



SAN FRANCISCO, CA

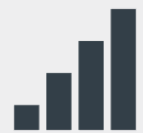
Headlines

- **The labor market in San Francisco continues to struggle** in its recovery from substantial job losses that began in late 2022. **The city has lost nearly 50,000 jobs** since 2022, almost all of which have been in the tech sector. Though in recent months job losses have moderated, overall labor market momentum remains weak and trails the national average.
- **Weak job growth has caused the unemployment rate to increase** from a low of 2.3% in mid-2022 to 4.0% in late 2025. That's still below the national average of 4.5%, but the increase in labor market slack is apparent as **wages outright declined by 3.2% in 2025**.
- Even with weak labor market trends, there are reasons to be cautiously optimistic about the outlook for the San Francisco economy in 2026. **PNC estimates that hosting the Super Bowl will boost the local economy by nearly \$500 million in the first quarter and could create nearly 3,500 new jobs**. Hosting the World Cup over the summer and the continued boom in AI should also provide meaningful tailwinds in 2026.
- **Housing market conditions have shown early signs of stabilization**, with home sales rebounding modestly towards the end of 2025. However, **affordability constraints**, high costs, and out-migration continue to limit the extent to which housing can support stronger economic growth.
- **While the city is still facing economic headwinds, the region remains a dynamic and robust economy**. San Francisco boasts the 9th largest regional economy in the US, as measured by real GDP. San Francisco also continues to be among the nation's highest-earning regions, with average hourly earnings at around \$51.25 as of December 2025 – far above the U.S. average of \$36.94.

KEY FACTS



Population: 1.6 mil.
(ranked 51/411 MSAs)
Source: Bureau of Census; Moody's Analytics



GDP: 4.6%
(ranked 16/411 MSAs)
Source: Bureau of Economic Analysis; Moody's Analytics



Job Growth: -0.6%
(ranked 330/411 MSAs)
Source: Bureau of Labor Statistics



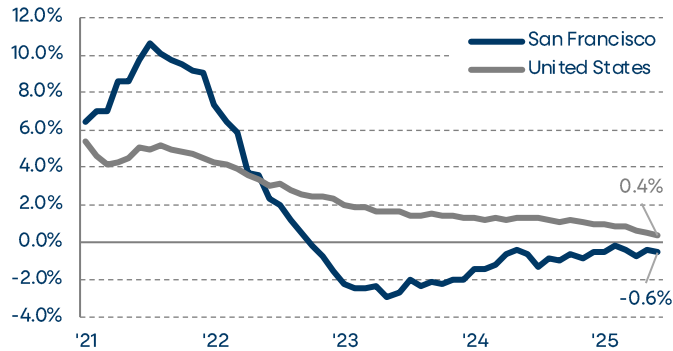
HPI Growth: 3.9%
(ranked 121/411 MSAs)
Source: CoreLogic, Inc.; Moody's Analytics



“After three consecutive years of employment declines, payroll gains in San Francisco should gradually turn positive this year amid a continued AI boom.”

The San Francisco Metro Division labor market continues to struggle in its recovery from the substantial job losses that began in late 2022. Total employment remains nearly 50,000 jobs below its prior peak, with the decline concentrated almost entirely in tech-related sectors.

Figure 1: Annual Job Growth, San Francisco vs. United States (year-over-year %)



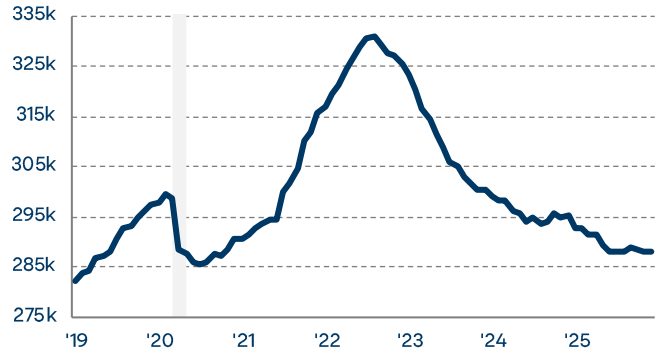
Source: Bureau of Labor Statistics

While the pace of job losses has slowed in recent months – an encouraging development – overall labor market momentum remains weak. By the end of 2025, year-over-year job growth stood at -0.6%, trailing the national average of +0.4%. The largest annual declines in December were in information (-4.2%) and financial activities (-3.1%). Conversely, employment increased in leisure & hospitality (+3.5%), construction (+3.2%), other services (+1.9%), education & healthcare (+0.9%) and manufacturing (+0.5%) and prevented a sharper decline.

The prolonged stretch of year earlier declines in job growth was discouraging people from entering the labor force. The San Francisco labor force fell annually for 23 straight months from May 2023 to March 2025 but has rebounded for the last seven months through November.

In spite of the sharp cool down in the labor market, the jobless rate in San Francisco was just 4.0% in November compared to the U.S. rate of 4.5% and the California rate of 5.5%. The Metro Division’s unemployment rate has been below the nation’s for the last 21 months through November.

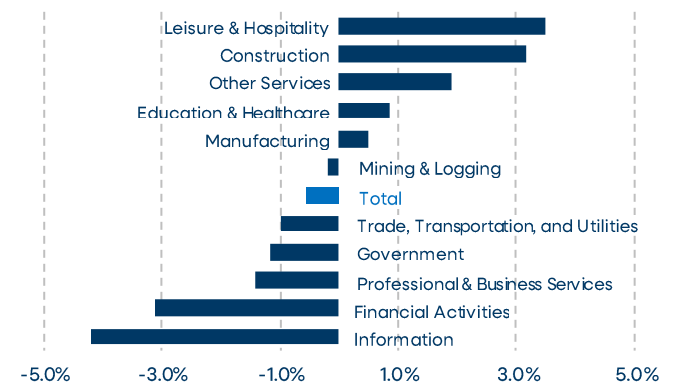
Figure 2: Total Tech Jobs, San Francisco



Source: Bureau of Labor Statistics, PNC Estimates

The comparatively lower unemployment rate in San Francisco is not putting upward pressure on wages. Average hourly earnings declined 3.2% from a year ago in December, well below the U.S. gain of 3.8%. Furthermore, wage growth has decelerated for three months in a row after reaching a solid 2.8% in September. While lagging wage gains could translate into slower consumer spending growth in the Metro Division, part of the reason for the weak wage growth last year was due to an increase in the labor force, which pressured wages lower with more available workers.

Figure 3: Total Annual Job Gains in San Francisco by Industry (year-over-year %)



Source: PNC Estimates



Despite ongoing softness in the labor market, **there are reasons to be cautiously optimistic about San Francisco's growth prospects in the year ahead.** Major sporting events scheduled for the first half of 2026 are expected to provide a lift to service-sector employment and broader local economic activity. In addition, the region is well-positioned to benefit from sustained momentum in artificial intelligence – one of the key drivers of U.S. economic growth in 2025 and a trend likely to carry into 2026.

The **National Football League's Super Bowl LX** will be held in the Bay Area on February 8, 2026. **PNC estimates that nearly \$500 million dollars will descend upon the local economy through visitors spending at and around the event itself.**

That, in turn, will prompt leisure & hospitality industry hiring. Based upon past Super Bowl host-cities gains and their size relative to San Francisco's economy, **as many as 3,500 new jobs** may materialize in the first quarter of 2026 than would have been the case without this event's presence. And while some of those jobs will surely be temporary in nature given the Super Bowl's limited two-week impact, the **World Cup is on the San Francisco market's horizon**, commencing in June 2026. An assumption that some businesses will retain workers between the events is realistic. Whether there is a lull between the Super Bowl and the World Cup or not, new jobs created in response to this externally driven ramp-up in consumer demand will provide income for local residents for a significant portion of the year, potentially offsetting recent weak organic wage growth.

The San Francisco economy also stands to benefit from sustained enthusiasm around AI. PNC Economics estimates that AI-related capital expenditures accounted for nearly 40% of total economic growth in 2025, with meaningful spillovers to other sectors. Real value added in the Information Technology sector rose 11.6% year-over-year in California in 2025, well above the 8.7% increase nationally, and far outpacing overall GDP growth of 2.3%. Whether this acceleration in activity ultimately translates into broader job gains remains an open question, however. Still, the San

Francisco economy stands to benefit disproportionately from other metros as the AI buildout continues.

The San Francisco housing market has also shown nascent signs of rebounding. Existing single family home sales fell month-on-month for six successive months starting in December 2024, but growth turned positive in June of 2025 and accelerated for the three months through September. Moreover, the 5.1% growth rate in September is the strongest since January 2024 (5.8%).

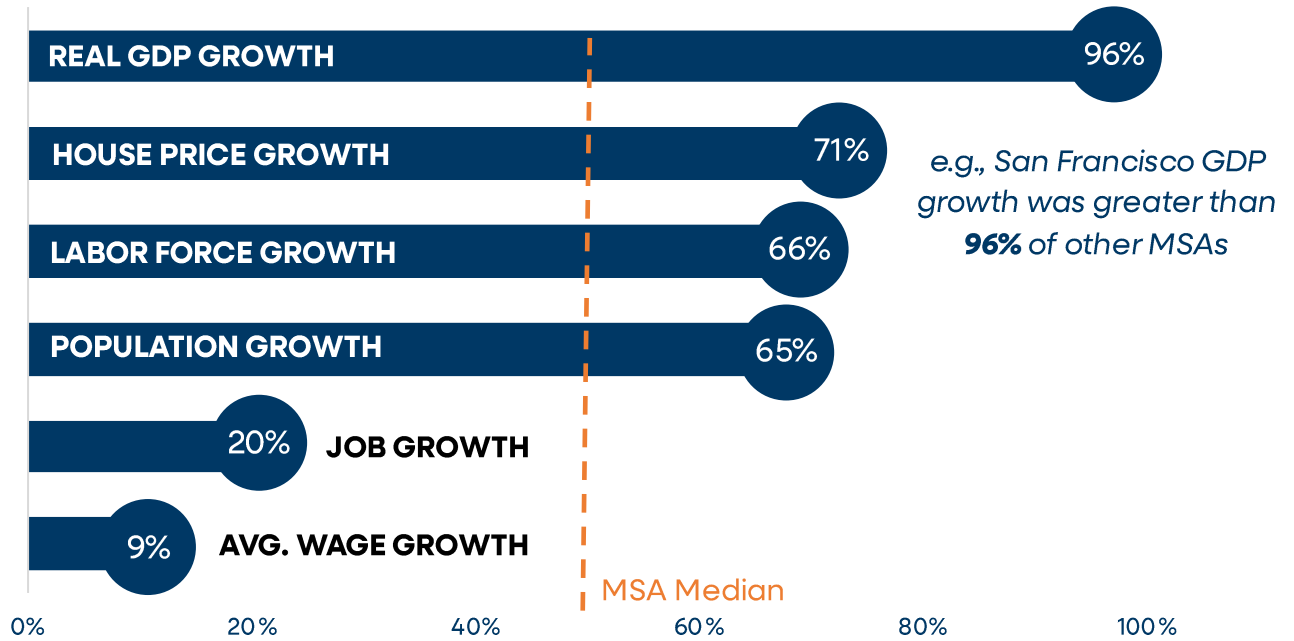
The prolonged stretch of declining home sales pressured home prices lower. According to the S&P Cotality Case-Shiller Home Price Index, home prices declined from a year ago from May 2025 through September. And while home prices have rebounded over the last two months, the growth rate trails that of the nation. Furthermore, home prices are up around 32% from February 2020 compared to the U.S. gain of just over 53%. Despite less robust home price growth affordability issues are sidelining some potential buyers. In the third quarter of last year, only 22% of Bay Area residents qualified for the median priced home of \$1,295,000. However, this is up from 20% in the second quarter and 21% one year ago. Source: California Association of Realtors.

After three consecutive years of employment declines, payroll gains in the San Francisco Metro Division should gradually turn positive this year amid a continued AI boom. Growth, however, will be limited by unaffordable housing, prohibitive costs, and out-migration.



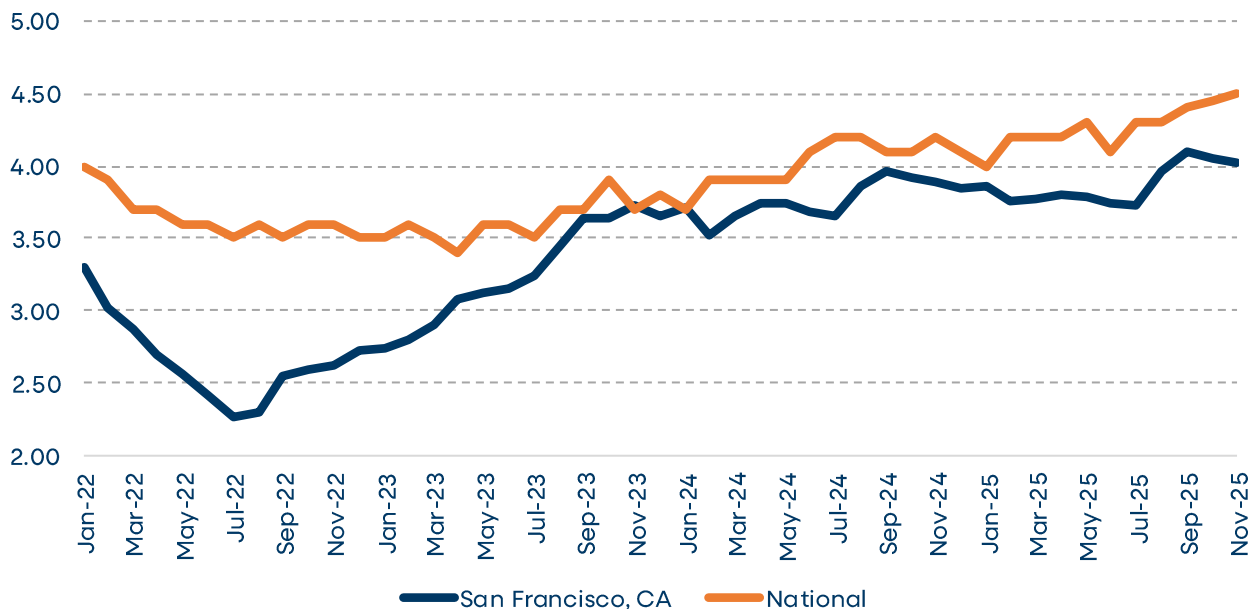
Key Charts and Figures

Figure 4: Key Metric Percentiles – San Francisco, CA vs. the Rest of the Country



Sources: Bureau of Economic Analysis; Moody's; Bureau of Labor Statistics; CoreLogic, Inc.; U.S. Census Bureau

Figure 5: Unemployment Rate: San Francisco, CA vs. National Average



Sources: Bureau of Labor Statistics



Disclosures

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