

SAN DIEGO HIGHLIGHTS

2.7% unemployment rate

-0.8% year-over-year growth in median home price

\$707M VC dollars received

THIS QUARTER IN RESEARCH:
EQUITABLE DEVELOPMENT
PLAN FOR THE SAN DIEGO
PROMISE ZONE

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.

Interested in sponsoring this product?

Contact us at:
research@sandiegobusiness.org

This issue covers data from **Q3 2019**.

UNEMPLOYMENT

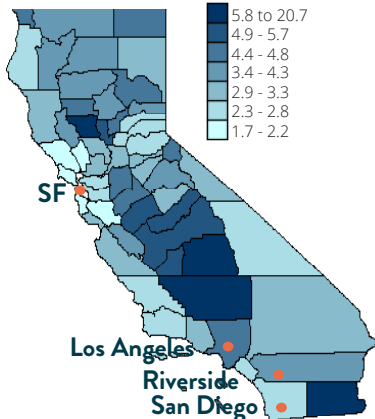
- The region's unemployment rate was 2.7 percent in Q3 2019. The majority of the 25 most populous metros saw a decrease in their unemployment rate, including San Diego whose rate decreased by 0.6 percentage points, placing the region as the fifth lowest unemployment rate.
- San Diego's unemployment rate remained below the state and national rates of 3.5 and 3.3 percent, respectively.
- When compared to its regional neighbors, San Diego's unemployment rate continued to fare better than both Riverside (3.6 percent) and Los Angeles (4.0 percent).
- Year-over-year, San Diego's unemployment rate decreased by 0.4 percentage points.

Unemployment Rate - 25 Most Populous US Metros

Rank	Metro	Q3 2019	Q2 2019	PP Change
-	US	3.3	3.8	-0.5
1	San Francisco	2.2	2.7	-0.5
1	Denver	2.2	2.9	-0.7
3	Minneapolis	2.4	3.3	-0.9
4	Saint Louis	2.6	3.4	-0.8
5	Boston	2.7	2.9	-0.2
5	San Diego	2.7	3.3	-0.6
7	Orlando	2.8	3.2	-0.4
8	Washington DC	2.9	3.4	-0.5
8	Tampa	2.9	3.5	-0.6
8	Atlanta	2.9	3.7	-0.8
11	San Antonio	3.0	3.2	-0.2
11	Miami	3.0	3.3	-0.3
13	Dallas	3.1	3.3	-0.2
13	Charlotte	3.1	4.1	-1.0
15	Baltimore	3.4	4.0	-0.6
15	Chicago	3.4	4.0	-0.6
17	New York	3.5	3.5	0.0
17	Seattle	3.5	3.4	0.1
19	Riverside	3.6	4.3	-0.7
19	Houston	3.6	3.8	-0.2
21	Portland	3.8	3.9	-0.1
21	Phoenix	3.8	4.6	-0.8
21	Philadelphia	3.8	3.8	0.0
24	Los Angeles	4.0	4.2	-0.2
25	Detroit	4.1	4.5	-0.4

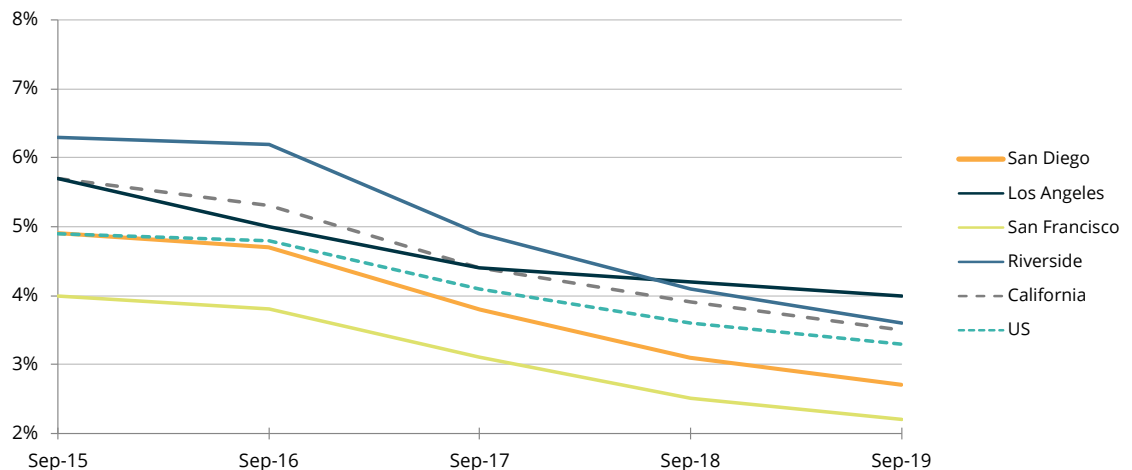
Source: Bureau of Labor Statistics
Note: Data not seasonally adjusted. Quarter-end monthly data.

CALIFORNIA'S UNEMPLOYMENT BY COUNTY



UNEMPLOYMENT TRENDS

Quarter-End Unemployment Rate San Diego & Select California Metros



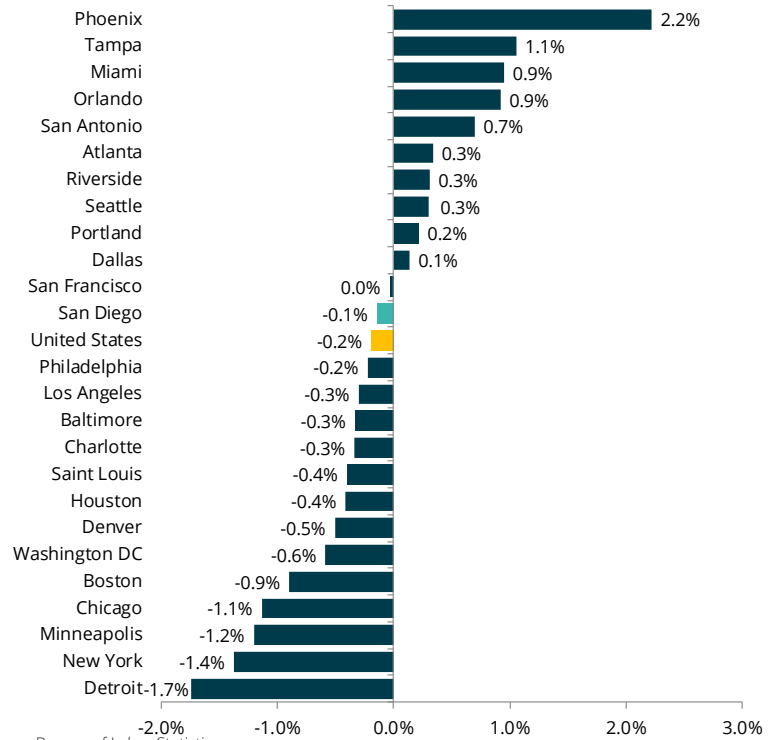
Source: Bureau of Labor Statistics
Note: Data not seasonally adjusted.

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

EMPLOYMENT

- Over half of the 24 most populous metros experienced a decline in total nonfarm employment during Q3, including San Diego. The region lost 2,200 jobs – a 0.1 percent decrease in total nonfarm employment during Q3. Compared to a year ago, nonfarm employment is up 30,600, or 2.1 percent.
- The Construction industry recorded the largest quarterly gain, adding 4,100 jobs, a nearly five percent growth in Q3. The largest decline from Q2 to Q3 was in Government, with a decline of 6,000 jobs or 2.3 percent.
- Professional and business services recorded the largest year-over-year gains, increasing by 7,700 jobs, respectively. Retail trade saw the largest decline in employment year-over-year with a 2,000 job loss.
- There were 1.2 million total job postings during Q3, of which 224,270 were unique. Registered nurses topped the occupation charts, indicative of continued demand on the region's world-class healthcare facilities. 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 8,799 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, Q3 2019

EMPLOYMENT CHANGES BY SECTOR

Employment by Sector (in thousands)	Q3 2019	Q2 2019	Q3 2018	Change Prev. QTR	Change Prev. YR	% Change Prev. QTR	% Change Prev. YR
Total (Private and Government)	1,515.0	1,517.2	1,484.4	-2.2	30.6	-0.1%	2.1%
Total Private	1,264.2	1,260.4	1,240.5	3.8	23.7	0.3%	1.9%
<i>Professional and Business Services</i>	256.9	256.4	249.2	0.5	7.7	0.2%	3.1%
Prof., Scientific, and Tech. Services*	144.8	144.0	138.2	0.8	6.6	0.6%	4.8%
Mgmt. of Companies and Enterprises	24.5	24.4	24.0	0.1	0.5	0.4%	2.1%
Administrative	87.6	88.0	87.0	-0.4	0.6	-0.5%	0.7%
<i>Trade, Transportation, and Utilities</i>	221.8	221.0	223.6	0.8	-1.8	0.4%	-0.8%
Wholesale Trade	42.9	43.4	43.6	-0.5	-0.7	-1.2%	-1.6%
Retail Trade	144.3	144.4	146.3	-0.1	-2.0	-0.1%	-1.4%
Transportation and Utilities	34.6	33.2	33.7	1.4	0.9	4.2%	2.7%
<i>Education and Health Services</i>	215.9	215.0	212.4	0.9	3.5	0.4%	1.6%
Education Services	31.7	32.4	31.6	-0.7	0.1	-2.2%	0.3%
Healthcare and Social Assistance	184.2	182.6	180.8	1.6	3.4	0.9%	1.9%
<i>Leisure and Hospitality*</i>	204.1	208.0	201.6	-3.9	2.5	-1.9%	1.2%
<i>Manufacturing*</i>	117.6	116.6	112.8	1.0	4.8	0.9%	4.3%
<i>Financial Activities</i>	74.6	74.9	75.4	-0.3	-0.8	-0.4%	-1.1%
Finance and Insurance	45.8	46.2	46.5	-0.4	-0.7	-0.9%	-1.5%
Real Estate and Rental and Leasing	28.8	28.7	28.9	0.1	-0.1	0.3%	-0.3%
<i>Construction</i>	91.6	87.5	86.2	4.1	5.4	4.7%	6.3%
<i>Other Services</i>	57.6	56.9	55.3	0.7	2.3	1.2%	4.2%
<i>Information*</i>	23.7	23.7	23.7	0.0	0.0	0.0%	0.0%
<i>Mining and Logging</i>	0.4	0.4	0.3	0.0	0.1	0.0%	33.3%
Total Government	250.8	256.8	243.9	-6.0	6.9	-2.3%	2.8%
Federal Government	47.2	47.0	46.9	0.2	0.3	0.4%	0.6%
State Government	49.8	53.8	47.6	-4.0	2.2	-7.4%	4.6%
Local Government	153.8	156.0	149.4	-2.2	4.4	-1.4%	2.9%

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 Q3, San Diego's housing market was the third most expensive in the nation, behind San Francisco and Los Angeles.
- The region's median home price decreased by 1.5 percent from the previous quarter, and was down 0.8 percent compared to a year ago. Ensuring San Diego is an attractive and affordable place for talent and business is critical to maintaining its regional competitiveness.

Median Home Price for 25 Most Populous US Metros

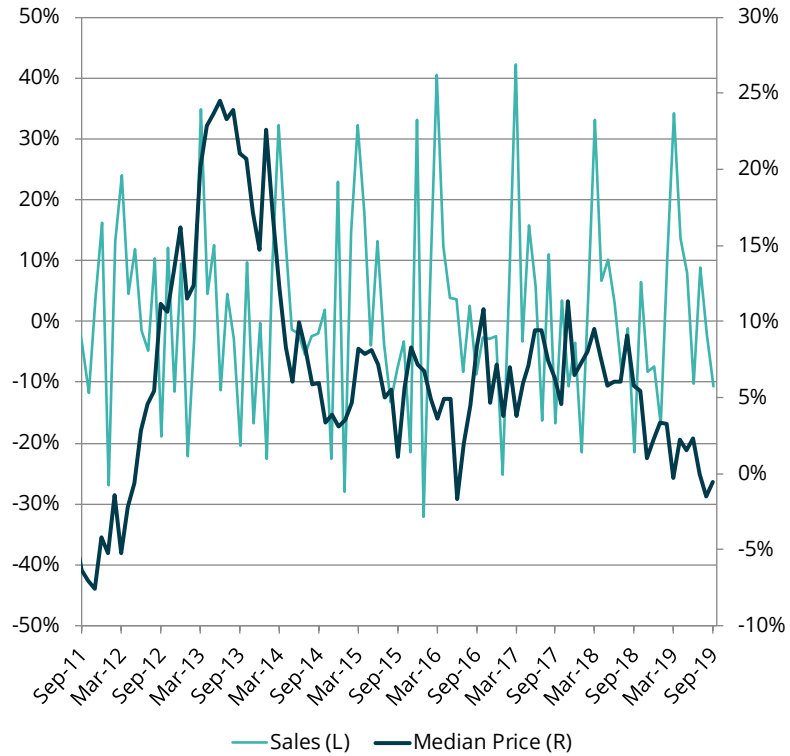
Rank	Metro	Price Q3 2019	% Change From Prev. Quarter	% Change From Prev. Year
-	US	\$456,500	8.7%	3.0%
1	San Francisco	\$964,000	-8.2%	-2.5%
2	Los Angeles	\$649,600	14.6%	3.3%
3	San Diego	\$645,000	-1.5%	-0.8%
4	Seattle	\$520,500	-4.1%	3.5%
5	Boston	\$507,400	0.1%	3.3%
6	Denver	\$465,700	-1.2%	3.5%
7	Washington DC	\$440,000	-3.7%	3.2%
8	Portland	\$416,000	0.2%	4.2%
9	New York	\$400,100	4.4%	2.0%
10	Riverside	\$380,000	0.0%	4.8%
11	Miami	\$365,000	1.4%	2.8%
12	Baltimore	\$313,500	1.7%	4.2%
13	Minneapolis	\$290,800	-1.1%	5.9%
14	Phoenix	\$289,200	1.3%	6.1%
15	Orlando	\$280,000	0.7%	5.3%
16	Dallas	\$271,100	-1.6%	3.4%
17	Chicago	\$269,700	-3.1%	1.7%
18	Charlotte	\$266,200	0.0%	8.7%
19	Philadelphia	\$256,200	0.8%	6.5%
20	Tampa	\$250,000	2.0%	5.9%
21	Houston	\$248,900	-0.2%	3.6%
22	San Antonio	\$240,600	0.8%	3.8%
23	Atlanta	\$238,100	-0.7%	6.2%
24	Saint Louis	\$193,800	-0.5%	6.5%

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 slowed since March 2018, with a compound annual growth rate of 0.6 percent.
- Year-over-year median home price growth fell 0.5 percent from Q3 2018 to Q3 2019.

Year-Ago Change in Median Home Price & Sales

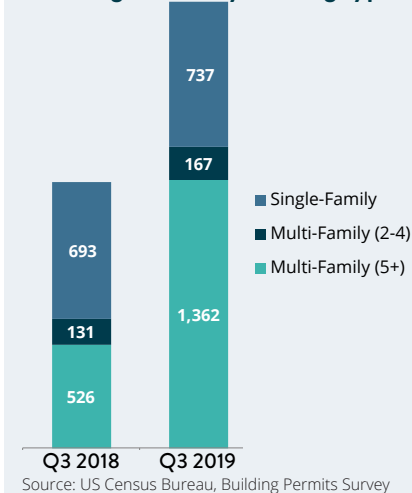


Source: California Association of Realtors

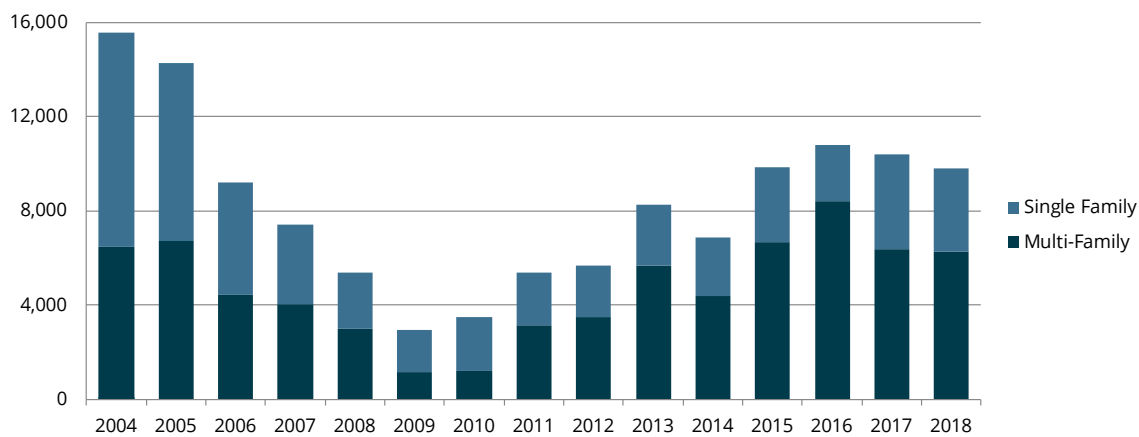
BUILDING PERMITS

Housing permits increased substantially year-over-year in San Diego, largely due to multi-family housing permits increasing by nearly 133 percent. Overall, total housing permits increased nearly 68 percent compared to a year ago. Quarterly gains were less encouraging, with a 22 percent decrease in permits from Q2 to Q3.

Building Permits by Housing Type



Permit Activity



COMMERCIAL REAL ESTATE

OFFICE MARKET

10.3%
Vacancy Rate

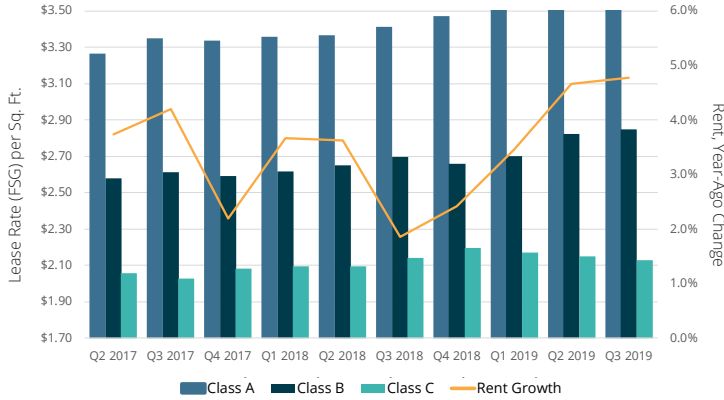
221K sq. ft.
Net Absorption

425K sq. ft.
Construction

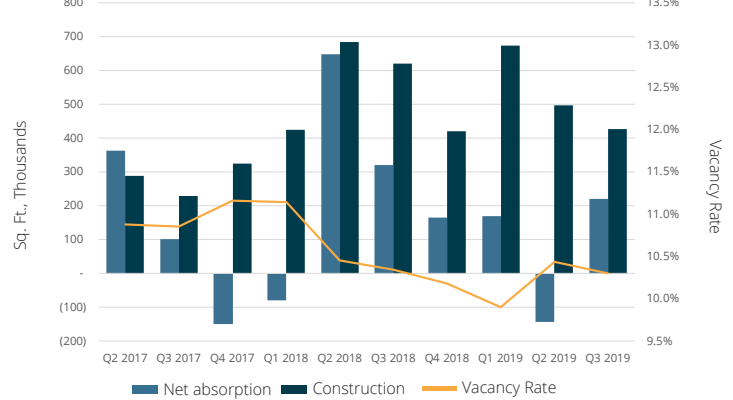
\$3.09 FSG
Lease Rate

- Asking rates increased 0.7 percent quarter-over-quarter and 4.8 percent year-over-year to an all-time high of \$3.09 per sq. ft.
- Net absorption increased quarterly, with a total vacancy rate of 10.3 percent. Cubic Corp. broke ground on a new corporate headquarters in Kearny Mesa, representing a rarity of construction activity in the submarket according to CBRE.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates



INDUSTRIAL MARKET

5.0%
Vacancy Rate

546K sq. ft.
Net Absorption

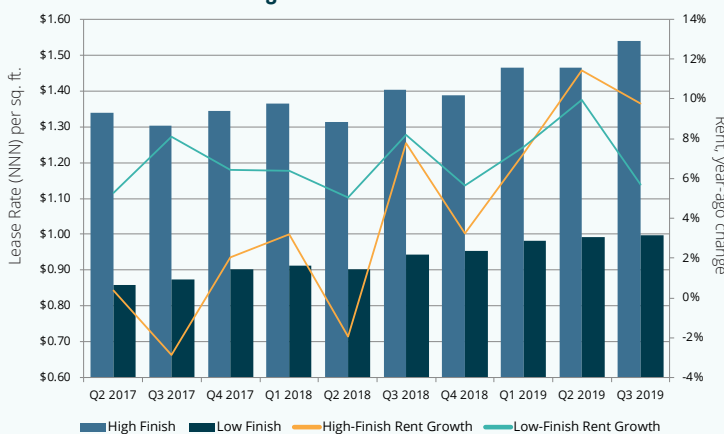
1.8M sq. ft.
Construction

\$1.54 NNN
High-Finish Lease Rate

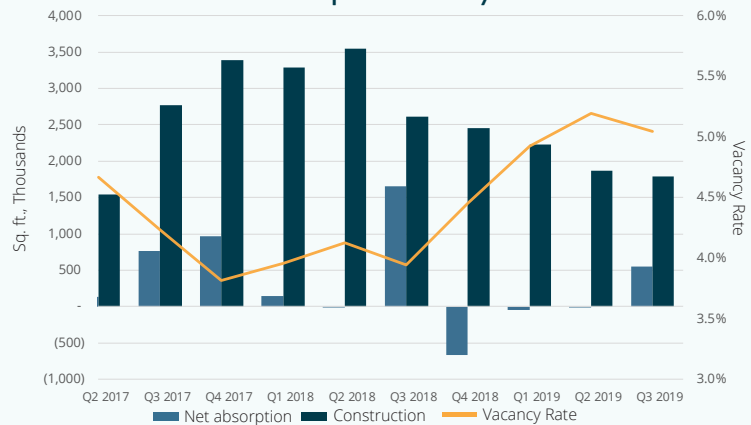
\$2.12 NNN
Low-Finish Lease Rate

- Net absorption was positive in Q3 2019 at 546,064 sq. ft. due to strong leasing activity in warehouse and light industrial, for the first time since Q3 2018. Year to date net absorption for 2019 was positive in Q3 at 484,787 sq. ft. Total vacancy rates for industrial were at 5.0 percent in Q3.
- According to CBRE, nine properties across five development projects were delivered in Q3 2019, totaling 222,085 sq. ft..
- Developers are focusing on Otay Mesa, East County, and sections of North County where land is more available and costs are lower than Central San Diego.

Asking Lease Rate & Rent Growth



Market Absorption & Vacancy Rates

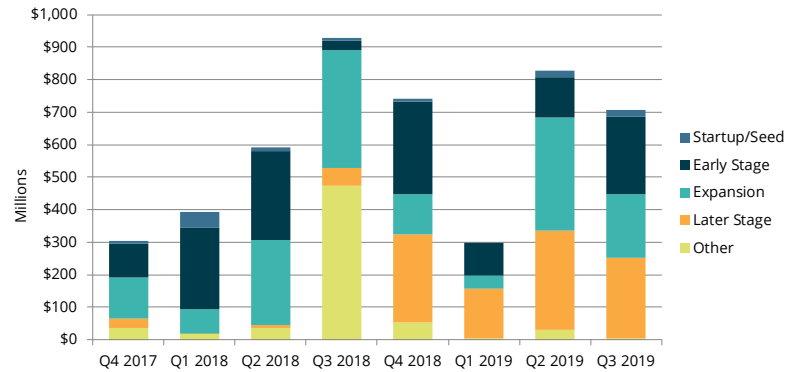


Note: CBRE no longer reports an overall industrial asking rate. It now separately reports high-finish rates and low-finish rates. High-finish generally has more office build-out, multiple stories, and consists of business park R&D and R&D subtypes. Low-finish has higher clearance, more dock doors, and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

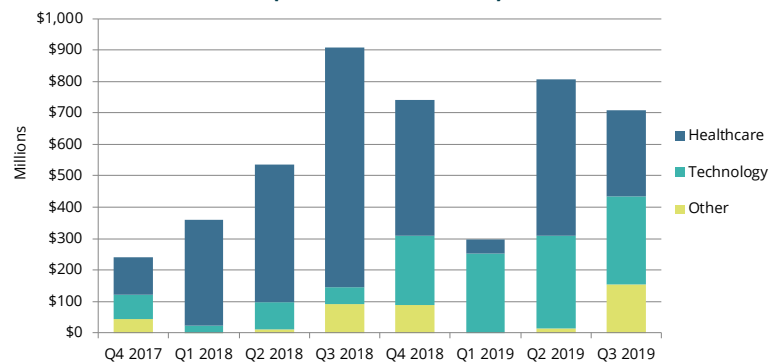
VENTURE CAPITAL

- In Q3, the San Diego region saw 34 venture capital (VC) deals worth \$707 million. This placed San Diego fifth 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 14 percent compared to the previous quarter. Compared to the same period a year ago, VC investment in the region is down 22 percent.
- The majority, or \$272 million, of VC received in Q3 went to healthcare companies. Healthcare has consistently drawn the bulk of VC dollars into the region.
- The technology cluster received \$281 million during the quarter, most of which went to mobile and telecommunication companies.
- Early stage funding jumped from \$123 million in Q2 to \$237 million in Q3, growing by over 92 percent and commanding 33 percent of VC received during the quarter.

Venture Capital Dollars Received by Funding Stage

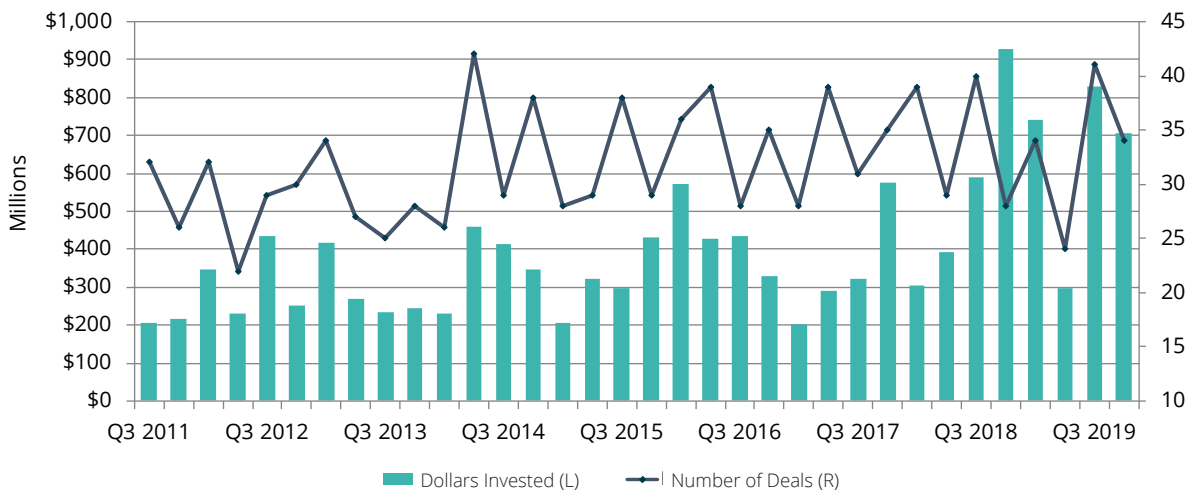


Venture Capital Dollars Received by Sector



Source: PwC/CB Insights MoneyTree™ Report

Venture Capital Investment Trends



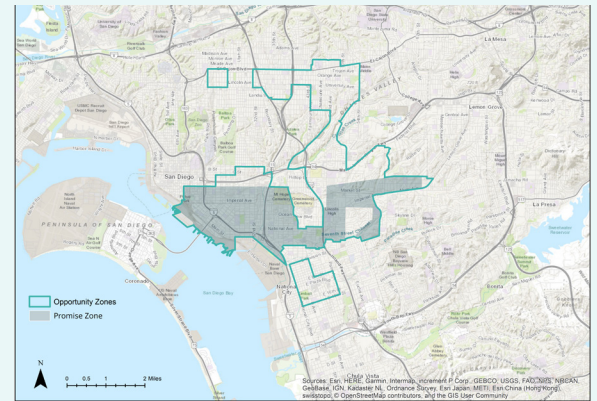
Source: PwC/CB Insights MoneyTree™ Report
 Note: Data is subject to revision, as VC activity is not always disclosed during the quarter of investment. PwC's methodology can be found [here](#).

THIS QUARTER IN RESEARCH:

SAN DIEGO SMALL BUSINESS LENDING COLLABORATIVE: EQUITABLE DEVELOPMENT PLAN FOR THE SAN DIEGO PROMISE ZONE

The San Diego Small Business Lending Collaborative in partnership with EDC surveyed existing and prospective business owners in three San Diego Promise Zone zip codes (92102, 92113 and 92114) to identify barriers for small business establishment and growth within the San Diego Promise Zone; the San Diego Promise Zone is a geographic area comprising of Barrio Logan, Southeastern San Diego, and Encanto. Historically disadvantaged and suffering from a lack of economic investment, these SDPZ neighborhoods have long been characterized by their relatively high unemployment, high poverty, and low educational attainment rates. With a higher share of minorities and immigrants, the culturally-rich communities within the SDPZ also possess unique barriers to economic growth.

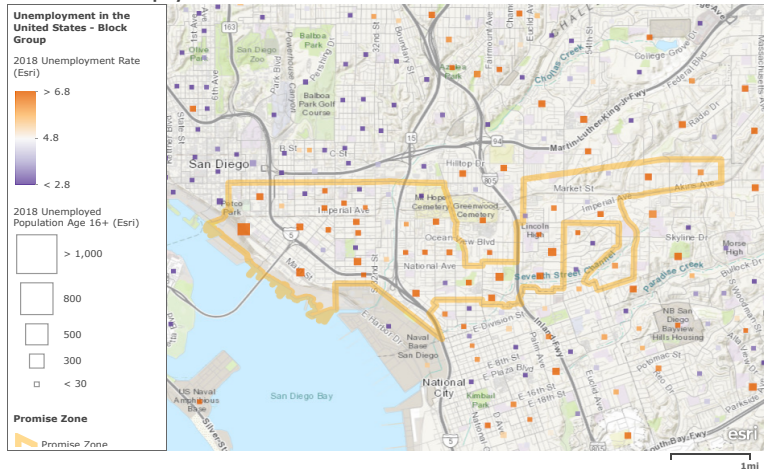
The study, written by the San Diego Regional EDC, found that the biggest challenge business owners face is related to credit/financing. Only 12 percent of business owners have ever applied for business financing, and out of those who have, they found only expensive options or were declined due to bad credit or income requirements.



BUSINESS CLIMATE

While San Diego's overall economy has bounced back since the Great Recession, SDPZ has not benefitted from the prosperity experienced elsewhere in the region. The economy of the SDPZ is characterized primarily by locally-serving small businesses. With more than 2,300 businesses in operation today, more than 83 percent employ fewer than 10 people and an estimated 250 – 400 of known businesses are home-based.

Promise Zone Unemployment

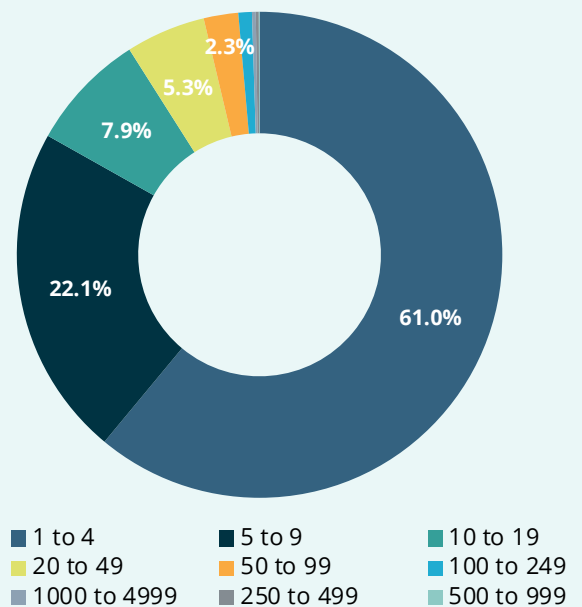


San Diego Unified Port District, SanGIS, Bureau of Land Management, Esri, HERE, Garmin, INCREMENT P, USGS, METI/NASA, NGA, EPA, USDA

IMPROVING ECONOMIC ACTIVITY

Recent rezoning, vacant land along high traffic corridors, and a central location that is well-served by public transit are existing conditions that can be built upon to enhance the economic vitality of the SDPZ. The City of San Diego and its Promise Zone partners are working to improve the quality of life and accelerate revitalization, which includes a goal to strengthen the business base of the SDPZ by offering support for small businesses, entrepreneurs, and self-employed residents by providing small business owner training and removing barriers to start-up/expansion capital.

SDPZ BUSINESSES BY SIZE



Source: ReferenceUSA, 2019

TO LEARN MORE, VISIT SANDIEGOBUSINESS.ORG/RESEARCH

For more information, please contact our research team:

Kirby Brady, Director
 Eduardo Velasquez, Senior Manager
 Jordan Latchford, Manager

research@sandiegobusiness.org | 619-234-8484
 sandiegobusiness.org



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