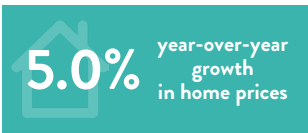
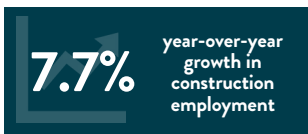


## SAN DIEGO HIGHLIGHTS



## 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.

This issue covers data from Q1 2017.

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## UNEMPLOYMENT

- With an unemployment rate of 4.2 percent, the San Diego region continued to have the 14th lowest rate among the 25 most populous metros.
- San Diego's unemployment rate rose by 0.1 percentage points in Q1, the same increase experienced by the nation and state.
- Despite an increase in the unemployment rate, the region's rate remains lower than the national and state rates of 4.6 and 5.1, respectively.
- When compared to regional neighbors, San Diego fares better than Riverside, which, at 5.3 percent, has the second highest unemployment rate among major metros. With an unemployment rate of 4.2 percent, Los Angeles is now on par with San Diego.
- Year-over-year, the region saw a 0.7 percentage point drop in unemployment rate, the second highest drop among the country, state and select state metros.

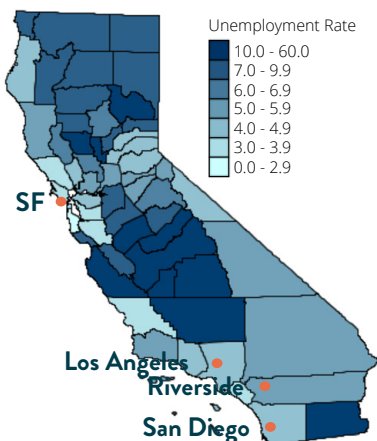
### Unemployment Rate: 25 Most Populous U.S. Metros Q4 2016 & Q1 2017

Rank	Metro	Q1 2017	Q4 2016	PP Change
1	Denver	2.4	2.6	-0.2
2	Boston	3.4	2.5	0.9
3	San Francisco	3.5	3.4	0.1
4	Washington DC	3.7	3.5	0.2
4	Seattle	3.7	4.0	-0.3
6	Minneapolis	3.8	3.6	0.2
7	Portland	3.9	4.0	-0.1
7	Orlando	3.9	4.3	-0.4
9	Saint Louis	4.0	4.0	0.0
10	Tampa	4.1	4.5	-0.4
10	New York	4.1	4.2	-0.1
10	Phoenix	4.1	4.1	0.0
10	San Antonio	4.1	3.6	0.5
14	Los Angeles	4.2	4.4	-0.2
<b>14</b>	<b>San Diego</b>	<b>4.2</b>	<b>4.1</b>	<b>0.1</b>
16	Dallas	4.3	3.7	0.6
17	Charlotte	4.4	4.5	-0.1
18	Chicago	4.5	5.5	-1.0
18	Baltimore	4.5	4.0	0.5
20	Miami	4.6	4.9	-0.3
20	Atlanta	4.6	5.0	-0.4
20	Philadelphia	4.6	4.3	0.3
-	US	4.6	4.5	0.1
23	Detroit	5.1	4.8	0.3
24	Riverside	5.3	5.1	0.2
25	Houston	5.7	5.3	0.4

Source: Bureau of Labor Statistics

Note: Data not seasonally adjusted. Quarter-end monthly data.

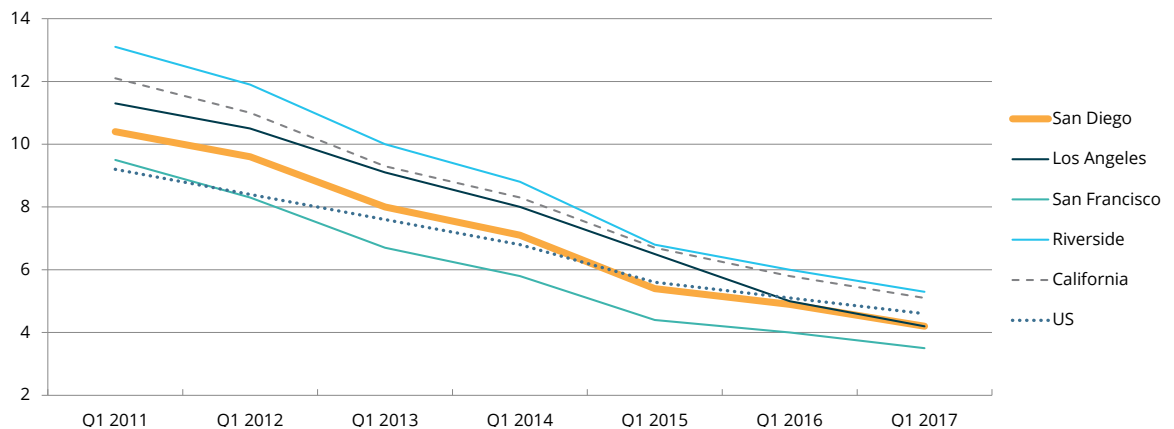
## CALIFORNIA'S UNEMPLOYMENT BY COUNTY



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

## HISTORICAL UNEMPLOYMENT COMPARISONS

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

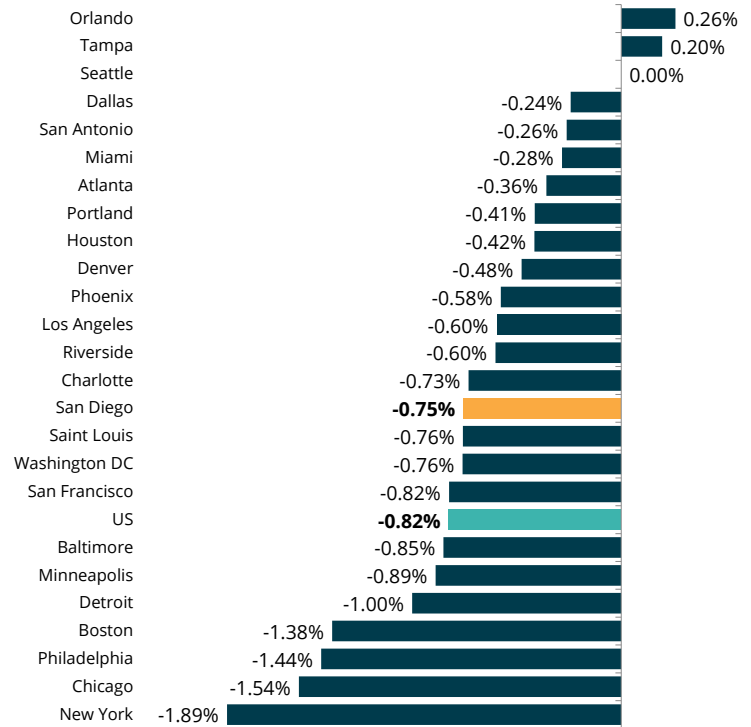


Source: Bureau of Labor Statistics  
Note: Data not seasonally adjusted.

## EMPLOYMENT

- Due to regularly occurring seasonal effects, San Diego, as well as the majority of large metros, experienced a seasonal decline in employment during Q1. Leaving the holiday season behind, the region lost 10,900 jobs - a 0.75 percent decrease in employment. However, year-over-year, the region has added 29,600 jobs, increasing employment by 2.1 percent.
- The region's labor market shrunk slower than ten metros and was 0.07 percentage points above the nation's decline of 0.82 percent.
- Following an addition of 11,000 jobs in Q4 2016, the trade, transportation and utilities supersector removed 12,900 jobs in Q1. The majority of these jobs were lost within the retail sector as seasonal employees transitioned out. This supersector dominates all activity amongst the private labor market and shadows the growth seen across other sectors.
- The largest quarterly and year-over-year growth was seen by the construction sector, adding 2,800 jobs in the quarter and 5,700 jobs in the year.
- Other sectors that saw a quarterly growth in employment are professional, scientific, and technical services (PST), other services, state government and management of companies and enterprises.
- Although the region lost 700 federal government jobs, state and local government added 1,400 jobs in Q1, leading to an overall government employment growth of 700 jobs, or 0.3 percent.

Percent Change in Employment  
Q4 2016 & Q1 2017



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

## TOP OCCUPATIONS HIRED



Source: EMSI, Job Posting Analytics, Q1 2017

## EMPLOYMENT CHANGES BY SECTOR

Employment by Sector (in thousands)	Q1 2017	Q4 2016	Q1 2016	Change Prev. QTR	Change Prev. YR	% Change Prev. QTR	% Change Prev. YR
<b>Total (Private and Government)</b>	<b>1,433.7</b>	<b>1,444.6</b>	<b>1,404.1</b>	<b>(10.9)</b>	<b>29.6</b>	<b>-0.8%</b>	<b>2.1%</b>
<b>Total Private</b>	<b>1,184.1</b>	<b>1,195.7</b>	<b>1,161.2</b>	<b>(11.6)</b>	<b>22.9</b>	<b>-1.0%</b>	<b>2.0%</b>
<i>Professional and Business Services</i>	235.8	234.5	231.8	1.3	4.0	0.6%	1.7%
Prof., Scientific and Tech. Services*	131.7	129.9	128.2	1.8	3.5	1.4%	2.7%
Mgmt. of Companies and Enterprises	21.8	21.6	21.5	0.2	0.3	0.9%	1.4%
Administrative	82.3	83.0	82.1	(0.7)	0.2	-0.8%	0.2%
<i>Trade, Transportation and Utilities</i>	217.8	230.7	217.4	(12.9)	0.4	-5.6%	0.2%
Wholesale Trade	44.1	45.5	44.1	(1.4)	-	-3.1%	0.0%
Retail Trade	144.8	155.1	144.5	(10.3)	0.3	-6.6%	0.2%
Transportation and Utilities	28.9	30.1	28.8	(1.2)	0.1	-4.0%	0.3%
<i>Education and Health Services</i>	203.2	202.0	197.0	1.2	6.2	0.6%	3.1%
Education Services	30.4	30.6	30.5	(0.2)	(0.1)	-0.7%	-0.3%
Healthcare and Social Assistance	172.8	171.4	166.5	1.4	6.3	0.8%	3.8%
<i>Leisure and Hospitality*</i>	185.3	189.4	185.5	(4.1)	(0.2)	-2.2%	-0.1%
<i>Manufacturing*</i>	107.1	107.4	107.2	(0.3)	(0.1)	-0.3%	-0.1%
<i>Financial Activities</i>	74.8	75.1	71.3	(0.3)	3.5	-0.4%	4.9%
Finance and Insurance	46.0	45.9	44.1	0.1	1.9	0.2%	4.3%
Real Estate and Rental and Leasing	28.8	29.2	27.2	(0.4)	1.6	-1.4%	5.9%
<i>Construction</i>	79.5	76.7	73.8	2.8	5.7	3.7%	7.7%
<i>Other Services</i>	56.7	55.9	53.5	0.8	3.2	1.4%	6.0%
<i>Information*</i>	23.6	23.7	23.4	(0.1)	0.2	-0.4%	0.9%
<i>Mining and Logging</i>	0.3	0.3	0.3	-	-	0.0%	0.0%
<b>Total Government</b>	<b>249.6</b>	<b>248.9</b>	<b>242.9</b>	<b>0.7</b>	<b>6.7</b>	<b>0.3%</b>	<b>2.8%</b>
Federal Government	45.9	46.6	46.4	(0.7)	(0.5)	-1.5%	-1.1%
State Government	49.7	49.1	48.0	0.6	1.7	1.2%	3.5%
Local Government	154.0	153.2	148.5	0.8	5.5	0.5%	3.7%

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. While the median home price fell 0.7 percent from the previous quarter, it is still up 5.0 percent compared to a year ago.

Median Home Price for Select U.S. Metros (Q1 2017)

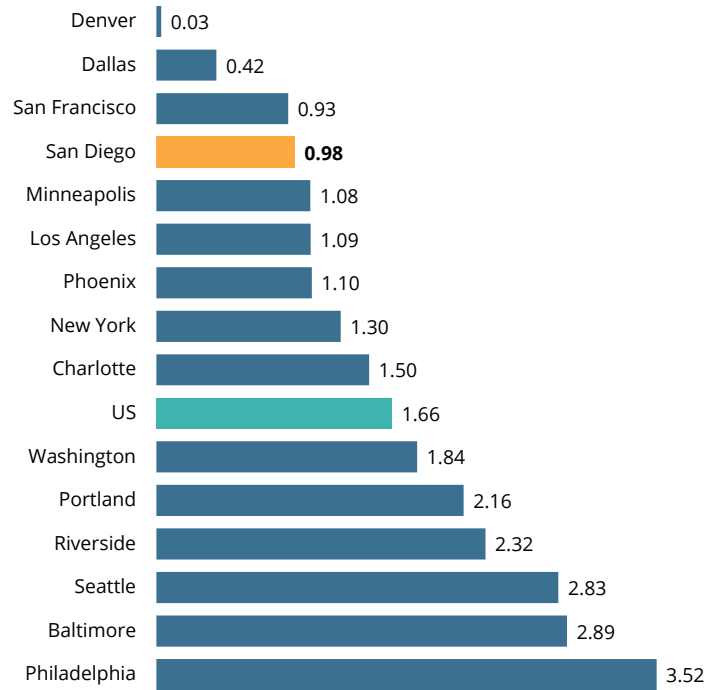
Rank	Metro	Price Q1 2017	% Change From Prev. Quarter	% Change From Prev. Year
1	San Francisco	\$815,000	-1.8%	6.5%
<b>2</b>	<b>San Diego</b>	<b>\$564,000</b>	<b>-0.7%</b>	<b>5.0%</b>
3	Los Angeles	\$485,800	-4.1%	5.7%
4	Seattle	\$422,100	-0.3%	10.2%
5	Boston	\$414,200	-0.8%	9.4%
6	Denver	\$396,100	3.8%	7.3%
7	New York	\$386,000	1.0%	3.5%
8	Washington DC	\$383,500	-0.2%	4.1%
9	Portland	\$359,900	1.5%	10.2%
10	Riverside	\$326,500	2.8%	9.6%
11	Miami	\$318,000	2.4%	11.0%
12	Phoenix	\$237,900	1.0%	6.6%
13	Baltimore	\$237,600	-3.4%	3.7%
14	Dallas	\$236,500	2.6%	12.6%
15	Minneapolis	\$234,700	-0.2%	6.0%
-	US	\$232,100	-1.4%	6.9%
16	Orlando	\$230,000	1.0%	10.0%
17	Chicago	\$228,600	0.9%	9.6%
18	Houston	\$222,300	-1.0%	6.9%
19	Charlotte	\$209,600	1.8%	13.4%
20	Philadelphia	\$209,000	-5.7%	2.5%
21	Tampa	\$207,500	1.2%	14.0%
22	San Antonio	\$202,600	-1.8%	3.6%
23	Atlanta	\$182,800	-0.1%	8.9%
24	Saint Louis	\$154,900	-3.7%	4.8%

Source: National Association of Realtors  
Note: Detroit not available.

## FORECLOSURES

The region's foreclosure rate is the 4th lowest among select metros, up four from last quarter. The foreclosure rate remained lower than the U.S., with 0.98 homes out of every 10,000 foreclosing during the quarter. The region's foreclosure rate continued to be lower than Riverside's and is now lower than Los Angeles'.

Foreclosure Rate for Select U.S. Metros (Q1 2017)

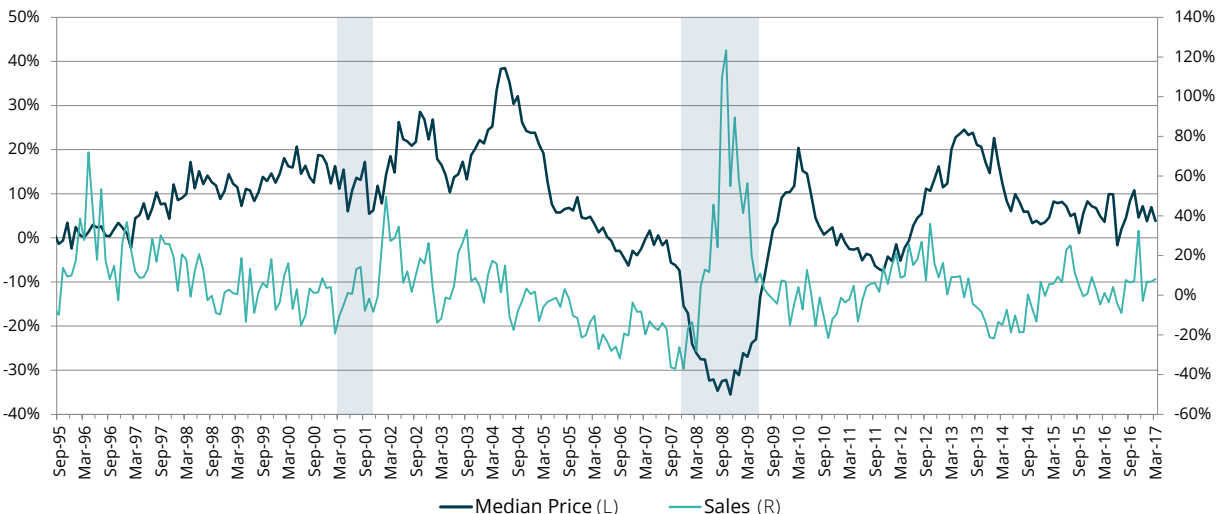


Source: Zillow  
Note: Rate is per 10,000 homes. Ten major metros not reported.

## SAN DIEGO HOME PRICE TRENDS

Since 2015, the average annual growth rate of median home prices in San Diego has been 5.8 percent. This is about one-third the double-digit pace of 2013 and 2014, and more in line with the historical average of 5.2 percent. As the pace of price appreciation has moderated, home sales have rebounded, albeit inconsistently and somewhat subdued as compared to 2012.

Year-Ago Change in Median Home Price and Sales in San Diego



Source: California Association of Realtors

# COMMERCIAL REAL ESTATE

## OFFICE

**11.5%**  
Vacancy Rate

**191,889 sq. ft.**  
Net Absorption

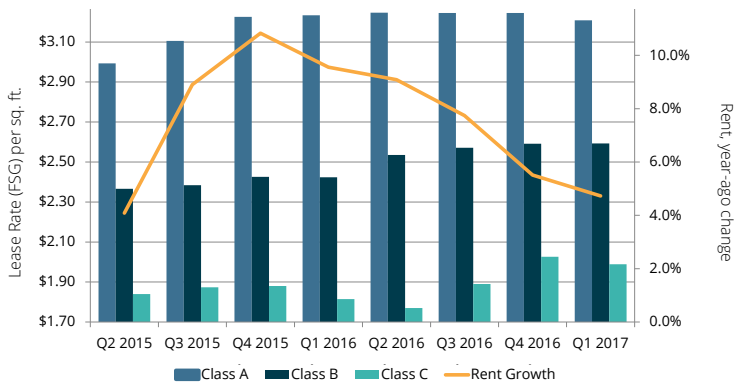
**333,328 sq. ft.**  
Construction

**\$2.79 FSG**  
Lease Rate

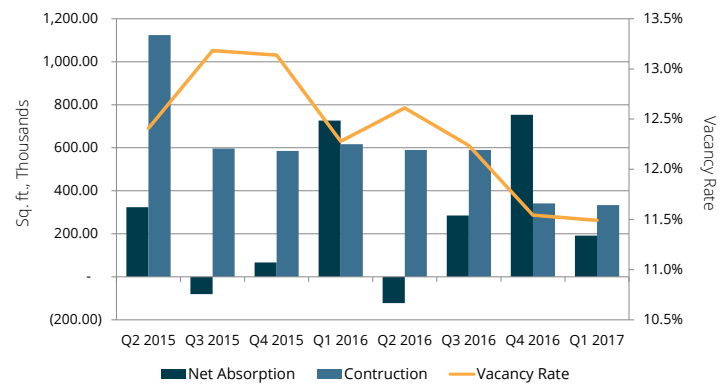
The office market in San Diego slowed somewhat in Q1 2017, as compared to a strong 2016, however the market remains solid. The vacancy rate remained unchanged from its historic low in Q4 2016, but is 80 basis points (bps) lower than a year ago. Minimal new construction and a few large deals resulted in moderate net absorption of 191,889 square feet (sq. ft.).

After nine consecutive quarters of increases, the average asking rate fell slightly quarter-over-quarter to \$2.79 full service gross (FSG). Year-over-year growth was high at \$0.13, but about half the \$0.23 increase seen in Q1 2016. Asking rates fell compared to a year ago for Class A space, while Class B and C space continued to rise. Annual rent growth in Class A space has slowed sharply in recent quarters after double-digit increases in late 2015.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates



## INDUSTRIAL

**4.4%**  
Vacancy Rate

**(451,792) sq. ft.**  
Net Absorption

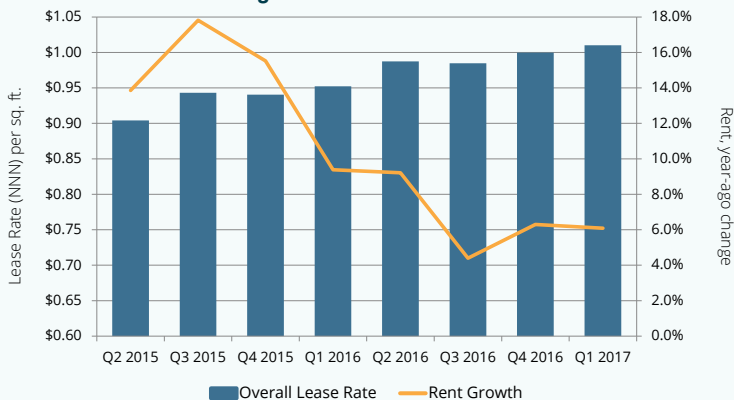
**833,134 sq. ft.**  
Construction

**\$1.01 NNN**  
Lease Rate

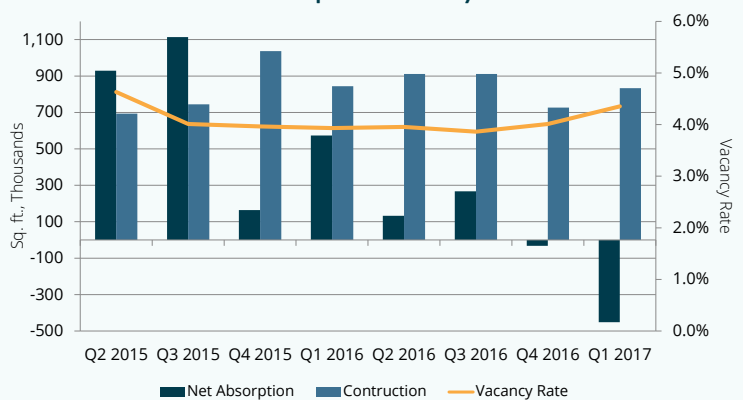
After an historic 2016, the San Diego industrial market is off to a slower start in 2017. Q1 saw the second consecutive quarter of negative net absorption, despite there being no new construction. The 451,792 sq. ft. of negative net absorption, despite no new construction, drove the total vacancy rate up 40 bps to 4.4 percent – the largest increase in seven years.

Overall asking rates rose \$0.01 quarter-over-quarter to \$1.01 triple net (NNN), reaching a new record high. Another 833,134 sq. ft. of space that is under construction will add pressure to the market. Slowing industrial employment growth will soften demand further if rents do not decrease from their historic levels.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates

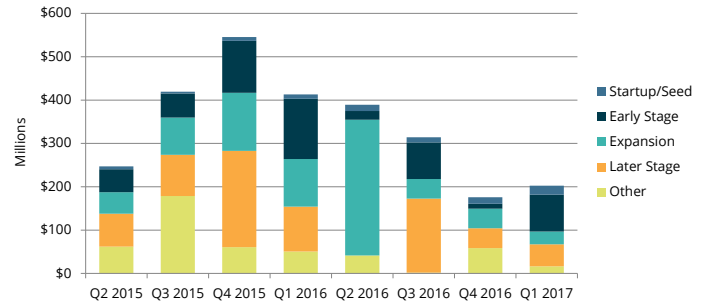


Note: Labspace is no longer included in CBRE's industrial statistics.

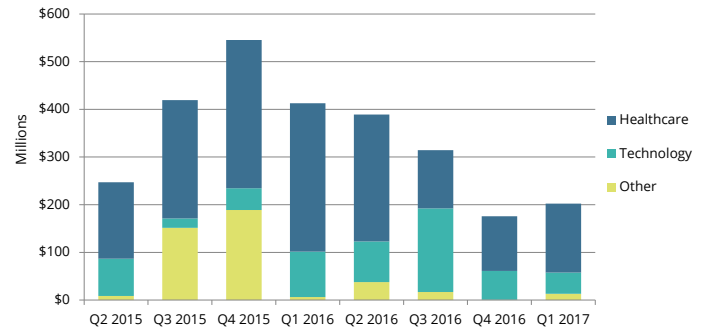
## VENTURE CAPITAL

- In Q1 2017, the San Diego region ranked 13th out of the 18 U.S. regions tracked by the PricewaterhouseCoopers MoneyTree Report in terms of VC dollars received by companies; San Diego ranked 12th in number of deals.
- VC dollars into the region increased 15.2 percent compared to the previous quarter, as the number of deals jumped. However, the volume of investment is down 51 percent when compared to the same period a year ago.
- The San Diego region saw a total of \$202.4 million of VC investment in Q1 2017 coming from 32 deals. Nearly \$145 million, or 72 percent, of that went to healthcare, which includes biotech and medical devices, and has consistently drawn the bulk of VC dollars in recent years. The technology cluster received \$44.4 million, with half going to internet, mobile, and telecom companies.
- Early stage funding increased more than six-fold from the previous quarter to \$85.3 million, representing 42 percent of all VC dollars for the quarter. Both seed and later stage funding increased in Q1, while expansion stage funding slowed.

Venture Capital Dollars Received in San Diego by Funding Stage



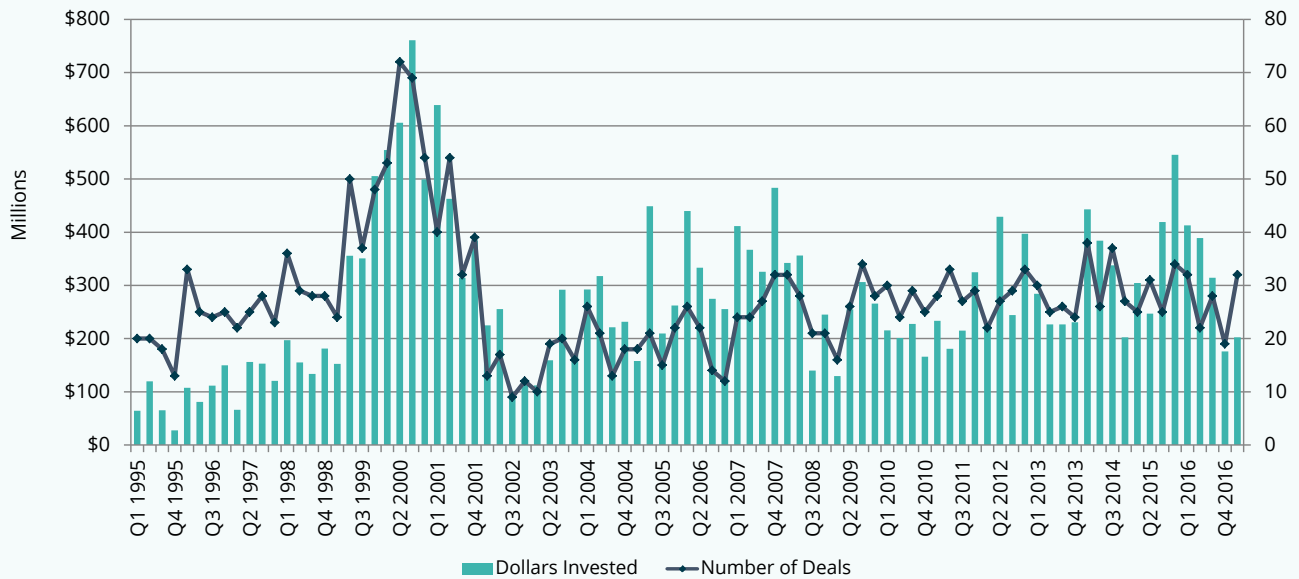
Venture Capital Dollars Received in San Diego by Sector



Source: PwC/CB Insights MoneyTree™ Report

## HISTORICAL VENTURE CAPITAL TRENDS

Venture Capital Investment Trends in San Diego



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](#).

For more information, please contact:  
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San Diego Regional EDC's mission is to maximize the region's economic prosperity and global competitiveness.