



## **San Diego Regional Outlook Spring 2019**

Economic growth in San Diego County continues to be driven primarily by population serving sectors such as Educational Services and Accommodation and Food, although the outlook is also strong in terms of continued additions to the region's growing tech sphere. The local housing market has seen some interesting movement lately, but a return to business-as-usual is expected.

### **Horizon Remains Bright For San Diego Employment**

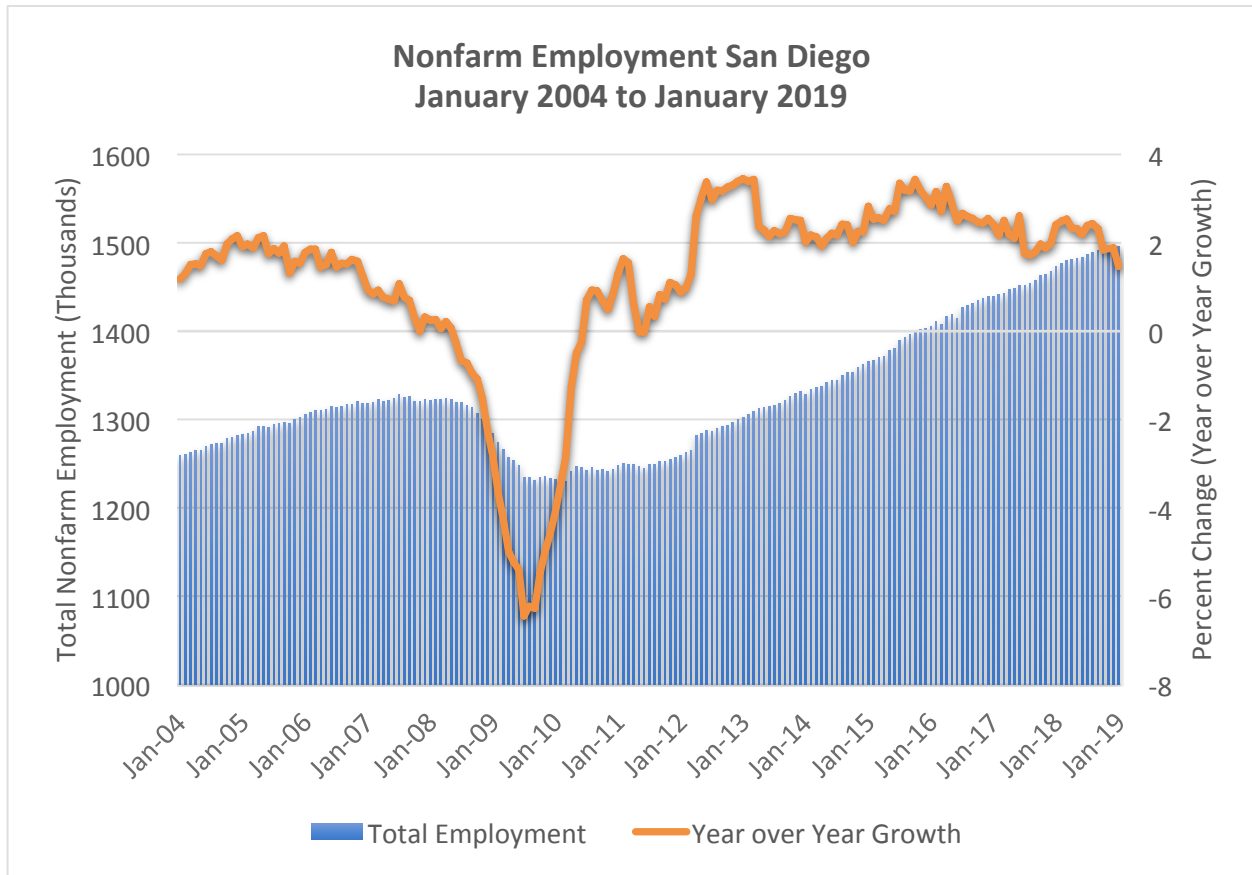
From January 2018 to January 2019, the unemployment rate in San Diego County increased 0.2 percentage points to 3.6%, but remains considerably below the 4.2% rate in the state as a whole. San Diego's unemployment rate falls in between neighboring regions, with 4.5% unemployment in the Inland Empire and 3.2% in Orange County, as of January 2019. The uptick in San Diego's unemployment rate reflected a significant 2.2% year-over-year increase in the local labor force and a modest slowdown in total nonfarm job growth (1.5% year-over-year). Comparatively, a year ago, in January 2018, nonfarm jobs in San Diego County grew at a year-over-year pace of 2.4%. Still, San Diego County's job growth over the past year slightly outpaced the state as a whole, where nonfarm jobs grew by 1.4%. Moreover, in absolute terms, San Diego County added 21,600 jobs from January 2018 to January 2019, outpacing other major metros including Orange County (+16,200 jobs) and the East Bay in Northern California (+15,500 jobs).

San Diego County's Educational Services sector experienced the most growth in percentage terms, expanding by 9.7%, or 2,900 jobs, from January 2018 to January 2019. The Accommodation and Food sector and the Professional Scientific and Technical Services sector expanded the most in absolute terms, adding 5,300 and 4,000 payrolls, respectively. With tech companies such as Apple locating more and more employees in San Diego<sup>1</sup>, the region can also expect continued growth in the local technology industry as well as in the Leisure and Hospitality sector as demand for the latter moves in tandem with outright growth in the former. Health Care, the County's largest sector, continued to post positive gains, expanding by 2.2%, or 3,900 jobs, over this annual period. Six job sectors in San Diego County experienced negative year-over-year growth with the largest contractions in the Retail Trade and Information sectors at 2.5% and 1.7%, respectively. Retail Trade, in particular, incurred a 3,700 loss to its employment base from January 2018 to January 2019.

---

<sup>1</sup> ABC 10 News. (2019, March 6). Apple to add more jobs at new San Diego tech hub. Retrieved March 12, 2019, from <https://www.10news.com/news/local-news/apple-to-add-more-jobs-at-new-san-diego-tech-hub>

Beacon Economics is forecasting the unemployment rate in San Diego County to remain in a narrow range around its current reading through the end of 2019. Total nonfarm employment in the County is expected to grow by 2.0% this year.



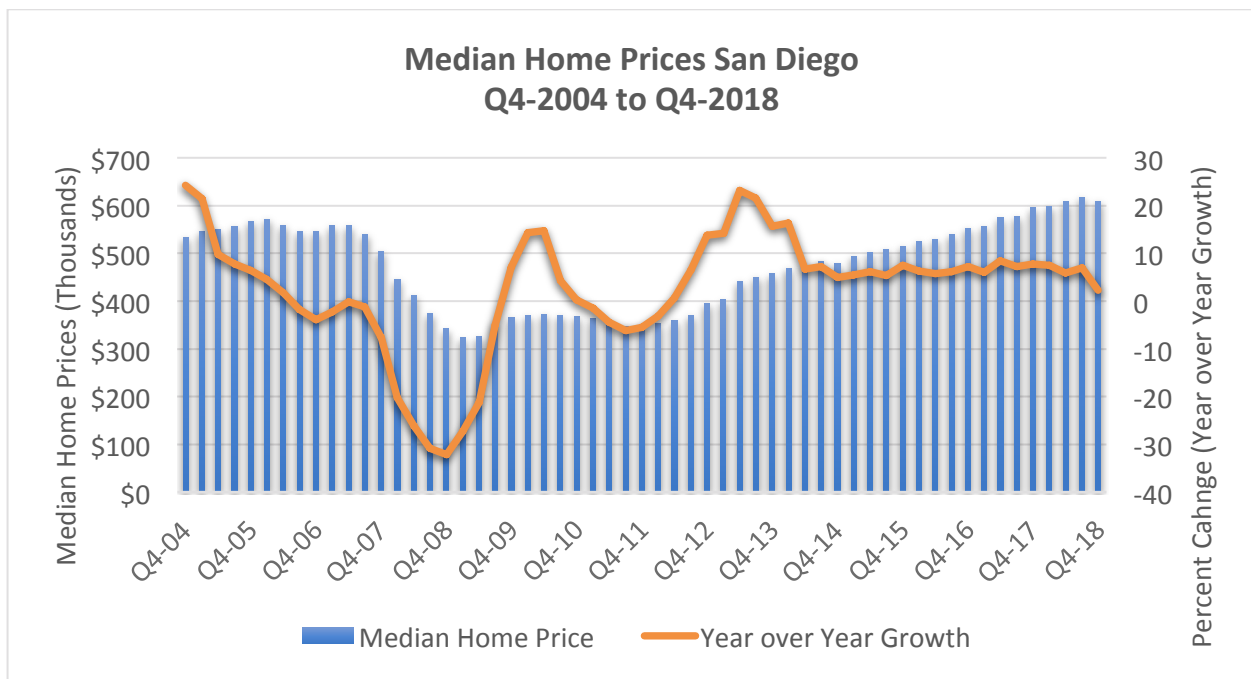
### Housing Market Double Take

Despite an ongoing statewide housing shortage, the median home price in San Diego County decreased to \$608,900 from \$617,400, from the third to the fourth quarter of 2018. This is a common recent story in locations throughout the state due in part to a typical seasonal slowdown that was exacerbated by interest rates peaking in November. On a year-over-year basis, home prices grew by 2.3% in San Diego County, outpacing price growth in Orange County (0.7%), but trailing growth in the Inland Empire (4.5%) and Los Angeles County (3.5%).

Sales of existing single-family residences declined 12.8% from the fourth quarter of 2017 to the fourth quarter of 2018, a greater decrease than in the Inland Empire (-11.7%) or Los Angeles

County (-12.3%). Since existing single-family home sales are tracked by closed contracts, they reflect market and mortgage rate conditions one to two months earlier than when sales open escrow. The 30-year mortgage rate peaked in November 2018 and likely caused the decline in January 2019 sales (the most recent available sales' numbers). However, mortgage rates have since decreased and home sales are expected to stabilize or improve in the next few months as the market ramps up during peak season. Meanwhile, home prices in San Diego County will continue to advance.

Beacon Economics expects the median price of an existing single-family home in San Diego to increase in 2019, but at a slower pace compared to the last few years.



From the fourth quarter of 2017 to the fourth quarter of 2018, average apartment rent in San Diego County increased 5.4% to reach \$1,822/month, outpacing rent price growth in the Inland Empire (4.4%) and Orange County (3.5%), but trailing growth in Los Angeles County (6.2%). Currently, a household in San Diego County would have to earn greater than or equal to \$72,880 annual, pre-tax income to not be rent burdened, on average<sup>2</sup>. With an expected increase in tech workers in San Diego and the potential effect that can have on local rental costs, this will be a key metric to monitor over the next couple of years.

<sup>2</sup> Rent Burden is defined as spending 30% or more of monthly, pre-tax income on rent.