



QuickFacts

April/May 2016

Employment

The job market remains strong across the state and especially in the Bay Area. California's unemployment rate decreased slightly in March, to 5.4%, down from 6.6% during the same period last year. All Bay Area counties reported decreases over the previous year as well, with the lowest unemployment rates statewide again in San Mateo (3%), Marin (3.2%) and San Francisco (3.3%). San Francisco's unemployment rate is unchanged from the first two months of this year.

Elsewhere in California, other county unemployment rates included Orange (4%), San Diego (4.7%), Los Angeles (5%) and Sacramento (5.4%).

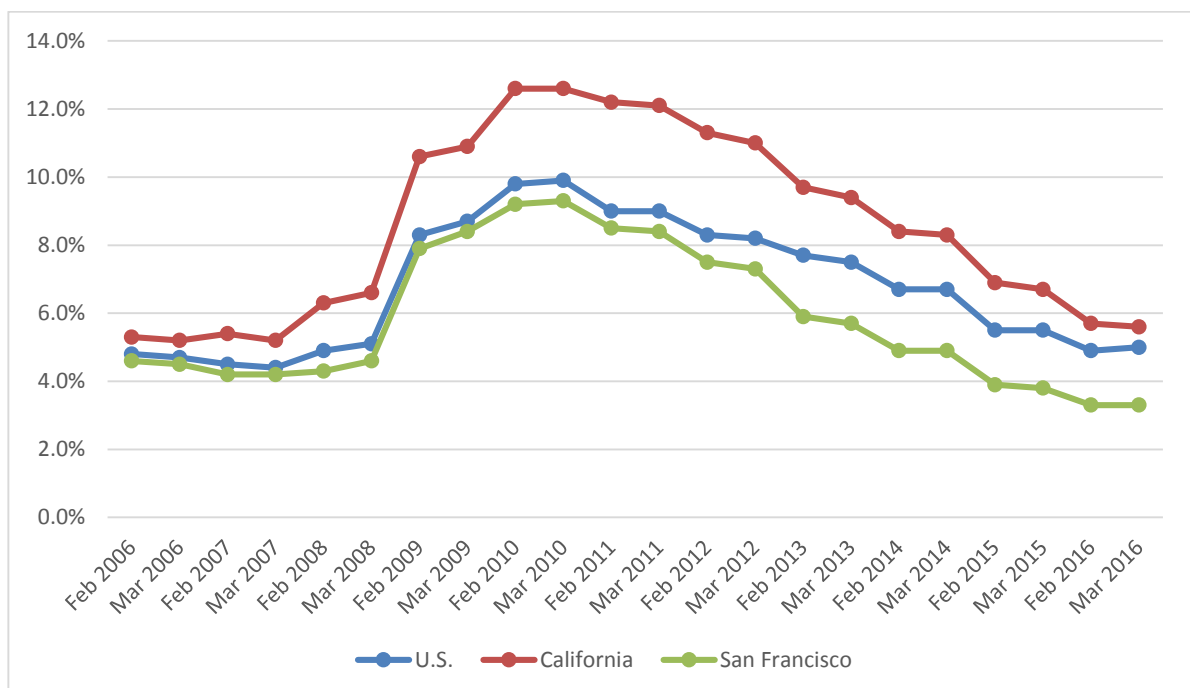
Bay Area Unadjusted Unemployment Rates, March 2016

County	15-Mar	16-Feb	16-Mar**
Alameda	4.9%	4.3%	4.3%
Contra Costa	5.3%	4.5%	4.5%
Marin	3.6%	3.2%	3.2%
Napa	4.6%	4.5%	4.4%
San Francisco	3.8%	3.3%	3.3%
San Mateo*	3.6%	3.0%	3.0%
Santa Clara	4.4%	3.7%	3.8%
Solano	6.6%	5.6%	5.7%
Sonoma	4.8%	4.1%	4.1%

*Lowest in State. Source: CAL-EDD

**Data for March 2016 is preliminary

Historical Unemployment: California, San Francisco, U.S.



Source: EDD, monthly

From February to March, the total number of jobs in the San Francisco-Redwood City-South San Francisco corridor increased by 5,300, for a total of 1,074,000. Year-over-year, jobs in this area have increased 4%, representing 41,100 employees. Professional and business services; private educational and health services; construction; and trade, transportation and utilities were among the best performing sectors.

Statewide, overall employment opportunities increased by 46,000 jobs between February and March, bringing the number of employed workers in California to more than 18 million. Since March of last year, the number of unemployed workers has dropped by 222,000.

Source: EDD

Housing Sales

According to CoreLogic DataQuick, a total of 6,981 new and resale houses and condos were sold in the nine-county Bay Area in March 2016—up from 4,629 sales in February 2016, an increase of 0.8% year-over-year.

The median price paid for a San Francisco home rose 6.5% over the last year, from \$1,080,000 in March 2015 to \$1,150,000 in March 2016.

Bay Area Home Sales: Volume and Median Price

All Homes	Sales Volume			Median Price		
	Mar-15	Mar-16	% Chng	Mar-15	Mar-16	% Chng
Alameda	1,278	1,380	8.0%	\$620,000	\$642,250	3.6%
Contra Costa	1,405	1,476	5.1%	\$465,000	\$503,750	8.3%
Marin	302	262	-13.2%	\$893,250	\$900,000	0.8%
Napa	126	125	-0.8%	\$496,500	\$565,100	13.8%
Santa Clara	1,774	1,525	-14.0%	\$762,000	\$830,000	8.9%
San Francisco	464	528	13.8%	\$1,080,000	\$1,150,000	6.5%
San Mateo	570	542	-4.9%	\$960,000	\$942,500	-1.8%
Solano	550	622	13.1%	\$334,000	\$350,000	4.8%
Sonoma	455	521	14.5%	\$457,500	\$497,500	8.7%

Source: DataQuick, www.corelogic.com

According to the real estate market report by rereport.com, San Francisco single-family home prices (excluding condos) are finally starting to drop. New homes are being advertised as starting in the lower millions, the first year-over-year drop in four years.

Housing Shortage

While the resale residential market remains hot, new housing has not fared as well.

Housing permits are considered a decent proxy for new housing supply, as developers don't usually pull them until they are ready to start building. However in recent years, job and population growth has significantly outpaced housing creation. With the exception of high-end development, construction of new housing has seriously lagged job development in the Bay Area, in part because of permitting policies based on steady growth, not the region's economic boom.

Approximately 27,000 permits for new housing have been issued in the Bay Area each year since 2011, based on growth predications accounting for 206,000 new regional jobs during this period. In reality, the area added about 531,000 jobs during this same period, leading to a serious housing deficit. Significantly more new residential construction permits must be issued each year if the region hopes to meet market demand.

Top Bay Area Cities for New Housing (January 2013 – January 2016)

1. San Francisco: 12,165
2. San Jose: 10,372
3. Dublin: 2,803
4. Santa Clara: 2,405

Source: SF Chronicle

Commercial Real Estate

In San Francisco, the overall asking commercial rent closed Q12016 at a record high of \$68.44 per square foot (psf), a 9.9% increase over the last four quarters. However, not all submarkets

did the same, as the Class A overall CBD asking rent decreased 0.9%, to \$70.33 psf. This marks the first quarterly decrease since Q22010. Citywide, overall vacancy fell to 5.7% and net absorption was 359,000 square feet.

As of the end of the quarter, a total of 4.4 million square feet of new commercial space was under construction, of which 52% is pre-leased. The top three leases in Q12016 were all by tech firms, with the largest the signing of Airbnb's new headquarters at 999 Brannan Street.

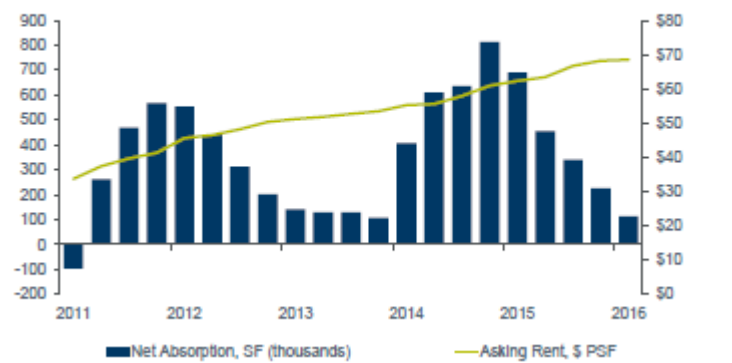
Sublease availabilities have continued to grow in 2016, jumping to 1.9 million square feet in February. Subleasing opens up more affordable space at a time when rents are at record highs, although this extra space is a sign that the growth rate for some companies may be unsustainable. According to Cushman & Wakefield, sublease market rents average about 17% below those of regular leases.

Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	6.4%	5.7%	▲
Net Absorption (sf)	812K	359K	▼
Under Construction (sf)	4.3M	4.4M	▼
Average Asking Rent*	\$62.29	\$68.44	▲

	Class A	Class B	Class C
Average asking rates (psf)	\$70.33	\$62.48	\$58.68

Overall Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Source: Cushman & Wakefield

Venture Capital Investment

Many venture capital firms are slowing down their investments, but that isn't stopping them from raising money. VC firms in the U.S. raised about \$12 billion in Q12016 for future investments—a high the industry hasn't seen since the second quarter of 2006.

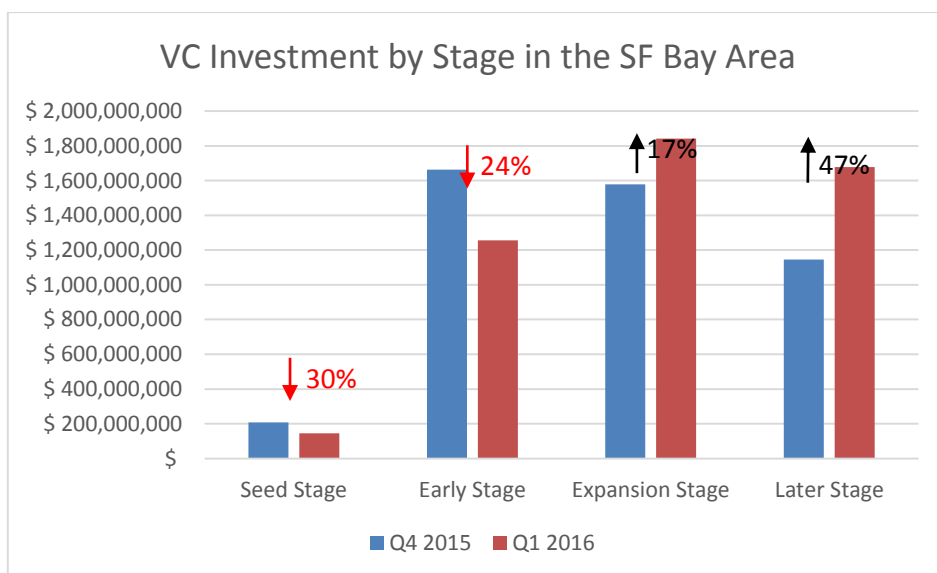
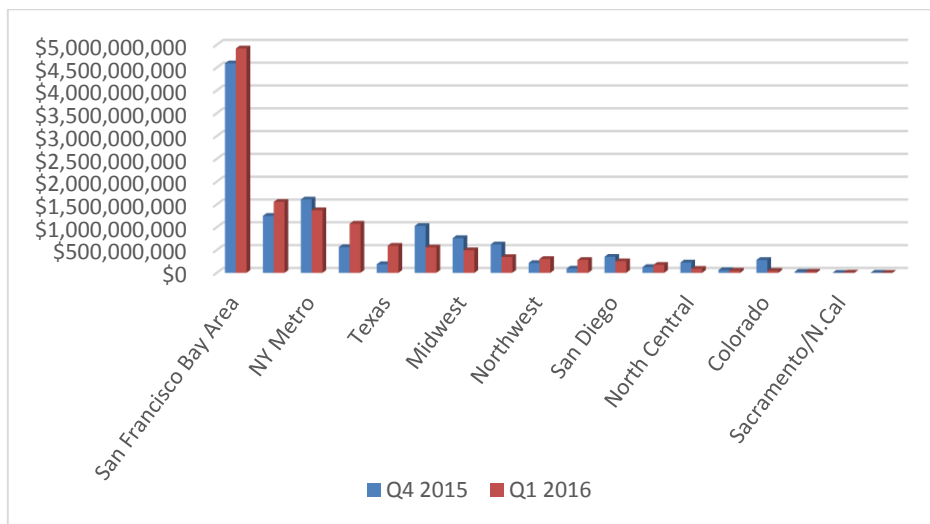
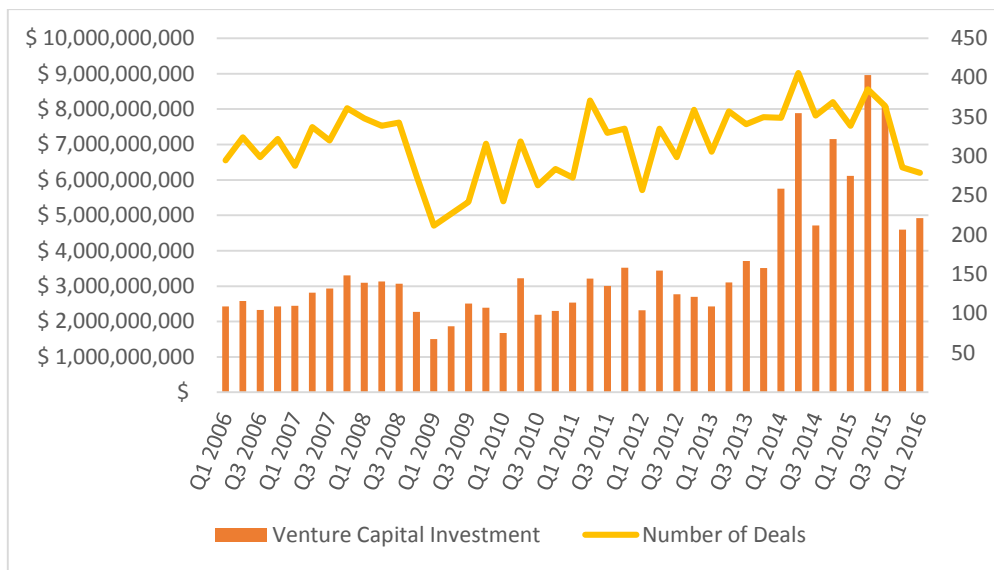
In the Bay Area, VCs invested \$4.9 billion in the first quarter of 2016, up 7.1% from the the previous quarter but slightly depressed compared to the peaks in 2015. Deal volume was down slightly as well, by 2%, as VCs closed 279 deals in the first quarter of this year compared to 286 deals in Q42015.

"There's definitely a continued sense of hesitation throughout this quarter," said Kerry Wu, a tech industry analyst with CB Insights.

The San Francisco Bay Area received the highest level of funding of all regions in Q12016, attracting 41% of total U.S. venture capital (\$12.1 billion) and 29% of total U.S. deals (969). Historically, the Bay Area receives more than triple the investment of the second-most popular region for VCs, New England.

The largest local VC deals in Q12016 were with Lyft, Uber and DoorDash. As with prior quarters, the software industry led, receiving \$2.9 billion; biotech investment was second, at \$619 million. VCs have seemed to shy away from young companies during the first three months of 2016, as investment in Seed Stage and Early Stage companies declined by 30% and 24%, respectively.

The increase in expansion and later-stage investment, combined with the drop in first-time financing, suggests a shift in VC focus to relatively mature startups.



Source: MoneyTree Report Q1 2016, CB Insights "Venture Pulse" Report Q1 2016, www.mercurynews.com

Growth and Innovation at San Francisco Airport

United Airlines has launched nonstop service between San Francisco and Tel Aviv. United's new route marks the first nonstop flight by a U.S.-based carrier to Tel Aviv from San Francisco or any other West Coast market. San Francisco has emerged as a key center for Israeli business travel and one of the most popular U.S. destinations for Israeli tourists.

Virgin Atlantic will introduce the first nonstop flights from SFO to Manchester (MAN) in northwest England starting next spring, responding to market demand for passengers looking to avoid London's busy airports.

Source: San Francisco Business Times; SF Gate

Treasure Island Redevelopment

Infrastructure work has begun on the \$6 billion Treasure Island and Yerba Buena Island redevelopment, one of the largest mixed-use projects in Bay Area history. The project calls for 8,000 new residential units and will include the demolition of 40 existing structures and the addition of new roads, utilities and parks.

"It's taken almost two decades to get to this point and we're eager to transform this former naval base into a vibrant community with more housing, jobs and economic opportunities for our residents," San Francisco Mayor Ed Lee said in a statement.

Source: *San Francisco Business Times*

SF Rankings

Top 5 "Best Cities for Young Professionals" in the U.S.

To find the cities which offer the best overall prospects for college-educated workers with five years of experience or less, *Forbes* analyzed data on job growth, unemployment rates, pay and cost of living in America's largest 100 metro areas. The Bay Area took top honors as the best region for young professionals.

1. **San Francisco, CA**
2. Silicon Valley, CA
3. Raleigh, NC
4. Dallas, TX
5. Austin, TX ; Seattle, WA

Source: www.forbes.com

Top 5 Best Vacation Destinations in the U.S.

TripAdvisor names San Francisco #5 on the list of the best vacation destinations in U.S., based on customer ratings for hotels, restaurants, and attractions.

1. New York City, NY
2. Las Vegas, NV
3. Orlando, FL
4. Chicago, IL
5. **San Francisco, CA**

Source: www.tripadvisor.com

Top 10 U.S News & World Report "Best Places to Live"

U.S. News analyzed 100 of the nation's most populous metro areas and ranked them based on their desirability, job market strength, and quality of life.

The data was broken into five indices and weighted according to Americans' preferences. The five indices included job market, value, quality of life, desirability and net migration. San Francisco and San Jose were both included in the top 10.

1. Denver, CO
2. Austin, TX
3. Fayetteville, AR
4. Raleigh-Durham, NC
5. Colorado Springs, CO
6. Boise, ID
7. Seattle, WA
8. Washington, D.C.
9. **San Francisco, CA**
10. San Jose, CA

Source: www.usnews.com

Skilled Workforce #1 Site Selection Factor

The cost of labor, as well as transportation accessibility, has traditionally been the dominant site selection factor in choosing a new location. However, the availability of a skilled workforce has grown steadily in importance over the years and is now the leading site selection factor, according to this year's Area Development Corporate Survey. More than 65% of the corporate

executives responding to the survey cited the availability of a skilled workforce as having an impact on their new or expansion plans or current operations.

This is especially relevant in San Francisco and the Bay Area, where industry clusters and universities enhance the availability of a highly-skilled workforce to meet today's advanced technology requirements.

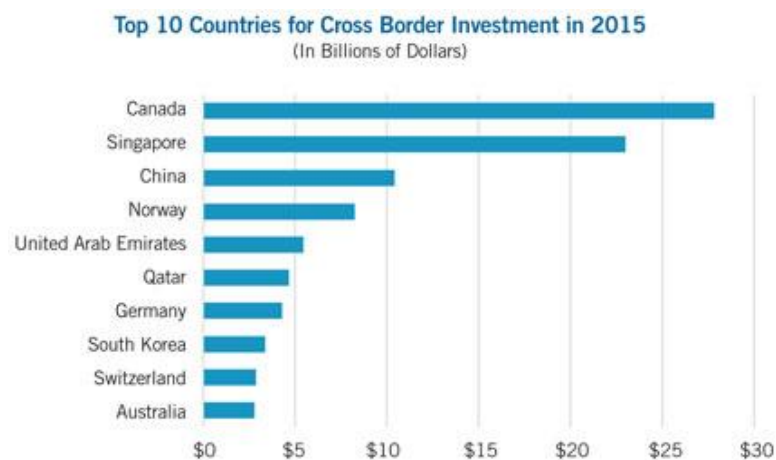
Source: Area Development 30th Annual Corporate Survey

Cross-border Investment in U.S. Commercial Real Estate

Foreign investment in U.S. commercial real estate both soared and shifted in 2015.

By far, foreign investors made 2015 a record year, with \$91.1 billion in direct commercial property purchases. Traditionally, foreign investors have not been active in the U.S. industrial property sector, but in 2015, this figure jumped 1,115%, to \$27.3 billion, a massive increase that changes the composition of the leading U.S. markets for commercial real estate investment.

Foreign investors continue to focus their investments in six major metro areas: San Francisco, New York, Boston, Washington, Los Angeles and Chicago.



Source: RCA US Capital Trends, January 2016

Source: NAIOP Development Magazine

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