

Economic Scan

Innovation + Economic Development Department



Second Quarter, Fiscal Year 2022-2023

The following scan provides an overview of key economic indicators for October, November, and December 2022 for the City of Carlsbad. This economic scan is updated quarterly to provide information that is relevant to the health of Carlsbad's economy. For regularly updated information regarding the Carlsbad economy and economic development visit carlsbadca.gov/doingbusiness.

GROSS REGIONAL PRODUCT

Carlsbad GRP (Source: Lightcast, 2022)

\$15.8B



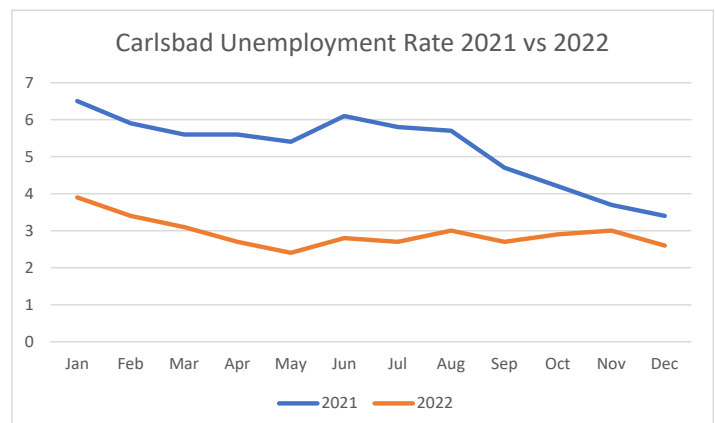
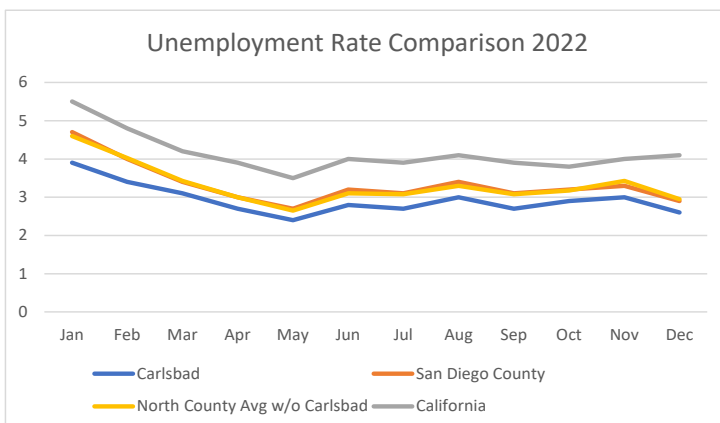
In 2022, Carlsbad had the second largest gross regional product in San Diego County at nearly **\$15.8B**, only trailing the City of San Diego. From 2021 to 2022, Carlsbad's gross regional product grew by \$1.07B.

This growth was seen across almost all industry categories (except oil and gas extraction), and was led by manufacturing, wholesale trade, hospitality & food service, and professional, scientific & technical services.

JOBS

Unemployment Rate (Source: California Employment Development Department, Dec. 2022 Report)

The unemployment rate in Carlsbad has hovered between 2% and 3% for the majority of 2022. In December, the unemployment rate for Carlsbad was **2.6%**, bucking predictions of increased unemployment over the holidays. Comparatively, the unemployment rate for the County of San Diego was **3.1%** and the State of California was **3.9%**. Nationally, tech firms have laid off hundreds of thousands of workers, but the trend has not yet had an impact on Carlsbad's labor market. In fact, in San Diego County, 2022 ended with the tightest jobs to labor ratio in recent history.



Job Postings *(Source: Lightcast, October - December 2022)*

There were **13,352** unique job postings in Carlsbad between October and December, a decrease of about 1,800 jobs from the previous quarter, and the second quarterly decrease in the past ten quarters. The median advertised salary for these postings was **\$46,800**, which is on average \$1,200 more than jobs posted in the previous quarter. Of jobs posted, 66% indicated an education requirement of high school diploma/GED or less. Carlsbad employers have continue to note challenges in finding and hiring entry-level workers, especially front-line service workers. This has limited growth in some industries.

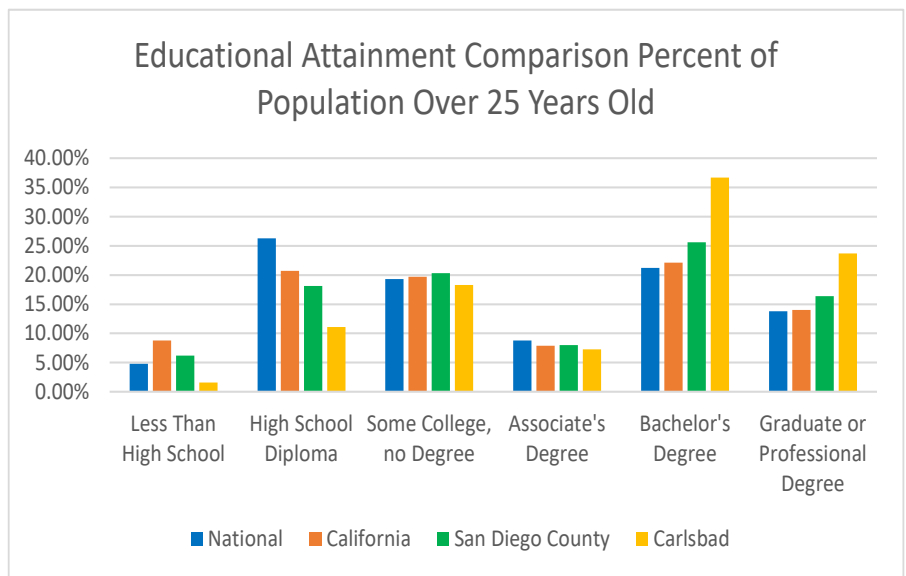


13,352

TALENT + WORKFORCE

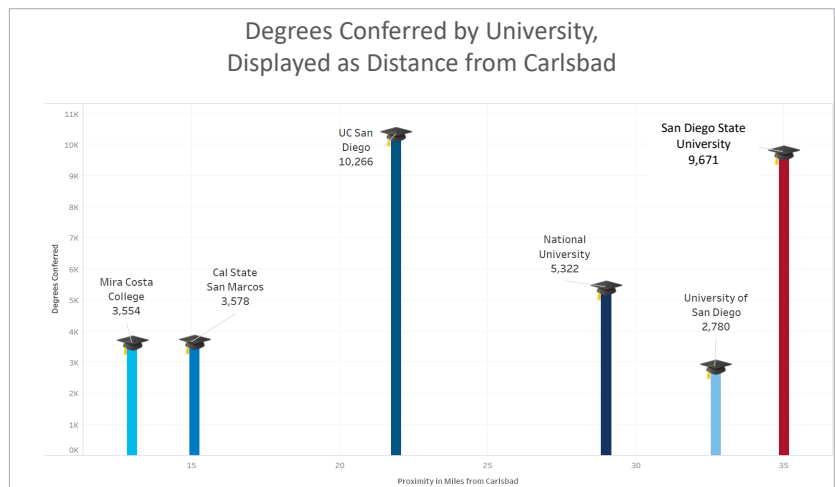
Education *(Source: 2021 ACS 5-Year Estimates, the latest year available)*

Carlsbad has established itself as having the right workforce to fuel innovation in tech and life sciences fields. Carlsbad businesses can access talent from San Diego County, Orange County, and even southwest Riverside County. More than 60% of working-age residents hold a bachelor's degree, with nearly 25% attaining an advanced degree. Outside of some communities in central San Diego, Carlsbad has the heaviest concentration of households with degrees in science, technology, engineering, and mathematics (STEM degrees). This local talent mix is among the leading reasons that firms choose Carlsbad.



Talent Pipeline

Nearby public and private universities, including UC San Diego, CSU San Marcos, San Diego State University, University of San Diego, National University, Mira Costa College, and Palomar College offer top-notch programs feeding a strong talent pipeline. All located within a 30-mile radius, these universities and colleges confer more than **35,000** degrees annually. The Carlsbad business community works closely with higher education partners to align education tracks with current and emerging workforce needs.



CAPITAL

Interest Rates *(Source: U.S. Department of the Treasury, December 2022)*

National interest rates, which have remained low for years, have steadily increased as the Federal Reserve raises rates to combat inflation. One-year rates are currently at **4.73%**. Ten-year rates are currently at **3.85%**. 30-year rates are currently at **3.97%**. The Federal Reserve has indicated they may still pursue future rate increases, but rate hikes may be less than the 75 basis point hikes experienced in 2022 as inflation rates may be subsiding. With inflation slowing, economists remain divided on whether a recession will occur and if so, how deep it may be.

December 2021

One-year interest rate	0.39%
10-year interest rate	1.52%
30-year interest rate	1.9%

December 2022

One-year interest rate	4.73%
10-year interest rate	3.85%
30-year interest rate	3.97%

COMMERCIAL REAL ESTATE

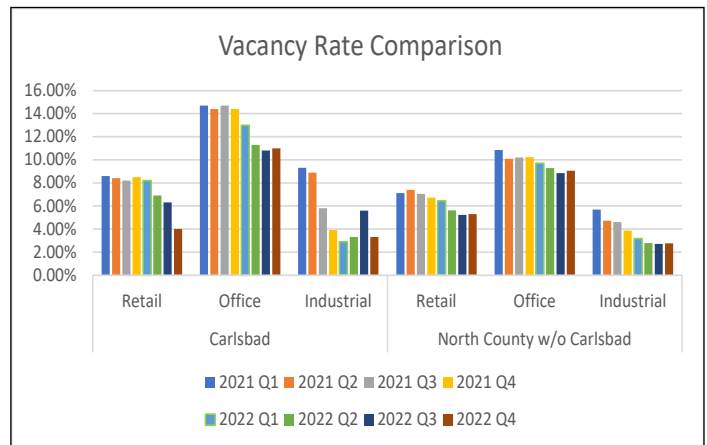
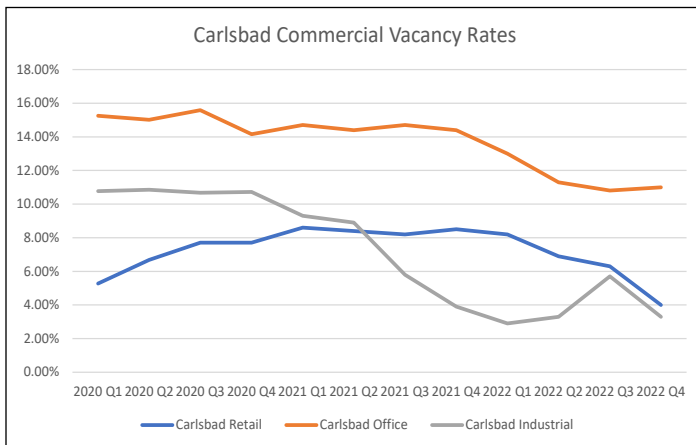
Market Vacancy Rates and Rent per Square Foot *(Source: CoStar, December 2022)*

3.3%
Industrial vacancy rate



Commercial vacancy rates are now below pre-pandemic levels in all categories. The industrial vacancy rate is now at **3.3%**, compared to 10.8% pre-pandemic. The office vacancy rate is currently **11%**, compared to 15.3% pre-pandemic. Retail vacancy is now at **4%**, compared to 5.3% pre-pandemic. The constrained office market may loosen as some employers embrace remote-work policies, thereby needing less space. As a result, some office-employers may let go of leases that will expire over the next several years. The constrained industrial market is likely to push up lease rates and may yield densification in Carlsbad's business parks.

Average market rents per square foot, per year have risen in office and industrial categories this quarter. Office rates are now **\$38.09**. Industrial rates are now at **\$21.41**. Retail rates decreased slightly to **\$41.31**.



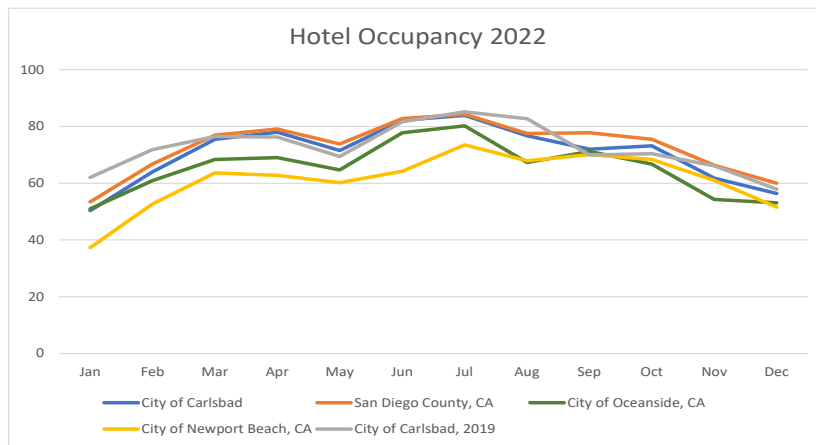
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With 42 hotels in Carlsbad, tourism is a major industry in terms of employment and economic impact. It is also a major contributor to city revenue, through transit occupancy tax and sales tax generation. Below are several indicators reflecting the health of the city's tourism economy.

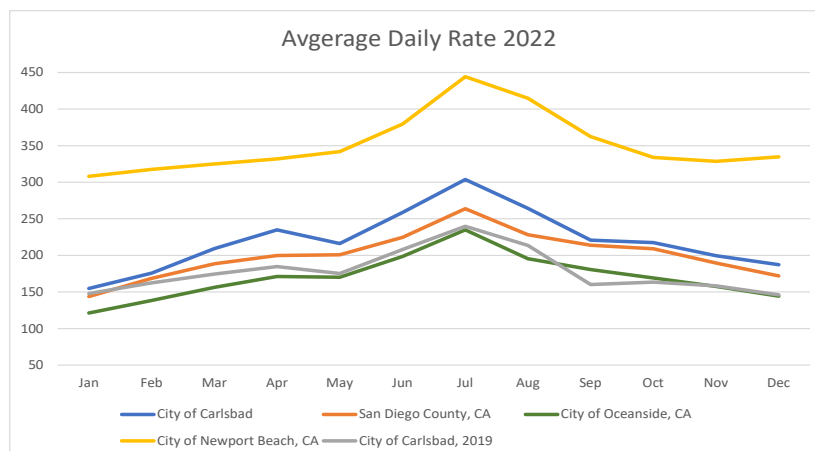
Hotel Occupancy *(Source: Smith Travel Research, December 2022 Report)*

Throughout 2022, hotel occupancy more closely matched 2019 levels. Occupancy averaged **63.8%** in the fourth quarter, which slightly lagged the fourth quarter of 2019 (64.8%). The impacts of inflation and a potential recession could hamper tourism globally, but Carlsbad is well-positioned as a destination that could see strong tourism through a recession. Baseline comparison is 2019, as it represents normal conditions.



Hotel Average Daily Room Rate *(Source: Smith Travel Research, December 2022 Report)*

Carlsbad's average daily room rate (ADR) remains significantly elevated compared to pre-pandemic levels. ADR averaged **\$202** in the fourth quarter, compared to \$156 for the same quarter in 2019. As a result, despite occupancy lagging slightly, the increased ADR means revenue generated surpasses 2019. Baseline comparison is 2019, as it represents normal conditions.



INCOME + HOUSING

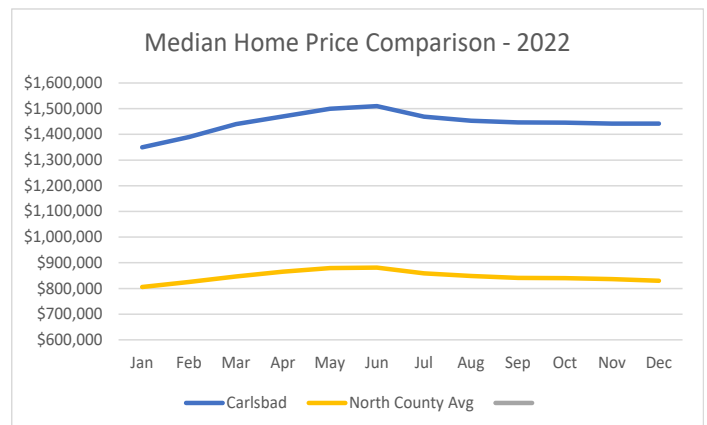
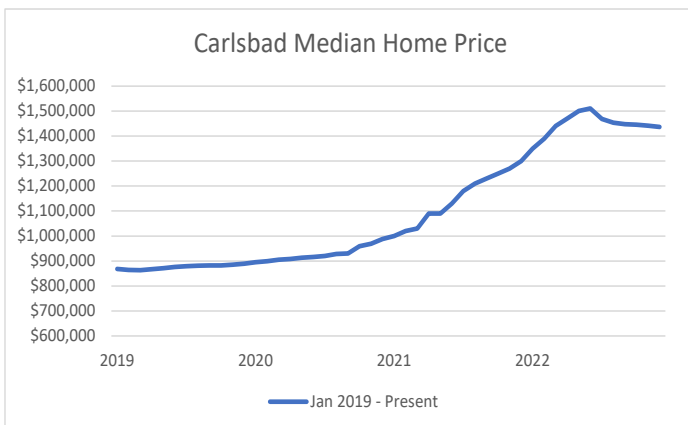
Median Household Income *(Source: 2021 ACS 5-Year Estimates, the latest year available)*

Median household income in Carlsbad continues to exceed county income levels. The median income for a household in Carlsbad in 2021 was **\$124,669**, (adjusted for inflation), which was \$33,666 higher than the county median income. Carlsbad has generally outpaced the region in terms of household income growth.

	2016	2017	2018	2019	2020	2021
City of Carlsbad Median Household Income	\$113,217	\$102,722	\$107,172	\$123,409	\$112,933	\$124,669
County of San Diego Median Household Income	\$70,824	\$70,588	\$74,855	\$79,324	\$82,426	\$91,003
City of Carlsbad per Capita Income	\$49,349	\$52,560	\$55,518	\$63,079	\$57,607	\$65,430
County of San Diego per Capita Income	\$32,482	\$34,350	\$36,156	\$40,389	\$39,737	\$44,377

Median Home Price *(Source: Zillow Home Value Index - December 2022)*

Home values in Carlsbad, along with San Diego County, rose significantly the past three years. Beginning in July, housing prices began to fall, and are now on average 5%, or \$73,000, below their June 2022 peak. The median home price in Carlsbad was **\$1.44 million** in December. This value is seasonally adjusted and only includes the middle price tier of homes. Carlsbad home values have risen 18% over the past year. The continued rise in home values can be partially attributed to constrained supply and strong demand in the region.

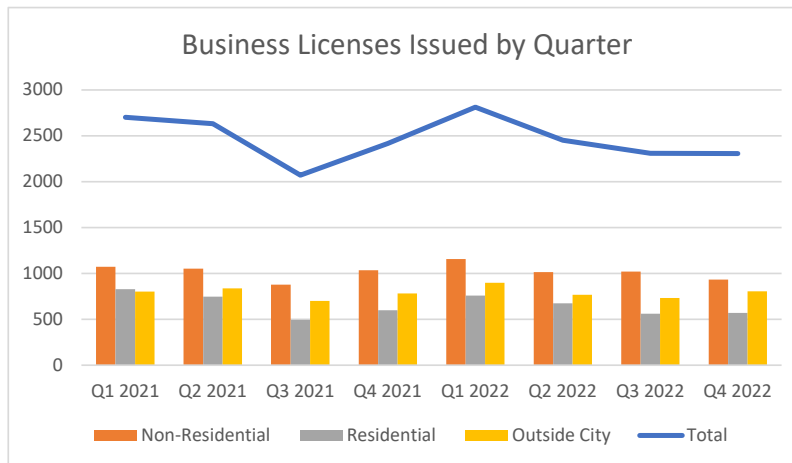


BUSINESS ACTIVITY

Business Licenses *(Source: City of Carlsbad, December 2022)*

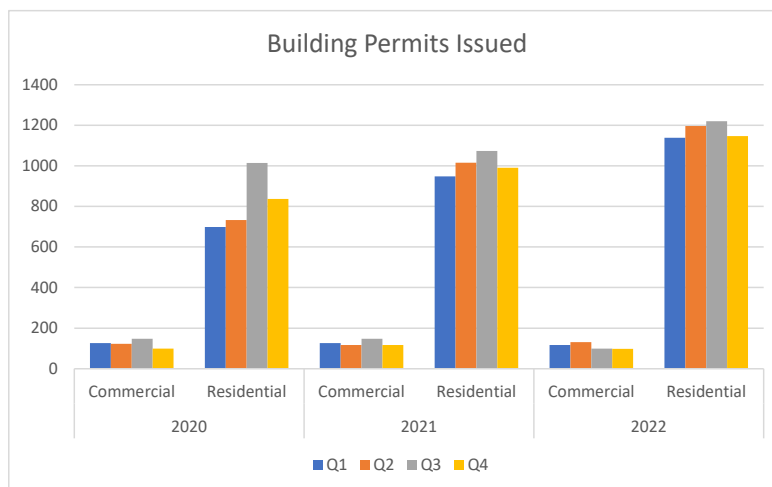
There were a total of **2,306** business licenses issued last quarter, including **933** non-residential, **569** residential, and **804** outside-the-city licenses. This is a decrease of 109 over the same quarter of 2021.

The number of licenses issued does not reflect the number of businesses in Carlsbad as a business may carry multiple licenses, short-term vacation rentals are required to get a license, and businesses outside of Carlsbad that do business in the city or with the city are required to get a license. It is estimated that there are approximately **6,678** businesses in Carlsbad.



Building Permits *(Source: City of Carlsbad, December 2022)*

Last quarter, permit activity increased for residential building permits (**1,147**), continuing a strong trend for 2022. Commercial permits issued (**98**), was roughly equivalent to last quarter. The number of residential building permits issued has been generally increasing over the past several years.



INDUSTRY CLUSTERS

Life Sciences *(Source: 2022 Business Report and Industry Cluster Update)*

The Life Sciences industry cluster employs 6,657 workers across 134 firms and experienced a 2.6% increase in employment between 2018 and 2020. The cluster is 5.51 times more concentrated in Carlsbad than the national average and annual wages per worker average \$123,702.

San Diego County and California have experienced parallel employment growth in the Life Sciences cluster between 2010 and 2020. In the same ten-year period, employment in Carlsbad grew by 75%. Between 2016 and 2018, Carlsbad experienced over 40% growth. Over the past two years (2018-2020), however, employment growth tapered off compared to years prior.

Technology *(Source: 2022 Business Report and Industry Cluster Update)*

The Information and Communications Technologies (ICT) cluster employs 9,008 workers across 343 firms in Carlsbad and is 2.75 times more concentrated in Carlsbad than the national average. Annual wages per worker average \$136,254, and the ICT industry cluster experienced a 3.3% increase in the number of jobs between 2018 and 2020.

San Diego County and California experienced steady parallel growth in the ICT cluster between 2010 and 2020. In the same ten-year period, Carlsbad experienced an initial decline in employment between 2012 and 2015; between 2015 and 2020, employment in the ICT cluster has steadily trended upwards.

Clean Technology *(Source: 2022 Business Report and Industry Cluster Update)*

Between 2018 and 2020, the number of workers employed at Cleantech firms increased by 22.2%. By 2019, the 48 Cleantech firms in Carlsbad employed more than 872 people. The average annual wage per worker is \$109,779, and the Cleantech industry cluster in Carlsbad is 4.66 times more concentrated than the national average.

Between 2010 and 2012, Carlsbad experienced an initial employment drop for the Cleantech industry followed by steady growth between 2012 and 2020. Employment growth in California peaked in 2013 and has been on a steady decline since. Growth in San Diego County also peaked in 2013, dropping by over 25% between 2013 and 2017. Since 2017, employment in the Cleantech cluster for San Diego County has been on a steady increase.

Sports Innovation & Design *(Source: 2022 Business Report and Industry Cluster Update)*

The Sports Innovation & Design industry cluster employs 1,804 workers across 116 firms and experienced a 16.3% decrease in employment between 2018 and 2020. The cluster is 5.06 times more concentrated in Carlsbad than the national average and annual wages per worker average \$75,652.

Employment in the Sports Innovation & Design cluster has steadily declined since 2013 in Carlsbad. Both San Diego County and California have declined steadily since 2015 and experienced sharp declines between 2019 and 2020, likely due to the COVID-19 pandemic.

Hospitality & Tourism *(Source: 2022 Business Report and Industry Cluster Update)*

Carlsbad's Hospitality & Tourism cluster is about 1.35 times more concentrated in Carlsbad than the national average and employs 9,179 people across 467 businesses. Hospitality & Tourism experienced a sharp 34% decrease in employment between 2018 and 2020, driven by the effects of the COVID-19 pandemic between 2019 and 2020. Average annual wages per worker remain low relative to other key industry clusters, with workers earning \$31,315 on average.

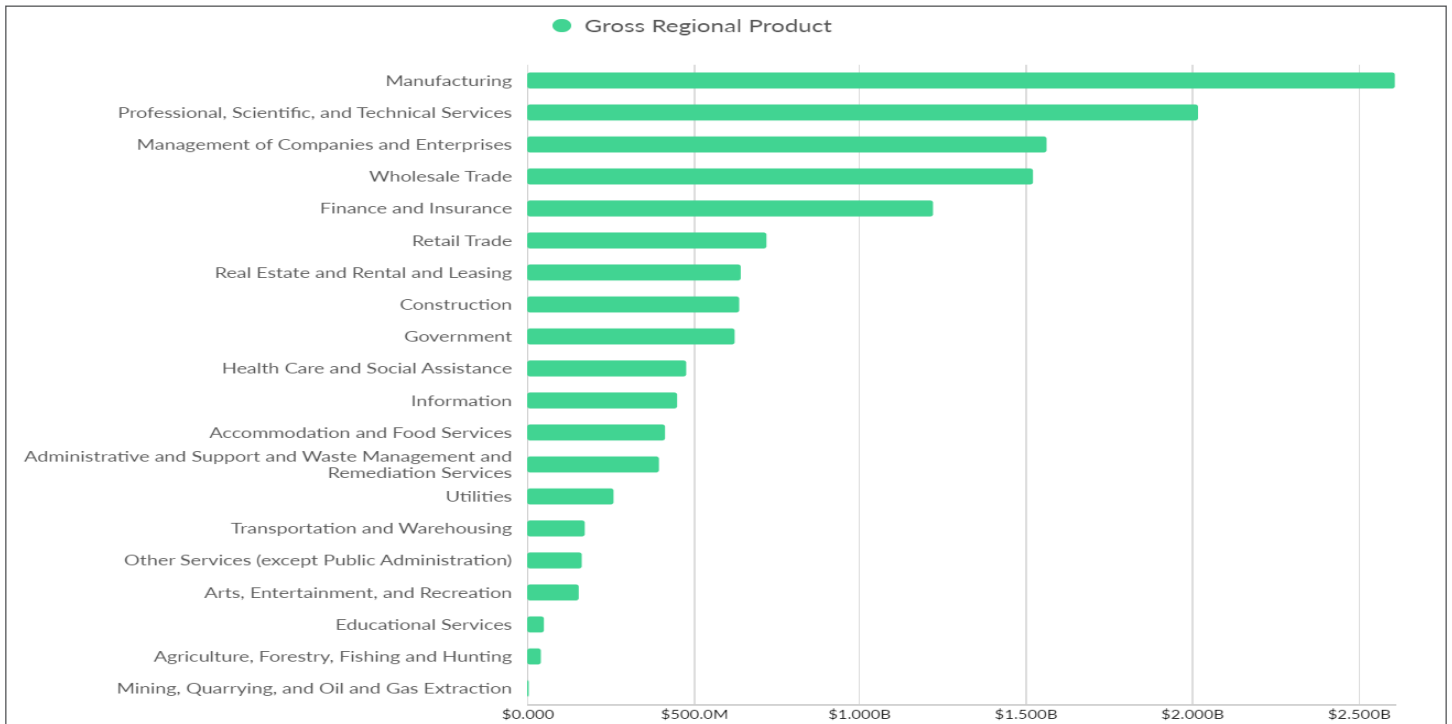
Carlsbad, San Diego County, and California experienced sharp declines between 2019 and 2020, during which sub-clusters like Theater Companies and Dinner Theaters, Amusement and Theme Parks, and Amusement Arcades were shut down to mitigate the effects of the COVID-19 pandemic.

INDUSTRY IMPACT

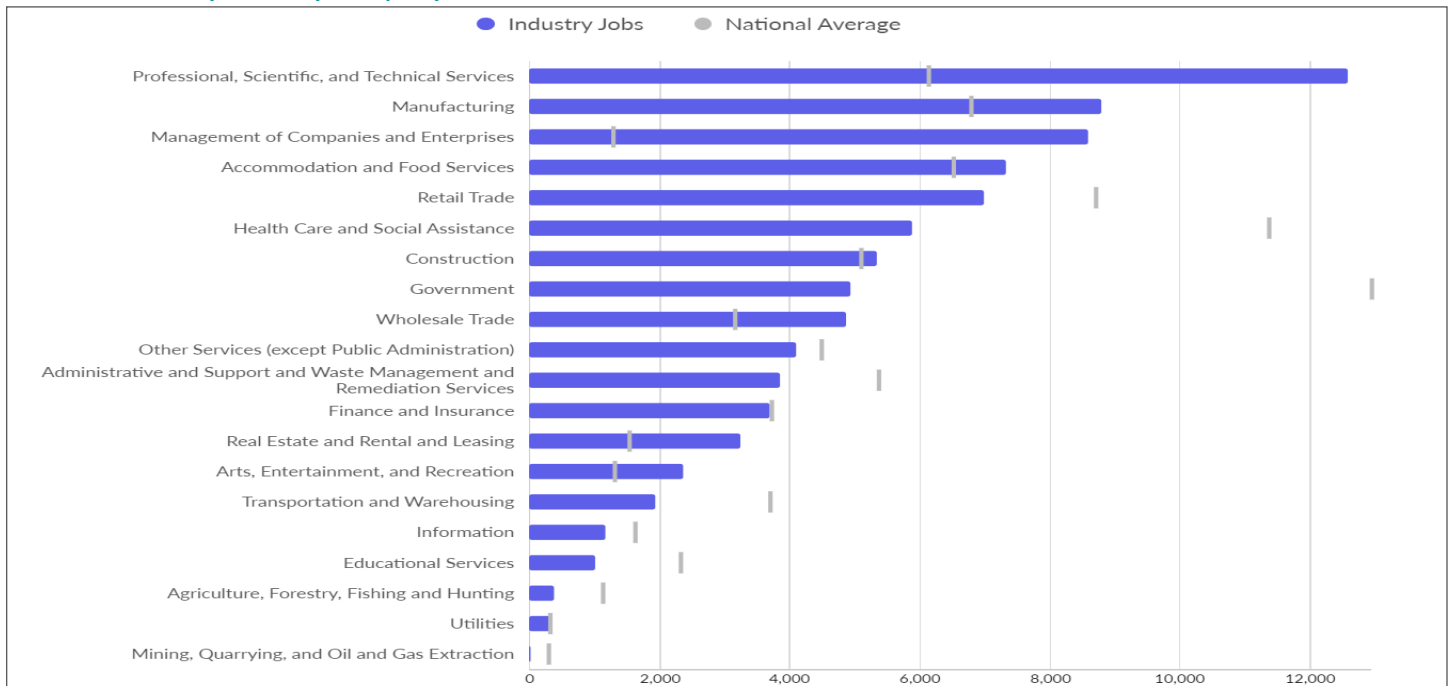
Largest Industries *(Source: Lightcast, December 2022)*

Carlsbad’s economy significantly exceeds the national average in manufacturing, accommodation and food services, and professional, scientific and technical services jobs. These sectors, which would include tech, life sciences, and other innovation industries are generally more resilient to recessions, also represent significant job growth in the economy.

GRP by Industry



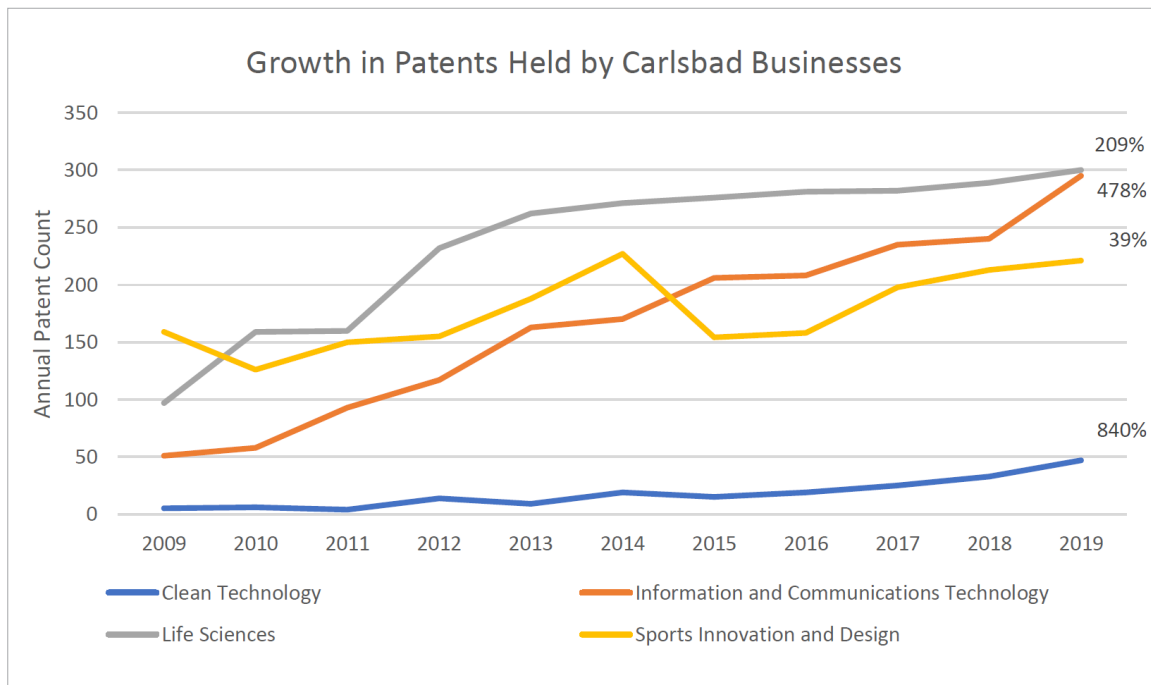
Industry size by employment



INNOVATION

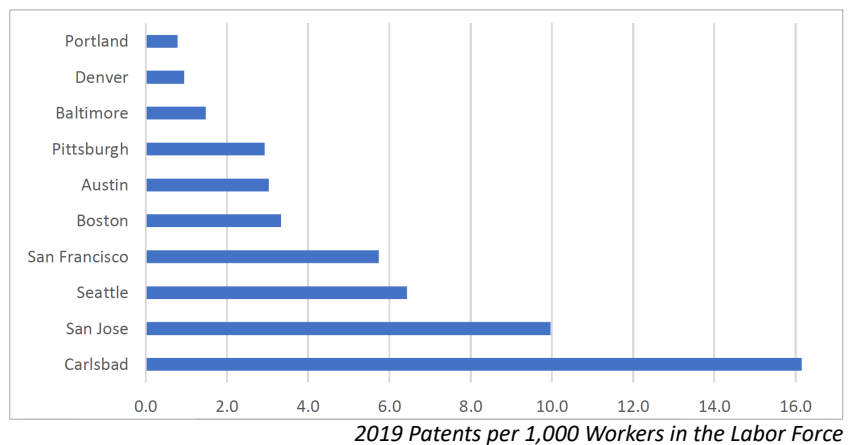
Patents *(Source: 2020 Carlsbad Industry Cluster Patent Update)*

Four of the key industry clusters mentioned above drive innovation activity in Carlsbad. The figure below shows that while the life sciences cluster has been a long-term driver of the city’s innovation economy, information & communications technology patents have seen dramatic growth over the past ten years and was responsible for virtually the same number of new patents as life sciences in 2019. It is also worth noting that clean technology, which is the industry cluster with the lowest number of patents, has grown by more than 800% since 2009. In total, these four industry clusters accounted for 96% of all patents awarded to Carlsbad firms in 2019.



Patents per Capita

Carlsbad has a notably higher proportion of patents per 1,000 workers—over 60% more than the next-closest competitor city. This figure shows that Carlsbad has a greater concentration of patent activity than even the technology hubs of San Jose, Seattle, San Francisco, and Boston. In 2019, Carlsbad had 1.6 patents for every 1 patent per 1,000 workers in San Jose. That ratio was 2.5 and 2.8 for Seattle and San Francisco.



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The quarterly economic scan is developed by the City of Carlsbad Innovation & Economic Development Department. For more information, visit carlsbadca.gov/doingbusiness, or contact the team at business@carlsbadca.gov.