



2025 Economic Outlook for the San Diego Region

APWA San Diego/Imperial Chapter

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The Economic Backdrop

Macro Economic Backdrop

Soft landing
in 2024

2024 Recap

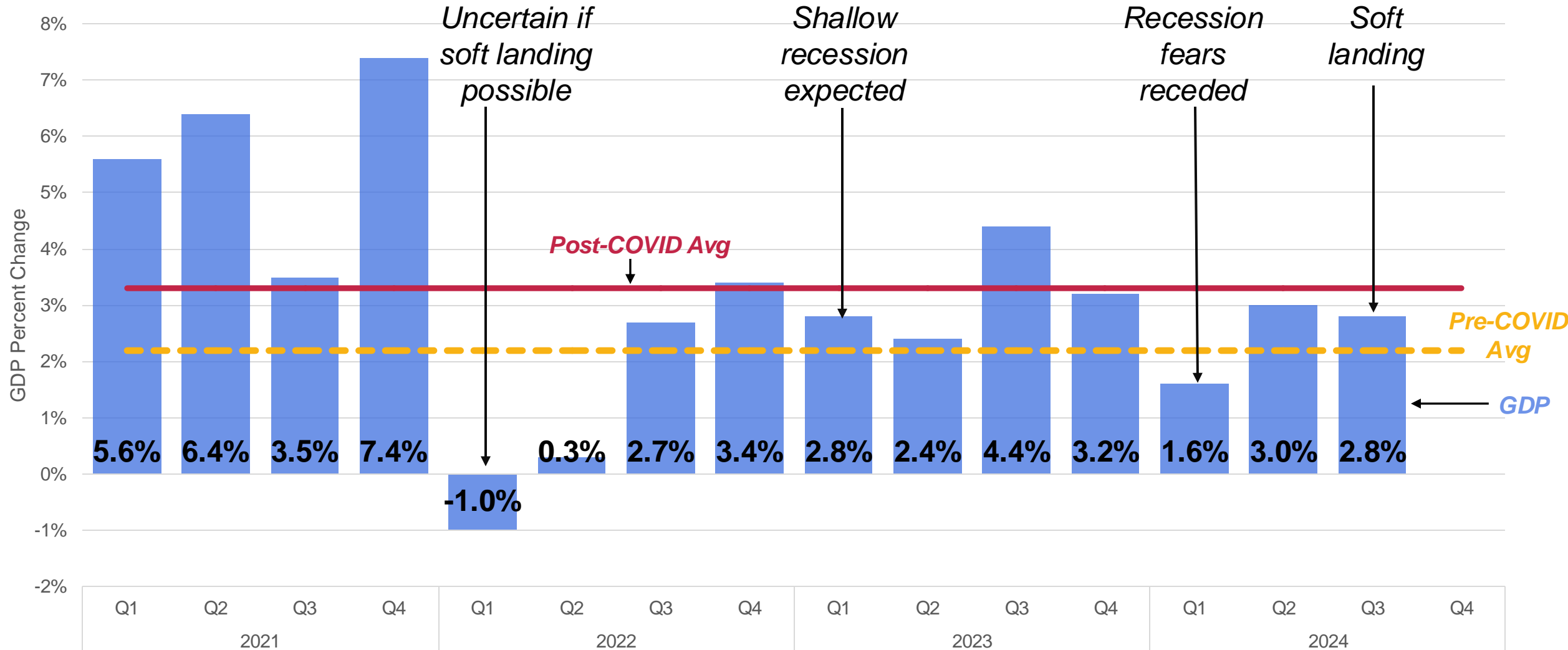
- Healthy GDP growth
- Inflation slowed
- Less constrained labor market
- Interest rates fell
- Cost of housing beginning to ease

2025 Expectations

- Positive but slower economic growth
- Easing of consumer spending
- Uncertainty on economic policy and Federal Reserve action
- Exposure to headwinds (from state, national and international factors)

US Real GDP

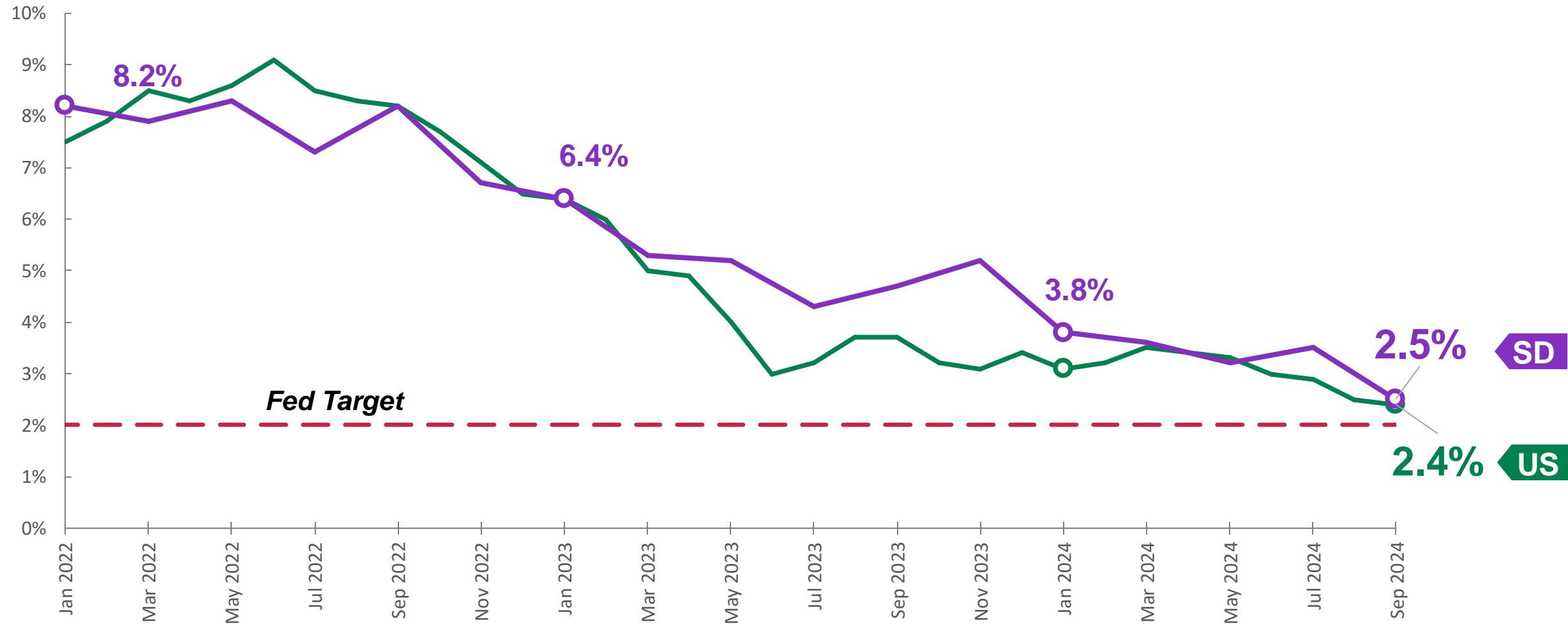
Annualized growth post-COVID tracking higher



Inflation

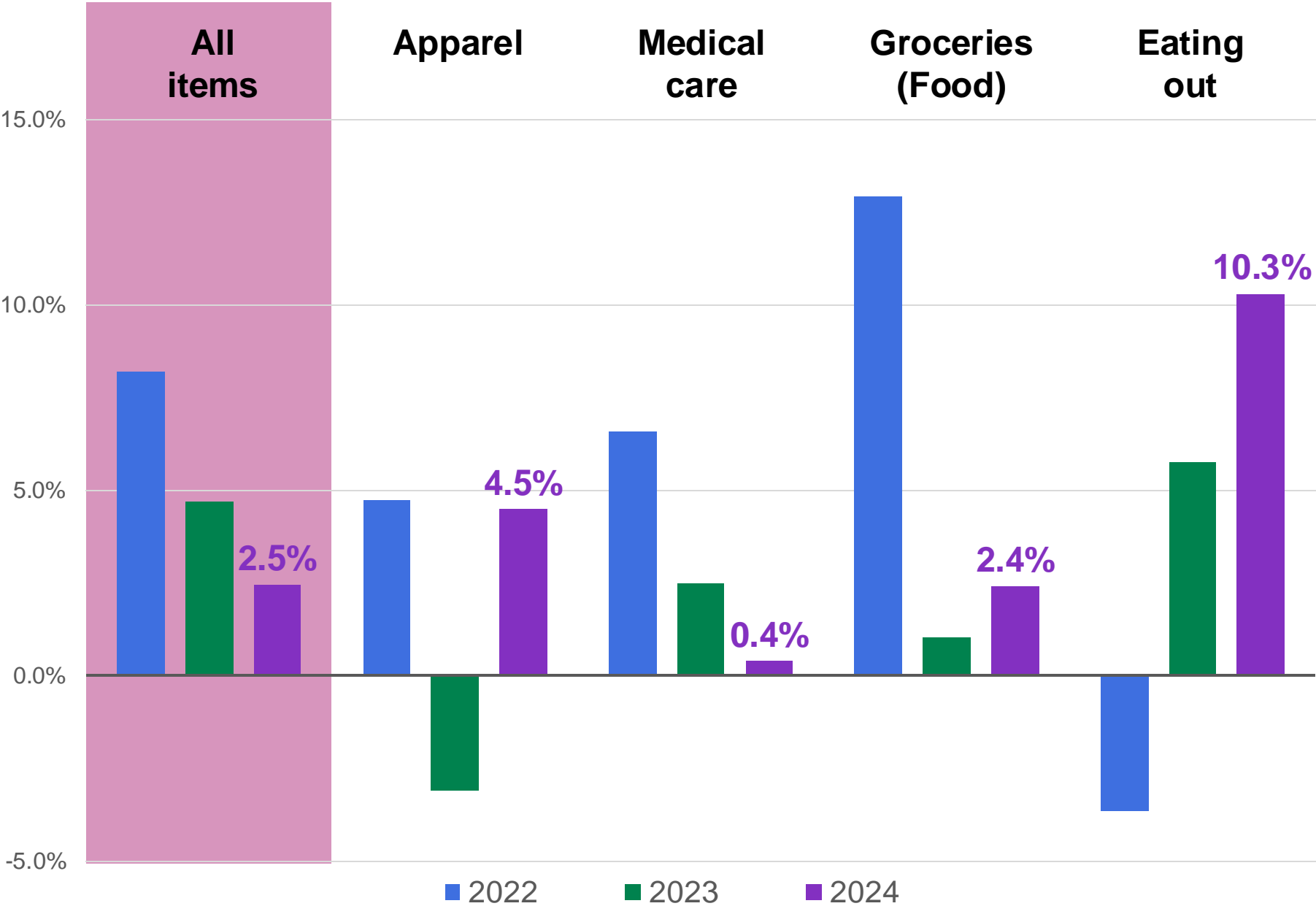
US and San Diego Headline Inflation

Easing towards Fed target



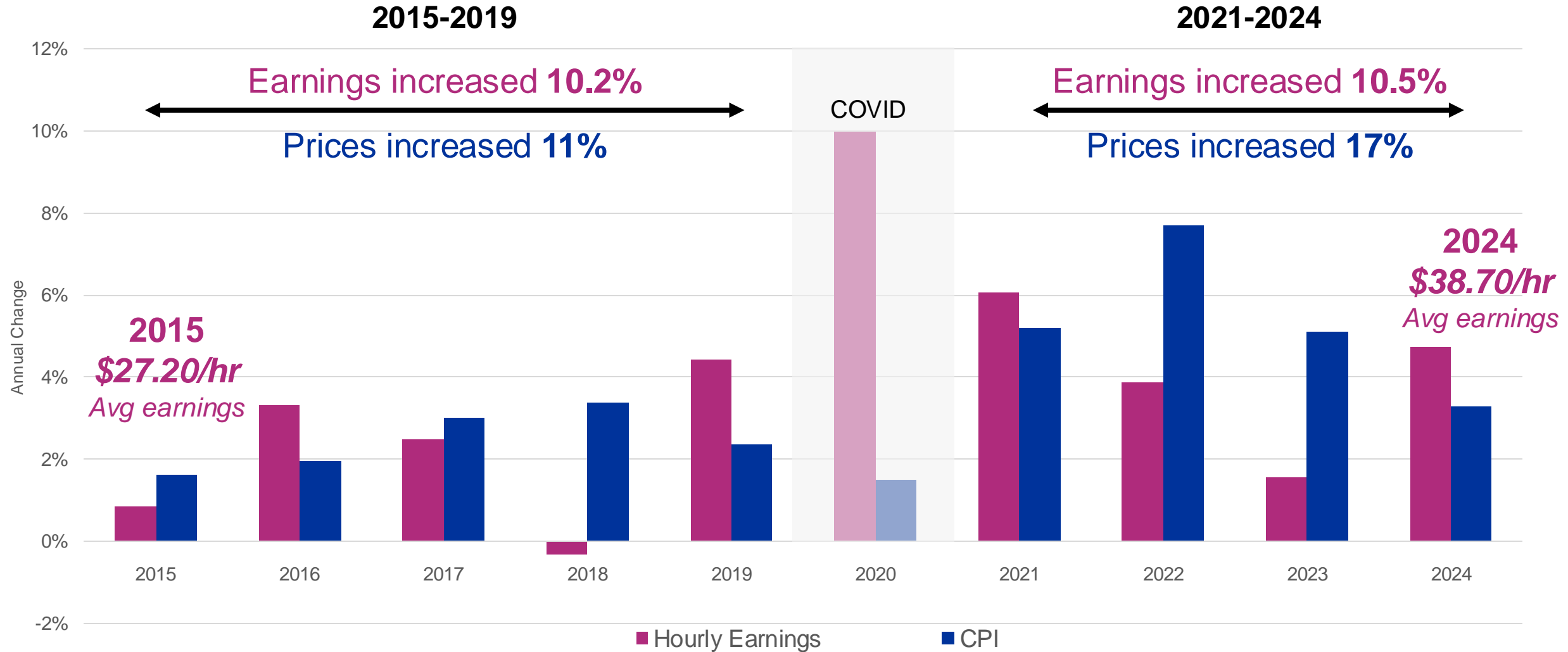
Mixed Price Changes in the San Diego Region

High variability across categories and across years making it difficult to adjust spending accordingly



Source: Bureau of Labor Statistics

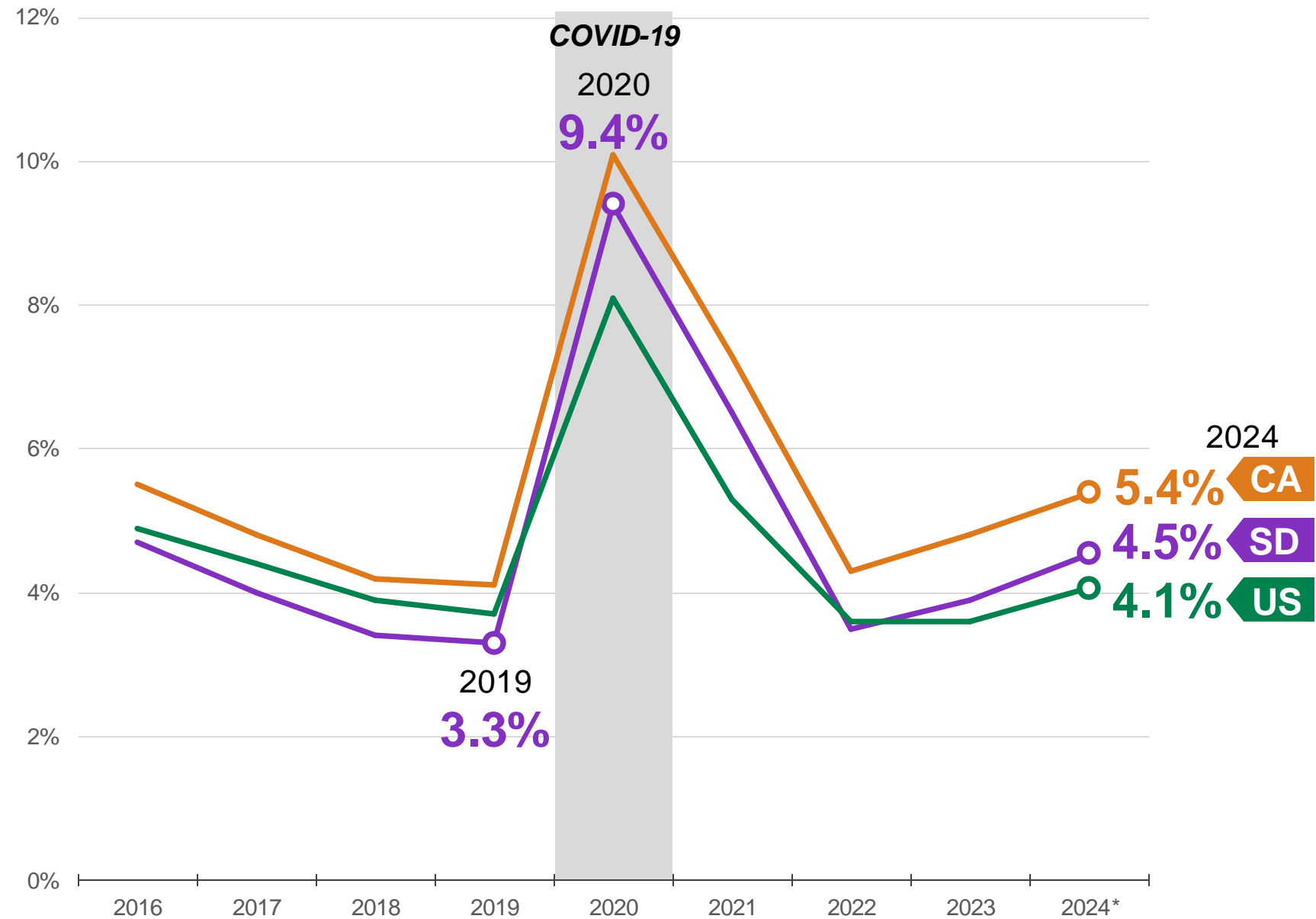
Wage Growth



Labor Market

Unemployment Rate

Unemployment is ticking up but not at an alarming rate



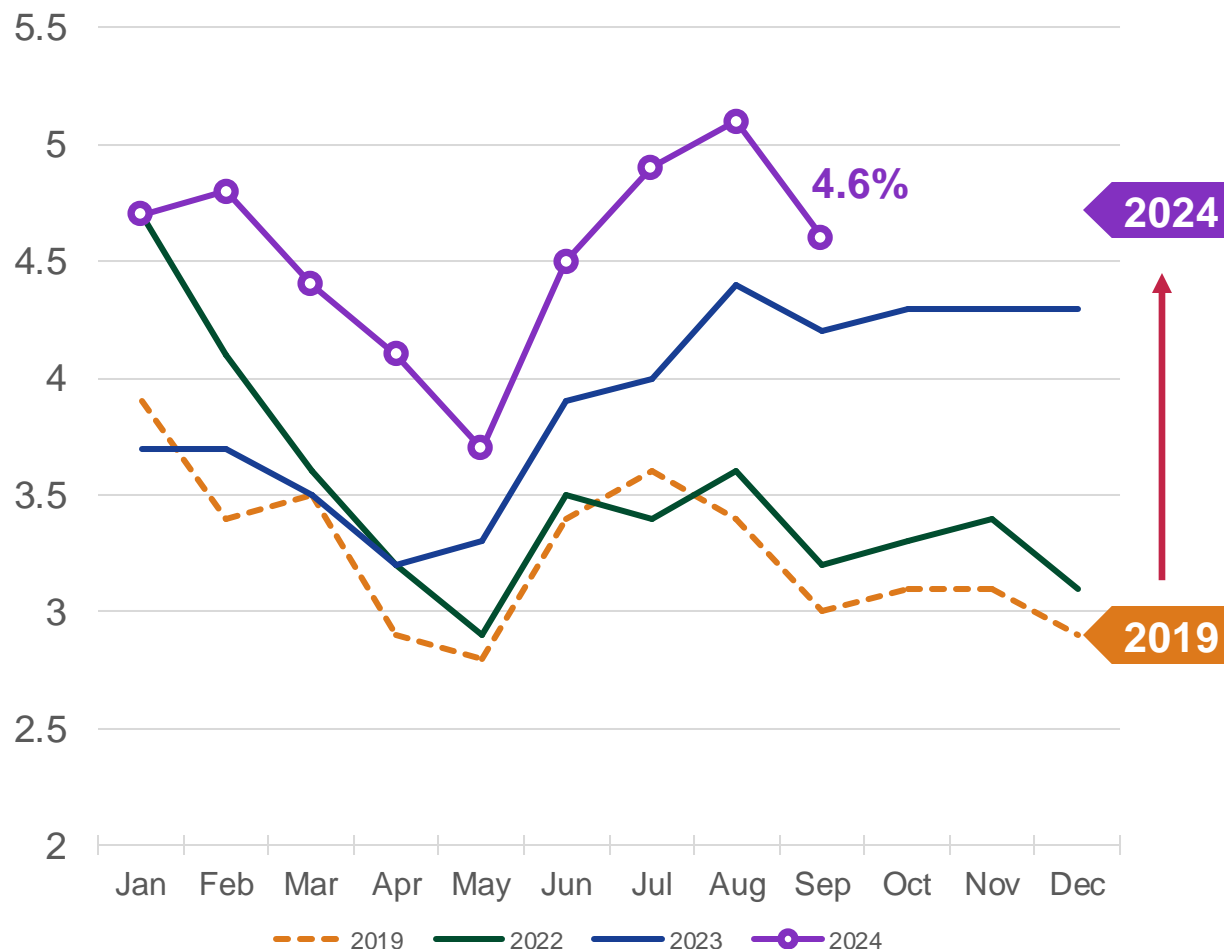
*Average of January through September 2024

Source: Bureau of Labor Statistics

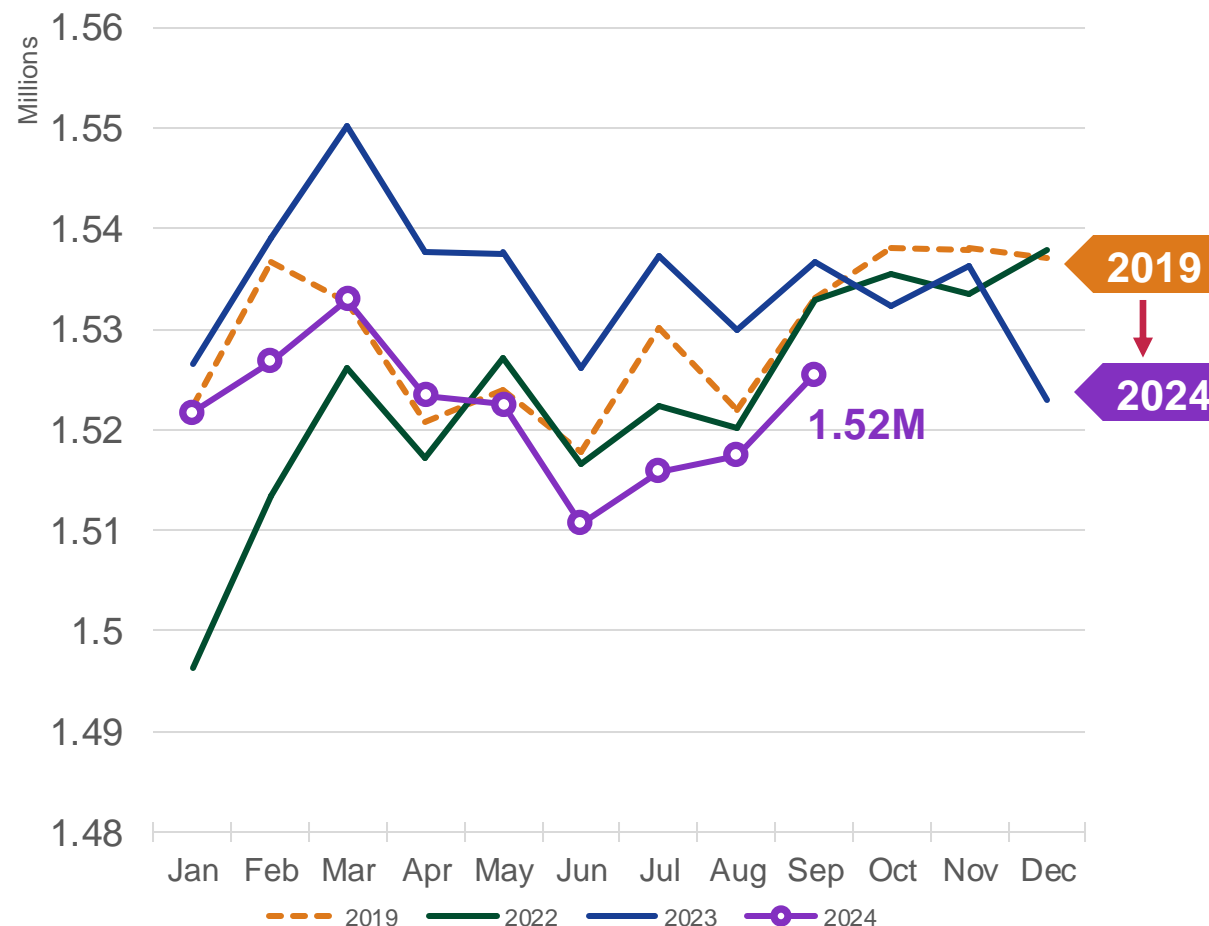
Easing Pressure in the Labor Market

The San Diego Region's labor force remains stable and above 2019 levels

Unemployment Rate in San Diego



Employment in San Diego

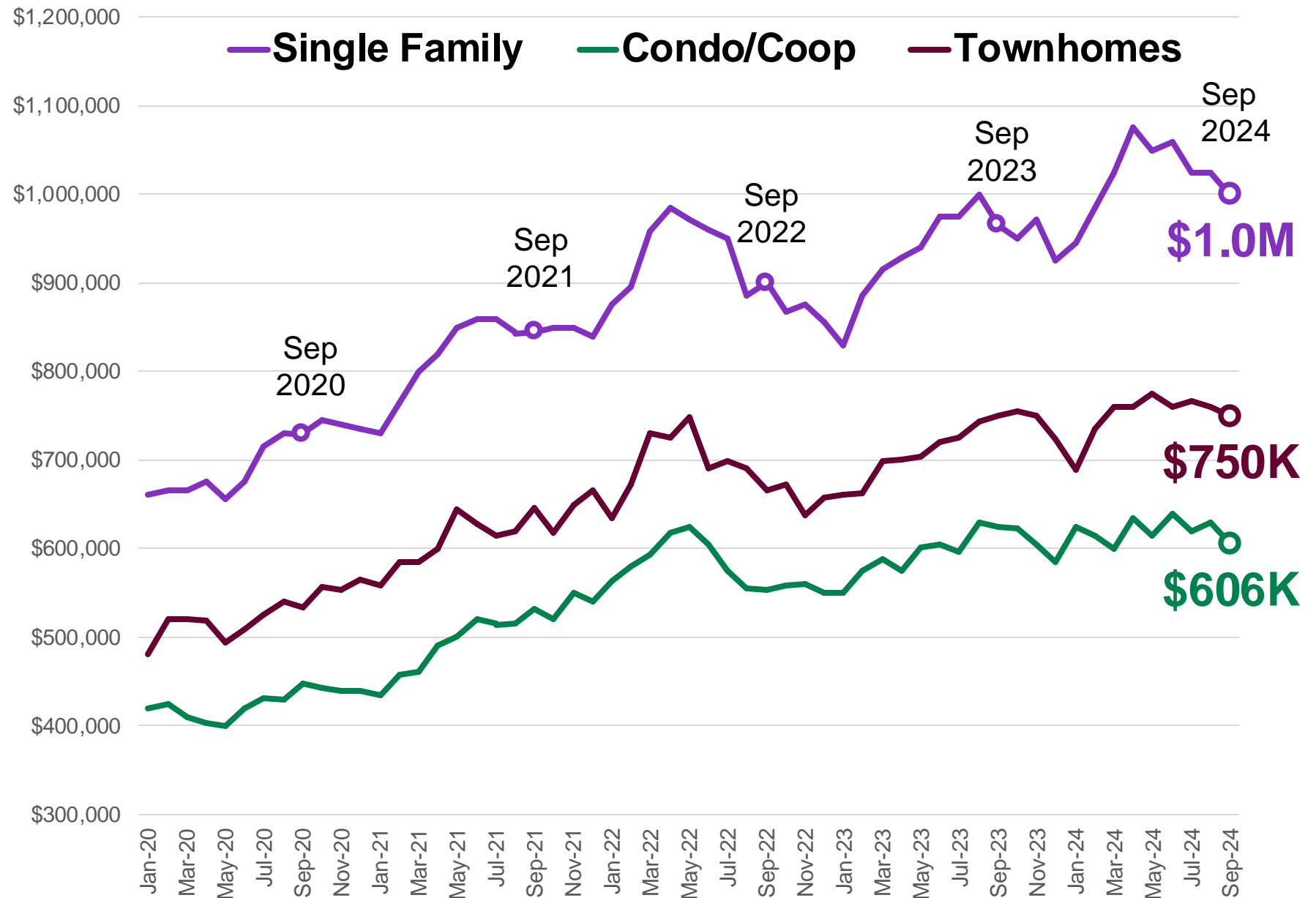


Cost of Housing

Median Price of Housing in the San Diego Region

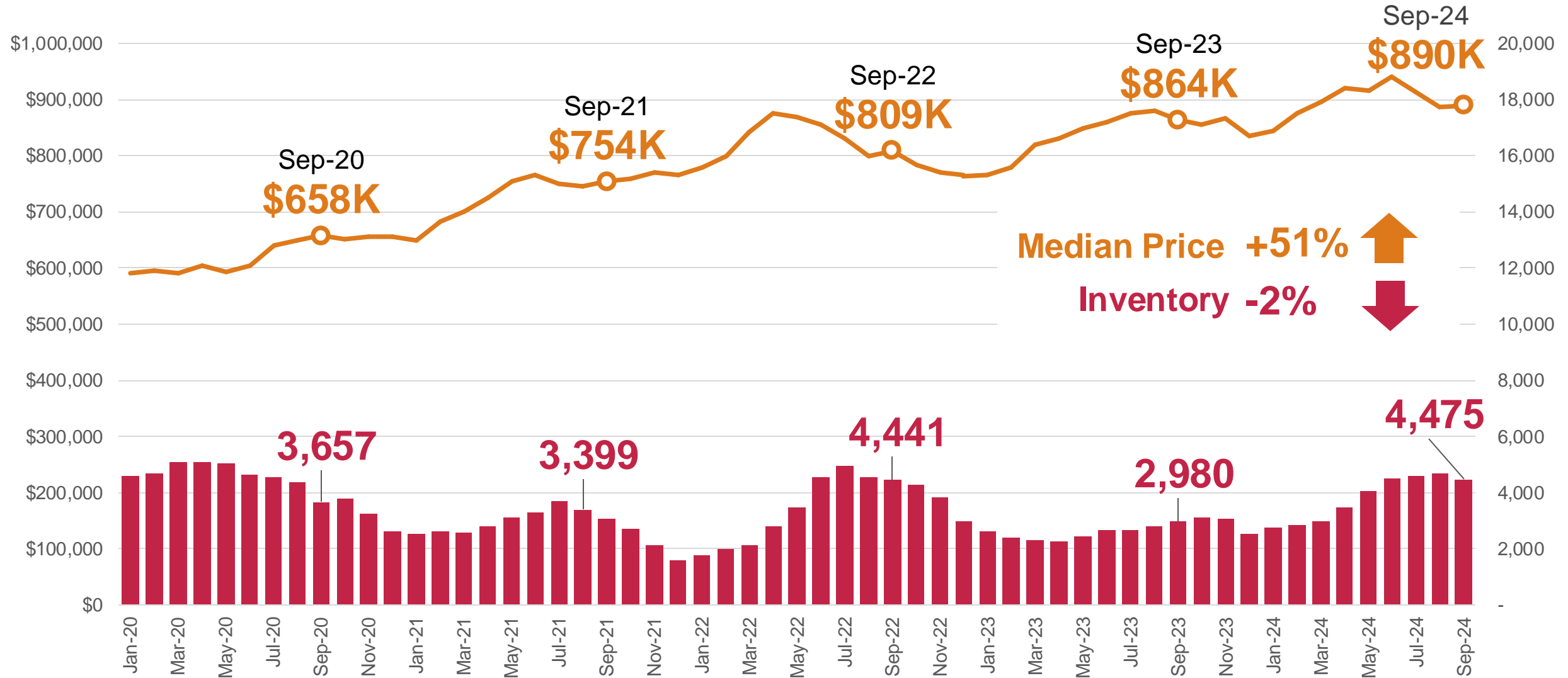
Since 2020, the **median price** of homes in the region has increased by over **51%**.

- Single family: **+\$340K**
- Townhomes: **+\$270K**
- Condos: **+\$186K**



Source: Redfin

Housing Inventory and Median Price of Residential Homes in the San Diego Region

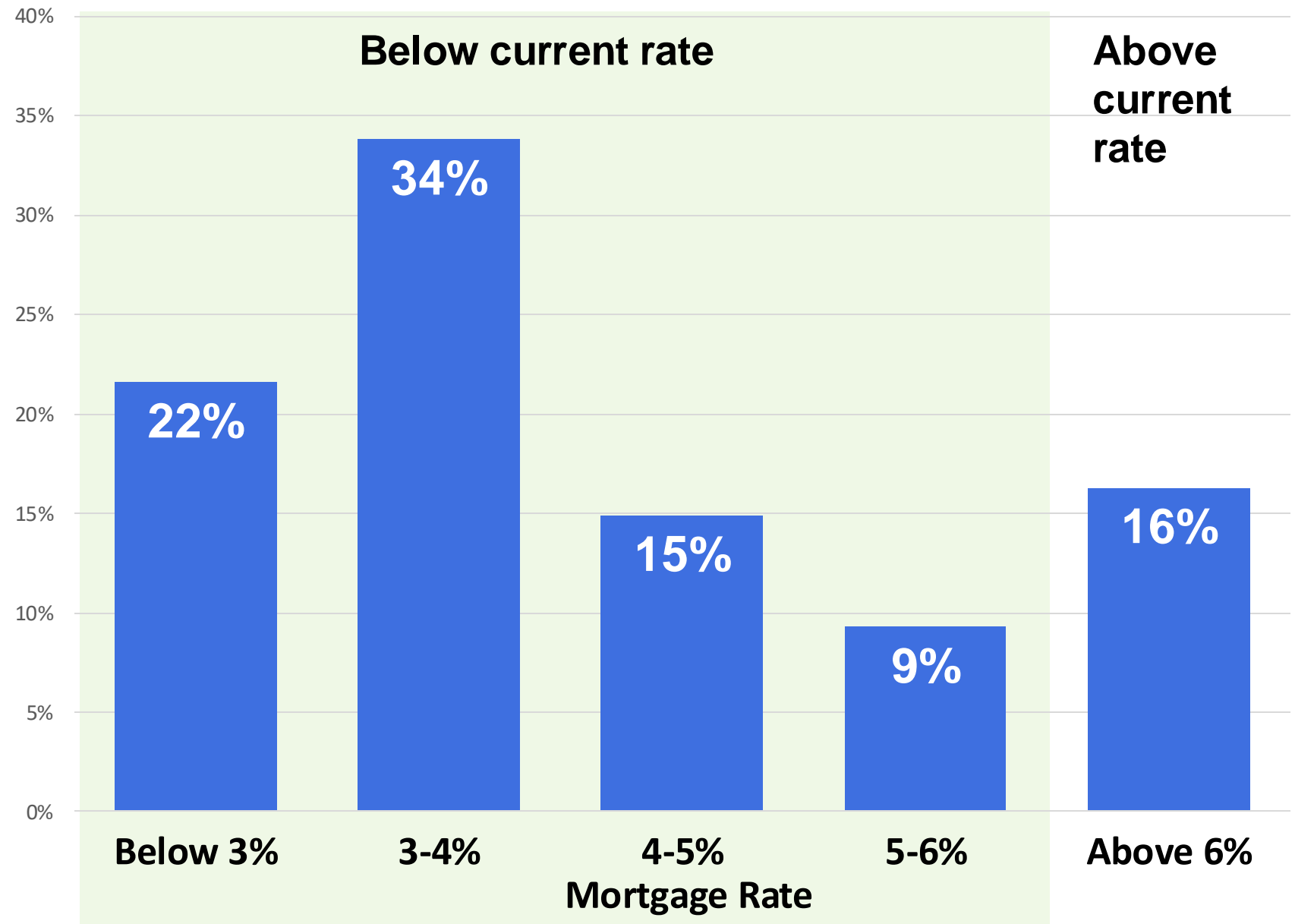


Mortgage Rates for U.S. Homeowners (2024 Q2)

“Lock-in Effect”

Over 79% of homeowners have a mortgage below current rate, locking up housing

Future rate cuts may help the market.

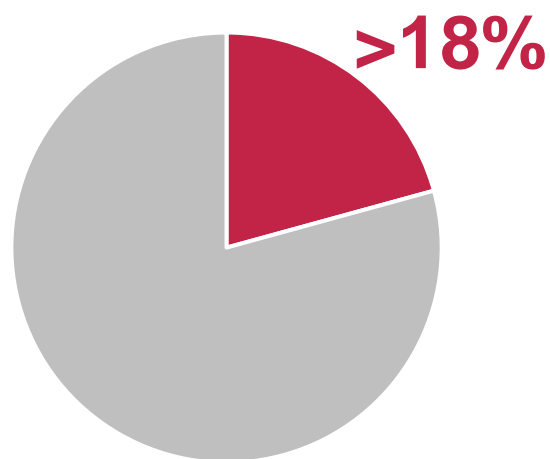


Source: Redfin (Nov 2024)

Affordability in the San Diego Region

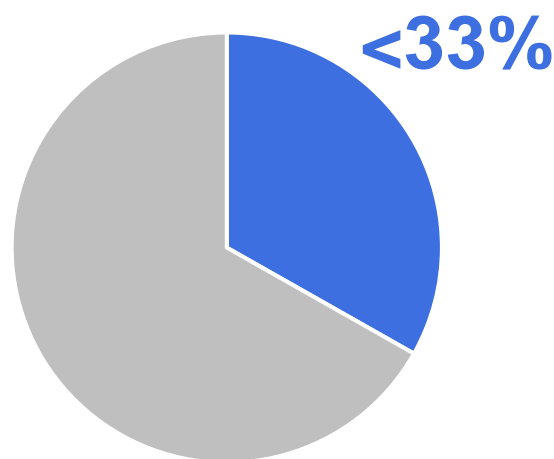
Falling rates should increase inventory and improve affordability

As of September 2024, median home price in the Region reached **\$890,000**.
Share of households that have the income for a median priced home is ...



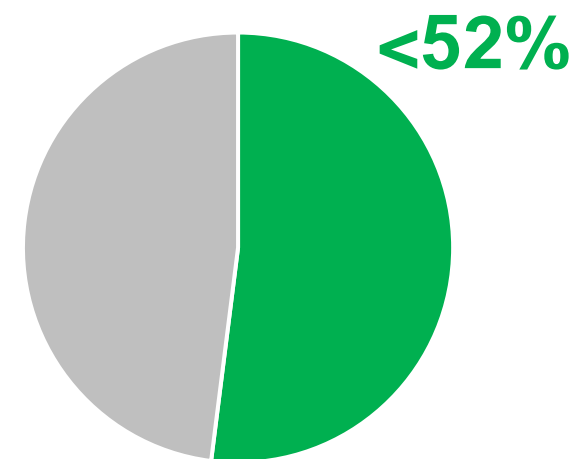
Mortgage Rate:

6.87%



5.0%

\$152,900



3.0%

\$120,000

What to Watch in 2025

What to Watch in 2025

Building on 2024 Momentum

- Sticky **inflation**
- More softening of **labor markets** with increasing divergence across sectors
- **Consumer spending** stabilizing and slowing economic growth

Monitoring Local conditions


- **Cost of living** – a continued imbalance between wage growth and price increases
- **Housing Market** – leveling in home and rental prices and inventory responding to Fed rate cuts
- Exposure to **State, national and global headwinds** – particularly with federal defense spending

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