

San Diego



Quick Stats

4.1%

San Diego County
Unemployment Rate
as of March 2020

-396,341 SF

Negative Net Absorption
Current Quarter

Positive 125,745 SF
Past 12 Months

11.0%

Total Vacancy Rate
Up from 10.6% in Q4 2019

1,818,526 SF

Under Construction
Current Quarter

\$3.03 PSF

Asking Rental Rate
Weighted Average

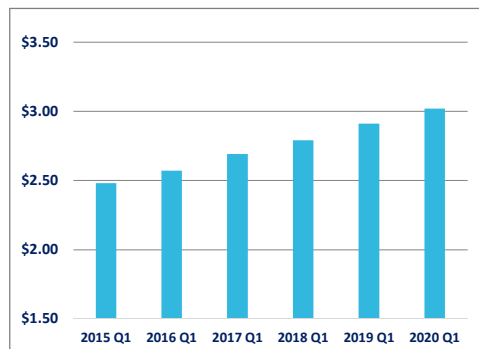
The resilience of the San Diego office market is being tested as of the close of the first quarter of 2020. Economic disruptions from the Covid-19 pandemic are expected to be felt beyond the current year. Market fundamentals for the county are well positioned, strengthened by long-time market drivers including the U.S. military, defense contractors, high-tech manufacturing, and life sciences. Desirable coastal geography on an international border contributes to tourism, property value, and serves as an advantage for the evolving logistics needs of trade and e-commerce. By the end of the first quarter, rental rates were still increasing, while vacancy remained relatively flat. As construction is deemed essential work in California, construction activity in San Diego continues at a steady pace for projects that have already commenced during the surge of development starts over the previous year. Meanwhile, the number of unemployment claims in the city continue to climb to unprecedented levels. The impact of employment losses is not yet fully reflected in statistics, but the county recorded an unemployment rate of 4.1% as of March, increasing from 2.8% in the previous quarter, and 3.5% one year ago. San Diego figures

remained below state and national averages; currently California's unemployment rate is at 5.6%, while U.S. unemployment is at 4.5%.

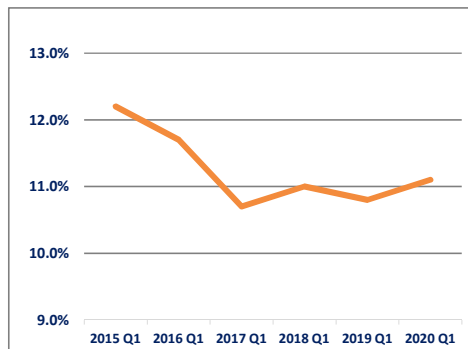
Vacancy in San Diego's office market increased to 11.0%, up 40 bps from the previous quarter, and up 20 bps as compared to one year ago. Vacancy has experienced minimal movement outside of this range over the past three years. The county recorded net negative absorption of 396,341 sf in the first quarter, bringing year-to-date absorption to positive 125,745 sf. A total of 19 investment-grade office projects were under construction in the first quarter, amounting to 2.1m sf of new inventory in the pipeline.

Rental rates increased to \$3.02 psf FSG in the first quarter, trending up from \$2.91 psf FSG at the same time in the previous year. The highest submarket rents were found in the Central Coast area at \$3.56 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. The next highest rents were recorded in the Downtown central business district, at \$2.90 psf FSG.

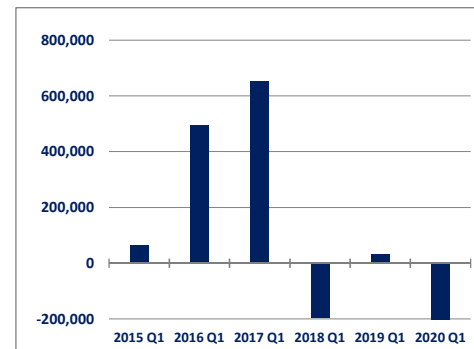
Asking Rent



Vacancy Rate



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
Fate Therapeutics	New	12278 Scripps Summit Drive	Scripps Ranch	198,880
Apple	New	16620 W Bernardo Drive	Rancho Bernardo	196,734
Qualcomm	Renewal	9940-9950 Barnes Canyon Road	Sorrento Mesa	139,807
Intel	New	16409 W Bernardo Drive	Rancho Bernardo	53,642
Dexcom	New	10455 Pacific Center Court	Sorrento Mesa	49,152

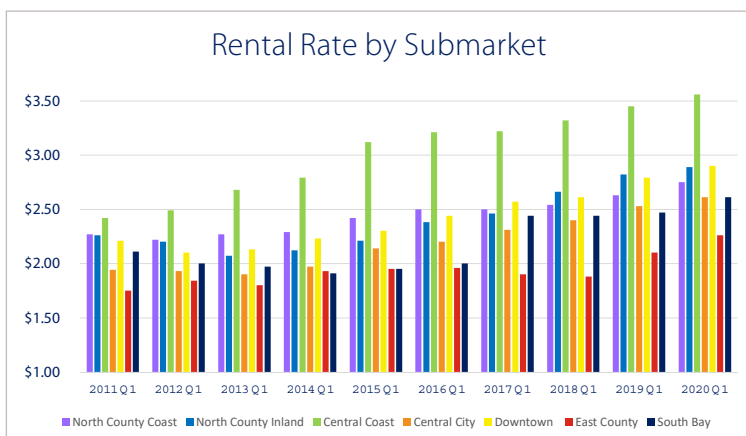
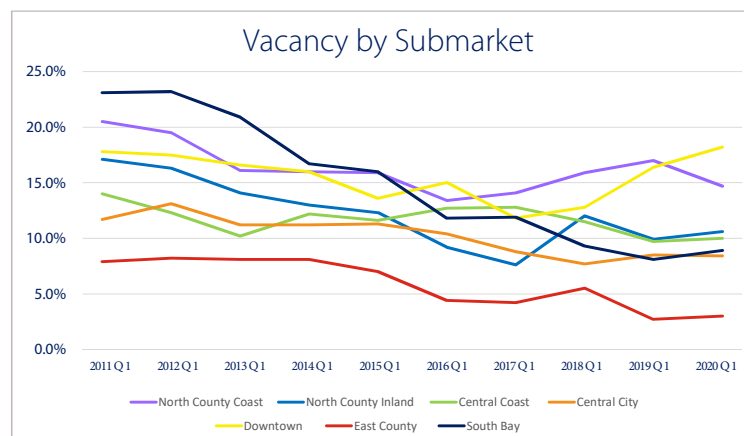
Top Sales

Address	Submarket	Buyer	Seller	Price	SF
The Elements at Wateridge	Sorrento Mesa	TPG Global, LLC	Parallel Capital Partners	\$104,500,000	278,999
Enclave Sorrento	Sorrento Mesa	Alexandria Real Estate	Alliance Bernstein	\$102,250,000	213,098
Carlsbad Airport Center	Carlsbad	Harbor Associates	Wasatch Group	\$34,200,000	177,917
Carmel Point Office Park	Rancho Bernardo	ICW Group	The Blackstone Group	\$32,500,000	120,202
La Place Court, Bldgs 1&2	Carlsbad	Intersection	Swift Real Estate Partners	\$15,775,000	81,521

Under Construction

Address	Submarket	Developer	SF	Completion
937 N Harbor Drive, Manchester Pacific Gateway	Downtown	Manchester Financial Group	372,000	Q4 2020
2100 Kettner Boulevard	Downtown	Kilroy Realty Corporation	204,754	Q2 2021
12830-12860 El Camino Real, One Paseo	Del Mar Heights	Kilroy Realty Corporation	288,484	Q2 2020
9455 Towne Centre Drive	UTC	Kilroy Realty Corporation	165,000	Q2 2020
9333 Balboa Avenue, Cubic Headquarters	Kearny Mesa	Cisterra Development	125,000	Q1 2021

SAN DIEGO	Vacancy				Net Absorption		Avg. Advertised Rates			Construction Pipeline	
	Q1 2020 Inventory (SF)	Q1 2020 Vacancy (SF)	Q1 2020 Vacancy (%)	Q4 2019 Vacancy (%)	Current Quarter Absorption	12 Month Total Absorption	Q1 2020 Rental Rates FSG	Q4 2019 Rental Rates FSG	Qtr/Qtr Change (%)	Current Qtr Deliveries	Under Construction Quarter-End
Carlsbad	5,616,773	954,680	17.0%	16.7%	-14,602	290,147	\$2.70	\$2.67	1.12%	0	0
Encinitas/Solana Beach/Del Mar	1,702,240	110,665	6.5%	6.6%	27,025	154,041	\$3.81	\$3.74	1.87%	26,353	0
Oceanside	781,127	59,913	7.7%	8.8%	8,702	16,389	\$1.94	\$2.07	-6.28%	0	100,000
San Marcos	1,202,467	84,063	7.0%	6.0%	-12,475	13,681	\$2.73	\$2.67	2.25%	0	0
Vista	783,979	268,574	34.3%	34.2%	-390	13,003	\$2.19	\$1.72	27.33%	0	0
North County Coast TOTAL	10,086,586	1,125,258	14.7%	14.5%	8,260	487,261	\$2.75	\$2.66	3.4%	26,353	100,000
Escondido	899,047	101,320	11.3%	8.2%	-27,819	-32,757	\$2.85	\$2.72	4.78%	0	75,000
Miramar/Mira Mesa	1,321,213	115,339	8.7%	6.7%	-26,306	-41,212	\$1.97	\$1.80	9.44%	0	0
Poway	1,178,887	31,448	2.7%	1.6%	-13,018	4,219	\$2.17	\$2.22	-2.25%	0	0
Carmel Mtn Rch/Rancho Bernardo	6,375,210	636,034	10.0%	9.6%	-25,032	-44,008	\$3.15	\$3.17	-0.63%	0	0
Scripps Ranch	2,624,414	433,760	16.5%	18.0%	39,915	167,628	\$2.76	\$2.71	1.85%	0	0
North County Inland TOTAL	12,398,771	884,141	10.6%	10.2%	-52,260	53,870	\$2.89	\$2.88	0.35%	0	75,000
Del Mar Heights/Carmel Valley	4,650,079	624,715	13.4%	14.4%	45,671	96,000	\$4.35	\$4.36	-0.23%	0	510,772
Governor Park	800,128	85,484	10.7%	10.0%	-44,978	7,371	\$2.82	\$2.80	0.71%	0	0
La Jolla	1,039,660	134,881	13.0%	13.2%	2,204	-69,798	\$3.44	\$3.46	-0.58%	0	0
Sorrento Mesa	8,981,083	1,088,473	10.1%	11.2%	-79,775	-210,710	\$3.16	\$3.09	2.27%	0	0
Sorrento Valley	447,338	72,546	16.2%	13.1%	-13,736	-11,039	\$2.35	\$2.08	12.98%	0	0
Torrey Pines	2,900,417	217,316	7.5%	7.1%	-11,434	-119,849	\$4.40	\$4.40	0.00%	0	0
UTC	8,561,405	502,123	5.9%	5.6%	-26,776	230,421	\$3.60	\$3.60	0.00%	98,282	165,000
Central Coast TOTAL	27,380,110	710,199	10.0%	9.6%	-128,824	-77,604	\$3.56	\$3.54	0.56%	0	675,772
Uptown/North Park	1,686,552	116,712	6.9%	6.6%	-4,856	-17,465	\$2.61	\$2.56	1.95%	0	0
Kearny Mesa	10,106,053	916,506	9.1%	6.6%	-251,861	-243,720	\$2.41	\$2.41	0.00%	0	215,000
Mission Valley	6,839,202	657,808	9.6%	11.0%	96,489	158,535	\$2.82	\$2.81	0.36%	0	0
Midway/Point Loma/Coronado	1,949,483	58,584	3.0%	3.4%	8,304	62,603	\$3.01	\$3.00	0.33%	0	0
Pacific Beach/Bay Ho/Morena	835,677	52,589	6.3%	6.9%	4,819	-8,107	\$1.99	\$1.95	2.05%	0	0
Central City TOTAL	21,416,967	1,033,218	8.4%	7.7%	-147,105	-48,154	\$2.61	\$2.58	1.16%	0	215,000
Downtown Business District	12,544,529	2,279,281	18.2%	17.3%	-110,914	-252,271	\$2.90	\$2.87	1.05%	0	666,754
Downtown CBD TOTAL	12,544,529	2,279,281	18.2%	17.3%	-110,914	-252,271	\$2.90	\$2.87	1.05%	0	666,754
College Area/La Mesa	2,068,173	80,836	3.9%	4.8%	17,864	-4,740	\$2.22	\$2.30	-3.48%	0	0
El Cajon	773,191	10,818	1.4%	0.7%	-5,132	-9,566	\$2.85	\$2.26	26.11%	0	0
Mission Gorge/Santee	642,766	12,224	1.9%	1.7%	-994	6,016	\$1.93	\$1.85	4.32%	0	86,000
East County TOTAL	3,484,130	91,654	3.0%	3.3%	11,738	-8,290	\$2.26	\$2.25	0.44%	0	86,000
Chula Vista	1,889,246	172,134	9.1%	8.3%	-15,011	-6,824	\$2.62	\$2.52	3.97%	0	0
National City/Southeast SD	728,564	59,271	8.1%	7.9%	-1,561	-5,277	\$2.12	\$2.08	1.92%	0	0
Otay Mesa/San Ysidro	174,107	15,861	9.1%	9.1%	-	-8,215	\$2.30	\$2.30	0.00%	0	0
South Bay TOTAL	2,791,917	231,405	8.9%	8.3%	-16,572	-20,316	\$2.61	\$2.51	3.98%	0	0
San Diego County TOTAL OFFICE	90,103,010	6,355,156	11.0%	10.6%	-435,677	134,496	\$3.02	\$2.98	1.34%	26,353	1,818,526

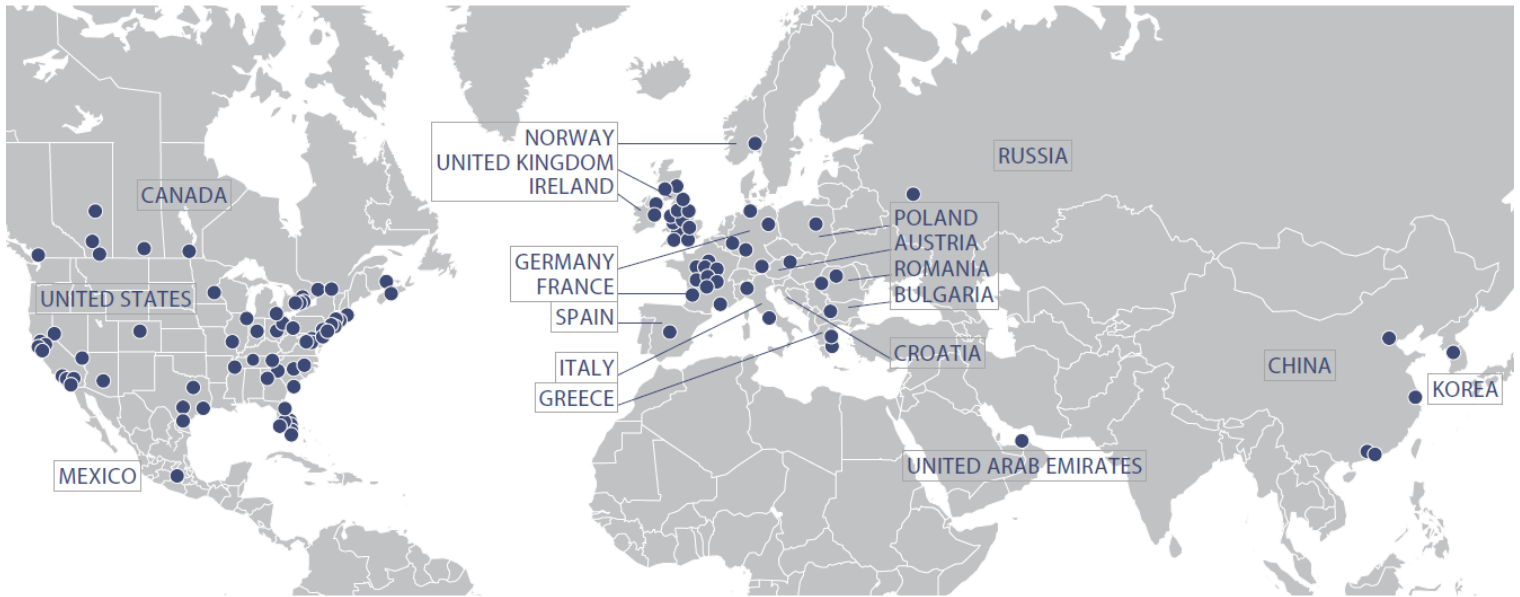


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