

3Q'15

Office Market Update

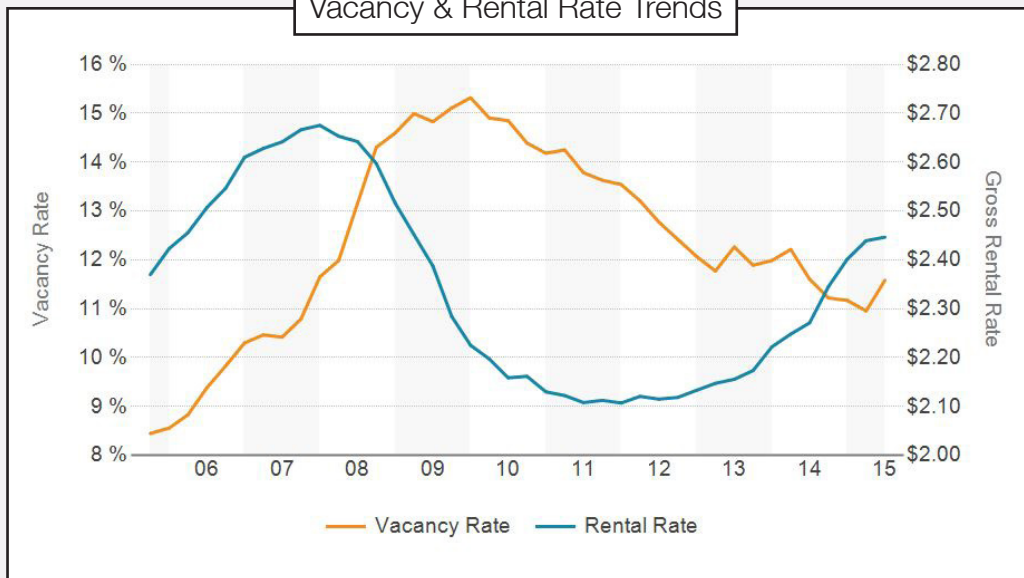
The San Diego Office market ended the third quarter 2015 with a vacancy rate of 11.6%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (163,690) square feet in the third quarter. Vacant sublease space increased in the quarter, ending the quarter at 995,305 square feet. Rental rates ended the third quarter at \$2.43, an increase over the previous quarter.

During the third quarter 2015, four buildings totaling 669,155 square feet were completed in the San Diego market area. This compares to one building totaling 177,269 square feet that was completed in the second quarter 2015. There was 641,164 square feet of office space under construction at the end of the third quarter 2015.

Cap rates have been higher in 2015, averaging 6.58% compared to the same period in 2014 when they averaged 6.46%.

San Diego County ended the third quarter with a 4.6% unemployment rate. This beats the California average of 5.5%, as well as the 4.9% national average.

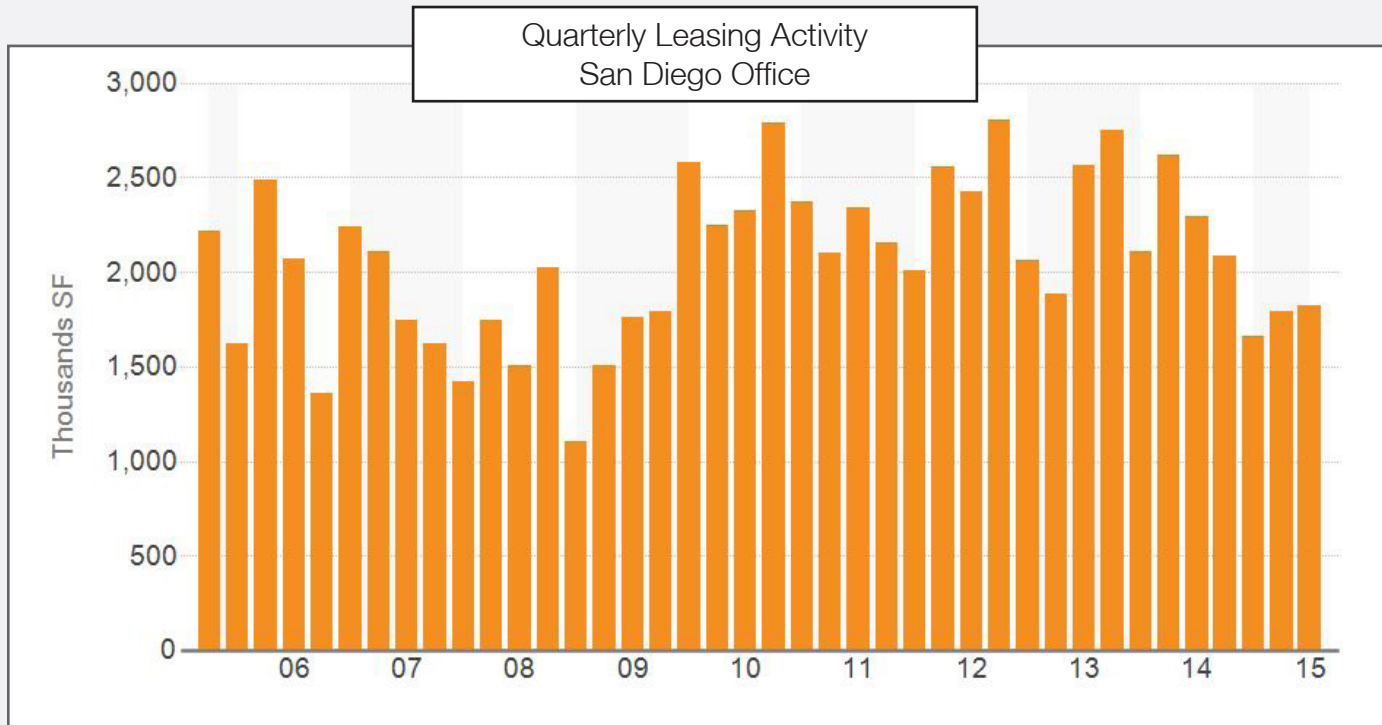
Vacancy & Rental Rate Trends



Absorption, Delivery & Vacancy



Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rent
North County	15,495,019	1,958,246	142,884	2,101,130	13.56%	85,232	256,842	\$2.23
Golden Triangle	27,364,983	3,282,129	465,829	3,747,958	13.70%	21,895	240,476	\$3.04
Central San Diego	23,941,588	2,342,391	89,661	2,432,052	10.16%	12,588	14,750	\$2.13
Greater Downtown	20,450,217	2,454,364	30,934	2,485,298	12.15%	139,364	4,096	\$2.32
I-15 Corridor	13,639,994	1,153,745	260,678	1,414,423	10.37%	41,463	100,000	\$2.20
South Bay	4,719,679	518,630	3,197	521,827	11.06%	34,732	0	\$2.14
East County	8,267,009	522,487	2,122	524,609	6.35%	(25,614)	25,000	\$1.73
Total - San Diego County	113,878,489	12,231,992	995,305	13,227,297	11.62%	309,660	641,164	\$2.43



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.

Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Constr.	Quoted Rent
Carlsbad	6,764,354	1,114,901	124,614	1,239,515	18.32%	(109,900)	236,742	\$2.24
North Beach Cities	3,276,636	133,819	18,270	152,089	4.64%	42,922	0	\$3.04
North Central County	311,800	23,818	0	23,818	7.64%	15,016	20,100	\$3.96
Oceanside	1,780,778	239,948	0	239,948	13.47%	38,400	0	\$1.83
San Marcos	1,606,843	185,454	0	185,454	11.54%	42,012	0	\$2.25
Vista	1,754,608	260,306	0	260,306	14.84%	56,782	0	\$1.86
Subtotal - North County	15,495,019	1,958,246	142,884	2,101,130	13.56%	85,232	256,842	\$2.23
Del Mar/Carmel Valley	4,585,483	447,540	38,354	485,894	10.60%	145,013	168,760	\$3.66
Governor Park	856,764	120,726	2,310	123,036	14.36%	25,930	0	\$2.34
Sorrento Mesa	9,746,900	1,175,030	223,138	1,398,168	14.34%	(459,295)	6,884	\$2.52
Sorrento Valley	808,842	123,261	0	123,261	15.24%	22,871	0	\$2.17
Torrey Pines	2,903,651	154,366	19,039	173,405	5.97%	70,335	0	\$4.55
UTC	8,463,343	1,261,206	182,988	1,444,194	17.06%	217,041	64,832	\$3.30
Subtotal - Golden Triangle	27,364,983	3,282,129	465,829	3,747,958	13.70%	21,895	240,476	\$3.04
Kearny Mesa	10,878,607	1,265,572	14,931	1,280,503	11.77%	(174,858)	0	\$1.98
La Jolla	1,967,108	160,154	28,119	188,273	9.57%	65,129	14,750	\$3.18
Mira Mesa/Miramar	1,792,592	195,307	22,088	217,395	12.13%	79,808	0	\$1.72
Mission Valley	7,032,188	640,714	24,523	665,237	9.46%	28,676	0	\$2.29
PB/Rose Canyon/Moren.	1,841,092	70,600	0	70,600	3.83%	11,235	0	\$1.89
Uptown East	430,001	10,044	0	10,044	2.34%	2,598	0	\$1.55
Subtotal - Central San Diego	23,941,588	2,342,391	89,661	2,432,052	10.16%	12,588	14,750	\$2.13
Coronado	181,580	1,091	0	1,091	0.60%	(1,091)	0	\$3.82
Downtown	13,416,523	2,039,993	23,018	2,063,011	15.38%	112,670	0	\$2.34
Old Twn/S Arena/Pt L.	2,757,179	255,708	0	255,708	9.27%	(6,944)	4,096	\$2.18
Park East	404,157	0	4,766	4,766	1.18%	1,255	0	\$1.58
Uptown West/Park Wes.	3,690,778	157,572	3,150	160,722	4.35%	33,474	0	\$2.36
Subtotal - Greater Downtown	20,450,217	2,454,364	30,934	2,485,298	12.15%	139,364	4,096	\$2.32
Escondido	2,523,360	253,511	1,739	255,250	10.12%	55,960	0	\$1.83
Poway	1,581,542	114,739	5,065	119,804	7.58%	(14,291)	0	\$2.31
Rancho Bernardo	6,817,176	447,746	244,120	691,866	10.15%	(127,730)	100,000	\$2.30
Scripps Ranch	2,717,916	337,749	9,754	347,503	12.79%	127,524	0	\$2.23
Subtotal - I-15 Corridor	13,639,994	1,153,745	260,678	1,414,423	10.37%	41,463	100,000	\$2.20
Chula Vista	3,423,548	354,197	2,097	356,294	10.41%	44,714	0	\$2.24
National City	804,578	134,248	1,100	135,348	16.82%	(11,265)	0	\$1.99
Otay Mesa	287,520	25,003	0	25,003	8.70%	2,209	0	\$1.71
San Ysidro/Imperial .	204,033	5,182	0	5,182	2.54%	(926)	0	\$1.58
Subtotal - South Bay	4,719,679	518,630	3,197	521,827	11.06%	34,732	0	\$2.14
College Area	1,394,320	86,722	0	86,722	6.22%	13,556	25,000	\$2.21
El Cajon / La Mesa / Santee	5,610,849	340,411	2,122	342,533	6.10%	(60,817)	0	\$1.73
Mission Gorge	712,500	29,574	0	29,574	4.15%	15,957	0	\$1.30
Southeast San Diego	549,340	65,780	0	65,780	11.97%	5,690	0	\$1.29
Subtotal - East County	8,267,009	522,487	2,122	524,609	6.35%	(25,614)	25,000	\$1.73
Total - San Diego County	113,878,489	12,231,992	995,305	13,227,297	11.62%	309,660	641,164	\$2.43

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