

SAN DIEGO HIGHLIGHTS

2.8% unemployment rate

4.6% year-over-year growth in median home price

\$655M VC dollars received

THIS QUARTER IN RESEARCH:
ADDRESSING SAN DIEGO'S AFFORDABILITY CRISIS

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 **Q4 2019**.

UNEMPLOYMENT

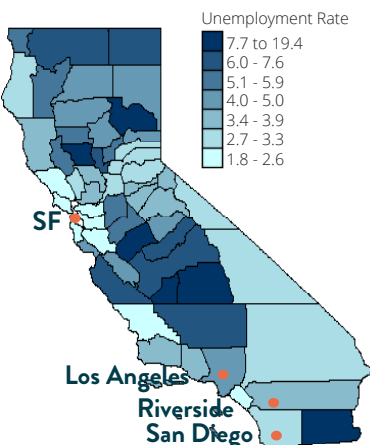
- The region's unemployment rate was 2.8 percent in Q4 2019. The majority of the 25 most populous metros saw a decrease in their unemployment rate, but San Diego's increased by 0.1 percent and placing the region as the 10th lowest unemployment rate along with Portland and San Antonio.
- San Diego's unemployment rate remained below the state and national rates of 3.7 and 3.4 percent, respectively.
- When compared to its regional neighbors, San Diego's unemployment rate continued to fare better than both Riverside (3.5 percent) and Los Angeles (3.6 percent).
- Year-over-year, San Diego's unemployment rate decreased by 0.3 percentage points.

Unemployment Rate - 25 Most Populous US Metros

Rank	Metro	Q4 2019	Q3 2019	PP Change
-	US	3.4	3.3	0.1
1	Boston	2.1	2.7	-0.6
2	Miami	2.2	3.0	-0.8
2	San Francisco	2.2	2.2	0.0
4	Denver	2.3	2.2	0.1
5	Orlando	2.5	2.8	-0.3
6	Washington DC	2.6	2.9	-0.3
6	Tampa	2.6	2.9	-0.3
8	Seattle	2.7	3.5	-0.8
8	Atlanta	2.7	2.9	-0.2
10	Portland	2.8	3.8	-1.0
10	San Antonio	2.8	3.0	-0.2
10	San Diego	2.8	2.7	0.1
13	Baltimore	2.9	3.4	-0.5
13	Dallas	2.9	3.1	-0.2
15	Minneapolis	3.0	2.5	0.5
16	Charlotte	3.1	3.1	0.0
17	Chicago	3.2	3.4	-0.2
18	Saint Louis	3.3	2.6	0.7
19	New York	3.4	3.5	-0.1
20	Riverside	3.5	3.6	-0.1
21	Los Angeles	3.6	4.0	-0.4
21	Houston	3.6	3.6	0.0
23	Detroit	3.7	4.1	-0.4
23	Phoenix	3.7	3.8	-0.1
25	Philadelphia	4.0	3.9	0.1

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

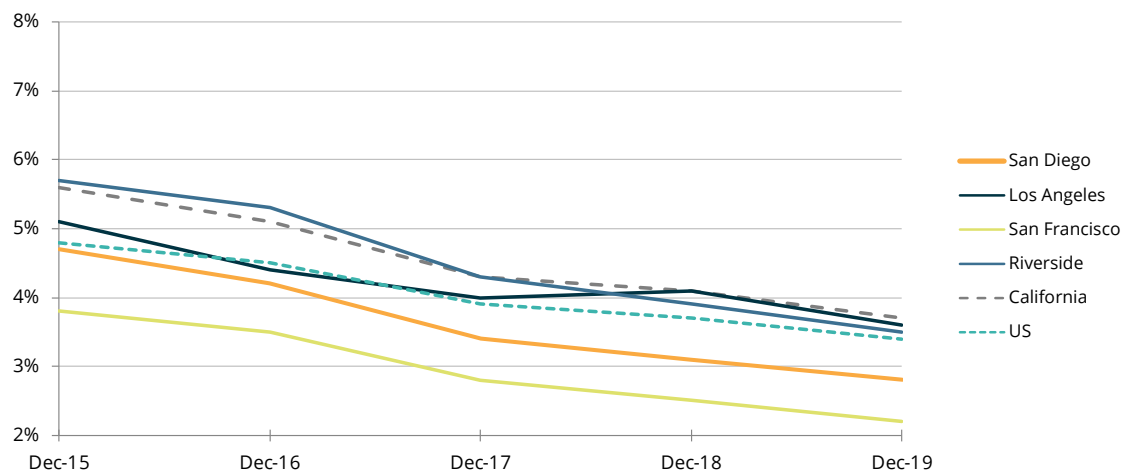
CALIFORNIA'S UNEMPLOYMENT BY COUNTY



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

UNEMPLOYMENT TRENDS

Quarter-End Unemployment Rate San Diego & Select California Metros

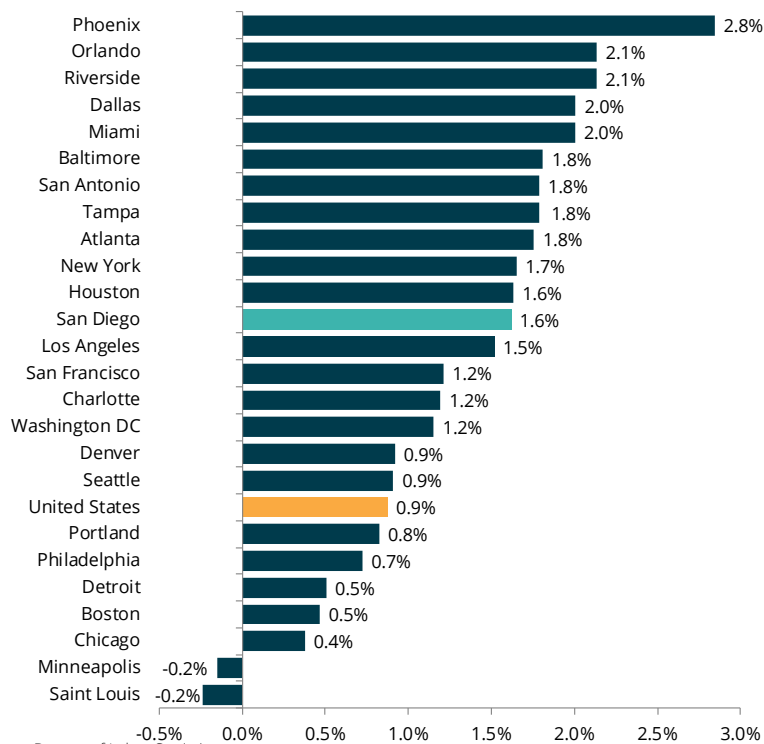


Source: Bureau of Labor Statistics
Note: Data not seasonally adjusted. Quarter-end monthly data.

EMPLOYMENT

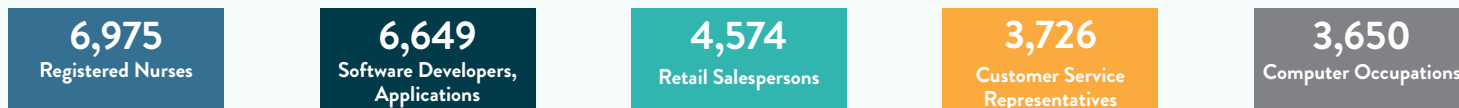
- All but two of the 24 most populous metros experienced an increase in total nonfarm employment during Q4, including San Diego. The region gained 24,500 jobs – a 1.6 percent increase in total nonfarm employment during Q4. Compared to a year ago, nonfarm employment is up 34,800, or 2.3 percent.
- The Trade, Transportation, and Utilities sector recorded the largest quarterly gain of nearly 5 percent, adding 10,800 jobs. The largest decline from Q3 to Q4 was in Leisure and Hospitality, which shed of 3,700 jobs or 1.8 percent.
- Professional and Business Services recorded the largest year-over-year gains, increasing by 9,500 jobs. Retail Trade saw the largest decline in employment year-over-year a loss of 1,200 jobs.
- There were 989,806 total job postings during Q4, of which 179,473 were unique. With 57,611 total job postings during the quarter, registered nurses topped the occupation charts. In alignment with the continued demand in one of the region's fastest growing sectors, software developers were the second highest posted occupation, responsible for 6,649 unique job postings.

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



Source: EMSI, Job Posting Analytics, Q4 2019

EMPLOYMENT CHANGES BY SECTOR

Employment by Sector (in thousands)	Q4 2019	Q3 2019	Q4 2018	Change Prev. QTR	Change Prev. YR	% Change Prev. QTR	% Change Prev. YR
Total (Private and Government)	1,540.7	1,516.2	1,505.9	24.5	34.8	1.6%	2.3%
Total Private	1,281.4	1,265.0	1,253.4	16.4	28.0	1.3%	2.2%
<i>Professional and Business Services</i>	259.2	257.5	249.7	1.7	9.5	0.7%	3.8%
Prof., Scientific, and Tech. Services*	146.1	145.0	138.6	1.1	7.5	0.8%	5.4%
Mgmt. of Companies and Enterprises	24.5	24.5	24.4	0.0	0.1	0.0%	0.4%
Administrative	88.6	88.0	86.7	0.6	1.9	0.7%	2.2%
<i>Trade, Transportation, and Utilities</i>	232.4	221.6	233.5	10.8	-1.1	4.9%	-0.5%
Wholesale Trade	43.1	42.9	43.7	0.2	-0.6	0.5%	-1.4%
Retail Trade	153.6	144.2	154.8	9.4	-1.2	6.5%	-0.8%
Transportation and Utilities	35.7	34.5	35.0	1.2	0.7	3.5%	2.0%
<i>Education and Health Services</i>	221.6	216.2	215.2	5.4	6.4	2.5%	3.0%
Education Services	33.4	31.7	33.1	1.7	0.3	5.4%	0.9%
Healthcare and Social Assistance	188.2	184.5	182.1	3.7	6.1	2.0%	3.3%
<i>Leisure and Hospitality*</i>	199.8	203.5	200.9	-3.7	-1.1	-1.8%	-0.5%
<i>Manufacturing*</i>	119.1	117.7	114.6	1.4	4.5	1.2%	3.9%
<i>Financial Activities</i>	76.2	74.6	76.0	1.6	0.2	2.1%	0.3%
Finance and Insurance	46.9	45.8	47.1	1.1	-0.2	2.4%	-0.4%
Real Estate and Rental and Leasing	29.3	28.8	28.9	0.5	0.4	1.7%	1.4%
<i>Construction</i>	91.7	91.8	83.1	-0.1	8.6	-0.1%	10.3%
<i>Other Services</i>	57.3	58.0	56.1	-0.7	1.2	-1.2%	2.1%
<i>Information*</i>	23.7	23.7	24.0	0.0	-0.3	0.0%	-1.3%
<i>Mining and Logging</i>	0.4	0.4	0.3	0.0	0.1	0.0%	33.3%
Total Government	259.3	251.2	252.5	8.1	6.8	3.2%	2.7%
Federal Government	47.6	47.2	47.5	0.4	0.1	0.8%	0.2%
State Government	54.0	49.8	52.7	4.2	1.3	8.4%	2.5%
Local Government	157.7	154.2	152.3	3.5	5.4	2.3%	3.5%

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 \$655,000 in Q4, San Diego's housing market was the second most expensive in the nation, behind San Francisco.
- The region's median home price continues to rise up 1.6 percent from the previous quarter, and up 4.6 percent compared to Q4 2018.

Median Home Price for 25 Most Populous US Metros

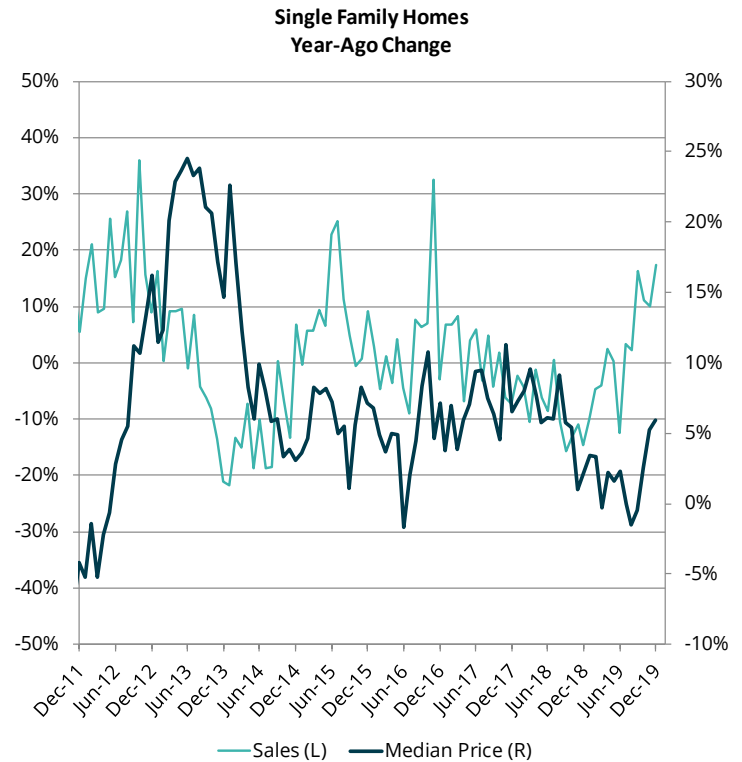
Rank	Metro	Price Q4 2019	% Change From Prev. Quarter	% Change From Prev. Year
-	US	\$274,900	6.6%	3.0%
1	San Francisco	\$990,000	2.7%	3.9%
2	San Diego	\$655,000	1.6%	4.6%
3	Los Angeles	\$617,300	-5.0%	7.2%
4	Seattle	\$528,800	1.6%	8.0%
5	Boston	\$482,800	-4.8%	4.9%
6	Denver	\$458,000	-1.7%	4.5%
7	Washington DC	\$436,200	-0.8%	4.5%
8	Portland	\$410,900	-1.2%	5.6%
9	New York	\$391,600	-2.1%	5.5%
10	Riverside	\$380,000	0.0%	5.6%
11	Miami	\$368,500	1.0%	5.3%
12	Phoenix	\$295,400	2.1%	8.3%
13	Baltimore	\$294,100	-6.2%	5.0%
14	Minneapolis	\$287,000	-1.3%	5.8%
15	Orlando	\$279,900	0.0%	5.6%
16	Dallas	\$268,600	-0.9%	5.4%
17	Charlotte	\$258,500	-2.9%	9.8%
18	Chicago	\$254,700	-5.6%	4.7%
19	Tampa	\$248,000	-0.8%	5.5%
20	Houston	\$245,700	-1.3%	3.3%
21	Philadelphia	\$241,800	-5.6%	7.7%
22	San Antonio	\$237,300	-1.4%	3.6%
23	Atlanta	\$232,000	-2.6%	7.4%
24	Detroit	\$194,700	-6.3%	8.1%
25	Saint Louis	\$184,800	-4.6%	6.1%

Source: National Association of Realtors

SALES & PRICE TRENDS

- Price growth accelerated in 2019, after slowing in 2018. Home prices ended the year up 5.9 percent.
- Home sales continue to fluctuate upward in Q4 2019, ending the year at 17.4 percent year-over-year growth.

Year-Ago Change in Median Home Price & Sales

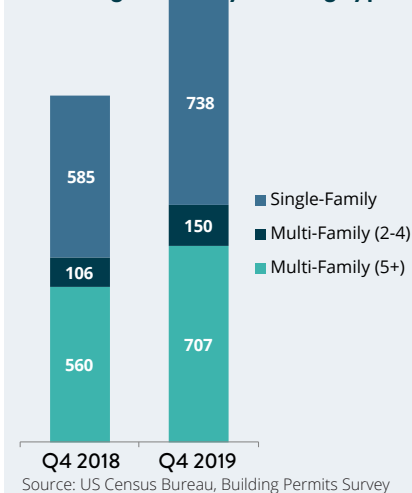


Source: California Association of Realtors

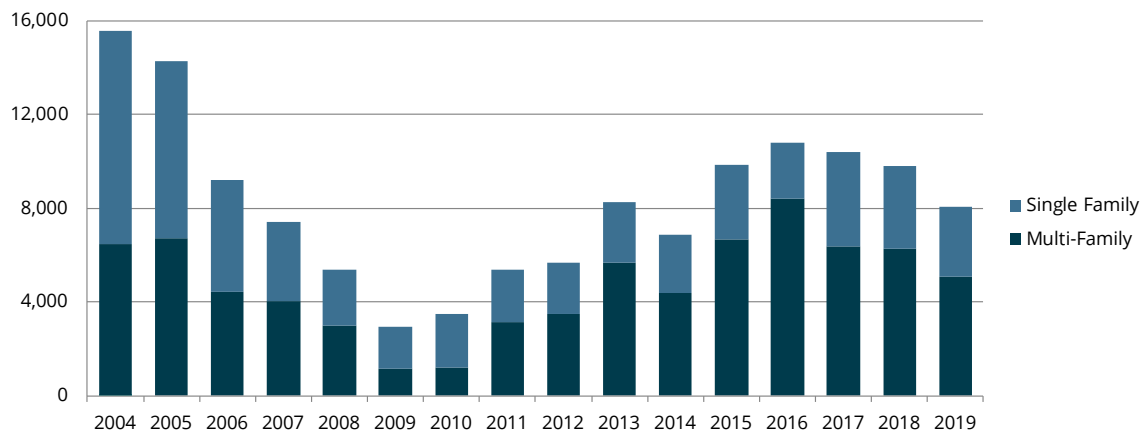
BUILDING PERMITS

Housing permits in Q4 2019 increased compared to Q4 2018. While Q4 was positive for building permits, the overall trend in 2019 was less optimistic. In 2019, 8,080 permits were issued, down 17 percent from 2018. Since 2016, San Diego building permits have declined.

Building Permits by Housing Type



Permit Activity



Source: US Census Bureau, Building Permits Survey, 2004-2019
Notes: The survey universe increased in 2014.

COMMERCIAL REAL ESTATE

OFFICE MARKET

10.3%
Vacancy Rate

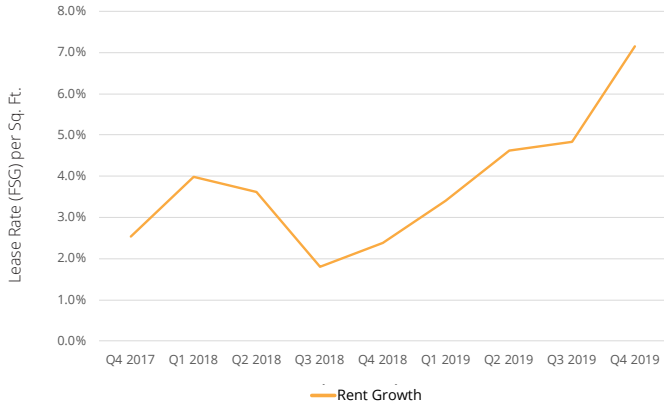
246K sq. ft.
Net Absorption

926K sq. ft.
Construction

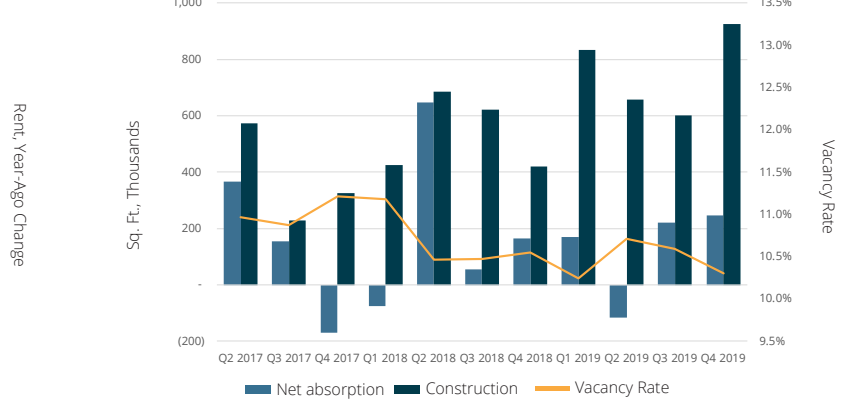
\$3.17 FSG
Lease Rate

- Asking rates increased 2.6 percent quarter over quarter and 7.2 percent year over year to an all-time high of \$3.17 per sq. ft.
- Net absorption increased quarterly, with an overall vacancy rate down to 10.3 percent. San Diego's Professional, Scientific, and Technical Service employment grew by nearly one percent from Q3 to Q4 2019.

Rent Growth



Market Absorption & Vacancy Rates



INDUSTRIAL MARKET

5.1%
Vacancy Rate

33K sq. ft.
Net Absorption

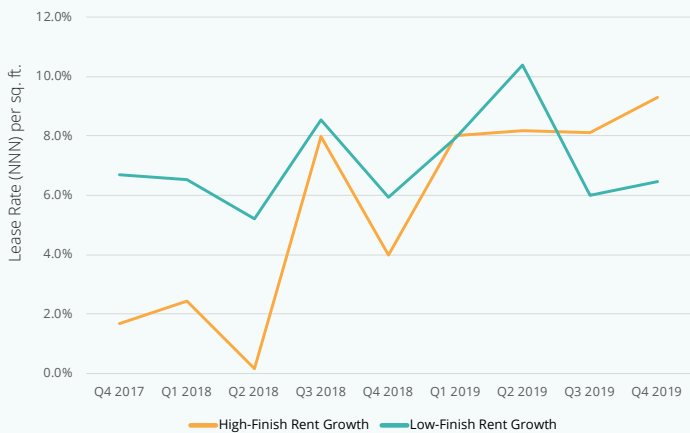
1.7M sq. ft.
Construction

\$1.49 NNN
High-Finish Lease Rate

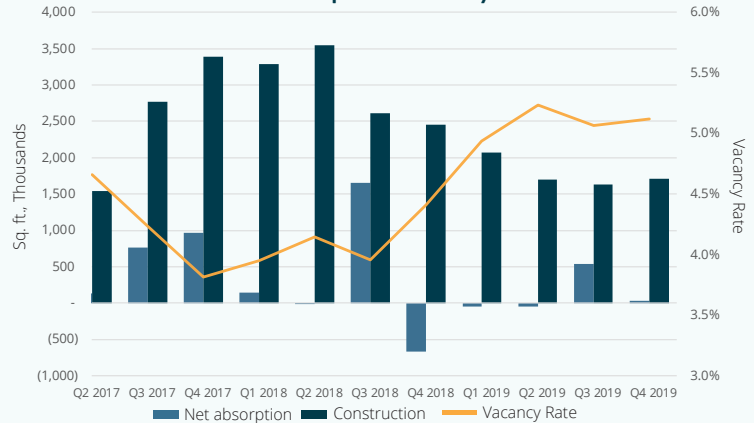
\$1.01 NNN
Low-Finish Lease Rate

- Net absorption was positive in Q4 2019 at 32,523 sq. ft. Year to date net absorption for 2019 was positive in Q4 at 483,685 sq. ft. Total vacancy rates for industrial were at 5.1 percent in Q4.
- The average low-finish asking rate is at an all-time high of \$1.01 NNN.
- The Manufacturing employment sector grew by 1.2 percent from Q3 to Q4 2019 and continues to drive the demand for industrial product.

Rent Growth



Market Absorption & Vacancy Rates

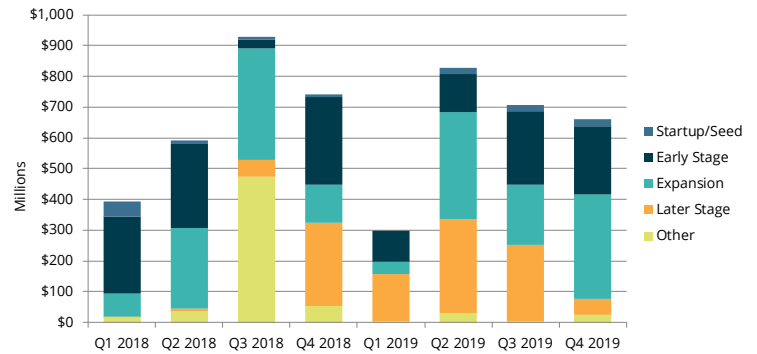


Note: CBRE no longer reports an overall industrial asking rate. It now separately reports high-finish rates and low-finish rates. High-finish generally has more office build-out, multiple stories, and consists of business park R&D and R&D subtypes. Low-finish has higher clearance, more dock doors, and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

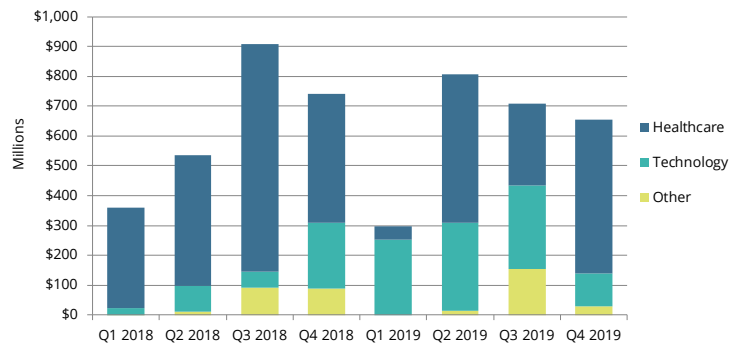
VENTURE CAPITAL

- In Q4, the San Diego region saw 39 venture capital (VC) deals worth \$655 million. This places San Diego seventh out of the 19 U.S. regions tracked by the PwC MoneyTree Report in terms of VC dollars received.
- VC investment in the region decreased 10 percent compared to the previous quarter. Compared to the same period a year ago, VC investment in the region is down 12 percent.
- The majority, or \$515 million, of VC received in Q4 went to healthcare companies. Healthcare consistently draws the bulk of VC dollars into the region.
- The technology cluster received \$110 million during the quarter, most of which went to mobile and telecommunication companies.
- Early stage funding fell in Q4. However, expansion stage funding increased 62 percent from Q3.

Venture Capital Dollars Received by Funding Stage

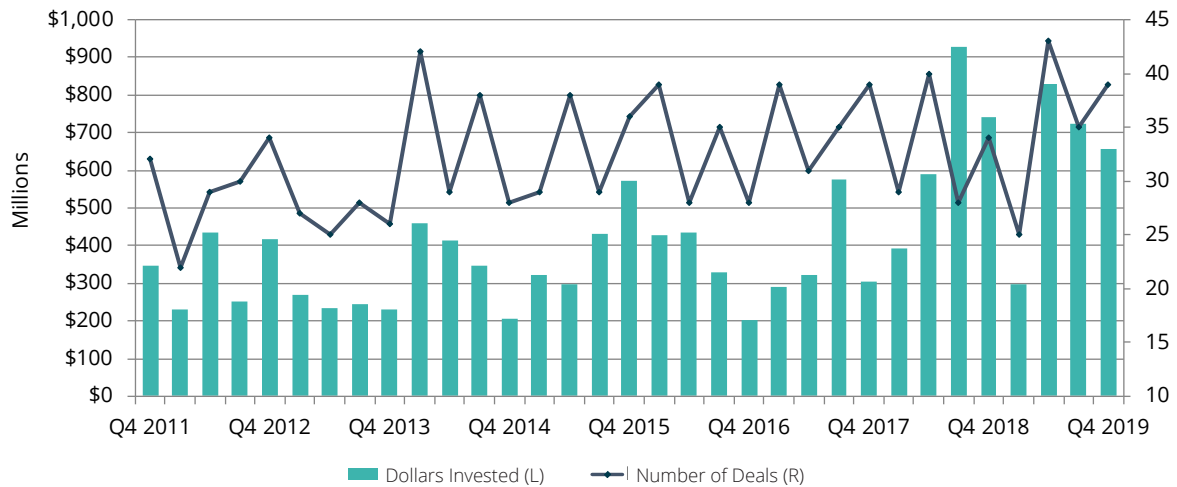


Venture Capital Dollars Received by Sector



Source: PwC/CB Insights MoneyTree™ Report

Venture Capital Investment Trends



Source: PwC/CB Insights MoneyTree™ Report

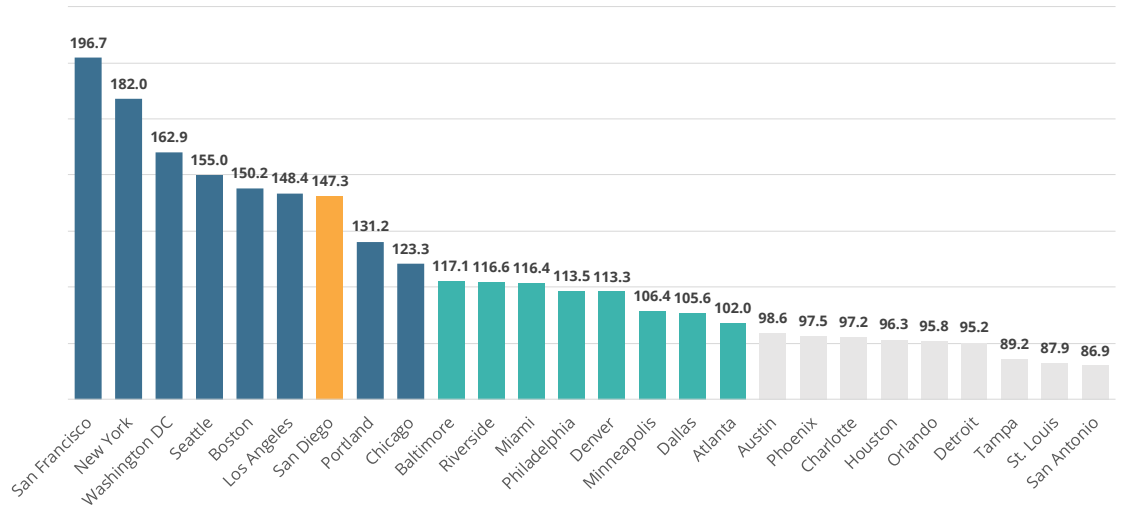
Note: Data is subject to revision, as VC activity is not always disclosed during the quarter of investment. PwC's methodology can be found [here](#).

THIS QUARTER IN RESEARCH:

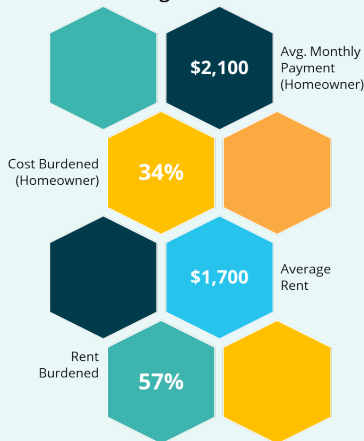
ADDRESSING SAN DIEGO'S AFFORDABILITY CRISIS

OVERALL COST OF LIVING

Ensuring San Diego is an attractive and affordable place for talent and business is critical to maintaining its regional competitiveness. However, the region is 47% more expensive than the average U.S. metro. The region also has raising median home price, increasing commute times for its poorest residents, and a massive childcare shortage. These cost of living pressures adversely impact regional employers' ability to attract and retain talent.



Housing Cost Burden



HOUSING & TRANSPORTATION

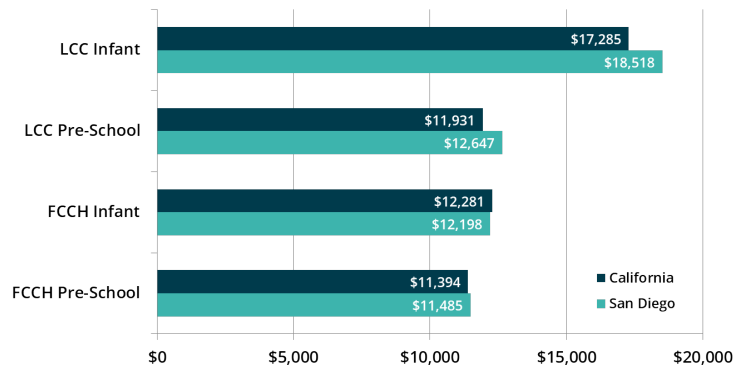
Rents have also risen dramatically in recent years. While average homeowner costs are higher in absolute terms, as a percent of income, the number of rental households that are cost burdened (paying more than 30% of income on housing) is nearly 44% greater.

The high cost of housing has pushed residents further away from the region's job centers. This has led to longer commutes and increased costs of transportation. The average household spends more than \$14,000 on transportation and travels nearly 20,000 miles over the course of a year. When added to the typical cost of housing, about 57% of the median household's income is being consumed by housing and transportation alone.

CHILDCARE

For some families, childcare is the largest household expense. In San Diego, the cost of licensed child care space for one infant is more than \$18,000 per year. This high cost has resulted in a shortage of licensed child care facilities. There are now nearly twice as many children under the age of six with working parents as licensed child care spaces available. Furthermore, that undersupply is not evenly distributed across the region.

Cost of One Childcare Space



TO LEARN MORE, VISIT AFFORDABILITY.INCLUSIVESD.ORG

For more information, please contact our research team:

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