

San Diego

Quick Stats

3.2%

San Diego County
Unemployment Rate
As Of Sept 2018

147,770 SF

Positive Net Absorption
Current Quarter

Positive 150,178 SF
Year To Date

10.8%

Total Vacancy Rate
Up From 10.7% In Q2 2018

\$2.83 PSF

Asking Rental Rate
Weighted Average

San Diego's office market is evolving with the growing demands for creative and collaborative space. The market is staying competitive with top tech cities by developing spaces that tenants appreciate, and fostering a highly-educated workforce. Along with a desirable geography, the market benefits from strong demand for space from life sciences, mid-sized and start-up tech companies, health care, and sectors that work closely with the U.S. military. As of the third quarter of 2018, new construction has nudged vacancy levels slightly upward, while rents set record highs again. San Diego County's unemployment rate dropped to 3.2% in the third quarter, down from 3.7% one year ago.

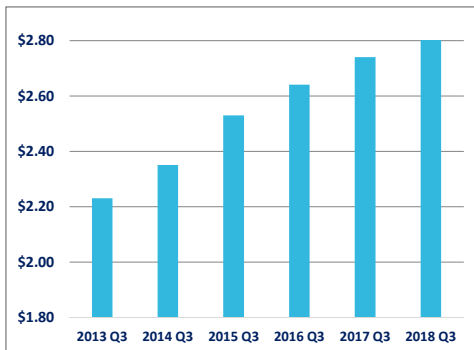
Vacancy in San Diego County's office market stayed almost flat at 10.8%, gaining only 10 bps from the previous quarter, however down 30 bps from the previous year. Vacancy has remained relatively stable, oscillating within this historically low range for the past two years. The county recorded net positive absorption of 515,779 sf for the most recent 12-month period. Record employment gains have helped San Diego's office market sustain competitive vacancy levels. In addition, tenants are increasingly willing to pay a premium for the

newly developed and renovated inventory that is emerging throughout the market.

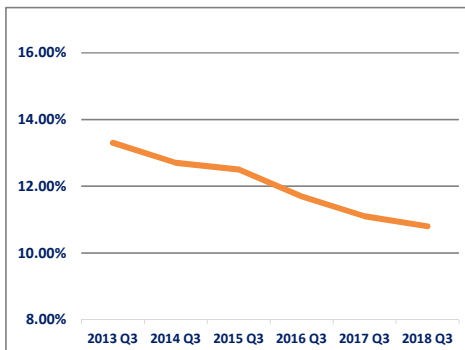
Rental rates reached \$2.83 psf FSG as of the third quarter of 2018, up from \$2.80 psf FSG in the previous quarter and significantly up from \$2.74 psf FSG at the same time in 2017. Class A properties in the Downtown market reached \$2.95 psf FSG, increasing slightly year-over-year. Meanwhile, the highest rents were found in the Central Coast submarket at \$3.35 psf FSG, driven largely by strong demand from the area's life-science sector, which is among the most prominent in the U.S. The largest office lease transaction took place in Sorrento Mesa, where Maravai Life Sciences took 95,000 sf at The Peak, a multi-tenant building.

Construction and redevelopment has been completed at AMP&RSAND, the 339,000 sf office campus in Mission Valley at the 12 acre site of the former San Diego Union Tribune, highlighting the growing trend of developing high-quality collaborative office space in San Diego. The San Diego office market had 10 investment-grade office projects under construction in the third quarter, including life-science projects, amounting to 1.2 msf of new inventory that is expected to be delivered in the next year.

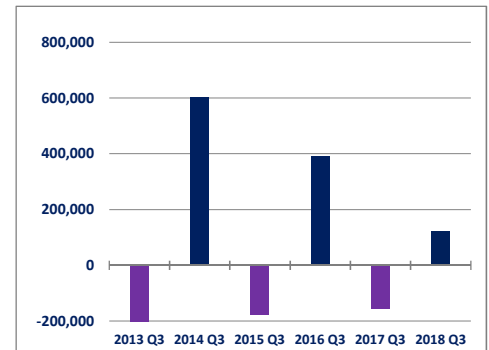
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Maravai LifeSciences - <i>Life Sciences</i>	New	10770 Wateridge Circle	Sorrento Mesa	95,000
Dexcom - <i>Life Sciences</i>	New	5375 Mira Sorrento Place	Sorrento Mesa	87,423
Brain Corp	New	10182 Telesis Court	Sorrento Mesa	59,259
Encore Capital Group, Inc.	New	350 Camino de la Reina	Mission Valley	55,738
Epsilon Systems Solutions, Inc.	Renewal	9242 Lightwave Avenue	Kearny Mesa	48,000

Top Sales

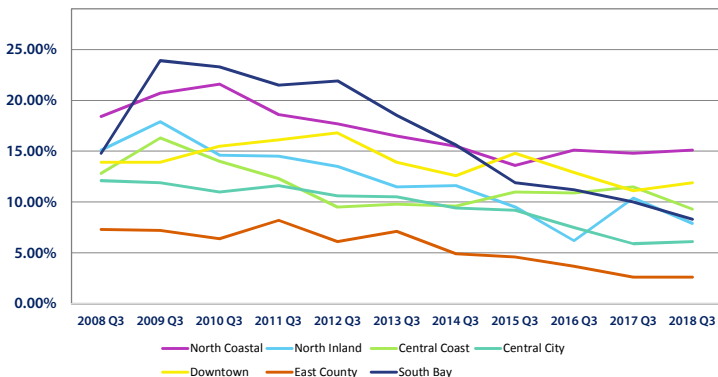
Address	Submarket	Buyer	Seller	Price	SF
La Jolla Reserve	UTC	The Irvine Company	Sunroad Enterprises	\$180,000,000	304,310
Del Mar Corporate Plaza	Del Mar Heights	EverWest Real Estate Partners	Cruzan	\$43,000,000	73,325
Balboa Executive Center	Kearny Mesa	Admiral Capital Group	Blackstone	\$36,375,000	120,992
Polo Plaza	Del Mar	Lincoln Property Company	Plaza Partners	\$27,500,000	57,153
Seville Plaza	Kearny Mesa	Vista Investment Group	LLJ Ventures	\$27,480,000	140,600

Under Construction

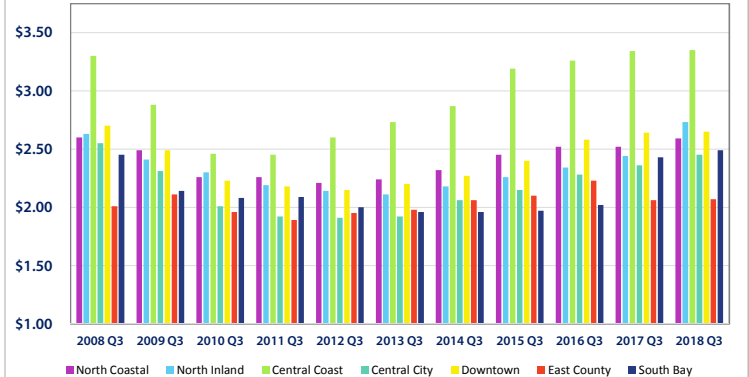
Address	Submarket	Developer	SF	Completion
2446 Town Garden Road,	Carlsbad	Levine Investments	357,000	Q4 2018
10159 Scripps Gateway Court	Scripps Ranch	Sudberry Properties	158,994	Q2 2019
9625 Towne Centre Drive - <i>Life Science</i>	UTC	Alexandria Real Estate Equities, Inc.	150,000	Q1 2019
9310 Athena Circle - <i>Life Science</i>	Torrey Pines	BioMed Realty	137,500	Q1 2019
8958 Terman Court - <i>Life Science</i>	Sorrento Mesa	BioLegend	130,000	Q3 2019

Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline			
Q3 2018 Inventory (SF)	Q3 2018 Vacancy (SF)	Q3 2018 Vacancy (%)	Q2 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q3 2018 Rental Rates	Q2 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End	
North County Coastal												
Class A	2,675,603	514,977	19.20%	16.60%	-4,694	-38,292	\$2.81	\$2.78	1.08%	0	0	357,000
Class B	6,743,880	1,014,674	15.00%	16.20%	53,375	-4,579	\$2.50	\$2.51	-0.40%	20,000	68,954	58,660
Class C	594,515	166,444	28.00%	17.40%	1,845	9,142	\$2.09	\$1.96	6.63%	0	0	0
Total	10,013,998	1,696,095	15.60%	16.40%	50,526	-33,729	\$2.59	\$2.59	0.00%	20,000	68,954	415,660
North County Inland												
Class A	4,964,738	897,211	18.10%	18.90%	23,688	-124,553	\$3.23	\$3.12	3.53%	0	0	233,994
Class B	6,798,867	459,049	6.80%	6.80%	12,833	102,760	\$2.34	\$2.31	1.30%	0	0	0
Class C	552,392	26,224	4.70%	11.00%	8,167	2,567	\$1.87	\$1.58	18.35%	0	0	0
Total	12,315,997	1,382,484	11.20%	11.80%	44,688	-19,226	\$2.73	\$2.59	5.41%	0	0	233,994
Central Coast												
Class A	15,212,493	1,863,148	12.20%	12.70%	24,761	8,660	\$3.72	\$3.66	1.64%	0	170,523	401,221
Class B	12,351,894	1,377,583	11.20%	11.40%	37,376	238,568	\$2.94	\$2.93	0.34%	0	0	130,000
Class C	477,772	39,132	8.20%	5.70%	-11,929	-10,586	\$2.06	\$2.18	-5.50%	0	0	0
Total	28,042,159	3,279,863	11.70%	12.00%	50,208	236,642	\$3.35	\$3.33	0.60%	0	170,523	531,221
Central City												
Class A	5,547,396	512,685	9.20%	6.90%	-3,477	12,642	\$3.05	\$3.03	0.66%	163,000	163,000	0
Class B	11,761,933	786,343	6.70%	6.80%	13,774	-49,336	\$2.30	\$2.32	-0.86%	0	0	0
Class C	3,660,661	177,693	4.90%	4.70%	-9,865	-24,061	\$1.91	\$2.03	-5.91%	0	0	0
Total	20,969,990	1,476,721	7.00%	6.40%	432	-60,755	\$2.45	\$2.48	-1.21%	163,000	163,000	0
Downtown Business District												
Class A	6,697,845	594,778	8.90%	8.80%	-3,433	-5,942	\$2.95	\$2.93	0.68%	0	0	60,000
Class B	4,031,136	781,955	19.40%	18.40%	-6,864	-4,382	\$2.43	\$2.46	-1.22%	0	0	0
Class C	1,364,064	110,212	8.10%	10.40%	-11,985	-6	\$2.27	\$2.35	-3.40%	0	0	0
Total	12,093,045	1,486,945	12.30%	12.20%	-22,282	-10,330	\$2.65	\$2.64	0.38%	0	0	60,000
East County												
Class A	233,830	5,907	2.50%	2.30%	-474	19	\$2.33	\$2.33	0.00%	0	0	0
Class B	2,393,740	65,047	2.70%	3.10%	3,614	786	\$2.31	\$2.07	11.59%	0	0	0
Class C	889,407	24,363	2.70%	5.10%	104	-14,742	\$1.68	\$1.62	3.70%	0	0	0
Total	3,516,977	95,317	2.70%	3.60%	3,244	-13,937	\$2.07	\$1.90	8.95%	0	0	0
South Bay												
Class A	447,583	84,604	18.90%	20.20%	5,957	13,376	\$2.67	\$2.54	5.12%	0	0	0
Class B	2,062,754	133,633	6.50%	7.20%	14,997	38,137	\$2.50	\$2.64	-5.30%	0	0	0
Class C	369,364	23,696	6.40%	6.40%	0	0	\$1.68	\$1.68	0.00%	0	0	0
Total	2,879,701	241,933	8.40%	9.10%	20,954	51,513	\$2.49	\$2.49	0.00%	0	0	0
San Diego County Office												
Class A	35,779,488	4,473,310	12.30%	12.10%	42,328	-134,090	\$3.30	\$3.26	1.23%	163,000	333,523	1,052,215
Class B	46,144,204	4,618,284	9.90%	10.20%	129,105	321,954	\$2.53	\$2.53	0.00%	20,000	68,954	188,660
Class C	7,908,175	567,764	6.00%	7.00%	-23,663	-37,686	\$1.98	\$2.04	-2.94%	0	0	0
TOTAL	89,831,867	9,659,358	10.80%	10.70%	147,770	150,178	\$2.83	\$2.80	1.07%	183,000	402,477	1,240,875

Vacancy by Region



Rental Rate by Region

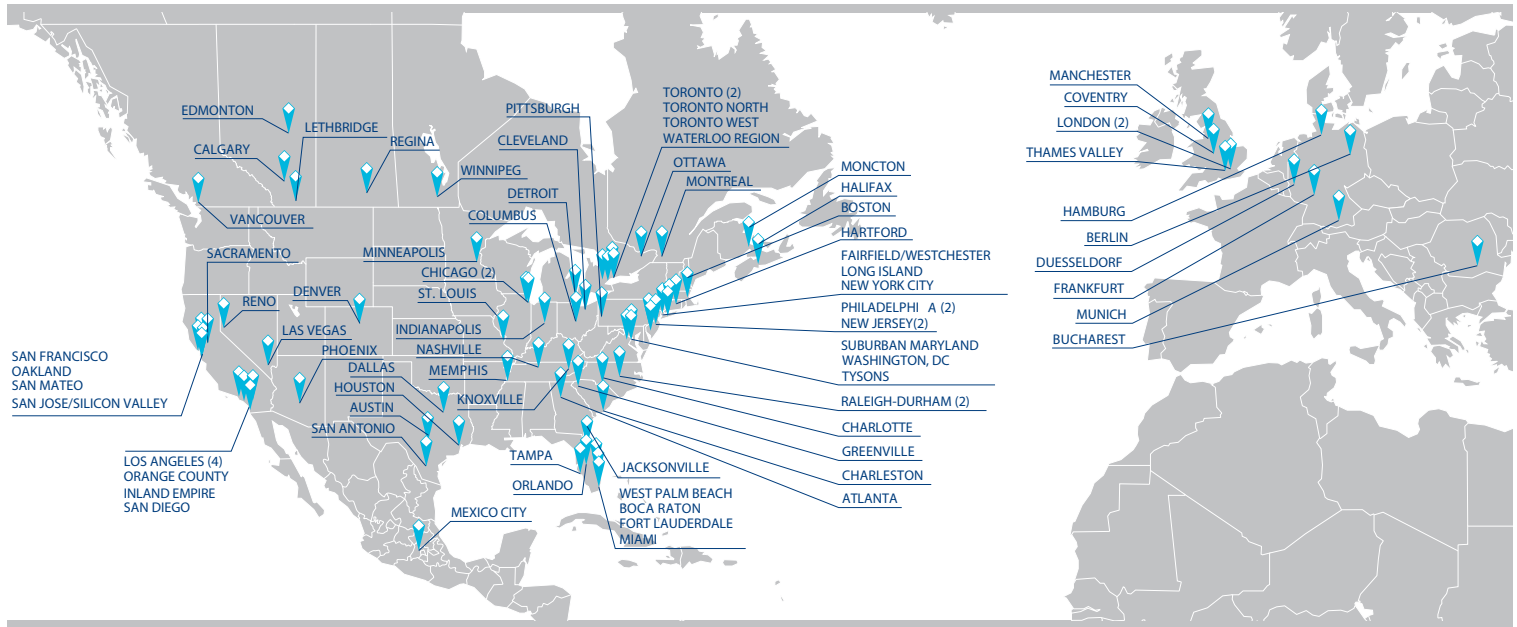


Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Carlsbad	5,304,425	19.50%	391,660	5,122,179	19.40%	19.90%	60,791	\$2.58
Encinitas/Solana Beach/Del Mar/RSF	1,572,659	10.40%	24,000	1,543,000	10.50%	10.50%	-37,215	\$3.76
Oceanside	796,071	9.30%	0	733,300	9.00%	10.10%	-9,039	\$2.07
San Marcos	1,139,815	8.70%	0	783,472	9.60%	9.60%	-1,979	\$2.41
Vista	737,444	16.70%	0	712,134	17.20%	17.20%	37,295	\$1.82
North County Coastal	9,550,414	15.60%	415,660	8,894,085	15.90%	16.30%	49,853	\$2.59
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Escondido	822,482	4.60%	75,000	765,084	4.30%	4.30%	11,314	\$2.32
Miramar/Mira Mesa	1,423,976	9.50%	0	1,380,510	7.70%	9.80%	-27,709	\$1.85
Poway	1,169,367	3.40%	0	779,582	5.10%	5.10%	8,429	\$2.27
Carmel Mountain Ranch/Rancho Bernardo	6,461,537	12.80%	0	5,001,265	16.40%	16.60%	71,804	\$3.09
Scripps Ranch	2,438,635	13.90%	158,994	2,121,162	15.90%	16.00%	-16,690	\$2.51
North County Inland	12,315,997	11.20%	233,994	10,047,603	13.30%	13.70%	47,148	\$2.73
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Del Mar Heights/Carmel Valley	4,597,553	17.30%	0	4,491,333	16.80%	17.70%	-79,088	\$4.28
Governor Park	796,307	8.90%	0	796,307	8.50%	8.90%	537	\$2.70
La Jolla	1,084,874	9.70%	0	1,084,874	9.20%	9.70%	-9,213	\$3.22
Sorrento Mesa	9,113,815	12.60%	130,000	6,203,517	17.90%	18.50%	11,867	\$2.80
Sorrento Valley	477,930	4.40%	0	371,185	5.60%	5.60%	-6,865	\$2.45
Torrey Pines	2,691,240	3.60%	137,500	1,168,409	5.60%	8.20%	-5,232	\$3.98
UTC	9,280,440	11.20%	263,721	8,963,005	10.00%	11.60%	138,202	\$3.23
Central Coast	28,042,159	11.70%	531,221	23,078,630	13.10%	14.20%	50,208	\$3.35
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Bankers Hill/Hillcrest/North Park	1,691,924	4.50%	0	1,256,131	5.50%	6.00%	23,996	\$2.53
Kearny Mesa	9,868,838	6.10%	0	7,027,289	8.20%	8.50%	-75,540	\$2.39
Mission Valley	6,657,876	9.80%	0	5,907,876	7.80%	8.30%	26,364	\$2.52
Midway District/Old Town	1,994,181	6.10%	0	1,573,262	7.70%	7.70%	20,673	\$2.44
Pacific Beach/Rose Canyon/Morena	757,171	3.70%	0	597,776	4.70%	4.70%	4,939	\$1.94
Central City	20,969,990	7.00%	0	16,362,334	7.70%	8.00%	432	\$2.45
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Downtown San Diego	12,093,045	12.30%	60,000	11,865,045	12.00%	12.50%	-22,282	\$2.65
Downtown Business District	12,093,045	12.30%	60,000	11,865,045	12.00%	12.50%	-22,282	\$2.65
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
College Area	1,086,115	3.40%	0	967,115	3.80%	3.80%	2,194	\$2.48
El Cajon/La Mesa/Lemon Grove/Santee	2,000,805	2.90%	0	1,791,360	3.10%	3.20%	3,509	\$1.87
Mission Gorge	430,057	0.30%	0	212,880	0.60%	0.60%	0	\$1.86
East County	3,516,977	2.70%	0	2,971,355	3.10%	3.20%	5,703	\$2.07
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Chula Vista	1,889,696	8.60%	0	1,497,368	10.80%	10.80%	21,871	\$2.46
Coronado/San Ysidro/Imperial Beach	116,395	11.20%	0	90,395	12.90%	14.40%	0	\$3.82
National City/Southeast San Diego	731,077	8.60%	0	650,115	9.60%	9.60%	0	\$2.40
Otay Mesa	142,533	3.00%	0	142,533	3.00%	3.00%	-917	\$2.07
South Bay	2,879,701	8.40%	0	2,380,411	10.10%	10.20%	20,954	\$2.49
San Diego County Total	89,831,867	10.80%	1,240,875	75,599,463	11.60%	12.20%	152,016	\$2.83

Avison Young at a Glance

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