

San Diego



Market Facts

3.2%

San Diego County
Unemployment Rate
As Of March 2018

-275,823 SF

Negative Net Absorption
Current Quarter

Positive 188,964 SF
Past 12 Months

10.3%

Total Vacancy Rate
Down From 10.5% In Q4 2017

\$2.78 PSF

Asking Rental Rate
Weighted Average

Market Overview

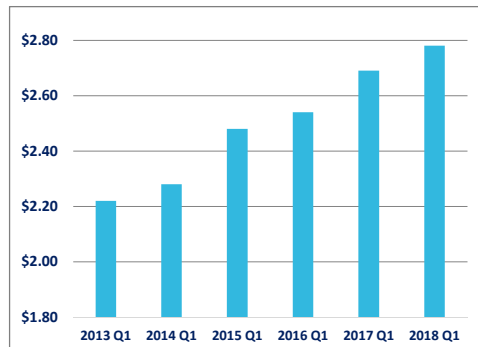
The San Diego office market remained robust with solid demand through the first quarter of 2018. Vacancy edged down across the county, while rents continue to increase quarter-over-quarter. Along with a desirable geography, the market benefits from strong demand for space by healthcare innovators, independent research institutes and sectors that work closely with the local military. Local employment increased year-over-year as unemployment dropped to 3.5% in the first quarter of 2018 from 4.2% in first-quarter 2017.

Vacancy in the county contracted to 10.3% by the end of the first quarter of 2018, as compared to 10.9% 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.

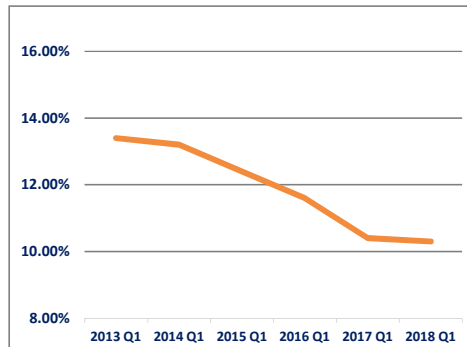
Rental rates have reached \$2.78 psf FSG as of the first quarter of 2018, increasing from \$2.69 psf FSG at the same time in the previous year. The highest rents were found in the Central Coast submarket at \$3.32 psf FSG, with the next highest rents in both the Downtown submarket and the North County Coastal area where each market reached \$2.62 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 negative 275,823 sf of office space in the first quarter of 2018, and positive 188,964 sf for the most recent 12 month period. The San Diego office market had ten investment-grade office projects under construction at the first quarter, including life science projects, amounting to 1.1B sf of new inventory that is expected to be delivered this year.

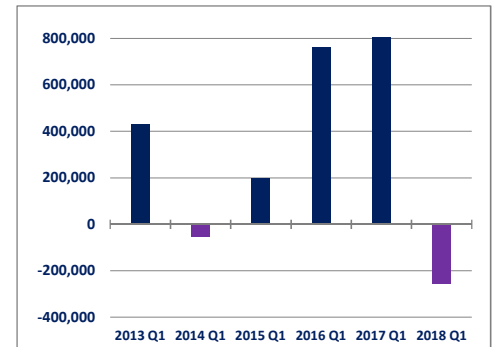
Asking Rent



Vacancy Rates



Net Absorption



Top Leases

Tenant	Type	Address	Submarket	SF
TrellisWare Technologies	New	10641 Scripps Summit Court	Scripps Ranch	59,527
Tocagen - <i>Life Science</i>	New	4242 Campus Point Court	UTC	38,849
Vividion Therapeutics - <i>Life Science</i>	Sublease	5820 Nancy Ridge Drive	Mira Mesa	34,054
Aviva Systems Biology - <i>Life Science</i>	New	7700 Ronson Road	Kearny Mesa	25,092
Avanti Workspace Executive Suites	New	5857 Owens Avenue	Carlsbad	25,065

Top Sales

Address	Submarket	Buyer	Seller	Price	SF
9965-9995 Summers Ridge Road - <i>Life Science</i>	Sorrento Mesa	Alexandria Real Estate	Quidel Corporation	\$148,650,000	316,531
3570-3580 Carmel Mountain Road	Del Mar Heights	The Irvine Company	The Prudential Insurance Co.	\$105,000,000	197,862
6310 Greenwich Dr / 5060 Shoreham Pl	Governor Park	Equinvest Capital	FPA Multifamily, LLC	\$21,500,000	76,047
3142-3156 Vista Way	Oceanside	Pacific Gateway Towers, LLC	Fenway Properties	\$14,940,000	69,432
5151 Shoreham Place	Governor Park	Performance Wealth Investments	Palisades Equity Partners	\$10,825,000	38,679

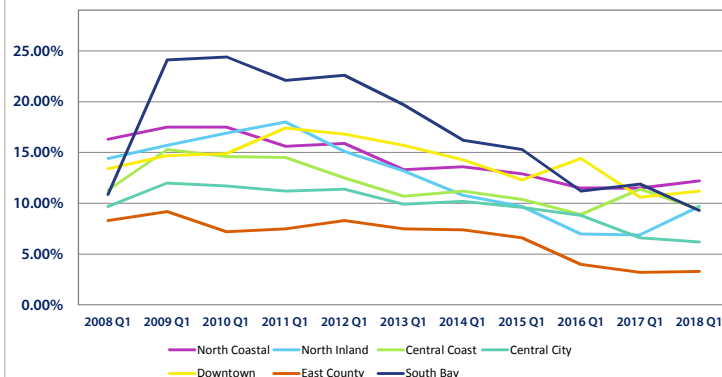
Under Construction

Address	Submarket	Developer	SF	Completion
3215 Merryfield Row - <i>Life Science</i>	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 - <i>Life Science</i>	UTC	Alexandria Real Estate Equities	150,000	Q2 2018
9310 Athena Circle - <i>Life Science</i>	Torrey Pines	BioMed Realty	137,500	Q1 2019

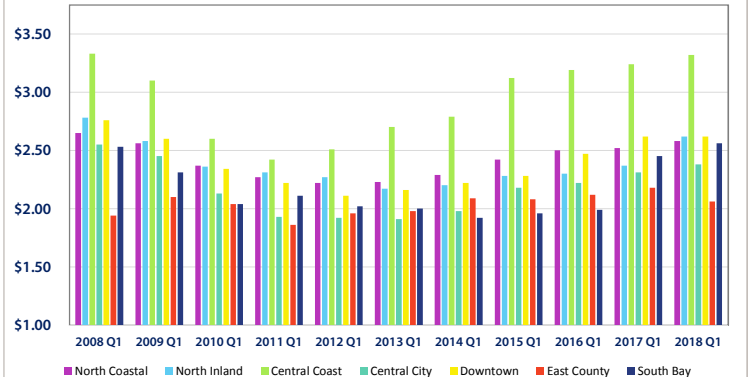
San Diego By The Numbers

Vacancy					Net Absorption		Avg. Advertised Rates (FSG)			Construction Pipeline		
Q1 2018 Inventory (SF)	Q1 2018 Vacancy (SF)	Q1 2018 Vacancy (%)	Q4 2017 Vacancy (%)	Current Quarter Absorption	Year-To-Date Absorption	Q1 2018 Rental Rates	Q4 2017 Rental Rates	Qtr/Qtr Change (%)	Current Quarter Deliveries	YTD Deliveries	Under Construction Quarter-End	
North County Coastal												
Class A	2,936,220	437,520	14.90%	21.60%	-95,953	-95,953	\$2.78	\$2.77	0.36%	48,954	48,954	0
Class B	8,849,042	1,250,803	14.10%	17.10%	-91,513	-91,513	\$2.49	\$2.42	2.89%	0	0	82,258
Class C	450,088	94,629	21.00%	42.70%	761	761	\$1.97	\$1.88	4.79%	0	0	0
Total	12,235,350	1,782,952	14.60%	16.80%	-186,705	-186,705	\$2.58	\$2.50	3.20%	48,954	48,954	82,258
North County Inland												
Class A	4,820,458	983,322	20.40%	15.60%	-210,664	-210,664	\$3.09	\$3.08	0.32%	0	0	76,400
Class B	6,363,686	404,326	6.40%	8.70%	51,160	51,160	\$2.32	\$2.27	2.20%	0	0	158,994
Class C	515,406	48,264	9.40%	10.30%	-914	-914	\$1.54	\$1.85	-16.76%	0	0	0
Total	11,699,550	1,435,912	12.30%	11.50%	-160,418	-160,418	\$2.62	\$2.57	1.95%	0	0	235,394
Central Coast												
Class A	16,366,177	1,889,296	11.50%	12.80%	70,501	70,501	\$3.62	\$3.64	-0.55%	0	0	458,023
Class B	20,781,150	2,113,096	10.20%	12.60%	-384	-384	\$2.94	\$2.95	-0.34%	0	0	130,000
Class C	1,489,583	156,466	10.50%	19.00%	-4,585	-4,585	\$1.92	\$1.95	-1.54%	0	0	0
Total	38,636,910	4,158,858	10.80%	12.10%	65,532	65,532	\$3.32	\$3.34	-0.60%	0	0	588,023
Central City												
Class A	5,369,114	369,724	6.90%	7.20%	15,101	15,101	\$2.93	\$2.87	2.09%	0	0	163,000
Class B	11,863,836	861,935	7.30%	6.60%	-77,229	-77,229	\$2.28	\$2.24	1.79%	0	0	0
Class C	3,706,273	146,161	3.90%	4.20%	10,116	10,116	\$1.92	\$1.65	16.36%	0	0	0
Total	20,939,223	1,377,820	6.60%	6.30%	-52,012	-52,012	\$2.38	\$2.29	3.93%	0	0	163,000
Downtown Business District												
Class A	6,697,847	570,461	8.50%	8.80%	18,375	18,375	\$2.90	\$2.93	-1.02%	0	0	60,000
Class B	3,932,027	722,705	18.40%	15.50%	10,027	10,027	\$2.42	\$2.29	5.68%	0	0	0
Class C	1,436,550	143,968	10.00%	12.00%	17,880	17,880	\$2.35	\$2.47	-4.86%	0	0	0
Total	12,066,424	1,437,134	11.90%	11.40%	46,282	46,282	\$2.62	\$2.60	0.77%	0	0	60,000
East County												
Class A	233,830	5,926	2.50%	2.50%	0	0	\$2.34	\$2.40	-2.50%	0	0	0
Class B	2,241,518	65,387	2.90%	2.70%	446	446	\$2.21	\$2.07	6.76%	0	0	0
Class C	783,273	38,882	5.00%	3.80%	-8,261	-8,261	\$1.64	\$1.37	19.71%	0	0	0
Total	3,258,621	110,195	3.40%	3.00%	-7,815	-7,815	\$2.06	\$1.93	6.74%	0	0	0
South Bay												
Class A	447,583	97,980	21.90%	21.90%	0	0	\$2.56	\$2.56	0.00%	0	0	0
Class B	2,062,619	152,457	7.40%	8.30%	19,313	19,313	\$2.60	\$2.50	4.00%	0	0	0
Class C	369,364	23,696	6.40%	7.10%	0	0	\$2.00	\$1.99	0.50%	0	0	0
Total	2,879,566	274,133	9.50%	10.30%	19,313	19,313	\$2.56	\$2.47	3.64%	0	0	0
San Diego County Office												
Class A	36,871,229	4,354,229	11.80%	11.40%	-202,640	-202,640	\$3.24	\$3.25	-0.31%	48,954	48,954	757,423
Class B	56,093,878	5,570,709	9.70%	10.10%	-88,180	-88,180	\$2.50	\$2.46	1.63%	0	0	371,252
Class C	8,750,537	652,066	7.40%	7.00%	14,997	14,997	\$1.99	\$1.92	3.65%	0	0	0
TOTAL	101,715,644	10,577,004	10.30%	10.50%	-275,823	-275,823	\$2.78	\$2.76	0.72%	48,954	48,954	1,128,675

Vacancy by Region



Rental Rate by Region

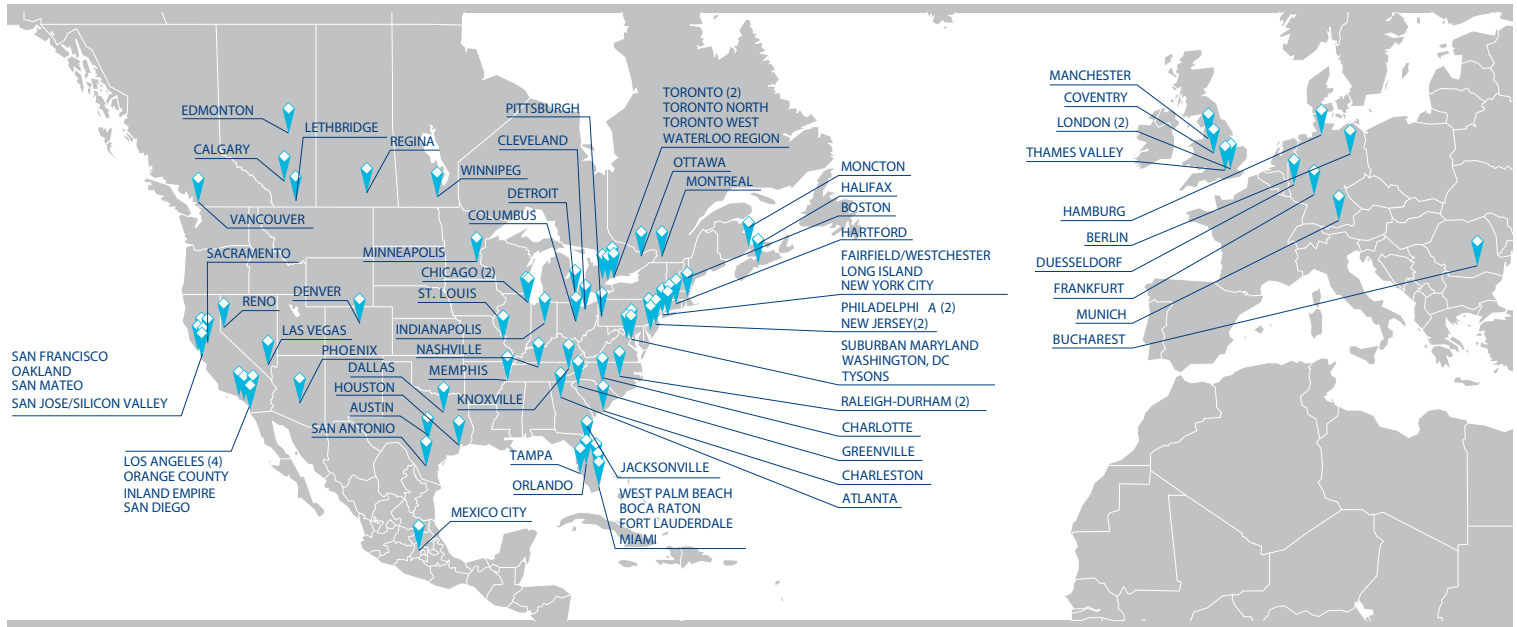


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