

## SAN DIEGO HIGHLIGHTS

**3.2%** unemployment rate

**7.1%** year-over-year growth in median home price

**63.5%** year-over-year growth in VC dollars

THIS QUARTER IN RESEARCH:  
THE IMPORTANCE OF WATER RELIABILITY TO SAN DIEGO'S ECONOMY

## 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 **Q3 2018**.

## UNEMPLOYMENT

- The region's unemployment rate was 3.2 percent in Q3, down from 3.7 percent in Q2 2018. In fact, the 0.5 percentage point decrease positioned the region as having the 10th lowest unemployment rate among the 25 most populous metros.
- San Diego's unemployment rate remained below the state and national rates of 3.9 and 3.6 percent, respectively.
- When compared to its regional neighbors, San Diego's unemployment rate continued to fare better than both Riverside (4.1 percent) and Los Angeles (4.3 percent).
- Year-over-year, San Diego's unemployment rate decreased by 0.5 percentage points.

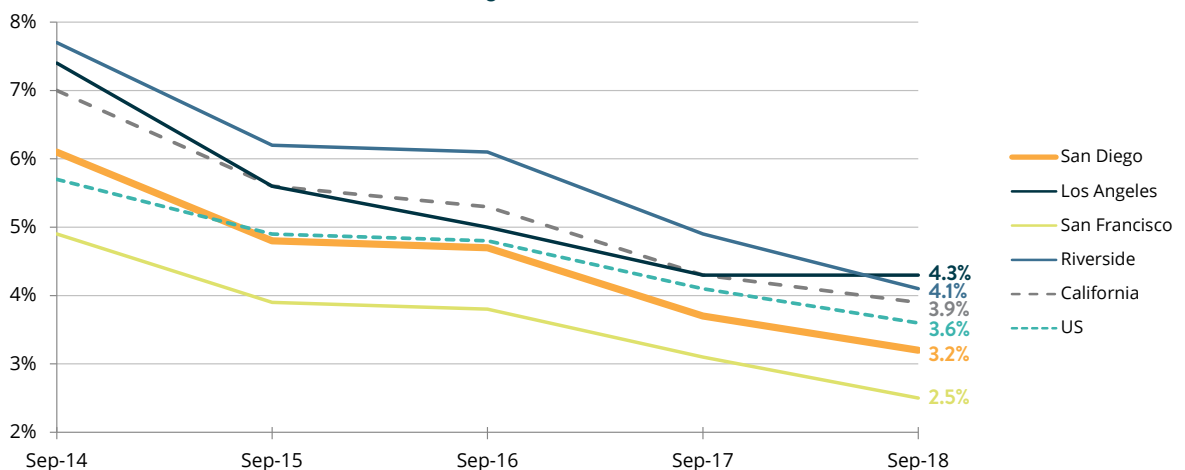
### Unemployment Rate - 25 Most Populous US Metros

Rank	Metro	Q3 2018	Q2 2018	PP Change
1	Minneapolis	2.2	2.8	-0.6
2	San Francisco	2.5	3.0	-0.5
3	Orlando	2.7	3.5	-0.8
4	Boston	2.9	3.6	-0.7
4	Saint Louis	2.9	3.6	-0.7
4	Tampa	2.9	3.8	-0.9
4	Charlotte	2.9	3.9	-1.0
8	Denver	3.0	2.9	0.1
9	Atlanta	3.1	4.0	-0.9
<b>10</b>	<b>San Diego</b>	<b>3.2</b>	<b>3.7</b>	<b>-0.5</b>
10	Miami	3.2	3.9	-0.7
12	San Antonio	3.3	3.7	-0.4
12	Washington DC	3.3	3.7	-0.4
14	Dallas	3.4	3.8	-0.4
15	Portland	3.5	3.8	-0.3
16	Seattle	3.6	4.0	-0.4
-	<b>US</b>	<b>3.6</b>	<b>4.2</b>	<b>-0.6</b>
17	Detroit	3.7	4.4	-0.7
17	Chicago	3.7	4.4	-0.7
19	New York	3.9	4.1	-0.2
19	Baltimore	3.9	4.5	-0.6
21	Philadelphia	4.1	4.3	-0.2
21	Houston	4.1	4.6	-0.5
21	Riverside	4.1	4.7	-0.6
25	Phoenix	4.2	4.2	0.0
24	Los Angeles	4.3	4.5	-0.2

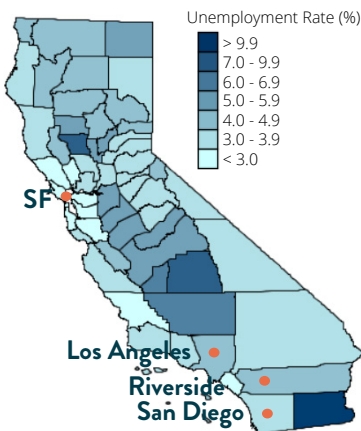
Source: Bureau of Labor Statistics  
Note: Data not seasonally adjusted. Quarter-end monthly data.

## UNEMPLOYMENT TRENDS

### Quarter-End Unemployment Rate San Diego & Select California Metros



## CALIFORNIA'S UNEMPLOYMENT BY COUNTY



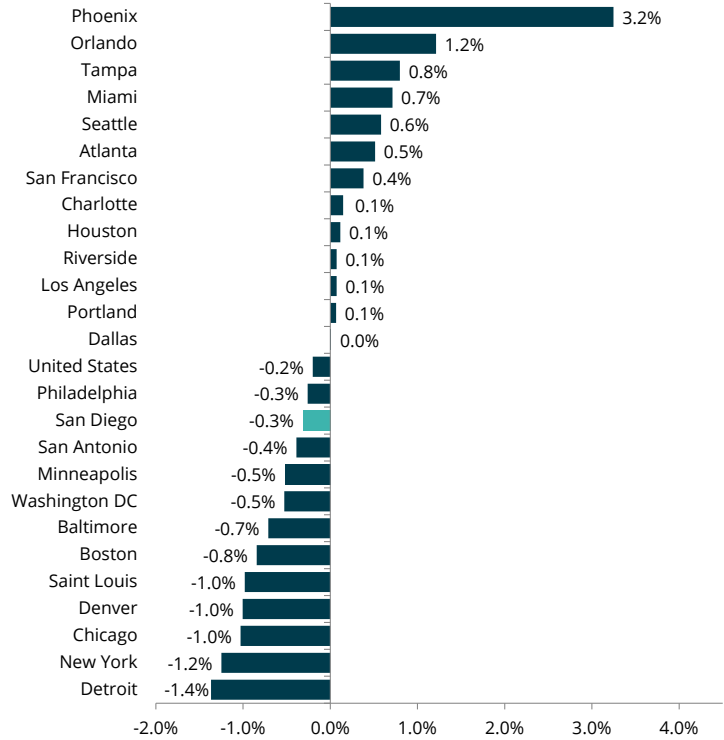
Source: Bureau of Labor Statistics  
Note: Data not seasonally adjusted.

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

## EMPLOYMENT

- Following an increase in employment in Q2, San Diego and 12 of the most populous metros, experienced a decline in total nonfarm employment in Q3. Winding down from the summer season, the region shed 4,700 jobs - a 0.3 percent decrease in employment during the quarter. Compared to a year ago, nonfarm employment was up 28,800 jobs, or 2 percent.
- With the summer tourist season coming to an end, the leisure and hospitality sector recorded the largest quarterly loss, shedding 2,300 jobs in Q3. Other contributors to quarterly employment loss were trade, transportation, and utilities, together losing 2,100 jobs.
- Professional and business services and educational and health services recorded the two largest year-over-year gains, increasing by 15,800 and 5,600 jobs, respectively.
- There were 859,370 total job postings in Q3, of which 157,460 were unique. With 5,260 unique job postings during the quarter, registered nurses continued to top the charts, indicating continued demand in one of the region's fastest-growing sectors - healthcare.

### 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 UNIQUE JOB POSTINGS

**5,260**  
Registered Nurses

**5,169**  
Applications Software Developers

**4,130**  
Retail Salespersons

**3,769**  
Taxi Drivers & Chauffeurs

**3,706**  
Supervisors of Retail Sales Workers

Source: EMSI, Job Posting Analytics, Q3 2018

## EMPLOYMENT CHANGES BY SECTOR

Employment by Sector (in thousands)	Q3 2018	Q2 2018	Q3 2017	Change Prev. QTR	Change Prev. YR	% Change Prev. QTR	% Change Prev. YR
<b>Total (Private and Government)</b>	<b>1,481.4</b>	<b>1,486.1</b>	<b>1,452.6</b>	<b>-4.7</b>	<b>28.8</b>	<b>-0.3%</b>	<b>2.0%</b>
<b>Total Private</b>	<b>1,235.2</b>	<b>1,229.4</b>	<b>1,210.0</b>	<b>5.8</b>	<b>25.2</b>	<b>0.5%</b>	<b>2.1%</b>
<i>Professional and Business Services</i>	250.5	242.7	234.7	7.8	15.8	3.2%	6.7%
Prof., Scientific, and Tech. Services*	137.0	132.8	128.0	4.2	9.0	3.2%	7.0%
Mgmt. of Companies and Enterprises	22.5	22.3	21.4	0.2	1.1	0.9%	5.1%
Administrative	91.0	87.6	85.3	3.4	5.7	3.9%	6.7%
<i>Trade, Transportation, and Utilities</i>	226.0	228.1	227.9	-2.1	-1.9	-0.9%	-0.8%
Wholesale Trade	47.0	49.1	48.1	-2.1	-1.1	-4.3%	-2.3%
Retail Trade	147.2	147.8	147.6	-0.6	-0.4	-0.4%	-0.3%
Transportation and Utilities	31.8	31.2	32.2	0.6	-0.4	1.9%	-1.2%
<i>Education and Health Services</i>	210.4	207.9	204.8	2.5	5.6	1.2%	2.7%
Education Services	29.1	29.7	28.7	-0.6	0.4	-2.0%	1.4%
Healthcare and Social Assistance	181.3	178.2	176.1	3.1	5.2	1.7%	3.0%
<i>Leisure and Hospitality*</i>	195.4	197.7	197.2	-2.3	-1.8	-1.2%	-0.9%
<i>Manufacturing*</i>	114.0	114.0	109.3	0.0	4.7	0.0%	4.3%
<i>Financial Activities</i>	73.8	73.5	74.1	0.3	-0.3	0.4%	-0.4%
Finance and Insurance	45.3	45.3	45.9	0.0	-0.6	0.0%	-1.3%
Real Estate and Rental and Leasing	28.5	28.2	28.2	0.3	0.3	1.1%	1.1%
<i>Construction</i>	82.8	81.7	81.8	1.1	1.0	1.3%	1.2%
<i>Other Services</i>	57.5	58.8	55.5	-1.3	2.0	-2.2%	3.6%
<i>Information*</i>	24.4	24.6	24.4	-0.2	0.0	-0.8%	0.0%
<i>Mining and Logging</i>	0.4	0.4	0.3	0.0	0.1	0.0%	33.3%
<b>Total Government</b>	<b>246.2</b>	<b>256.7</b>	<b>242.6</b>	<b>-10.5</b>	<b>3.6</b>	<b>-4.1%</b>	<b>1.5%</b>
Federal Government	47.1	47.0	46.8	0.1	0.3	0.2%	0.6%
State Government	47.8	52.4	46.2	-4.6	1.6	-8.8%	3.5%
Local Government	151.3	157.3	149.6	-6.0	1.7	-3.8%	1.1%

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

- With a median home price of \$650,000, San Diego's housing market remained the second most expensive in the nation in Q3.
- The region's median home price rose slightly from the previous quarter and was up 7.1 percent compared to a year ago.

Median Home Price for 25 Most Populous US Metros (Q3 2018)

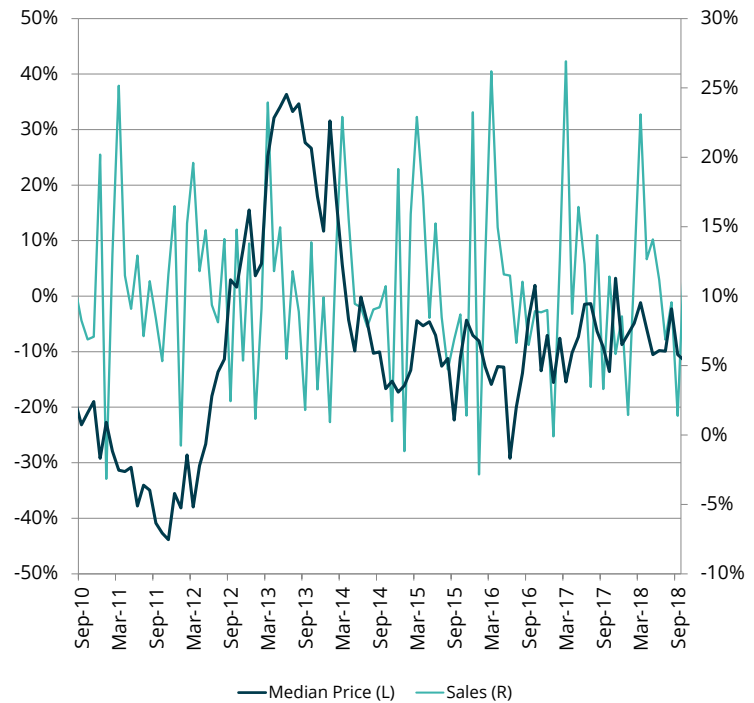
Rank	Metro	Price Q3 2018	% Change From Prev. Quarter	% Change From Prev. Year
1	San Francisco	\$989,000	-7.6%	9.9%
<b>2</b>	<b>San Diego</b>	<b>\$650,000</b>	<b>0.8%</b>	<b>7.1%</b>
3	Los Angeles	\$628,900	12.9%	5.7%
4	Seattle	\$502,800	-5.2%	5.1%
5	Boston	\$491,400	-0.9%	5.9%
6	Denver	\$450,100	-2.8%	7.7%
7	Washington DC	\$426,000	-3.9%	4.3%
8	New York	\$392,200	3.6%	-0.2%
9	Riverside	\$362,500	0.7%	6.6%
10	Miami	\$355,000	0.6%	4.4%
11	Baltimore	\$300,900	1.2%	11.4%
12	Portland	\$289,600	-1.6%	4.8%
13	Minneapolis	\$274,500	-2.0%	6.5%
14	Phoenix	\$272,700	0.3%	9.6%
-	US	\$266,900	-0.4%	4.8%
15	Orlando	\$266,000	-1.1%	7.3%
16	Chicago	\$265,300	-3.6%	3.8%
17	Dallas	\$262,100	-2.3%	5.3%
18	Charlotte	\$245,000	-2.9%	5.1%
19	Philadelphia	\$240,600	1.9%	0.7%
20	Houston	\$240,200	-1.7%	2.7%
21	Tampa	\$236,000	-1.1%	4.9%
22	San Antonio	\$231,800	0.7%	5.0%
23	Atlanta	\$224,100	-2.1%	9.7%
24	Saint Louis	\$182,000	-2.0%	3.1%

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

## SALES & PRICE TRENDS

- Median home price appreciation has been strong and consistent since 2015, with a compound annual growth rate of 6.7 percent.
- Despite an unchanged home price early in the quarter, price growth accelerated in Q3, up 5.8 percent compared to last year.

Year-Ago Change in Median Home Price & Sales

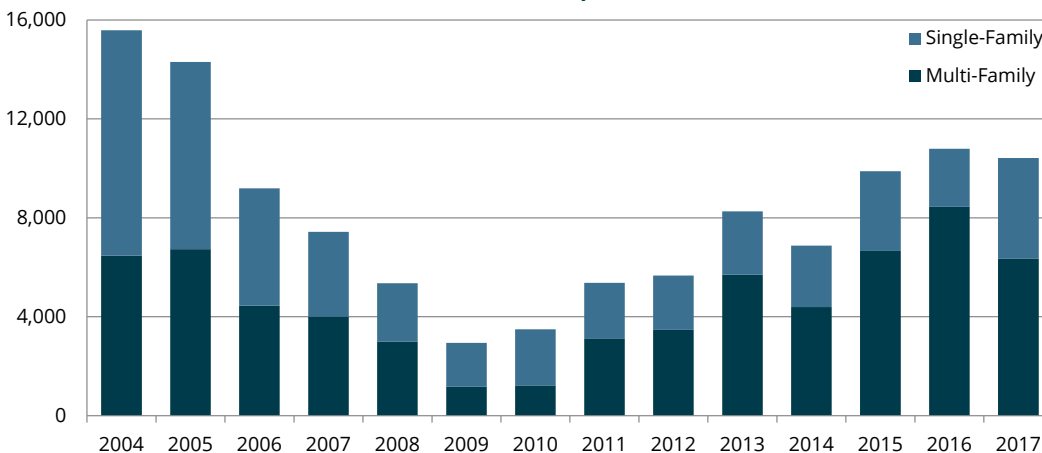


Source: California Association of Realtors

## BUILDING PERMITS

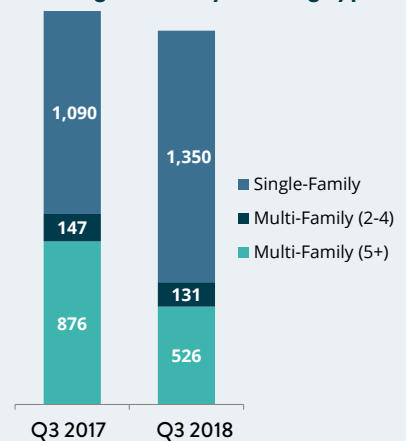
Housing permits decreased year-over-year in San Diego, largely due to multi-family housing declining by nearly 36 percent. However, single-family housing increased during the same period, growing by 24 percent.

Permit Activity



Source: US Census Bureau, Building Permits Survey, 2004-2017  
Notes: The survey universe increased in 2014.

Building Permits by Housing Type



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

# COMMERCIAL REAL ESTATE

## OFFICE MARKET

**10.2%**  
Vacancy Rate

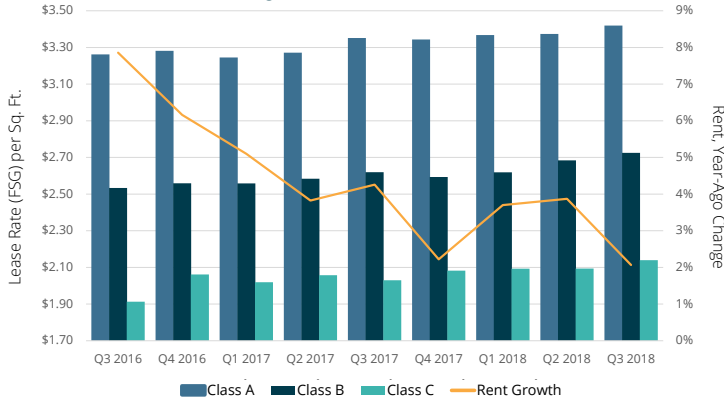
**352K sq. ft.**  
Net Absorption

**621K sq. ft.**  
Construction

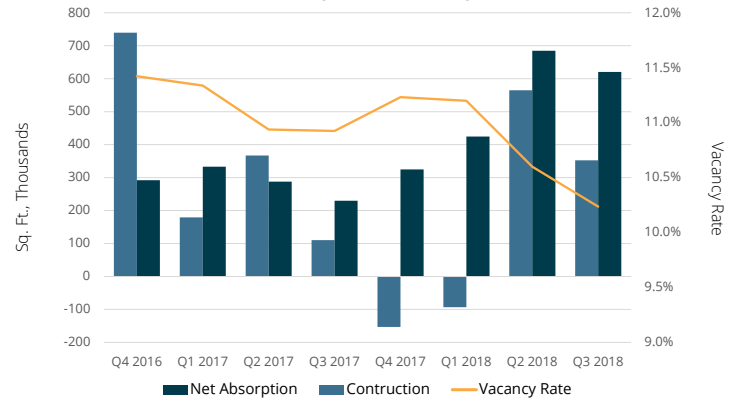
**\$2.96 FSG**  
Lease Rate

- Positive momentum in Q3 positioned the San Diego office market well ahead of where it was in 2017 in terms of net absorption, asking rates, and vacancy rates. Average asking rates increased to \$2.96 per sq. ft., pushing all classes to historic highs.
- Net absorption was strong for the second consecutive quarter at 352,363 sq. ft., led by Class A, which accounted for 84.2 percent.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates



## INDUSTRIAL MARKET

**3.9%**  
Vacancy Rate

**1.6M sq. ft.**  
Net Absorption

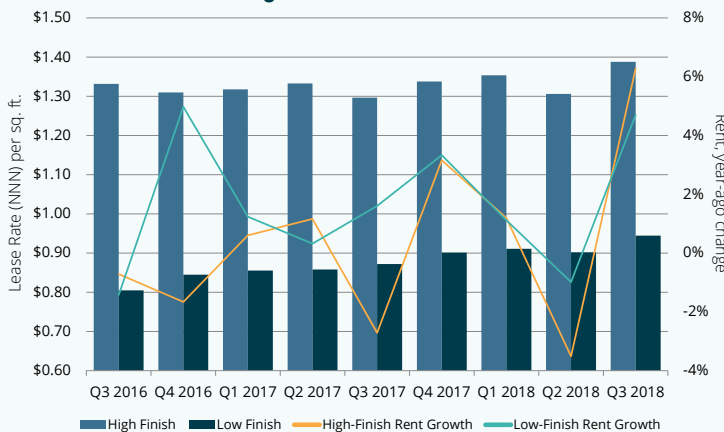
**2.7M sq. ft.**  
Construction

**\$1.39 NNN**  
High-Finish Lease Rate

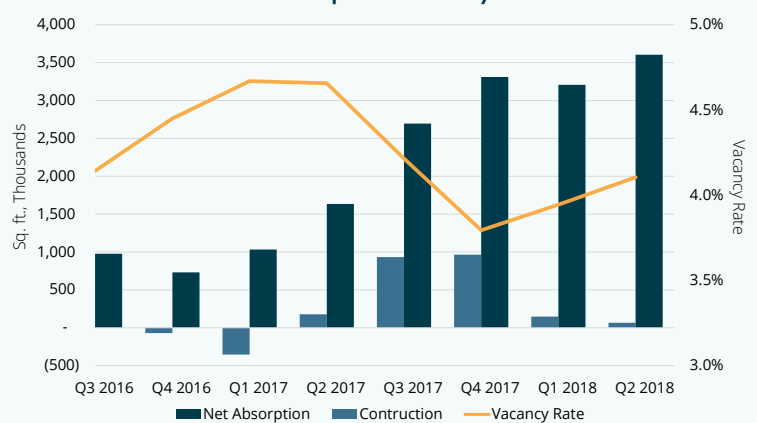
**\$0.94 NNN**  
Low-Finish Lease Rate

- Post-recession records were set for quarterly net absorption, construction deliveries, and average asking lease rates in Q3.
- Quarterly leasing activity was the highest in more than two years, driving vacancy down 20 basis points quarter-over-quarter to 3.9 percent.
- The volume of occupied deliveries drove net absorption beyond 1.6 million sq. ft., which brought year-to-date net absorption ahead of the 2017 total.
- Average asking rates for low-finish product reached \$0.94 NNN, driven largely by added availabilities in newly delivered buildings.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates

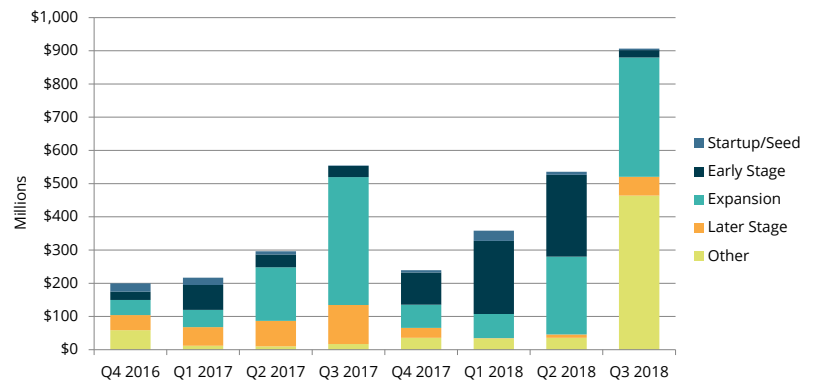


Note: CBRE no longer reports an overall industrial asking rate. It now separately reports high-finish rates and low-finish rates. High-finish generally has more office build-out, multiple stories, and consists of business park R&D and R&D subtypes. Low-finish has higher clearance, more dock doors, and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

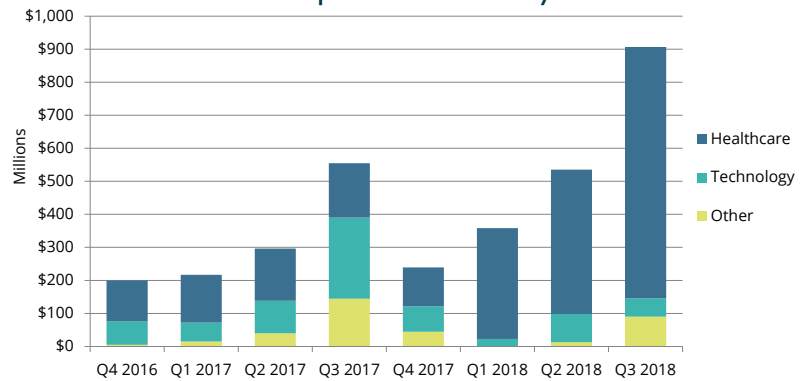
## VENTURE CAPITAL

- In Q3, the San Diego region saw 23 venture capital (VC) deals worth nearly \$907 million. This places San Diego sixth out of the 19 U.S. regions tracked by the PwC MoneyTree Report in terms of VC dollars received.
- VC investment in the region increased 69.3 percent compared to the previous quarter. Compared to the same period a year ago, VC investment in the region is up 63.5 percent.
- The majority, or \$761 million, of VC received in Q3 went to healthcare companies. Healthcare consistently draws the bulk of VC dollars into the region.
- The technology cluster received \$55 million during the quarter, all of which went to internet companies.
- Expansion stage funding increased 53.5 percent, jumping to \$359 million and commanding 51.2 percent of VC received during the quarter.
- The quarter's top five deals combined represent 89 percent of all investment in Q3. The largest investment was in Samumed, a leader in medical research and development for tissue-level regeneration.

Venture Capital Dollars Received by Funding Stage



Venture Capital Dollars Received by Sector



Source: PwC/CB Insights MoneyTree™ Report

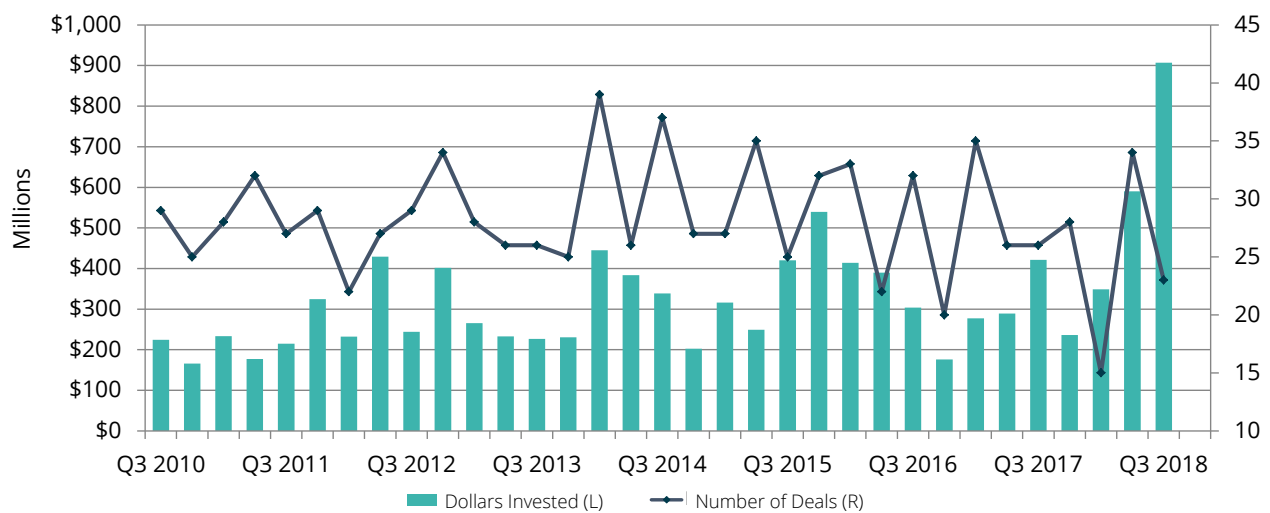
## TOP VENTURE CAPITAL DEALS



Source: PwC/CB Insights MoneyTree™ Report, Q3 2018

## 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:**

**THE IMPORTANCE OF WATER RELIABILITY TO SAN DIEGO'S ECONOMY**

While it may seem both obvious and subtle, San Diego's thriving \$220 billion economy and quality of life is made possible by a safe and reliable water supply. Direct investments in water infrastructure, such as the construction of pipelines, dams, or treatment plants, ripple throughout the entire economy by creating new jobs, expanding business opportunities, and fostering economic competitiveness.

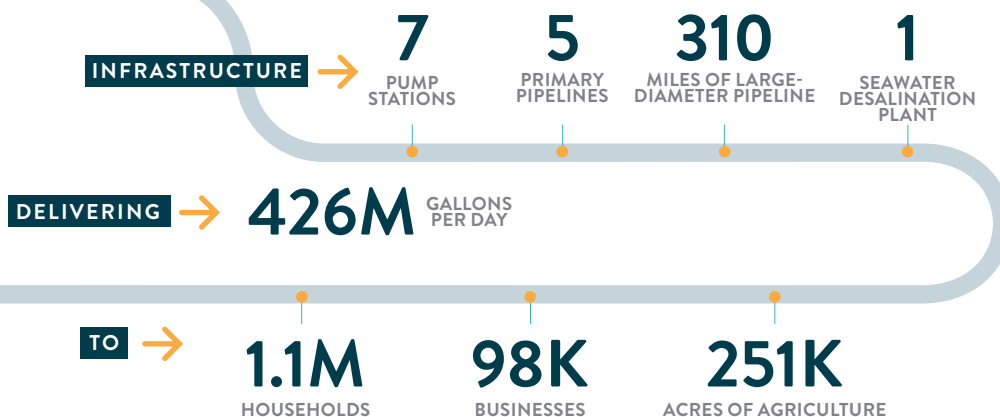
To better understand how these investments benefit the regional economy, EDC released "The Importance of Water Reliability to San Diego's Economy," an economic impact analysis that evaluates how water infrastructure investments - developed by the San Diego County Water Authority - over the past 20 years have benefitted the region's economy.



\*This analysis is limited to investments by the Water Authority in San Diego County

**MEETING SAN DIEGO'S WATER NEEDS TODAY**

Every day, the Water Authority delivers an average of 426 million gallons of water to 24 member agencies that serve 1.1 million households and more than 98,000 businesses.\* Through a multi-billion dollar Capital Improvement Program, the Water Authority has improved San Diego's water infrastructure by developing a multitude of projects, including new reservoirs, the nation's largest seawater desalination plant, pipelines, pumps, and a regional water treatment facility.



**THE IMPORTANCE OF WATER RELIABILITY TO SAN DIEGO'S ECONOMY**

Supporting nearly 140,000 jobs, the region's innovation economy makes groundbreaking discoveries and produces high-value goods and services that change the way the world works. A reliable water supply and the infrastructure necessary to store, move, treat, and deliver it are essential to the development of an advanced economy. They are indispensable to scientists and doctors delivering personalized medicine, aerospace engineers designing aircraft that carry our troops, and breweries crafting the best beer in the nation. Interruptions of the region's water supply would have severe impacts on all local industries.

**DAILY GROSS REGIONAL PRODUCT & SALES SUPPORTED BY A RELIABLE WATER SUPPLY**

INDUSTRY CLUSTER	LIFE SCIENCES	TECH	AEROSPACE	ACADEMIA	BREWERIES
DAILY GRP SUPPORTED	\$5M	\$3.4M	\$3M	\$779K	\$761K
DAILY BUSINESS SALES SUPPORTED	\$10.3M	\$8M	\$7.7M	\$1.3M	\$2M

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