

## Attachment B

### Economic Snapshot<sup>1</sup> January 2025

#### Overview

The U.S. economy is undergoing a significant transformation, driven by rapid technological advancements, shifting workforce demographics, and evolving industry demands. These dynamics present both challenges and opportunities for economic development at the national and local levels. As a global hub for technology and innovation, San José is well-positioned to leverage its assets to attract investment, support emerging industries, and enhance its competitive advantage.

#### *Innovation and Technology Leadership*

San José remains the cornerstone of Silicon Valley's innovation-driven economy, supported by a robust technology ecosystem across Professional Services, Manufacturing, and Information sectors. The city's innovation metrics reflect sustained growth, with patents issued increasing nearly threefold from 3,500 in 2000 to an estimated 10,200 in 2023. This growth underscores San José's ability to adapt and lead through successive waves of technological advancement. Current innovation priorities include advanced Artificial Intelligence (AI) applications, sustainability technologies, green tech, and the emerging field of quantum computing with its potential to accelerate the already fast-paced evolution of AI.

#### *Pandemic Impact and Economic Response*

The transition to remote operations during the pandemic catalyzed unprecedented growth in online activity. Local technology companies experienced substantial demand increases across various sectors. Remote meeting platforms, electronic documentation services, networking infrastructure providers, and entertainment streaming services all saw significant growth, pushing unemployment to a historic low of 2.4% in May 2022. However, this growth proved unsustainable. By late 2022, the tech sector began reducing its workforce, leading to over 48,000 job cuts in tech-related industries across the Bay Area between 2022 and 2024, including nearly 12,000 in Santa Clara County alone.<sup>2</sup> To note, the loss of 12,000 tech industry jobs is equivalent to 1% of the total number of people employed in jobs across all industries in Santa Clara County as of November 2024.

Despite these challenges, the economic cycle has been less severe than prior downturns. San José's unemployment rate, while elevated at 4.2% as of November 2024<sup>3</sup>, has remained below 5% since the pandemic recovery began, reflecting resilience compared to previous economic contractions.

The table below, including citywide vacancy rates, offers a snapshot of key economic indicators for San José, comparing the period immediately before the COVID-19 pandemic (2019) to the period immediately after and following. (The pandemic was officially declared over and the last emergency measures lifted in Spring 2023.) The pandemic itself (early Spring 2020 to Spring 2023) was marked by extraordinary economic volatility.

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<sup>1</sup> This document was produced by OEDCA staff and reviewed by labor market analytics company Lightcast.

<sup>2</sup> <https://www.siliconvalley.com/2024/10/28/bay-area-tech-jobs-economy-work-layoff-medical-silicon-valley-internet/>

<sup>3</sup> California Employment Development Department, Labor Market Information, Unemployment Rates (Labor Force), Sub-County Place, San Jose city, 2024, November

Indicators	2019	2023	2024	Change 2019–2023
Population <sup>a</sup>	1,018,809	970,772	969,491	-48,037 (↓4.7%)
San José Jobs <sup>b</sup>	439,004	414,708	<i>Not yet available</i>	-24,296 (↓5.5%)
Unemployed / Unemployment Rate	14,700 <sup>c</sup> / 2.7% <sup>c</sup>	20,000 <sup>c</sup> / 3.7% <sup>c</sup>	22,900 <sup>d</sup> / 4.2% <sup>d</sup>	5,300 (↑36.0%) / N.A.
Office Vacancy (Q2) <sup>e</sup>	12.1%	24.5%	23.5%	12.4 (↑102%)
R&D Vacancy (Q2) <sup>e</sup>	12.4%	12.5%	14.5%	0.1 (↑0.8%)
Industrial Vacancy (Q2) <sup>e</sup>	2.6%	2.5%	3.8%	-0.1 (↓3.8%)
Retail Vacancy (Q2) <sup>f</sup>	5.5%	4.6%	5.3%	-0.9 (↓16.4%)

<sup>a</sup> State of California, Department of Finance. *E-4 Population Estimates for Cities, Counties, and the State, 2010-2020 & 2020 - 2024, with 2010 and 2020 Census Benchmarks*

<sup>b</sup> California Employment Development, Labor Market Information Division, Custom Data Services.

<sup>c</sup> California Employment Development Department, *Labor Force and Unemployment Rate for Cities and Census Designated Places, Historical Data, 2019, 2023*

<sup>d</sup> California Employment Development Department, *Monthly Labor Force Data for Cities and Census Designated Places, November 2024 (preliminary)*

<sup>e</sup> Cushman & Wakefield

<sup>f</sup> CoStar

## Population and Demographics

San José, with an estimated population of 969,491<sup>4</sup> as of 2024, is the largest city in Northern California and the 13th largest in the nation. This marks a 4.3% decrease from the April 2020 Census estimate of 1,013,241.<sup>5</sup>

Diversity is integral to San José’s demographic and economic identity. Foreign-born individuals account for 42%<sup>6</sup> of the city’s residents, underscoring its status as one of the most immigrant-rich cities in the nation.

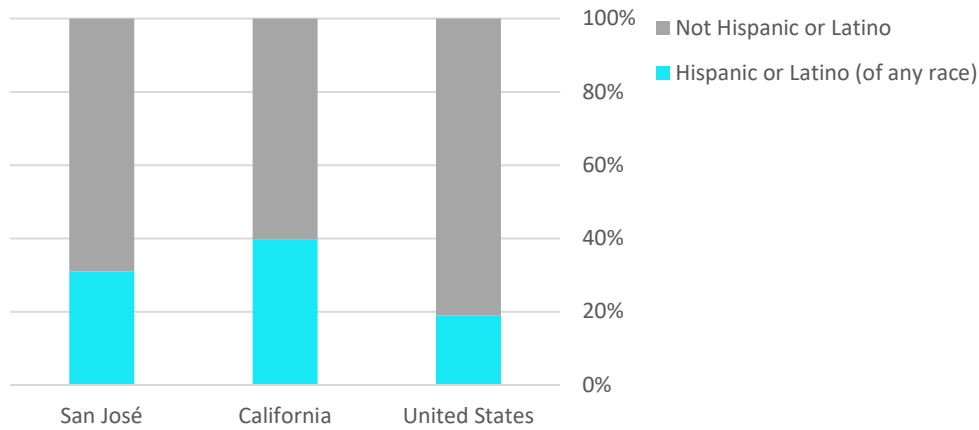
<sup>4</sup> State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2024, with 2020 Census Benchmark. Sacramento, California, May 2024.

<sup>5</sup> State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2024, with 2020 Census Benchmark. Sacramento, California, May 2024.

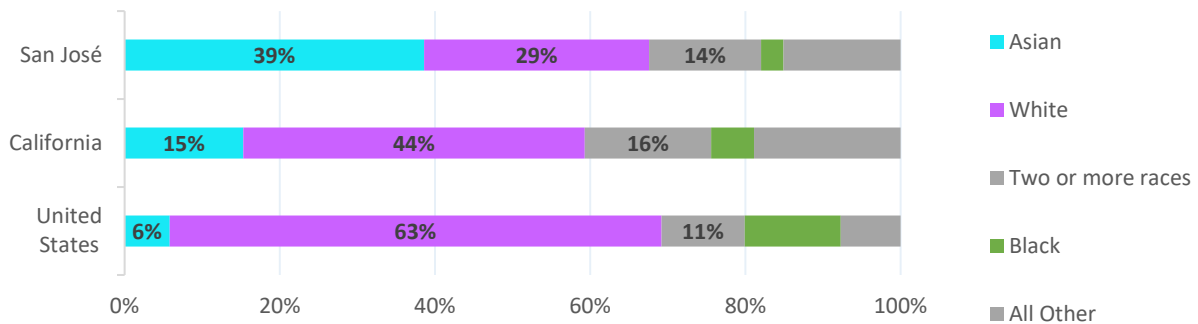
<sup>6</sup> U.S. Census Bureau, *2023 ACS 5-Year Estimates*, 2023.

The city’s ethnic diversity is striking, with 31% of residents, regardless of race, identifying as Hispanic or Latino. Although this share is lower than California’s statewide proportion of 40%, it far exceeds the national average of 19%.<sup>7</sup> Among racial groups, Asian residents compose the largest, making up 39% of the population—a proportion significantly higher than that of California (15%) and the United States (6%).<sup>8</sup> Meanwhile, White individuals account for 29% of San José’s population, compared to 44% statewide and 63% nationally.

**Figure 1. Ethnic Composition by Region: San José, California, and the United States (2023)**



**Figure 2. Racial Composition by Region: San José, California, and the United States (2023)**



These demographic trends not only define San José’s cultural character but also underpin its economic resilience. Foreign-born individuals represent just over half (51%) of San José’s employed population, positioning the city as a hub for industries reliant on multicultural talent and perspectives. Similarly, the diversity share of employment<sup>9</sup> across all sectors reached an estimated 65% in 2023, increasing from 62% in 2019.<sup>10</sup>

<sup>7</sup> U.S. Census Bureau, U.S. Department of Commerce, ACS Demographic and Housing Estimates, 2023, American Community Survey, ACS 5-Year Estimates Data Profiles, Table DP05, 2023.

<sup>8</sup> Ibid.

<sup>9</sup> Share of workers not identifying as “White, Not Hispanic or Latino”

<sup>10</sup> Lightcast, 2024.4

## Business and Industry Dynamics

San José's economic framework is driven by a diverse set of industries and businesses that collectively create a robust and dynamic environment. The city is home to approximately 60,000<sup>11</sup> businesses with payroll employees. These businesses, of which most (97%) are classified as small businesses,<sup>12</sup> contributed to an employment base of 414,708 jobs in 2023.<sup>13</sup>

### Employment by Sector

Among industry sectors, Health Care and Social Assistance leads in employment, followed closely by Manufacturing.<sup>14</sup> Other high-performing sectors include Professional, Scientific and Technical Services, and Information. These sectors are key areas of economic strength and growth, particularly as the city further solidifies its status as a technology epicenter.

San José's top 10 industry sectors in descending order by employment are as follows:

Industry Sector
Health Care and Social Assistance
Manufacturing
Professional, Scientific, and Technical Services
Public Administration (Government)
Retail Trade
Accommodation and Food Services
Administrative and Support and Waste Management and Remediation Services
Construction
Other Services (except Public Administration [Government])
Information

<sup>11</sup> Business license data, Finance Department, City of San José. 2024

<sup>12</sup> Defined by the city as having up to 35 employees

<sup>13</sup> California Employment Development Department, Labor Market Information Division, Custom Data Services, October 2024

<sup>14</sup> Lightcast: City Overview, San José, at the two-digit NAICS level. <sup>c</sup>

## *Major Employers*

San José's largest employers reflect the city's balance of institutional stability and private-sector innovation. In 2024, the County of Santa Clara remains the largest employer, providing jobs to 22,732 individuals and accounting for 4.4% of total employment in the city. Following the county, the City of San José employs 8,262 workers, indicative of the vital role of public sector employment in maintaining regional economic stability.

The city's private sector is dominated by technology firms, many of which are global leaders in their fields, including Cisco Systems, the largest local private sector employer, followed by Adobe, eBay, PayPal, and Broadcom.

Other major institutions that play a critical role in diversifying the employment landscape include San José State University (4,086 employees), Kaiser Permanente (3,969 employees) and Santa Clara University (1,960 employees). They provide key local contributions in higher education and health care that complement San José's technology-centric ecosystem in a mutually beneficial manner.

## *Driving Sectors*

San José has demonstrated economic resilience as a central contributor to Santa Clara County's Gross Regional Product (GRP), which grew by 39% from \$280.5 billion in 2017 to \$390.2 billion in 2023 (measured in 2017-chained dollars).<sup>15</sup> The city plays a vital role in this growth, which is driven by contributions from the Information, Manufacturing, and Professional Services sectors. In 2023, Santa Clara County's Information sector contributed \$94.82 billion, and Manufacturing added \$91.25 billion, collectively accounting for 47% of the county's GRP and highlighting the importance of technology and advanced manufacturing industries.

The region's strengths in technology and manufacturing propel economic growth as exporters of goods and services beyond the region, contributing to greater economic stability and resilience. Unlike sectors prone to volatility, such as tourism or agriculture, technology and manufacturing are considered highly desirable due to their capacity for innovation, high-value outputs, and adaptability in a competitive global market despite occasional periods of disruption introduced by rapid advancements. Complementing this dynamic growth, the Health Care and Professional Services sectors provide steady economic stability, contributing \$18.60 billion and \$58.40 billion in GRP, respectively, further reinforcing the region's robust economic foundation.

The table below details the economic performance of the top five industries in Santa Clara County by GRP in 2023.

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<sup>15</sup> Lightcast, 2024.4

Industry Sector <sup>a</sup>	GRP Earnings (2023)	Property Income (2023)	Taxes <sup>b</sup> (2023)	GRP (2023)
Information	44.23B	48.12B	2.49B	94.82B
Manufacturing	63.68B	25.27B	2.33B	91.25B
Professional, Scientific, & Technical Services	51.62B	5.43B	1.36B	58.40B
Health Care and Social Assistance	15.87B	2.40B	473.65M	18.60B
Government	14.06B	1.94B	0	15.97B

<sup>a</sup> Lightcast, 2024.4

<sup>b</sup> Includes all taxes on production and imports with subsidies subtracted.

*Downtown San José*

Downtown San José plays a central role in the city’s economic, cultural, and social life. As Silicon Valley’s only true urban center, it houses a diverse mix of private and public land uses connected via high-quality regional and local transit. While not the largest employment center in San José, it houses the city’s largest concentration of multistory office space (11 million square feet) and is home to headline employers like Adobe and Zoom; San José State University (40,000 students and staff); flagship hotels and convention facilities; and marquee visual and performing arts anchors.

The area has seen notable shifts in recent years, influenced by changing work patterns, evolving economic conditions, and efforts to adapt to post-pandemic realities. In Q4 2024, office vacancy stood at roughly 30%, the highest since at least the dot-com bust of the early 2000s. While challenges remain, including office vacancies and quality-of-life concerns, ongoing initiatives aim to address these issues through targeted investments in public spaces, safety, and activation.

Downtown is also a critical part of the city’s growth plan, with capacity cleared for thousands of new homes and jobs in proximity to existing and future regional rail anchored by Diridon Station. While economic conditions have slowed some projects, such as Boston Properties’ Platform 16, the completion of new developments like The Fay in SoFA signal potential for long-term growth.

*Experience Economy*

Given the negative impact of the increase in remote work particularly on downtowns in large cities nationally including San José, the need to strengthen and amplify a local experience economy has come to the fore. The experience economy is characterized by participation and connection through entertainment, artistic, cultural, culinary, and other types of memorable experiences that drive visitors and economic impact. For example, according to Americans for the Arts’ 2023 Arts and Economic Prosperity Report on the economic and social impact of San José’s nonprofit arts and cultural organizations and their audiences, the sector’s estimated direct economic activity is \$292 million. The estimated number of jobs supported by the nonprofit arts sector is 4,738. The estimated total attendance to in-person nonprofit arts events is 4.4 million. Amongst the social impacts, 86% of nonprofit art and cultural organizations’ audiences agreed, “This activity or venue is inspiring a sense of pride in this neighborhood or community.”

*Small Business Ecosystem*

There are 57,000 small businesses located in the city of San José<sup>16</sup> sustaining 230,000 jobs which represents a key driver of resident income and family wealth creation for the city’s residents. On average a business remains at the same physical location for 11 years<sup>17</sup> demonstrating a major contribution to the stability of local neighborhoods and the city’s economic resiliency. Twenty thousand small business are registered in a residential location providing a strong runway of current and future business formation and innovation across a broad range of sectors including tech and professional services. Over the past 10 years more new business licenses have been issued than closed signaling the economic opportunity of locating in San José. Entrepreneurship allied to educational attainment has enabled San José to sustain one of the strongest pathways to intergenerational mobility in the United States<sup>18</sup>.

**Labor Market and Employment Outcomes**

San José’s employment trends reflect the region’s vulnerability to broader economic fluctuations while also highlighting its resilience and capacity for recovery post-pandemic.<sup>19</sup> After a period of stability, the COVID-19 pandemic caused significant disruption, with unemployment rates spiking to 14.4% in April 2020.<sup>20</sup> Although recovery efforts restored employment levels close to pre-pandemic figures by 2022, recent declines suggest persistent challenges. As of November 2024, the monthly employment total has fallen to 519,200, with a 4.2% unemployment rate.<sup>21</sup>

*San José Employment Trends*

The table below provides annual labor force, employment, and unemployment figures for San José, except that for 2024, which remains in progress at this writing, the most recent month’s data are used.

Year	Labor Force	Employed Residents	Unemployed Residents	Unemployment Rate
2017	549,500	530,900	18,500	3.4%
2018	549,500	534,300	15,200	2.8%
2019	551,300	536,600	14,700	2.7%
2020	545,100	500,400	44,700	8.2%
2021	534,800	506,100	28,700	5.4%
2022	543,800	528,200	15,500	2.9%
2023	547,700	527,700	20,000	3.7%
Nov 2024 (prelim) <sup>a</sup>	542,000	519,200	22,900	4.2%

<sup>a</sup> California Employment Development Department, Monthly Labor Force Data for Cities and Census Designated Places, November 2024-Preliminary

<sup>16</sup> San José business license data, January 2025.  
<sup>17</sup> San José business license data, January 2025.  
<sup>18</sup> The Quarterly Journal of Economics Volume, 129, November 2014, Pages 1553-1623. *Where is the land of Economic Opportunity? The Geography of Intergenerational Mobility in the United States.*  
<sup>19</sup> In this Economic Snapshot, “pre-pandemic” refers to the period leading up to March 2020 and “post-pandemic” to 2024 onwards.  
<sup>20</sup> California Employment Development Department, Data for All County Sub-Areas, Historical Monthly Estimates, 2010-2024  
<sup>21</sup> California Employment Development Department, Data for All County Sub-Areas, Current Month

### *Unemployment Disparities by Ethnicity and Race*

As of the latest estimates (February 2024), workers identifying as Hispanic or Latino in Santa Clara County face an unemployment rate of 6.4%, compared to 3.7% among those who do not identify as Hispanic or Latino. Among racial groups, Black/African American residents consistently experience the highest unemployment rate, at 7.3%, in contrast to White residents, whose unemployment rate stands at 3.4%.

<b>Ethnicity</b>	<b>June 2019</b>	<b>June 2020</b>	<b>June 2021</b>	<b>June 2022</b>	<b>June 2023</b>	<b>February 2024</b>
Hispanic/Latino	3.5%	11.6%	6.4%	3.5%	4.6%	6.4%
Not Hispanic/Latino	2.4%	9.8%	5.2%	2.4%	3.4%	3.7%
<b>Race</b>	<b>June 2019</b>	<b>June 2020</b>	<b>June 2021</b>	<b>June 2022</b>	<b>June 2023</b>	<b>February 2024</b>
Asian	2.7%	14.0%	7.2%	2.7%	4.2%	5.2%
Black/African American	6.3%	14.2%	8.9%	6.2%	8.6%	7.3%
White	2.2%	7.2%	3.9%	2.3%	2.8%	3.4%
American Indian/ Alaska Native	3.7%	6.4%	4.2%	2.9%	2.8%	3.4%

Source: *Lightcast*, 2024.4. Extrapolated from Bureau of Labor Statistics data for larger regions

### *City Jobs to Residents Imbalance*

San José’s jobs-to-employed residents (J/ER) ratio hovers around 0.8 historically. Other communities, such as Palo Alto, have a J/ER ratio above 2.0. San José through its General Plan policies has worked toward a target of 1.0 J/ER ratio.

Employment lands and jobs bring much needed dollars to the city, which in turn provide revenue for City services. Fewer jobs places more downward pressure on the City’s finances.

### *Cost of Living and Economic Strain*

The region’s historically high cost of living presents significant challenges, exceeding state averages by 27% and national averages by 76%. These have been made worse by the extraordinary inflation that followed efforts to mitigate the economic consequences of the COVID-19 pandemic. Housing costs are particularly burdensome, surpassing state averages by 65% and national averages by 225%.<sup>22</sup> These pressures

<sup>22</sup> Cost of Living Index, Council for Community and Economic Research, September 2024



significantly affect residents, with 25% of Santa Clara County households struggling to meet basic needs.<sup>23</sup> They have also impacted businesses, as companies struggle to recruit required talent.

The economic strain shows clear demographic patterns. Latino households face the greatest challenges, with 50% struggling to afford basic needs, followed by African American households (41%).<sup>24</sup> In contrast, White and Asian households show greater economic resilience, with only 19% and 18% respectively struggling to meet basic needs.

### *Educational Attainment and Economic Opportunity*

Educational attainment strongly correlates with economic stability in the region. Among those without a high school diploma, 68% struggle to afford basic needs, as do 55% of those with only a high school diploma. In contrast, just 13% of residents with bachelor's degrees or higher face similar challenges.

These educational patterns show significant racial and ethnic disparities. Among Hispanic or Latino adults 25 years and over, 30% have less than a high school diploma and 29% have no more than a high school diploma, while only 18% hold bachelor's degrees or higher. In contrast, among non-Hispanic White and Asian residents, more than 50% hold bachelor's or graduate degrees, though Asian residents show higher rates of incomplete high school education than White residents (11% vs. 4%).

San José's innovation-driven economy amplifies these disparities, as industries demand advanced skills, especially in occupations on the higher end of the wage scale. Addressing educational gaps and increasing access to skill-building programs will be critical to meeting workforce needs in high-demand fields.

### **Opportunities and Challenges**

San José's position as a global innovation hub is both a strength and a source of vulnerability. The city benefits from a diverse and highly skilled workforce, sectoral strengths in Manufacturing, Professional Services, Information, and Health Care, and a robust culture of innovation evidenced by sustained patent activity and investments in emerging technologies. These assets have enabled San José to adapt through economic transitions and maintain its leadership in cutting-edge fields such as sustainable technologies, green tech, and AI applications.

Yet, alongside these opportunities are significant challenges. Persistent income inequality and racial disparities underscore structural inequities in access to economic opportunity. The city's exceptionally high cost of living creates barriers for workforce retention and discourages new business operations, particularly in sectors with narrower profit margins. Ongoing volatility in the tech sector, marked by substantial layoffs in recent years, further highlights the need for a more balanced and diversified economy. Additionally, the shift toward hybrid and remote work models is reshaping commercial real estate demand, and the utilization of the city's urban spaces.

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<sup>23</sup> United Way Bay Area: Real Cost Measure 2023

<sup>24</sup> United Way Bay Area: Real Cost Measure 2023