



Finance, Real Estate and the Stimulus Hangover *Focus on Silicon Valley*

October 2022

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Development*





Consumer confidence
dips on worries over
inflation and slowing U.S. economy

A survey of U.S. consumer



There's a 98% chance of a global recession, research firm warns



By [Matt Egan](#), CNN Business

Updated 11:27 AM EDT, Wed September 28, 2022

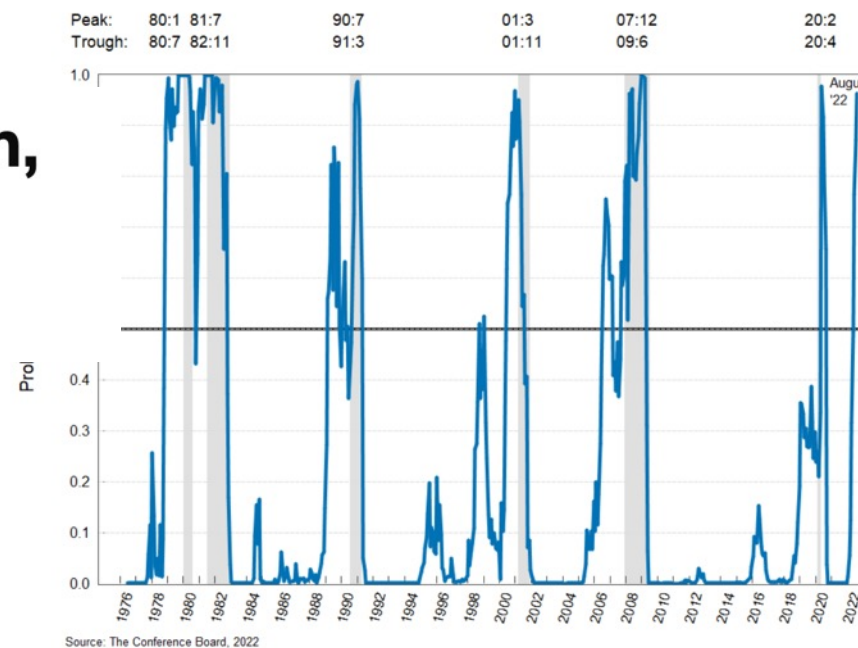
FINANCE • HOUSING

The housing market just slid into a full-blown correction, says top economist Mark Zandi

BY [LANCE LAMBERT](#)
May 27, 2022 9:36 AM PDT

Stocks entered a bear market. Here's what that means

May 20, 2022 · 3:40 PM ET



Gas tops \$6 a gallon in California: "How much pain at the pump can consumers take?"

California gas prices hit an average of \$6.00 a gallon. ... for the U.S. economy, given that consumer spending contribu
2 weeks ago

The U or V Debate



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

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

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.

JPMorgan now sees economy contracting by 40% in second quarter, and unemployment reaching 20%

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

2019: The Year of the Bear



**For the U.S. Economy,
Storm Clouds on the
Horizon**

Here's a list of recession signals that are flashing red
SEP 2 2019 - 8:30 AM EDT | UPDATED TUE, SEP 3 2019 - 11:31 AM EDT

Real Estate Markets Cool Across The Country, And It's

The Winter Effect

Goldman Sachs economists say fears rise that U.S.-China trade war leading to recession

Trump could

global recession if he

Morgan Stanley says more China tariffs, escalation, a recession will be here in 2020

economists predict

Real Estate | Market Outlook

Economy at 'very real risk' of falling into recession in late 2020, UCLA forecast says
in World Economy News 15/03/2019

Economy

Trump is heading into reelection with a deep manufacturing recession
September marked the worst month for manufacturing in 10 years

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

How to solidify your financial plan in case the trade war sparks a recession

DoubleLine CEO Jeffrey Gundlach warns of recession driven by 'cocktail of economic factors'
MON, AUG 5 2019 - 12:49 PM EDT
PUBLISHED TUE, MAY 14 2019 - 6:44 PM EDT

"The economy is on the precipice and this would just push us over into the abyss. I don't think we're very far from recession as it is,"
Moody's Analytics chief economist Mark Zandi tells me.



Miserabilism

**All fun and games
until somebody f#*%s
up the economy.**

Navigating the Hysteria



Not every shock is an existential crisis

- Congress and the Fed vastly over-reacted to the pandemic
- They are now over-reacting to inflation, but in opposing directions

This is not in a recession

- Problems driven by shifts in structure of demand
- Plenty of pent-up consumer demand to drive economy forward
- Inflation will burn out on its own

Financial pressures

- Asset prices, business investment settling back to earth
- Real Estate: frozen pipe, not popped bubble
- Fundamentals solid, loan losses minimal

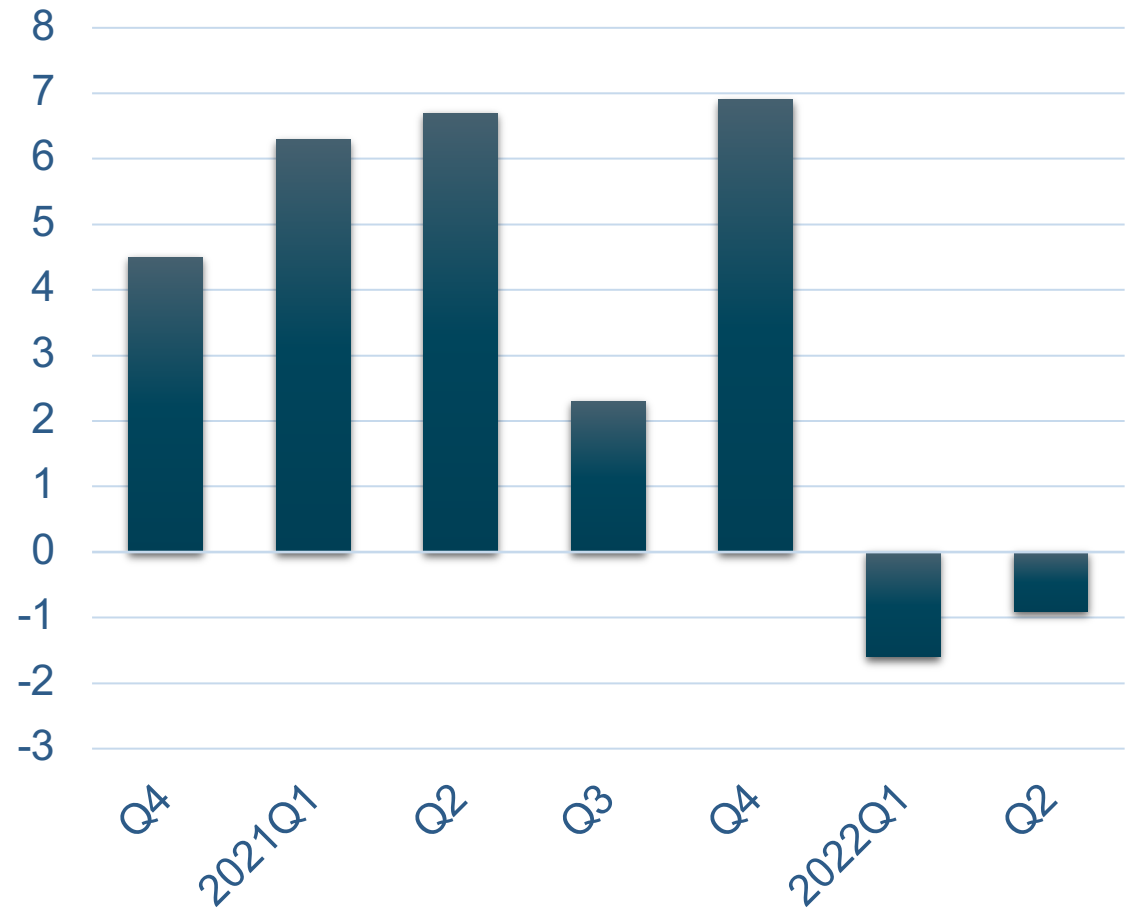
Things are not fine

- Economy is brittle, Fed out of control
- Long run issue is Federal debt
- Politics / Federal Reserve remain disconnected from reality

Mixed Economic Signals



GDP Growth



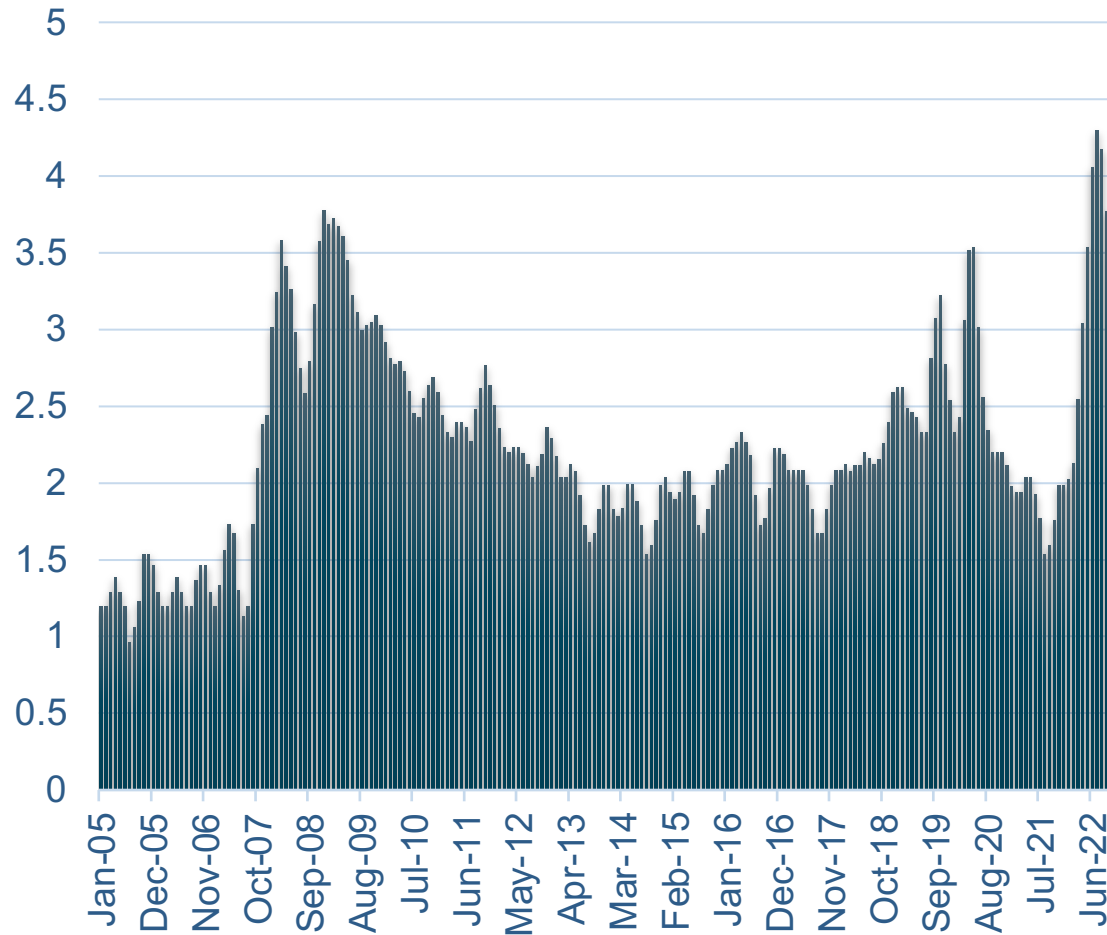
UM Consumer Sentiment



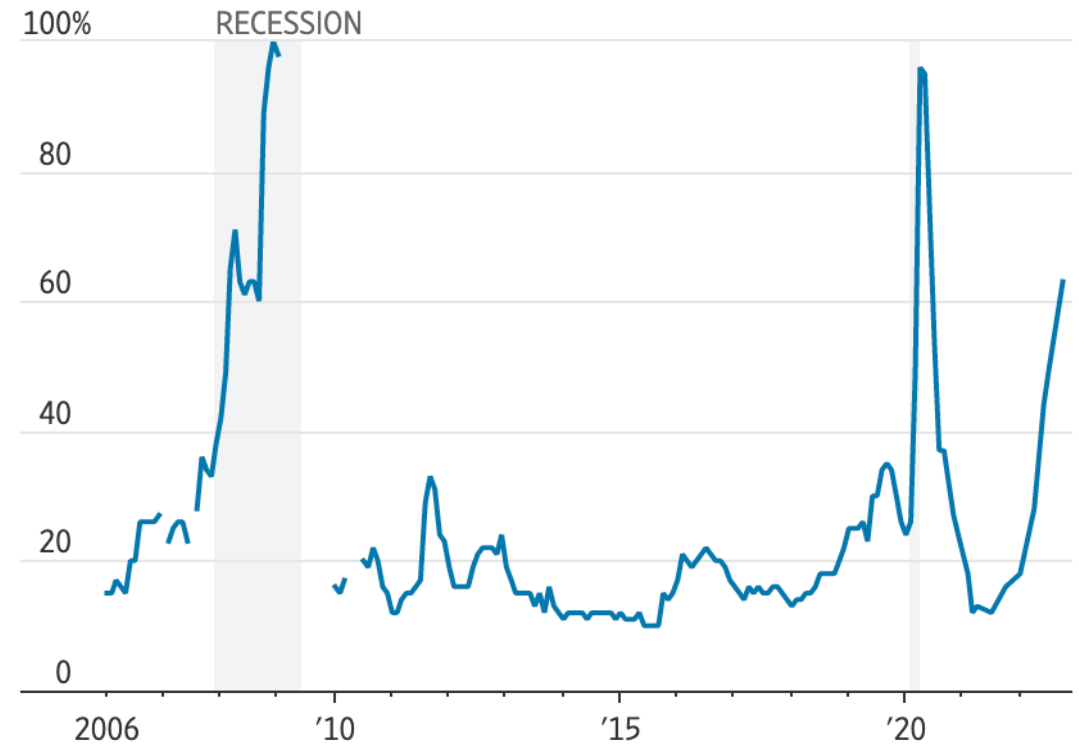
Grim Tidings



Google Searches for "Recession"



Probability the U.S. is in a recession in next 12 months including today



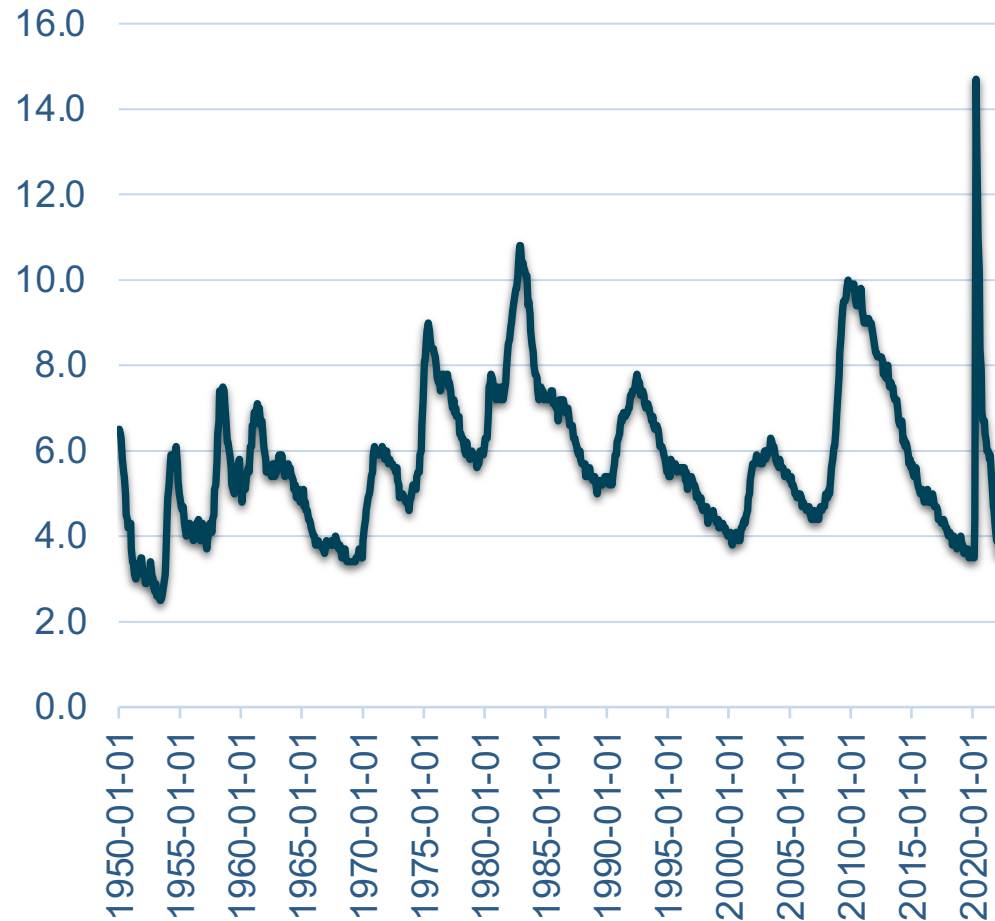
Note: Gaps indicate question not asked or data unavailable.

Source: Wall Street Journal surveys of economists

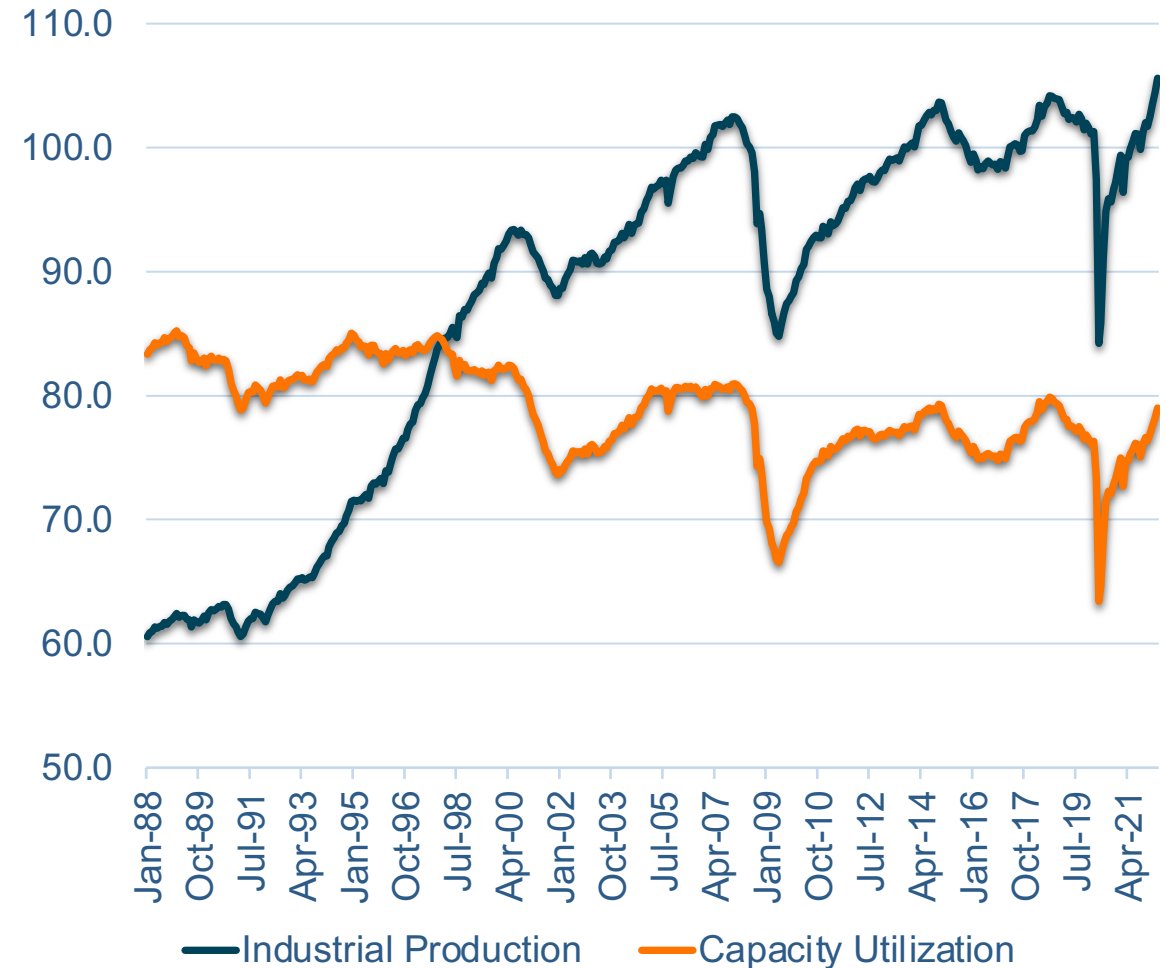
Does this look like a recession?



US Unemployment Rate

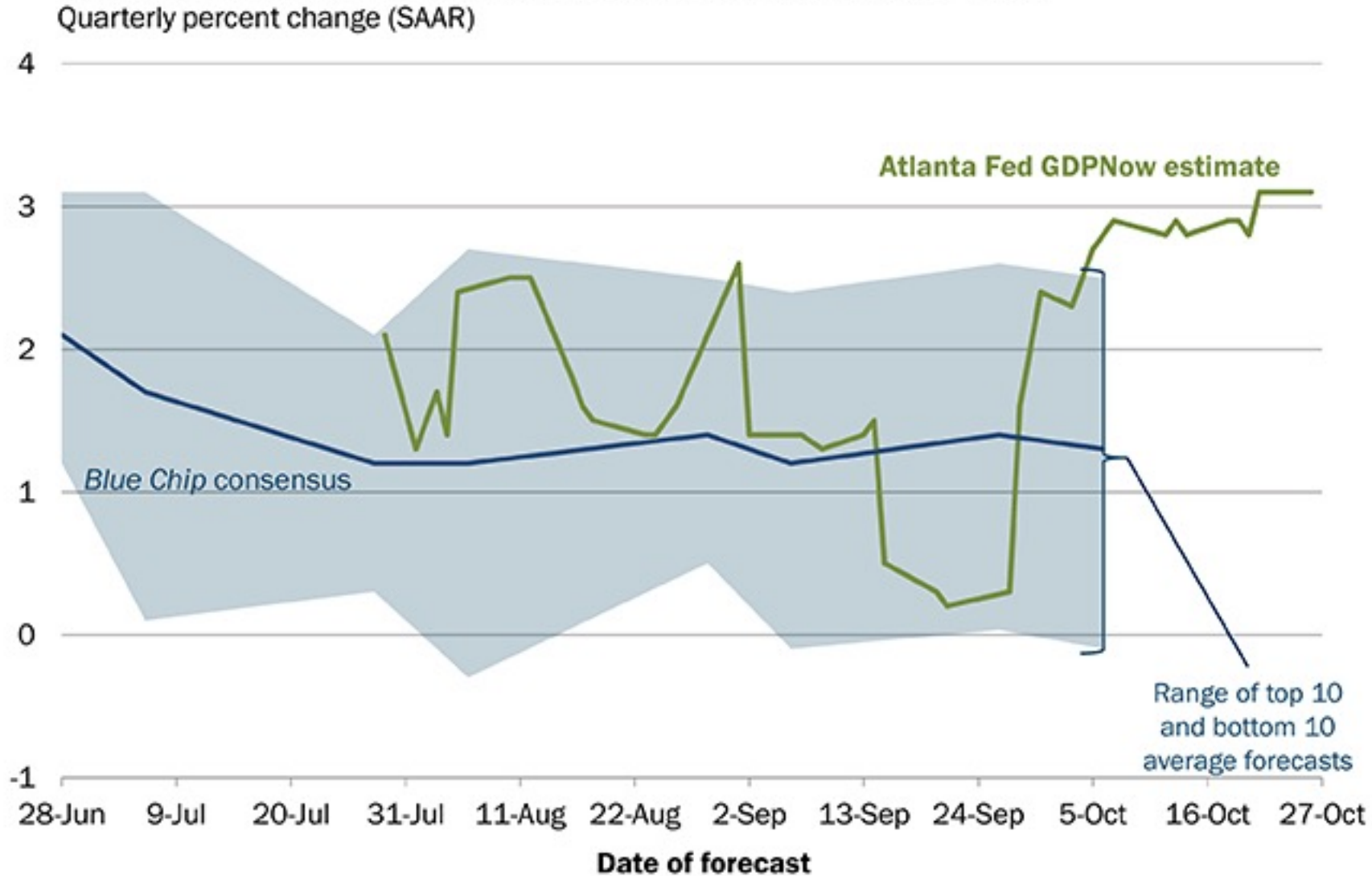


Production and Capacity

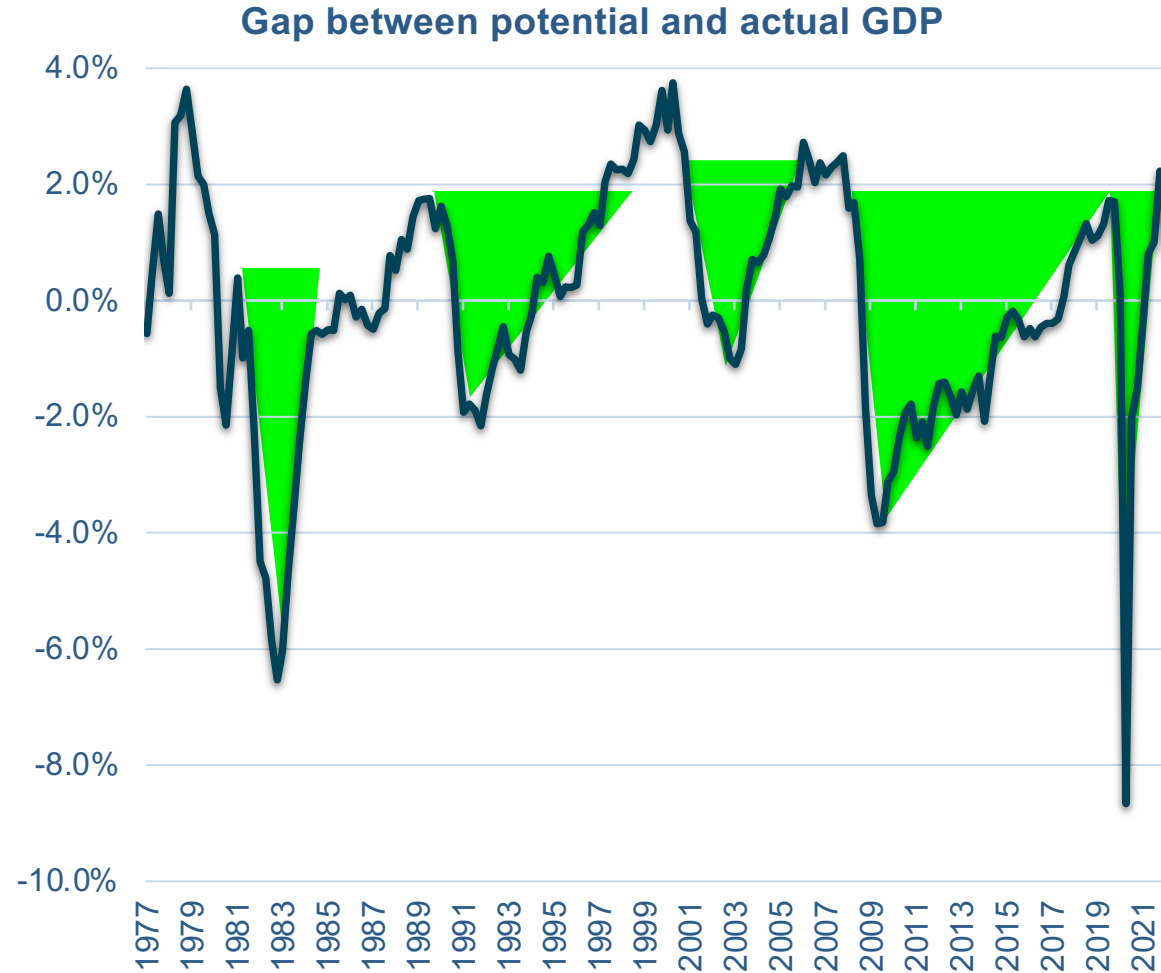


— Industrial Production — Capacity Utilization

Q3 GDP Now Growth Outlook



The Pandemic V...



What is a recession?

- It is *not* two quarter of negative growth
- A period of time when the economy performs at a level significantly below capacity

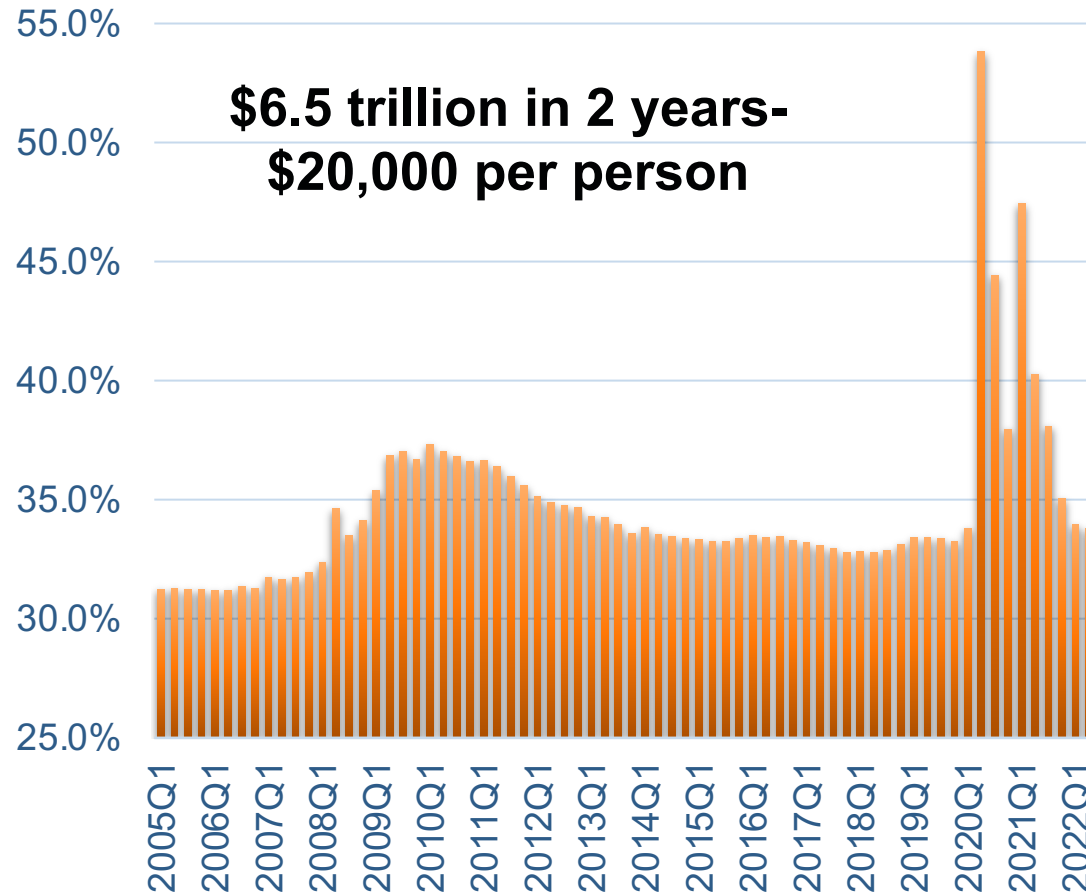
Why the Pandemic “V”?

- Pre-pandemic economy was healthy and well-balanced
- Supply shock recession, rather than a demand shock
- Pandemic shifted spending over time and across sectors, not canceled

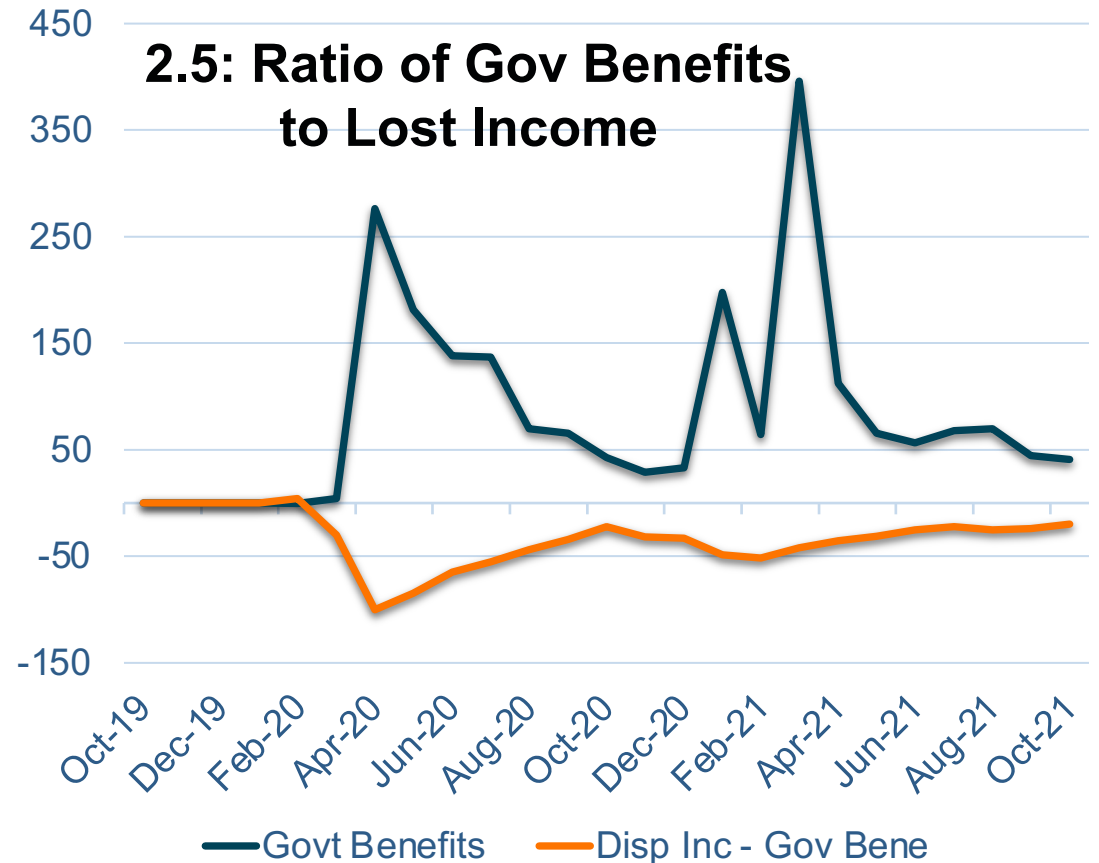
Federal Fiscal (Over)reaction



Federal Expenditures as a Share of GDP



Levels of Personal Income Relative to Pre-Pandemic Trends



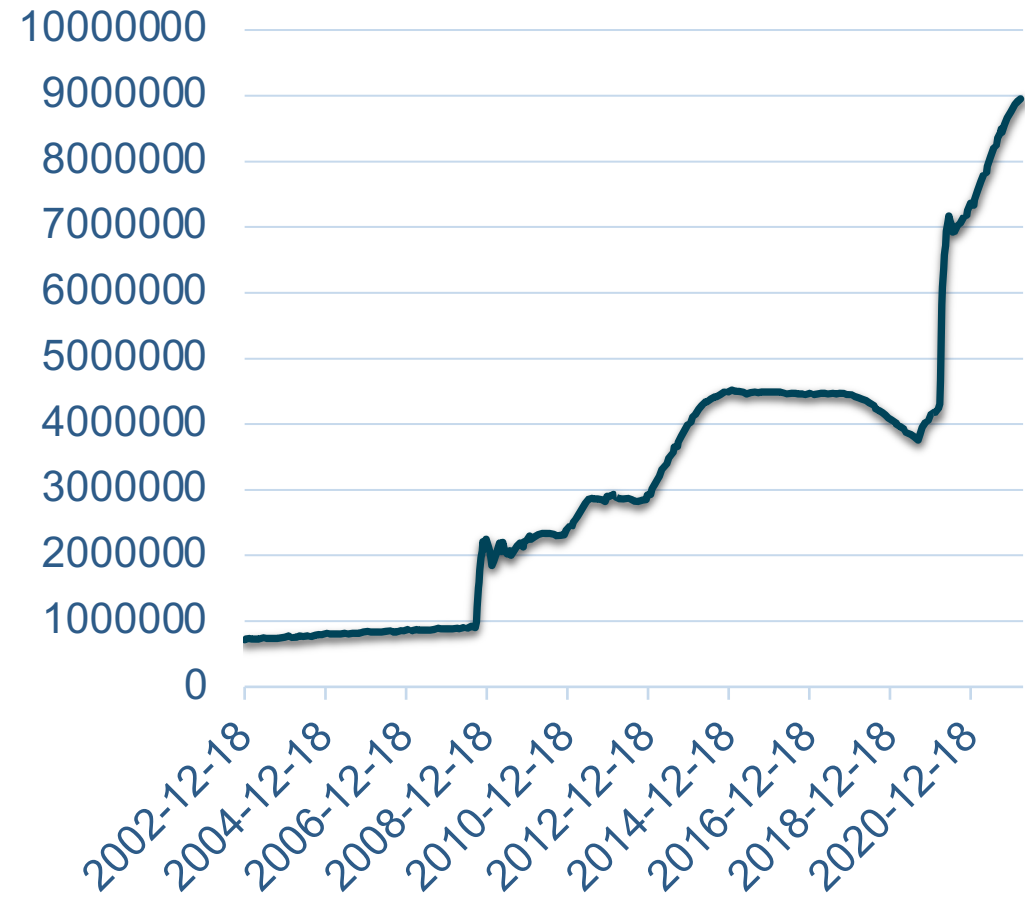
Mr. Powell's War



Federal Funds Rate



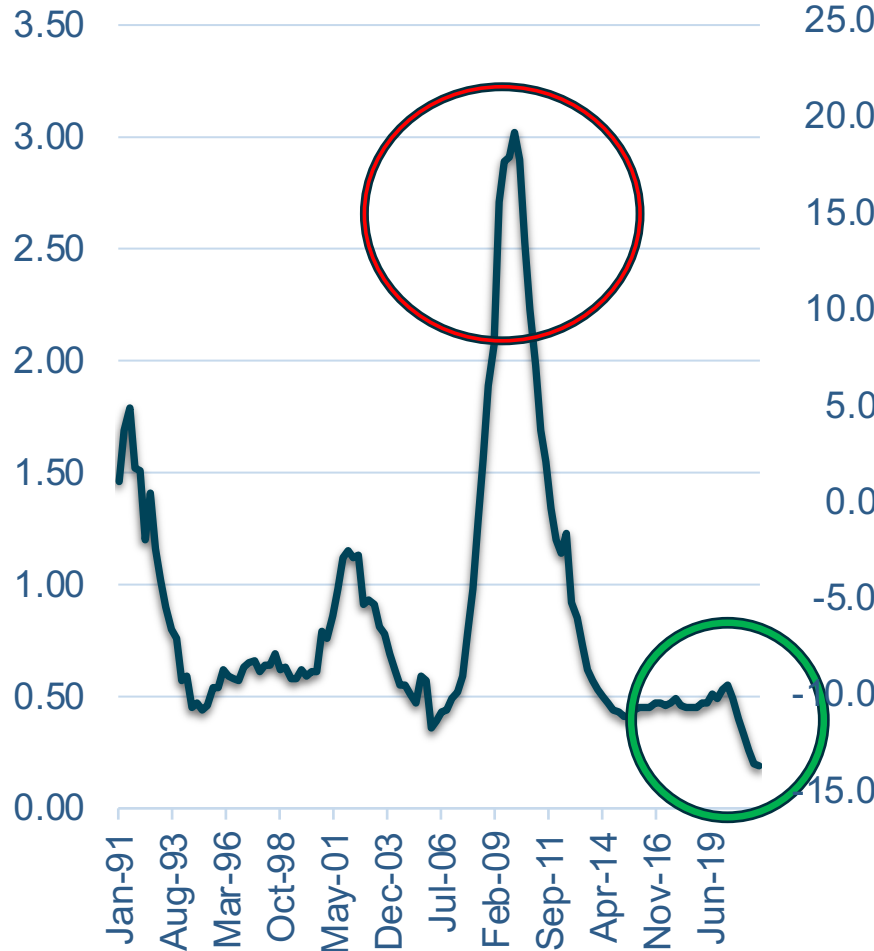
Federal Reserve Balance Sheet



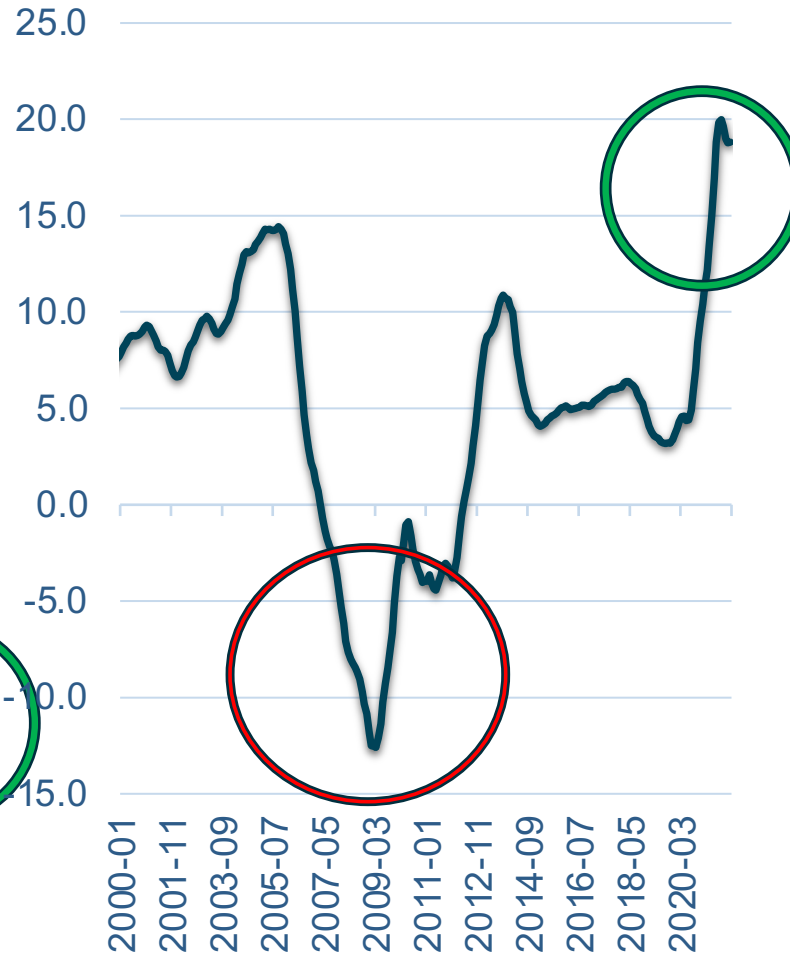
Mr. Powell's War



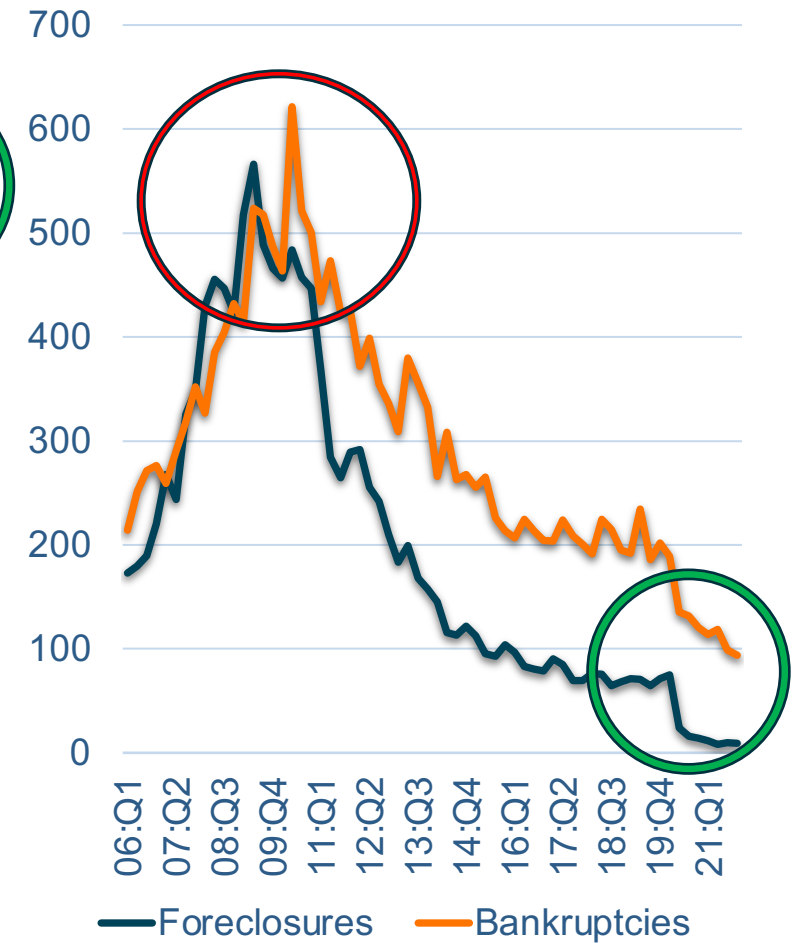
Bank Loan Charge-Off Rate



Case Shiller HPA YoY



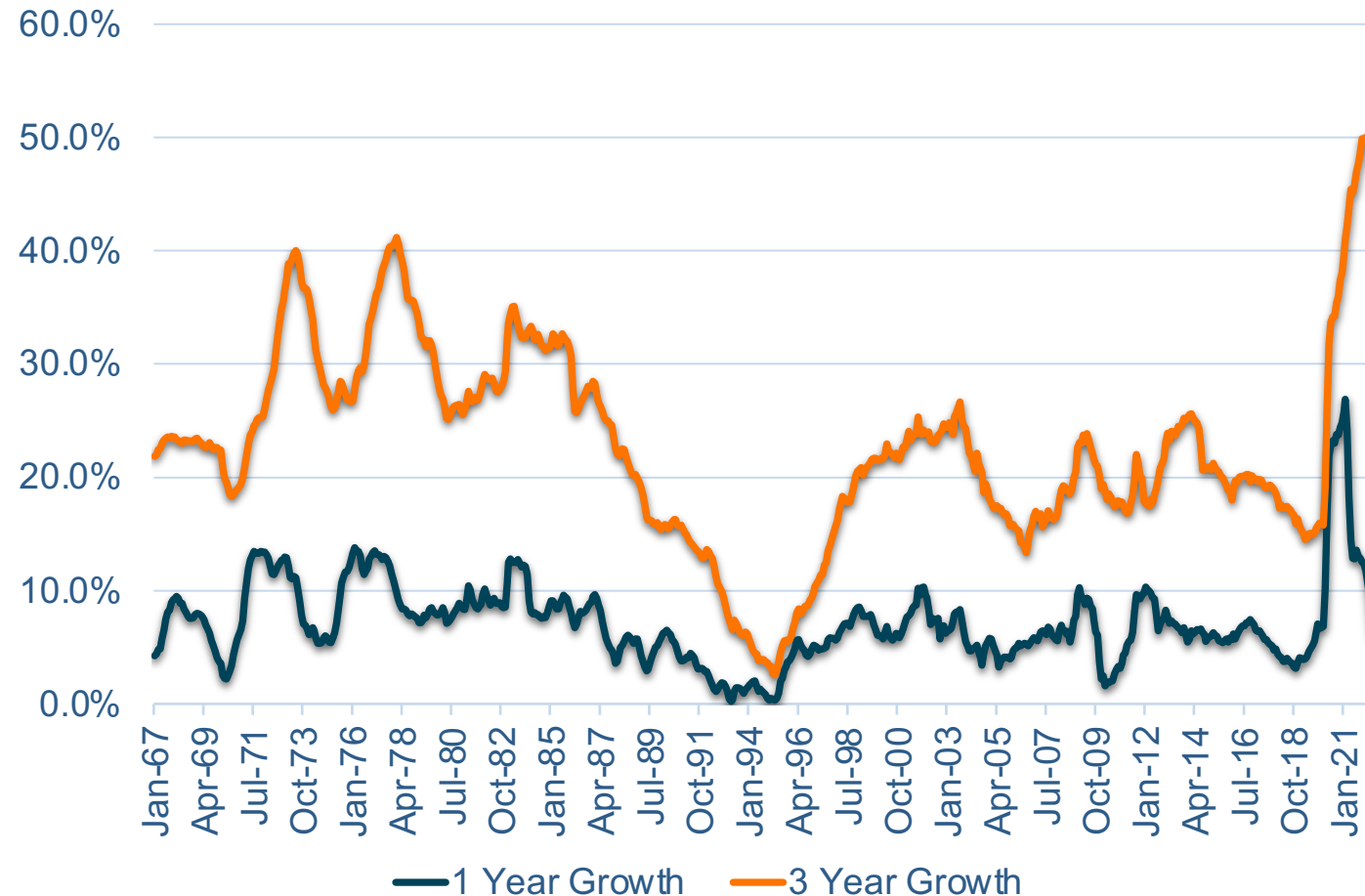
Consumer Finances



QE: Then and Now



Money Supply (M2) Growth Rates



The Problem of Excess Money

Short run: Money illusion

- Falling interest rates
- Asset price bubbles form
- Spending and investment binge ensues

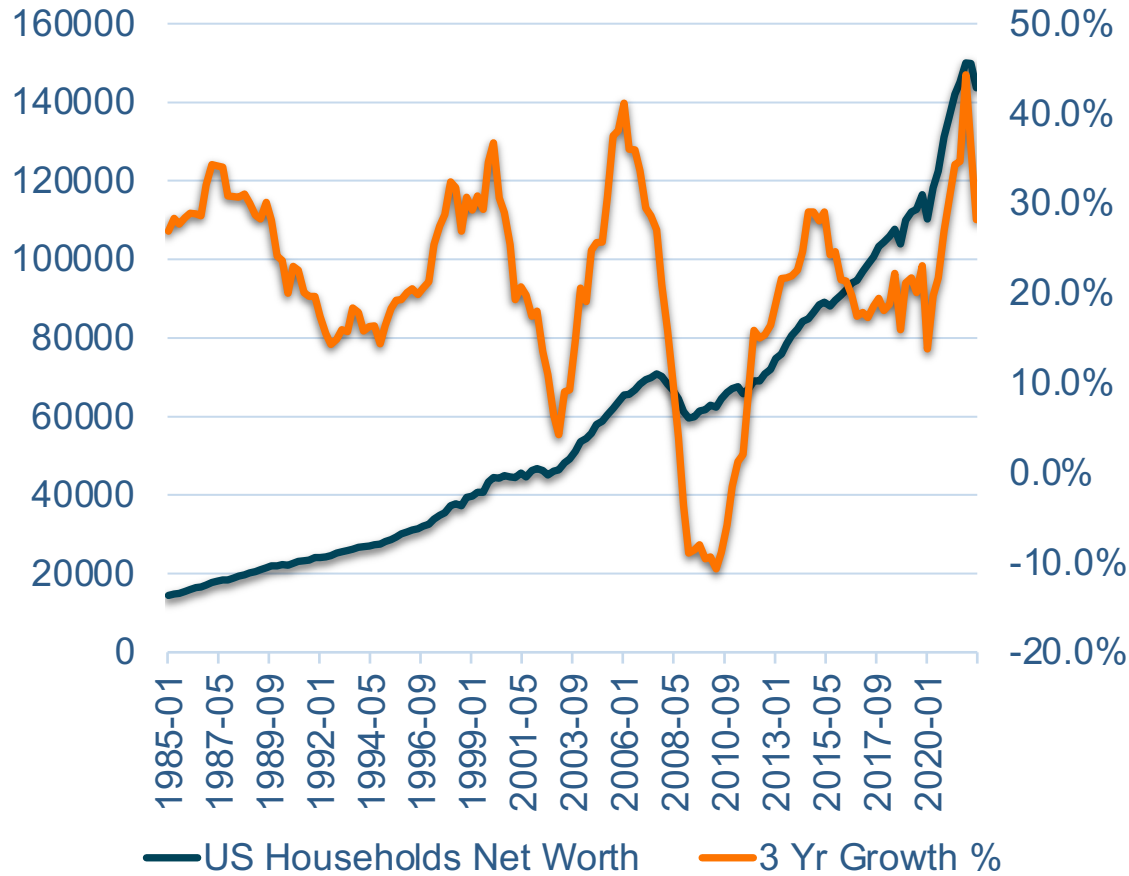
Long run: The Hangover

- Inflation and rates rise
- Sharp transfers of real wealth
- Investments risk rises
- Asset markets sag

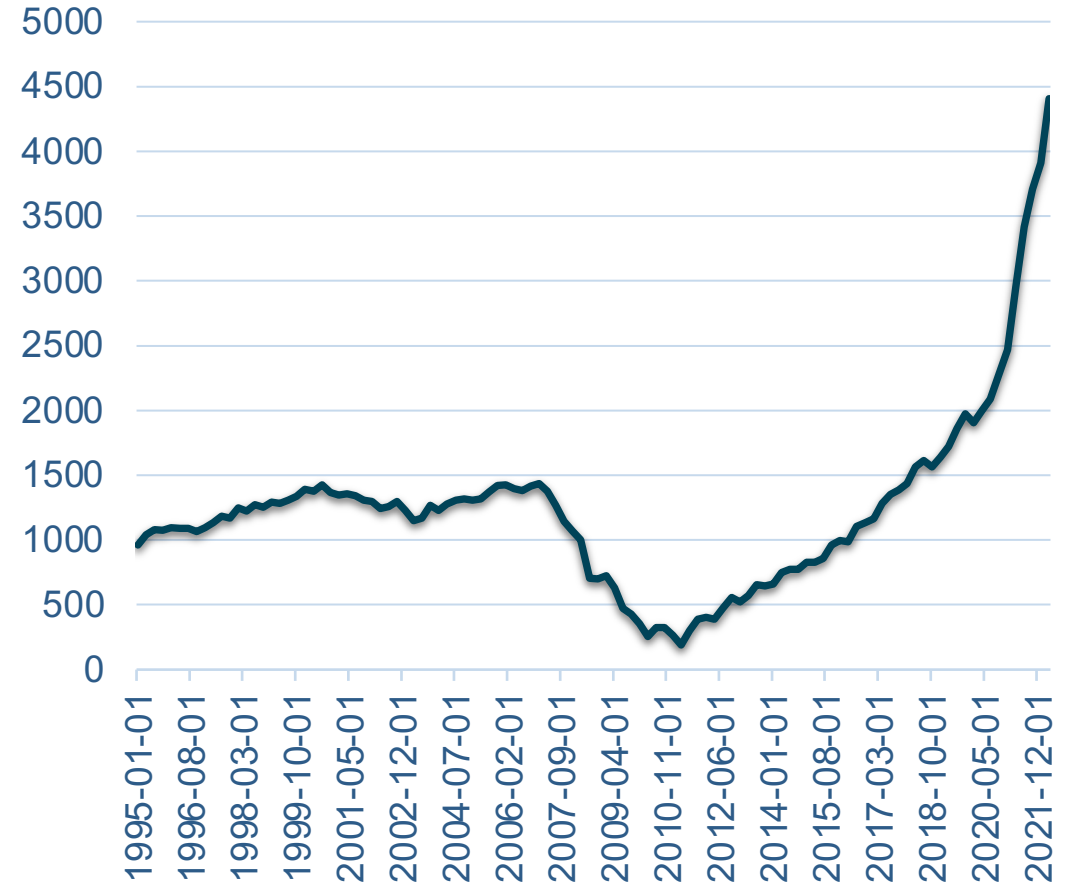
The “wealthiest” generation ever?



US Household Net Worth



Wealth in bottom 50%, \$Billion



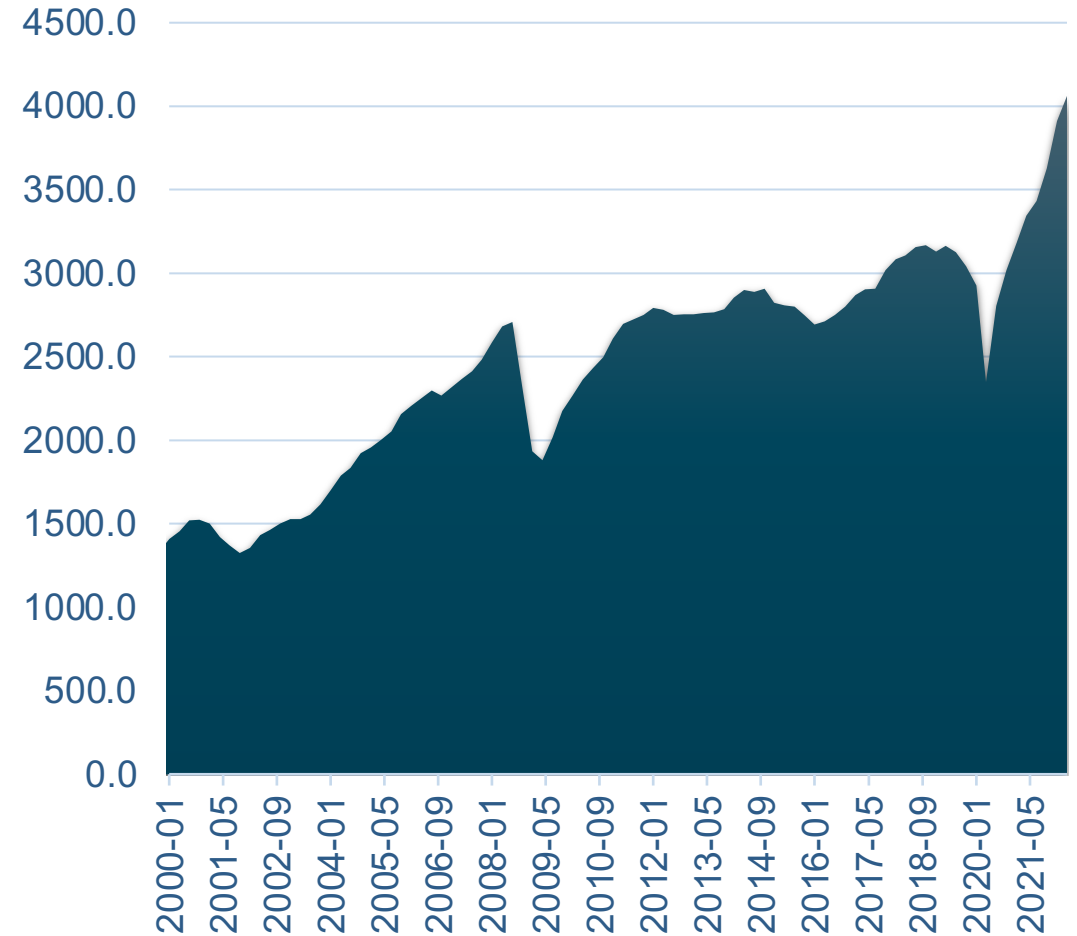
A Binging Economy...



Trade Balance as a % of GDP



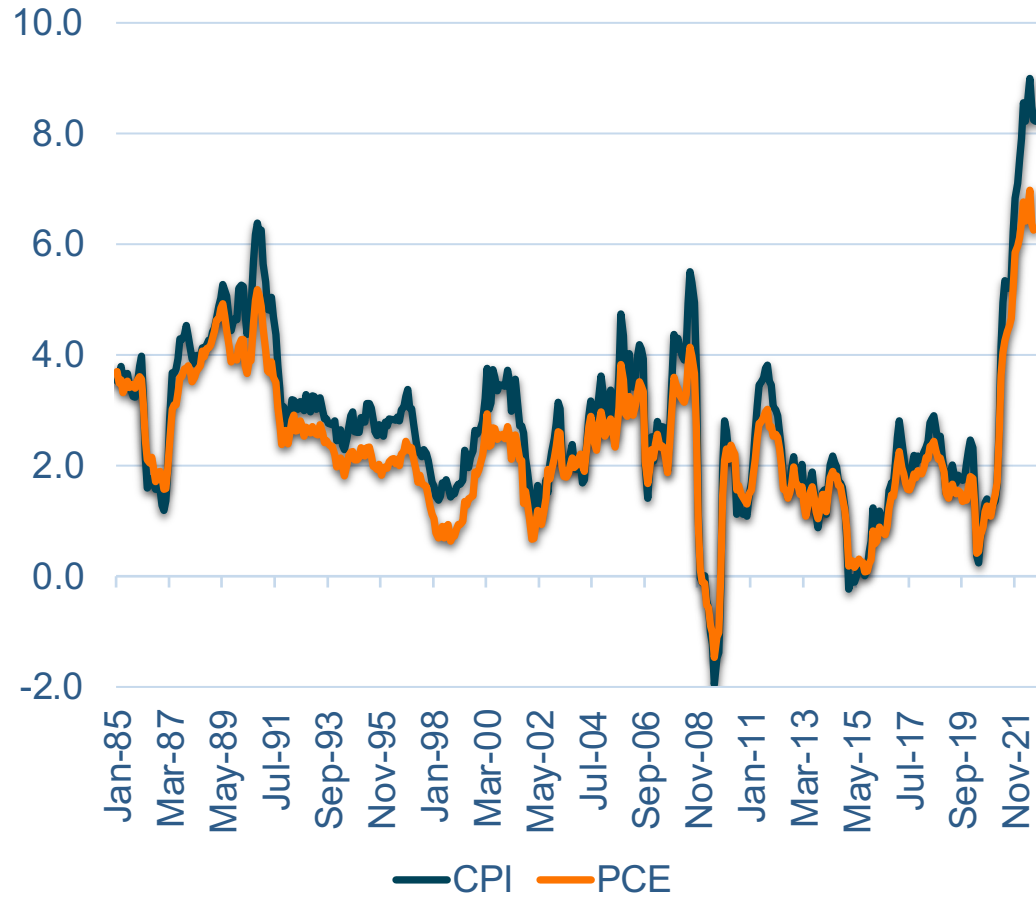
US Real Imports



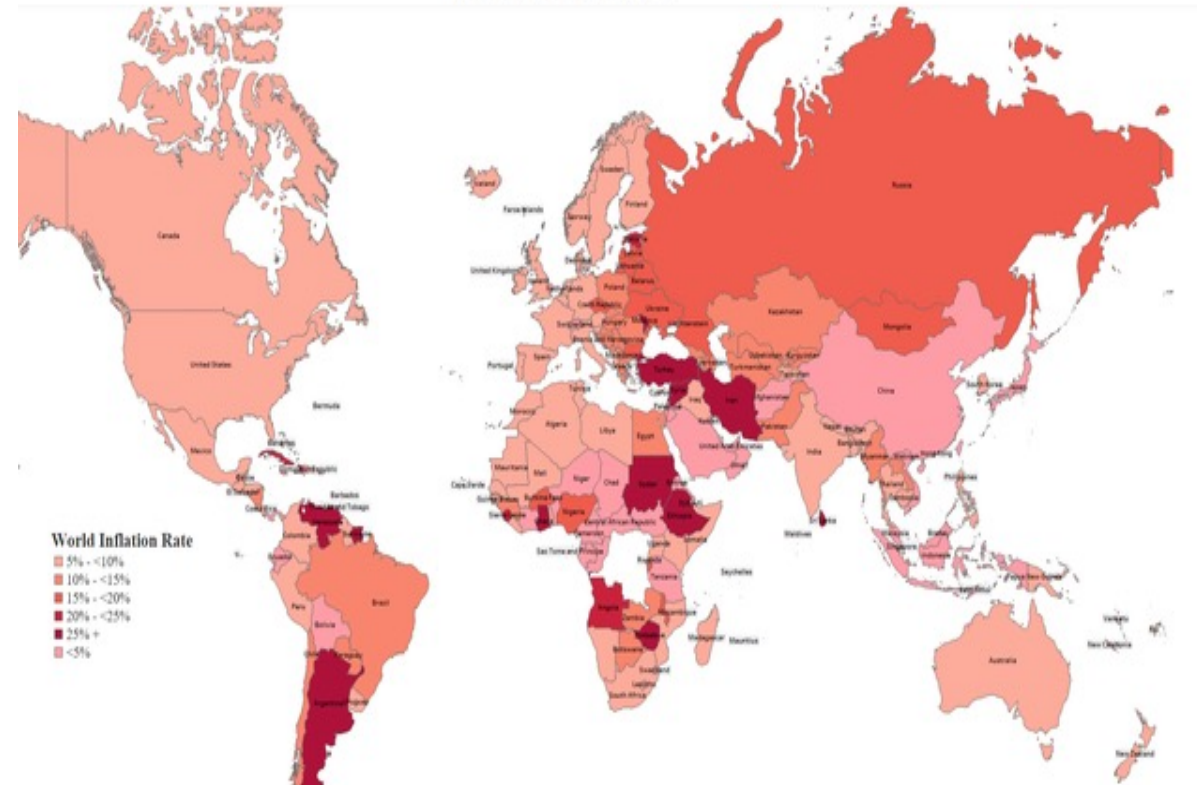
Inflation nation...



US Inflation Rates



World Inflation Rate 2022



The Inflation Conversation



- Supply chain issues
- The federal deficit
- Greedy corporations and profiteering
- Not enough manufacturing jobs
- Biden’s bad green energy policies
- Putin’s fault!
- Kim shouldn’t have dumped Kanye
- It’s because Will slapped Chris
- The hot air from election speeches

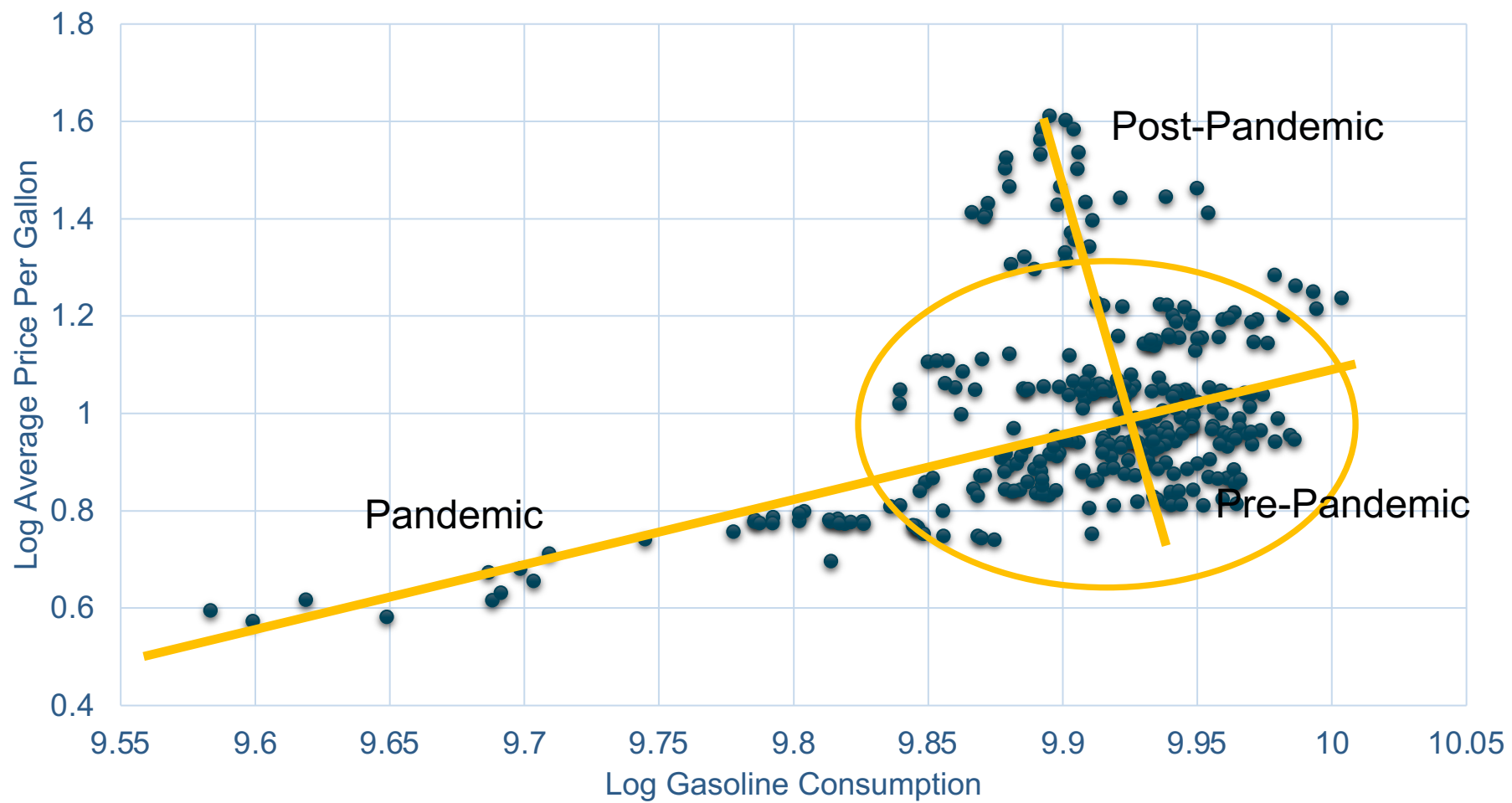
“Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.”

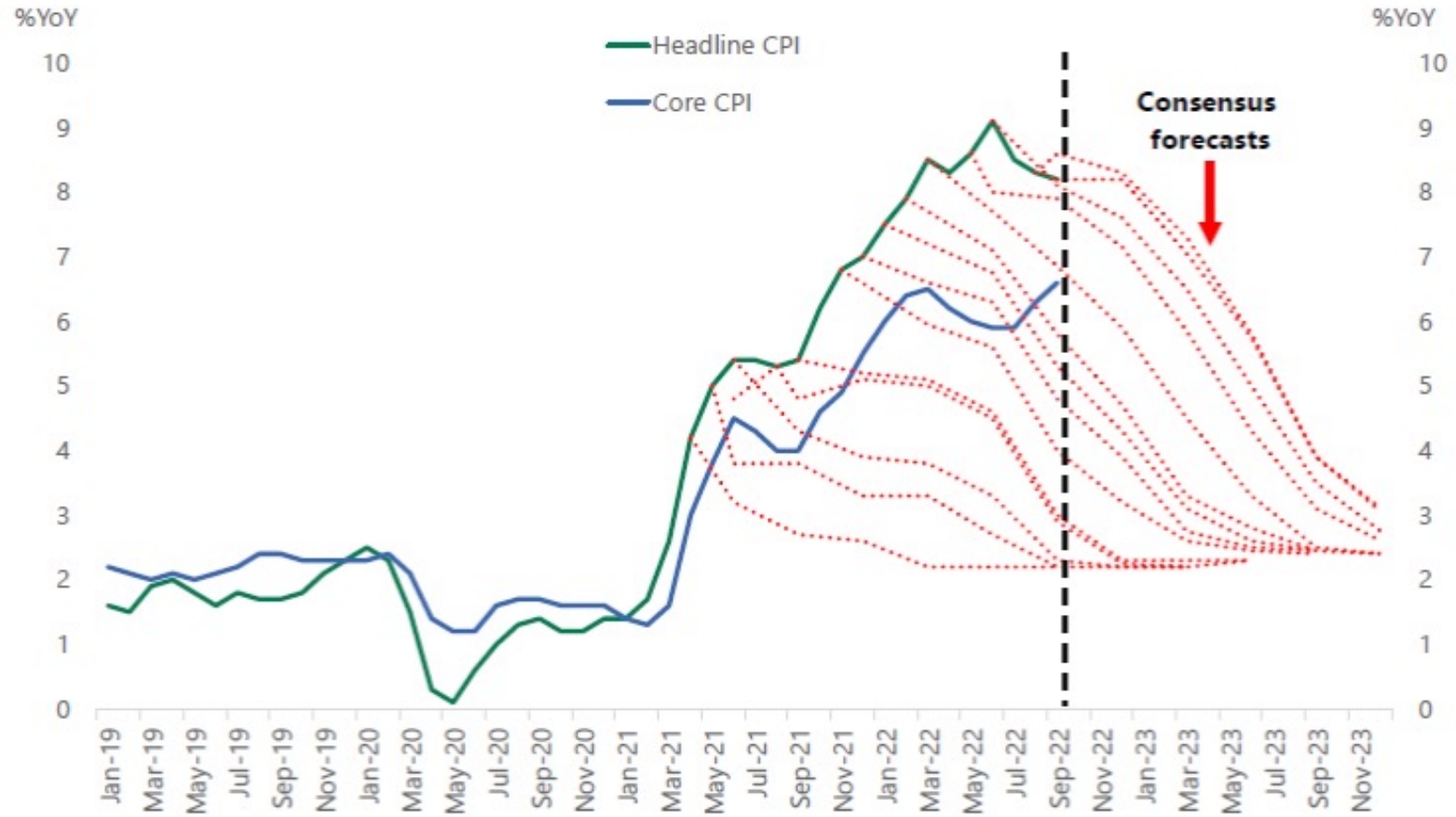
Milton Friedman

Its Demand, not Supply



Gasoline Prices and Consumption

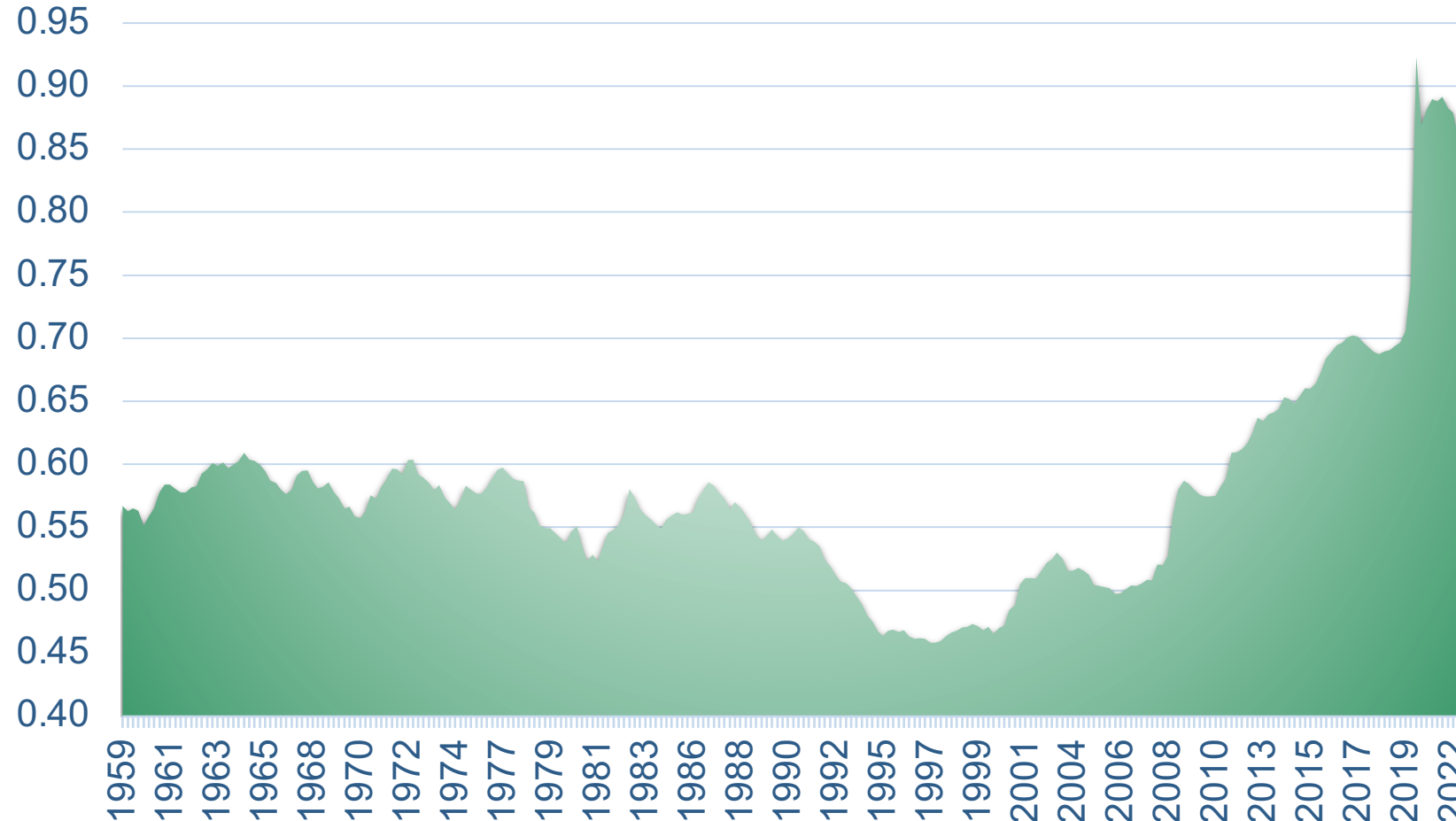




How much farther can inflation go?



Unit Money Supply: $M2 / (P * RGDP)$

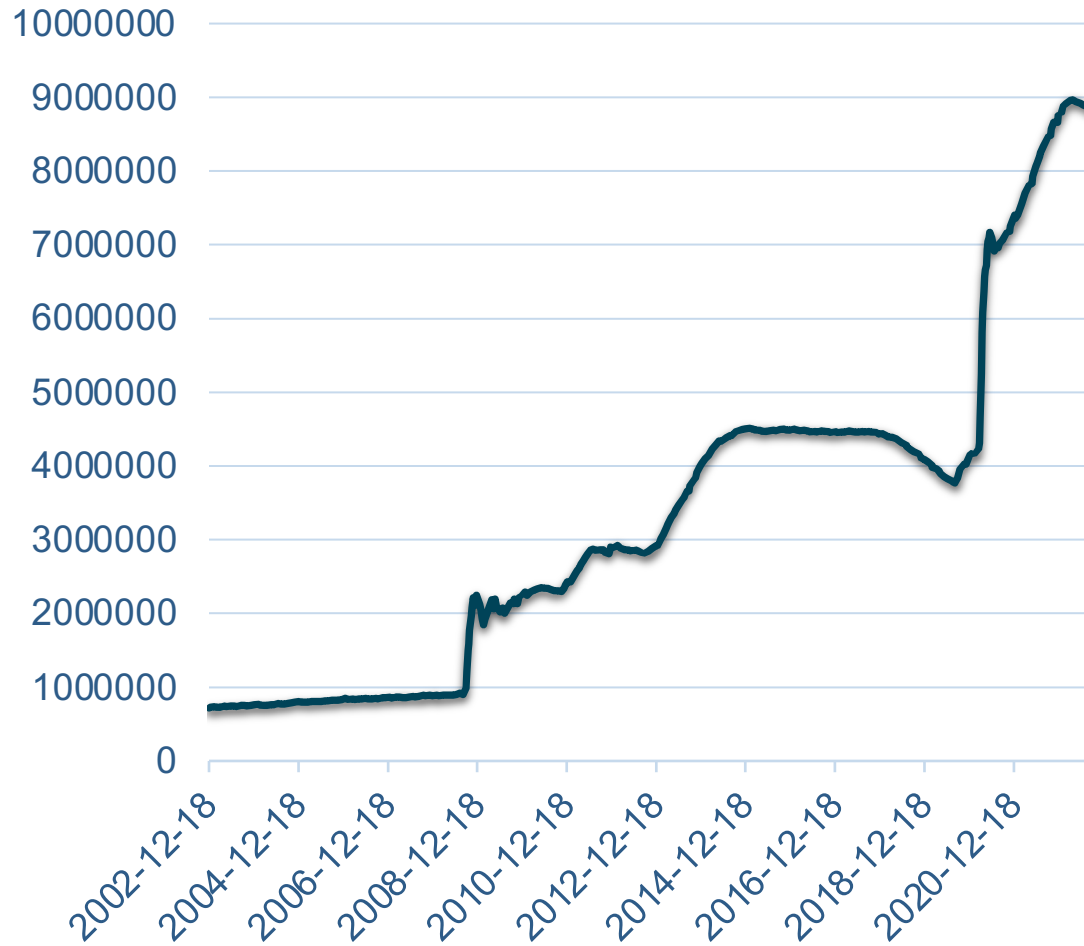


10% to 25%
increase in P
to offset M2
(with little real
growth)

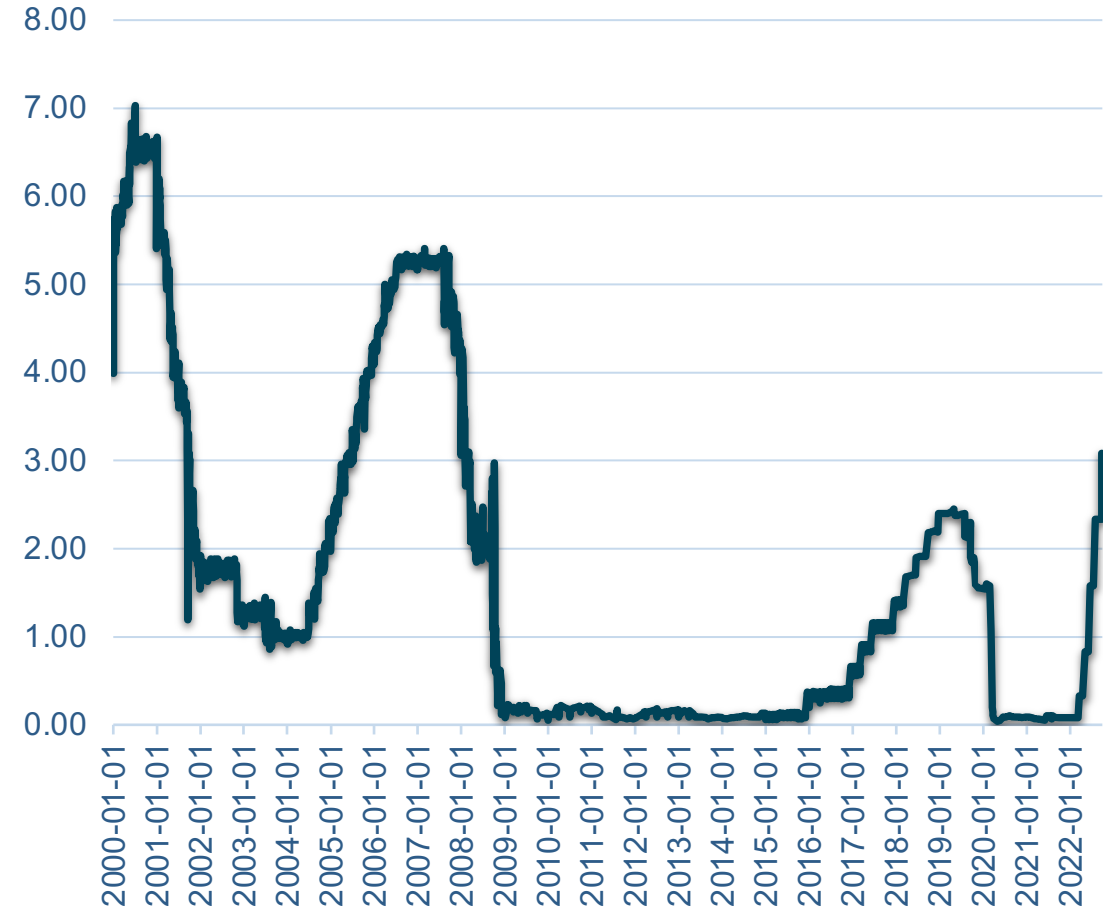
An Odd Fed Inflation Fighting Decision...



Fed Balance Sheet



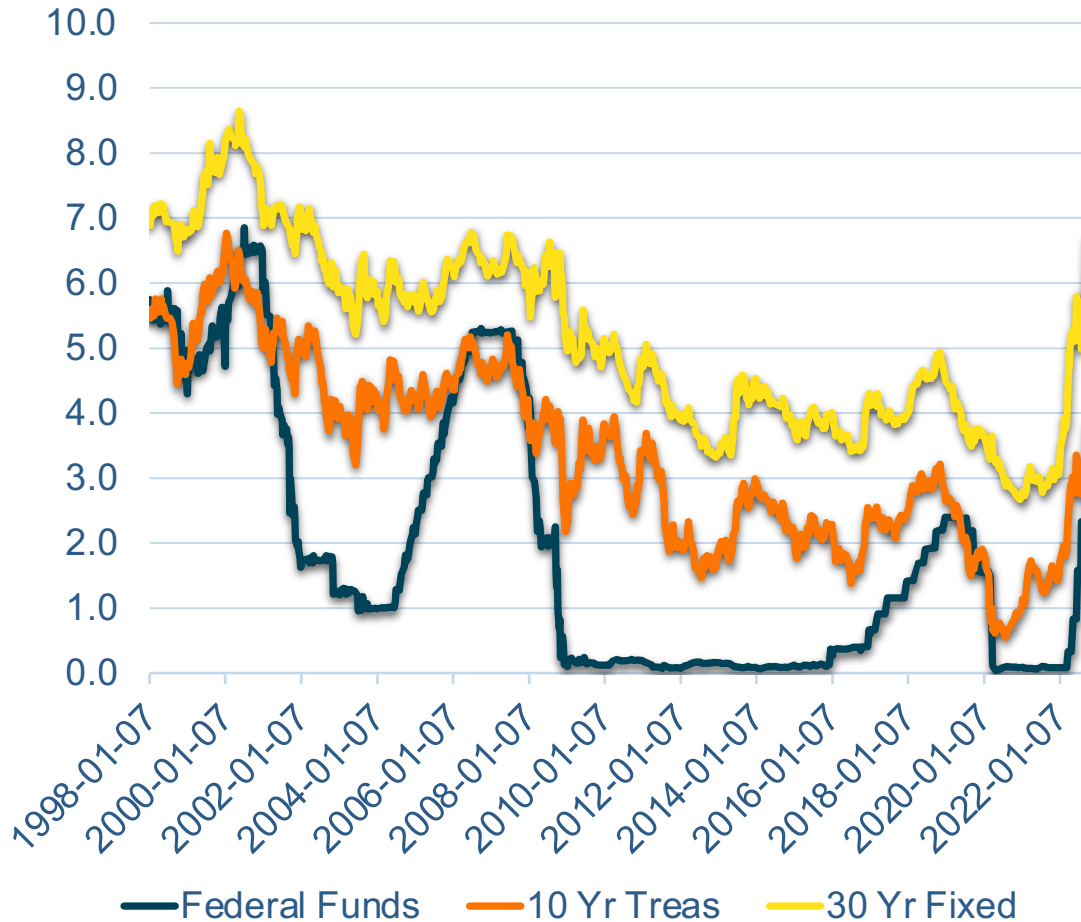
Federal Funds Rate



The era of cheap money is ending...



Interest Rates



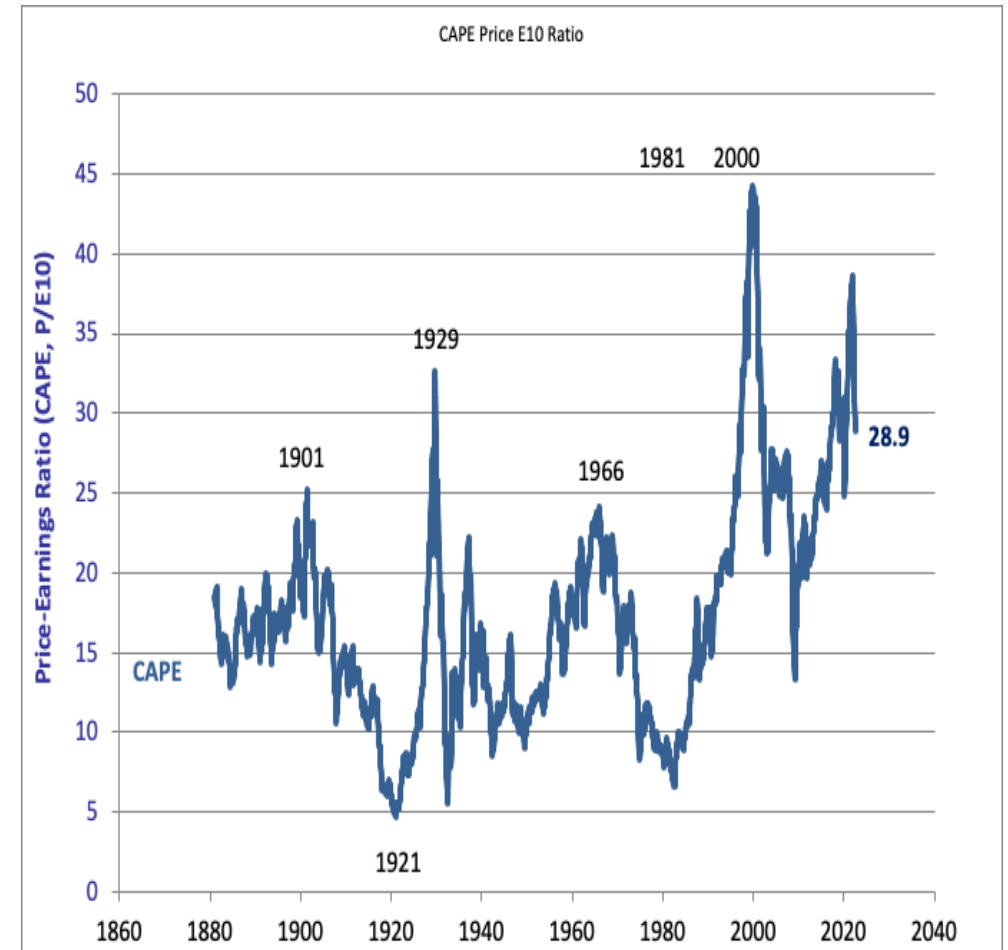
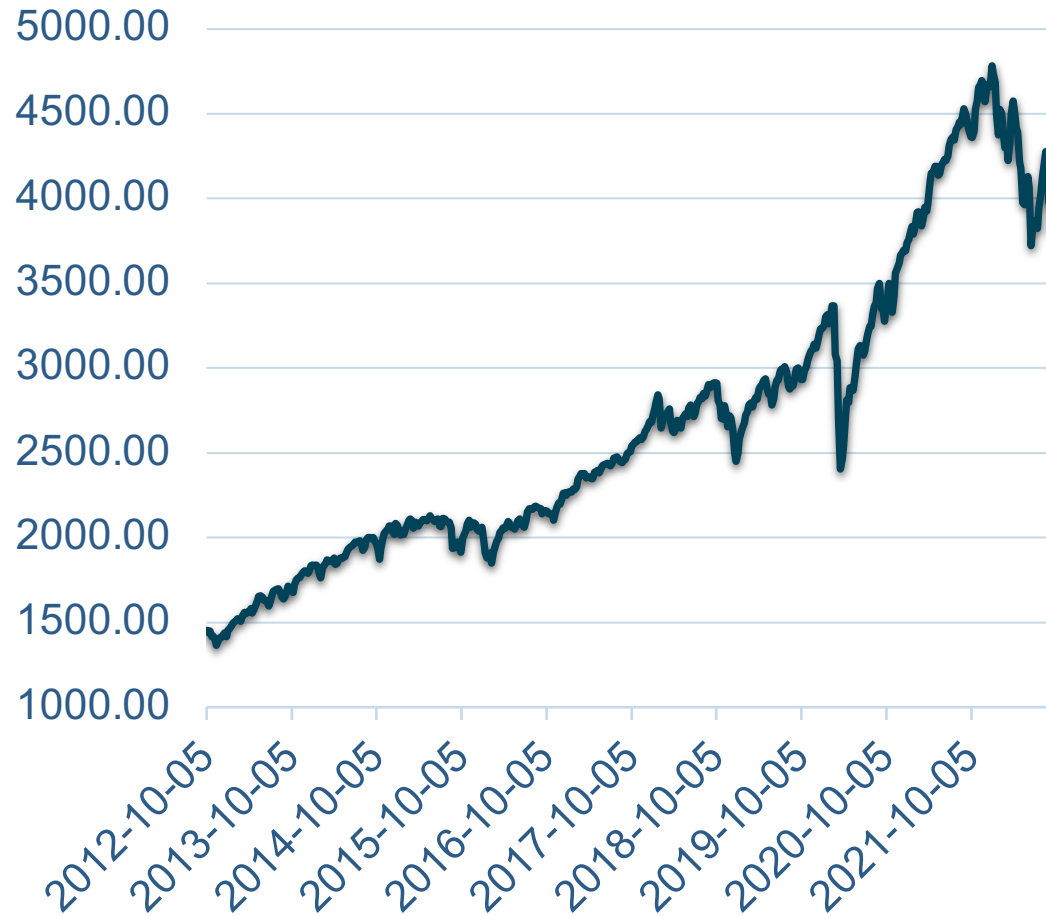
10 Year – 3 Month T-Bill Spread



Gravity still works...



S&P 500





The Washington Post

Breaking News

Technology Alert

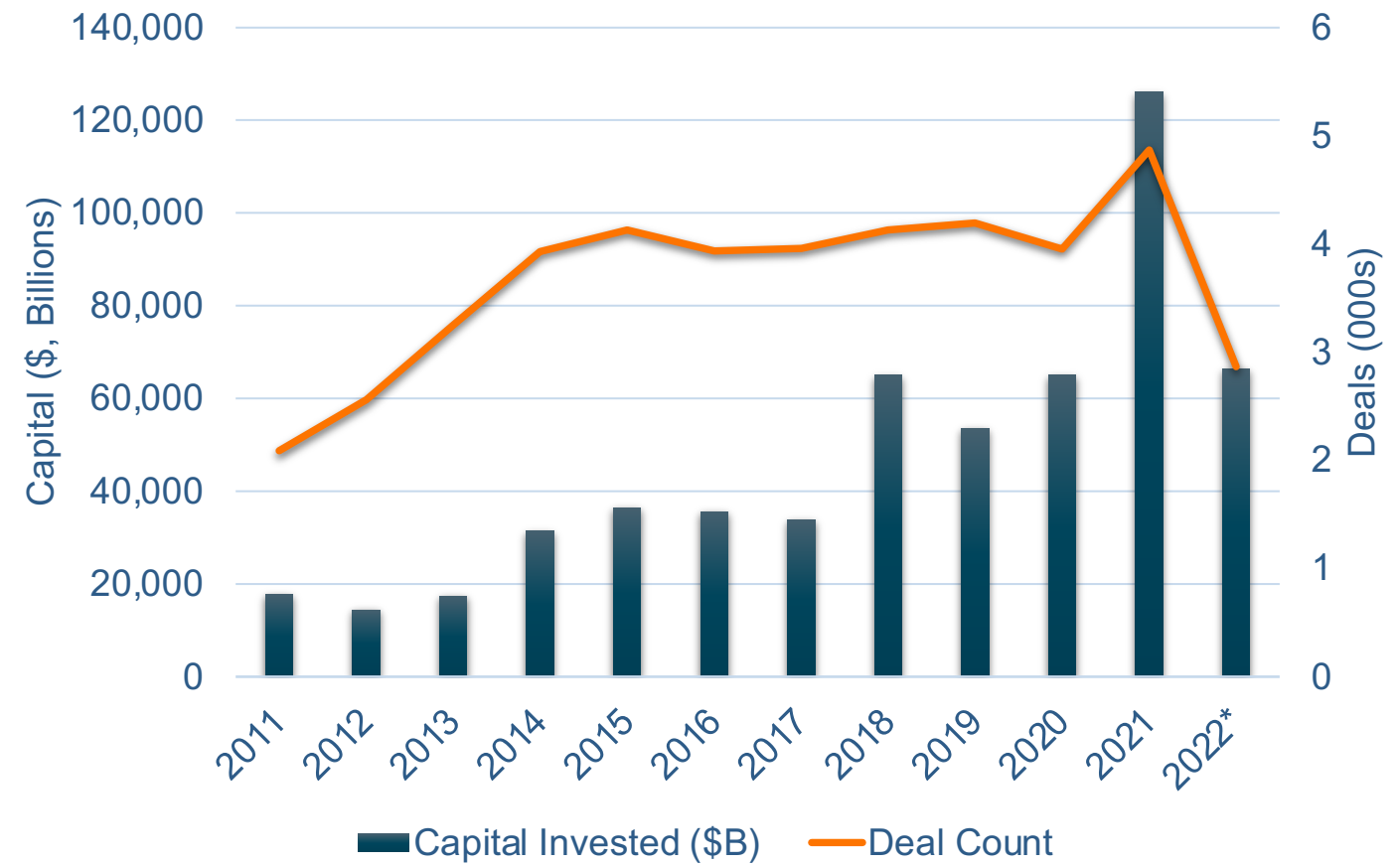
Oct. 26, 10:59 a.m. EDT

Billion-dollar tech funding rounds becoming more rare as layoffs, CEO resignations and belt-tightening take their toll on start-ups

In a shifting economy, Silicon Valley investors minted only 25 companies worth over \$1 billion each in the third quarter of 2022, according to venture capital research firm CB Insights. A year ago, there were more than five times as many new so-called unicorns.



Capital Invested and Number of Deals, Bay Area HQ Companies





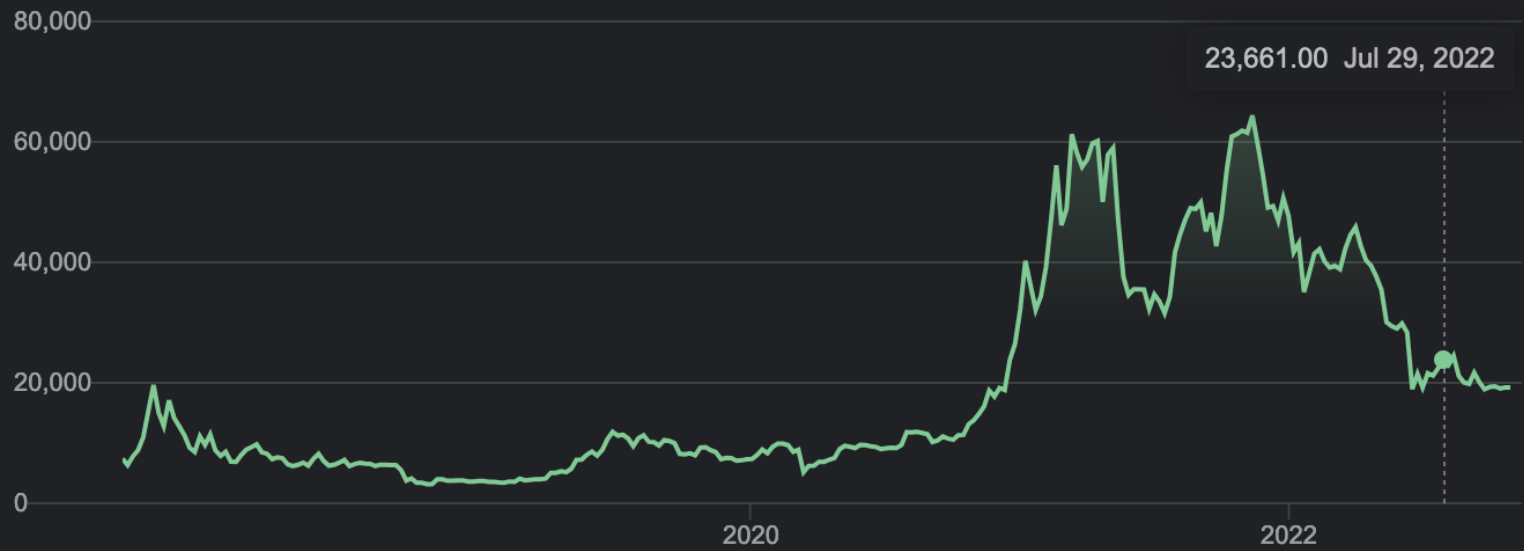
19,222.10 USD

+ Follow

+11,809.55 (159.32%) ↑ past 5 years

Oct 22, 2:25 PM UTC · [Disclaimer](#)

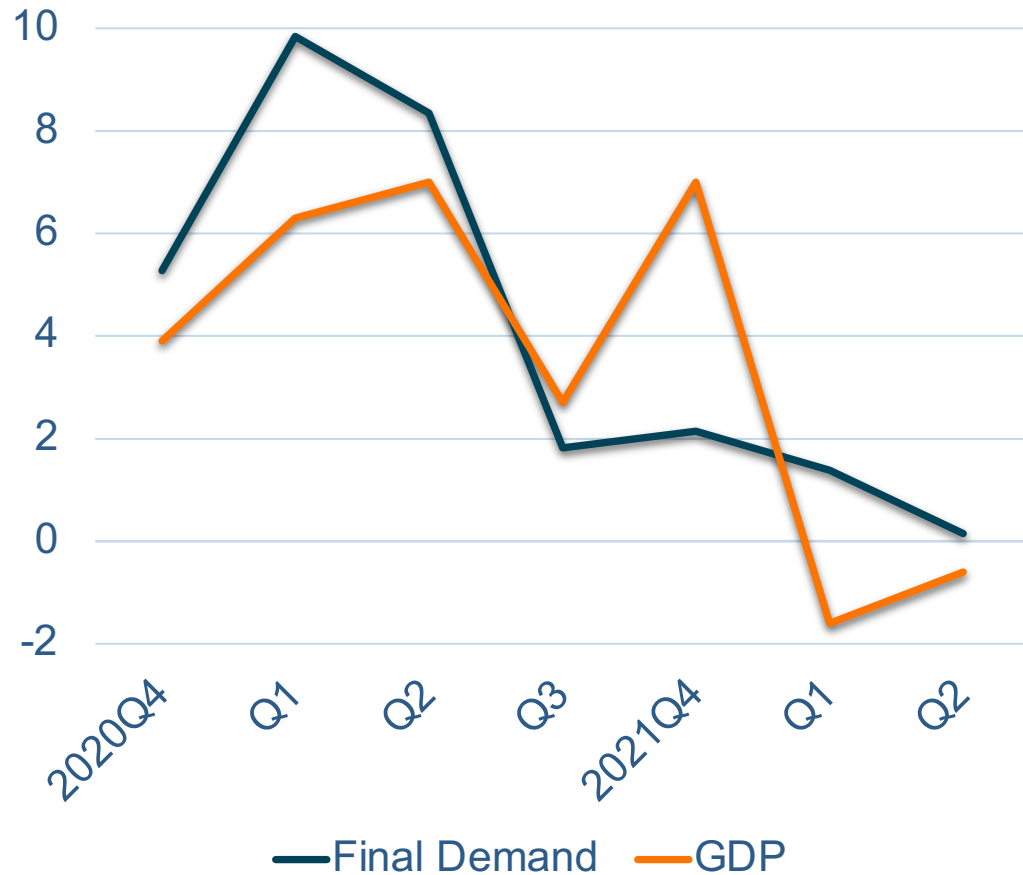
1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Real GDP Growth



Output vs Demand



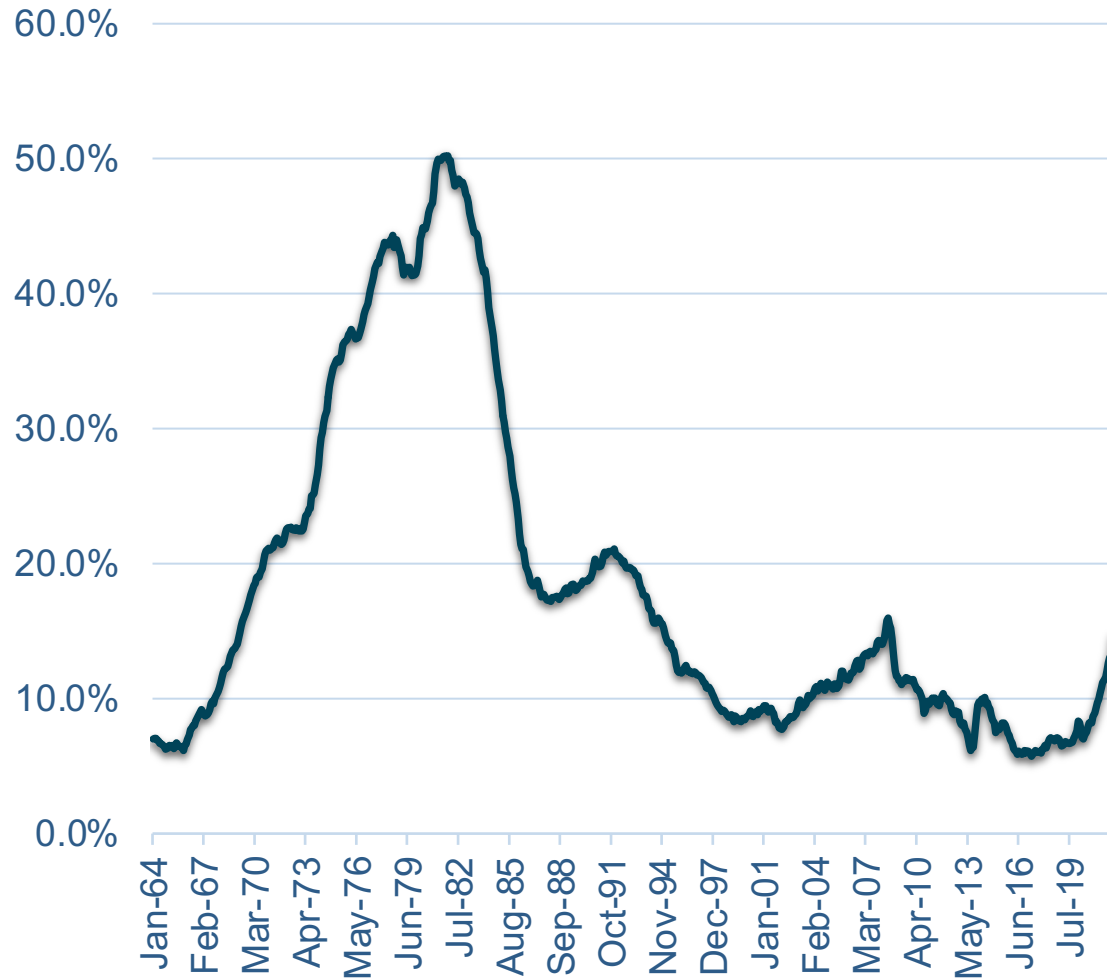
Contributions to Real GDP Growth

	2019	2020	2021	2022
Consumers	1.45	0.39	4.74	1.15
Durables	0.40	1.40	0.59	0.20
Non-Durables	0.32	0.81	1.04	-0.52
Services	0.74	-1.82	3.11	1.46
Investment	0.42	0.51	0.67	-0.05
Structures	0.20	-0.50	-0.14	-0.23
Equipment	-0.18	0.06	0.28	0.22
IPP	0.33	0.22	0.56	0.50
Residential	0.08	0.74	-0.02	-0.54
Inventories	-0.38	0.79	0.93	-0.88
Net Trade	0.40	-0.79	-0.72	-0.99
Exports	0.11	-0.83	0.70	0.49
Imports	0.29	0.03	-1.41	-1.48
Government	0.69	0.29	0.12	-0.35
Federal	0.26	0.42	0.04	-0.29
S&L	0.43	-0.13	0.08	-0.05

Can the consumer hack it? Context...



5 Year Increase in Consumer Prices



US Real Interest Rate (2 Yr T-Bill – PCE Inflation)



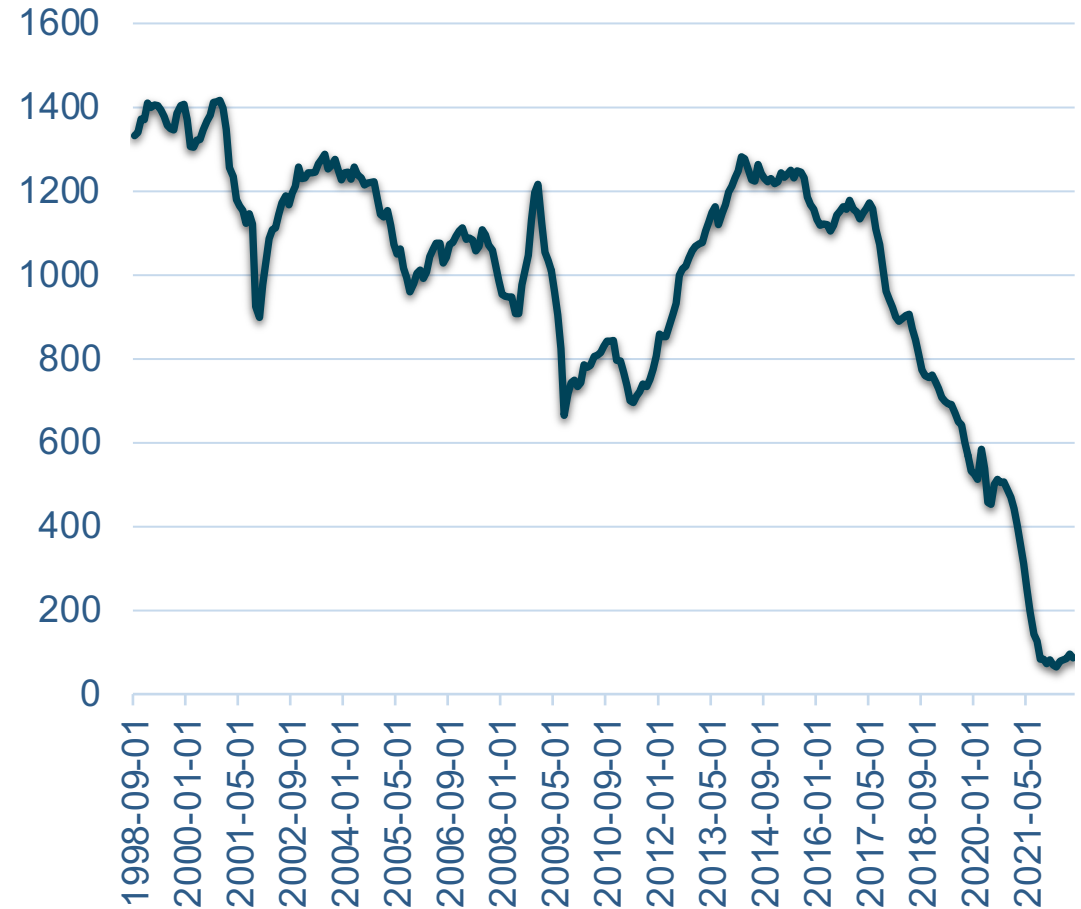
Still Pent-Up Consumer Demand



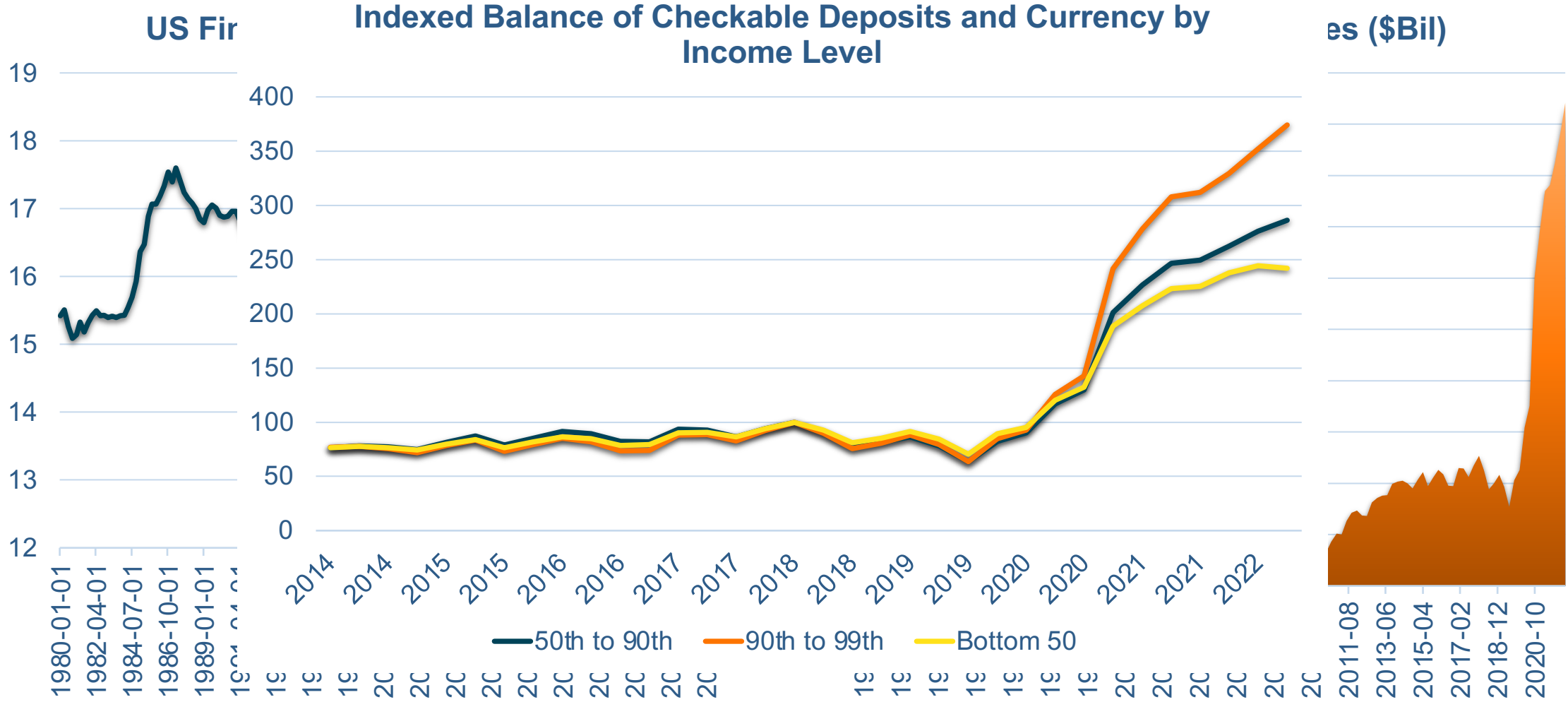
New Auto Sales SAAR (Mil Units)



Domestic Auto Inventories



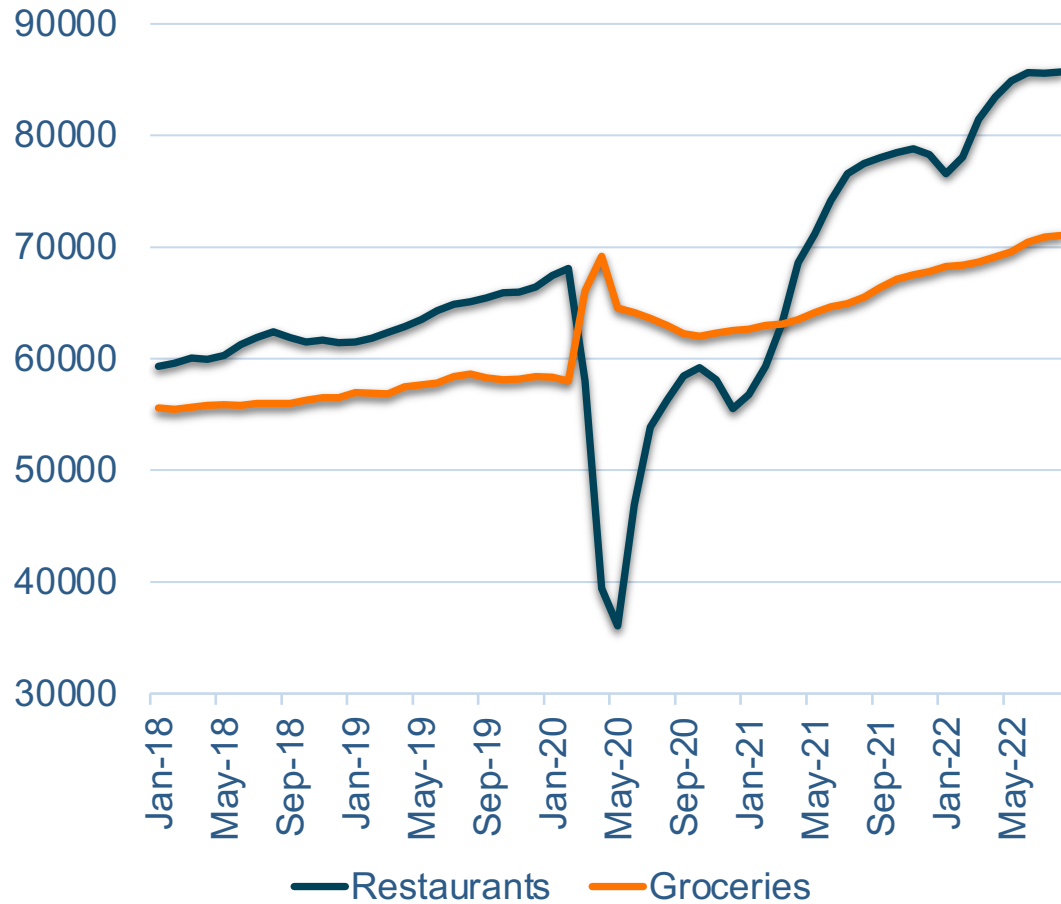
Cash Balances



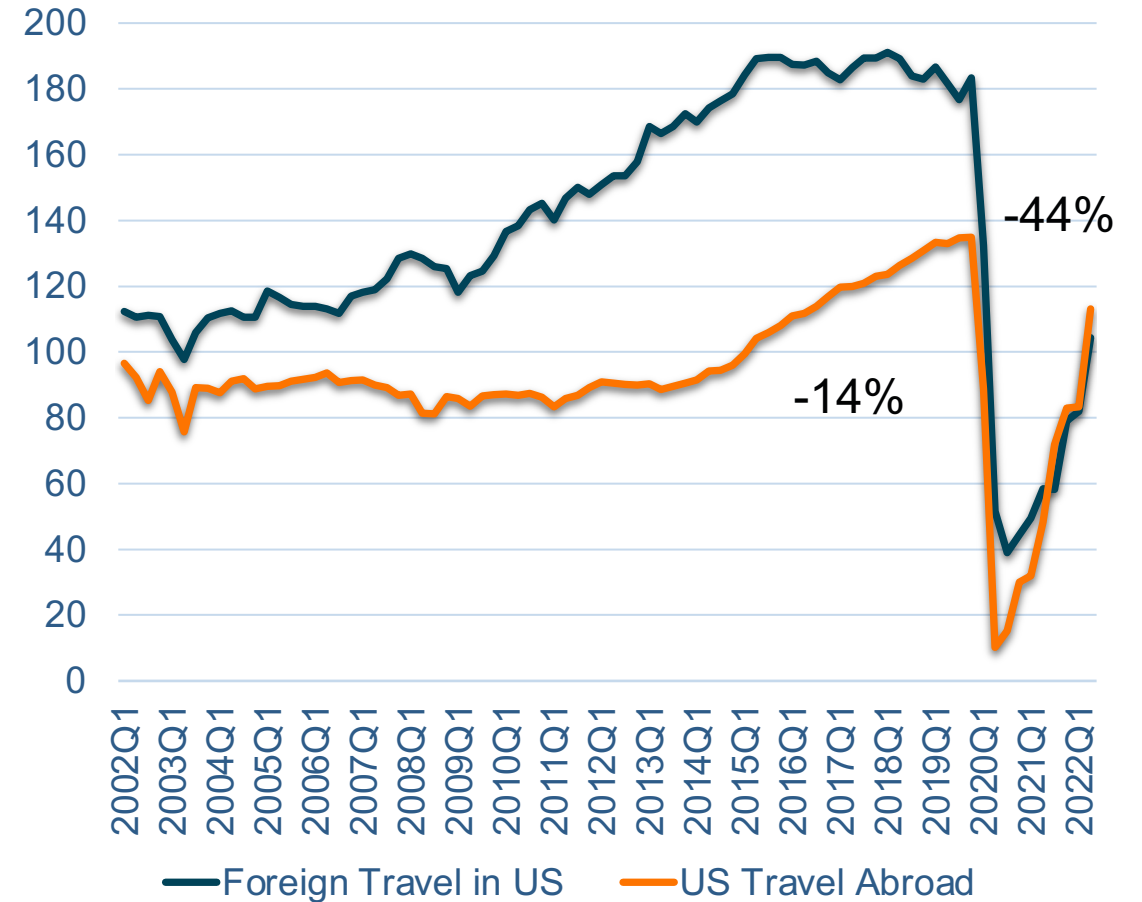
A shift in spending back to services...



Retail Sales on Food



External Tourism Spending (\$Bil)



Travel Trends



State Airports

	Q2 22	Difference
Orange County - SNA	1,102,704	12.5%
Ontario - ONT	557,049	11.4%
Burbank - Bob Hope	603,083	10.4%
Long Beach - LGB	357,679	3.8%
Sacramento - SMF	1,168,888	0.6%
San Diego - SAN	2,141,195	-6.1%
Oakland - OAK	1,064,753	-12.4%
San Francisco - SFO	4,453,192	-18.7%
Los Angeles - LAX	6,560,907	-19.9%
San Jose - SJC	1,106,053	-22.1%

Occupancy Rate	Q2-19	Q2-22	
Las Vegas	44.2	62.4	18.2
Tucson	66.9	74.6	7.7
Phoenix	71.1	75.4	4.3
Reno	67.5	66.3	-1.2
Inland Empire	75.1	71.8	-3.3
San Diego	77.7	73.6	-4.1
Orange County (MD)	77.2	72.3	-4.9
Los Angeles (MD)	80.6	73.1	-7.5
Sacramento	75.1	66.3	-8.8
Oakland (MD)	76.1	65.7	-10.4
San Jose	74.2	63.2	-11.0
San Francisco (MD)	81.0	66.4	-14.6
Seattle	73.6	58.5	-15.1

The shift back to services...



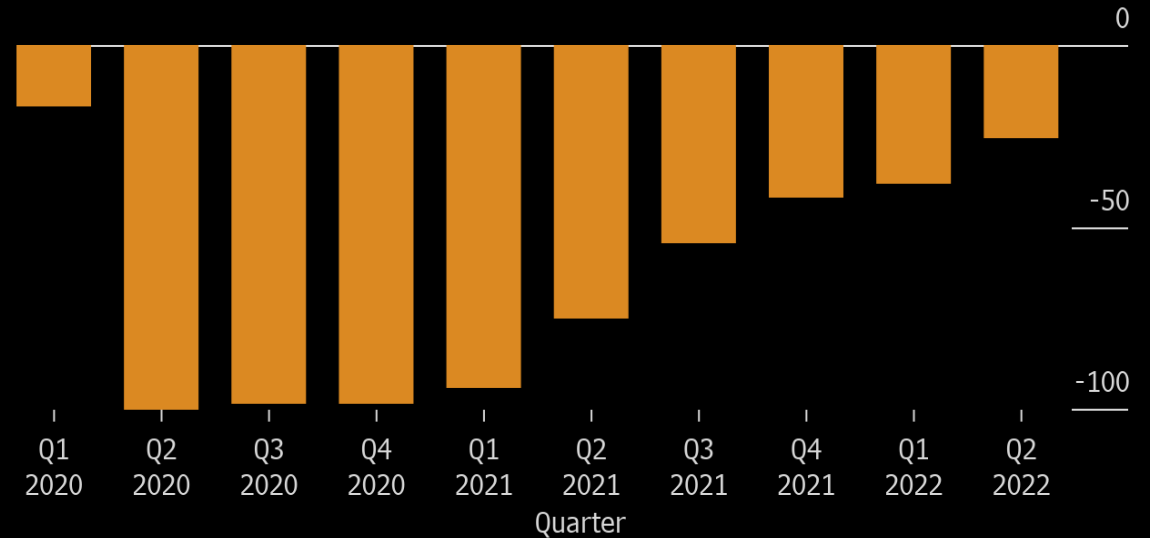
Visitors and Gross Gaming Revenue – Las Vegas



Conventions Rebounding

Second quarter activity down 25.5% from 2019, vs 38% in 1Q

■ Total index percent change from 2019



Source: Center for Exhibition Industry Research

Bloomberg

Contradictory Efforts



Federal Deficit 12 month rolling sum

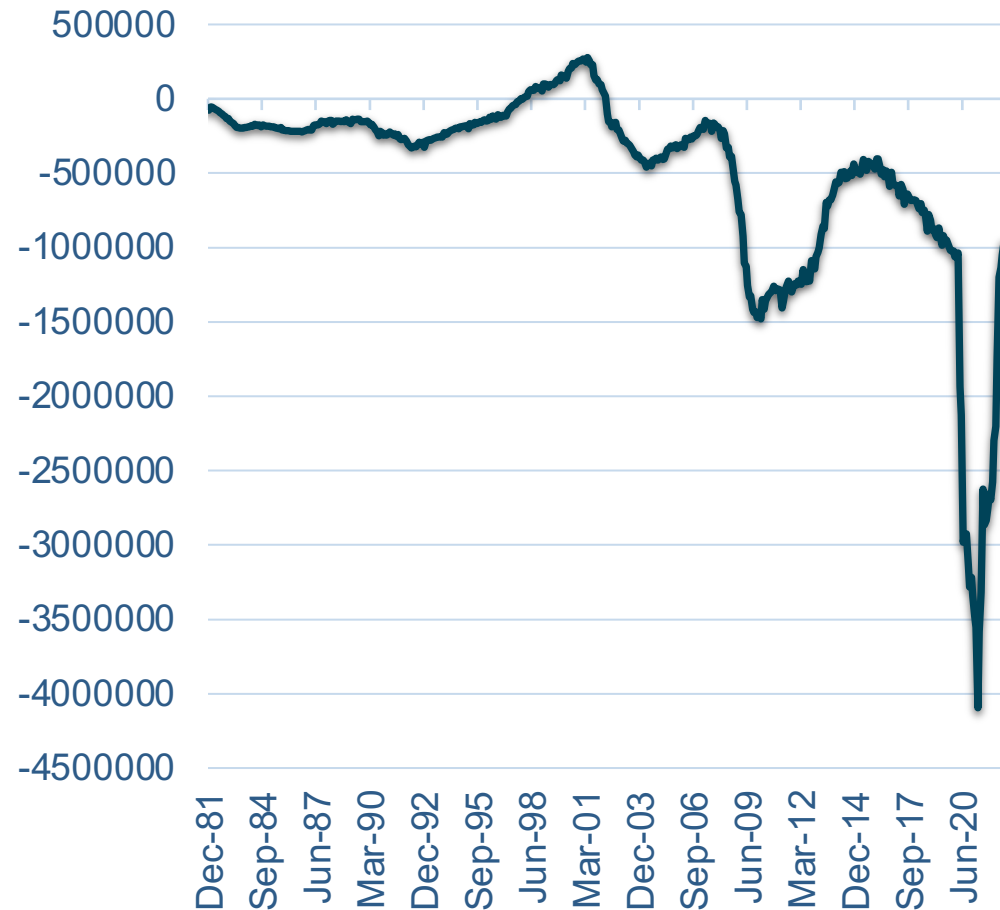
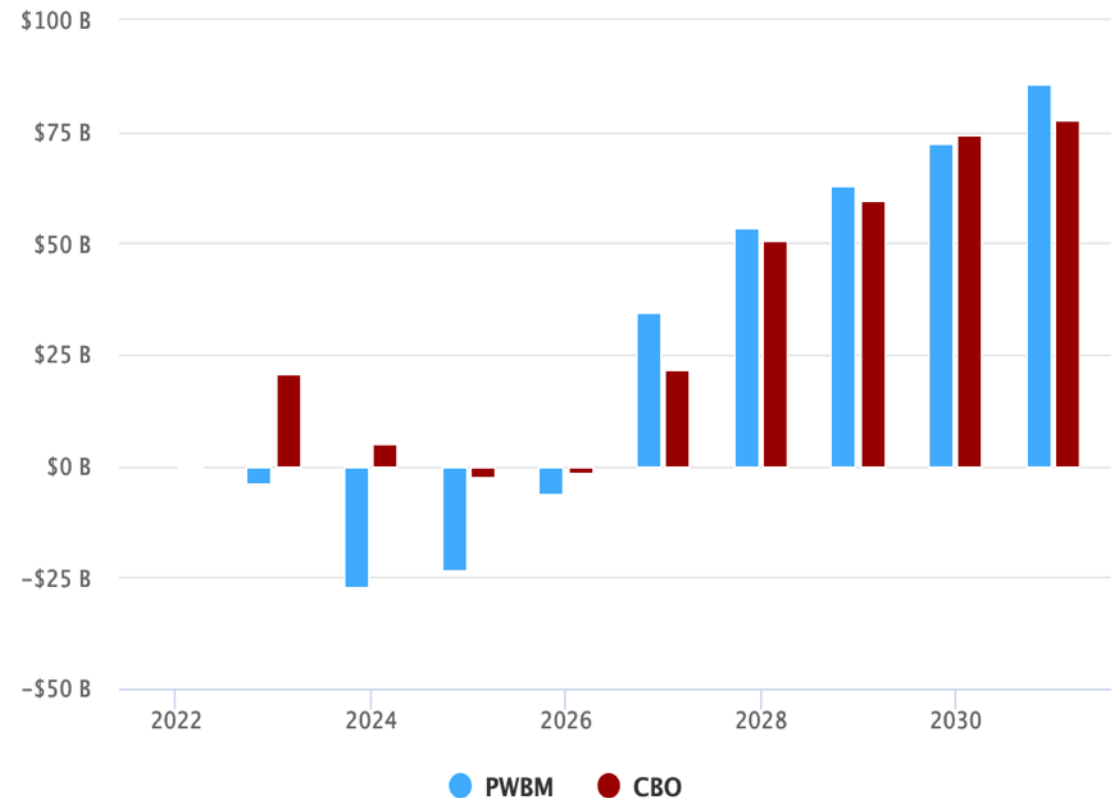


Figure 1. Budgetary Effects of the Inflation Reduction Act of 2022

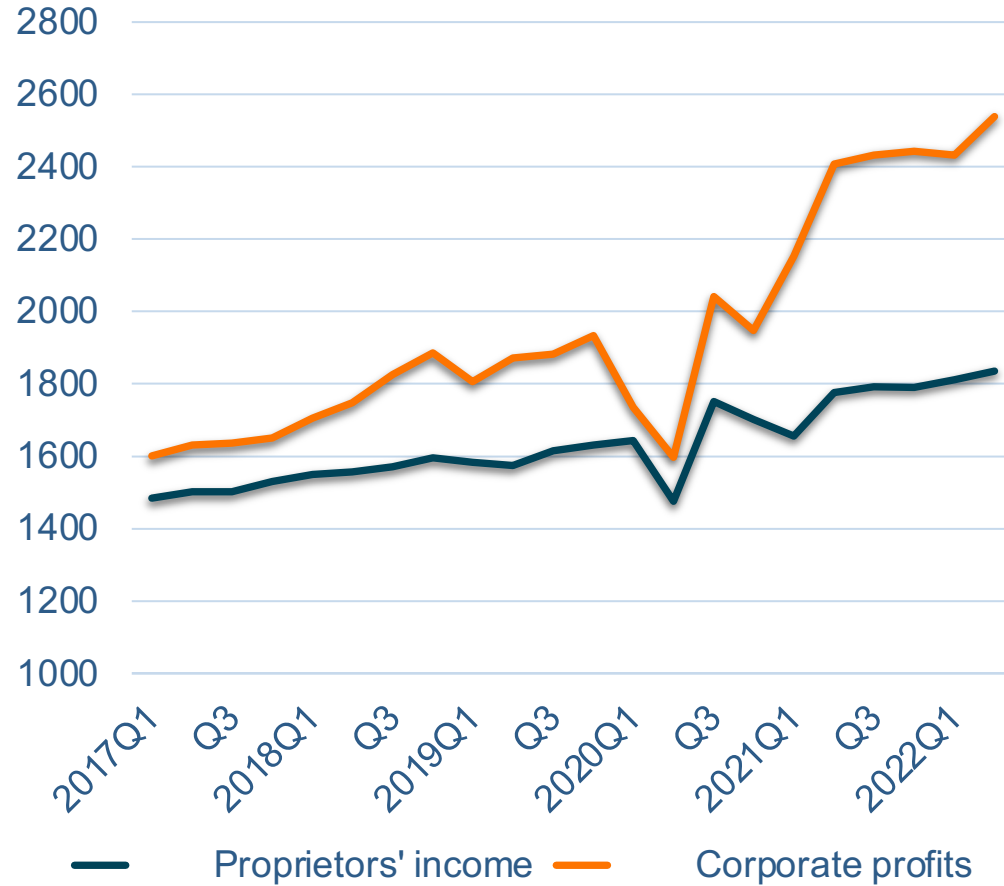
Net deficit reduction (+) or increase (-) from spending and revenues



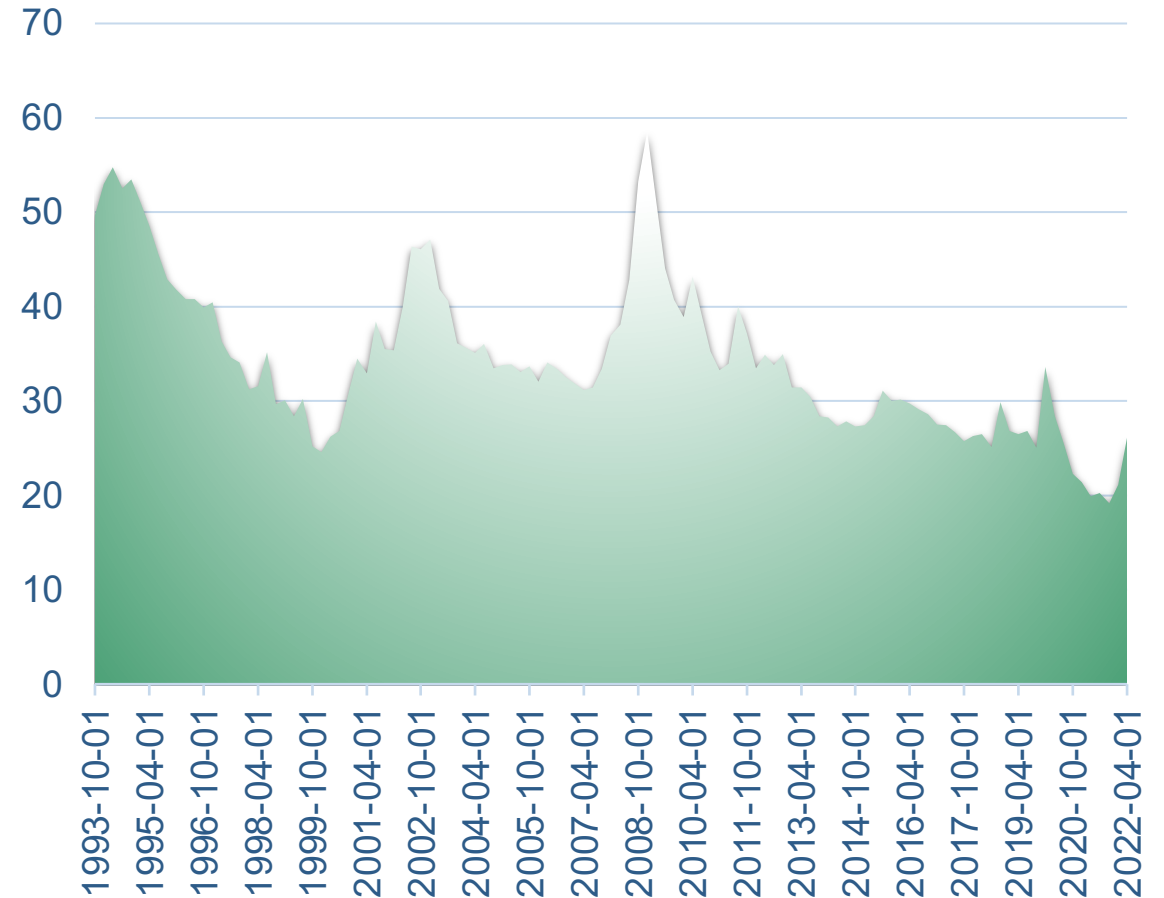
Business is fine as well...



Business Earnings



Non-Financial Corporate Debt to Equity



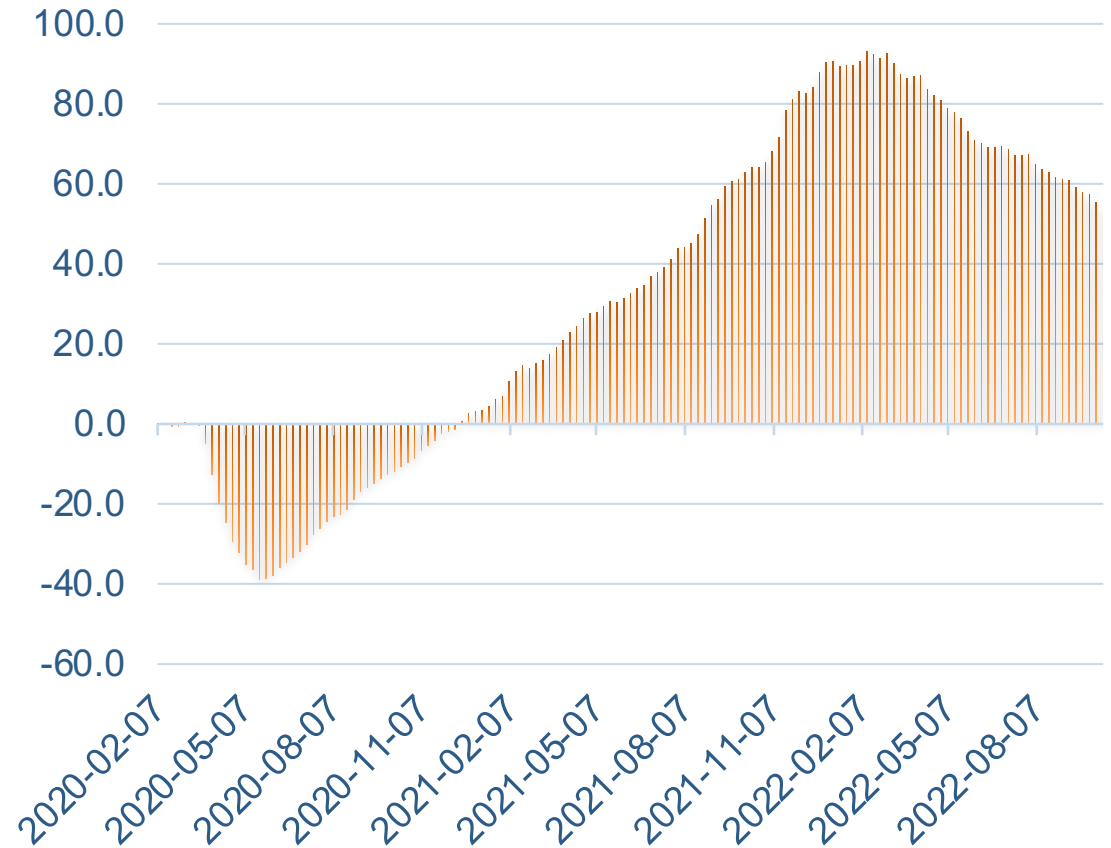
Business Investment



New Orders IT Equipment



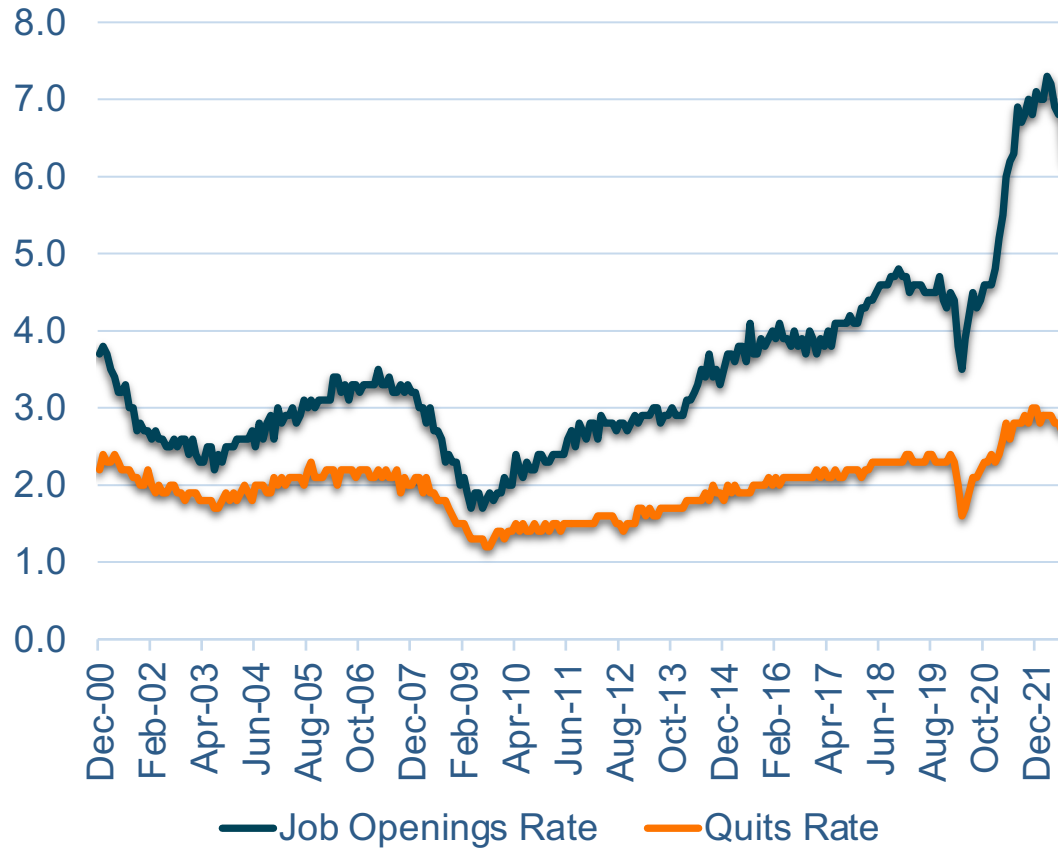
Scientific Research and Development Job Postings on Indeed



Business's real issue...



US Employment Demand and Turnover

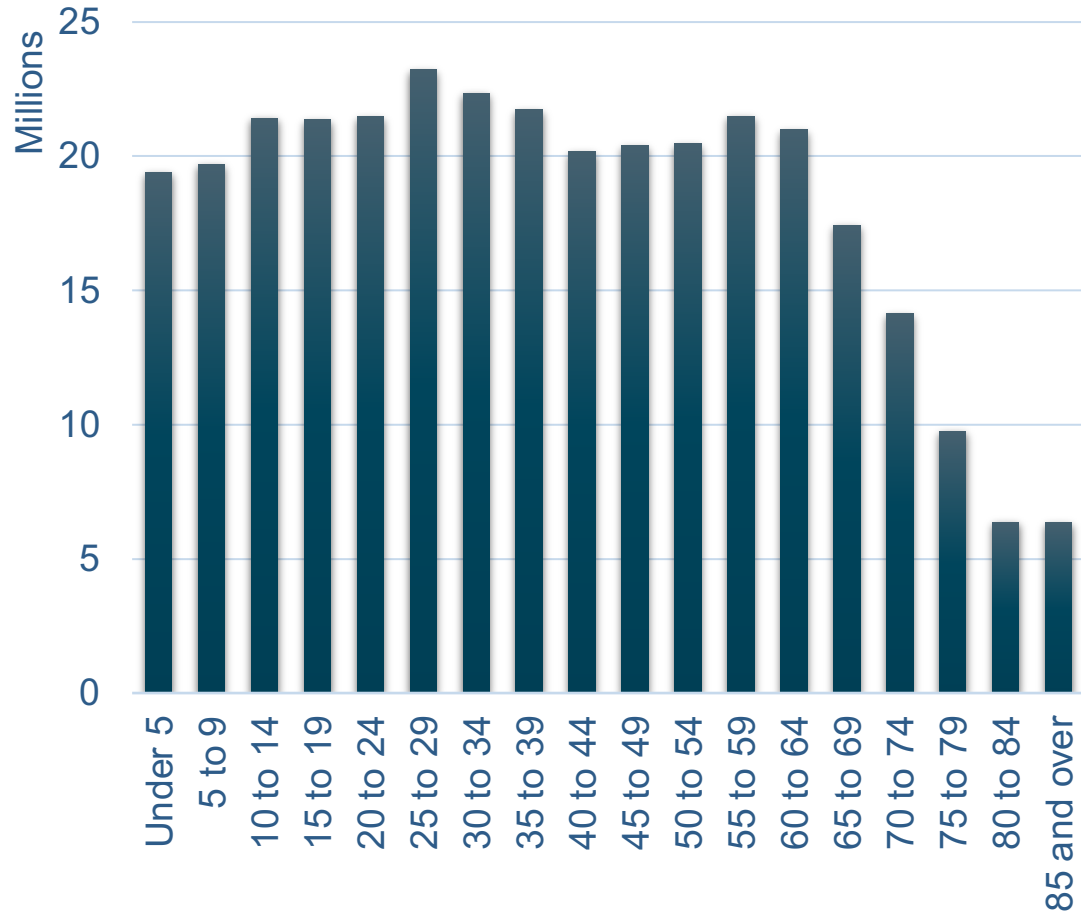


<u>Job Openings Rate by Sector</u>	<u>Jul-19</u>	<u>Jul-22</u>
Total private	4.2	7.7
Health care	2.8	9.3
Leisure hospitality	6.7	9.3
Professional	5.4	9.0
Logistics	3.9	8.0
Other services	3.7	7.5
Financial activities	2.6	7.0
Information	3.9	7.0
Retail trade	4.9	6.5
Manufacturing	2.5	6.2
Education	2.6	6.0
Mining and logging	3.7	5.7
Government	1.5	5.2
Wholesale trade	2.8	4.9
Local education	1.6	4.7
Construction	5.1	4.7

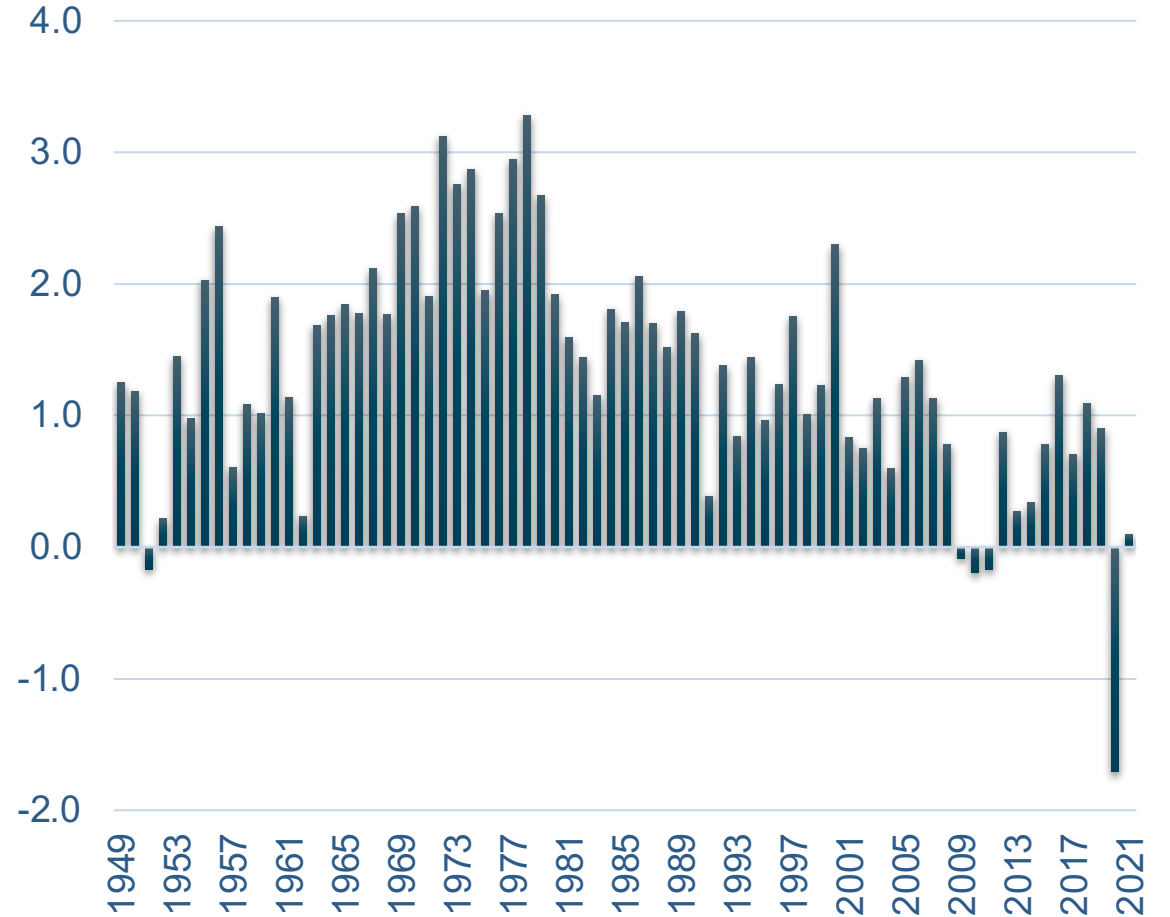
Where are the workers?



US Population by Age



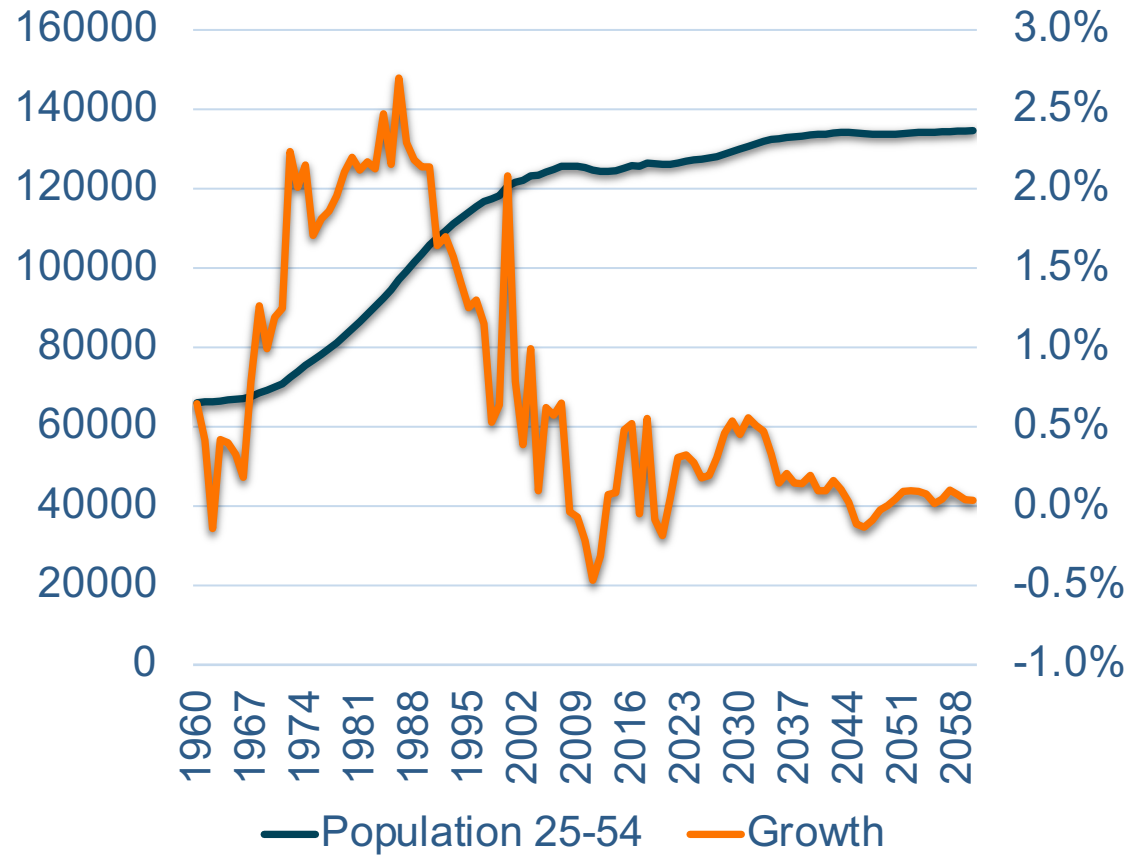
YoY Growth US Labor Force



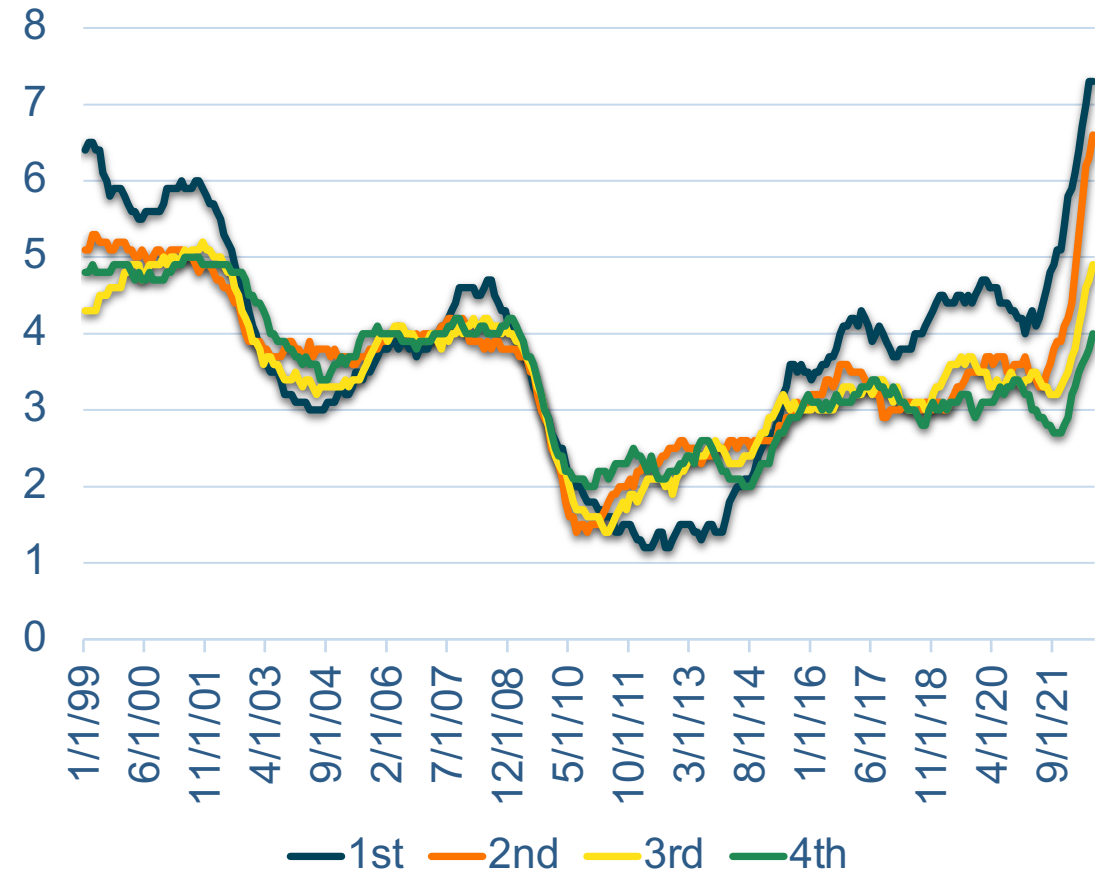
The Earnings Surge



Prime Working Years Population Growth (Census)



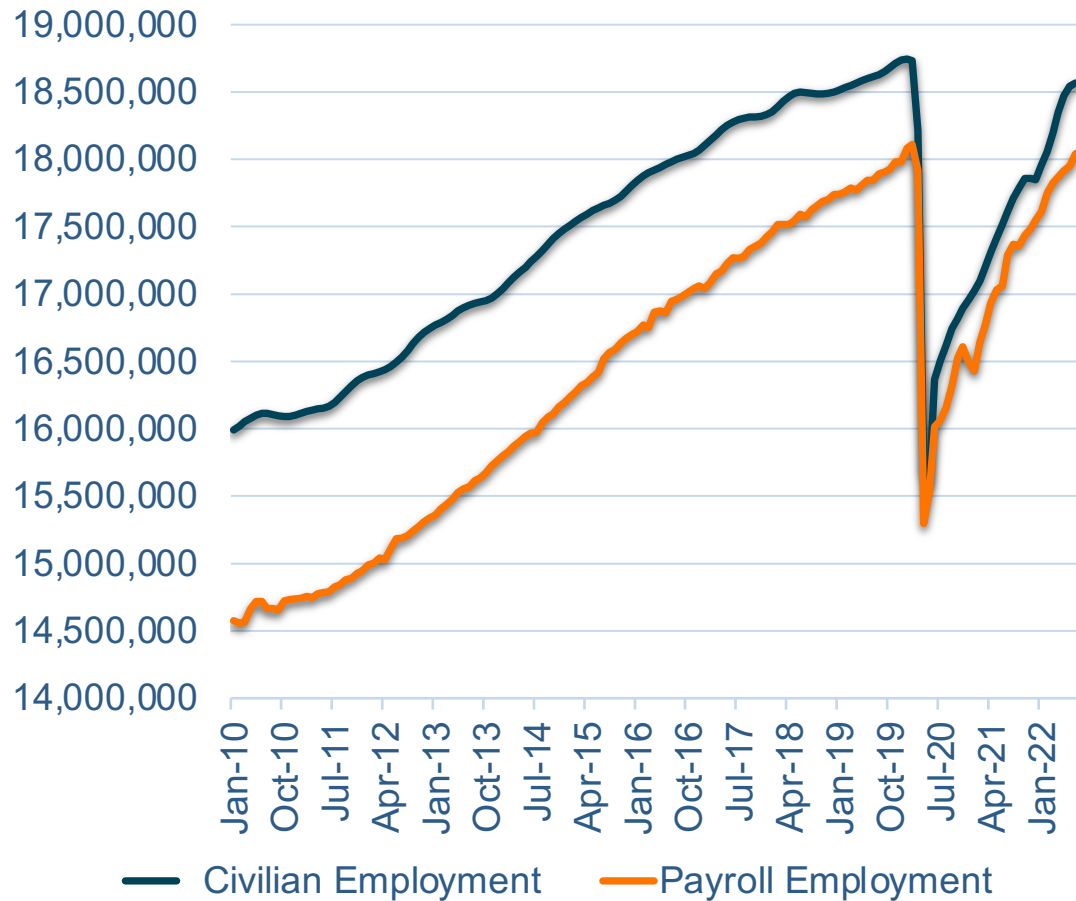
Earnings Growth by Quartile (Atlanta Fed Wage Tracker)



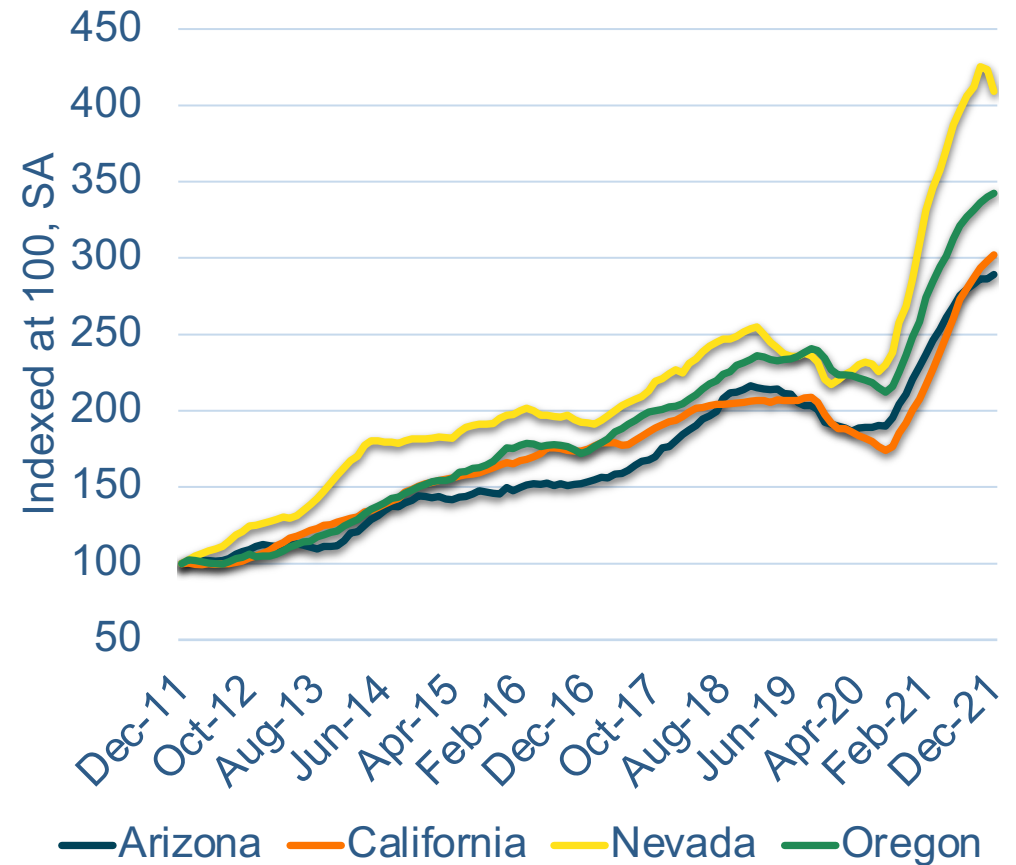
Regional Labor Markets



State Employment



Indexed Job Openings



The State Employment Situation

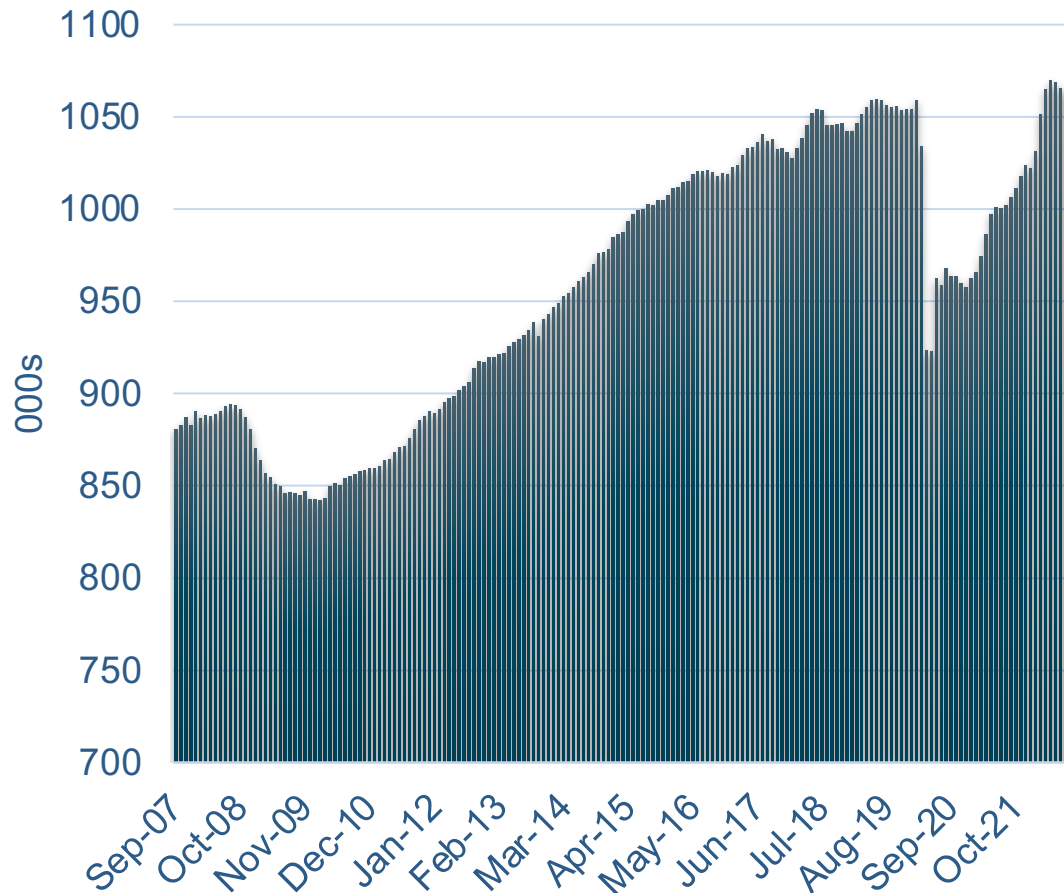


	Unemployment		Payrolls		Labor Force	
	Jul-19	Jul-22	Jul-22	Ch 19-22	Jul-22	Ch 19-22
Unemployment Rate	Jul-19	Jul-22	Jul-22	Ch 19-22	Jul-22	Ch 19-22
California	4.0	3.9	17,618	1.1%	19,327	-0.4%
Inland Empire	3.9	3.3	1,667	7.2%	2,184	5.0%
Stockton	5.7	4.5	263	6.6%	335	2.5%
Sacramento	3.5	2.8	1,055	3.0%	1,122	1.5%
Fresno	7.1	5.3	377	4.3%	456	1.5%
Bakersfield	7.9	5.9	279	2.9%	386	0.8%
San Jose	2.5	1.8	1,168	1.9%	1,086	0.0%
San Diego	3.1	2.6	1,519	1.0%	1,585	-0.3%
Santa Barbara	3.4	2.6	195	1.1%	221	-0.8%
Modesto	6.0	4.5	184	1.5%	241	-0.9%
San Francisco (MD)	2.0	1.7	1,178	-0.8%	1,034	-1.0%
Orange County (MD)	2.6	2.2	1,676	-0.1%	1,605	-1.2%
Oakland (MD)	2.9	2.4	1,181	-0.6%	1,385	-1.7%
Ventura	3.4	2.7	308	-1.3%	411	-3.0%
Los Angeles (MD)	4.4	4.9	4,532	-0.6%	5,022	-3.1%
Santa Rosa	2.6	2.2	204	-2.6%	250	-3.4%

Employment



Total Nonfarm Employment, S.C. County

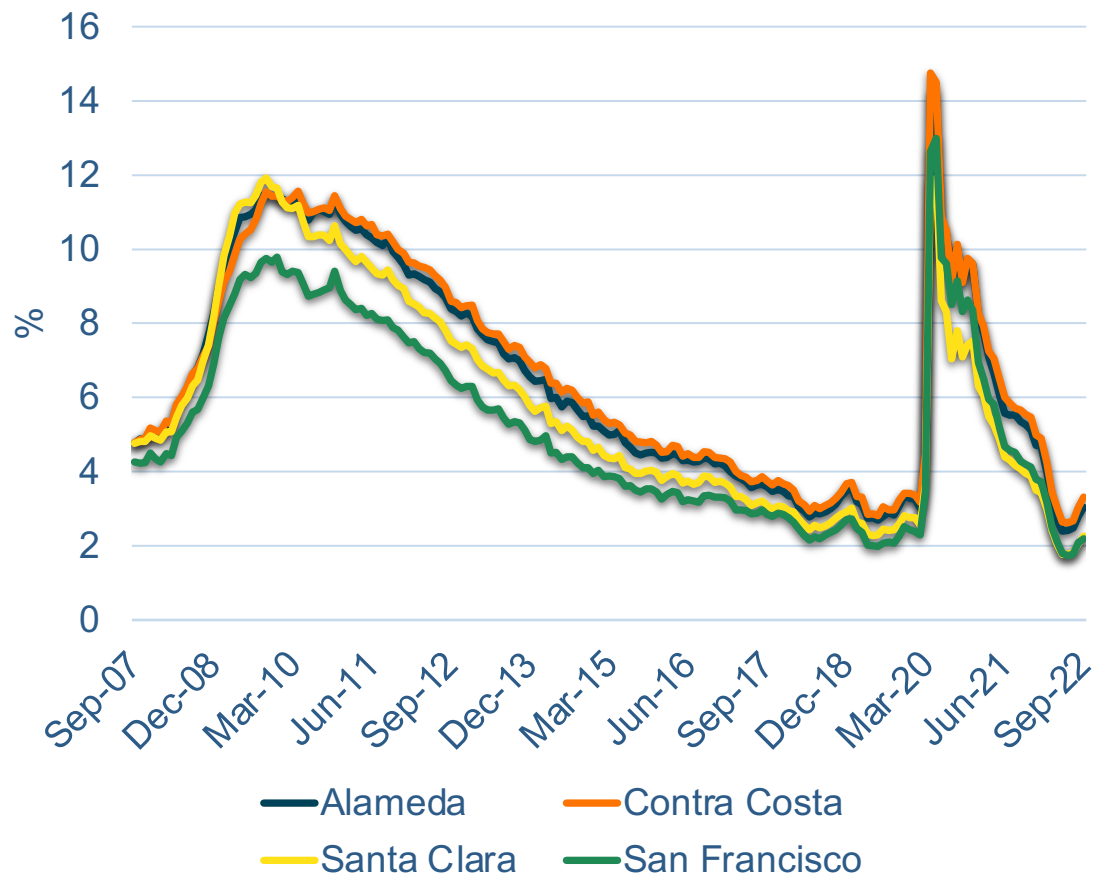


Industry	SJ MSA Sep-22 Emp (000s)	3-Yr Chg (000s)	3-Yr % Growth	
			Sac. MSA	CA
Total Nonfarm	1,172.0	21.4	1.9	1.1
Prof Sci and Tech	184.2	18.5	11.1	6.9
Information	113.0	10.0	9.7	6.4
Education/Health	189.8	11.5	6.5	4.3
Construction	55.8	2.6	4.9	2.9
Admin Support	64.9	1.7	2.8	2.9
Manufacturing	174.9	4.1	2.4	-1.2
Government	93.3	-3.8	-3.9	-1.8
Financial Activities	36.3	-2.0	-5.3	-1.2
Wholesale Trade	29.3	-1.8	-5.9	-3.4
Management	14.4	-1.2	-7.4	-3.8
Retail Trade	75.7	-6.3	-7.7	-0.2
Leisure and Hospitality	98.7	-8.4	-7.9	-5.8

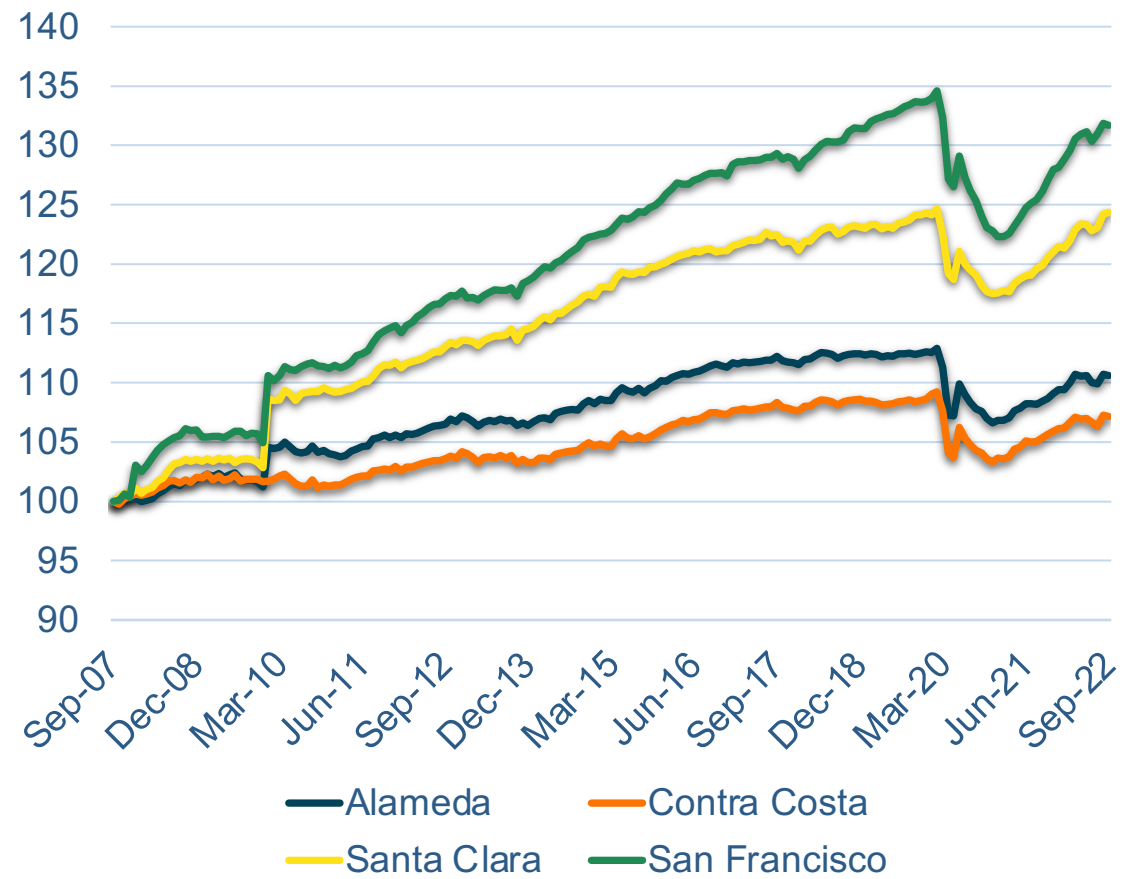
Jobs – Bay Area Counties



Unemployment Rate



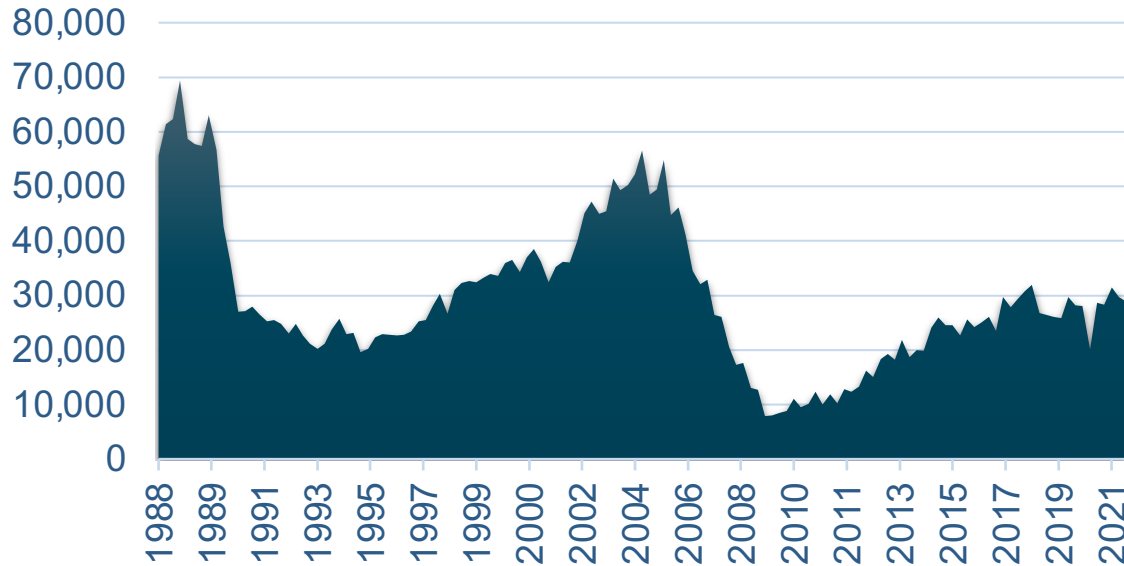
Indexed Labor Force



The Real California Story



California Residential Unit Permits



CA Labor Force Growth



Housing Stock Age

	Share Built After 2010	Share Built After 2000
Texas	14.1%	32.4%
California	4.6%	15.4%

Residential Markets



Existing Home Sales



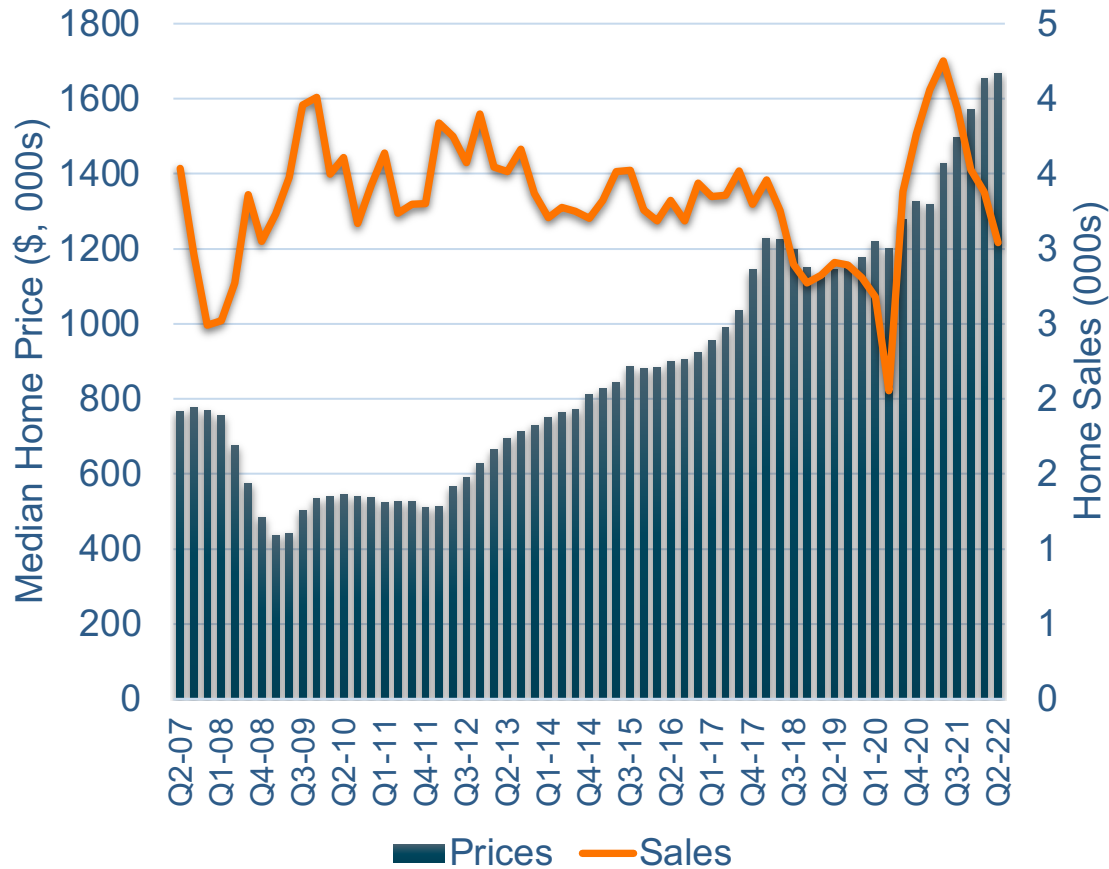
Case Shiller Home Price Change Monthly



Housing Market – San Jose MSA



Home Prices and Sales

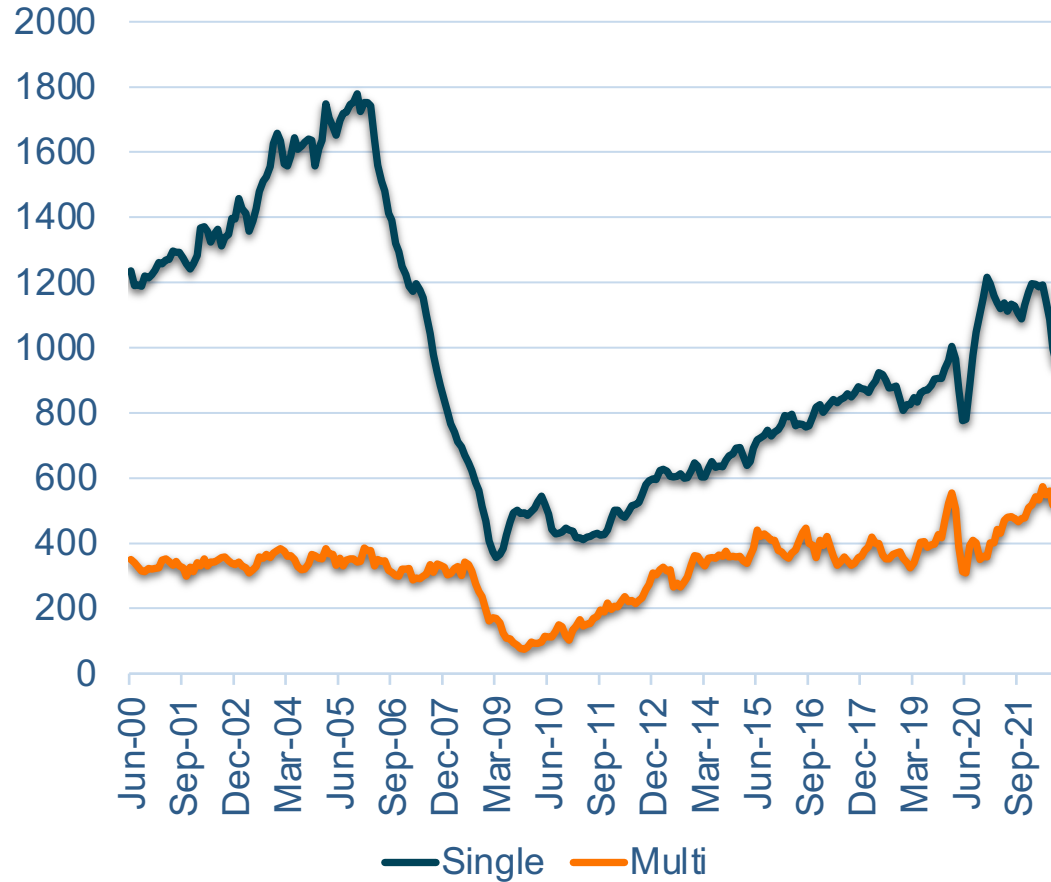


Metro	Median Prices		Home Sales	
	Q2-22	1-Yr % Gr	Q2-22	1-Yr % Gr
San Jose	\$1,668,143	16.8	3,042	-28.4
Fresno	\$389,350	13.8	2,509	-15.0
Oakland	\$1,104,253	13.4	5,912	-22.6
Sacramento	\$585,906	12.0	7,723	-19.2
San Francisco	\$1,341,516	11.8	8,647	-22.4

New Construction (Smoothed)



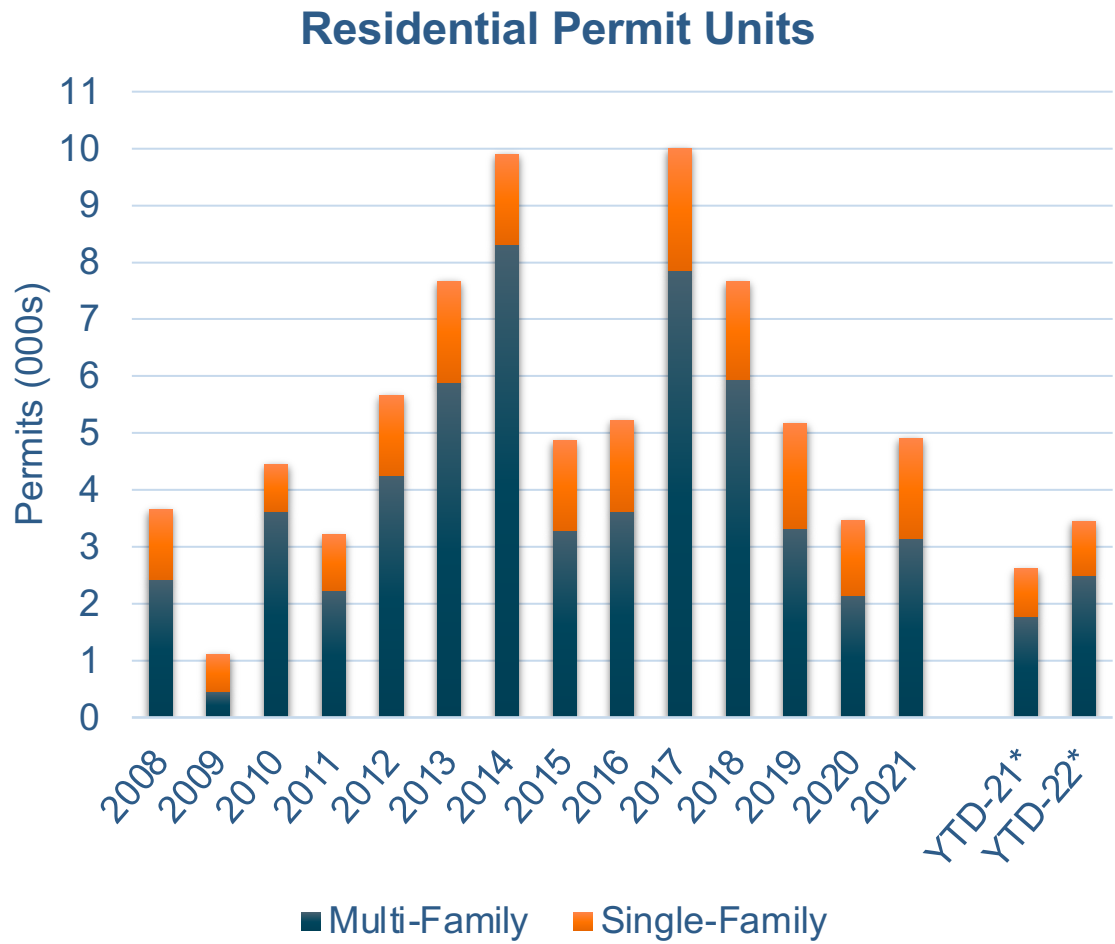
Housing Starts



Months Supply New Homes for Sale (Smoothed)



Residential Permits – Santa Clara County



County	Single-family Permits		Multi-family Permits	
	YTD-22*	1-Yr Abs. Chg	YTD-22*	1-Yr Abs. Chg
Sacramento	2,368	557	1,856	199
Alameda	703	157	1,690	-511
San Francisco	200	140	2,139	723
Santa Clara	960	113	2,495	1,574
Contra Costa	1,021	-107	415	-451

*Q2

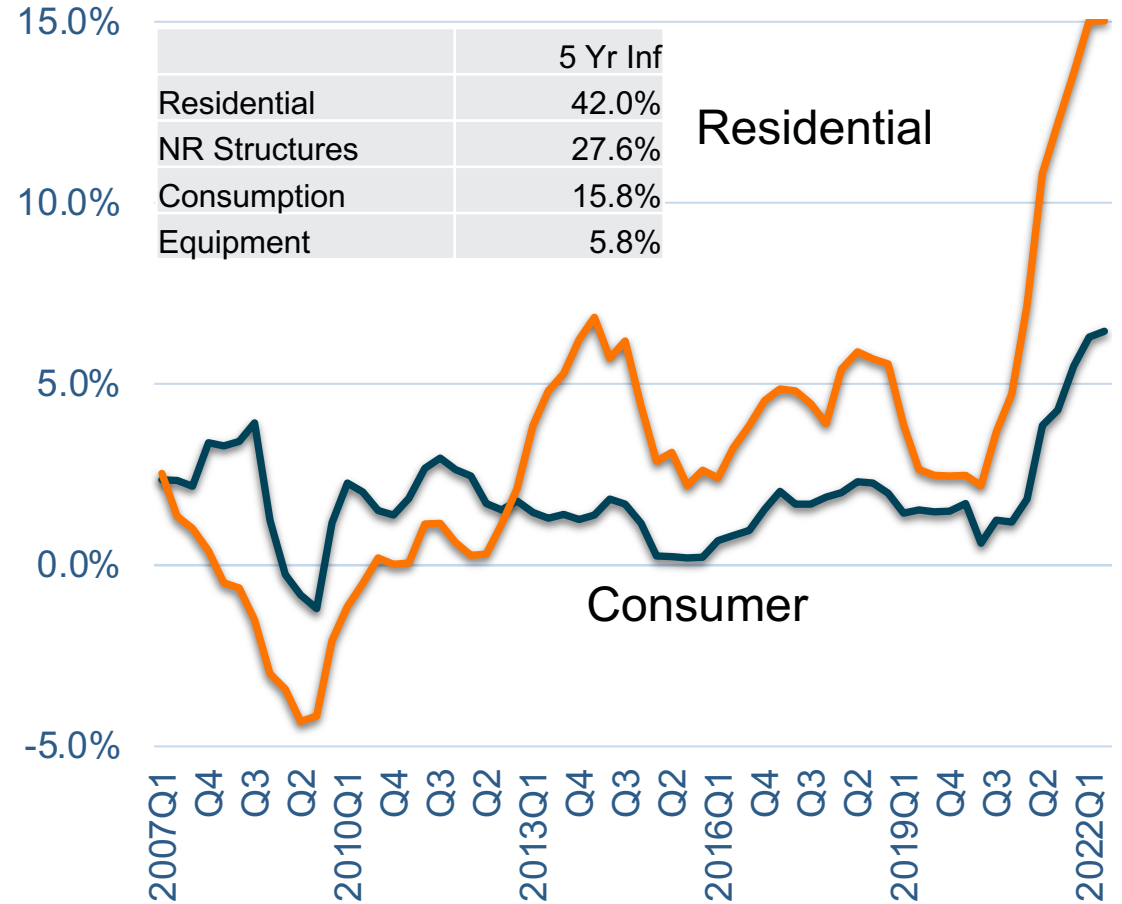
Sticker Shock



New Home Cost (Annual payment 100% LTV)



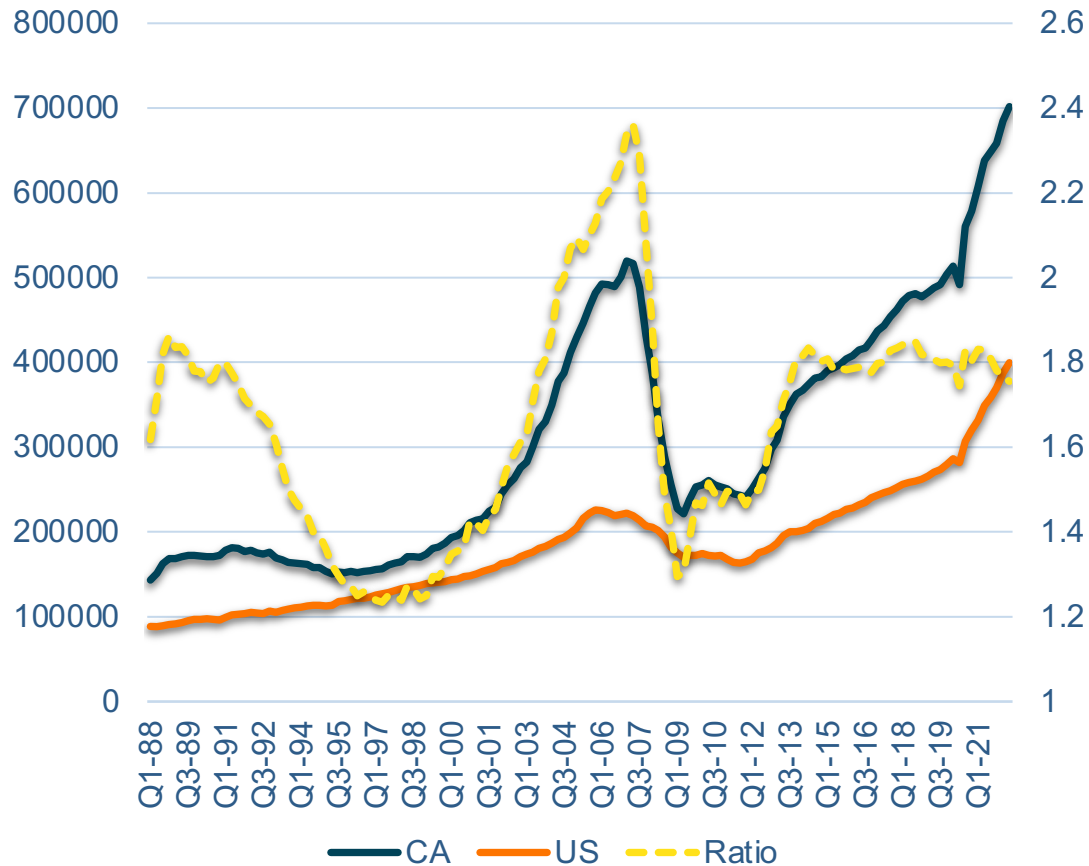
Inflation rates



Housing “Affordability”



Median Home Prices



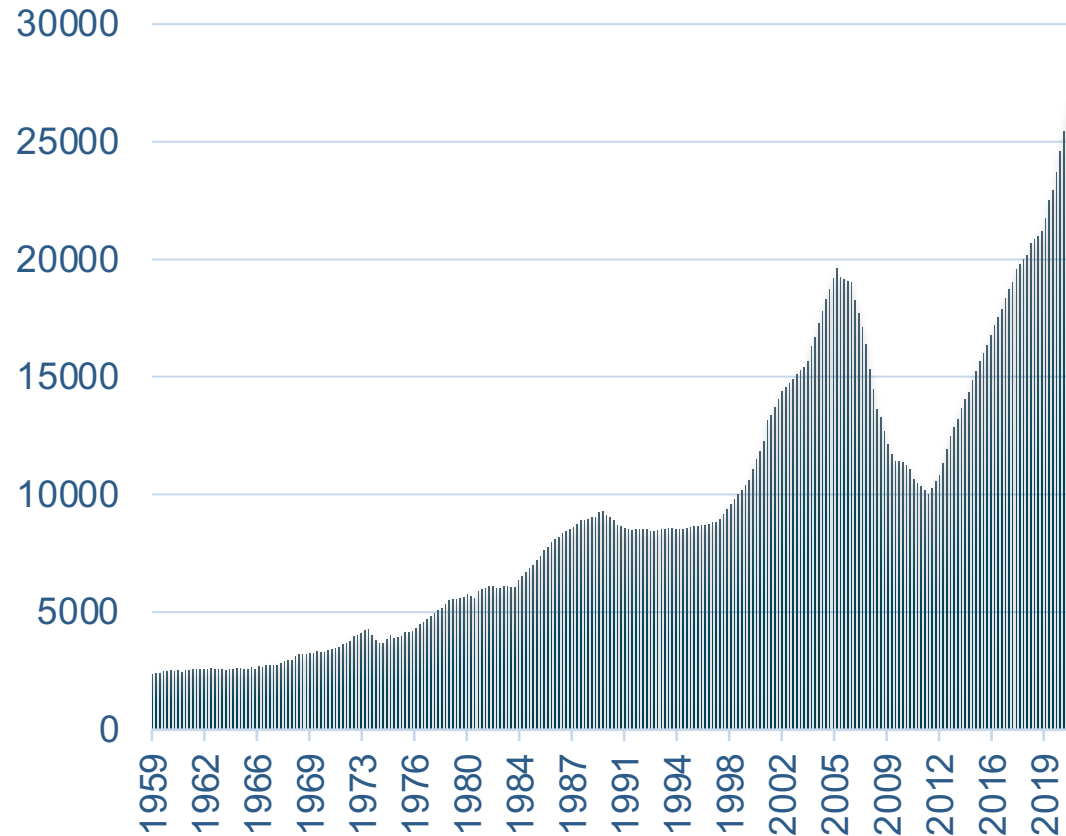
Worst States for Housing Affordability (>35% Cost to Income)

	Share Owned, 10 yr Change		Share Rented, 10 Yr Change		
Hawaii	31.1%	-9.3%	Florida	46.4%	-4.3%
California	28.5%	-12.4%	Hawaii	45.0%	-2.3%
Florida	25.0%	-14.3%	Louisiana	43.7%	0.0%
New Jersey	24.6%	-11.9%	California	43.6%	-4.2%
New York	24.4%	-8.2%	Vermont	43.3%	1.1%
Connecticut	22.9%	-8.5%	New York	41.2%	-2.7%
New Mexico	21.7%	-5.8%	Nevada	41.1%	-2.4%

Market Collapse? Not a chance...



**Real Equity in US Real Estate
(Households, \$Bil 1-4 family)**



Overall Housing Vacancy

	Northeast	Midwest	South	West
Vacant Year Round 2022				
For Sale / Rent	7.6%	7.4%	9.6%	6.6%
	2.0%	2.4%	2.7%	2.0%
Vacant Year Round 2012				
For Sale / Rent	8.9%	9.9%	12.6%	9.0%
	3.3%	4.0%	4.7%	3.5%
Vacant Year Round 2008				
For Sale / Rent	8.6%	9.8%	12.3%	8.4%
	3.6%	4.9%	5.3%	3.6%

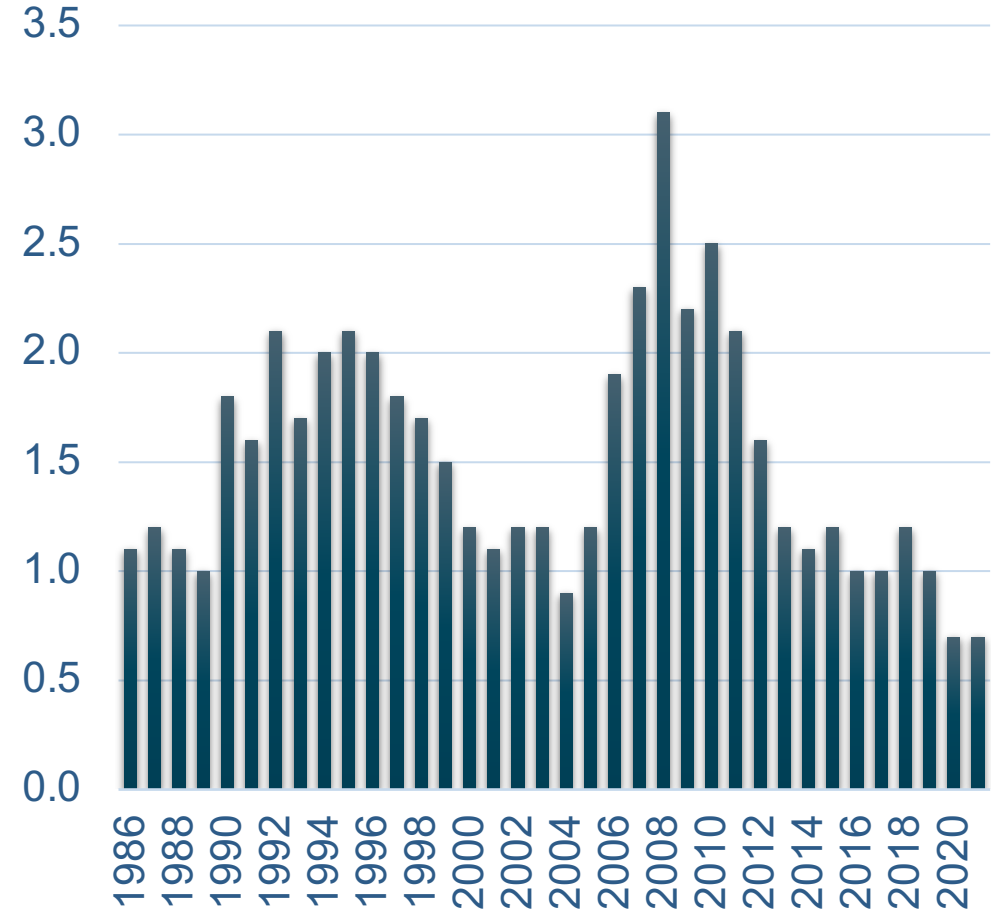
State Trends



Months Supply of Homes for Sale



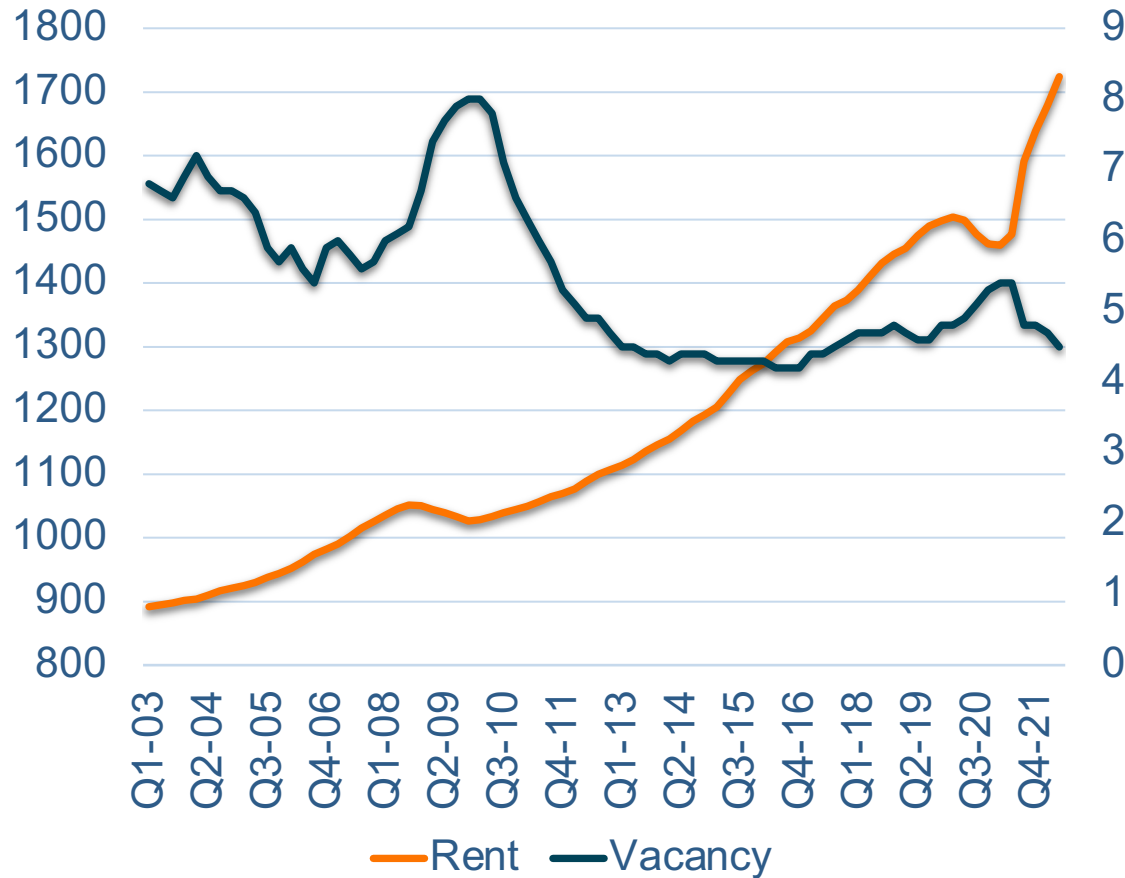
California Housing Vacancy



Market Driver: Housing Demand



US Apartment Markets



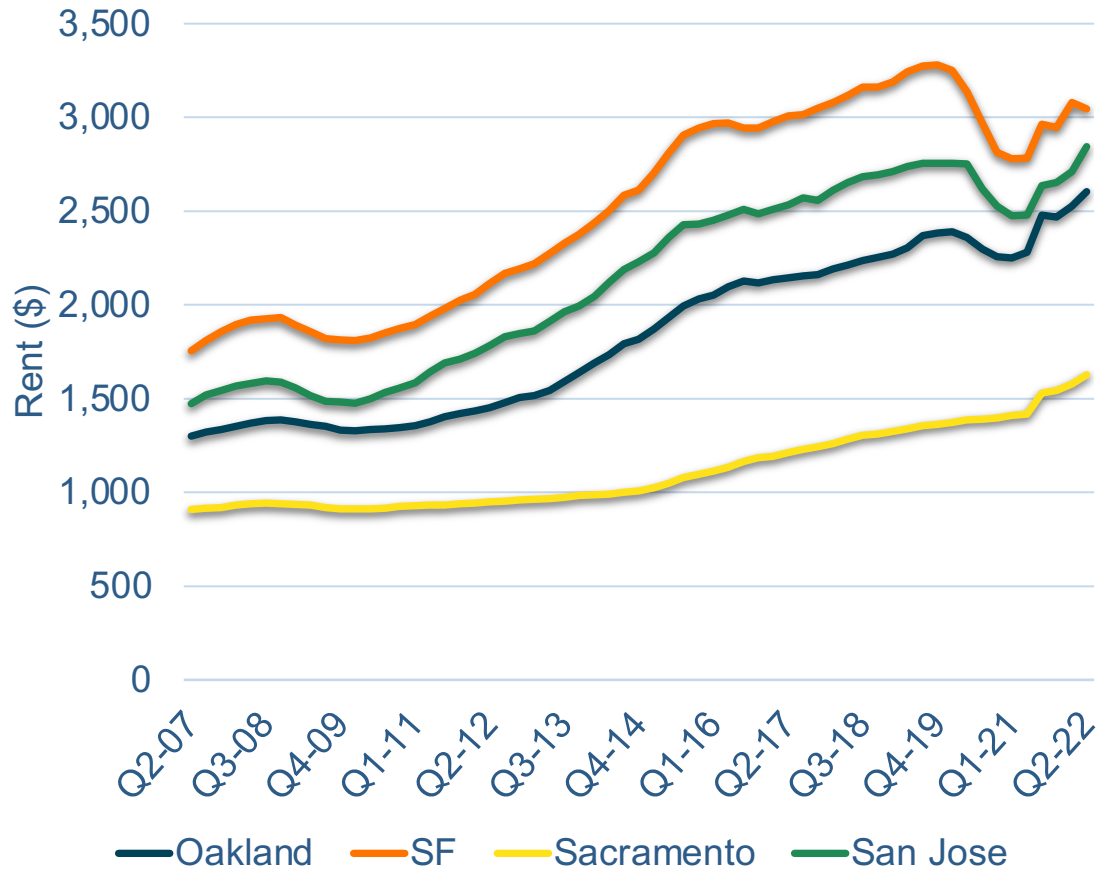
Months Supply of Existing Homes



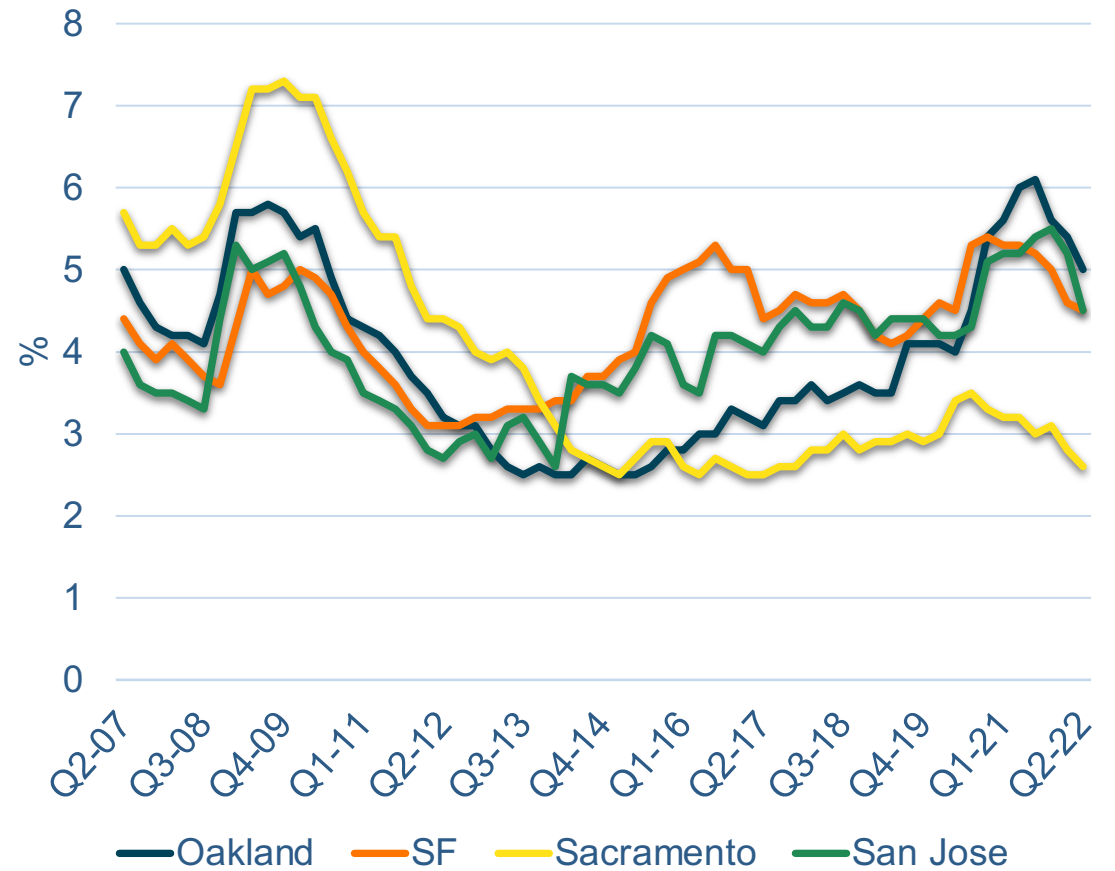
Apartments



Cost of Rent



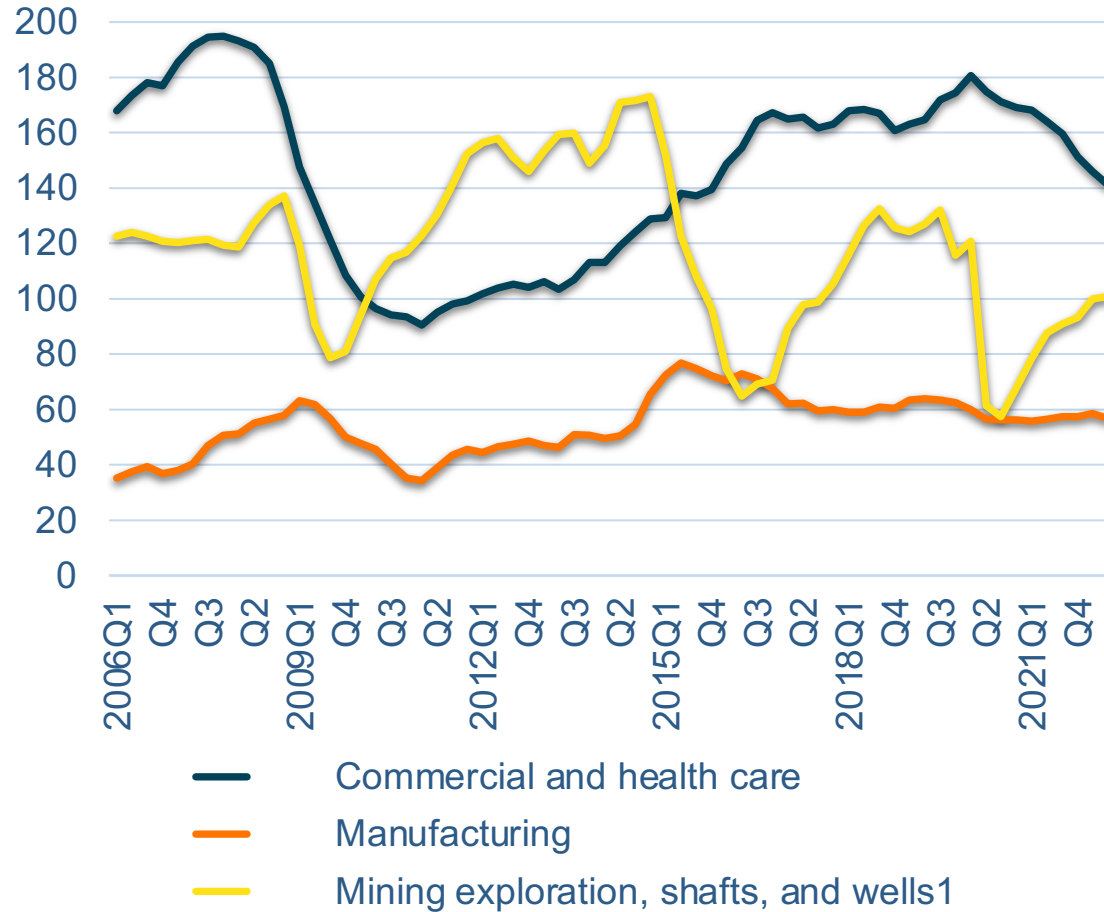
Vacancy Rates



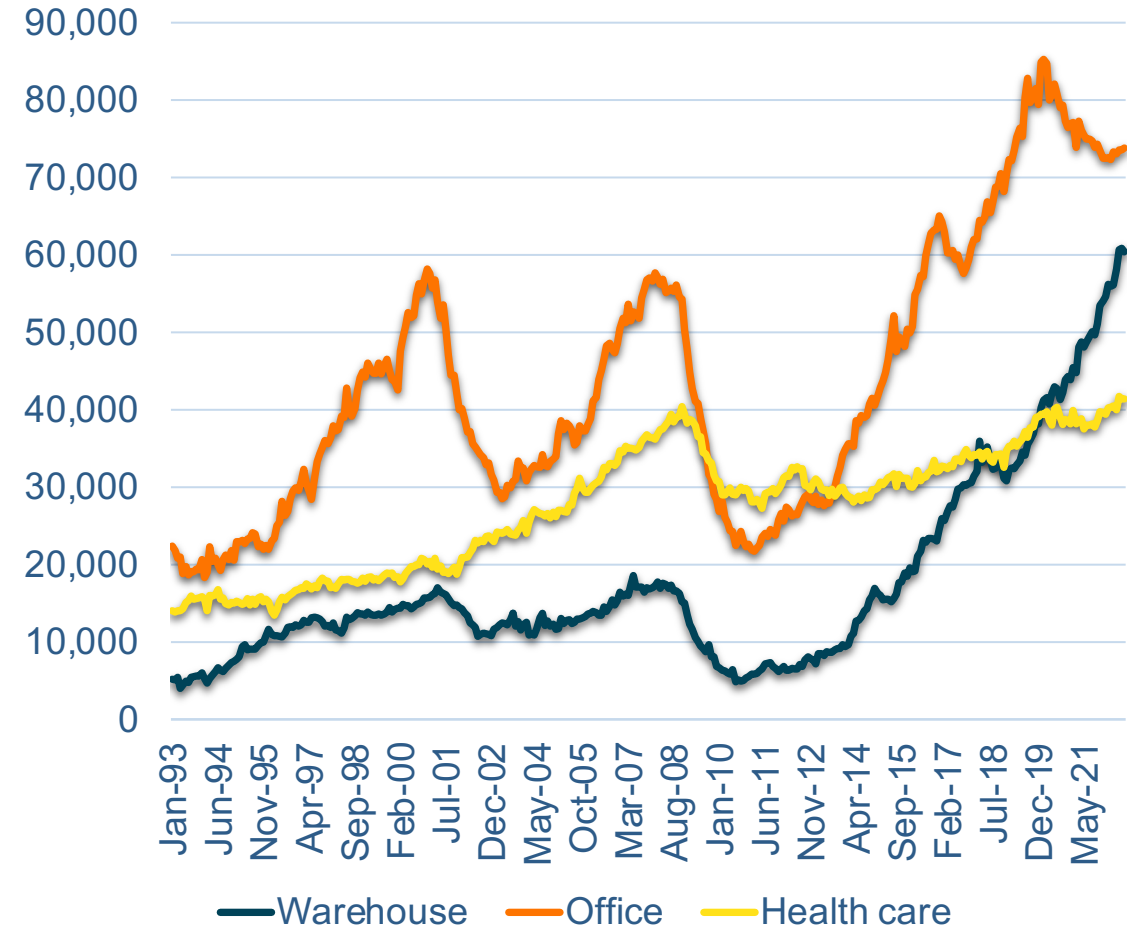
Non-Residential Markets



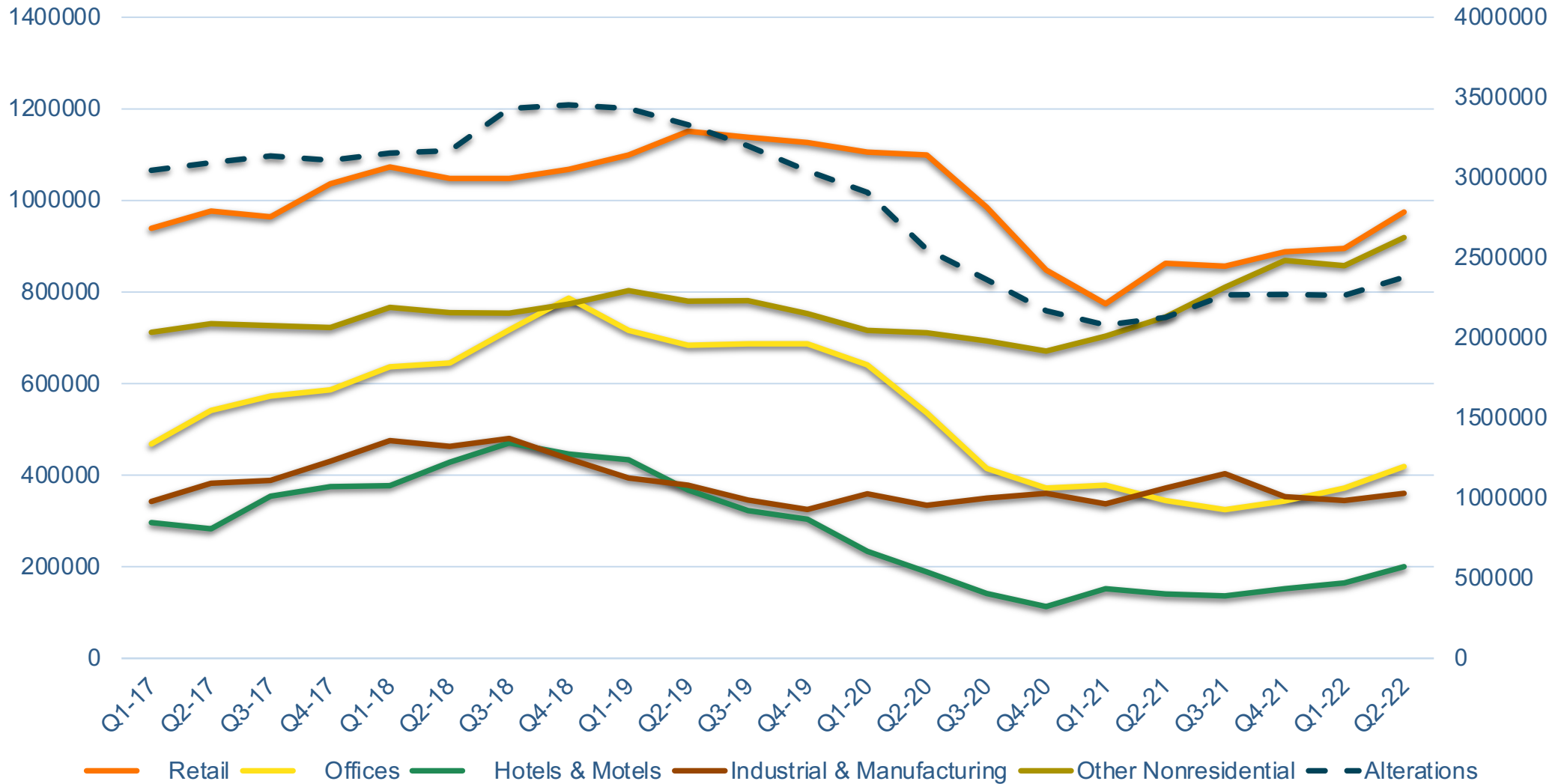
Real Construction by Type



Construction Spending



California Non-Res Permits (Values)

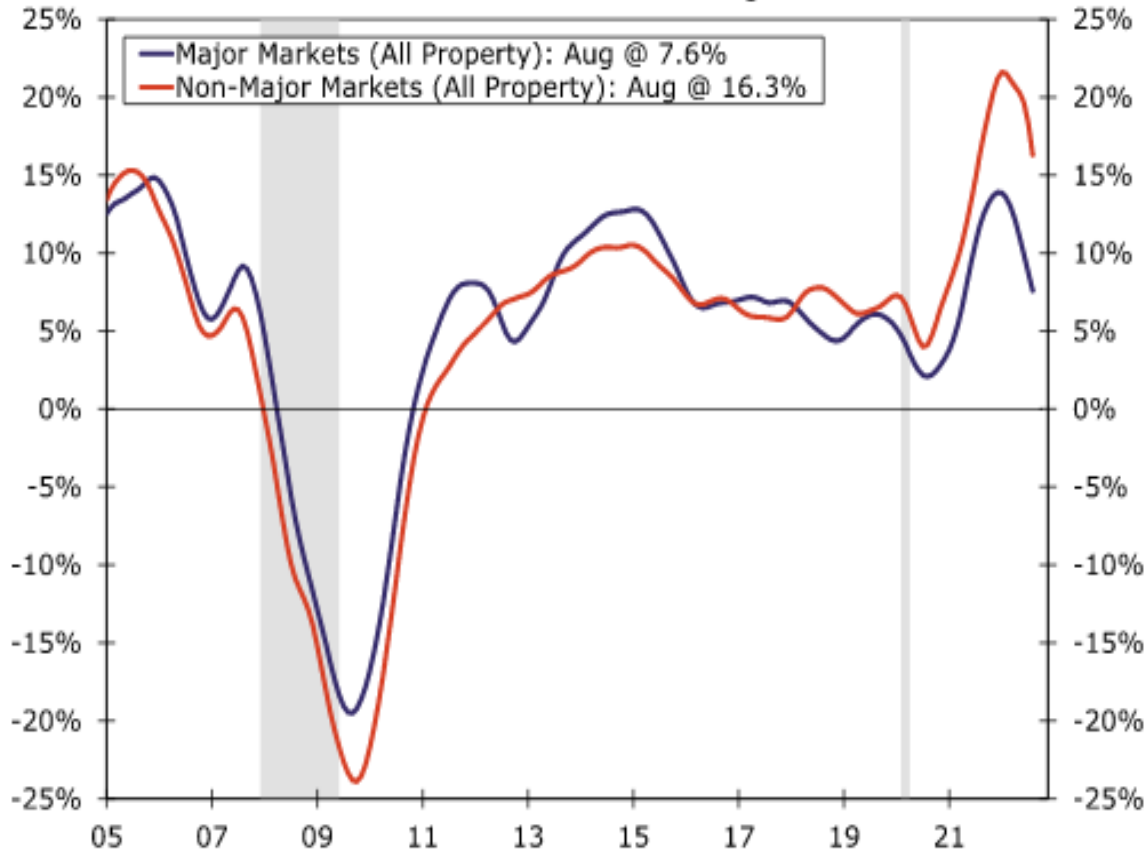


Non-Res Markets?



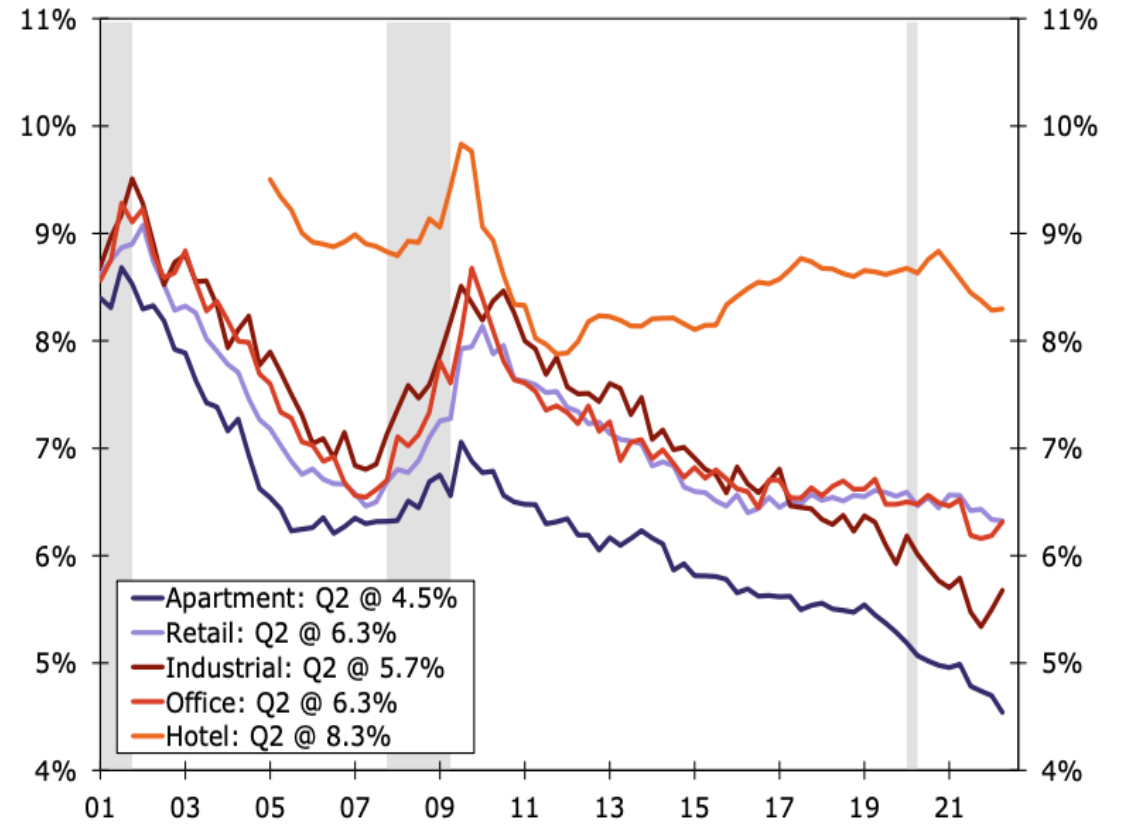
Commercial Property Price Index

Year-over-Year Percent Change



Source: Real Capital Analytics and Wells Fargo Economics

CRE Cap Rates by Property Type

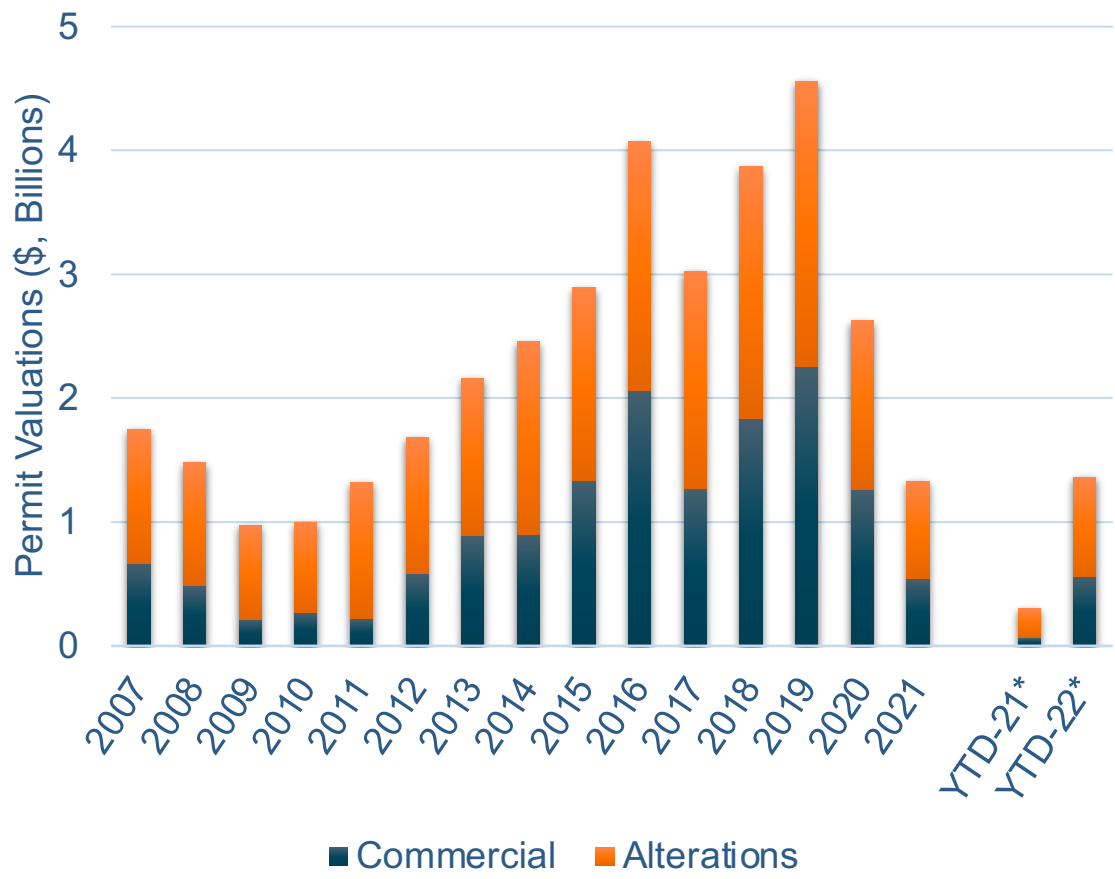


Source: Real Capital Analytics and Wells Fargo Economics

NonRes Permits – Santa Clara County



NonRes Permits Values



Permit Type	2022 YTD* Permit Value (\$, 000s)	1-YR Abs. Change (\$, 000s)
Alterations	805,818	388,280
Commercial	557,662	338,230
Store	216,081	210,496
Office	209,460	52,394
Hotel	-	-11,572

*Q2

Nonresidential Rents and Vacancies

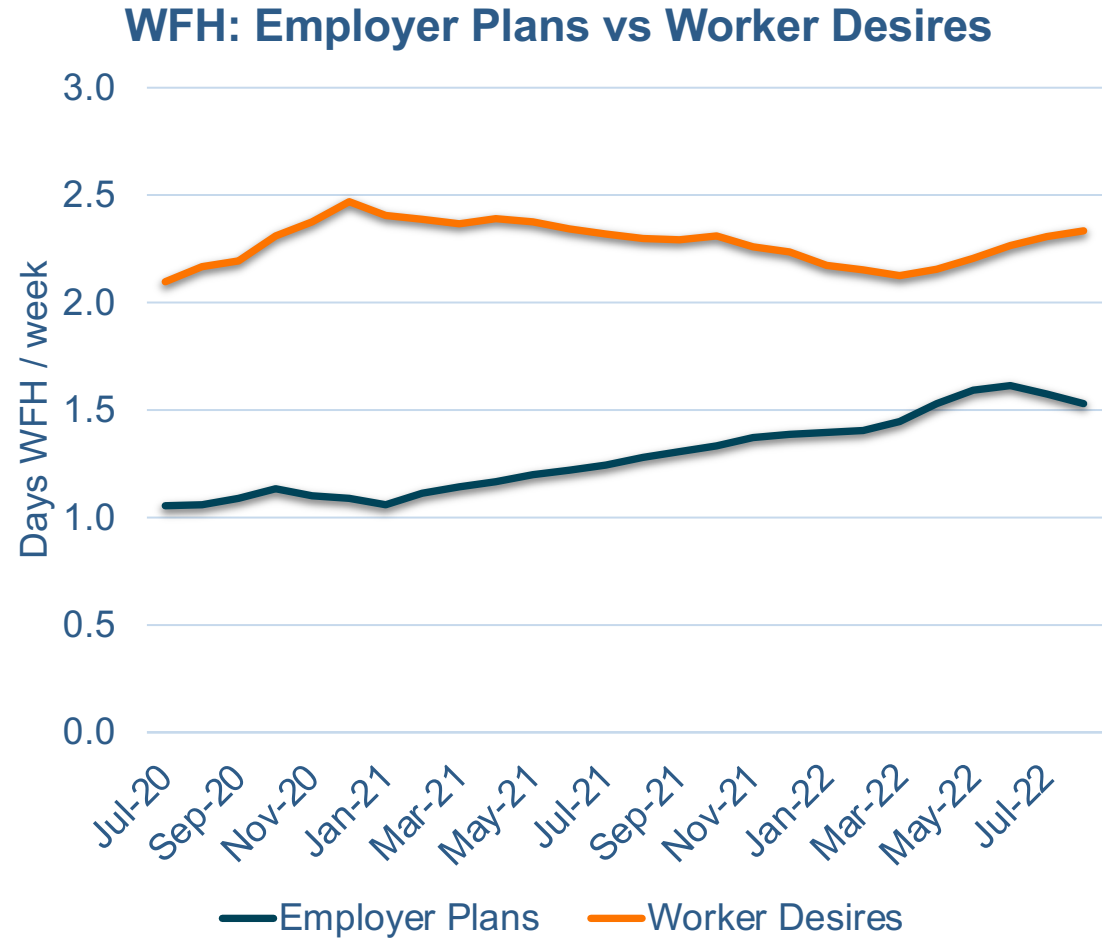
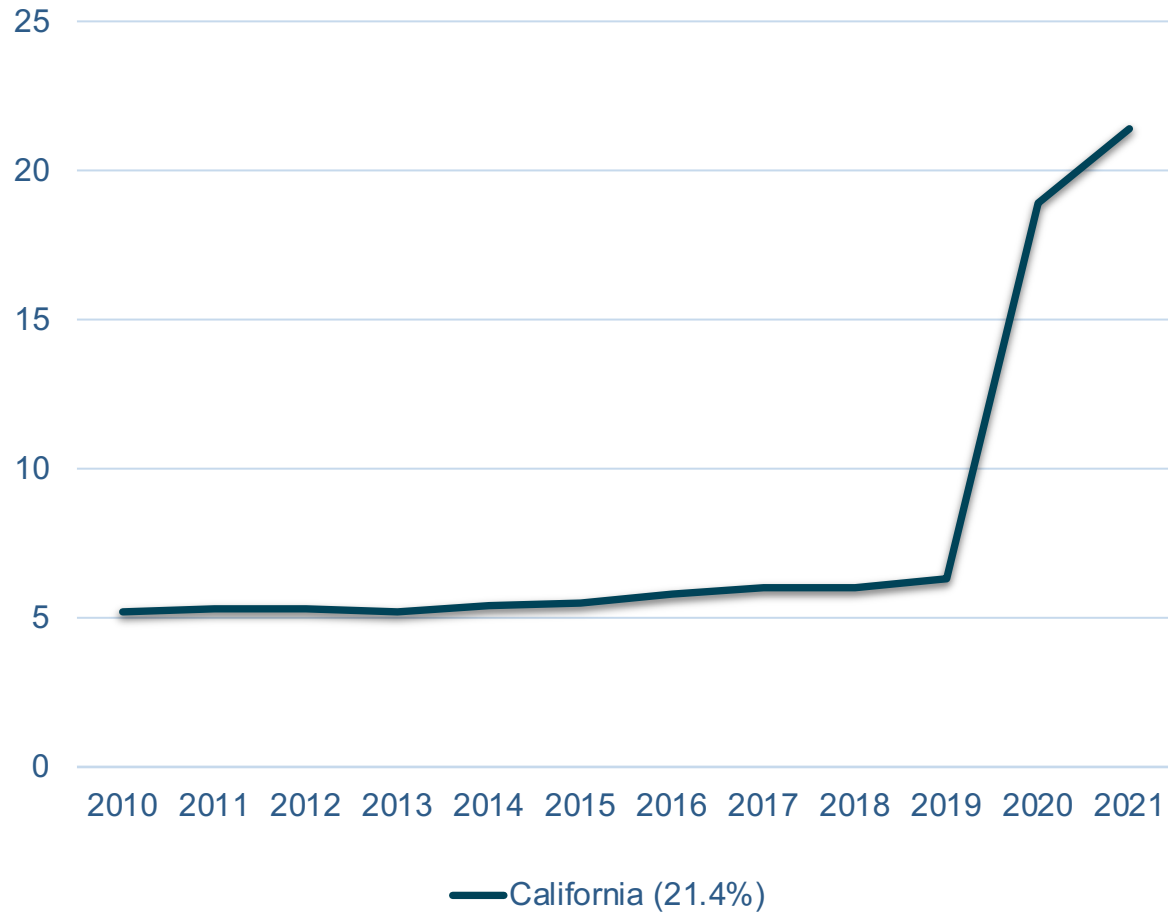


Office	Cost of Rent		Vacancy Rates	
	Q2-22 (\$/sf)	1-Yr % Gr	Q2-22 (%)	1-Yr Abs. Chg
Sacramento	27.8	1.2	20.5	1.3
San Jose	48.0	-0.1	20.2	-0.9
Oakland (MD)	35.1	-0.1	16.6	-1.1
San Francisco (MD)	64.5	-0.3	13.8	1.3

Retail				
Sacramento	24.7	0.8	10.2	-0.5
San Francisco (MD)	40.9	0.2	4.9	-0.1
Oakland (MD)	31.9	0.1	8.9	-0.1
San Jose	37.8	-0.1	5.6	-0.3

Warehousing/Distribution				
San Jose	9.3	7.9	5.5	-3.2
San Francisco (MD)	11.1	7.2	4.1	-2.0
Oakland (MD)	7.4	7.2	5.0	-3.8
Sacramento	5.6	6.7	5.2	-5.3

Work-from-home Trends



Deep Dive – San Jose Offices

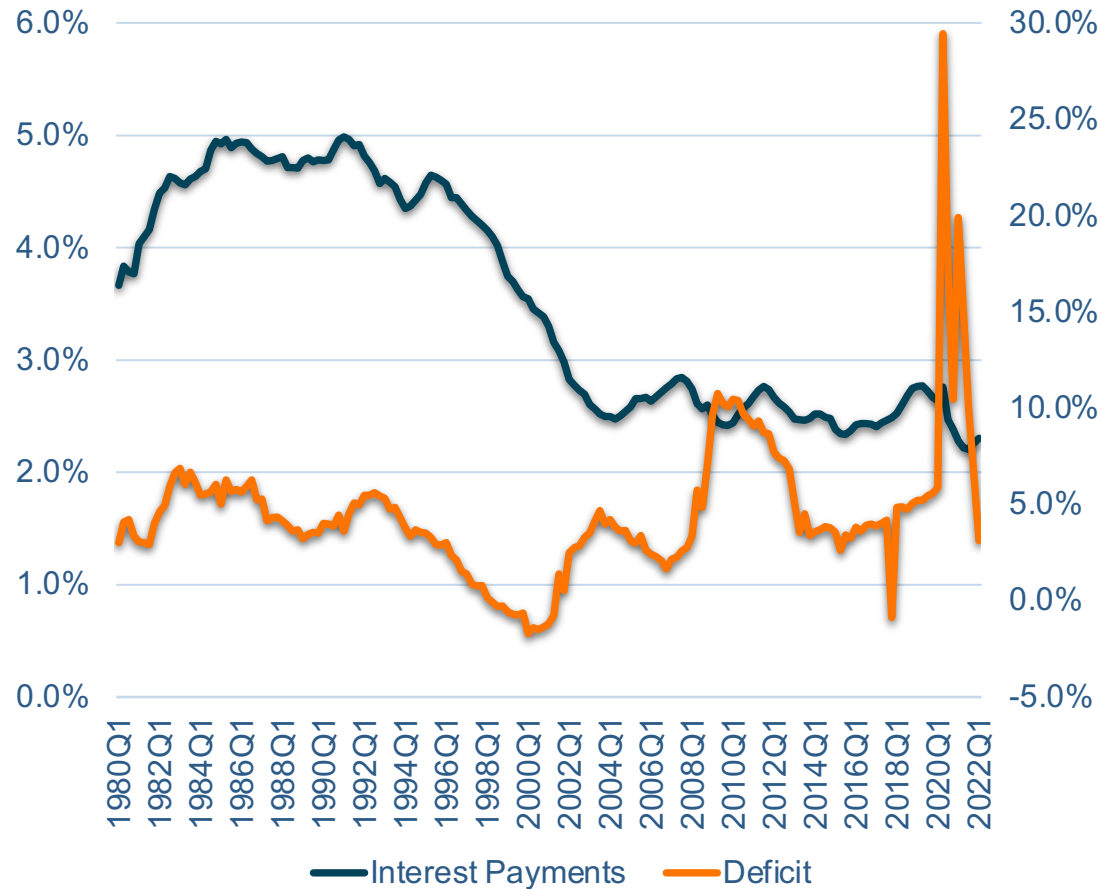


Submarket	Net Absorptions (SF)			Rents (\$)			Vacancy Rates (%)		
	Q2-22	1-YR Abs. Gr.	3-YR Abs. Gr.	Q2-22	1-YR % Gr.	3-YR % Gr.	Q2-22	1-YR Abs. Gr.	3-YR Abs. Gr.
Total	-362,000	-247,000	-519,000	48.0	-0.1	5.4	20.2	-0.9	2.0
Airport/Milpitas	-431,000	-534,000	-309,000	35.7	0.4	8.9	27.8	0.4	1.9
Cupertino/Campbell/Los Gatos	-35,000	-51,000	-267,000	46.8	0.8	8.1	17.4	-0.7	5.7
Palo Alto/Mountain View/Los Altos	-22,000	79,000	10,000	67.2	-2.6	-5.6	15.3	-1.0	4.1
San Jose Submarket	-6,000	38,000	3,000	43.4	0.3	8.7	19.9	-2.2	1.0
Santa Clara/Sunnyvale	132,000	221,000	44,000	49.3	0.4	7.6	19.3	-1.0	1.0

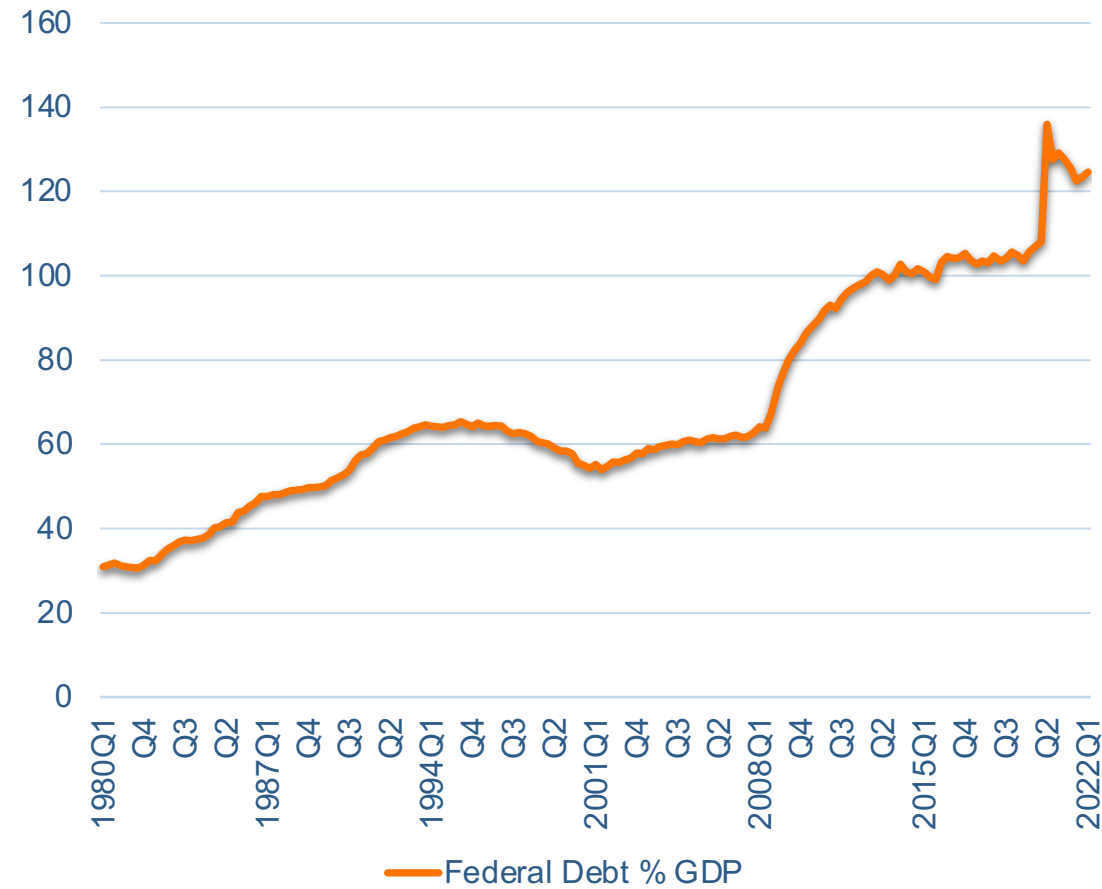
The Fiscal Problem

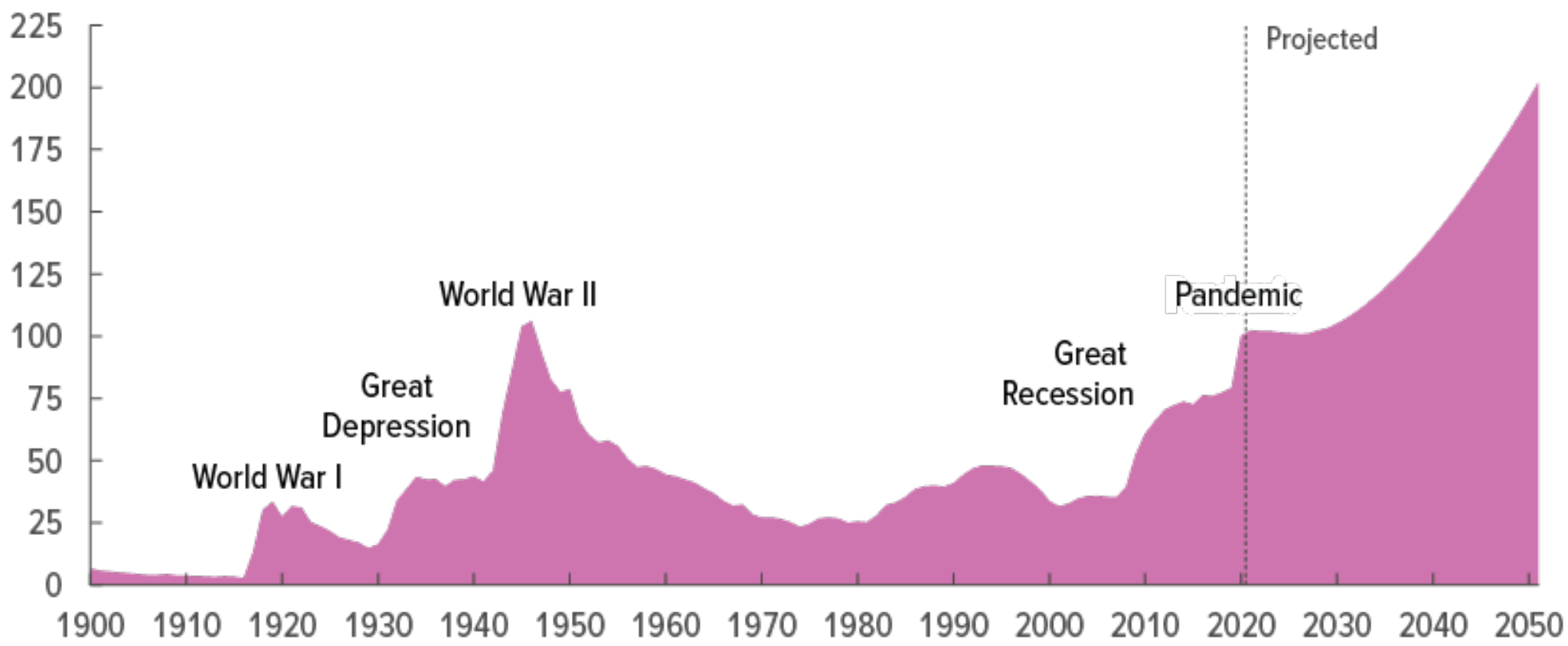


Federal Flows % GDP



Federal Debt % GDP

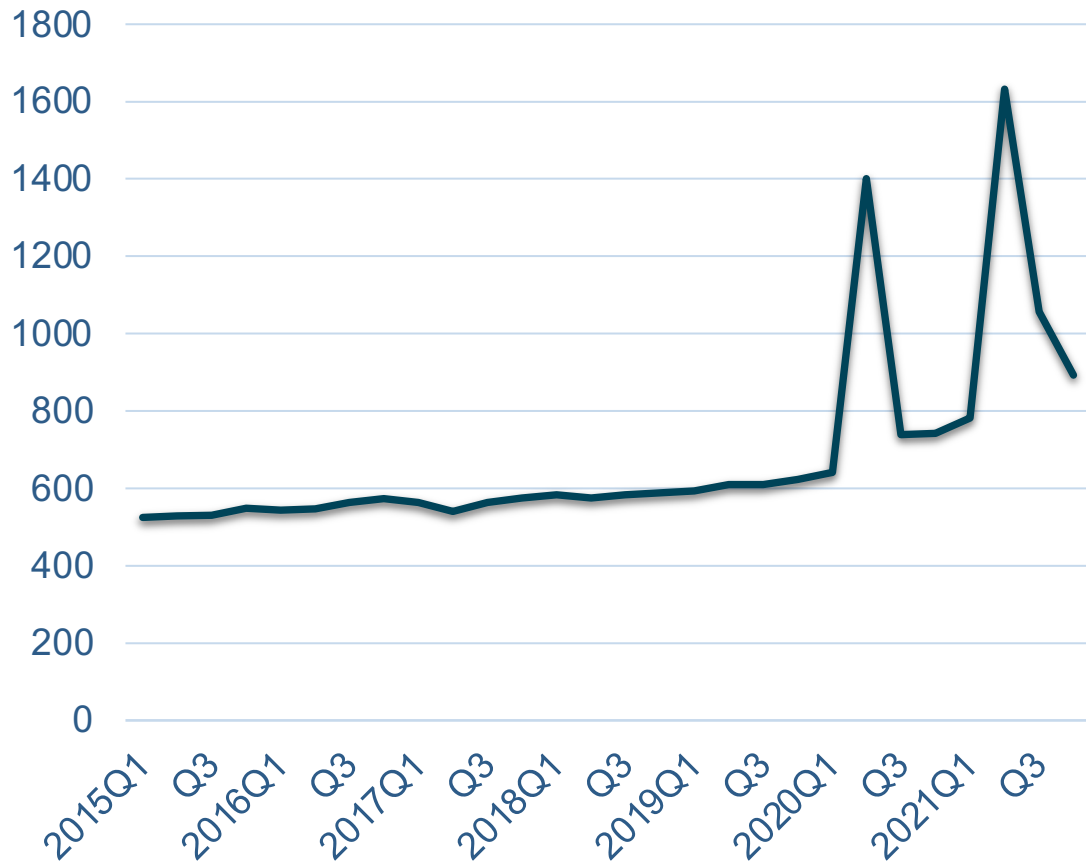




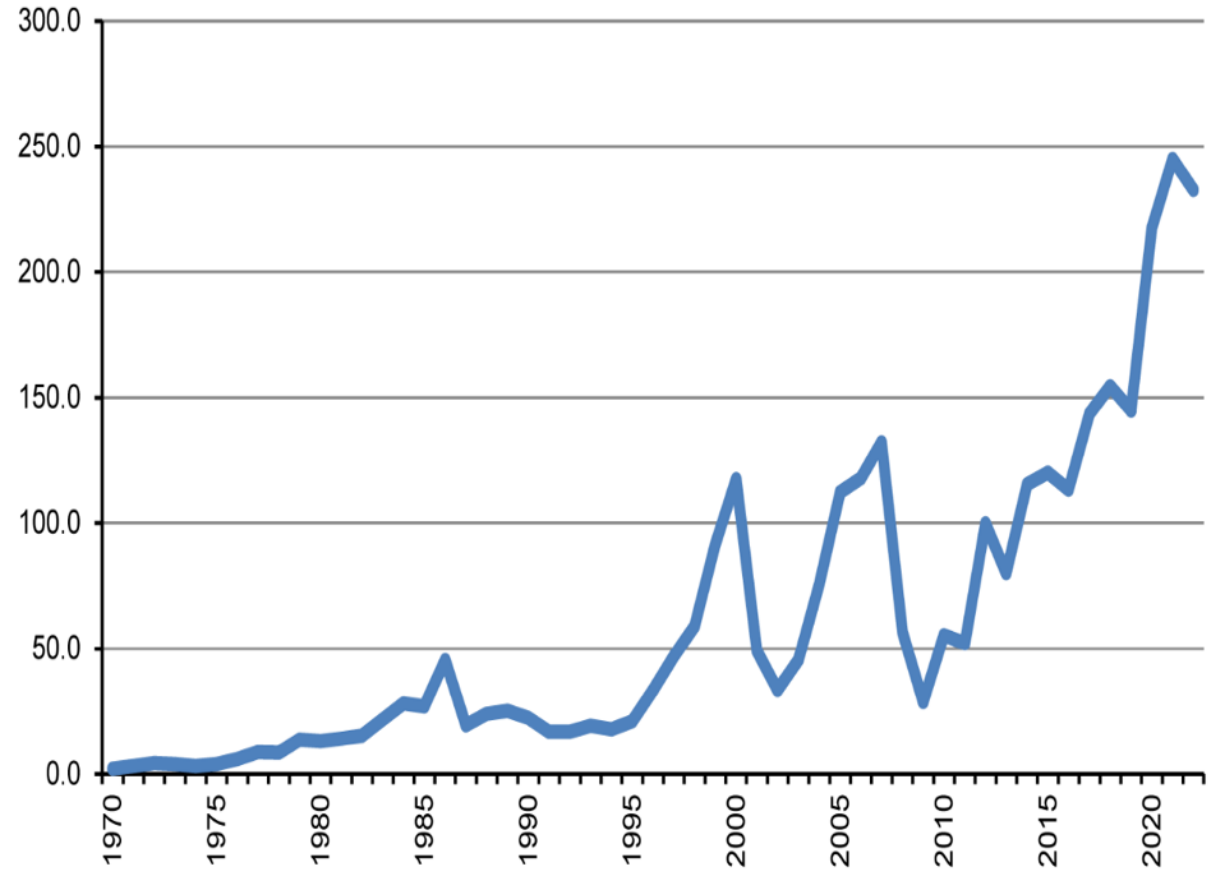
The Local Risks



Federal grants-in-aid to State and Local Government



Capital Gains Realizations (Dollars in Billions)



Bloomberg also found that:

- As of Sept. 30, initial public offerings in California had raised just \$177 million, compared to an average of \$16 billion during the same period over the past five years.
- The \$177 million figure represents just 2% of funds generated by U.S. companies that went public through the end of September. Last year at this time, California accounted for 39% of funds nationally.
- If this trend continues, it could spell an end to the streak California has maintained since 2003 of generating more IPOs than any other state.

“We are already seeing an immediate effect,” Brian Uhler, deputy legislative analyst for the state Legislative Analyst’s Office, [told Bloomberg](#). “And it does appear to be significant,” contributing to a 5% decline in California employers’ income tax withholding payments in September compared to last year.





**2022-23 Comparison of Actual and Forecast Agency General Fund Revenues
(Dollars in Millions)**

Revenue Source	SEPTEMBER 2022				2022-23 YEAR-TO-DATE			
	Forecast	Actual	Difference	Percent Difference	Forecast	Actual	Difference	Percent Difference
Personal Income	\$13,317	\$10,272	-\$3,045	-22.9%	\$29,229	\$24,521	-\$4,708	-16.1%
Withholding	7,865	6,973	-892	-11.3%	22,836	20,512	-2,324	-10.2%
Estimated Payments	5,314	3,069	-2,246	-42.3%	6,337	3,742	-2,595	-41.0%
Final Payments	340	439	99	29.0%	755	1,035	281	37.2%
Other Payments	685	806	122	17.8%	1,597	1,781	184	11.5%
Refunds	-612	-816	-204	33.3%	-1,662	-2,053	-392	23.6%
MHSF Transfer	-239	-184	55	-22.9%	-525	-439	86	-16.3%
Corporation	\$2,378	\$2,537	\$160	6.7%	\$3,611	\$3,704	\$93	2.6%
Estimated Payments	1,915	1,818	-97	-5.1%	2,710	2,529	-181	-6.7%
PTE Payments	0	559	559	n/a	0	716	716	n/a
Other Payments	638	606	-33	-5.1%	1,290	1,184	-106	-8.2%
Refunds	-175	-445	-269	153.6%	-390	-726	-336	86.3%
Sales & Use	\$2,827	\$2,824	-\$2	-0.1%	\$8,563	\$8,282	-\$280	-3.3%
Insurance	\$172	\$195	\$23	13.2%	\$862	\$890	\$28	3.3%
Pooled Money Interest	\$39	\$100	\$61	157.9%	\$94	\$213	\$119	126.9%
Alcohol	\$36	\$38	\$3	7.5%	\$113	\$114	\$1	0.9%
Tobacco	\$4	\$4	\$0	1.1%	\$13	\$13	\$0	3.6%
Other	\$133	\$150	\$16	12.2%	\$461	\$427	-\$35	-7.5%
Total	\$18,906	\$16,121	-\$2,785	-14.7%	\$42,946	\$38,164	-\$4,781	-11.1%

A bumpy path ahead...



- **The Outlook: Expansion to Continue**

- Wealth and income will drive consumer spending
- Construction to go into deep freeze
- Inflation will continue to be hot
- Economy is brittle—small shocks can have big consequences

- **Silicon Valley: Still a giant**

- High demand for tech to remain
- Local economy largely hampered by lack of housing
- Office being hit by changes in workplace
- Easy money disappearing

- **Real Estate: Chilly yet hot**

- Asset values to fall, liquidity drying up
- Lender profits squeezed from spread collapse
- Underlying asset quality to remain strong
- Look to consumer and C&I markets for volume

- **Potential Scenarios**

- What will the Fed do?
- Wild cards: Fiscal situation, \$US
- Gap between economic reality and political narratives still dangerously wide



Philadelphia World
Series Wins
A's: 1929, 1930
Phillies: 1980, 2008



Thank You



Speaking Interest



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Publications

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