[Back to Profitable Articles]

San Diego Housing Indicators

Posted by ft Editorial Staff | Jun 7, 2017

San Diego County continues its steady recovery from the 2008 recession and financial crisis. Jobs and income are recovering quickly — a good sign for San Diego's housing market. In San Diego, as in other regions, the strength of home sales volume depends on a complete jobs recovery.

Residential construction continues to falter. Thus far, multi-family construction has experienced a quicker recovery than single family residential (SFR) construction. Expect the demand shift from SFRs to rentals to continue, injecting growth into multi-family construction in upcoming years, peaking around 2019-2020. Vacancy rates will then increase, as turnover tenants will increasingly go for homeownership.

View the charts below for current activity and forecasts for the San Diego housing market.

Updated June 7, 2017. Original copy posted March, 2013.

Home sales volume still low

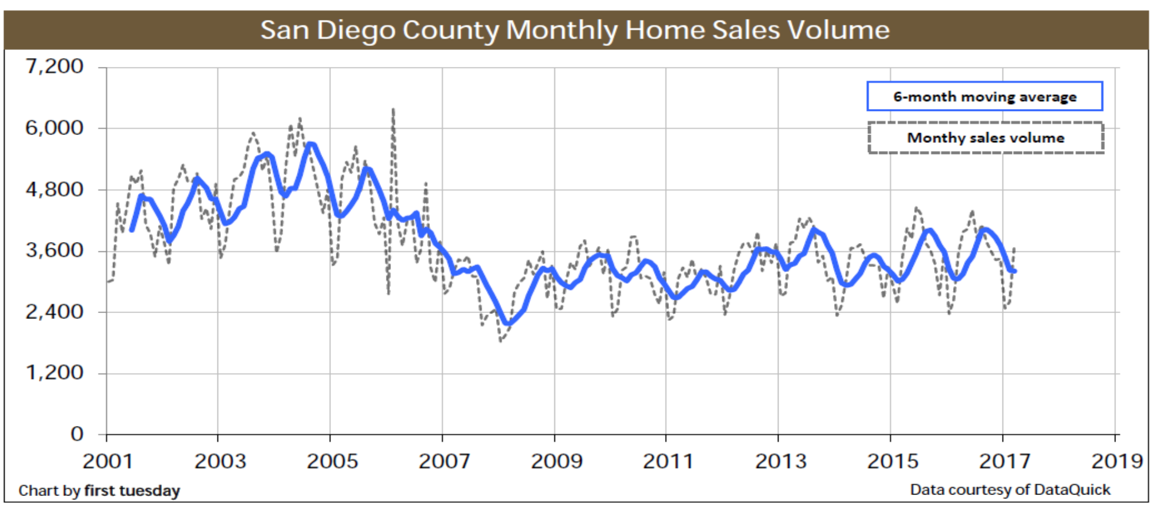

Chart Update 06/07/2017

	2017 Projection*	**2016**	**2015**	**2003 Peak Year**
San Diego County	42,500	43,200	42,800	60,800

County home sales volume

***first tuesday's** projection is based on monthly sales volume trends, as experienced so far this year.*

San Diego County's 2015 sales volume ended nearly 12% higher than 2014. This boost was partly due to lower mortgage rates in 2015 and to the area's relatively swift jobs recovery.

Despite this, sales volume did not increase significantly in 2016, since **end users** have yet to return to the market in significant numbers, which is now beginning in San Diego. Total sales volume in 2016 was just 1% above 2015. Expect sales volume to continue the slowdown in 2017 following the forthcoming increase in mortgage rates.

A full recovery of jobs lost in the recession took place in 2014. However, with the intervening population gains, jobs won't reach a complete recovery until around 2018. At that time, home sales volume will take off, reaching its cyclical peak around 2020-2021.

Turnover rates are up: good for sales

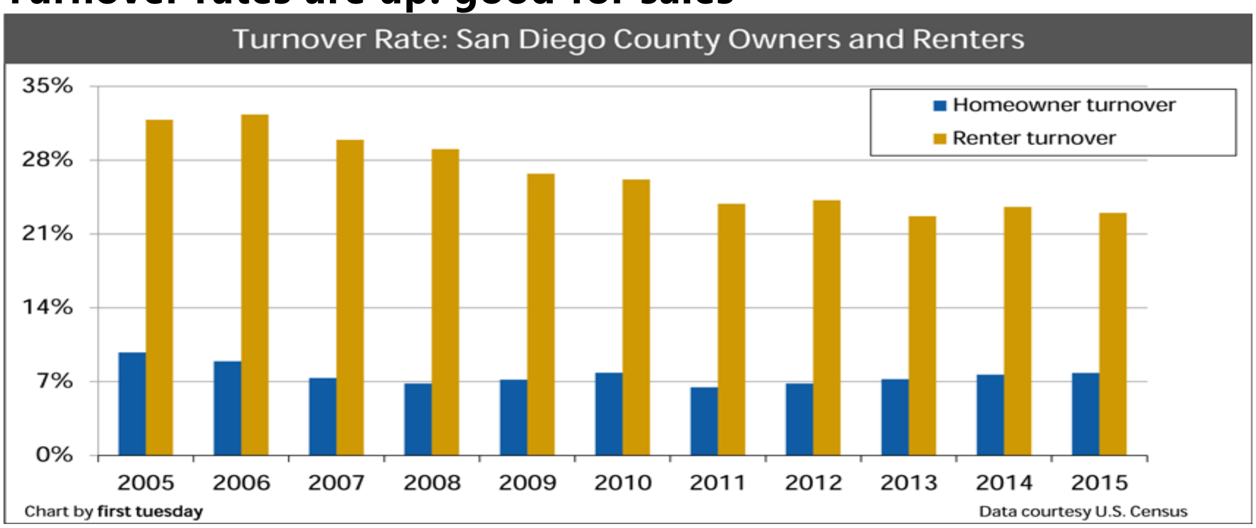

Chart Update 12/19/2016

	2015	**2014**	**2013**
San Diego County	7.8%	7.7%	7.2%
Homeowner turnover rate			
San Diego County	23.0%	23.6%	22.7%

Renter turnover rate

The percentage of San Diego County homeowners moving in 2015 rose slightly over 2014, while renter turnover decline slightly. This trend is much more promising than most parts of the state, where renter turnover has declined sharply over the past few years. This improvement demonstrates San Diego is farther along the path to a complete housing recovery. However, turnover rates for both owners and renters remain well below pre-recession levels.

Lower **turnover rates** are indicative of cash-strapped households that simply cannot afford to move, whether they are homeowners or renters. When turnover is low, home sales volume is hindered.

The *turnover rate* in San Diego County has not suffered as much compared to the rest of Southern California. This is partly due to a better jobs outlook and San Diego's large military population, which traditionally experiences high turnover. Agents can gain an "in" with this population by familiarizing themselves with the various benefits available to military renters and homeowners such as **Veteran's Administration (VA)-guaranteed** and **CalVet mortgages**, then advertising themselves as experts.

Homeownership rebounds from bottom

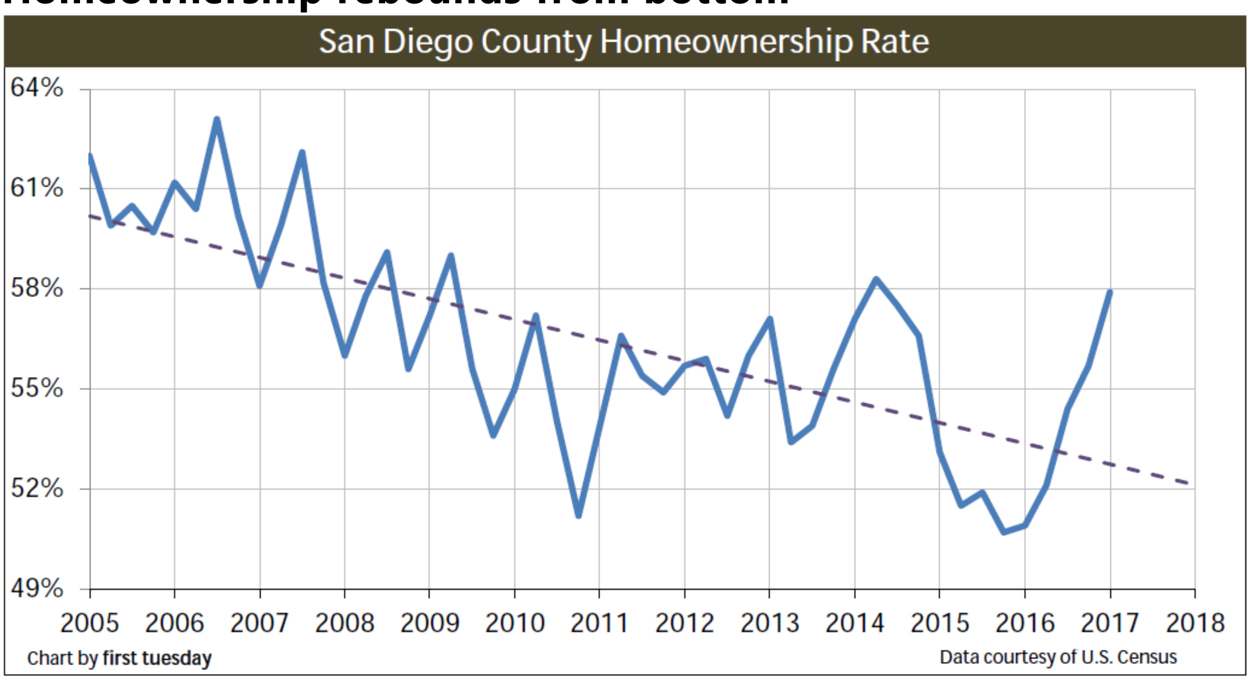

Chart Update 06/07/17

San Diego County	Q1 2017	Q4 2016	Q1 2016
Homeownership	57.9%	55.7%	50.9%

San Diego County's homeownership rate has followed the general statewide and national trend of decline in the years following the **Millennium Boom**. It peaked at 63% in 2006 for San Diego County, finding a low of 52% in 2010. 2014 saw a surprising jump in homeownership in San Diego County, peaking in mid-2014. It's currently near this same level, at 57.9%.

The homeownership rate in San Diego County has historically been comparable to the rest of the state, though it is slightly above the statewide average of 55% in Q1 2017. With elevated home prices and the imminent rise in mortgage rates late in 2016, the homeownership rate won't rise significantly until homebuyers return in larger numbers around 2019-2021.

Home prices continue to rise

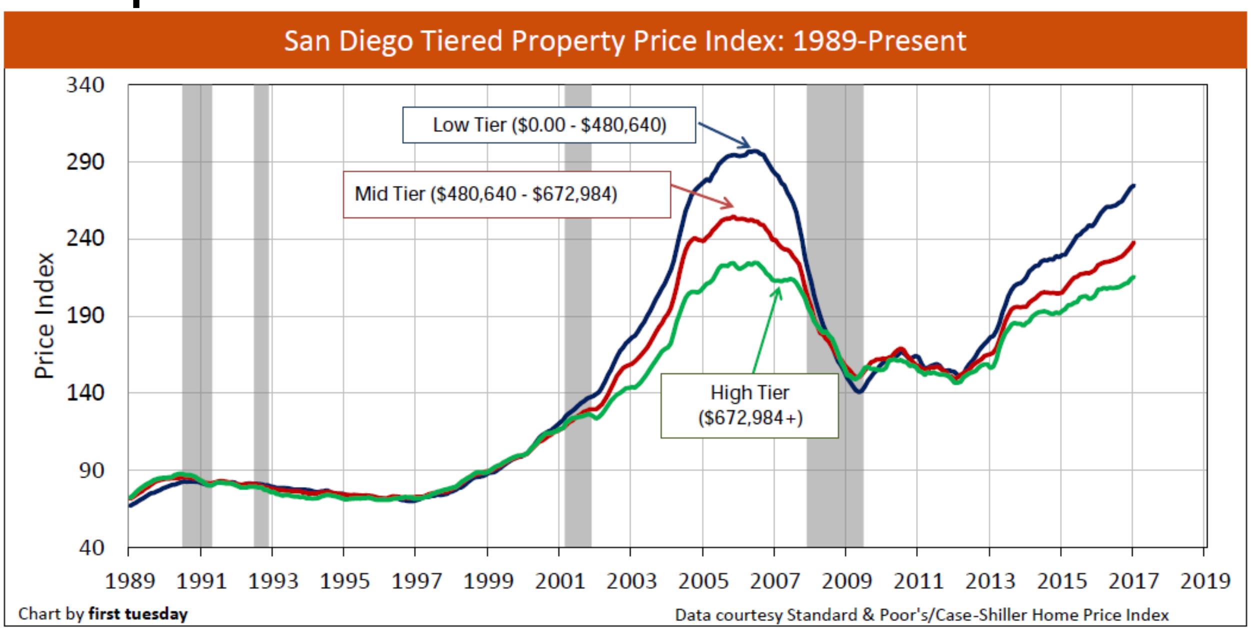

Chart Update 06/07/2107

Q1 2017 Low-Tier annual change	Q1 2017 Mid-Tier annual change	Q1 2017 High-Tier annual change
+ 8%	+8%	+6%

San Diego County home pricing index

The price of low-tier housing in San Diego County skyrocketed after the latter half of 2012. 2015 experienced another price increase. This is likely due to the boost given by decreased mortgage rates throughout 2015 and 2016.

Lower mortgage rates free up more of a buyer's monthly mortgage payment to put towards a bigger principal. Thus, San Diego's high home prices continue to find fuel — not from speculators as in 2012-2014 — but from increased **buyer purchasing power**.

Expect home sales volume to fall off following the rise in mortgage rates, which began in November 2016. Prices will descend 9-12 months later, likely in mid- to late-2017.

Multi-family construction leads the way

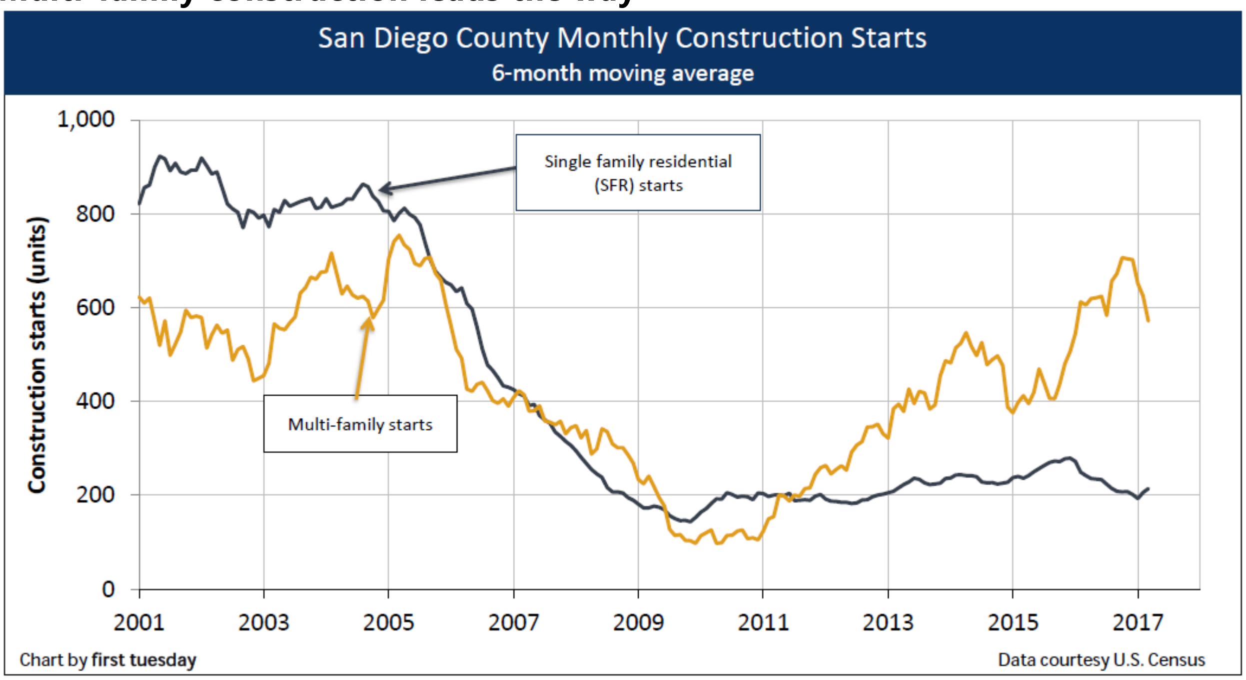

Chart update 06/07/17

	2016	2015	2014
San Diego County Single family Residential (SFR) Starts	2,200	3,200	2,500
San Diego County Multi-family Starts	**7,800**	**6,100**	**4,100**

Residential construction starts began to show signs of life in San Diego County in 2013, but the rise waned throughout 2014, only to pick up again in 2015. Thus far the recovery has been concentrated in **multi-family starts**, due to the increased demand for rental housing experienced during this recovery. Fueling this increased rental demand are:

- a demand shift from suburban living to city dwelling by the youngest generation of homebuyers, Generation Y (Gen Y);
- an increased resistance to homeownership following the housing crash; and
- the higher barriers to homeownership due to the return of mortgage lending fundamentals which tightened mortgage lending.

Today, the general trend for **single family residence (SFR)** construction starts in San Diego County is up, but still far below 2002-2004 numbers. The next peak in SFR construction starts will likely occur around 2020. Even then, SFR construction starts are highly unlikely to return to the frenzied mortgage-driven numbers seen during the Millennium Boom.

In the housing industry, construction jobs took a huge hit and have just barely started the recovery process. Likewise, the number of employed real estate professionals has remained low throughout this recovery and will not likely increase until the next confluence of buyers and renters (members of the **Generation Y** and **Baby Boomer** generations) converge and enter the market around 2019-2021.

Per capita income has recovered

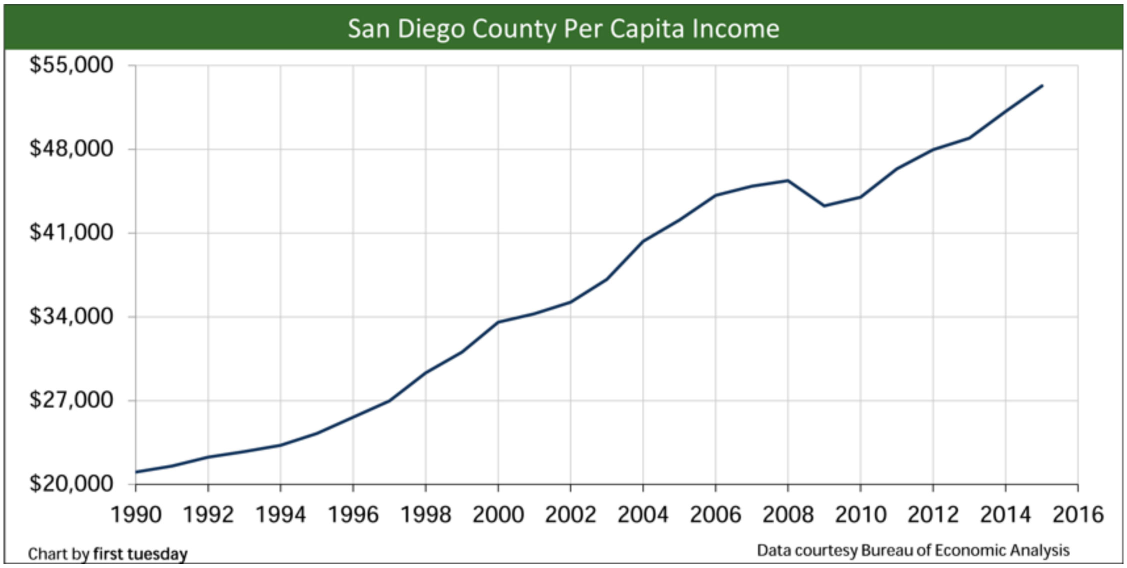

Chart update 12/19/16

	2015	2014	Annual Change
San Diego County per capital income	$53,298	$51,174	+ 4.2%
California per Capita income	$53,741	$50,988	+5.4%

The average per capita income in San Diego County is $53,300 as of 2015, the most recently reported Census year. This shows an average increase in income of 4.2% over 2014. Income took a hit in San Diego during the recession, and it took three years for income to finally catch up to 2008 levels.

After factoring in an additional 10%-11% increase in income needed just to cover eight years of interim inflation, homebuyers in 2015 had only slightly higher purchasing power to buy a home or rent as they did in 2008 – all else remaining unchanged. Per capita income in San Diego County is roughly level with the state average, and exceeds levels in the inland valleys by over 50%.

As long as income remains diminished across most job sectors, home prices and the price of rents are limited. This is due to the reality that buyer occupants ultimately determine selling prices in this economic environment — buyers can only pay as much for a home as their savings and income qualify them to pay — nothing more, unless lenders and landlords want to take on more risky, less qualified individuals. The same fundamental truth is also applicable to tenants' capacity to pay, which ultimately works to set the ceiling on rental amounts.

Expect per capita income to rise with increases in job numbers. When considering the jobs needed to cover population growth of one percent per annum in the years since 2007, it will take until 2019 for employment numbers and income to again drive demand for significant additional new housing.

ft Editorial Staff
is the writing staff comprised of legal editor Fred Crane, writer-editors Connor P. Wallmark, Giang Hoang-Burdette, Carrie B. Reyes and Sarah Kolvas and graphic designer Mary LaRochelle.

Provided By http://journal.firsttuesday.us/
Reprinted from **first tuesday** Journal — journal.firsttuesday.us
P.O. Box 5707, Riverside, CA 92517

Distributed By:

Bill Fliflet, Broker
"The Apartment Guy"
www.theaptguy.com

PACIFIC COAST COMMERCIAL
SALES - MANAGEMENT - LEASING

Direct (619) 425-6300 | Fax (858) 560-5604

Bill@PacificCoastCommercial.com | www.PacificCoastCommercial.com

6050 Santo Rd, Suite 200, San Diego, CA 92124 | Lic. 0109519401095194 | vcard