

**Alan Nevin's**  
**2023 Economic Forecast**  
**For the Nation and San Diego**  
**The Devil is in the Details**  
**The Facts Behind the Forecast**

Research for this forecast was funded by a grant from

**F&F Properties**  
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## **Real Estate Advisors**

The detail is segmented into 5 parts:

Section 1: International Economic Factors

Section 2: National Economic Factors

Section 3: U.S. Housing Market

Section 4: California

Section 5: San Diego Economy

## Section 1: International Economic Factors

I see no happy end to the Ukraine war. I would like to think that our President along with Xi Jinping and the European Union would convince Mr. Putin to back off. Unfortunately, Mr. Putin is being pushed into a corner and that can only result in irrational behavior.

**Russia** will soon be on the verge of bankruptcy as oil prices decline and the Russian populace experiences a shortage of goods and services. Further, many of the countries that are customers for Russian grain (mostly in Africa) are near bankruptcy (and approaching starvation).

**China** is in fairly good shape economically but has experienced popular rebellion because of the COVID regulations. Xi Jinping is backpedaling.

### **European Union**

The populace of the 28-country **European Union and the UK** will continue to suffer because of their dependence on Russia oil and gas. Inflation is rampant. And their tangential proximity to Russia and the Ukraine are clearly uncomfortable.

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1.1

### Gross Domestic Product - European Union & UK

The world is growing faster in the lesser world countries. This exhibit shows the GDP from 2000-2021 in the UK, EU, US and World.

Gross Domestic Product World, European Union & UK & US 2000-2022				
Year	World	US	EU	UK
2000	3.384	1.025	0.728	1.666
2010	6.605	1.540	1.456	2.491
2015	7.518	1.821	1.355	2.935
2021	9.651	2.332	1.718	3.131
Change 2000-2021	6.267	1.307	0.990	1.465
% Change	185%	127%	136%	88%

Source: World Bank

1.2

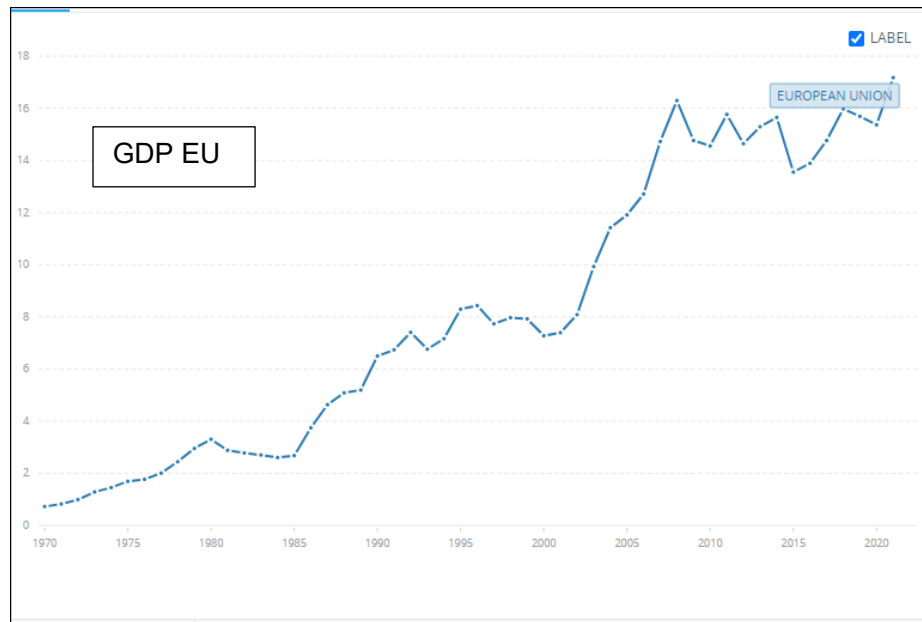
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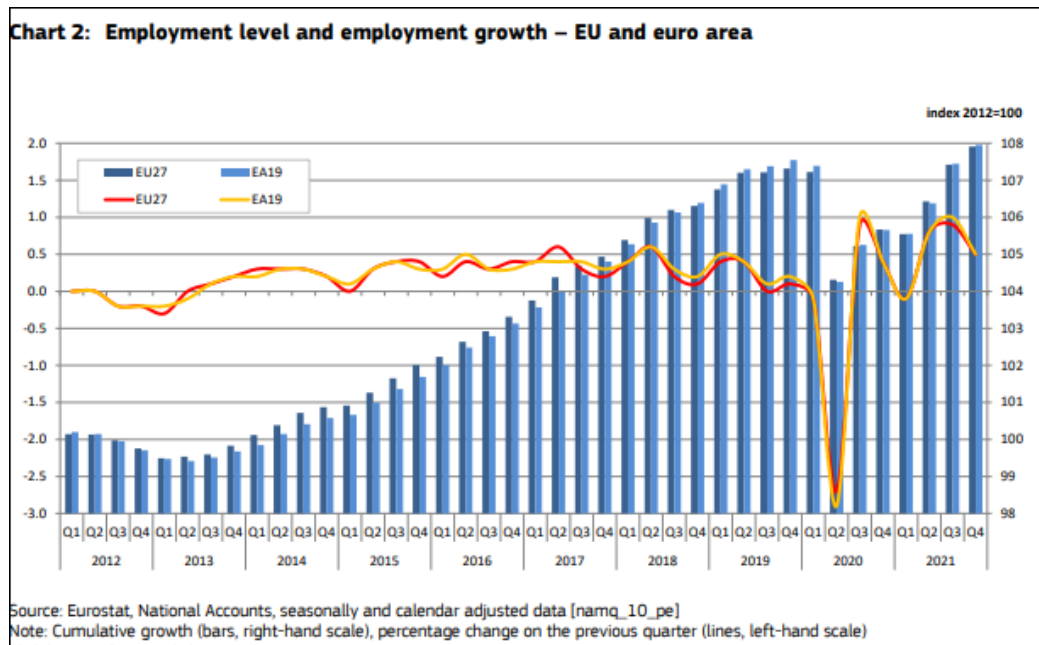
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1.3

### Employment Level & Growth – EU

COVID threw the EU for a loop, but it is back on track now:



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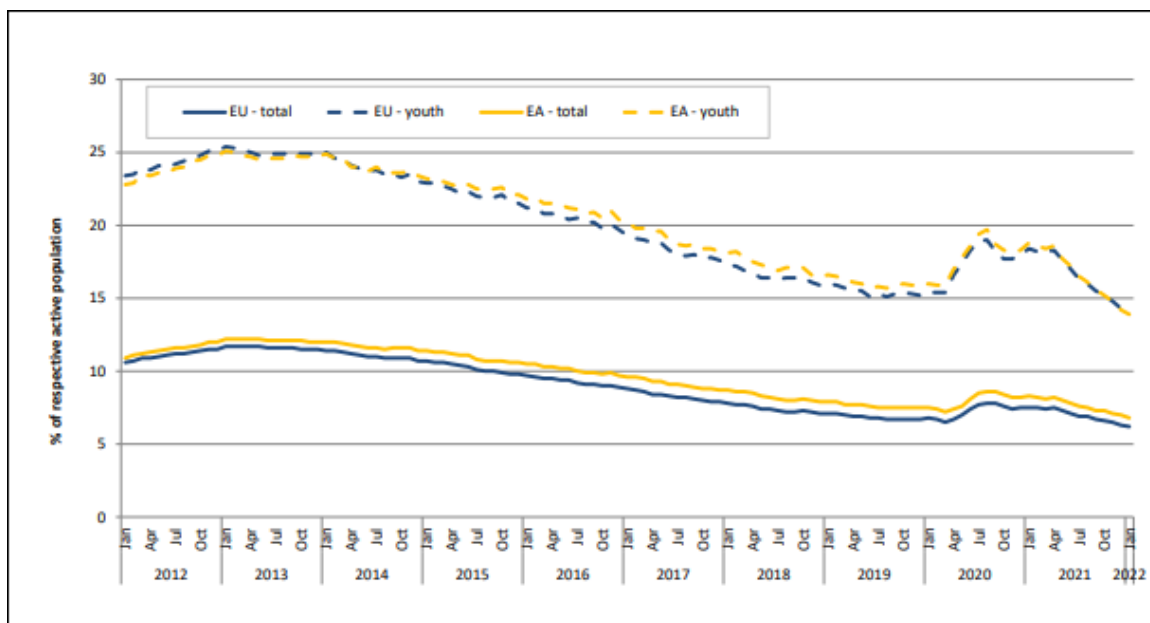
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### Unemployment Rate – EU

The EU unemployment rate continues to decline, but we do not yet know the effect of the Ukraine war on the EU:



1.5

Here is the EU forecast for 2023 from several different source. Virtually all show a slowdown in 2023:

			GDP growth			Unemployment rate			Employment growth		
			2021	2022	2023	2021	2022	2023	2021	2022	2023
<b>EU</b>											
Commission	Feb-22		5.3	4.0	2.8	:	:	:	:	:	:
	Nov-21		5.0	4.3	2.5	7.1	6.7	6.5	0.8	1.0	0.6
IMF	Oct-21		5.1	4.4	2.3	:	:	:	:	:	:
<b>Euro area</b>											
Commission	Feb-22		5.3	4.0	2.7	:	:	:	:	:	:
	Nov-21		5.0	4.3	2.4	7.9	7.5	7.3	0.8	1.0	0.7
IMF	Oct-21		5.0	4.3	2.0	8.0	8.1	7.8	0.3	0.9	:
OECD	Dec-21		5.2	4.3	2.5	7.7	7.2	7.0	:	:	:
ECB	Dec-21		5.1	4.2	2.9	7.7	7.3	6.9	1.1	1.3	1.0

1.6

## **Section 2: National Economic Factors**

In this section, I look at five factors that are an intricate part of the National economy in an effort to better determine the state of the **economy in 2023**. The four are:

- (1) the Dow-Jones average;
- (2) the rate of inflation;
- (3) mortgage rates
- (4) the Gross Domestic Product (GDP)
- (5) Venture Capital

➤ **DOW-JONES AVERAGE**

The stock market is generally a good indicator of where the economy is going. One major trend that we have traced back to 1980 is mid-year elections. In the exhibit below, we can note that the **Dow-Jones average has increased in ten of the eleven mid-term elections since 1980**.

Looking at the most recent mid-term election, we see that the Dow-Jones average in 2022 is well ahead of that average at the time of President Biden's election in 2020. That augurs well for Wall Street, and optimally, the economy.

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**Dow Jones Average  
Presidential & Mid-Term Elections  
1980-2022**

Party	President	Yr. Elected	Mid-Term Election	D-J Pres.	D-J Mid-Year
Republic	Reagan	1980		964.0	
			1982		1,047.0
Republic	Reagan	1984		1,212.0	
			1986		1,896.0
Republic	Bush	1988		2,169.0	
			1990		2,634.0
Democrat	Clinton	1992		3,301.0	
			1994		3,834.0
Democrat	Clinton	1996		6,448.0	
			1998		9,181.0
Republic	Bush	2000		10,787.0	
			2002		8,342.0
Republic	Bush	2004		10,783.0	
			2006		12,463.0
Democrat	Obama	2008		8,776.0	
			2010		11,578.0
Democrat	Obama	2012		13,104.0	
			2014		17,425.0
Republic	Trump	2016		19,763.0	
			2018		23,327.0
Democrat	Biden	2020		30,606.0	
			2022		34,347.0
<b>No. Times D-J Up 1980-2022</b>					<b>10</b>
<b>No. Times D-J Down 1980-2022</b>					<b>1</b>

2.1



➤ **THE RATE OF INFLATION**

With the Fed's current program, it is likely that the rate of inflation will be in the **5.0-5.5% range in 2023**. In these exhibits, I show the **five highest rates of inflation** since World War II and the decline in the year following the high. I am forecasting an average rate of inflation in 2023 of 5.1% to 5.5%.

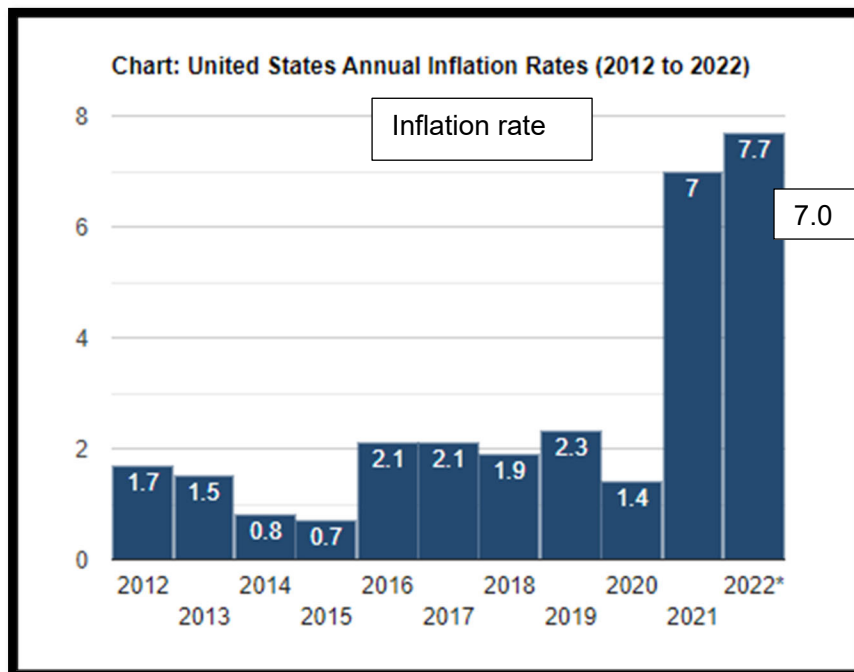
Highest Rates of Inflation United States 1947-2022					
High		Yr. After High		Decline	% Decline
1947	14.4	1948	8.1	6.3	78%
1951	7.9	1952	1.9	6.0	316%
1974	11.0	1975	9.1	1.9	21%
1980	13.5	1981	10.3	3.2	31%
2022	7.7	<b>2023</b>	<b>5.1-5.5</b>	<b>2.2-2.6</b>	<b>45%</b>

Source: BLS

2.2

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2.3

I like to point out that the **current rate of inflation is not really 7.0%**. For most Americans, their monthly cost of housing is fixed as are their car loan payments, insurance and utilities. Inflation only effects those expenditures that fluctuate from month to month. For most of us, the only inflation that is relevant is the cost of food and beverages and fuel for our cars (and even that is declining).

Household Budget		
Item	Fixed	Inflationary
Home Mortgage	x	
Apartment Rent	x	
Car Loan Payments	x	
Insurance	x	
Property Taxes	x	
Income Tax	x	
Food/Beverage		x
General Merchandise		x
% Allocation	70-80%	20-30%

2.4

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### ➤ THE 30 YEAR FIXED RATE MORTGAGE

In recent years, the mortgage rates have been twice the rate of inflation, but in 2021 and 2022, the ratios have been below 100%. In 2023, I project that the 30-year mortgage rate by the end of the year should be in the 5.0-5.5% range.

As the **next presidential election campaigns** get under way in 2024, the rates will move lower as the Federal Reserve Bank will be under Presidential pressure to do so.

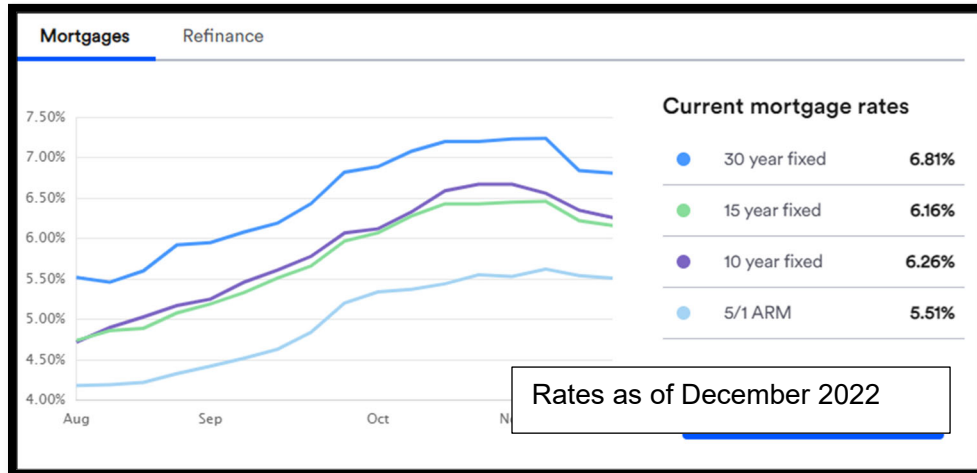
### 30 Yr. Fixed Rate Mortgage & Rate of Inflation 2010-2024

President	Year	Inflation Rate (2)	Mortgage Rate (1)	Ratio
Obama	2010	1.6%	4.7%	293%
	2011	3.2%	4.5%	139%
Obama	2012	2.1%	3.7%	174%
	2013	1.5%	4.0%	265%
	2014	1.6%	4.2%	261%
	2015	1.0%	3.9%	385%
Trump	2016	1.3%	3.7%	281%
	2017	2.1%	4.0%	190%
	2018	2.4%	4.5%	189%
	2019	1.8%	3.9%	219%
Biden	2020	1.2%	3.1%	258%
	2021	4.7%	3.0%	63%
	2022	7.7%	6.8%	88%
	2023 (P)	5.1-5.5%	5.1-5.5%	90-100%
President ?	2024 (P)	4.0-4.5%	4.0-4.5%	90-100%

(1) 30 year fixed rate  
(2) End of Year percent

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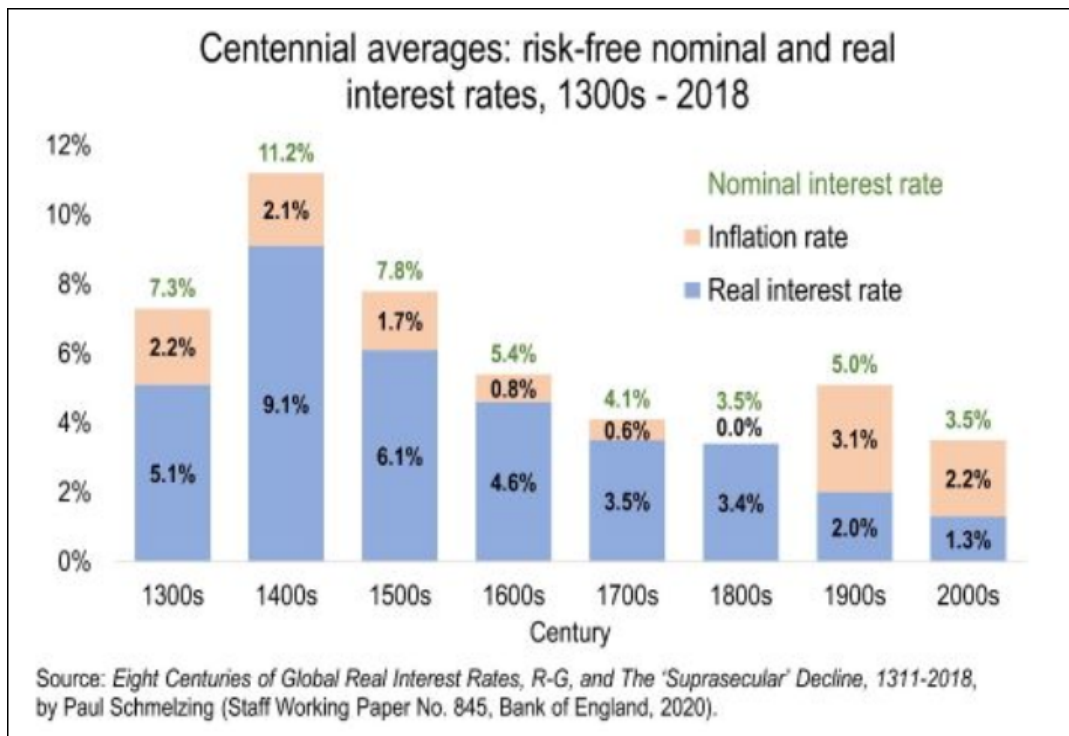
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2.6

With rates in the 6.5-7.0% range, lenders and sellers are turning to alternative methods of driving the rate down, like buydowns or ARMS or adjustable loans. In the past, those methods have allowed the market to be more fluid.

Notably, interest rates have been declining from the 1400's.



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### ➤ GROSS DOMESTIC PRODUCT (GDP)

The Gross Domestic Product is the sum of all the goods and services produced by the United States. 2021 and 2022 were particularly strong years for the economy. In 2023, it is likely that the increase will fall back to a more normal 4.0-5.0%.

Change in Gross Domestic Product (current basis) United States 2015-2023 (P)			
Year	Trillions	Change	% Change
2015	\$ 18,206,023		
2016	\$ 18,695,106	\$ 489,083	2.7%
2017	\$ 19,477,337	\$ 782,231	4.2%
2018	\$ 20,533,058	\$ 1,055,721	5.4%
2019	\$ 21,380,976	\$ 847,918	4.1%
2020 (1)	\$ 21,060,474	\$ (320,502)	-1.5%
2021	\$ 23,315,081	\$ 2,254,607	9.7%
2022 (2)	\$ 25,663,300	\$ 2,348,219	10.1%
2023 (P)	\$ 26,689,832	\$ 1,026,532	4.0%

(1) COVID pandemic  
(2) based on 1st 9 months of 2022  
Source: CA Dept. of Finance; U.S. Bureau of Economic Analysis

2.8

### Other Employment Indicators

Job openings continue to be in the 10 million range, indicative of the strength of the national economy. And initial unemployment claims are negligible. The National unemployment rate is anticipated to be in the 3.5-4.0 percent in 2023.

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Employment Indicators United States 2022-2023 (P)				
Indicator	2022	2023	Change	% Change
Employment				
Initial Employment Claims	250,000	250,000	-	0.0%
Job Openings	10,717,000	10,000,000	(717,000)	-6.7%
Non-farm Employment	153,308,000	155,000,000	1,692,000	1.1%
Unemployment Rate	3.7%	4.2%	0.5%	13.5%

2.9

### ➤ PERSONAL CONSUMPTION EXPENDITURES

It looks like 2022 will be another banner year for personal consumption expenditures. It would have been higher if more new cars could have been shipped into the U.S. (chip and shipping problems). I project a 4.7% increase in 2023 mirroring the 2015-2019 average change.

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### Personal Consumption Expenditures United States 2015-2023

Year	Trillions	Change	% Change
2015	\$ 12,432,935		6.6%
2016	\$ 12,962,925	\$ 529,990	4.3%
2017	\$ 13,609,029	\$ 646,104	5.0%
2018	\$ 14,051,740	\$ 442,711	3.3%
2019	\$ 14,689,152	\$ 637,412	4.5%
2020	\$ 14,571,081	\$ (118,071)	-0.8%
2021	\$ 16,517,976	\$ 1,946,895	11.8%
2022 (1)	\$ 17,739,318	1,221,342	7.4%
2023 (P)	19,052,028	1,312,710	4.7%

(1)based on first 9 months; month 10-12 based on 2nd to 3rd qtr. Change

Source: BEA, Table 2.3.5U Personal Consumption Expenditures by Type of Product

2.10

### ➤ PURCHASING POWER

Exhibit 2.12 shows what happened when wages accelerate and inflation is low. The Bureau of Labor Statistics states that **household incomes** have been rising at 7.5% annually (in 2023 \$84,321). If inflation declines to the 2.0% level (per the goal of the Feds), then each year the purchasing power of households increases. In other words, each year a household would be able to purchase more goods and services. That, in turn, drives the overall consumer spending in the Nation and creates an economically healthy environment.

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### Purchase Example MHI 7.5% Increase - Cost of Goods 2.0%

Year	MHI 7.5% Increase	Inflation 2.0	
2023	\$ 84,321	\$ 1,000	1.00%
2024	\$ 90,645	\$ 1,020	1.02%
2025	\$ 97,443	\$ 1,061	1.04%
2026	\$ 104,752	\$ 1,060	1.06%
2027	\$ 112,608	\$ 1,145	1.08%
2028	\$ 121,054	\$ 1,100	1.10%

Savings	\$ 36,733	\$ 100	
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2.11

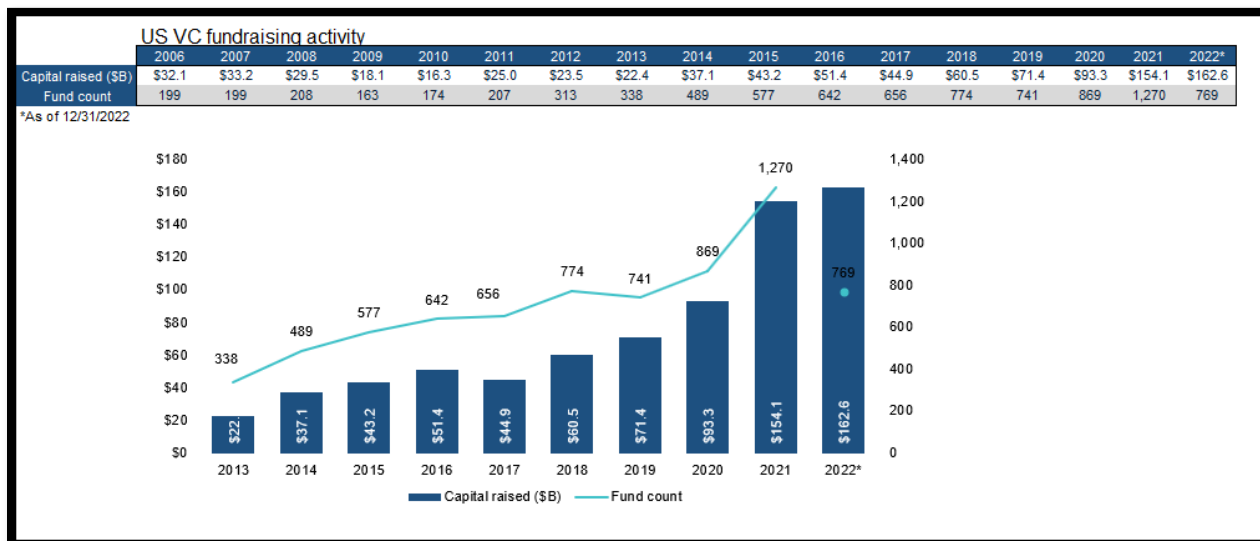
### ➤ VENTURE CAPITAL

I track venture capital because it is a very good indicator of the money world's confidence in the economy. Pitchbook is the predominant source of data and they have just released their 2022 findings of venture capital raised in the U.S. It was a banner year. With \$162.6 million raised – a definite record-setter.



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2.12

This exhibit shows the increase in funds raised in 2022 compared to 2018:

Deal Types Venture Capital Raised 2018-2022				
Type	2018	2022	Change	% Change
Angel & Seed	\$ 5,474	\$ 6,235	\$ 761	14%
Early-stage VC	\$ 3,664	\$ 4,745	\$ 1,081	30%
Late-stage VC	\$ 2,565	\$ 4,044	\$ 1,479	58%
Venture growth	\$ 613	\$ 828	\$ 215	35%
<b>Total</b>	<b>\$ 12,316</b>	<b>\$ 15,852</b>	<b>\$ 3,536</b>	<b>29%</b>

Source: Pitchbook

2.13

### Section 3: The U.S. Housing Market

The U.S. housing market consists of 127 million units, 2/3's of them owner-occupied and 1/3<sup>rd</sup> renter-occupied. **That ratio has been constant for several decades.**

Home Tenure United States 2020 Census		
Category	No.	%
Owner Occupied	83,000,000	65%
Renter Occupied	44,000,000	35%
Total	127,000,000	100%

3.1

Of those homes that are owner-occupied, **39% have no mortgage:**

Mortgage Encumbered Owner Occupied Homes United States 2021		
Mortgage	No.	%
Mortgage	51,000,000	61%
No Mortgage	32,000,000	39%
Total	83,000,000	100%

Source: 2021 Housing Survey, Census

3.2

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In recent years, mortgage rates were twice the rate of inflation. In 2021, inflation ballooned, but mortgage rates declined. Then in 2022, inflation ballooned to 7.0%+ and mortgage rate followed ending 2022 at 7.0%+

### 30 Yr. Fixed Rate Mortgage & Rate of Inflation 2010-2022

Year	Inflation Rate (2)	Mortgage Rate (1)	Ratio
2010	1.6%	4.7%	293%
2011	3.2%	4.5%	139%
2012	2.1%	3.7%	174%
2013	1.5%	4.0%	265%
2014	1.6%	4.2%	261%
2015	1.0%	3.9%	385%
2016	1.3%	3.7%	281%
2017	2.1%	4.0%	190%
2018	2.4%	4.5%	189%
2019	1.8%	3.9%	219%
2020	1.2%	3.1%	258%
2021	4.7%	3.0%	63%
2022	7.7%	7.0%	91%
<b>2023 (P)</b>	<b>5.1-5.5%</b>	<b>5.1-5.5%</b>	<b>90-100%</b>

(1) 30 year fixed rate

(2) End of Year percent

### 3.3

It is likely that inflation will subside in mid to late 2023 and mortgage rates will follow.

### ➤ Home Price Decline ?

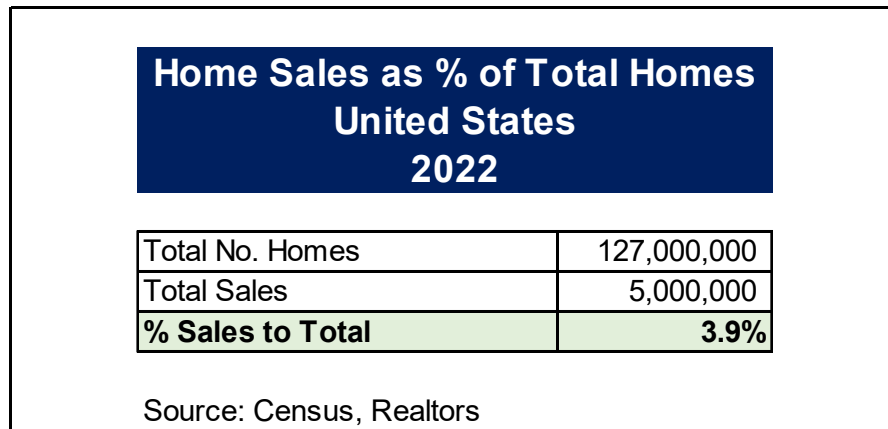
It is important to note of the 127 million homes in the Nation, only 4.0% turn over each year. Therefore, when owners say “my home has gone down in value”, that may be true

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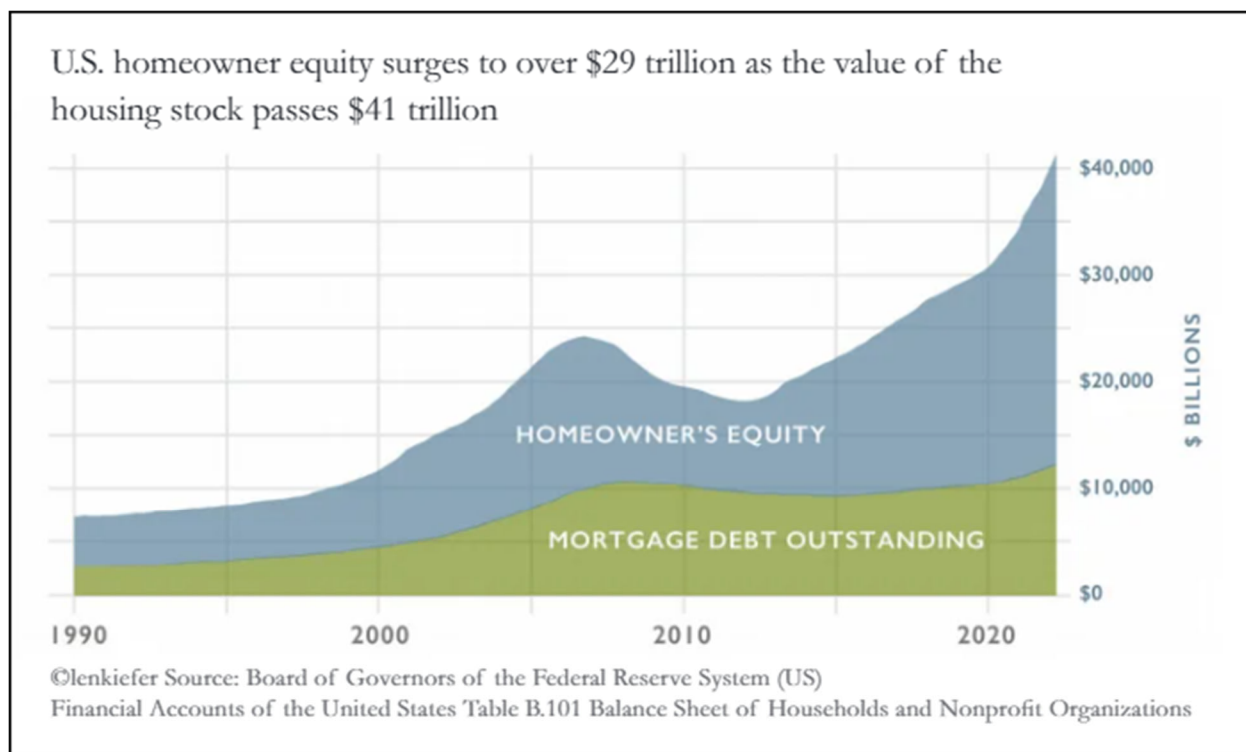
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in a recession, but if the home is not “for sale” then the fact that it may have gone down in value is meaningless.



3.4

The important thing to know is that **homeowner equity** has almost doubled in the past decade and is now more than **\$41 trillion**.



3.5

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## Section 4: The California Economy

California will continue to lose population in 2023, following the pattern that started in 2021. It will require increased immigration from outside the country to reverse the trend.

Population California 1980-2023		
Year	Population	Change
1980	24,039,000	
1990	29,558,000	5,519,000
2000	34,000,835	4,442,835
2010	37,318,481	3,317,646
2020	39,538,223	2,219,742
2021	39,303,167	(235,056)
2022	39,185,605	(117,562)
2023	38,935,605	-250,000

Source: CA Department of Demographics

4.1

Despite the minor losses in population, the GDP continues to gain, although 2023 is expected to be a little slower than usual:

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### Change in Gross Domestic Product California 2015-2023

Year	\$0.000	Change	% Change
2015	\$ 2,553,772	\$ 158,610	6.6%
2016	\$ 2,657,798	\$ 104,026	4.1%
2017	\$ 2,819,111	\$ 161,313	6.1%
2018	\$ 2,997,733	\$ 178,622	6.3%
2019	\$ 3,137,469	\$ 139,736	4.7%
2020	\$ 3,071,000	\$ (66,469)	-2.2%
2021	\$ 3,356,000	\$ 285,000	8.5%
2022 (1)	\$ 3,558,512	\$ 202,512	6.0%
<b>2023 (P)</b>	<b>\$ 3,700,000</b>	<b>141,488</b>	<b>4.0%</b>
<b>Avg. 2015-2019</b>			<b>5.5%</b>

(1) based on 1st 6 months

Source: CA Dept. of Finance; U.S. Bureau of Economic Analysis

#### 4.2

The per capita GDP will slow down in 2023 as well:

### Change in Gross Domestic Product Per Capita California 2015-2023

Year	GDP	GDP Per Capita	Change	% Change]
2015	\$ 2,553,772	\$ 62,132		
2016	\$ 2,657,798	\$ 63,635	\$ 1,503	2.4%
2017	\$ 2,819,111	\$ 65,160	\$ 1,525	2.4%
2018	\$ 2,997,733	\$ 68,803	\$ 3,643	5.6%
2019	\$ 3,137,469	\$ 70,662	\$ 1,859	2.7%
2020	\$ 3,071,000	\$ 76,132	\$ 5,470	7.7%
2021	\$ 3,356,000	\$ 85,855	\$ 9,723	12.8%
2022 (1)	\$ 3,558,512	\$ 90,696	\$ 4,841	5.6%
<b>2023 (P)</b>	<b>\$ 3,700,000</b>	<b>\$ 94,872</b>	<b>\$ 4,176</b>	<b>3.0%</b>

(1) 1st 6 months

Source: CA Dept. of Finance; U.S. Bureau of Economic Analysis

#### 4.3

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Internationally, It is likely that California will move into 4<sup>th</sup> place, as the Germany economy slows down because of the Russian oil situation.

### Gross Domestic Product (GDP) Top Five Countries 2021-2022

Country	2021		2022	
	GDP	Rank	GDP	Rank
U.S.	\$ 22,997	1	\$ 25,346	1
China	\$ 17,458	2	\$ 19,911	2
Japan	\$ 4,937	3	\$ 4,912	3
California	\$ 3,356	5	\$ 4,000	4
Germany	\$ 4,262	4	\$ 3,900	5

Source: IMF

4.4

Within the U.S. California's GDP continues to be No. 1:

### Gross Domestic Product (\$B) Top 5 States 2021

State	Rank	GDP
California	1	\$ 3,356
Texas	2	\$ 1,985
New York	3	\$ 1,853
Florida	4	\$ 1,226
Illinois	5	\$ 938

Source: BEA

4.5

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Personal income will continue to increase, but not so much in 2023:

<b>Personal Income California 2015-2023 (P)</b>			
<b>Year End</b>	<b>Income (000)</b>	<b>Change</b>	<b>%</b>
2015	\$ 2,161,117		
2016	\$ 2,252,553	\$ 91,436	4.2%
2017	\$ 2,363,094	\$ 110,541	4.9%
2018	\$ 2,481,128	\$ 118,034	5.0%
2019	\$ 2,615,897	\$ 134,769	5.4%
2020 (2)	\$ 2,822,558	\$ 206,661	7.9%
2021	\$ 2,983,478	\$ 160,920	5.7%
2022 (1)	\$ 3,003,569	\$ 20,091	0.7%
<b>2023</b>	<b>\$ 3,093,676</b>	<b>\$ 20,694</b>	<b>3.0%</b>
<b>Avg. 2015-2019</b>			<b>4.9%</b>

Bureau of Economic Analysis  
 (1) based on first 6 months  
 (2) COVID pandemic

4.6



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**Personal Consumption Expenditures  
California  
2015-2023 (P)**

Year End	Income (000)	Change	%
2015	\$ 2,161,117		
2016	\$ 2,252,553	\$ 91,436	4.2%
2017	\$ 2,363,094	\$ 110,541	4.9%
2018	\$ 2,481,128	\$ 118,034	5.0%
2019	\$ 1,917,201	\$ (563,927)	-22.7%
2020 (2)	\$ 1,848,652	\$ (68,549)	-3.6%
2021	\$ 2,082,807	\$ 234,155	12.7%
2022 (1)	\$ 2,166,119	\$ 83,312	4.0%
<b>2023</b>	<b>\$ 2,231,103</b>	<b>\$ 64,984</b>	<b>3.0%</b>
<b>Avg. 2015-2019</b>			<b>-2.1%</b>

Bureau of Economic Analysis  
(1) based on first 6 months  
(2) COVID pandemic

4.7

**Residential Construction**

Residential construction will slow down in 2023. Most of the slowdown will be “for sale” product (both detached and attached).

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### Residential Building Permits California 2012-2023

Year	Total	SFD	MF	% MF
2012	59,638	27,558	32,080	54%
2013	85,472	36,991	48,481	57%
2014	85,844	37,089	48,755	57%
2015	98,233	44,896	53,337	54%
2016	100,265	49,254	51,011	51%
2017	110,000	56,000	54,000	49%
2018	117,079	62,236	54,843	47%
2019	119,985	79,486	40,499	34%
2020	105,925	60,824	45,101	43%
2021	118,290	65,022	53,268	45%
2022 (P)	121,614	66,351	55,263	45%
<b>2023 (P)</b>	<b>95,000</b>	<b>50,000</b>	<b>45,000</b>	<b>47%</b>

Average				
2012-2015	82,297	36,634	45,663	
2016-2020	110,651	61,560	49,091	
2021-2022	119,952	65,687	54,266	

Source: U.S. Census

4.8

### Home Ownership

California home ownership in 2023 will remain stable with no change expected in the 55/45 own/rent statistics. In the rest of the United States, 2/3rds of the populace owns and in some states the percent exceeds 70%.

Note that the 55/45 ratio dates back to the 1950's when home prices in California were modest.

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Home Ownership & Prices California 1950-2020								
Year	California			Population Change by		Population Change by		Pop. Per Housing Unit
	% Owned	Price	% Index	Population	Population change	Housing Units	Housing Units Change	
1950	54%	\$ 12,788	1.00	10,586,223		3,590,660		
1960	55%	\$ 18,500	1.50	15,717,204	5,130,981	5,465,870	1,875,210	2.74
1970	55%	\$ 24,640	1.93	19,971,069	4,253,865	7,000,174	1,534,304	2.77
1980	55%	\$ 99,550	7.78	23,667,764	3,696,695	9,277,041	2,276,867	1.62
1990	56%	\$ 193,700	15.15	29,758,213	6,090,449	11,182,513	1,905,472	3.20
2000	57%	\$ 241,350	18.87	33,871,653	4,113,440	12,214,500	1,031,987	3.99
2010	56%	\$ 304,770	23.83	37,253,956	3,382,303	13,680,081	1,465,581	2.31
2020	55%	\$ 717,930	56.14	39,237,836	1,983,880	14,366,336	686,255	2.89
1950-1980	55%	\$ 38,870	3.05	17,485,565	4,360,514	<b>6,333,436</b>	1,895,460	2.38
1990-2020	56%	\$ 364,438	28.50	35,030,415	3,892,518	<b>12,860,858</b>	1,272,324	3.10
Annual Average 1990-2020					<b>129,751</b>		<b>42,411</b>	<b>3.06</b>

Source: FHFA; CAR, Census

4.9

### Employment Trends

California continues to be a job machine, but 2023 won't match 2021 and 2022 which were exceptionally positive years for employment.

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**Employment Trends  
California  
2015-2023 (P)**

Year	Total Employment	Change	% Change
2015	14,969,000		
2016	15,366,000	397,000	2.7%
2017	15,686,000	320,000	2.1%
2018	16,006,000	320,000	2.0%
2019	16,006,520	520	0.0%
<b>2020 (2)</b>	<b>15,097,090</b>	<b>(909,430)</b>	<b>-5.7%</b>
2021	15,576,220	479,130	3.2%
2022 (1)	16,102,560	526,340	3.4%
<b>2023 (P)</b>	<b>16,424,611</b>	<b>322,051</b>	<b>2.0%</b>
<b>Avg. 2015-2019</b>		<b>259,380</b>	

(1) Based on 1st 10 months; (2) COVID Pandemic

Source: CA EDD

4.10

**Wages**

It is anticipated that the average wage in California will top \$100,000 in 2023.

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### Average Wages California 2016-2023

Year End	Wages	Change	%
2018	\$ 72,313		
2019	\$ 75,792	\$ 3,479	4.8%
2020 (2)	\$ 87,249	\$ 11,457	15.1%
2021	\$ 92,139	\$ 4,890	5.6%
2022 (1)	\$ 96,255	\$ 4,116	4.5%
<b>2023 (P)</b>	<b>\$ 100,105</b>	<b>\$ 3,850</b>	<b>4.0%</b>

(1) projected by CA DOF

(2) COVID pandemic

Source: California Economic Forecast MR 2022-23

4.11

## Section 5: The San Diego Economy

It is true that many say they are going to move out of their beloved home state of California, but when you explore Redfin's net inflow survey the story is slightly different. The major move-outs are from San Francisco and Los Angeles.

Those on the east coast opt for Florida and occasionally Texas. But for those on the west coast, the metropolitan areas of choice are Sacramento and San Diego:

### Top 10 Metropolitan Areas Home Searches Net Inflow Survey 2Q2022

Rank	Metro	Net Inflow	Want to Move From
1	Miami	12,614	New York
2	Tampa	9,841	Orlando
3	Phoenix	9,730	Los Angeles
4	<b>Sacramento</b>	<b>9,640</b>	<b>San Francisco</b>
5	Las Vegas	8,597	Los Angeles
6	Cape Coral	7,015	Chicago
7	<b>San Diego</b>	<b>6,804</b>	<b>Los Angeles</b>
8	North Port	6,626	Chicago
9	San Antonio	5,335	Austin
10	Dallas	4,964	Los Angeles

Source: Redfin survey

#### 5.1

### Gross Domestic Product

Bouncing off a COVID-driven downturn on the economy, the San Diego economy had a strong 2021 with a 4.0% increase in per capita GDP. I project that in both 2022 and

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2023 the GDP of San Diego County will increase by 3.0%. The U.S. Bureau of Economic Analysis model indicates a strong 2022 and 2023 for California.

### Gross Domestic Product San Diego County 2015-2023

Year	GDP	Change	% Change
2015	\$ 207,514,433		
2016	\$ 211,862,374	\$ 4,347,941	2.1%
2017	\$ 222,238,592	\$ 10,376,218	4.9%
2018	\$ 232,579,152	\$ 10,340,560	4.7%
2019	\$ 242,950,042	\$ 10,370,890	4.5%
2020 (1)	\$ 240,411,072	\$ (2,538,970)	-1.0%
2021 (P)	\$ 252,431,626	\$ 12,020,554	4.0%
2022 (P)	\$ 265,053,207	\$ 12,621,581	3.0%
2023 (P)	\$ 278,305,867	\$ 13,252,660	3.0%

(1) COVID pandemic; (2) Projected  
Source: CA Dept. of Demographics

5.2

### Employment in 2022 and 2023

Employment in the Leisure and Hospitality industry (including convention, cruise ship and visitors) and the increase in the life sciences and other professions will push employment to new highs.

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Employment San Diego County 2016-2023			
Year	Jobs	No. Change	% Change
2016	1,451,100		
2017	1,480,100	29,000	2.0%
2018	1,504,500	24,400	1.6%
2019	1,524,400	19,900	1.3%
2020 (1)	1,387,100	(137,300)	-9.0%
2021	1,497,700	110,600	8.0%
2022 (2)	1,515,300	17,600	1.2%
<b>2023 (P)</b>	<b>1,535,300</b>	<b>20,000</b>	<b>1.3%</b>

(1) COVID Pandemic  
(2) based on first 9 months of 2022

5.3

### Unemployment Rate

The unemployment rate in the County should remain low:

Unemployment Rate San Diego County 2016-2023	
Year	% End of Yr.
2016	4.3%
2017	3.4%
2018	3.3%
2019	3.0%
2020 (1)	8.4%
2021	4.1%
2022 (2)	3.1%
<b>2023 (P)</b>	<b>3.5%</b>

(1) COVID Pandemic  
(2) based on first 9 months

5.4



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### Population Change

It is likely that San Diego's population will remain relatively static, with two exceptions: (1) an increase in immigration from south of the border and (2) a major increase in professionals moving to San Diego to fill life science and software jobs.

Population Change San Diego County 1980-2023			
Year	Population	Change	Annual
1980	1,861,846		
1990	2,512,260	650,414	34.9%
2000	2,826,314	314,054	12.5%
2010	3,103,260	276,946	9.8%
2020 (1)	3,298,634	195,374	6.3%
2021	3,286,069	(15,000)	-0.5%
2022	3,296,069	10,000	0.3%
2023	3,304,069	8,000	0.2%

(1) COVID pandemic; population 2020 Census  
Source: California Department of Demographics

5.5

The aging of the population in the County is a given. Based on current aging patterns, 87% of the future population of the County will be over age 75.

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Population by Age Group San Diego County 2020-2050					
Age Group	Population		Change	% Change	% of Total
	2020	2050			
Under 20	868,523	765,267	(103,256)	-12%	-16%
20-34	752,370	807,095	54,725	7%	9%
35-59	1,021,300	1,161,865	140,565	14%	22%
60-74	471,350	459,951	(11,399)	-2%	-2%
<b>75+</b>	<b>202,530</b>	<b>765,267</b>	<b>562,737</b>	<b>278%</b>	<b>87%</b>
Total	3,316,073	3,959,445	643,372	19%	100%

% of Change over age 75	6%	19%	87%		
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Source: CA DOF

5.6

**Notably, it is imperative for San Diego County to attract millennials – those in the 20-34 year old range. And that is only going to happen with immigration and plentiful job opportunities.**

### Residential Units Permitted

Until interest rates increased, residential permit activity was vibrant. Still, it is likely that total units permitted in 2022 will total 10,000, one of the better production years in recent memory.

We project a diminution in production in 2023 with the total unit count at 7,000.

**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 (1)	10,000	3,700	6,300	37.0%
2023 (P)	7,000	2,800	4,200	40.0%

(1) Based on first 11 months

Source: Census Bureau 2010-2020; projections NREA

## 5.7

### Ownership

Home ownership in San Diego County, mirroring California, has remained a stable 55%, even when homes were modest in price:

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Household Tenure San Diego County 1980-2020					
Year	Total	No. Households		% Tenure	
		Owner	Renter	Owner	Renter
1980	641,188	358,614	282,574	56%	44%
2000	994,677	551,461	443,216	55%	45%
2010	1,086,865	591,025	495,840	54%	46%
2019	1,224,375	650,143	574,232	53%	47%
2020	1,237,479	682,279	555,200	55%	45%

Source: American Fact Finder; Census Bureau, 1980 Census

5.8

### Home Prices

Home prices will soften in 2023, but not collapse.

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)	\$ 782,910	\$ 526,500
Change 2022-2023	\$ (86,990)	\$ (58,500)
% Change	10.0%	10.0%

(1) End of Year  
Source: SDAR.com

5.9

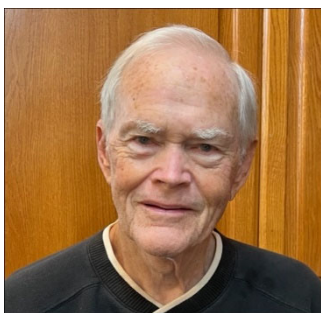
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On balance, 2023 will be a year of adjustment for San Diego County, but moving toward a very vibrant 2024. The County will benefit from in-movement from elsewhere in California and abroad; a ratcheting up of military spending; continuing increases in home and commercial remodeling (40% of total construction spending) and particularly strong non-residential construction.

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**Alan Nevin**

Mr. Nevin currently serves as Director of Economic Research and Valuations for Nevin Real Estate Advisors.

Mr. Nevin has an extensive background in real estate economics, appraisal, lending and market analysis. He serves the development investment, legal and public agency communities with a broad range of services, including residential and commercial real estate valuation, economic damage analysis and diminution of value and market and financial analyses of real estate developments

Prior to joining Vertex, Mr. Nevin was a principal at London Moeder Real Estate Advisors and before that was Director of Research for 14 years with MarketPointe Realty Advisors. In the past, Mr. Nevin served as Director of Real Estate Research for HomeFed Bank and was President of ConAm Securities, a subsidiary of ConAm Management Company.

Mr. Nevin also served as Chief Economist for the California Building Industry Association and currently serves as consulting economist for the **San Diego Association of Realtors** and produces its monthly newsletter. Mr. Nevin also serves as **Director of Economic Research for Vertex**, a Boston-based consulting firm.

Education: a **Master of Arts degree in Statistics and Research from Stanford University**,

**A Bachelor of Arts** degree in Marketing and a **Master of Business Administration** in Real Estate Economics from **American University** in Washington, D.C.

He is the co-founder of four firms that bought, built, rehabbed and operated more than three dozen residential and commercial projects in San Diego County, valued in excess of \$250 million.

Mr. Nevin taught real estate related courses for 25+ years at UCSD Extension. He is an instructor of a CLE-approved seminar on Litigation Economics and taught the capstone course on feasibility studies for the Master's program at USD Burnham Moores Institute of Real Estate. His first teaching

assignments in San Diego were at SDSU where he substituted for a Professor on sabbatical. The two courses were Introduction to Appraisal and Real Estate Economics.

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- ... He is a co-founder of the **UCSD Economics Roundtable**
- ... a member of the **Advisory Board of the UCSD Department of Real Estate Development.**
- ... a member of the **Real Estate Committee of the Burnham Moores School of Real Estate at the University of San Diego.**

Mr. Nevin is author of “**The Great Divide**”, a book on demographics and real estate. His next book “The Next Fifty Years” will be published in 2024.

Mr. Nevin is a past president of the San Diego chapter of Lambda Alpha International, an international honorary land economics society and was named an “International Fellow” of that organization in 2018.