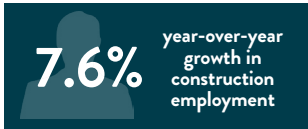


SAN DIEGO HIGHLIGHTS



IN THIS ISSUE

Every quarter San Diego Regional EDC analyzes key economic indicators that are important to understanding the regional economy and the region's standing relative to the 25 most populous metropolitan areas in the U.S.

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This issue covers data from **Q2 2017**.

UNEMPLOYMENT

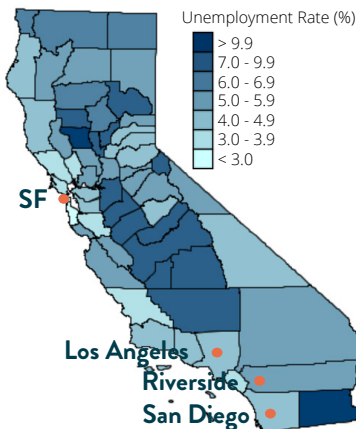
- With an unemployment rate of 4.3 percent, the San Diego region had the 15th lowest unemployment rate among the 25 most populous metros.
- Despite a small hike of 0.1 percentage points, the region's unemployment rate remains lower than the national and state rates of 4.5 and 4.9 percent, respectively.
- When compared to its regional neighbors, San Diego continues to fare better than Riverside, which at 5.5 percent had the highest unemployment rate among major U.S. metros. With an unemployment rate of 4.3 percent, Los Angeles remains on par with San Diego.
- Year-over-year, the region's unemployment rate decreased by 0.6 percentage points.

Unemployment Rate: 25 Most Populous US Metros

Rank	Metro	Q2 2017	Q1 2017	PP Change
1	Denver	2.5	2.4	0.1
2	Minneapolis	3.5	3.8	-0.3
3	San Francisco	3.6	3.5	0.1
4	Detroit	3.7	5.0	-1.3
5	Washington DC	3.9	3.7	0.2
5	Portland	3.9	3.9	0.0
5	Orlando	3.9	3.9	0.0
5	San Antonio	3.9	4.1	-0.2
9	Boston	4.0	3.5	0.5
9	Seattle	4.0	3.7	0.3
9	Saint Louis	4.0	4.0	0.0
9	Charlotte	4.0	4.3	-0.3
9	Dallas	4.0	4.3	-0.3
14	Tampa	4.1	4.1	0.0
15	New York	4.3	4.1	0.2
15	Los Angeles	4.3	4.2	0.1
15	San Diego	4.3	4.2	0.1
18	Baltimore	4.4	4.4	0.0
19	Phoenix	4.5	4.1	0.4
19	Miami	4.5	4.7	-0.2
-	US	4.5	4.6	-0.1
21	Philadelphia	4.8	4.6	0.2
22	Chicago	4.9	4.5	0.4
22	Atlanta	4.9	4.6	0.3
24	Houston	5.3	5.7	-0.4
25	Riverside	5.5	5.3	0.2

Source: Bureau of Labor Statistics
Note: Data not seasonally adjusted. Quarter-end monthly data.

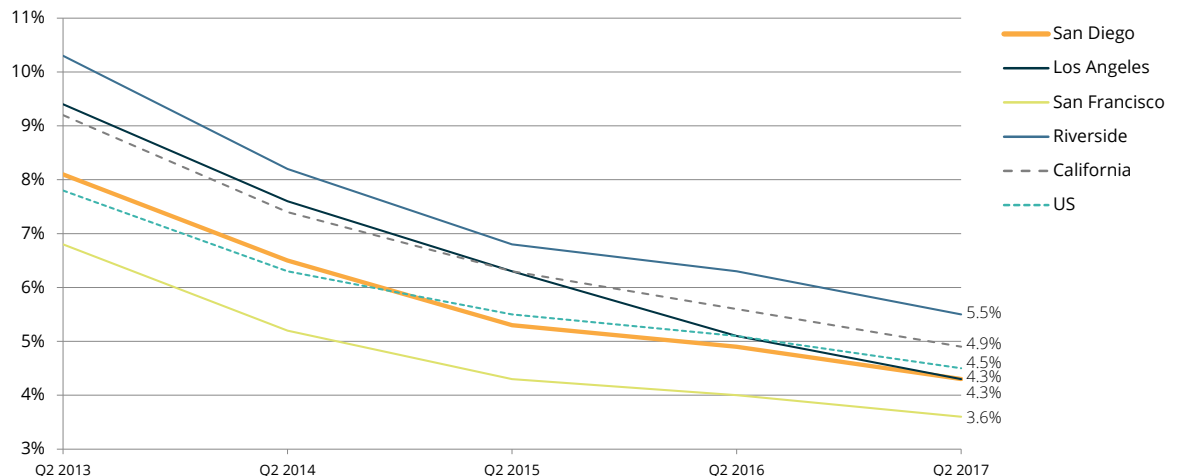
CALIFORNIA'S UNEMPLOYMENT BY COUNTY



Source: Bureau of Labor Statistics
Note: Data not seasonally adjusted.

HISTORICAL UNEMPLOYMENT COMPARISONS

Quarter-End Unemployment Rate San Diego & Select California Metros

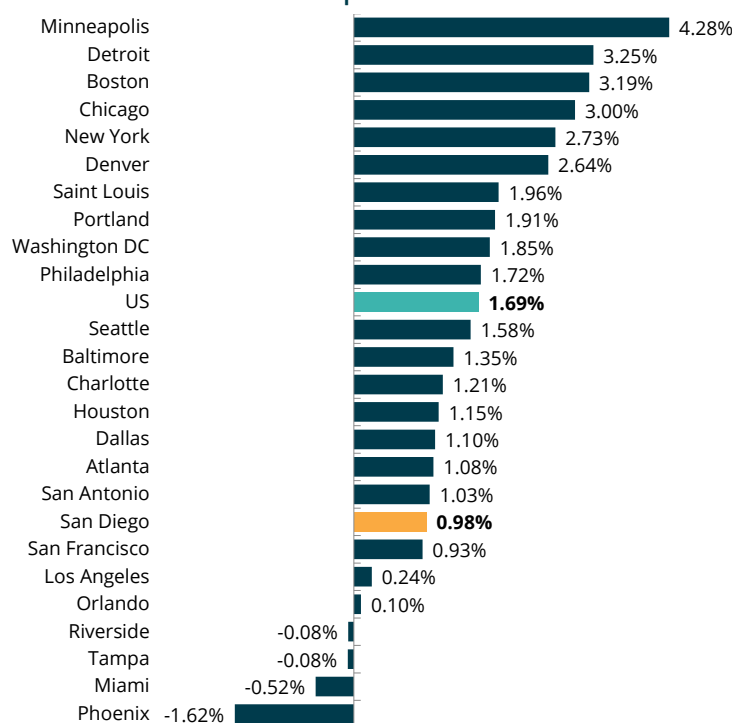


Source: Bureau of Labor Statistics
Note: Data not seasonally adjusted. Quarter-end monthly data.

EMPLOYMENT

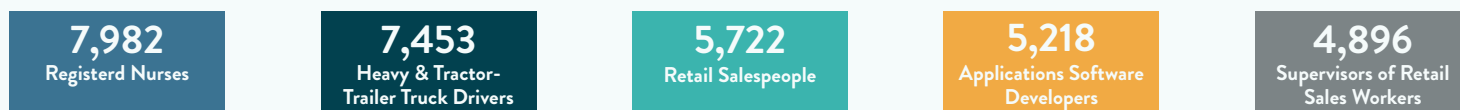
- Following seasonal declines in employment during Q1, San Diego experienced an increase in employment during Q2. The region added 14,100 jobs - a 0.98 percent increase in employment during the quarter. Year-over-year, the region added 27,800 jobs, increasing employment by nearly 2.0 percent.
- With the summer tourist season approaching, the leisure and hospitality sector recorded the largest quarterly gain, adding 9,300 jobs during Q2, overshadowing the growth seen across other sectors.
- Other strong contributors to the quarterly employment growth were construction and other services, together adding 3,500 jobs. In fact, these two sectors saw the two largest year-over-year gains, increasing by 7.6 and 7.7 percent, respectively.
- There were 1,367,470 total job postings during the quarter, of which 204,278 were unique. This means that on average, employers are posting the same job opening nearly seven times, up an additional posting from last quarter. The increase in posting intensity indicates potential difficulty in filling open positions.
- Registered nurses continue to top the charts, with nearly 8,000 unique job postings throughout the quarter. Heavy and tractor-trailer truck drivers and retail salespeople remain in the top three, while software developers replaced taxi drivers and chauffeurs in 4th.

Quarter-Over-Quarter Change in Employment 25 Most Populous US Metros



Source: Bureau of Labor Statistics
Note: Changes in quarter-end monthly data.

TOP IN-DEMAND OCCUPATIONS BY JOB UNIQUE JOB POSTINGS



Source: EMSI, Job Posting Analytics, Q2 2017

EMPLOYMENT CHANGES BY SECTOR

Employment by Sector (in thousands)	Q2 2017	Q1 2017	Q2 2016	Change Prev. QTR	Change Prev. YR	% Change Prev. QTR	% Change Prev. YR
Total (Private and Government)	1449.4	1435.3	1421.6	14.1	27.8	1.0%	2.0%
Total Private	1197.9	1185.7	1176.2	12.2	21.7	1.0%	1.8%
<i>Professional and Business Services</i>	235.3	235.7	233.0	(0.4)	2.3	-0.2%	1.0%
Prof., Scientific and Tech. Services*	129.7	131.4	128.1	(1.7)	1.6	-1.3%	1.2%
Mgmt. of Companies and Enterprises	22.0	21.8	21.5	0.2	0.5	0.9%	2.3%
Administrative	83.6	82.5	83.4	1.1	0.2	1.3%	0.2%
<i>Trade, Transportation and Utilities</i>	218.5	217.9	218.4	0.6	0.1	0.3%	0.0%
Wholesale Trade	44.1	44.3	44.3	(0.2)	(0.2)	-0.5%	-0.5%
Retail Trade	144.6	144.7	144.9	(0.1)	(0.3)	-0.1%	-0.2%
Transportation and Utilities	29.8	28.9	29.2	0.9	0.6	3.1%	2.1%
<i>Education and Health Services</i>	202.0	203.8	197.4	(1.8)	4.6	-0.9%	2.3%
Education Services	29.6	30.5	29.4	(0.9)	0.2	-3.0%	0.7%
Healthcare and Social Assistance	172.4	173.3	168.0	(0.9)	4.4	-0.5%	2.6%
<i>Leisure and Hospitality*</i>	195.8	186.5	193.5	9.3	2.3	5.0%	1.2%
<i>Manufacturing*</i>	107.8	107.2	108.1	0.6	(0.3)	0.6%	-0.3%
<i>Financial Activities</i>	75.3	74.8	72.5	0.5	2.8	0.7%	3.9%
Finance and Insurance	45.9	45.9	44.6	0.0	1.3	0.0%	2.9%
Real Estate and Rental and Leasing	29.4	28.9	27.9	0.5	1.5	1.7%	5.4%
<i>Construction</i>	80.8	79.2	75.1	1.6	5.7	2.0%	7.6%
<i>Other Services</i>	58.6	56.7	54.4	1.9	4.2	3.4%	7.7%
<i>Information*</i>	23.5	23.6	23.5	(0.1)	0.0	-0.4%	0.0%
<i>Mining and Logging</i>	0.3	0.3	0.3	0.0	0.0	0.0%	0.0%
Total Government	251.5	249.6	245.4	1.9	6.1	0.8%	2.5%
Federal Government	46.1	45.9	46.7	0.2	(0.6)	0.4%	-1.3%
State Government	49.8	49.7	48.3	0.1	1.5	0.2%	3.1%
Local Government	155.6	154.0	150.4	1.6	5.2	1.0%	3.5%

Source: Bureau of Labor Statistics
Notes: Italics denote supersectors. Asterisk (*) denotes sectors strongly associated with San Diego's traded economies. Quarter-end monthly data.

RESIDENTIAL REAL ESTATE

HOME PRICES

San Diego's housing market remains the 2nd most expensive in the nation, according to the National Association of Realtors. The median home price rose 7.3 percent from the previous quarter, and is now up 8.0 percent compared to a year ago.

Median Home Price for Select US Metros (Q2 2017)

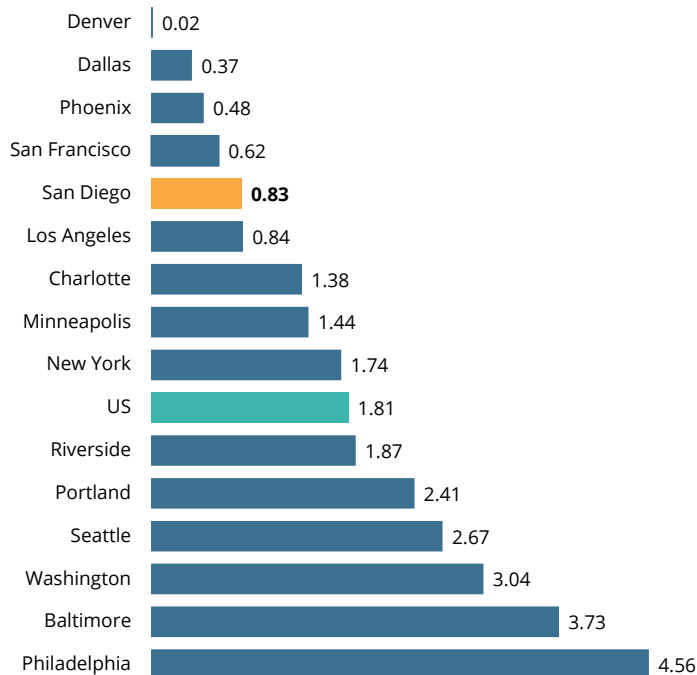
Rank	Metro	Price Q2 2017	% Change From Prev. Quarter	% Change From Prev. Year
1	San Francisco	\$950,000	16.6%	8.6%
2	San Diego	\$605,000	7.3%	8.0%
3	Los Angeles	\$514,200	5.8%	7.1%
4	Seattle	\$475,400	12.6%	13.1%
5	Boston	\$464,900	12.2%	6.7%
6	Washington DC	\$428,700	11.8%	5.4%
7	Denver	\$424,500	7.2%	7.6%
8	New York	\$414,000	7.3%	4.7%
9	Portland	\$389,100	8.1%	9.1%
10	Riverside	\$342,100	4.8%	8.4%
11	Miami	\$335,000	5.3%	8.1%
12	Baltimore	\$277,000	16.6%	4.2%
13	Chicago	\$264,300	15.6%	7.3%
14	Minneapolis	\$259,000	10.4%	6.8%
-	US	\$255,600	10.1%	6.2%
15	Dallas	\$255,200	7.9%	9.9%
16	Phoenix	\$247,300	4.0%	5.4%
17	Orlando	\$245,000	6.5%	9.4%
18	Philadelphia	\$239,100	14.4%	3.0%
19	Houston	\$235,600	6.0%	8.4%
20	Charlotte	\$234,300	11.8%	7.4%
21	San Antonio	\$222,600	9.9%	5.7%
22	Tampa	\$220,200	6.1%	10.1%
23	Atlanta	\$204,900	12.1%	6.7%
24	Saint Louis	\$174,000	12.3%	2.2%

Source: National Association of Realtors
Notes: Detroit not available. Single-family detached homes. Data not seasonally adjusted.

FORECLOSURES

The region's foreclosure rate was the 5th lowest among select metros, down one spot from last quarter. The foreclosure rate remained lower than the U.S., with 0.83 homes out of every 10,000 foreclosing during the quarter. The region's foreclosure rate continued to be lower than in Riverside and Los Angeles.

Foreclosure Rate for Select US Metros (Q2 2017)

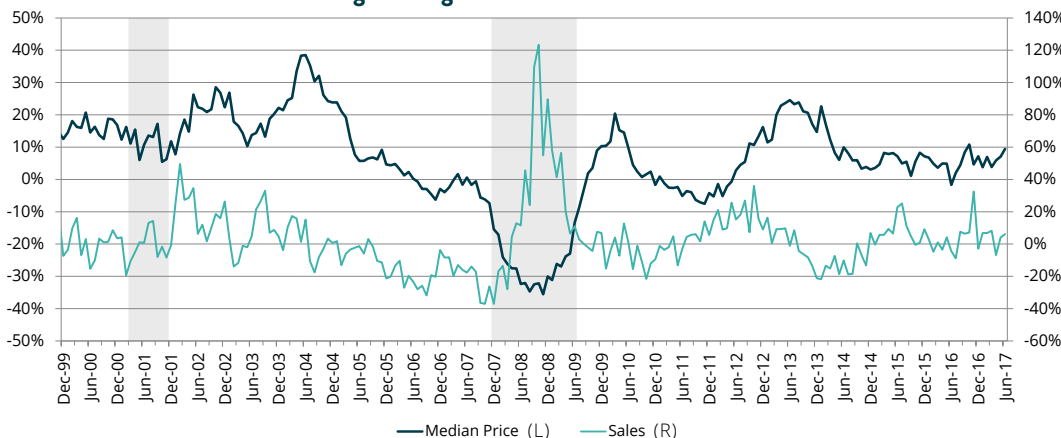


Source: Zillow
Note: Rate is per 10,000 homes. Ten major metros not reported.

HISTORICAL HOME PRICE TRENDS

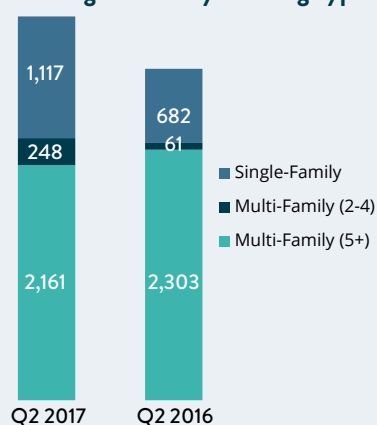
- Median home price appreciation has been consistently strong since 2015, with an annual growth rate of 9.0 percent. This is nearly double the rate of 5.3 percent from the previous five years. The pace continued to accelerate in the first half of 2017, as sales activity has increased. In the final month of Q2, home sales were up 6.1 percent compared to a year ago.
- Additional supply is on the way, which could help slow price appreciation. The total number of housing permits in Q2 was up 15.8 percent compared to the same period in 2016. The increase was led by two-to-four unit projects, which have more than tripled from a year ago.

Year-Ago Change in Median Home Price & Sales



Source: California Association of Realtors
Notes: Shaded areas represent economic recessions. Single-family detached homes. Data not seasonally adjusted.

Building Permits by Housing Type



Source: US Census Bureau, Building Permits Survey
Note: Quarter-end monthly data.

COMMERCIAL REAL ESTATE

OFFICE MARKET

11.0%
Vacancy Rate

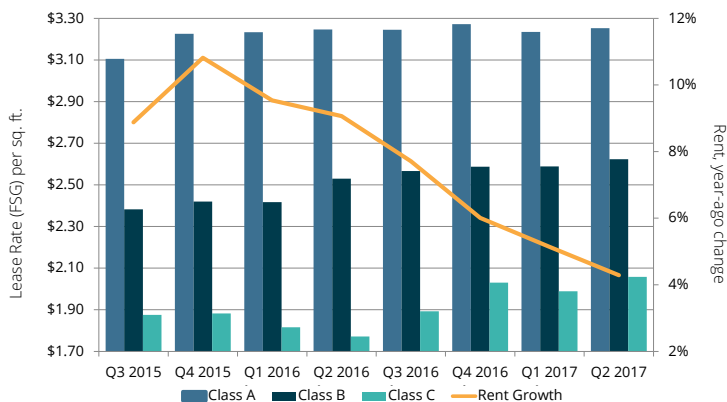
349,803 sq. ft.
Net Absorption

271,893 sq. ft.
Construction

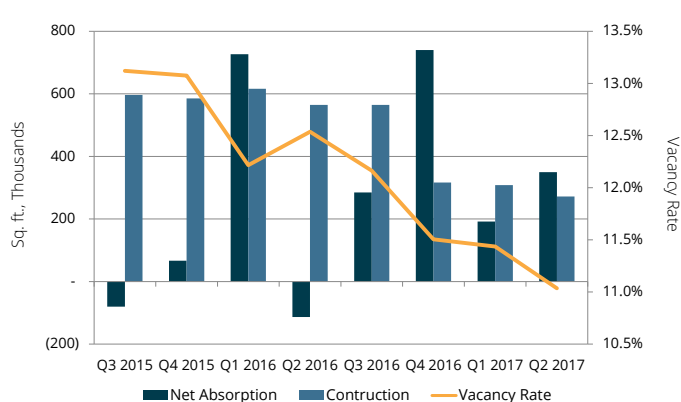
\$2.84 FSG
Lease Rate

- The San Diego office market continued to trend positively, with the vacancy rate dropping to a new post-recession low of 11.0 percent. Net absorption increased to 349,803 square feet (sq. ft.) in Q2 2017, after a somewhat subdued first quarter. However, year-to-date absorption is slightly behind that of 2016 at 541,692 sq. ft.
- After a small decrease last quarter, the average asking rate rose to \$2.84 full service gross (FSG), a record high for the region. Asking rates rose for all classes of space, and average annual rent growth continued to rise, albeit more slowly than in recent quarters.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates



INDUSTRIAL MARKET

4.7%
Vacancy Rate

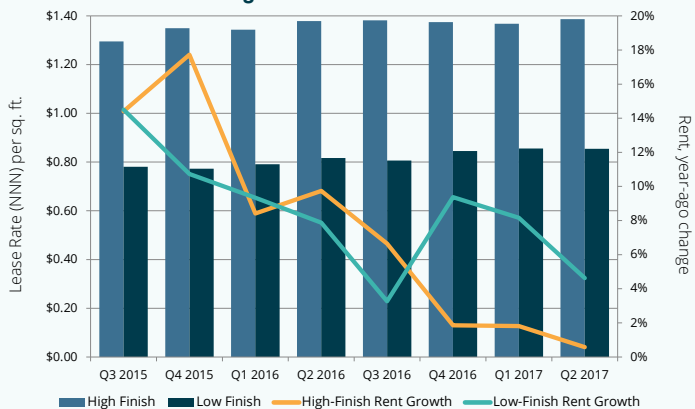
349,745 sq. ft.
Net Absorption

1,410,745 sq. ft.
Construction

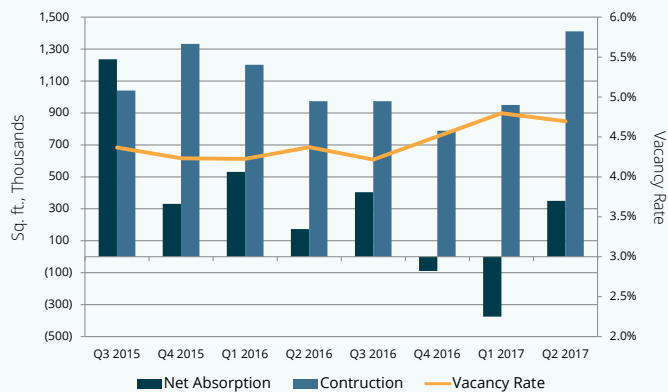
\$1.39 NNN
High-finish Lease Rate

- San Diego's industrial market rebounded in the second quarter. After two consecutive quarters of increases, the overall vacancy rate declined to 4.7 percent in Q2. Though there was a return to positive net absorption of 349,745 sq. ft., year-to-date absorption remained negative.
- High-finish asking rates rose \$0.02 quarter-over-quarter to \$1.39 triple net (NNN), reaching a new record high, while low-finish asking rates fell \$0.01 to \$0.85 NNN. Annual rent growth remained positive, both in high-finish and low-finish spaces, yet was significantly slower than previous quarters.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates

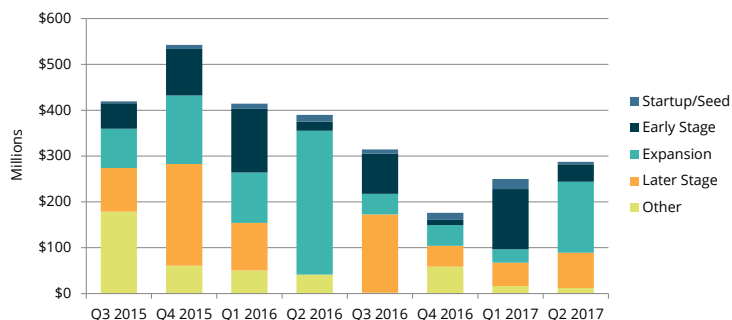


Note: CBRE no longer reports an overall industrial asking rate. It now separately reports high-finish rates and low-finish rates. High-finish generally has more office build-out, multiple stories and consists of business park R&D and R&D subtypes. Low-finish has higher clearance, more dock doors and consists of business park industrial, light industrial, manufacturing and warehouse subtypes.

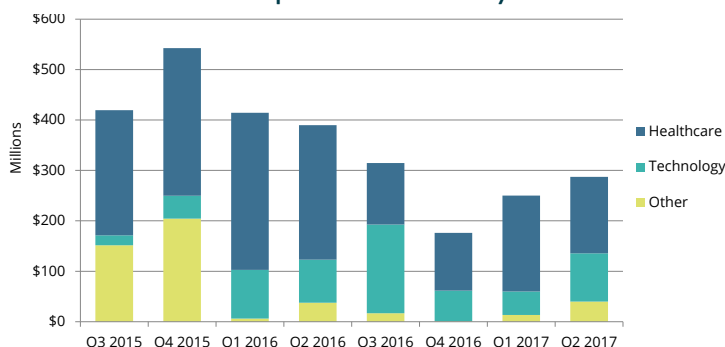
VENTURE CAPITAL

- The San Diego region saw 24 deals worth a total of \$287.4 million in venture capital (VC) investment in Q2 2017. This places San Diego 12th out the 18 U.S. regions tracked by the PwC MoneyTree Report in terms of VC dollars and 13th in deal volume.
- VC into the region increased 14.9 percent compared to the previous quarter, despite fewer deals. However, VC investment is down 26.3 percent when compared to the same period a year ago.
- More than half, nearly \$152 million, of the VC received in Q2 went to healthcare, which includes biotech companies and medical devices manufacturers. Healthcare consistently draws the bulk of VC dollars into the region. The technology cluster received almost \$96 million, most of which went into internet, mobile and telecom companies.
- Expansion stage funding increased more than four-fold from the previous quarter to \$154.7 million, representing nearly 54 percent of all VC dollars for the quarter. Later stage funding also increased in Q2, while seed and early stage funding fell.
- The top five deals went to companies in either the expansion or later stage funding rounds. The three largest deals were in the field of precision medicine, and when combined, represent 39 percent of all investment in Q2.

Venture Capital Dollars Received by Funding Stage



Venture Capital Dollars Received by Sector



Source: PwC/CB Insights MoneyTree™ Report

TOP VENTURE CAPITAL DEALS

\$45M
TP Therapeutics
Precision Medicine

\$40M
Epic Sciences
Precision Medicine

\$27M
AltheaDx
Precision Medicine

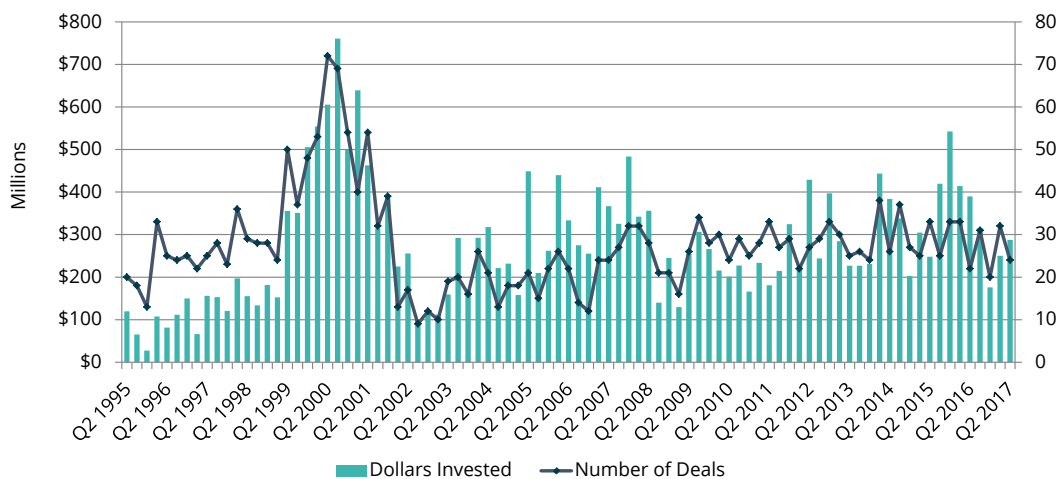
\$24M
Scientist.com
Internet

\$22M
Edico Genome
Software

Source: PwC/CB Insights MoneyTree™ Report, Q2 2017

HISTORICAL VENTURE CAPITAL TRENDS

Venture Capital Investment Trends



Source: PwC/CB Insights MoneyTree™ Report

Note: Data is subject to revision, as VC activity is not always disclosed during the quarter of investment. PwC's methodology can be found [here](#).

THIS QUARTER IN RESEARCH: GENOMICS

In Q2, San Diego Regional EDC released the first-ever economic impact report on San Diego's genomics industry. "[Cracking the Code: the Economic Impact of San Diego's Genomics Industry](#)" explores the economic factors that have led to the proliferation of San Diego's genomics industry, analyzes the region's genomics standing relative to other U.S. regions and quantifies San Diego's genomics-related firms, talent pool, venture capital and more.

The San Diego region is home to 3.3 million people and is widely recognized as a top life sciences market in the country. In recent years, the genomics industry has been a major driver of scientific innovation. With anchors such as Illumina and Thermo Fisher Scientific, research institutes and startups that help interpret and store genomic data, San Diego companies have collaborated to propel this once-nascent industry into a global powerhouse.



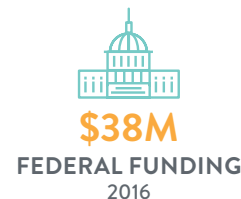
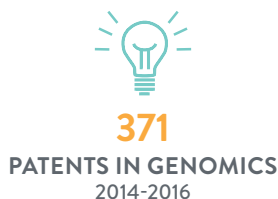
HOW SAN DIEGO STACKS UP

In order to better understand San Diego's role in advancing this industry, this study compared the region's genomics ecosystem to that of nine other major life sciences metros. For purposes of comparison, the top ten life sciences markets were scored and compared to one another in three categories: innovation, talent and growth. San Diego's composite score ranks it as the number two genomics market in the nation.



FUNDING THE FUTURE

San Diego has an exceptional track record for creating intellectual property and strong life sciences companies, which allows the region to command a large share of genomics-related venture capital. In 2016, San Diego received nearly a quarter of all genomics VC in the U.S. From 2014 to 2016, San Diego led the way, generating 371 genomics-related patents. Collectively, 28 firms in San Diego generated 120 genomics-related patents in 2016 alone.



LIFE CHANGING TALENT

The genomics industry benefits from the talent graduating from the region's top academic institutions. San Diego's quality of life and abundant job opportunities are among the top reasons the region has a higher-than-average concentration of genomics talent; a fundamental ingredient for a healthy ecosystem.



FOR A COPY OF THE FULL STUDY
AND INTERACTIVE TIMELINE VISIT

GenomicsSD.org

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