

# 4Q'15

## Office Market Update

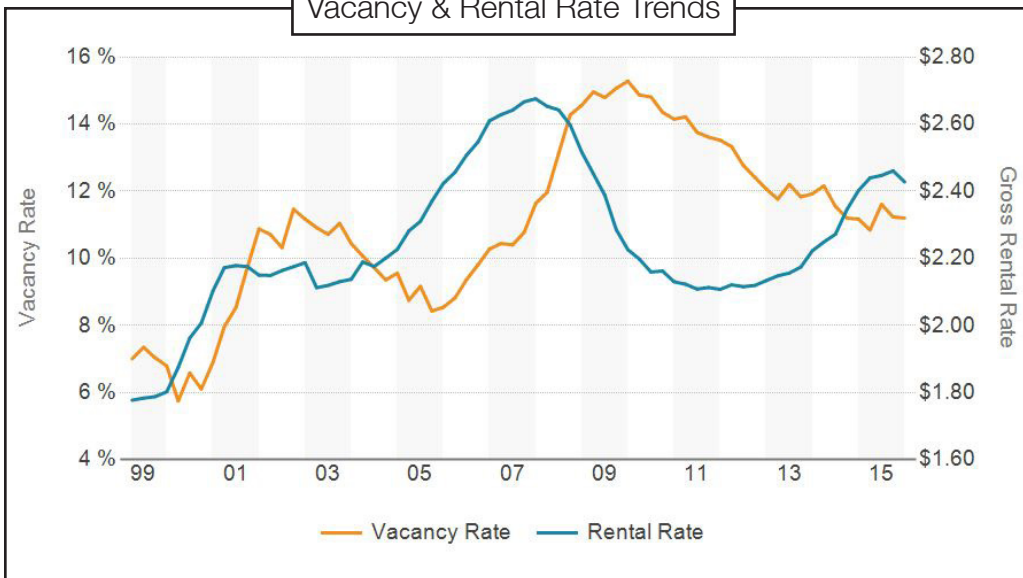


The San Diego Office market ended the fourth quarter 2015 with a vacancy rate of 11.3%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 490,673 square feet in the fourth quarter. Vacant sublease space decreased in the quarter, ending the quarter at 869,895 square feet.

The average quoted asking rental rate for available office space, all classes, was \$2.47 per square foot per year at the end of the fourth quarter 2015 in the San Diego market area. This represented a 0.5% increase in quoted rental rates from the end of the third quarter 2015, when rents were reported at \$2.45 per square foot.

Just three buildings delivered to the San Diego market in the quarter totaling 86,534 square feet, which results in a total of 1,042,000 square feet delivered in 2015. 623,581 square feet was still under construction at the end of the quarter.

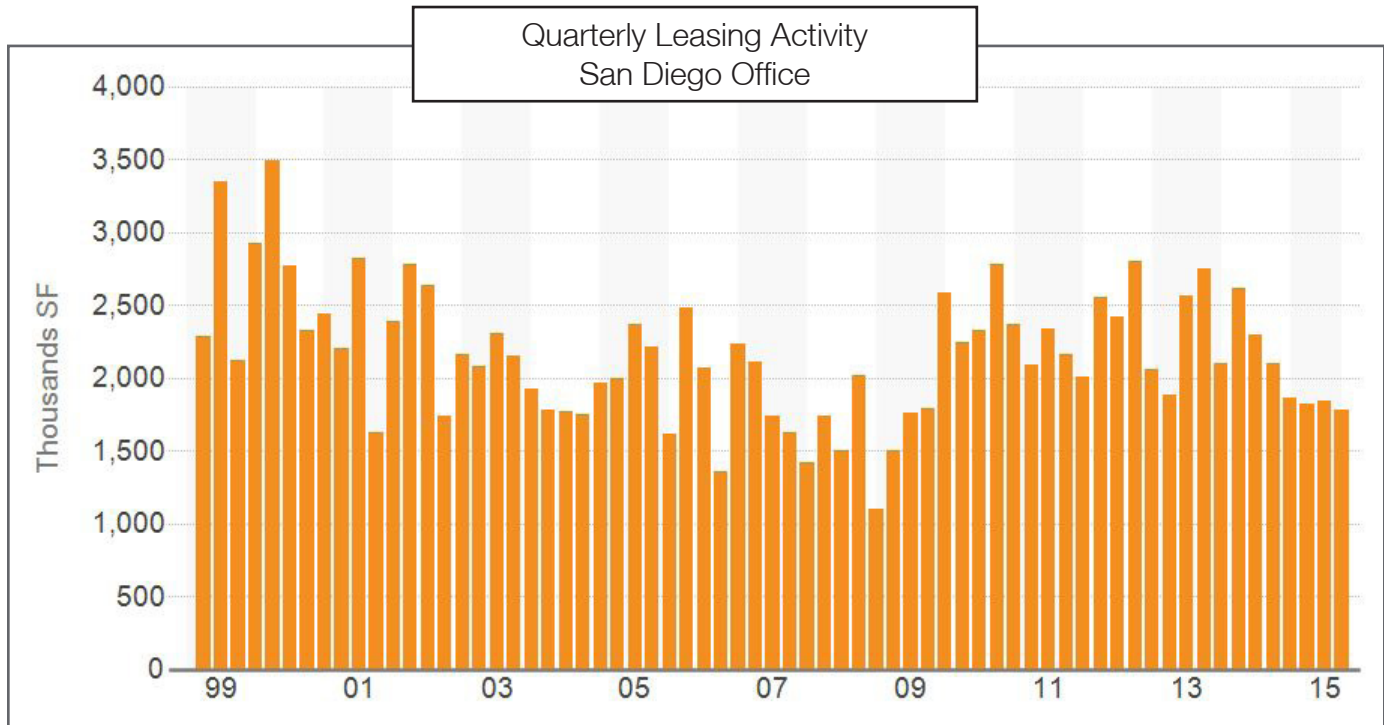
Vacancy & Rental Rate Trends



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	15,569,437	1,826,029	49,699	1,875,728	12.05%	307,799	322,903	\$2.27
Golden Triangle	27,408,445	3,262,804	438,585	3,701,389	13.50%	114,334	156,832	\$3.04
Central San Diego	23,532,999	2,267,187	60,660	2,327,847	9.89%	92,498	14,750	\$2.18
Greater Downtown	20,758,764	2,543,823	62,206	2,606,029	12.55%	17,318	4,096	\$2.40
I-15 Corridor	13,784,933	1,065,085	255,548	1,320,633	9.58%	135,253	100,000	\$2.20
South Bay	4,663,115	534,368	3,197	537,565	11.53%	20,134	0	\$2.12
East County	8,279,157	499,205	0	499,205	6.03%	(210)	25,000	\$1.72
<b>Total - San Diego County</b>	<b>113,996,850</b>	<b>11,998,501</b>	<b>869,895</b>	<b>12,868,396</b>	<b>11.29%</b>	<b>687,126</b>	<b>623,581</b>	<b>\$2.47</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.

Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Constr.	Quoted Rent
Carlsbad	6,836,326	1,070,291	36,146	1,106,437	16.18%	21,364	302,442	\$2.31
North Beach Cities	3,275,032	109,729	13,553	123,282	3.76%	71,729	0	\$3.08
North Central County	311,800	23,619	0	23,619	7.58%	15,215	20,461	\$3.28
Oceanside	1,785,394	234,577	0	234,577	13.14%	42,750	0	\$1.95
San Marcos	1,606,843	174,395	0	174,395	10.85%	53,071	0	\$2.29
Vista	1,754,042	213,418	0	213,418	12.17%	103,670	0	\$1.80
<b>Subtotal - North County</b>	<b>15,569,437</b>	<b>1,826,029</b>	<b>49,699</b>	<b>1,875,728</b>	<b>12.05%</b>	<b>307,799</b>	<b>322,903</b>	<b>\$2.27</b>
Del Mar/Carmel Valley	4,699,601	521,526	48,652	570,178	12.13%	175,065	92,000	\$3.73
Governor Park	856,764	121,503	36,164	157,667	18.40%	(8,701)	0	\$2.38
Sorrento Mesa	9,737,440	1,131,319	224,261	1,355,580	13.92%	(416,748)	0	\$2.61
Sorrento Valley	808,842	115,070	0	115,070	14.23%	31,062	0	\$2.25
Torrey Pines	2,840,890	189,483	0	189,483	6.67%	(14,168)	0	\$3.54
UTC	8,464,908	1,183,903	129,508	1,313,411	15.52%	347,824	64,832	\$3.27
<b>Subtotal - Golden Triangle</b>	<b>27,408,445</b>	<b>3,262,804</b>	<b>438,585</b>	<b>3,701,389</b>	<b>13.50%</b>	<b>114,334</b>	<b>156,832</b>	<b>\$3.04</b>
Kearny Mesa	10,880,649	1,189,137	6,951	1,196,088	10.99%	(90,443)	0	\$2.10
La Jolla	1,954,860	145,457	29,466	174,923	8.95%	66,826	14,750	\$3.09
MCAS Miramar	31,618	0	0	0	0.00%	0	0	\$0.00
Mira Mesa/Miramar	1,792,592	263,634	6,268	269,902	15.06%	27,301	0	\$1.68
Mission Valley	7,032,188	597,591	17,975	615,566	8.75%	78,347	0	\$2.30
PB/Rose Canyon/Moren.	1,841,092	71,368	0	71,368	3.88%	10,467	0	\$1.99
<b>Subtotal - Central San Diego</b>	<b>23,532,999</b>	<b>2,267,187</b>	<b>60,660</b>	<b>2,327,847</b>	<b>9.89%</b>	<b>92,498</b>	<b>14,750</b>	<b>\$2.18</b>
Coronado	181,580	930	0	930	0.51%	(930)	0	\$3.92
Downtown	13,471,791	2,066,859	53,067	2,119,926	15.74%	64,231	0	\$2.42
Old Twn/S Arena/Pt L.	2,598,519	235,939	0	235,939	9.08%	12,825	4,096	\$2.29
Park East	381,224	979	4,766	5,745	1.51%	(22,657)	0	\$2.02
Uptown East	429,327	9,794	0	9,794	2.28%	2,848	0	\$1.55
Uptown West/Park Wes.	3,696,323	229,322	4,373	233,695	6.32%	(38,999)	0	\$2.36
<b>Subtotal - Greater Downtown</b>	<b>20,758,764</b>	<b>2,543,823</b>	<b>62,206</b>	<b>2,606,029</b>	<b>12.55%</b>	<b>17,318</b>	<b>4,096</b>	<b>\$2.40</b>
Escondido	2,510,689	264,286	1,739	266,025	10.60%	45,185	0	\$1.89
Poway	1,581,542	110,044	3,336	113,380	7.17%	(7,867)	0	\$2.30
Rancho Bernardo	6,972,799	367,446	240,719	608,165	8.72%	(44,029)	100,000	\$2.30
Scripps Ranch	2,719,903	323,309	9,754	333,063	12.25%	141,964	0	\$2.25
<b>Subtotal - I-15 Corridor</b>	<b>13,784,933</b>	<b>1,065,085</b>	<b>255,548</b>	<b>1,320,633</b>	<b>9.58%</b>	<b>135,253</b>	<b>100,000</b>	<b>\$2.20</b>
Chula Vista	3,417,938	362,195	2,097	364,292	10.66%	36,216	0	\$2.23
National City	801,871	135,607	1,100	136,707	17.05%	(13,874)	0	\$1.97
Otay Mesa	278,481	29,494	0	29,494	10.59%	(2,282)	0	\$1.71
San Ysidro/Imperial .	164,825	7,072	0	7,072	4.29%	74	0	\$1.58
<b>Subtotal - South Bay</b>	<b>4,663,115</b>	<b>534,368</b>	<b>3,197</b>	<b>537,565</b>	<b>11.53%</b>	<b>20,134</b>	<b>0</b>	<b>\$2.12</b>
College Area	1,395,244	76,094	0	76,094	5.45%	24,184	25,000	\$2.21
El Cajon / La Mesa / Santee	5,622,073	326,212	0	326,212	5.80%	(44,496)	0	\$1.73
Mission Gorge	712,500	27,119	0	27,119	3.81%	18,412	0	\$1.25
Southeast San Diego	549,340	69,780	0	69,780	12.70%	1,690	0	\$1.32
<b>Subtotal - East County</b>	<b>8,279,157</b>	<b>499,205</b>	<b>0</b>	<b>499,205</b>	<b>6.03%</b>	<b>(210)</b>	<b>25,000</b>	<b>\$1.72</b>
<b>Total - San Diego County</b>	<b>113,996,850</b>	<b>11,998,501</b>	<b>869,895</b>	<b>12,868,396</b>	<b>11.29%</b>	<b>687,126</b>	<b>623,581</b>	<b>\$2.47</b>

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