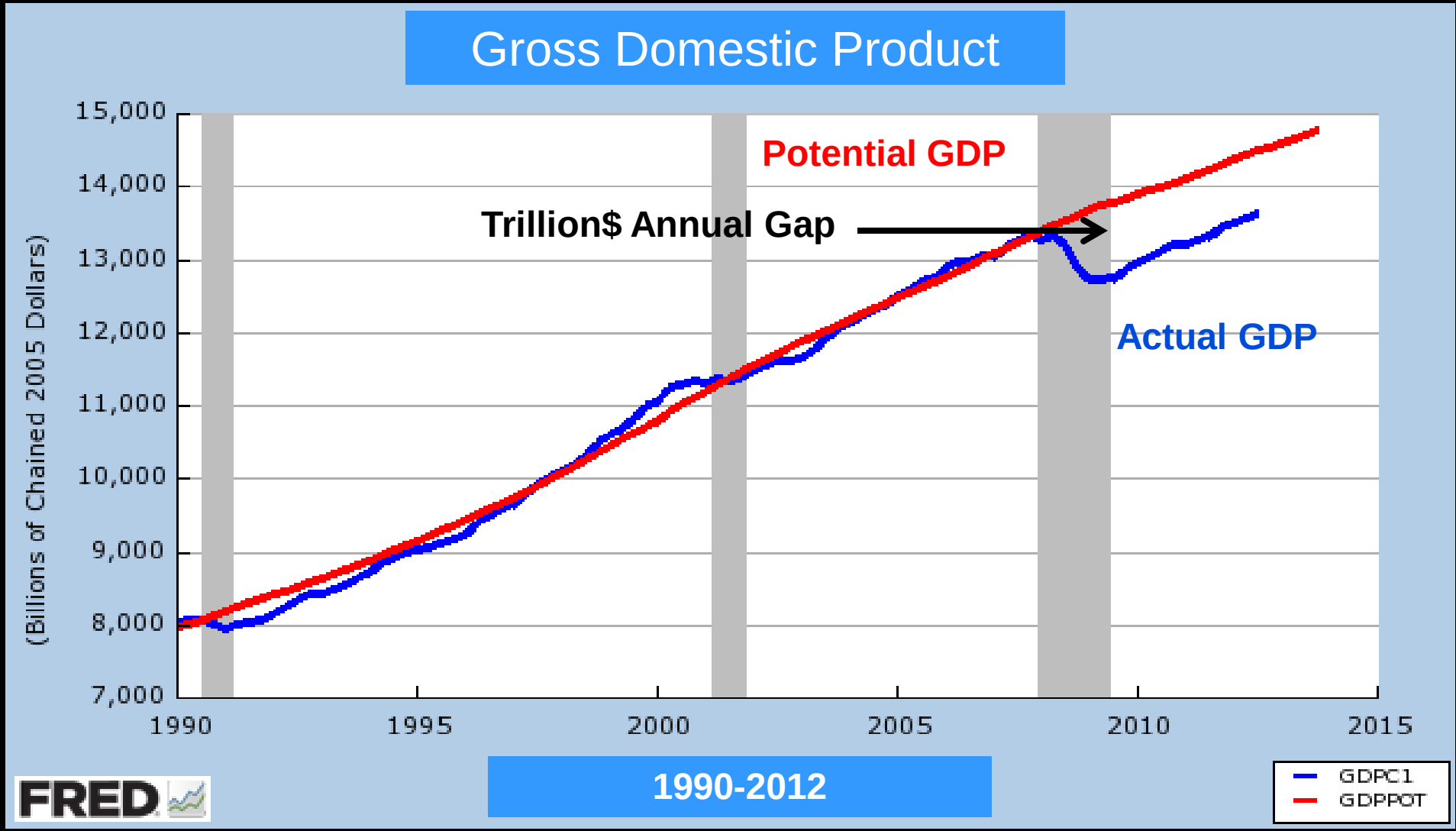
2013 San Diego Economic Outlook

29th Annual Economic Roundtable

Marney Cox
Chief Economist
San Diego Association of Governments

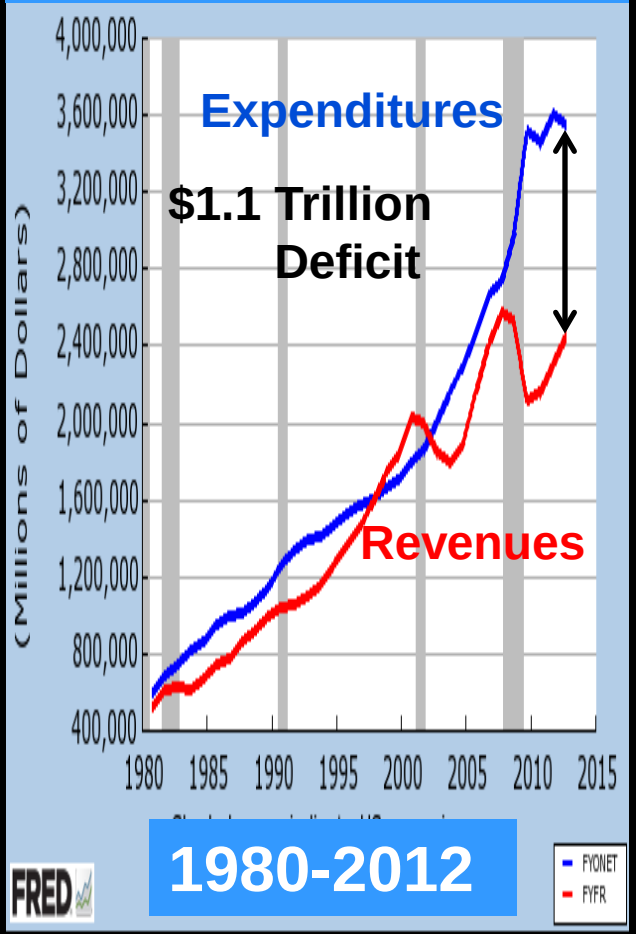
January 25, 2013

US The Problem…
Slow Economic Growth



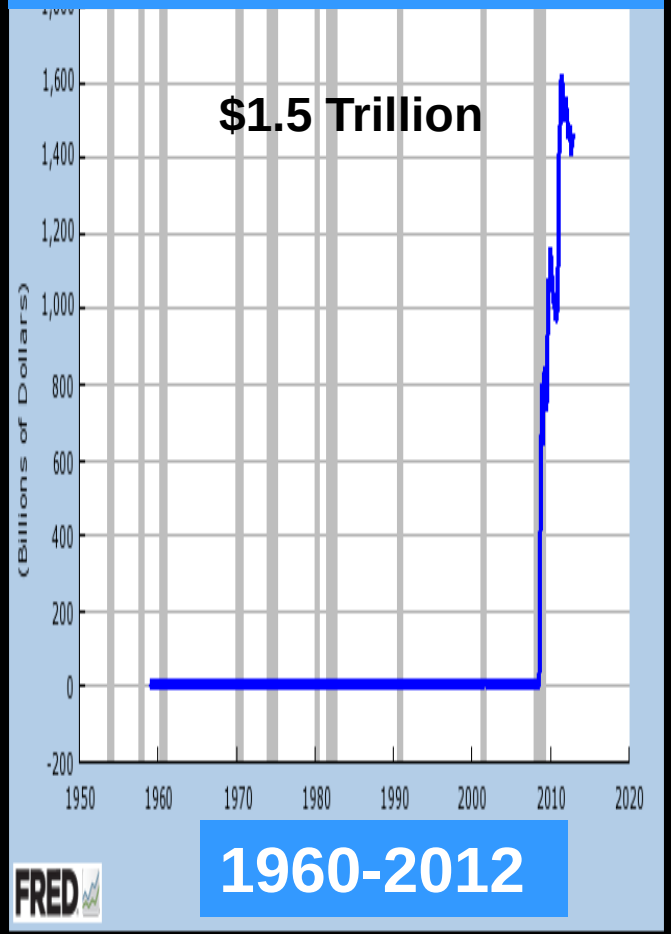
US Solutions…
Fiscal & Monetary Policy

Federal Government Revenue & Expenditures



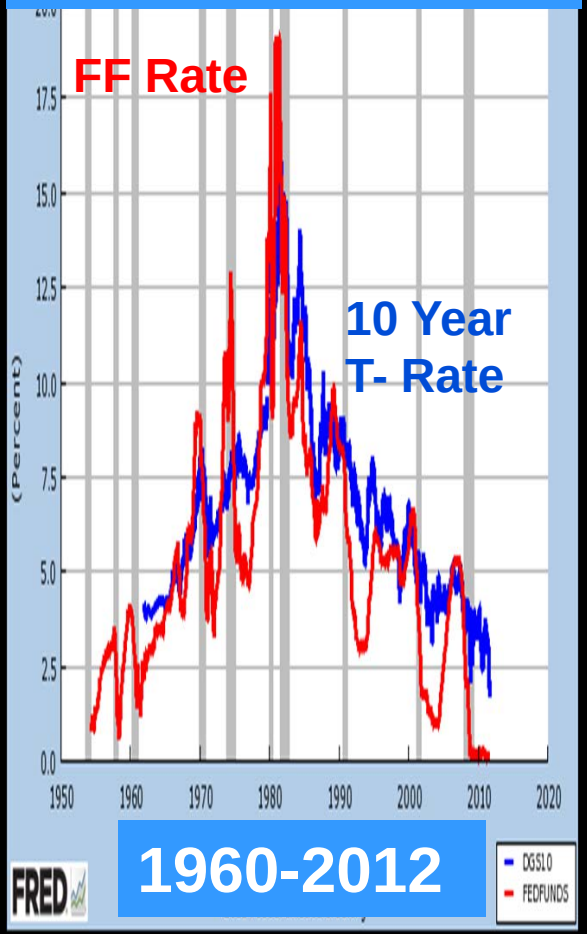
1980-2012

Excess Bank Reserves Loanable Funds



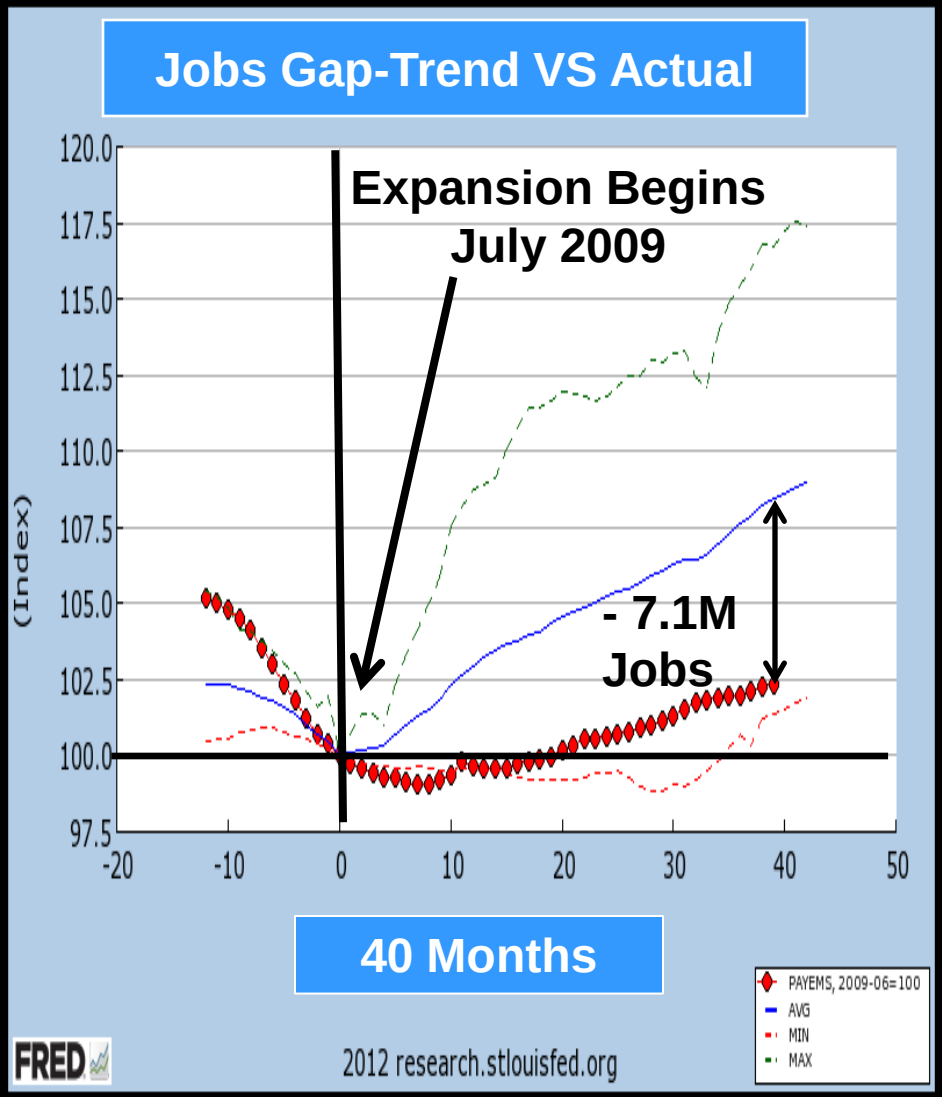
1960-2012

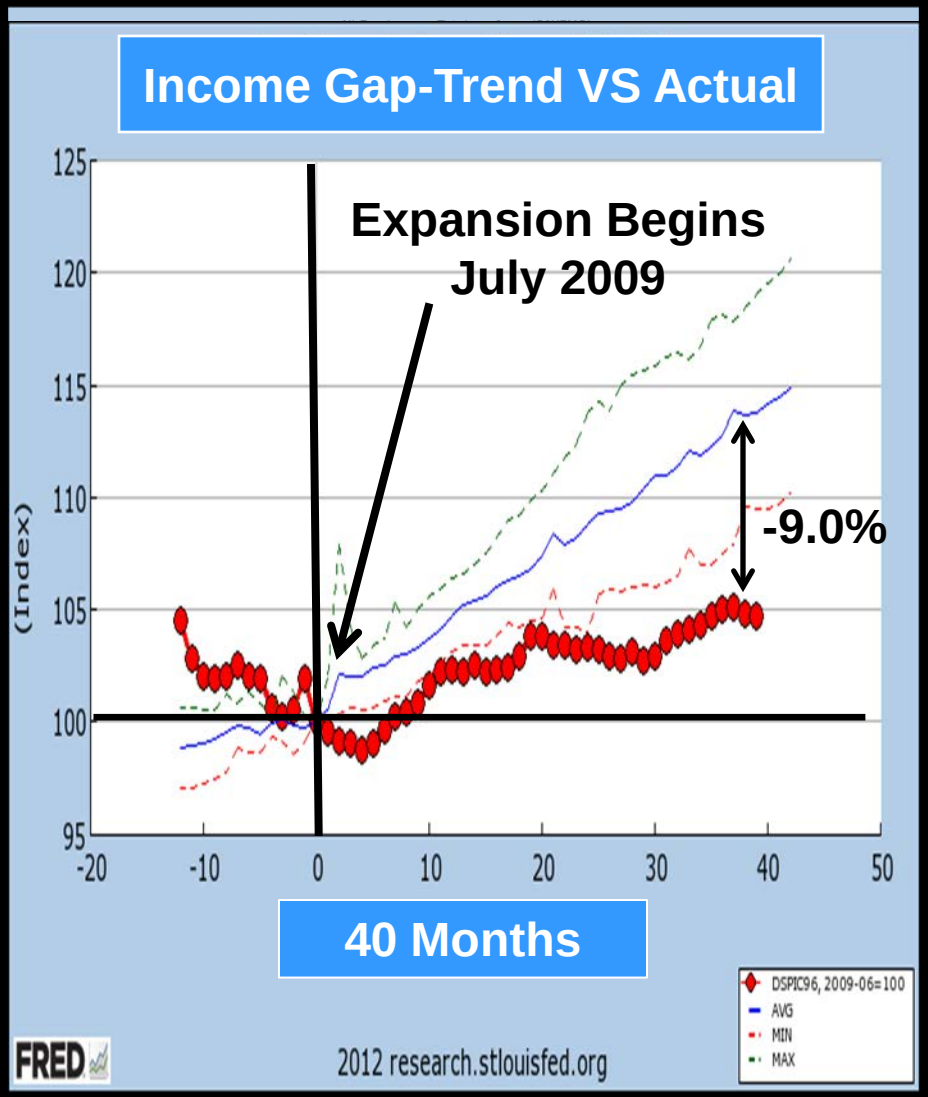
10 Yr. Treasury & FF Rate



1960-2012

US Results…
Below Trend Performance



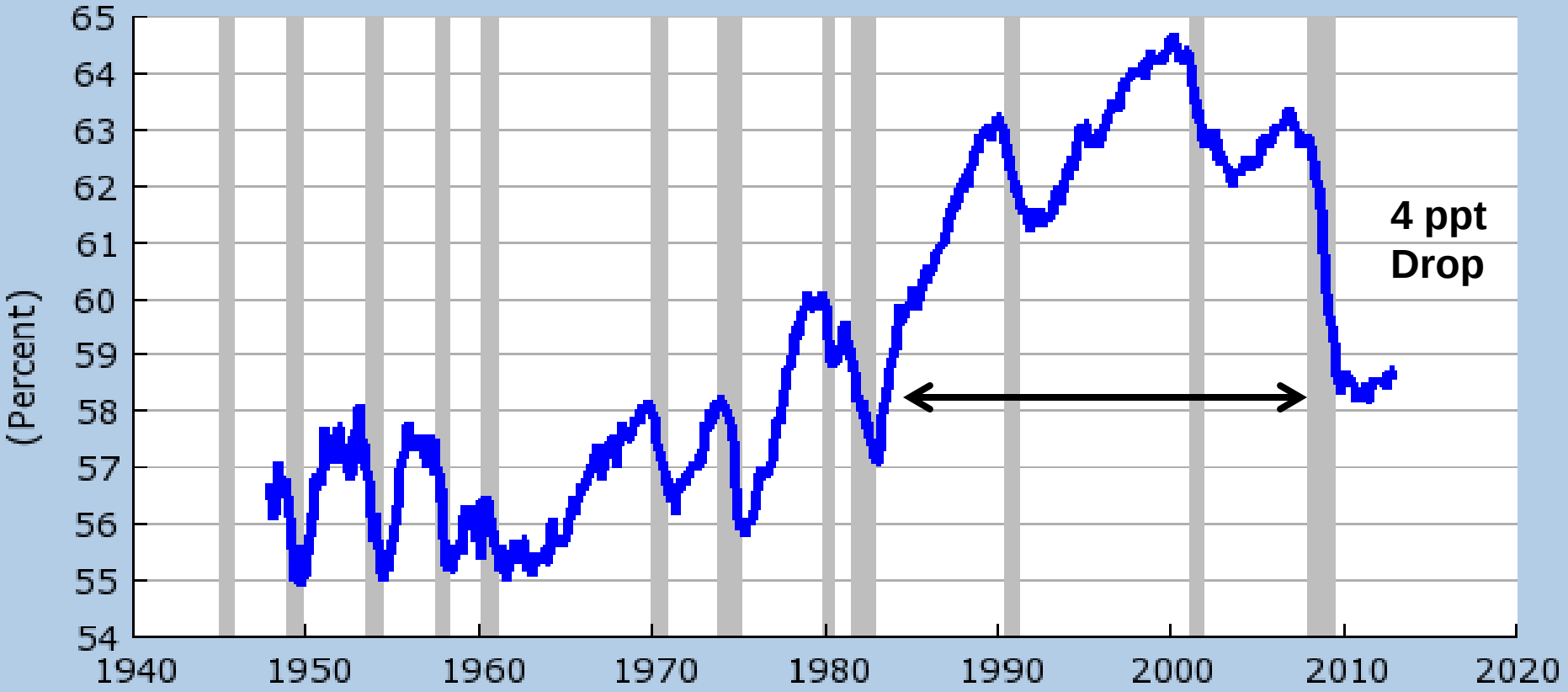


Then…
"It's the Economy, Stupid"

Now…
It's the Labor Market…

US Employment-Population Ratio

42% of Adult Population not Employed



1950 -2012

FRED

Labor Force Challenges

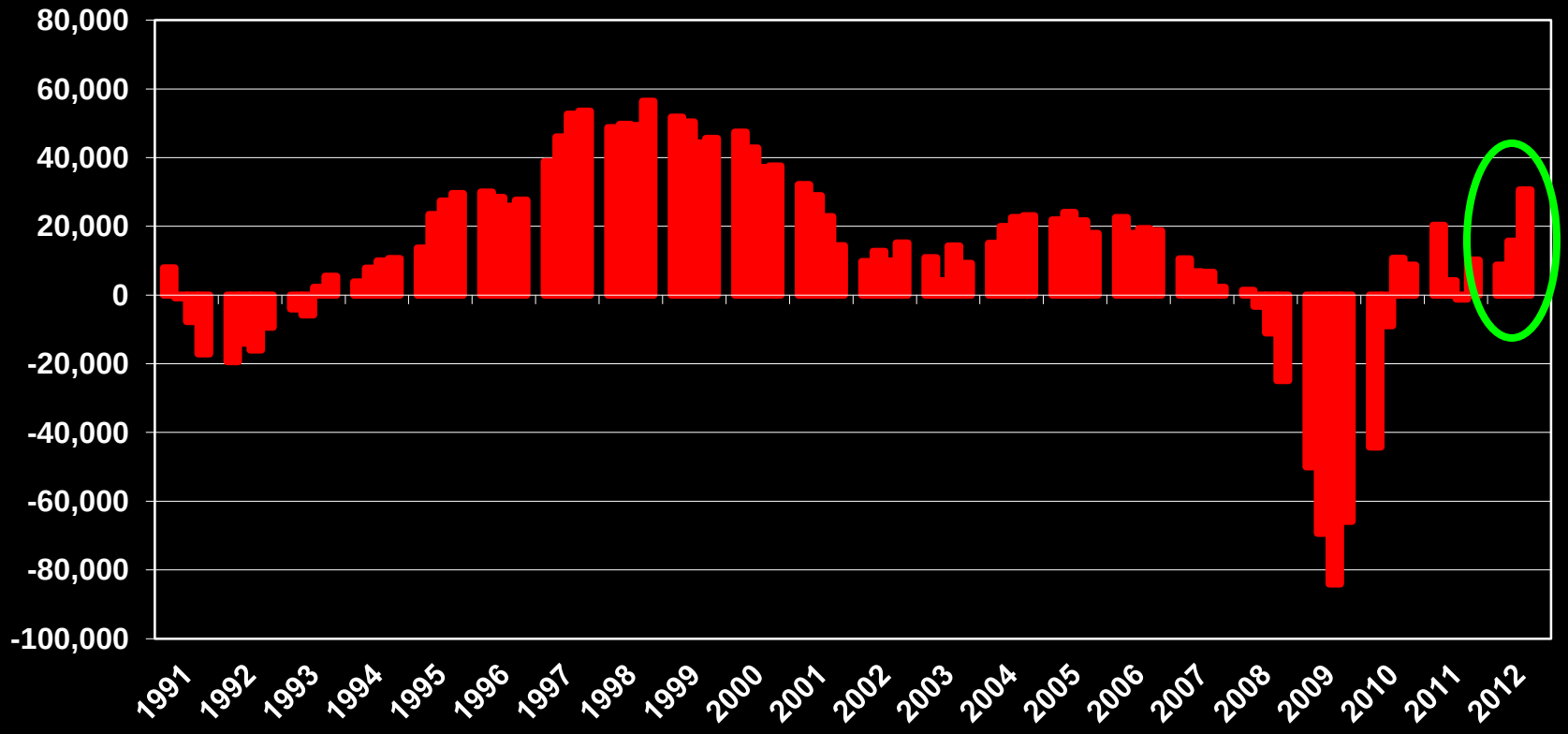
STRUCTURAL-skill mismatches

INCENTIVES-social program expansions

Outlook for San Diego

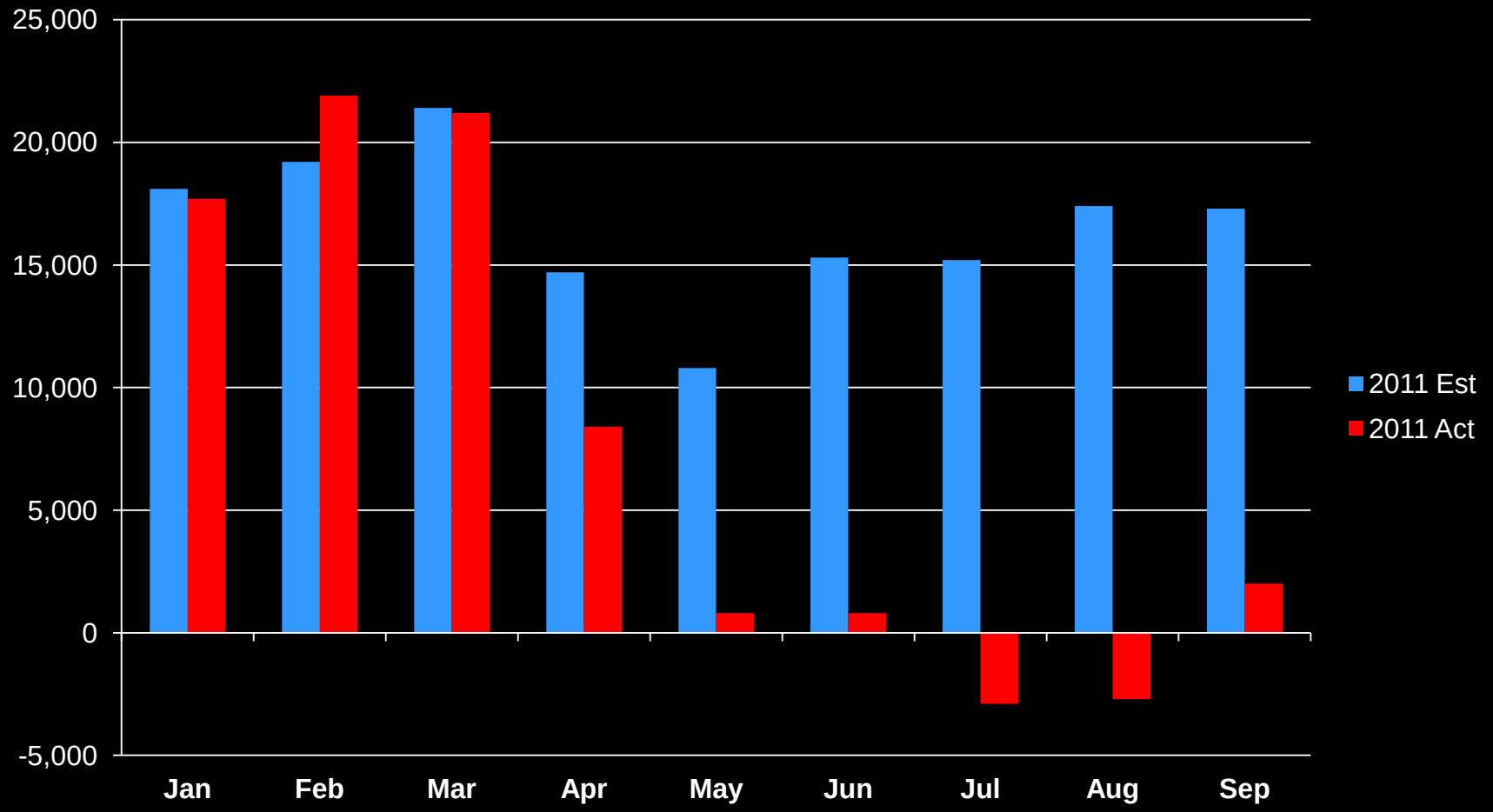
SD Payroll Jobs

Change Y-O-Y by Quarter 1991-2012

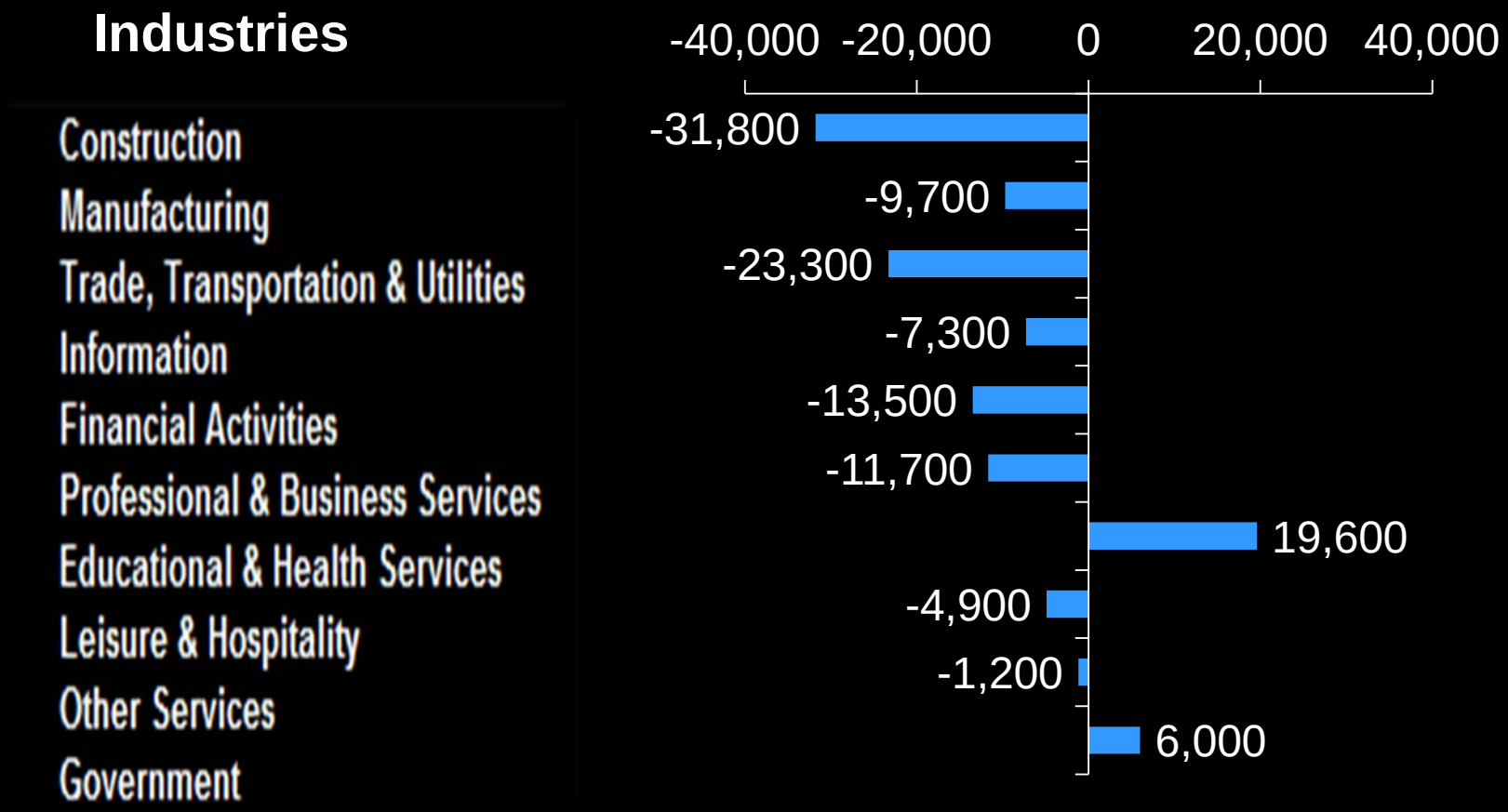


SD 2011 Jobs Actual vs Estimate

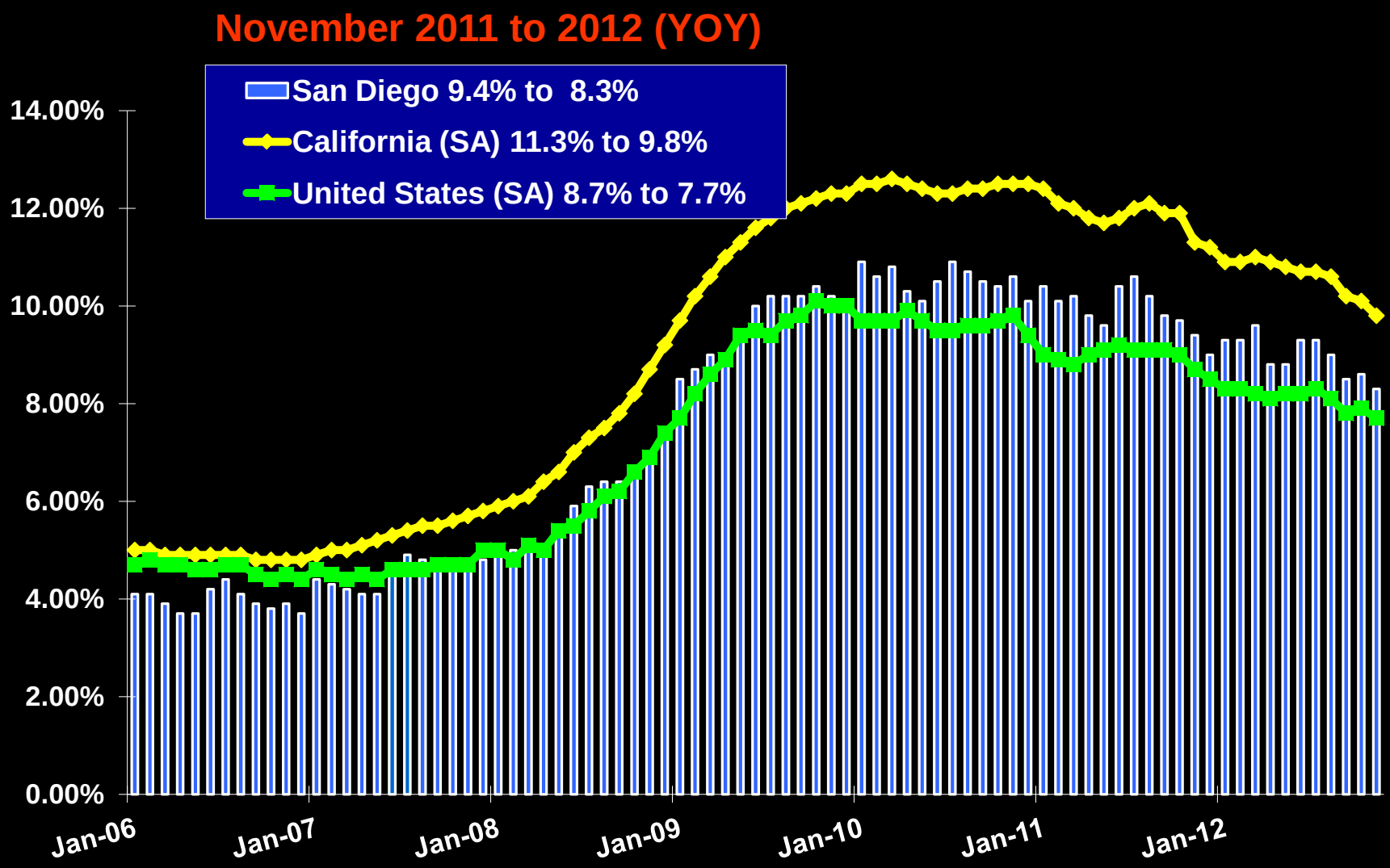
(EDD Non-Agricultural Employment)



SD Job Change 2007-2011

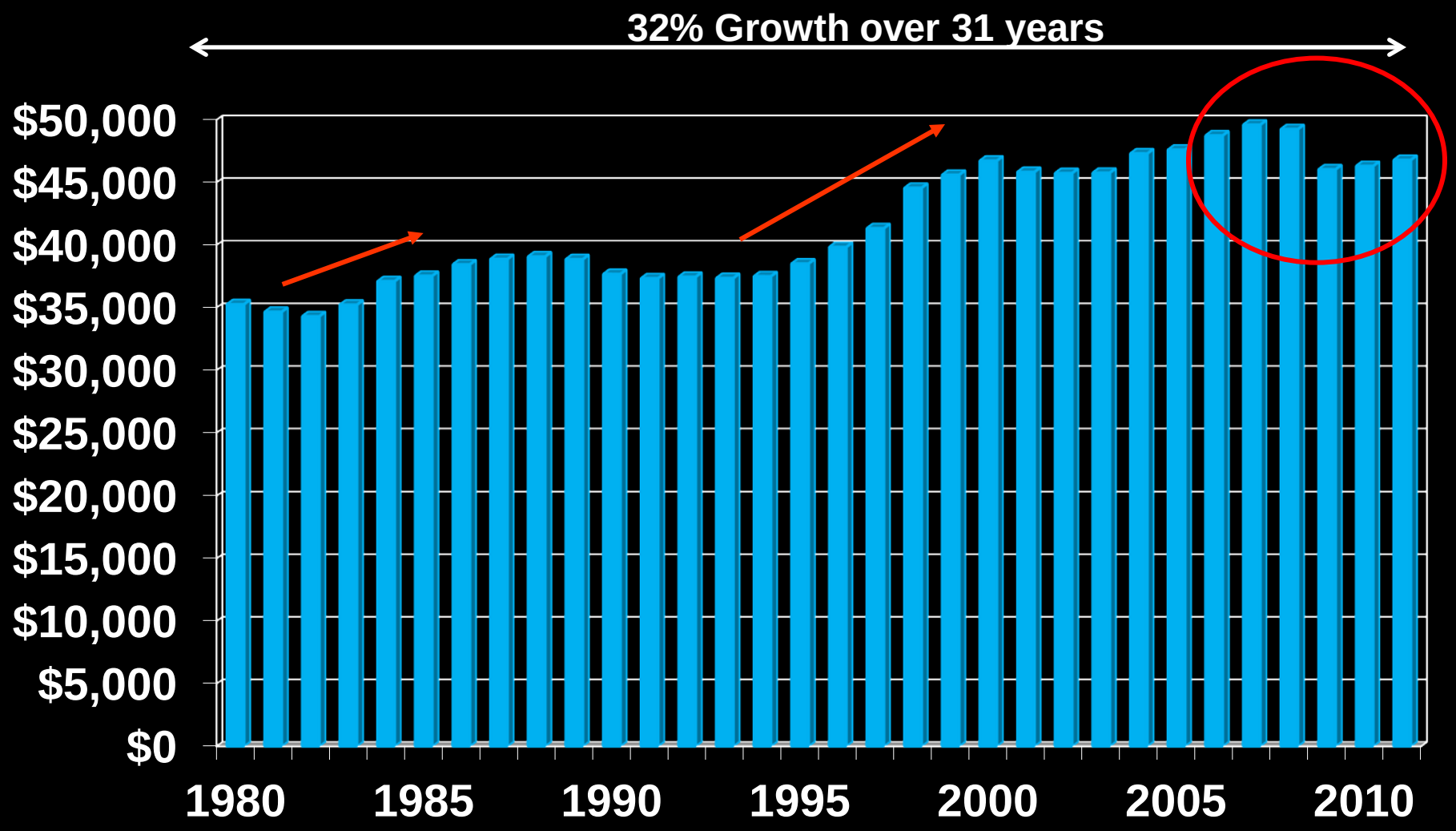


Monthly Unemployment Rates



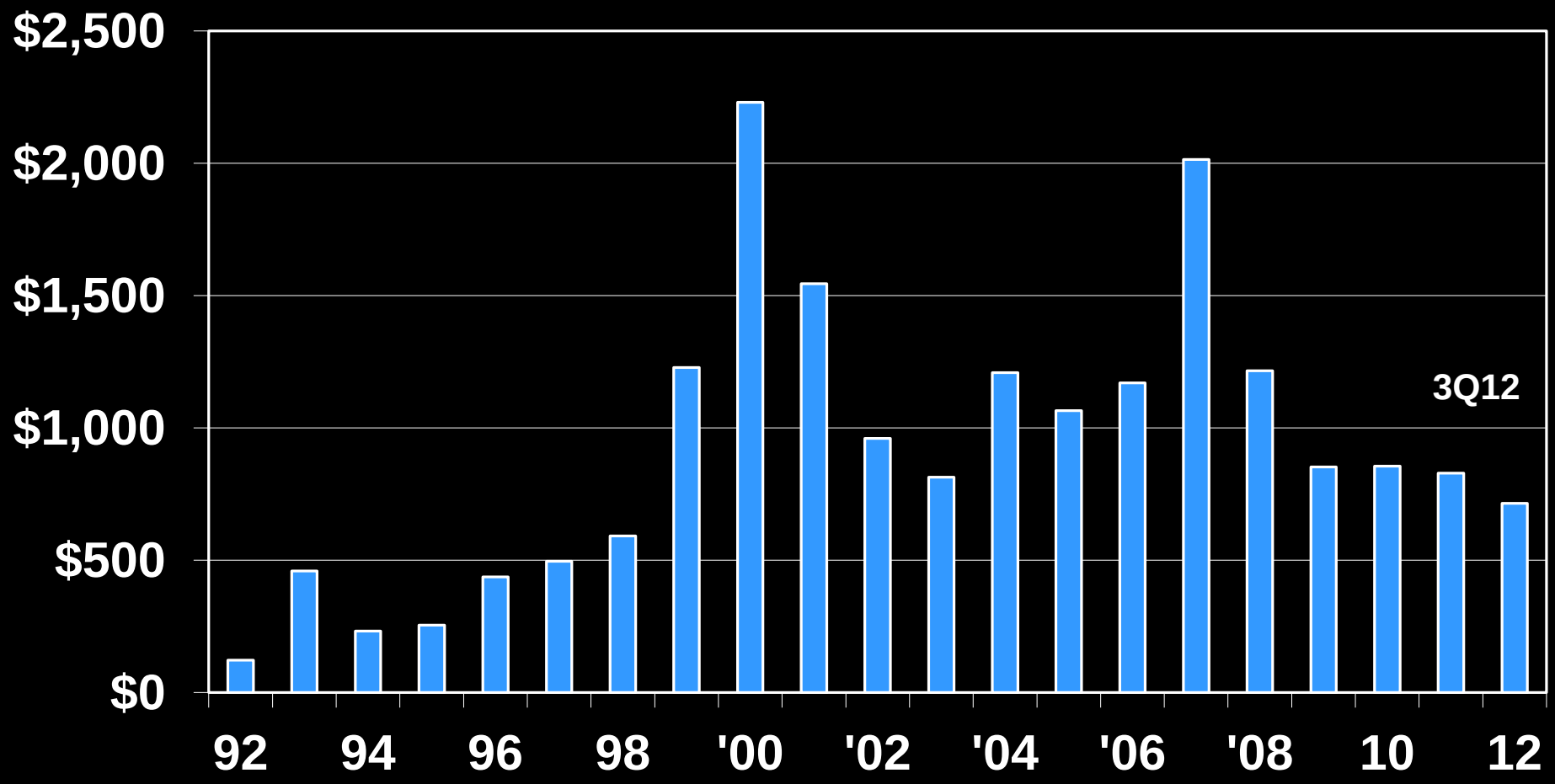
SD Per Capita Income

Real 2011$, 1980 – 2011

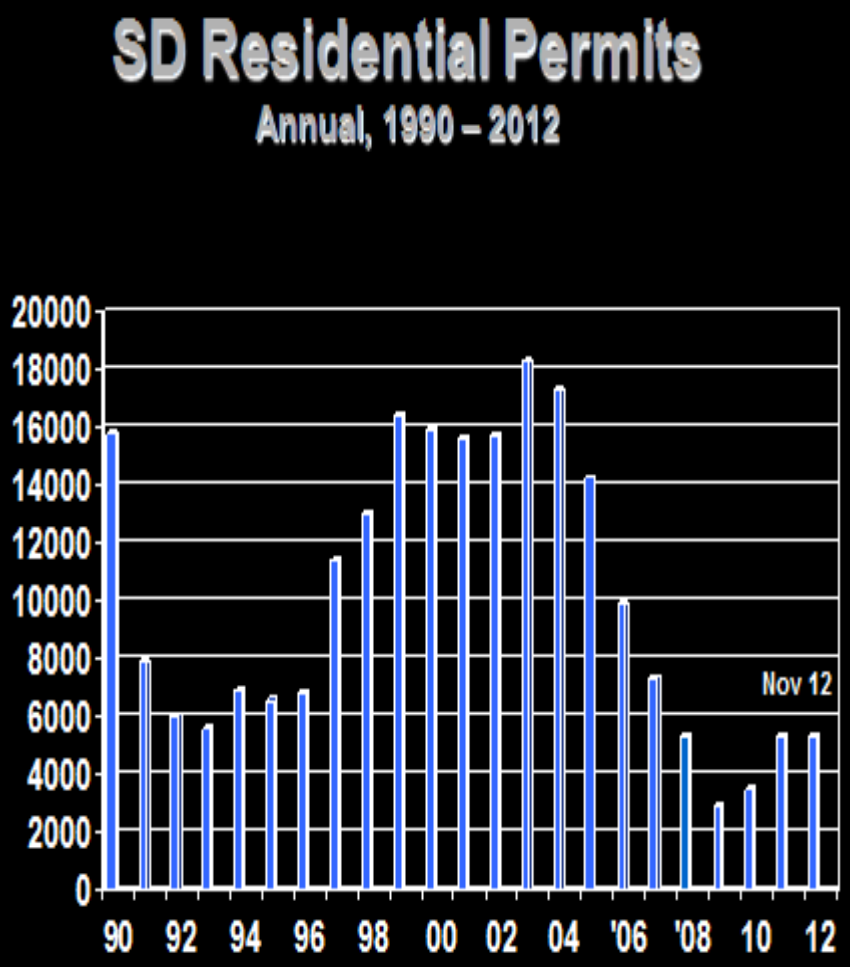


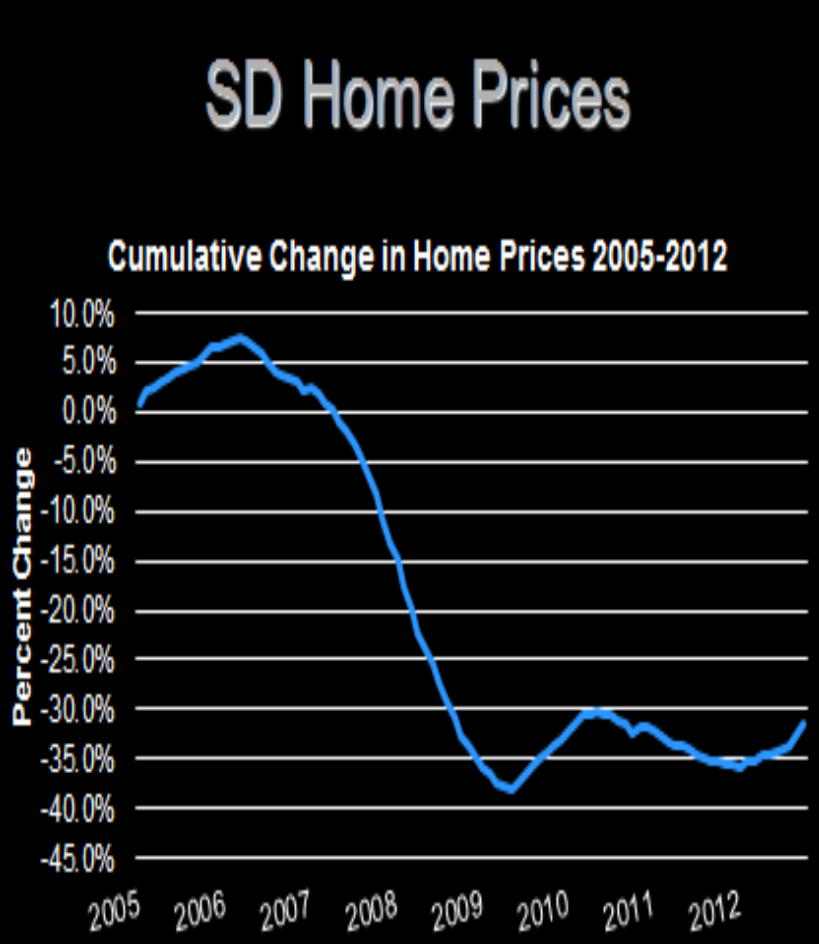
SD Venture Capital Funds

Resources for High Tech Jobs, M$ per Year

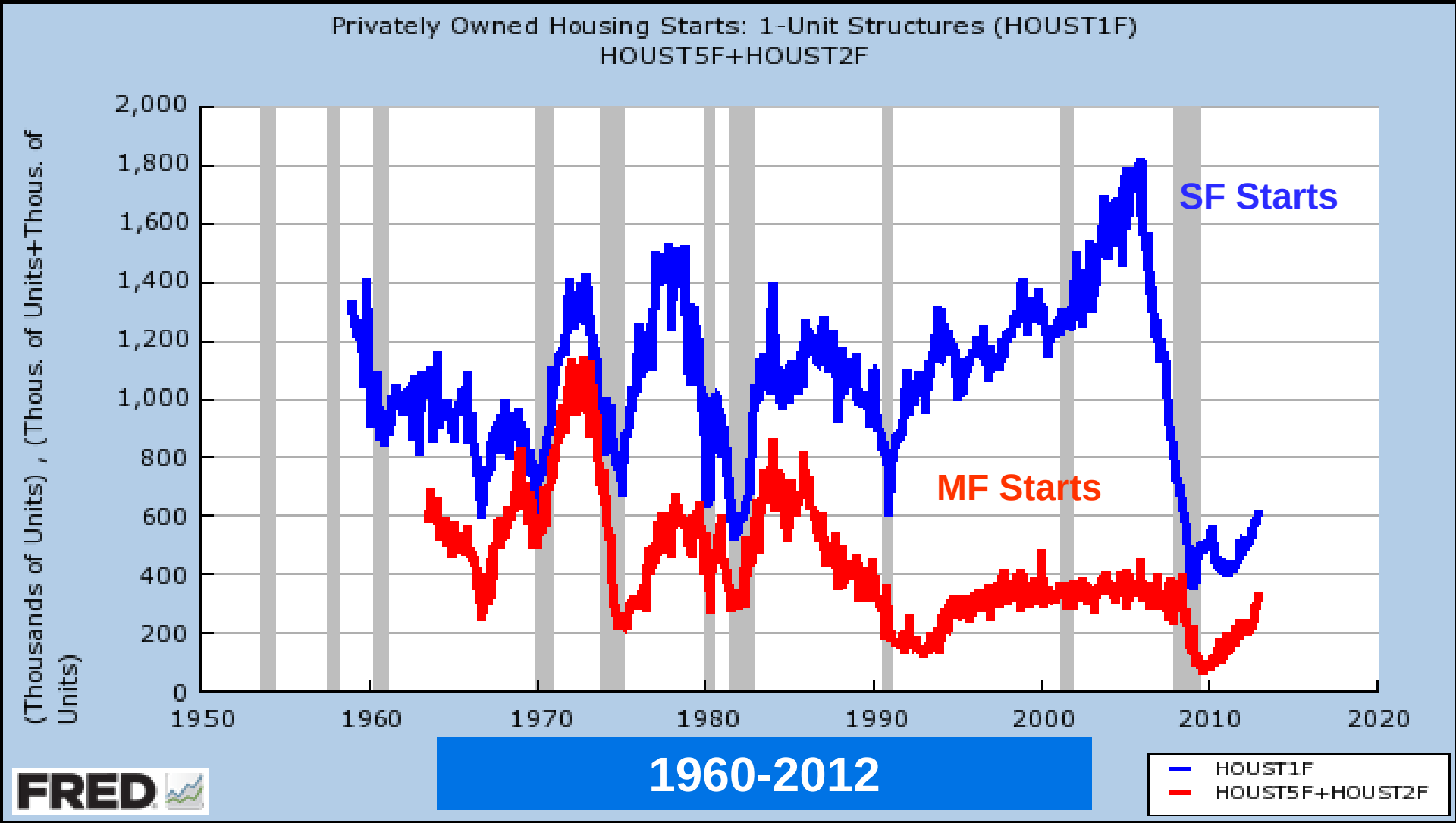


SD Housing Permits & Prices



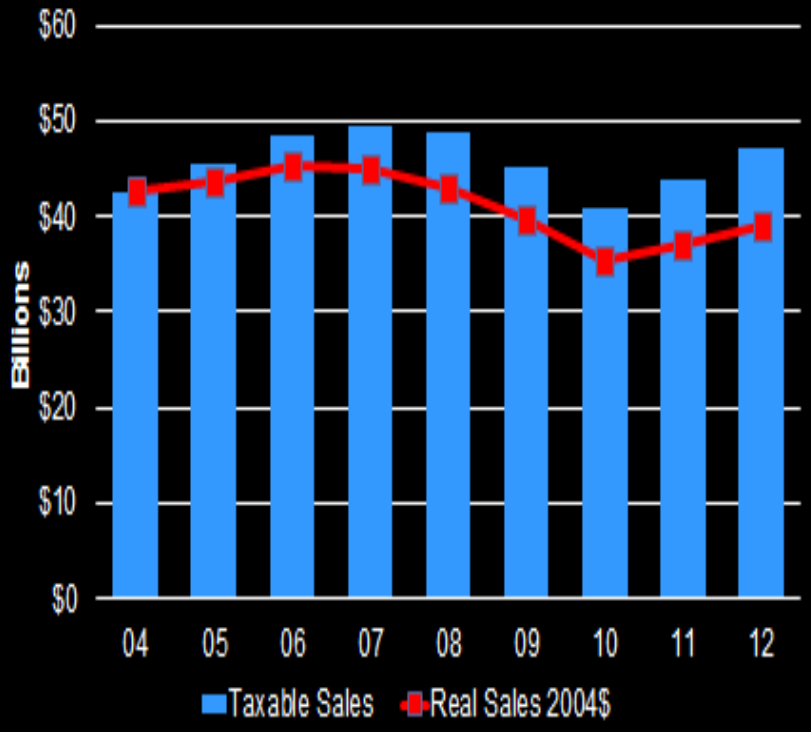


US Housing Starts-Gaining Mo

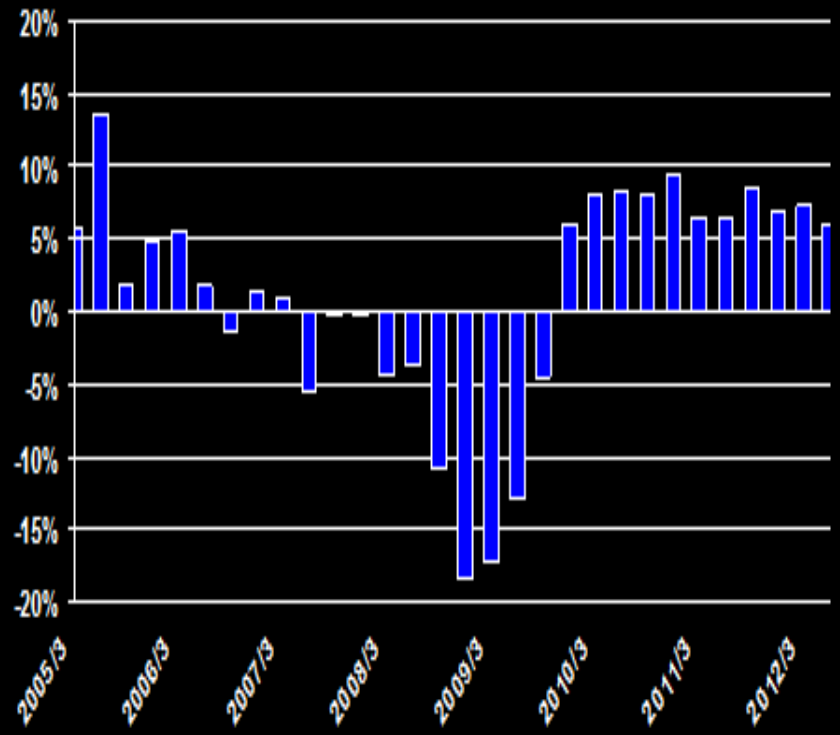


SD Taxable Sales

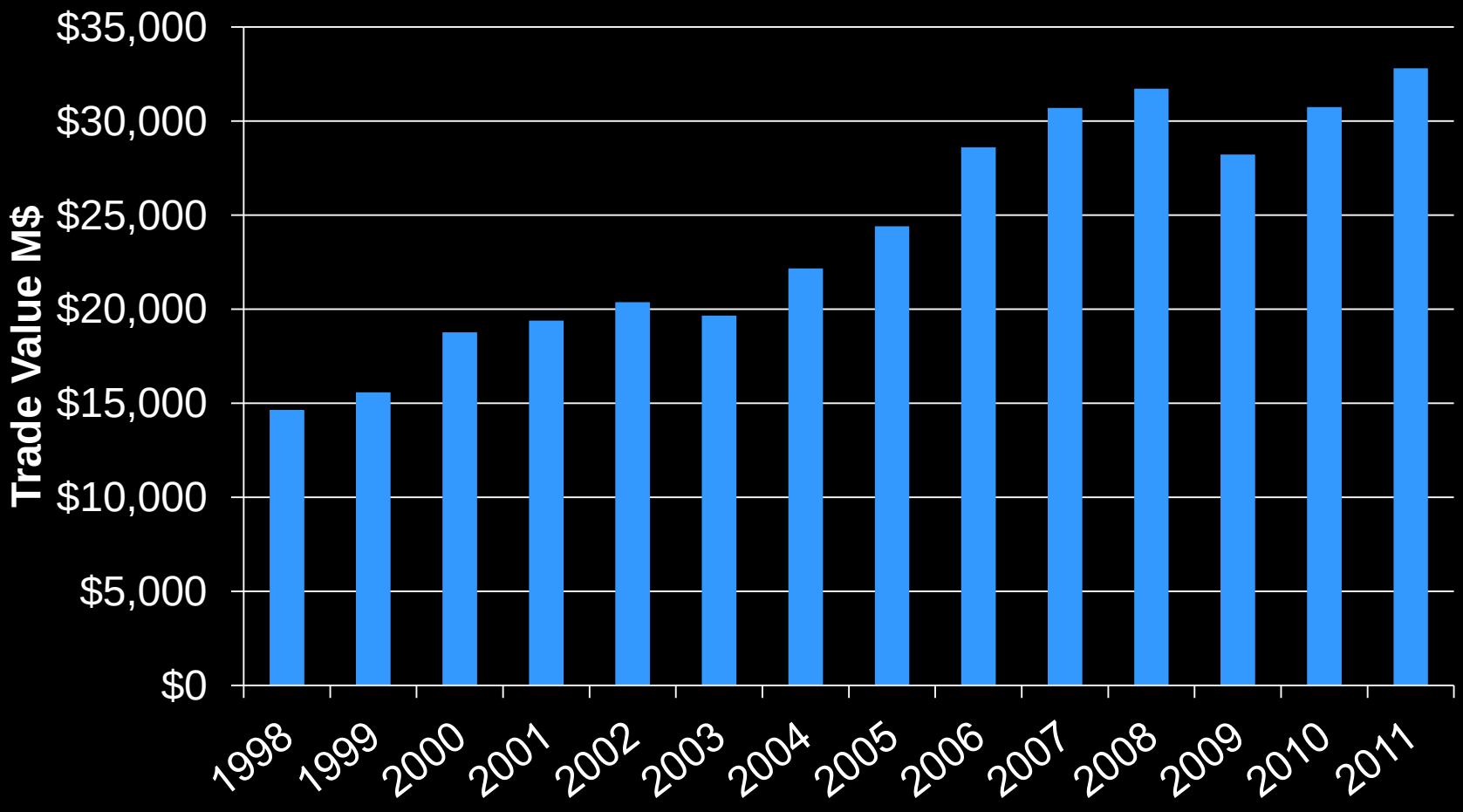
Fiscal Years 2004-2012



Y-O-Y Percent Change by Quarter

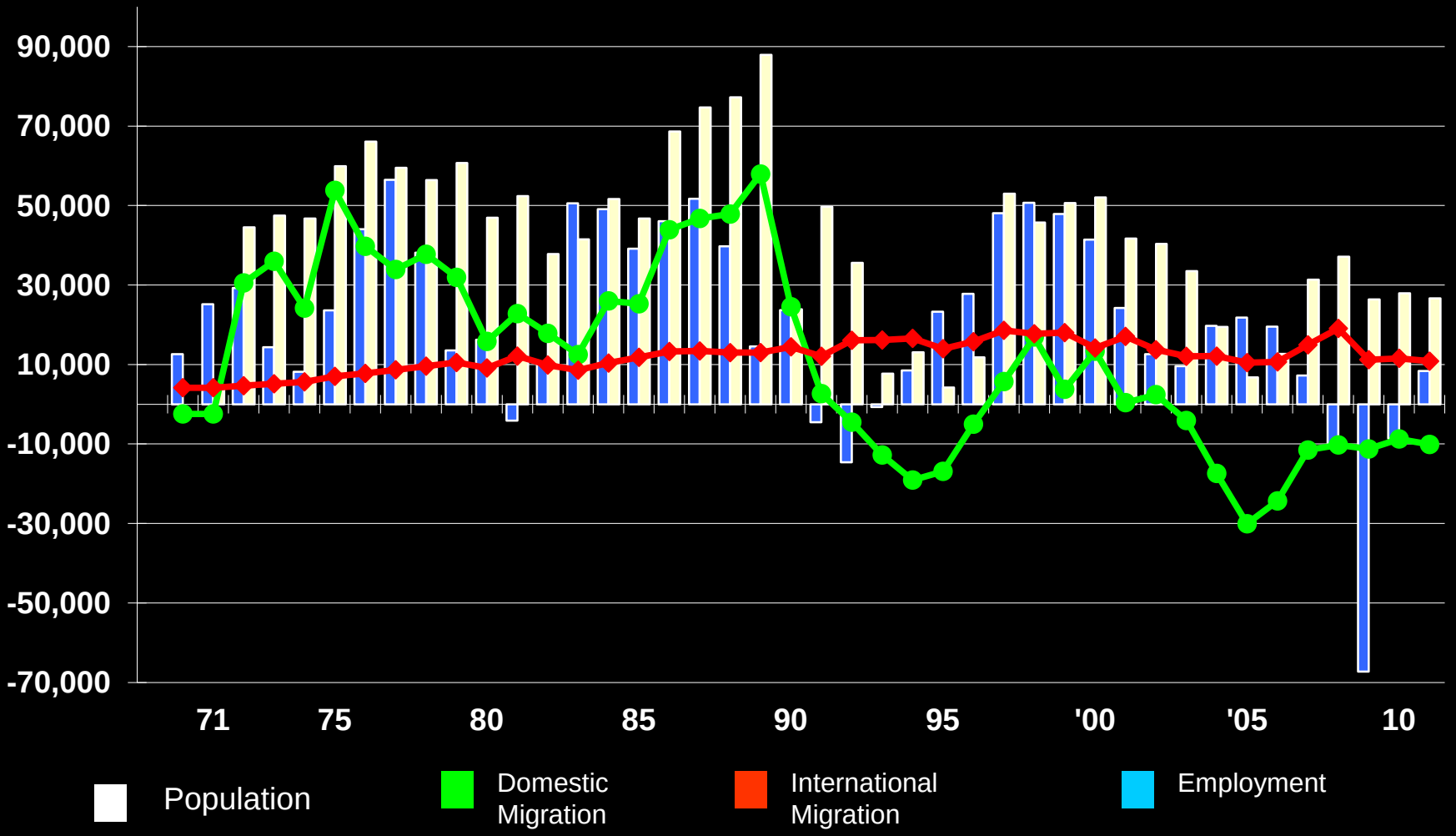


Trade with Mexico thru Otay Mesa



SD Population Growth-Slow & Changing

Annual Change Population, Dom & Intl Migration, Employment 1971-2011



2013 Outlook Summary

- **US**
  - Slow Growth, Below Trend
  - Problem is speed not direction
- **San Diego**
  - Job Growth 1%;
  - U-rate 7.5%
  - Home Price +5%;
  - Trade with Mexico +6%
  - Military cutbacks threaten SD

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January 25, 2013

A Housing Overview

Presented by

Russ Valone | MarketPointe Realty Advisors

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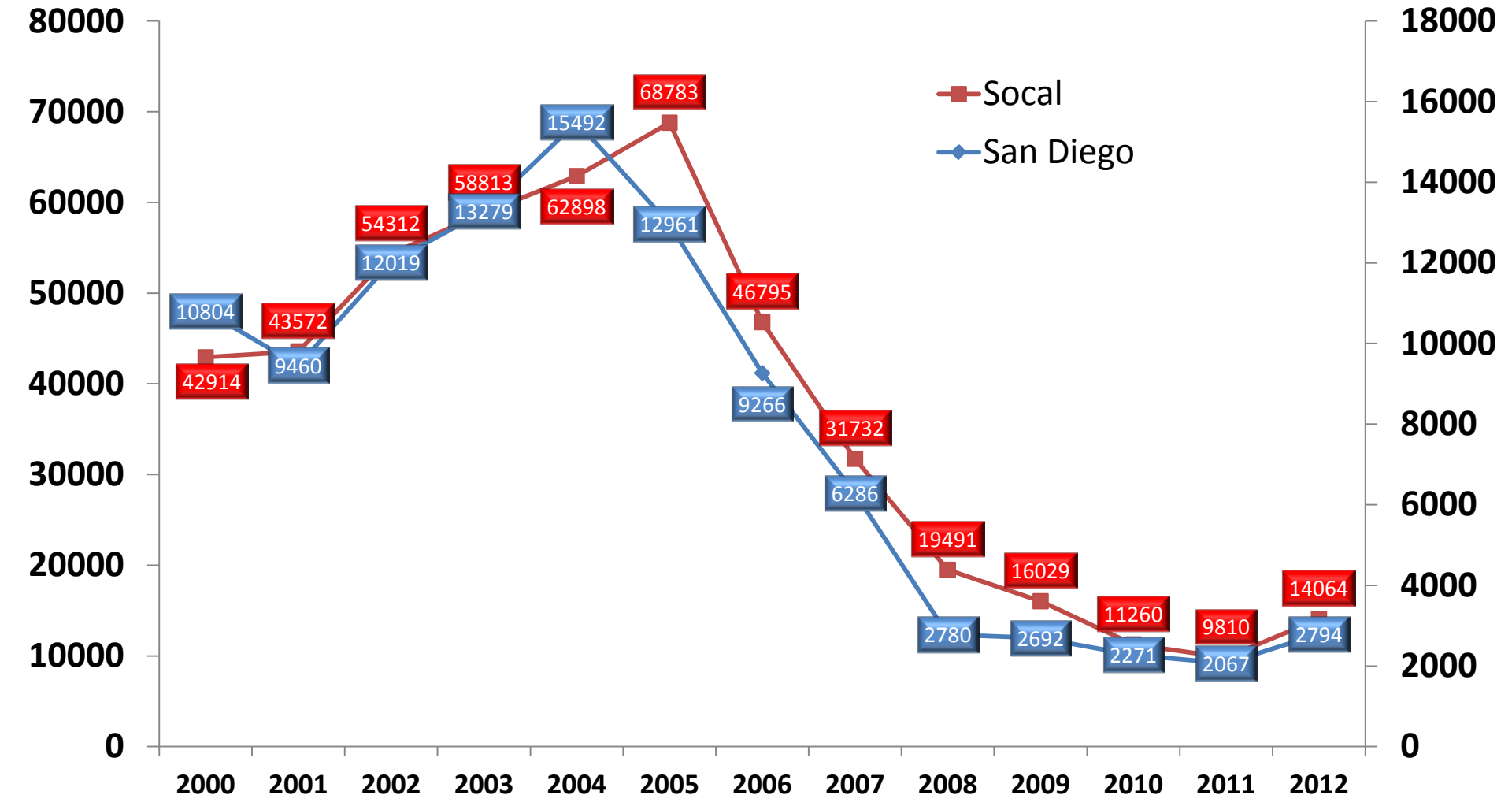
New Home Sales Trends in San Diego and Throughout the Southland Resemble a Scary Black Diamond Ski Run



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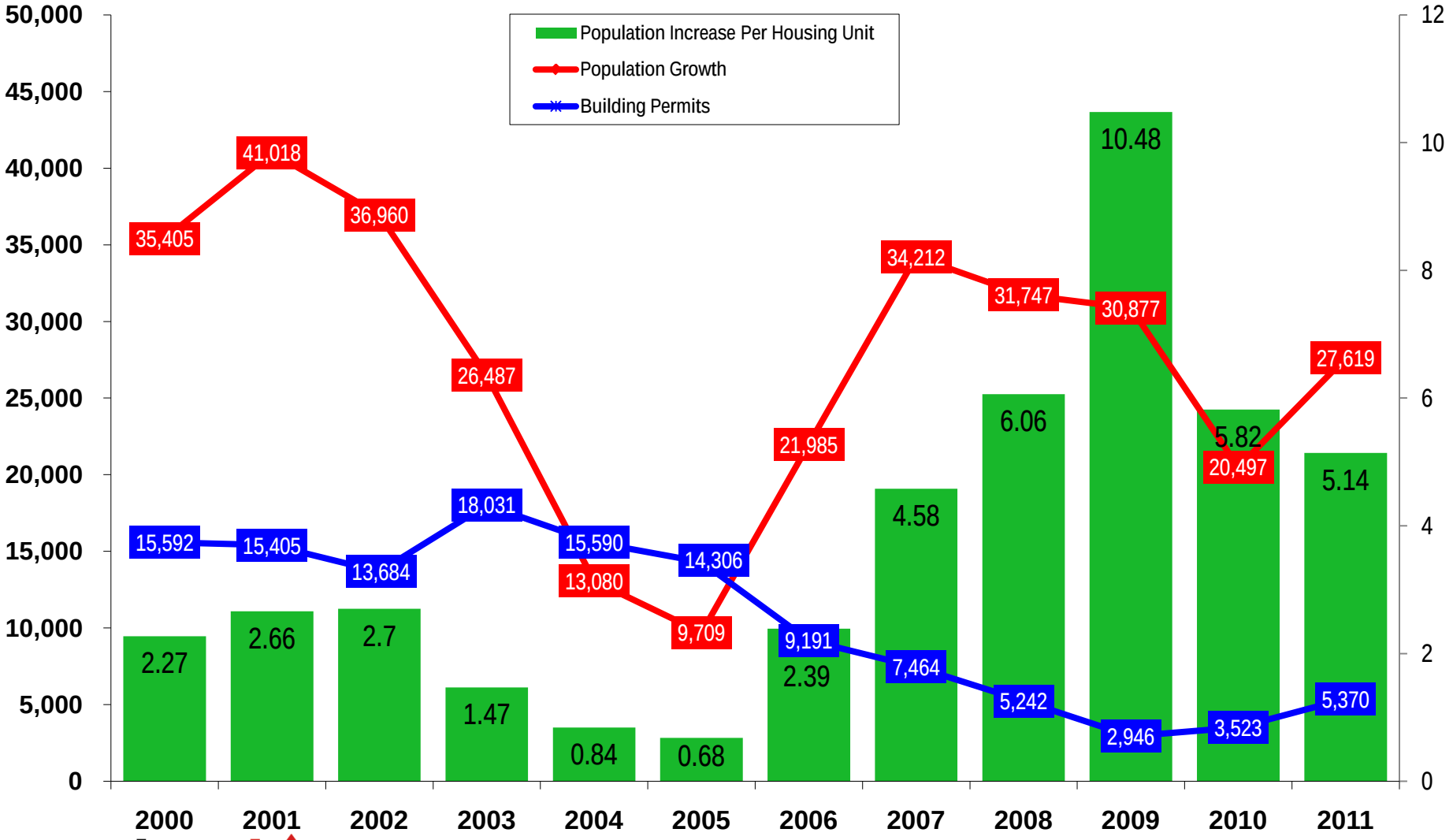
Strong Population Growth Coupled With Low Housing Production Levels Potentially Signals Development of Future Housing Shortage in San Diego



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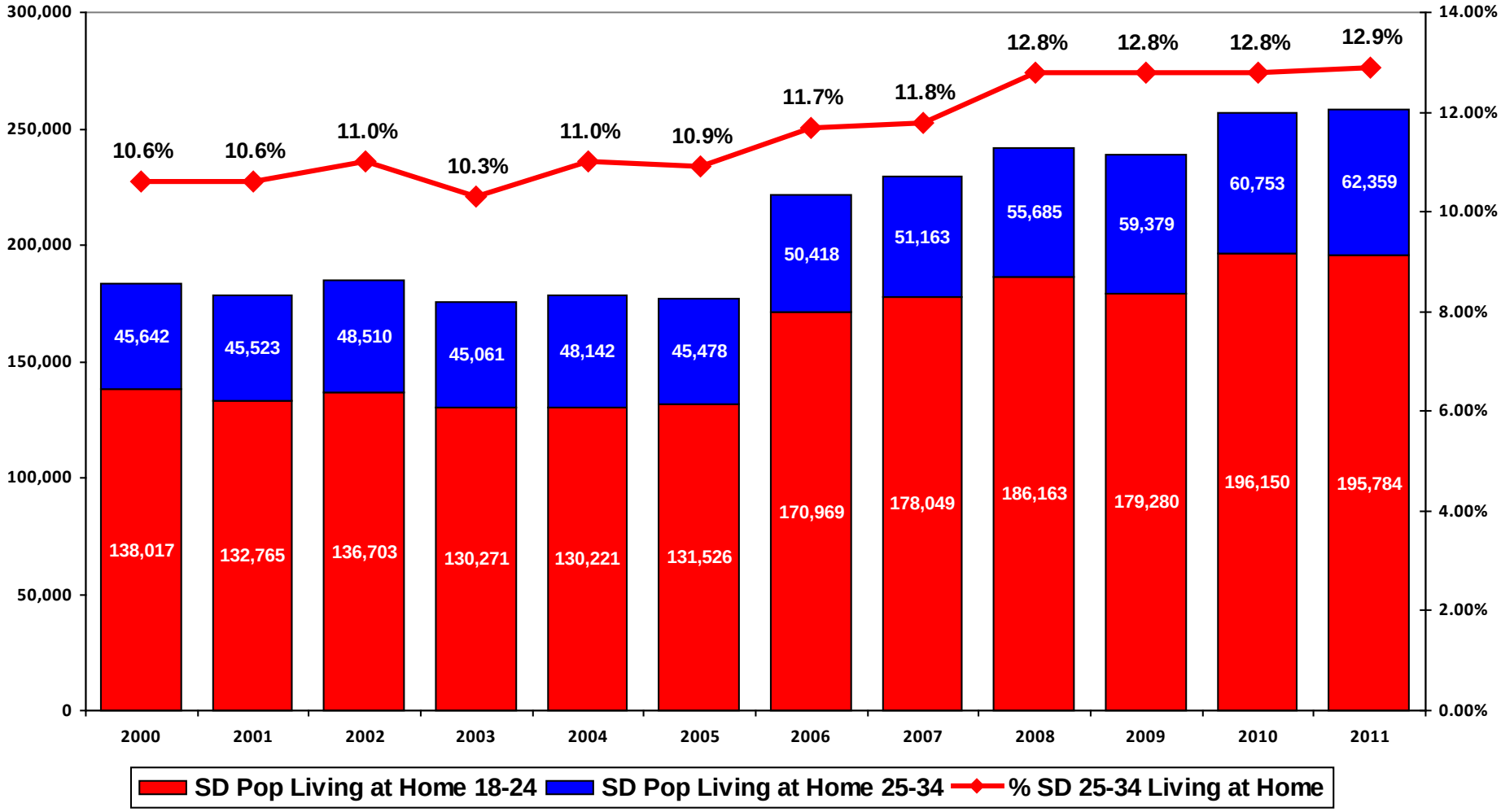
Tougher Economic Times Have Increased the Percentage of Echo Boomers Living at Home With Their Parents; Statewide They Total 2.8 Million, of Which 258,143 Live in San Diego County



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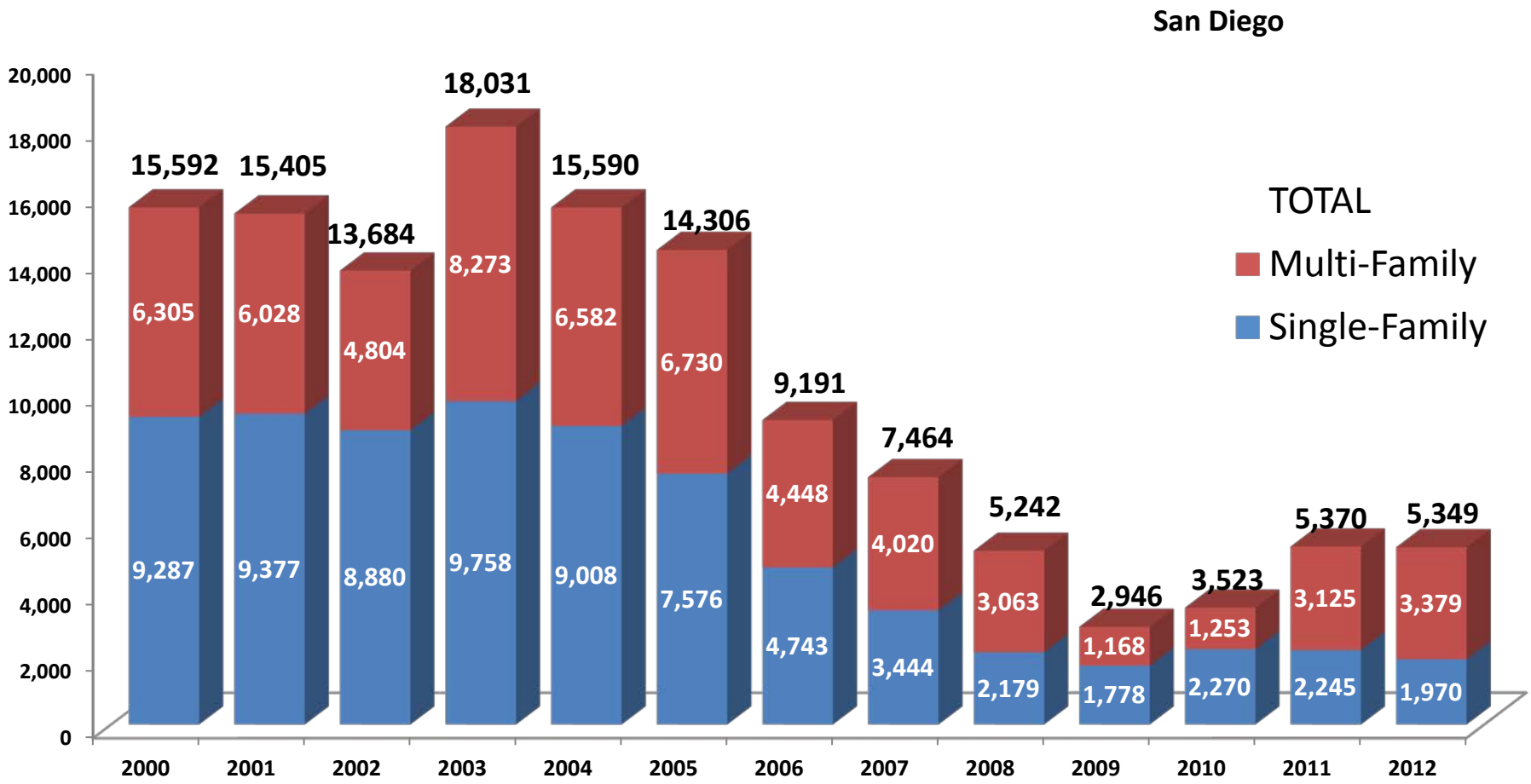
Much of the Multi Family Construction is Apartments



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2012 Permits are Through November

Easier Financing and Strong Demand Result Surge of New Rentals in County

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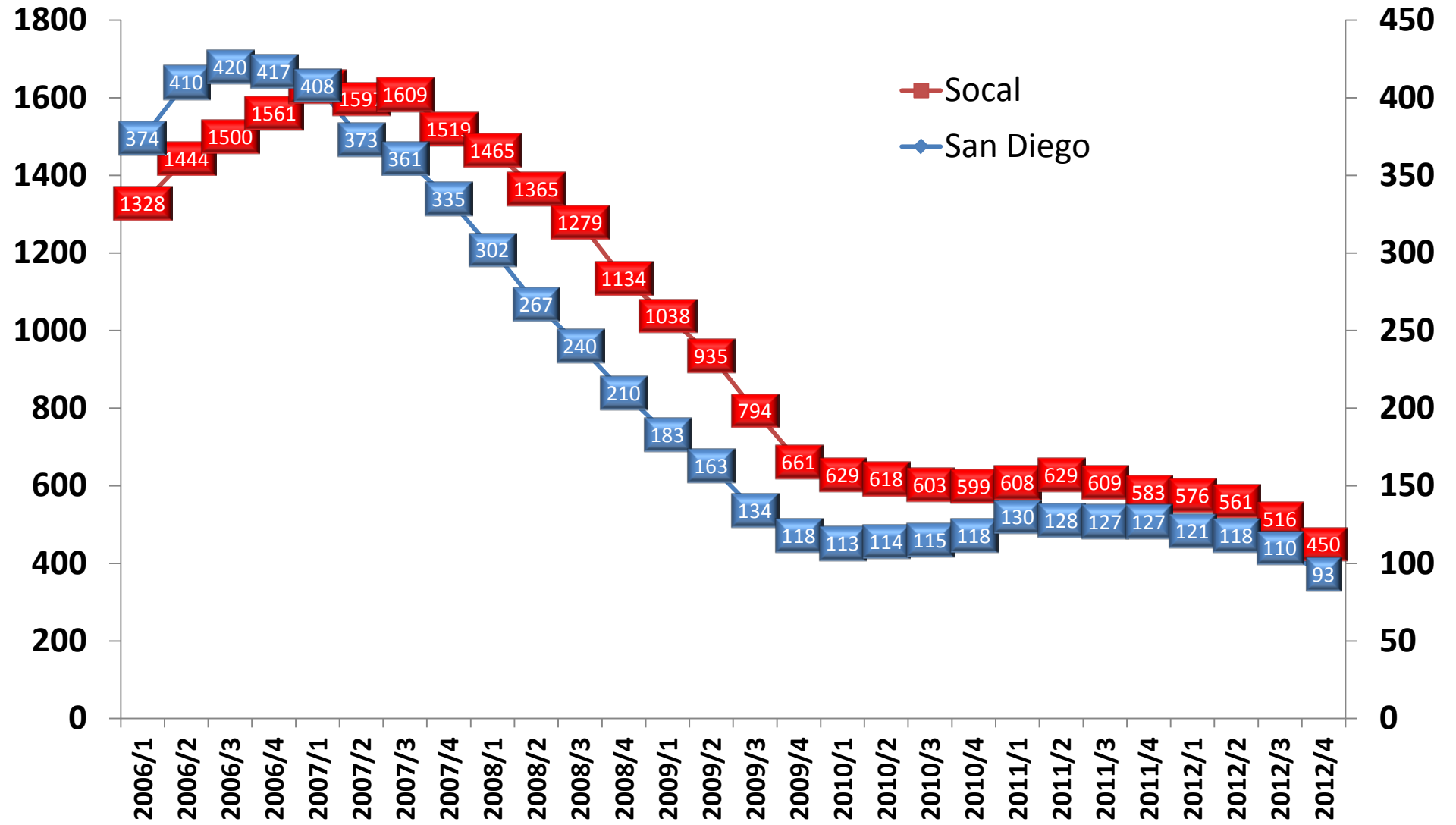
Competition Levels in San Diego are Down 78% From Peak in 2006, While SoCal Levels Are Down 72%



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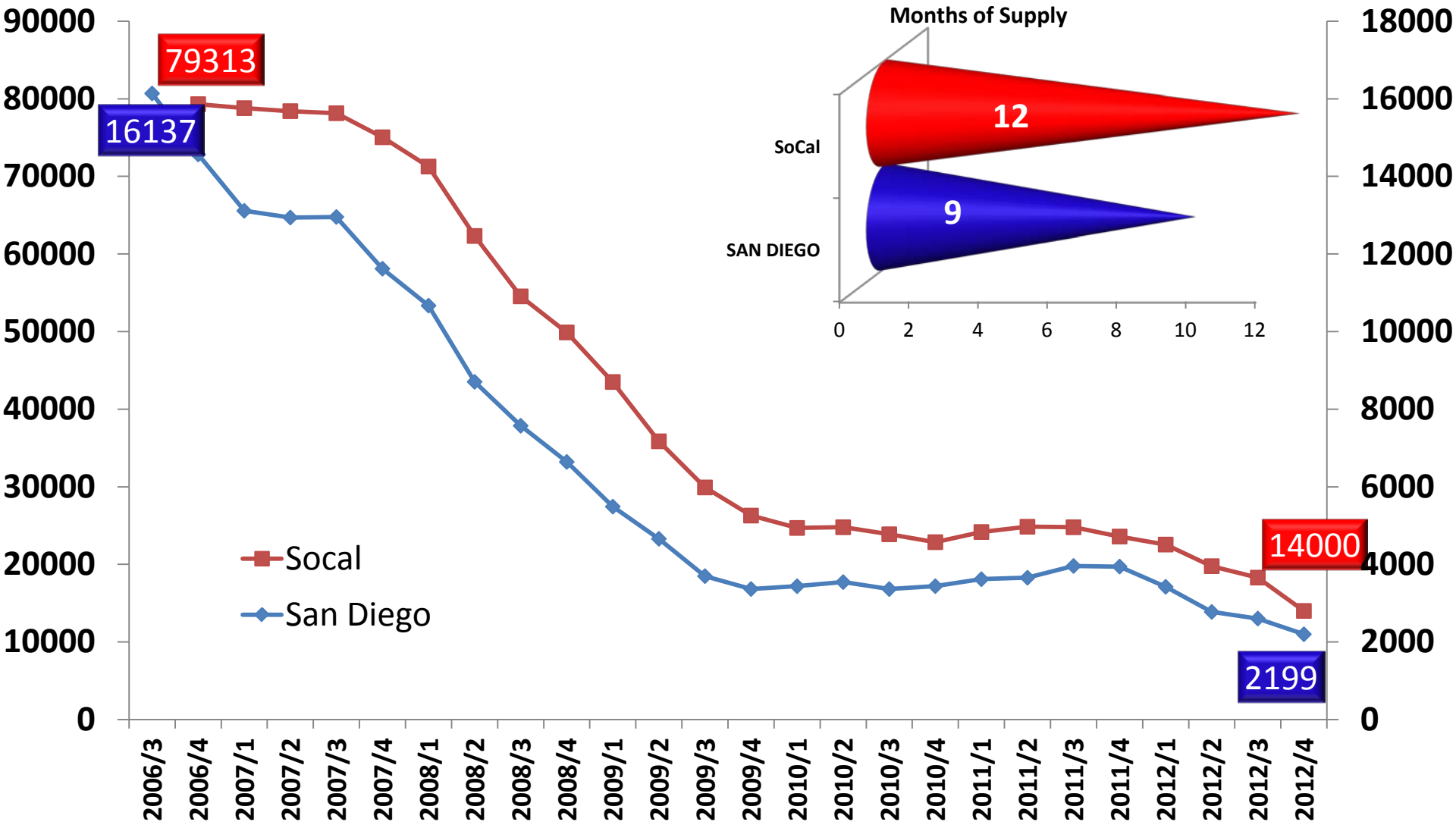
Months of Available Inventory in Actively Selling Projects Becoming Dangerously Low



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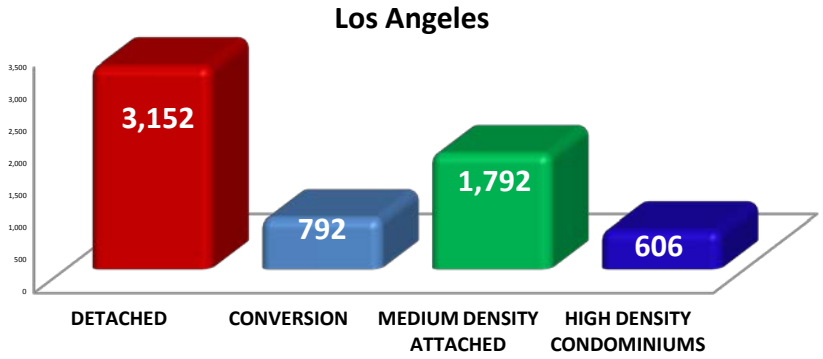
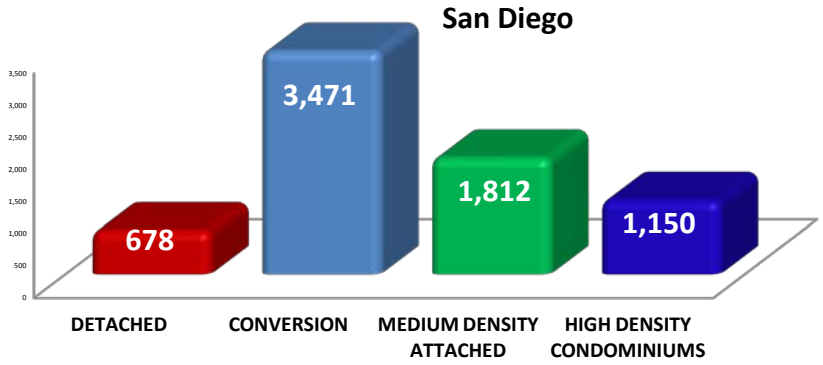
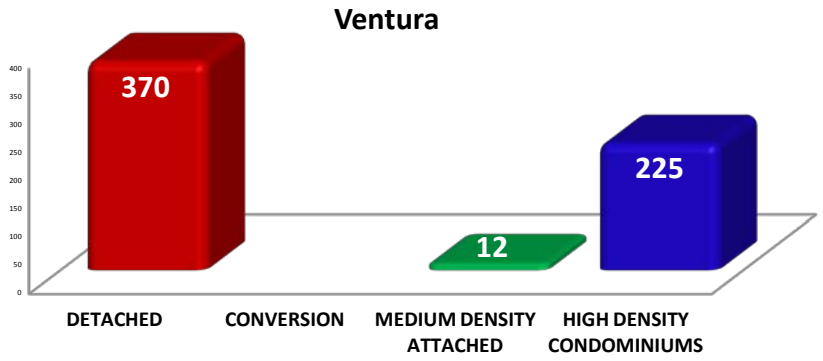
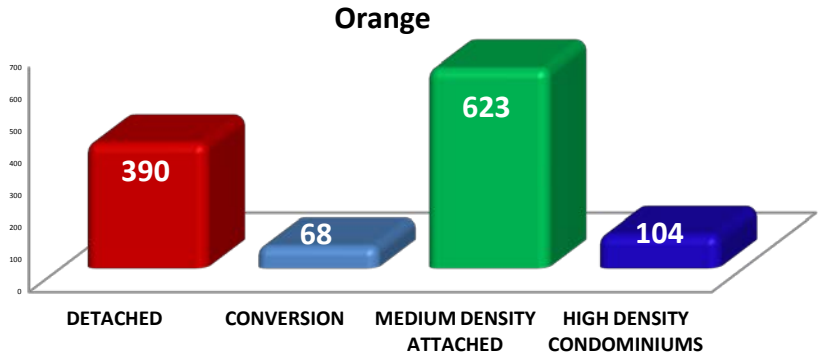
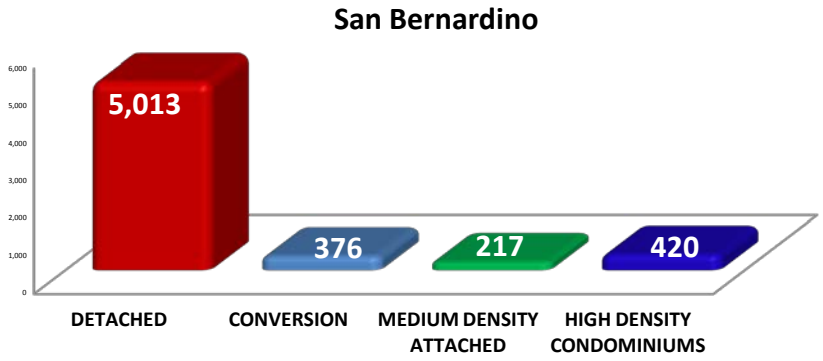
Much of the Attached Shadow Inventory Has Been Converted to Rentals

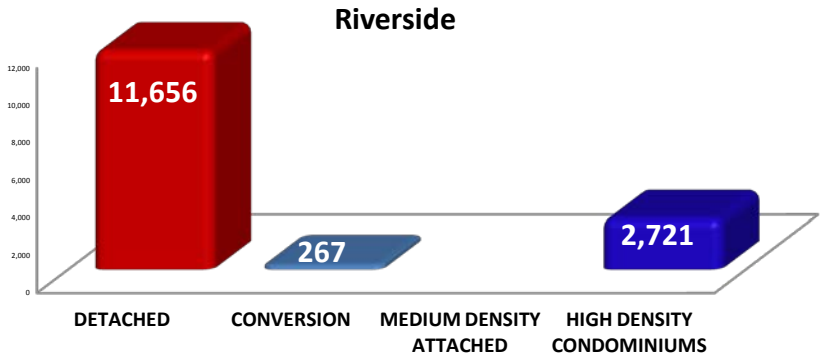




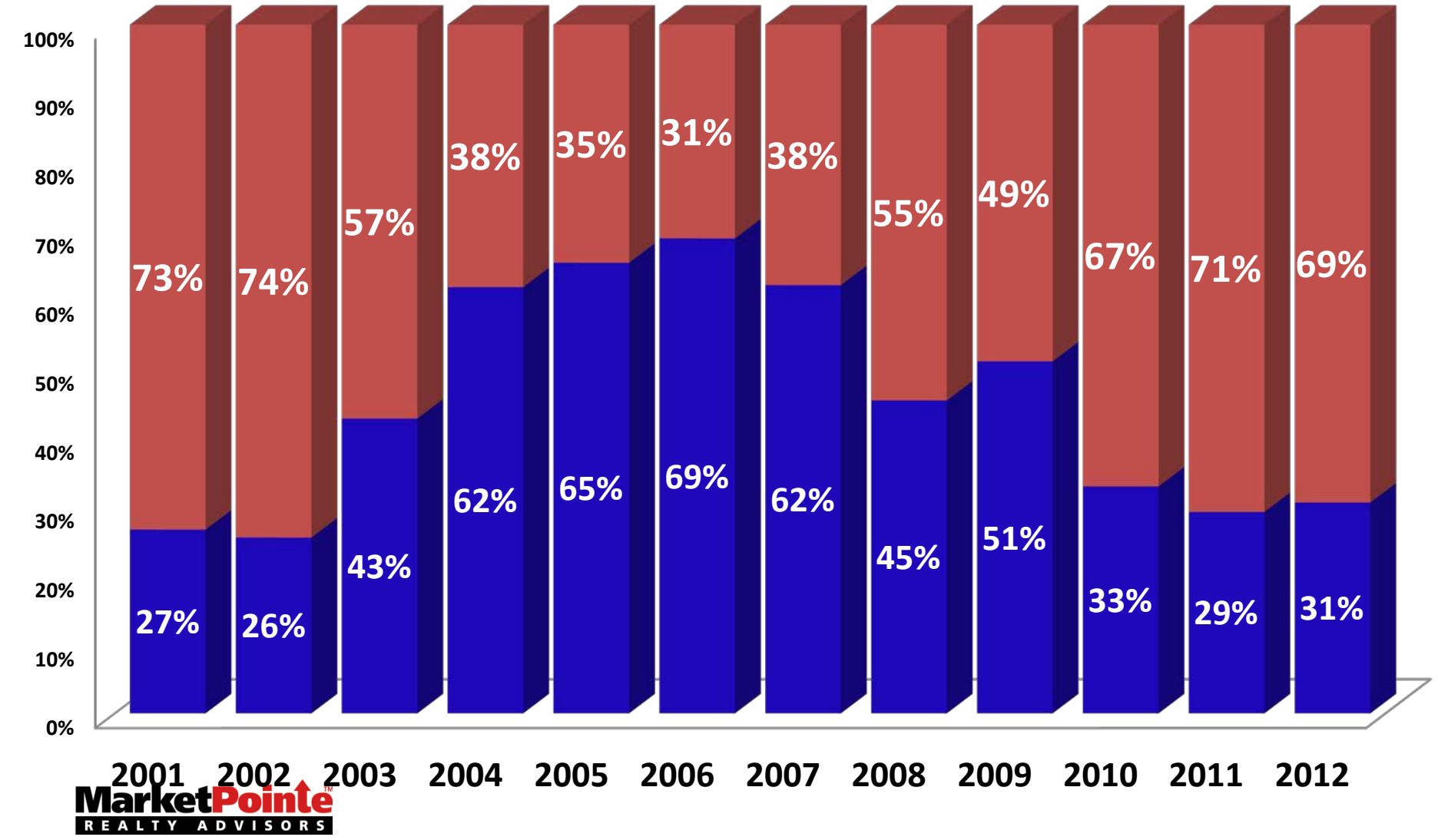








Resurgence of Detached Dominance of the San Diego New Home Market Should be Short Lived



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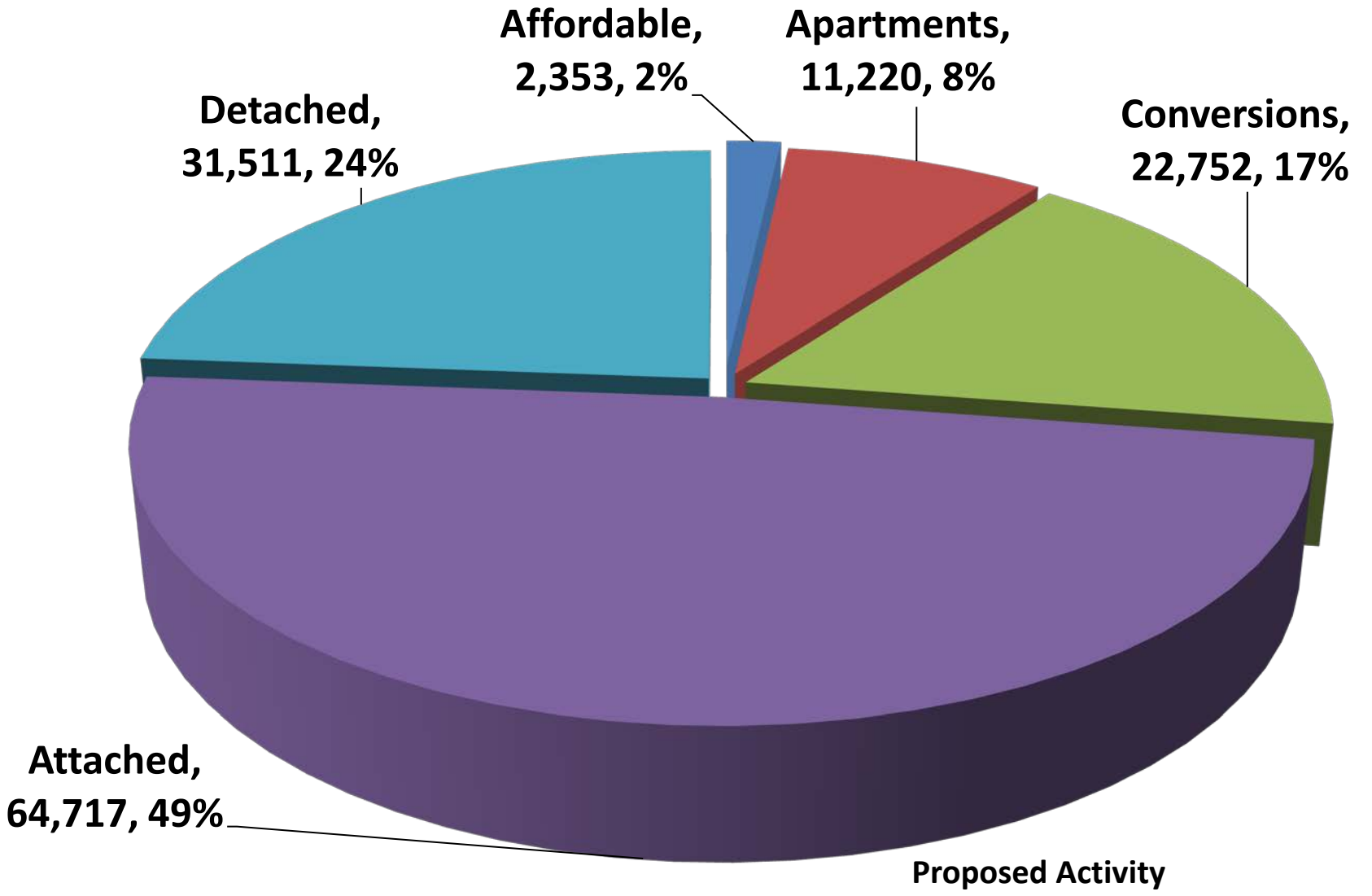
Less Than 25% of the County's 132,553 Proposed Units are Detached



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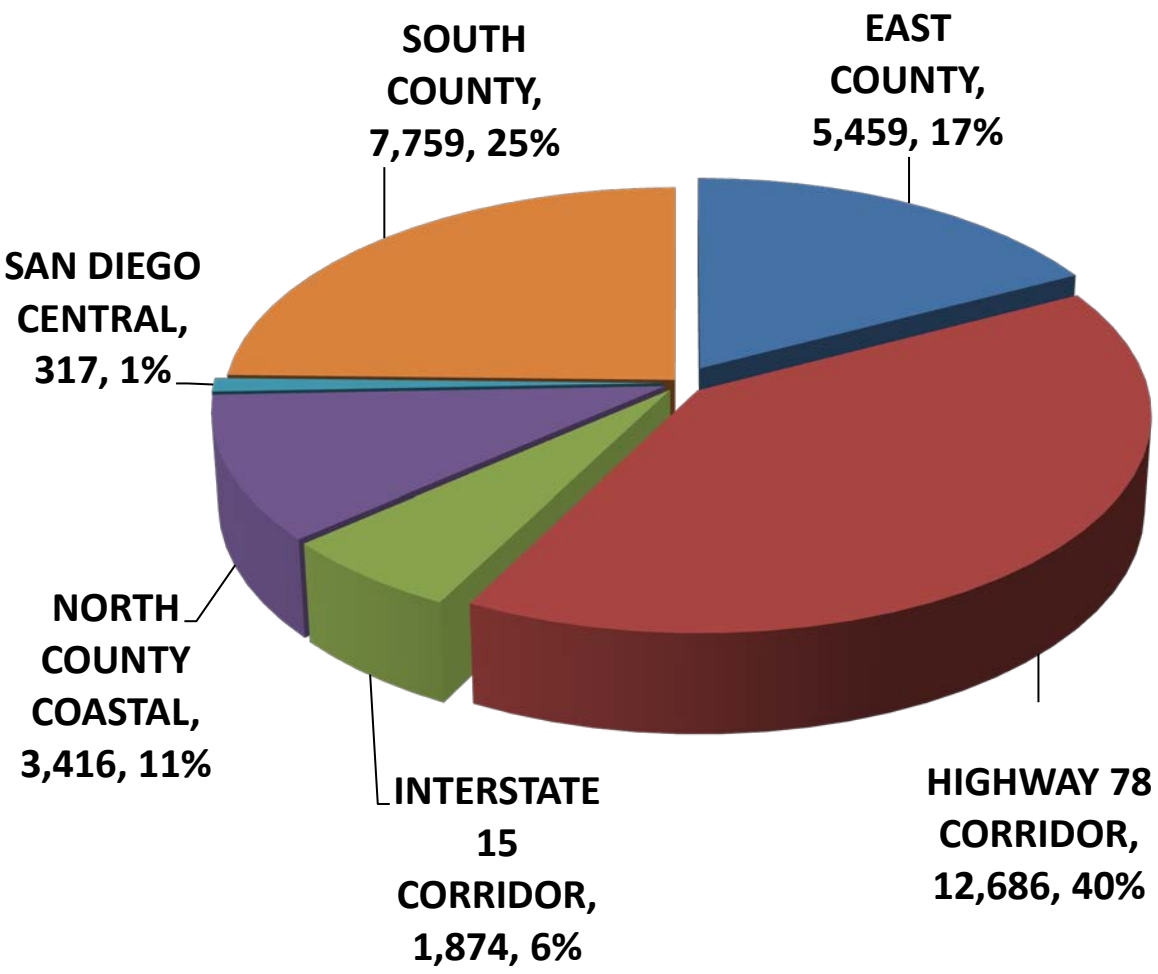
Highway 78 Corridor is Home to the Most Proposed Detached Activity

Proposed Detached Activity



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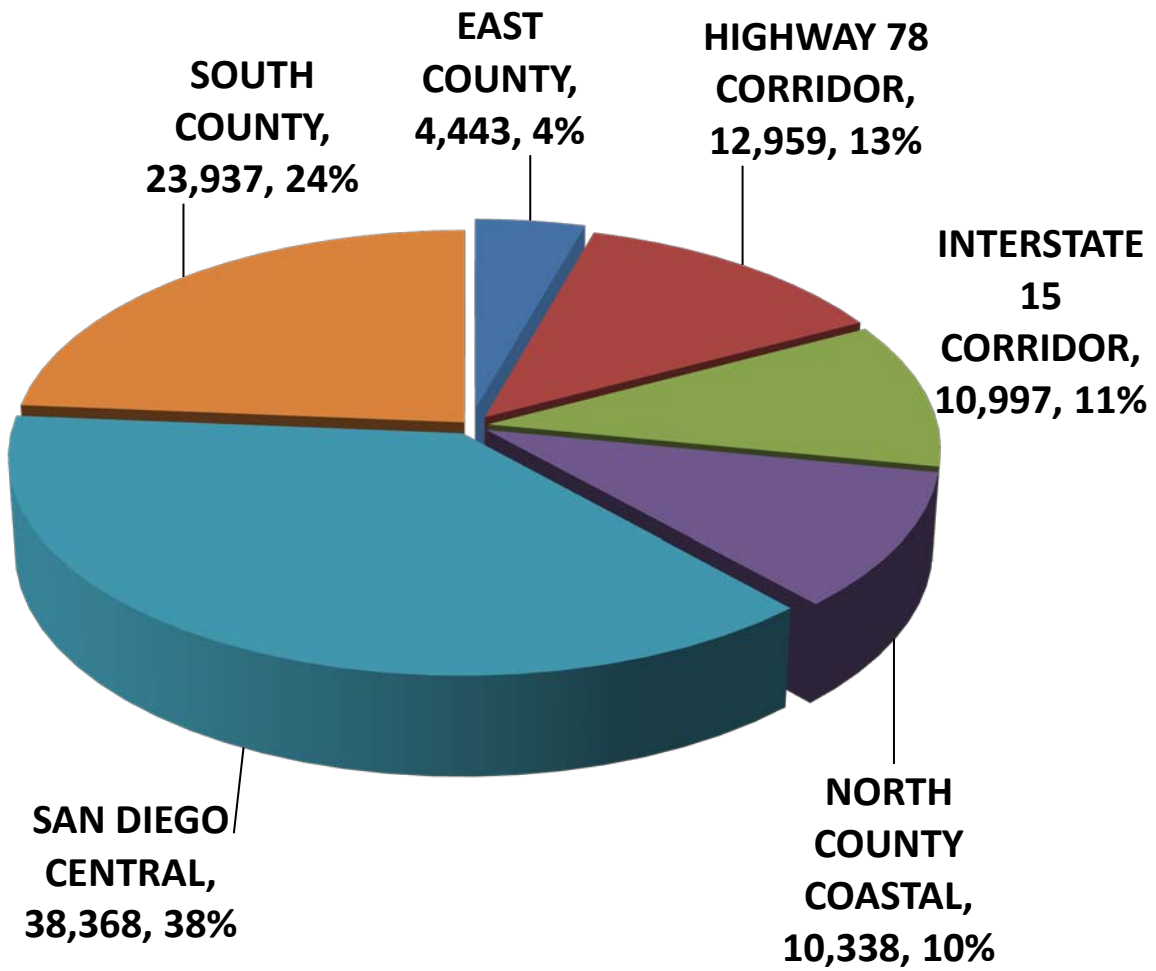
San Diego Central is Home to the Most Proposed Attached Activity

Proposed Detached Activity



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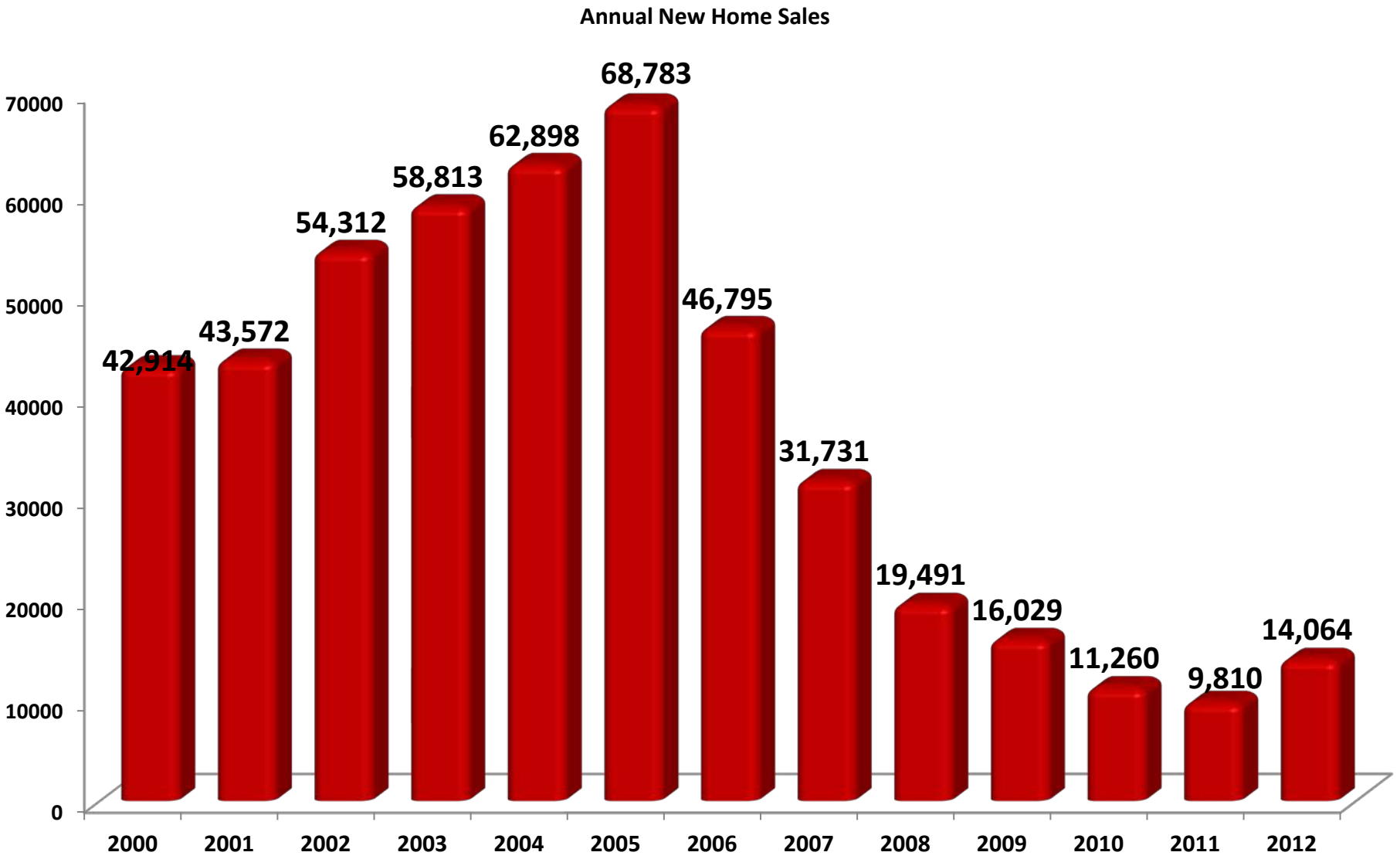
From an Historical Low of Just 9,810 New Home Last Year, The Southern California Marketplace Saw a 43% Increase in New Home Sales in 2012



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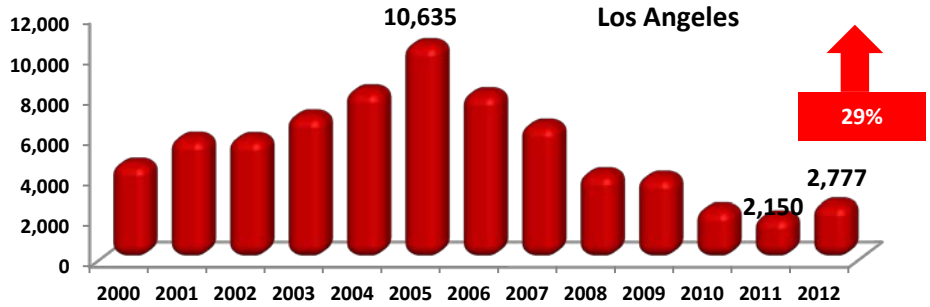
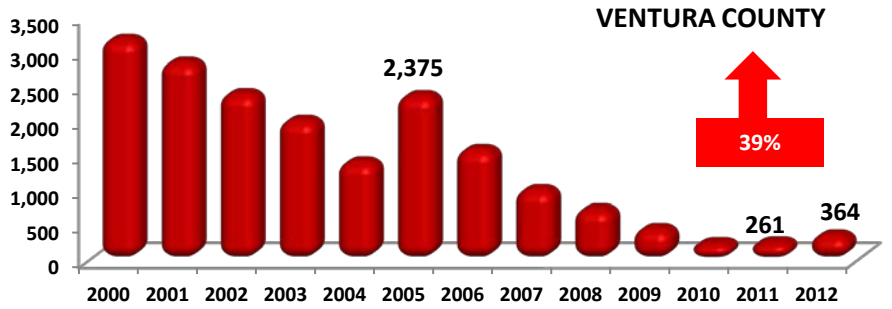
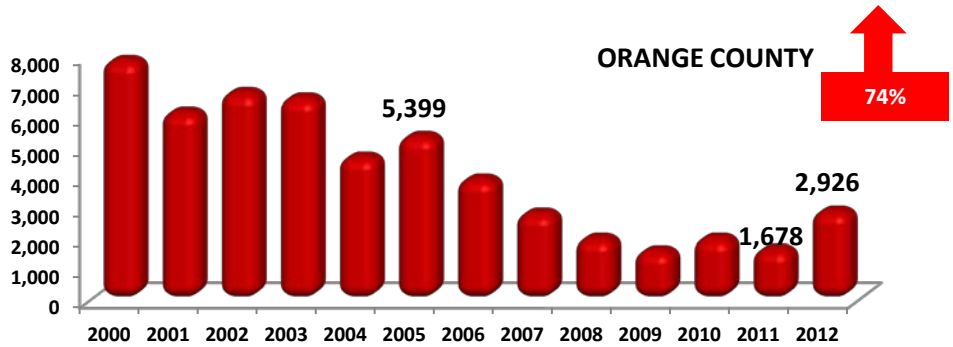
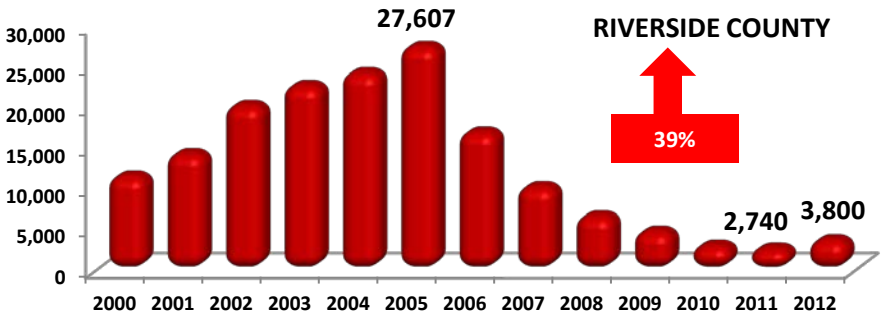
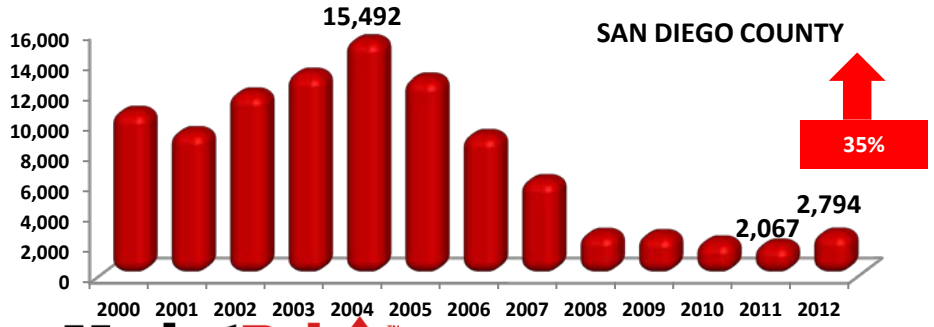
Orange & San Bernardino Realized Biggest Gains in 2012

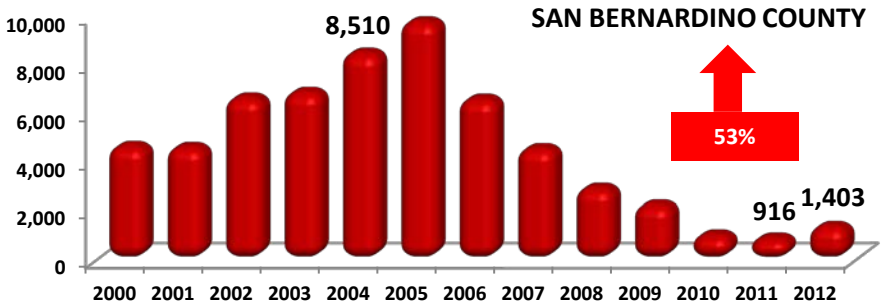












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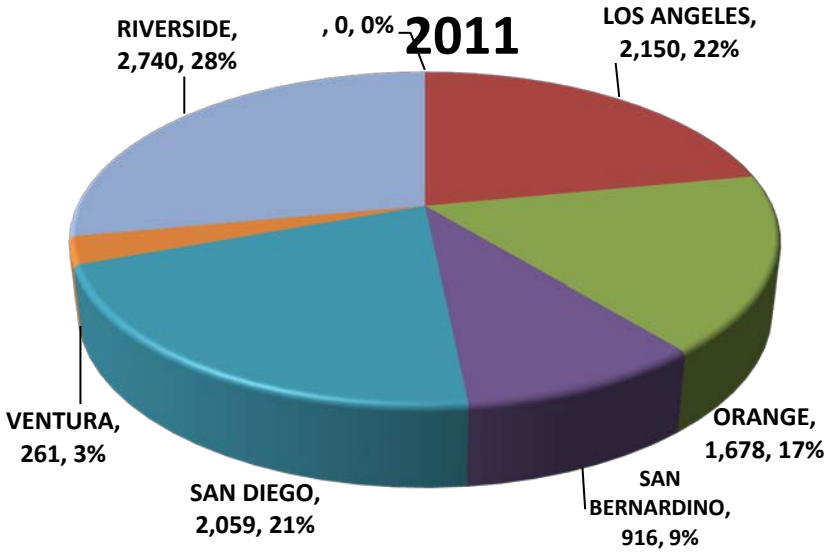
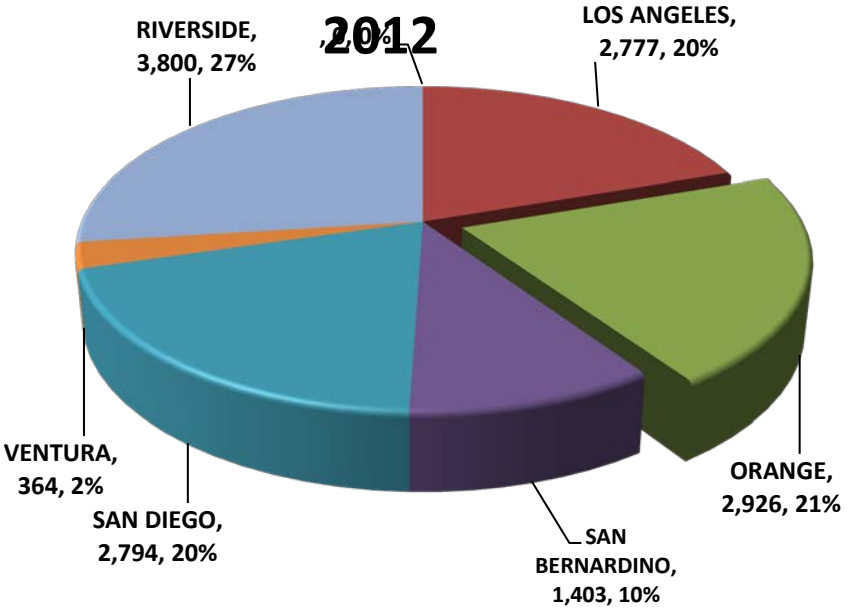
2012 Sales Through Q3

Southern California County's Market Share in 2012 Virtually The Same as in 2011





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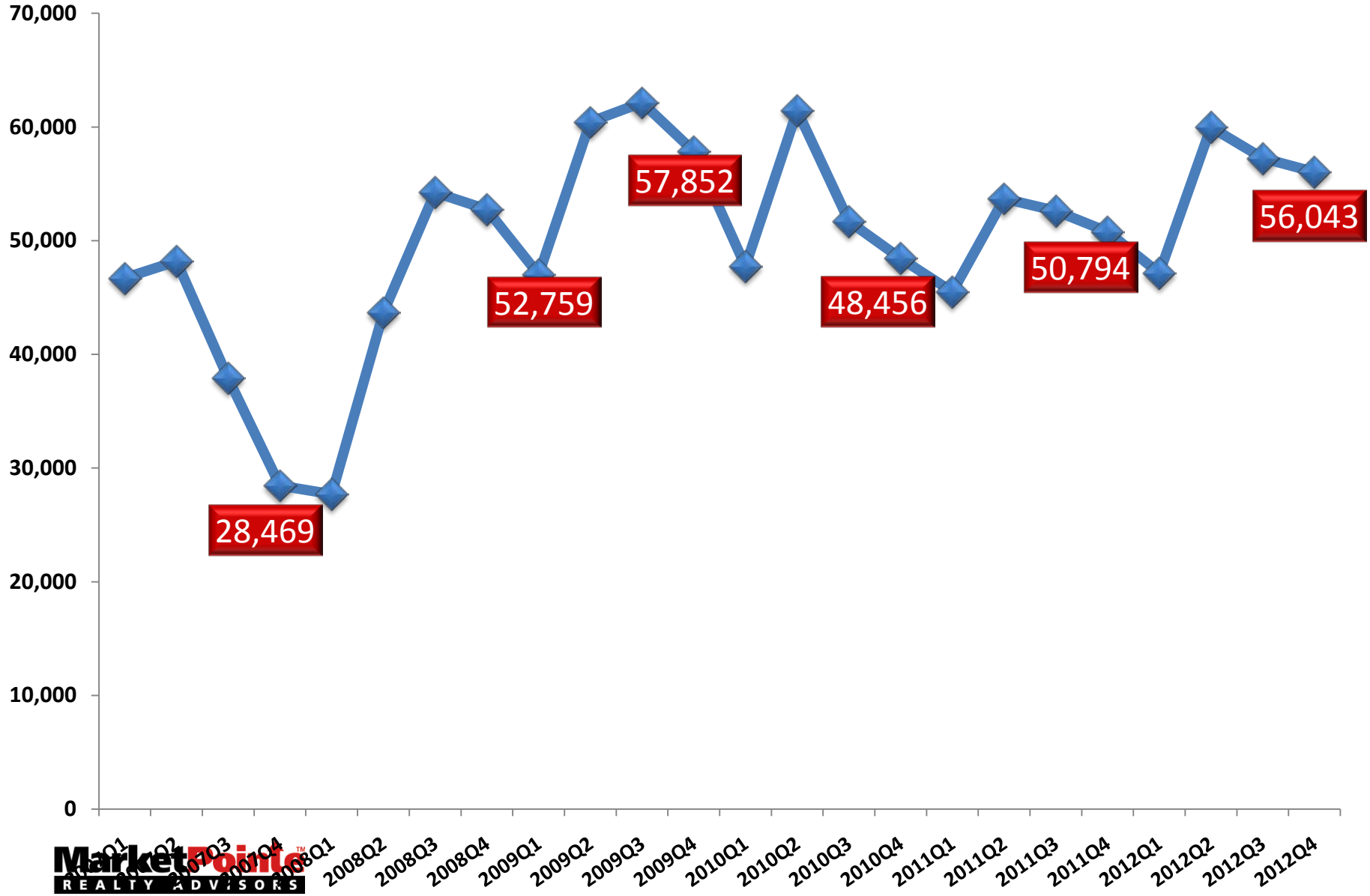
A Strong Showing in Resale Market Activity at the End of 2012 Pushed Resale Volumes up 8.8% Above Last Year



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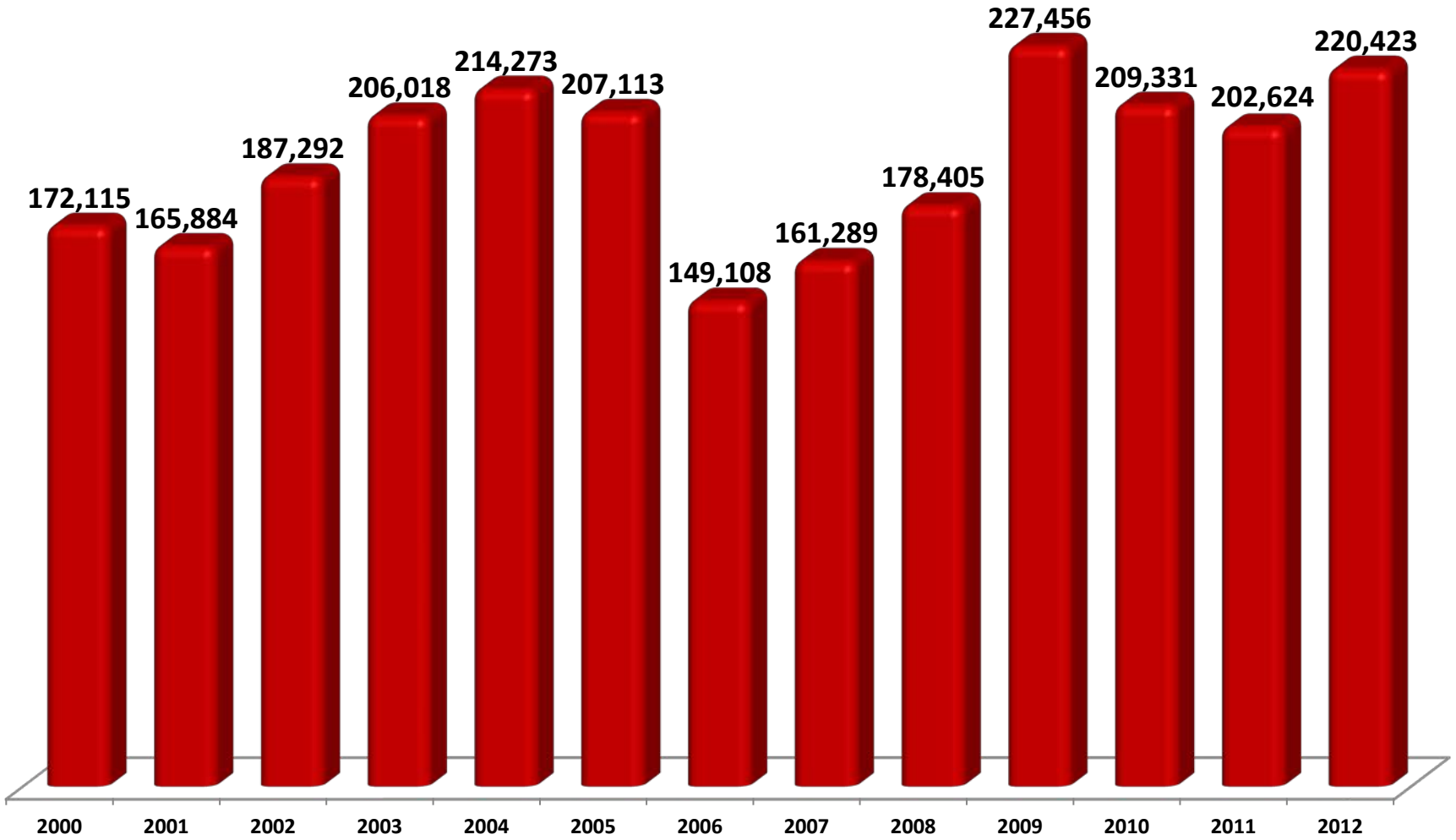
Pushed Resale Volumes up 8.8% Above Last Year



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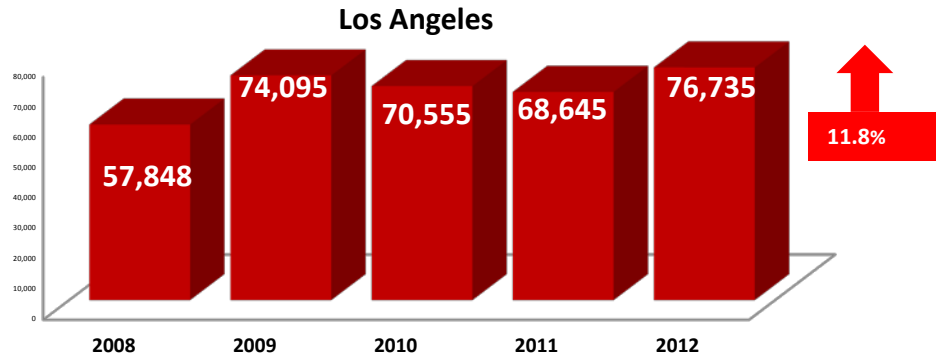
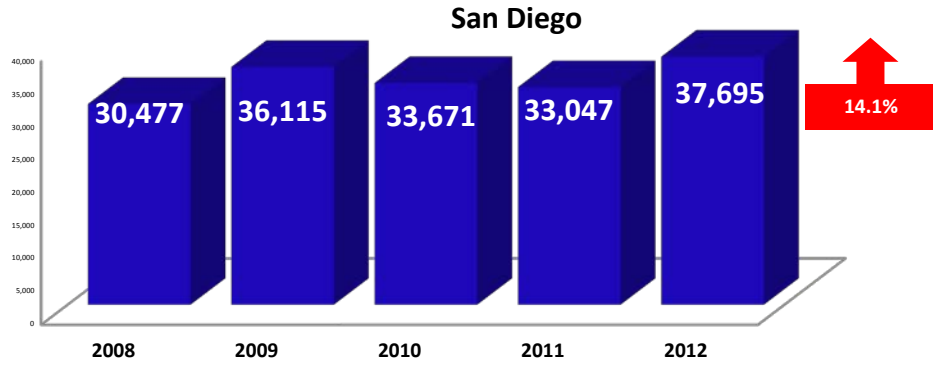
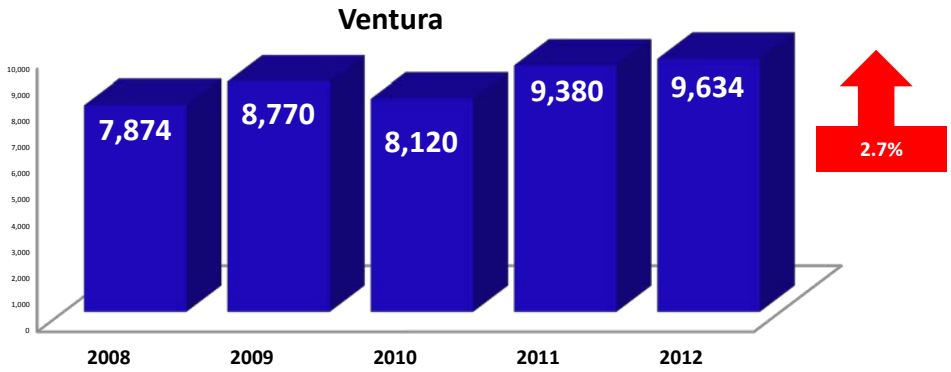
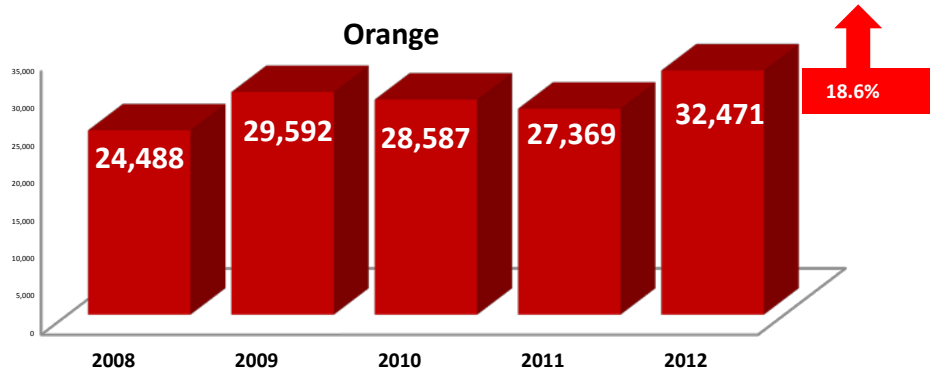
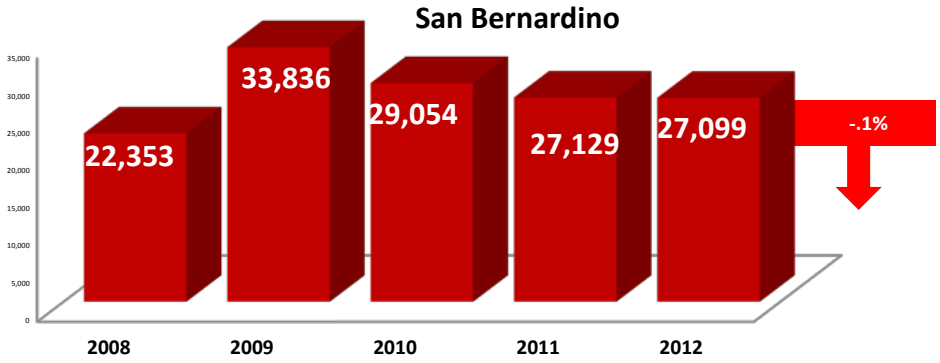
While All Counties Posted Significant Gains in New Home Sales, in the Resale Sector Inland Counties Were Flat

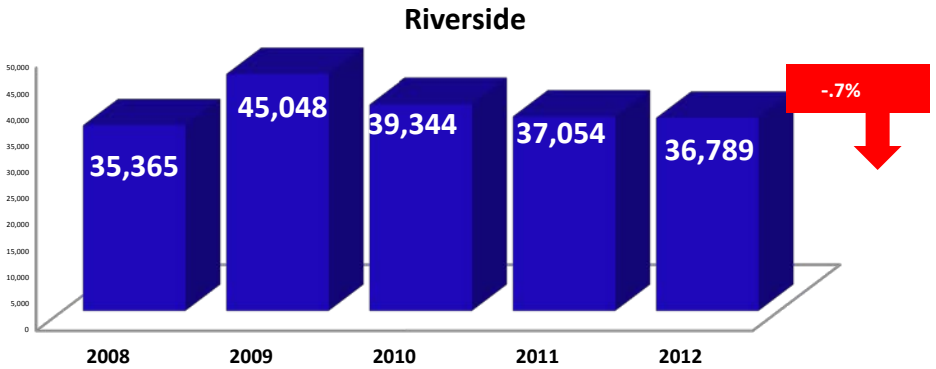




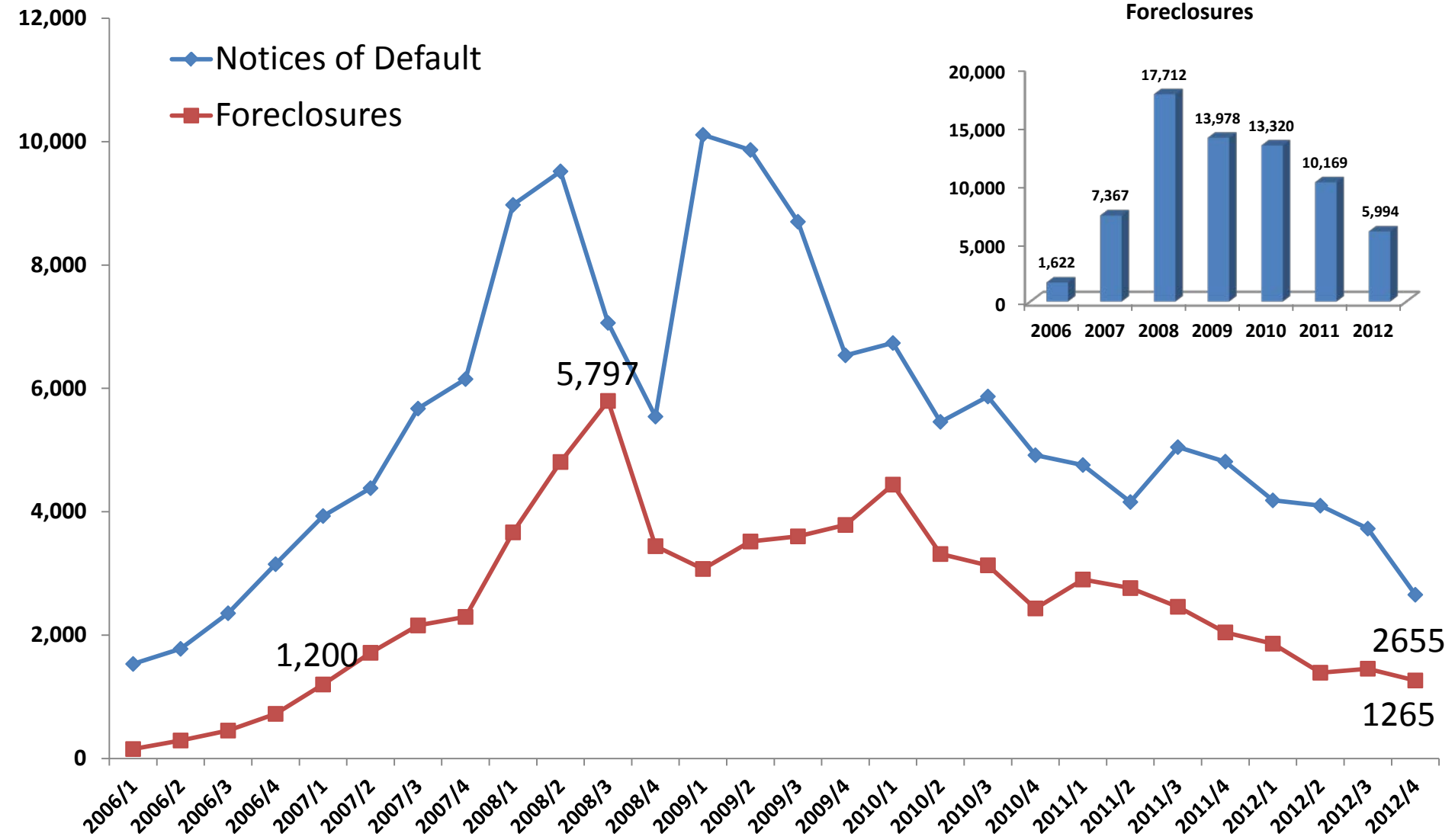








San Diego Appears to be Working Through its Distressed Housing Stock at a Slightly Quicker Rate Than Other SoCal Counties



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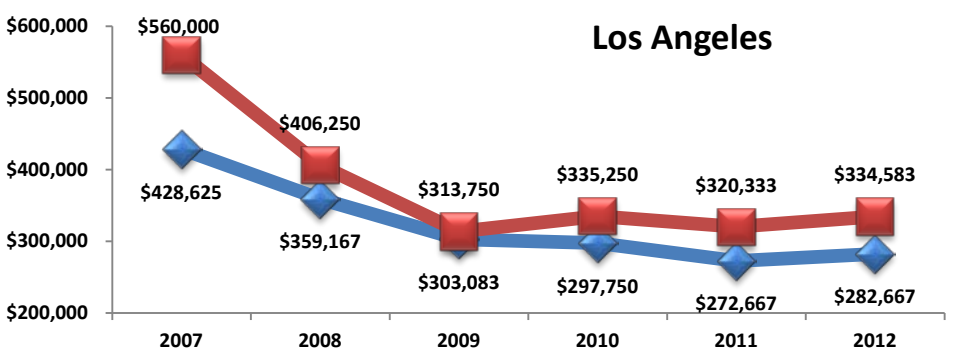
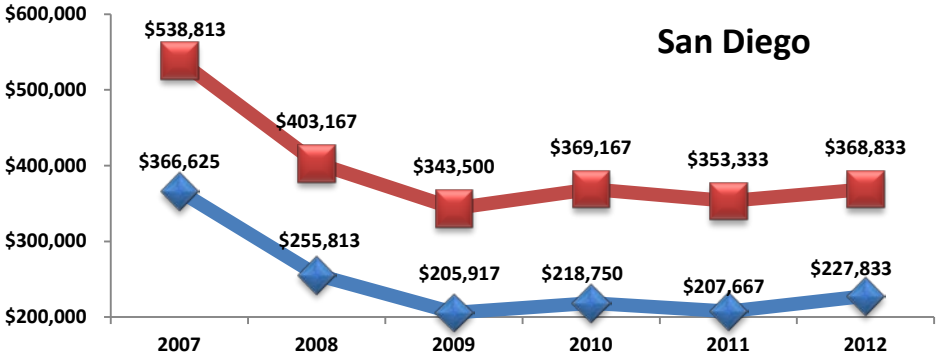
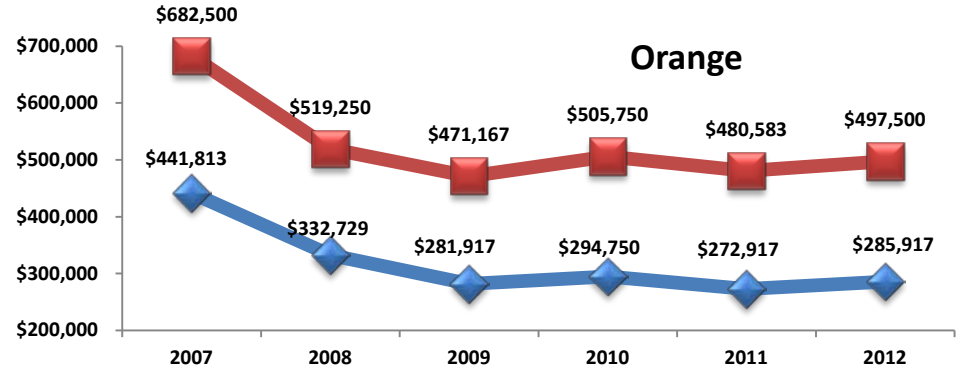
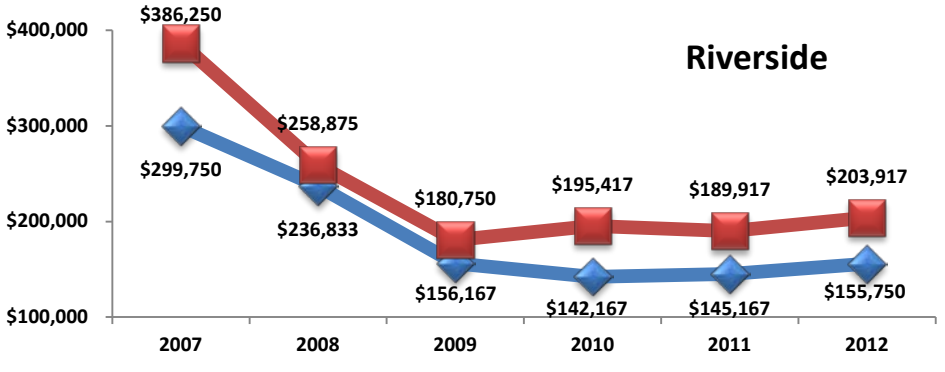
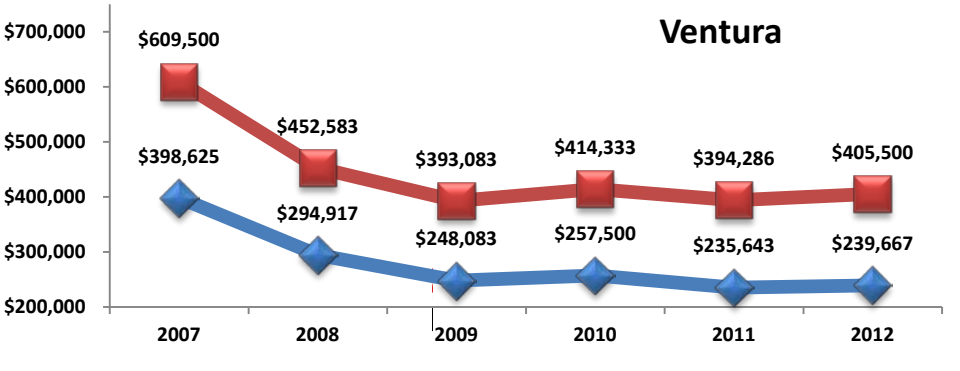
Resale Prices Trending up in All Southern California Counties

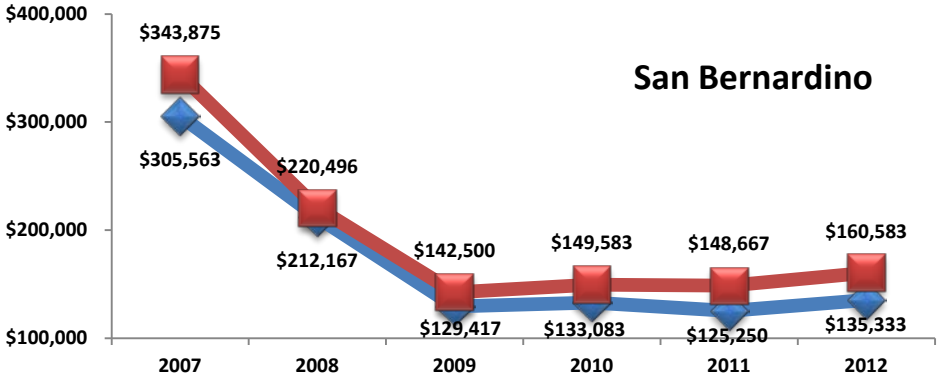




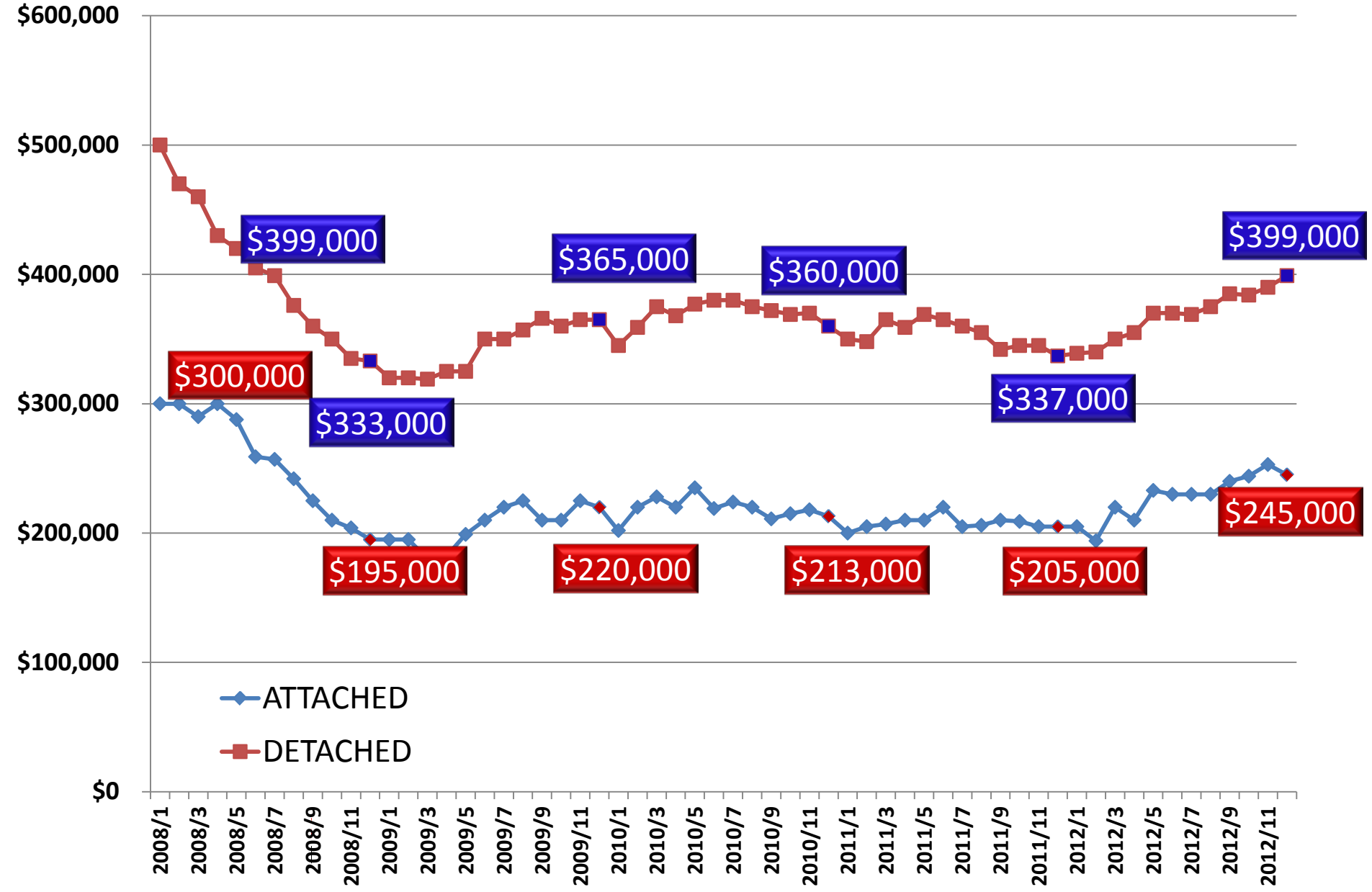




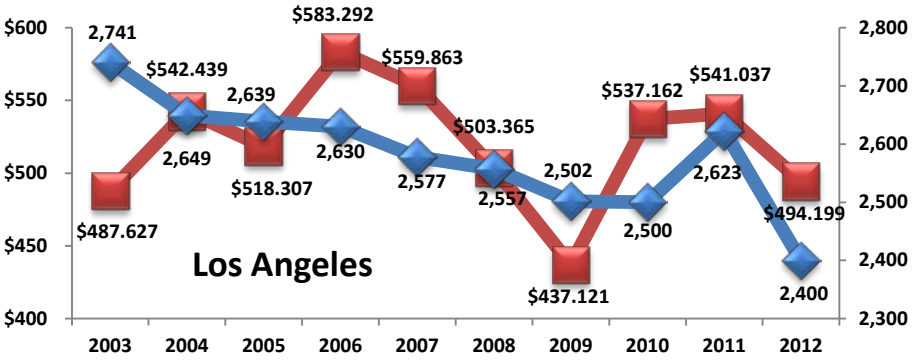


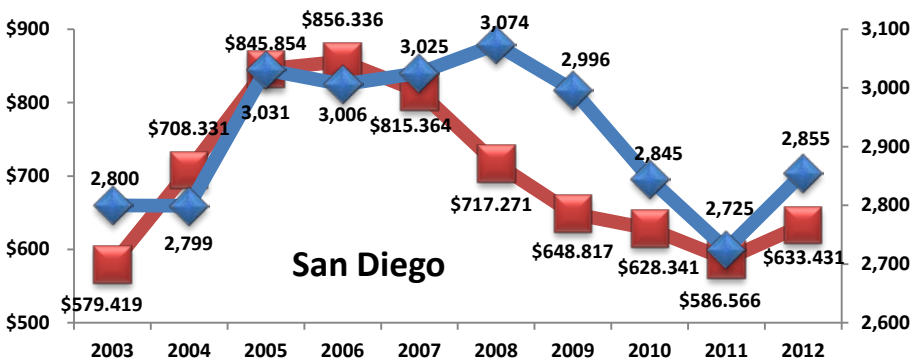


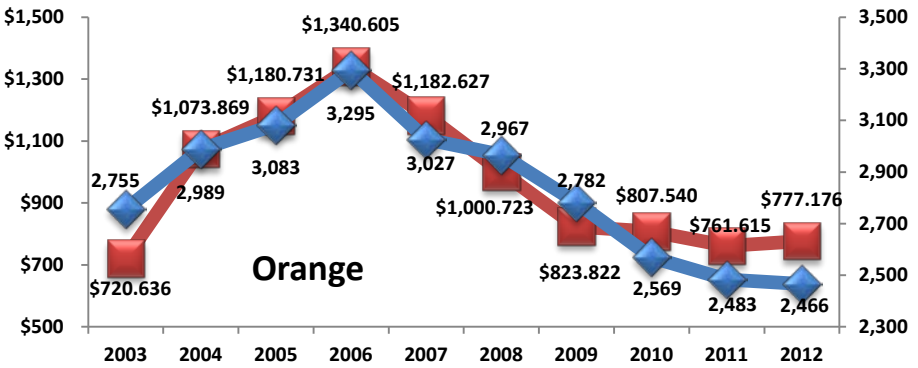
San Diego Detached Resale Average up 18% From a Year Ago and Approaching $400,000 For the First Time Since August 2008

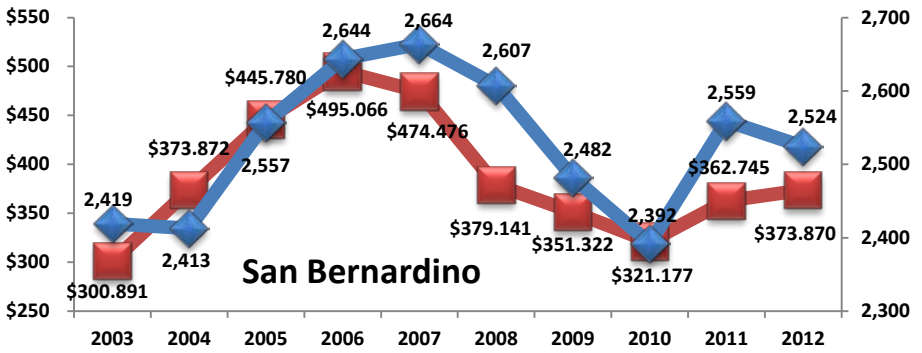


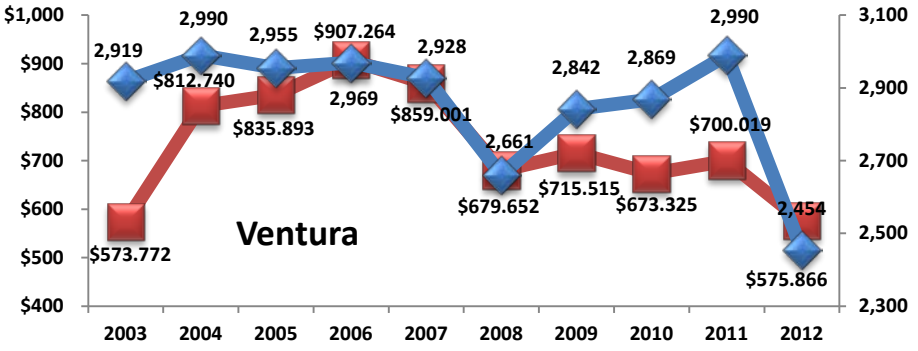
New Detached Home Pricing Trends

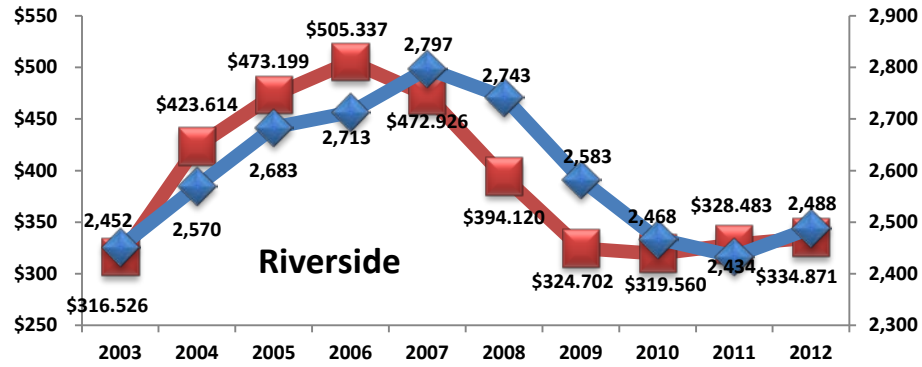




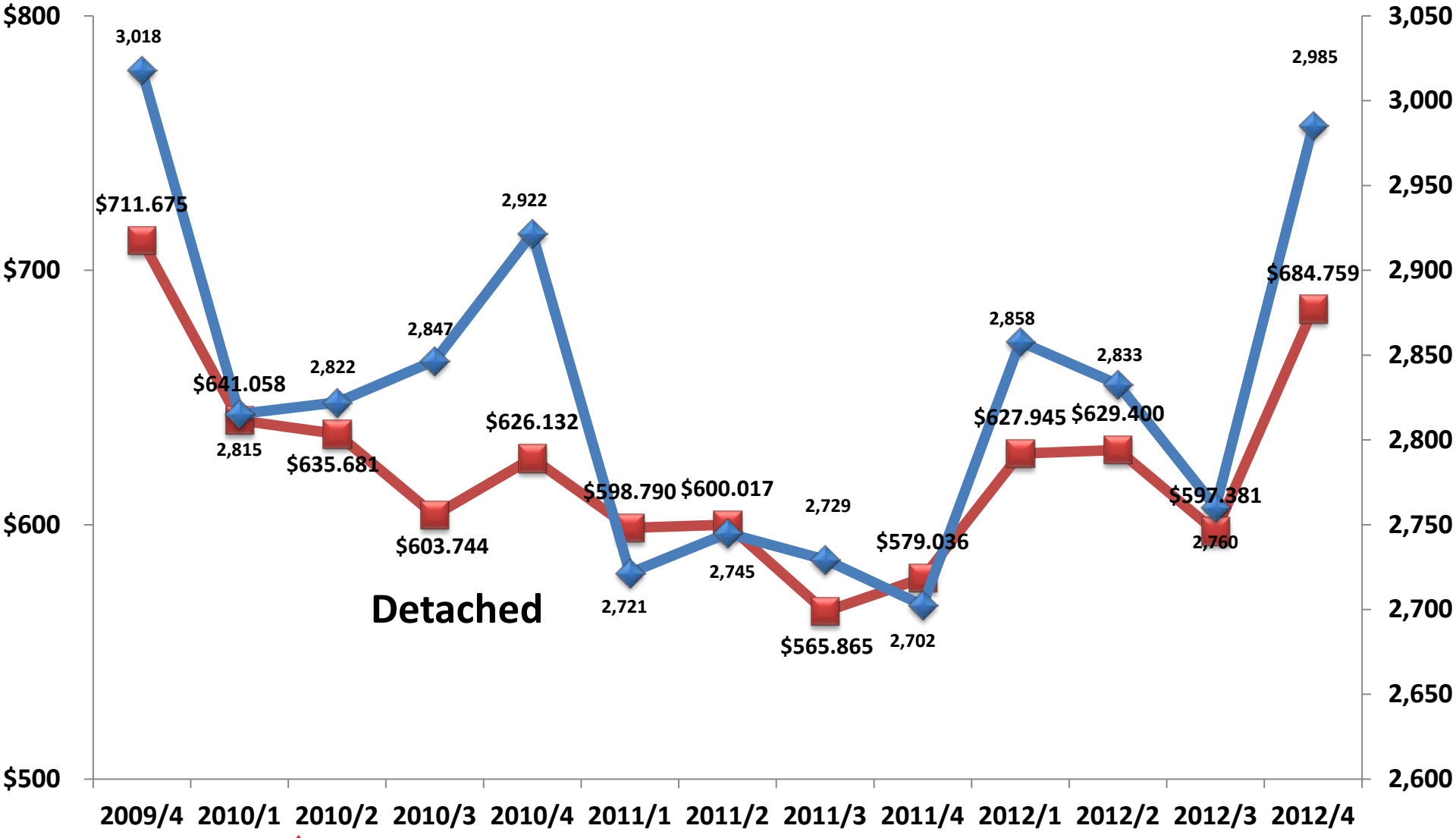








San Diego County New Home Pricing Trends



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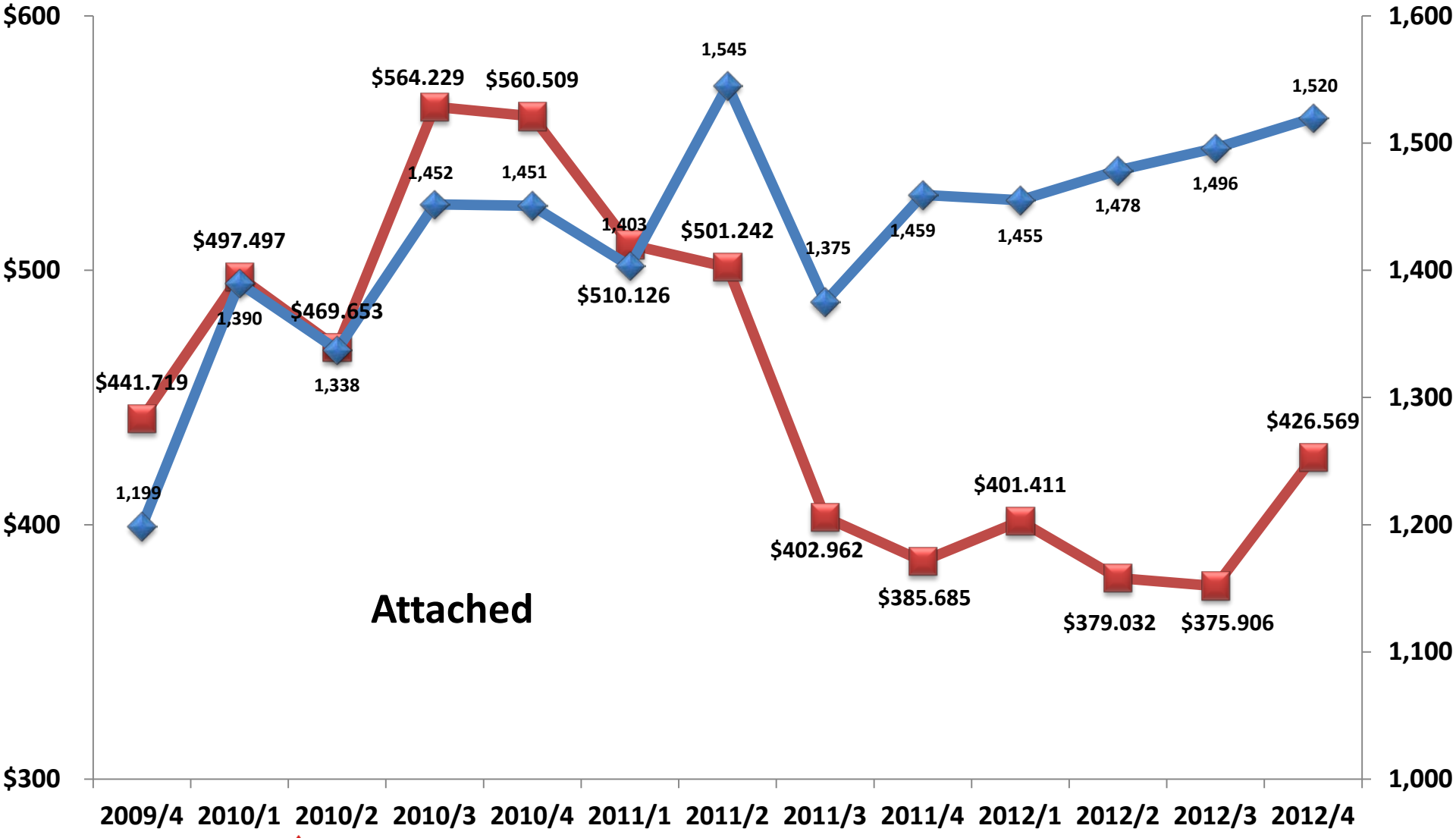
San Diego County New Attached Home Pricing Trends



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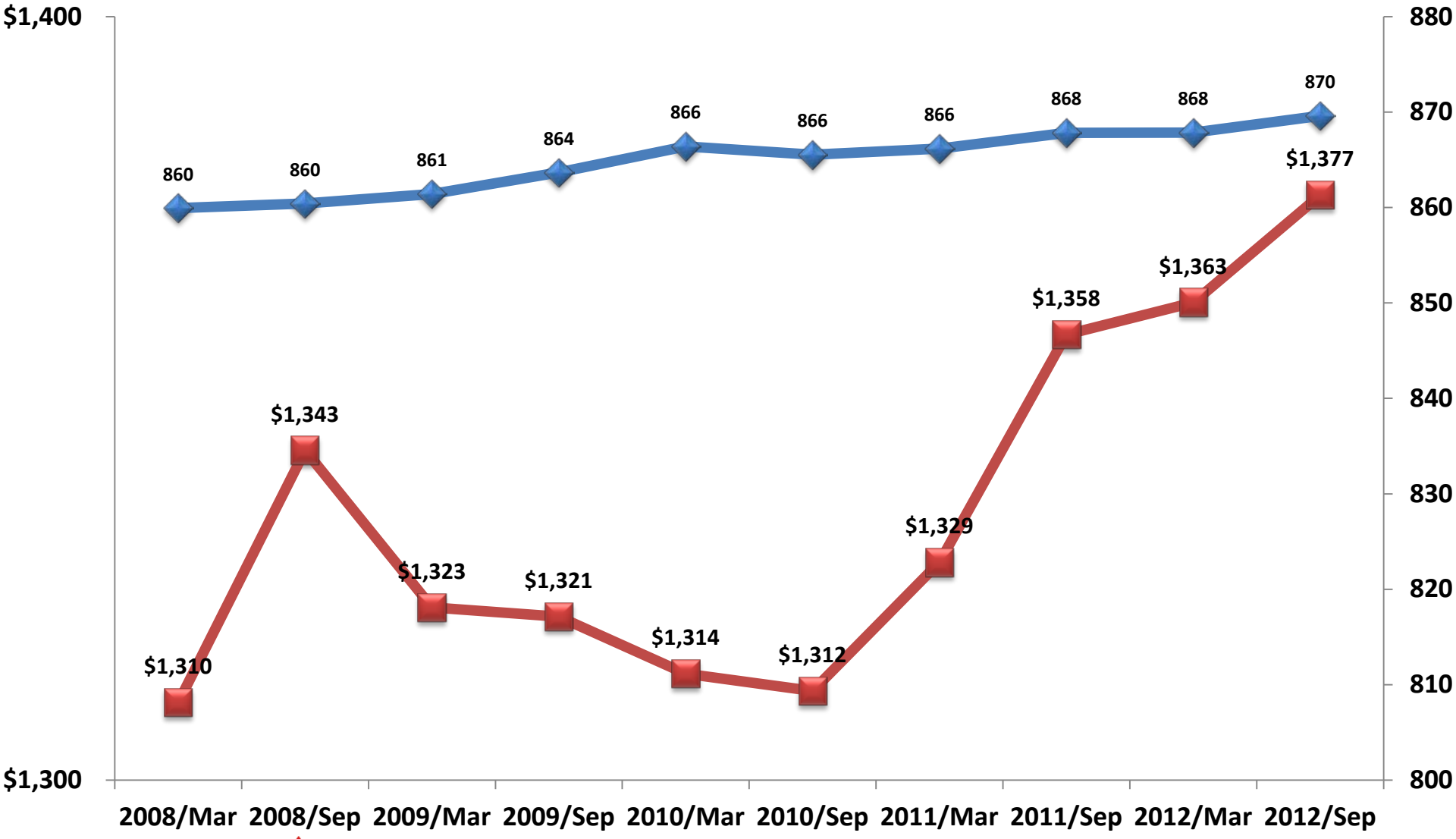
Countywide Rental Rate Averages Have Soared to New Highs



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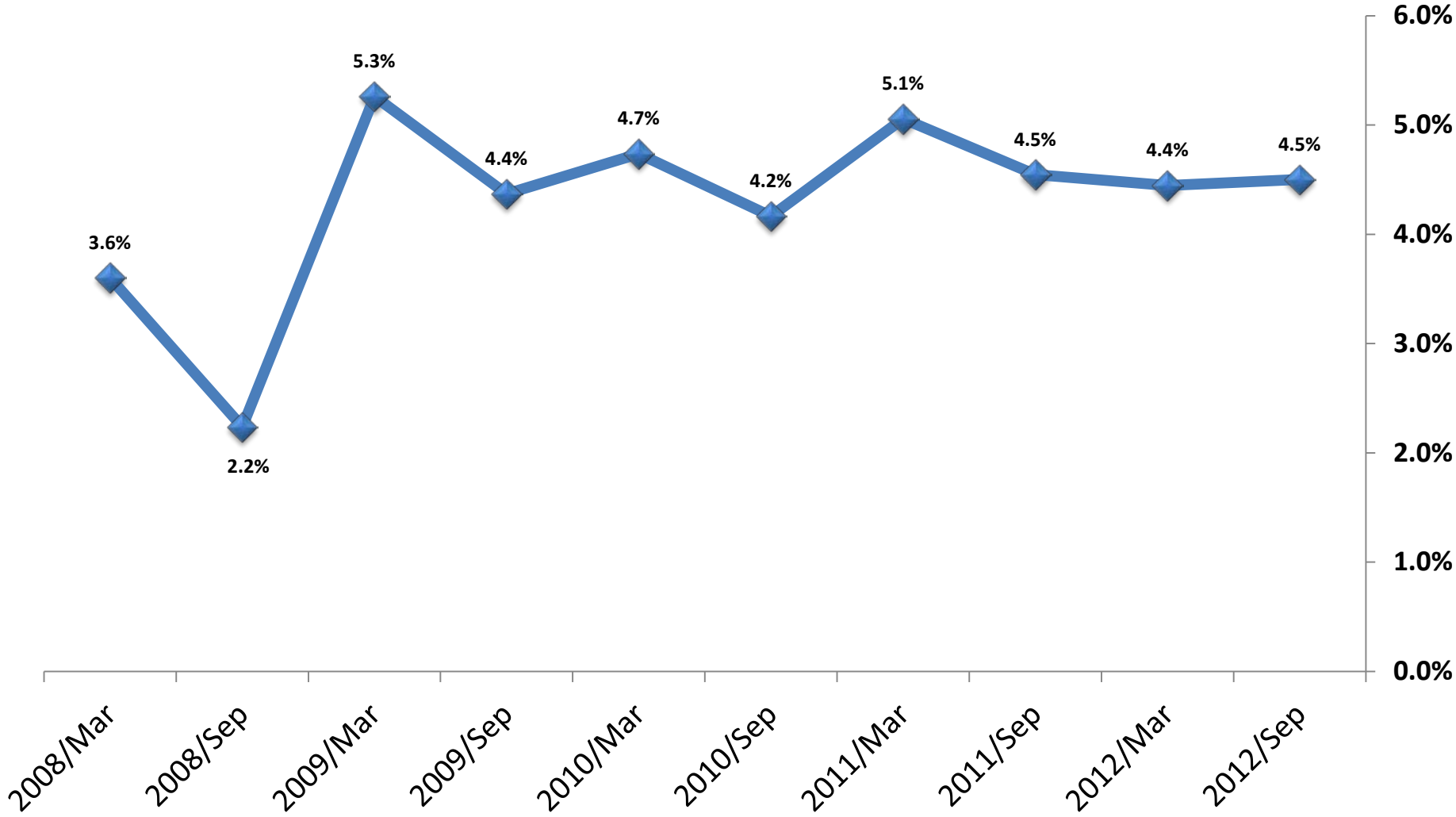
Vacancy Rates



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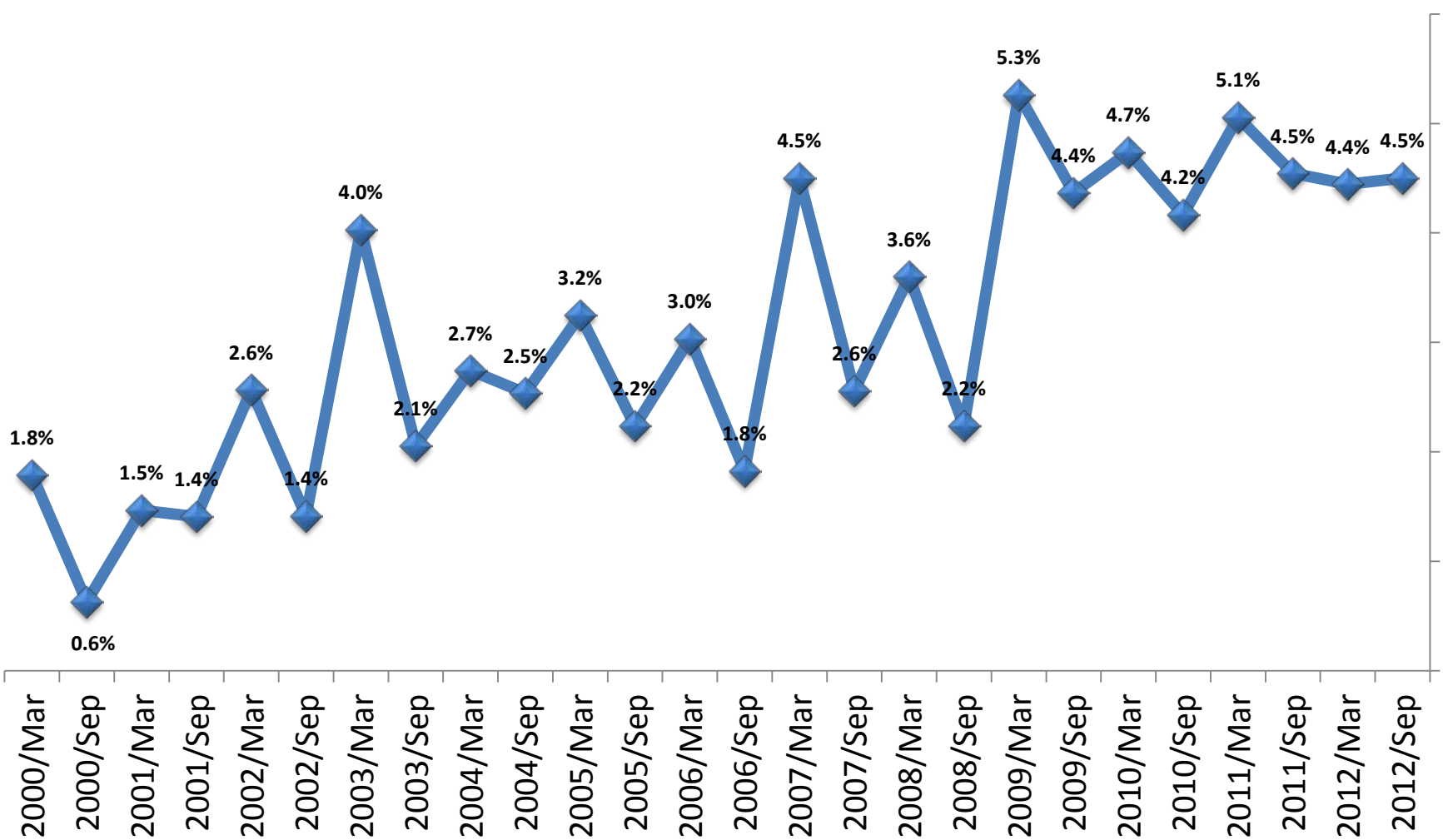
Vacancy Rates



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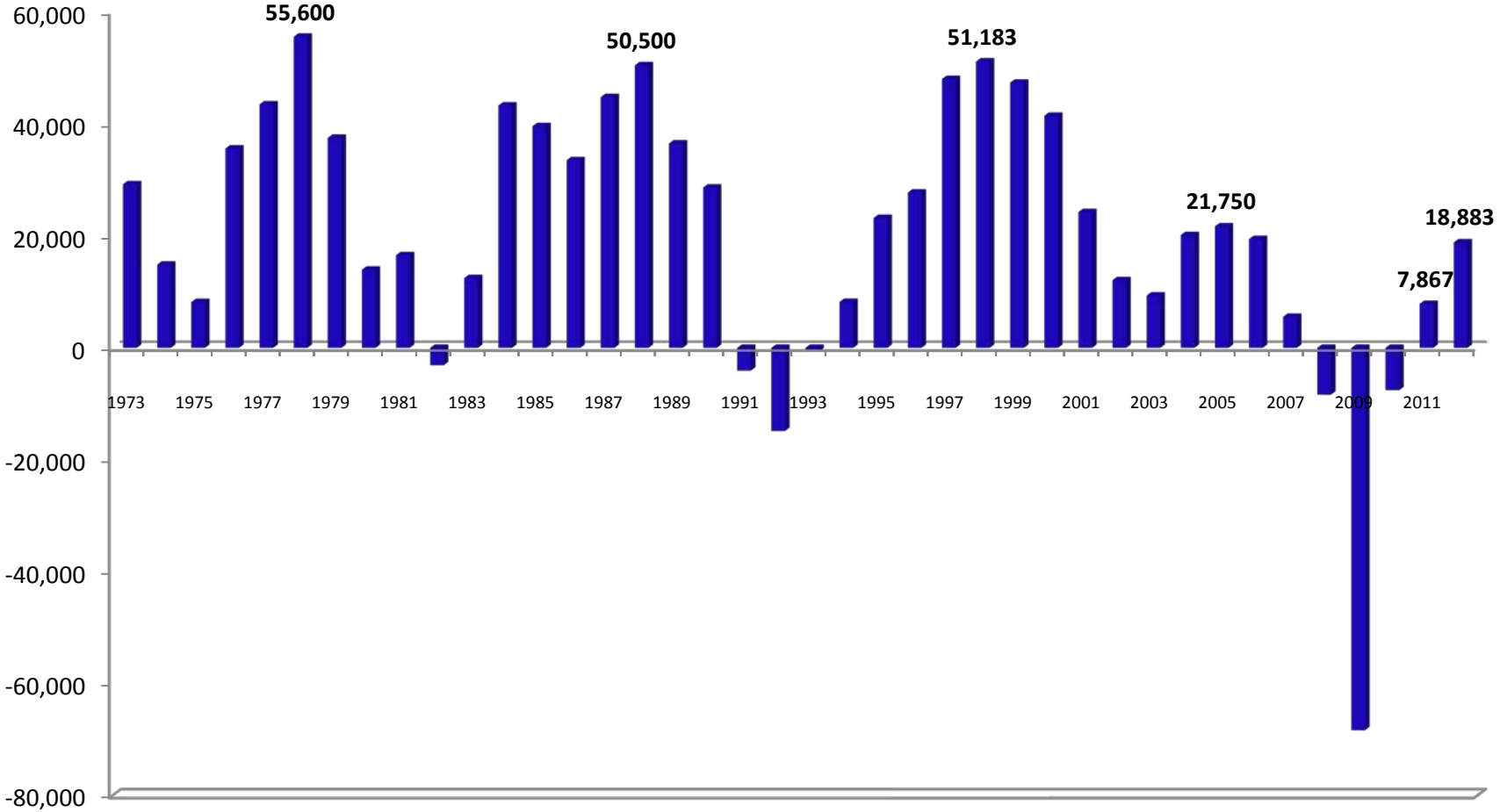
Summary

- The housing recovery is here, but it depends on continued consumer confidence to be fully realized.
- Prices are rising making it possible to more people to get their heads above water.
- Foreclosures are down and having less impact on prices.
- New and resale supplies are constrained. 4,100 Resales and 2,200 New Home Inventory.
- New home prices are anticipated to see at least a modest spike as new “publically homebuilder” product hits the market.
- As the credit market eases for condominium construction fewer large scale apartment projects will be built as apartment buyers will not be able to compete with condo buyers for the scarce land resources.

San Diego's Job Base is Showing Significant Signs of Improving; After Losing 84,325 Jobs Between 2008 and 2010, San Diego's Generated Nearly 19,000 New Jobs in 2012, However, Future Job Growth Will Hard Pressed to Match the Past



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