



SAN DIEGO
REGIONAL
EDC

ECONOMIC SNAPSHOT

A Summary of the San Diego Regional Economy



JULY 2013

San Diego Regional EDC analyzes key economic metrics that are important to understanding the regional economy and San Diego's standing relative to other major metropolitan areas in the U.S.

Highlights

San Diego County's April 2013 unemployment rate was down 1.6 percentage points from April 2012.

The San Diego region added 19,100 jobs from January 2013 to April 2013.

San Diego is the second most concentrated metropolitan area in the U.S. for Aerospace, Navigation and Maritime Technologies employment.

Home prices in San Diego grew more than 17% from Q1 2012 - Q1 2013.

Over the past 7 quarters, industrial tenants have absorbed more than 4 million SF of industrial space in San Diego County.

San Diego region companies received more than \$178 million in venture capital in the first quarter of 2013.

UNEMPLOYMENT

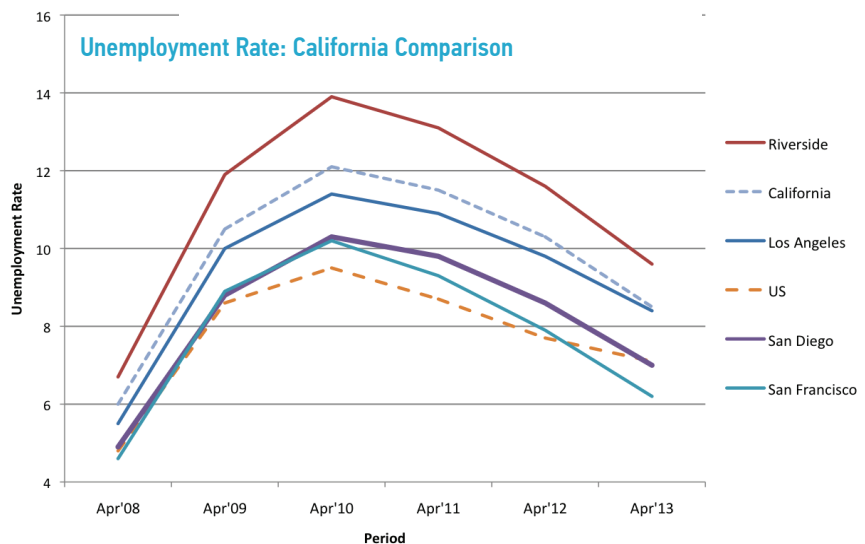
- San Diego metro ranked 15th in unemployment in April 2013, with an unemployment rate slightly lower than the U.S. average. This marked the first April since 2007 that San Diego had an unemployment rate lower than the U.S. In addition, San Diego registered the fourth largest decrease between April 2012 and April 2013 among major U.S. metros.
- San Diego has continued to fare better than other California metros and the state in terms of unemployment rate. San Diego continues to maintain a lower unemployment rate than all other major California metros except San Francisco.

Unemployment Rate: 25 Most Populous US Metros

RANK	METRO	APR '13	APR '12	CHANGE
1	Minneapolis	4.9	5.2	-0.3
2	Washington D.C.	5.0	5.1	-0.1
3	Seattle	5.2	7.1	-1.9
4	Boston	5.7	5.7	0.0
5	Houston	5.9	6.6	-0.7
6	San Antonio	5.9	6.2	-0.3
7	Dallas	6.0	6.5	-0.5
8	San Francisco	6.2	7.9	-1.7
9	Pittsburgh	6.4	6.5	-0.1
10	Phoenix	6.6	6.8	-0.2
11	Denver	6.7	7.9	-1.2
12	Tampa	6.7	8.6	-1.9
13	Baltimore	6.7	6.7	0.0
14	Saint Louis	6.7	7.1	-0.4
15	San Diego	7.0	8.6	-1.6
16	Portland	7.1	8.1	-1.0
	U.S.	7.1	7.7	-0.6
17	Miami	7.2	8.3	-1.1
18	New York	7.5	8.4	-0.9
19	Atlanta	7.6	8.5	-0.9
20	Philadelphia	7.7	8.0	-0.3
21	Los Angeles	8.4	9.8	-1.4
22	Charlotte	8.4	9.0	-0.6
23	Detroit	8.9	9.4	-0.5
24	Chicago	9.1	8.7	0.4
25	Riverside	9.6	11.6	-2.0

Source: Bureau of Labor Statistics

April 2013 is the first April since 2007 that San Diego had an unemployment rate lower than the U.S.





EMPLOYMENT

- Private industry employment continues to drive the San Diego economy, growing 2.2% from April 2012 to April 2013, adding about 22,200 jobs in the region. Economic sectors like Professional and Business Services and Leisure and Hospitality continue to drive growth in our traded innovation and tourism economies. Notably, manufacturing added more than 900 jobs between January 2013 and April 2013. Local and state government employment grew in both the quarter and the year, driving total government growth despite federal job decline, likely as a result of sequestration.
- Every private sector industry except trade and management experienced growth in both the quarter and the year. Education and Health Services experienced the largest gain over the year, while Leisure and Hospitality experienced the largest quarterly gain, adding 7,300 jobs from January to April 2013.

Employment by Industry

EMPLOYMENT (000S)

INDUSTRY	APR-13	JAN-12	APR-12	CHANGE FROM PREV. QUARTER	CHANGE FROM PREV. YEAR
Total (Private and Government)	1276.3	1257.2	1252.7	19.1	23.6
Total Private	1044.1	1029.3	1021.9	14.8	22.2
<i>Professional and Business Services*</i>	220.1	218.2	214	1.9	6.1
<i>Prof., Scientific, & Tech. Services*</i>	122.2	121.7	120.8	0.5	1.4
<i>Mgmt. of Companies & Enterprises</i>	18.1	18.2	17.9	-0.1	0.2
<i>Administrative</i>	79.8	78.3	75.3	1.5	4.5
<i>Trade, Transportation, and Utilities</i>	205.7	206.7	203.4	-1.0	2.3
<i>Wholesale Trade</i>	43.3	42.8	43.4	0.5	-0.1
<i>Retail Trade</i>	133.9	135.7	133.2	-1.8	0.7
<i>Transportation and Utilities</i>	28.5	28.2	26.8	0.3	1.7
<i>Leisure and Hospitality*</i>	163.3	156	158.6	7.3	4.7
<i>Education and Health Services</i>	160.6	156.4	153.9	4.2	6.7
<i>Education Services</i>	31.1	29.1	28.4	2.0	2.7
<i>Health Care and Social Assistance</i>	129.5	127.3	125.5	2.2	4.0
<i>Manufacturing*</i>	93.4	92.5	93.2	0.9	0.2
<i>Financial Activities</i>	69.9	69.3	69.3	0.6	0.6
<i>Finance and Insurance</i>	44.0	43.7	43.5	0.3	0.5
<i>Real Estate and Rental and Leasing</i>	25.9	25.6	25.8	0.3	0.1
<i>Construction</i>	56.0	55.7	55.5	0.3	0.5
<i>Other Services</i>	49.8	49.4	49.2	0.4	0.6
<i>Information*</i>	24.9	24.7	24.4	0.2	0.5
<i>Mining and Logging</i>	0.4	0.4	0.4	0.0	0.0
Government	232.2	227.9	230.8	4.3	1.4
<i>Federal Government</i>	46.3	46.7	46.7	-0.4	-0.4
<i>State Government</i>	44.5	42.7	43.4	1.8	1.1
<i>Local Government</i>	141.4	138.5	140.7	2.9	0.7

Source: Bureau of Labor Statistics

Italics = Supersector | Ordered by largest Supersectors

*Denotes Industry Sectors Associated with Traded Economy

Total Employment Growth: 25 Most Populous U.S. Metros

RANK	METRO	% CHANGE YEAR APR '12 - APR '13	% CHANGE QTR JAN '13 - APR '13
1	Houston	3.99%	1.92%
2	Dallas	3.54%	2.04%
3	Tampa	2.90%	1.96%
4	Denver	2.57%	2.05%
5	Charlotte	2.46%	1.51%
6	Phoenix	2.43%	1.53%
7	San Francisco	2.19%	0.89%
8	Baltimore	2.12%	2.26%
9	Seattle	2.09%	0.90%
10	Atlanta	2.05%	1.32%
11	Los Angeles	1.97%	1.67%
12	San Antonio	1.95%	2.13%
13	San Diego	1.88%	1.52%
14	Boston	1.87%	1.71%
15	New York	1.82%	2.06%
16	Minneapolis	1.57%	1.74%
	U.S.	1.56%	2.09%
17	Washington D.C.	1.48%	1.81%
18	Riverside	1.41%	0.15%
19	Portland	1.20%	2.10%
20	Philadelphia	1.18%	1.95%
21	Chicago	1.09%	1.70%
22	Miami	1.03%	0.74%
23	Pittsburgh	0.91%	2.79%
24	Saint Louis	0.80%	2.31%
25	Detroit	0.50%	1.67%

Source: Bureau of Labor Statistics

Ranked by %Change from Previous Year

San Diego metro added approximately 23,600 jobs from April 2012 to April 2013.

TOTAL EMPLOYMENT CHANGES

San Diego metro experienced the 13th highest growth rate among the 25 largest U.S. metros from April 2012 to April 2013, adding approximately 23,600 jobs (+1.88%) in the year and outpacing the U.S. average. This annual growth was driven by a first quarter 2013 seasonal increase of 19,100 jobs (+1.52%) from January to April 2013. Not a single major U.S. metros experienced job loss in either the quarter or the year.



INDUSTRY SPOTLIGHT

AEROSPACE  

Each quarter, San Diego Regional EDC takes a closer look at an important local industry. In this release, we look at the aerospace industry, its role in the Aerospace, Navigation & Maritime Technologies cluster in the San Diego region, and how San Diego compares to major metropolitan areas across the U.S.

Industry Highlights

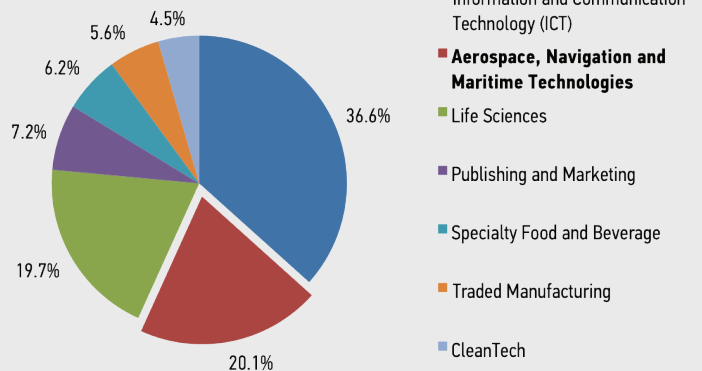
- Aerospace is part of a large and thriving Aerospace, Navigation & Maritime Technologies (ANMT) cluster. Since the aerospace industry shares many industry components with the other industries in the ANMT cluster, it is difficult to parse aerospace companies and employment from the rest of the cluster. The table at the bottom of the page breaks down some of the key aerospace-specific components of the cluster. In 2012, The Maritime Alliance, San Diego Workforce Partnership and EDC released a San Diego Maritime Industry Report, which found that the maritime industry alone is responsible for more than \$14 billion in direct sales and touches a workforce of nearly 46,000.
- San Diego has one of the highest concentrations of ANMT employment in the U.S. Among the 25 most populous U.S. metropolitan areas, San Diego ranks 2nd in concentration of ANMT employment, only behind the longtime aerospace leader Seattle.
- The ANMT cluster plays a critical role in San Diego's innovation and military economies. The pie chart on the right side of the page shows ANMT's role in the overall innovation economy. The cluster accounts for more than 20% of San Diego's total innovation economy, more than any other cluster except ICT.
- Baja California, Mexico is playing an increasingly important role in the region's aerospace industry. The state represents about 25% of the total aerospace industry in Mexico, and more than 16,000 employees work in 61 of some of the world's largest and most innovative aerospace companies. According to KPMG, Mexico is the third most cost-competitive country for aircraft parts manufacturing. Mexico will remain an important partner for the region's aerospace industry going forward.
- Recently, San Diego's growing unmanned aerial systems (UAS) sector has presented a unique opportunity for companies in the Aerospace industry, with cutting-edge applications being developed in San Diego and throughout California. Currently, 60% of U.S. technology development in unmanned systems is performed in San Diego County, according to National University System Institute for Policy Research. With the rise in commercial and consumer uses, this industry sector is well positioned to carry the aerospace industry forward and continue to attract top aerospace and software engineering talent to the region.

Top 10 Aerospace, Navigation and Maritime Technologies Clusters (2011) (Among 25 Most Populous U.S. Metros)

RANK	METRO	LOCATION QUOTIENT*
	U.S.	1.00
1	Seattle	4.78
2	San Diego	2.38
3	Los Angeles	1.71
4	Dallas	1.62
5	Saint Louis	1.37
6	Miami	0.92
7	Houston	0.82
8	Atlanta	0.78
9	Philadelphia	0.75
10	Denver	0.75

Source: Bureau of Labor Statistics, OCEW Data
*Location Quotient is a technique to measure local concentration. Average LQ is 1.00.

Innovation Economy in San Diego (2011) Direct Employment Breakdown



Source: Bureau of Labor Statistics, California Employment Development Department, US Census Bureau
Definitions based partially on SANDAG Traded Clusters Report

Key Aerospace Sectors in Aerospace, Navigation and Maritime Technologies Cluster (2011)

NAICS	DESCRIPTION	ESTABLISHMENTS	EMPLOYMENT	AVERAGE ANNUAL PAY	LOCATION QUOTIENT*
334511	Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instr. Mfg.	22	5,214	\$104,288	3.91
336411	Aircraft Mfg.	5	5,000	N/A	2.22
336413	Other Aircraft Parts and Auxiliary Equipment Mfg.	28	4,413	\$91,272	4.59
336412	Aircraft Engine and Engine Parts Mfg.	7	1,181	\$83,091	1.59
488190	Other Support Activities for Air Transportation	49	795	\$49,964	0.86
488119	Other Airport Operations	23	655	\$22,991	1.13
336414	Guided Missile and Space Vehicle Mfg.	3	328	\$52,649	0.61
336419	Other Guided Missile and Space Vehicle Parts and Auxiliary Equipment Mfg.	1	100	N/A	1.43
Multiple	Other Shared Cluster Industry Sectors	599	17,655	N/A	N/A
Total	Aerospace, Navigation and Maritime Technologies	737	35,341	\$83,998	2.38

Source: Bureau of Labor Statistics, California Employment Development Department, US Census Bureau
Weights and definitions based partially on SANDAG Traded Clusters Report
*Location Quotient is a technique to measure local concentration. Average LQ is 1.00.



REAL ESTATE

FORECLOSURES

San Diego's foreclosure rate remained lower than the U.S. average in April 2013, with only 3.97 out of every 10,000 homes foreclosed during that month. The region had the 8th lowest foreclosure rate in the U.S. San Diego, like most of the U.S., has experienced a continued decline in foreclosure rates.

Foreclosure Rate: 25 Most Populous U.S. Metros

RANK	METRO	POINT CHANGE	
		APR '13	PREV. QUARTER
1	Denver	0.29	-0.48
2	New York	0.73	0.20
3	Pittsburgh	1.01	-0.99
4	Portland	3.48	0.16
5	San Francisco	3.57	-1.54
6	Philadelphia	3.64	1.38
7	Los Angeles	3.66	-1.86
8	San Diego	3.97	-1.88
9	Washington D.C.	4.12	-0.01
10	Dallas	5.00	-1.71
11	Baltimore	5.03	1.06
	U.S. Average	5.43	-0.56
12	Minneapolis	6.38	-3.36
13	Riverside	7.55	-4.19
14	Charlotte	9.84	0.01
15	Phoenix	9.90	-2.01
16	Seattle	12.41	1.53

Source: Zillow

9 Major Metros not Reported

Technical Note: Rate is per 10,000 homes. Source changed from previous report.

From Q1 2012 to Q1 2013, home prices grew about 14.7% in the San Diego region.

HOME PRICES

San Diego remains one of the most expensive for-sale home markets in the U.S. and is continuing to increase, according to National Association of Realtors data. From Q4 2012 to Q1 2013, home prices grew about 1.7% in the San Diego region, despite dips in most major metros nationwide. Despite the brief dip in home prices in Q1 2013 in many U.S. metros, home prices remained on the rise over the longer term nationally. Every one of the 25 most populous US metros experienced an increase in prices from Q1 2012 to Q1 2013, with San Diego outpacing the U.S. average at 14.7%.

Median Home Price: 25 Most Populous US Metros

RANK	METRO	PRICE	% CHANGE	% CHANGE
		2013 Q1	PREV. QUARTER	PREV. YEAR
1	San Francisco	\$593,890	0.1%	32.6%
2	San Diego	\$412,320	1.7%	14.7%
3	New York	\$368,200	-2.0%	1.2%
4	Washington D.C.	\$348,700	-1.2%	11.9%
5	Los Angeles	\$345,540	-1.3%	22.8%
6	Boston	\$332,200	-3.4%	6.6%
7	Seattle	\$312,600	-0.2%	17.8%
8	Denver	\$261,200	2.5%	15.4%
9	Portland	\$246,500	1.9%	18.2%
10	Baltimore	\$226,500	-5.9%	3.9%
11	Miami	\$219,900	3.2%	20.8%
12	Riverside	\$216,720	3.6%	24.3%
13	Philadelphia	\$197,700	-5.8%	2.2%
	U.S.	\$176,600	-1.3%	11.3%
14	Minneapolis	\$170,600	-2.7%	15.8%
15	Phoenix	\$169,000	6.2%	30.1%
16	Houston	\$163,700	-2.4%	7.6%
17	Dallas	\$160,400	2.0%	8.2%
18	Chicago	\$159,400	-4.8%	1.4%
19	San Antonio	\$156,700	-2.4%	4.5%
20	Charlotte	\$155,400	1.6%	11.4%
21	Tampa	\$141,800	3.4%	7.5%
22	Atlanta	\$115,100	7.7%	31.1%
23	Saint Louis	\$111,000	-5.4%	7.0%

Source: National Association of Realtors

Note: Pittsburgh and Detroit not available

Over the past 7 quarters, industrial tenants have absorbed more than 4 million SF of industrial space.

OFFICE & INDUSTRIAL SNAPSHOT

Office vacancy rates increased in San Diego County in Q1 2013, up a full percentage point from Q4 2012, but still lower than the rate recorded in Q1 2012 (18.7%). However, the office market saw positive absorption. Though absorption square footage was lower than previous quarters, it's higher than the negative absorption in Q1 2011 and Q1 2012.

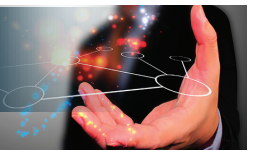
Q1 2013 was a particularly positive quarter for the industrial market in San Diego County, with the exception of South County. For seven straight quarters, the industrial market in San Diego has experienced positive absorption, indicating a healthy industrial real estate market.

Real Estate Snapshot: San Diego County (Q1 2013)

AREA	OFFICE		AVERAGE	INDUSTRIAL	INDUSTRIAL		AVERAGE
	VACANCY RATE	ABSORPTION (SF)	ASKING RENT		VACANCY RATE	ABSORPTION (SF)	ASKING RENT
San Diego County	17.8%	142,152	\$2.74	9.3%	366,165	\$0.81	
North County	19.8%	7,468	\$2.39	9.5%	95,128	\$0.75	
Central County	17.1%	47,869	\$3.01	8.5%	369,931	\$0.98	
South County	18.5%	86,815	\$2.43	11.6%	(98,894)	\$0.58	

Source: Cassidy Turley Market Report

Note: Monthly asking rates converted to triple net (NNN). Vacancy Rate includes direct and sublease. Net absorption excludes sublease. Green indicates positive movement from last quarter.



VENTURE CAPITAL

- As of 1st quarter 2013, the San Diego region ranked 8th out of the 18 U.S. regions tracked by the PricewaterhouseCoopers MoneyTree Report in terms of VC dollars invested in regional companies. The region moved up two spots from Q4 2012, despite seeing virtually no quarterly change in dollars received in San Diego. Biotechnology companies were again the biggest recipients of VC dollars, receiving 56%. The industry also received the most dollars by far in the Q2 2012-Q1 2013 period, accounting for 56% of all funding over the year. Software, medical devices and computer and peripherals were the other major industry recipients in Q1 2013. In total, San Diego received more than \$900 million in VC funding over the four-quarter period.
- Early and later stage companies continued to dominate funding in San Diego in Q1 2013, with startups receiving no funding in the quarter. Startup funding was down throughout 2012, with companies receiving only \$14 million over the fourquarter period.

San Diego region ranked 8th out of the 18 regions tracked by the PricewaterhouseCoopers MoneyTree Report in terms of VC dollars invested in regional companies.

San Diego Venture Capital Funding by Industry (Q1 2012-2013)

INDUSTRY	Q1 2013	Q1 2012	Prev 4Qtr Total
Biotechnology	\$99,310,000	\$189,406,100	\$516,069,700
Computers and Peripherals	\$8,000,000	\$0	\$8,000,000
Consumer Products and Services	\$0	\$13,019,000	\$3,000,000
Electronics/Instrumentation	\$0	\$0	\$2,195,000
IT Services	\$6,999,900	\$7,000,000	\$31,999,900
Industrial/Energy	\$2,180,000	\$140,200,000	\$57,851,200
Media and Entertainment	\$4,000,000	\$1,320,000	\$4,098,000
Medical Devices and Equipment	\$22,865,200	\$13,701,000	\$115,890,200
Networking and Equipment	\$0	\$0	\$9,173,000
Semiconductors	\$0	\$0	\$3,748,000
Software	\$34,968,900	\$17,860,000	\$177,498,500

Total	\$178,324,000	\$382,506,100	\$929,523,500
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Source: PricewaterhouseCoopers MoneyTree Report
 Note: Only industries with funding in Q1 2012-Q1 2013 period in San Diego shown. Prev 4Qtr Total means sum of Q2 2012-Q1 2013.

San Diego Venture Capital Funding by Stage (Q1 2012-2013)

STAGE	Q1 2013	Q1 2012	Prev 4Qtr Total
Startup/Seed	\$0	\$1,200,000	\$14,000,000
Early Stage	\$95,683,800	\$268,146,000	\$334,817,200
Expansion	\$22,249,900	\$31,200,000	\$154,358,100
Later Stage	\$60,390,300	\$81,960,100	\$426,348,200

Total	\$178,324,000	\$382,506,100	\$929,523,500
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Source: PricewaterhouseCoopers MoneyTree Report
 Note: Only stages with funding in Q1 2012-Q1 2013 period in San Diego shown. Prev 4Qtr Total means sum of Q2 2012-Q1 2013.

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San Diego Regional EDC's mission is to maximize the region's economic prosperity and global competitiveness.



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