

Highlights

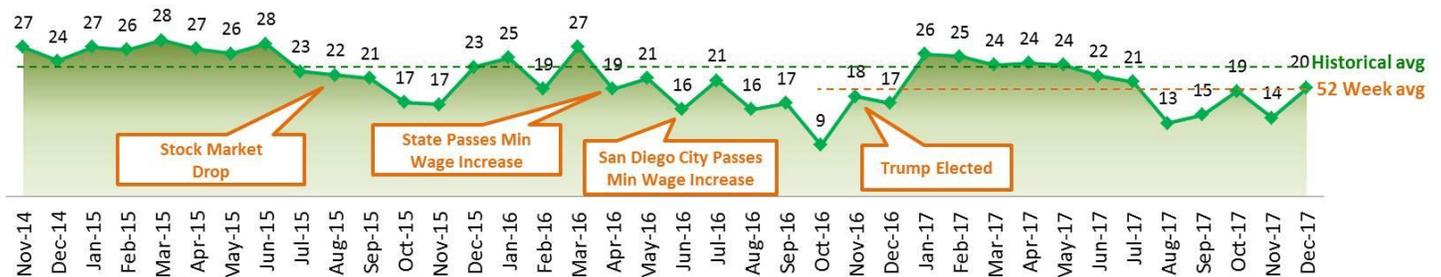
- Business community is optimistic heading into 2018, with a BOI of 19.5
- Finance and retail firms upbeat in the short-term
- Development/construction and hospitality/restaurants down on the year
- Compared to December 2015, more business people see homelessness as an issue
- Greatest concern comes from businesses located in southern part of city, which includes downtown

San Diego Businesses Getting their Groove Back in New Year

More business people see homelessness as a serious issue now than in December 2015

The San Diego Business Forecast, sponsored by San Diego Private Bank, shows county businesses beginning 2018 with a positive outlook, posting a score of 19.5 on the Business Outlook Index (BOI). This score is on par with last year’s average (20.1) and slightly below the historic average (22.9). As the chart shows, business confidence was healthier through the first half of 2017, though it ebbed since late summer. Still, this month finishes marginally ahead of where things were last December when the BOI held at 16.8.

Business Outlook Index Over Time



The outlook among industries remained steady throughout the year, except for development/construction firms and hospitality/restaurants. Both had a strong first half, then dipped in confidence in the third and fourth quarters. The four components of the index varied throughout the year. While revenue expectations improved, anticipated hours offered to employees and outlook on business conditions trended downward. Meanwhile, expectations about the number of employees held steady.

In a similar trend, businesses within the city of San Diego lost some confidence throughout 2017. They started the year strong, but the good vibes waned coming out of the summer months. Firms in the northern part of city (north of I-8) also followed this same general pattern. In the shorter term, companies in the eastern

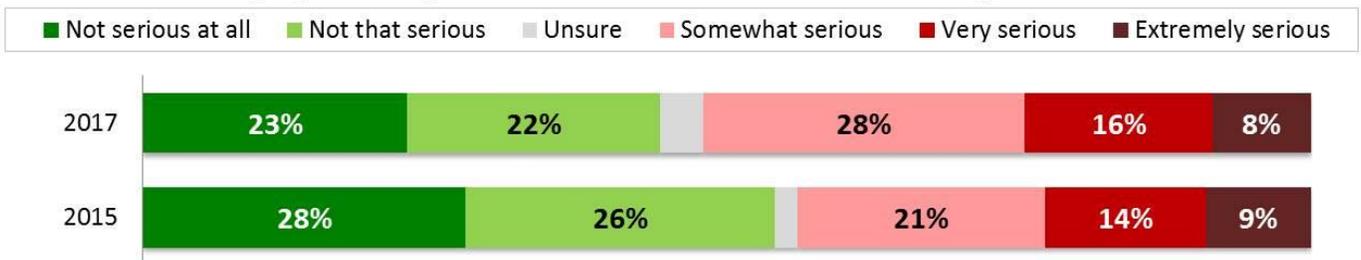
suburbs (including Santee, La Mesa, and Spring Valley) are significantly more upbeat this month compared to November.

Although not a significant rebound from November's BOI of 14.2, December's 19.5 score is due primarily to greater confidence among finance and retail firms. Companies in the financial sector are boasting a stellar BOI of 41, up significantly from 20 in November. They are optimistic across the board, with positive expectations on the index's four components. Retail firms are coming off a nice holiday season, reporting a BOI of 36. That's up significantly compared to the past three months, suggesting retailers themselves were surprised at December's robust consumer activity. Retailers are particularly hopeful about the number of hours they'll offer their employees next quarter.

There is, however, hesitancy among firms that are specifically concerned about the minimum wage laws, as they have a generally less confident outlook. Government-related concerns account for 18 percent of issues facing businesses this month. Respondents who cite this issue generally couch it in terms of government overreach. One business owner told us, *"the constant increase of government laws"* is their most challenging issue, while another said, *"government oversight, government intrusion."*

As in December 2015, we asked respondents to tell us how serious of a problem homelessness is in the area where their company is located. More businesspeople now see it as an issue than they did two years ago. In 2015, only 44 percent believed homelessness was a serious issue near their business, but this sentiment jumped to 52 percent currently.

"How serious of a problem, if at all, is homelessness in the area where your business is located?"



The severity of homelessness varies geographically, with those in the southern part of the city (south of I-8) saying it is serious far more often. Not surprisingly, this area, which includes downtown, responded with the greatest concern. At the same time, north coastal businesses (from Del Mar to Carlsbad) appear to be less impacted.

We also asked what is the most one's company would be willing to pay annually to fund new programs to address homelessness. Nearly half of the County's businesses say their firms wouldn't pay anything and only 17 percent believe their companies are willing to pay at least \$500.

“There are various ways to fund possible new programs to address homelessness such as increases to visitor taxes, property taxes, or sales taxes or assessments on businesses in business improvement districts. Of the following options, what is the most your company would be willing to pay annually, if anything, to fund new programs to address homelessness...”

Amount Willing to Spend on New Homelessness Programs



The main reason we don't find a lot of support for funding programs to address homelessness is that most companies are not big enough to chip in. The key driver of funding is the number of employees in a company, and 78 percent of the county's firms have 50 or fewer employees. While 58 percent in companies with more than 100 employees believe their company will invest at least \$500 for such efforts, and most with 51 to 100 are willing to contribute \$300 or more, willingness to spend on programs to address homelessness falls from there and is much less for firms with ten or fewer employees.

Interestingly, the severity of homelessness near one's business location does not impact how much a company would likely contribute for programs to address the issue. The analysis indicates company size is the real driver.

About the Business Forecast

The San Diego County Business Forecast, sponsored by [San Diego Private Bank](#), is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded December 15-22, 2017 by [Competitive Edge Research & Communication](#) using responses from 200 randomly selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas and National City Chambers of Commerce. One-third of the members were invited to complete the survey online. Those members who initially did not respond were invited to complete the survey over the phone.

The Business Outlook Index™ (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent's business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Visit <http://sdchamber.org/businessforecast> to see past Business Forecasts.

About San Diego Private Bank and Private Bancorp of America, Inc.

Private Bancorp of America, Inc. (OTCQX:PBAM), is the holding company for San Diego Private Bank. San Diego Private Bank, provides a Distinctly Different banking experience through unparalleled service and creative funding solutions to high net worth individuals, professionals, locally owned businesses and real estate entrepreneurs. Clients are serviced by experienced personal bankers through offices in Coronado, San Diego, La Jolla, Beverly Hills and Newport Beach as well as efficient electronic banking offerings. The Bank also offers various portfolio and government guaranteed lending programs, including SBA and cross-border Export-Import Bank programs. San Diego Private Bank is a SBA Preferred Lender and provides a full array of sophisticated treasury management and deposit products. www.sandiegoprivatebank.net Please contact Paul Azzi, EVP and Market President at Paul@sandiegoprivatebank.net to discuss your financial service needs.

About **Encinitas** Chamber of Commerce

The Encinitas Chamber has been powering business in Encinitas for over 50 years. We are the gateway to local networking and community events. Send us an email or give us a call at (760) 753-6041 for more information.