

Economic Scan

Innovation + Economic Development Department



Second Quarter, Fiscal Year 2023-2024

The following scan provides an overview of key economic indicators for October, November and December 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 November 2023)

\$17.1B
Gross Regional Product

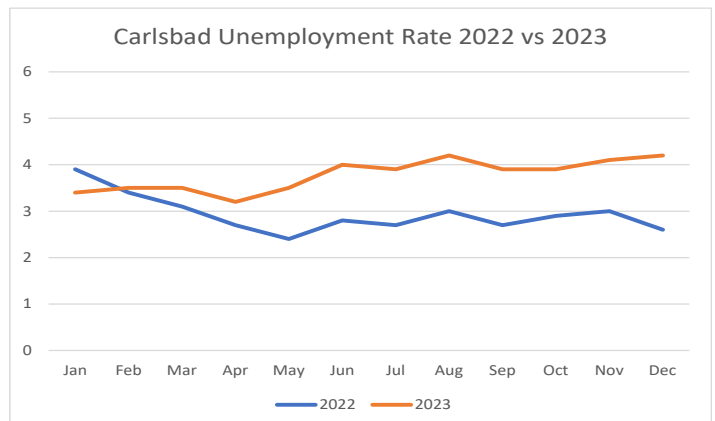
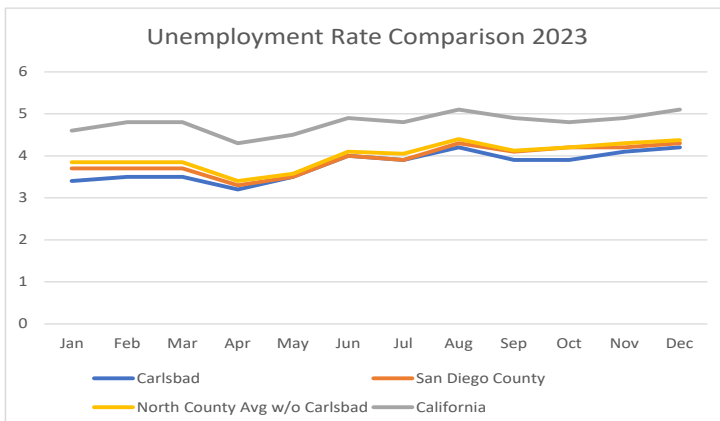


In 2022, Carlsbad had the second largest gross regional product in San Diego County at more than **\$17.1B (revised)**, only trailing the City of San Diego. From 2021 to 2022, Carlsbad’s GRP grew by \$1.5B. This growth was seen across almost all industry categories, and was led by manufacturing, wholesale trade, hospitality, and professional, scientific, and technical services.

JOBS

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

Carlsbad’s labor market hovered around 4% for the quarter (4.2% in December). Nationally and locally, unemployment has remained low. Despite layoffs in the tech sector, overall, unemployment remains low and employers continue to hire. Job opportunities continue to outnumber available workers, keeping overall unemployment in Carlsbad and the San Diego region, low. The unemployment rate in December was **5.1%** at the state level and **4.3%** at the county level.



Job Postings *(Source: Lightcast, Oct. - Dec. 2023)*

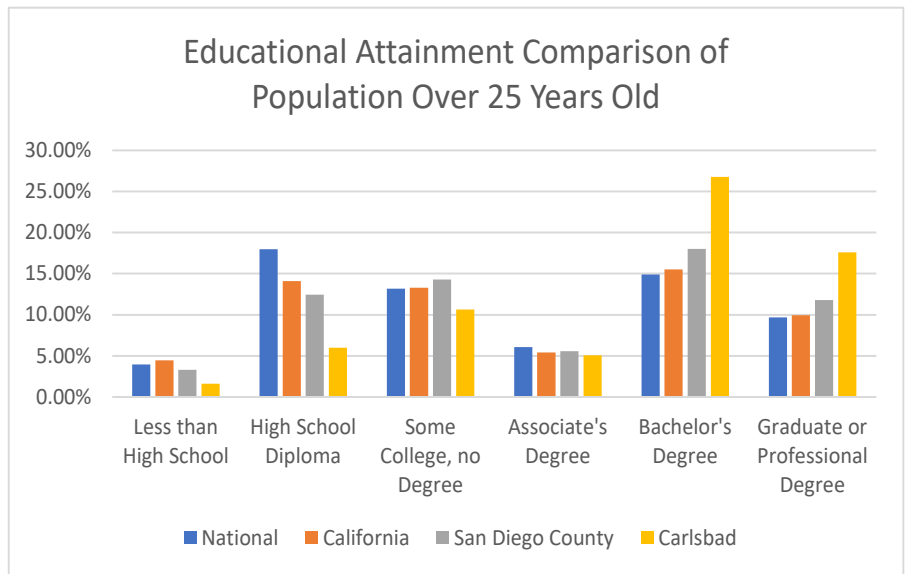
There were **7,752** unique job postings in Carlsbad between October and December, a significant decrease from the previous quarter. Over the quarter, 1,424 unique employers posted open positions. The median advertised salary for these postings was **\$49,500**, continuing a trend of decreasing advertised wages. Of jobs posted, 70% indicated an education requirement of High School/GED or no requirement listed. 68% 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.



TALENT + WORKFORCE

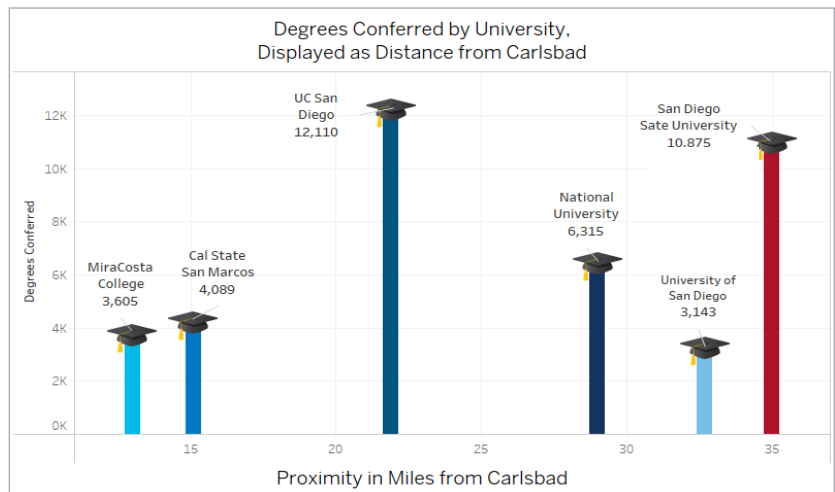
Education *(Source: 2022 ACS 5-Year Estimates, the latest year available)*

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 math (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 **40,100** degrees annually, a number which continues to rise on every campus in the region. 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, Dec. 2023)*

The Federal Reserve maintained interest rates over the quarter, as the economy demonstrated stability and inflation moved toward the target rate of 2%. They have signaled that rate reductions may be possible in 2024 should the economy stay on track and inflation be kept in check. In December, one-year rates were **4.79%**. Ten-year rates were **3.88%**. 30-year rates were **4.03%**. As of November, inflation figures for the San Diego area increased slightly to **5.2%** over the past year, but were down 0.2% over the past two months.

December 2022

One-year interest rate	4.73%
10-year interest rate	3.88%
30-year interest rate	3.97%

December 2023

One-year interest rate	4.79%
10-year interest rate	3.88%
30-year interest rate	4.03%

COMMERCIAL REAL ESTATE

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

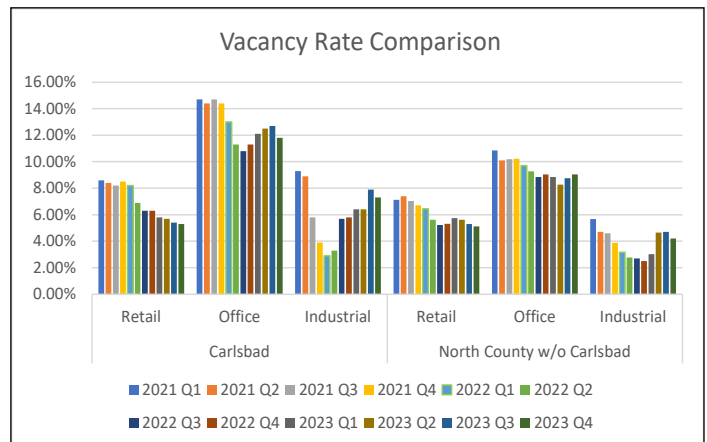
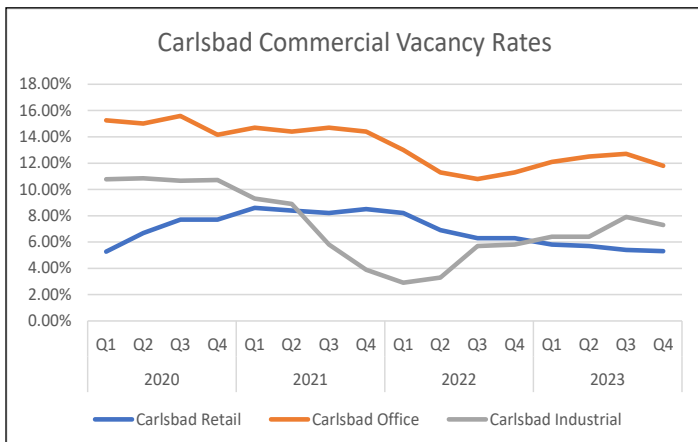
7.3%
Industrial vacancy rate



Commercial vacancy rates dropped across all three categories this quarter. The industrial vacancy rate in December was **7.3%**. The office vacancy rate in December was **11.8%**. Retail vacancy in December was **5.3%**.

Rental rates were relatively steady across all categories. Average market rents per square foot, per year for office rates in December were **\$37.87**. Industrial rates in December were **\$22.32**. Retail rates in December were **\$45.63**.

While Carlsbad office markets have remained relatively stable, remote and hybrid work are predicted to continue impacting office leases. With uncertain workforce dynamics and tight capital markets, commercial developers are still largely holding off on new office developments. This trend is predicted to continue.



TOURISM

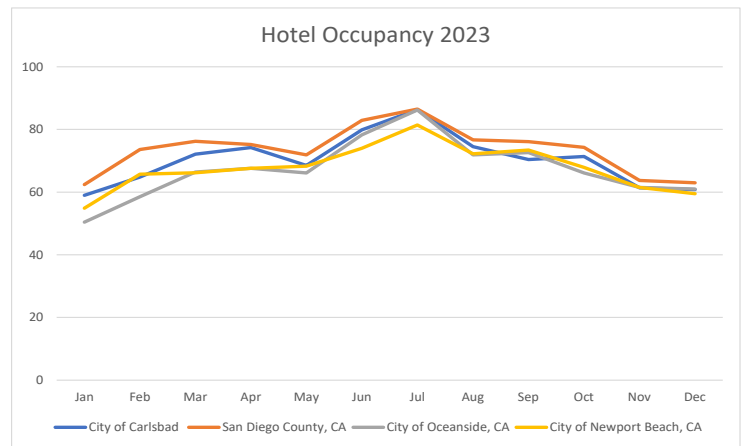
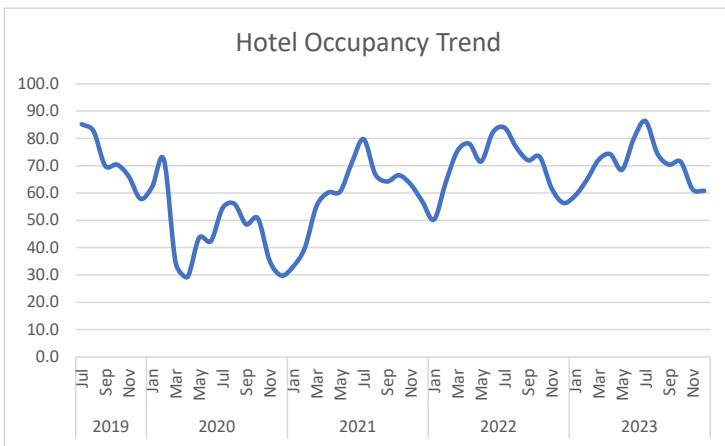
42
Hotels in Carlsbad



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.

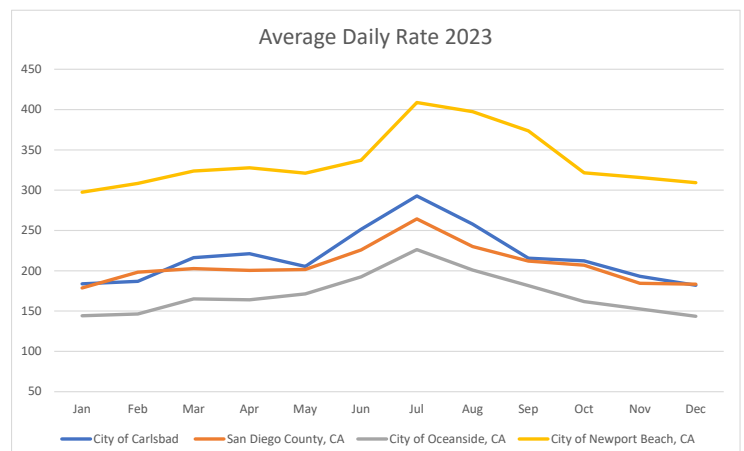
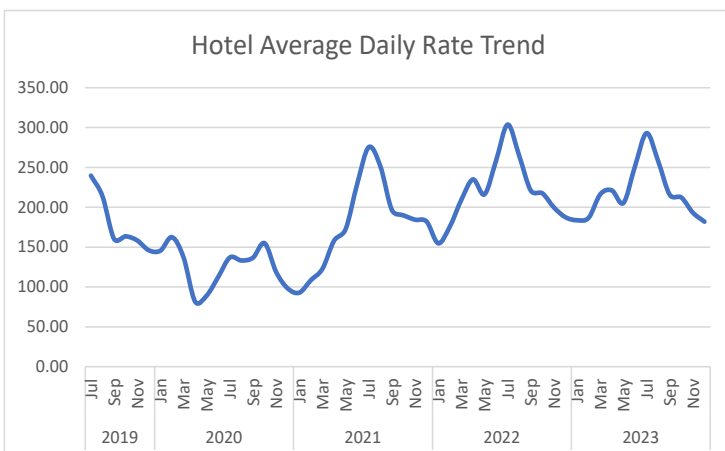
Hotel Occupancy *(Source: Smith Travel Research, Dec. 2023 Report)*

Occupancy averaged **64.53%** in the second quarter, which is an increase over the same quarter for 2022 (63.8%). Over the course of 2023, data indicates a gradual stabilization in the hospitality sector, aligning with global travel industry recovery efforts and changing consumer travel behaviors.



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

Carlsbad's average daily room rate (ADR) remains higher than pre-pandemic levels, but is lower than the same quarter of 2022. ADR averaged **\$195.79** in the fourth quarter, compared to \$201.50 for the same quarter in 2022. Overall, the ADR trends in 2023 indicate a strategic pricing approach by hotels in Carlsbad to navigate the evolving travel landscape, balancing between maximizing revenue during high demand periods and attracting guests during slower months.



INCOME + HOUSING

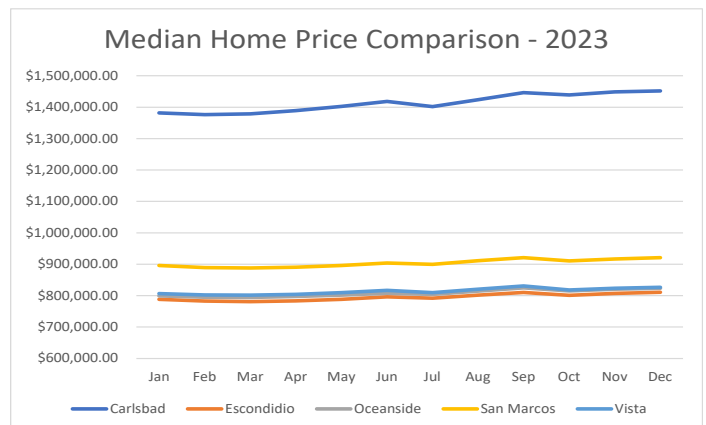
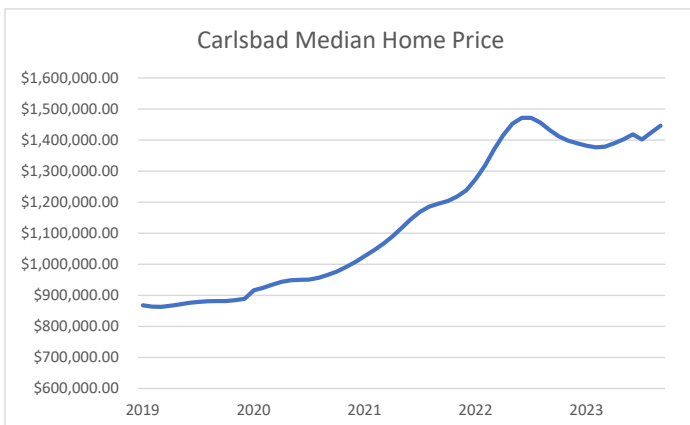
Median Household Income *(Source: 2022 ACS 5-Year Estimates, the latest year available)*

Median household income in Carlsbad continues to exceed county income levels. The median income for a household in Carlsbad in 2022 was **\$146,596**, (adjusted for inflation), which was \$21,927 higher than the previous year, and \$47,668 more than the county median household income. Carlsbad has generally outpaced the region in terms of household income growth.

	2017	2018	2019	2020	2021	2022
City of Carlsbad Median Household Income	\$102,722	\$107,172	\$123,409	\$112,933	\$124,669	\$146,596
County of San Diego Median Household Income	\$70,588	\$74,855	\$79,324	\$82,426	\$91,003	\$98,928
City of Carlsbad per Capita Income	\$52,560	\$55,518	\$63,079	\$57,607	\$65,430	\$66,944
County of San Diego per Capita Income	\$34,350	\$36,156	\$40,389	\$39,737	\$44,377	\$46,957

Median Home Price *(Source: Zillow Home Value Index - Dec. 2023)*

There was a moderate rise in home values this quarter despite elevated interest rates. Steady consumer demand kept values on an upward trajectory for most of the year. The current median home price is **\$1.45 million**, an increase of about \$22,000 over the last quarter. A recent poll showed that three-quarters of economists now predict that the U.S. will avoid a recession in 2024, and a growing contingent among them anticipates interest rate reductions this year. Should interest rates drop, it could create a surge in demand for homes. Such a shift in demand, against the backdrop of already robust market conditions in Carlsbad, could further escalate home values.

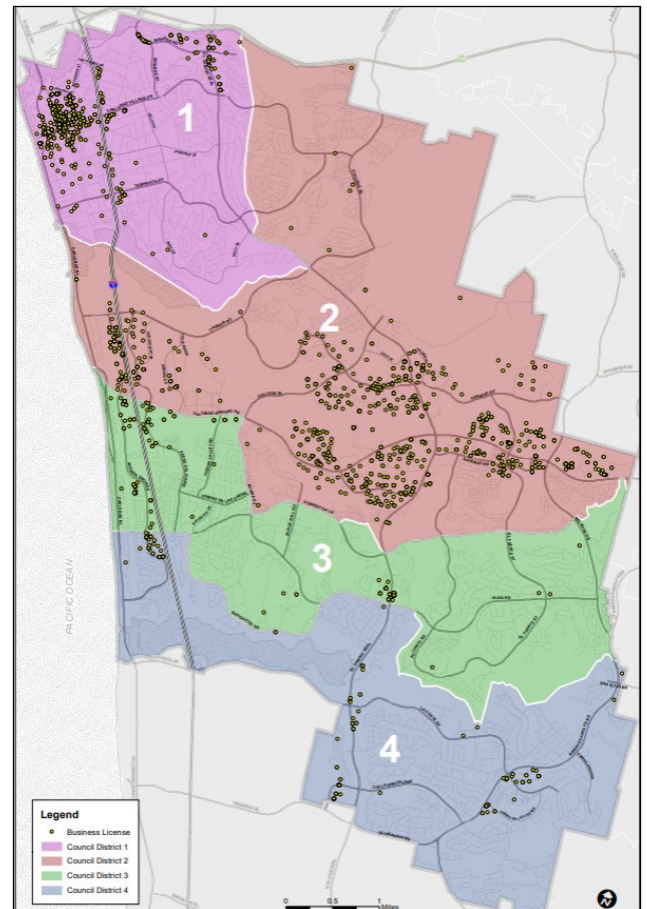
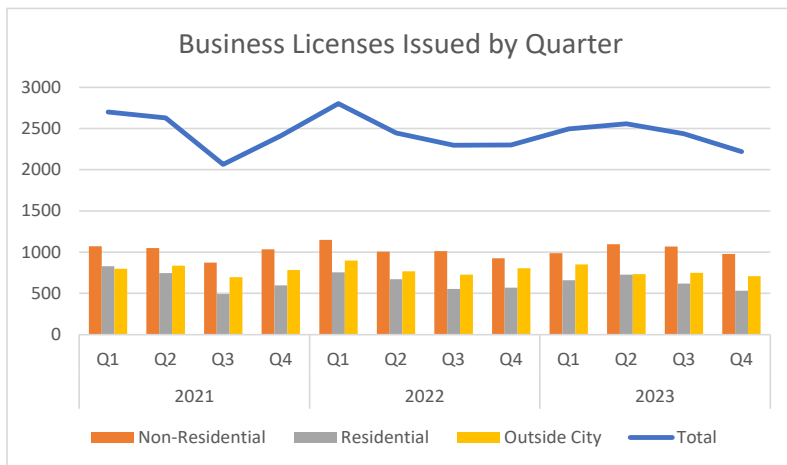


BUSINESS ACTIVITY

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

There were a total of **2,219** business licenses issued last quarter, including **978** non-residential, **531** residential, and **710** outside-the-city licenses. This is a decrease of 81 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 **6,667** businesses in Carlsbad, a slight increase over the previous year.

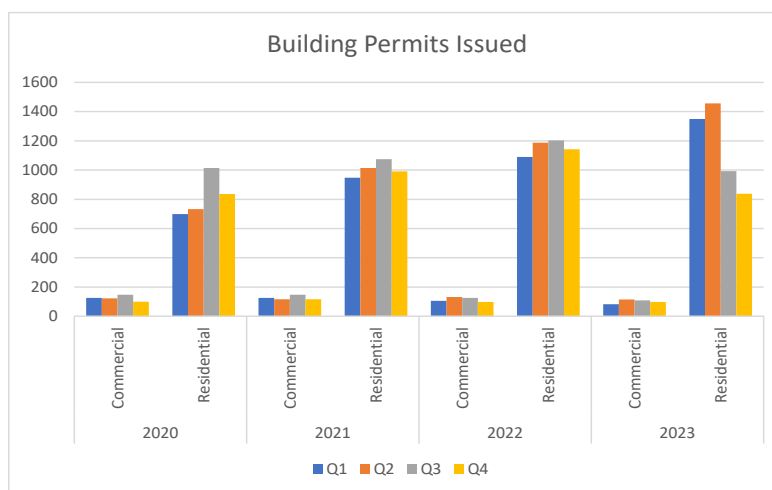


Carlsbad Businesses by City Council District

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

Between October and December, permit activity continued to decrease for residential building permits (**838**). The surge in residential permits issued in the first half of the year, followed by the subsequent drop off is largely attributable to fluctuation in demand for new photo-voltaic systems as a result of the State of California’s changes to net-metering rules.

Commercial permits issued (**98**), mirrored the same quarter of 2022.



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.

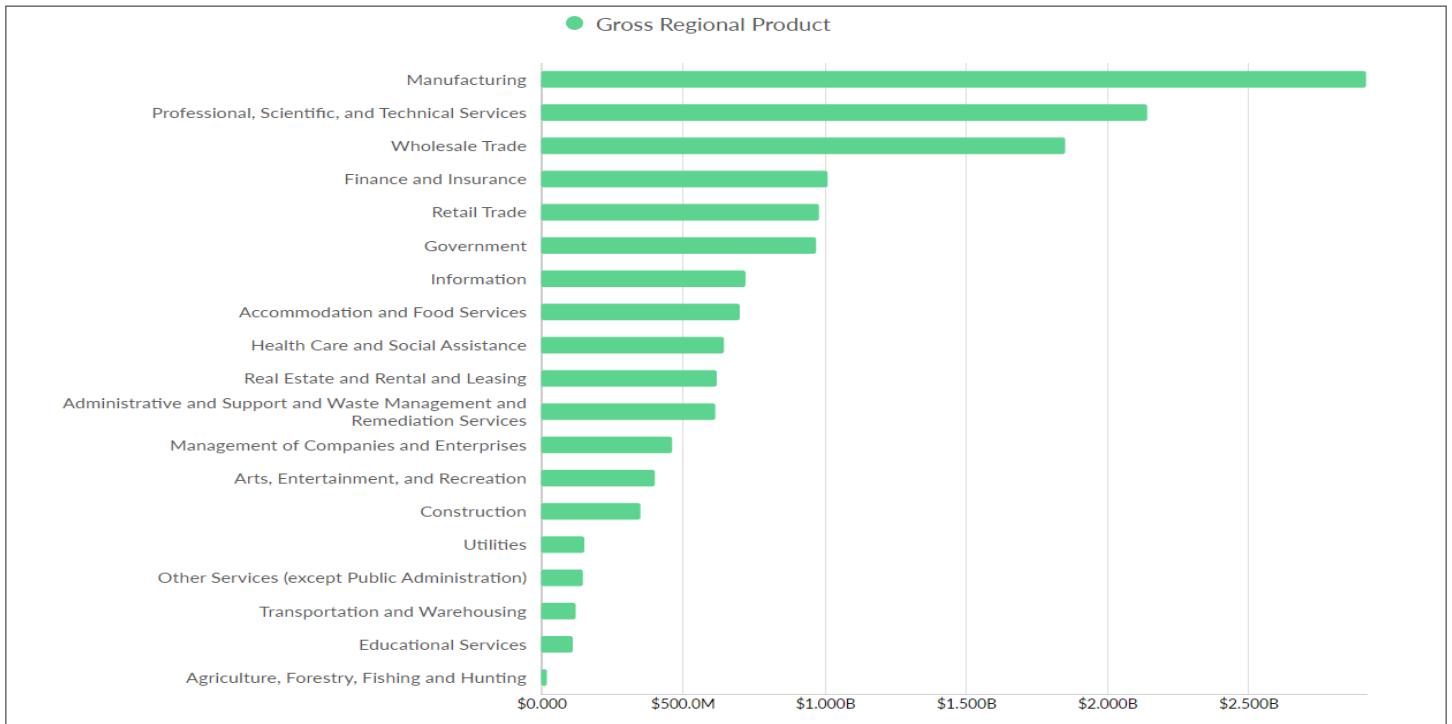
Carlsbad, San Diego County, and California experienced sharp declines between 2019 and 2020, during which sub-clusters like Theater Companies and Dinner Theaters, Amusement and Theme Parks, and Amusement Arcades were shut down to mitigate the effects of the COVID-19 pandemic.

INDUSTRY IMPACT

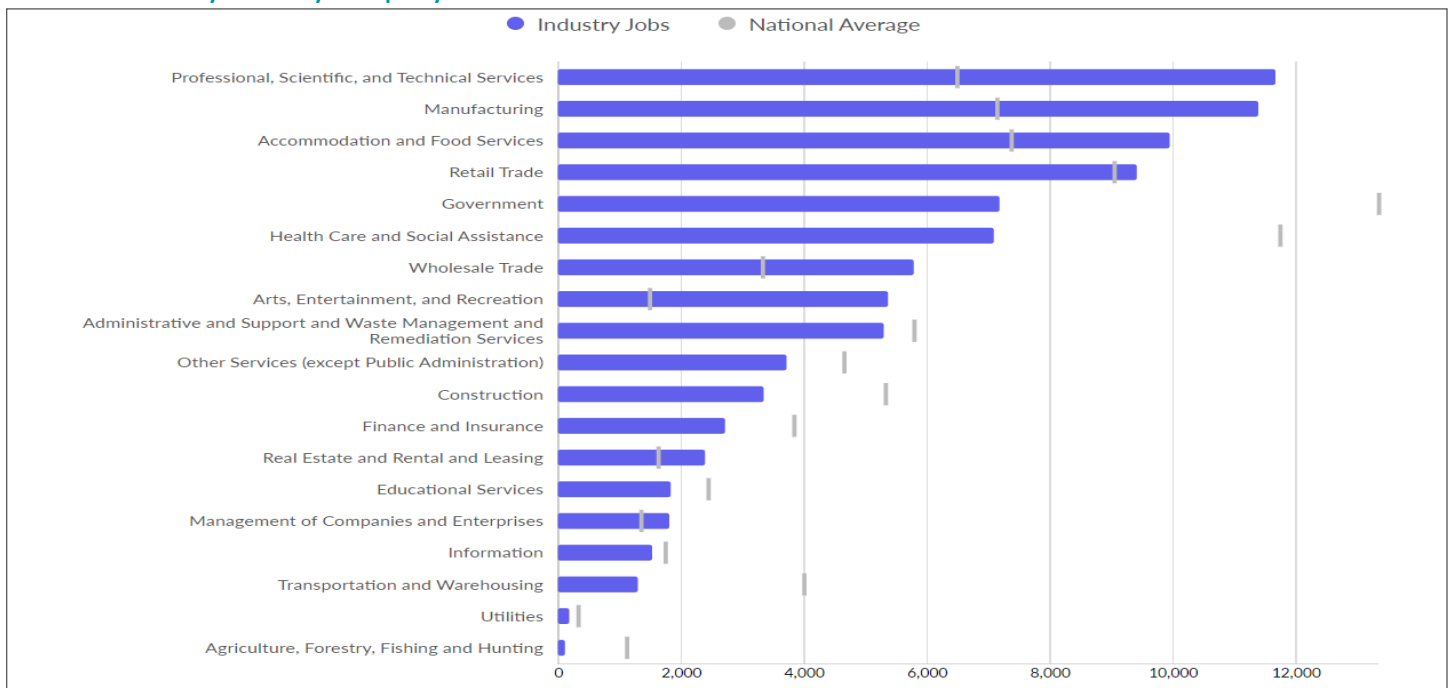
Largest Industries *(Source: Lightcast, Dec. 2023)*

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



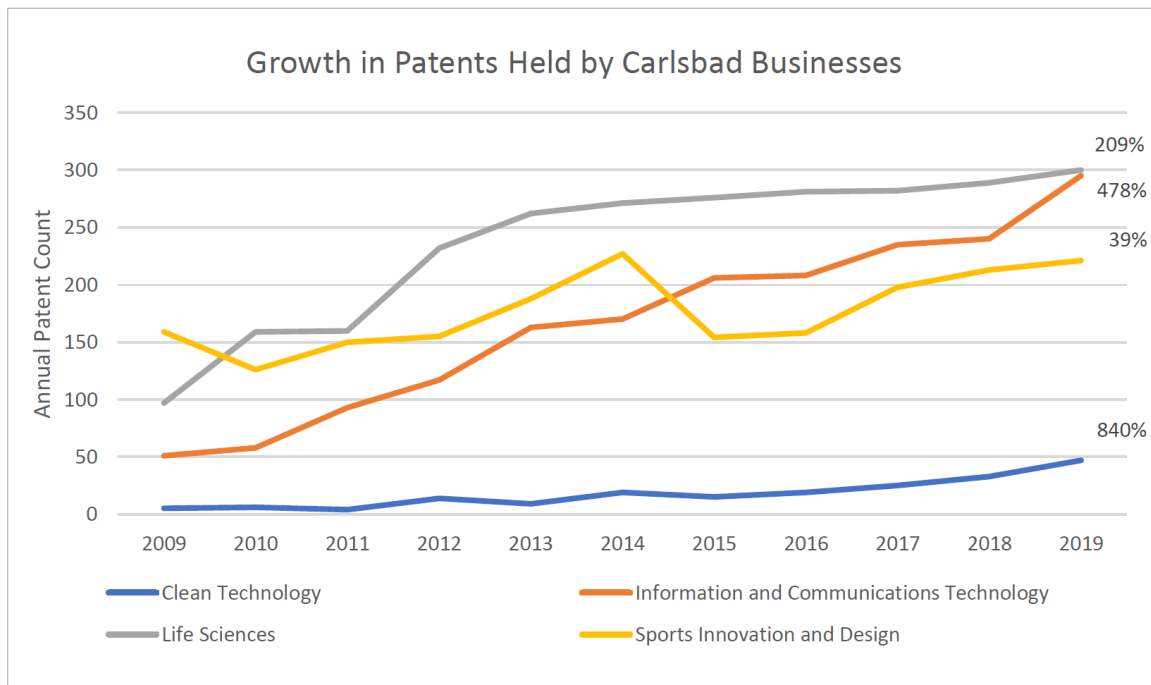
Industry size by employment



INNOVATION

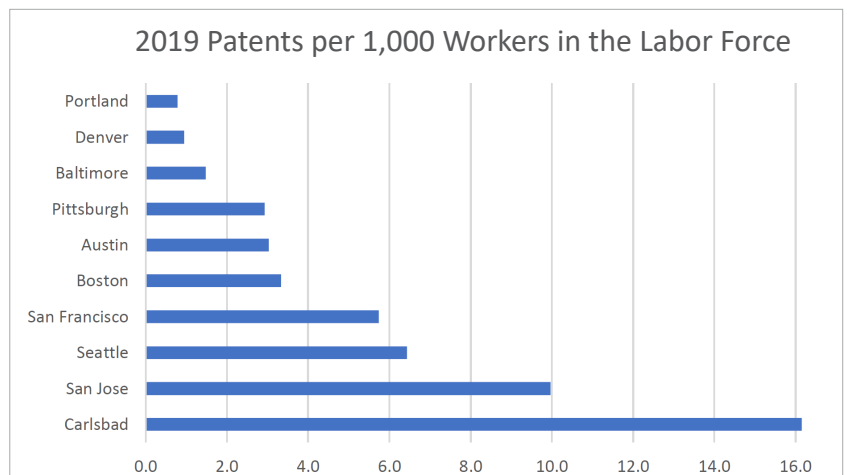
Patents *(Source: 2020 Carlsbad Industry Cluster Patent Update)*

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.