



SANTA FE SPRINGS
CHAMBER OF COMMERCE

The Economic Outlook for the U.S. and Los Angeles Narratives, Reality and the Future

Christopher Thornberg, PhD

Founding Partner, Beacon Economics

January 2025



Beacon Economics

- Economic research firm founded in 2006 with a commitment to letting the *data* drive the *answer*.

Today's Presentation

- What we *think* is happening in our economy (our social narrative or “lived experience”)
- What is *actually* happening in our economy (our objective statistical reality)
- It is the combination of the two that drives the forecast: Narratives drive choices, while economics determines outcomes.

Smart choices and good policy start with the correct narrative.



For slides use the QR code at end of presentation or Email Kristen@beaconecon.com





**Social
Narratives**

**Economic
Reality**

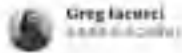


The Recent Macro Narratives

PERSONAL FINANCE

The U.S. is officially in a recession. Will it actually become a depression?

PUBLISHED THE JUN 8 2020 (11:00 AM EDT) | UPDATED THE JUN 8 2020 (11:00 PM EDT)



Greg Iacoviello
@GREGIACOVIELLO



by Emily Stewart

Updated Sep 22, 2021, 5:00 AM EDT



FEATURED

The sad, predictable limits of America's "economic recovery"

Officially, the Covid-19 recession lasted just two months. So why are so many still suffering?

FINANCE HOUSING

Housing market activity is crashing—and it threatens to push the U.S. into recession just like it did in 1981 and 2008

BY LANGELAMBERT

Updated Sep 22, 2021, 4:00 PM EDT



Topics › [Consumer Price Index and inflation in the U.S.](#) ›

INFLATION IN THE U.S.

Inflation Causing Hardship for Majority of U.S. Households

by [Felix Richter](#), Sep 14, 2022



“The only function of economic forecasting is to make astrology look respectable.”

-John Kenneth Galbraith

EXCLUSIVE THE OUTLOOK

‘Envy of the World’—U.S. Economy Expected to Keep Powering Higher

Economists lift their growth forecasts in latest Wall Street Journal survey

By [Sam Goldfarb](#) [Follow](#) and [Anthony DeBarros](#) [Follow](#)

April 14, 2024 5:30 am ET

yahoo/finance

Stock market today: Dow closes at record, S&P 500, Nasdaq rise as Wall Street notches strong weekly gains

Karen Friar and Ines Ferré

Updated November 22, 2024 • 1 min read



Survey: The U.S. economy has a 64% chance of entering a recession this year



Written by [Sarah Foster](#), Edited by [Amy Sims](#)

Published on January 04, 2023 | 5 min read



The 2024 Political Narrative



The [closest election of the century](#) keeps getting closer. Two weeks ago, 538's [forecast of the presidential election](#) gave Vice President Kamala Harris just a 58-in-100 chance of defeating former President Donald Trump on Nov. 5. Now — just 18 days



Republicans Win Control of House, Cementing a G.O.P. Trifecta Under Trump

The party protected vulnerable incumbents and picked off Democrats in competitive districts, handing the president-elect a unified Congress to enact his agenda.

 Share full article    1.5K



By **Catie Edmondson**

Reporting from Washington

Nov. 13, 2024

Trump has gained in 538's forecast, but the election is still a toss-up

No matter what polls you look at, the 2024 election is super close.

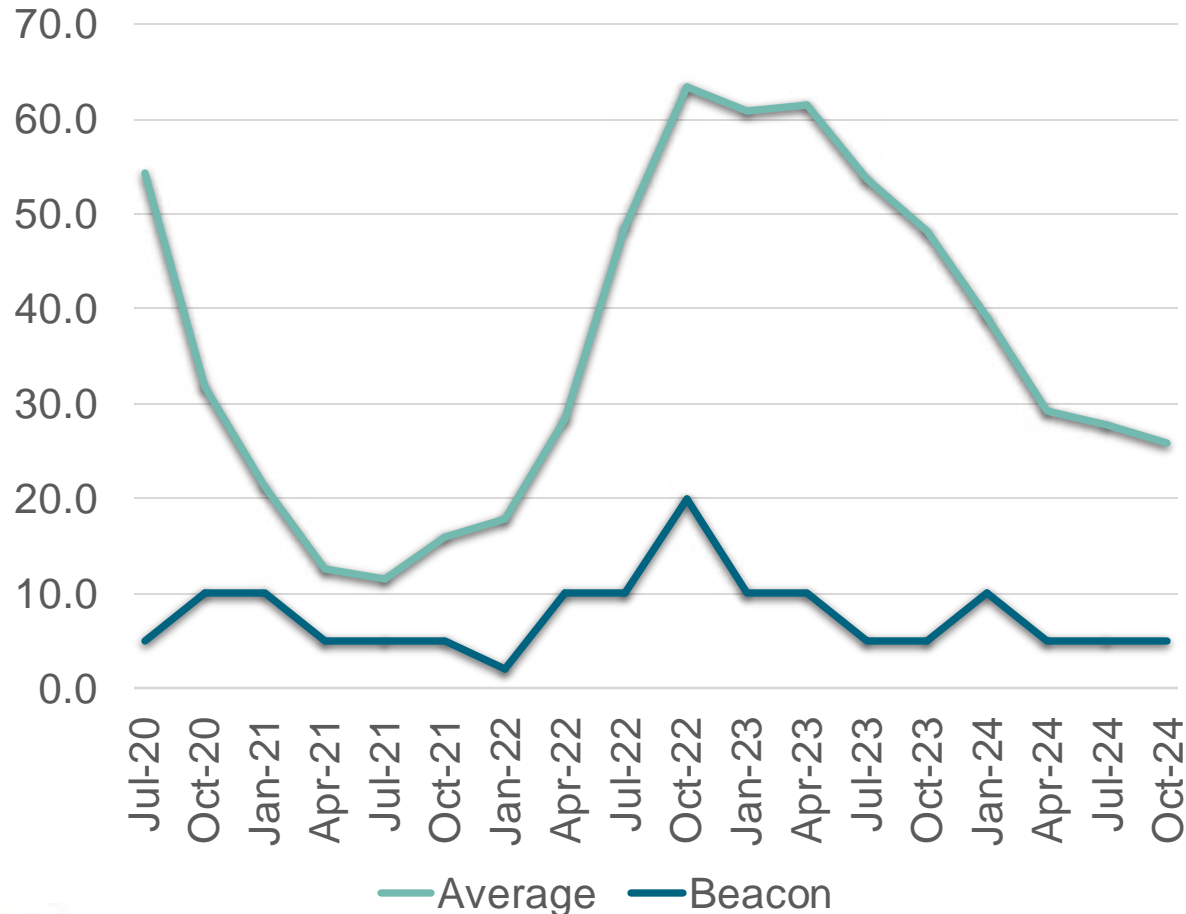
By **G. Elliott Morris** **538**

October 18, 2024, 1:00 PM



Beacon's US Outlook

WSJ Recession Probability Forecast
Chance of US entering a recession in the next 12 months



We aren't worried now...

- Household finances look great, which means consumer demand is strong
- Inflation has cooled and the Fed is backing off and rates are coming down

... but we are worried.

- Bubbly asset prices, yawning Federal deficits, external imbalances all unsustainable
- False narratives driving bad policy, ugly politics

The new administration?

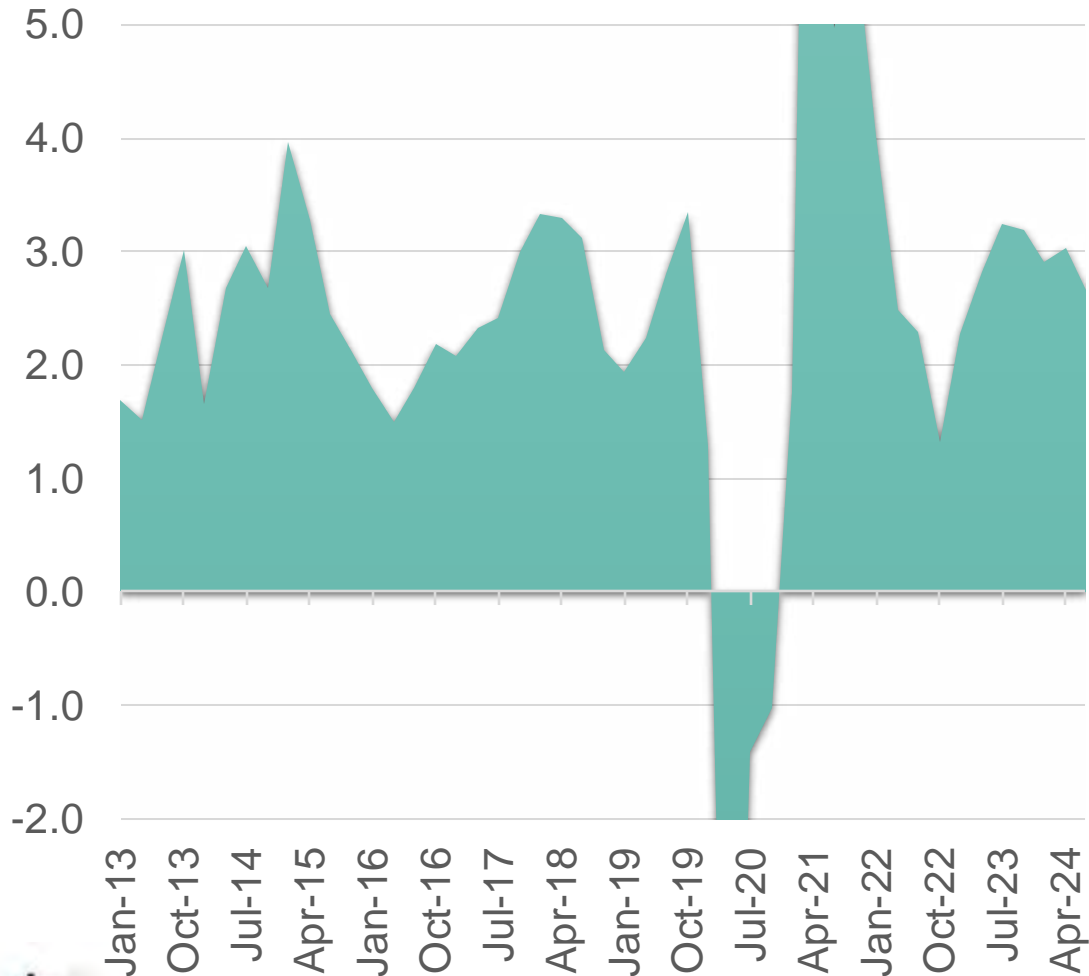
- We don't know what they will do
- The bigger issue is what they don't do



GDP Growth



Real GDP Growth (YoY)



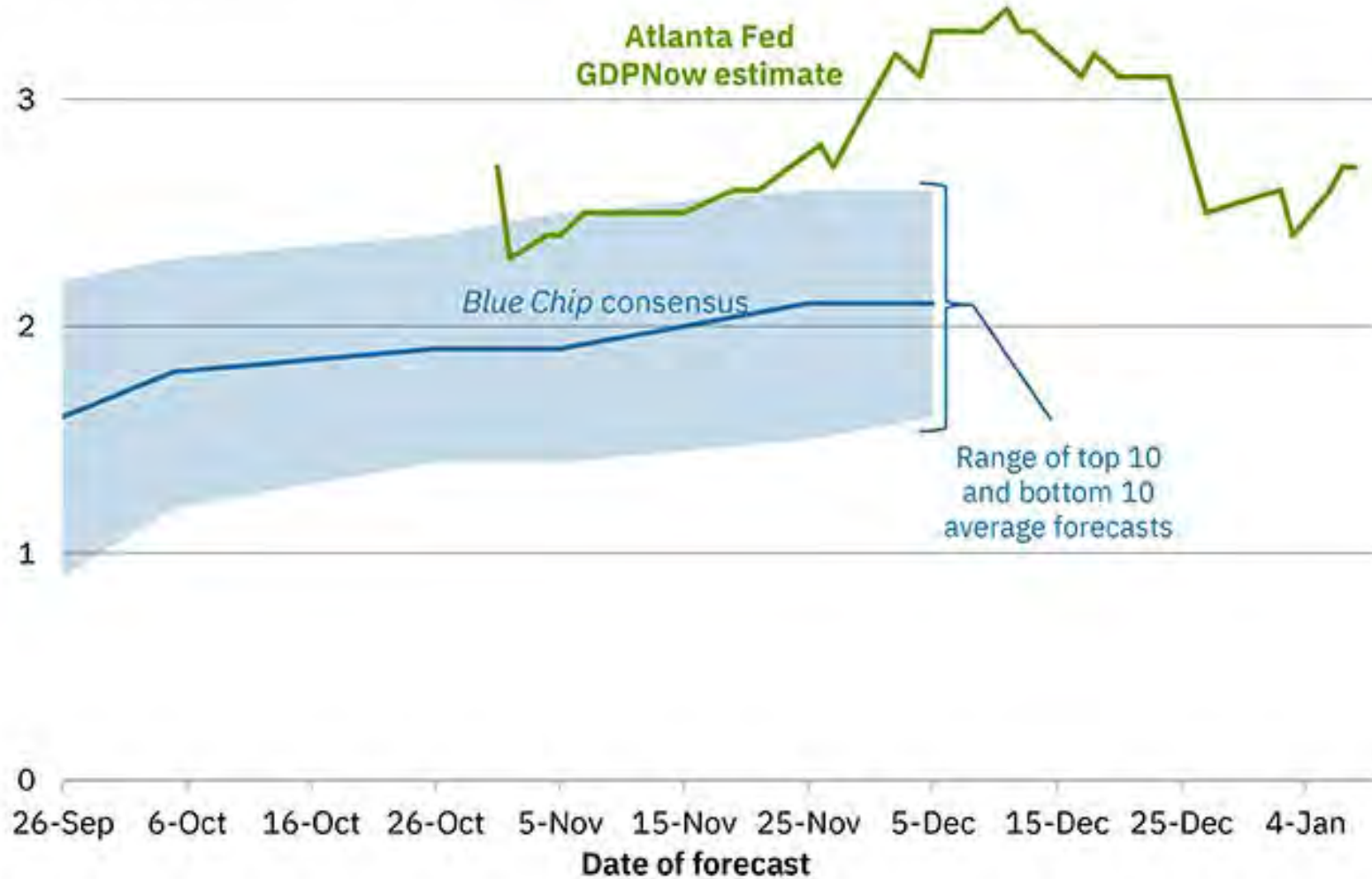
Contributions to Real Growth

4 Quarter Averages	21-22	22-23	23-24
GDP	2.35	3.25	2.65
Final Demand	1.93	2.94	3.17
Consumption	1.59	1.61	2.00
Goods	-0.07	0.53	0.59
Services	1.66	1.08	1.41
Fixed Investment	0.50	0.53	0.61
NR Structures	0.13	0.32	0.07
Equipment	0.31	0.16	0.28
IPP	0.58	0.26	0.19
Residential	-0.52	-0.21	0.08
Inventories	0.33	0.14	-0.02
Net Exports	0.10	0.17	-0.50
Exports	1.27	0.03	0.48
Imports	-1.18	0.15	-0.97
Government	-0.16	0.79	0.57



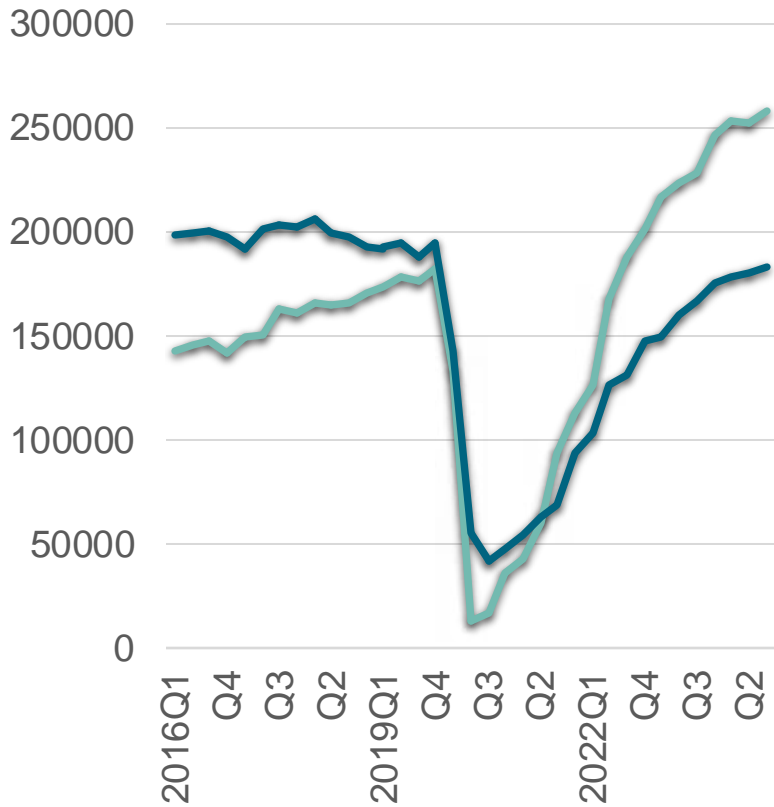
Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q4

Quarterly percent change (SAAR)



Welcome to the New Roaring 20's!

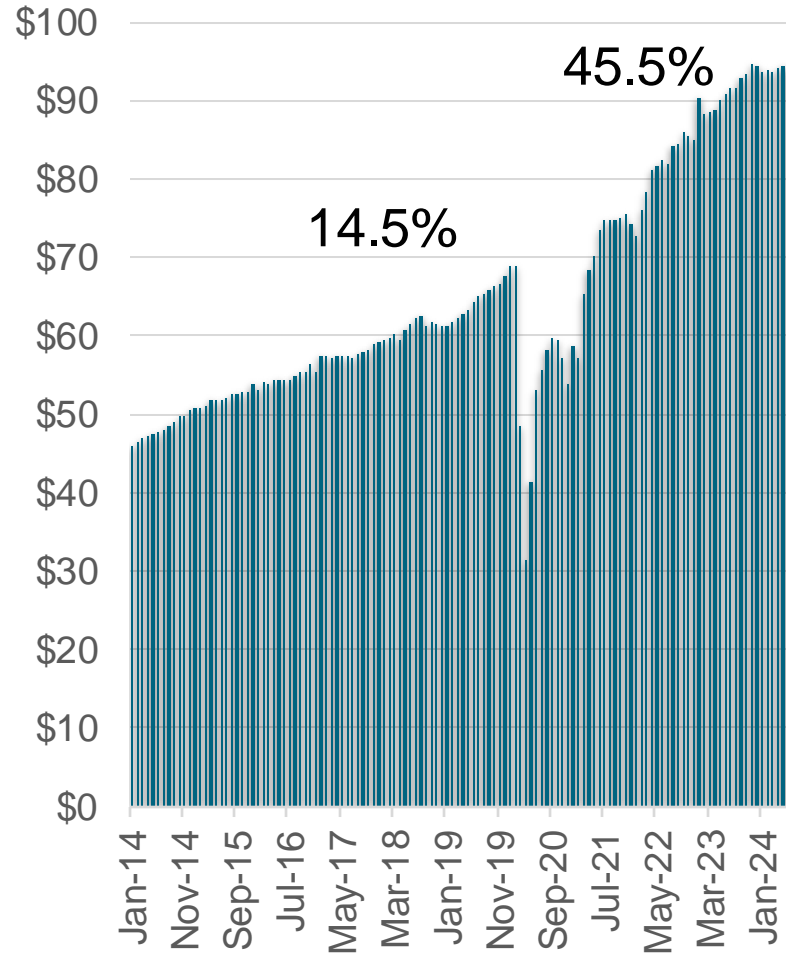
Real Spending on Foreign Travel



Foreign travel by U.S. residents

Expenditures in the United States by nonresidents

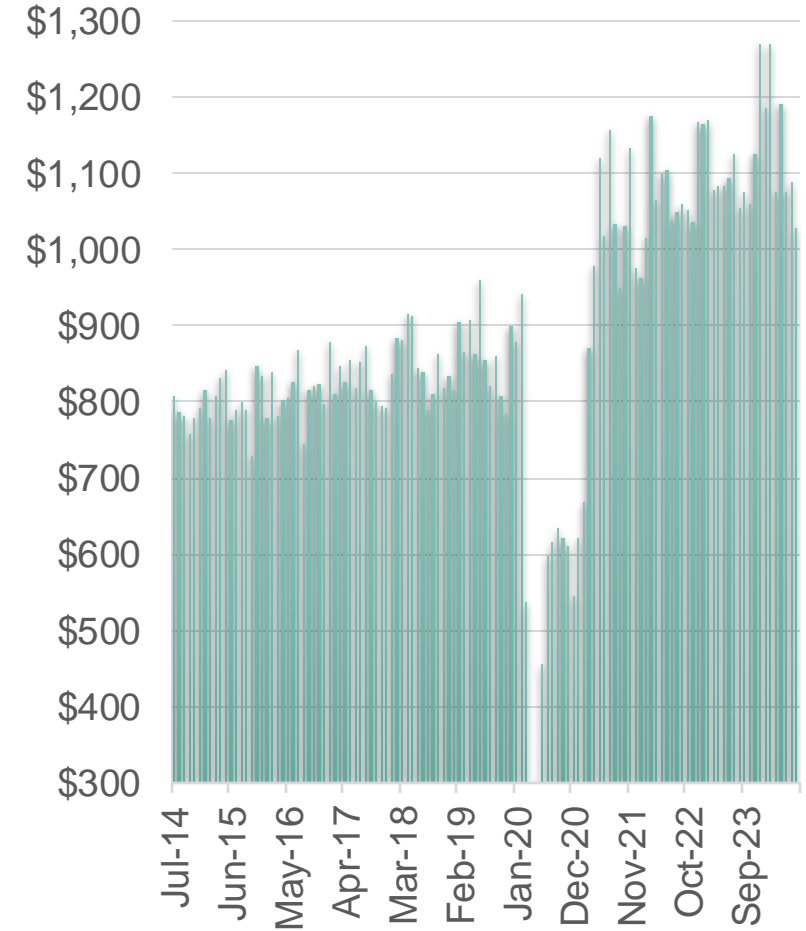
Retail Sales Restaurants & Bars



14.5%

45.5%

Clark County Gaming Revenue



Growth in Real Consumer Spending

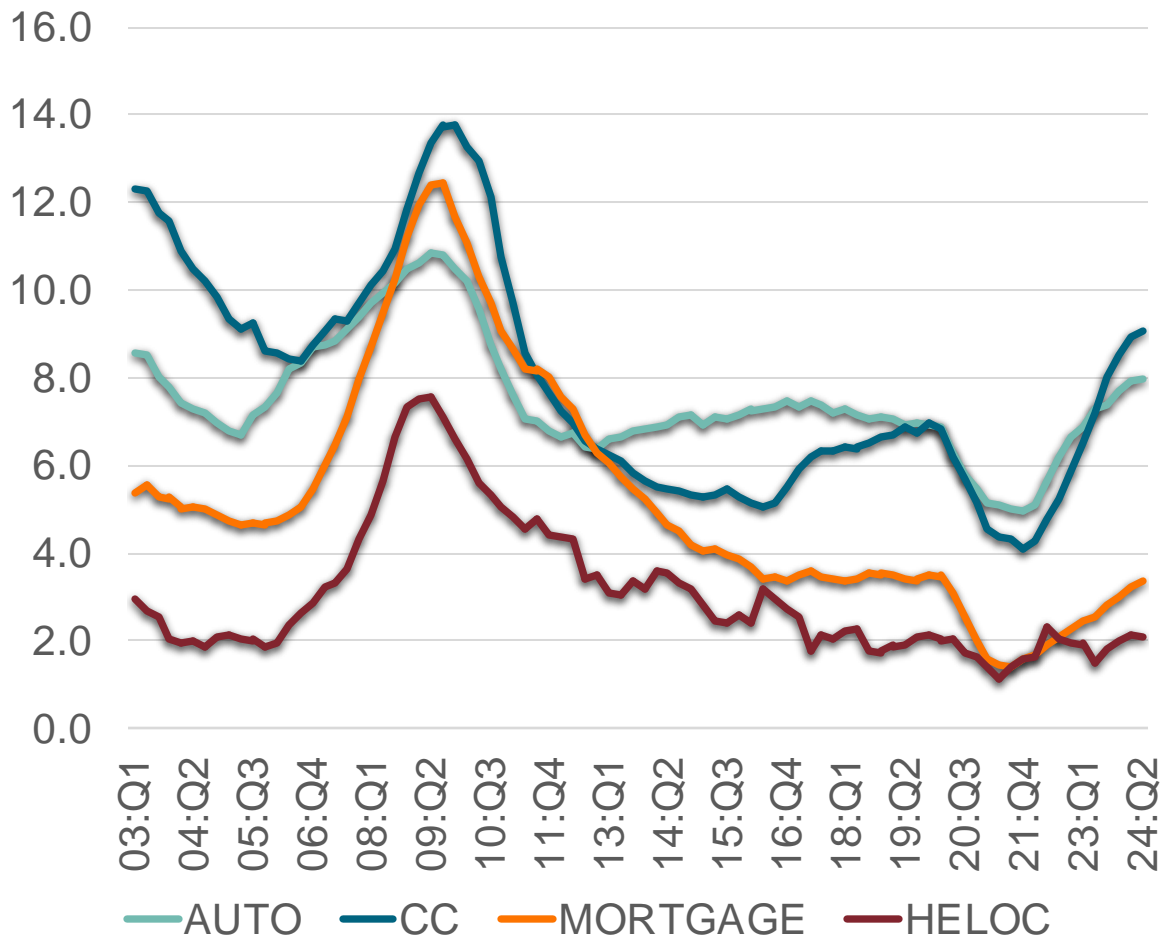
	2019Q3 - 24Q3	2023Q3 - 24Q3
Total	2.8%	3.0%
Foreign travel by U.S.	7.9%	13.3%
Admissions spectators	2.8%	11.0%
Hotels and motels	3.7%	8.3%
Air transportation	6.2%	7.6%
Jewelry and watches	5.0%	4.3%
Sporting equipment	8.5%	3.9%
Recreational items	8.5%	3.8%
Day care nursery school	3.6%	3.8%
Food for off-premises	1.2%	1.7%

	2019Q3 - 24Q3	2023Q3 - 24Q3
Rent tenant housing	1.6%	0.9%
Personal care	-0.2%	0.9%
Gasoline and motor fuel	0.0%	0.8%
Purchased meals	2.2%	0.7%
Higher education	0.3%	0.2%
Sports, recreational veh	3.1%	0.0%
Household utilities	0.1%	-0.4%
Casino gambling	1.0%	-0.8%
Amusement parks	0.7%	-1.0%
New motor vehicles	1.9%	-1.1%

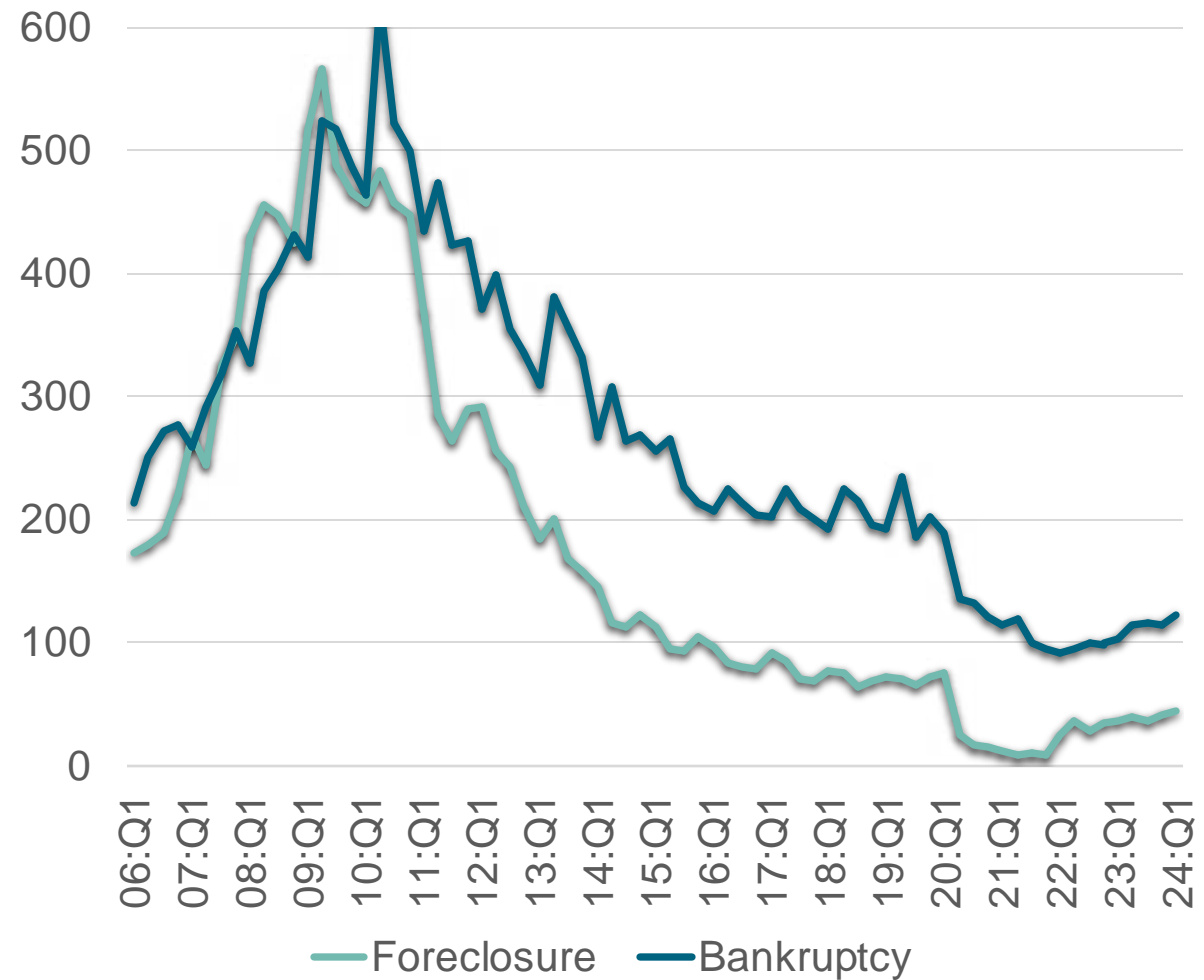


Little topline consumer debt distress

Consumer Debt—30 days+ Dq (%)

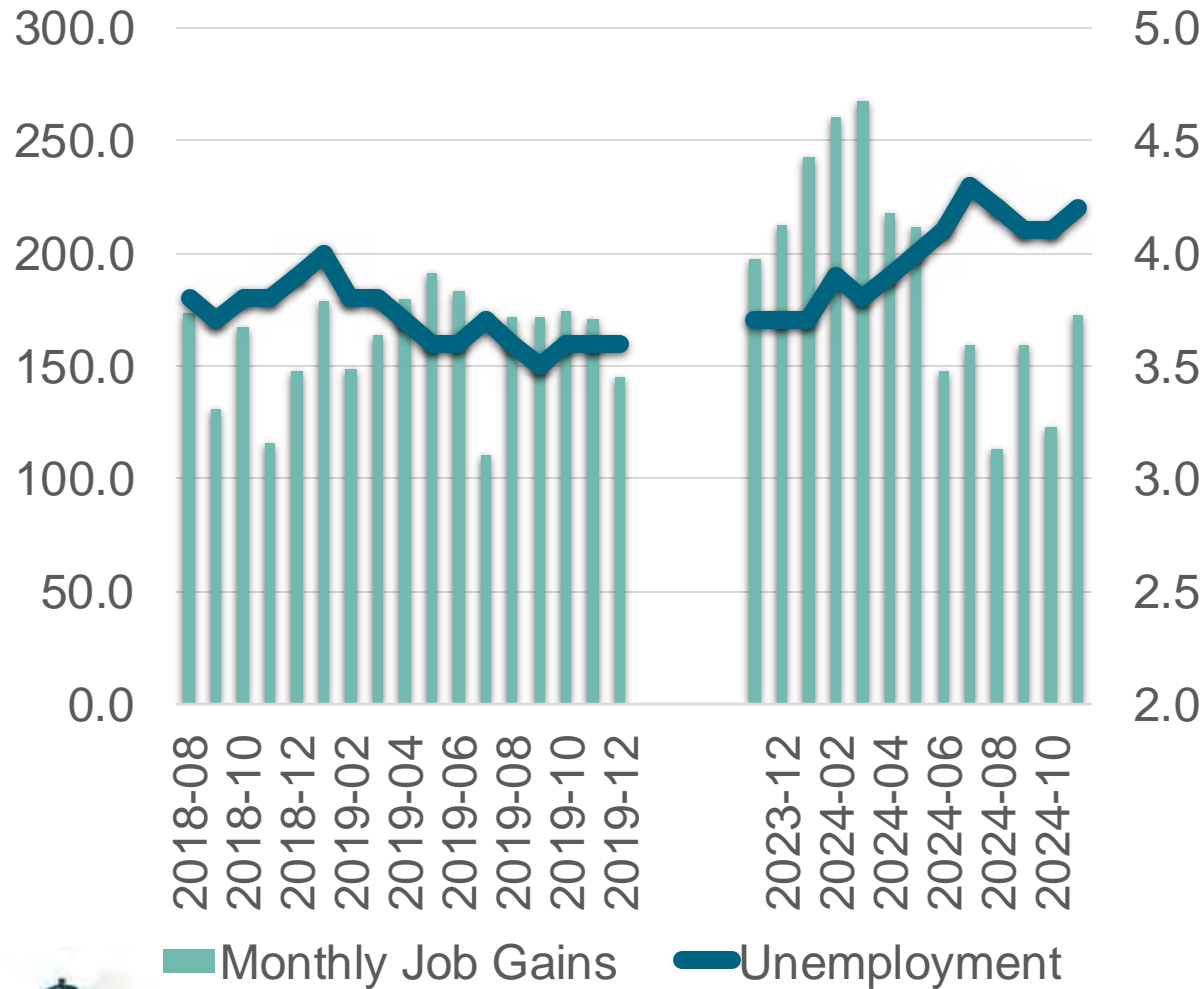


Household Defaults (000s)

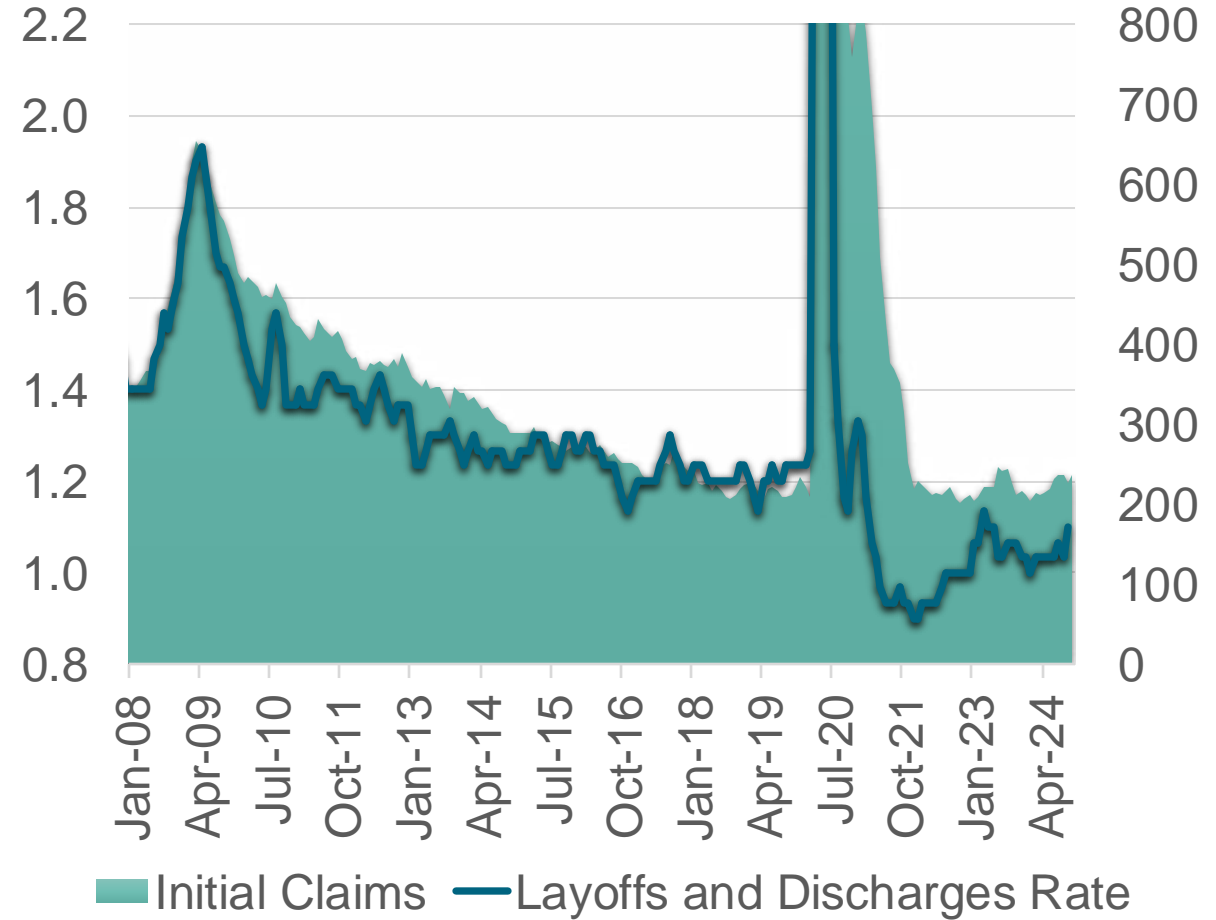


US Labor Markets: Still Tight

US Labor Markets



Layoff Rate (%) and Claims for UI (000s)



Real Incomes are Rising

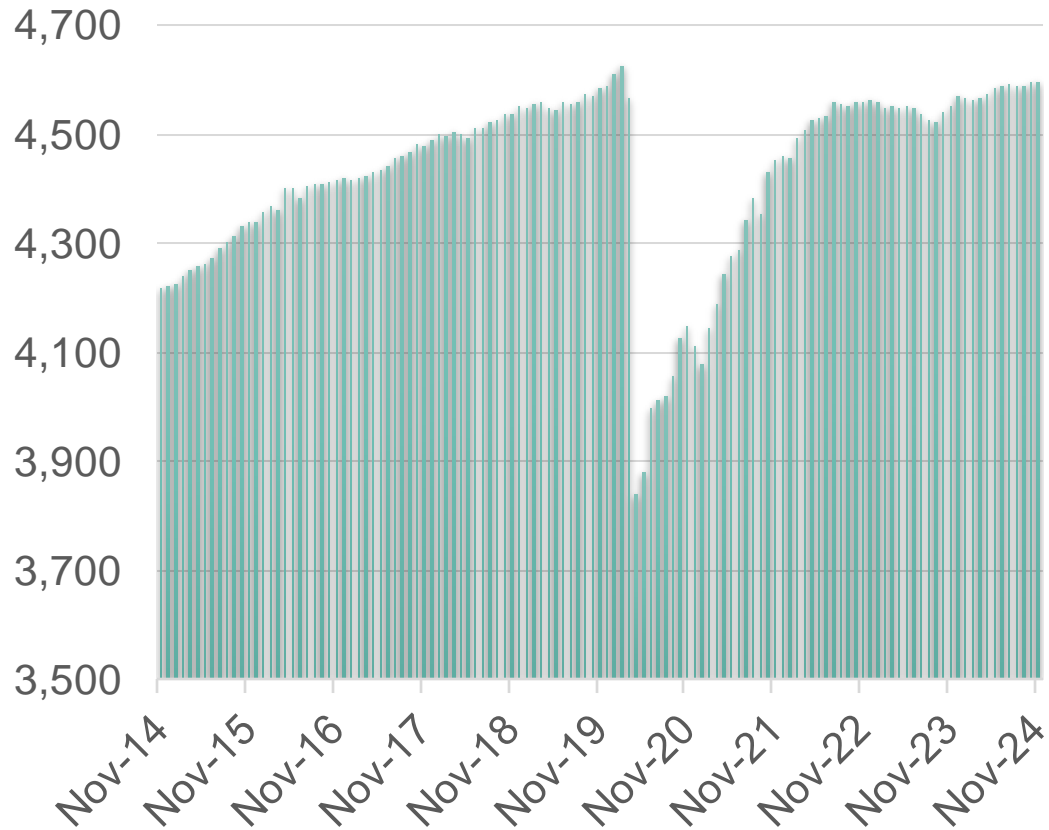
	Q3 2024	2014 -2019	2019 -2024
Hourly Earnings			
Restaurants	\$20.5	18.1%	35.6%
Hotels	\$23.5	10.5%	32.4%
Entertainment	\$23.1	15.4%	28.5%
Construction	\$41.3	13.0%	25.7%
Total	\$35.1	12.3%	25.3%
Retail	\$24.6	12.7%	23.9%
Trucking	\$31.4	13.7%	23.2%
Warehouse	\$24.7	12.2%	19.2%

Real Wage Growth (Annual)

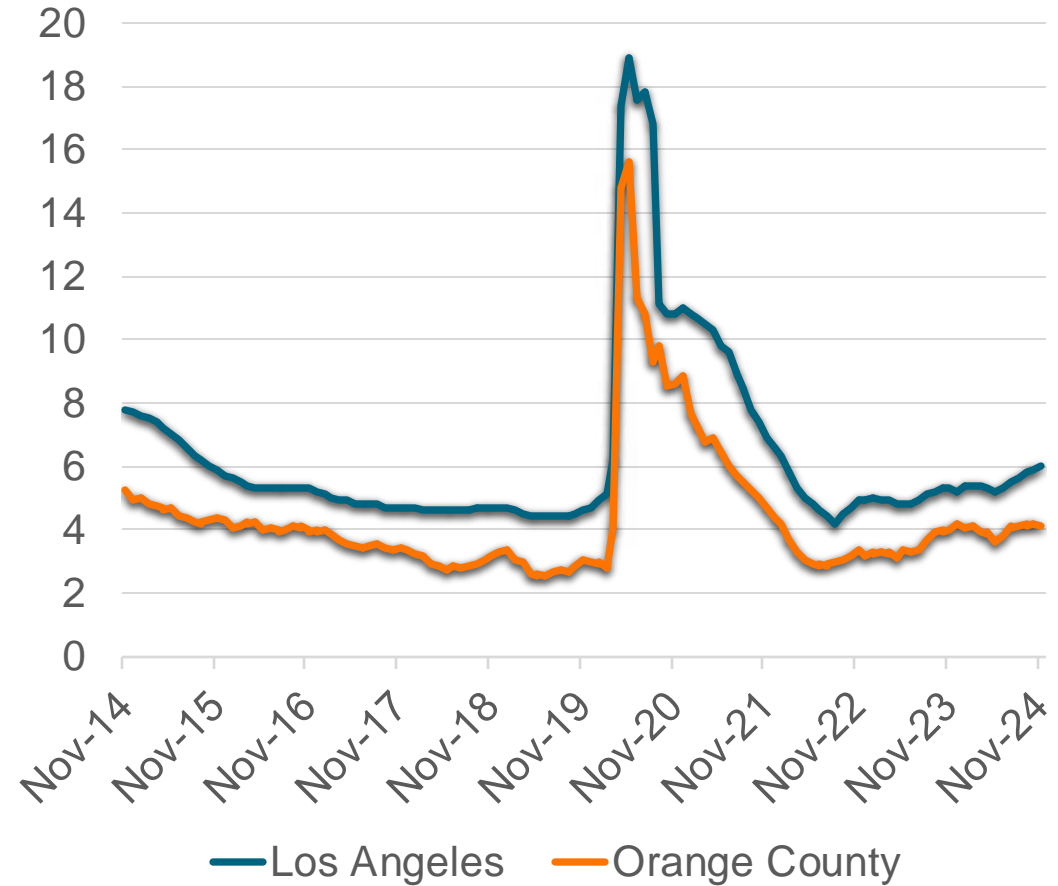


Nonfarm Employment

Los Angeles (MD) Nonfarm Employment



Unemployment Rate



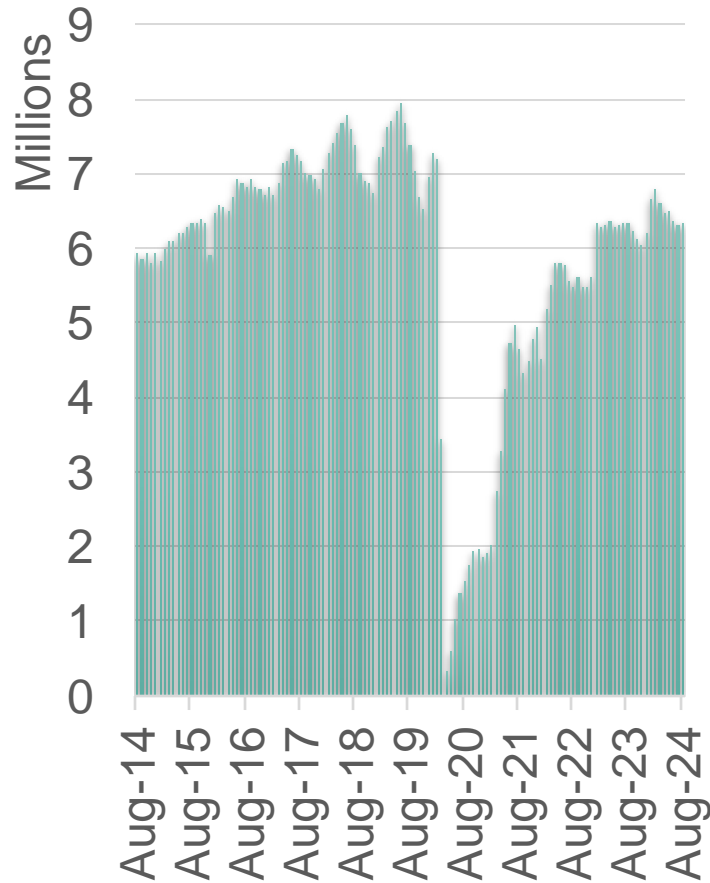
Los Angeles Industry Employment

Los Angeles (MD) Industry	Nov-24 Emplt (000s)	1-Year Chg. (000s)	1-Year Chg. (%)	LQ
Total Nonfarm	4,596.2	43.9	1.0	1.0
Health Care	826.1	35.8	4.5	1.1
Retail Trade	414.1	7.6	1.9	1.0
Education	148.8	5.7	4.0	1.4
Other Services	161.8	2.2	1.4	1.1
Wholesale Trade	200.8	2.0	1.0	1.2
Government	590.0	1.9	0.3	0.9
Information	179.4	1.8	1.0	1.4
Financial Activities	211.5	1.0	0.5	1.0
Logistics	222.2	0.3	0.1	1.0
Prof Sci Tech	312.9	0.2	0.0	0.9
Management	62.4	0.1	0.2	1.0
Admin Support	267.0	-0.7	-0.2	0.9
Leisure Hospitality	538.6	-0.7	-0.1	1.0
Construction	150.6	-2.5	-1.6	0.6
Manufacturing	308.4	-10.7	-3.4	0.9

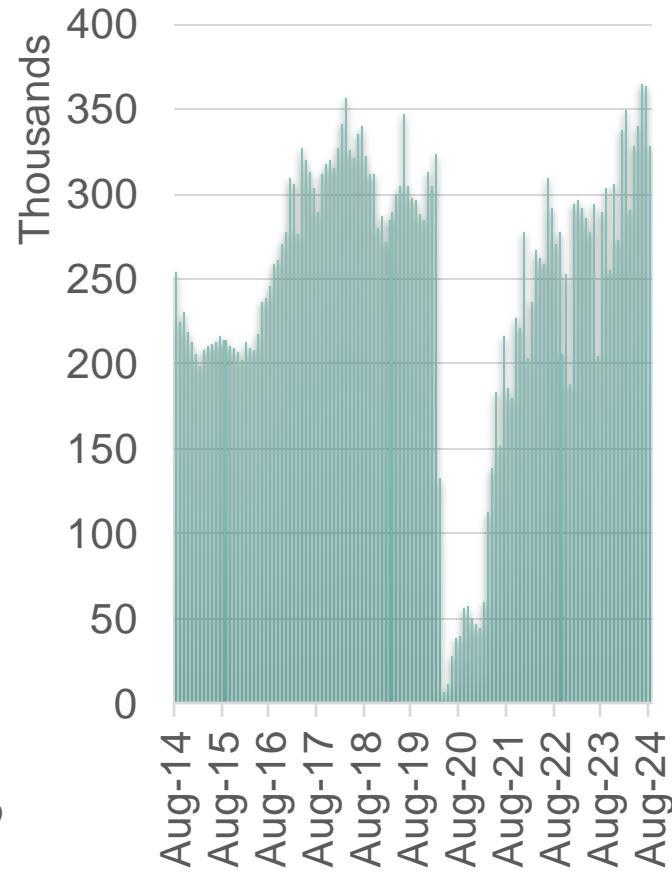


Airports

LAX Airport Passengers



Long Beach Airport Passengers

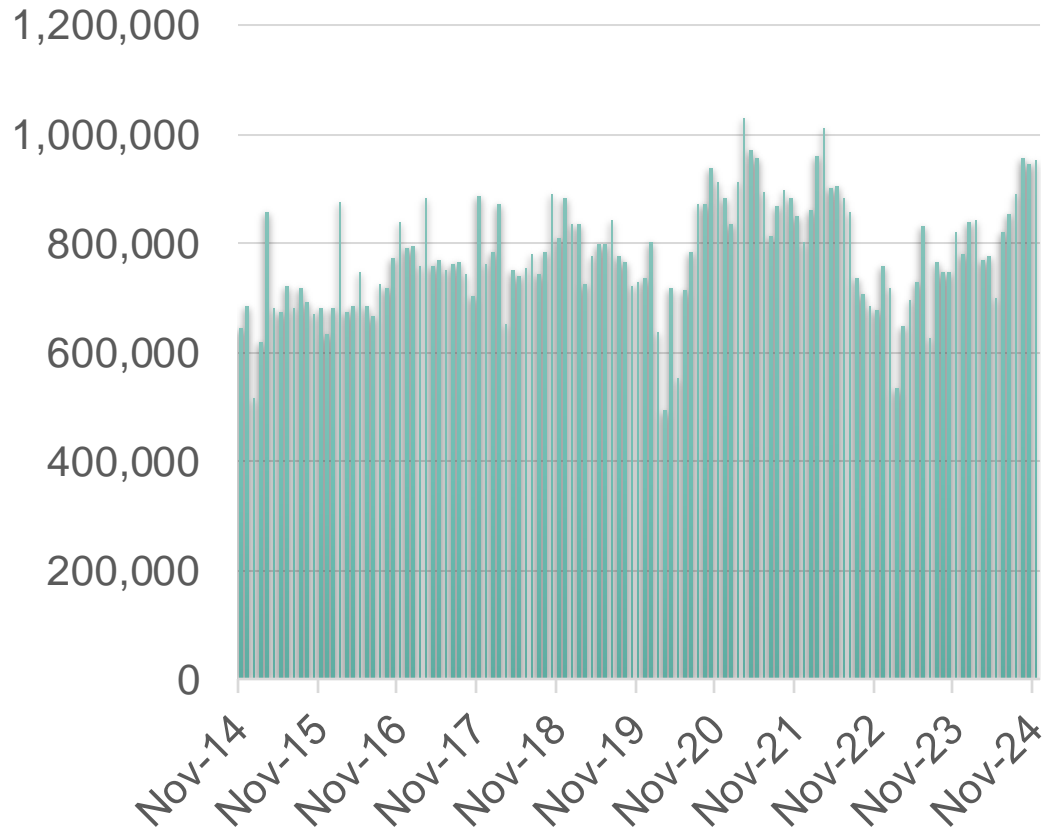


MSA	RevPAR Q3-24 (\$)	1-Yr Change (%)	Change since Q4-19 (%)
San Diego	152.55	4.1	37.0
Orange County	145.06	5.8	33.3
Miami	156.56	-0.9	30.6
Phoenix	117.15	1.1	22.6
Houston	76.50	6.9	16.0
Los Angeles (MD)	151.29	8.7	15.7
Seattle	126.35	10.0	14.6
Chicago	109.37	15.2	14.1
Inland Empire	87.76	-0.4	11.0
San Francisco	143.89	-4.9	-22.8

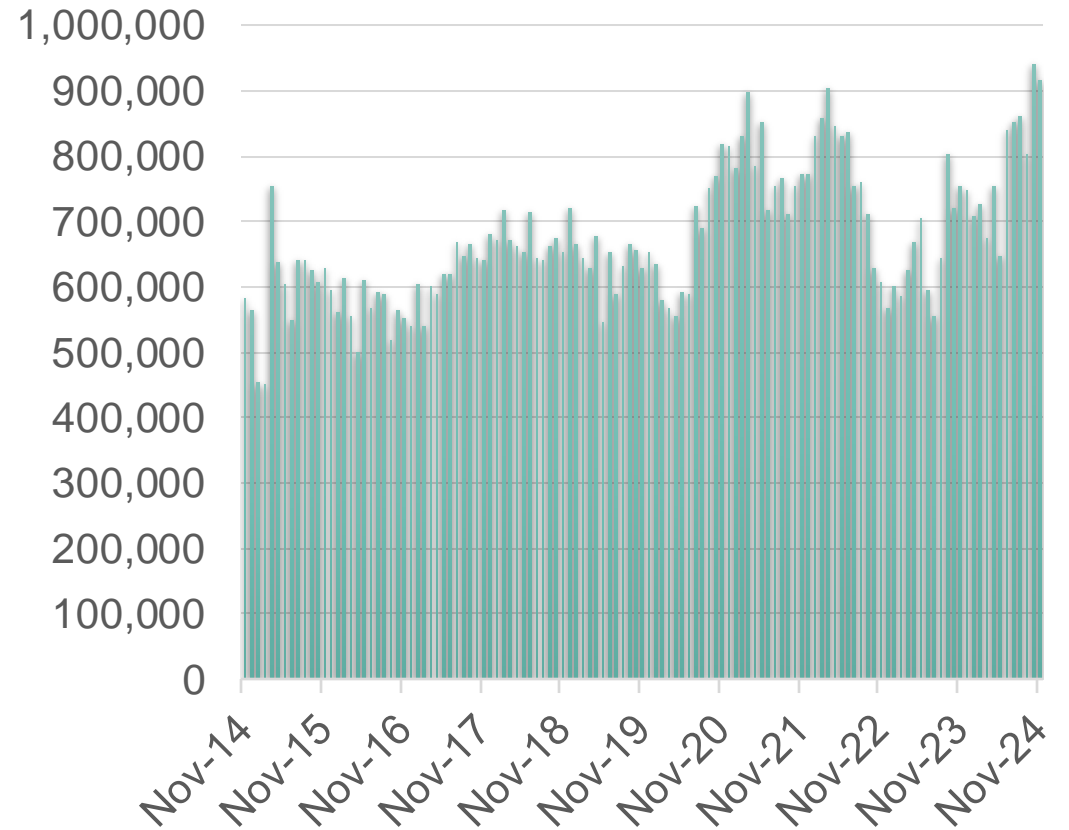


Container Counts

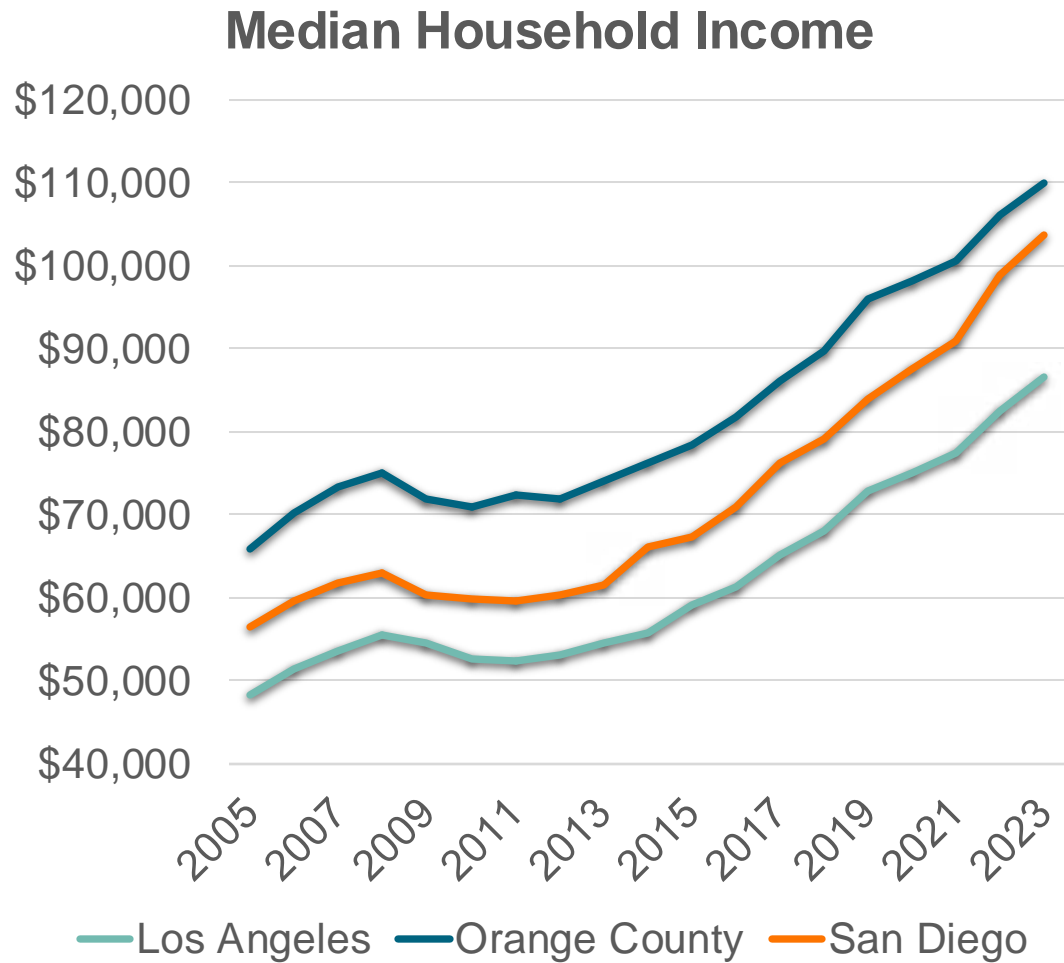
Port of Los Angeles Container Counts (TEUs)



Port of Long Beach Container Counts (TEUs)



Median Household Income

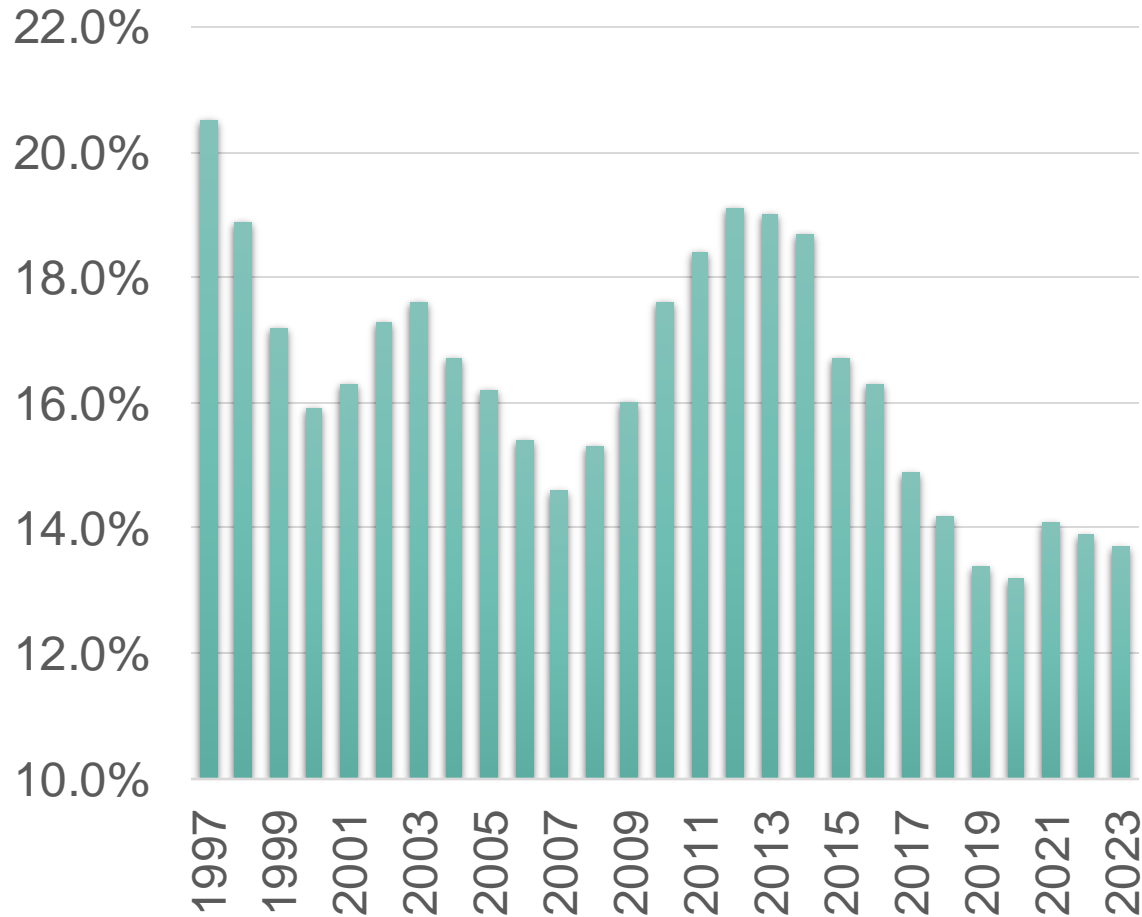


Location	Median HH Income 2023 (\$)	5-Year Growth (%)
Norwalk	103,071	49.0
Compton	69,965	37.6
Long Beach	81,606	32.5
South Gate	71,760	30.2
Downey	96,699	30.1
Los Angeles County	86,587	27.2
Lakewood	117,970	25.1
Bellflower	76,296	23.1
Whittier	95,895	17.2
Lynwood	65,432	13.3

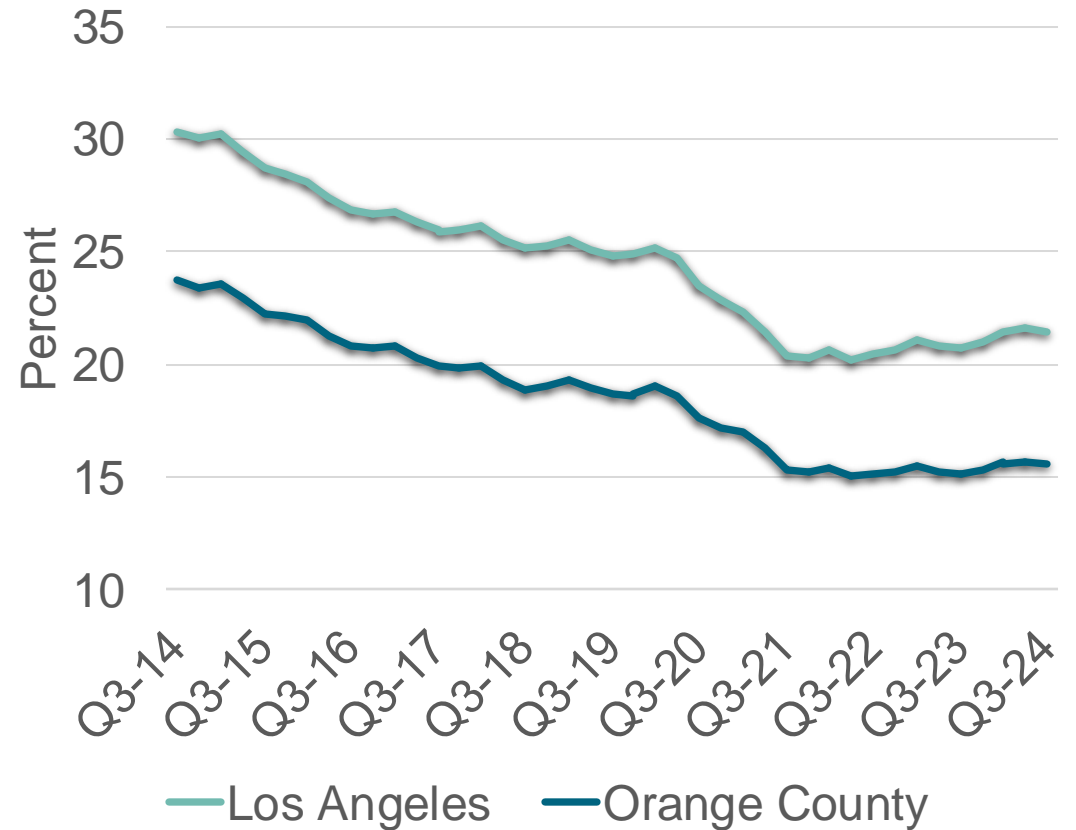


Household Income and Credit

Los Angeles Poverty Rate

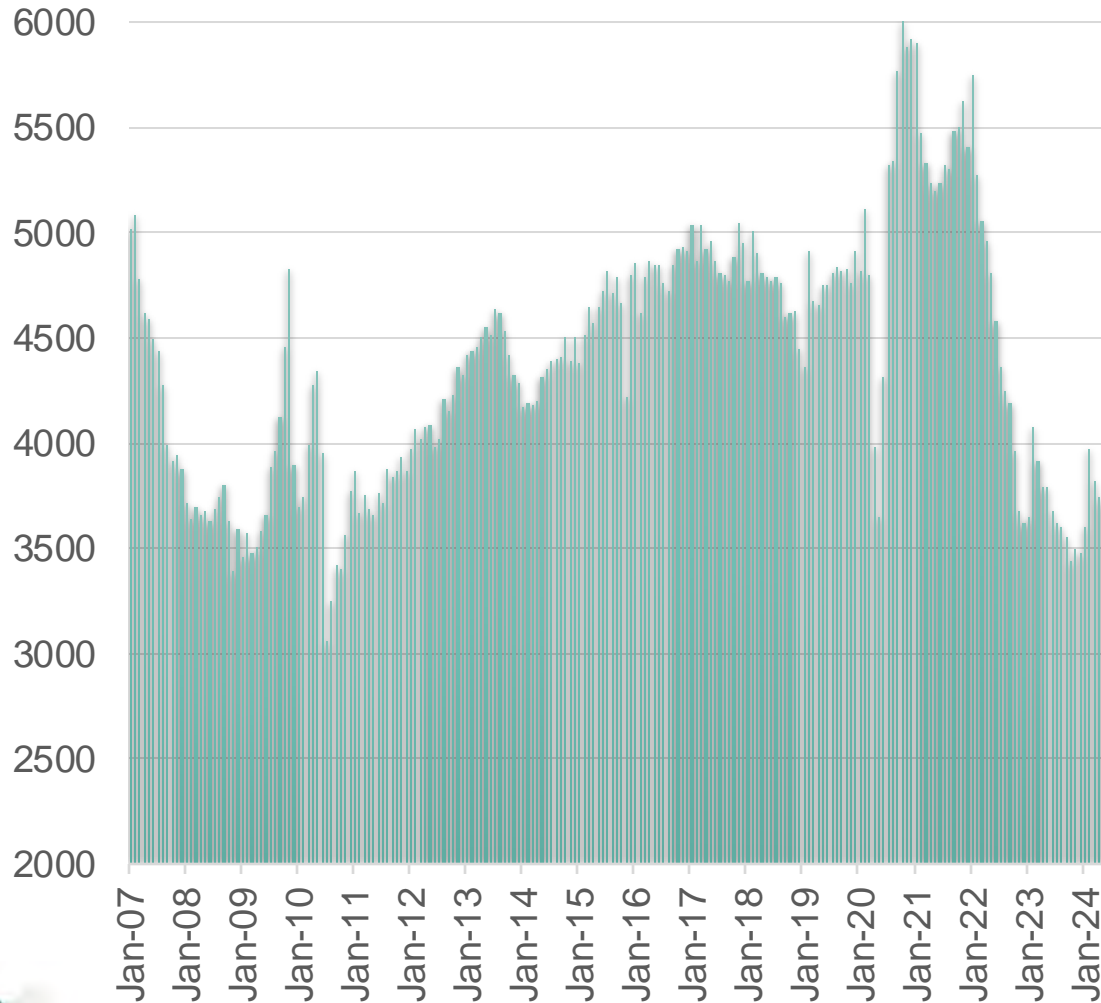


Equifax Subprime Credit Population

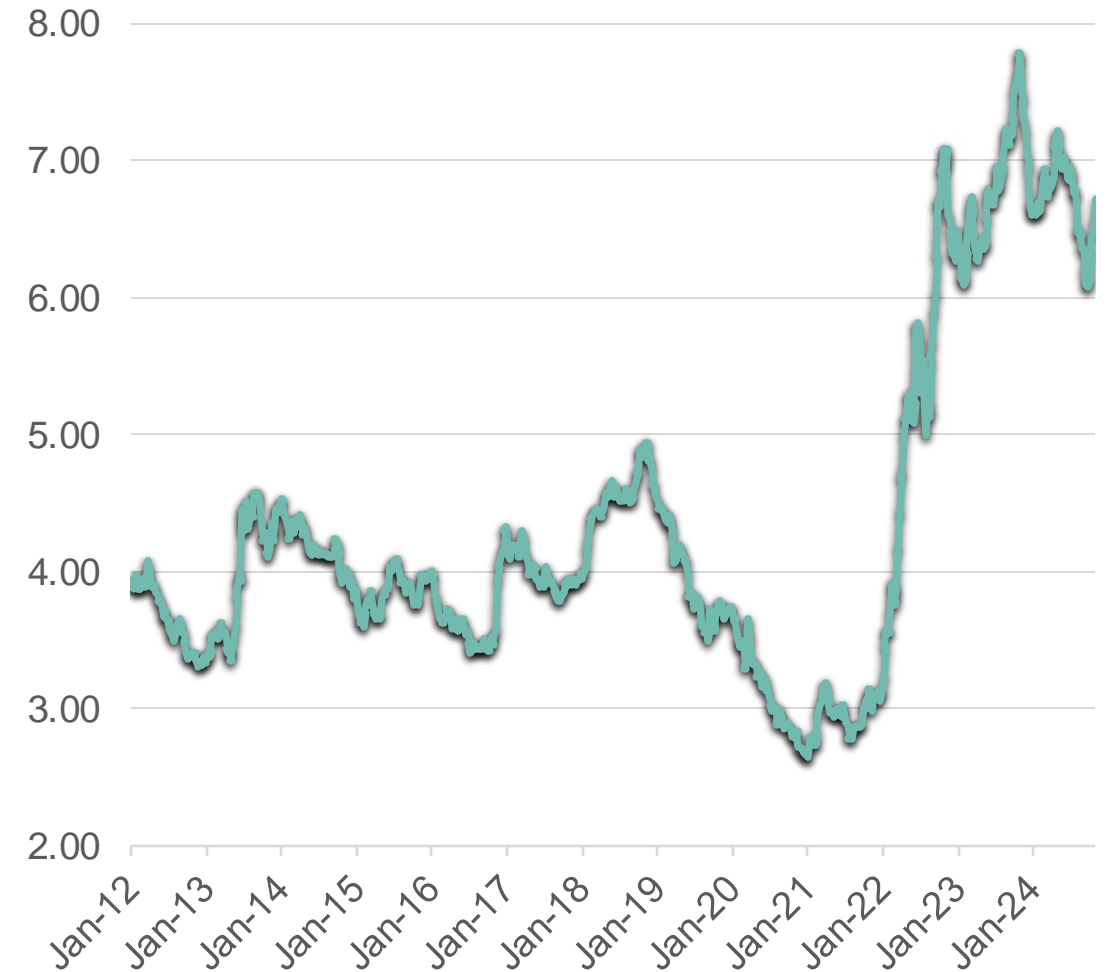


A rate shocked existing home market

Existing Home Sales SAAR

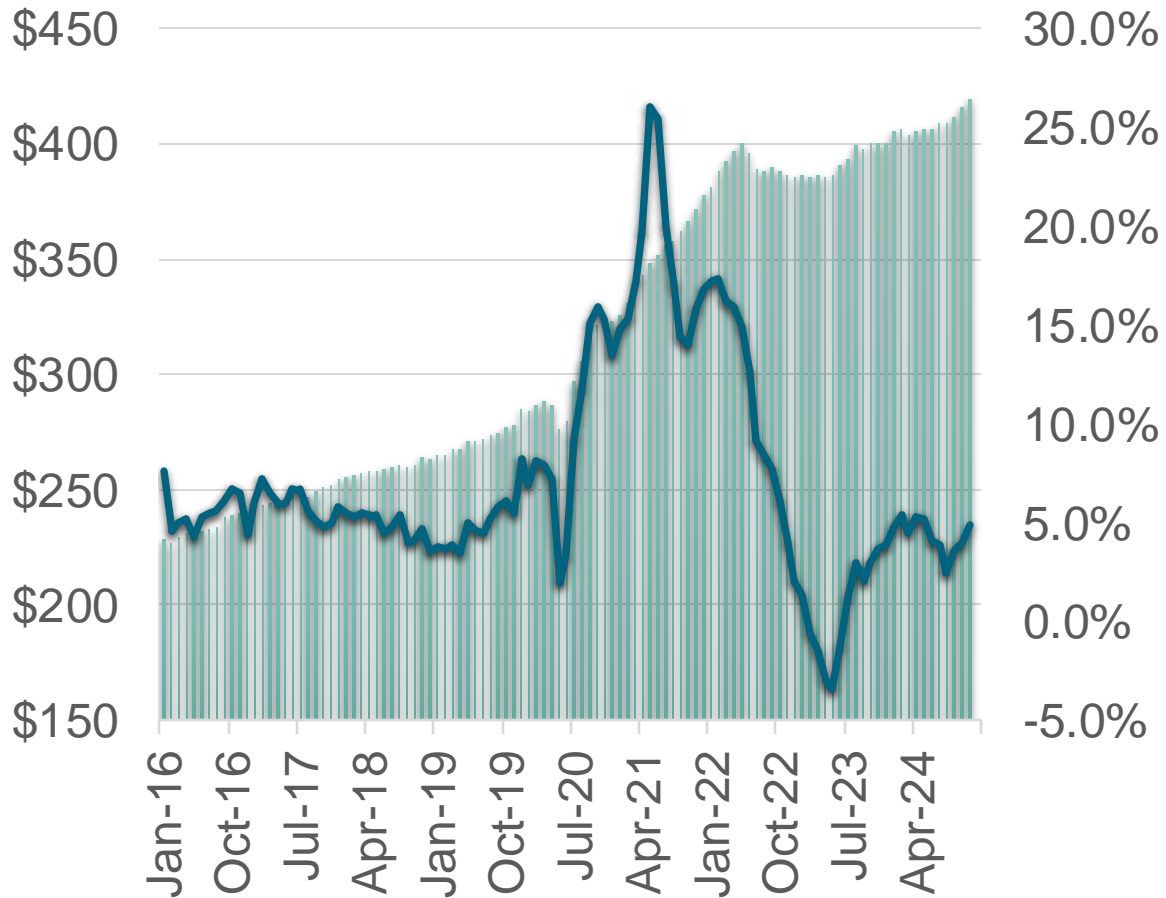


30 Year FR Mortgage Rate (%)



Prices Up, Construction Solid

US Existing Home Median Price

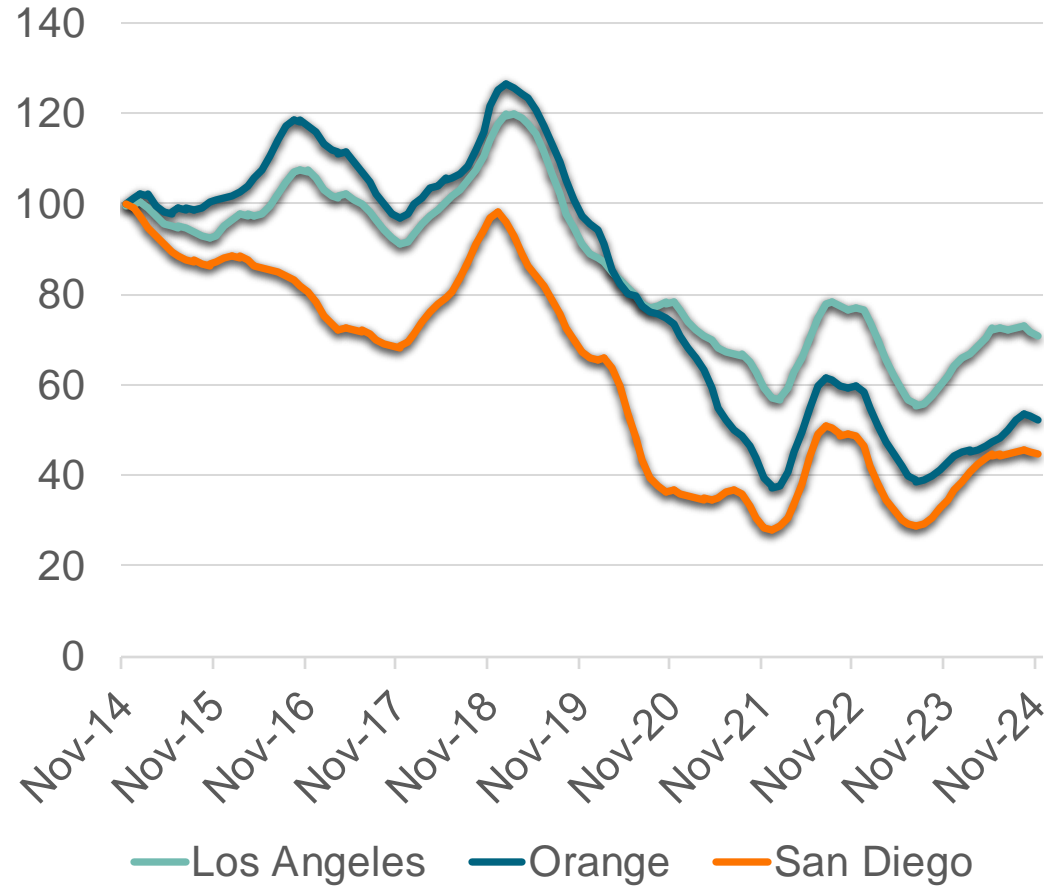


New SF Home Sales and Starts

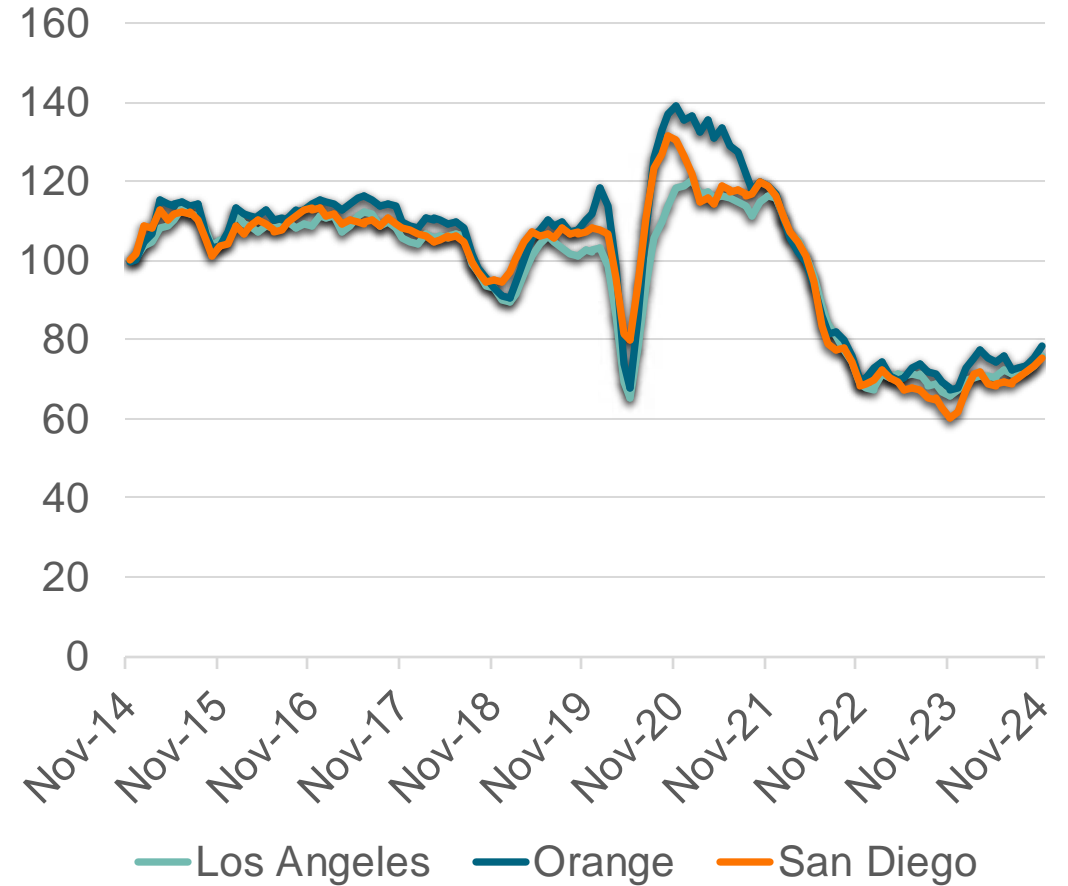


Home Sales and Inventories

Indexed Inventories

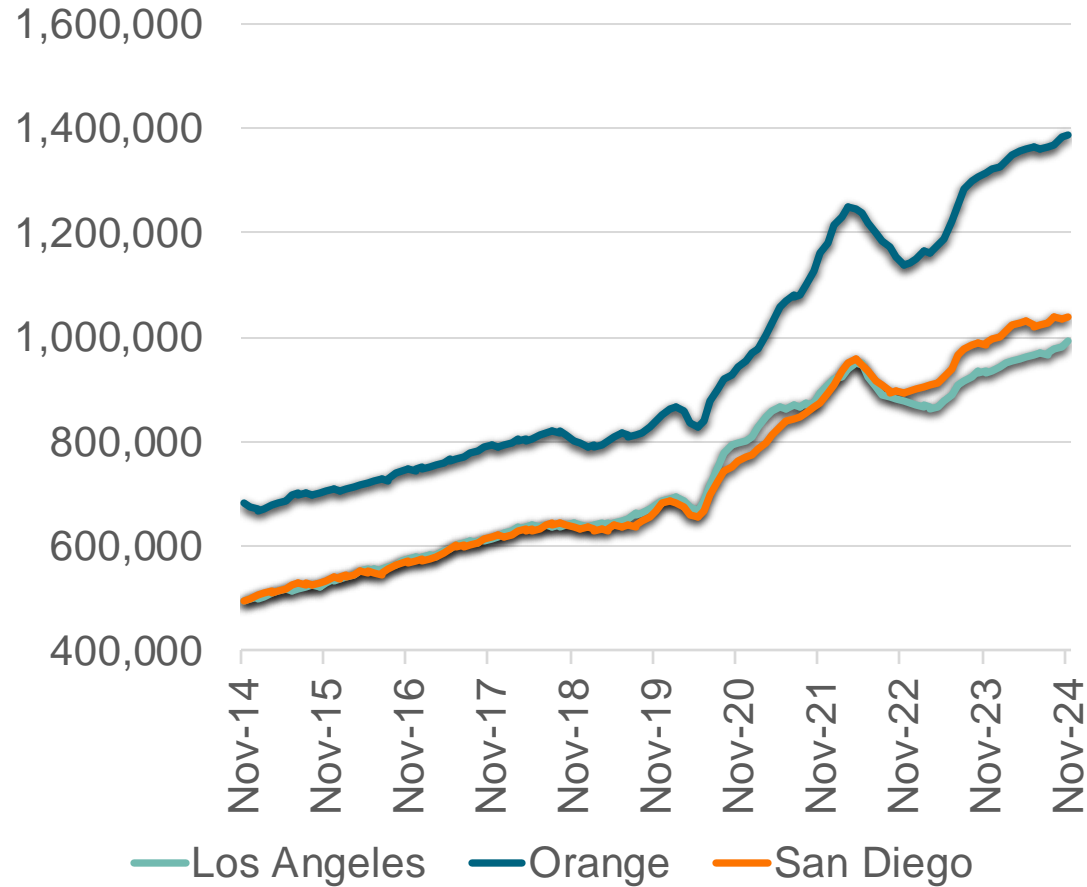


Indexed Home Sales



Home Prices

Median Home Price



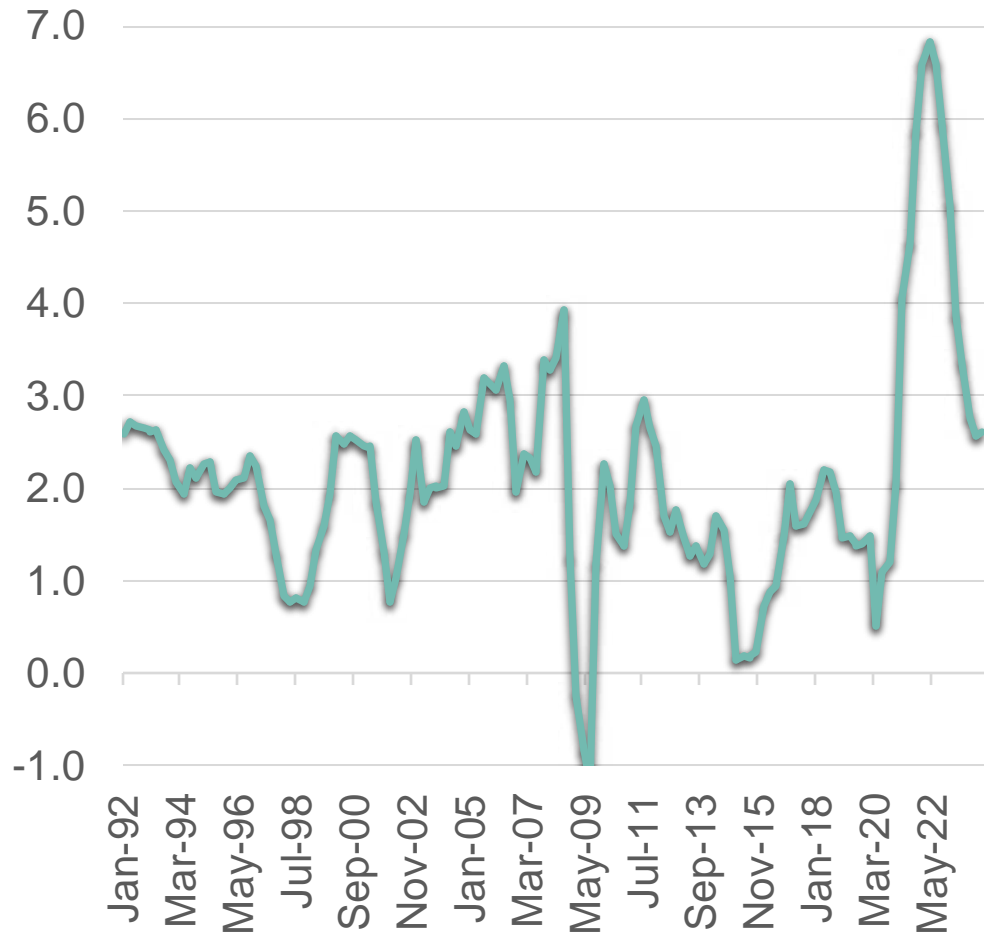
Location	Nov-24 Median Home Price (\$000s)	Chg. since Feb-20 (%)	1-Year Chg. (%)
San Bernardino County	553	53.7	10.0
Las Vegas MSA	488	53.2	6.2
Los Angeles County	993	43.0	6.0
Orange County	1,386	60.0	5.5
San Diego County	1,040	52.1	5.3
San Francisco MSA	1,797	11.5	5.0
Riverside County	635	52.7	3.5
Denver MSA	652	39.3	3.0
Sacramento MSA	607	38.6	1.8
Houston MSA	344	35.5	1.7
Phoenix MSA	483	52.8	1.7
Dallas MSA	430	42.0	-0.1



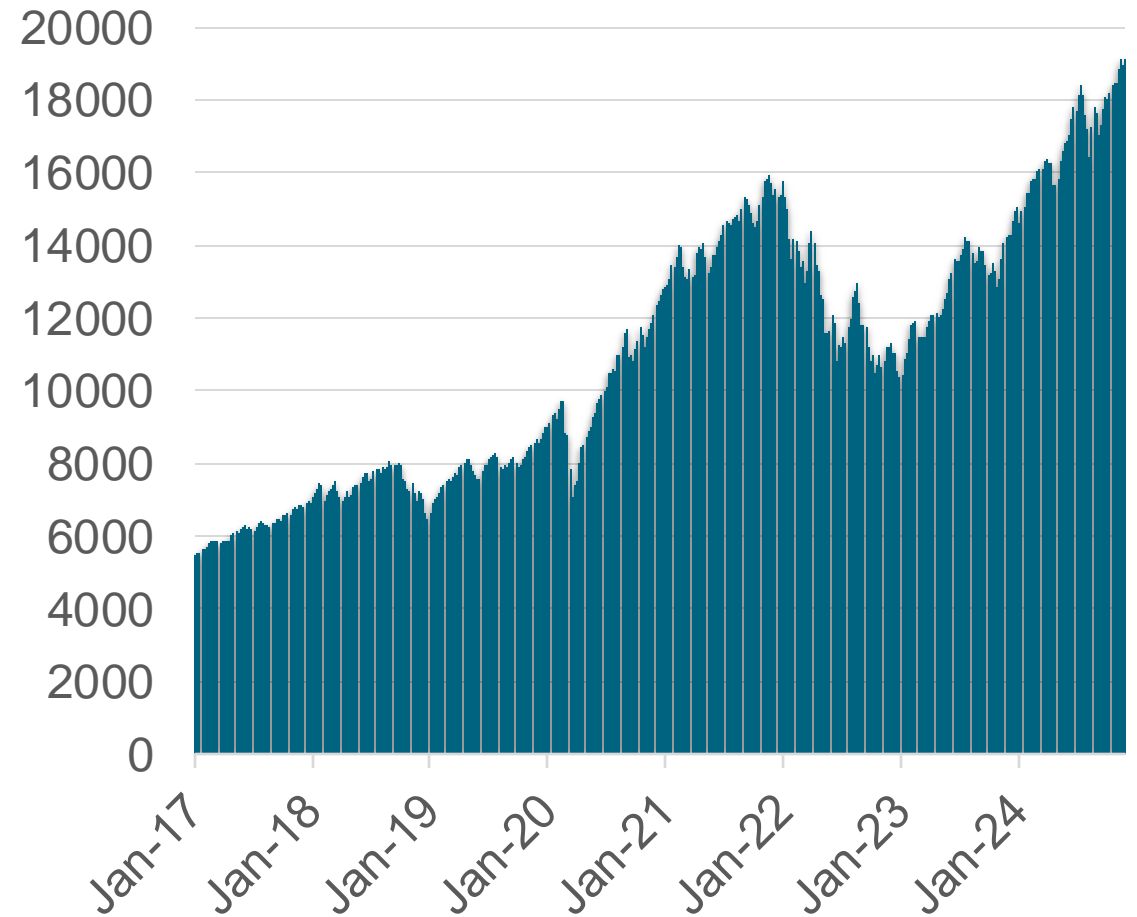
Inflation Down, Markets Up

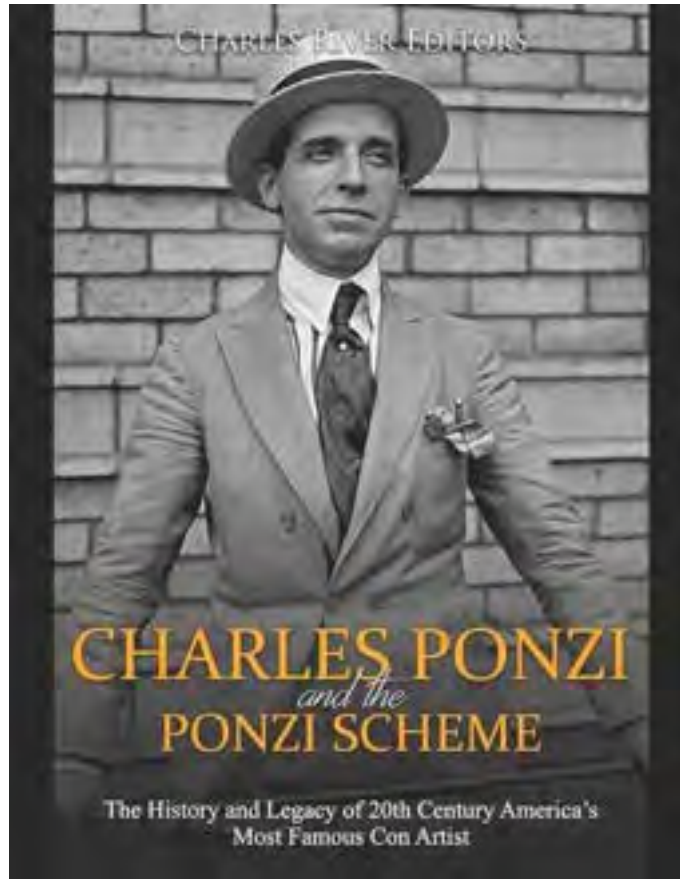


PCE Consumption Deflator



Nasdaq Composite Index





MONEYWATCH

Federal Reserve lowers interest rates by 0.25 percentage points in second cut of 2024

MONEYWATCH

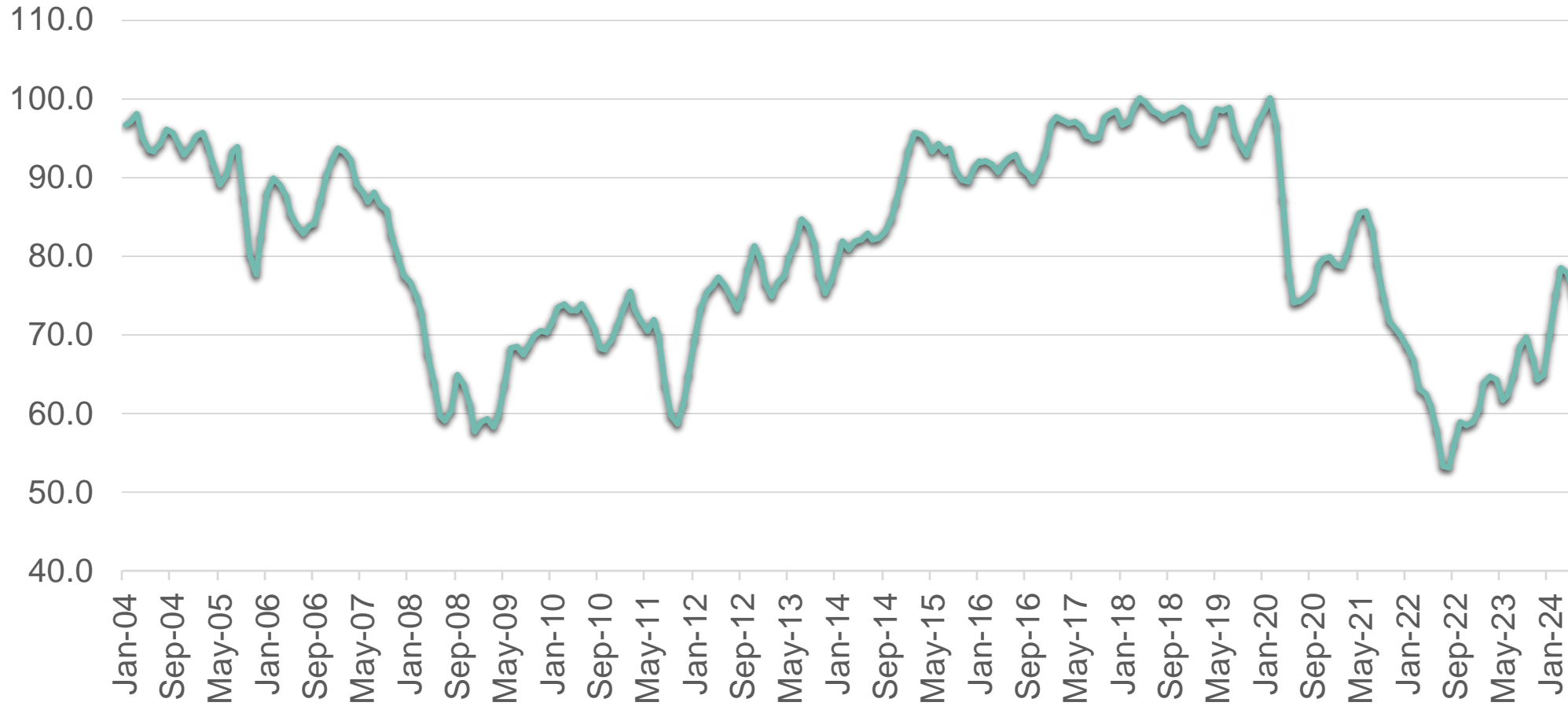
By Ames Pfohl
Edited by Anna Marie Lee, Alain Sharter
Updated on: November 7, 2024 / 5:27 PM EST / CBS News

f X



The national mood?

U Mich Consumer Sentiment Smoothed

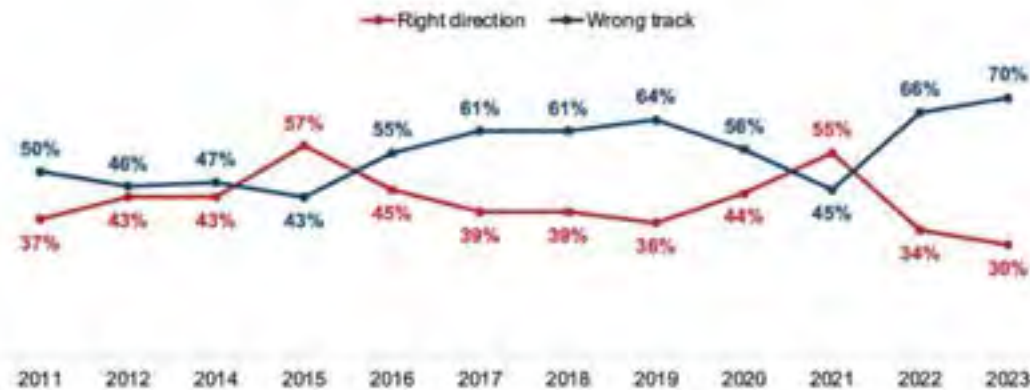


Opinion | The economy is on the line. Which candidate do we trust to save it?

Readers worry about how Trump's and Harris's economic policies will hit their pockets.

Seven in ten college students say the country is headed off on the wrong track, a record low.

Assessment of the Nation's Direction



WORK

More Americans say they are living paycheck to paycheck this year than in 2023—here's why

Published Tue, Apr 9 2024 2:09 PM EDT • Updated Mon, Apr 15 2024 9:30 AM EDT

Gill Malinsky

SHARE

More Americans may be struggling to make ends meet. A majority, 65%, say they live [paycheck to paycheck](#), according to CNBC and SurveyMonkey's recent Your Money International Financial Security Survey, which

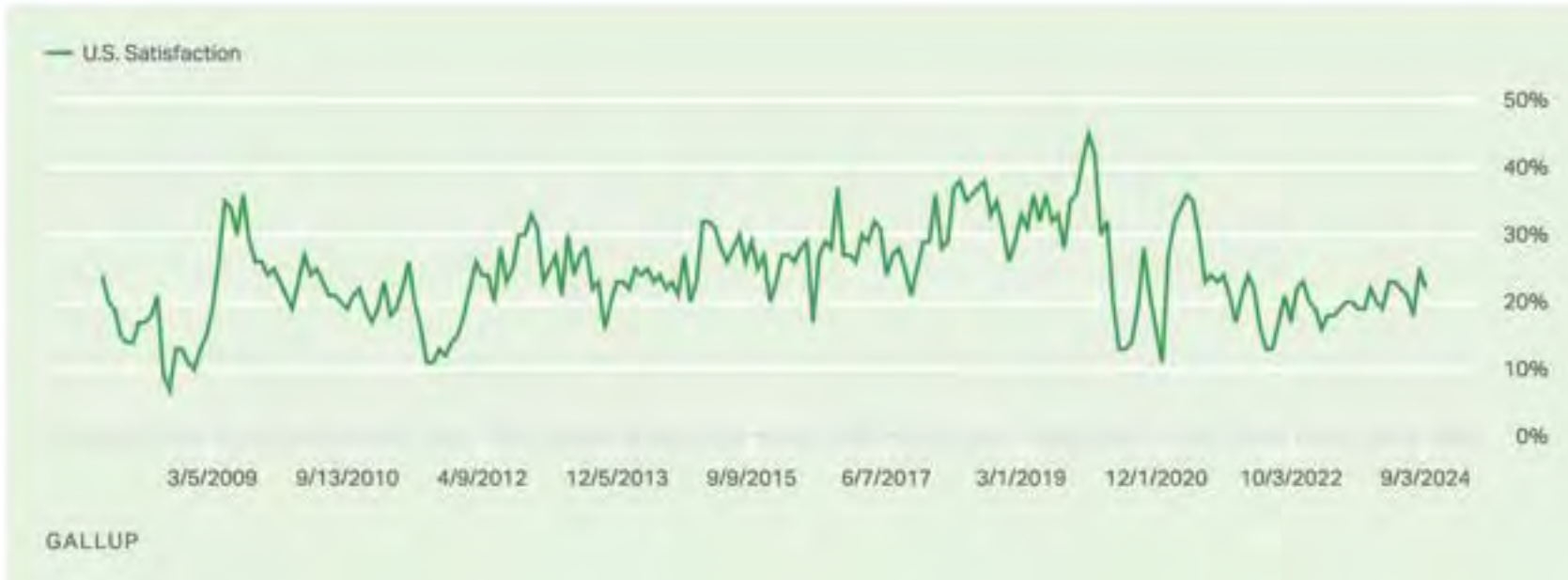


BUSINESS / BUSINESS FEATURES

70% of Consumers Feel Inflation Outpacing Income, New Report Shows

As a result, bargain shoppers are seeking out deals and heading to off-price retailers.

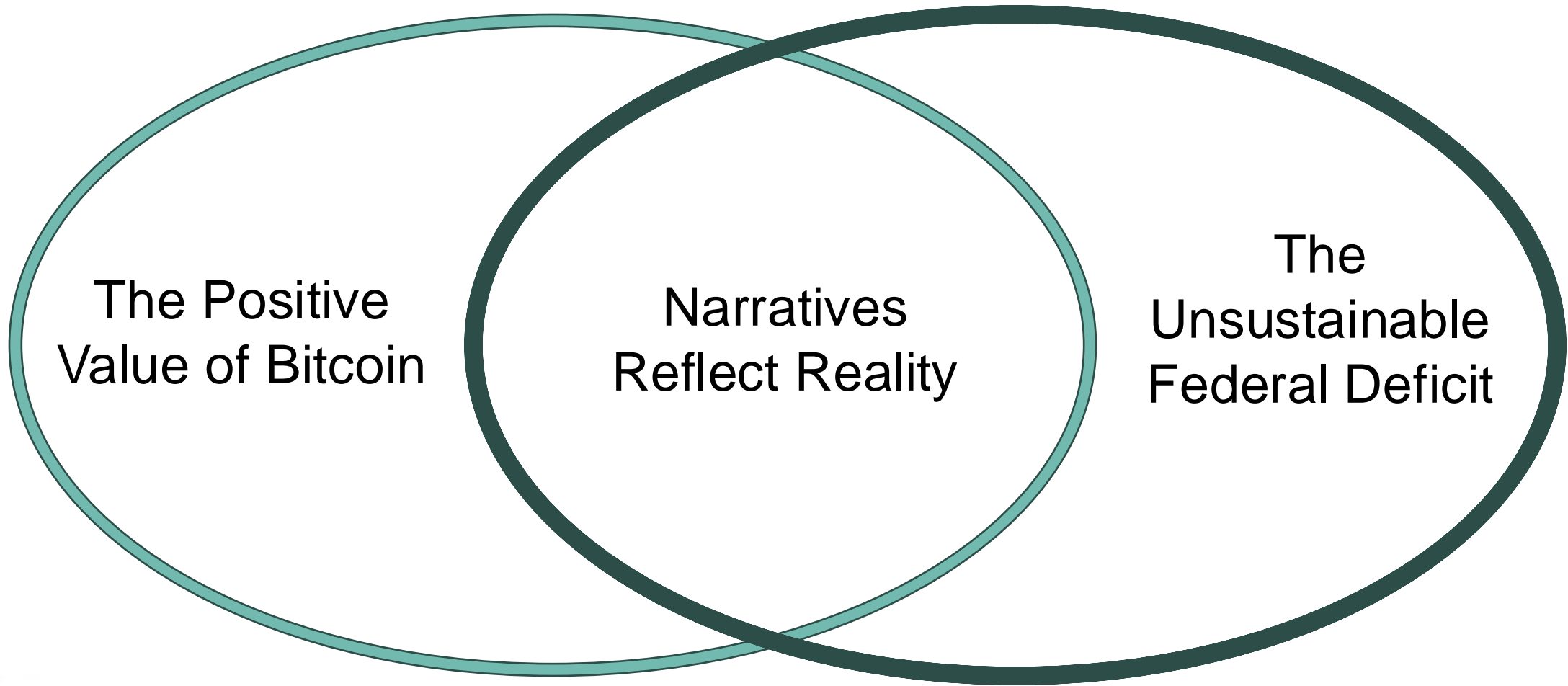
By **ARTHUR ZACZKIEWICZ**  AUGUST 22, 2024, 12:35PM



Beware the Narrative

Social Narratives

Economic Reality



The Positive
Value of Bitcoin

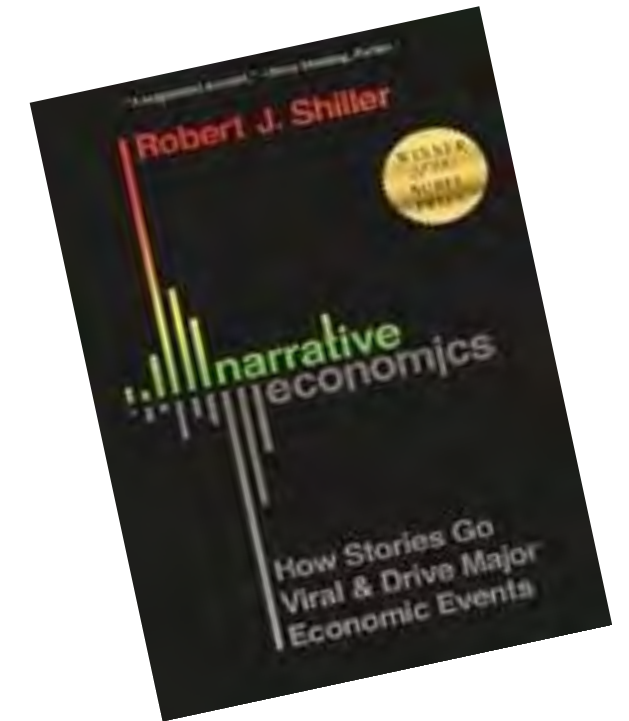
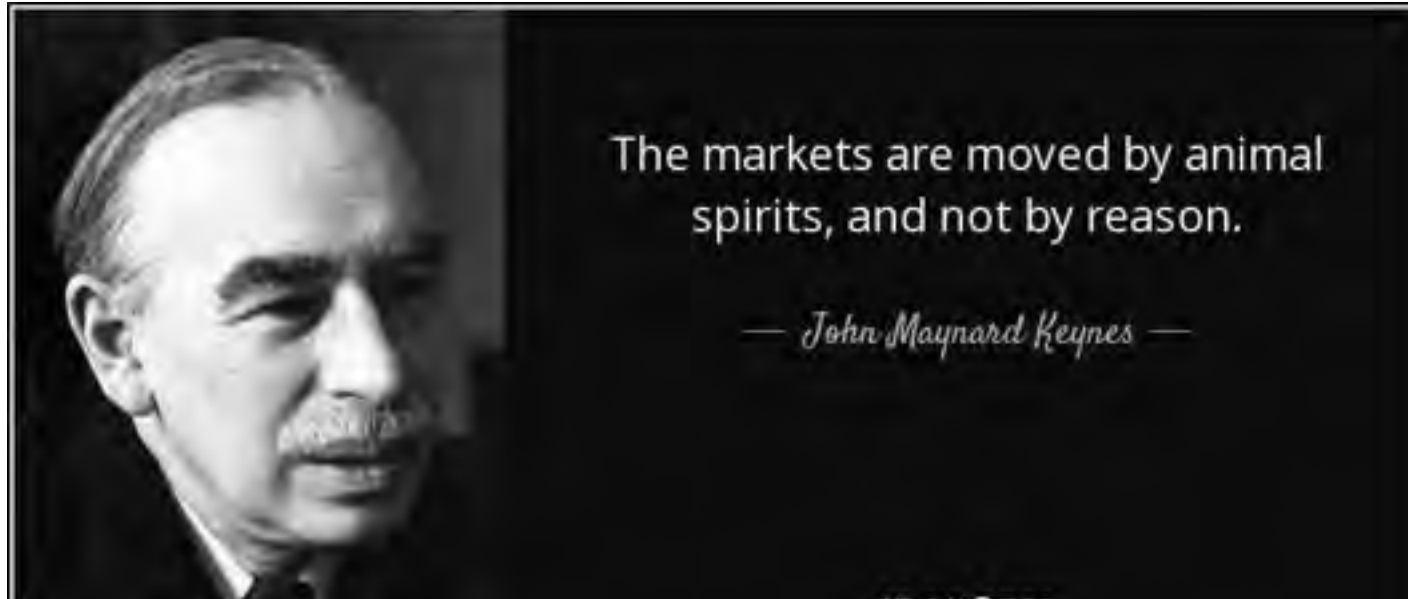
Narratives
Reflect Reality

The
Unsustainable
Federal Deficit



"It isn't what we don't know that gives us trouble, it's what we know that ain't so."

- Will Rogers



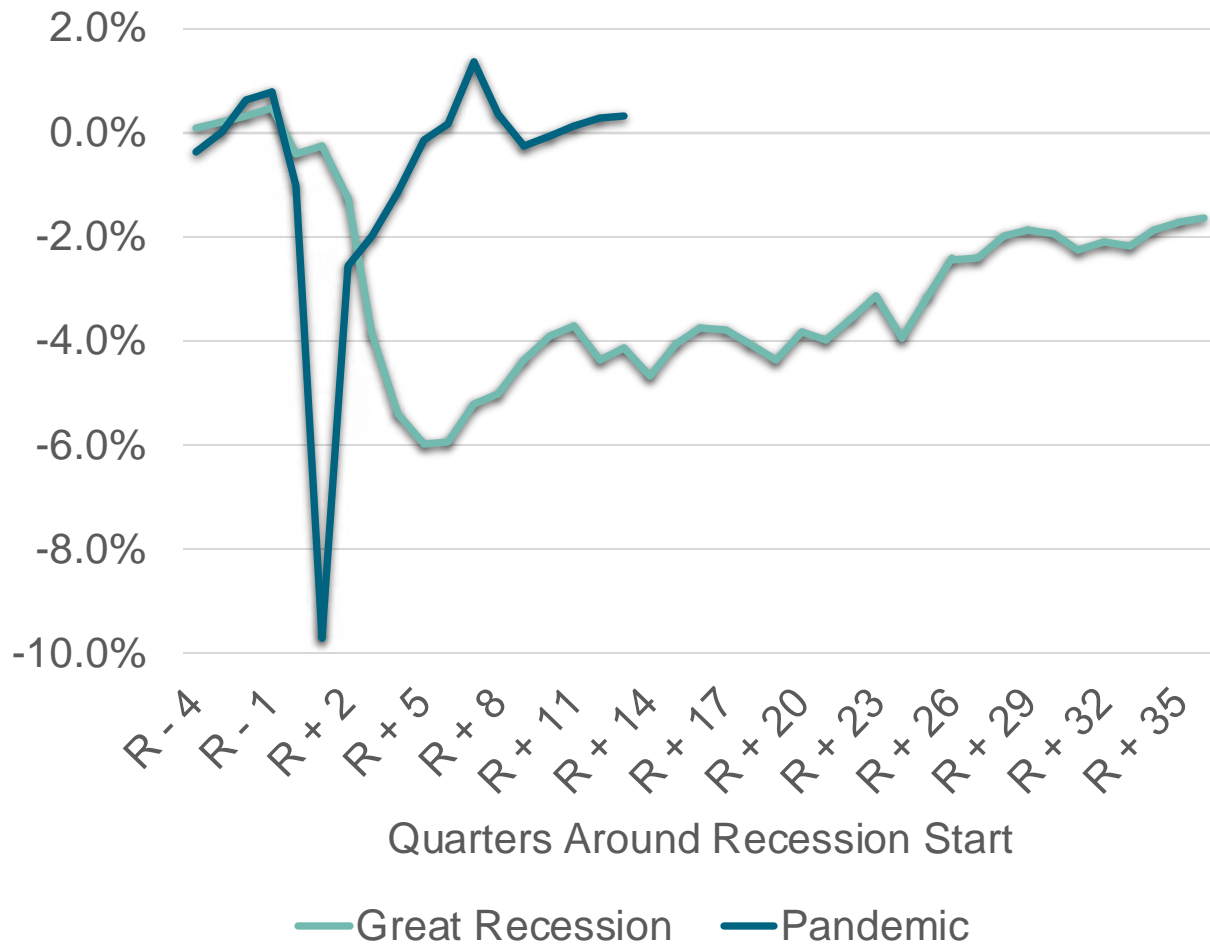
"We need to incorporate the contagion of narratives into economic theory. Otherwise, we remain blind to a very real ... mechanism for economic change.."

—R. Shiller, *Narrative Economics*

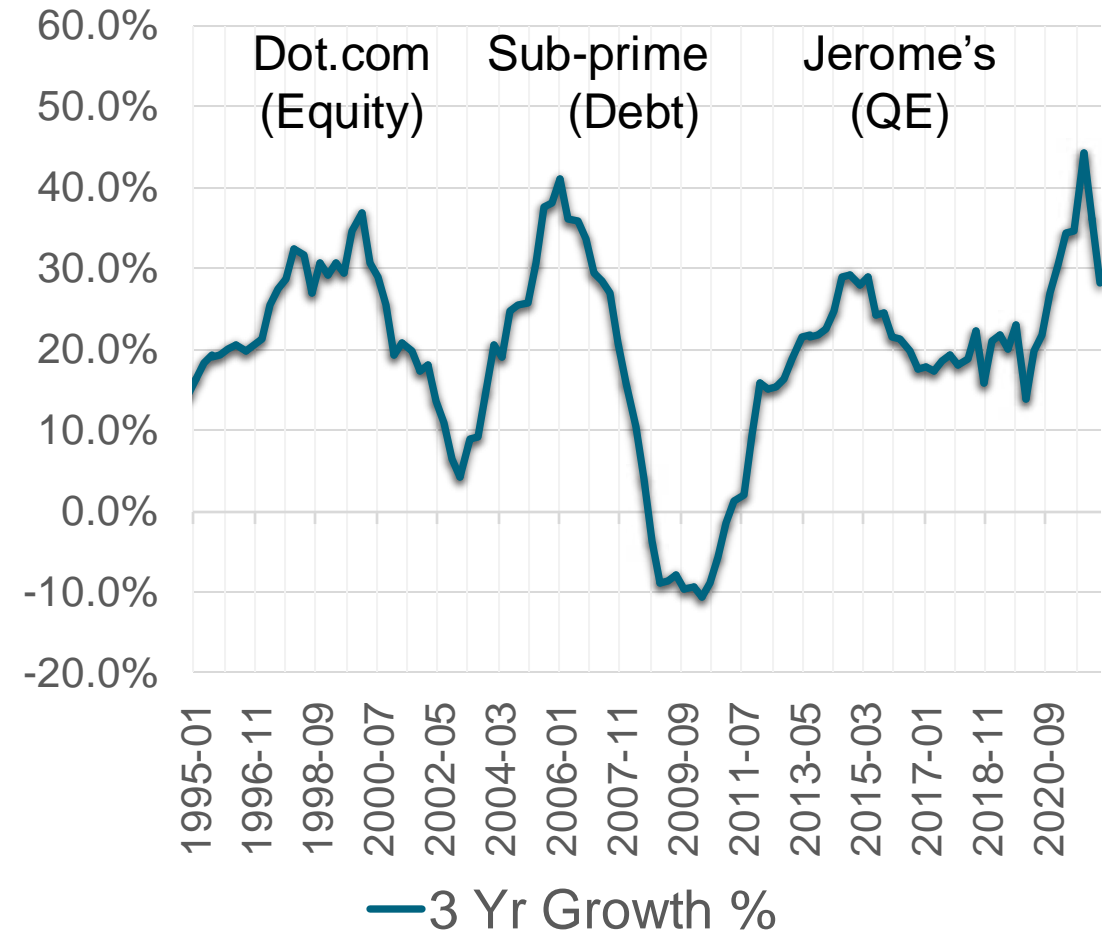


The Pandemic Over-reaction

Output Gap (Real GDP - Potential GDP)



US Household Net Worth grew by \$30 trillion from 2020-2022



Lost GDP: \$1.2T

Fiscal Stimulus: \$6.0T funded by \$5.0T QE

\$50,000 in stimulus / household



Excess Money + Demand = Inflation

Money and Prices



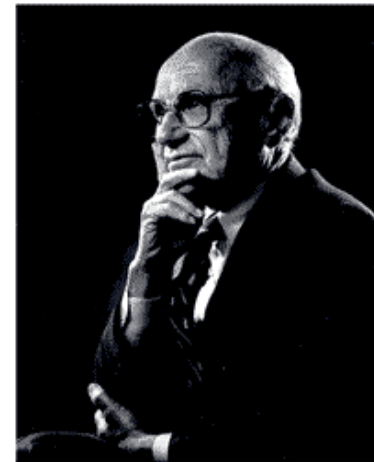
70% of Consumers Feel Inflation Outpacing Income, New Report Shows

As a result, bargain shoppers are seeking out deals and heading to off-price retailers.

By [ARTHUR ZACZKIEWICZ](#)  AUGUST 22, 2024, 12:35PM

“Inflation is caused by too much money chasing after too few goods.”

- Milton Friedman



How do narratives go astray?

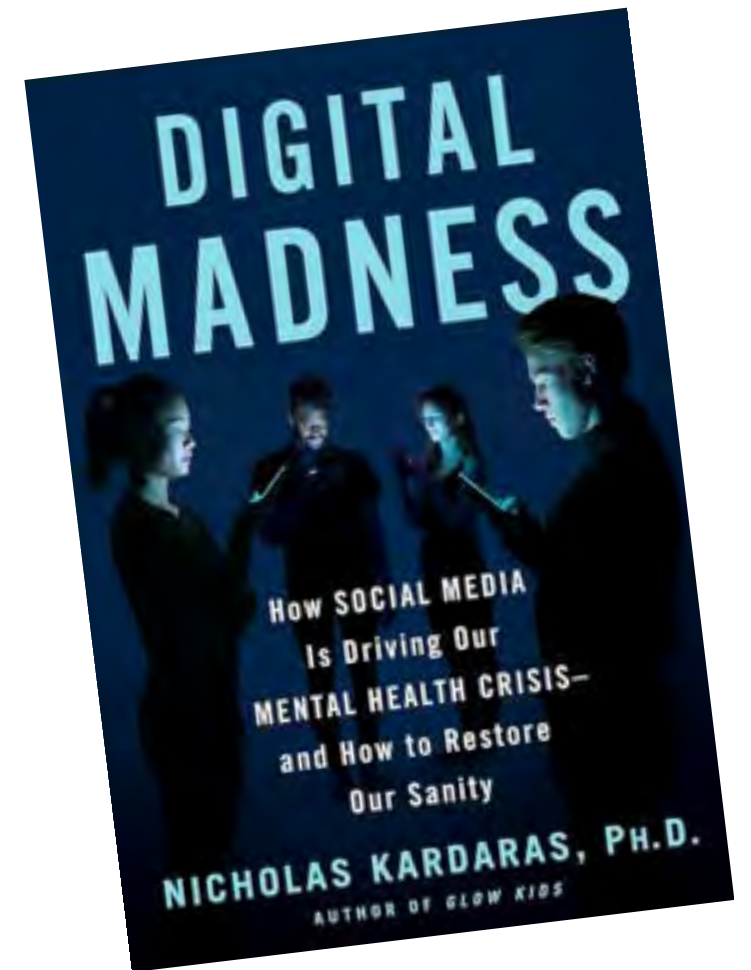
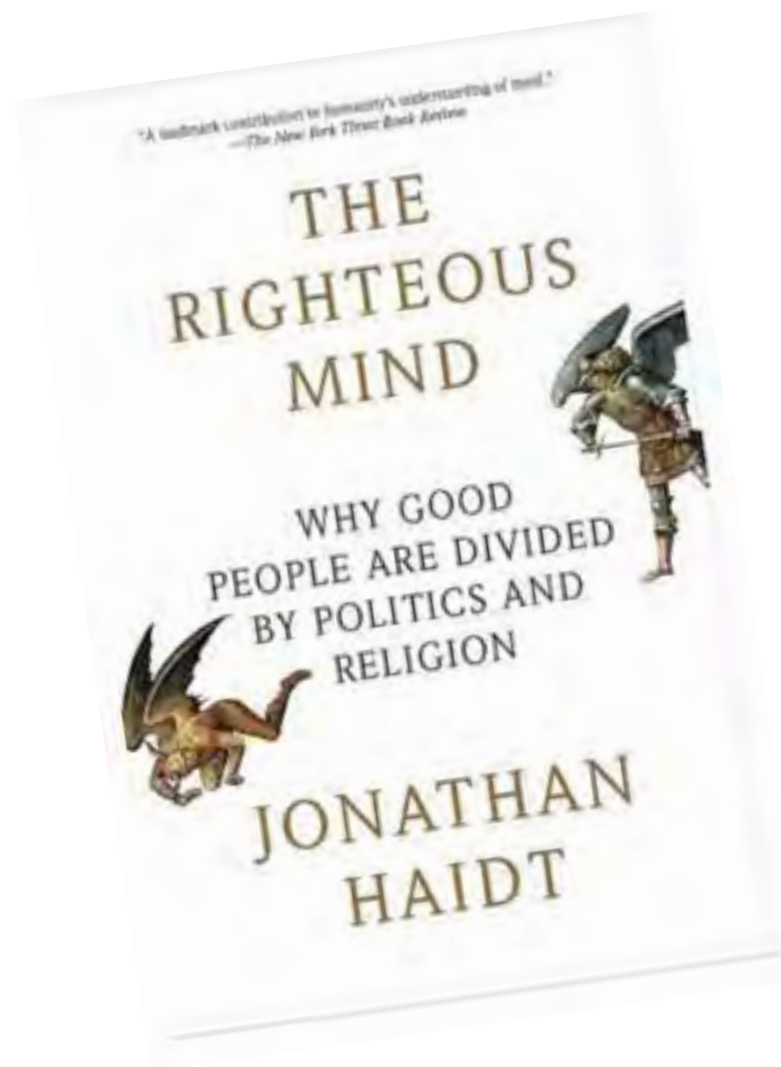
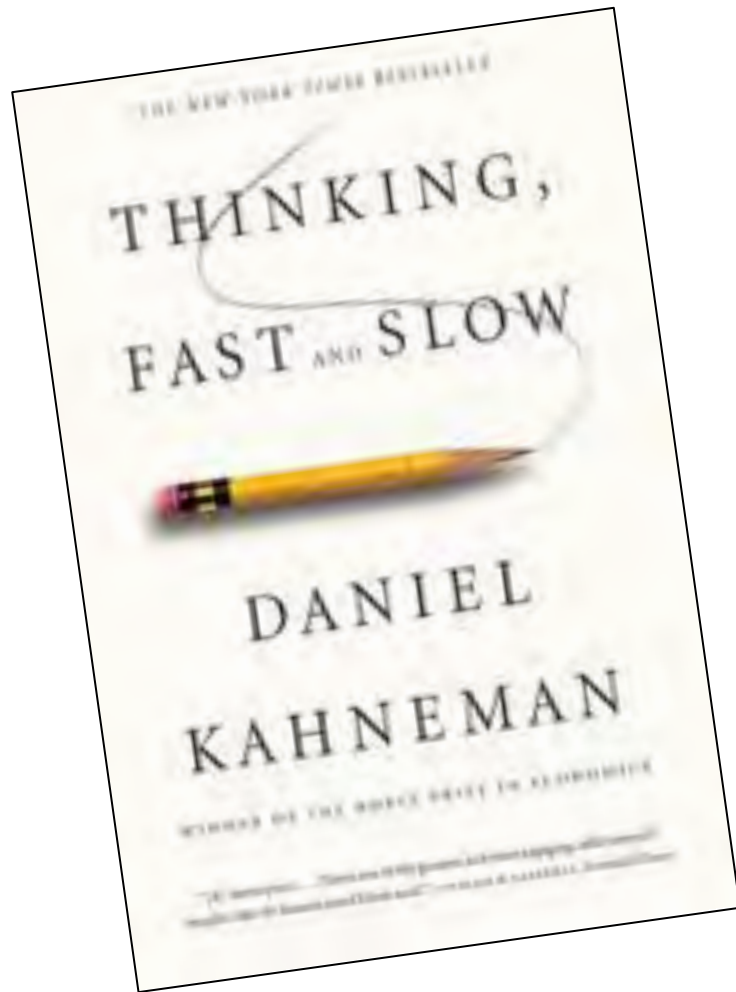
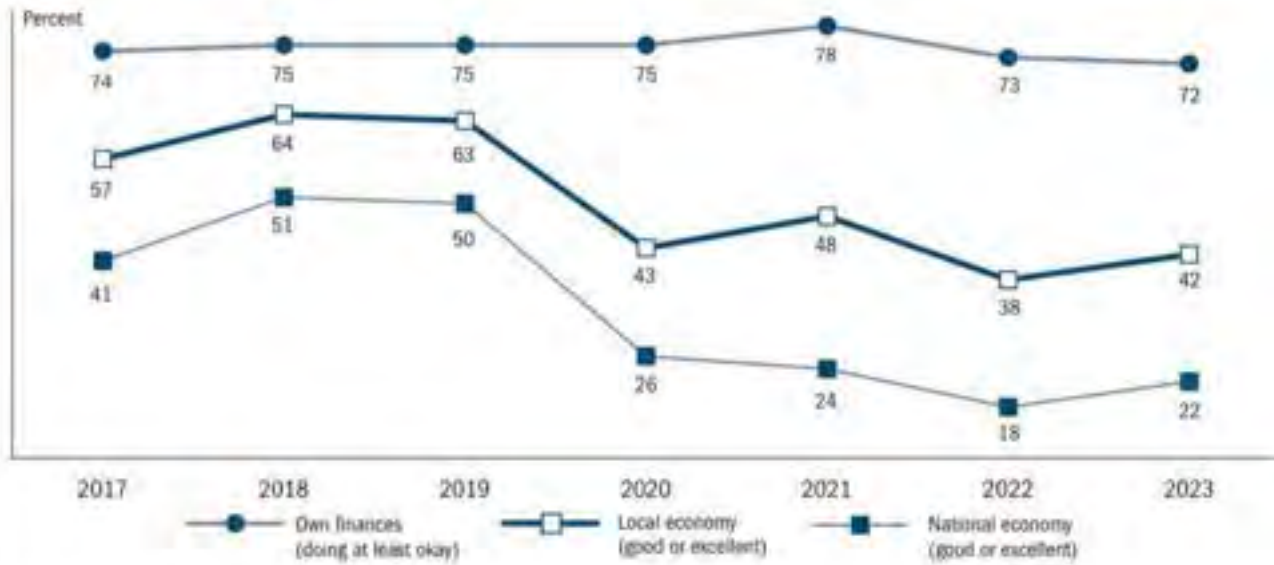


Figure 7. Assessment of own financial well-being, local economy, and national economy (by year)



Note: Among all adults.

We don't think as much as we think we think.



What to make of the Red Wave?

The View by Position

- The Left and Right vote on policy
- The Center votes on change in mood

Biden / Harris Never Stood a Chance

- Declining Consumer Sentiment signals a loss
- Why was consumer sentiment down? Broadly miserabilism, but specifically inflation

Year	U Mich Cons Sentiment Index July-Sept before election	Change in U Mich Cons Sentiment Index from start of Admin	Incumbent Party	Electoral College Difference
1984	98.9	33.7%	Win	512
1976	89.7	16.5%	Loss	-57
1996	94.9	15.1%	Win	220
2016	90.3	10.6%	Loss	-77
2012	75	9.9%	Win	126
1964	100.6	8.8%	Win	434
2004	95.6	5.1%	Win	35
2000	107.5	4.3%	Loss	-5
1972	95.2	4.0%	Win	503
1988	96	1.8%	Win	315
1968	92.4	-12.3%	Loss	-110
1992	76.1	-16.3%	Loss	-202
2024	68.1	-20.4%	Loss	-86
2020	75.7	-21.5%	Loss	-74
1980	67.8	-24.9%	Loss	-440
2008	64.8	-28.1%	Loss	-192

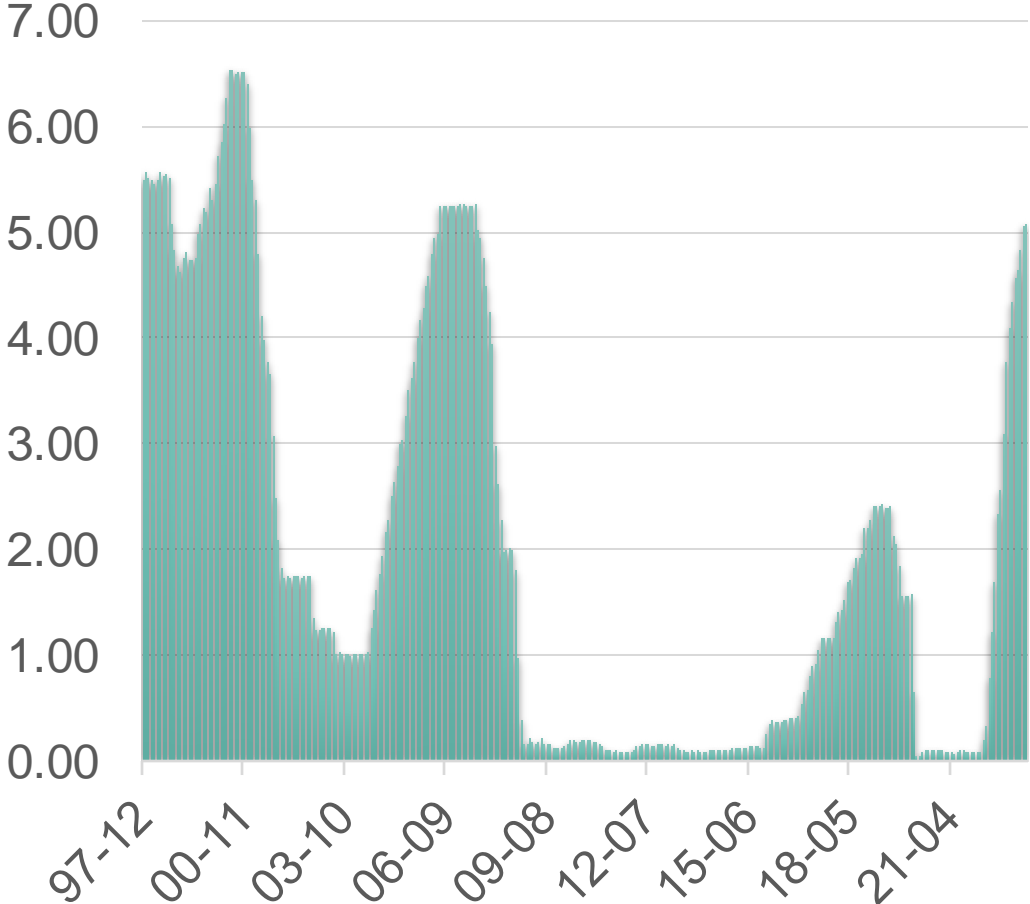


Who should Trump thank for his big election sweep?

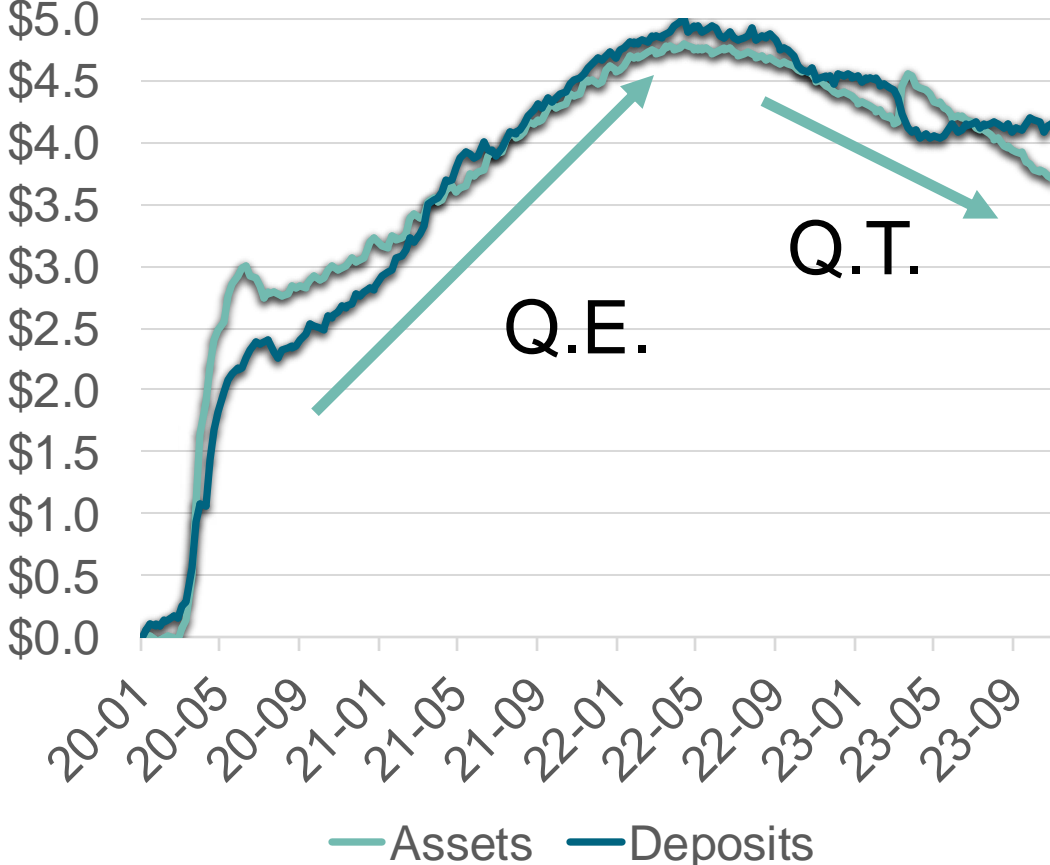


The Fed Response

Stage 1: Federal Funds Rate

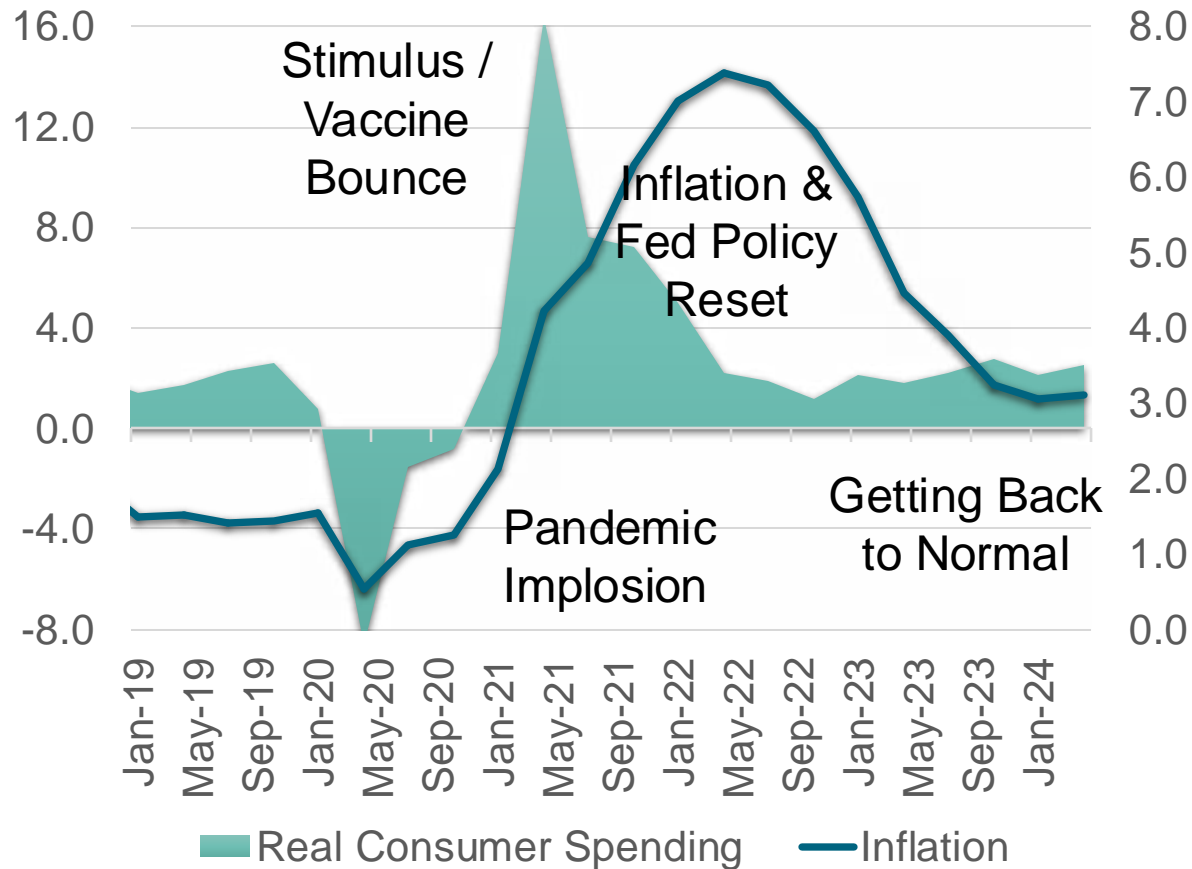


Stage 2: Quantitative Tightening (Cumulative Trillions)



Stages of the Consumer Surge

YOY Changes in Real Consumer Spending and Price Changes (%)



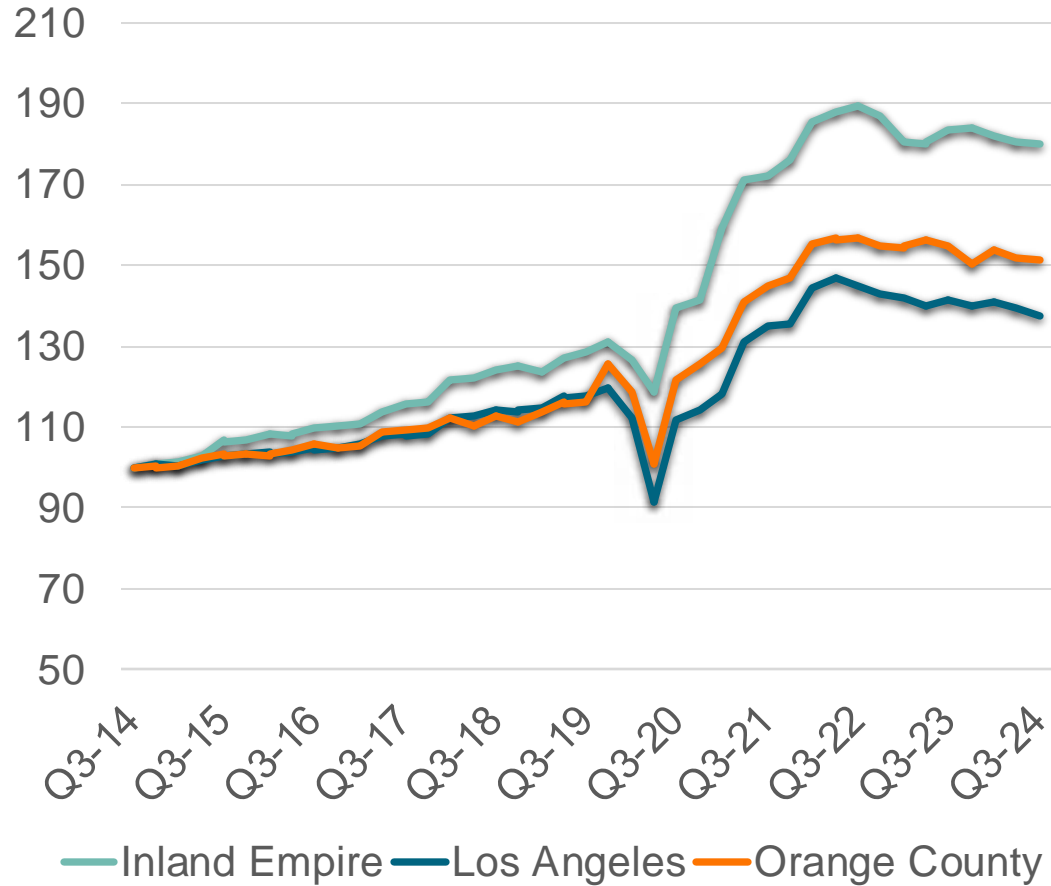
Contributions to Nominal Spending Growth

	21-22	23-24
Housing and utilities	10.2%	23.2%
Financial serv insurance	2.2%	10.9%
Food services accom.	13.6%	9.3%
Recreation services	7.3%	5.1%
Food and beverages	5.9%	4.1%
Transportation services	8.7%	3.9%
Recreational goods veh	3.9%	3.3%
Clothing and footwear	3.0%	1.2%
Furnishings	1.8%	-0.4%
Gasoline energy goods	9.4%	-1.2%
Motor vehicles and parts	3.5%	-4.4%



Los Angeles County Tax Receipts

Indexed Tax Receipts

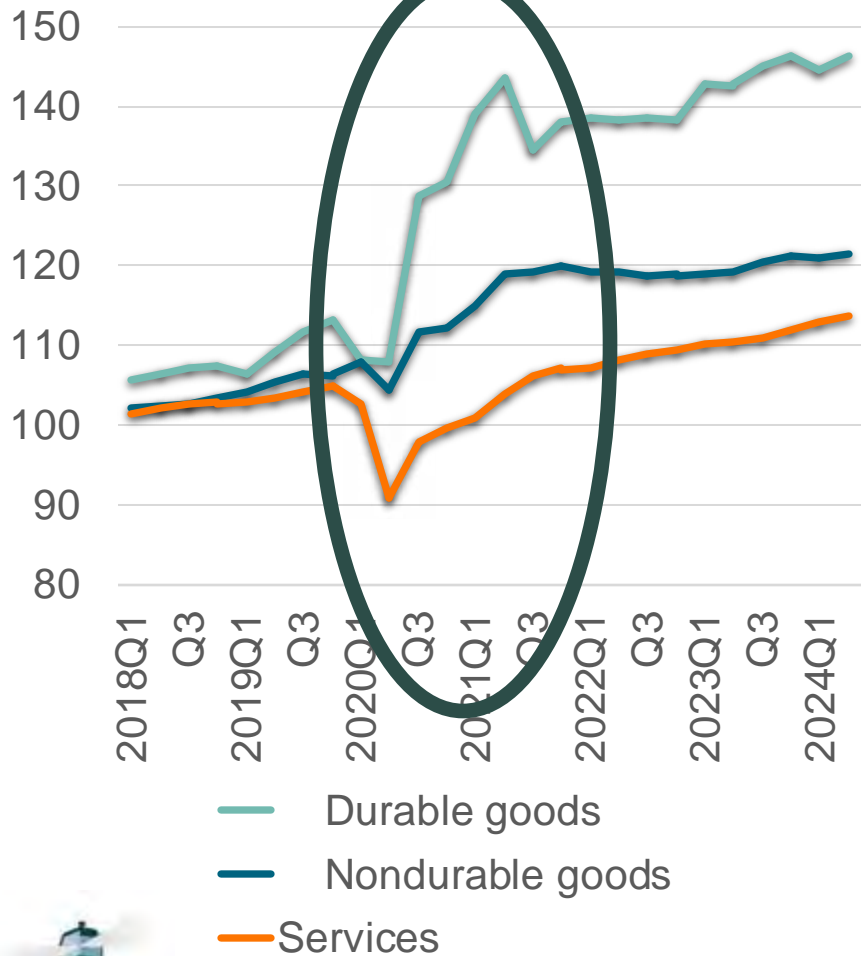


Los Angeles (MD) Category	Q4-23 (\$000s)	1-Year Chg. (%)	Chg. Since Q4-19 (%)
Total	512,223	-2.7	14.8
Restaurants and Hotels	81,895	1.4	17.9
County & State Pool	94,250	1.3	34.2
Business and Industry	60,454	-1.0	8.8
Food and Drugs	25,763	-1.1	6.0
Building and Construction	36,430	-1.3	20.5
General Consumer Goods	93,610	-3.7	3.8
Autos and Transportation	80,191	-6.3	16.5
Fuel and Service Stations	38,378	-13.3	4.9

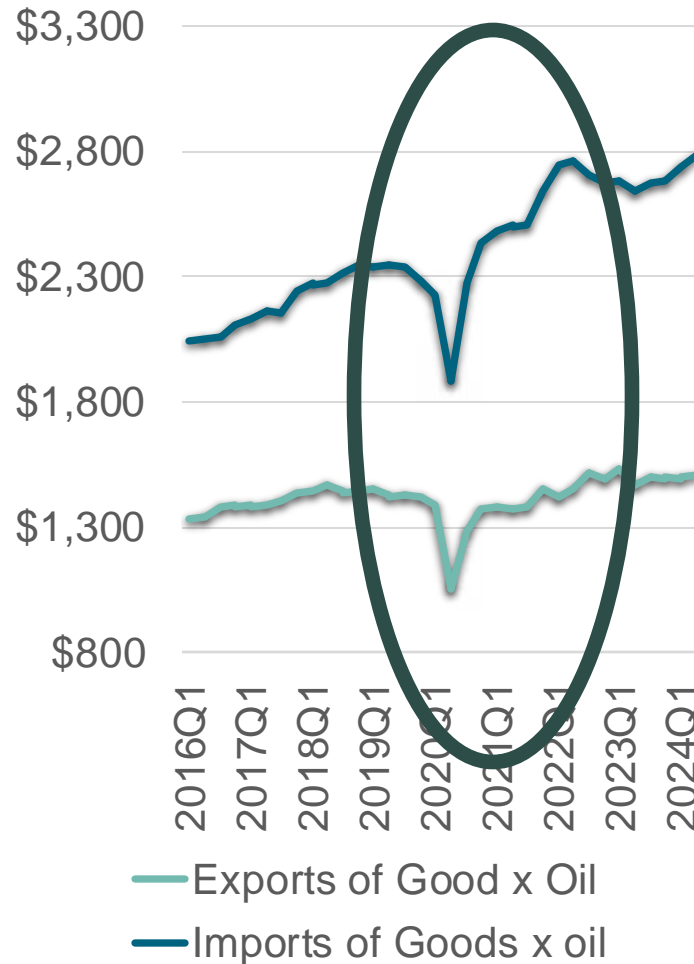


Where is logistics?

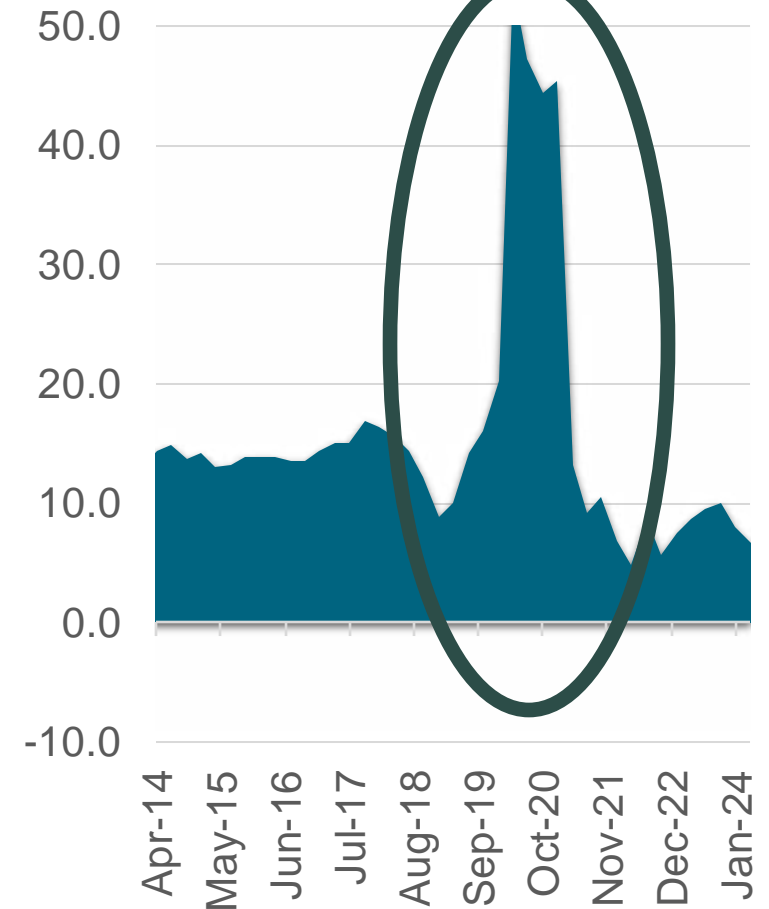
Indexes of Real Consumer Spending



Real Trade Flows

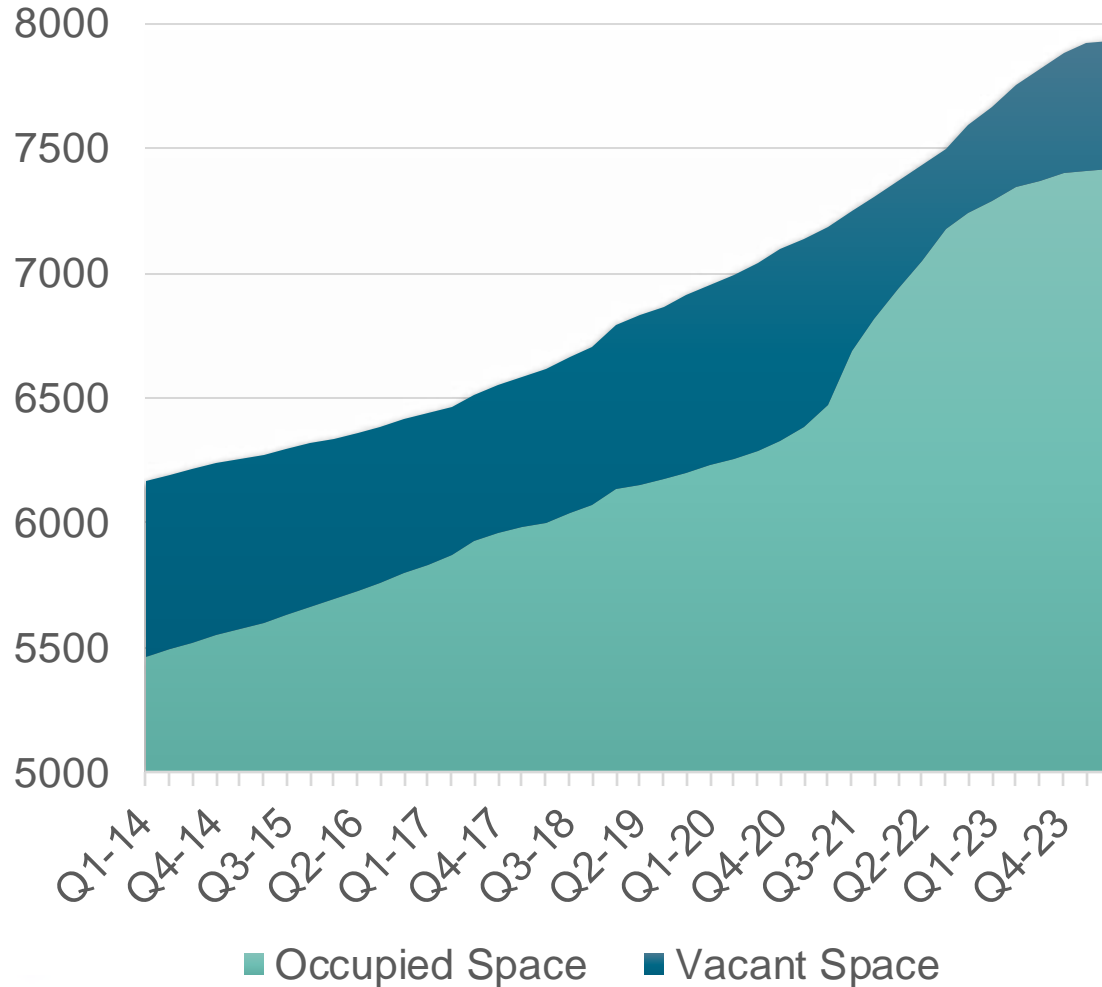


Year over Year Growth E-Commerce Sales

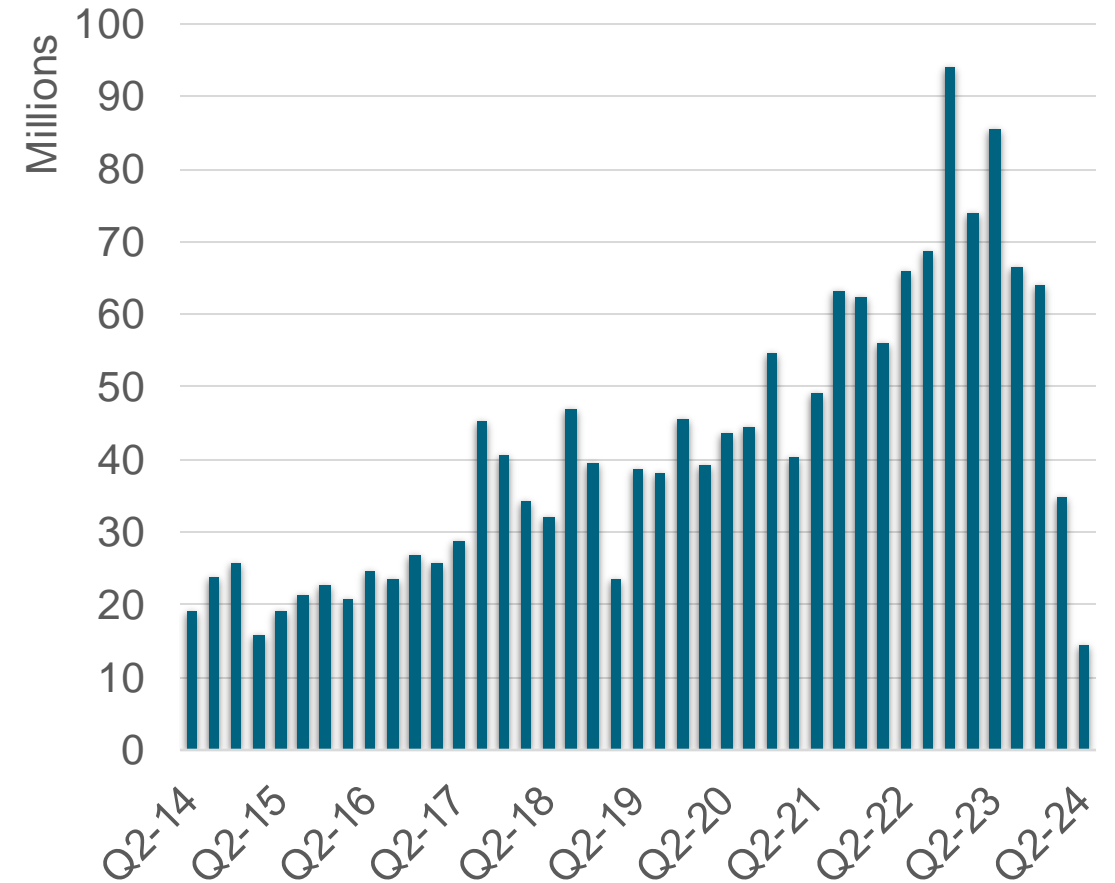


The Industrial Overshoot...

US Warehouse Space

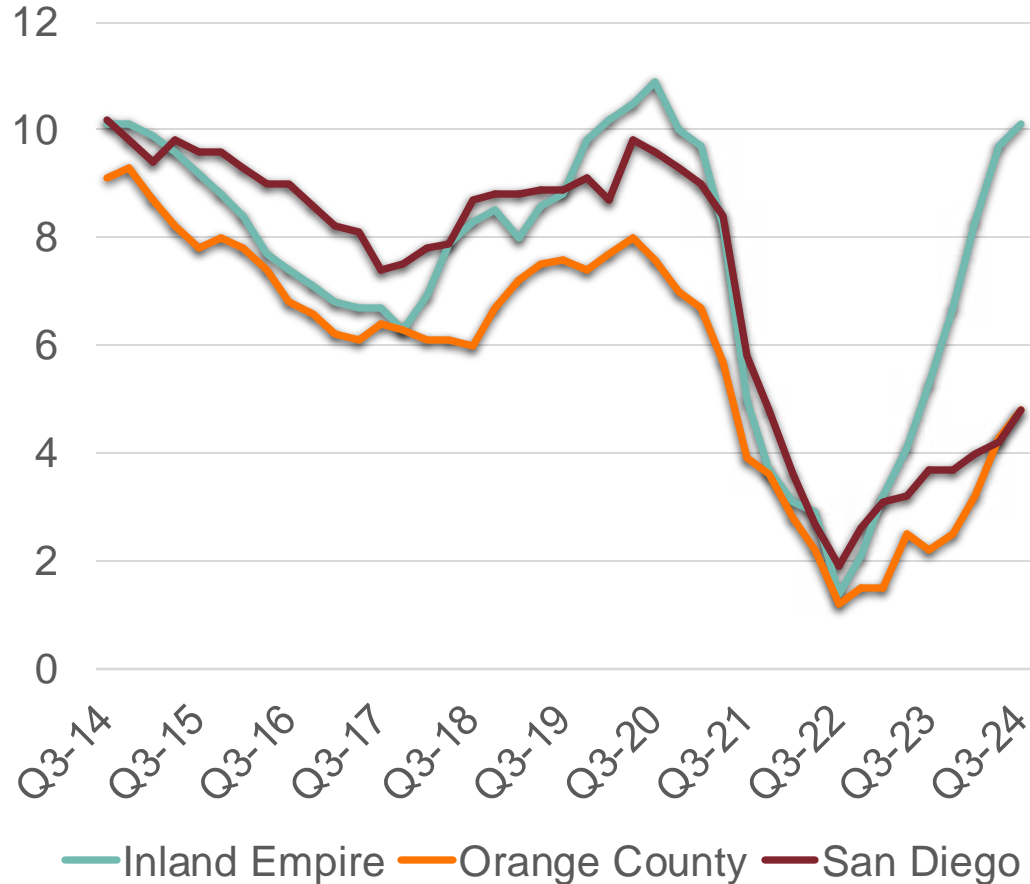


U.S. Warehouse Completions



Los Angeles Warehouse Market

Warehouse Vacancy Rate

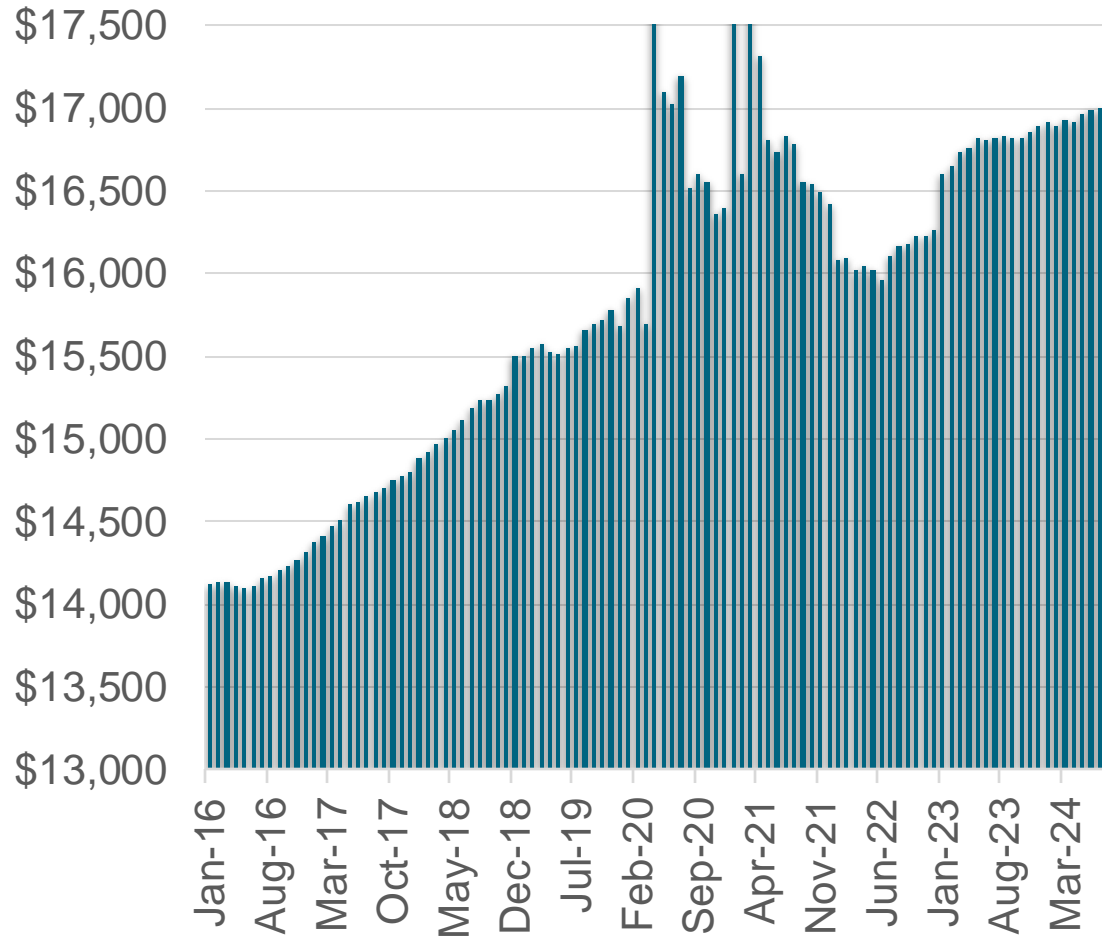


Submarket	Vacancy Rate		
	Q3-24 (%)	1-Yr Change (pp)	Change since Q4-19 (pp)
Warehouse/Distribution			
San Diego	4.8	1.1	-4.3
United States	6.8	0.9	-3.5
Orange County (MD)	4.8	2.6	-2.6
Los Angeles (MD)	4.9	2.5	-0.6
Mid-Cities	5.2	3.0	0.8
Flex/R&D			
United States	6.5	0.7	-3.2
San Diego	5.1	0.6	-6.5
Orange County (MD)	2.9	0.2	-1.9
Los Angeles (MD)	5.3	1.0	1.8
Mid-Cities	5.8	3.4	4.1

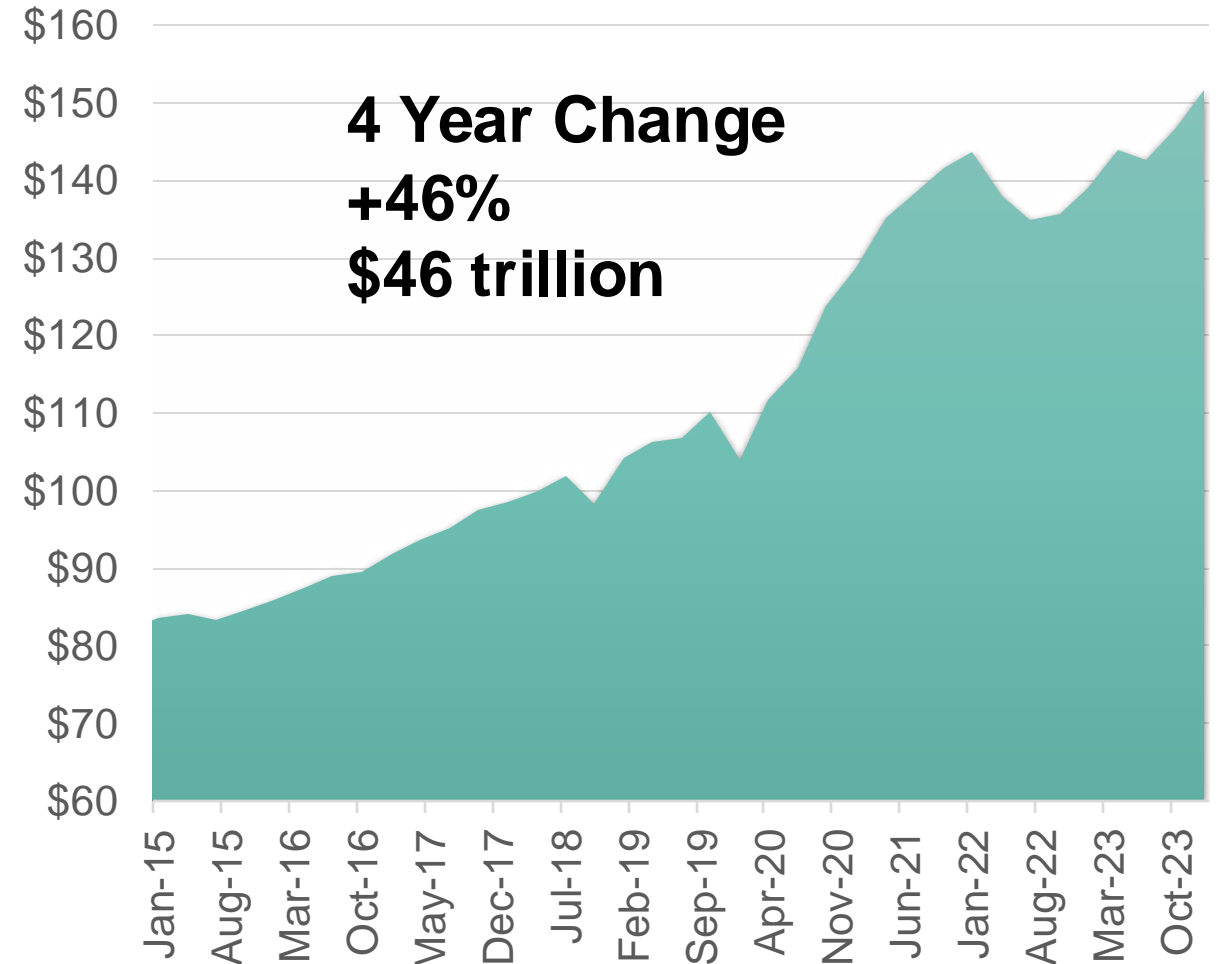


SR Outlook for Consumers: Still Good

Household Real Disposable Income

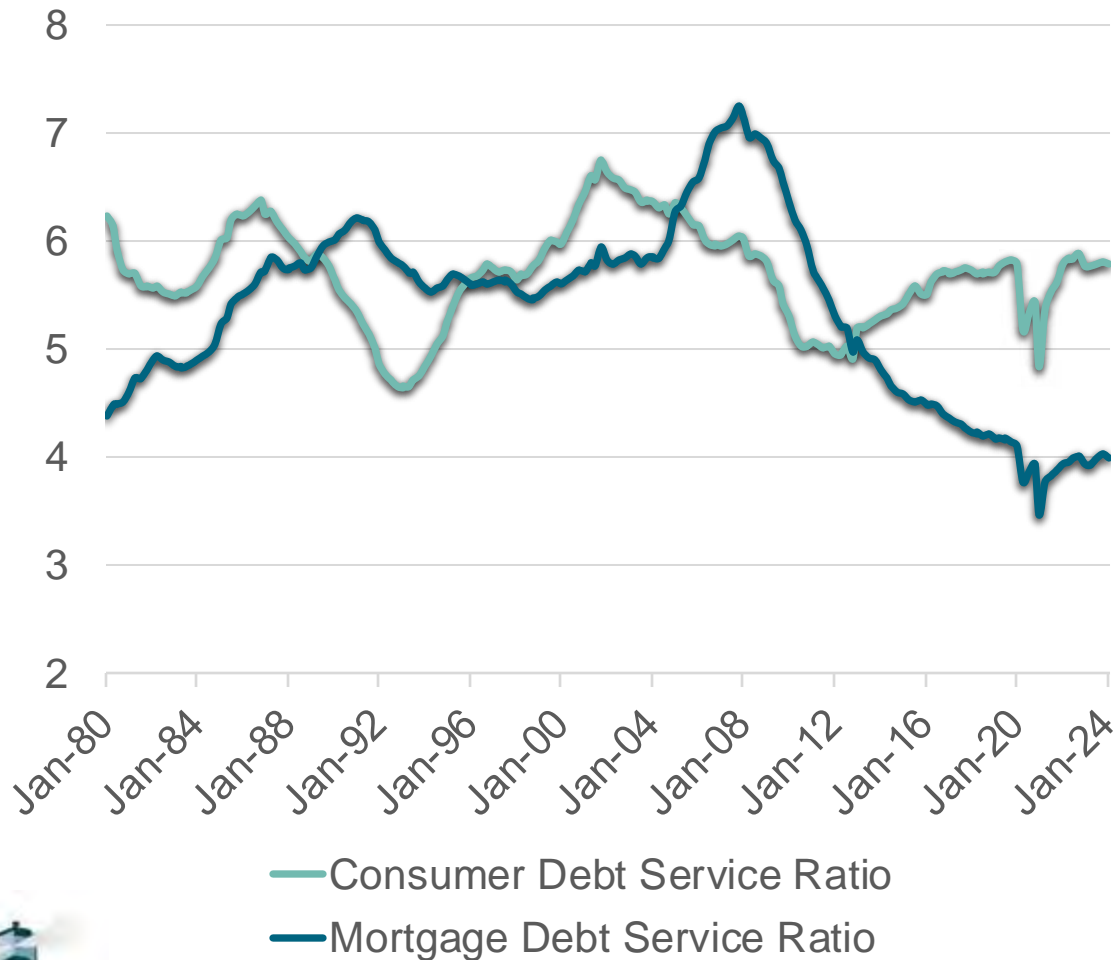


US Household Net Worth (Trillions)

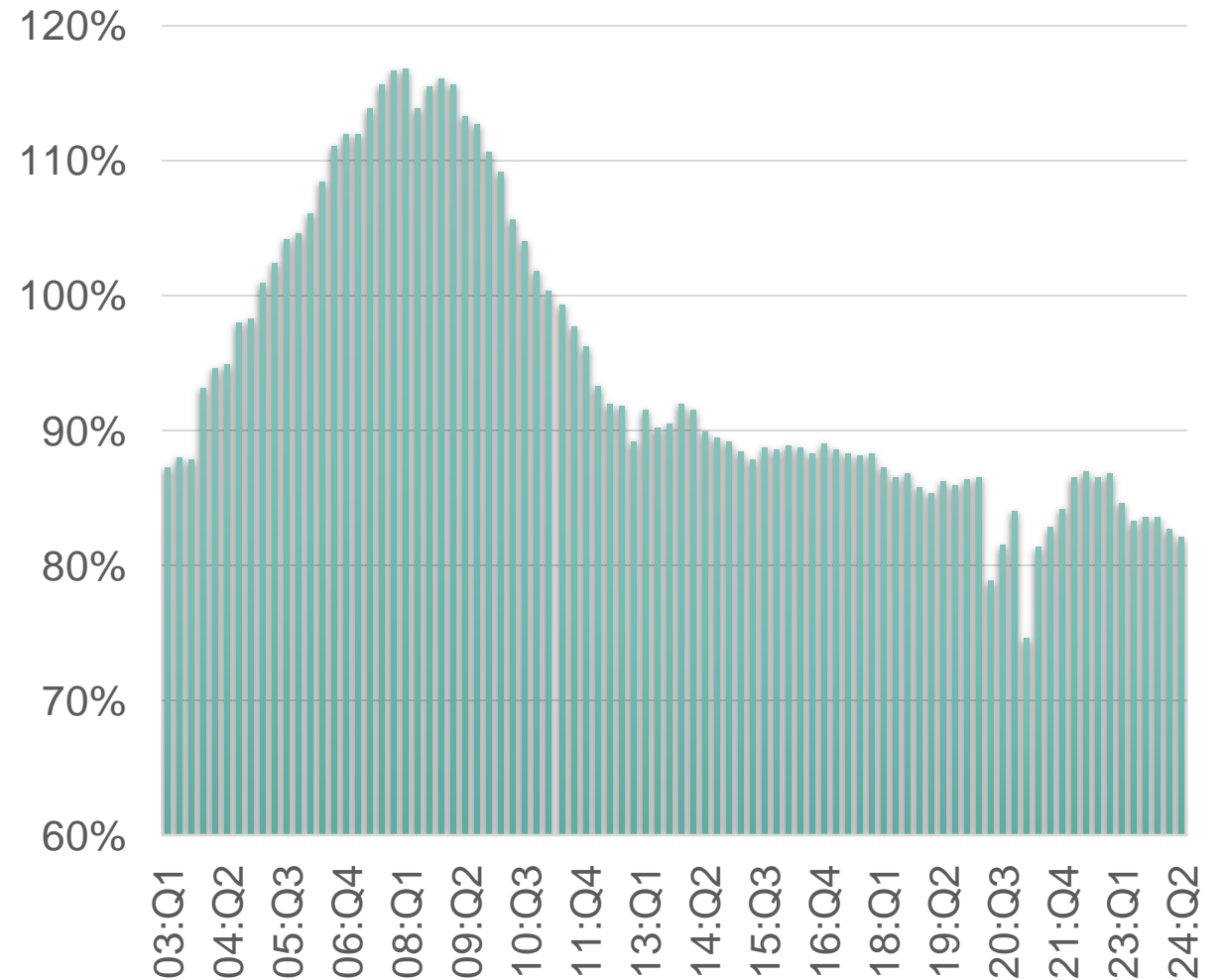


Consumer debt levels: Great

Debt Servicing as Share of Disposable Income (%)



US Consumer Debt to Income Ratios



And California?



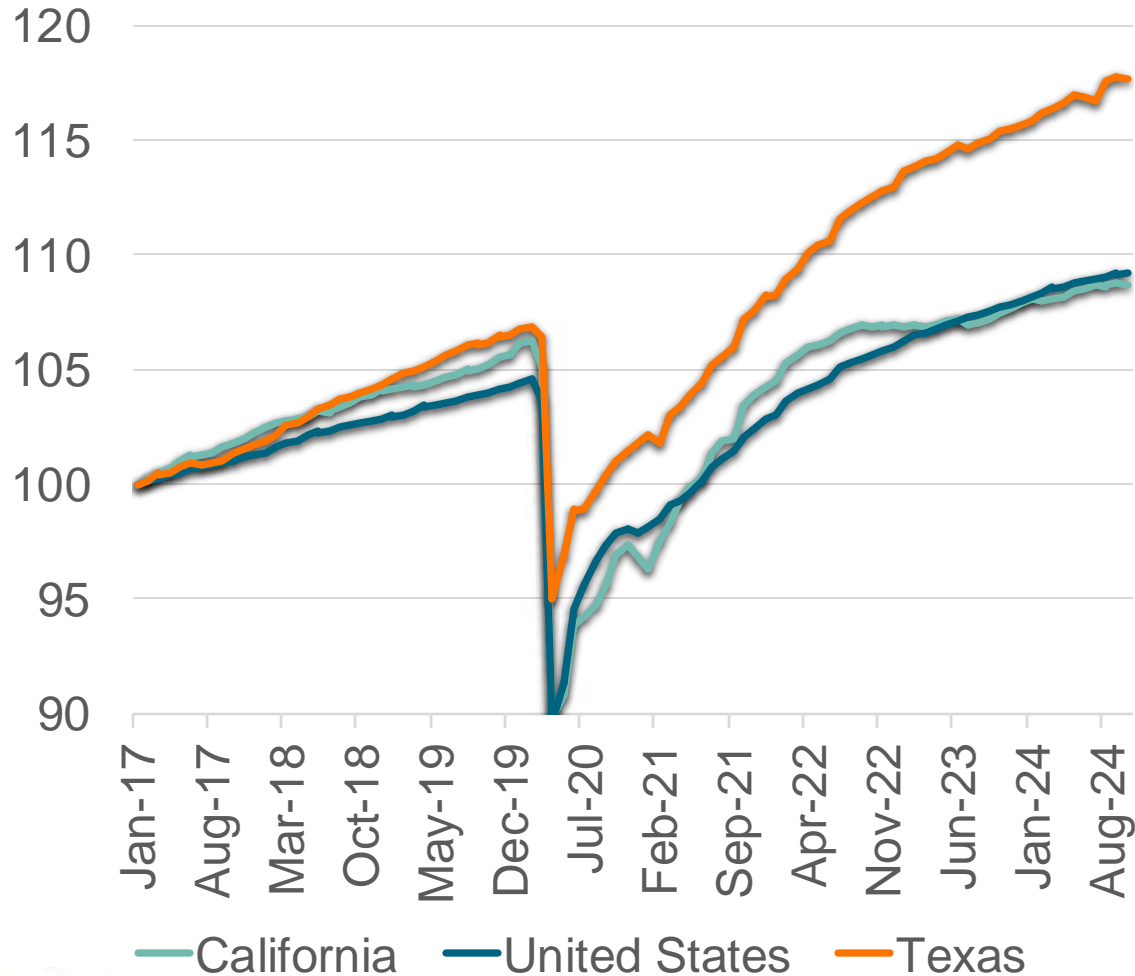
California's Poverty Rate Soars to Alarming High Levels in 2023

New Census Data Show Disproportionate Hardship for Black and Latinx Californians, as the End of Pandemic-Era Policies Reverses Progress

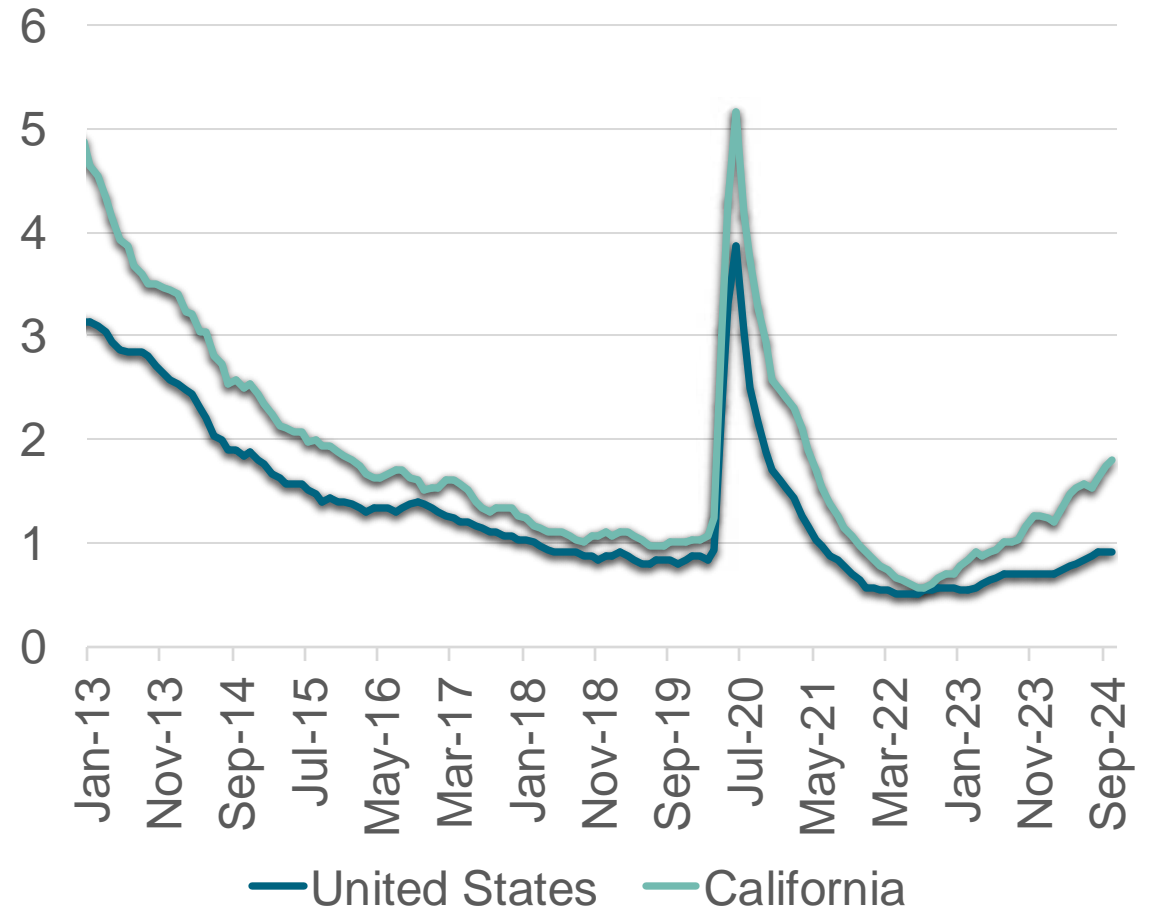


California Labor Markets

Indexes of Nonfarm Employment



Unemployed to Job Opening Ratio

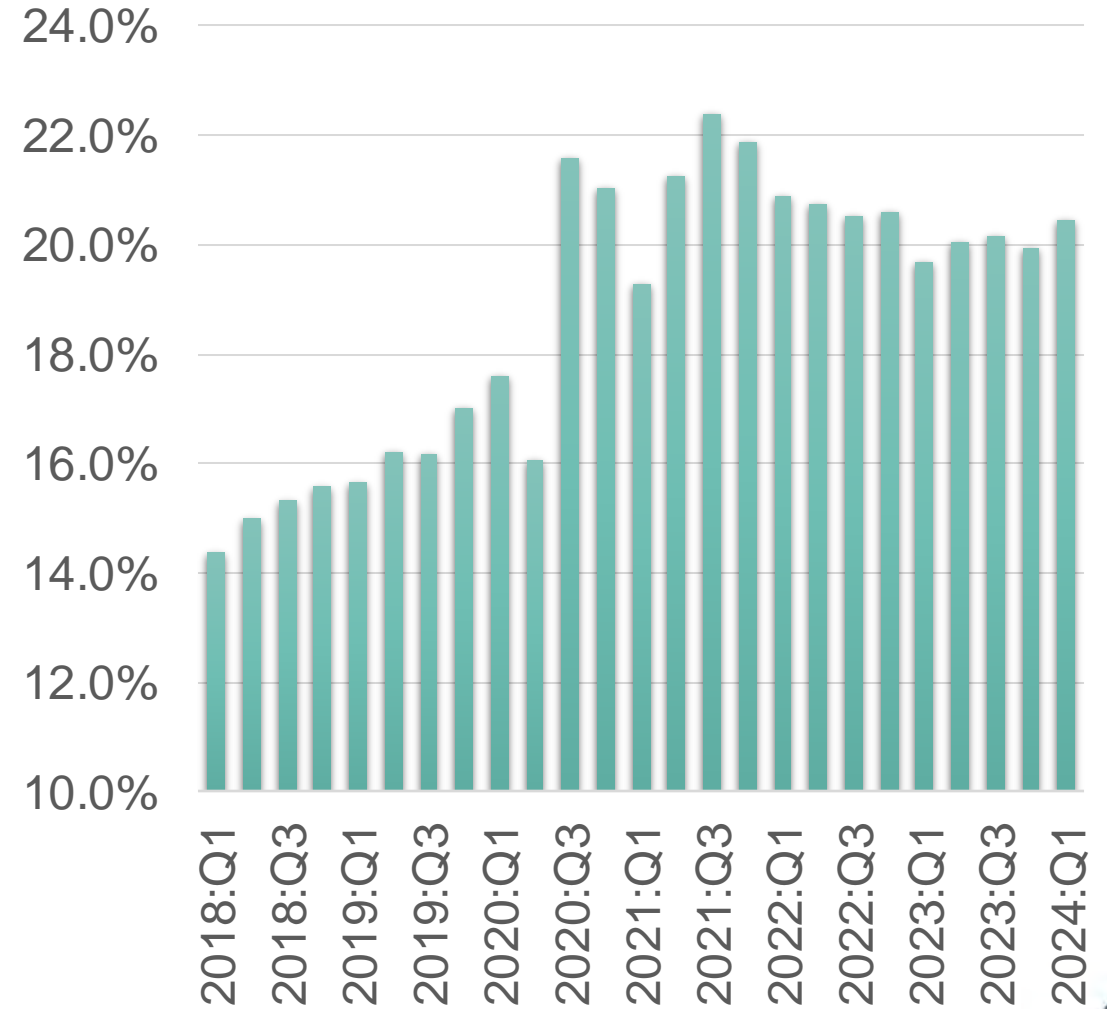


Output and Incomes?

Indexed Real GDP

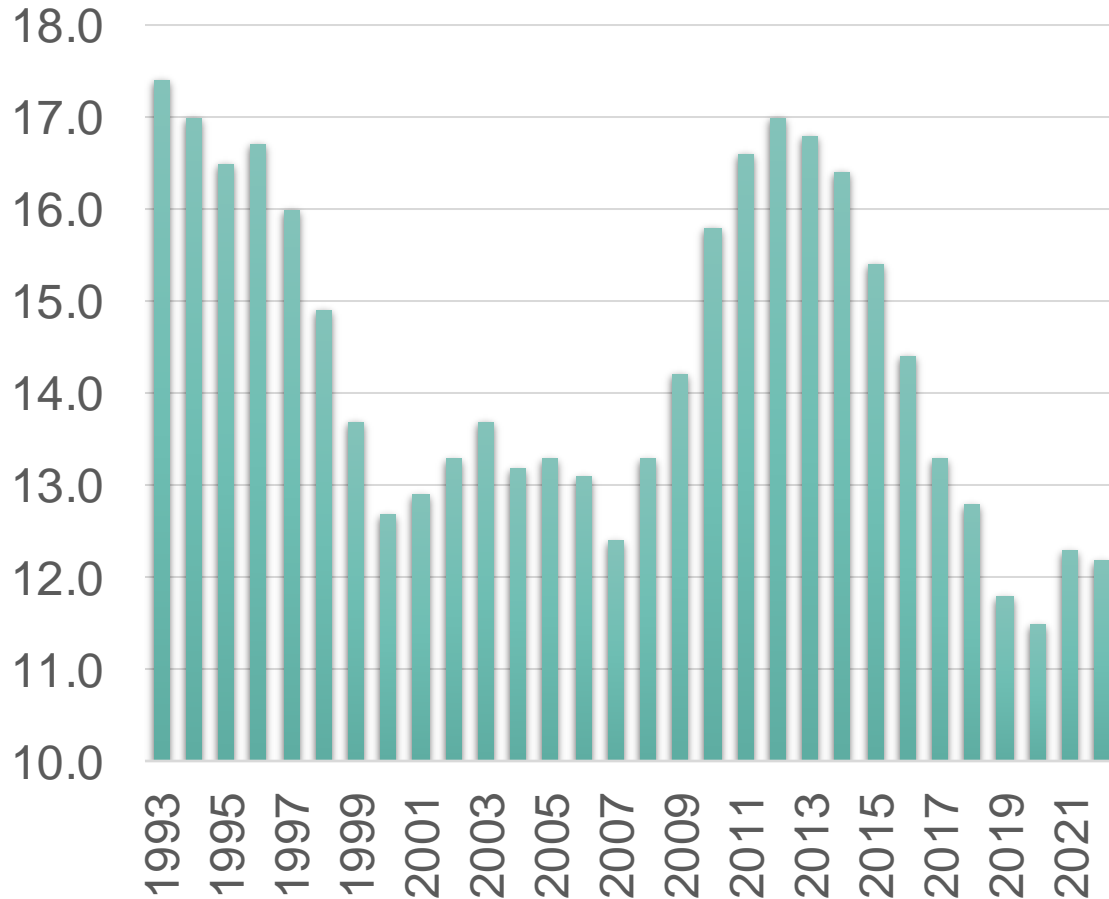


CA / US Per Capita Income Gap



State Inequality?

California Poverty Rate



Median Household Income 2019–2023

	CA 2023	CA / US	GR
All Households	95,521	22.9%	18.7%
Hispanic origin	79,187	14.0%	24.4%
African American	67,476	25.1%	22.4%
Asian	123,928	10.8%	19.0%
White alone	106,214	27.8%	15.3%
Pacific Islander	95,404	28.5%	13.7%





California Budget
& Policy Center

California's Poverty Rate Soars to Alarming High Levels in 2023

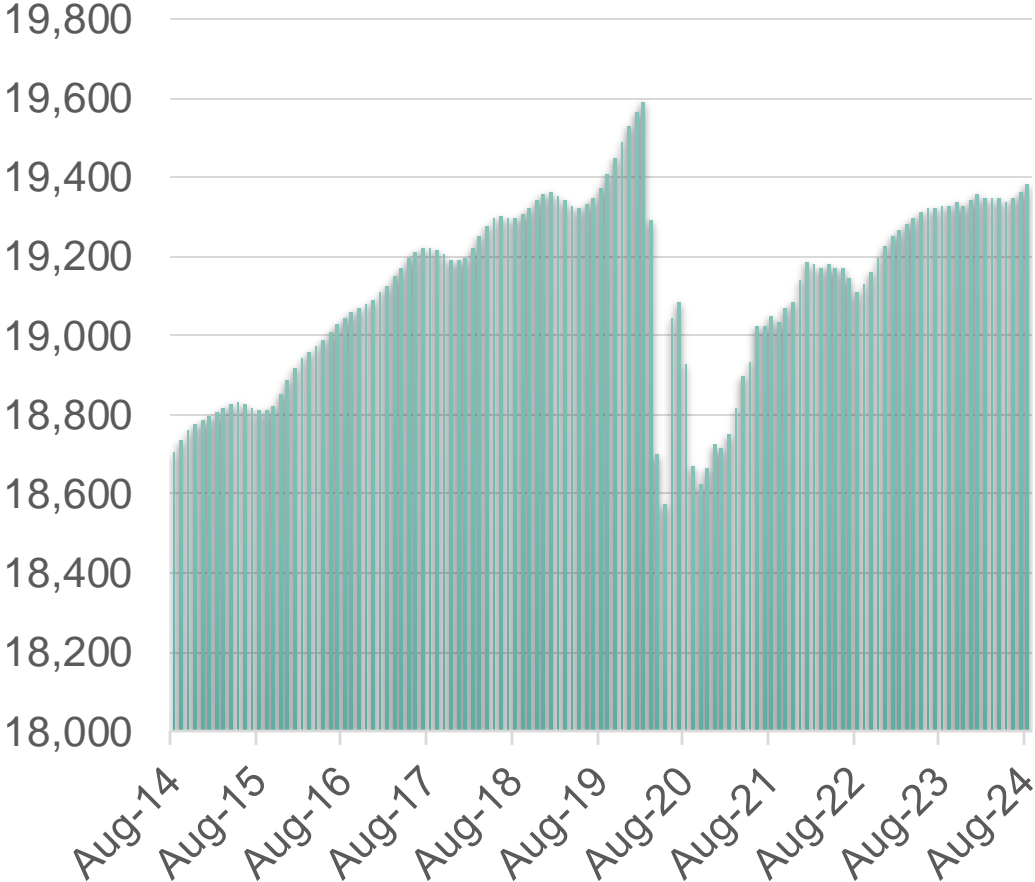
New Census Data Show Disproportionate Hardship for Black and Latinx Californians, as the End of Pandemic-Era Policies Reverses Progress

September 2024 | By [Alissa Anderson](#), [Kayla Kitson](#), [Laura Pryor](#), [Adriana Ramos-Yamamoto](#), and [Monica Saucedo](#)

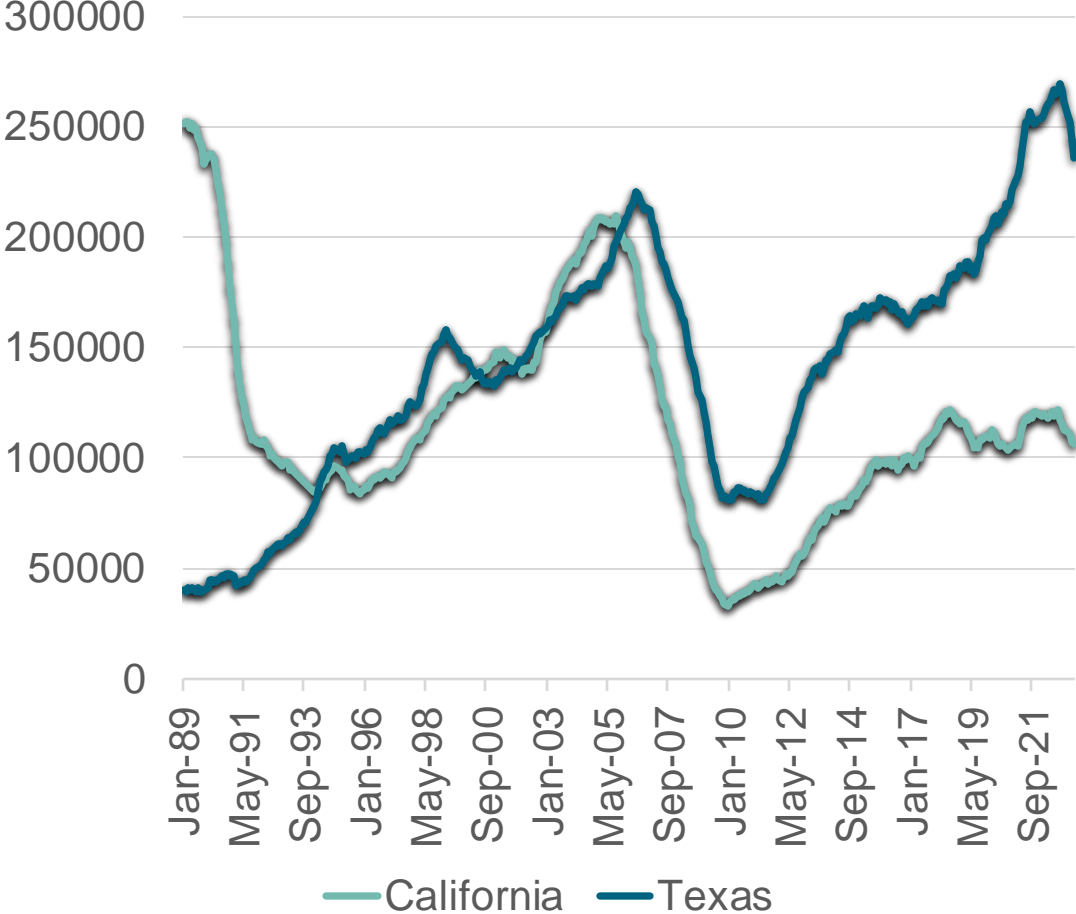


Regional Growth Differences?

California Labor Force



CA vs TX? Put 'em up! (Houses that is)



July 19-July 24

Labor Force

13,000

Payroll
Employment

638,600



Labor Force and Growth

	Payroll Employment		Labor Force	
	Sep-24	5 Year Gr	Sep-24	5 Year Gr
Stockton	287.9	16.0%	355.4	9.2%
Inland Empire	1714.7	10.1%	2196.8	5.9%
Fresno	398.1	9.2%	462.1	2.8%
Sacramento	1101	7.3%	1142.2	3.9%
Bakersfield	293.9	7.0%	396.8	1.8%
Modesto	194.3	6.6%	249.4	2.8%
San Diego	1571.1	4.5%	1596.6	1.3%
Santa Barbara	192.8	2.4%	219.5	-0.5%
Ventura	318.9	1.8%	414.6	-1.6%
Orange County	1707.8	1.8%	1592.9	-1.2%
San Jose	1160.1	0.8%	1062.5	-1.7%
Los Angeles	4587.5	0.3%	5120.7	-1.1%
Santa Rosa	209.7	-0.4%	248.7	-3.5%
San Francisco (MD)	1159.3	-2.7%	991	-4.7%

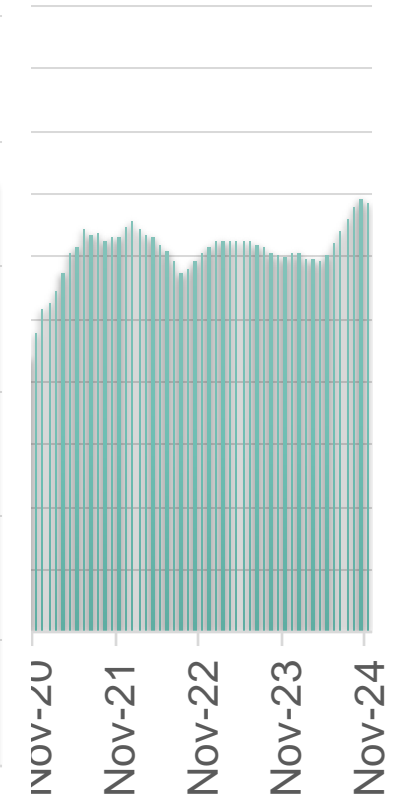
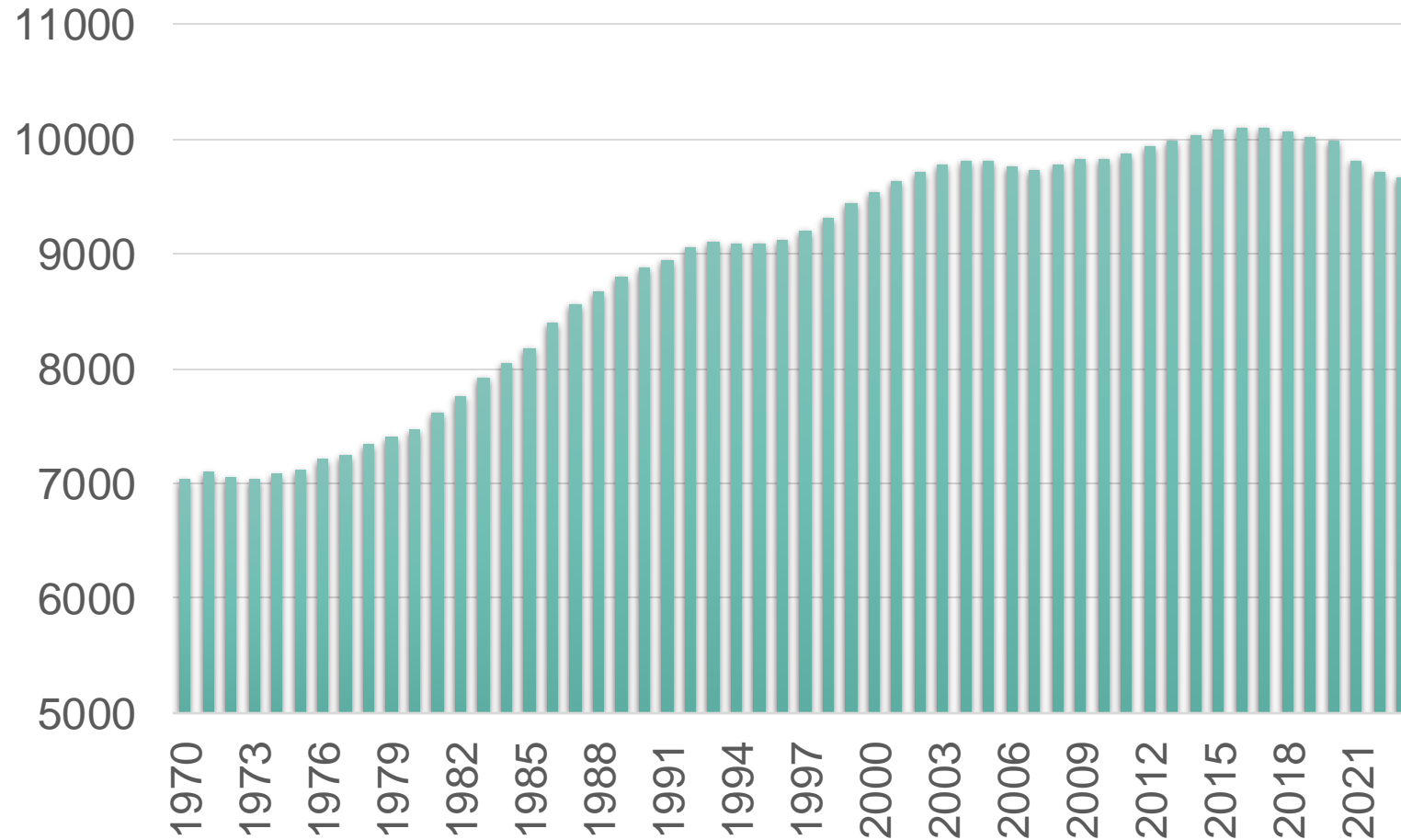


Labor Force

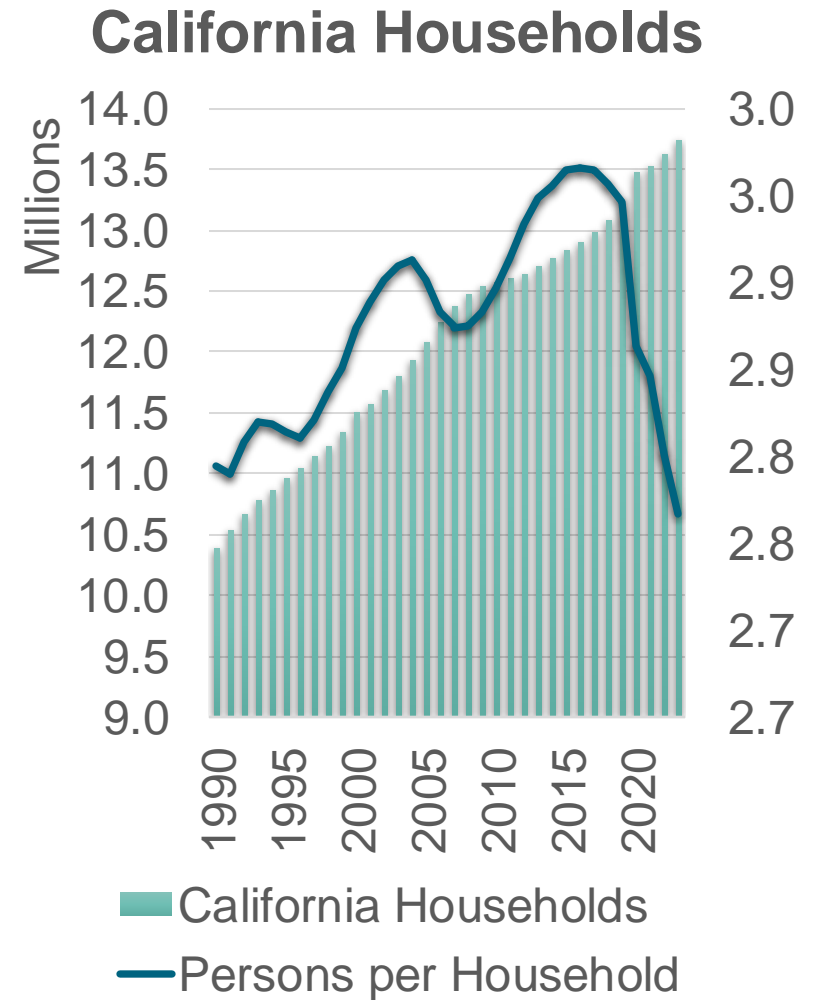
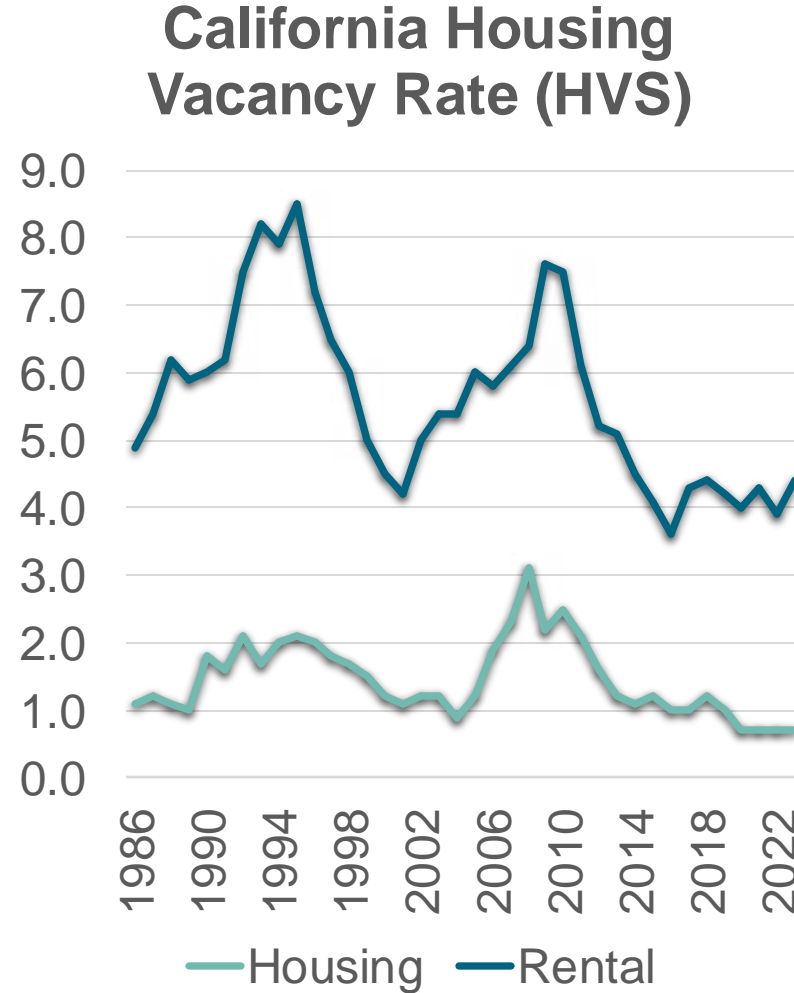
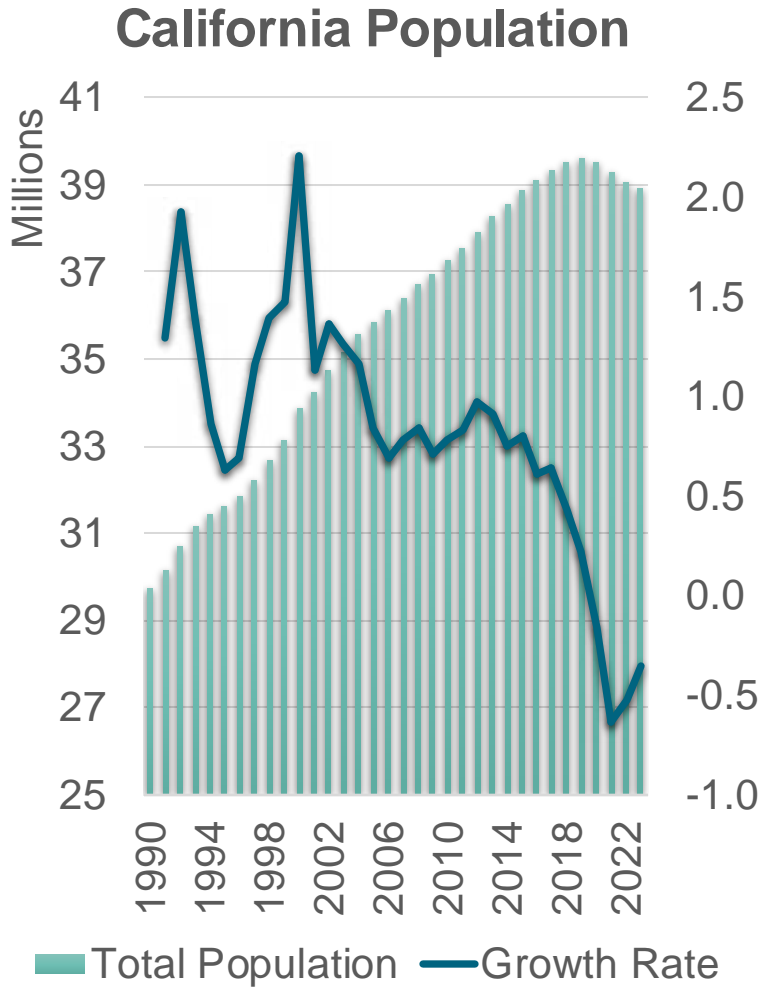
Los Angeles County Population

Labor Force

Location
Dallas
Houston
Phoenix
Denver
Inland Empire
Las Vegas
Seattle
Sacramento
San Diego
Orange County (M)
Oakland (MD)
Los Angeles (MD)
San Francisco (MI)

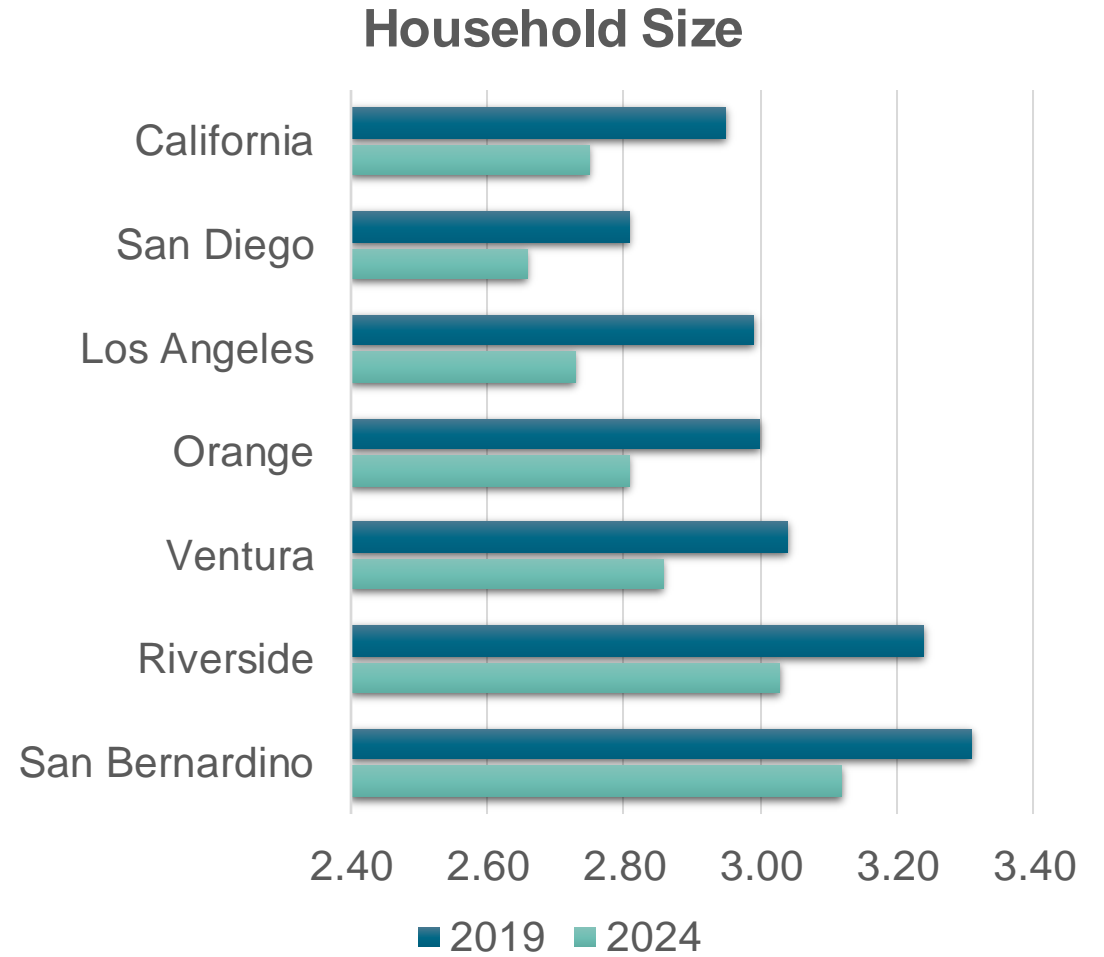


California's "Fleeing" Population?



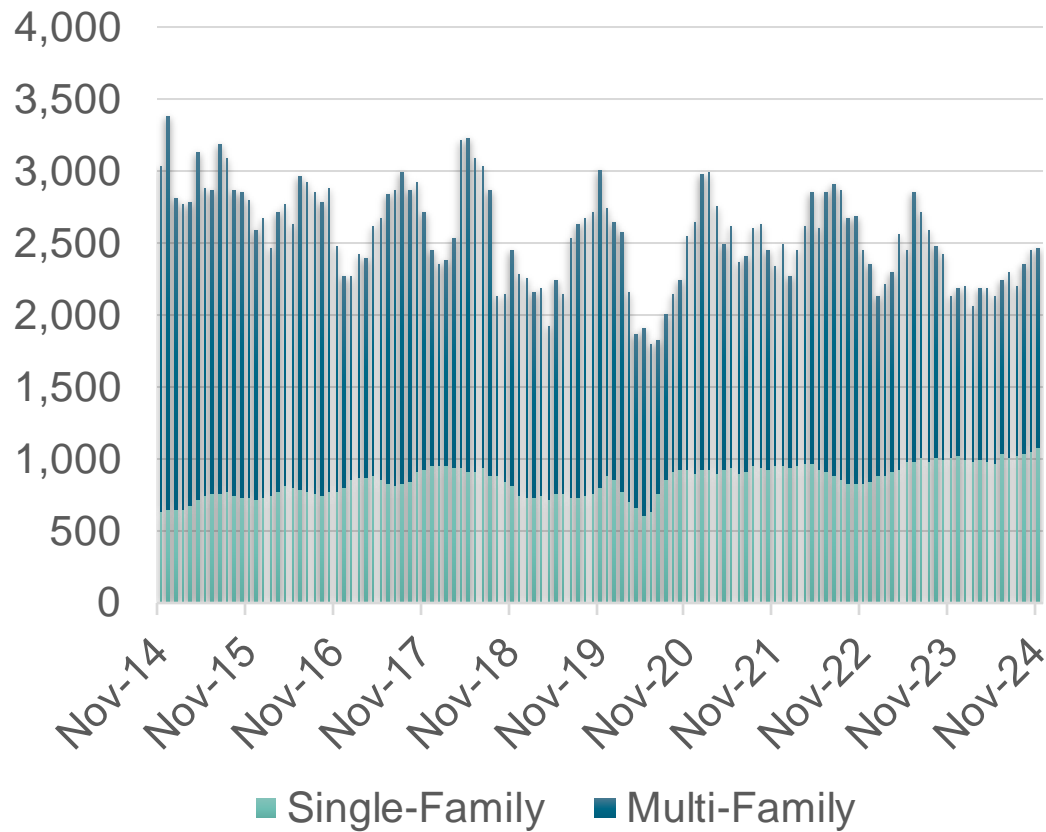
SoCal Housing Needs

	Los Angeles County	Orange County	San Diego County
Population (000s)	9,824	3,151	3,291
10-Yr Chg. (%)	-2.5	0.9	1.8
Occ. Housing (000s)	3,518	1,100	1,196
10-Yr Chg. (%)	7.8	9.4	8.0
Vacancy Rate (%)	4.8	4.9	5.6
10-Yr Chg. (pp)	-1.3	-0.5	-0.6
PPH	2.73	2.81	2.66
10-Yr Chg. (%)	-9.9	-8.2	-5.7



Residential Permits

Los Angeles MSA Residential Permits



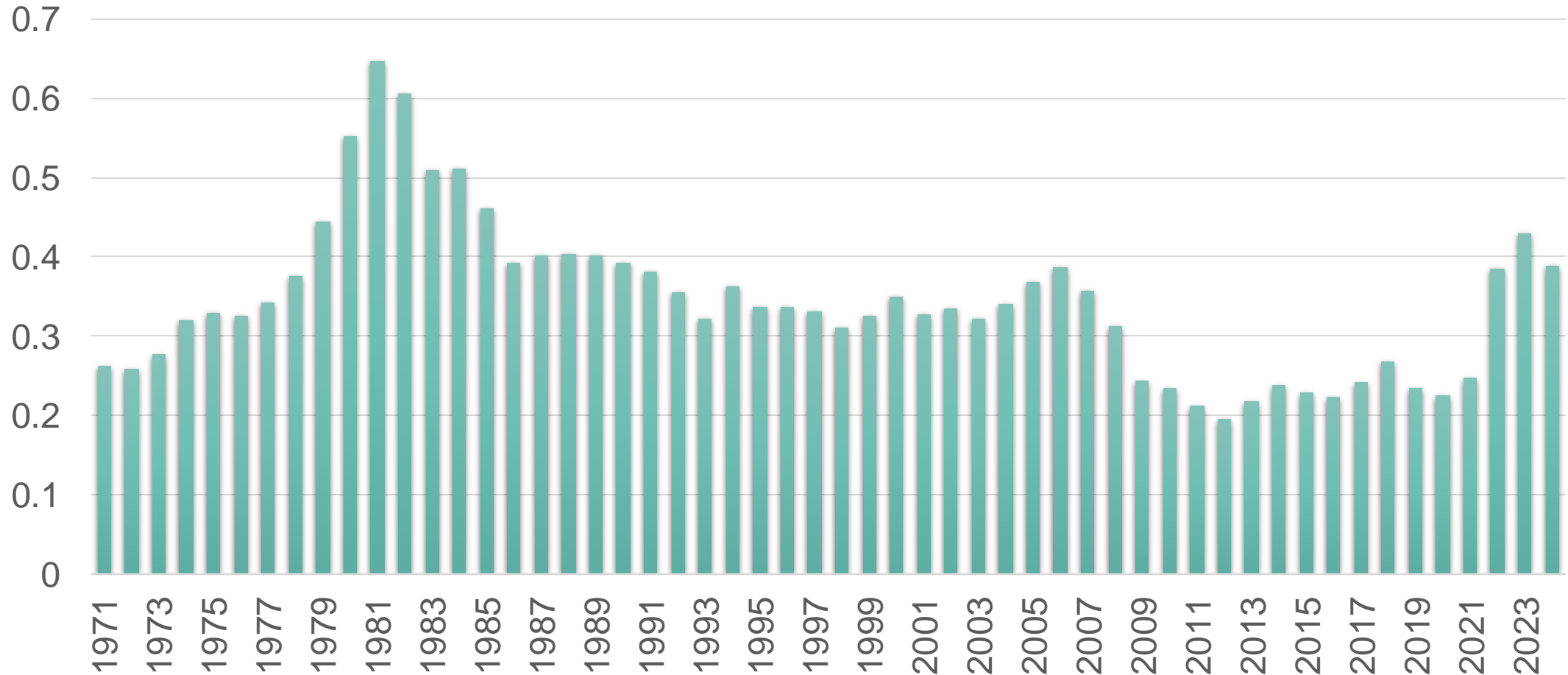
MSA	Nov-24 Res Permits (Units)	1-Year Chg. (%)	Chg. since Feb-20 (%)
California	8,763	-0.5	0.2
Los Angeles	2,471	16.2	-4.2
San Diego	1,378	19.2	117.0
Inland Empire	1,331	-19.1	12.1
Sacramento	899	5.2	6.0
San Francisco	449	-36.2	-53.7
Fresno	359	30.5	44.0
San Jose	299	-25.6	-23.0
Stockton	270	7.8	57.2



Housing?

National Home Affordability

Carrying Costs of Median Priced Home as % of Median HH Income

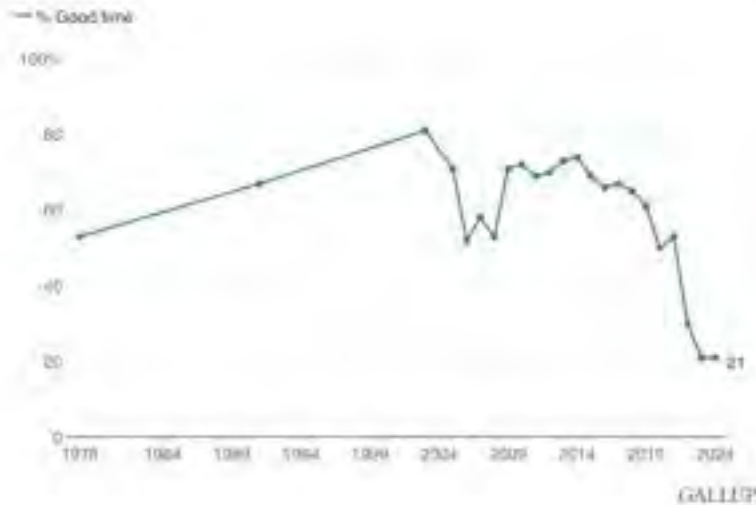


Real Estate Uncertainties 2019



Americans' Positive View of U.S. Housing Market Remains at Record Low

For people in general, do you think that now is a GOOD time or a BAD time to buy a house?



Real Estate / Market Outlook

Housing Market Crisis 2.0: The Jury Is In For 2018-2019



FORECLOSURE

Real Estate Markets Cooling Across The Country, And It's Not Just The Winter Effect




Report: Seattle housing market continues downward trajectory

Housing Is Already in a Slump. So It (Probably) Can't Cause a Recession.

A decline in residential real estate has led several recessions. With unemployment still in a persisting slump, it seems unlikely to be the

Southern California home sales crash, a warning sign to the nation




 Fox Business

Homes are now unaffordable in 99% of the US for average Americans

Housing prices in 99% of U.S. counties are now more unaffordable than ever for the typical American, thanks to the astronomical rise in...




 InvestorPlace

Housing Market Crash: Wells Fargo Warns of 1980s Recession

Could sky-high mortgage rates set off a housing market crash in 2023 or 2024? A group of experts warn that a collapse could be imminent.



 Fortune

The U.S. housing market has gotten so expensive that income would have to jump 55% to make buying 'affordable,' real estate executive says

There's one undeniable fact about the U.S. housing market. It's just not affordable for the vast majority of potential homebuyers.



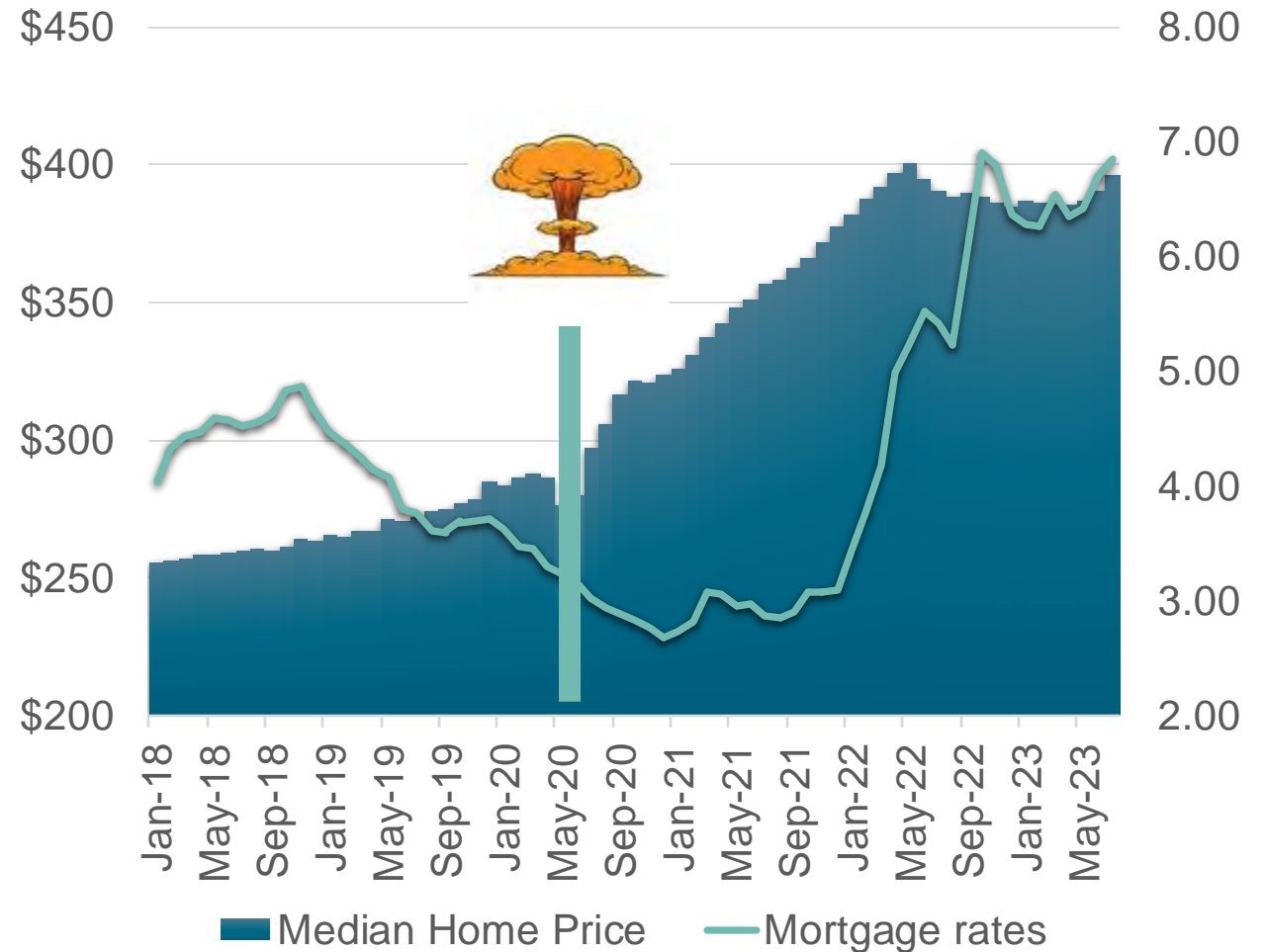
Housing: A Rate Whiplash



Case Shiller Home Price Appreciation
July 20 – July 22

Tampa	64.0%	Los Angeles	37.9%
Phoenix	62.0%	SF	35.1%
Miami	61.4%	New York	34.9%
Dallas	54.2%	Boston	34.6%
Charlotte	49.5%	Portland	33.6%
LV	49.2%	Cleveland	30.9%
SD	49.1%	Detroit	29.4%
Atlanta	45.8%	Chicago	27.4%
Seattle	43.9%	DC	26.0%
Denver	40.3%	Minneapolis	24.6%

Existing Home Market



The Yin and Yang of New Home Markets

US Housing Vacancy Rates (%)

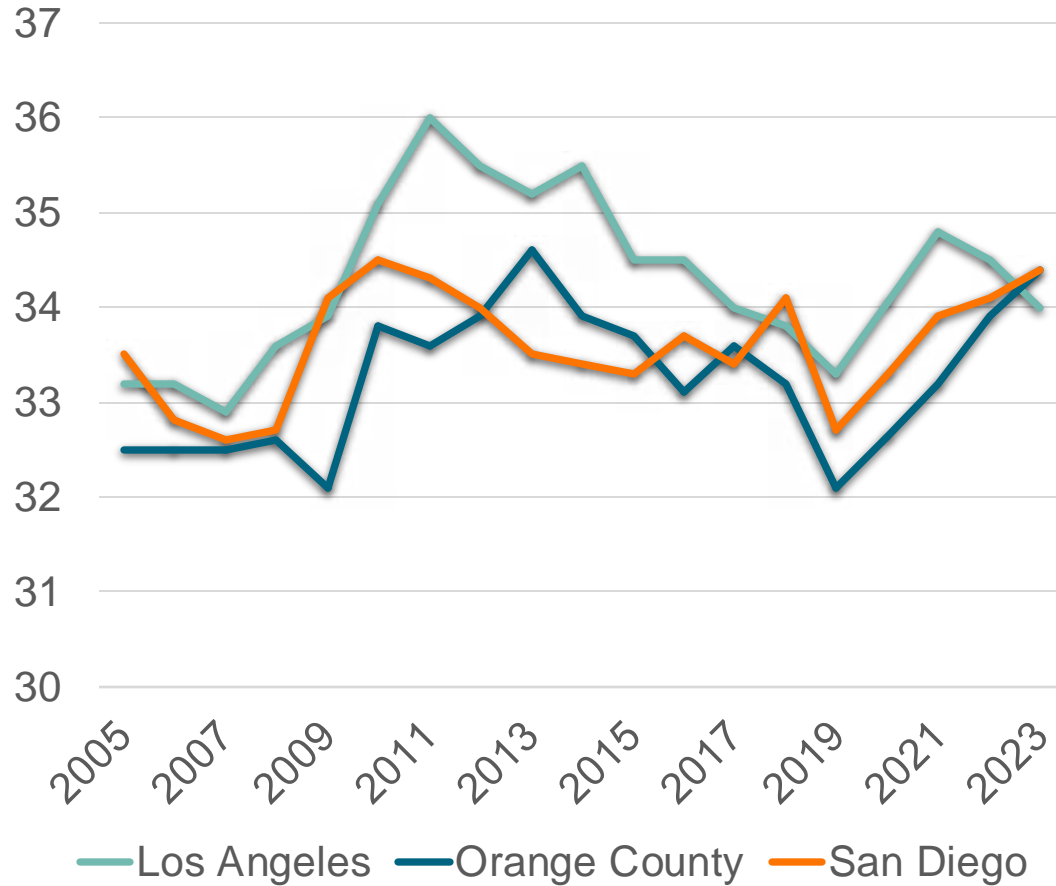


Months Supply of Units for Sale



Rental Affordability?

Median Rent as a % of Income



	Rent/ Inc	Post-Rent Income
	2021-22	2021-22
US Average	30.8%	\$ 30,825
Ventura	36%	\$ 43,842
Marin	36%	\$ 50,131
Los Angeles	36%	\$ 37,605
Riverside	35%	\$ 36,557
Santa Barbara	35%	\$ 42,613
San Bernardino	35%	\$ 35,564
San Diego	34%	\$ 45,658
Orange	34%	\$ 50,153
Sacramento	34%	\$ 37,327
San Joaquin	33%	\$ 37,283
Fresno	33%	\$ 29,867
Monterey	31%	\$ 48,093
Santa Clara	28%	\$ 77,608

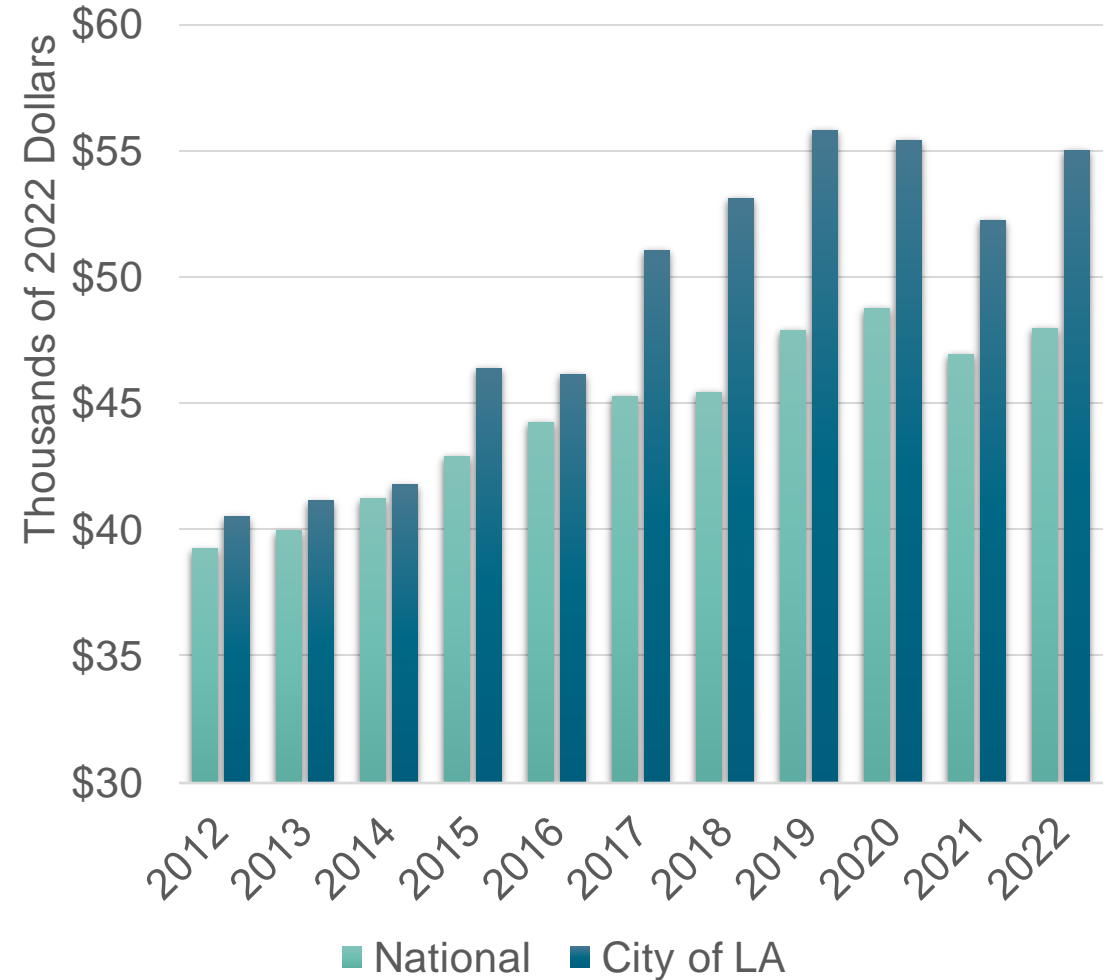



State of LA Renters (CAA report)

Share of Renters Late on Rent



Real Median Renter Pre-Tax Income



 The Real Deal

LA County wants to cap rent hikes at 3% for 52K units in unincorporated areas

The Los Angeles County Board of Supervisors voted 3-to-2 this week to rewrite rent stabilization rules to bar many landlords from raising rents by more than 3...

Jun 5, 2024

Most L.A. residents continue to believe homelessness and housing affordability are a serious problem

■ 2019 ■ 2024

Homelessness



Housing affordability



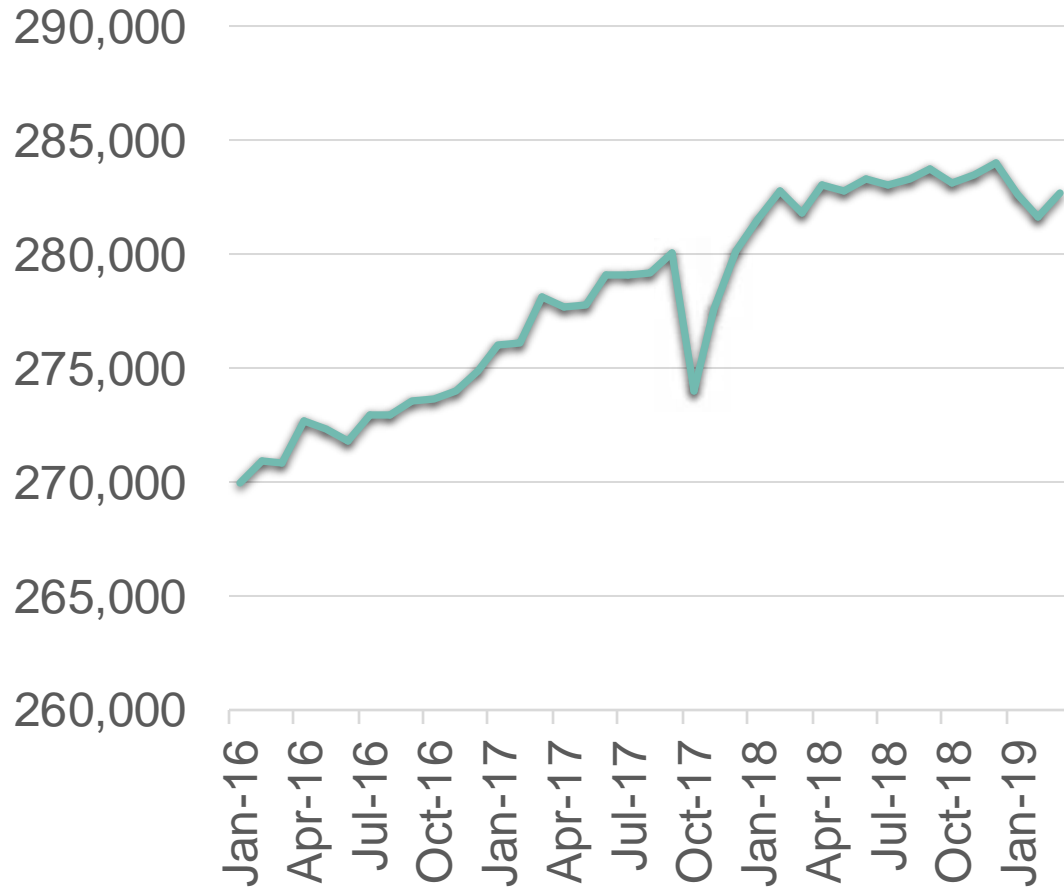
The poll surveyed 600 registered voters in the city of Los Angeles from April 3 to April 7.

2024 LABC Institute Housing Affordability Survey in Partnership with the Los Angeles Times

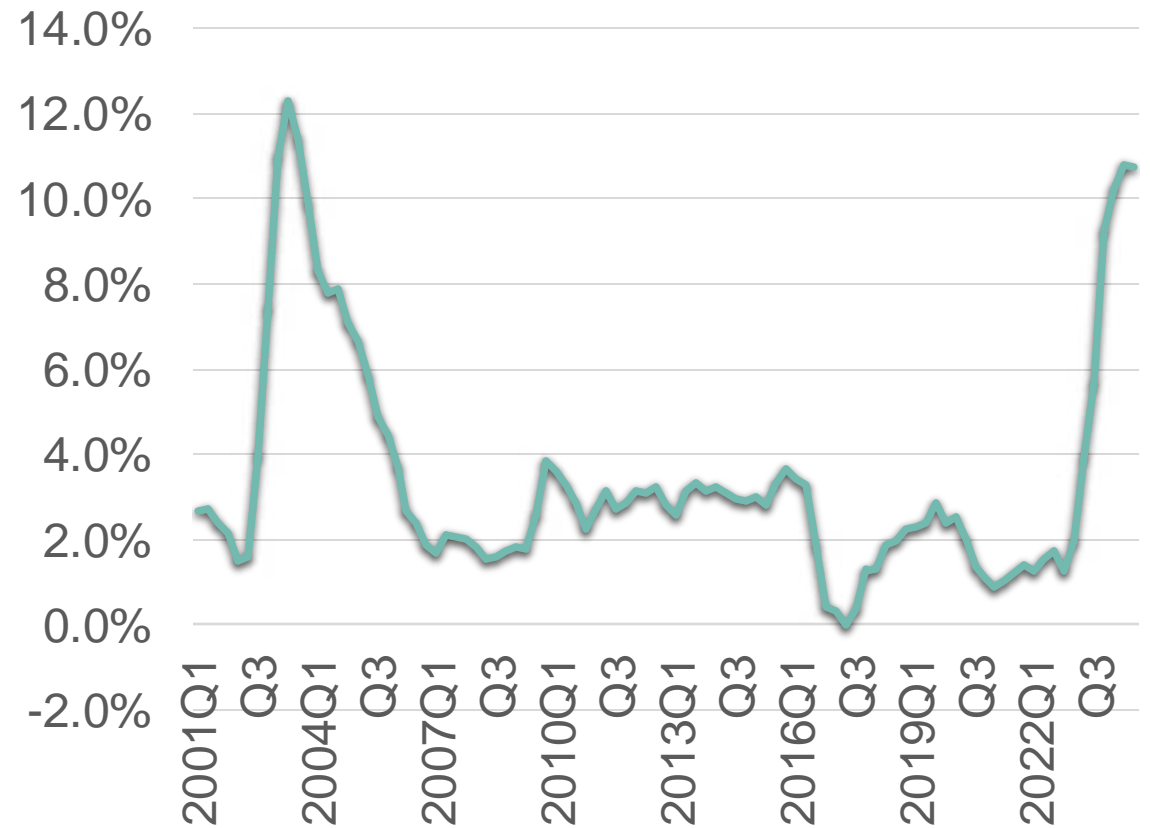


And the fires?

Napa Sonoma Employment



YoY Change Housing Insurance Prices



Narratives of Fed Policy?

The Federal Reserve Narrative

- US inflation due to some exogenous shock
- Inflation is now being driven by inflation expectations
- Inflation is causing substantial harm to American households
- The Fed must fight inflation and it is worth the loss of some jobs / higher unemployment





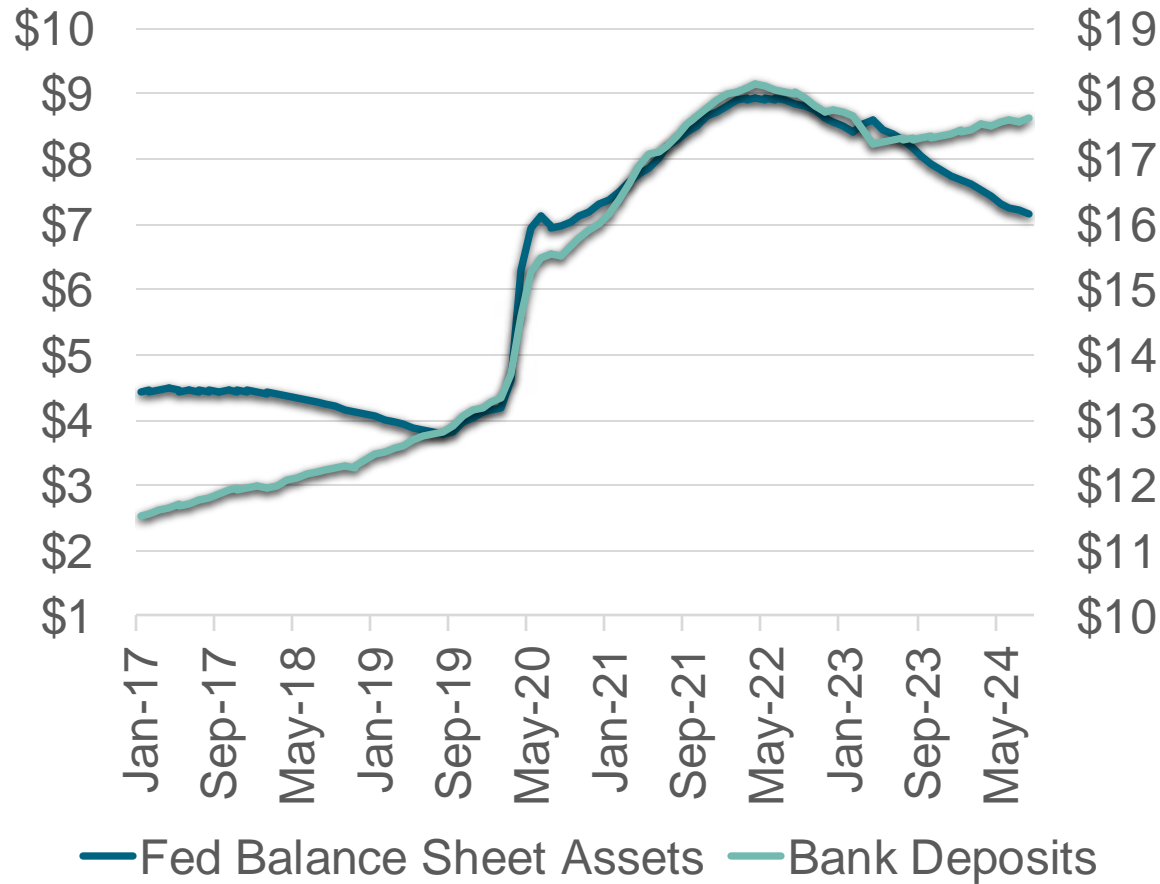
In light of the progress on inflation and the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point to 4-3/4 to 5 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

Yes this is what he said apparently:
"The time has come for policy to adjust."
"The direction of rates is clear... and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks."

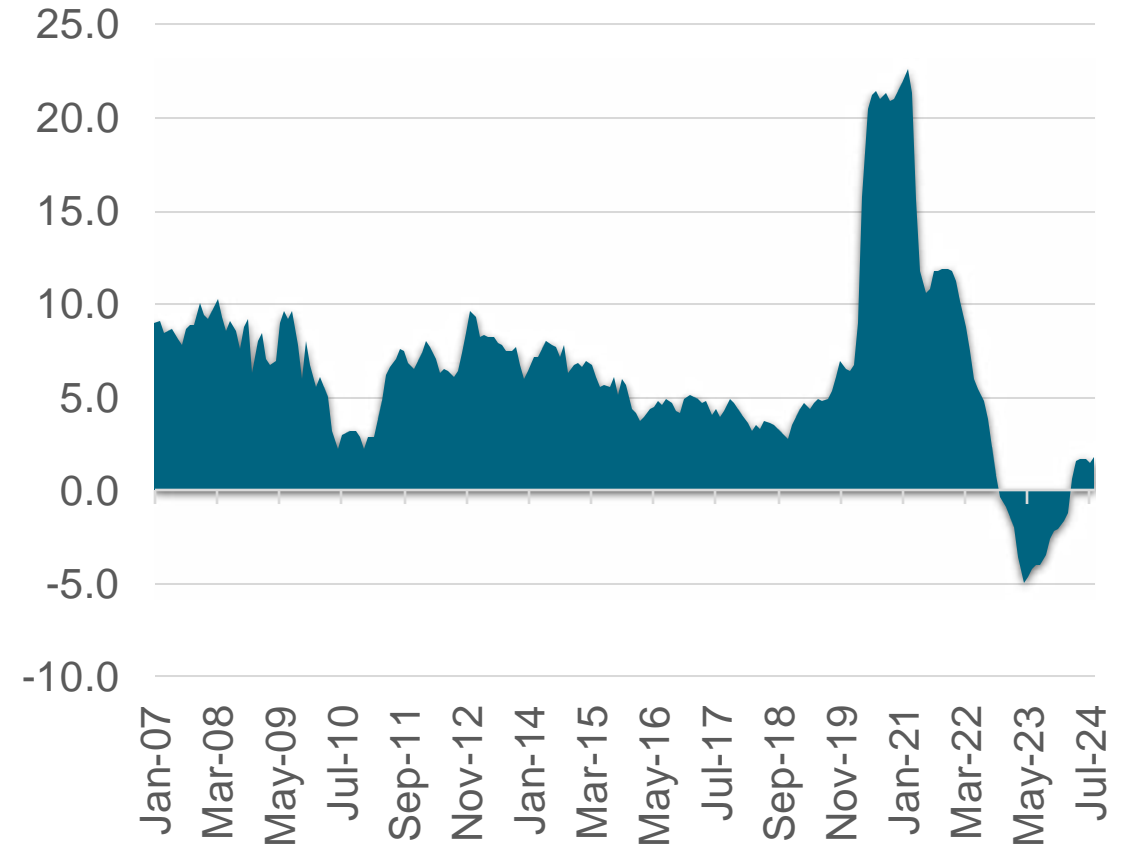


Credit Crunch: Quantity, Not Quality

Deposits and the Fed Balance Sheet \$Trillions



Credit still constrained by QT YoY Growth Commercial Bank Deposits (%)

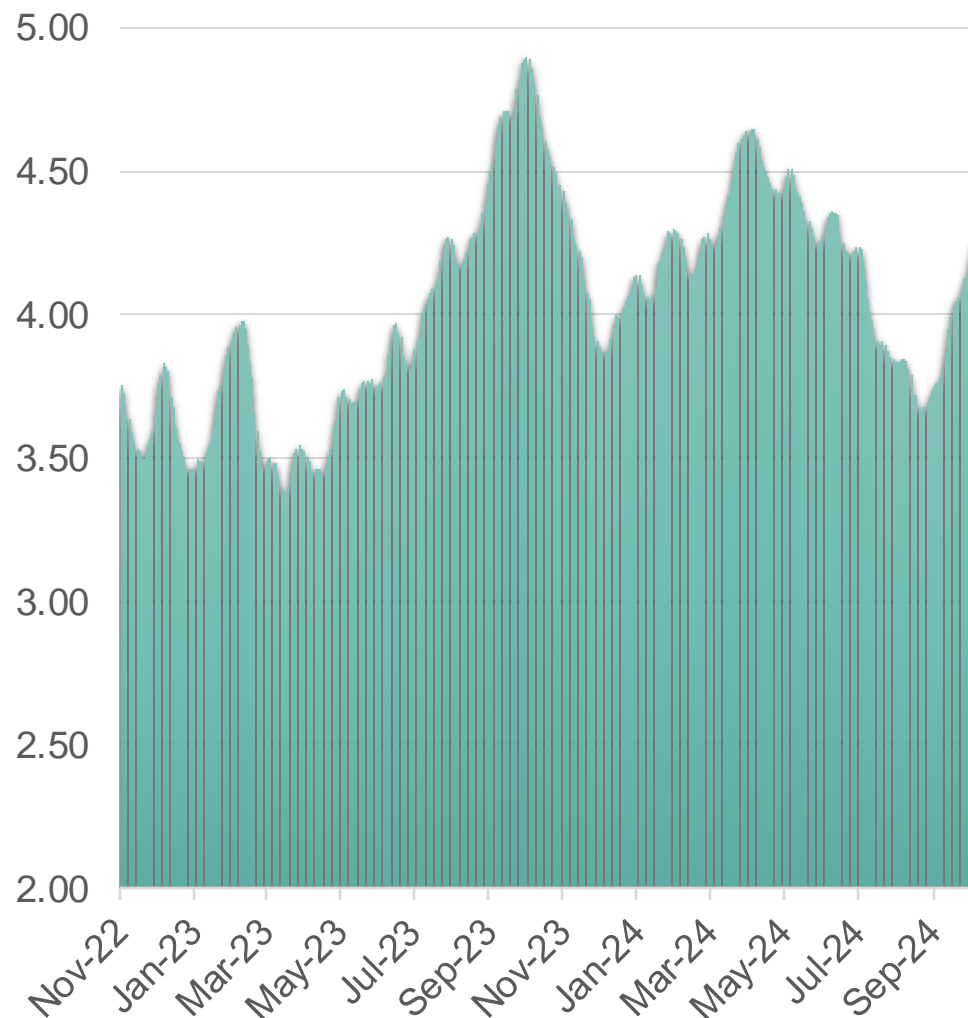


Hold the cork...

Need to Unwind the Yield Curve: Rate on 10 Year – Rate on 3 Month



10 Year Bond Yield



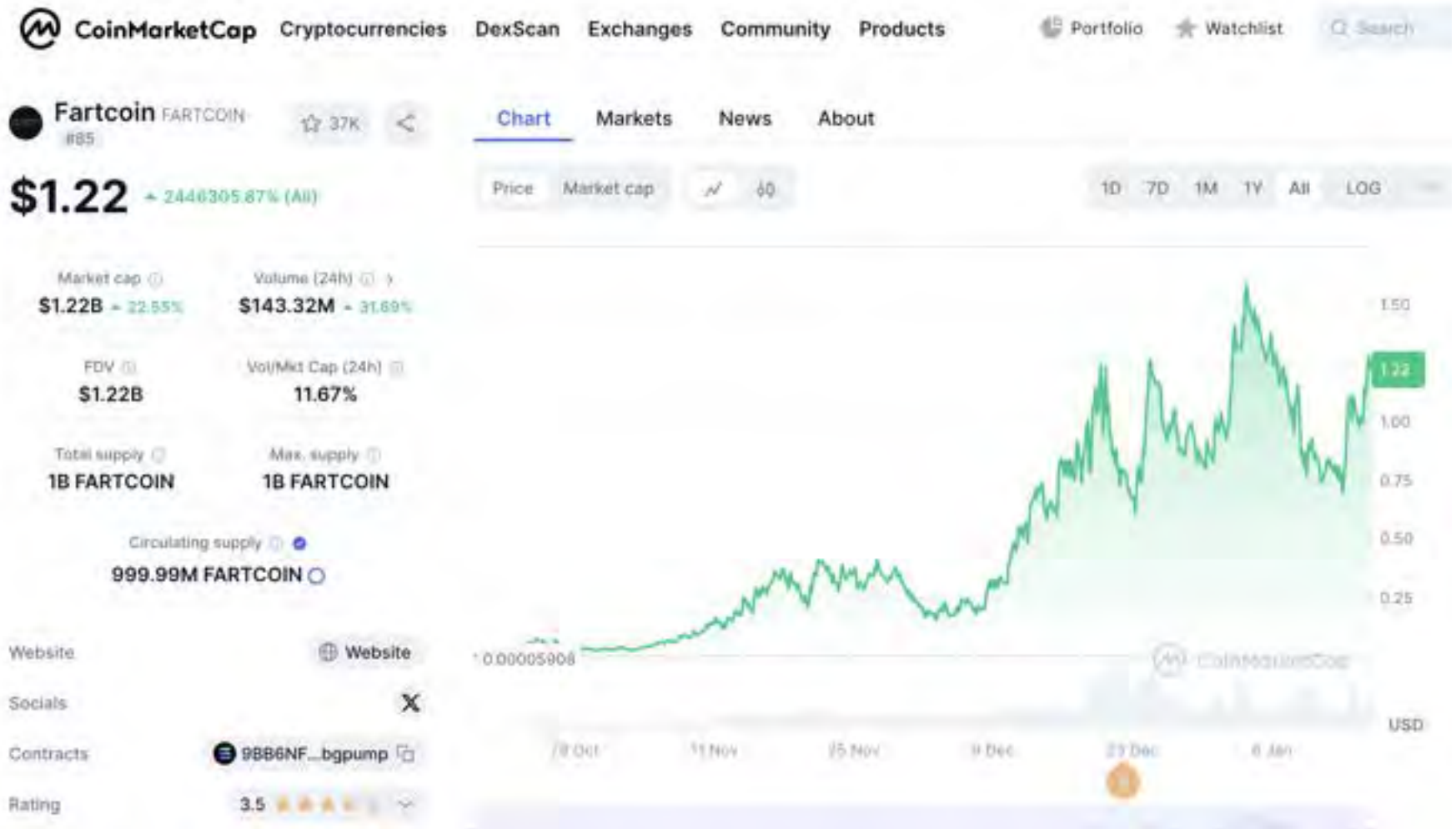
Powell's Other Legacies; Asset Bubbles

Shiller Cyclically Adjusted Stock Market Price Earnings Ratio



*"So I says to the doc,
'Does this thing look like a bubble to you?'"*





Powell's Legacy: The Federal Deficit

Federal Deficit, Percent of GDP

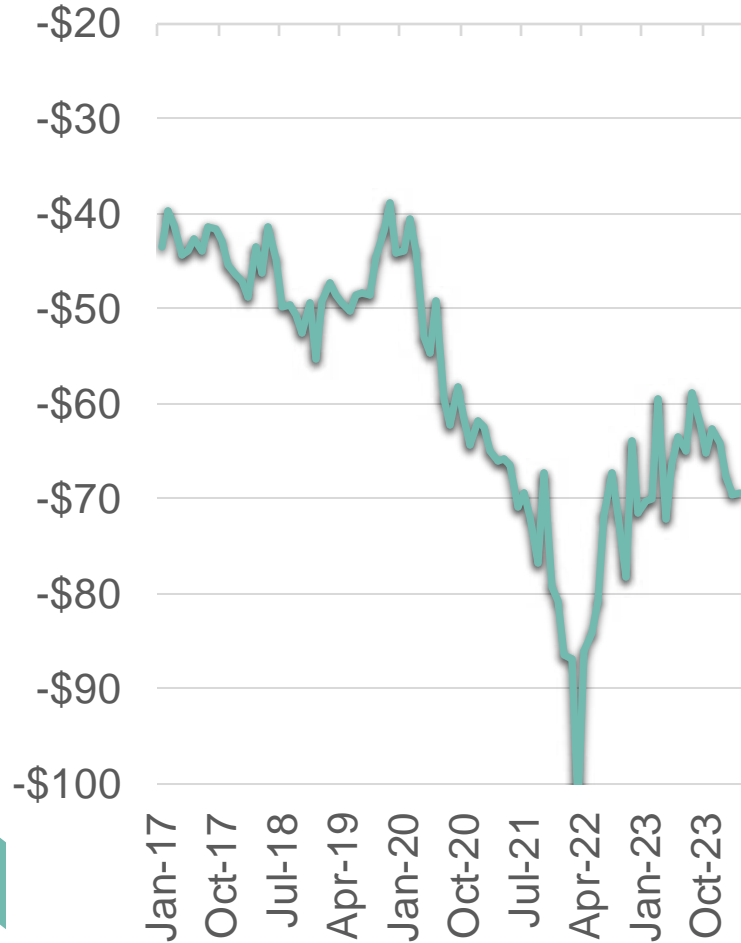


A Spending Issue



Growing External Imbalances

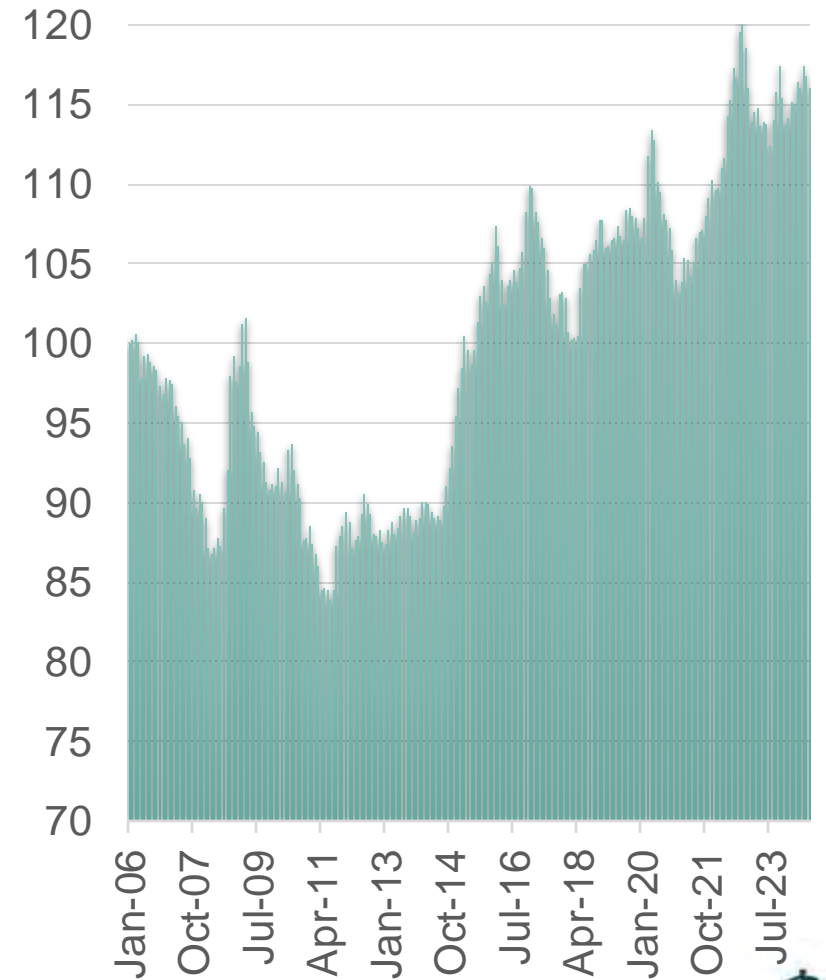
US Current Account Deficit



US Net Investment Position as % US GDP



\$US: Real Broad Index



What about the election?

Differences in Economic Policy?

- Views on economy: Its terrible and its the other guy's fault
- Fiscal Policy: Tax Less, Spend More
- Immigration: Close the border

Trump, the sequel

- Stimulus: Tax Cuts, Deregulation
- Dampeners: Immigrants, Tariffs
- Barriers to Success: The Senate, Infighting, Economic realities
- The real issue? What they WON'T do...

	Actual	Forecast				
	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25
GDP Growth	2.82	2.31	2.67	2.7	2.55	2.52
Payrolls (000s)	421.	505.5	605.9	522.4	459.	422.5
Unemp Rate (%)	4.2	4.26	4.35	4.34	4.18	4.17
PCE Inflation	2.28	2.37	2.21	2.11	2.21	2.13
Federal Funds	5.31	4.58	4.22	3.94	3.69	3.46
10-Year Bond	3.95	4.46	4.56	4.46	4.73	4.87
Mortgage Rate	6.51	6.7	6.86	6.73	6.92	7.2
Housing Starts	331	331	344	351	367	381
Home Price (%)	4.02	2.94	2.65	2.46	3.03	3.23



Out of the Woods?

We were never in the woods.

- Consumer demand remains strong
- Short run: the US expansion (4+ years old) will continue

Headwinds will intensify

- Fed deficits and frothy asset markets, external imbalances growing
- Important #s: The \$US, HH savings rate, yield curve

California: Focused on the wrong issues

- Housing supply, not affordability
- Dutch disease problems driven by a lack of labor

The real issue?

- The narrative is running amuck
- Political chaos in its wake leaving US / CA policy rudderless

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Or contact:
Kristen@beaconecon.com

Welcome to the Age of Confirmation Bias!



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Thank You!



- Macro and Regional Economic Projections
- Revenue and Market Forecasts
- Economic Development and SWOT Analysis
- Residential and Commercial Real Estate Market Trend Studies
- Economic Impact Reports
- Regional CEDS Reports
- Policy Impact Estimates
- Industry and Labor Market Studies
- Litigation Support and Damage Estimates

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