

## Forecast Summary San Diego County 2023

Indicator	Projection 2023	2022
Gross Domestic Product	3.0%	3.0%
Employment - New Jobs	30,000	45,000
Unemployment Rate	3.5%	3.10%
Population Change	8,000	10,000

Homes		
Residential Construction (Units)	8,000	10,000
Resale Home Prices (Detached)	\$ 783,000	\$ 869,900
Resale Home Price Change	-10.0%	

Apartments		
Apartment Vacancy Rates	4.5%	4.5%
Apartment Rent increases	5%-6%	11.0%

Non-Residential		
Industrial Vacancy Rates	4.5%	4.5%
Industrial Rents	\$ 1.40	\$ 1.32
Office Vacancy Rates	15-18%	10.3%
Office Space Rents	\$2.75-3.00	\$ 3.20

### Construction Costs

Type 5 (wood-framed)	5.0%	5.0%
Type 1 (steel and concrete)	10.0%	10.0%

The County will add 30,000 jobs in 2023 with Leisure and Hospitality and Professional and Business Services leading the way: The unemployment rate will remain in the 3.0-4.0% range.

**Employment Projection  
San Diego County  
CY 2023**

Category	Projected 2023	CY 2022	Change	% Change
<b>Leisure &amp; Hospitality</b>	<b>210,000</b>	<b>202,700</b>	<b>7,300</b>	<b>3.5%</b>
<b>Professional &amp; Business Services</b>	<b>300,000</b>	<b>287,500</b>	<b>12,500</b>	<b>4.2%</b>
Government	260,000	252,900	7,100	2.7%
Trade, Transportation & Utilities	230,000	224,700	5,300	2.3%
Education & Health Services	230,000	226,100	3,900	1.7%
Manufacturing	116,000	113,800	2,200	1.9%
Construction	80,000	86,900	(6,900)	-8.6%

Source: BLS

## The Local Construction Business

Construction of “for sale” residential units will decline substantially from 2022 as a result of buyer rejection of higher interest rates. Both single family and attached for sale housing permits (and sales) will decline by 10+% in 2023.

Non-residential construction will be particularly strong with major dollars going into life sciences; educational and military facilities. There is going to be a lot of steel in the air in 2023, both downtown and in the burbs. And six major medical facilities underway:

**New Medical Facilities  
San Diego County  
2023**

Medical Provider	Under Construction
Kaiser	200-bed hospital under construction in San Marcos
Rady Childrens'	\$400 million expansion plan underway
Scripps	185,000 SF tower under construction
Scripps Mercy	Replacement of present tower underway & new garage
Sharp	\$2.0 Billion expansion underway on SR-163
UCSD - Hillcrest	250,000 SF Outpatient Pavilion; 1,850-space garage

## **The Apartment Business**

Apartment construction (low and high-rise) will continue unabated.

There will continue to be excellent opportunities for repositioning older projects. Most San Diego apartment projects are old (average: 50 years).

Most of our renters can afford to live in a “B” quality apartment, but, economically, we cannot build B’s; only A’s. Therefore, there is a massive untapped market for entrepreneurs to turn old “C”s into “B” all over the County.

The “B” renters would really like to buy a home, but “for sale” housing remains out of the reach of most San Diego renters.

It is proving very difficult to build new apartments that rent for less than \$3.50 – 4.00 per square foot (unless they are well subsidized).

Market rate rents will move up 5-6% in 2023.

**Despite higher interest rate and slow home sales, the San Diego economy will have a strong economic year and can look forward to a vibrant 2024.**