The State of the San Diego Economy

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Key Topics

- Overall Economic Backdrop
- California’s Current Economic Status
- 2011 San Diego Regional Outlook
- Questions
Economic Backdrop
U.S. Real GDP Builds Momentum
4\textsuperscript{th} quarter, percent change over prior year
Consumer Prices Still Subdued
4\textsuperscript{th} quarter, percent change over prior year
Interest Rates to Rise
Quarter-end, percent
California’s Current Economic Status
California Recovers with Nation
Nonfarm employment, percent change over prior year

![Graph showing nonfarm employment change for California (CA) and the United States (US) from 2001 to 2010. The graph indicates a recovery in employment after a significant decline.]
California Suffers High Unemployment

Percent of labor force, monthly

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Job Performance across Sectors
November 2010, percent change over prior year

- Mining
- Prof. and Bus Serv.
- Educ and Health Care
- Leisure and Hospitality
- Manufacturing
- Financial Services
- Government
- Trade, Trans, Utils
- Information
- Construction
California Home Sales See Volatile Recovery
Resales, thousands of single-family units

![Graph showing volatile recovery in California home sales from 2003 to 2011f.](attachment:graph.png)
California Home Prices Recover
Median price, percent change over prior year

The chart shows the median price changes for California home prices from 2005 to 2011. The data indicates a recovery in prices after a significant decline in 2008 and 2009.
California Manufacturing Industries Posting Gains
Employment, percent change over prior year (November 2010)

- Electronics
- Machinery
- Metal Products
- Food
- Petroleum Products
California Projected Budget Shortfalls
Billions of dollars, fiscal year

Includes $6 billion carry over deficit from 2010-11

Source: Legislative Analyst
California to Add More Jobs in 2011
December average, change over prior year, thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>Change</th>
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<tbody>
<tr>
<td>2007</td>
<td>63</td>
</tr>
<tr>
<td>2008</td>
<td>-535</td>
</tr>
<tr>
<td>2009</td>
<td>-836</td>
</tr>
<tr>
<td>2010e</td>
<td>82</td>
</tr>
<tr>
<td>2011f</td>
<td>200</td>
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</tbody>
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2011 California Outlook

**Positives**
- Consumer Electronics
- Exports
- Cleantech
- Tourism
- Technology
- Innovation, design

**Negatives**
- State and Local Government
- Commercial Real Estate
- Regulations
- Water
2011 San Diego Outlook
San Diego to See More Jobs in 2011
December, change from previous year, thousands
Civilian Construction Contracts Plummet, While Military Construction Soars

Billions of dollars

Civilian

Military

2007 2008 2009 2010e 2011f
Camp Pendleton Leads Military Construction Spending
Shares of total, 2010e

- (NB) San Diego: 8.3%
- (NB) Point Loma: 8.7%
- (MCAS) Miramar & (MCRD) San Diego: 10.1%
- (NB) Coronado: 10.4%
- (MCB) Camp Pendleton: 62.5%
Energy Efficiency

- Military Construction Sets the Standard
- Natural Ventilation and Heating
- New Lighting Systems
- Silver Level or Higher of LEED
Commercial Real Estate Prospects
San Diego, Scale 0 to 10

- Retail
- Office
- Industrial
- Apartment

Abysmal | Fair | Excellent
Retail

**Strengths**
- Little New Supply
- Consumer Spending rises
- Retail Profits Improve
- Location Matters

**Weaknesses**
- E-Commerce
- Tenant “Poaching”
- Fringe Retail Strips, Older Malls, Empty Box Power Centers
Strengths
- Minimal New Space
- Job Gains in Professional Services
- Health Care Expands

Weaknesses
- Companies Cut Costs
- Outsourcing Jobs
- Government Demand Drops
Strengths

- Inventory Rebuilding
- Foreign Trade
- No New Supply
- Technology Firms

Weaknesses

- Maturing 5-year leases
- E-Commerce and Point-to-Point Shipping
Apartments

**Strengths**
- Sharp Drop in Building
- Job Growth
- Military Demand
- “Uncoupling”

**Weaknesses**
- Home Ownership More Attractive
- “Shadow” Housing Inventory
Questions
Recommendations to Firms

- Do not Depend on Government Stimulus or Strong U.S. Recovery
- Renegotiation Opportunities
- Use Social Media in Marketing
- Lock in Long-term Interest Rates
- Hedge Against Inflation, Exchange Rates, and Credit Risks
- Keep Tenants Happy
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