Many Forces Driving Local Growth

**FORECAST:** Tax Reform, Low Interest Rates Fuel Capital

Dr. Lynn Reaser, chief economist of Point Loma Nazarene University’s Fermanian Business & Economic Institute, gave her economic forecast for 2018 as the keynote address of the San Diego Business Journal’s annual Economic Forecast event. Here are excerpts from her forecast and how she answered questions from the moderator and audience. The excerpts have been edited for clarity and brevity.

**Global Outlook**

Looking at some of the big trend picture elements that will affect the outlook for San Diego, I think there are three international trends that you should be aware of that will be impacting us.

First, for the first time in a decade, we are seeing a synchronized global expansion. All of the countries around the world, both developing and developed, are expanding at the same time.

The second force to keep in mind is that oil prices, which have been on a wild ride up and down, now seem to be stabilizing in a range of about the high 50s or low 60s. If they get too high, we will see U.S. shale producers, who are now the new swing producers in the world, step up their production and bring those prices down. So we are kind of in a period of, I think, relative stability.

The third element that will be impacting us all relates to the value of the dollar. It soared in 2015, and in 2016 it really hurt U.S. exporters. It came down last year. In 2018 we may see about a 4 percent increase as the U.S. continues to actually lead the world economy, but it should still leave our exports relatively competitive.

**U.S. Economic Outlook**

Here in the U.S., individuals also will benefit greatly from a reduction in their income tax rates as well as a doubling of the standard deduction.

As a result we're looking for better growth in our economy in 2018. We’re looking for real gross domestic product, GDP, to rise about 2.8 percent. So it will be more like a 3 percent economy this year than a 2 percent economy, and things will generally remain significantly stronger.

There won’t be a lot of inflationary pressure because most of the impact of the tax cut will go to increasing productivity, increasing our capacity through higher business capital spending. As a result inflation is likely to settle down to around 2 percent, which will be pretty close to the Federal Reserve’s overall target.

The Trump administration will be dominating the majority of members at the Federal Reserve Board. So what does this mean for interest rates? I think pretty much more of the same, an approach to gradually increase interest rates, but it is likely to be at a somewhat faster clip than we’ve seen in the last three years. We’re looking now for about four rate hikes, quarter-point increments, maybe about one each quarter, maybe only three.

We had a 19-percent surge in the S&P 500 last year. The markets keep reaching record highs. I think at this point, yes, we could see a minor pull-back. But generally I think equities will continue to rise this year, perhaps around 6 percent.

**California Picture**

It should be a good year for California. We have a lot of forces in our favor. We

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**SDBJ Forum: Economic Trends 2018**

On Jan. 9, the San Diego Business Journal hosted the year’s first local economic forecast. Dr. Lynn Reaser, chief economist for Point Loma Nazarene University’s Fermanian Business & Economic Institute, delivered a local economic forecast. A panel of five industry experts provided insight and answered questions from the audience. The event was held at the Marriott Marquis San Diego Marina. These excerpts and those of the panelists on pages 20-28 are edited for clarity and brevity.

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**U.S. Real GDP to Strengthen**

In her economic forecast, Dr. Lynn Reaser of Point Loma Nazarene University’s Fermanian Business & Economic Institute predicted the national GDP would grow at 2.8 percent in 2018 and about 3 percent in San Diego County.

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**Dr. Lynn Reaser’s Crystal Ball**

Among her predictions for 2018:

- Possible 4 percent increase in the value of the dollar
- National GDP to increase about 2.8 percent
- Inflation around 2 percent
- 3 or 4 Fed interest rate hikes, quarter-point increments
- 6 percent increase in equities in the S&P 500
- 5 percent increase in local home prices
- 24K new jobs in San Diego County, about the same as last year
Lower Corporate Tax Rate Will Generate Free Cash Flow

**REFORM:** Cos. Have Incentives to Add Staff, Make Capitalex Investments

Kevin Dusi, Senior Tax Manager with Moss Adams LLP, talked about many aspects of tax reform, including capital expenditures and rethinking trade.

**Impacts of Tax Reform:**

During Dr. Reaser’s economic forecast she said that about 14 percent of people are actually going to see a tax increase as a result of tax reform. Personally, I wouldn’t be surprised if we see greater than 14 percent of San Diegans be impacted unfavorably, again if for no other reason than state tax deductions and property taxes, and that’s a big deal for us.

From a business standpoint, this is where we see a very big win, even in San Diego, in that now we are bringing the corporate down to 21 percent. Historically it has been very, very difficult for the U.S. to compete on a global scale with tax rates overseas. There has been a lot of concern lately about we’re losing jobs to folks in other markets because historically we have been sitting at about 35 percent. Why would we keep that money here? Why would we keep the jobs here?

Now we have brought that down to 21 percent. I think we are going to see a lot of those jobs potentially coming back to the states. We will see more free cash flow so there will be increased spending here in the U.S.

And overall, we’re going to see a much healthier active tax law and rely on a lot of our companies, both in the U.S. as a whole, but in particular in San Diego.

**Incentives for Capital Investment**

The big benefit to CAPEX (capital expenditure) — a lot of the accelerated deductions for appreciation, to really write off in full a lot of the things we buy as we buy them — that will bring a lot of the money that was sitting on the sidelines back into play. That will help other companies that are involved in the manufacture and sale of those. We will see a similar bottom line on the financial statements, but with a much lower tax number, and that is a plus. For construction, this is a big deal. For our manufacturing and distribution companies, the same thing: CAPEX is going to be a big deal.

I was talking to one of the partners in our construction practice this morning, and, in the last quarter of 2017, because of the way the law was written, we had a client that saved $2 million in actual tax dollars just by these changes in laws allowing for accelerated appreciation.

Companies that have been uncertain about whether they want to put that money back into play, now there is a lot more compelling reason to do that because they get the tax benefit right up front. There is no point in waiting.

**Implementing Changes**

I think there is going to be a learning curve both in the industry and with clients as far as what the financial statements look like.

We have got a lot of companies here in town who have foreign subsidiaries — whether that is maquiladoras in Mexico or research and development hubs overseas in Europe — that historically had income parked overseas that now by the standard repatriation, whether or not the money moves, the income is going to come back.

That is something that as companies we’re dealing with their cash flow models, they were not necessarily planning on. How do you deal with that?

**What to Do With Additional Cash Flow:**

I think we are going to see potential increases to headcount. I think we will see a lot of companies willing to invest in better office space. I think there is really going to be a requirement for companies to do that, not just having the cash available, but to remain competitive.

**Rethinking Trade Strategies:**

Even though we have in theory switched to a territorial system, meaning that we are only going to be taxed on the income here in the U.S., historically there have been ways for foreign affiliates to generate tax in the U.S. ahead of time, and a lot of that is going away.

We’re going to have to have all of your companies here in town really re-imagine how they are approaching their international footprint. A lot of things that are taken for granted because they have been around forever, again, maquiladoras being a prime example here in San Diego, how that works is going to change for everybody, whether that is a small tweak or potentially a very large change.

“Companies that have been uncertain about whether they want to put that money back into play, now there is a lot more compelling reason to do that because they get the tax benefit right up front. There is no point in waiting.”

Kevin Dusi, Senior Tax Manager, Moss Adams LLP
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RISE WITH THE WEST.
Employers Face Challenge In Attracting, Retaining Talent

**WORKFORCE:** Wage Growth Will Average 3%, More for the Tech Sector

Brett Good, Senior District President of Professional Staffing Services, Robert Half, Southern California and Arizona, talked about how the biggest challenge for companies in 2018 will be attracting and retaining talent. He also talked about work environments and perks and benefits.

**Battle for Talent:**
A survey from Career Builder, a national survey that came out this morning, said nearly half — 48 percent of the companies — plan on hiring during the first six months of 2018, and that 77 percent of human resource professionals cited a lack of skills as their No. 1 challenge.

In terms of unemployment for college educated professionals, the rate sits at 2.1 percent, and it is only going to go down. As an employer, your life in building teams and retaining teams in 2018 will be more challenging.

**High Job Turnover:**
The JOLT numbers, the Job Openings and Labor Turnover statistics, indicate that the quit rate is 2.2 percent. The high watermark pre-recession mark was 2.3 percent, so we’re almost at that level. Take that 2.2 or 2.3 percent times 12 months and you are looking at 26 percent or 27 percent voluntary quits in 2018. And so, imagine one of four people in your organization leaving.

The competition in San Diego right now when you look at some of the factors that we’re dealing with, whether it is housing, commutes, things of that nature, employees and candidates will have a multitude of options. Your challenge is going to be: What can you do to keep them in the family?

**What Employees Demand:**
Right now, telecommuting and flexibility are important to job candidates. Some of the legacy organizations think having the opportunity to telecommute, to have remote access to your ERP or CRM system is groundbreaking. No, it is quite commonplace right now.

When I think of employment, I think of three buckets:

Bucket No. 1 is compensation, benefits, perks, things of that nature.

Bucket No. 2 is professional growth and development. What are you providing the employee to help them develop professionally? That is really what a lot of up-and-coming workers are looking for: “How can you develop me?”

Bucket No. 3 is the quality of life and work-life balance, and part of that is facilities. So what kind of facilities am I working in? Is it cool, hip, conducive to group work, or is it just sitting in a cubicle and you prairie dog every now and then and off you go.

But I think organizations need to tackle all three buckets as we move forward.

**On Wage Growth for 2018:**
Within the professional sector right now, when we see counteroffers, we are seeing a multiple offer environment. It is not uncommon that we are seeing 10- to 15-percent increases in some of the skill sets.

There are actually new jobs that are emerging right now. In the salary descriptions we have, we have 38 new titles and positions listed this year that we didn’t have last year. Most are in the technology and digital media space, which are primarily higher-income areas.

Within the professional sector, I’m looking really more for that 4- to 5.5-percent wage growth depending on the skill set you are in.

**Follow the Law:**
Be familiar with Assembly Bill 168, which went into effect on Jan. 1, precludes you from asking questions around an employee’s prior compensation, which is inclusive of benefits.

There are other impactful changes as well, so make sure your hiring managers are aware of them.

“This is the competition in San Diego right now when you look at some of the factors that we’re dealing with, ... whether it is housing, commutes, things of that nature, employees and candidates will have a multitude of options. Your challenge is going to be: What can you do to keep them in the family?”

Brett Good, Senior District President of Professional Staffing Services, Southern California and Arizona, Robert Half
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SDBJ FORUM: ECONOMIC TRENDS 2018

Disasters, Harassment Claims Will Lead To Increases In Rate

INSURANCE: Many Companies Are Buying More Cyber Coverage

Trindl Reeves, Principal and Chief Sales Officer for Marsh & McLennan Insurance Agency LLC, spoke about record property and casualty claims, cybersecurity insurance, harassment claims and workers’ compensation rates.

Last year was the worst year on record as far as insured loss. Typically the U.S. contributes to about 30 percent of the global insured loss in the whole world.

This year we’re at 50 percent. Just to give you some perspective, 9/11, which was a huge event in the insurance market, there was $32 billion in loss. Hurricane Katrina in 2005 was a $75 billion in loss. Hurricane Harvey, and that does not include hurricanes Irma and Maria, was $85 billion.

Expectation of Rate Increases:

In the first week of this year, we see property insurers pushing rate increases, and we don’t even have the justification yet for doing it. So it is very important that your broker is working hard to have them justify why they are taking an increase.

For catastrophic areas, like wind, flood, Florida, Houston, those areas, you will see dramatic increases, 20 percent, maybe more in property.

For non-catastrophic areas, you can expect a flat to 15-percent increase.

In California, with the wildfires, if we see insurers start to pull out of California, not wanting to insure here anymore, that will definitely impact us and cause rates to go north pretty quickly.

Cyber Insurance Remains Hot Topic:

One of our industry associations said insurance brokers say there is an 81 percent increase in demand for cyber coverage. Most clients have cyber, but they are actually buying more coverage. They are broadening their coverage.

If you don’t, you should really look at it. It is much more inexpensive than you might think it is.

Harassment Claims:

We have seen a rise in the harassment allegations. Toward the end of the year, every day there was a new event. Even before that, the increase in EEOC complaints and lawsuits had doubled from 2016 to 2017. Now with the increased visibility we are expecting claims to really go through the roof as far as the frequency of events. We think there is a rate increase coming in the employment area probably toward the end of ’18, early’19.

Workers’ Compensation:

We have had 16 quarters of decreasing insurance rates pretty much across the board, except for auto, but this year we’ll see definitely a push to increase in the property area. We are expecting probably a 6- to 8-percent rate decrease in workers’ comp.

Just since 2015 we have had over 30-percent rate decreases, which is unheard of in California. So the reforms that passed a few years ago are actually making an impact positively on the system, which is great news.

Marijuana’s Impact on Insurance Rates:

We took on 20 new clients in the past two months of the year in various areas — growers, distributors, life science companies that have cannabis in their products, and starting this week we have kind of shut that off, because we think there is going to be some change in regulation nationally.

So what’s interesting in California, Gov. Jerry Brown actually started a new insurance company called Golden Bear, for real, and its sole purpose is to insure cannabis companies. So there is that out there.

But it will be very interesting to see how this takes off. There is a lot of money in the space, but I think there is some additional regulation that is going to be problematic coming down.

“We have seen a rise in the harassment allegations. Toward the end of the year every day there was a new event. Even before that, the increase in EEOC complaints and lawsuits had doubled from 2016 to 2017.”

Trindl Reeves, Principal and Chief Sales Officer, Marsh & McLennan Insurance Agency LLC
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Rising Premiums Continue to Drive Change in Health Plans

HEALTH CARE: Expect Wellness Programs to Increase in Popularity

Lynette Seid, Area Chief Financial Officer for Kaiser Permanente, spoke about trends in health care coverage, the future of the Affordable Care Act and how small group employers are under pressure to retain health care coverage as benefit while finding ways to minimize costs.

Sources of Health Care Plans:

The majority of Americans are still covered by employers — 47 percent of companies still provide health care insurance for their employees, spouses and dependents. About 21 percent of the population is actually getting insurance through Medicaid (here in California that would be Medi-Cal), 18 percent are on Medicare and about 5 or 6 percent are getting insurance through the exchanges.

We still have almost 9 percent uninsured in the country. That is a big number, about 28 million people. We were up to 45 million uninsured, so the Affordable Care Act has done a great deal in bringing insurance plans to the uninsured in the United States.

Premiums Still Increasing:

The cost of premiums continues to outpace both the inflation rate as well as workers’ income. From roughly 2011 to 2016, health insurance premiums rose about 20 percent and employees’ wages rose about 11 percent. During that same time, we saw a very small inflation rate, probably around 6 percent.

Some of the other trends that we’re seeing from large groups are single-digit premium increases.

Cost consciousness — affordability — probably is the No. 1 priority on every health care system and health plan agenda.

In the past it meant we’re going to raise premiums. Well, we can’t do that anymore. You have said we cannot do that anymore. So we’re going to have to work together to figure out better and smarter ways to do things, whether we use technology, whether we do simple things, such as telephone visits.

Consumer-Based Technology:

The big trend for us is going to be in technology-enabled conveniences, being able to bring your smartphone anywhere and get whatever you want, such as at-home devices that can just log right into your medical record.

Future of the ACA:

Regarding the future of the Affordable Care Act, 2017 was really interesting to watch. The U.S. was unable to come to any agreement as to any changes to the ACA.

The only one agreement that can push something through both the House and Senate. So there is going to have to be bipartisan agreement as to the component pieces.

Future of Medicaid:

I think one of the largest areas of differences in viewpoints continues to be Medicaid. How do we support Medicaid and moving forward? One of five Americans is on some assistance by state plans. One out of five, that is a lot of people.

So you can’t just abandon all of these people and say, “We’re going to eliminate the Medicaid subsidies to the states,” and that’s where we are seeing a lot of the push and pull on that piece of it.

Small Group Coverage:

San Diego has a very large component of what we are calling small group employers. The options have always been to purchase a small-group plan through your insurance carrier, and now with the ACA an individual can buy insurance through the ACA or through the exchanges here.

I think that what we can perceive as a future impact is fewer people will be signing up for insurance because they don’t have to pay a penalty if they don’t have coverage.

Also, 2018 is going to be an interesting year for trying to make changes to the ACA. Clearly there is not a single group that can push something through both the House and Senate. So there is going to have to be bipartisan agreement as to the component pieces.

On Wellness Programs:

We will continue to see wellness programs be embraced by employer groups, and it is because your premiums are directly related to the cost of care that we provided to your employees.
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Push for Amenities Drives Up Rents, Reduces Vacancies

REAL ESTATE: Region Is Comparably Affordable To Other Cities, Tech Hubs

Tom van Betten, Managing Director/Tenant Representation for Cushman & Wakefield, talked about the office market conditions, construction, amenities and adoption of co-working spaces.

Office Rents Continue to Rise:
Class A rents are at a record high at $3.32 a square foot, just beating out 2007’s hyped-up $3.24. This is a pretty important for San Diego, because what is interesting is as these rents are unprecedented, they are only going up.
The new projects that are being built on expensive land and with high-design components, and most of them are planned in the pretty expensive submarkets like Little Italy, Del Mar, and downtown. These new buildings will be in the $5 to $6 range, which is double what is already our highest watermark. However, it is still a discount to some other large port cities and tech hubs, namely San Francisco.

Vacancy Rates Continue to Decrease:
Our research department is tracking more than 3 million square feet of active tenants right now, over the next 24 months, and more than half of that is in central county. Many of those tenants can renew, but from a barometer of activity, this is a considerable number.
The vacancy rate market-wide right now is at 11.3 percent. The low of 8 percent was in 2005 at the peak of the last cycle, and we are well below the high vacancy rate of 2009. We see the vacancy rate continuing to go down and rents go up.
Really the only soft spot in the San Diego office market right now is Sorrento Mesa. It has a 19-percent vacancy rate and essentially still reeling from the Qualcomm layoffs from a few years ago.
I would say that downtown has got a pretty hot hand right now, but we need some large tenants that can pay big rents, and they are yet to show up.
On the construction side you can see at 1.3 million square feet we’re 10 times more active than in 2010, but at little less than half of the peak in 2005. Of that, 1.3 million square feet, 58 percent is already committed for in terms of tenants.

Consistent Demand for Amenities:
Amenities, amenities, amenities. It continues to be what the tenants want and the talent wants. If you think about the statistics, 70 percent of employees don’t feel engaged at work. Only 13 percent feel proud to work where they work. Many of today’s workplaces are out of sync with the people that work there. And guess what? People avoid those and don’t go to work for them.
That’s not what we want. This means companies are not realizing their investment in their space.
The most effective workplaces offer a variety of settings aligned around people’s activities and their needs and also increase the performance.

Trends in Office Design:
We want a performance-enhancing design — not a performance-enhancing drug — but a performance-enhancing design for your office space, and here are some of the current trends:
• Unconventional workplaces. Think about your living room or a tasting room or something opposite from a typical “Dilbert” office environment.
• Dynamic spaces. Think of this as the ability to move and morph your space — lightweight, moveable furniture with wheels, moving whiteboards, space that can be used for several different things rather than just one conference room that never gets used that you pay $4 a foot for.
• Natural light. Natural light can increase creativity by 15 percent, but only 47 percent of employees have access to natural light. That will be something we see in all these new buildings we see, a lot more glass than they are concrete.
Terrariums are my big tip this year. We will bring some greenery inside inexpensively. So look into terrariums.

Coworking Space:
I have two different opinions on it. One, I’m seeing in the neighborhoods it is working.
I live in Solana Beach. There is a small coworking group that just doubled in size. They have a waiting list.
From an enterprise level, I’m seeing companies can be slow to adapt. I have international clients that have project-based work in various parts of the world, and they are not thinking about signing up with WeWork. They are asking us to go find them small spaces.

Consistent Demand for Amenities:
70 percent of employees don’t feel engaged at work. Only 13 percent feel proud to work where they work. Many of today’s workplaces are out of sync with the people that work there. And guess what? People avoid those and don’t go to work for them.”

Tom van Betten, Managing Director/Tenant Representation, Cushman & Wakefield
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CONGRATULATES TOM VAN BETTEN ON AGAIN PARTICIPATING AS A PANELIST FOR SAN DIEGO BUSINESS JOURNAL’S 2018 ECONOMIC TRENDS EVENT.

WHETHER HE IS PROVIDING CLIENTS WITH ACQUISITION, RENEWAL, RELOCATION, OR CONSOLIDATION SERVICES, TOM CONTINUALLY DELIVERS INSIGHTS, CUSTOM SOLUTIONS, AND RESULTS TO HIS CLIENTS

TOM VAN BETTEN
Managing Director, Tenant Representation
tom.vanbetten@cushwake.com // +1 858 546 5488
More than 250 people from the business community came to the Marriott Marquis San Diego Marina on the morning of Jan. 9 to hear the region’s first economic forecast. The event was sponsored by Cushman & Wakefield, Kaiser Permanente, Marsh & McLennan Insurance Agency LLC, Moss Adams LLP and Robert Half.

The panel of experts gives a thumbs up outlook for the local economy in 2018.

1. The panel of experts gives a thumbs up outlook for the local economy in 2018. From left: Dr. Lynn Reaser of Point Loma University; Brett Good of Robert Half; Tom van Botten of Cushman & Wakefield; Lynette Seid of Kaiser Permanente; Eric Dusi of Moss Adams LLP; and Trindl Reeves of Marsh & McLennan Insurance Agency LLC


3. Katie Moor of Marsh & McLennan Insurance Agency LLC and Sarah Beaulieu of The Argen Corporation

4. Caroline Freiberg, Cheryl Martinez and Charlotte Hartwell, all of the University Club Atop Symphony Towers

5. Bryan Abbott and Niran Bahalia of Moss Adams LLP


7. Stacy Moskowitz, Randy Pickering, Swati Arroyo, Talena Conlon, Danette Roberts and Juliet Tengco, all of Kaiser Permanente.


10. Jarrett Jerigan of Moss Adams LLP, Michael Angelo Camacho of the Roman Catholic Diocese of San Diego, Sharon LeeMaster of Sharon LeeMaster Consulting, James Percy and Zara Percy of Counterpoint Investments, and Jon Hoy and Adam Fleck of Moss Adams LLP

11. Joe Petchett of the Gemological Institute of America, and Justin Heron, Maggie Pilgrim, Rita Steel, Yesica Menendez and Jessica Larbie, all of Robert Half

12. Sara Bergmark, Lauren Brown, Chris Sanga, Theresa Fazio, Erin Chisdak and John Niederhofer, all of Marsh & McLennan Insurance Agency LLC
Forecast:

remain the tech hub of the world, and as a result we look for a gain of about 335,000 jobs this year, which will actually be slightly more than we created in 2017. You should know that basically every single area of California has now passed its pre-recession high in terms of job levels.

San Diego Forecast

The Navy’s presence will be increasing here.

We will see the benefits of the overall biotech as that field continues to expand.

More consumer spending will fuel travel, tourism, and entertainment.

Exports will be growing.

These tax cuts will basically benefit San Diego as well as the rest of the nation.

Now, there are some significant negatives and question marks.

The first negative, of course, is housing costs, and they just continue to be a major constraint.

Finally we have the area where everybody will hear more about from our panel that we’ll be facing skill shortages.

In terms of housing, we will see more building this year. We really dropped back to only about 9,000 units last year as multifamily took a tumble. We need at least 12,000 just to be keeping up with our population growth. Some 14,000 San Diegans are now leaving our region every single year for other states or areas of California.

As a result home prices will continue to rise. After an 8-percent jump last year, prices will probably rise an additional 5 percent.

So in terms of the bottom line, we’re looking for a gain of about 24,000 jobs this year, about the same as we created in 2017.

Capital Expenditures

The missing link of this recovery has been capital spending. Businesses have just been sitting on the sidelines.

Robotics, artificial intelligence, cyber security investment doesn’t maybe yield an immediate rate of return, but it is absolutely critical.

Now is the time to invest to stay ahead of a market which is going to be changing very rapidly.

Projected Wage Growth

In San Diego the increase on average will be close to that 3 percent this year as the job market is tight and unemployment rate is in that low 3-percent area.

NAFTA Update

What would success look like in the NAFTA negotiations? If we actually modernized NAFTA to include the services sector, to increase protection for intellectual property rights but not to increase trade barriers.

We have just started in the past few years to see Mexican companies opening up their supply chains to California firms, and to shut that down in the defense area and other areas would be devastating.

Duration of Expansion?

I think we are not at the end of this expansion yet.

I don’t think we’re in recession territory until maybe 2021. Expansions don’t last forever. But this one still has a ways to go.

5 Recommendations For Your Business

Lynn Reaser, chief economist for Point Loma Nazarene University’s Fermanian Business & Economic Institute, made five recommendations for local business to consider in 2018:

1. Study tax changes — Take a careful look at all the elements of the tax code changes. Yes, you may have to get your tax attorney, but take a look to understand what it means to you, your customers, and your suppliers.

2. Enhance cybersecurity — Beef up your cybersecurity. There is a high chance that if you have not already been attacked, you will be, and the costs can be very high.

3. Explore foreign trade opportunities — Look into the export market. Yes, it’s a lot of hassle, but it could be very beneficial in the long run.

4. Take care of your employees — Further, particularly in this tight job market where everybody is going to be competing for your best employees, take care of your staffs. Make sure they are challenged and they are happy. They are your key asset.

5. Invest in your business — And finally, this is the year to invest in your business. Never has there been a better time. Interest rates will still be pretty low. The after-tax rate of return on investment is high. You have immediate benefits from expansion of any capital equipment. Investing in your business is critical to boosting productivity and remaining competitive in this very technology-driven marketplace.

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