



SAN DIEGO
REGIONAL
EDC

ECONOMIC SNAPSHOT

A Summary of the San Diego Regional Economy

June 2016

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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.

This issue covers data from the October 2015 to January 2016 quarter.

Highlights

San Diego's January 2016 unemployment rate recorded the 7th largest drop among major metros.

The region had the 10th highest employment growth rate from January 2015 to January 2016.

Over 39,200 jobs were added to the regional economy since January 2015 with 35,400 of those jobs coming from the private sector.

San Diego's construction sector had the highest annual growth rate of any sector – 6.8 percent – and added 4,400 jobs to the region's economy.

The region's market for commercial real estate remained strong, as overall vacancy rate for office space decreased to 12.5 percent; the lowest rate experienced in 10 years.

In Q4 2015, San Diego's residential market remained stable with slight decreases in median home price and the 3rd lowest foreclosure rate of the most populous U.S. metros.

UNEMPLOYMENT

San Diego metro ranked 9th in unemployment rate in January 2016, up six spots from last quarter (October 2015). San Diego's 4.7 percent rate is below the U.S. rate of 5.3 percent. The year-over-year decline in unemployment was 1.2 percentage points, making it the 7th largest drop in unemployment across all major metro areas.

San Diego continues to outperform its neighboring peer metros, Riverside and Los Angeles, where unemployment rates in January remained above 5 percent. The region also fares better than the state of California as whole with an unemployment rate that is 1.1 percentage points lower than the state rate of 5.8 percent.

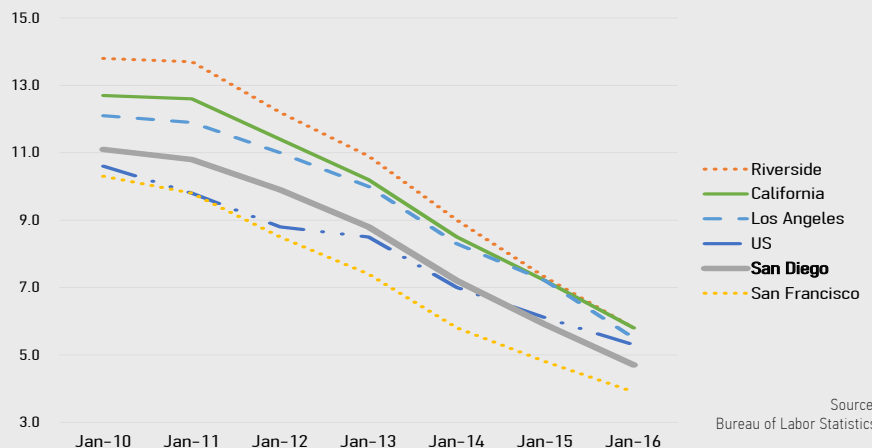
Unemployment Rate: 25 Most Populous U.S. Metros

RANK	METRO	JAN-15	JAN-16	PP CHANGE
1	Denver	4.6	3	-1.6
2	San Antonio	4.2	3.7	-0.5
3	Dallas	4.5	3.8	-0.7
4	San Francisco	4.8	3.9	-0.9
4	Minneapolis	4.2	3.9	-0.3
6	Washington DC	5.0	4.2	-0.8
7	Boston	5.1	4.3	-0.8
8	Phoenix	5.8	4.6	-1.2
9	San Diego	5.9	4.7	-1.2
10	Portland	5.8	4.8	-1.0
10	Philadelphia	6.1	4.8	-1.3
10	Houston	4.6	4.8	0.2
10	Orlando	5.7	4.8	-0.9
14	Tampa	5.8	4.9	-0.9
15	Baltimore	6.1	5.0	-1.1
16	Atlanta	6.2	5.1	-1.1
16	Saint Louis	5.8	5.1	-0.7
16	New York	6.4	5.1	-1.3
19	Miami	5.8	5.2	-0.6
-	US	6.1	5.3	-0.8
20	Charlotte	5.8	5.3	-0.5
21	Los Angeles	7.2	5.5	-1.7
21	Seattle	5.1	5.5	0.4
23	Detroit	7.2	5.7	-1.5
24	Riverside	7.3	5.8	-1.5
25	Chicago	6.9	6.7	-0.2

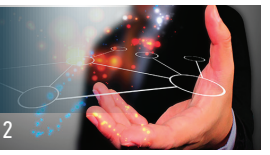
San Diego's unemployment rate dropped 1.2 percentage points, the 7th largest drop among major metros.

Source:
Bureau of Labor Statistics
Seasonally Unadjusted
PP = Percentage Point

Unemployment Rate: California Comparison



Source:
Bureau of Labor Statistics



EMPLOYMENT

San Diego experienced a small seasonal decline in employment during the October to January quarter - similar to many large metros. Due to regularly occurring seasonal effects, the majority of sectors experienced declines. The exceptions being slight increases in professional and business services, transportation and utilities, and finance and insurance.

When looking at year-over-over growth, San Diego's economy continued to expand. Between January 2015 and January 2016, the region added 39,200 jobs; an increase of 2.9 percent and well above the U.S. average of 1.9 percent. San Diego recorded the 10th highest growth rate among the top 25 largest metros.

Building on the positive trends seen in recent years, a handful of key sectors continued to record remarkable growth. The region's professional and business services (PBS) super sector recorded the largest numeric gain with an increase of 8,600 jobs. Professional, scientific and technical services (PST), which is a sub sector of PBS and closely associated with the region's innovation economy, added 2,400 jobs - a 1.9 percent increase. Many of the companies and much of the employment in clusters like biotechnology, biomedical products, cleantech and information technology fall within the PST sector.

Other major drivers of the region's employment growth included construction, leisure and hospitality, health care and social assistance, and manufacturing - all recording above average year-over-year growth. The construction sector continued to surge, adding 4,400 jobs - a remarkable 6.8 percent increase. Leisure and hospitality, the industry most closely associated with tourism, added 6,000 over the year and grew by 3.4 percent. Health care and social assistance grew by an impressive 6,900, or 4.3 percent. Manufacturing jobs in the region grew by 3,400 over the year - a 3.3 percent increase.

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

RANK	METRO	% CHANGE YEAR	
		JAN '15 - JAN '16	OCT '15 - JAN '16
1	Orlando	4.84%	0.31%
2	San Francisco	3.65%	-0.89%
3	Phoenix	3.58%	-0.29%
4	Riverside	3.45%	-0.07%
5	Tampa	3.44%	0.01%
6	Dallas	3.40%	-0.85%
7	Portland	3.21%	-0.90%
8	Atlanta	3.16%	-0.93%
9	Seattle	3.03%	-0.56%
10	San Diego	2.89%	-0.62%
11	Charlotte	2.89%	-1.11%
12	Miami	2.86%	0.41%
13	San Antonio	2.85%	-0.87%
14	Denver	2.58%	-1.34%
15	Los Angeles	2.35%	-1.02%
16	Washington DC	2.27%	-1.10%
17	Philadelphia	2.17%	-1.63%
18	New York	2.04%	-2.21%
19	Detroit	1.96%	-1.23%
-	US	1.91%	-1.77%
20	Minneapolis	1.74%	-2.41%
21	Baltimore	1.60%	-2.48%
22	Boston	1.50%	-2.33%
23	Chicago	1.49%	-3.11%
24	Saint Louis	1.19%	-3.02%
25	Houston	0.66%	-1.19%

Source: Bureau of Labor Statistics | Ranked by % Change Year

Employment by Industry (in thousands)

INDUSTRY	JAN-16	OCT-16	JAN-15	CHANGE		%CHANGE	
				PREV. QTR	PREV. YR	PREV. QTR	PREV. YR
Total (Private and Government)	1393.5	1402.2	1354.3	-8.7	39.2	-0.6%	2.9%
Total Private	1155.2	1163.3	1119.8	-8.1	35.4	-0.7%	3.2%
<i>Professional and Business Services*</i>	234.4	234	225.8	0.4	8.6	0.2%	3.8%
<i>Prof., Scientific, & Tech. Services*</i>	127.5	127.3	125.1	0.2	2.4	0.2%	1.9%
<i>Mgmt. of Companies & Enterprises</i>	22.5	22.4	21.5	0.1	1	0.4%	4.7%
<i>Administrative</i>	84.4	84.3	79.2	0.1	5.2	0.1%	6.6%
<i>Trade, Transportation, and Utilities</i>	220.6	221	216.7	-0.4	3.9	-0.2%	1.8%
<i>Wholesale Trade</i>	44.4	44.8	42.9	-0.4	1.5	-0.9%	3.5%
<i>Retail Trade</i>	147.1	147.7	146.2	-0.6	0.9	-0.4%	0.6%
<i>Transportation and Utilities</i>	29.1	28.5	27.6	0.6	1.5	2.1%	5.4%
<i>Education and Health Services</i>	196.3	197.4	189.2	-1.1	7.1	-0.6%	3.8%
<i>Education Services</i>	29.7	30.5	29.5	-0.8	0.2	-2.6%	0.7%
<i>Health Care and Social Assistance</i>	166.6	166.9	159.7	-0.3	6.9	-0.2%	4.3%
<i>Leisure and Hospitality*</i>	180.3	183.7	174.3	-3.4	6	-1.9%	3.4%
<i>Manufacturing*</i>	106.9	105.5	103.5	1.4	3.4	1.3%	3.3%
<i>Financial Activities</i>	72	72.6	69.8	-0.6	2.2	-0.8%	3.2%
<i>Finance and Insurance</i>	44.6	44.5	42.6	0.1	2	0.2%	4.7%
<i>Real Estate and Rental and Leasing</i>	27.4	28.1	27.2	-0.7	0.2	-2.5%	0.7%
<i>Construction</i>	69.4	71.9	65	-2.5	4.4	-3.5%	6.8%
<i>Other Services</i>	51.4	53.1	51.4	-1.7	0	-3.2%	0.0%
<i>Information*</i>	23.5	23.7	23.7	-0.2	-0.2	-0.8%	-0.8%
<i>Mining and Logging</i>	0.4	0.4	0.4	0.0	0	0.0%	0.0%
Government	238.3	238.9	234.5	-0.6	3.8	-0.3%	1.6%
<i>Federal Government</i>	46.4	46.4	45.6	0.0	0.8	0.0%	1.8%
<i>State Government</i>	46.9	46.8	45.7	0.1	1.2	0.2%	2.6%
<i>Local Government</i>	145	145.7	143.2	0.7	1.8	-0.5%	1.3%

Source: California Employment Development Department | Italics = Supersector | Ordered by largest Supersectors

*Denotes industry sectors strongly associated with San Diego's Traded Economies

Construction recorded the highest annual growth rate at 6.8 percent.



SPOTLIGHT ON SOFTWARE

Software development is disrupting the global marketplace like never before. Mobile apps, cloud computing, cybersecurity, big data, digital health, genomics, contextual robotics and the internet of things (IoT) are rapidly changing the way people live their lives and do business. At the core of these tools and technologies is sophisticated software developed by talented professionals working in a variety of industries, and San Diego has long been one of the global centers of software and technology development.

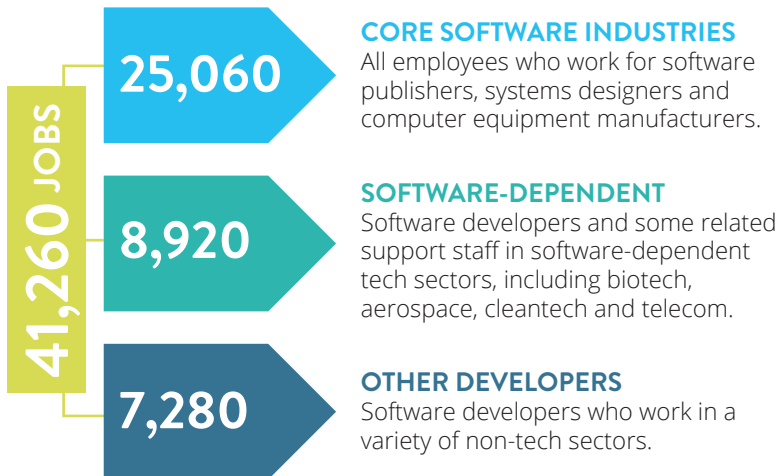
In March 2016, San Diego Regional EDC released "Software Development: Driving San Diego's Tech Ecosystem" – a study which examines the region's growing tech hub as it relates to software talent and capital investment. The study looks at software workers and auxiliary support staff across every corner of the region's economy.

KEY FINDINGS:

- Total economic impact of San Diego's software ecosystem is \$12.2B annually
- San Diego ranks 7th overall on the Software Power Index, ahead of Austin, Portland and New York
- 1 in 6 innovation economy jobs are in software development
- Mergers and acquisitions (M&A) comprise 68 percent of San Diego's software capital flow
- San Diego ranks 2nd – average annual pay for R&D employees at \$176,000

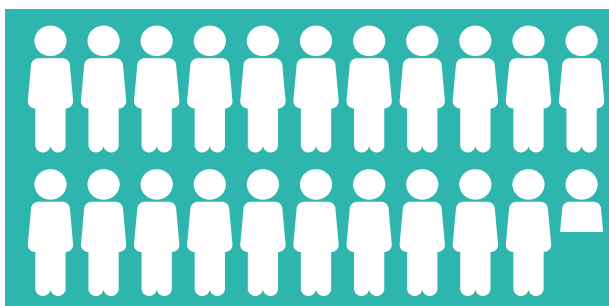
Some additional highlights from the study are below. To view the full report, including additional charts, best practices, action items and sources, visit: sandiegobusiness.org/research

SOFTWARE ECOSYSTEM BREAKDOWN



21,600 SOFTWARE DEVELOPERS

There are 21,600 software developers in San Diego who work across the software ecosystem.



PEER METROS



SAN DIEGO RANKS



WHY SAN DIEGO?

San Diego's software ecosystem offers its workforce diverse career opportunities.

INNOVATION-DRIVEN INDUSTRIES



STRONG JOB PROSPECTS



1 in 6

INNOVATION ECONOMY JOBS IN SAN DIEGO ARE IN SOFTWARE DEVELOPMENT



COMMERCIAL REAL ESTATE | PROVIDED BY CBRE

OFFICE

San Diego's office market continued to flourish in Q1 2016. One of the more impressive trends was seen in net absorption. The market experienced 660,834 sq. ft. of positive net absorption during the quarter – exceeding the total amount of net absorption for all of 2015. Most of the positive activity came via Class B transactions. With just under 400,000 sq. ft. of positive net absorption, it was the largest quarterly amount Class B has realized since Q4 2004. Overall vacancy decreased to 12.5 percent – the lowest rate experienced in almost 10 years (Q3 2006). Class B vacancy decreased 120 basis points (bps) year over year to 13.5 percent, while Class A decreased 80 bps year-over-year to 12.3 percent.

Q1 2016 was the 6th consecutive quarter asking rates have increased. The average asking rate of \$2.69M reflected a year-over-year increase of 10.2 percent. There are currently 262,908 sq. ft. of office space under construction in San Diego County with no deliveries in Q1 2016. Spec buildings make up 75 percent of all construction activity.

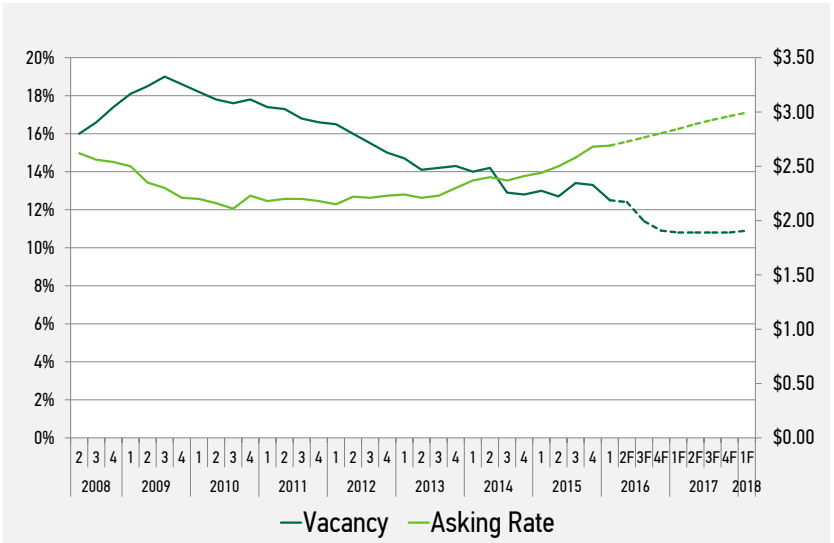
Q1 2016 industrial real estate construction deliveries reached a level not seen since Q1 2009.

INDUSTRIAL

Market fundamentals within San Diego's industrial market projects continued growth for 2016. In Q1 2016, four buildings totaling 549,276 sq. ft. were delivered fully leased. These deliveries bolstered overall net absorption to 466,270 sq. ft. for the quarter. In addition, a 44,084-sq.ft. warehouse broke ground. According to CBRE Econometric Advisors (CBRE EA), San Diego's construction industry had the highest growth rate of all sectors increasing 6.8 percent in the last 12 months, and is expected to grow 4.51 percent over the next year.

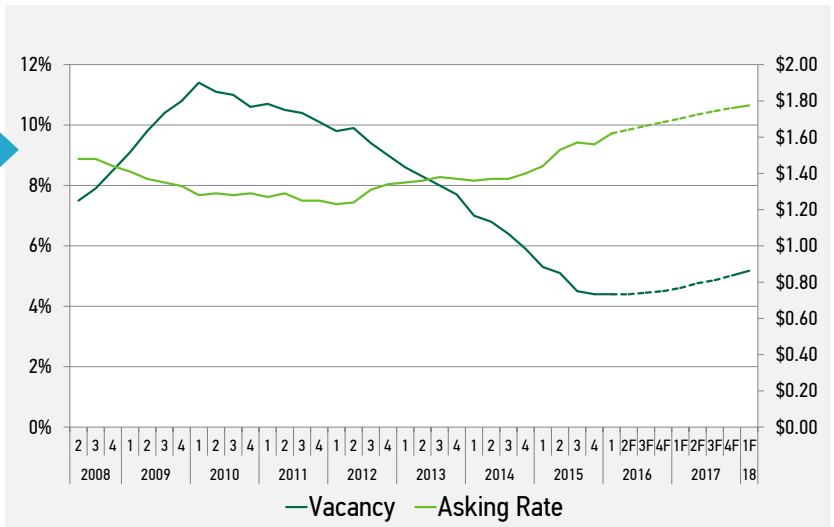
The strength of the industrial market is evident in the market fundamentals. Overall asking rates increased more than 6 percent quarter-over-quarter and overall vacancy has consistently been at or under 4.5 percent for three consecutive quarters. The supply constraints in the market, combined with surging demand for industrial product, have created the perfect storm. Redevelopment of obsolete office property into industrial product has become feasible due to this confluence of events, especially in predominantly industrial submarkets with out-of-place office buildings. Although election years can create uncertainty, the market is moving too fast for tenants and buyers to wait on decisions. A slowdown in commercial real estate as a result of this uncertainty is unlikely due to the current pace of the market.

San Diego Historical Office Stats - Vacancy & Asking Rate



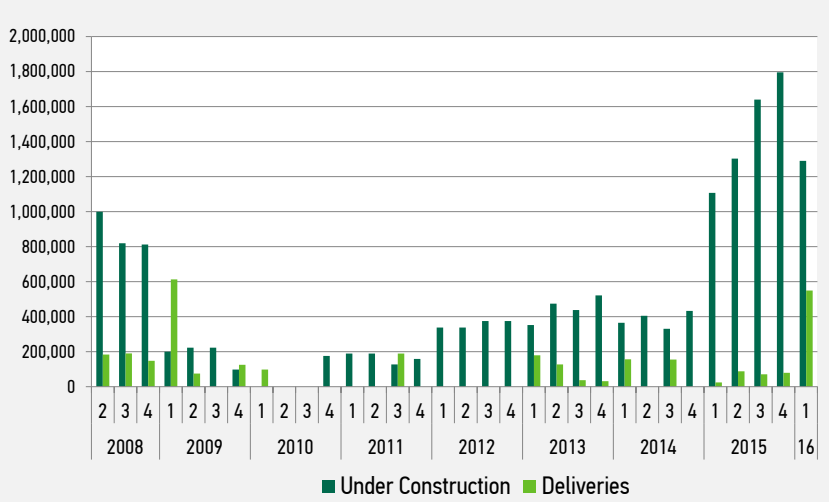
Source: CBRE Research; Forecast by CBRE Econometric Advisors

San Diego Historical Industrial Stats - Vacancy & Asking Rate



Source: CBRE Research; Forecast by CBRE Econometric Advisors

San Diego Historical Stats - Under Construction



Source: CBRE Research



RESIDENTIAL REAL ESTATE HOME PRICES

San Diego remained the 2nd most expensive for-sale home market in the U.S., according to National Association of Realtors. Home prices decreased by approximately 1.4 percent in the San Diego region from the previous quarter and increased 10.9 percent from the previous year.

Median Home Price: 25 Most Populous U.S. Metros

RANK	METRO	PRICE 2015 Q4	% CHANGE FROM PREV. QUARTER	% CHANGE FROM PREV. YEAR
1	San Francisco	\$781,600	-1.8%	9.2%
2	San Diego	\$544,800	-1.4%	10.9%
3	Los Angeles	\$481,900	-4.9%	6.9%
4	Boston	\$393,600	-6.5%	2.7%
5	Seattle	\$385,300	-0.3%	9.5%
6	New York	\$384,600	-6.1%	-0.4%
7	Washington DC	\$371,600	-4.4%	-0.3%
8	Denver	\$353,500	0.1%	12.3%
9	Portland	\$318,800	-0.2%	10.3%
10	Riverside	\$295,600	1.0%	6.4%
11	Miami	\$286,000	-1.4%	7.9%
12	Baltimore	\$233,500	-7.5%	0.1%
13	Minneapolis	\$223,700	-2.2%	6.5%
-	United States	\$222,700	-2.7%	6.9%
14	Phoenix	\$221,000	1.0%	10.3%
15	Philadelphia	\$213,700	-8.9%	0.2%
16	Chicago	\$209,800	-8.5%	7.5%
17	Houston	\$209,200	-3.7%	5.0%
18	Dallas	\$206,200	-1.8%	8.8%
19	Orlando	\$205,000	1.9%	13.9%
20	San Antonio	\$192,100	-3.6%	3.6%
21	Charlotte	\$190,500	-6.2%	8.5%
22	Tampa	\$175,100	0.1%	9.4%
23	Atlanta	\$169,200	-5.4%	7.3%
24	St. Louis	\$143,700	-10.2%	3.8%

Source: National Association of Realtors
Note: Detroit not available

FORECLOSURES

San Diego recorded the 3rd lowest foreclosure rate, according to the Zillow Foreclosure Index. Rates went mostly unchanged from October to January. Compared to the previous year, however, the foreclosure rate decreased slightly by 0.42 percent.

Zillow Foreclosure Index: 25 Most Populous U.S. Metros

RANK	METRO	INDEX JAN-16	% CHANGE FROM PREV. QUARTER	% CHANGE FROM PREV. YEAR
1	Denver	0.92	-0.24	-0.73
2	San Francisco	1.14	-0.05	-0.53
3	San Diego	1.58	-0.15	-0.42
4	Los Angeles	1.83	0.20	-0.23
5	New York	2.75	0.04	0.84
6	Phoenix	3.14	-0.12	-0.38
7	Minneapolis	3.27	-0.20	-0.93
-	United States	3.48	-0.08	-0.81
8	Riverside	3.51	-0.05	-0.83
9	Dallas-Fort Worth	3.70	0.60	-1.01
10	Seattle	3.99	-0.72	-4.31
11	Charlotte	4.14	0.24	-0.91
12	Portland	4.21	-0.14	-1.86
13	Philadelphia	4.57	1.20	0.70
14	Washington, DC	4.68	1.20	-0.07
15	Baltimore	7.62	-0.48	-1.73

Source: Zillow
10 major metros not reported
Technical Note: Rate is per 10,000 homes

The region's foreclosure rate, which ranks 3rd lowest among the largest U.S. metros, has remained relatively stable over the past year.

BUILDING PERMITS

Building permit activity in the region slowed between October and January. Most of the permit activity was driven by single family homes, which accounted for 84 percent of all building permits. Overall permit activity decreased by more than 66 percent between January 2015 and January 2016.

Residential Building Permits: San Diego County

BUILDING SIZE	TOTAL NUMBER OF BUILDINGS			TOTAL NUMBER OF UNITS			TOTAL CONSTRUCTION COST		
	JAN-16	CHANGE QTR	CHANGE YR	JAN-16	CHANGE QTR	CHANGE YR	JAN-16	CHANGE QTR	CHANGE YR
Total	138	-72	-280	594	-268	-173	\$72,778,553	\$91,648,100	\$107,240,200
Single Family	116	-57	-285	116	-57	-285	\$42,043,118	\$24,616,000	\$85,478,300
2-4 Family	12	-7	9	34	-24	28	\$5,736,048	\$6,997,600	\$5,034,200
Multi-family (5+)	10	-8	-4	444	-187	84	\$24,999,387	\$60,034,600	\$26,796,100

Source: U.S. Census Bureau Building Permits Survey
Note: Monthly New Privately-Owned Residential Building Permits. Imputed figures used. Construction figures rounded to nearest 00.



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