

## The Economy...Good, and Getting Better

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In reading media headlines, it's hard to decipher if the economy is recovering, slowing or heading for a "double dip." Part of the problem behind the headlines is that it's an election year, and there is tremendous political spin that distorts the reality of how things really are. Further, government economic data looks backwards in the economy, versus having good vision for the future. The stock market acts impulsively in the present for short term gains, but also is gambling on the future...more of a Vegas casino than an indicator.

As a commercial real estate professional that spends every day in front of different business owners and executive management teams, I can report first hand that the San Diego economy is good, and getting better. My evaluation is based on more than just strong anecdotal evidence, even though that evidence in itself is consistently positive and optimistic.

What is so powerful about the work I do, and the time in which I engage with a company, is that I actively represent companies as they are planning for their space needs 1-3 years into the future. My team and I are meeting daily with business owners, assessing their revenues and hiring plans, and determining their needs for more or less space to accommodate these plans. Over the last two years, I have been reporting the square footage that is being leased and absorbed in San Diego County, caused by the jobs recovery, which is requiring companies lease more space and expand. As we look deep into the companies that we are currently engaged with to relocate, expand or renew their leases, there is strong empirical evidence of continued job growth and positive economic future trends.

Considering all of our current active client engagements of 3,000 square feet and above, of which I separated the companies into small businesses (companies of under 40 employees), and large businesses (companies of over 40 employees), I found the following: 44% of small businesses and 49% of large businesses are growing, defined as adding at least 15% of more space capacity beyond what they currently occupy—many are doing so substantially. Only 7% of small businesses and 9% of large businesses are downsizing, intending to lease 85% of the space they currently occupy, or less. That's a growing to downsizing ratio of 6:1 for small businesses, and 5:1 for large businesses! The remainder of the companies are stable, with 49% of small businesses and 42% of large businesses intending to renew their leases, or relocate to locations of comparable size. Sliced another way, only 1 in 14 small businesses are downsizing, and only 1 in 11 large businesses are downsizing. This isn't the economic slowdown that some pundits are preaching. To the contrary, conditions have been improving in the San Diego economy for two years now, and are continuing to trend very positively for 2012, and well into 2013.

These large and small companies that we are currently working with primarily have leases expiring in 2013, and a few into 2014. These companies are planning and committing now to their future intentions, and these companies are mostly making bigger bets on the future, versus what they have in the present. Across industries, and across the region, San Diego companies are expecting increased revenues and increased employment, and are signing on the dotted line for new leases to facilitate it. The statistics are consistent across all submarkets of San Diego County, but most compelling is that 70% of the companies we are working with on the I-15 Corridor are growing, as are 70% of the companies in Downtown San Diego, with particular strength in the small business category.

I have daily conversations with CEO's and business owners who are seeking to hire employees at all levels. Therefore, if you are reading this and are unemployed, or under-employed, it's time to dust off that resume and make strong efforts to get back into the job force, as even greater times for San Diego are ahead.

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