



Social Narratives, Economic Realities and the Outlook for '24

Focus on the Inland Empire

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Founding Partner, Beacon Economics

March 2024



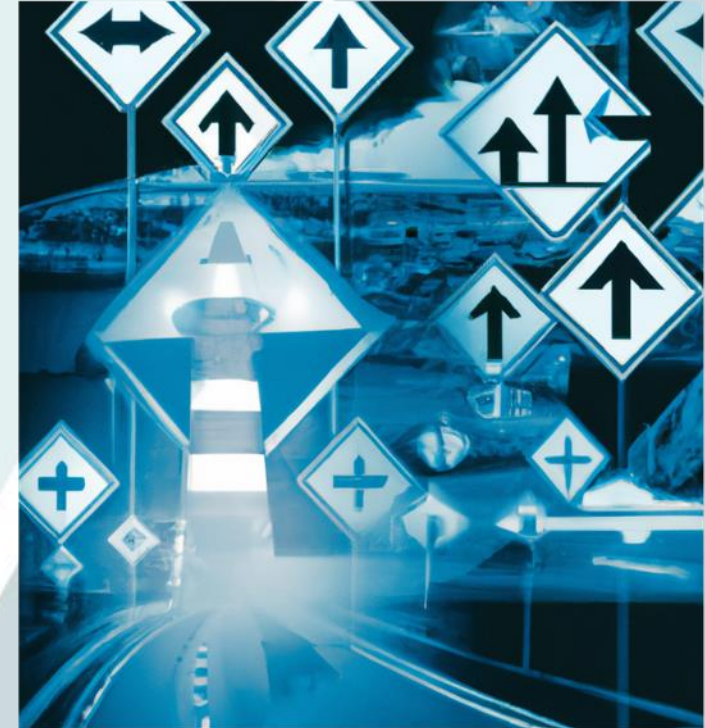
Introduction

Beacon Economics

- LA based firm, national client base
- Impact studies, policy analysis, regional development, litigation support
- Macro, regional, industry, labor & real estate forecasts
- Founded on the principle of letting the data drive the narrative

Today's talk

- What we *think* is happening in our economy
- What is *actually* happening in our economy
- What it all means for the IE



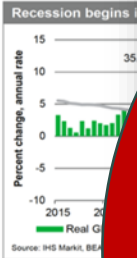
Access to slides available through **QR code** at end of presentation or email kristen@beaconecon.com



The 2023 narrative

The Foreca

US Fed meeting decisi
market
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- Quart
- About

HOUSING MARKETS

Housing is First Ameri

by Brad Finkelstein September 18, 2023

Larry couk

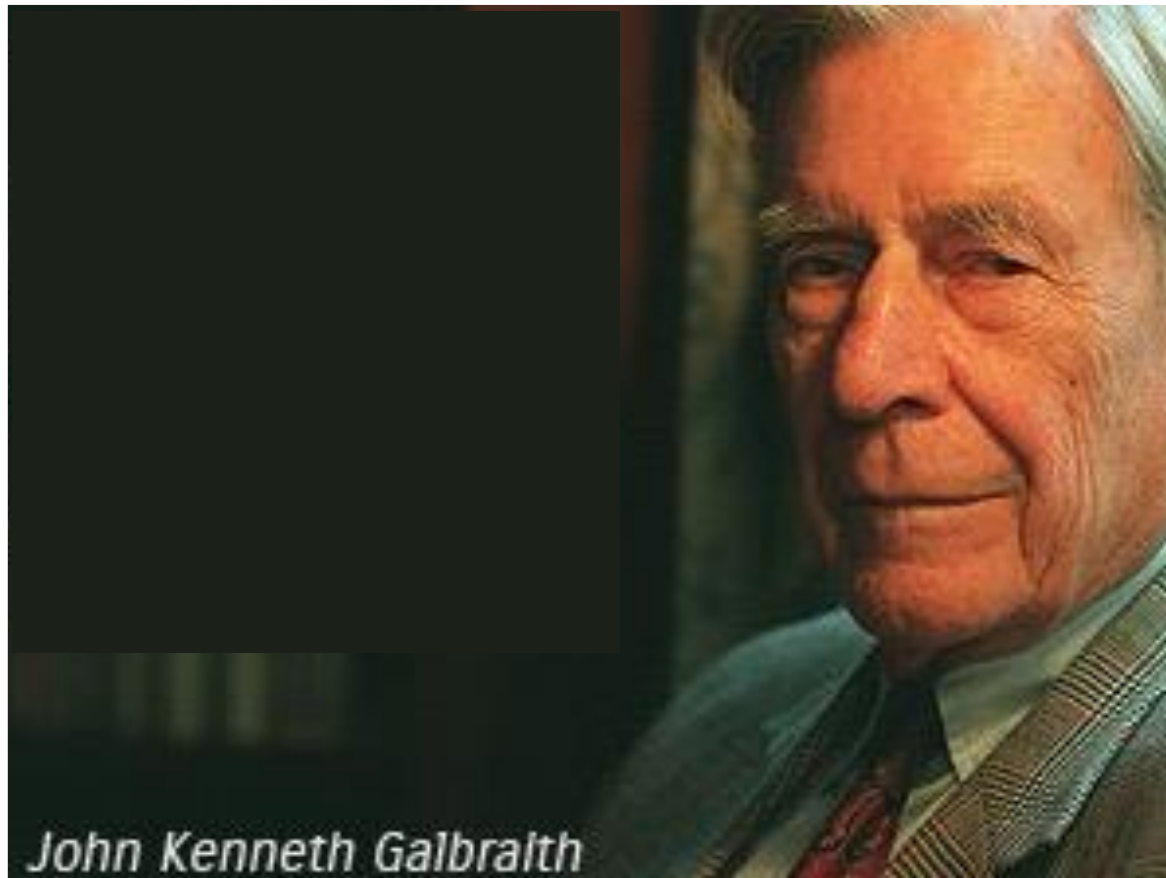
By Thomas Ba
Published Man

NEWS

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Matt



DMIC oved sales, Economic ook Push Small Business nism to 5 Month High

Published January 09, 2024



Beacon's Outlook: No Recession

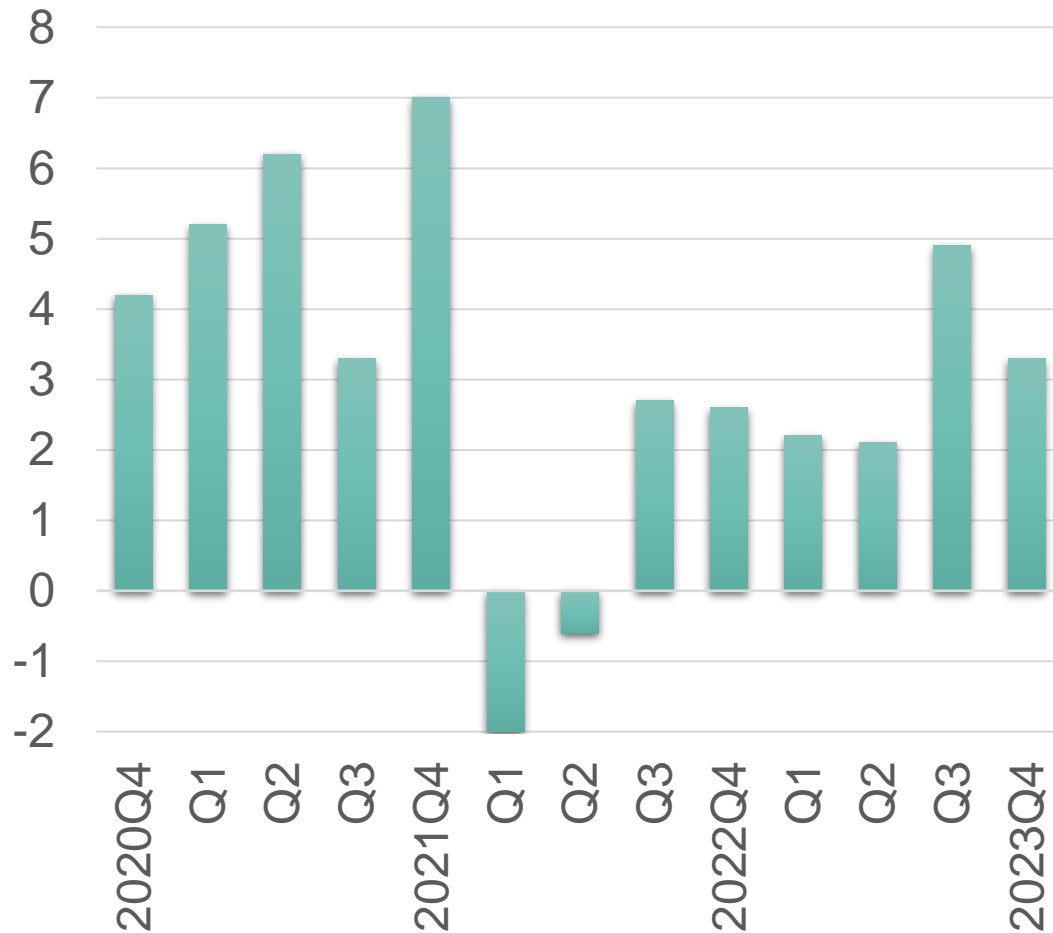
WSJ Recession Probability Forecast
Chance of US entering a recession in the next 12 months



2023: A solid year for growth



Real GDP Growth SAAR



Contributions to Real GDP Growth

| | 2019 | 2022 | 2023 |
|------------------------|-------|-------|-------|
| Gross domestic product | 2.50 | 1.90 | 2.50 |
| Final Demand | 2.54 | 1.76 | 2.23 |
| Personal consumption | 1.35 | 1.72 | 1.49 |
| Durable goods | 0.23 | -0.02 | 0.34 |
| Nondurable goods | 0.40 | 0.09 | 0.13 |
| Services | 0.71 | 1.65 | 1.02 |
| Fixed investment | 0.48 | 0.24 | 0.09 |
| Structures | 0.08 | -0.06 | 0.36 |
| Equipment | 0.06 | 0.26 | -0.01 |
| IPP | 0.37 | 0.48 | 0.23 |
| Residential | -0.04 | -0.44 | -0.49 |
| Net exports | -0.12 | -0.48 | 0.58 |
| Exports | 0.06 | 0.76 | 0.32 |
| Imports | -0.18 | -1.24 | 0.26 |
| Government | 0.68 | -0.16 | 0.68 |



Americans having fun!!

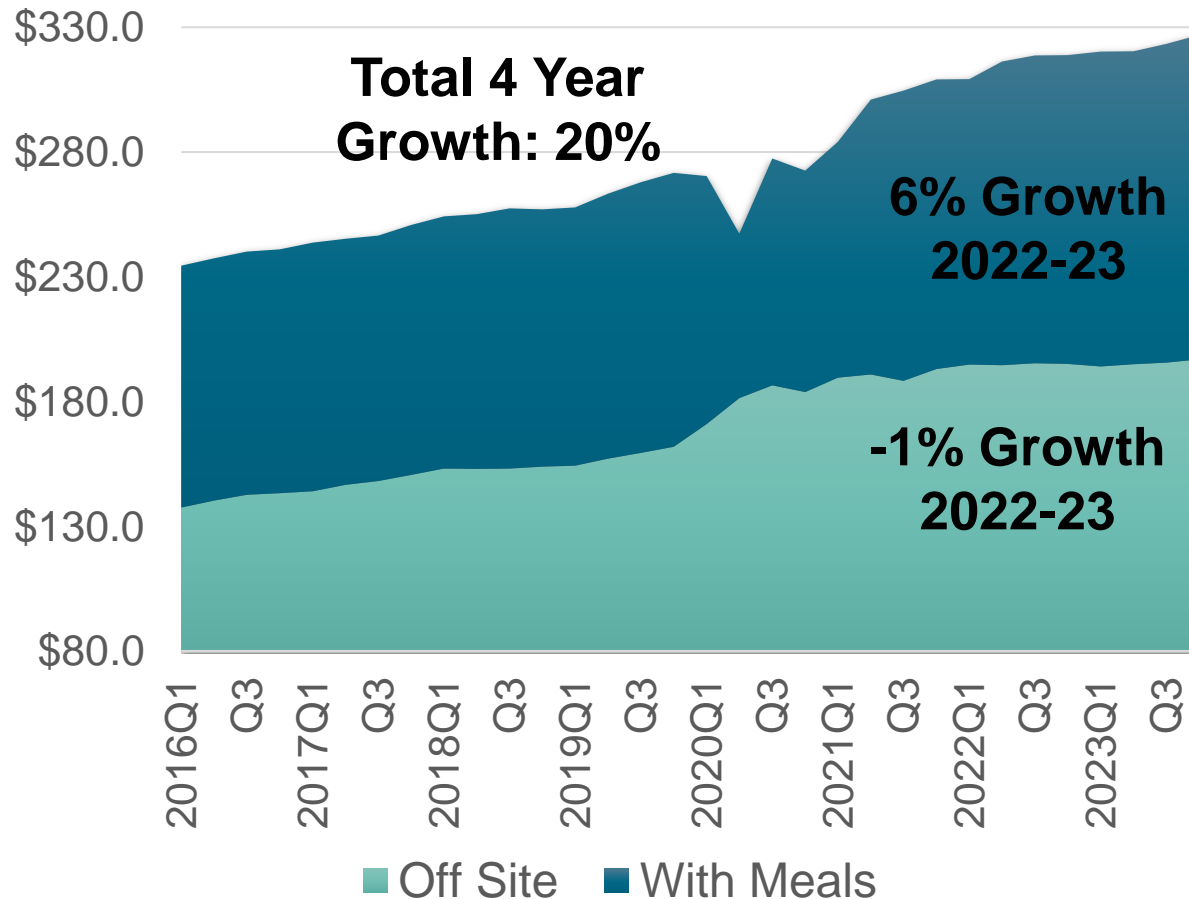
Real Personal Travel Expenditures

Nominal Retail Sales (SAAR)

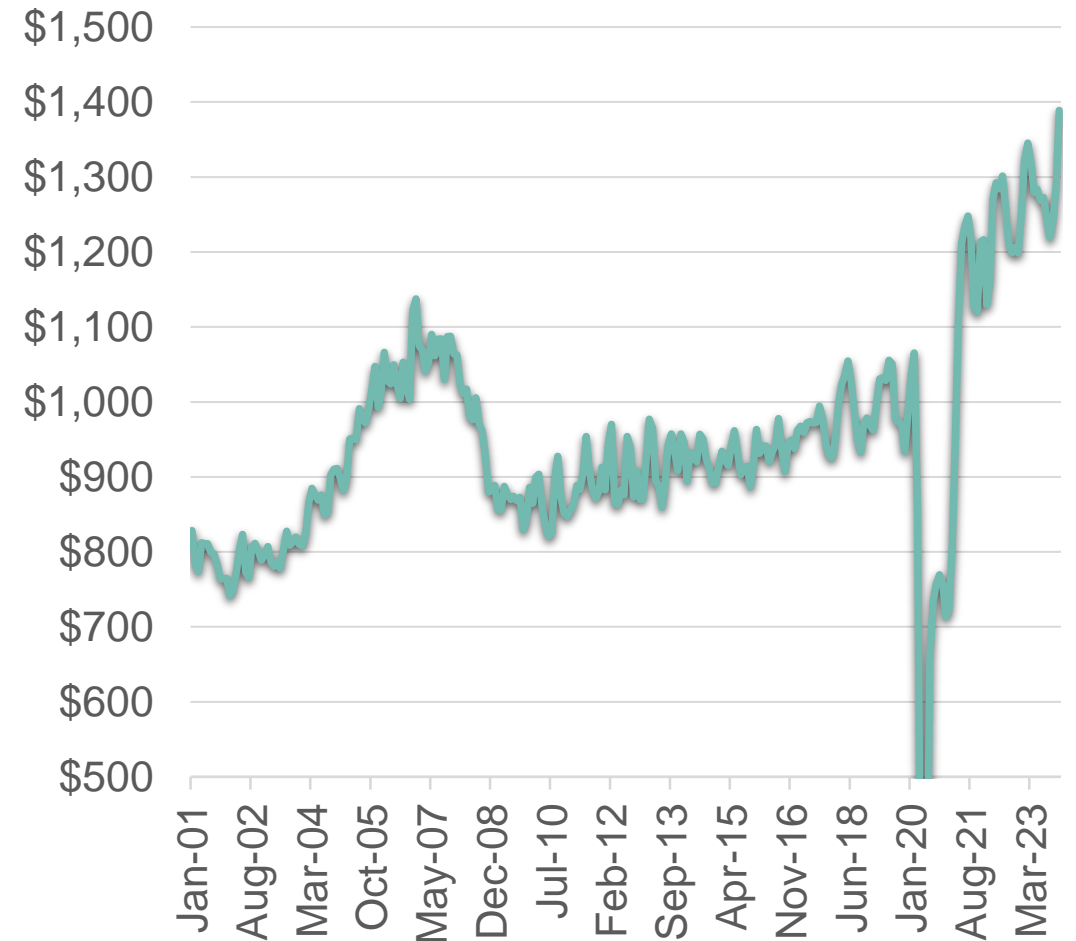


Back to the Great Gatsby

Real Consumer Spending on Alcoholic Beverages (\$Bil)

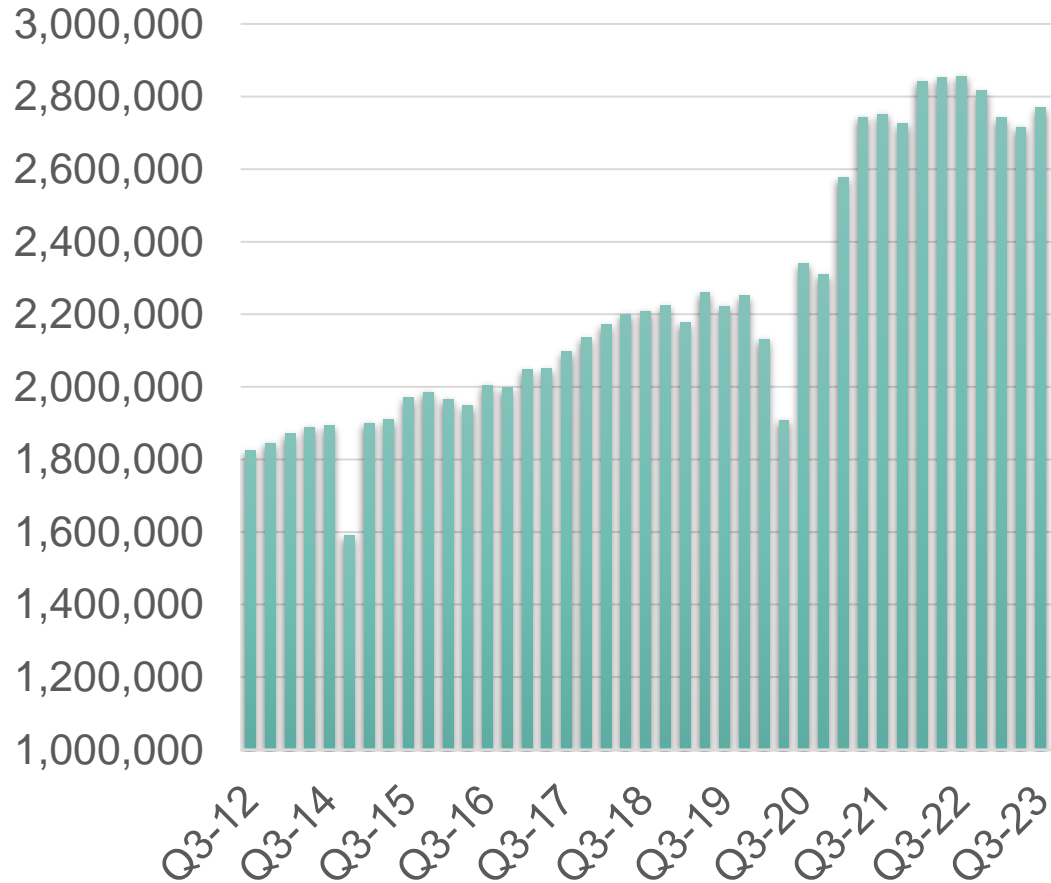


Nevada Gaming Revenues



High Desert Taxable Sales

High Desert Taxable Sales

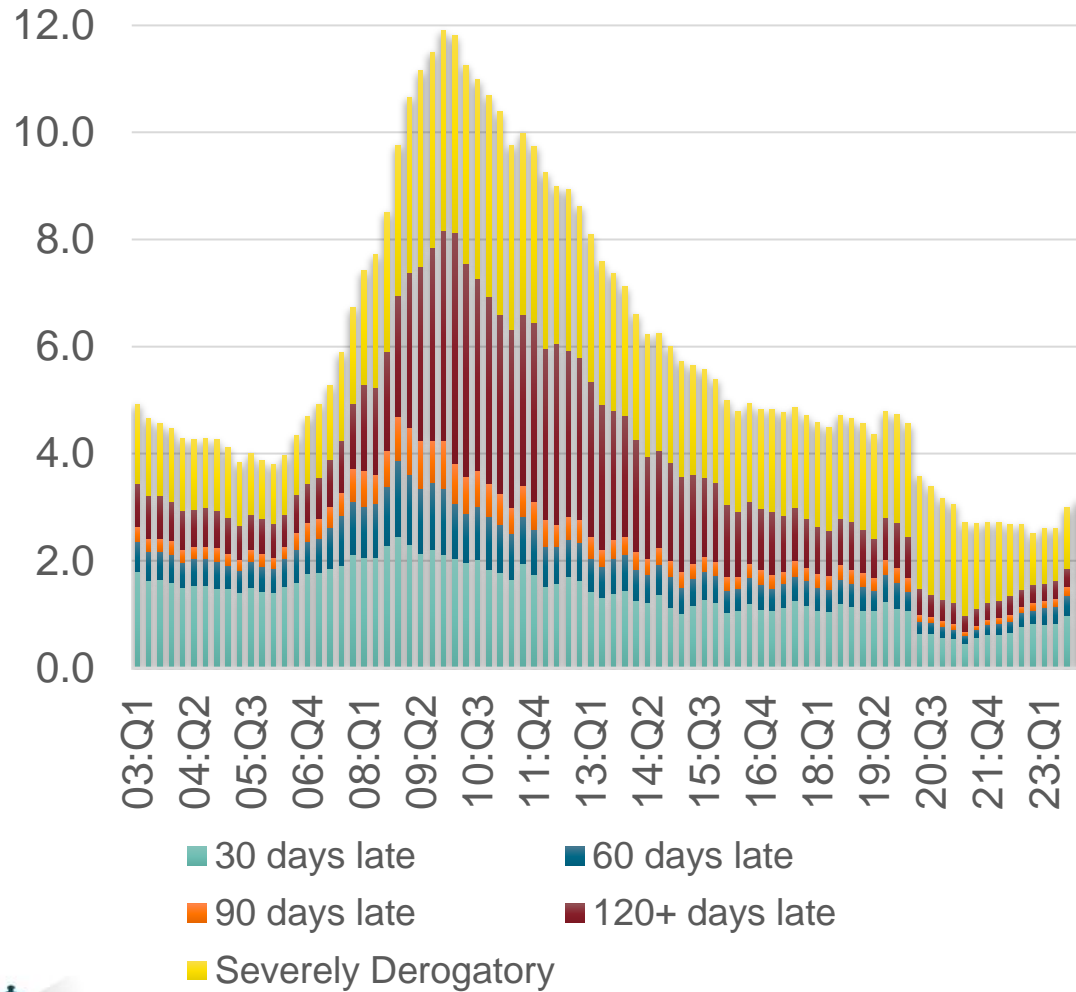


| City | Q3-23 (\$, 000s) | 1-Year Chg. (%) | 5-Year Chg. (%) |
|------------------|------------------|-----------------|-----------------|
| Victorville | 640,088 | -3.9 | 33.5 |
| Palmdale | 568,609 | 0.0 | 27.7 |
| Lancaster | 556,457 | -0.2 | 10.1 |
| Hesperia | 300,018 | -6.8 | 36.5 |
| Barstow | 188,622 | -1.2 | 10.9 |
| Apple Valley | 184,756 | -4.1 | 35.3 |
| Yucca Valley | 98,712 | 1.1 | 29.7 |
| Ridgecrest | 90,518 | -1.5 | 26.9 |
| Adelanto | 60,601 | -26.9 | 50.3 |
| Twentynine Palms | 29,869 | -4.6 | 4.2 |
| California City | 12,545 | -6.3 | 67.3 |

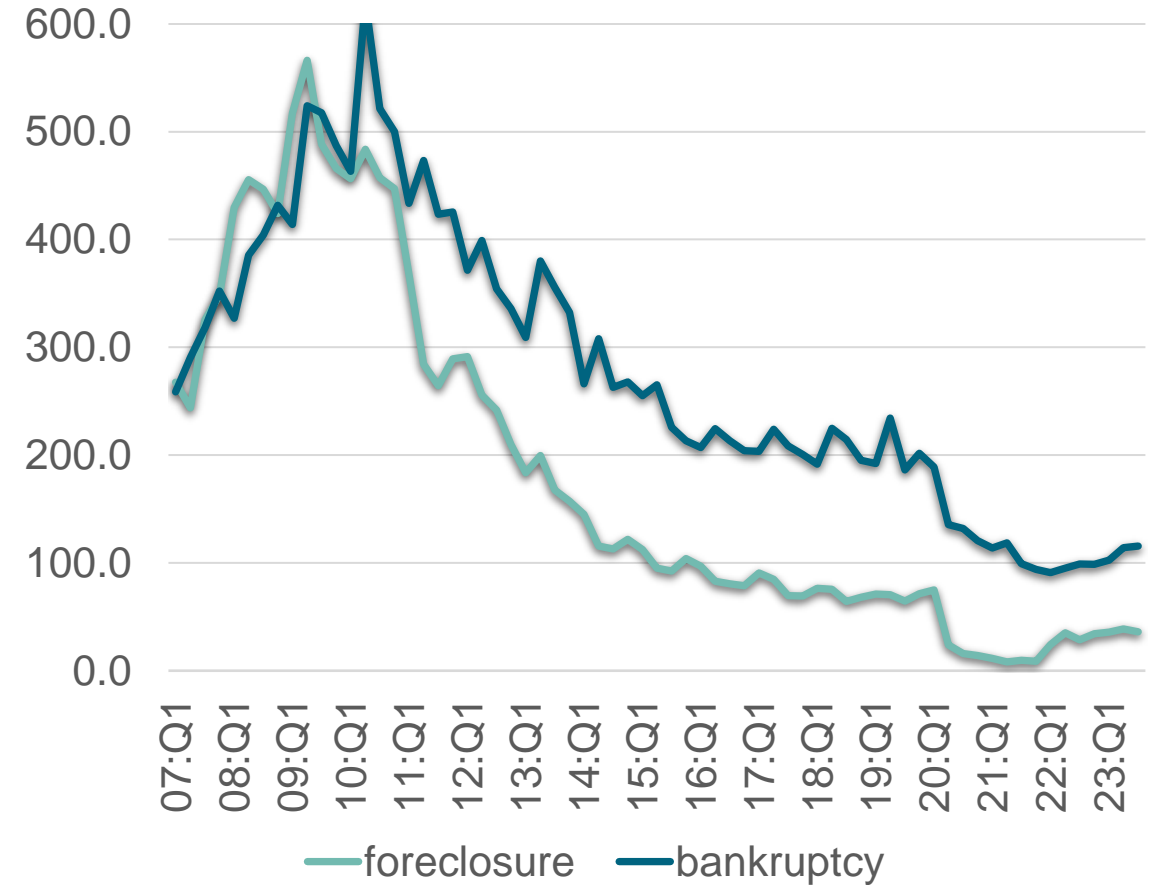


Little financial distress

DQ Share of Total Debt

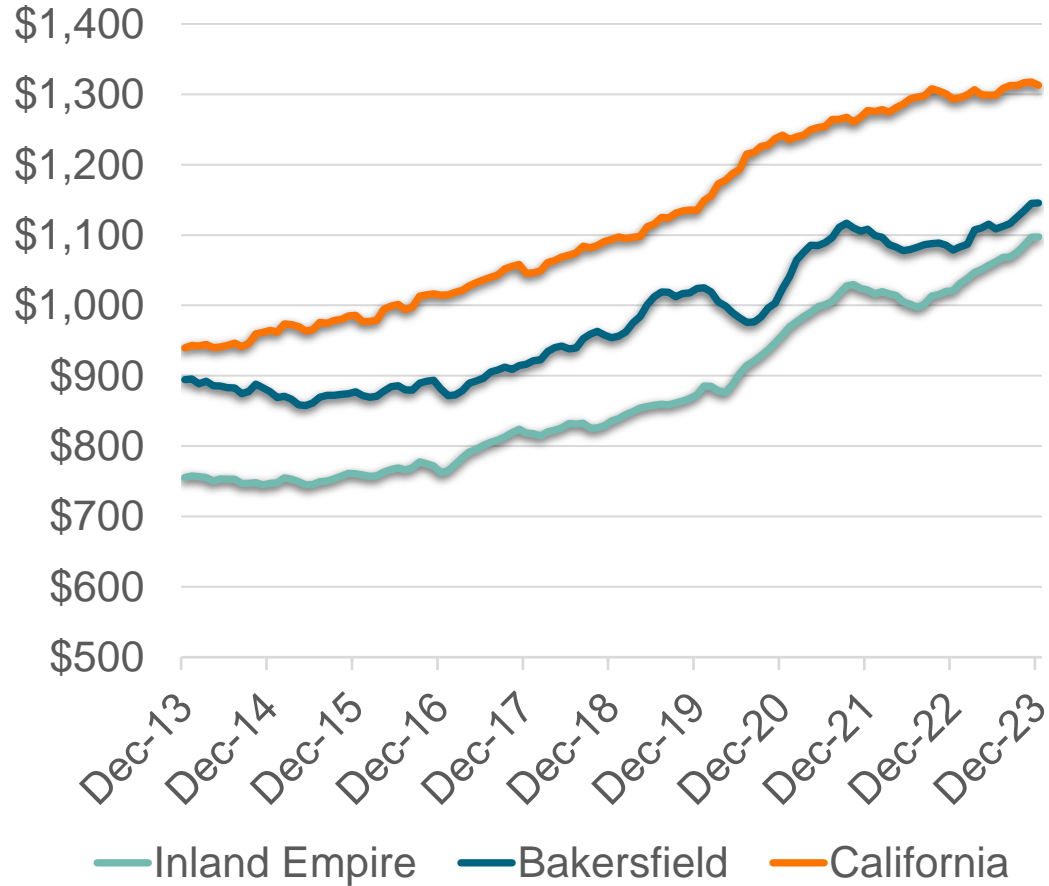


Household Distress (thousands / Quarter)

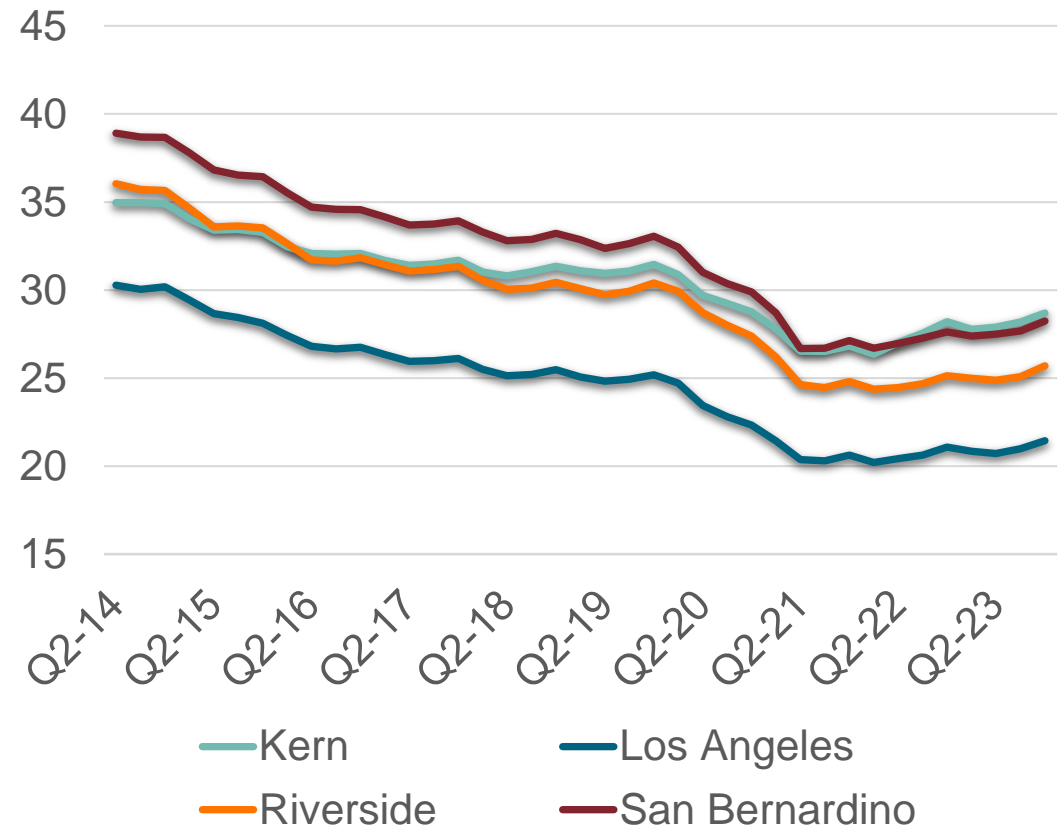


Average Weekly Wages & Earnings

Average Weekly Wages



Equifax Subprime Credit Population

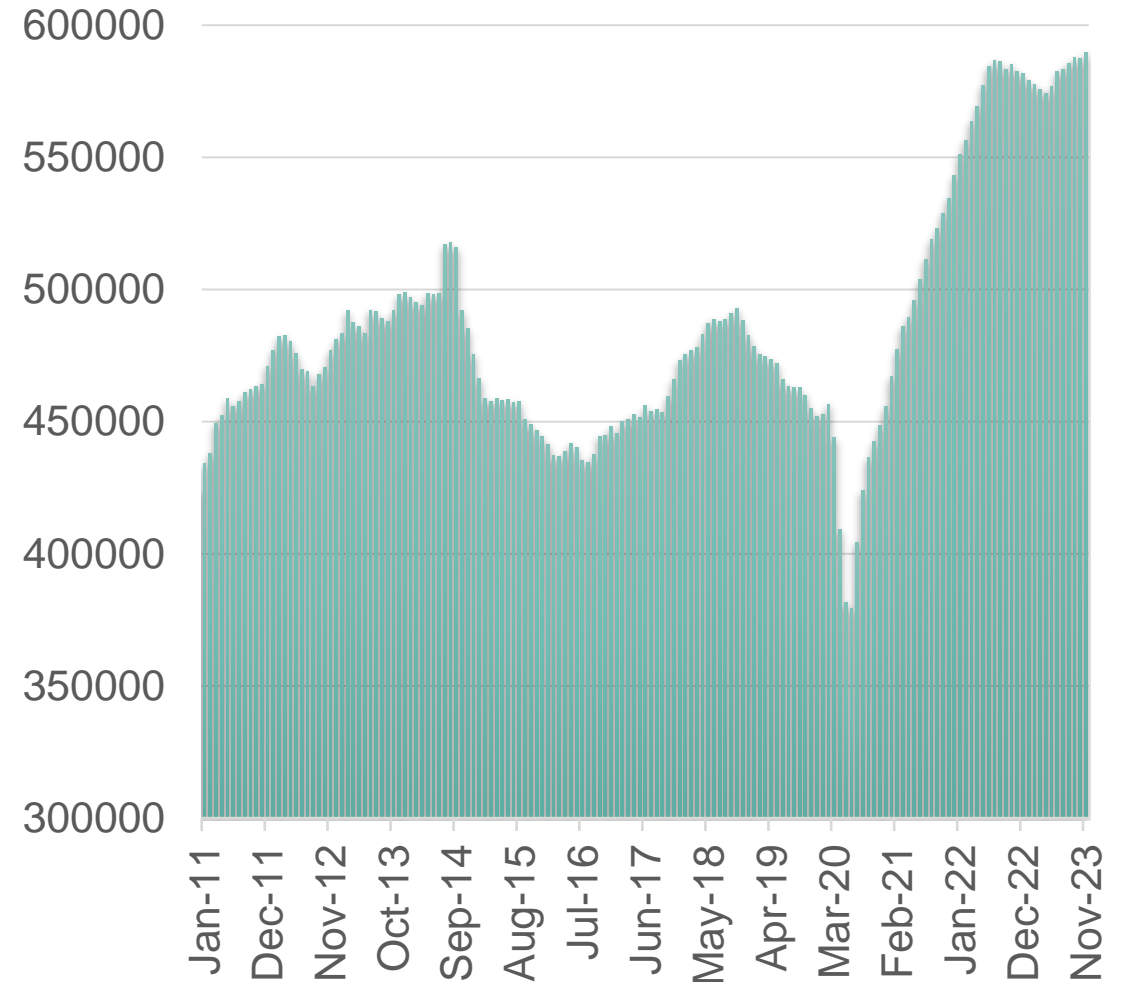


US Industrial Production

U.S. Industrial Production

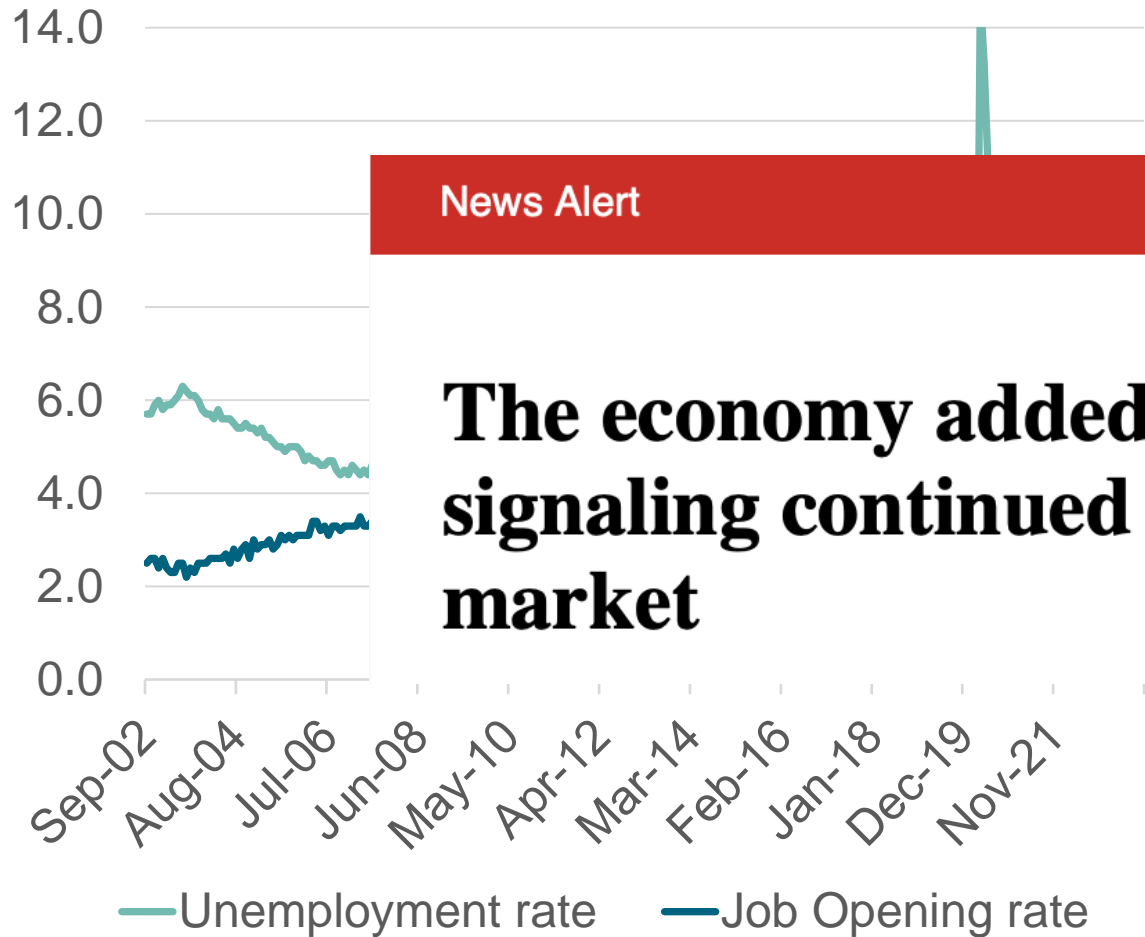


Factory Orders (Nominal)



US Labor Markets still tight

Unemployment and Job Openings



Real Weekly Earnings Growth



The economy added 275,000 jobs in February, signaling continued strength in the labor market



The California Narrative

Los Angeles Times

Newsom signs wave of tenant protection bills into law

California Gov. Gavin Newsom this year has signed several new tenant-protection bills into law, including a measure to lower security...

Oct 11, 2023



Nearly a third of Californians are living in or near poverty.

- In early 2023, 31.1% of residents were poor or near poor (with resources up to one and a half times the CPM poverty line), up from 28.7% in fall 2021.

The Guardian

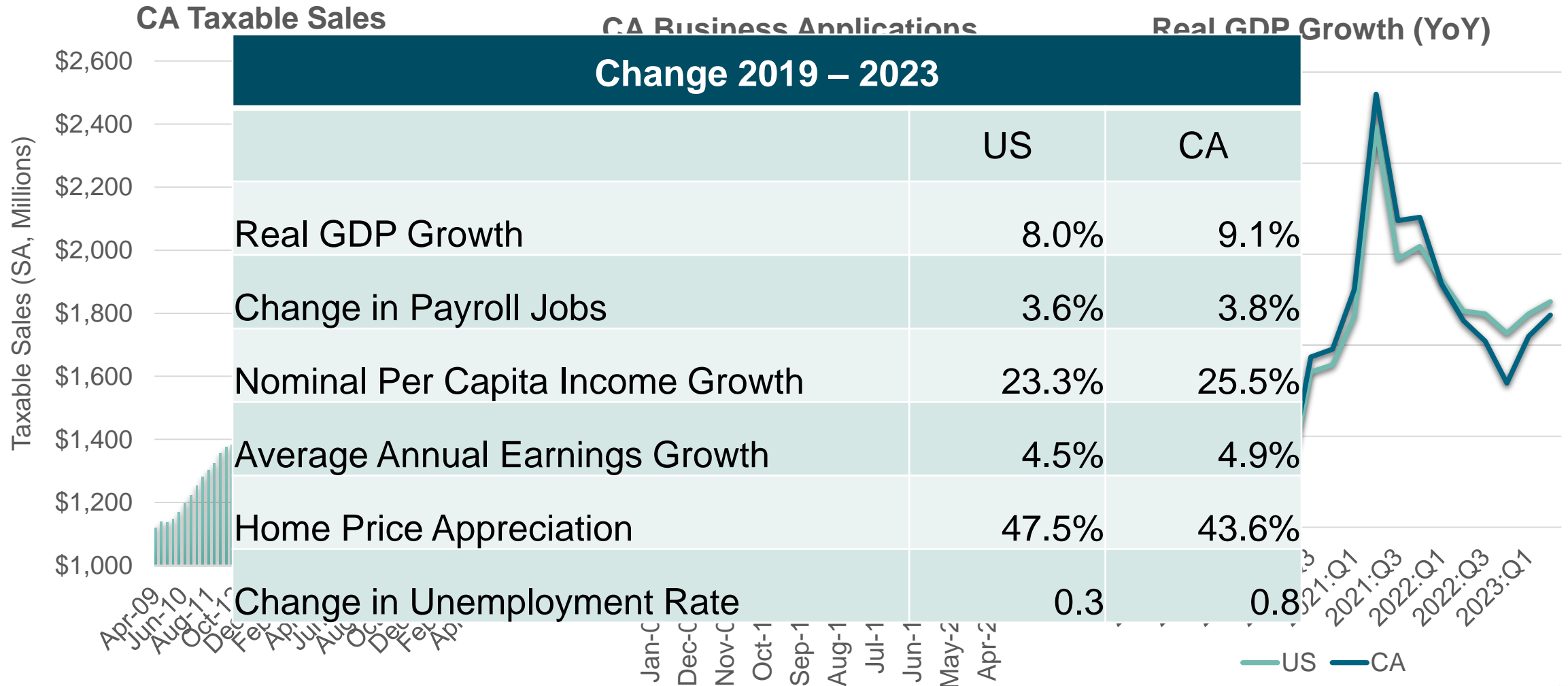
California's fast-food workers win fight for \$20 hourly pay and industry council

In the face of recent intense pressures on fast-food workers, employees in the sector in California are about to get a boost with the...

Sep 28, 2023



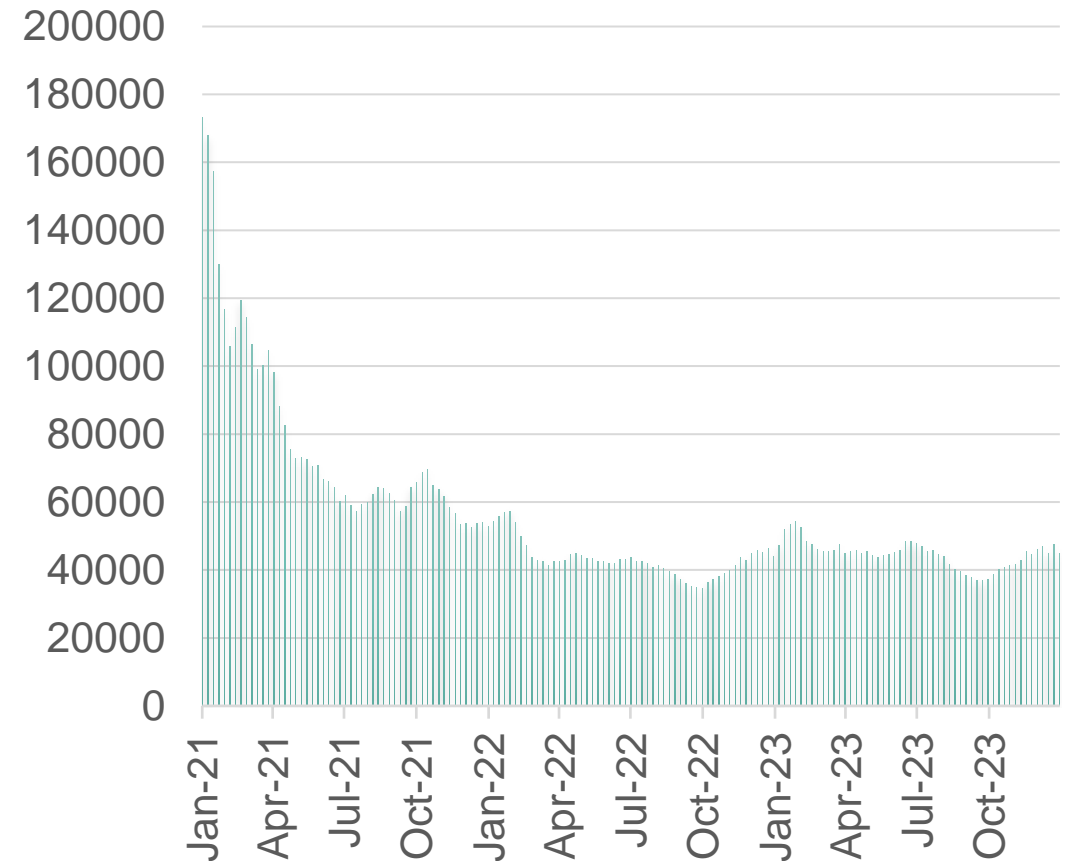
CA Business Activity



State Labor Markets

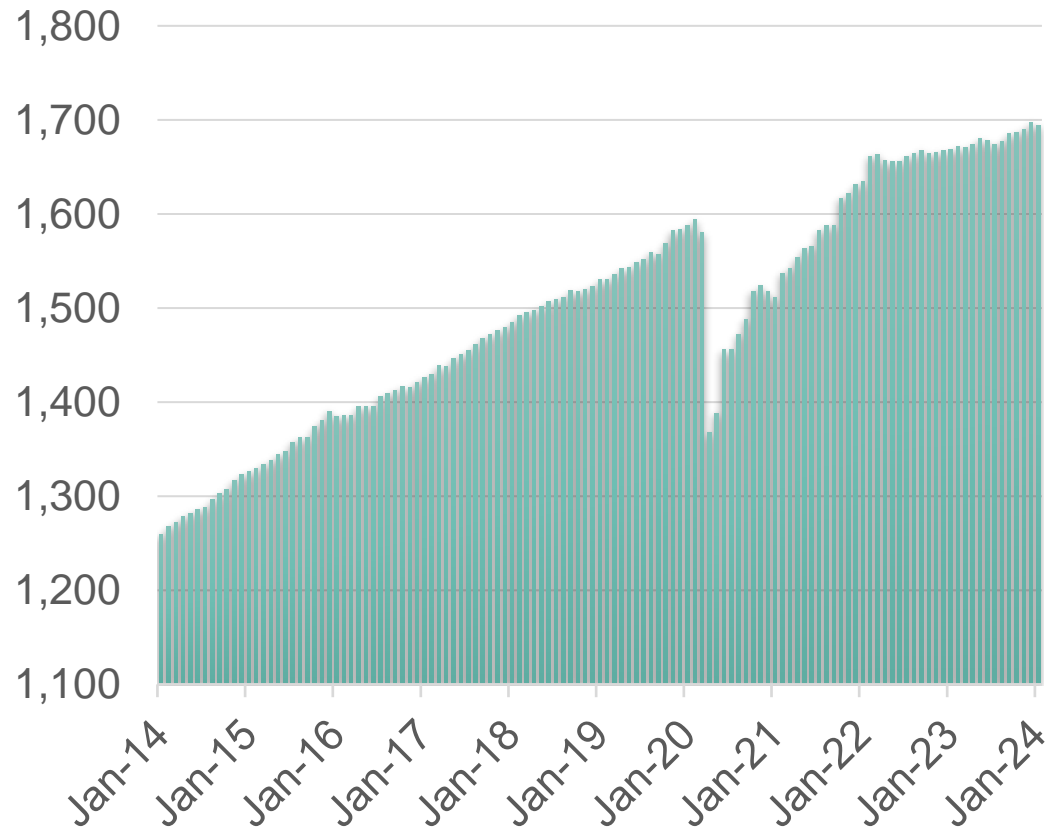
| | Jan-24 | 23-24 | 20-24 |
|----------------------------|--------|--------|-------|
| Civilian Labor Force | 19,357 | 0.6% | -1.1% |
| Civilian Unemployment Rate | 5.2% | 0.7% | 0.9% |
| Total Nonfarm | 18,007 | 1.3% | 2.0% |
| Health Care | 2,789 | 6.1% | 12.4% |
| Private Education | 414 | 6.1% | 6.7% |
| Construction | 936 | 5.0% | 4.0% |
| Other Services | 600 | 3.8% | 1.4% |
| Leisure and Hospitality | 2,033 | 2.5% | -1.2% |
| Government | 2,639 | 2.4% | 0.6% |
| Wholesale Trade | 674 | 0.3% | -2.2% |
| Retail Trade | 1,612 | 0.0% | -1.2% |
| Management | 242 | -0.7% | -5.8% |
| Professional | 1,422 | -0.7% | 5.0% |
| Manufacturing | 1,336 | -0.7% | 0.3% |
| Financial Activities | 811 | -1.3% | -4.4% |
| Transportation | 826 | -1.5% | 11.9% |
| Administrative | 1,114 | -2.9% | -3.9% |
| Information | 539 | -10.4% | -8.1% |

CA Initial Claims for Unemployment Insurance CA



Inland Empire Employment

Inland Empire Nonfarm Employment



| Inland Empire Industry | Jan-24 Emplt (000s) | 1-Year Chg. (%) | Chg. Since Feb-20 (%) | LQ |
|------------------------|---------------------|-----------------|-----------------------|-----|
| Total Nonfarm | 1,694.6 | 1.6 | 6.3 | 1.0 |
| Logistics | 201.0 | -4.1 | 26.1 | 2.6 |
| Natural Resources | 1.6 | 14.4 | 23.6 | 0.9 |
| Health Care | 276.2 | 8.2 | 16.0 | 1.1 |
| Construction | 120.6 | 7.5 | 8.4 | 1.4 |
| Prof Sci Tech | 45.7 | -0.9 | 7.2 | 0.3 |
| Education | 22.3 | 8.2 | 7.0 | 0.6 |
| Management | 9.2 | 5.9 | 3.1 | 0.4 |
| Leisure & Hospitality | 183.5 | -1.7 | 2.8 | 1.0 |
| Other Services | 49.4 | 2.5 | 2.3 | 0.9 |
| Government | 268.8 | 4.9 | 1.6 | 1.1 |
| Retail Trade | 181.7 | -0.5 | 1.4 | 1.2 |
| Admin Support | 109.8 | -2.1 | -0.4 | 1.0 |
| Wholesale Trade | 68.7 | -1.1 | -0.6 | 1.1 |
| Financial Activities | 44.9 | -0.9 | -2.5 | 0.6 |
| Manufacturing | 98.1 | -2.4 | -3.2 | 0.8 |
| Information | 13.2 | -1.4 | -7.2 | 0.3 |

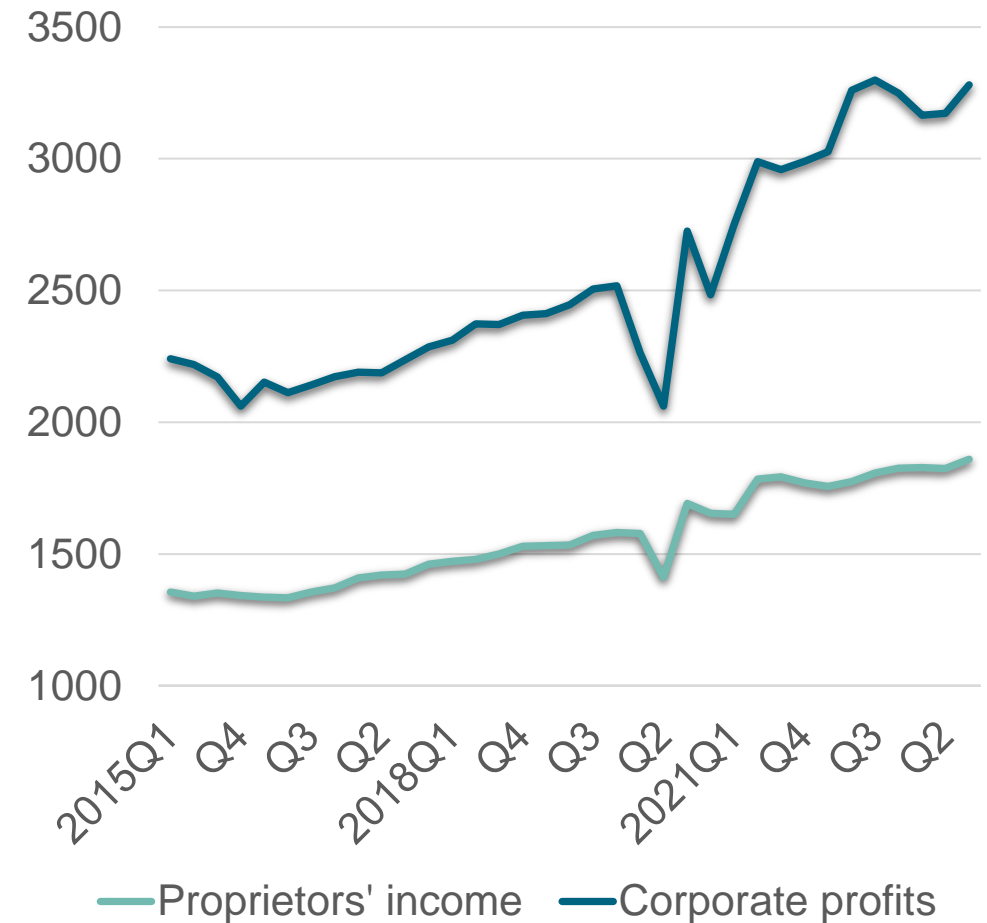


Investment Up, Profits Steady



| | 2023 | 2019-23 | YoY Gr |
|--------------------------------|-------|---------|--------|
| Total Private fixed investment | 3960 | 6.8% | 0.5% |
| Manufacturing Structures | 126.1 | 73.5% | 62.7% |
| Transportation equipment | 263.5 | -13.5% | 15.5% |
| Software | 718.9 | 54.1% | 8.9% |
| Power and communication | 105.8 | -18.0% | 2.4% |
| Entertainment, literary, art | 94.1 | 4.8% | 2.3% |
| Mining exploration, shafts | 108.3 | -12.4% | 1.7% |
| Research and development | 602.9 | 18.8% | 0.9% |
| Commercial and health care | 169.9 | -9.1% | 0.1% |
| Industrial equipment | 252.4 | -0.3% | -0.9% |
| Information processing eq | 484.4 | 12.9% | -5.0% |
| Residential | 734.5 | -3.5% | -10.7% |

National Incomes (BEA)



Frozen Housing Market

Existing Home Sales (Th, SAAR)

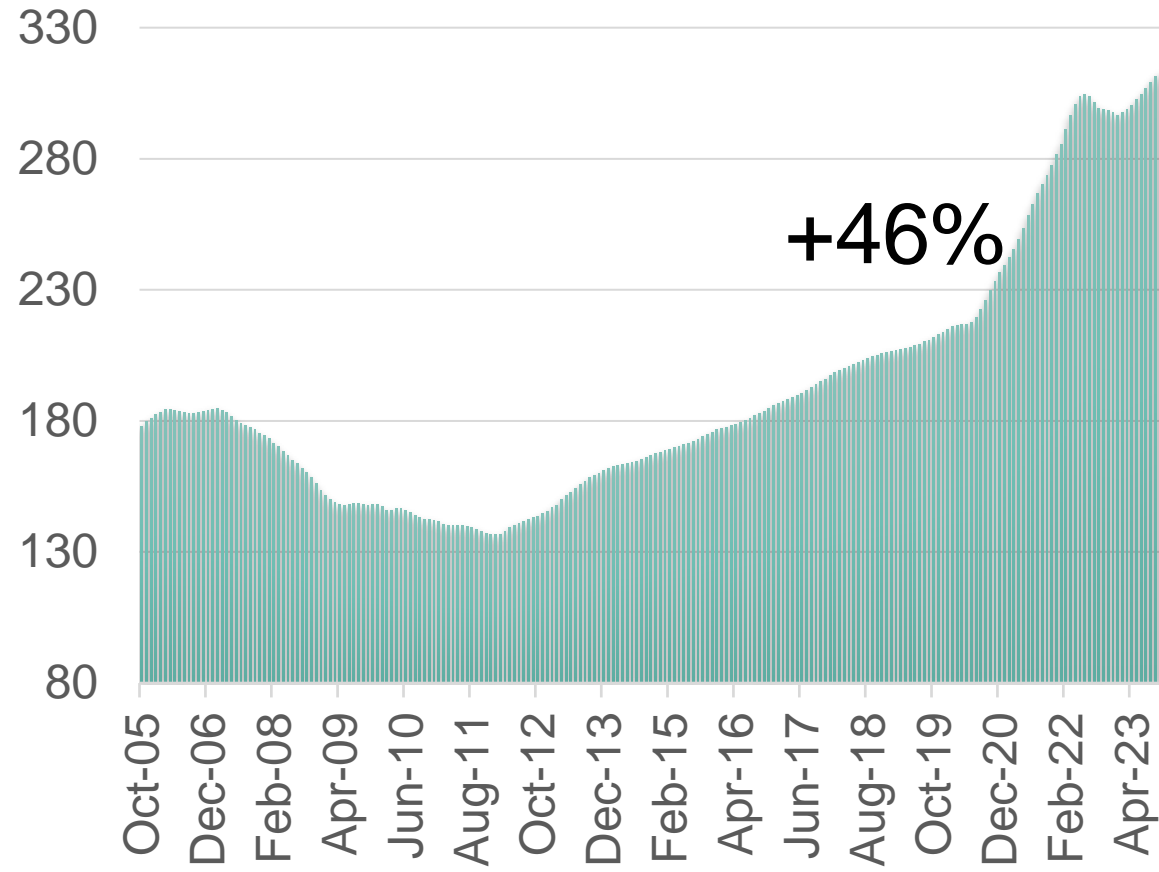


30 Year Fixed Rate Mortgage (%)

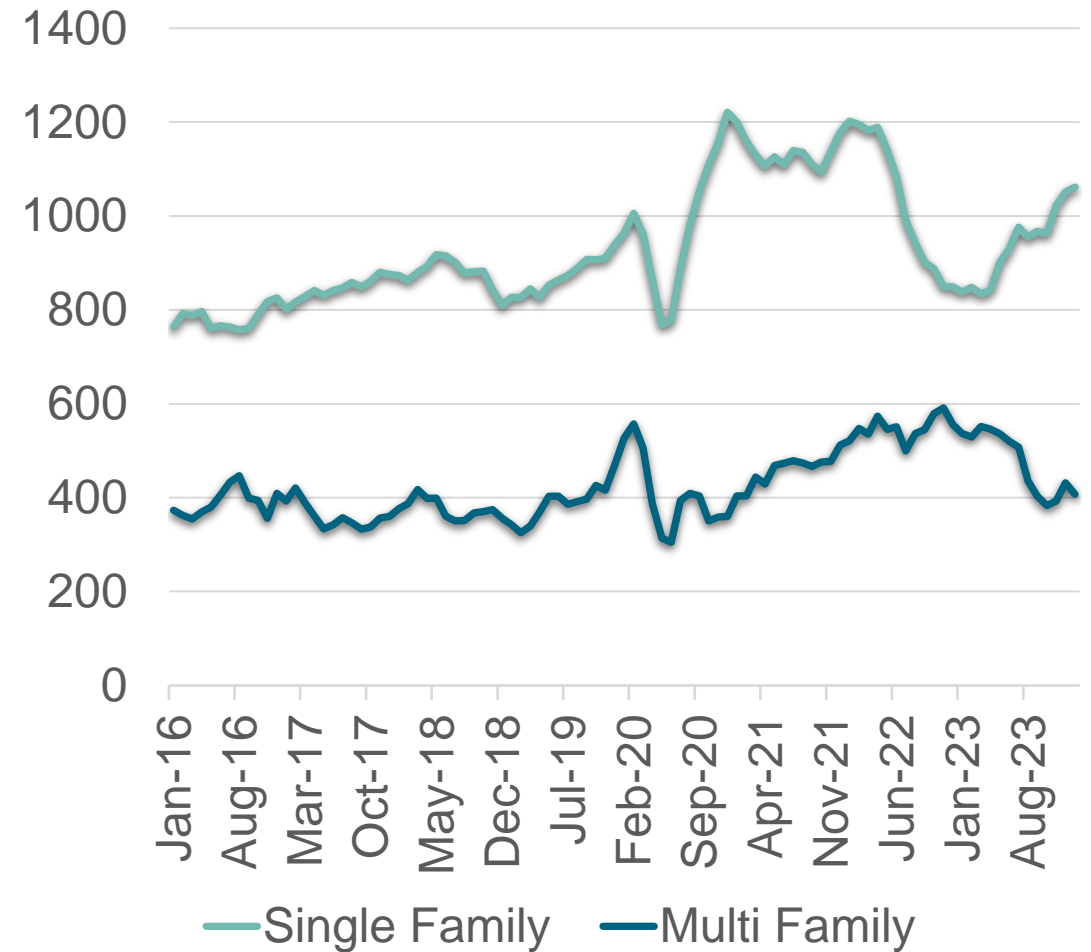


Housing: prices, starts both rising...

Case Shiller US Home Prices Index (SA)



Housing Starts SAAR



Home Sales



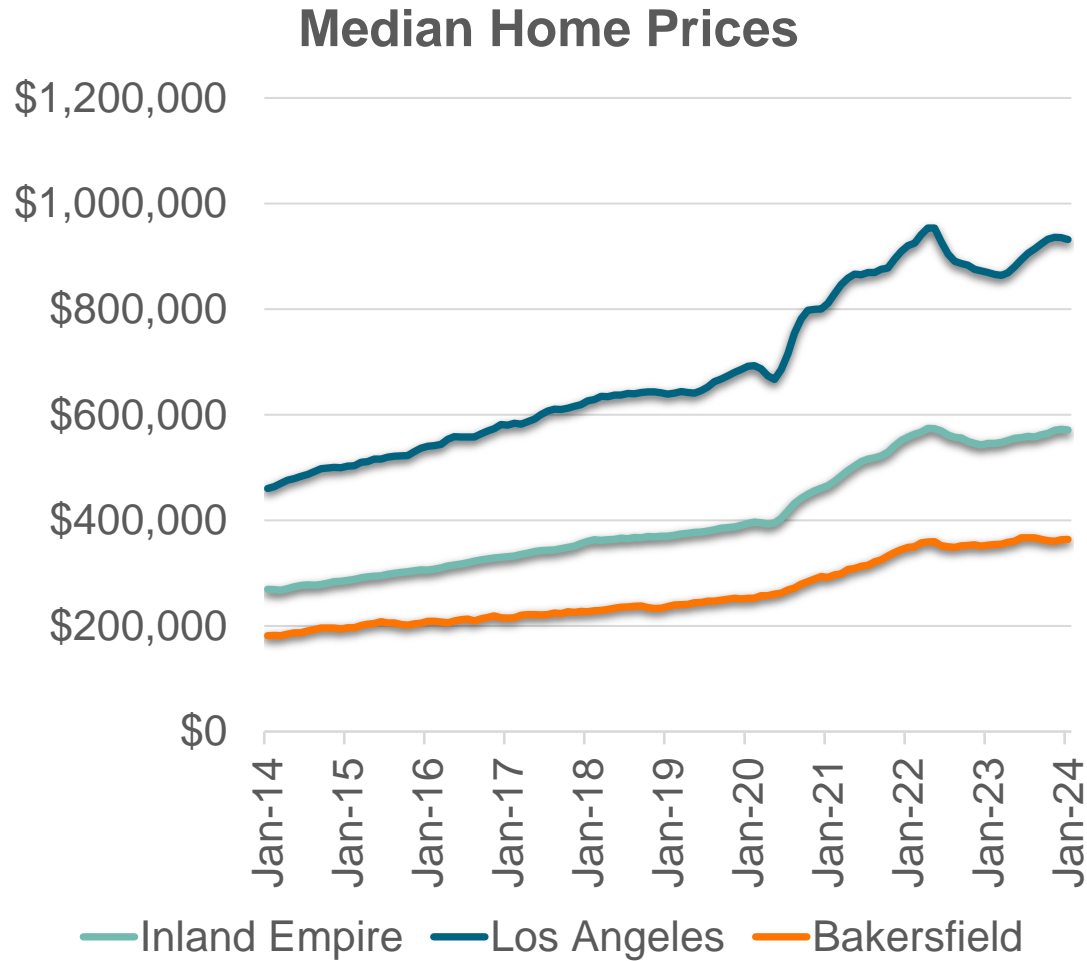
Indexed Home Sales



| City | 2023 Homes Sold | 1-Year Chg. (#) | 5-Year Chg. (#) |
|--------------|-----------------|-----------------|-----------------|
| Adelanto | 308 | -49 | -151 |
| Apple Valley | 933 | -302 | -373 |
| Hesperia | 931 | -258 | -383 |
| Lancaster | 1,696 | -362 | -572 |
| Palmdale | 1,260 | -345 | -755 |
| Victorville | 1,353 | -281 | -387 |



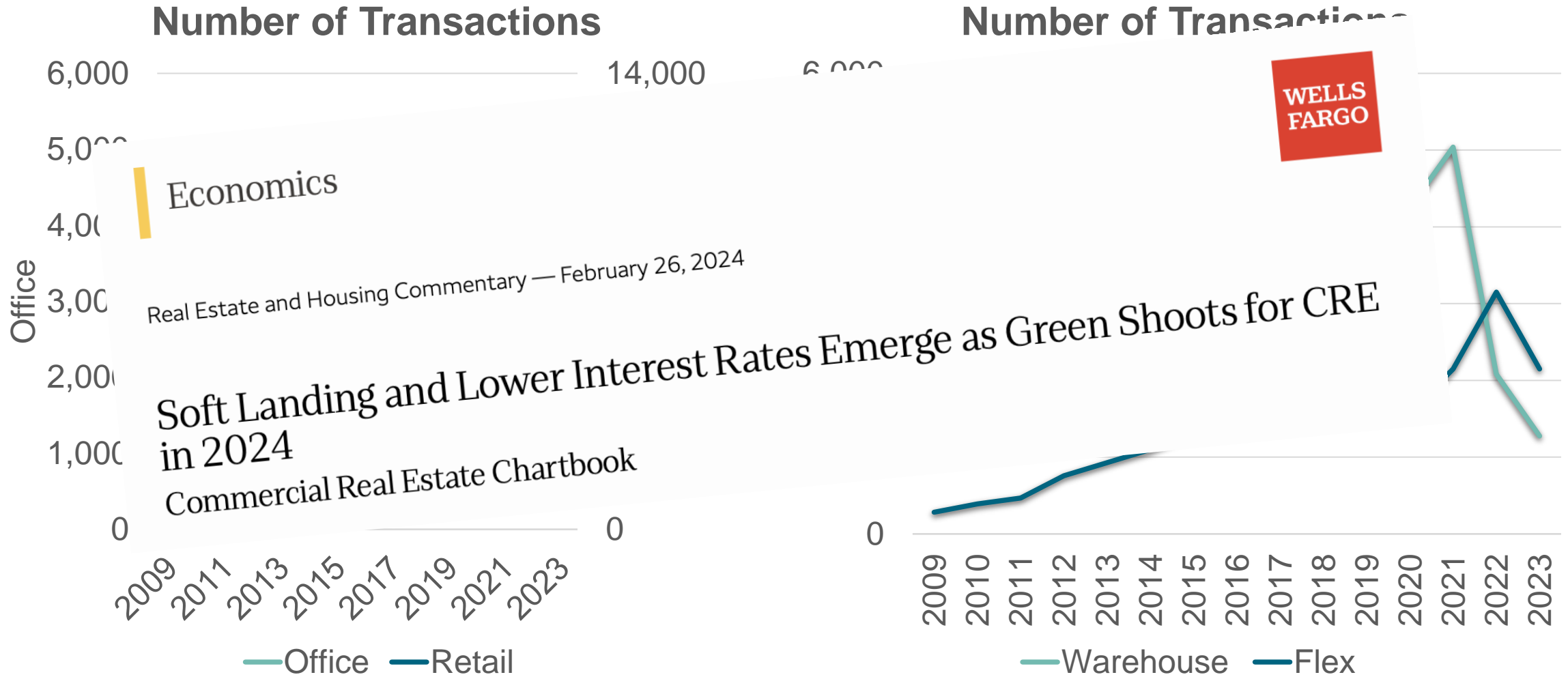
Home Prices



| City | 2023 Median Price (\$) | 1-Year Chg. (%) | 5-Year Chg. (%) |
|--------------|------------------------|-----------------|-----------------|
| Adelanto | 376,958 | 0.1 | 70.8 |
| Apple Valley | 404,716 | 0.2 | 61.3 |
| Hesperia | 428,919 | -0.7 | 61.3 |
| Lancaster | 446,710 | -0.4 | 57.1 |
| Palmdale | 491,790 | -1.4 | 55.5 |
| Victorville | 415,128 | 0.5 | 67.8 |

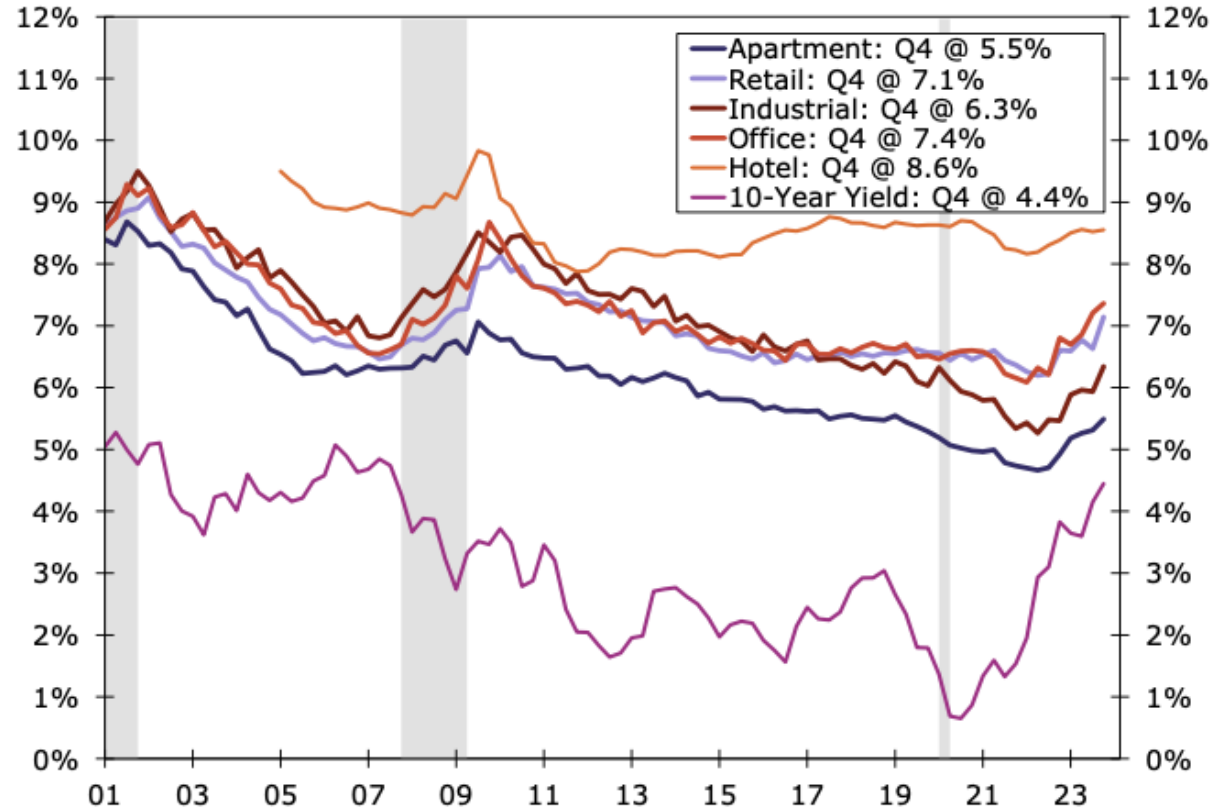


Commercial Transactions by Type



Commercial Activity

CRE Cap Rates vs. 10-Year Treasury Yield

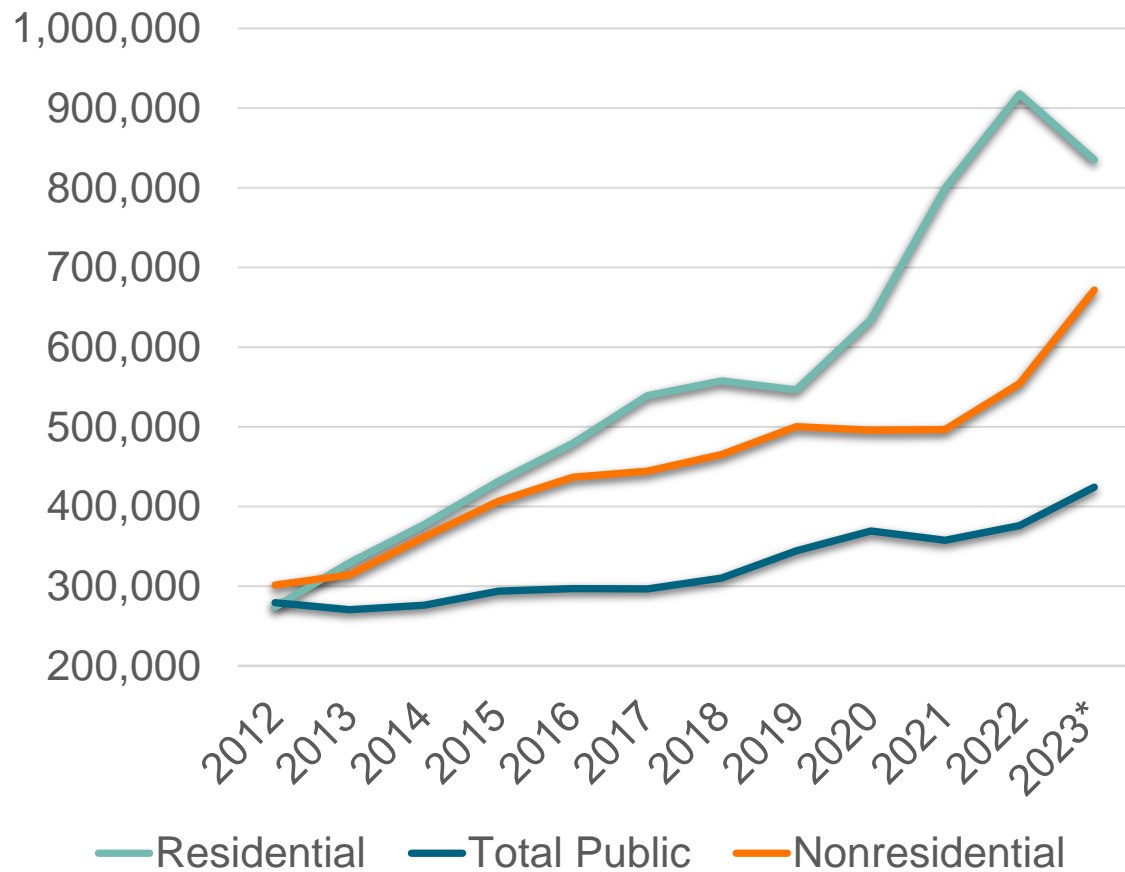


Source: CoStar Inc., Bloomberg Finance L.P. and Wells Fargo Economics



The Construction Industry

Total Nominal Spending by Sector
(\$Millions)



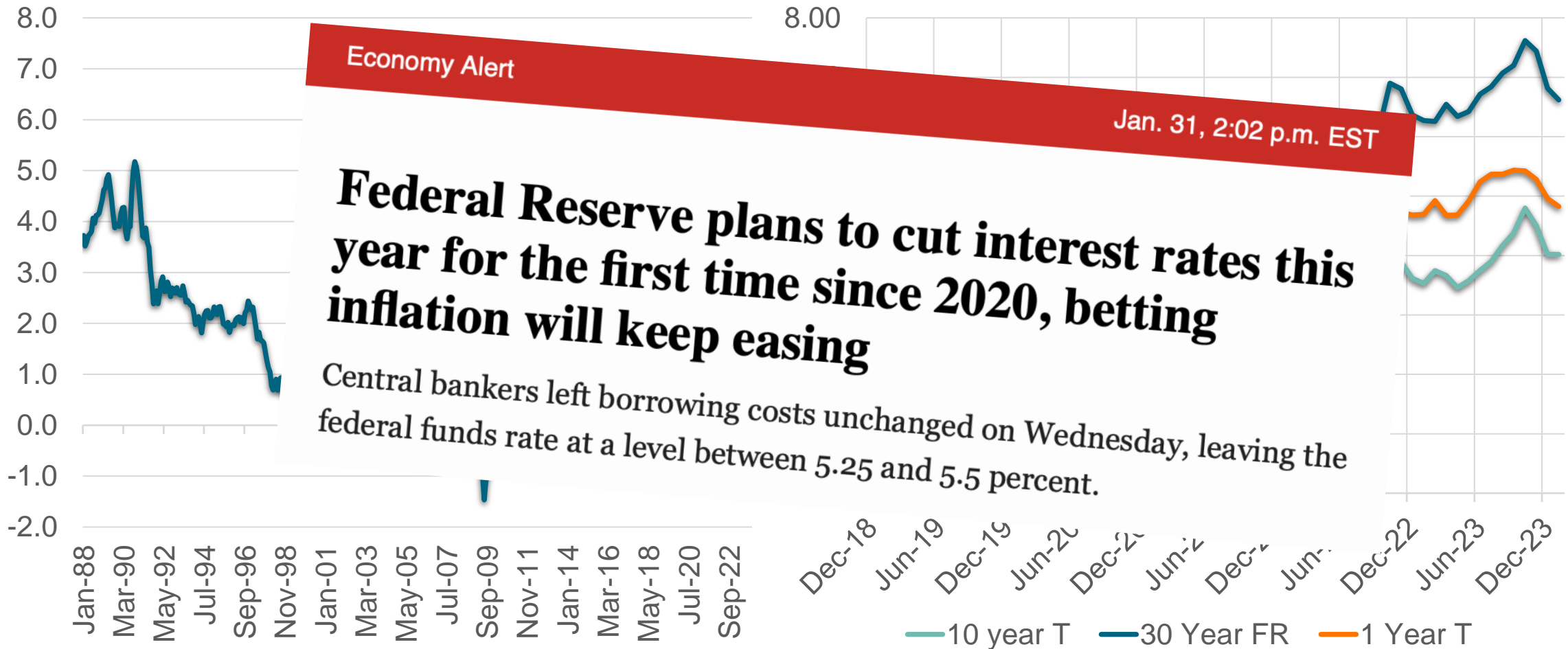
| | 2023* | 1 Year | 5 Yr Avg Gr |
|--------------------|---------|--------|-------------|
| Private | | | |
| Manufacturing | 198,237 | 73.7% | 22.5% |
| Commercial | 127,073 | 8.4% | 8.9% |
| Power | 103,488 | 3.5% | 1.9% |
| Office | 84,241 | 7.3% | 4.7% |
| Health care | 49,136 | 13.3% | 7.7% |
| Communication | 24,515 | 1.5% | 0.2% |
| Lodging | 24,228 | 25.5% | -4.5% |
| Educational | 22,152 | 16.6% | -0.2% |
| Transportation | 20,136 | 15.8% | 2.4% |
| Public | | | |
| Highway and street | 130,769 | 15.4% | 7.4% |
| Educational | 88,867 | 7.0% | 2.4% |
| Transportation | 43,622 | 5.5% | 4.3% |
| Sewage waste | 39,201 | 22.7% | 10.8% |
| Water supply | 25,841 | 13.9% | 11.2% |



Inflation and Rates—Down

PCE Inflation Rate (YoY)

Interest Rates

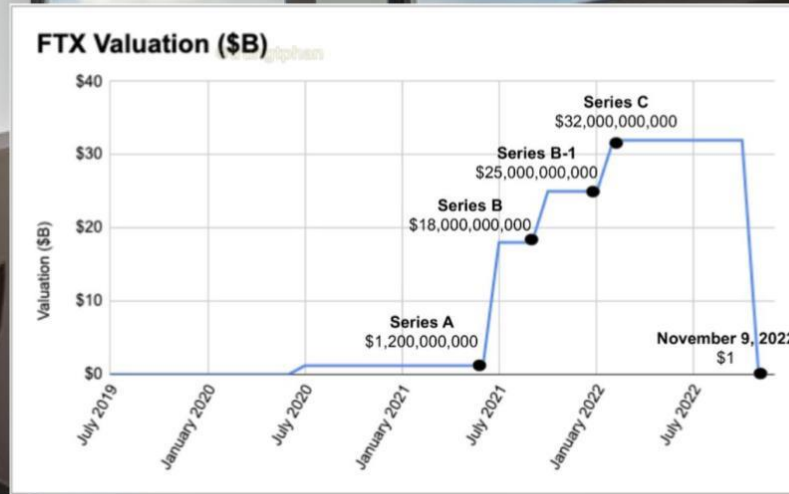
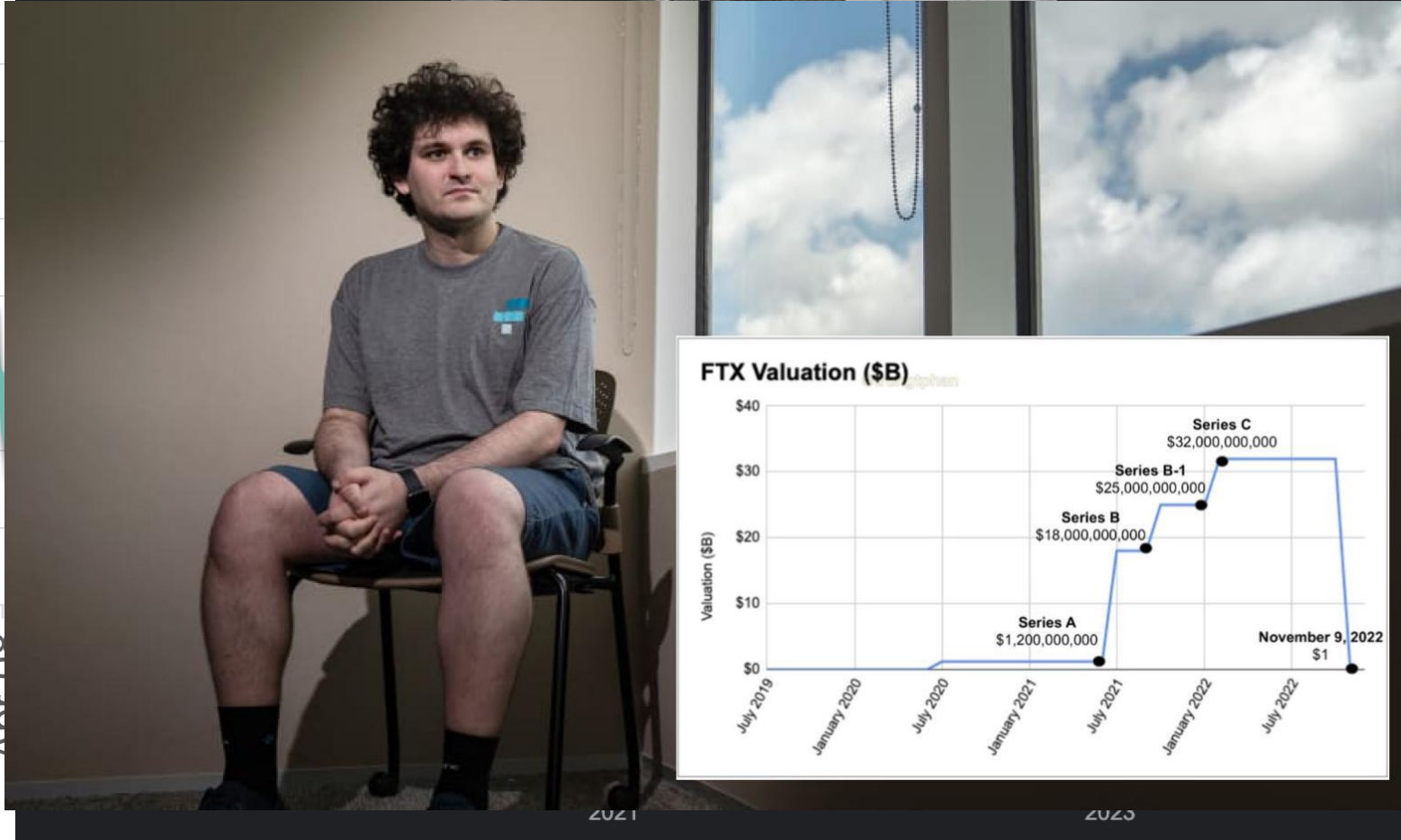
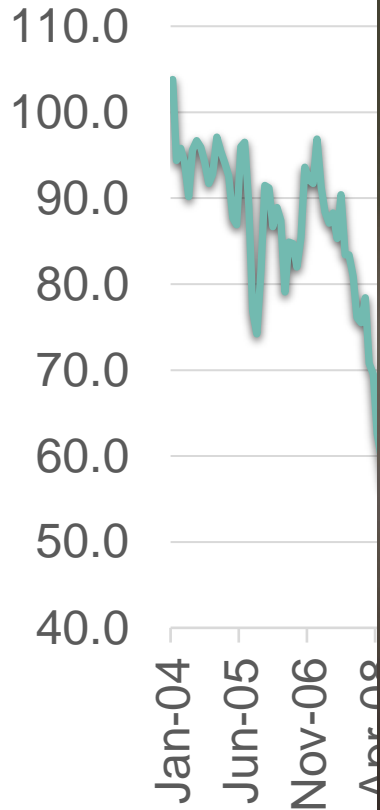


Sentiment and Equities: Up

U Mich

Market Summary > Bitc

CHARLES RIVER EDITORS



Mar-23
Mar-24



Beware the Narrative!

Social Narratives

Economic Reality

Miserabilism:

the philosophy of pessimism.

— Will Rogers

—R. Shiller, *Narrative Economics*



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for

Miserabilism and the Pandemic

CBO: Coronavirus pandemic will scar U.S. labor market for the next decade

30-40 Million People in America Could Be Evicted from Their Homes by the End of 2020

FINANCE · ECONOMY

What shape will the recovery take? U-shape, check mark, square root symbol, and swoosh are all on the table, say economists

Coronavirus: Leading economist warns of 10 years of depression and debt

© 22 May 2020

As many as 30% of Americans with home loans — about **15 million** households — could stop paying if the U.S. economy remains closed through the summer or beyond, according to an estimate by Mark **Zandi**, chief economist for Moody's Analytics.

Home prices rose in June, but they'll likely fall in 2021: CoreLogic

'Make no mistake...the pandemic morphed into a Depression-like crisis,' says UCLA economist, who predicts U.S. economy won't recover from coronavirus until 2023

Coronavirus to cause worst economic downturn since Great Depression, IMF forecasts

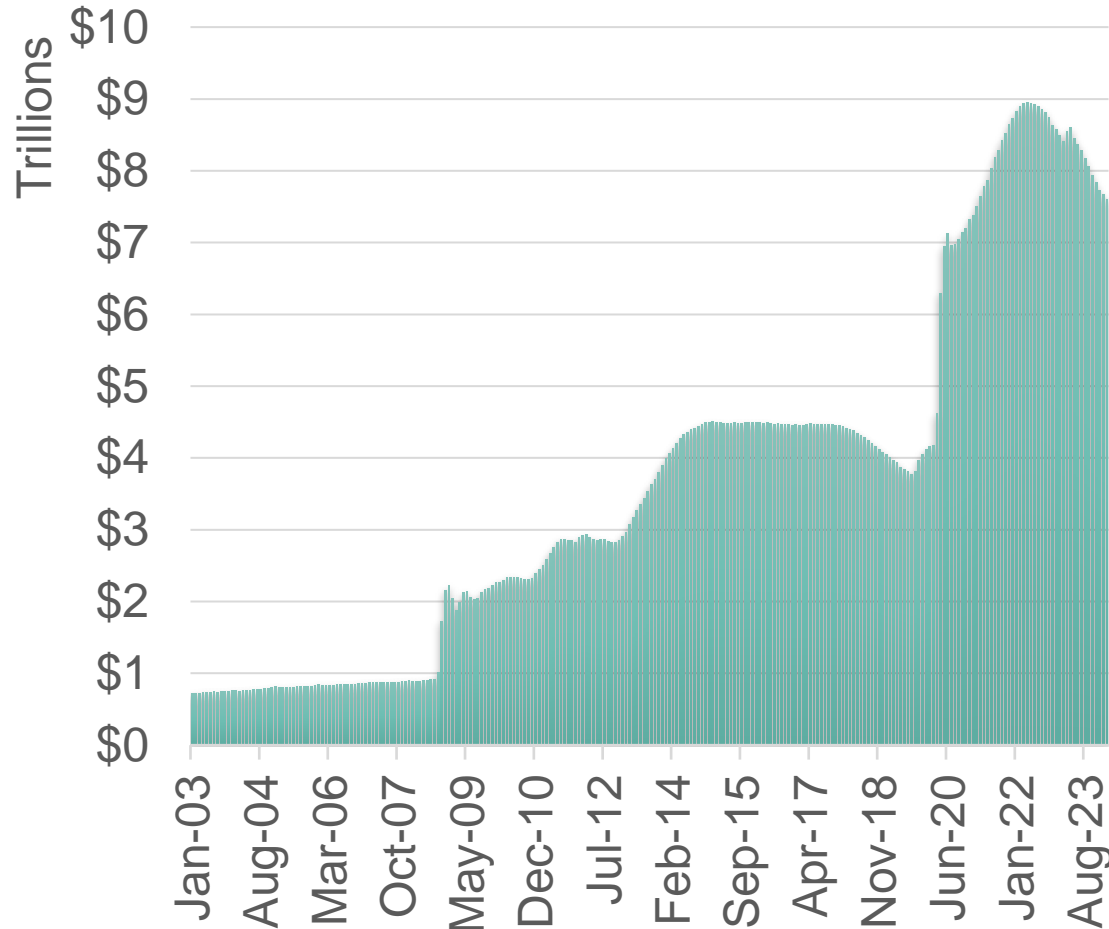


The Pandemic Over-reaction

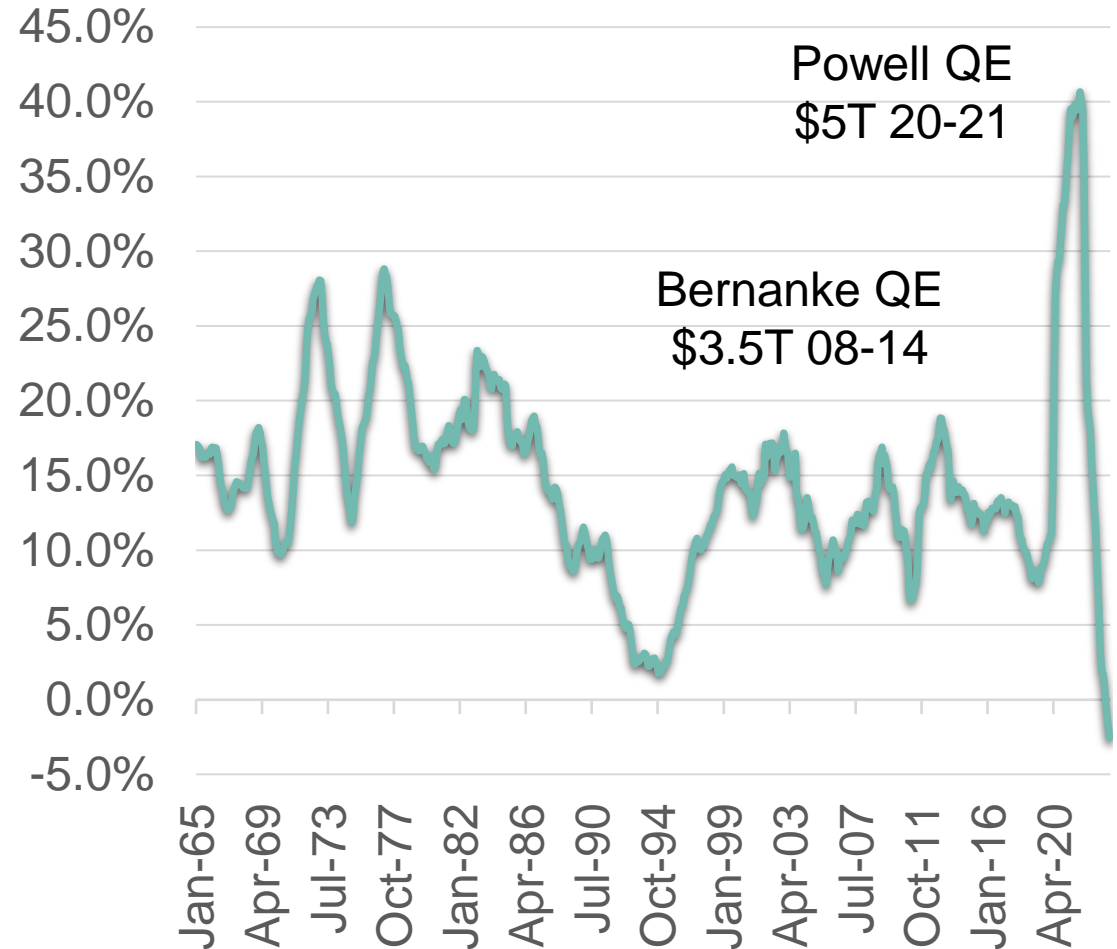


The Fed Money Pump

Fed Balance Sheet

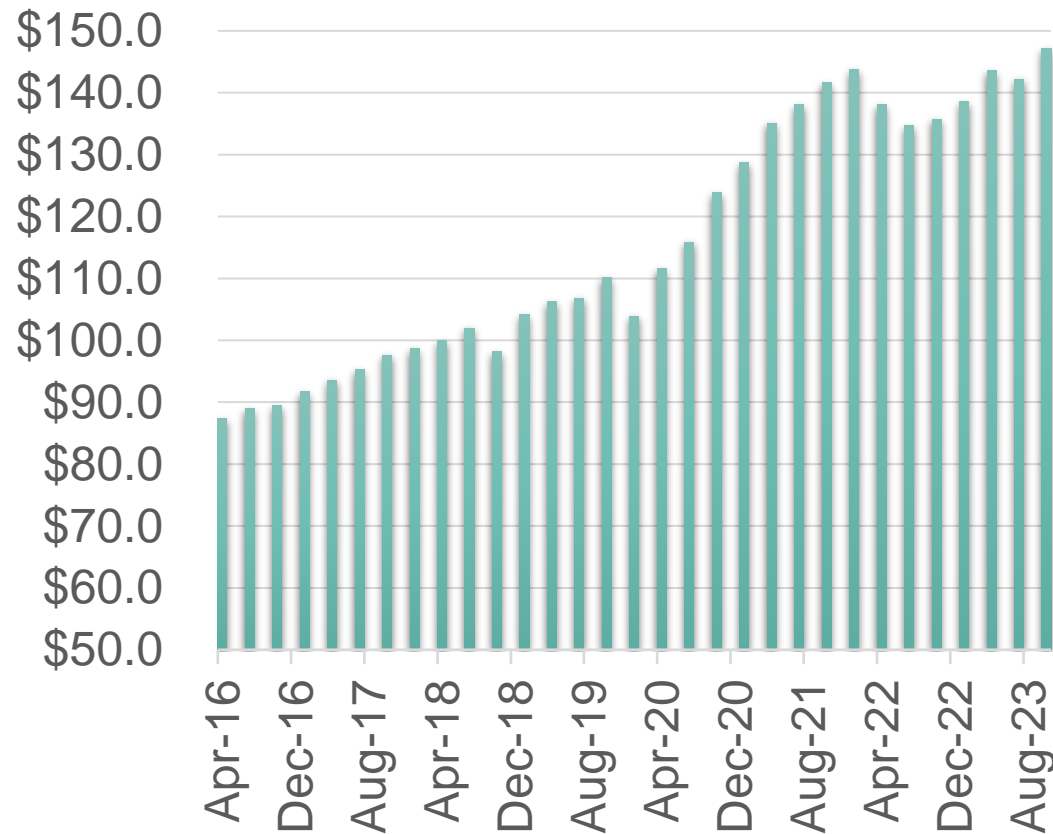


M2 Growth (2 Year)



The Progressive Asset Bubble

Aggregate U.S. Household Net Worth \$Trillions



Real Median Household Net Worth in 2022 (\$000) and Growth Rate 2013-2022

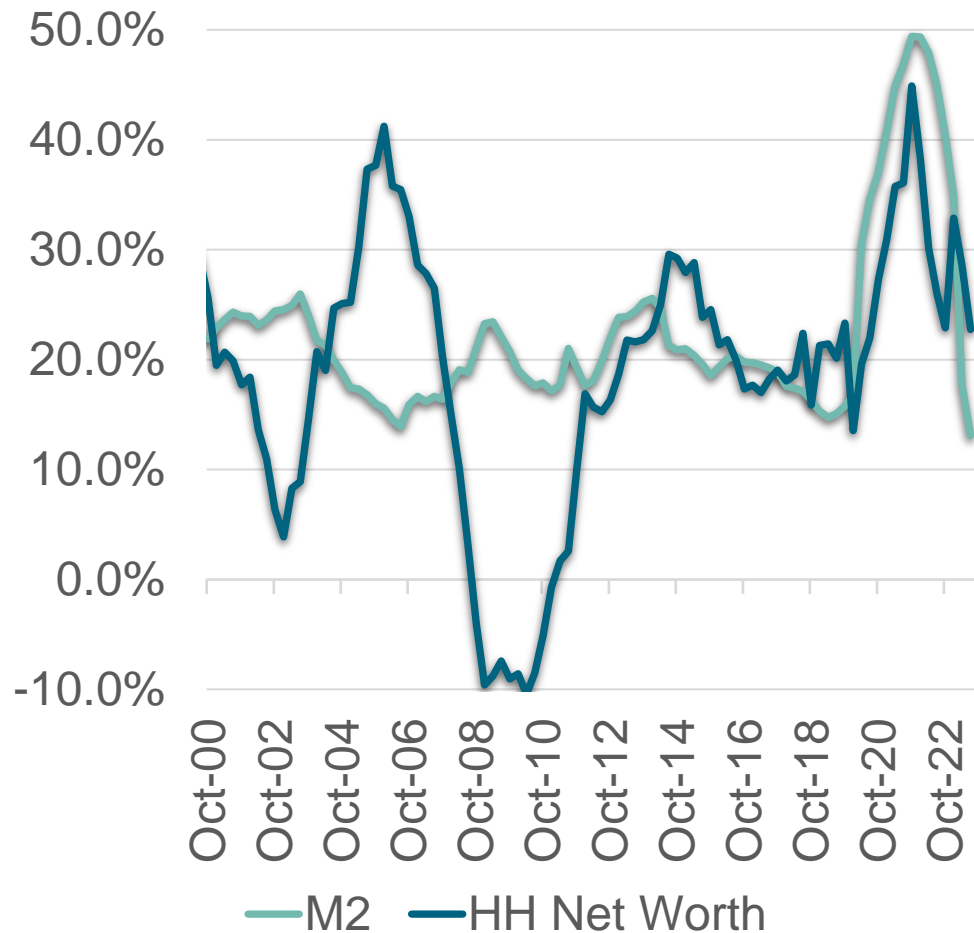
| Percentile of net worth | Growth Rate 2013-2022 | | Age of person | | |
|-------------------------|-----------------------|-------------|---------------|-------------------|-------------|
| | Net Worth (\$000) | Growth Rate | Age Group | Net Worth (\$000) | Growth Rate |
| All families | \$193 | 87% | Less 35 | \$39 | 195% |
| Less 25 | \$4 | n.a. | 35-44 | \$136 | 128% |
| 25-49.9 | \$93 | 134% | 45-54 | \$247 | 84% |
| 50-74.9 | \$356 | 67% | 55-64 | \$365 | 73% |
| 75-89.9 | \$1036 | 61% | 65-74 | \$410 | 39% |
| 90-100 | \$3795 | 59% | 75 or more | \$336 | 35% |



The consumer boom



3 Year Growth



| <i>Real Changes in Consumer Spending</i> | Growth |
|--|---------|
| | 2019-23 |
| Video, audio, photographic, and IT | 91% |
| Air transportation | 45% |
| Alcoholic bev for off-premises | 22% |
| Clothing and footwear | 20% |
| Foreign travel by U.S. residents | 18% |
| Food services | 12% |
| New motor vehicles | 7% |
| Food purchased for off-premises | 6% |
| Accommodations | 4% |
| Gasoline and other energy goods | 1% |
| Household utilities | 1% |



Inflationary Pressures Cooling

Unit Money Supply
M2 / Nominal GDP



| GDP Prices Q4 to Q4 | 20-21 | 21-22 | 22-23 |
|----------------------------|-------|-------|-------|
| GDP Prices | 6.1% | 6.4% | 2.6% |
| Personal consumption | 5.9% | 5.9% | 2.7% |
| Goods | 8.1% | 6.1% | 0.0% |
| Services | 4.7% | 5.8% | 4.1% |
| Inv: Structures | 9.5% | 13.2% | 2.0% |
| Inv: Equipment | 2.5% | 7.0% | 2.6% |
| Inv: Intellectual products | 0.2% | 1.2% | 2.3% |
| Inv: Residential | 13.6% | 11.6% | 1.7% |
| Exports | 13.7% | 5.0% | -0.7% |
| Imports | 9.3% | 3.5% | -1.3% |
| Government | 6.3% | 6.3% | 1.8% |

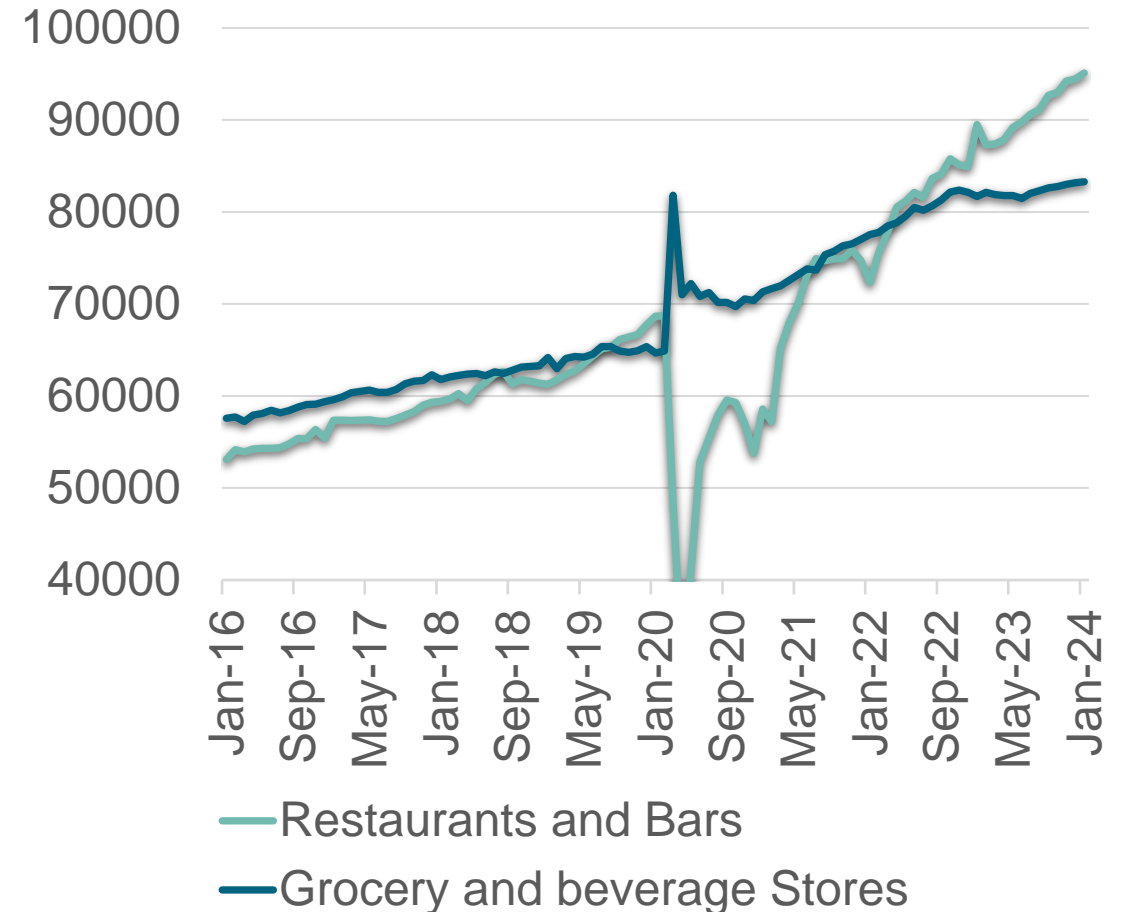


Shifting demand

Nominal Retail Sales

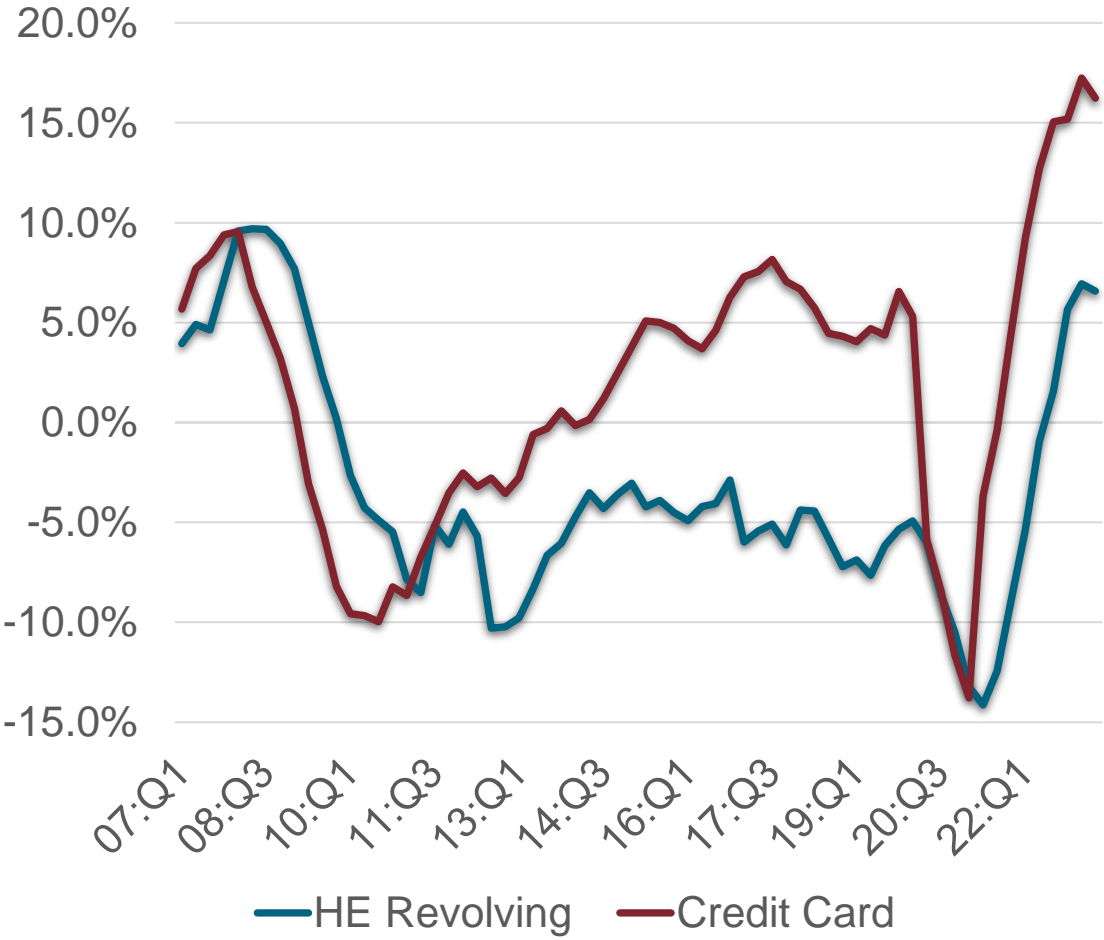
| | Dec Sales | YoY Gr |
|---------------------------------|-----------|--------|
| Retail & food services Total | 709,890 | 4.8% |
| Food services & drinking places | 94,559 | 11.1% |
| Electronics & appliance stores | 7,679 | 10.4% |
| Nonstore retailers | 120,496 | 9.7% |
| Motor vehicle & parts dealers | 136,507 | 8.3% |
| Clothing & clothing accessories | 26,611 | 2.9% |
| General merchandise stores | 74,032 | 2.2% |
| Food & beverage stores | 83,124 | 1.0% |
| Building material & garden eq | 41,665 | -2.3% |
| Furniture & home furn stores | 10,783 | -5.0% |
| Gasoline stations | 53,169 | -8.4% |

Nominal Retail Sales (SAAR)

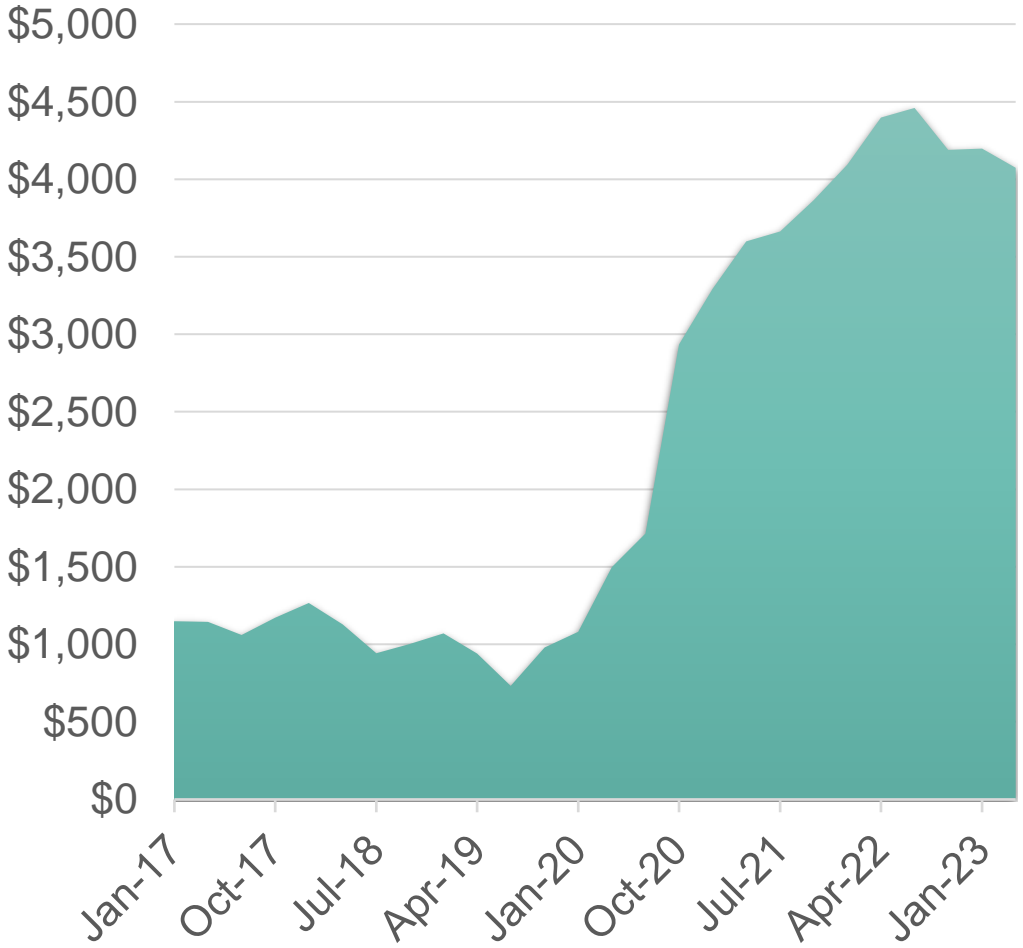


Still Lots of Cash and Credit

YoY Growth Consumer Credit

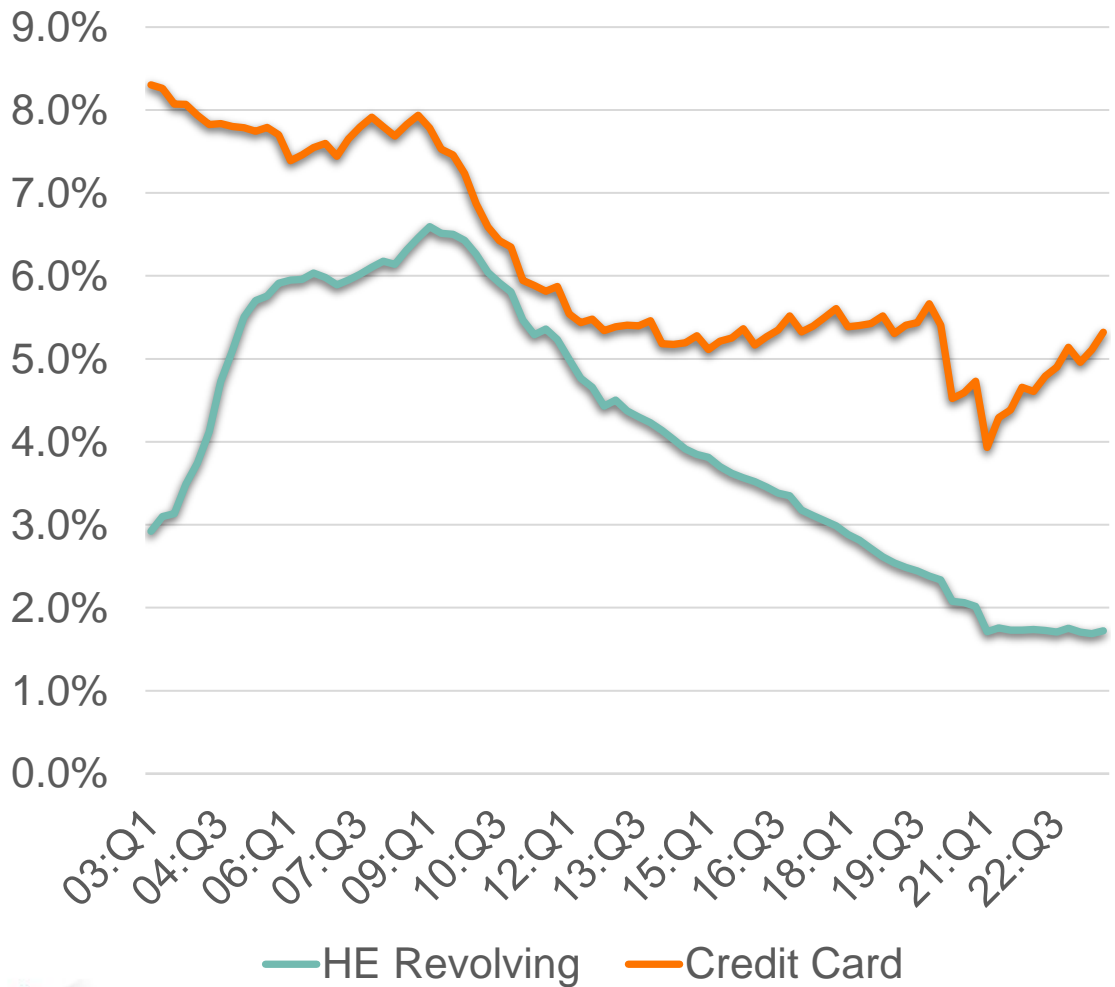


Checkable Deposits \$Billions



Consumer Debt: Not a problem... yet

Consumer Debt as % of DPI



Household Debt Service Ratio as % DPI (Fed Est.)



The narrative on inflation

Finance and economics | Price pain

What can inflation-strugglers learn from inflation-killers?

Why America, Australia, Britain and Canada are lagging behind

COULD THE inflation nightmare soon be over? Across the OECD club of mostly rich countries, consumer-price inflation has fallen from a peak of 10.7% in October 2022 to 6.2%. Wage growth is slowing, too. Investors are hopeful that, before long, more progress will be made, allowing central banks to raise rates (including 56% of respondents said significantly).



Reality: Inflation is caused by demand

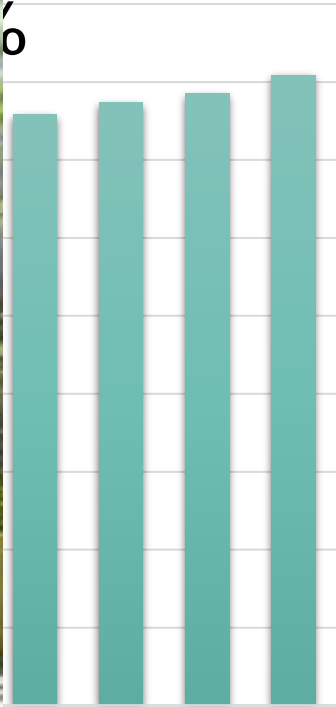
Gasoline Price Average Per Gallon

\$5.00
\$4.50
\$4.00
\$3.50
\$3.00
\$2.50
\$2.00

Jan-21
Apr-21
Jul-21



Gasoline

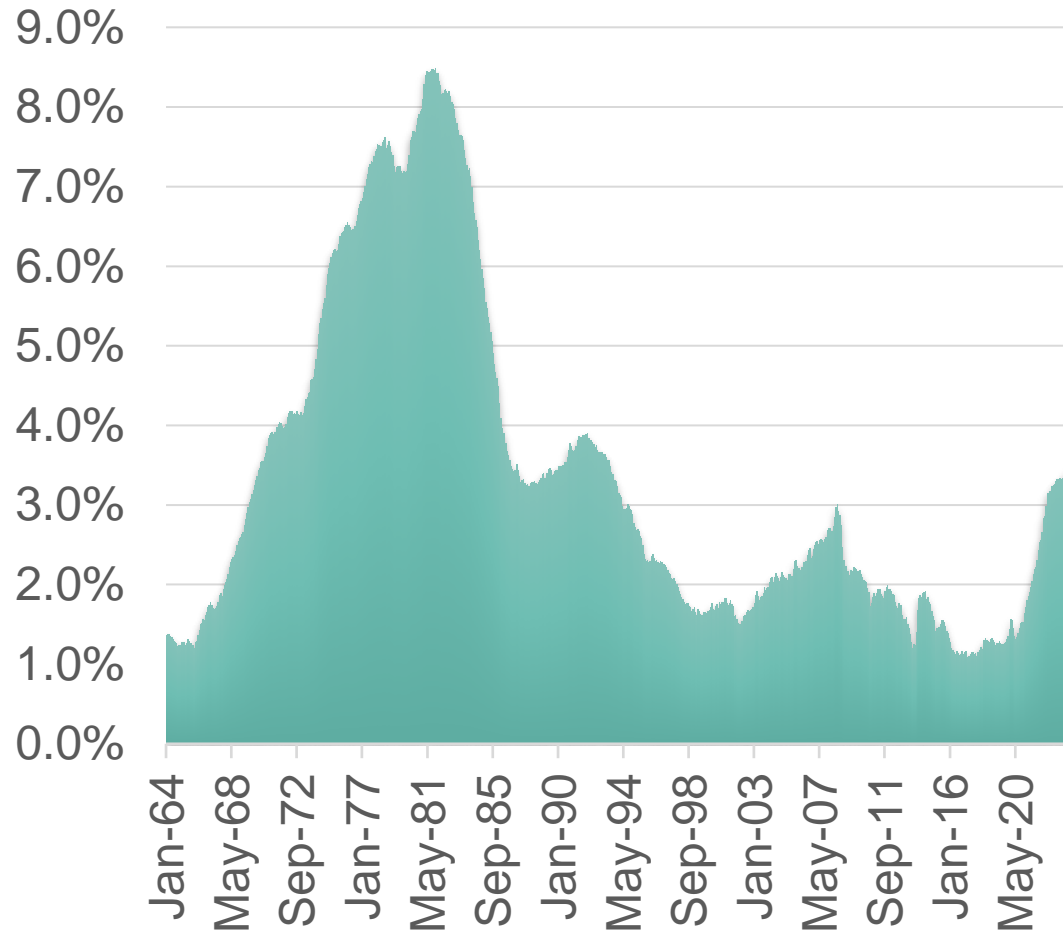


2023Q3
2022Q4
2023Q1
2023Q2



The Longer Run Context

5 Year Average Inflation Rate



10 Year Treasury Real Interest Rate Cleveland Fed Estimate

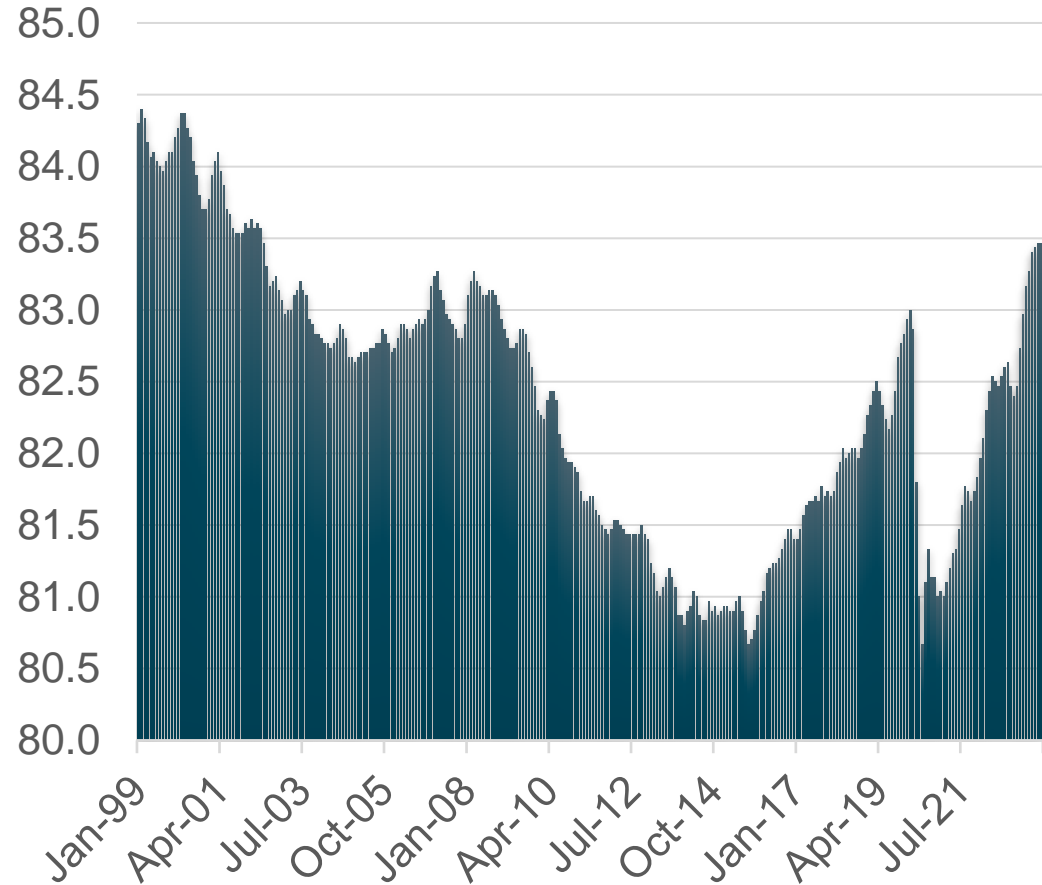


The deeper issue? Labor supply, not consumer demand

Job Openings / Unemployed Person

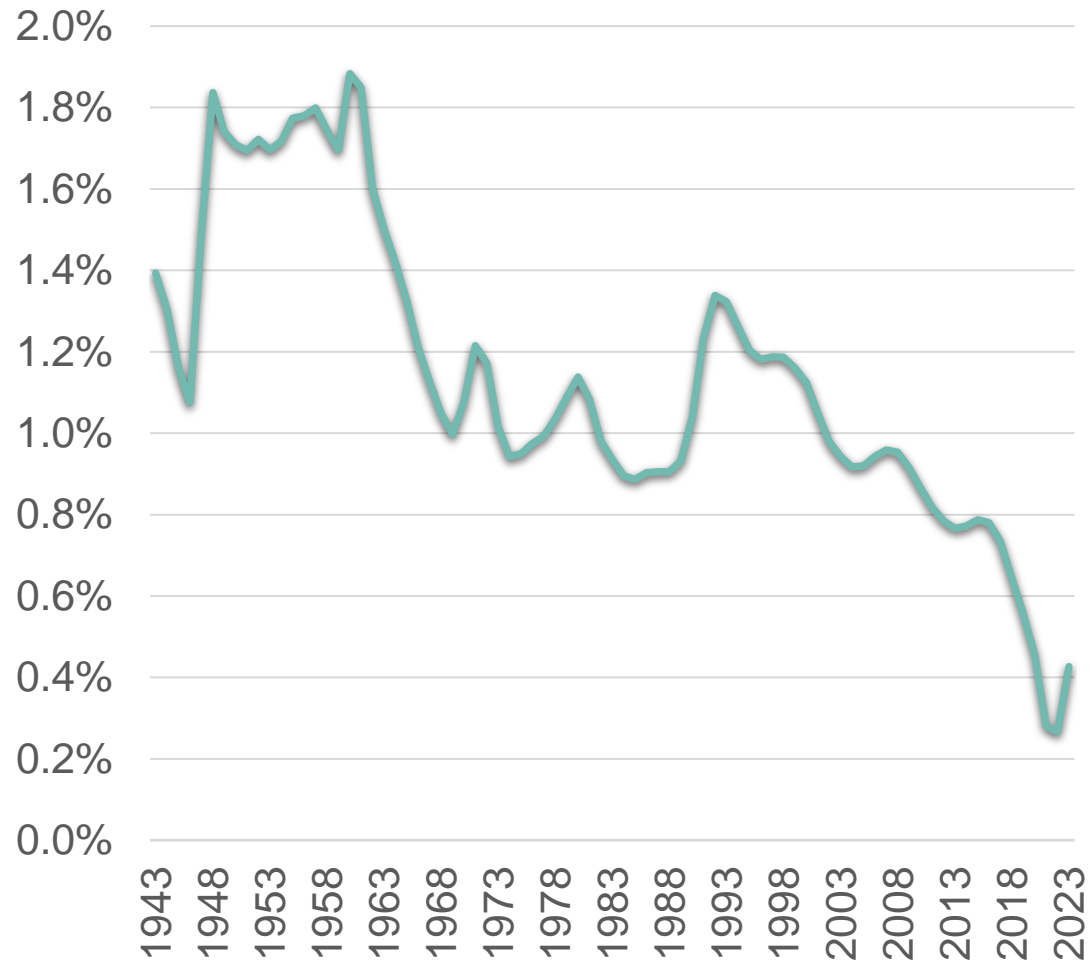


Participation Rate Ages 25-54

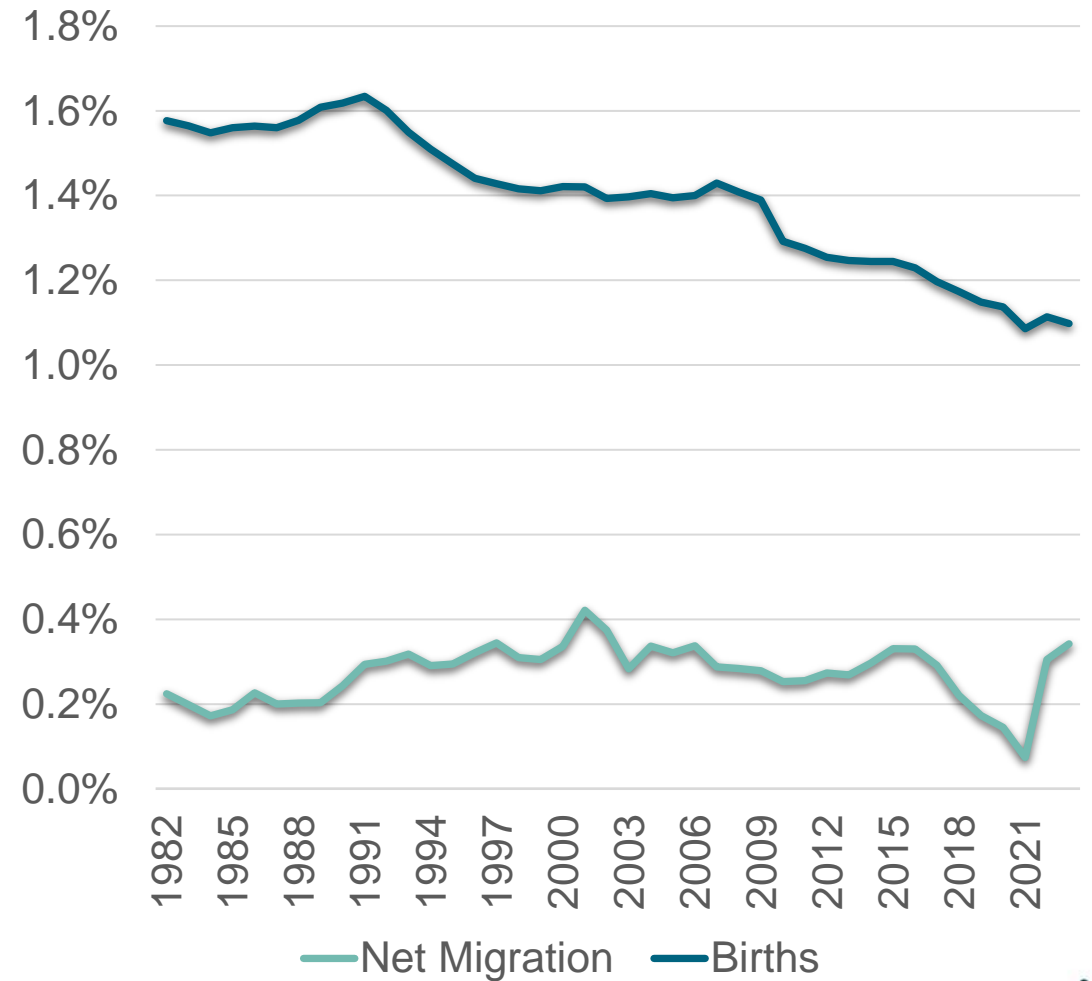


The Era of Labor Shortages is Here

US Population Growth



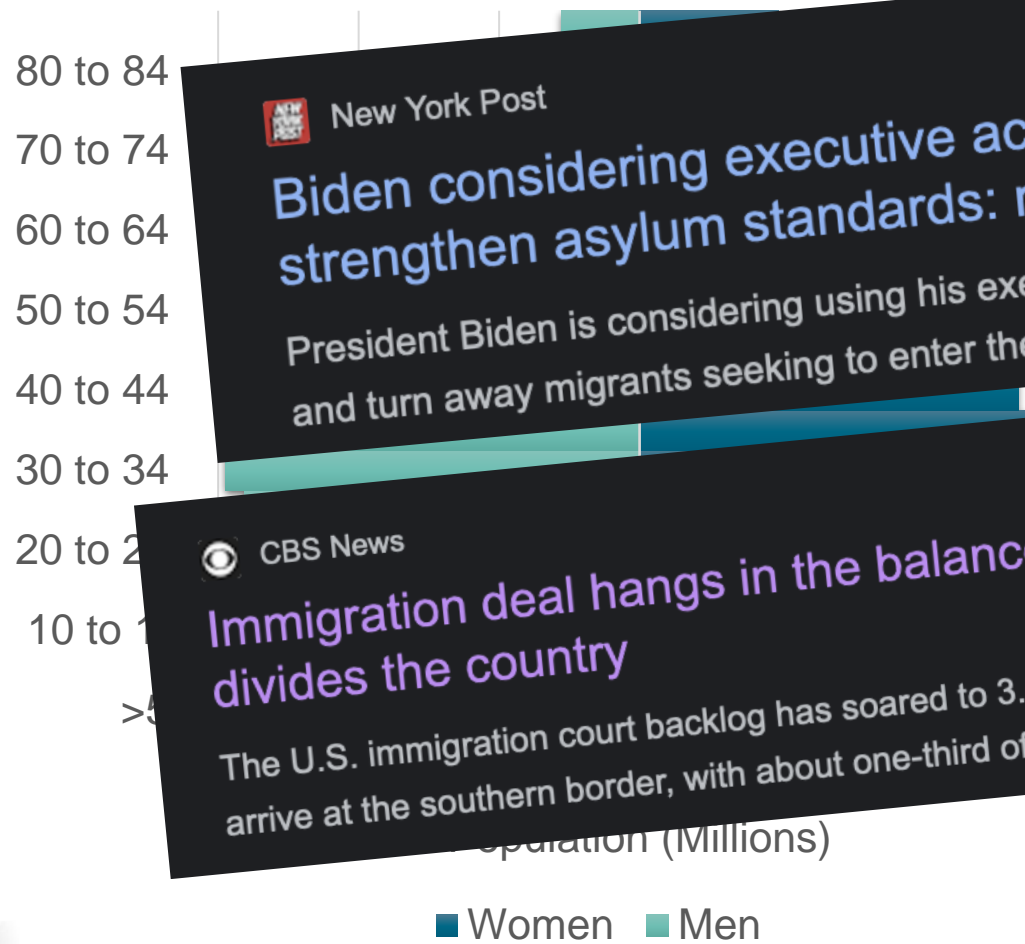
Sources of New Population



Shifting Demographics



2022 US Population by Sex and Age



10 Year Average Labor Force



New York Post

Biden considering executive action to turn away migrants, strengthen asylum standards: report

President Biden is considering using his executive powers to beef up asylum standards and turn away migrants seeking to enter the US between...



CBS News

Immigration deal hangs in the balance as U.S. border crisis divides the country

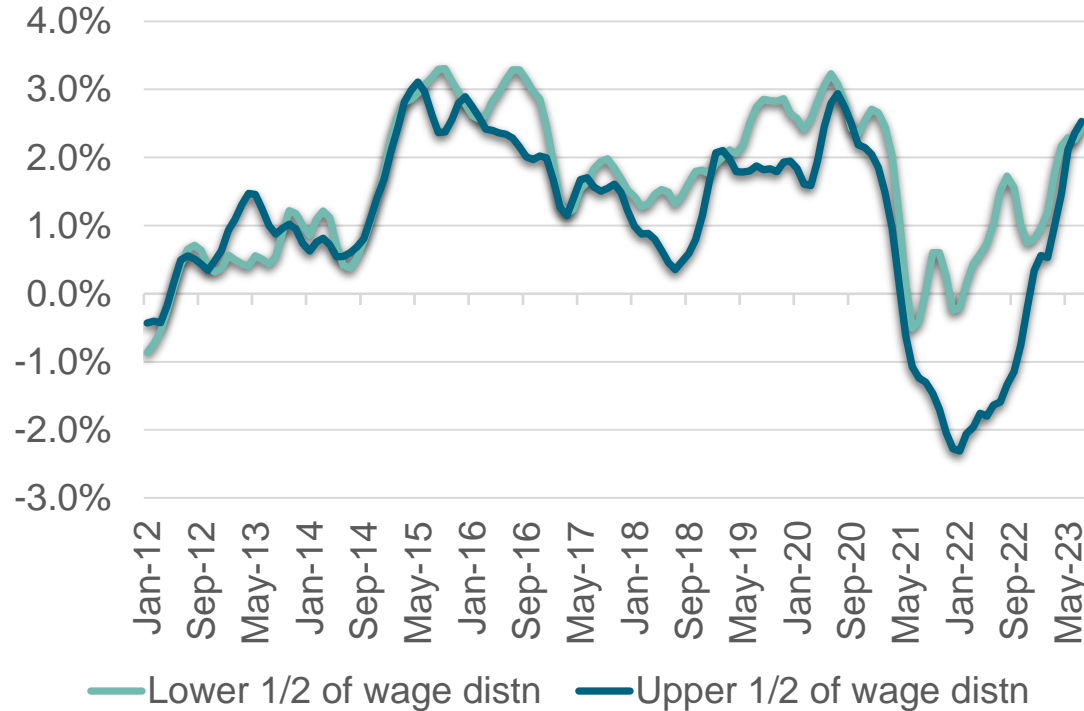
The U.S. immigration court backlog has soared to 3.3 million as an influx of migrants arrive at the southern border, with about one-third of...





The Impact of Labor Shortages

Real Wage Growth (YoY)



Earnings Growth by Quartile 2015-2023

| Lowest | 2nd | 3rd | Highest |
|--------|------|------|---------|
| 38.0 | 31.8 | 29.4 | 27.1 |

Weekly Earnings for Non-Supervisory Employees

| | Q1 23 | Gr 17-20 | Gr 20-23 |
|-----------------|-----------|----------|----------|
| Accommodation | \$603.5 | 6.5% | 33.8% |
| Childcare | \$561.8 | 11.6% | 28.7% |
| Food and Drink | \$418.6 | 10.6% | 26.2% |
| Nursing Homes | \$704.4 | 12.6% | 23.5% |
| Truck Transport | \$1,200.4 | 13.3% | 20.1% |
| Total Private | \$964.8 | 10.0% | 19.6% |
| Retail | \$620.0 | 14.6% | 19.0% |
| Warehouses | \$857.2 | 10.0% | 14.2% |

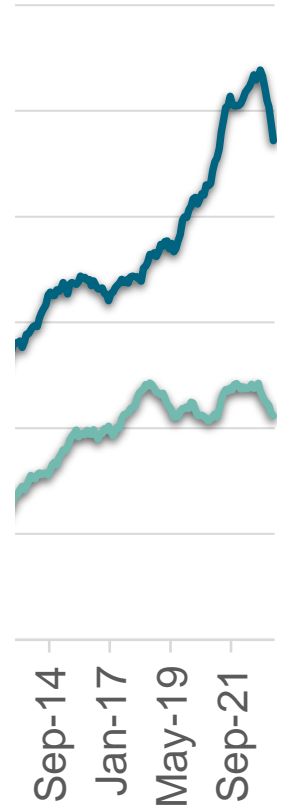
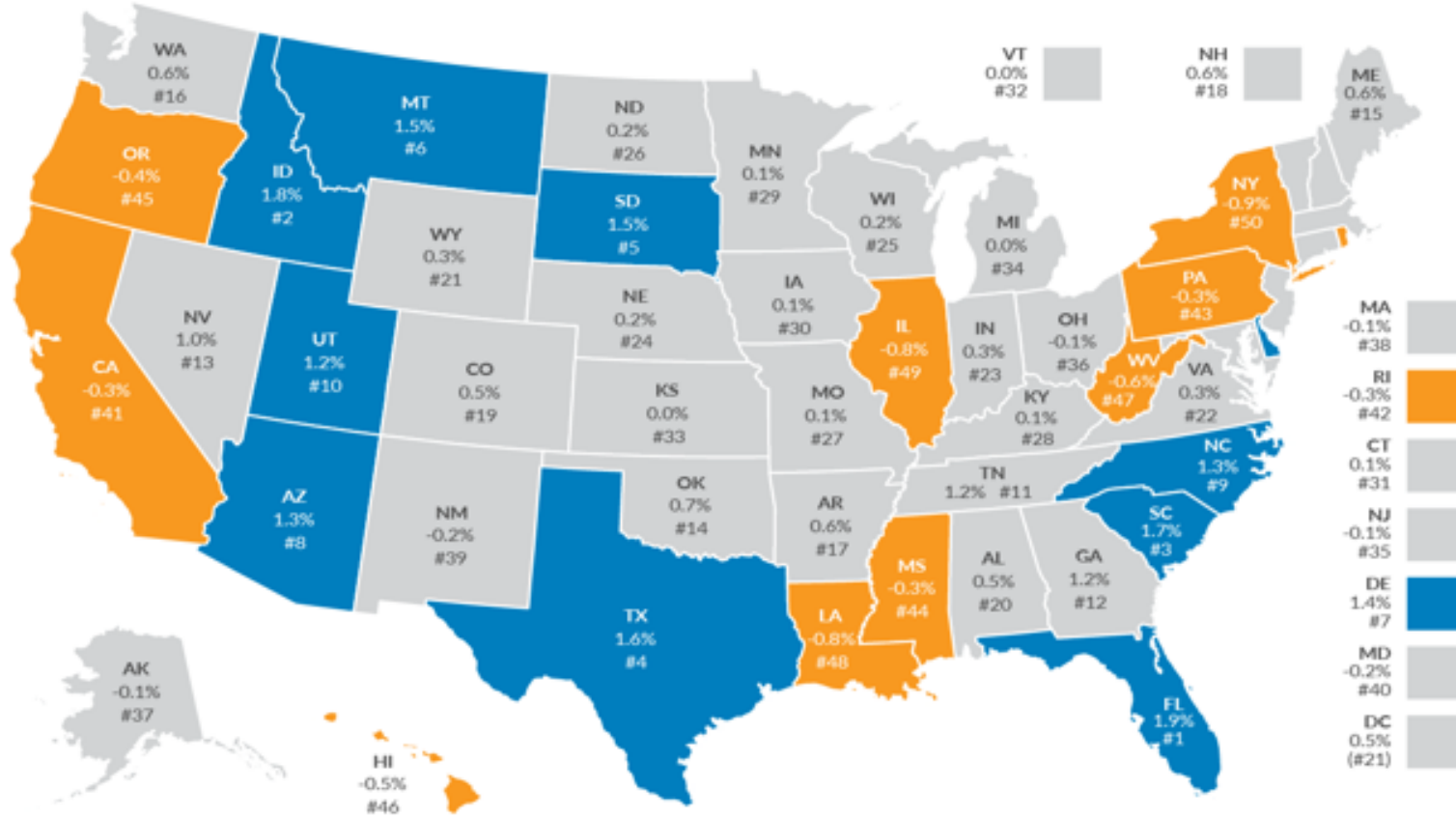




State Population Change in 2022

State Migration Patterns, from Most Inbound to Most Outbound, 2022

| |
|-------------|
| Utah |
| Idaho |
| Arizona |
| Colorado |
| Texas |
| Florida |
| Washington |
| Nevada |
| Nebraska |
| Minnesota |
| California |
| Hawaii |
| New Jersey |
| Vermont |
| Maine |
| Wyoming |
| Mississippi |



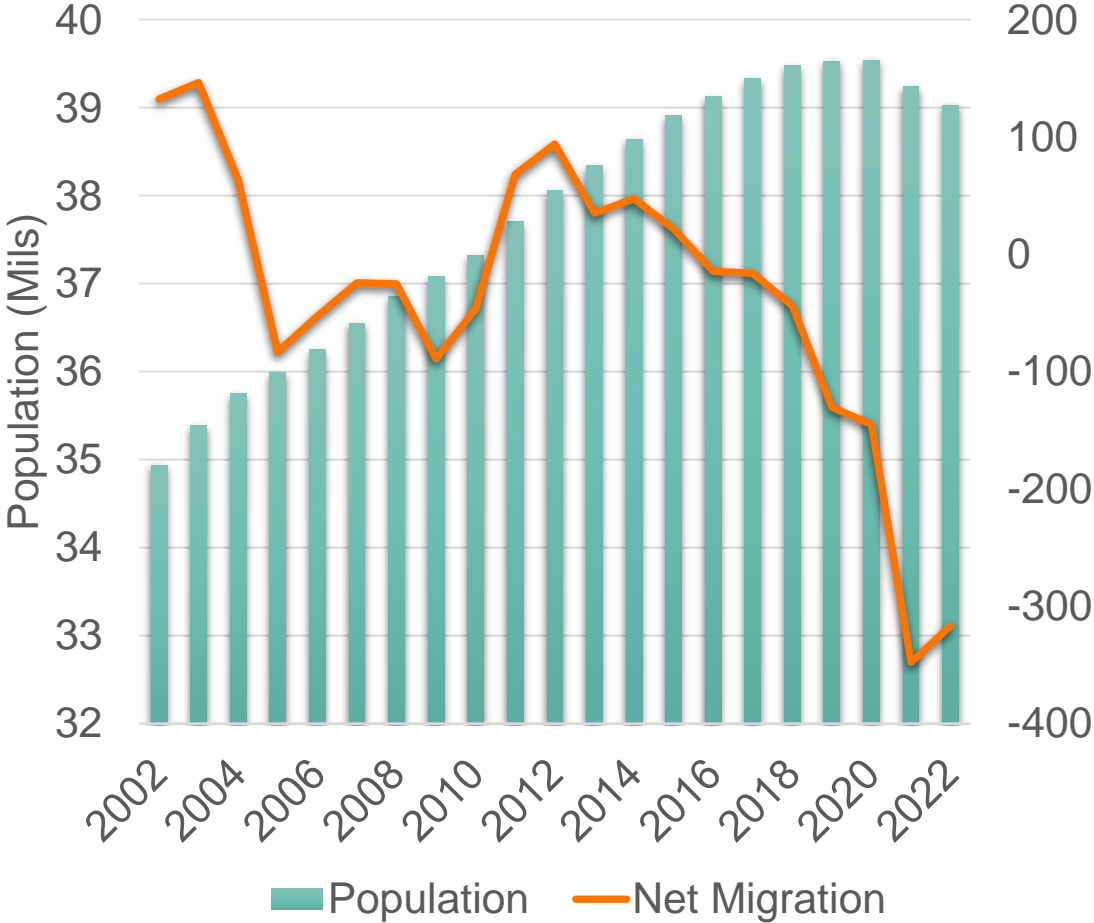
Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.
 Source: U.S. Census Bureau.

■ Top 10 States for Inbound Migration
■ Top 10 States for Outbound Migration

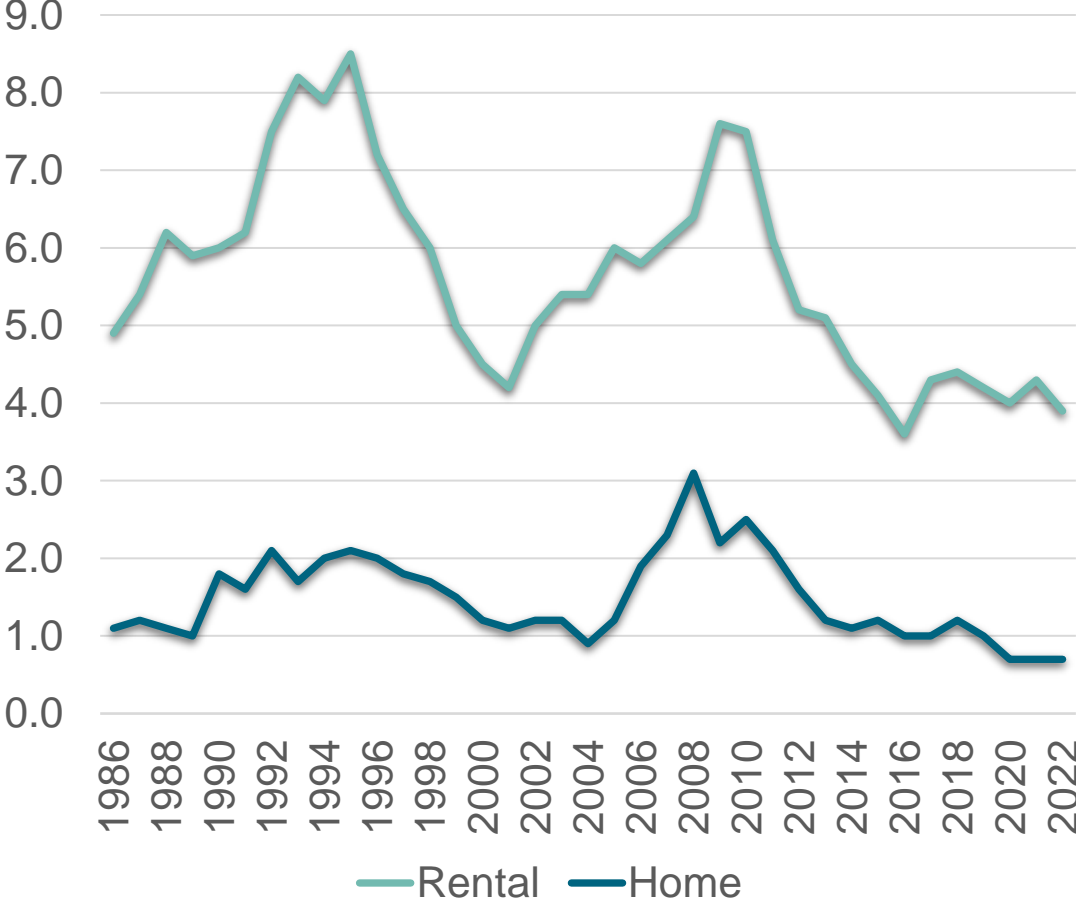


Fleeing? Or being Pushed?

California- Population Change

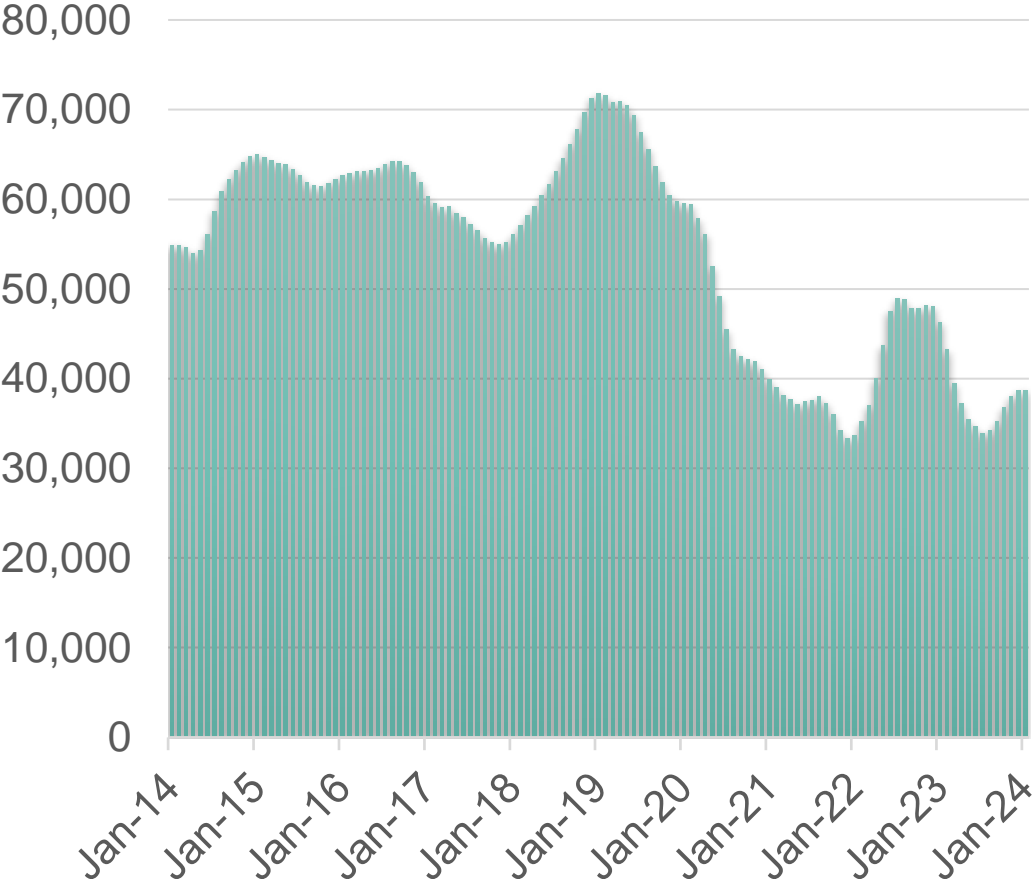


CA Housing Vacancy Rates (HVS)

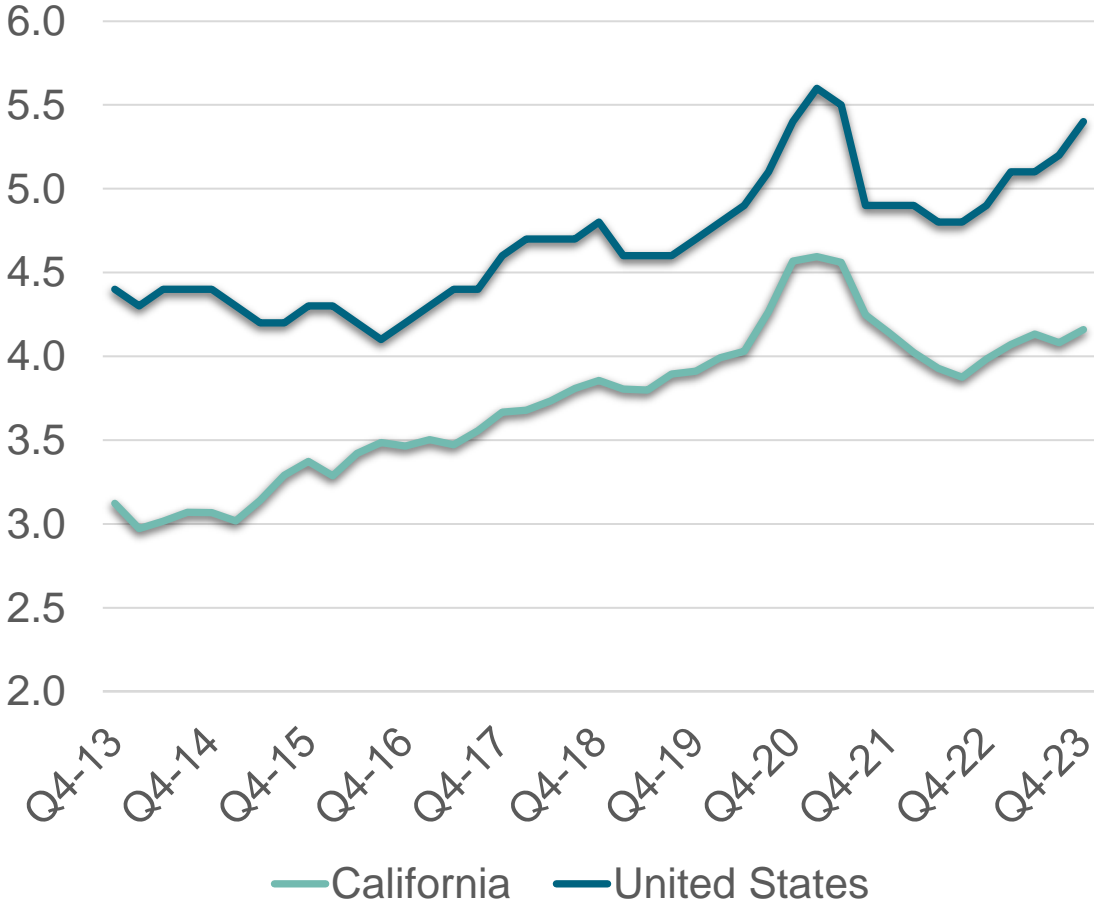


Home Inventory

California Home Listings

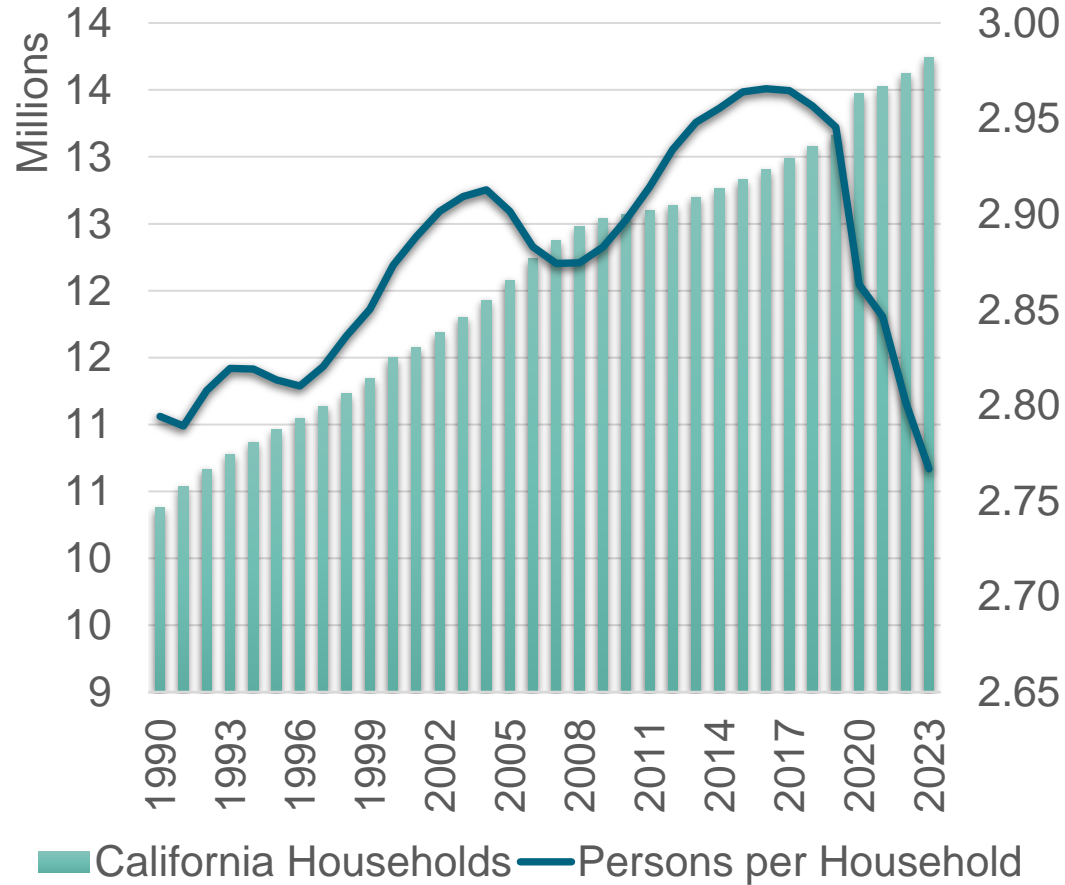


Apartment Vacancy Rates



Spreading Out

California Households

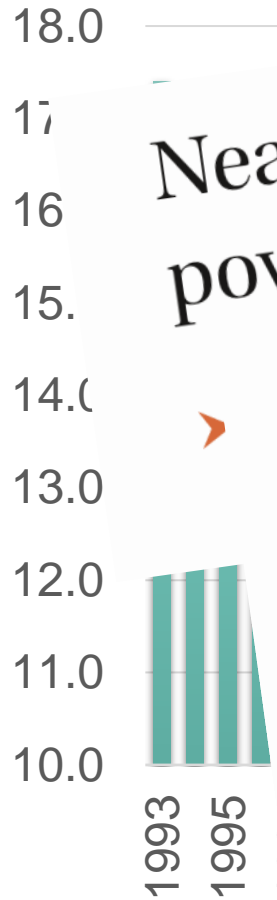


| Location | 2023 Population | 1-Year Change (%) | 10-Year Change (%) |
|-----------------|-----------------|-------------------|--------------------|
| California | 39,109,070 | -0.1 | 1.2 |
| Los Angeles | 9,825,708 | -0.2 | -2.3 |
| Fresno | 1,012,424 | 0.1 | 5.1 |
| Kern | 903,372 | -0.6 | 3.5 |
| San Francisco | 848,019 | 0.6 | -0.1 |
| Ventura | 825,937 | -0.5 | -2.5 |
| Santa Barbara | 442,614 | -0.3 | 1.0 |
| Monterey | 436,476 | -0.1 | 1.8 |
| San Luis Obispo | 280,251 | -0.1 | 0.5 |
| Santa Cruz | 263,101 | -0.8 | -3.4 |



State Worker Earnings

California Poverty Rate



Nearly a third of Californians are living in or near poverty.

NEWS

California Raised the Minimum Wage for Fast-Food Workers to \$20 An Hour — So Chipotle and McDonald's Are Hiking Prices

BY LIBBY PALANZA — NOVEMBER 6, 2023 — UPDATED: NOVEMBER 6, 2023

3 COMMENTS 3 MINS READ

5K VIEWS

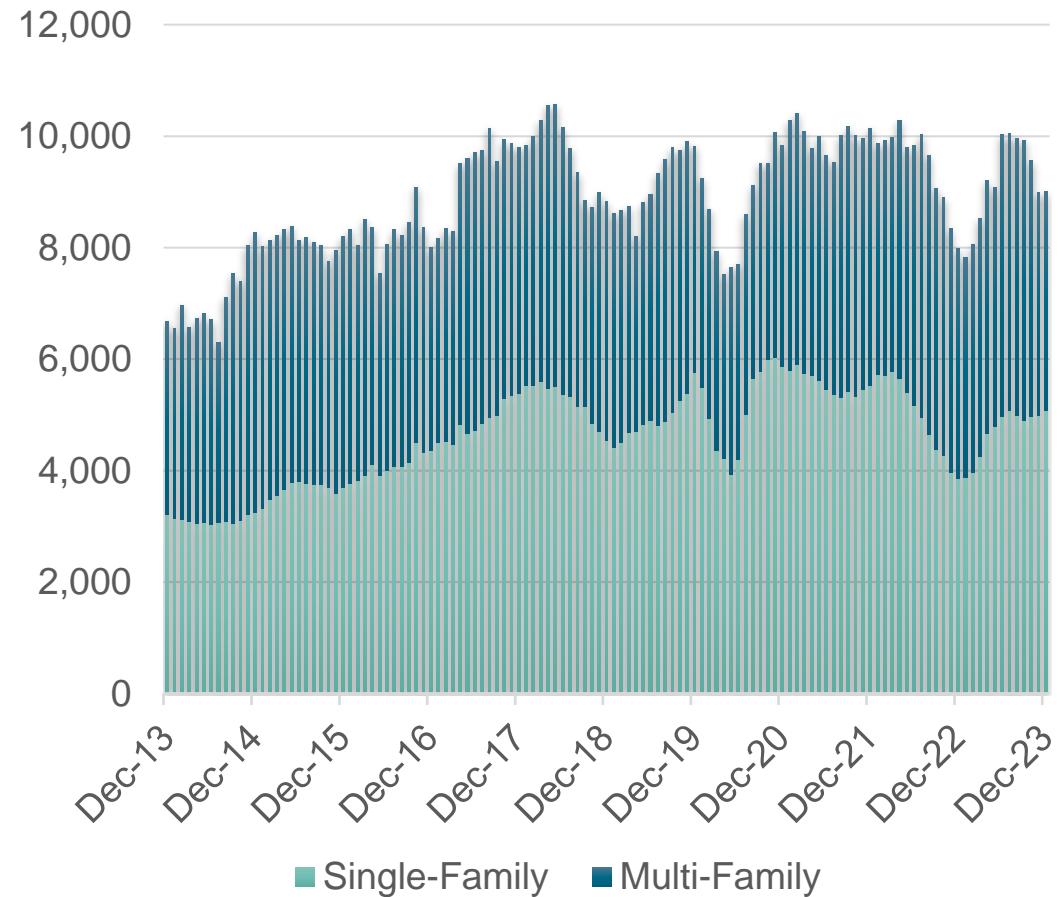
| City | Population | Chg. Since Q4-2022 (%) | Chg. Since Q4-2021 (%) |
|---------|------------|------------------------|------------------------|
| Alameda | 10,704 | 1.5 | 9 |
| | 60,442 | 2.5 | 16 |
| | | | 18.9 |



Supply, Not Affordability

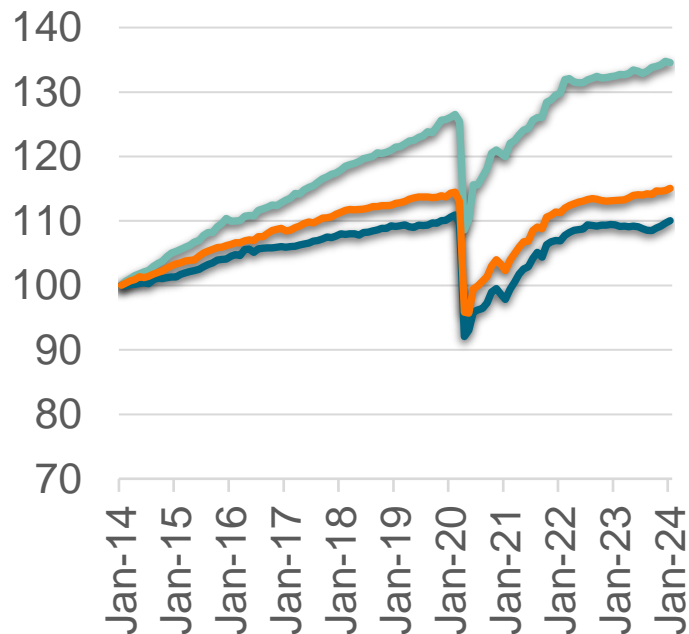
| Share Cost Burdened: Renters | 2017 | 2022 |
|------------------------------|-------|-------|
| United States | 49.5% | 51.9% |
| California | 55.2% | 56.0% |
| Los Angeles | 57.8% | 58.3% |
| Orange County | 57.7% | 57.9% |
| Riverside | 60.6% | 59.3% |
| San Bernardino | 56.6% | 60.9% |
| San Diego | 57.2% | 58.3% |

California Residential Permits



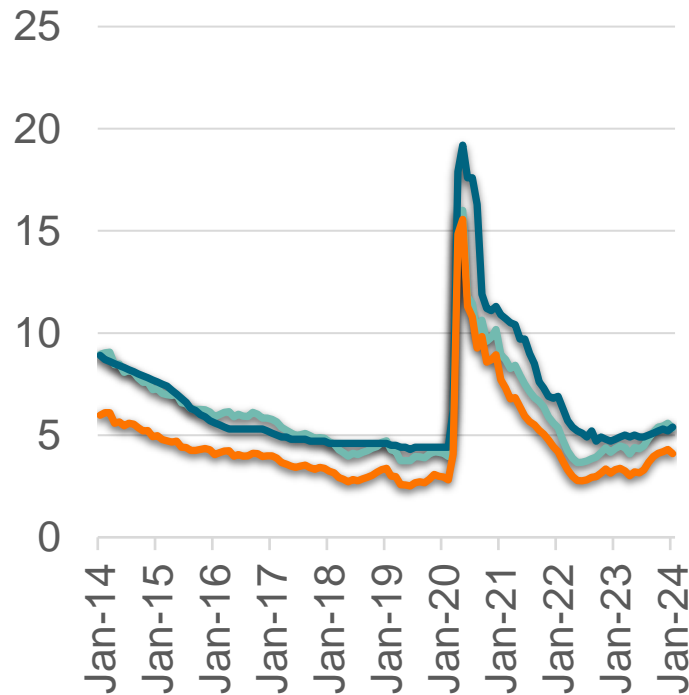
Labor Markets

Indexed Nonfarm Employment



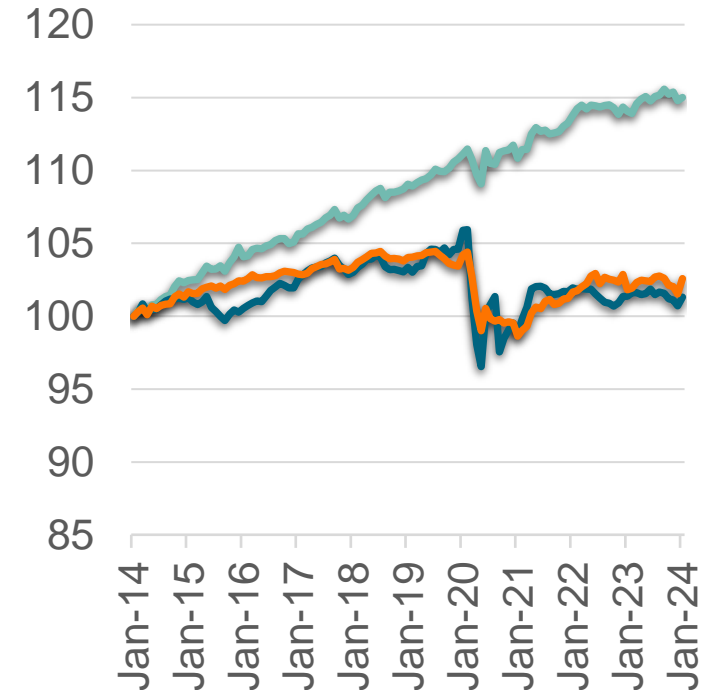
- Inland Empire
- Los Angeles
- Orange County

Unemployment Rate



- Inland Empire
- Los Angeles
- Orange County

Indexed Labor Force

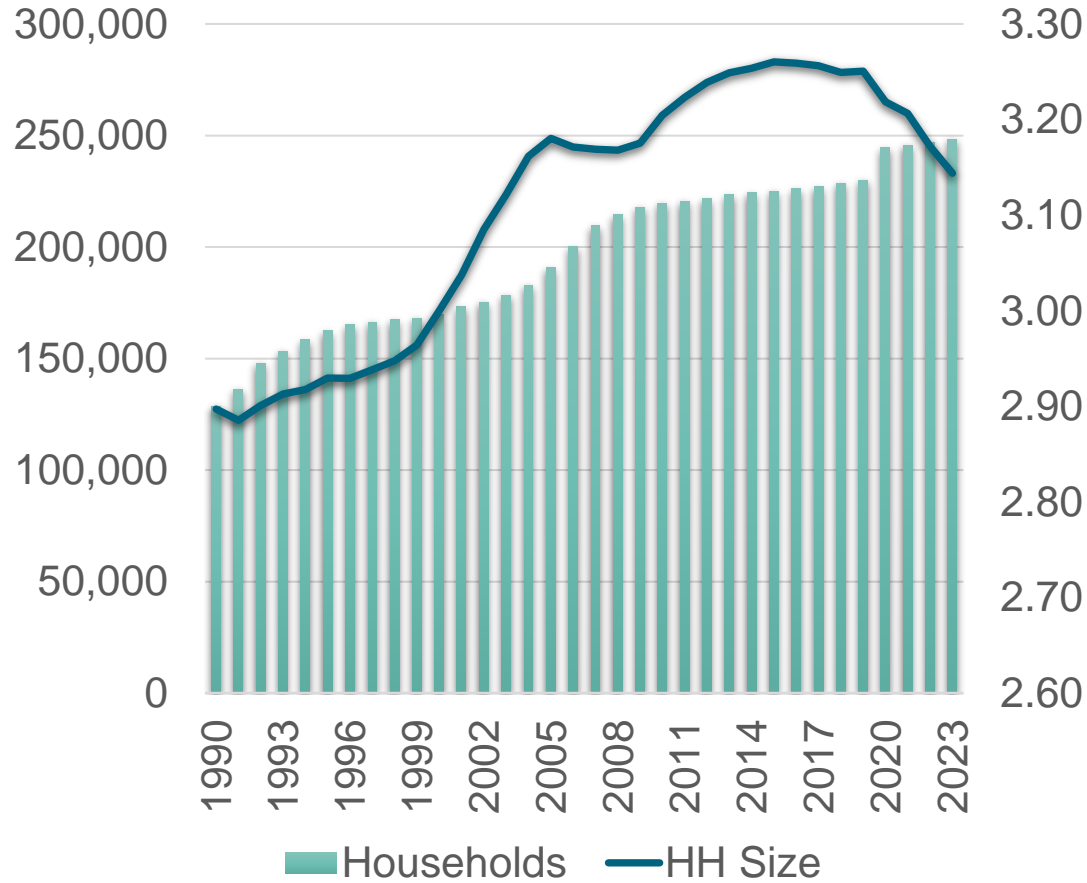


- Inland Empire
- Los Angeles
- Orange County

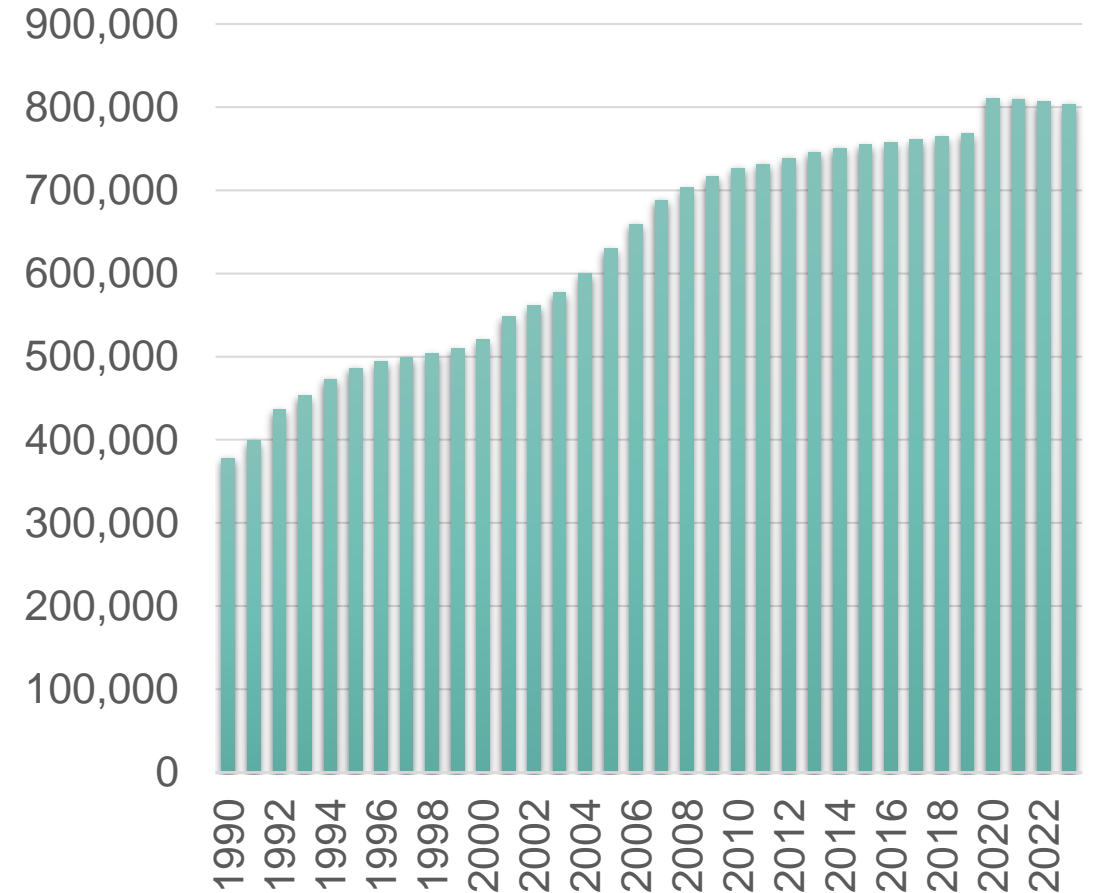


Households

High Desert Households

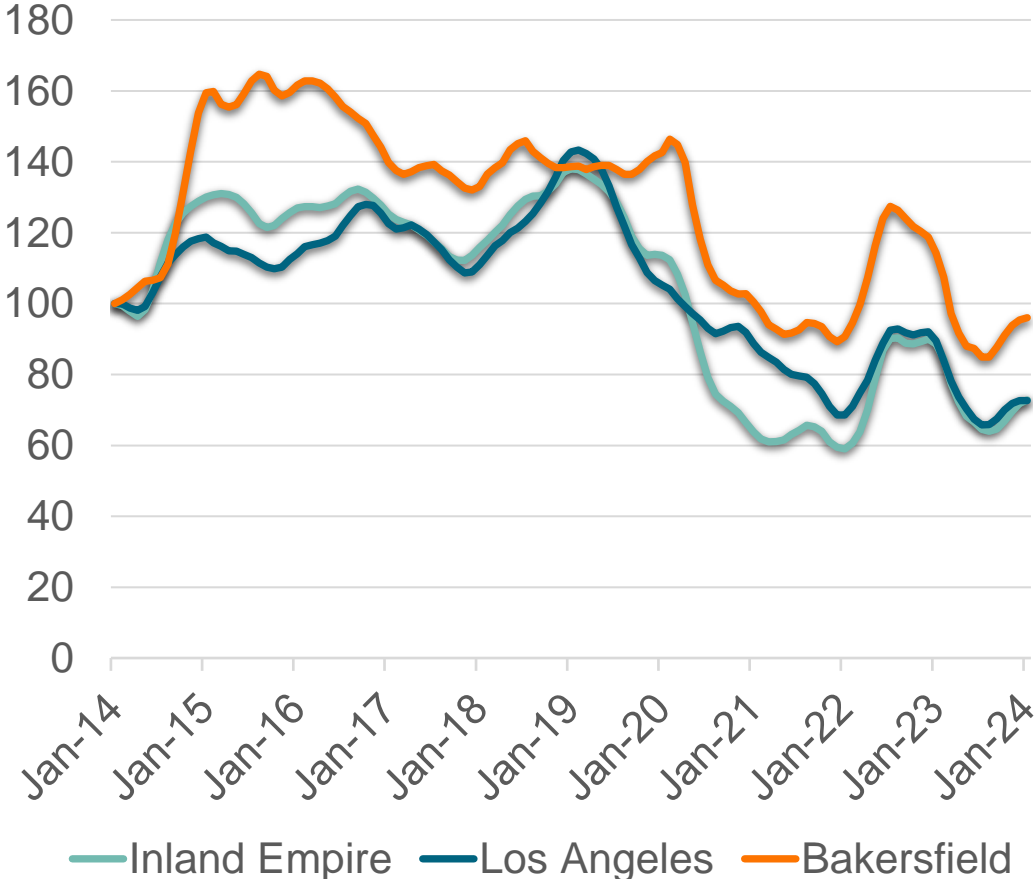


High Desert Population

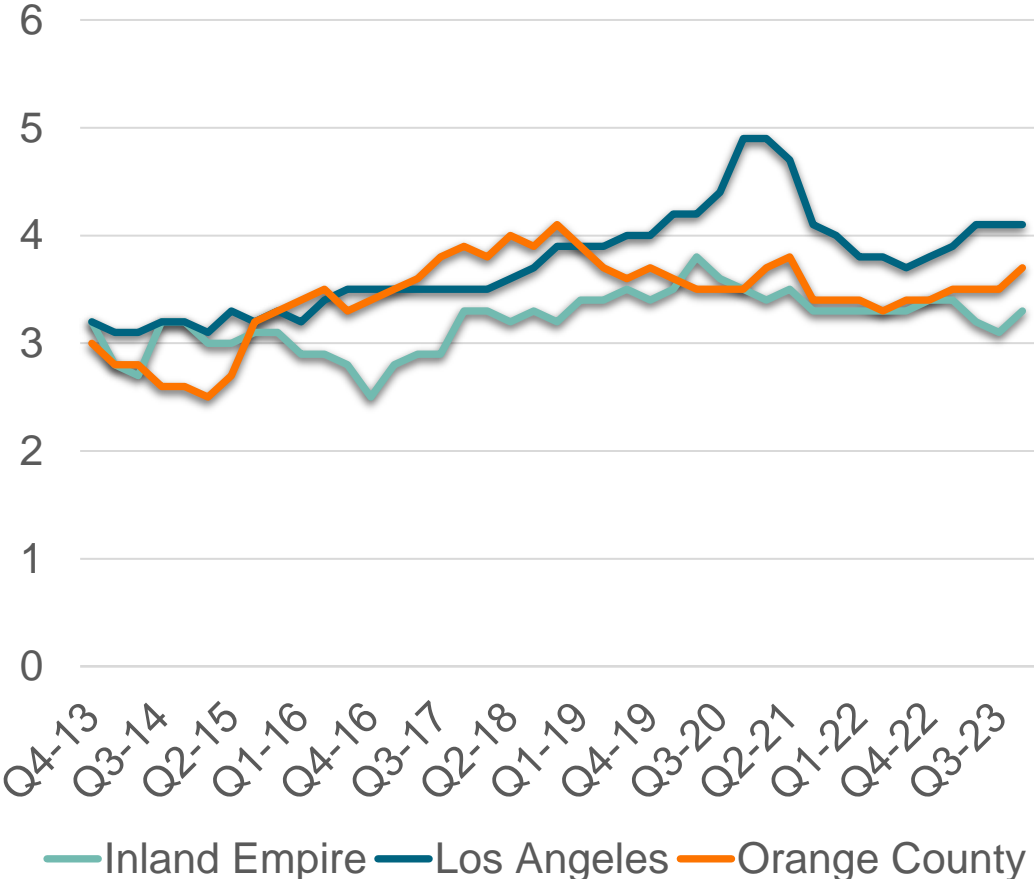


Inventory

Indexed Active Listings



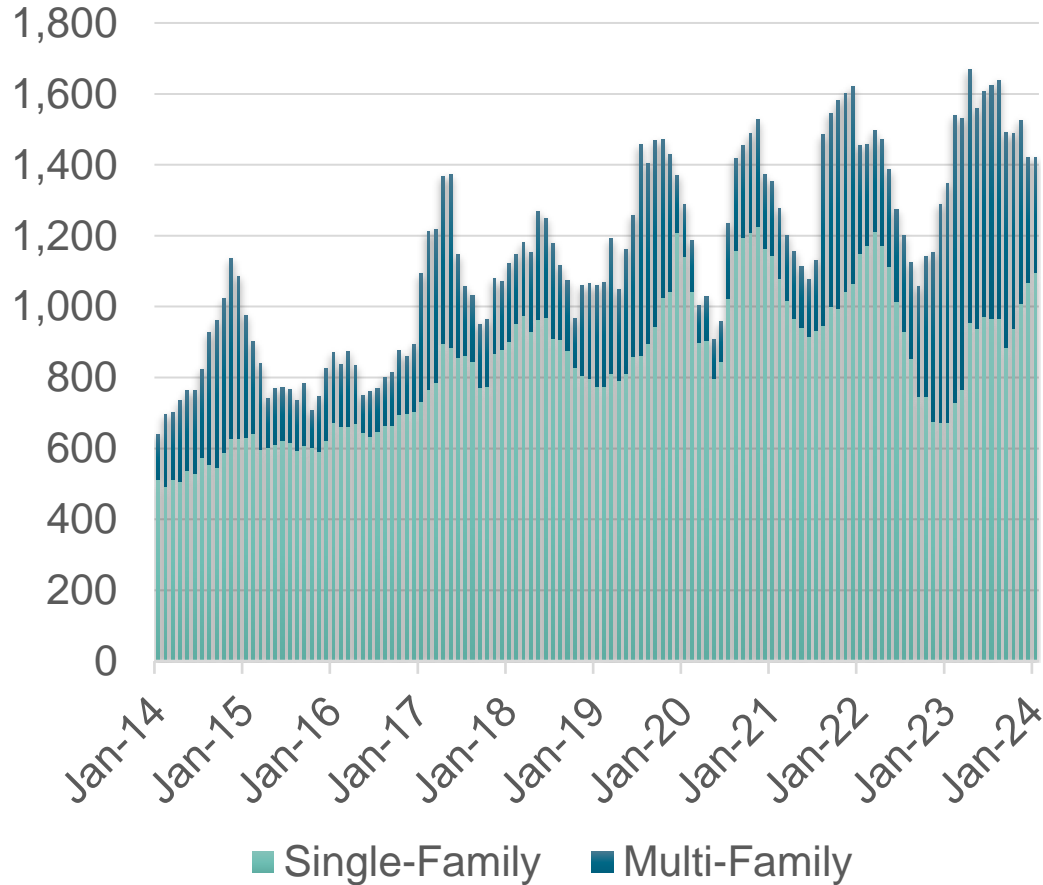
Apartment Vacancy Rate



Permits and Affordability



Inland Empire Residential Permits



| Cost Burdened Households | 2017 | 2022 |
|--------------------------|------|------|
| Renters | | |
| California | 55.2 | 56.0 |
| Kern County | 54.8 | 57.6 |
| Los Angeles County | 57.8 | 58.3 |
| Riverside County | 60.6 | 59.3 |
| San Bernardino County | 56.6 | 60.9 |
| Owners | | |
| California | 38.4 | 37.8 |
| Kern County | 36.8 | 37.4 |
| Los Angeles County | 43.8 | 42.7 |
| Riverside County | 40.0 | 38.7 |
| San Bernardino County | 37.9 | 40.0 |



Commercial Real Estate

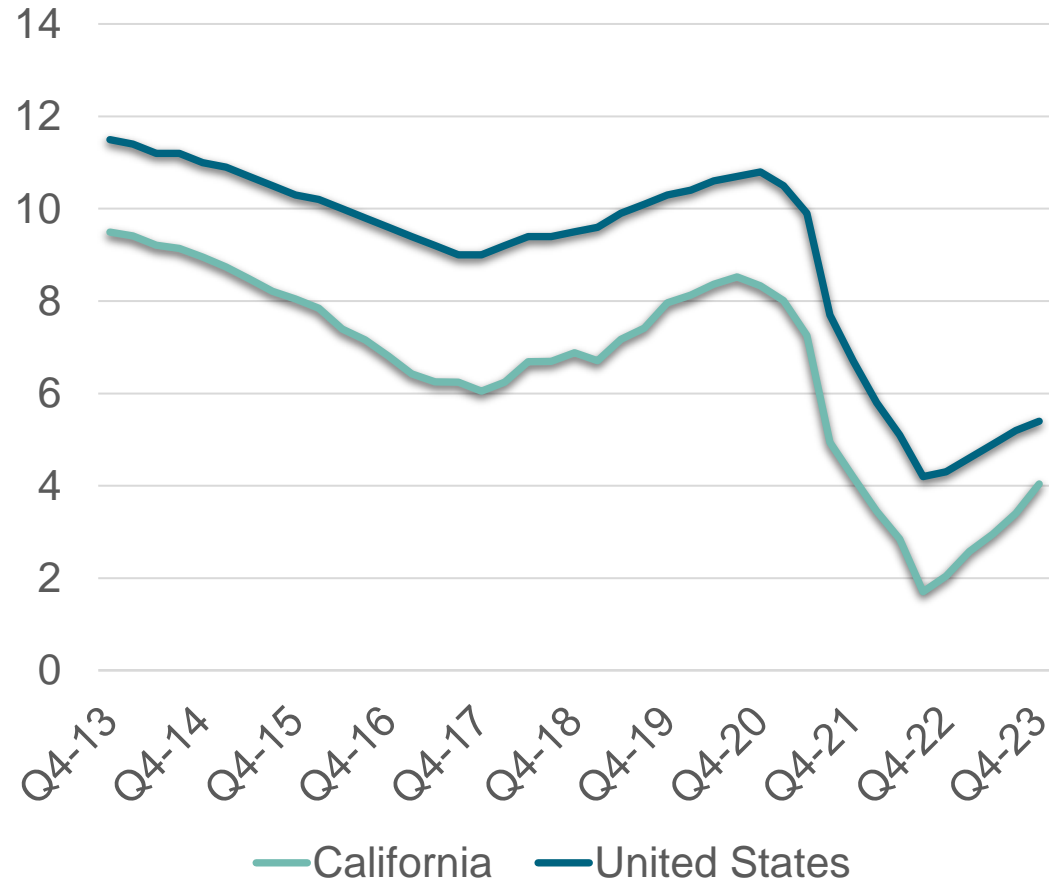
| Metro | Q4-23 (\$) | 1-Yr Change (%) | Change since Q4-19 (%) | Q4-23 (%) | 1-Yr Change (pp) | Change since Q4-19 (pp) |
|-------------------------------|------------|-----------------|------------------------|-----------|------------------|-------------------------|
| Office | | | | | | |
| Inland Empire | 25.02 | 2.5 | 7.7 | 15.8 | -0.8 | -0.8 |
| Los Angeles (MD) | 42.12 | 0.7 | 3.9 | 18.3 | 1.5 | 4.1 |
| Orange County (MD) | 34.21 | 0.2 | -2.4 | 20.0 | 1.5 | 3.5 |
| San Diego | 35.46 | 0.2 | 4.9 | 19.0 | 1.1 | 3.3 |
| Retail | | | | | | |
| Inland Empire | 22.92 | 1.5 | -1.5 | 10.0 | -0.4 | 0.1 |
| Los Angeles (MD) | 34.24 | 1.1 | 1.1 | 8.1 | -0.1 | 0.7 |
| Orange County (MD) | 34.69 | 0.8 | 0.8 | 6.5 | 0.1 | 0.8 |
| San Diego | 32.59 | 0.6 | 0.2 | 6.9 | 0.7 | 1.0 |
| Warehouse/Distribution | | | | | | |
| Inland Empire | 12.93 | 4.7 | 124.5 | 5.9 | 4.0 | -3.9 |
| Los Angeles (MD) | 12.93 | 1.9 | 63.9 | 3.3 | 2.1 | -2.2 |
| Orange County (MD) | 10.75 | 6.2 | 42.0 | 2.5 | 1.0 | -4.9 |
| San Diego | 11.89 | 4.6 | 30.5 | 2.3 | 0.0 | -6.8 |



Warehouse Market



Warehouse Vacancy Rates

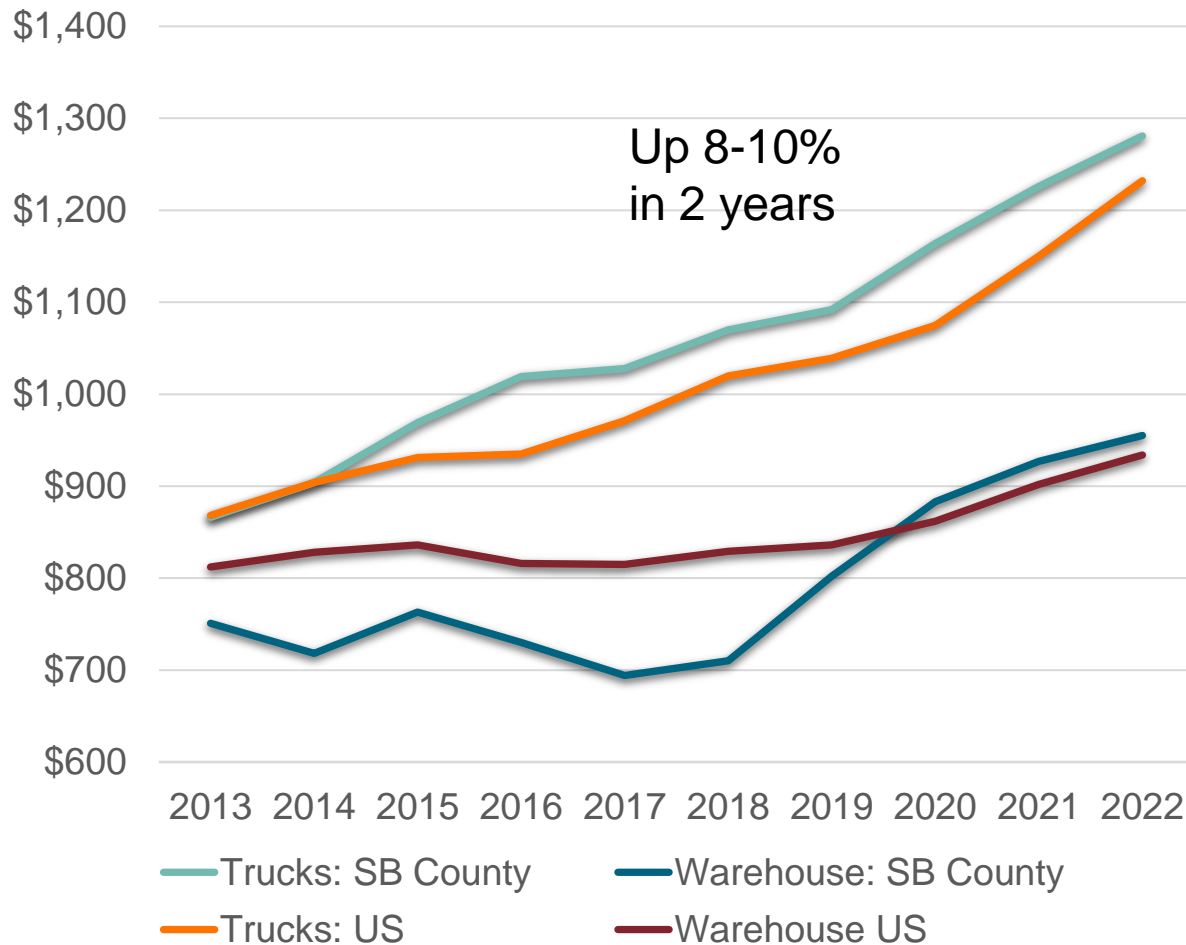


| Metro | Cost of Rent | | |
|--------------------|--------------|-----------------|------------------------|
| | Q4-23 (\$) | 1-Yr Growth (%) | Change since Q4-19 (%) |
| United States | 7.80 | 4.8 | 37.8 |
| California | 11.83 | 4.0 | 68.1 |
| Fresno | 6.41 | 4.2 | 21.9 |
| Inland Empire | 12.93 | 4.7 | 124.5 |
| Los Angeles (MD) | 12.93 | 1.9 | 63.9 |
| Oakland (MD) | 8.96 | 5.9 | 32.0 |
| Orange County (MD) | 10.75 | 6.2 | 42.0 |
| Sacramento | 6.49 | 5.0 | 28.0 |
| San Diego | 11.89 | 4.6 | 30.5 |
| San Francisco (MD) | 13.67 | 5.2 | 32.7 |

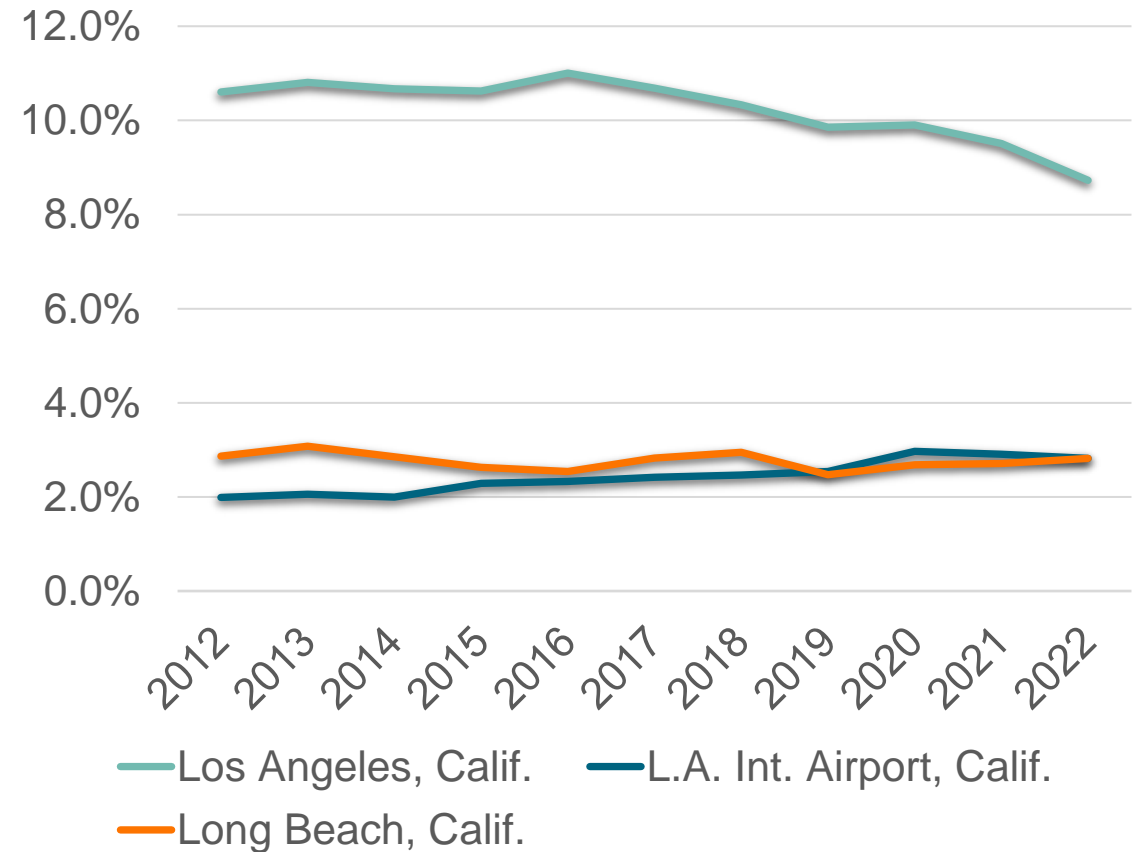


Industry Labor Costs

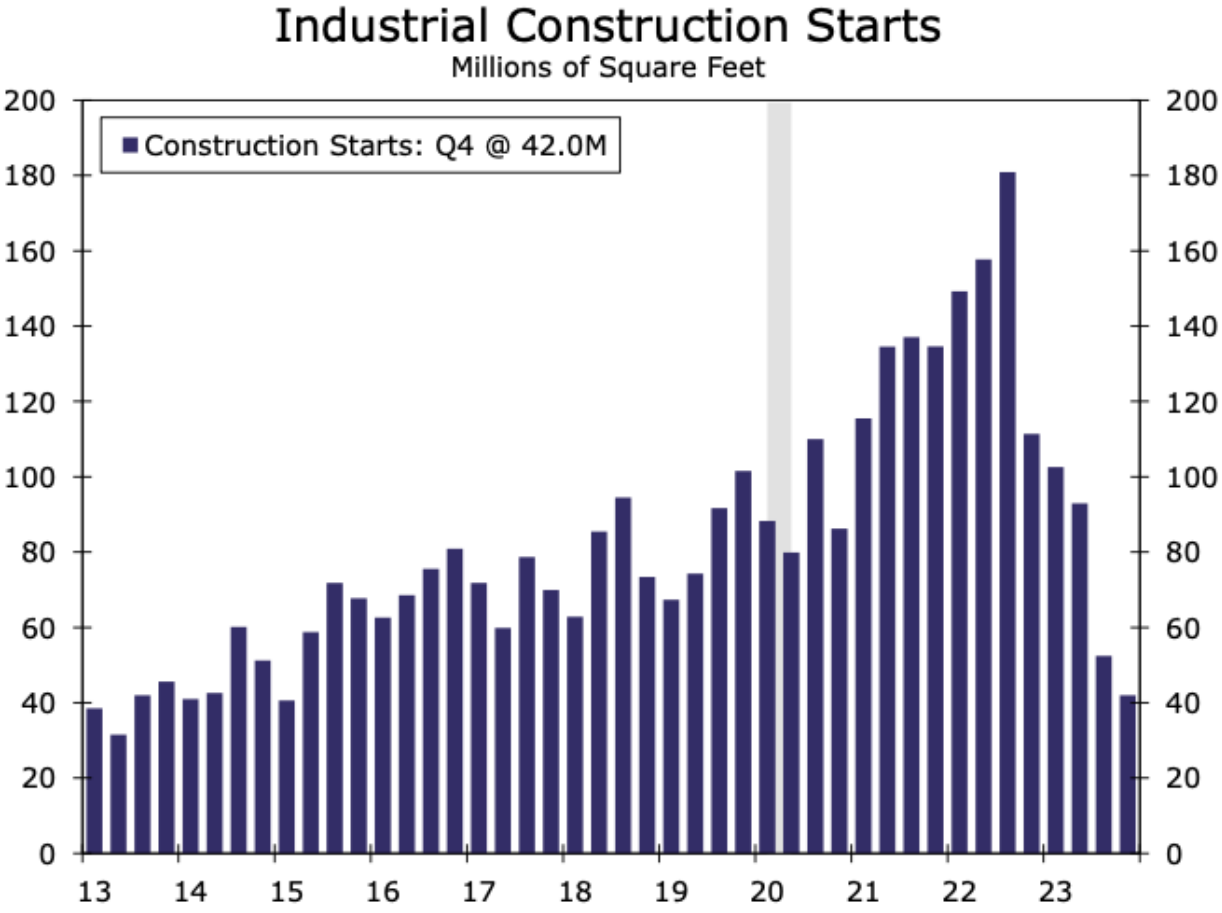
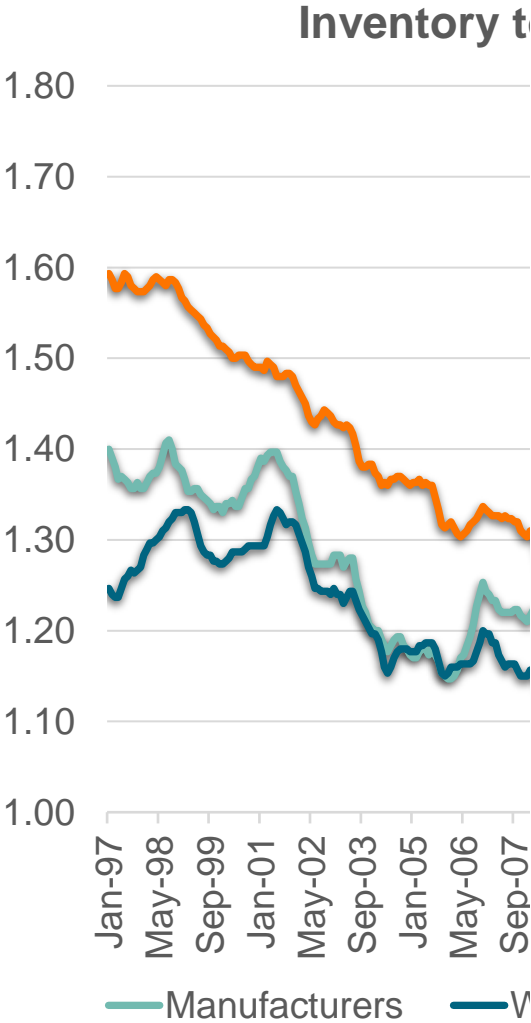
Average Weekly Wages by Industry



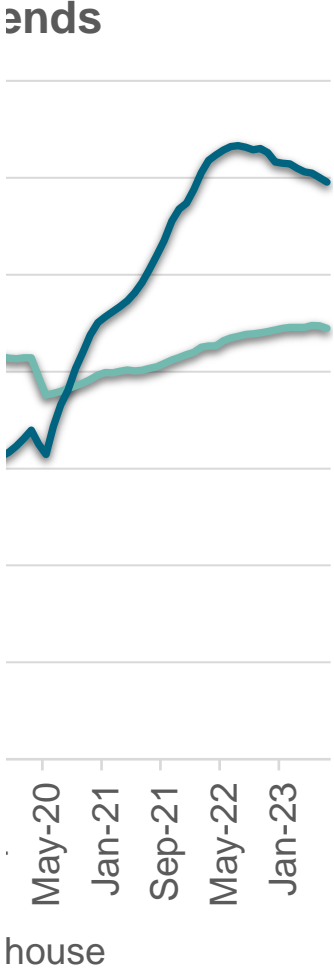
Goods Imports as Share of US (Value)



Shifting Trade / Inventories



Source: CoStar Inc. and Wells Fargo Economics



Narratives of Fed Policy?

The Fed's Narrative

- US inflation
- Inflation expectations
- Inflation in America
- The Fed's loss of control

60 MINUTES
CBS NEWS

CHAIRMAN POWELL

FOLLOWING THE FEDERAL RESERVE'S ANNOUNCEMENT TO HOLD INTEREST RATES STEADY, SCOTT PELLEY INTERVIEWS FED CHAIR JEROME POWELL.

THIS SUNDAY

MARKETS

Fed rate

PUBLISHED

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moneycontrol

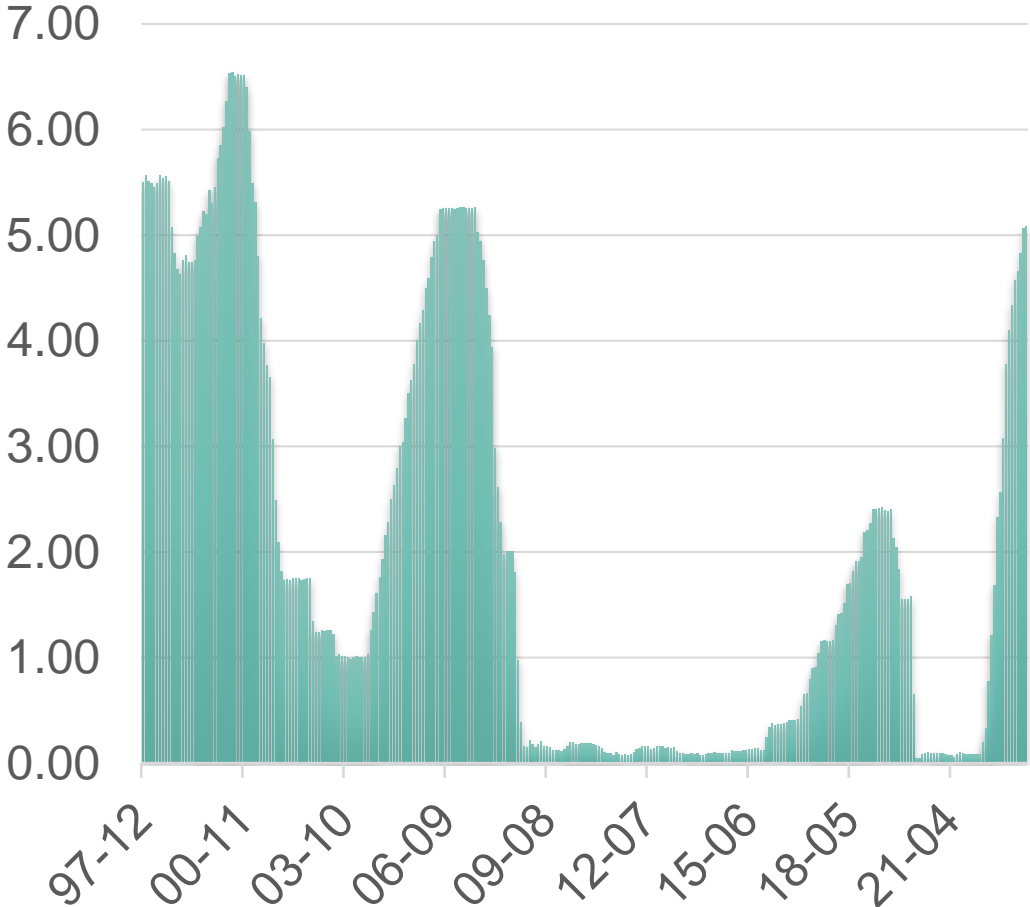
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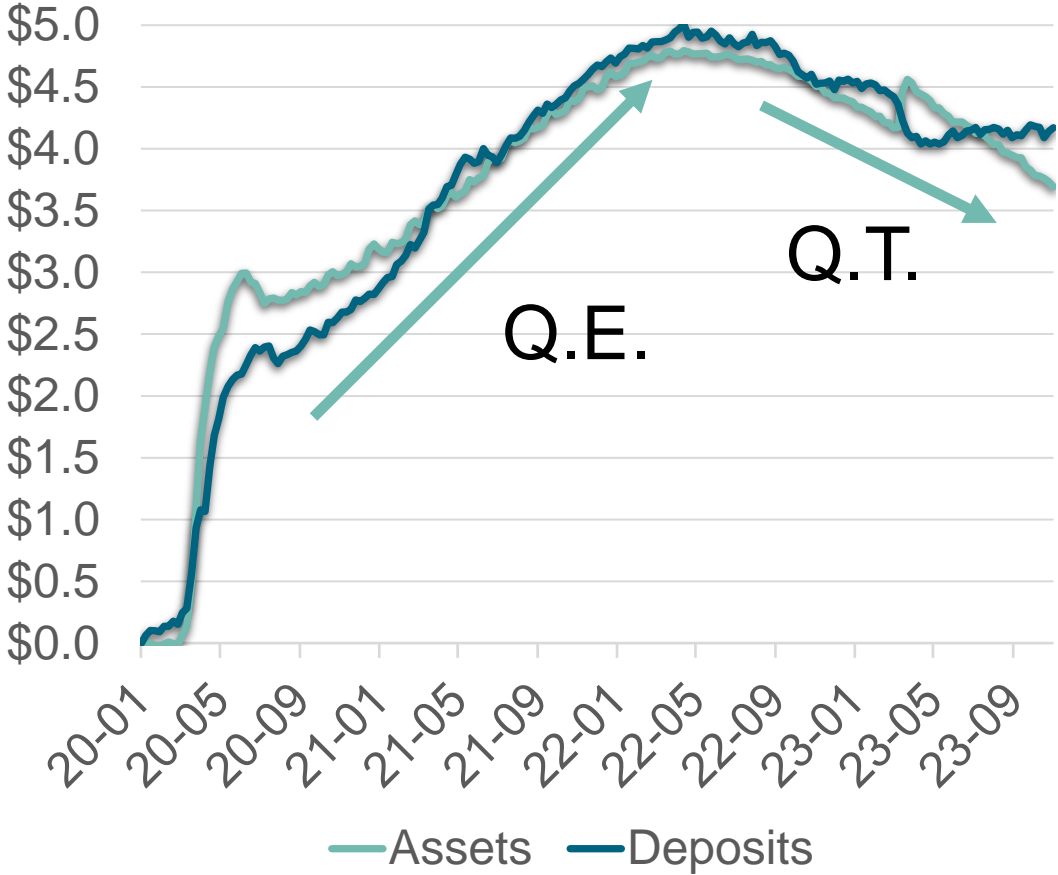


The Fed Response

Stage 1: Federal Funds Rate



Stage 2: Quantitative Tightening (Cumulative Trillions)

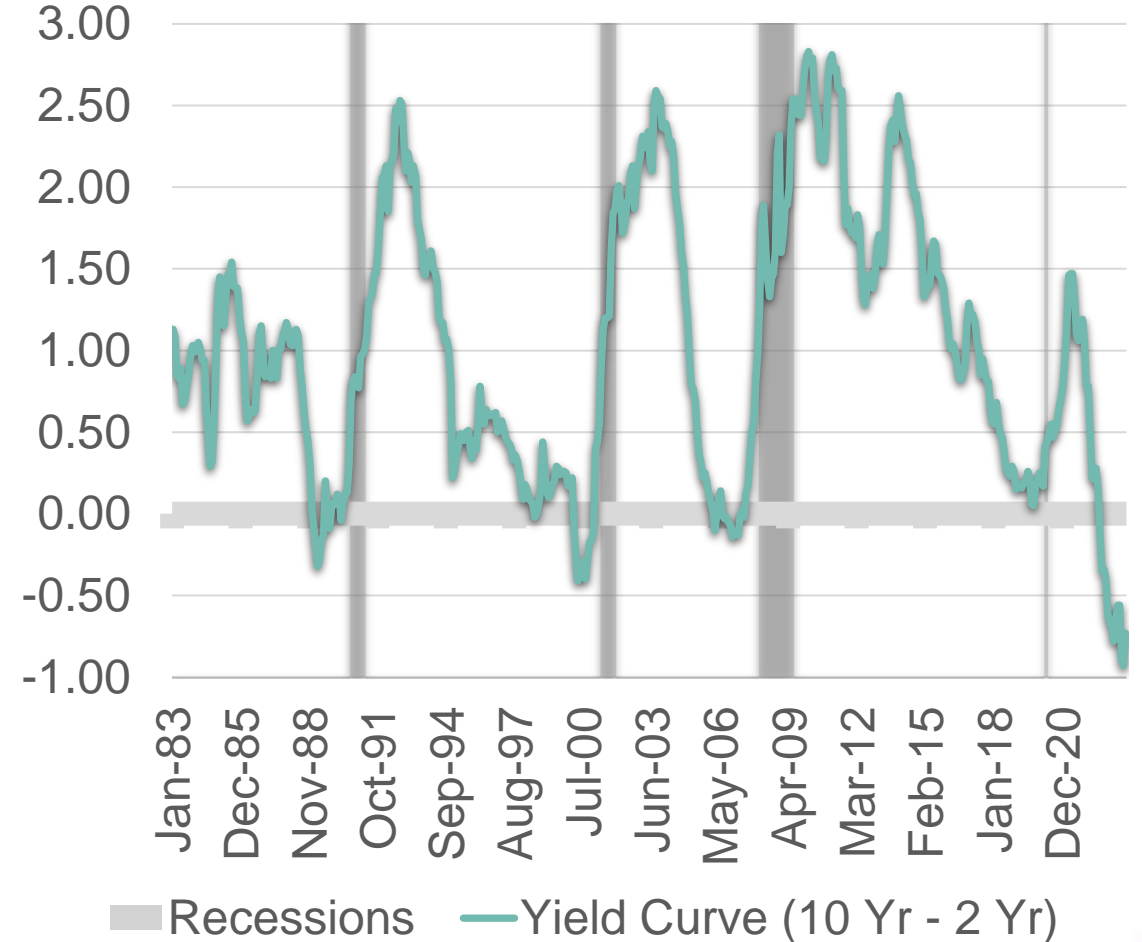


The Fed is on the Brake, Congress is the Gas

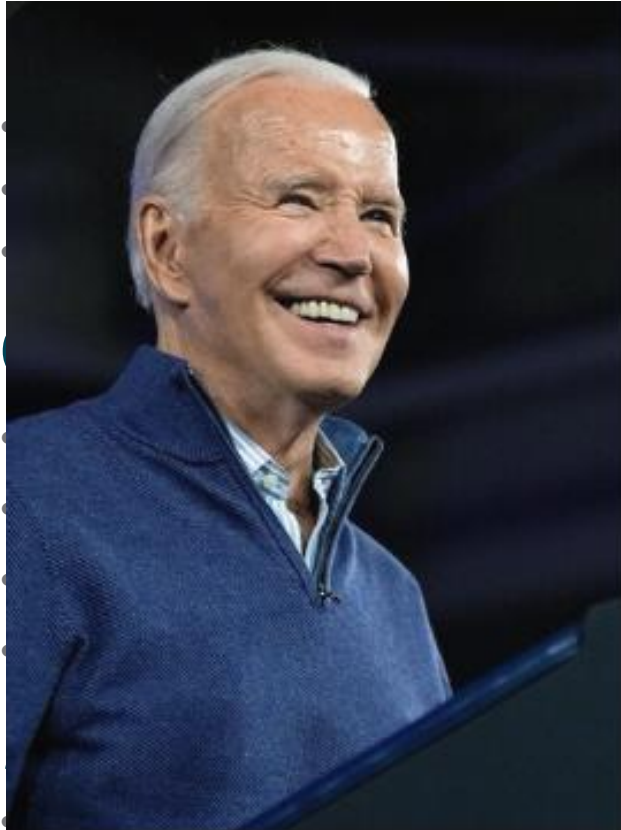
Cost of Debt



US Yield Curve



Out of the Woods?



**Column: Biden says America is 'coming back.'
Trump says we're 'in hell.' Are they talking
about the same nation?**

Los Angeles Times

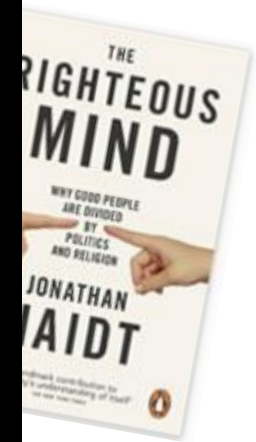
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t thinks



Sticky Narratives

“People believe other individuals”

— Jonathan
by P





Thank You!



BEACON ECONOMICS

Sources

U.S. Bureau of Labor Statistics
U.S. Census Bureau
U.S. Bureau Economic Analysis
CA Dept. of Finance
Federal Reserve
VisitCalifornia
California EDD
HdL Companies
Redfin
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