



# Economic Scan

Innovation + Economic Development Department

## First Quarter, Fiscal Year 2021-2022

The following scan provides an overview of key economic indicators for July, August, and September 2021 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](http://carlsbadca.gov/doingbusiness).

### GENERAL

#### Carlsbad GRP *(Source: EMSI, 2020)*

**\$15.3B**

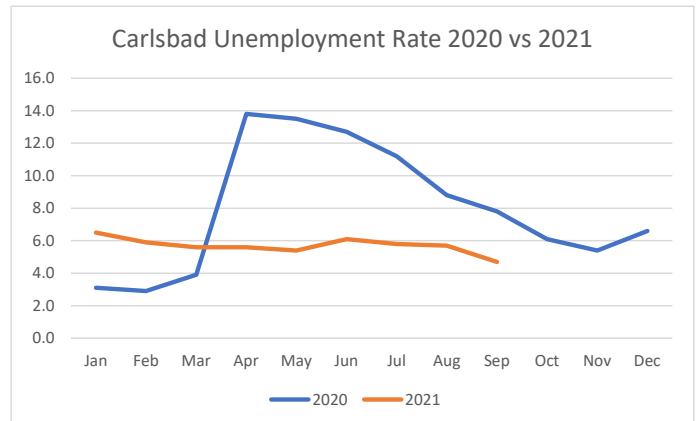
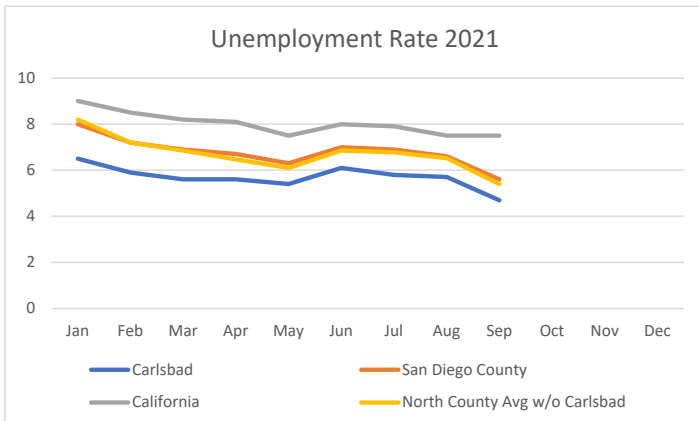


As of 2020, Carlsbad had the second largest gross regional product in San Diego County at **\$15.3B**, only trailing the City of San Diego. From 2019, GRP remained unchanged, signaling the pandemic yielded no economic growth. Key industries driving this output are professional, scientific and technical services, computer and electronic product manufacturing and other manufacturing. These industries are generally more resilient in recessions. Another major industry, accommodation and food services, was severely impacted by the pandemic, but is recovering.

### JOBS

#### Unemployment Rate *(Source: California Employment Development Department, September Report)*

Prior to the pandemic, Carlsbad boasted a low unemployment rate of 2.9%. At the onset of the pandemic, unemployment spiked quickly to 13.8% before steadily falling. Through the past 18 months, the unemployment rate has had some correlation to the prevalence of COVID-19 in the region, with increases during the Holiday 2020 season, and through the surge caused by the Delta-variant. Carlsbad continues to fare better than other North County cities, the County of San Diego, and the State of California. In September the unemployment rate was **4.7%** in Carlsbad, a full percentage point lower than in August.



## Job Postings *(Source: EMSI, July - September 2021)*

There were **13,246** unique job postings in Carlsbad between July and September, an increase of 800 postings from the previous quarter. This continues a trend of increased postings quarter over quarter for the past six quarters. The median posting duration was 34 days, which is a 13% increase in time to fill jobs over the last quarter. The median advertised salary for these postings was **\$45,700**. The top-hiring industries were manufacturing, administrative services, and professional, scientific and technical services. Continued feedback from hospitality and restaurant businesses indicate rehiring in those industries remains a challenge.

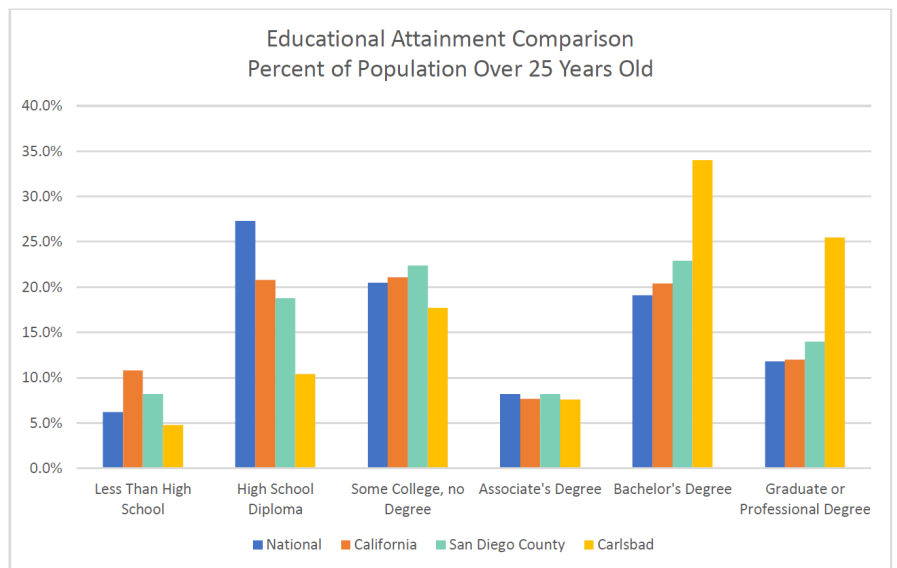


**13,246**

# TALENT + WORKFORCE

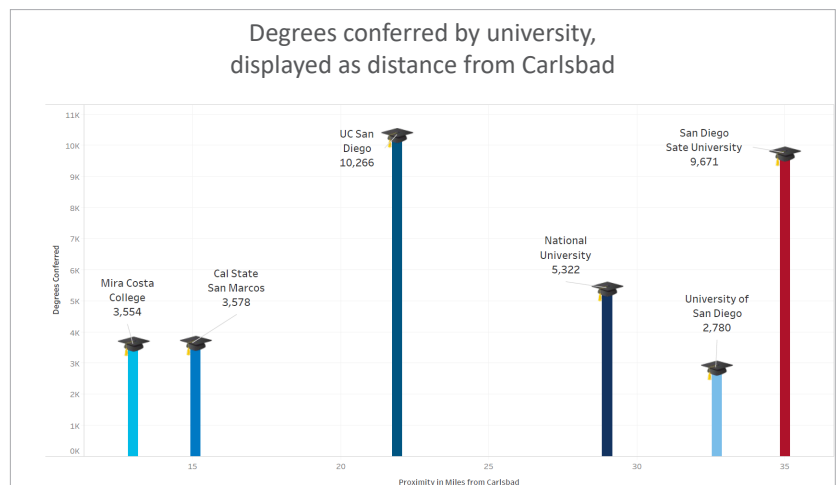
## Education *(Source: U.S. Bureau of Labor Statistics - 2019)*

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, Orange County, and even southwest Riverside County. Nearly 60% of working-age residents hold a bachelor's degree, with more than 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, September 2021)*

National interest rates remain lower than pre-pandemic levels, with one-year rates now at **0.09%**. Ten-year rates have fluctuated over the past two quarters and are now at **1.52%**. Due to several local, state, and federal grant programs, including new and reauthorized programs, traditional debt-financing may still be less appealing for businesses. Assuming the recovery remains consistent, emergency relief programs are less likely to be reauthorized in the future. Further, with some speculation of inflation, interest rates may begin to rise.

### September 2020

One-year interest rate	0.12%
10-year interest rate	0.72%
30-year interest rate	1.49%

### September 2021

One-year interest rate	0.09%
10-year interest rate	1.52%
30-year interest rate	2.08%

# COMMERCIAL REAL ESTATE

## Market Vacancy Rates and Rent per Square Foot *(Source: CoStar, September 2021)*

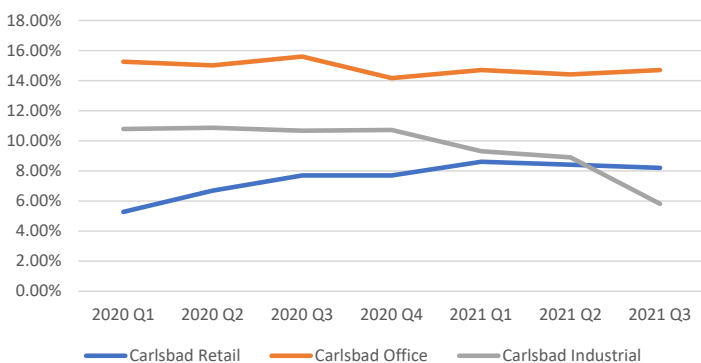
**5.8%**  
Industrial vacancy rate



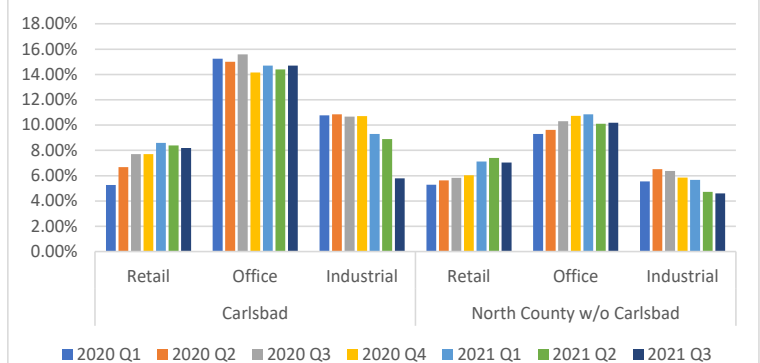
Commercial vacancy rates have generally improved since the onset of the pandemic. The industrial vacancy rate is now at **5.8%**, compared to 14.8% a year ago. The office vacancy rate is currently **14.7%**, compared to 21.5% a year ago. However, in retail, which was disproportionately impacted by the pandemic, vacancies have continued to climb, now at **8.2%**, compared to 7.4% a year ago.

Market rent per square foot has also been relatively steady in office and industrial properties. Retail rents have begun recovering in 2021 after declining by -1.5% in 2020.

Carlsbad Commercial Vacancy Rates



Vacancy Rate Comparison



# INCOME + HOUSING

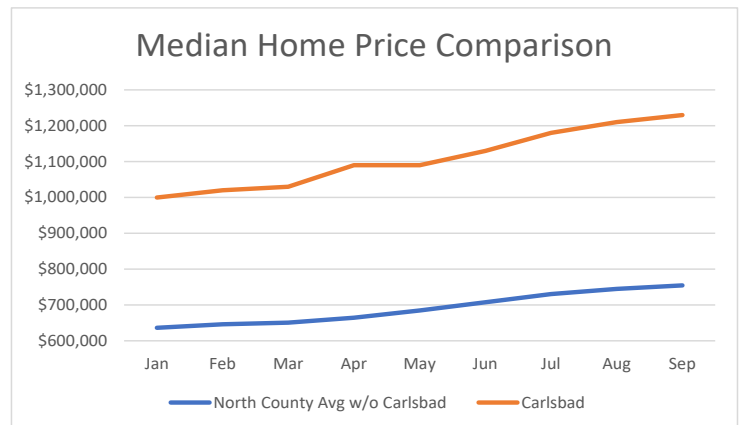
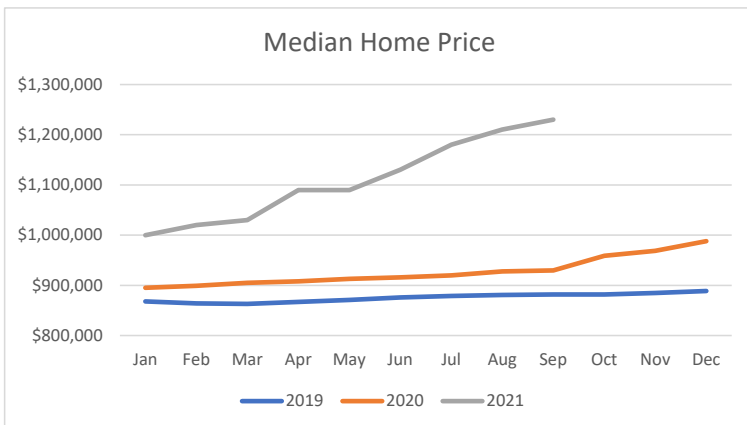
## Median Household Income *(Source: 2019 ACS 5-Year Estimates, the latest year available)*

Median household income in Carlsbad continues to exceed county income levels. The median income for a household in Carlsbad in 2019 was **\$123,409**, which was \$44,085 higher than the County median income. The delta between Carlsbad median income and the County median income grew by **\$11,768** between 2018 and 2019, meaning Carlsbad is outpacing the region in terms of household income growth.

	2016	2017	2018	2019
<b>City of Carlsbad Median Household Income</b>	<b>\$113,217</b>	<b>\$102,722</b>	<b>\$107,172</b>	<b>\$123,409</b>
<b>County of San Diego Median Household Income</b>	\$70,824	\$70,588	\$74,855	\$79,324
<b>City of Carlsbad per Capita Income</b>	<b>\$49,349</b>	<b>\$52,560</b>	<b>\$55,518</b>	<b>\$63,079</b>
<b>County of San Diego per Capita Income</b>	\$32,482	\$34,350	\$36,156	\$40,389

## Median Home Price *(Source: Zillow Home Value Index - September Report)*

Home values in Carlsbad, along with the San Diego region continue to rise significantly, with median home prices in the city at **\$1.23 million** in September, a gain of \$100,000 over the previous quarter. This value is seasonally adjusted and only includes the middle price tier of homes. Carlsbad home values have risen 32% over the past year. The continued rise in home values can be partially attributed to constrained supply and strong demand in the region.



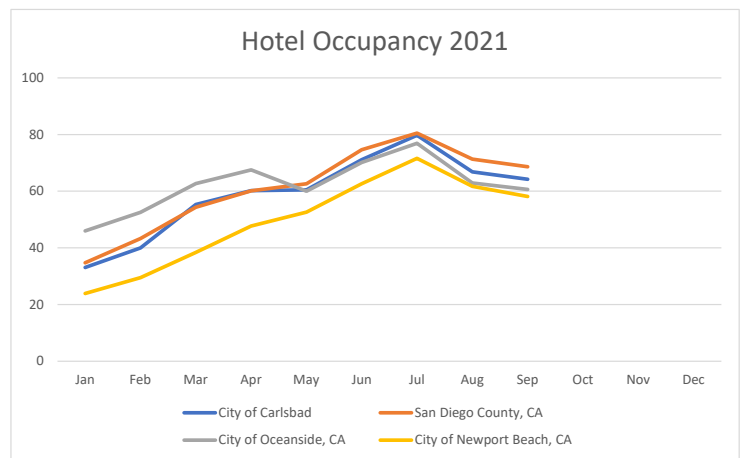
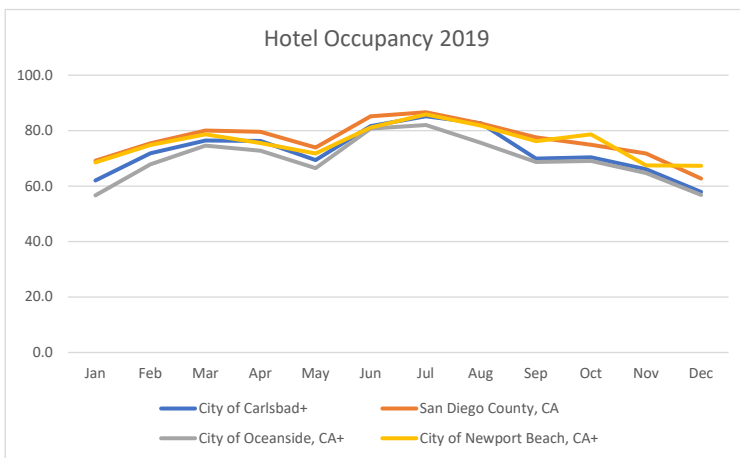
# TOURISM



With 42 hotels in Carlsbad, tourism is a major industry in terms of employment and economic impact. Below are several indicators reflecting the health of the city's tourism economy.

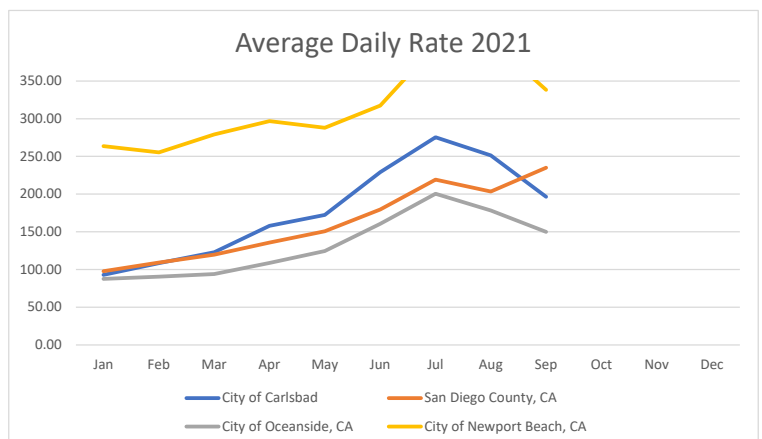
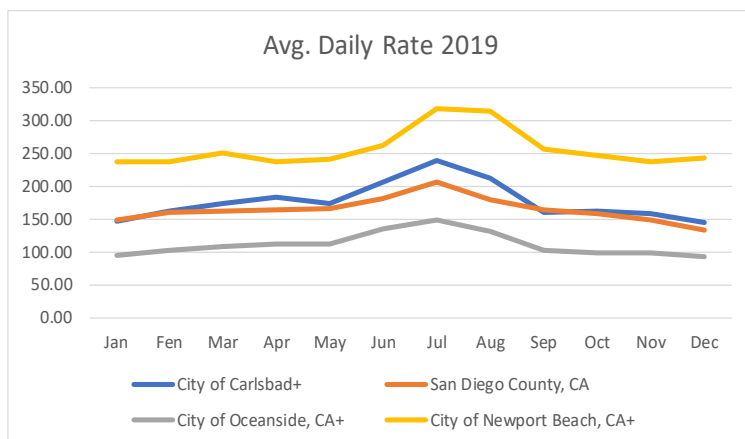
## Hotel Occupancy *(Source: Smith Travel Reports, September 2021)*

Hospitality and tourism was one of the hardest hit sectors among Carlsbad businesses, with health order restrictions and consumer confidence impacting travel. Hotel occupancy surged over the summer months, peaking in July, at **79.7%**. This can be attributed to consumer confidence rising when the COVID-19 case rate was at a minimum in May and June, as well as pent up demand from individual and family travelers. Hoteliers speculate the surge in cases caused by the Delta variant caused a drop off from the summer peak sooner than expected (August instead of September). Despite the drop, September occupancy was **64.2%**, only lagging September 2019 by five percentage points. Baseline comparison is 2019, as it represents normal conditions.



## Hotel Average Daily Room Rate *(Source: Smith Travel Reports, March 2021)*

Carlsbad's average daily room rates also rebounded over the summer months, surpassing 2019 rates from June through September and corresponding to increased demand. Average daily rates in September were **\$196.49**, which was \$36 above 2019 levels for the same month. Baseline comparison is 2019, as it represents normal conditions.

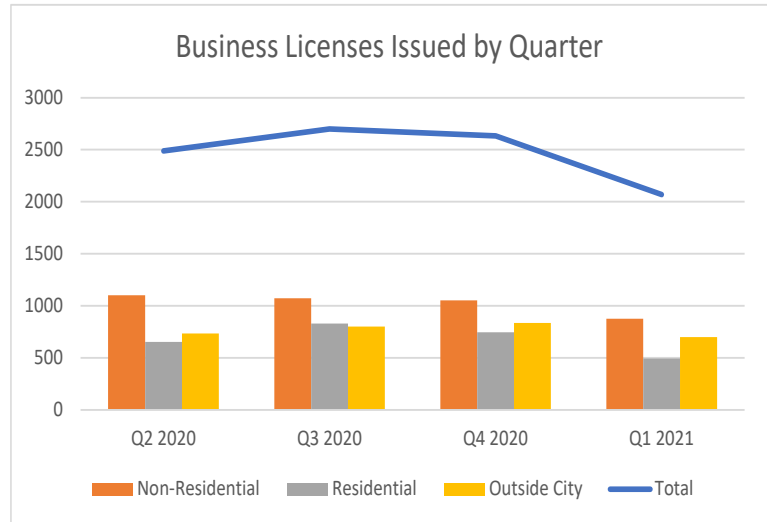


# BUSINESS ACTIVITY

## Business Licenses *(Source: City of Carlsbad)*

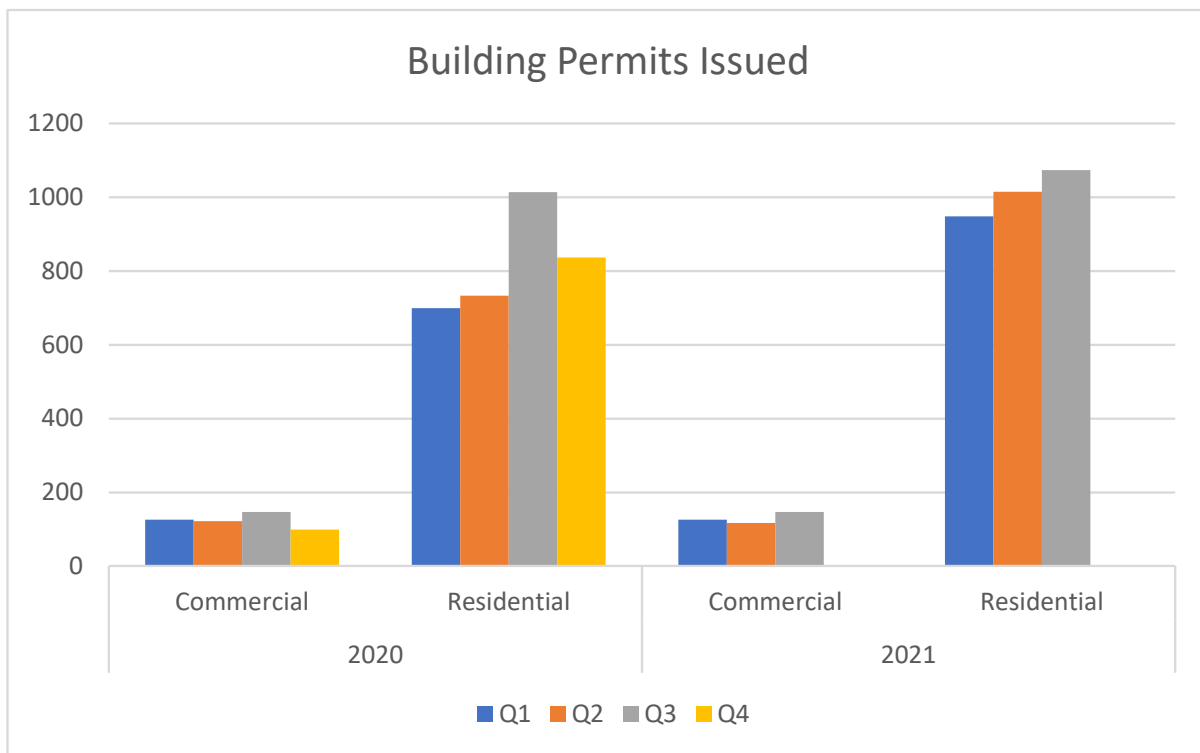
Compared to Q1 2020, business license activity has dropped - an indicator worth monitoring. There are a number of factors that could be impacting this, like timing of renewal, increased COVID-19 case rate, discontinuation of federal and state benefits, etc. Looking at the number of business licenses that were discontinued - those that were once active but not renewed - Carlsbad actually lost fewer businesses during the pandemic than the 18 months prior to the pandemic.

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 **6,327** businesses in Carlsbad.



## Permits *(Source: City of Carlsbad)*

Between July and September, permit activity mirrored the same quarter last year for commercial activity, with an uptick in residential permits (+60). The number of residential permits pulled has grown each quarter for the past four quarters. According to the National Association of Home Builders, across the country, builder sentiment has increased as a result of continued strong demand, but labor shortages have hampered new housing starts. Nationally, new starts are down in September, but still **up 19.5%** from one year ago.

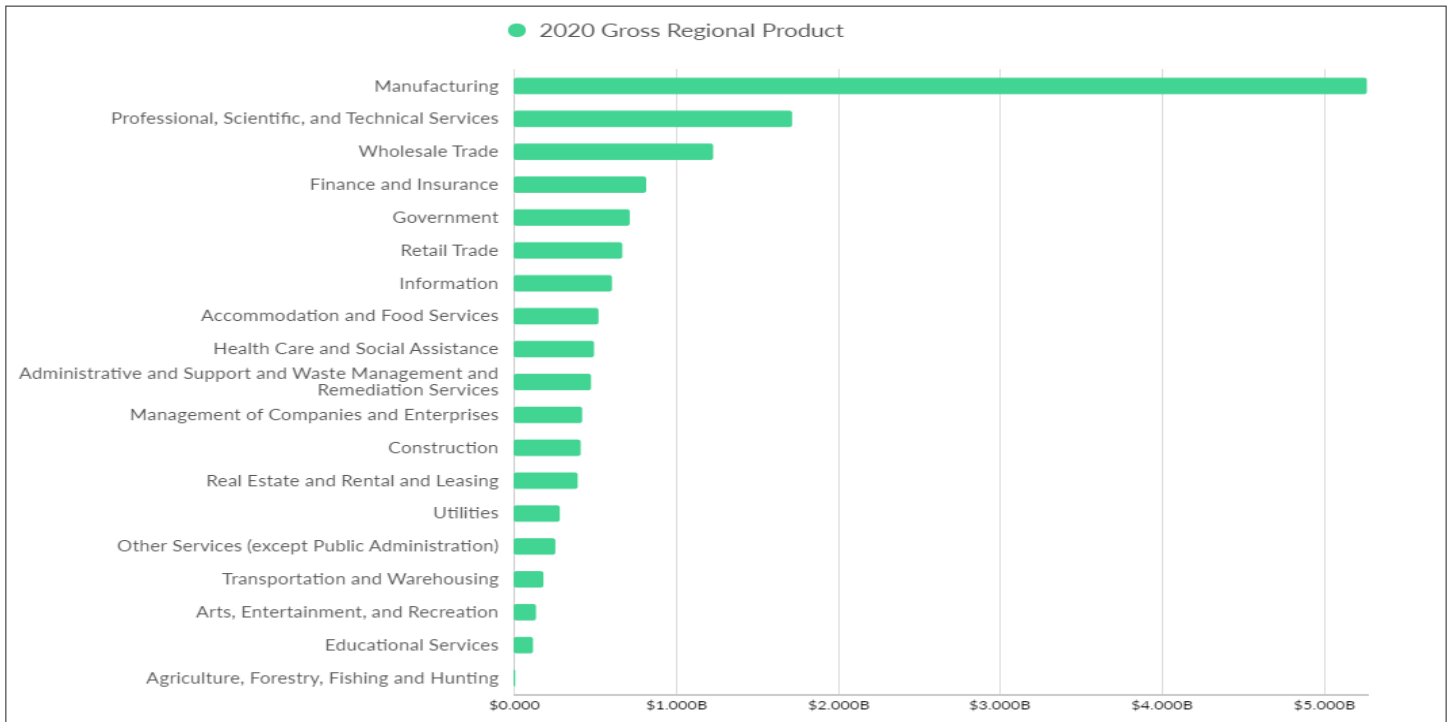


# INDUSTRIES

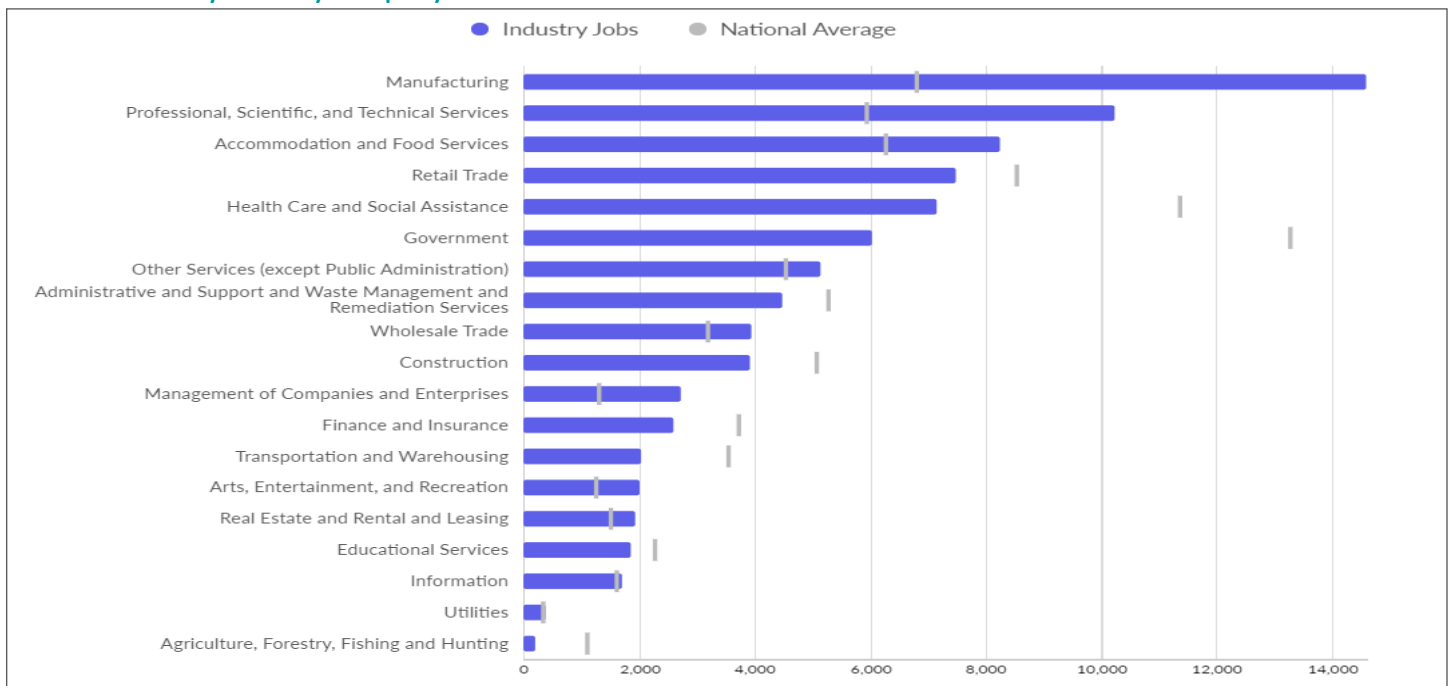
## Largest Industries *(Source: EMSI, September 2021)*

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



# INDUSTRY CLUSTERS

## **Life Sciences** *(Source: 2019 Biennial Business Report and 2020 Carlsbad Industry Cluster Update)*

Life Sciences includes the research, design, and production of medical devices. It also covers biotechnology & pharmaceuticals which includes research and development related to biological technologies as well as the manufacturing of medicinal and diagnostic substances. As of 2019, Carlsbad's life sciences industry consisted of nearly 128 companies employing more than 6,531 people. Companies like GenMark Diagnostics, COPAN, Thermo Fisher Scientific, IntelliGuard, and Active Motif have been on the front lines addressing COVID-19. The high concentration of life sciences companies in Carlsbad represents a strength in the economy that has been resilient and thriving through the pandemic.

## **Technology** *(Source: 2019 Biennial Business Report and 2020 Carlsbad Industry Cluster Update)*

The technology cluster includes communications, computer and electronics, and software industries. Common areas of business are cybersecurity, software and video game design, satellite communication, electronic device development, radio and wireless communication, and robotics. As of 2019 Carlsbad's tech industry consisted of nearly 302 companies employing more than 9,157 people. Companies like Viasat, Walmart Global Tech, Rockstar Games and Airspace Technologies are benefiting from a highly educated and connected workforce to build products and services that change the way we live as well as keeping us increasingly connected during a time of social distancing and remote work.

## **Clean Technology** *(Source: 2019 Biennial Business Report and 2020 Carlsbad Industry Cluster Update)*

This cluster includes firms that are engaged in advanced technologies including renewable energy, energy efficiency, and energy storage. As of 2019, the clean tech industry consisted of nearly 32 companies employing more than 1,129 people. This cluster in Carlsbad is 70% more concentrated than the national average. Companies like Calsense, OPTEC and Poseidon Water are leading the way on new technologies that improve sustainability and promote environmental stewardship.

## **Sports Innovation & Design** *(Source: 2019 Biennial Business Report and 2020 Carlsbad Industry Cluster Update)*

This cluster includes firms that are engaged in the design and production of recreational equipment, from golf clubs to surfboards, as well as the apparel and accessories as part of the growing athletic apparel and "athleisure" industry. As of 2019 Carlsbad's sports innovation & design industry consisted of nearly 77 companies employing more than 2,381 people. Companies like TaylorMade Golf, Callaway Golf and Canyon Bicycles are blending tech and creativity with cutting edge sports science to create some of the world's most advanced athletic equipment and apparel.

## **Small Businesses** *(Source: 2019 Biennial Business Report and 2020 Carlsbad Industry Cluster Update)*

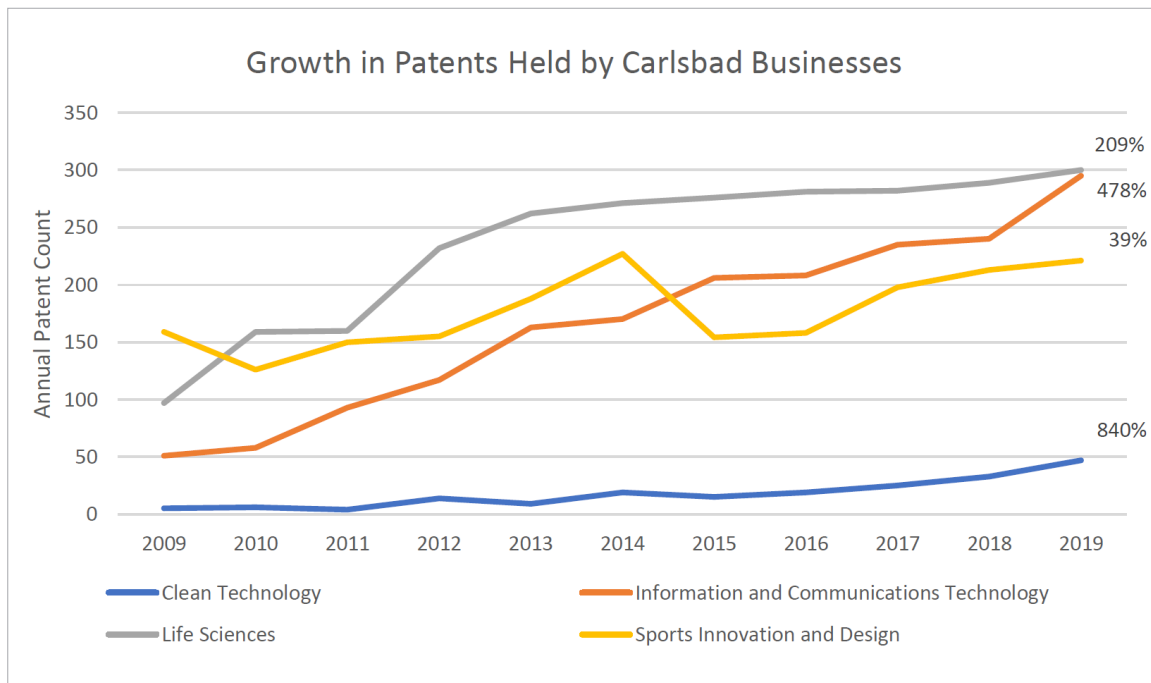
Small businesses are the backbone of Carlsbad's economy. From craft food to specialty retail to well-known franchises and everything in between, business owners will find a home in a community that values and invests the city's economic success. And while Carlsbad hosts impressive internationally known names, more than 93% of Carlsbad establishments are small businesses. With a diverse consumer base and plenty of business partners awaiting, Carlsbad has the right dynamic for growth opportunities. All of the considered combined with a business support ecosystem, Carlsbad is the perfect home for any venture.



# INNOVATION

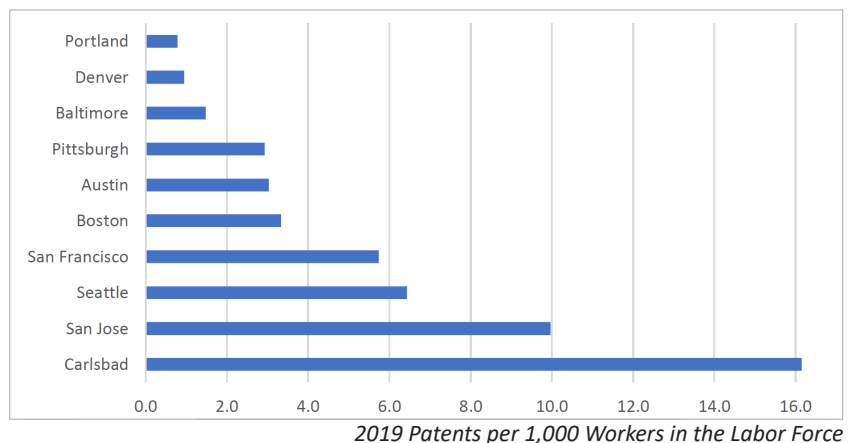
## Patents *(Source: 2020 Carlsbad Industry Cluster Patent Update)*

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](http://carlsbadca.gov/doingbusiness), or email contact the team at [business@carlsbadca.gov](mailto:business@carlsbadca.gov).*