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# 2026 Economic Forecast: the Nation, the State and the County

In this document, we will take a look at the economies of the United States, California and San Diego, typically trending back to 2021 or 2022. The data is primarily derived from information gathered by the Bureau of Labor Statistics, the Census Bureau and FRED (Federal Reserve Economic Data) and other reliable sources.

## **The U.S. Economy**

Our forecasts inevitably start with a rigorous look at the **National labor market**. The unemployment rate has kicked up to 4.6%, the highest level since 2021.

Unemployment Rate United States 2022-2025	
Year	Rate
2022	3.5%
2023	3.8%
2024	4.1%
2025(1)	4.6%

(1) thru November  
Bureau of Labor Statistics

1.1

Those in the 16-24 year old range have suffered significantly higher unemployment rates than folks over age 25:

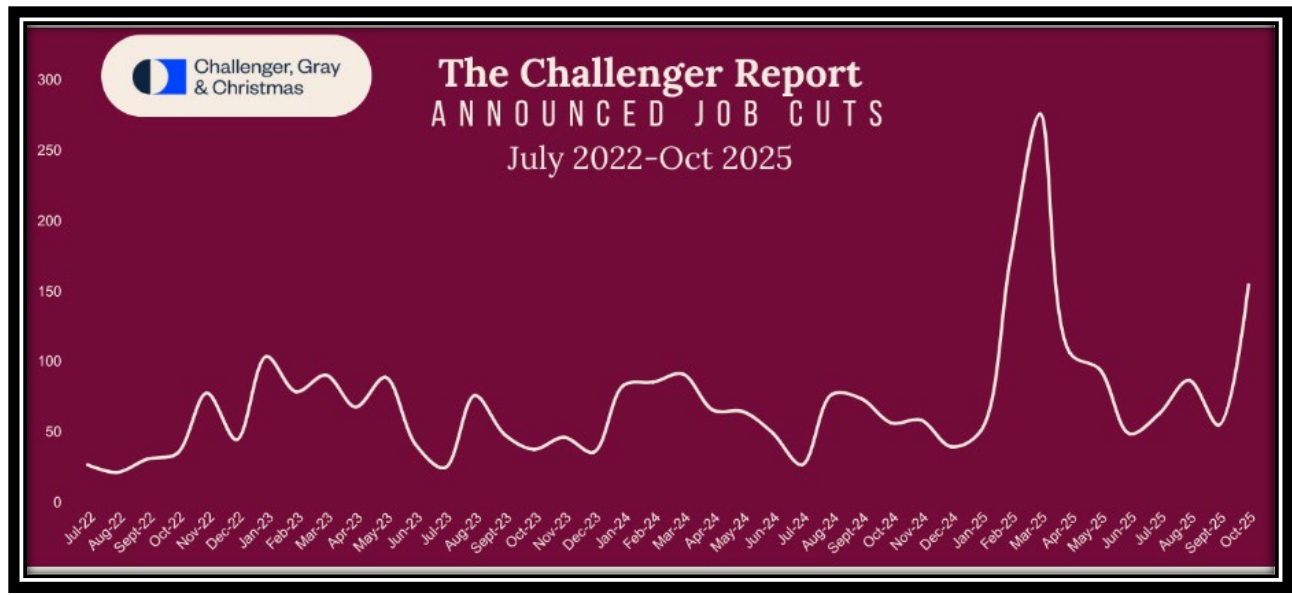
Unemployment by Age (16 to 24) United States 2022-2025		
Year	Age 16-19	Age 20-24
2022	16.3%	8.3%
2023	13.1%	7.8%
2024	11.2%	6.6%
2025 (1)	16.3%	8.3%

Source: Bureau of Labor Statistics

1.2

In the past year, construction employment grew by 28,000, healthcare added 46,000 while **Federal government employment** has declined by **271,000 jobs so far in 2025**. **Manufacturing** – the heart of the economy – had a **loss of 49,000 jobs..**

Challenger, Gray & Christmas, Inc. (an executive outplacement firm) recently announced job cuts in its report on U.S. jobs: “**announced job cuts.**” Their graph only extends through October 2025, but it is not terribly positive.



1.3

## U.S. Construction

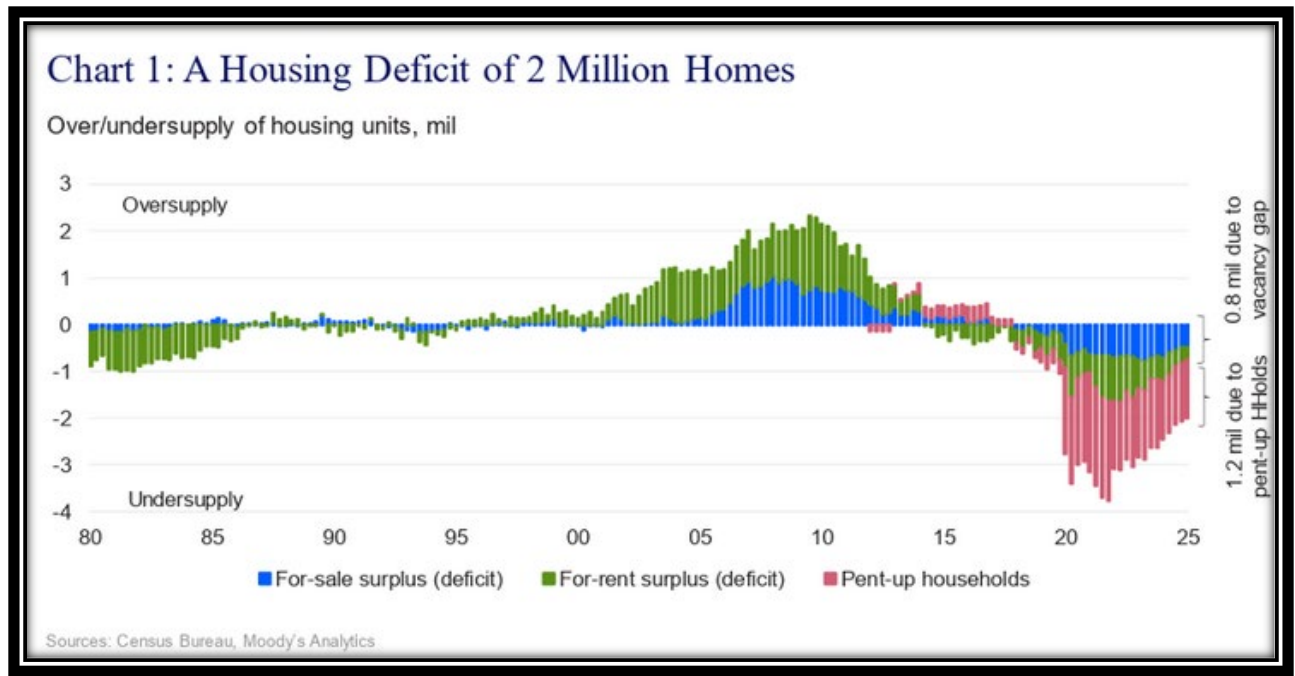
As most of our readers are in construction/real estate related industries, it is important to note the trends in residential and commercial construction in the recent past.

Residential units permitted have been on a downhill path since 2021.

Residential Units Permitted United States 2020-2025			
Year	Single Family	Multi-Family	Total
2020	979,400	491,600	1,471,000
2021	1,115,400	621,600	1,737,000
2022	973,900	706,500	1,680,400
2023	920,000	591,100	1,511,100
2024	981,900	496,100	1,478,000
2025 (1)	950,400	489,600	1,440,000

(1) Projected based on months 1-8  
Source: Census Bureau

1.4



1.5

The Census Bureau and Moody's Analytics have calculated a U.S. housing deficit of **two million homes**.

**Non-residential construction** spending has been on a similar downhill path since 2023. It is possible that the cost of rebuilding the White House "State Ballroom" may push construction spending upwards to new levels.



1.6

Non-Residential Construction Spending United States 2021-2025		
Year	Millions	%
2021	\$ 1,168,339	100%
2022	\$ 1,574,815	135%
2023	\$ 1,818,262	156%
2024	\$ 1,588,828	136%
2025 (1)	\$ 1,457,793	125%

(1) Based on Jan-August 2025  
Source: FRED

1.7

### **"Blue Chip Survey"**

Every year, the Federal Research Bank surveys some of the brightest forecasters in the Nation to get their take on key economic indicators in the coming year. **For 2026**, the forecasters are showing very modest to not much of a change from 2025:

"Blue Chip" Survey by Professional Forecasters Federal Reserve Bank	
10-Year Treasury Yield	4.3%
Real GDP Growth	1.9%
CPI Inflation Rate	2.8%
Unemployment Rate	4.3%

1.8

### **Trade with China**

Though the Chinese economy is not quite as strong as it once was, it still exports an enormous amount of goods. China sells three times more to the U.S. than it buys. China has expanded its sales of goods (including cars) to Africa, Asia and Latin America. By

selling goods to these countries, China avoids the tariffs that the Trump administration has levied.

\*\*\*\*\*

In essence, 2026 will be a ho-hum year economically. There are seven main reasons for the stagnant economy:

- **Weaker consumer spending**
- **Federal spending cuts**
- **Manufacturing contraction**
- **AI investments**
- **Immigration decline**
- **Tariffs**
- **Employer Cost Cutting**

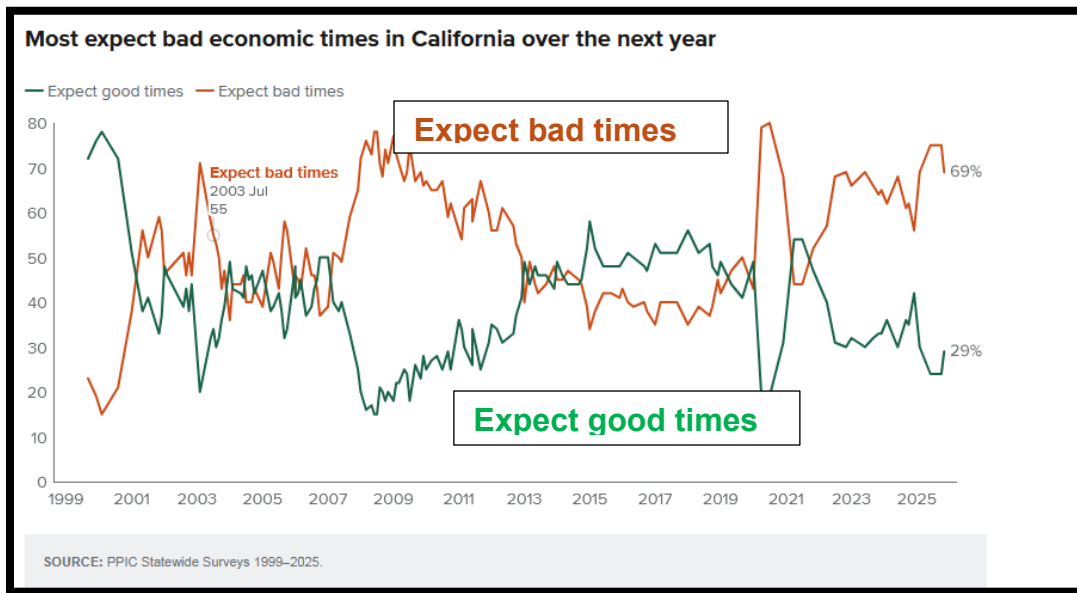
**Bottom line: Between rising prices and few new jobs, most Americans are struggling to pay their bills; Hence, an affordability crisis.**

It is difficult to anticipate an upward turn in the National economy in 2026. With any luck, we may experience stability.

Now on to California:

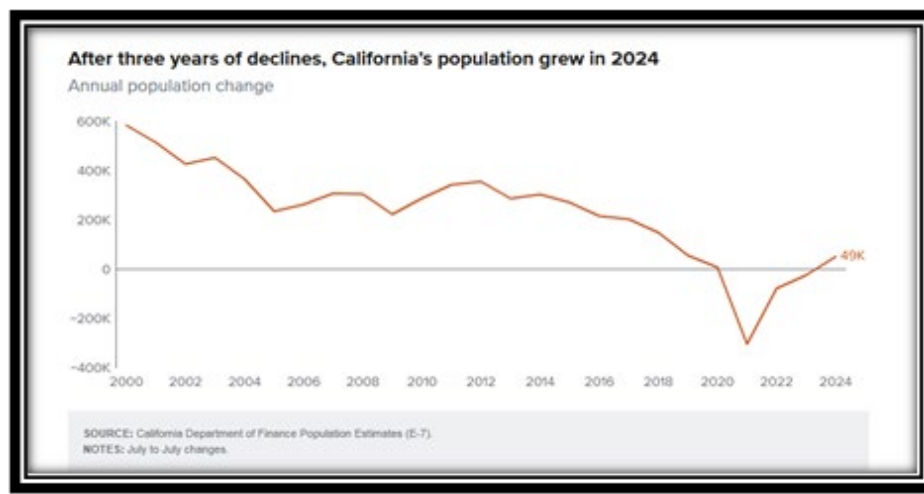
# THE CALIFORNIA STORY

The PPIC (Public Policy Institute of California) regularly conducts surveys on **Californians' attitudes** about the economy and its potential. Their most recent consumer survey indicates “**bad times**” for California in the coming year. Here’s hoping they are not correct.



## 2.1

With that negative picture, we counter it with the recent report from the **California Department of Demographics** which notes that after three years of declines, California’s population grew in 2024.



## 2.2

Their most recent numbers show a stable population:

California Population 2020-2026		
Year	Population	% Change
2020	39,538,223	100.0%
2021	39,369,530	99.6%
2022	39,179,680	99.1%
2023	39,228,444	99.2%
2024	39,420,663	99.7%
2025	39,529,101	100.3%
2026 (P)	39,391,125	99.6%
CA Dept. of Demographics		

### 2.3

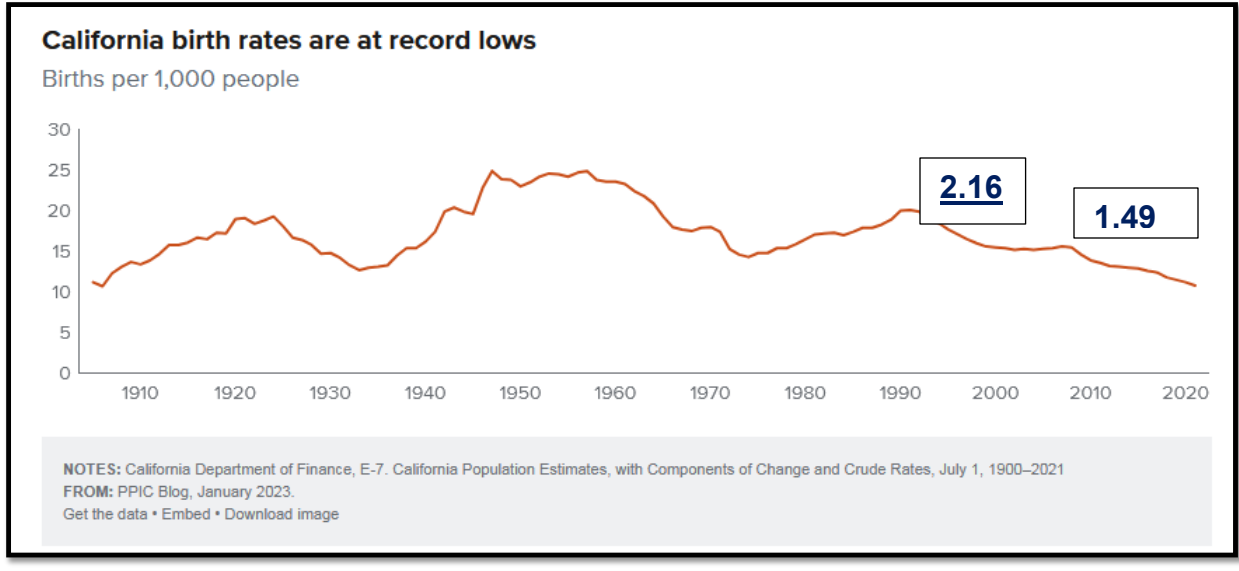
The State's population owes a great deal to **immigration**, which accounts for more than a quarter of the population:

California Immigrants	
% of CA Pop. Foreign Born	27%
National Avg.	12%
Other States	
New Jersey	24%
New York	23%
Florida	22%
Source: American Community Survey	

### 2.4

The immigrant population is vitally important because the state's **birth rates** are at record lows:





2.5

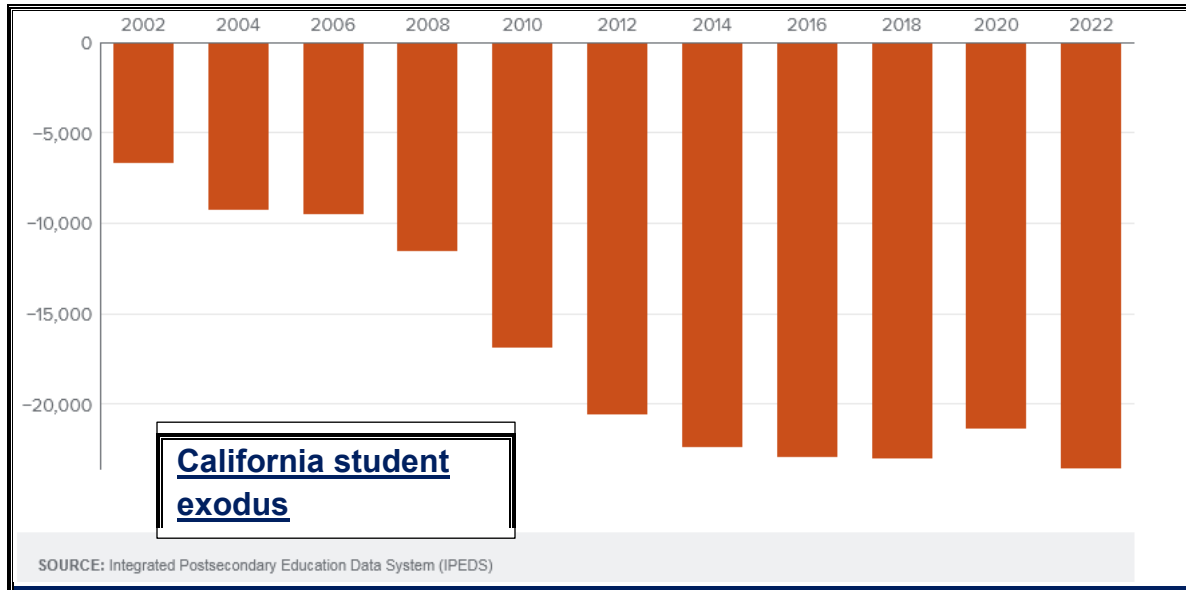
The following exhibit notes the birth rates in California in the past quarter century:

Total Births California 2000-2025	
Year	No.
2000	531,285
2010	509,979
2020	420,396
2025	395,239
Change 2000-2025	(136,046)
% Change	-26%

Source: CA. Dept of Demogrpahics

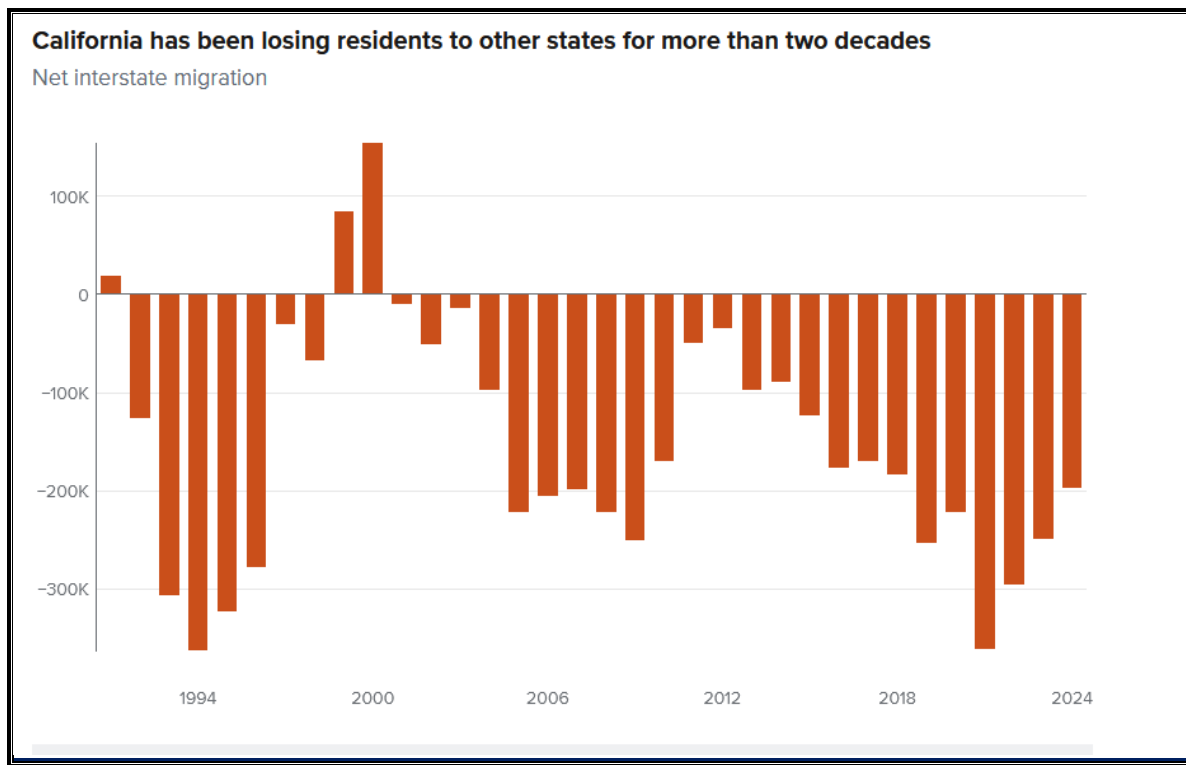
2.6

The damper on population growth is partially due to the **exodus of college students** from California. The data for this exhibit represents first-time degree-seeking undergraduates nationwide.



2.7

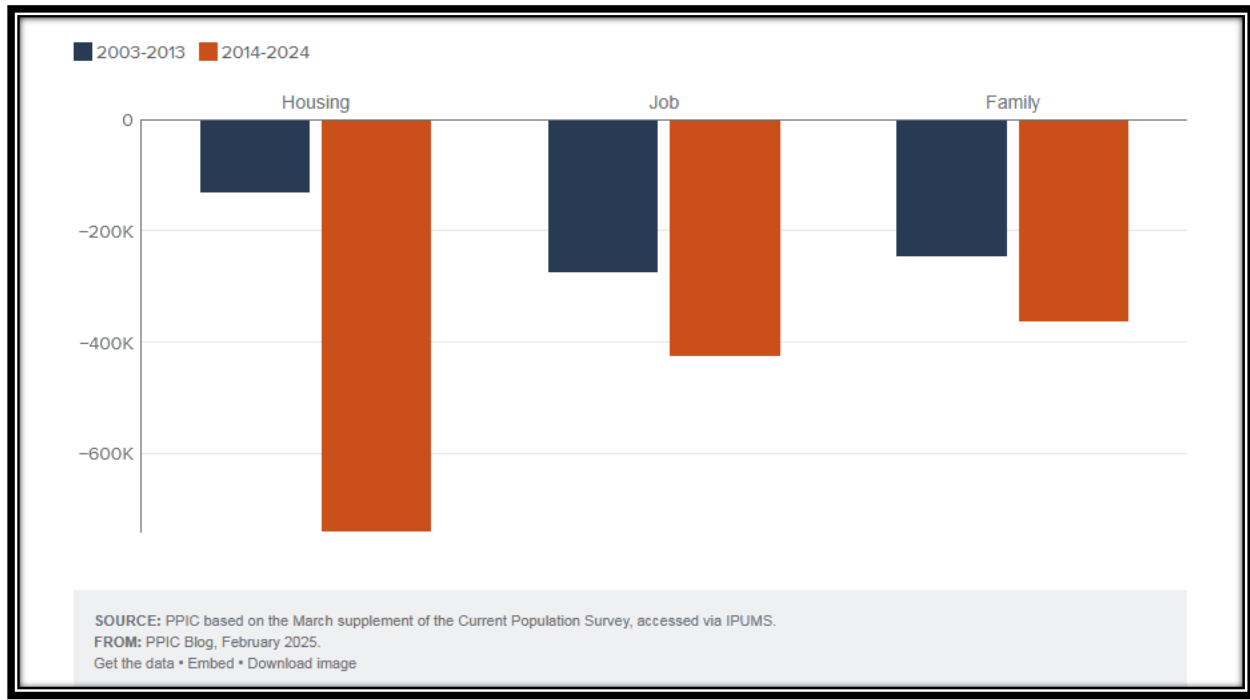
### The California Outflow



2.8

## Housing Californians

Housing has become the dominant reason cited for leaving California:



2.9

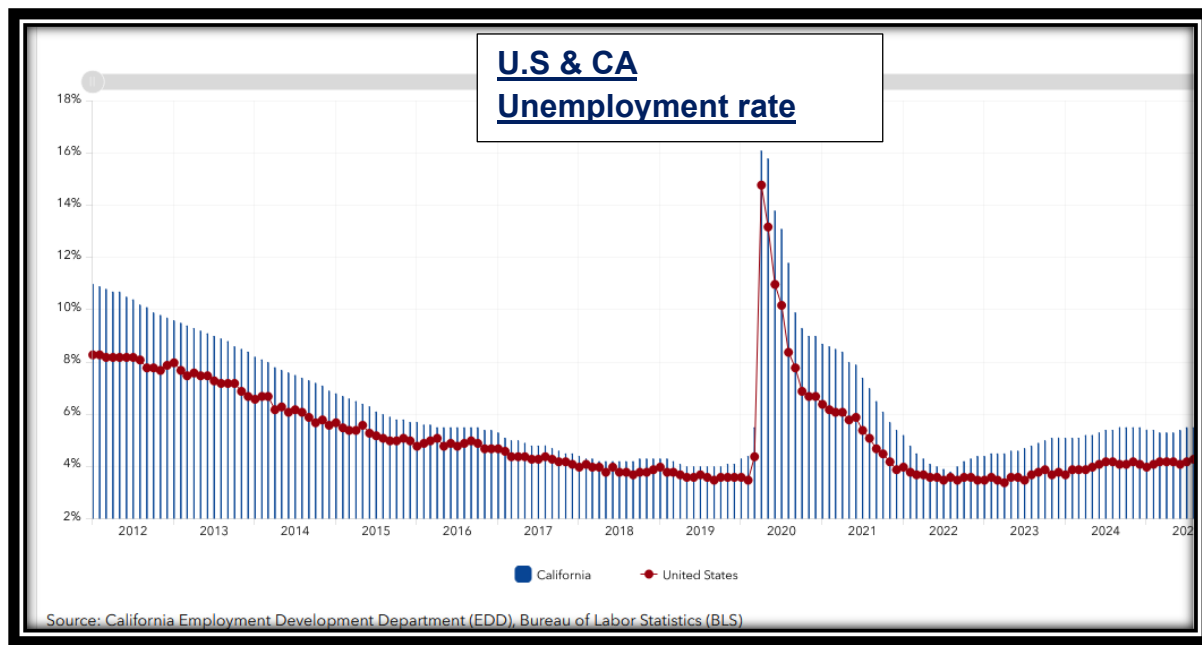
## California Employment Trends

California has continued to add jobs as can be noted in the exhibit below. The major upturn in 2022 represented a recovery from COVID. It is likely that the state will add 75,000 jobs in 2025:

Employment California 2021-2025			
Year	Employment	Change	Unemployment Rate
2021	18,112,373		
2022	18,473,793	361,420	4.4%
2023	18,569,024	95,231	5.1%
2024	18,618,007	48,983	5.5%
2025	18,693,007	75,000	5.5%

(1) recovery from COVID  
Source: Bureau of Labor Statistics

2.10



2.11

There are three major factors that will most likely have an impact on California in future years: Loss of immigrants, artificial intelligence and reduction of immigration.

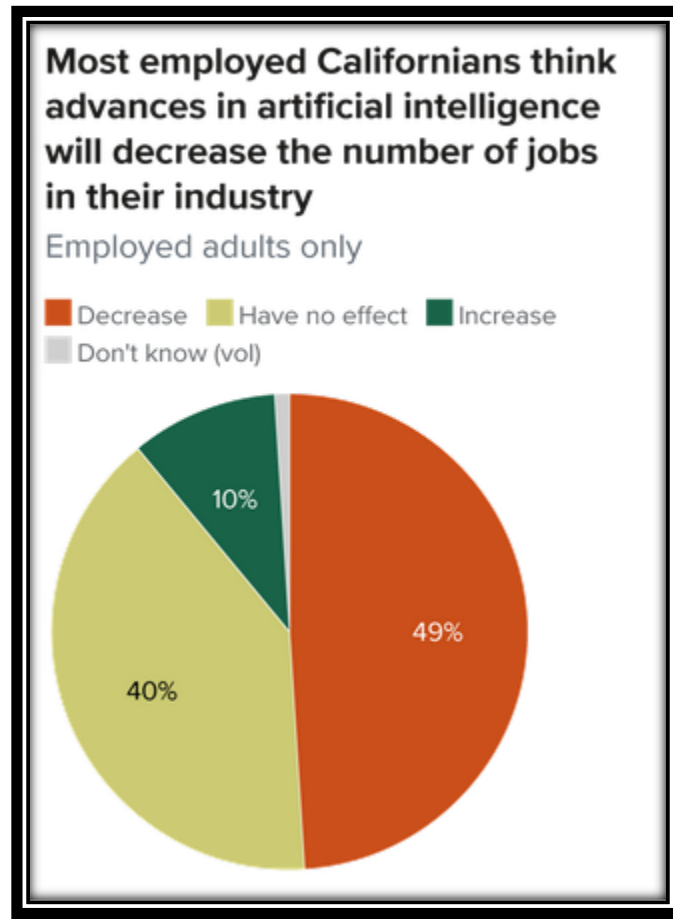
### Loss of immigrants

Currently, approximately 25% of California’s population is comprised of immigrants. A major percentage of those immigrants toil in the agriculture and high-tech industries. If

the Trump administration continues to expel immigrants, it will have a major impact on the number of immigrants employed in California. It also means that we will be importing more of our fresh produce and grocery items from Mexico.

### Artificial intelligence

The jury is out on whether AI will assist or detract from the economy. A recent survey of Californians indicates that they believe that AI will reduce the number of jobs in their industries:



2.12

### Reduction of Immigration

It appears likely that the Trump administration will substantially reduce the number of immigrants allowed in the states. California is a major center of immigration for highly educated workers who cluster around the high-tech industries in both northern and southern California.

## California Housing Trends

The construction industry in California continues to produce copious amounts of housing:

Residential Units Permitted California 2020-2025				
Year	Total	Single Family	Multi-Family	% MF
2020	106,075	59,043	47,032	44%
2021	119,736	65,890	53,846	45%
2022	120,780	63,628	57,152	47%
2023	111,760	58,534	53,226	48%
2024	101,545	61,143	40,402	40%
2025 (P)	110,000	60,000	50,000	45%

Source: Census Bureau

2.13

## Home Ownership & Prices – California

Home ownership in California has been **well below** the U.S. average for decades and never seems to change.

Home Ownership California & U.S. 2020-2025		
Year	% Ownership	U.S. Average
2020	55.9%	67.8%
2021	54.2%	65.6%
2222	55.2%	66.0%
2023	55.3%	65.7%
2024	55.3%	65.7%
2025	55.8%	65.3%

Source: FRED

2.14

Due to the substantial construction of rental properties, apartment rents have remained stable throughout the Nation:

Apartment Rent Year-Over-Year Rent Growth Top Eleven U.S. Markets 2025	
Area	Rents
Cleveland	3.3%
Cincinnati	3.3%
<b>San Jose</b>	<b>2.8%</b>
New Haven	2.2%
St. Louis/Milwaukee	1.9%
Richmond	1.9%
<b>Orange County</b>	<b>1.1%</b>
<b>Central Valley</b>	<b>1.1%</b>
<b>Inland Empire</b>	<b>0.7%</b>
Greenville	0.3%
<b>San Diego</b>	<b>-1.4%</b>

Source: Yardi

2.15

Rental rate increases in California have been minor, as shown in this exhibit:

Apartment Rent Changes Major Markets California 2025	
Area	Rents
Los Angeles	0.0%
San Francisco	2.6%
San Diego	-1.4%
Source: Yardley	

2.16

At the same time, the home prices in California are substantially more than in neighboring Arizona and Nevada:

Home Price California, Arizona & Nevada	
State	Price
California	\$ 852,000
Nevada	\$ 441,000
Arizona	\$ 448,000
Source: NAR	

2.17

### Apartment Vacancy Rates & Rents

Ownership is not an option for most residents of the Golden State. As a result, apartment vacancy rates are typically sub-5%:



**Apartment Vacancy Rates  
California  
2020-2025**

Year	Vacancy Rate
2020	4.0%
2021	4.3%
2022	3.9%
2023	4.4%
2024	4.8%
2025	4.9%

2.18

Overall, California is just moving along, with substantially less vigor than in years past.

## The San Diego Story

The Assessor's office of the County of San Diego has developed a statistical analysis of the County from 2016 to 2025. The analysis shows a modest decline in population in the past five years, but a major increase in personal income:

Demographic & Economic Statistics County of San Diego 2016-2025			
Year	Population	Personal Income	Per Capita Personal Income
2016	3,288,612	\$ 186,900,000	\$ 56,832
2020	3,343,355	\$ 173,279,000	\$ 51,828
2025	3,330,139	\$ 260,227,000	\$ 78,143
2016-2020	54,743	\$ (13,621,000)	\$ (5,004)
2020-2025	(13,216)	\$ 86,948,000	\$ 26,315
2016-2020 %	1.7%	93%	(5,004)
2020-2025 %	-0.4%	50%	26,315

Source: San Diego County Finance Dept.

### 3.1

One of the reasons for the decline in population is the decline in total births:

Total Births San Diego 2000-2025	
Year	No.
2000	44,272
2010	44,838
2020	37,268
2025	36,405
Change 2000-2025	(7,867)
% Change	-18%

Source: CA Dept of Demographics

### 3.2

San Diegans are accustomed to a vigorous economy with routine job gains. The past few years haven't been delivering the goods.

<b>Employment Annual Average San Diego County 2019-2026 (P)</b>		
Year	Jobs	Change
2,019	1,553,000	
<b>2020 (1)</b>	<b>1,425,000</b>	<b>(128,000)</b>
2021	1,471,000	46,000
2022	1,554,000	83,000
2023	1,575,000	21,000
2024	1,572,000	(3,000)
2025 (P)	1,597,000	25,000
<b>2026 (P)</b>	<b>1,622,000</b>	<b>25,000</b>

(1) COVID  
Source: BLS

### 3.3

Having said that, the County has a number of very stable major employers. The County Assessors Office compiled this list of the major employers dating from 2016:

**Principal Employers  
San Diego County  
2016 & 2025**

Employer	Category	2025	2016	Change 2016- 2025	% Change
U.S.Navy	Military	91,317	n/a		
MCRD Marines	Military	42,687	n/a		
U.C San Diego	University	41,698	30,671	11,027	36%
County of San Diego	Government	20,471	17,034	3,437	20%
Sharp	Mediical	20,432	17,809	2,623	15%
Scripps San Diego	Medical	17,760	14,863	2,897	19%
Kaiser Permanente	Medical	12,859	8,406	4,453	53%
UC San Diego Health	Medical	12,676	7,438	5,238	70%
<b>Total Military</b>		<b>134,004</b>	<b>n/a</b>		
<b>Total Non-Military</b>		<b>63,727</b>	<b>48,516</b>	<b>15,211</b>	<b>24%</b>
<b>University</b>		<b>41,698</b>	<b>30,671</b>	<b>11,027</b>	<b>26%</b>

San Diego County Controller 12.2025\

3.4

## San Diego Housing Market

2025 marked another year with residential construction dominated by **multi-family** development. **Most of the multi-family units permitted were for rental housing** with few condominiums constructed.

**Residential Units Permitted  
(current basis)  
San Diego County  
2020-2026**

Year	Units	Change	% Change
2020 (1)	9,472	n/a	-1.4%
2021	10,048	1,022	10.8%
2022	9,346	495	4.9%
2023	11,469	714	7.6%
2024	11,572	619	5.4%
2025 (F)	11,605	33	3.0%
2026 (F)	11,000	605	5.5%

(1) COVID

Source: FRED

3.5

**Resales: Single Family & Multi-Family Homes Sold**

2025 mirrored 2024 with a similar number of resale homes closed. The units sold reflect the mortgage rates over the past few years as noted in this exhibit.

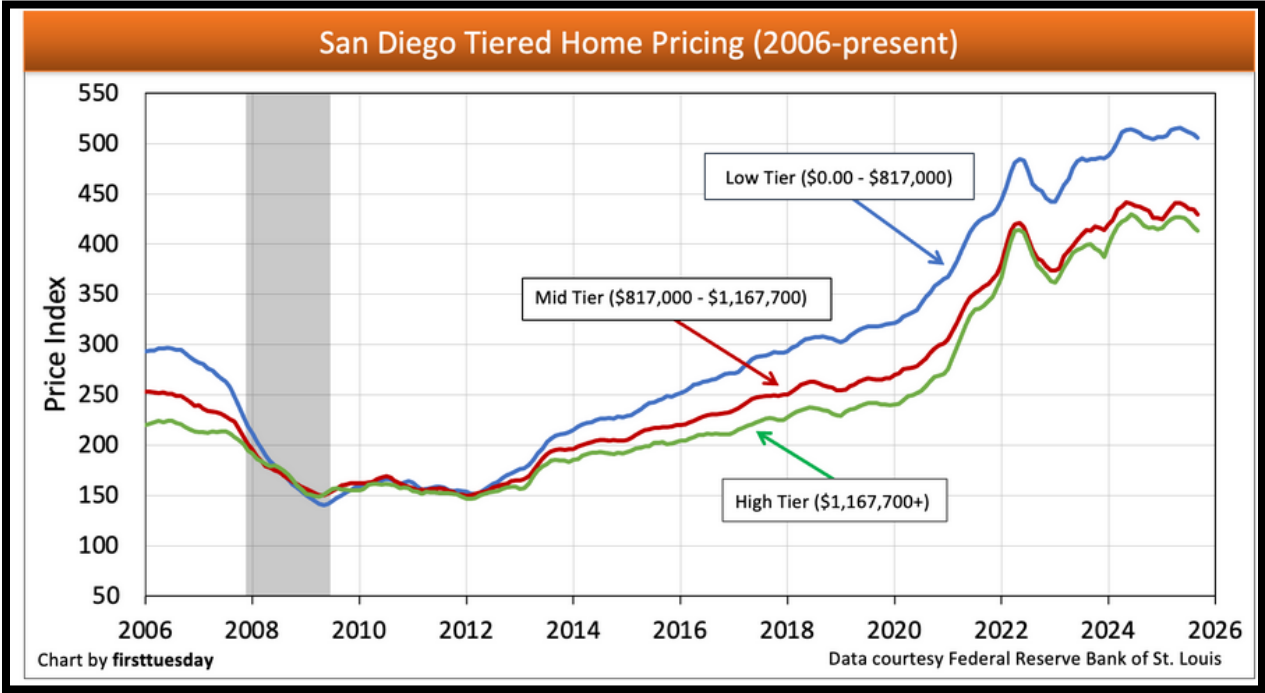
Units Sold Resale Units San Diego County 2020-2025			
Year	Rate (3)	No. Sold	
		Detached	Attached
2020 (1)	2.7%	25,113	14,384
2021	3.1%	25,252	14,510
2022	6.3%	18,317	10,167
2023	7.4%	13,999	7,974
2024	6.7%	14,824	8,296
2025 (F)	6.2%	14,775	8,050

(1) COVID (2) Forecast (3) 30 year fixed mortgage rate  
Source: SDAR

 | Median Price<br>Resale Units<br>San Diego County<br>2020-2025 |              |            | |---|--------------|------------| | Year  | Median Price |            | |   | Detached     | Attached   | | 2020 (1)  | \$ 710,000   | \$ 460,000 | | 2021  | \$ 842,000   | \$ 646,000 | | 2022  | \$ 935,000   | \$ 625,000 | | 2023  | \$ 965,000   | \$ 646,000 | | 2024  | \$ 1,060,000 | \$ 675,000 | | 2025  | \$ 1,066,000 | \$ 669,000 |   (1) COVID Source: SDAR |

3.6.

San Diego Tiered Home Pricing (2006-2026)



3.7

## The San Diego Apartment Market

The apartment market in San Diego County tends to be stable, but because of substantial new development, vacancy rates have gradually increased and are now approaching 5.0%. Similarly, rents have gradually increased and now average \$2,600, as shown in this exhibit:

Apartment Vacancy Rate & Rents San Diego County 2020-2025		
Year	Vacancy Rate	Avg. Rent
2020	4.1%	\$ 1,987
2021	2.6%	\$ 2,244
2022	3.9%	\$ 2,367
2023	4.6%	\$ 2,391
2024	4.7%	\$ 2,492
2025	4.9%	\$ 2,599

Source: NAI San Diego, CoStar

3.8

## OUTLOOK FOR 2026

2026 looks like a stable year for San Diego County, with tourism leading the way. We will most likely play host to 33-34 million visitors and welcome 75 cruise ship voyages. The hotel business should welcome 17+ million overnight guests. And the convention center will host more than a half million attendees. Overall, the leisure and hospitality industries will employ more than 200,000 San Diegans.

The **other “base” industries** in the County can also anticipate a stable 2026: manufacturing, professional and business services, education and health services and leisure and hospitality.

The housing market will also be a repeat of 2025, with the exception of modest overbuilding of apartments in the central part of the City of San Diego.

The office market will remain soft downtown (very soft) with a more normalized market in the suburbs. Similarly, R&D life science market will be soft. Optimally, IQHQ will find a few tenants.

The other interesting event will be the conversion of several downtown office towers into residences (both sale and rental). That will reduce the downtown office space by at least 1.5 million square feet.

On balance, 2026 will be a perfectly decent year for the San Diego economy.

Alan Nevin is Chief Strategic Advisor for GAFCON, a San Diego based construction management and development firm. Founded in 1987, the firm has 130 employees and is based in Scripps Ranch. Alan focuses on GAFCON's clients needs for market demand and feasibility studies, primarily in San Diego and Imperial Counties.

Alan holds advanced degrees from Stanford and American Universities and is a member of the Advisory Board of the UC San Diego Department of Real Estate Development. He is a Fellow in Lambda Alpha. Lambda Alpha is an international organization for professionals in the land use industries. His most recent book is "The Next Half Century." The book was a finalist in the Independent Book Awards in 2024, an international competition.