



Economic Scan

Innovation + Economic Development Department

First Quarter, Fiscal Year 2023-2024

The following scan provides an overview of key economic indicators for July, August and September 2023 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. Data revised Q2, 2023)

\$16.6B

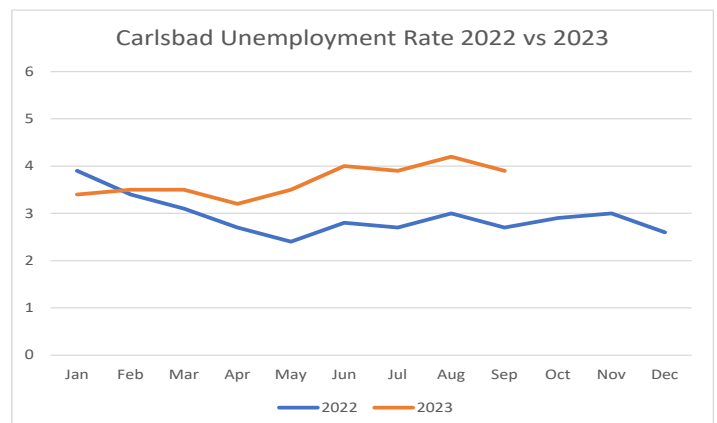
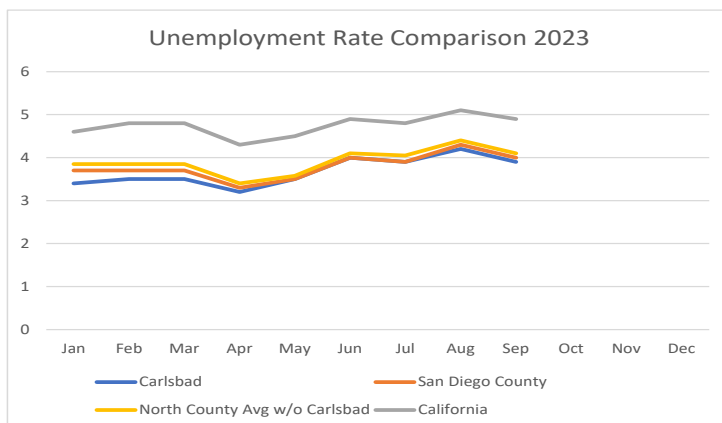


In 2022, Carlsbad had the second largest gross regional product in San Diego County at nearly **\$16.6B**, only trailing the City of San Diego. In 2019, Carlsbad’s economy grew by \$800 million to nearly \$13.6 billion. In 2020, as a result of the pandemic, the city’s GRP remained flat. In 2021, Carlsbad’s economy grew to \$15.1 billion. From 2021 to 2022, Carlsbad’s GRP grew by \$1.5B. This growth was seen across almost all industry categories, and was led by manufacturing, wholesale trade, hospitality, and professional, scientific, & technical services.

JOBS

Unemployment Rate (Source: California Employment Development Department, Sept. 2023 Report)

Carlsbad’s labor market loosened slightly, with unemployment hovering at about 4% for the quarter (3.9% in September). This loosening has been seen across industries and is noted by some as a normalization as pandemic-era employment trends, which saw greater employee retention, return to normal. Overall, unemployment remains low and employers continue to hire. The unemployment rate in September was **4.9%** at the state level and **4%** at the county level.



Job Postings *(Source: Lightcast, July - Sept. 2023)*

There were **11,398** unique job postings in Carlsbad between July and September, a decrease of 1,863 jobs from the previous quarter. The median advertised salary for these postings was **\$51,100**, which is on average \$1,500 less than jobs posted in the previous quarter. Of jobs posted, 70% indicated an education requirement of High School/GED or no requirement listed. 65% of postings indicated less than a year of experience or no experience was required, indicating there are a number of entry-level jobs being posted.

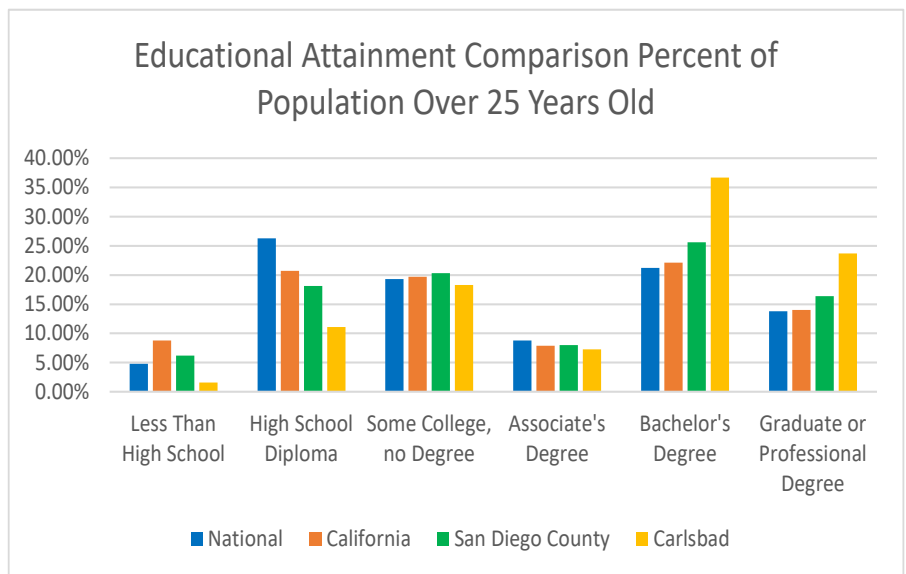


11,398

TALENT + WORKFORCE

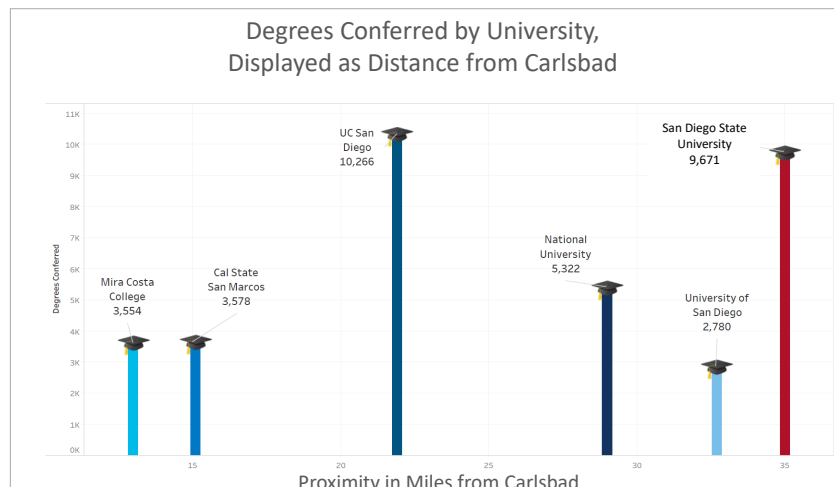
Education *(Source: 2021 ACS 5-Year Estimates, the latest year available)*

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 offer top-notch programs. Within a 30-mile radius, more than a half-dozen universities and colleges confer more than **35,000** degrees annually. The Carlsbad business community works closely with higher education partners to align various education tracks with local workforce needs.



CAPITAL

Interest Rates *(Source: U.S. Department of the Treasury, Sept. 2023)*

National interest rates continue to rise as the Federal Reserve raises rates to combat inflation, although the pace of rate increases has slowed. One-year rates are currently at **5.46%**. Ten-year rates are currently at **4.59%**. 30-year rates are currently at **4.73%**. Some economists are predicting that the Fed may be done raising rates, although the organization has not ruled out subsequent increases in the future. Inflation figures have improved dramatically over the past year, now at **4.7%** annual inflation for San Diego County, and the economy remains strong. There is growing optimism that a recession may have been averted, or that it will be mild if it occurs.

September 2022

| | |
|------------------------|-------|
| One-year interest rate | 4.05% |
| 10-year interest rate | 3.83% |
| 30-year interest rate | 3.79% |

September 2023

| | |
|------------------------|-------|
| One-year interest rate | 5.46% |
| 10-year interest rate | 4.59% |
| 30-year interest rate | 4.73% |

COMMERCIAL REAL ESTATE

Market Vacancy Rates and Rent per Square Foot *(Source: CoStar, Sept. 2023)*

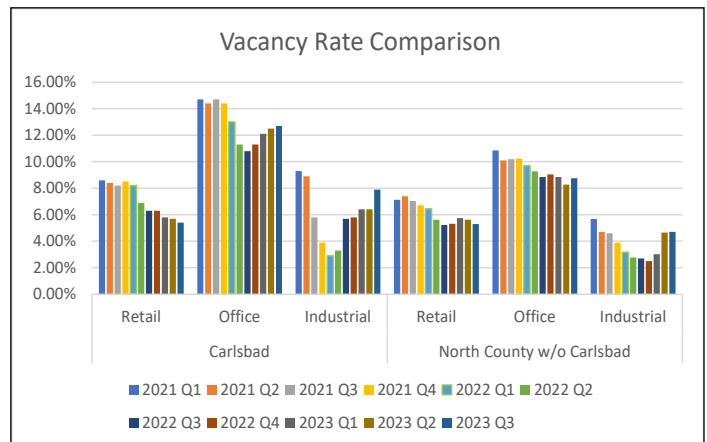
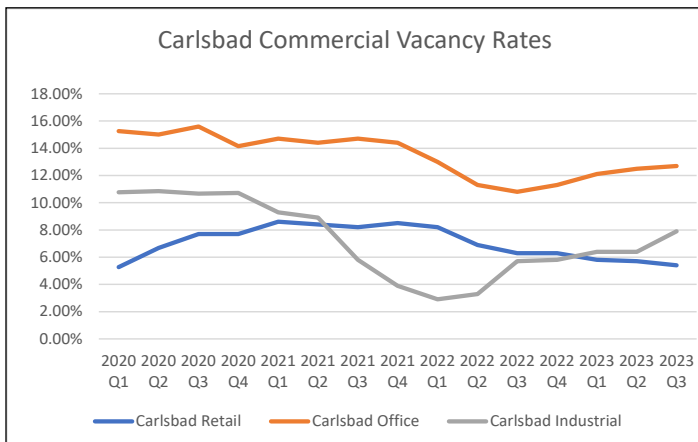
7.9%
Industrial vacancy rate



Commercial vacancy rates went down in office and retail categories this quarter. Industrial vacancy jumped up to 6.4%, largely attributed to a select few parcels that were vacated. The industrial vacancy rate in September was **7.9%**. The office vacancy rate in September was **12.7%**. Retail vacancy in September was **5.4%**.

Rental rates were relatively steady across all categories. Average market rents per square foot, per year for office rates in September were **\$38.06**. Industrial rates in September were **\$22.30**. Retail rates in September were **\$44.80**.

Commercial developers are largely holding off on new developments and office space elsewhere in the region and the county is seeing a rise in vacancy and a drop in value, an indicator of instability. This trend is predicted to continue.



TOURISM

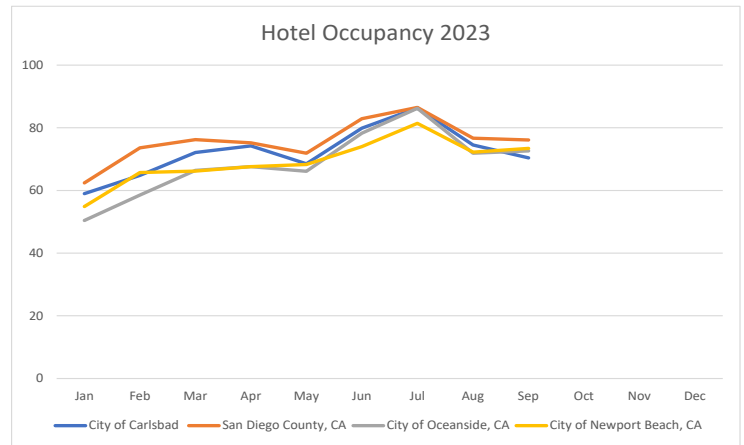
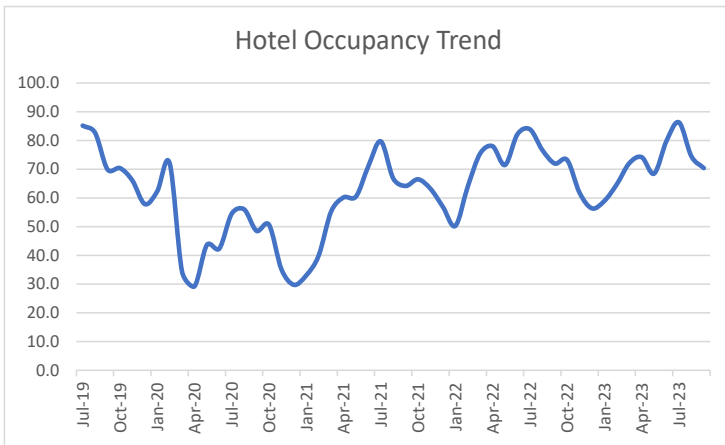
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With 42 hotels in Carlsbad, tourism is a major industry in terms of employment and economic impact. It is also a major contributor to city revenue, through TOT and sales tax generation. Below are several indicators reflecting the health of the city's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

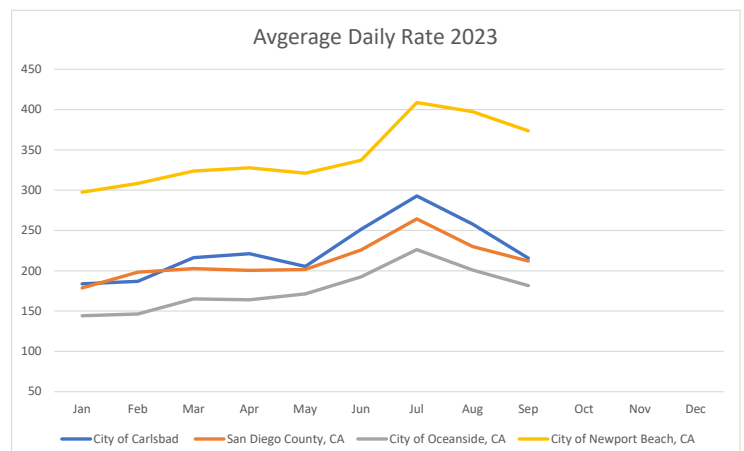
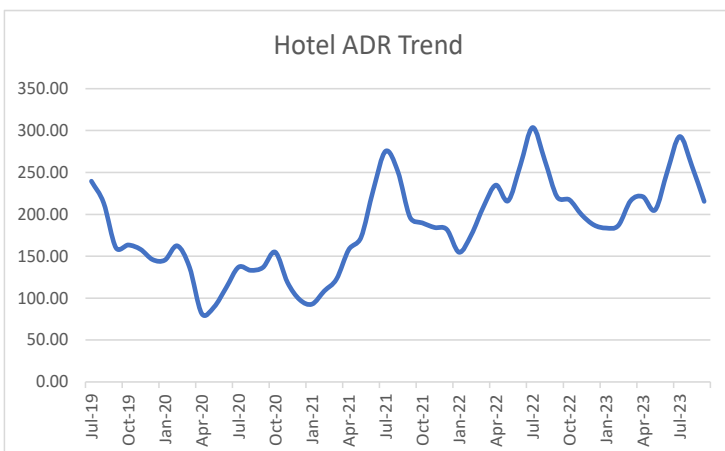
Hotel Occupancy *(Source: Smith Travel Research, Sept. 2023 Report)*

Occupancy averaged **75.7%** in the first quarter, which lags the same quarter for 2022 (79.3%). The surge in travel in 2022, known in the industry as "revenge travel" is unlikely to be sustained in 2023 or beyond, according to industry experts. 2023 is seen by those in the industry as a normalization year.



Hotel Average Daily Room Rate *(Source: Smith Travel Research, Sept. 2023 Report)*

Carlsbad's average daily room rate (ADR) remains higher than historic norms, but is lower than the same quarter of 2022. ADR averaged **\$255.43** in the fourth quarter, compared to \$262.95 for the same quarter in 2022. ADR is likely to remain higher than pre-pandemic levels, as hotel costs have also increased over time.



INCOME + HOUSING

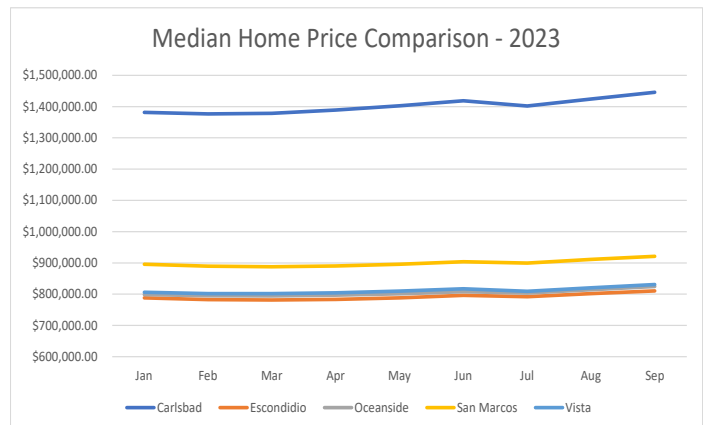
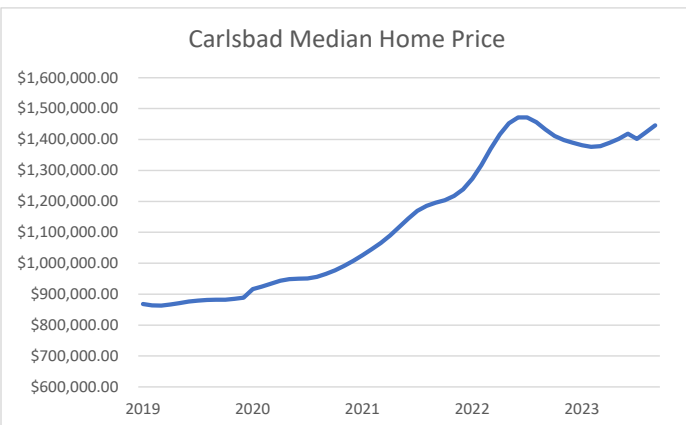
Median Household Income *(Source: 2021 ACS 5-Year Estimates, the latest year available)*

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 - Sept. 2023)*

Home prices rebounded this quarter despite rising interest rates. The continued rise in interest rates did impact property values in Carlsbad but high consumer demand is keeping prices elevated. Median home prices rose consistently in Carlsbad this quarter. The current median home price is **\$1.45 million**, an increase of about \$50,000 over the last quarter.

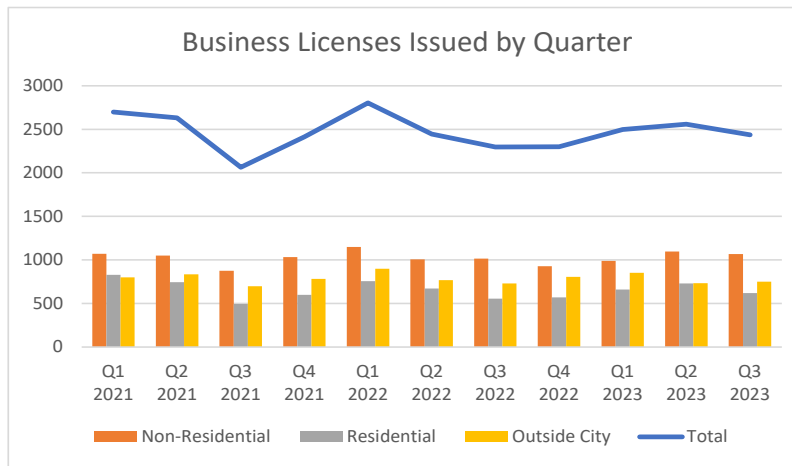


BUSINESS ACTIVITY

Business Licenses *(Source: City of Carlsbad, Sept. 2023)*

There were a total of **2,436** business licenses issued last quarter, including **1067** non-residential, **620** residential, and **749** outside-the-city licenses. This is an increase of 138 total businesses over the same quarter of 2022.

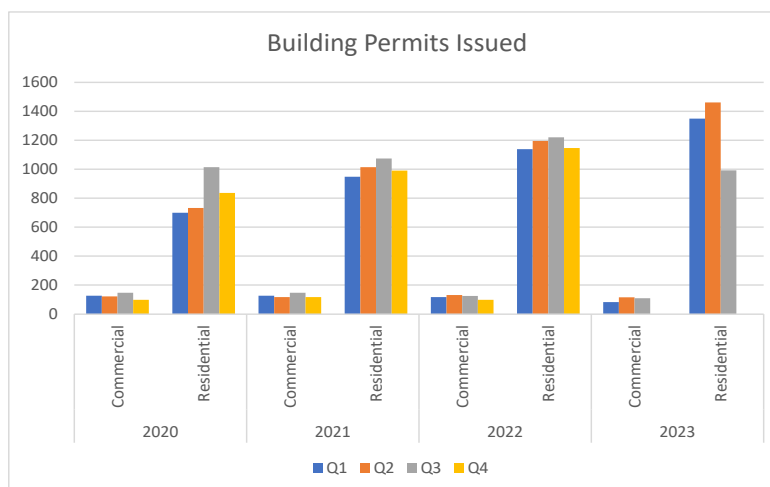
The number of licenses issued does not reflect the number of businesses in Carlsbad as a business may carry multiple licenses, short-term vacation rentals are required to get a license, and businesses outside of Carlsbad that do business in the city or with the city are required to get a license. It is estimated that there are approximately **6,654** businesses in Carlsbad.



Building Permits *(Source: City of Carlsbad, Sept. 2023)*

Between July and September, permit activity decreased significantly for residential building permits (**992**), indicating a slowdown in development activity. Before this quarter, the number of residential building permits issued had been generally increasing over the past several years.

Commercial permits issued (**109**), also slowed slightly this quarter. It is too early to tell whether the trend will continue.



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.

Cleantech *(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.

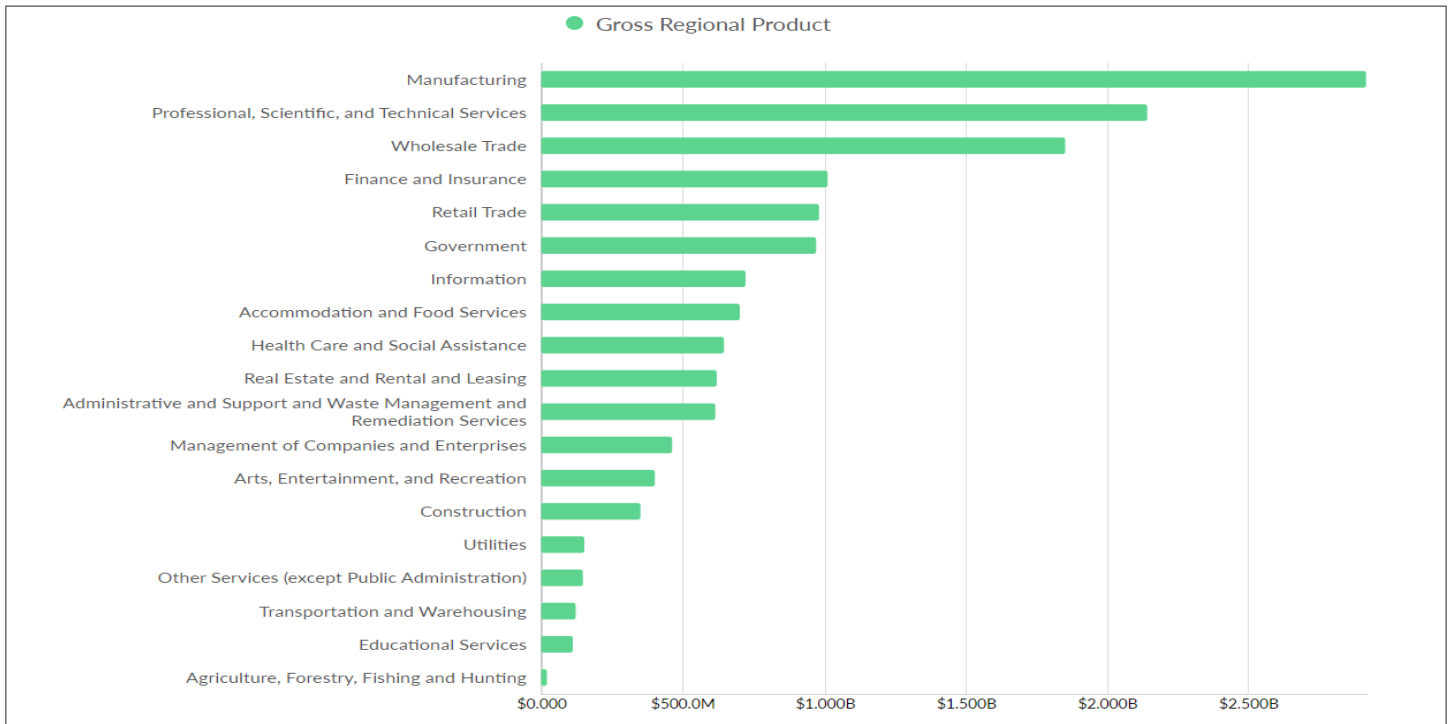
Carlsbad, San Diego County, and California experienced sharp declines between 2019 and 2020, during which sub-clusters like Theater Companies and Dinner Theaters, Amusement and Theme Parks, and Amusement Arcades were shut down to mitigate the effects of the COVID-19 pandemic.

INDUSTRY IMPACT

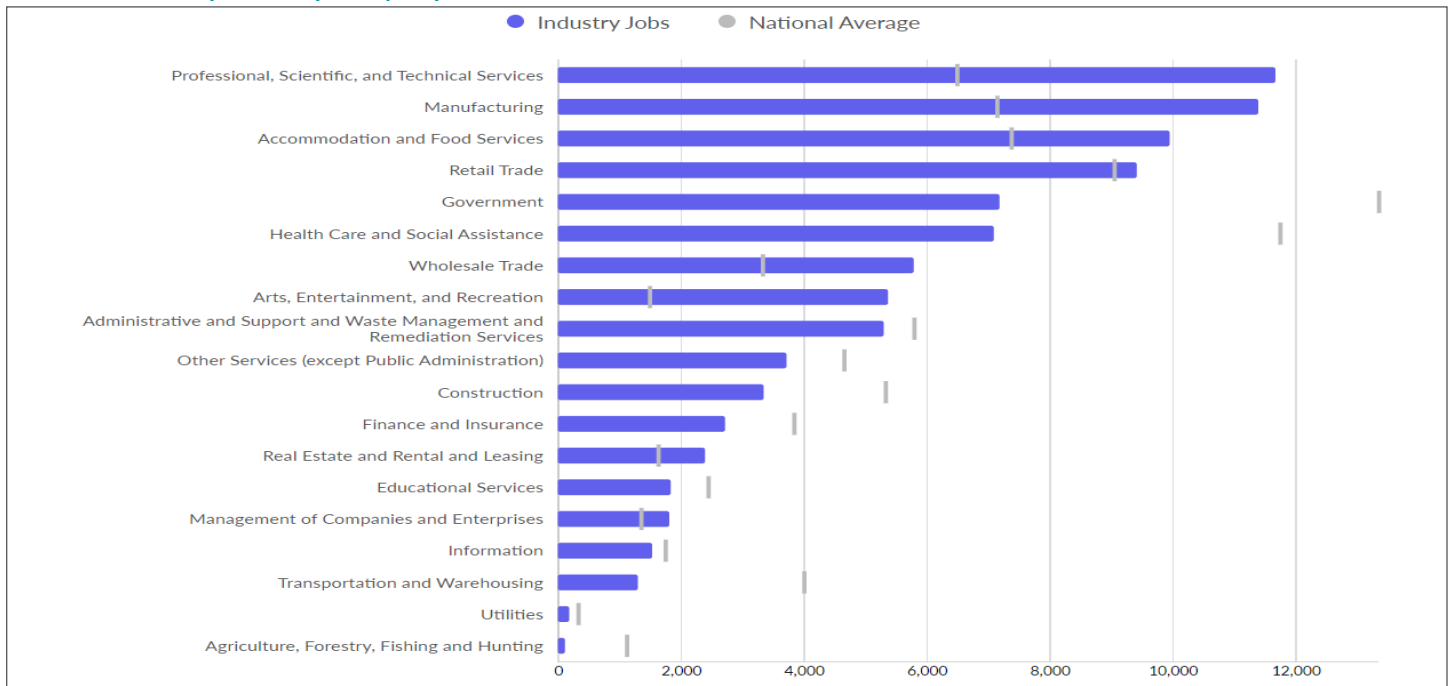
Largest Industries *(Source: Lightcast, Sept. 2023)*

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



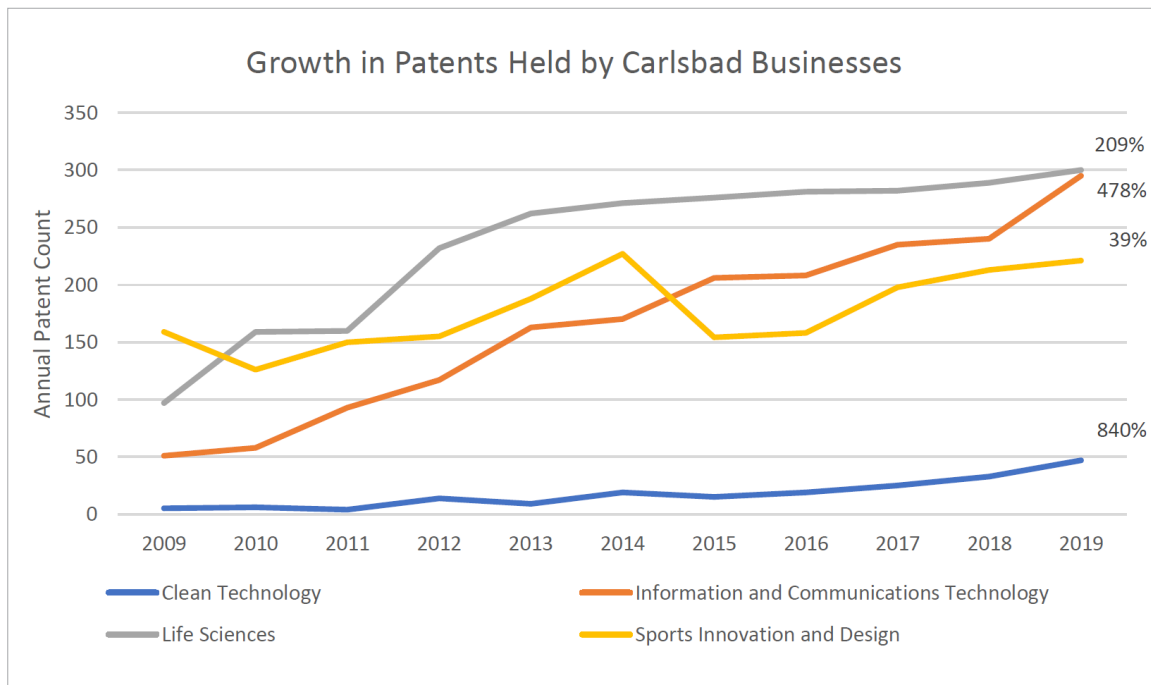
Industry size by employment



INNOVATION

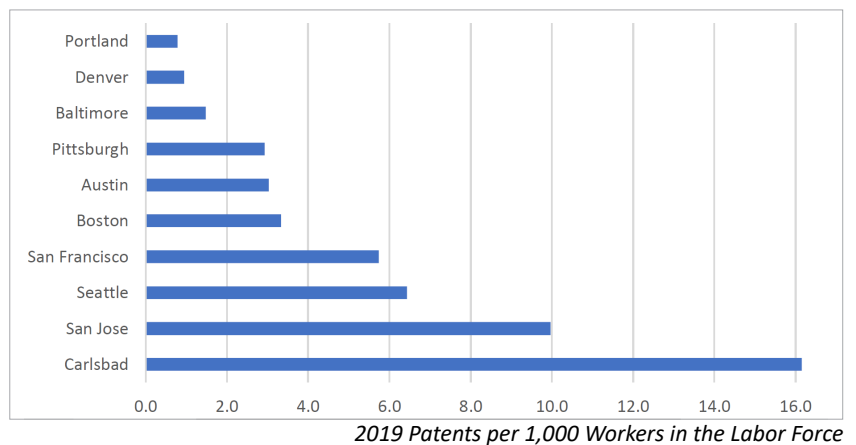
Patents *(Source: 2020 Carlsbad Industry Cluster Patent Update)*

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. All told, 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.