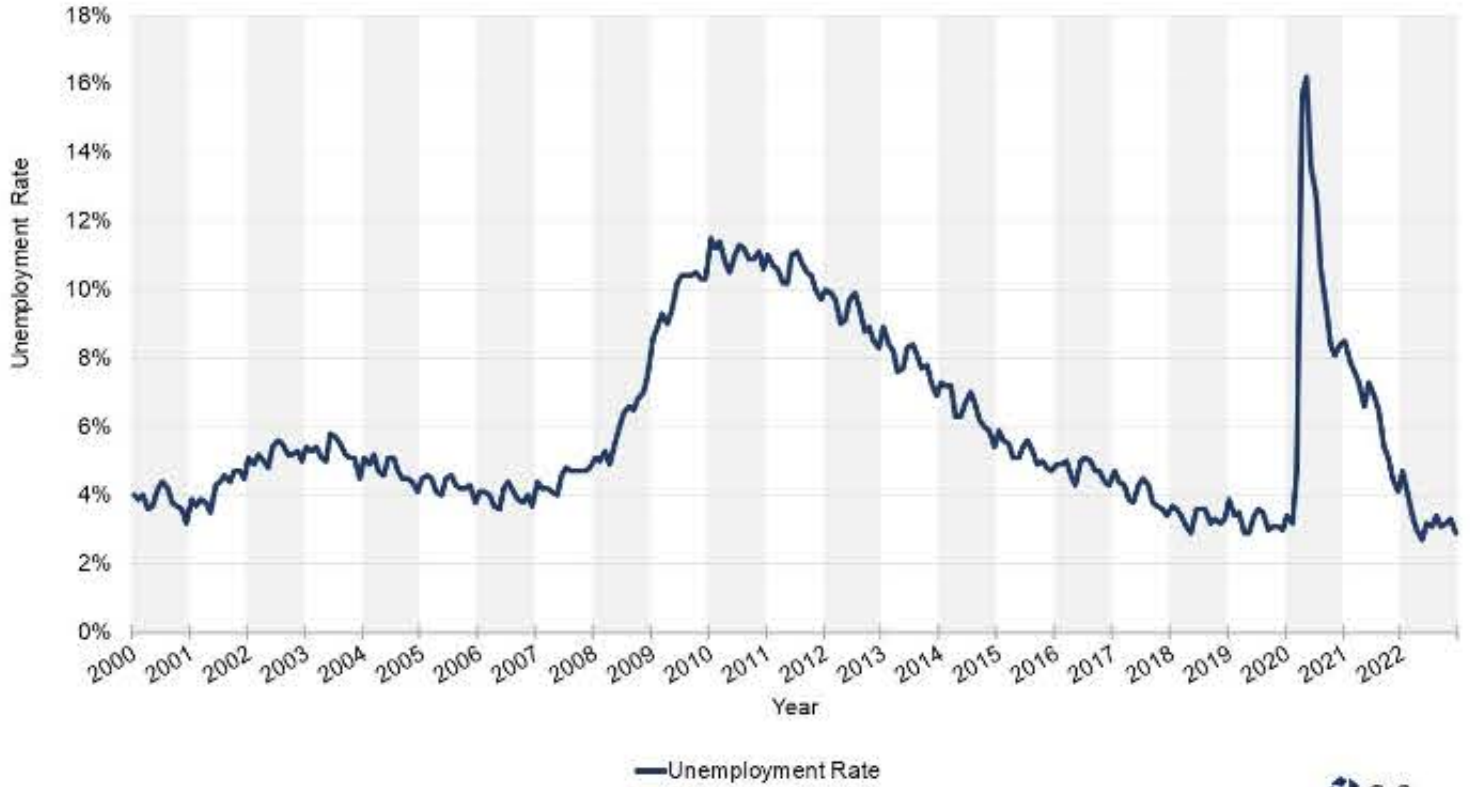


## San Diego's Job Market Enters 2023 Below 3% Unemployment

### San Diego's Unemployment Rate Enters 2023 at Historically Low Level



By Joshua Ohl

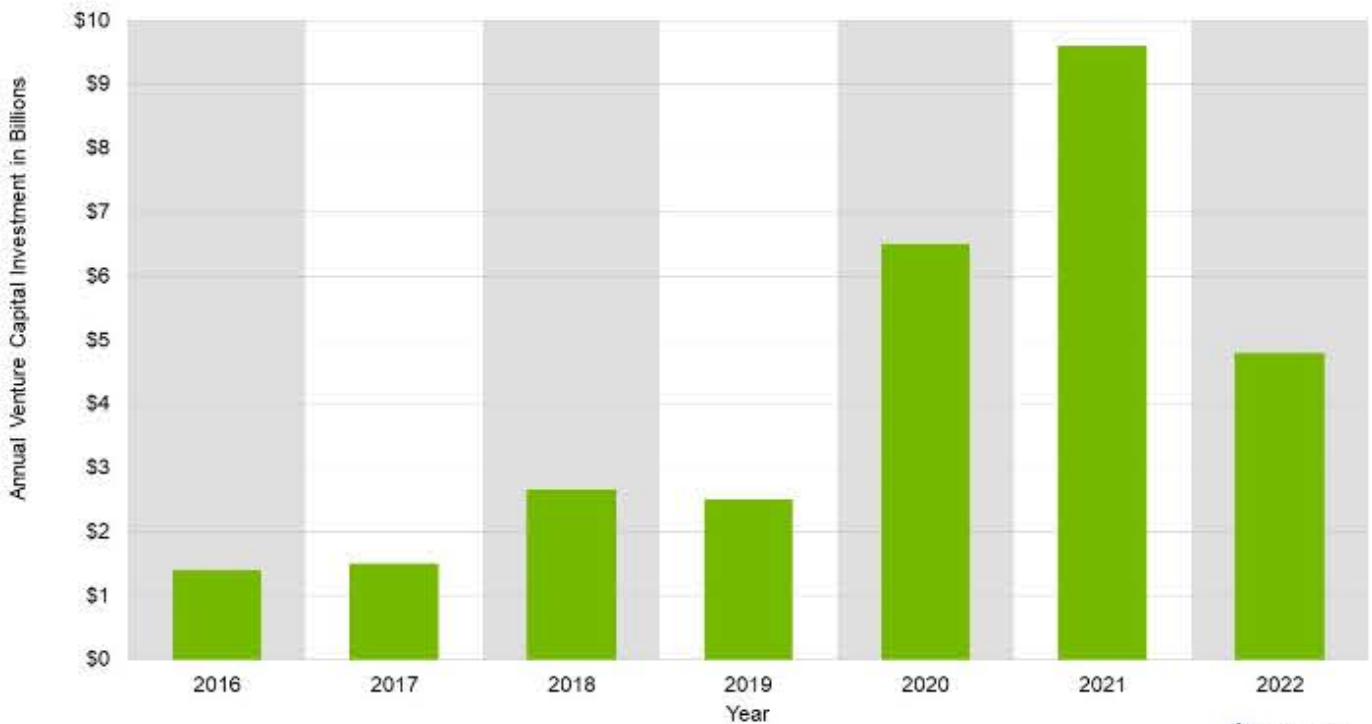
San Diego's unemployment rate ended 2022 at 2.9%, upending a trend that had shown jobless claims rising modestly in the prior months, according to the latest report released by California's Employment Development Department. That was the second-lowest unemployment rate recorded in 2022 after it briefly fell to 2.7% in May, and was also the second-lowest recording locally in the past 20 years. It falls below both California's statewide unemployment rate of 3.7% and the national average of 3.3%.

The construction sector in San Diego had one of the strongest months in December, with an increase of 1,700 jobs. That was matched by the professional and business services sector, which saw the same number of jobs added. However, additions weren't uniformly felt across the sector, with 2,900 professional, scientific and technical positions added, while administrative and support and waste management and remediation services recorded a drop of 1,100. Overall, San Diego added 5,400 jobs in December, according to the report.

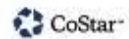
The professional, scientific and technical sector includes many of the positions in biotech and high-tech related employment. Those industries have helped drive leasing activity in the San Diego office market over the past several years.

However, there has been a notable moderation in demand from those industries since the middle of last year. That has coincided with a 50% drop in venture capital in San Diego, according to industry groups Pitchbook and Connect. Many of the smaller firms that are reliant on venture capital are pre-revenue companies that are expected to struggle in the face of falling capital. Firms are also dealing with persistent inflation and rising interest rates, which have driven up the cost of debt.

### Venture Capital Funding in San Diego Slips



Source: Pitchbook, Connect



Similarly, many of the firms that expanded rapidly due to the pandemic are now encountering headwinds. Firms such as CUE Health have announced a wave of layoffs, the most recent coming in January, according to Worker Adjustment and Retraining Notifications filed with the state of California. Qualcomm announced it was laying off 153 in December, while Illumina laid off more than 200 employees at the beginning of 2023.

For the year, San Diego’s nonfarm employment rose by 3.4%, translating to roughly 50,500 jobs. The leisure and hospitality sector accounted for 18,100 of those positions. Professional and business

services added 9,000 jobs.

While job additions have since outdistanced the total nonfarm payrolls from February 2020, the month prior to the pandemic shutting down San Diego, the civilian labor force has still not caught up and remains down nearly 12,000 people. Along with recessionary concerns on the horizon and a dampened labor force, that could stifle job growth in 2023.