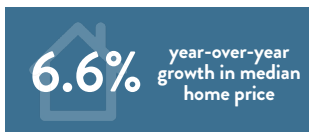


## SAN DIEGO HIGHLIGHTS



## 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 2018**.

## UNEMPLOYMENT

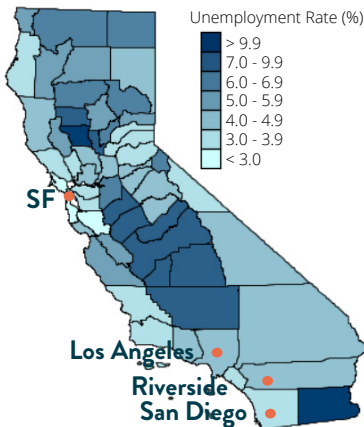
- The region's unemployment rate was 3.7 percent in Q2, up from 3.2 percent in Q1 2018. In fact, the 0.5 percentage point increase positioned the region as the seventh lowest unemployment rate among the 25 most populous metros.
- San Diego's unemployment rate remained below the state and national rates of 4.5 and 4.2 percent, respectively.
- When compared to its regional neighbors, San Diego's unemployment rate continued to fare better than both Riverside (4.7 percent) and Los Angeles (4.5 percent).
- Year-over-year, San Diego's unemployment rate decreased by 0.5 percentage points.

### Unemployment Rate - 25 Most Populous US Metros

Rank	Metro	Q2 2018	Q1 2018	PP Change
1	Minneapolis	2.8	3.3	-0.5
2	Denver	2.9	2.8	0.1
3	San Francisco	3.0	2.7	0.3
4	Orlando	3.5	3.3	0.2
5	Boston	3.6	3.4	0.2
5	San Antonio	3.6	3.5	0.1
<b>7</b>	<b>San Diego</b>	<b>3.7</b>	<b>3.2</b>	<b>0.5</b>
7	Washington DC	3.7	3.6	0.1
7	Saint Louis	3.7	3.7	0.0
10	Dallas	3.8	3.7	0.1
10	Tampa	3.8	3.6	0.2
10	Portland	3.8	4.1	-0.3
13	Miami	3.9	4.2	-0.3
13	Charlotte	3.9	4.0	-0.1
15	Atlanta	4.0	4.0	0.0
16	New York	4.1	4.4	-0.3
16	Seattle	4.1	3.9	0.2
18	Phoenix	4.2	4.1	0.1
-	<b>US</b>	<b>4.2</b>	<b>4.1</b>	<b>0.1</b>
19	Philadelphia	4.3	4.4	-0.1
20	Detroit	4.4	4.3	0.1
20	Chicago	4.4	4.3	0.1
22	Los Angeles	4.5	3.8	0.7
23	Baltimore	4.6	4.6	0.0
23	Houston	4.6	4.6	0.0
25	Riverside	4.7	4.1	0.6

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

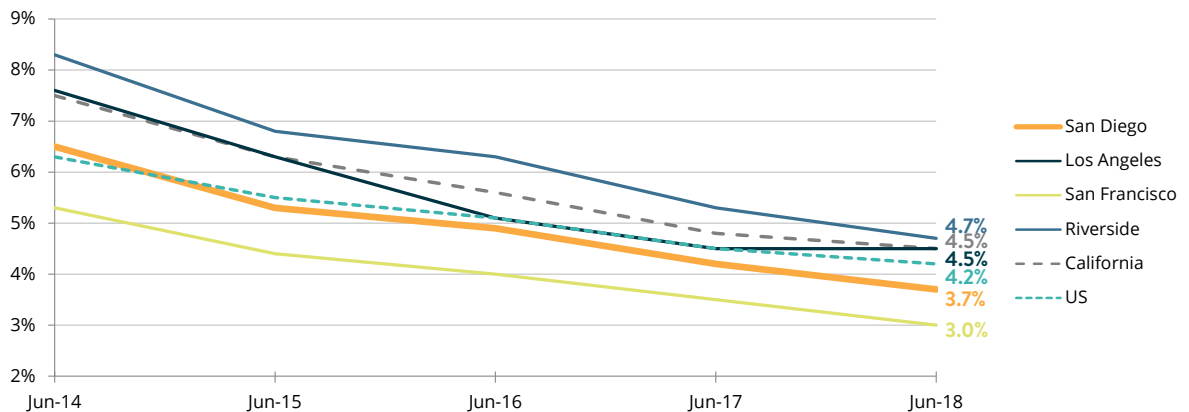
## CALIFORNIA'S UNEMPLOYMENT BY COUNTY



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

## UNEMPLOYMENT TRENDS

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

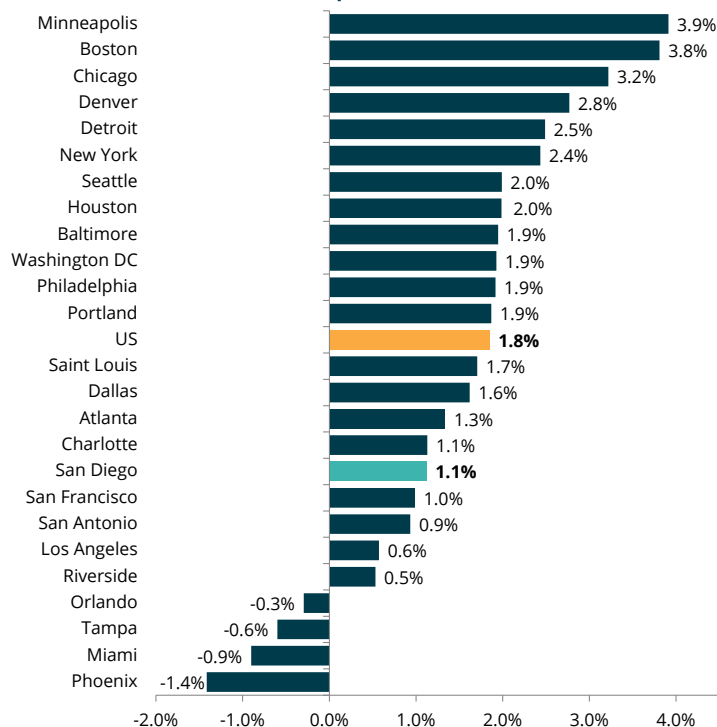


Source: Bureau of Labor Statistics  
Note: Data not seasonally adjusted. Quarter-end monthly data.

## EMPLOYMENT

- Following seasonal declines in employment during Q1, San Diego, and the overwhelming majority of the most populous metros, experienced an increase in employment during Q2. Welcoming recent graduates and ramping up for the summer season, the region added 16,500 jobs - a 1.1 percent increase in employment during the quarter. Compared to a year ago, nonfarm employment was up 22,500 jobs, or 1.5 percent.
- With the summer tourist season approaching, the leisure and hospitality sector recorded the largest quarterly gain, adding 6,300 jobs during Q2. Other strong contributors to quarterly employment growth were professional and business services and other services, together adding 4,200 jobs.
- Professional and business services and manufacturing recorded the two largest year-over-year gains, increasing by 10,300 and 4,900 jobs, respectively.
- There were 811,692 total job postings during Q2, of which 149,581 were unique. With 5,036 unique job postings during the quarter, registered nurses topped 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

5,036

Registered Nurses

4,469

Applications Software Developers

4,160

Heavy & Tractor-Trailer Truck Drivers

3,630

Retail Salespeople

3,529

Supervisors of Retail Sales Workers

Source: EMSI, Job Posting Analytics, Q2 2018

## EMPLOYMENT CHANGES BY SECTOR

Employment by Sector (in thousands)	Q2 2018	Q1 2018	Q2 2017	Change Prev. QTR	Change Prev. YR	% Change Prev. QTR	% Change Prev. YR
<b>Total (Private and Government)</b>	<b>1,483.2</b>	<b>1,466.7</b>	<b>1,460.7</b>	<b>16.5</b>	<b>22.5</b>	<b>1.1%</b>	<b>1.5%</b>
<b>Total Private</b>	<b>1,227.3</b>	<b>1,213.1</b>	<b>1,208.3</b>	<b>14.2</b>	<b>19.0</b>	<b>1.2%</b>	<b>1.6%</b>
<i>Professional and Business Services</i>	242.1	239.8	231.8	2.3	10.3	1.0%	4.4%
Prof., Scientific, and Tech. Services*	132.7	132.0	126.5	0.7	6.2	0.5%	4.9%
Mgmt. of Companies and Enterprises	22.2	21.9	21.2	0.3	1.0	1.4%	4.7%
Administrative	87.2	85.9	84.1	1.3	3.1	1.5%	3.7%
<i>Trade, Transportation, and Utilities</i>	228.0	226.3	226.3	1.7	1.7	0.8%	0.8%
Wholesale Trade	49.1	49.0	47.8	0.1	1.3	0.2%	2.7%
Retail Trade	147.5	146.1	146.7	1.4	0.8	1.0%	0.5%
Transportation and Utilities	31.4	31.2	31.8	0.2	-0.4	0.6%	-1.3%
<i>Education and Health Services</i>	208.2	209.1	204.9	-0.9	3.3	-0.4%	1.6%
Education Services	29.9	30.8	29.9	-0.9	0.0	-2.9%	0.0%
Healthcare and Social Assistance	178.3	178.3	175.0	0.0	3.3	0.0%	1.9%
<i>Leisure and Hospitality*</i>	197.3	191.0	201.7	6.3	-4.4	3.3%	-2.2%
<i>Manufacturing*</i>	113.7	112.4	108.8	1.3	4.9	1.2%	4.5%
<i>Financial Activities</i>	73.0	73.1	74.0	-0.1	-1.0	-0.1%	-1.4%
Finance and Insurance	45.0	45.2	45.7	-0.2	-0.7	-0.4%	-1.5%
Real Estate and Rental and Leasing	28.0	27.9	28.3	0.1	-0.3	0.4%	-1.1%
<i>Construction</i>	82.4	81.2	80.1	1.2	2.3	1.5%	2.9%
<i>Other Services</i>	57.5	55.6	55.9	1.9	1.6	3.4%	2.9%
<i>Information*</i>	24.7	24.3	24.5	0.4	0.2	1.6%	0.8%
<i>Mining and Logging</i>	0.4	0.3	0.3	0.1	0.1	33.3%	33.3%
<b>Total Government</b>	<b>255.9</b>	<b>253.6</b>	<b>252.4</b>	<b>2.3</b>	<b>3.5</b>	<b>0.9%</b>	<b>1.4%</b>
Federal Government	46.8	46.7	46.7	0.1	0.1	0.2%	0.2%
State Government	51.8	51.7	50.2	0.1	1.6	0.2%	3.2%
Local Government	157.3	155.2	155.5	2.1	1.8	1.4%	1.2%

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 \$645,000 in Q2, San Diego's housing market remained the second most expensive in the nation.
- Year-over-year, the region's median home price continued to climb, growing by 6.6 percent. However, the region recorded the 10th lowest annual change and is now nearly 40 percent below San Francisco's median home price.

### Median Home Price for 25 Most Populous US Metros

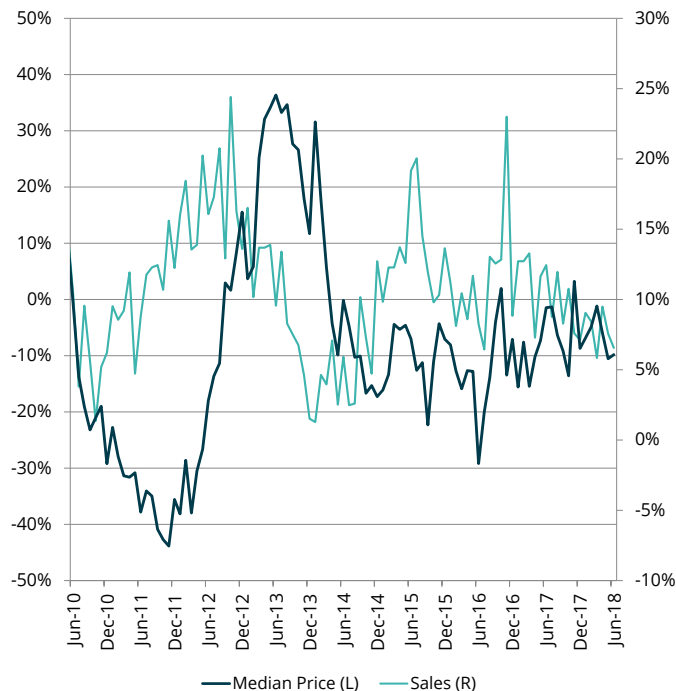
Rank	Metro	Price Q2 2018	% Change From Prev. Quarter	% Change From Prev. Year
1	San Francisco	\$1,070,000	16.7%	12.6%
2	<b>San Diego</b>	<b>\$645,000</b>	<b>5.7%</b>	<b>6.6%</b>
3	Los Angeles	\$557,000	2.1%	8.4%
4	Seattle	\$530,000	9.5%	11.5%
5	Boston	\$496,000	12.0%	6.7%
6	Denver	\$463,000	4.8%	9.0%
7	Washington DC	\$443,000	12.3%	3.4%
8	New York	\$379,000	4.2%	-1.6%
9	Riverside	\$360,000	2.9%	5.7%
10	Miami	\$353,000	3.8%	5.4%
11	Baltimore	\$297,000	17.1%	7.3%
12	Portland	\$294,000	5.3%	8.6%
13	Minneapolis	\$280,000	7.6%	8.2%
14	Chicago	\$275,000	13.6%	4.1%
15	Phoenix	\$272,000	4.2%	10.0%
16	Orlando	\$269,000	5.5%	9.8%
-	US	\$269,000	9.7%	5.3%
17	Dallas	\$268,000	7.0%	5.1%
18	Charlotte	\$252,000	11.5%	7.7%
19	Houston	\$244,000	6.4%	3.7%
20	Tampa	\$239,000	6.1%	8.4%
21	Philadelphia	\$236,000	15.0%	-1.3%
22	San Antonio	\$230,000	5.2%	3.5%
23	Atlanta	\$229,000	11.9%	11.7%
24	Saint Louis	\$186,000	14.3%	6.7%

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 4.4 percent.
- Despite a small drop early in the quarter, price growth accelerated in Q2, up 6.1 percent compared to last year.

### Year-Ago Change in Median Home Price & Sales

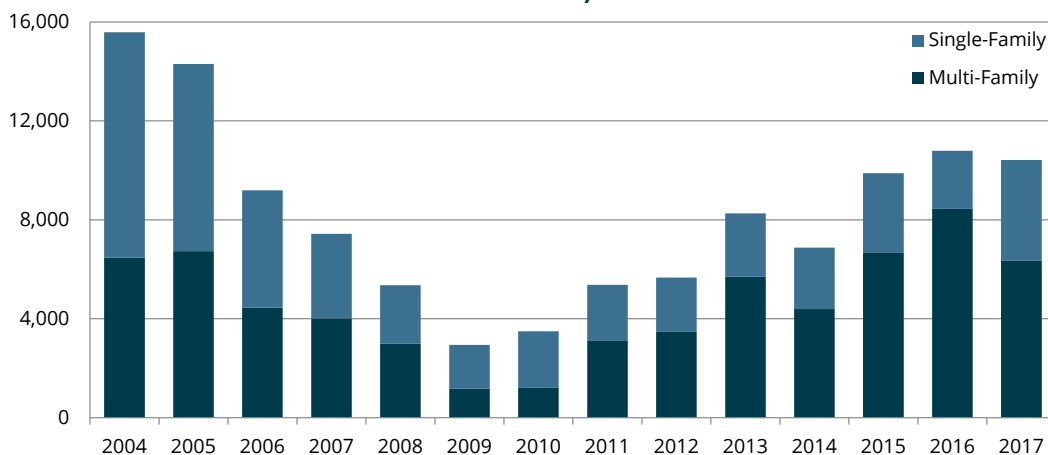


Source: California Association of Realtors

## BUILDING PERMITS

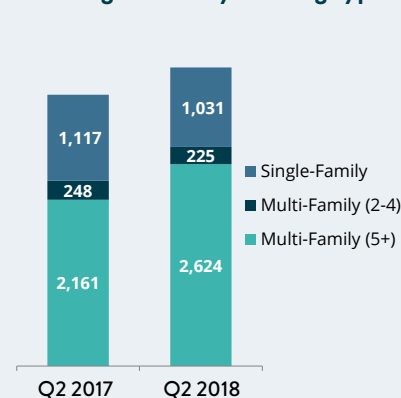
Housing permits increased year-over-year in San Diego, with multi-family housing with five or more units growing by 21.4 percent.

### 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

**10.6%**  
Vacancy Rate

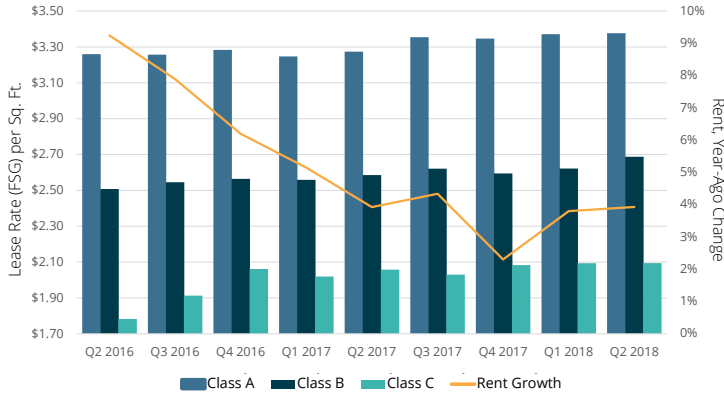
**565K sq. ft.**  
Net Absorption

**667K sq. ft.**  
Construction

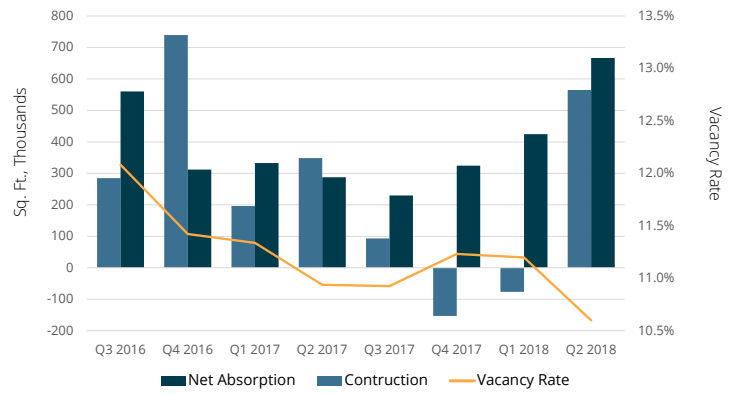
**\$2.95 FSG**  
Lease Rate

- Positive market fundamentals continued to define the San Diego office market in Q2. Average asking lease rates increased by 1.0 percent in Q2 to \$2.95 FSG, the highest asking rate on record for the region.
- Net absorption was 565,087 sq. ft. in Q2, the strongest since Q4 2016.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates



## INDUSTRIAL MARKET

**4.1%**  
Vacancy Rate

**67K sq. ft.**  
Net Absorption

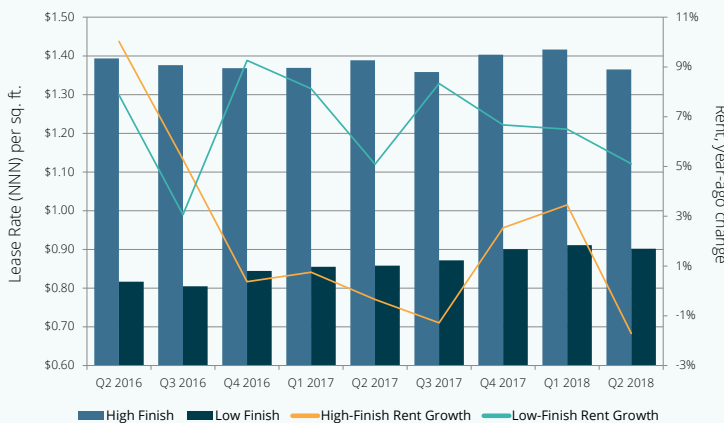
**3.5M sq. ft.**  
Construction

**\$1.36 NNN**  
High-Finish Lease Rate

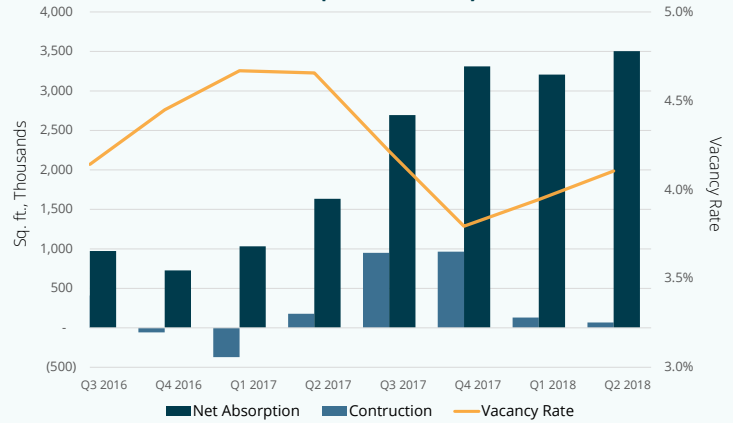
**\$0.90 NNN**  
Low-Finish Lease Rate

- The San Diego industrial market was slow and steady in Q2 as strong leasing activity overcame some major downsizes and a vacant warehouse construction.
- The overall vacancy rate climbed slightly quarter-over-quarter, increasing 20 basis points to 4.1 percent.
- Net absorption was positive for the fifth straight quarter with 67,478 sq. ft. net absorbed in Q2.
- Average asking rates for low-finish product remained relatively flat quarter-over-quarter, decreasing only \$0.01 to \$0.90 NNN.
- Eight new buildings, totaling 677,486 sq. ft. broke ground in Q2 as construction activity posted a post-recession high of 3,503,817 sq. ft.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates

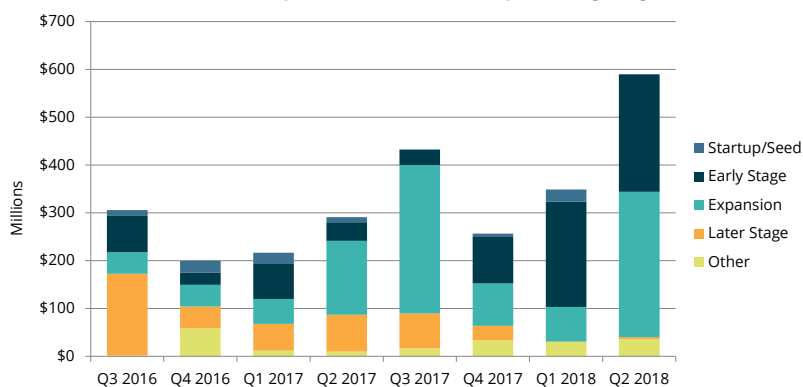


Note: CBRE no longer reports an overall industrial asking rate. It now separately reports high-finish rates and low-finish rates. High-finish generally has more office build-out, multiple stories, and consists of business park R&D and R&D subtypes. Low-finish has higher clearance, more dock doors, and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

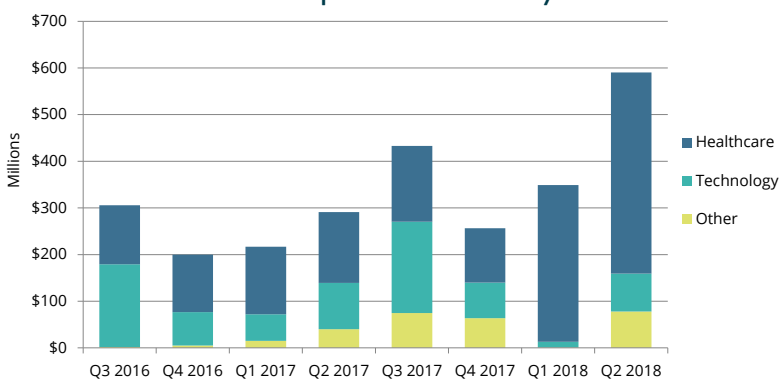
## VENTURE CAPITAL

- In Q2, the San Diego region saw 34 venture capital (VC) deals worth more than \$590 million. This places San Diego ninth 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 69.2 percent compared to the previous quarter. Compared to the same period a year ago, VC investment in the region more than doubled.
- The majority, or \$431.1 million, of VC received in Q2 went to healthcare companies.
- The technology cluster received \$81.2 million during the quarter, most of which went to internet and software companies.
- Expansion stage funding increased 319.3 percent, jumping to \$304 million and commanding 51.5 percent of VC received during the quarter.
- The quarter's top five deals collectively represent 58.1 percent of all investment in Q2. The largest investment was in Ansun Biopharma, a clinical stage biopharmaceutical company focused on the development of unique host-directed anti-viral therapies for respiratory viruses.

Venture Capital Dollars Received by Funding Stage



Venture Capital Dollars Received by Sector



Source: PwC/CB Insights MoneyTree™ Report

## TOP VENTURE CAPITAL DEALS

**\$85M**  
Ansun Biopharma  
Healthcare

**\$70M**  
Cibus Global  
Healthcare

**\$65M**  
Metacrine  
Healthcare

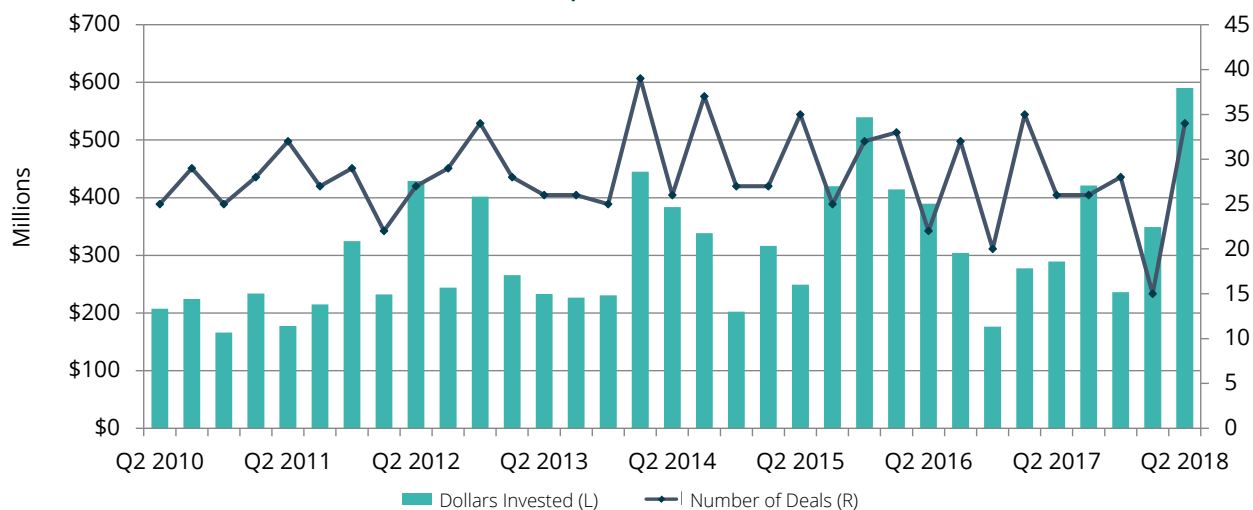
**\$63M**  
Synthorx  
Healthcare

**\$60M**  
Neurana Pharmaceuticals  
Healthcare

Source: PwC/CB Insights MoneyTree™ Report, Q2 2018

## VENTURE CAPITAL TRENDS

Venture Capital Investment Trends



Source: PwC/CB Insights MoneyTree™ Report

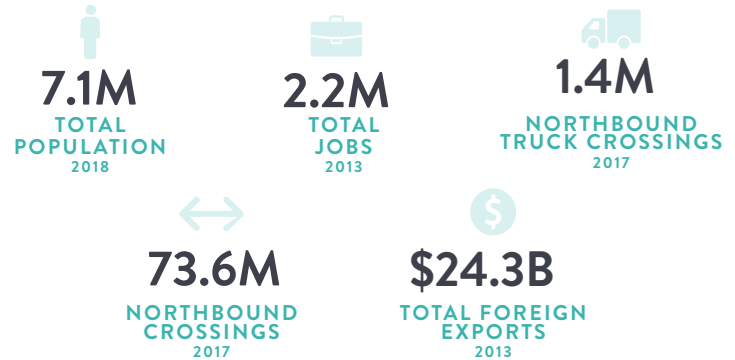
Note: Data is subject to revision, as VC activity is not always disclosed during the quarter of investment. PwC's methodology can be found [here](#).

THIS QUARTER IN RESEARCH:

**TRADE & COMPETITIVENESS IN NORTH AMERICA**  
A FOCUS ON THE CALI BAJA MEGA-REGION

To contextualize the importance of international connectivity, EDC, with support from the Center for U.S.-Mexican Studies at UC San Diego's School of Global Policy & Strategy, released "Trade and Competitiveness in North America," a research summary that quantifies trade and competitiveness in the Cali Baja mega-region and underscores the importance of binational co-production in spurring economic growth and advancing technology on both sides of the border.

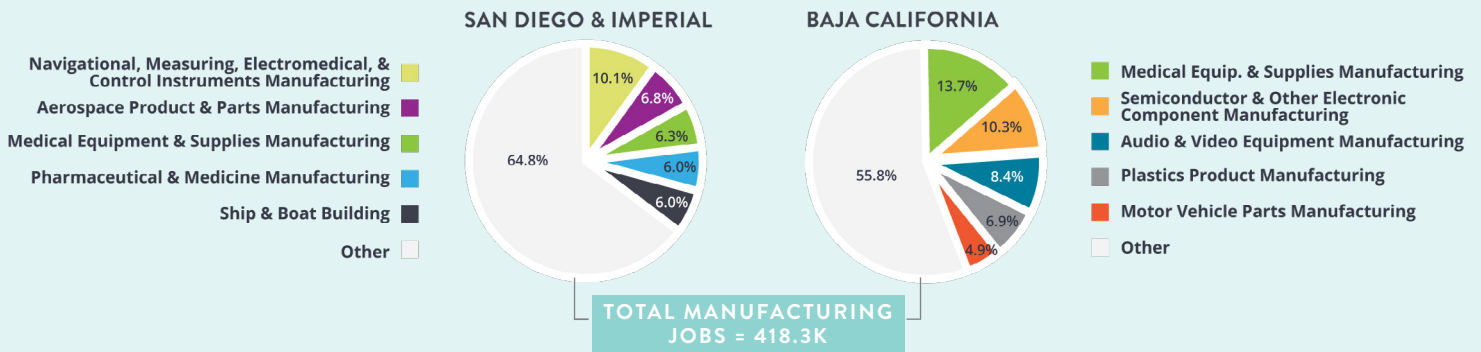
The Cali Baja mega-region includes San Diego County, Imperial County, and the State of Baja California. It is a globally unique binational region that offers one of the world's most competitive and innovative business environments by leveraging complementary resources and capabilities.



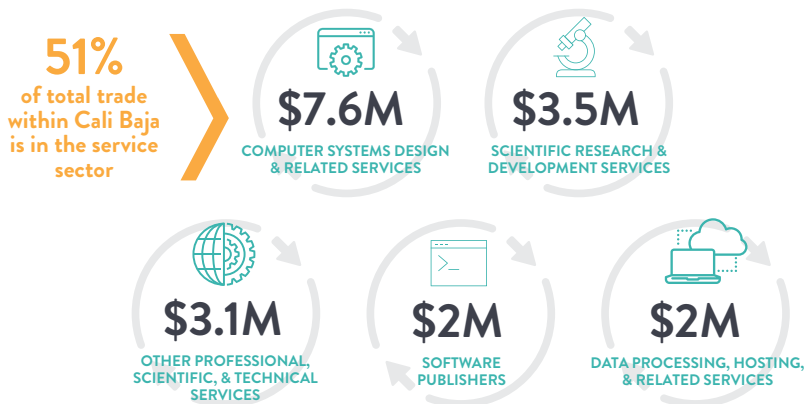
**TRADE & MANUFACTURING**

Cali Baja's manufacturing sector has emerged as one of the world's strongest cross border supply chains. The competitive advantage resulting from this integrated, co-producing sector fuels the innovation economy and fosters competitiveness, all while supporting high-paying jobs on both sides of the border.

MANUFACTURING EMPLOYMENT SHARE BY INDUSTRY



KEY TRADED SERVICES IN CALI BAJA'S INNOVATION ECONOMY



THE FUTURE FRONTIERS OF TRADE

Against the backdrop of rapid changes in global production, Cali Baja must identify and maintain the sources of its competitiveness in the 21st century innovation economy. Cross border production sharing has made North America more integrated, more resilient, and more competitive; it has also served to insulate our economies from other global competitors, such as China. By 2020, however, more than half of all U.S. exports will be in services, not goods.

TO LEARN MORE, VISIT >> [sandiegobusiness.org/research-center](http://sandiegobusiness.org/research-center)

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