

NEWS & NOTE

MOVE TO TEMECULA – SAVE \$200 a MONTH

San Diego’s Inter-Regional Commuting Saves Workers \$196.27

Some real estate agents have an expression “drive to qualify” as a way of noting how real estate prices in many metro areas are effected by how distant a community is from regional job centers. The further the distance, as a rule of thumb, the lower the median house price.

This dynamic has a dramatic impact on the region. According to the U.S. Census Bureau more than 42,000 workers commute each day from Riverside County to jobs in San Diego. The latest figures on out-migration suggest that this trend is likely to grow, with an average of more than 13,000 San Diegans moving each year from San Diego to Riverside County.

Most of this inter-county migration is being driven by high housing prices and an imbalance between the growth of jobs in “traded industries” and the supply of housing. Not surprisingly, with too few homes being built to meet demand within the local region, San Diegans are responding by moving northward and making round trip commutes that can easily exceed 100 miles.

The failure to build enough houses to meet demand can be starkly seen by comparing the ratio of net change in housing units and civilian employment in the San Diego and Riverside-San Bernardino MSAs.

**Table 1
Housing/Employment Ratio**

	2000	2014	Change
San Diego MSA Civilian Employment	1,200,000	1,346,500	146,500
San Diego Housing Units	1,040,149	1,187,625	147,476
Ratio Housing Units to Jobs	0.867	0.882	1.01
Riverside-San Bernardino MSA Civilian Employment	1,016,600	1,303,700	287,100
Riverside-San Bernardino MSA Housing Units	1,186,043	1,530,247	344,204
Ratio Housing Units to Jobs	1.17	1.17	1.20

Source: U.S. Census

This macro-level failure to build enough housing to meet employment growth manifests itself in individual pocketbook decisions. Table 2 examines the housing and commuting costs for a San Diego

worker who is choosing between buying locally compared to purchasing in Southern Riverside County. Taking into account commuting costs, the current difference in housing costs means that as of March 2016 this commuter would save, even after accounting for travel costs, \$196 per month. This calculation does not account for time spent commuting.

The full discussion of methodology and sources is discussed in the appendix.

Table 2
Interregional Cost Difference; All Median Priced Homes; March 2016

Median House Price San Diego	Median Mouse Price Temecula-Murrieta	Monthly Mortgage payment + Tax San Diego	Monthly Mortgage Payment + Tax Temecula/Murrieta	Extra Commuting Costs(Fuel)	Extra Commuting Costs (Other)	Monthly Savings (cost) for Commuter from Southern Riverside
\$504,000	\$384,00-	\$2,258.80	\$1,721.18	\$188.34	\$153.02	\$196.27

Source: Gasbuddy.com; Trulia.com; Zillow.com; Bankrate.com; NUSIPR

This difference is much more pronounced when looking at the subset of single family homes. We selected the neighborhood of Rancho Bernardo and examined a commute to the proximate Rancho Bernardo business park. We then compared that to a commute to the business park from the Temecula/Murrieta area. That shows as of March 2016, the \$240,000 gap between the average sales price of a single family home in those zip codes versus the cost of a single family home in Temecula and Murrieta yields an interregional commuting cost difference of \$768 per month.

Table 3
Interregional Commuting Cost Difference; Single Family Homes; March 2016

Median Single Family Home 92127 and 92128	Median Single Family Home: Temecula-Murrieta	Monthly Mortgage payment + Tax San Diego	Monthly Mortgage Payment + Tax Temecula/Murrieta	Extra Commuting Costs(Fuel)	Extra Commuting Costs (Other)	Monthly Savings (cost) for Commuter from Southern Riverside
\$636,500	\$393,207	\$2,852.63	\$1,762.25	\$173.36	\$148.35	\$768.68

Source: Gasbuddy.com; Trulia.com; Zillow.com; Bankrate.com; NUSIPR

The wider and more persistent this gap gets, the more we would expect San Diego workers to consider housing options in Southern Riverside County. That migration puts additional strain on the region's transportation system and makes meeting regional environmental goals around air pollution or green house gas reduction targets. It also hurts San Diego's tax collections as wages are paid by San Diego companies but the employees make most of their purchases of taxable goods and property taxes in Riverside County.

Closing the gap will require addressing the regional housing problem. It would take more than a doubling in fuel costs (to \$5.02) to reduce, all other things being equal, to close the gap when comparing the median cost of all homes in the county. Closing the gap between single family homes would take dramatic changes not only in the cost of fuel but in homes prices.

Appendix

The median price for homes in the respective areas is an average of the reported median price taken from two well-known real estate web sites. The interest rate for the mortgage was taken from bankrate.com as of March 20, 2016 and assumed a fixed rate 30 year loan with 20% down. Taxes were calculated at 1% of purchase price. It was assumed that the commute from Southern Riverside County was, on average, the same as the commute from the intersection of the 15/215 to Claremont Mesa Blvd and Lightspan Way (110 miles roundtrip). The average San Diego commute was determined from the American Community Survey 2010-2014 which found that San Diegans on average commute 22 miles round trip. Gas prices were determined by referencing gasbuddy.com and we used average fuel economy (25 mpg) to determine fuel costs. To determine the extra wear and tear on the vehicle we examined the difference between the private party resale value of a 2010 Honda Civic with 48,000 miles versus that same car with an extra 91,872 miles (the extra mileage we estimate incurred from driving an extra 88 miles in a daily commute) as calculated by Kelly Blue Book and assumed an additional \$60 in repair costs. We assumed that the commuter Southern Riverside Commuter would need 1 extra set of tires for each 40,000 miles of commuting. We assumed both kinds of workers would replace their commuting vehicle once every four years.