

San Diego



Market Facts

3.3%

San Diego County
Unemployment Rate
As Of Nov 2017

395,733 SF

Positive Net Absorption
Current Quarter

Positive 2,950,183 SF
Year-To-Date

10.5%

Total Vacancy Rate
Down From 10.8% In Q3 2017

\$2.76 PSF

Asking Rental Rate
Weighted Average

Market Overview

The San Diego office market remained robust with solid demand through the fourth quarter of 2017. Vacancy edged down across the county, while rents continue to increase quarter-over-quarter. Along with a desirable geography, the market benefits from strong demand for space by healthcare innovators, independent research institutes and sectors that work closely with the local military. The San Diego County unemployment rate, as of the fourth quarter of the year dropped to 3.3%, down from 4.3% one year earlier.

Vacancy in the county contracted to 10.5% by the end of the fourth quarter of 2017, as compared to 11.4% recorded at the same time in the previous year. San Diego's office market has been able to sustain competitive vacancy levels, even after the up-tick in new deliveries added over the past few years. Office space continues to spend less time on the market, and fewer months vacant.

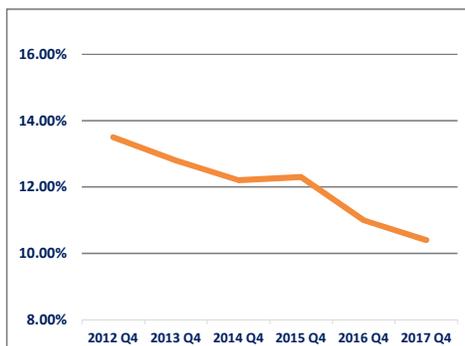
Rental rates have reached \$2.76 psf FSG as of the fourth quarter of 2017, increasing from \$2.68 psf FSG at the same time in the previous year. The highest rents were found in the Central Coast submarket at \$3.34 psf FSG, with the next highest in the Downtown submarket at \$2.60 psf FSG, followed by the North County Coastal area at \$2.57 psf FSG. Increases in Central Coast rents are driven largely by the profound demand from the life science sector, which is among the most prominent in the United States.

San Diego County recorded a net absorption of positive 395,733 sf of office space in the fourth quarter of 2017, and positive 2.9B sf for the most recent 12 month period. The San Diego office market had ten investment-grade office projects under construction at the fourth quarter, including life science projects, amounting to 1.1B sf of new inventory that is expected to be delivered in 2018.

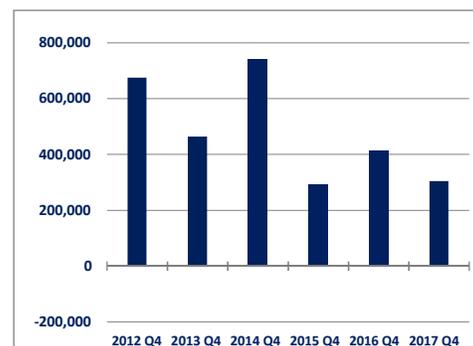
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
UCSD	New	9305 Lightwave Avenue	Kearny Mesa	82,000
GreatCall	New	10945 Vista Sorrento Parkway	Del Mar Heights	56,153
San Diego Health and Human Services	Renewal	5469 Kearny Villa Road	Kearny Mesa	46,469
WeWork	New	8910 University Center Lane	UTC	43,032
Century 21 Award	Renewal	7676 Hazard Center Drive	Mission Valley	20,345

Top Sales

Address	Submarket	Buyer	Seller	Price	SF
Mission City / Pacific Corp Centers	Mission Valley/Sorrento Mesa	City Office REIT	Kilroy Realty Corporation	\$174,500,000	675,142
9965-9995 Summers Ridge Road	Sorrento Mesa	Quidel Corporation	Abbott Laboratories	\$140,000,000	247,168
10301-10343 Meanley Drive	Scripps Ranch	Mission Federal Credit Union	KBS	\$39,515,500	157,902
Mission Center Office Park	Mission Valley	Omninet Capital	Kearny Real Estate Company	\$39,275,000	183,692
Moda Sorrento	Sorrento Mesa	Biomed Realty	SteelWave	\$38,500,000	104,573

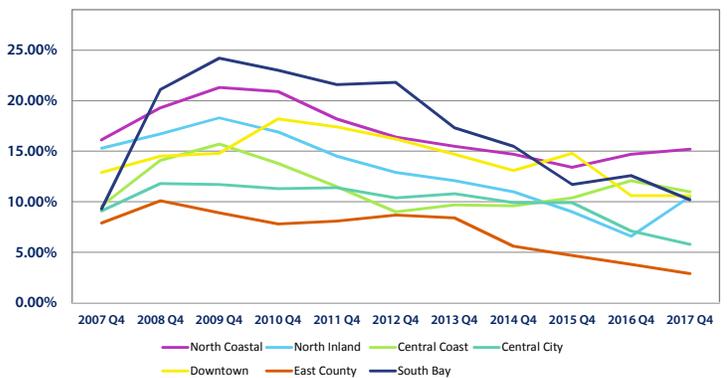
Under Construction

Address	Submarket	Developer	SF	Completion
3215 Merryfield Row - Life Science	Torrey Pines	Alexandria Real Estate Equities	170,523	Q3 2018
350 Camino De La Reina, AMP&RSAND-Press	Mission Valley	The Casey Brown Company	163,000	Q3 2018
10159 Scripps Gateway Court	Scripps Ranch	Sudberry Properties	158,994	Q1 2019
9625 Towne Centre Drive - Life Science	UTC	Alexandria Real Estate Equities, Inc.	150,000	Q2 2018
9310 Athena Circle - Life Science	Torrey Pines	BioMed Realty	137,500	Q1 2019

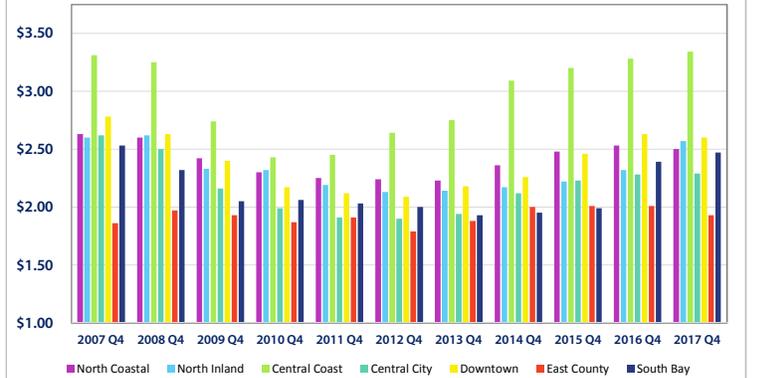
San Diego By The Numbers

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline		
	Q4 2017 Inventory (SF)	Q4 2017 Vacancy (SF)	Q4 2017 Vacancy (%)	Q3 2017 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q42017 Rental Rates	Q3 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
North County Coastal												
Class A	2,458,033	559,953	21.60%	14.70%	-29,109	55,737	\$2.77	\$2.70	2.59%	0	0	0
Class B	6,911,369	1,160,660	17.10%	16.10%	-80,742	-24,269	\$2.42	\$2.46	-1.63%	30,632	90,632	82,258
Class C	411,677	264,444	42.70%	17.20%	-3,647	34,727	\$1.88	\$1.88	0.00%	0	0	0
Total	9,781,079	1,985,057	16.80%	15.80%	-113,498	66,195	\$2.50	\$2.51	-0.40%	30,632	90,632	82,258
North County Inland												
Class A	4,961,632	772,658	15.60%	15.00%	49,714	-472,837	\$3.08	\$2.94	4.76%	0	0	76,400
Class B	6,916,815	598,529	8.70%	10.10%	9,761	102,392	\$2.27	\$2.27	0.00%	0	0	158,994
Class C	564,540	58,084	10.30%	8.70%	-8,858	-13,344	\$1.85	\$1.58	17.09%	0	0	0
Total	12,442,987	1,429,271	11.50%	12.20%	50,617	-383,789	\$2.57	\$2.41	6.64%	0	0	235,394
Central Coast												
Class A	14,479,532	2,005,198	12.80%	12.00%	59,628	892,616	\$3.64	\$3.61	0.83%	0	503,467	458,023
Class B	12,532,993	1,579,086	12.60%	14.10%	147,038	884,701	\$2.95	\$3.00	-1.67%	0	367,326	130,000
Class C	630,981	294,420	19.00%	5.50%	13,392	642,590	\$1.95	\$1.93	1.04%	0	0	0
Total	27,643,506	3,878,704	12.10%	12.80%	220,058	2,419,907	\$3.34	\$3.34	0.00%	0	870,793	588,023
Central City												
Class A	5,352,404	384,825	7.20%	7.80%	33,045	151,614	\$2.87	\$2.97	-3.37%	0	0	163,000
Class B	11,527,859	758,049	6.60%	6.80%	27,417	205,034	\$2.24	\$2.20	1.82%	0	0	0
Class C	3,617,785	152,344	4.20%	4.00%	-8,300	81,167	\$1.65	\$1.73	-4.62%	0	0	0
Total	20,498,048	1,295,218	6.30%	6.60%	52,162	437,815	\$2.29	\$2.35	-2.55%	0	0	163,000
Downtown Business District												
Class A	6,707,692	588,836	8.80%	8.80%	-2,460	-48,018	\$2.93	\$2.98	-1.68%	0	0	60,000
Class B	4,138,793	640,264	15.50%	19.30%	170,608	390,829	\$2.29	\$2.25	1.78%	0	0	0
Class C	1,504,949	180,704	12.00%	9.40%	-39,371	-46,935	\$2.47	\$2.48	-0.40%	0	0	0
Total	12,351,434	1,409,804	11.40%	12.40%	128,777	295,876	\$2.60	\$2.60	0.00%	0	0	60,000
East County												
Class A	233,830	5,926	2.50%	6.20%	8,483	5,114	\$2.40	\$2.27	5.73%	0	0	0
Class B	2,397,111	65,833	2.70%	2.90%	4,363	40,926	\$2.07	\$1.95	6.15%	0	0	0
Class C	812,902	30,621	3.80%	4.10%	650	-3,094	\$1.37	\$1.44	-4.86%	0	0	0
Total	3,443,843	102,380	3.00%	3.40%	13,496	42,946	\$1.93	\$1.86	3.76%	0	0	0
South Bay												
Class A	447,583	97,980	21.90%	22.40%	2,397	29,165	\$2.56	\$2.56	0.00%	0	0	0
Class B	2,062,619	171,770	8.30%	10.30%	39,848	42,068	\$2.50	\$2.42	3.31%	0	0	0
Class C	332,559	23,696	7.10%	7.70%	1,876	0	\$1.99	\$1.99	0.00%	0	0	0
Total	2,842,761	293,446	10.30%	11.90%	44,121	71,233	\$2.47	\$2.43	1.65%	0	0	0
San Diego County Office												
Class A	34,640,706	4,415,376	11.40%	11.60%	121,698	613,391	\$3.25	\$3.23	0.62%	0	503,467	757,423
Class B	46,487,559	4,974,191	10.10%	10.90%	318,293	1,641,681	\$2.46	\$2.46	0.00%	30,632	457,958	371,252
Class C	7,875,393	1,004,313	7.00%	6.30%	-44,258	695,111	\$1.92	\$1.90	1.05%	0	0	0
TOTAL	89,003,658	10,393,880	10.50%	10.80%	395,733	2,950,183	\$2.76	\$2.74	0.73%	30,632	961,425	1,128,675

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	5,517,682	21.40%	82,258	5,105,249	20.70%	21.80%	-87,393	\$2.51
Encinitas/Solana Beach/Del Mar/RSF	1,637,691	7.10%	0	1,514,090	6.90%	7.20%	132	\$3.48
Oceanside	796,285	7.80%	0	733,514	7.80%	8.40%	-4,750	\$1.97
San Marcos	1,079,815	11.00%	0	783,472	14.90%	14.90%	-26,186	\$2.35
Vista	749,606	22.00%	0	724,296	22.70%	22.70%	5,806	\$1.93
North County Coastal	9,781,079	16.80%	82,258	8,860,621	16.90%	17.70%	-112,391	\$2.50
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Escondido	854,881	7.20%	76,400	829,481	7.40%	7.40%	12,895	\$2.25
Miramar/Mira Mesa	1,472,149	10.40%	0	1,428,683	11.50%	10.80%	-23,917	\$1.88
Poway	1,169,832	5.80%	0	780,047	8.70%	8.70%	15,795	\$2.15
Carmel Mountain Ranch/Rancho Bernardo	6,571,037	12.20%	0	5,000,765	13.40%	16.10%	-54,428	\$2.92
Scripps Ranch	2,375,088	14.40%	158,994	1,866,778	18.10%	18.30%	100,272	\$2.36
North County Inland	12,442,987	11.50%	235,394	9,905,754	13.10%	14.40%	50,617	\$2.57
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Del Mar Heights/Carmel Valley	4,596,437	14.60%	0	4,490,217	14.10%	15.00%	116,547	\$4.13
Governor Park	795,545	6.00%	0	795,545	5.50%	6.00%	4,180	\$2.71
La Jolla	1,089,934	8.80%	0	1,089,934	7.80%	8.80%	10,040	\$3.34
Sorrento Mesa	9,060,568	12.60%	130,000	6,090,314	18.70%	18.70%	-53,114	\$2.78
Sorrento Valley	507,930	3.90%	0	443,813	4.50%	4.50%	-1,640	\$1.91
Torrey Pines	2,306,868	6.00%	308,023	1,230,873	6.30%	11.20%	-20,157	\$3.63
UTC	9,286,224	13.30%	150,000	8,968,789	11.80%	13.80%	132,586	\$3.39
Central Coast	27,643,506	12.10%	588,023	23,109,485	13.20%	14.50%	188,442	\$3.34
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Bankers Hill/Hillcrest/North Park	1,895,786	6.60%	0	1,553,121	7.00%	8.00%	17,360	\$2.47
Kearny Mesa	9,700,817	5.90%	0	6,990,733	7.60%	7.80%	39,344	\$2.19
Mission Valley	6,477,034	7.90%	163,000	5,856,889	8.00%	8.70%	-30,123	\$2.36
Old Town/Sports Arena/Point Loma	1,667,240	3.80%	0	1,269,821	5.00%	5.00%	29,223	\$2.50
Pacific Beach/Rose Canyon/Morena	757,171	3.10%	0	597,776	3.90%	3.90%	1,045	\$1.68
Central City	20,498,048	6.30%	163,000	16,268,340	7.30%	7.80%	56,849	\$2.29
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Downtown San Diego	12,351,434	11.40%	60,000	12,123,434	11.10%	11.60%	128,777	\$2.60
Downtown Business District	12,351,434	11.40%	60,000	12,123,434	11.10%	11.60%	128,777	\$2.60
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
College Area	979,981	4.10%	0	860,981	4.70%	4.70%	1,197	\$2.28
El Cajon/La Mesa/Lemon Grove/Santee	2,076,803	2.90%	0	1,900,953	2.90%	3.10%	9,950	\$2.00
Mission Gorge	387,059	0.60%	0	322,104	0.70%	0.70%	12,909	\$1.28
East County	3,443,843	3.00%	0	3,084,038	3.20%	3.30%	24,056	\$1.93
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Chula Vista	1,909,645	10.80%	0	1,517,317	13.20%	13.60%	-7,125	\$2.50
Coronado/San Ysidro/Imperial Beach	83,001	18.30%	0	57,001	26.70%	26.70%	0	-
National City/Southeast San Diego	676,008	9.80%	0	595,046	10.70%	10.70%	44,000	\$2.26
Otay Mesa	174,107	3.00%	0	174,107	3.00%	3.00%	5,978	\$2.13
South Bay	2,842,761	10.30%	0	2,343,471	12.10%	12.40%	42,853	\$2.47
San Diego County Total	89,003,658	10.50%	1,128,675	75,695,143	11.30%	12.10%	379,203	\$2.76

