

# BURNHAM-MOORES

CENTER FOR REAL ESTATE  
UNIVERSITY OF SAN DIEGO

## Leading Economic Indicators Up in July

Note: The tentative release date for the report for August is September 28.

August 30, 2017 -- The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.5 percent in July. The move to the upside was led by a huge increase in building permits and supported by smaller gains in consumer confidence and the outlook for the national economy. Local stock prices were also higher, but just barely so. These gains outweighed losses in initial claims for unemployment insurance and in help wanted advertising to push the USD Index to its eighth increase in nine months.

With July's increase, the outlook for the local economy remains for solid growth for the rest of 2017 and through at least the first half of 2018. One potential problem for the local economy is the soaring price of housing, both in terms of purchasing and renting. While this is good for people who own property, the local economy is hurt because companies either have trouble attracting workers or have to pay their workers more, thus increasing labor costs. The reason for the surge in housing prices is simple supply and demand, with demand strong and supply tight. Since the bottom in 2010, almost 145,000 jobs have been added to the local economy. To accommodate those workers and their families, about 115,000 residential units should have been built. Instead, only about 47,000 units have been authorized by building permits, leaving a shortage of 68,000 units. Some would argue that this shortage is overstated as 2010 prices and rents were artificially low. But it could also be understated as it doesn't factor in units taken off the market, either through demolition or through the relatively new phenomenon of (continued)

	<b>Index of Leading Economic Indicators</b> The index for San Diego County that includes the components listed below (July) Source: USD Burnham-Moores Center for Real Estate	<b>+0.5%</b>
	<b>Building Permits</b> Residential units authorized by building permits in San Diego County (July) Source: U.S. Census Bureau	<b>+2.81%</b>
	<b>Unemployment Insurance</b> Initial claims for unemployment insurance in San Diego County, inverted (July) Source: Employment Development Department	<b>-0.27%</b>
	<b>Stock Prices</b> Bloomberg San Diego County Index (July) Source: Bloomberg Business	<b>+0.06%</b>
	<b>Consumer Confidence</b> An index of consumer confidence in San Diego County, estimated (July) Source: The Conference Board	<b>+0.27%</b>
	<b>Help Wanted Advertising</b> An index of online help wanted advertising in San Diego (July) Source: The Conference Board	<b>-0.61%</b>
	<b>National Economy</b> Index of Leading Economic Indicators (July) Source: The Conference Board	<b>+0.63%</b>

of short-term vacation rentals, which have affected an estimated 10,000 units.

**Highlights:** **Residential units authorized by building permits** followed June's monster showing of over 2,100 units authorized with another 1,000+ units authorized month. The USD Index uses a moving average to smooth the data from wild month-to-month fluctuations, which is particularly important when dealing with volatile components such as residential units authorized. July's result finally puts the pace of permit activity in 2017 ahead of that for 2016. . . For the second month in a row, both the labor market variables were negative. Job loss as measured by **initial claims for unemployment insurance** edged up slightly in July while labor demand as measured by **help wanted advertising** decreased for the fifth consecutive month. The net result was that the seasonally adjusted unemployment rate rose to 4.4 percent in July. This compares to a rate of 4.2 percent in June and 4.8 percent in July 2016. July is usually the worst month of the year for the unemployment rate due to the summer break in schools. . . There was not much movement in either investor or consumer confidence in July. **Local stock prices** began the second half virtually flat, while the 13<sup>th</sup> consecutive gain in **consumer confidence** was the second lowest of streak. . . The outlook for the national economy continues to be positive, with the **national Index of Leading Economic Indicators** increasing for the 11<sup>th</sup> straight month. The second estimate of GDP growth for the second quarter came in at an annualized growth rate of 3.0 percent, which is up from the "advance" estimate of 2.6 percent released last month. The national labor market improved in July compared to June, with the unemployment rate falling to 4.3 percent and wage and salary job growth jumping to 209,000.

July's gain reading puts the USD Index of Leading Economic Indicators for San Diego County at 145.1, up from June's reading of 144.4. Although there were revisions in the national Index of Leading Economic Indicators for May and June and in help wanted advertising in June, none of the previously reported values of the Index or the changes were affected. To view the previously reported values for the Index and for the individual components, please visit the Website address given below. The values for the USD Index for the last year are given below:

		Index	% Change
2016	JUL	139.8	-0.1
	AUG	139.9	+0.1
	SEP	139.9	+0.0
	OCT	139.8	-0.1
	NOV	140.3	+0.3
	DEC	141.3	+0.7
2017	JAN	142.0	+0.5
	FEB	142.5	+0.3
	MAR	143.0	+0.4
	APR	143.0	+0.0
	MAY	143.2	+0.1
	JUN	144.4	+0.8
	JUL	145.1	+0.5



For more information on the University of San Diego's Index of Leading Economic Indicators, please contact:

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