

San Diego



Quick Stats

2.7%

Orange County
Unemployment Rate
as of May 2019

141,998 SF

Positive Net Absorption
Current Quarter

Positive 559,027 SF
Past 12 Months

10.9%

Total Vacancy Rate
Down from 11.2% in Q1 2019

1,333,950 SF

Under Construction
Current Quarter

\$2.89 PSF

Asking Rental Rate
Weighted Average

The San Diego office market continues to evolve with an uptick in construction and renovation projects, while vacancy and rents respond minimally, as of the second quarter of 2019. Despite a slight rise in unemployment over the previous quarter, San Diego County's unemployment rate is still at historic lows, and as of the second quarter is back to the same level as one year ago at 2.8%.

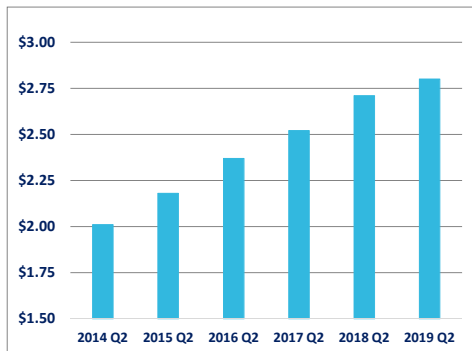
The San Diego office market recorded nine investment-grade office projects under construction in the second quarter, amounting to 1.33 msf of new inventory that is expected to be delivered by 2020. The largest of which includes the new 372,000 sf Navy General Administration Building, -the first of six planned buildings within the Manchester Financial Group owned campus located at the North Embarcadero, Downtown. Construction completions during the second quarter included another two buildings on the Viasat Campus in Carlsbad, bringing the campus total to over 1 msf. Meanwhile, there is more than 1 msf of office inventory under extensive renovation throughout the county, 72% of which is actively available on the market. The majority of renovations are taking place in the Downtown market, with the largest project

being the 360,000 sf tower at 180 Broadway, touting lavish amenities and a modern glass and steel facade.

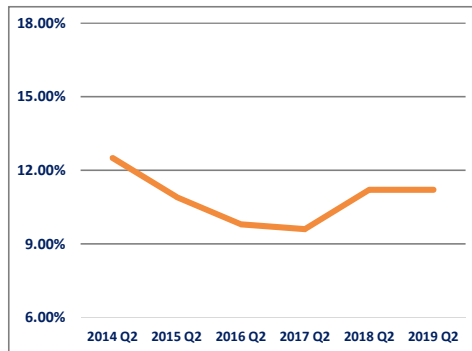
Vacancy in San Diego County's office market decreased to 10.9%, dipping 30 bps from the previous quarter, yet down 10 bps as compared to one year ago. Vacancy has experienced minimal movement outside of this range over the past three years. The county recorded net positive absorption of 141,998 sf for the second quarter, reaching positive 559,027 sf year-to-date.

Rental rates remained relatively flat at \$2.89 psf FSG as of the second quarter, scaling back by one cent from the previous quarter, while trending up from \$2.80 psf FSG at the same time in the previous year. Office rents in the Downtown submarket have stalled in upward momentum by remaining flat for the last three quarters, ending the second quarter at \$2.79 psf FSG. just below record highs. The highest submarket rents were found in the Central Coast area at \$3.39 psf FSG, driven largely by strong demand from life sciences, along with mid-sized and start-up tech companies supported by strong venture capital interest. While rents are high in this submarket, it remains an attractive alternative to higher priced tech focused metropolitan areas in the U.S.

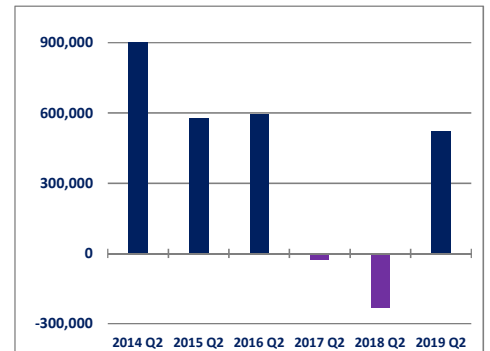
Asking Rent



Vacancy Rate



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Procopio	Renewal	525 B Street	Downtown	126,000
Retrophin, Inc.	New	3611 Valley Centre Drive	Del Mar Heights	77,242
Omnio	New	6965 Lusk Boulevard	Sorrento Mesa	74,558
U.S. Customs and Border Protection	Renewal	2411 Boswell Road	Chula Vista	59,322
JPMorgan Chase	New	12830 El Camino Real	Del Mar Heights	33,315

Top Sales

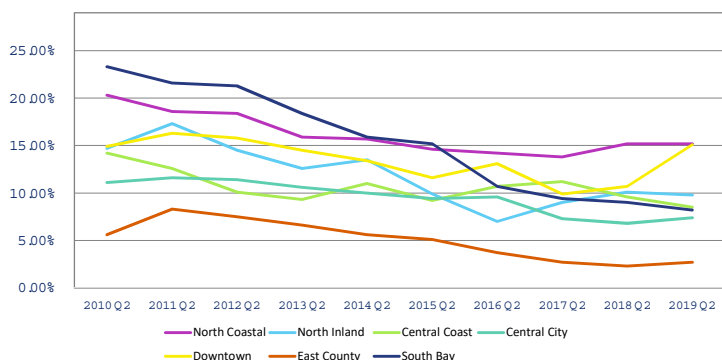
Address	Submarket	Buyer	Seller	Price	SF
4707 & 4747 Executive Dr	UTC	American Assets Trust, Inc.	JPMorgan Chase	\$513,500,000	724,000
9242 & 9246 Lightwave Ave	Kearny Mesa	Washington Capital Management	Colony Capital	\$39,750,000	129,146
10655-10675 Sorrento Valley Rd	Sorrento Valley	Longfellow Real Estate	WCCP / Robertson Properties	\$26,725,000	85,114
2411 Boswell Rd	Chula Vista	Boyd Watterson Asset Management	Easterly Government Properties	\$20,200,000	59,322
4075 Sorrento Valley Blvd	Sorrento Valley	Alexandria Real Estate Equities	LBA Realty	\$16,000,000	40,000

Under Construction

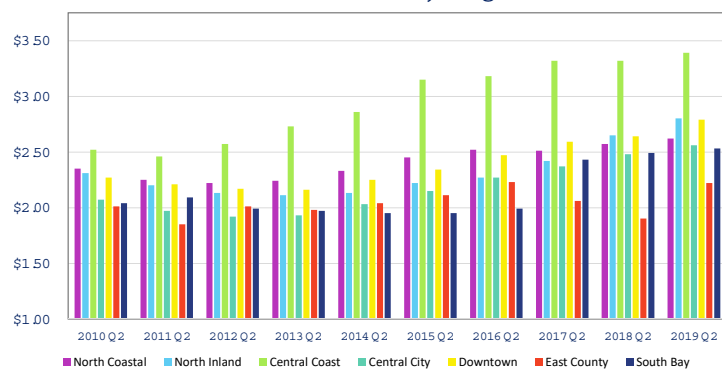
Address	Submarket	Developer	SF	Completion
937 N Harbor Drive, Manchester Pacific Gateway	Downtown	Manchester Financial Group	372,000	Q4 2020
12830-12860 El Camino Real, One Paseo	Del Mar Heights	Kilroy Realty Corporation	288,484	Q1 2020
9455 Towne Centre Drive	UTC	Kilroy Realty Corporation	165,000	Q1 2020
10159 Scripps Gateway Court	Scripps Ranch	Sudberry Properties	158,994	Q3 2019
8958 Terman Court	Sorrento Mesa	BioLegend	130,000	Q3 2019

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline		
	Q2 2019 Inventory (SF)	Q2 2019 Vacancy (SF)	Q2 2019 Vacancy (%)	Q1 2019 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q2 2019 Rental Rates	Q1 2019 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
North County Coastal												
Class A	2,624,669	410,316	15.60%	17.00%	35,125	174,733	\$2.75	\$2.75	0.00%	177,000	177,000	0
Class B	6,913,307	1,088,809	15.70%	16.90%	102,751	86,836	\$2.56	\$2.62	-2.29%	0	78,646	23,190
Class C	342,650	80,628	23.50%	23.60%	368	-45,827	\$1.95	\$1.96	-0.51%	0	0	0
Total	9,880,626	1,579,753	16.00%	17.20%	138,244	215,742	\$2.62	\$2.66	-1.50%	177,000	255,646	23,190
North County Inland												
Class A	5,119,046	761,142	14.90%	15.60%	35,845	448,471	\$3.22	\$3.22	0.00%	0	0	158,994
Class B	6,672,988	465,192	7.00%	6.30%	-44,653	-25,043	\$2.35	\$2.39	-1.67%	0	0	0
Class C	516,712	45,185	8.70%	6.80%	-9,937	-10,794	\$2.05	\$1.83	12.02%	0	0	0
Total	12,308,746	1,271,519	10.30%	10.20%	-18,745	412,634	\$2.80	\$2.82	-0.71%	0	0	158,994
Central Coast												
Class A	15,389,571	1,547,086	10.10%	11.20%	176,800	504,471	\$3.87	\$3.82	1.31%	137,500	137,500	579,766
Class B	12,417,978	1,204,182	9.70%	9.40%	-39,900	101,311	\$2.89	\$2.90	-0.34%	0	0	200,000
Class C	475,693	73,303	15.40%	14.80%	-2,745	-46,100	\$2.22	\$2.09	6.22%	0	0	0
Total	28,283,242	2,824,571	10.00%	10.50%	134,155	559,682	\$3.39	\$3.39	0.00%	137,500	137,500	779,766
Central City												
Class A	5,651,328	572,411	10.10%	11.90%	100,463	112,797	\$3.09	\$3.06	0.98%	0	0	0
Class B	12,043,764	1,036,408	8.60%	7.60%	-124,228	-126,298	\$2.47	\$2.39	3.35%	0	0	0
Class C	3,546,635	187,820	5.30%	5.00%	-11,224	-9,152	\$1.95	\$1.87	4.28%	0	0	0
Total	21,241,727	1,796,639	8.50%	8.30%	-34,989	-22,653	\$2.56	\$2.49	2.81%	0	0	0
Downtown Business District												
Class A	7,259,711	855,258	11.80%	10.40%	-101,170	-346,825	\$2.95	\$2.97	-0.67%	0	0	372,000
Class B	3,817,110	979,629	25.70%	27.20%	58,054	-239,626	\$2.67	\$2.61	2.30%	0	0	0
Class C	1,363,064	122,007	9.00%	8.10%	-11,793	-23,780	\$2.17	\$2.21	-1.81%	0	0	0
Total	12,439,885	1,956,894	15.70%	15.30%	-54,909	-610,231	\$2.79	\$2.80	-0.36%	0	0	372,000
East County												
Class A	233,830	7,234	3.10%	2.30%	-1,931	-1,801	\$2.62	\$2.50	4.80%	0	0	0
Class B	2,393,740	75,541	3.20%	3.10%	-820	2,716	\$2.35	\$2.37	-0.84%	0	0	0
Class C	890,629	14,401	1.60%	1.70%	1,163	10,066	\$1.75	\$1.76	-0.57%	0	0	0
Total	3,518,199	97,176	2.80%	2.70%	-1,588	10,981	\$2.22	\$2.17	2.30%	0	0	0
South Bay												
Class A	447,583	108,373	24.20%	20.50%	-16,465	-17,812	\$2.61	\$2.73	-4.40%	0	0	0
Class B	2,062,619	125,222	6.10%	5.90%	-3,355	23,408	\$2.57	\$2.52	1.98%	0	0	0
Class C	369,364	19,810	5.40%	5.30%	-350	3,886	\$2.07	\$2.12	-2.36%	0	0	0
Total	2,879,566	253,405	8.80%	8.10%	-20,170	9,482	\$2.53	\$2.61	-3.07%	0	0	0
San Diego County Office												
Class A	36,725,738	4,261,820	11.60%	12.20%	228,667	854,861	\$3.32	\$3.32	0.00%	314,500	314,500	1,110,760
Class B	46,321,506	4,974,983	10.90%	11.10%	-52,151	-174,133	\$2.61	\$2.60	0.38%	0	78,646	223,190
Class C	7,504,747	543,154	7.20%	6.70%	-34,518	-121,701	\$2.04	\$1.97	3.55%	0	0	0
TOTAL	90,551,991	9,779,957	10.90%	11.20%	141,998	559,027	\$2.89	\$2.90	-0.34%	314,500	393,146	1,333,950

Vacancy by Region



Rental Rate by Region



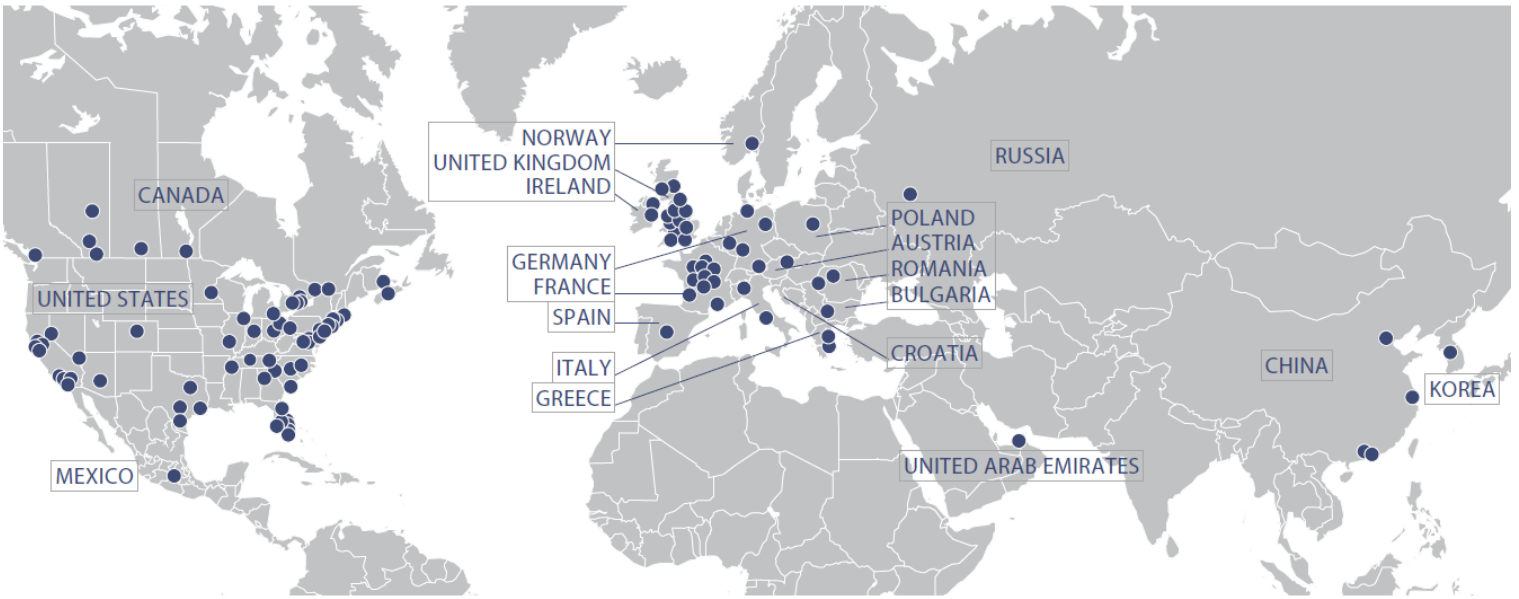
Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Carlsbad	5,583,448	17.80%	0	5,161,359	19.20%	19.30%	89,001	\$2.66
Encinitas/Solana Beach/Del Mar/RSF	1,595,510	9.20%	23,190	1,565,851	9.10%	9.10%	30,127	\$3.72
Oceanside	796,071	9.70%	0	733,300	10.50%	10.50%	-746	\$2.11
San Marcos	1,148,153	9.30%	0	791,810	10.40%	10.40%	-8,467	\$2.40
Vista	757,444	33.40%	0	732,134	19.30%	34.60%	28,329	\$1.81
North County Coastal	9,880,626	16.00%	23,190	8,984,454	15.50%	16.90%	138,244	\$2.62
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Escondido	899,047	5.80%	0	841,649	5.60%	5.60%	16,262	\$2.48
Miramar/Mira Mesa	1,424,538	7.20%	0	1,381,072	6.00%	7.40%	5,517	\$1.72
Poway	1,171,690	2.70%	0	781,905	4.00%	4.00%	2,187	\$2.34
Carmel Mountain Ranch/Rancho Bernardo	6,348,800	9.40%	70,000	4,888,528	11.80%	12.20%	-1,572	\$3.11
Scripps Ranch	2,464,671	19.80%	158,994	2,147,198	21.40%	22.80%	-41,139	\$2.62
North County Inland	12,308,746	10.30%	228,994	10,040,352	11.90%	12.60%	-18,745	\$2.80
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Del Mar Heights/Carmel Valley	4,496,784	16.50%	288,484	4,603,004	15.60%	16.10%	10,322	\$4.32
Governor Park	796,307	12.30%	0	796,307	11.90%	12.30%	-5,317	\$2.71
La Jolla	1,068,108	14.40%	0	1,068,108	13.70%	14.40%	-60,777	\$3.48
Sorrento Mesa	9,121,247	12.00%	158,000	6,210,949	15.40%	17.70%	-145,963	\$2.78
Sorrento Valley	480,969	10.60%	0	374,224	13.10%	13.70%	10,375	\$2.81
Torrey Pines	2,691,240	3.60%	0	1,168,409	5.40%	8.30%	4,993	\$4.33
UTC	9,522,367	6.10%	263,282	9,364,932	4.60%	6.20%	320,522	\$3.13
Central Coast	28,177,022	10.00%	709,766	23,585,933	10.50%	12.00%	134,155	\$3.39
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Bankers Hill/Hillcrest/North Park	1,686,552	5.90%	0	1,315,280	5.90%	5.90%	-5,641	\$2.56
Kearny Mesa	10,085,426	7.40%	0	7,243,877	10.00%	10.20%	-69,321	\$2.38
Mission Valley	6,796,366	11.60%	0	5,864,366	8.80%	9.80%	-87,489	\$2.75
Midway District/Old Town	1,891,407	6.10%	0	1,470,488	7.70%	7.70%	1,793	\$3.00
Pacific Beach/Rose Canyon/Morena	781,976	6.00%	0	595,797	7.70%	7.80%	-1,566	\$2.00
Central City	21,241,727	8.50%	0	16,489,808	8.90%	9.40%	-162,224	\$2.56
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Downtown San Diego	12,439,885	15.70%	372,000	12,439,885	15.00%	15.70%	-54,909	\$2.79
Downtown Business District	12,439,885	15.70%	372,000	12,439,885	15.00%	15.70%	-54,909	\$2.79
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
College Area	1,086,115	3.90%	0	967,115	4.40%	4.40%	-4,292	\$2.43
El Cajon/La Mesa/Lemon Grove/Santee	2,002,027	2.30%	0	1,792,582	2.60%	2.60%	-4,380	\$1.99
Mission Gorge	430,057	1.90%	0	212,880	3.90%	3.90%	7,299	\$1.95
East County	3,518,199	2.80%	0	2,972,577	3.30%	3.30%	-1,373	\$2.22
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Chula Vista	1,889,561	9.70%	0	1,497,233	12.30%	12.30%	-18,303	\$2.47
Coronado/San Ysidro/Imperial Beach	116,395	6.20%	0	90,395	8.00%	8.00%	-914	\$4.13
National City/Southeast San Diego	731,077	7.40%	0	650,115	8.30%	8.30%	0	\$2.12
Otay Mesa	142,533	6.00%	0	142,533	6.00%	6.00%	-953	\$2.09
South Bay	2,879,566	8.80%	0	2,380,276	10.60%	10.60%	-20,170	\$2.53
San Diego County Total	90,445,771	10.90%	1,333,950	76,893,285	11.70%	12.60%	14,978	\$2.89

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Avison Young at a Glance

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Offices:	120
Countries:	20
Brokerage Professionals:	1,600
Property Under Management:	290 million sf

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