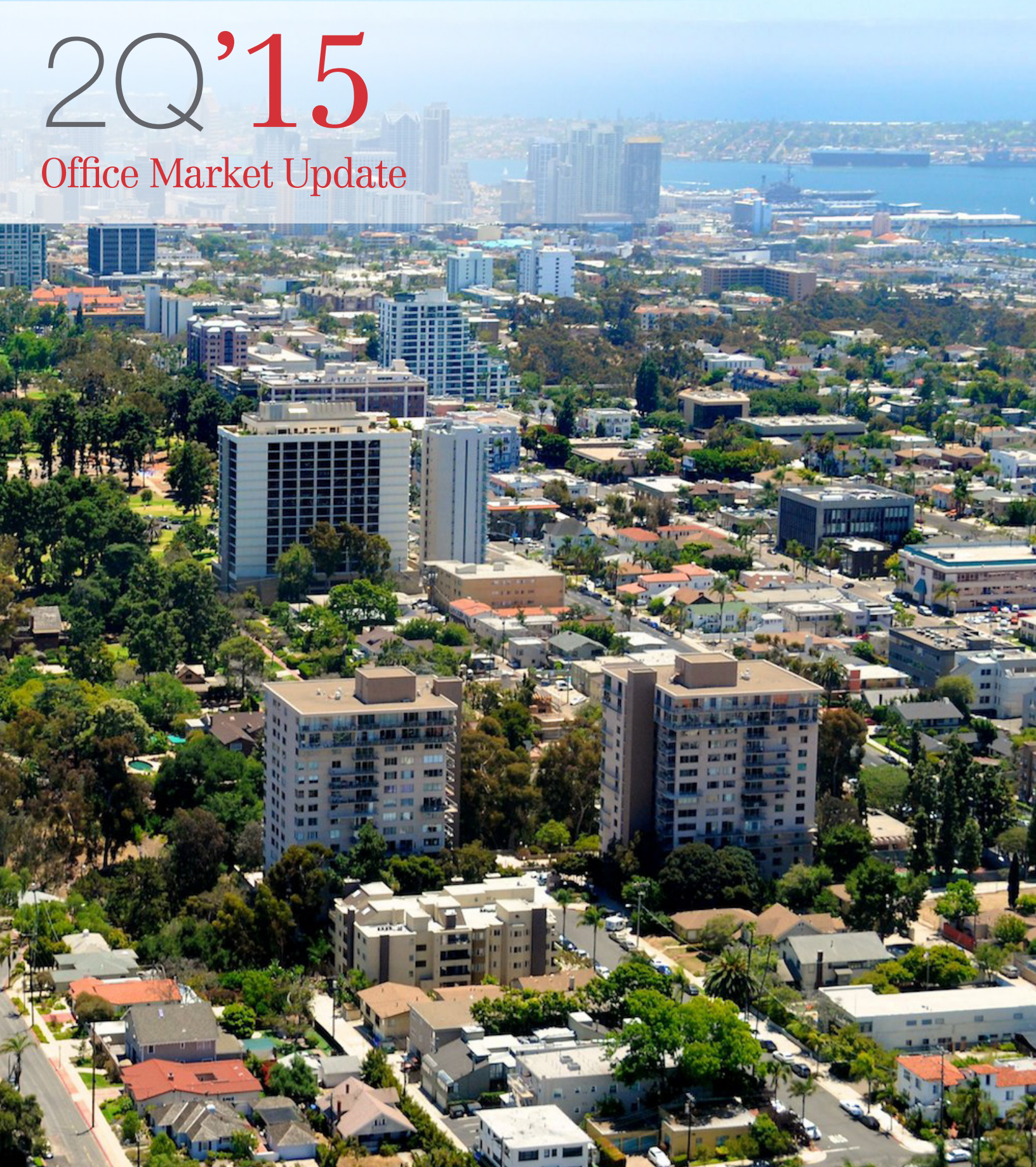


# 2Q'15

Office Market Update





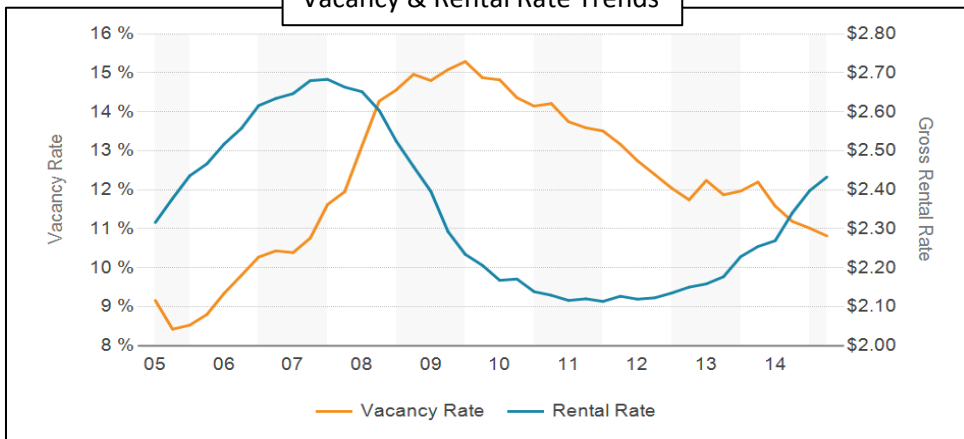
# Overview

The San Diego Office market finished the second quarter of 2015 with a vacancy rate of 10.9%. The vacancy rate decreased over the previous quarter, with net absorption totaling positive 315,566 square feet in the second quarter. Rental rates increased from the previous quarter, ending in the second quarter at \$29.23.

During the second quarter 2015, 1,071,020 square feet of office space was under construction and one building totaling 177,269 square feet was completed. This compares to two buildings totaling 15,820 square feet that were completed in the first quarter 2015.

Total office inventory in the San Diego market area amounted to 113,189,617 square feet in 5,341 buildings. Within the Office market there were 372 owner occupied buildings accounting for 12,172,873 square feet of office space.

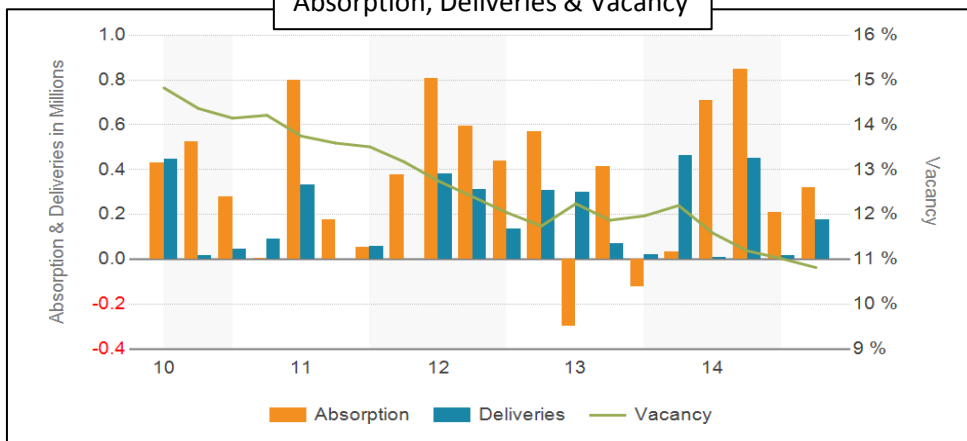
Vacancy & Rental Rate Trends



**VACANCY**  
10.9%  
-0.24% YTD

**RENTS**  
(WEIGHTED)  
\$2.41 PSF  
+\$0.03 YTD

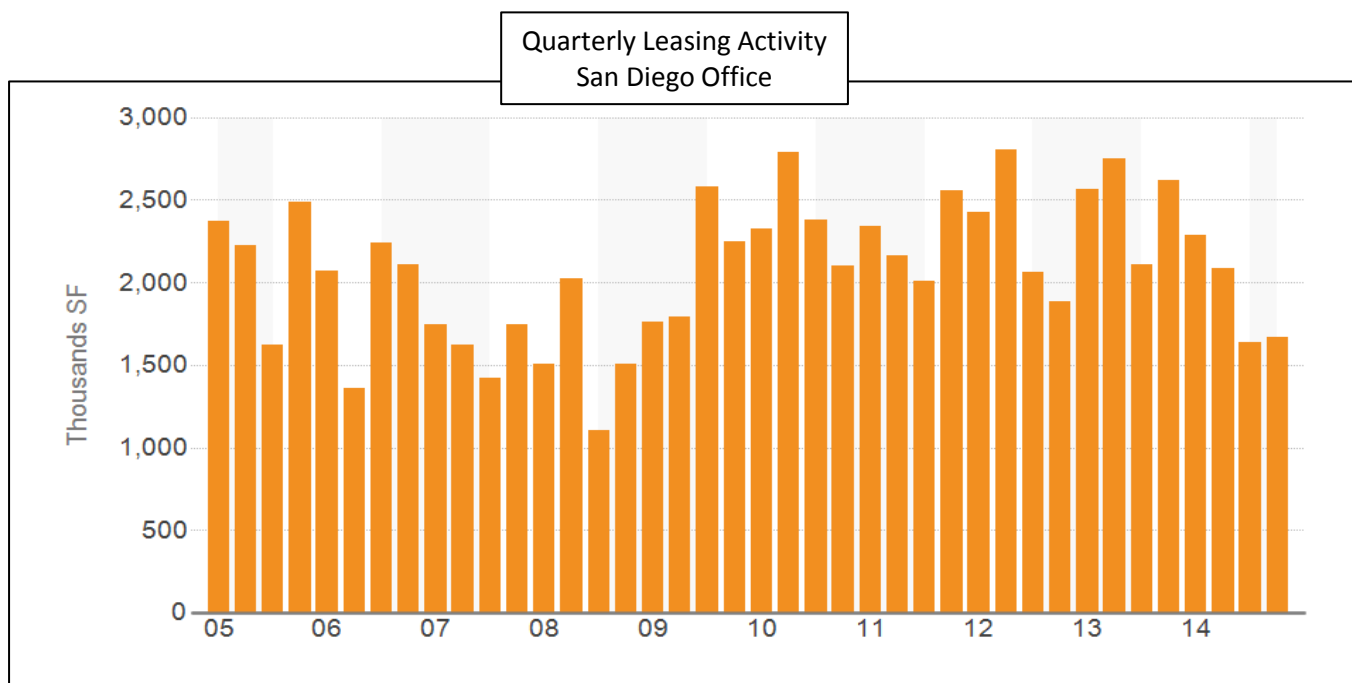
Absorption, Deliveries & Vacancy



**ABSORPTION**  
+315,566

**SAN DIEGO**  
UNEMPLOYMENT  
= 4.9%

Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Constr.	Quoted Rent
North County	15,459,334	2,042,867	147,385	2,190,252	14.17%	(23,560)	193,089	\$2.25
Golden Triangle	26,945,627	2,990,591	292,998	3,283,589	12.19%	93,616	0	\$3.05
Central San Diego	23,933,817	2,248,811	84,135	2,332,946	9.75%	111,694	0	\$2.11
Greater Downtown	20,195,193	2,118,272	24,875	2,143,147	10.61%	188,090	0	\$2.30
I-15 Corridor	13,622,472	1,184,984	124,822	1,309,806	9.62%	140,791	0	\$2.20
South Bay	4,752,381	531,414	3,197	534,611	11.25%	21,448	0	\$2.12
East County	8,280,793	497,435	6,388	503,823	6.08%	(4,828)	0	\$1.70
<b>Total - San Diego County</b>	<b>113,189,617</b>	<b>11,614,374</b>	<b>683,800</b>	<b>12,298,174</b>	<b>10.87%</b>	<b>527,251</b>	<b>193,089</b>	<b>\$2.41</b>



### Methodology

The data used in the NAI San Diego Office Update is based on office and medical office buildings of all sizes, in all classes (including owner-user buildings) in order to provide the broadest view of the market. We have divided San Diego County into seven Markets for office properties: North County, Golden Triangle, Central San Diego, Greater Downtown, I-15 Corridor, South Bay and East County. Rental rates are based on quoted rents for available space on a monthly, per square foot, full service gross basis. Average rents are weighted based on available square footage. The information contained in this report is sourced from NAI San Diego, CoStar, the California Employment Development Department and other sources deemed to be reliable, but no warranty is made as to the accuracy of the data nor its usefulness for any particular purpose.

# By the Numbers

Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Constr.	Quoted Rent
Carlsbad	6,760,865	1,122,559	131,988	1,254,547	18.56%	(114,500)	177,269	\$2.28
North Beach Cities	3,269,570	156,159	15,397	171,556	5.25%	23,455	0	\$3.07
North Central County	325,479	27,318	0	27,318	8.39%	12,516	0	\$3.76
Oceanside	1,772,288	254,860	0	254,860	14.38%	22,388	15,820	\$1.83
San Marcos	1,576,841	192,809	0	192,809	12.23%	4,655	0	\$2.22
Vista	<u>1,754,291</u>	<u>289,162</u>	<u>0</u>	<u>289,162</u>	<u>16.48%</u>	<u>27,926</u>	<u>0</u>	<u>\$1.88</u>
<b>Subtotal - North County</b>	<b>15,459,334</b>	<b>2,042,867</b>	<b>147,385</b>	<b>2,190,252</b>	<b>14.17%</b>	<b>(23,560)</b>	<b>193,089</b>	<b>\$2.25</b>
Del Mar/Carmel Valley	4,571,514	420,274	70,658	490,932	10.74%	126,774	0	\$3.68
Governor Park	858,002	141,949	2,306	144,255	16.81%	4,711	0	\$2.34
Sorrento Mesa	9,747,135	1,031,974	34,732	1,066,706	10.94%	(127,833)	0	\$2.56
Sorrento Valley	754,415	101,859	0	101,859	13.50%	(8,895)	0	\$2.31
Torrey Pines	2,903,651	251,304	15,417	266,721	9.19%	(43,309)	0	\$3.80
UTC	<u>8,110,910</u>	<u>1,043,231</u>	<u>169,885</u>	<u>1,213,116</u>	<u>14.96%</u>	<u>142,168</u>	<u>0</u>	<u>\$3.21</u>
<b>Subtotal - Golden Triangle</b>	<b>26,945,627</b>	<b>2,990,591</b>	<b>292,998</b>	<b>3,283,589</b>	<b>12.19%</b>	<b>93,616</b>	<b>0</b>	<b>\$3.05</b>
Kearny Mesa	10,873,486	1,171,222	8,938	1,180,160	10.85%	(74,515)	0	\$1.98
La Jolla	1,963,049	186,921	26,577	213,498	10.88%	39,904	0	\$3.15
Mira Mesa/Miramar	1,791,376	219,396	22,088	241,484	13.48%	55,719	0	\$1.61
Mission Valley	7,036,610	586,736	26,532	613,268	8.72%	80,645	0	\$2.25
PB/Rose Canyon/Moren.	1,839,295	75,992	0	75,992	4.13%	5,843	0	\$1.83
Uptown East	<u>430,001</u>	<u>8,544</u>	<u>0</u>	<u>8,544</u>	<u>1.99%</u>	<u>4,098</u>	<u>0</u>	<u>\$1.51</u>
<b>Subtotal - Central San Diego</b>	<b>23,933,817</b>	<b>2,248,811</b>	<b>84,135</b>	<b>2,332,946</b>	<b>9.75%</b>	<b>111,694</b>	<b>0</b>	<b>\$2.11</b>
Coronado	181,580	1,091	0	1,091	0.60%	(1,091)	0	\$3.82
Downtown	13,131,376	1,699,213	20,109	1,719,322	13.09%	145,359	0	\$2.30
Old Twn/S Arena/Pt L.	2,751,511	261,624	0	261,624	9.51%	(12,860)	0	\$2.36
Park East	411,957	7,225	4,766	11,991	2.91%	(5,970)	0	\$1.58
Uptown West/Park Wes.	<u>3,718,769</u>	<u>149,119</u>	<u>0</u>	<u>149,119</u>	<u>4.01%</u>	<u>62,652</u>	<u>0</u>	<u>\$2.33</u>
<b>Subtotal - Greater Downtown</b>	<b>20,195,193</b>	<b>2,118,272</b>	<b>24,875</b>	<b>2,143,147</b>	<b>10.61%</b>	<b>188,090</b>	<b>0</b>	<b>\$2.30</b>
Escondido	2,519,326	269,471	1,739	271,210	10.77%	40,000	0	\$1.82
Poway	1,582,035	117,020	3,336	120,356	7.61%	(15,343)	0	\$2.14
Rancho Bernardo	6,825,176	436,216	119,247	555,463	8.14%	3,884	0	\$2.39
Scripps Ranch	<u>2,695,935</u>	<u>362,277</u>	<u>500</u>	<u>362,777</u>	<u>13.46%</u>	<u>112,250</u>	<u>0</u>	<u>\$2.24</u>
<b>Subtotal - I-15 Corridor</b>	<b>13,622,472</b>	<b>1,184,984</b>	<b>124,822</b>	<b>1,309,806</b>	<b>9.62%</b>	<b>140,791</b>	<b>0</b>	<b>\$2.20</b>
Chula Vista	3,422,535	367,503	2,097	369,600	10.80%	30,908	0	\$2.22
National City	836,522	130,498	1,100	131,598	15.73%	(7,515)	0	\$1.96
Otay Mesa	289,291	28,231	0	28,231	9.76%	(1,019)	0	\$1.71
San Ysidro/Imperial .	<u>204,033</u>	<u>5,182</u>	<u>0</u>	<u>5,182</u>	<u>2.54%</u>	<u>(926)</u>	<u>0</u>	<u>\$1.58</u>
<b>Subtotal - South Bay</b>	<b>4,752,381</b>	<b>531,414</b>	<b>3,197</b>	<b>534,611</b>	<b>11.25%</b>	<b>21,448</b>	<b>0</b>	<b>\$2.12</b>
College Area	1,402,749	76,687	0	76,687	5.47%	23,591	0	\$2.18
El Cajon / La Mesa / Santee	5,615,331	317,566	900	318,466	5.67%	(36,750)	0	\$1.72
Mission Gorge	713,314	34,104	5,488	39,592	5.55%	5,939	0	\$1.29
Southeast San Diego	<u>549,399</u>	<u>69,078</u>	<u>0</u>	<u>69,078</u>	<u>12.57%</u>	<u>2,392</u>	<u>0</u>	<u>\$1.27</u>
<b>Subtotal - East County</b>	<b>8,280,793</b>	<b>497,435</b>	<b>6,388</b>	<b>503,823</b>	<b>6.08%</b>	<b>(4,828)</b>	<b>0</b>	<b>\$1.70</b>
<b>Total - San Diego County</b>	<b>113,189,617</b>	<b>11,614,374</b>	<b>683,800</b>	<b>12,298,174</b>	<b>10.87%</b>	<b>527,251</b>	<b>193,089</b>	<b>\$2.41</b>

# 2Q'15

## Office Market Update

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