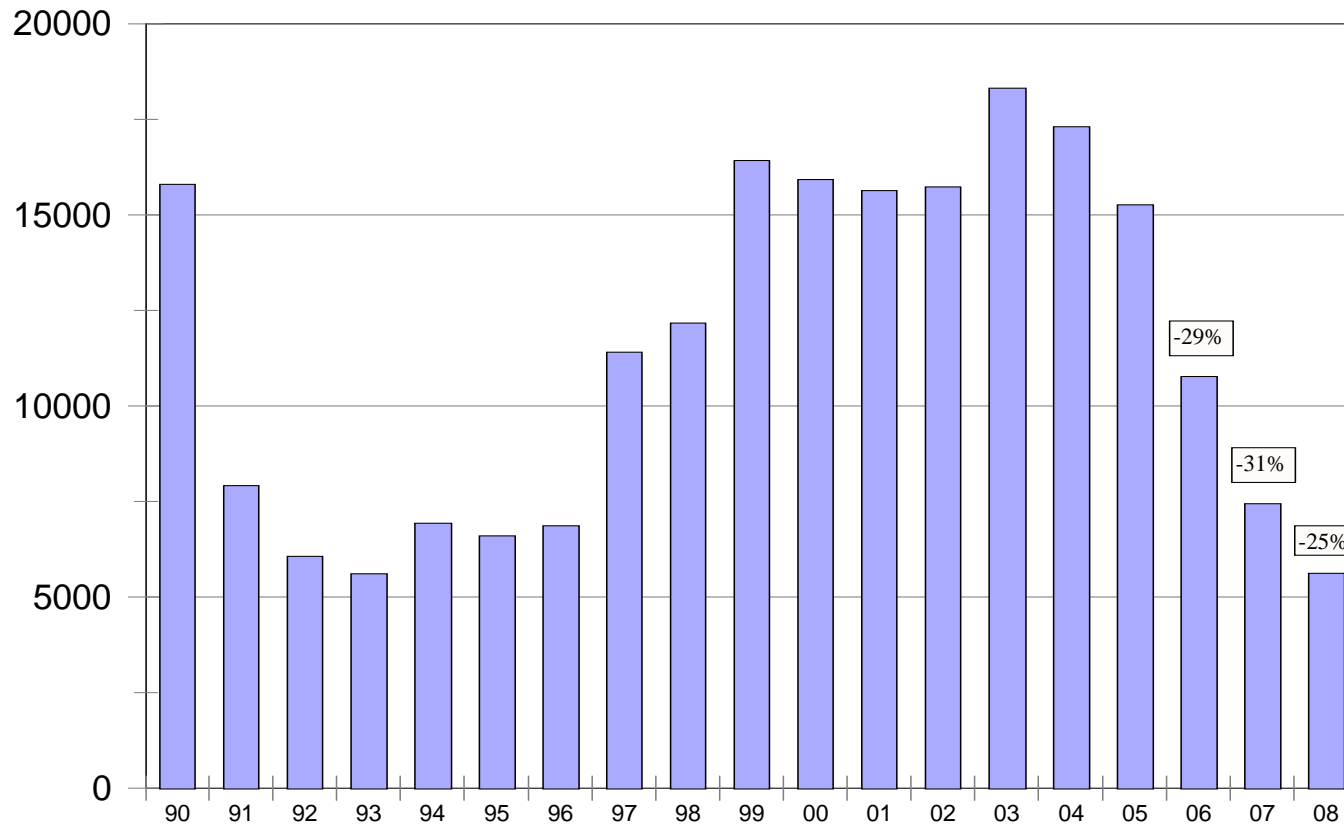
## San Diego (2000 - Present)



Source: Standard & Poor's

# Residential Units Authorized

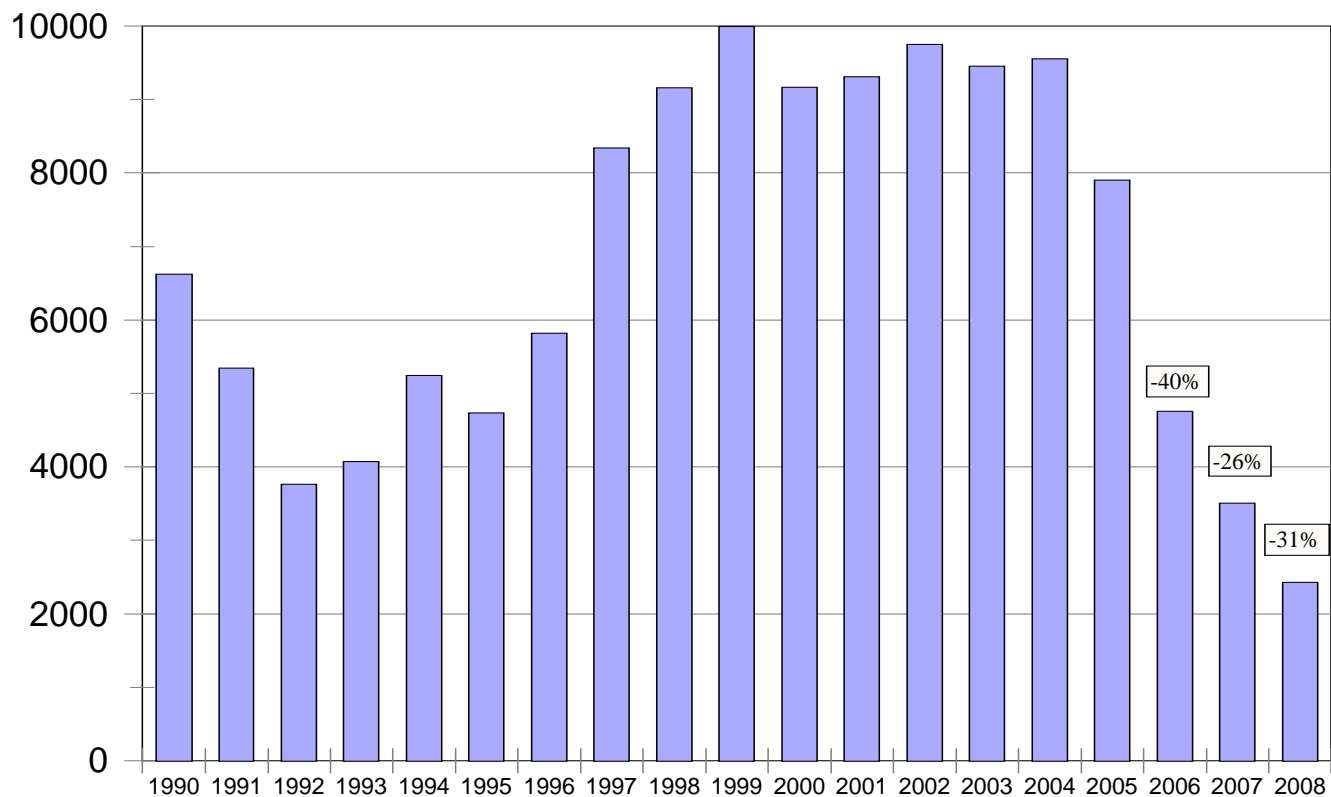
## San Diego County (1990 - Present)



Source: Construction Industry Research Board

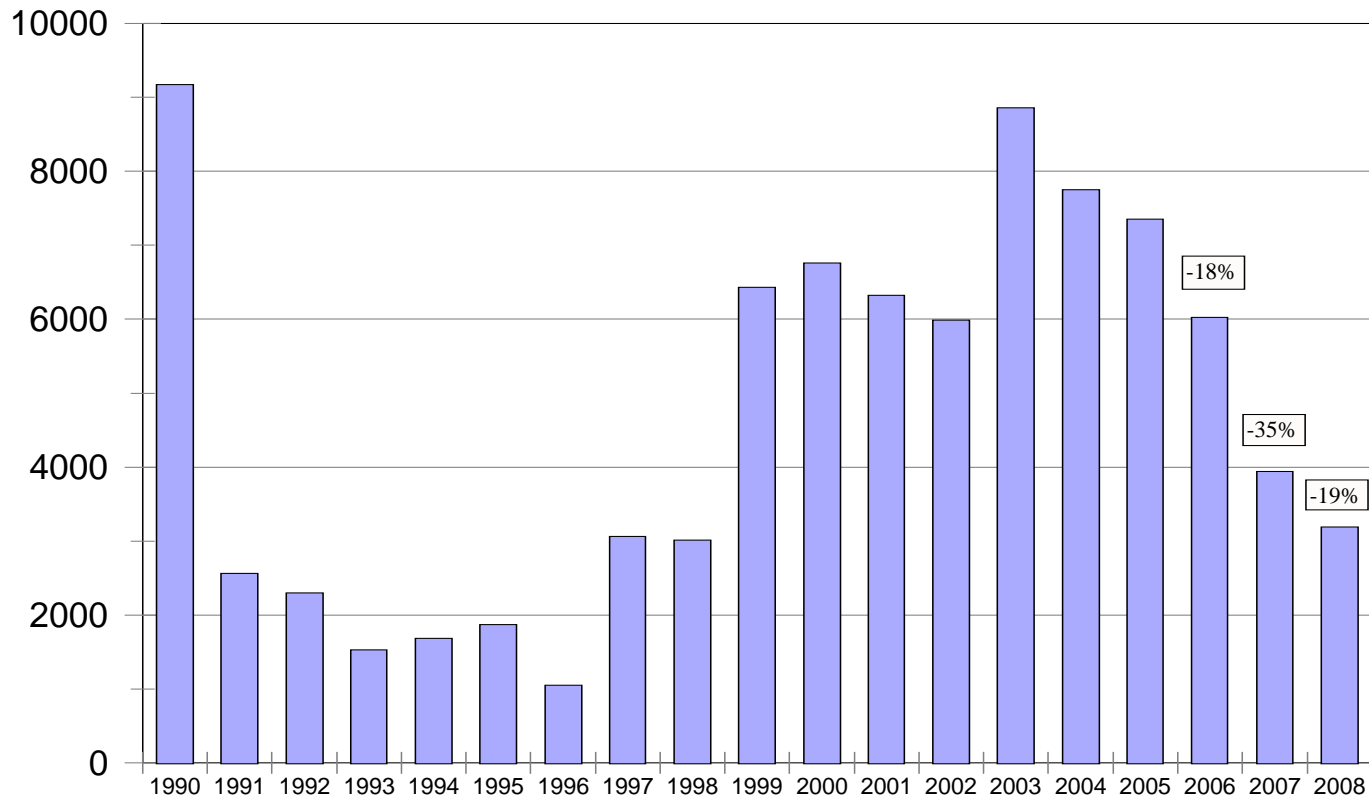
# Single-Family Units Authorized

## San Diego County (1990 - Present)



# Multiple Family Units

## San Diego County (1990 - Present)



# Problems

- Large inventory, including foreclosures
- Credit availability
  - Stricter standards
  - Larger down payments
  - Problems with financial institutions
- Weak economy



# 2009 Outlook for San Diego

- **Local economy to remain weak**
  - Job growth flat
  - Unemployment to hit 7.5%
  - Slow economic activity (home sales, retail sales, income growth)
  - Much depends on federal stimulus package

# 2009 Outlook for San Diego

- Housing market not likely to bottom out until late 2009 at the earliest
  - Continued downward pressure on prices
  - Foreclosures to remain at high levels
  - Location, location, location
- Some relief in cost of construction