

Economic Scan

Innovation + Economic Development Department



Second Quarter, Fiscal Year 2021-2022

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

GROSS REGIONAL PRODUCT

Carlsbad GRP *(Source: EMSI, 2021)*

\$14.6B

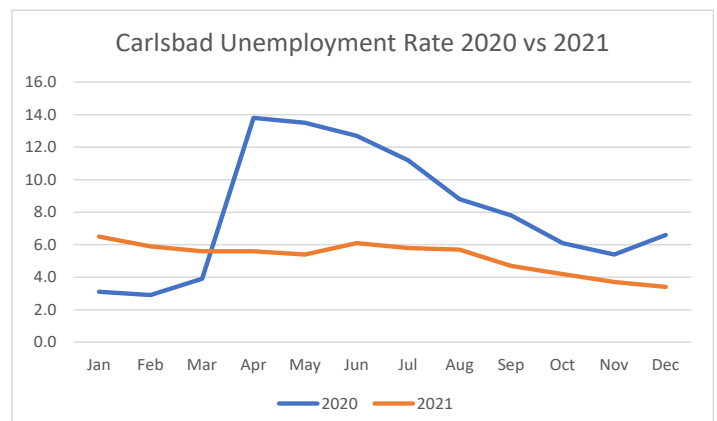
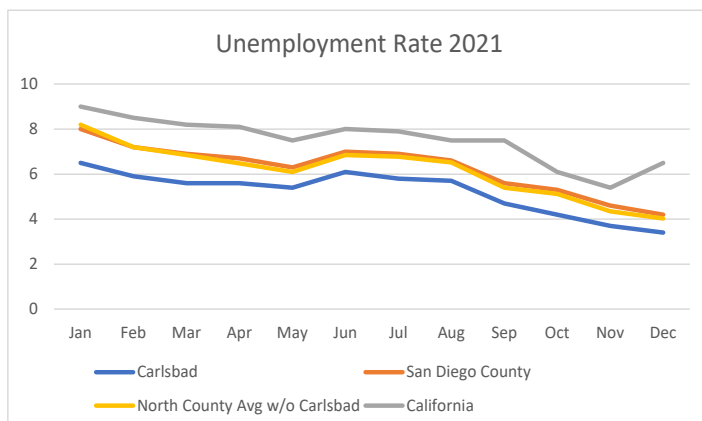


As of 2021, Carlsbad had the second largest gross regional product in San Diego County at nearly **\$14.6B**, only trailing the City of San Diego. In 2019, Carlsbad's economy grew by \$800 million to nearly \$13.6 billion. In 2020, as a result of the pandemic, the city's GRP remained flat. In 2021, Carlsbad's economy grew by approximately \$1 billion, to nearly \$14.6 billion. This growth was seen across all industry categories, and was led by manufacturing, wholesale trade, and professional, scientific, & technical services.

JOBS

Unemployment Rate *(Source: California Employment Development Department, December 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 21 months, the unemployment rate has had some correlation to the prevalence of COVID-19 in the region. However, despite the Delta and Omicron surges, which caused an uptick in unemployment at the state level in December (6.5%), unemployment continued to fall at the county and city level. In December, the unemployment rate was at **4.2%** for the county, and **3.4%** for the city.



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

There were **15,418** unique job postings in Carlsbad between October and December, an increase of more than 2000 postings from the previous quarter. This continues a trend of increased postings quarter over quarter for the past seven quarters. The median advertised salary for these postings was **\$41,600**, which is on average \$4,000 less than jobs posted in the previous quarter. 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.

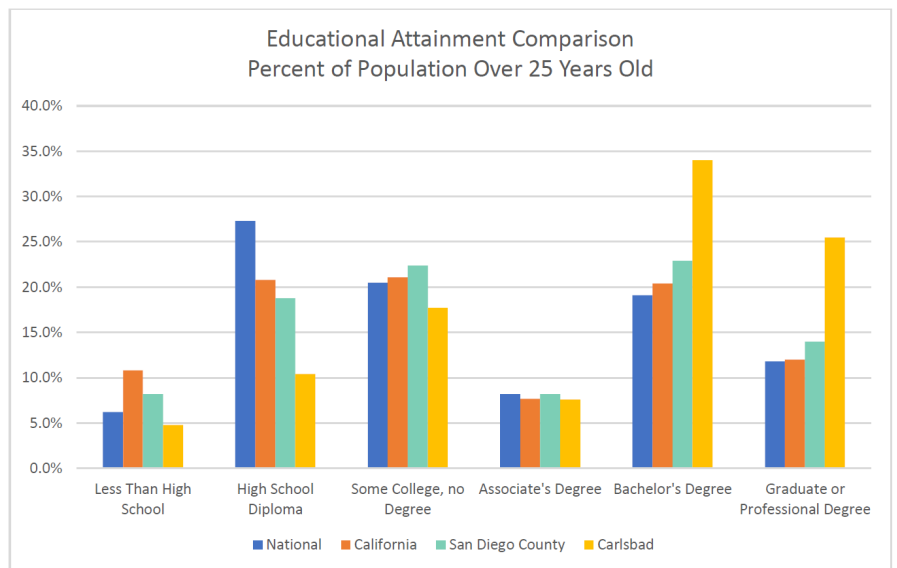


15,418

TALENT + WORKFORCE

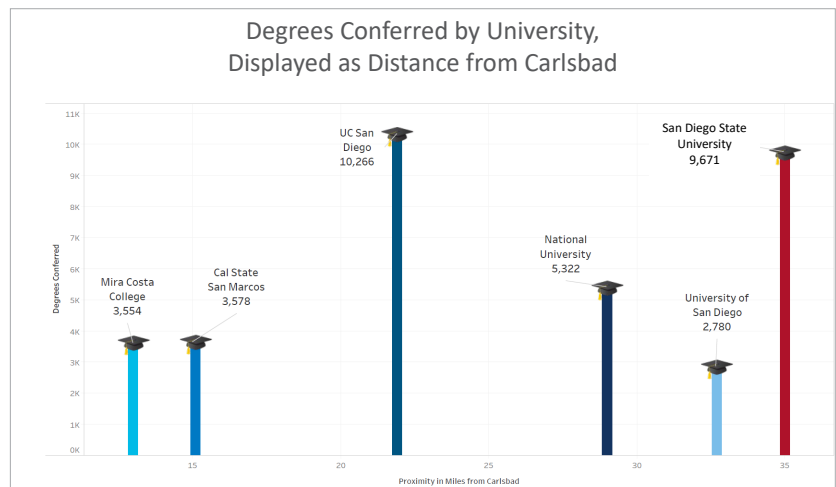
Education *(Source: 2019 ACS 5-Year Estimates, the latest year available)*

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. 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, December 2021)*

National interest rates, which dropped significantly during the pandemic have now eclipsed pre-pandemic rates (measured as February 2020) for 10- and 30-year interest rates. One-year rates remain below pre-pandemic levels, currently at **0.39%**. Ten-year rates are currently at **1.52%** and 30-year rates are at **1.9%**. With current inflation concerns, the Federal Reserve has indicated its intent to gradually raise interest rates over the next several quarters.

December 2020

One-year interest rate	0.12%
10-year interest rate	0.92%
30-year interest rate	1.66%

December 2021

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

COMMERCIAL REAL ESTATE

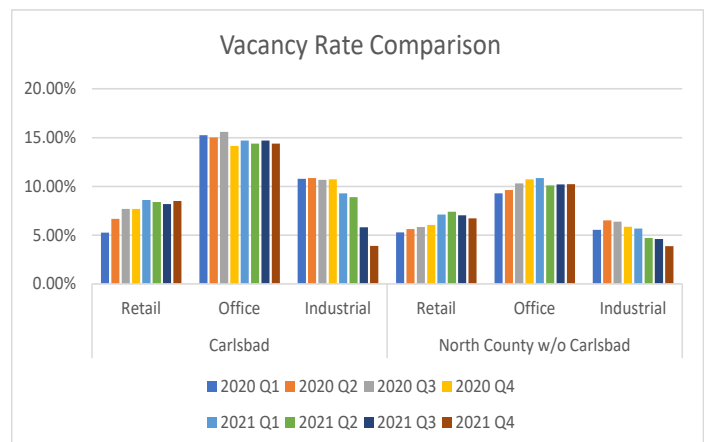
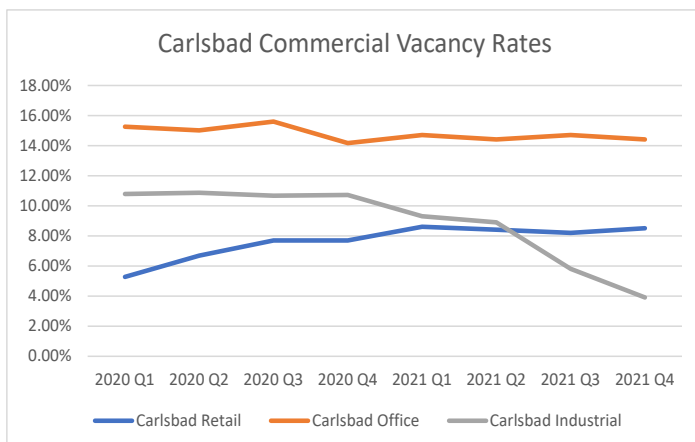
Market Vacancy Rates and Rent per Square Foot *(Source: CoStar, December 2021)*

3.9%
Industrial vacancy rate



Commercial vacancy rates have continued to improve since the onset of the pandemic. The industrial vacancy rate is now at **3.9%**, compared to 10.8% pre-pandemic. The office vacancy rate is currently **14.4%**, compared to 15.25% pre-pandemic. However, in retail, which was disproportionately impacted by the pandemic, vacancies have continued to climb, now at **8.5%**, compared to 5.27% pre-pandemic.

Average market rent per square foot has also begun to climb, surpassing pre-pandemic levels for the first time in Retail (**\$41.60**) and Office (**\$36.33**) segments. Industrial space, which consistently climbed during the pandemic is now at **\$18.48** per square foot on average.



TOURISM

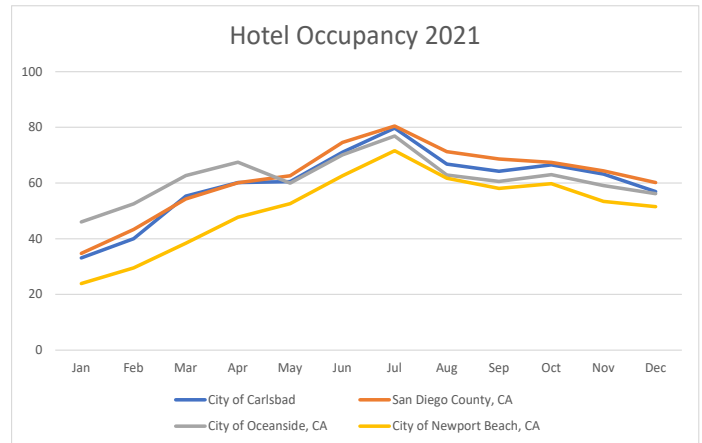
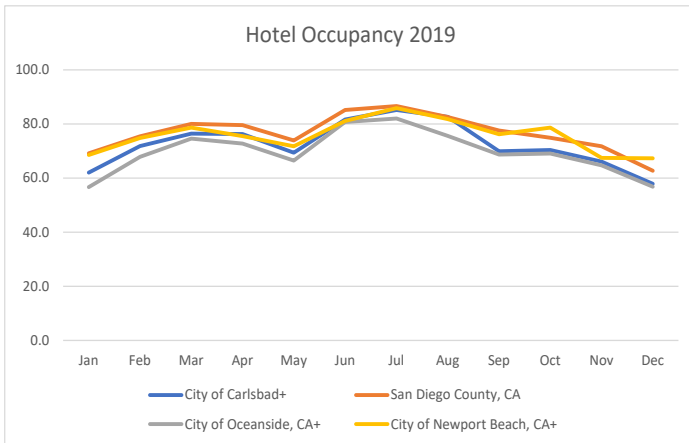
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With 42 hotels in Carlsbad, tourism is a major industry in terms of employment and economic impact. Below are several indicators reflecting the health of the city's tourism economy.

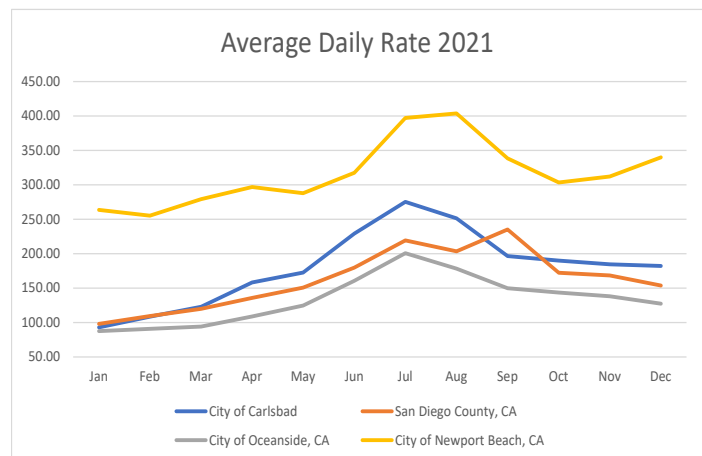
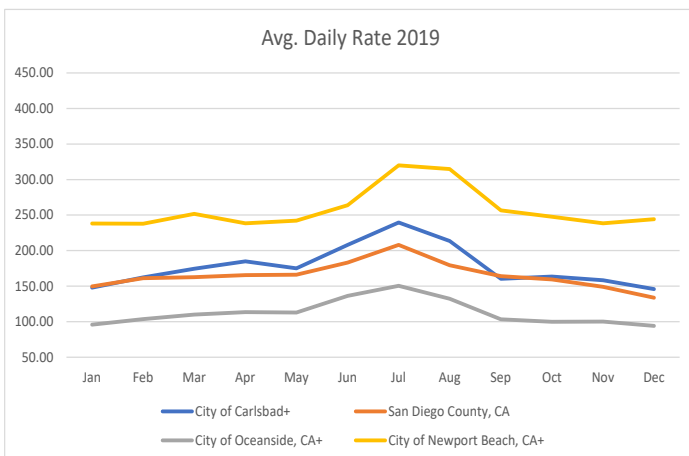
Hotel Occupancy *(Source: Smith Travel Reports, December 2021 Report)*

Hospitality and tourism was one of the hardest hit sectors among Carlsbad businesses, with fluctuating health order restrictions and consumer confidence impacting travel. Hotel occupancy declined over the past quarter, which is expected given historical occupancy data. Occupancy levels were slightly lower than the same quarter in 2019, but significantly higher than 2020. Tourism leaders speculate the surge in cases caused by the Delta and Omicron variants have continued to impact travel to Carlsbad but that trends are normalizing. December Occupancy was **56.9%**, only lagging December 2019 by one percentage point. Baseline comparison is 2019, as it represents normal conditions.



Hotel Average Daily Room Rate *(Source: Smith Travel Reports, December 2021 Report)*

Carlsbad's average daily room rate (ADR) has remained relatively stable over the past quarter, ending at **\$182.01** in December. While the rate tapered off slightly, the average for the quarter was **\$31.12** higher than the average of the same quarter in 2019. In fact, ADR for June through December 2021 have been consistently higher than corresponding months pre-pandemic. Baseline comparison is 2019, as it represents normal conditions.



INCOME + HOUSING

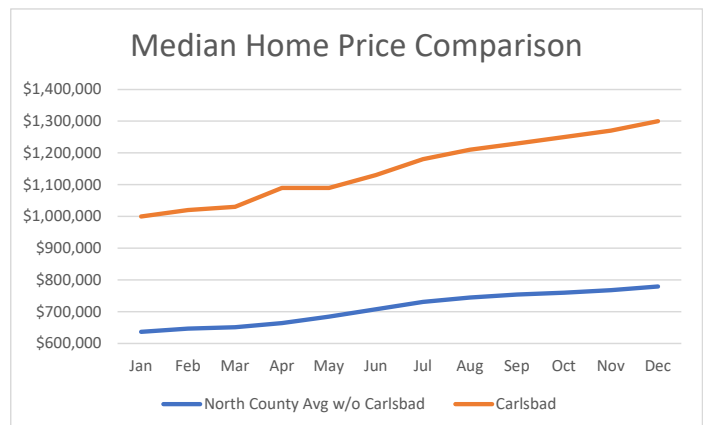
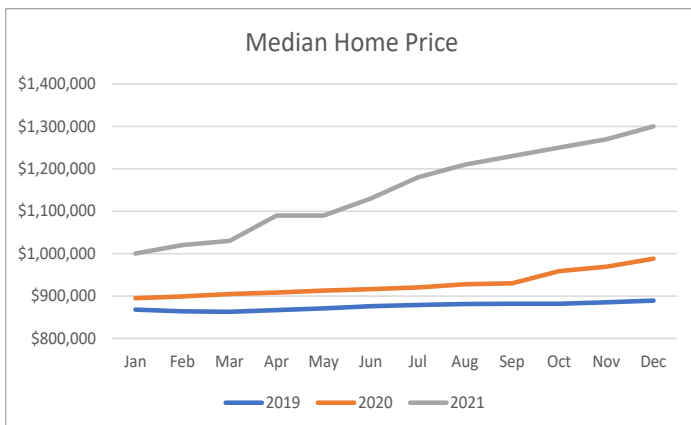
Median Household Income *(Source: 2019 ACS 5-Year Estimates, the latest year available)*

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

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

Home values in Carlsbad, along with San Diego County, continue to rise significantly, with median home prices in the city at **\$1.3 million** in December, a gain of **five percent** 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.



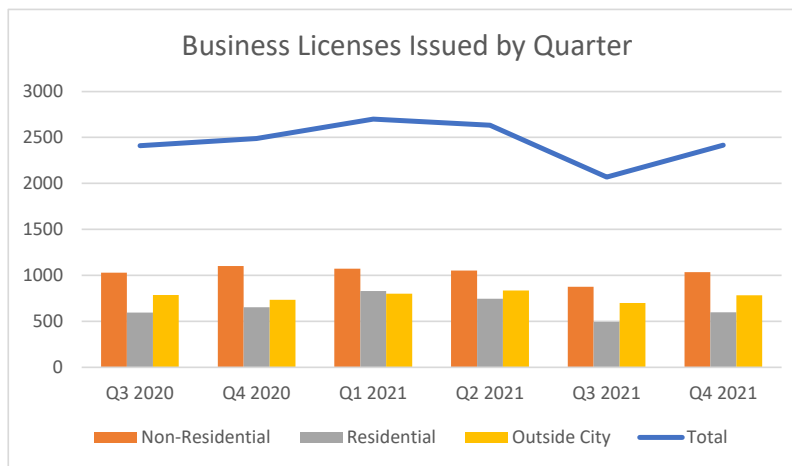
BUSINESS ACTIVITY

Business Licenses *(Source: City of Carlsbad)*

After an anomaly in activity last quarter, business license activity recovered to historical norms. There were a total of **2,415** business licenses issued last quarter, including **1,035** non-residential, **598** residential, and **782** outside-the-city licenses.

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.

Upon evaluation of 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.

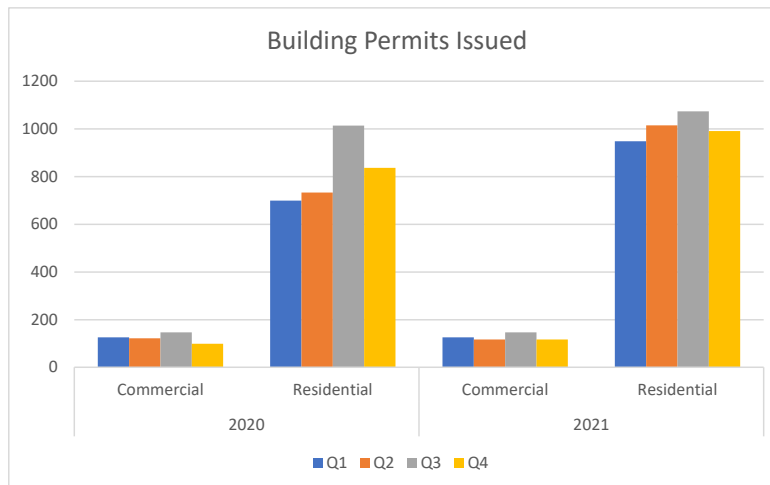


Permits *(Source: City of Carlsbad)*

Between October and December, permit activity increased for both residential and commercial permits issued. The number of residential permits issued (**991**), was an increase of 154 over the same quarter in 2020.

Commercial permits issues (**117**), was an increase of 18 over the same quarter in 2020.

While permit activity is improving YOY, residential builders have cited labor shortages and increased building costs as challenges to new housing starts.



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 percent. 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 percent 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 percent 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.

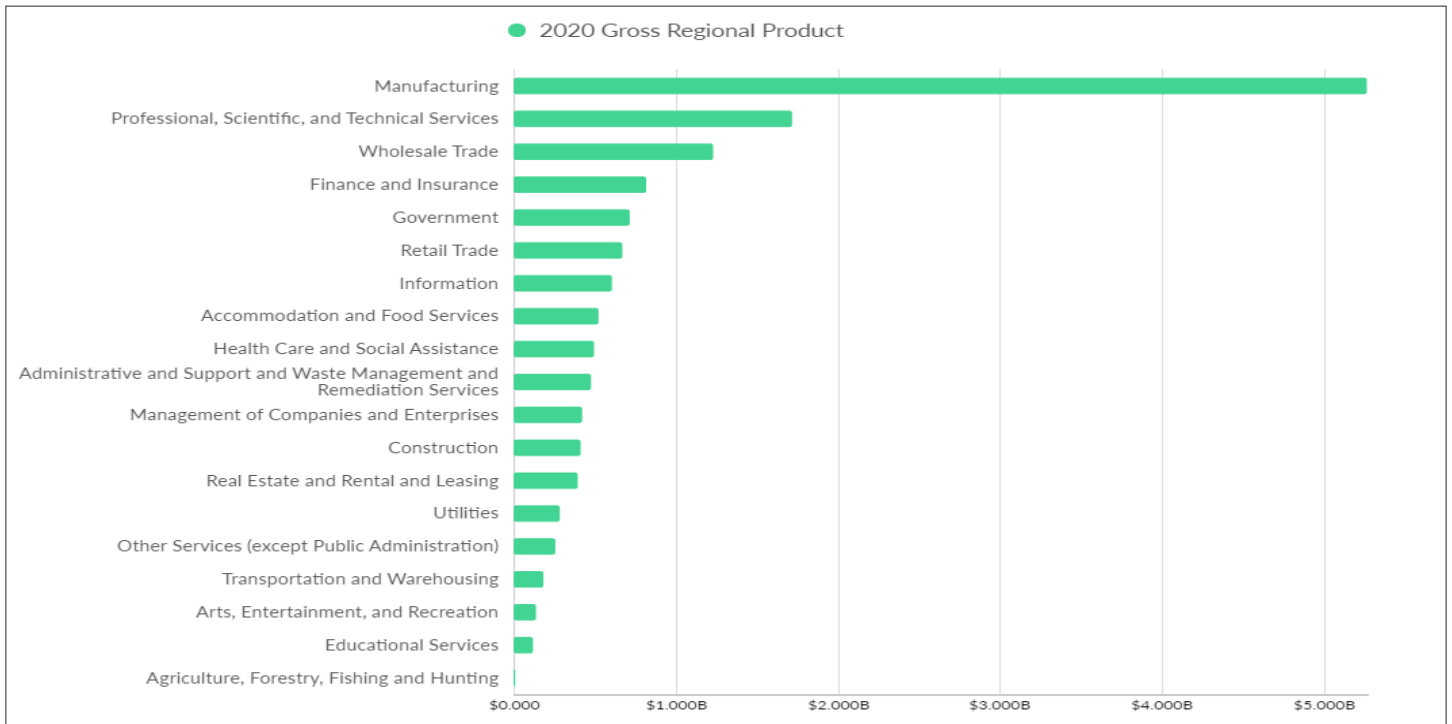
Carlsbad, San Diego County, and California experienced sharp declines between 2019 and 2020, during which sub-clusters like Theater Companies and Dinner Theaters, Amusement and Theme Parks, and Amusement Arcades were shut down to mitigate the effects of the COVID-19 pandemic.

INDUSTRY IMPACT

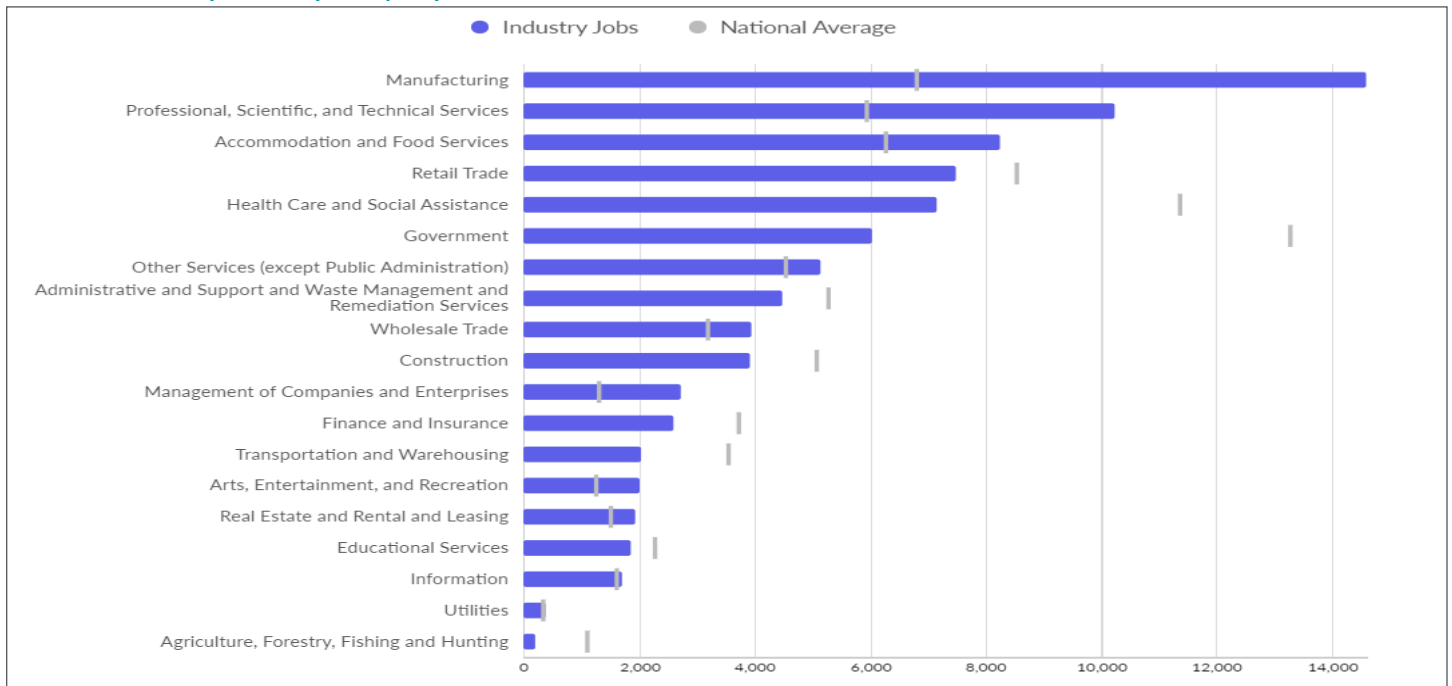
Largest Industries *(Source: EMSI, December 2021)*

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



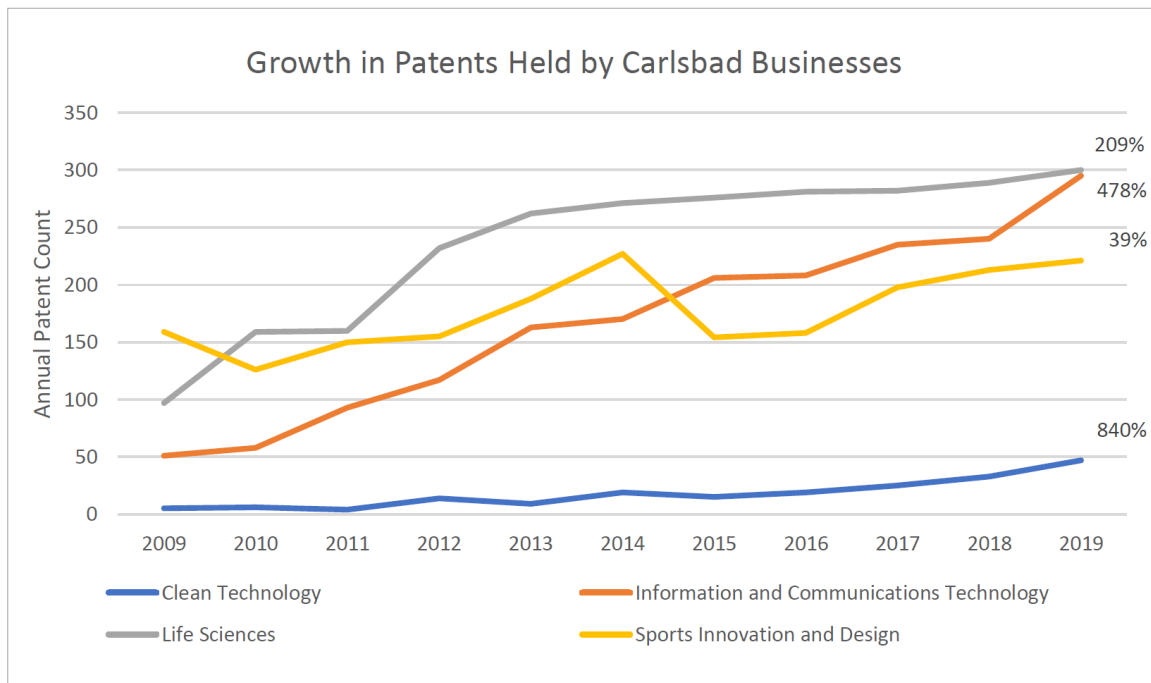
Industry size by employment



INNOVATION

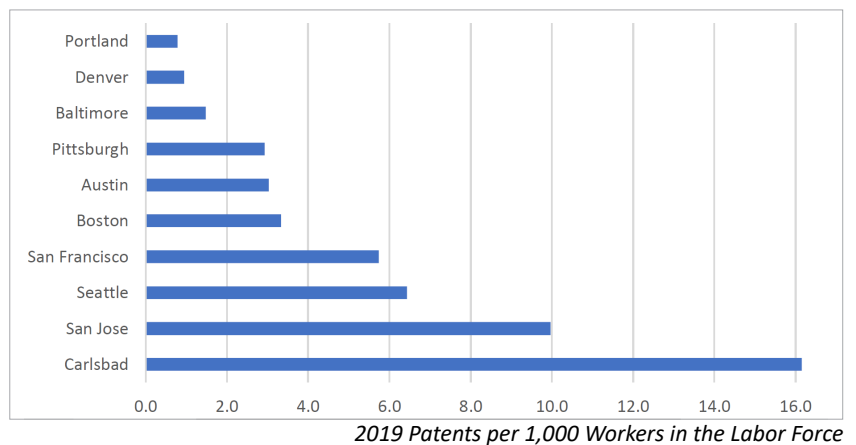
Patents *(Source: 2020 Carlsbad Industry Cluster Patent Update)*

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.