

# San Diego



## Quick Stats

### 3.5%

San Diego County  
Unemployment Rate  
As Of Feb 2019

### 225,703 SF

Positive Net Absorption  
Current Quarter

Positive 225,703 SF  
Year To Date

### 11.2%

Total Vacancy Rate  
Up From 10.8% In Q4 2018

### \$2.90 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 first quarter of 2019, new construction has nudged vacancy levels slightly upward, while rents set record highs again. San Diego County's unemployment rate remained nearly flat at 3.5% in the first quarter, from 3.4% one year ago.

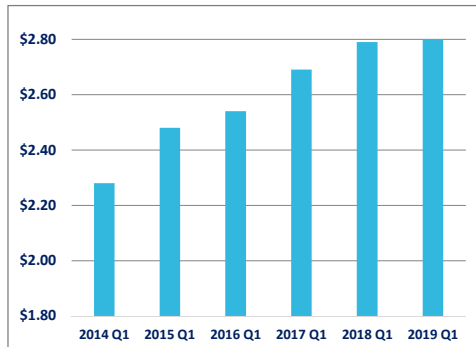
Vacancy in San Diego County's office market increased slightly to 11.2%, gaining 40 bps from the previous quarter, and up from 10.3% one year ago. Vacancy has remained relatively stable, oscillating within this historically low range for the past two years. The county recorded net positive absorption of 225,703 sf for the first quarter. 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.

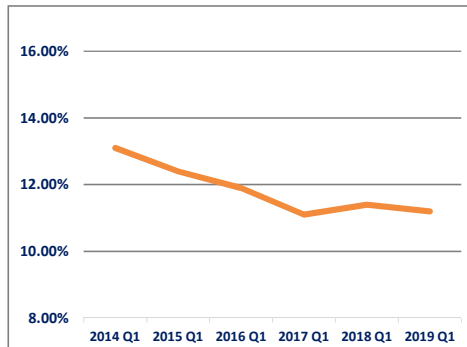
Rental rates reached \$2.90 psf FSG as of the first quarter of 2019, up from \$2.83 psf FSG in the previous quarter and significantly up from \$2.70 psf FSG at the same time in 2018. Class A properties in the Downtown market reached \$2.97 psf FSG, increasing slightly year-over-year. Meanwhile, the highest rents were found in the Central Coast submarket at \$3.82 psf FSG for Class A, driven largely by strong demand from the area's life-science sector, which is among the most prominent in the U.S.

The San Diego office market had nine investment-grade office projects under construction in the first quarter, including life-science projects, amounting to 1.56 msf of new inventory that is expected to be delivered in the next year.

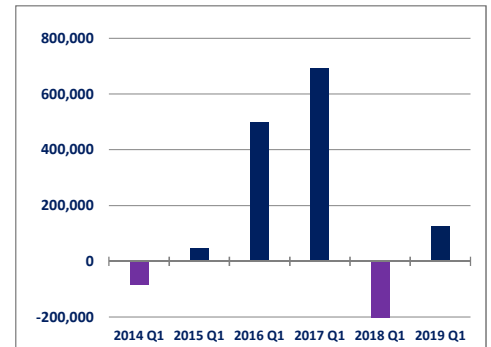
## Asking Rent



## Vacancy Rates



## Net Absorption



## Top Leases

Tenant	Type	Address	Submarket	SF
Veterans Affairs Outpatient Clinic	New	8875 Aero Drive	Kearny Mesa	140,100
Nitto BioPharma, Inc.	New	10614 Science Center Drive	Torrey Pines	59,248
Columbia Care California	New	9244 Balboa Avenue	Kearny Mesa	45,600
Qdoba Mexican Eats	New	350 Camino De La Reina	Mission Valley	34,000
TrellisWare Technologies	New	10641 Scripps Summit Court	Scripps Ranch	26,920

## Top Sales

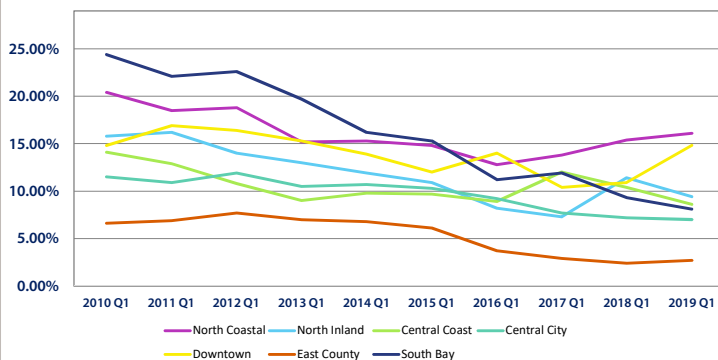
Address	Submarket	Buyer	Seller	Price	SF
4161 & 10260 Campus Point	UTC	Alexandria Real Estate Equities	Leidos	\$80,000,000	269,048
Liberty Station, Bldgs 901, 903, 905, 906	Point Loma	IDS Real Estate Group	McMillin	\$76,800,000	181,171
9350 Waxie Way	Kearny Mesa	Coast Income Properties	Stockbridge Capital Group	\$39,100,000	111,268
5575-5675 Ruffin Road	Kearny Mesa	Fenway Properties	Brookwood Four Points	\$28,200,000	124,712
3911-3931 Sorrento Valley Boulevard	Sorrento Valley	Alexandria Realty Estate Equities	Cruzan	\$23,250,000	53,220

## Under Construction

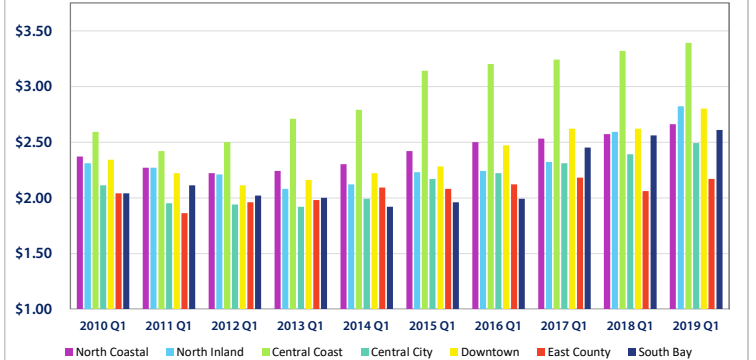
Address	Submarket	Developer	SF	Completion
937 N Harbor Drive, Manchester Pacific Gateway	Downtown	Manchester Financial Group	372,000	Q4 2020
12830-12860 El Camino Real, One Paseo	Del Mar Heights	Kilroy Realty Corporation	288,484	Q1 2020
2446 Town Garden Road, Bldgs A & B	Carlsbad	Levine Investments	177,000	Q3 2019
9455 Towne Centre Drive	UTC	Kilroy Realty Corporation	165,000	Q1 2020
10159 Scripps Gateway Court	Scripps Ranch	Sudberry Properties	158,994	Q2 2019

	Vacancy				Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline		
	Q1 2019 Inventory (SF)	Q1 2019 Vacancy (SF)	Q1 2019 Vacancy (%)	Q4 2018 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q1 2019 Rental Rates	Q4 2018 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End
<b>North County Coastal</b>												
Class A	2,624,669	445,441	17.00%	19.20%	-43,876	-43,876	\$2.75	\$2.81	-2.14%	0	0	177,000
Class B	6,889,307	1,167,560	16.90%	15.00%	-29,641	-29,641	\$2.62	\$2.50	4.80%	78,646	78,646	0
Class C	342,650	80,996	23.60%	28.00%	7,555	7,555	\$1.96	\$2.09	-6.22%	0	0	0
Total	9,856,626	1,693,997	17.20%	15.60%	-65,962	-65,962	\$2.66	\$2.59	2.70%	78,646	78,646	177,000
<b>North County Inland</b>												
Class A	5,119,046	796,987	15.60%	18.10%	118,394	118,394	\$3.22	\$3.23	-0.31%	75,000	75,000	158,994
Class B	6,672,988	420,539	6.30%	6.80%	-28,463	-28,463	\$2.39	\$2.34	2.14%	0	0	0
Class C	516,712	35,248	6.80%	4.70%	-4,269	-4,269	\$1.83	\$1.87	-2.14%	0	0	0
Total	12,308,746	1,252,774	10.20%	11.20%	85,662	85,662	\$2.82	\$2.73	3.30%	75,000	75,000	158,994
<b>Central Coast</b>												
Class A	15,389,571	1,723,886	11.20%	12.20%	298,994	298,994	\$3.82	\$3.72	2.69%	163,648	163,648	717,266
Class B	12,417,978	1,164,282	9.40%	11.20%	-73,293	-73,293	\$2.90	\$2.94	-1.36%	0	0	130,000
Class C	475,693	70,558	14.80%	8.20%	4,721	4,721	\$2.09	\$2.06	1.46%	0	0	0
Total	28,283,242	2,958,726	10.50%	11.70%	230,422	230,422	\$3.39	\$3.35	1.19%	163,648	163,648	847,266
<b>Central City</b>												
Class A	5,651,328	672,874	11.90%	9.20%	32,222	32,222	\$3.06	\$3.05	0.33%	0	0	0
Class B	12,043,764	912,180	7.60%	6.70%	-80,897	-80,897	\$2.39	\$2.30	3.91%	0	0	0
Class C	3,546,635	176,596	5.00%	4.90%	10,194	10,194	\$1.87	\$1.91	-2.09%	0	0	0
Total	21,241,727	1,761,650	8.30%	7.00%	-38,481	-38,481	\$2.49	\$2.45	1.63%	0	0	0
<b>Downtown Business District</b>												
Class A	7,259,711	754,088	10.40%	8.90%	-35,364	-35,364	\$2.97	\$2.95	0.68%	60,000	60,000	372,000
Class B	3,817,110	1,037,683	27.20%	19.40%	56,072	56,072	\$2.61	\$2.43	7.41%	0	0	0
Class C	1,363,064	110,214	8.10%	8.10%	-2,895	-2,895	\$2.21	\$2.27	-2.64%	0	0	0
Total	12,439,885	1,901,985	15.30%	12.30%	17,813	17,813	\$2.80	\$2.65	5.66%	60,000	60,000	372,000
<b>East County</b>												
Class A	233,830	5,303	2.30%	2.50%	3,341	3,341	\$2.50	\$2.33	7.30%	0	0	0
Class B	2,393,740	74,721	3.10%	2.70%	-3,851	-3,851	\$2.37	\$2.31	2.60%	0	0	0
Class C	890,629	15,564	1.70%	2.70%	8,379	8,379	\$1.76	\$1.68	4.76%	0	0	0
Total	3,518,199	95,588	2.70%	2.70%	7,869	7,869	\$2.17	\$2.07	4.83%	0	0	0
<b>South Bay</b>												
Class A	447,583	91,908	20.50%	18.90%	-9,413	-9,413	\$2.73	\$2.67	2.25%	0	0	0
Class B	2,062,619	121,867	5.90%	6.50%	-3,169	-3,169	\$2.52	\$2.50	0.80%	0	0	0
Class C	369,364	19,460	5.30%	6.40%	962	962	\$2.12	\$1.68	26.19%	0	0	0
Total	2,879,566	233,235	8.10%	8.40%	-11,620	-11,620	\$2.61	\$2.49	4.82%	0	0	0
<b>San Diego County Office</b>												
Class A	36,725,738	4,490,487	12.20%	12.30%	364,298	364,298	\$3.32	\$3.30	1.84%	298,648	298,648	1,425,260
Class B	46,297,506	4,898,832	11.10%	9.90%	-163,242	-163,242	\$2.60	\$2.54	2.77%	78,646	78,646	130,000
Class C	7,504,747	508,636	6.70%	6.00%	24,647	24,647	\$1.97	\$1.98	-3.43%	0	0	0
TOTAL	90,527,991	9,897,955	11.20%	10.80%	225,703	225,703	\$2.90	\$2.83	3.57%	377,294	377,294	1,555,260

Vacancy by Region



Rental Rate by Region



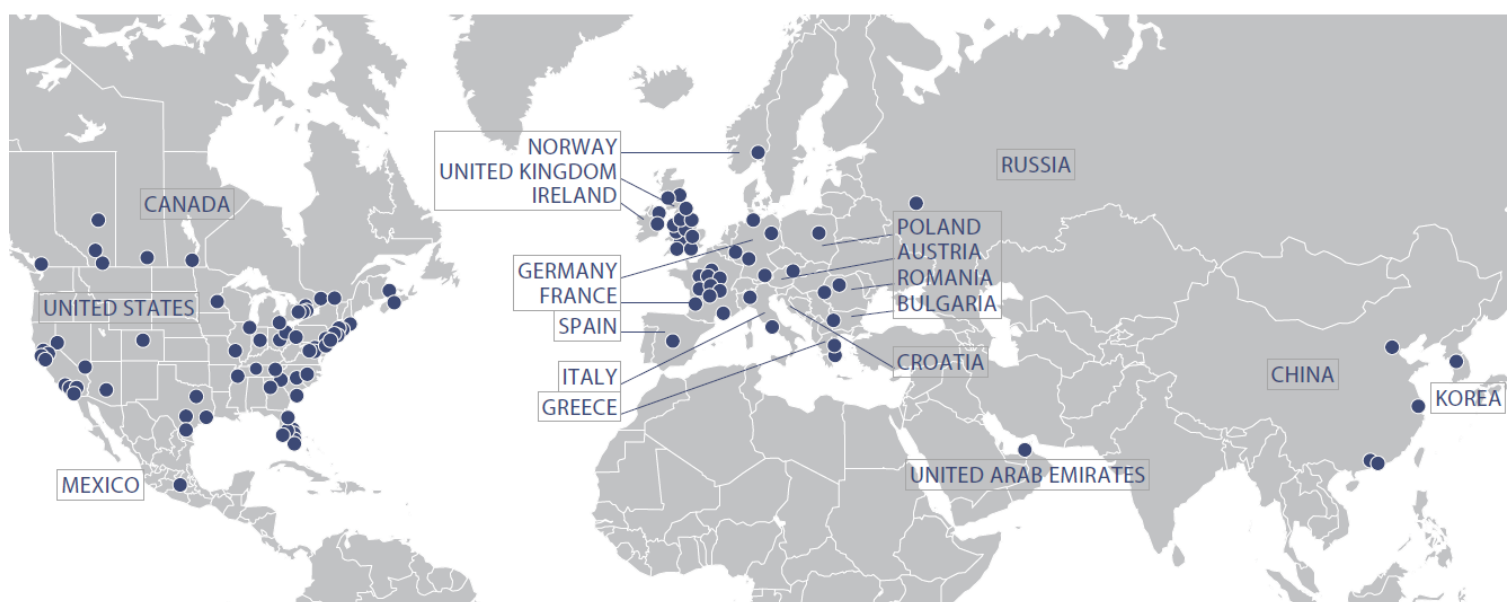
Office Markets	Total Market including owner occupied space			Leased Market				
	Existing Inventory (SF)	Total Vacancy %	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Carlsbad	5,583,448	19.40%	177,000	5,161,359	20.10%	21.00%	7,476	\$2.66
Encinitas/Solana Beach/Del Mar/RSF	1,571,510	9.70%	288,484	1,541,851	9.60%	9.70%	7,243	\$3.78
Oceanside	796,071	9.60%	0	733,300	9.70%	10.40%	-834	\$2.12
San Marcos	1,148,153	8.50%	0	791,810	9.30%	9.30%	-1,800	\$2.42
Vista	757,444	37.20%	0	732,134	23.20%	38.50%	-106,301	\$1.98
North County Coastal	9,856,626	17.20%	465,484	8,960,454	16.30%	18.30%	-94,216	\$2.66
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Escondido	899,047	7.60%	0	841,649	7.60%	7.60%	-17,649	\$2.50
Miramar/Mira Mesa	1,424,538	7.60%	0	1,381,072	6.40%	7.80%	-6,177	\$1.86
Poway	1,171,690	2.90%	0	781,905	4.30%	4.30%	639	\$2.29
Carmel Mountain Ranch/Rancho Bernardo	6,348,800	9.40%	0	4,888,528	12.00%	12.20%	83,625	\$3.11
Scripps Ranch	2,464,671	18.20%	158,994	2,147,198	20.60%	20.90%	25,224	\$2.50
North County Inland	12,308,746	10.20%	158,994	10,040,352	12.10%	12.40%	85,662	\$2.82
	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	16.70%	0	4,603,004	15.80%	16.40%	36,309	\$4.26
Governor Park	796,307	11.70%	0	796,307	10.80%	11.70%	-10,537	\$2.72
La Jolla	1,068,108	8.80%	0	1,068,108	8.10%	8.80%	-2,038	\$3.49
Sorrento Mesa	9,121,247	10.40%	158,000	6,210,949	13.40%	15.30%	51,630	\$2.82
Sorrento Valley	480,969	12.80%	0	374,224	16.40%	16.40%	-558	\$2.65
Torrey Pines	2,691,240	3.80%	137,500	1,168,409	5.80%	8.80%	-13,959	\$4.22
UTC	9,522,367	9.50%	263,282	9,364,932	7.80%	9.60%	169,575	\$3.21
Central Coast	28,283,242	10.50%	558,782	23,585,933	11.00%	12.60%	230,422	\$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	5.30%	5.40%	4,108	\$2.54
Kearny Mesa	10,085,426	6.70%	0	7,243,877	9.00%	9.30%	30,797	\$2.38
Mission Valley	6,796,366	12.10%	0	5,864,366	7.70%	8.30%	-62,125	\$2.62
Midway District/Old Town/Point Loma	1,891,407	6.20%	0	1,470,488	7.50%	7.80%	-2,962	\$2.62
Pacific Beach/Rose Canyon/Morena	781,976	5.80%	0	595,797	7.60%	7.60%	2,133	\$1.98
Central City	21,241,727	8.30%	0	16,489,808	8.10%	8.40%	-28,049	\$2.49
	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	15.30%	372,000	12,102,496	14.90%	15.70%	18,891	\$2.80
Downtown Business District	12,439,885	15.30%	372,000	12,102,496	14.90%	15.70%	18,891	\$2.80
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
College Area	1,086,115	3.50%	0	967,115	4.00%	4.00%	0	\$2.54
El Cajon/La Mesa/Lemon Grove/Santee	2,002,027	2.10%	0	1,792,582	2.30%	2.30%	15,431	\$2.04
Mission Gorge	430,057	3.60%	0	212,880	7.30%	7.30%	-9,997	\$1.88
East County	3,518,199	2.70%	0	2,972,577	3.20%	3.20%	5,434	\$2.17
	Existing Inventory (SF)	Total Vacancy%	Under Construction	Existing Inventory	Direct Vacancy %	Total Vacancy %	Total Net Absorption	Average Asking Rents
Chula Vista	1,889,561	8.70%	0	1,497,233	11.00%	11.00%	-10,044	\$2.56
Coronado/San Ysidro/Imperial Beach	116,395	5.40%	0	90,395	7.00%	7.00%	0	\$3.87
National City/Southeast San Diego	731,077	7.40%	0	650,115	8.30%	8.30%	1,780	\$2.08
Otay Mesa	142,533	5.40%	0	142,533	5.40%	5.40%	-3,356	\$2.09
South Bay	2,879,566	8.10%	0	2,380,276	9.80%	9.80%	-11,620	\$2.61
San Diego County Total	90,527,991	11.20%	1,555,260	76,531,896	12.00%	13.00%	206,524	\$2.90



## 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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### Contact Information - Southern California, United States

#### Los Angeles - Downtown

555 S Flower St, Ste 3200  
Los Angeles, CA 90071  
Primary Contact: Ted Simpson  
ted.simpson@avisonyoung.com  
213.935.7430

#### Los Angeles - North

6711 Forest Lawn Dr  
Los Angeles, CA 90068  
Primary Contact: Mark Evanoff  
mark.evanoff@avisonyoung.com  
323.851.6666

#### Los Angeles - West

10940 Wilshire Blvd, Ste 800  
Los Angeles, CA 90024  
Primary Contact: Jonathan Larsen  
jonathan.larsen@avisonyoung.com  
213.471.1069

#### Orange County - Irvine

2030 Main St, Ste 150  
Irvine, CA 92614  
Primary Contact: Keith Kropfl  
keith.kropfl@avisonyoung.com  
949.757.1190

#### San Diego - UTC

4655 Executive Dr, Ste 325  
San Diego, CA 92121  
Primary Contact: Brian Cooper  
brian.cooper@avisonyoung.com  
858.201.7068

#### Inland Empire - Ontario

3281 Guasti Rd, Suite 700  
Ontario, CA 91761  
Primary Contact: Stan Nowak  
stan.nowak@avisonyoung.com  
951.267.2770

#### Regional Managing Director:

Chris Cooper - Corporate  
555 S Flower St, Ste 3200  
Los Angeles, CA 90071  
chris.cooper@avisonyoung.com  
213.935.7435

#### Report Prepared By:

Amber Jagers - Research Director  
4655 Executive Dr, Ste 325  
San Diego, CA 92121  
amber.jagers@avisonyoung.com  
858.201.7072



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