

# REAL ESTATE UPDATES

with Victor Kung 宮筑筠 February 2024



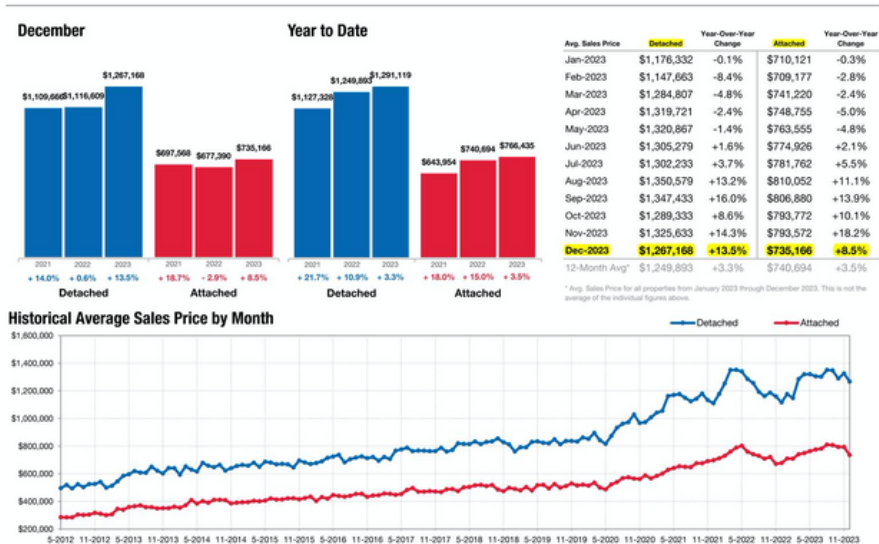
## San Diego Real Estate Forecast for 2024

February, 16, 2024 By Victor Kung

Farewell to the year of Rabbit and welcome to the year of Dragon. In mid-2023, we sent away the COVID-19 pandemic which has been ravaged mankind for more than three years, and finally turns to the year 2024 for recovering. We hope that with the blessing of good fortune in the Year of Dragon, the U.S. economy will recover quickly. As we all know, real estate is the locomotive industry of the country, driving a wide range of related industries and business. As China is currently facing a real estate bubble crisis, let me share my point of view with you the prospects of real estate in San Diego and even across the United States

### Average Sales Price

Average sales price for all closed sales, not accounting for seller concessions, in a given month.



Looking back before the outbreak of the COVID epidemic in the United States, the average sales price of a detached house in San Diego County at the end of December 2019 was \$872,583; the average sales price of an attached house was \$521,101. Today, the average monthly sales price for a single-family home in San Diego County in December 2023 is \$1,267,168, the average sales price for a townhouse is \$735,166 (see Figure #1).

Over the past four years, the average price increase for single-family homes in San Diego County was 48.24%, while the average price increase for townhomes was 48.96%. In other words, during the past four years of rage of COVID epidemic, the average price of housing prices in San Diego County went up nearly 50%. There are many reasons for the rise in housing prices, but the main reason is the imbalance between supply and demand in the housing market. There are less houses for sale, but there are more buyers. Competition from many buyers to bid on prices often pushes up the house prices. In the past four years, as many buyers have rushed to buy houses, most of the houses on the market have been sold within 7 to 14 days of being listed. Taking me as an example, I have sold 45 various houses for my clients in the past four years, and almost all of the houses were sold within two weeks. And there were almost always more than 4 buyers to compete with. The most exaggerated house I ever sold has 21 buyers bidding. This was a rare phenomenon happened to me in the past 24 years I have been engaged in real estate agency.



Current as of January 5, 2024. All data from the San Diego M.S.R. Report © 2024 ShowingTime, | 8

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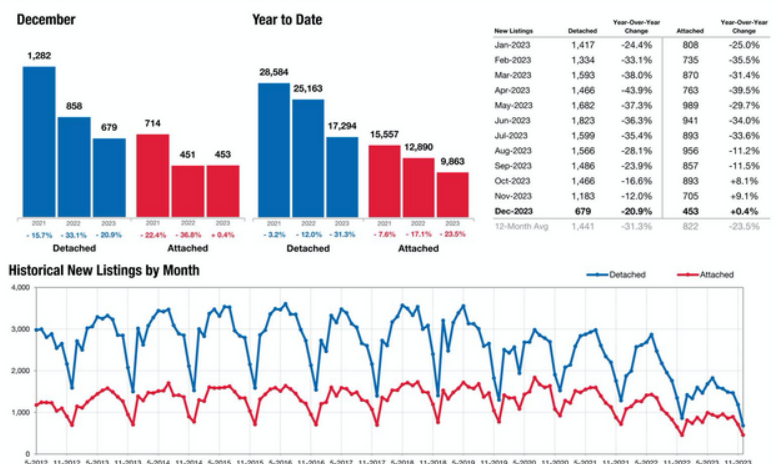
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I checked the market statistics data of the San Diego Association of Realtors (SDAR) over years and found the number and price of housing listings and sold in the past four years, confirming that there are more buyers than sellers. Under the imbalance of less sellers and more buyers, house prices have been pushed up steadily.

SDAR statistics show that in 2019, the total of single-family houses and townhouses listed on market for sale in San Diego County was 48,117, the number of houses sold throughout the year was 33,066, and the average sold price of large and small houses in the county was \$666,311. The COVID-19 pandemic spread in the United States in March 2020. The total number of houses listed in San Diego County that year was 56,622, the number of houses sold throughout the year was 43,546, and the average sold price of sold houses in the county was \$726,942. In January 2021, the national 30-year fixed mortgage rate dropped to 2.65%. The number of houses on market for sale in San Diego County that year was 43,677, and the number of sold houses throughout the year was 39,497. The average sold price of sold houses in the county in the county was \$839,522. The 30-year fixed mortgage interest rate in 2022 increased from 3.2% at the beginning of the year to 7.1% in October. The total number of listed houses in San Diego County that year was 37,763, the total number of houses transacted throughout the year was 28,484, and the average sold price of large and small houses in the county was \$985,010. From the beginning to the middle of 2023, the COVID-19 pandemic in various countries around the world was gradually unblocked. The total number of listed homes in San Diego County dropped to 27,157 (see Figure #2), and the total number of sold houses for the year was only 21,746 (see Figure #3).

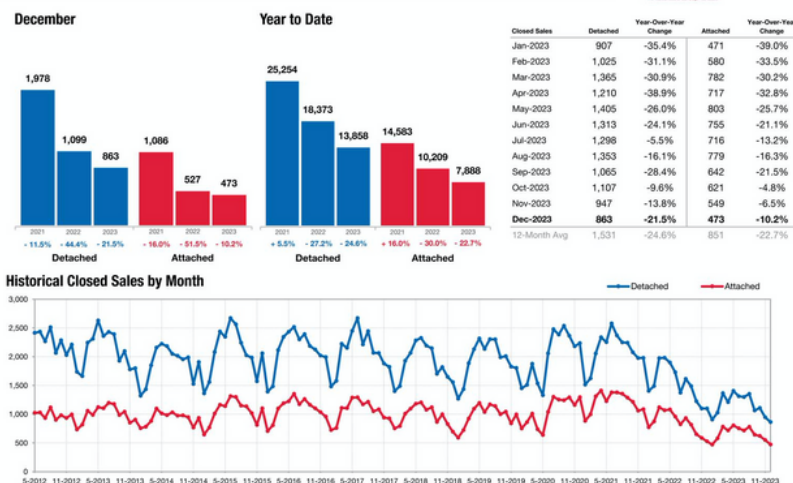
## New Listings

A count of the properties that have been newly listed on the market in a given month.



## Closed Sales

A count of the actual sales that closed in a given month.

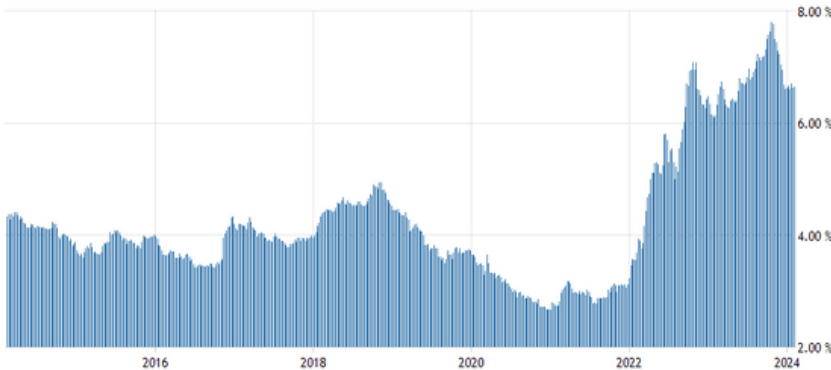


The amounts of listed houses and sold houses in 2023 were less than half of amounts in 2020. But the average sold price of all sold houses across the county rose to \$1,025,276 in last year. The main reason for the shrinking transaction volume and the sharp increase in sold prices in 2023 is that the 30-year fixed mortgage interest rate in 2021 has dropped to 2.65% ~ 3.20%,



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which has only been seen in the past 35 years (see Figure #4). Almost all homeowners refinanced their houses to the lowest interest rates that year, which made the homeowners were not willing to sell their houses later. Naturally, this has resulted in a serious shortage of listed houses for sale on market, which has also led to the house price hit record high in 2023.

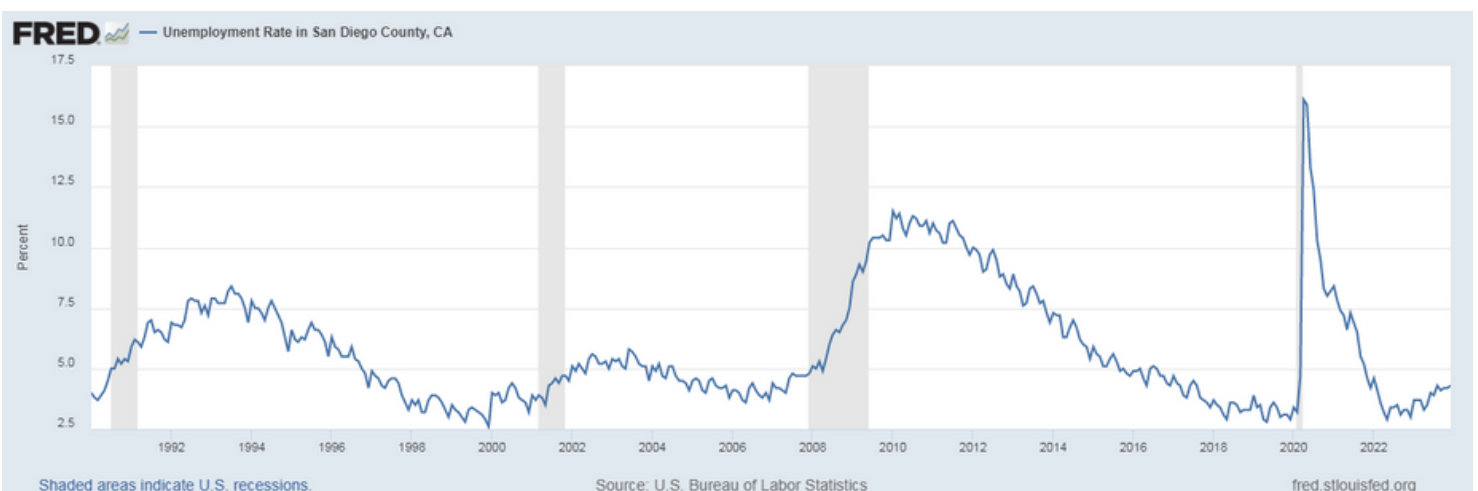
After analyzing the changes in the housing market in the past four years, let me estimate the housing market this year. Buying mood this year depends on the trend of mortgage interest rates, and whether housing prices continue to rise depends on the number of listing houses on market. In early February this year, the 30-year fixed mortgage interest rate was around 6.6% to 7.0%. Economists predict that the U.S. Federal Reserve Bank (the U.S. Central Bank) is expected to cut interest rates in May this year, and possibly cuts 1~2 times again before the end of this year. By then, 30-year fixed mortgage rate may fall to around 6.0% by the end of the year. After the interest rate cut, it will definitely stimulate the buying momentum. More buyers will enter the market to buy houses, and it will also encourage more people to change houses this summer. However, whether the amount of listing houses on market goes up will be the key point to control the housing prices decline in this year. If house owners who enjoy the low mortgage interest rates in 2021 still do not sell their houses easily, there will still be insufficient housing on market, and housing prices will remain bullish this year. If homeowners are willing to change their homes this summer due to interest rate cuts, the inventory of houses for sale will increase, the trend of rushing for homes will cease, and housing prices will be expected to fall. In addition, another factor that will affect the number of houses for sale is employment opportunities. Since the end of last year and the beginning of this year, many well-known large companies in San Diego County, such as Qualcomm, Google, Microsoft, Intel, Amazon, Pfizer and Illumina... have laid off a large number of employees. Also, the minimum basic wage in San Diego County was also raised to \$16.85/hour on January 1st this year. After April 1st, the minimum hourly wage for fast food industry employees will be raised to \$20, which may trigger a wave of layoffs in companies. The well-known companies such as UPS, Pizza Hut, American Airline and Citigroup have already announced layoffs. If small and medium-sized enterprises also follow up on layoffs, and unemployed families cannot find replacement jobs locally within six months after layoffs, they may be forced to sell their homes. By then, the number of houses for sale will increase, and the number of home buyers may decrease. Then the housing market may cool down a bit, and housing prices will naturally decline. However, regardless of whether housing prices will rise or fall this year, given the unique market environment in San Diego, I think the price change will not be too big, and may only rise or fall between 4% ~ 8%.

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*After talking about the past and nowadays, let me talk about the future of San Diego's real estate market. I still holds an optimistic and positive attitude towards real estate in my county. Because the up or down of real estate market is related to the growth or decline of population. Nevertheless the major cause of growth of population follows the growth of employment. The data from the federal government's Census Bureau (Census) in July 2023 show that the total population of San Diego County is 3,278,450. When I arrived in San Diego in 1990, the total population of the county was only 2,498,000. Our population has been growing steadily over the past 30 years, except for a slight decrease in the past four years due to the COVID-19 pandemic. San Diego has the best climate in the whole United States and diverse job opportunities, it has always been a city that outsiders yearn for. We are one of the 20 most livable cities in the United States. Census predicts that San Diego County's population will grow to 4.8 million people by 2050.*

*Data from the California Employment Development Department (EDD) show that the employed population in San Diego County in December 2023 was 1,593,200. Among the nearly 1,600,000 employed people, San Diego's employment population is evenly distributed. Among them, the five major industries are "Government Work", "Tourism and Catering", "Education and Medical Care", "Transportation Logistics and Public Utilities" and "Profession and Commerce", each employs for more than 210,000 working people. Its unemployment rate is 4.3% (see Figure #5), lower than California's 5.1% rate but higher than the national rate of 3.5%. San Diego's electronics, communications, biotechnology and other high-tech industries are second only to the Greater Bay Area in Northern California, and many high-tech companies such as Apple, Microsoft, Google & Broadcom... have also set up branches in San Diego.*

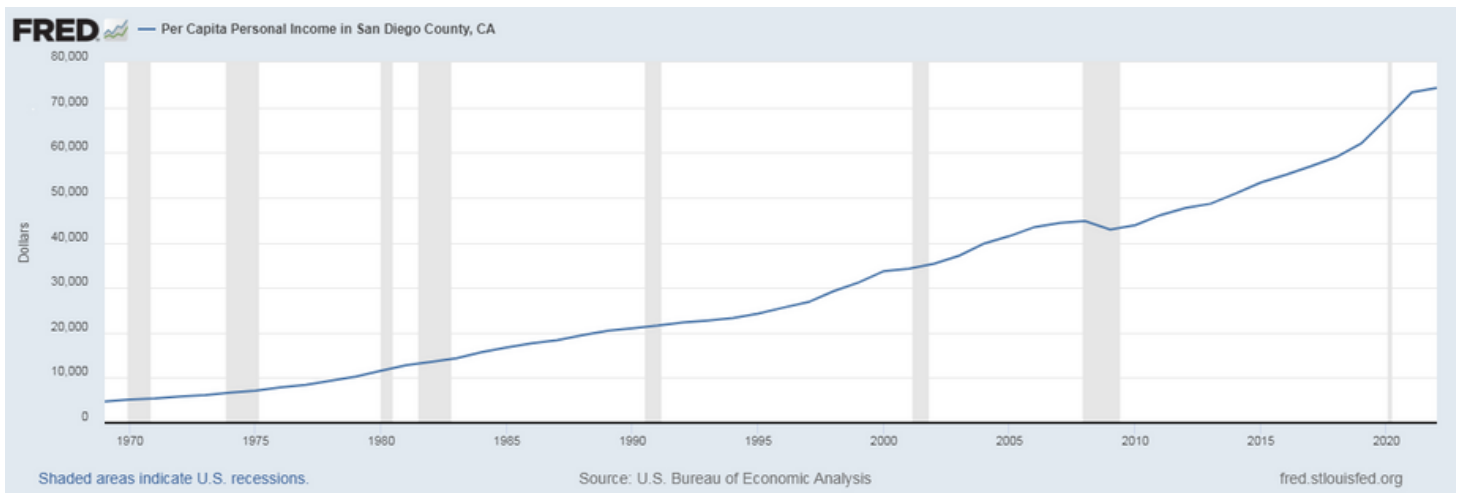


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Statistics from the US Bureau of Economic Analysis show that San Diego's per capita income in 2022 is \$74,326 (see Figure #6), ranking among the top 10 regions with the highest per capita income in the country. The California government also intends to build San Diego into a biotechnology base. In the future, San Diego will become a high-tech town in southern California. San Diego's housing prices are currently the 10th most expensive in the country. With the support of high-salary jobs, I predict that San Diego's housing prices will become more and more expensive in the future.



*The source of charts and data:*

1~3. San Diego Association of Realtors

4. Freddie Mac Bank

\* US Census

5. US Bureau of Economic Analysis

4. US Bureau of Labor Statistics

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Respectfully,  
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