

Q3'20 San Diego Office Market Report



12 Mo Deliveries in SF

971 K

12 Mo Net Absorption in SF

(1.4 M)

Vacancy Rate

11.4%

12 Mo Rent Growth

2.4%

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. The mix of a well-educated population and diverse set of office users should help prevent the market's fundamentals from unraveling, even as the region has dealt with a slowdown in demand and economic dislocation.

Even so, the vacancy rate has been on the rise in 2020 following three quarters of negative absorption. That came after several sizable move-outs from Kearny Mesa to Rancho Bernardo. And while annual rent growth is still positive, rents declined during 20Q3, and almost every office submarket recorded a drop in rents.

As schools, businesses, and countless other ventures transition into a new normal to combat the spread of the coronavirus, the longer-term impact on the office market is still not fully known. However, what is clear is that

leasing volume has fallen off dramatically since the outbreak while sublet space has ticked up to levels not seen since the Great Recession.

The slowdown in leasing comes as spec development has picked up. 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 could be the beginning of a wave of life science space to hit Downtown after IQHQ purchased about eight acres of the Manchester Pacific Gateway site to build a more than 1 million-SF campus filled with lab space.

As might be expected given the uncertainty in the space markets and on valuations, deal flow and sales volume both cooled notably since the outbreak as bid-ask deltas have pushed parties to the sidelines. Most of the recent sizable office deals have traded as redevelopment projects into lab space or for their land value.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	39,322,948	14.7%	\$3.53	19.2%	(17,654)	0	1,784,004
3 Star	47,664,982	11.6%	\$2.70	14.7%	(214,314)	0	340,177
1 & 2 Star	31,562,530	7.0%	\$2.32	9.8%	(34,439)	0	0
Market	118,550,460	11.4%	\$2.88	14.9%	(266,407)	0	2,124,181
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.9%	10.6%	11.4%	14.8%	2010 Q1	5.6%	2000 Q2
Net Absorption SF	(1.4 M)	1,132,963	473,998	4,825,171	2000 Q2	(1,157,360)	2008 Q4
Deliveries SF	971 K	1,632,808	1,071,931	4,035,165	2000 Q2	288,681	2017 Q2
Rent Growth	2.4%	2.7%	2.0%	17.0%	2001 Q1	-11.1%	2009 Q3
Sales Volume	\$1.4 B	\$1.7B	N/A	\$4.4B	2007 Q3	\$268.6M	2009 Q3

The vacancy rate reached its highest point in more than five years entering 20Q4. 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. Other reversals in UTC and Rancho Bernardo in conjunction with a slowdown in leasing activity further ate into demand, and the region recorded its third straight quarter of negative absorption in 20Q3. Leasing volume during 20Q3 reached its lowest level in 20 years with less than 1 million SF leased across the region.

Last year's leasing was characterized by expansions from the region's tech and life science firms, and that momentum carried through the start of 2020. Fate Therapeutics leased 200,000 SF at Scripps Northridge in Scripps Ranch. 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. And Apple 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. Amazon also added 45,000 SF in 20Q2 to its existing 100,000-SF footprint in UTC and will add another 200 employees. Amazon announced that San Diego is one of several hubs across the country earmarked for future expansion.

Relative to Downtown, where vacancies are trending near 20%, UTC's vacancy rate is nearly one-third 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

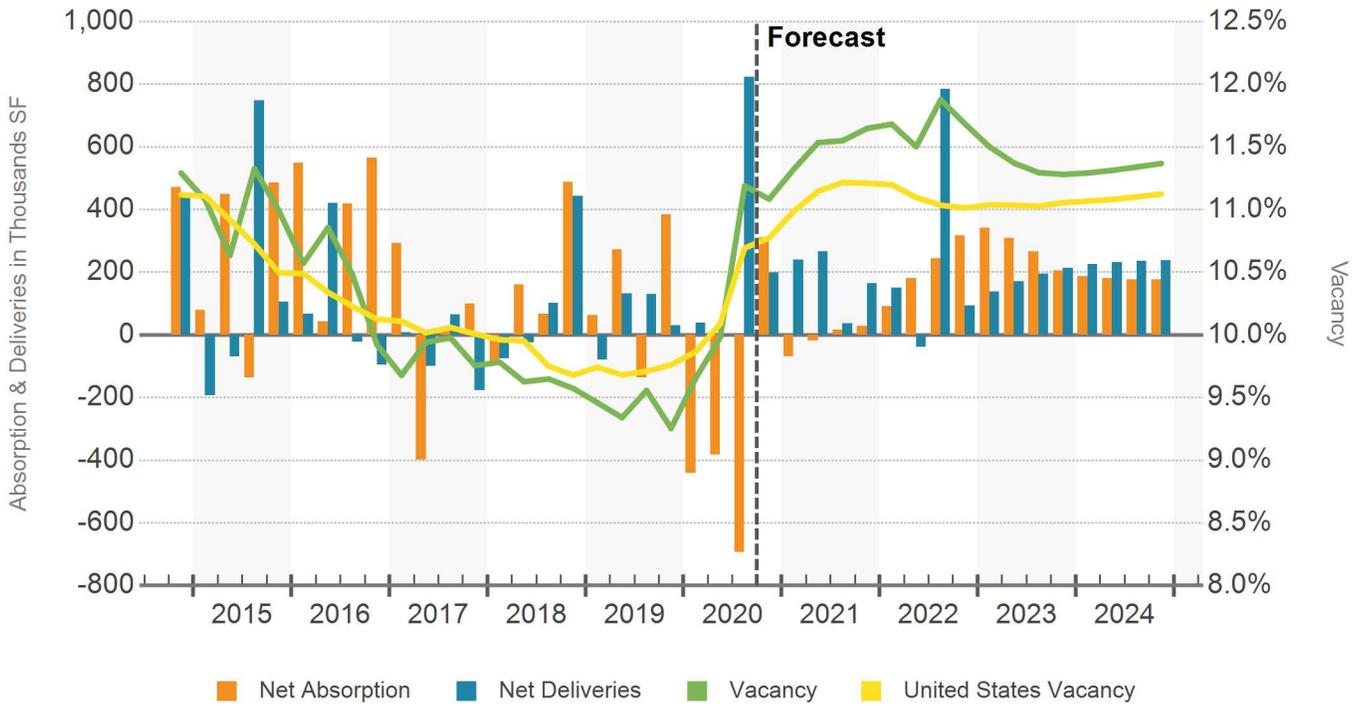
to the trolley line is underway. That Blue Line Trolley extension isn't expected to be ready until 2021, but it will link Downtown with UTC and make an additional 4 million SF of office space walkable to transit riders. Downtown, by comparison, is filled with more traditional office tenants and has recorded only one quarter with positive net absorption over the past two years, as few companies in expansion mode turn there for their space needs.

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 20% 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.

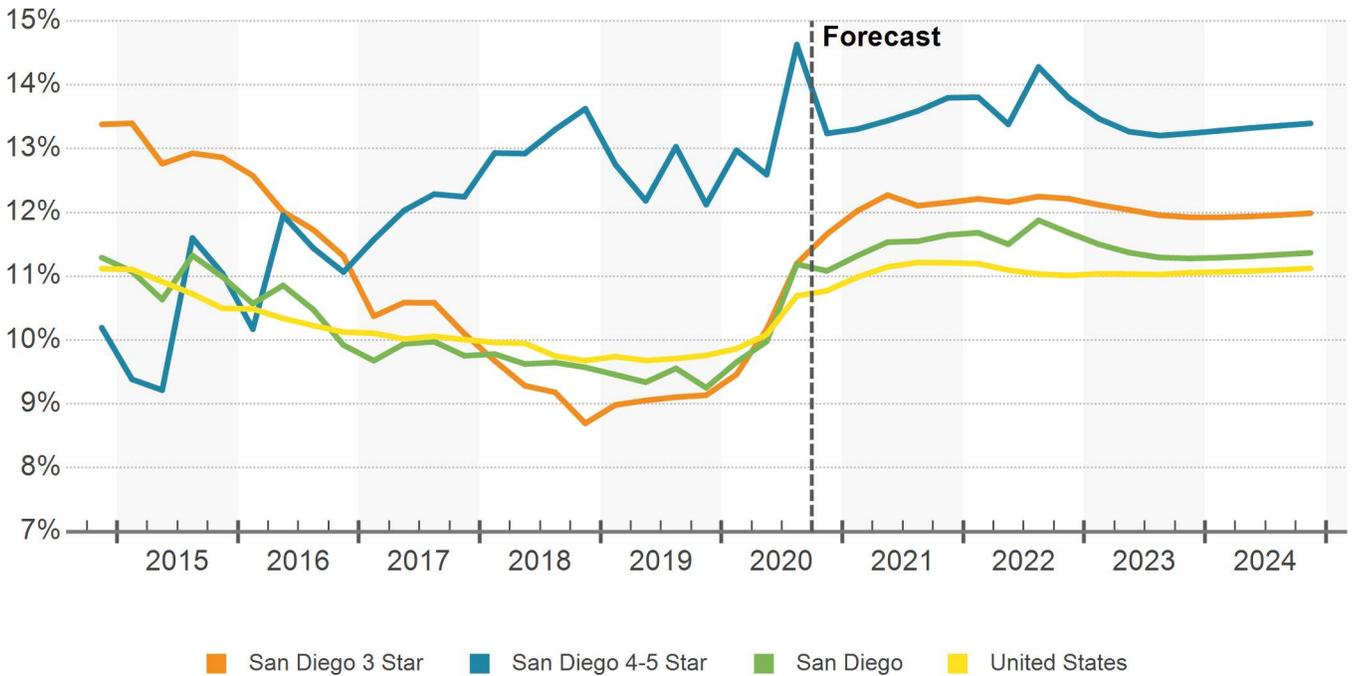
But the impact of the coronavirus is likely to hover over the region for the foreseeable future, as office workers have largely transitioned to telecommuting. Office size requirements may change going forward, and new leasing has slowed notably. Instead, many tenants are delaying leasing decisions and have opted to renew in place until a clearer outlook emerges.

San Diego also has more than 1 million SF of co-working space, which could be particularly vulnerable from employees working from home. The slowdown in leasing velocity could lead to vacancies rising further in the near term, and they may approach 12% during the forecast. And sublet space is beginning to hit the market. The level during 20Q3 reached a 10-year high above 2.3 million SF. The largest sublease to hit the market was nearly 200,000 SF at Elements at Wateridge.

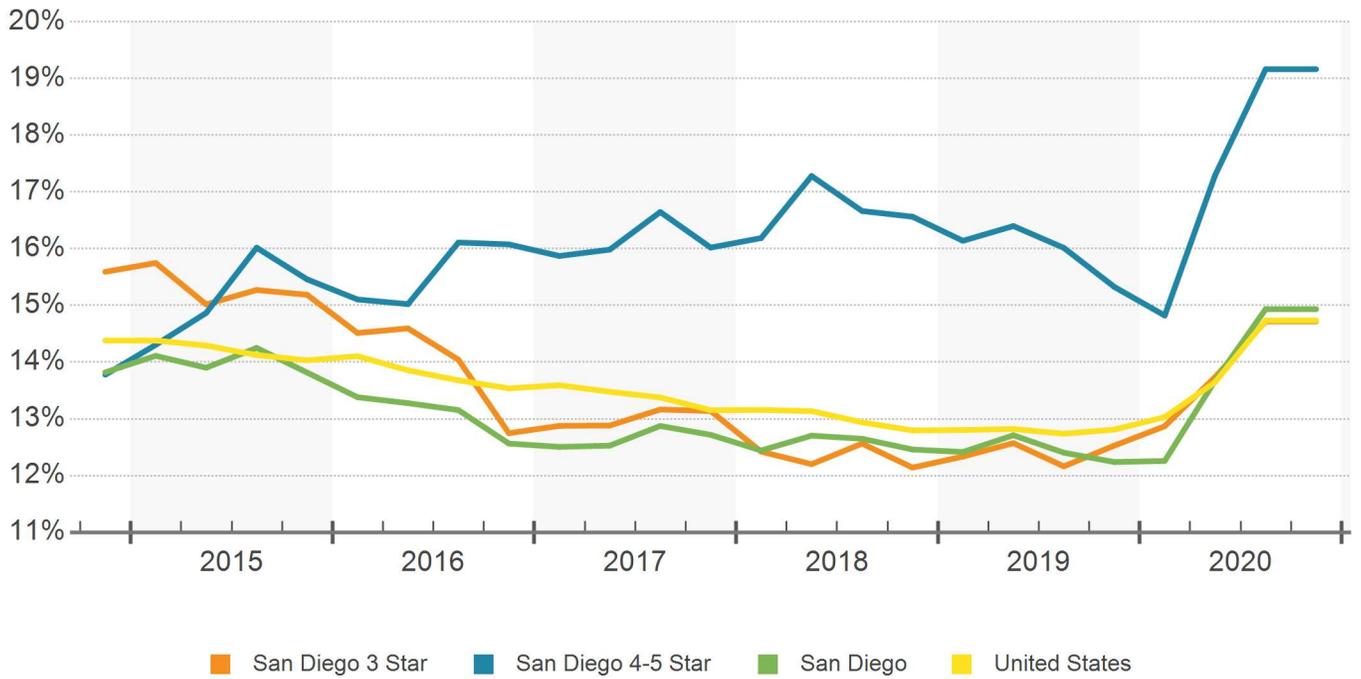
NET ABSORPTION, NET DELIVERIES & VACANCY



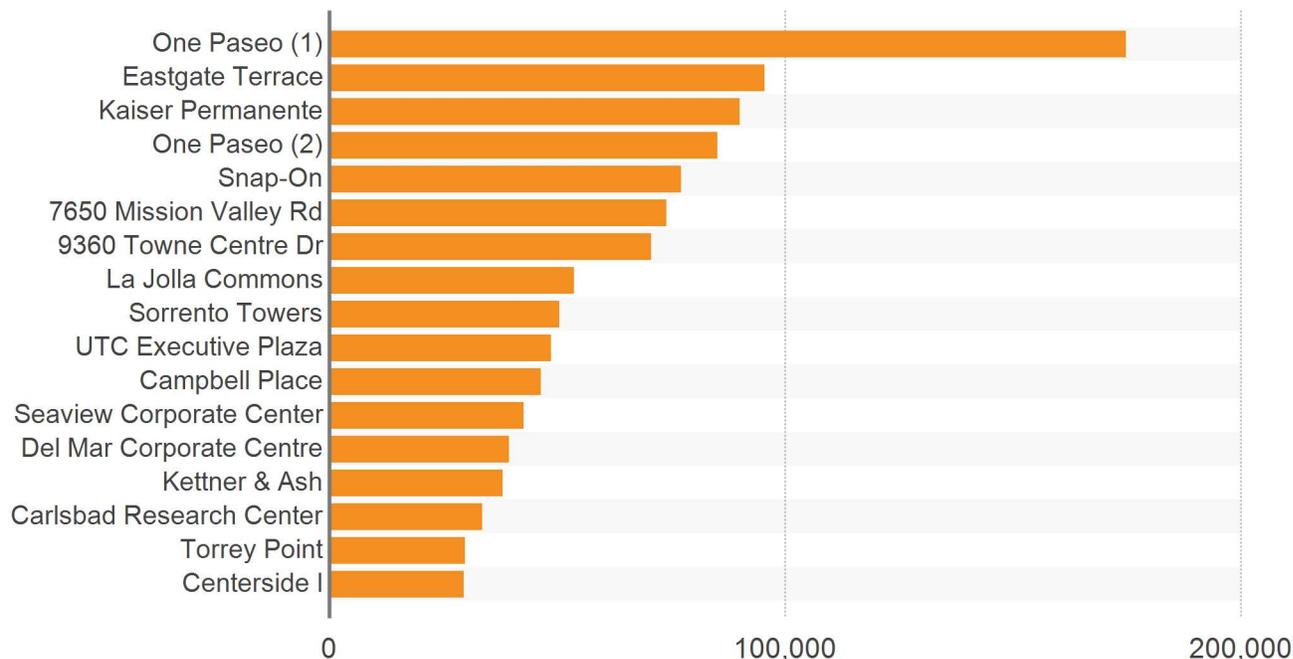
VACANCY RATE



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
One Paseo (1)	Del Mar Hts/Carmel...	196,443	21,641	0	0	90,890	83,912	174,802
Eastgate Terrace	UTC	96,543	0	0	0	0	0	95,493
Kaiser Permanente	Kearny Mesa	90,000	0	0	0	90,000	0	90,000
One Paseo (2)	Del Mar Hts/Carmel...	92,041	6,919	0	0	37,547	47,575	85,122
Snap-On	North Central County	78,000	0	0	0	0	0	77,152
7650 Mission Valley Rd	Mission Valley	75,000	0	73,970	0	0	0	73,970
9360 Towne Centre Dr	UTC	73,983	0	0	0	0	0	70,613
La Jolla Commons	UTC	303,000	9,574	0	2,612	(2,188)	0	53,767
Sorrento Towers	Sorrento Mesa	139,264	15,022	(10,398)	63,419	(2,547)	0	50,474
UTC Executive Plaza	UTC	125,219	17,621	0	49,354	0	(17,621)	48,722
Campbell Place	Carlsbad	46,370	0	0	46,370	0	0	46,370
Seaview Corporate Center	Sorrento Mesa	123,879	0	0	0	0	0	42,584
Del Mar Corporate Centre	Del Mar Hts/Carmel...	70,140	0	46,849	0	0	0	39,389
Kettner & Ash	Downtown	123,062	76,732	0	38,069	0	0	38,069
Carlsbad Research Center	Carlsbad	56,721	20,931	0	4,649	28,903	0	33,552
Torrey Point	Del Mar Hts/Carmel...	56,775	5,798	0	17,669	(2,627)	0	29,842
Centerside I	Mission Valley	209,686	66,721	6,949	15,360	(11,150)	(1,153)	29,438
Subtotal Primary Competitors		1,956,126	240,959	117,370	237,502	228,828	112,713	1,079,359
Remaining San Diego Market		116,594,334	13,289,717	(559,427)	(619,661)	(922,046)	(379,120)	(2,483,312)
Total San Diego Market		118,550,460	13,530,676	(442,057)	(382,159)	(693,218)	(266,407)	(1,403,953)

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Compa...	Leasing Rep Company
Apex	UTC	204,000	Q4 19	Apple	-	-
Scripps Northridge Corp	Scripps Ranch	198,880	Q1 20	Fate Therapeutics	Hughes Marino	JLL
Summit Rancho Bernardo	Rancho Bernardo	196,734	Q1 20	Apple	-	CBRE
9455 TCD	UTC	165,000	Q4 19	Apple	-	Cushman & Wakefield
Carlsbad Airport Center	Carlsbad	121,541	Q4 19	Alphatec Spine	Savills	Cushman & Wakefield
Palomar Airport Business Park *	Carlsbad	85,122	Q4 19	Philips Health Care	Cushman & Wakefie...	Cushman & Wakefield;...
The Boardwalk	Torrey Pines	74,000	Q2 20	Cooley LLP	-	CBRE
Rancho Vista Corporate Center	Rancho Bernardo	53,642	Q1 20	-	-	-
Kilroy Sabre Springs	Rancho Bernardo	48,835	Q1 20	Intuit	-	CBRE
UTC Executive Plaza	UTC	46,991	Q4 19	BioMed Realty	-	JLL
Carlsbad Research Center	Carlsbad	46,823	Q1 20	Development Inc.	-	Cushman & Wakefield
Sorrento Towers	Sorrento Mesa	44,027	Q4 19	-	-	Cushman & Wakefield
INSPIRE Creative Office	San Marcos	41,258	Q2 20	-	-	Cushman & Wakefield;...
6602-6694 Convoy Ct	Kearny Mesa	40,431	Q2 20	Autoanything	-	Hughes Marino
550 West	Downtown	36,734	Q4 19	Lewis Brisbois, Bisgaard...	Avison Young	Cushman & Wakefield
Torrey Plaza	Del Mar Hts/Carmel Valley	33,975	Q4 19	American Assets Trust, Inc.	-	CBRE
Eastgate Technology Park	UTC	31,706	Q1 20	-	-	The Irvine Company
Scripps Ranch Tech Park *	Scripps Ranch	30,245	Q3 20	CUSO Financial Services	-	Voit Real Estate Services
Carlsbad Research Center	Carlsbad	29,053	Q1 20	SafeBuilt Insurance Servi...	-	Cushman & Wakefield
10240 Science Center Dr	Torrey Pines	29,019	Q4 19	Thermo Fisher	JLL	Hughes Marino
4400 Ruffin Rd	Kearny Mesa	28,523	Q1 20	Advantage	Cushman & Wakefield	CBRE
Eastgate Pointe	UTC	28,374	Q2 20	-	-	JLL
1333 Front St *	Downtown	27,889	Q4 19	Social Security Office	-	-
Sorrento Gateway	Sorrento Mesa	27,865	Q1 20	Mapp Biopharmaceutical Inc	Cushman & Wakefield	CBRE
Eastgate Technology Park	UTC	26,897	Q4 19	-	-	The Irvine Company
San Diego Corporate Ctr *	Del Mar Hts/Carmel Valley	24,474	Q4 19	Evoform Inc.	Hughes Marino	CBRE
Pacific Corporate Park *	Sorrento Mesa	23,947	Q4 19	Optum	-	Cushman & Wakefield
Scripps Ranch Tech Park	Scripps Ranch	23,843	Q4 19	Engineering Partners Inc	Voit Real Estate Ser...	Voit Real Estate Services
One Paseo	Del Mar Hts/Carmel Valley	23,423	Q1 20	-	-	Cushman & Wakefield
La Jolla Reserve	UTC	22,833	Q2 20	-	-	The Irvine Company
La Jolla Reserve *	UTC	22,833	Q4 19	Tyson & Mendes	Savills	-
Atlas	Carlsbad	22,588	Q4 19	-	-	Cushman & Wakefield
Sorrento Highlands	Sorrento Mesa	22,497	Q3 20	Helix	Hughes Marino	CBRE
2 Columbia Place *	Downtown	22,269	Q4 19	Tetra Tech	-	JLL
Eastgate Technology Park	UTC	22,097	Q1 20	Creative Nail Design	-	The Irvine Company
Mission Valley Crossroads *	Mission Valley	21,354	Q2 20	T.Y. Lin International Group	-	JLL
Campus Pointe by Alexandria	UTC	21,180	Q4 19	Heron Therapeutics	-	-
Muse Torrey Pines	Torrey Pines	20,685	Q3 20	-	-	JLL
Willow Creek Corporate Center	Scripps Ranch	20,543	Q1 20	Hitachi	Hughes Marino	JLL
Sorrento Towers	Sorrento Mesa	19,978	Q3 20	-	-	Cushman & Wakefield

Renewal

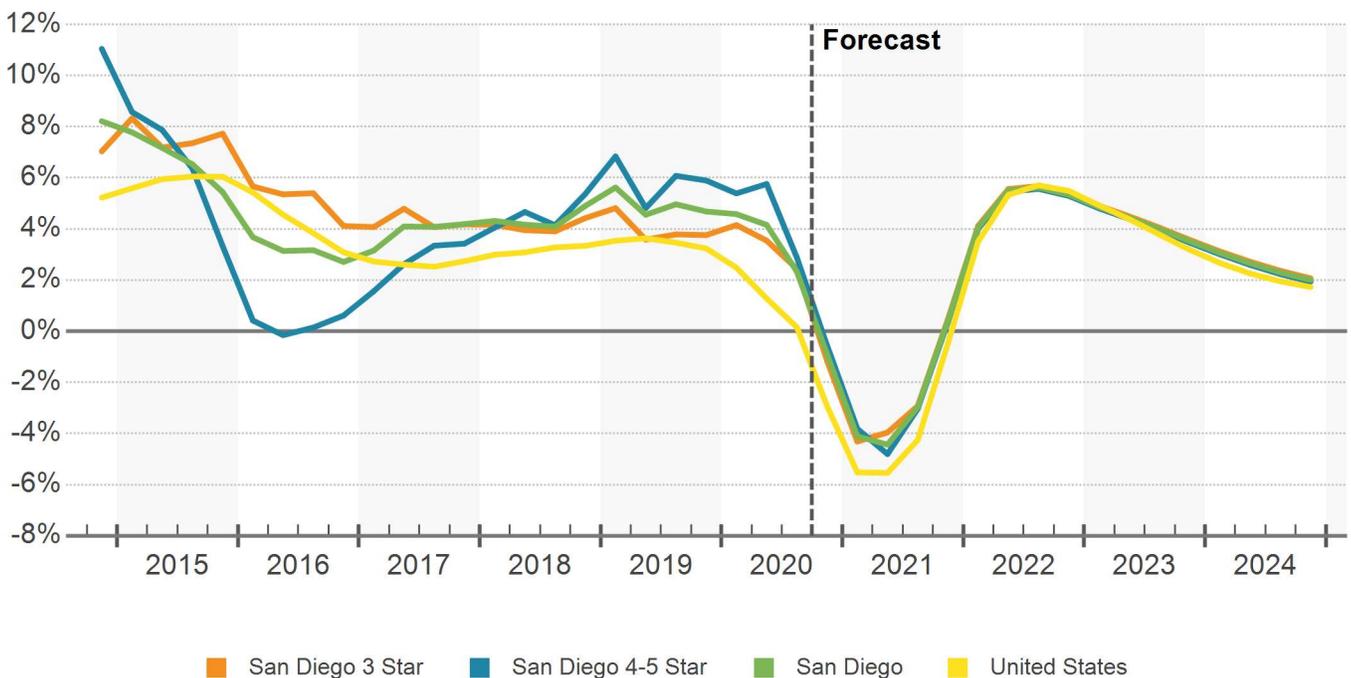
Annual rent growth is still firmly positive and sits at 2.4% compared to the five-year average of 4.0%. But rents fell during 20Q3 after nearly every submarket posted declining rents amid a slowdown in demand. As the office environment slowly grapples with the spread of the coronavirus, annual rent growth could turn negative in 2020, accompanying the slowdown in leasing ahead of the wave of spec space delivering. However, the Base Case scenario does not have rents declining as much as they did during the Great Recession.

Rents finally fell during 20Q3 in Downtown, weighed down by an almost complete dearth in leasing activity and surge in available and vacant space. Downtown's rent growth had kept its head above water leading into the pandemic, even as vacancies piled up.

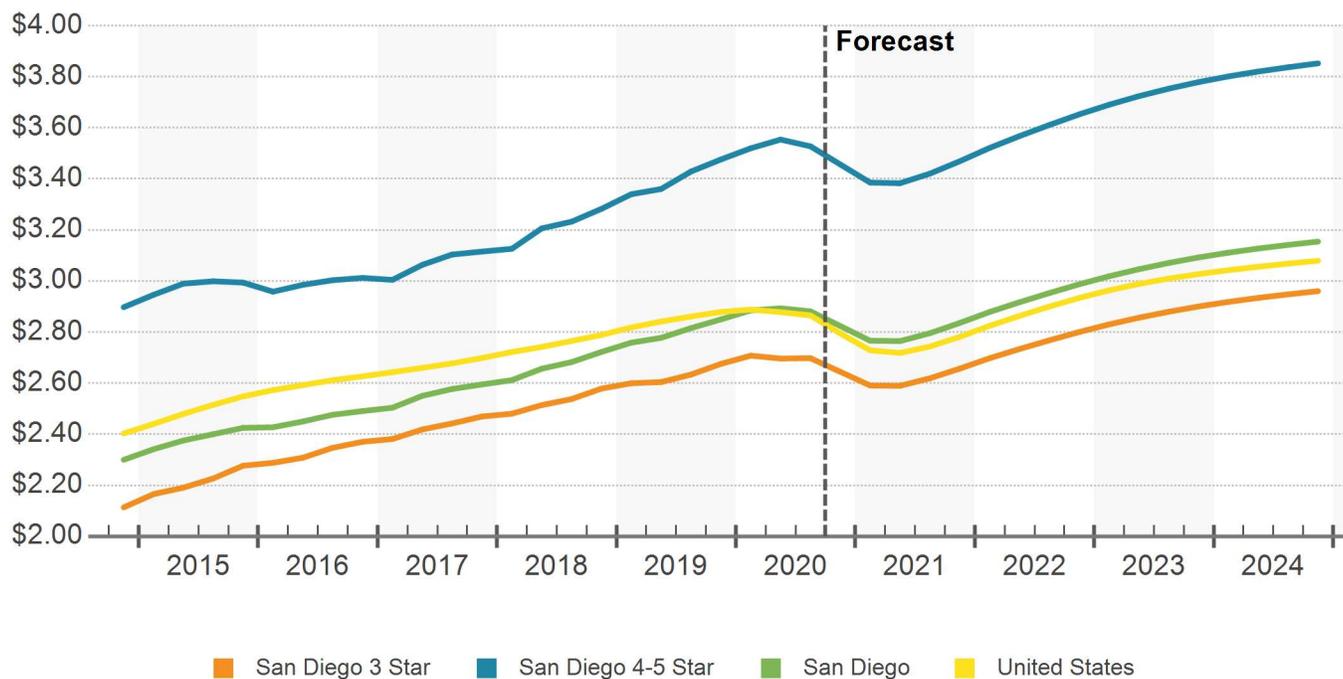
The top of the leaderboard for annual rent growth remained largely unchanged since mid-year. Kearny Mesa and Mission Valley remained relatively stable given the systemic shock from the coronavirus, and rents still grew above their respective historical benchmarks in the past year. High demand for life science space in Sorrento Mesa has also buoyed rent growth there.

Fate Therapeutics's 15-year lease at Scripps Northridge starts in June 2021 at an effective rate of \$4.26/SF NNN. The deal included 3% annual escalations and a \$30 million tenant improvement allowance. Concession packages are expected to pick up this year as landlords position space to attract tenants following a slowdown in leasing activity. However, landlords have largely avoided handing out significant concessions or discounts to this point.

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	\$1.21	\$0.96	\$4.45	\$4.38	\$11.81
Central San Diego	\$0.41	\$1.29	\$0.86	\$3.63	\$4.27	\$10.46
Downtown	\$1.18	\$1.68	\$0.77	\$4.11	\$6.89	\$14.63
I-15 Corridor	\$0.45	\$1.11	\$0.93	\$3.98	\$3.68	\$10.15
I-5 Corridor	\$0.72	\$1.30	\$0.81	\$5.32	\$3.89	\$12.04
North Central County	\$0.50	\$1.13	\$0.97	\$0.40	\$3.80	\$6.80
North San Diego	\$1.20	\$0.98	\$1.22	\$5.03	\$4.33	\$12.76
South Bay	\$0.43	\$1.27	\$1.00	\$2.16	\$4.45	\$9.31
SR-78 Corridor	\$0.50	\$1.13	\$0.97	\$2.54	\$3.80	\$8.94

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	\$1.11	\$0.53	\$3.73	\$2.97	\$8.91
Central San Diego	\$0.43	\$0.99	\$0.52	\$3.39	\$3.11	\$8.44
Coronado	\$0.26	\$0.88	\$0.38	\$6.10	\$2.64	\$10.26
Downtown	\$1.03	\$1.45	\$0.67	\$3.07	\$5.08	\$11.30
I-15 Corridor	\$0.46	\$1.07	\$0.45	\$3.36	\$2.18	\$7.52
I-5 Corridor	\$0.87	\$1.37	\$0.49	\$4.30	\$2.71	\$9.74
North Central County	\$0.53	\$1.08	\$0.45	\$7.60	\$2.29	\$11.95
North San Diego	\$0.59	\$0.96	\$0.70	\$5.01	\$3.31	\$10.57
Outlying SD County N	\$0.44	\$0.99	\$0.39	\$3.23	\$2.08	\$7.13
Outlying SD County S	\$0.28	\$0.94	\$0.41	\$1.22	\$2.82	\$5.67
South Bay	\$0.33	\$1.08	\$0.47	\$2.88	\$3.28	\$8.04
SR-78 Corridor	\$0.47	\$1.04	\$0.41	\$3.10	\$1.92	\$6.94

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	\$0.39	\$0.73	\$0.34	\$3.42	\$3.03	\$7.91
Central San Diego	\$0.46	\$0.96	\$0.33	\$3.44	\$3.05	\$8.24
Coronado	\$0.32	\$0.38	\$0.47	\$6.13	\$4.08	\$11.38
Downtown	\$0.60	\$1.27	\$0.20	\$4.53	\$4.34	\$10.94
I-15 Corridor	\$0.34	\$0.67	\$0.23	\$2.69	\$2.75	\$6.68
I-5 Corridor	\$0.35	\$0.81	\$0.30	\$4.64	\$3.83	\$9.93
MCAS Miramar	\$0.32	\$0.37	\$0.47	\$2.22	\$1.77	\$5.15
North Central County	\$0.34	\$0.64	\$0.25	\$6.44	\$2.80	\$10.47
North San Diego	\$0.51	\$0.91	\$0.33	\$4.43	\$3.52	\$9.70
Outlying SD County N	\$0.34	\$0.65	\$0.25	\$2.66	\$2.83	\$6.73
Outlying SD County S	\$0.32	\$0.37	\$0.46	\$4.51	\$2.52	\$8.18
South Bay	\$0.32	\$0.38	\$0.46	\$2.92	\$2.63	\$6.71
SR-78 Corridor	\$0.34	\$0.63	\$0.25	\$2.97	\$2.64	\$6.83

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

Build-to-suits for tech firms have accounted for most of the recent supply additions in San Diego, with current notable developments for Apple in UTC and Cubic's \$100 million campus in Kearny Mesa.

But spec development has picked up since the start of 2019, and under construction stock accounts for 1.8% of total inventory. The pandemic could expose the market to empty office space sitting on the market or buildings left in various stages of incomplete construction, as happened during the Great Recession.

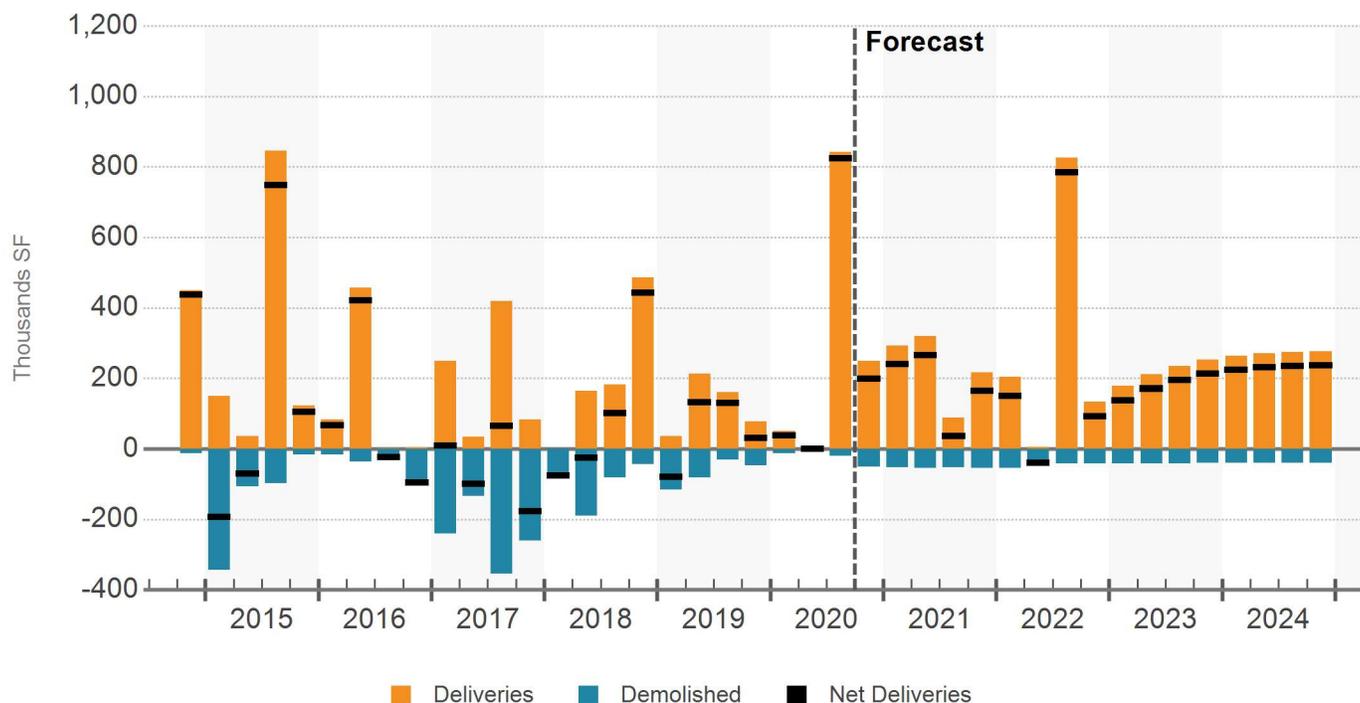
Stockdale secured a construction loan for \$330 million in 20Q1 for the redevelopment of Horton Plaza after a settlement was reached with Macy's. The future tech/life science campus is envisioned to bring up to 4,000 jobs to Downtown and likely transform the Downtown core while supporting demand for the luxury apartment units being built. The development got underway in 20Q2 without any commitments in place. In 19Q4, Kilroy broke ground on a new 220,000-SF office project in Little Italy, its second spec development in San Diego, with no tenants secured. One other project in Downtown could

begin within the next year. IQHQ purchased eight acres at the Manchester Pacific Gateway site to build a 1 million-SF life science campus.

Lincoln Property is also underway on Aperture Del Mar. While more than 200,000 SF broke ground at the beginning of 2020, the fully built project would consist of four buildings and 650,000 SF. It is designed for life science and fintech companies and will feature an amphitheater, walking paths, bistro, and numerous other amenities. No tenants were secured prior to breaking ground.

Kilroy wrapped up the mixed-use One Paseo in Carmel Valley in 20Q3 at a cost of more than \$600 million. About 45% of the office space was preleased before breaking ground, led by Acadia Pharmaceuticals' nearly 70,000-SF commitment for its new corporate headquarters. Other commitments included JPMorgan Chase, Deloitte and Bank of America, all in more than 20,000 SF. Less than 10% of the project's space was available for lease when it delivered.

DELIVERIES & DEMOLITIONS



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	1,073	30	2.8%	7	58,912	357,590	1
2	UTC	2	369	369	100%	1	94,352	184,500	2
3	Del Mar Hts/Carmel Valley	2	217	0	0%	8	61,789	108,618	4
4	Kearny Mesa	1	125	125	100%	1	40,087	125,000	3
5	Oceanside	1	100	100	100%	1	10,672	100,000	5
6	East County	1	86	86	100%	1	7,995	86,000	6
7	North Beach Cities	3	80	60	74.8%	6	10,210	26,726	8
8	Torrey Pines	1	74	74	100%	1	68,748	74,000	7
9	Carlsbad	0	-	-	-	-	22,672	-	-
10	Chula Vista	0	-	-	-	-	12,589	-	-
	All Other	0	-	-	-		18,175	-	
Totals		14	2,124	844	39.7%		21,430	151,727	

San Diego's office market has evolved from a sleepy Southern California outpost to one with a steady economy, diversified tenant pool, low vacancy rate, and strong rent growth. Its status as a life science hub and one of the top tech markets in the United States is firmly established with companies including Takeda, General Atomics, Fischer Scientific, Amazon, Apple, and Qualcomm all occupying significant office space in the region.

But there is uncertainty in the office market surrounding the spread of the coronavirus. The pandemic has largely paused investment activity, as buyers struggle to underwrite deals and sellers refuse to offer discounts. And that view manifested itself in a notable slowdown in both deal flow and sales volume since the outbreak, reaching decade lows.

Market cap rates sit at 6.2%, a higher yield than in the industrial or apartment sectors. Cap rates have held relatively sticky, near 6% 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 \$340/SF. Market pricing is also roughly \$100 lower than in LA. But pricing, like cap rates, is forecast to pull back amid

slowing rent growth and demand.

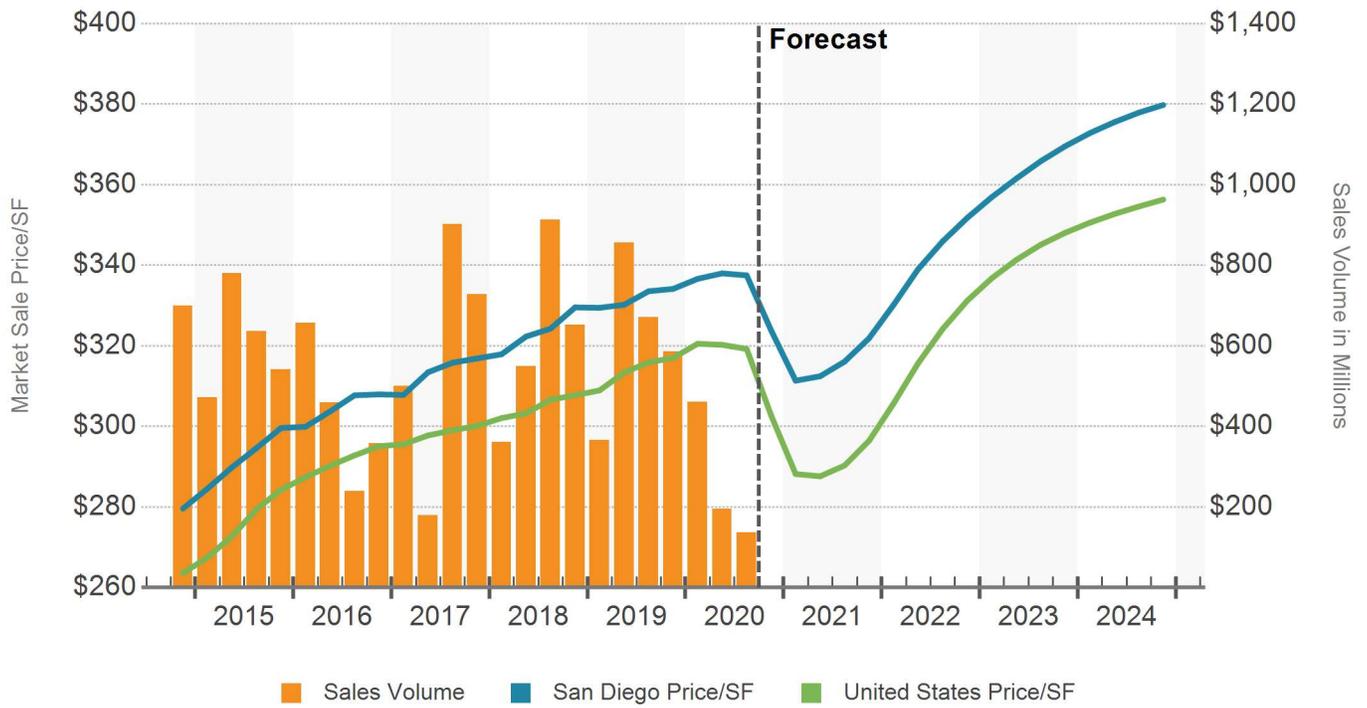
On the final day of 20Q2, the Frost Street Medical Center in Kearny Mesa sold for \$106 million, buoying an otherwise lackluster quarter for activity. Sharp Healthcare, which had already occupied much of the space, purchased the campus from Healthpeak Properties. It was the largest office deal in the first half of the year.

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.

In July 2020, Alexandria Real Estate Equities 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.

At the end of March 2020, equity fund Parallel Capital Partners and public REIT Equity Commonwealth sold the Elements at Wateridge in Sorrento Mesa to equity fund TPG Global for \$104.5 million (or \$375/SF). The three buildings were approximately 37% occupied at closing. The sellers purchased the buildings in 2014 for \$72.5 million.

SALES VOLUME & MARKET SALE PRICE PER SF



Sales Past 12 Months

San Diego Office

Sale Comparables

262

Avg. Cap Rate

5.7%

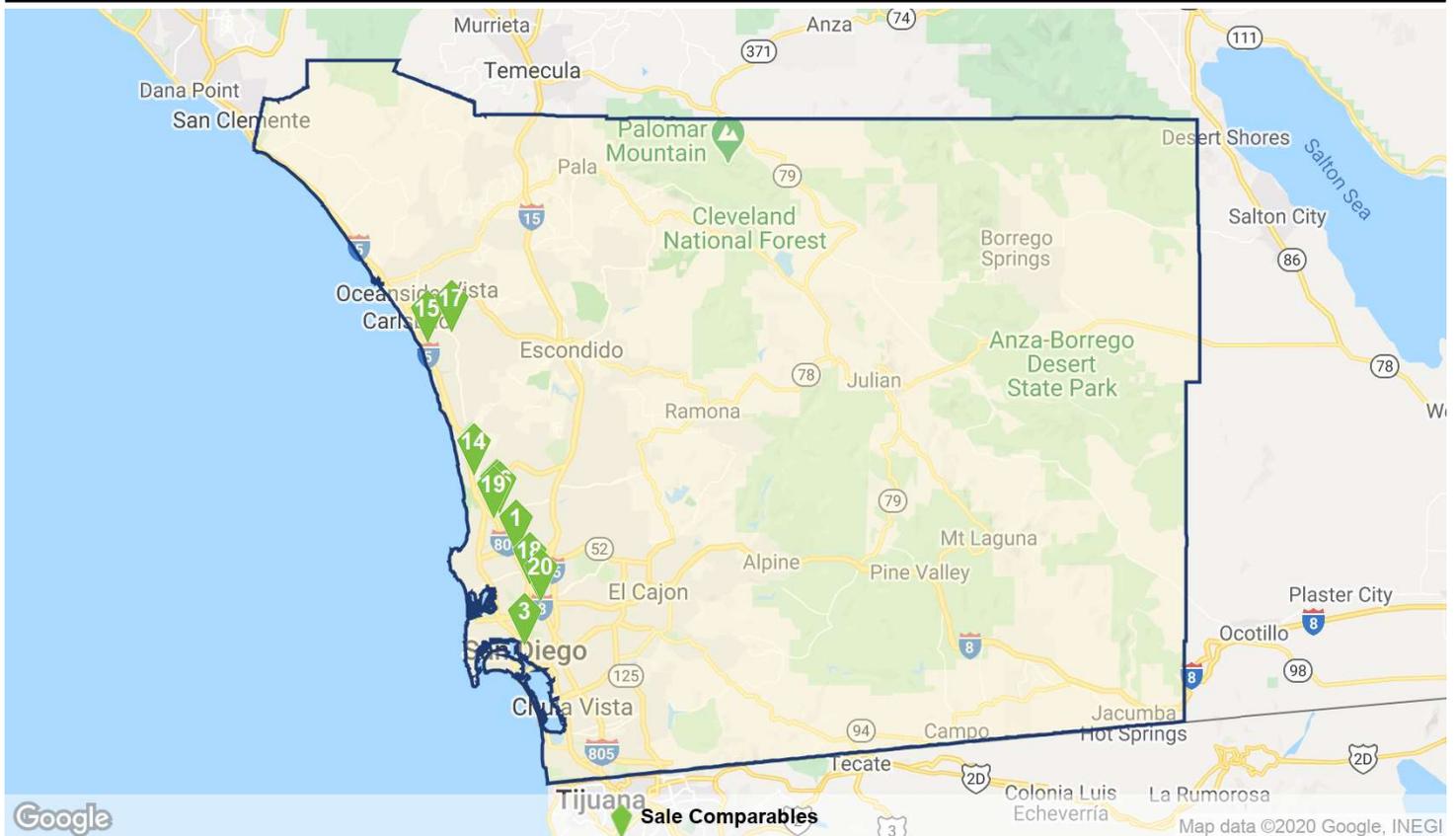
Avg. Price/SF

\$351

Avg. Vacancy At Sale

12.4%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$139,648	\$7,837,738	\$2,275,000	\$90,363,636
Price/SF	\$15	\$351	\$301	\$1,280
Cap Rate	2.5%	5.7%	5.9%	8.7%
Time Since Sale in Months	0.0	6.8	7.4	12.0
Property Attributes	Low	Average	Median	High
Building SF	640	21,218	4,992	283,786
Stories	1	2	2	20
Typical Floor SF	523	7,918	3,600	79,800
Vacancy Rate At Sale	0%	12.4%	0%	100%
Year Built	1896	1978	1980	2017
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 2.4	★ ★ ★ ★ ★	★ ★ ★ ★ ★

Sales Past 12 Months

San Diego Office

RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale			
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate
1 Bldg II 5887 Copley Dr	★★★★★	2008	205,725	0%	11/14/2019	\$90,363,636	\$439	-
2 Rio San Diego Plaza 8954 Rio San Diego Dr	★★★★★	2001	195,126	5.7%	12/10/2019	\$74,500,000	\$382	5.9%
3 20/6 451 A St	★★★★★	1984	283,786	19.6%	11/1/2019	\$71,000,000	\$250	-
4 Building 1 9605 Scranton Rd	★★★★★	1984	167,542	47.1%	10/31/2019	\$62,114,655	\$741	-
5 Enclave Sorrento 9868 Scranton Rd	★★★★★	1986	122,488	26.6%	1/10/2020	\$62,085,181	\$507	-
6 Building 2 9645 Scranton Rd	★★★★★	1984	159,600	0%	10/31/2019	\$53,207,408	\$667	-
7 Frost Street Medical Cen... 8010 Frost St	★★★★★	1988	88,000	20.2%	6/30/2020	\$53,000,000	\$602	-
8 Building A 10221 Wateridge Cir	★★★★★	1985	107,356	0%	3/20/2020	\$41,657,179	\$388	-
9 Enclave Sorrento 9808 Scranton Rd	★★★★★	1986	90,610	2.9%	1/10/2020	\$40,164,819	\$443	-
10 Building C 10241 Wateridge Cir	★★★★★	1985	85,623	0%	3/20/2020	\$33,147,508	\$387	-
11 12636 High Bluff Dr	★★★★★	1989	59,597	17.3%	11/21/2019	\$30,025,132	\$504	-
12 Building B 10201 Wateridge Cir	★★★★★	1985	86,020	10.8%	3/20/2020	\$29,695,313	\$345	-
13 Frost Street Medical Cen... 8008 Frost St	★★★★★	1982	49,000	23.1%	6/30/2020	\$29,511,364	\$602	-
14 Corporate Plaza II 12626 High Bluff Dr	★★★★★	1989	59,907	17.2%	11/21/2019	\$28,974,868	\$484	-
15 Ocean Ridge At Carlsba... 5796 Armada Dr	★★★★★	2006	75,000	9.2%	6/4/2020	\$28,250,000	\$377	-
16 Bldg 3/3D 9685-9725 Scranton Rd	★★★★★	1984	102,008	0%	10/31/2019	\$27,157,735	\$532	-
17 Carlsbad Medical Center 2176 Salk Ave	★★★★★	2008	46,199	0%	7/23/2020	\$24,750,000	\$536	-
18 Frost Street Medical Cen... 7930 Frost St	★★★★★	1973	39,000	24.9%	6/30/2020	\$23,488,636	\$602	-
19 Creekside 10240 Sorrento Valley Rd	★★★★★	1981	64,117	0%	9/2/2020	\$22,374,789	\$349	-
20 9040 Friars Rd	★★★★★	1988	81,705	0%	12/11/2019	\$18,647,463	\$228	-

San Diego's unemployment rate fell to 9.9% in August, down from a revised 12.4% in July, with teachers heading back to school leading the way for job growth during the month.

Overall, the San Diego region added 20,500 people to payrolls, bringing nonfarm employment up to 1.37 million.

However, the economic shock from the pandemic has still caused considerable disruption to the labor and commercial property markets. Demand for commercial space has fallen most heavily on the office and retail sectors, with social distancing protocols impacting revenue, leasing decisions, and space requirements.

It is amid this environment that employment fell 400 jobs month-over-month in the leisure and hospitality sector. The sector continues to feel the pain brought by a closed convention center and hotel occupancies below 50%. Many of these workers have been moved from temporary layoffs to permanent ones.

Schools were back in session in August, virtually at least, which led to the government sector adding 6,800 back to payrolls, with government education services up 4,300. That was followed by the professional and business services sector adding 5,300 to payrolls, with 2,100 of those in the professional, scientific and technical fields.

Although San Diego added more than 20,000 to payrolls since July, overall nonfarm employment is still down 135,000 jobs since last August. Every sector reported job cuts in the past year with the exception of mining and logging, which was unchanged.

Leisure and hospitality is down 60,100 jobs with accommodation and food services accounting for more than 40,000 of those losses. That was followed by trade,

transportation and utilities, with a retail trade shedding more than 11,000 in the past year.

And while the falling unemployment rate is a sign that the employment picture may be turning a corner, some of the jobs lost during this recession may not return, and capturing those final positions that remain on the sidelines could prove elusive in the near term.

Heading into the pandemic, San Diego's job market was sturdy. 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. It is these positions in the scientific and technical fields that 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. And the defense industry accounts for 22% of jobs in the region according to the San Diego Economic Development Corp. It also contributes about 20% to the gross regional product. 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.

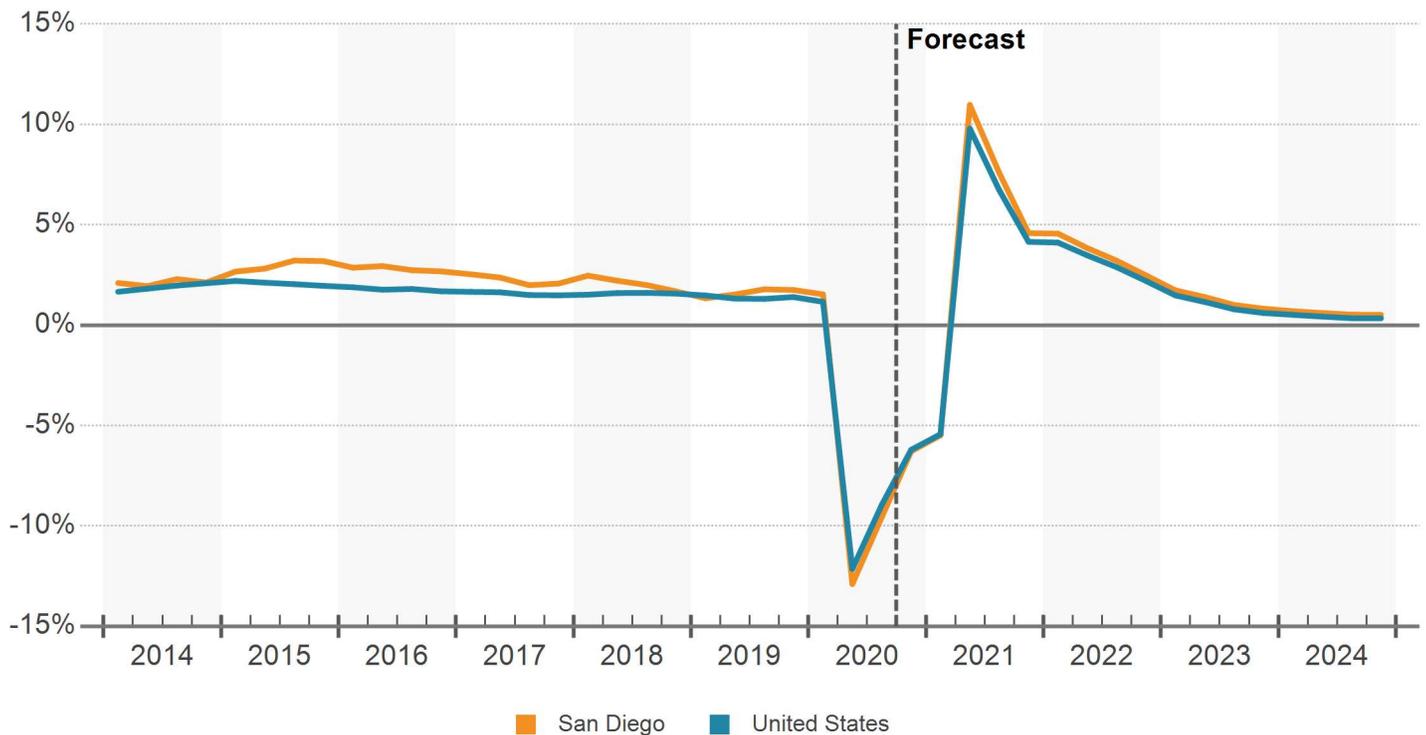
It is also why San Diego has one of the largest concentrations of millennials in the country, accounting for 25% of the population.

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	-3.01%	-6.32%	1.59%	0.41%	0.96%	0.78%
Trade, Transportation and Utilities	199	0.8	-11.15%	-7.55%	0.03%	0.41%	2.28%	1.47%
Retail Trade	128	0.9	-12.14%	-9.12%	-0.16%	-0.19%	2.69%	1.81%
Financial Activities	75	0.9	-3.13%	-1.28%	1.05%	1.20%	0.78%	0.69%
Government	239	1.1	-3.26%	-3.17%	0.31%	-0.23%	0.73%	0.61%
Natural Resources, Mining and Construction	82	1.1	-4.15%	-5.10%	4.02%	2.31%	0.99%	1.35%
Education and Health Services	209	0.9	-4.48%	-4.98%	2.46%	1.43%	2.80%	2.24%
Professional and Business Services	254	1.3	-1.68%	-7.27%	2.20%	1.65%	1.19%	2.27%
Information	21	0.8	-8.47%	-3.21%	-1.56%	0.26%	2.84%	1.38%
Leisure and Hospitality	132	1.2	-34.97%	-33.62%	-1.46%	-1.72%	9.21%	8.53%
Other Services	43	0.9	-24.88%	-15.48%	-1.00%	-0.65%	5.22%	3.16%
Total Employment	1,367	1.0	-9.53%	-8.93%	0.96%	0.54%	2.51%	2.17%

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	U.S.	Metro	U.S.	Metro	U.S.	Metro	U.S.
Population	3,357,354	330,022,906	0.5%	0.5%	0.8%	0.6%	0.6%	0.5%
Households	1,136,840	122,514,563	0.4%	0.4%	0.7%	0.7%	0.6%	0.4%
Median Household Income	\$82,600	\$64,506	0.7%	1.3%	3.3%	2.6%	3.2%	2.8%
Labor Force	1,586,083	159,355,594	-0.5%	-2.7%	0.5%	0.3%	0.5%	1.0%
Unemployment	13.8%	13.4%	10.7%	9.8%	0.3%	0.4%	-	-

Source: Oxford Economics

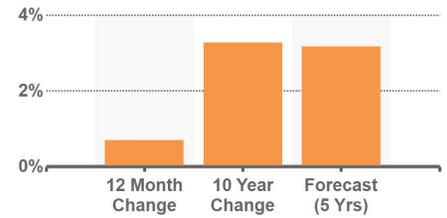
POPULATION GROWTH



LABOR FORCE GROWTH



INCOME GROWTH



Source: Oxford Economics