

1Q'17

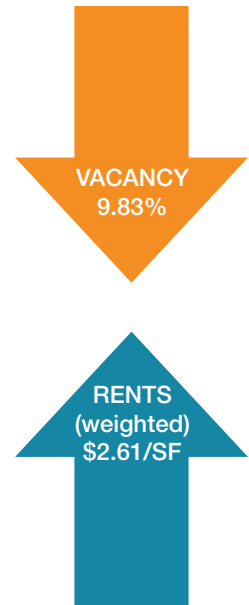
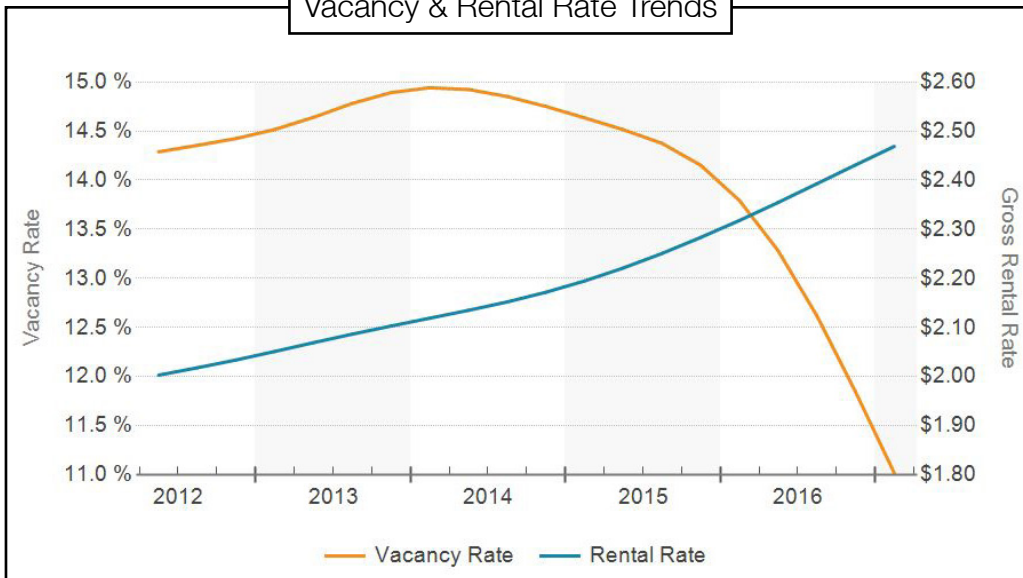
Office Market Update

The San Diego Office market ended the first quarter 2017 with a vacancy rate of 9.83%, down over the previous quarter. Net absorption for the first quarter totaled positive 372,817 square feet with 868,749 square feet under construction at the end of the quarter.

Rental rates ended the first quarter at an average of \$2.61 per square foot per month, an increase over the previous quarter's \$2.59. Two buildings, totaling 14,243 square feet, were completed and delivered to the market in the first quarter 2017.

According to the state of California's Employment Development Department and the United States Department of Labor's Bureau of Labor Statistics, San Diego County ended the first quarter 2017 with an unemployment rate of 4.2%, lower than the state's average unemployment rate of 5.2% and the national average of 4.5%.

Vacancy & Rental Rate Trends

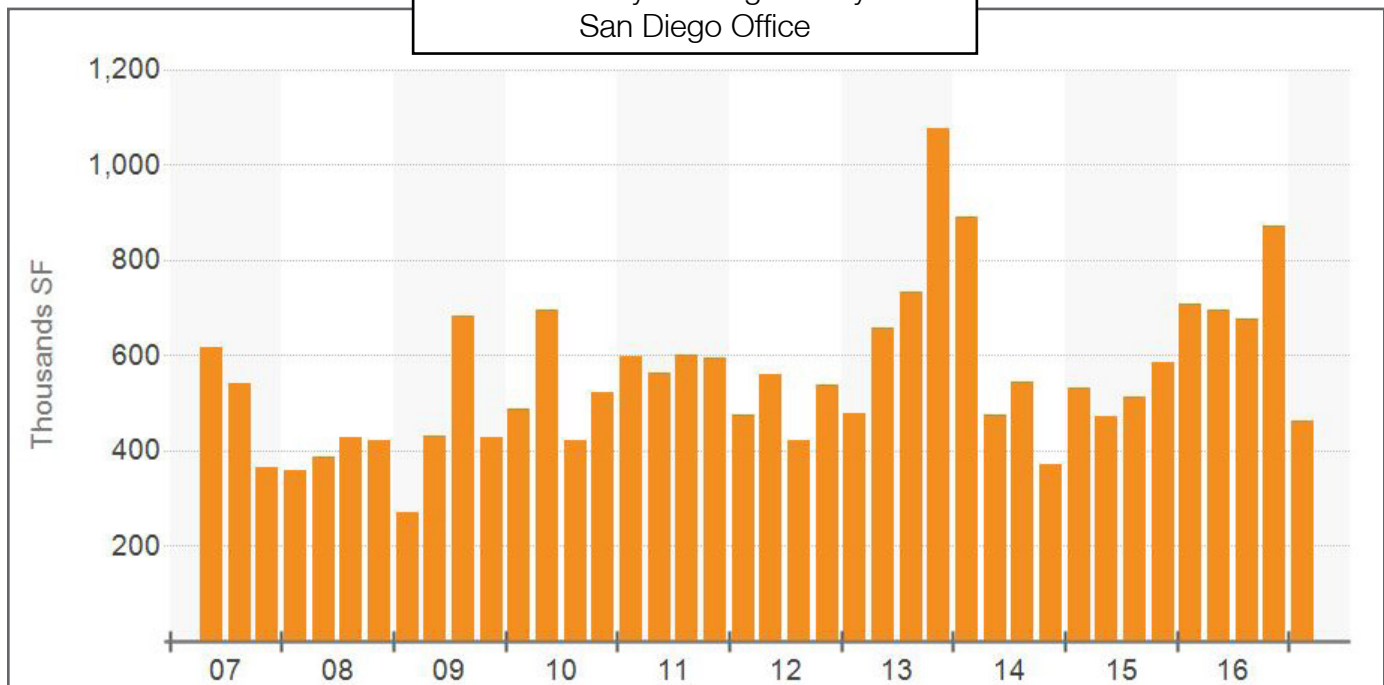


Absorption, Delivery & Vacancy



Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rent
North County	15,903,107	1,873,839	144,112	2,017,951	12.69%	73,823	155,446	\$2.38
Golden Triangle	27,034,953	3,020,572	432,788	3,453,360	12.77%	(14,766)	464,875	\$3.16
Central San Diego	23,541,968	1,989,179	62,882	2,052,061	8.72%	97,475	0	\$2.28
Greater Downtown	20,567,757	1,860,396	66,203	1,926,599	9.37%	249,869	0	\$2.54
I-15 Corridor	13,904,476	799,669	207,815	1,007,484	7.25%	(77,118)	100,000	\$2.35
South Bay	4,746,935	425,257	5,660	430,917	9.08%	15,259	0	\$2.43
East County	8,244,012	312,320	1,460	313,780	3.81%	28,275	148,428	\$1.81
Total - San Diego County	113,943,208	10,281,232	920,920	11,202,152	9.83%	372,817	868,749	\$2.61

Quarterly Leasing Activity
San Diego Office



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.

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Market	Total SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Vacancy Rate	YTD Net Absorption	Under Constr.	Quoted Rent
Carlsbad	7,076,297	1,186,076	116,703	1,302,779	18.41%	70,286	79,586	\$2.43
North Beach Cities	3,335,982	130,100	10,616	140,716	4.22%	(14,735)	4,060	\$3.29
North Central County	327,113	28,075	0	28,075	8.58%	3,412	0	\$4.17
Oceanside	1,820,748	186,208	0	186,208	10.23%	26,352	0	\$1.87
San Marcos	1,567,204	114,114	0	114,114	7.28%	4,088	60,000	\$2.25
Vista	1,775,763	229,266	16,793	246,059	13.86%	(15,580)	11,800	\$1.86
Subtotal - North County	15,903,107	1,873,839	144,112	2,017,951	12.69%	73,823	155,446	\$2.38
Del Mar/Carmel Valley	4,692,761	735,578	136,927	872,505	18.59%	(105,990)	368,440	\$3.83
Governor Park	888,595	65,389	3,820	69,209	7.79%	(11,697)	0	\$2.60
Sorrento Mesa	9,632,178	1,138,121	95,191	1,233,312	12.80%	(35,123)	0	\$2.72
Sorrento Valley	862,843	75,242	7,904	83,146	9.64%	710	0	\$2.32
Torrey Pines	2,504,958	87,786	7,929	95,715	3.82%	5,204	0	\$3.08
UTC	8,453,618	918,456	181,017	1,099,473	13.01%	132,130	96,435	\$3.23
Subtotal - Golden Triangle	27,034,953	3,020,572	432,788	3,453,360	12.77%	(14,766)	464,875	\$3.16
Kearny Mesa	10,911,044	738,615	15,311	753,926	6.91%	175,101	0	\$2.10
La Jolla	1,786,097	122,040	5,280	127,320	7.13%	(27,055)	0	\$3.20
MCAS Miramar	31,618	0	0	0	0.00%	0	0	\$0.00
Mira Mesa/Miramar	1,699,701	184,014	5,621	189,635	11.16%	(35,782)	0	\$1.89
Mission Valley	7,329,929	874,622	36,670	911,292	12.43%	(12,362)	0	\$2.40
PB/Rose Canyon/Moren.	1,783,579	69,888	0	69,888	3.92%	(2,427)	0	\$1.86
Subtotal - Central San Diego	23,541,968	1,989,179	62,882	2,052,061	8.72%	97,475	0	\$2.28
Coronado	183,178	15,211	0	15,211	8.30%	(3,650)	0	\$0.00
Downtown	13,410,890	1,468,449	57,101	1,525,550	11.38%	251,167	0	\$2.57
Old Twn/S Arena/Pt L.	2,534,039	155,757	1,800	157,557	6.22%	5,348	0	\$2.61
Park East	379,544	7,325	4,766	12,091	3.19%	(2,402)	0	\$1.59
Uptown East	313,668	4,134	0	4,134	1.32%	(1,134)	0	\$1.71
Uptown West/Park Wes.	3,746,438	209,520	2,536	212,056	5.66%	540	0	\$2.50
Subtotal - Greater Downtown	20,567,757	1,860,396	66,203	1,926,599	9.37%	249,869	0	\$2.54
Escondido	2,494,936	184,568	0	184,568	7.40%	4,705	0	\$1.82
Poway	1,579,757	69,767	10,584	80,351	5.09%	4,364	0	\$2.24
Rancho Bernardo	7,079,036	362,778	154,081	516,859	7.30%	(82,884)	100,000	\$2.57
Scripps Ranch	2,750,747	182,556	43,150	225,706	8.21%	(3,303)	0	\$2.32
Subtotal - I-15 Corridor	13,904,476	799,669	207,815	1,007,484	7.25%	(77,118)	100,000	\$2.35
Chula Vista	3,495,546	340,550	3,560	344,110	9.84%	(3,297)	0	\$2.51
National City	775,461	65,416	2,100	67,516	8.71%	13,081	0	\$2.23
Otay Mesa	280,486	11,499	0	11,499	4.10%	5,551	0	\$1.95
San Ysidro/Imperial .	195,442	7,792	0	7,792	3.99%	(76)	0	\$1.57
Subtotal - South Bay	4,746,935	425,257	5,660	430,917	9.08%	15,259	0	\$2.43
College Area	1,439,209	43,075	1,460	44,535	3.09%	10,575	0	\$2.24
El Cajon / La Mesa / Santee	5,557,548	177,956	0	177,956	3.20%	7,919	13,200	\$1.80
Mission Gorge	692,924	30,439	0	30,439	4.39%	9,781	135,228	\$1.13
Southeast San Diego	554,331	60,850	0	60,850	10.98%	0	0	\$1.87
Subtotal - East County	8,244,012	312,320	1,460	313,780	3.81%	28,275	148,428	\$1.81
Total - San Diego County	113,943,208	10,281,232	920,920	11,202,152	9.83%	372,817	868,749	\$2.61

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