



OFFICE MARKET REPORT

SAN DIEGO, CA | Q2 OF 2024

NAI San Diego

SOURCE: COSTAR

OFFICE MARKET REPORT

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12 Mo Deliveries in SF

1.2M

12 Mo Net Absorption in SF

(39.7K)

Vacancy Rate

11.8%

Market Asking Rent Growth

0.8%

The occupancy losses that have spread across the major office markets in the U.S. since 2020 have not been nearly as dramatic in San Diego. The region's core industries, which are tied to innovation and military economies, have helped the region sidestep some of those concerns. Even so, there is widespread belief that leasing activity will remain below pre-pandemic trends and rent growth will further stagnate while confronting the largest speculative delivery schedule in 20 years.

Vacancy is only about 250 basis points higher during the second quarter than at the start of the pandemic, compared to more than 400 in the national index. Yet vacancy is heading toward a peak in San Diego that could exceed 14% following the completion of Campus at Horton, West, and RaDD in Downtown this year. The projects span 2.7 million SF, and only one tenant has been announced in 87,000 SF at West as of the second quarter. Barring additional last-minute pre-leasing, these developments will also push Downtown's vacancy to a new headline peak above 35%. However, market participants have suggested true vacancy could be closer to 50%, given the CBD's underutilized space.

New leasing activity has settled in at about 15% below the pre-pandemic norm, and smaller tenants have driven most activity. Larger occupiers have optimized the efficient use of their space for peak attendance, which has typically led to smaller engagements.

While much has been made about the flight to quality among tenants, pricing may play a larger role in securing new demand. A third tower at the 5 Star La Jolla Commons delivered in mid-2023 and is fully available for lease. Asking rent levels are among the region's highest, as are RaDD's. Between the current pipeline and what delivered in 2023, roughly 2.8 million SF of new space is available, representing over 2% of existing inventory.

Tenants have gained leverage in lease negotiations and have held out for high concessions, including free rent and build-out allowances. Due to concession packages, seven-year terms have become the new five-year term in primary office submarkets. Those concession packages and waning rent growth of 0.9% year over year have led to rent losses in real terms. Given the amount of available space trending near an all-time high, rent growth is not expected to recover in the coming quarters.

Available sublet space has also played a role in stymying rent growth. The level is still trending near its highest level in 20 years at 2.9 million SF during the second quarter.

Though near-term recession fears have eased, and more firms look set to enforce requirements for increased onsite work, market participants are bracing for another challenging year.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	38,834,147	16.4%	\$44.37	24.8%	278,625	809,810	3,595,029
3 Star	50,669,257	12.1%	\$36.61	15.0%	(58,085)	875	69,990
1 & 2 Star	29,973,510	5.2%	\$31.81	7.3%	(59,149)	0	0
Market	119,476,914	11.8%	\$38.11	16.5%	161,391	810,685	3,665,019

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.8%	10.4%	13.4%	14.4%	2010 Q1	5.4%	2000 Q2
Net Absorption SF	(39.7K)	962,243	393,662	4,387,276	2000 Q2	(1,782,908)	2020 Q4
Deliveries SF	1.2M	1,508,972	1,124,837	3,619,606	2007 Q3	234,858	2023 Q2
Market Asking Rent Growth	0.8%	2.6%	0.6%	17.0%	2001 Q1	-11.6%	2009 Q3
Sales Volume	\$561M	\$1.7B	N/A	\$4.1B	2007 Q3	\$256.2M	2009 Q3

Small leases have dominated office leasing in San Diego. For the first time in the past decade, more than 50% of volume was consumed by leases under 5,000 SF last year, and that trend carried through 24Q1. Overall, new leasing volume has stabilized roughly 15% below the pre-pandemic norm, and market participants anticipate that the leasing environment will not reverse course anytime soon. Office users continue to respond to stable attendance and slowing employment growth in office-using sectors by shrinking their footprints.

Momentum has largely stalled among the largest occupiers. Between 2015 and 2019, 25% to 30% of leasing volume was concentrated in leases above 25,000 SF. Last year, that figure fell to 11%. The uptick to 18% in 24Q1 was driven by Pfizer's expansion into 230,000 SF at Torrey View, a 500,000-SF office/lab campus that is 100% pre-leased. That engagement was the only lease above 25,000 SF during 24Q1 and was the exception among biotech and high-tech firms. Although local brokers have noted that requirements among those firms have increased in recent quarters, very few have translated into realized demand.

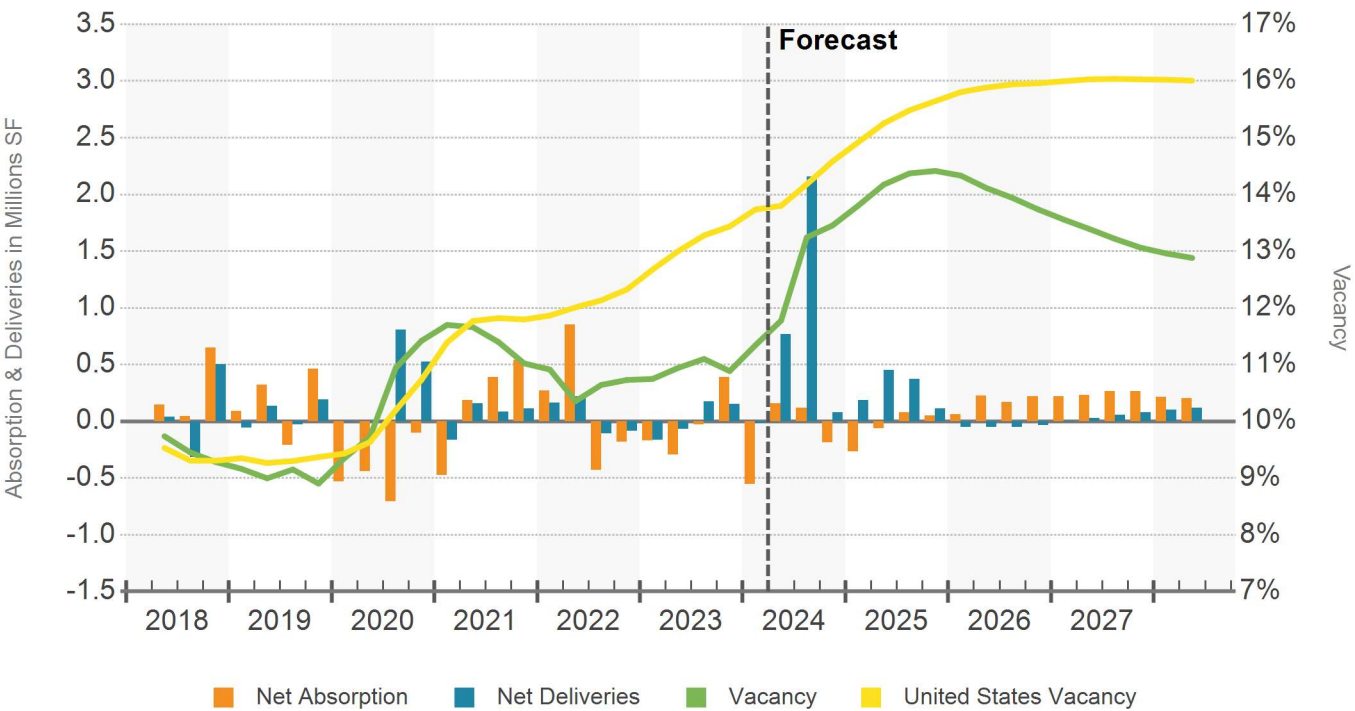
Some market participants have pointed to prime office nodes such as UTC with concern. Apple has driven leasing activity with several new leases signed between 2018 and 2023 totaling almost 1 million SF, most recently exercising an option to expand at Eastgate during 23Q4. There is concern that few tenants are searching for large requirements that might alter the near-term outlook of softer demand and weakening rent growth in UTC. Leasing volume has fallen to a 10-year low, and the availability and vacancy rates have more than doubled since the end of 2019.

There has been a clear bifurcation in demand across San Diego. Although net absorption in suburban submarkets such as Carlsbad, Rancho Bernardo and Del Mar Heights/Carmel Valley was negative during 24Q1, overall occupancy has increased by 500,000 SF since 2020. While suburban demand could weaken with slower growth in private-sector office-using employment, it likely would not match what is happening Downtown. Occupancy losses in Downtown have piled up to more than 1 million SF, and vacancy has increased by 11 percentage points since 2020. Nearly every quarter since then has recorded negative absorption. The spread of homelessness has been a top-of-mind topic and has impacted demand. Downtown stakeholders have grown increasingly concerned with the number of high-vacancy office towers, and few tenants have been actively seeking large requirements that might reverse the narrative. Vacancy is trending above 29%% and will climb higher as several projects deliver in 2024.

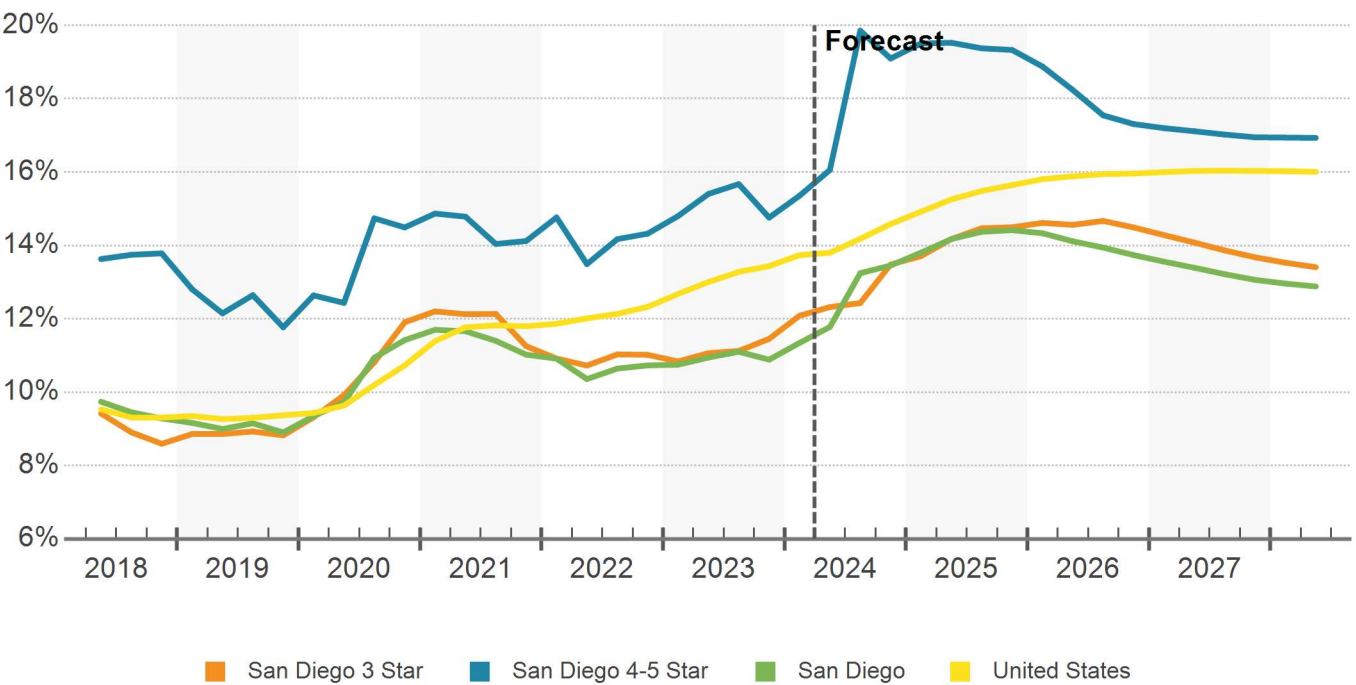
Roughly 20.3 million SF is available on the leasing market as of the second quarter. That is trending close to an all-time high, although 24Q1 marked the first quarter-over-quarter drop in available space in two years. Included in this is 2.9 million SF of sublease availability. That is nearly 600,000 SF more than the peak during the Great Recession, and 1.8 million SF of that space is in 4 & 5 Star properties. One million SF of sublet space is concentrated in UTC and Del Mar Heights/Carmel Valley.

Slowing job growth, smaller requirements, and new spec supply point to vacancy continuing to rise. It is expected to peak above 14%, matching the height of the Great Recession in 2010. It took seven years for vacancy to return to the pre-recession norm.

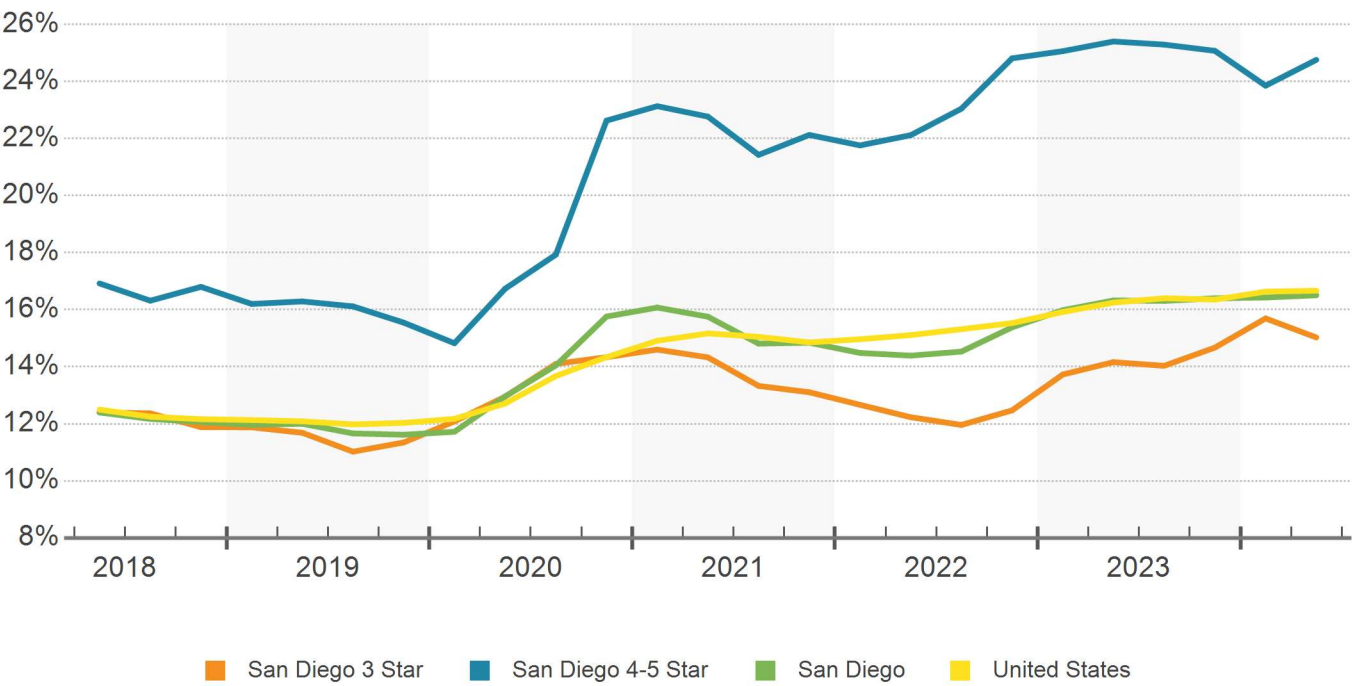
NET ABSORPTION, NET DELIVERIES & VACANCY



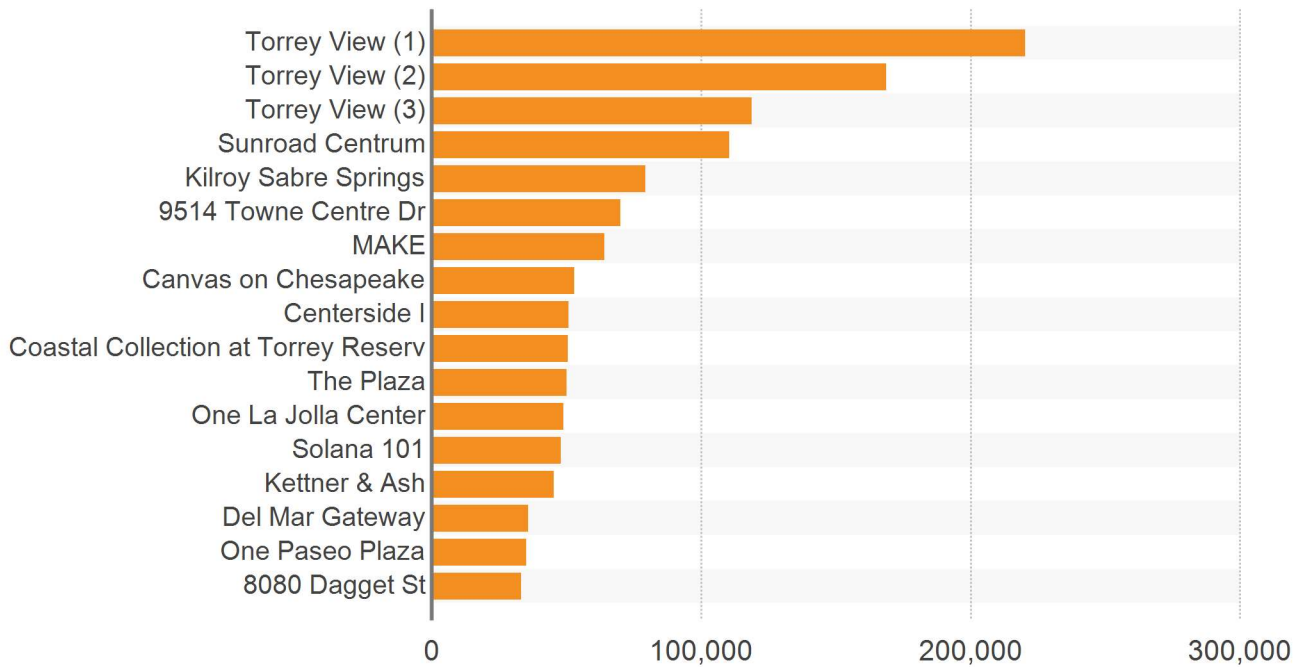
VACANCY RATE



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
Torrey View (1)	Del Mar Hts/Carmel...	220,270	0	0	220,270	0	0	220,270
Torrey View (2)	Del Mar Hts/Carmel...	168,637	0	0	168,637	0	0	168,637
Torrey View (3)	Del Mar Hts/Carmel...	131,697	12,966	0	118,731	0	0	118,731
Sunroad Centrum	Kearny Mesa	279,722	9,985	(5,219)	(4,766)	0	0	110,455
Kilroy Sabre Springs	Rancho Bernardo	154,157	49,587	17,054	2,008	0	0	79,438
9514 Towne Centre Dr	UTC	70,000	0	70,000	0	0	0	70,000
MAKE	Carlsbad	176,097	0	0	0	0	0	64,062
Canvas on Chesapeake	Kearny Mesa	60,000	0	0	0	0	0	53,023
Centerside I	Mission Valley	223,145	17,360	0	(8,877)	0	0	50,828
Coastal Collection at Torrey Res...	Del Mar Hts/Carmel...	144,419	5,873	7,198	43,427	0	0	50,625
The Plaza	UTC	327,485	53,729	1,669	17,145	0	0	49,990
One La Jolla Center	UTC	306,700	8,996	0	2,922	0	0	48,933
Solana 101	North Beach Cities	63,784	15,731	0	54	0	0	48,053
Kettner & Ash	Downtown	123,062	35,948	376	19,334	0	0	45,385
Del Mar Gateway	Del Mar Hts/Carmel...	162,964	64,123	3,055	0	0	0	35,815
One Paseo Plaza	Del Mar Hts/Carmel...	87,944	52,928	0	0	0	0	35,016
8080 Dagget St	Kearny Mesa	33,112	0	33,112	0	0	0	33,112
Subtotal Primary Competitors		2,733,195	327,226	127,245	578,885	0	0	1,282,373
Remaining San Diego Market		116,743,719	13,740,514	(684,017)	(417,494)	0	0	(1,322,066)
Total San Diego Market		119,476,914	14,067,740	(556,772)	161,391	0	0	(39,693)

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	110,110	Q1 24	Pfizer Inc.	Cushman & Wakefield	JLL
West - Office	Downtown	87,309	Q3 23	San Diego Association of...	Range Partners SD	JLL
Discovery Corporate Center *	Rancho Bernardo	82,999	Q2 24	DRS Daylight Solutions	-	-
Ocean Pointe *	UTC	76,141	Q1 24	Lytix	-	-
7650 Mission Valley Rd	Mission Valley	74,000	Q2 24	City of San Diego	-	RE:Align, Inc.
Township 14 *	Del Mar Hts/Carmel Valley	69,764	Q4 23	Latham & Watkins LLP	-	Irvine Company Office...
Legacy NorthPointe *	Carlsbad	60,000	Q2 23	ViaSat, Inc.	-	-
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	-	-
Ocean Pointe *	UTC	50,466	Q1 24	Lytix	-	-
Flight *	Carlsbad	47,940	Q4 23	High Moon Studios	JLL	Cushman & Wakefield
16868 Via del Campo Ct	Rancho Bernardo	39,979	Q3 23	Regus	-	Kidder Mathews
Innovation Corporate Center	Rancho Bernardo	37,437	Q3 23	-	-	JLL
The Paladion	Downtown	37,160	Q3 23	Kleinfelder	-	-
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
Cush Plaza Scripps Ranch	Scripps Ranch	23,388	Q2 24	-	-	Cushman & Wakefield
Kilroy Centre Del Mar *	Del Mar Hts/Carmel Valley	22,821	Q1 24	Dividend Finance	Riviera Real Estate,...	CBRE
The Paladion	Downtown	22,534	Q3 23	Regus	-	-
Mission City Corporate Center	Mission Valley	22,266	Q1 24	CoreLogic	-	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	Lincoln Gustafson & Cerc...	-	Irvine Company Office...
Manchester Financial Centre @ 5th...	Uptown West/Park West	20,660	Q3 23	Olympus Corporation of th...	-	Cushman & Wakefield
1 Columbia Place	Downtown	20,293	Q4 23	-	-	Newmark

*Renewal

San Diego face rents have shifted by 0.9% year over year, compared to the long-term average rate of 2.6%. Rents in the national benchmark have risen by 0.7%. However, when adjusting for inflation and concessions, rent growth in real terms has been in negative territory. That trend is not anticipated to reverse course in the coming quarters.

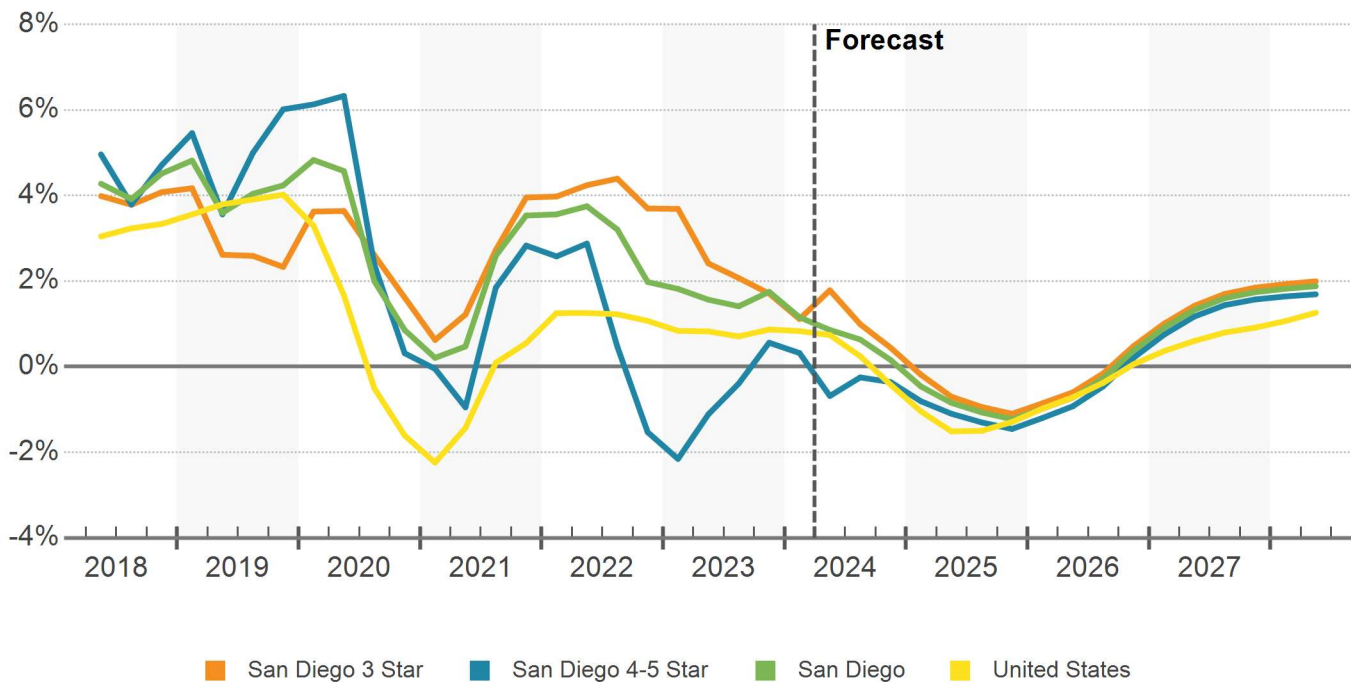
According to local brokers, escalations typically range from 3.5% to 4%, and seven-year terms have become the new five-year term. Tenants can typically expect five months of free rent on a seven-year lease in submarkets such as UTC and Del Mar Heights/Carmel Valley and slightly less in suburban environments 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. Higher concession packages have led landlords to insist on longer leases.

However, landlords' ability to offer such concessions may reach a ceiling. While tenants hold greater leverage in negotiations, the higher inflation and construction costs have significantly increased build-out expenses, so

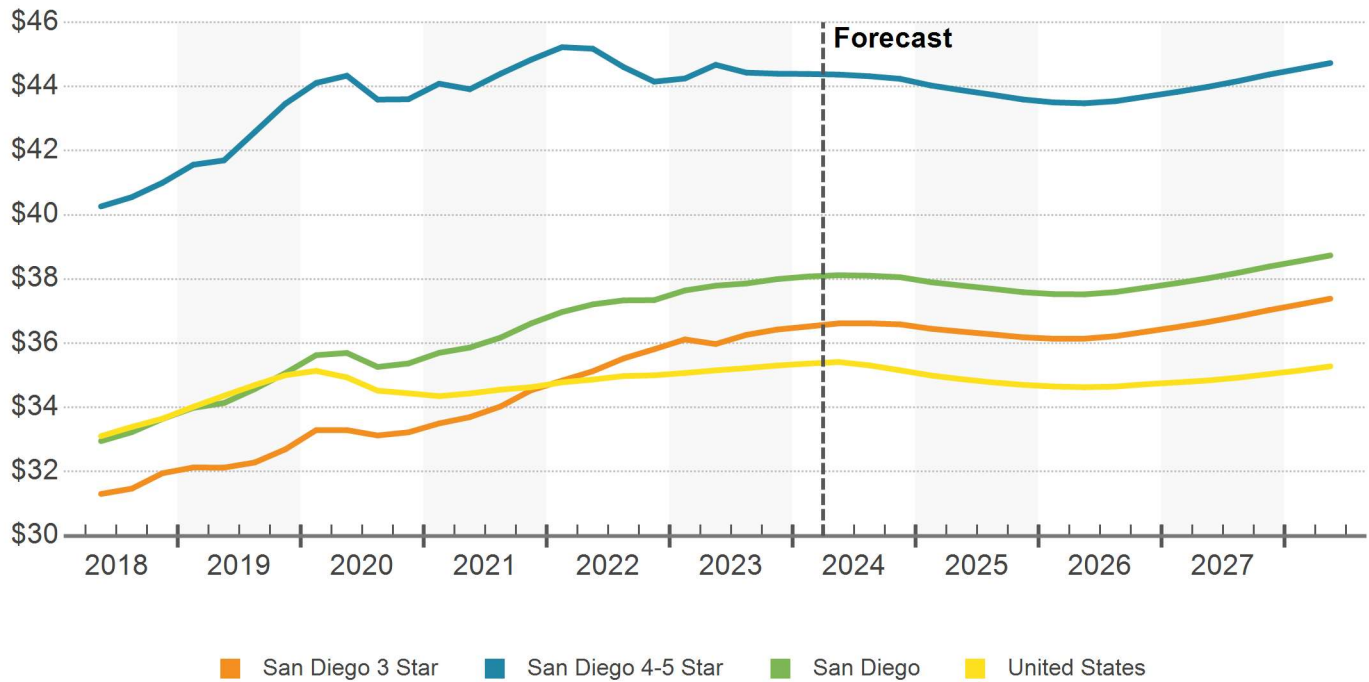
some landlords have pivoted from out-of-pocket expenses toward lowering asking rents and offering more free rent. Local market participants have noted that even long-term leases may have to provide concession packages worth several years of the total rent collected during the lease to secure the tenant. The new regime of elevated concessions has led to what more than one local broker has referred to as "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 the UC San Diego area, few firms have shown the willingness to relocate there to take advantage of lower rents and higher concessions. Larger leases there typically have 3.5% escalations, and free rent is often more than one month per year of the term. A pending lease with the City of San Diego highlights this trend. It is relocating staff from 120,000 SF Downtown into 75,000 SF of sublet space in Mission Valley and 43,000 SF at 550 W C Street. The five-year term on W C Street includes seven months of free rent at almost \$44/SF gross. The deal includes 3.5% annual escalations, only 87 parking spaces, and \$40/SF for build-out, of which \$20/SF can be applied to base rent.

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	\$0.86	\$1.34	\$1.06	\$4.61	\$4.71	\$12.58
Central San Diego	\$0.42	\$1.41	\$1	\$3.72	\$4.67	\$11.22
Downtown	\$1.29	\$1.83	\$0.89	\$4.27	\$7.55	\$15.83
I-15 Corridor	\$0.49	\$1.19	\$0.99	\$4.08	\$3.80	\$10.55
I-5 Corridor	\$0.75	\$1.41	\$0.95	\$5.17	\$4.22	\$12.50
North Central County	\$0.55	\$1.24	\$1.13	\$0.67	\$4.19	\$7.78
North San Diego	\$1.30	\$1.10	\$1.37	\$5.42	\$4.67	\$13.86
South Bay	\$0.50	\$1.27	\$1.02	\$1.99	\$4.67	\$9.45
SR-78 Corridor	\$0.54	\$1.20	\$0.77	\$2.76	\$3.16	\$8.43

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	\$0.63	\$4.22	\$3.32	\$10.01
Central San Diego	\$0.48	\$1.10	\$0.62	\$3.97	\$3.48	\$9.65
Coronado	\$0.37	\$1.25	\$0.57	\$5.99	\$3.75	\$11.93
Downtown	\$1.12	\$1.57	\$0.77	\$3.63	\$5.50	\$12.59
I-15 Corridor	\$0.51	\$1.18	\$0.54	\$3.64	\$2.45	\$8.32
I-5 Corridor	\$0.93	\$1.49	\$0.57	\$4.61	\$3.06	\$10.66
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	\$3.71	\$12.25
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	\$0.37	\$1.20	\$0.58	\$3.42	\$3.63	\$9.20
SR-78 Corridor	\$0.52	\$1.15	\$0.52	\$3.49	\$2.26	\$7.94

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	\$0.43	\$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	\$0.25	\$5.36	\$4.80	\$12.48
I-15 Corridor	\$0.37	\$0.74	\$0.27	\$3.03	\$3.03	\$7.44
I-5 Corridor	\$0.39	\$0.90	\$0.36	\$5.42	\$4.26	\$11.33
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	\$4.62	\$3.85	\$10.41
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.

Roughly 3.7 million SF is under construction in San Diego during the second quarter, and 65% of the pipeline is available for lease. That is the most available space in the pipeline since 2006 and will likely push vacancy to a peak above 14%.

The surfeit of development is Downtown. Stockdale's redevelopment of Horton Plaza will add 700,000 SF with a mix of office and life science space in 2024. IQHQ's \$1.5 billion Research and Development District is also scheduled to deliver this year. That campus will consist of more than 1.5 million SF of lab space. Asking rents at RaDD are above \$85/SF gross. Downtown market participants have suggested that IQHQ has little room to revise rents downward due to its financing structure and that creating a new biotech cluster here could be challenging. Like Campus at Horton, no tenants have been announced as of the second quarter.

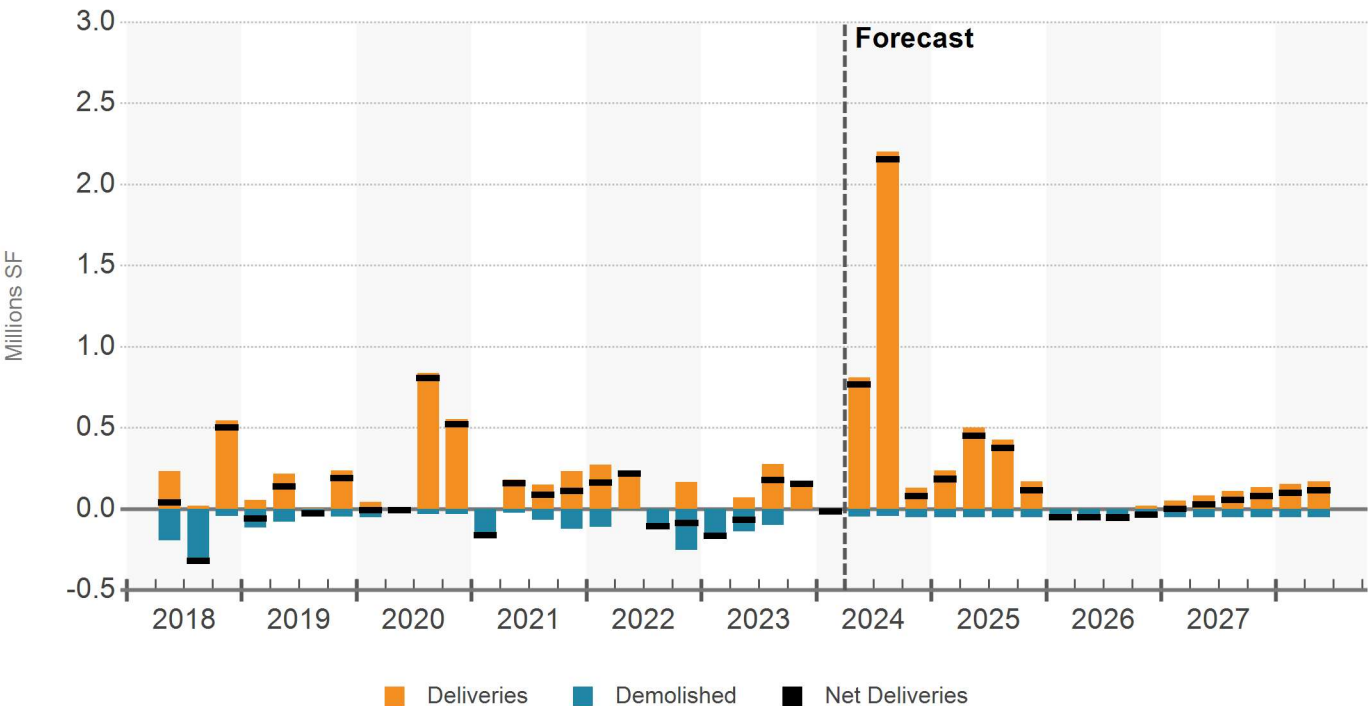
Holland Partner Group delivered the mixed-use West project Downtown during 24Q2. The budget increased from \$400 million to \$467 million due to rising interest rates and the price of labor and materials. The 270,000-SF office pre-leased two full floors to SANDAG during 23Q3. It complements the 431 apartment units built on top of the commercial space. SANDAG is leaving behind 115,000 SF at the 80's vintage Wells Fargo Tower,

where it was paying \$38/SF gross. The new 15-year lease was signed for roughly \$50/SF gross, and the agency received 14 months of free rent.

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. An investor has expressed interest in converting the aging office tower at 101 Ash Street into roughly 400 affordable housing units, although it fell through due to upfront costs. 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 in Del Mar Heights/Carmel Valley, Pfizer pre-leased the remaining 230,000-SF of the 500,000-SF campus during 24Q1 shortly before delivery to expand its footprint from Torrey Pines. That is one of several lab developments in the pipeline across the region. Roughly 4.9 million SF of lab space is under construction in office and flex buildings, and more than 70% of that pipeline is available during the second quarter. That is almost 1 million SF more space than was available in the lab pipeline in 2021 amid record-high demand.

DELIVERIES & DEMOLITIONS



SUBMARKET CONSTRUCTION

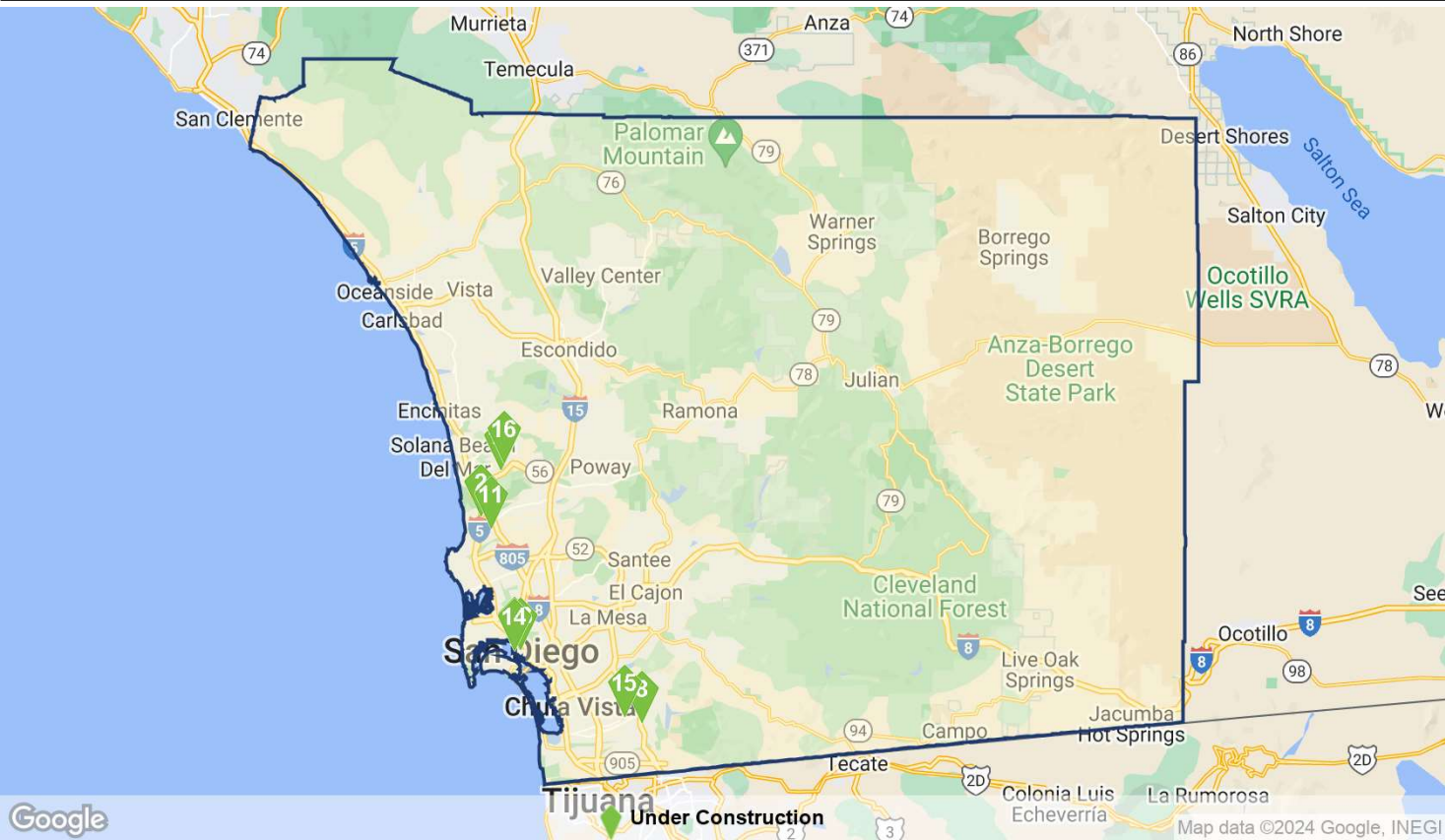
No.	Submarket	Under Construction Inventory					Average Building Size		
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	Downtown	8	2,426	168	6.9%	4	65,798	303,289	1
2	UTC	2	558	558	100%	1	99,692	279,092	2
3	Del Mar Hts/Carmel Valley	4	453	450	99.5%	2	70,351	113,131	4
4	Chula Vista	2	228	129	56.6%	3	13,024	114,000	3
5	Carlsbad	0	-	-	-	-	23,615	-	-
6	College Area	0	-	-	-	-	10,901	-	-
7	Coronado	0	-	-	-	-	6,218	-	-
8	East County	0	-	-	-	-	8,176	-	-
9	Escondido	0	-	-	-	-	8,556	-	-
10	Governor Park	0	-	-	-	-	40,452	-	-
	All Other	0	-	-	-		20,692	-	
Totals		16	3,665	1,306	35.6%		21,898	229,064	

Under Construction Properties

San Diego Office

Properties	Square Feet	Percent of Inventory	Released
16	3,665,019	3.1%	35.6%

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	Aug 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	Jul 2024	- IQHQ
4	The Campus at Horton-B... 100 Horton Plz	★★★★★	388,359	10	Jun 2020	Jul 2024	- Stockdale Capital Partners
5	The Campus at Horton-B... 200 Horton Plz	★★★★★	255,483	5	Jun 2020	Jul 2024	- Stockdale Capital Partners
6	Building 3A-Core 950 Waterfront Pl	★★★★★	236,238	6	May 2022	Dec 2024	- IQHQ
7	Phase II- Bldg 4B 6040 Edgewood Bend Ct	★★★★★	185,160	5	Oct 2023	Mar 2025	Lincoln Property Company Gemdale USA

Under Construction Properties

San Diego Office

UNDER CONSTRUCTION

	Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
8	Think Campus: Phase 1 1785 Millenia Ave	★★★★☆	168,000	4	Sep 2023	Nov 2025	- Chesnut Properties
9	Building 2A-Alley 825 N Harbor Dr	★★★★★	132,979	4	Oct 2020	Jul 2024	- IQHQ
10	Phase I - Bldg 3 6040 Edgewood Bend Ct	★★★★★	131,943	4	Jun 2023	Mar 2025	Lincoln Property Company -
11	4555 Executive Dr	★★★★☆	131,183	5	Jul 2023	Oct 2024	- Scripps Health
12	Phase II- Bldg 4A 6040 Edgewood Bend Ct	★★★★★	125,431	5	Oct 2023	Mar 2025	Lincoln Property Company Gemdale USA
13	The Campus at Horton-B... 600 Horton Plz	★★★★☆	124,029	5	Jun 2020	Jul 2024	- Stockdale Capital Partners
14	Building 4A-Edge 975 Waterfront Pl	★★★★★	105,242	4	Oct 2020	Jul 2024	- IQHQ
15	Sharp Rees-Stealy Otay... 1400 E Palomar St	★★★★☆	60,000	2	Jan 2024	Mar 2025	- Sharp HealthCare
16	Corallina 6191 Village Way	★★★★☆	9,990	1	Jul 2021	Jul 2024	- R&V Management Corporation

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

The average office property has been trading near \$280/SF during the past 12 months, with cap rates typically between 6% and 7.5% in the rare instances where going-in yields drove the deal. The average property size to trade hands has been about 15,000 SF during that period, which is squarely in the private buyer strike zone. Roughly 20% of sales volume during that stretch involved REIT or institutional investors, while fund-level equity accounted for under 5%.

Only a handful of office trades over \$10 million have occurred since October 2023, and they tell the divergent story of today's office market. Of the deals, one property sold below its previous sale price for redevelopment, a pair of single-tenant lab buildings featured a long-term lease, and an office-to-residential conversion planned for a CBD tower were among them.

Vancouver-based Intracorp purchased the two-building Contour property in Mission Valley totaling 161,000 SF during 24Q1 for \$24 million, or \$149/SF. It was roughly 50% occupied when it sold. That was below its previous purchase price when Westbrook Partners acquired the property in 2019 for \$33.9 million from the occupier, who left at the end of 2020. The buyer intends to redevelop the site into housing.

At the end of 2023, J Street Place purchased Tower 180 downtown for \$61 million, or about \$157/SF. The sellers,

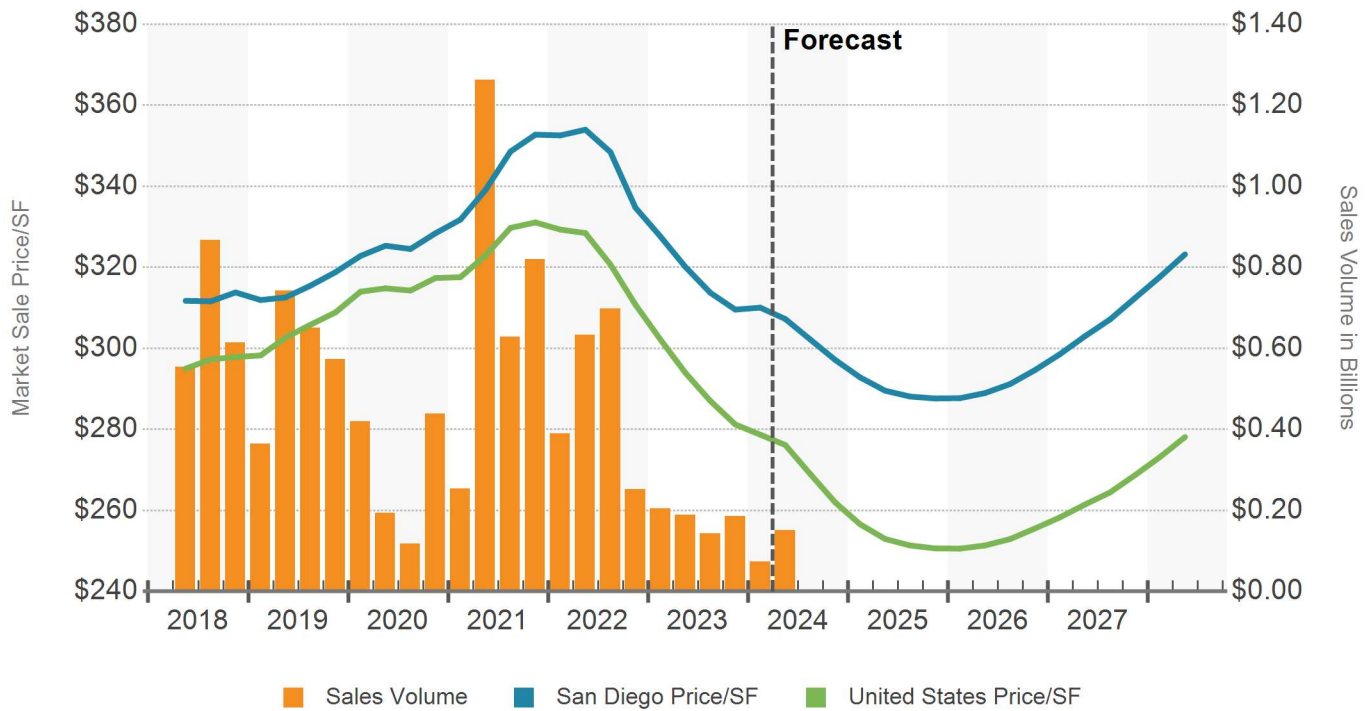
Hammer Ventures and GEM Realty Capital, acquired the property in 2016 for \$54.4 million and secured \$82 million in debt to finance the purchase and a full renovation which was completed in early 2020. The nearly 390,000-SF building was 12% occupied, and the buyer intends to invest \$140 million to 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 distressed 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.

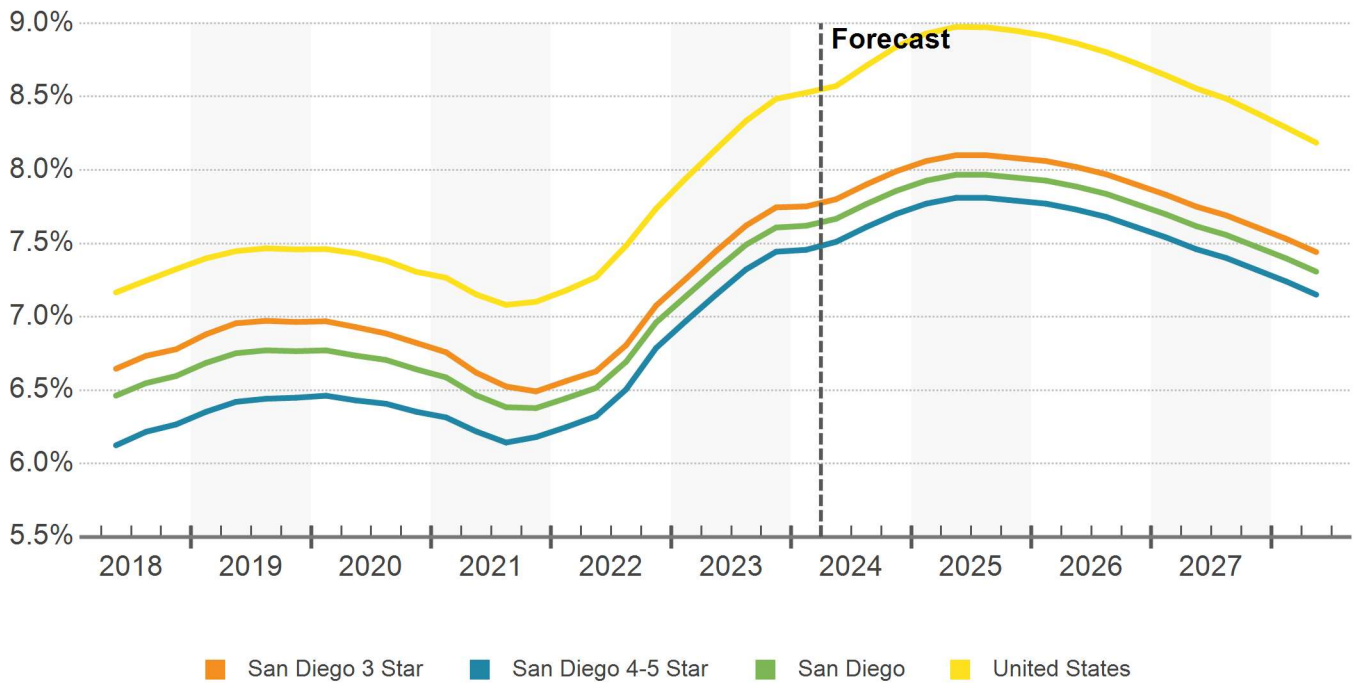
At the beginning of 2024, Healthpeak Properties sold a 65% stake in the two-building, 185,000-SF Callan Ridge lab campus in Torrey Pines in a deal that valued the entire campus at \$236 million, or more than \$1,200/SF. Healthpeak said it would receive net proceeds of approximately \$130 million after factoring in the company's remaining share of TI costs. The property was fully 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.

Market participants do not anticipate much change in the office investment market in 2024. With softer demand, elevated debt costs, and weaker rent growth, it will take time for the office investment market to heal.

SALES VOLUME & MARKET SALE PRICE PER SF



MARKET CAP RATE

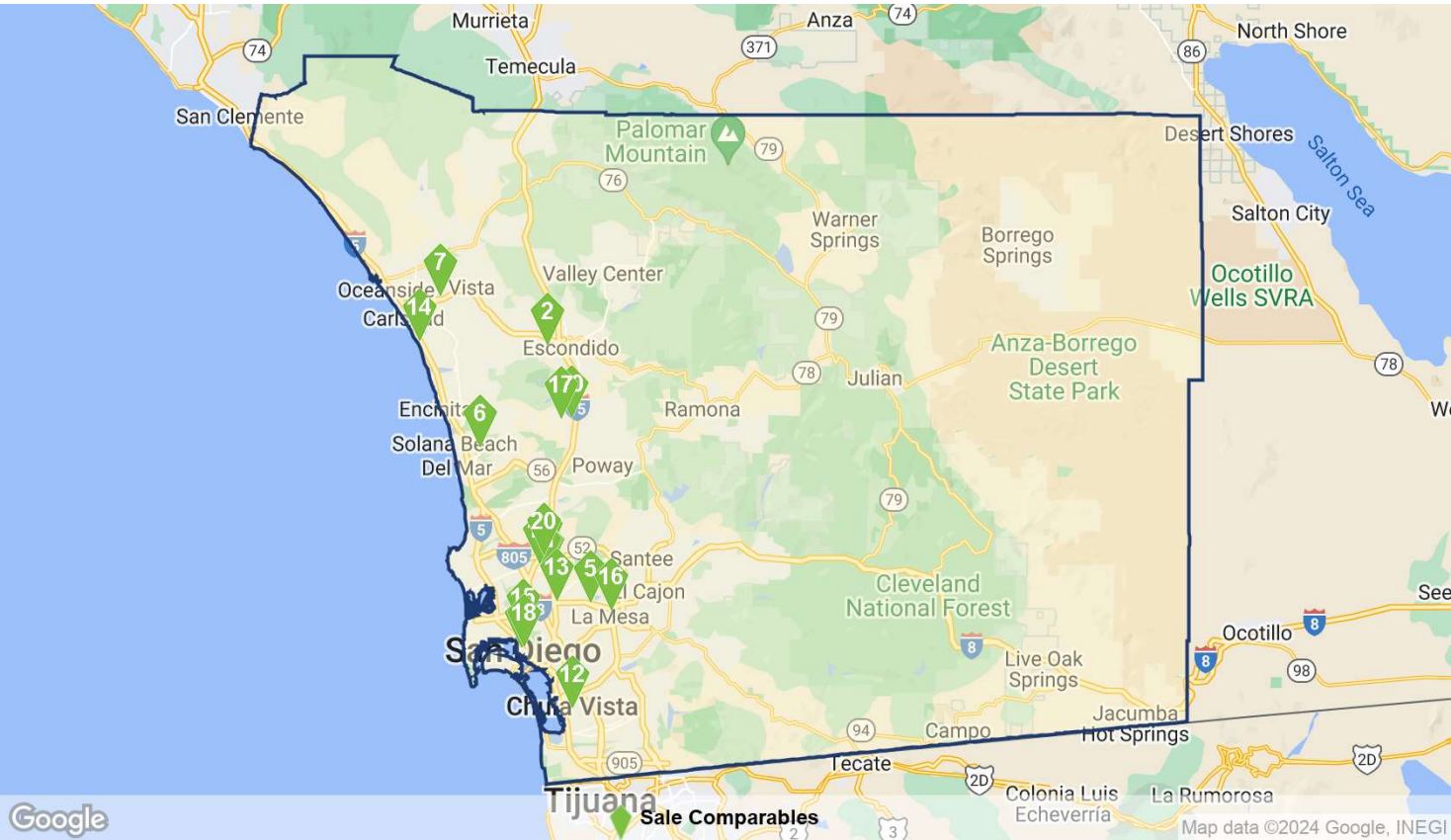


Sales Past 12 Months

San Diego Office

Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
166	6.7%	\$279	20.0%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$335,000	\$5,426,200	\$2,700,000	\$61,000,000
Price/SF	\$18	\$279	\$369	\$1,756
Cap Rate	3.5%	6.7%	6.6%	10.3%
Time Since Sale in Months	0.1	6.2	6.7	12.0
Property Attributes	Low	Average	Median	High
Building SF	875	21,076	7,078	387,627
Stories	1	2	2	25
Typical Floor SF	438	7,662	4,640	34,661
Vacancy Rate At Sale	0%	20.0%	0%	100%
Year Built	1900	1977	1984	2024
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 Tower 180 180 Broadway	★★★★★	1963	387,627	73.6%	12/15/2023	\$61,000,000	\$157	-
2 Palomar Health Phase III 2127 W Citracado Pky	★★★★★	2022	75,000	0%	7/12/2023	\$60,200,000	\$803	-
3 Canvas on Chesapeake 9555 Chesapeake Dr	★★★★★	1985	60,000	0%	7/3/2023	\$17,752,500	\$296	-
4 9577 Chesapeake Dr	★★★★★	1990	54,000	0%	3/11/2024	\$17,000,000	\$315	8.5%
5 6719 Alvarado Rd	★★★★★	1991	53,781	40.2%	4/23/2024	\$16,350,000	\$304	-
6 Polo Plaza 3790 Via de la Valle	★★★★★	1987	48,008	18.2%	6/12/2024	\$14,147,777	\$295	-
7 Tri-City Medical Building 3998 Vista Way	★★★★★	1989	37,488	0%	10/2/2023	\$12,500,000	\$333	-
8 3990 Ruffin Rd	★★★★★	1986	45,940	0%	4/15/2024	\$12,248,500	\$267	-
9 Sky Park Office Plaza 9275 Sky Park Ct	★★★★★	1986	131,401	35.2%	5/15/2024	\$12,116,555	\$92	-
10 16981 Via Tazon	★★★★★	1984	34,661	0%	12/26/2023	\$11,509,646	\$332	-
11 9265 Sky Park Ct	★★★★★	1986	44,020	0%	6/11/2024	\$11,500,000	\$261	-
12 Chula Vista Medical Arts II 450 4th Ave	★★★★★	1985	36,586	0%	4/11/2024	\$10,500,000	\$287	-
13 4025 Camino del Rio S	★★★★★	1986	48,571	0%	6/18/2024	\$9,800,000	\$202	8.2%
14 Pacific View Plaza 5973 Avenida Encinas	★★★★★	1986	51,176	21.6%	5/16/2024	\$9,750,000	\$191	-
15 3043 4th Ave	★★★★★	1968	17,300	0%	10/25/2023	\$9,440,000	\$546	-
16 La Mesa Village Plaza 4700 Spring St	★★★★★	1991	43,643	0%	12/14/2023	\$8,675,000	\$199	-
17 Bldg 2 17075 Camino San Bernar...	★★★★★	1999	26,481	0%	1/11/2024	\$8,000,000	\$302	7.0%
18 The Arte Building 1111 6th Ave	★★★★★	1935	70,602	0%	3/25/2024	\$7,850,000	\$111	7.3%
19 4933 Paramount Dr	★★★★★	2001	18,752	0%	8/14/2023	\$7,650,000	\$408	-
20 5787 Chesapeake Ct	★★★★★	1982	23,288	0%	11/13/2023	\$7,250,000	\$311	-

According to the latest jobs report released by the Bureau of Labor Statistics, San Diego's unemployment rate dipped to 4.1% in April, down from March's 4.4%. That was up 90 basis points since last April, although it was far below California's statewide rate of 4.8% in April.

In April, 6,000 nonfarm jobs were added across the San Diego region. Nearly half of those jobs were added in the leisure and hospitality sector, in particular in accommodation and food services.

Three sectors shed jobs in April, led by manufacturing. Payrolls fell by 800 positions, while professional and business services dipped by 500 jobs and information by 200.

Those continued the moribund run of job growth in the office-using sectors, which are comprised of professional and business services, information, and financial activities. Job losses totaled 12,800 in the past 12 months and have coincided with an almost 20% reduction in office demand compared with the pre-pandemic norm between 2015 and 2019.

In the past 12 months, 14,000 nonfarm jobs were added in the San Diego region, a 0.9% year-over-year increase.

Private education and health services added the most positions during that period, increasing payrolls by 15,600. Leisure and hospitality and government added

the next most, 5,400 and 5,200, respectively.

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, from Scripps Research Institute to Salk Institute for Biological Studies, and five universities are located in San Diego. 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."

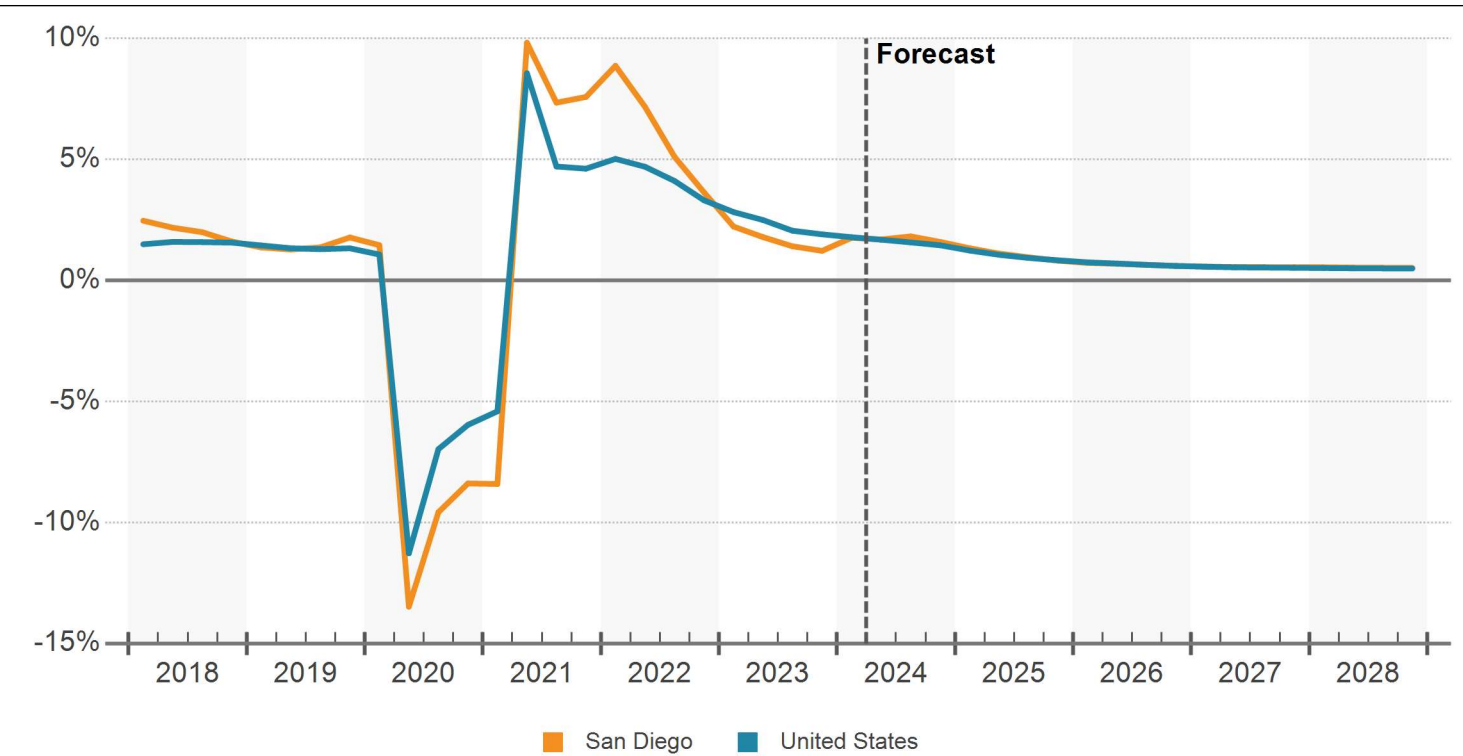
San Diego also has over 140,000 active duty and civilian military employees. According to the San Diego Military Advisory Council, the defense industry accounts for more than 350,000 jobs in the region. That is close to 25% of the economy. The Navy's renewed focus on the Pacific theater of operation 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	115	0.9	-0.87%	0.47%	1.25%	0.68%	0.46%	0.45%
Trade, Transportation and Utilities	224	0.8	0.48%	0.34%	0.37%	1.01%	0.07%	0.37%
Retail Trade	140	0.9	0.79%	0.50%	-0.23%	0.26%	-0.03%	0.26%
Financial Activities	73	0.8	-1.08%	0.60%	0.53%	1.52%	0.04%	0.37%
Government	255	1.1	1.95%	2.46%	1.09%	0.62%	0.73%	0.69%
Natural Resources, Mining and Construction	94	1.1	3.37%	2.50%	3.89%	2.37%	0.79%	0.86%
Education and Health Services	252	1.0	4.48%	3.74%	3.14%	2.04%	1.03%	0.81%
Professional and Business Services	277	1.2	-1.05%	0.66%	2.29%	1.88%	0.63%	0.73%
Information	22	0.7	0.10%	-0.66%	-0.75%	1.08%	0.59%	0.65%
Leisure and Hospitality	210	1.2	4.59%	2.84%	1.84%	1.50%	1.22%	1.01%
Other Services	58	1.0	3.63%	1.59%	1.05%	0.59%	0.69%	0.55%
Total Employment	1,579	1.0	1.69%	1.69%	1.69%	1.35%	0.68%	0.66%

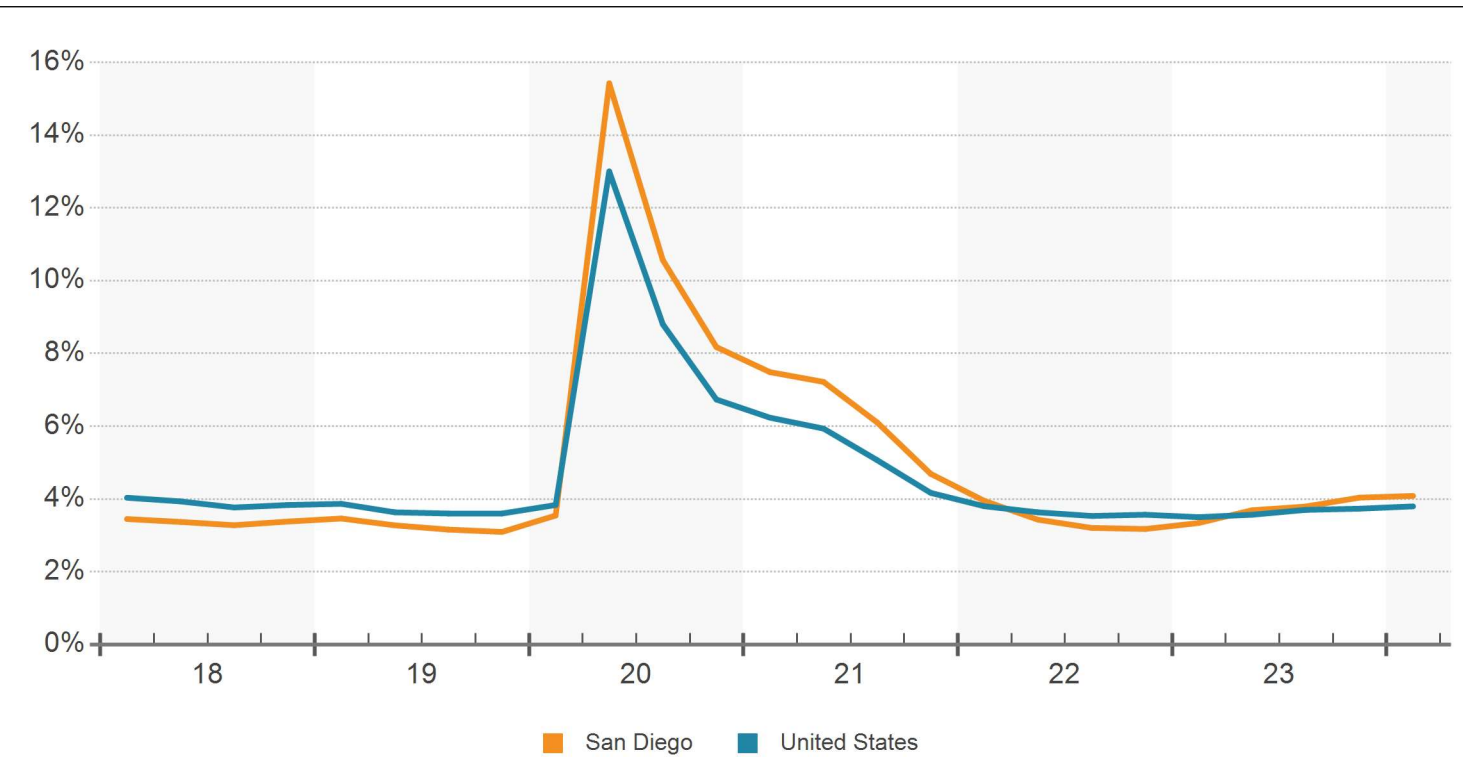
Source: Oxford Economics
LQ = Location Quotient

JOB GROWTH (YOY)

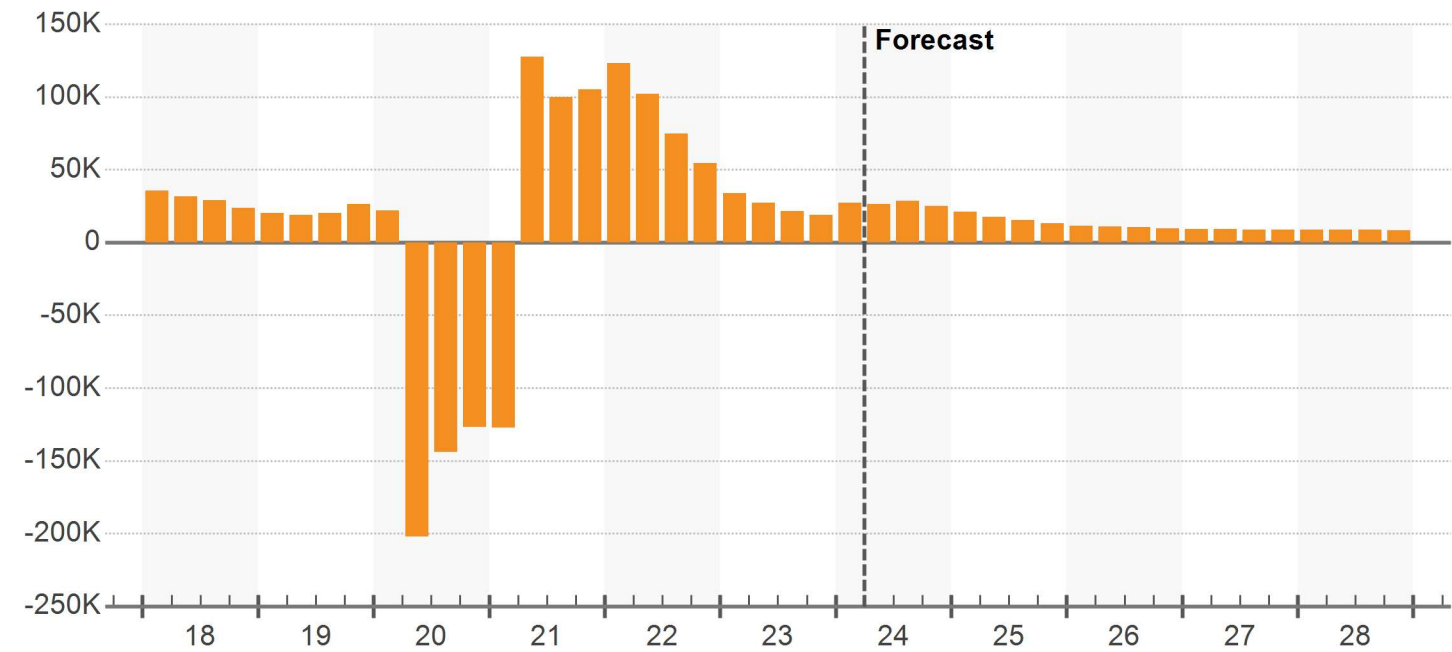


Source: Oxford Economics

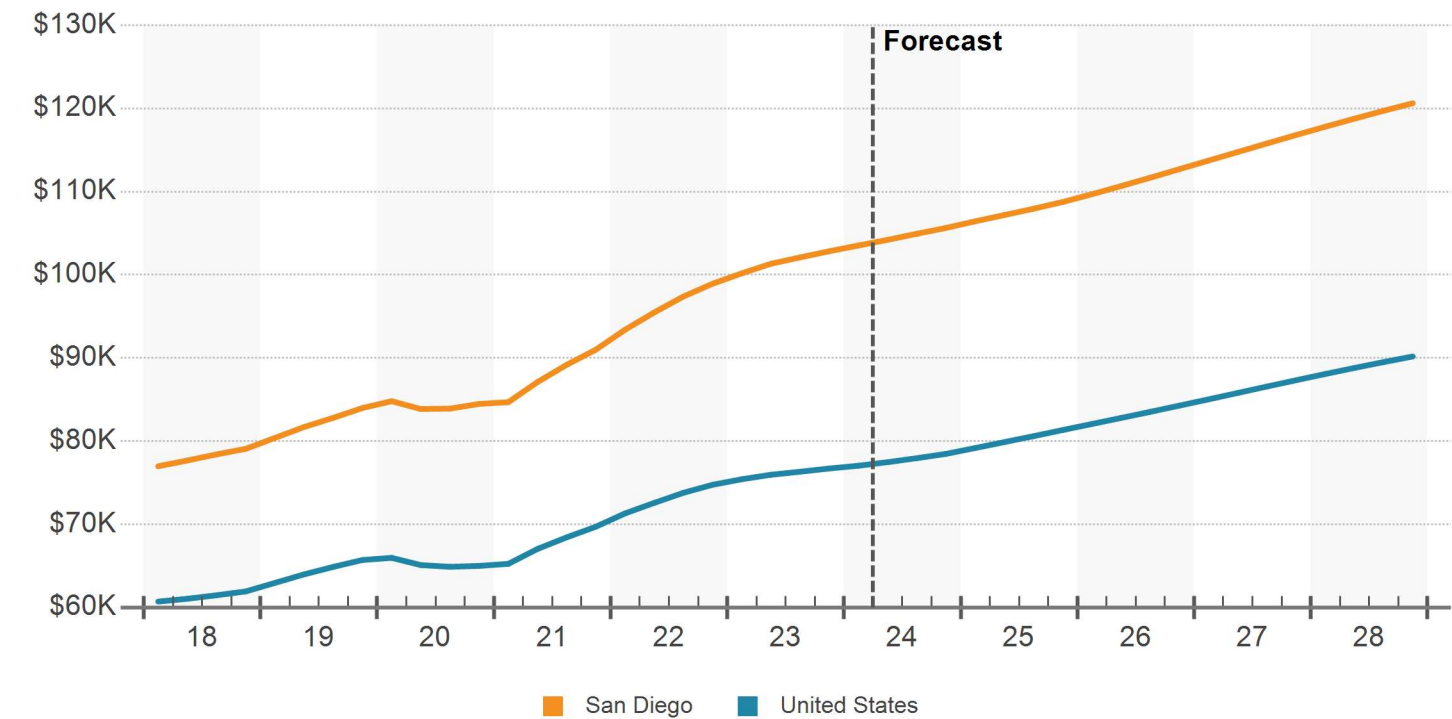
UNEMPLOYMENT RATE (%)



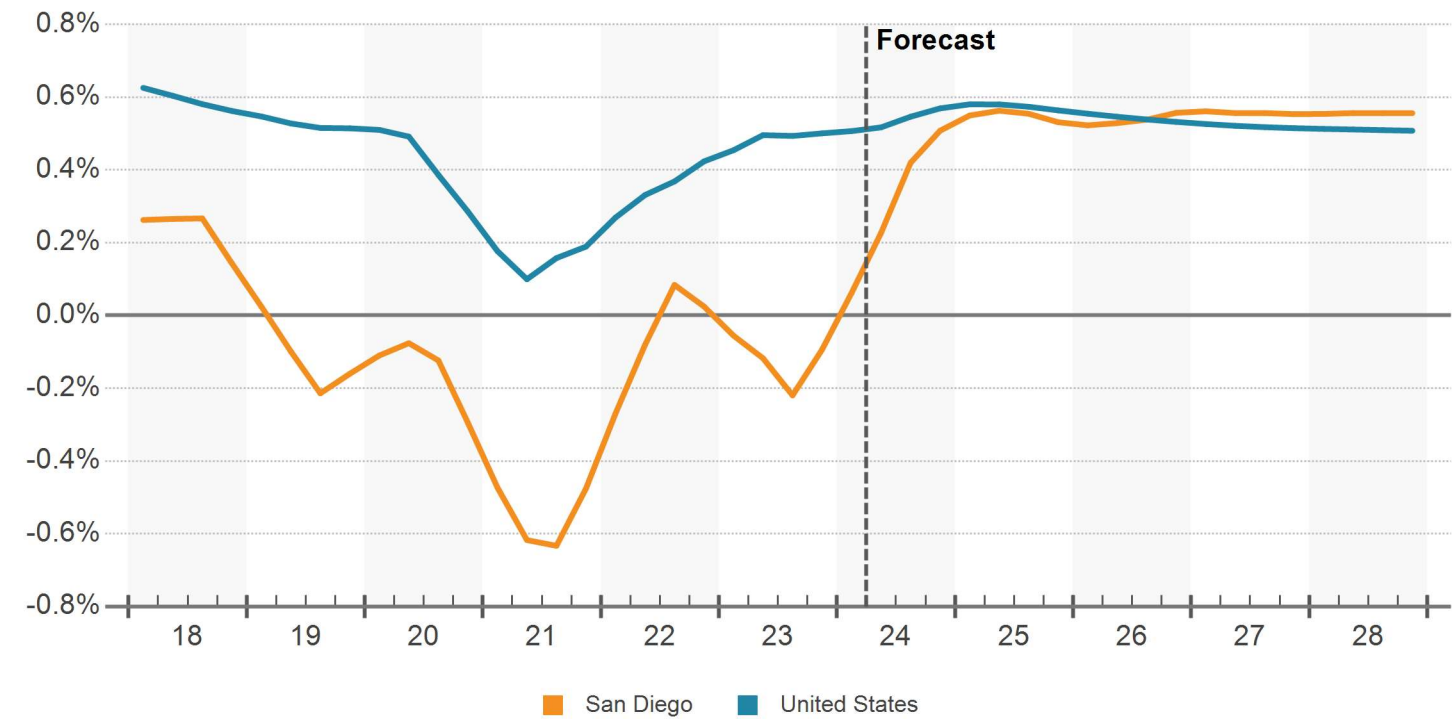
NET EMPLOYMENT CHANGE (YOY)



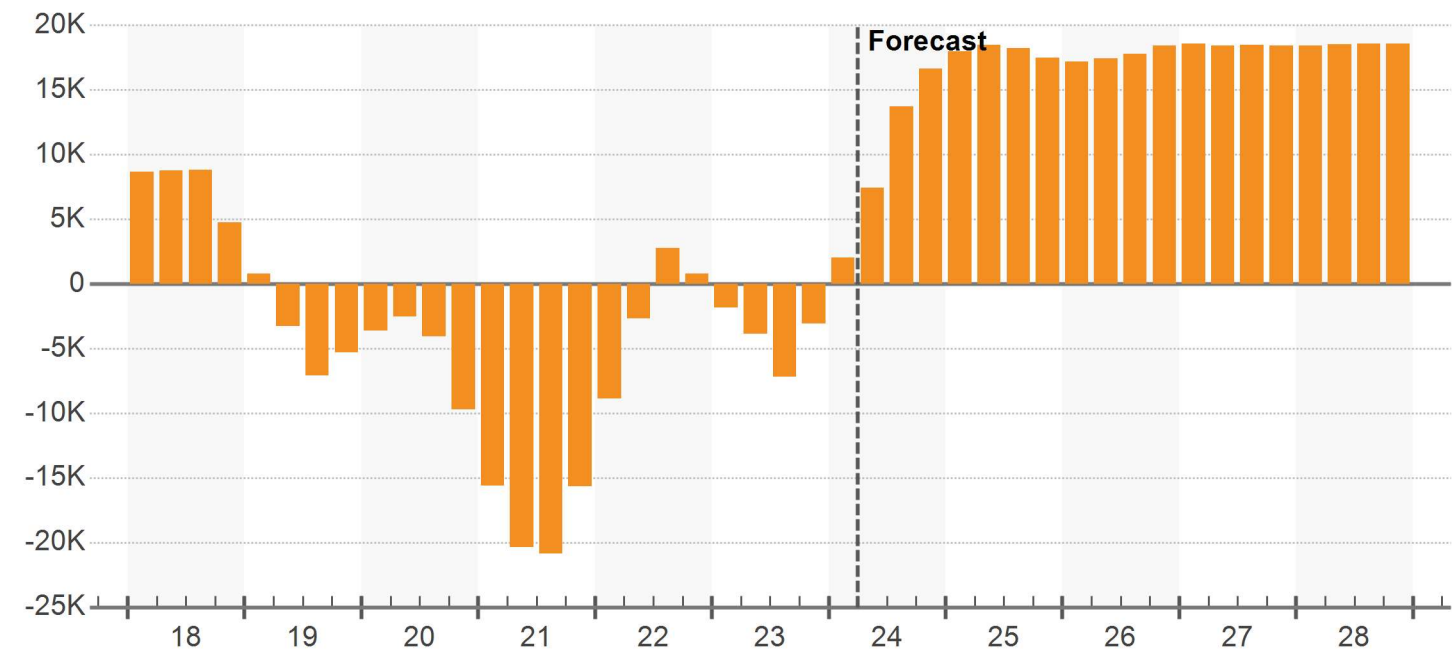
MEDIAN HOUSEHOLD INCOME



POPULATION GROWTH (YOY %)



NET POPULATION CHANGE (YOY)

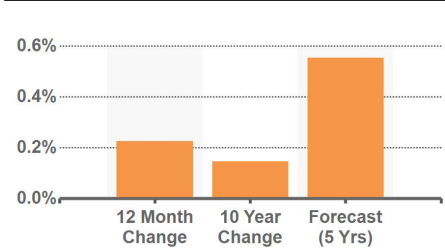


DEMOGRAPHIC TRENDS

Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	3,279,124	336,248,219	0.2%	0.5%	0.1%	0.5%	0.6%	0.5%
Households	1,176,531	131,371,500	0.4%	0.7%	0.4%	0.9%	0.6%	0.6%
Median Household Income	\$104,197	\$77,469	2.8%	2.0%	5.0%	3.9%	3.3%	3.4%
Labor Force	1,604,555	167,873,094	-0.4%	0.6%	0.5%	0.8%	0.2%	0.5%
Unemployment	4.1%	3.8%	0.4%	0.2%	-0.2%	-0.2%	-	-

Source: Oxford Economics

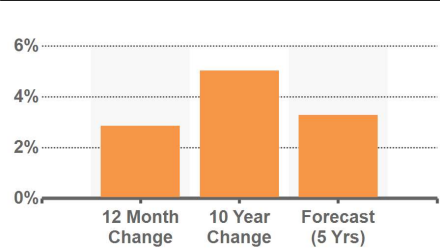
POPULATION GROWTH



LABOR FORCE GROWTH

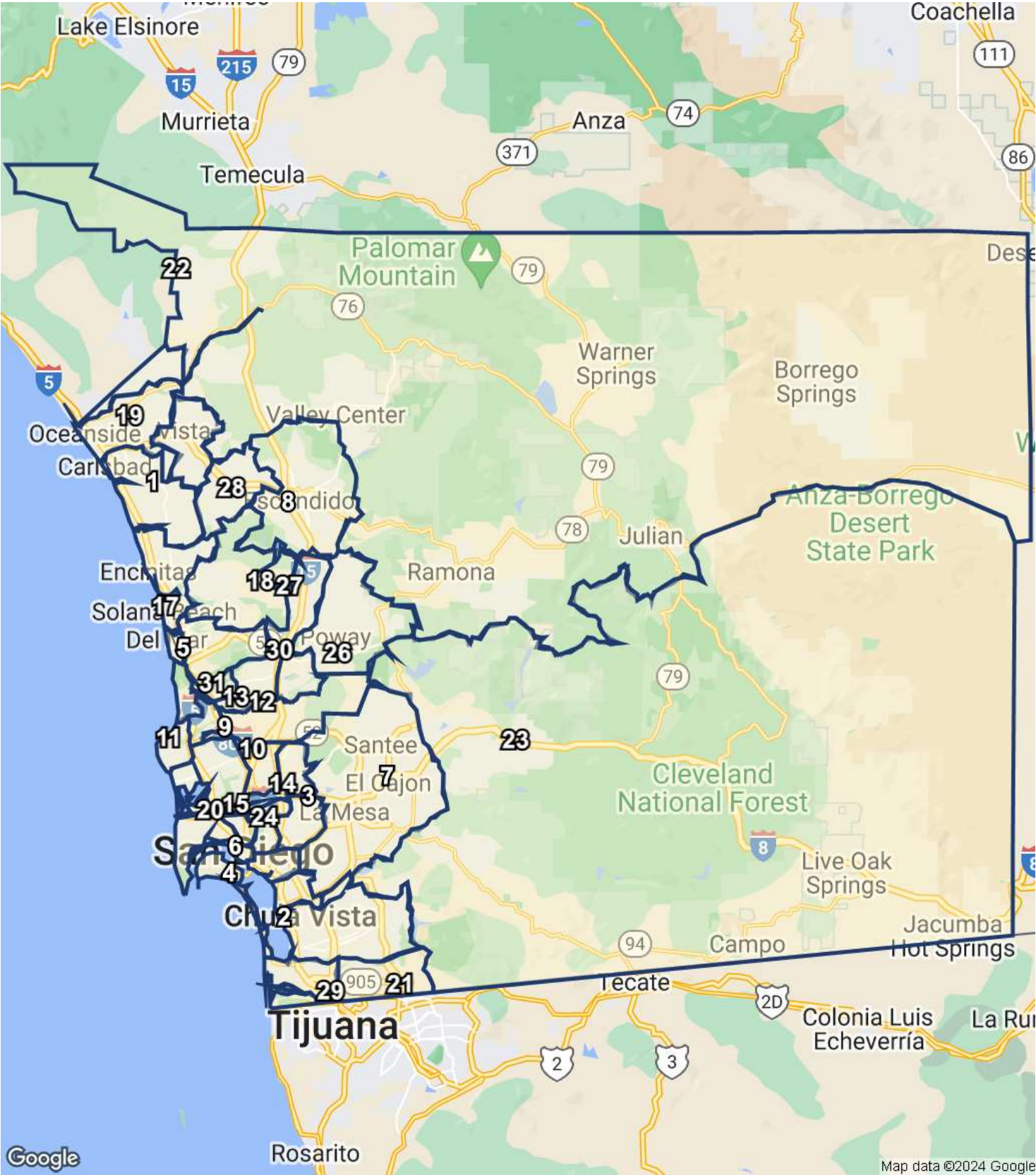


INCOME GROWTH



Source: Oxford Economics

SAN DIEGO SUBMARKETS



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	7,769	6.5%	5	0	0	0%	-	0	-	-	-
2	Chula Vista	276	3,595	3.0%	10	0	0	0%	-	2	228	6.3%	4
3	College Area	150	1,635	1.4%	22	0	0	0%	-	0	-	-	-
4	Coronado	23	143	0.1%	37	0	0	0%	-	0	-	-	-
5	Del Mar Hts/Carmel Valley	89	6,261	5.2%	8	3	521	8.3%	1	4	453	7.2%	3
6	Downtown	222	14,607	12.2%	1	1	289	2.0%	2	8	2,426	16.6%	1
7	East County	706	5,773	4.8%	9	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	284	11,682	9.8%	2	1	2	0%	6	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%	23	0	0	0%	-	0	-	-	-
14	Mission Gorge	42	712	0.6%	28	0	0	0%	-	0	-	-	-
15	Mission Valley	141	7,574	6.3%	6	0	0	0%	-	0	-	-	-
16	National City	85	846	0.7%	25	0	0	0%	-	0	-	-	-
17	North Beach Cities	320	3,378	2.8%	11	1	64	1.9%	5	0	-	-	-
18	North Central County	37	398	0.3%	31	0	0	0%	-	0	-	-	-
19	Oceanside	167	1,925	1.6%	17	1	1	0%	7	0	-	-	-
20	Old Twn/S Arena/Pt Loma	210	2,848	2.4%	14	0	0	0%	-	0	-	-	-
21	Otay Mesa	20	215	0.2%	35	0	0	0%	-	0	-	-	-
22	Outlying SD County N	163	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	1,817	1.5%	18	0	0	0%	-	0	-	-	-
26	Poway	82	1,494	1.3%	24	0	0	0%	-	0	-	-	-
27	Rancho Bernardo	128	6,623	5.5%	7	1	83	1.3%	4	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	2,807	2.3%	15	0	0	0%	-	0	-	-	-
31	Sorrento Mesa	123	8,613	7.2%	4	0	0	0%	-	0	-	-	-
32	Sorrento Valley	26	640	0.5%	30	0	0	0%	-	0	-	-	-
33	Southeast San Diego	86	694	0.6%	29	0	0	0%	-	0	-	-	-
34	Torrey Pines	43	3,046	2.5%	13	0	0	0%	-	0	-	-	-
35	Uptown East	71	269	0.2%	34	0	0	0%	-	0	-	-	-
36	Uptown West/Park West	383	3,274	2.7%	12	0	0	0%	-	0	-	-	-
37	UTC	92	9,172	7.7%	3	2	283	3.1%	3	2	558	6.1%	2
38	Vista	176	1,750	1.5%	19	0	0	0%	-	0	-	-	-

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	\$38.25	11	1.0%	29	0.7%	6
2	Chula Vista	\$36.93	14	2.3%	7	0.6%	18
3	College Area	\$32.16	23	2.2%	13	0.7%	7
4	Coronado	\$41.15	8	2.3%	9	0.4%	27
5	Del Mar Hts/Carmel Valley	\$55.71	1	0%	36	0.2%	29
6	Downtown	\$33.66	20	-0.2%	37	0.1%	33
7	East County	\$30.41	32	3.1%	2	0.8%	5
8	Escondido	\$30.73	29	1.6%	25	0.6%	15
9	Governor Park	\$38.16	12	0.9%	30	0.5%	24
10	Kearny Mesa	\$34.44	18	1.3%	27	0.6%	21
11	La Jolla	\$46.44	6	1.4%	26	0.7%	10
12	MCAS Miramar	\$32.14	24	2.3%	6	0.2%	31
13	Mira Mesa/Miramar	\$34.63	15	1.6%	23	0.9%	2
14	Mission Gorge	\$29.40	34	2.2%	10	0.6%	17
15	Mission Valley	\$34.45	17	1.1%	28	0.5%	26
16	National City	\$31.14	28	3.0%	4	0.8%	3
17	North Beach Cities	\$47.75	4	0.8%	31	0.5%	25
18	North Central County	\$54.45	2	2.1%	19	0.7%	11
19	Oceanside	\$30.43	31	2.2%	11	0.6%	19
20	Old Twn/S Arena/Pt Loma	\$34.49	16	2.1%	16	0.6%	20
21	Otay Mesa	\$40	9	2.5%	5	0.8%	4
22	Outlying SD County N	\$24.61	38	2.0%	20	-1.3%	38
23	Outlying SD County S	\$29.36	35	2.1%	17	0.6%	14
24	Park East	\$31.87	27	2.2%	14	0.7%	12
25	PB/Rose Canyon/Morena	\$30.52	30	2.2%	12	0.6%	16
26	Poway	\$31.88	26	1.6%	24	0.7%	9
27	Rancho Bernardo	\$39.18	10	0.6%	32	0.5%	22
28	San Marcos	\$30.37	33	1.8%	21	0.1%	32
29	San Ysidro/Imperial Beach	\$33.42	21	9.5%	1	5.7%	1
30	Scripps Ranch	\$37.84	13	0.4%	33	0.1%	34
31	Sorrento Mesa	\$41.94	7	0%	35	0.2%	30
32	Sorrento Valley	\$32.87	22	1.7%	22	0.7%	13
33	Southeast San Diego	\$31.91	25	3.0%	3	0.7%	8
34	Torrey Pines	\$46.48	5	0.1%	34	0.1%	35
35	Uptown East	\$29.10	36	2.2%	15	0.3%	28
36	Uptown West/Park West	\$33.79	19	2.1%	18	-0.3%	37
37	UTC	\$50.63	3	-0.3%	38	-0.1%	36
38	Vista	\$28.87	37	2.3%	8	0.5%	23

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Carlsbad	1,060,299	13.6%	30	(101,041)	-1.3%	37	-
2	Chula Vista	142,829	4.0%	11	(29,136)	-0.8%	29	-
3	College Area	52,410	3.2%	9	(10,869)	-0.7%	24	-
4	Coronado	1,200	0.8%	3	1,584	1.1%	15	-
5	Del Mar Hts/Carmel Valley	832,092	13.3%	29	236,817	3.8%	1	2.2
6	Downtown	4,299,505	29.4%	36	(278,417)	-1.9%	38	-
7	East County	193,862	3.4%	10	(2,226)	0%	20	-
8	Escondido	258,232	9.9%	23	(40,516)	-1.6%	33	-
9	Governor Park	80,304	10.4%	25	1,670	0.2%	14	-
10	Kearny Mesa	908,233	7.8%	18	229,148	2.0%	2	-
11	La Jolla	206,857	12.5%	26	(36,325)	-2.2%	32	-
12	MCAS Miramar	-	-	-	0	0%	-	-
13	Mira Mesa/Miramar	90,981	5.8%	16	(21,122)	-1.3%	27	-
14	Mission Gorge	15,955	2.2%	8	(5,809)	-0.8%	21	-
15	Mission Valley	1,321,576	17.4%	33	67,408	0.9%	4	-
16	National City	12,932	1.5%	6	(6,711)	-0.8%	22	-
17	North Beach Cities	282,574	8.4%	21	(20,259)	-0.6%	25	-
18	North Central County	50,596	12.7%	27	5,623	1.4%	11	-
19	Oceanside	160,116	8.3%	20	16,619	0.9%	7	-
20	Old Twn/S Arena/Pt Loma	223,687	7.9%	19	(82,301)	-2.9%	36	-
21	Otay Mesa	49,303	23.0%	35	10,134	4.7%	10	-
22	Outlying SD County N	33,837	4.6%	12	1,718	0.2%	13	-
23	Outlying SD County S	1,200	0.6%	2	5,302	2.7%	12	-
24	Park East	3,664	1.1%	4	17,821	5.3%	6	-
25	PB/Rose Canyon/Morena	86,817	4.8%	13	(55,979)	-3.1%	34	-
26	Poway	126,169	8.4%	22	(23,705)	-1.6%	28	-
27	Rancho Bernardo	866,827	13.1%	28	172,664	2.6%	3	0.5
28	San Marcos	84,434	4.9%	15	(8,862)	-0.5%	23	-
29	San Ysidro/Imperial Beach	5,916	2.2%	7	937	0.3%	17	-
30	Scripps Ranch	466,885	16.6%	32	(35,780)	-1.3%	31	-
31	Sorrento Mesa	619,029	7.2%	17	(60,728)	-0.7%	35	-
32	Sorrento Valley	140,491	22.0%	34	(20,723)	-3.2%	26	-
33	Southeast San Diego	3,735	0.5%	1	13,013	1.9%	9	-
34	Torrey Pines	42,751	1.4%	5	35,198	1.2%	5	-
35	Uptown East	-	-	-	1,462	0.5%	16	-
36	Uptown West/Park West	158,528	4.8%	14	(30,424)	-0.9%	30	-
37	UTC	922,754	10.1%	24	14,872	0.2%	8	19.0
38	Vista	261,160	14.9%	31	(750)	0%	19	-

OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	123,281,122	485,699	0.4%	747,909	0.6%	0.6
2027	122,795,423	160,674	0.1%	976,363	0.8%	0.2
2026	122,634,749	(196,382)	-0.2%	670,705	0.5%	-
2025	122,831,131	1,120,640	0.9%	(203,957)	-0.2%	-
2024	121,710,491	2,981,302	2.5%	(464,845)	-0.4%	-
YTD	119,476,914	747,725	0.6%	(395,381)	-0.3%	-
2023	118,729,189	93,436	0.1%	(101,990)	-0.1%	-
2022	118,635,753	181,096	0.2%	508,146	0.4%	0.4
2021	118,454,657	188,133	0.2%	636,924	0.5%	0.3
2020	118,266,524	1,310,493	1.1%	(1,782,908)	-1.5%	-
2019	116,956,031	236,647	0.2%	660,113	0.6%	0.4
2018	116,719,384	129,730	0.1%	743,709	0.6%	0.2
2017	116,589,654	(186,296)	-0.2%	(414,498)	-0.4%	-
2016	116,775,950	400,632	0.3%	1,504,185	1.3%	0.3
2015	116,375,318	610,437	0.5%	817,644	0.7%	0.7
2014	115,764,881	835,347	0.7%	1,287,885	1.1%	0.6
2013	114,929,534	732,953	0.6%	1,197,480	1.0%	0.6
2012	114,196,581	432,270	0.4%	1,641,256	1.4%	0.3

4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	43,518,350	697,188	1.6%	589,343	1.4%	1.2
2027	42,821,162	373,475	0.9%	462,625	1.1%	0.8
2026	42,447,687	18,511	0%	872,277	2.1%	0
2025	42,429,176	1,273,772	3.1%	931,516	2.2%	1.4
2024	41,155,404	3,131,067	8.2%	883,922	2.1%	3.5
YTD	38,834,147	809,810	2.1%	51,893	0.1%	15.6
2023	38,024,337	361,930	1.0%	144,256	0.4%	2.5
2022	37,662,407	506,662	1.4%	359,366	1.0%	1.4
2021	37,155,745	490,744	1.3%	557,212	1.5%	0.9
2020	36,665,001	1,156,063	3.3%	22,099	0.1%	52.3
2019	35,508,938	388,205	1.1%	1,050,080	3.0%	0.4
2018	35,120,733	741,413	2.2%	238,736	0.7%	3.1
2017	34,379,320	616,687	1.8%	1,979	0%	311.6
2016	33,762,633	404,298	1.2%	332,148	1.0%	1.2
2015	33,358,335	802,797	2.5%	340,061	1.0%	2.4
2014	32,555,538	831,000	2.6%	940,363	2.9%	0.9
2013	31,724,538	705,800	2.3%	593,901	1.9%	1.2
2012	31,018,738	480,933	1.6%	1,343,437	4.3%	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	50,744,846	3,629	0%	229,898	0.5%	0
2027	50,741,217	1,934	0%	414,758	0.8%	0
2026	50,739,283	50	0%	2,097	0%	0
2025	50,739,233	59,990	0.1%	(463,035)	-0.9%	-
2024	50,679,243	(30,139)	-0.1%	(1,053,674)	-2.1%	-
YTD	50,669,257	(40,125)	-0.1%	(377,904)	-0.7%	-
2023	50,709,382	(240,517)	-0.5%	(434,568)	-0.9%	-
2022	50,949,899	(245,774)	-0.5%	(98,435)	-0.2%	-
2021	51,195,673	(189,992)	-0.4%	166,270	0.3%	-
2020	51,385,665	257,668	0.5%	(1,349,060)	-2.6%	-
2019	51,127,997	5,392	0%	(112,006)	-0.2%	-
2018	51,122,605	(387,315)	-0.8%	445,310	0.9%	-
2017	51,509,920	(653,771)	-1.3%	(333,317)	-0.6%	-
2016	52,163,691	119,998	0.2%	786,552	1.5%	0.2
2015	52,043,693	(40,035)	-0.1%	208,795	0.4%	-
2014	52,083,728	116,989	0.2%	249,988	0.5%	0.5
2013	51,966,739	197,074	0.4%	665,783	1.3%	0.3
2012	51,769,665	276,586	0.5%	652,680	1.3%	0.4

1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2028	29,017,926	(215,118)	-0.7%	(71,332)	-0.2%	-
2027	29,233,044	(214,735)	-0.7%	98,980	0.3%	-
2026	29,447,779	(214,943)	-0.7%	(203,669)	-0.7%	-
2025	29,662,722	(213,122)	-0.7%	(672,438)	-2.3%	-
2024	29,875,844	(119,626)	-0.4%	(295,093)	-1.0%	-
YTD	29,973,510	(21,960)	-0.1%	(69,370)	-0.2%	-
2023	29,995,470	(27,977)	-0.1%	188,322	0.6%	-
2022	30,023,447	(79,792)	-0.3%	247,215	0.8%	-
2021	30,103,239	(112,619)	-0.4%	(86,558)	-0.3%	-
2020	30,215,858	(103,238)	-0.3%	(455,947)	-1.5%	-
2019	30,319,096	(156,950)	-0.5%	(277,961)	-0.9%	-
2018	30,476,046	(224,368)	-0.7%	59,663	0.2%	-
2017	30,700,414	(149,212)	-0.5%	(83,160)	-0.3%	-
2016	30,849,626	(123,664)	-0.4%	385,485	1.2%	-
2015	30,973,290	(152,325)	-0.5%	268,788	0.9%	-
2014	31,125,615	(112,642)	-0.4%	97,534	0.3%	-
2013	31,238,257	(169,921)	-0.5%	(62,204)	-0.2%	-
2012	31,408,178	(325,249)	-1.0%	(354,861)	-1.1%	-

OVERALL RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$39.09	134	1.8%	2.9%	15,778,594	12.8%	-0.3%
2027	\$38.39	132	1.7%	1.0%	16,037,869	13.1%	-0.7%
2026	\$37.73	129	0.4%	-0.7%	16,846,115	13.7%	-0.7%
2025	\$37.59	129	-1.2%	-1.1%	17,705,895	14.4%	1.0%
2024	\$38.06	131	0.2%	0.2%	16,373,644	13.5%	2.6%
YTD	\$38.11	131	0.9%	0.3%	14,067,740	11.8%	0.9%
2023	\$38	130	1.7%	0%	12,924,635	10.9%	0.2%
2022	\$37.35	128	2.0%	-1.7%	12,729,209	10.7%	-0.3%
2021	\$36.62	126	3.5%	-3.6%	13,056,259	11.0%	-0.4%
2020	\$35.37	121	0.9%	-6.9%	13,505,050	11.4%	2.5%
2019	\$35.07	120	4.2%	-7.7%	10,411,649	8.9%	-0.4%
2018	\$33.65	115	4.5%	-11.5%	10,835,115	9.3%	-0.5%
2017	\$32.19	110	4.5%	-15.3%	11,445,852	9.8%	0.2%
2016	\$30.80	106	2.5%	-19.0%	11,210,883	9.6%	-1.0%
2015	\$30.05	103	5.4%	-20.9%	12,314,436	10.6%	-0.2%
2014	\$28.52	98	8.5%	-24.9%	12,521,643	10.8%	-0.5%
2013	\$26.30	90	3.5%	-30.8%	12,974,181	11.3%	-0.5%
2012	\$25.41	87	5.3%	-33.1%	13,438,708	11.8%	-1.1%

4 & 5 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$45.09	127	1.6%	0.6%	7,364,285	16.9%	0%
2027	\$44.37	125	1.6%	-1.0%	7,256,967	16.9%	-0.4%
2026	\$43.69	123	0.2%	-2.6%	7,346,651	17.3%	-2.0%
2025	\$43.60	123	-1.5%	-2.8%	8,200,536	19.3%	0.2%
2024	\$44.24	125	-0.4%	-1.3%	7,858,280	19.1%	4.3%
YTD	\$44.37	125	-0.7%	-1.0%	6,369,043	16.4%	1.6%
2023	\$44.40	125	0.6%	-1.0%	5,611,127	14.8%	0.4%
2022	\$44.15	124	-1.5%	-1.5%	5,393,453	14.3%	0.2%
2021	\$44.84	126	2.8%	0%	5,246,157	14.1%	-0.4%
2020	\$43.60	123	0.3%	-2.8%	5,312,625	14.5%	2.7%
2019	\$43.47	122	6.0%	-3.1%	4,178,661	11.8%	-2.0%
2018	\$41	115	4.7%	-8.6%	4,840,536	13.8%	1.2%
2017	\$39.16	110	4.6%	-12.7%	4,337,859	12.6%	1.6%
2016	\$37.45	105	0.4%	-16.5%	3,716,384	11.0%	0.1%
2015	\$37.32	105	3.2%	-16.8%	3,644,234	10.9%	1.2%
2014	\$36.17	102	11.7%	-19.3%	3,181,498	9.8%	-0.6%
2013	\$32.37	91	2.5%	-27.8%	3,290,861	10.4%	0.1%
2012	\$31.59	89	7.9%	-29.5%	3,178,962	10.2%	-3.0%

3 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$37.76	136	2.0%	3.6%	6,712,779	13.2%	-0.4%
2027	\$37.03	134	1.8%	1.7%	6,939,235	13.7%	-0.8%
2026	\$36.36	131	0.5%	-0.2%	7,352,220	14.5%	0%
2025	\$36.19	131	-1.1%	-0.7%	7,354,280	14.5%	1.0%
2024	\$36.59	132	0.4%	0.4%	6,831,253	13.5%	2.0%
YTD	\$36.61	132	1.7%	0.5%	6,145,472	12.1%	0.7%
2023	\$36.43	132	1.7%	0%	5,807,693	11.5%	0.4%
2022	\$35.82	129	3.7%	-1.7%	5,613,642	11.0%	-0.2%
2021	\$34.54	125	4.0%	-5.2%	5,760,981	11.3%	-0.7%
2020	\$33.23	120	1.6%	-8.8%	6,117,243	11.9%	3.1%
2019	\$32.70	118	2.3%	-10.2%	4,510,515	8.8%	0.2%
2018	\$31.95	115	4.1%	-12.3%	4,393,117	8.6%	-1.6%
2017	\$30.70	111	4.0%	-15.7%	5,225,742	10.1%	-0.5%
2016	\$29.53	107	4.0%	-18.9%	5,546,196	10.6%	-1.3%
2015	\$28.40	103	7.8%	-22.0%	6,212,750	11.9%	-0.5%
2014	\$26.35	95	6.9%	-27.7%	6,461,580	12.4%	-0.3%
2013	\$24.64	89	4.5%	-32.4%	6,594,579	12.7%	-1.0%
2012	\$23.59	85	3.6%	-35.3%	7,063,288	13.6%	-0.8%

1 & 2 STAR RENT & VACANCY

Year	Market Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2028	\$32.86	146	2.0%	4.0%	1,701,530	5.9%	-0.4%
2027	\$32.22	143	1.9%	2.0%	1,841,667	6.3%	-1.0%
2026	\$31.63	140	0.5%	0.1%	2,147,244	7.3%	0%
2025	\$31.47	140	-1.0%	-0.4%	2,151,079	7.3%	1.6%
2024	\$31.80	141	0.6%	0.6%	1,684,111	5.6%	0.6%
YTD	\$31.81	141	2.2%	0.7%	1,553,225	5.2%	0.2%
2023	\$31.60	140	4.3%	0%	1,505,815	5.0%	-0.7%
2022	\$30.30	134	6.3%	-4.1%	1,722,114	5.7%	-1.1%
2021	\$28.52	126	4.3%	-9.8%	2,049,121	6.8%	-0.1%
2020	\$27.35	121	0.5%	-13.4%	2,075,182	6.9%	1.2%
2019	\$27.21	121	4.2%	-13.9%	1,722,473	5.7%	0.4%
2018	\$26.10	116	5.0%	-17.4%	1,601,462	5.3%	-0.9%
2017	\$24.86	110	5.8%	-21.3%	1,882,251	6.1%	-0.2%
2016	\$23.51	104	4.2%	-25.6%	1,948,303	6.3%	-1.6%
2015	\$22.56	100	5.6%	-28.6%	2,457,452	7.9%	-1.3%
2014	\$21.36	95	4.2%	-32.4%	2,878,565	9.2%	-0.6%
2013	\$20.51	91	3.7%	-35.1%	3,088,741	9.9%	-0.3%
2012	\$19.77	88	3.2%	-37.4%	3,196,458	10.2%	0.2%

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	-	-	-	-	-	-	\$335.07	144	7.1%
2027	-	-	-	-	-	-	\$312.44	134	7.5%
2026	-	-	-	-	-	-	\$294.67	126	7.8%
2025	-	-	-	-	-	-	\$287.65	123	7.9%
2024	-	-	-	-	-	-	\$297.17	127	7.9%
YTD	61	\$223.4M	0.8%	\$4,137,520	\$234.41	7.1%	\$308.36	132	7.6%
2023	184	\$721.9M	2.1%	\$4,978,795	\$372.09	6.4%	\$309.58	133	7.6%
2022	349	\$2B	5.2%	\$6,442,748	\$371.83	5.4%	\$334.78	144	7.0%
2021	362	\$3B	7.0%	\$9,343,122	\$372.01	6.0%	\$352.76	151	6.4%
2020	253	\$1.2B	2.9%	\$5,315,998	\$343.05	5.9%	\$328.43	141	6.6%
2019	370	\$2.3B	5.9%	\$9,279,192	\$372.87	6.3%	\$318.83	137	6.8%
2018	423	\$2.4B	6.9%	\$7,894,190	\$340	6.0%	\$313.81	135	6.6%
2017	396	\$2.3B	7.0%	\$8,377,477	\$297.69	6.3%	\$306.74	132	6.4%
2016	360	\$1.7B	6.5%	\$5,963,253	\$266.33	6.4%	\$303.66	130	6.2%
2015	472	\$2.4B	9.9%	\$6,794,708	\$240.98	6.4%	\$301.25	129	6.1%
2014	411	\$2B	8.7%	\$6,453,984	\$227.41	7.0%	\$282.33	121	6.2%
2013	335	\$1.8B	6.4%	\$7,615,249	\$260.92	7.3%	\$259.22	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	-	-	-	-	-	-	\$381.92	130	7.0%
2027	-	-	-	-	-	-	\$356.54	121	7.3%
2026	-	-	-	-	-	-	\$336.60	114	7.6%
2025	-	-	-	-	-	-	\$328.95	112	7.8%
2024	-	-	-	-	-	-	\$340.49	116	7.7%
YTD	-	-	-	-	-	-	\$353.71	120	7.5%
2023	5	\$296.6M	2.0%	\$59,315,430	\$383.03	4.5%	\$356.06	121	7.4%
2022	11	\$437.8M	3.2%	\$54,728,611	\$447.80	-	\$387.58	132	6.8%
2021	20	\$1.2B	8.7%	\$64,944,025	\$407.50	7.1%	\$412.45	140	6.2%
2020	11	\$460.7M	2.9%	\$41,879,464	\$432.93	-	\$391.59	133	6.4%
2019	13	\$1.1B	6.0%	\$85,431,570	\$522.85	5.5%	\$382.15	130	6.4%
2018	26	\$954.8M	7.2%	\$39,784,302	\$424.91	7.1%	\$377.99	128	6.3%
2017	14	\$711.7M	6.0%	\$54,749,428	\$356.72	6.3%	\$373.10	127	6.1%
2016	23	\$907.3M	9.3%	\$45,367,026	\$319.92	6.1%	\$368.07	125	5.9%
2015	17	\$541.3M	6.1%	\$41,638,767	\$293.37	6.4%	\$374.24	127	5.7%
2014	18	\$737.5M	8.6%	\$49,168,040	\$281.21	6.1%	\$352.90	120	5.8%
2013	18	\$792.4M	8.1%	\$44,019,633	\$308.94	6.6%	\$324.61	110	6.0%

(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.

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	-	-	-	-	-	-	\$310.11	148	7.3%
2027	-	-	-	-	-	-	\$289.35	138	7.6%
2026	-	-	-	-	-	-	\$273.01	130	7.9%
2025	-	-	-	-	-	-	\$266.47	127	8.1%
2024	-	-	-	-	-	-	\$274.95	131	8.0%
YTD	25	\$137.8M	1.4%	\$6,563,190	\$200.06	7.2%	\$284.89	136	7.8%
2023	69	\$222.3M	1.9%	\$4,359,099	\$351.46	7.1%	\$285.75	137	7.7%
2022	132	\$983.9M	6.1%	\$9,109,999	\$370.40	5.6%	\$310.12	148	7.1%
2021	144	\$1.3B	6.9%	\$11,392,050	\$381.19	6.0%	\$326.33	156	6.5%
2020	84	\$425.4M	2.6%	\$6,076,910	\$320.81	6.0%	\$299.47	143	6.8%
2019	133	\$908M	7.0%	\$8,180,051	\$287.25	6.5%	\$289.35	138	7.0%
2018	149	\$1.1B	7.3%	\$9,335,831	\$316.49	6.3%	\$286.13	137	6.8%
2017	102	\$1.3B	8.3%	\$13,670,217	\$300.93	6.4%	\$278.53	133	6.6%
2016	118	\$483.7M	5.5%	\$4,885,906	\$208.60	6.5%	\$276.98	132	6.4%
2015	169	\$1.5B	13.9%	\$10,133,792	\$236.89	6.8%	\$271.23	130	6.3%
2014	150	\$1B	10.0%	\$8,419,706	\$219.43	7.2%	\$254.02	121	6.4%
2013	132	\$812.6M	6.7%	\$8,208,551	\$246.16	7.6%	\$234.23	112	6.6%

(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
2028	-	-	-	-	-	-	\$311.02	166	7.1%
2027	-	-	-	-	-	-	\$289.10	155	7.5%
2026	-	-	-	-	-	-	\$272	146	7.8%
2025	-	-	-	-	-	-	\$265.03	142	7.9%
2024	-	-	-	-	-	-	\$273.46	146	7.9%
YTD	36	\$85.6M	0.9%	\$2,593,911	\$323.96	7.0%	\$283.91	152	7.6%
2023	110	\$203M	2.4%	\$2,281,282	\$380.67	6.2%	\$284.13	152	7.6%
2022	206	\$549.8M	6.0%	\$2,893,538	\$329.59	5.3%	\$301.76	162	7.0%
2021	198	\$417.7M	5.0%	\$2,282,773	\$279.12	5.7%	\$313.04	168	6.5%
2020	158	\$283.5M	3.5%	\$2,039,293	\$278.14	5.8%	\$288.06	154	6.7%
2019	224	\$310.5M	4.0%	\$2,444,733	\$322.98	6.1%	\$279.12	149	6.9%
2018	248	\$352.7M	6.0%	\$2,163,916	\$259.36	5.7%	\$269.84	144	6.8%
2017	280	\$315.4M	6.1%	\$1,866,512	\$210.04	6.3%	\$260.57	139	6.6%
2016	219	\$320.4M	4.9%	\$1,907,192	\$252.06	6.4%	\$257.63	138	6.4%
2015	286	\$336.9M	7.2%	\$1,792,159	\$198.98	5.9%	\$248.77	133	6.3%
2014	243	\$281.2M	6.7%	\$1,562,157	\$166.10	7.1%	\$230.39	123	6.4%
2013	185	\$169.4M	4.1%	\$1,459,940	\$181.24	7.2%	\$208.99	112	6.7%

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