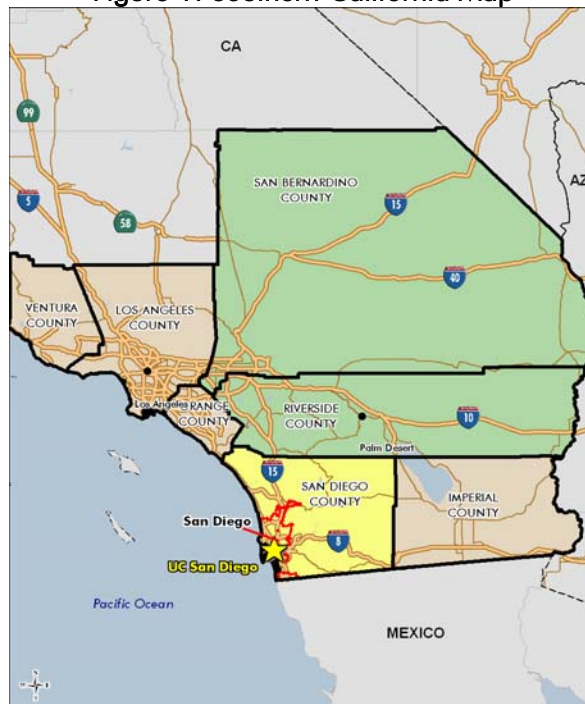


### III. THE REGIONAL FRAMEWORK

#### THE SAN DIEGO REGIONAL ECONOMY

The San Diego region, comprised solely of San Diego County, is one of California’s most dynamic regions. The efforts of the University within the region are increasingly critical in supporting and shaping it. The region, comprised of 18 cities and the County government, is covered by the San Diego Association of Governments (SANDAG). In 2007 San Diego’s population was 3.098 million people, ranking as the second most-populated County in California. The County’s population as a whole grew by an annual average rate of 1.4 percent between 2000 and 2007, adding 284,400 people. Between 2000 and 2020 the rate of population growth is projected to stabilize at an annual average rate of 1.3 percent, adding 822,000 people by 2020.

Figure 1: Southern California Map



Employment in San Diego County grew modestly between 2000 and 2007, adding 125,600 jobs for a total employment of 1.510 million. Job growth is expected to increase approximately 1.2 percent annually between 2000 and 2020, with a projected increase of approximately 356,400 jobs. Median household income in San Diego County was estimated at approximately \$69,500 in 2007 (in constant 2000 dollars).

Table 2 highlights some key measures of economic growth for California, San Diego County, and the City of San Diego between 2000 and 2020.

Table 2: San Diego Regional Economic Growth

	2000	2007	2010	2020	Aggregate Change		Compound Average Annual Growth	
					2000 - 2010	2010 - 2020	2000 - 2010	2010 - 2020
<b>Population</b>								
City of San Diego	1,223,400	1,316,837	1,365,130	1,514,336	141,730	149,206	1.1%	1.0%
San Diego County	2,813,833	3,098,269	3,245,279	3,635,855	431,446	390,576	1.4%	1.1%
California	34,105,437	37,771,431	39,135,676	44,135,923	5,030,239	5,000,247	1.4%	1.2%
<b>Households</b>								
City of San Diego	450,691	483,992	496,747	546,835	46,056	50,088	1.0%	1.0%
San Diego County	994,677	1,081,234	1,125,611	1,247,522	130,934	121,911	1.2%	1.0%
California	11,502,870	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Employment</b>								
City of San Diego	777,600	848,159	880,326	956,165	102,726	75,839	1.2%	0.8%
San Diego County	1,384,676	1,510,265	1,573,742	1,741,033	189,066	167,291	1.3%	1.0%
California	15,829,202	17,314,600	N/A	N/A	N/A	N/A	N/A	N/A
<b>Median Household Income (1)</b>								
City of San Diego	\$48,526	\$66,325	\$72,036	\$103,339	23,510	31,304	4.0%	3.7%
San Diego County	\$50,101	\$69,527	\$75,057	\$108,489	24,957	33,431	4.1%	3.8%
California	\$50,241	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Sources: State of California Department of Finance (DOF) Race/Ethnic Population Tables, February 2008; State of California Employment Development Department (EDD) Employment by Industry Data Tables; San Diego Association of Governments (SANDAG) 2030 Regional Growth Forecast Updates, and Population and Housing Estimates; and CBRE Consulting.

Notes: Median household income is expressed in constant 2007 dollars for the baseline year of this report, which is Fiscal Year 2006-07.

San Diego County is the 17<sup>th</sup> largest region in the Country, and continues to grow. The rate of growth for the County is in line with California’s growth as a whole. San Diego County has net negative migration with many residents moving to the less expensive Inland Empire region of Southern California.<sup>18</sup> San Diego will, however remain a strong job center.

San Diego County is a job hub with 1.510 million jobs and growth projected to remain strong. Job growth is expected to exceed household growth over the 20-year period presented. 252,800 new homes are projected compared to 356,400 additional jobs. This strong average annual growth of 1.2 percent demonstrates the resilience of the local economy even during the state’s economic downturn of the early 2000s. Additionally, the unemployment rate in San Diego County was 5.0 percent as of December 2007, significantly less than the statewide average of 5.9 percent. The unemployment rate in San Diego County increased just slightly to 5.3 percent in March 2008, with statewide unemployment increasing more rapidly, reaching 6.4 percent in the same time period.<sup>19</sup>

### Major San Diego County Employers

As depicted in Table 3, government is one of the largest employment sectors in the area, with the Federal government (39,900 employees) and the State of California government (40,600 employees) employing a total of 80,500 people combined. As a premier institution of higher

<sup>18</sup> Net Migration and migration flows provided by Moody’s Economy.com, San Diego County December 2007 report.

<sup>19</sup> California Employment Development Department, *Historical Data for Unemployment Rate and Labor Force, San Diego County*, April 2008

education in San Diego County, UC San Diego is the next largest employer in the region, employing 26,920 people in the area.<sup>20</sup>

**Table 3: Top San Diego County Employers, 2007**

<u>Rank</u>	<u>Employer</u>	<u>Employees</u>	<u>Industry</u>
1	State of California	40,600	State Government Administration
2	Federal Government	39,900	Federal Government Administration
<b>3</b>	<b>UC San Diego</b>	<b>26,920</b>	<b>Higher Education</b>
4	County of San Diego	16,150	County Government Administration
5	San Diego Unified School District	14,560	Public Education
6	Sharp Healthcare	13,870	Healthcare Service Provider
7	Scripps Health	12,200	Hospitals
8	San Diego State University	11,250	Higher Education
9	City of San Diego	11,200	Municipal Government Administration
10	Qualcomm Inc.	8,010	Digital Wireless Communication
11	Kaiser Permanente	7,330	Healthcare, Hospitals
12	U.S. Postal Service, SD District	6,950	Postal Service
13	San Diego Community College District	5,720	Education
14	Sempra Energy	5,260	Energy Services and Infrastructure
15	General Dynamics NASSCO	4,680	Ship Design and Construction
16	SAIC	4,590	Engineering
17	Northrop Grumman Corp.	4,170	Command, Control, and Communication
18	Barona Valley Ranch Resort and Casino	3,450	Gaming and Hospitality
19	Rady Children's Hospital, San Diego	3,260	Childrens' Healthcare
20	University of San Diego	3,200	Private University
<b>Total Top 20 Employment</b>		<b>243,250</b>	

Sources: San Diego Business Journal Book of Lists, 2008.

Notes: Figures may not total due to rounding. Employee figures reflect total headcount, not full time equivalent employment, and include part-time employees.

Traditionally, the San Diego County economy has been dominated by the defense, technology, manufacturing, and tourism sectors. San Diego County is home to three major Universities making higher education a prominent business sector. The current employment growth leaders are software and technology-based industries, including biotechnology. These industries have helped carry the defense and manufacturing industries as these industries, particularly their presence in the San Diego economy, currently rely more heavily on technological innovations than in the past. The financial services industry is also compensating for the recent housing crisis by gravitating towards entrepreneurial investment and investing in the technology industries as opposed to residential development.

Institutions of higher education have traditionally been major regional industry sectors as well. In 2007, four of the top 20 employers in San Diego County were institutions of higher education. These four institutions contributed 19.4 percent of all jobs within the top 20 employers.<sup>21</sup> Aside from contributing a significant number of jobs, institutions of higher education provide the local economy with a revenue stream that is relatively impervious to economic downturns.

<sup>20</sup> Employment figure reflects total headcount, not full time equivalent employment, and includes part-time employees.

<sup>21</sup> See Table 3 on page 19. The four institutions are UC San Diego, San Diego State University, San Diego Community College District, and University of San Diego. Collectively, these institutions contributed 47,090 jobs in 2007.

The growth in the high tech industries is evidenced by the growth trends projected by the California Employment Development Department. Four of the top five occupations with the fastest job growth in San Diego County are technology-related. They include Network Systems and Data Communications, Computer Software Engineers, Applications and Systems Software, and Biomedical Engineers. High-tech occupations such as computer engineers, systems analysts, and computer programmers require workers with a high degree of education and training and tend to reward workers with above average salaries. As of 2007, these four high-tech, high growth occupations in San Diego County paid an average annual salary of approximately \$81,000.<sup>22</sup>

### **Housing and Income in San Diego County**

The rising cost of living in the coastal counties of the Southern California region has inspired price-sensitive homebuyers to move outside San Diego County. Many people moved to Riverside County, Baja California, and Imperial County as housing prices rose through early 2007. Despite the recent downturn in the housing market, the limited supply of developable land in San Diego County suggests that the housing market will recover. The median sales price fell through December 2007, down to \$465,000 and continued to fall to \$399,000 in March 2008. It is expected to continue to drop steadily for the next two years, not rising again until 2010.<sup>23</sup> The lack of affordability and oversupply of housing results in an imbalanced housing economy. The less expensive, lower end housing market is faltering considerably more than the high-end market.

Incomes are on the rise in San Diego County, and are higher than those in the remainder of California. In 2007, the estimated median household income was \$69,530 in constant 2007 dollars, a 38.8 percent increase over 2000. Incomes are projected to continue increasing at an annual average real growth rate of 4.1 percent through 2010, reaching over \$75,060 in that year in constant 2007 dollars.

In the long term, San Diego County should continue to be a job hub in the Southern California region. San Diego County will remain a center for high-tech industries, in particular biotechnology and wireless communications. Tourism is predicted to remain strong. Over 2,000 new hotel rooms are expected to be added to the existing inventory in 2008.<sup>24</sup>

### **CITY OF SAN DIEGO ECONOMY**

The main campus of UC San Diego is located within the City of San Diego, the seat of San Diego County and the largest city within the County. Founded in 1769, with the establishment of the Presidio of San Diego, San Diego has a strong military presence. The U.S. Navy located a station in San Diego, thus further solidifying its prominence in the defense sector. However, the downturn in defense spending in the 1980's affected the city. The government reacted by creating the Centre City Development Corporation (CCDC), the redevelopment agency charged

---

<sup>22</sup> Data regarding employment and average wages by occupation in San Diego County provided by California Employment Development Department.

<sup>23</sup> Median home prices provided by Dataquik Information Systems, *San Diego Union Tribune Zip Code Chart for Home Sales Recorded in December 2007 and March 2008* and median sale price trends provided by Moody's Economy.com, December 2007 San Diego County Report.

<sup>24</sup> Estimate provided by Moody's Economy.com, *San Diego County Report*, December 2007 and verified by CBRE Consulting.

with leading Downtown San Diego's redevelopment. The waterfront has transformed into a vibrant downtown with new skyscrapers, entertainment venues, and hotels.

Growth trends in the City of San Diego are similar to those of San Diego County, with a slightly slower growth rate in the first decade of this century. The city added approximately 93,440 residents between 2000 and 2007 to reach an estimated population of 1.317 million. Between 2000 and 2030, the City of San Diego is expected to absorb 35.0 percent of the County's gain in population for a total of 433,400 people. While Carlsbad, Chula Vista, San Marcos, and Unincorporated San Diego County will grow at a rate more rapid than the City of San Diego, the city will absorb the greatest number of people.<sup>25</sup>

Employment growth in the City was strong, adding 70,560 jobs from 2000 to 2007, to reach a total of 848,160 jobs. This reflects an annual average growth rate of 1.3 percent. Employment is projected to increase in the next three years, with the forecasted addition of 32,170 jobs. Growth in the high-tech sector is expected to increase, thanks in part to the increased nationwide recognition of San Diego as a prominent biotechnology cluster.

Incomes in the City of San Diego are also on the rise, though not as rapidly as income growth in San Diego County. In 2007, the city's median household income was \$66,330 in constant 2007 dollars, up 36.7 percent from 2000. This rate of median income growth is expected to continue on a real basis, with median income estimated to be \$72,040 in 2010.

---

<sup>25</sup> Population, employment, and income projections provided by San Diego Association of Governments (SANDAG) 2030 Regional Growth Forecast Updates, and Population and Housing Estimates.