



Office Market Report

San Diego - CA

PREPARED BY



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OFFICE MARKET REPORT

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Overview

San Diego Office

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
1.3 M	(2.1 M)	12.0%	0.1%

San Diego's office market is supported by a mix of defense contractors, healthcare providers, life science firms, and tech companies. Several top universities, including UC San Diego, the University of San Diego, and San Diego State University, provide a talent pool of job-seeking graduates. But the mix of a well-educated population and diverse set of office users may not be enough to offset turbulence in the market as the region deals with a slowdown in demand and economic dislocation caused by the pandemic.

The vacancy rate has risen by roughly 2.6% in the past year. That came after several sizable move-outs from Kearny Mesa to Rancho Bernardo, pushing net absorption into negative territory in every quarter of 2020, falling by nearly -1.8 million SF last year. Leasing volume has fallen to levels not recorded in 20 years, while the amount of sublet space has ticked up to the highest level since the Great Recession with sizeable availabilities in Downtown, Sorrento Mesa, Rancho Bernardo, and UTC flooding into the market.

The slowdown in leasing comes as spec development has picked up. In fact, most of San Diego's newest spec

developments have broken ground without securing any tenants. Kilroy is building 2100 Kettner in Little Italy, and Lincoln Property Group also broke ground on Aperture Del Mar at the beginning of 2020. Horton Plaza's redevelopment into a high-tech/life science hub started in 20Q2 with the first phase expected to be ready in 2022. That will be the beginning of a wave of life science space to hit Downtown after IQHQ purchased eight acres of the Manchester Pacific Gateway site, renaming it RaDD, to build a 1 million-SF campus filled with lab space. That project may break ground by the end of 21Q1.

As might be expected given the uncertainty in the space markets and on valuations, deal flow has cooled notably. Most of the recent sizable office deals have traded as redevelopment projects into lab space or for their land value. That has been the case for one of the most active investors in San Diego since 2018, Longfellow Real Estate Partners. The firm completed its third transaction in 2020 in October for The Foundry in Sorrento Mesa with the intention of converting the property into lab space.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	39,481,507	14.9%	\$42.59	21.1%	(154,326)	0	1,667,154
3 Star	48,069,597	12.5%	\$32.55	15.7%	(299,308)	0	431,936
1 & 2 Star	31,182,499	7.4%	\$28.12	9.5%	(122,588)	0	0
Market	118,733,603	12.0%	\$34.83	15.9%	(576,222)	0	2,099,090
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.6%	10.5%	12.1%	14.7%	2010 Q1	5.6%	2000 Q2
Net Absorption SF	(2.1 M)	1,092,608	639,912	4,646,410	2000 Q2	(1,794,629)	2020 Q4
Deliveries SF	1.3 M	1,620,435	1,165,604	3,910,306	2001 Q3	270,175	2018 Q3
Rent Growth	0.1%	2.7%	1.4%	17.1%	2001 Q1	-11.1%	2009 Q3
Sales Volume	\$1.2 B	\$1.7B	N/A	\$4.3B	2007 Q3	\$267.3M	2009 Q3

The vacancy rate has reached its highest point in more than five years during 21Q1, hitting 12.0%, while the availability rate rose to its five-year zenith at 15.9%. That followed on the heels of 275,000 SF at Sunroad Centrum in Kearny Mesa going vacant after Ashford University completed its relocation to Arizona. Wawanesa also cut its space in half in a move scheduled ahead of the pandemic in Mission Valley. It vacated 150,000 SF for its new 75,000-SF space at the former Design Institute building in the same submarket at the end of 2020.

Other reversals in UTC and Rancho Bernardo in conjunction with a slowdown in leasing activity further ate into demand, and the region recorded roughly -2.1 million SF of negative absorption in the past 12 months. That was the lowest level of net absorption recorded by CoStar in 20 years. Leasing volume also fell to its lowest level in 20 years. The final three quarters of 2020 each recorded less than 1 million SF of leasing volume. San Diego had not recorded a single quarter with less than 1 million SF of new leases signed in the 20 years prior to the pandemic. Over that stretch, the average lease size has shrunk. Compared to 2018-19, the average lease size in the Covid era is roughly 25% smaller as office users exercise more caution with their space needs.

And sublet space has poured into the market. There is roughly 2.5 million SF of sublet space available in San Diego. That compares to about 1.7 million SF available 12 months ago. The San Diego Union-Tribune put 45,000 SF up for sublet at 600 B St. Downtown during 20Q4. That accounts for about 75% of its footprint there. Illumina put 75,000 SF up for sublease at La Jolla Commons in 20Q4 and L3 added another 50,000 SF of sublet space at Eastgate in UTC at the end of 2020, while Arris Group put up 90,000 SF at Verge in Sorrento Mesa during the same quarter. It is against that backdrop that makes for an even more challenging environment for office landlords. That sublet space competes with direct space and often asks for a discount which averages \$.30/SF less across the region. And only 20% of the available sublet space on the market has a lease expiration within the next 18 months.

But it was not all bad news in 2020. Fate Therapeutics leased 200,000 SF at Scripps Northridge in Scripps Ranch in 20Q1. That building was formerly occupied by Dart Neuroscience, which shuttered in 2018, and this will be an expansion from less than 100,000 SF in Torrey Pines when the firm takes occupancy in 2021. Apple also signed a lease in 20Q1 for 200,000 SF at Summit

Rancho Bernardo. That was the first lease signed by Apple outside of UTC in San Diego.

Apple signed three leases in UTC ahead of the commitment in Rancho Bernardo, totaling more than 450,000 SF. It took possession of its first lease at Eastgate Terrace prior to the pandemic, and two other properties are under development for Apple.

Relative to Downtown, where vacancies are trending at 20% and the availability rate sits at 30%, UTC's vacancy rate is less than half of that level and continues to attract a cross-section of several of the county's largest employers involved in everything from life science and technology to education and finance. Further improving its accessibility, an extension to the trolley line is underway. That Blue Line Trolley extension isn't expected to be ready until the end of this year, but it will link Downtown with UTC and make an additional 4 million SF of office space walkable to transit riders. But leasing activity has slowed during the Covid period and net absorption has fallen, although both are in considerably better shape than in Downtown.

Downtown, by comparison, is filled with more traditional office tenants and has recorded only two quarters with positive net absorption over the past two years, as few companies in expansion mode turn there for their space needs. The most recent was during 20Q4 after the Navy moved into its new regional headquarters. It took possession of its new 350,000-SF office tower in the RaDD development after relocating its personnel from older bayside warehouses that it had occupied for decades. That comes as leasing activity and demand have slowed to a crawl. Less than 50,000 SF of space was leased in each of the final two quarters of 2020.

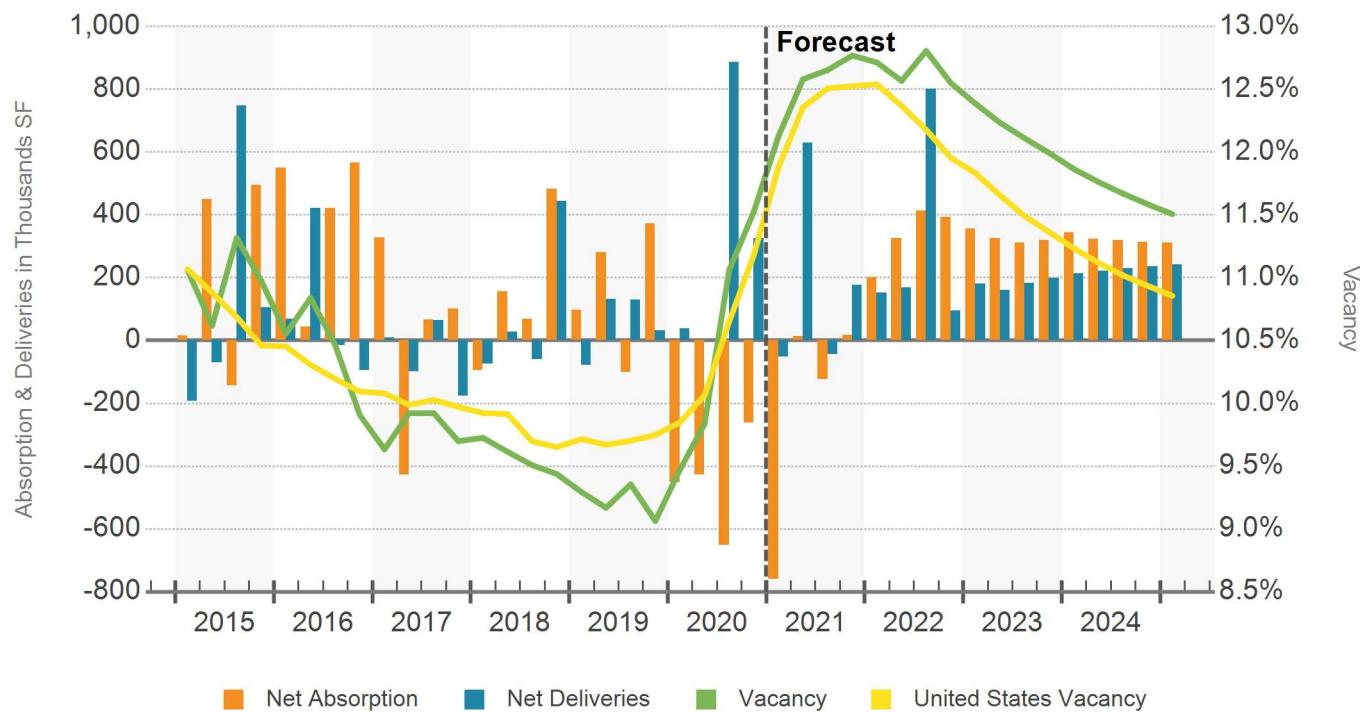
Meanwhile, defense contractors have established strongholds along the 805 and 15 freeway corridors. That is where firms like Northrup Grumman, Qualcomm, and General Atomics have footholds. The defense industry accounts for almost 25% of jobs in San Diego. The military ecosystem, buttressed by 140,000 active duty personnel, provides economic benefits to the region almost unmatched by any other sector and supports cutting edge innovation.

The slowdown in demand, reversals, and speculative development will apply upward pressure to the vacancy rate as office users navigate their space needs in the coming years. It is likely that some firms will not bring all of their employees back to the office once it is deemed

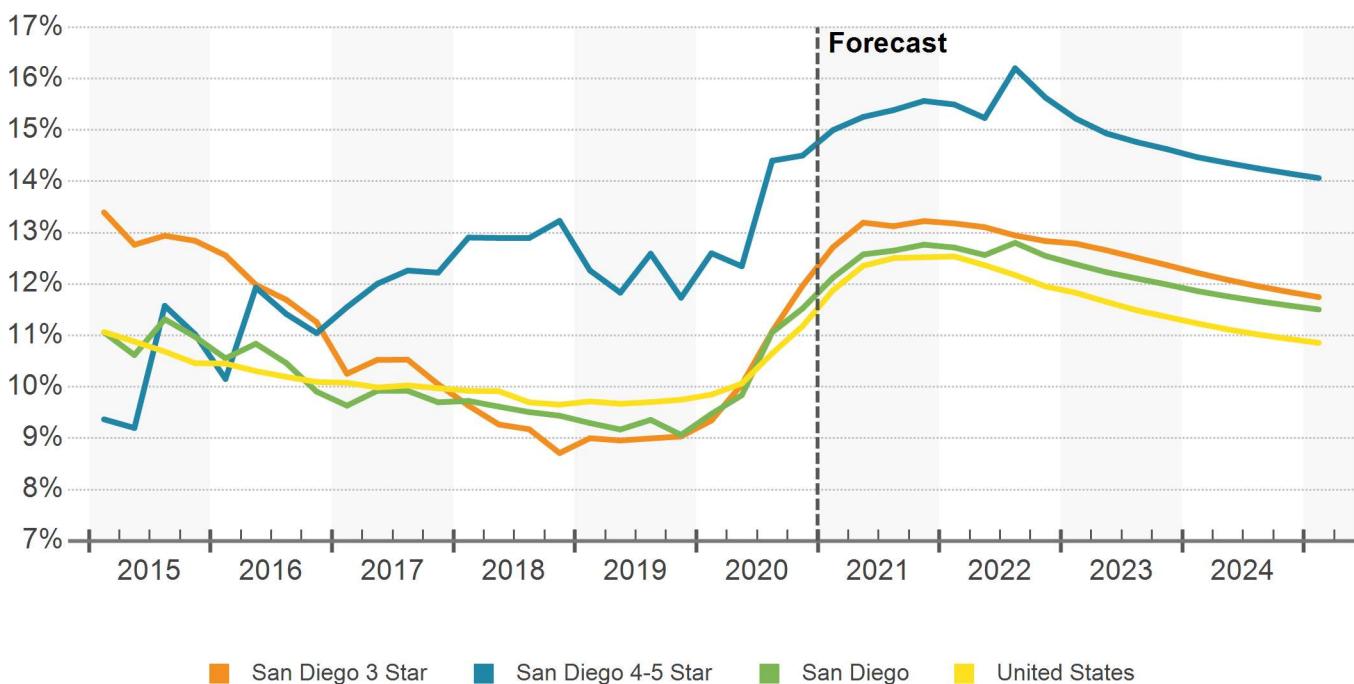
safe, and will instead allow employees to work from home, at least to some degree. And some firms may

ultimately decide to work remotely entirely, as recent anecdotes have already pointed to.

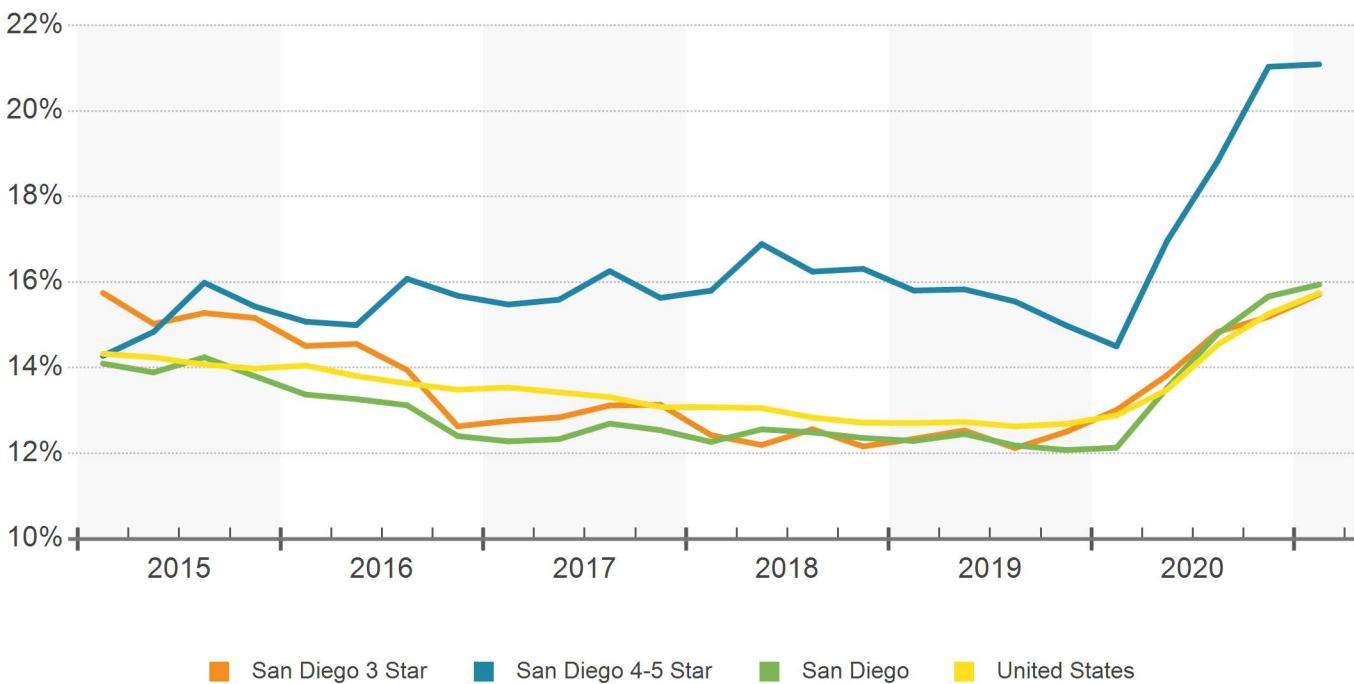
NET ABSORPTION, NET DELIVERIES & VACANCY



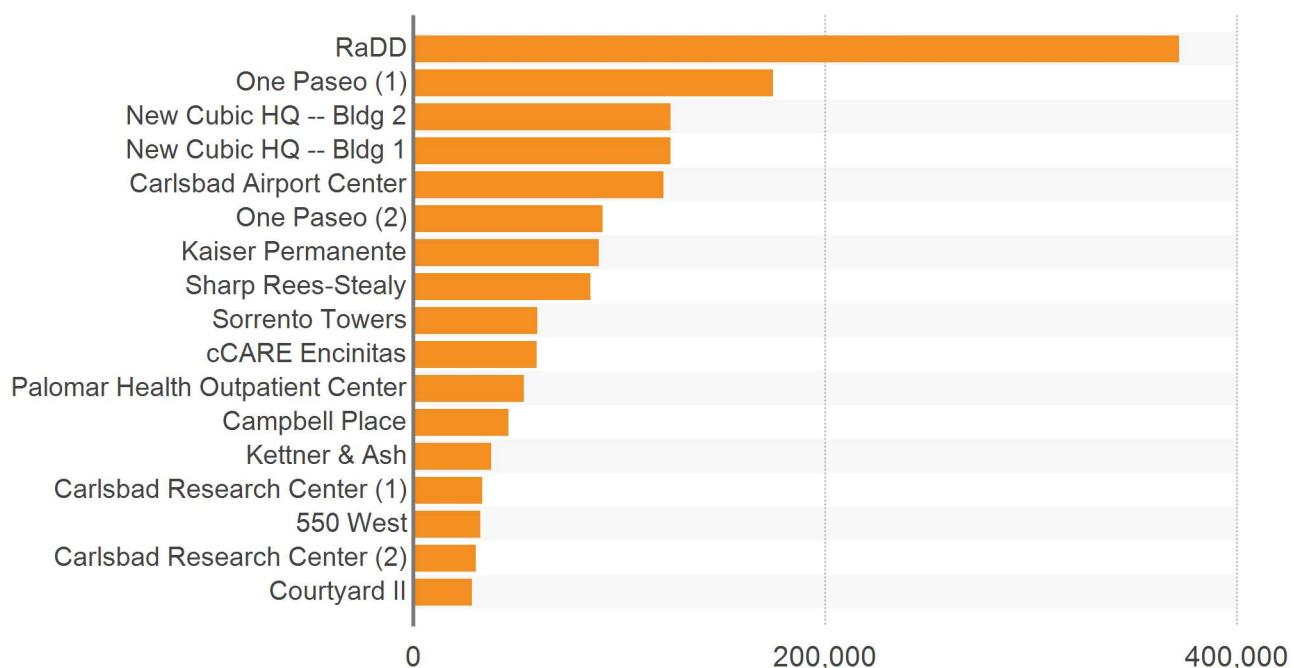
VACANCY RATE



AVAILABILITY RATE



12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
RaDD	Downtown	372,000	0	0	0	0	0	372,000
One Paseo (1)	Del Mar Hts/Carmel...	196,443	21,641	0	0	0	0	174,802
New Cubic HQ -- Bldg 2	Kearny Mesa	125,000	0	0	0	0	0	125,000
New Cubic HQ -- Bldg 1	Kearny Mesa	125,000	0	0	0	0	0	125,000
Carlsbad Airport Center	Carlsbad	121,541	0	0	0	0	0	121,541
One Paseo (2)	Del Mar Hts/Carmel...	92,041	0	6,919	0	0	0	92,041
Kaiser Permanente	Kearny Mesa	90,000	0	0	0	0	0	90,000
Sharp Rees-Stealy	East County	86,000	0	0	0	0	0	86,000
Sorrento Towers	Sorrento Mesa	139,264	12,475	0	0	0	0	60,299
cCARE Encinitas	North Beach Cities	60,000	0	0	0	0	0	60,000
Palomar Health Outpatient Center	Escondido	80,064	26,500	26,500	0	0	0	53,564
Campbell Place	Carlsbad	46,370	0	0	0	0	0	46,370
Kettner & Ash	Downtown	123,062	76,977	(245)	0	0	0	37,824
Carlsbad Research Center (1)	Carlsbad	56,721	20,931	0	0	0	0	33,552
550 West	Downtown	361,451	109,974	(3,961)	0	0	0	32,406
Carlsbad Research Center (2)	Carlsbad	49,910	0	0	0	0	0	30,422
Courtyard II	Sorrento Mesa	37,991	0	0	0	0	0	28,431
Subtotal Primary Competitors		2,162,858	268,498	29,213	0	0	0	1,569,252
Remaining San Diego Market		116,570,745	13,944,346	(605,435)	0	0	0	(3,623,202)
Total San Diego Market		118,733,603	14,212,844	(576,222)	0	0	0	(2,053,950)

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Compa...	Leasing Rep Company
Alexandria Tech Center	Sorrento Mesa	102,000	Q2 20	Element Biosciences, Inc.	-	CBRE;Cushman & Wa...
Bridge Point Corporate Centre *	UTC	94,542	Q4 20	ServiceNow	-	-
The Boardwalk	Torrey Pines	74,000	Q2 20	Cooley LLP	-	CBRE
INSPIRE Creative Office	San Marcos	41,258	Q2 20	-	-	Cushman & Wakefield;...
6602-6694 Convoy Ct	Kearny Mesa	40,431	Q2 20	Autoanything	-	Hughes Marino
Torrey Pines Court La Jolla *	Torrey Pines	37,960	Q2 20	West Health Institute	-	JLL
5959 Cornerstone Ct W	Sorrento Mesa	35,970	Q1 21	Aya Healthcare	-	Cushman & Wakefield
Enclave Sorrento	Sorrento Mesa	34,295	Q4 20	Plaza Home Mortgage	Newmark	Range Partners SD
Scripps Ranch Tech Park *	Scripps Ranch	30,245	Q3 20	CUSO Financial Services	-	Voit Real Estate Services
4181 Ruffin Rd	Kearny Mesa	29,503	Q4 20	-	-	JLL
Carlsbad Research Center	Carlsbad	29,053	Q1 20	SafeBuilt Insurance Servi...	-	Cushman & Wakefield
Kilroy Sabre Springs	Rancho Bernardo	26,143	Q4 20	Daybreak	-	JLL
Eastgate Pointe	UTC	26,060	Q2 20	Helix	-	JLL
Palomar Terrace *	Carlsbad	24,091	Q4 20	Cisco Systems, Inc	JLL	Cushman & Wakefield
Merrill Lynch Building	La Jolla	23,729	Q1 21	-	Colliers International	JLL
La Jolla Reserve	UTC	22,833	Q2 20	-	-	Irvine Company Office...
Sorrento Highlands	Sorrento Mesa	22,497	Q3 20	Helix	Hughes Marino	CBRE
Mission Valley Crossroads *	Mission Valley	21,354	Q2 20	T.Y. Lin International Group	-	JLL
Muse Torrey Pines	Torrey Pines	20,685	Q3 20	-	-	JLL
501 West Broadway	Downtown	20,465	Q1 21	-	-	Irvine Company Office...
Sorrento Towers	Sorrento Mesa	19,978	Q3 20	DexCom Inc.	-	Cushman & Wakefield
Seaview Corporate Center	Sorrento Mesa	19,143	Q2 20	Zovio, Inc.	-	Cushman & Wakefield
Seaview Corporate Center	Sorrento Mesa	19,108	Q2 20	-	-	Cushman & Wakefield
Gateway at Torrey Hills	Del Mar Hts/Carmel Valley	19,105	Q3 20	Zeku USA	-	Irvine Company Office...
Seaview Corporate Center	Sorrento Mesa	19,087	Q3 20	Brain Corporation	-	Cushman & Wakefield
Seaview Corporate Center	Sorrento Mesa	18,806	Q3 20	Brain Corporation	-	Cushman & Wakefield
Rio Vista Plaza *	Mission Valley	17,544	Q3 20	U.S. Department of Veter...	-	JLL
Eastgate Technology Park	UTC	17,306	Q4 20	-	-	Hughes Marino
8080 Dagget St *	Kearny Mesa	17,215	Q2 20	Sharp HealthCare	Savills	-
138 28th St	Southeast San Diego	16,750	Q4 20	-	-	Wiese & Associates
La Jolla Center II	UTC	16,737	Q1 21	-	-	Irvine Company Office...
Palomar Crest Corporate Center	Carlsbad	16,698	Q4 20	Pacific Western Bank	Kennedy Wilson Pro...	Cushman & Wakefield
Centerside I	Mission Valley	16,656	Q2 20	-	-	Irvine Company Office...
Centerside I	Mission Valley	16,646	Q4 20	-	-	Irvine Company Office...
8525 Camino Santa Fe	Mira Mesa/Miramar	16,630	Q3 20	Housecall Pro	-	-
Eastgate Technology Park	UTC	16,607	Q1 21	Bionano Genomics Inc	-	Irvine Company Office...
Aston Point	Carlsbad	16,162	Q1 21	-	-	CBRE
La Jolla Gateway	UTC	16,082	Q1 21	-	-	Irvine Company Office...
ARE Esplanade	UTC	15,450	Q1 20	Arista MD	-	Cushman & Wakefield
Lomas Pacific Office Park	Kearny Mesa	15,139	Q3 20	Patenaude & Felix APC	-	Cushman & Wakefield

Renewal

Compared to the five-year average of 3.7%, current annual rent growth has cooled notably to just 0.2%. Rents fell in the second half of 2020 after nearly every submarket posted declining rents amid a slowdown in demand. As the office environment grapples with the spread of the coronavirus, annual rent growth could turn negative in the coming quarters, accompanying the slowdown in leasing ahead of the wave of spec space set to deliver. However, the Base Case scenario does not have rents declining as much as they did during the Great Recession.

When analyzing rents by location type, rents in office properties in the CBD, or Downtown San Diego, have been among the hardest hit. Overall market rents declined by 3% in 2020. Rents in 4- and 5-Star properties fell by the largest amount, 3%, followed by 3-Star inventory which declined by 2%.

But Downtown faces unique challenges. The availability rate is 30% and the vacancy rate is close to 20%. Both are easily the highest in San Diego among submarkets with more than 1 million square feet of inventory. Leasing has also cratered.

In San Diego's urban submarkets, which includes San

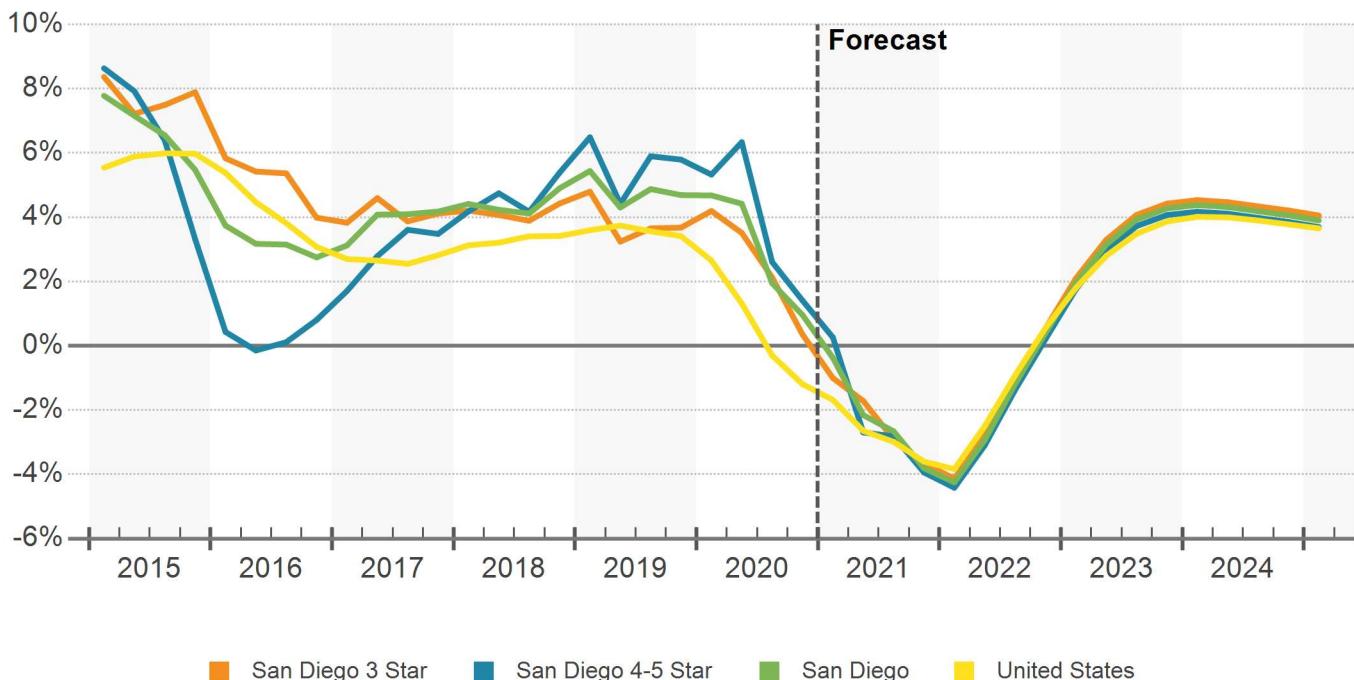
Diego's prime employment node of UTC, office rents grew by more than 2% in 2020. That growth was driven by 4- and 5-Star properties, where rents increased by more than 3% in 2020. In UTC, overall rents were up at similar rates in 2020.

Rent growth also remained in positive territory in San Diego's suburbs in 2020. Rents increased by 1%. Every class recorded rent growth roughly at that level.

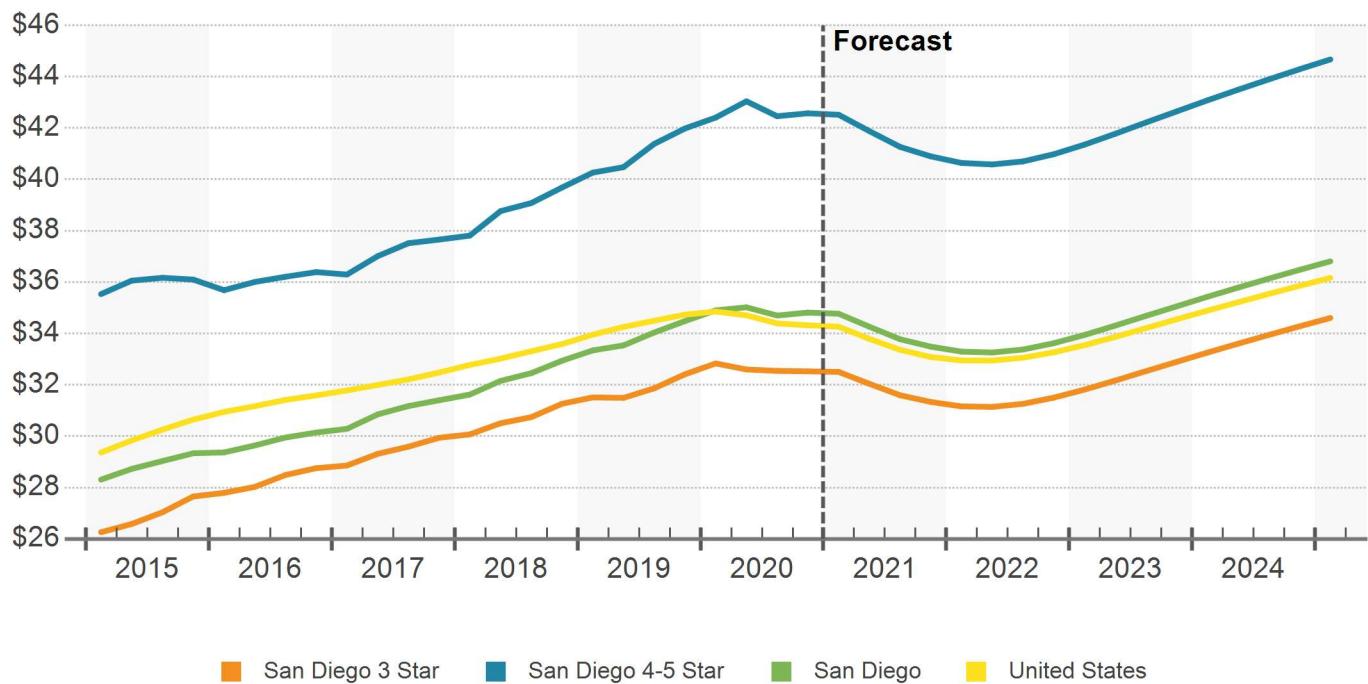
But office landlords with available space, on average, continue lowering their asking price. The median rent change for available space in San Diego in the latest month was nearly a 10% drop in the asking rate.

Landlords also face pressure from sublet space. Average asking rents for sublet space are \$.30/SF less than for direct space. But that delta is not uniform across San Diego. In Downtown, sublet space offers a \$.40/SF discount. In Sorrento Mesa, that discount is \$.60/SF, and in UTC it is \$.90/SF. Many times, these spaces are available in the same building as direct space, impacting the landlord's ability to achieve market rents for their relet space or forcing them to raise concessions and tenant improvements.

MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FEET



4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
San Diego	\$0.81	\$1.22	\$0.97	\$4.43	\$4.43	\$11.86
Central San Diego	\$0.41	\$1.30	\$0.87	\$3.45	\$4.35	\$10.38
Downtown	\$1.18	\$1.68	\$0.77	\$4.06	\$6.93	\$14.62
I-15 Corridor	\$0.46	\$1.12	\$0.95	\$3.93	\$3.74	\$10.20
I-5 Corridor	\$0.73	\$1.31	\$0.82	\$5.30	\$3.92	\$12.08
North Central County	\$0.50	\$1.14	\$0.98	\$0.40	\$3.83	\$6.85
North San Diego	\$1.21	\$0.99	\$1.24	\$5.19	\$4.37	\$13.00
South Bay	\$0.43	\$1.28	\$1.01	\$2.14	\$4.48	\$9.34
SR-78 Corridor	\$0.50	\$1.14	\$0.98	\$2.65	\$3.83	\$9.10

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

3 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
San Diego	\$0.57	\$1.12	\$0.53	\$3.82	\$2.99	\$9.03
Central San Diego	\$0.44	\$0.99	\$0.52	\$3.50	\$3.13	\$8.58
Coronado	\$0.26	\$0.88	\$0.38	\$6.00	\$2.66	\$10.18
Downtown	\$1.05	\$1.46	\$0.68	\$3.46	\$5.12	\$11.77
I-15 Corridor	\$0.46	\$1.08	\$0.46	\$3.33	\$2.20	\$7.53
I-5 Corridor	\$0.87	\$1.38	\$0.50	\$4.27	\$2.73	\$9.75
North Central County	\$0.53	\$1.09	\$0.45	\$7.76	\$2.31	\$12.14
North San Diego	\$0.60	\$0.96	\$0.71	\$5.09	\$3.31	\$10.67
Outlying SD County N	\$0.44	\$0.99	\$0.40	\$3.05	\$2.09	\$6.97
Outlying SD County S	\$0.28	\$0.94	\$0.41	\$1.23	\$2.84	\$5.70
South Bay	\$0.33	\$1.09	\$0.48	\$3.20	\$3.28	\$8.38
SR-78 Corridor	\$0.48	\$1.05	\$0.42	\$3.07	\$1.95	\$6.97

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

1 & 2 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
San Diego	\$0.40	\$0.73	\$0.34	\$3.52	\$3.05	\$8.04
Central San Diego	\$0.47	\$0.97	\$0.34	\$3.57	\$3.07	\$8.42
Coronado	\$0.32	\$0.38	\$0.47	\$5.95	\$4.07	\$11.19
Downtown	\$0.60	\$1.27	\$0.20	\$4.64	\$4.37	\$11.08
I-15 Corridor	\$0.34	\$0.67	\$0.24	\$2.72	\$2.77	\$6.74
I-5 Corridor	\$0.36	\$0.82	\$0.30	\$4.78	\$3.86	\$10.12
MCAS Miramar	\$0.32	\$0.38	\$0.47	\$2.24	\$1.78	\$5.19
North Central County	\$0.34	\$0.64	\$0.25	\$6.19	\$2.82	\$10.24
North San Diego	\$0.52	\$0.92	\$0.34	\$4.38	\$3.57	\$9.73
Outlying SD County N	\$0.34	\$0.65	\$0.25	\$2.80	\$2.85	\$6.89
Outlying SD County S	\$0.32	\$0.37	\$0.46	\$4.66	\$2.56	\$8.37
South Bay	\$0.32	\$0.38	\$0.47	\$3.04	\$2.65	\$6.86
SR-78 Corridor	\$0.34	\$0.64	\$0.25	\$3.01	\$2.66	\$6.90

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

San Diego has more speculative office space under development than at any other time in the past decade, and very little of it is pre-leased. That will add further upward pressure on San Diego's vacancy rate once it begins delivering this year. Under construction stock accounts for 1.8% of total inventory.

When One Paseo broke ground in 2019, more than 40% of its space was pre-leased. It delivered in 20Q3 with less than 10% of its space still available for lease. Alexandria Real Estate broke ground on a new building at the Alexandria Tech Center in Sorrento Mesa in 21Q1 after pre-leasing 100,000 SF, more than half of the building, to Element Biosciences in mid-2020.

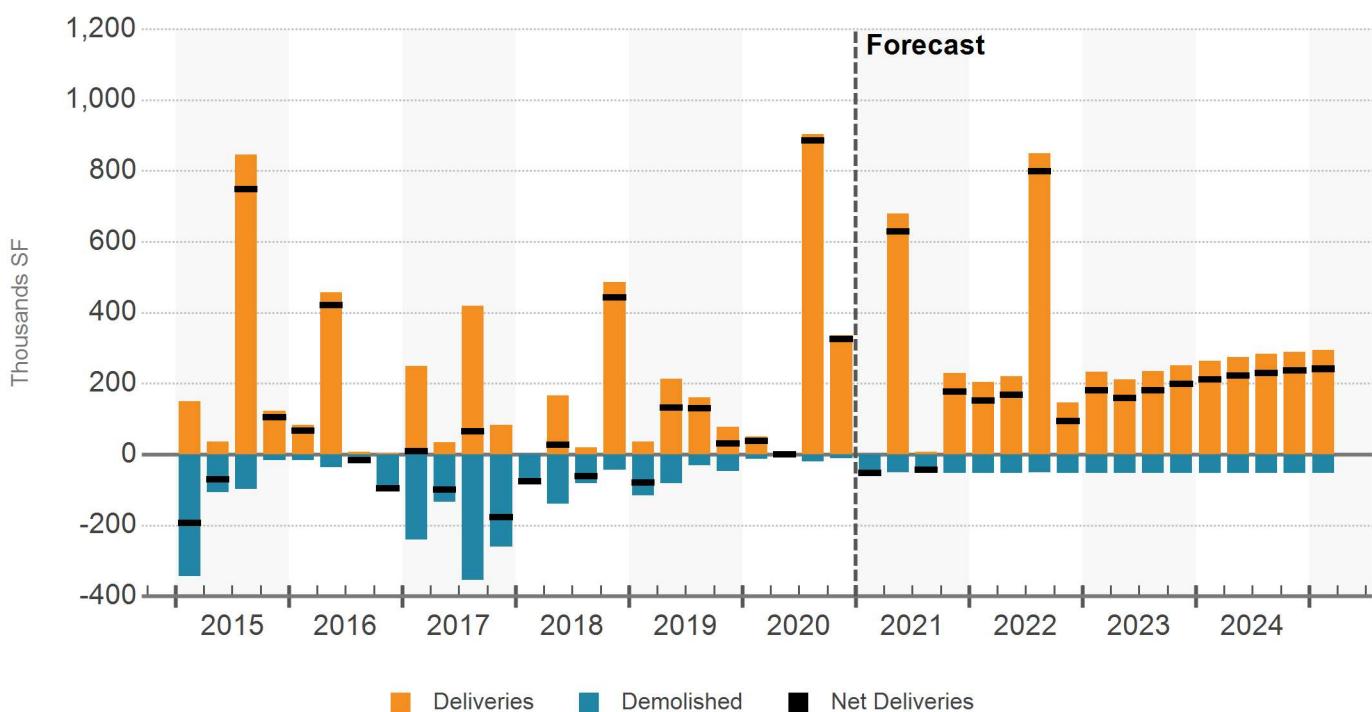
Otherwise, development is almost entirely speculative. Down the road from One Paseo, Gemdale and Lincoln Property Group broke ground in 2020 on 200,000 SF of office space at Aperture Del Mar that will be designed for life science and fintech companies and will feature an amphitheater, walking paths, bistro, and numerous other amenities. It is expandable to 600,000 SF, although no tenants were secured prior to breaking ground.

Downtown has become the most active submarket in terms of development, and all of it is speculative, and none of it was pre-leased.

Stockdale broke ground on the Campus at Horton in mid-2020. Stockdale received a \$330 million construction loan just ahead of shutdown orders last spring. That project will inject 750,000 SF of space into Downtown in mid-2022 that will target life science and tech firms, which are notably absent from this more traditional office-using submarket. Kilroy is also working on a project in Little Italy that broke ground without any tenants secured.

But if Stockdale is unable to attract life science firms to its campus, perhaps IQHQ can. The biotech REIT purchased more than eight acres along the waterfront in Downtown in what was originally the Manchester Pacific Gateway and renamed it the Research and Development District. The initial phase of the more than 1 million SF life science campus is expected to be ready in 2023. The cost of the biotech hub in Downtown is close to \$1.5 billion according to IQHQ.

DELIVERIES & DEMOLITIONS



Construction

San Diego Office

SUBMARKET CONSTRUCTION

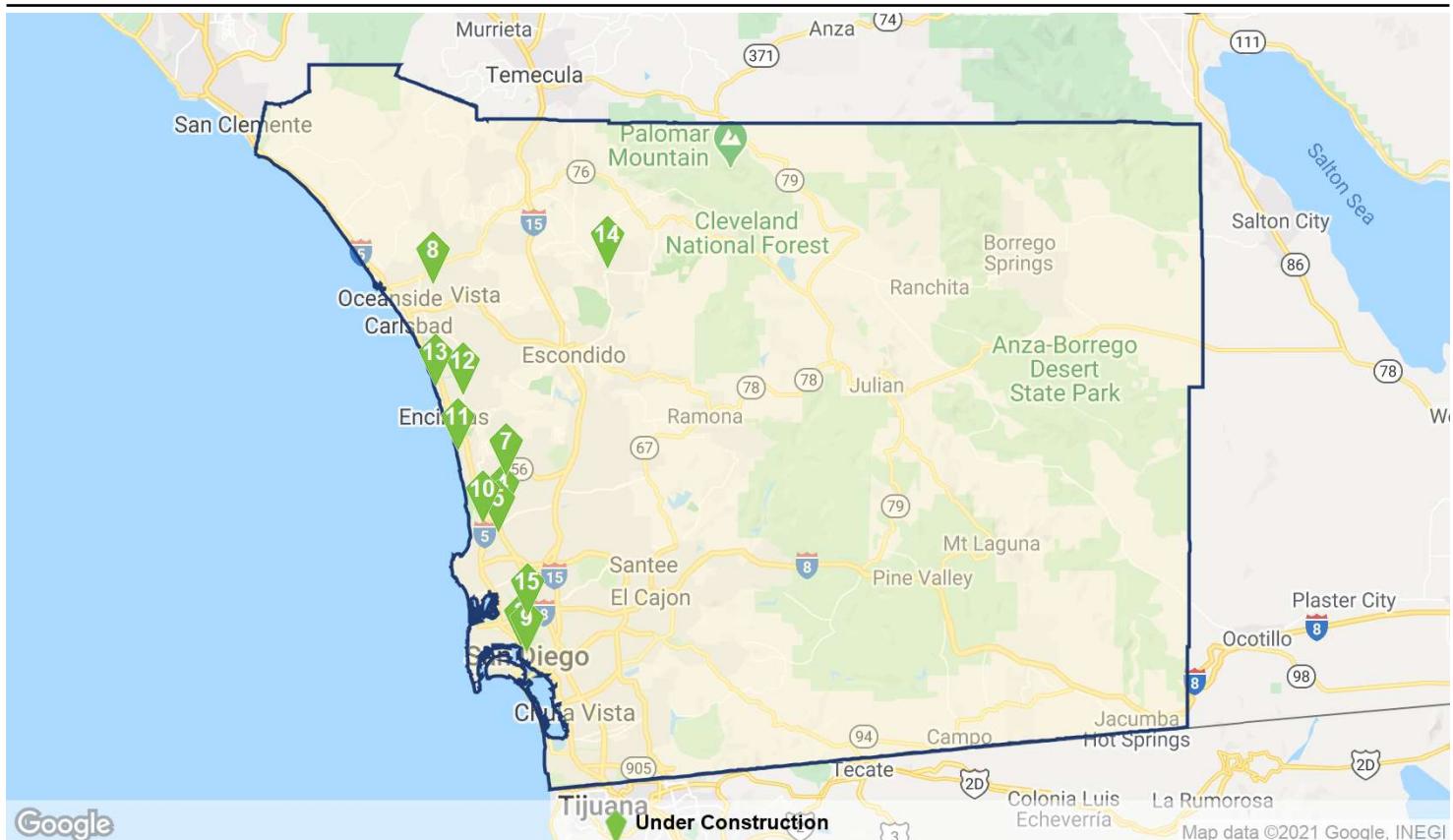
No.	Submarket	Under Construction Inventory					Average Building Size		
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	Downtown	3	1,069	41	3.8%	6	58,330	356,497	1
2	UTC	2	369	369	100%	1	94,208	184,500	2
3	Del Mar Hts/Carmel Valley	2	229	0	0%	7	61,842	114,331	4
4	Sorrento Mesa	1	176	104	59.0%	5	70,383	176,428	3
5	Oceanside	1	100	100	100%	1	10,667	100,000	5
6	Torrey Pines	1	74	74	100%	1	68,504	74,000	6
7	North Beach Cities	3	70	0	0%	7	10,344	23,392	7
8	Outlying SD County N	1	8	8	100%	1	4,659	7,650	8
9	Mission Valley	1	4	0	0%	7	53,218	3,681	9
10	Carlsbad	0	-	-	-	-	22,635	-	-
All Other		0	-	-	-		15,032	-	
Totals		15	2,099	696	33.1%		21,475	139,939	

Under Construction Properties

San Diego Office

Properties	Square Feet	Percent of Inventory	Preleased
15	2,099,090	1.8%	33.1%

UNDER CONSTRUCTION PROPERTIES



UNDER CONSTRUCTION

	Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1	The Campus at Horton 324 Horton Plz	★★★★★	750,000	17	Jun 2020	Jul 2022	- Stockdale Capital Partners
2	2100 Kettner 2100 Kettner Blvd	★★★★★	234,000	6	Dec 2019	Apr 2021	- Kilroy Realty Corporation
3	Apex 9775 Towne Centre Dr	★★★★★	204,000	4	Jun 2020	Dec 2021	- The Blackstone Group Inc.
4	Building E Barnes Canyon Rd	★★★★★	176,428	5	Jan 2021	May 2022	- Alexandria Real Estate Equities, I...
5	9455 TCD 9455 Towne Centre Dr	★★★★★	165,000	5	Jun 2019	Apr 2021	- Kilroy Realty Corporation
6	Phase I - Bldg 1 Carmel Valley Rd	★★★★★	121,928	4	Jan 2020	Sep 2021	- Lincoln Property Company
7	Phase I - Bldg 2 Carmel Valley Rd	★★★★★	106,734	4	Jan 2020	Sep 2021	- Lincoln Property Company

Under Construction Properties

San Diego Office

UNDER CONSTRUCTION

Property Name/Address		Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
8	Lot 15 Ocean Ranch Blvd	★★★★★	100,000	3	Aug 2019	Apr 2021	- -
9	20/6 450 B St	★★★★★	85,492	6	Feb 2020	Apr 2021	- LeBeau Realty & Associates
10	The Boardwalk 10265 Science Center Dr	★★★★★	74,000	2	Jan 2020	Apr 2021	- Healthpeak Properties, Inc.
11	Solana 101 Highway 101	★★★★★	50,000	1	Jan 2021	Jan 2023	Zephyr Partners Zephyr Partners
12	777 N El Camino Real	★★★★★	12,177	2	Aug 2019	Apr 2021	Manna Development Group Manna Development Group
13	Leucadia Lofts 1528 N Coast Highway 101	★★★★★	8,000	2	May 2020	Apr 2021	- Ray Salamah
14	Miller Plaza 28900 Valley Center Rd	★★★★★	7,650	2	Dec 2020	Jul 2021	- Iberia Enterprises
15	Witt Mission Valley 575 Camino De La Reina	★★★★★	3,681	1	Jan 2021	May 2022	- The Dinerstein Companies

There is uncertainty in the office market. And that view manifested itself in a notable slowdown in both deal flow and sales volume since the outbreak, reaching decade lows, although there was a rebound in sales volume at the end of 2020.

Market cap rates sit at a higher yield than in the industrial or apartment sectors. Cap rates have held relatively sticky for several years now, suggesting that price appreciation is being driven by NOI growth. San Diego enjoys higher yields than Southern California's other coastal markets, with yields in Orange County and Los Angeles averaging about 50 basis points lower than in San Diego. But CoStar also expects cap rates to face upward pressure amid restrained credit conditions, reduced volume, and softening price pressures.

Market pricing, based on the estimated price movement of all properties in the market, sits at roughly \$330/SF. Market pricing is also roughly \$100 lower than in Los Angeles. But pricing, like cap rates, is forecast to pull back amid slowing rent growth and demand.

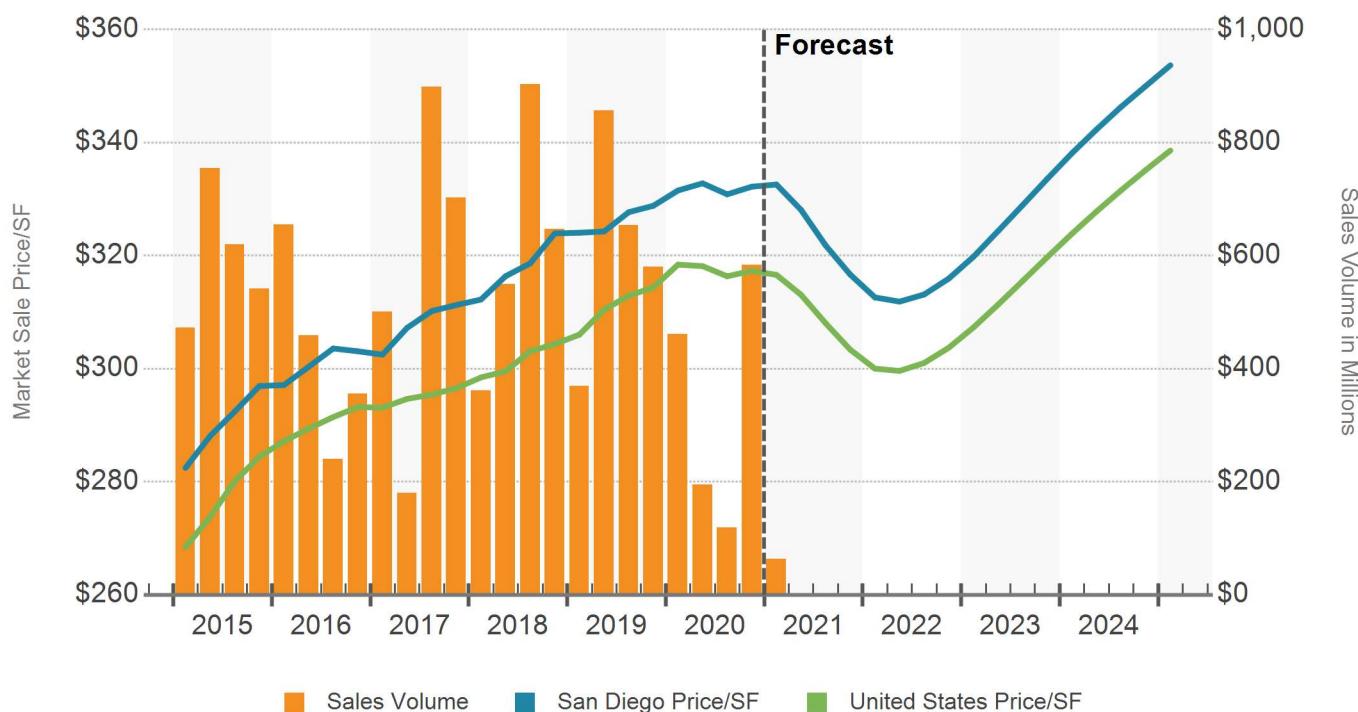
Much like the industrial market in San Diego, investors are increasingly attracted to San Diego's life science nodes, where they have the potential to convert older office buildings into lab space to accommodate the region's expanding biotech tenants. And Sorrento Mesa is one of the top targets.

Longfellow Real Estate Partners from Boston completed three deals in San Diego in 2020 and sixth since 2018. It purchased The Foundry, a two-building campus in Sorrento Mesa, in 20Q4 for \$130 million (\$463/SF). The buildings will be converted into lab space which is expected to be completed by the end of 2021. That brings Longfellow's local portfolio to nearly 1 million SF. The seller, Shorenstein Properties, purchased the buildings in 2018 for an undisclosed price.

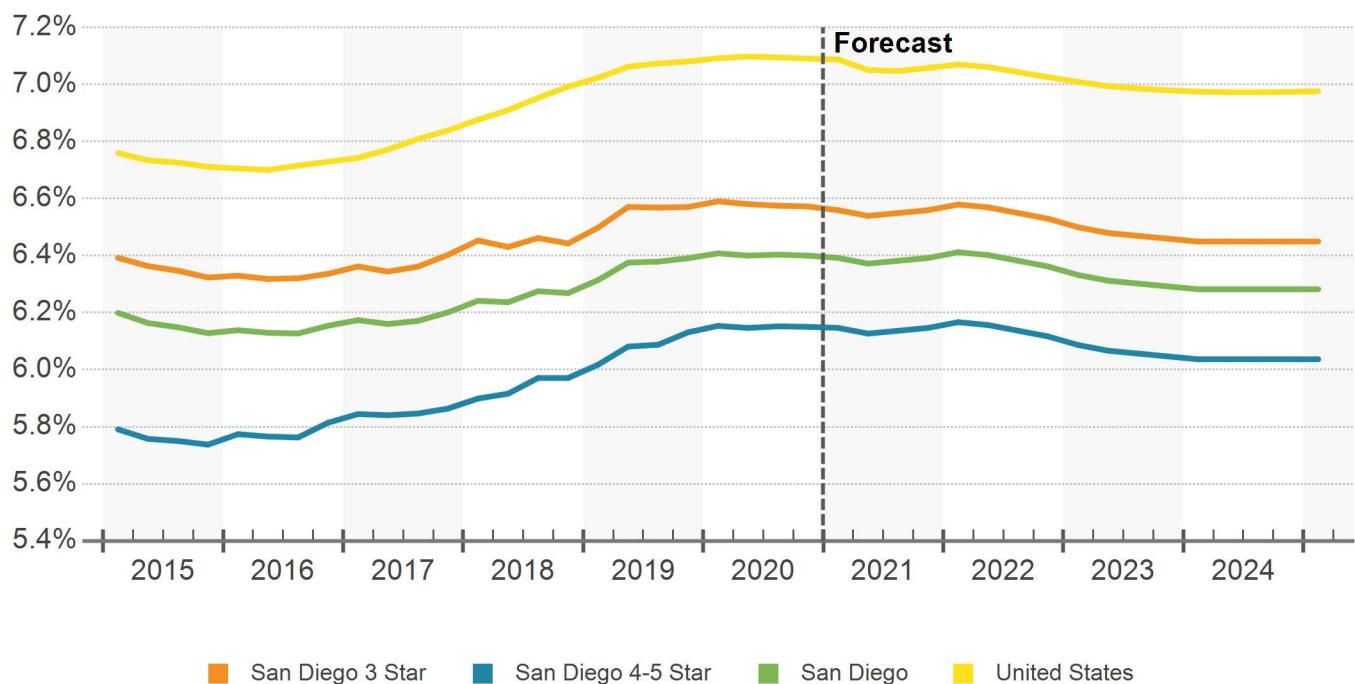
One of the most active investors in San Diego over the past few years has been Alexandria Real Estate Equities. In November 2020, the REIT purchased the Verge campus in Sorrento Mesa from Cruzan for \$185 million (\$800/SF). Cruzan purchased the campus for half of that price in 2015 before Google leased 80,000 SF of space there. The sale included a three-acre parcel entitled for another office building.

In July 2020, Alexandria purchased the Pointe at Torrey Pines for \$97.5 million (\$700/SF). The two-building campus had been owned and occupied by National University. It was the first sale in Torrey Pines in four years. The submarket tends to have a more immobile tenant base since so many of the buildings are owner-operated. The buyer is expected to redevelop the property into a life science campus after a short leaseback to National University. The buildings sit on more than 11 acres and were sold for their land value.

SALES VOLUME & MARKET SALE PRICE PER SF



MARKET CAP RATE



Sales Past 12 Months

San Diego Office

Sale Comparables

Avg. Cap Rate

Avg. Price/SF

Avg. Vacancy At Sale

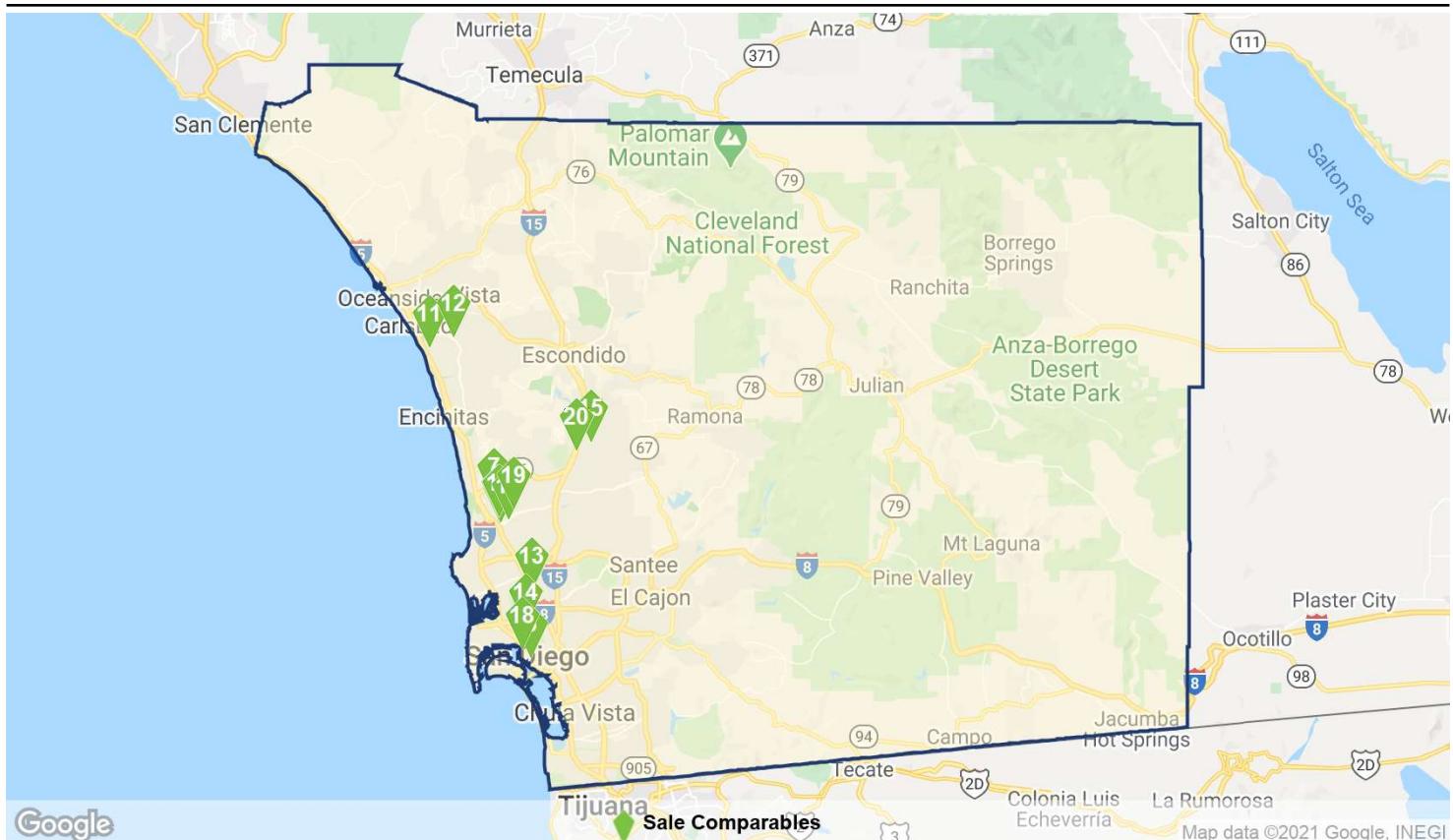
246

5.8%

\$352

19.0%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$244,000	\$6,644,467	\$1,975,000	\$169,698,000
Price/SF	\$7.14	\$352	\$301	\$1,346
Cap Rate	2.5%	5.8%	5.8%	9.7%
Time Since Sale in Months	0.2	5.8	4.8	12.0
Property Attributes	Low	Average	Median	High
Building SF	814	18,895	7,178	211,480
Stories	1	2	2	8
Typical Floor SF	523	7,805	4,980	52,870
Vacancy Rate At Sale	0%	19.0%	0%	100%
Year Built	1896	1978	1982	2017
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 2.4	★ ★ ★ ★ ★	★ ★ ★ ★ ★

Sales Past 12 Months

San Diego Office

RECENT SIGNIFICANT SALES

		Property				Sale			
Property Name - Address		Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate
1	6450 Sequence Dr	★★★★★	1998	211,480	41.7%	11/13/2020	\$169,698,000	\$802	-
2	9330 Scranton Rd	★★★★★	2001	154,815	31.1%	10/12/2020	\$74,374,905	\$480	-
3	9276 Scranton Rd	★★★★★	2001	125,816	44.9%	10/12/2020	\$55,625,095	\$442	-
4	Frost Street Medical Cen... 8010 Frost St	★★★★★	1988	88,000	20.2%	6/30/2020	\$53,000,000	\$602	-
5	Building A 10221 Wateridge Cir	★★★★★	1985	104,977	0%	3/20/2020	\$45,685,807	\$435	-
6	1155 Island Ave	★★★★★	2011	201,819	86.3%	11/1/2020	\$43,500,000	\$431	-
7	Torrey Hills Medical Plaza 4765 Carmel Mountain Rd	★★★★★	2005	47,596	12.2%	12/22/2020	\$37,350,000	\$785	5.2%
8	Building C 10241 Wateridge Cir	★★★★★	1985	85,623	0%	3/20/2020	\$30,277,225	\$354	-
9	Frost Street Medical Cen... 8008 Frost St	★★★★★	1982	49,000	23.1%	6/30/2020	\$29,511,364	\$602	-
10	Building B 10201 Wateridge Cir	★★★★★	1985	86,020	10.8%	3/20/2020	\$28,536,968	\$332	-
11	Ocean Ridge At Carlsba... 5796 Armada Dr	★★★★★	2006	75,000	9.2%	6/4/2020	\$28,250,000	\$377	-
12	Carlsbad Medical Center 2176 Salk Ave	★★★★★	2008	46,199	0%	7/23/2020	\$24,750,000	\$536	-
13	Frost Street Medical Cen... 7930 Frost St	★★★★★	1973	39,000	24.9%	6/30/2020	\$23,488,636	\$602	-
14	UCSD Medical Building 330 Lewis St	★★★★★	1996	22,461	0%	1/7/2021	\$17,150,000	\$764	5.4%
15	Pomerado Professional... 15706-15708 Pomerado Rd	★★★☆☆	1982	46,183	5.0%	7/2/2020	\$17,000,000	\$368	5.8%
16	5959 Cornerstone Ct W	★★★★★	1987	47,345	76.0%	12/23/2020	\$14,203,500	\$300	-
17	15030 Avenue of Science	★★★☆☆	1985	48,342	39.6%	3/27/2020	\$13,070,623	\$270	-
18	West Beech Street Plaza 444 W Beech St	★★★★★	1981	28,275	33.3%	12/3/2020	\$12,950,000	\$458	4.4%
19	6420 Sequence Dr	★★★★★	1998	109,991	0%	11/13/2020	\$12,928,509	\$118	-
20	15050 Avenue of Science	★★★☆☆	1985	42,680	0%	3/27/2020	\$11,539,741	\$270	-

San Diego's unemployment rate moved in the wrong direction in the latest jobs report from the Bureau of Labor Statistics. The market's unemployment rate ended 2020 at 8%, up from 6.6% in November. That still compares favorably to California's state-wide unadjusted rate of 8.8% at the end of 2020.

Nonfarm payrolls fell by 5,300 in San Diego between mid-November and mid-December. That's the first time since July's report that San Diego recorded losing jobs. But this came at a time when businesses typically ramp up hiring heading into the holidays. Retail sales fell by 0.7% in December after declining by 1.4% in November, which will likely lead to further dislocation in the retail market in 2021.

The leisure and hospitality sector is in an even deeper hole. It shed nearly 10,000 jobs in December, with accommodation and food services jobs accounting for the entirety of that decline. That sector has lost more than 25% of its employees in the past 12 months, or roughly 53,000 workers.

Five other sectors reported job losses during December, including government, manufacturing, education and health, financial activities and other services.

The construction sector was the clear winner in December. It added 3,200 workers to payrolls. Specialty contractors led the way. That may not be a surprise to many, especially with for-sale housing stock at excruciatingly low levels. Many area contractors have a backlog of assignments as many homeowners have taken to renovating and improving their homes due to the difficulty of finding a new one. There has also been an uptick in commercial development. Each of the retail, industrial, and office sectors had more square feet under construction at the end of 2020 compared with 12 months earlier.

Professional and business services and construction were the only employment sectors to add positions year over year. They added 9,100 and 3,200, respectively.

The San Diego region ended 2020 having shed 105,600 nonfarm jobs in the past 12 months. Although a wide distribution of a vaccine is expected in 2021, it will likely take longer than that for those jobs to return to the labor market.

Heading into the pandemic, San Diego's job market was on solid footing. More than 80 research institutes are located in San Diego, from Scripps Research Institute to Salk Institute for Biological Studies, in addition to five universities. This cluster of research in the Golden Triangle has created one of the strongest life science cores in the United States, and many of these companies and institutes are researching a vaccine for the coronavirus. Positions in the scientific and technical fields have driven recent job growth and the region and account for nearly 150,000 jobs. Furthermore, Scripps Health has five campuses across the metro and announced that it is spending \$2.6 billion on upgrades to its facilities, further bolstering San Diego as a destination for "medical tourism."

San Diego is also home to more than 143,000 active duty and civilian military employees. The defense industry accounts for more than 350,000 jobs in the region according to the San Diego Military Advisory Council. That is close to 25% of the economy. And the Navy's renewed focus on the Pacific theater of operation will result in a 60/40 split between the Pacific and Atlantic fleets, further solidifying San Diego's status as a major Navy hub.

It is also why San Diego has one of the largest concentrations of millennials in the country, accounting for 25% of the population.

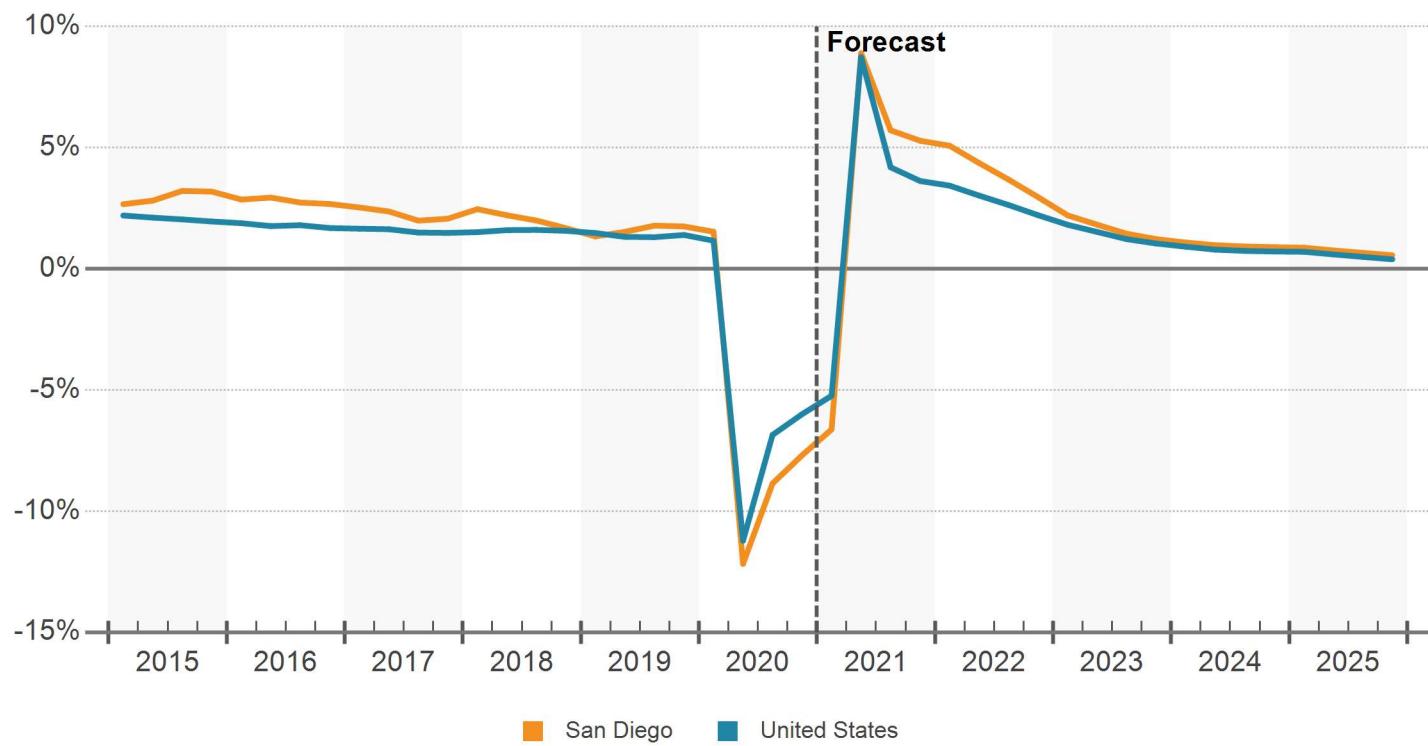
SAN DIEGO EMPLOYMENT BY INDUSTRY IN THOUSANDS

NAICS Industry	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	112	0.9	-4.60%	-3.94%	1.54%	0.59%	1.25%	0.50%
Trade, Transportation and Utilities	212	0.8	-4.70%	-2.97%	0.59%	0.86%	1.14%	0.60%
Retail Trade	137	0.9	-5.47%	-3.09%	0.43%	0.42%	1.56%	0.70%
Financial Activities	75	0.9	-3.46%	-1.01%	1.09%	1.29%	0.83%	0.74%
Government	228	1.1	-8.00%	-5.45%	-0.01%	-0.35%	1.58%	0.99%
Natural Resources, Mining and Construction	83	1.0	-1.81%	-3.35%	4.05%	2.60%	1.13%	1.12%
Education and Health Services	212	0.9	-4.22%	-3.79%	2.50%	1.57%	2.56%	1.84%
Professional and Business Services	258	1.3	-1.56%	-4.16%	2.31%	1.87%	1.01%	1.61%
Information	21	0.8	-10.89%	-6.50%	-1.52%	0.08%	3.49%	2.19%
Leisure and Hospitality	162	1.2	-20.39%	-17.83%	0.55%	0.37%	5.23%	4.33%
Other Services	48	0.9	-14.13%	-6.64%	0.01%	0.34%	3.02%	1.36%
Total Employment	1,411	1.0	-6.95%	-5.47%	1.27%	0.92%	2.00%	1.47%

Source: Oxford Economics

LQ = Location Quotient

YEAR OVER YEAR JOB GROWTH



Source: Oxford Economics

DEMOGRAPHIC TRENDS

Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	3,364,795	330,710,469	0.5%	0.5%	0.8%	0.6%	0.6%	0.5%
Households	1,146,527	123,606,789	0.5%	0.4%	0.8%	0.7%	0.6%	0.5%
Median Household Income	\$88,984	\$69,275	4.7%	4.2%	4.1%	3.3%	2.1%	2.1%
Labor Force	1,537,757	160,825,781	-3.6%	-2.0%	0.2%	0.5%	0.7%	0.8%
Unemployment	7.6%	6.7%	4.3%	3.0%	-0.3%	-0.3%	-	-

Source: Oxford Economics

POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH

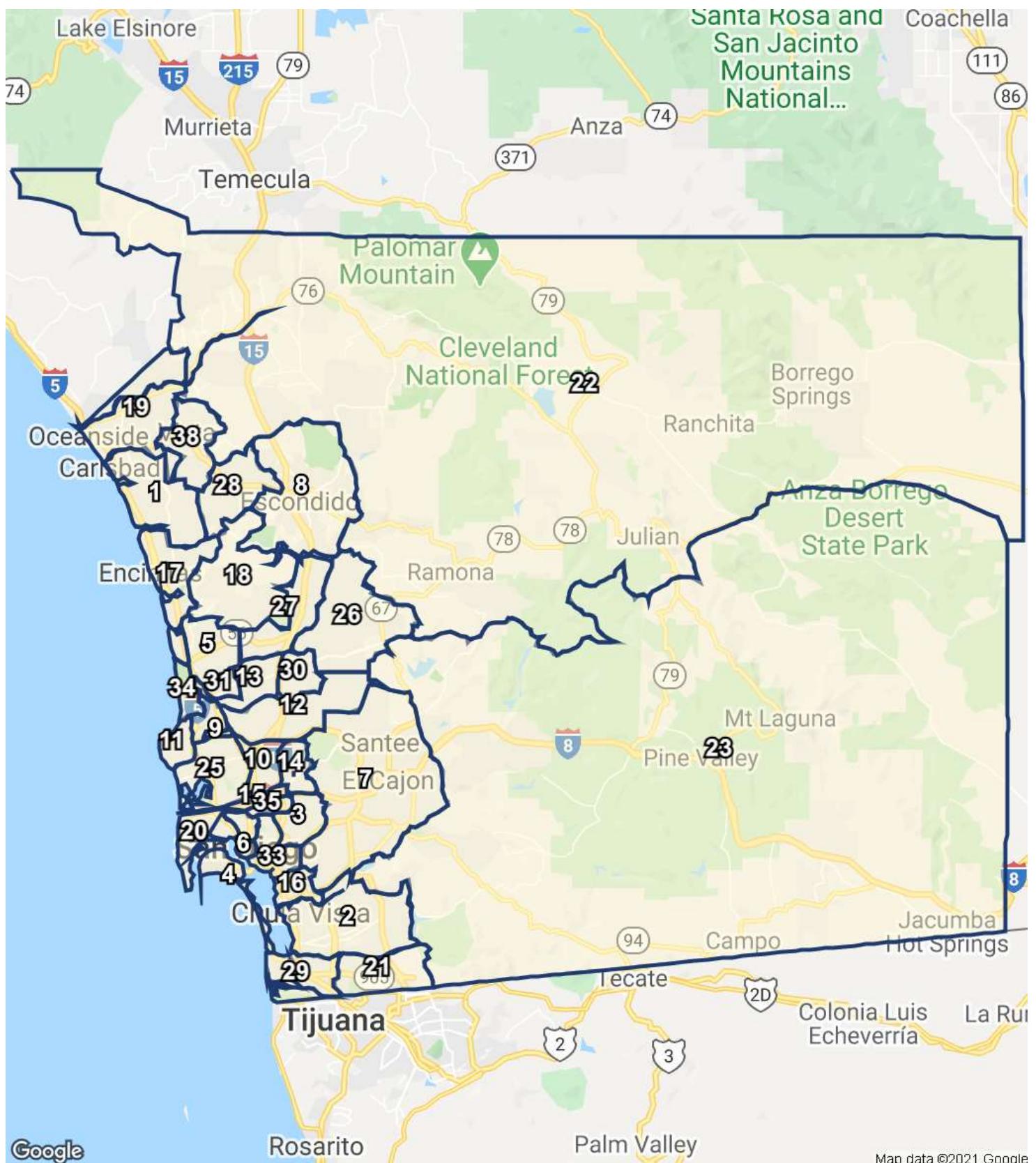


Source: Oxford Economics

Submarkets

San Diego Office

SAN DIEGO SUBMARKETS



Google

Map data ©2021 Google

Submarkets

San Diego Office

SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Carlsbad	338	7,651	6.4%	5	1	13	0.2%	7	0	-	-	-
2	Chula Vista	274	3,449	2.9%	10	0	0	0%	-	0	-	-	-
3	College Area	150	1,593	1.3%	23	0	0	0%	-	0	-	-	-
4	Coronado	27	181	0.2%	37	0	0	0%	-	0	-	-	-
5	Del Mar Hts/Carmel Valley	83	5,133	4.3%	9	2	288	5.6%	3	2	229	4.5%	3
6	Downtown	240	13,999	11.8%	1	1	372	2.7%	1	3	1,069	7.6%	1
7	East County	706	5,712	4.8%	8	2	94	1.6%	4	0	-	-	-
8	Escondido	313	2,650	2.2%	16	1	80	3.0%	5	0	-	-	-
9	Governor Park	20	899	0.8%	25	0	0	0%	-	0	-	-	-
10	Kearny Mesa	288	11,677	9.8%	2	3	340	2.9%	2	0	-	-	-
11	La Jolla	112	1,652	1.4%	21	0	0	0%	-	0	-	-	-
12	MCAS Miramar	1	32	0%	38	0	0	0%	-	0	-	-	-
13	Mira Mesa/Miramar	44	1,519	1.3%	24	0	0	0%	-	0	-	-	-
14	Mission Gorge	41	697	0.6%	28	0	0	0%	-	0	-	-	-
15	Mission Valley	138	7,344	6.2%	6	0	0	0%	-	1	4	0.1%	9
16	National City	87	799	0.7%	26	0	0	0%	-	0	-	-	-
17	North Beach Cities	325	3,362	2.8%	12	2	68	2.0%	6	3	70	2.1%	7
18	North Central County	37	396	0.3%	31	0	0	0%	-	0	-	-	-
19	Oceanside	166	1,771	1.5%	19	0	0	0%	-	1	100	5.6%	5
20	Old Twn/S Arena/Pt Loma	203	2,905	2.4%	15	0	0	0%	-	0	-	-	-
21	Otay Mesa	21	220	0.2%	35	0	0	0%	-	0	-	-	-
22	Outlying SD County N	159	741	0.6%	27	0	0	0%	-	1	8	1.0%	8
23	Outlying SD County S	33	184	0.2%	36	0	0	0%	-	0	-	-	-
24	Park East	70	338	0.3%	32	0	0	0%	-	0	-	-	-
25	PB/Rose Canyon/Morena	210	1,907	1.6%	17	0	0	0%	-	0	-	-	-
26	Poway	86	1,649	1.4%	22	0	0	0%	-	0	-	-	-
27	Rancho Bernardo	132	6,956	5.9%	7	0	0	0%	-	0	-	-	-
28	San Marcos	95	1,726	1.5%	20	0	0	0%	-	0	-	-	-
29	San Ysidro/Imperial Beach	37	245	0.2%	34	0	0	0%	-	0	-	-	-
30	Scripps Ranch	59	2,952	2.5%	14	0	0	0%	-	0	-	-	-
31	Sorrento Mesa	136	9,572	8.1%	3	0	0	0%	-	1	176	1.8%	4
32	Sorrento Valley	30	688	0.6%	29	0	0	0%	-	0	-	-	-
33	Southeast San Diego	84	664	0.6%	30	0	0	0%	-	0	-	-	-
34	Torrey Pines	47	3,220	2.7%	13	0	0	0%	-	1	74	2.3%	6
35	Uptown East	74	291	0.2%	33	0	0	0%	-	0	-	-	-
36	Uptown West/Park West	394	3,393	2.9%	11	0	0	0%	-	0	-	-	-
37	UTC	93	8,761	7.4%	4	0	0	0%	-	2	369	4.2%	2
38	Vista	176	1,803	1.5%	18	0	0	0%	-	0	-	-	-

Submarkets

San Diego Office

SUBMARKET RENT

No.	Submarket	Market Rent		12 Month Market Rent		QTD Annualized Market Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Carlsbad	\$34.67	12	0.2%	14	0.3%	21
2	Chula Vista	\$30.78	19	0.3%	13	0.4%	15
3	College Area	\$28.52	22	-0.3%	29	-0.2%	32
4	Coronado	\$37.50	8	-1.2%	37	0.3%	20
5	Del Mar Hts/Carmel Valley	\$51.66	1	0.3%	11	0.6%	4
6	Downtown	\$34.68	11	-2.7%	38	-0.1%	28
7	East County	\$26.20	32	1.0%	5	0.5%	10
8	Escondido	\$26.71	29	-0.5%	34	0.4%	12
9	Governor Park	\$35.05	10	-0.1%	22	0.5%	7
10	Kearny Mesa	\$31.47	16	0.1%	18	-0.1%	30
11	La Jolla	\$41.40	6	0.6%	8	0.1%	26
12	MCAS Miramar	\$27.60	25	0.1%	15	0%	27
13	Mira Mesa/Miramar	\$29.95	20	0.6%	10	0.8%	1
14	Mission Gorge	\$26.05	34	-0.3%	30	-0.3%	33
15	Mission Valley	\$32.55	14	0.1%	17	-0.1%	29
16	National City	\$26.37	30	0.9%	6	0.5%	8
17	North Beach Cities	\$41.68	5	-0.7%	36	0.5%	6
18	North Central County	\$46.45	2	-0.4%	33	0.3%	22
19	Oceanside	\$26.20	33	0%	20	0.3%	19
20	Old Twn/S Arena/Pt Loma	\$31.19	17	-0.1%	25	-0.2%	31
21	Otay Mesa	\$32.23	15	-0.1%	23	0.4%	11
22	Outlying SD County N	\$23.53	38	0%	19	0.1%	25
23	Outlying SD County S	\$25.83	35	-0.4%	32	0.2%	24
24	Park East	\$27.84	24	-0.1%	27	-0.6%	36
25	PB/Rose Canyon/Morena	\$27.36	27	-0.1%	21	-0.6%	35
26	Poway	\$29.27	21	-0.3%	31	0.5%	9
27	Rancho Bernardo	\$36.36	9	-0.1%	24	0.4%	14
28	San Marcos	\$28.32	23	0.1%	16	-0.7%	37
29	San Ysidro/Imperial Beach	\$25.04	37	1.1%	4	0.3%	17
30	Scripps Ranch	\$33.48	13	-0.2%	28	0.2%	23
31	Sorrento Mesa	\$37.74	7	2.4%	1	0.4%	13
32	Sorrento Valley	\$27.49	26	0.7%	7	0.5%	5
33	Southeast San Diego	\$26.31	31	0.6%	9	0.4%	16
34	Torrey Pines	\$42.22	4	1.8%	3	0.6%	3
35	Uptown East	\$26.91	28	-0.5%	35	-3.0%	38
36	Uptown West/Park West	\$30.97	18	-0.1%	26	-0.4%	34
37	UTC	\$46.31	3	1.9%	2	0.6%	2
38	Vista	\$25.51	36	0.3%	12	0.3%	18

Submarkets

San Diego Office

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Carlsbad	1,112,881	14.5%	29	50,693	0.7%	2	0.3
2	Chula Vista	223,574	6.5%	15	(17,828)	-0.5%	18	-
3	College Area	80,447	5.0%	11	(37,540)	-2.4%	26	-
4	Coronado	4,342	2.4%	3	(2,060)	-1.1%	15	-
5	Del Mar Hts/Carmel Valley	843,874	16.4%	32	98,950	1.9%	1	2.9
6	Downtown	2,814,298	20.1%	36	(127,115)	-0.9%	34	-
7	East County	252,728	4.4%	9	30,491	0.5%	3	2.8
8	Escondido	285,888	10.8%	25	17,254	0.7%	5	4.6
9	Governor Park	155,556	17.3%	33	(71,687)	-8.0%	29	-
10	Kearny Mesa	1,430,751	12.3%	27	(175,313)	-1.5%	35	-
11	La Jolla	256,762	15.5%	31	(67,057)	-4.1%	28	-
12	MCAS Miramar	-	-	-	0	0%	-	-
13	Mira Mesa/Miramar	105,581	7.0%	16	14,219	0.9%	6	-
14	Mission Gorge	7,330	1.1%	2	3,700	0.5%	9	-
15	Mission Valley	1,112,212	15.1%	30	(510,249)	-6.9%	38	-
16	National City	22,951	2.9%	4	(3,056)	-0.4%	16	-
17	North Beach Cities	252,109	7.5%	18	(35,486)	-1.1%	25	-
18	North Central County	34,190	8.6%	21	(12,322)	-3.1%	17	-
19	Oceanside	156,101	8.8%	22	(25,380)	-1.4%	20	-
20	Old Twn/S Arena/Pt Loma	183,227	6.3%	14	(123,479)	-4.3%	33	-
21	Otay Mesa	10,335	4.7%	10	1,328	0.6%	12	-
22	Outlying SD County N	42,614	5.8%	12	743	0.1%	13	-
23	Outlying SD County S	6,251	3.4%	6	3,614	2.0%	10	-
24	Park East	9,953	2.9%	5	4,873	1.4%	7	-
25	PB/Rose Canyon/Morena	110,801	5.8%	13	(27,757)	-1.5%	22	-
26	Poway	68,619	4.2%	7	(29,257)	-1.8%	23	-
27	Rancho Bernardo	889,377	12.8%	28	(214,031)	-3.1%	36	-
28	San Marcos	141,323	8.2%	20	(31,200)	-1.8%	24	-
29	San Ysidro/Imperial Beach	640	0.3%	1	3,932	1.6%	8	-
30	Scripps Ranch	568,170	19.2%	35	(114,535)	-3.9%	31	-
31	Sorrento Mesa	1,136,128	11.9%	26	(110,405)	-1.2%	30	-
32	Sorrento Valley	158,076	23.0%	37	(59,349)	-8.6%	27	-
33	Southeast San Diego	67,045	10.1%	24	21,906	3.3%	4	-
34	Torrey Pines	234,179	7.3%	17	(22,779)	-0.7%	19	-
35	Uptown East	12,600	4.3%	8	1,340	0.5%	11	-
36	Uptown West/Park West	260,707	7.7%	19	(119,161)	-3.5%	32	-
37	UTC	821,969	9.4%	23	(342,508)	-3.9%	37	-
38	Vista	339,255	18.8%	34	(27,440)	-1.5%	21	-

Supply & Demand Trends

San Diego Office

OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	123,317,497	987,572	0.8%	1,163,075	0.9%	0.8
2024	122,329,925	900,343	0.7%	1,297,786	1.1%	0.7
2023	121,429,582	720,484	0.6%	1,311,625	1.1%	0.5
2022	120,709,098	1,213,900	1.0%	1,329,862	1.1%	0.9
2021	119,495,198	709,239	0.6%	(852,965)	-0.7%	-
YTD	118,733,603	(52,356)	0%	(576,222)	-0.5%	-
2020	118,785,959	1,317,393	1.1%	(1,794,629)	-1.5%	-
2019	117,468,566	214,157	0.2%	646,381	0.6%	0.3
2018	117,254,409	334,020	0.3%	611,871	0.5%	0.5
2017	116,920,389	(202,989)	-0.2%	65,767	0.1%	-
2016	117,123,378	445,316	0.4%	1,577,324	1.3%	0.3
2015	116,678,062	589,894	0.5%	815,634	0.7%	0.7
2014	116,088,168	830,771	0.7%	1,293,928	1.1%	0.6
2013	115,257,397	703,174	0.6%	1,114,833	1.0%	0.6
2012	114,554,223	402,310	0.4%	1,541,331	1.3%	0.3
2011	114,151,913	663,446	0.6%	1,362,307	1.2%	0.5
2010	113,488,467	674,270	0.6%	1,364,865	1.2%	0.5
2009	112,814,197	1,328,982	1.2%	294,352	0.3%	4.5

4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	44,470,403	1,145,839	2.6%	1,107,084	2.5%	1.0
2024	43,324,564	1,061,106	2.5%	1,109,642	2.6%	1.0
2023	42,263,458	840,782	2.0%	1,132,820	2.7%	0.7
2022	41,422,676	1,228,015	3.1%	1,009,780	2.4%	1.2
2021	40,194,661	713,154	1.8%	182,379	0.5%	3.9
YTD	39,481,507	0	0%	(154,326)	-0.4%	-
2020	39,481,507	1,131,901	3.0%	(93,876)	-0.2%	-
2019	38,349,606	210,770	0.6%	769,724	2.0%	0.3
2018	38,138,836	638,013	1.7%	175,578	0.5%	3.6
2017	37,500,823	664,967	1.8%	156,724	0.4%	4.2
2016	36,835,856	471,819	1.3%	342,495	0.9%	1.4
2015	36,364,037	870,958	2.5%	404,970	1.1%	2.2
2014	35,493,079	871,000	2.5%	1,099,758	3.1%	0.8
2013	34,622,079	814,019	2.4%	587,155	1.7%	1.4
2012	33,808,060	439,270	1.3%	1,417,700	4.2%	0.3
2011	33,368,790	618,246	1.9%	1,273,271	3.8%	0.5
2010	32,750,544	534,553	1.7%	1,025,808	3.1%	0.5
2009	32,215,991	1,092,686	3.5%	1,407,408	4.4%	0.8

Supply & Demand Trends

San Diego Office

3 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	48,659,421	54,480	0.1%	201,161	0.4%	0.3
2024	48,604,941	50,449	0.1%	297,292	0.6%	0.2
2023	48,554,492	89,968	0.2%	305,842	0.6%	0.3
2022	48,464,524	193,100	0.4%	355,821	0.7%	0.5
2021	48,271,424	175,843	0.4%	(453,389)	-0.9%	-
YTD	48,069,597	(25,984)	-0.1%	(299,308)	-0.6%	-
2020	48,095,581	229,309	0.5%	(1,272,346)	-2.6%	-
2019	47,866,272	160,337	0.3%	(8,371)	0%	-
2018	47,705,935	(151,695)	-0.3%	503,133	1.1%	-
2017	47,857,630	(718,744)	-1.5%	(59,401)	-0.1%	-
2016	48,576,374	123,498	0.3%	876,815	1.8%	0.1
2015	48,452,876	(125,779)	-0.3%	147,712	0.3%	-
2014	48,578,655	76,989	0.2%	118,956	0.2%	0.6
2013	48,501,666	59,076	0.1%	518,193	1.1%	0.1
2012	48,442,590	287,819	0.6%	458,362	0.9%	0.6
2011	48,154,771	59,287	0.1%	21,910	0%	2.7
2010	48,095,484	188,018	0.4%	434,418	0.9%	0.4
2009	47,907,466	253,447	0.5%	(648,505)	-1.4%	-

1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	30,187,673	(212,747)	-0.7%	(145,170)	-0.5%	-
2024	30,400,420	(211,212)	-0.7%	(109,148)	-0.4%	-
2023	30,611,632	(210,266)	-0.7%	(127,037)	-0.4%	-
2022	30,821,898	(207,215)	-0.7%	(35,739)	-0.1%	-
2021	31,029,113	(179,758)	-0.6%	(581,955)	-1.9%	-
YTD	31,182,499	(26,372)	-0.1%	(122,588)	-0.4%	-
2020	31,208,871	(43,817)	-0.1%	(428,407)	-1.4%	-
2019	31,252,688	(156,950)	-0.5%	(114,972)	-0.4%	-
2018	31,409,638	(152,298)	-0.5%	(66,840)	-0.2%	-
2017	31,561,936	(149,212)	-0.5%	(31,556)	-0.1%	-
2016	31,711,148	(150,001)	-0.5%	358,014	1.1%	-
2015	31,861,149	(155,285)	-0.5%	262,952	0.8%	-
2014	32,016,434	(117,218)	-0.4%	75,214	0.2%	-
2013	32,133,652	(169,921)	-0.5%	9,485	0%	-
2012	32,303,573	(324,779)	-1.0%	(334,731)	-1.0%	-
2011	32,628,352	(14,087)	0%	67,126	0.2%	-
2010	32,642,439	(48,301)	-0.1%	(95,361)	-0.3%	-
2009	32,690,740	(17,151)	-0.1%	(464,551)	-1.4%	-

Rent & Vacancy

San Diego Office

OVERALL RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$37.71	133	3.4%	8.3%	14,001,569	11.4%	-0.2%
2024	\$36.48	128	4.1%	4.8%	14,170,500	11.6%	-0.4%
2023	\$35.06	123	4.3%	0.7%	14,561,322	12.0%	-0.6%
2022	\$33.62	118	0.4%	-3.4%	15,147,278	12.5%	-0.2%
2021	\$33.49	118	-3.8%	-3.8%	15,256,343	12.8%	1.2%
YTD	\$34.83	123	0%	0%	14,212,844	12.0%	0.4%
2020	\$34.81	122	1.0%	0%	13,688,978	11.5%	2.5%
2019	\$34.48	121	4.7%	-0.9%	10,646,997	9.1%	-0.4%
2018	\$32.94	116	4.9%	-5.4%	11,066,108	9.4%	-0.3%
2017	\$31.40	110	4.2%	-9.8%	11,340,366	9.7%	-0.2%
2016	\$30.14	106	2.8%	-13.4%	11,602,355	9.9%	-1.1%
2015	\$29.33	103	5.5%	-15.7%	12,802,752	11.0%	-0.3%
2014	\$27.81	98	8.2%	-20.1%	13,028,492	11.2%	-0.5%
2013	\$25.70	90	3.5%	-26.2%	13,491,649	11.7%	-0.4%
2012	\$24.84	87	5.4%	-28.6%	13,898,571	12.1%	-1.0%
2011	\$23.57	83	-1.1%	-32.3%	15,037,592	13.2%	-0.7%
2010	\$23.82	84	-5.8%	-31.6%	15,736,453	13.9%	-0.7%
2009	\$25.29	89	-11.0%	-27.3%	16,434,048	14.6%	0.8%

4 & 5 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$45.69	134	3.2%	7.3%	6,170,982	13.9%	-0.3%
2024	\$44.29	130	3.9%	4.0%	6,132,777	14.2%	-0.5%
2023	\$42.65	125	4.1%	0.2%	6,181,883	14.6%	-1.0%
2022	\$40.98	120	0.2%	-3.7%	6,474,486	15.6%	0.1%
2021	\$40.89	120	-3.9%	-3.9%	6,256,681	15.6%	1.1%
YTD	\$42.59	125	0%	0%	5,880,234	14.9%	0.4%
2020	\$42.57	125	1.4%	0%	5,725,908	14.5%	2.8%
2019	\$41.98	123	5.8%	-1.4%	4,500,131	11.7%	-1.5%
2018	\$39.68	116	5.4%	-6.8%	5,045,972	13.2%	1.0%
2017	\$37.66	110	3.5%	-11.5%	4,583,537	12.2%	1.2%
2016	\$36.39	107	0.8%	-14.5%	4,068,527	11.0%	0%
2015	\$36.10	106	3.3%	-15.2%	4,007,592	11.0%	1.0%
2014	\$34.94	102	11.1%	-17.9%	3,541,604	10.0%	-0.9%
2013	\$31.45	92	2.6%	-26.1%	3,770,362	10.9%	0.4%
2012	\$30.66	90	8.5%	-28.0%	3,543,498	10.5%	-3.1%
2011	\$28.27	83	-0.6%	-33.6%	4,521,928	13.6%	-2.3%
2010	\$28.43	83	-5.5%	-33.2%	5,176,953	15.8%	-1.8%
2009	\$30.08	88	-11.9%	-29.3%	5,668,208	17.6%	-1.6%

Rent & Vacancy

San Diego Office

3 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$35.48	131	3.5%	9.1%	5,612,005	11.5%	-0.3%
2024	\$34.28	127	4.2%	5.4%	5,758,856	11.8%	-0.5%
2023	\$32.89	122	4.4%	1.1%	6,005,895	12.4%	-0.5%
2022	\$31.50	117	0.5%	-3.1%	6,221,942	12.8%	-0.4%
2021	\$31.33	116	-3.7%	-3.7%	6,384,808	13.2%	1.3%
YTD	\$32.55	121	0.1%	0.1%	6,028,916	12.5%	0.6%
2020	\$32.53	120	0.4%	0%	5,755,592	12.0%	2.9%
2019	\$32.41	120	3.7%	-0.3%	4,323,978	9.0%	0.3%
2018	\$31.26	116	4.4%	-3.9%	4,155,270	8.7%	-1.3%
2017	\$29.94	111	4.1%	-8.0%	4,810,098	10.1%	-1.2%
2016	\$28.75	107	4.0%	-11.6%	5,469,441	11.3%	-1.6%
2015	\$27.65	102	7.9%	-15.0%	6,222,758	12.8%	-0.5%
2014	\$25.63	95	7.0%	-21.2%	6,496,249	13.4%	-0.1%
2013	\$23.95	89	4.5%	-26.4%	6,538,216	13.5%	-1.0%
2012	\$22.91	85	3.4%	-29.6%	6,992,596	14.4%	-0.4%
2011	\$22.15	82	-1.9%	-31.9%	7,163,139	14.9%	0.1%
2010	\$22.57	84	-6.2%	-30.6%	7,125,762	14.8%	-0.6%
2009	\$24.06	89	-10.9%	-26.0%	7,379,162	15.4%	1.8%

1 & 2 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$30.62	133	3.5%	8.9%	2,218,582	7.3%	-0.1%
2024	\$29.59	128	4.2%	5.2%	2,278,867	7.5%	-0.3%
2023	\$28.40	123	4.4%	1.0%	2,373,544	7.8%	-0.2%
2022	\$27.20	118	0.5%	-3.3%	2,450,850	8.0%	-0.5%
2021	\$27.06	117	-3.8%	-3.8%	2,614,854	8.4%	1.4%
YTD	\$28.12	122	0%	0%	2,303,694	7.4%	0.3%
2020	\$28.13	122	1.2%	0%	2,207,478	7.1%	1.2%
2019	\$27.81	120	4.4%	-1.2%	1,822,888	5.8%	-0.1%
2018	\$26.64	115	4.8%	-5.3%	1,864,866	5.9%	-0.2%
2017	\$25.42	110	5.7%	-9.6%	1,946,731	6.2%	-0.3%
2016	\$24.05	104	4.5%	-14.5%	2,064,387	6.5%	-1.6%
2015	\$23.02	100	5.6%	-18.1%	2,572,402	8.1%	-1.3%
2014	\$21.80	94	4.5%	-22.5%	2,990,639	9.3%	-0.6%
2013	\$20.85	90	3.4%	-25.9%	3,183,071	9.9%	-0.5%
2012	\$20.17	87	3.1%	-28.3%	3,362,477	10.4%	0.1%
2011	\$19.56	85	-0.6%	-30.5%	3,352,525	10.3%	-0.2%
2010	\$19.67	85	-5.8%	-30.1%	3,433,738	10.5%	0.2%
2009	\$20.89	91	-9.5%	-25.7%	3,386,678	10.4%	1.4%

Sale Trends

San Diego Office

OVERALL SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2025	-	-	-	-	-	-	\$363.24	157	6.3%
2024	-	-	-	-	-	-	\$349.97	152	6.3%
2023	-	-	-	-	-	-	\$333.56	145	6.3%
2022	-	-	-	-	-	-	\$315.93	137	6.4%
2021	-	-	-	-	-	-	\$316.62	137	6.4%
YTD	28	\$63.6M	0.2%	\$2,878,857	\$290.09	6.2%	\$333.15	144	6.4%
2020	258	\$1.4B	3.4%	\$7,173,437	\$342.61	5.8%	\$332.18	144	6.4%
2019	370	\$2.5B	5.9%	\$10,971,751	\$374.65	6.3%	\$328.79	142	6.4%
2018	428	\$2.5B	7.3%	\$9,065,024	\$340.43	6.1%	\$323.91	140	6.3%
2017	401	\$2.3B	6.9%	\$9,303,292	\$297.69	6.4%	\$311.25	135	6.2%
2016	361	\$1.7B	6.3%	\$6,875,525	\$276.81	6.4%	\$303.07	131	6.2%
2015	475	\$2.4B	9.8%	\$7,908,048	\$245.62	6.3%	\$296.93	129	6.1%
2014	421	\$2.1B	8.9%	\$7,601,312	\$232.59	7.0%	\$277.53	120	6.2%
2013	341	\$1.8B	6.5%	\$9,774,045	\$263.64	7.2%	\$258.27	112	6.5%
2012	325	\$1.3B	5.7%	\$7,944,925	\$228.62	6.5%	\$240.34	104	6.7%
2011	267	\$1.3B	5.5%	\$8,591,388	\$226.96	7.0%	\$234.69	102	6.9%
2010	213	\$846.5M	3.7%	\$6,118,529	\$230.81	6.5%	\$215.58	93	7.3%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

4 & 5 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2025	-	-	-	-	-	-	\$424.03	146	6.0%
2024	-	-	-	-	-	-	\$409.31	141	6.0%
2023	-	-	-	-	-	-	\$390.69	134	6.0%
2022	-	-	-	-	-	-	\$370.64	127	6.1%
2021	-	-	-	-	-	-	\$372.15	128	6.1%
YTD	-	-	-	-	-	-	\$392.21	135	6.1%
2020	16	\$630.9M	3.7%	\$39,429,384	\$436.51	-	\$391.34	134	6.2%
2019	22	\$1.2B	6.5%	\$64,967,891	\$501.95	6.4%	\$388.33	133	6.1%
2018	30	\$1B	8.1%	\$41,785,795	\$415.31	6.8%	\$387.06	133	6.0%
2017	14	\$675M	4.9%	\$51,924,424	\$381.52	6.0%	\$376.36	129	5.9%
2016	27	\$778.2M	8.4%	\$51,825,500	\$299.23	4.8%	\$366.80	126	5.8%
2015	19	\$533.5M	5.4%	\$38,030,266	\$303.09	6.4%	\$366.91	126	5.7%
2014	24	\$897.5M	9.4%	\$49,821,883	\$288.37	6.1%	\$344.22	118	5.8%
2013	25	\$878.5M	7.8%	\$43,795,940	\$326.30	6.4%	\$322.40	111	6.0%
2012	13	\$674.3M	7.1%	\$51,867,834	\$281.96	7.1%	\$301.44	104	6.2%
2011	24	\$735.1M	9.5%	\$31,959,452	\$260.13	6.3%	\$297.14	102	6.3%
2010	13	\$386.1M	4.8%	\$35,102,767	\$334.94	8.5%	\$274.24	94	6.7%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

Sale Trends

San Diego Office

3 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2025	-	-	-	-	-	-	\$334.96	162	6.5%
2024	-	-	-	-	-	-	\$322.25	155	6.4%
2023	-	-	-	-	-	-	\$306.93	148	6.5%
2022	-	-	-	-	-	-	\$290.42	140	6.5%
2021	-	-	-	-	-	-	\$290.72	140	6.6%
YTD	6	\$42.2M	0.2%	\$7,032,333	\$367.20	6.0%	\$305.58	147	6.6%
2020	81	\$422.9M	3.0%	\$7,344,961	\$300.95	5.9%	\$304.31	147	6.6%
2019	119	\$892.4M	6.6%	\$10,033,007	\$292.62	6.5%	\$300.77	145	6.6%
2018	148	\$1B	7.4%	\$10,752,921	\$318.49	6.4%	\$296.73	143	6.4%
2017	99	\$1.2B	9.0%	\$15,197,515	\$290.41	6.5%	\$282.58	136	6.4%
2016	113	\$606.4M	5.7%	\$7,096,104	\$267.67	6.6%	\$276.86	134	6.3%
2015	162	\$1.5B	14.7%	\$12,060,924	\$239.23	6.6%	\$268.40	129	6.3%
2014	149	\$946.9M	10.1%	\$9,420,213	\$216.03	7.2%	\$251.06	121	6.4%
2013	122	\$758.4M	7.0%	\$10,540,719	\$232.94	7.6%	\$234.52	113	6.6%
2012	89	\$421.6M	5.1%	\$9,277,102	\$196.49	6.9%	\$217.21	105	6.9%
2011	99	\$368.3M	4.1%	\$8,187,573	\$211.08	7.0%	\$212.35	102	7.1%
2010	91	\$336.2M	3.7%	\$5,969,855	\$195.44	6.2%	\$194.39	94	7.6%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

1 & 2 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2025	-	-	-	-	-	-	\$327.20	174	6.4%
2024	-	-	-	-	-	-	\$314.98	168	6.3%
2023	-	-	-	-	-	-	\$299.84	160	6.4%
2022	-	-	-	-	-	-	\$283.64	151	6.4%
2021	-	-	-	-	-	-	\$283.87	151	6.5%
YTD	22	\$21.4M	0.4%	\$1,217,467	\$205.19	6.5%	\$298.34	159	6.5%
2020	161	\$302.4M	3.7%	\$2,521,220	\$272.95	5.8%	\$297.69	158	6.5%
2019	229	\$316.3M	4.0%	\$2,697,038	\$309.47	6.1%	\$294.07	156	6.5%
2018	250	\$376.2M	6.0%	\$2,454,421	\$259.62	5.7%	\$283.14	151	6.4%
2017	288	\$356.2M	6.2%	\$2,333,651	\$224.07	6.3%	\$270.19	144	6.3%
2016	221	\$324.5M	4.9%	\$2,130,468	\$248.05	6.4%	\$260.03	138	6.3%
2015	294	\$369.4M	7.2%	\$2,177,418	\$210.57	6.0%	\$249.27	133	6.3%
2014	248	\$301.5M	6.6%	\$1,798,588	\$174.24	7.1%	\$230.97	123	6.5%
2013	194	\$205M	4.4%	\$2,038,553	\$197.43	7.2%	\$210.88	112	6.7%
2012	223	\$218.8M	5.2%	\$1,992,606	\$180.33	5.5%	\$196.00	104	7.0%
2011	144	\$149.5M	3.5%	\$1,842,069	\$157.41	7.2%	\$187.31	100	7.3%
2010	109	\$124.2M	2.7%	\$1,678,555	\$156.29	5.9%	\$171.42	91	7.7%

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