



SAN DIEGO
REGIONAL
EDC

ECONOMIC SNAPSHOT

A Summary of the San Diego Regional Economy



APRIL 2013

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.

Highlights

San Diego's January 2013 unemployment rate was down 0.7 percentage points from January 2012.

The San Diego region added 30,600 jobs from January 2012 to January 2013.

San Diego federal military operations account for \$12.4 billion of the region's economy and employ 107,000 people.

From Q3-Q4 2012, home prices rose 3% in the San Diego region, which has the second highest median home price among major metro areas.

Absorption in the office real estate market was at a seven-year high in Q4 2012.

San Diego companies received more than \$1.1 billion in venture capital in 2012.

UNEMPLOYMENT

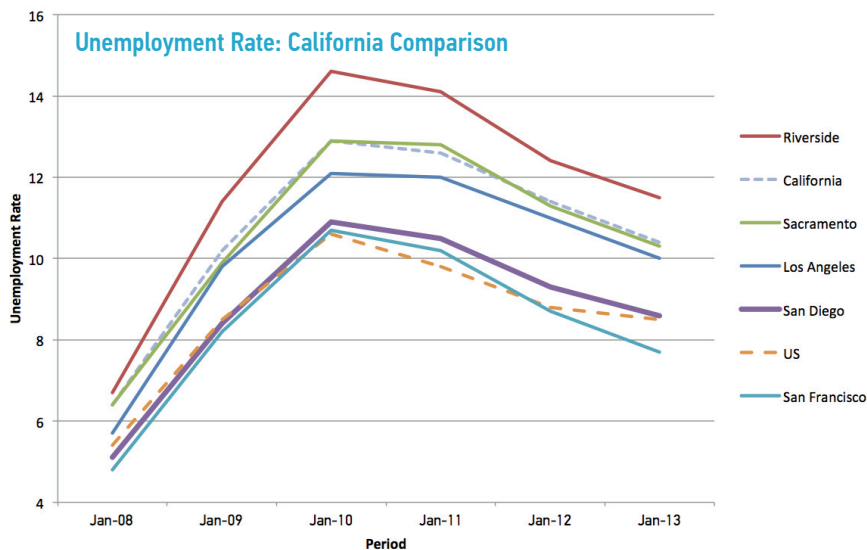
- San Diego metro ranked 16th in unemployment in January 2013, with an unemployment rate slightly higher than the U.S. average. This has been typical for San Diego over the past five years. However, San Diego experienced a larger decrease in unemployment than the US average, and appears, like most major U.S. metros, to be experiencing a downward trend year-over-year.
- San Diego has continued to fare better than other California metros and the state in terms of unemployment rate.

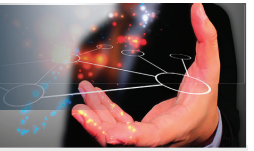
Unemployment Rate: 25 Most Populous US Metros

RANK	METRO	JAN '13	JAN '12	CHANGE
1	Washington DC	5.8	5.6	0.2
2	Minneapolis	6.1	5.9	0.2
3	Boston	6.5	6.8	-0.3
4	San Antonio	6.6	7.3	-0.7
5	Dallas	6.7	7.4	-0.7
6	Houston	6.7	7.6	-0.9
7	Seattle	7.1	8.1	-1.0
8	Phoenix	7.2	7.9	-0.7
9	Denver	7.4	8.4	-1.0
10	Baltimore	7.5	7.3	0.2
11	San Francisco	7.7	8.7	-1.0
12	Tampa	8.0	10.0	-2.0
13	Saint Louis	8.0	8.4	-0.4
14	Miami	8.2	9.3	-1.1
15	Portland	8.5	8.7	-0.2
	US	8.5	8.8	-0.3
16	San Diego	8.6	9.3	-0.7
17	Pittsburgh	8.6	7.7	0.9
18	Atlanta	8.7	9.1	-0.4
19	New York	9.4	9.2	0.2
20	Philadelphia	9.4	8.8	0.6
21	Chicago	9.9	9.6	0.3
22	Los Angeles	10.0	11.0	-1.0
23	Sacramento	10.3	11.3	-1.0
24	Detroit	11.3	11.0	0.3
25	Riverside	11.5	12.4	-0.9

Source: Bureau of Labor Statistics

San Diego's unemployment rate has remained lower than all other major California metros except San Francisco.





EMPLOYMENT

- Private industry employment in San Diego grew at an even higher rate than total employment from January 2012 to January 2013. High-wage, national growth sectors like Professional and Business Services and Education and Health Services were key drivers, contributing more than half (16,700 jobs) of the annual growth. Growth in government employment remained stagnant, primarily because the federal government did not add any jobs.
- Nearly all sectors experienced a negative quarterly change from October 2012-January 2013. The large Leisure and Hospitality industry in particular lost nearly 6,000 jobs. However, this appears to be a seasonal change instead of a reflection of a larger trend, considering the industry netted a positive 4,900 jobs from 2012-2013.

Employment by Industry

EMPLOYMENT (000S)

INDUSTRY	JAN-13	OCT-12	JAN-12	CHANGE FROM PREV. QUARTER	CHANGE FROM PREV. YEAR
Total (Private and Government)	1257.8	1272.4	1227.2	-14.6	30.6
Total Private	1029.7	1043.4	1000.5	-13.7	29.2
<i>Professional and Business Services</i>	218.1	220.3	207.1	-2.2	11.0
<i>Prof., Scientific, & Tech. Services</i>	121.6	122.3	117.7	-0.7	3.9
<i>Mgmt. of Companies & Enterprises</i>	18.2	18.2	17.5	0.0	0.7
<i>Administrative</i>	78.3	79.8	71.9	-1.5	6.4
<i>Trade, Transportation, and Utilities</i>	206.5	209	204.3	-2.5	2.2
<i>Wholesale Trade</i>	42.9	44.7	41.6	-1.8	1.3
<i>Retail Trade</i>	135.4	136.1	136.4	-0.7	-1.0
<i>Transportation and Utilities</i>	28.2	28.2	26.3	0.0	1.9
<i>Education and Health Services</i>	156.7	156.6	151	0.1	5.7
<i>Education Services</i>	29.1	29.7	27.2	-0.6	1.9
<i>Health Care and Social Assistance</i>	127.6	126.9	123.8	0.7	3.8
<i>Leisure and Hospitality</i>	156.2	162.2	151.3	-6.0	4.9
<i>Manufacturing</i>	92.5	93.9	92.5	-1.4	0.0
<i>Financial Activities</i>	69.6	69.6	68.2	0.0	1.4
<i>Finance and Insurance</i>	43.9	43.7	42.9	0.2	1.0
<i>Real Estate and Rental and Leasing</i>	25.7	25.9	25.3	-0.2	0.4
<i>Construction</i>	55.7	57.2	54.1	-1.5	1.6
<i>Other Services</i>	49.3	49.6	47.2	-0.3	2.1
<i>Information</i>	24.7	24.6	24.4	0.1	0.3
<i>Mining and Logging</i>	0.4	0.4	0.4	0.0	0.0
Government	228.1	229	226.7	-0.9	1.4
<i>Federal Government</i>	46.7	46.9	46.7	-0.2	0.0
<i>State Government</i>	42.7	43.1	42.5	-0.4	0.2
<i>Local Government</i>	138.7	139	137.5	-0.3	1.2

Source: Bureau of Labor Statistics

Italics = Supersector | Ordered by largest Supersectors

Total Employment Growth: 25 Most Populous US Metros

RANK	METRO	% CHANGE YEAR JAN '12 - JAN '13	% CHANGE QTR OCT '12 - JAN '13
1	Houston	4.53%	-0.19%
2	Dallas	3.73%	-0.30%
3	San Francisco	3.42%	-0.89%
4	Seattle	3.07%	-0.81%
5	Denver	2.80%	-1.71%
6	Atlanta	2.76%	-0.35%
7	Tampa	2.74%	0.60%
8	San Diego	2.49%	-1.15%
9	Phoenix	2.37%	-0.49%
10	Riverside	2.13%	-0.05%
11	Baltimore	2.05%	-2.15%
12	Los Angeles	2.02%	-1.17%
13	Minneapolis	1.97%	-2.00%
14	Boston	1.95%	-1.97%
15	San Antonio	1.94%	-1.52%
16	New York	1.83%	-1.72%
17	Miami	1.64%	0.19%
	US	1.52%	-1.92%
18	Sacramento	1.48%	-1.47%
19	Chicago	1.41%	-2.57%
20	Washington DC	1.41%	-1.47%
21	Philadelphia	1.30%	-1.75%
22	Portland	0.90%	-2.06%
23	Saint Louis	0.66%	-2.24%
24	Pittsburgh	0.62%	-2.68%
25	Detroit	0.27%	-2.50%

Source: Bureau of Labor Statistics

Ranked by %Change from Previous Year

San Diego metro experienced the 8th highest growth rate among the 25 largest US metros from January 2012- January 2013, adding approximately 30,600 jobs (2.49%) in the year

TOTAL EMPLOYMENT CHANGES

San Diego metro experienced the 8th highest growth rate among the 25 largest U.S. metros from January 2012- January 2013, adding approximately 30,600 jobs (2.49%) in the year. This annual growth occurred despite a seasonal decline of 14,600 jobs (-1.15%) from October 2012-January 2013. Only one US metro (Miami) experienced a seasonal increase during that period.



INDUSTRY SPOTLIGHT

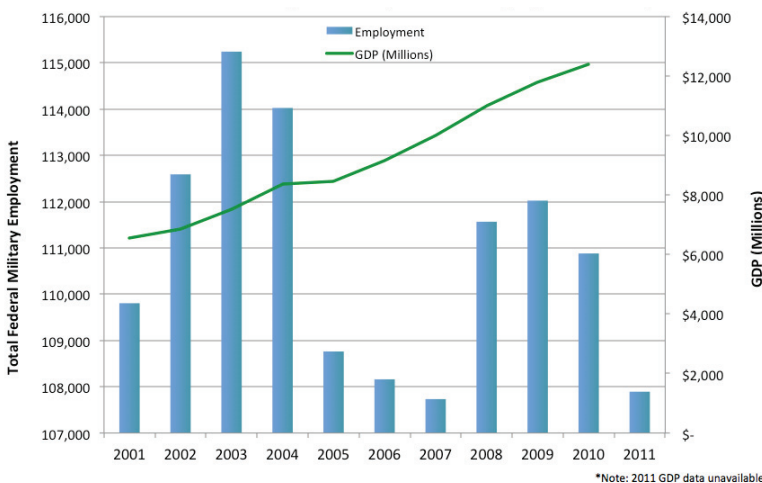
MILITARY



Each quarter, San Diego Regional EDC takes a closer look at an important local industry. In this release, we look at the federal military economy, its impact in the San Diego region and how San Diego compares to major metros across the U.S.

- Federal Military is defined by the Bureau of Economic Analysis as government establishments primarily engaged in national security and national affairs. It is a \$12.4 billion industry in the San Diego region, employing more than 107,000 people. It accounts for approximately 6% of the region's total employment and 7.5% of the region's total GDP.
• The region's military industry is second to none in terms of size, concentration and output. Of the 25 largest US metros, San Diego dwarfs every other metro in the metrics mentioned. Even the nation's capital, which ranks second in federal military employment size and GDP, employs approximately 39,000 less people and creates \$2.8 billion less in GDP than San Diego's federal military economy.
• As the chart below shows, military employment has fluctuated annually since 2001, with peaks above 115,000 and valleys below 108,000. However, Federal military GDP in San Diego has increased steadily every year, reaching a \$12.4 billion peak in 2010, nearly doubling the \$6.5 billion federal military GDP in 2001.
• It may take years to fully assess how the federal budget sequestration will affect San Diego's federal military economy.

Federal Military Economy in San Diego (2001-2011)



*Note: 2011 GDP data unavailable

Federal Military Employment (2011): 25 Most Populous US Metros

Table with 5 columns: RANK, METRO, FED. MILITARY EMPLOYMENT, % OF TOTAL EMPLOYMENT, LQ*. Lists 25 metros with San Diego at rank 1, 107,893 employees, and 5.89% of total employment.

Source: Bureau of Economic Analysis

Ranked by Federal Military Employment

*LQ = Location Quotient, a technique to measure local concentration. Average LQ is 1.00.

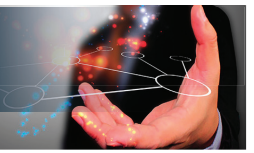
Federal Military GDP (2010): 25 Most Populous US Metros

Table with 5 columns: RANK, METRO, FED. MILITARY GDP (\$millions), % OF TOTAL GDP, LQ*. Lists 25 metros with San Diego at rank 1, \$12,379 million GDP, and 7.46% of total GDP.

Source: Bureau of Economic Analysis

Ranked by Federal Military GDP

*LQ = Location Quotient, a technique to measure local concentration. Average LQ is 1.00.



REAL ESTATE

FORECLOSURES

San Diego has maintained one of the lowest foreclosure rates in the U.S. As of September 2012, the region had the 7th lowest foreclosure rate in the U.S. Foreclosure rates have been declining throughout major U.S. metros and particularly in California metros.

Foreclosure Rate: 25 Most Populous US Metros

RANK	METRO	SEPT '12	POINT CHANGE PREV. QUARTER	POINT CHANGE PREV. YEAR
1	Minneapolis	2.98%	-0.21	-0.19
2	San Antonio	3.06%	-0.10	0.12
3	Houston	3.07%	-0.22	0.02
4	San Francisco	3.39%	-0.22	-0.26
5	Dallas	3.56%	-0.14	0.18
6	Denver	3.81%	-0.15	-0.12
7	San Diego	3.81%	-0.33	-0.30
8	Boston	3.85%	0.03	0.38
9	Washington DC	4.01%	-0.10	0.51
10	Saint Louis	4.40%	-0.24	-0.12
11	Los Angeles	4.43%	-0.29	-0.28
12	Sacramento	4.59%	-0.47	-0.72
13	Phoenix	4.83%	-0.65	-1.02
14	Seattle	4.85%	0.35	1.68
15	Detroit	4.93%	-0.37	-0.62
16	Pittsburgh	5.08%	-0.07	0.43
17	Portland	5.14%	0.12	0.78
18	Atlanta	5.38%	-0.07	0.06
19	Riverside	5.80%	-0.54	-0.73
20	Baltimore	6.37%	0.16	1.77
21	Philadelphia	6.50%	0.43	0.83
22	Chicago	8.68%	-0.22	-0.29
23	New York	8.70%	0.60	0.84
24	Tampa	15.59%	-0.23	-0.35
25	Miami	17.78%	-0.49	-1.14

Source: Foreclosure-Response.org; LISC
US Average not reported

HOME PRICES

San Diego remains one of the most expensive for-sale home markets in the U.S. and prices continue to increase, according to National Association of Realtors Q4 2012 data. From Q3-Q4 2012, **home prices grew nearly 3% in the San Diego region, despite dips in most major metros nationwide.**

Growth was almost exclusively isolated in the West. However, home prices in the longer term have been on the rise nationally, despite the brief dip in Q4 2012. Every one of the 25 most populous U.S. metros experienced an increase in prices from Q4 2011-Q4 2012, with San Diego outpacing the U.S. average at 13.2%.

Median Home Price: 25 Most Populous US Metros

RANK	METRO	PRICE 2012 Q4	% CHANGE PREV. QUARTER	% CHANGE PREV. YEAR
1	San Francisco	\$593,220	4.4%	28.3%
2	San Diego	\$405,360	2.8%	13.2%
3	New York	\$375,900	-4.1%	3.6%
4	Washington DC	\$353,000	-2.6%	12.7%
5	Los Angeles	\$350,080	-1.6%	17.9%
6	Boston	\$344,000	-6.0%	5.8%
7	Seattle	\$313,300	2.4%	17.1%
8	Denver	\$254,800	-2.1%	10.4%
9	Portland	\$242,000	1.2%	10.6%
10	Baltimore	\$240,700	-5.3%	5.2%
11	Miami	\$213,000	2.5%	15.3%
12	Philadelphia	\$209,800	-6.3%	4.4%
13	Riverside	\$209,260	7.9%	21.5%
14	Sacramento	\$193,190	7.1%	18.4%
	U.S.	\$178,900	-2.9%	10.0%
15	Minneapolis	\$175,300	-3.4%	15.7%
16	Houston	\$167,800	0.2%	7.6%
17	Chicago	\$167,400	-9.2%	1.9%
18	San Antonio	\$160,600	-0.8%	6.8%
19	Phoenix	\$159,100	3.7%	33.9%
20	Dallas	\$157,200	-4.8%	7.5%
21	Tampa	\$137,200	-0.6%	1.3%
22	Saint Louis	\$117,300	-11.5%	4.8%
23	Atlanta	\$106,900	-0.5%	18.0%
24	Detroit	\$66,700	-11.9%	31.3%

Source: National Association of Realtors
Note: Pittsburgh not available

OFFICE & INDUSTRIAL SNAPSHOT

While office vacancy rates remained high in both North and South San Diego County (see chart below), net absorption of office space remained positive in the 4th quarter of 2012. The 730,436 SF of positive net office absorption is the highest countywide absorption in seven years, according to a Cassidy Turley market report.

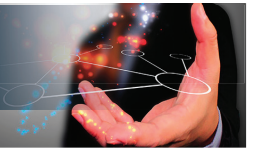
Industrial absorption rates continue to climb out of the recessionary dip of 2009. 4th quarter 2012 was the sixth consecutive quarter of positive countywide net absorption in the industrial space market. Likewise, countywide vacancy decreased for the sixth straight quarter, indicating a steady return to pre-recession market levels.

The 730,436 SF of positive net office absorption is the highest countywide absorption in 7 years

Real Estate Snapshot: San Diego County (Q4 2012)

AREA	OFFICE			INDUSTRIAL		
	VACANCY RATE	ABSORPTION (SF)	AVERAGE ASKING RENT	VACANCY RATE	ABSORPTION	AVERAGE ASKING RENT
San Diego County	16.8%	730,436	\$2.23	9.5%	834,911	\$0.79
North County	21.0%	236,365	\$2.15	9.7%	(186,230)	\$0.74
Central County	15.0%	361,863	\$2.30	8.7%	558,735	\$0.97
South County	19.5%	132,208	\$2.15	11.0%	462,406	\$0.54

Source: Cassidy Turley Market Report
Note: Monthly asking rates converted to triple net (NNN). Vacancy Rate includes direct and sublease. Net absorption excludes sublease.



VENTURE CAPITAL

- In the 4th quarter of 2012, the San Diego region ranked 10th out of the 18 regions tracked by the PricewaterhouseCoopers MoneyTree Report in terms of VC dollars invested in regional companies. Biotechnology companies were the biggest recipients of VC dollars, receiving 65% of all regional funding and 11 deals. The industry also received the most dollars in 2012, accounting for 54% of all funding in the year. Software, energy and medical devices were the other major industry recipients, both in the quarter and the year. In total, San Diego received more than \$1.1 billion in VC funding in 2012, which is approximately \$190,000 more than the region received in 2011, despite receiving less in Q4 2012 than Q4 2011.
- Early and late stage companies continued to dominate funding in San Diego in Q4 2012, with startup funding non-existent in the quarter. Startup funding in 2012 declined approximately \$49 million from 2011.

San Diego Venture Capital Funding by Industry (Q4 2011-2012)

INDUSTRY	Q4 2012	Q4 2011	2012 YTD
Biotechnology	\$113,924,600	\$149,389,000	\$602,489,800
Computers and Peripherals	0	\$18,999,900	0
Consumer Products and Services	0	0	\$10,000,000
Electronics/Instrumentation	0	0	\$2,195,000
Industrial/Energy	\$7,975,000	0	\$195,871,200
IT Services	0	0	\$22,211,000
Media and Entertainment	\$98,000	\$50,000,000	\$7,437,000
Medical Devices and Equipment	\$28,500,100	\$51,305,000	\$106,726,000
Networking and Equipment	0	0	\$9,173,000
Semiconductors	0	\$21,700,000	\$3,748,000
Software	\$24,119,800	\$2,756,100	\$156,889,600
Telecommunications	0	\$2,000,000	0
Total	\$174,617,500	\$296,150,000	\$1,116,740,600

Source: PricewaterhouseCoopers MoneyTree Report
 Note: Only industries with funding in Q4 2011-Q4 2012 period in San Diego shown

San Diego Venture Capital Funding by Stage (Q4 2011-2012)

STAGE	Q4 2012	Q4 2011	2012 YTD
Startup/Seed	0	\$7,250,000	\$15,200,000
Early Stage	\$82,623,300	\$84,976,000	\$500,103,400
Expansion	\$30,475,000	\$52,706,000	\$153,519,200
Later Stage	\$61,519,200	\$151,218,000	\$447,918,000
Total	\$174,617,500	\$296,150,000	\$1,116,740,600

Source: PricewaterhouseCoopers MoneyTree Report
 Note: Only stages with funding in Q4 2011-Q4 2012 period in San Diego shown

In total, San Diego received more than \$1.1 billion in VC funding in 2012, which is approximately \$190,000 more than the region received in 2011.

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



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