BEACON ECONOMICS

The Economic Outlook

Focus on San Diego

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How do economies grow / fail?

- Growth is the default mode
  - Resource Accumulation
  - Increase in efficiency (market or technological)
- A recession is an anomaly
  - Caused by a large, rapid and sustained shock to the system
  - Don't confuse leading indicators with cause
  - Compounded by negative feedback loop
  - Local economy's exposure depends on direct exposure to cause, and structure of local labor force

So what's going on?

- A fall to remember
  - Heard on the street "There are only two positions out there: cash, and fetal"
  - Its not 'what Wall Street troubles mean to California', its 'what California troubles mean for Wall Street'
  - Recession was already fully underway even if many economists and politicians remained in deep denial
- What went wrong
  - The big three imbalances: housing, finance, and the consumer
- Where from here?
  - Things are bad.. But not THAT bad! So far the numbers are in line (if a bit worse) than past recessions, and proportionate to the imbalances in the economy...
  - Recovery is a given, the big question is when

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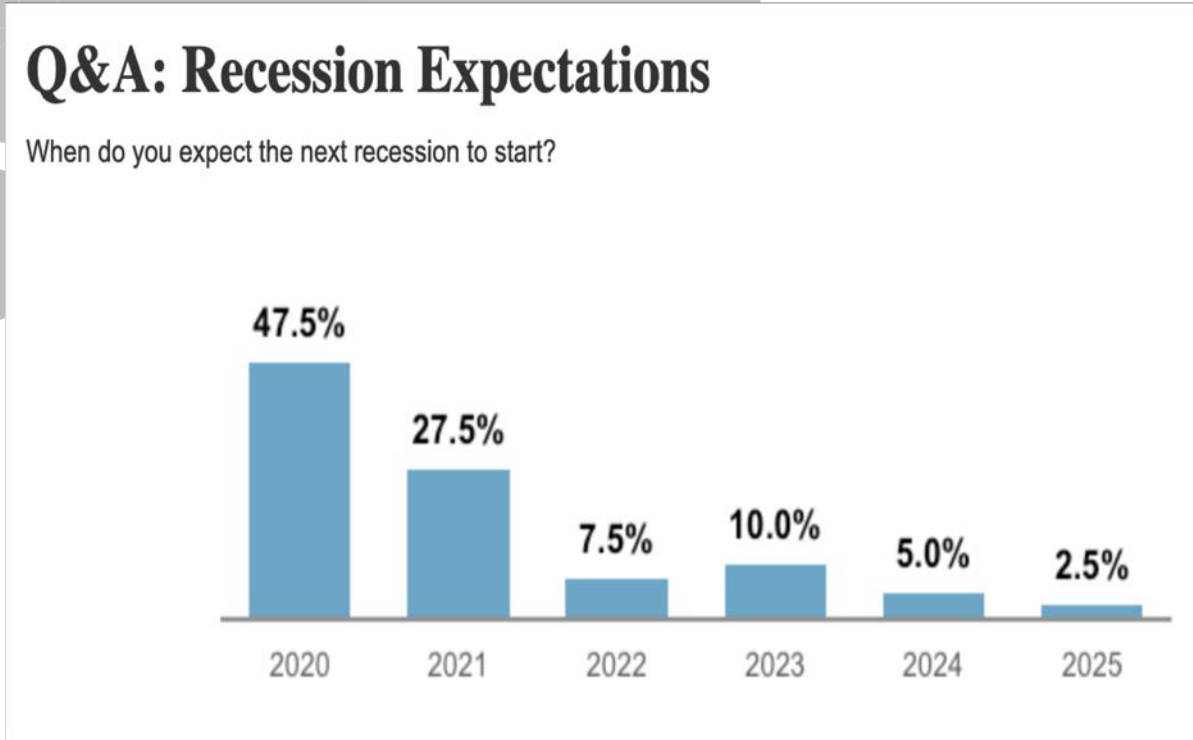
Steady as she goes…

It isn't the 'when', it's the 'why'

Growth to continue…

- Reports of the end of of this expansion are highly exaggerated
- GDP Growth: Not too hot, not too cold
- Labor markets, consumer spending, business investment, wages, exports, energy, still all on steady sustainable paths
- Interest rates down, inflation still constrained, debt levels constrained
- Housing markets to bounce back a lot in 2020
- Still a low chance of recession in next 24 months

WSJ Next Recession Survey Oct 2019



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…but the Economy is Slowing

- Deceleration Apparent
  - 2% growth this year
  - Slowing despite monetary and fiscal stimulus
- Drags on the economy
  - Slow business investment
  - Trade disruptions
  - Labor Shortages
  - A Boeing debacle
  - Low oil prices
  - Weak corporate profits
  - Slow population growth
- Wild Cards for 2020
  - An equity bubble in play
  - A brewing pandemic
  - Commodity markets
- Long Run Issues
  - Political dysfunction and extremism
  - The growing disconnect between economic reality and policy choices
  - Little effort to deal with the true long run policy needs

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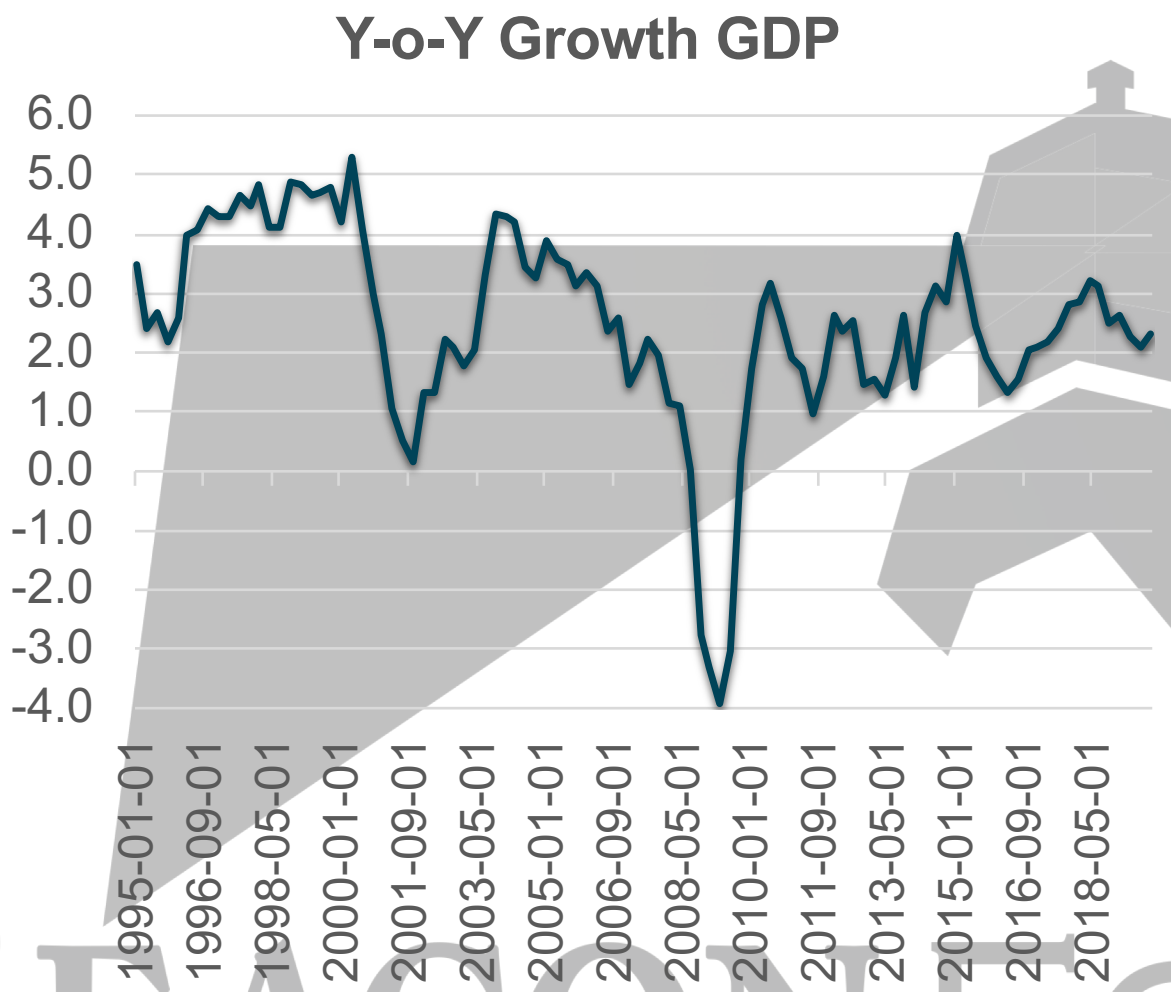
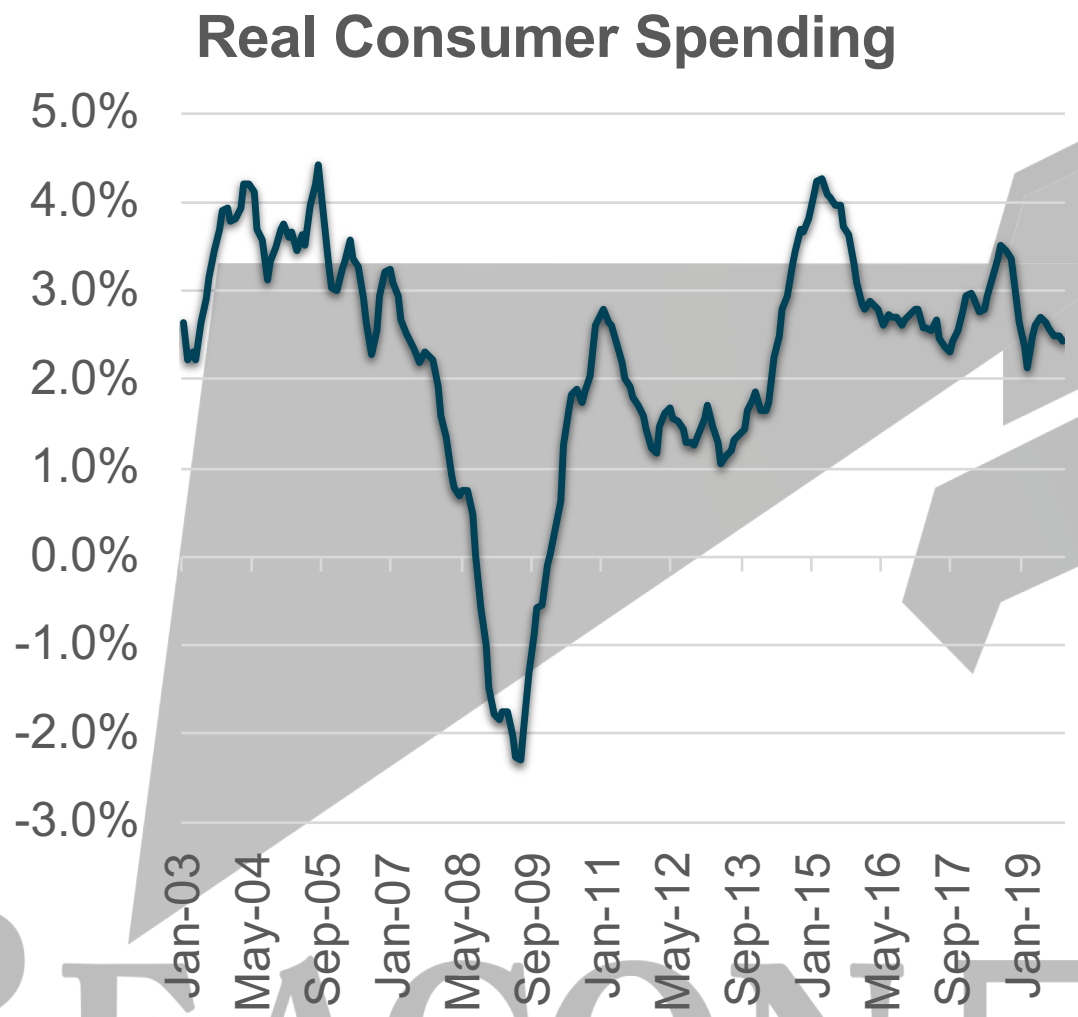
Real GDP



	2017	2018	2019
GDP	2.80	2.50	2.33
Final Demand	3.02	2.65	2.35
Consumption	2.00	1.79	1.78
Goods	1.06	0.62	0.85
Services	0.94	1.17	0.93
Fixed Inv	0.86	0.61	0.05
Structures	0.05	0.08	-0.21
Equipment	0.49	0.30	-0.09
IPP	0.17	0.40	0.29
Residential	0.16	-0.18	0.06
Change inventories	-0.06	0.29	-0.38
Net exports	-0.16	-0.43	0.35
Exports	0.66	0.05	0.02
Imports	-0.82	-0.49	0.33
Government	0.15	0.27	0.52
Federal	0.11	0.17	0.28
State and local	0.04	0.09	0.24

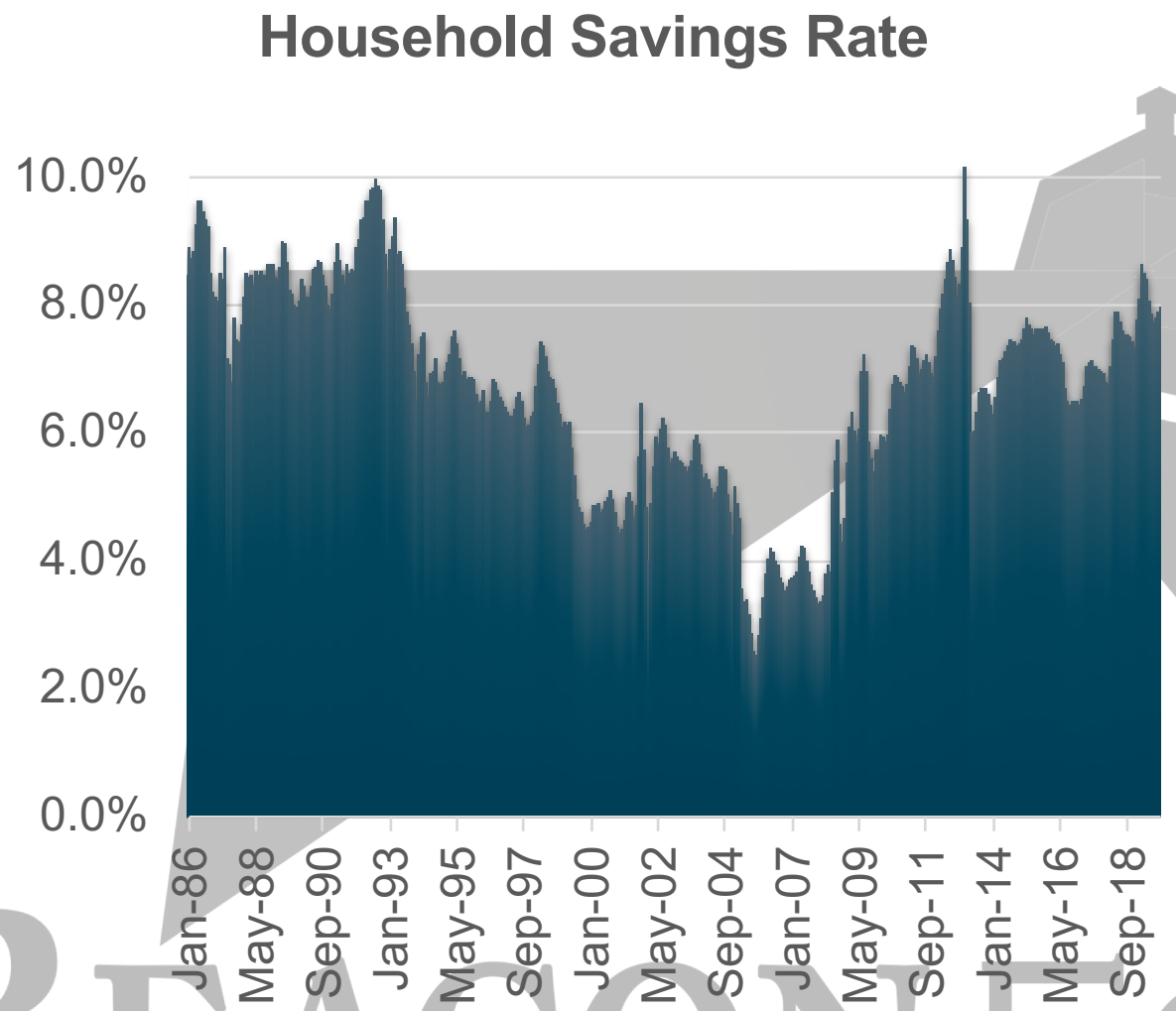
Consumer Spending

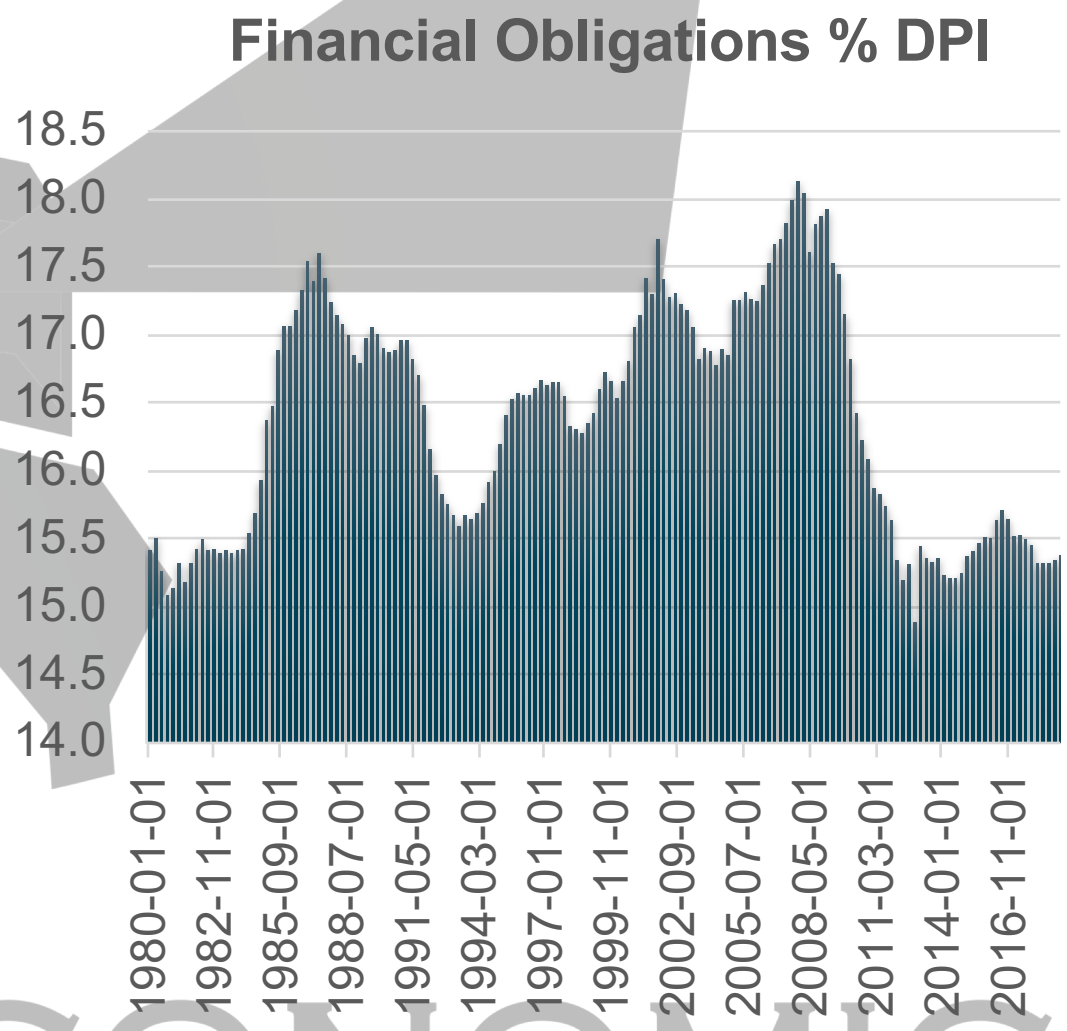


Category	2018	3 Yr Growth
Foreign travel	$ 187	29.0%
Restaurants	$ 822	18.0%
Recreation	$ 1,204	15.0%
Housing	$ 2,224	14.7%
Furnishings	$ 573	14.6%
Medical products	$ 581	14.5%
Air transportation	$ 104	13.5%
Accounting	$ 39	12.9%
Education	$ 304	12.3%
Legal services	$ 107	10.5%
Motor vehicles	$ 446	10.3%
Food	$ 1,003	9.1%
Clothing	$ 408	6.3%
Communication	$ 31	5.5%

Source: FRED

Consumer Balance Sheets



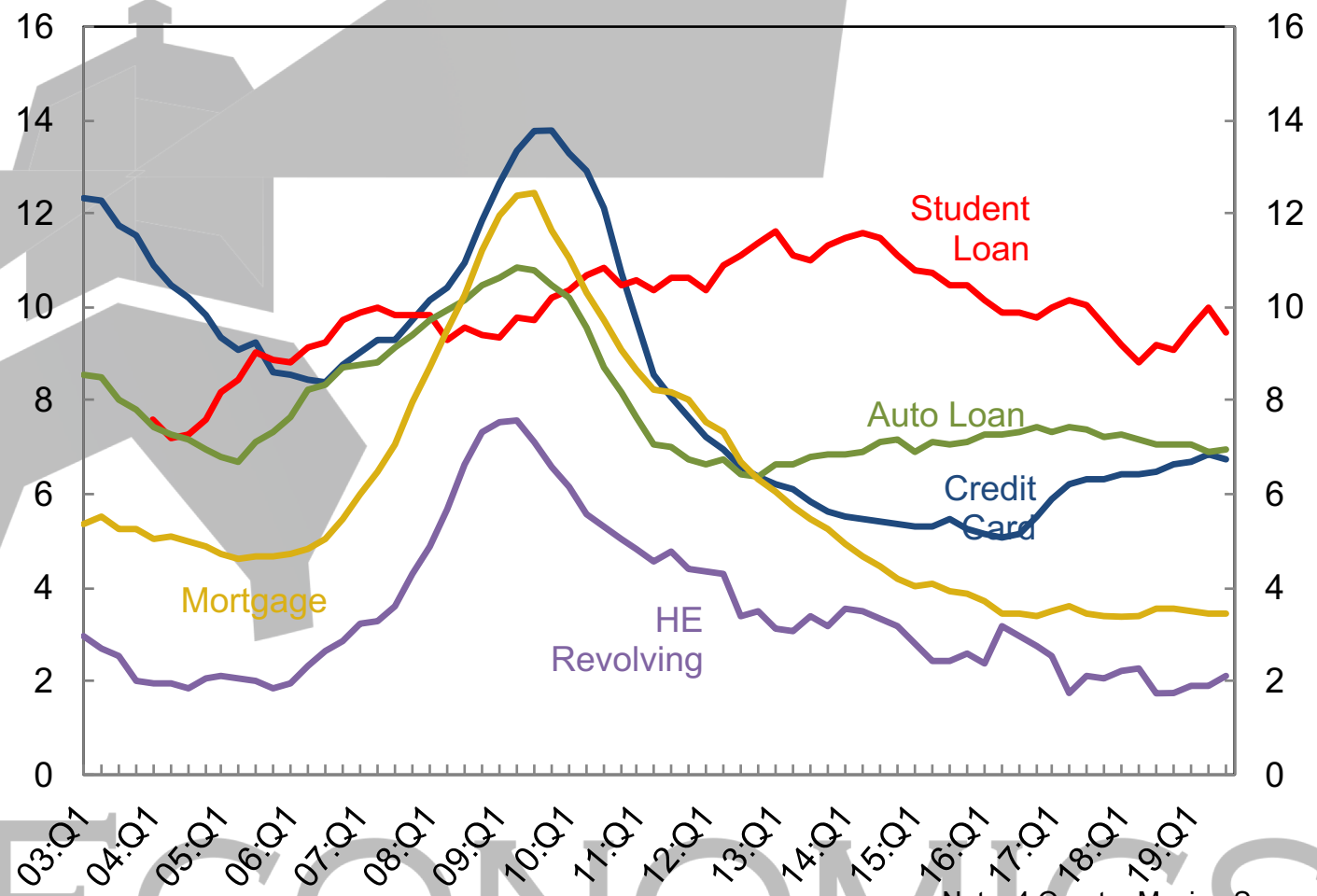


Source: FRED

Debt Accumulation

	17:Q3	18:Q3	19:Q3
Mortgage	4.7%	4.5%	3.2%
HE Revolving	-5.1%	-5.8%	-6.2%
Auto Loan	6.9%	4.3%	4.0%
Credit Card	8.2%	4.5%	4.4%
Student Loan	6.1%	6.3%	3.9%
Other	5.2%	3.4%	6.5%
Total	4.9%	4.3%	3.3%

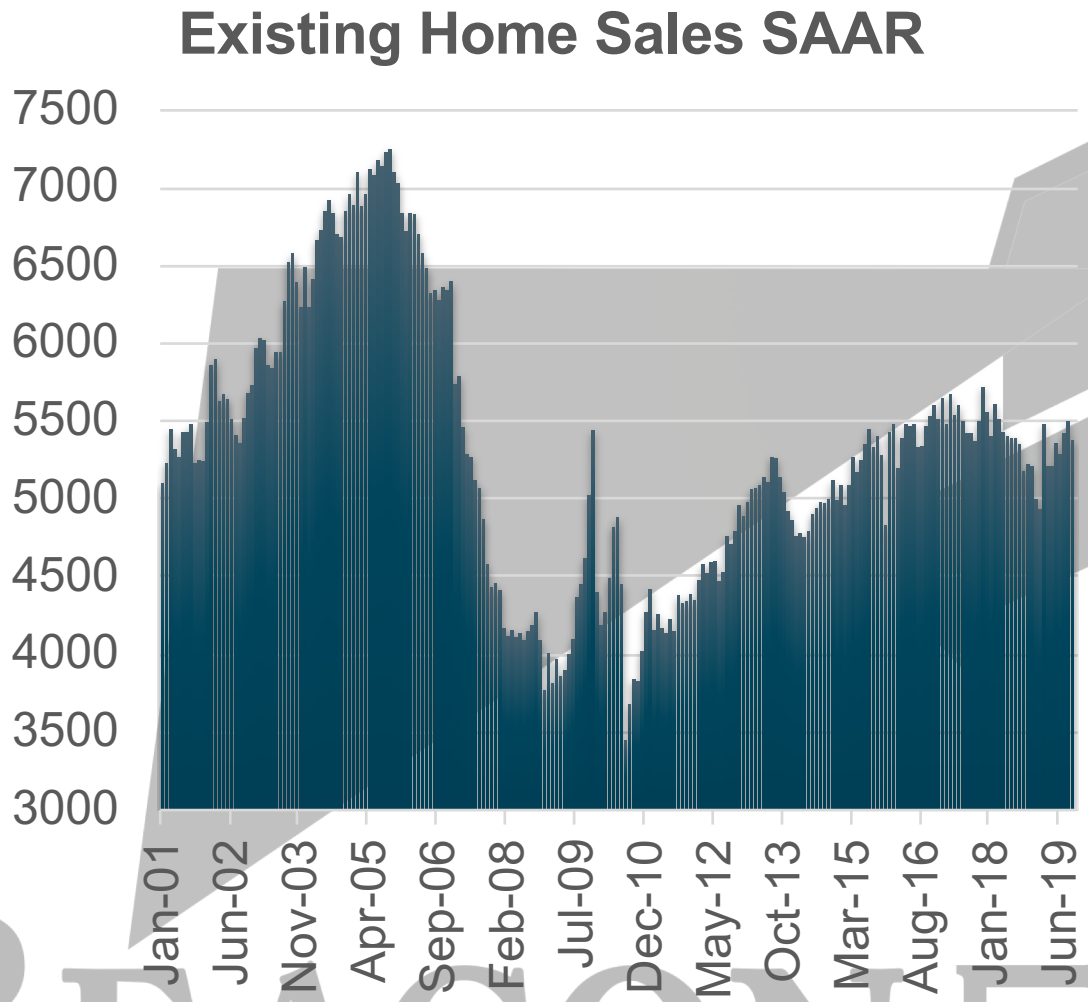
Transition into Delinquency (30+)

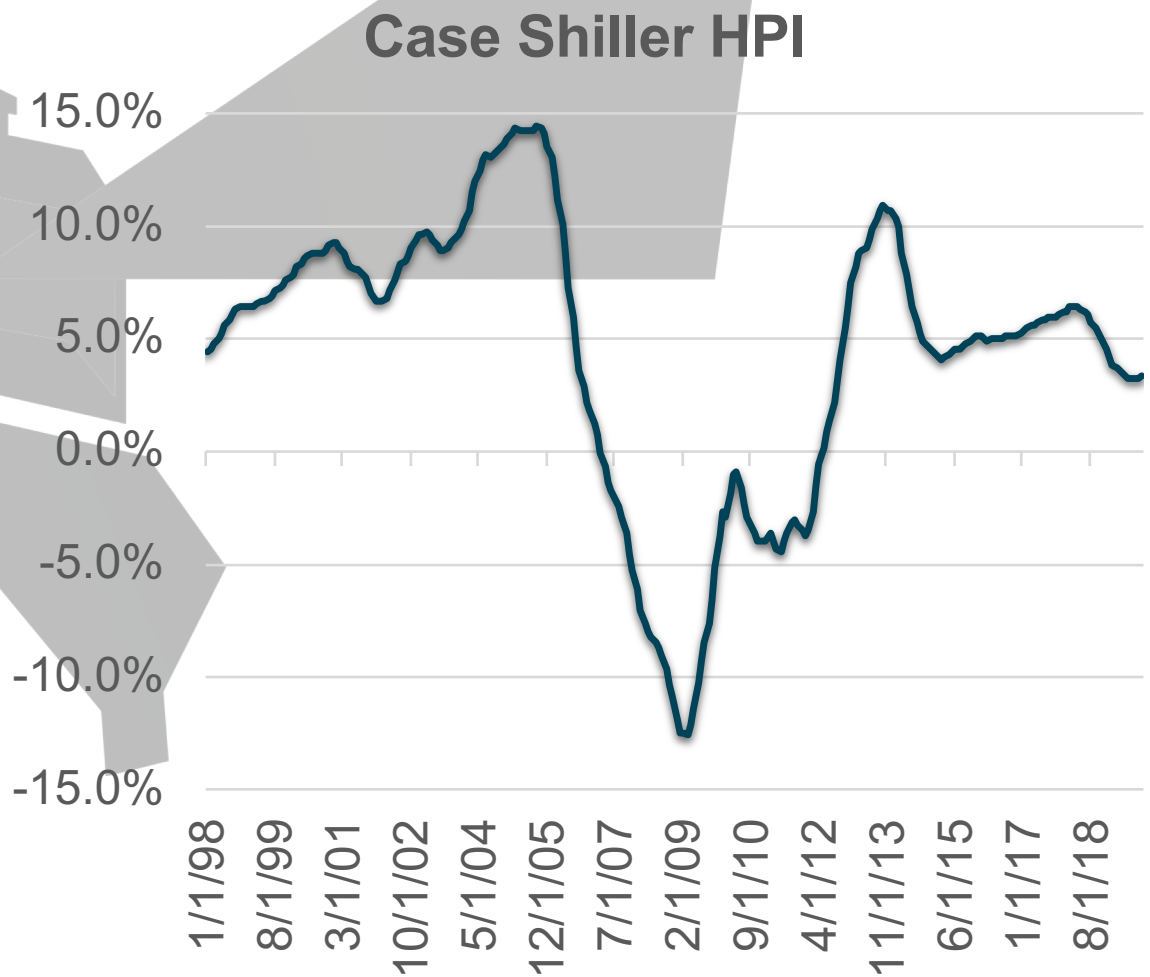


Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum
Student loan data are not reported prior to 2004 due to

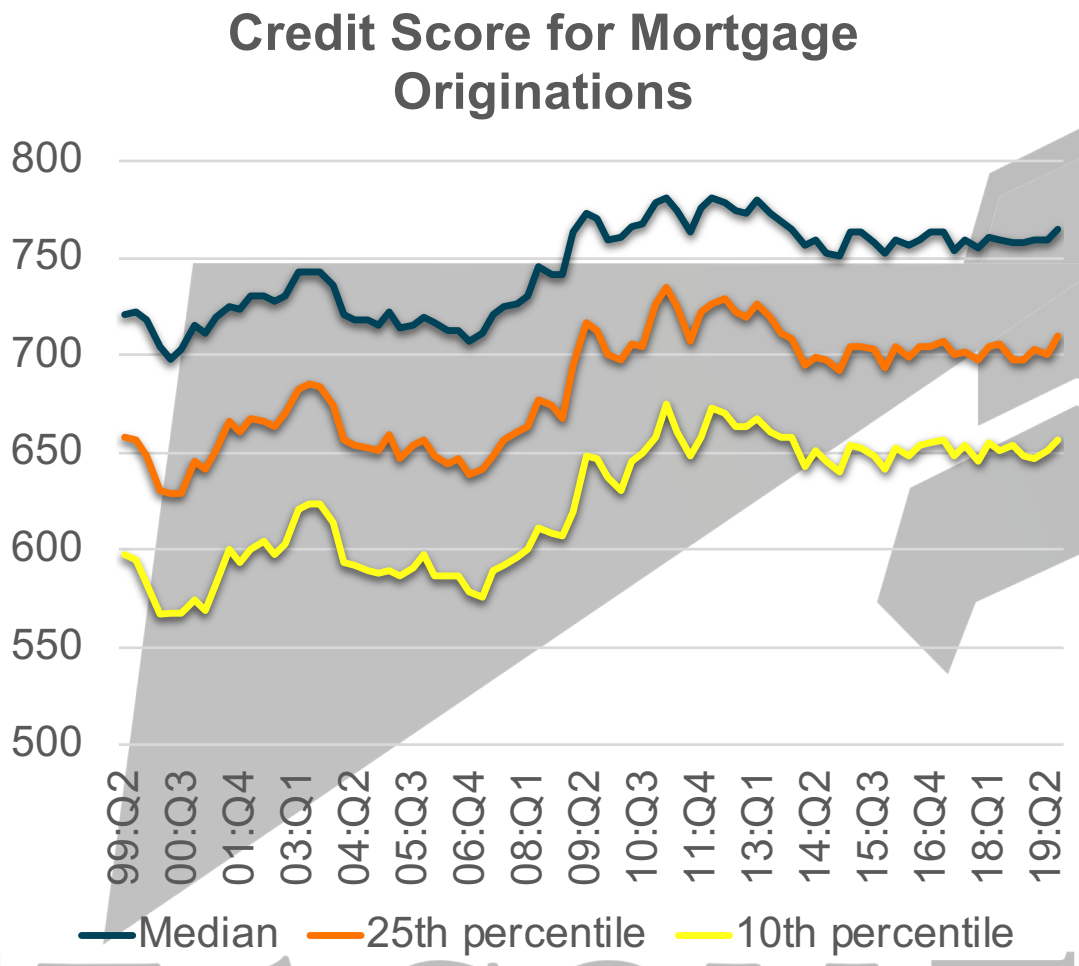
Housing Markets: Stabilizing

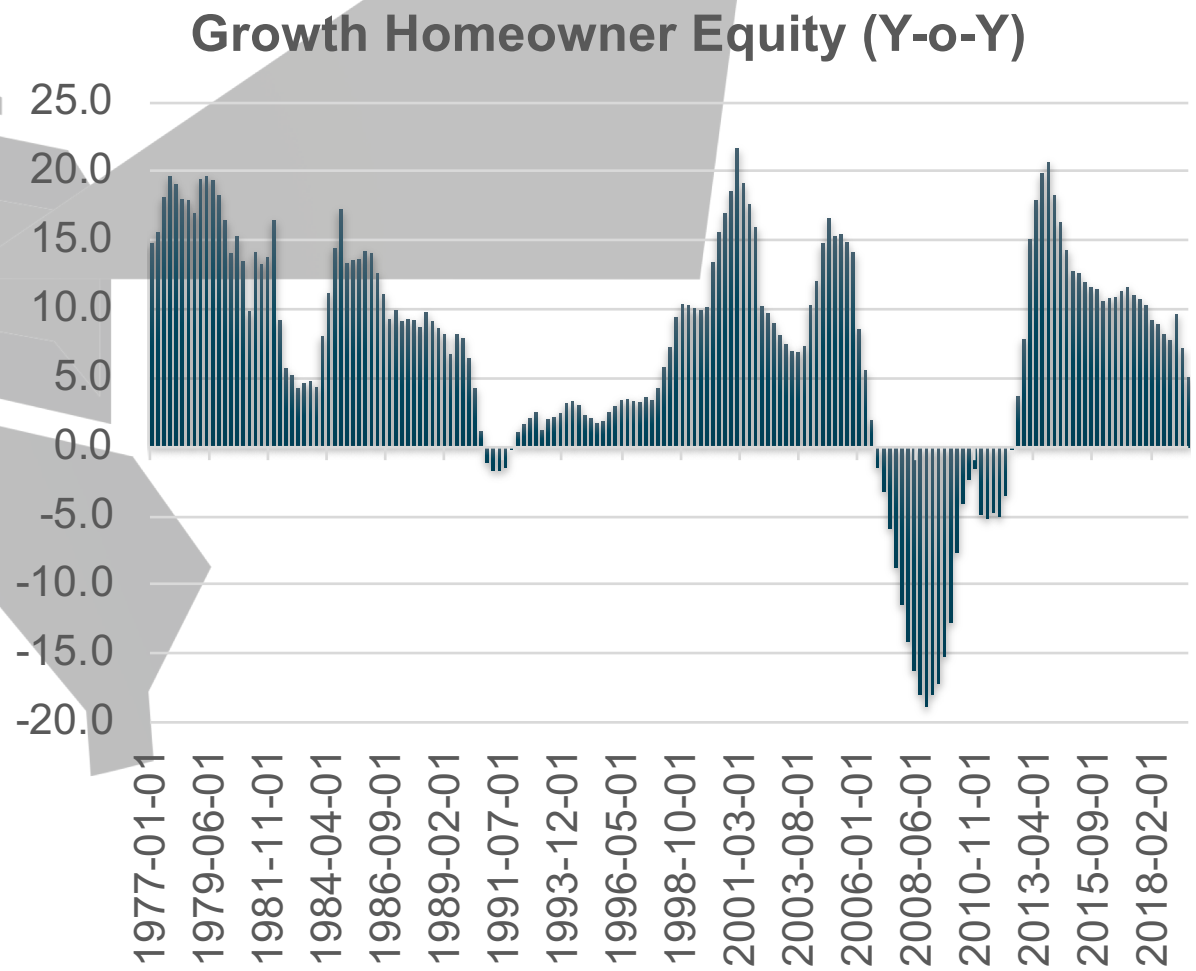




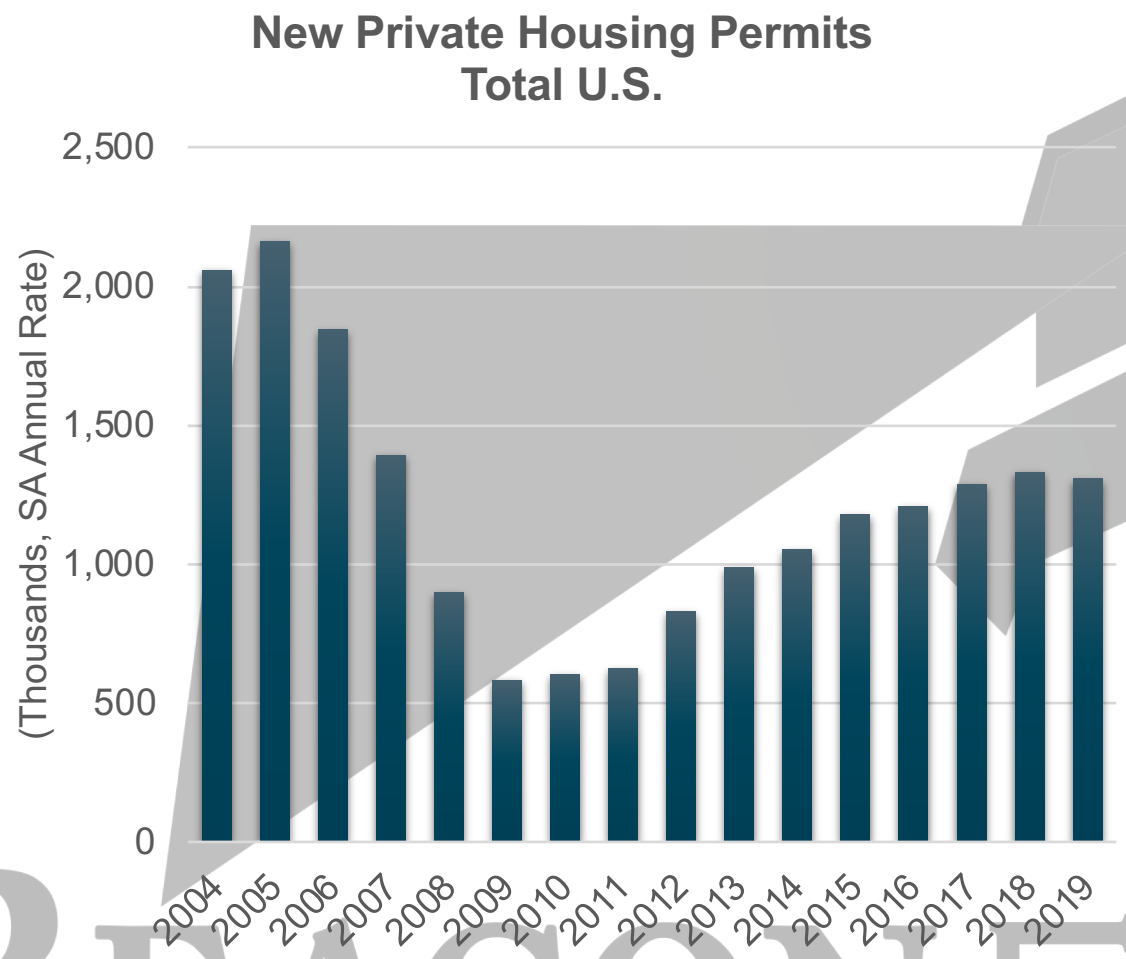
Source: FRED

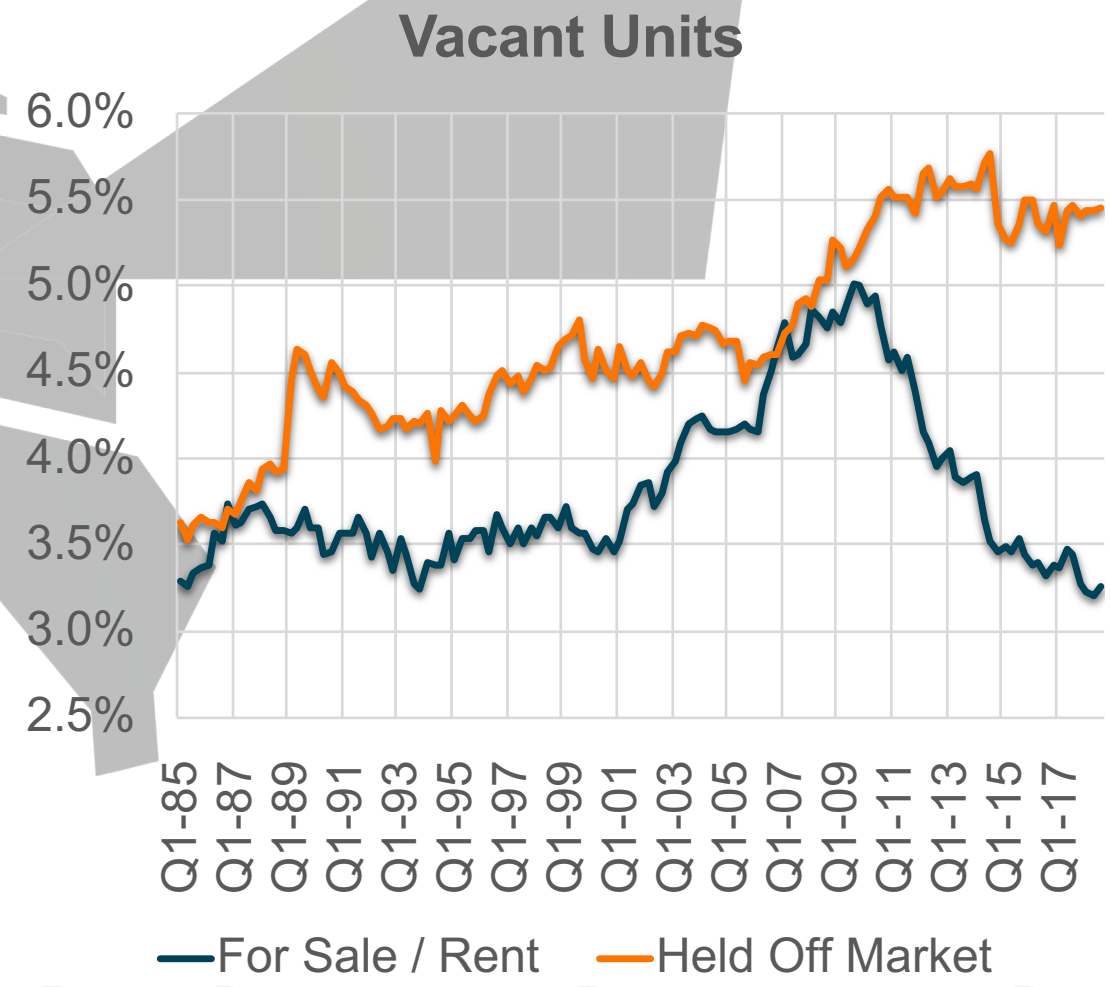
Market Fundamentals





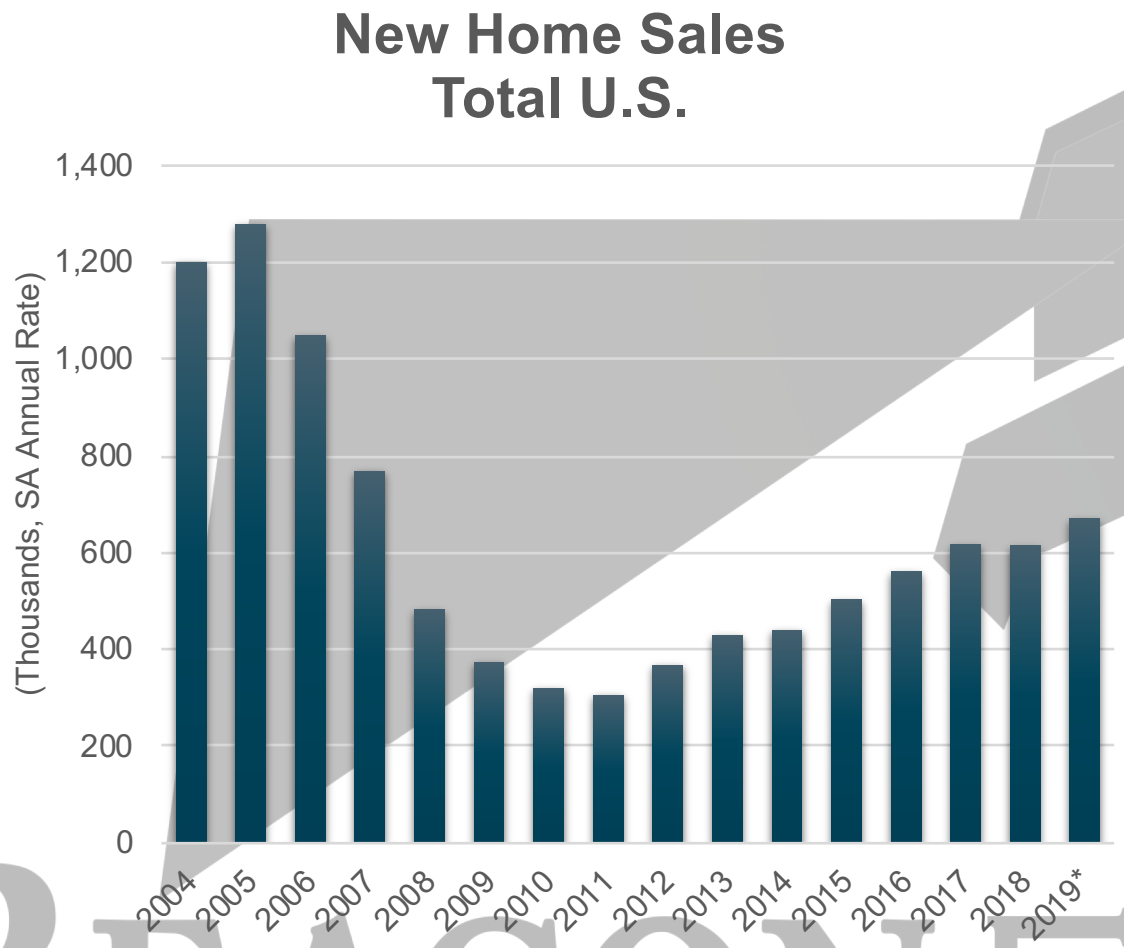
Housing Permits

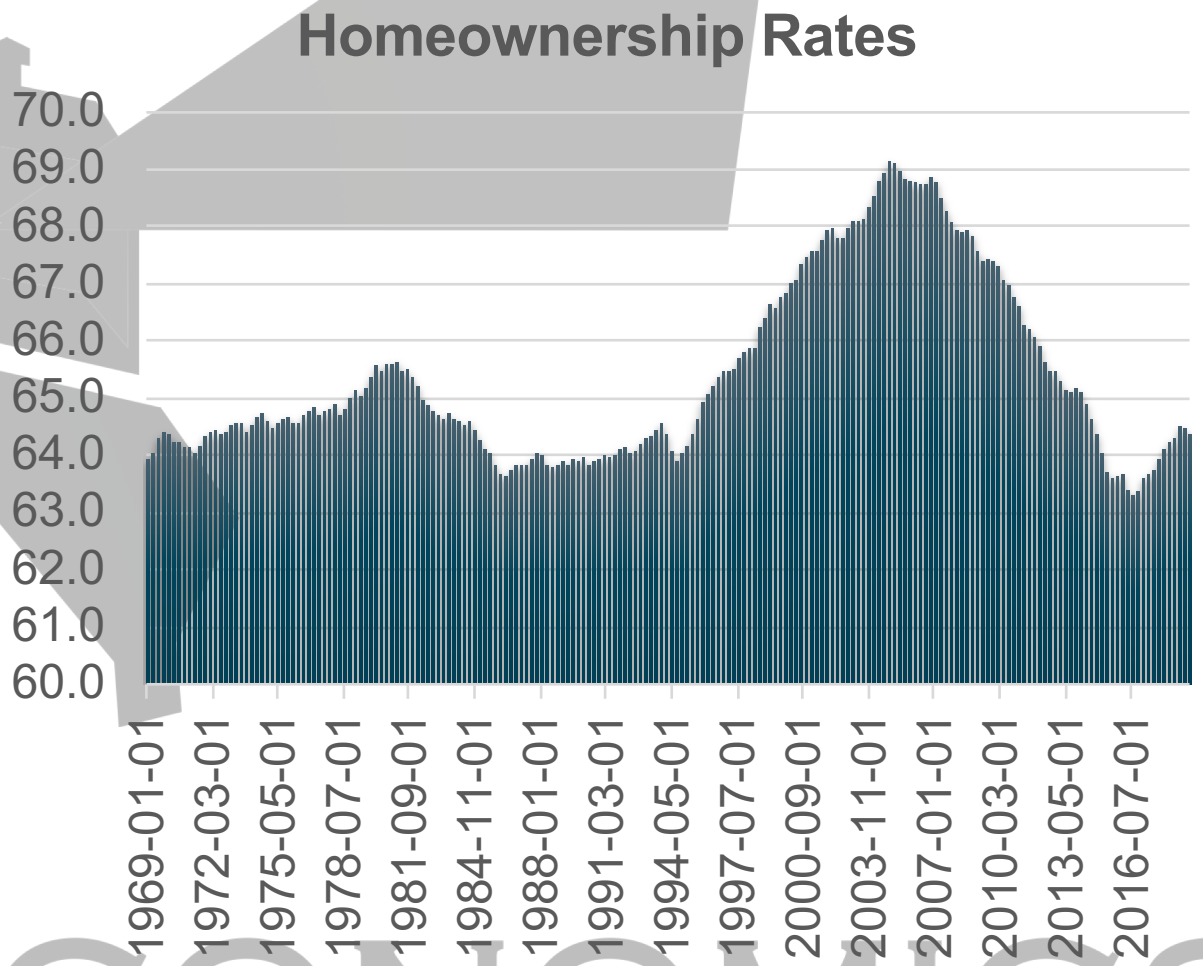




Source: FRED

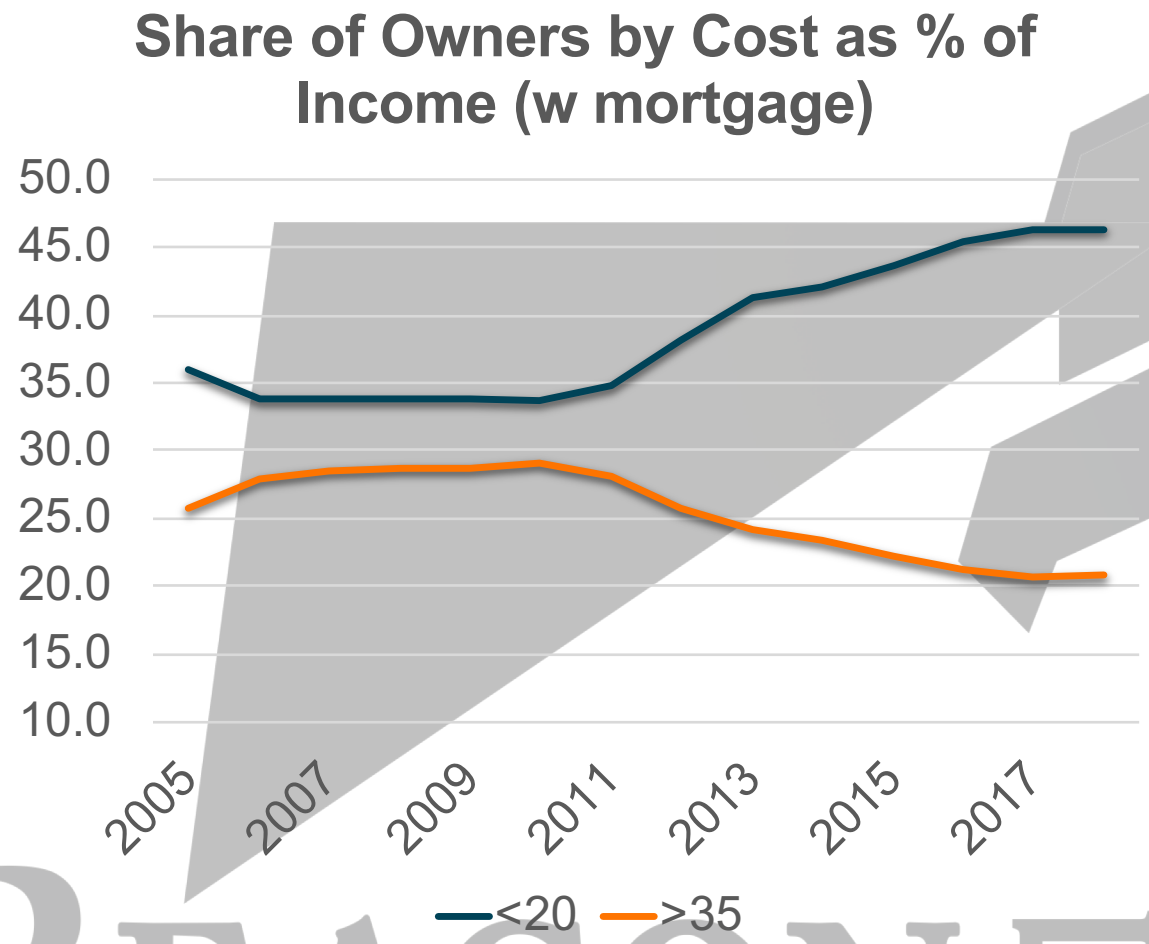
New Home Sales

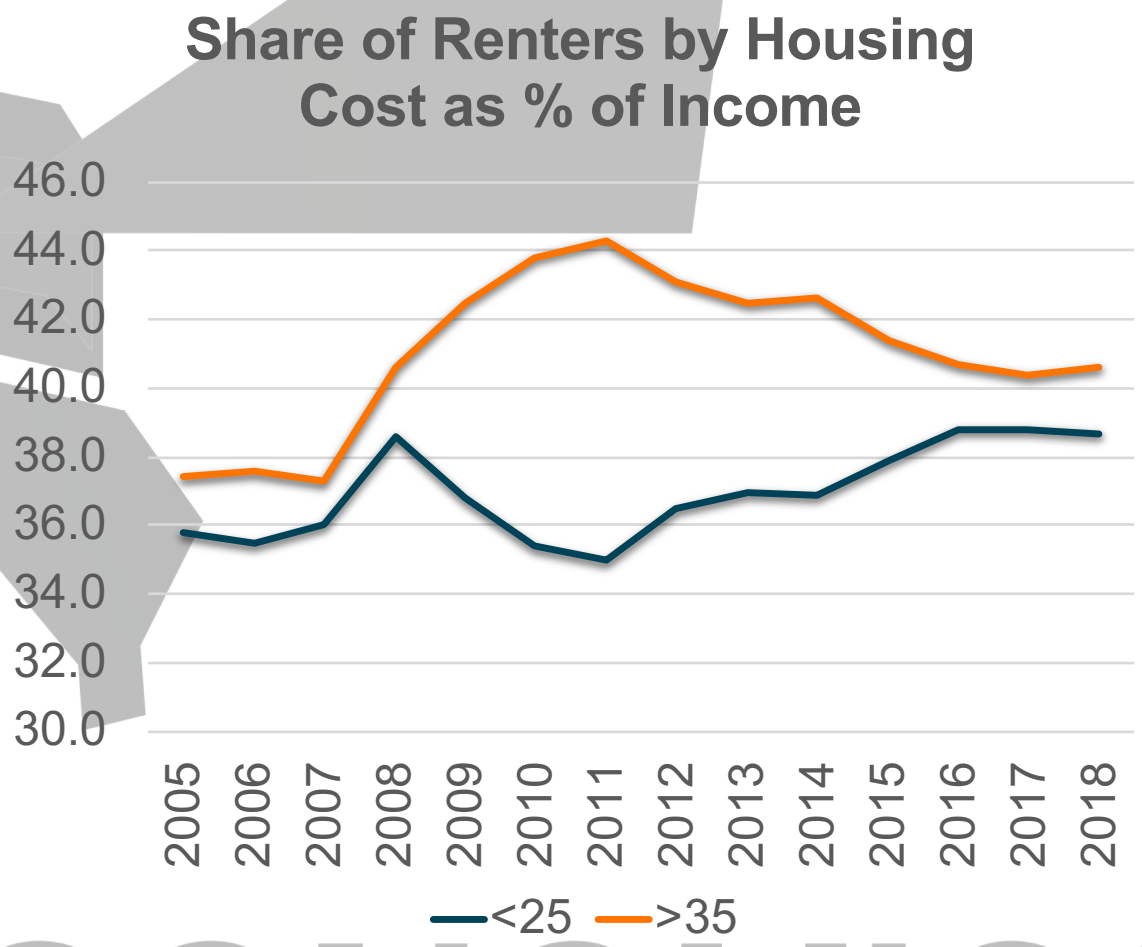




Source: FRED

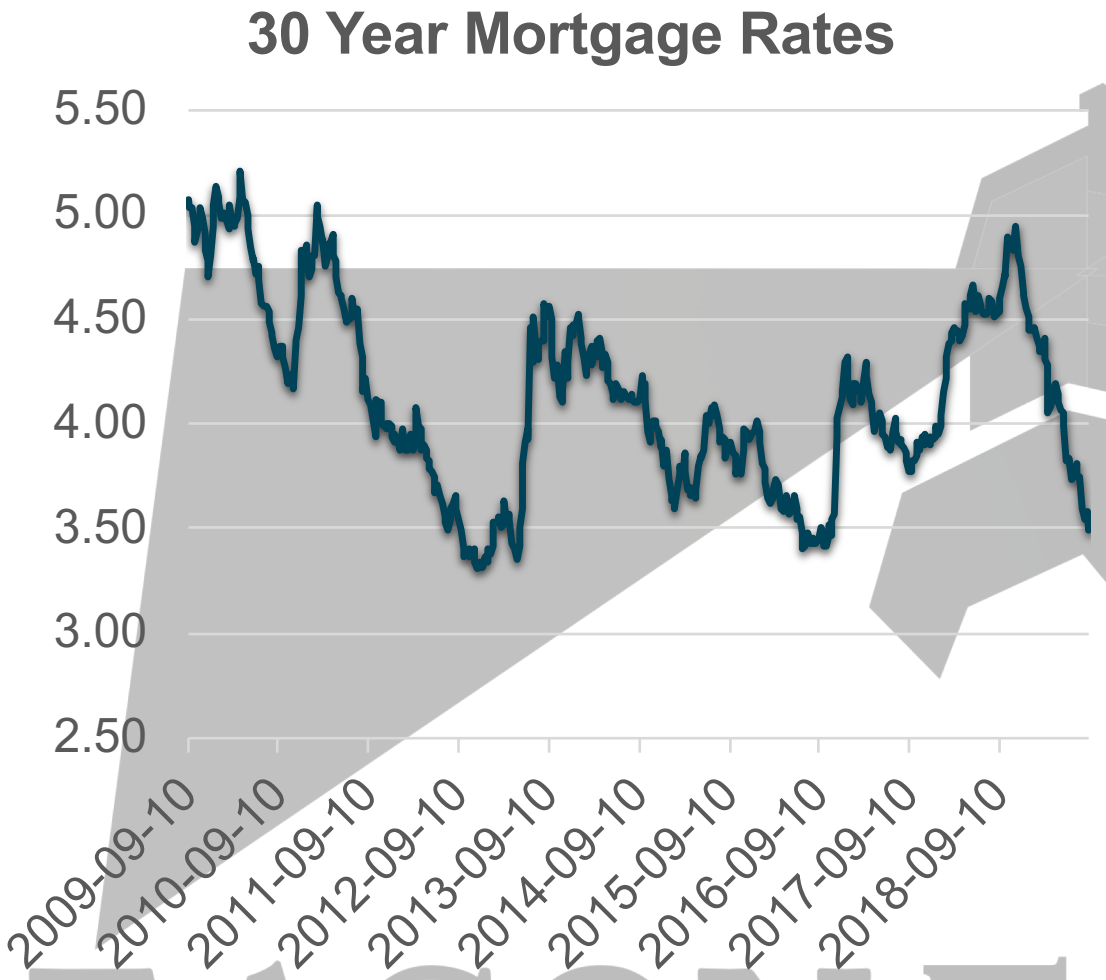
Owner and Renter Costs?

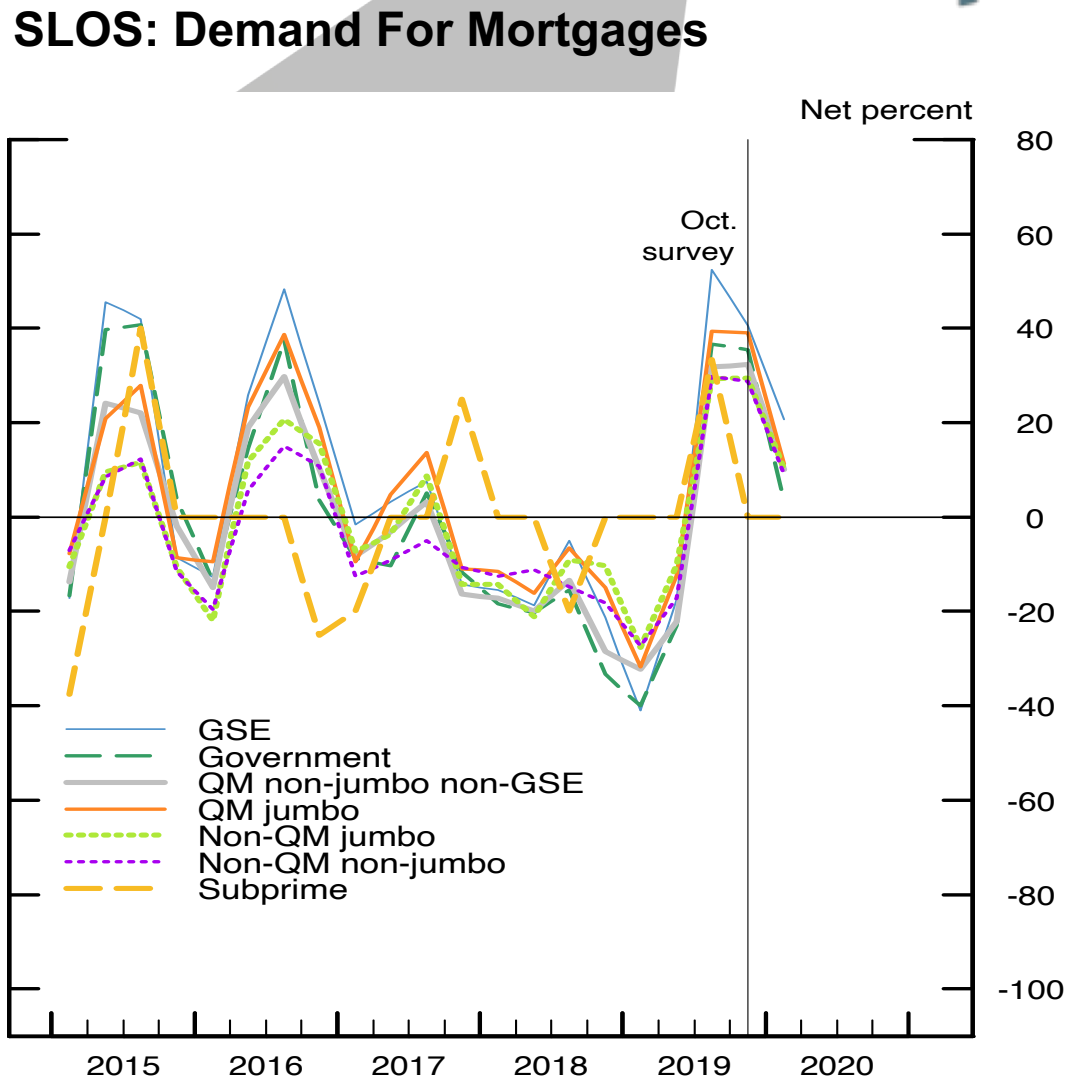




Source: ACS

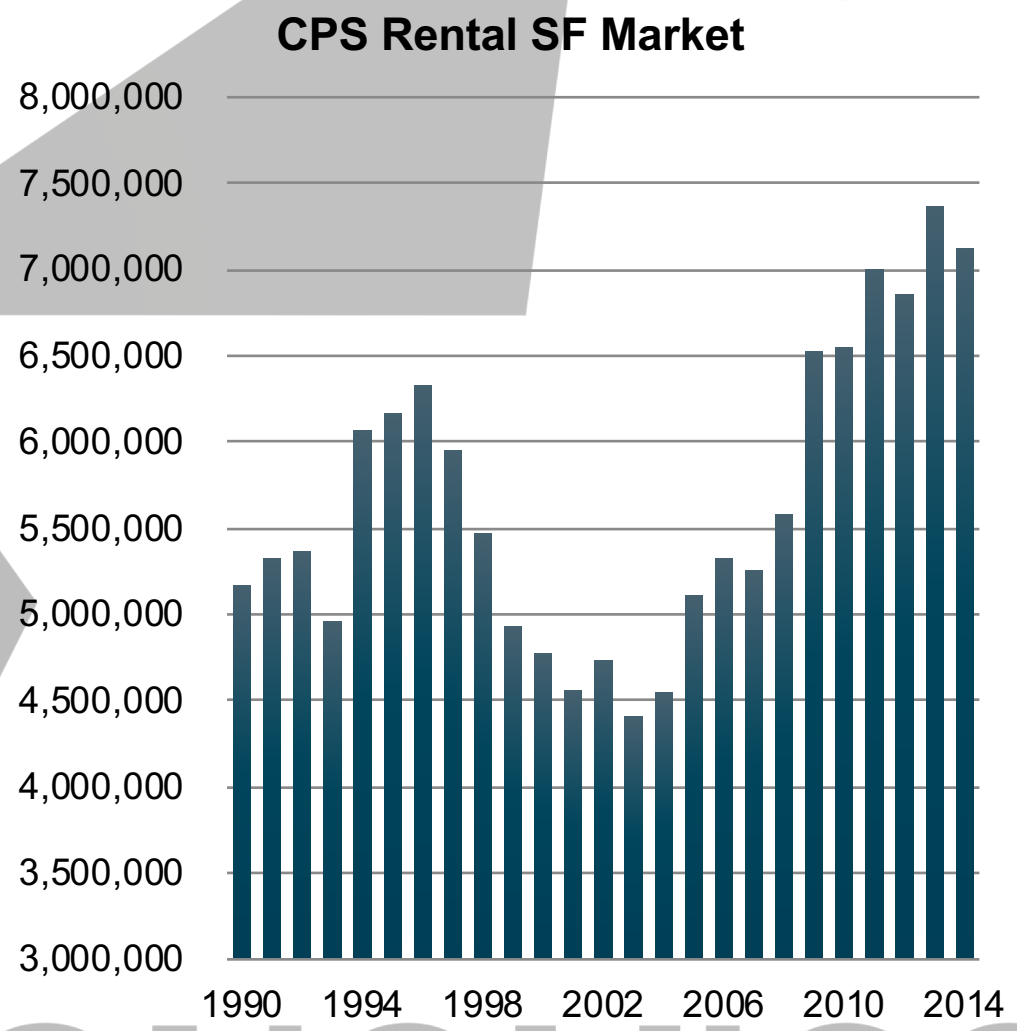
Interest Rate Swings





Shifting Markets

	2018	2010-2016	2016-2018
Owned			
Single	68,594,887	512,790	2,302,401
Mobile	4,779,322	-340,541	86,045
Multi	4,334,185	-23,052	297,379
Rented			
Single	14,710,848	1,956,015	-546,287
Mobile	1,890,011	75,722	-22,375
Multi	27,210,927	2,111,712	542,952



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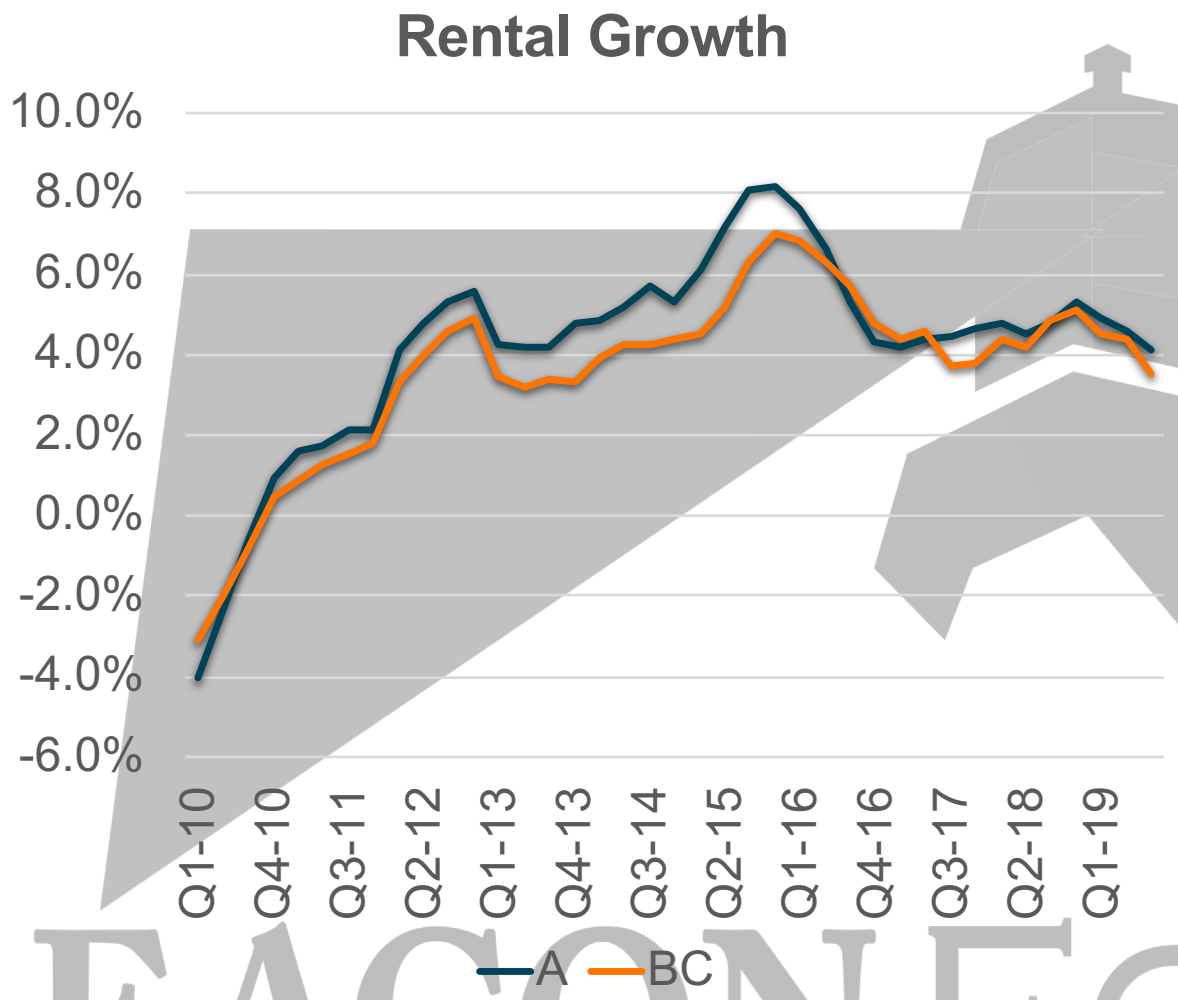
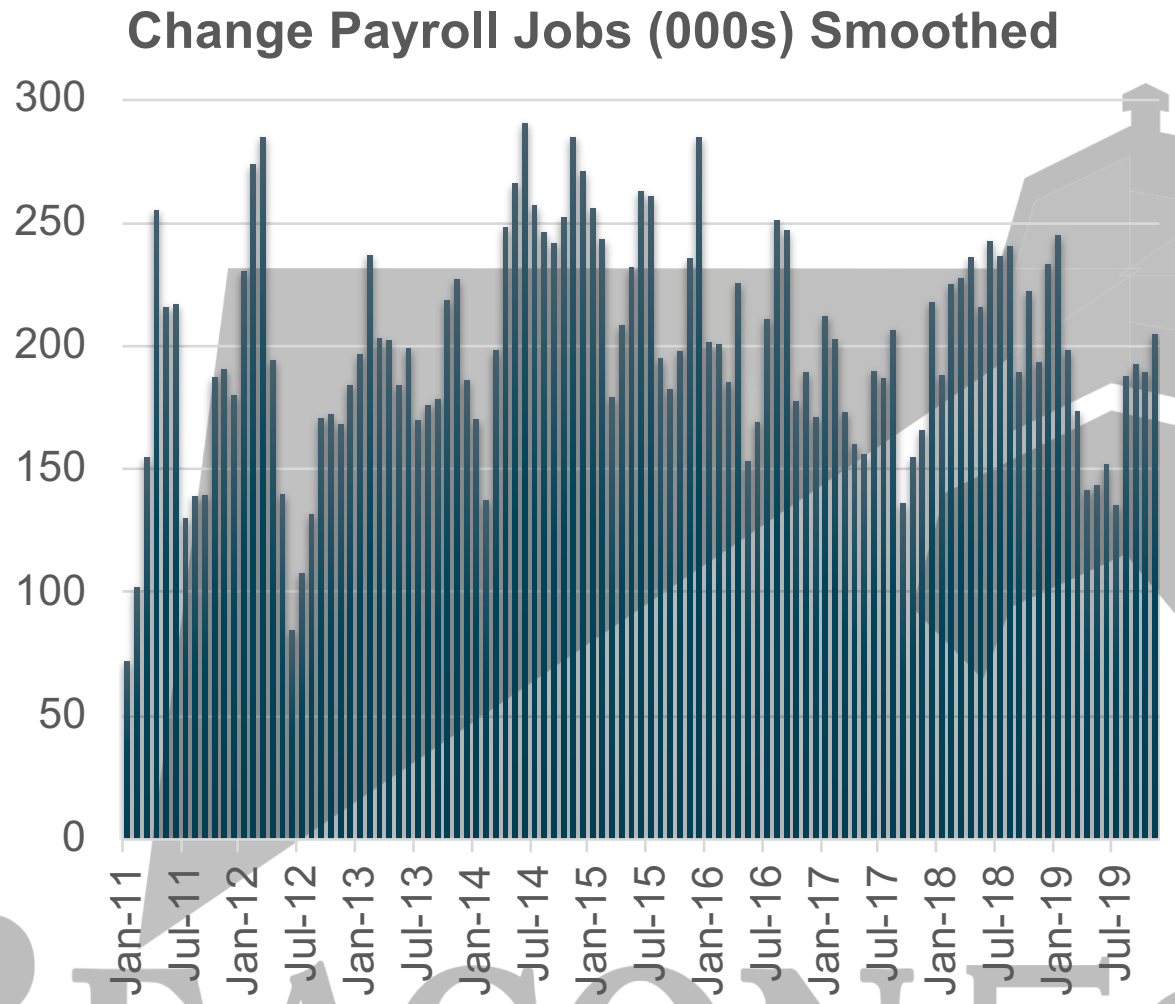
Western Markets

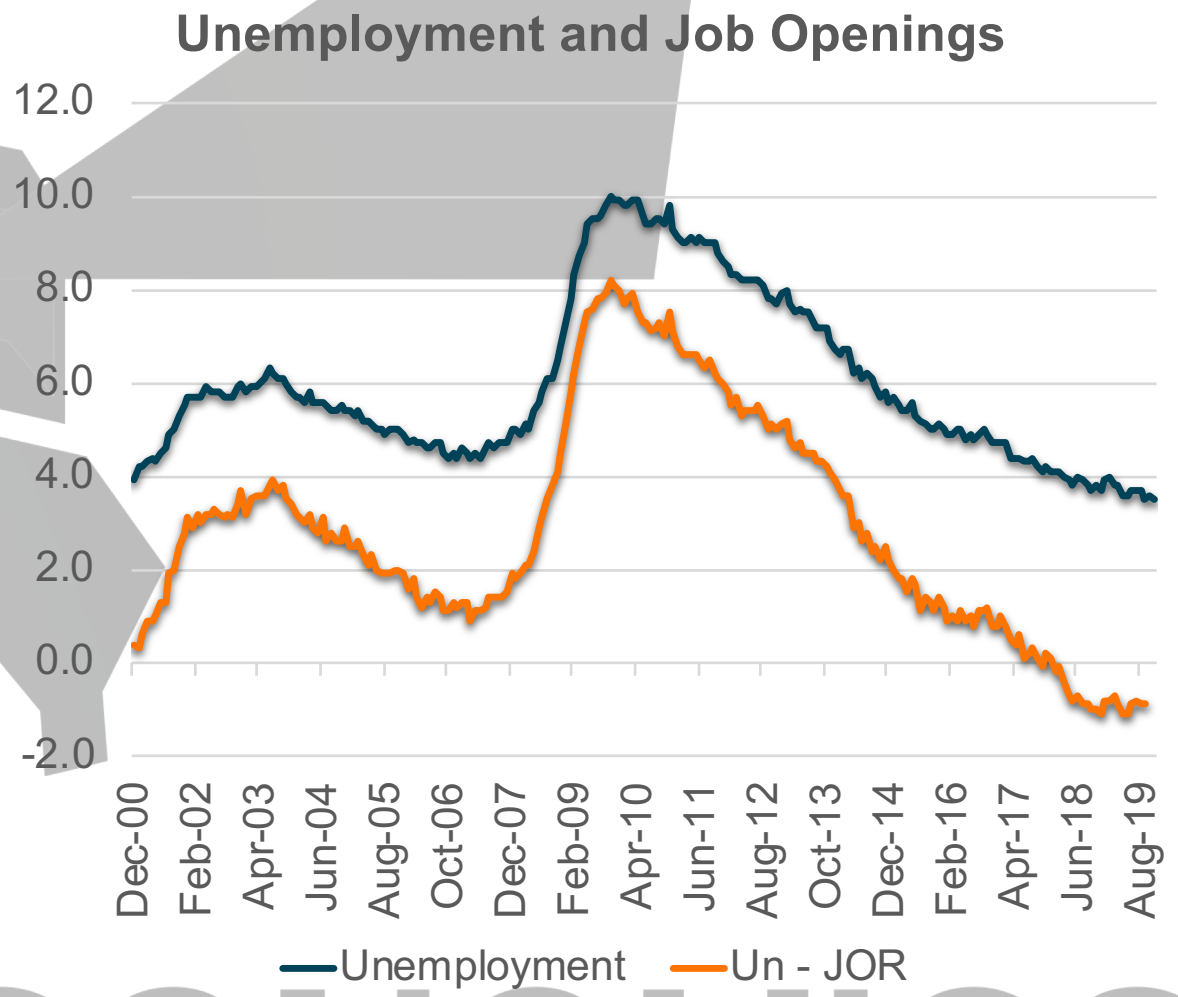


2 Year Growth (Average)

Phoenix	7.1%	Oakland (MD)	4.3%
Las Vegas	6.7%	Santa Barbara	4.2%
Chico	6.5%	Albuquerque	4.0%
Seattle	6.0%	Modesto	3.9%
Denver	5.9%	Inland Empire	3.8%
Reno	5.7%	San Francisco	3.8%
Stockton	5.5%	Tucson	3.7%
Los Angeles (MD)	5.0%	San Jose	3.6%
Salt Lake City	5.0%	Ventura	3.3%
Sacramento	4.6%	Orange County	3.2%
United States	4.5%	San Luis Obispo	2.9%
San Diego	4.4%	Bakersfield	2.5%
Portland	4.4%	Fresno	2.1%
California	4.4%	Santa Rosa	1.9%

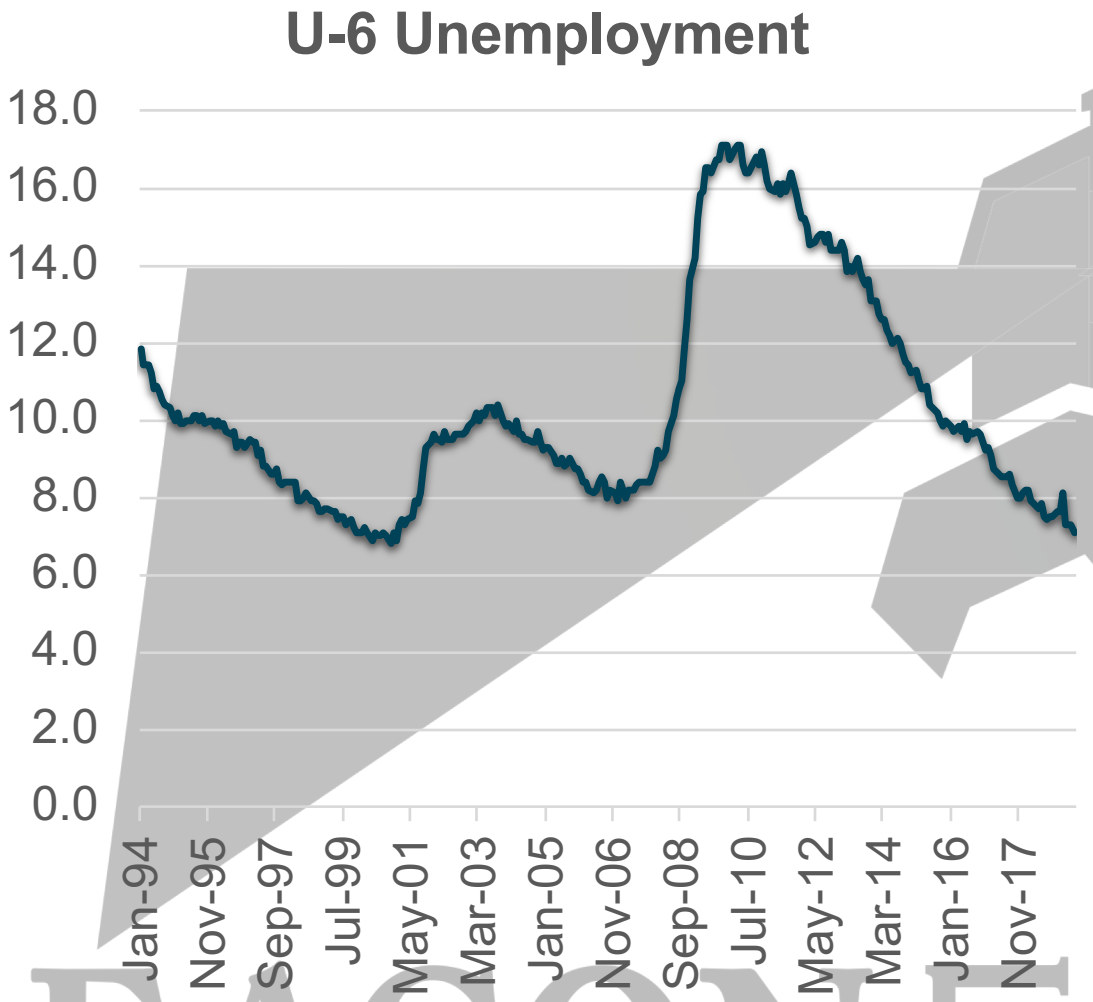
Labor Markets

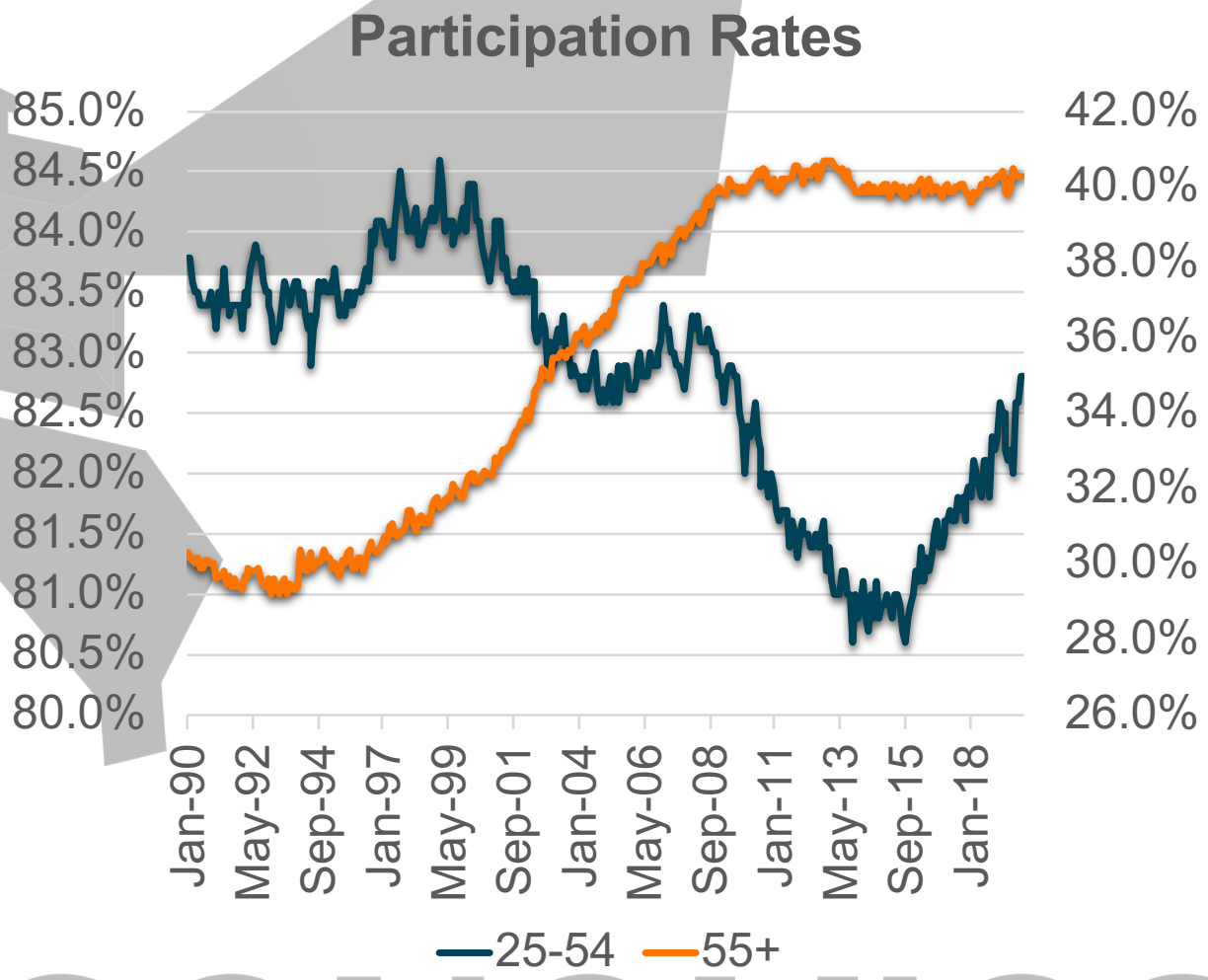




Source: BLS, JOLTS

Missing Workers?





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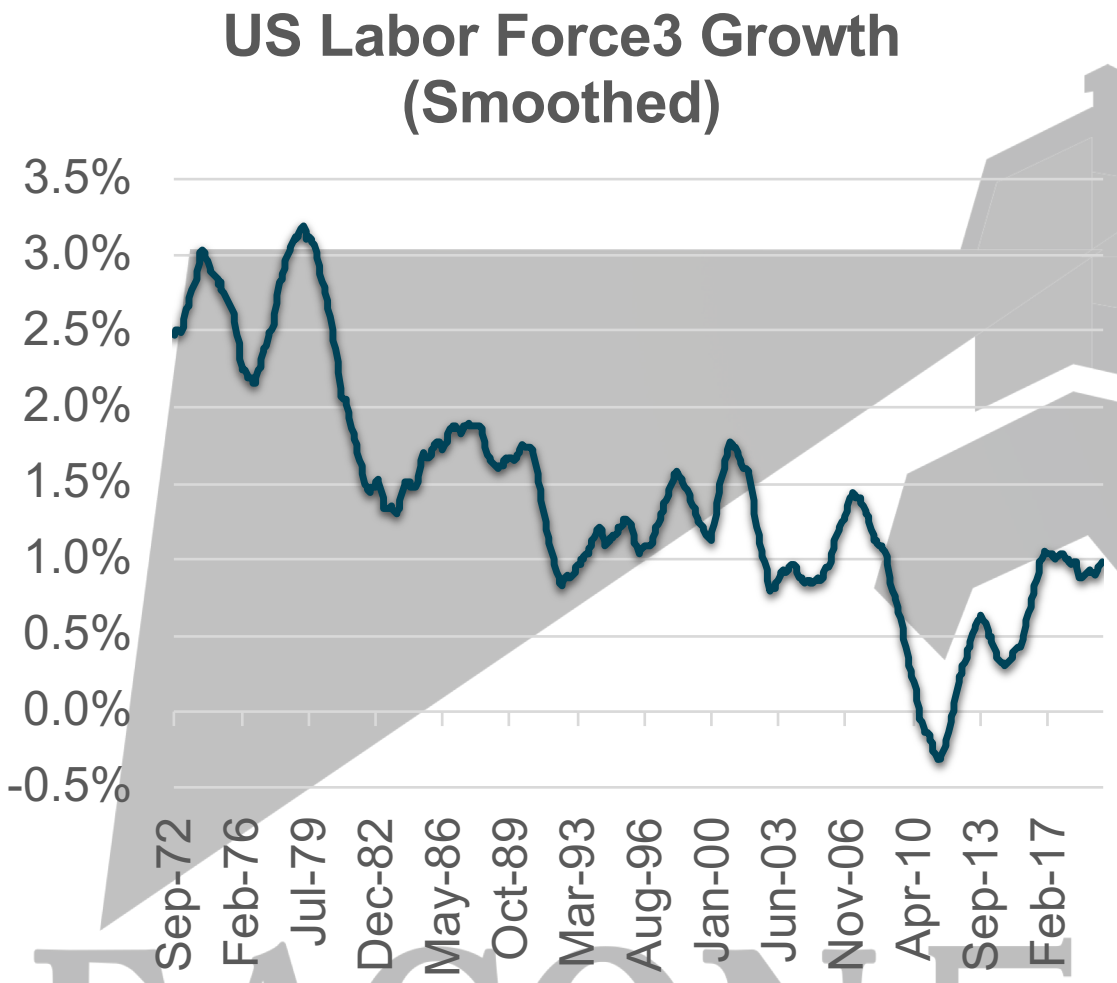
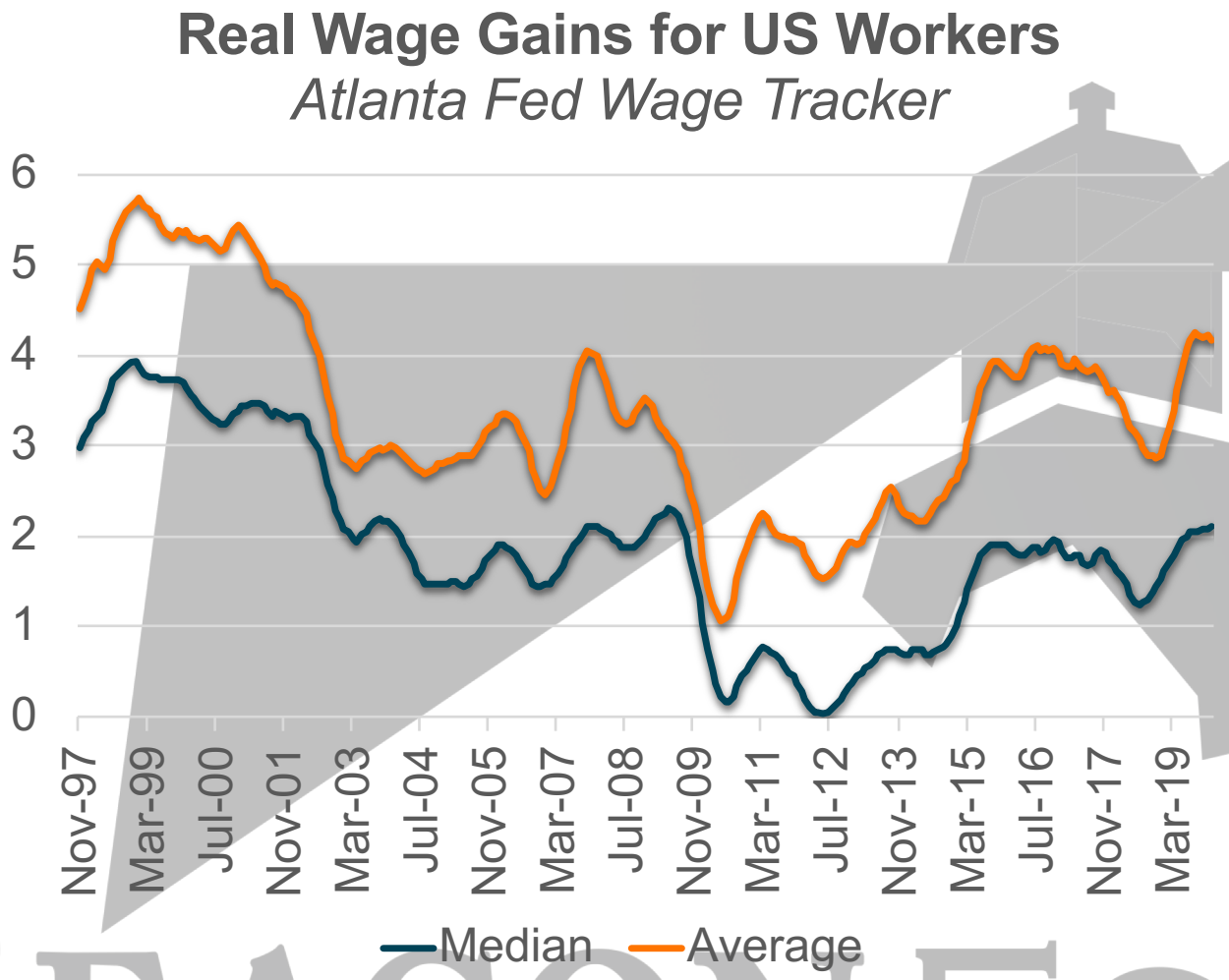
Workforce Growth



	2016	2016-2025	2025-2035
Total	323.1	21.1	20.6
< 25	104.5	0.7	2.0
Share	*32.3%*	*3.4%*	*9.6%*
25-44	85.1	7.2	3.0
Share	*26.4%*	*34.0%*	*14.7%*
45-64	84.3	-2.8	2.8
Share	*26.1%*	*-13.2%*	*13.8%*
65+	49.2	16.0	12.8
Share	*15.2%*	*75.7%*	*61.9%*

Source: BLS

Consequences

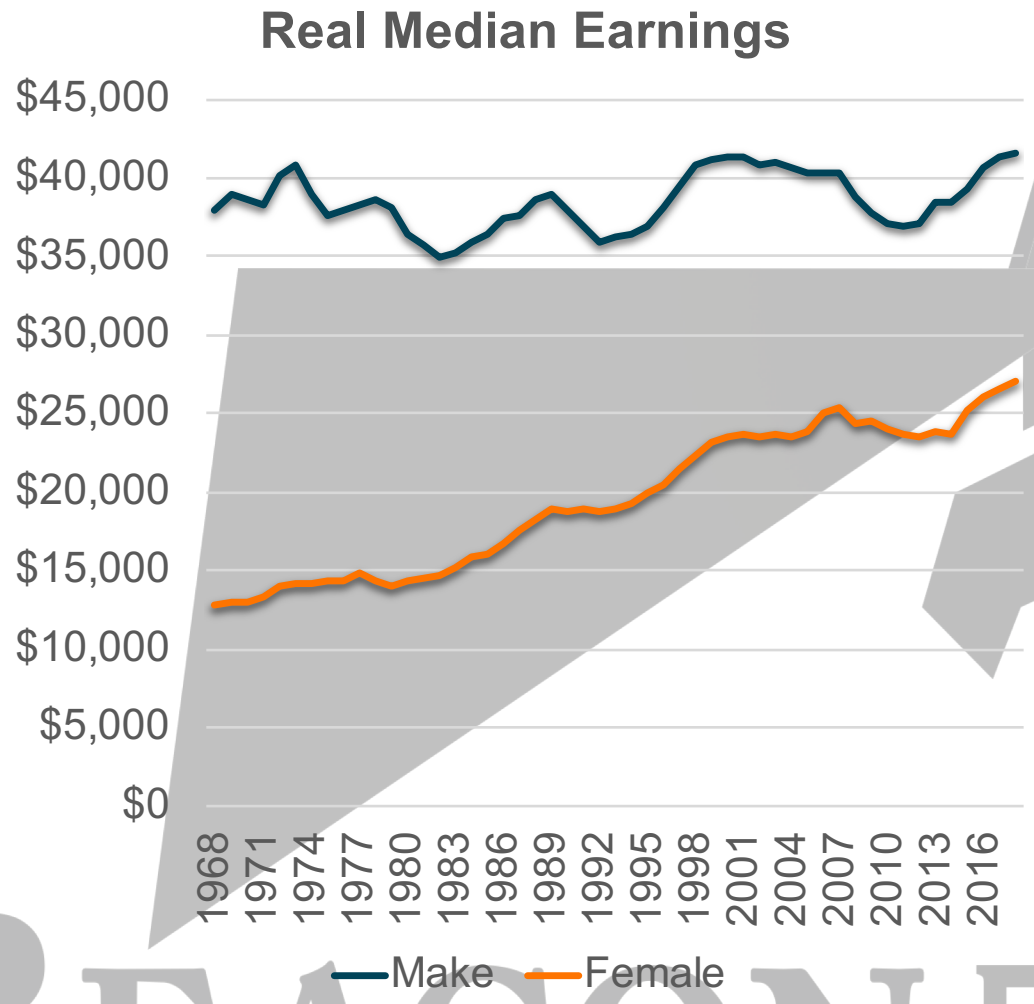


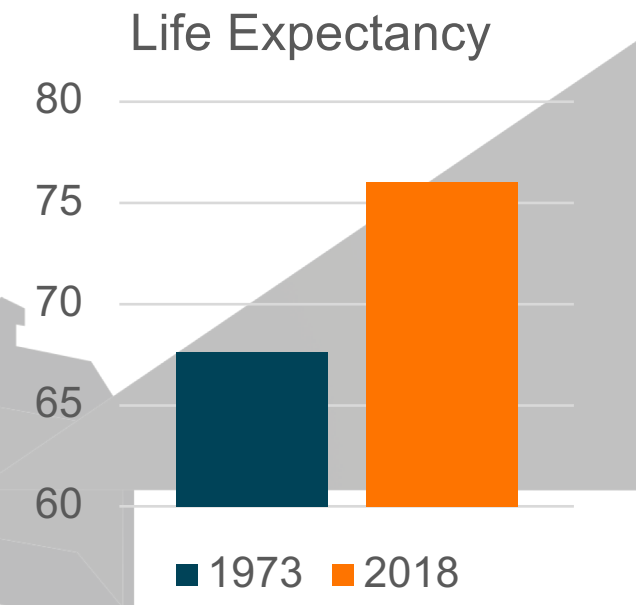
Earnings by Education

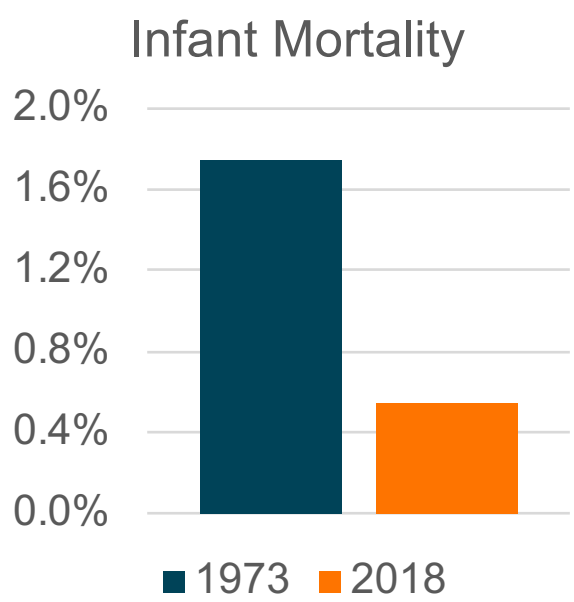
	2018	15-18 Ch
All	40,867	10.9%
< HS	24,530	15.1%
HS	31,269	7.8%
AA / Cert	36,854	7.2%
Bachelor	54,628	7.3%
Graduate	72,492	7.7%

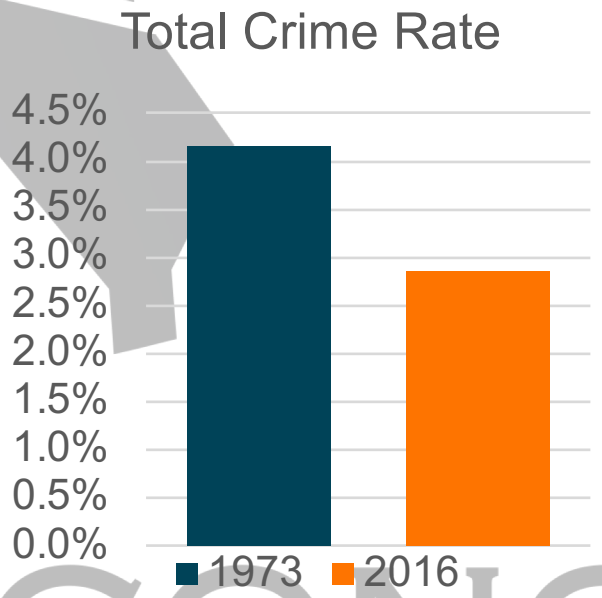
Source: Atlanta Fed Wage Tracker, Census

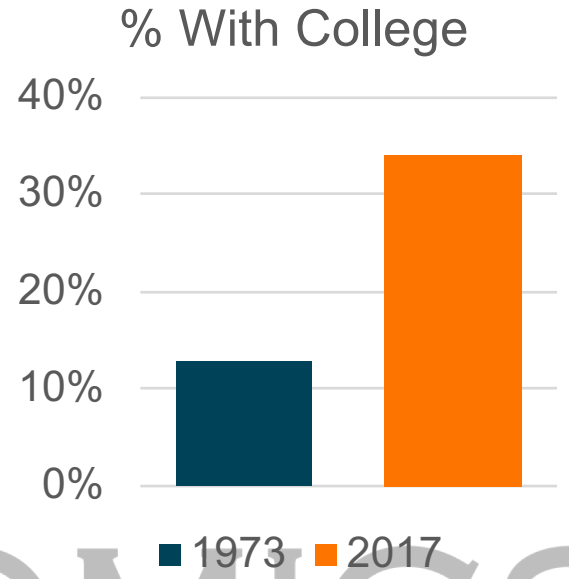
Incomes in the LR





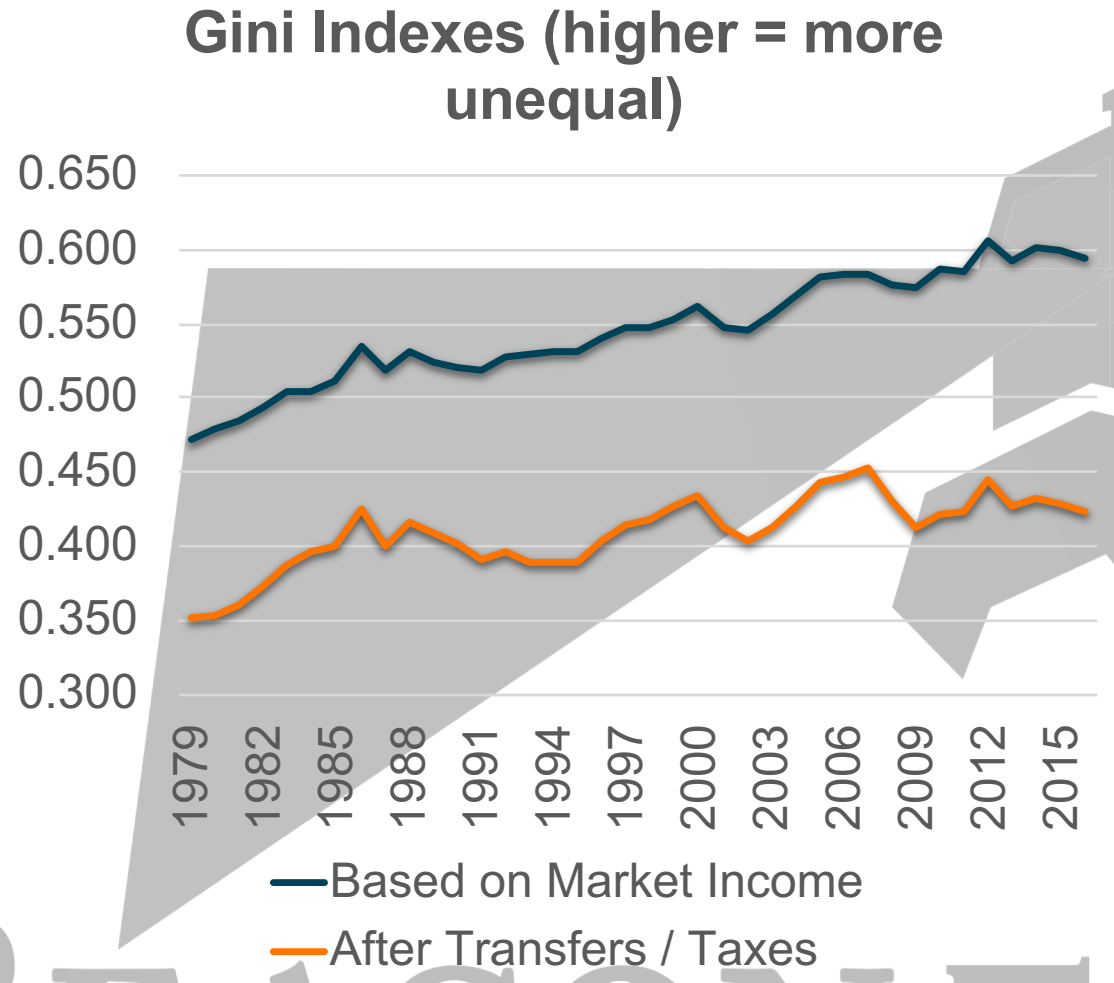


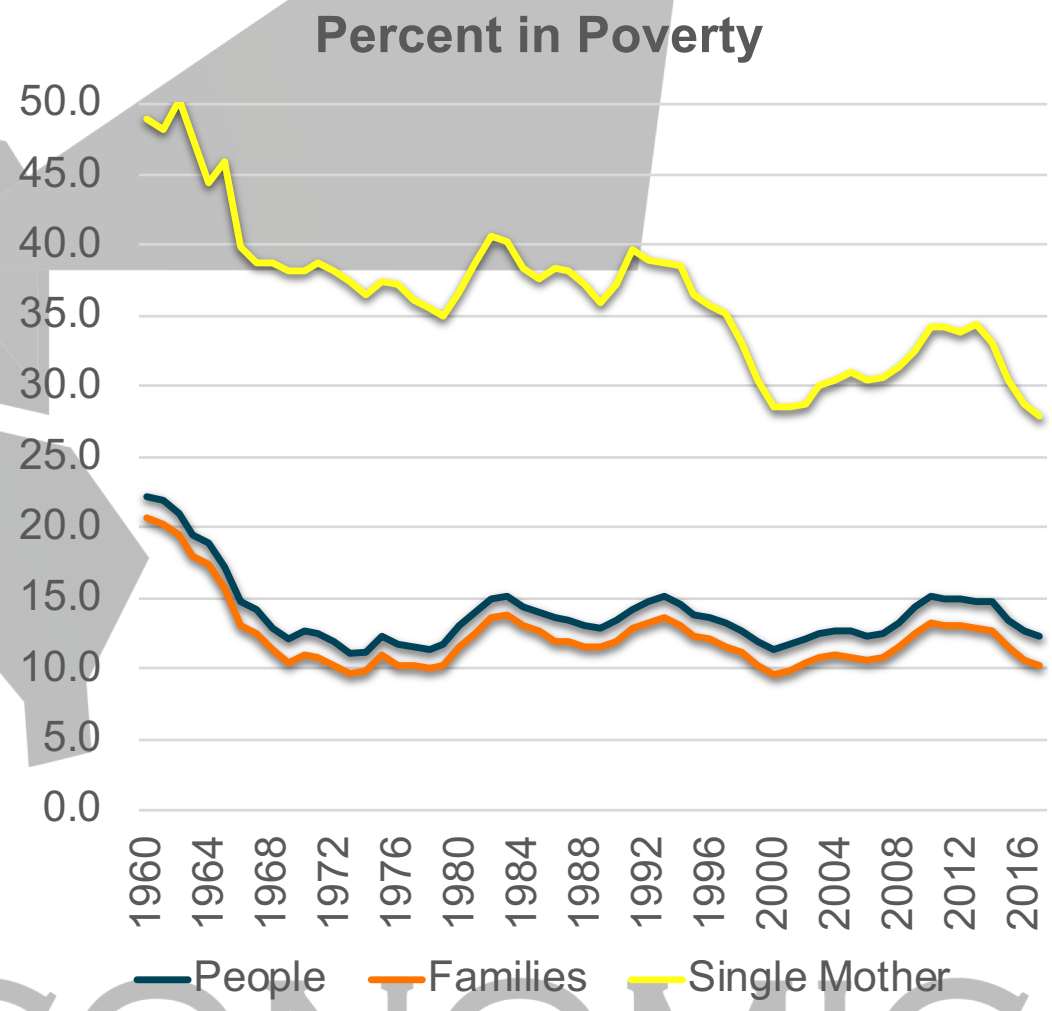




Source: Atlanta Fed Wage Tracker, Census

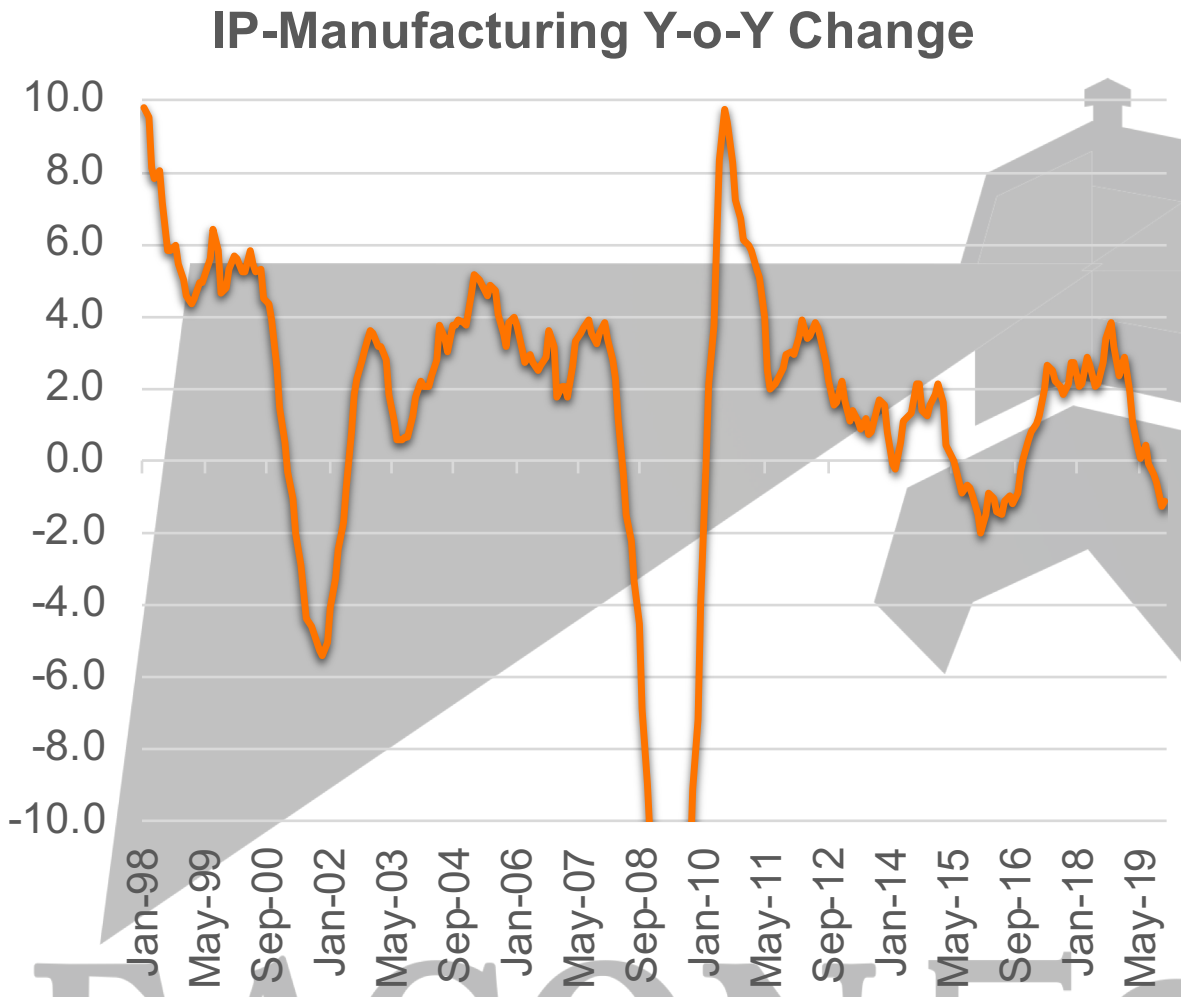
Distributional Considerations

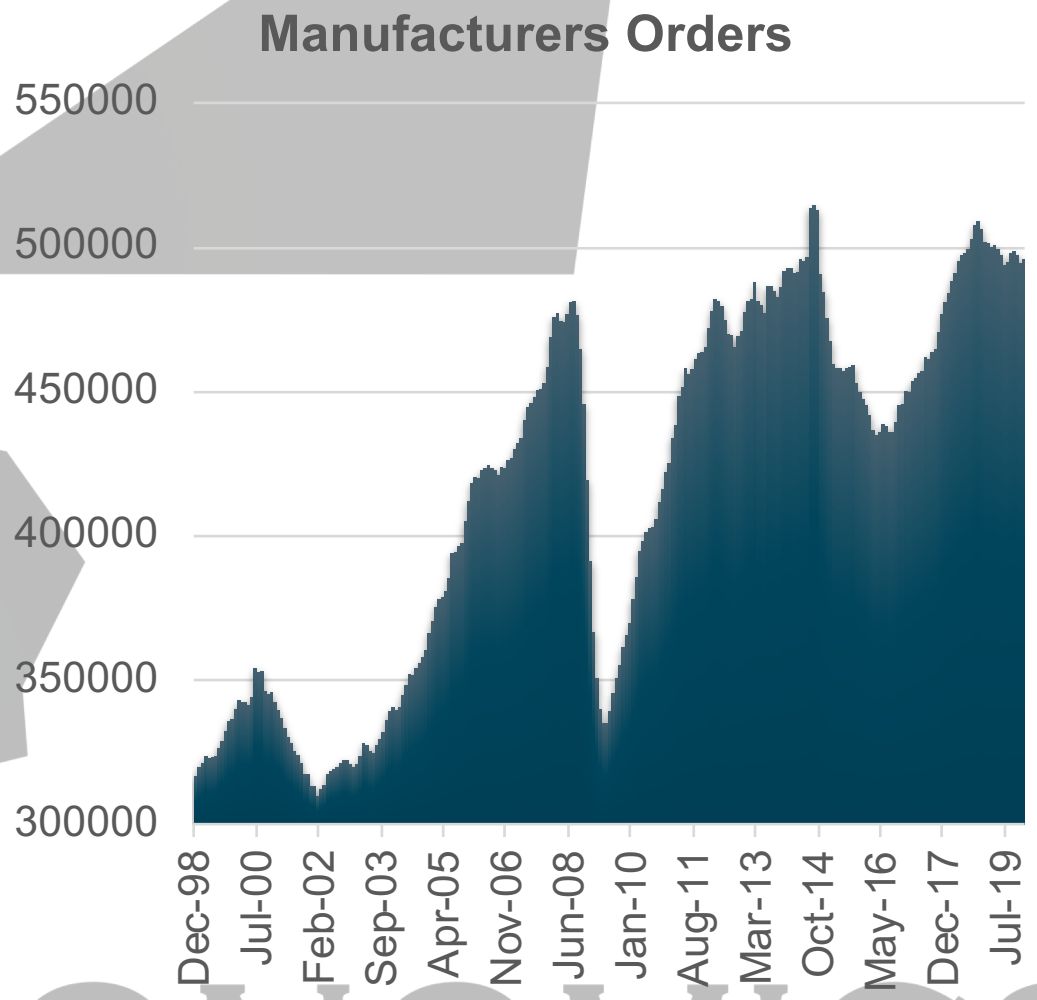




Source: Atlanta Fed Wage Tracker, Census

Manufacturing Recession?



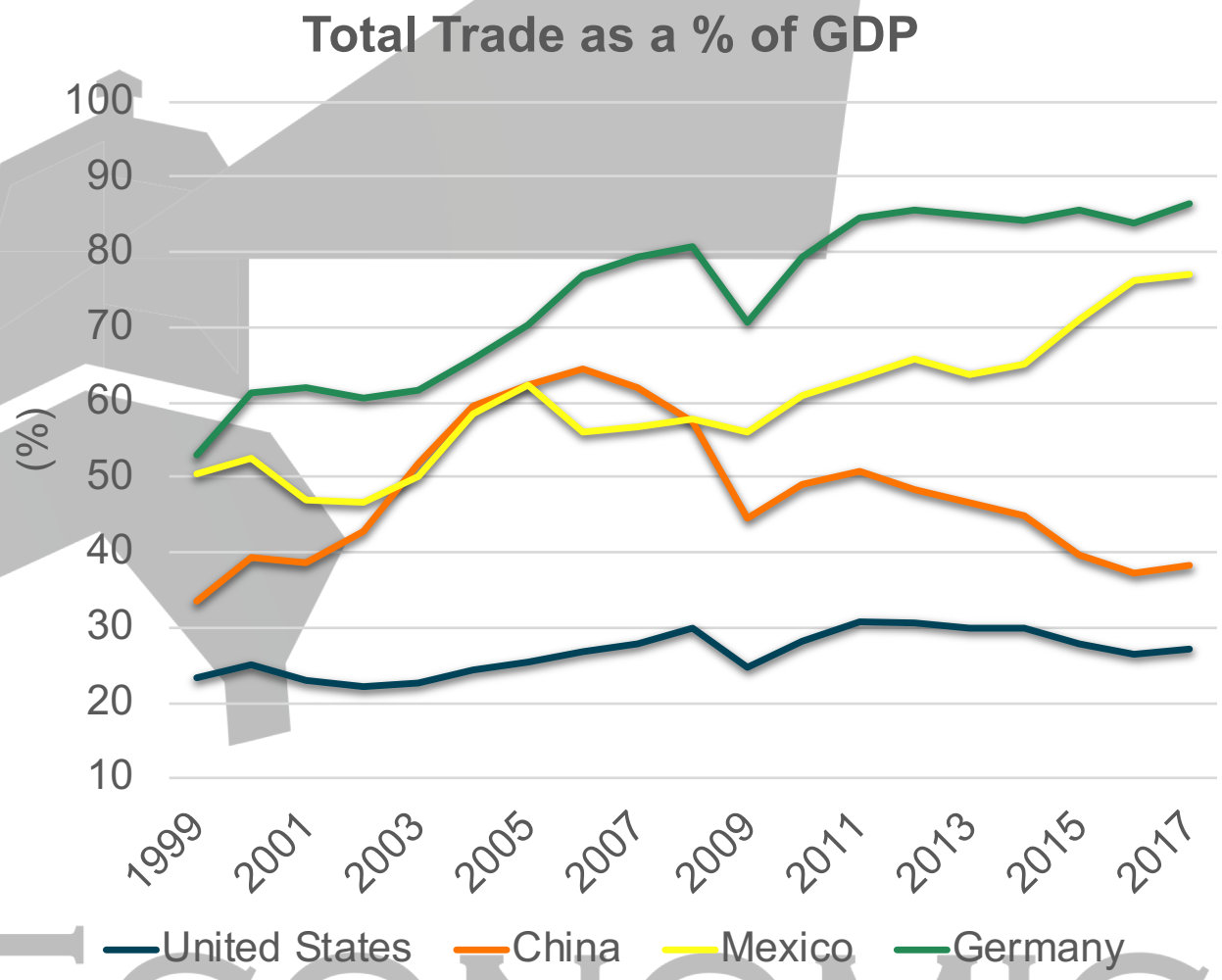


Source: Board of Governors Fed Reserve, BEA

The Good Fight

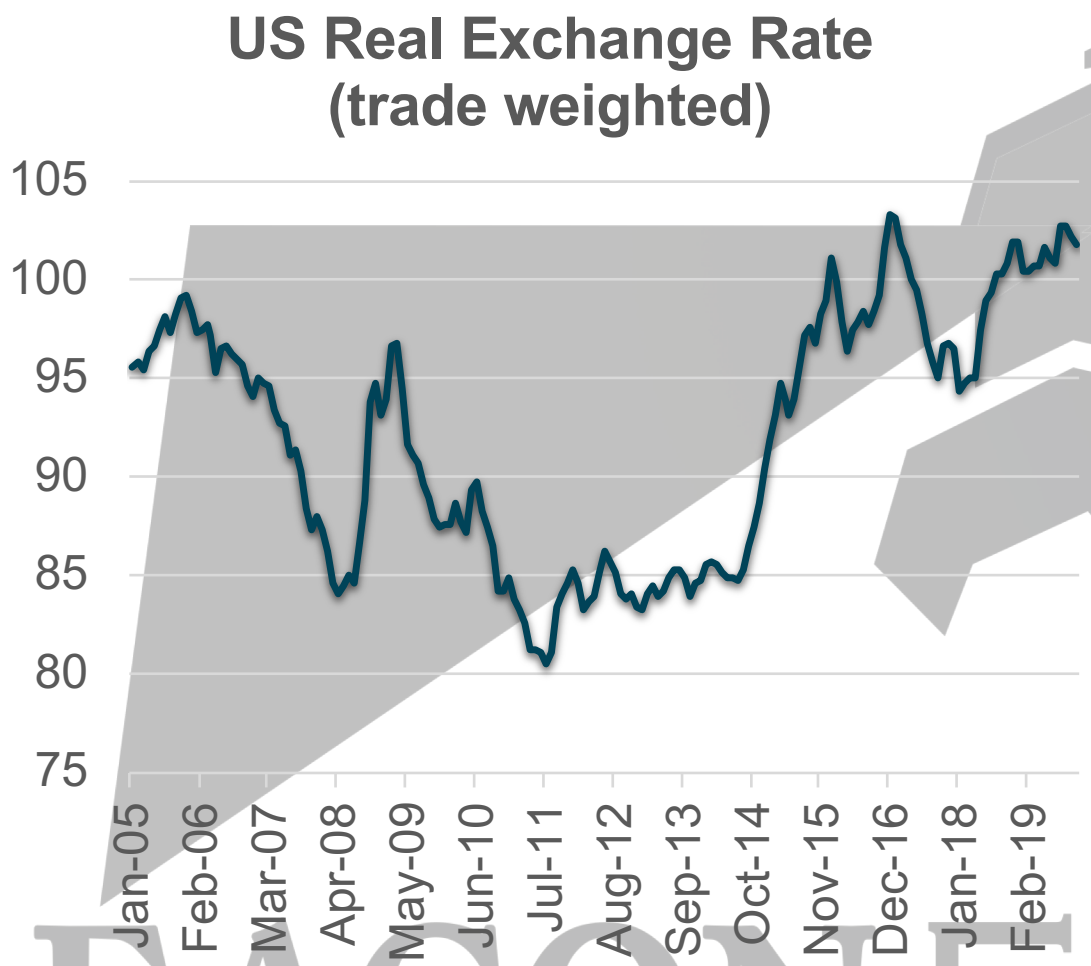
Value US Exports to China as % of GDP: **0.75%**

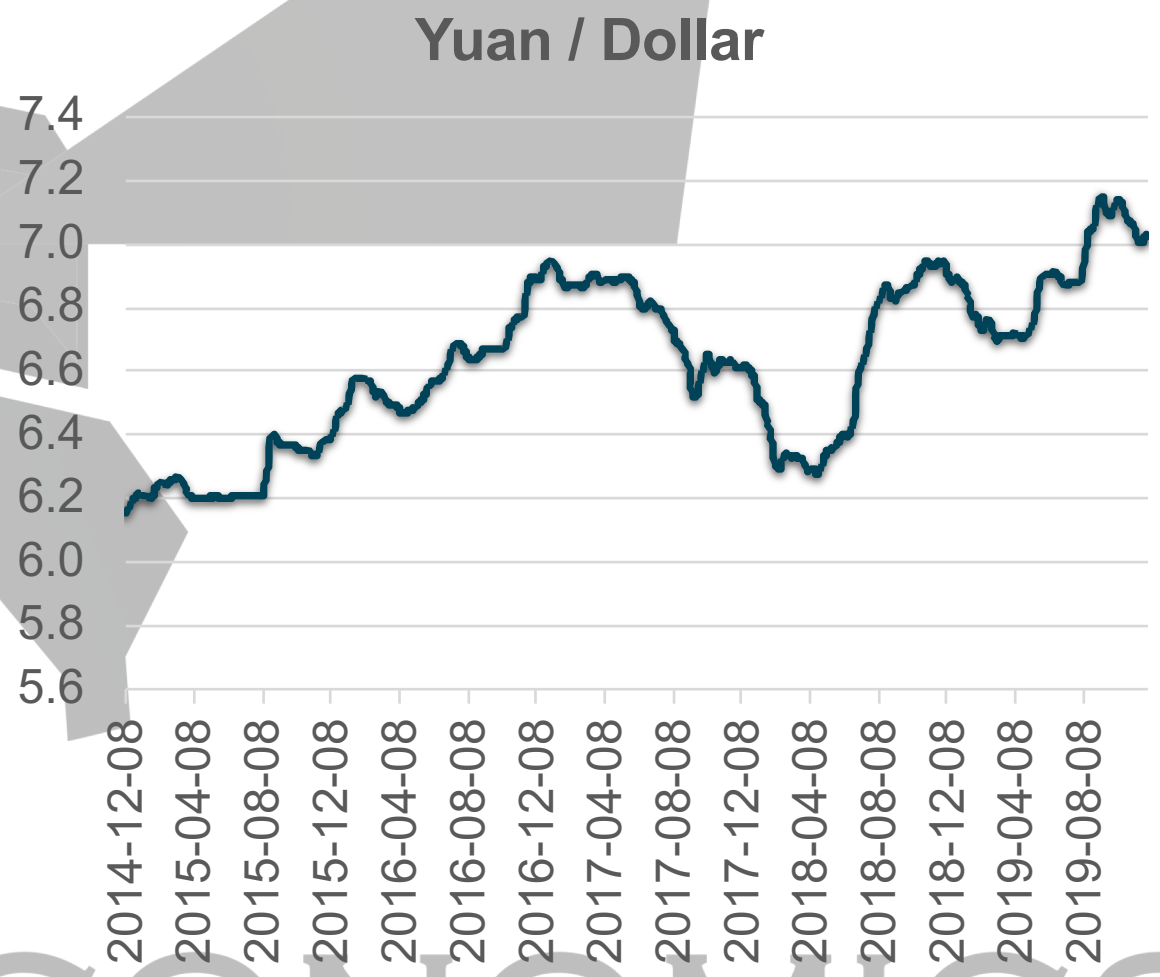
Value China Exports to US as % of GDP: **4.0%**



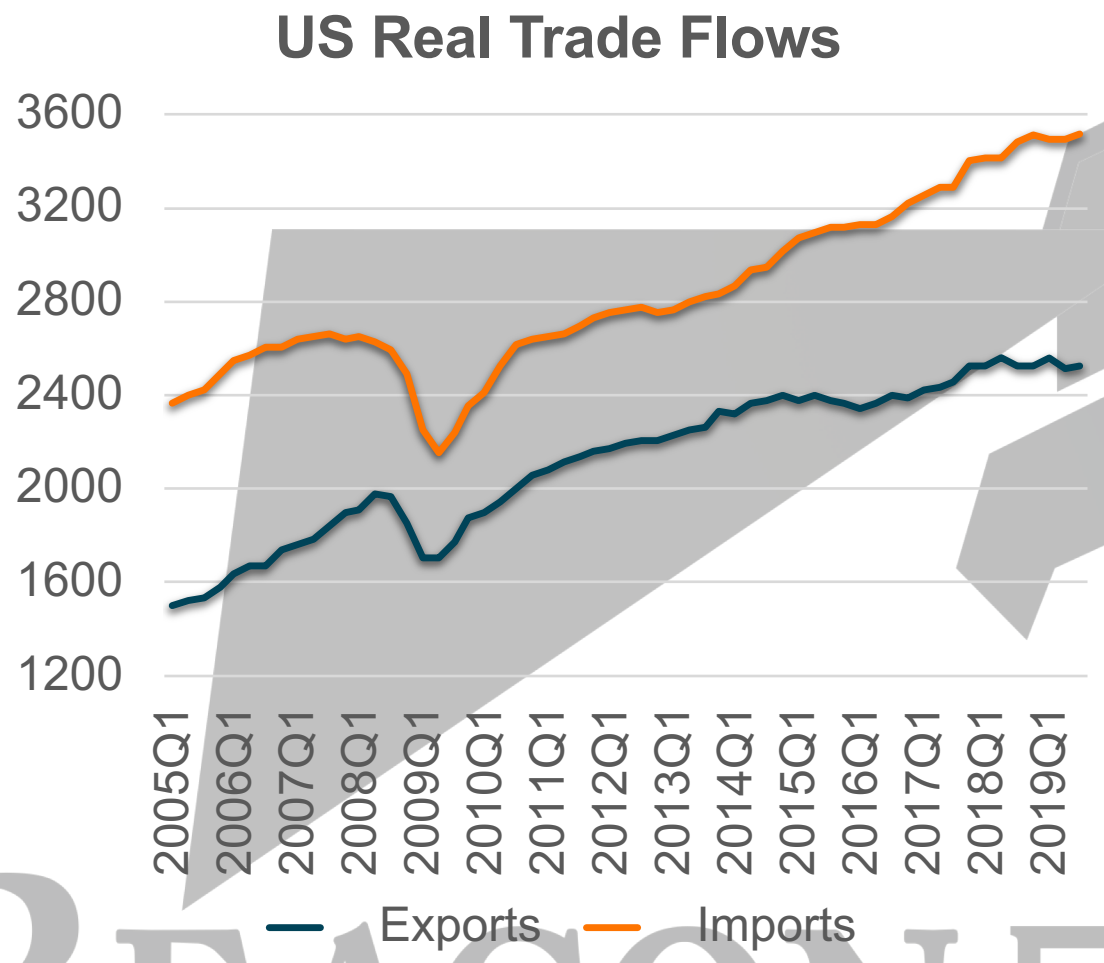
Source: US Census, Wiser

Exchange Rates





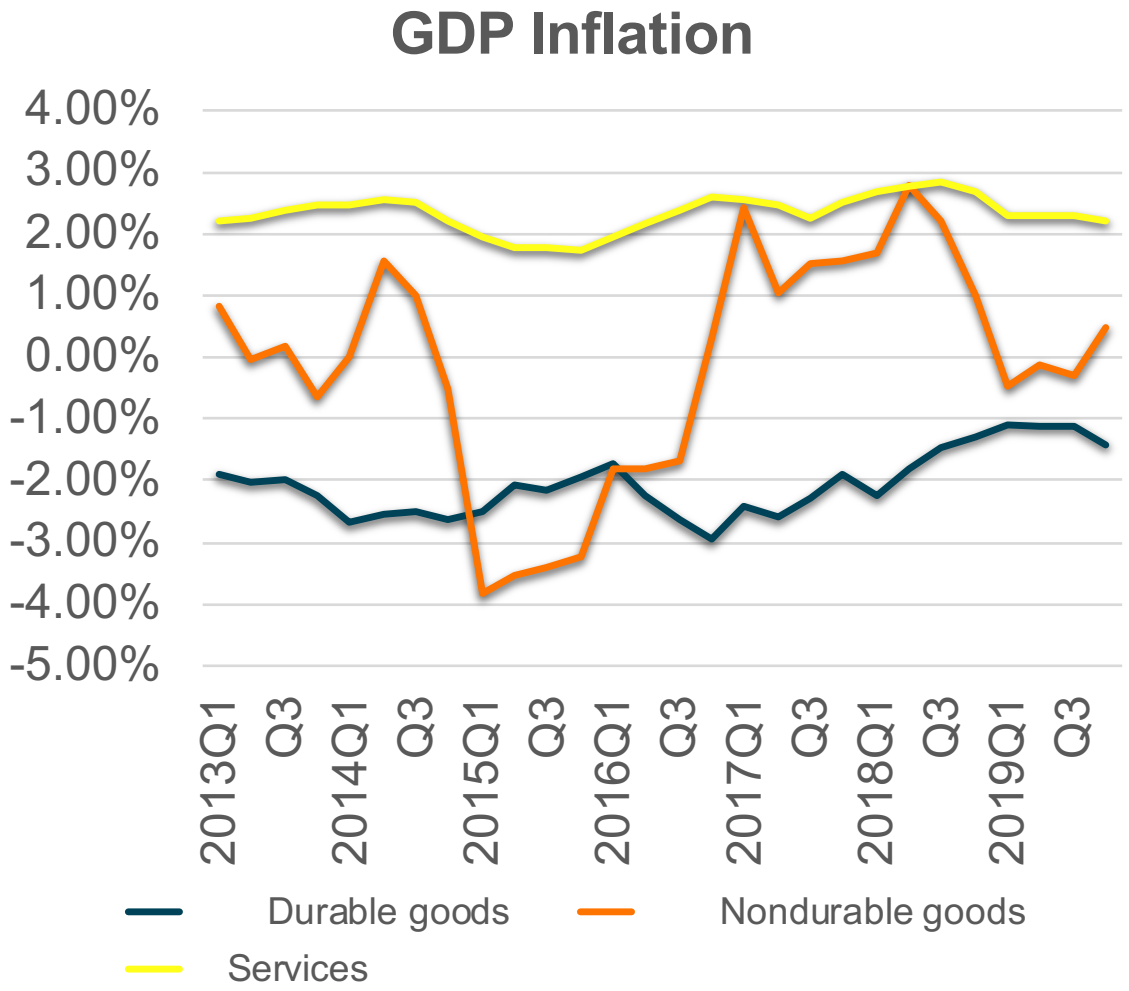
Trade War? What trade war?

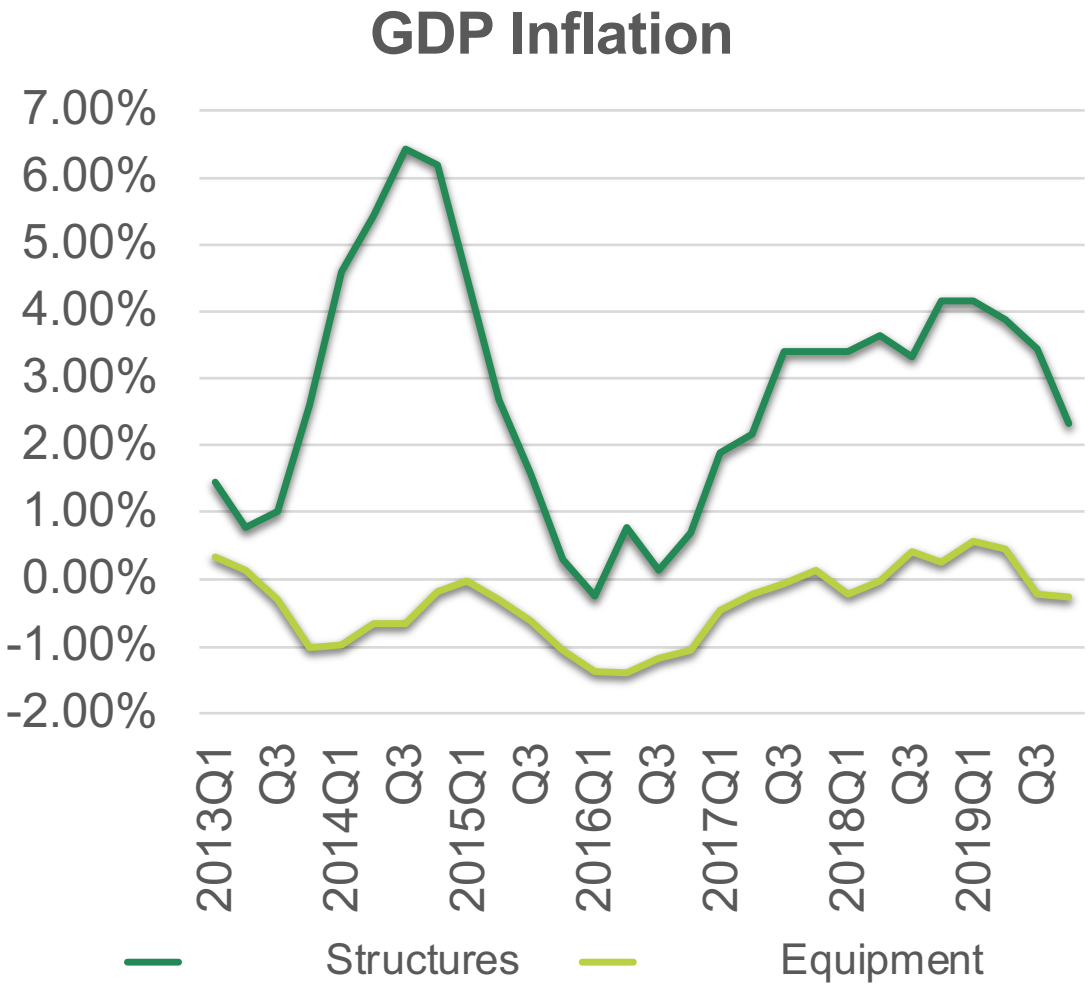


Country	Exports		
Total, All Countries	1,509.90	-1.3%	-19.8
Canada	270.6	-2.1%	-5.8
Mexico	237.3	-3.4%	-8.3
China	97.8	-12.1%	-13.4
Japan	67.9	-0.4%	-0.3
United Kingdom	63.6	4.8%	2.9
Country	Imports		
Total, All Countries	2,296.00	-1.7%	-39.8
China	418.6	-15.2%	-74.9
Mexico	330.5	3.5%	11.1
Canada	292.4	-0.8%	-2.3
Japan	132.1	1.5%	1.9
Germany	116.8	1.0%	1.2

Source: National Bureau of Statistics of China, Board of Gov. Fed. Reserve

What Trade War?





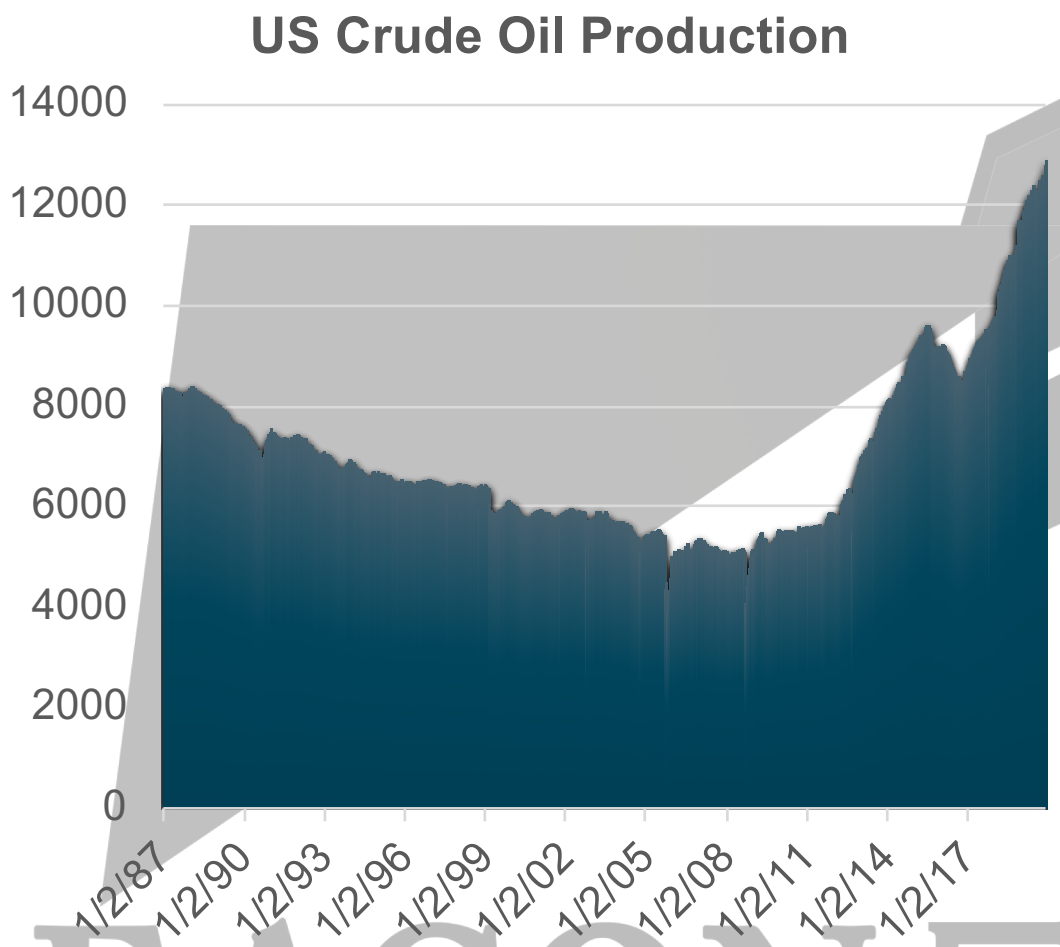
California Exports

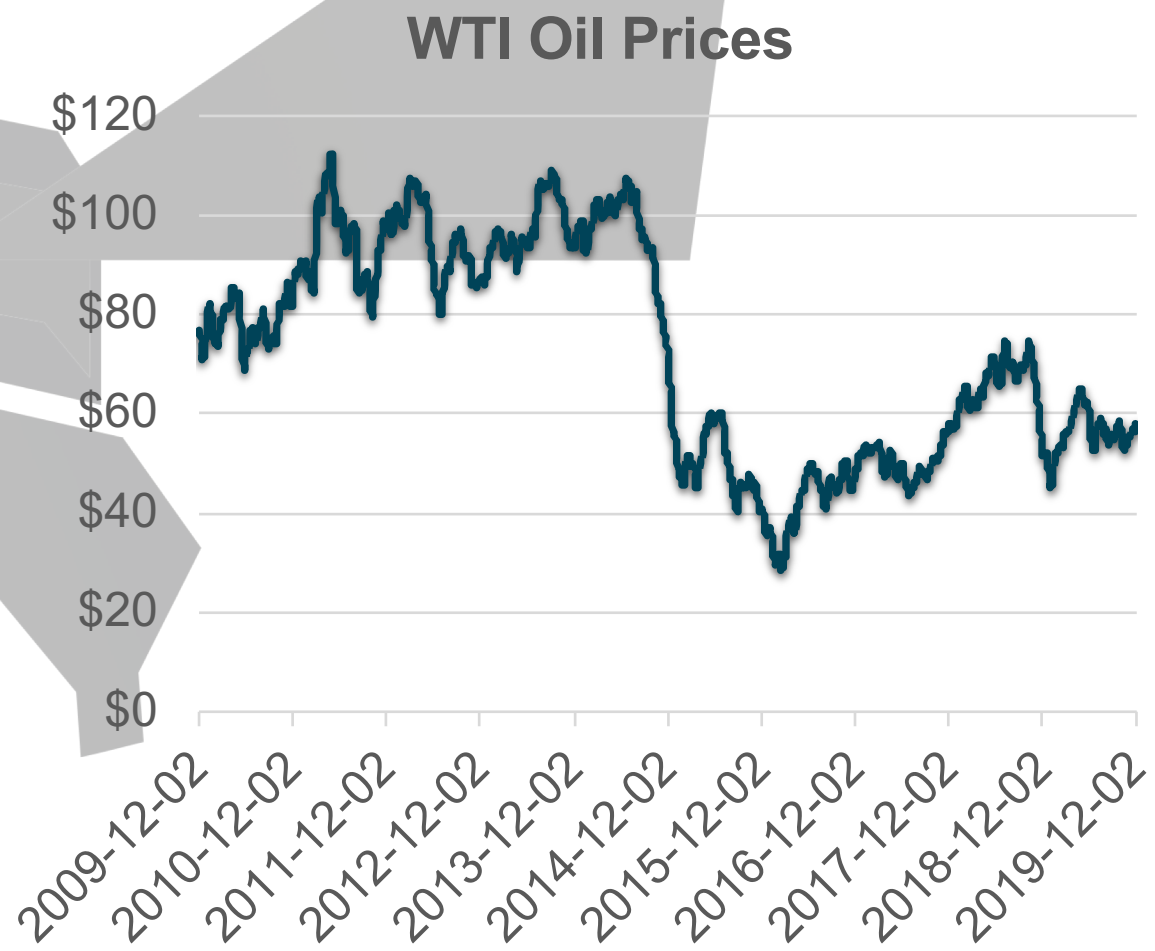
2019 Exports by Type

TOTAL ALL COMMODITIES	100.0%	-2.4%
Electric Machinery Etc	15.1%	-0.8%
Industrial Machinery Including Computers	14.1%	-12.8%
Optic Photo Etc Medic	8.8%	1.5%
Vehicles	**6.9%**	**32.4%**
Aircraft Spacecraft	**5.4%**	**24.5%**
Edible Fruit & Nuts	**4.7%**	**5.8%**
Plastics And Articles Thereof	3.8%	-10.1%
Nat Etc Pearls Prec Etc Stones Pr Met Etc	3.3%	-31.5%
Meat And Edible Meat Offal	3.8%	-1.5%
Mineral Fuel Oil Etc.	2.5%	-2.8%
Miscellaneous Chemical Products	2.5%	0.6%
Pharmaceutical Products	2.2%	19.0%
Cotton Including	1.4%	-12.5%
Miscellaneous Edible Preparations	1.3%	8.2%
Aluminum And Articles Thereof	1.2%	-3.9%
Essential Oils Etc	1.2%	12.5%
Oil Seeds Etc.	1.1%	-7.2%
Iron And Steel	1.0%	-10.9%
Articles Of Iron Or Steel	1.0%	-1.4%
Organic Chemicals	0.9%	-23.9%

BEACON ECONOMICS

Potential troubles in the Middle East?



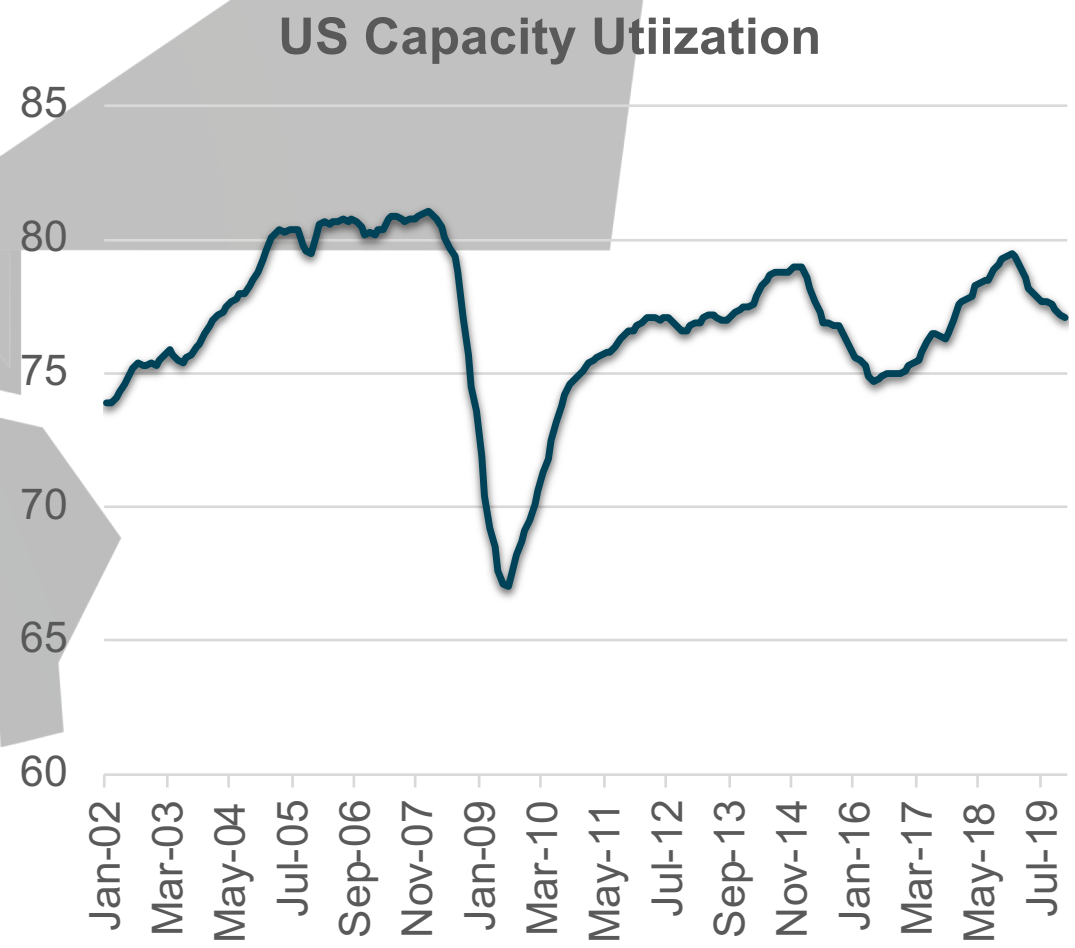


Source: US EIA

Business Spending – National

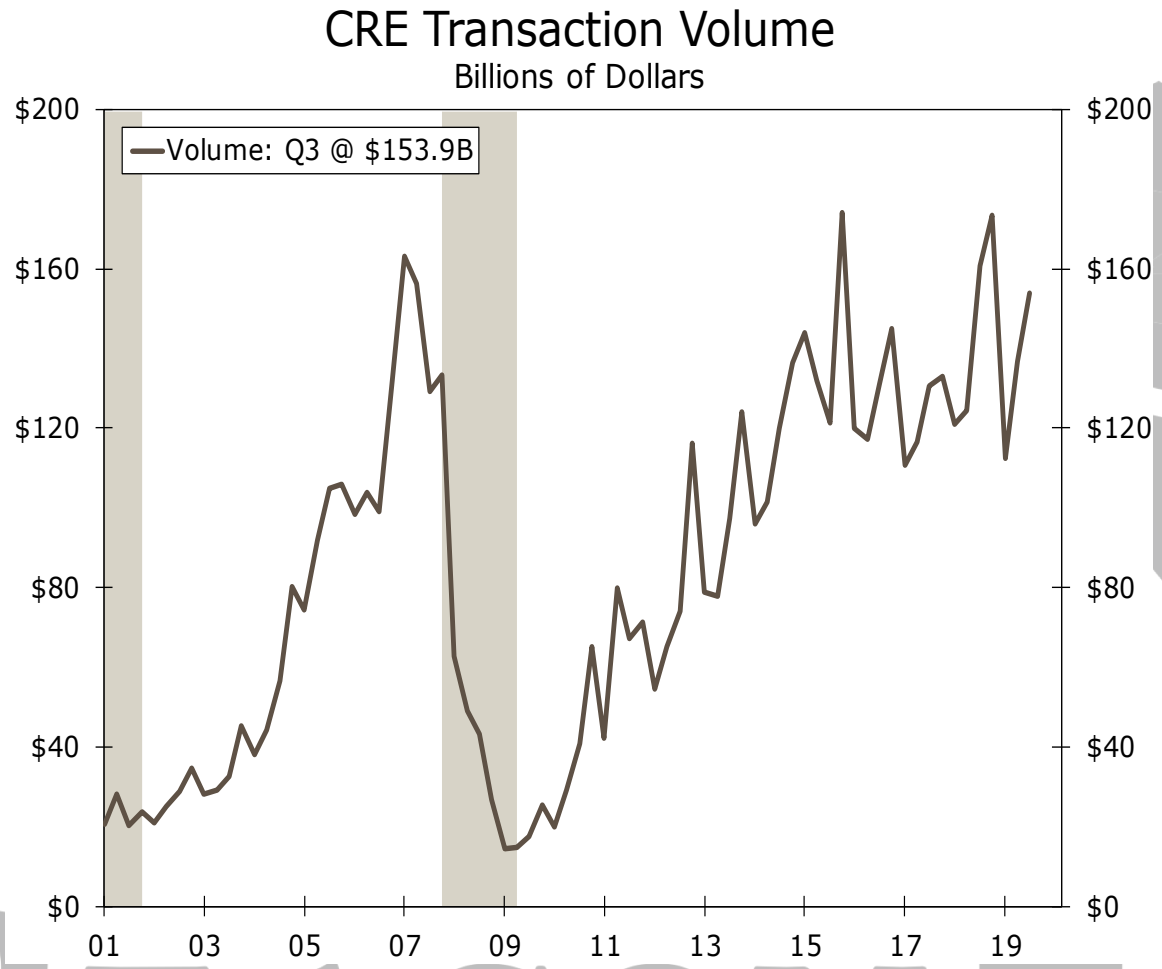
Contribution to Real Investment Growth

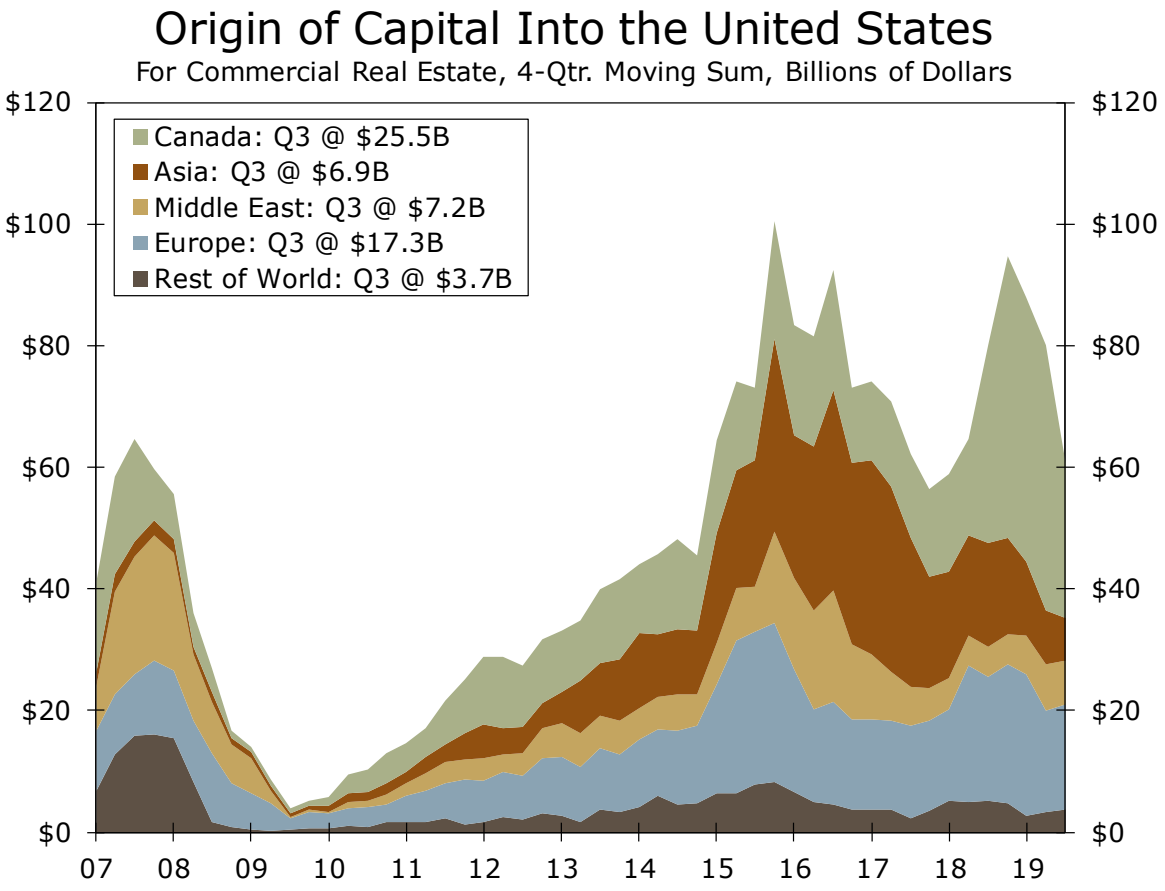
	2017	2018	2019
Private fixed investment	5.15	3.53	0.28
Structures	**0.30**	**0.47**	**-1.23**
Mining exploration, shafts, and wells	1.15	0.51	-0.63
Other structures	0.02	0.10	-0.31
Commercial and health care	-0.12	-0.14	-0.25
Manufacturing	-0.34	-0.04	-0.03
Power and communication	-0.42	0.04	-0.01
Equipment	**2.89**	**1.72**	**-0.50**
Transportation equipment	0.14	0.62	-0.37
Other equipment	0.89	0.23	-0.18
Industrial equipment	0.55	0.24	-0.16
Information processing equipment	1.32	0.64	0.20
Intellectual property products	**1.04**	**2.33**	**1.65**
Entertainment, literary, and artistic	0.05	0.14	0.05
Research and development	0.17	1.02	0.48
Software	0.82	1.17	1.12



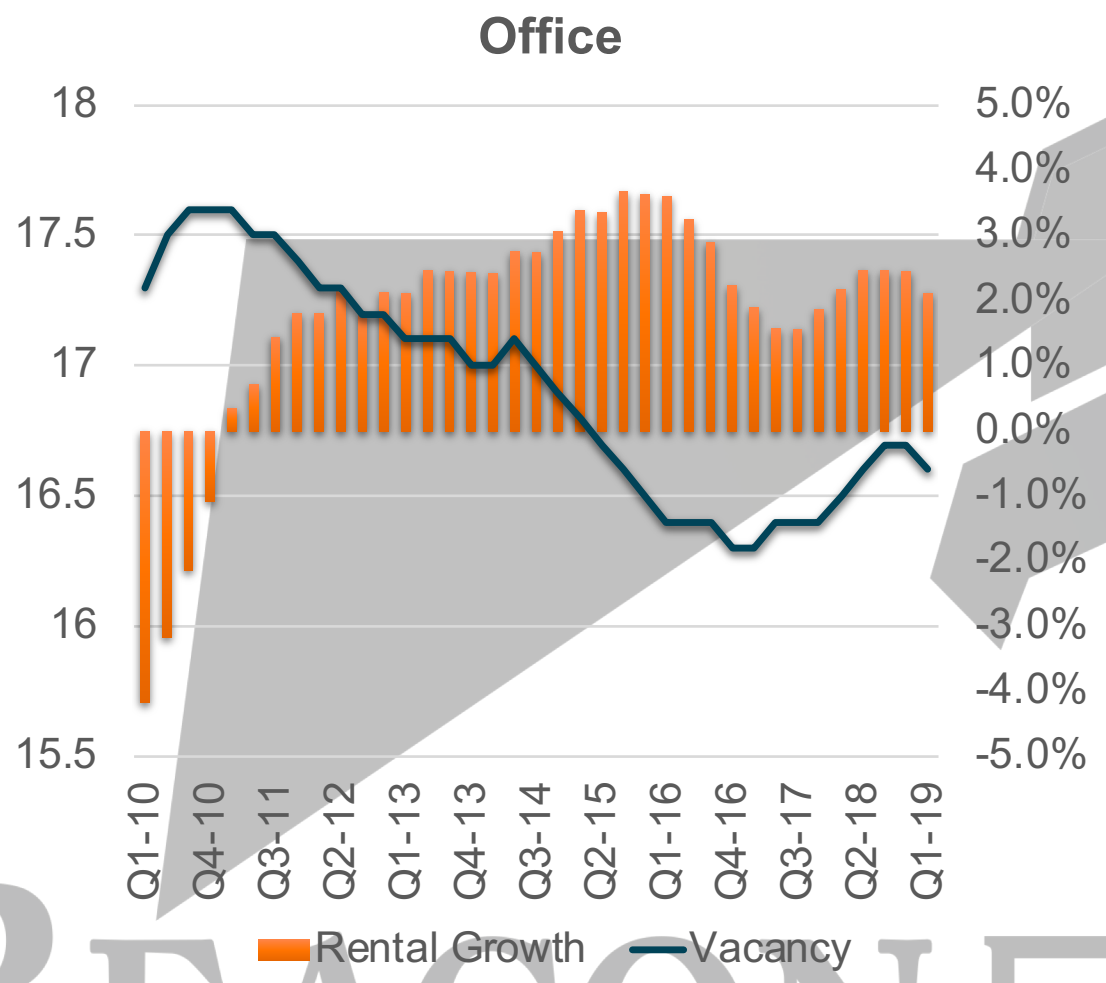
Source: Census

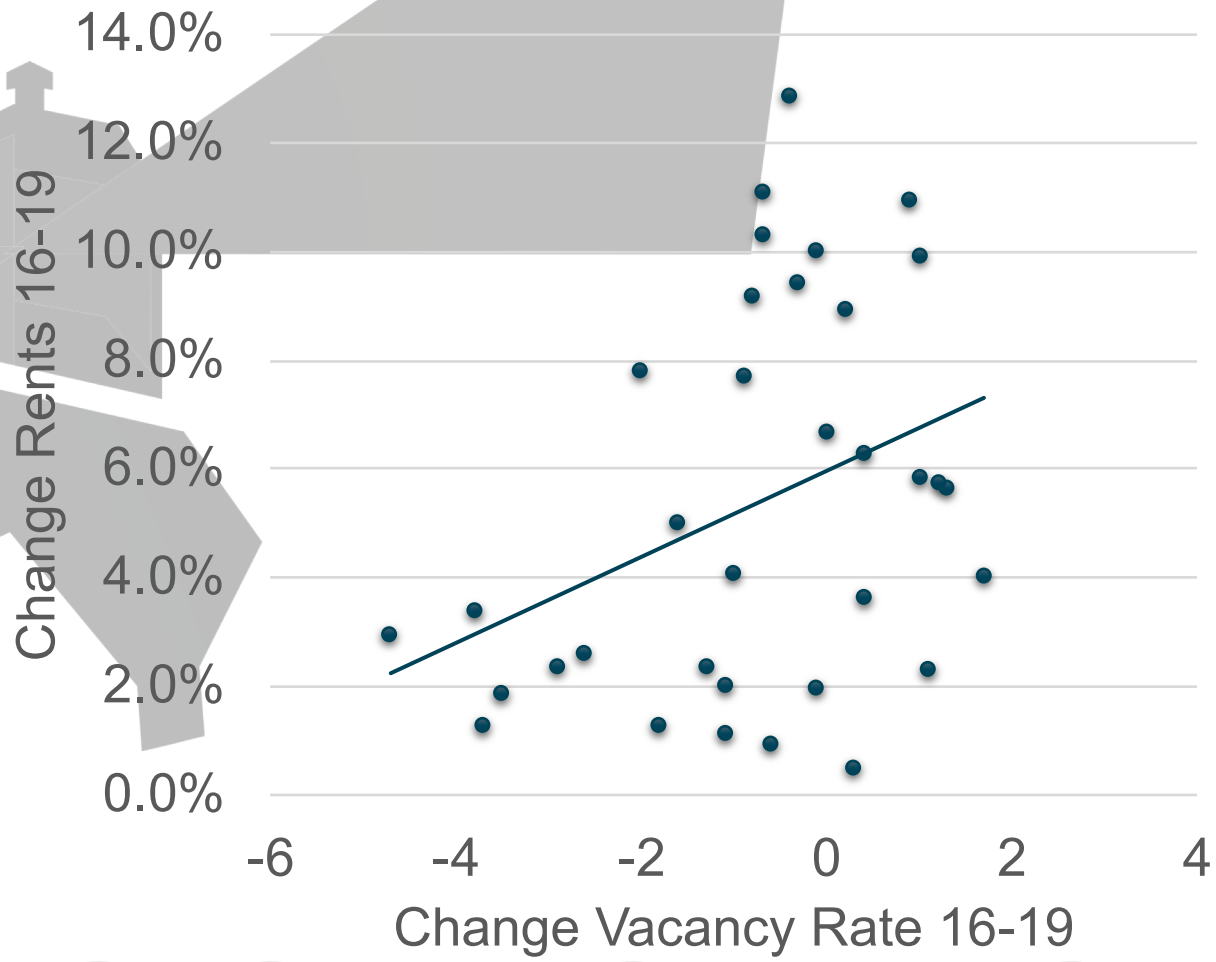
Commercial Stats





Office Trends





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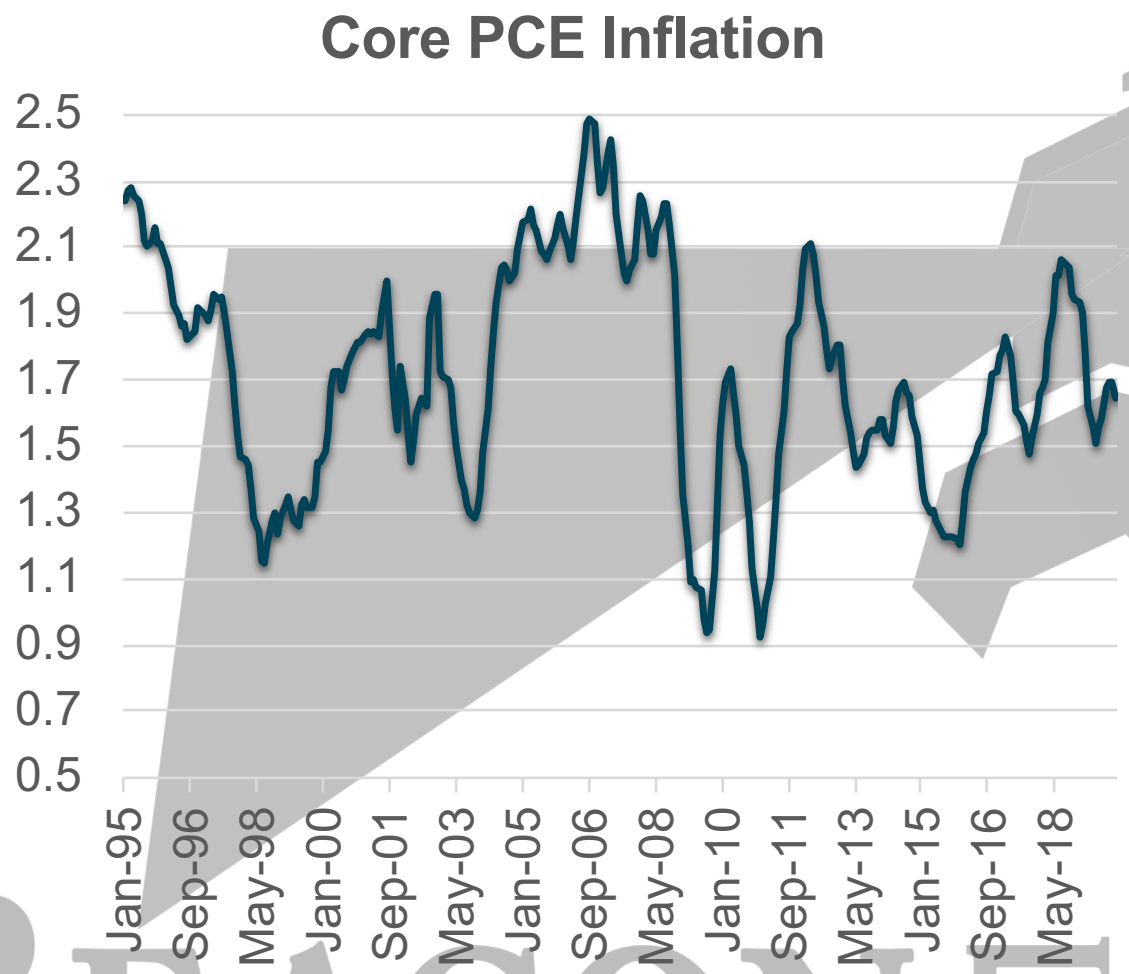
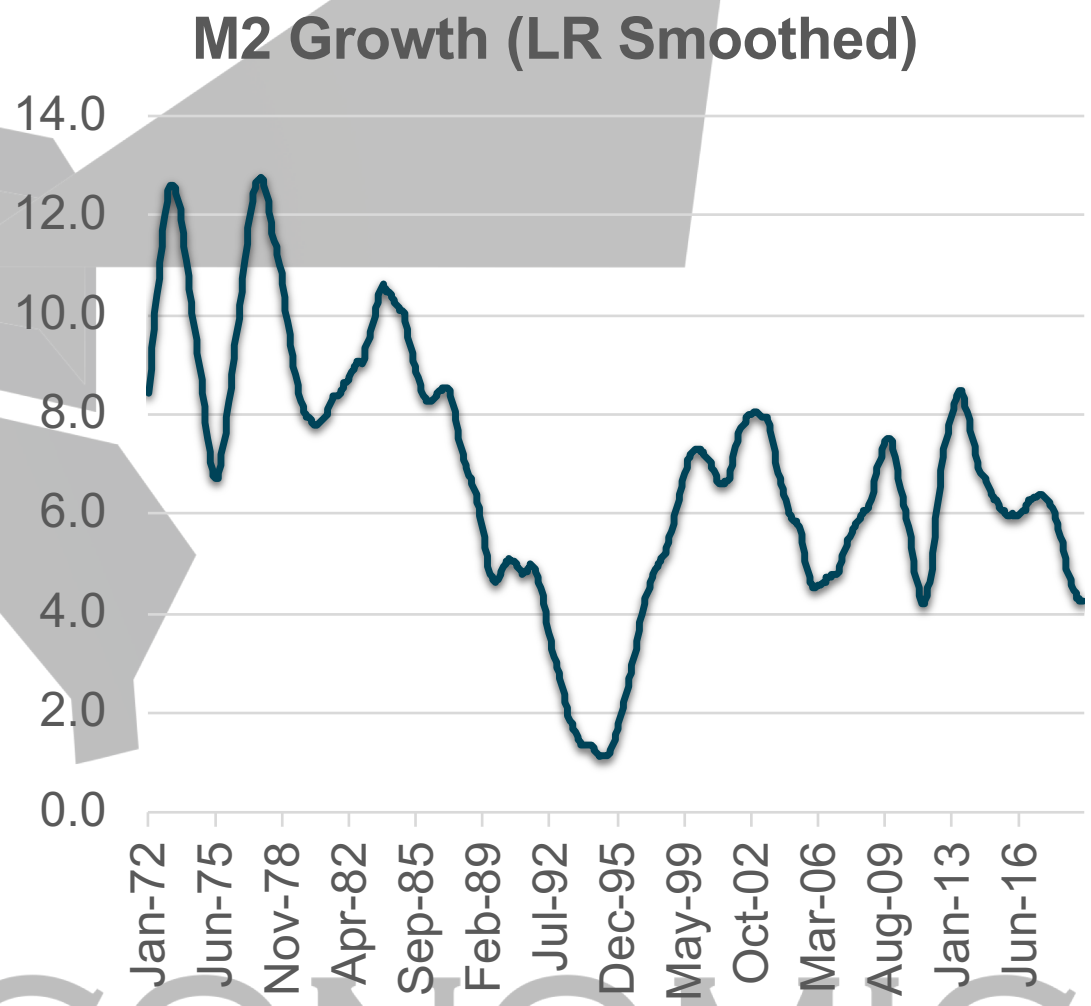
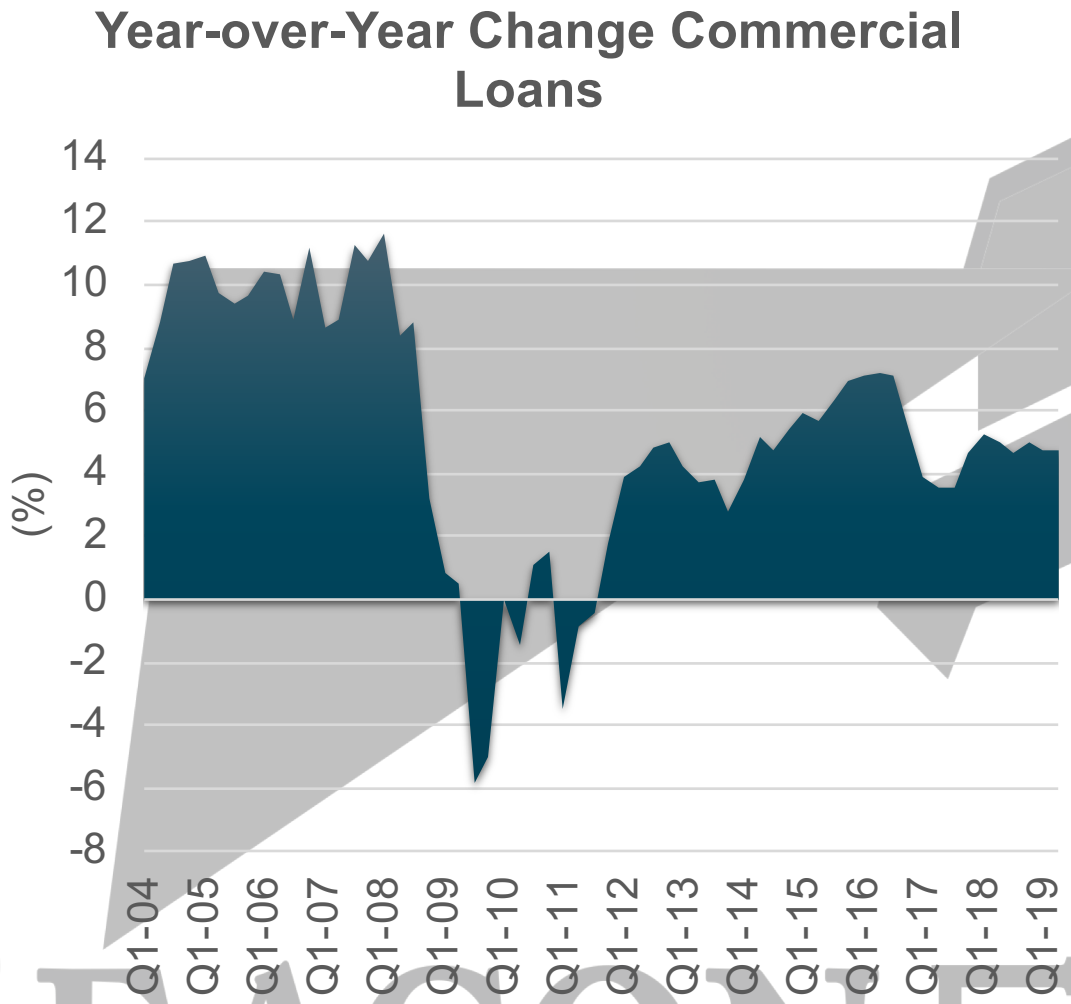
Inflation Issues?

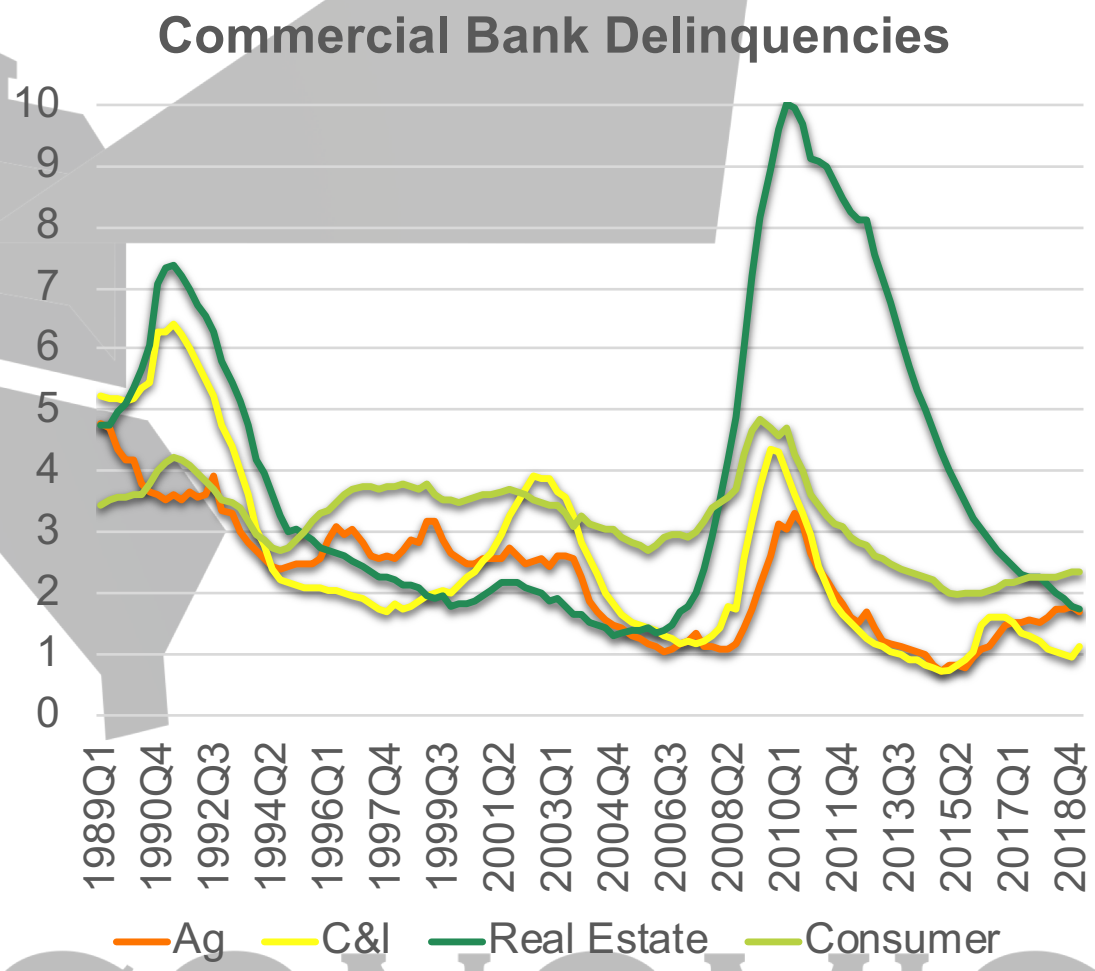




Source: Board of Governors Fed Reserve, Federal Reserve St Louis

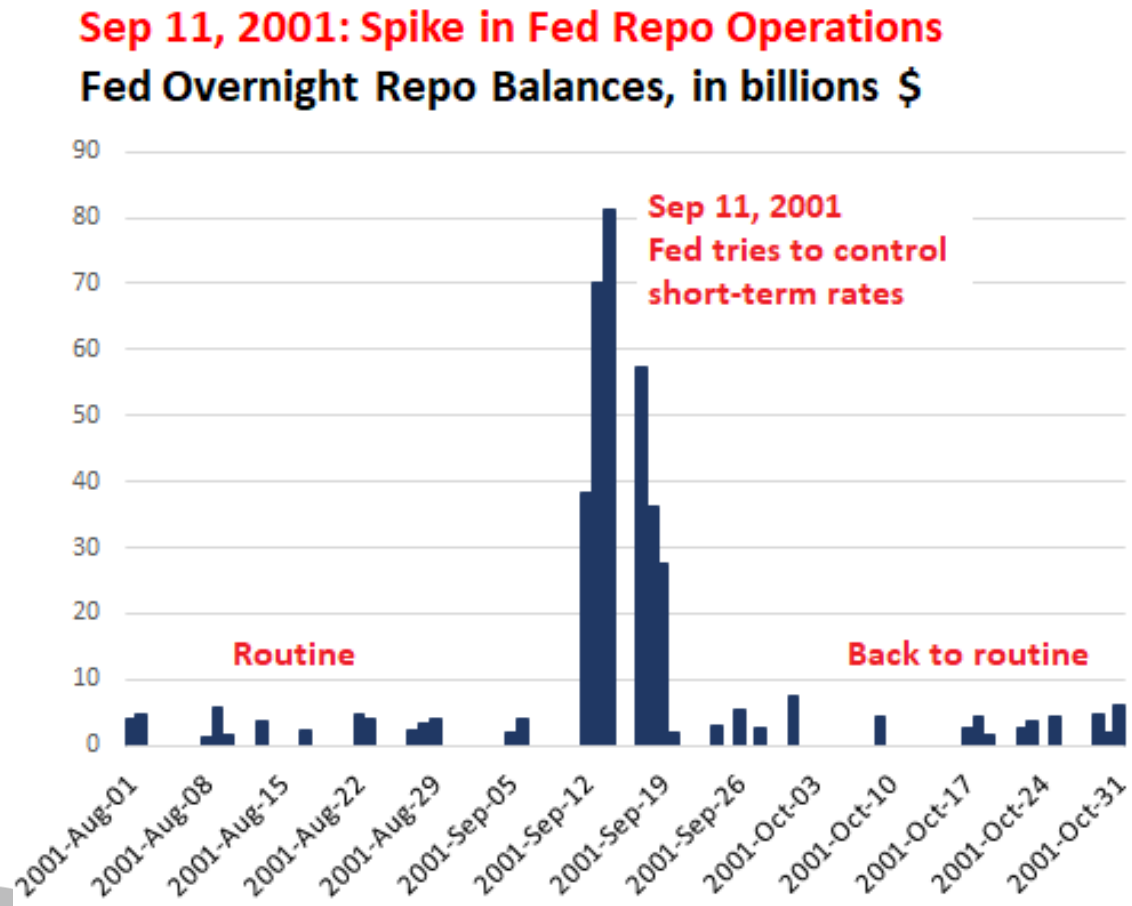
Bank Lending

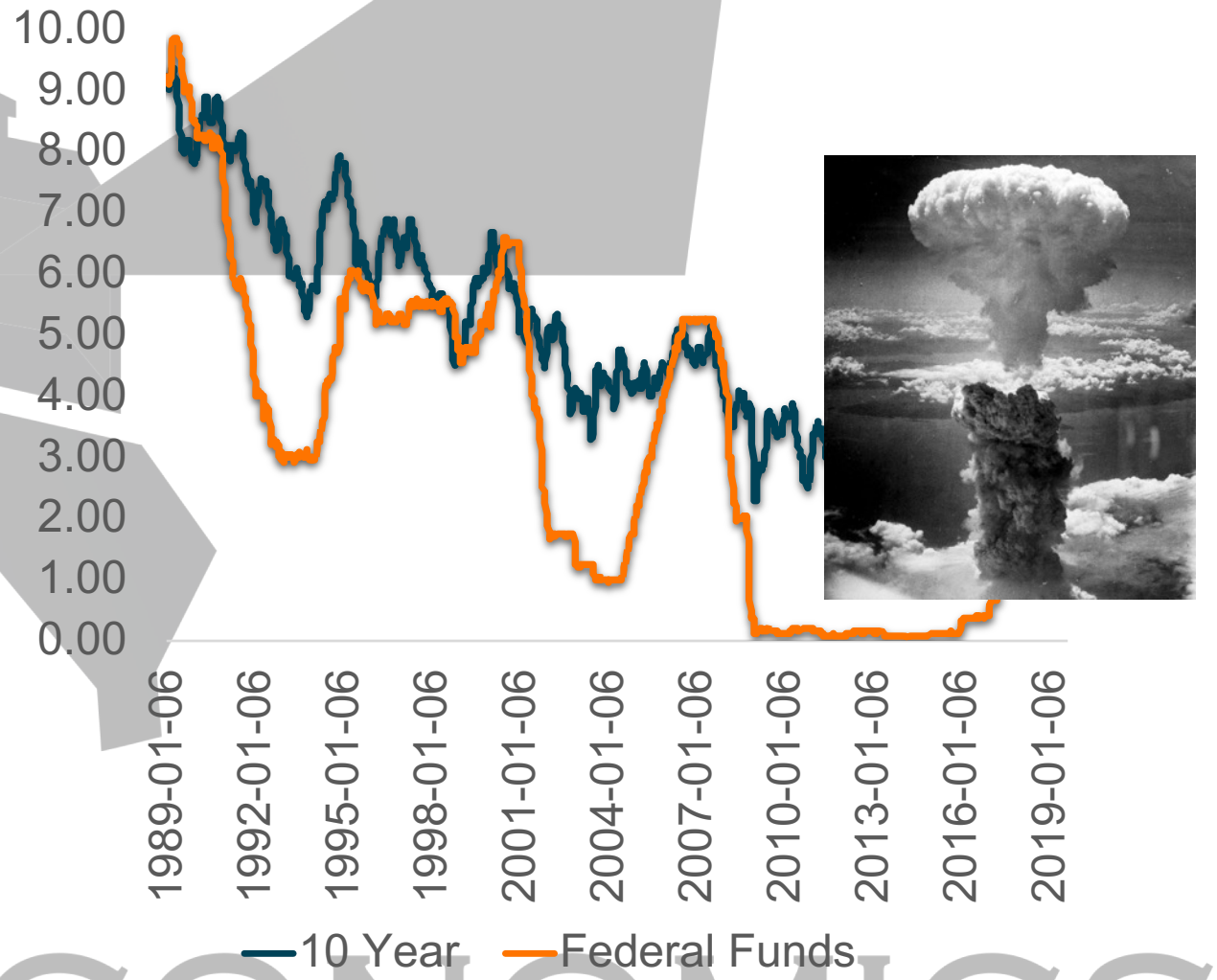




Source: FDIC

Federal Reserve Policy





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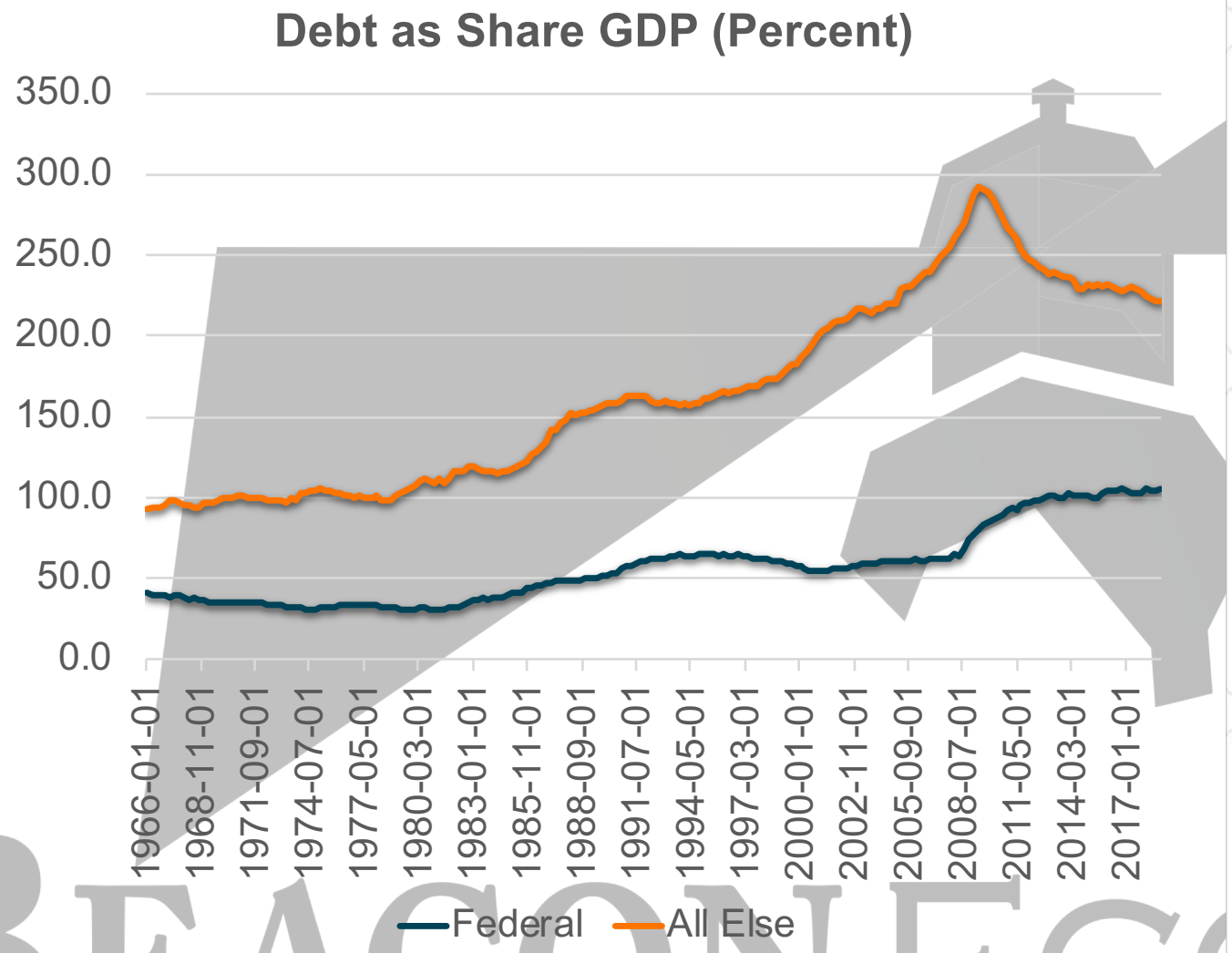
Source: Board of Governors Fed Reserve, Federal Reserve St Louis

Some questions to keep you up tonight

- Does free will truly exist?
- Why is there a "d" in "fridge" but not in "refrigerator”?
- Why does Gavin Newsom’s hair always look good, whilst Boris Johnson’s never does?
- Can you ever truly be in the wrong place at the right time?
- If the Fed inverts the yield curve and the economy is otherwise fine, will it cause a recession?

BEACON ECONOMICS

Debt Bubble Trouble?



FT Financial Times

Doc-lite: the new menace in $1.2tn leveraged loan market

Corel Corporation had a tough time borrowing almost $500m from investors last month, with underwriters offering the loan at a discount to stir ...

2 weeks ago

B Bloomberg

A Leveraged Loan Collapses and Reveals Key Risk in Credit Market

Operating out of a Chicago suburb, in a low-slung, red-brick building wedged between a Hyatt and a Radisson, Clover Technologies is in the ...

1 week ago

W MarketWatch

Here's who keeps investors abreast of this opaque debt market and possible systemic risk

Covenant Review is tracking the steady deterioration of investor protections in loan documents amid increased scrutiny among regulators.

1 month ago

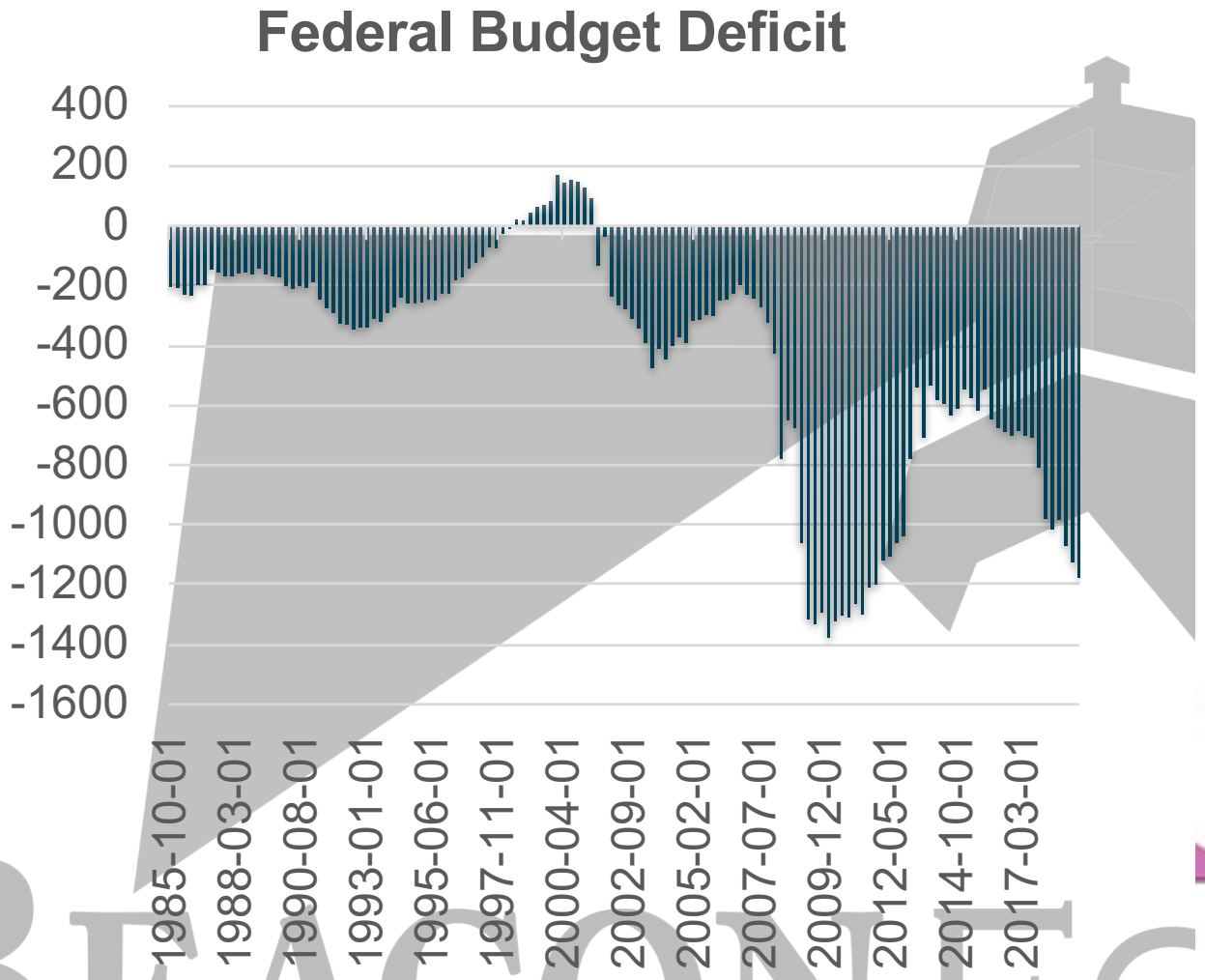
FT Financial Times

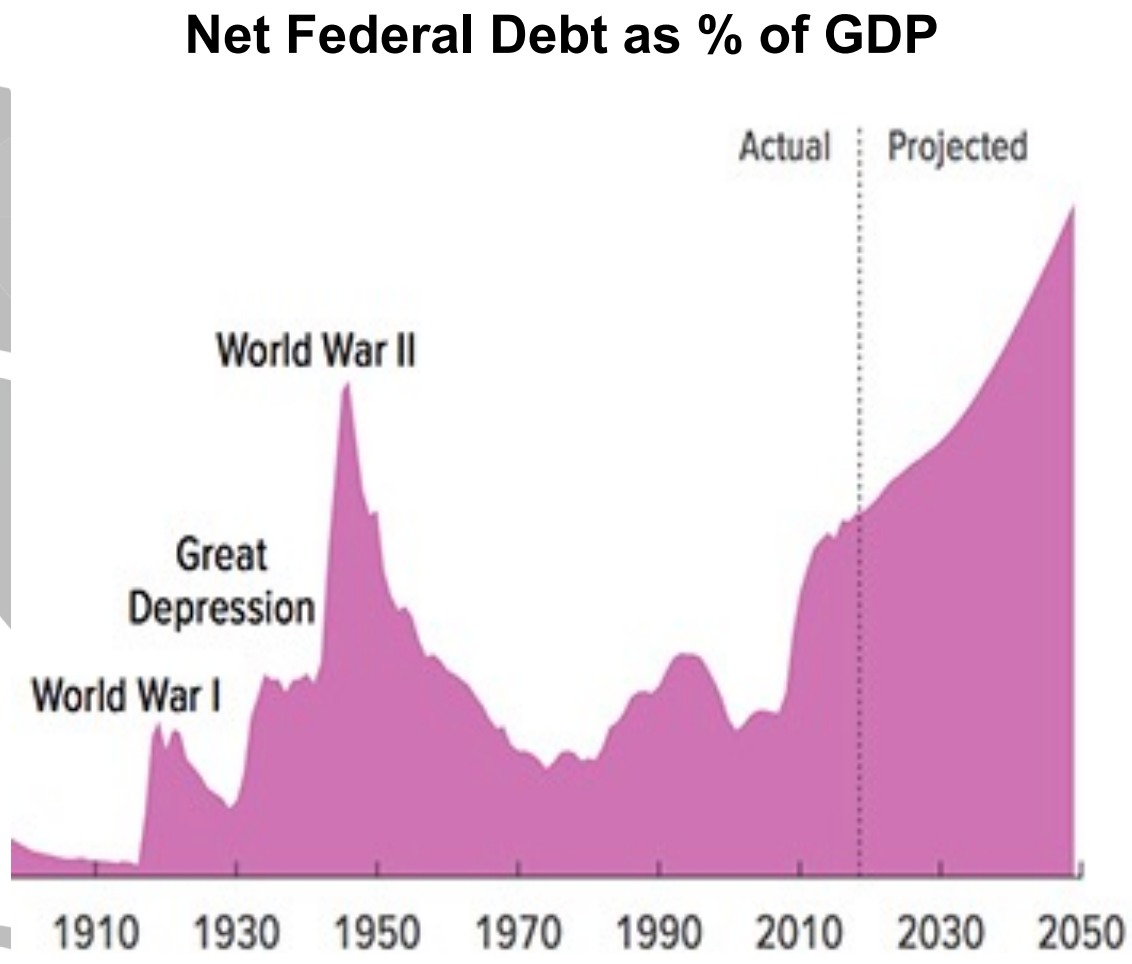
Why parts of Wall Street are fretting over 'toxic' loans

Steve Ketchum is not happy. The hedge fund manager is a big investor in so-called leveraged loans, a corner of the debt market that involves ...

3 weeks ago

A Budget Crisis





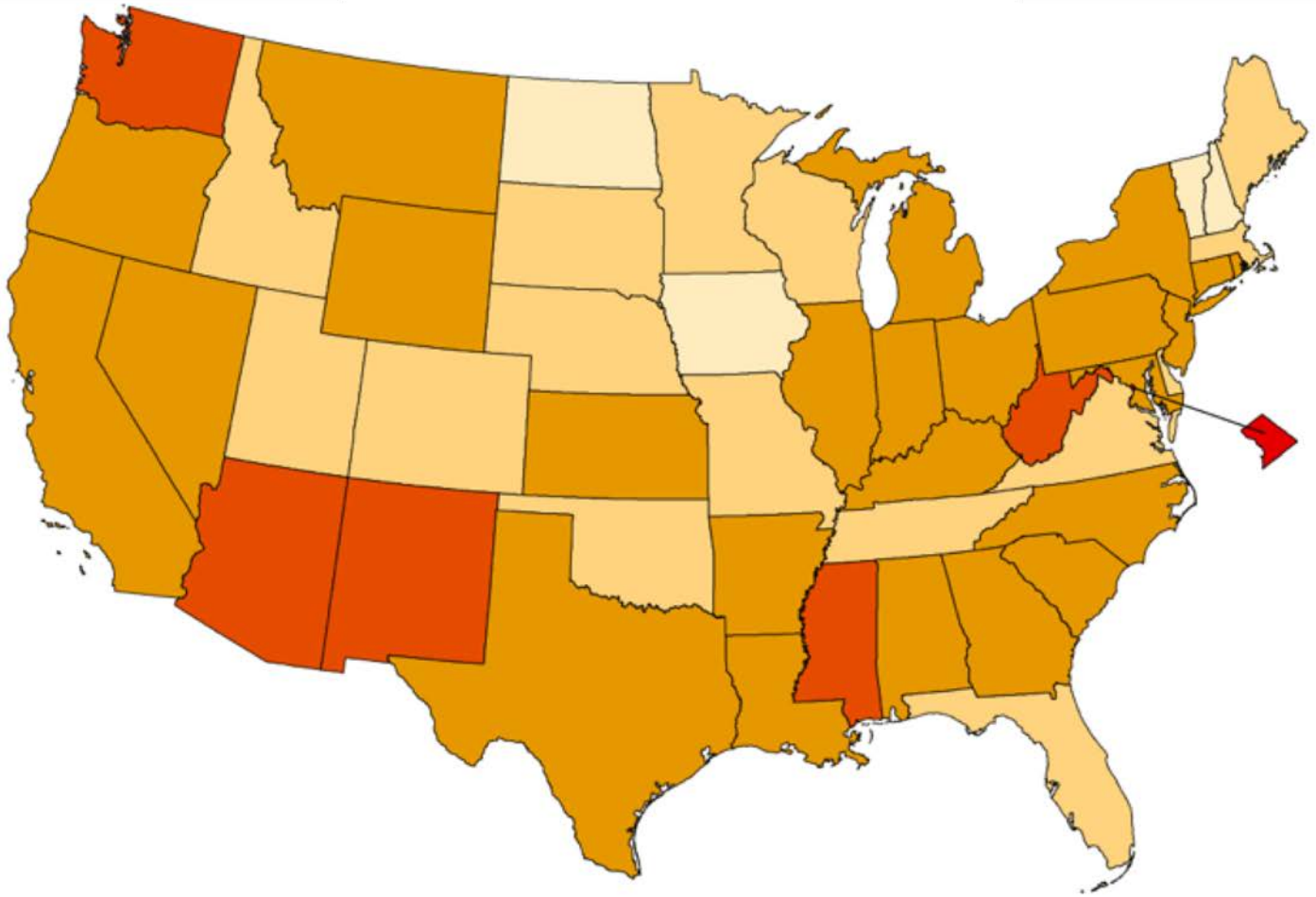
Source: DOF, ACS

The Cure for Secular Stagnation

Figure 8: Increase in Average Annual Growth Rate With Estimated Policy Shifts

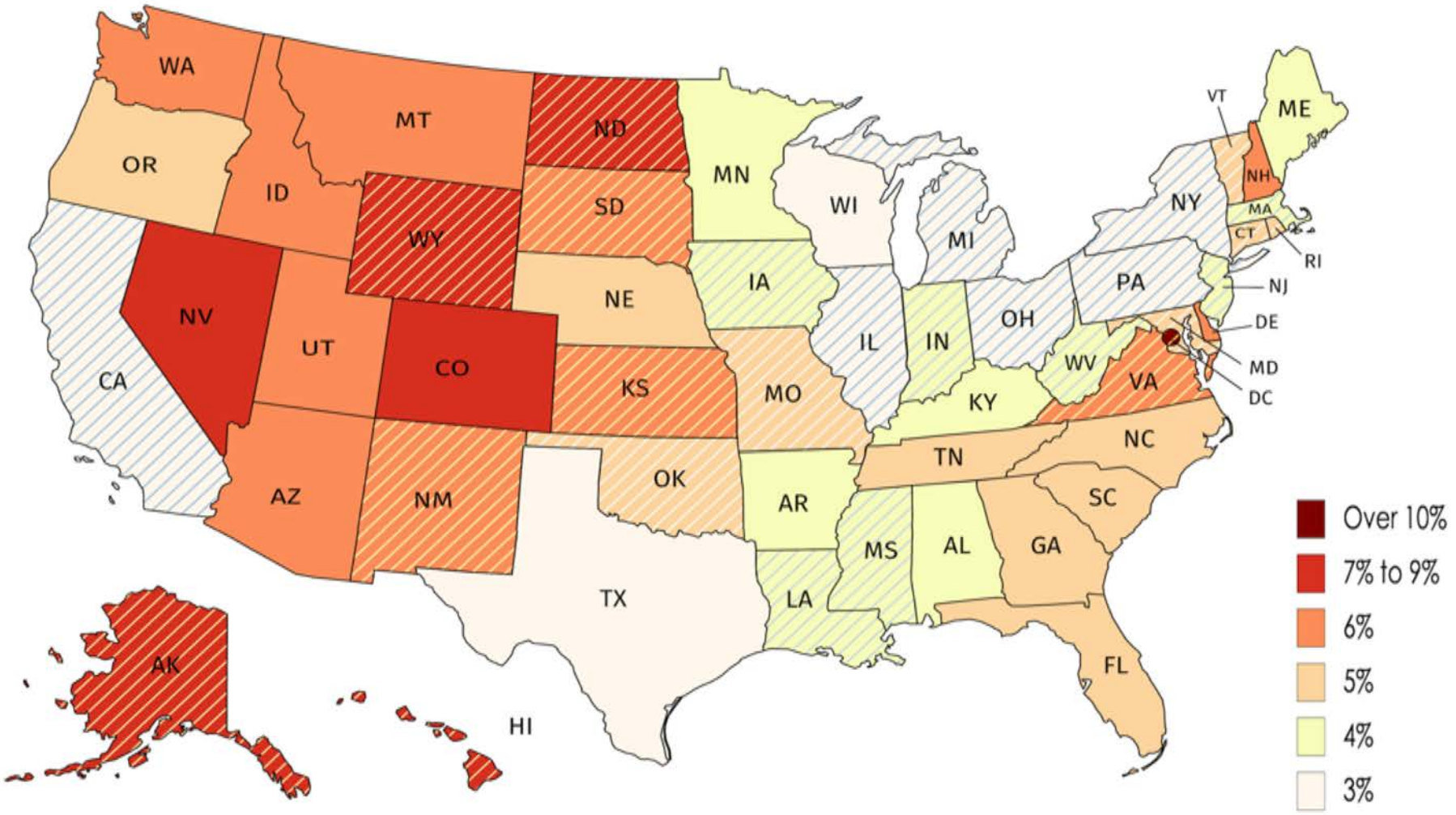
Policy Change	Boost in Annual Growth Rate	Estimated By
Enact immigration reform to increase number of workers	0.3%	CBO
Reform the income tax code	0.05% - 0.3%	JCT, Treasury
Increase the Social Security retirement ages by two years	0.15%	CBO
Reduce deficits by $4 trillion over ten years	0.1%	CBO
Expand energy production at level of shale boom*	0.09%	CBO
Repeal the Affordable Care Act ("Obamacare")	0.08%	CBO
Ratify the Trans-Pacific Partnership	0.01%	U.S. ITC
Increase public investment in infrastructure, education, and research by $400 billion	0 - 0.01%	CBO

State Unemployment Rates



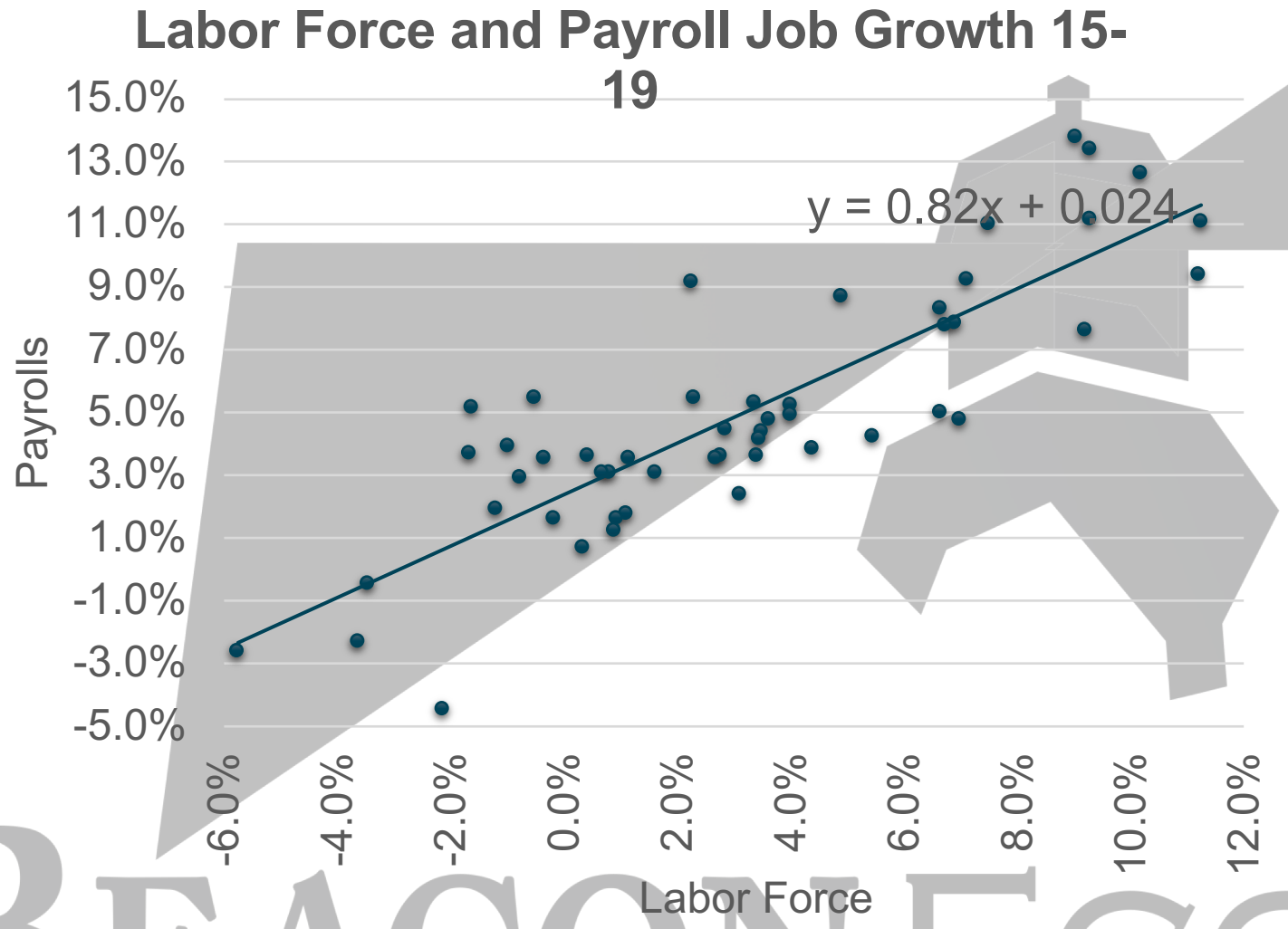
- 6.5% and above
- 5.5% to 6.4%
- 4.5% to 5.4%
- 3.5% to 4.4%
- 2.5% to 3.4%
- 2.4% and below

Churn Rate



*States shaded with stripes indicates negative net migration

Jobs and Workers



Rk	State	LF	PR
1	Nevada	9.0%	13.8%
2	Utah	9.3%	13.4%
3	Idaho	10.2%	12.7%
4	Washington	9.3%	11.2%
5	Arizona	11.2%	11.2%
6	Florida	7.5%	11.1%
7	Colorado	11.2%	9.4%
8	Oregon	7.1%	9.3%
9	**California**	**2.3%**	**9.2%**
10	South Carolina	4.9%	8.7%
11	Georgia	6.6%	8.3%
12	Texas	6.9%	7.9%

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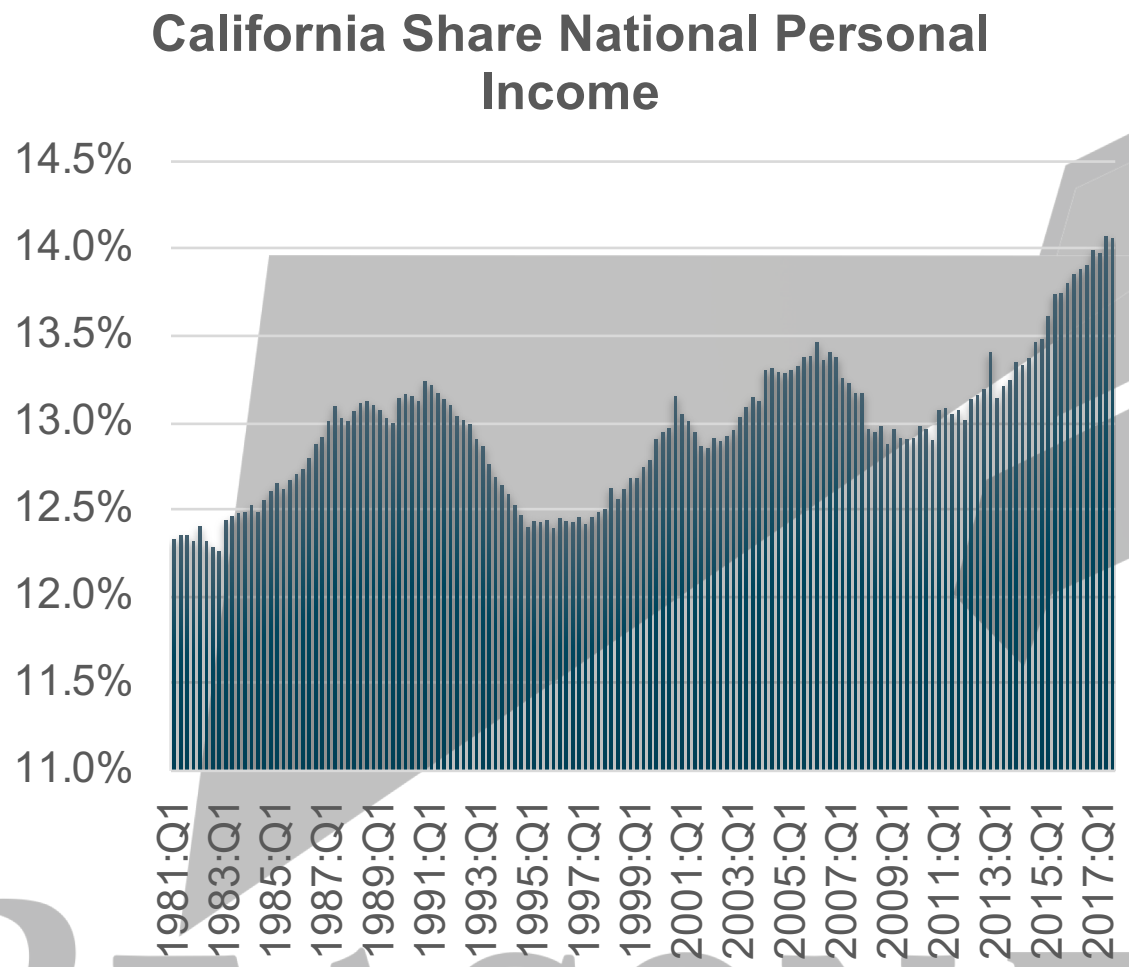
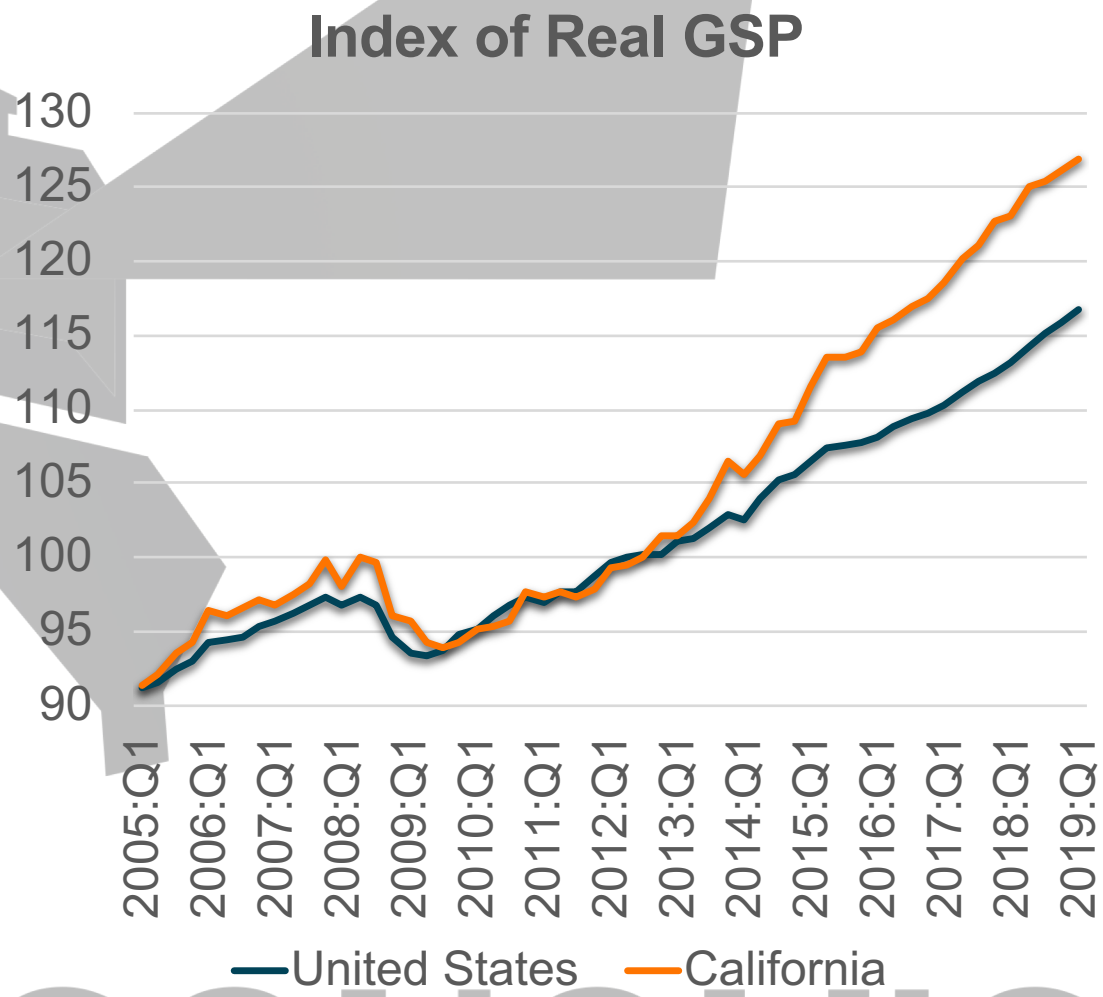
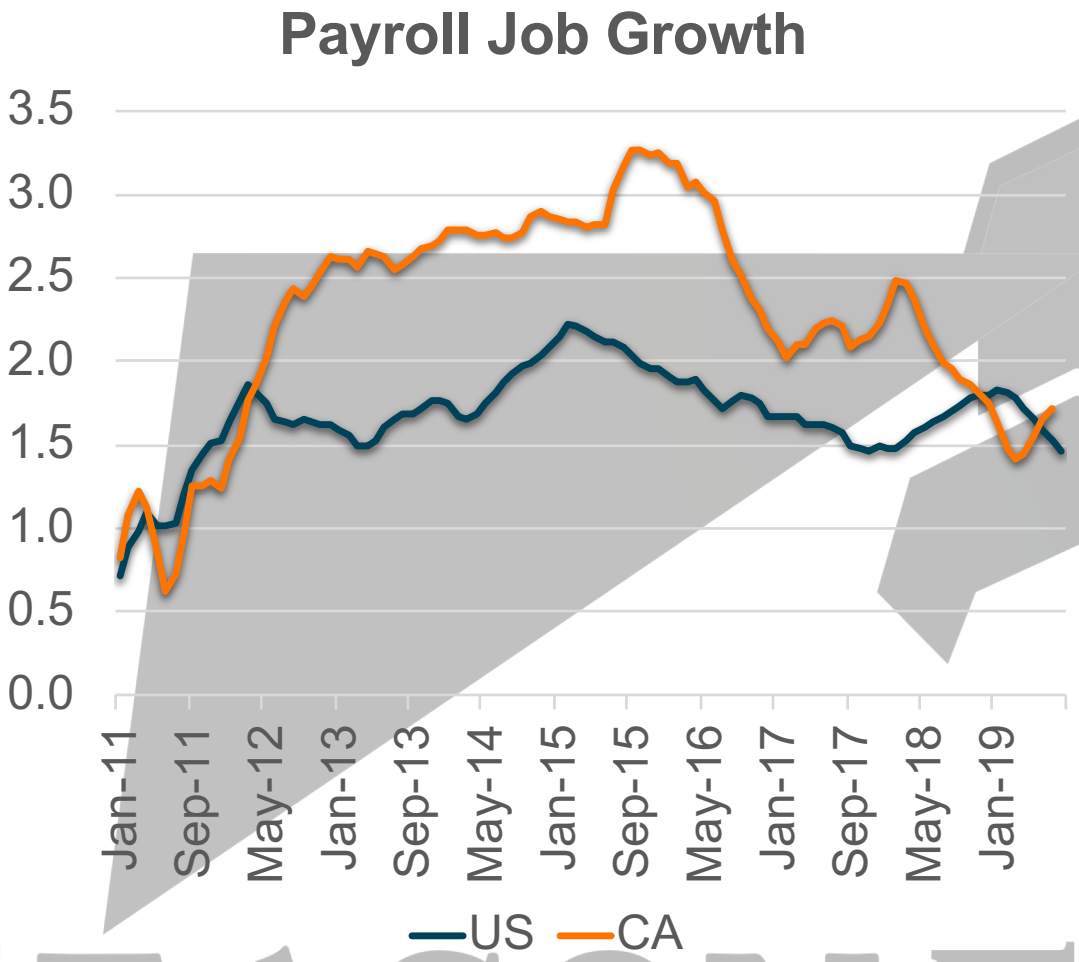
State Rankings





California Slowing Job Growth



Unemployment Rates

	Curr	Low 90-15		Curr	Low 90-15
Modesto	6.2	7.4	Hanford	7.8	8
Yuba	6.9	8.1	Sacramento	3.6	3.8
Redding	4.6	5.7	San Francisco	2.1	2.3
Chico	4.9	5.7	Fresno	7.3	7.4
Inland Empire	4.0	4.8	Oakland	2.9	3.0
Stockton	6.0	6.7	San Jose	2.5	2.6
Ventura	3.5	4.2	Napa	2.7	2.7
California	**4.1**	**4.7**	**San Diego**	**2.9**	**2.9**
Merced	8.2	8.7	Santa Barbara	3.5	3.5
Salinas	5.9	6.4	Santa Cruz	4.6	4.6
Los Angeles	4.4	4.7	Orange Cnty	2.7	2.6
Vallejo	3.8	4.1	Santa Rosa	2.6	2.5

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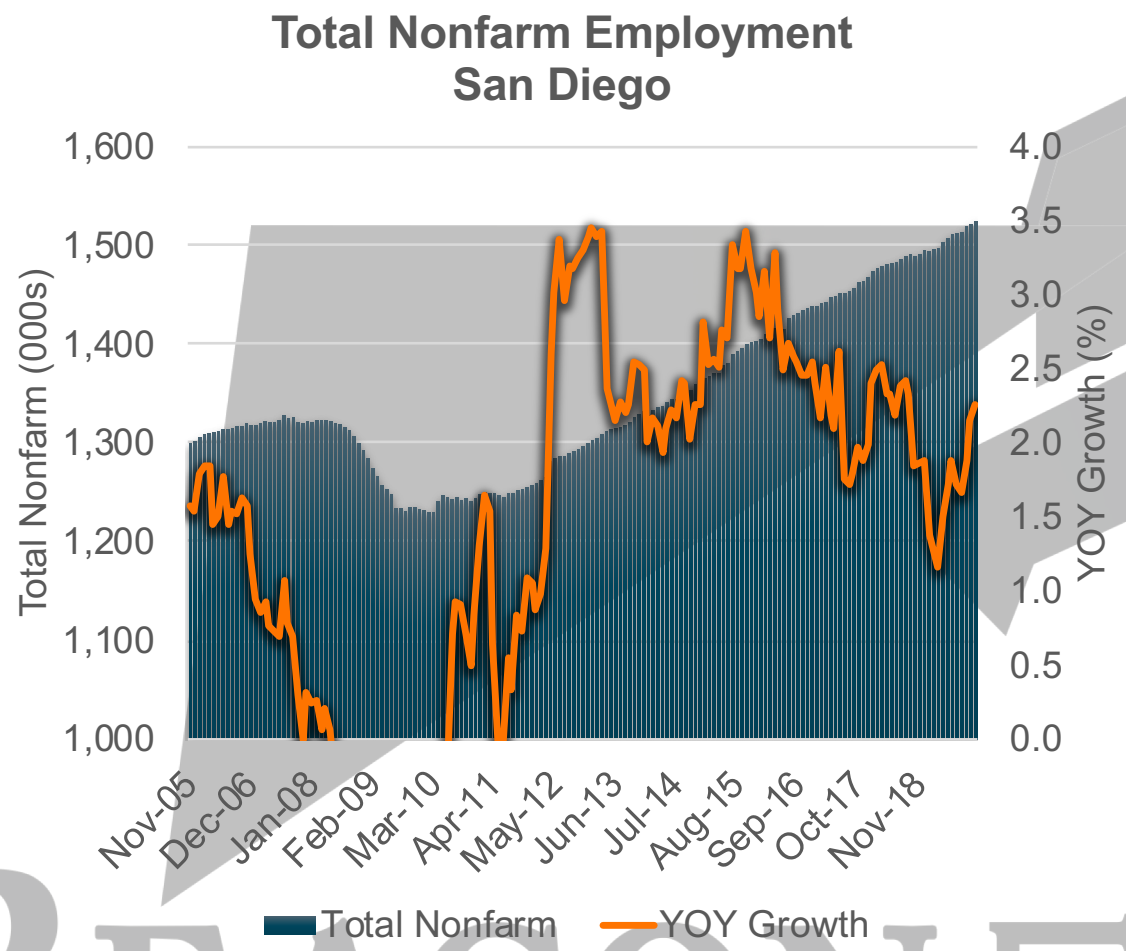
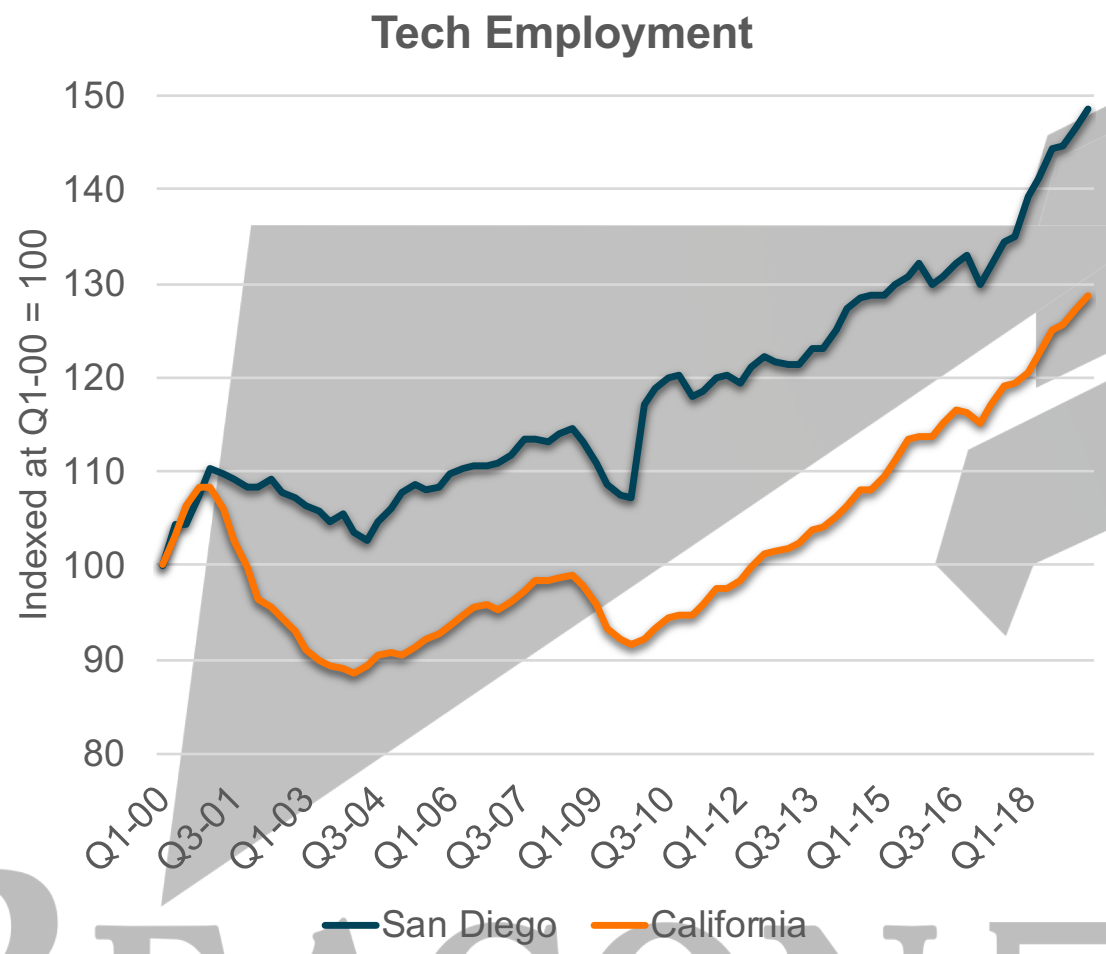
Employment Situation



Industry	SD Emp. (Nov-19, 000s)	3-Yr % Growth		CA LQ
		SD	CA	
Total Nonfarm	**1,529.7**	**6.3**	**5.9**	**1.0**
Construction	91.8	16.7	14.6	1.2
Logistics	34.6	14.2	10.8	0.6
Professional/Business	258.5	10.1	8.9	1.1
Education/Health	220.1	9.3	9.8	0.9
Manufacturing	118.8	9.1	2.6	1.0
Admin Support	88.4	6.3	8.8	0.9
Other Services	57.8	5.8	3.5	1.2
Hospitality	202.7	4.2	5.5	1.1
Government	256.4	4.1	3.8	1.1
Financial Activities	76.0	3.4	2.5	1.0
Information	23.7	-1.0	6.7	0.5
Retail Trade	145.9	-1.2	-0.2	1.0
Wholesale Trade	43.0	-2.0	0.4	0.7

Source: EDD

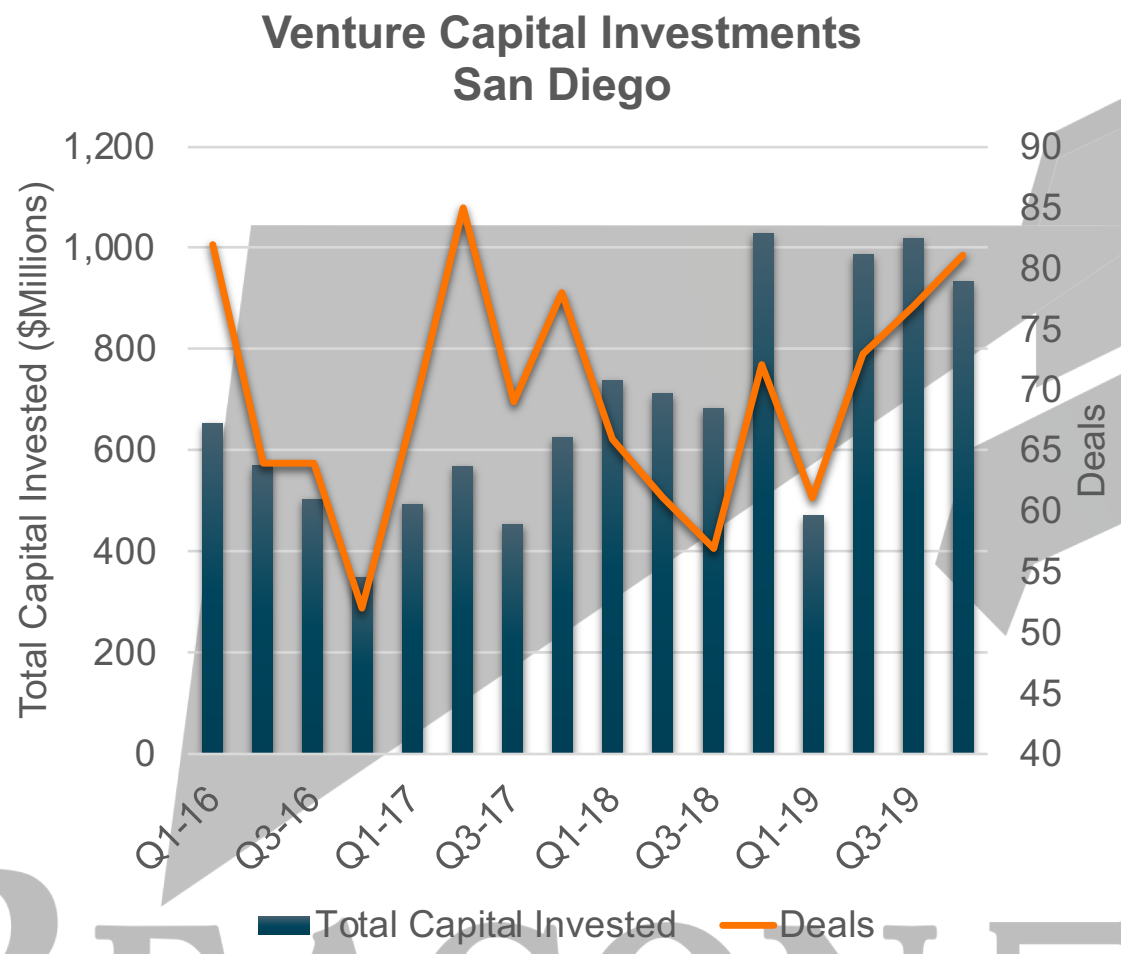
Tech Employment



Tech Industry	SD Emp. (Nov-19, 000s)	5-Yr % Growth		CA LQ
		SD	CA	
Aerospace mfg.	13.2	84.2	9.6	1.6
Data Processing/Hosing	2.6	78.4	102.6	0.5
Computer systems design	24.8	35.5	31.5	0.7
Software publishers	5	22	72.8	0.5
Pharmaceutical mfg.	7.5	19	-1.2	1.5
Scientific R&D	35.5	10.5	17.7	2.2
Medical equipment mfg.	6.8	9.5	2	1.1
Architectural/Engineering	23.8	-3.1	8.3	1.2
electronic component mfg.	5	-7.6	-3.3	0.6
Computer equipment mfg.	2.1	-16.4	20.2	0.3

Source: QCEW

Venture Capital Activity



Top VC Deals in 2019

Company	Sector	City	Deal Size ($Millions)
TuSimple	Road	San Diego	215
Acutus Medical	Diagnostic Equipment	Carlsbad	192
Poseida Therapeutics	Biotechnology	San Diego	142
CommonGrounds	Commercial Services	Carlsbad	140
Avidity Biosciences	Drug Discovery	La Jolla	100
Rakuten Medical	Biotechnology	San Diego	100
SmartDrive Systems	Other Software	San Diego	90
Epirium	Biotechnology	San Diego	85
Vividion Therapeutics	Biotechnology	San Diego	82
Ansun Biopharma	Biotechnology	San Diego	78

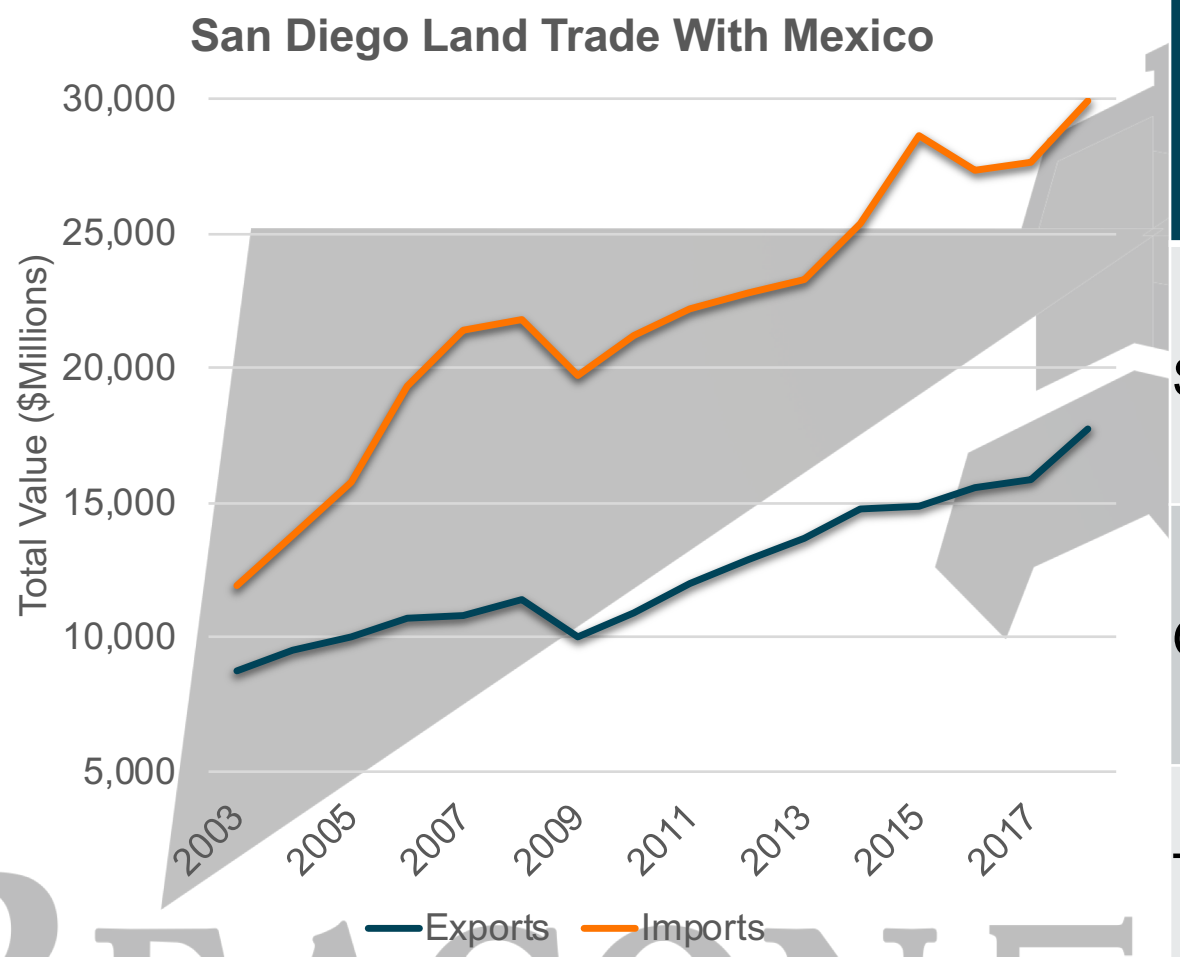
Source: PitchBook

Hotel Trends

	AVERAGE DAILY RATE			OCCUPANCY PERCENT			REVPAR		
	2019	2018	VAR	2019	2018	VAR	2019	2018	VAR
JANUARY TO NOVEMBER 2019									
DOWNTOWN	$216.26	$215.04	0.6%	83.10%	84.40%	-1.5%	$179.72	$181.49	-1.0%
SAN DIEGO BAY AREAS	$317.84	$323.34	-1.7%	74.40%	78.51%	-5.2%	$236.46	$253.86	-6.9%
LA JOLLA	$263.62	$256.83	2.6%	78.92%	80.03%	-1.4%	$208.06	$205.54	1.2%
MISSION VALLEY	$150.00	$150.76	-0.5%	85.97%	87.06%	-1.3%	$128.95	$131.24	-1.7%
MISSION BAY	$197.96	$195.98	1.0%	78.66%	83.34%	-5.6%	$155.73	$163.32	-4.7%
NORTH COASTAL	$173.57	$173.33	0.1%	78.38%	78.60%	-0.3%	$136.05	$136.24	-0.1%
NORTH CITY/UTC	$184.73	$181.27	1.9%	83.96%	84.53%	-0.7%	$155.10	$153.22	1.2%
SOUTH BAY	$101.28	$99.36	1.9%	78.30%	82.17%	-4.7%	$79.30	$81.65	-2.9%
I-15/KEARNY MESA	$141.99	$139.61	1.7%	76.65%	78.08%	-1.8%	$108.83	$109.01	-0.2%
SPORTS ARENA/OLD TOWN	$124.98	$120.79	3.5%	78.26%	87.35%	-10.4%	$97.81	$105.51	-7.3%
OVERALL AVERAGE	**$195.91**	**$194.74**	**0.6%**	**81.20%**	**82.78%**	**-1.9%**	**$159.08**	**$161.21**	**-1.3%**

Source: CBRE

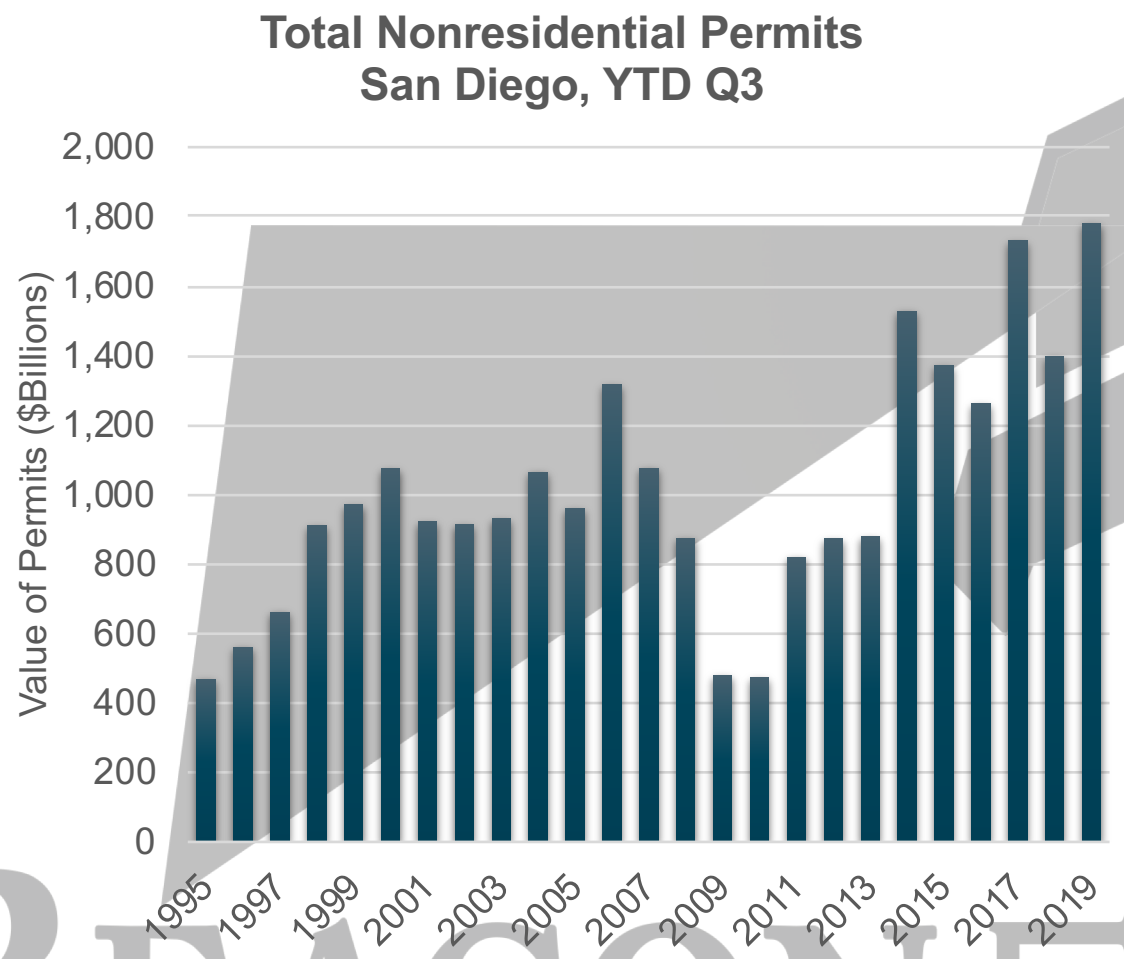
Border Trade Activity



Port	Exports		Imports	
	2018 ($Millions)	5-Yr % Growth	2018 ($Millions)	5-Yr % Growth
San Ysidro	96.4	-55.0	0.0	N/A
Otay Mesa	17,329.9	32.3	29,449.4	28.3
Tecate	304.0	-6.5	470.6	26.7

Source: WISER

Nonresidential Construction



Type	San Diego		SoCal	
	2019 YTD Q3 ($Bil.)	1-Yr % Growth	2019 YTD Q3 ($Bil.)	1-Yr % Growth
Total Nonres	1,780.3	27.4	9,789.6	5.3
Alterations	970.2	14.2	4,802.0	23.5
Hotel	223.1	464.9	957.2	-3.3
Office	153.1	181.8	450.2	-41.8
Industrial	38.1	47.8	764.7	-1.1
Retail	122.8	-31.5	1,489.4	34.0

Source: CIRB

Nonresidential Rents & Vacancy

Property	San Diego		Orange		Inland Empire	
	Rent ($) Q3-19	3-Yr % Growth	Rent ($) Q3-19	3-Yr % Growth	Rent ($) Q3-19	3-Yr % Growth
Office	33.5	7.1	34.8	11.7	23.1	5.4
Warehouse	9.1	12.5	7.6	11	5.7	17.4
Flex	14.2	12.3	12.1	10.8	8.8	12.0
Retail	32.4	5.9	34.5	5.1	23.4	7.2

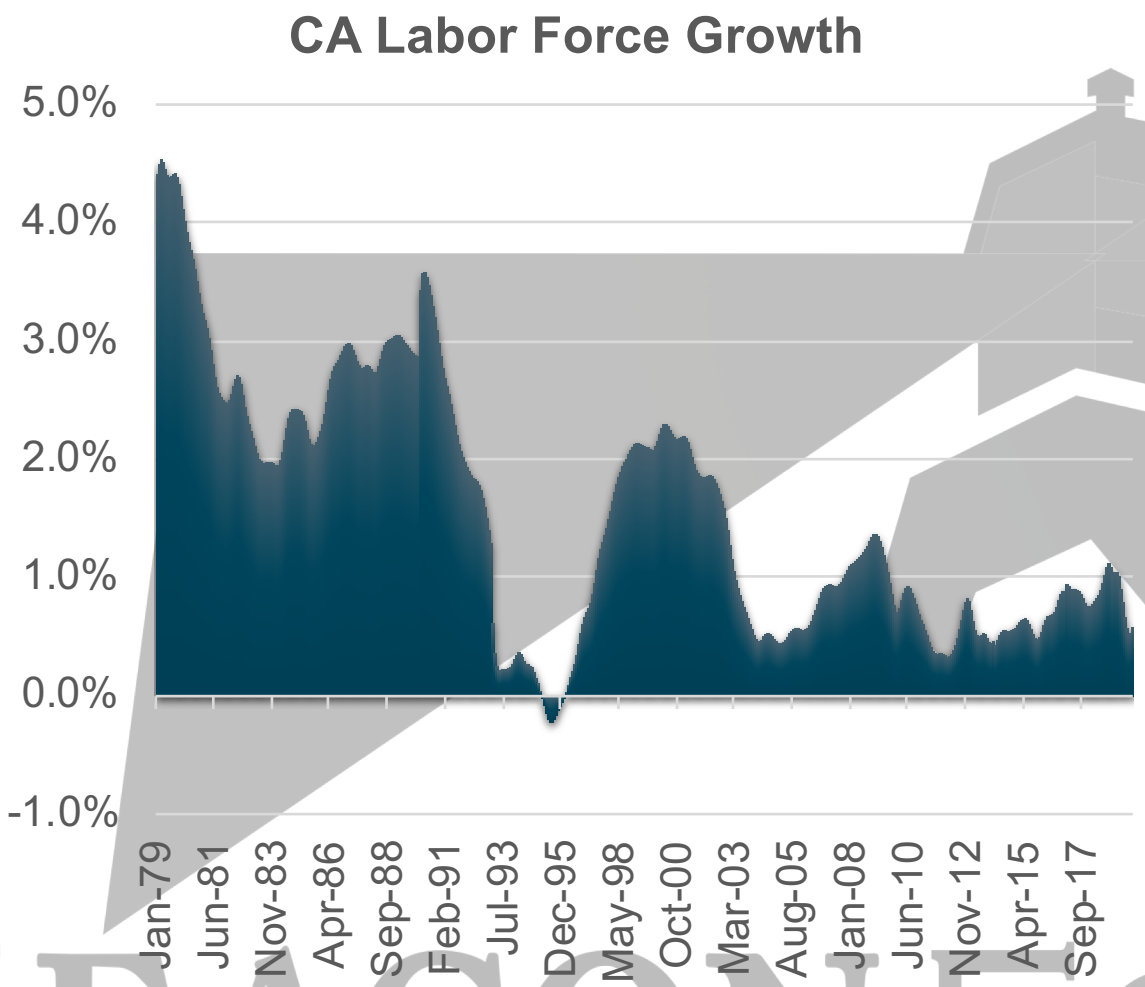
Property	San Diego		Orange		Inland Empire	
	Vacancy (%) Q3-19	3-Yr Change	Vacancy (%) Q3-19	3-Yr Change	Vacancy (%) Q3-19	3-Yr Change
Office	15.7	1.1	16.4	0.9	16.9	-1.7
Warehouse	8.9	-0.1	7.5	0.3	8.7	1
Flex	11.4	-0.9	4.3	-0.4	5.6	-1.7
Retail	5.9	-0.7	5.8	0.6	9.8	0

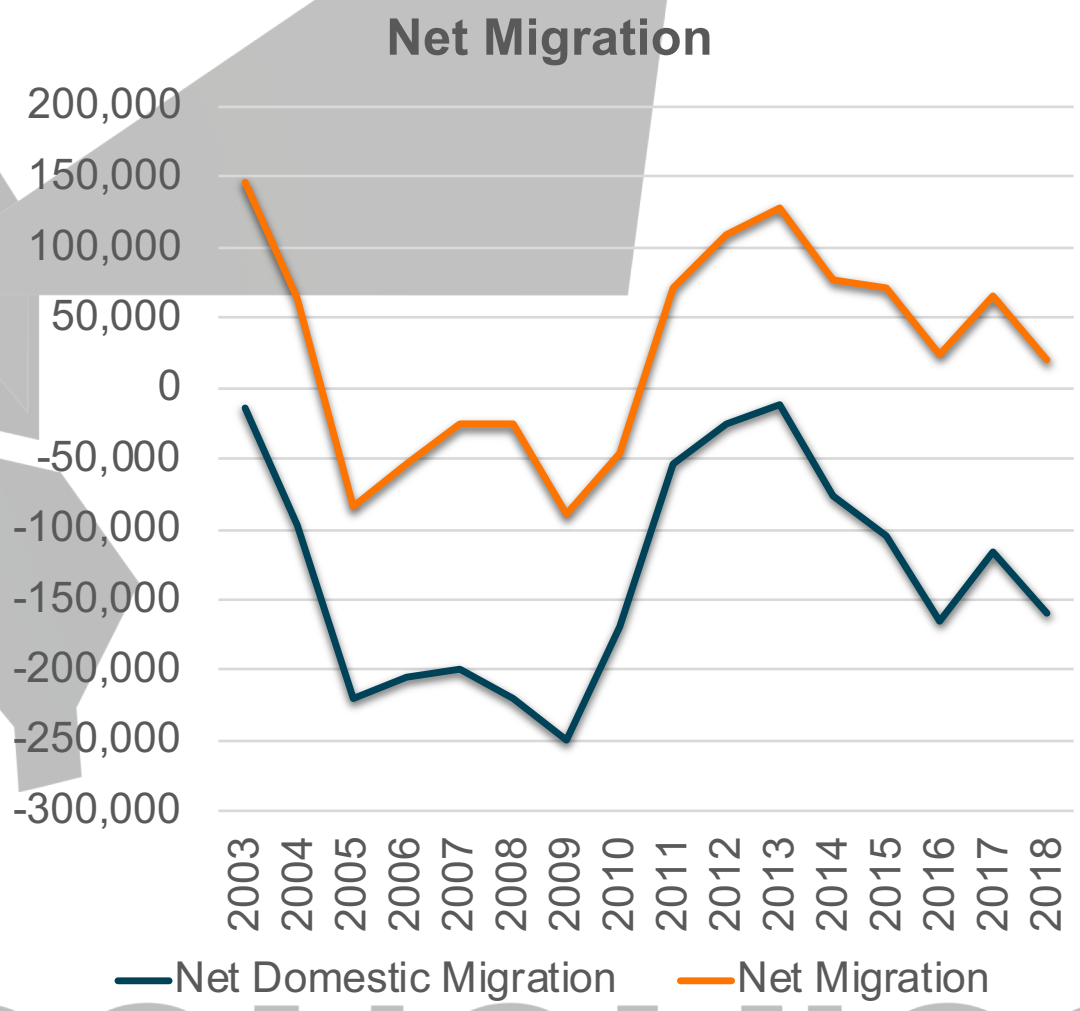
Source: REIS

Over-Supply? Office Dynamics…

	A Space			BC Space		
	Vac	Ch Vac	Net Ab %	Vac	Ch Vac	Net Ab %
San Jose	15	-0.3	4.8%	21.4	1.4	-1.4%
Oakland	13.7	-0.4	3.6%	16.8	1.1	-1.1%
San Francisco	6.9	-1.4	4.6%	12.2	1	-1.0%
Orange County	18.3	0.6	0.8%	14.1	1	-1.0%
San Diego	**14.4**	**-1.9**	**2.0%**	**16.9**	**0.9**	**-0.5%**
West Region	14	-0.6	2.1%	17.3	0.4	-0.4%
Salt Lake City	16.1	-1	1.1%	17.3	0.4	-0.4%
Las Vegas	21.7	-1	1.3%	24.7	-0.1	-0.1%
Inland Empire	17.6	0	0.0%	16.1	0.1	-0.1%
Phoenix	21.9	0	2.9%	22.6	-0.1	0.0%
Seattle	8.9	-0.7	2.7%	12.3	0	0.0%
Sacramento	15.1	-1.3	1.6%	20.9	-0.1	0.1%
Los Angeles	12.5	-1.1	1.1%	16.1	-0.1	0.1%
Portland	12.6	0.7	0.1%	13.7	-0.4	0.4%

Labor Constraints





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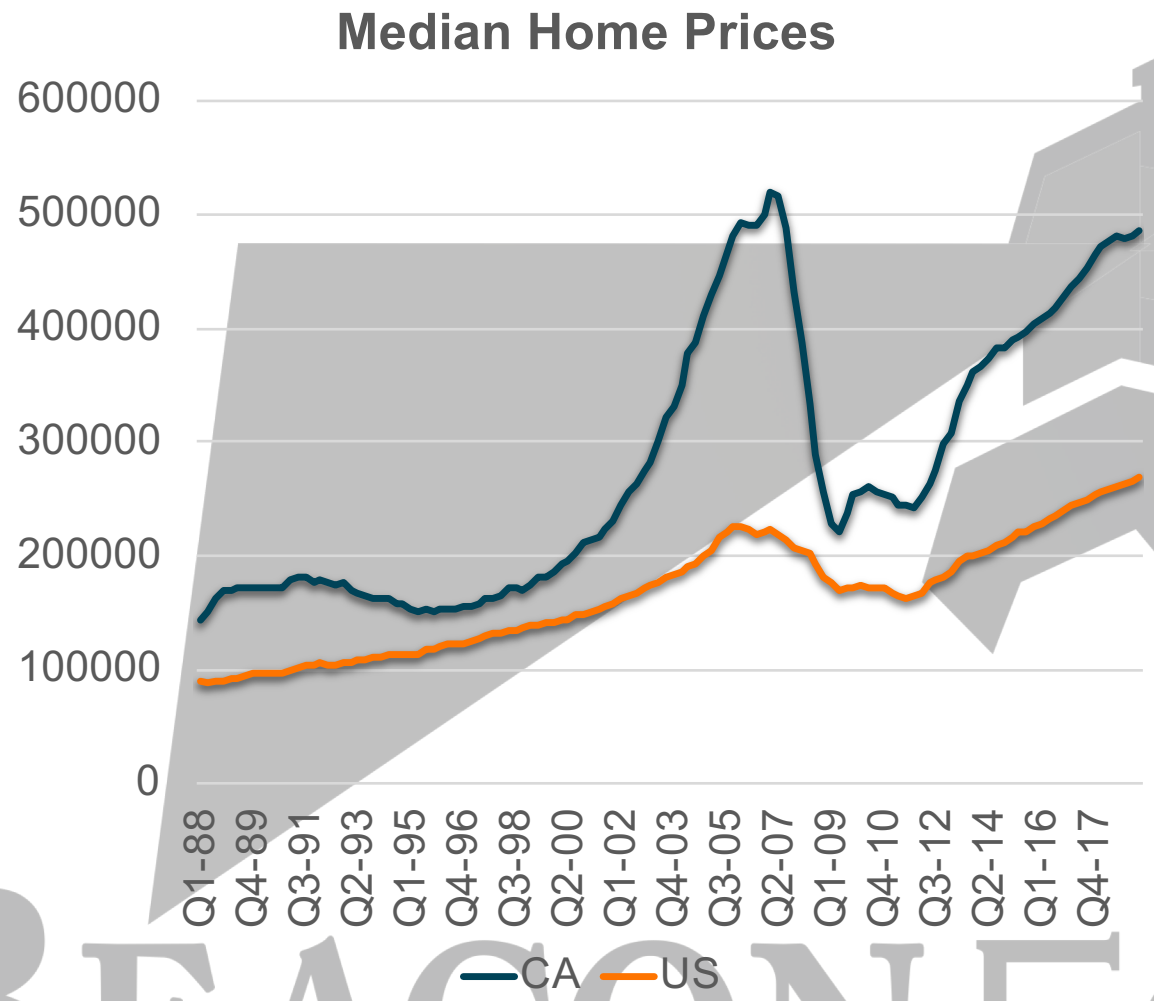
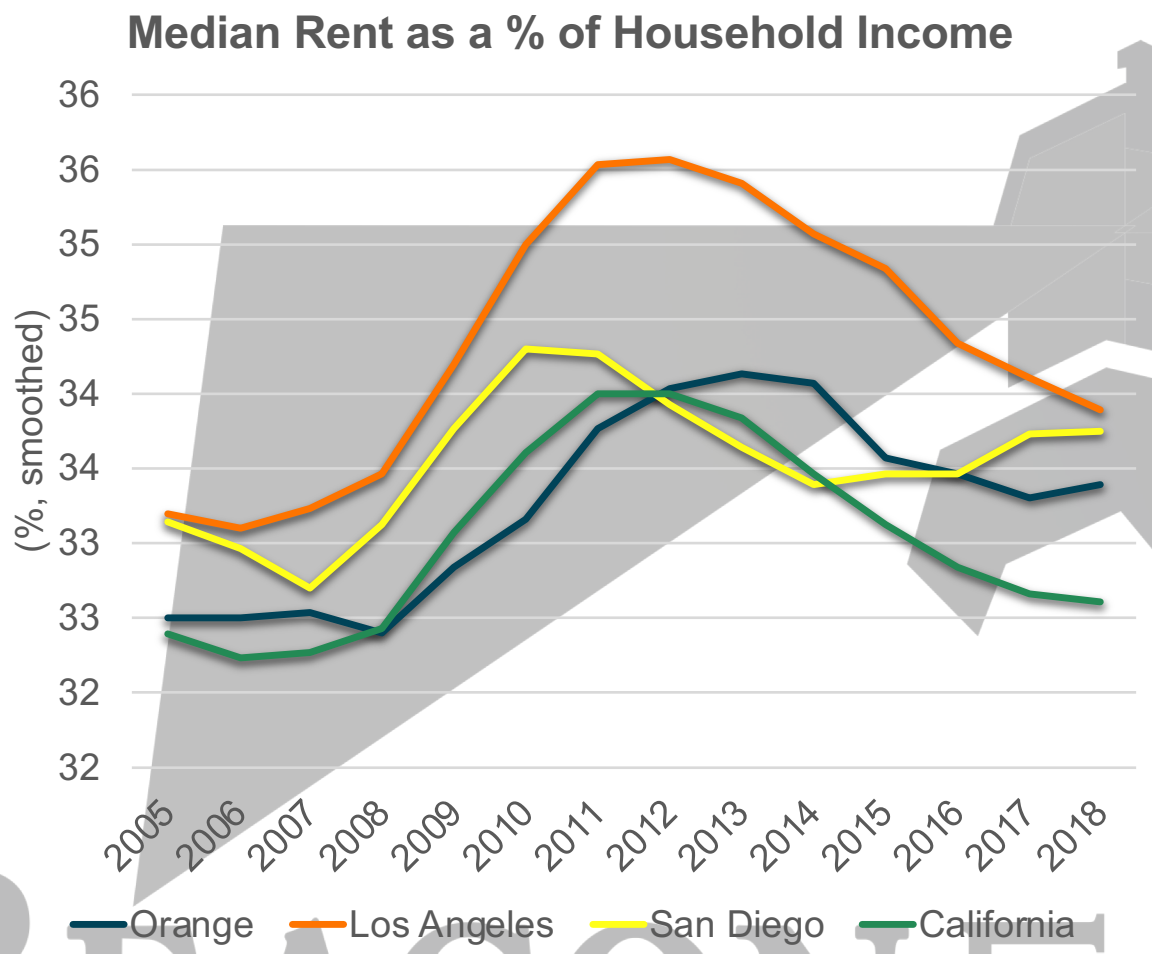
Housing Costs



MSA	Cost of Rent Q2-19	1-Year % Growth	5-Year % Growth
Inland Empire	1,527	4.7	33.7
Orange County	2,115	4.0	25.7
Los Angeles	2,256	3.9	28.8
San Diego	1,995	3.6	30.8

Housing Affordability

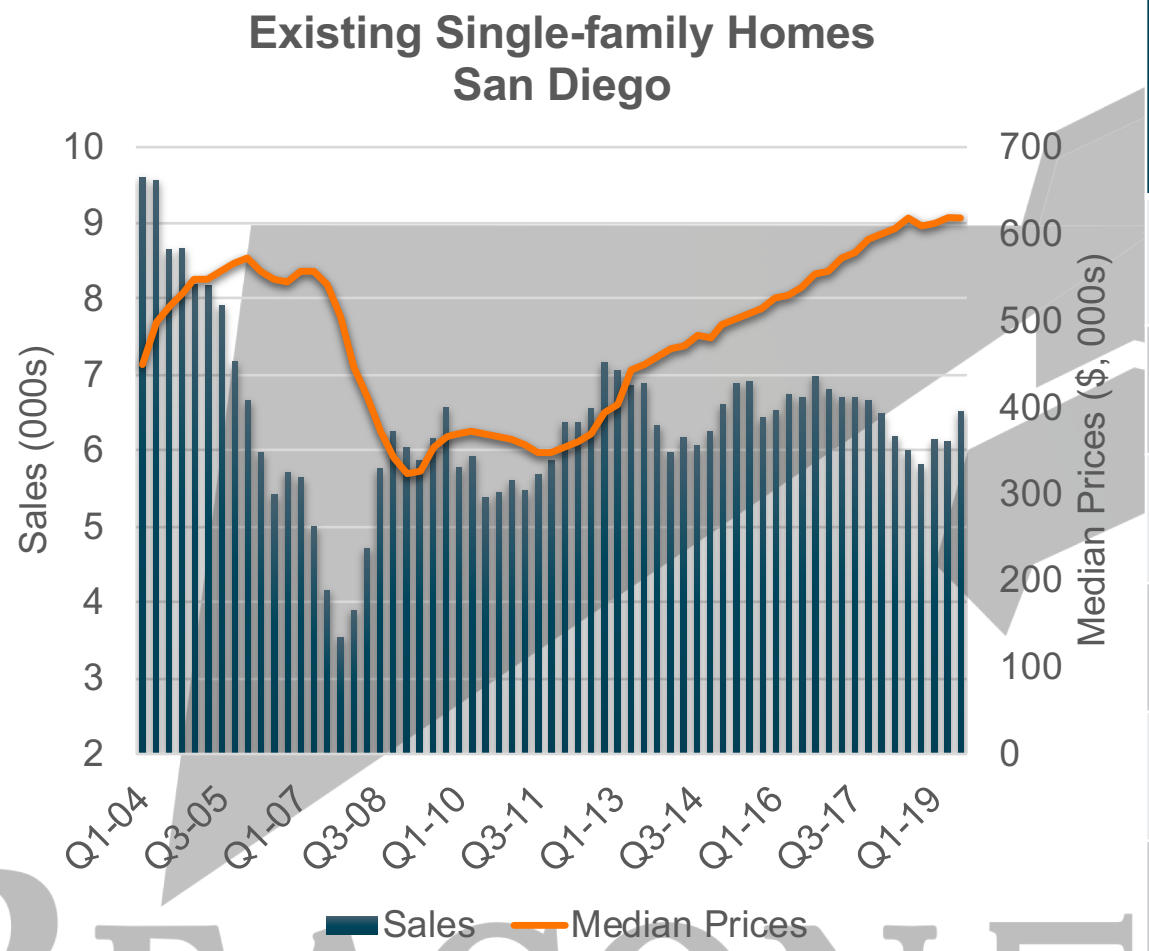


Median Housing Costs % Income (Owner)

County	Less than 2 Years	2 to 4 Years	5 or More Years	All Years
Los Angeles	26.0	26.0	22.0	23.0
Riverside	26.0	24.0	21.0	22.0
San Diego	28.0	24.0	21.0	22.0
Orange	28.0	23.0	20.0	21.0
San Bernardino	28.0	22.0	19.0	20.0
Clark	21.0	19.0	18.0	18.0
Denver	21.0	19.0	17.0	18.0
Maricopa	19.0	18.0	16.0	17.0

Source: ACS

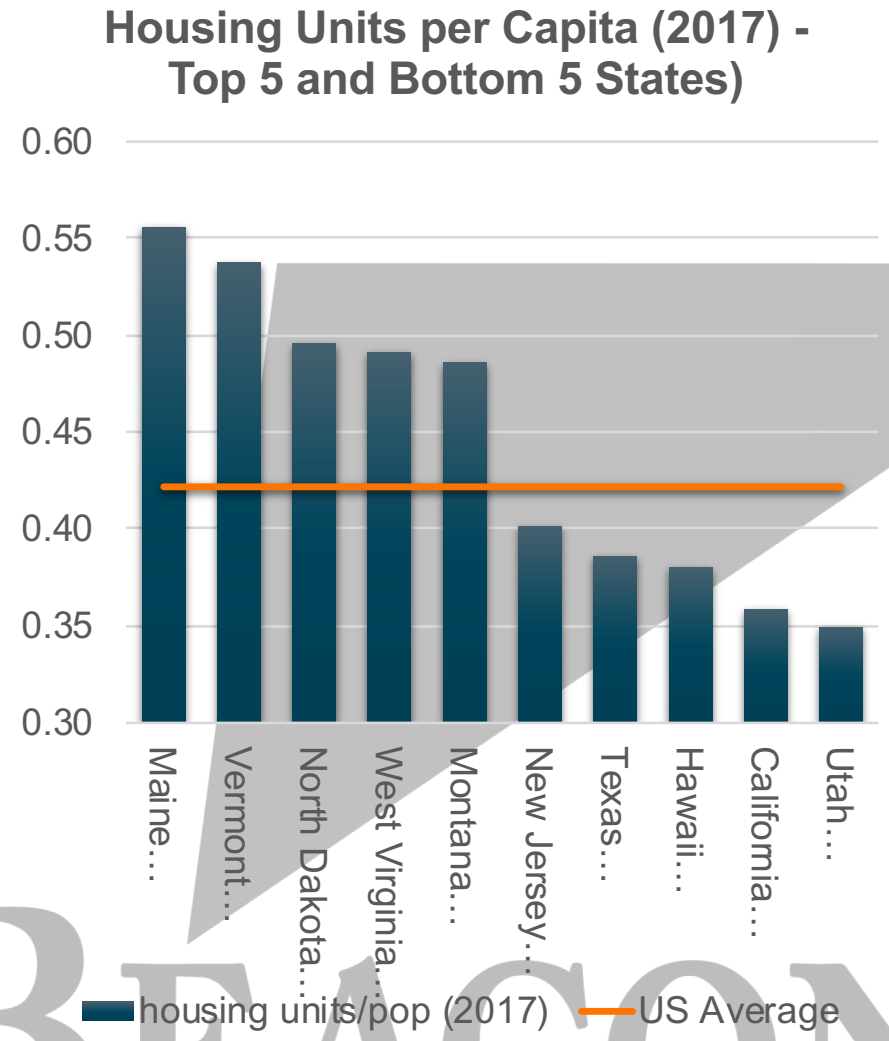
San Diego Housing Market

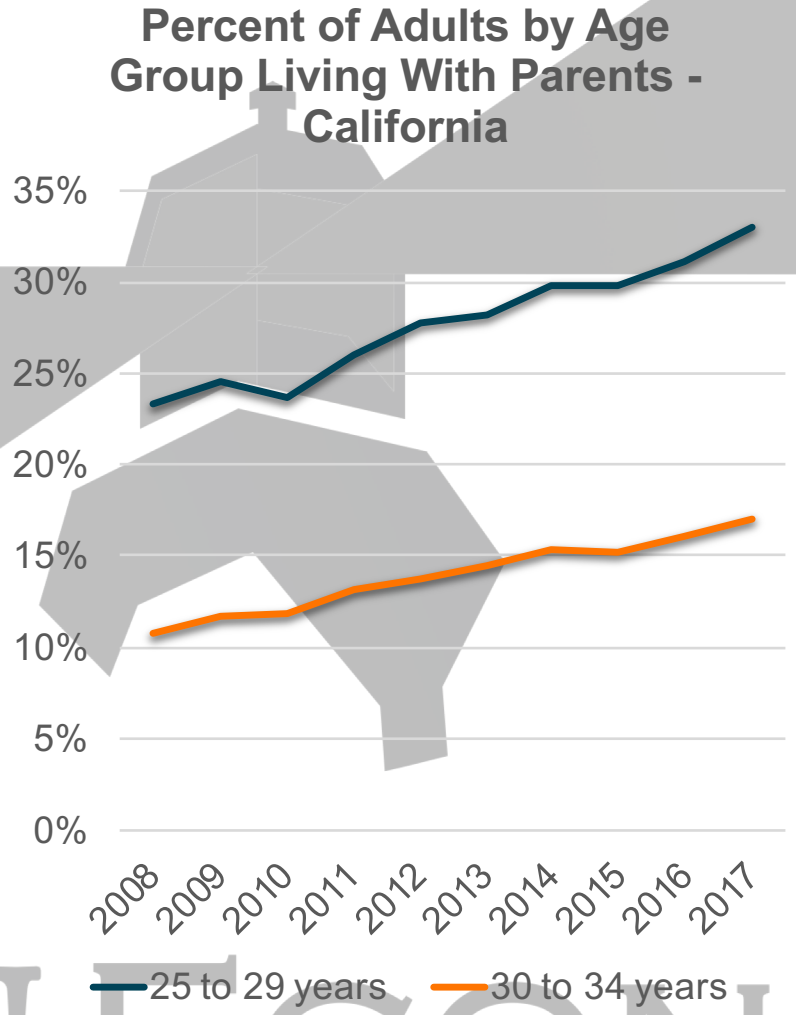


Location	Median Prices		Sales	
	Q3-19 (000s)	5-Yr % Growth	Q3-19 (000s)	5-Yr % Growth
SoCal	**573**	**29.5**	**42.0**	**6.6**
San Bernardino	331	45.1	6.4	13.4
Riverside	396	35.9	8.0	16
Los Angeles	643	33.6	12.9	-3.4
San Diego	**617**	**28.0**	**6.5**	**7.4**
Orange	780	22.4	5.5	7.6

Source: DataQuick

California SUPPLY Problems



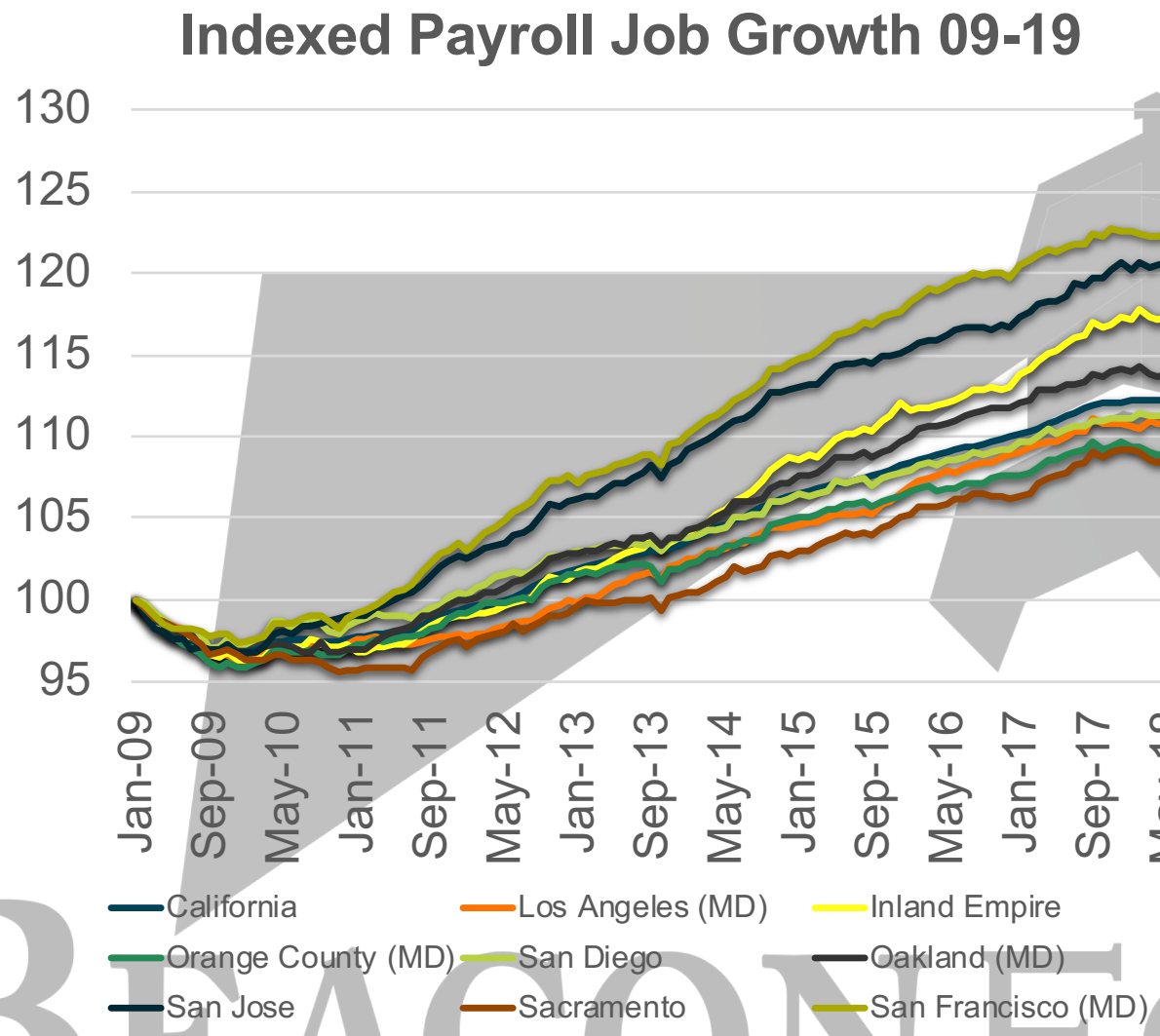


2017 Housing Vacancy

51	California	8.3%
50	Washington	8.5%
49	Oregon	9.3%
48	Maryland	9.9%
47	Nebraska	9.9%
46	Mass	10.0%
45	Utah	10.1%
44	Ohio	10.3%
43	Colorado	10.3%
42	Connecticut	10.6%
41	DC	10.6%
40	New Jersey	11.0%

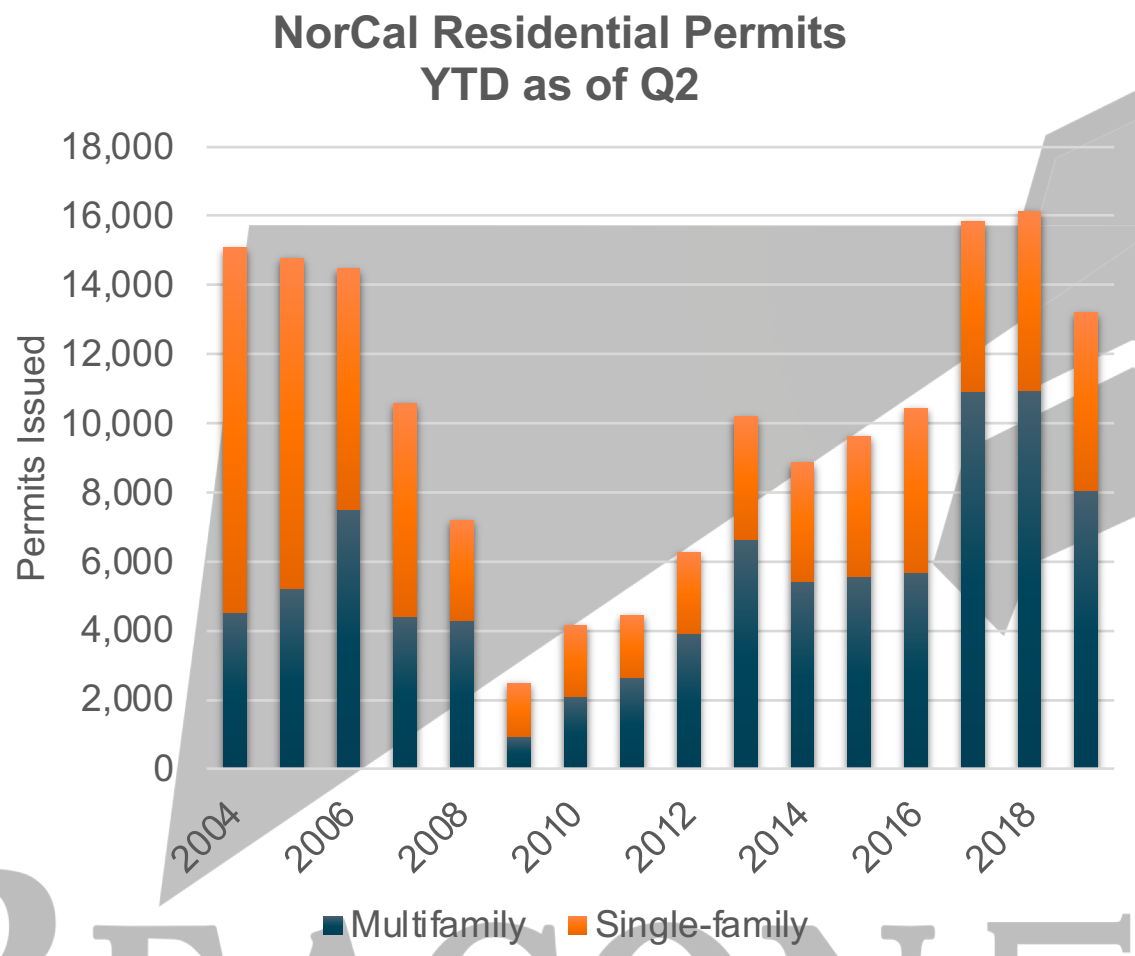
Source: American Community Survey, U.S. Census Bureau

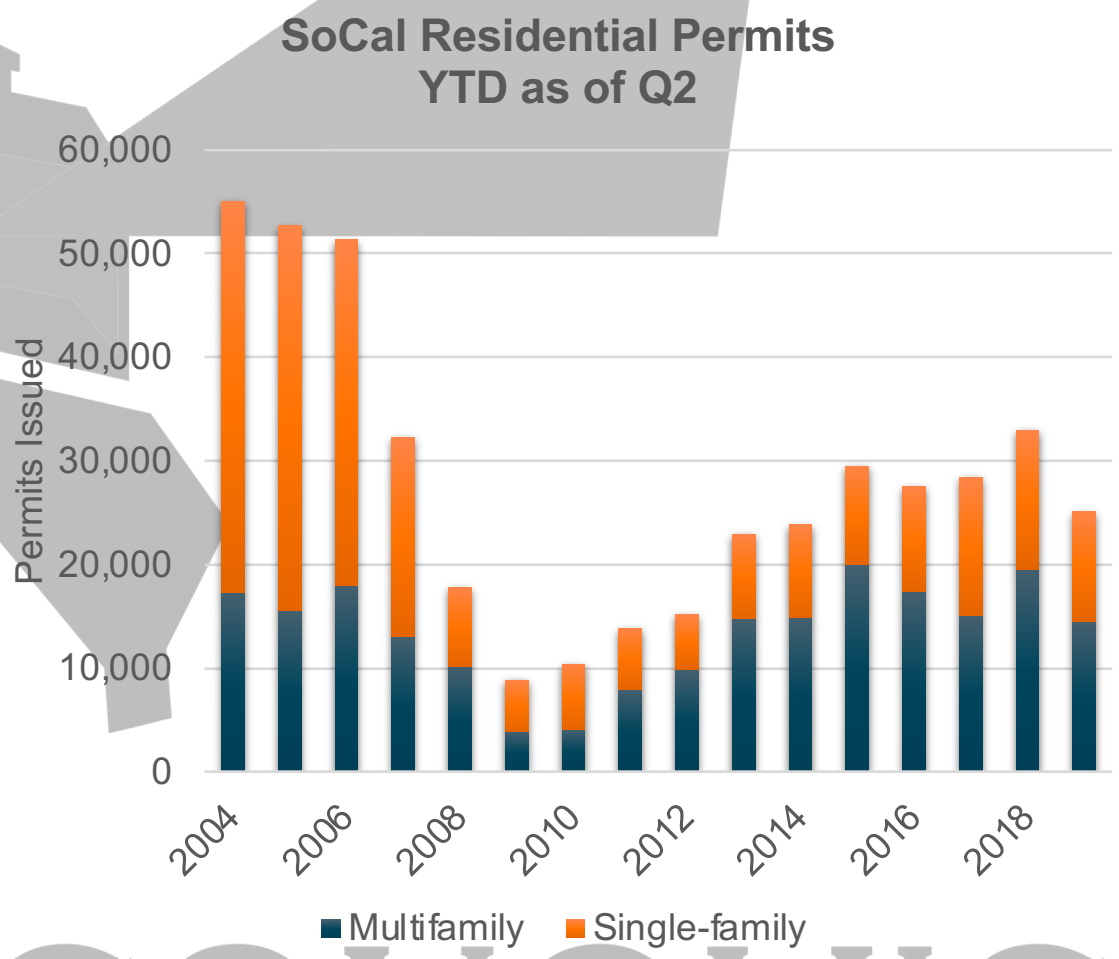
Local Employment Base



	19-Sep	5 Yr	1 Yr
Inland Empire	1,551,000	3.5%	2.3%
San Francisco	1,191,200	3.5%	3.4%
Fresno	366,900	3.1%	3.4%
San Jose	1,164,000	2.7%	3.1%
Sacramento	1,022,600	2.7%	1.8%
East Bay	1,204,600	2.5%	1.9%
San Diego	1,518,600	2.3%	1.8%
Orange County	1,673,700	2.2%	1.1%
Modesto	180,100	2.1%	0.6%
Santa Rosa	212,100	1.9%	1.1%
Los Angeles	4,569,800	1.6%	1.1%
Ventura	310,400	1.1%	0.4%

Regional Residential Permits





Source: CIRB

Income & Earnings

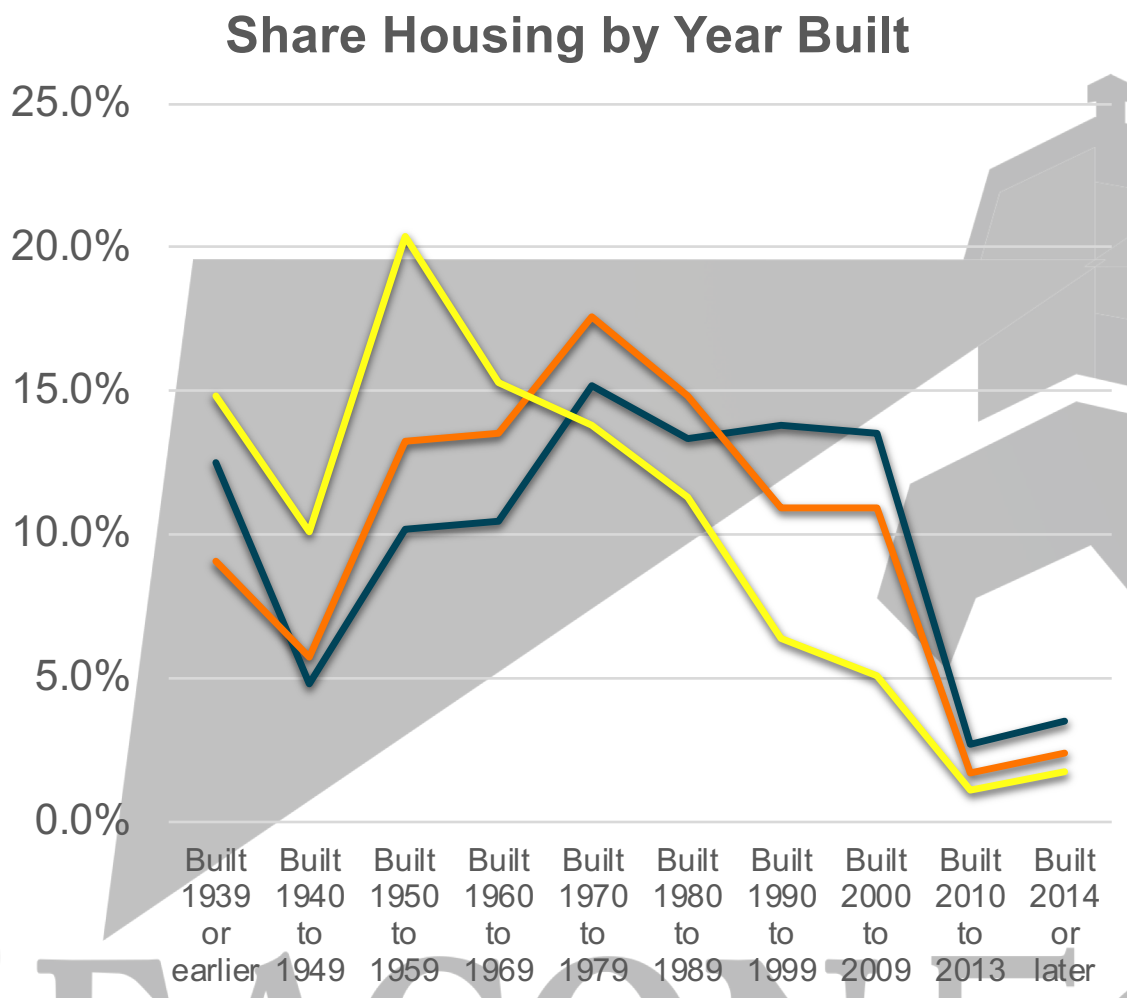
Education	San Diego		California	
	2018	5-Yr % Growth	2018	5-Yr % Growth
Total Pop > 25	42,569	12.8	42,156	16.1
Less than HS	23,785	11.7	24,263	27.3
HS	31,418	6.8	31,954	17.2
Some College	37,985	7.1	39,614	10.4
Bachelors	61,333	15.0	62,347	13.5
Graduate	84,155	12.9	90,204	17.0

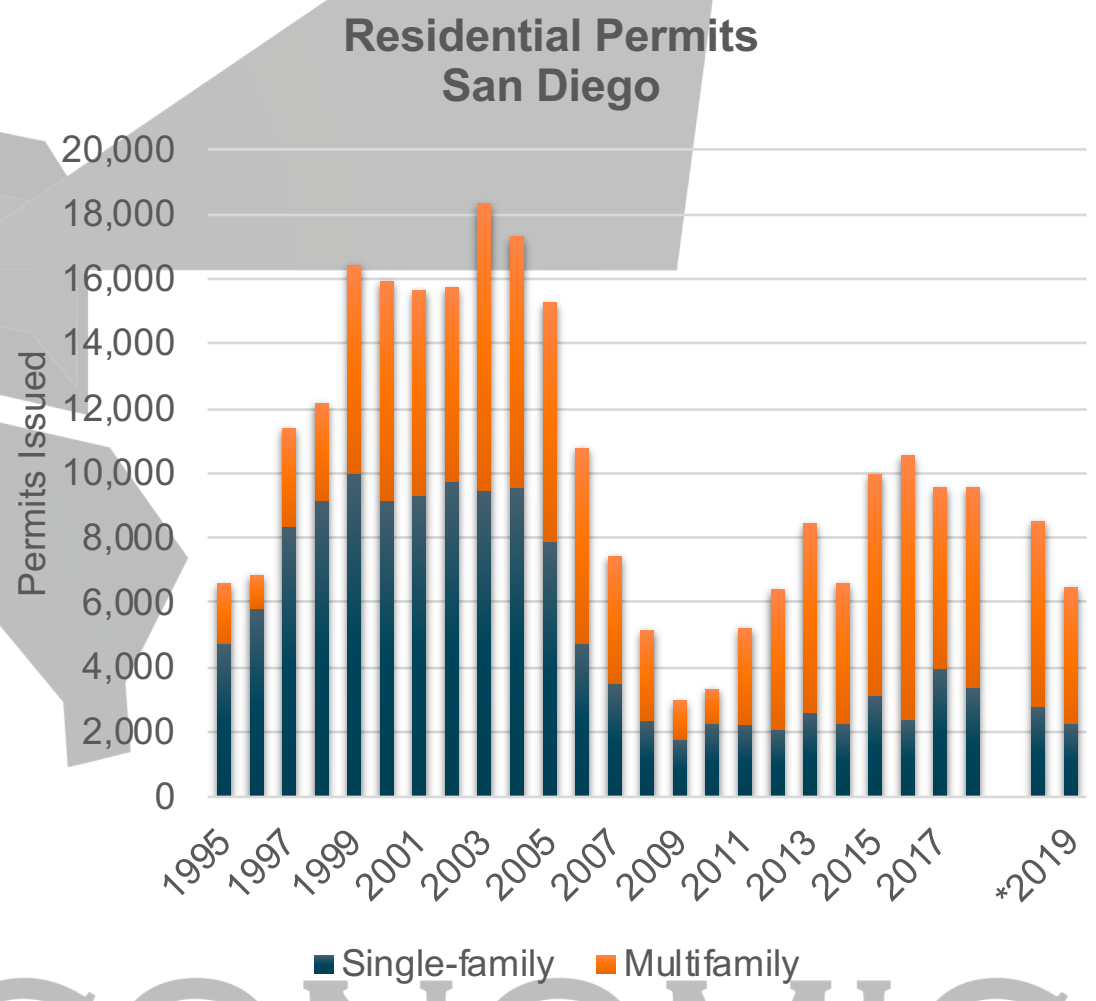
Location	Owner Households Median Income		Renter Households Median Income	
	2018 (000s)	5-Yr % Growth	2018 (000s)	5-Yr % Growth
California	99.2	21.2	52.3	28.9
San Diego	**105.0**	**23.1**	**55.2**	**27.1**
San Bernardino	81.4	21.9	44.5	22.3
Los Angeles	99.0	20.9	50.3	32.7
Orange	116.0	17.4	64.5	29
Riverside	80.1	17.2	44.0	21

A Closer Look

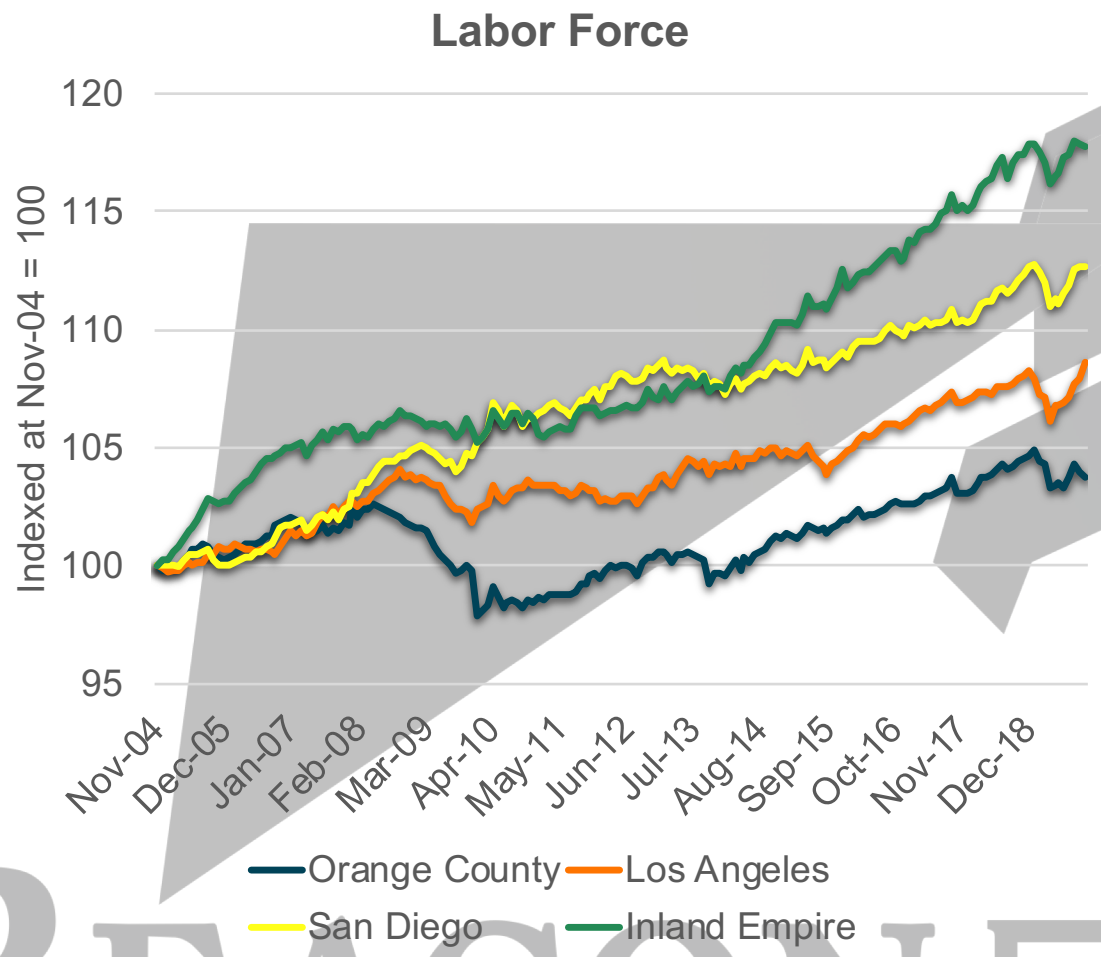
2% Jobs Growth: 33,000

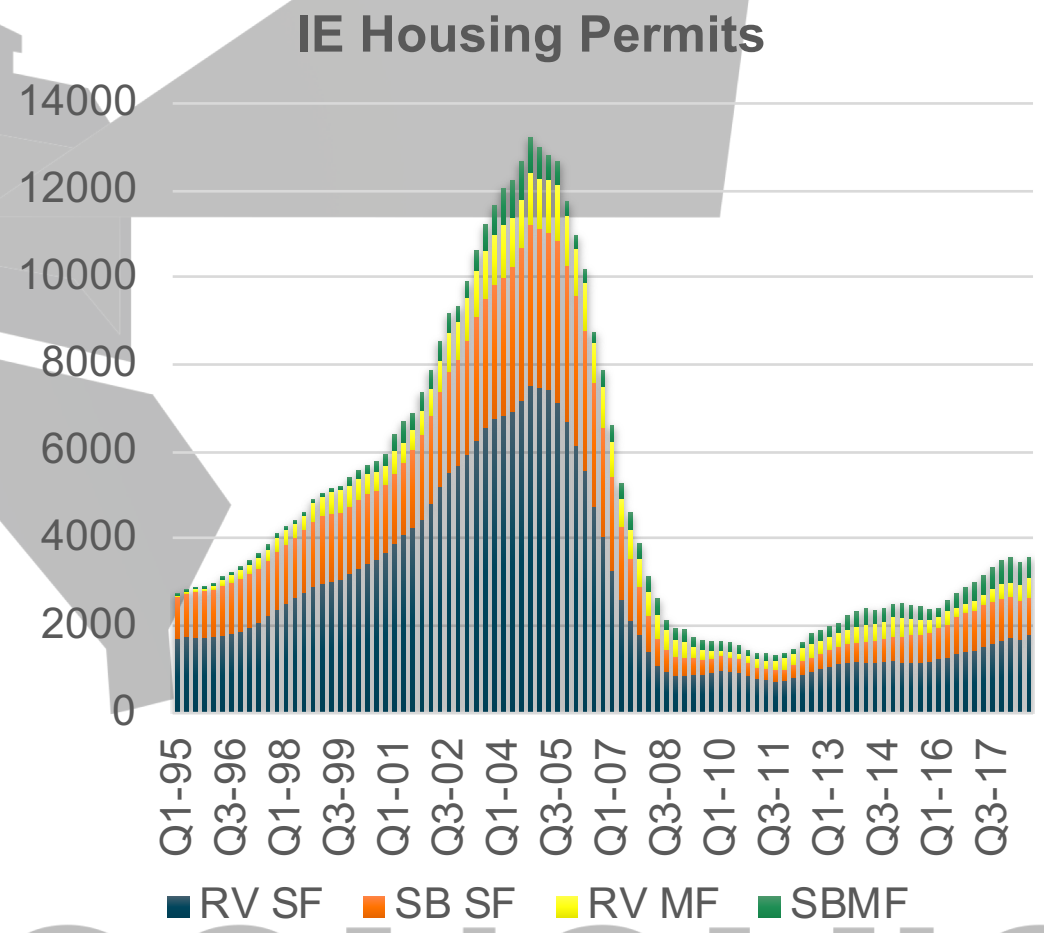
Permits last year: 8,200





Labor Market





Source: CEDD

Population by Age & Edu

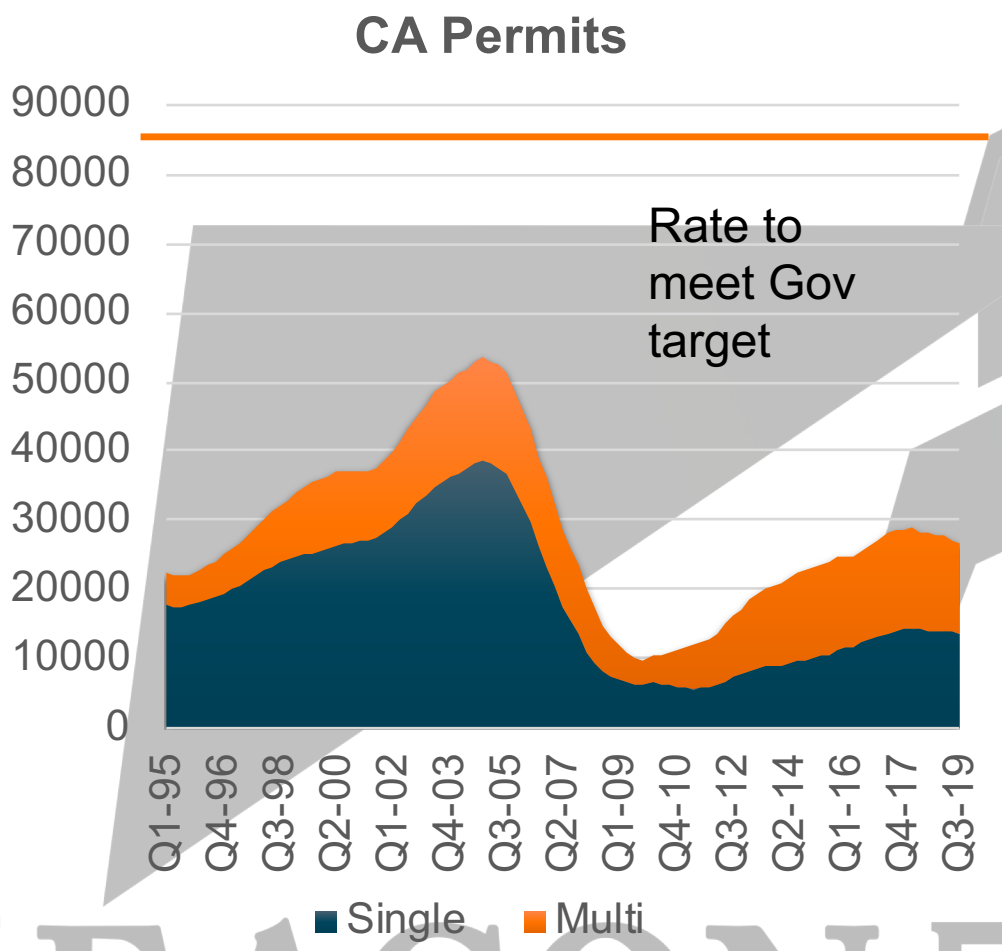
Share of Population 25 and Older

Education	San Diego		California	
	2018	5-Yr Chg	2018	5-Yr Chg
Pop > 25 (000s)	2,278	7.5	26,816	6.6%
Less than HS	12.7	-1.8	16.2	-2.1
HS	18.5	-1.1	20.7	-0.1
Some College	30.5	-0.8	28.8	-1.1
Bachelors	23.1	1.9	21.3	1.8
Graduate	15.3	1.9	12.9	1.4

Share of Total Population

Age	San Diego		California	
	2018	5-Yr Chg	2018	5-Yr Chg
Total Pop (000s)	3,343	4.1%	39,557	3.2%
Under 25	31.9	-2.2	32.2	-10.2
25 to 34	16.5	0.6	15.3	1.8
35 to 44	13.4	0.2	13.3	-0.3
45 to 54	12.4	-0.8	12.8	6.6
55 to 64	11.8	0.5	12.1	-0.2
65 and over	14.0	1.6	14.3	7.1

Housing Permits



	Single Family		Multi Family	
California	55066	-1859	54316	-2758
Los Angeles	5483	-142	15262	-1620
Orange	3254	-1101	5544	1643
Riverside	6562	-200	2139	737
San Diego	3010	-719	5157	-750
Santa Clara	1720	-276	3958	-2486
Alameda	1646	-432	3980	-2536
Sacramento	3697	166	1905	285
San Francisco	132	53	5061	461
San Bernardino	3319	-209	1718	-175
Sonoma	2546	432	1162	528
Kern	2126	239	891	565
Fresno	2491	111	441	-235
Contra Costa	1578	-155	1062	-199
Placer	1892	-245	75	7
Tulare	1351	174	233	-199
Ventura	671	-25	604	-522
San Mateo	468	-18	774	-478

Housing Permits

	Hypothetical City		Full Service - with 6% UUT	
	Single-family Residential	Multi-family Residential	Industrial	Retail
CITY EXPENDITURES				
Police Department	9,000	42,750	4,950	14,063
Fire Department	6,040	28,690	3,322	9,438
Public Works	1,200	5,700	1,320	3,750
Planning & Community Devlpmt	800	3,800	880	2,500
Parks & Community Services	2,600	12,350	429	1,219
Library	1,500	7,125	n/a	n/a
General Government	2,540	12,065	1,298	3,688
TOTAL EXPENDITURES	$ 23,680	$ 112,480	$ 12,199	$ 34,656
NET	$ 11,520	$ (37,258)	$ 12,704	$ 81,465

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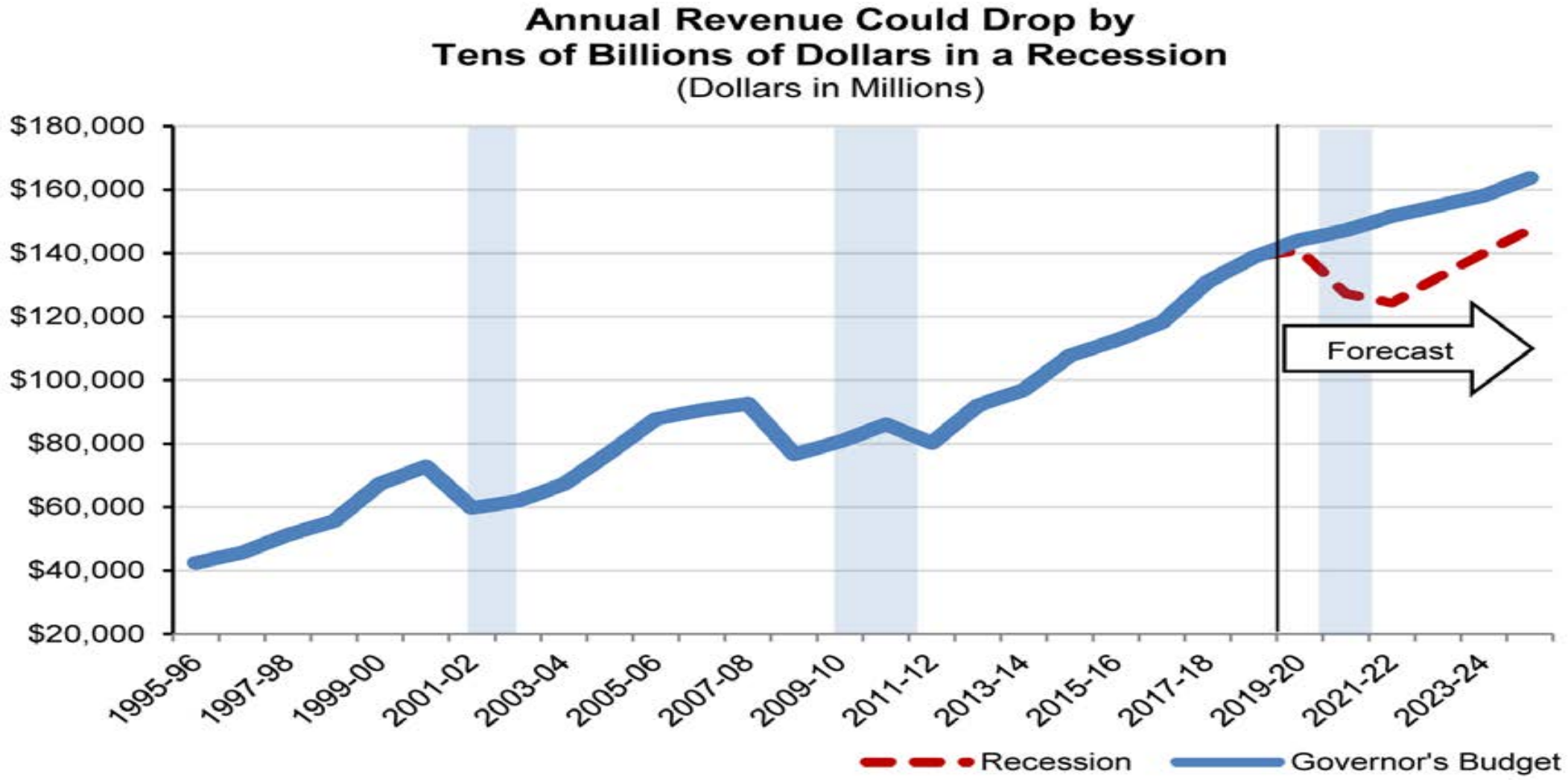
The State Budget

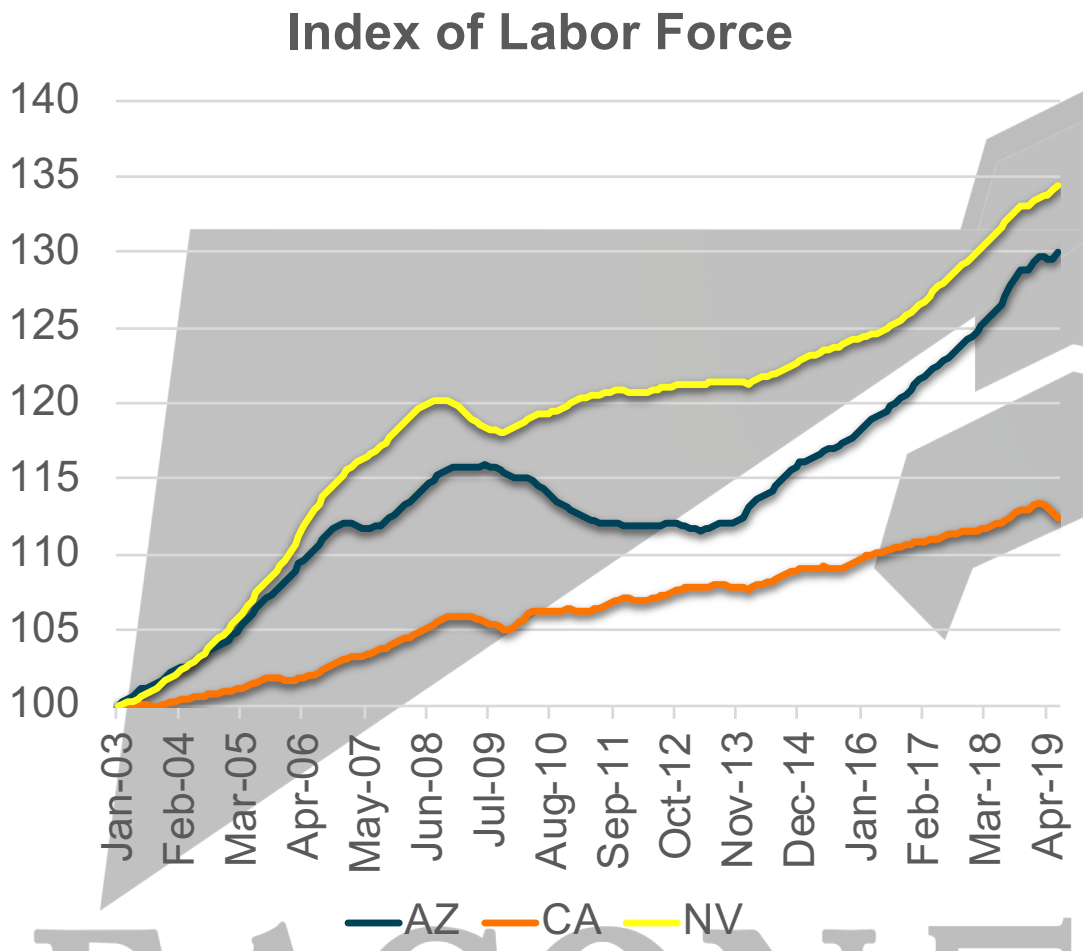


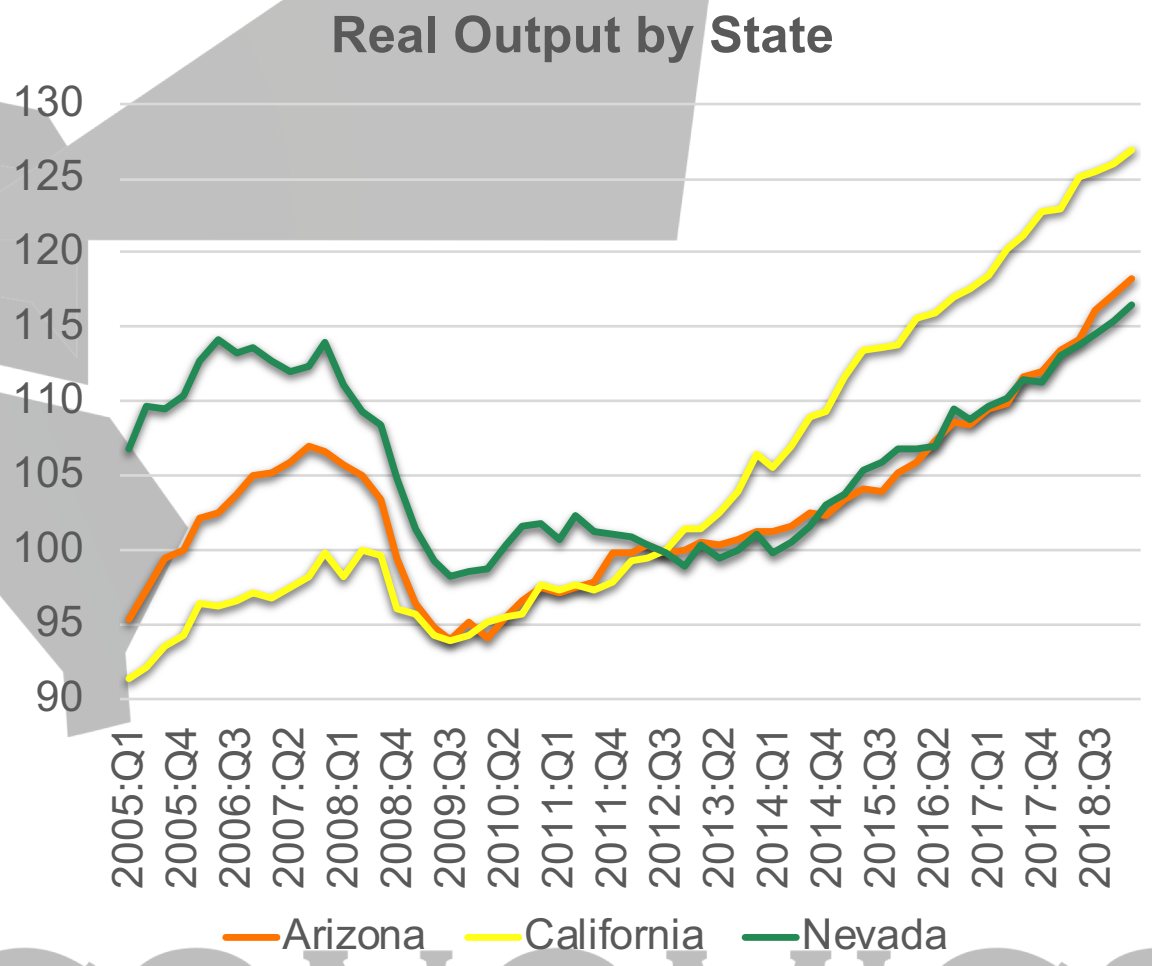
California Skill Shifts

Net Migration by Educational Attainment, Population over 25
(Total from 2012-2017)

Education	CA	NV	AZ
Net Migration	**-285,240**	**117,472**	**262,788**
Less Than HS	-58,169	15,202	6,605
HS Grad	-134,048	33,371	64,261
Some College	-181,809	40,466	94,125
BA	19,318	21,011	70,607
Grad	69,468	7,422	27,190

SW Labor Force





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The Big Picture

- Positives: It will be a good year
  - GDP Growth Outlook for 2020: 2%+
  - Labor markets to remain tight
  - Rising wages to put pressure on profits
  - Exports, business investment continue to grow
  - Inflation to remain constrained
  - Interest Rates Still Low
  - Lending constrained, but commercial markets steady
  - Debt Levels still safe
  - Where people move (want to move) will drive regional growth

- Negatives: Problems Growing
  - Labor shortages will be an issue
  - Will the Fed continue to loosen, un-invert the yield curve?
  - Equity markets behaving oddly, in a bubble
  - Federal deficit widening sharply
  - Bank lending still constrained
  - Signs of excessive risk taking
  - Political uncertainty to dominate
  - Critical Policy Issues Remain Undiscussed
  - Miserabilism warping our sense of reality

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The Great Disconnect

What we *are* worried about	What we *should be* worried about
The Number of Jobs	The Number of Workers
Who pays for Healthcare	What are we paying for?
Tax Levels	Tax Structure
Income Inequality	Wealth Inequality
Funded Govt. Liabilities	Unfunded Govt. Liabilities
Business Investment	A Lack of Public Investment
Inflation	Slow Bank Lending
The Cost of Housing	The Supply of Housing

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Contact **Dr. Chris Thornberg** directly at **chris@beaconecon.com** or **310.571.3399**

Let's discuss your goals and needs.

Beacon has **6 Practice Areas** covering a range of services and products.

Our 6 Practice Areas

Housing, Land Use, & Real Estate Advisory

Sustainable Growth and Development

Economic & Revenue Forecasting

Economic, Fiscal and Social Impact Analysis

Regional and Sub-Regional Analysis

Litigation and Testimony

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Portfolio Spotlight

Regional and Sub-Regional Analysis

Beacon conducts analysis at an international, national, state, county, and city level -- and even down to the zip code, pending data availability. We analyze data on **Employment, Industry, Real Estate, and Consumption**.

Past Clients:

- City and County of Los Angeles
- City and County of Riverside
- East Bay Economic Dev. Agency

Impact (Economic, Fiscal, Social) & EB5 Analysis

Beacon has evaluated the impact of entities **like universities, music festivals, infrastructure projects, and real estate development projects**. Beacon has also conducted impact analyses that combine more than one of the above like that of **L.A's Olympic bid**.

Past Clients:

- University of Southern California
- Metropolitan Water District
- LA 2024 Olympic Bid Committee

Sustainable Growth & Development

Beacon conducts industry and policy analysis on topics like **green innovation, tech and workforce development, and industry sector strategies**. Beacon has strong in-house expertise around **housing policy** and **economic development** support.

Past Clients:

- California Apartment Association
- Long Beach Downtown Dev. Corp.
- Santa Cruz Workforce Dev. Board

Housing, Land Use, & Real Estate Advisory

Economic & revenue forecasting

Litigation and testimony

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Thank You

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