

## **San Diegans Look Ahead to 2006**

**By John Nienstedt**

### **Sunny San Diego Leans Optimistic**

The KPBS/Competitive Edge Research Poll takes a multi-faceted look at the personal economic outlook of San Diego County residents as well as how folks here emotionally relate to the onset of 2006. A national ABC News Poll recently found that two-thirds of Americans are more hopeful than fearful about the coming year and this general optimism is evident in San Diego.

First, looking backward, residents tended to grade their 2005 economic situation as either improved or the same as 2004. There are 16% who feel their situation became worse last year, but San Diegans overall seem to be riding a fairly good wave financially. Residents are more optimistic when looking ahead, with 48% anticipating that their economic situation will improve and only 8% believing things will get worse for themselves.

When it comes to the local economy itself, twice as many San Diegans think the economy will improve as think it will take a downturn in 2006. But there is less certainty when it comes to home prices. Forty percent say home prices will continue to rise and 15% predict they will rise substantially. On the other hand, 32% believe we are in for a downturn, though few see a substantial decrease.

Emotionally, most folks have positive feelings about the coming year. Nearly half say they are “hopeful” while another 19% are “happy” with the prospect of 2006. In contrast, 8% categorized themselves as “worried” and only 2% each expressed either fear or sadness. Interestingly, 19% say they have no feelings about the approaching year.

## Past Performance Tends to Equal Anticipated Results

One clear result from this poll is that residents who improved their economic situation in 2005 are much more likely to think that improvement will continue in 2006. Two-thirds of those saying things improved last year anticipate more improvement in 2006; these folks are on a roll. On the other hand, while people who had a bad year in 2005 are not all “doom and gloom,” 31% do think things will get even worse for themselves.

And what segments of the community had the worst economic runs in 2005? Not surprisingly, lower income residents, but also east county residents and African-Americans. In the case of the former, this certainly suggests the old adage of “the poor getting poorer.” There are more people in the lowest income category (making less than \$20,000) who say things got worse for them than there are folks who say things became better. While there is some improvement for those in the \$20,000 to \$40,000 range, their economic satisfaction with 2005 is also way below average.

One wonders if the finding about east county residents is related to the wildfires of 2003. Twenty-eight percent say things became worse in 2005, perhaps reflecting a continuation of the financial struggle many may still be dealing with in that area.

The survey shows that 41% of African-Americans believe their personal economic situation became worse last year while only 36% say things were better. This makes African-Americans the most dissatisfied – by far – of all the ethnic groups. Despite this, the survey found *no pessimism* among blacks related to next year.

Another interesting finding is that personal economic down years are just as likely to happen at any stage of life. That is, roughly the same number of 18 to 24 year-olds as 45 to 54 year-olds and the elderly thought things had gotten worse in 2005. At the same time, however, 51% in the youngest group say their economic situation improved, making it one of the most satisfied segments. The percentage of residents who say things improved declines steadily from there until it gets to about 29% among those

over 55. This strongly infers that the big moves up financially are far more likely the younger we are.

### **Looking Ahead at Personal Finances**

Overall, San Diegans are far more positive than negative when looking ahead. In addition to finding that feelings about 2005's economic situation tend to beget confidence that the trend will continue in the New Year, we find that ethnicity and partisanship are tied to optimism as well. Specifically, whites and strongly partisan Democrats are *less likely* to predict that their personal economic situations will improve in 2006. Only 44% of whites say things will get better, while 48% of African-Americans, 59% of mixed race individuals and 61% of Hispanics see brighter days ahead.

As for the finding related to political affiliation, it is entirely plausible that this grows out of the passionate distaste many stalwart Democrats have for the Bush administration and its policies. While only 35% of "strong" Democrats say their economic situation will improve, 56% of those who describe themselves as "somewhat" Democratic (about the same percentage as GOP voters) say their situation is going to improve.

Gender-wise we find that women are more likely than men to say their personal economic situation will stay about the same. This was the only difference we detected between men and women in the entire survey.

### **Predicting the Local Economy**

Again, folks here tend to be bullish about the local economy, though the results certainly do not suggest excitement. Only 9% predict the economy will improve substantially.

Just as with their personal finances, Democrats, especially strong Democrats, tend to see things more pessimistically. Close to half of Republicans, on the hand, see the

local economy doing better, clearly suggesting that national and state politics play a role in driving expectations at even the local level.

Geographically, the survey shows that those in the north San Diego city portion of the county (between I-8 and Del Mar/Rancho Bernardo) are not as optimistic as the rest of the county. Twenty-eight percent in this fairly affluent area think the county is headed for an economic downturn.

We also find a difference between ethnic groups. African-Americans -- though personally optimistic -- are more pessimistic than optimistic about the county's economy.

### **Housing Market Bubble?**

Contrary to popular opinion, not every San Diegan is of the mind that home prices will go up or down next year. Twenty-eight percent say prices will stay the same or are unsure where prices are headed. The balance, though, tend to land on the side of higher prices.

But we find a very interesting inverse correlation between sentiment related to housing prices and income. That is, as income increases the opinion that housing prices will rise goes down. Since nearly all of those in the upper income brackets own their homes, this suggests nervousness among homeowners. And, on the other hand, since many in the lower income brackets are renters, their belief that prices will rise suggests frustration and resignation on their part. In other words, a detailed examination of this data shows residents are viewing housing prices through a fairly negative prism which the overall results disguise.

The survey also shows that white residents are a little more likely to see a bursting bubble on the horizon. Nearly 40% believe a downturn is in the offing while only 32% predict increases.

## **Emotional Responses**

Two-thirds of the County's population is facing the coming year with positive feelings and just 13% expressed negative sentiment. This is similar to what we see in national polls. While all age groups tend to be up-beat about the prospects for the New Year, younger residents are a bit more likely to express this as "happiness" rather than "hopefulness" possibly thinking in terms of the actual New Year's celebrations. Other than that, the survey shows that whites were about twice as likely as non-whites to say they had "no feelings" about the approaching New Year. We also find that political independents are more likely to report that they have no feelings about the New Year.

## **Conclusion**

Like Americans in general, most San Diegans are greeting 2006 with hope. Despite its largest city being mired in a huge fiscal crisis, optimism and realism, perhaps, (expressed as "things staying the same") are prevalent; doom and gloom are not. Most folks are confident that things personally and locally are not going to fall through the floor. Even in the housing market, which leveled off somewhat from its meteoric rise last year, very few residents are anticipating an outright collapse. With a diverse local economy, County residents are looking beyond the political and civic troubles which seem to have swamped us in the past few months. To most, the future appears bright.