

Q1 2018

Office Market Report

North County San Diego
Office Market Tracking Report
LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

San Diego County Economy Spotlight

NSDC Existing Inventory
79.9 Million Sq.Ft.
of Office Space

Irvine Co. Office
Continues Expansion
into Del Mar Heights
Source: Bisnow.com

California Office Sales
↓17% in 2017
2017 - 288 Major Office Sales
(\$22 Billion in Sales)
2016 - 319 Major Office Sales
(\$26 Billion in Sales)

San Diego Office Sales
↑11% in 2017
North County Life Science
2.4 Million Sq.Ft.
Total Vacancy: 1.1%

San Diego Unemployment
3.5% ↓
San Diego County Average is Down From Last Quarter

CoStar Group™
POWER BROKER AWARD
2017 Top Firm Award
Lee & Associates, Inc. - NSDC
TOP SALES FIRM
TOP LEASING FIRM

San Diego's Vacancy Stays at 9.6%

Net Absorption Negative (45,213) SF in the Quarter

FIRST QUARTER SUMMARY The San Diego Office market ended the first quarter 2018 with a vacancy rate of 9.6%. The vacancy rate was unchanged over the previous quarter, with net absorption totaling negative (45,213) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 550,096 square feet. Rental rates ended the first quarter at \$32.18, an increase over the previous quarter. There was 993,306 square feet still under construction at the end of the quarter.

INVENTORY Total office inventory in the San Diego market area amounted to 115,599,153 square feet in 5,540 buildings as of the end of the first quarter 2018. The Class-A office sector consisted of 35,148,780 square feet in 277 projects. There were 2,019 Class-B buildings totaling 56,431,167 square feet, and the Class-C sector consisted of 24,019,206 square feet in 3,244 buildings. Within the Office market there were 359 owneroccupied buildings accounting for 12,700,044 square feet of office space.

LARGEST LEASE SIGNINGS

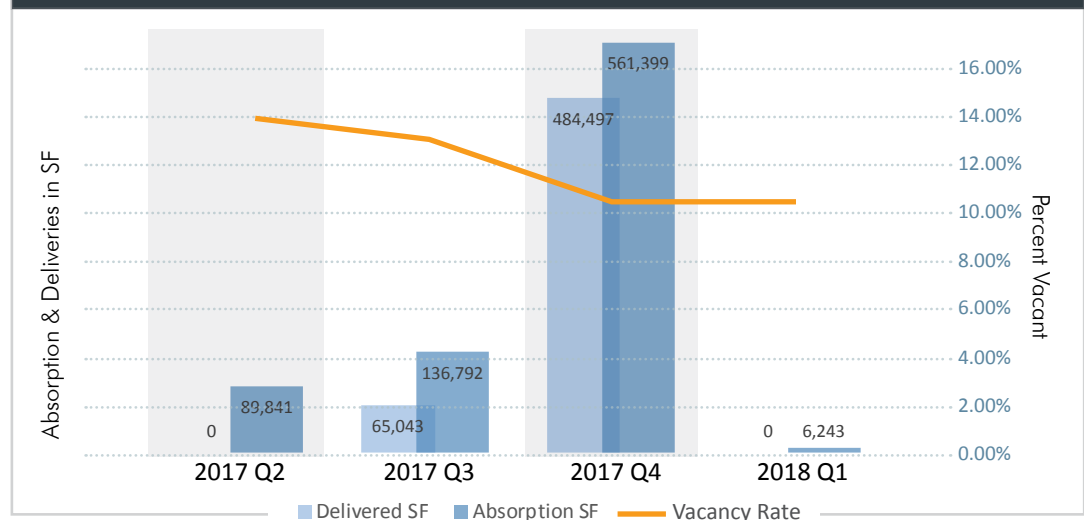
The largest lease signings occurring in 2018 included: the 72,331-square-foot lease signed by TrellisWare Technologies at Summit Pointe in the I-15 Corridor market; the 25,065-squarefoot deal signed by Avanti Workspace Executive Suites at Palomar Heights Corporate Center in the I-5 Corridor market; and the 24,368-square-foot lease signed by Paul Hastings LLP at La Jolla Commons Tower I in the North San Diego market.

VACANCY

The office vacancy rate in the San Diego market area remained at 9.6% at the end of the first quarter 2018. The vacancy rate was 9.6% at the end of the fourth quarter 2017, 9.7% at the end of the third quarter 2017, and 9.6% at the end of the second quarter 2017.

Market Tracker	Vacancy		YTD Net Absorption		Rental Rates/SF	
	Q1 2018	Q4 2017	Q1 2018	Q4 2017	Q1 2018	Q4 2017
San Diego County	9.6%	9.6%	(45,213 SF) ✓	1,128,299 SF	\$ 1.06 NNN	\$ 1.05 NNN
North County	10.5%	10.5%	6,243 SF ✓	561,399 SF	\$ 1.14 NNN ↑	\$ 1.11 NNN

ALL NSDC DELIVERIES, VACANCY RATE, NET ABSORPTION: Q1 2018



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Q1 2018 NORTH SAN DIEGO COUNTY INDUSTRIAL STANDINGS - 5 SUBMARKETS

SELECT SUB MARKETS	EXISTING INVENTORY		OVERALL VACANCY			YTD ABSORPTION (SF)	YTD DELIVERIES	# SF UNDER CONSTRUCTION	QUOTED RATES
	TOTAL BUILDINGS	TOTAL SF	DIRECT VACANT SF	TOTAL SF	% VACANCY				
Carlsbad	330	7,105,170	1,251,553	1,331,202	18.7%	(25,092)	0	362,258	\$2.48
Escondido	312	2,521,774	193,164	193,164	7.7%	7,725	0	76,400	\$1.92
Oceanside	167	1,781,675	150,002	154,939	8.7%	14,446	0	0	\$1.97
San Marcos	93	1,627,204	125,416	125,416	7.7%	9,767	0	0	\$2.30
Vista	177	1,738,637	245,055	245,167	14.1%	(5,880)	0	0	\$1.98
Total	1,079	14,774,460	1,965,190	1,869,888	11.4%	966	0	438,658	\$2.13

TOP 10 INDUSTRIAL SALES IN NORTH SAN DIEGO COUNTY - Q1 2018

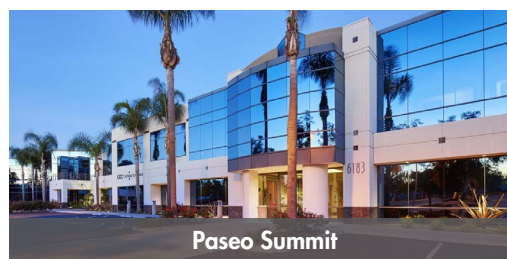
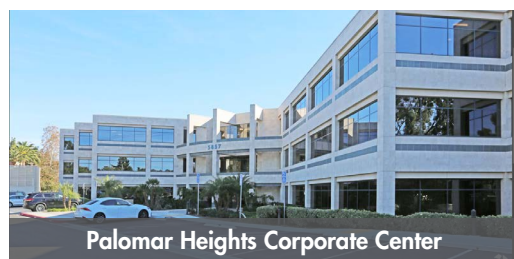


	Address	Bldg Size	Sales Price	Price/SF*
1	5540 Fermi Ct - Fairway Corp. Center*	65,090 SF	\$16,200,618	\$292.82
2	5541 Fermi Ct. - Fairway Corp. Center*	49,910 SF	\$12,422,382	\$292.82
3	145 Thunder Dr. - Tri-City Medical Plaza	16,486 SF	\$7,570,000	\$459.18
4	3156 Vista Way - Pacific Gateway Towers II*	34,916 SF	\$7,513,035	\$215.17
5	3142 Vista Way - Pacific Gateway Towers*	34,516 SF	\$7,426,965	\$215.17
6	1207 Carlsbad Village Drive	15,142 SF	\$5,000,000	\$330.21
7	3172 Lionshead Avenue - Bldg 7	12,176 SF	\$4,705,000	\$386.42
8	3905 Waring Road	10,218 SF	\$4,550,000	\$445.29
9	2910 Jefferson Street	10,904 SF	\$3,340,000	\$306.31
10	925 E Pennsylvania Avenue	9,686 SF	\$2,100,000	\$216.81

*Part of a Multi-Property Portfolio Sale

SELECT INDUSTRIAL LEASES IN NORTH SAN DIEGO COUNTY - Q1 2018

	Submarket	Size	Address/Building	Tenant
1	Carlsbad	25,065 SF	Palomar Heights Corporate Center	Avanti Workspace Executive Suites
2	Carlsbad	21,654 SF	Paseo Summit - Bldg B	Ostendo Technologies
3	Carlsbad	12,691 SF	Ventana - 2173 Salk Avenue	N/A



..... about lee & associates - north san diego county:

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