



OFFICE MARKET REPORT
SAN DIEGO, CA | Q1 OF 2024

NAI San Diego

SOURCE: COSTAR

OFFICE MARKET REPORT

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12 Mo Deliveries in SF

487K

12 Mo Net Absorption in SF

(549K)

Vacancy Rate

11.4%

Market Asking Rent Growth

0.7%

In the past year, leasing volume fell roughly 20% compared with the period between 2015 and 2019, as firms increasingly focused on efficiently using office space to accommodate peak-day attendance. There is general agreement among market participants in San Diego that these trends will persist through 2024 as they have held sticky for the past six quarters. That performance has glossed over the strongest quarterly absorption since mid-2022 during 23Q4 after several tenants took possession of their new spaces. But that is unlikely to alter the office dynamics that have seen waning demand and rising availability across the region's primary office submarkets from Downtown to UTC.

Available space is trending near its highest level here in 20 years during the second quarter. That has spread across West Coast markets and the broader US, although the rise has been sharper in San Diego than nationally. Sublet space has been a central ingredient in that pressure, reaching a record in 2023, although the level has edged downward since the start of 2024.

Speculative development has also been a driving factor behind rising availability. At 4 & 5 Star properties, where new deliveries are entering the market with additional unleased space, availability is at 23.6%, which is a 20-year high. Unlike the national trend, which has seen the pipeline consistently moderate over the past two years,

San Diego's pipeline reached its highest level in more than 10 years at the end of 2023, with significant supply-side pressure in Downtown. Those deliveries are expected to push the overall San Diego vacancy to a new peak of 14% and Downtown's headline vacancy to nearly 40%, a similar peak, according to the House View forecast.

Absorption for buildings delivered since 2015 has been positive for the past five quarters. New buildings have outperformed older vintage 4 & 5 Star properties, where demand has been negative in four of the past six quarters. The newest buildings will also allow tenants to sublease space at a notable discount to the advertised rates for direct space. Nearly 25% of sublet availability is in newer buildings, representing 5% of that stock's inventory.

Advertised rates are holding steady, and nominal rent growth of 0.7% has performed similarly to the US benchmark during the past year while outperforming Los Angeles. But inflation has advanced rapidly in the past few years while rent growth moderated along with demand. Coupled with a 50% increase in built-out expenses and five months of free rent on seven-year leases, which has become standard in primary office submarkets, rents have been falling in real terms. That trend is anticipated to carry through 2024.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	40,033,795	15.3%	\$44.80	23.6%	(26,574)	0	4,404,839
3 Star	49,336,010	11.9%	\$36.65	15.5%	(94,109)	0	9,990
1 & 2 Star	29,966,134	5.3%	\$32.40	7.4%	(39,477)	0	0
Market	119,335,939	11.4%	\$38.55	16.4%	(160,160)	0	4,414,829

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.6%	10.4%	13.4%	14.4%	2010 Q1	5.3%	2000 Q2
Net Absorption SF	(549K)	971,724	470,157	4,494,094	2000 Q2	(1,775,137)	2020 Q4
Deliveries SF	487K	1,507,416	1,221,584	3,501,653	2000 Q2	234,858	2023 Q2
Market Asking Rent Growth	0.7%	2.6%	0.3%	17.1%	2001 Q1	-11.6%	2009 Q3
Sales Volume	\$594M	\$1.7B	N/A	\$4.1B	2007 Q3	\$256.1M	2009 Q3

San Diego's headline vacancy rate of 11.4% was relatively stable during the past year, supported by positive absorption in 23Q4 for the first time since the first half of 2022. Vacancy pressure from new construction Downtown pending delivery in 2024 is forecast to increase vacancy in San Diego above 14%, which would set a new peak. Downtown's vacancy rate is forecast to rise above 35%. Market participants have suggested that vacancy is considerably higher than the headline rate and could exceed 20% in the region and 50% Downtown due to the amount of space that is not being occupied nor marketed as available for lease.

Average quarterly leasing volume has fluctuated between 15% and 20% below the average between 2015 and 2019. Demand among the largest occupiers above 50,000 SF fell to its lowest level in the past 10 years, representing less than 5% of leasing volume in 2023. Downtown's West office project secured the first new lease of more than 40,000 SF there since 2017 after SANDAG preleased two floors and nearly 90,000 SF at the end of 2023. The deal exemplifies how larger occupiers are rightsizing into more efficient space. The government agency will shed 25% of its footprint from a 1980s office tower while paying less monthly gross rent for space at the under-construction tower.

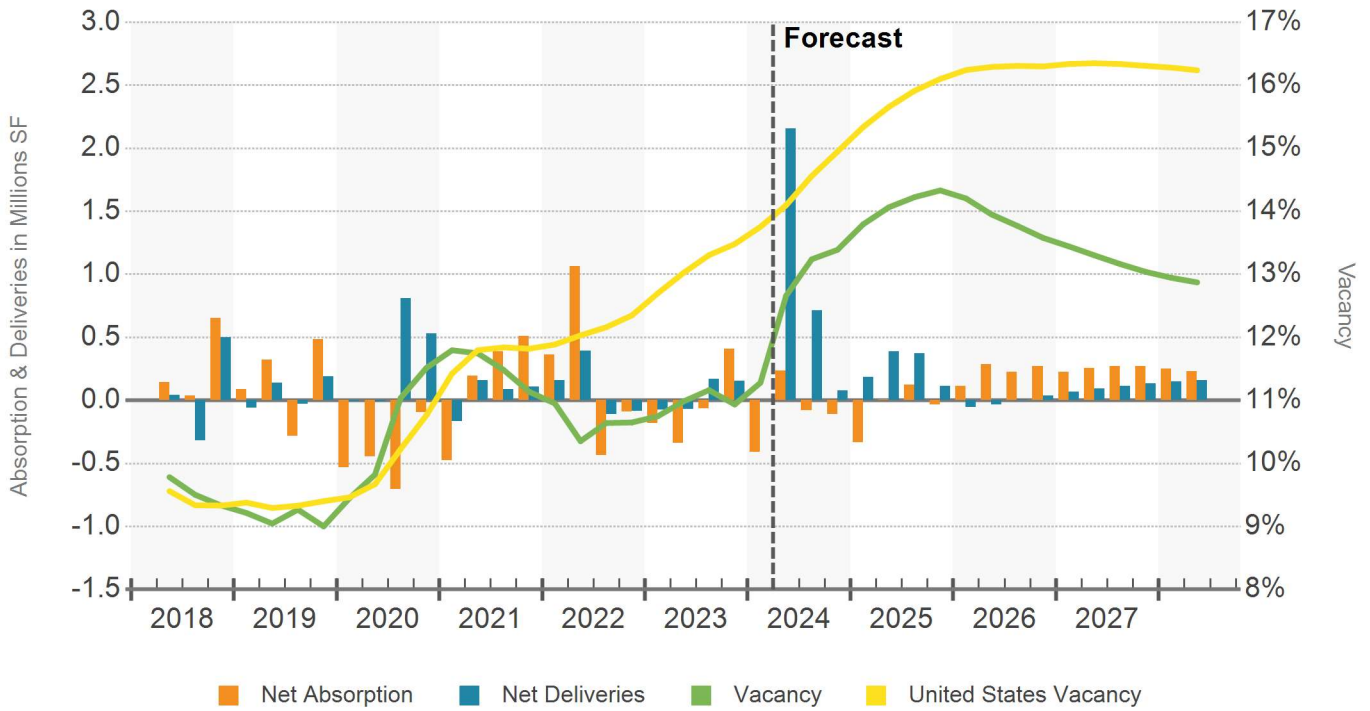
Roughly 20.3 million SF is available on the leasing market as of the second quarter. Included in this is 2.9 million SF of sublease availability. That has edged downward since 23Q3, although that is nearly twice as much as was available at the end of 2019 and well above the peak from the Great Recession. It accounts

for 2.3% of San Diego's office inventory and 1.7 million SF of that space is in 4 & 5 Star properties. It has yet to translate into an increase in the amount of sublet leasing as a percentage of total leasing volume.

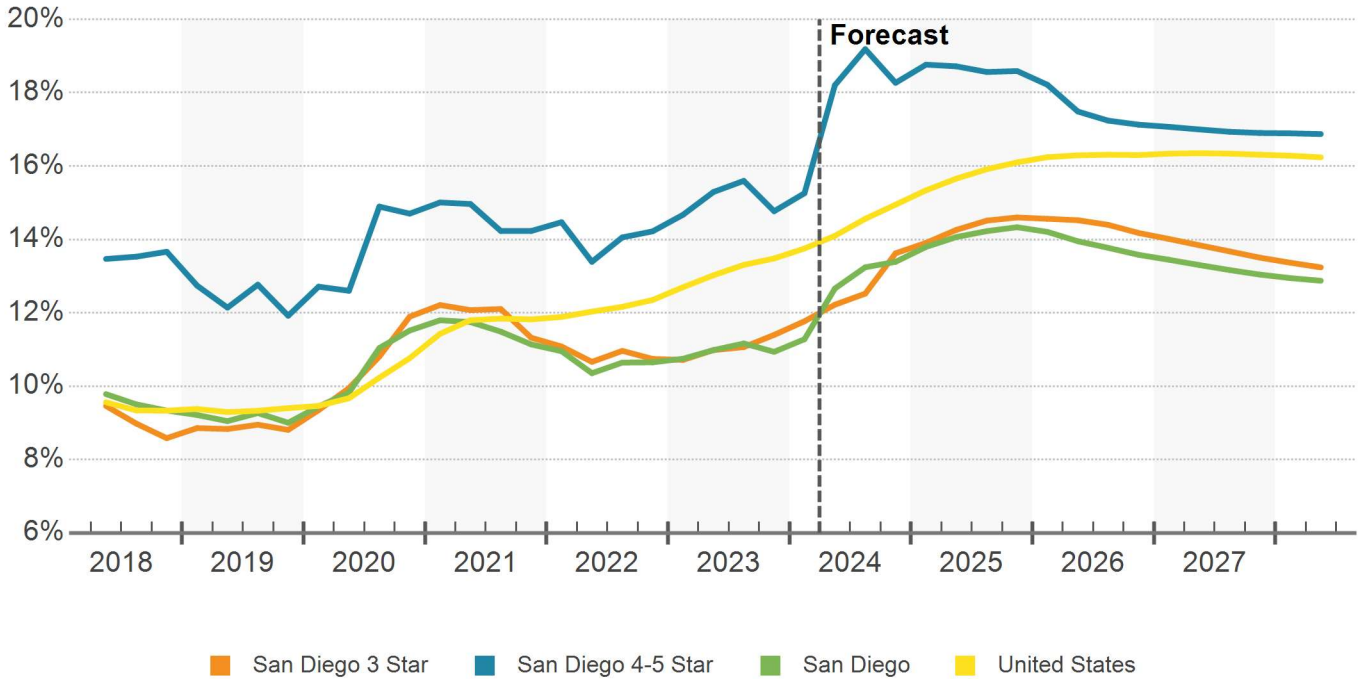
Some of San Diego's primary office nodes from UTC to Del Mar Heights/Carmel Valley have the highest levels of available sublet space. Downtown has been less exposed to sublet space, and the level has been similar to pre-2020 trends during the second quarter. However, given the 26% headline vacancy and nearly 40% availability rate, fewer firms have placed space on the sublease market given the lack of demand for space there. San Diego's newest buildings, built since 2015, have seen available sublet space climb to 5% of inventory. Even so, net absorption has been positive for five straight quarters in these buildings.

Some market participants have pointed to prime office nodes such as UTC with concern. Apple has been driving leasing activity with several new leases signed between 2018 and 2023 totaling almost 1 million SF, most recently exercising an option to expand at Eastgate during 23Q4. There is concern that few tenants are in search of large requirements that might alter the near-term outlook of softer demand and weakening rent growth in UTC. For instance, the 212,000-square-foot La Jolla Commons III completed in mid-2023 and remains fully available for lease during the second quarter. Leasing volume has fallen to a 10-year low, partly driven by the slowdown in biotech demand. The availability and vacancy rates have more than doubled since the end of 2019.

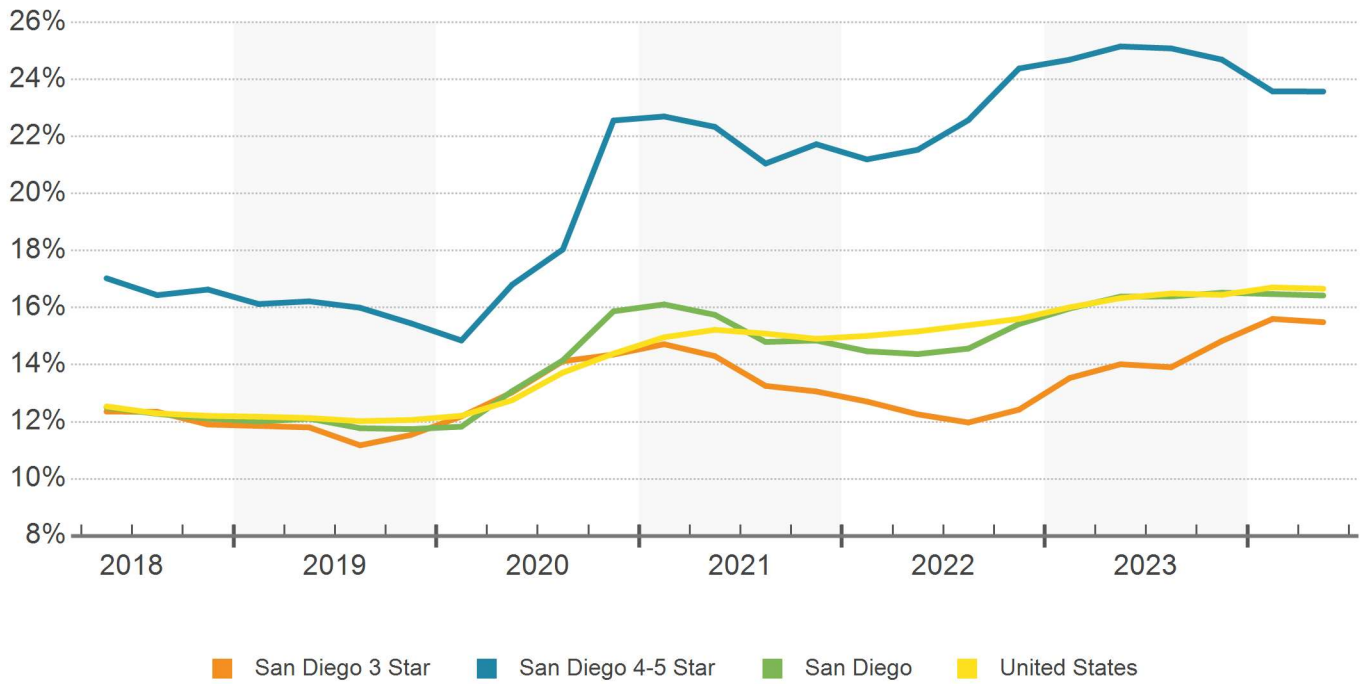
NET ABSORPTION, NET DELIVERIES & VACANCY



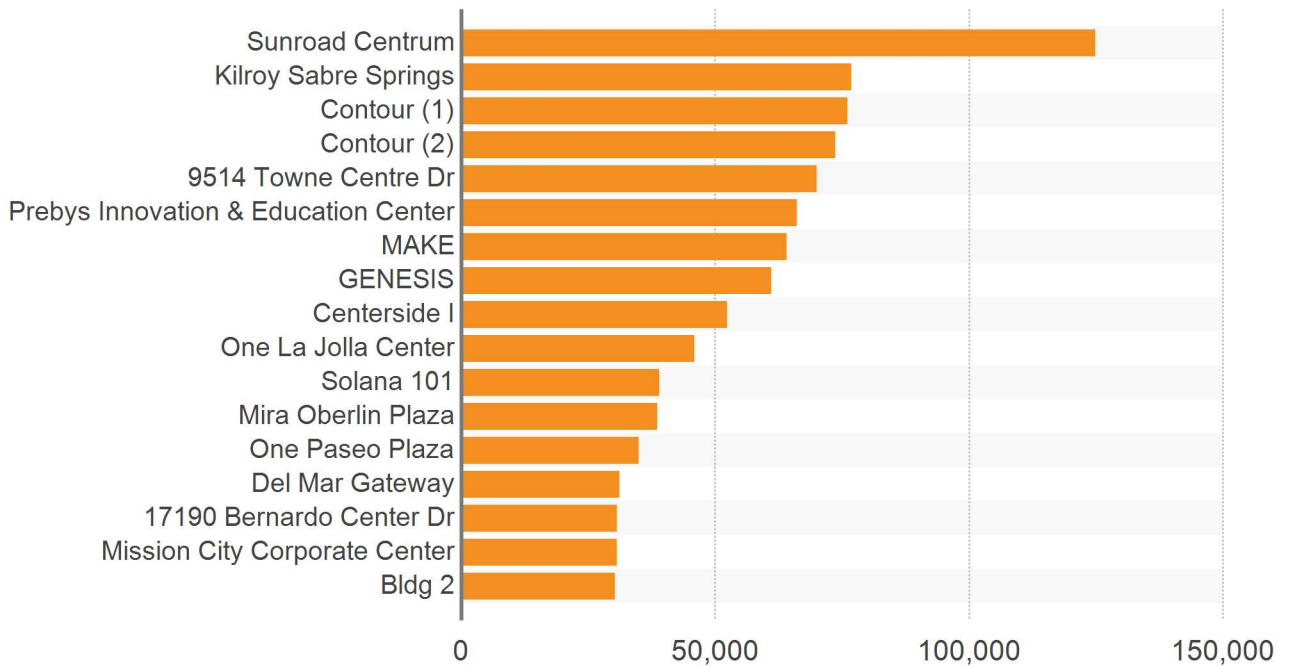
VACANCY RATE



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
Sunroad Centrum	Kearny Mesa	279,722	5,219	(5,219)	0	0	0	124,906
Kilroy Sabre Springs	Rancho Bernardo	154,157	51,595	17,054	0	0	0	76,840
Contour (1)	Mission Valley	87,306	0	76,113	0	0	0	76,113
Contour (2)	Mission Valley	73,762	0	73,762	0	0	0	73,762
9514 Towne Centre Dr	UTC	70,000	0	70,000	0	0	0	70,000
Prebys Innovation & Education...	Kearny Mesa	70,000	0	0	0	0	0	66,154
MAKE	Carlsbad	176,097	0	0	0	0	0	64,062
GENESIS	Downtown	203,439	103,500	19,500	0	0	0	61,081
Centerside I	Mission Valley	223,145	8,483	0	0	0	0	52,411
One La Jolla Center	UTC	306,700	11,918	0	0	0	0	46,011
Solana 101	North Beach Cities	54,845	15,785	0	0	0	0	39,060
Mira Oberlin Plaza	Sorrento Mesa	85,953	21,334	0	0	0	0	38,599
One Paseo Plaza	Del Mar Hts/Carmel...	87,944	52,928	0	0	0	0	35,016
Del Mar Gateway	Del Mar Hts/Carmel...	162,964	64,123	3,055	0	0	0	31,234
17190 Bernardo Center Dr	Rancho Bernardo	66,769	24,844	(10,357)	0	0	0	30,735
Mission City Corporate Center	Mission Valley	89,023	27,497	22,266	(22,266)	0	0	30,733
Bldg 2	Del Mar Hts/Carmel...	196,443	0	0	0	0	0	30,294
Subtotal Primary Competitors		2,388,269	387,226	266,174	(22,266)	0	0	947,010
Remaining San Diego Market		116,947,670	13,196,356	(676,672)	(137,894)	0	0	(1,496,283)
Total San Diego Market		119,335,939	13,583,582	(410,498)	(160,160)	0	0	(549,273)

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	Leasing Rep Company
17089 Via Del Campo *	Rancho Bernardo	128,178	Q3 23	Northrop Grumman Corpo...	-	-
Torrey View	Del Mar Hts/Carmel Valley	118,731	Q1 24	Pfizer Inc.	Cushman & Wakefield	JLL
Northrop Grumman Spectrum *	Kearny Mesa	116,375	Q4 23	Northrop Grumman	-	-
Wells Fargo Plaza *	Downtown	114,125	Q3 23	San Diego Association of...	-	Irvine Company Office...
Torrey View	Del Mar Hts/Carmel Valley	111,402	Q1 24	Pfizer Inc.	Cushman & Wakefield	JLL
West - Office	Downtown	87,309	Q3 23	San Diego Association of...	Range Partners SD	JLL
Township 14 *	Del Mar Hts/Carmel Valley	69,764	Q4 23	Latham & Watkins LLP	-	Irvine Company Office...
Torrey View	Del Mar Hts/Carmel Valley	57,236	Q3 23	-	-	JLL
Via Del Campo	Rancho Bernardo	55,227	Q3 23	ASML	JLL	JLL
Eastgate Technology Park	UTC	53,794	Q4 23	Apple	-	Irvine Company Office...
701 B St *	Downtown	52,727	Q4 23	Bank of America Private B...	Cushman & Wakefield	Newmark
Aero Industrial *	Kearny Mesa	52,295	Q4 23	Level 3 Communications	-	-
MAKE	Carlsbad	51,495	Q2 23	-	-	Cushman & Wakefield
Flight *	Carlsbad	47,940	Q4 23	High Moon Studios	JLL	Cushman & Wakefield
Enclave Sorrento *	Sorrento Mesa	46,101	Q2 23	Samsung	CBRE	CBRE;Cushman & Wa...
Cabrillo Technology Ctr	Kearny Mesa	46,075	Q2 23	Sempra Energy	-	-
One La Jolla Center	UTC	45,706	Q2 23	CoStar Group	Cushman & Wakefield	Irvine Company Office...
Cabrillo Technology Ctr	Kearny Mesa	43,520	Q2 23	Raytheon	-	-
Enclave Sorrento	Sorrento Mesa	43,268	Q2 23	Samsung	CBRE	CBRE;Cushman & Wa...
16868 Via del Campo Ct	Rancho Bernardo	39,979	Q3 23	Regus	-	Kidder Mathews
Innovation Corporate Center	Rancho Bernardo	37,437	Q3 23	-	-	JLL
One Paseo Plaza	Del Mar Hts/Carmel Valley	35,016	Q3 23	-	-	JLL
8080 Dagget St	Kearny Mesa	33,112	Q4 23	San Ysidro Health	Colliers	Lee & Associates Com...
DiamondView Tower *	Downtown	30,807	Q3 23	ClickUp	-	CBRE
Carmel Corporate Plaza *	Rancho Bernardo	26,000	Q4 23	California Department of...	-	-
South Bay Corporate Center	National City	25,886	Q4 23	County of San Diego	-	JLL
5928 Pascal Ct *	Carlsbad	25,341	Q3 23	Capital Partner Services...	-	CBRE
655 W Broadway	Downtown	24,233	Q3 23	Eset, LLC	-	CBRE
1081 Camino del Rio S	Mission Valley	23,400	Q4 23	WeWork	-	Pacific Coast Commercial
One La Jolla Center	UTC	22,797	Q2 23	Wells Fargo Home Mortga...	-	Irvine Company Office...
Mission City Corporate Center	Mission Valley	22,266	Q1 24	-	-	JLL
655 W Broadway	Downtown	21,837	Q4 23	Northwestern Mutual	CBRE	CBRE
Centerside I *	Mission Valley	20,871	Q3 23	Farmers Insurance	-	JLL
101 West Broadway	Downtown	20,788	Q1 24	-	-	Irvine Company Office...
101 West Broadway	Downtown	20,788	Q1 24	-	-	Irvine Company Office...
101 West Broadway	Downtown	20,788	Q3 23	-	-	Irvine Company Office...
Bethel Baptist Church	Escondido	20,747	Q2 23	-	-	Kidder Mathews
Manchester Financial Centre @ 5th...	Uptown West/Park West	20,660	Q3 23	Olympus Corporation of th...	-	Cushman & Wakefield
Bldg 2	Del Mar Hts/Carmel Valley	20,300	Q2 23	Withers Bergman LLP	-	-
1 Columbia Place	Downtown	20,293	Q4 23	-	-	Newmark

Renewal

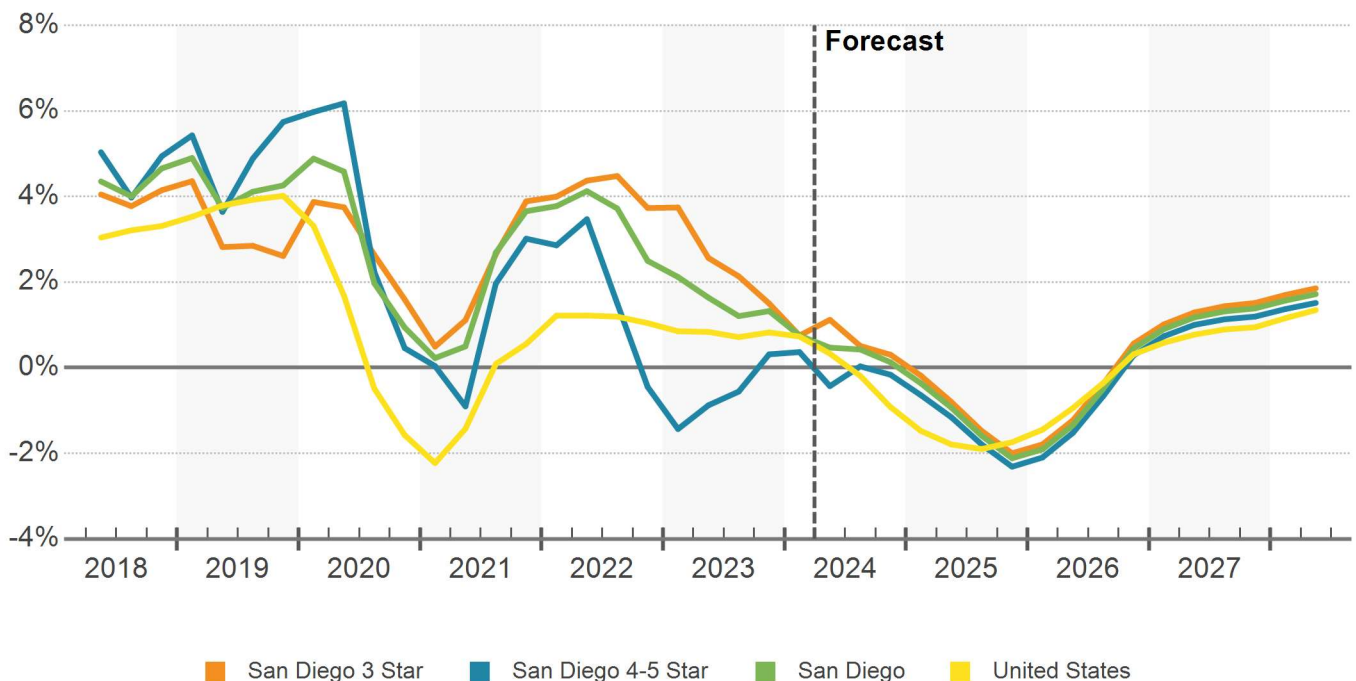
Face rents have shifted by 0.7% year over year, compared to the long-term average rate of 2.6%. Among major markets in California, San Diego is one of the top performers in terms of rent growth. However, when adjusting for inflation and concessions, rent growth in real terms has been in negative territory. Between 2015 and 2019, rent growth typically outpaced inflation as measured by the Consumer Price Index (CPI). Starting in 2021, inflation advanced rapidly, while rent growth moderated along with demand.

According to local brokers, escalations are typically in the range of 3.5% to 4%, and seven-year terms have become the new five-year term. Tenants can typically expect five months of free rent on a seven-year lease in submarkets such as UTC and Del Mar Heights/Carmel Valley and slightly less in suburban environments where vacancy and availability have been more stable. TI allowances have increased to over \$40/SF for previously occupied spaces, and new spaces can command more than \$100/SF in build-out allowance. Two years ago, TIs for older spaces were around \$25/SF and \$75/SF for new spaces. But landlords' ability to offer such concessions may be reaching a ceiling. While tenants hold greater leverage in negotiations, the higher inflation and construction costs have significantly increased build-out expenses, so some landlords have pivoted from out-

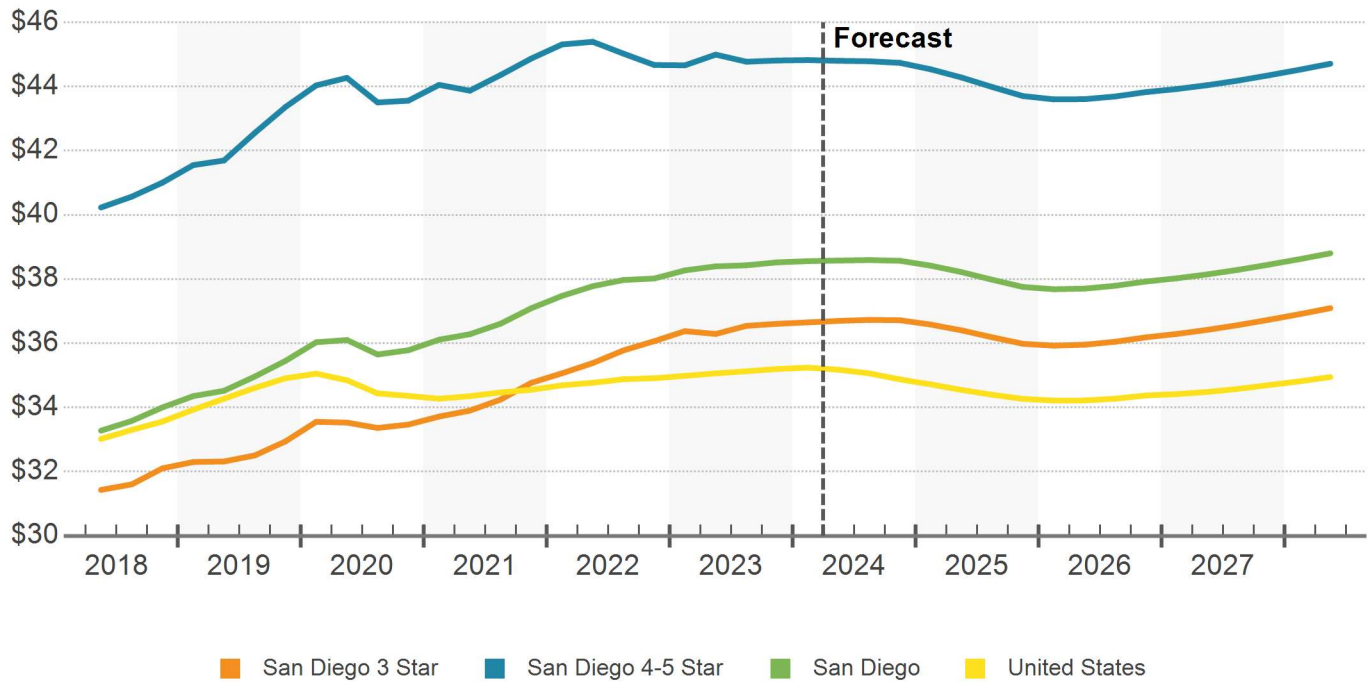
of-pocket expenses toward lowering asking rents and offering more free rent. Local market participants have noted that even long-term leases may have to provide concession packages worth several years of the total rent collected during the lease to secure the tenant. The new regime of elevated concessions has led to what more than one local broker has referred to "paralysis by analysis." In an environment of leverage, tenants shop for concessions just as much as they do for space.

While Downtown offers a discount to primary office submarkets in North County, few firms have shown the willingness to relocate there to take advantage of lower rents, higher concessions, and an entrenched labor force spread across the apartment landscape. Larger leases here typically have 3.5% escalations, and free rent is often more than one month per year of the term. SANDAG leased nearly 90,000 SF at the West project during 23Q3. The firm occupies more than 100,000 SF at the Wells Fargo Plaza and was paying about \$38/SF gross for the space that it has occupied for several decades. The new 15-year lease was signed for roughly \$50/SF gross. Because the agency is taking less space in the new building, it will pay less gross monthly rent for the new space. That space is likely discounted even further when accounting for the concession package.

MARKET ASKING RENT GROWTH (YOY)



MARKET ASKING RENT PER SQUARE FEET



4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
San Diego	\$0.85	\$1.34	\$1.07	\$4.65	\$4.70	\$12.61
Central San Diego	\$0.44	\$1.40	\$0.98	\$4.05	\$4.71	\$11.58
Downtown	\$1.29	\$1.83	\$0.89	\$4.27	\$7.55	\$15.83
I-15 Corridor	\$0.50	\$1.19	\$1.01	\$4.17	\$3.86	\$10.73
I-5 Corridor	\$0.74	\$1.40	\$0.95	\$5.19	\$4.26	\$12.54
North Central County	\$0.55	\$1.24	\$1.13	\$0.67	\$4.19	\$7.78
North San Diego	\$1.30	\$1.12	\$1.38	\$5.43	\$4.64	\$13.87
South Bay	\$0.51	\$1.44	\$1.19	\$2.79	\$5.04	\$10.97
SR-78 Corridor	\$0.54	\$1.21	\$0.90	\$3.01	\$3.53	\$9.19

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	\$0.62	\$1.22	\$0.62	\$4.21	\$3.30	\$9.97
Central San Diego	\$0.48	\$1.09	\$0.61	\$3.93	\$3.45	\$9.56
Coronado	\$0.37	\$1.25	\$0.57	\$5.03	\$3.75	\$10.97
Downtown	\$1.12	\$1.57	\$0.78	\$3.62	\$5.51	\$12.60
I-15 Corridor	\$0.51	\$1.18	\$0.53	\$3.66	\$2.41	\$8.29
I-5 Corridor	\$0.94	\$1.49	\$0.57	\$4.55	\$3.01	\$10.56
North Central County	\$0.56	\$1.17	\$0.51	\$6.71	\$2.46	\$11.41
North San Diego	\$0.69	\$1.05	\$0.85	\$5.95	\$3.70	\$12.24
Outlying SD County N	\$0.50	\$1.12	\$0.47	\$2.42	\$2.35	\$6.86
Outlying SD County S	\$0.33	\$1.11	\$0.51	\$2.16	\$3.32	\$7.43
South Bay	\$0.36	\$1.19	\$0.56	\$3.41	\$3.59	\$9.11
SR-78 Corridor	\$0.52	\$1.15	\$0.48	\$3.51	\$2.15	\$7.81

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	\$0.43	\$0.80	\$0.40	\$3.93	\$3.34	\$8.90
Central San Diego	\$0.51	\$1.06	\$0.39	\$3.99	\$3.36	\$9.31
Coronado	\$0.35	\$0.41	\$0.54	\$6.33	\$4.45	\$12.08
Downtown	\$0.67	\$1.40	\$0.24	\$5.38	\$4.79	\$12.48
I-15 Corridor	\$0.37	\$0.74	\$0.27	\$3.01	\$3.03	\$7.42
I-5 Corridor	\$0.39	\$0.90	\$0.36	\$5.44	\$4.26	\$11.35
MCAS Miramar	\$0.35	\$0.41	\$0.54	\$2.47	\$1.95	\$5.72
North Central County	\$0.37	\$0.70	\$0.29	\$6.75	\$3.08	\$11.19
North San Diego	\$0.56	\$0.99	\$0.39	\$4.61	\$3.85	\$10.40
Outlying SD County N	\$0.38	\$0.71	\$0.29	\$3.27	\$3.12	\$7.77
Outlying SD County S	\$0.35	\$0.42	\$0.53	\$4.96	\$2.90	\$9.16
South Bay	\$0.35	\$0.41	\$0.54	\$3.40	\$2.89	\$7.59
SR-78 Corridor	\$0.37	\$0.70	\$0.29	\$3.39	\$2.91	\$7.66

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

There is about 4.4 million SF under construction in San Diego as of the second quarter, and almost 60% of the pipeline is available for lease. Most of the projects had financing secured before the rise in interest rates.

Downtown has become the focal point of development, which could lead to a longer rise in the vacancy rate in the Downtown Submarket as that space delivers. There's roughly 2.7 million SF under construction Downtown, and 90% of that space is available for lease as of the second quarter. Two of the developments hope to attract life science demand typically concentrated in North County. Given that several speculative lab developments are underway in the UC San Diego area, local life sciences brokers have noted that it could be challenging to create a new biotech cluster here. While tenants will likely occupy these properties, they may be more traditional office-using tenants gleaned from Downtown's aging office towers.

Stockdale's redevelopment of Horton Plaza will add about 700,000 SF into the Downtown core with a mix of office and life science space. The project also includes 300,000 SF of retail/experiential space and is scheduled to deliver in the coming months. IQHQ's \$1.5 billion Research and Development District is scheduled to begin delivering this year. That campus will consist of more than 1.5 million SF of lab space. Asking rents at the campus are above \$85/SF gross, and that level has reportedly dissuaded several tenants from considering the property. Downtown market participants have suggested that IQHQ has little room to revise rents downward due to its financing structure. Similar to the

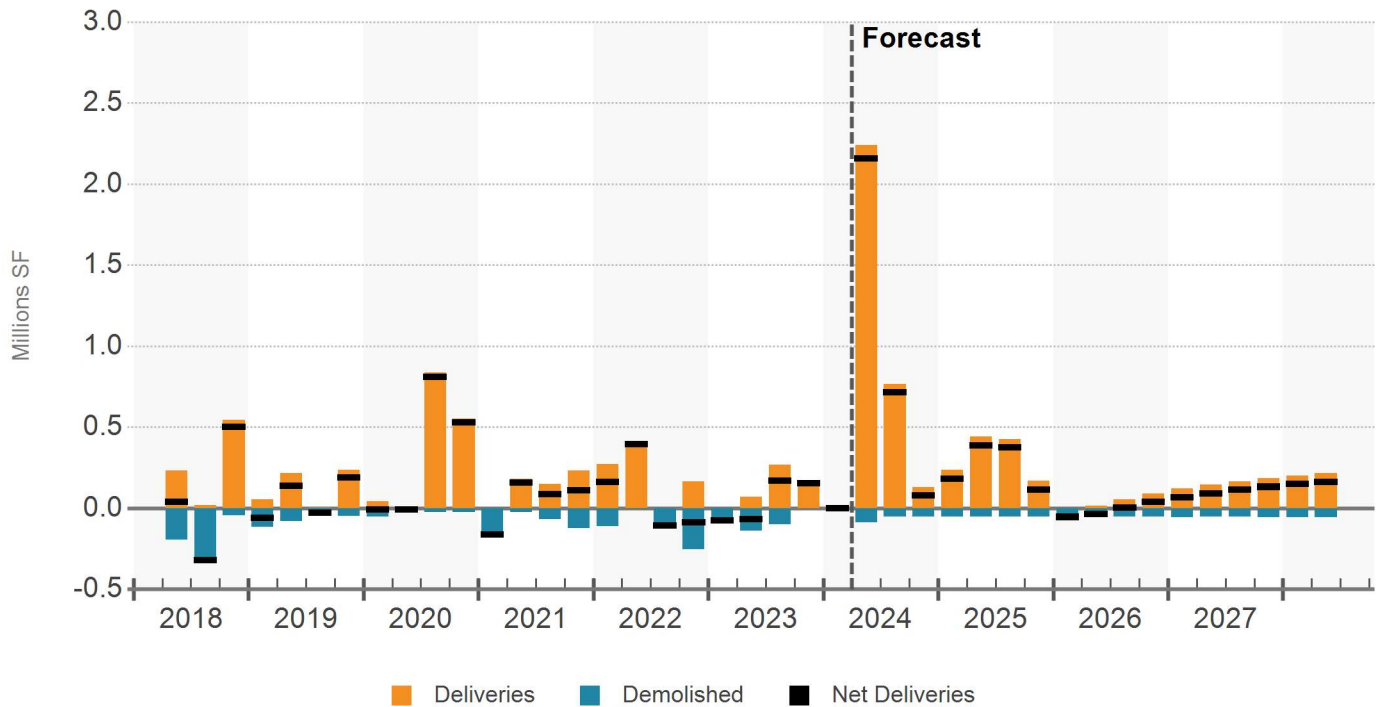
Campus at Horton, no tenants have been announced as of the second quarter.

Holland Partner Group is building the mixed-use West project Downtown. The budget has increased from \$400 million to \$467 million due to rising interest rates and the price of labor and materials. The 270,000-SF office pre-leased two full floors to SANDAG during 23Q3, and the project is anticipated to be ready in 2024. It will complement the 431 apartment units built on top of the commercial space.

There have been discussions about converting some of the aging towers Downtown into housing, although that path is complicated by the age and layout of many of these properties. The 315,000-square-foot 101 Ash Street building could serve as a template. An investor has expressed interest in converting the aging office tower into roughly 400 affordable housing units. The floor plates are roughly 25,000 SF. Similarly, Tower 180 was sold at the end of 2023 to an investor that will convert the 390,000-SF office tower and its 15,000-SF floor plates into housing and hospitality.

At Torrey View, an office/lab development, Pfizer pre-leased the remaining 230,000-SF of the 500,000-SF campus during 24Q1 which is scheduled to deliver in 2024. That is one of several lab developments in the pipeline across the region. Roughly six million SF of lab space is under construction in office and flex buildings, and more than 60% of the pipeline is available during the second quarter.

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	9	2,716	256	9.4%	4	63,490	301,724	1
2	Del Mar Hts/Carmel Valley	7	973	971	99.8%	2	66,710	139,018	4
3	UTC	2	558	558	100%	1	99,430	279,092	2
4	Chula Vista	1	168	69	41.1%	3	13,032	168,000	3
5	Carlsbad	0	-	-	-	-	23,608	-	-
6	College Area	0	-	-	-	-	10,908	-	-
7	Coronado	0	-	-	-	-	6,158	-	-
8	East County	0	-	-	-	-	8,150	-	-
9	Escondido	0	-	-	-	-	8,557	-	-
10	Governor Park	0	-	-	-	-	40,452	-	-
	All Other	0	-	-	-	-	20,814	-	-
Totals		19	4,415	1,854	42.0%		21,816	232,359	

Under Construction Properties

San Diego Office

Properties

Square Feet

Percent of Inventory

Released

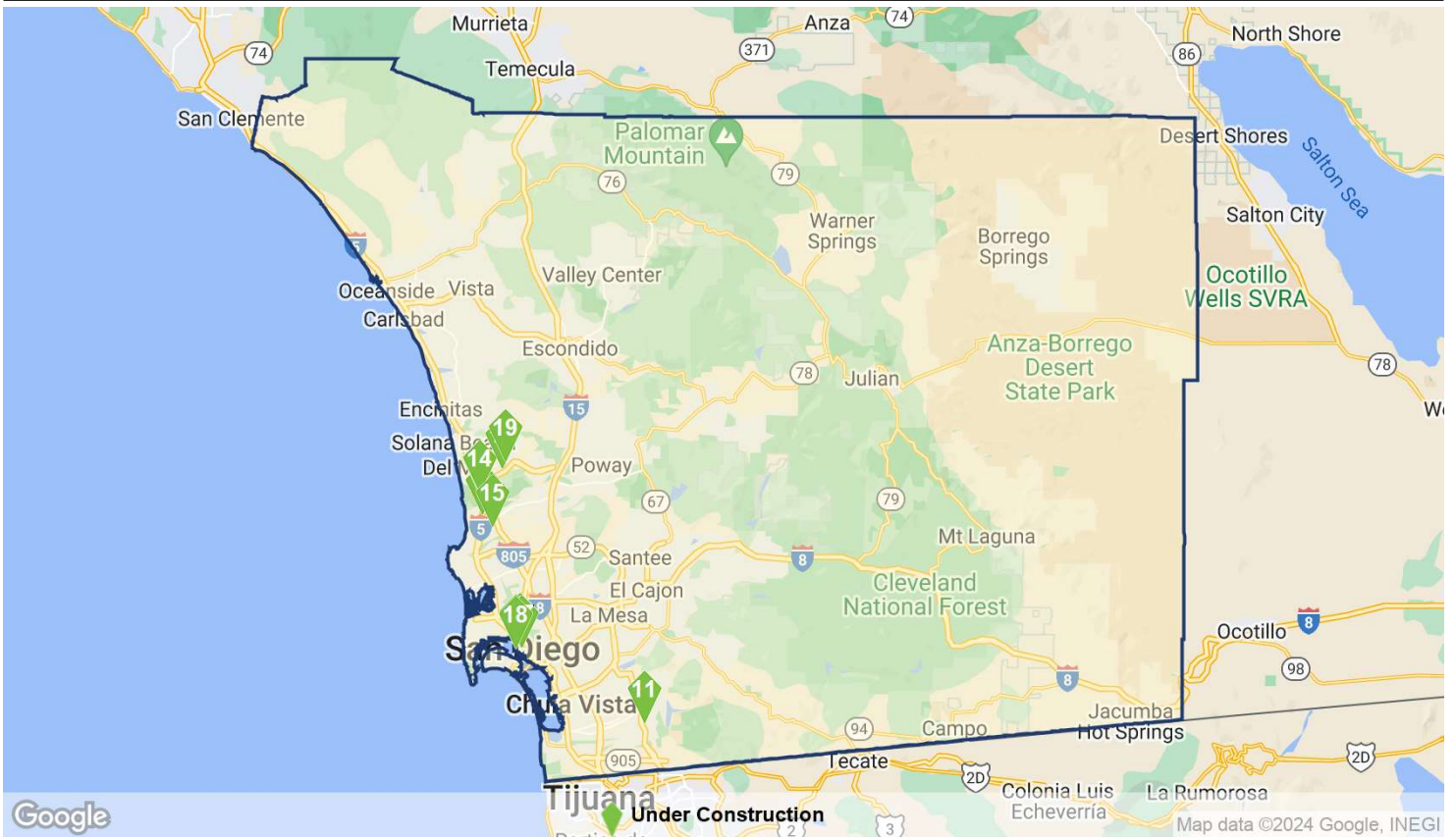
19

4,414,829

3.7%

42.0%

UNDER CONSTRUCTION PROPERTIES



UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 Building 2B-Rise 800 Pacific Coast Hwy	★★★★★	769,171	15	Oct 2020	May 2024	- IQHQ
2 Campus Point Dr	★★★★★	427,000	5	Sep 2023	Jun 2025	Alexandria Real Estate Equities, I... TIAA
3 Building 4B-Vida 925 Waterfront Pl	★★★★★	414,811	8	Oct 2020	May 2024	- IQHQ
4 The Campus at Horton-B... 100 Horton Plz	★★★★☆	388,359	10	Jun 2020	Jul 2024	- Stockdale Capital Partners
5 West - Office 1011 Union St	★★★★★	289,206	37	Jul 2020	May 2024	Holland Partner Group Lowe
6 The Campus at Horton-B... 200 Horton Plz	★★★★☆	255,483	5	Jun 2020	Jul 2024	- Stockdale Capital Partners
7 Building 3A-Core 950 Waterfront Pl	★★★★★	236,238	6	May 2022	Dec 2024	- IQHQ

Under Construction Properties

San Diego Office

UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
8 Building C 11214 El Camino Real	★ ★ ★ ★ ☆	220,270	5	Oct 2021	May 2024	- Breakthrough Properties LLC
9 Phase II- Bldg 4B 6040 Edgewood Bend Ct	★ ★ ★ ★ ★	185,160	5	Oct 2023	Mar 2025	Lincoln Property Company -
10 Building A 11202 El Camino Real	★ ★ ★ ★ ☆	168,637	4	Oct 2021	May 2024	- Breakthrough Properties LLC
11 Think Campus: Phase 1 1785 Millenia Ave	★ ★ ★ ★ ☆	168,000	4	Sep 2023	Nov 2025	- Chesnut Properties
12 Building 2A-Alley 825 N Harbor Dr	★ ★ ★ ★ ★	132,979	4	Oct 2020	May 2024	- IQHQ
13 Phase I - Bldg 3 6040 Edgewood Bend Ct	★ ★ ★ ★ ★	131,943	4	Jun 2023	Mar 2025	Lincoln Property Company -
14 Building B 11208 El Camino Real	★ ★ ★ ★ ☆	131,697	4	Oct 2021	May 2024	- Breakthrough Properties LLC
15 4555 Executive Dr	★ ★ ★ ★ ☆	131,183	5	Jul 2023	Oct 2024	- -
16 Phase II- Bldg 4A 6040 Edgewood Bend Ct	★ ★ ★ ★ ★	125,431	5	Oct 2023	Mar 2025	Lincoln Property Company -
17 The Campus at Horton-B... 600 Horton Plz	★ ★ ★ ★ ☆	124,029	5	Jun 2020	Jul 2024	- Stockdale Capital Partners
18 Building 4A-Edge 975 Waterfront Pl	★ ★ ★ ★ ★	105,242	4	Oct 2020	May 2024	- IQHQ
19 Corallina 6191 Village Way	★ ★ ★ ☆ ☆	9,990	1	Jul 2021	May 2024	- R&V Management Corporation

Trailing 12-month transactions and sales volume are reminiscent of levels during the recovery of the Great Recession in 2010. Lenders have pulled back, and few office properties, particularly with near-term lease rollovers, are finding buyers.

The average transactional price has been about \$350/SF during the past 12 months, with cap rates typically between 6% and 7.5% for the rare instances where buyers consider going-in yields. The average property size to trade hands has been about 15,000 SF during that period. Roughly one-third of sales volume during that stretch have involved REIT, private equity, or institutional investors, and foreign capital has also played a role. The equity fund Harrison Street Capital drove investment volume during 23Q3 by purchasing the leasehold interest in the third phase of the Palomar Health Outpatient Center in Escondido. That \$60 million deal accounted for over 40% of the sales volume during 23Q3. Medical-office properties accounted for one-third of transaction volume in 2022 and 2023, although pricing ticked up roughly 15% year over year with cap rates typically between 5.5% to 6.5%.

At the end of 2023, J Street Place purchased Tower 180 downtown for \$61 million, or about \$157/SF. The sellers, Hammer Ventures and GEM Realty Capital, acquired the property in 2016 for \$54.4 million and secured \$82 million in debt to finance the purchase and a full renovation that completed in early 2020. The nearly 390,000-SF building was 88% vacant, and the buyer intends to invest \$140 million to convert the building into housing and hospitality. It is too early to tell if this will start a trend in office conversions Downtown. Still, there

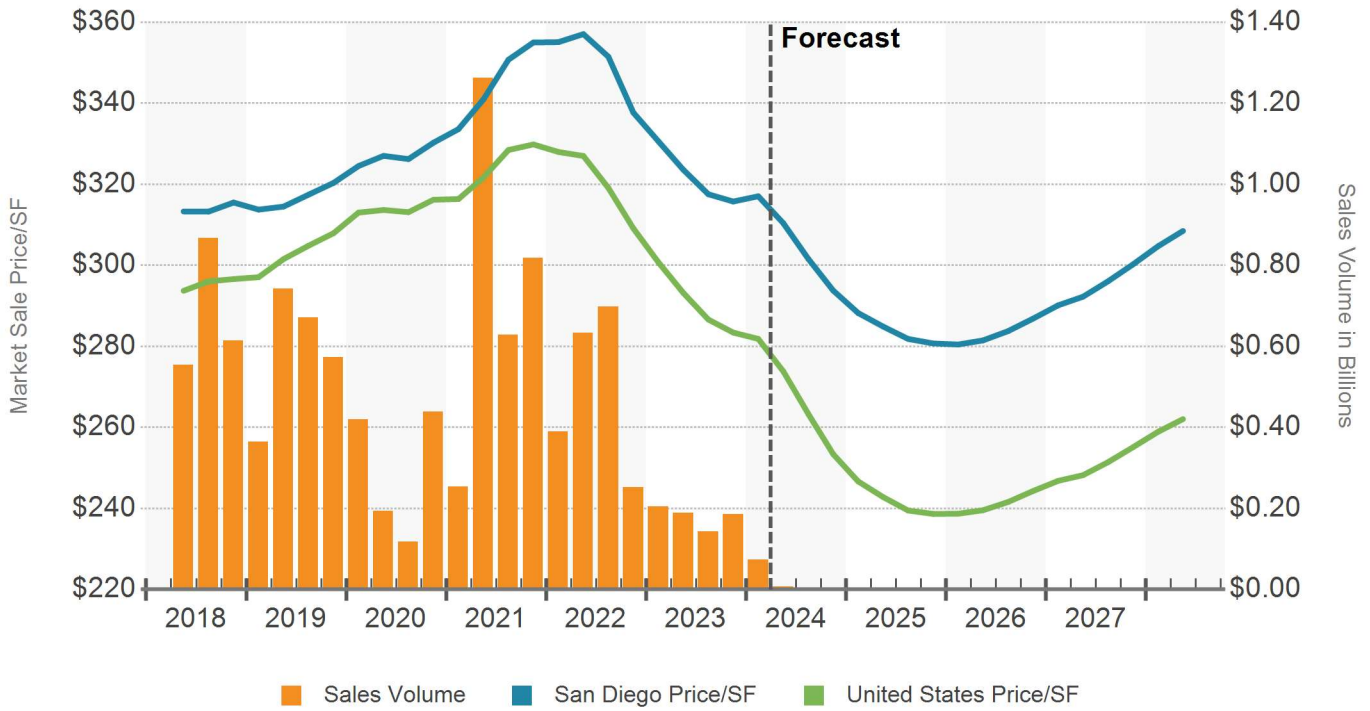
is an expectation that some of Downtown's towers will face obstacles when loans come due, which could lead to distress sales and potential conversion opportunities.

Much like the industrial market in San Diego, investors have been attracted to San Diego's life science nodes. Even as demand has fallen for biotech space, several recent deals still show that pricing is stable there.

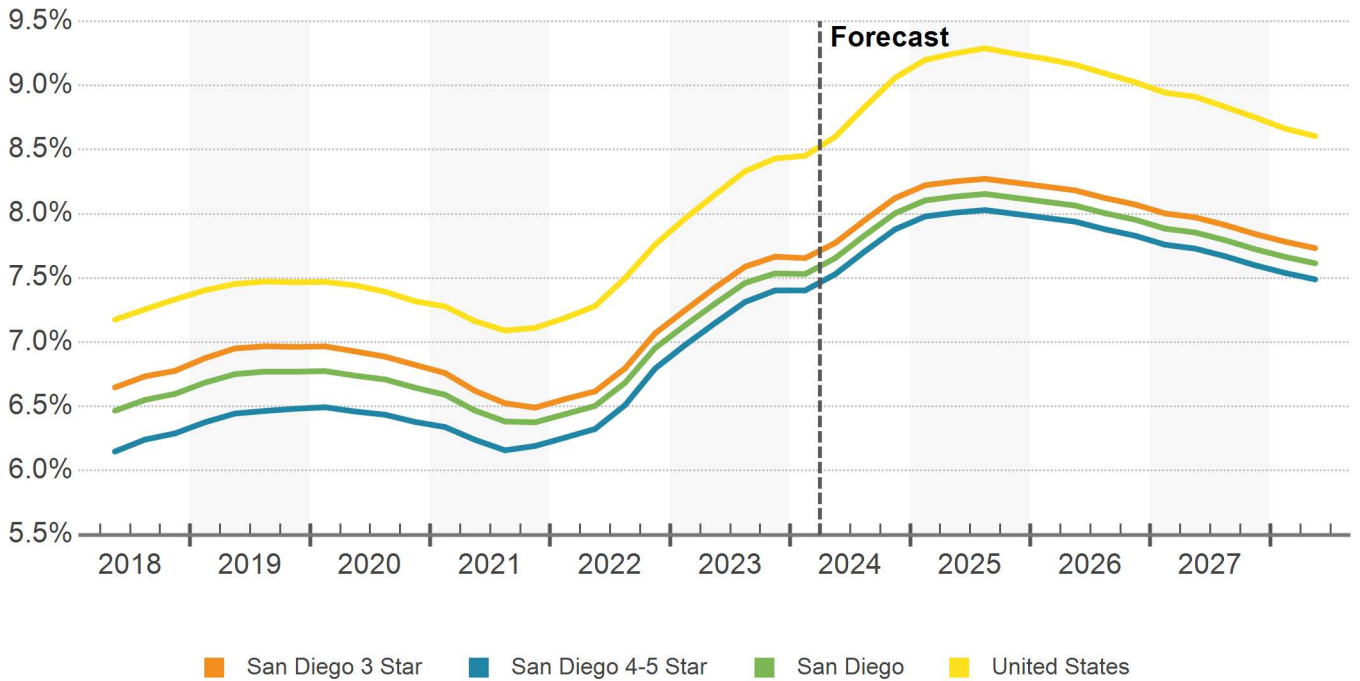
At the beginning of 2024, Healthpeak Properties sold a 65% stake in the two-building, 185,000-SF Callan Ridge lab campus in Torrey Pines, in a deal that valued the entire campus at \$236 million, or more than \$1,200/SF. Healthpeak said it would receive approximately \$130 million net proceeds after factoring in the company's remaining share of TI costs. "The strong pricing highlights the underlying demand for our lab assets and allows us to recapture our initial invested capital, while still retaining a 35% interest in the trophy campus," said Healthpeak's CEO. The property was fully pre-leased to Turning Point Therapeutics, a subsidiary of Bristol Myers Squibb, through 2035. However, the entire campus was added to the sublease market in 2023 before its 2024 delivery. The deal added to Breakthrough Properties' local footprint, which included two other Torrey Pines-area properties, including the under-construction Torrey View.

Market participants do not anticipate much change in the office investment market in 2024. With softer demand, elevated cost of debt and weaker rent growth, it will take time for the investment market to stabilize to pre-2020 norms.

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

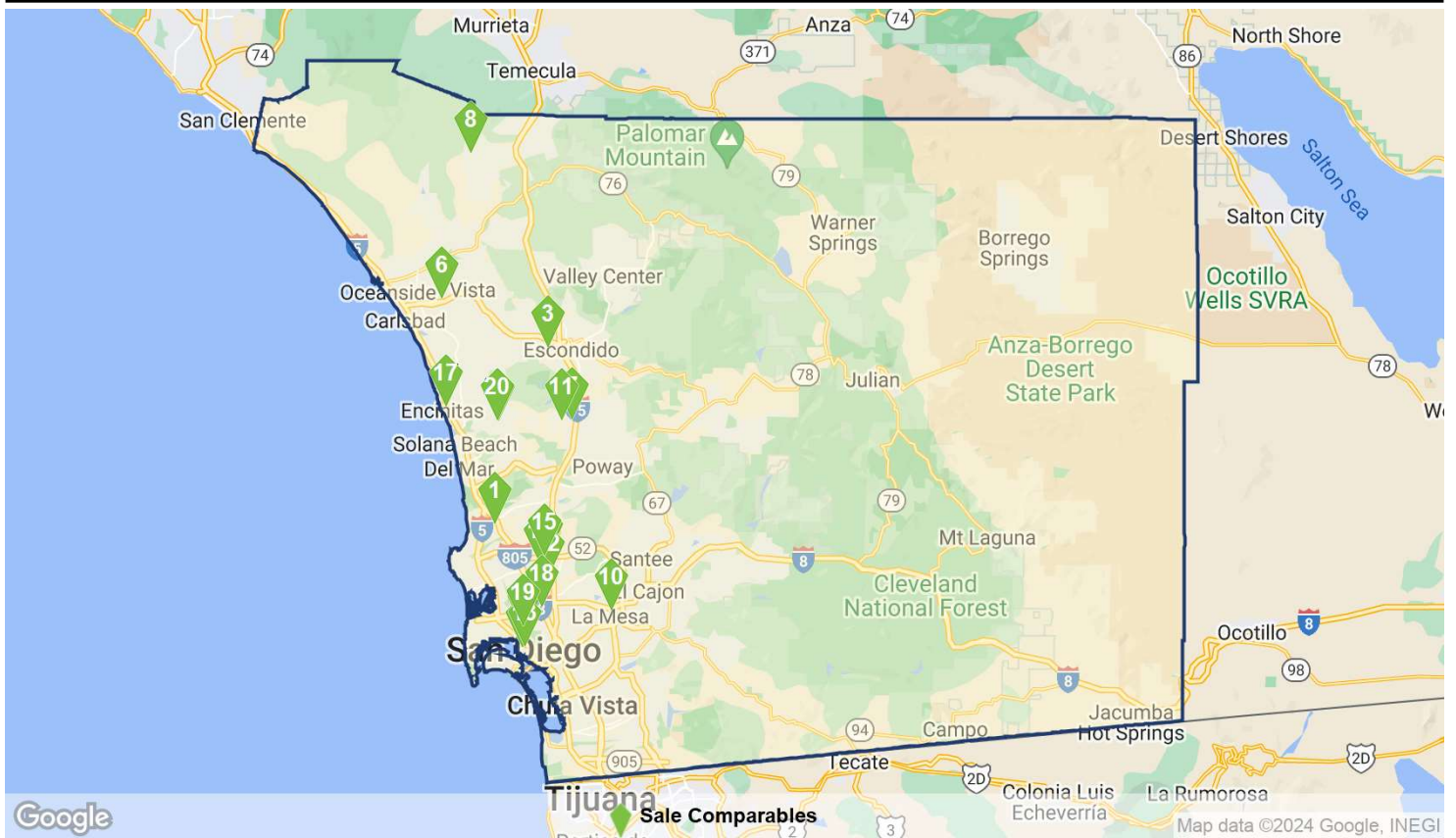
178

6.3%

\$371

18.9%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$350,000	\$6,041,785	\$2,458,000	\$112,350,000
Price/SF	\$18	\$371	\$393	\$1,756
Cap Rate	3.5%	6.3%	6.0%	8.6%
Time Since Sale in Months	0.1	6.6	6.3	12.0
Property Attributes	Low	Average	Median	High
Building SF	1,200	20,642	6,513	387,627
Stories	1	2	2	25
Typical Floor SF	700	7,780	3,672	73,434
Vacancy Rate At Sale	0%	18.9%	0%	100%
Year Built	1887	1976	1981	2022
Star Rating	★ ★ ★ ★ ★	★ ★ ★ ★ ★ 2.3	★ ★ ★ ★ ★	★ ★ ★ ★ ★

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 9625 Towne Centre Dr	★★★★★	2018	163,648	0%	6/21/2023	\$112,350,000	\$981	4.5%
2 Tower 180 180 Broadway	★★★★★	1963	387,627	87.6%	12/15/2023	\$61,000,000	\$157	-
3 Palomar Health Phase III 2127 W Citracado Pky	★★★★★	2022	75,000	0%	7/12/2023	\$60,200,000	\$803	-
4 Canvas on Chesapeake 9555 Chesapeake Dr	★★★★★	1985	60,000	0%	7/3/2023	\$17,752,500	\$296	-
5 9577 Chesapeake Dr	★★★★★	1990	54,000	0%	3/11/2024	\$17,000,000	\$315	8.6%
6 Tri-City Medical Building 3998 Vista Way	★★★★★	1989	37,488	0%	10/2/2023	\$12,500,000	\$333	-
7 16981 Via Tazon	★★★★★	1984	34,661	0%	12/26/2023	\$11,509,646	\$332	-
8 Fallbrook Medical Arts 521 E Elder St	★★★★★	1988	33,643	19.6%	6/20/2023	\$9,700,000	\$288	-
9 3043 4th Ave	★★★★★	1968	17,300	0%	10/25/2023	\$9,440,000	\$546	-
10 La Mesa Village Plaza 4700 Spring St	★★★★★	1991	43,643	0%	12/14/2023	\$8,675,000	\$199	-
11 Bldg 2 17075 Camino San Bernar...	★★★★★	1999	26,481	0%	1/11/2024	\$8,000,000	\$302	5.7%
12 Building E 3710 Ruffin Rd	★★★★★	2006	20,060	100%	5/18/2023	\$7,890,000	\$393	-
13 Gaslamp 1111 6th Ave	★★★★★	1935	70,602	0%	3/25/2024	\$7,850,000	\$111	-
14 4933 Paramount Dr	★★★★★	2001	18,752	0%	8/14/2023	\$7,650,000	\$408	-
15 5787 Chesapeake Ct	★★★★★	1982	23,288	0%	11/13/2023	\$7,250,000	\$311	-
16 Plaza de Rancho Santa Fe 6105 Paseo Delicias	★★★★★	1980	7,246	0%	4/2/2024	\$6,971,000	\$962	-
17 Devonshire Medical Bldg 1011 Devonshire Dr	★★★★★	1984	10,007	11.4%	6/30/2023	\$6,735,000	\$673	5.2%
18 The Moran Building 2851 Camino Del Rio S	★★★★★	1986	32,000	4.0%	4/6/2023	\$6,695,000	\$209	-
19 Tucker Professional Bldg 3636 4th Ave	★★★★★	1984	13,485	8.9%	7/24/2023	\$6,675,500	\$495	-
20 6110 El Tordo	★★★★★	1939	7,180	0%	2/21/2024	\$6,450,000	\$898	-

According to the latest report from the Bureau of Labor Statistics, San Diego's unemployment rate of 4.7% was unchanged in February. That was 100 basis points higher than the February 2023 rate and nearly 100 basis points below California's statewide unemployment rate.

In a change of course, professional and business services led all industries in February, with 3,100 positions added to payrolls. Those jobs accounted for over half of the 6,000 added in February. The other two office-using sectors, information, and financial activities shed 300 positions.

The leisure and hospitality sector also rebounded in February after adding 2,500 jobs, 1,800 of which were in accommodation and food services. For over a year, food and beverage tenants have helped drive small-box retail leasing in San Diego. Those tenants and other service-related retailers occupying less than 3,000 square feet helped that retail tranche account for over half of retail leasing volume in the past 12 months. Local brokers have reported that high demand for these available spaces has handed leverage to landlords, given the historically low availability across the region.

Over the past 12 months, San Diego's nonfarm employers added 13,600 to payrolls for 0.9% annual growth. The region's labor force exceeded 1.6 million people in February. That's the highest level since November.

Private education and health services led annual hiring gains with 15,000 added to payrolls. Leisure and hospitality added 6,100 and the government added 5,700 to lead industries.

The office-using sectors shed more than 12,000 jobs in the past 12 months. The relationship between office-using job growth and office demand has decoupled over the past several years. It is no longer the indication of space requirements for employers that it once was.

Domestic migration in San Diego has typically trended in negative territory, and the latest census data for 2023 was no different. More than 30,000 people left the county between mid-2022 and mid-2023, according to the U.S. Census Bureau, and that was one of the highest levels in over three decades, aside from the initial stages of the pandemic. That figure was partially offset by international migration, which exceeded 10,000. High housing costs are one of the primary reasons that the local population shrunk by more than 7,000 in 2023.

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. Furthermore, Scripps Health has five campuses across the metro and announced that it is spending \$2.6 billion on facility upgrades, further bolstering San Diego as a destination for "medical tourism."

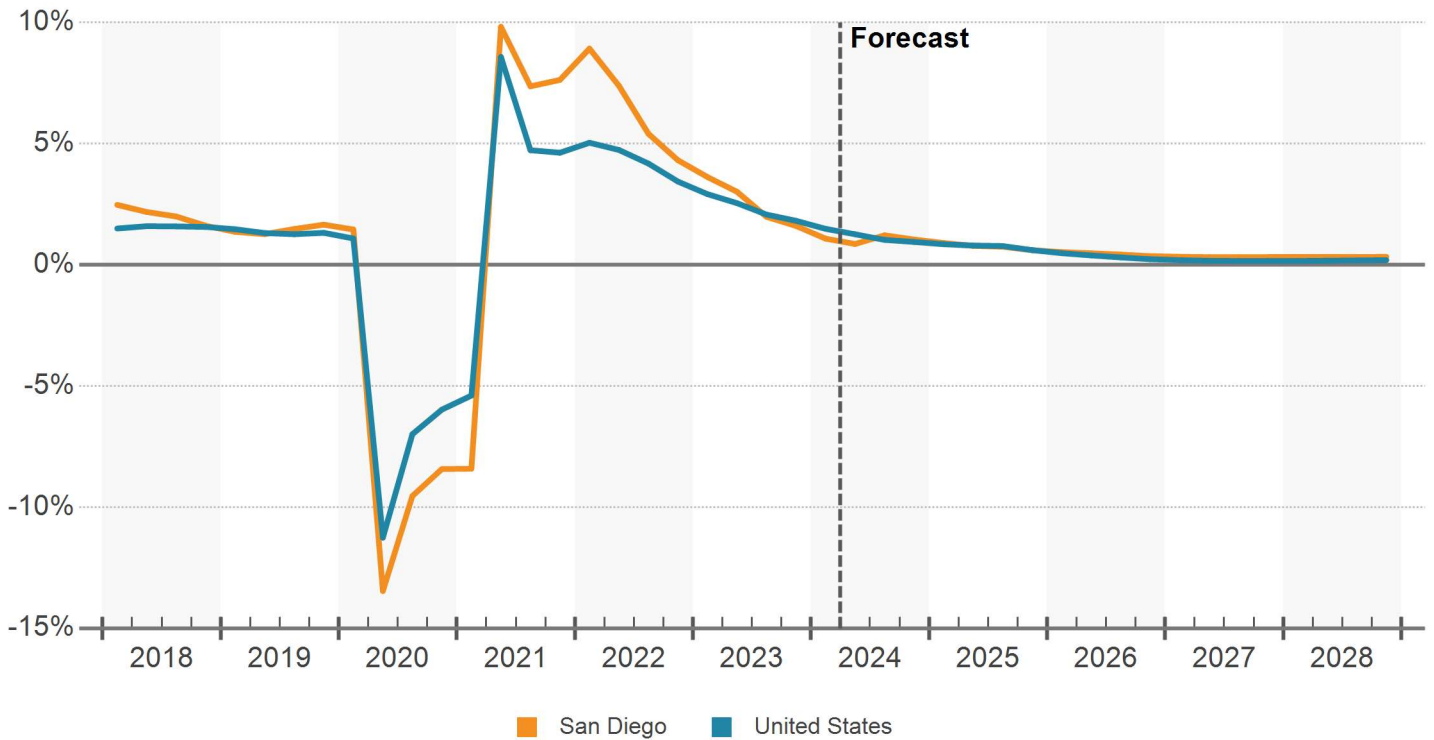
San Diego also has over 140,000 active duty and civilian military employees. According to the San Diego Military Advisory Council, the defense industry accounts for more than 350,000 jobs in the region. That is close to 25% of the economy. The Navy's renewed focus on the Pacific theater of operation will result in a 60/40 split between the Pacific and Atlantic fleets, further solidifying San Diego's status as a major Navy hub.

SAN DIEGO EMPLOYMENT BY INDUSTRY IN THOUSANDS

Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	118	0.9	-0.20%	0.04%	1.65%	0.71%	0.34%	0.14%
Trade, Transportation and Utilities	225	0.8	0.73%	0.08%	0.42%	1.04%	-0.03%	0.14%
Retail Trade	139	0.9	0.38%	-0.16%	-0.28%	0.19%	-0.09%	0.13%
Financial Activities	79	0.9	1.07%	0.60%	1.24%	1.45%	-0.09%	0.18%
Government	251	1.1	1.06%	2.38%	1.02%	0.55%	0.35%	0.33%
Natural Resources, Mining and Construction	90	1.0	0.61%	2.20%	3.50%	2.38%	0.78%	0.25%
Education and Health Services	245	0.9	4.15%	3.43%	2.98%	1.98%	1.01%	0.64%
Professional and Business Services	286	1.2	-0.33%	0.74%	2.60%	1.98%	0.34%	0.48%
Information	21	0.7	-3.25%	-1.80%	-1.23%	1.10%	0.31%	0.22%
Leisure and Hospitality	210	1.2	0.88%	2.55%	1.93%	1.52%	0.97%	0.70%
Other Services	60	1.0	2.40%	1.51%	1.34%	0.66%	0.33%	0.27%
Total Employment	1,584	1.0	1.07%	1.47%	1.77%	1.35%	0.48%	0.37%

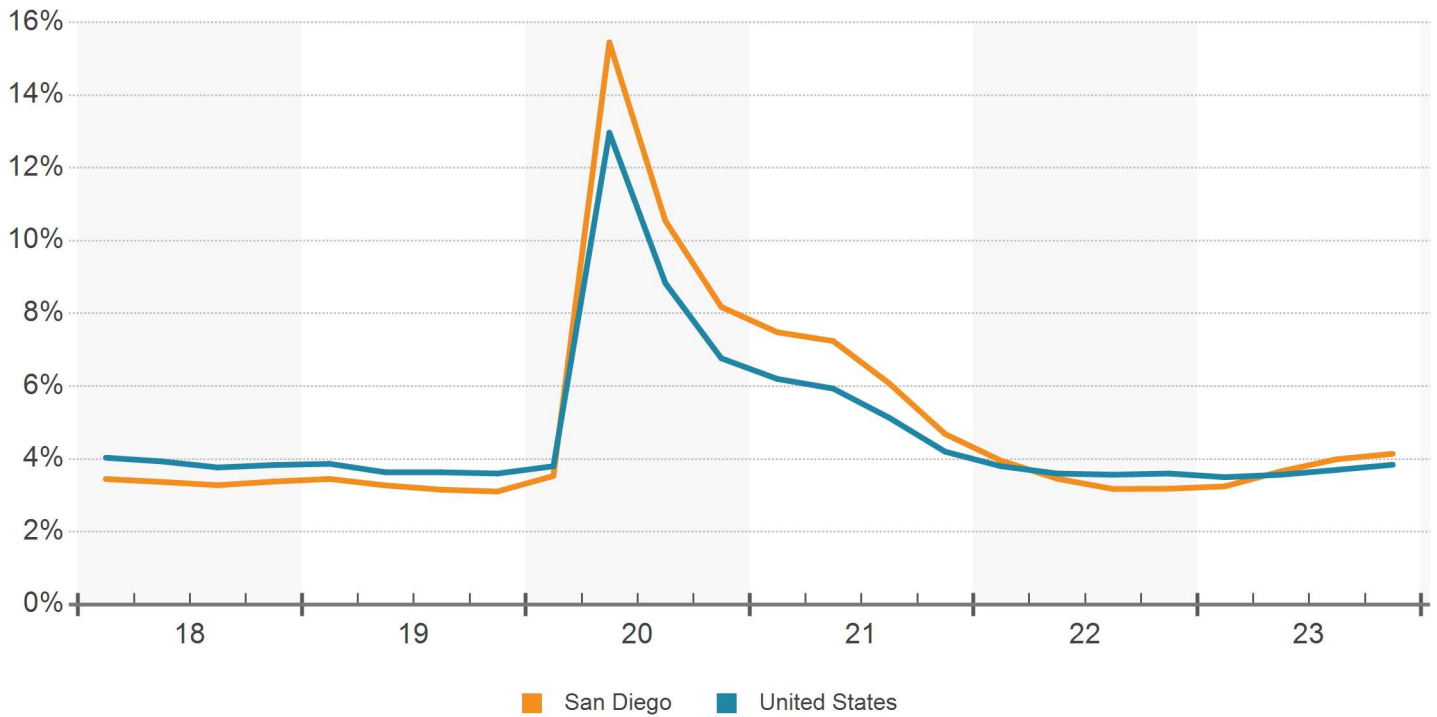
Source: Oxford Economics
LQ = Location Quotient

JOB GROWTH (YOY)

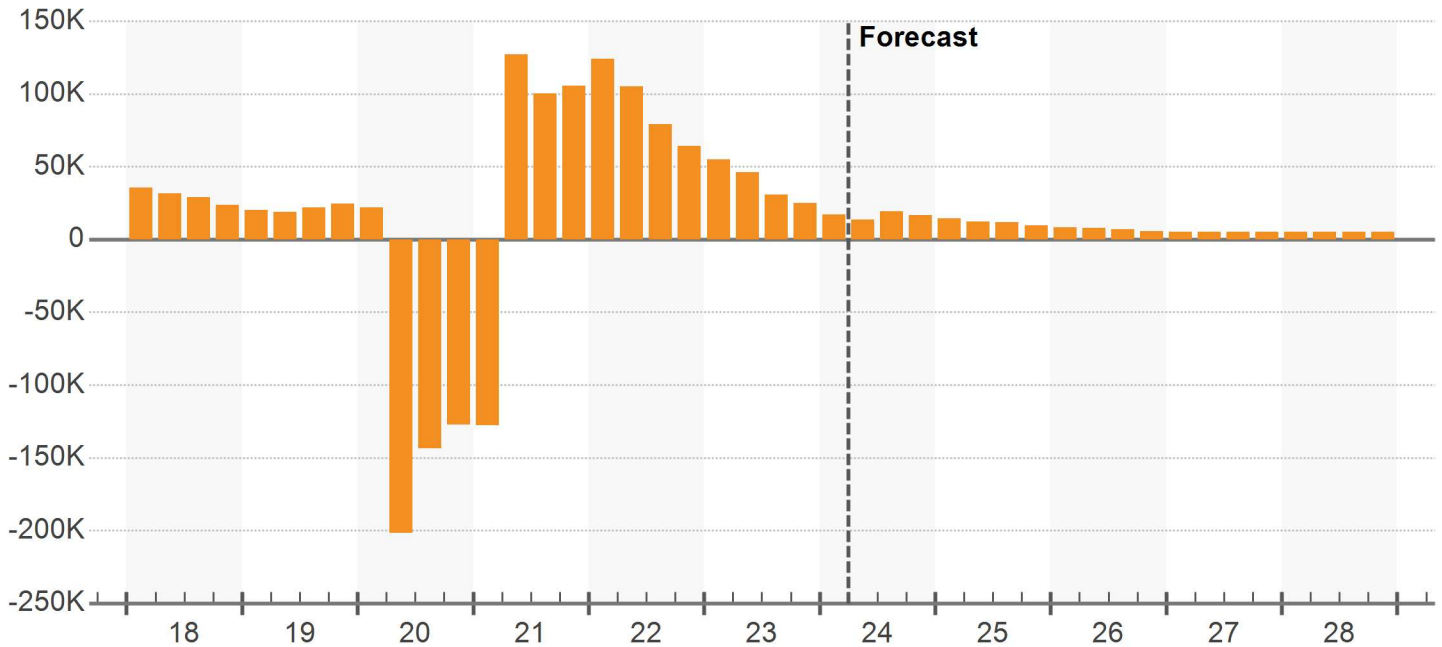


Source: Oxford Economics

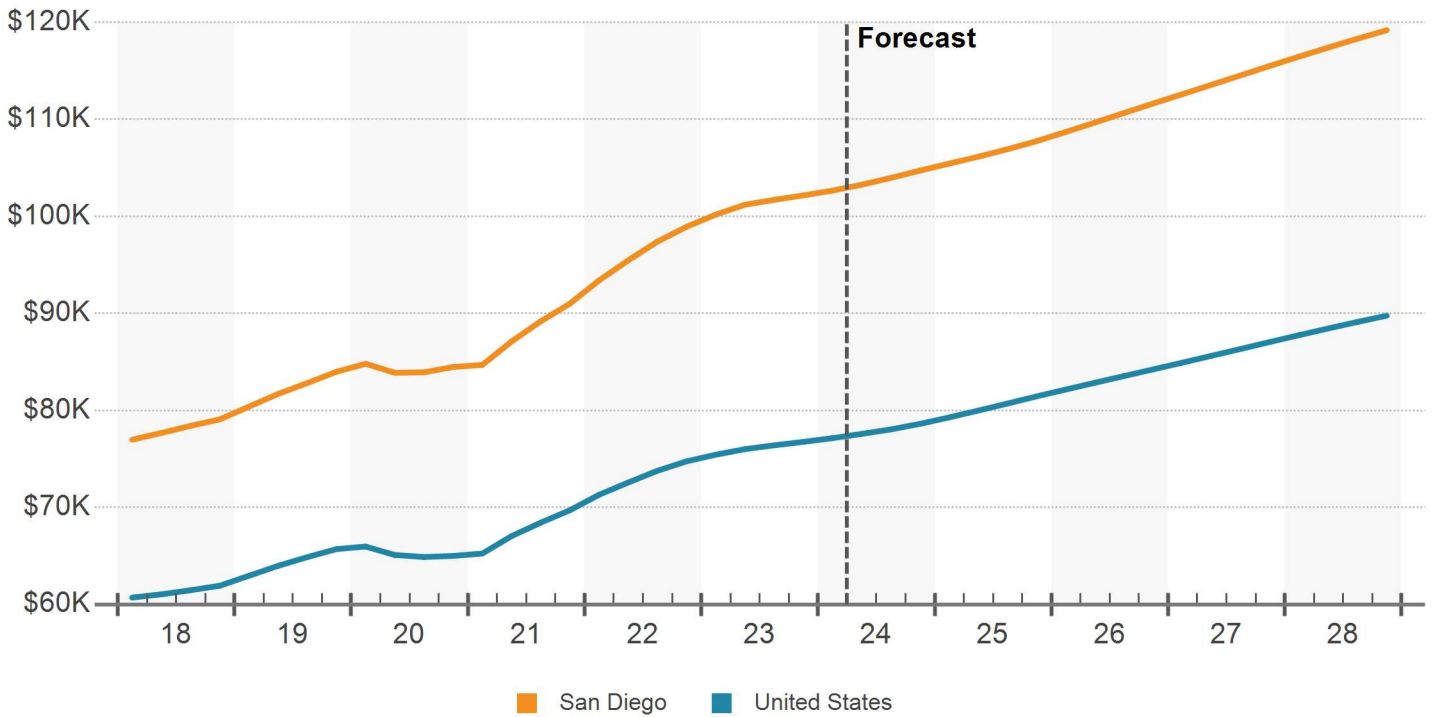
UNEMPLOYMENT RATE (%)



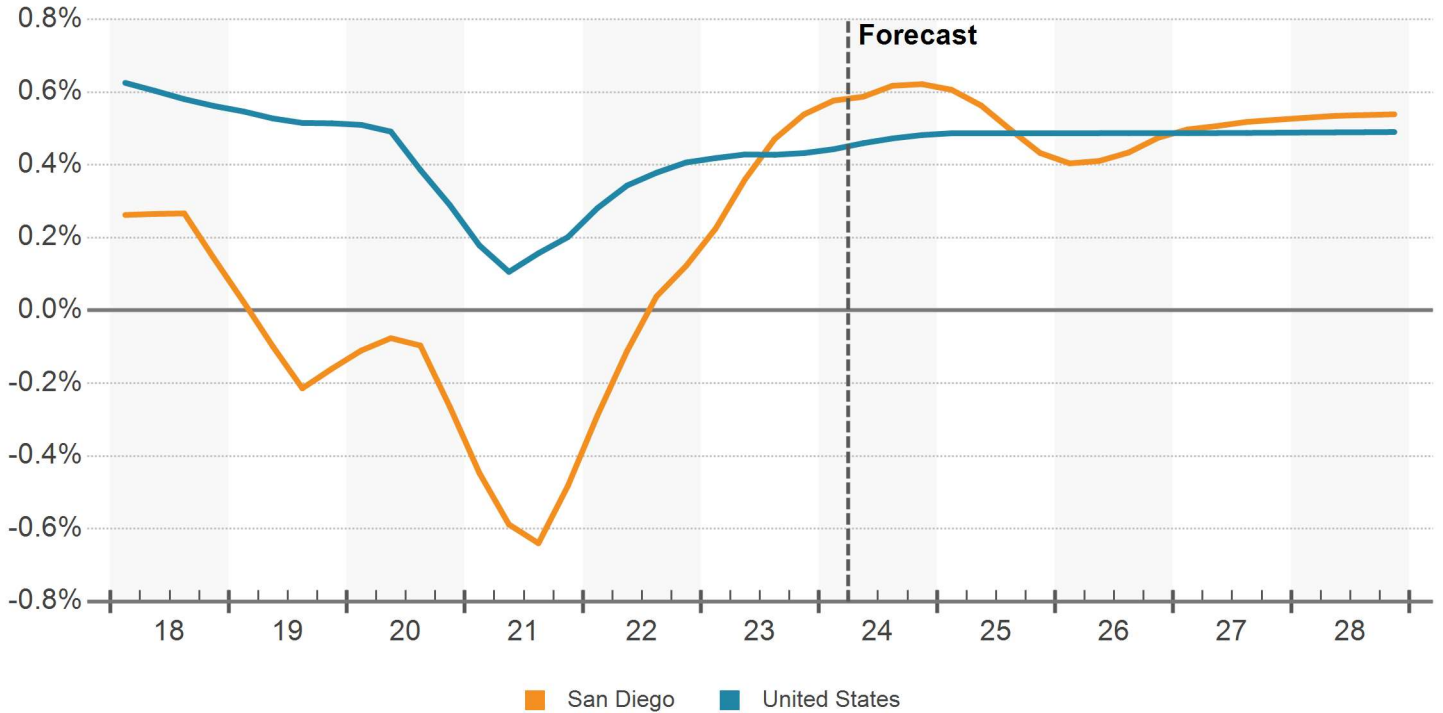
NET EMPLOYMENT CHANGE (YOY)



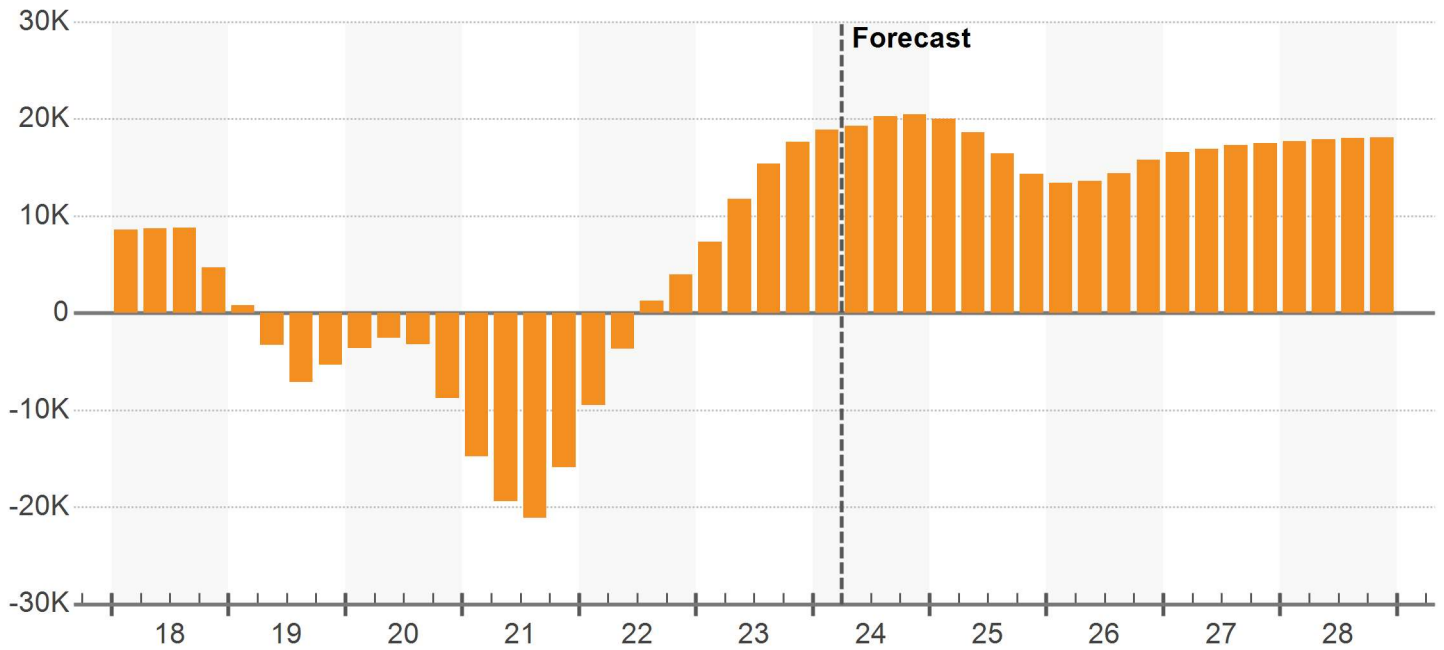
MEDIAN HOUSEHOLD INCOME



POPULATION GROWTH (YOY %)



NET POPULATION CHANGE (YOY)

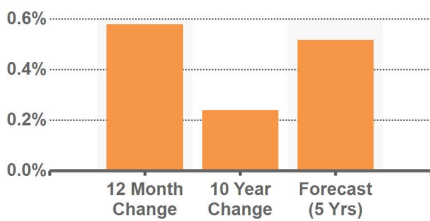


DEMOGRAPHIC TRENDS

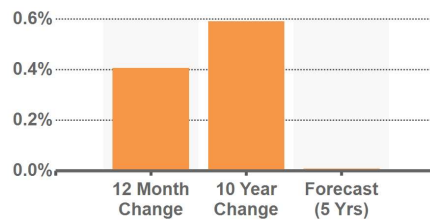
Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	3,301,778	335,516,750	0.6%	0.4%	0.2%	0.5%	0.5%	0.5%
Households	1,184,351	131,041,672	0.7%	0.6%	0.5%	0.9%	0.6%	0.6%
Median Household Income	\$102,690	\$77,169	2.4%	2.2%	5.1%	3.9%	3.2%	3.2%
Labor Force	1,618,075	169,039,828	0.4%	1.6%	0.6%	0.8%	0%	0.1%
Unemployment	4.1%	3.8%	0.9%	0.3%	-0.3%	-0.3%	-	-

Source: Oxford Economics

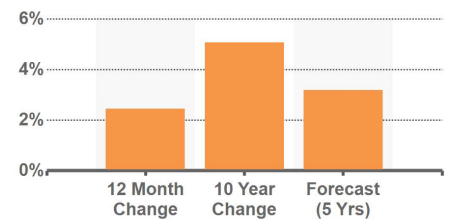
POPULATION GROWTH



LABOR FORCE GROWTH

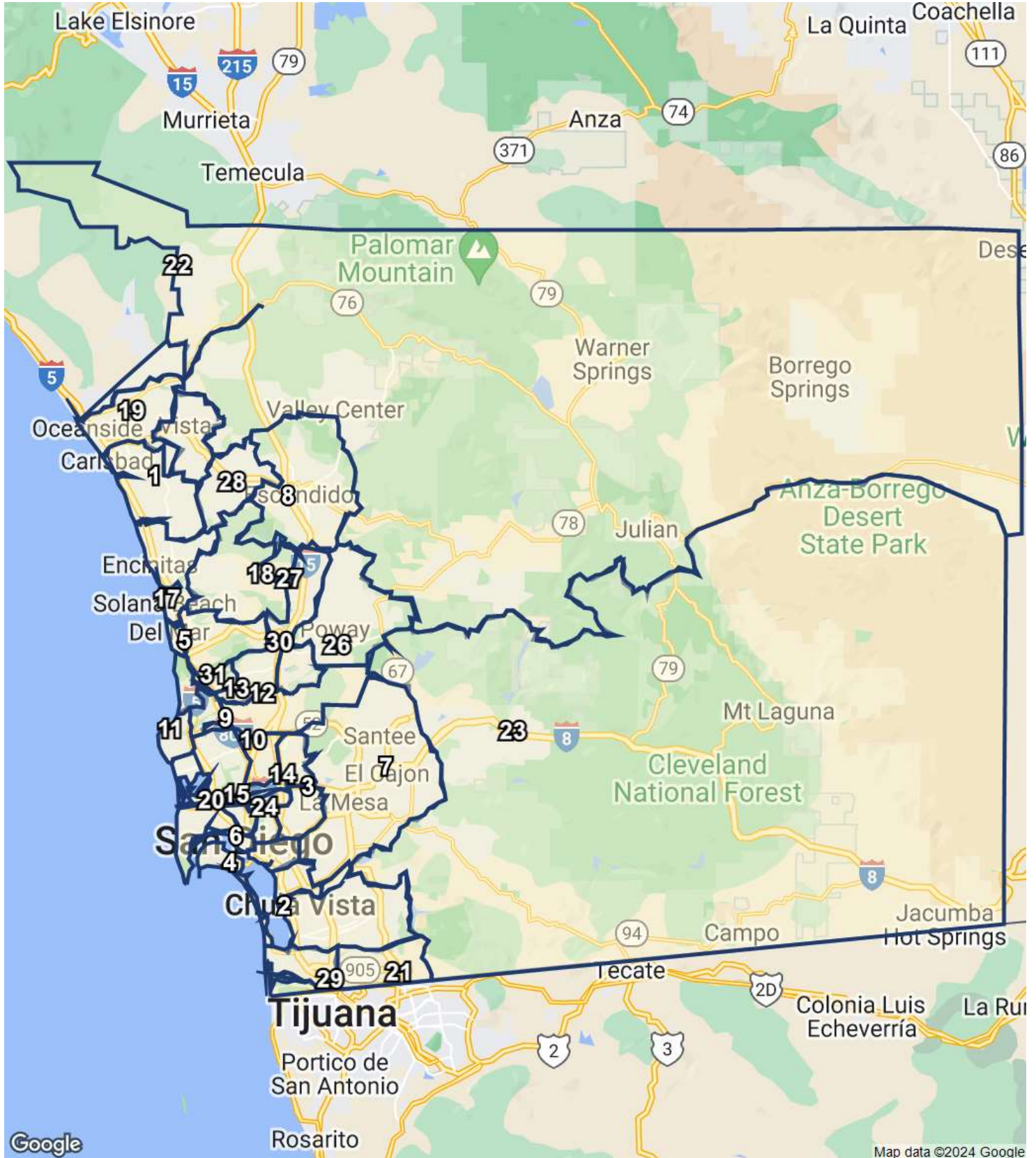


INCOME GROWTH



Source: Oxford Economics

SAN DIEGO SUBMARKETS



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	329	7,767	6.5%	5	0	0	0%	-	0	-	-	-
2	Chula Vista	275	3,584	3.0%	10	0	0	0%	-	1	168	4.7%	4
3	College Area	150	1,636	1.4%	23	0	0	0%	-	0	-	-	-
4	Coronado	24	148	0.1%	37	0	0	0%	-	0	-	-	-
5	Del Mar Hts/Carmel Valley	86	5,737	4.8%	9	0	0	0%	-	7	973	17.0%	2
6	Downtown	225	14,285	12.0%	1	0	0	0%	-	9	2,716	19.0%	1
7	East County	707	5,762	4.8%	8	0	0	0%	-	0	-	-	-
8	Escondido	305	2,610	2.2%	16	0	0	0%	-	0	-	-	-
9	Governor Park	19	769	0.6%	26	0	0	0%	-	0	-	-	-
10	Kearny Mesa	285	11,688	9.8%	2	1	66	0.6%	3	0	-	-	-
11	La Jolla	109	1,658	1.4%	21	0	0	0%	-	0	-	-	-
12	MCAS Miramar	1	32	0%	38	0	0	0%	-	0	-	-	-
13	Mira Mesa/Miramar	45	1,576	1.3%	24	0	0	0%	-	0	-	-	-
14	Mission Gorge	42	710	0.6%	28	0	0	0%	-	0	-	-	-
15	Mission Valley	141	7,573	6.3%	6	0	0	0%	-	0	-	-	-
16	National City	86	851	0.7%	25	0	0	0%	-	0	-	-	-
17	North Beach Cities	322	3,387	2.8%	11	1	55	1.6%	4	0	-	-	-
18	North Central County	37	398	0.3%	31	0	0	0%	-	0	-	-	-
19	Oceanside	167	1,926	1.6%	17	0	0	0%	-	0	-	-	-
20	Old Twn/S Arena/Pt Loma	210	2,849	2.4%	14	0	0	0%	-	0	-	-	-
21	Otay Mesa	20	215	0.2%	35	0	0	0%	-	0	-	-	-
22	Outlying SD County N	162	742	0.6%	27	0	0	0%	-	0	-	-	-
23	Outlying SD County S	39	195	0.2%	36	0	0	0%	-	0	-	-	-
24	Park East	71	338	0.3%	32	0	0	0%	-	0	-	-	-
25	PB/Rose Canyon/Morena	206	1,815	1.5%	18	0	0	0%	-	0	-	-	-
26	Poway	84	1,648	1.4%	22	0	0	0%	-	0	-	-	-
27	Rancho Bernardo	128	6,626	5.6%	7	1	83	1.3%	2	0	-	-	-
28	San Marcos	92	1,728	1.4%	20	0	0	0%	-	0	-	-	-
29	San Ysidro/Imperial Beach	37	270	0.2%	33	0	0	0%	-	0	-	-	-
30	Scripps Ranch	58	2,797	2.3%	15	0	0	0%	-	0	-	-	-
31	Sorrento Mesa	125	8,856	7.4%	4	0	0	0%	-	0	-	-	-
32	Sorrento Valley	26	640	0.5%	30	0	0	0%	-	0	-	-	-
33	Southeast San Diego	85	690	0.6%	29	0	0	0%	-	0	-	-	-
34	Torrey Pines	46	3,277	2.7%	13	0	0	0%	-	0	-	-	-
35	Uptown East	71	269	0.2%	34	0	0	0%	-	0	-	-	-
36	Uptown West/Park West	386	3,288	2.8%	12	0	0	0%	-	0	-	-	-
37	UTC	93	9,247	7.7%	3	2	283	3.1%	1	2	558	6.0%	3
38	Vista	176	1,750	1.5%	19	0	0	0%	-	0	-	-	-

Submarkets

San Diego Office

SUBMARKET RENT

No.	Submarket	Market Asking Rent		12 Month Market Asking Rent		QTD Annualized Market Asking Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Carlsbad	\$37.84	13	0.5%	35	-1.5%	18
2	Chula Vista	\$37.28	14	1.6%	6	-1.4%	14
3	College Area	\$32.03	28	0.7%	25	-0.9%	12
4	Coronado	\$41.29	8	1.5%	8	-2.1%	25
5	Del Mar Hts/Carmel Valley	\$54.97	1	0.4%	36	-4.6%	37
6	Downtown	\$34.25	20	0.2%	38	-4.0%	35
7	East County	\$30.64	33	2.4%	3	-0.7%	10
8	Escondido	\$31.40	31	1.2%	10	-1.4%	16
9	Governor Park	\$38.69	11	0.7%	29	-3.4%	34
10	Kearny Mesa	\$34.35	18	0.7%	27	-1.1%	13
11	La Jolla	\$46.98	5	0.7%	23	0%	5
12	MCAS Miramar	\$32.95	24	1.6%	7	-2.2%	28
13	Mira Mesa/Miramar	\$35.01	15	1.2%	14	-0.2%	7
14	Mission Gorge	\$29.50	37	0.8%	21	-2.0%	24
15	Mission Valley	\$34.43	17	0.3%	37	-4.5%	36
16	National City	\$31.54	30	2.5%	2	-2.5%	31
17	North Beach Cities	\$46.69	6	0.8%	20	-0.2%	6
18	North Central County	\$53.89	2	1.0%	16	-1.4%	15
19	Oceanside	\$31.69	29	1.2%	13	-3.0%	32
20	Old Twn/S Arena/Pt Loma	\$34.53	16	0.7%	24	-1.8%	21
21	Otay Mesa	\$39.87	9	1.4%	9	-2.5%	30
22	Outlying SD County N	\$28.39	38	2.0%	5	-1.9%	23
23	Outlying SD County S	\$30.15	34	1.1%	15	-1.6%	20
24	Park East	\$32.19	27	0.6%	30	-1.5%	19
25	PB/Rose Canyon/Morena	\$30.73	32	0.7%	26	-2.4%	29
26	Poway	\$32.50	25	1.2%	12	-1.5%	17
27	Rancho Bernardo	\$39.64	10	0.7%	28	-0.3%	8
28	San Marcos	\$33.22	23	0.9%	17	0.8%	1
29	San Ysidro/Imperial Beach	\$33.63	21	6.6%	1	-2.1%	26
30	Scripps Ranch	\$38.10	12	0.8%	22	-0.7%	9
31	Sorrento Mesa	\$43.07	7	0.5%	33	0.7%	2
32	Sorrento Valley	\$33.50	22	0.9%	18	-0.7%	11
33	Southeast San Diego	\$32.42	26	2.3%	4	-2.1%	27
34	Torrey Pines	\$49.06	4	0.6%	31	0%	4
35	Uptown East	\$29.78	35	0.5%	32	-3.1%	33
36	Uptown West/Park West	\$34.34	19	0.8%	19	-6.3%	38
37	UTC	\$51.56	3	0.5%	34	0.6%	3
38	Vista	\$29.69	36	1.2%	11	-1.8%	22

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	1,002,581	12.9%	28	(67,767)	-0.9%	33	-
2	Chula Vista	134,184	3.7%	12	(19,606)	-0.5%	27	-
3	College Area	56,636	3.5%	11	(15,285)	-0.9%	25	-
4	Coronado	1,200	0.8%	3	476	0.3%	17	-
5	Del Mar Hts/Carmel Valley	810,502	14.1%	31	(255,179)	-4.4%	37	-
6	Downtown	4,004,686	28.0%	37	(347,313)	-2.4%	38	-
7	East County	153,298	2.7%	9	66,177	1.1%	4	-
8	Escondido	280,408	10.7%	25	(48,019)	-1.8%	31	-
9	Governor Park	76,840	10.0%	24	413	0.1%	18	-
10	Kearny Mesa	952,325	8.1%	21	234,970	2.0%	1	-
11	La Jolla	188,379	11.4%	27	(19,286)	-1.2%	26	-
12	MCAS Miramar	-	-	-	0	0%	-	-
13	Mira Mesa/Miramar	94,503	6.0%	17	(19,844)	-1.3%	28	-
14	Mission Gorge	13,380	1.9%	8	(4,044)	-0.6%	24	-
15	Mission Valley	1,152,215	15.2%	33	153,209	2.0%	2	-
16	National City	6,853	0.8%	2	19,893	2.3%	7	-
17	North Beach Cities	262,898	7.8%	20	10,833	0.3%	11	5.1
18	North Central County	52,059	13.1%	29	268	0.1%	19	-
19	Oceanside	178,660	9.3%	23	(1,156)	-0.1%	21	-
20	Old Twn/S Arena/Pt Loma	246,297	8.6%	22	(117,419)	-4.1%	35	-
21	Otay Mesa	50,086	23.3%	36	9,351	4.4%	12	-
22	Outlying SD County N	34,328	4.6%	14	2,984	0.4%	16	-
23	Outlying SD County S	1,200	0.6%	1	5,501	2.8%	15	-
24	Park East	9,134	2.7%	10	13,545	4.0%	8	-
25	PB/Rose Canyon/Morena	88,728	4.9%	16	(49,928)	-2.8%	32	-
26	Poway	118,738	7.2%	19	(31,578)	-1.9%	29	-
27	Rancho Bernardo	916,471	13.8%	30	92,782	1.4%	3	0.9
28	San Marcos	73,715	4.3%	13	21,902	1.3%	6	-
29	San Ysidro/Imperial Beach	4,996	1.9%	7	(1,647)	-0.6%	22	-
30	Scripps Ranch	446,847	16.0%	34	(88,241)	-3.2%	34	-
31	Sorrento Mesa	561,044	6.3%	18	(2,781)	0%	23	-
32	Sorrento Valley	131,738	20.6%	35	(32,619)	-5.1%	30	-
33	Southeast San Diego	5,879	0.9%	4	10,869	1.6%	10	-
34	Torrey Pines	34,805	1.1%	6	58,046	1.8%	5	-
35	Uptown East	2,300	0.9%	5	5,950	2.2%	14	-
36	Uptown West/Park West	153,856	4.7%	15	9,113	0.3%	13	-
37	UTC	1,031,362	11.2%	26	(157,028)	-1.7%	36	-
38	Vista	250,451	14.3%	32	13,184	0.8%	9	-

OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	124,403,555	664,384	0.5%	860,491	0.7%	0.8
2027	123,739,171	403,656	0.3%	1,024,033	0.8%	0.4
2026	123,335,515	(50,969)	0%	890,921	0.7%	-
2025	123,386,484	1,059,286	0.9%	(238,513)	-0.2%	-
2024	122,327,198	2,949,291	2.5%	(367,448)	-0.3%	-
YTD	119,335,939	(41,968)	0%	(570,658)	-0.5%	-
2023	119,377,907	179,047	0.2%	(180,438)	-0.2%	-
2022	119,198,860	357,355	0.3%	898,751	0.8%	0.4
2021	118,841,505	188,133	0.2%	615,655	0.5%	0.3
2020	118,653,372	1,327,466	1.1%	(1,775,137)	-1.5%	-
2019	117,325,906	236,647	0.2%	605,093	0.5%	0.4
2018	117,089,259	129,730	0.1%	722,290	0.6%	0.2
2017	116,959,529	(186,124)	-0.2%	(384,170)	-0.3%	-
2016	117,145,653	400,632	0.3%	1,492,182	1.3%	0.3
2015	116,745,021	607,281	0.5%	813,080	0.7%	0.7
2014	116,137,740	830,771	0.7%	1,289,476	1.1%	0.6
2013	115,306,969	732,953	0.6%	1,101,359	1.0%	0.7
2012	114,574,016	429,590	0.4%	1,647,140	1.4%	0.3

4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	46,096,548	877,323	1.9%	752,359	1.6%	1.2
2027	45,219,225	616,915	1.4%	612,795	1.4%	1.0
2026	44,602,310	163,676	0.4%	785,029	1.8%	0.2
2025	44,438,634	1,273,772	3.0%	898,237	2.0%	1.4
2024	43,164,862	3,131,067	7.8%	1,158,077	2.7%	2.7
YTD	40,033,795	0	0%	(223,017)	-0.6%	-
2023	40,033,795	352,991	0.9%	83,368	0.2%	4.2
2022	39,680,804	683,572	1.8%	590,056	1.5%	1.2
2021	38,997,232	490,744	1.3%	603,068	1.5%	0.8
2020	38,506,488	1,187,063	3.2%	(26,053)	-0.1%	-
2019	37,319,425	388,205	1.1%	985,974	2.6%	0.4
2018	36,931,220	760,743	2.1%	231,255	0.6%	3.3
2017	36,170,477	644,994	1.8%	48,852	0.1%	13.2
2016	35,525,483	404,298	1.2%	483,901	1.4%	0.8
2015	35,121,185	897,082	2.6%	439,921	1.3%	2.0
2014	34,224,103	871,000	2.6%	932,191	2.7%	0.9
2013	33,353,103	725,800	2.2%	555,789	1.7%	1.3
2012	32,627,303	524,379	1.6%	1,367,869	4.2%	0.4

Supply & Demand Trends

San Diego Office

3 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	49,351,730	3,060	0%	208,392	0.4%	0
2027	49,348,670	2,141	0%	334,537	0.7%	0
2026	49,346,529	529	0%	208,362	0.4%	0
2025	49,346,000	0	0%	(481,432)	-1.0%	-
2024	49,346,000	(31,010)	-0.1%	(1,125,516)	-2.3%	-
YTD	49,336,010	(41,000)	-0.1%	(277,803)	-0.6%	-
2023	49,377,010	(148,067)	-0.3%	(455,336)	-0.9%	-
2022	49,525,077	(246,425)	-0.5%	67,946	0.1%	-
2021	49,771,502	(189,992)	-0.4%	117,538	0.2%	-
2020	49,961,494	226,668	0.5%	(1,334,678)	-2.7%	-
2019	49,734,826	5,392	0%	(107,275)	-0.2%	-
2018	49,729,434	(406,645)	-0.8%	449,049	0.9%	-
2017	50,136,079	(681,906)	-1.3%	(338,375)	-0.7%	-
2016	50,817,985	119,998	0.2%	610,682	1.2%	0.2
2015	50,697,987	(137,476)	-0.3%	116,485	0.2%	-
2014	50,835,463	76,989	0.2%	259,751	0.5%	0.3
2013	50,758,474	177,074	0.4%	596,197	1.2%	0.3
2012	50,581,400	233,140	0.5%	613,726	1.2%	0.4

1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	28,955,277	(215,999)	-0.7%	(100,260)	-0.3%	-
2027	29,171,276	(215,400)	-0.7%	76,701	0.3%	-
2026	29,386,676	(215,174)	-0.7%	(102,470)	-0.3%	-
2025	29,601,850	(214,486)	-0.7%	(655,318)	-2.2%	-
2024	29,816,336	(150,766)	-0.5%	(400,009)	-1.3%	-
YTD	29,966,134	(968)	0%	(69,838)	-0.2%	-
2023	29,967,102	(25,877)	-0.1%	191,530	0.6%	-
2022	29,992,979	(79,792)	-0.3%	240,749	0.8%	-
2021	30,072,771	(112,619)	-0.4%	(104,951)	-0.3%	-
2020	30,185,390	(86,265)	-0.3%	(414,406)	-1.4%	-
2019	30,271,655	(156,950)	-0.5%	(273,606)	-0.9%	-
2018	30,428,605	(224,368)	-0.7%	41,986	0.1%	-
2017	30,652,973	(149,212)	-0.5%	(94,647)	-0.3%	-
2016	30,802,185	(123,664)	-0.4%	397,599	1.3%	-
2015	30,925,849	(152,325)	-0.5%	256,674	0.8%	-
2014	31,078,174	(117,218)	-0.4%	97,534	0.3%	-
2013	31,195,392	(169,921)	-0.5%	(50,627)	-0.2%	-
2012	31,365,313	(327,929)	-1.0%	(334,455)	-1.1%	-

OVERALL RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$39.21	133	2.0%	1.8%	15,938,997	12.8%	-0.2%
2027	\$38.45	131	1.4%	-0.2%	16,135,488	13.0%	-0.5%
2026	\$37.93	129	0.5%	-1.5%	16,748,514	13.6%	-0.8%
2025	\$37.75	128	-2.1%	-2.0%	17,684,010	14.3%	0.9%
2024	\$38.57	131	0.1%	0.1%	16,378,960	13.4%	2.5%
YTD	\$38.55	131	0.7%	0.1%	13,583,582	11.4%	0.4%
2023	\$38.52	131	1.3%	0%	13,054,893	10.9%	0.3%
2022	\$38.02	129	2.5%	-1.3%	12,695,408	10.7%	-0.5%
2021	\$37.09	126	3.7%	-3.7%	13,236,804	11.1%	-0.4%
2020	\$35.78	122	0.9%	-7.1%	13,664,326	11.5%	2.5%
2019	\$35.45	121	4.3%	-8.0%	10,561,723	9.0%	-0.3%
2018	\$34	116	4.7%	-11.7%	10,930,169	9.3%	-0.5%
2017	\$32.49	110	4.5%	-15.7%	11,519,487	9.8%	0.2%
2016	\$31.09	106	2.5%	-19.3%	11,314,674	9.7%	-1.0%
2015	\$30.33	103	5.2%	-21.3%	12,406,224	10.6%	-0.2%
2014	\$28.83	98	8.5%	-25.2%	12,612,023	10.9%	-0.5%
2013	\$26.57	90	3.4%	-31.0%	13,070,728	11.3%	-0.4%
2012	\$25.68	87	5.3%	-33.3%	13,439,134	11.7%	-1.1%

4 & 5 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$45.13	127	1.8%	0.6%	7,767,078	16.8%	-0.1%
2027	\$44.35	124	1.2%	-1.2%	7,642,674	16.9%	-0.2%
2026	\$43.83	123	0.3%	-2.3%	7,639,151	17.1%	-1.5%
2025	\$43.70	122	-2.3%	-2.6%	8,260,944	18.6%	0.3%
2024	\$44.74	125	-0.2%	-0.3%	7,885,409	18.3%	3.5%
YTD	\$44.80	126	0.3%	-0.1%	6,135,274	15.3%	0.6%
2023	\$44.81	126	0.3%	-0.1%	5,912,258	14.8%	0.5%
2022	\$44.67	125	-0.4%	-0.4%	5,642,635	14.2%	0%
2021	\$44.87	126	3.0%	0%	5,549,119	14.2%	-0.5%
2020	\$43.56	122	0.5%	-2.9%	5,661,443	14.7%	2.8%
2019	\$43.36	122	5.7%	-3.4%	4,448,327	11.9%	-1.7%
2018	\$41.01	115	4.9%	-8.6%	5,046,096	13.7%	1.2%
2017	\$39.08	110	4.4%	-12.9%	4,516,608	12.5%	1.5%
2016	\$37.43	105	0.5%	-16.6%	3,913,699	11.0%	-0.4%
2015	\$37.24	104	3.0%	-17.0%	3,993,302	11.4%	1.0%
2014	\$36.16	101	11.5%	-19.4%	3,536,141	10.3%	-0.5%
2013	\$32.42	91	2.5%	-27.8%	3,597,332	10.8%	0.3%
2012	\$31.63	89	7.4%	-29.5%	3,427,321	10.5%	-2.8%

3 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$37.52	136	2.1%	2.5%	6,457,647	13.1%	-0.4%
2027	\$36.73	133	1.5%	0.3%	6,663,159	13.5%	-0.7%
2026	\$36.19	131	0.6%	-1.2%	6,995,727	14.2%	-0.4%
2025	\$35.98	130	-2.0%	-1.7%	7,203,636	14.6%	1.0%
2024	\$36.72	133	0.3%	0.3%	6,722,204	13.6%	2.2%
YTD	\$36.65	133	0.8%	0.1%	5,864,358	11.9%	0.5%
2023	\$36.61	133	1.5%	0%	5,627,555	11.4%	0.7%
2022	\$36.07	131	3.7%	-1.5%	5,320,286	10.7%	-0.6%
2021	\$34.77	126	3.9%	-5.0%	5,634,657	11.3%	-0.6%
2020	\$33.47	121	1.6%	-8.6%	5,942,187	11.9%	3.1%
2019	\$32.94	119	2.6%	-10.0%	4,380,841	8.8%	0.2%
2018	\$32.11	116	4.1%	-12.3%	4,268,174	8.6%	-1.6%
2017	\$30.83	112	4.0%	-15.8%	5,123,868	10.2%	-0.5%
2016	\$29.64	107	3.9%	-19.0%	5,467,399	10.8%	-1.0%
2015	\$28.52	103	7.8%	-22.1%	5,958,083	11.8%	-0.5%
2014	\$26.47	96	7.2%	-27.7%	6,212,044	12.2%	-0.4%
2013	\$24.70	89	4.5%	-32.5%	6,394,806	12.6%	-0.9%
2012	\$23.64	86	4.0%	-35.4%	6,813,929	13.5%	-0.8%

1 & 2 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$33.23	144	2.2%	2.7%	1,714,272	5.9%	-0.4%
2027	\$32.53	141	1.5%	0.6%	1,829,655	6.3%	-0.9%
2026	\$32.04	139	0.6%	-1.0%	2,113,636	7.2%	-0.3%
2025	\$31.85	138	-1.9%	-1.5%	2,219,430	7.5%	1.6%
2024	\$32.48	141	0.4%	0.4%	1,771,347	5.9%	0.9%
YTD	\$32.40	140	1.5%	0.2%	1,583,950	5.3%	0.2%
2023	\$32.35	140	3.1%	0%	1,515,080	5.1%	-0.7%
2022	\$31.37	136	6.8%	-3.0%	1,732,487	5.8%	-1.1%
2021	\$29.38	127	4.7%	-9.2%	2,053,028	6.8%	0%
2020	\$28.07	122	0.8%	-13.2%	2,060,696	6.8%	1.1%
2019	\$27.85	121	4.1%	-13.9%	1,732,555	5.7%	0.4%
2018	\$26.74	116	5.0%	-17.3%	1,615,899	5.3%	-0.8%
2017	\$25.46	110	5.8%	-21.3%	1,879,011	6.1%	-0.1%
2016	\$24.07	104	4.4%	-25.6%	1,933,576	6.3%	-1.7%
2015	\$23.05	100	5.6%	-28.7%	2,454,839	7.9%	-1.3%
2014	\$21.83	95	4.1%	-32.5%	2,863,838	9.2%	-0.7%
2013	\$20.97	91	3.7%	-35.2%	3,078,590	9.9%	-0.3%
2012	\$20.22	88	3.3%	-37.5%	3,197,884	10.2%	0.1%

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
2028	-	-	-	-	-	-	\$315.93	135	7.5%
2027	-	-	-	-	-	-	\$300.25	128	7.7%
2026	-	-	-	-	-	-	\$286.86	122	8.0%
2025	-	-	-	-	-	-	\$280.74	120	8.1%
2024	-	-	-	-	-	-	\$293.79	125	8.0%
YTD	27	\$80.3M	0.4%	\$3,491,478	\$285.75	6.0%	\$317.03	135	7.5%
2023	183	\$721.9M	2.1%	\$4,978,795	\$372.09	6.4%	\$315.77	135	7.5%
2022	349	\$2B	5.2%	\$6,442,748	\$371.88	5.4%	\$337.70	144	7.0%
2021	361	\$3B	7.0%	\$9,369,256	\$372.10	6.0%	\$355.02	152	6.4%
2020	253	\$1.2B	2.9%	\$5,315,998	\$343.03	5.9%	\$330.29	141	6.6%
2019	371	\$2.4B	5.9%	\$9,326,437	\$372.59	6.3%	\$320.36	137	6.8%
2018	423	\$2.4B	6.9%	\$7,894,190	\$340.74	6.0%	\$315.51	135	6.6%
2017	396	\$2.3B	7.0%	\$8,292,424	\$295.24	6.3%	\$308.24	132	6.4%
2016	363	\$1.7B	6.6%	\$6,028,612	\$266.49	6.4%	\$304.87	130	6.2%
2015	474	\$2.4B	9.9%	\$6,802,435	\$241.19	6.4%	\$301.98	129	6.1%
2014	409	\$2B	8.7%	\$6,476,022	\$227.62	7.0%	\$283.22	121	6.2%
2013	334	\$1.8B	6.3%	\$7,646,826	\$261.02	7.3%	\$260.17	111	6.4%

(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
2028	-	-	-	-	-	-	\$358.25	122	7.4%
2027	-	-	-	-	-	-	\$341.02	116	7.6%
2026	-	-	-	-	-	-	\$326.26	111	7.8%
2025	-	-	-	-	-	-	\$319.68	109	8.0%
2024	-	-	-	-	-	-	\$335.10	114	7.9%
YTD	1	\$8M	0.1%	\$8,000,000	\$302.10	5.7%	\$362.28	123	7.4%
2023	4	\$290.5M	1.9%	\$72,632,412	\$386.98	4.5%	\$361.69	123	7.4%
2022	12	\$439.2M	3.1%	\$48,798,932	\$447.48	-	\$388.99	132	6.8%
2021	26	\$1.3B	8.9%	\$53,293,054	\$402.68	7.6%	\$413.10	140	6.2%
2020	12	\$465M	2.8%	\$38,752,008	\$434.30	-	\$391.45	133	6.4%
2019	21	\$1.2B	6.2%	\$55,597,820	\$503.97	6.0%	\$381.25	130	6.5%
2018	28	\$966.5M	6.9%	\$37,173,721	\$428.53	7.1%	\$377.84	128	6.3%
2017	15	\$717M	5.7%	\$51,216,254	\$359.95	6.3%	\$372.80	127	6.1%
2016	27	\$940.3M	9.3%	\$39,177,713	\$316.54	6.1%	\$367.53	125	5.9%
2015	19	\$549.5M	5.9%	\$36,632,145	\$294.43	6.4%	\$372.13	127	5.7%
2014	22	\$761.7M	8.9%	\$47,606,260	\$275.14	6.1%	\$351.05	119	5.8%
2013	20	\$810.4M	7.9%	\$42,650,179	\$311.81	6.6%	\$323.28	110	6.0%

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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
2028	-	-	-	-	-	-	\$293.55	140	7.7%
2027	-	-	-	-	-	-	\$278.85	133	7.8%
2026	-	-	-	-	-	-	\$266.36	127	8.1%
2025	-	-	-	-	-	-	\$260.59	124	8.2%
2024	-	-	-	-	-	-	\$272.37	130	8.1%
YTD	7	\$12.9M	0.5%	\$2,585,100	\$161.31	6.4%	\$293.12	140	7.6%
2023	69	\$222.3M	2.0%	\$4,359,099	\$351.46	7.1%	\$291.21	139	7.7%
2022	132	\$989.7M	6.3%	\$9,164,059	\$371.68	5.6%	\$312.41	149	7.1%
2021	138	\$1.3B	6.7%	\$11,495,036	\$383.32	5.9%	\$327.92	157	6.5%
2020	83	\$421M	2.7%	\$6,101,937	\$319.09	6.0%	\$300.90	144	6.8%
2019	126	\$872.2M	6.9%	\$8,386,795	\$287.79	6.6%	\$290.80	139	7.0%
2018	147	\$1.1B	7.5%	\$9,393,267	\$315.15	6.3%	\$287.44	137	6.8%
2017	102	\$1.3B	8.6%	\$13,415,906	\$295.13	6.4%	\$279.54	133	6.6%
2016	116	\$485.4M	5.7%	\$5,003,856	\$209.64	6.5%	\$277.67	133	6.4%
2015	166	\$1.5B	14.2%	\$10,232,620	\$236.61	6.8%	\$271.76	130	6.3%
2014	145	\$1B	9.8%	\$8,300,571	\$221.44	7.2%	\$254.74	122	6.4%
2013	130	\$794.6M	6.7%	\$8,108,639	\$243.18	7.6%	\$234.89	112	6.6%

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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
2028	-	-	-	-	-	-	\$290.04	156	7.5%
2027	-	-	-	-	-	-	\$275.04	148	7.7%
2026	-	-	-	-	-	-	\$262.20	141	7.9%
2025	-	-	-	-	-	-	\$256.18	138	8.1%
2024	-	-	-	-	-	-	\$267.80	144	8.0%
YTD	19	\$59.4M	0.6%	\$3,492,853	\$340.43	6.1%	\$289.31	156	7.5%
2023	110	\$209.1M	2.5%	\$2,323,129	\$375.45	6.2%	\$288.13	155	7.5%
2022	205	\$542.6M	6.0%	\$2,870,752	\$327.42	5.3%	\$303.30	163	7.0%
2021	197	\$417.2M	5.0%	\$2,292,294	\$281.57	5.7%	\$313.54	169	6.5%
2020	158	\$283.5M	3.5%	\$2,039,293	\$278.14	5.8%	\$288	155	6.7%
2019	224	\$310.5M	4.0%	\$2,444,733	\$323.27	6.1%	\$278.76	150	6.9%
2018	248	\$353.1M	6.0%	\$2,166,205	\$259.63	5.7%	\$269.35	145	6.8%
2017	279	\$310.6M	6.0%	\$1,848,728	\$208.86	6.3%	\$259.78	140	6.6%
2016	220	\$322.7M	4.9%	\$1,909,220	\$253.09	6.4%	\$256.77	138	6.4%
2015	289	\$337.5M	7.3%	\$1,795,029	\$199.36	5.9%	\$247.75	133	6.3%
2014	242	\$280.4M	6.7%	\$1,566,221	\$166.25	7.1%	\$229.54	123	6.5%
2013	184	\$169.1M	4.1%	\$1,470,118	\$181.78	7.2%	\$208.23	112	6.8%

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