



County of San Mateo

The Regional Economic Outlook: Peninsula and Beyond

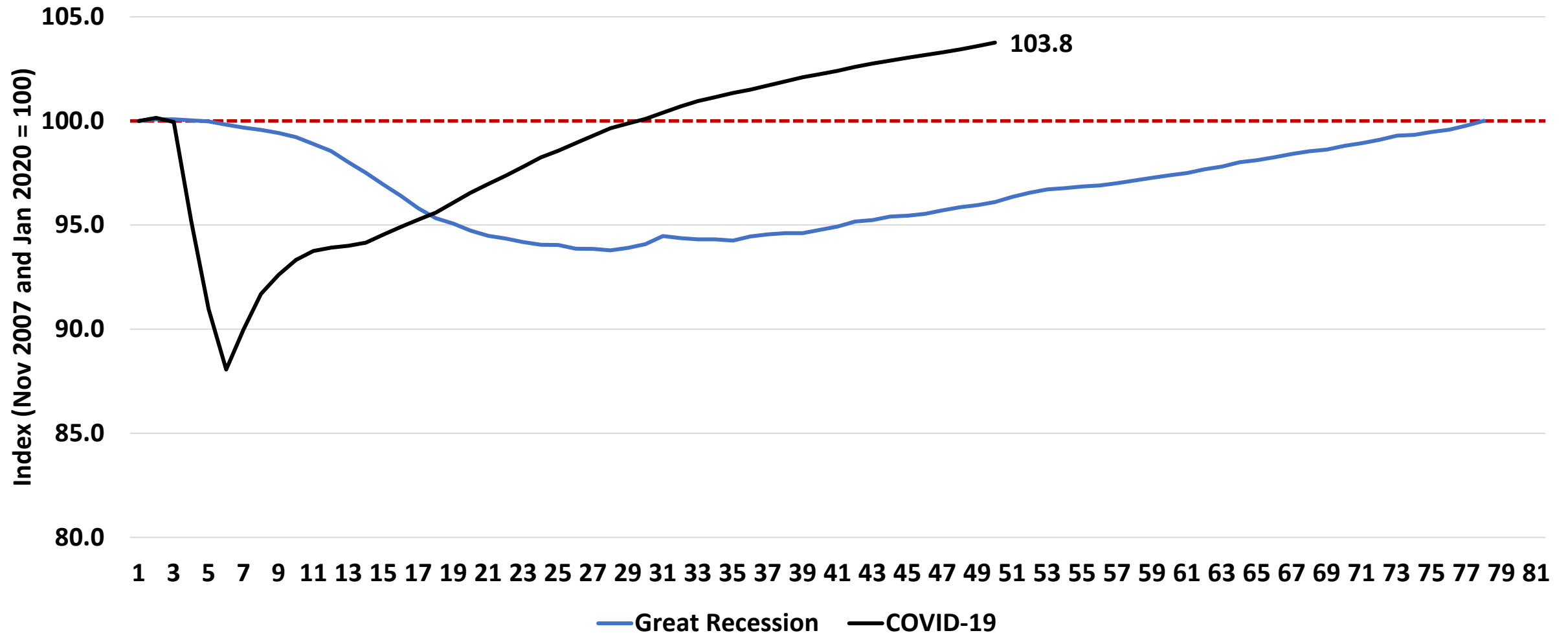
March 2024

Robert Eyler, PhD

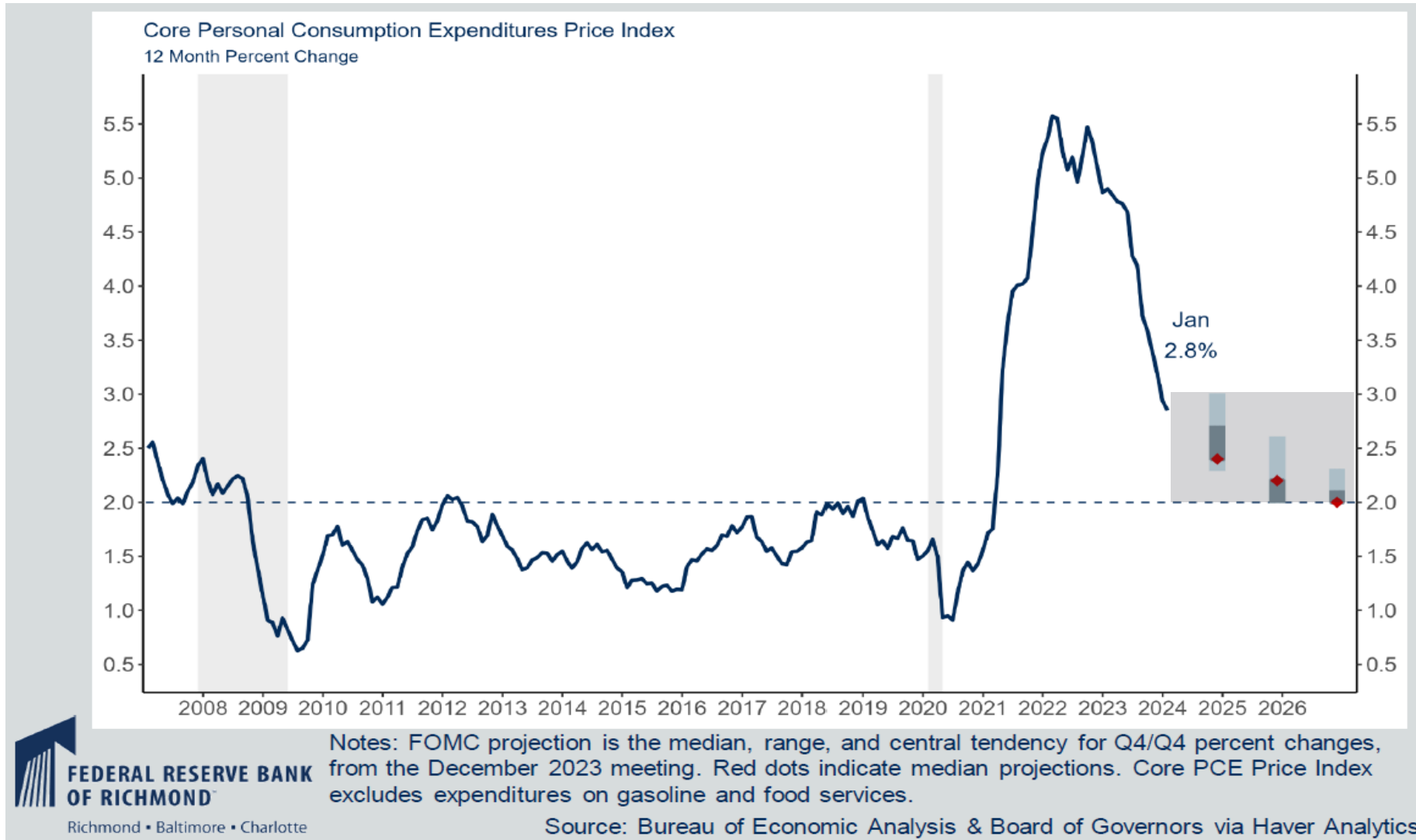
President, Economic Forensics and Analytics, Inc.

eyler@econforensics.com

Employment Recovery Comparison, United States, Great Recession and COVID-19 Recession, Months from Peak Employment, Index Nov 2007 and Jan 2020 = 100, to February 2024



Core PCE Prices, 2007 to 2026 and beyond: Rates to Start Falling?

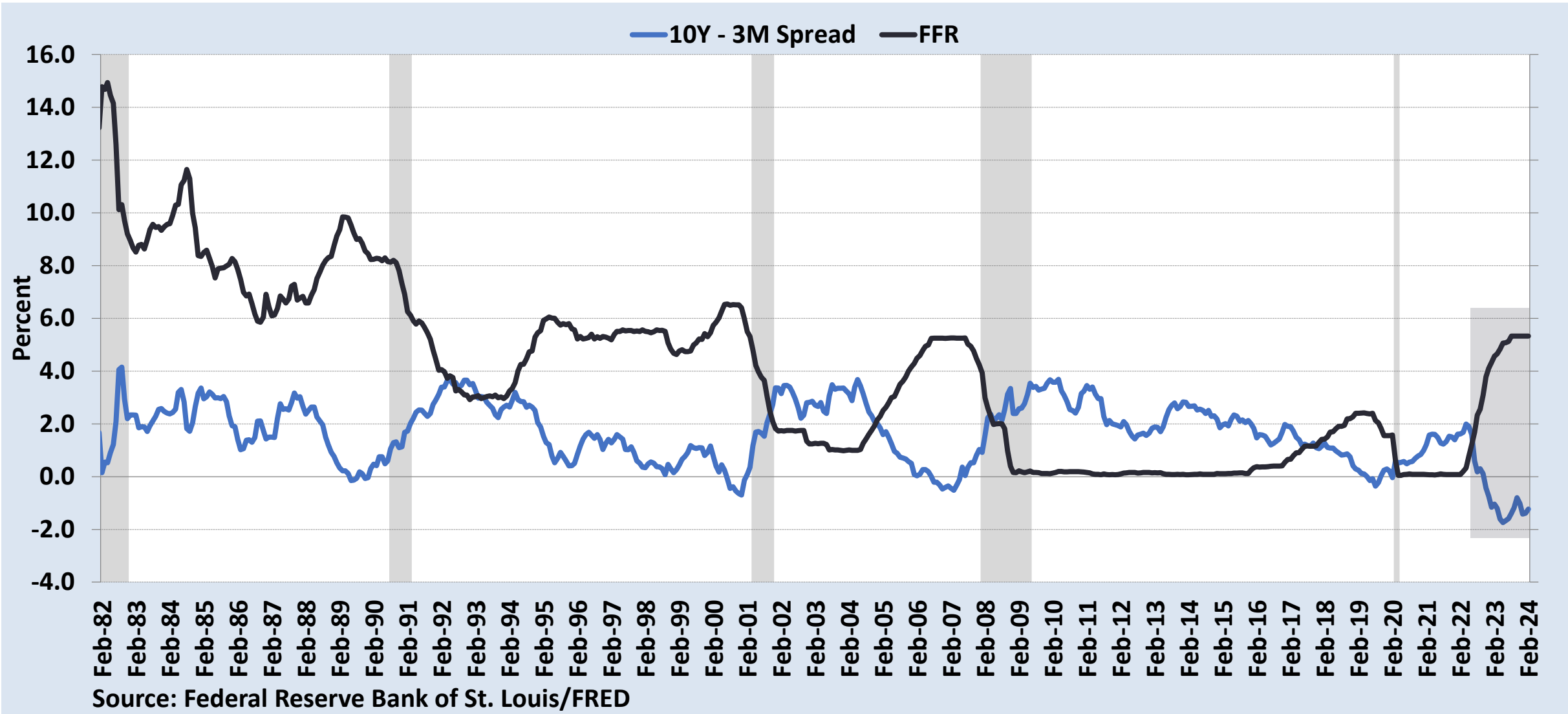


To consider:

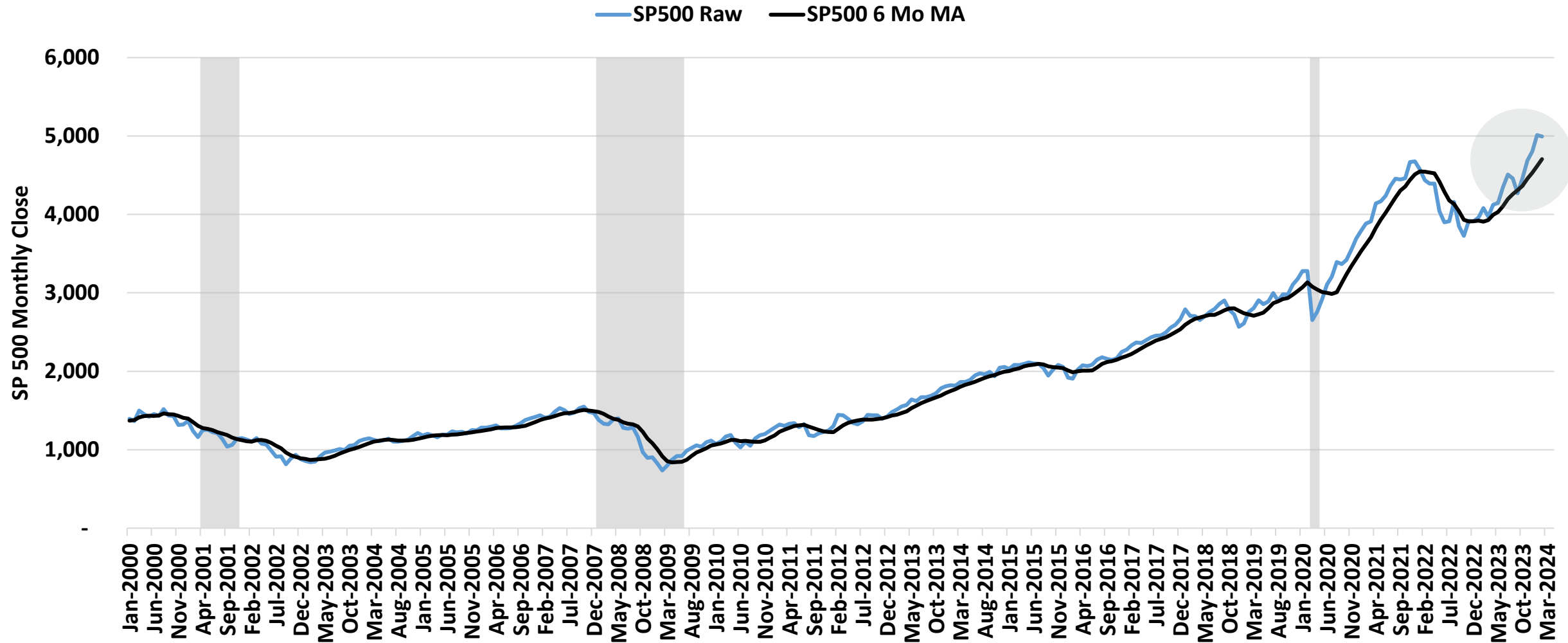
When will rates fall and how far?

Will we “soft land”, and what does that look like?

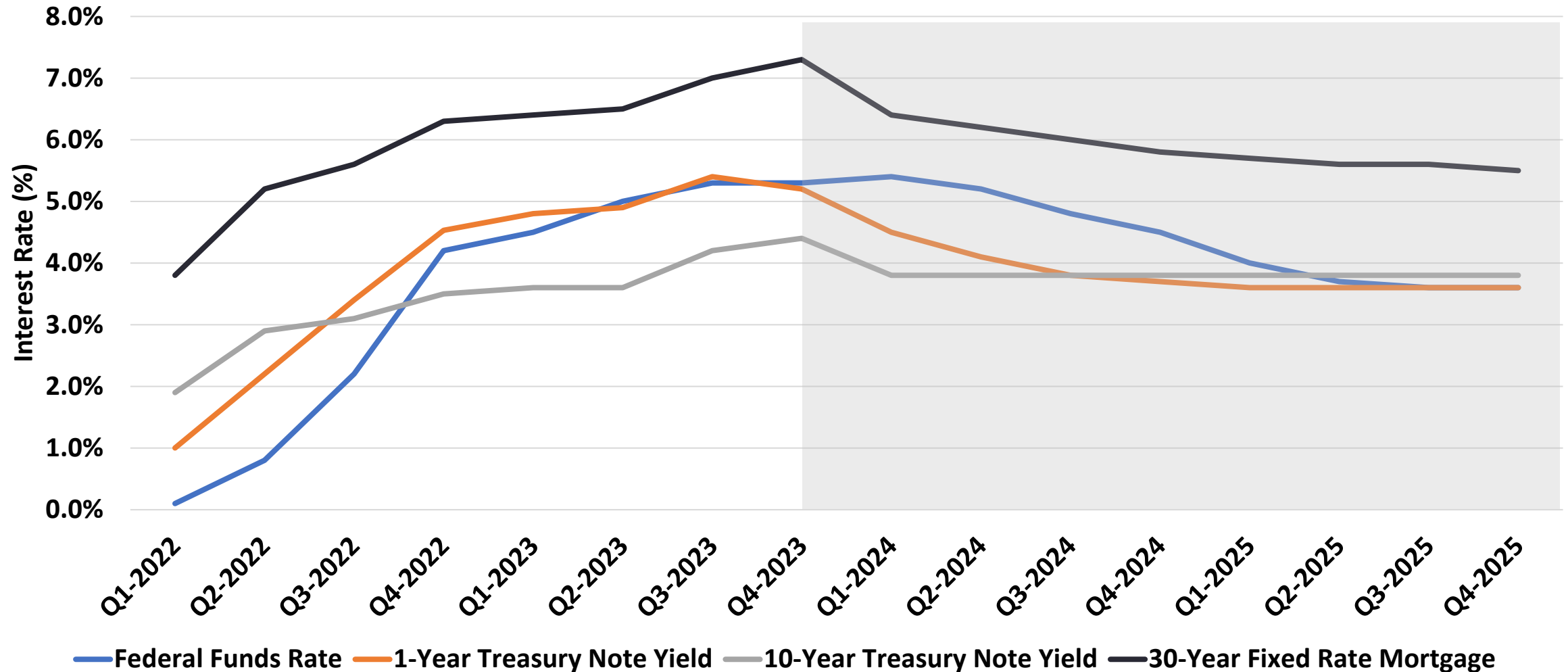
10-Year 3-Month Treasuries Spread and Effective Federal Funds Rate, February 1982 to February 2024



SP 500 Raw and 6 Month Moving Avg, Jan 2000 to March 2024, Index, Monthly Close



Selected Interest Rates: Actual and Forecast (Shaded): FNMA, 2022 to 2025, Quarterly Averages, Jan 2024



Federal Reserve Philadelphia

Forecast, Survey of Professional Forecasters

These data are from February 2024

Bottom Line: jobs growth should begin to fade as consumption slows with continued interest rates levels and lower savings levels, recession less likely to be declared

Real GDP (%)

Unemployment Rate (%)

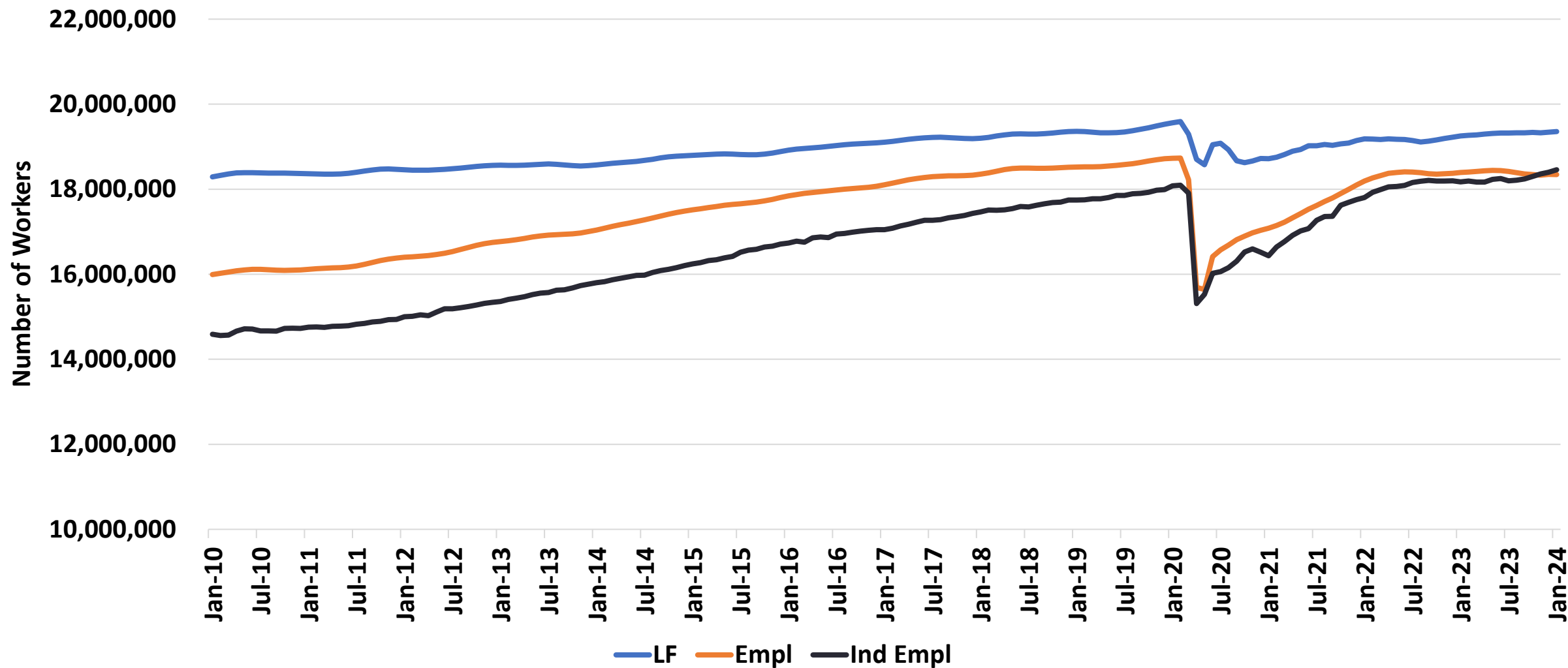
Core PCE Inflation (%)

Annual data (projections based on annual-average levels):

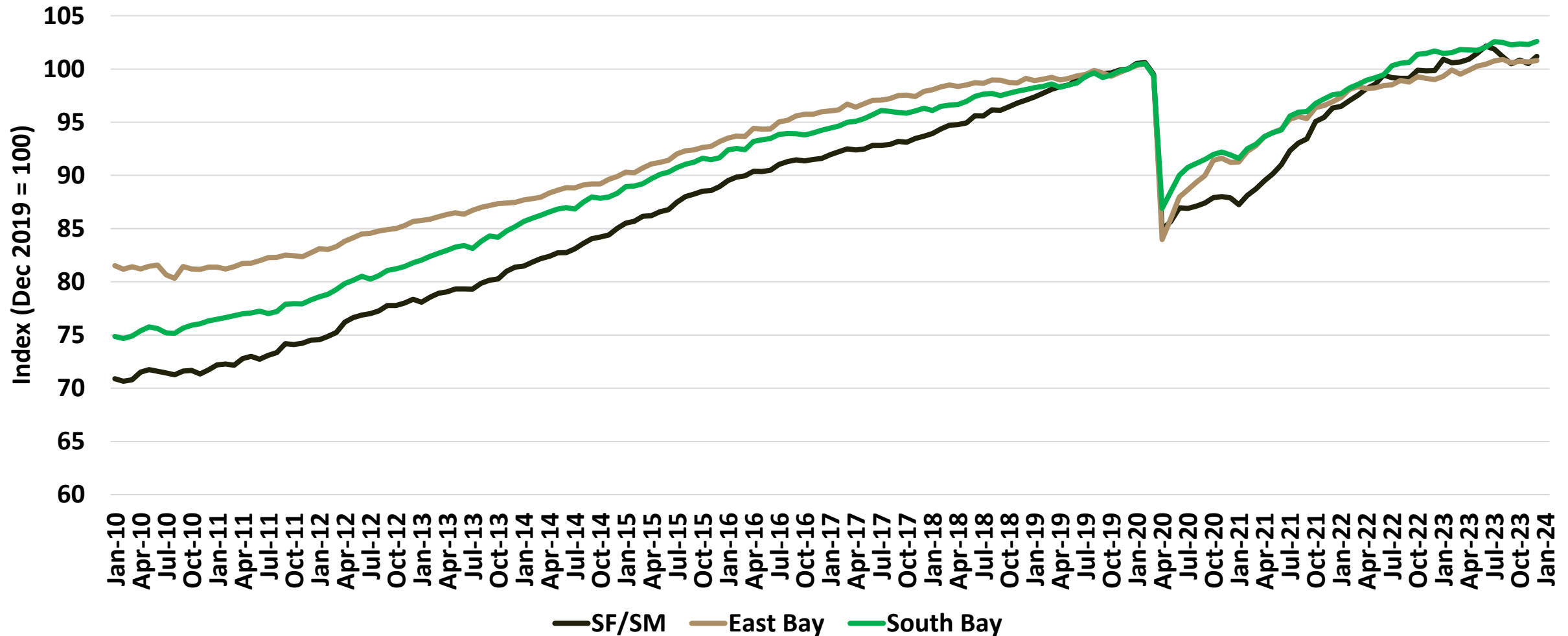
	Previous	New	Previous	New	Previous	New
2024	1.7	2.4	4.1	3.9	2.4	2.1
2025	1.8	1.8	4.2	4.1	2.1	2.0
2026	2.1	2.2	4.0	4.1	N/A	2.0
2027	N/A	1.7	N/A	4.0	N/A	N/A

Employment and Labor Force, California, Seasonally Adjusted

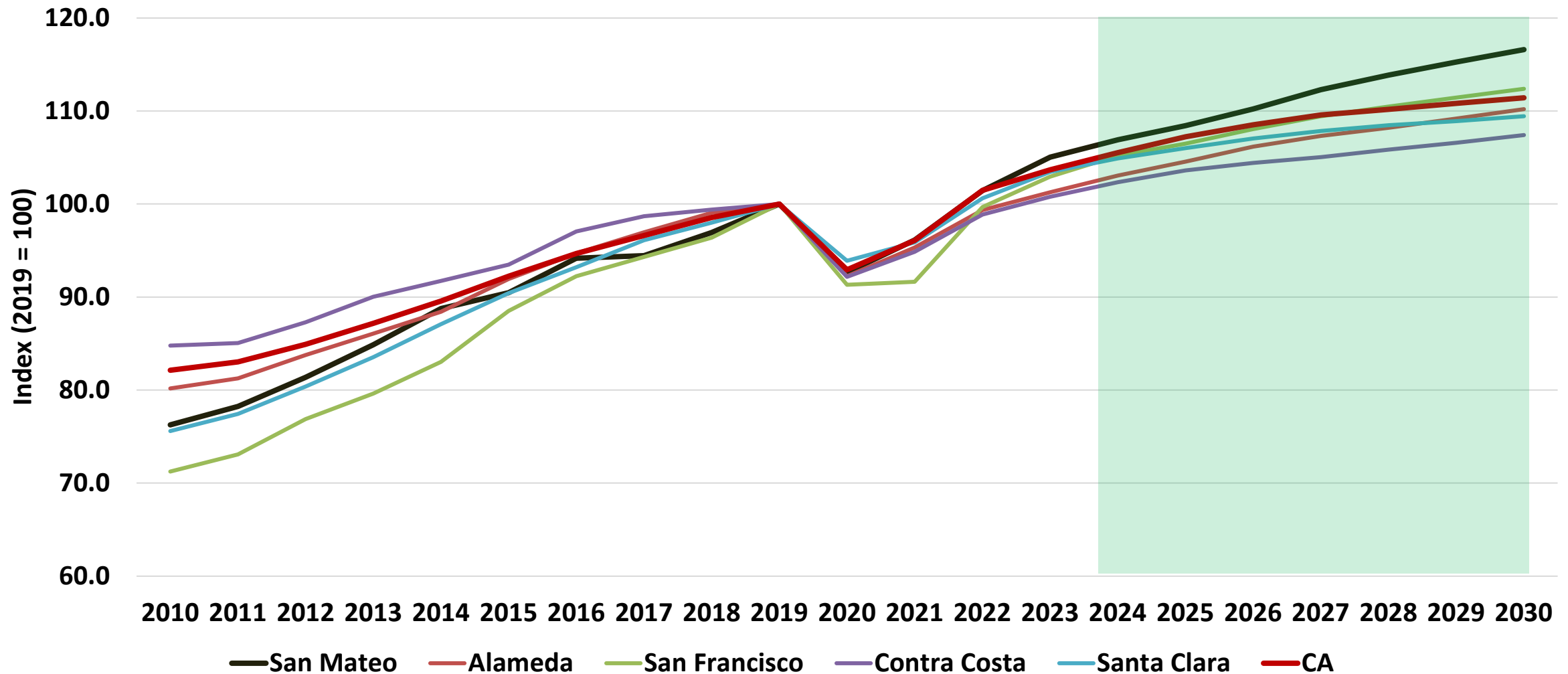
January 2010 to January 2024, Number of Workers



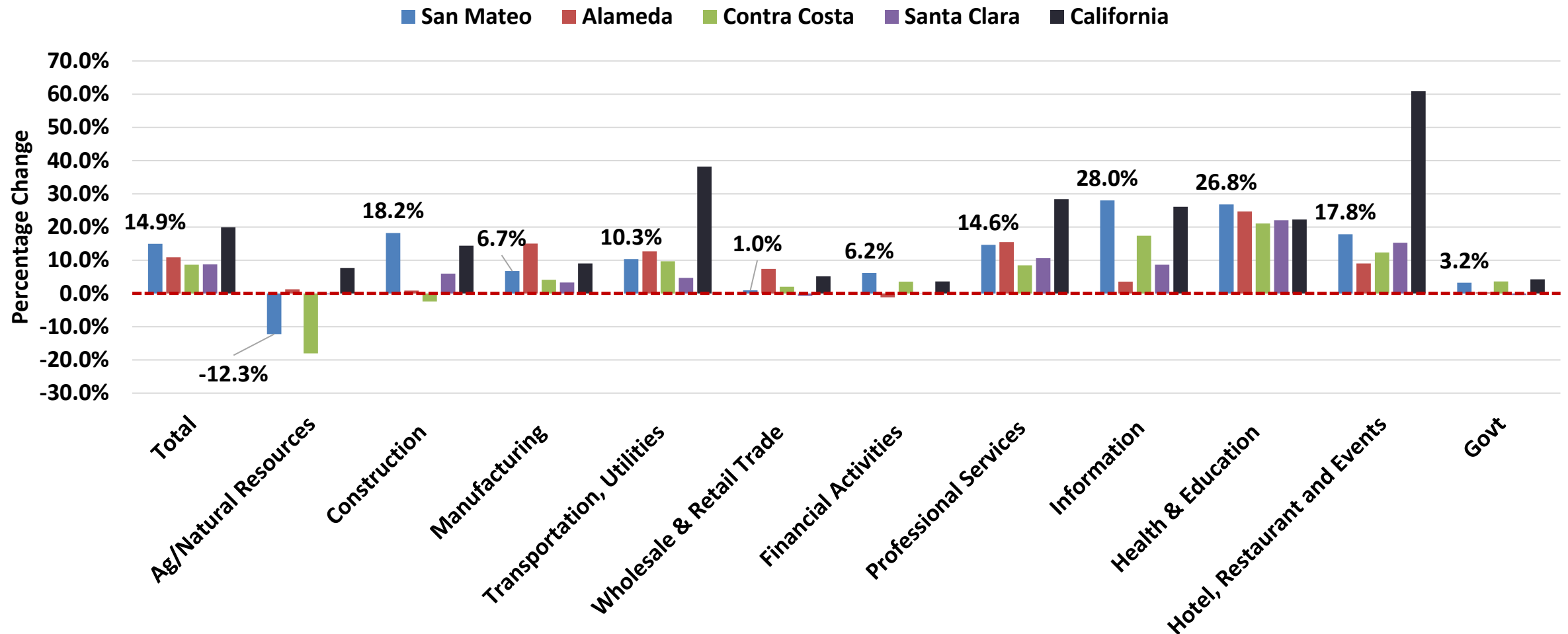
Sources: California EDD and EFA



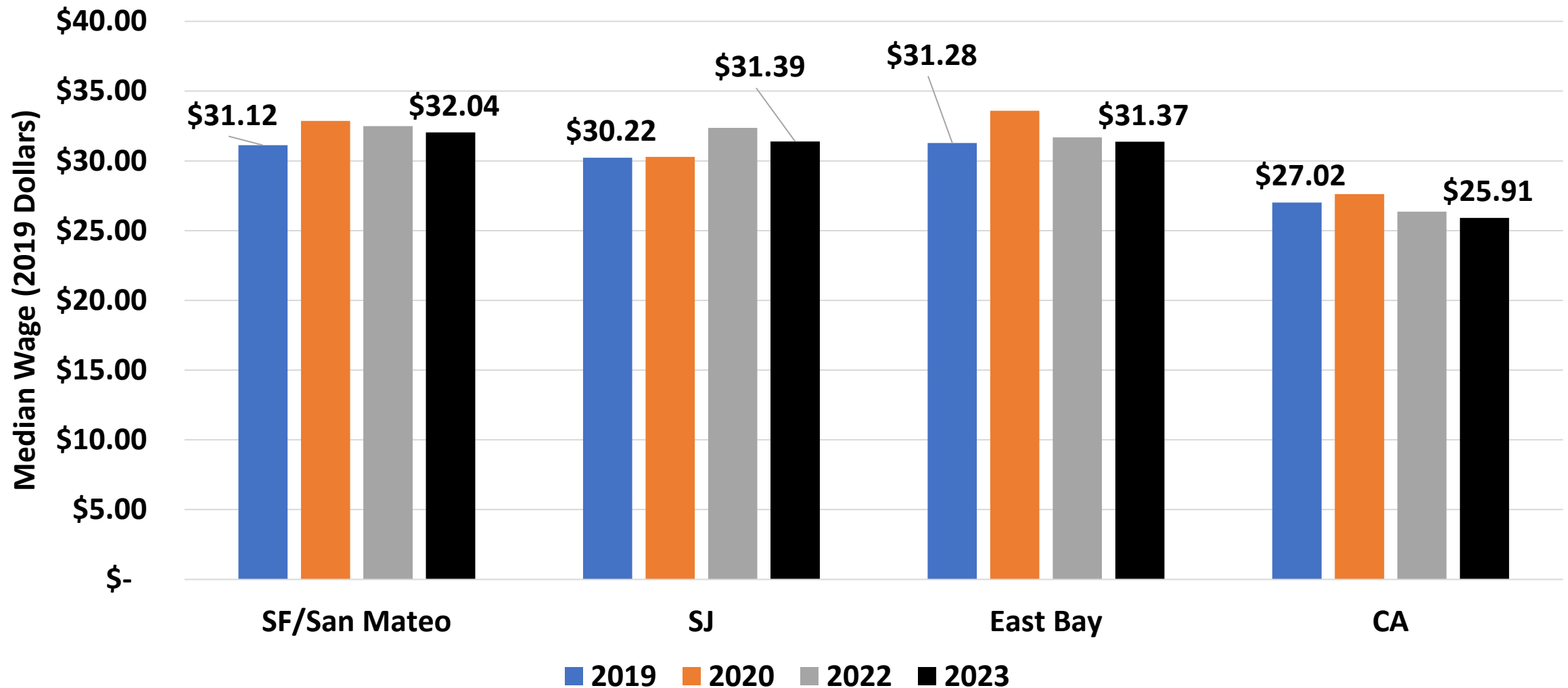
Actual and Forecasted Employment for San Mateo and Selected Counties and California, 2010-2030 Annual, Index (2019 = 100), Shaded Area = Forecast



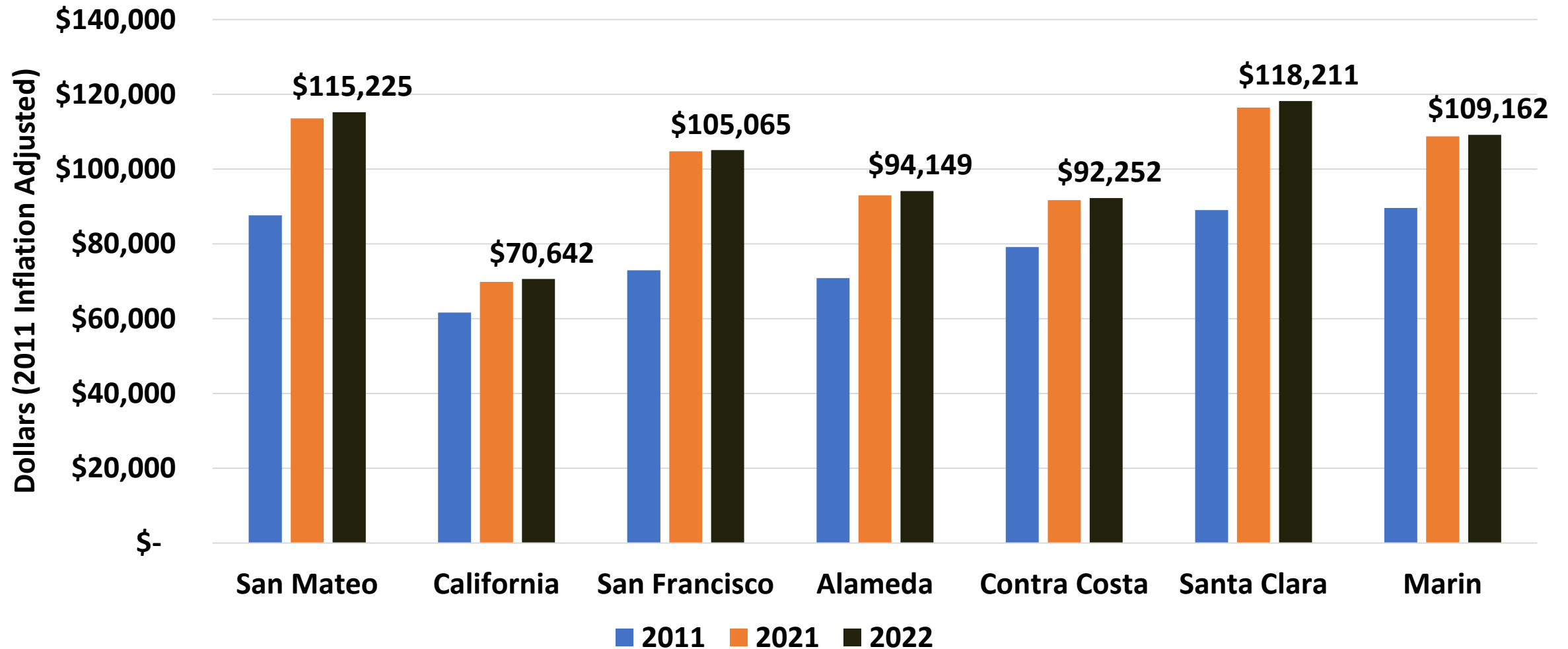
Industry Forecasts: San Mateo and Selected Areas and California, % Change 2023 to 2030



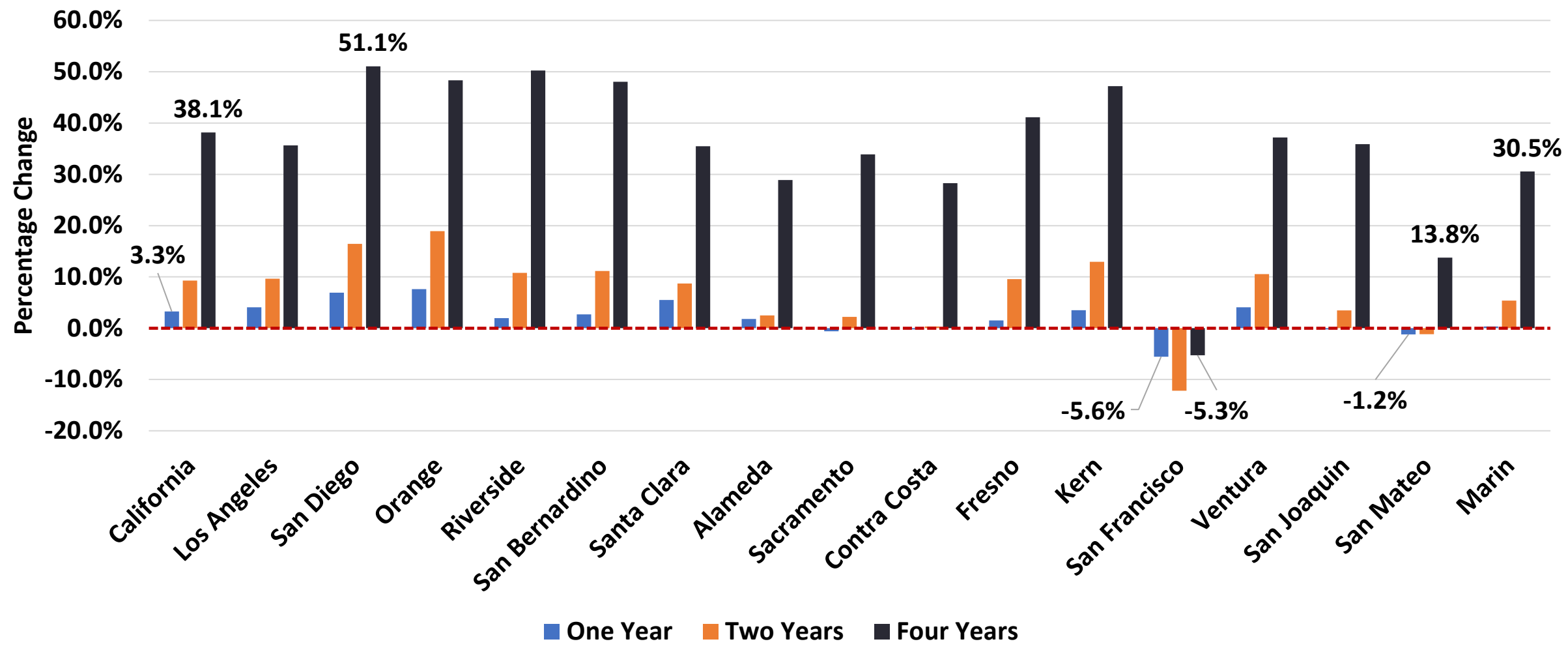
Median Wages: % Change to 2023, Median Wage, \$/hour, 2019 Dollars, San Mateo County/San Francisco and Selected Areas



Median Household Income (MHI): 2000 to 2022, 2011 Dollars, San Mateo and Selected Counties

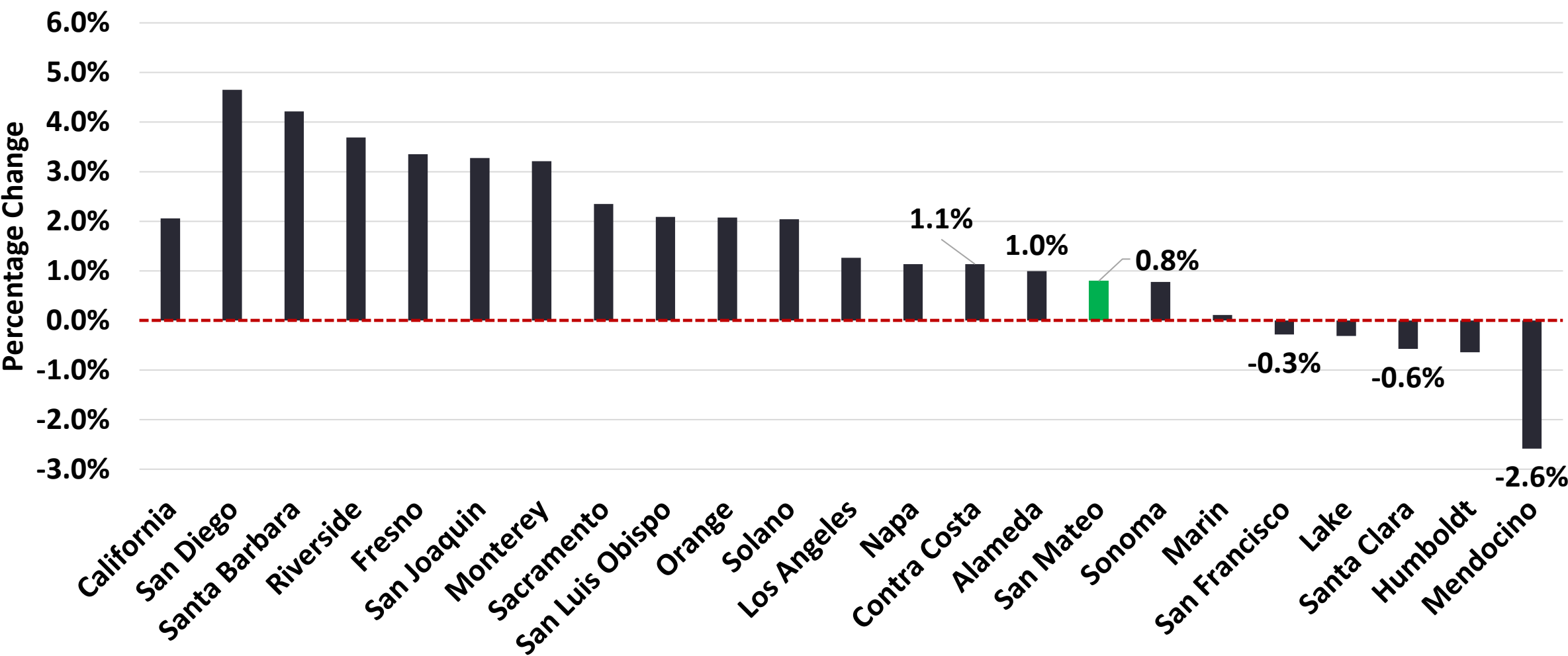


Median Housing Price Growth, December 2023, Percent Change, Selected Areas, Since December (Dec) 2019, Dec 2020 and Dec 2022

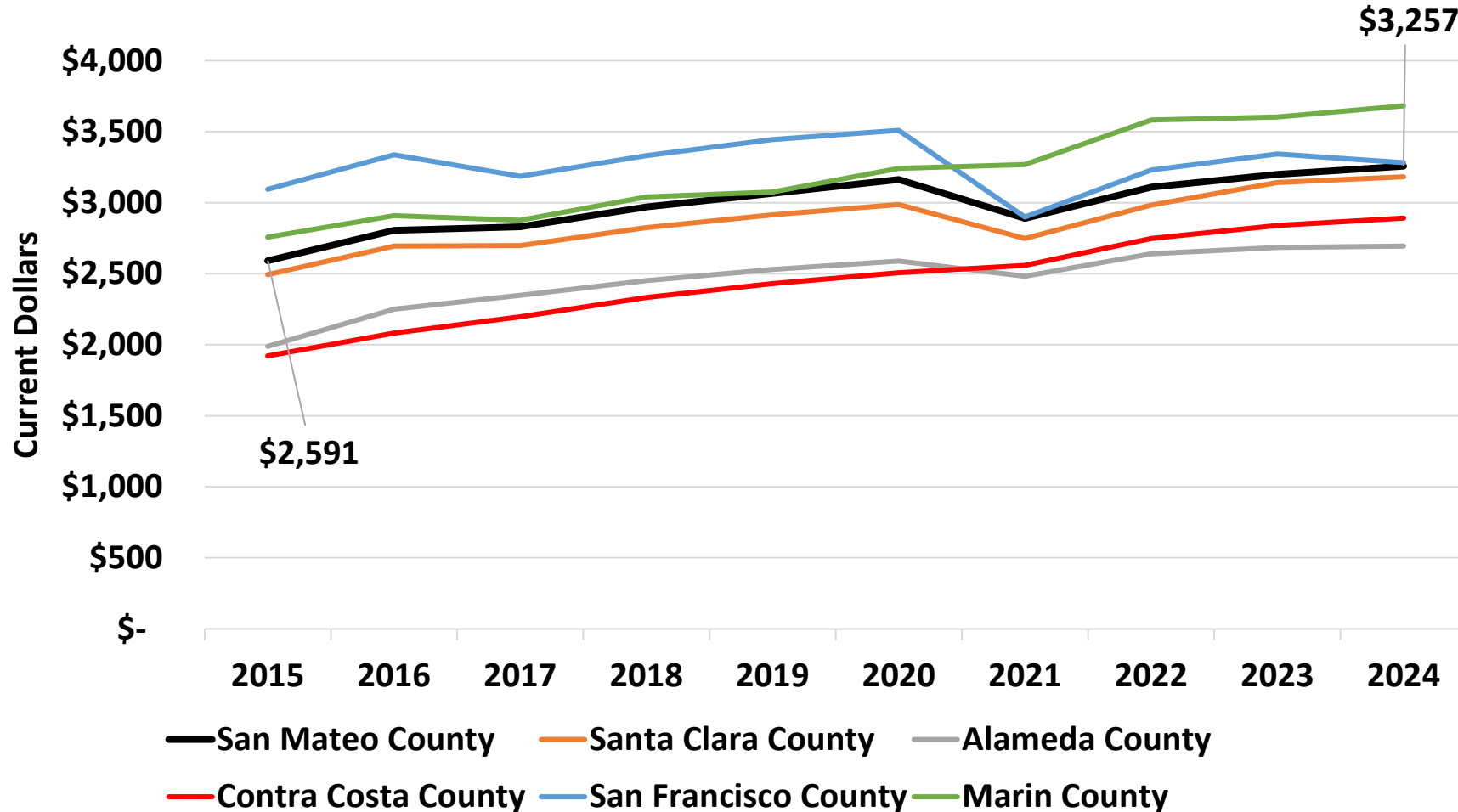


Housing Forecast, % Change from Dec 2023 to Dec 2024

Median Home Price Growth, Selected Areas



Rental Price Comps, San Mateo County and Selected Areas, 2015 to 2023

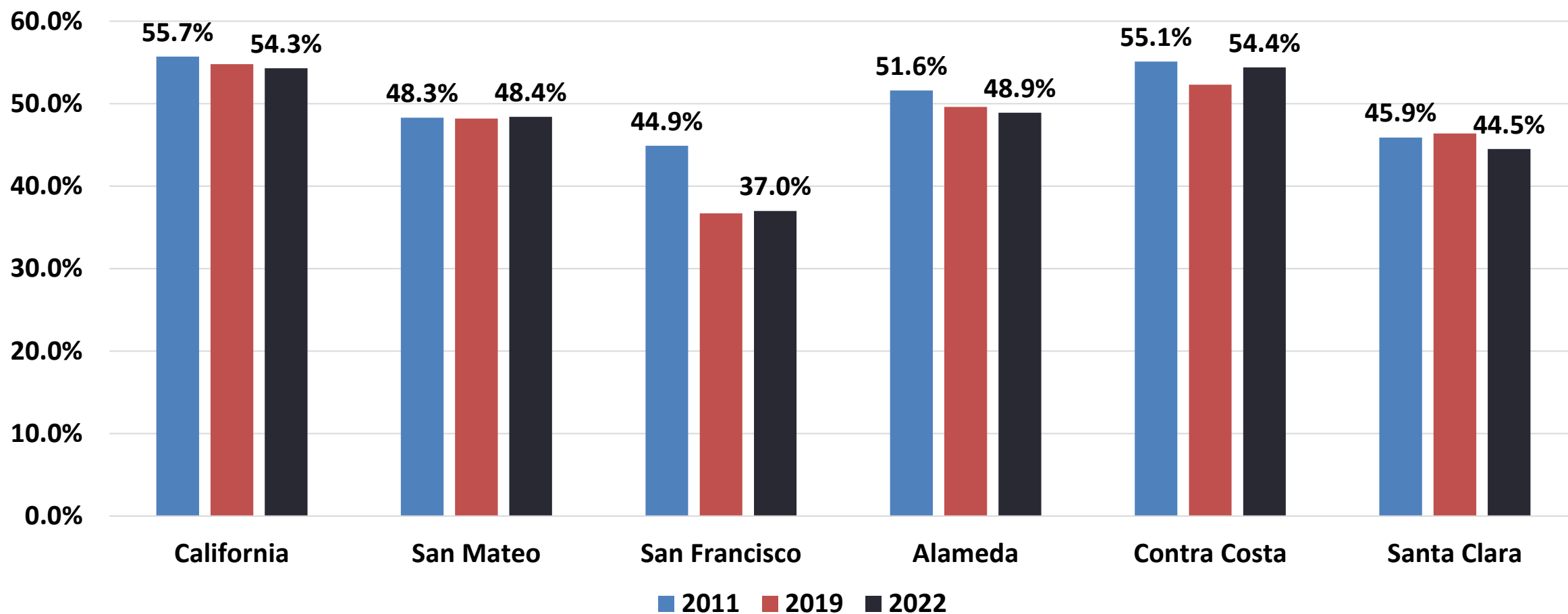


2024 Data:

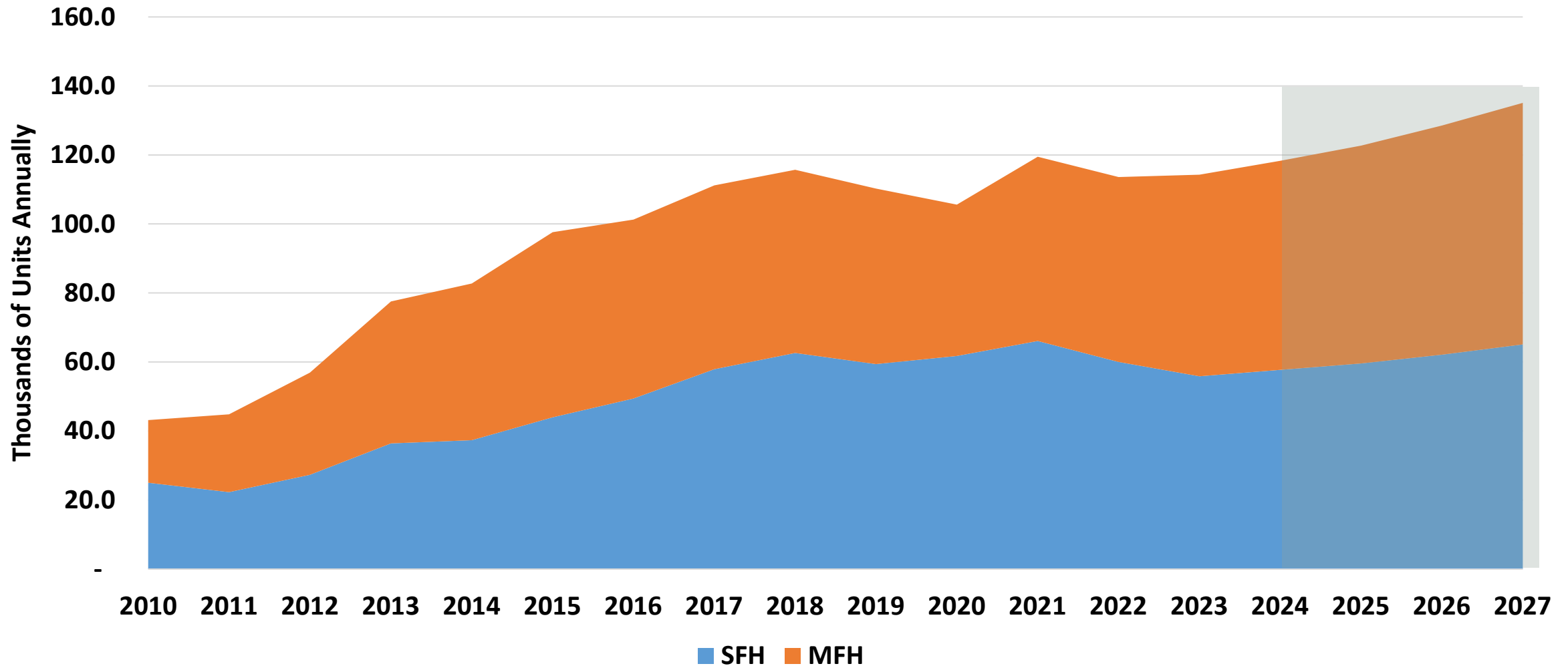
“Living Wage” for San Mateo County (household of four with 2 kids = \$44.00 per hour for two working adults, approximately **\$183,040**)

Rental Burden, San Mateo and Selected Counties

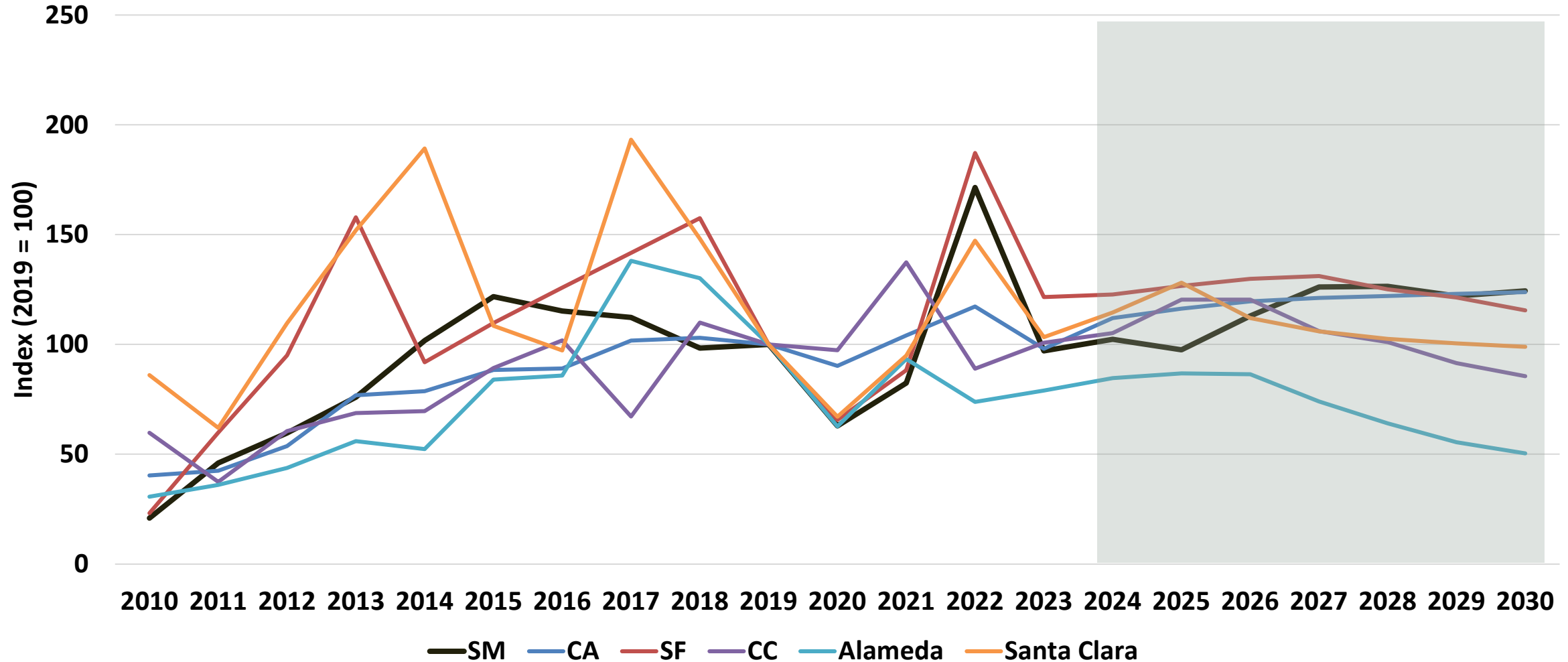
2011, 2019, 2022, % of renting households with 30% or more monthly income paid in rent



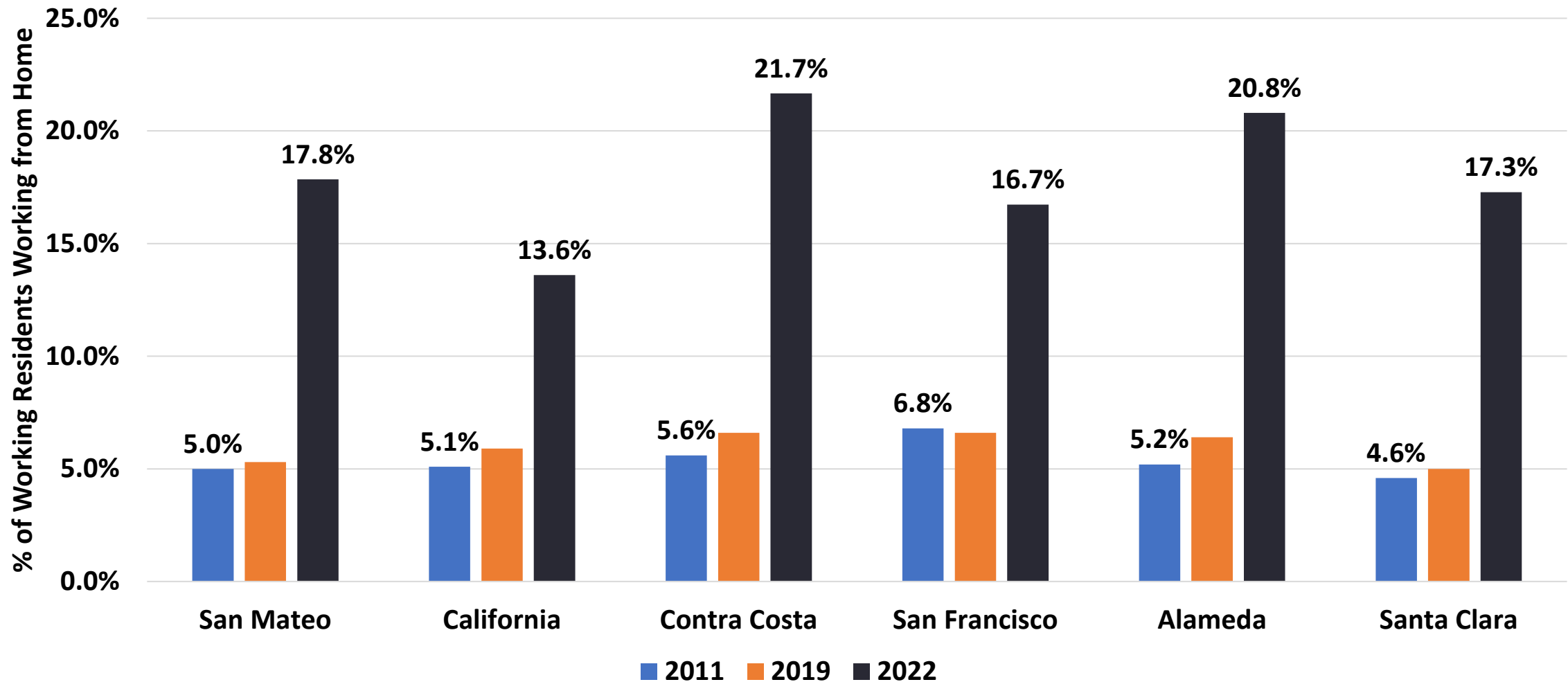
Housing Units, California, 2010 to 2027 (Forecasted), Total Units, Single-Family and Multi-Family



Housing Units Permitted, California 2010 to 2030 (Actual and Forecasted), Index (2019 = 100), Total Units



Work from Home, San Mateo County and Selected Areas, 2011, 2019, 2022, % of Working Residents



Commercial RE Outlook for Bay Area

Sources: Kidder Matthews, Newmark, JLL

2024 Outlook	Vacancy	Price	Construction
Retail	Rising	Falling	Flat
Office	Rising	Falling	Flat
Industrial	Rising	Rising	Flat

Banks, Commercial RE and Liquidity:

- Exposure is there, perhaps 12-13 percent of all loans outstanding (in \$)
- Unlikely CRE loans all a problem at once, but banks will feel some of the losses
- What does that mean for residential lending?

Bottom Line:

- May be hitting bottom in 2024, especially if interest rates fall, but not back to pre-pandemic occupancy
- Long-term: workers will come back, but will major tech business need workers?

Office, Industrial: What's Next?

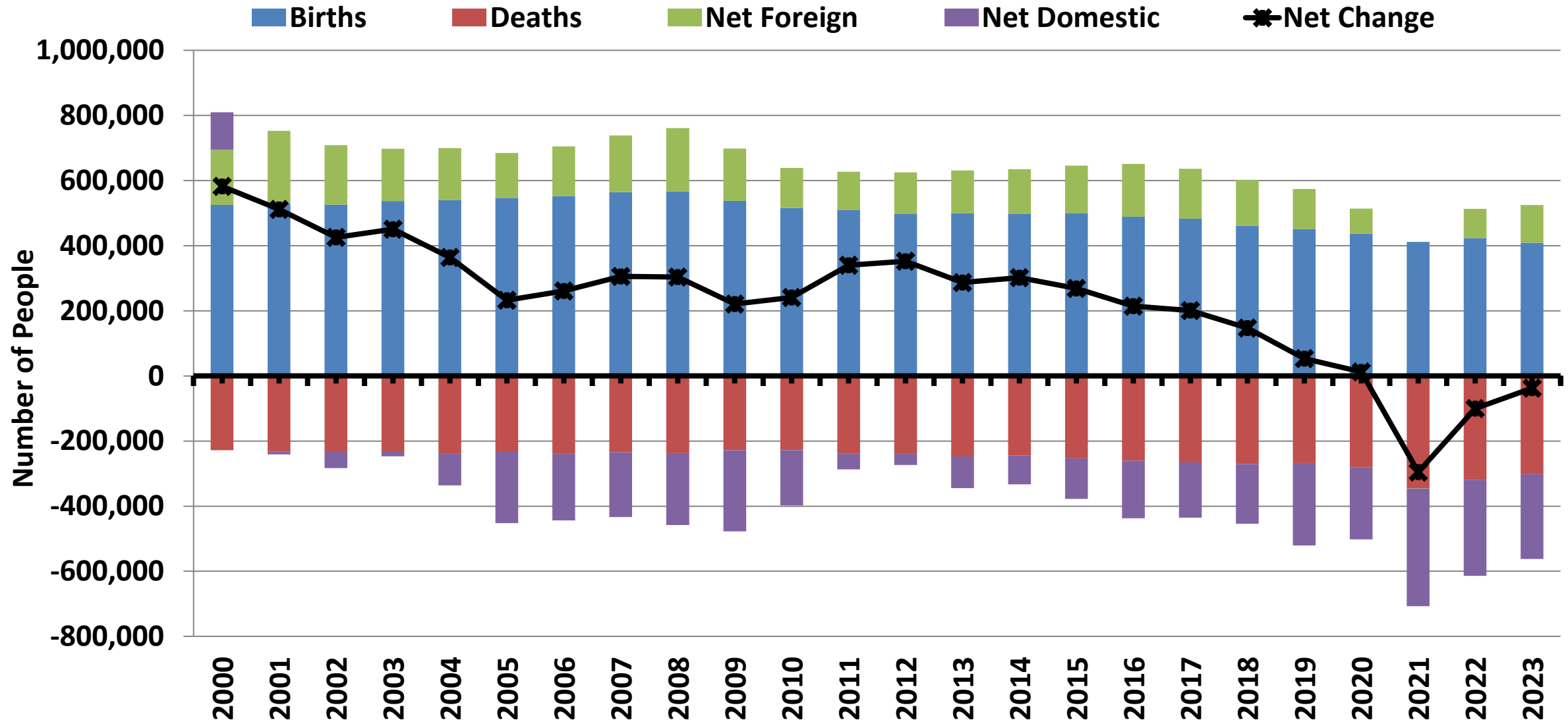
Peninsula/San Mateo

Office	Quarter 4 2023	Quarter 4 2022	Change %	Forecast 2024
Direct Vacancy Rate	14.2%	11.3%	25.3%	Rising
Availability Rate	25.0%	17.8%	40.7%	Rising
Asking Lease Rate	\$5.91	\$5.96	-0.8%	Flat

Industrial continues to have demand pressure as new construction flat and tech and life sciences demand continues

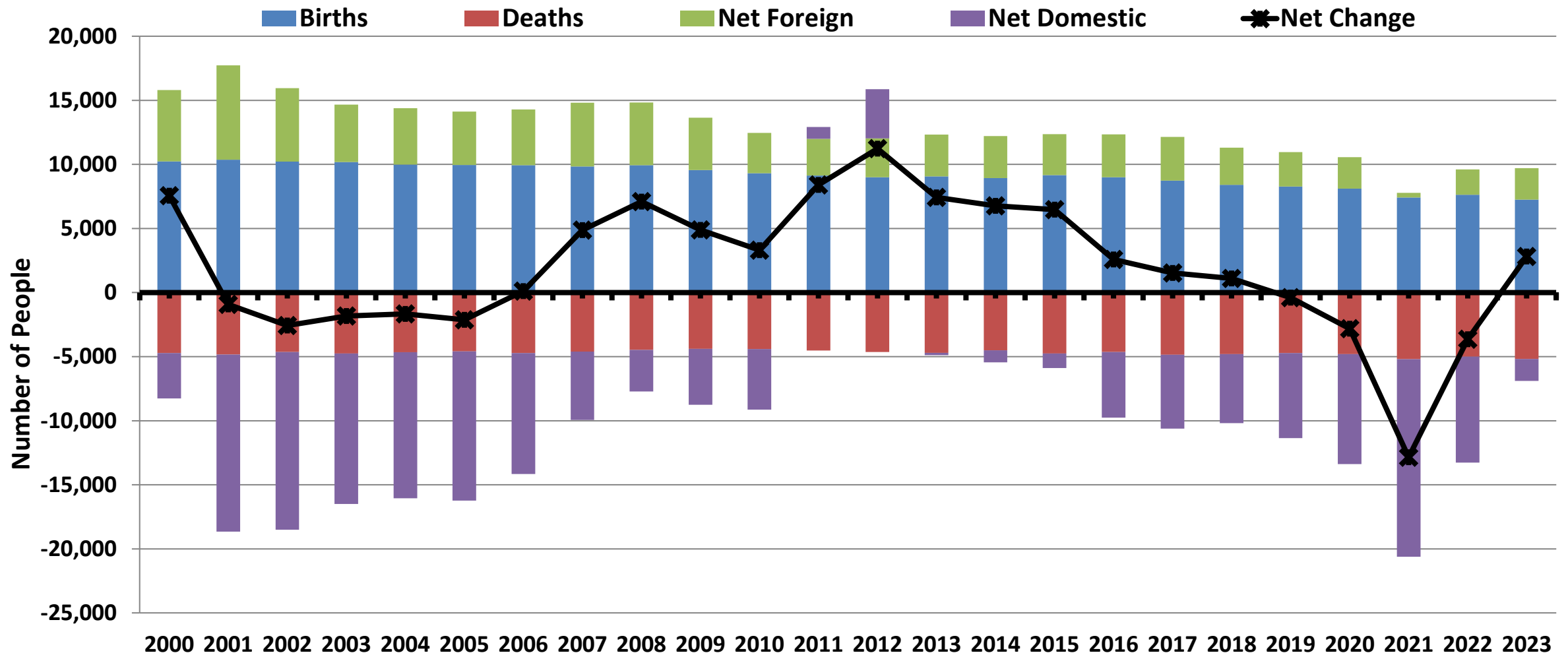
Industrial		Forecast 2024
YTD net absorption	177,876 sq ft	Flat
Total vacancy	2.6%	Flat
Total availability	6.0%	Flat
Average asking rent	\$2.06/sq ft	Flat

Population Change, Main Components, FY 1999-2000 to 2022-23, California, Number of People



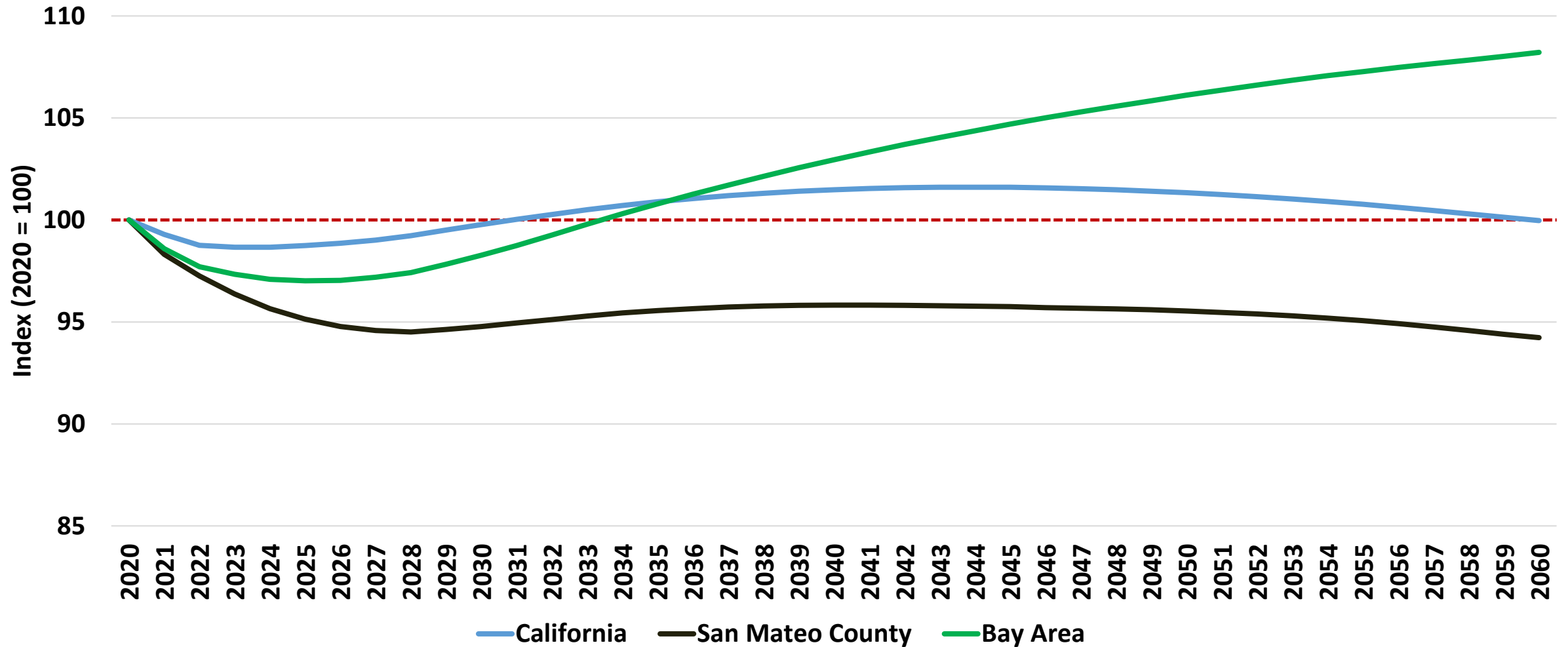
Population Components, San Mateo County

Fiscal Years, 1999-2000 to 2022-23, Number of People



Population Change, 2020 – 2060, Index 2020 = 100

2023 Version, San Mateo County, Bay Area (9 Counties) and CA



Summary

- Rolling window of headwinds, enough to declare recession?
 - Outlooks for now more optimistic, probability of recession fading
 - Interest rates: expect some reduction in 2024 and then 2025
 - Construction input prices falling help reduce pressures on clients
 - Worker demand still there across Bay Area
- For construction in the Bay Area
 - Wealth versus income: will a rebound in San Francisco create more remodeling demand?
 - Multifamily, senior housing likely a focus in suburban Bay Area
 - Likely a tight labor market to 2030, but demand to be there for remodeling and renovations

Thanks!

Questions?

eyler@econforensics.com

@bobby7007