

State of the San Diego Economy



Alan Gin

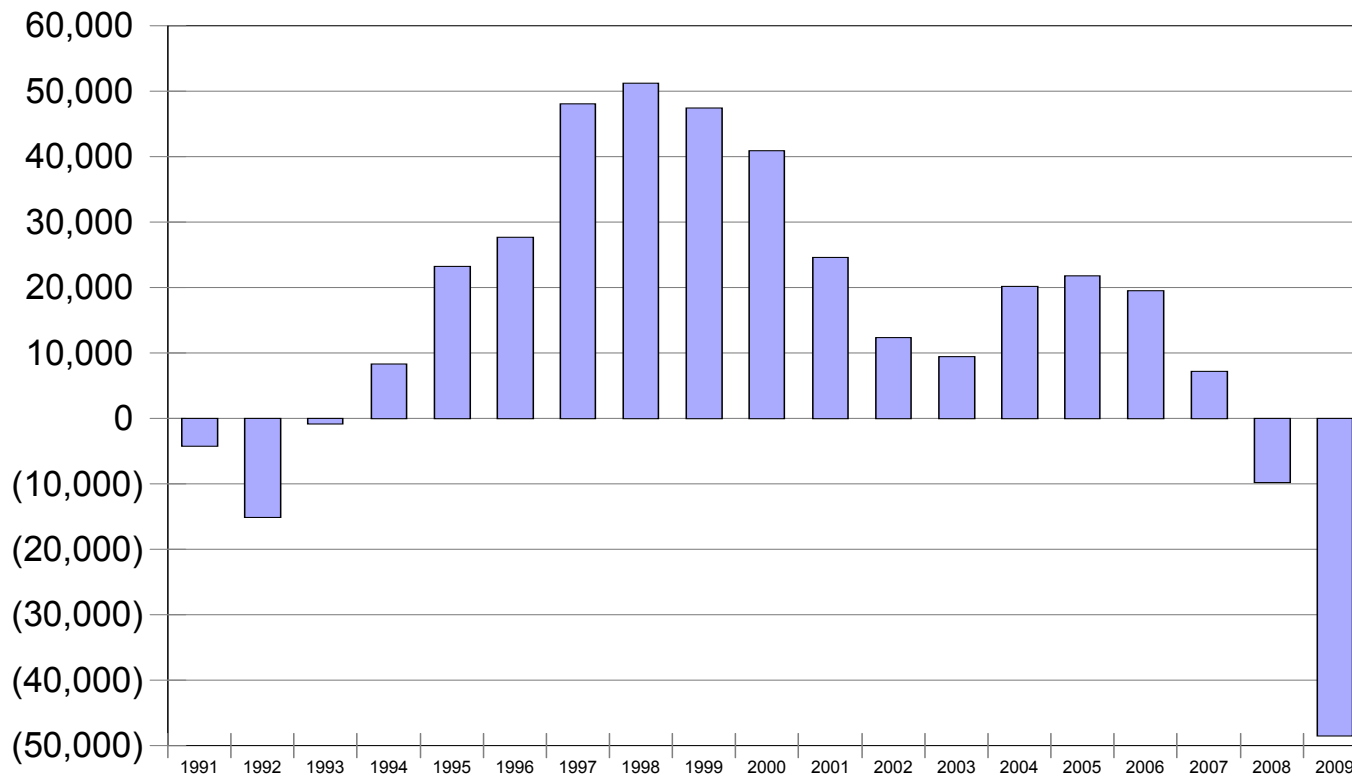
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Local Economy in Severe Downturn



Employment Growth

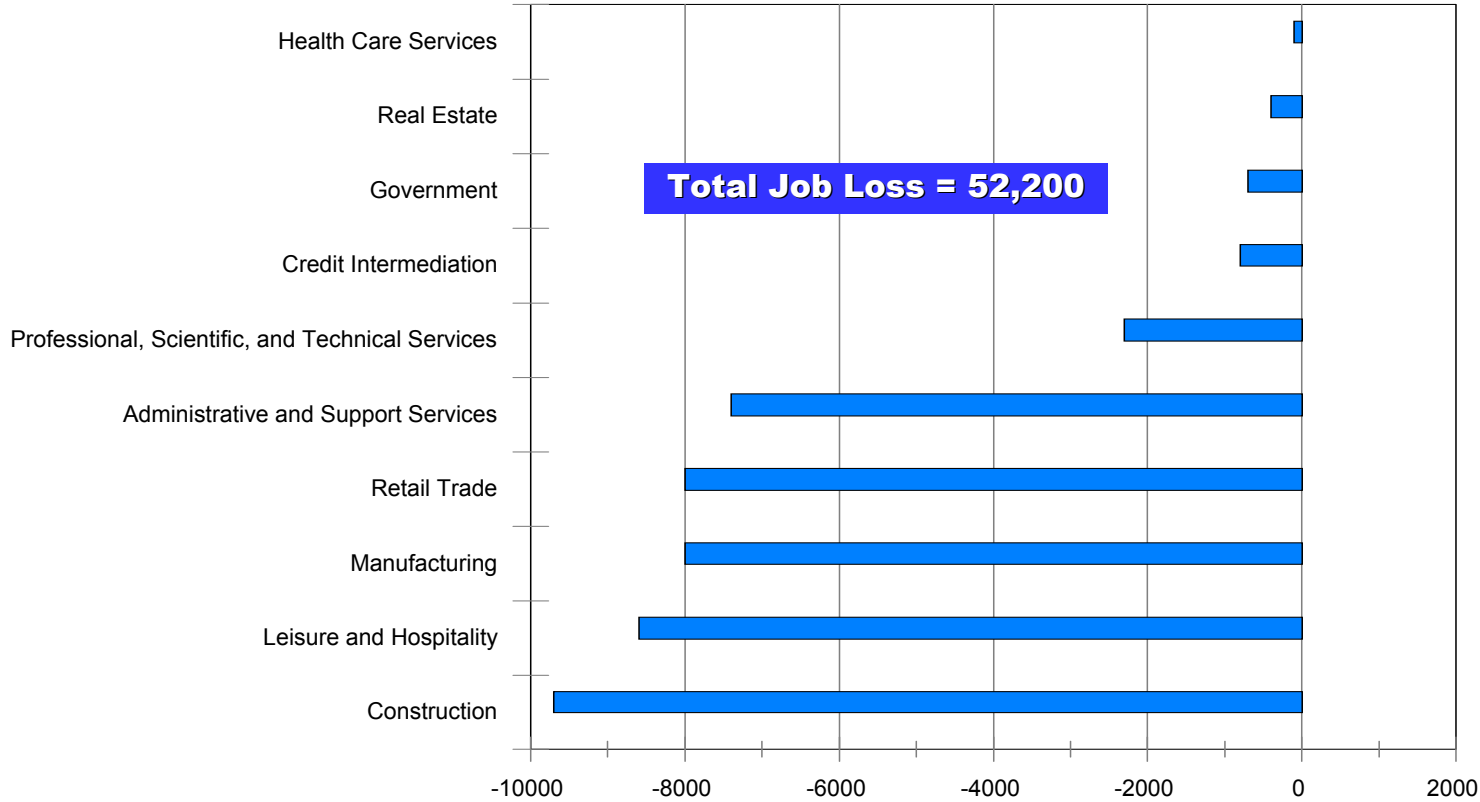
San Diego County (1991 - 2009)



Source: Employment Development Department

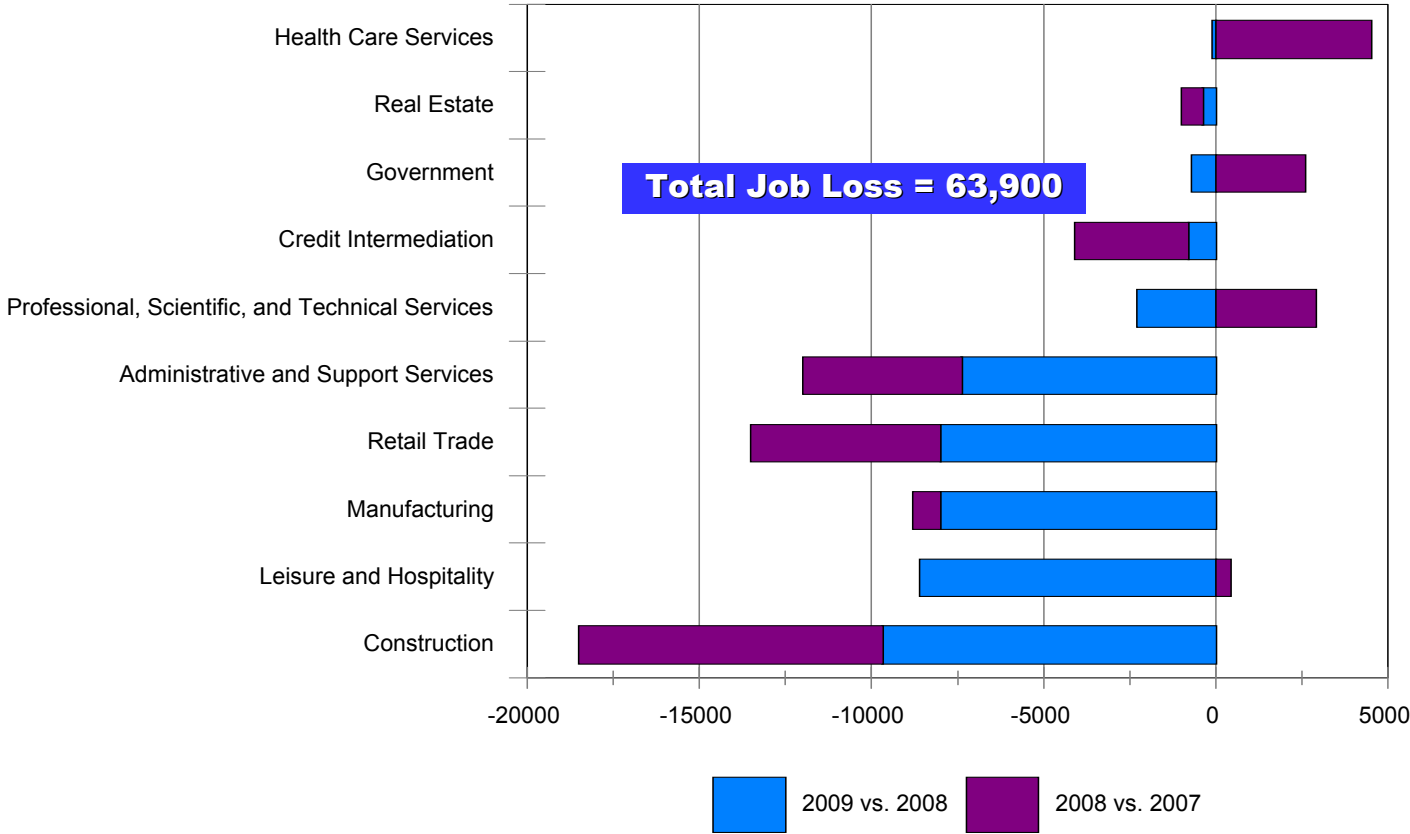
Employment Changes, San Diego County

October 2009 vs. October 2008



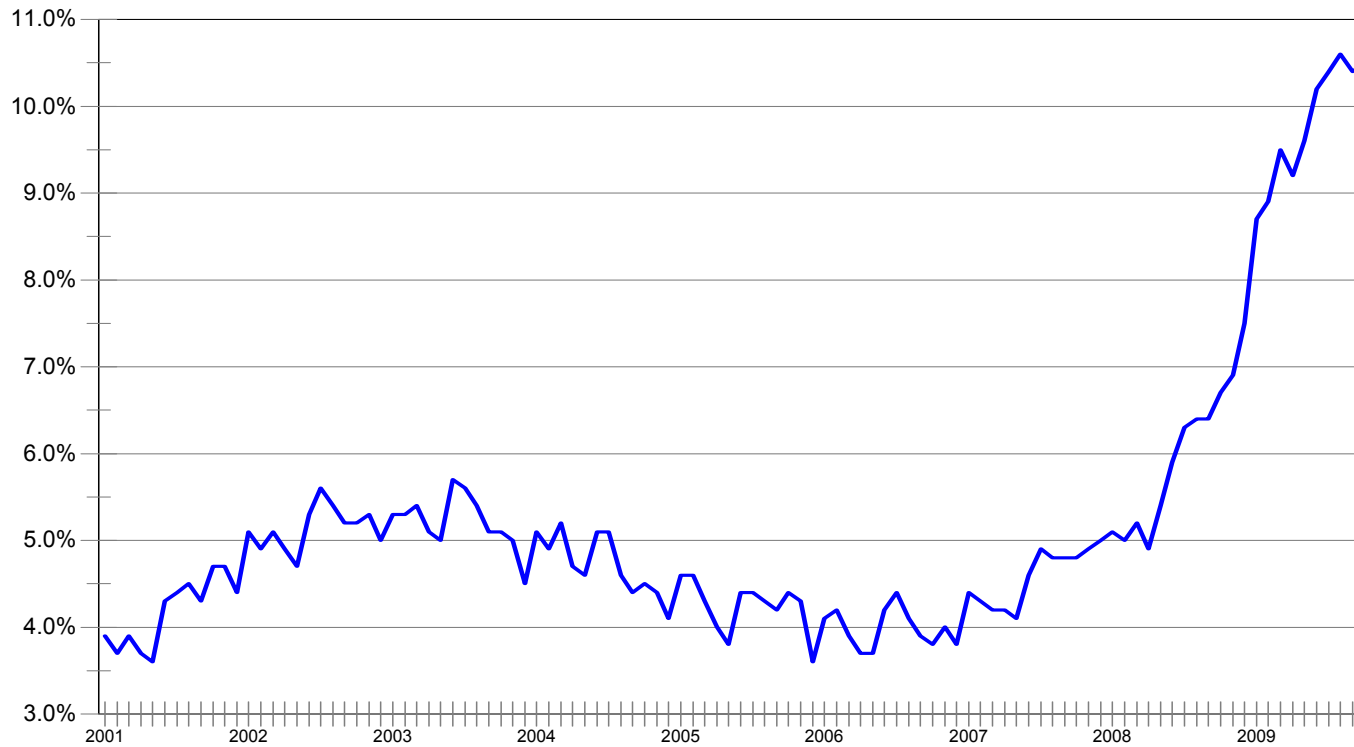
Employment Changes, San Diego County

October 2009 vs. October 2007



Unemployment Rate

San Diego County (2001 - Present)



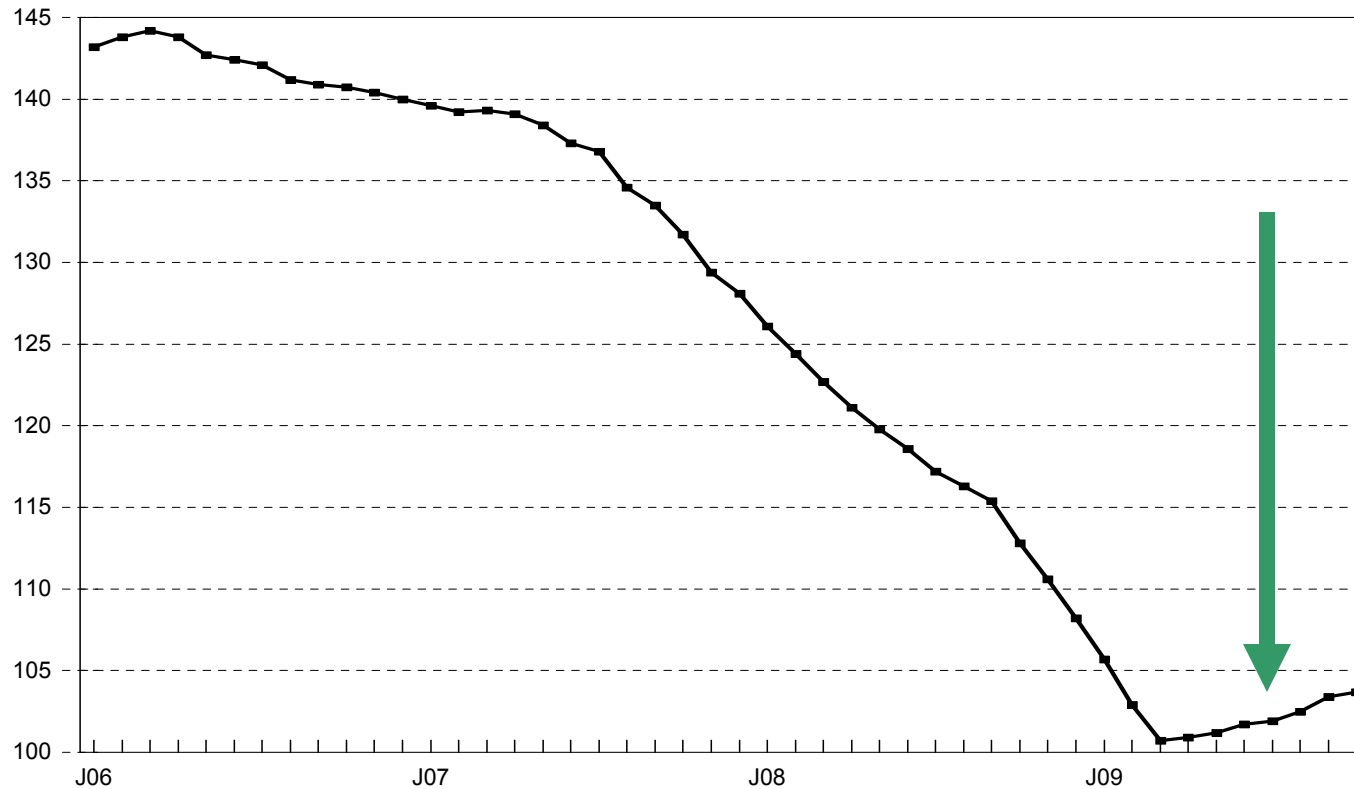
Source: Employment Development Department

— San Diego

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, 2006 - 2009



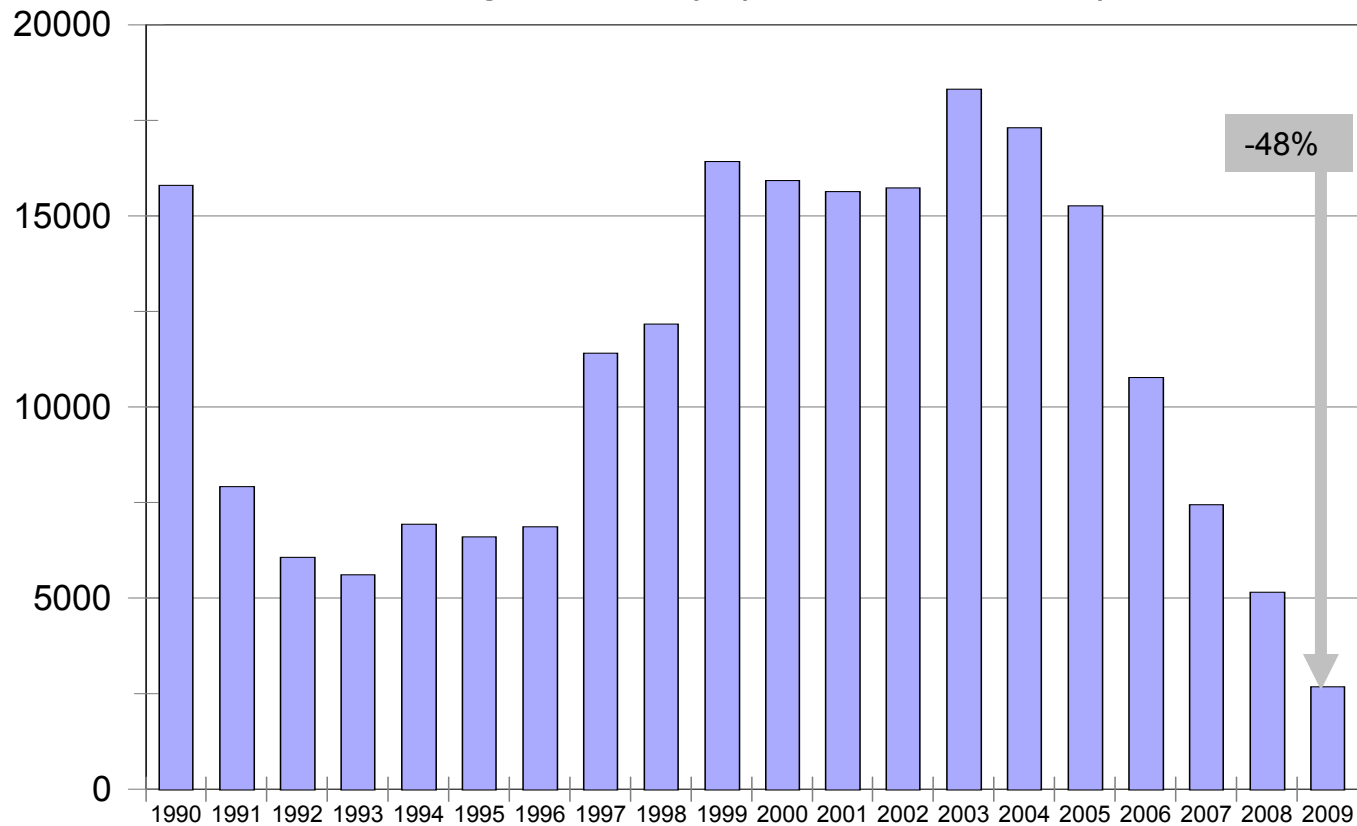
Source: Burnham-Moores Center for Real Estate, University of San Diego

October 2009

| | |
|--|--------|
| Index | +0.2% |
| Residential units authorized by building permits | +0.42% |
| Initial claims for unemployment insurance | -1.28% |
| Local stock prices | -1.31% |
| Local consumer confidence | +3.36% |
| Online help wanted advertising | -0.41% |
| National Index of Leading Economic Indicators | +0.57% |

Residential Units Authorized

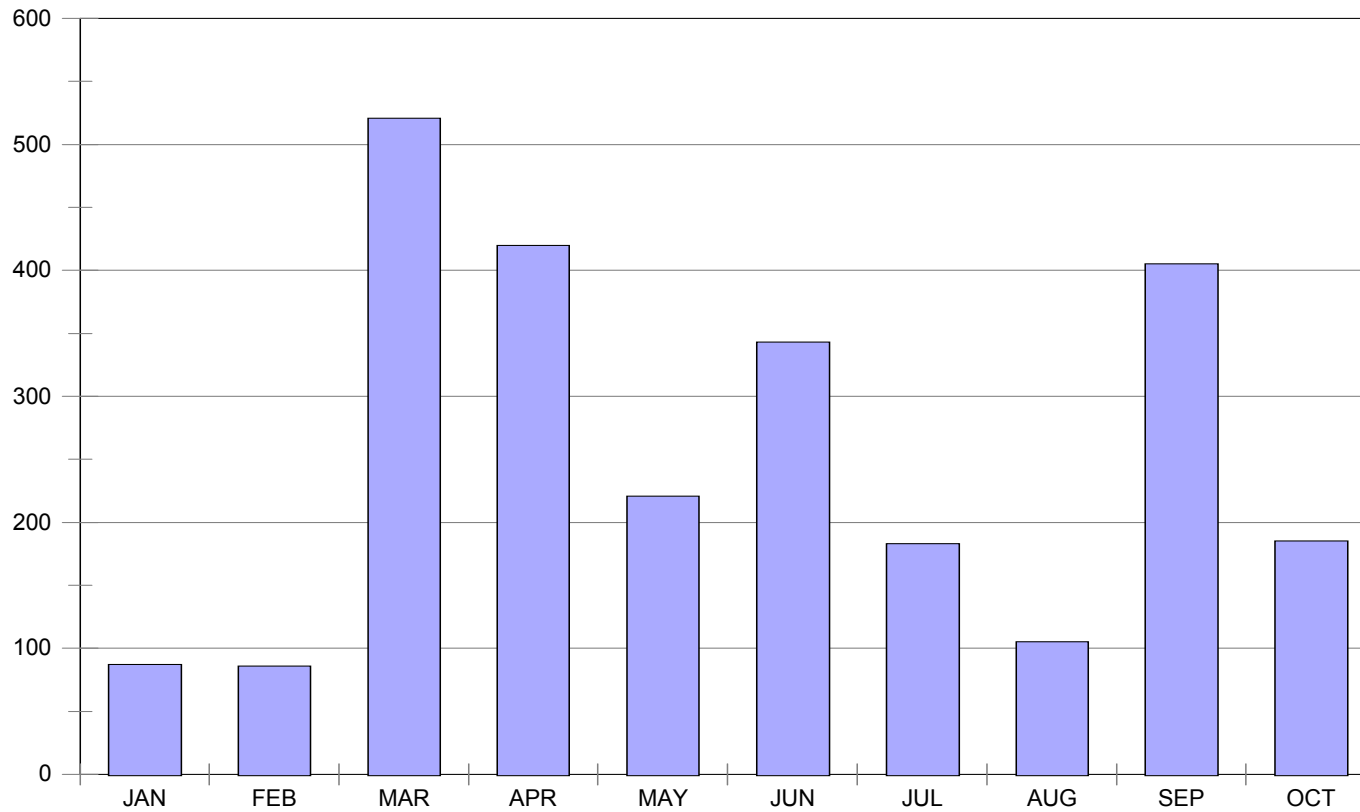
San Diego County (1990 - Present)



Source: Construction Industry Research Board

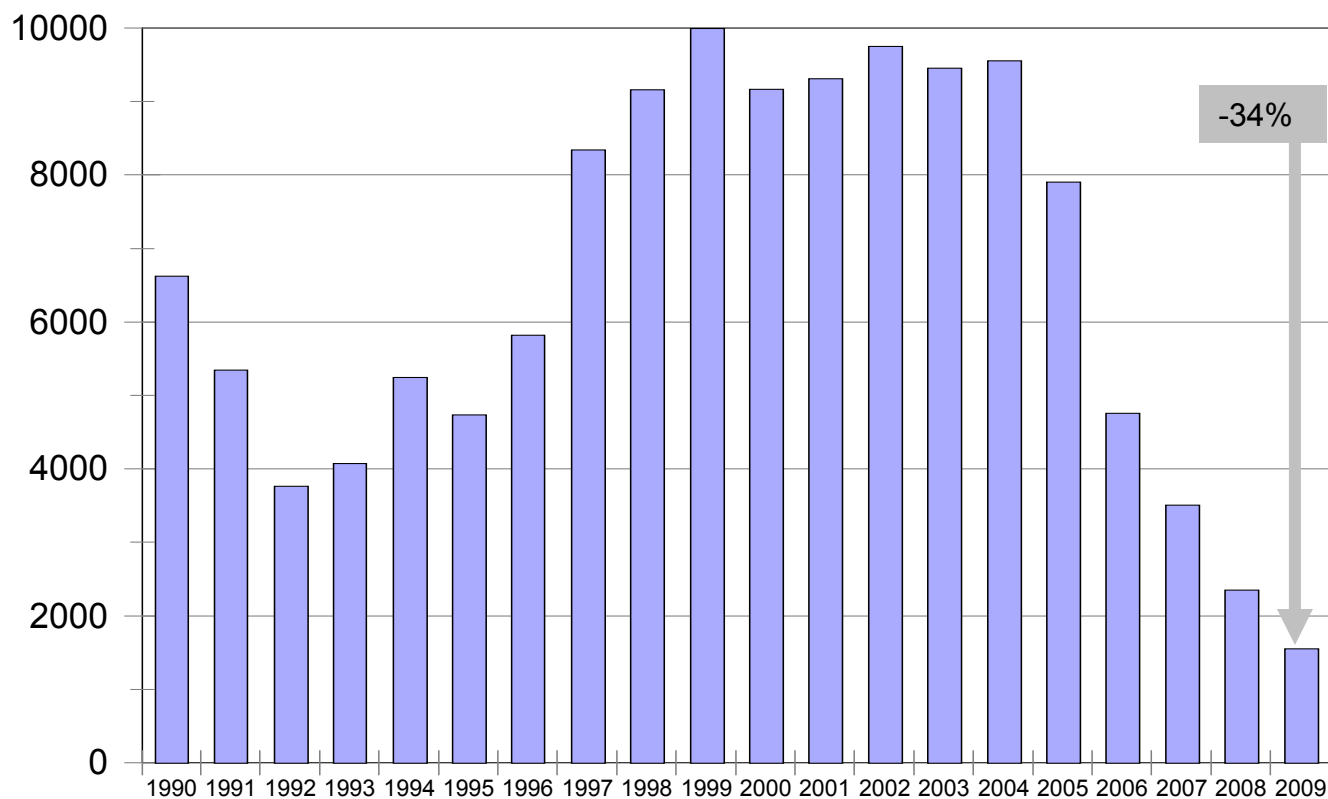
Residential Units Authorized

San Diego County, 2009



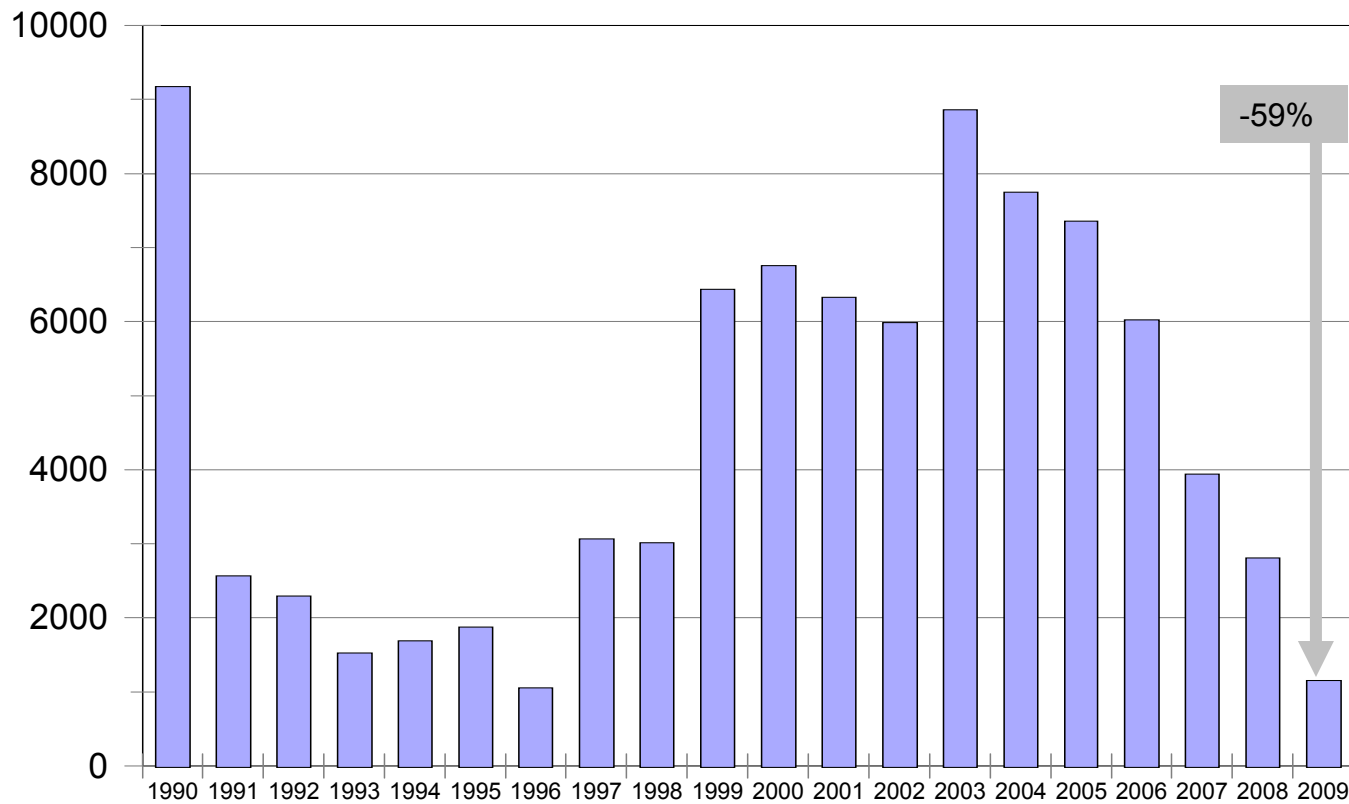
Single-Family Units Authorized

San Diego County (1990 - Present)



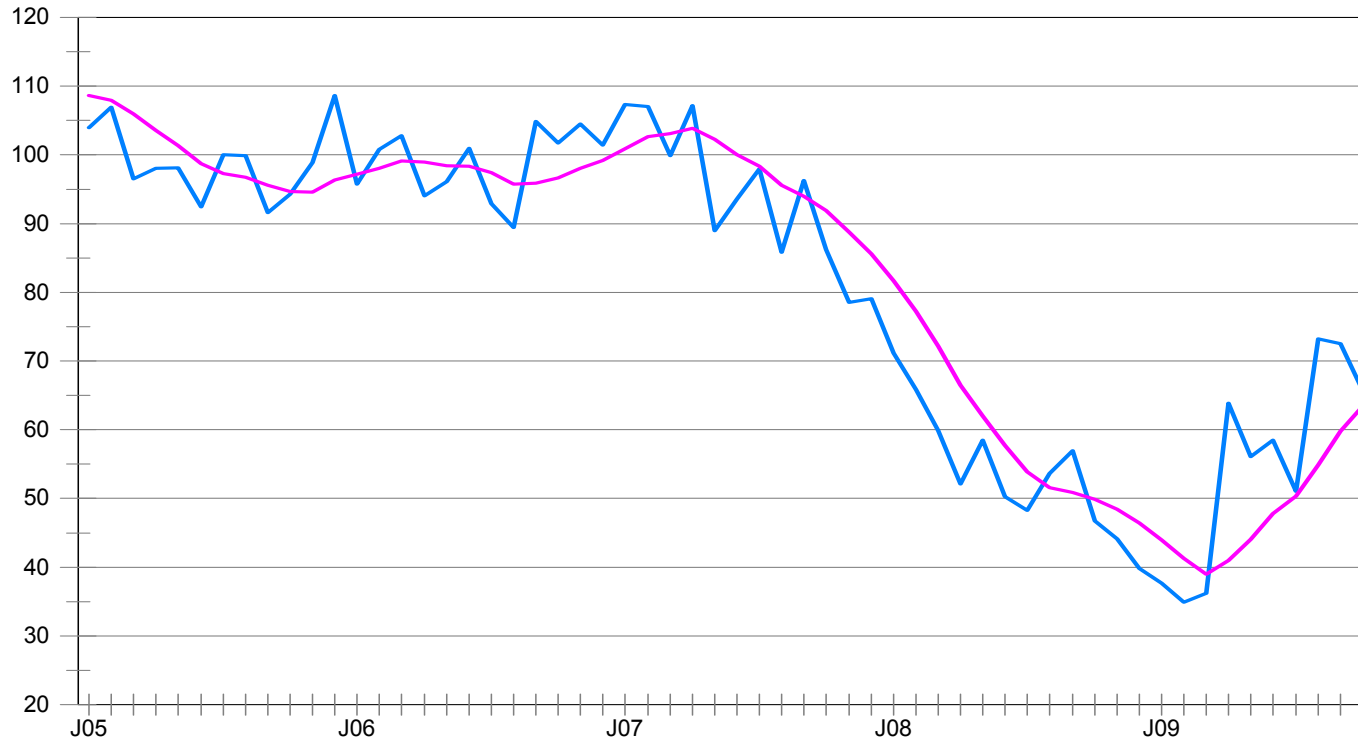
Multiple Family Units Authorized

San Diego County (1990 - Present)



Consumer Confidence

San Diego (2005 - Present)



Source: *San Diego Union-Tribune*

— Seasonally Adjusted — Moving Average

Outlook for 2010

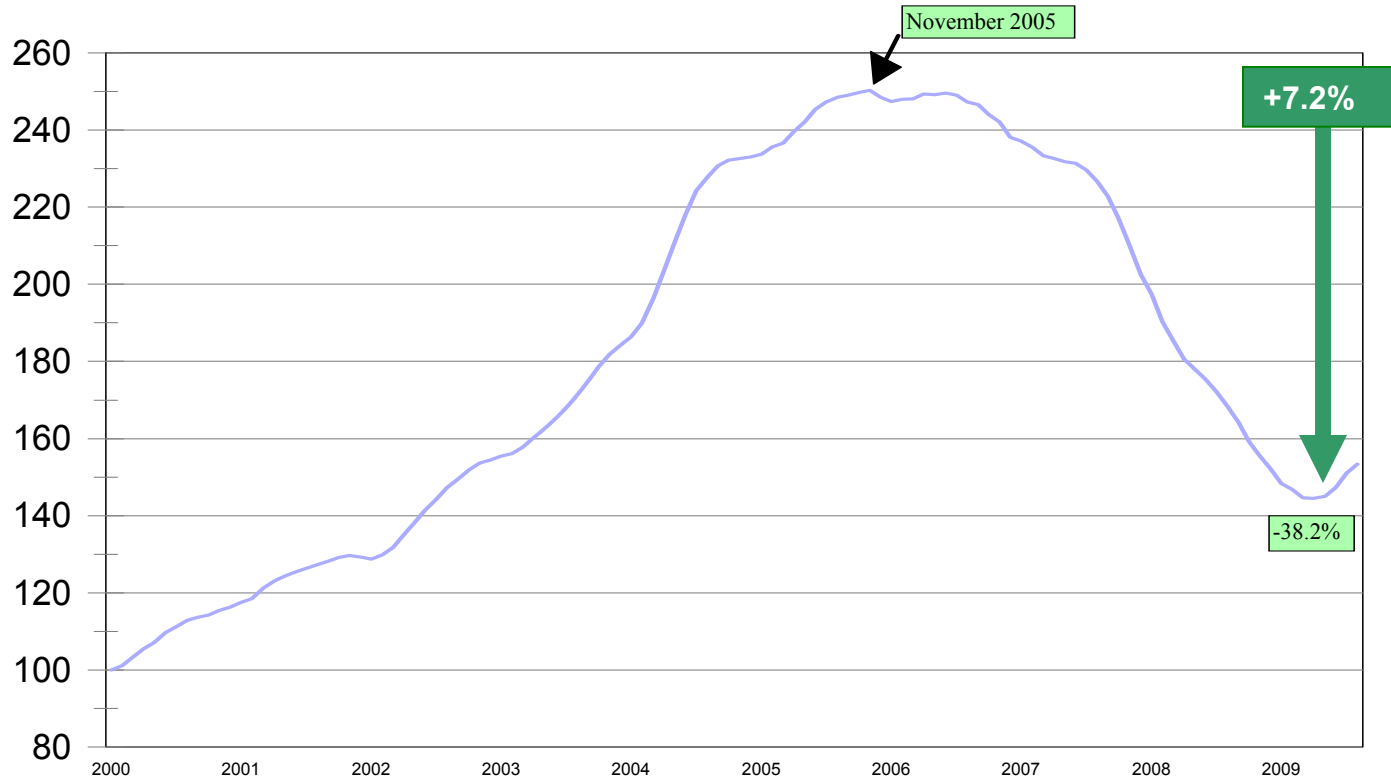


Outlook for 2010

- **Local economy to remain weak**
 - Job growth negative in 2009, slightly positive in 2010
 - Unemployment to hit 11%
 - Bottom expected in first half of 2010
 - Combination of improving housing market, rebounding national economy, and various federal actions will help stabilize economy

S&P/Case-Shiller Home Price Index

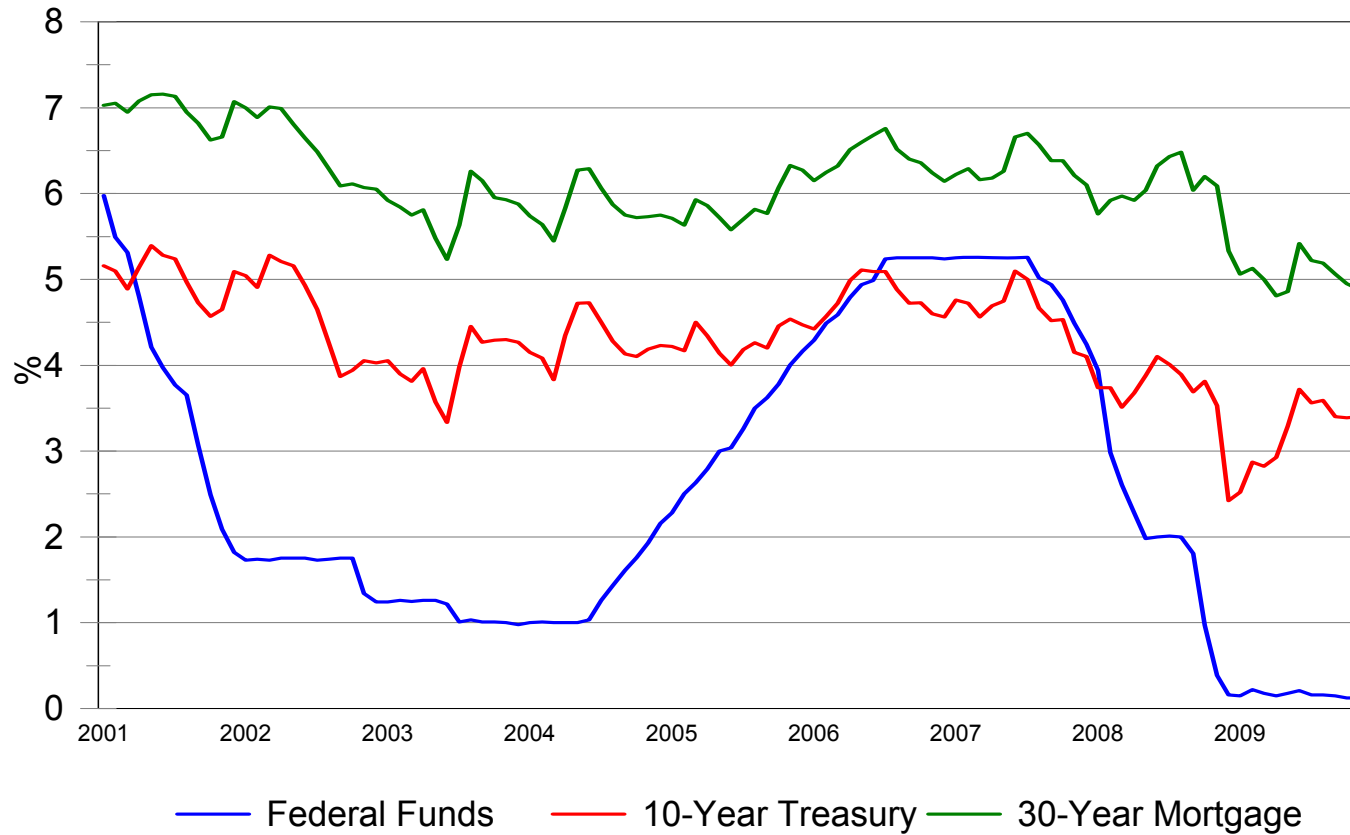
San Diego (2000 - Present)



Source: Standard & Poor's

Interest Rates

Short-Term vs. Long-Term



Source: Economagic

Outlook for 2010

- Housing market rebounding
 - L, U, V, or W?
 - Sales picking up with lower prices and low interest rates
 - Mid-single digit price gain expected in 2010

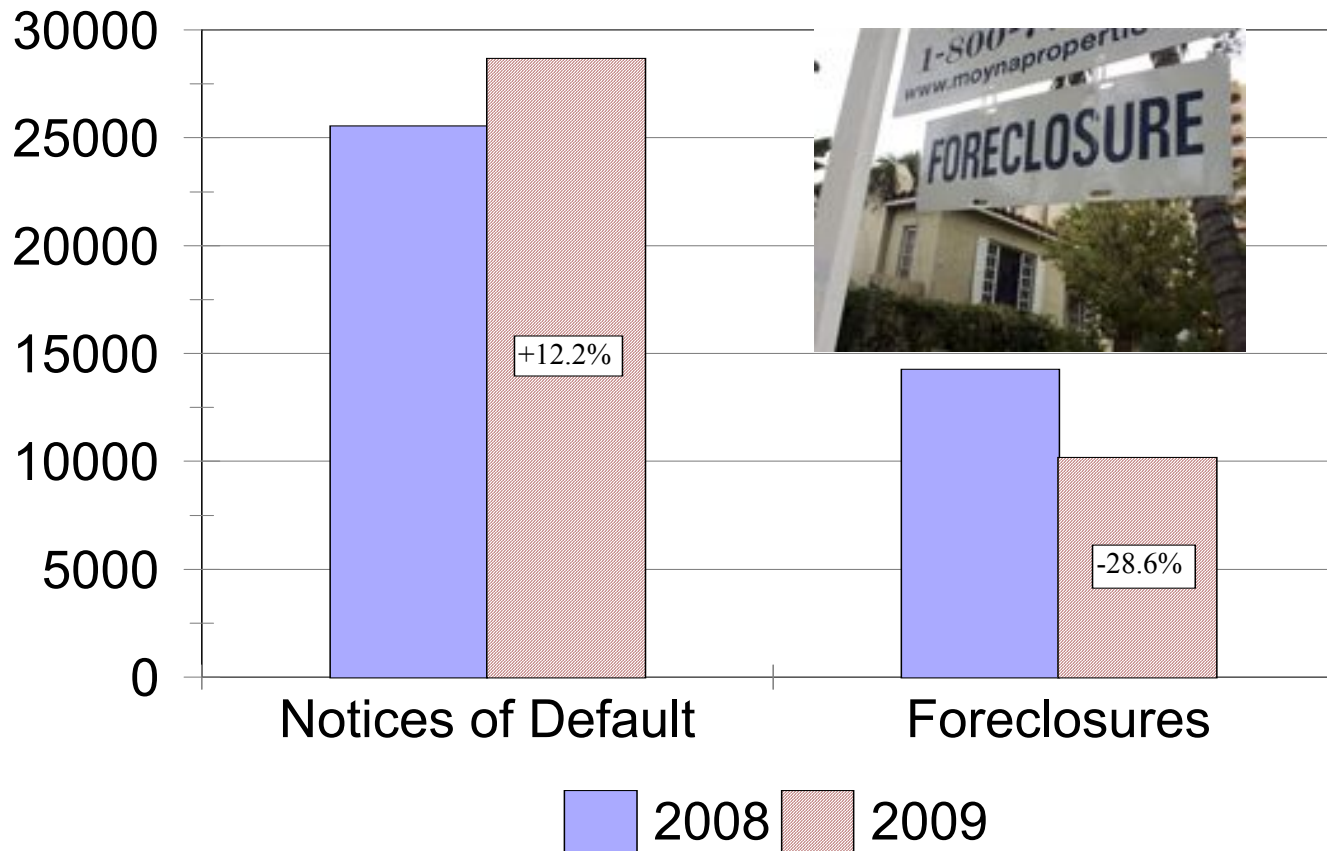
Outlook for 2010

- **Potential problems**

- State and local budget deficits are a potential drag
- Foreclosures to remain at high levels
 - Second wave due to job loss
 - Leading to “shadow” inventory

Notices of Default and Foreclosures

End of 3rd Quarter (2008 vs. 2009)



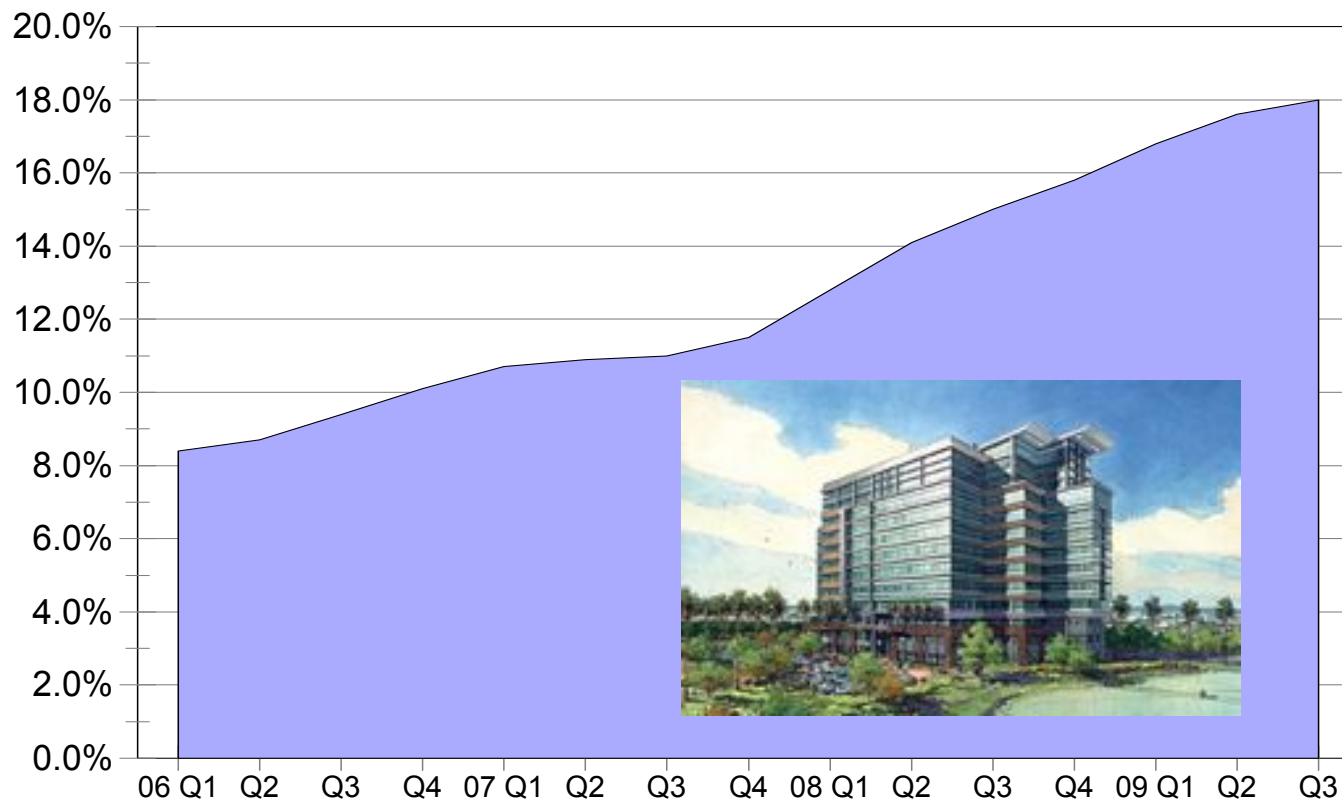
Outlook for 2010

- **Potential problems**

- Is commercial real estate next?
 - All sectors (retailing, office, hotels) under pressure
 - Job loss – spending cut cycle
 - Some firming expected in apartments

Office Direct Vacancy Rate

San Diego County (2006 - Present)



Source: Grubb & Ellis Research



“A journey of
10,000 miles
begin with a
single step.”

- Lao Tzu