

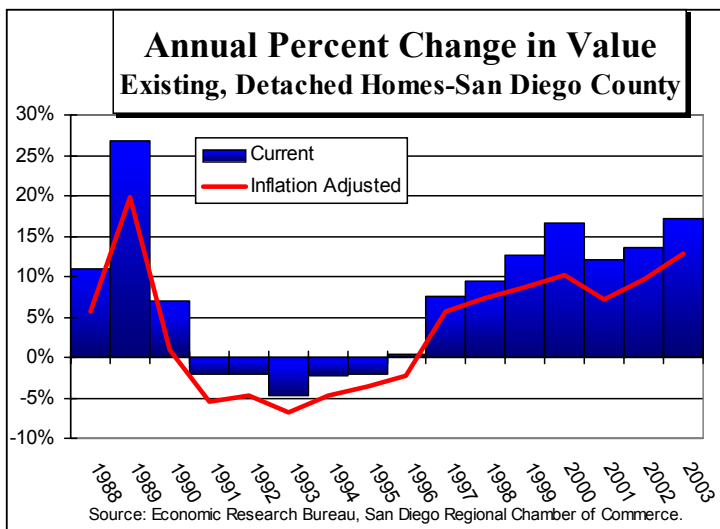
## Housing Values Continue Stratospheric Ascent in San Diego

**T**he value of single-family, detached homes in San Diego County continued to climb during 2003 reaching an unprecedented average of \$492,600 in October, according to the Economic Research Bureau's semi-annual housing price survey. The average value jumped 9.4 percent just since April 2003, and 16.5 percent since October 2002.

Counter to expectations for price increases to slow, housing values actually accelerated during the year. The annual 2003 average value was \$471,500, a 17.3 percent



This 3 Bedroom, 3 Bath, 2,672 square feet home in La Costa recently sold for \$645,000, only slightly higher than the median price for the area. Photo: Neal Hribar, Coldwell Banker Residential Real Estate, website:<http://www.hribar.com>.



increase over the 2002 average of \$402,000. This was the highest annual gain in value for San Diego housing over the past fourteen years.

Adjusted for the local rate of inflation (estimated to be 3.9 percent over the year), the "real" increase was 12.9 percent. It is important to note increases in cost of

*(Continued on page 2)*

## Rental Rates Continue Upward March

**T**he San Diego County apartment market set another record this year, with average rent as of September 2003 increasing to \$1,123 per month, according to *Market-Pointe Realty Advisors*. The 2.06 percent San Diego rental market vacancy rate is relatively high when compared with recent historic vacancy rates between 0.5 and 1.42 percent, but remains very low by historical standards.

The deployment of local military troops to wars in Afghanistan and Iraq did little to soften San Diego's heated rental market. Apartment vacancy rates climbed in March

*(Continued on page 6)*

## San Diego's Cost of Living Remains Far Above National Average

**S**an Diego's cost of living is nearly 40 percent more expensive than the average for the United States, according to the 3<sup>rd</sup> quarter 2003 *ACCRA Cost of Living Index*. San Diego County is reported as the 5<sup>th</sup> most expensive major urban area in the United States, following only the metropolitan areas of San Francisco, New York City, Los Angeles, and Oakland.

The survey compares the costs of nearly identical consumer goods and services in 307 urban areas in North

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**HOUSING VALUES**

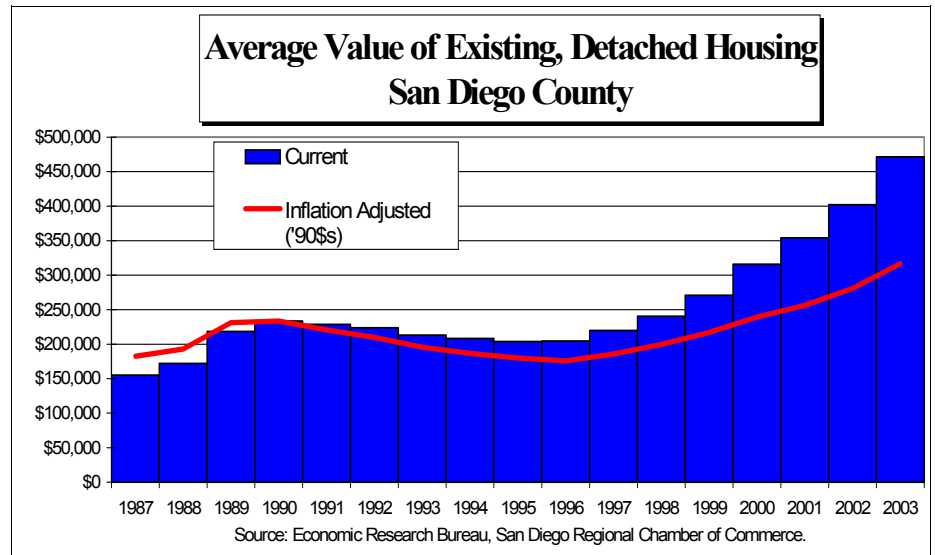
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housing are a major factor for the region's inflation rate.

San Diego housing values have risen each of the past eight years. With the increase in 2003, the average is now double the average value recorded in 1995, increasing a total of 131.2 percent over the past eight years.

In light of slower economic fortunes, housing price appreciation was anticipated to slow. The opposite occurred as prices not only continued rising in San Diego, but accelerated over the past three years. The main factors contributing to the rise in appreciation is the high demand for San Diego housing, largely due to the lowest mortgage rates in more than a generation, limited supply of new housing, comparatively healthier local economy, capital flowing towards real estate, and as ever San Diego's attractive quality of life.

The Chamber survey conducted each April and October measures the change in home values for 55 geographically designated single-unit housing areas throughout the County. The results are collected from



professional appraisers with expertise in each area as coordinated by the San Diego Regional Chamber of Commerce's Economic Research Bureau.

**Market Conditions**

The *San Diego Association of Realtors* (SDAR) reports the number of pending sales in San Diego County far exceeds the number of active listings. This indicates a significant lack of inventory to satisfy demand from homebuyers.

As of November 2003, there were just 3,874 existing homes in all of San Diego County available for sale. Of those, 915 or one in four are priced above \$1 million.

The volume of home sales in San Diego, according to SDAR numbers, show listings sold through November 2003 were 7.4 percent higher than for the same period in 2002. Nearly 41,100 homes – both attached and detached – were sold in San Diego County so far in 2003. Similar to the Chamber assessment, the SDAR reports the median sales price of San Diego housing is 17 percent higher for the entire county than it was last year at this time.

“The mere fact that there have been rapid price increases is not itself evidence of a bubble,” according to Robert Shiller, an economist at Yale University. In an analysis of the perceived bubble in the nation's

housing market, he writes, “The basic question is whether expectations of large future price increases are sustaining the market, whether these expectations are salient enough to generate anxieties among potential homebuyers, and whether there is sufficient confidence in such expectations to motivate action.”<sup>1</sup> The best test of a bubble is whether home purchases are motivated by expectations of future price increases: ie, buyers view a home not merely as a roof over their head, but as an easy way to make money.

“Since 1995, U.S. housing prices have been rising faster than incomes and faster than other prices in virtually every metropolitan area. Despite the fact that the economy was in recession from March to November of 2001 and despite the loss of nearly 3 million jobs since 2000, the price of single family homes, the volume of existing home sales and the number of housing starts in the United States have remained at near record levels. There can be no doubt that the housing market and spending related to housing sales have kept the U.S. economy growing and has prevented a ‘double dip’ recession since 2001.”<sup>2</sup>

Leslie Appleton-Young, *California Association of Realtors* (CAR)'s vice president and chief economist said “Unprecedented

(Continued on page 3)

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demand for housing, historically low mortgage interest rates and continued volatility in the stock market continue to propel the housing market. The rate of home-price appreciation is well above the rate of inflation, making homeownership a safe haven in a period of overall economic uncertainty. The residential housing market will continue to experience double-digit price increases in many regions of the state for the remainder of the year.”

Home price increases since 1995 throughout the nation are driven by fundamentals. Income growth alone accounts for a large part of the increase in housing values. Falling interest rates sufficiently lowered financing costs as well. Nonetheless, the *Brookings Panel on Economic Activity* suggests elements of a speculative bubble for single-family home prices. “While these indicators

do not suggest such strong evidence of a bubble as in 1988, it would be reasonable to suppose that in the near future price increases will stall, even decline, in some cities...More declines in real home prices will probably come in cities that have been frothy, notably cities on both coasts of the United States, and especially those cities that have weakening economies.”<sup>2</sup>

On the other hand, CAR’s Appleton-Young says, “Strengthening economic conditions should drive job growth and household incomes should head upwards, adding fuel to the housing market. Repeat homebuyers will continue to dominate the market in 2004, rolling their equity gains on prior home sales into subsequent home purchases.

“Job growth was nil over the past two to three years, but households with jobs saw their incomes increase,” she writes. “With job numbers on the rise, there will be a spurt in household income growth. The cooling effects on



La Mesa 4 bedroom, 3 bath home on .99 acre and 3-car garage, patio, and brick-lined pool & spa. Seller entertaining offers between \$750,000 and \$824,876.

the housing market of rising mortgage rates will be partially offset by gains in household incomes, resulting in continued strength in the housing market.”<sup>3</sup>

**Mortgage interest rates**

The effective interest rate on conventionally mortgaged homes in San Diego County during the third quarter of 2003 averaged 5.3 percent, according to the *Federal Housing Finance Board* (FHFB). The effective mortgage rate –the contracted interest rate plus any initial fees and charges– has decreased 83 basis points since 6.88 percent was reported in the third quarter of 2001.

The mortgage rates are the lowest in more than a generation and continue to fuel the refinancing boom as homeowners were again able to further reduce interest rates for their home loans.

**Homeownership rate**

San Diego’s homeownership rate slipped slightly in 2002 to 63.3 percent, after rising to 64.0 percent in 2001, according to the *U.S. Census Bureau*. This is a significant increase over the past few years, climbing from only 55 percent for most of the ’90s.

Largely due to the low interest rates, consumers are able to purchase and refinance homes they would have otherwise not been able to afford. Many San Diego homeowners find themselves in homes that have appreciated so much in value the past few years, they could not qualify to purchase their own home. This is a common phenomenon in southern California known as being “house rich

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SINGLE-FAMILY, DETACHED, EXISTING HOUSING VALUE SAN DIEGO COUNTY HOUSING SURVEY							
Year	Average Housing Value	Change		Median Housing Value	Change		San Diego CPI-U*
		Current	Adjusted/ Inflation		Current	Adjusted/ Inflation	
1987#	\$155,100	6.1%	2.5%	\$133,300	7.9%	4.3%	3.5%
1988	172,000	10.9%	5.6%	144,500	8.4%	3.2%	5.0%
1989#	218,200	26.9%	19.9%	183,500	27.0%	20.0%	5.8%
1990#	233,300	6.9%	0.9%	200,000	9.0%	2.8%	6.0%
1991#	228,500	-2.1%	-5.5%	193,500	-3.3%	-6.6%	3.6%
1992	223,600	-2.1%	-4.8%	191,500	-1.0%	-3.7%	2.8%
1993	213,000	-4.7%	-6.8%	186,500	-2.6%	-4.7%	2.2%
1994	208,300	-2.2%	-4.7%	181,500	-2.7%	-5.1%	2.6%
1995	203,900	-2.1%	-3.5%	175,000	-3.6%	-5.0%	1.5%
1996	204,500	0.3%	-2.3%	180,000	2.9%	0.2%	2.6%
1997#	219,900	7.5%	5.7%	185,000	2.8%	1.0%	1.7%
1998	240,600	9.4%	7.3%	200,000	8.1%	6.0%	2.0%
1999#	270,900	12.6%	8.7%	220,000	10.0%	6.2%	3.5%
2000	315,800	16.6%	10.2%	277,500	26.1%	19.2%	5.8%
2001	353,800	12.0%	7.1%	312,500	12.6%	7.7%	4.6%
2002	402,000	13.6%	9.6%	358,500	14.7%	10.7%	3.7%
2003	471,500	17.3%	12.9%	421,000	17.4%	11.3%	3.9%
12-mos.		16.5%	12.4%		17.1%	13.0%	3.6%
6-mos.		9.4%	7.2%		11.3%	9.0%	2.1%
Oct '03	\$492,600			\$445,000			

#Prices are not strictly comparable from year to year because of expansion or adjustment of the sample homes surveyed.  
 \*Change in San Diego Consumer Price Index - All Urban Consumers (CPI-U) by U.S. Department of Labor, Bureau of Labor Statistics. 2<sup>nd</sup> half 2003 CPI estimated by Economic Research Bureau.  
 Source: Economic Research Bureau, San Diego Regional Chamber of Commerce.

**HOUSING VALUES**  
(Continued from page 3)  
and cash poor”.

**Housing demand and construction**  
San Diego County employment  
increased by approximately 23,500 in

2003. This suggests a need for more  
than 18,400 homes to accommodate  
(Continued on page 5)

**HOUSING VALUE SURVEY - PERCENT CHANGE IN VALUE  
COMMUNITIES, CITIES AND AREAS, SAN DIEGO COUNTY**

Area	Annual Average													Annual	Six-month			
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Oct '03/ Oct '02	Apr '03/ Oct '02	Apr '03/ Apr '04	
<b>City of San Diego</b>	<b>8.0%</b>	<b>-1.2%</b>	<b>-2.3%</b>	<b>-4.3%</b>	<b>-2.2%</b>	<b>-2.7%</b>	<b>-0.1%</b>	<b>2.9%</b>	<b>9.4%</b>	<b>12.1%</b>	<b>18.8%</b>	<b>14.2%</b>	<b>14.5%</b>	<b>14.9%</b>	<b>21.6%</b>	<b>20.4%</b>	<b>9.9%</b>	<b>9.4%</b>
Allied Gardens	9.5%	-0.6%	2.0%	-5.4%	-4.5%	-3.8%	0.3%	3.0%	6.1%	16.2%	20.2%	13.3%	11.0%	11.0%	35.0%	27.9%	31.1%	-2.5%
Carmel Mountain Ranch*	*	*	*	*	*	*	*	*	*	*	*	9.7%	15.2%	15.2%	19.7%	19.6%	7.7%	11.0%
Carmel Valley	-7.4%	-8.3%	0.9%	-2.5%	-4.3%	1.2%	1.3%	0.6%	12.3%	10.3%	14.6%	4.7%	8.9%	8.9%	10.0%	10.7%	0.0%	10.7%
Clairemont	11.1%	-4.0%	1.6%	-6.4%	-4.1%	-2.0%	7.0%	1.0%	2.6%	11.1%	36.3%	7.3%	24.1%	24.1%	5.2%	6.7%	2.1%	4.6%
College Area	17.9%	0.6%	-6.8%	-5.9%	1.6%	-9.2%	1.7%	0.7%	6.0%	15.3%	21.4%	20.5%	7.4%	7.4%	33.6%	39.3%	14.8%	21.4%
Fairmount Park	3.8%	5.7%	-0.8%	-7.8%	-4.2%	1.8%	-4.3%	1.8%	7.4%	8.5%	17.2%	25.1%	8.5%	8.5%	59.7%	57.0%	40.1%	12.1%
Keary Mesa	7.7%	-1.7%	-4.1%	-6.1%	-2.3%	-3.3%	-5.1%	3.2%	15.7%	9.3%	21.2%	15.9%	18.2%	18.2%	22.1%	19.2%	8.7%	9.7%
Kensington	9.8%	-8.9%	2.0%	-0.2%	-12.1%	-1.3%	2.2%	2.2%	20.2%	23.9%	27.1%	-4.5%	10.6%	10.6%	13.6%	15.5%	4.7%	10.2%
La Jolla (medium)	10.3%	0.0%	-6.7%	-8.6%	-0.5%	0.0%	0.2%	3.4%	18.2%	21.8%	18.9%	17.1%	12.4%	19.8%	-12.4%	-15.9%	-11.2%	-5.2%
La Jolla (luxury)	0.6%	-2.2%	-4.6%	-3.8%	-2.4%	2.1%	0.0%	10.3%	0.6%	16.1%	17.6%	0.0%	19.8%	12.4%	2.2%	-1.3%	-3.8%	2.7%
Mira Mesa	5.8%	-1.4%	-2.8%	-3.6%	-3.1%	-4.6%	2.6%	2.8%	10.0%	12.7%	14.0%	15.8%	19.8%	19.8%	17.8%	14.3%	2.9%	11.1%
New Talmadge Park	11.0%	-11.0%	-2.5%	-1.3%	-10.3%	0.0%	0.0%	0.0%	14.3%	11.3%	32.6%	11.7%	9.3%	9.3%	24.4%	21.1%	14.7%	5.5%
Normal Heights	6.5%	2.4%	-5.3%	-15.3%	-1.5%	0.4%	4.1%	5.0%	13.3%	19.6%	16.6%	13.2%	23.6%	23.6%	27.9%	36.2%	12.8%	20.8%
Oak Park	6.7%	4.1%	3.5%	-3.8%	-7.0%	-7.5%	-2.0%	2.6%	5.5%	2.4%	25.6%	18.9%	20.6%	20.6%	37.0%	32.4%	20.0%	10.3%
Ocean Beach	8.3%	2.9%	0.9%	-6.5%	1.0%	-8.8%	-1.1%	3.3%	9.5%	9.6%	12.3%	14.8%	12.9%	12.9%	29.5%	33.7%	16.3%	15.0%
Pacific Beach	6.3%	-6.1%	-6.0%	-7.3%	-3.9%	-3.0%	0.0%	4.2%	18.3%	17.1%	22.3%	13.2%	8.9%	8.9%	14.3%	11.5%	3.8%	7.4%
Paradise Hills	15.2%	6.0%	-1.6%	-4.1%	0.9%	-5.9%	-2.2%	3.2%	5.3%	10.5%	15.3%	16.9%	24.6%	24.6%	22.0%	21.3%	7.2%	13.1%
Point Loma	11.3%	-1.4%	-2.2%	-6.0%	-0.8%	-6.0%	-0.5%	0.0%	9.5%	12.6%	5.6%	21.9%	16.3%	16.3%	19.2%	22.7%	9.1%	12.5%
Rancho Bernardo	11.0%	-5.9%	-11.4%	1.3%	1.6%	-1.0%	-5.2%	7.1%	13.0%	10.6%	19.8%	12.9%	7.8%	7.8%	21.7%	19.6%	14.2%	4.7%
Ranch Penasquitos	0.7%	-5.7%	-2.8%	-2.0%	0.4%	-2.4%	0.8%	5.1%	5.1%	11.0%	23.1%	12.5%	12.5%	12.5%	16.4%	11.8%	5.3%	6.2%
Sabre Springs*	*	*	*	*	*	*	*	*	*	*	*	15.9%	9.2%	9.2%	12.6%	14.1%	4.8%	8.9%
San Carlos	12.6%	1.2%	-1.8%	-8.7%	10.3%	-8.6%	1.8%	3.5%	7.5%	12.4%	11.0%	16.4%	20.0%	20.0%	17.4%	7.0%	4.7%	2.2%
San Ysidro	5.9%	10.6%	-4.5%	3.0%	0.0%	0.6%	-3.5%	-0.4%	2.7%	0.0%	18.9%	15.6%	8.4%	18.3%	36.7%	27.5%	7.8%	18.2%
Scrapps Ranch	5.9%	-14.0%	4.3%	-1.3%	-0.8%	-2.6%	1.5%	3.2%	7.3%	11.1%	14.5%	22.9%	10.2%	10.2%	28.0%	35.2%	22.7%	10.2%
Tierresanta	12.6%	-1.1%	-4.1%	-5.0%	-2.2%	-1.8%	0.0%	3.9%	11.9%	8.9%	19.8%	14.1%	13.0%	13.0%	24.2%	25.0%	10.0%	13.6%
Valencia Park	8.6%	10.0%	-2.5%	2.9%	-3.4%	0.0%	-2.3%	-0.7%	3.7%	8.4%	5.6%	22.2%	24.1%	24.1%	25.0%	18.3%	6.7%	10.9%
<b>County Cities</b>	<b>8.4%</b>	<b>-0.3%</b>	<b>-1.2%</b>	<b>-5.1%</b>	<b>-2.0%</b>	<b>-2.1%</b>	<b>0.4%</b>	<b>1.8%</b>	<b>9.1%</b>	<b>11.5%</b>	<b>15.7%</b>	<b>13.6%</b>	<b>14.3%</b>	<b>14.3%</b>	<b>18.3%</b>	<b>16.6%</b>	<b>6.1%</b>	<b>9.9%</b>
Carlsbad	3.4%	-6.5%	1.2%	-10.3%	-1.3%	-0.3%	2.9%	3.8%	13.9%	15.6%	6.9%	14.4%	11.5%	11.5%	23.0%	23.1%	9.0%	12.9%
Carlsbad/La Costa	1.0%	-2.8%	-6.4%	-11.8%	1.6%	15.6%	-9.5%	8.6%	16.1%	11.4%	7.1%	9.4%	7.7%	7.7%	13.5%	16.2%	7.3%	8.3%
Chula Vista	3.5%	-1.3%	-2.7%	-2.7%	2.3%	-5.5%	-5.5%	0.6%	4.3%	11.8%	11.8%	17.6%	18.0%	18.0%	13.6%	7.9%	4.8%	3.0%
Coronado~	~	~	~	~	~	~	~	~	3.9%	18.6%	12.9%	12.5%	3.7%	3.7%	19.0%	19.3%	8.0%	10.5%
Del Mar	7.9%	3.9%	-0.5%	-10.9%	0.0%	1.2%	3.0%	4.1%	24.2%	9.5%	18.3%	10.7%	9.1%	9.1%	9.5%	8.3%	2.2%	6.0%
El Cajon (east)	7.6%	1.8%	7.0%	-1.6%	-5.6%	0.7%	1.4%	-4.1%	2.5%	12.6%	18.6%	19.9%	8.2%	8.2%	30.1%	29.8%	19.5%	8.6%
El Cajon (west)	6.5%	2.4%	-1.2%	-4.8%	-3.8%	3.4%	-1.3%	1.0%	11.5%	4.1%	14.9%	14.8%	19.4%	19.4%	17.4%	18.2%	0.5%	17.6%
Encinitas (west)	10.2%	4.5%	-7.6%	-9.0%	-3.4%	-2.2%	0.2%	10.4%	12.9%	20.0%	10.6%	13.9%	17.8%	17.8%	15.3%	13.2%	0.0%	13.2%
Encinitas (east)+	7.6%	-4.6%	-6.9%	-4.1%	0.8%	0.4%	-4.2%	5.6%	15.1%	12.3%	5.7%	17.3%	15.2%	15.2%	8.4%	5.3%	1.4%	3.8%
Escondido (medium)	6.9%	-0.7%	-5.8%	-1.9%	-0.8%	-16.9%	9.4%	2.2%	7.2%	9.1%	11.9%	15.5%	19.6%	19.6%	32.0%	27.2%	20.6%	5.5%
Escondido (luxury)	13.5%	-12.7%	1.8%	-6.3%	-4.8%	-10.2%	2.4%	7.6%	8.1%	17.8%	4.8%	5.1%	17.9%	17.9%	24.7%	24.7%	10.9%	12.5%
Imperial Beach	16.4%	-0.7%	-1.1%	-3.8%	5.9%	-5.6%	-8.6%	2.6%	6.1%	8.9%	21.4%	9.9%	15.8%	15.8%	22.1%	22.3%	9.8%	11.4%
La Mesa	9.5%	3.7%	2.6%	-3.4%	5.2%	-3.1%	2.5%	-1.9%	3.5%	9.2%	11.5%	24.4%	22.2%	22.2%	14.9%	7.7%	6.2%	1.4%
La Mesa (luxury)	0.0%	-4.4%	2.3%	-2.3%	-5.2%	-9.8%	15.6%	-14.7%	10.3%	16.9%	15.0%	7.9%	8.6%	8.6%	20.6%	21.2%	9.1%	11.1%
Lemon Grove	7.8%	6.9%	-2.6%	-5.0%	-2.0%	-1.7%	-0.8%	-0.4%	7.9%	4.2%	25.4%	11.1%	5.8%	5.8%	23.1%	34.2%	15.8%	15.9%
National City	13.6%	9.8%	1.2%	-0.8%	2.8%	2.0%	0.0%	-3.8%	0.8%	7.1%	13.7%	10.7%	22.4%	22.4%	17.1%	20.4%	-4.9%	26.5%
Oceanside (west)	10.6%	0.0%	-1.4%	-9.7%	-12.0%	-8.0%	3.4%	6.3%	22.8%	16.9%	21.7%	23.8%	15.2%	15.2%	17.4%	27.8%	6.9%	19.5%
Oceanside (east)	11.7%	-9.8%	-0.8%	-6.5%	-6.7%	-0.3%	3.1%	4.0%	8.9%	11.1%	19.6%	12.1%	19.8%	19.8%	13.5%	23.9%	1.5%	22.1%
Poway (medium)	9.3%	0.0%	0.6%	-3.0%	2.1%	-2.2%	0.0%	2.3%	0.9%	7.8%	22.6%	16.1%	16.1%	16.1%	21.1%	18.0%	8.2%	9.1%
Poway (luxury)	6.7%	-5.7%	-1.0%	-2.1%	0.6%	2.5%	1.2%	3.6%	13.4%	12.8%	11.4%	0.8%	6.5%	6.5%	14.4%	11.5%	5.0%	6.2%
San Marcos #	#	-2.3%	-7.9%	-6.4%	-5.4%	-3.8%	-1.6%	5.2%	11.7%	10.2%	20.9%	16.0%	15.6%	15.6%	19.5%	17.0%	6.4%	10.0%
Santee	10.3%	-2.6%	0.0%	5.7%	-0.1%	-4.7%	-0.6%	0.9%	3.0%	10.7%	17.5%	13.3%	11.8%	11.8%	24.6%	29.5%	3.3%	25.4%
Solana Beach~	~	~	~	~	~	~	~	~	2.9%	7.6%	18.3%	8.5%	14.1%	14.1%	10.5%	6.2%	4.9%	1.3%
Vista	10.7%	9.7%	-3.8%	-10.0%	-11.5%	4.5%	-8.6%	-1.0%	12.7%	11.7%	19.3%	24.6%	20.8%	20.8%	14.6%	6.8%	6.8%	0.0%
<b>Unincorporated Areas</b>	<b>7.9%</b>	<b>2.6%</b>	<b>-2.4%</b>	<b>-3.7%</b>	<b>-2.5%</b>	<b>-1.8%</b>	<b>-2.3%</b>	<b>1.4%</b>	<b>9.1%</b>	<b>10.5%</b>	<b>12.1%</b>	<b>13.8%</b>	<b>16.2%</b>	<b>16.4%</b>	<b>21.5%</b>	<b>19.0%</b>	<b>8.8%</b>	<b>9.4%</b>
Alpine	10.4%	4.6%	-0.5%	-3.1%	-0.8%	3.5%	-0.8%	-3.9%	5.2%	10.7%	11.8%	12.6%	11.2%	11.2%	21.0%	15.6%	9.4%	5.7%
Bonita	5.4%	1.0%	-1.0%	0.3%	-3.4%	-4.3%	-2.2%	2.3%	2.8%	5.9%	16.3%	19.1%	8.1%	8.8%	25.2%	27.3%	13.0%	12.6%
Fallbrook #	#	12.0%	-8.0%	-8.7%	-9.8%	-8.5%	-3.1%	4.8%	11.9%	14.5%	10.7%	12.7%	22.2%	22.2%	12.9%	4.5%	0.0%	4.5%
Mt. Helix	5.5%	0.6%	1.7%	-2.5%	0.9%	0.0%	0.0%	-2.9%	8.8%	12.2%	16.9%	12.4%	23.9%	23.9%	16.3%	21.4%	2.9%	18.1%
Rancho San Diego	2.6%	1.8%	0.5%	-4.0%	-2.4%	-1.7%	-3.2%	2.8%	10.8%	7.3%	11.4%	8.6%	15.8%	15.8%	32.3%	28.8%	21.2%	6.3%
<b>Countywide average^</b>	<b>8.1%</b>	<b>-0.4%</b>	<b>-1.9%</b>	<b>-4.6%</b>	<b>-2.1%</b>	<b>-2.4%</b>	<b>-0.1%</b>	<b>2.2%</b>	<b>9.2%</b>	<b>11.7%</b>	<b>16.7%</b>	<b>13.8%</b>	<b>14.8%</b>	<b>14.8%</b>	<b>20.2%</b>	<b>19.4%</b>	<b>8.5%</b>	<b>10.1%</b>
North County	7.3%	-3.0%	-3.2%	-5.4%	-3.2%	-2.2%	-0.2%	4.6%	10.9%	12.3%	14.8%	13.6%	14.5%	14.5%	17.5%	16.7%	7.0%	9.1%
East County	7.3%	1.6%	0.8%	-3.0%	-0.4%	-2.2%	1.5%	-2.0%	7.1%	10.0%	15.4%	14.1%	14.7%	14.7%	21.8%	21.3%	9.2%	11.2%
City Beaches	7.5%	-0.5%	-3.2%	-7.2%	-1.1%	-2.4%	0.3%	4.2%	12.0%	15.1%	15.4%	12.9%	11.9%	11.9%	11.6%	11.2%	3.5%	7.0%
Central City	10.0%	0.1%	-1.6%	-4.9%	-4.1%	-2.7%	-0.1%	2.2%	9.3%	12.1%	21.6%	14.6%	16.2%	16.2%	27.5%	26.7%	14.4%	10.8%
South County	10.0%	4.2%	-1.6%	-1.3%	1.4%	-3.1%	-3.7%	0.7%	3.7%	7.4%	16.2%	15.0%	16.2%	18.0%	22.8%	21.1%	6.3%	14.1%
Highest-priced	3.6%	-2.8%	-1.6%	-5.0%	-2.0%	-0.5%	3.6%	1.2%	10.7%	14.2%	15.9%	7.8%	10.4%	10.4%	9.2%	7.5%	1.8%	5.4%
Lowest-priced	9.7%	5.7%	-1.7%	-3.8%	-1.8%	-3.2%	-2.3%	0.7%	6.2%	6.9%	18.7%	16.5%	16.2%	17.4%	29.4%	27.7%	13.7%	12.5%

+ formerly referred as Village Park. # added in 1990; ~ added in 1997; \* added in 1999.  
^Countywide average in this table reflects the average of percentage changes, not the change in average price as in the other table.  
Source: Residential Research Committee, Economic Research Bureau, San Diego Regional Chamber of Commerce.

**HOUSING VALUES***(Continued from page 4)*

the added workers.

During 2003 approximately 17,500 housing units were approved for construction throughout the County. This was actually a substantial increase of residential construction for the region, an increase of 23 percent over the number approved in 2002, and the largest annual number recorded in San Diego since 1988. Nevertheless, the added construction does little to alleviate San Diego's housing shortfall, and did not even accommodate the growth of 2003.

According to the San Diego Association of Governments (SANDAG), there were 1,033,895 housing units (single and multiple units) existing in San Diego, at the beginning of 2003.

Professor Alan Gin of the *University of San Diego's* Real Estate Institute, estimates San Diego's accumulated housing deficit had reached 92,707 units as of the beginning of 2003. Based upon employment growth and housing construction for the past ten years, the housing shortfall continues to worsen, and pressures on housing prices locally spirals ever upward.

The wildfires sweeping through parts of San Diego County in late October destroyed more than 2,400 homes. This sudden loss of homes served to only exacerbate San Diego's already critical shortage of housing.

**Affordable housing and construction limitations**

The latest affordability index reported by the *California Association*

*of Realtors* for October 2003, shows only 16 percent of San Diego households can afford to purchase a median-priced home. This is down significantly from 22 percent just one year earlier in October 2002, and 27 percent in 2001.

The housing affordability index is a measurement of the percentage of households that can afford to purchase a median-priced home in California, including San Diego. The index considers household income, as well as the price of homes.

The *Building Industry Association* (BIA) of San Diego estimates 26 percent of new home construction costs in the region are for government fees. "Second only to the cost of land, the largest single component in the cost of building a new home, is government regulation". These rules and regulations add an extra cost on new home prices and make it extremely difficult for many residents to purchase a home.

Multiple regulations add on to increase home production costs. Storm water requirements alone place an additional \$8,000 to \$20,000 on the total cost of construction. An inclusionary housing ordinance approved by the City of San Diego, although intended to help low-income families, placed higher development costs on new units, which are passed on to the rest of the units in the development. Construction defect litigation also makes new building for multi-family units a much riskier investment and raises production costs as well.

To increase homeownership, the development of affordably priced housing and financial incentives for potential homebuyers needs to be provided. The San Diego Regional Chamber of Commerce joined with the Building Industry Association of San Diego County and San Diego County Apartment Association to produce a list of recommendations to make housing more available and more affordable. The list includes recommendations for the private sector to petition government to be



Point Loma: Traditional 3 bedroom, 2 bath, 2,210 square foot home selling for \$689,000.

more proactive and consequently help fix the housing affordability and supply crisis. *See the 27 specific recommended items listed on the BIA website at <http://www.biasandiego.org>.*

**Regional Housing Markets**

Another striking aspect of the rise in local housing values is the pervasiveness of price appreciation throughout the County. Every area within all price ranges experienced considerable escalation in value, a result of continuing strong demand coupled with constrained supply of housing in the County.

Only the La Jolla properties showed a decrease of value over the past year. Having experienced extreme price gains the past several years, with La Jolla often leading the County in appreciation, the recent decrease is only a small venting of the high levels attained.

Nearly all other properties surveyed show double-digits rates of increase the past year. The only areas indicating lower price gains already experienced high appreciation rates in recent years, and appear to only slightly be losing momentum in value hikes.

Price appreciation has clearly spread to all housing markets throughout the County with medium and lower priced markets now experiencing higher gains of value. An index of the 10 lowest priced properties show a composite gain of 29.4 percent during 2003, in contrast with the 10 highest priced properties showing "only" an increase of 9.2

*(Continued on page 6)*



Escondido: 3 bedroom, 2.5 bath, 2,534 square feet home with pool and spa sold for \$499,000.

**HOUSING VALUES**  
(Continued from page 5)

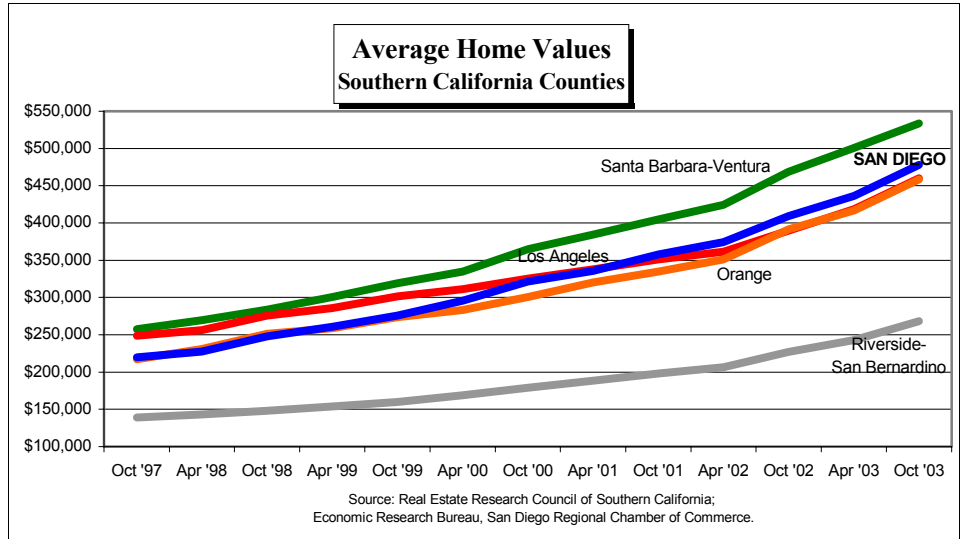
percent. The composite for “Central City” areas, which includes many of the lower priced housing markets, shows an average gain of 27.5 percent for 2003. South County areas, also containing several lower priced areas, had the next highest composite gain at 22.8 percent. On the other hand, City Beaches and North County areas, containing the most expensive markets in the county, show much lower gains at 11.6 percent and 17.5 percent, respectively.

The Fairmount Park area shows an extraordinary 59.7 percent gain in value for 2003. Formerly one of the more affordable housing markets in the County, Fairmount Park suddenly advanced upward toward the County average.

The next highest appreciation rates with gains of 30 percent or more are all in relatively “lower” priced markets, including Oak Park, San Ysidro, Allied Gardens, Rancho San Diego, Escondido (medium), and El Cajon (east).

**Comparison among Southern California housing markets**

San Diego County shows the



second highest average housing value among Southern California counties, according to the 3<sup>rd</sup> Quarter 2003 “Real Estate and Construction Report” published by the *Real Estate Research Council of Southern California*. Only Santa Barbara County has a higher average.

Five years ago, San Diego’s average was lower than both Orange County and Los Angeles. With the run up in appreciation since that time, San Diego County’s average now tops these expensive housing markets.

The average home price in

Riverside County remains far lower than San Diego by some 82 percent. Many San Diegans moved to Riverside County, especially to the Temecula-Murrietta area in order to purchase a home, and commute to San Diego to work..

<sup>1</sup>Karl Case and Robert Shiller, “Is There a Bubble in the Housing Market? An Analysis,” *Brookings Panel on Economic Activity*, September 4-5, 2003, p3.

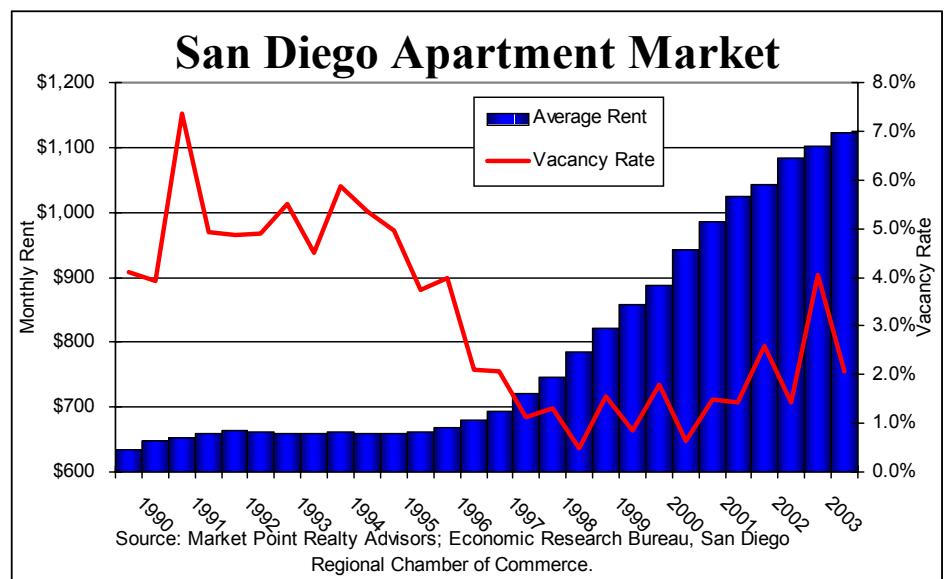
<sup>2</sup>Ibid.

<sup>3</sup>Leslie Appleton Young, “California housing market outlook for 2004,” *California Association of REALTORS®* <http://www.car.org>, Dec. 30, 2003.

**APARTMENT MARKET**  
(Continued from page 1)

each of the past two years, but settled back by the time of the September evaluation, showing the high demand for apartments quickly absorbing the available market.

Although record highs in the apartment market were again set in 2003, there was a slowing of increase in rental rates over the past several years. Between 2001 and 2002, the average rental rate rose 5.8 percent. In 2001, the increase was 8.7 percent while in 2000 was 10 percent. With the latest increases averaging 3.6 percent in 2003, it appears the sharp rises may be subsiding somewhat. Even so, rental rates should continue to rise in coming years due to continuing de-



mand and an increase in luxury rental

(Continued on page 7)

**APARTMENT MARKET***(Continued from page 6)*

units being added to the market.

**Newer vs. older units**

Rental rates have climbed significantly over the past several years due to the tremendous demand. New units added to the market have not brought relief to the rising prices. The pace of new rental unit construction is not enough to suppress prices by creating a large supply of apartments relative to demand.

The rise in average rental prices is also perpetuated by the "luxury" status and pricing of new units constructed. New apartment units being constructed tend to have larger floor plans, better appliances and more amenities. As a result, there is quite a difference in price between newer and older units.

The average per unit rental rate for an apartment built before 1998 is \$1,061 per month. For a unit in a complex opened after 1998, average rent stands 47 percent higher at \$1,558 per month.

While new projects continue to enter the marketplace, the pace does not nearly meet demand. In the past six months, only three new projects were released providing another 582 rental units in the marketplace, but 433 of these units were already leased.

Projects in downtown San Diego by *Camden Tuscan* and the *Towers at Costa Verde* in University City were among the largest completed. Both

projects leased new apartments at an average rental rate of more than \$1,800 per month. In San Marcos, the new *Prominence Apartments* leased all but one of their 128 apartments at an average rate of \$1,551 per month. These high rental rates for these three projects are indicative of the problems perpetuating the rising rental rates in San Diego. A relatively small number of units built and those that are command above average rental rates. The high demand and small supply force the market to absorb new units at the higher prices. The new "luxury" units added therefore only perpetuate the rise of rental prices.

Since 1998, there have been 15,073 new rental units added to the marketplace. Of these, 14,331 units, or 95 percent, were absorbed. The high absorption rate of these new projects,



units in the \$1,200 and above price range.

This shifting in unit cost distribution is to be expected. As mentioned before, virtually all units built in 1998 or later are priced well above \$1,200 per month. Although still much less expensive than the newer counterparts, even older apartment rental rates continue to rise. The complementary decrease of housing affordability contributes to rising rental rates by increasing the demand for the relatively lower cost apartment housing.

<b>RENTAL OVERVIEW BY BEDROOM CATEGORY</b>					
<b>San Diego County, September 2003</b>					
<b>Bedroom Category</b>	<b>Surveyed Units</b>	<b>Percent of Total</b>	<b>Vacancy Rate</b>	<b>Weighted Avg. Rent</b>	<b>Weighted \$/Sqft.</b>
Studio	4,020	3.3%	1.64%	\$824	\$1.69
1-Bdrm	42,461	35.2%	1.87%	976	1.43
2-Bdrm	65,517	54.4%	2.04%	1,186	1.26
3-Bdrm	8,412	7.0%	3.38%	1,505	1.27
4-Bdrm	112	0.1%	2.68%	1,563	1.22
<b>Total</b>	<b>120,522</b>	<b>100.0%</b>	<b>2.06%</b>	<b>\$1,123</b>	<b>\$1.31</b>

Source: MarketPoint Realty Advisors; Economic Research Bureau, San Diego Regional Chamber of Commerce

despite their sky-high rental rates, demonstrates the high demand for rental housing in the region.

**Rental rate distribution**

As rental rates increased over the past year, the number of affordable units priced below \$900 per month decreased. The number of relatively more expensive units, those above \$1,200 per month, increased sharply.

There are 3,371 fewer units priced below \$800 per month available than just one year ago. The \$800-\$900 level has seen similar declines. The number of units in the \$900-\$1,200 range essentially remained the same, but there was a tremendous increase in 4,519

**Inventory by bedroom number**

One-bedroom units, with an average of 683 square feet, rent for an average of \$976 per month. This equates to an average of \$1.39 per square foot. More than one-third of all units in the County fall into the one-bedroom category.

The average rent for a two-bedroom apartment was \$1,186 per month. Two-bedroom apartments had an average of 941 square feet, for an average of \$1.22 per square foot. About 54 percent of all apartments in the County were two-bedroom units.

Three-bedroom units commanded an average monthly rent of \$1,505. The average three-bedroom apartment had 1,184 square feet. The 4.7 percent

*(Continued on page 8)***APARTMENT RENT AND VACANCY RATES, SAN DIEGO COUNTY**

<b>Month</b>	<b>Year</b>	<b>Rental Rate</b>	<b>Vacancy Rate</b>
March	2000	\$887	1.80%
September		\$943	0.63%
March	2001	\$986	1.48%
September		\$1,025	1.42%
March	2002	\$1,043	2.58%
September		\$1,084	1.42%
March	2003	\$1,103	4.06%
September		\$1,123	2.06%

Source: MarketPoint Realty Advisors; Economic Research Bureau, San Diego Regional Chamber of Commerce

**APARTMENT MARKET***(Continued from page 7)*

rate of increase for three-bedroom rentals was slightly higher than the average rate of increase.

**Geographical Breakdown**

Units in the North County (the area north of Highway 52) had the highest two-bedroom rental rates in the entire County at an average of nearly \$1,506 per month for an average 982 square feet of living space, or \$1.53 per square foot. This is 34 percent higher than the countywide average. Predictably, Downtown San Diego had the highest rent to square foot ratio, at \$1.66 per square foot. The Golden Triangle and the Central City Coastal submarket followed at \$1.59 and \$1.54 per square foot, respectively. The submarkets with the largest rate of increase for rent per

month were Downtown San Diego, Uptown West, Uptown East, and North County East. All had increases greater than 5 percent.

The most affordable submarkets are East San Diego City, Eastern San Diego County, and the North County East Submarket, which all have average rental rates well below \$1,000 per month. These areas also have the lowest price per square foot, each under \$1.17.

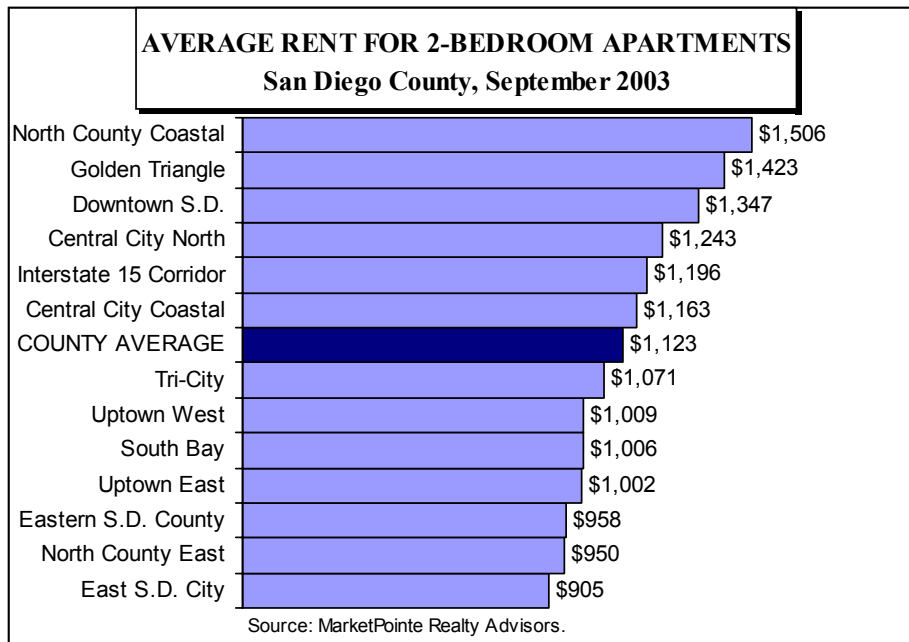
Comprising 21,807 units, 116 projects are identified for future rental housing development in San Diego County. The North County Coastal submarket has the most units proposed, while the San Diego Central submarket is a close second. Of the 116 projects, 33 comprising 4,475



units, are classified as “affordable”. Most of these units will be located in the North County Coastal submarket, the San Diego Central submarket, and the Highway 56 Corridor.

Higher rental rates should continue to be the trend in the future. The dominance of new luxury units and the tremendous demand for apartments ensure that prices will continue to rise.

MarketPointe Realty Advisors has been conducting research on the San Diego County residential real estate market for more than twenty years. Their *Rental Trends* report is published biannually and is the most extensive source regarding the San Diego apartment market. The “Rental Trends” report surveys apartment complexes with 25 units or more, for a profile of over 114,000 units in 862 projects countywide. The survey represents about one-third of all apartments in the County and more than 90 percent of all apartment complexes with 25 units or more. For more information regarding the report, call MarketPointe Realty Advisors at (619) 233-3781 or visit [www.marketpointre.com](http://www.marketpointre.com).

**ACCRA COST OF LIVING INDEX***(Continued from page 1)*

America. The after-tax cost of common consumer goods and services bought by managerial households are surveyed, which therefore focuses on the living costs of middle to upper incomes.

The survey calculates cost of living comparisons for 65 items broken

into six categories: groceries, housing, utilities, transportation, healthcare and miscellaneous goods and services. The results are weighted and averaged so that the national average for each category and the composite index is 100.0.

Both San Francisco and New York City (including Manhattan, Queens, Bergen-Passaic, and Jersey

City NY-NJ) are quite a bit more expensive than any of the other large urban areas included among the index. It is 70.4 percent more expensive to live in the New York City area compared with the national average, while San Francisco is 81 percent costlier.

San Diego's prices are typically in the range of Oakland and Los An-

*(Continued on page 9)*

**ACCRA COST OF LIVING INDEX**

*(Continued from page 8)*

gees, the second highest cost tier below New York and San Francisco. Large urban areas in general have higher costs of living than smaller communities; eighteen of the 26 major metro areas registered above average living costs.

The cost of living in San Diego relative to the national average has not changed since last year at this time, with prices locally apparently rising by about the same amount as other parts of the nation. This was not the case last year, as San Diego's cost of living was 10.3 percent higher in the 3<sup>rd</sup> quarter of 2002.

While it is a good sign that costs in San Diego leveled for at least this past year, they have increased drastically relative to the national average over the past 30 years. In 1973, the 3<sup>rd</sup> quarter ACCRA survey reported the cost of living in San Diego was only 4 percent above the national average. Food costs were almost 11 percent below the national average, while transportation was 5 percent lower. Housing costs were also only 18 percent above average for the nation that year.

Food costs are almost 22 percent above the national average in 2003. Transportation costs are 24 percent higher and the highest of all urban areas in the U.S. following only San Fran-

cisco. Housing costs in San Diego are more than double (103.2 percent higher).

It has indeed become much more difficult for middle-income households to afford living in San Diego compared with other areas of the U.S. A great deal of this due to housing costs.

The housing comparison, determined by home mortgage rates, existing and new home purchases and monthly apartment rent, remained twice as high as the national average for the past year. Rising housing costs have been the trend for sometime throughout California, with similarly large urban areas such as Los Angeles, Oakland, Orange County, and San Francisco all having housing costs tremendously greater than the national average.

San Diego had the fourth highest grocery items index in the nation at 21.6 percent above the national average. The New York metropolitan area had the most expensive grocery items at 30.6 percent above the national average. Grocery items surveyed include T-bone steak, whole milk, eggs, canned tomatoes, and frozen orange juice.

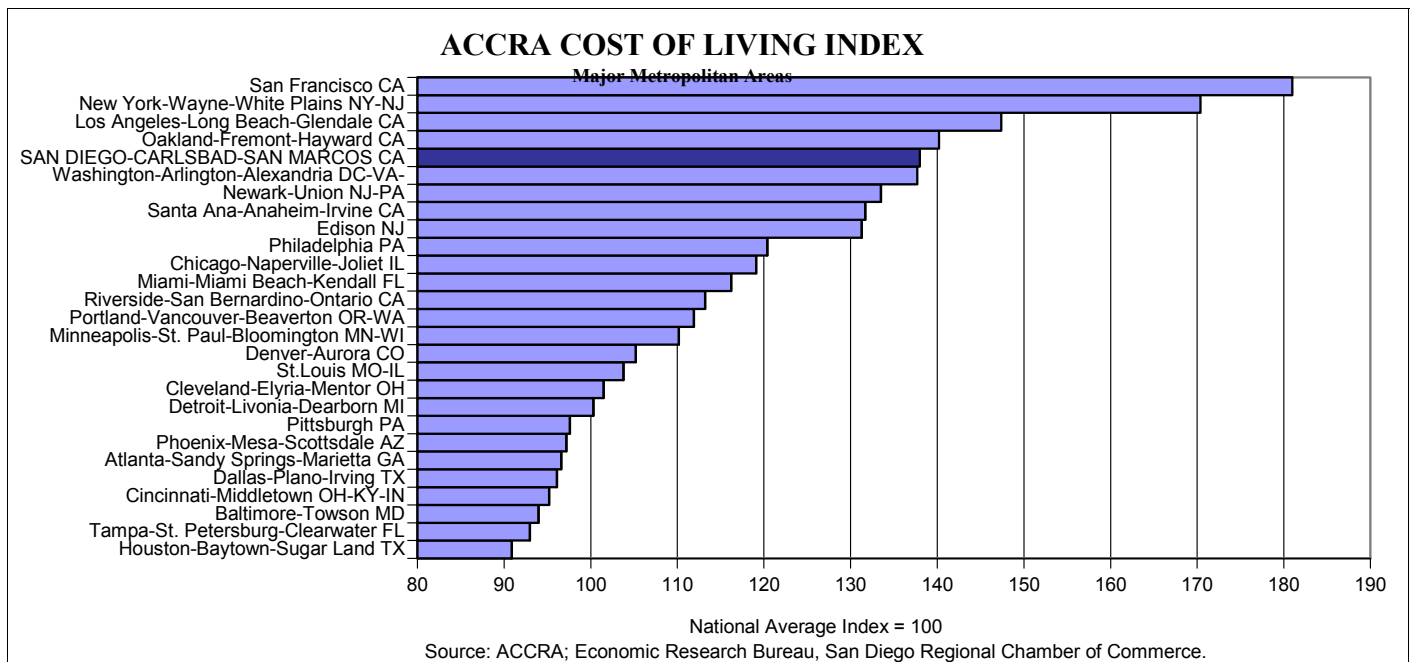
Although health care costs in San Diego are 25.7 percent above the national average, this is nowhere near the levels reached by many other cities and metropolitan areas across the U.S. Riverside, Oakland, New York and San



Francisco all showed costs of more than 48 percent above the national average. New Jersey had the highest health care costs with all but one of the surveyed cities in that state between 64 and 84 percent above the national average. Health care costs reflect the cost of office visit rates for a dentist or doctor, and the room rate for an overnight stay at a local private hospital.

San Diego has the lowest utility costs of any of the major metropolitan areas in the U.S. Utility bills are 12.2 percent lower compared with the national average. Last year utility bills were 21.2 percent below average, however, which indicates a comparative rise in fees. Even with the increased rates, San Diego's utility bills remain much lower than national averages. This is largely attributed to the amount that the survey weighs for natural gas prices.

*(Continued on page 10)*



**COST OF LIVING**

(Continued from page 9)

San Diego's temperate climate does not require much energy to heat in the winter nor cool in the summer. Costs, therefore, are well below average. The most expensive utility bills are found in the northeast region, including Boston, New York City, Philadelphia and Newark.

Transportation expenditures are the

second highest in the nation for San Diego at 24 percent above average. As previously mentioned, the only metropolitan areas to have higher transportation costs are San Francisco and the city of Honolulu. Transportation costs include gasoline prices, commuter bus fares, and auto maintenance costs.

Chambers of commerce or economic development organizations in each participating urban area conduct org.

the survey on a quarterly basis. Not all areas participate in the survey, and therefore are excluded from the index.

The Economic Research Bureau at the San Diego Regional Chamber of Commerce conducts the survey for the San Diego metropolitan area. For more information on the ACCRA Cost of Living Index and data for other cities, see the ACCRA website at [www.acra.org](http://www.acra.org).

ACCRA COST OF LIVING INDEX FOR LARGEST METROPOLITAN AREAS - 3rd Quarter 2003								
Urban Area, State	Composite Index	Grocery			Trans- portation	Health- care	Misc Goods & Services	
		Items	Housing	Utilities				
San Francisco CA <sup>1</sup>	181.0	130.3	324.2	111.2	128.4	148.5	117.6	
New York-Wayne-White Plains NY-NJ	170.4	124.5	279.6	137.2	115.6	164.6	121.4	
Los Angeles-Long Beach-Glendale CA	147.4	119.1	223.3	141.0	117.0	111.6	108.3	
Oakland-Fremont-Hayward CA	140.2	126.8	199.4	110.1	120.5	148.0	107.9	
<b>SAN DIEGO-CARLSBAD-SAN MARCOS CA</b>	<b>138.0</b>	<b>121.6</b>	<b>203.2</b>	<b>87.8</b>	<b>124.0</b>	<b>125.7</b>	<b>108.6</b>	
Washington-Arlington-Alexandria DC-VA-MD-WV	137.7	107.4	197.9	113.8	119.2	126.8	111.8	
Newark-Union NJ-PA	133.5	113.9	164.4	137.9	105.9	157.8	119.0	
Santa Ana-Anaheim-Irvine CA	131.7	110.5	197.5	99.7	105.4	118.8	102.2	
Edison NJ	131.3	113.4	159.7	131.2	107.8	174.2	116.0	
Philadelphia PA	120.4	114.8	128.5	127.0	104.0	122.9	118.2	

<sup>1</sup>The City of San Francisco is included among the ranking of largest metropolitan areas in the ACCRA Survey.  
Source: ACCRA Cost of Living Index; Economic Research Bureau, San Diego Regional Chamber of Commerce.

**San Diego Regional Chamber of Commerce Economic Indicators—June 2003**

**General**

After a small increase in May 2003, the *University of San Diego's* Index of Leading Economic Indicators declined 2.0 percent in June to 130.8. May's increase was caused by a strong increase in the national index of leading indicators and the San Diego stock market. Several other components of the local index registered decreases. As a result, the decrease in June was not a surprise because more aspects of the local economy need to show improvement for a legitimate string of increases to occur.

Several factors caused the decrease in June. A sharp downturn in building permits worried some, as building permit valuation usually reaches its highest level in June. This was also the third consecutive month that total wage and salary jobs decreased from the year before, the first time this has happened in a decade.

June's index brought the 14<sup>th</sup> decrease in the 15 months. The state of the local economy, therefore, remains

a cause for concern. On the other hand, the stock market continued to show strong gains and consumer confidence increased for the 4<sup>th</sup> consecutive month, giving hope for improvement in the future.

**Financial**

San Diego stocks continued their ascent, rising 7 percent since May. The San Diego Stock Exchange has increased almost 22 percent since March, mirroring many of the national indices: Standard and Poors' 500 index was up nearly 15 percent, and the NASDAQ finished up over 20 percent this quarter. The market is poised to

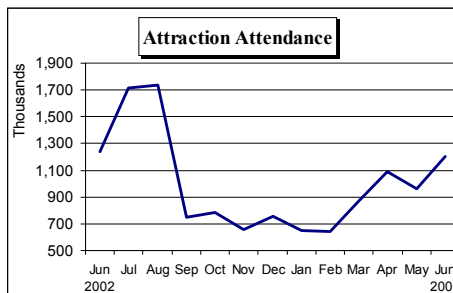
climb even further in the coming months as several trends continue to encourage further investment. These include healthier-than-expected first quarter corporate earnings, continued interest easing by the Federal Reserve, and the Bush tax cuts on capital gains and dividends.

**Tourism**

Attraction attendance increased sharply between May and June, but remains below levels attained in the late '90s through 2001. Down more than 23 percent over the year proceeding June 2002 than the year proceeding June 2003, the tourism industry remains sluggish in the post 9-11 world and slower national economy. A trend of increased attendance in the month of July, however, may indicate a change to this pattern.

San Diego seems to have largely escaped from major effects the war in Iraq was feared to have on the tourism industry. Events surrounding the war were not forecast to have a large

(Continued on page 11)



**SAN DIEGO ECONOMIC INDICATORS**  
(Continued from page 10)

affect on the local industry, although events of this nature cause tourists to cancel travel plans to far away destinations. According to the *San Diego Union Tribune*, "San Diego is less dependent on air travel than other cities, since many tourists drive in from Los Angeles or Arizona. In addition, after a year of being eroded by a nationwide economic slowdown and the aftereffects of the 9/11 terrorist attack, tourism here may already be as low as it will go." Indeed this seems to be the case, as both the number of overnight visitors and level of visitor spending remained at healthy levels during June 2003.

**Construction**

Total building permit valuation in San Diego County decreased from May, even though June is typically the strongest month of the year for issuing new permits. A downturn in residential valuation was the cause for the decline, while nonresidential valuation actually increased by more than 15 percent from the previous month.

The decrease must continue for several months, however, for this to be a trend and cause for concern. The long-range perspective reflects the opposite trend. Total building permit valuation throughout the County is actually up 6.8 percent for the year proceeding June 2003. In the same time frame, total residential valuation is up more than 12 percent, although nonresidential valuations are down 3.4 percent. Residential valuations, therefore, are the driving force behind the overall increase in building per-

mit valuations for the year, while nonresidential building has been in decline. The most important factor for residential housing growth was a 19.3 percent increase in multi-family unit authorizations. The high cost of housing makes renting an apartment or purchasing a condo more attractive, and increases demand for these units.

**Employment**

The seasonally adjusted unemployment rate decreased slightly in June, which was a positive when compared to the increases in the rate at state and national levels. The persistent decrease in total non-farm wage and salary jobs has, however, brought cause for concern. For the first time in 10 years, the jobs declined for three consecutive months compared to the same month the year before.



section of individual members in the workforce and determining if they are employed. The values stay fairly consistent and revised versions will be available after the end of the year.

The fact that employed labor force figures increased while wage and salary numbers decreased could partly reflect more San Diegans forming their own business or being self-employed. These new jobs are counted among the employed labor force category, but not included in wage and salary or payroll numbers. The revised values for non-farm wage and salary jobs at the end of the year will provide a better view of this question.

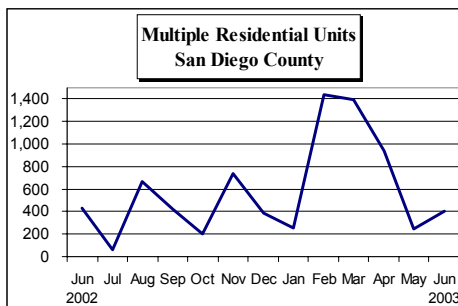
**Tijuana**

June 2003 registered an increase in payroll jobs and a decrease in the unemployment rate. Although payroll jobs are still down since June 2002, there was a 0.4 percent increase from May, with especially strong gains in construction. Construction increased 3.1 percent over the past month, and 18.3 percent since June 2002. Agriculture, while remaining constant since May, is still up 8.3 percent from last year at this time. Manufacturing is down 2.7 percent, however, since June 2002.



On the other hand, the number of people in the employed labor force shows year over year increases over the past several months. The difference between the two categories lies in the way the data is collected.

Wage and salary jobs are determined by surveying employers as to the number of employees. It is difficult to survey all businesses in the area, and oftentimes new, small companies are missed until they can be discovered through their payroll records at the end of the year. As a result, the total number of non-farm, wage and salary jobs is revised at the end of the year. The employed labor force category, on the other hand, is established by taking a cross



Tijuana Metropolitan Economic Indicators			
Category	June 2003	Month Change	Change '03/'02
<b>Employment</b>			
Unemployment Rate	1.4%	-0.8%	0.4%
Total Payroll Jobs	318,900	0.8%	-0.1%
Agriculture	1,300	0.0%	8.3%
Manufacturing	168,800	1.0%	-2.7%
Construction	16,300	4.5%	21.6%
Trade & Services	120,100	0.2%	1.4%

Sources: National Institute of Statistics, Geography and Informatics (INEGI); Millicent Cox.

# SAN DIEGO ECONOMIC INDICATORS - JUNE 2003

CATEGORY		June 2003	Monthly Change	Annual Change '03/'02	Past 12 Month Total	
					June 2003	Change '03/'02
<b>USD Leading Economic Indicators</b>	1 Index	130.8	-0.2%	-4.9%		
<b>Consumer Confidence</b>	2 Index	94.9	2.4%	-16.9%		
<b>Help Wanted Index</b>	2	83.3	1.9%	-15.6%		
<b>FINANCIAL</b>						
San Diego Stock Index	3 Index	942.1	6.9%	0.2%		
	Total Number of Stocks	161	0.6%	-3.5%		
San Diego Avg. Home Mortgage Rate	4 1st Quarter	5.35%	0.00%	-0.95%		
Consumer Price Index	5 United States	183.7	0.1%	2.1%		
All Urban Consumers	Los Angeles	186.3	-0.1%	2.4%		
(1982-1984 Base)	San Diego (Jan-Jun, 2002)	203.8	NC	4.1%		
Producer Price Index	United States	138.0	1.0%	5.4%		
Bankruptcies	6 San Diego County	978	-7.0%	-5.9%	12,463	-3.4%
New Business Licenses	7 San Diego City	1,020	11.6%	3.7%	11,463	-5.5%
Foreclosures	8 San Diego County	61	165.2%	13.0%	726	-19.3%
Relief- Unemployed, General	9 San Diego County	\$1,549,028	-2.5%	-8.7%	\$18,773,762	-13.2%
<b>TOURISM</b>						
Overnight Visitors	10	1,240,000	S.Adj. 0.04%	-4.5%	6,923,000	0.0%
Visitor Spending		\$412,300,000	-5.2%	-7.1%	\$5,159,300,000	3.2%
Attraction Attendance		1,204,467	13.9%	-2.7%	11,814,139	-23.5%
Arts/Museum Attendance		161,092	2.7%	7.7%	1,841,450	6.0%
Lindbergh Field International Airport	Total Passengers	1,339,678	3.3%	98.3%	11,028,600	0.5%
Border Crossings	11 Total (Otay, Tecate, San Ysidro, Sea/Air)	NA	NA	NA	NA	NA
Aliens		NA	NA	NA	NA	NA
Citizens		NA	NA	NA	NA	NA
Hotel/ Motel	Average Occupancy	72.6%	2.6%	-3.9%	67.9%	0.1%
	Average Daily Room Rate	\$106.11	0.02%	-5.1%	\$111.23	2.7%
<b>CONSTRUCTION</b>						
Total Building Permit Valuation	San Diego County	\$355,105,368	S.Adj. -20.7%	-0.7%	\$3,568,708,994	6.8%
Total Nonresidential Valuation		\$110,124,420	15.3%	4.6%	\$1,131,960,697	-3.4%
Total Residential Valuation		\$244,980,948	-30.6%	-2.9%	\$2,436,748,297	12.2%
Total Residential Units		1,089	-30.0%	-2.1%	16,262	11.3%
Single Units		684	-34.0%	0.1%	9,108	5.7%
Multiple Units		405	32.7%	-5.6%	7,154	19.3%
City Building Permit Valuation	City of San Diego	\$119,467,801	-46.8%	-33.2%	\$1,831,147,384	-3.5%
Total Nonresidential Valuation		\$43,288,534	-33.5%	-28.6%	\$485,455,034	-32.0%
Total Residential Valuation		\$76,179,267	-43.7%	-35.6%	\$1,345,692,350	13.8%
Total Residential Units		442	-3.9%	-18.6%	7,246	20.2%
Single Units		99	-77.6%	-56.4%	2,301	1.5%
Multiple Units		343	8060.2%	8.5%	4,945	31.6%
<b>EMPLOYMENT</b>						
Civilian Labor Force (Total)	12 San Diego County	1,494,700	S.Adj. -0.1%	1.5%		
Civilian Employment	San Diego County	1,426,800	0.1%	1.0%		
Civilian Unemployment		67,800	-2.0%	13.4%		
Unemployment Rate	San Diego County	4.5%	-0.1%	0.4%		
	California	6.8%	0.1%	0.4%		
	United States	6.5%	0.6%	0.5%		
Total Industry (Wage & Salary)	San Diego County	1,247,800	-0.4%	-0.8%		
Total Farm		10,900	1.3%	-3.5%		
Construction		80,300	-1.6%	3.1%	<b>Average Weekly Earnings</b>	<b>Change</b>
Manufacturing		109,000	-0.2%	-4.4%	\$611	-0.8%
Computer and Electronics		25,600	-0.3%	-4.8%	\$658	-11.0%
Transportation Equipment		12,900	2.1%	-5.1%	\$777	-0.8%
Services		1,047,300	-0.3%	-0.7%		
Trade, Transpo. & Utilities		209,800	-0.7%	-0.9%		
Wholesale Trade		41,500	-1.1%	-1.2%		
Retail Trade		138,900	-0.4%	0.7%		
Transpo., Warehousing, Utilities		29,400	-1.6%	-7.0%		
Information		35,400	0.2%	-6.8%		
Telecommunications		15,200	-0.01%	-9.5%		
Financial		73,900	-0.1%	-1.1%		
Professional & Business		201,800	0.2%	-0.5%		
Health Care & Social Assistance		102,700	-1.3%	-0.4%		
Leisure & Hospitality		136,900	0.1%	0.1%		
Government		222,100	-0.4%	-0.6%		
Federal		40,000	0.4%	0.3%		
State		39,000	-1.2%	2.1%		
Local		143,100	-0.4%	-1.6%		
Public Education (from State & Local)		104,200	-0.2%	-1.0%		

\*Preliminary. NA-Not Available NC - Not comparable to prior month or year. S.Adj. - Percentage changes based on seasonally adjusted figures.

Sources: 1. University of San Diego Economic Research Group; 2. San Diego Union-Tribune; 3. Dunham & Associates; 4. Federal Housing Finance Board; 5. Bureau of Labor Statistics; 6. San Diego Bankruptcy Court; 7. San Diego City Treasurer; 8. InnoVest; 9. San Diego County, Dept. of Social Services; 10. SD Convention & Visitors Bureau; 11. WEFA, Millicent Cox; 12. Cal. Employment Development Dept. - Employment data is now current with the North American Industry Classification System (NAICS)