

2024 Economic Forecast

Alan Nevin, Prognosticator

It appears to me that 2024 will be a near clone of 2023, with three notable exceptions:

No. 1: in 2024 interest rates will subside;

No. 2: real estate sales (new and resale) will pick up; and

No. 3 there will be more money spent on the Presidential election than in any other time in U.S. history..

Let's look back to 2023. It was a pretty good year, all the way around:

Section 1: The Big Picture

Section 2: The San Diego Economy

Section 3: The Apartment Market

Section 4: Finale – Bullet Points

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Section 1: The Big Picture

The 2023 stats are not out yet for international rankings, but let's look at 2022 in terms of **Gross Domestic Product (GDP)**. GDP is the sum of all goods and services produced in an economy.

As usual, California ranks as the 5th largest “county” in the world, just barely behind Germany and ahead of India.

International Ranking Major Countries 2022	
Country	GDP (\$ Billions)
U.S.	\$ 25,462
China	\$ 17,886
Japan	\$ 4,237
Germany	\$ 4,085
California	\$ 3,898
India	\$ 3,389
United Kingdom	\$ 3,081

Source: United Nations

1.1

Within the U.S. California remains No. 1 in terms of its gross domestic product with Texas and New York somewhat rather behind.

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Regional Economy Gross Domestic Product (GDP) 3rd Quarter 2023	
Area	Millions
California	\$ 3,898,158
Texas	\$ 2,596,144
New York	\$ 2,168,133
Total 6-County So. Cal.	\$ 1,569,000

Source: Bureau of Economic Analysis

1.2

In terms of **County economic success**, Los Angeles is No. 1 in the U.S. in terms of its Gross Domestic Product. And San Diego County ranks as the 10th largest in the U.S. in terms of its GDP. That's pretty impressive!

Gross Domestic Product (GDP) Southern California Counties 2022		
County	GDP (\$ Billion)	U.S Rank
Los Angeles	\$ 790	1
Orange	\$ 270	9
San Diego	\$ 260	10
San Bernardino	\$ 101	39
Riverside	\$ 95	45
Ventura	\$ 53	77
Total	\$ 1,569	

1.3

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U.S. Economic Indicators

The United States had a very good year in business terms. The gross domestic product was up more than 7,0%; the Dow Jones was up 10%; the rate of inflation declined dramatically and the fixed rate mortgage percentage rate has started to decline.

From an employment perspective, the unemployment rate was 3.7% at the end of the year; initial employment claims declined to 202,000 and non-farm employment added almost two million jobs.

Economic Indicators United States 2022-2023 (P)				
Indicator	2022	YE 2023	Change	% Change
National Indicators				
Gross Domestic Product (Trillion)	25.7	26.7	1.00	3.9%
Dow Jones Average	\$ 34,000	\$ 37,000	\$ 3,000	8.8%
Rate of Inflation	2.3%	2.3%	0.0%	-0.4%
30 Year Fixed Rate Mortgage	6.8%	5.5%	-1.3%	-19.1%
Residential Units Permitted	1,409,000	1,500,000	91,000	6.5%
Employment				
Initial Employment Claims	250,000	202,000	(48,000)	-19.2%
Job Hirings	6,251,000	5,800,000	(451,000)	-7.2%
Job Openings	11,234,000	8,790,000	(2,444,000)	-21.8%
Non-farm Employment	153,308,000	155,000,000	1,692,000	1.1%
Unemployment Rate	3.5%	3.7%	0.2%	5.7%

1.4

The price of oil

After suffering through two years of high oil prices, the price per barrel (sweet Texas crude) has settled down. As usual, it hasn't settled down as far as Californians would like but that's the penalty we pay for having a few refiners dominating the supply.

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Price/Barrel Oil	
Year	Price
2013	97.63
2014	59.29
2015	37.19
2016	51.97
2017	59.67
2018	45.15
2019	61.14
2020	48.35
2021	120.92
2022	110.00
2023	77.00

1.5

Dow Jones

Let's look at **Dow Jones** from a prognostication standpoint:

In 7 out of 7 **Democratic** presidential wins, the Dow Jones increased. In only 1 of five **Republican** wins did the Dow increase:

Projecting the Dow Jones average: historically means the ability to determine which party wins.

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When Democrats Win			
1992	3,301		Clinton v Bush
1993	3,754	453	
1996	6,448		Clinton v Dole
1997	7,908	1,460	
2008	8,776		Obama v McCain
2009	10,428	1,652	
2012	13,104		Obama v Romney
2013	16,577	3,473	
2008	8,776		Obama v McCain
2009	10,428	1,652	
2012	13,104	887	Obama v Romney
2013	16,577	3,473	
2020	30,606	2,068	Biden v Trump
2021	36,338	5,732	
2024	?	?	Biden v Trump
2025	?	?	
DOW increases 7 out of 7 Democratic elections			

1.5

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When Republicans Win			
1980	964		Reagan v Carter
1981	875	-89	
1984	1,259		Reagan v Mondale
1985	1,212	-47	
2000	10,787		Bush v Gore
2001	10,022	-765	
2004	10,783		Bush v Kerry
2005	10,718	-66	
2016	19,763		Trump v Clinton
2017	24,719	4,956	
2024	?	?	Biden v Trump
2025	?	?	

DOW declines 4 out of 5 Republican elections

1.6

We will not venture a guess on this one, but we know it will be close and bloody.

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Section 2: The San Diego Economy

In this section, we focus on the job market, residential and commercial development.

The San Diego Job Market

The San Diego job market had another good year. The County gained almost 40,000 jobs and we are projecting a repeat of that experience in 2024.

New Jobs San Diego County 2021-2024 (P)	
Year	Jobs
2021	1,497,000
2022	1,545,400
2023	1,582,700
Change	
2021-2022	48,400
2022-2023	37,300
2024 -Projected	35,000-40,000

2.1

It is likely that **leisure and hospitality** will continue its upward path with greater activity at the Convention Center and more cruise ships coming to town. In addition, with interest rates subsiding, construction of new homes and apartments should accelerate.

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Employment Projection San Diego County CY 2023				
Category	CY 2022	Projected 2023	Change	% Change
Education & Health Services	227,600	244,500	16,900	6.9%
Leisure & Hospitality	193,400	210,600	17,200	8.2%
Manufacturing	117,400	116,500	(900)	-0.8%
Trade, Transportation & Utilities	224,700	231,300	6,600	2.9%
Construction	87,400	89,300	1,900	2.1%
Government	246,800	255,900	9,100	3.6%
Professional & Business Services	285,000	283,800	(1,200)	-0.4%

Source: BLS CY 2023

2.2

Given the strength of the job market, the unemployment rate should remain in the 4.0-4.5% range:

Unemployment Rate San Diego County 2018-2024 (P)	
Year	% End of Yr.
2018	3.3%
2019	3.0%
2020 (1)	8.4%
2021	4.1%
2022	3.2%
2023	4.2%
2024 (P)	4.0-4.5%

(1) COVID Pandemic

2.3

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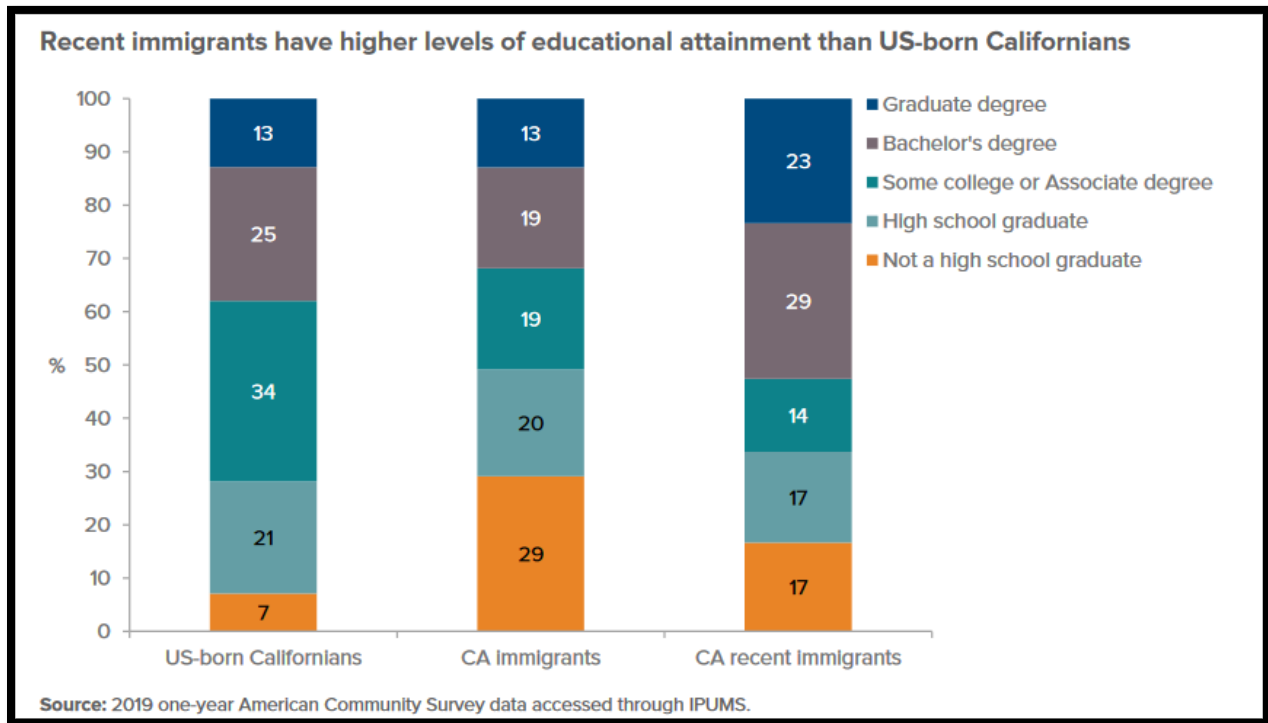
The San Diego Population

Unfortunately, San Diego County’s population expansion is not as favorable as its GDP. Currently, San Diego’s population is nearing a standstill. California’s Department of Demographic Research has determined that San Diego County is losing population but at a far lesser rate than Santa Clara and Los Angeles.

The data is derived from the **American Community Survey** of 2022 that is prepared by the Census Bureau. The problem is two-fold: our population is not having enough babies and our net foreign immigration is lagging.

The same study notes that those leaving our County tend to be lower income and older while the in-migrants tend to be younger and better educated.

Note the results of the 2019 American Community Survey. It states that 52% of recent immigrants to California have a bachelor’s or graduate degree compared to 38% of those born in California.



2.4

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The other factor that relates to San Diego County’s net loss is that adjacent Riverside County has distinctly lower home prices and, and as a result, numerous San Diego jobholders commute from Riverside County. CalTrans states that 70,000 cars daily commute from Riverside County to San Diego.

And San Diego County has a substantial number of persons who own homes in San Diego County but live here only part of the year and do not declare this County has a primary residence.

Population Movement Within California Selected Counties 2022						
County	Population	Natural Increase	Net Migration	Net Foreign Immigration	Net Domestic Migration	% Net Migration
San Diego	3,279,493	12,253	(17,428)	7,651	(25,079)	-0.53%
Santa Clara	1,882,601	8,255	(24,808)	6,055	(30,863)	-1.32%
Los Angeles	9,792,167	21,580	(134,628)	26,158	(160,786)	-1.37%

Source: California Demographic Research Unit

2.5

Residential Development

3023 was a sour year for new home development as a result of higher interest rates. This coming year, rates will subside and single family and townhome/condominium home sales will increase, most likely passing the 3,000 mark.

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Residential Construction 2018-2023 San Diego County				
Year	Total	Single Family	Multi- Family	% Single Family
2018	9,788	3,510	6,278	35.9%
2019	8,082	3,023	5,059	37.4%
2020	9,447	2,898	6,549	30.7%
2021	9,358	3,232	6,126	34.5%
2022	9,346	3,517	5,829	37.6%
2023 (P)	11,500	2,800	8,700	24.3%
2024	10,500	3,500	7,000	33.3%

Source: Census Bureau: 2018-2023

2.6

On the multi-family side of the ledger are both for sale condominiums and rental housing. Both will continue to churn out new units, but not quite as many as in 2023 when rental apartment construction was very strong.

Resale Housing

2024 will be a bounce-back year with resales returning to the 2022 level. We project detached resales will be in the 18,000 units range and attached sales at 11,000.

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Projections Resale Housing San Diego County 2020-2024			
Year	Detached	Attached	Total
2020	23,891	12,553	36,444
2021	25,113	14,384	39,497
2022	18,317	10,167	28,484
2023 (1)	14,000	8,000	22,000
2024 (Projected)	18,000	11,000	29,000
2024 as% of 2023	129%	138%	132%

(1) Based on January thru November
Source: SDAR

2.7

In terms of prices, they will move upward. We project that single family units will increase to a median price of \$1,050,000 and attached housing to \$750,000.

These projections are based on the assumption that long term interest rates will be in the 5.0-5.5% range during most of 2024. .

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**2024 Projection
Resale Home Prices (\$Median)
San Diego County**

Year-End	Median Price (1)	
	Detached	Attached
2020	\$ 745,000	\$ 490,000
2021	\$ 850,000	\$ 590,000
2022	\$ 869,900	\$ 585,000
2023 (P)	\$ 980,000	\$667,500
2024	\$1,050,000	\$750,000
Change 2022-2023	\$ 70,000	\$ 82,500
% Change	7.1%	12.4%

Source: SDAR.com

2.8

Commercial Development

In the private sector, there was a definite slowdown in retail, office and industrial construction. Life science construction continued unabated.

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Commercial Property Development (Square Footage) San Diego County 2022-2023				
Type	Sq.Ft.			
	2022	2023	Change	% Change
Office	1,200,000	610,982	(589,018)	-49%
Retail (1)	541,348	508,936	(32,412)	-6%
Life Science	5,000,000	4,773,470	(226,530)	-5%
Industrial	5,474,400	1,647,952	(3,826,448)	-70%

(1) includes 300,000 sf at Campus at Horton (downtown SD)
Source: Colliers, Kidder Mthews, CBRE

2.9

Vacancy rates were relatively stable matching the low rates of the past year. Life science vacancy rates went up somewhat but that related more to the major construction and availability of new product in that sector.

Commercial Property Vacancy Rate San Diego County 2022-2023		
Type	Vacancy Rate	
	3Q2022	3Q2023
Office	11.5%	12.1%
Retail	3.9%	4.0%
Life Science	4.8%	11.9%
Industrial	3.4%	5.0%

Source: Colliers, Kidder Mathews, CBRE

2.10

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Overall, the commercial sector in San Diego County is in a stable condition, with the exception of the office market which continues to suffer from the aftermath of COVID and the work at home decision by a substantial part of that workforce.

In 2024, the challenge in the commercial sector will be to lease up the extensive amount of life science space including the downtown **Campus at Horton** and **IQHQ** in downtown San Diego. Combined they have more than 2.0 million square feet of life science space (plus a retail component).

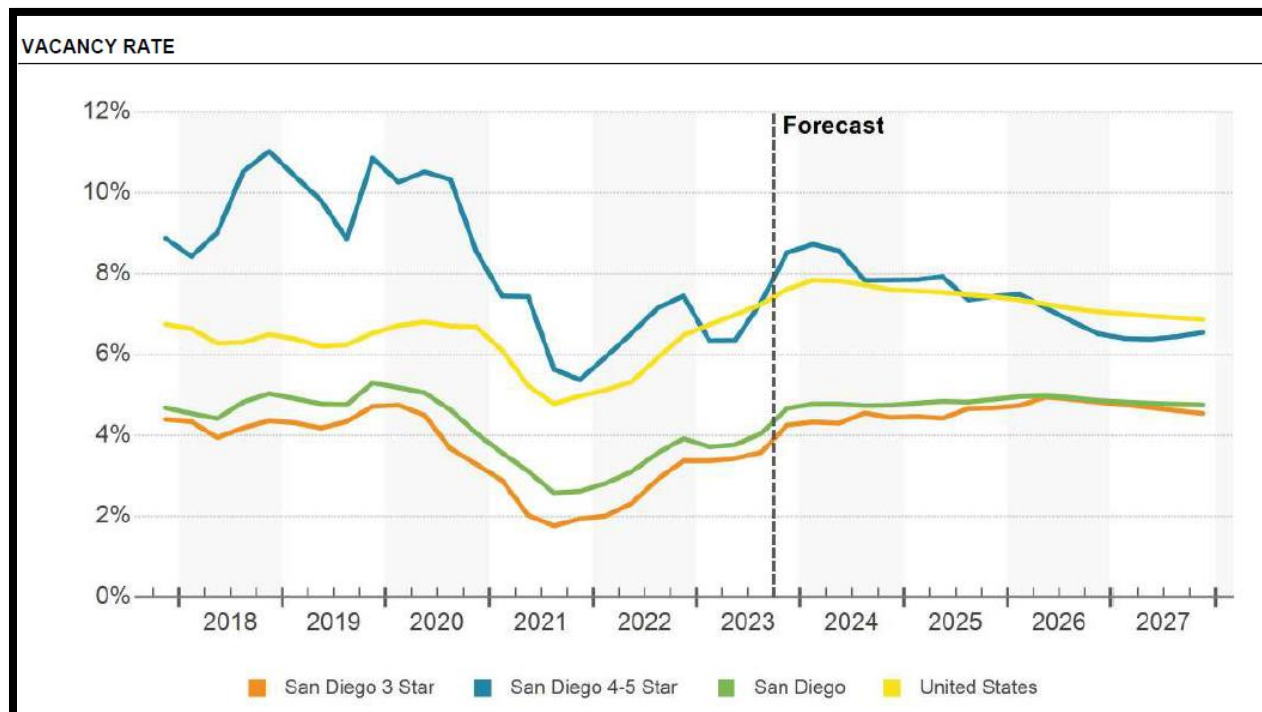
The good news is that we are not an office-dominant County like Chicago or New York and therefore the slowdown in office rent-up hasn't devastated the local economy.

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Section 3: The Apartment Market

In this section we delve into the world of apartments:

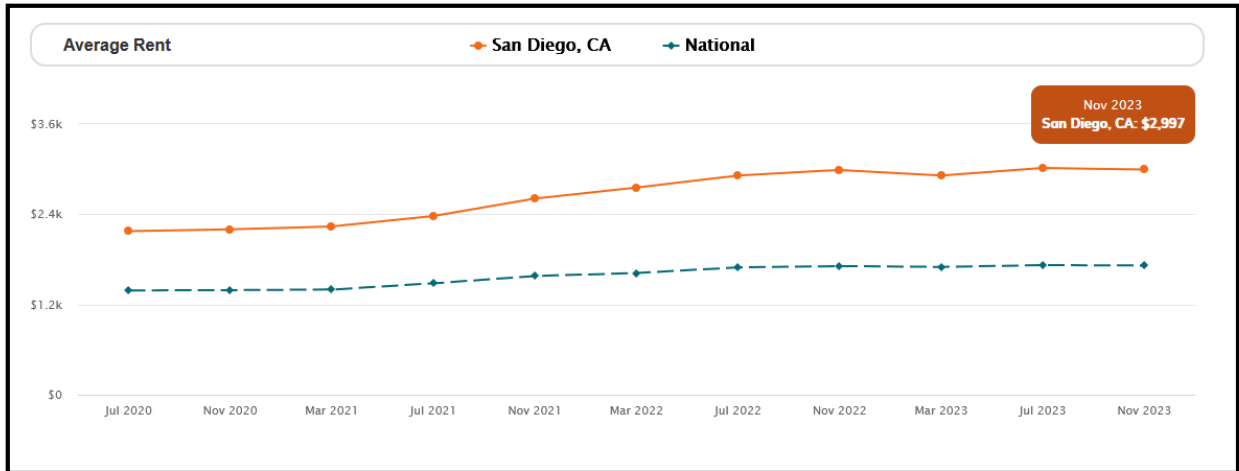
The San Diego County apartment market has been consistently strong for several years with vacancy rates rarely exceeding 5.0%. The market's greatest strengths are in "B" and "C" quality product as that inventory is static. Virtually all new apartment construction in the County has been of higher quality and more expensive product (with the exception of "affordable" units).



3.1

Rents nationally have been relatively flat for the past few years. San Diego County, on the other hand, has seen a continual rise in rents until the past year when rents flattened out. The flattening is due primarily to the substantial increase in new apartment construction throughout the County.

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3.2

“Zumper” – a firm that tracks rents on a monthly basis notes that rents in San Diego County did not accelerate in the recently past.

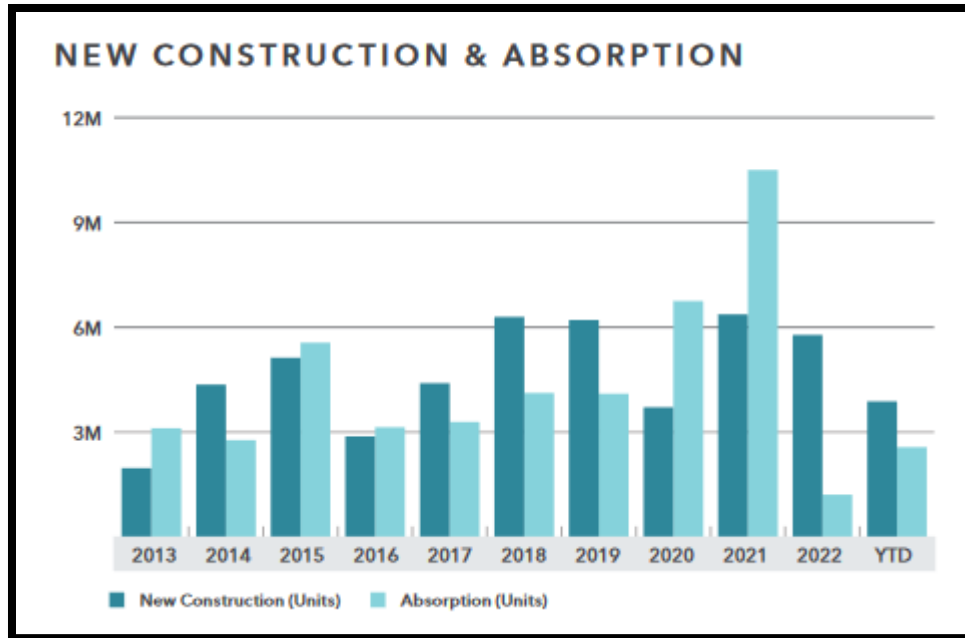
Apartment Rents San Diego County 2021-2023			
December	1 BR	2 BR	
2021	\$ 2,011	\$ 2,822	
2022	\$ 2,352	\$ 3,036	
2023	\$ 2,350	\$ 3,150	
% Change			
2021-2022	17.0%	7.6%	
2022-2023	-0.1%	3.8%	

Source: Zumper (rents updated weekly)

3.3

In this “**new construction and absorption**” exhibit prepared by the Kidder Mathews brokerage firm, the new construction in 2022 and 2023 is well ahead of absorption, a key factor in the “flattening” of rents.

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3.4

The long-term future **supply of apartments** is weighted heavily toward downtown and the near-northern suburbs as shown in the exhibit that follows. Recognize that this supply will be developed over the next two decades and some part of it may be built out as condominiums and some as affordable units.

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**Apartments Under Construction & in Planning & in Rent-up
Urban San Diego
as of 4th Quarter 2023**

Area	Units		
	In Planning	Under Construction	in Lease-Up
Downtown	13,067	1,575	1,715
Mission Valley	9,416	4,379	1,449
Chula Vista	593	1,822	1,654
Midway/Old Town	14,000	-	-
Convoy Area	23,450	1,449	
Total	60,526	9,225	4,818

3.5

Projection of Housing Demand and Supply

The exhibit below projects housing demand and supply during this decade. The exhibit indicates the demand for housing in the County out-strips supply. To achieve the supply/demand balance, the County must rely on housing being produced in Riverside County and/or Tijuana.

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**Projection of Housing Demand & Supply
San Diego County
2020-2030**

Employment Gains - Annual	30,000
Move-Ins (not employment related) (2)	5,000
Total	35,000
Persons per Household	2.0

Supply Required	
For Sale	10,000
For Rent	8,000
Total	18,000

Housing Production inSD Ci0.	10,000
-------------------------------------	--------

Housing Demand Satisfied Outside San Diego Co. (1)	8,000
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(1) Riverside County and Tijuana

(2) Includes foreign, 2nd home buyers and affluent retirees

3.6

Overall, San Diego County is economically stable, has an enviable job base and suffers only from a shortage of rationally priced sale and rental housing. The latter situation will not be corrected in the foreseeable future.

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Section 4: The Finale – Bullet Points

The Nation

1. The National economy will have smooth sailing in 2024, with all systems go.
2. The U.S. will add 2.0-2.5 million jobs in 2024.
3. The U.S. unemployment rate will be 3.0-3.5%.
4. The U.S. will add more than 3.0 million population.
5. The homebuilding industry will produce 1.6+ million units.
6. Inflation will be 2.0%.
7. Long term interest rates will fall to 5.0-5.5%

San Diego County

1. The population will be static.
2. Employment will increase more than 30,000 jobs.
3. The unemployment rate will be 3.5-4.0%
4. Leisure and Hospitality employment will hit an all-time high.
5. New home construction will produce 10,000+ units.
6. Existing home sales will surpass 30,000 units.
7. Existing home resale prices will increase 10+%

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