



North San Diego County Quarterly Report

# OFFICE MARKET

## THIRD QUARTER 2018



## City Summaries

**Carlsbad-** After several years of minimal construction and strong demand compressed vacancies, new spec projects have pushed them back toward their historically high average with the addition of new creative office space that has spread across the submarket. Even as deliveries have begun piling up, rent growth remains in the black. Investors, both local and institutional, are very active in Carlsbad, and sales volume often exceeds \$100 million in a year.

**Escondido-** New development this cycle follows the trend across San Diego, where what little has been constructed is of the medical/ office variety, such as the Palomar Health Outpatient Center. However, work is expected to begin in 2019 on a new mixed-use development on the Palomar Medical Center Downtown Escondido. Investors are relatively active in Escondido, and double-digit trades in a given year are common. Most trades, though, involve local parties, with only minimal institutional investment.

**Oceanside-** Few significant office users have an established footprint here. Most office development is geared toward medical tenants, while industrial developers have brought several spec projects to market over the last several years as the submarket has some of the last vestiges of large available tracts of land. Rents are low, vacancies tend to be stable, and investors typically only show modest interest in the submarket.

**San Marcos-** North City has the potential to inject nearly 1 million SF of new inventory into the submarket. Only a few projects at the site have begun to deliver—including Block C, a multifamily development. The dated inventory and geographic positioning in the metro support typically cheaper rents, which are among the metro's lowest. Investors aren't terribly active either, with few trades in a year common.

**Vista-** Government agencies dominate the large office-using tenants in Vista, although several office tenants have set up shop here to support neighboring manufacturing facilities. Absorption is historically modest here, and the vacancy rate tends to track well above the metro - and is expected to jump even higher once DJO Global vacates its 110,000 SF space at the end of the year at Vista Oaks Business Park. The company is laying off nearly 200 local employees (retaining 300 locally in other area offices) and shifting its corporate headquarters to Texas. Sales activity has been steady in Vista, with double digit trades recording for the fourth year in a row through 2017. (Source: CoStar)

## MARKET SNAPSHOT

North County totals are based on the 5 major cities of Lee & Associates NSDC (Carlsbad, Escondido, Oceanside, San Marcos and Vista)

The San Diego Office market ended the third quarter 2018 with a vacancy rate of 9.7%. The total vacancy was up over the previous quarter with net absorption totalling negative 335,313 square feet in the third quarter. Rental rates ended the third quarter at \$2.71 per square foot, a 0.4% increase over the previous quarter (\$2.70). (Source: CoStar)

### San Diego County

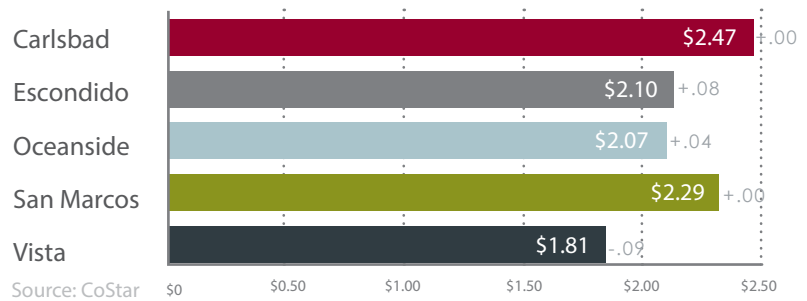
San Diego Inventory:	116,159,945
San Diego Availability:	10,723,771
San Diego Availability Rate:	9.7%
San Diego Absorption:	79,168
San Diego Rental Rates:	\$2.71

### North County

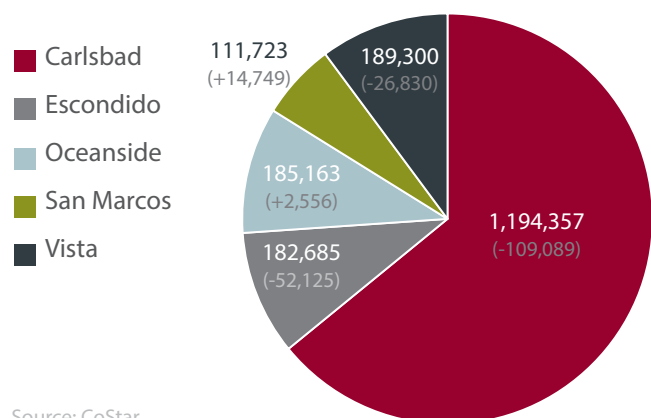
North County Inventory:	14,836,871
North County Availability:	1,863,228
North County Availability Rate:	10.4%
North County Absorption:	198,447
North County Rental Rates:	\$2.15

Source: CoStar

## RENTAL RATES BY SUBMARKET



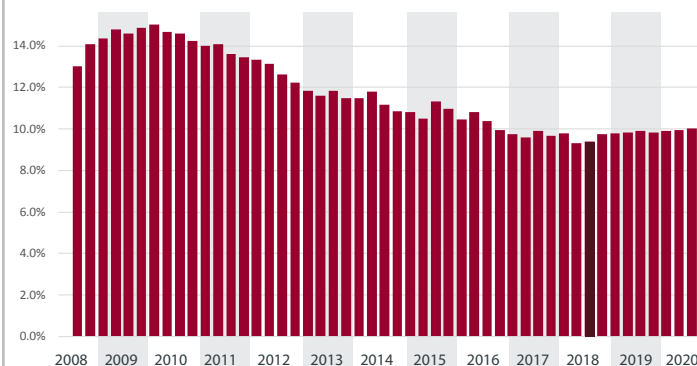
## TOTAL AVAILABLE SF BY SUBMARKET



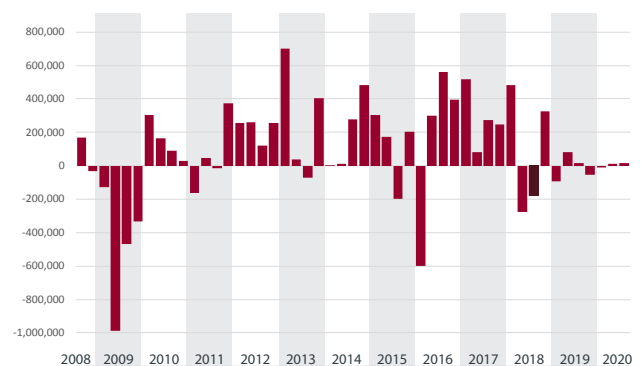
**SUBMARKET STATISTICS**

MARKET		INVENTORY		AVAILABILITY			AVAILABILITY RATE	
		Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
CARLSBAD								
	Class A	28	1,840,515	312,640	18,991	331,631	16.99%	18.02%
	Class B	221	4,914,505	802,731	14,026	816,757	16.33%	16.62%
	Class C	81	395,234	45,969	0	45,969	11.63%	11.63%
	<b>TOTAL</b>	<b>330</b>	<b>7,150,254</b>	<b>1,161,340</b>	<b>33,017</b>	<b>1,194,357</b>	<b>16.24%</b>	<b>16.70%</b>
ESCONDIDO								
	Class A	2	118,752	5,604	0	5,604	4.72%	4.72%
	Class B	102	1,243,167	86,068	12,290	98,358	6.92%	7.91%
	Class C	208	1,138,004	76,190	2,533	78,723	6.70%	6.92%
	<b>TOTAL</b>	<b>220</b>	<b>2,499,923</b>	<b>167,862</b>	<b>14,823</b>	<b>182,685</b>	<b>6.71%</b>	<b>7.31%</b>
OCEANSIDE								
	Class A	4	171,154	25,096	3,179	28,275	14.66%	16.52%
	Class B	80	1,188,083	119,485	4,937	124,422	10.05%	10.46%
	Class C	82	421,377	32,466	0	32,466	7.70%	7.70%
	<b>TOTAL</b>	<b>166</b>	<b>1,780,614</b>	<b>177,047</b>	<b>8,116</b>	<b>185,163</b>	<b>9.94%</b>	<b>10.40%</b>
SAN MARCOS								
	Class A	7	519,003	44,772	0	44,772	8.63%	8.63%
	Class B	36	697,329	60,198	0	60,198	8.63%	8.63%
	Class C	51	420,309	6,753	0	6,753	1.61%	1.61%
	<b>TOTAL</b>	<b>94</b>	<b>1,636,641</b>	<b>111,723</b>	<b>0</b>	<b>111,723</b>	<b>6.83%</b>	<b>6.83%</b>
VISTA								
	Class A	0	0	0	0	0	0	0
	Class B	87	1,136,031	138,822	0	138,882	12.22%	12.22%
	Class C	92	633,408	50,478	0	50,478	7.97%	7.97%
	<b>TOTAL</b>	<b>179</b>	<b>1,769,439</b>	<b>189,300</b>	<b>0</b>	<b>189,300</b>	<b>10.70%</b>	<b>10.70%</b>

Source: CoStar

**HISTORICAL AVAILABILITY / ABSORPTION RATES**

SAN DIEGO AVAILABILITY



SAN DIEGO ABSORPTION

Source: CoStar

# TOP TRANSACTIONS

OFFICE MARKET Q3 2018

## TOP OFFICE SALES IN NORTH SAN DIEGO COUNTY



**5919 Sea Otter Place - Beta**  
Carlsbad, CA

Size: 138,019 SF  
Price: \$34,086,351  
(\$290.55/SF)



**5901 Priestly Drive**  
Carlsbad, CA

Size: 97,823 SF  
Price: \$26,828,500  
(\$274.26/SF)



**5909 Sea Otter Place - Alpha**  
Carlsbad, CA

Size: 93,773 SF  
Price: \$23,159,149  
(\$290.55/SF)



**6005 Hidden Valley Road**  
Carlsbad, CA

Size: 71,563 SF  
Price: \$19,000,000  
(\$265.50/SF)



**2701 Loker Avenue W**  
Carlsbad, CA

Size: 81,810 SF  
Price: \$17,000,000  
(\$207.80/SF)



**5540 Fermi Court**  
Carlsbad, CA

Size: 65,090 SF  
Price: \$16,200,618  
(\$292.82/SF)



**2282 Faraday Avenue**  
Carlsbad, CA

Size: 28,704 SF  
Price: \$14,000,000  
(\$487.74/SF)



**2446 Town Garden Road**  
Carlsbad, CA

Size: 90,000 SF  
Price: \$13,688,000  
(\$152.09/SF)



**3220 Executive Ridge**  
Vista, CA

Size: 60,649 SF  
Price: \$12,800,000  
(\$211.05/SF)



**5541 Fermi Court**  
Carlsbad, CA

Size: 49,910 SF  
Price: \$12,422,382  
(\$292.82/SF)

## TOP OFFICE LEASES IN NORTH SAN DIEGO COUNTY



**La Terraza Corporate Plaza**  
500 La Terraza Blvd  
Escondido, CA

Size: 26,995 SF  
Tenant: Wells Fargo



**Ventana**  
2175 Salk Avenue  
Carlsbad, CA

Size: 25,136 SF  
Tenant: N/A



**Palomar Heights Corporate Center**  
5860-5876 Owens Ave  
Carlsbad, CA

Size: 25,065 SF  
Tenant: Avanti Workspace ExSuites



**Aston Point**  
1800 Aston Point  
Carlsbad, CA

Size: 23,959 SF  
Tenant: N/A



**Paseo Summit - Building B**  
6185 Paseo Del Norte  
Carlsbad, CA

Size: 21,654 SF  
Tenant: Ostendo Technologies



**MAKE**  
5600 Avenida Encinas  
Carlsbad, CA

Size: 19,173 SF  
Tenant: N/A



**Lift - Building A**  
6023 Innovation Way  
Carlsbad, CA

Size: 17,510 SF  
Tenant: Ezoic



**MAKE**  
5600 Avenida Encinas  
Carlsbad, CA

Size: 17,242 SF  
Tenant: N/A



**Pacific View Plaza**  
5973 Avenida Encinas  
Carlsbad, CA

Size: 15,904 SF  
Tenant: N/A



**Ventana**  
2175 Salk Avenue  
Carlsbad, CA

Size: 12,691 SF  
Tenant: N/A

Source: CoStar

**FOR SALE!**

**Carlsbad**  
**3176 Lionshead Avenue**



**Two Office Condominiums**

**Condo Size: 5,785 & 6,391 SF**  
**Lot Size: 62,601 SF**

Lee & Associates - NSDC Agents:  
Isaac Little | Marko Dragovic  
TJ Donnelly

**FOR SALE!**

**Carlsbad**  
**3156 Lionshead Avenue**



**Two Office Condominiums**

**Condo Size: 4,895 & 4,874 SF**  
**Currently demised into two (2) suites (8,086 & 1,683 SF)**

Lee & Associates - NSDC Agents:  
Isaac Little | Marko Dragovic  
TJ Donnelly

**FOR SALE!**

**Vista**  
**1365 W Vista Way**



**Freestanding Office Building**

**Building Size: 9,600 SF**  
**Lot Size: 27,007 SF**

Lee & Associates - NSDC Agents:  
Chris Roth | Rusty Williams, SIOR

**FOR SALE!**

**San Diego**  
**8801 Kenmar Drive**



**Freestanding Office Building**

**Building Size: 9,586 SF**  
**Lot Size: 0.97 Acres**

Lee & Associates - NSDC Agent:  
Tim Gosselin

**FOR SALE!**

**Carlsbad**  
**3164 Lionshead Avenue, Ste B**



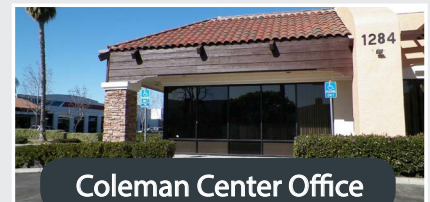
**Office Condominium**

**Condo Size: 3,921 SF**  
**Parking: 4 Spaces per 1,000 SF**

Lee & Associates - NSDC Agents:  
Isaac Little | Marko Dragovic  
TJ Donnelly

**FOR LEASE!**

**San Marcos**  
**1284 W San Marcos Boulevard**



**Coleman Center Office**

**Size: 4,680-13,150 SF**  
**Office Space: 8,266 SF**

Lee & Associates - NSDC Agents:  
Jeff Abramson | Greg Gershman

**FOR LEASE!**

**Oceanside**  
**2204 El Camino Real**



**Office/Medical Space**

**Size: 600 - 7,600 SF**  
**Parking: 5 Spaces per 1,000 SF**

Lee & Associates - NSDC Agent:  
Jeff Abramson

**FOR LEASE!**

**Oceanside**  
**1945-1949 Avenida Del Oro**



**High Image Flex & Office Park**

**Condo Size: 2,233 - 3,763 SF**  
**Lot Size: - Acres**

Lee & Associates - NSDC Agents:  
Peter Merz | Daniel Knoke

**FOR LEASE!**

**Vista**  
**1120 Sycamore Avenue**



**Office/Industrial**

**Size: 922 - 3,529 SF**  
**Parking: 3.62 Spaces per 1,000 SF**

Lee & Associates - NSDC Agents:  
Isaac Little | Marko Dragovic  
TJ Donnelly

Lee & Associates - NSDC maintains an up-to-date database of all available properties and sold/leased properties. For more information, log on to our website and click on the properties link.

All information furnished regarding property for sale, rental or financing is from sources deemed reliable, but no warranty or representation is made to the accuracy thereof and same is submitted to errors, omissions, change of price, rental or other conditions prior to sale, lease or financing or withdrawal without notice. No liability of any kind is to be imposed on the broker herein.

Agent	Title	Phone #	Email	Specialties
Jeff Abramson	Principal	760.929.7835	jabramson@lee-associates.com	Office, Industrial & Investment Brokerage
Al Apuzzo	Principal	760.448.2442	aapuzzo@lee-associates.com	Land, Retail & Investment Brokerage
Victor Aquilina	Associate	760.448.1370	vaquilina@lee-associates.com	Retail
Ryan Barr	Principal	760.448.2446	rbarr@lee-associates.com	Net Leased Investments - Nationwide
Ryan Bennett	Principal	760.448.2449	rbennett@lee-associates.com	Net Leased Investments - Nationwide
Nicholas Cosenza	Associate	760.448.1366	ncosenza@lee-associates.com	Land, Retail & Investment Brokerage
Steve Crockett	Associate	760.448.2439	scrockett@lee-associates.com	Industrial, Office & Investment Brokerage
TJ Donnelly	Associate	760.929.7843	tjdonnelly@lee-associates.com	Industrial, Office & Investment Brokerage
Marko Dragovic	Principal	760.929.7839	mdragovic@lee-associates.com	Industrial, Office & Investment Brokerage
Marc Dudzik	Principal	760.448.2456	mdudzik@lee-associates.com	Retail & Investment Brokerage
Trent France	Principal	760.929.7838	tfrance@lee-associates.com	Industrial Sales & Leasing Brokerage
Dan Gaston	Associate	760.448.2441	dgaston@lee-associates.com	Industrial, Manufacturing & Distribution Properties
Greg Gershman	Principal	760.929.7861	ggershman@lee-associates.com	Industrial & Office Brokerage
Tim Gosselin	Associate	760.929.8134	tgosselin@lee-associates.com	Industrial, Office & Investment Brokerage
Bo Havlik	Principal	760.448.2454	bhavlik@lee-associates.com	Transactional Restaurant & Tenant Representation
Daniel Knoke	Principal	760.929.7836	dknoke@lee-associates.com	Industrial Sales & Leasing Brokerage
Isaac Little	Principal	760.929.7862	ilittle@lee-associates.com	Industrial, Office & Investment Brokerage
Peter Merz	Principal	760.448.1362	pmerz@lee-associates.com	Industrial & Investment Brokerage
Monique Medley	Associate	760.448.2438	mmedley@lee-associates.com	Industrial, Office & Investment Brokerage
Patrick Miller, CCIM	Principal	760.929.9700	pmiller@lee-associates.com	Land & Investment Brokerage
Alma Miluso	Jr. Associate	760.448.2451	amiluso@lee-associates.com	Tenant Representation Brokerage
Tim Moore	Sr. Vice President	760.448.2450	tmoore@lee-associates.com	Industrial, Office & Retail Brokerage
Kelly Nicholls	Sr. Vice President	760.448.2440	knocholls@lee-associates.com	Tenant Representation & Investment Brokerage
Drew Olson	Associate	760.448.1372	dolson@lee-associates.com	Net Leased Investments - Nationwide
John Orlando	Vice President	760.448.2455	jorlando@lee-associates.com	Retail & Industrial Sales
Greg Pieratt, SIOR	Principal	760.929.7837	gpieratt@lee-associates.com	Tenant Representation & Investment Brokerage
Garrett Sholer	Principal	760.448.1363	gsholer@lee-associates.com	Self-Storage, Industrial, Retail, Investment & Development Brokerage
Chris Roth	Principal	760.448.2448	croth@lee-associates.com	Industrial, Office, Medical Office & Investment Brokerage
Matt Weaver	Principal	760.448.2458	mweaver@lee-associates.com	Residential and Commercial Land Brokerage
Alex Weiss	Associate	760.448.2452	aweiss@lee-associates.com	Tenant Representation Brokerage
Rusty Williams, SIOR	Principal	760.448.2453	rwilliams@lee-associates.com	Industrial, Office & Investment Brokerage

**ABOUT LEE & ASSOCIATES**

Lee & Associates, founded in 1979, is one of the largest regional commercial real estate providers in the United States.

Since 1979, our seasoned, motivated shareholders and professionals have been offering comprehensive quality service nationally and locally in a pro-active manner. We develop customized solutions for all your real estate needs through our market-to-market knowledge in all property types. Our unique business model and extensive experience has helped us become one of the largest commercial real estate providers in the United States.



The information and details contained herein have been obtained from third-party sources believed to be reliable, however, Lee & Associates has not independently verified its accuracy.

Lee & Associates makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to, the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information.

The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice. Third-party data sources: CoStar Group, Inc., BizNow, GlobeSt.com, CoStar Property and Lee Proprietary Data. © Copyright 2018 Lee & Associates all rights reserved.