*Social Narratives / Economic Realities*

# Policy Turbulence and the US Outlook

*Focus on San Diego*


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Founding Partner, Beacon Economics


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## Beacon Economics

- Economic research firm founded in 2006 with a commitment to letting the *data* determine the *answer*.
- Impact studies, Policy Analysis, Regional Development and Revenue Forecasts

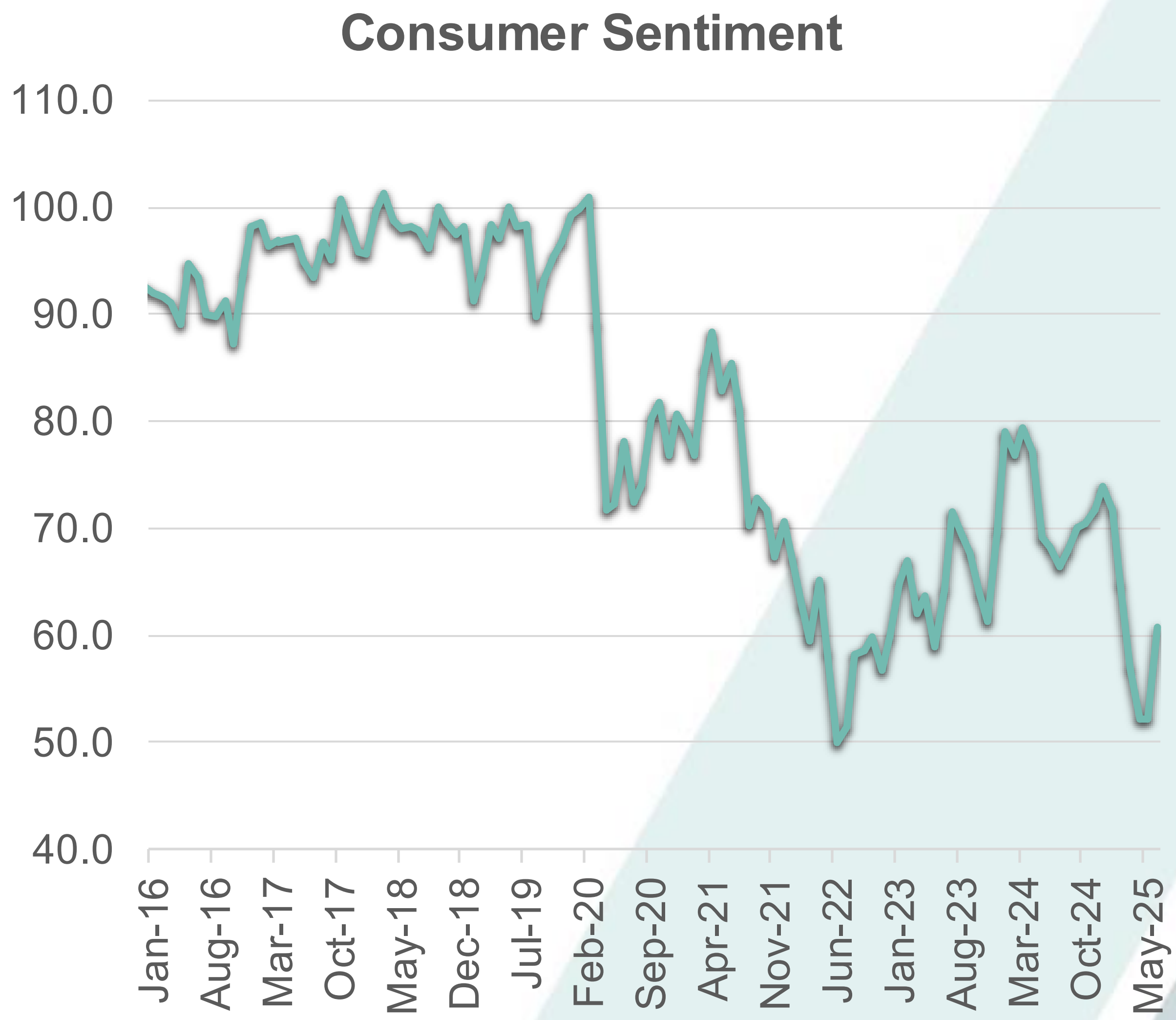
## Today's Presentation

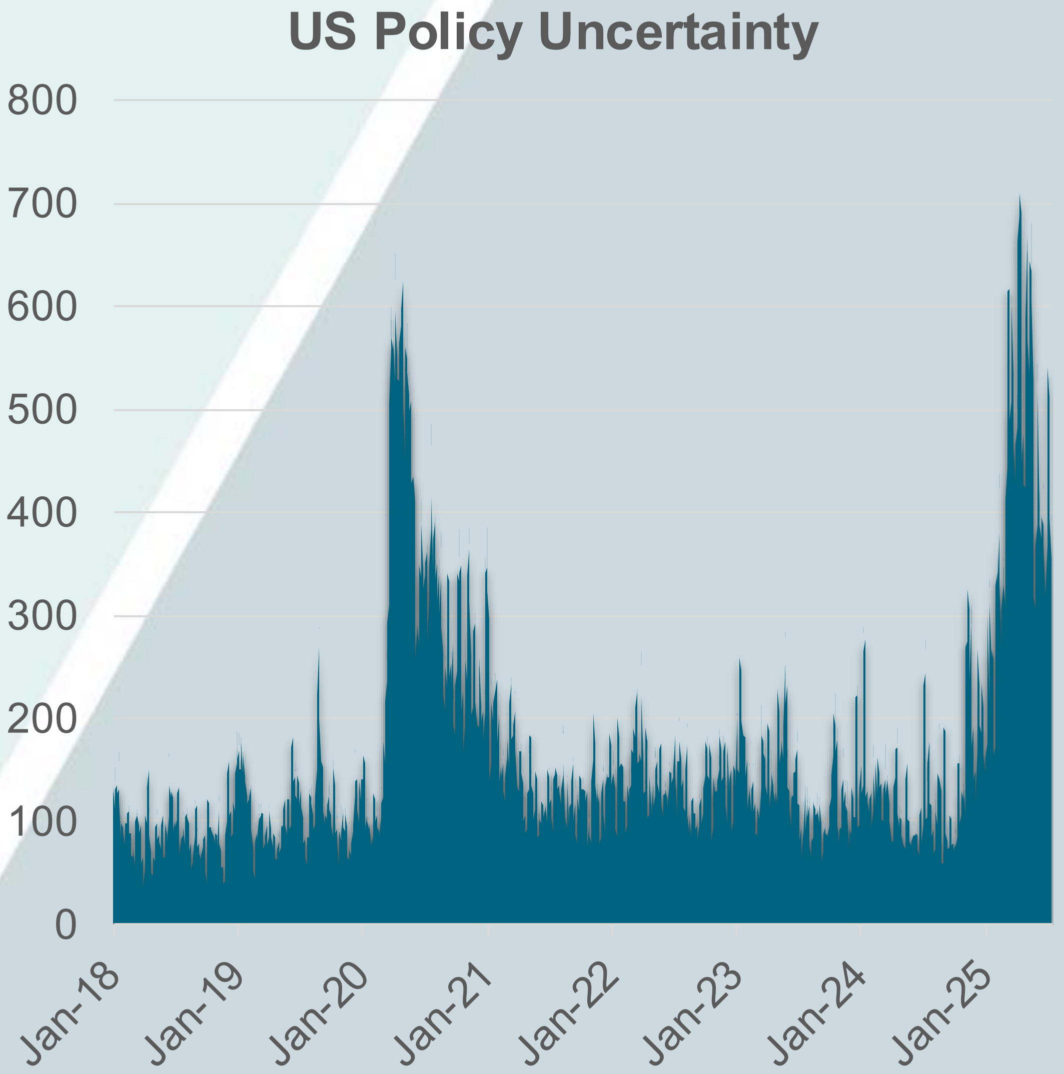
- What we *think* is happening in our economy (our social narrative or "lived experience")
- What is *actually* happening in our economy (our objective statistical reality)
- It is the combination of the two that drives the forecast: Narratives drive choices, economics determines outcomes.

***Good choices and smart policies start with the correct narrative.***

Slides available by using QR code at end of presentation, or email Kristen@beaconecon.com

# Here we go again…



# Forecast Accuracy?

## 2019: The Real Estate Recession

Real Estate | Market Outlook

**Housing Market Crisis 2.0: The Jury Is In For 2018-2019**

## 2020: The Pandemic Depression

Coronavirus to cause worst economic downturn since Great Depression, IMF forecasts

She said the IMF would release an updated world economic forecast on Tuesday that would show just how quickly the coronavirus outbreak ...

7 hours ago

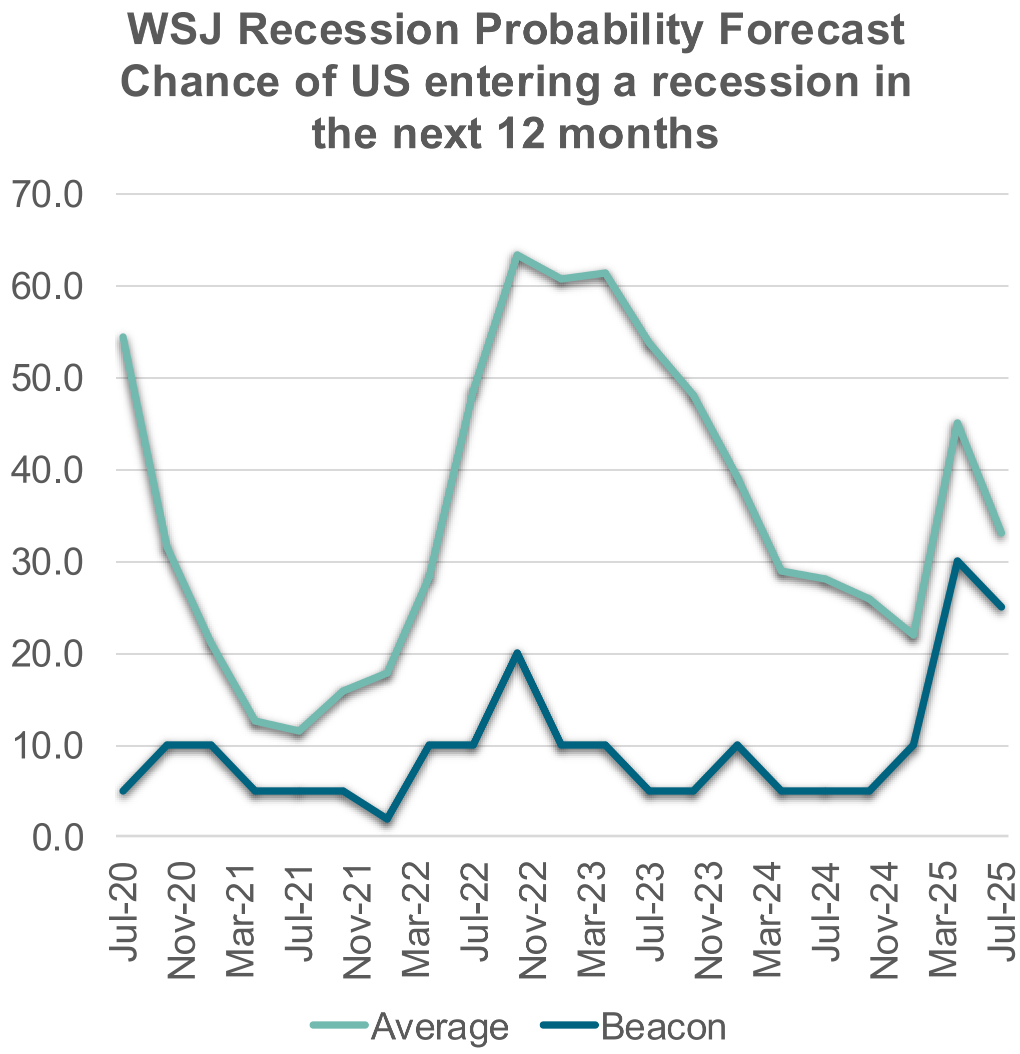
## 2023: The Yield Curve Recession

**Survey: The U.S. economy has a 64% chance of entering a recession this year**

Written by Sarah Foster, Edited by Amy Sims

Published on January 04, 2023 | 5 min read

# *Risks are rising—but not for the reasons you may think…*




## Things aren’t as bad as the papers say

- Household / business finance remains solid
- Slow labor markets a function of labor supply & demand

## They aren’t as good either

- The economy is overheated, fueled by deficits, frothy asset markets and large global capital inflows
- Current policies: inflating and destabilizing the bubble

## And the San Diego Situation

- Labor / housing shortages still dominant issue
- Cooling economy has slowed San Diego, but still strong
- Local / state policy narratives still way off base, doing more harm than good.

# Beacon's 24-25 Outlook

## US: No risk of a "hard landing"

- The Good: economy will continue to expand at a decent pace
- The Bad: interest rates will not be falling soon
- The Ugly: Asset markets, federal deficits, and excess consumption

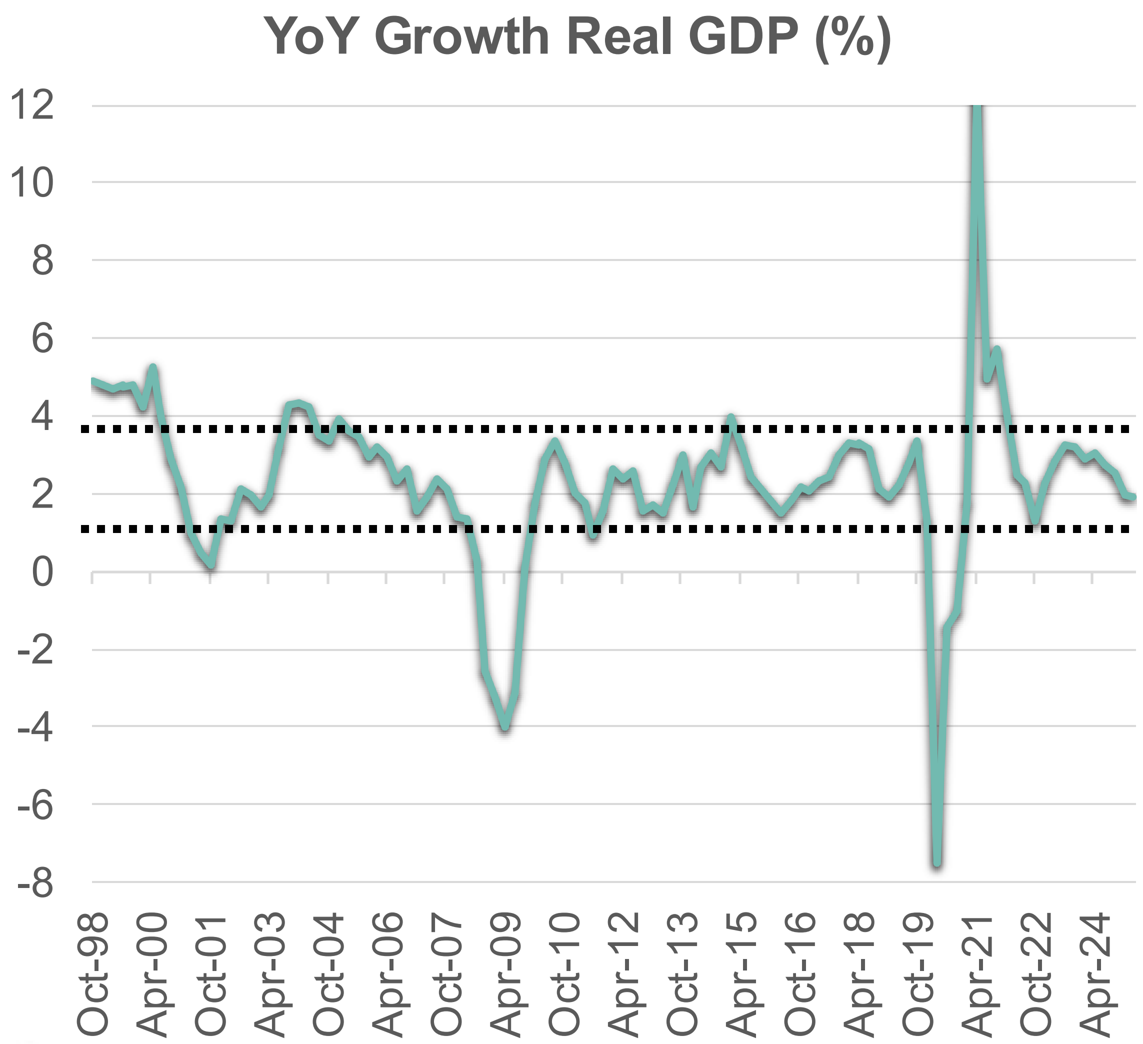
## California Economy: Not Dead Yet

- Economy is stronger than the headlines would have you think
- Housing / labor shortages remain dominant issue
- Inland Empire, Inland OC: shifting drivers of growth, but still on the upswing

## The Big Issue: false narratives pushing ugly politics

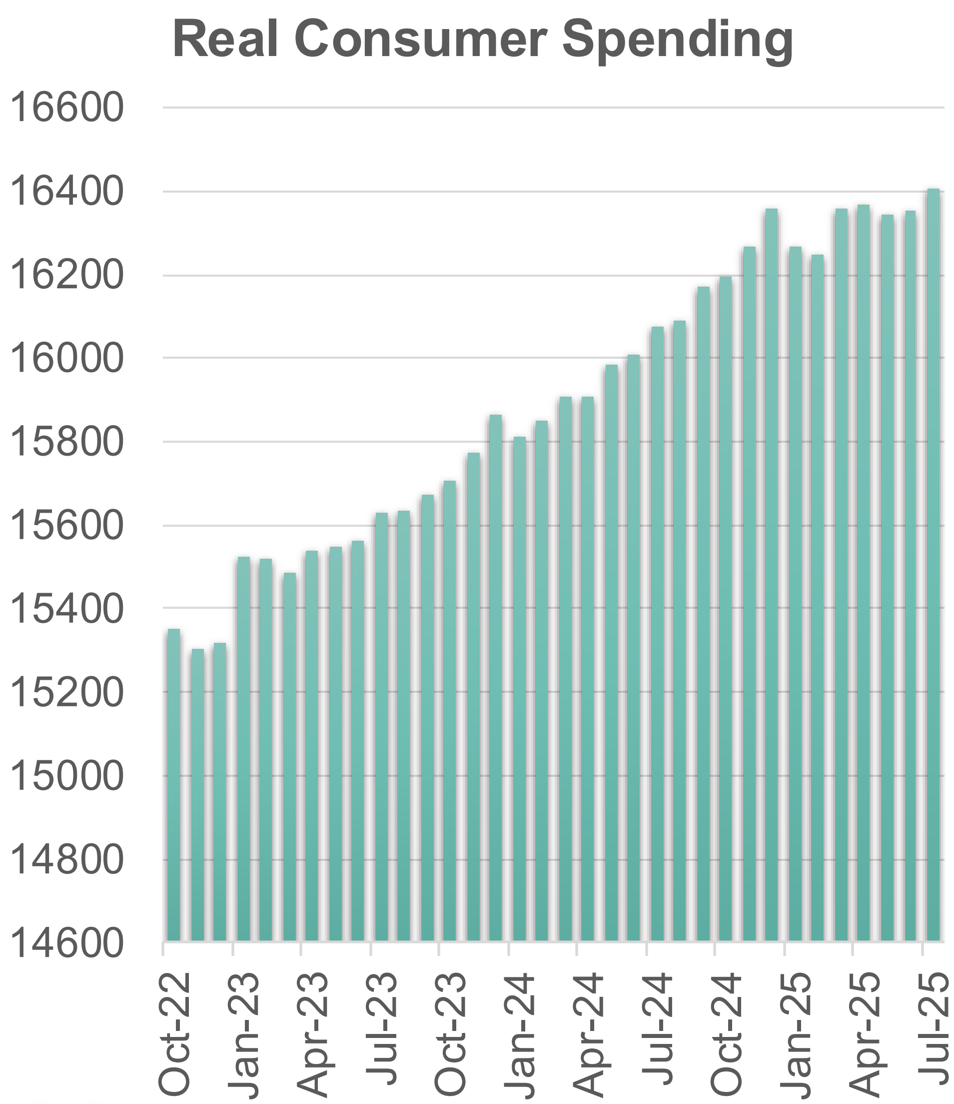
- Competing inaccurate narratives driving partisanship
- Misguided priorities driving poor local policy choices
- Big story of 2024: one very ugly election

# GDP Slower in ‘25



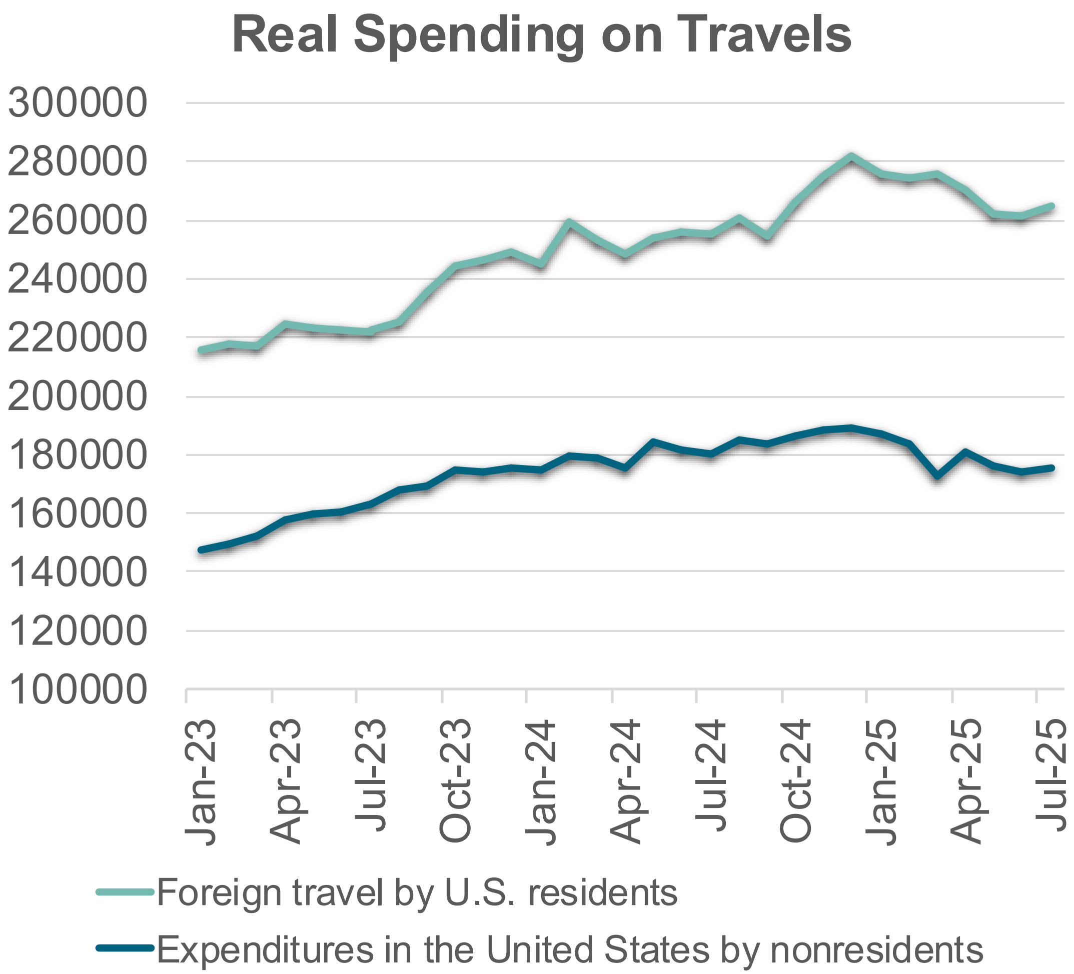

| Contributions to Real GDP Growth | 2023 Avg | 2024 Avg | 2025 Avg |
|---|---|---|---|
| GDP | 3.20 | 2.53 | 1.25 |
| Final Demand | 3.49 | 3.07 | 1.35 |
| | | | |
| **Personal consumption** | **1.99** | **2.10** | **0.65** |
| Goods | 0.75 | 0.72 | 0.24 |
| Services | 1.24 | 1.39 | 0.42 |
| **Fixed investment** | **0.77** | **0.44** | **0.70** |
| Structures | 0.30 | 0.04 | -0.20 |
| Equipment | 0.16 | 0.15 | 0.69 |
| IPP | 0.22 | 0.15 | 0.33 |
| Residential | 0.10 | 0.12 | -0.12 |
| Inventories | -0.34 | -0.13 | -0.29 |
| **Net exports** | **0.05** | **-0.42** | **0.19** |
| Exports | 0.22 | 0.33 | -0.08 |
| Imports | -0.17 | -0.75 | 0.26 |
| **Government** | **0.72** | **0.55** | **-0.01** |
| Federal | 0.13 | 0.26 | -0.28 |
| State and local | 0.59 | 0.29 | 0.27 |

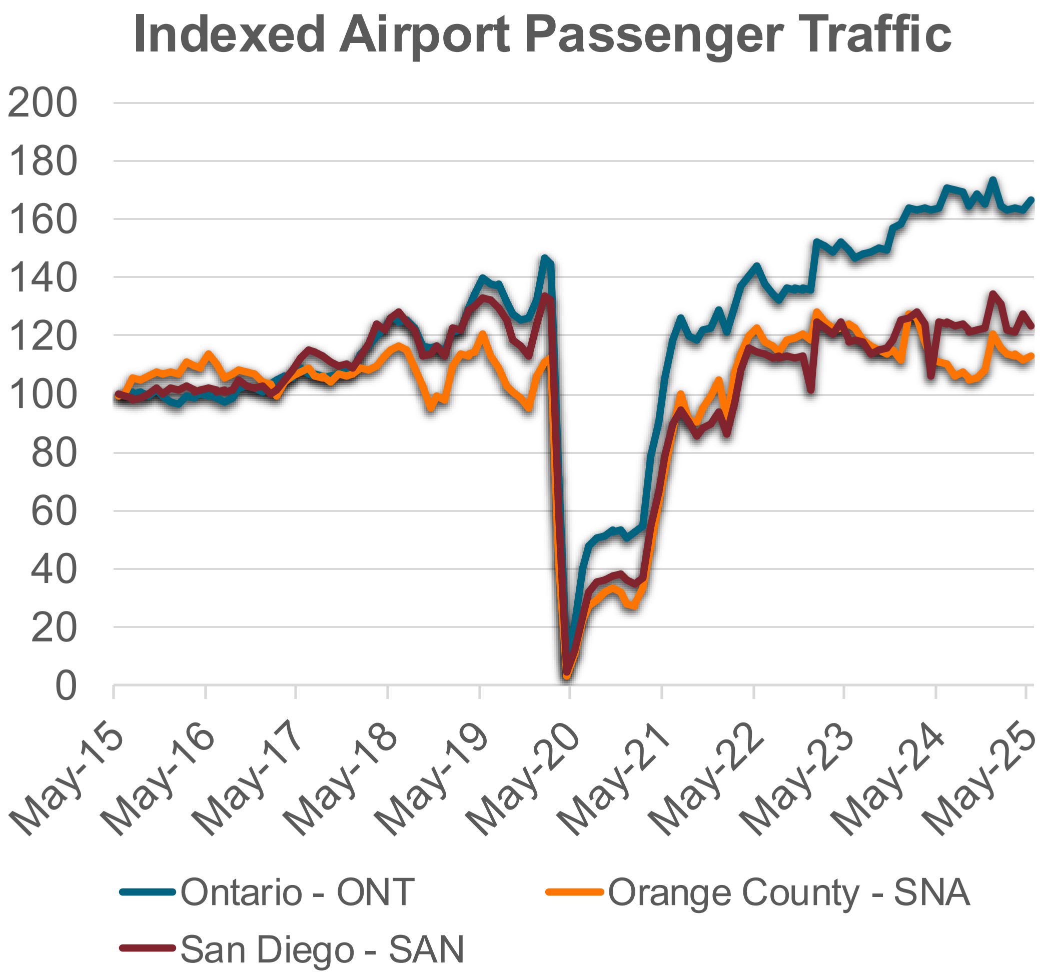
# A Consumer Slowdown?



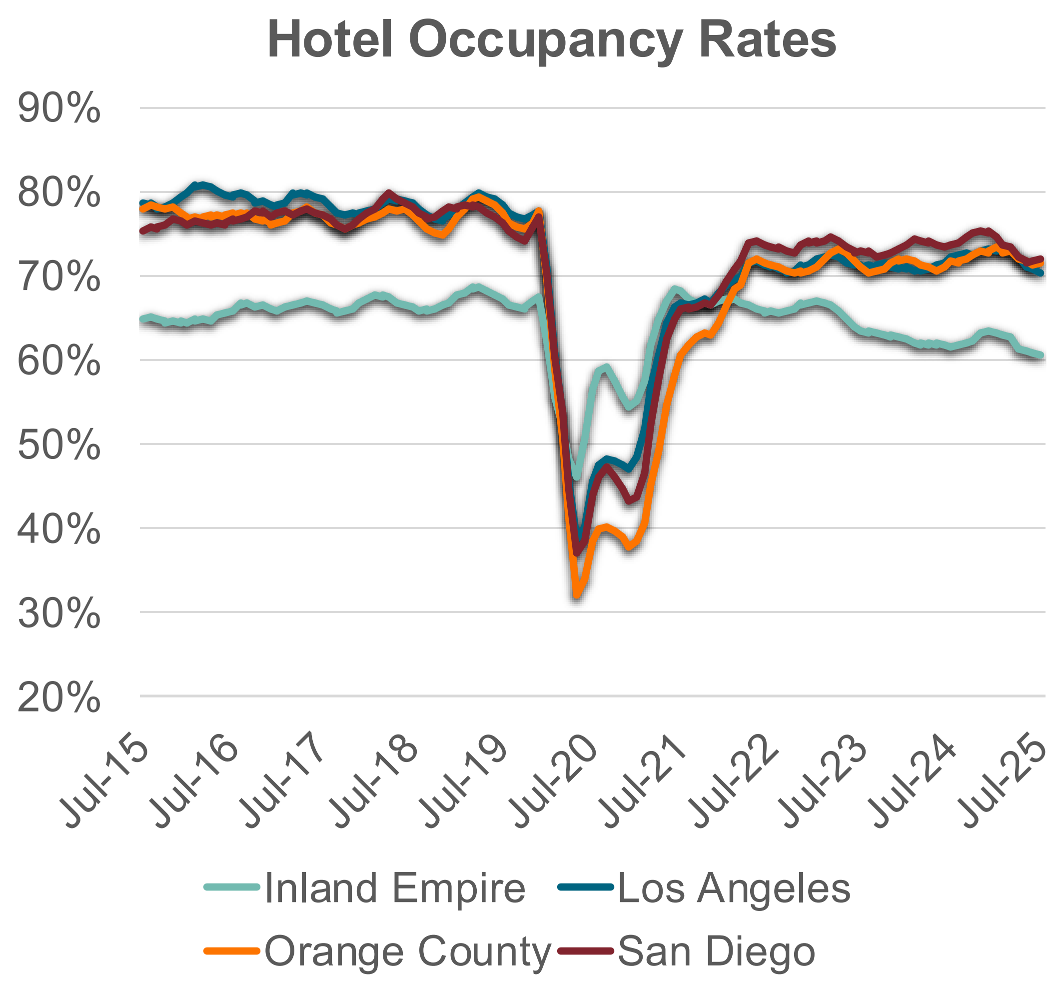

| | Jul-25 | YOY 22-24 | YOY 24-25 | Abs. decel |
|---|---|---|---|---|
| Real Personal consumption (PCE) | $16,408 | 2.8% | 2.1% | -$102.0 |
| **Health care** | **$2,931** | **6.1%** | **3.9%** | **-$48.0** |
| **Nonprofit institutions** | **$402** | **0.4%** | **-8.1%** | **-$37.5** |
| Transportation services | $500 | 3.1% | 0.0% | -$14.8 |
| Furnishings and durable eq | $446 | 4.0% | 0.9% | -$12.5 |
| Gasoline and energy goods | $316 | 2.1% | -1.5% | -$11.4 |
| Recreational goods vehicles | $805 | 6.9% | 4.9% | -$10.5 |
| Recreation services | $623 | 2.7% | 1.0% | -$10.0 |
| Financial services  insurance | $1,185 | 3.2% | 2.4% | -$8.1 |
| Food services and accomm | $1,083 | 2.2% | 1.7% | -$4.7 |
| Motor vehicles and parts | $612 | 2.7% | 3.5% | $5.4 |
| Housing and utilities | $2,666 | 0.7% | 1.1% | $10.7 |
| Other | $3,118 | 2.2% | 2.5% | $11.8 |
| Food beverages off-premises | $1,191 | 0.6% | 1.7% | $13.2 |
| Clothing and footwear | $529 | 2.1% | 4.9% | $14.2 |

# Travel and Tourism Trends?



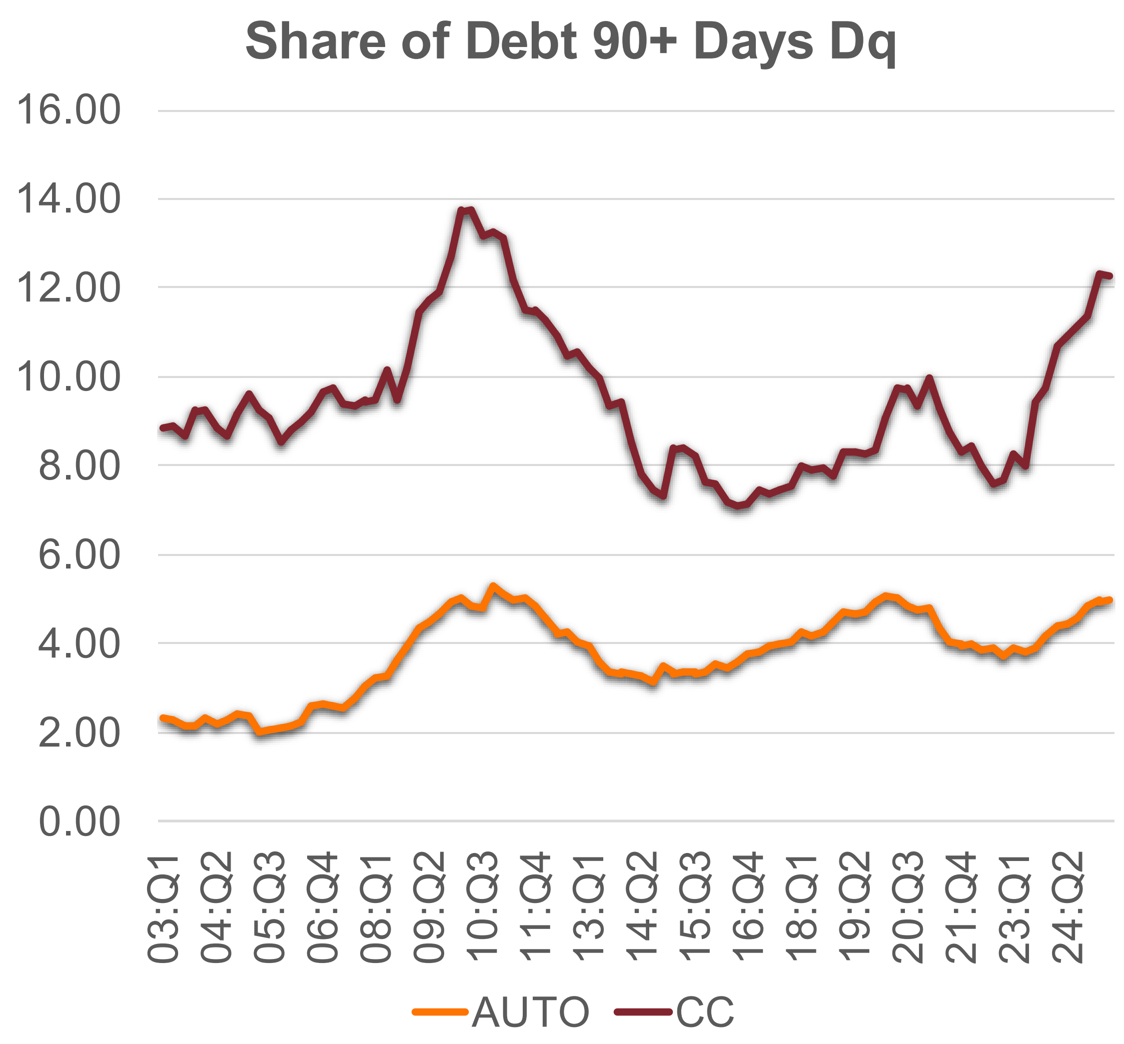



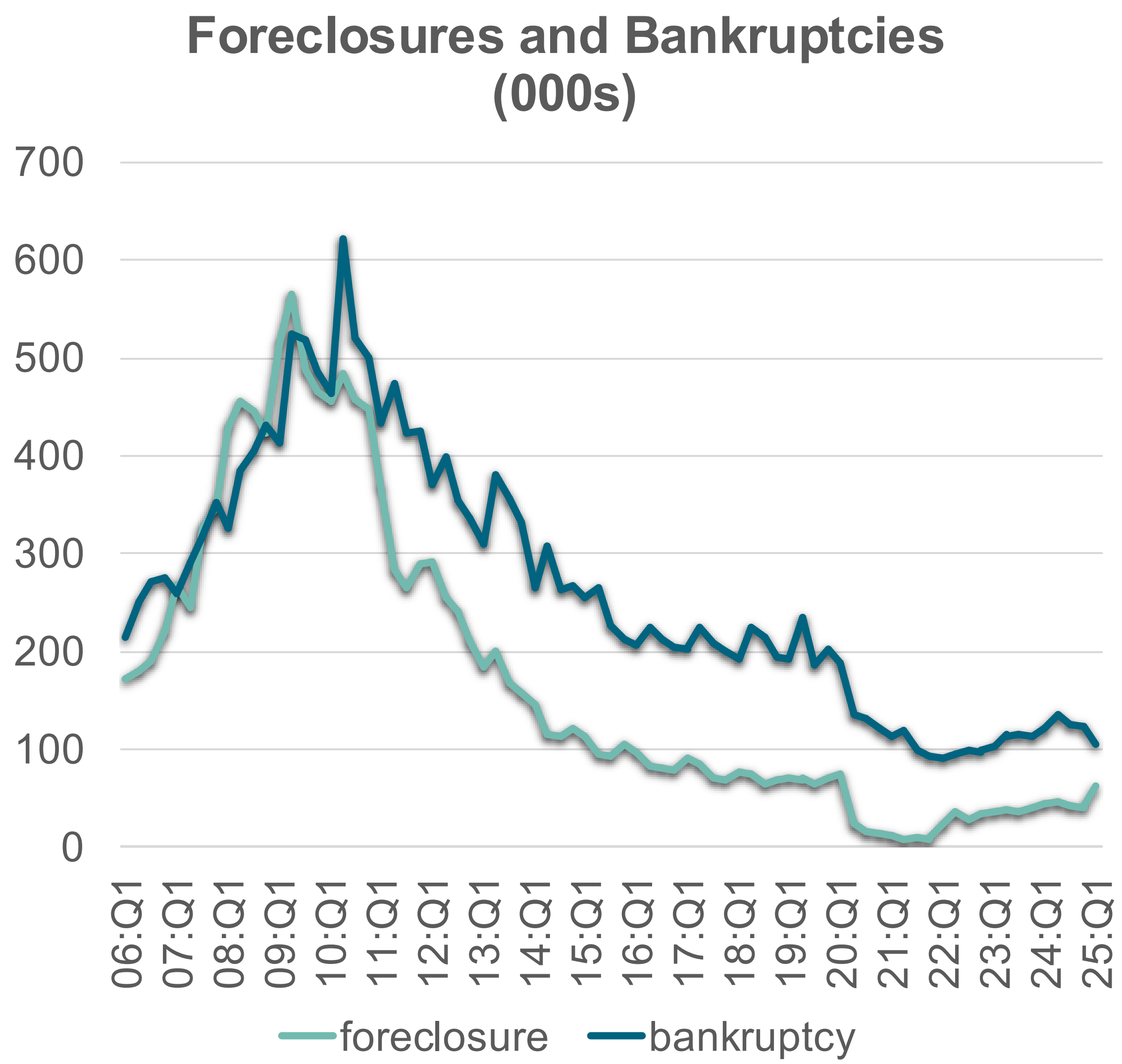
# Hotels



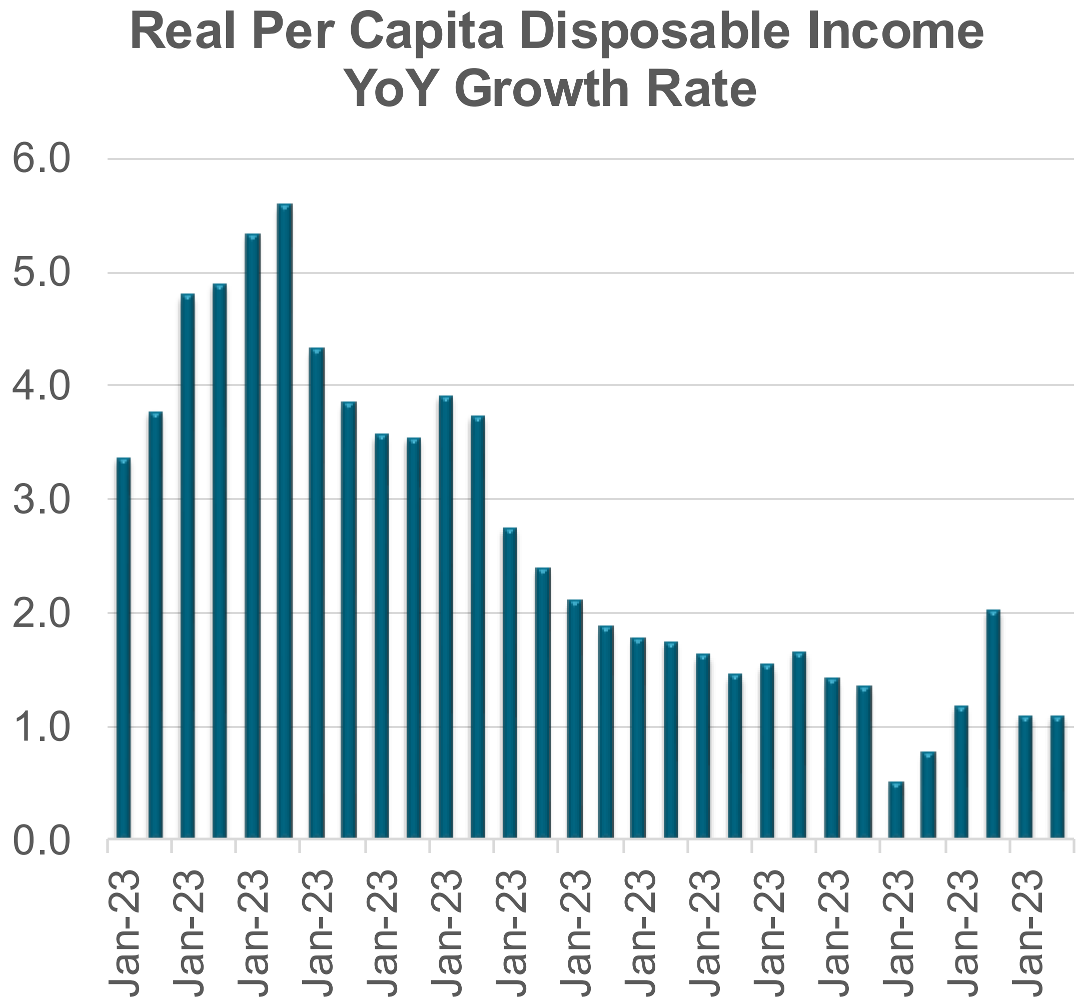

| Location | Jul-25 RevPAR ($) | 1-Year Chg. (%) | Chg. since Feb-20 (%) |
|---|---|---|---|
| United States | 98.60 | -0.7 | 52.7 |
| New York | 269.62 | 2.1 | 83.9 |
| Miami | 158.69 | -0.7 | 46.9 |
| **San Diego** | **153.95** | **-0.5** | **60.3** |
| Orange County | 147.53 | 0.4 | 52.6 |
| Orlando | 142.57 | 3.8 | 67.3 |
| Las Vegas | 142.13 | -13.4 | 57.0 |
| Los Angeles | 138.53 | -1.6 | 38.8 |
| Inland Empire | 90.13 | -1.9 | 40.9 |

# 2025: Credit Card Issues, Not Credit Issues



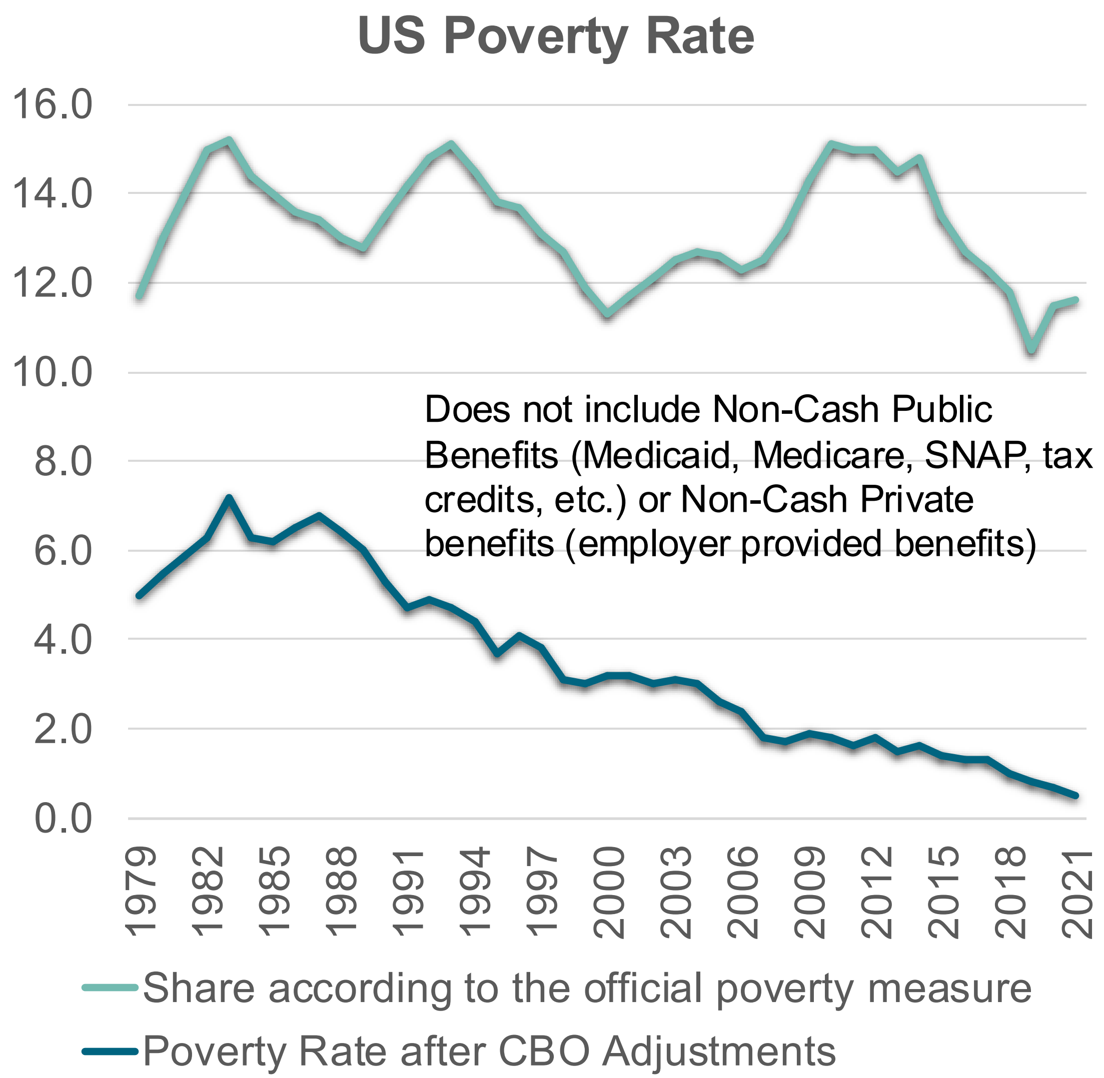



# Income Growth: Slower

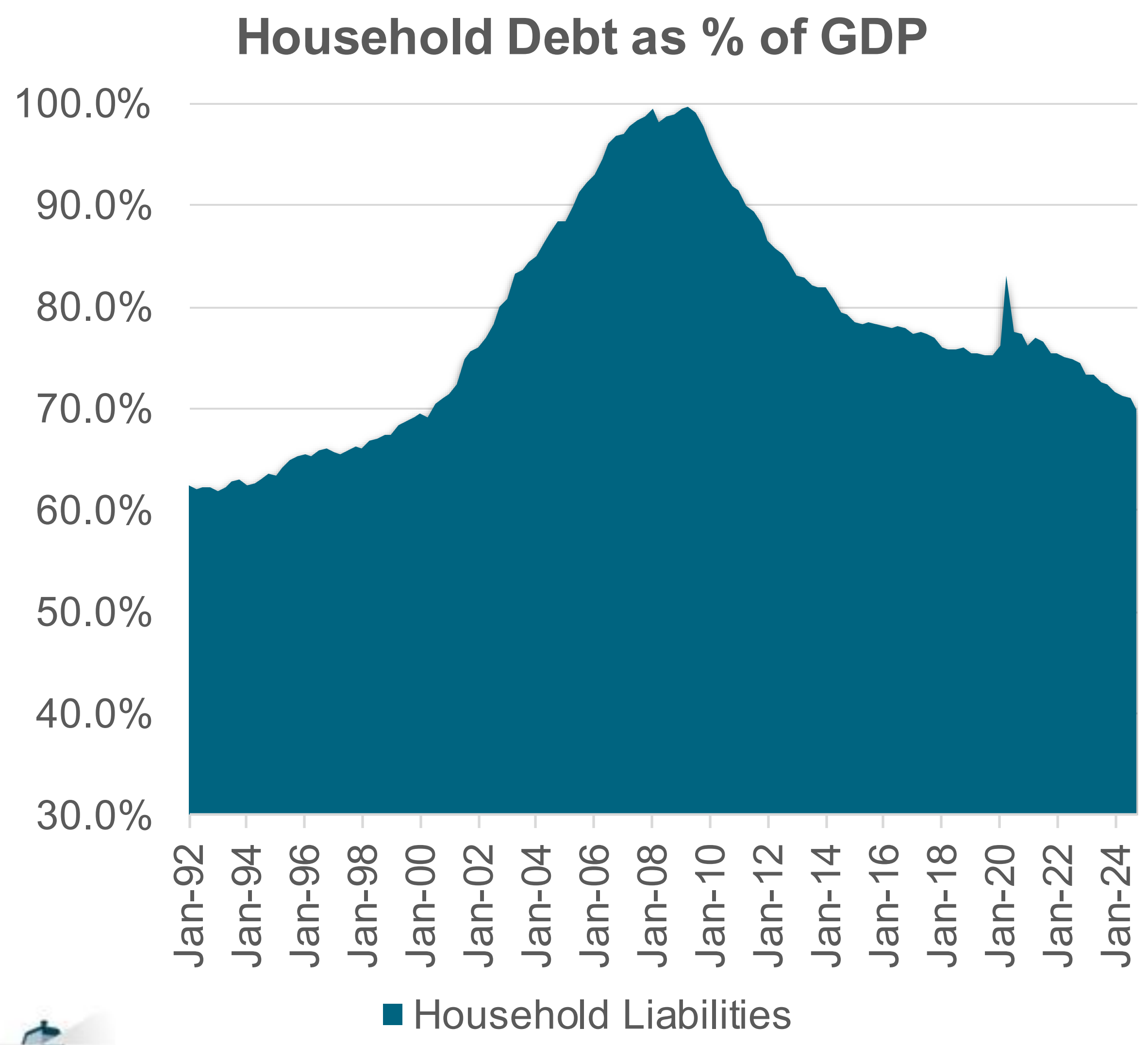



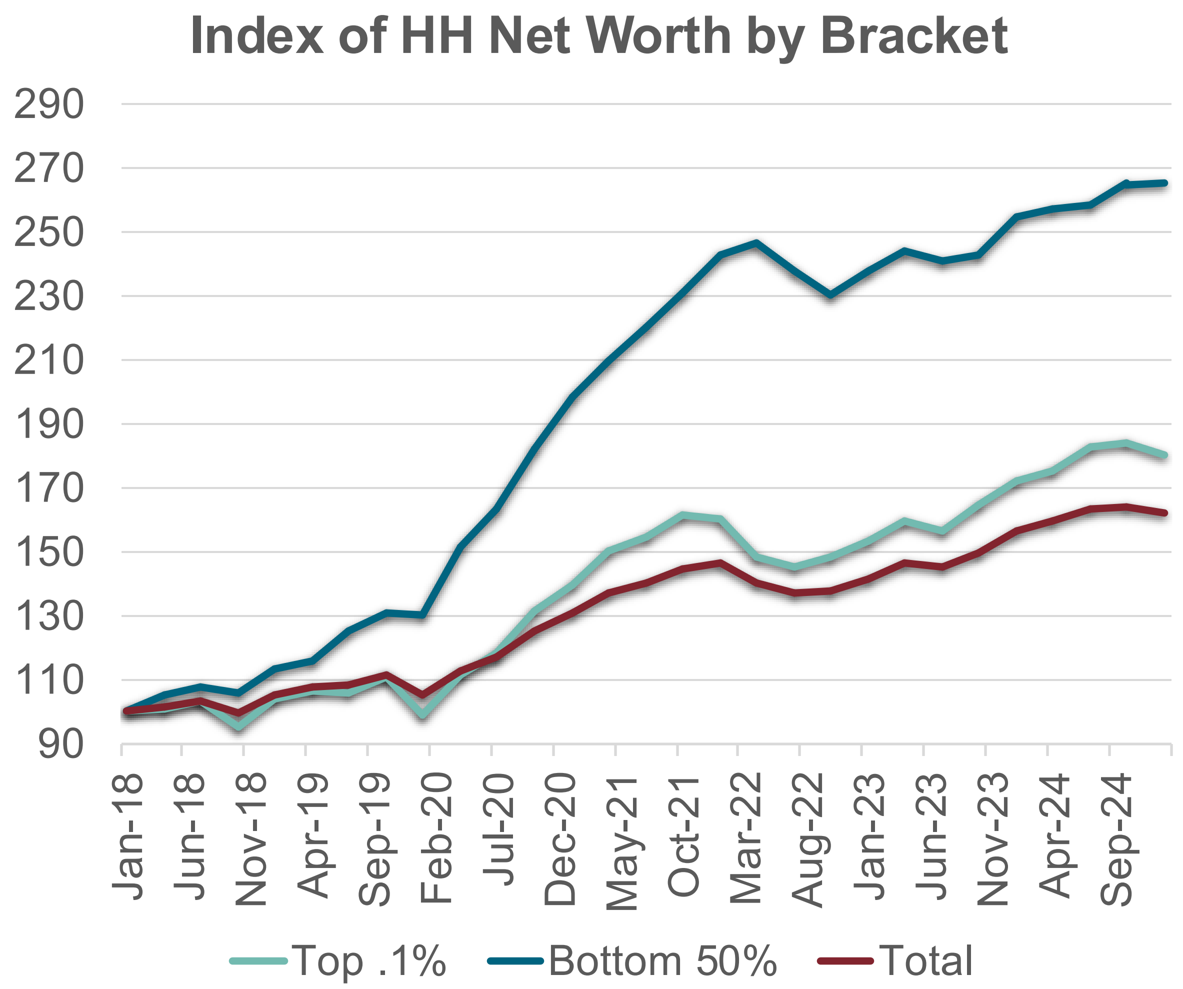
# Better Outcomes for All

| Inflation Adjusted Earnings Growth 2018-2023 | | |
|---|---|---|
| | Male | Female |
| Median earnings | $51,391 | $38,649 |
| | 6.2% | 9.3% |
| Median earnings full-time | $63,975 | $52,370 |
| | 4.57% | 5.39% |
| Median by Education (Age 25+) | | |
| Less than high school | $36,740 | $24,766 |
| | 6.70% | 13.68% |
| High school grad | $45,709 | $31,508 |
| | 5.08% | 7.03% |
| Some college / associate | $54,496 | $38,541 |
| | 2.36% | 5.62% |
| Bachelor's degree | $81,218 | $57,055 |
| | 3.49% | 4.71% |
| Graduate / professional | $104,054 | $74,815 |
| | -3.04% | 3.01% |



# Low Debt / High Net Worth



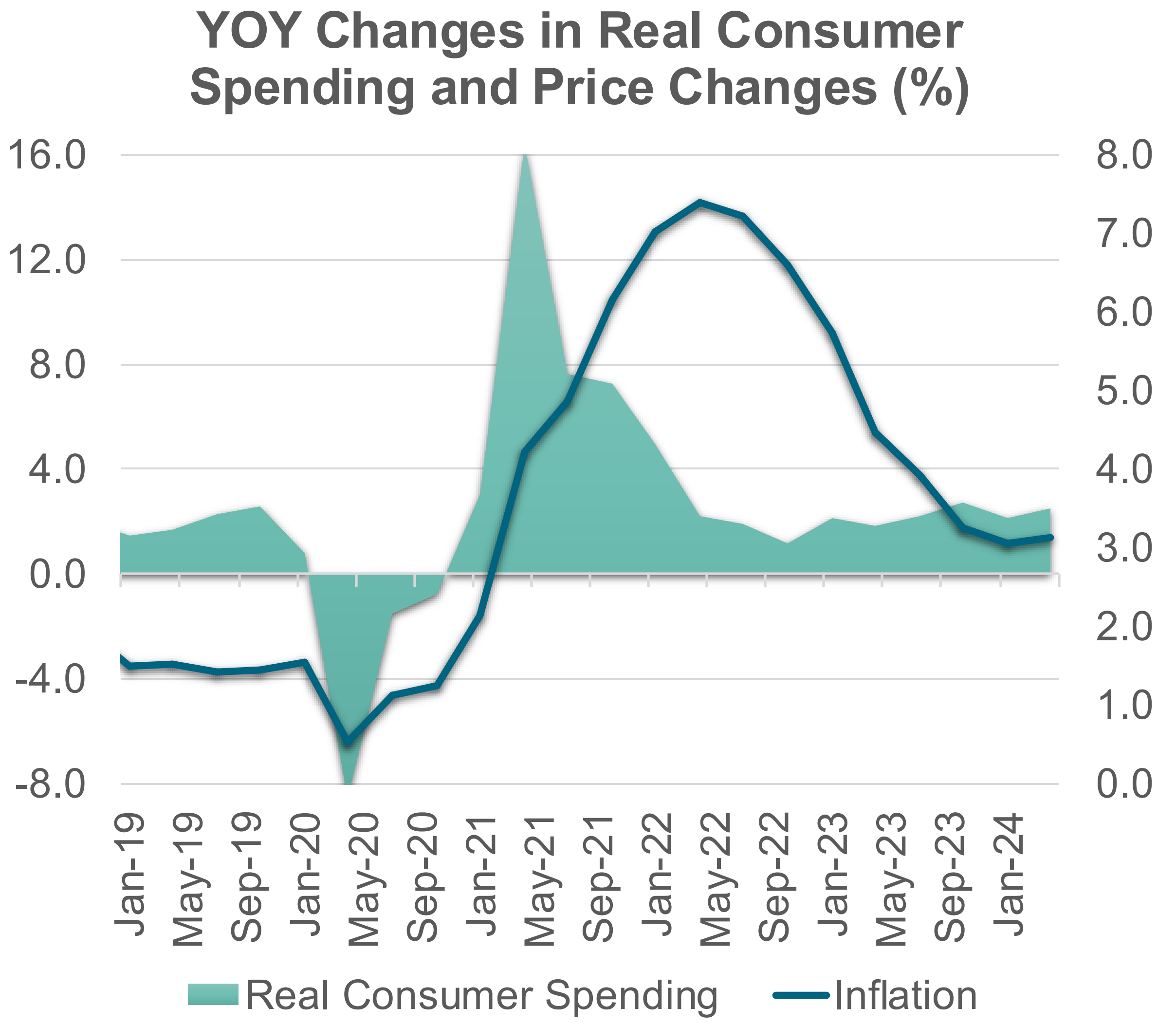
# Not a collapse, but rather normalization

## Pandemics do not cause depressions.

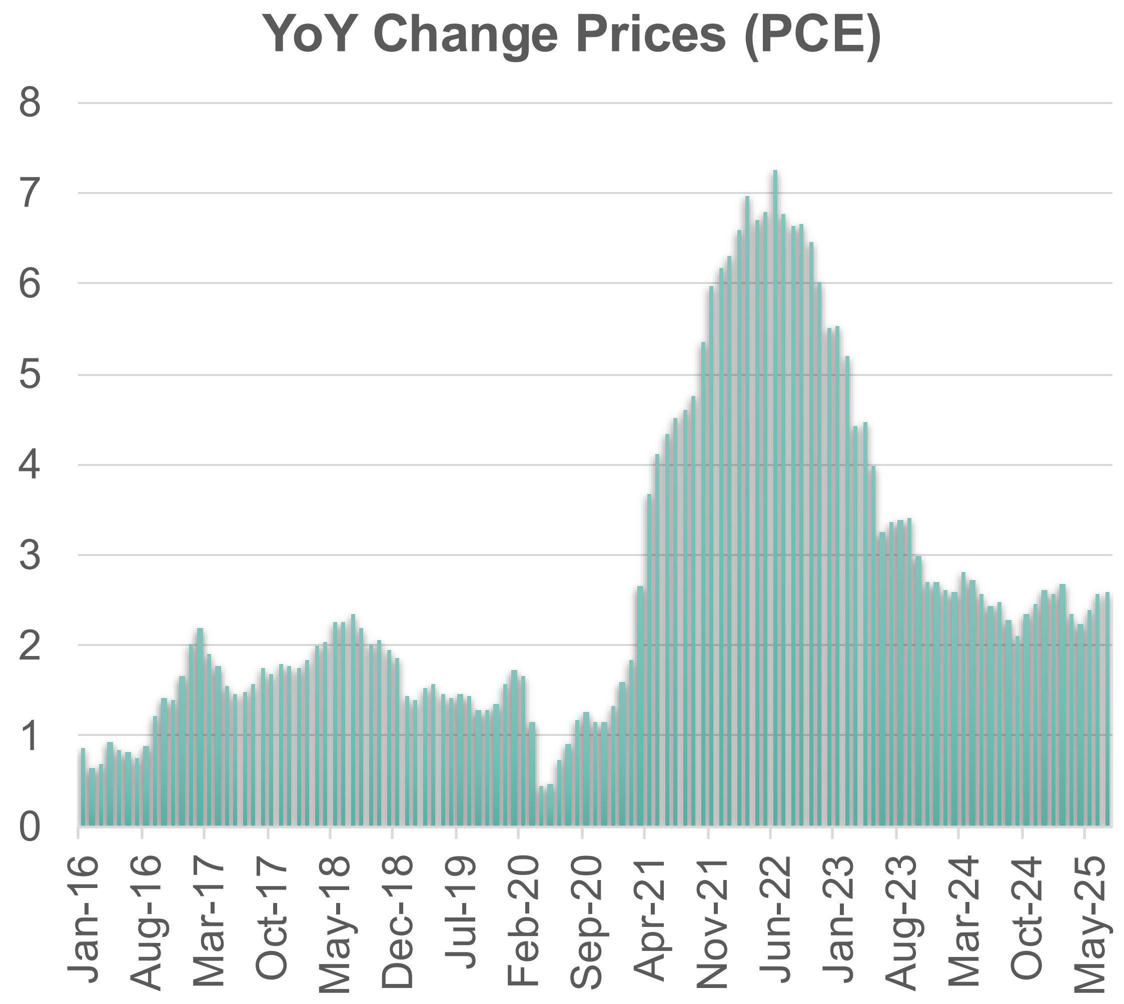
- Lost Output during Pandemic: $850 Billion
- Stimulus deployed: $6 trillion
- Efforts supported by $5 trillion in QE

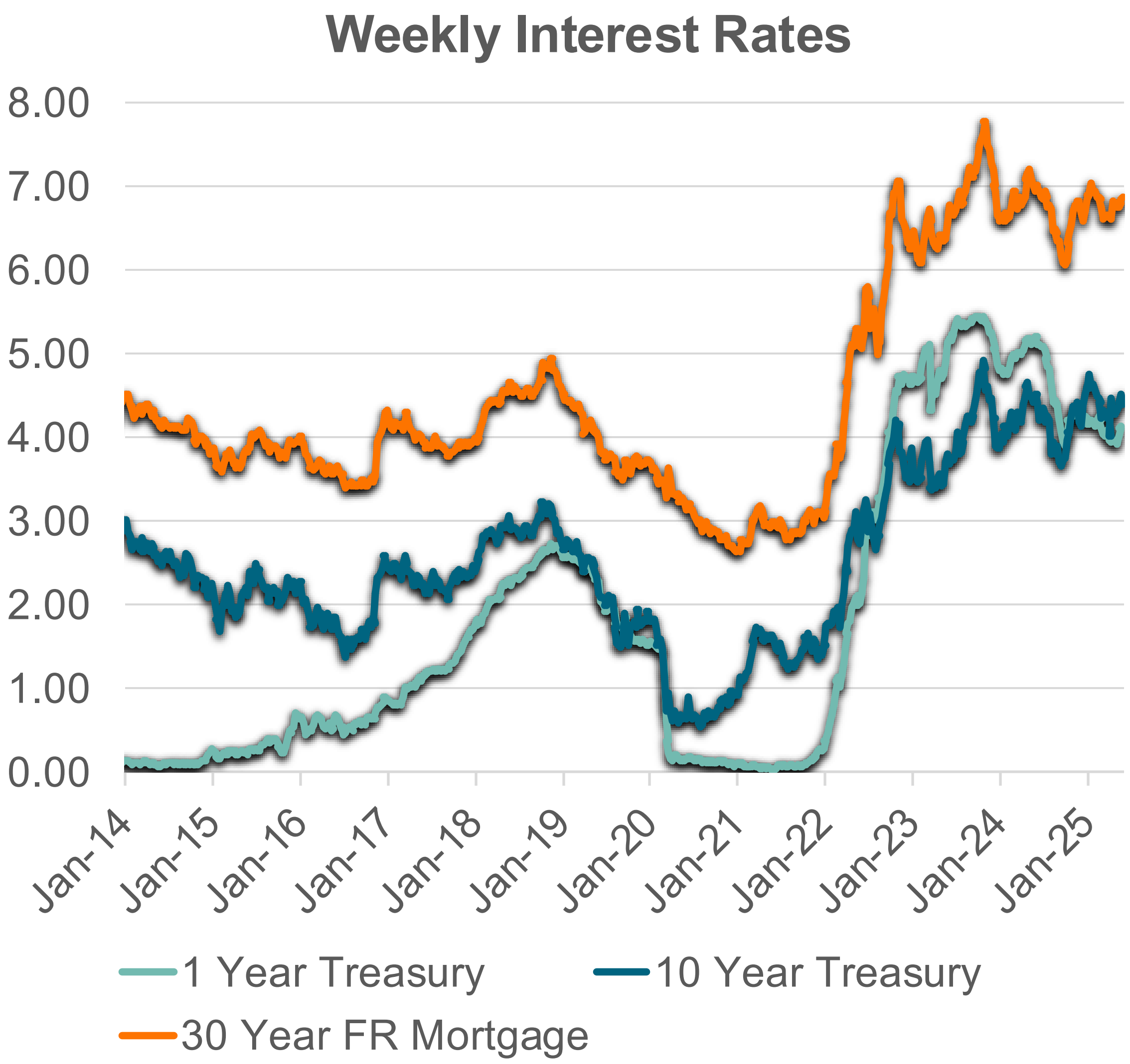
## The Stimulus Multiplier

- Initial stimulus $50k per household
- Asset prices: $200K more in net worth
- 26% increase in average net worth

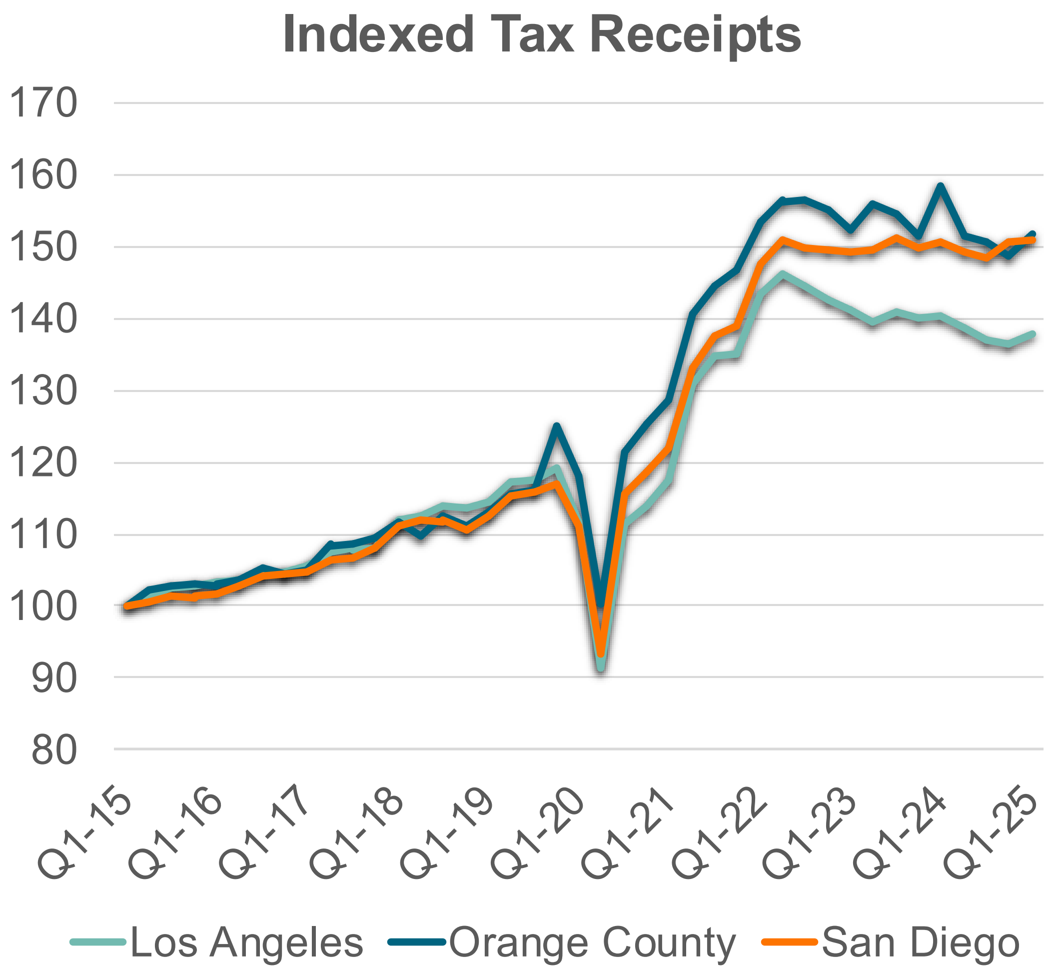


# Inflation Cooled, Rates Have Steadied



# Local Tax Receipts: Deflating

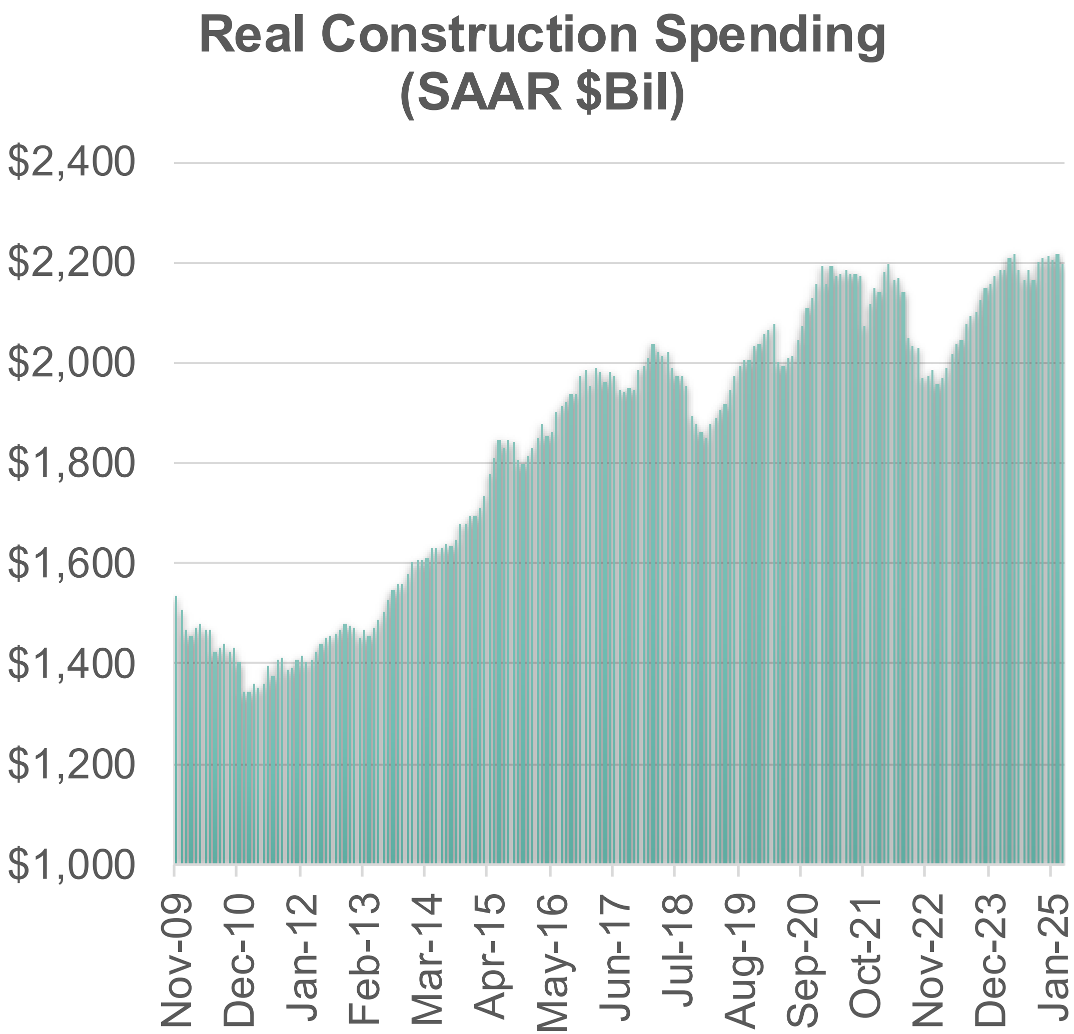



| Category | Q1-25 ($, 000s) | 1-Year Chg. (%) | Chg. Since Q4-19 (%) |
|---|---|---|---|
| Total | 204,786 | 0.2 | 28.9 |
| Building and Construction | 17,842 | 4.3 | 34.9 |
| County & State Pool | 37,980 | 2.3 | 39.5 |
| Autos and Transportation | 30,587 | 1.8 | 26.1 |
| Restaurants and Hotels | 32,086 | 1.0 | 35.1 |
| Business and Industry | 26,978 | 0.6 | 53.8 |
| General Consumer Goods | 36,137 | -2.8 | 10.3 |
| Food and Drugs | 9,788 | -3.6 | 23.4 |
| Fuel and Service Stations | 13,138 | -5.6 | 7.6 |

# Business Investment

| | 2025 Q2 | 23-24 | 24-25 |
|---|---|---|---|
| Private fixed investment | 4349.3 | 3.7% | 2.2% |
| Information processing equip | 608.1 | 4.7% | 18.8% |
| Software | 841.4 | 7.1% | 9.9% |
| Transportation equipment | 323.2 | 2.2% | 4.8% |
| Power and communication | 128.4 | 9.1% | 3.5% |
| Industrial equipment | 267.0 | 0.6% | 3.4% |
| **Research and development** | **655.1** | **2.3%** | **-0.7%** |
| Residential | 785.1 | 5.1% | -1.3% |
| Entertainment, literary, and artistic | 89.5 | -1.5% | -2.6% |
| Manufacturing | 145.1 | 21.0% | -2.7% |
| Commercial and health care | 164.3 | -5.7% | -3.9% |
| Mining, shafts, and wells | 93.6 | -6.5% | -16.0% |

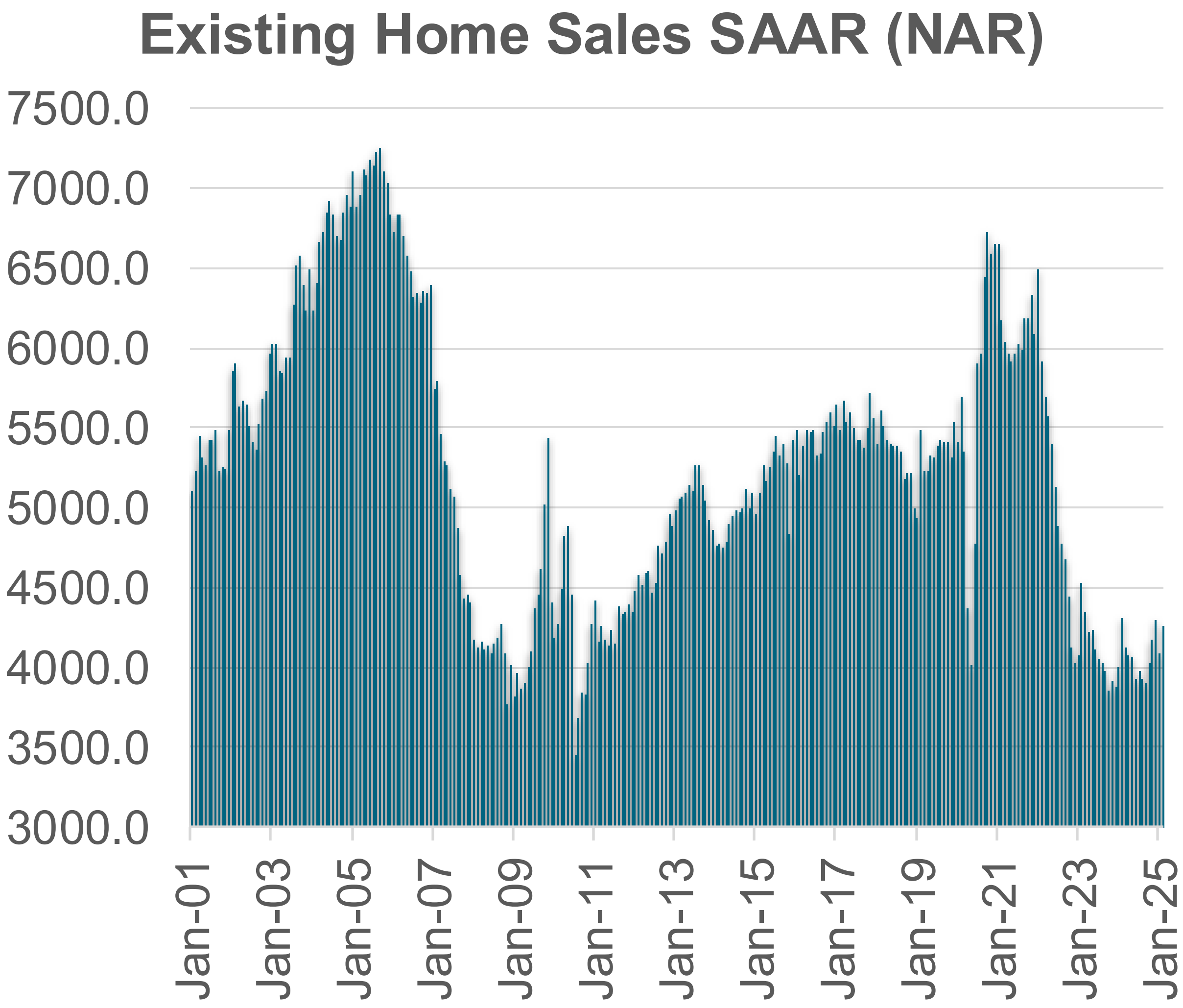
# Construction Activity

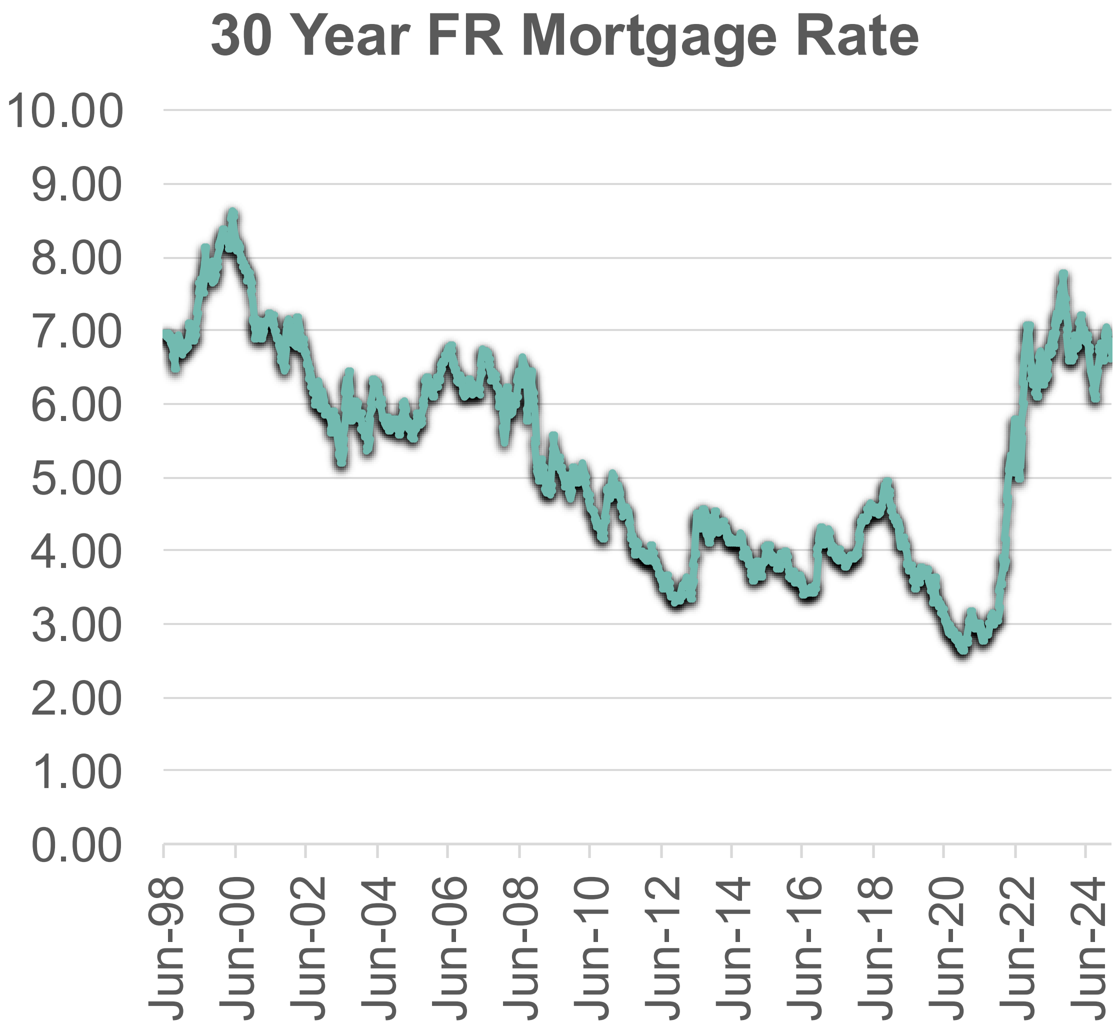



**Real Construction Spending Growth by Category (Annual Growth Rates)**

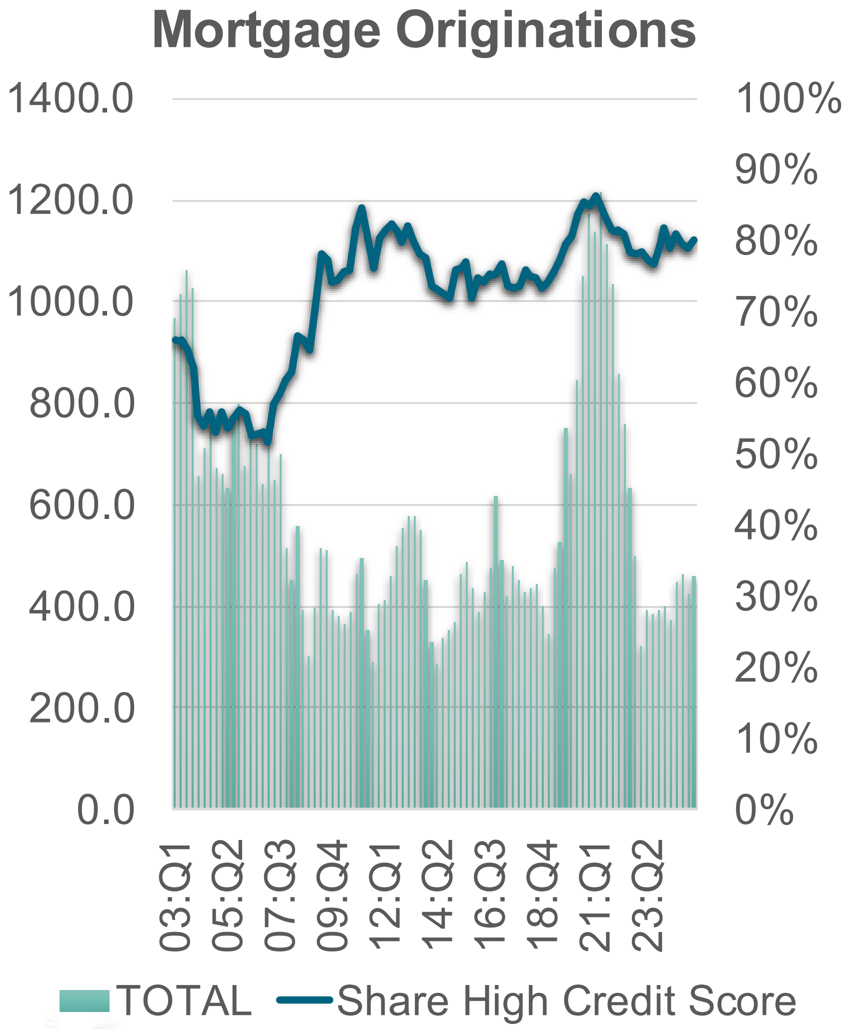
| | Mar 2025 | 14-19 | 19-24 | 1 Yr |
|---|---|---|---|---|
| Residential | 949468 | 4.2% | 4.8% | 0.5% |
| Lodging | 23231 | 13.8% | -12.9% | -2.0% |
| Office | 103494 | 11.1% | -3.0% | 0.9% |
| Commercial | 124089 | 3.9% | 2.9% | -6.3% |
| Health Care | 68783 | 1.0% | 2.2% | -3.9% |
| Educational | 134564 | 4.0% | -2.7% | 2.9% |
| Public Safety | 18914 | -2.9% | 7.2% | 1.9% |
| Manufacturing | 234108 | 6.7% | 14.7% | 1.4% |

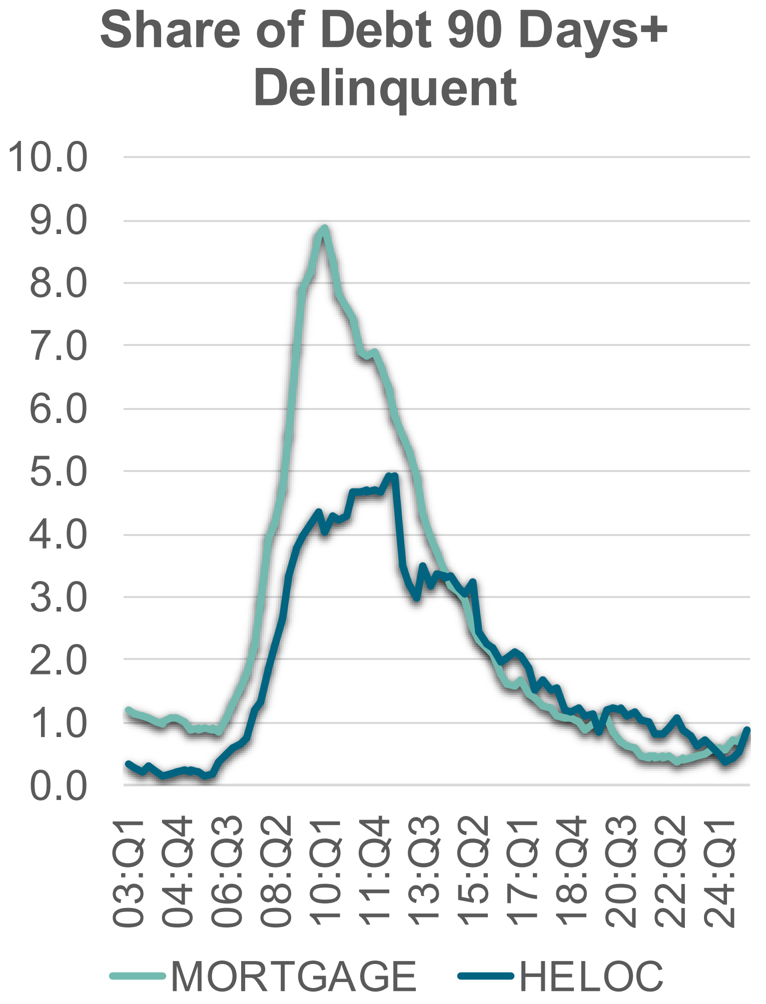
# A rate shocked existing home market

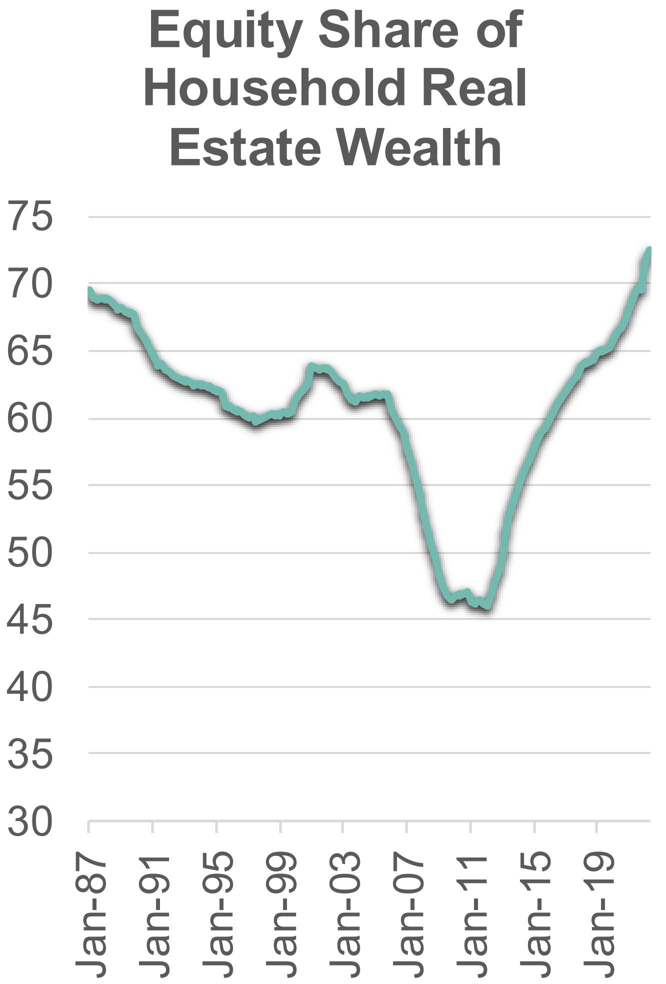


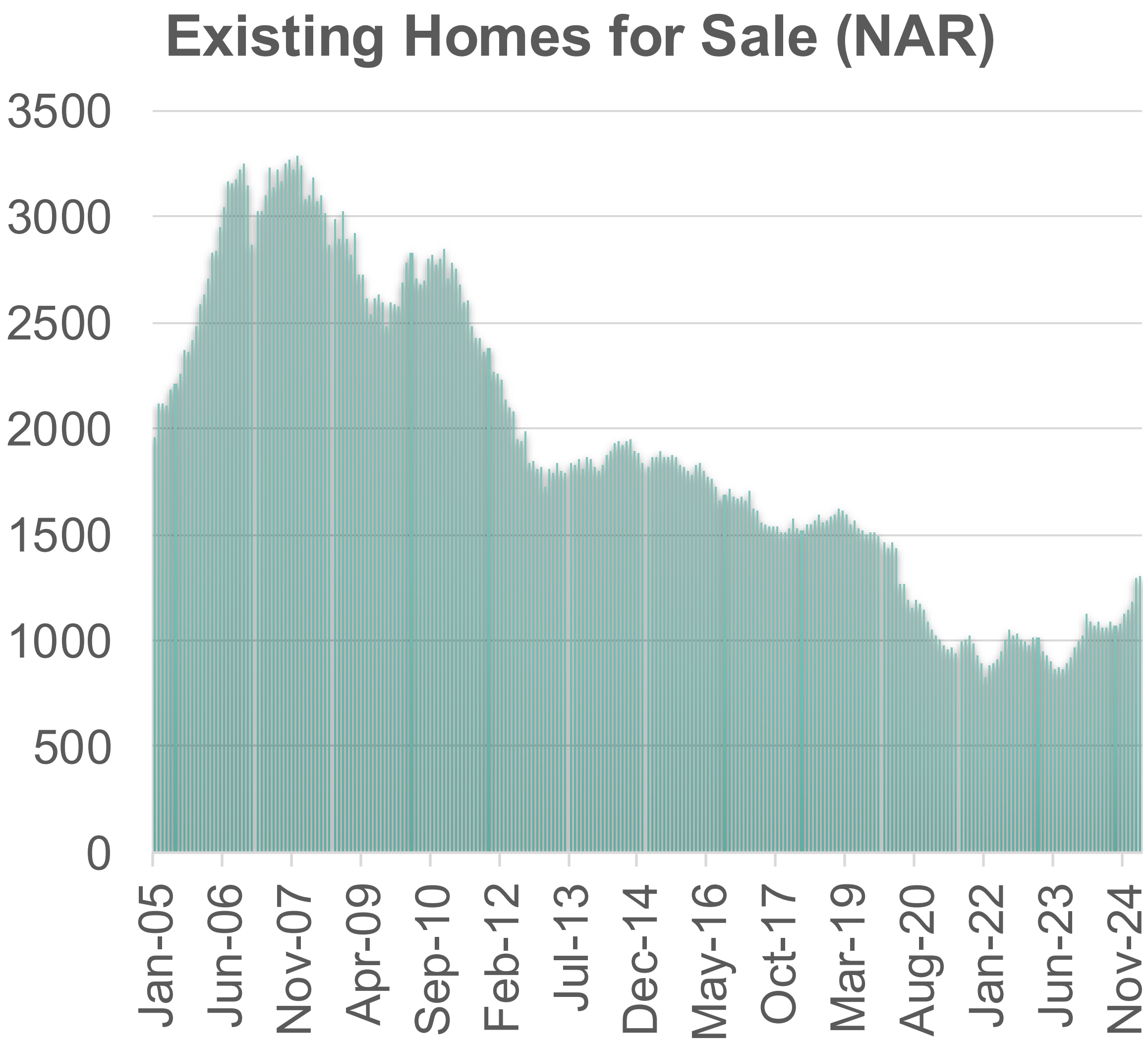
# Little topline financial distress

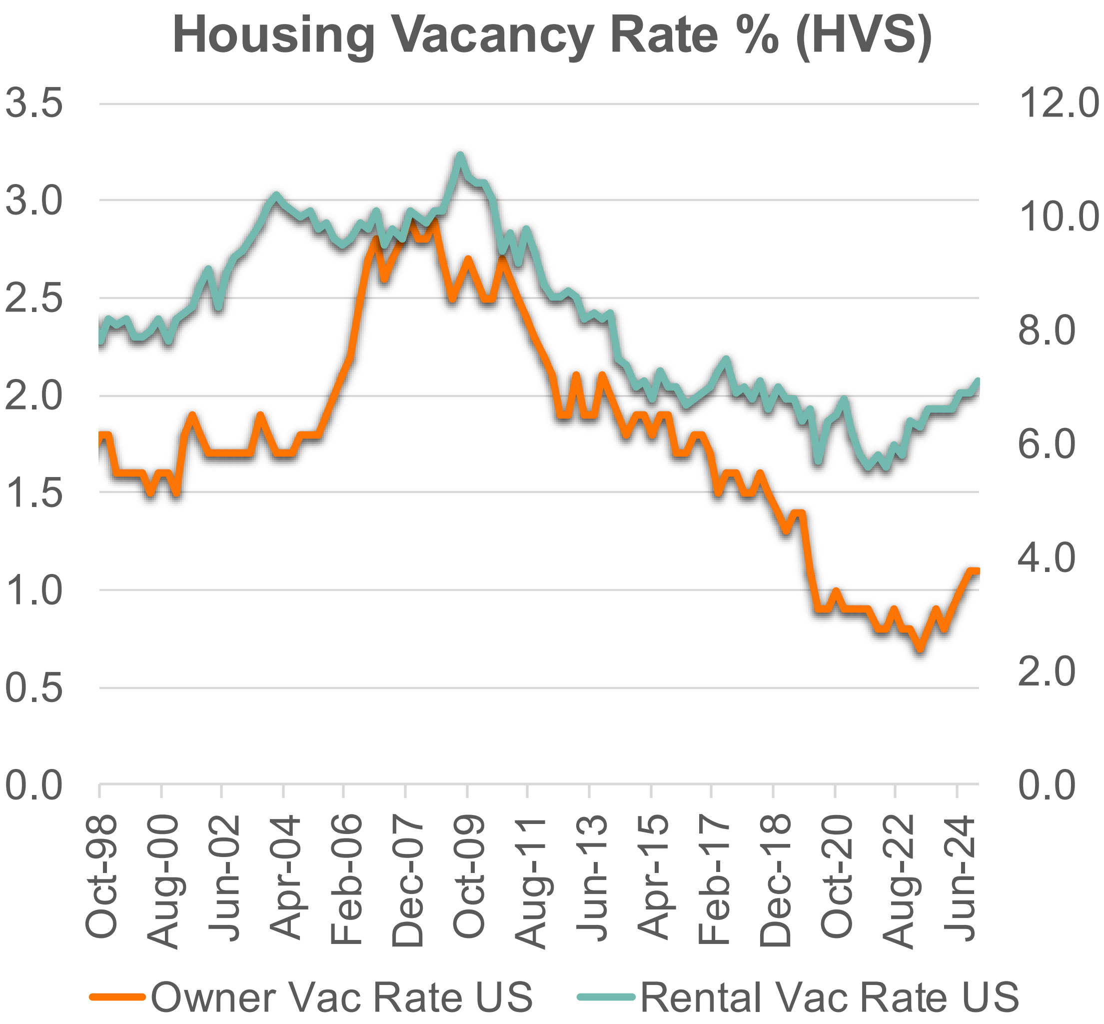


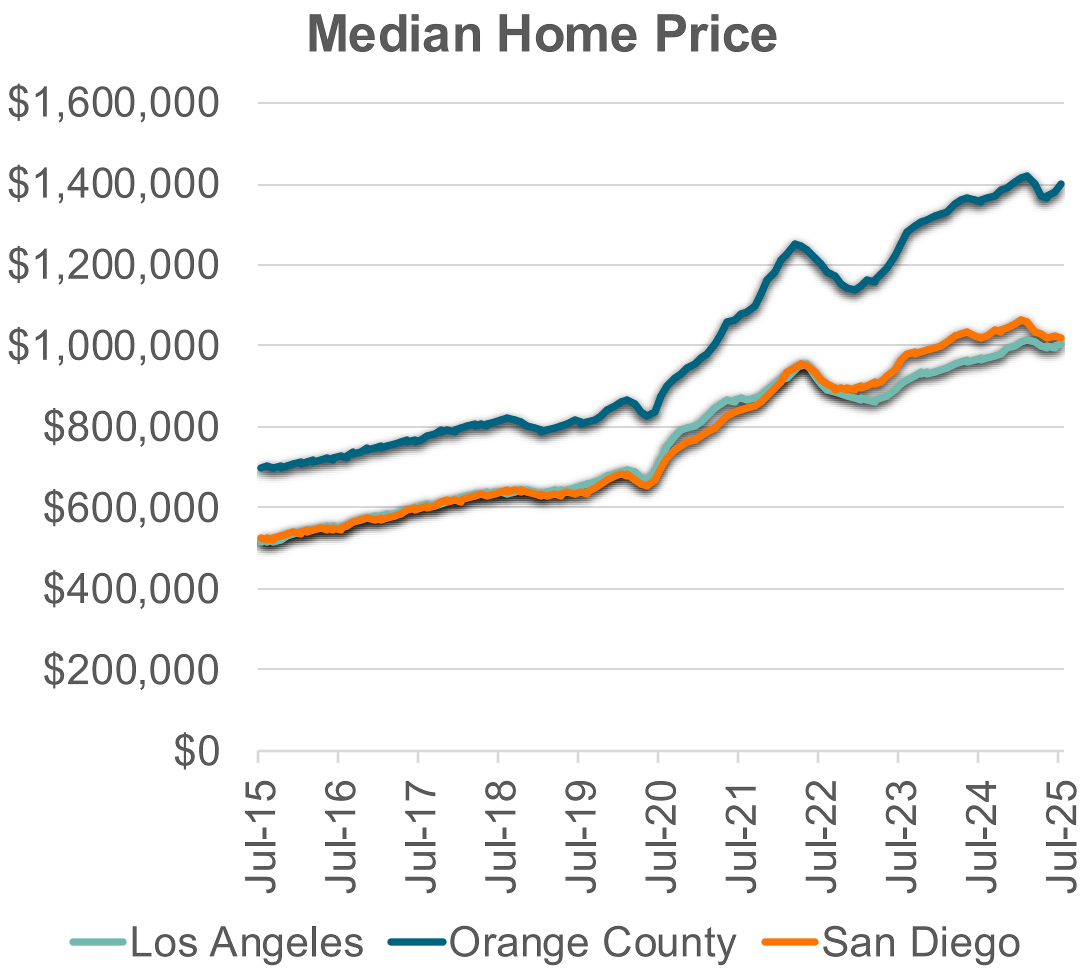



# Supply, Supply, Supply…



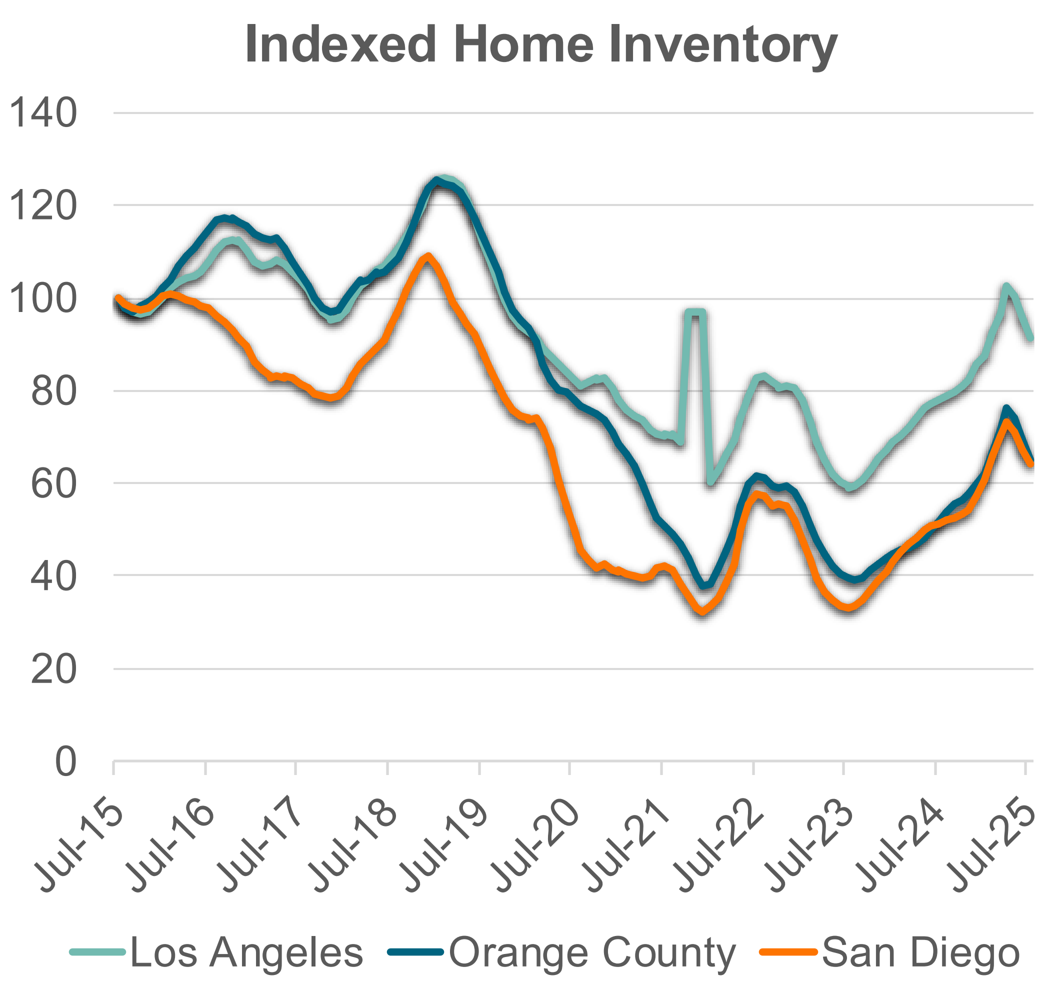
# Home Prices



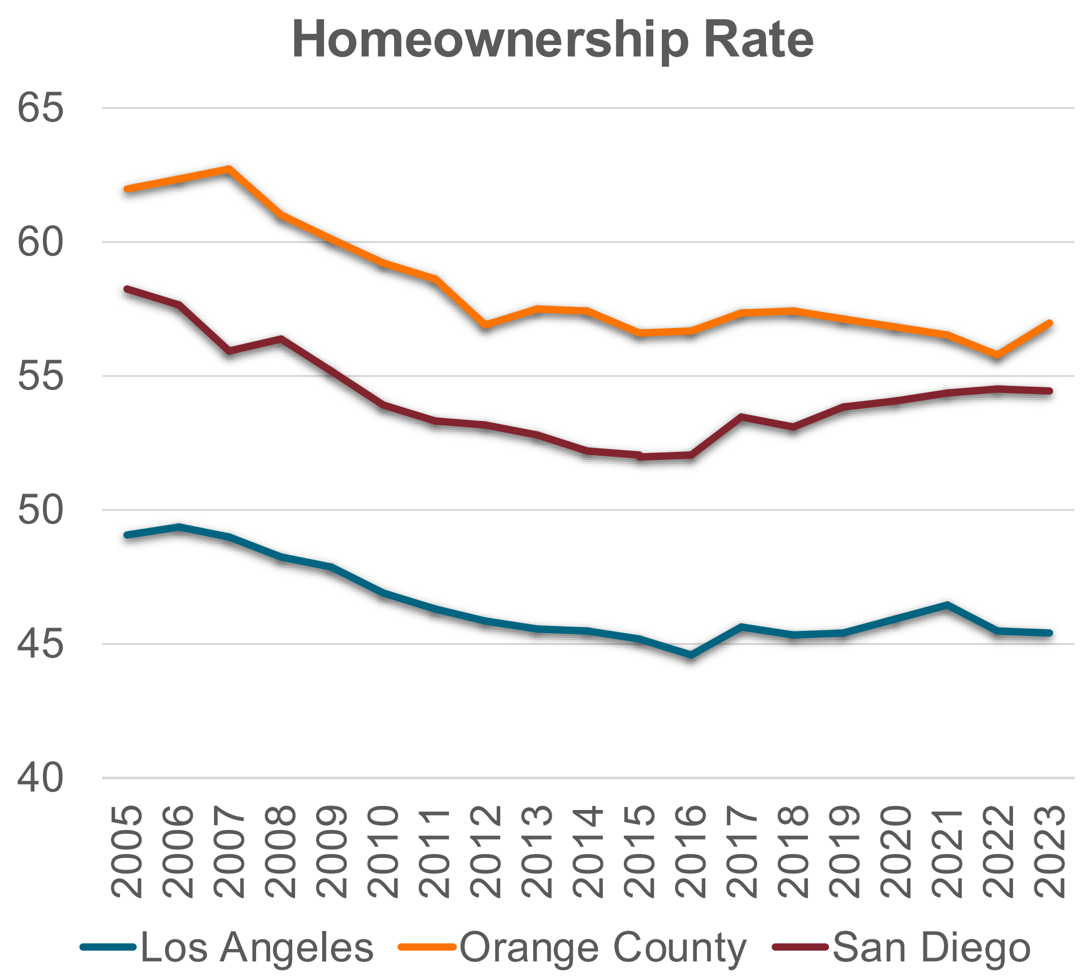

| Location | Jul-25 Median Home Price ($000s) | 1-Year Chg. (%) | Chg. since Feb-20 (%) |
|---|---|---|---|
| United States | 451 | 1.2 | 45.1 |
| California | 858 | 1.5 | 44.9 |
| San Jose | 1,876 | 3.9 | 46.1 |
| Los Angeles (MD) | 1,005 | 3.6 | 45.0 |
| Orange County (MD) | 1,399 | 2.8 | 61.5 |
| Fresno | 428 | 2.5 | 46.8 |
| Bakersfield | 383 | 1.1 | 51.3 |
| San Bernardino | 532 | 0.5 | 47.9 |
| Sacramento | 589 | -0.4 | 34.8 |
| San Diego | 1,019 | -0.6 | 49.4 |
| Riverside | 618 | -0.9 | 48.7 |
| Stockton | 542 | -1.7 | 35.8 |

# Home Inventory

| Location | Jul-25 Inventory | 1-Year Chg. (%) | Chg. since Feb-20 (%) |
|---|---|---|---|
| United States | 1,044,880 | 15.5 | -9.8 |
| California | 56,738 | 20.8 | -5.4 |
| Stockton | 1,402 | 51.5 | 23.3 |
| Fresno | 1,581 | 50.4 | 12.2 |
| Sacramento | 4,440 | 29.5 | 2.3 |
| Bakersfield | 1,991 | 27.4 | -1.2 |
| Orange County (MD) | 3,050 | 26.0 | -28.1 |
| San Diego | 3,271 | 25.4 | -13.3 |
| Riverside | 6,824 | 21.3 | -8.6 |
| San Bernardino | 5,788 | 19.4 | -5.3 |
| Los Angeles (MD) | 9,985 | 17.3 | -0.2 |
| San Jose | 667 | -25.2 | -42.6 |

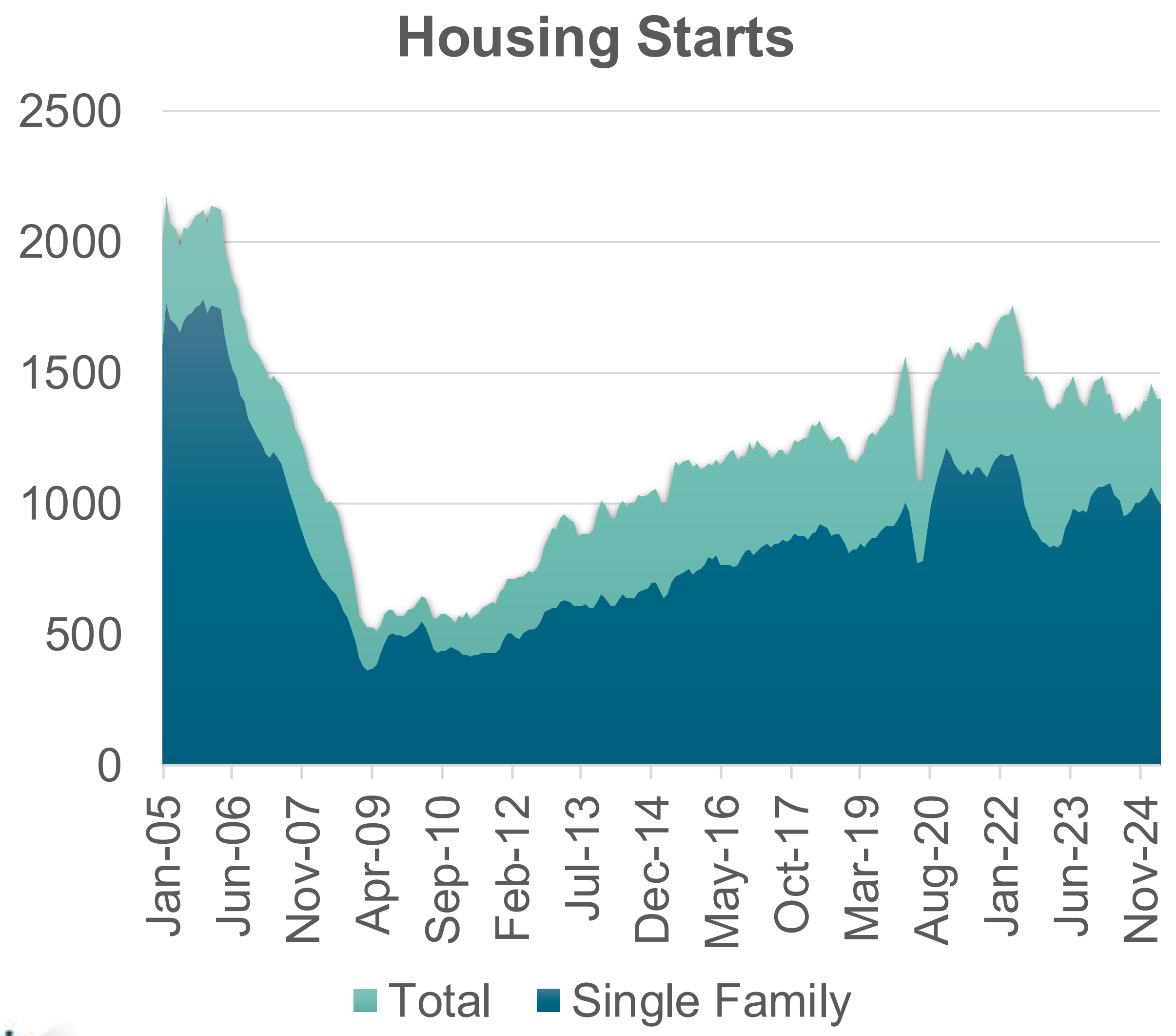


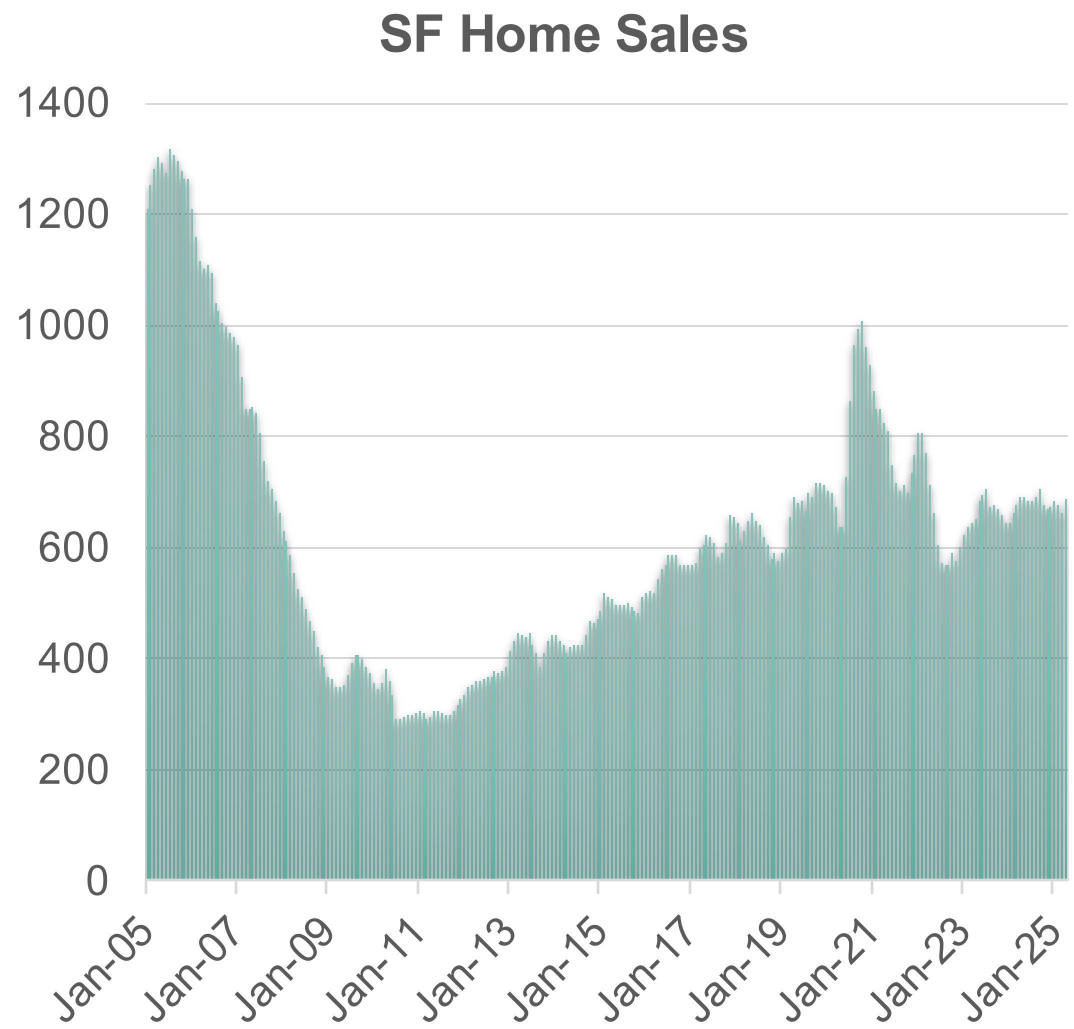
# Housing Affordability?




| **Median Cost to Income New Buyers** | **2013 (%)** | **2018 (%)** | **2023 (%)** |
|---|---|---|---|
| United States | 25.2 | 25.5 | 28.0 |
| California | 29.0 | 30.2 | 33.4 |
| East Bay | 27.4 | 28.7 | 29.8 |
| Fresno | 29.4 | 31.0 | 31.6 |
| Inland Empire | 30.7 | 32.0 | 35.6 |
| Los Angeles | 31.0 | 32.3 | 36.1 |
| Monterey | 31.2 | 31.8 | 31.8 |
| Orange | 29.2 | 31.1 | 37.7 |
| Sacramento MSA | 28.5 | 28.3 | 31.4 |
| **San Diego** | **30.9** | **31.0** | **34.5** |
| San Francisco (MD) | 23.4 | 31.1 | 29.2 |
| San Luis Obispo | 24.1 | 26.1 | 35.0 |
| Santa Clara | 26.2 | 26.5 | 27.5 |
| Ventura | 26.4 | 31.5 | 33.3 |

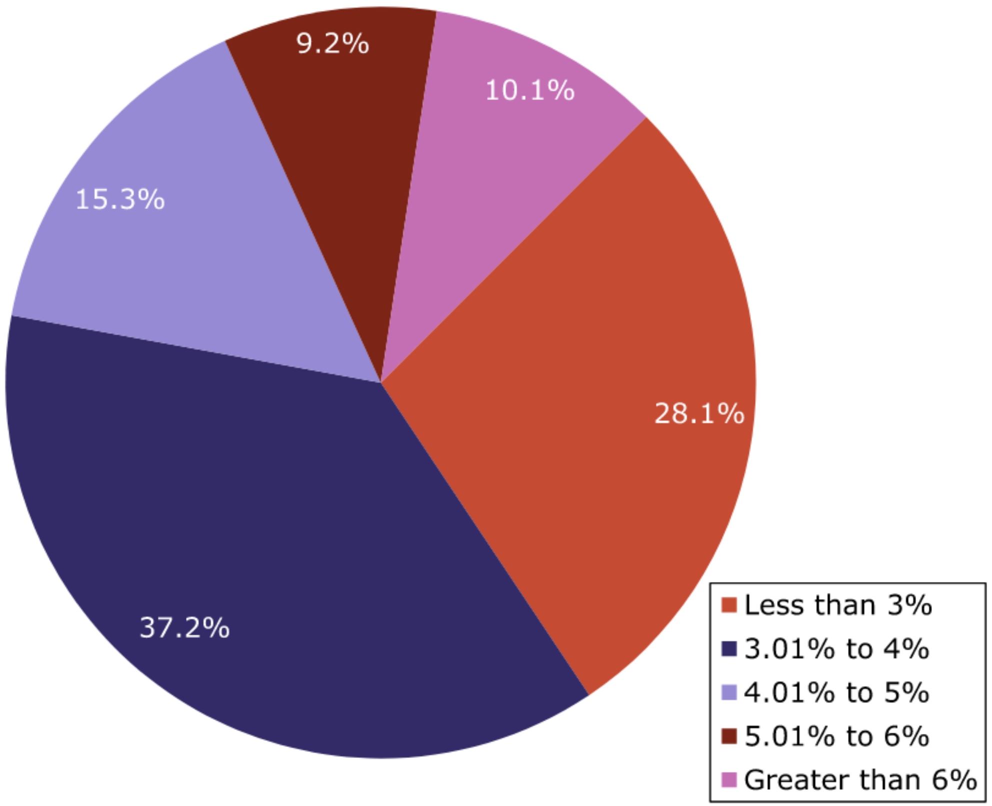
# New Housing Construction



# The Yin and Yang of New Home Markets

Most Outstanding Mortgages Have a Rate <5%
Share of Outstanding Mortgages by Interest Rate, Q3-2023



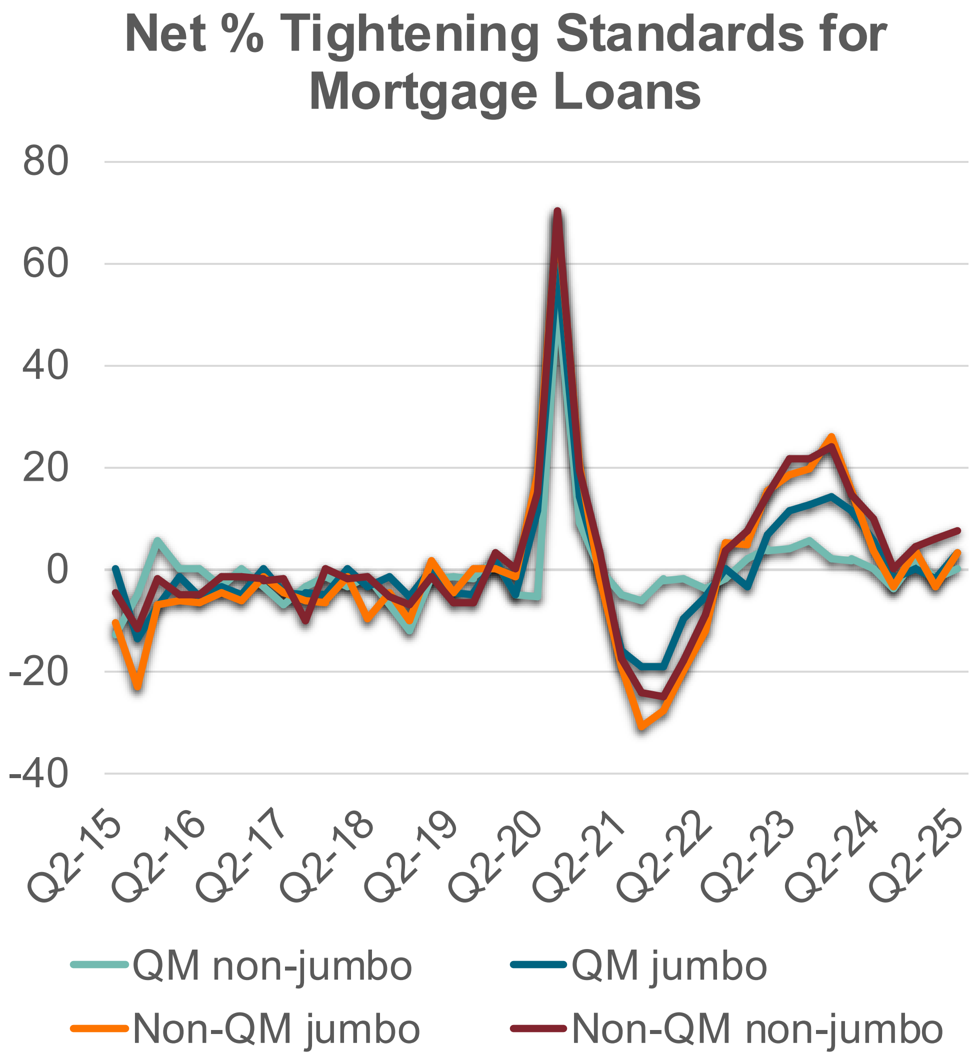

Source: FHFA and Wells Fargo Economics

Liquidity Constrained Housing Market

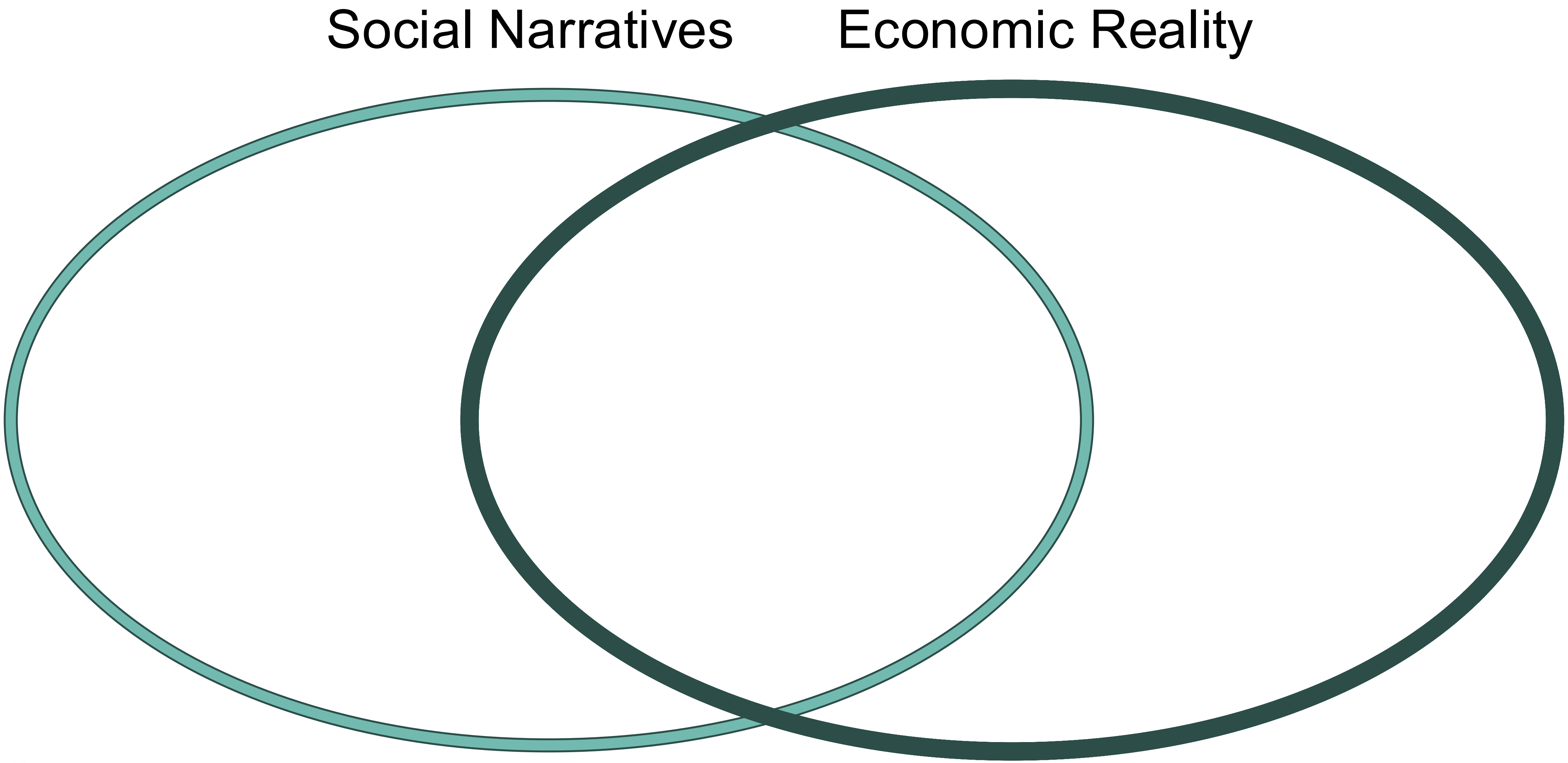
Normal Housing Market


# Banking: Moving to Normalcy

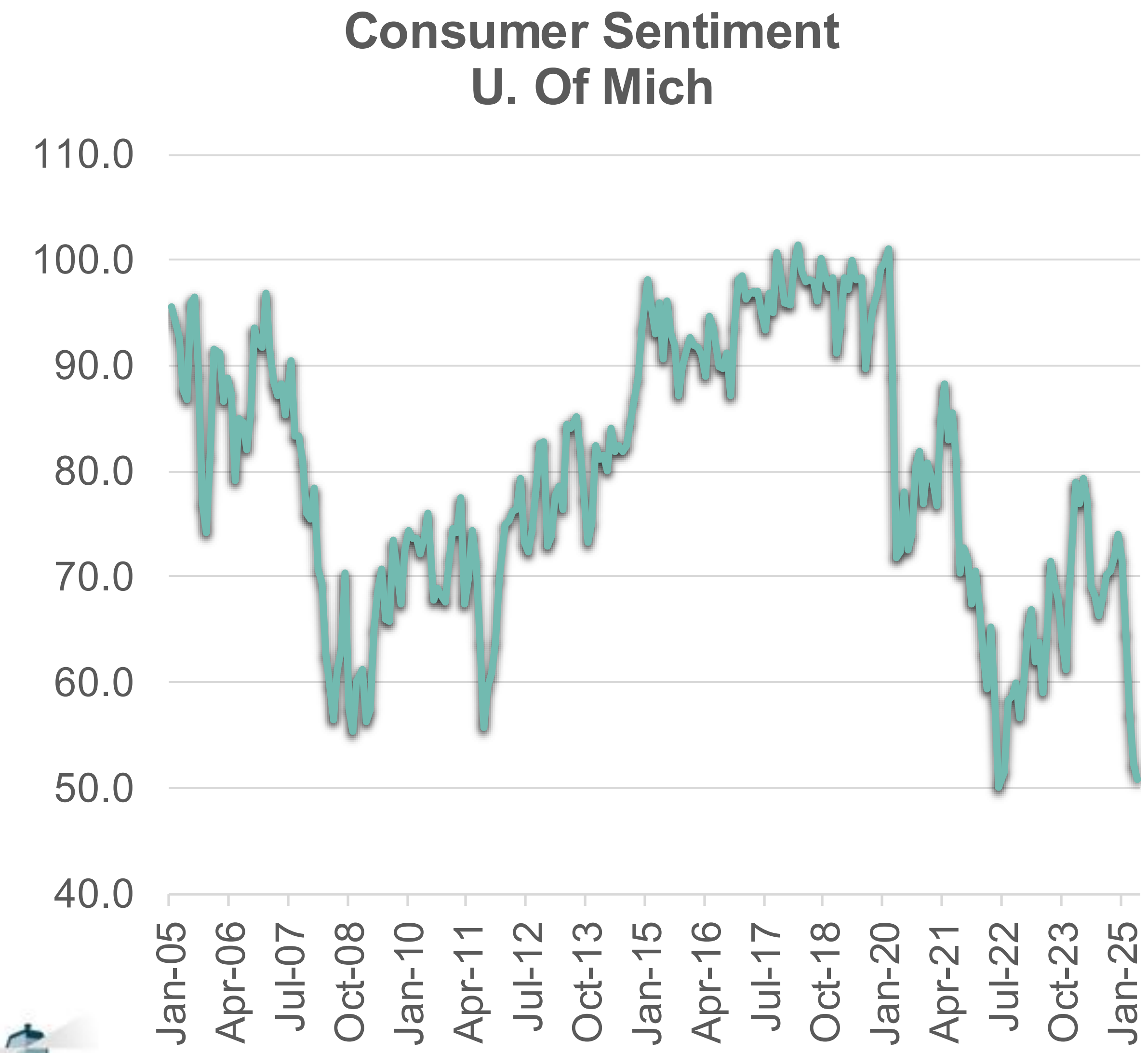
| | 2022-23 | 2023-24 | 2024-25 |
|---|---|---|---|
| Bank credit | 6.0% | -0.8% | 3.7% |
| | | | |
| Securities | -4.7% | -6.8% | 4.9% |
| Treasury | -6.8% | -5.7% | 7.7% |
| C&I | 13.4% | -2.3% | 1.5% |
| HELOC | 3.3% | -0.3% | 3.5% |
| Mortgages | 10.7% | 3.9% | 1.9% |
| Construction | 17.1% | 6.5% | -2.6% |
| Multi-Family | 26.3% | 2.2% | 3.7% |
| Commercial | 8.8% | 2.6% | 1.5% |
| Credit Cards | 17.3% | 9.0% | 4.9% |
| Autos | 1.3% | -3.9% | -2.1% |
| | | | |
| Deposits | -1.6% | -1.8% | 3.2% |
| Borrowings | 16.3% | 26.9% | -10.3% |

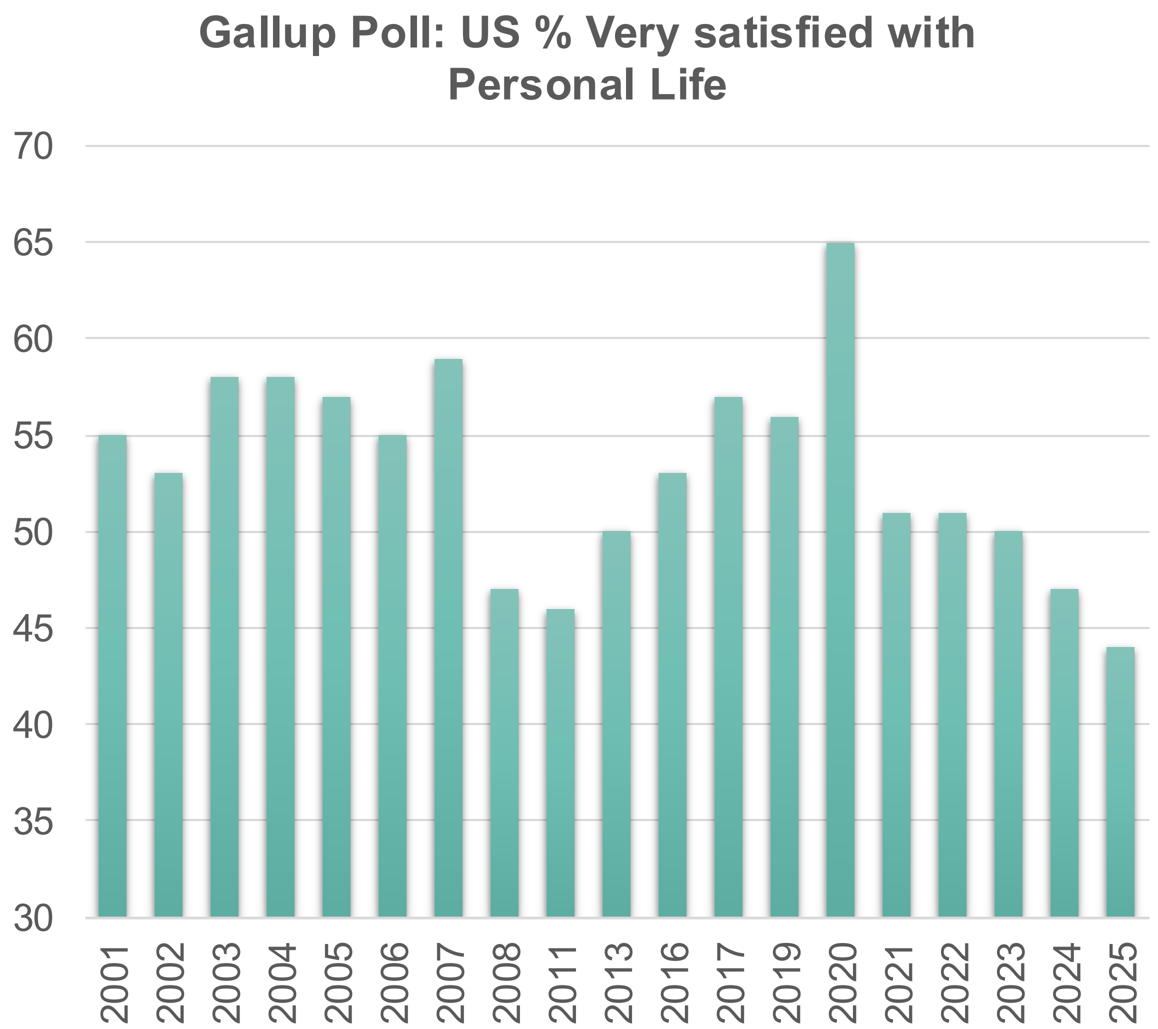


# Beware the Narrative

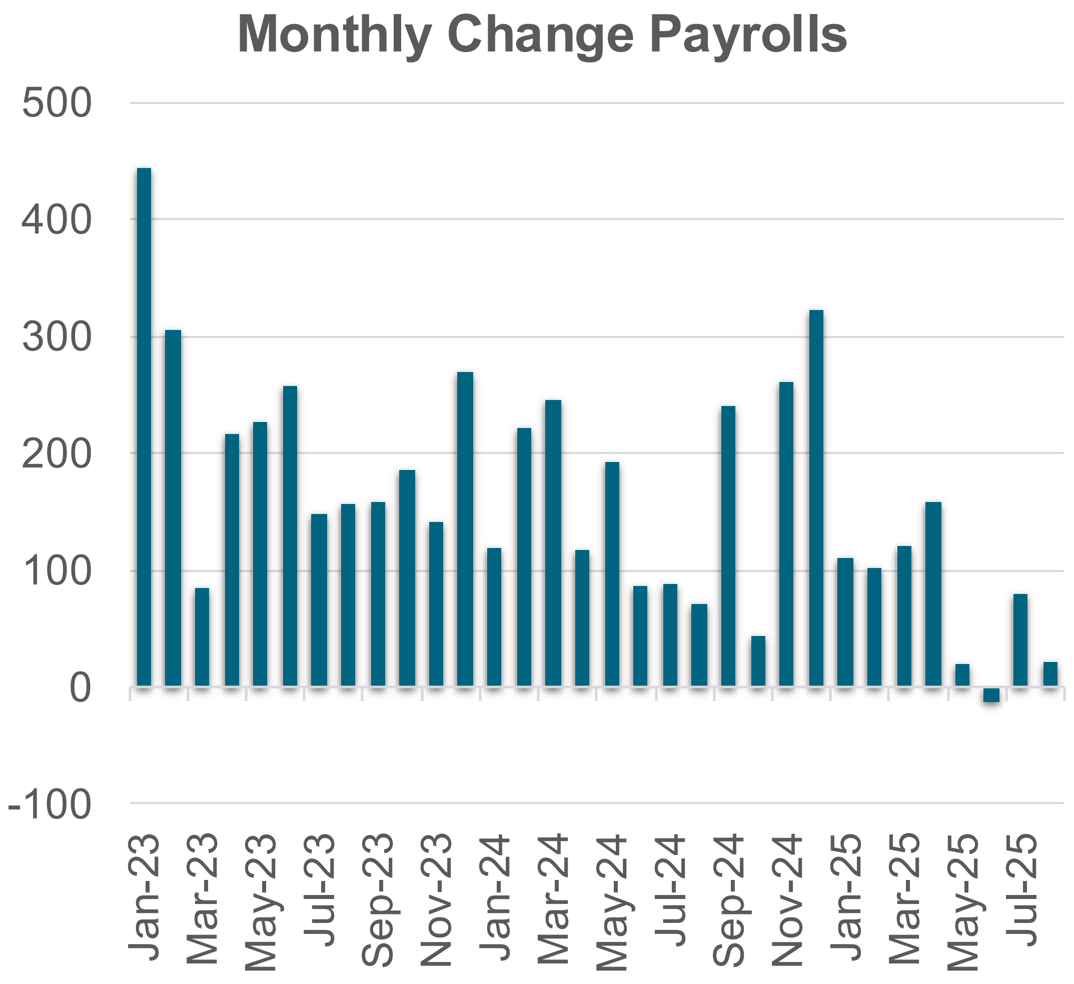


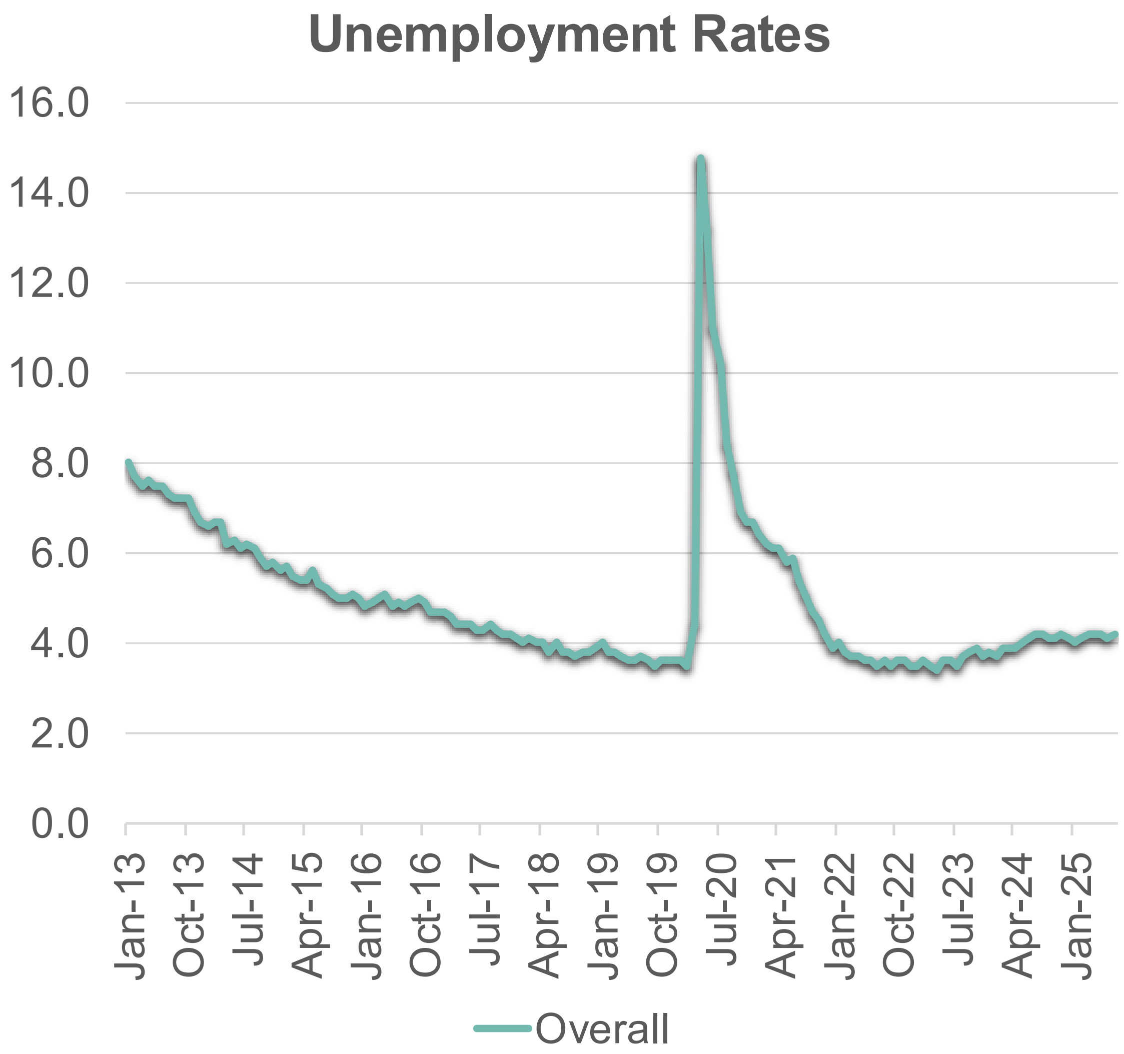
# The national mood?



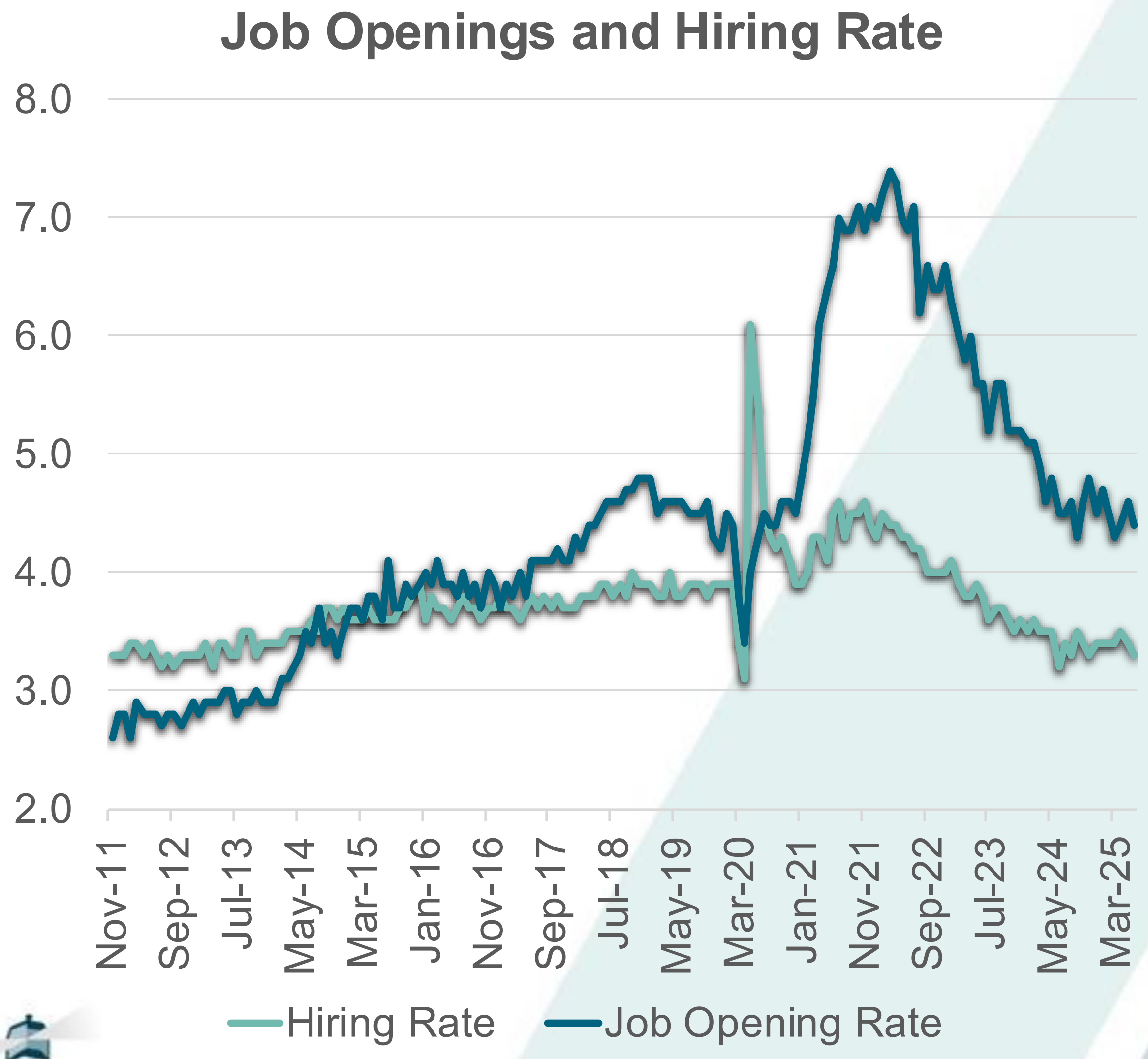



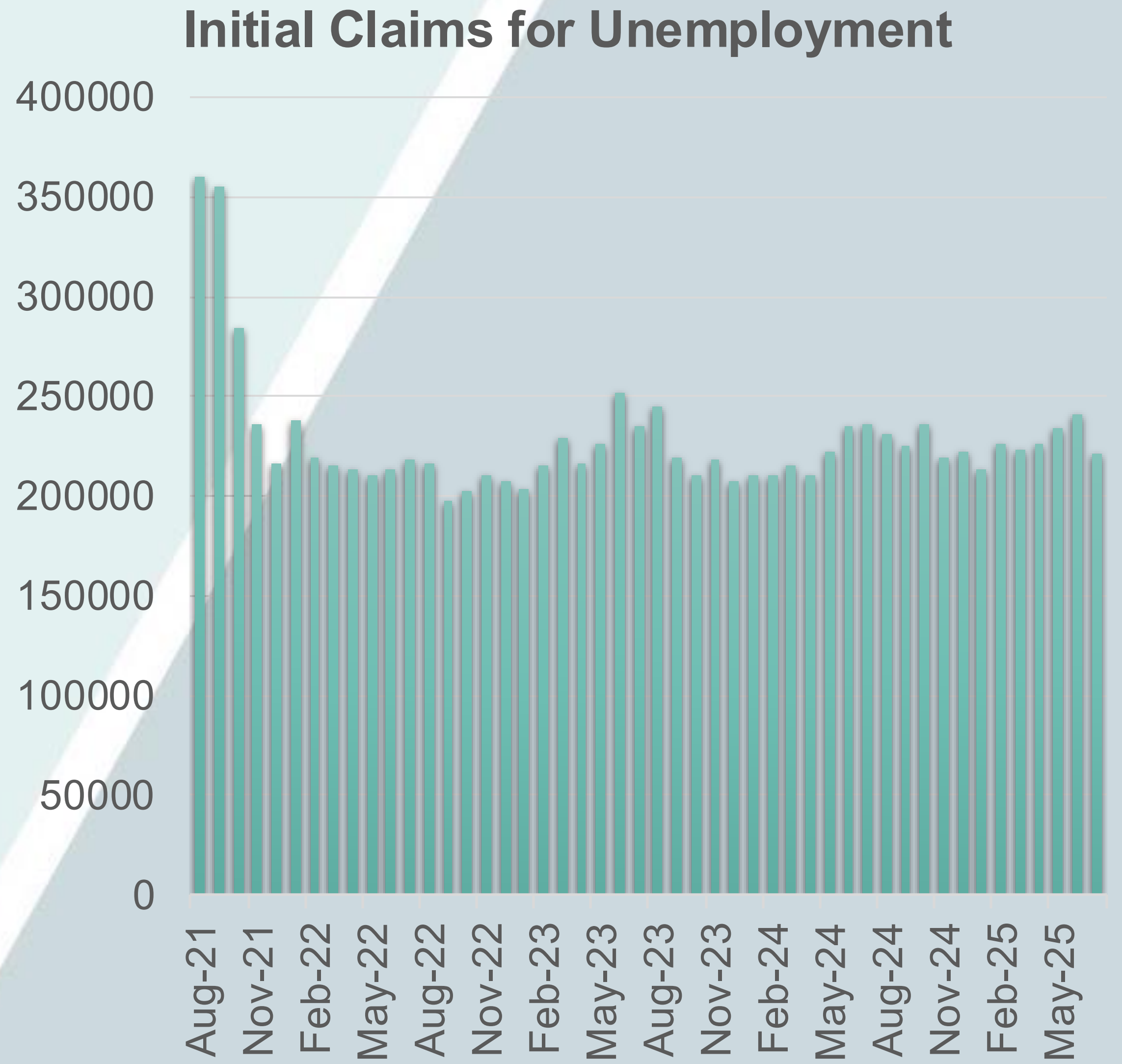
# Slowing Labor Market?



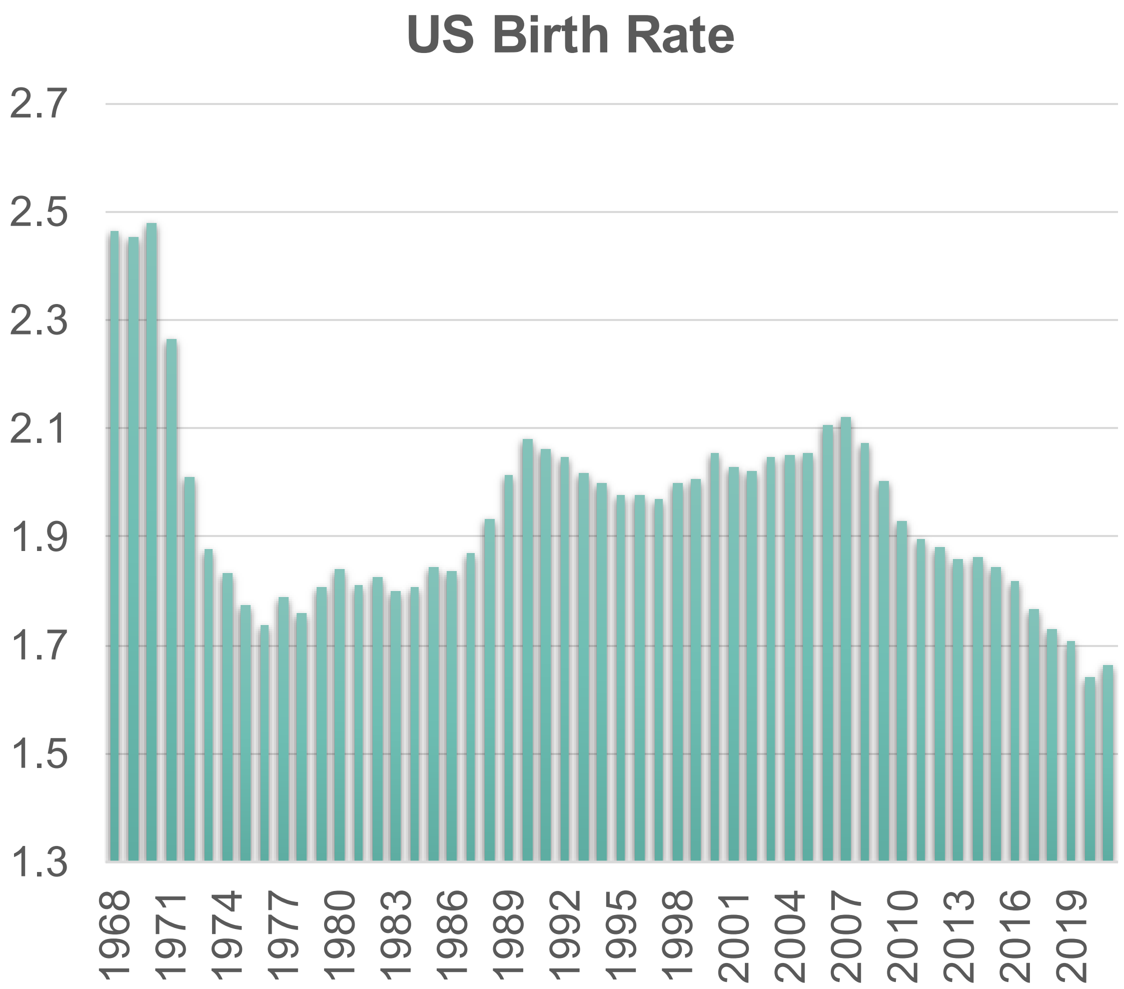



# Cooling, not collapsing…

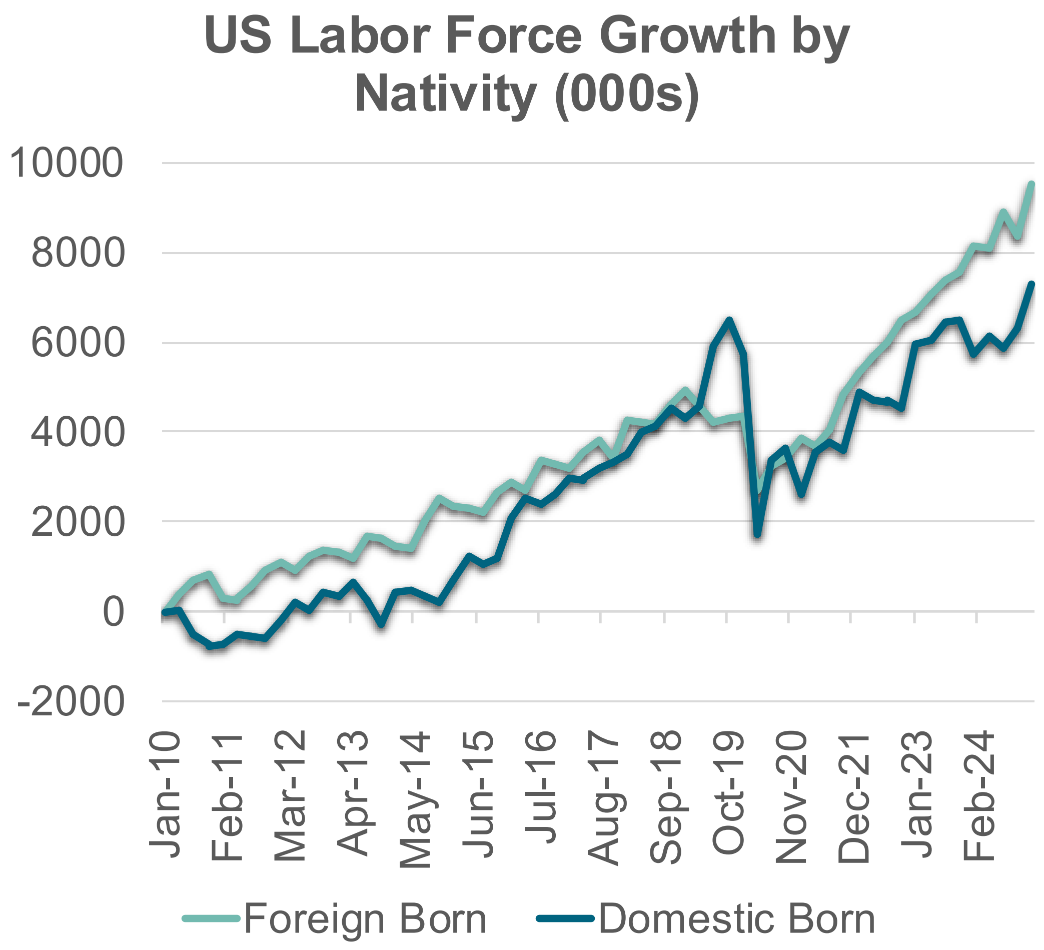


# Labor Supply Issues

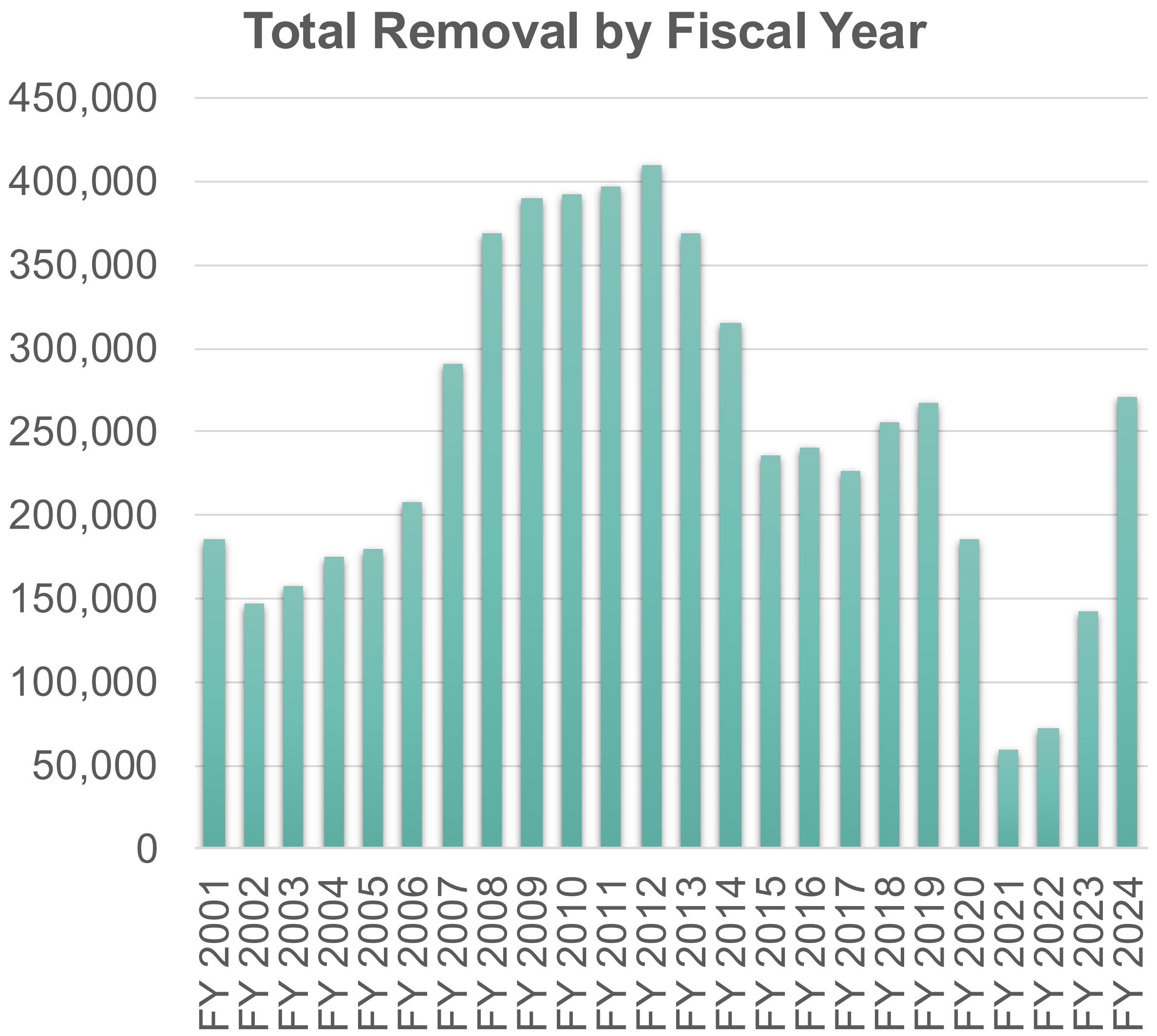


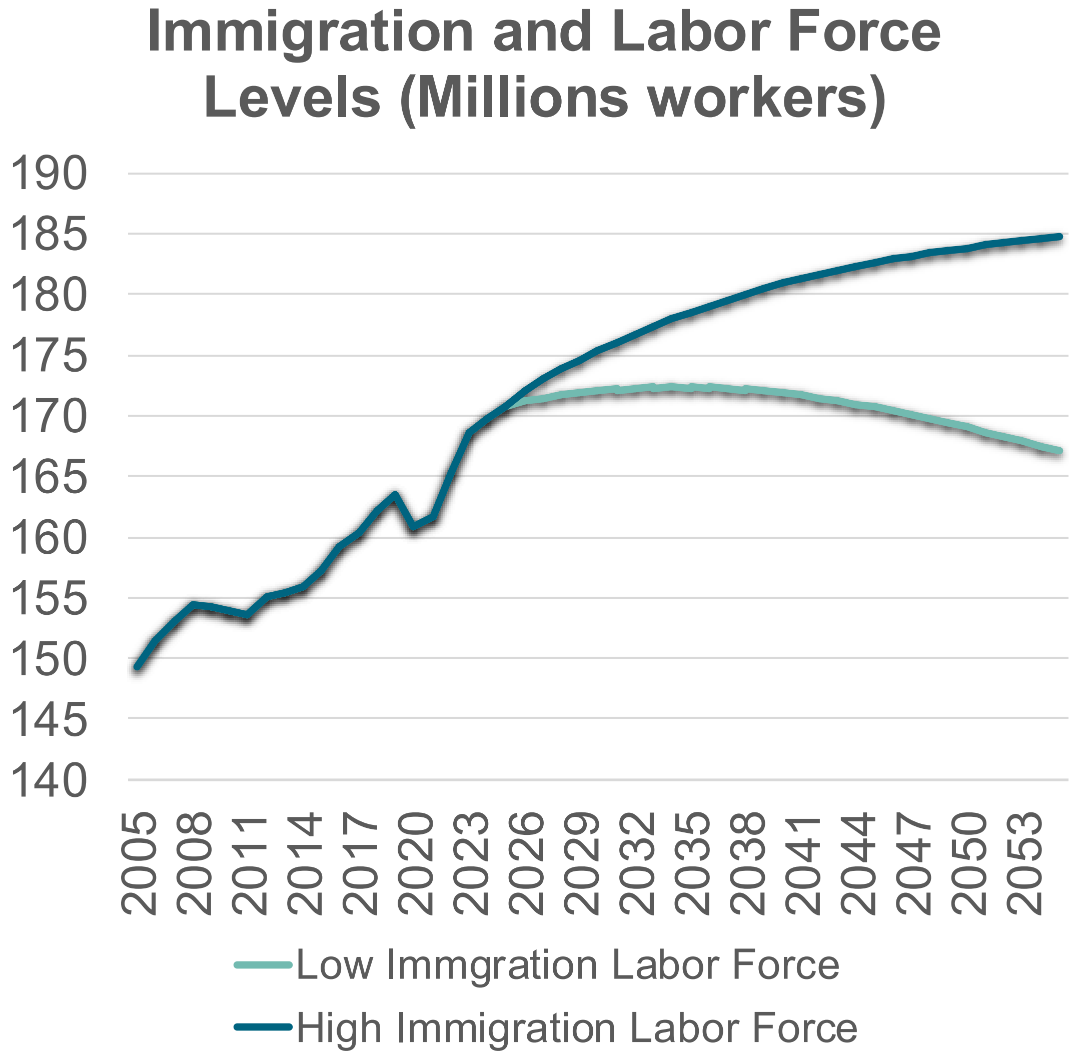

# Migration and the US Labor Force




| State | 2023 Foreign Born % of LF | State | 2023 Foreign Born % of LF |
|---|---|---|---|
| California | 33.3 | Connecticut | 19.5 |
| New Jersey | 30.2 | Illinois | 18.7 |
| New York | 27.9 | Virginia | 17.3 |
| Florida | 27.7 | Wash DC | 16.7 |
| Nevada | 23.7 | Rhode Island | 16.5 |
| Hawaii | 23.7 | Arizona | 16.3 |
| Texas | 22.6 | Georgia | 15.5 |
| Maryland | 21.9 | United States | 8.4 |
| Massachusetts | 21.9 | Delaware | 15.2 |
| Washington | 20.1 | New Mexico | 13.1 |

# Which is the bigger issue?



# And How About California?


The Economist

Beijing's nightmare: the Uighur revolt

The public-sector pension scam

The surge in Afghanistan

Eat less, live longer: it's true

Don't protect bad Belgian art

America's future

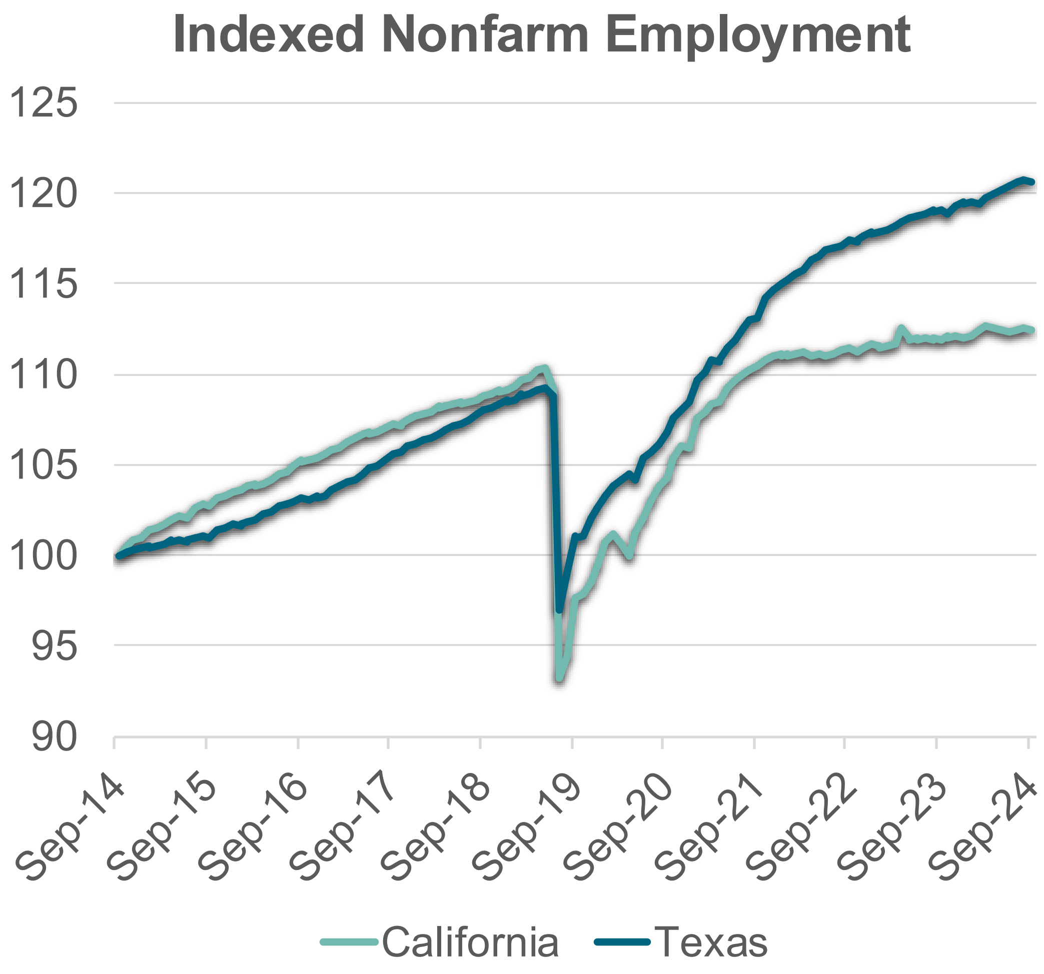
California v Texas



**California's Poverty Rate Soars to Alarmingly High Levels in 2023**

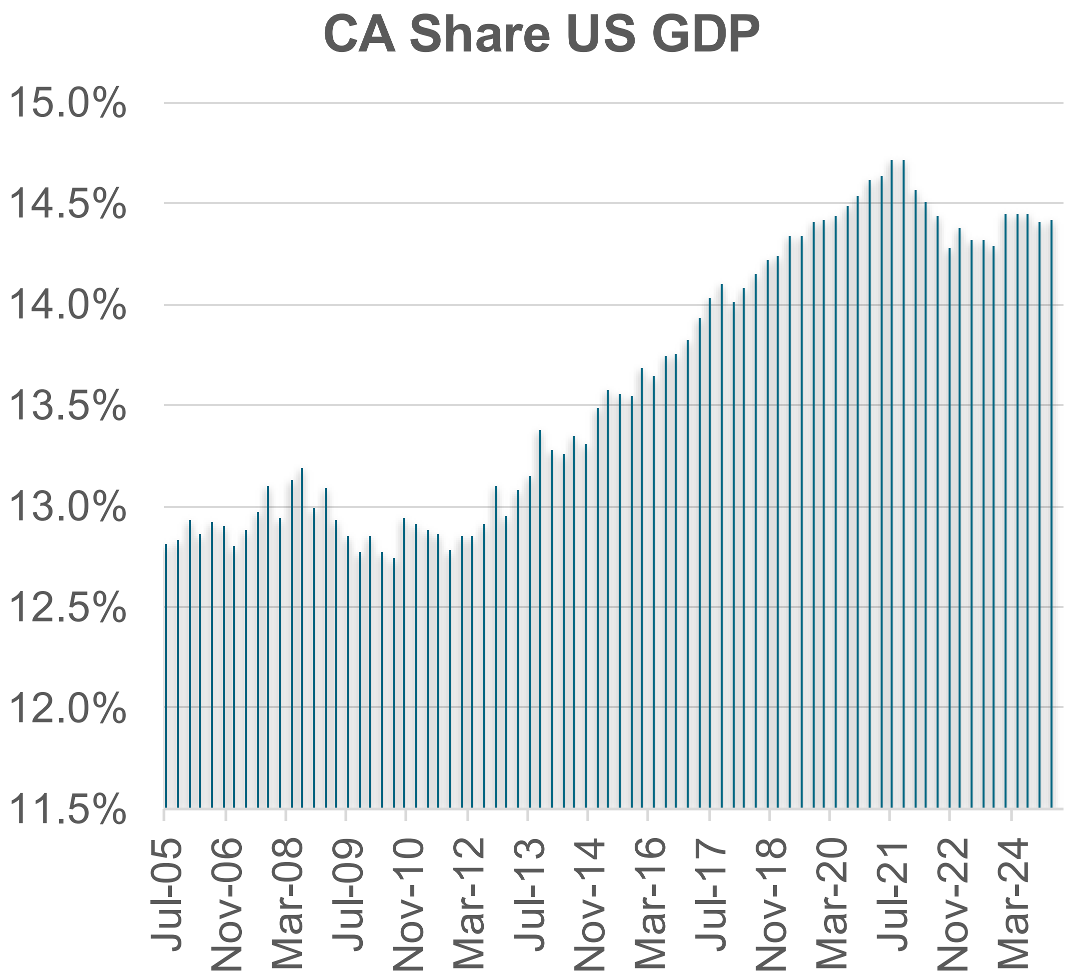
New Census Data Show Disproportionate Hardship for Black and Latinx Californians, as the End of Pandemic-Era Policies Reverses Progress

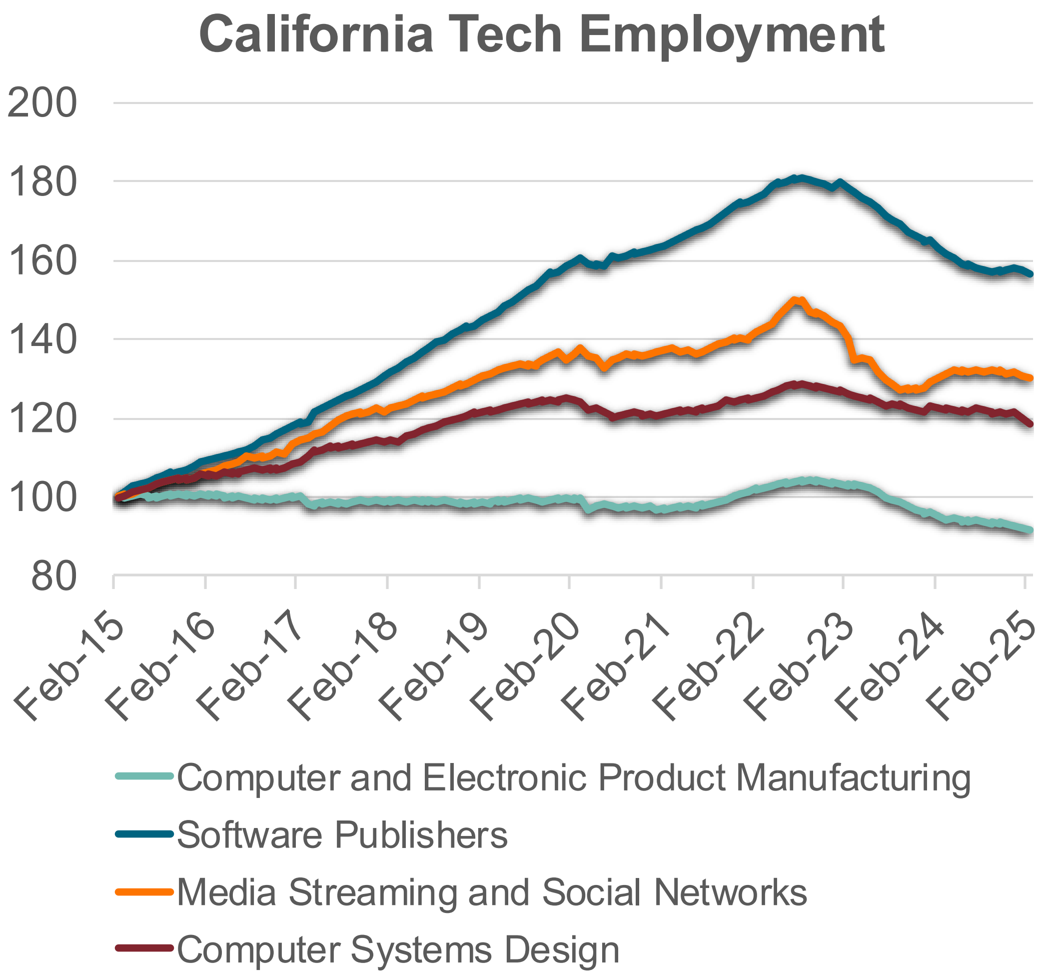
# Nonfarm Employment



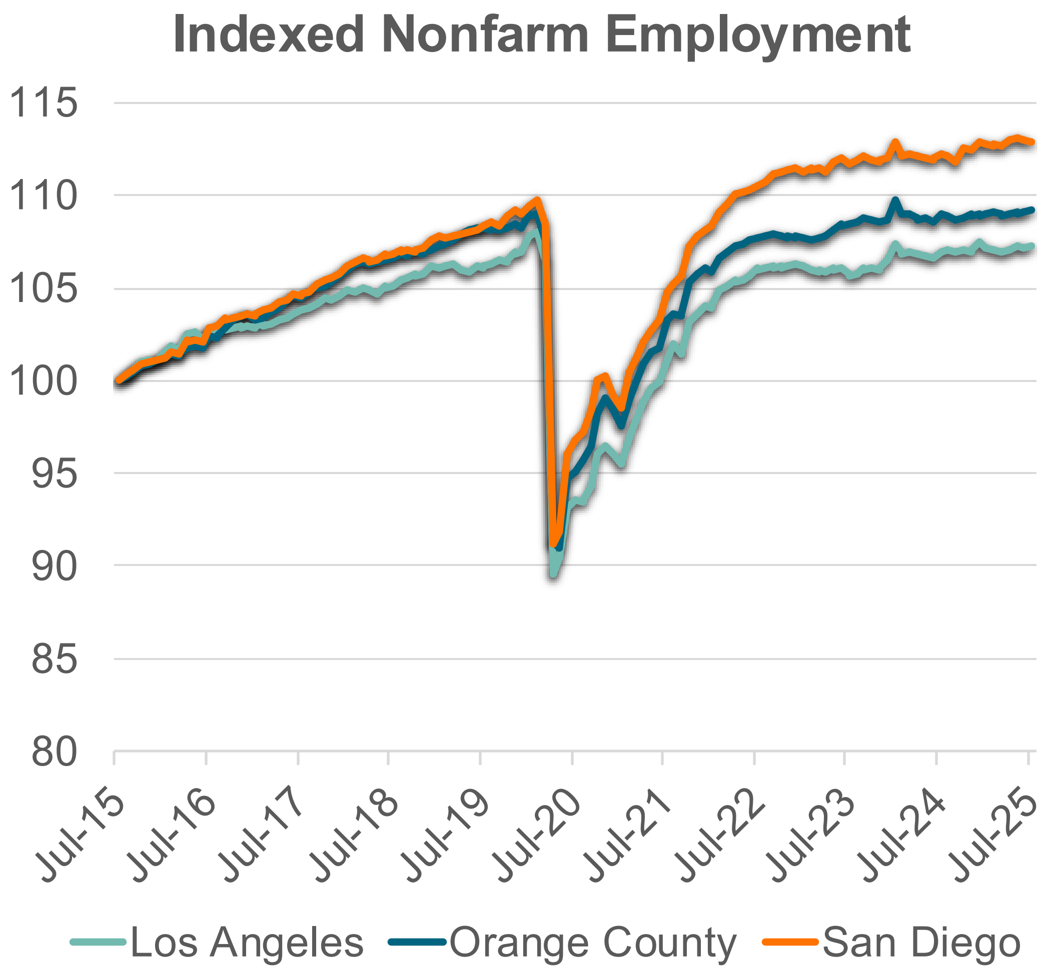

| Location | Jun-25 Emplt (000s) | 1-Year Chg. (%) | Chg. since Feb-20 (%) |
|---|---|---|---|
| United States | 159,466 | 1.0 | 4.5 |
| Utah | 1,774 | 1.9 | 11.5 |
| Texas | 14,329 | 1.4 | 9.7 |
| Nevada | 1,573 | 0.3 | 8.2 |
| Arizona | 3,257 | 0.6 | 8.1 |
| Colorado | 2,985 | 0.4 | 5.5 |
| Washington | 3,672 | 0.8 | 4.4 |
| California | 18,011 | 0.6 | 1.9 |
| Oregon | 2,006 | 0.7 | 1.8 |

# State Output / Tech's Decline



# Nonfarm Employment

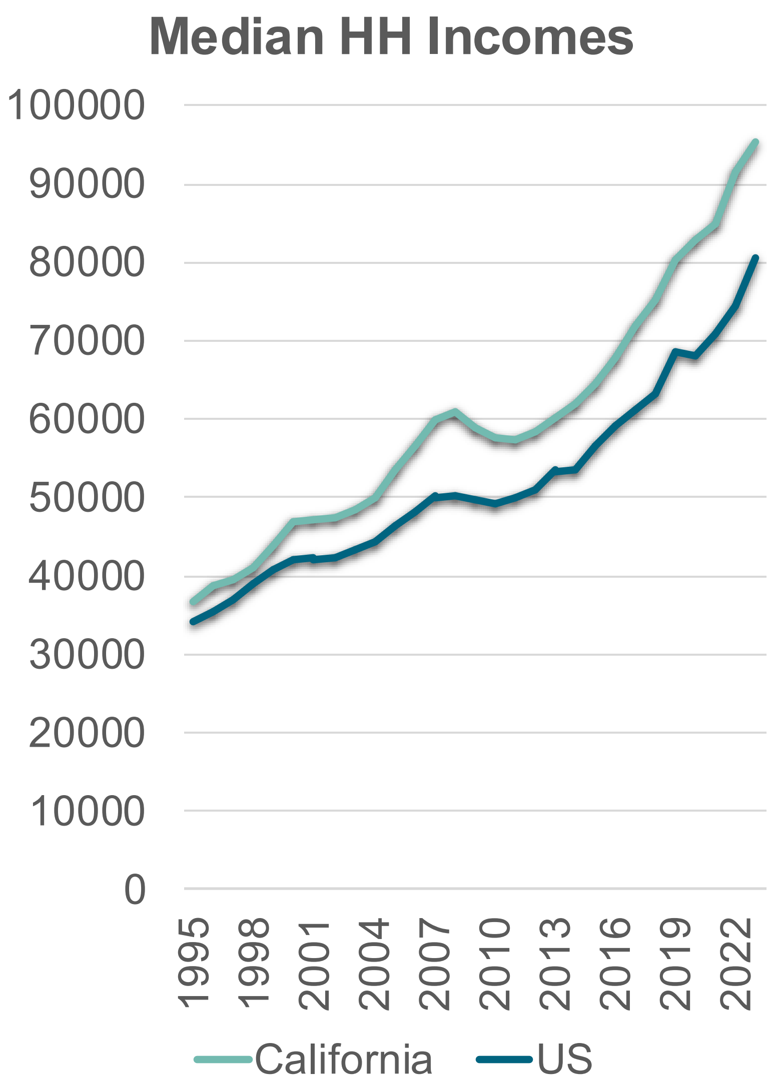


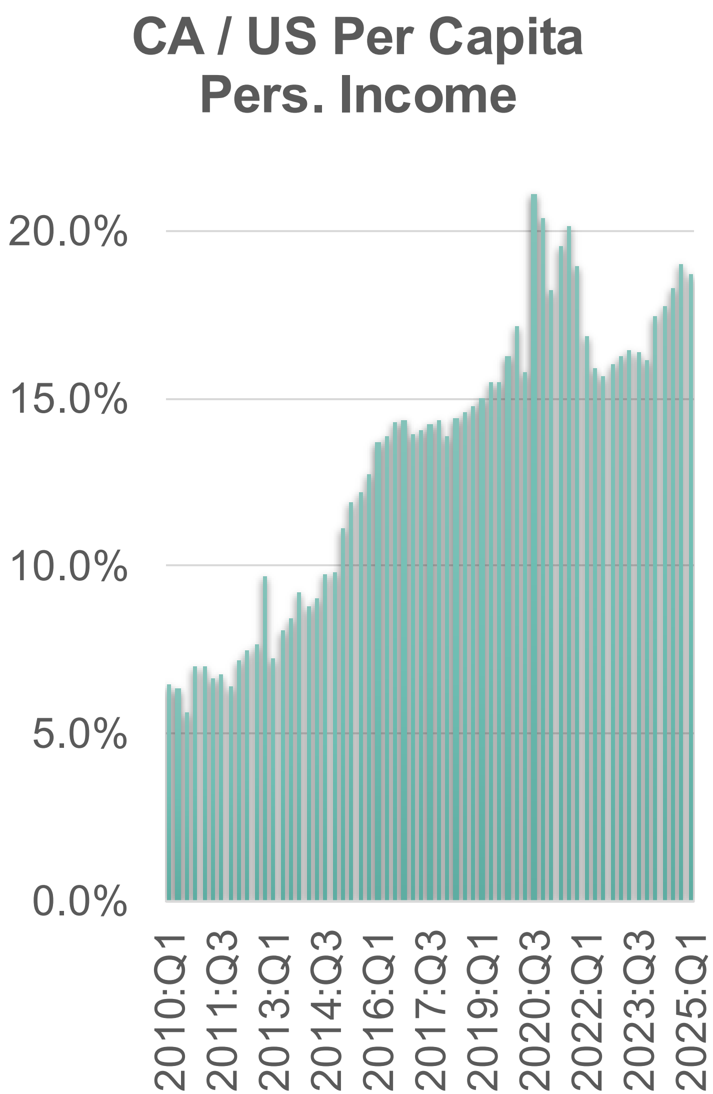

| Location | Jul-25 Emplt (000s) | 1-Year Chg. (%) | Chg. since Feb-20 (%) |
|---|---|---|---|
| United States | 159,539.0 | 1.0 | 4.6 |
| California | 18,022.7 | 0.5 | 2.0 |
| Stockton | 285.9 | 3.0 | 12.0 |
| Fresno | 446.1 | 1.4 | 7.8 |
| Inland Empire | 1,713.7 | 1.0 | 7.4 |
| **San Diego** | **1,567.0** | **0.7** | **2.8** |
| Bakersfield | 296.7 | 0.6 | 5.7 |
| Sacramento | 1,092.8 | 0.4 | 5.1 |
| Los Angeles (MD) | 4,602.6 | 0.3 | -0.7 |
| Orange County (MD) | 1,695.0 | 0.2 | 0.2 |
| San Jose | 1,150.8 | 0.1 | -1.3 |
| San Francisco (MD) | 1,138.5 | -0.5 | -5.9 |

# Industry Employment

| San Diego Industry | Jul-25 Emplt (000s) | Chg. 18-21 (#) | Chg. 21-24 (#) | Chg. 24-25 (#) | LQ |
|---|---|---|---|---|---|
| Total Nonfarm | 1,567 | -28.2 | 102.2 | 10.4 | 1.0 |
| ***Health Care*** | ***240*** | ***11.0*** | ***36.0*** | ***13.7*** | ***0.9*** |
| ***Government*** | ***262*** | ***-8.4*** | ***16.1*** | ***7.4*** | ***1.1*** |
| Education | 32 | -2.8 | 4.3 | 1.2 | 0.9 |
| Leisure and Hospitality | 202 | -29.4 | 29.4 | 1.0 | 1.2 |
| Other Services | 58 | -6.5 | 8.5 | 0.9 | 1.1 |
| Management | 22 | 0.0 | -2.2 | 0.4 | 0.9 |
| Retail Trade | 137 | -10.0 | -1.1 | 0.3 | 1.0 |
| Wholesale Trade | 43 | -1.4 | 0.7 | -0.3 | 0.8 |
| Logistics | 42 | 4.2 | 4.9 | -0.4 | 0.6 |
| Information | 20 | -2.2 | -0.4 | -0.9 | 0.4 |
| Construction | 90 | 0.0 | 7.4 | -1.1 | 1.2 |
| Admin Support | 92 | 3.0 | 3.8 | -1.3 | 1.0 |
| Financial Activities | 70 | 0.5 | -5.1 | -1.8 | 1.0 |
| ***Manufacturing*** | ***109*** | ***1.7*** | ***-1.7*** | ***-3.5*** | ***1.0*** |
| ***Prof Sci Tech*** | ***148*** | ***12.4*** | ***1.5*** | ***-5.2*** | ***1.2*** |

# Growth on the Intensive Margin

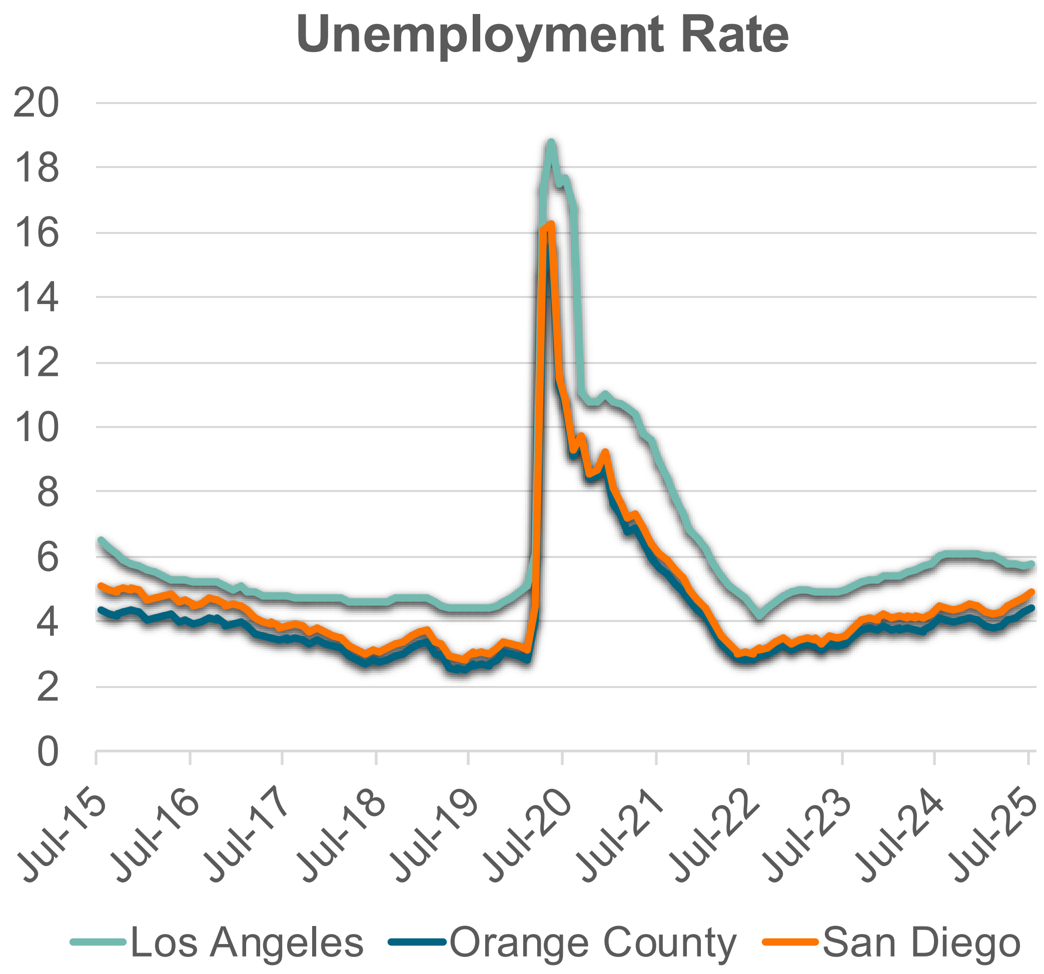


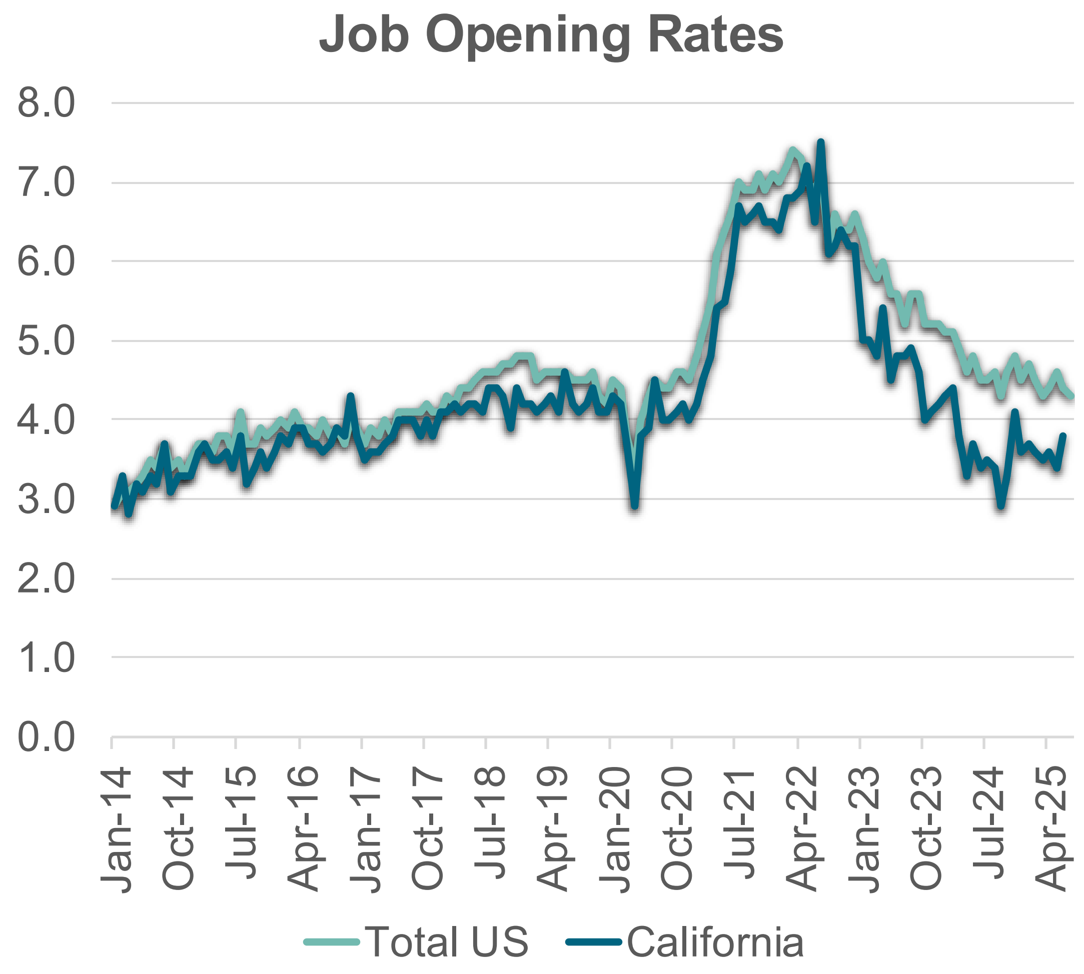




**Ranked Median Household Income by County**

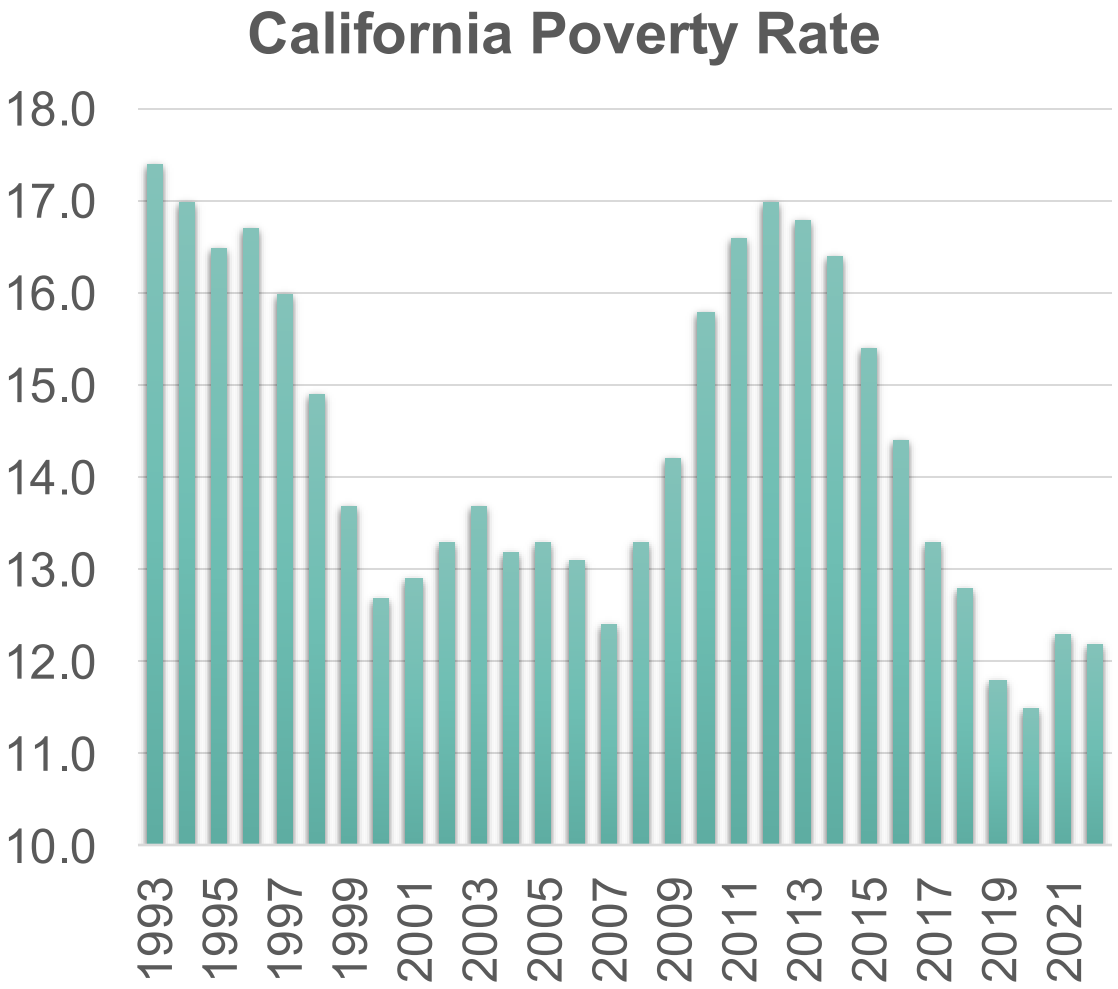
| **Rank out of 3,200** | | 2023 Med HH Inc |
|---|---|---|
| 2 | Santa Clara | $154,954 |
| 3 | San Mateo | $151,485 |
| 10 | Marin | $139,644 |
| 18 | San Francisco | $126,730 |
| 25 | Contra Costa | $122,794 |
| 30 | Alameda | $119,931 |
| 52 | Orange | $110,042 |
| 54 | Placer | $109,713 |
| 56 | El Dorado | $108,594 |
| 59 | Ventura | $107,667 |
| 61 | San Benito | $107,324 |
| 70 | Santa Cruz | $105,631 |
| 77 | Napa | $104,686 |
| **82** | **San Diego** | **$103,674** |

# Unemployment and Labor Force



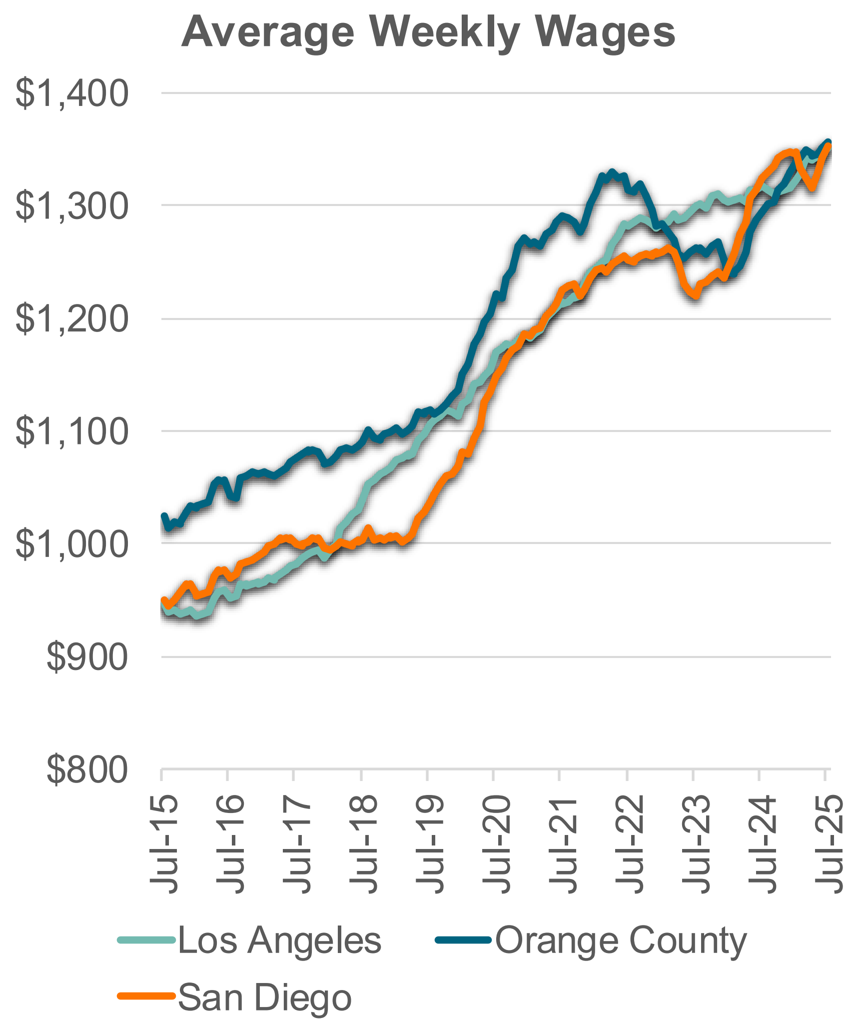
# State Inequality?

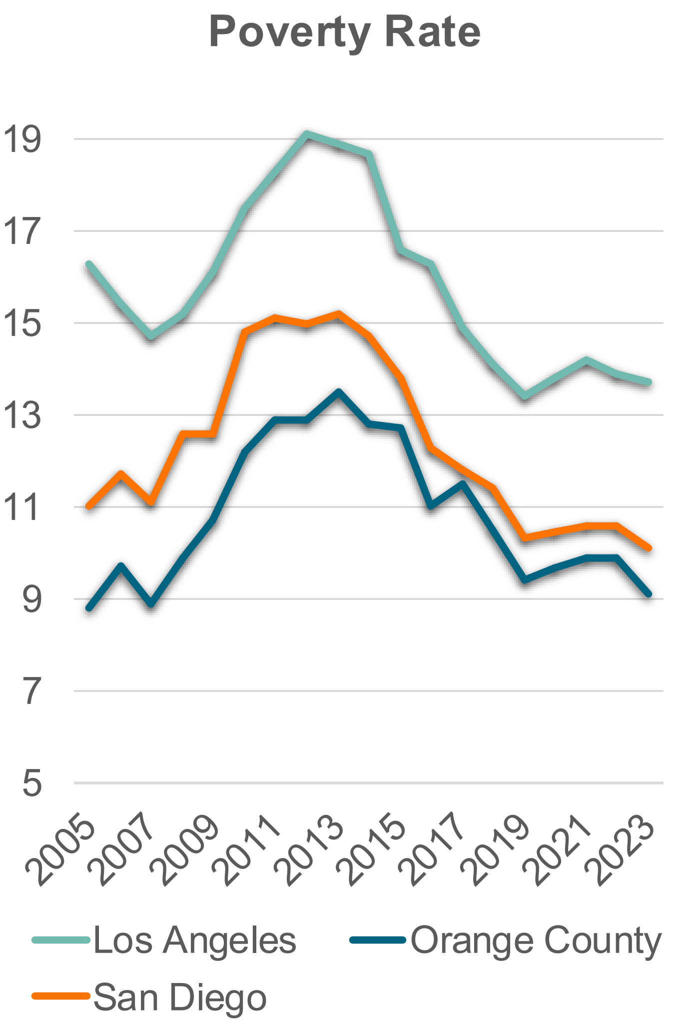


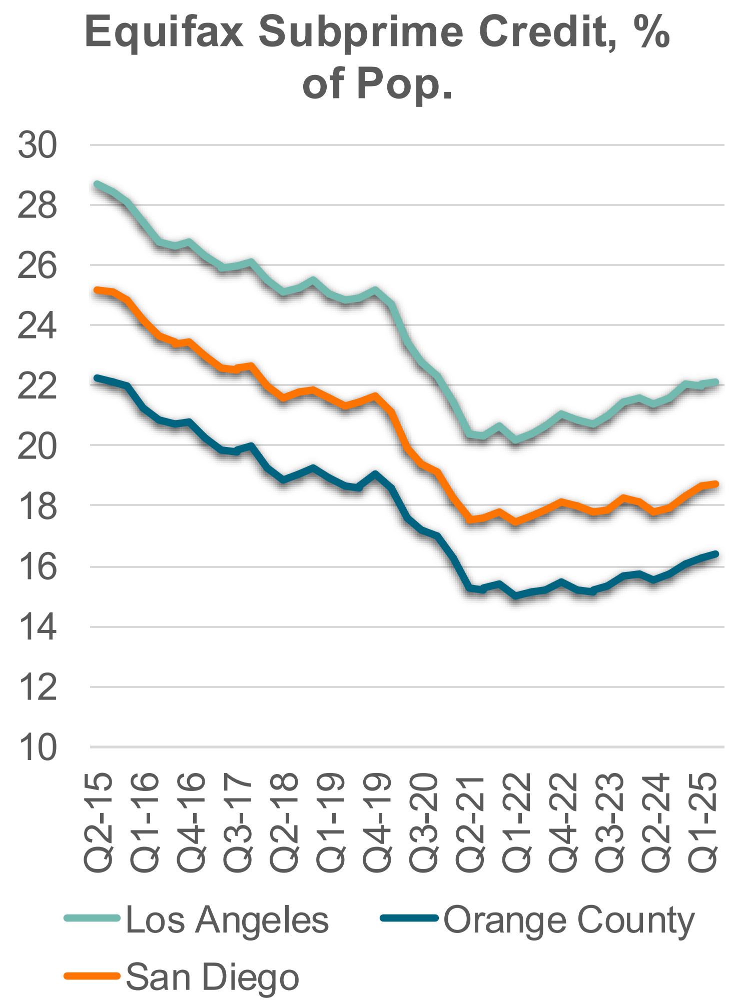

**Median Household Income 2019–2023**

| | CA 2023 | CA / US | GR |
|---|---|---|---|
| All Households | 95,521 | 22.9% | 18.7% |
| Hispanic origin | 79,187 | 14.0% | 24.4% |
| African American | 67,476 | 25.1% | 22.4% |
| Asian | 123,928 | 10.8% | 19.0% |
| White alone | 106,214 | 27.8% | 15.3% |
| Pacific Islander | 95,404 | 28.5% | 13.7% |

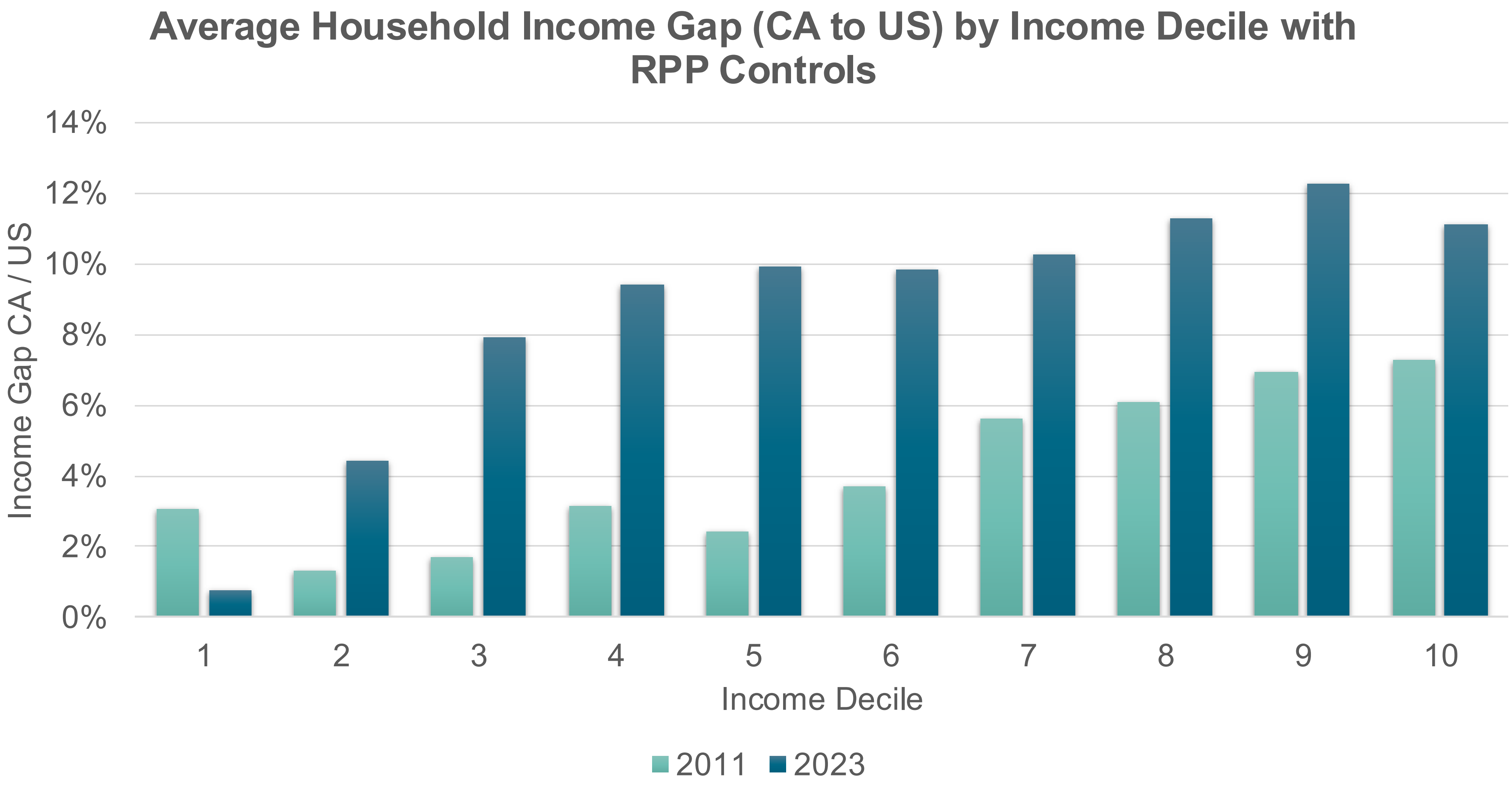
# Earnings and Inequality



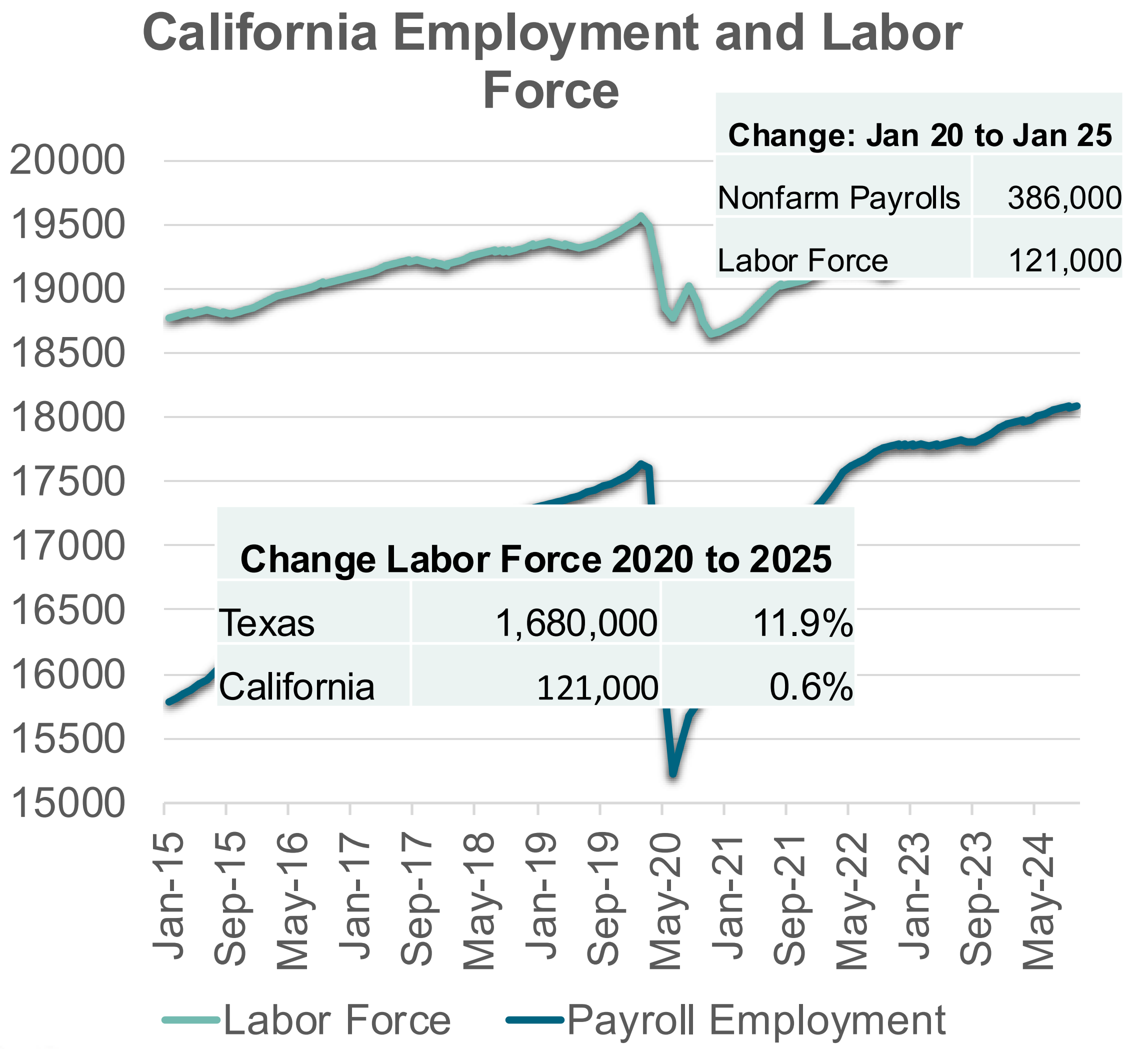



# California Inequality

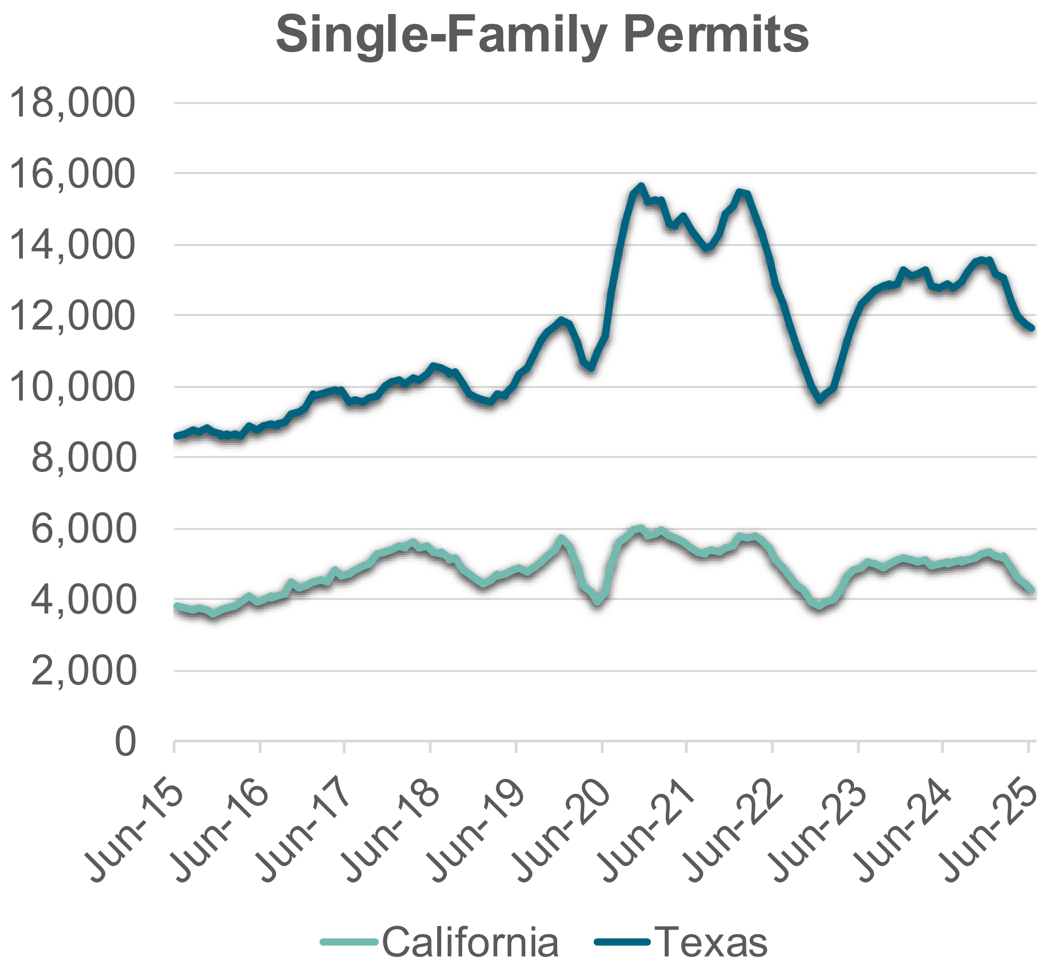


# Regional Growth Differences?




| Location | Jun-25 LF (000s) | 1-Year Chg. (%) | Chg. since Feb-20 (%) |
|---|---|---|---|
| United States | 170,380 | 1.4 | 3.5 |
| Texas | 15,850 | 1.5 | 11.5 |
| Utah | 1,846 | 0.6 | 11.4 |
| Arizona | 3,794 | 1.4 | 8.4 |
| Nevada | 1,682 | 2.0 | 7.0 |
| Oregon | 2,212 | 0.7 | 5.7 |
| Colorado | 3,283 | 0.4 | 4.7 |
| Washington | 4,034 | -0.8 | 1.4 |
| California | 19,841 | 0.9 | 1.1 |

# Single-Family Permits

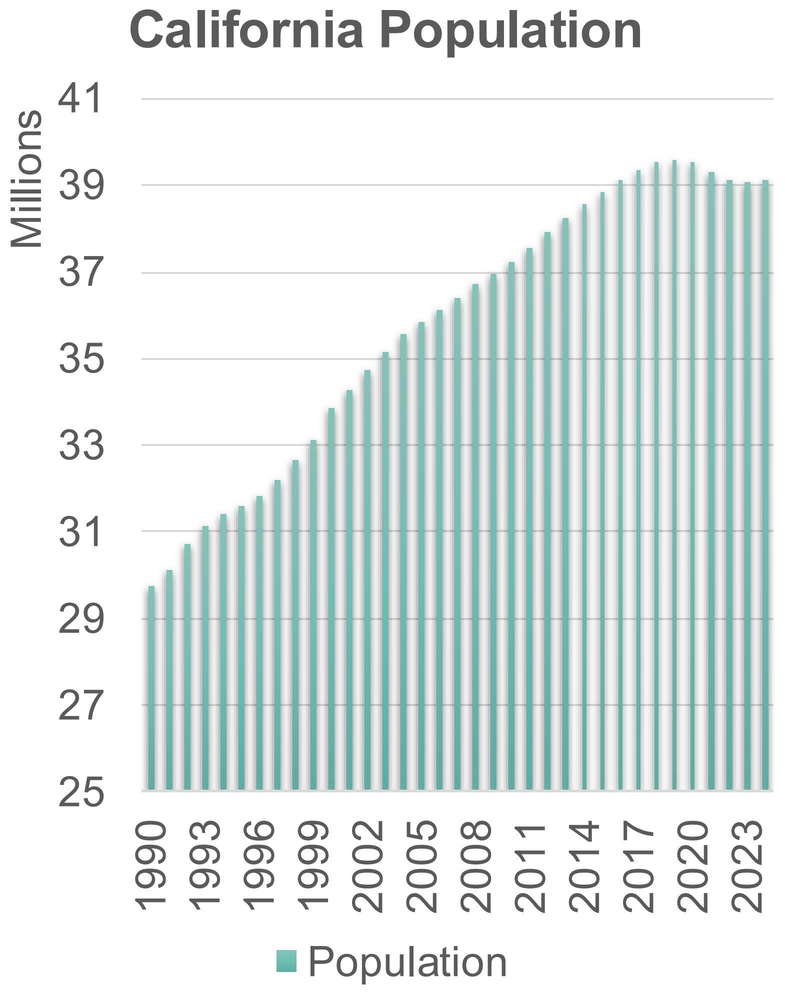


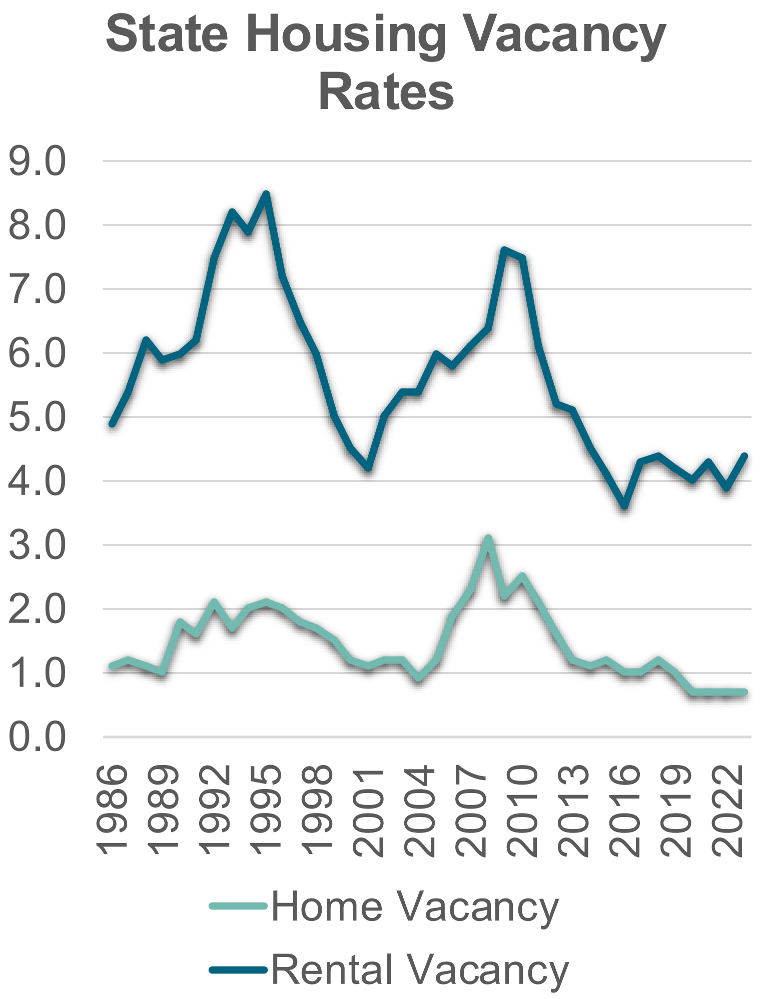

| State | Jun-25 YTD SF Permits (Units) | 1-Year Chg. (%) | 6-Year Chg. (%) |
|---|---|---|---|
| United States | 483,693 | -5.5 | 16.3 |
| Texas | 78,271 | -6.4 | 27.6 |
| California | 29,450 | -7.0 | 1.3 |
| Arizona | 19,284 | -13.0 | 20.8 |
| Colorado | 9,674 | -10.4 | -25.8 |
| Washington | 9,349 | -5.9 | -16.1 |
| Utah | 8,464 | -8.1 | 2.8 |
| Nevada | 6,882 | -13.3 | 18.3 |
| Oregon | 4,947 | -3.5 | -1.0 |

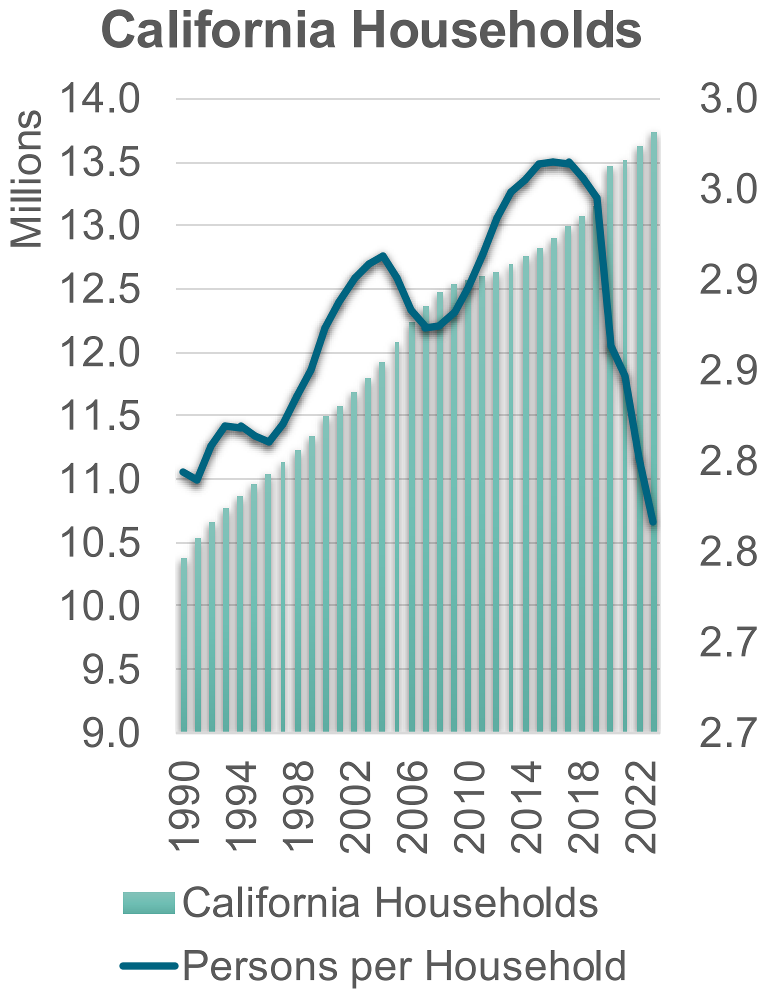
# Employment and Labor Force

| | Payroll Employment | | | | Labor Force | |
|---|---|---|---|---|---|---|
| Total Nonfarm | Feb-25 | 5 Yr Ch | Share | | Feb-25 | 5 Yr Ch |
| California | 18004 | 340 | | | 19707 | 79 |
| Inland Empire | 1705 | 117 | 34.3% | | 2216 | 138 |
| Central Valley | 1483 | 110 | 32.5% | | 1997 | 114 |
| Greater Sacramento | 1145 | 59 | 17.3% | | 1274 | 64 |
| San Diego | 1564 | 41 | 12.2% | | 1665 | 47 |
| Central Coast | 557 | -9 | -2.5% | | 724 | 0 |
| Orange County (MD) | 1692 | 1 | 0.3% | | 1631 | -3 |
| San Jose | 1151 | -15 | -4.4% | | 1058 | -9 |
| Oakland (MD) | 1178 | -22 | -6.5% | | 1449 | -28 |
| San Francisco (MD) | 1142 | -64 | -18.8% | | 928 | -47 |
| Los Angeles (MD) | 4601 | -33 | -9.8% | | 5038 | -220 |

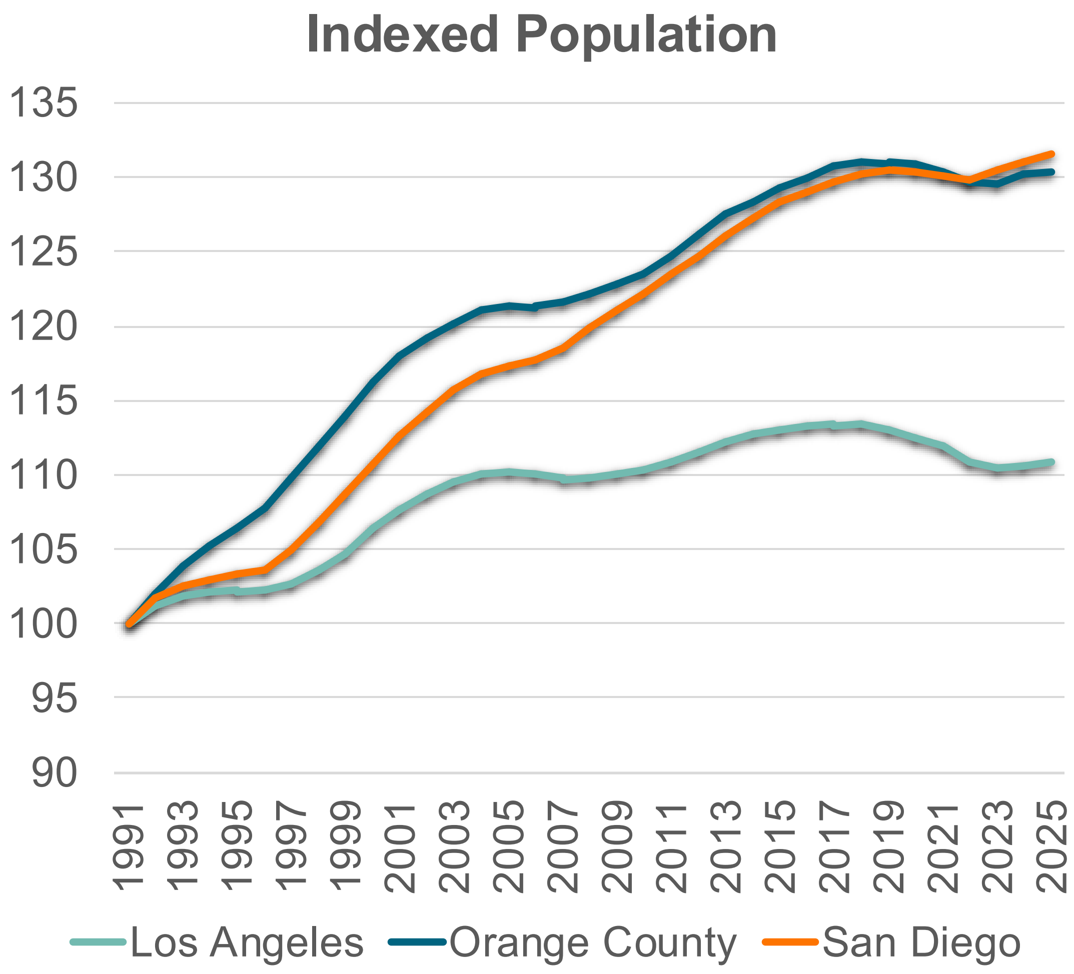
# California's "Fleeing" Population?



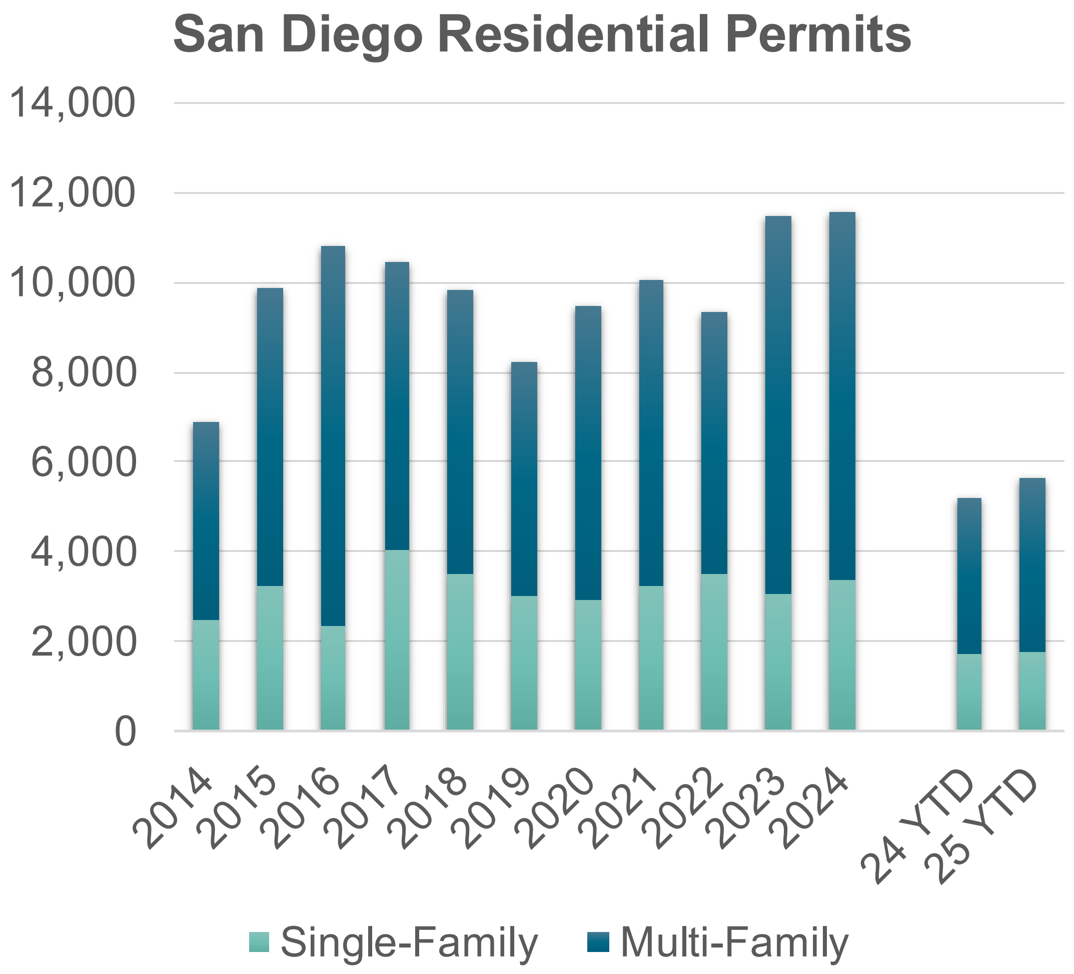



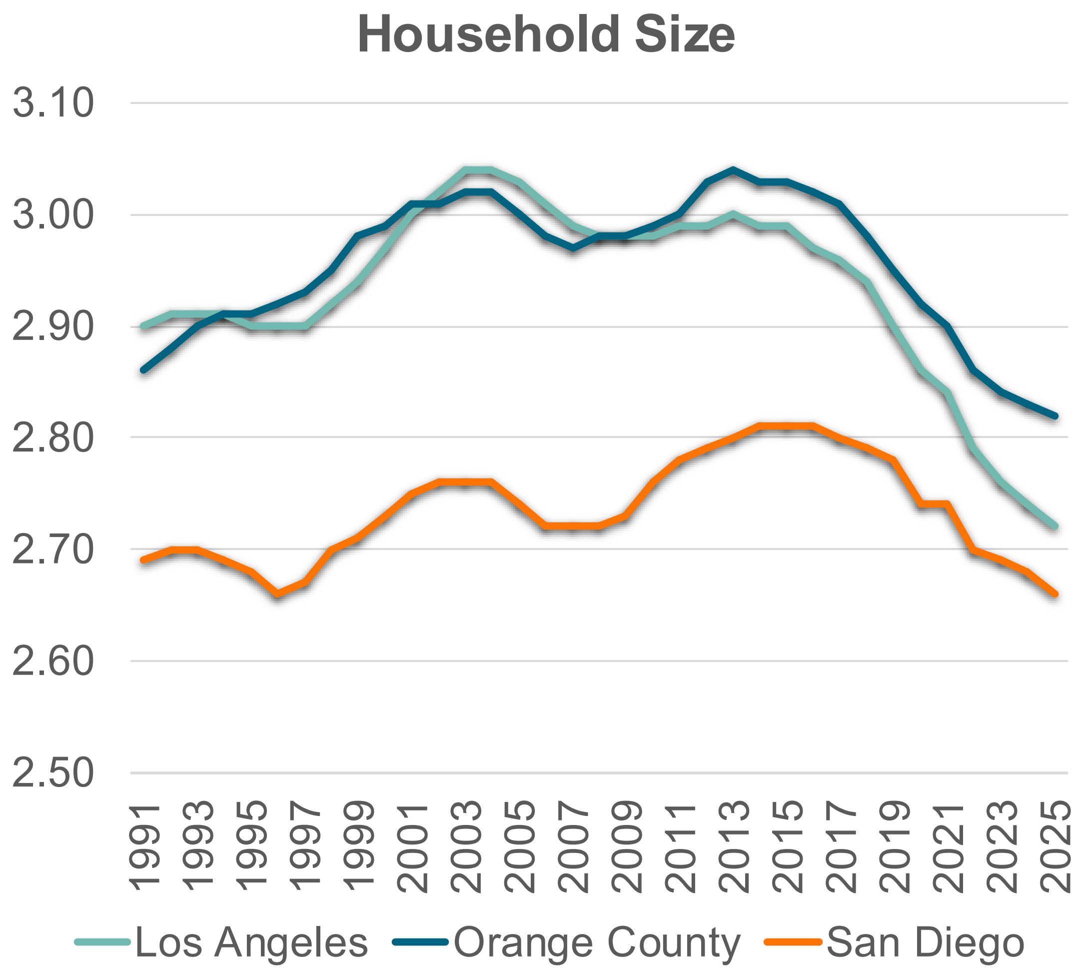
# Population and Housing Needs




| | Los Angeles County | Orange County | San Diego County |
|---|---|---|---|
| Population (000s) | 9,877 | 3,175 | 3,330 |
| 10-Yr Chg. (%) | -1.9 | 0.9 | 2.5 |
| Occ. Housing (000s) | 3,546 | 1,106 | 1,207 |
| 10-Yr Chg. (%) | 7.3 | 8.2 | 8.1 |
| Vacancy Rate (%) | 4.8 | 5.0 | 5.8 |
| 10-Yr Chg. (pp) | -0.4 | -0.2 | -0.2 |
| PPH | 2.72 | 2.82 | 2.66 |
| 10-Yr Chg. (%) | -8.9 | -6.9 | -5.3 |

# Residential Permits



# Our Own Worst Enemy

| Failed Scott Wiener State Proposals | Year(s) | Outcome |
|---|---|---|
| SB 827 (Transit-Oriented Zoning Reform) | 2018 | Defeated in committee |
| SB 50 (Streamlined Mid-Rise Zoning Act) | 2019–2020 | Failed committee / Senate floor |
| SB 902 (2–4 Unit Upzoning) | 2020 | Died in Assembly Appropriations |
| SB 1120 (Duplex Approval) | 2020 | Failed |
| SB 677 (Streamlining Multifamily Approvals) | 2025 | Defeated in Committee |

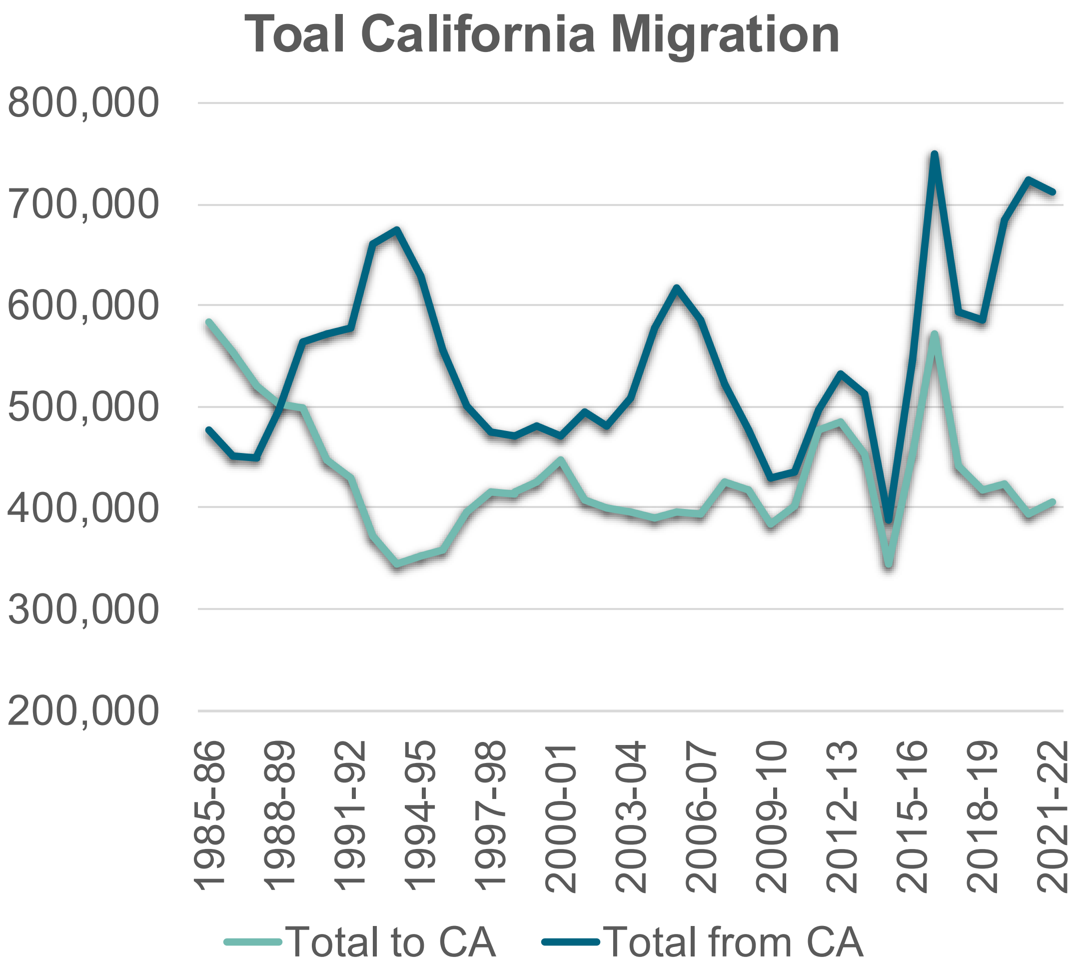
## AB 130: Streamlining Housing Development

- Streamlined Environmental Review
- Limitation on Legal Challenges
- Priority for Affordable Housing.
- Promotion of Infill Housing

**What Else?**

- Limited to structures < 80 feet
- Ensures affordable housing is most expensive to build
- Doesn’t apply to greenfield investments
- Doesn’t apply to infrastructure investments

# Migration and the Labor Force



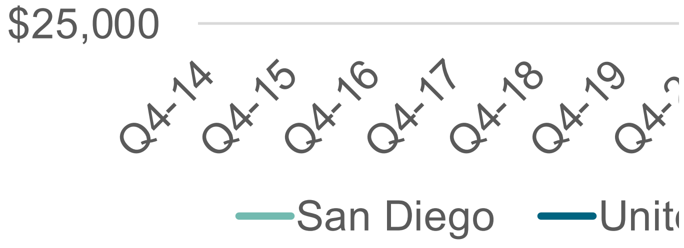

| San Diego | San Diego 2023 Est. | SD 5-Year Chg. (%) | CA 5-Year Chg. (%) | US 5-Year Chg. (%) |
|---|---|---|---|---|
| **Labor Force by Age** | 1,789,283 | 0.7 | 0.7 | 4.2 |
| 24 and Under | 242,850 | -2.8 | -2.7 | 3.5 |
| 25 to 44 | 852,654 | 1.0 | 0.6 | 5.5 |
| 45 to 64 | 582,944 | -2.3 | -0.9 | 0.7 |
| 65 and Over | 110,235 | 29.8 | 20.4 | 20.4 |
| **Labor Force by Edu** | 1,435,714 | -0.4 | -0.1 | 3.2 |
| Less than HS | 120,545 | -16.0 | -6.2 | -5.3 |
| High School | 227,736 | -8.9 | -3.2 | -1.9 |
| Some College | 388,802 | -12.5 | -9.3 | -4.4 |
| Bachelor's plus | 698,144 | 15.8 | 10.6 | 14.6 |

Beacon Economics

# Beyond Good Intentions: Assessing the Risks of a $25 Wage for San Diego's Hospitality & Touris

## Historical Lessons from Califor

## Minimum Wages



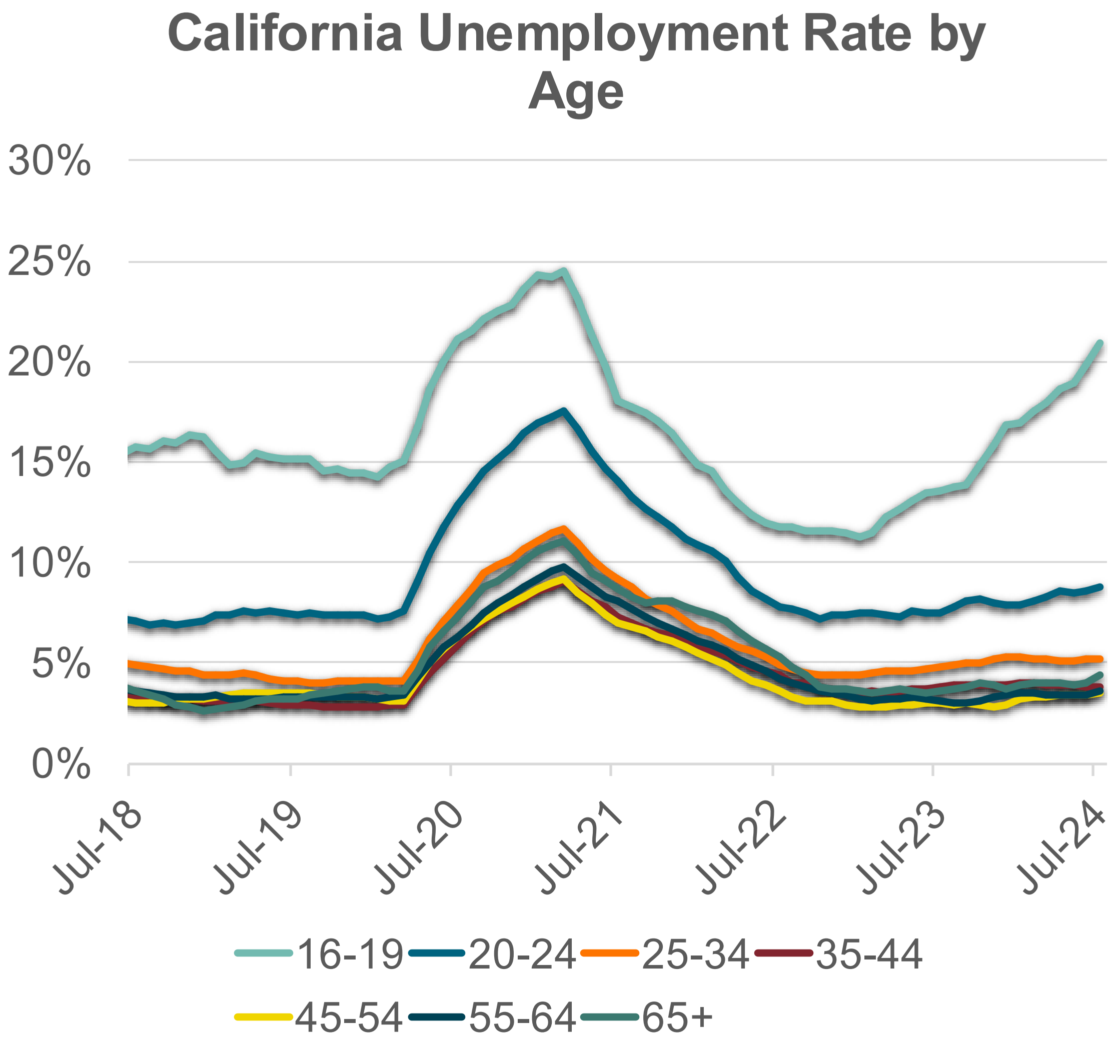

| | Q4-24 Avg. Annual Wage ($) | 1-Year Chg. (%) | 5-Year Chg. (%) |
|---|---|---|---|
| | | | |

Beacon Economics

# Beyond Good Intentions: Assessing the Risks of a $25 Wage for San Diego's Hospitality & Tourism Industries

## Impacts on Hard-to-Hire Workers: Youth, Individuals with Disabilities, and Workforce Re-entrants

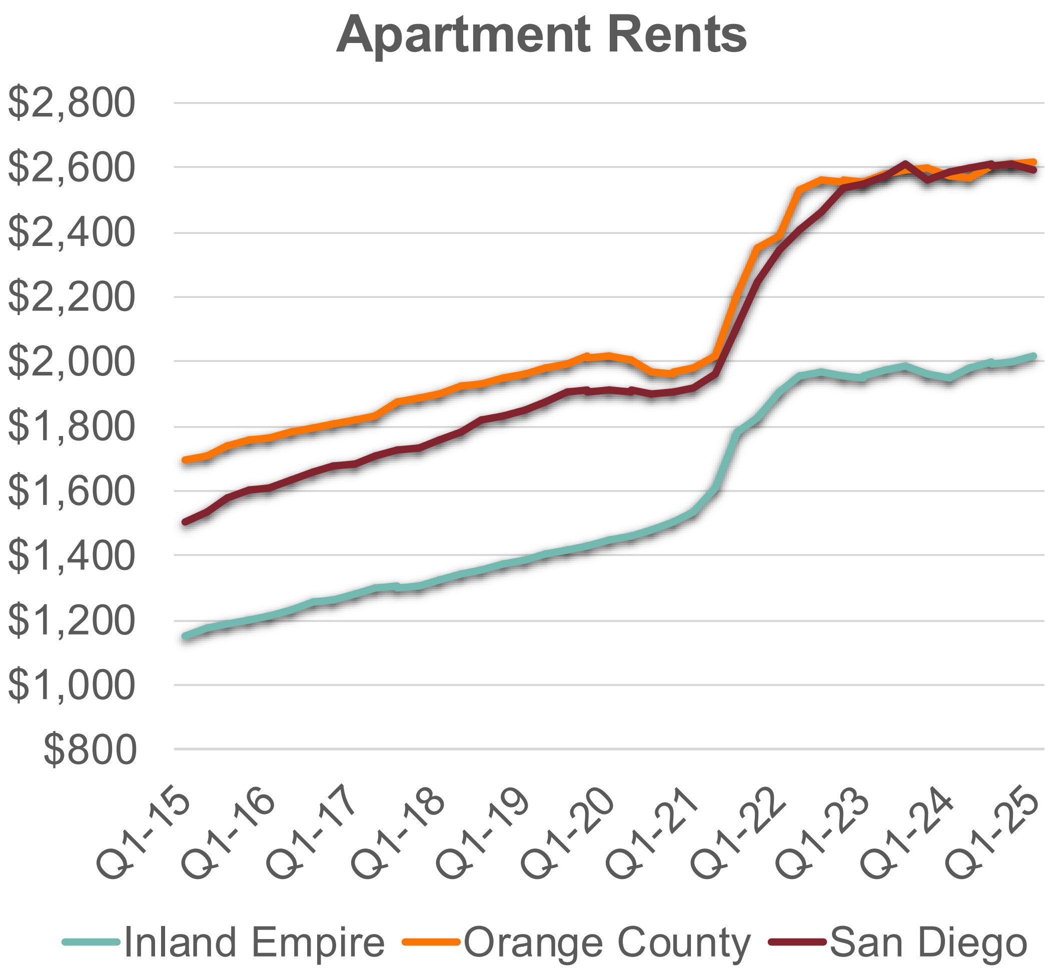
# CA Unemployment by Age

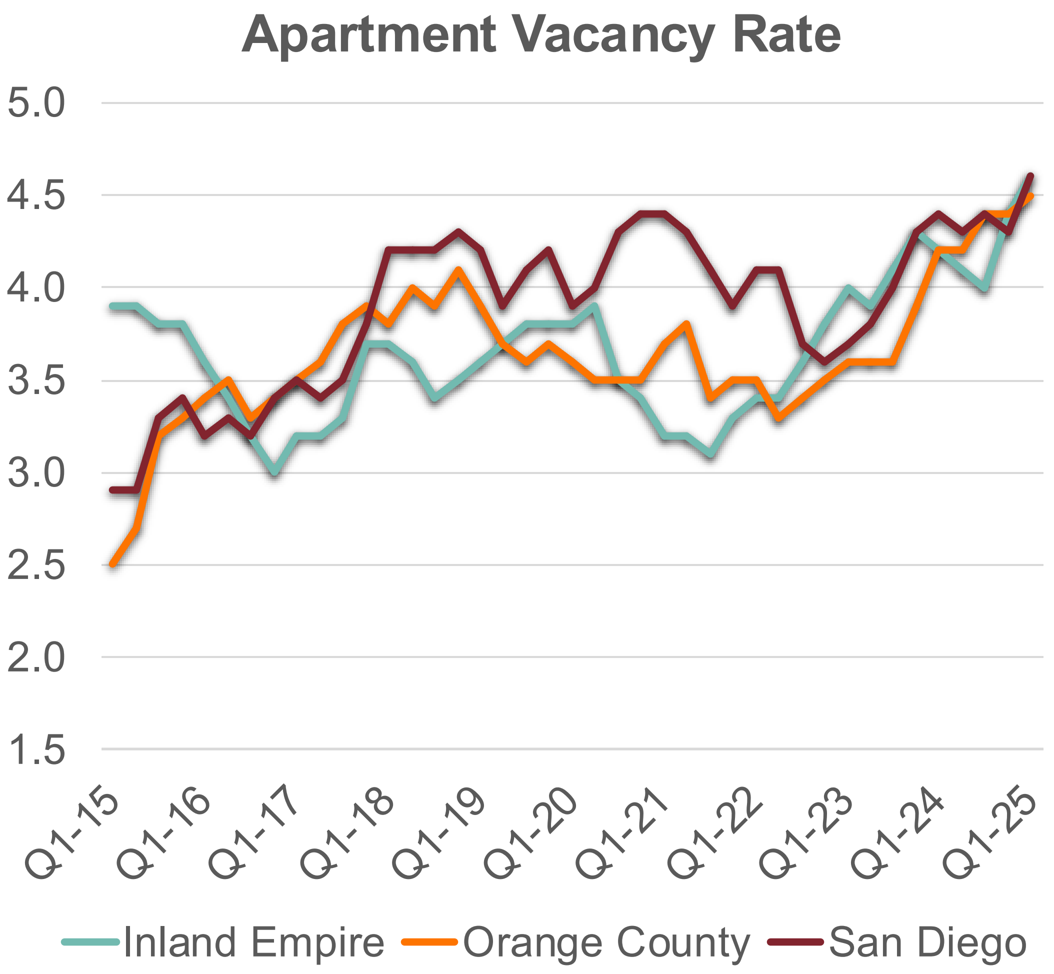



Employment by Industry 24 and Under CA 2022

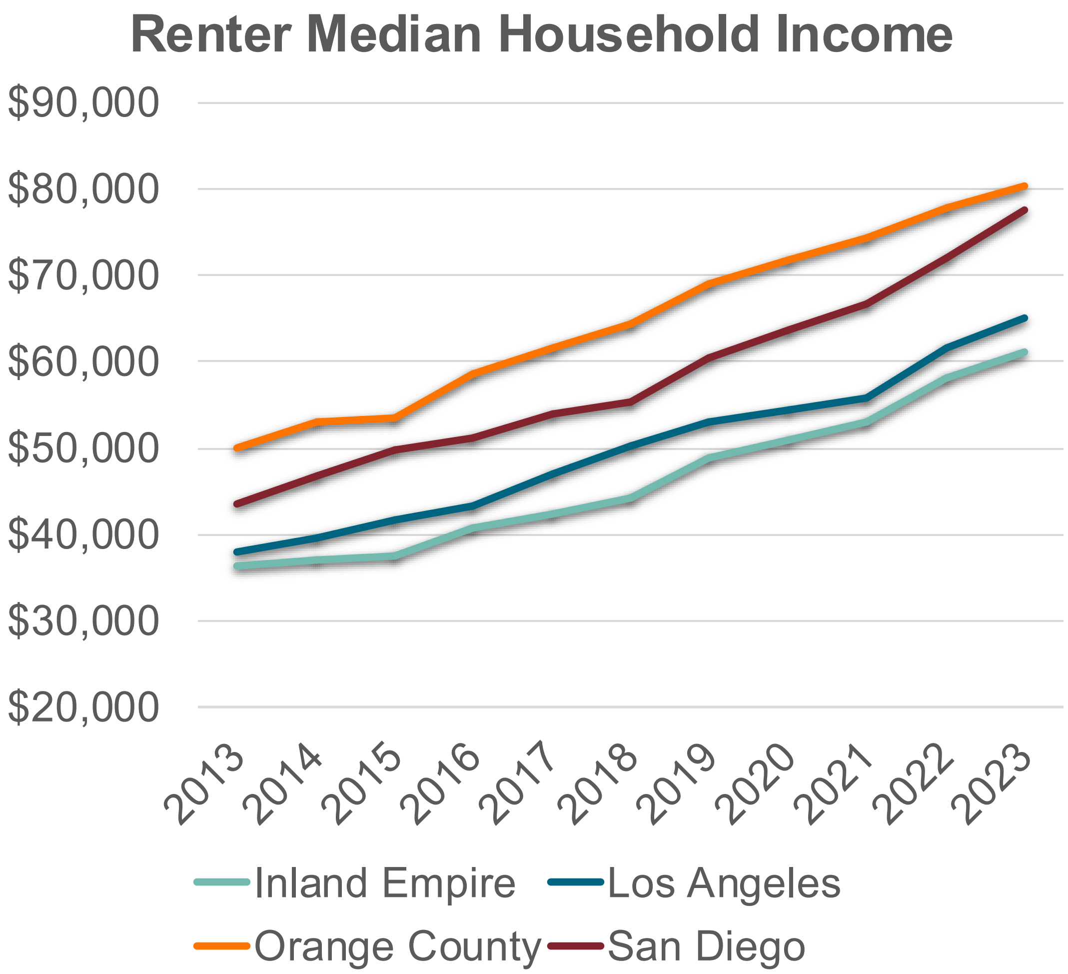
| | Industry Name | Employ |
|---|---|---|
| 722 | Food Services and Drinking Places | 490,631 |
| 611 | Educational Services | 170,385 |
| 541 | Professional, Scientific, and Technical Services | 106,437 |
| 23 | Construction | 100,539 |
| 445 | Food and Beverage Stores | 96,982 |
| 621 | Ambulatory Health Care Services | 89,140 |
| 452 | General Merchandise Stores | 81,870 |
| 561 | Administrative and Support Services | 76,108 |
| 713 | Amusement, Gambling, and Recreation Industries | 72,919 |
| 448 | Clothing and Clothing Accessories Stores | 70,249 |
| 624 | Social Assistance | 45,481 |
| 493 | Warehousing and Storage | 39,901 |
| 454 | Nonstore Retailers | 39,311 |
| 492 | Couriers and Messengers | 35,216 |

# So-Cal Apartments



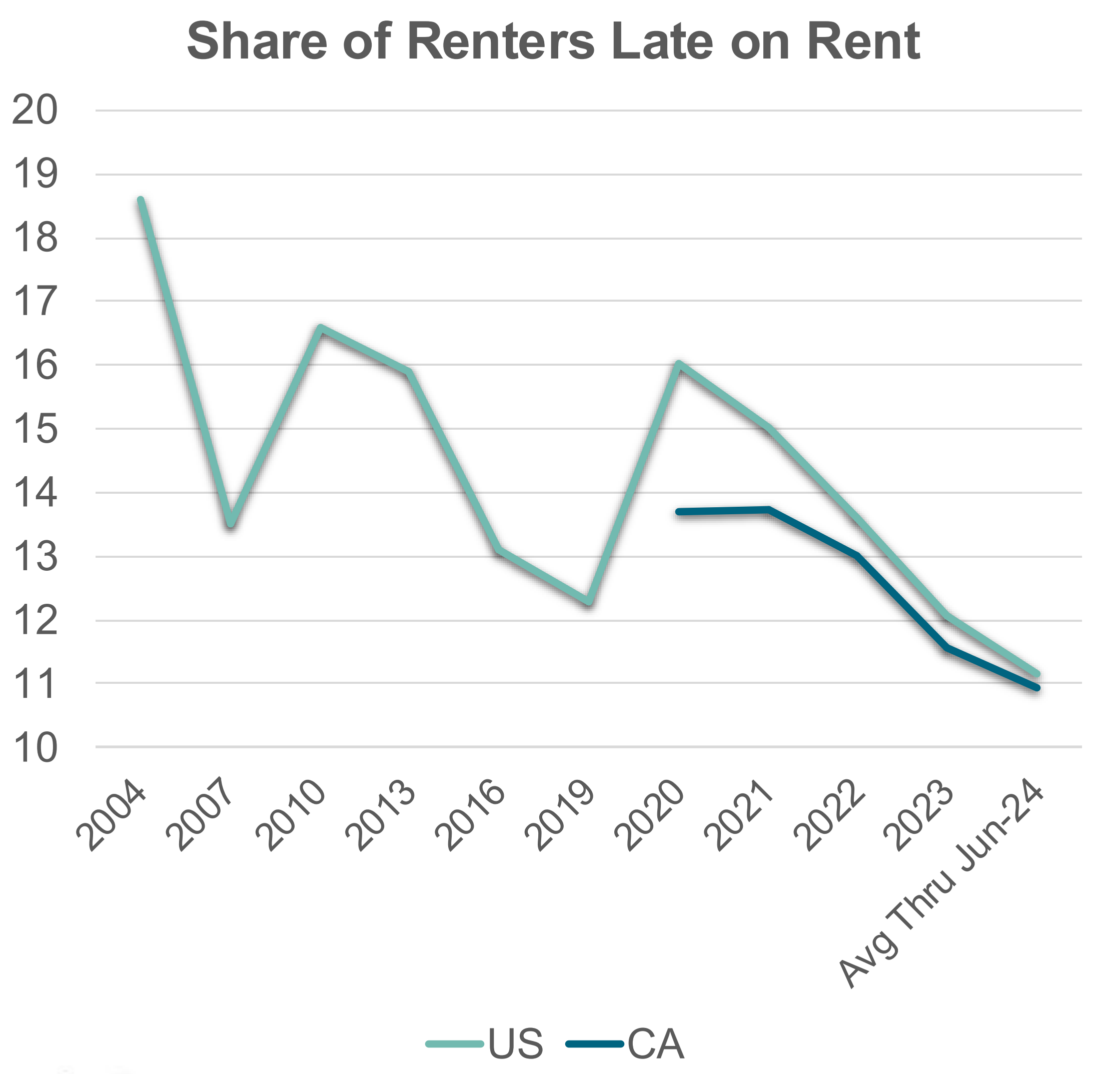



# Renter Affordability?



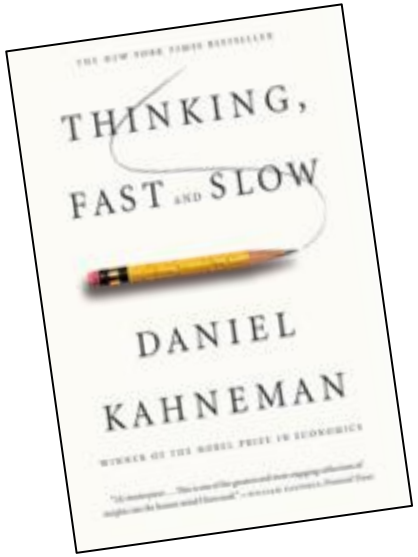

| Median Rent to Income | 2013 (%) | 2018 (%) | 2023 (%) |
|---|---|---|---|
| San Francisco | 27 | 23 | 25 |
| Santa Clara | 30 | 28 | 28 |
| San Joaquin | 35 | 30 | 32 |
| Kern | 32 | 33 | 32 |
| San Diego | 33 | 34 | 33 |
| Los Angeles | 35 | 33 | 34 |
| Orange | 33 | 33 | 34 |
| Fresno | 35 | 32 | 34 |
| Riverside | 36 | 35 | 34 |
| San Bernardino | 34 | 33 | 35 |

# State of CA Renters (CAA report)




| | Post Rent Income 2023 | Post Rent Income 2018 | Rent to Income 2023 |
|---|---|---|---|
| Contra Costa County | 47474 | 44440 | 36.9% |
| Los Angeles County | 42424 | 32575 | 34.9% |
| California | 44900 | 34108 | 34.7% |
| Arizona | 36258 | 29555 | 34.7% |
| Alameda County | 54385 | 48222 | 33.7% |
| United States | 34847 | 27835 | 32.6% |
| Texas | 35224 | 28630 | 32.5% |
| San Joaquin County | 41328 | 31881 | 32.5% |

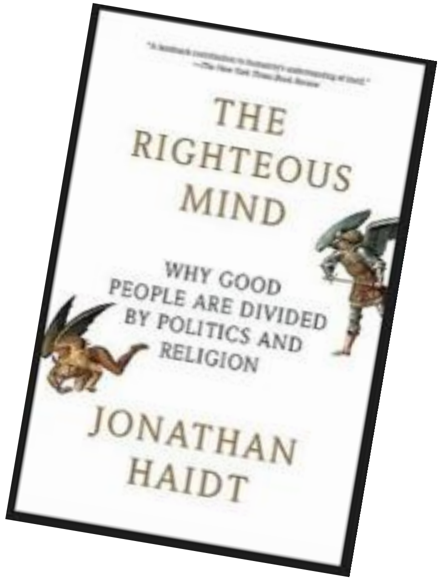
# How do narratives go astray?



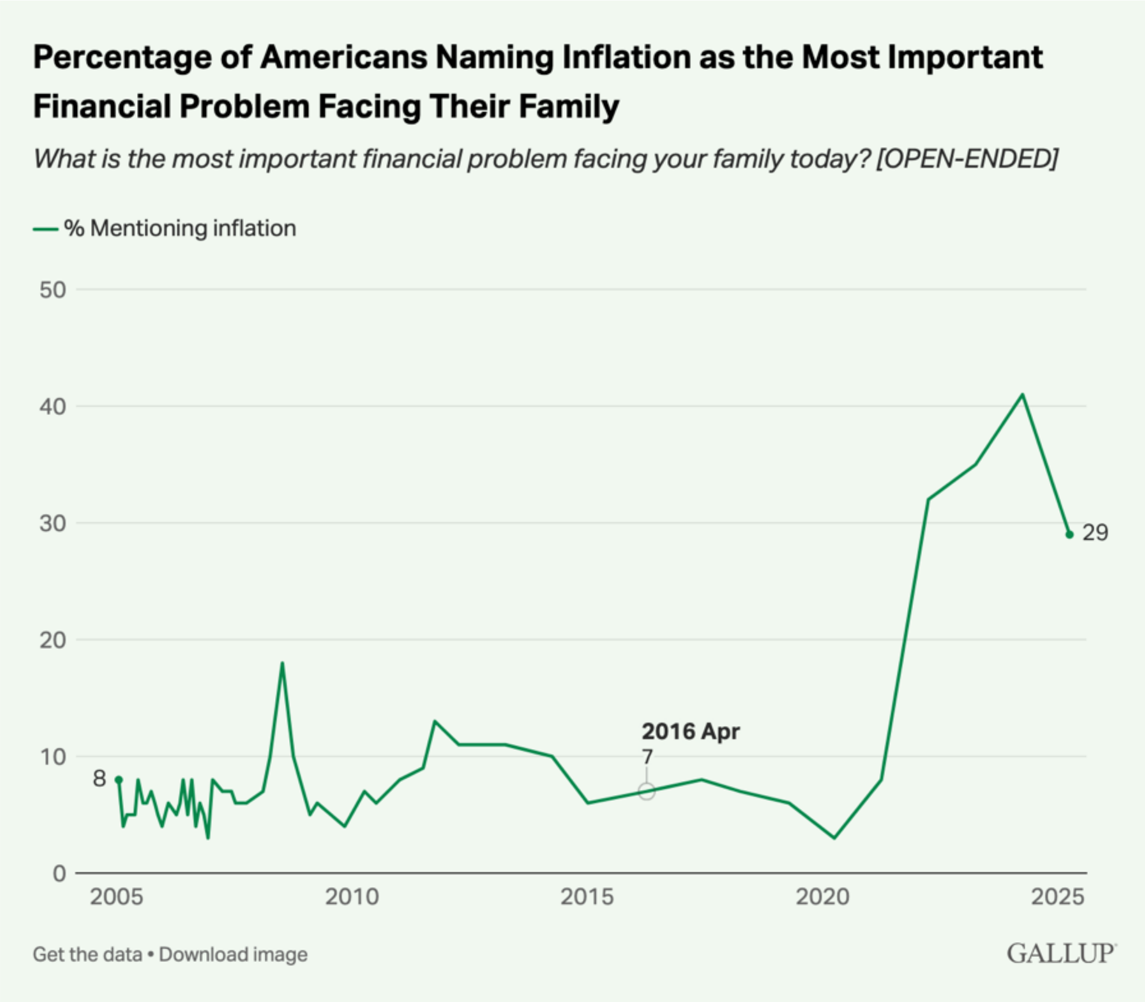

| | Style | Rules |
|---|---|---|
| Type 1 | Fast, Emotional | Heuristics |
| Type 2 | Slow, deliberative | Deduction |

| | | |
|---|---|---|
| Care/ harm | Liberty/ oppression | Fairness/ cheating |
| Loyalty/ betrayal | Authority/ subversion | Sanctity/ degradation |

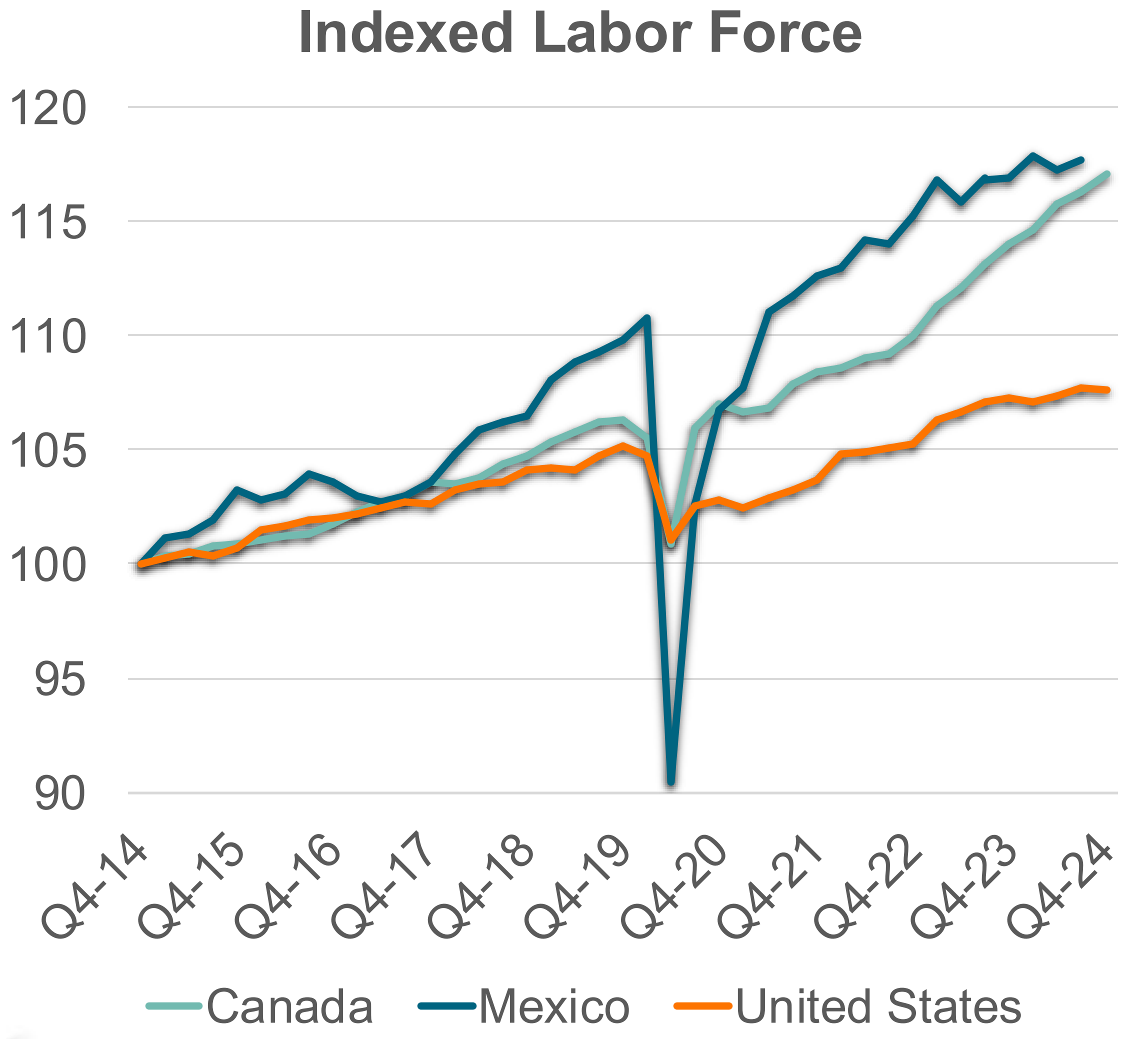
*Moral Nodes: Social issues that blind us emotionally*

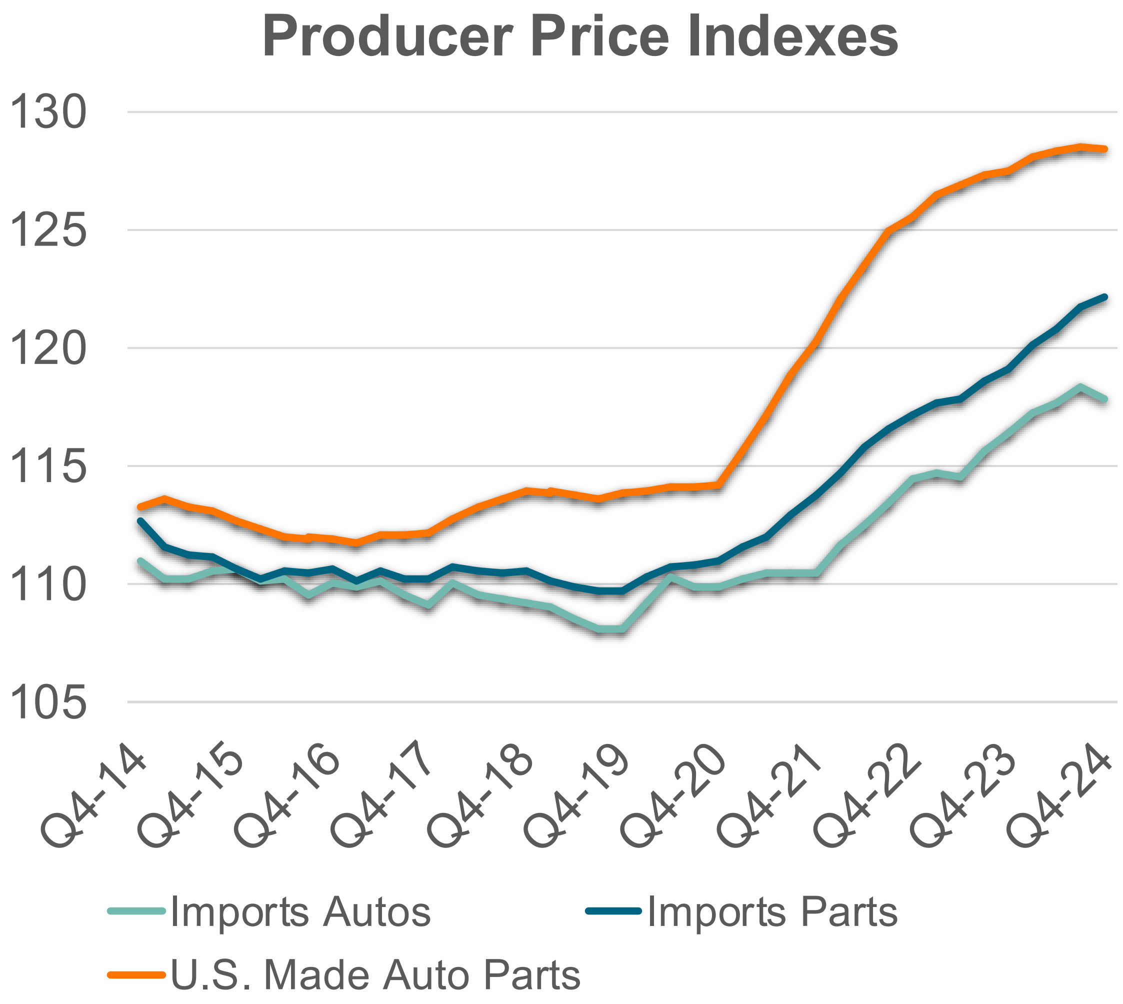


# Who should Trump thank for his big election sweep?

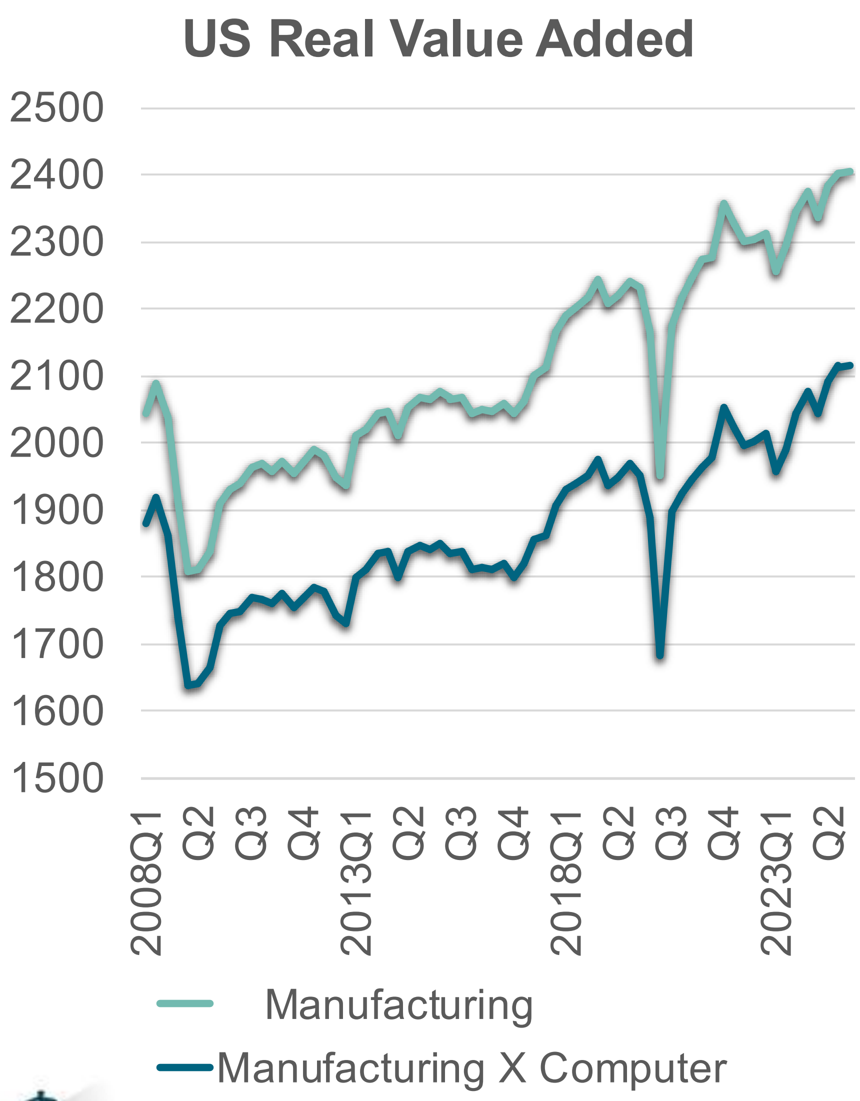


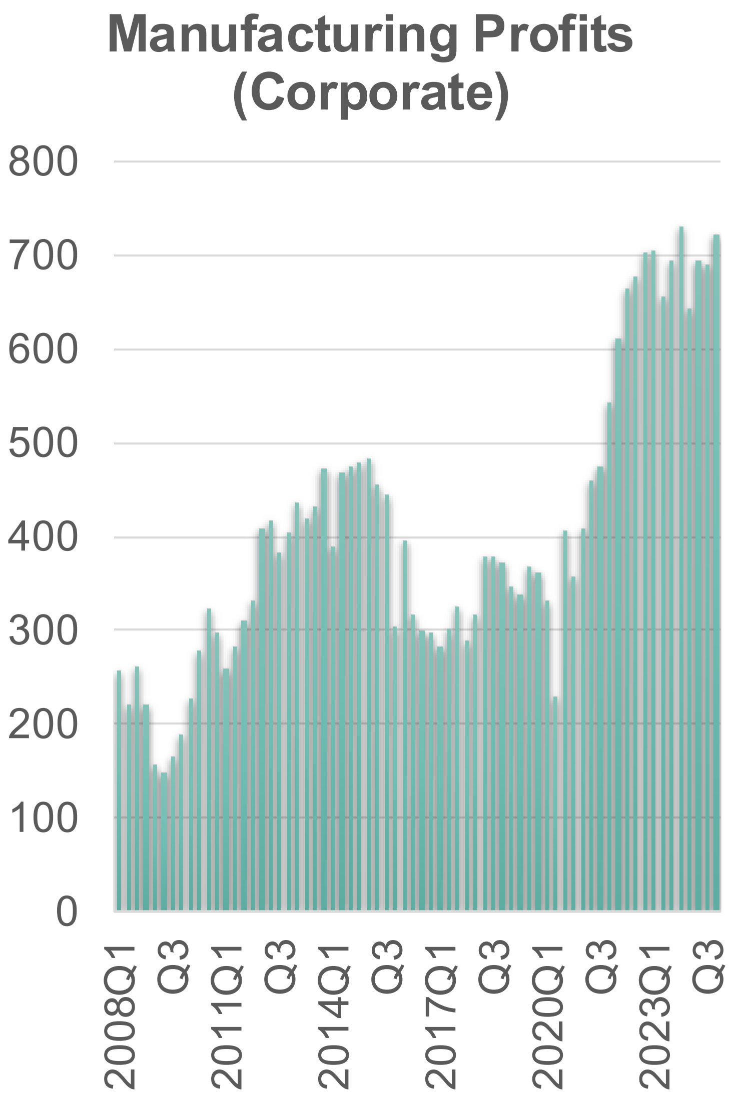
# North American Labor Force Trends

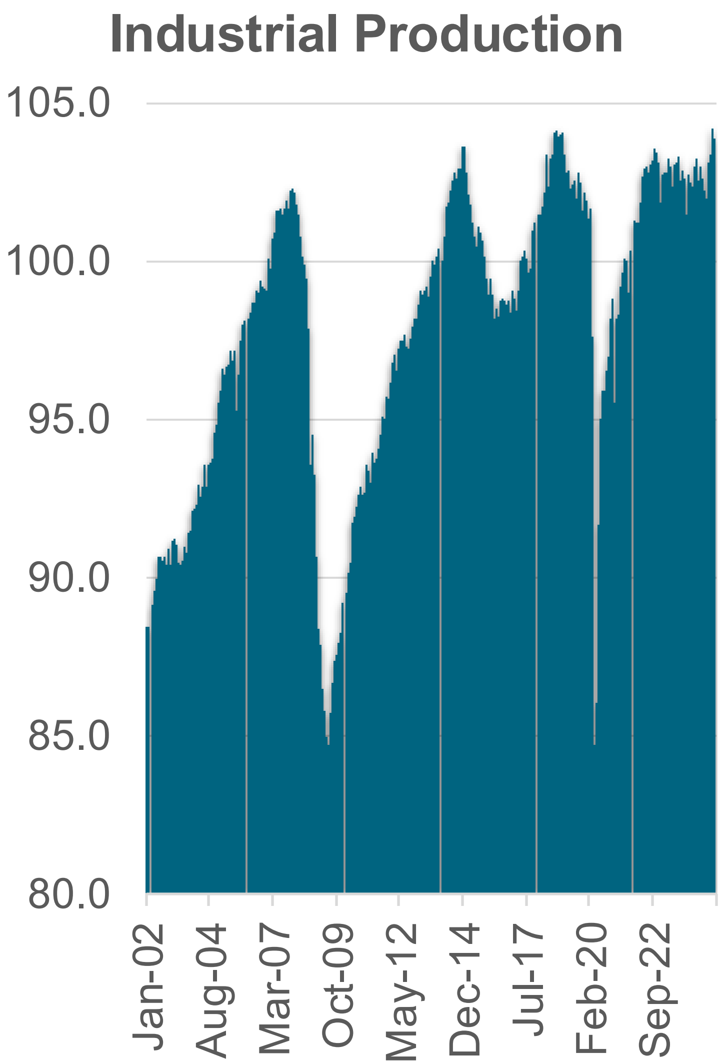


# Manufacturing: Doing Great



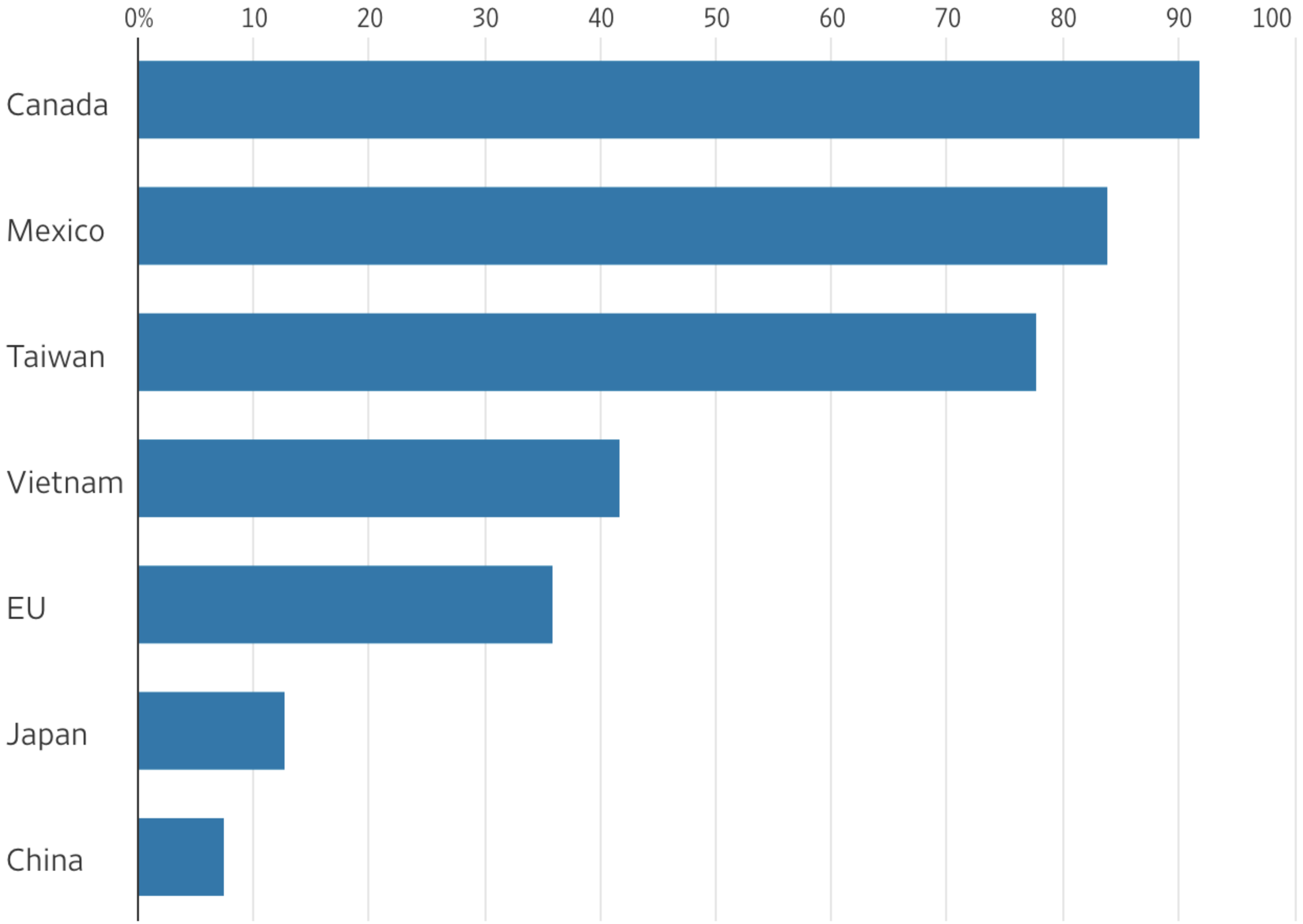
# The Potential Trade Impact

## The Tariff Tax: Context

| | Billions | Share GDP |
|---|---|---|
| GDP | $29,723 | |
| Total Imports Goods | $3,267 | 11.0% |
| ~~New Tariffs | $653 | 2.2% |
| Federal Deficit | -$1,847 | -6.2% |
| Personal Taxes to Feds | $2,391 | 8.0% |
| Corp Taxes to Fed | $490 | 1.6% |

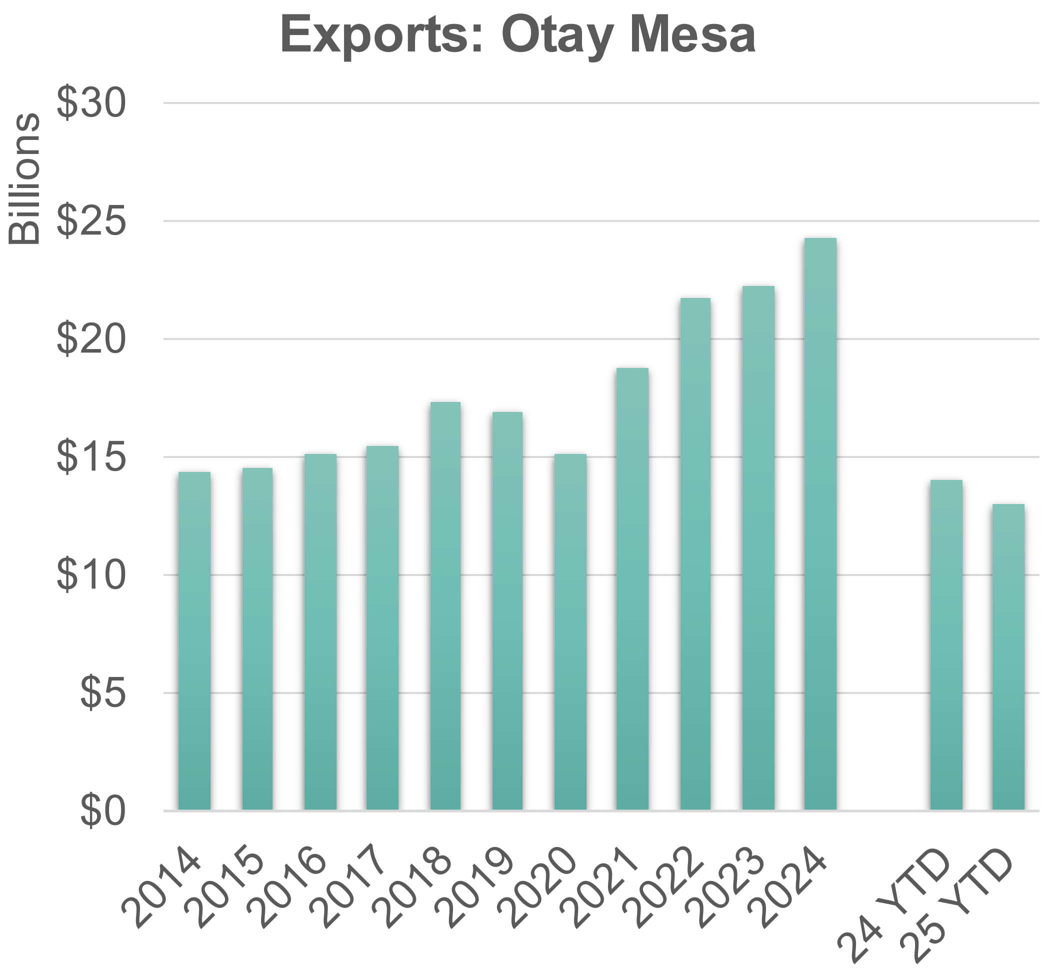
| **Imports of goods 2024 $Billions** | **$3261** | |
|---|---|---|
| Industrial equipment | 295.6 | 9.1% |
| Petroleum and products | 251.9 | 7.7% |
| Engines, parts, bodies | 196.6 | 6.0% |
| Metals and products | 137.5 | 4.2% |
| Electrical equipment | 102.6 | 3.1% |
| Telecommunications eq | 84.3 | 2.6% |
| Semiconductors and related | 82.1 | 2.5% |
| Chemicals | 73.2 | 2.2% |
| Civilian aircraft, engines parts | 62.7 | 1.9% |
| | | |
| Consumer goods | 803.5 | 24.6% |
| Automotive vehicles | 278.8 | 8.5% |
| Computers, peripherals, and parts | 216 | 6.6% |

Share of June U.S. imports that were duty-free, by origin



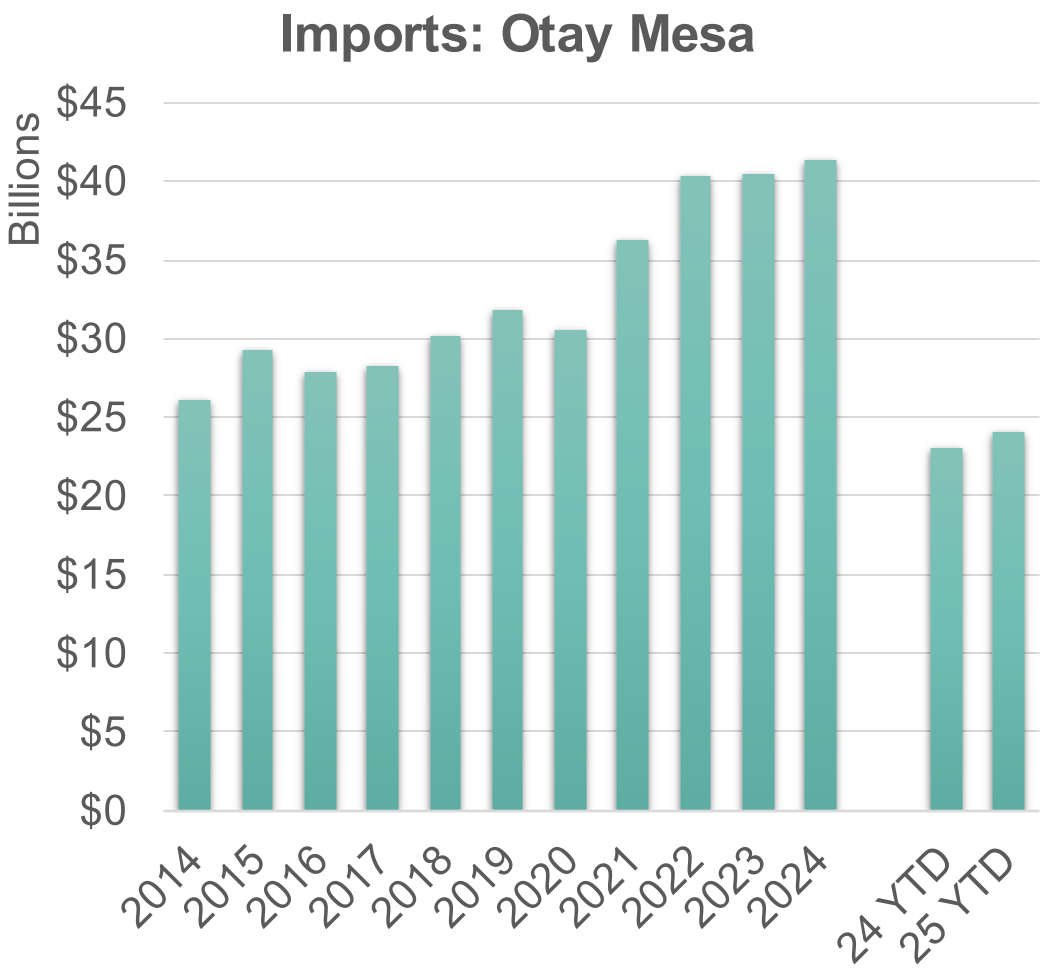

Source: Barclays Research analysis of U.S. Census Bureau data

# Export Trade



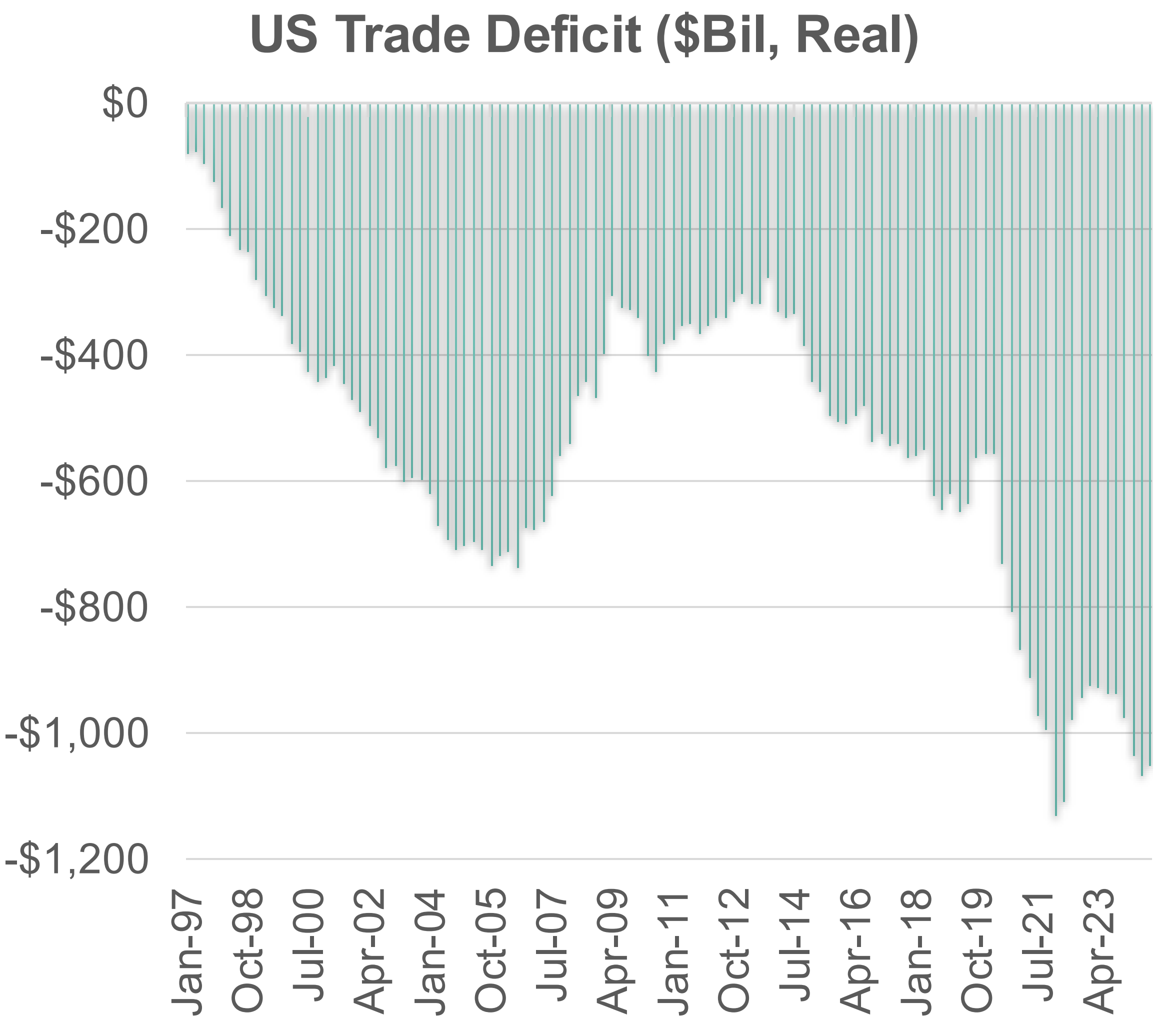

| Commodity | Jul 2025 YTD ($ Mil.) | Change '23-'24 (%) | Change YTD '24-'25 (%) |
|---|---|---|---|
| Total Exports | 13,014.9 | 9.0 | -6.9 |
| Electric Machinery | 2,052.0 | 15.6 | -10.5 |
| Industrial Machinery | 1,935.5 | 20.7 | -4.3 |
| Plastics | 1,347.7 | -1.1 | -1.3 |
| Vehicles | 1,329.7 | 21.2 | -3.7 |
| Optic & Medical Instruments | 1,273.5 | 31.5 | -6.0 |
| Articles Of Iron Or Steel | 393.2 | 26.1 | -22.7 |
| Misc. Edible Preparations | 357.8 | 10.2 | 7.5 |
| Mineral Fuel and Oil | 329.9 | -39.0 | 54.6 |
| Paper & Paperboard | 320.9 | -0.6 | -10.4 |
| Apparel | 277.7 | 14.0 | -39.0 |

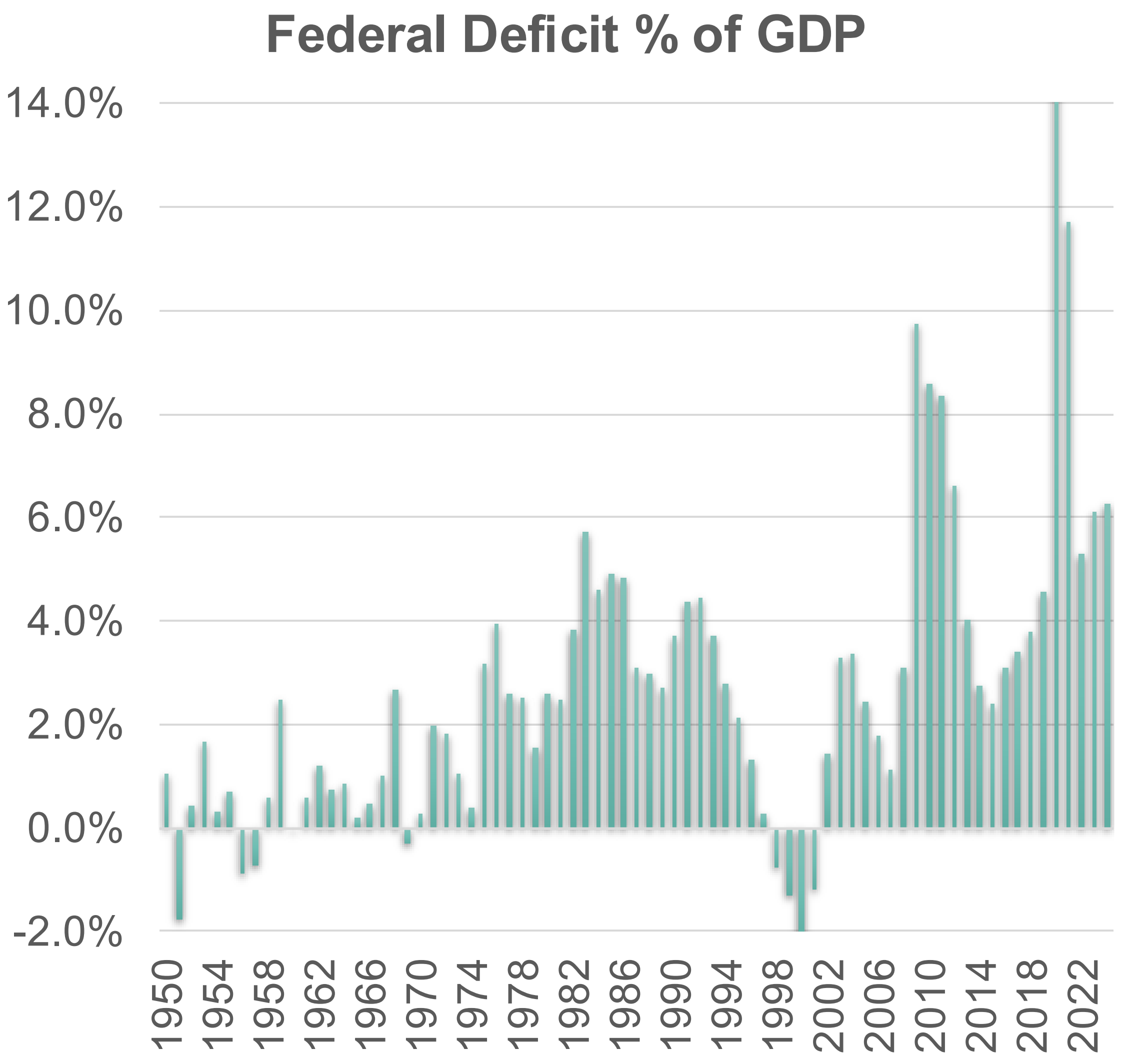
# Import Trade




| Commodity | Jul 2025 YTD ($ Mil.) | Change '23-'24 (%) | Change YTD '24-'25 (%) |
|---|---|---|---|
| Total Imports | 24,037.4 | 2.3 | 4.2 |
| Electric Machinery | 6,061.0 | -2.8 | -10.0 |
| Optic & Medical Instruments | 4,650.8 | 27.5 | 21.2 |
| Vehicles | 4,583.6 | -10.4 | 20.1 |
| Industrial Machinery | 1,649.3 | 3.6 | 15.9 |
| Special Class Provisions | 1,404.3 | 35.2 | 6.7 |
| Edible Fruit & Nuts | 823.5 | -14.2 | -6.3 |
| Plastics | 718.7 | 8.7 | 7.8 |
| Furniture | 686.4 | 2.8 | -14.0 |
| Edible Vegetables | 426.6 | 16.8 | -13.5 |
| Misc. Articles of Base Metal | 307.7 | -10.9 | -5.3 |

# An Over-Consumption Problem…



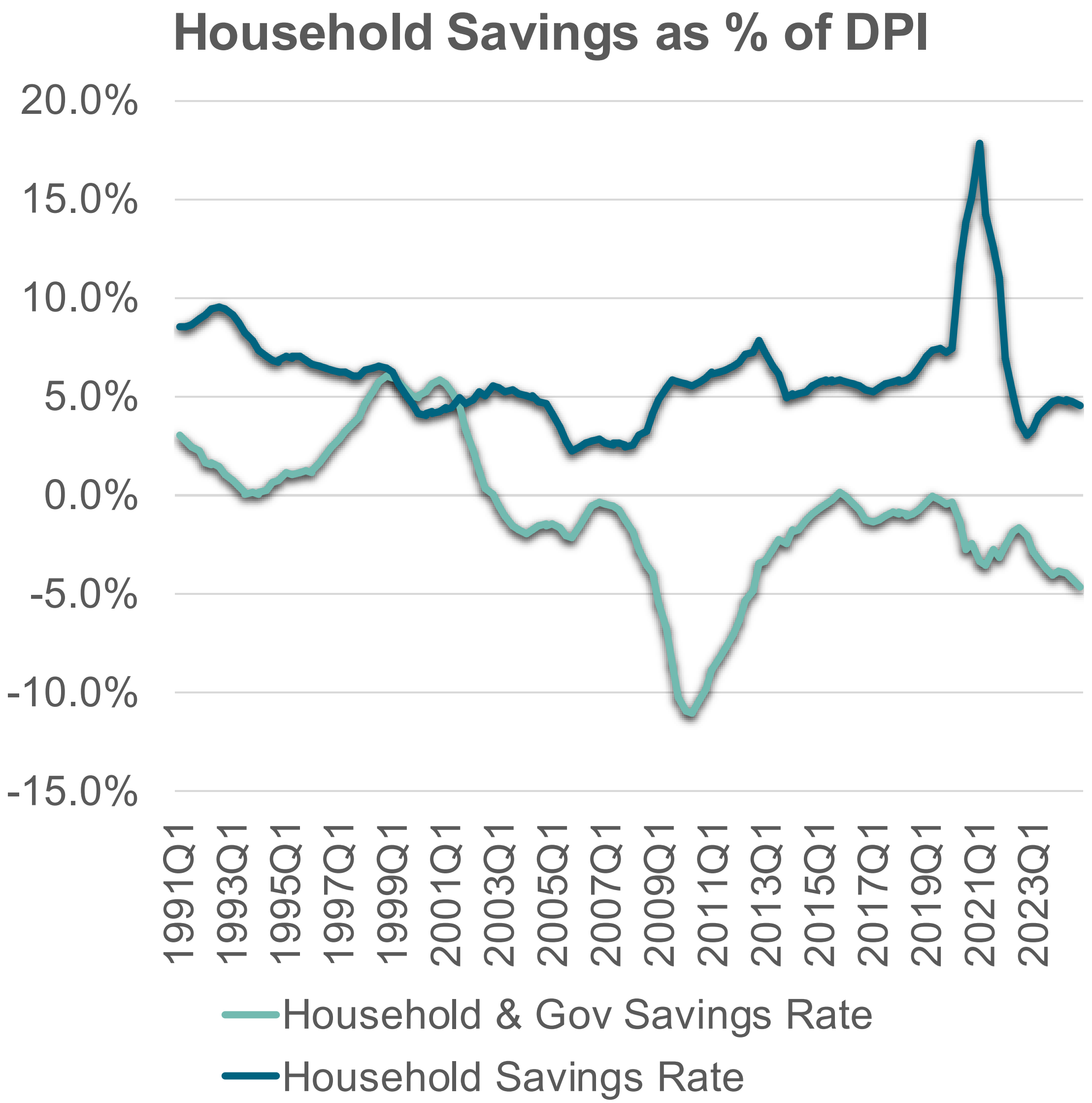



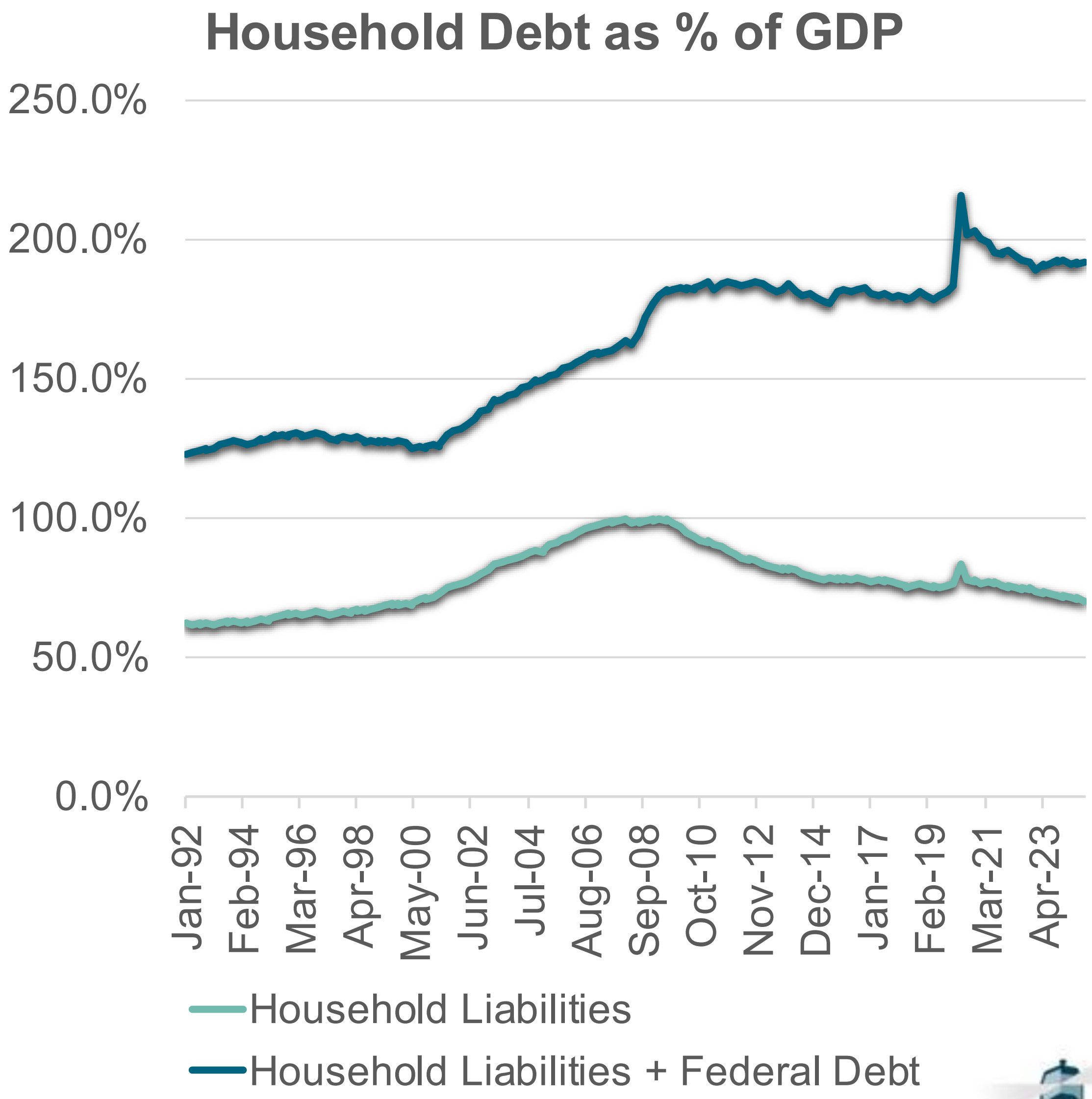
# Deficit Closing?

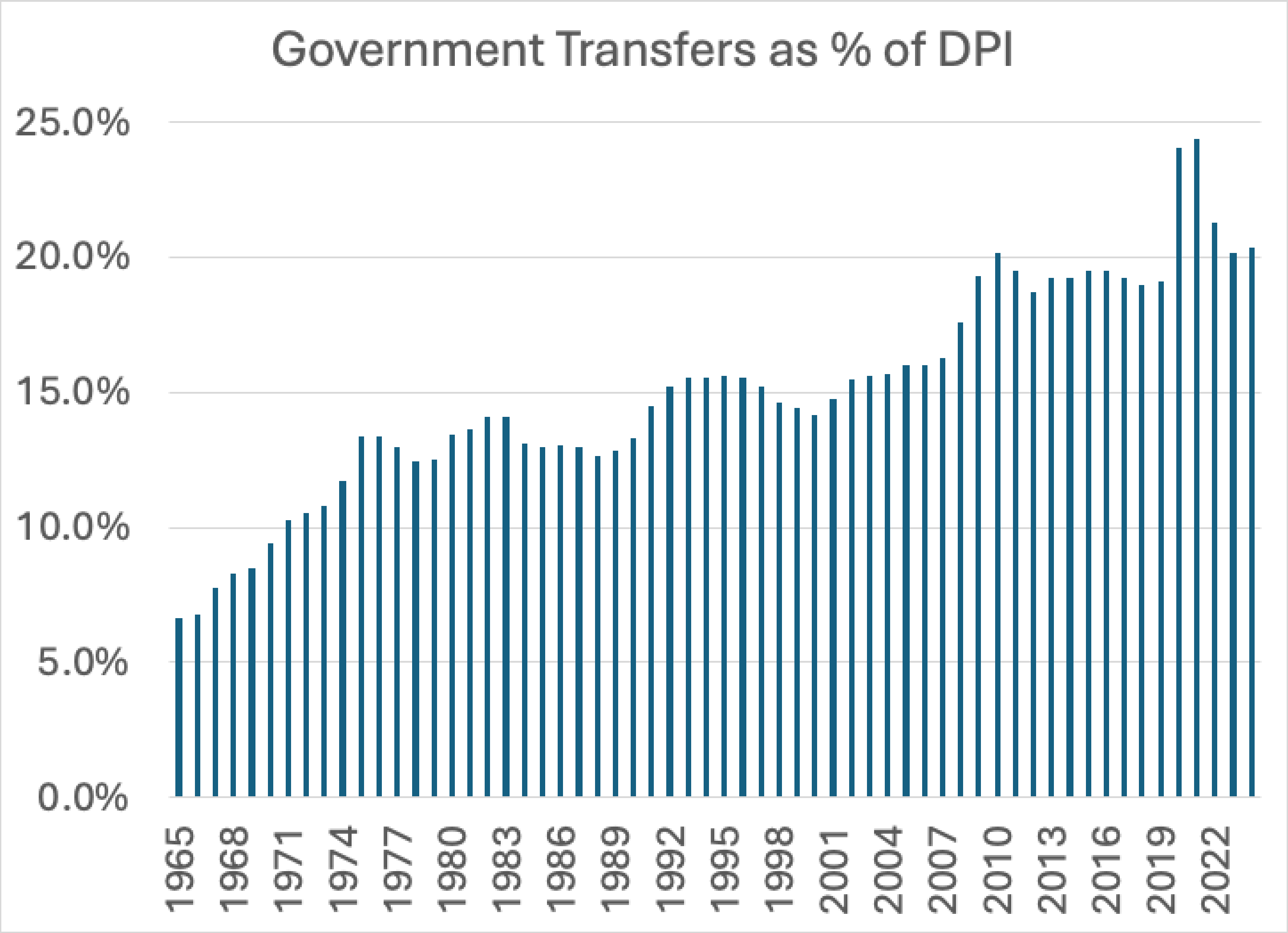
$15,500 per household per year

- Higher Taxes: 8% of Household Disposable Household Income
- Reduced Spending: 25% of total current Fed expenditures

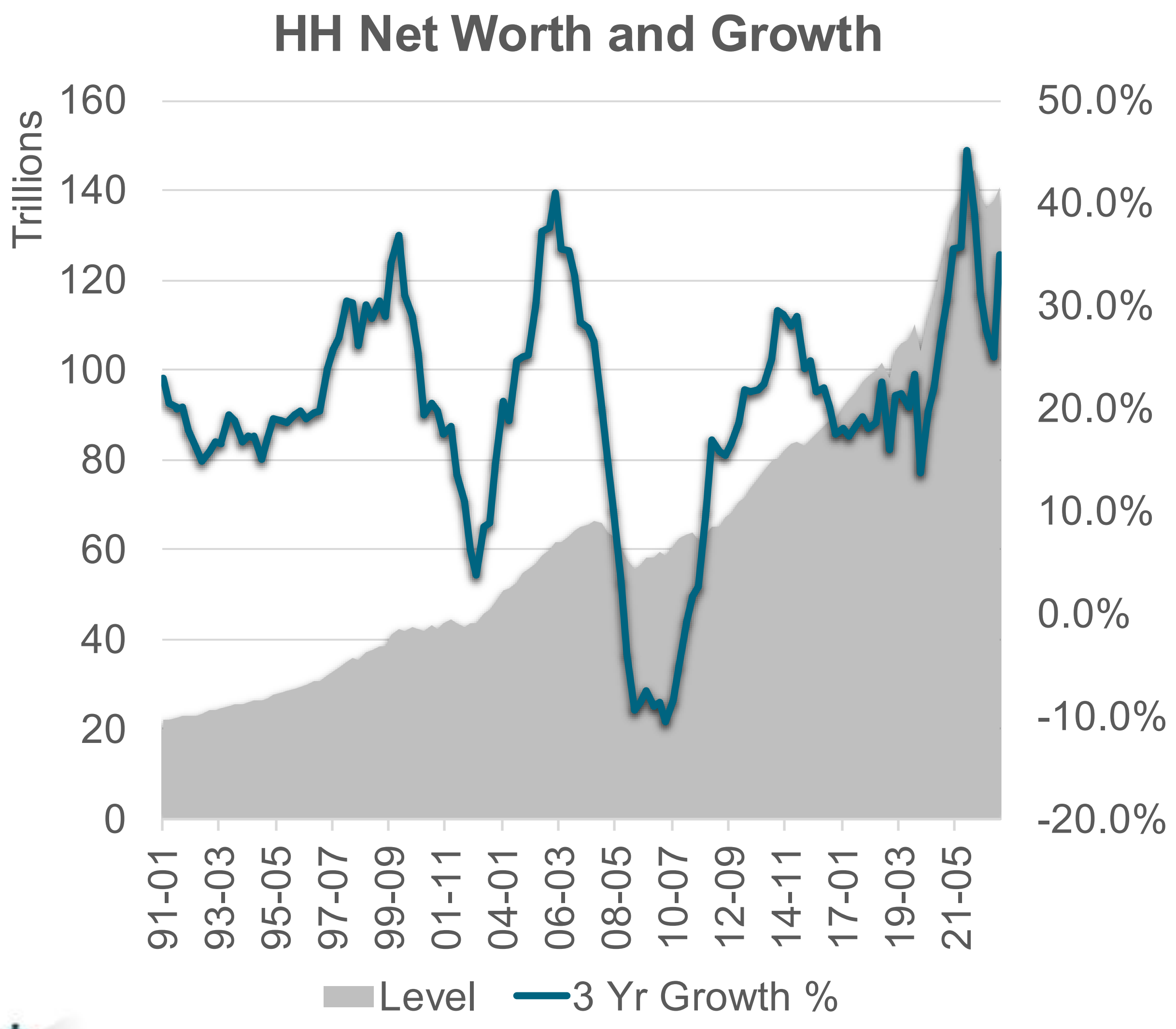
# The Wealth / Income Mirage

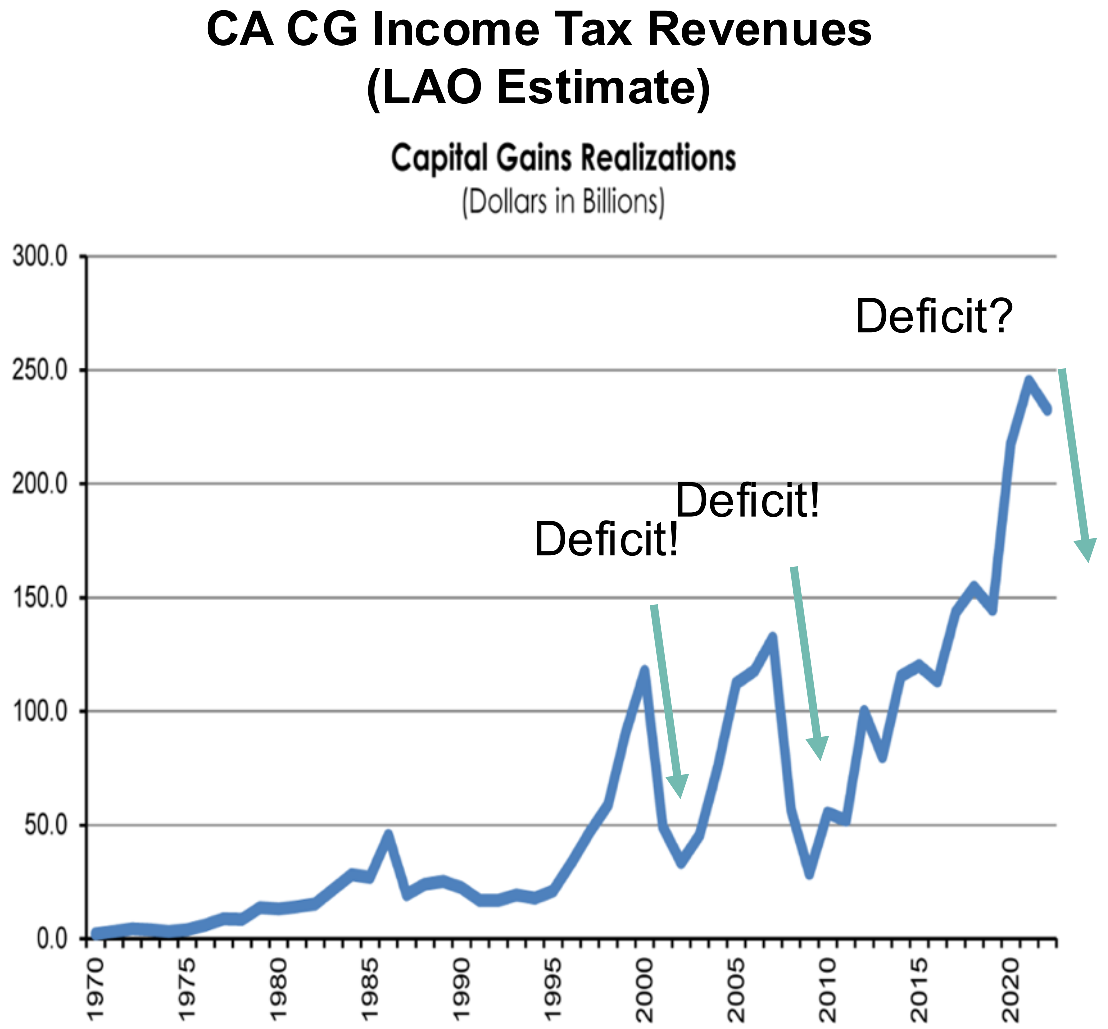


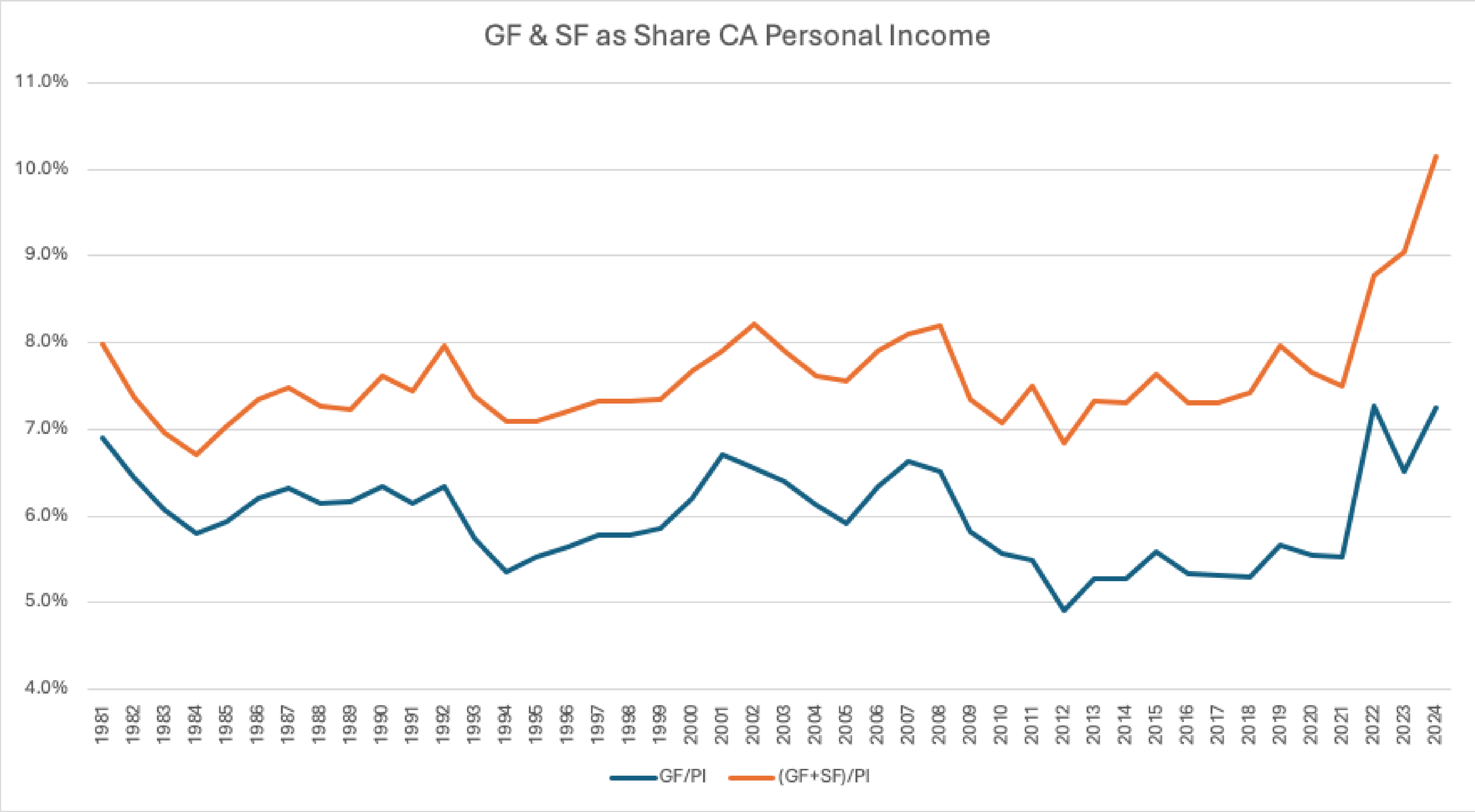




Government Transfers as % of DPI
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
1965
1968
1971
1974
1977
1980
1983
1986
1989
1992
1995
1998
2001
2004
2007
2010
2013
2016
2019
2022

# On Bubbles and Budgets!




GF & SF as Share CA Personal Income
11.0%
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
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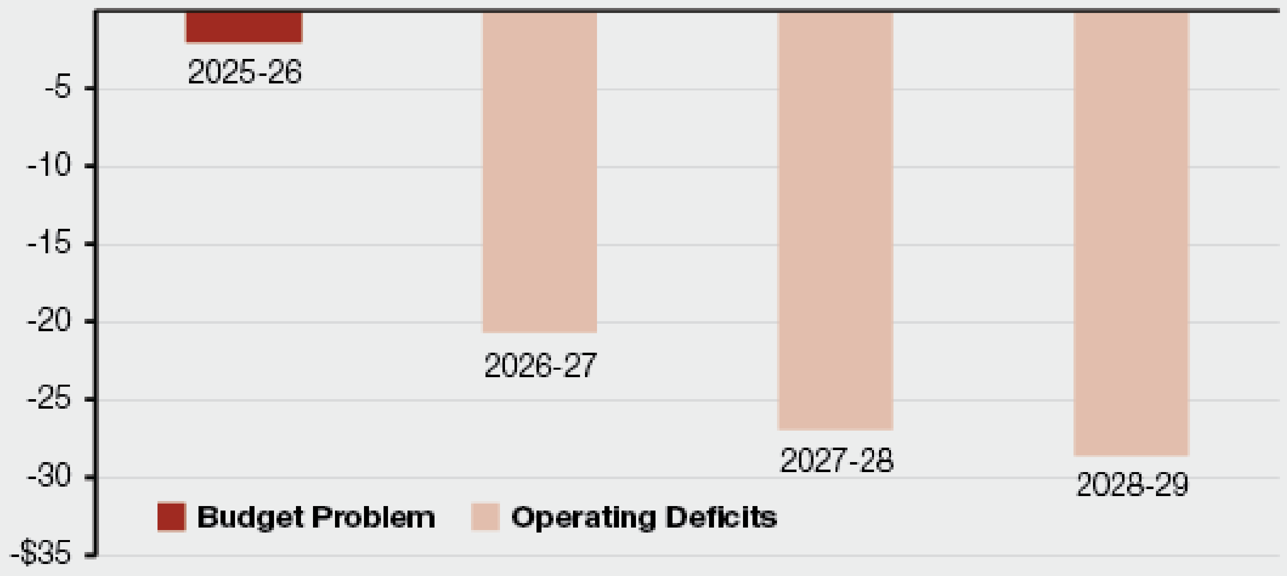
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
GF/PI
(GF+SF)/PI

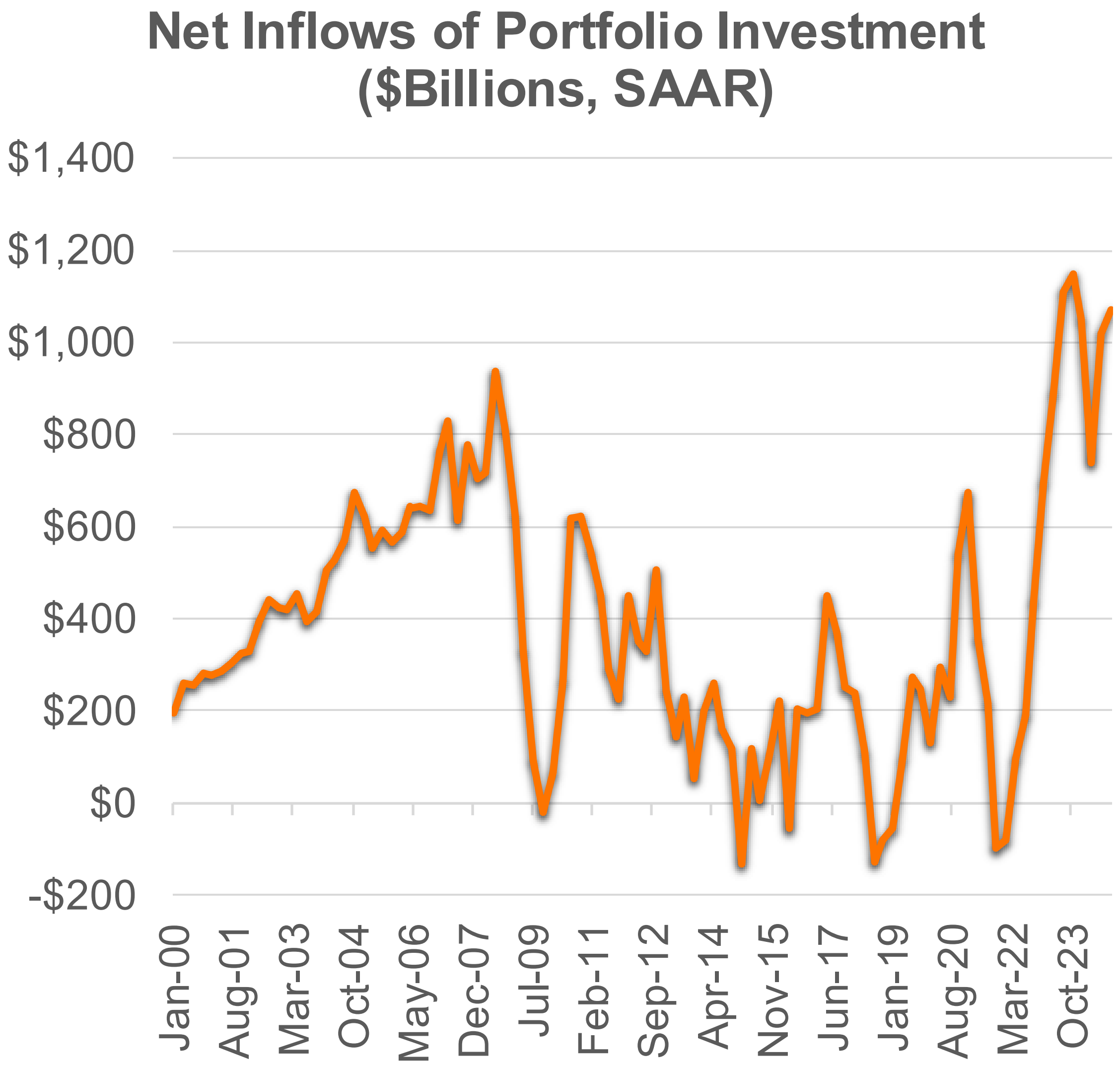
Figure 5

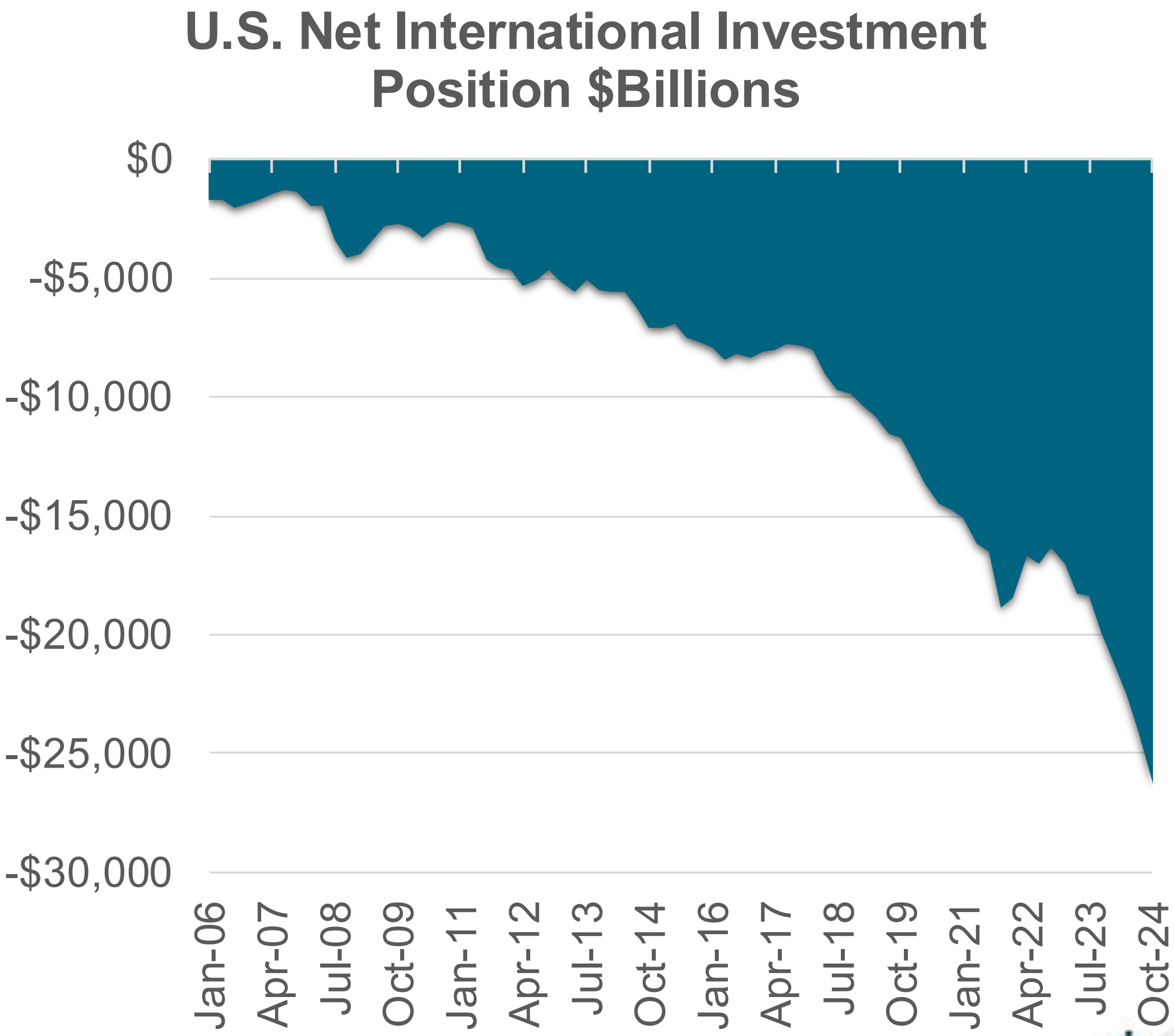
## State Faces Growing Multiyear Deficits

(In Billions)

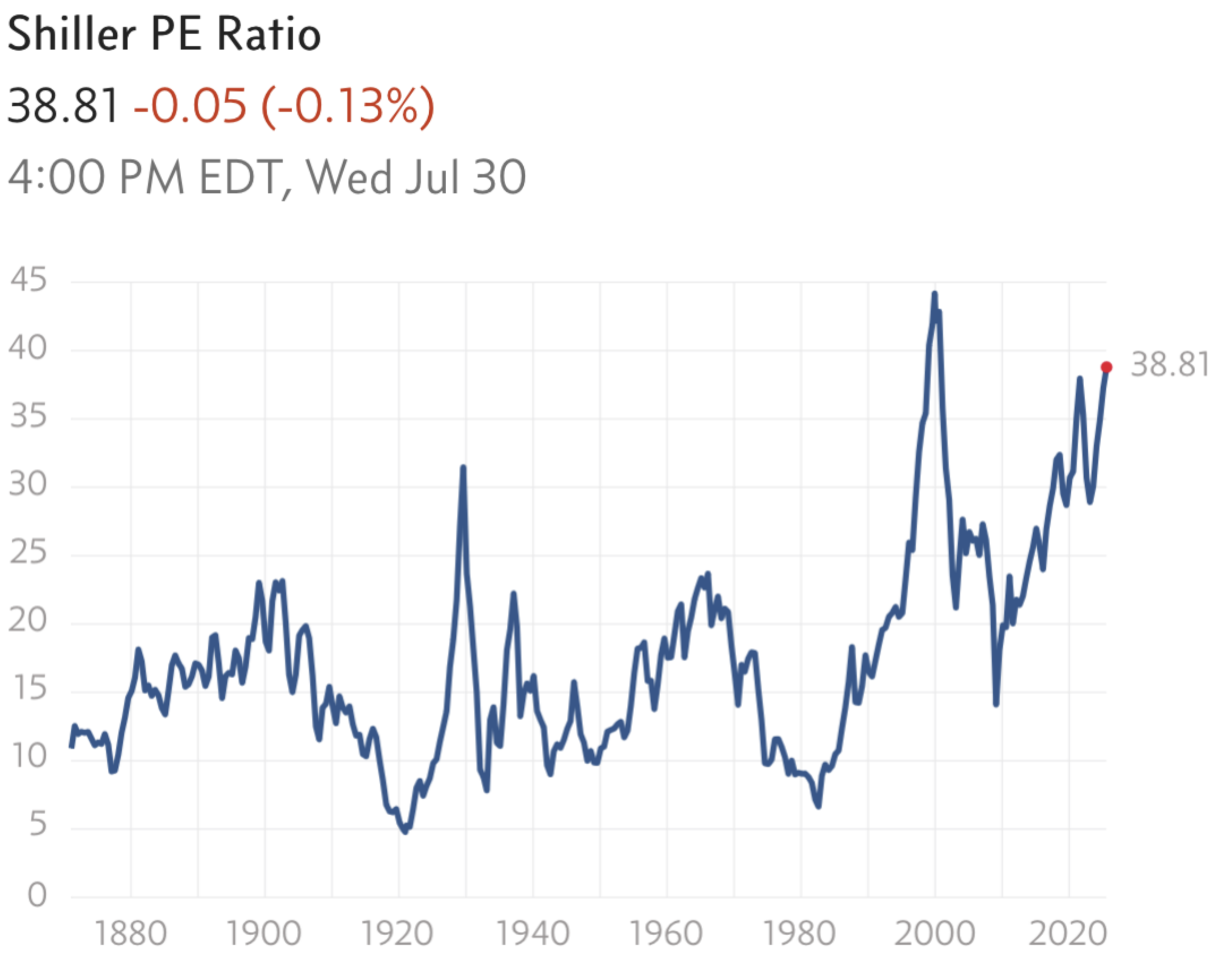


# Who is Paying the Bills?



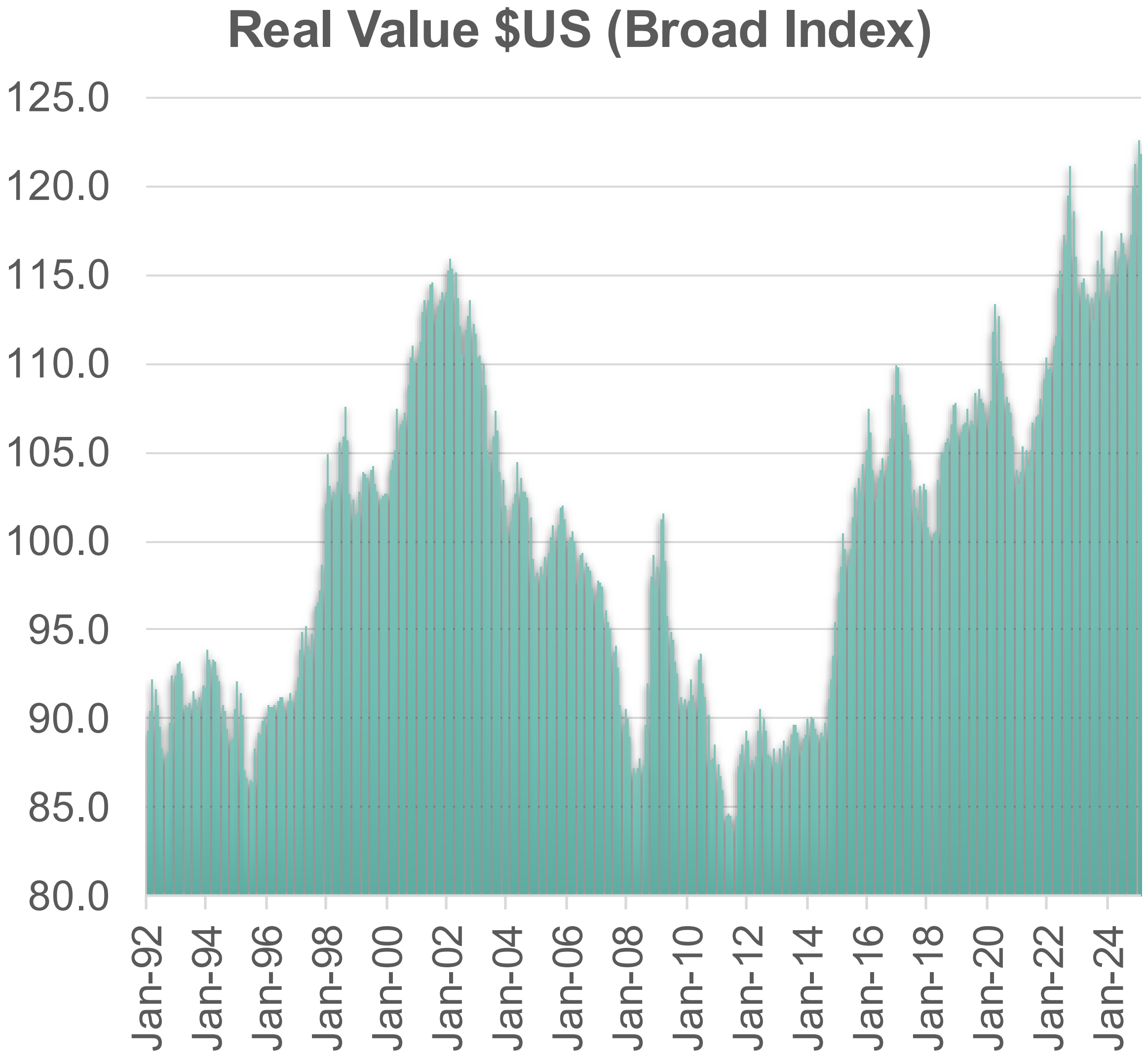



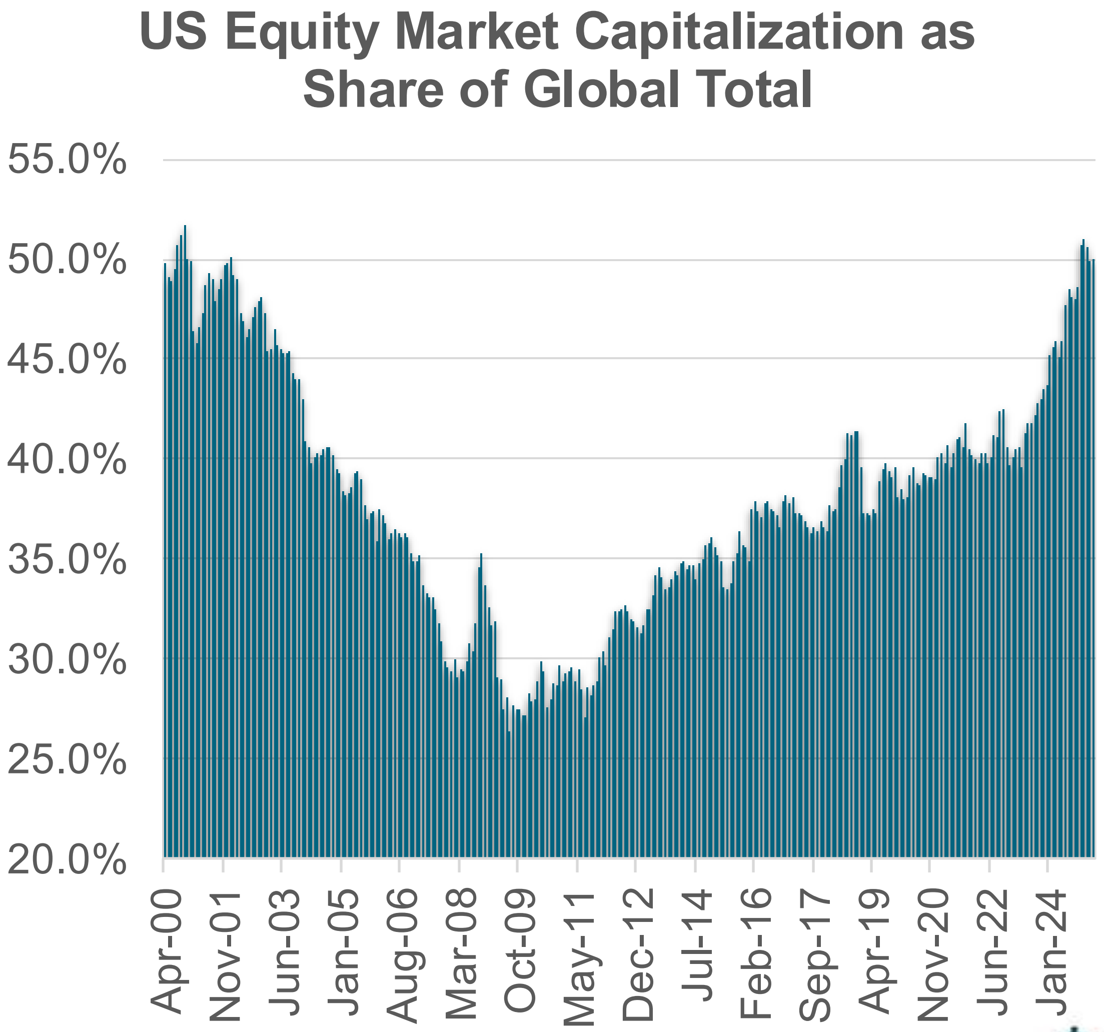
# Another Economic Narrative




| Rank | Company | Market Cap (approx.) |
|---|---|---|
| 1 | Nvidia | ~$3.9–4.2 T |
| 2 | Microsoft | ~$3.7 T |
| 3 | Apple | ~$3.2 T |
| 4 | Amazon | ~$2.3 T |
| 5 | Alphabet (Google) | ~$2.18 T |
| 6 | Meta Platforms | ~$1.8 T |
| 7 | Saudi Aramco | ~$1.60 T |
| 8 | Broadcom | ~$1.29 T |
| 9 | TSMC | ~$1.22 T |
| 10 | Berkshire Hathaway | ~$1.05 T |

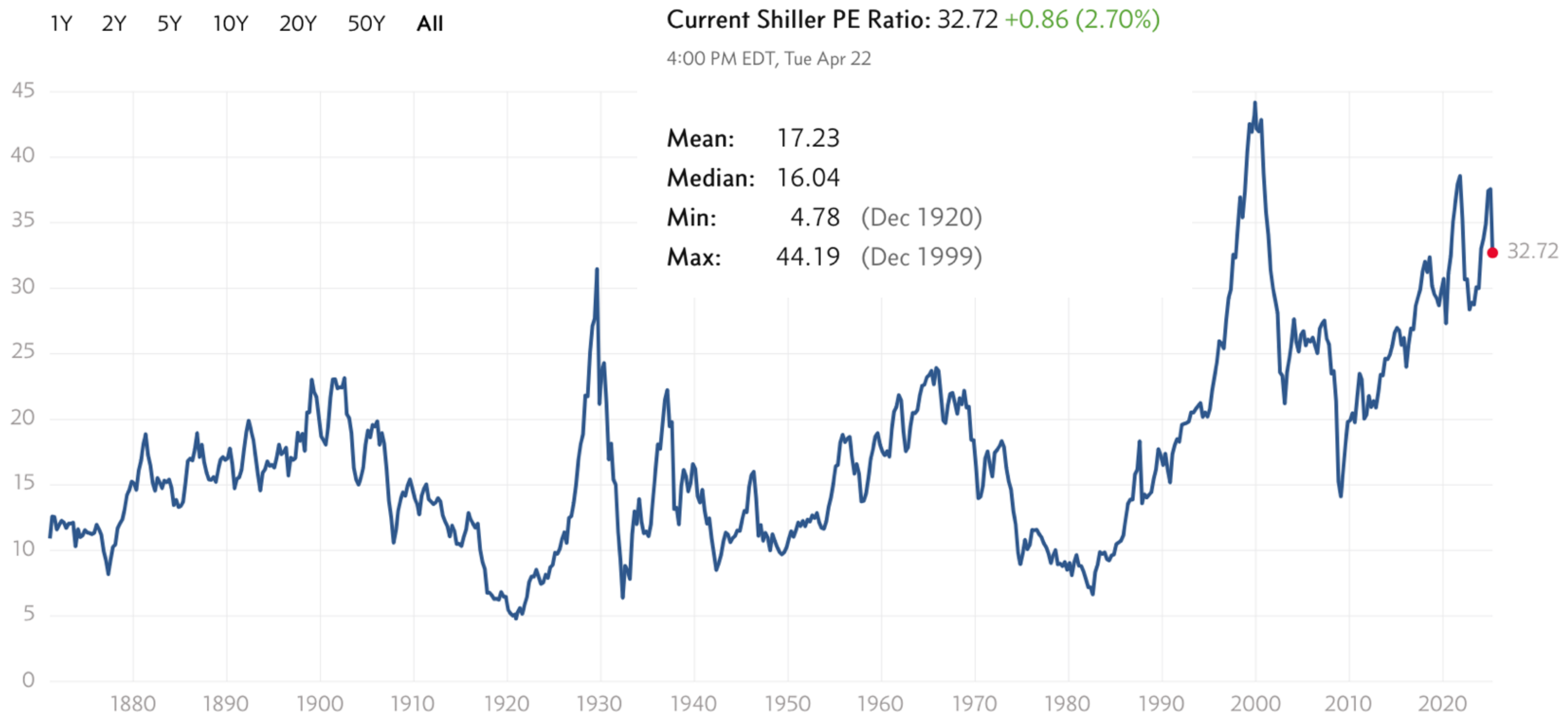
# Chasing Yield, Not Value



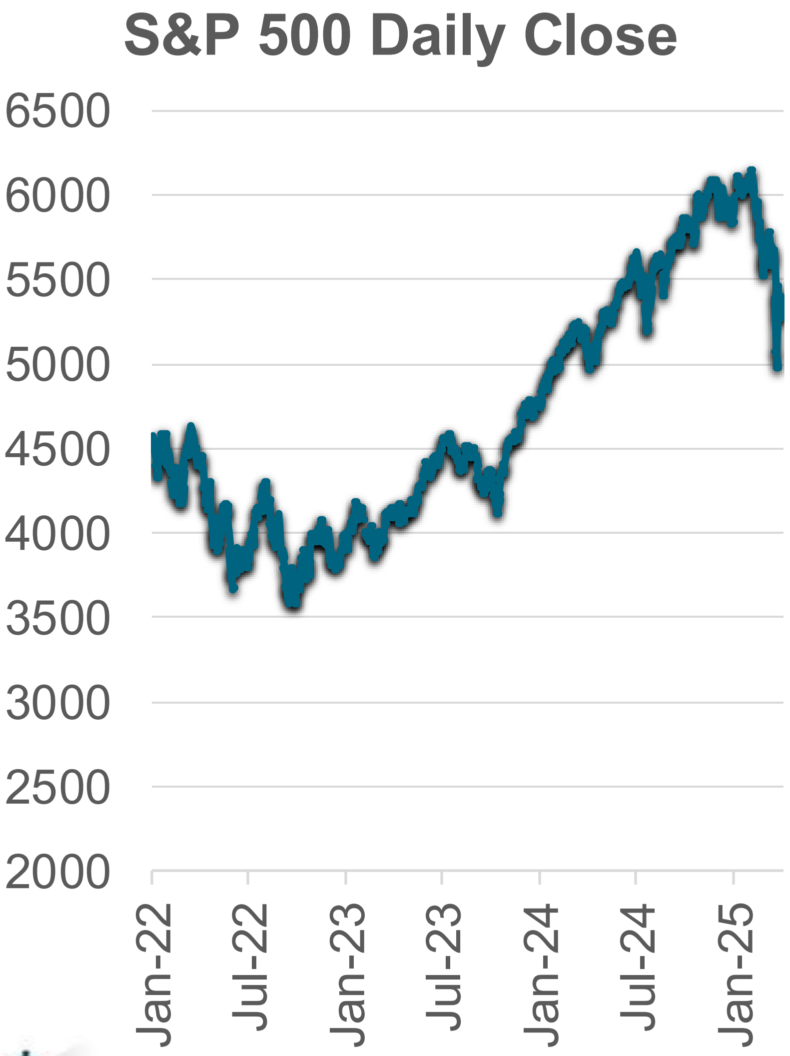



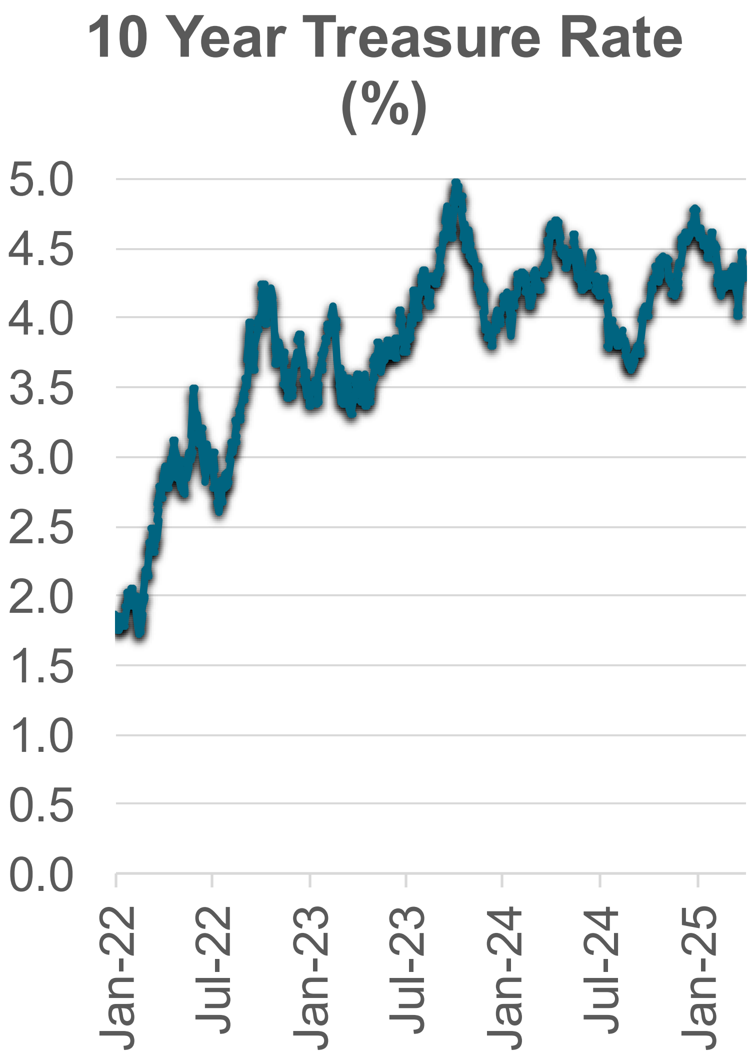
# Powell's Other Legacy; Asset Bubbles

## Shiller Stock Market Price Earnings Ratio

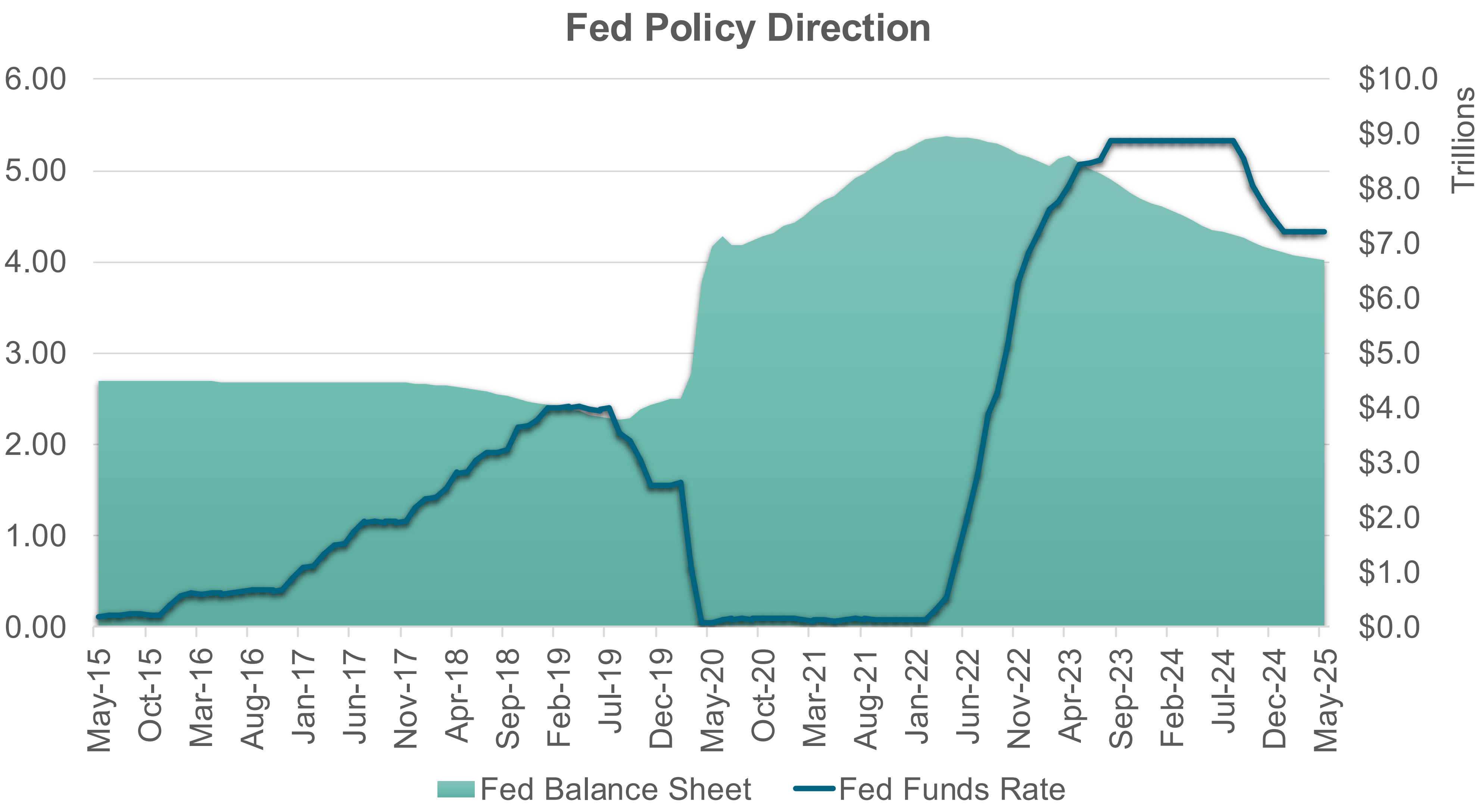


# The Recent Reactions to Turbulence




# Where is the Fed?



# The Narrative / Reality Gap

| | Q4 12 | Q4 16 | Q4 20 | Q4 24 |
|---|---|---|---|---|
| | Obama | Trump | Biden | Trump |
| Real GDP Growth YoY Gr | 1.6% | 2.2% | -1.0% | 2.5% |
| Unemployment Rate | 7.8% | 4.8% | 6.8% | 4.1% |
| Real Per Capita DPI | $42,342 | $43,846 | $49,476 | $51,637 |
| Household Debt (% GDP) | 84.5% | 77.9% | 77.5% | 70.0% |
| Household Net Worth (% GDP) | 413.9% | 469.3% | 562.3% | 539.5% |
| | | | | |
| UM: Consumer Sentiment | 79.4 | 93.1 | 79.8 | 72.1 |
| | | | | |
| Federal Deficit % GDP | -6.5% | -3.1% | -16.2% | -6.9% |
| Federal Debt: % GDP | 100.1% | 104.6% | 125.7% | 121.9% |
| Current Account (% GDP) | -2.3% | -2.0% | -3.3% | -4.0% |
| Net Int Investment (% GDP) | -27.8% | -43.3% | -66.7% | -88.3% |
| | | | | |
| $Dollar (Broad Real) | 87.9 | 108.0 | 105.7 | 119.5 |
| Shiller P/E Ratio | 21.24 | 27.08 | 32.51 | 37.22 |

# Growing Risks

## *Strong Economic Momentum*

- Consumer finances / spending remains solid
- Credit constraints lifting, rate shock passing

## Turbulence threatening capital inflows

- Important #s: The $US, HH Savings, 10 Year Bond
- Recession starts when / if turbulence hits household finances

## California: Focused on the wrong issues

- Housing supply, not affordability
- Labor supply, not income inequality

## The Real Estate Industry

- Industry recovering from rate hit, but may get hit again
- Housing shortages hard to fix with liquidity constraints

## The real issue?

- The narrative is running amuck
- Political chaos in its wake leaving US policy rudderless

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