

# U.S. and California Outlook

December 9, 2021

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Long Beach  
Economic  
Partnership

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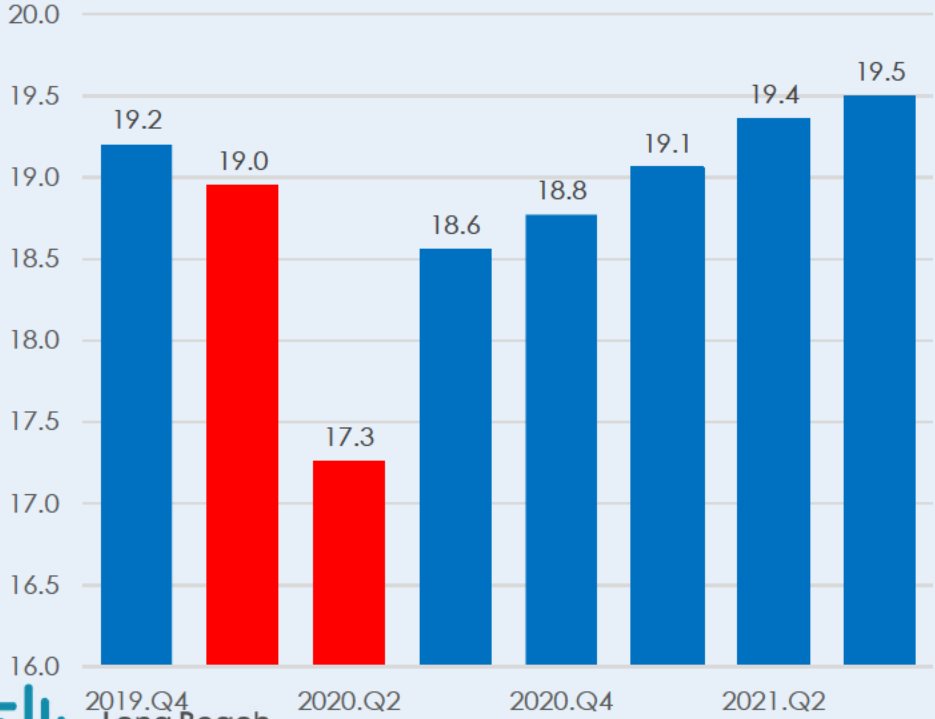
# Outline

- US Economy
- California and its Regions
- Housing
- Conclusion/Outlook 2022

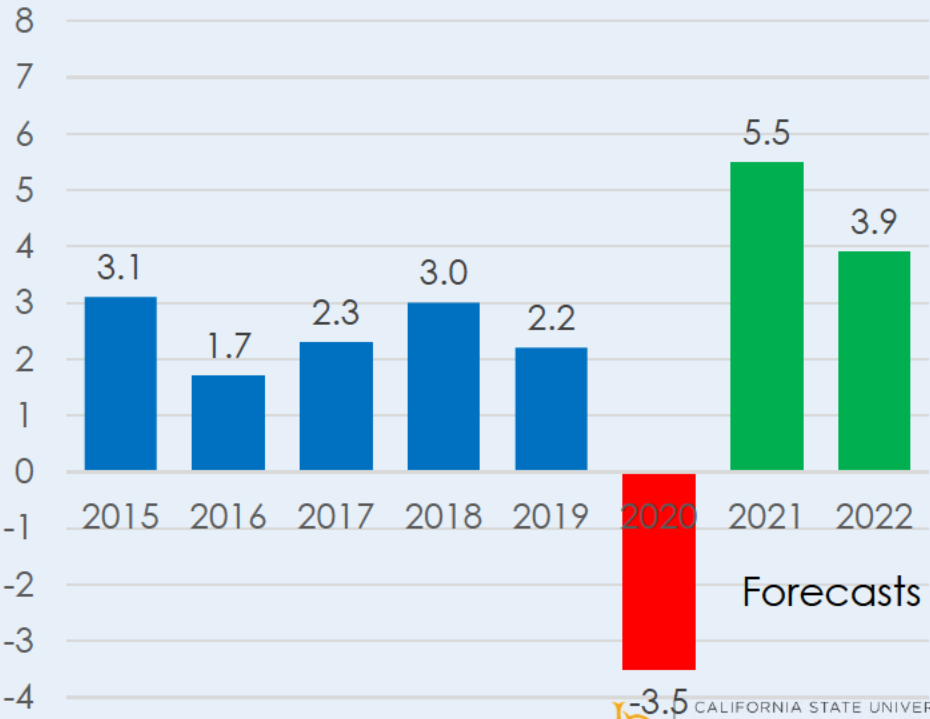
# U.S. Expansion Continues

# GDP Gains Tempered by Omicron Virus

Real GDP (\$ trillion)

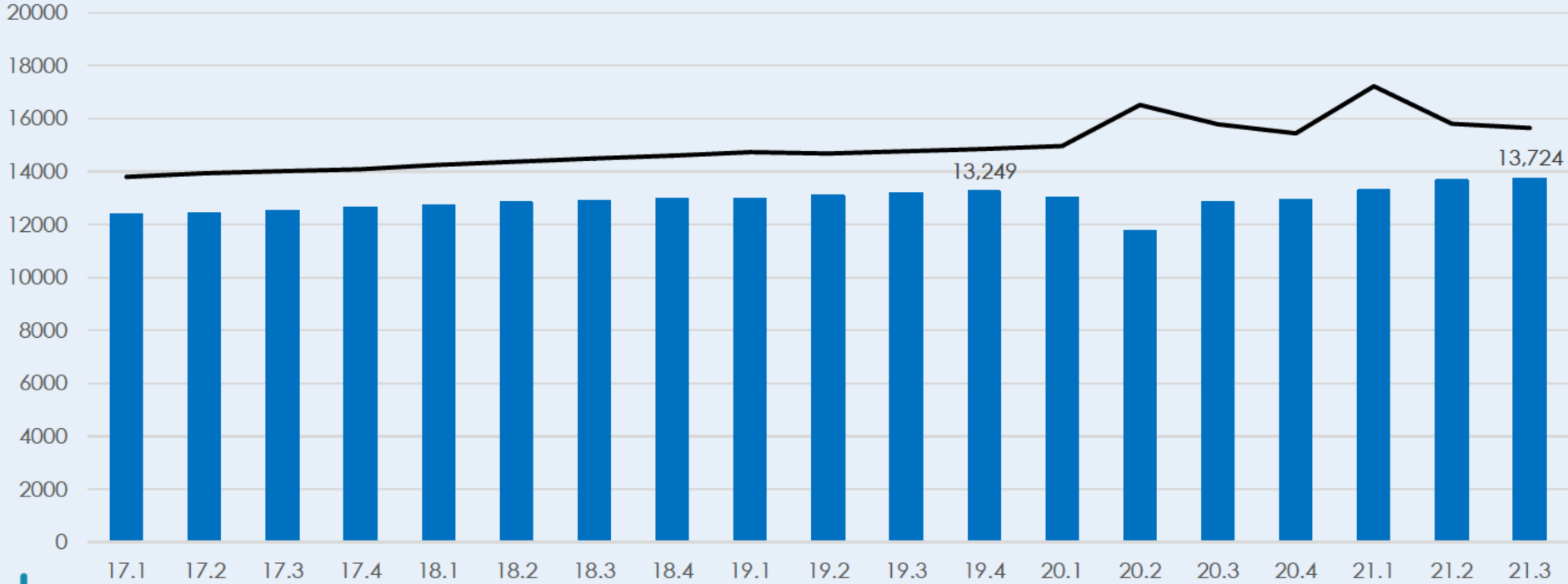


GDP Annual Rate



# Consumer Spending Continues to Advance

■ Consumption    — Real Disposable Personal Income

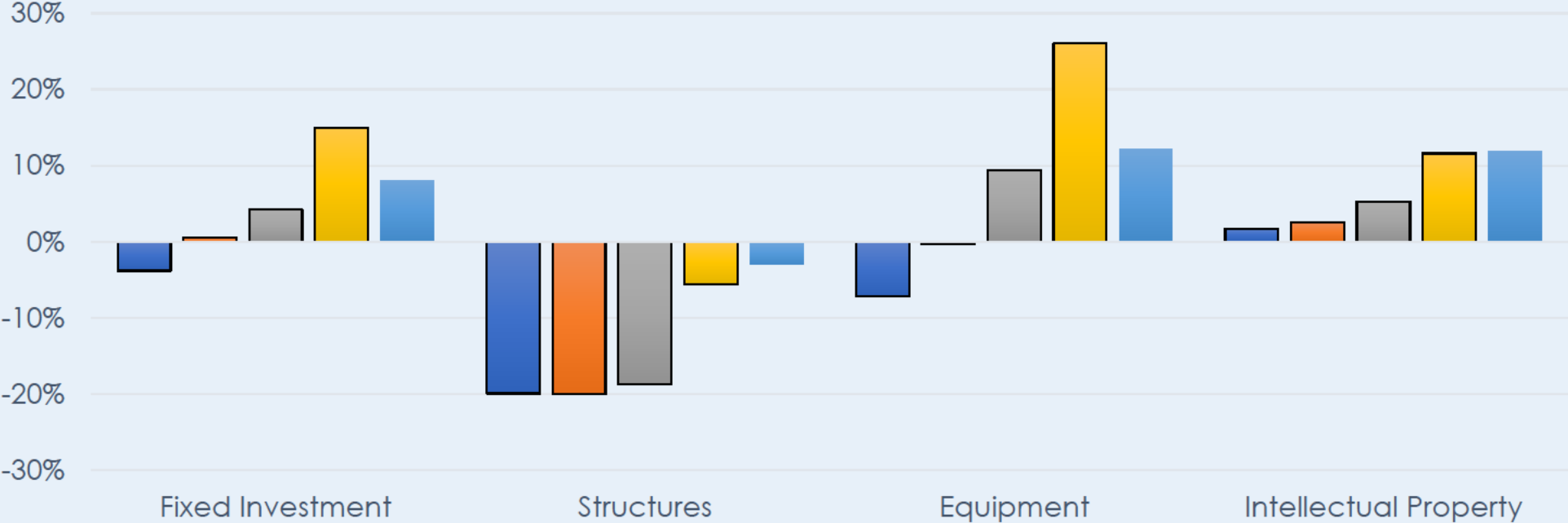


## Holiday Outlook

- Record level of holiday retail sales expected
- Significant online sales volume
- Supply chain issues affect small retailers more
- Holiday travel uncertainty due to omicron variant

# Business Spending Up Except for Structures

YTY % Change



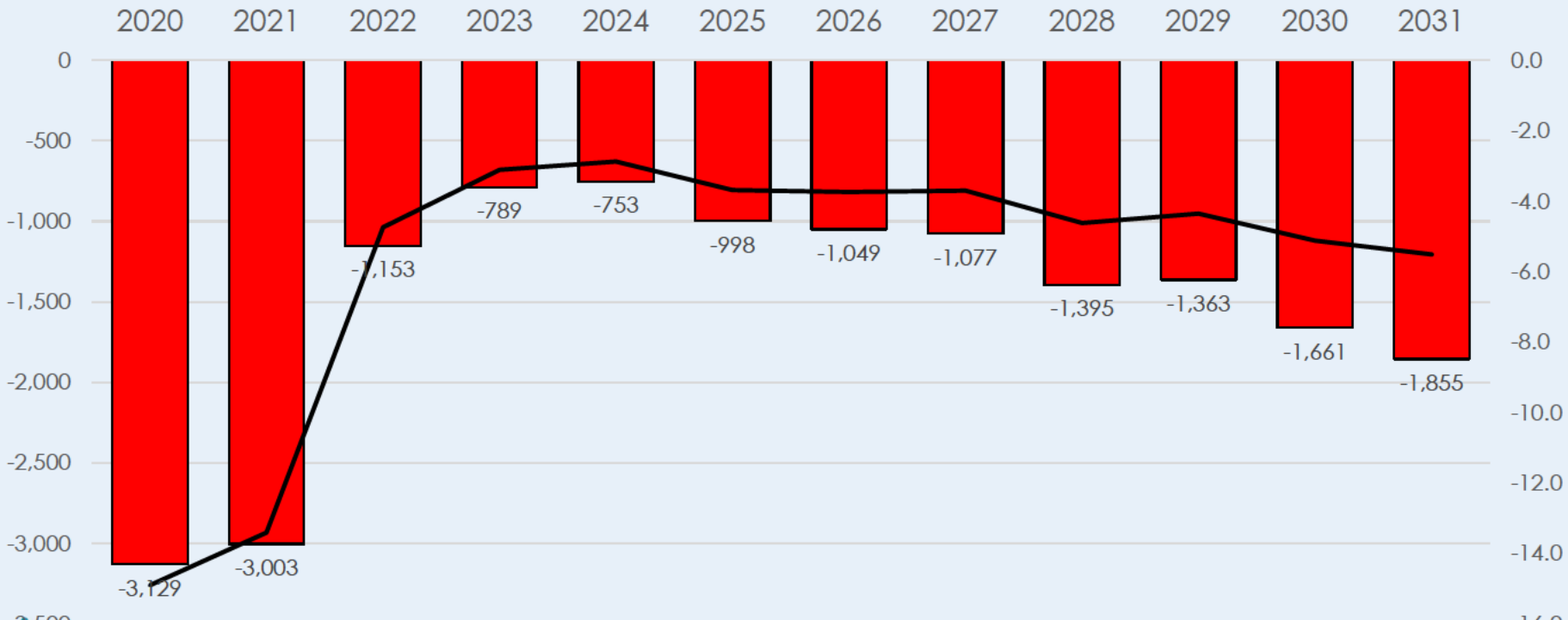
# International Trade: Imports Up, Exports Flat

International Trade, US (\$Billions)

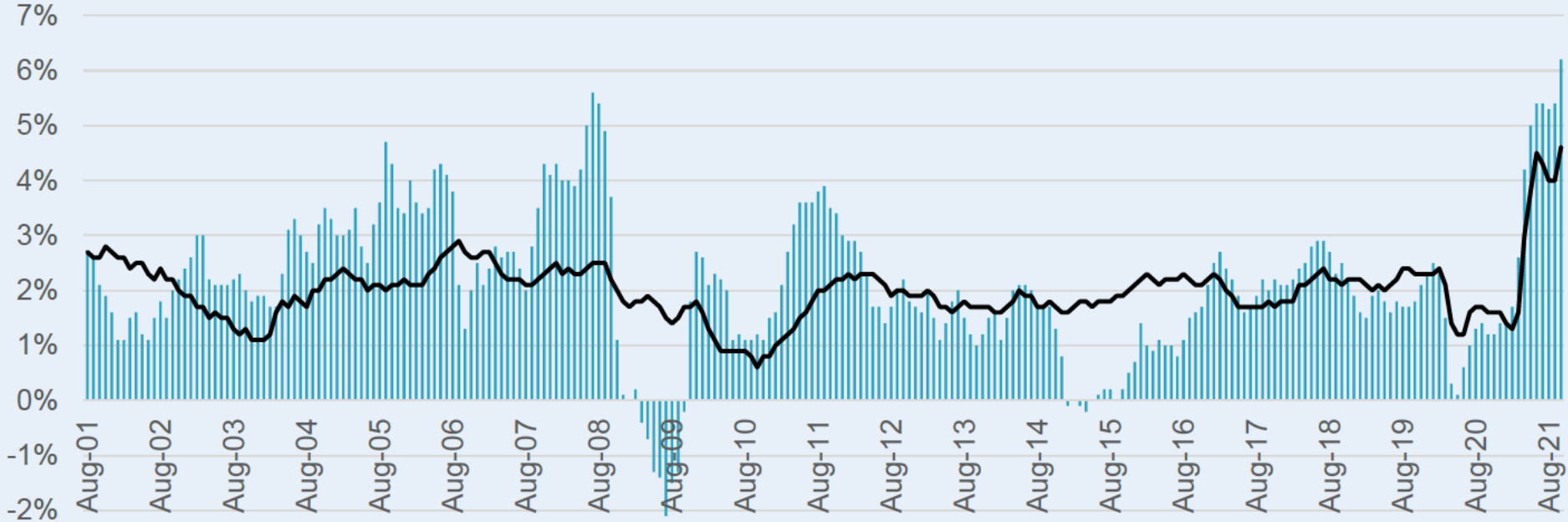




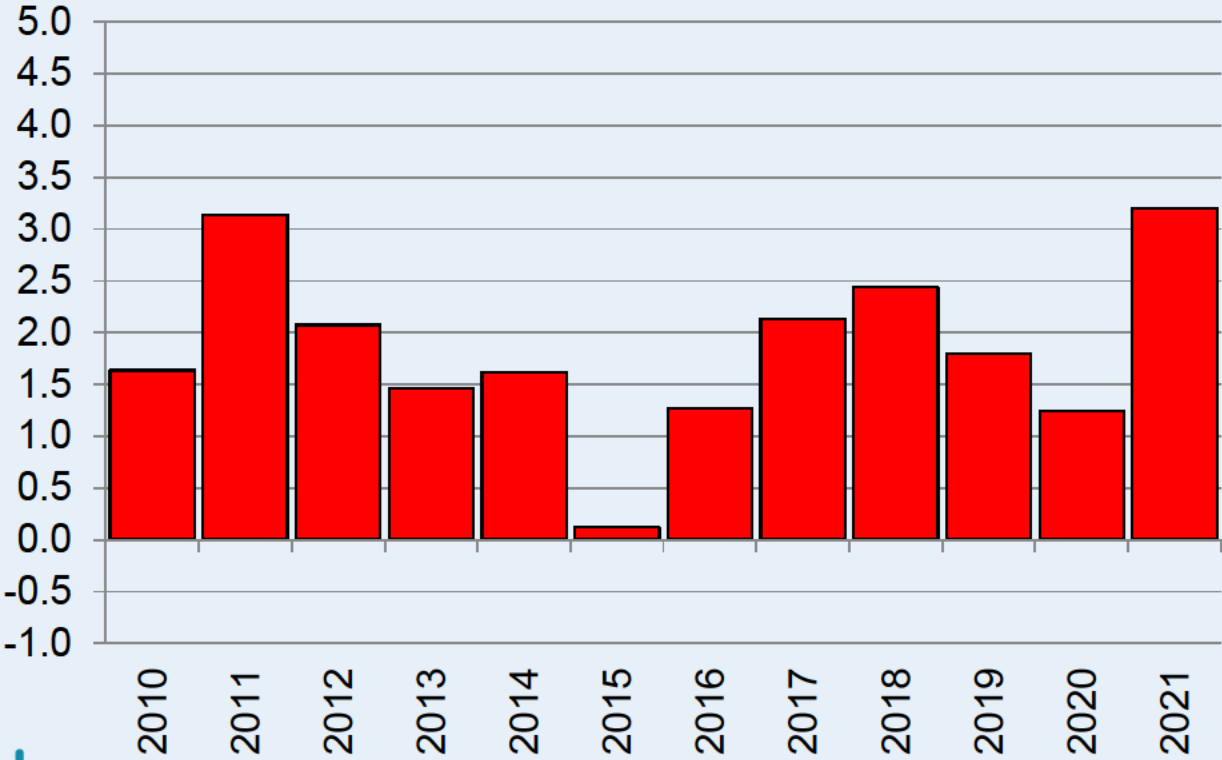
# Deficits High Now, Retreat to Normal



# Elevated Inflation Subsides Later in Upswing



# Inflation Up ~~But Transitory~~ *Modestly*



	<u>2020</u>	<u>2021</u>	<u>2022</u>
CPI	1.3	4.5	4.0
PCE*	1.4	4.1	2.6

\*less food and energy

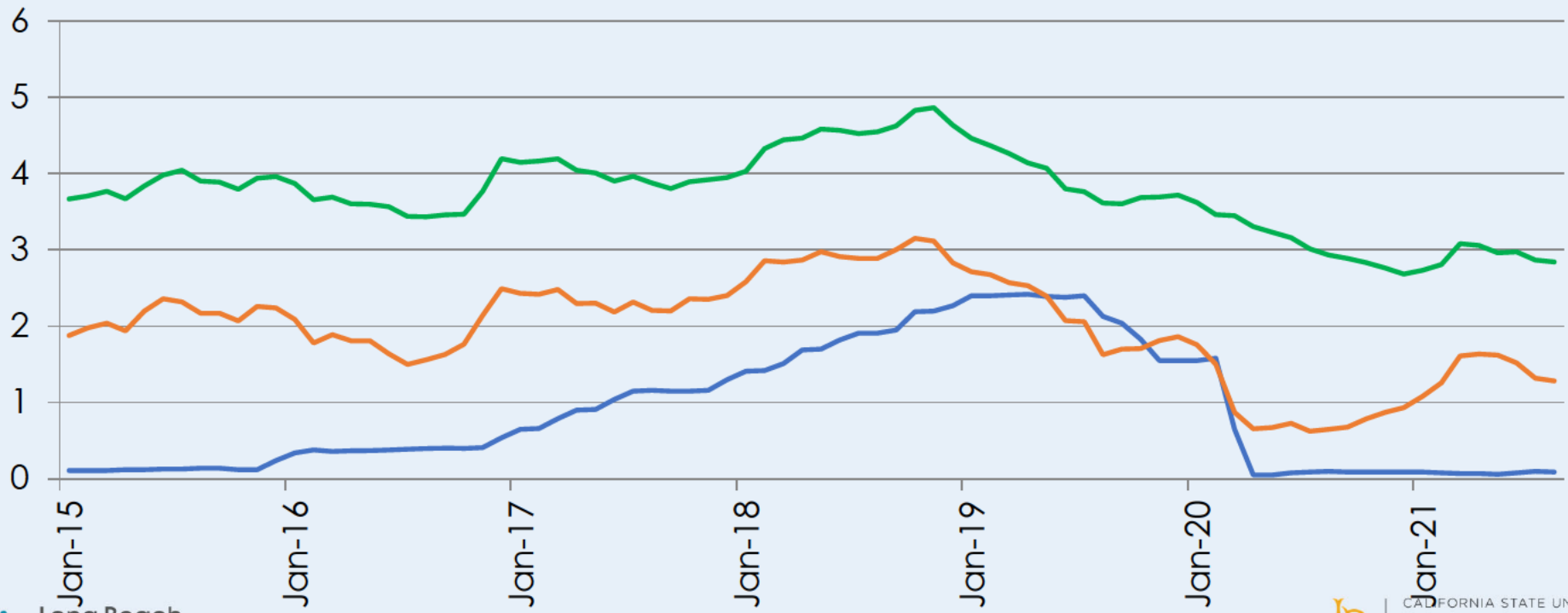
Source: NABE

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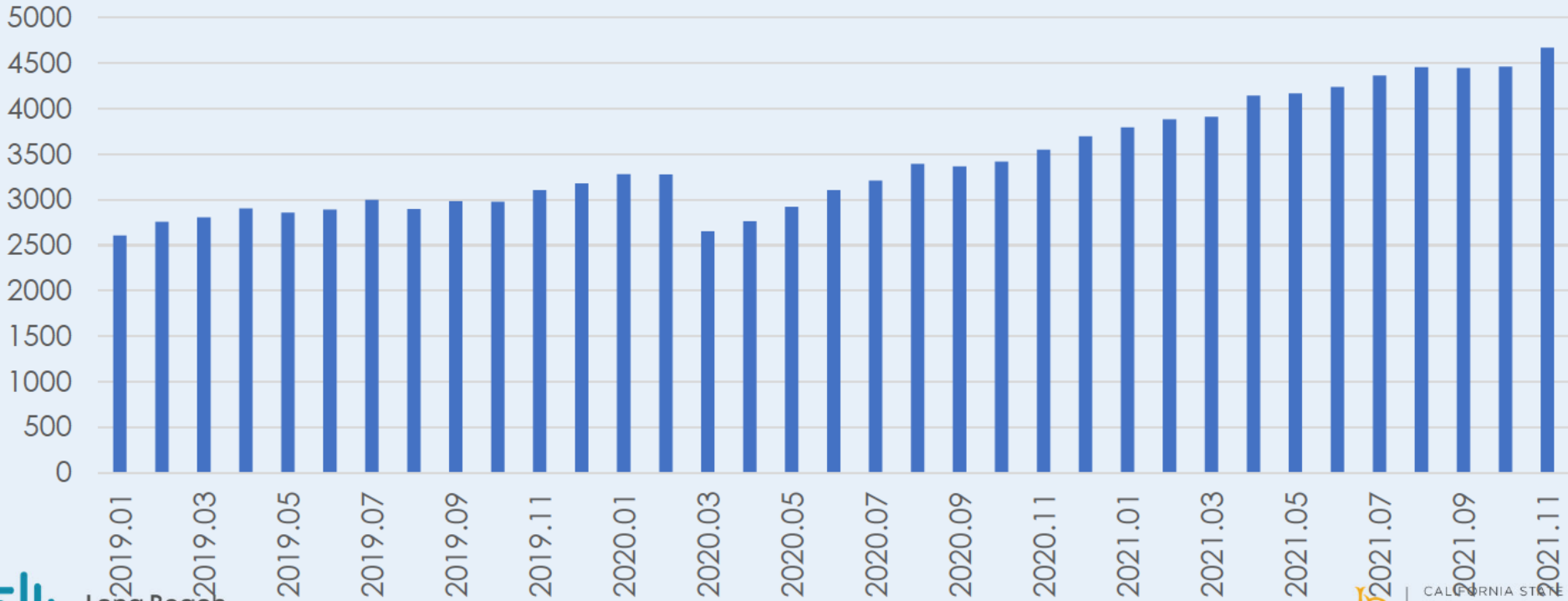
# Financial Markets: Rates Up in 2022 (10 Yr: +0.5%)

— Effective FFR    — 10 Year Yield    — 30 Year Mort

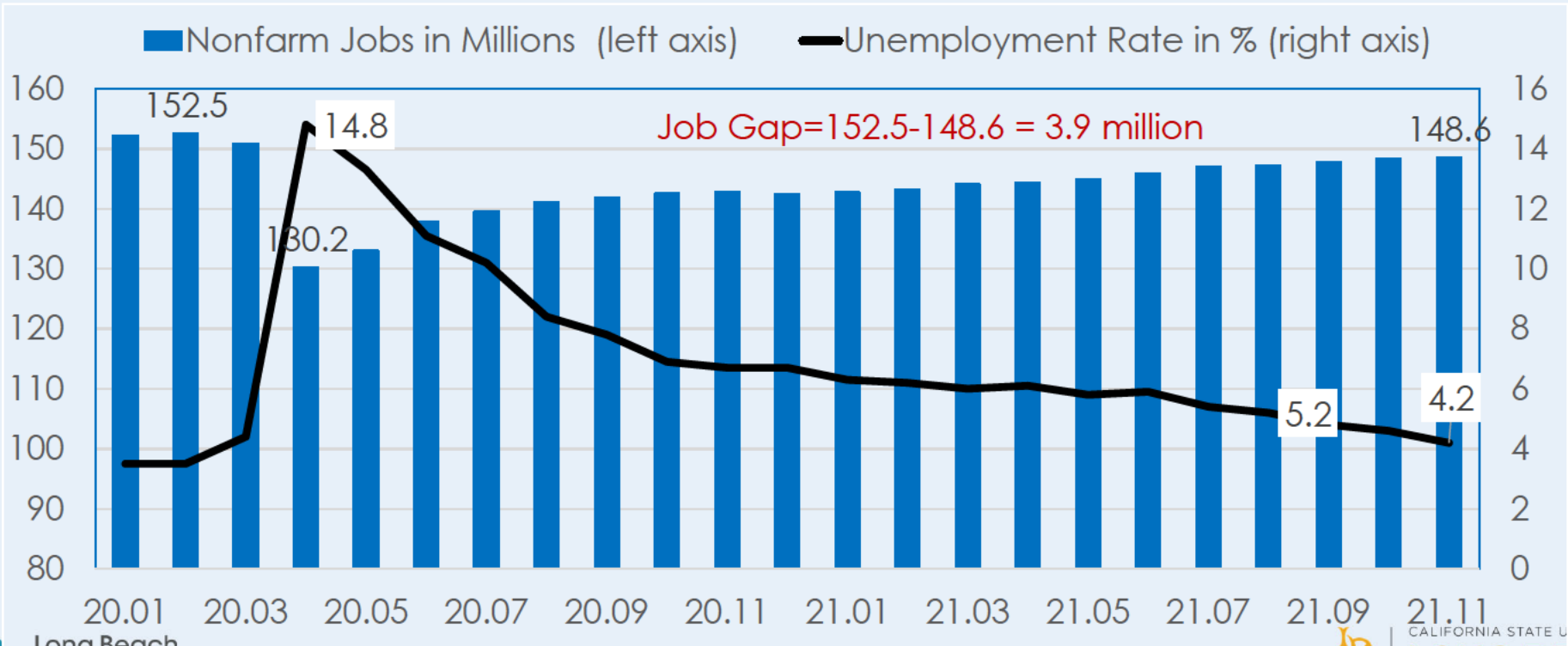


# Stock Market: More Volatility Ahead

S&P 500



# U-Rate at 4.2%, Close Jobs Gap by mid-2022



## “Deciphering” Labor Market Info

- U-rate now (4.2%) below full-employment rate (4.5%)
- But labor force is 2 million below pre-pandemic
- Great Resignation? Record # of QUILTS!
  - October 2021: 4.1 million or 2.6% of labor force
  - Avg '12-Now: 2.9 million or 1.8% of labor force
  - Difference: 1.2 out of a labor force of 161 million or 0.8%
  - # of Quits is highly correlated with growth in jobs

## “Deciphering” Labor Market Info

- Pandemic effects:
  - Separations in selected industries
  - Workers segments slow to re-enter labor force
- BUT long-term forces may be a greater concern.

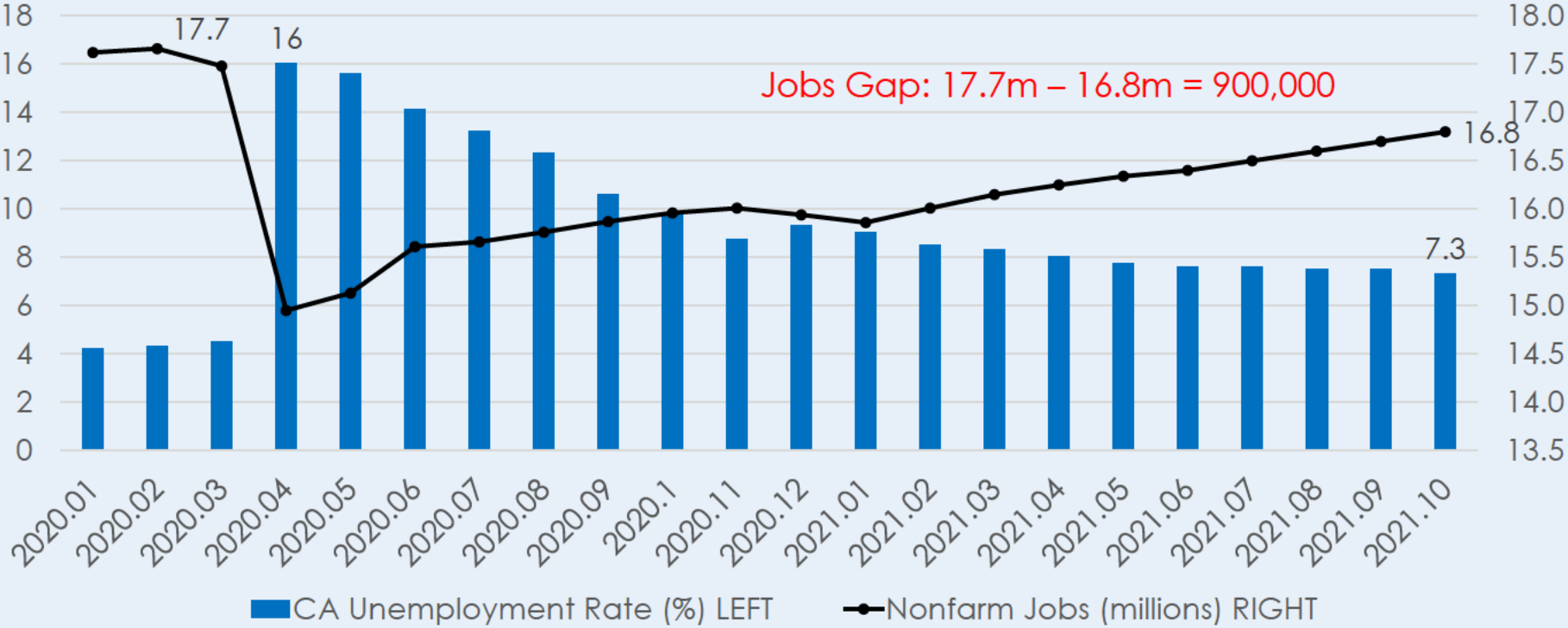


## “Decoding” Labor Market Info

- Demographics: Age cohorts...
  - Boomers: numerically large, many retiring and leaving labor force
  - Gen X/Millennials: prime working age range (24-56)
  - Gen Z: entering labor force, but numerically small
- Long-term labor shortage
  - Inevitable, but intensified by the pandemic

# California/Regions: Gaining Ground

# CA U-rate Cut in Half, Jobs Recovery Ongoing



■ CA Unemployment Rate (%) LEFT

● Nonfarm Jobs (millions) RIGHT

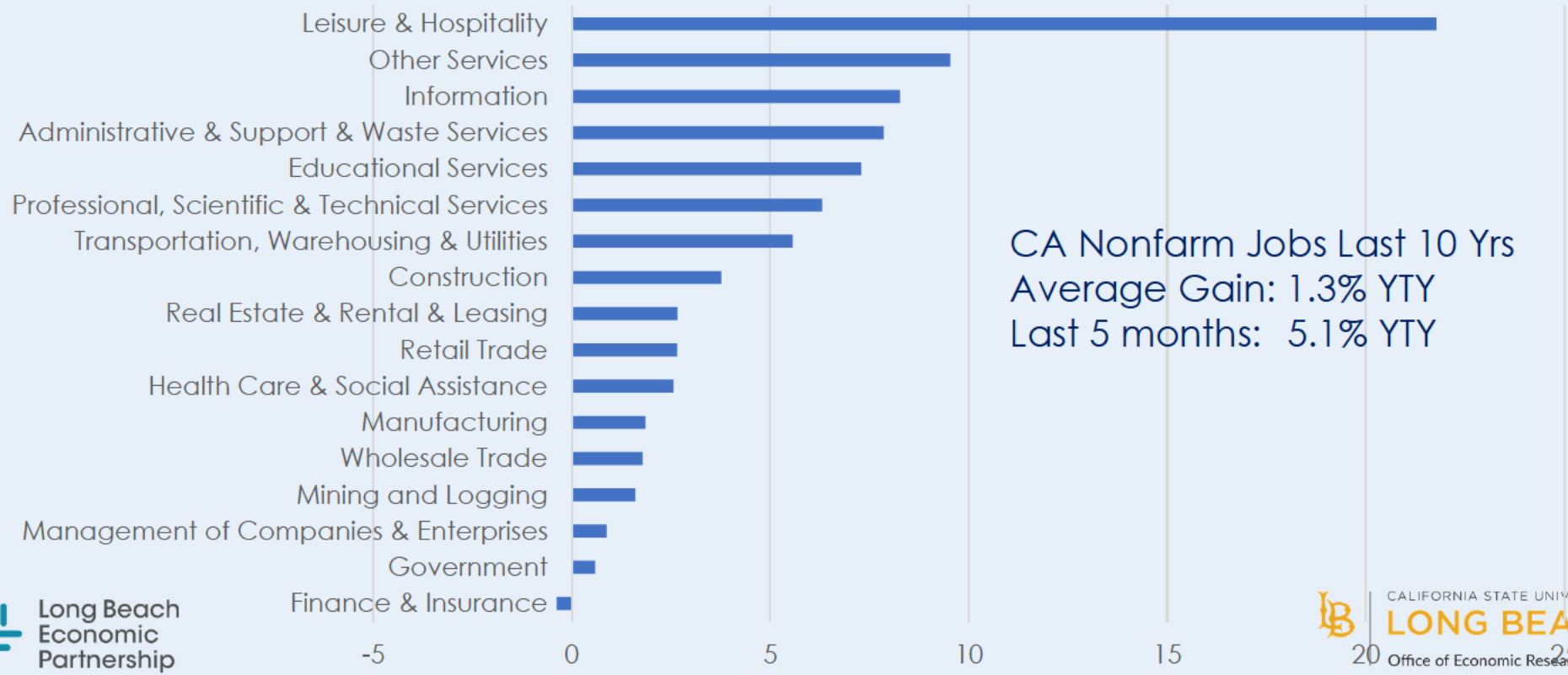


Source: FRED, US Treasury, Freddie Mac

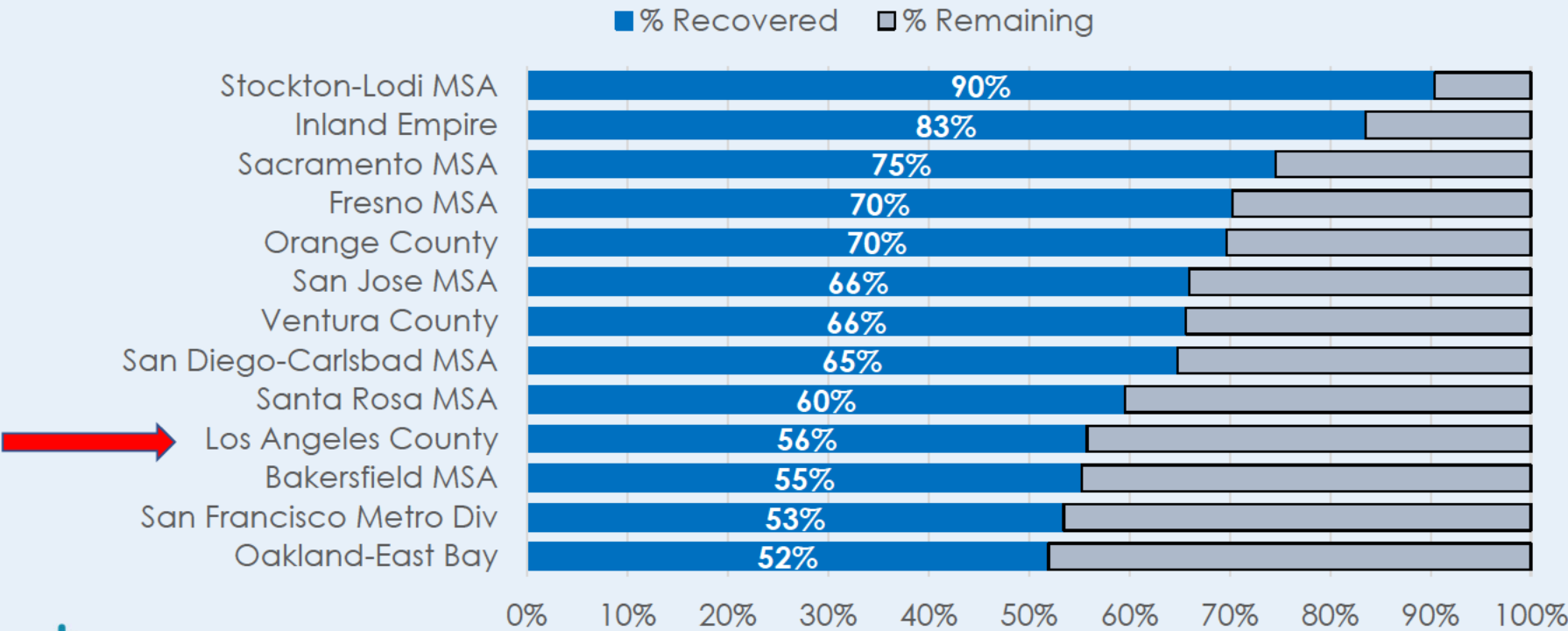


# Impressive Job Gains in CA Industries

YTY % Change



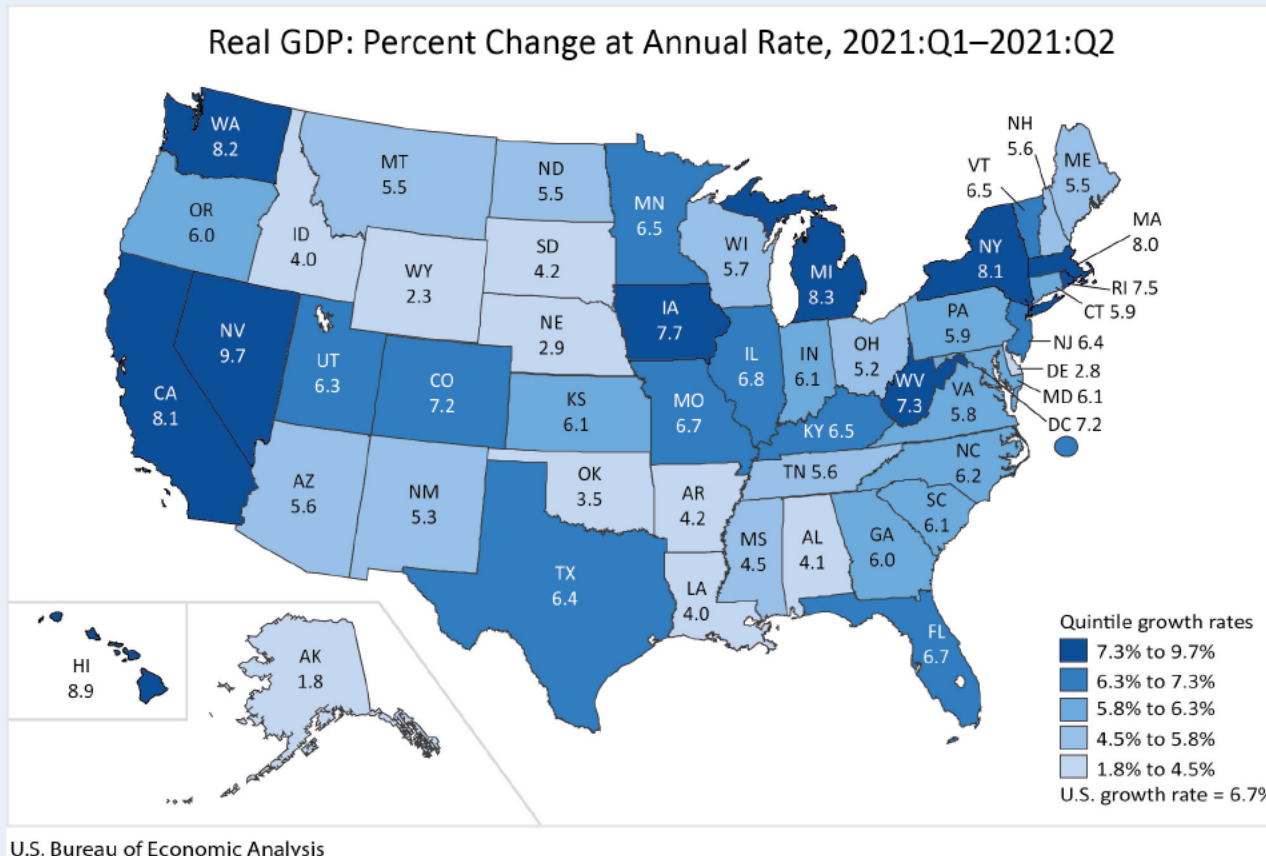
# Slower LA County Recovery Due to Industry Mix



LA County: Up from 48% in July

# CA GDP Q1 to Q2: +8.1%

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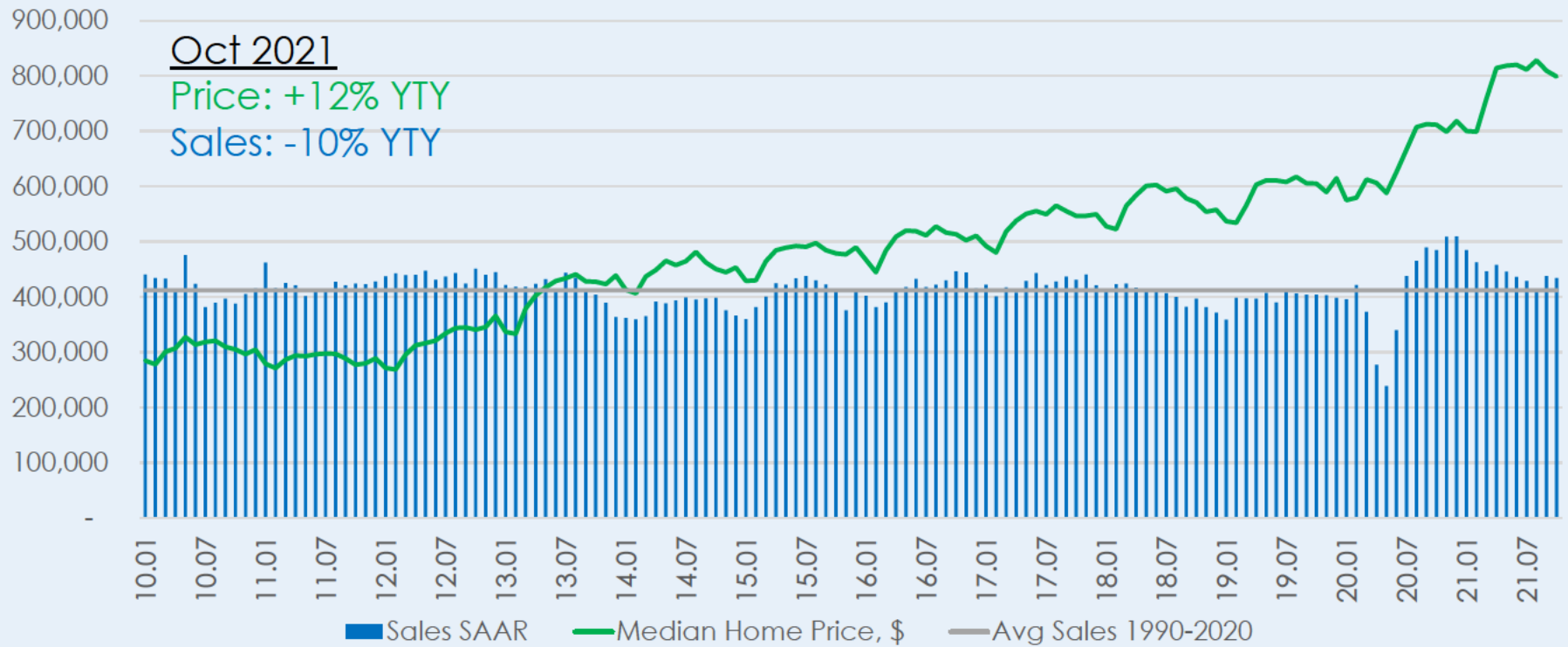
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# Real Estate: Consequences of Low Affordability



# CA Housing: Record Price Range, Sales Down YTY, Up 13% YTD

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# So Cal: Prices up YTY, Sales Faltering

Southern California	2020.10	2021.09	2021.10	Price MTM% Chg	Price YTY% Chg	Sales YTY% Chg
Los Angeles	\$745,080	\$886,050	\$848,970	-4%	14%	-8%
Orange	\$930,000	\$1,100,000	\$1,120,000	2%	20%	-20%
Riverside	\$485,000	\$570,000	\$580,000	2%	20%	-18%
San Bernardino	\$365,000	\$437,000	\$445,000	2%	22%	-10%
San Diego	\$749,000	\$850,000	\$850,000	0%	13%	-8%
Ventura	\$750,000	\$815,000	\$830,000	2%	11%	-8%

# Affordability Falling

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Region	2020.3	2021.2	2021.3	Median Home Price	Monthly Payment Including Taxes & Insurance	Minimum Qualifying Income
Los Angeles	23	22	19	\$860,870	\$3,920	\$156,800
Orange	23	17	18	\$1,100,000	\$5,010	\$200,400
Riverside	40	33	33	\$570,000	\$2,600	\$104,000
San Bernardino	51	43	43	\$437,500	\$1,990	\$79,600
San Diego	27	22	23	\$850,000	\$3,870	\$154,800
Ventura	28	23	25	\$830,000	\$3,780	\$151,200
CA SFH (SAAR)	28	23	24	\$814,580	\$3,710	\$148,400
US	55	50	50	\$363,700	\$1,660	\$66,400

NOTE: Estimated median household income 2021 in CA:  
\$85,400

# Lean Supply = Higher Prices

Unsold Inventory Index (Months)			
Region	2020.10	2021.09	2021.10
Los Angeles	2.1	2.0	2.0
Orange	2.0	1.5	1.5
Riverside	2.1	2.0	2.0
San Bernardino	2.0	2.3	2.1
San Diego	1.8	1.6	1.5
Ventura	2.0	1.9	1.8

Source: California Association of Realtors, KE

# CA Lagging in New Construction

Rank	MSA	YTD June 2021	Rank	MSA	YTD June 2021
1	Dallas-Fort Worth-Arlington, TX	40,667	16	Minneapolis-St. Paul-Bloomington, MN-WI	12,341
2	Houston-The Woodlands-Sugar Land, TX	33,956	17	Jacksonville, FL	11,925
3	Austin-Round Rock-Georgetown, TX	28,459	18	Miami-Fort Lauderdale-Pompano Beach, FL	11,709
4	New York-Newark-Jersey City, NY-NJ-PA	27,232	19	Raleigh-Cary, NC	11,316
5	Phoenix-Mesa-Chandler, AZ	26,361	20	San Antonio-New Braunfels, TX	9,600
6	Atlanta-Sandy Springs-Alpharetta, GA	19,936	21	Boston-Cambridge-Newton, MA-NH	8,421
7	Nashville-Davidson--Murfreesboro--Franklin, TN	16,029	22	Chicago-Naperville-Elgin, IL-IN-WI	8,378
8	Los Angeles-Long Beach-Anaheim, CA	15,842	23	Las Vegas-Henderson-Paradise, NV	8,363
9	Washington-Arlington-Alexandria, DC-VA-MD-WV	14,999	24	North Port-Sarasota-Bradenton, FL	8,017
10	Orlando-Kissimmee-Sanford, FL	14,192	25	Portland-Vancouver-Hillsboro, OR-WA	7,390
11	Seattle-Tacoma-Bellevue, WA	14,121	26	Riverside-San Bernardino-Ontario, CA	7,132
12	Tampa-St. Petersburg-Clearwater, FL	14,011	27	San Francisco-Oakland-Berkeley, CA	6,806
13	Charlotte-Concord-Gastonia, NC-SC	13,669	28	Sacramento-Roseville-Folsom, CA	6,442
14	Denver-Aurora-Lakewood, CO	13,228	29	Boise City, ID	6,435
15	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	12,925	30	Provo-Orem, UT	6,310

Source: Census Bureau, KE



# Conclusion

## US Outlook

- GDP – expansion, surpassing previous peak in Q2-21
- Unemployment rate – 4.2% now, full employment at 4.5%
- Remarkable job gains → recover all lost jobs in H1-22
- Inflation → modest but in low single digits
- OVERALL: Good recovery by Great Recession standards, slower compared to economic recoveries in general.

# California Outlook

- Gaining momentum:
  - Unemployment rate cut in half
  - 95% of pre-pandemic job level, recover lost jobs in mid-2022
  - Overall (+5.1% YTY in October)
  - Information (+8%), Logistics (5.6%), Leisure and Hospitality (+22%)
- CA accounted for 18% of total US job gains in October
- Present and long-term challenge is HOUSING
  - Affordability across income spectrum
  - Supply...supply shortage drives price up
- Housing shortage compounds labor shortage in state!

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