

## SAN DIEGO HIGHLIGHTS

**1.1%** year-over-year growth in employment

**7.8%** year-over-year growth in median home price

**25.1%** quarterly growth in VC dollars

**39.1K** jobs in San Marcos

## 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 **Q3 2017**.

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## UNEMPLOYMENT

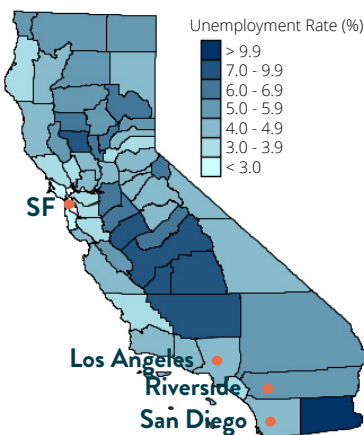
- With an unemployment rate of 4.1 percent, the San Diego region had the 17th lowest unemployment rate among the 25 most populous metros, two spots lower than Q2.
- San Diego's unemployment rate remained below California's rate of 4.7 percent, and was on par with the national rate of 4.1 percent.
- When compared to its regional neighbors, San Diego's unemployment rate continued to fare better than both Riverside (5.4 percent) and Los Angeles (4.5 percent).
- Year-over-year, the region's unemployment rate decreased by 0.5 percentage points.

### Unemployment Rate - 25 Most Populous US Metros

Rank	Metro	Q3 2017	Q2 2017	PP Change
1	Denver	2.2	2.5	-0.3
2	Minneapolis	2.9	3.5	-0.6
3	Orlando	3.2	4.0	-0.8
3	San Antonio	3.2	3.9	-0.7
5	Boston	3.3	4.0	-0.7
5	San Francisco	3.3	3.6	-0.3
5	Tampa	3.3	4.1	-0.8
8	Dallas	3.4	4.0	-0.6
9	Saint Louis	3.5	4.0	-0.5
10	Washington DC	3.6	3.9	-0.3
11	Baltimore	3.7	4.4	-0.7
12	Charlotte	3.8	4.0	-0.2
13	Miami	3.9	4.5	-0.6
14	Atlanta	4.0	4.8	-0.8
14	Phoenix	4.0	4.5	-0.5
14	Portland	4.0	3.9	0.1
<b>17</b>	<b>San Diego</b>	<b>4.1</b>	<b>4.3</b>	<b>-0.2</b>
	US	4.1	4.5	-0.4
18	Seattle	4.2	4.0	0.2
19	Detroit	4.4	3.7	0.7
20	Los Angeles	4.5	4.4	0.1
21	Philadelphia	4.6	4.8	-0.2
22	Chicago	4.7	4.9	-0.2
22	New York	4.7	4.3	0.4
24	Houston	4.8	5.3	-0.5
25	Riverside	5.4	5.5	-0.1

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

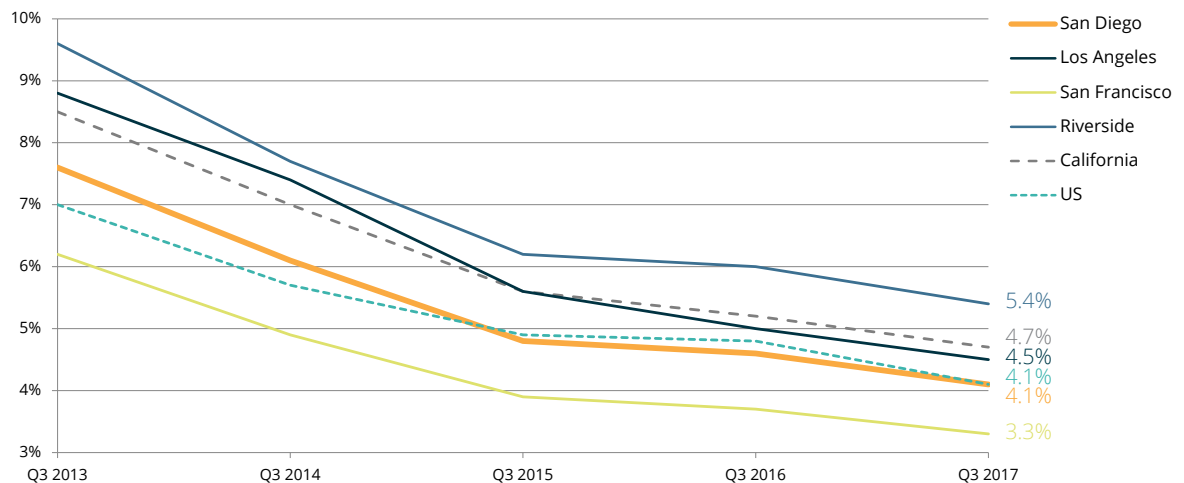
## CALIFORNIA'S UNEMPLOYMENT BY COUNTY



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

## UNEMPLOYMENT TRENDS

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

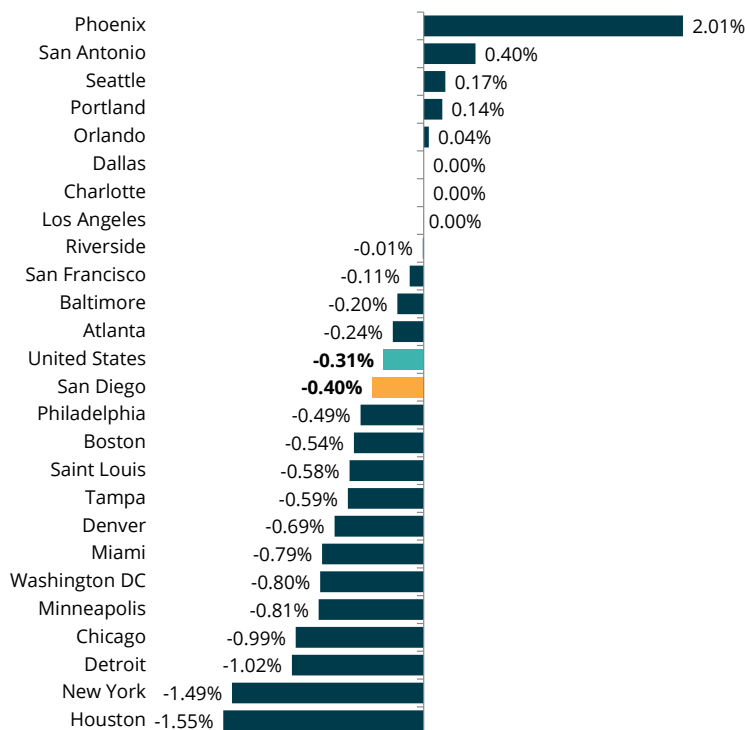


Source: Bureau of Labor Statistics  
Note: Data not seasonally adjusted. Quarter-end monthly data.

## EMPLOYMENT

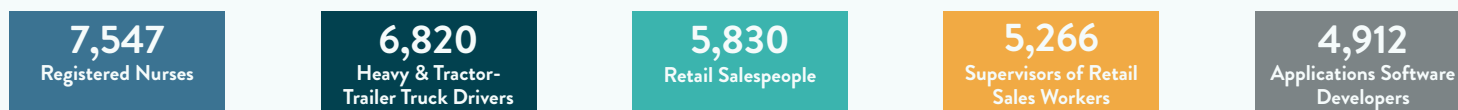
- Following an increase in employment during Q2, total nonfarm employment fell 5,800, or 0.4 percent, in Q3. Job gains in the private sector helped offset some of the losses seen in local and state government. Compared to a year ago, total nonfarm employment was up 16,100, or 1.1 percent.
- With the holiday season approaching, retail trade recorded the largest gain, adding 1,400 jobs during the quarter. Healthcare and social assistance continued to grow, adding 1,200 jobs.
- Other strong contributors to the quarterly employment growth were other services, real estate and rental and leasing, and construction, totaling 2,900 additional jobs. These three sectors also saw the three largest year-over year gains, increasing by 9.0 percent, 7.9 percent, and 5.2 percent, respectively.
- Professional, scientific, and technical services, as well as transportation utilities, saw the largest declines in the private sector, losing 1,900 and 1,700 jobs, respectively.
- There were 1,364,906 total job postings during the quarter, of which 192,814 were unique. This means that on average, employers are posting the same job opening more than seven times.
- With nearly 8,000 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 JOB UNIQUE JOB POSTINGS



Source: EMSI, Job Posting Analytics, Q3 2017

## EMPLOYMENT CHANGES BY SECTOR

Employment by Sector (in thousands)	Q3 2017	Q2 2017	Q3 2016	Change Prev. QTR	Change Prev. YR	% Change Prev. QTR	% Change Prev. YR
<b>Total (Private and Government)</b>	<b>1443.4</b>	<b>1449.2</b>	<b>1427.3</b>	<b>-5.8</b>	<b>16.1</b>	<b>-0.4%</b>	<b>1.1%</b>
<b>Total Private</b>	<b>1200.6</b>	<b>1197.7</b>	<b>1188.0</b>	<b>2.9</b>	<b>12.6</b>	<b>0.2%</b>	<b>1.1%</b>
<i>Professional and Business Services</i>	232.6	235.0	235.1	-2.4	-2.5	-1.0%	-1.1%
Prof., Scientific and Tech. Services*	128.0	129.9	129.3	-1.9	-1.3	-1.5%	-1.0%
Mgmt. of Companies and Enterprises	21.6	21.9	21.3	-0.3	0.3	-1.4%	1.4%
Administrative	83.0	83.2	84.5	-0.2	-1.5	-0.2%	-1.8%
<i>Trade, Transportation and Utilities</i>	219.3	219.1	220.1	0.2	-0.8	0.1%	-0.4%
Wholesale Trade	44.9	44.4	44.9	0.5	0.0	1.1%	0.0%
Retail Trade	146.6	145.2	145.5	1.4	1.1	1.0%	0.8%
Transportation and Utilities	27.8	29.5	29.7	-1.7	-1.9	-5.8%	-6.4%
<i>Education and Health Services</i>	202.7	202.0	198.8	0.7	3.9	0.3%	2.0%
Education Services	29.0	29.5	29.3	-0.5	-0.3	-1.7%	-1.0%
Healthcare and Social Assistance	173.7	172.5	169.5	1.2	4.2	0.7%	2.5%
<i>Leisure and Hospitality*</i>	196.6	195.7	196.3	0.9	0.3	0.5%	0.2%
<i>Manufacturing*</i>	107.7	107.5	108.1	0.2	-0.4	0.2%	-0.4%
<i>Financial Activities</i>	76.0	75.0	72.9	1.0	3.1	1.3%	4.3%
Finance and Insurance	45.9	45.6	45.0	0.3	0.9	0.7%	2.0%
Real Estate and Rental and Leasing	30.1	29.4	27.9	0.7	2.2	2.4%	7.9%
<i>Construction</i>	81.4	80.6	77.4	0.8	4.0	1.0%	5.2%
<i>Other Services</i>	60.4	59.0	55.4	1.4	5.0	2.4%	9.0%
<i>Information*</i>	23.6	23.5	23.6	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%
<b>Total Government</b>	<b>242.8</b>	<b>251.5</b>	<b>239.3</b>	<b>-8.7</b>	<b>3.5</b>	<b>-3.5%</b>	<b>1.5%</b>
Federal Government	46.0	46.1	46.7	-0.1	-0.7	-0.2%	-1.5%
State Government	45.7	49.8	45.3	-4.1	0.4	-8.2%	0.9%
Local Government	151.1	155.6	147.3	-4.5	3.8	-2.9%	2.6%

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 stands as the second most expensive in the nation, although Los Angeles is not far behind after rapid price appreciation in Q3 2017.
- The region's median home price rose slightly from the previous quarter, and is now up 7.8 percent compared to a year ago.

Median Home Price for 25 Most Populous US Metros (Q3 2017)

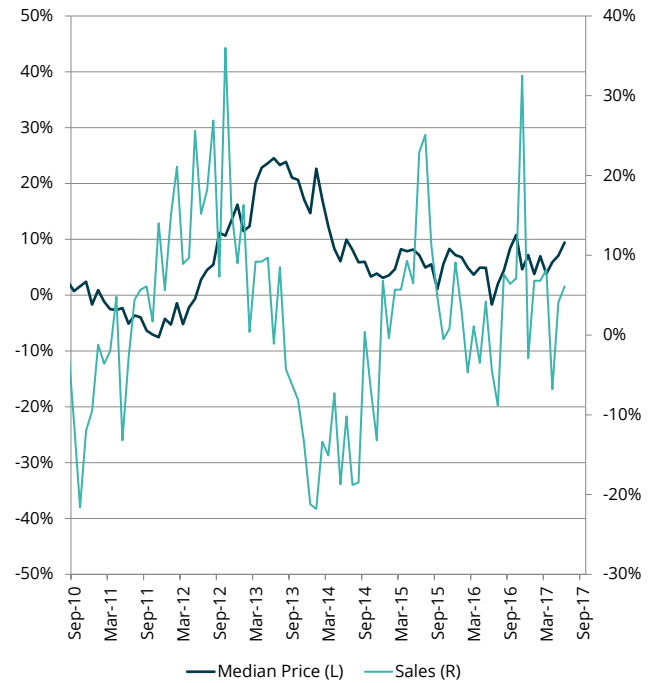
Rank	Metro	Price Q3 2017	% Change From Prev. Quarter	% Change From Prev. Year
1	San Francisco	\$900,000	-5.3%	10.2%
2	<b>San Diego</b>	<b>\$607,000</b>	<b>0.3%</b>	<b>7.8%</b>
3	Los Angeles	\$595,100	15.7%	10.1%
4	Seattle	\$478,500	0.7%	13.4%
5	Boston	\$464,100	-0.2%	6.6%
6	New York	\$419,100	1.2%	5.4%
7	Denver	\$418,100	-1.5%	8.1%
8	Washington DC	\$408,500	-4.7%	3.8%
9	Portland	\$389,400	0.1%	8.6%
10	Miami	\$340,000	1.5%	7.9%
11	Riverside	\$339,900	-0.2%	7.9%
12	Baltimore	\$270,000	-2.5%	2.2%
13	Minneapolis	\$257,800	-0.5%	7.3%
14	Chicago	\$255,600	-3.3%	4.7%
-	US	\$254,000	-0.5%	5.3%
15	Dallas	\$249,000	-2.4%	8.0%
16	Phoenix	\$248,900	0.6%	5.8%
17	Orlando	\$247,900	1.2%	7.8%
18	Philadelphia	\$238,900	-0.1%	1.7%
19	Houston	\$233,900	-0.7%	7.6%
20	Charlotte	\$233,200	-0.5%	8.0%
21	Tampa	\$225,000	2.2%	9.8%
22	San Antonio	\$220,700	-0.9%	4.0%
23	Atlanta	\$204,300	-0.3%	6.7%
24	Saint Louis	\$176,500	1.4%	3.8%

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 7.6 percent.
- Despite a reprieve during Q3, price growth accelerated in 2017 to 8.8 percent, as supply remains constrained.
- Home sales swung up and down in Q3, ending down 4.3 percent compared to a year ago.

Year-Ago Change in Median Home Price & Sales

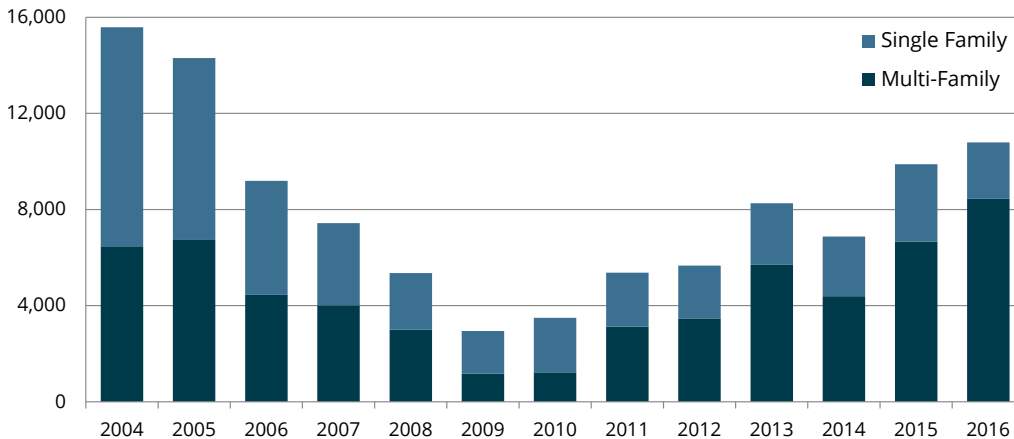


Source: California Association of Realtors

## BUILDING PERMITS

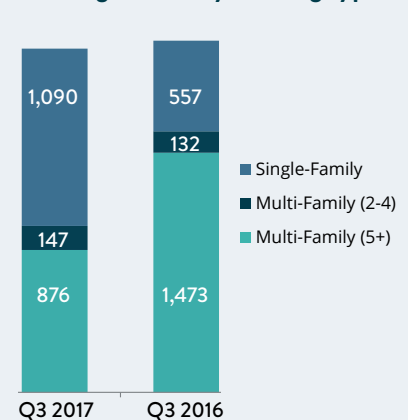
While building permits have been growing steadily since 2014, the total number of housing permits issued in Q3 2017 was down 2.3 percent compared to the same period in 2016.

Permit Activity



Source: US Census Bureau, Building Permits Survey, 2004-2016  
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

**11.0%**  
Vacancy Rate

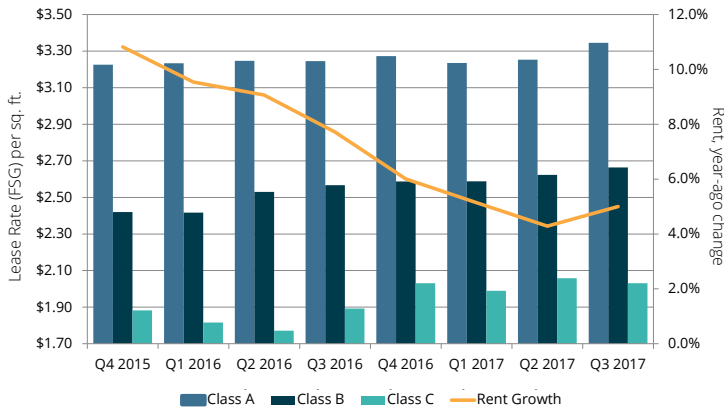
**97.7K sq. ft.**  
Net Absorption

**230.5K sq. ft.**  
Construction

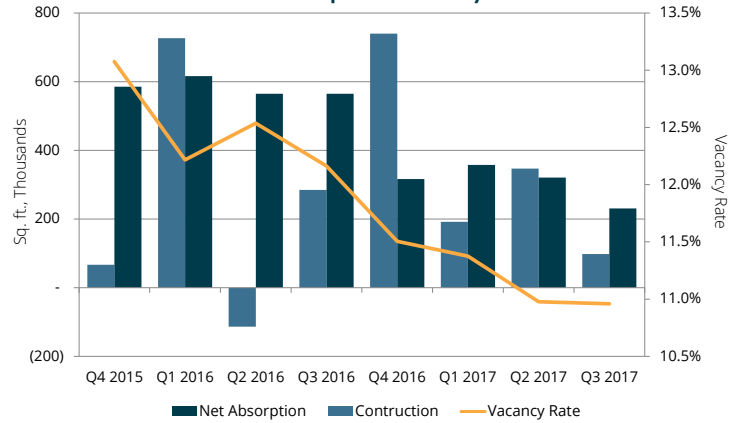
**\$2.92 FSG**  
Lease Rate

- Positive market fundamentals continued to define the San Diego office market in Q3 2017. Average asking rates increased quarter-over-quarter which led to a historically high asking rate and relatively flat vacancy.
- Net absorption for Q3 2017 was positive at 97,729 sq. ft., marking five straight quarters of positive net absorption.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates



## INDUSTRIAL MARKET

**4.3%**  
Vacancy Rate

**1.1M sq. ft.**  
Net Absorption

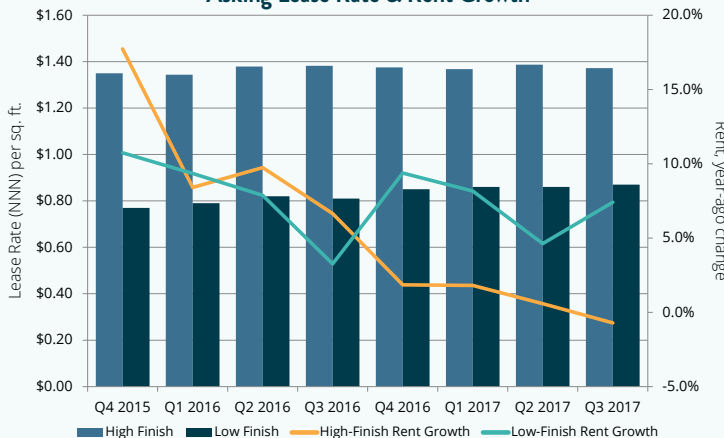
**2.6M sq. ft.**  
Construction

**\$1.37 NNN**  
High-finish Lease Rate

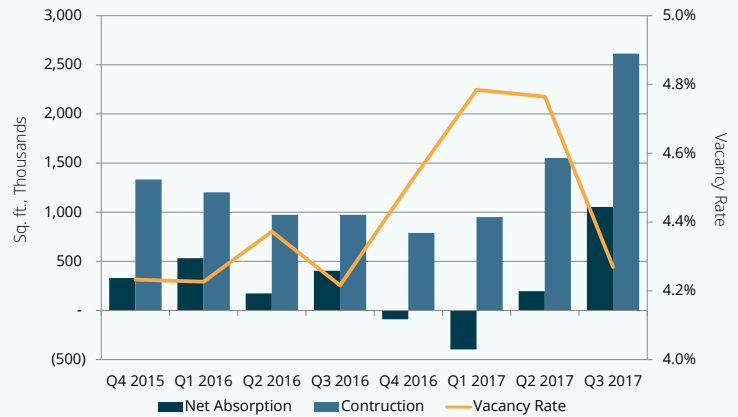
**\$0.87 NNN**  
Low-finish Lease Rate

- After a relatively slow start to the year, the industrial market surged in Q3. Net absorption for the quarter was strong, which surpassed one million sq. ft. for the first time in two years.
- The overall vacancy rate experienced a sharp decline quarter-over-quarter, dropping 50 basis points (bps) to 4.3 percent. The overall vacancy rate is now approaching the post-recession low of 4.2 percent set in Q4 2015.
- With 10 new projects breaking ground in Q3 2017, overall construction activity now totals over 2.6 million sq. ft., a post-recession high.
- Average asking rates for both high- and low-finish product remain at all-time high levels. Average asking rates for high-finish product decreased quarter-over-quarter by \$0.02 to \$1.37 NNN, likely due to large blocks of highly priced product leasing up. Low-finish asking rates climbed \$0.01 to a post-recession high of \$0.87 NNN.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates

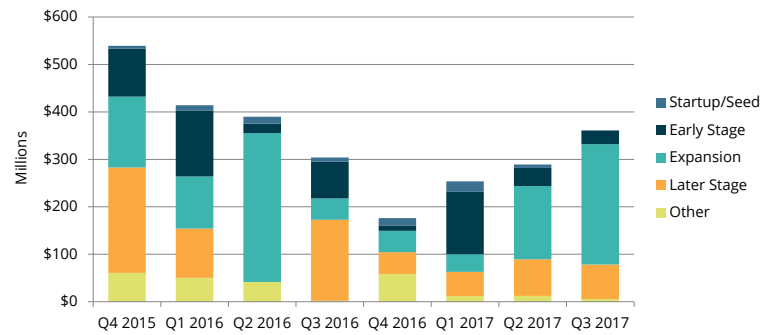


Note: CBRE no longer reports an overall industrial asking rate. It now separately reports high-finish rates and low-finish rates. High-finish generally has more office build-out, multiple stories and consists of business park R&D and R&D subtypes. Low-finish has higher clearance, more dock doors and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

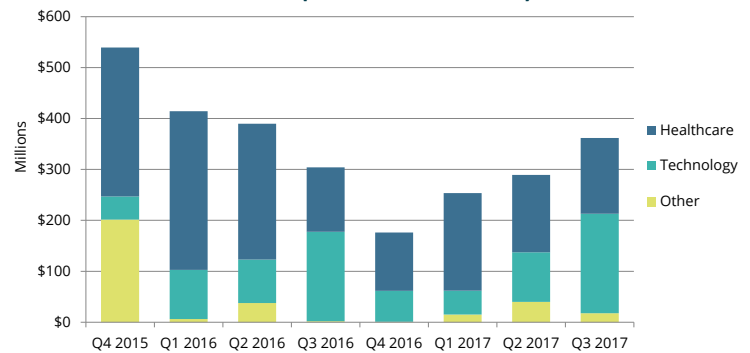
## VENTURE CAPITAL

- In Q3 2017, the San Diego region saw 24 venture capital deals worth nearly \$362 million. This places San Diego ninth out the 19 U.S. regions tracked by the PwC MoneyTree Report in terms of VC dollars and fourteenth in number of deals.
- VC investment into the region increased 25.1 percent compared to the previous quarter, despite having one less deal. Compared to the same period a year ago, VC investment is up 19.0 percent.
- More than half, or \$195.3 million, of the venture capital received in Q3 went to technology companies, for the first time since Q3 2016. VC investment into the technology cluster doubled compared to the previous quarter, with more than 70 percent going to software companies.
- Expansion stage funding jumped 64 percent to \$253.4 million, commanding more than 70 percent of all VC dollars for the quarter. Later stage funding made up 20 percent of the quarter's total.
- The top five deals went to companies in either expansion or later stage funding rounds; three of these are in healthcare. The largest investment was in Brain Corp, a software company developing artificial nervous systems, for \$114 million.

Venture Capital Dollars Received by Funding Stage



Venture Capital Dollars Received by Sector



Source: PwC/CB Insights MoneyTree™ Report

## TOP VENTURE CAPITAL DEALS

**\$114M**  
Brain Corp  
Technology

**\$67M**  
Amplix Pharmaceuticals  
Healthcare

**\$39M**  
eFFECTOR Therapeutics  
Healthcare

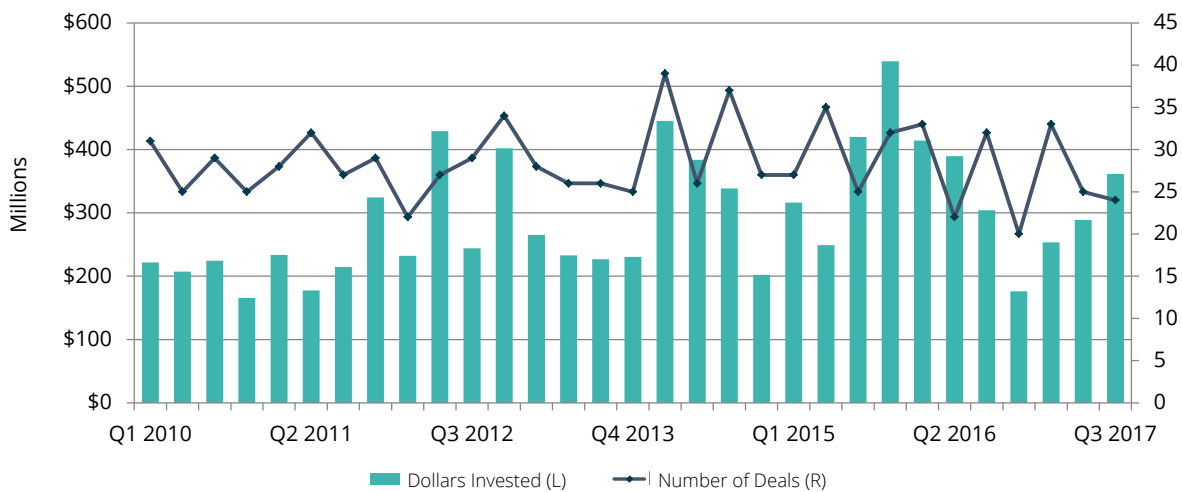
**\$32M**  
Sotera Wireless  
Healthcare

**\$25M**  
PatientSafe Solutions  
Technology

Source: PwC/CB Insights MoneyTree™ Report, Q3 2017

## 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](#).

**CITY SPOTLIGHT:**  
**SAN MARCOS**

EDC produced a regional profile for the City of San Marcos, detailing the city's recent demographic, socioeconomic, and economic trends. The profile is a powerful tool for economic development as it provides clarity and insight into San Marcos' regional strengths, in addition to identifying the fundamental drivers of the local economy.

It is clear that the city is an economic powerhouse with a diverse economic base, a highly-educated workforce, and significant growth opportunity.

**DEMOGRAPHICS**

San Marcos has the smallest population along the 78 Corridor, with 93,300 people. Yet, the city's population has grown by more than 11 percent since 2010, outpacing the other four cities along the Corridor.



**93.3K**  
**POPULATION**  
2016



**33.5**  
**MEDIAN AGE**  
2016

**SOCIOECONOMICS**

The proportion of people with a bachelor's degree or higher in the city exceeded 33 percent in 2015, four percentage points shy of the San Diego region and second among the five 78 Corridor cities. Although the city's median household income is slightly lower than the region's median, it has grown significantly faster than the region's.



**\$66.3K**  
**MEDIAN**  
**HOUSEHOLD INCOME**  
2016



**33.2%**  
**BACHELOR'S**  
**OR HIGHER**  
2016



**7K+**  
**ACADEMIC**  
**PROGRAM COMPLETIONS**  
2016

**THE ECONOMY**

San Marcos boasts a robust and diverse economic base. With nearly 40,000 jobs and more than 4,000 businesses, San Marcos is a major player along the 78 Corridor's economic landscape.



**39,100**  
**JOBS**  
2016



**4,075**  
**BUSINESSES**  
2016



**3.7%**  
**UNEMPLOYMENT RATE**  
2016

**LIVING IN SAN MARCOS**

San Marcos is the birthplace of San Diego's most iconic craft beer company, Stone Brewing Co., as well as home to the 78 Corridor's only university, CSU San Marcos. The city also has ample public space, including 16 community parks and 18 mini parks.



**\$529K**  
**MEDIAN**  
**HOME PRICE**  
2016



**72**  
**MILES OF**  
**MULTI-USE TRAILS**  
2016



**8**  
**BREWERIES**  
2016

**FOR A COPY OF THE PROFILE  
AND INTERACTIVE DASHBOARD VISIT**

**San-Marcos.net/demographics**

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