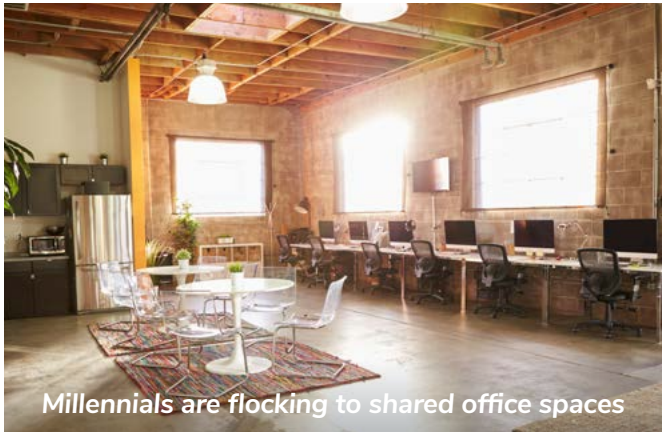




North San Diego County Quarterly Report

# OFFICE MARKET

## FOURTH QUARTER 2018



Millennials are flocking to shared office spaces

### 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. 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. 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. Recent gentrification of the coastal area has sparked new interest with investors, owners, users and developers. This is still one of the last North County coastal areas where good opportunities can be found. Rents are still relatively low and vacancies tend to be stable.

**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. Sales activity has been steady in Vista, with double digit trades recording for the fourth year in a row through 2017. (Source: CoStar)

At Lee & Associates North San Diego County, we are dedicated to providing our customers with unparalleled representation by providing real estate solutions with accuracy and efficiency. We appreciate your business and invite you to contact us with any questions you might have regarding commercial properties in North San Diego County.

## 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 fourth quarter 2018 with a vacancy rate of 9.7%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 133,074 square feet in the fourth quarter. Vacant sublease space increased in the quarter, ending the quarter at 540,252 square feet. Rental rates ended the fourth quarter at \$2.73, an increase over the previous quarter. A total of six buildings delivered to the market in the quarter totaling 323,365 square feet, with 936,640 square feet still under construction at the end of the quarter. (Source: CoStar)

### San Diego County

San Diego Inventory:	116,159,174
San Diego Availability:	10,785,017
San Diego Availability Rate:	9.7%
San Diego Absorption:	240,905
San Diego Rental Rates:	\$2.73

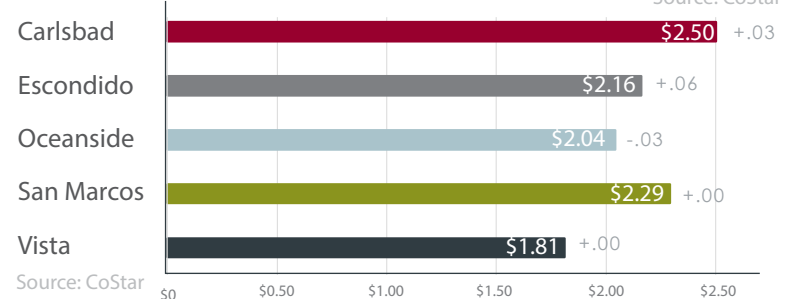
### North County

North County Inventory:	15,102,798
North County Availability:	1,970,245
North County Availability Rate:	11.1%
North County Absorption:	348,862
North County Rental Rates:	\$2.16

## RENTAL RATES BY SUBMARKET

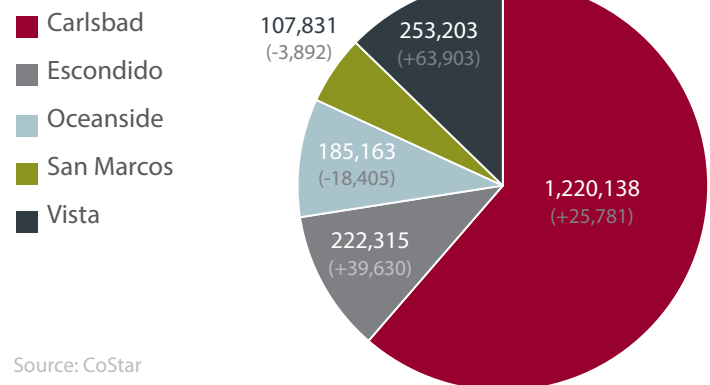
(compared to previous quarter)

Source: CoStar



## TOTAL AVAILABLE SF BY SUBMARKET

(compared to previous quarter)



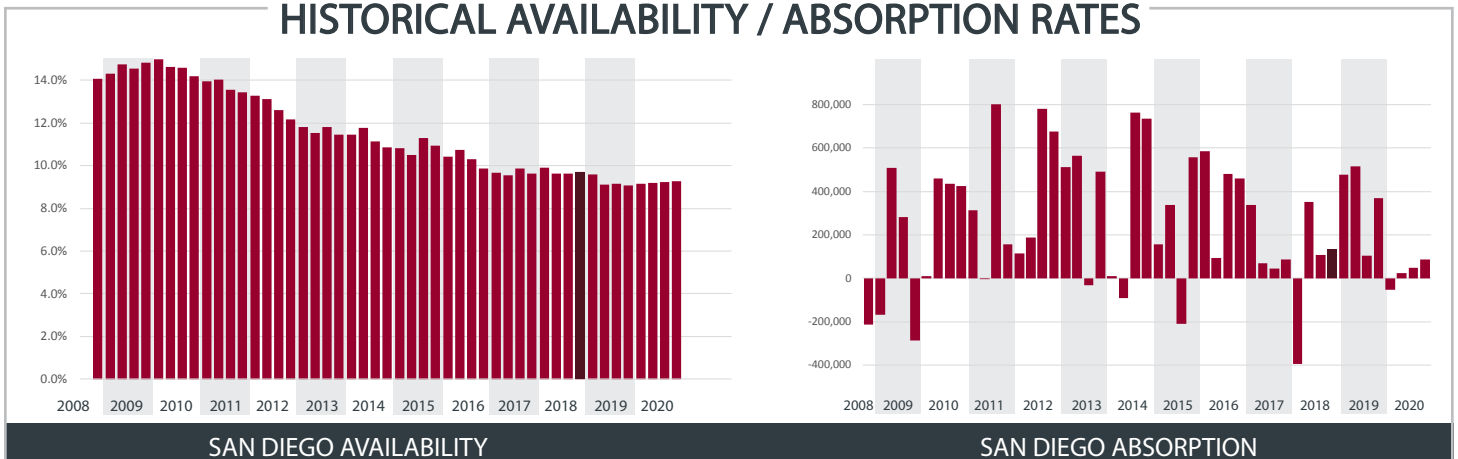
Source: CoStar

## SUBMARKET STATISTICS

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
<b>CARLSBAD</b>							
Class A	30	2,020,794	282,240	33,774	316,014	13.97%	15.64%
Class B	222	4,941,904	874,364	8,354	882,718	16.07%	16.65%
Class C	80	365,880	21,406	0	21,406	5.85%	5.85%
<b>TOTAL</b>	<b>332</b>	<b>7,328,578</b>	<b>1,178,010</b>	<b>42,128</b>	<b>1,220,138</b>	<b>16.07%</b>	<b>16.65%</b>
<b>ESCONDIDO</b>							
Class A	3	194,327	30,604	0	30,604	15.75%	15.75%
Class B	102	1,244,792	86,239	12,290	98,529	6.93%	7.92%
Class C	208	1,138,372	93,182	0	93,182	8.19%	8.19%
<b>TOTAL</b>	<b>313</b>	<b>2,577,491</b>	<b>210,025</b>	<b>12,290</b>	<b>222,315</b>	<b>8.15%</b>	<b>8.63%</b>
<b>OCEANSIDE</b>							
Class A	4	171,154	26,210	0	26,210	15.31%	15.31%
Class B	80	1,188,813	105,446	5,989	111,435	8.87%	9.37%
Class C	83	422,207	29,113	0	29,113	6.90%	6.90%
<b>TOTAL</b>	<b>167</b>	<b>1,782,174</b>	<b>160,769</b>	<b>5,989</b>	<b>166,758</b>	<b>9.02%</b>	<b>9.36%</b>
<b>SAN MARCOS</b>							
Class A	7	519,003	40,562	0	40,562	7.82%	7.82%
Class B	37	716,921	60,516	0	60,516	8.44%	8.44%
Class C	51	420,309	6,753	0	6,753	1.61%	1.61%
<b>TOTAL</b>	<b>95</b>	<b>1,656,233</b>	<b>107,831</b>	<b>0</b>	<b>107,831</b>	<b>6.51%</b>	<b>6.51%</b>
<b>VISTA</b>							
Class A	0	0	0	0	0	0	0
Class B	87	1,132,043	137,585	0	137,585	12.15%	12.15%
Class C	91	626,279	114,718	900	115,618	18.32%	18.46%
<b>TOTAL</b>	<b>178</b>	<b>1,758,322</b>	<b>252,303</b>	<b>900</b>	<b>253,203</b>	<b>14.35%</b>	<b>14.40%</b>

Source: CoStar

## HISTORICAL AVAILABILITY / ABSORPTION RATES



Source: CoStar

## TOP Q4 OFFICE SALES IN NORTH SAN DIEGO COUNTY

<b>PART OF PORTFOLIO</b>	<b>PART OF MULTI-PROPERTY</b>	<b>PART OF MULTI-PROPERTY</b>		<b>PART OF MULTI-PROPERTY</b>
<b>6010 Hidden Valley Road Carlsbad, CA</b>	<b>6183 Paseo Del Norte - Bldg III Carlsbad, CA</b>	<b>6185 Paseo Del Norte - Bldg IV Carlsbad, CA</b>	<b>785 Grand Avenue Carlsbad, CA</b>	<b>221 E Main St Vista, CA</b>
<b>Size: 49,580 SF Price: \$29,500,000 (\$595.00/SF)</b>	<b>Size: 32,810 SF Price: \$12,035,347 (\$366.82/SF)</b>	<b>Size: 42,017 SF Price: \$10,964,653 (\$260.96/SF)</b>	<b>Size: 19,363 SF Price: \$6,540,000 (\$337.76/SF)</b>	<b>Size: 15,000 SF Price: \$4,460,000 (\$297.33/SF)</b>
<b>2251 Las Palmas Dr Carlsbad, CA</b>	<b>3150 Pio Pico Drive Carlsbad, CA</b>	<b>956 Vale Terrace Vista, CA</b>	<b>3176 Lionshead Ave - Bldg 6 Carlsbad, CA</b>	<b>5962 Priestly Drive Carlsbad, CA</b>
<b>Size: 11,600 SF Price: \$3,600,000 (\$310.34/SF)</b>	<b>Size: 11,456 SF Price: \$3,425,000 (\$298.97/SF)</b>	<b>Size: 29,848 SF Price: \$3,250,000 (\$108.88/SF)</b>	<b>Size: 12,176 SF Price: \$2,750,000 (\$225.85/SF)</b>	<b>Size: 6,360 SF Price: \$2,160,000 (\$339.62/SF)</b>

## TOP Q4 OFFICE LEASES IN NORTH SAN DIEGO COUNTY

<b>Carlsbad Gateway Center 5650 El Camino Real Carlsbad, CA</b>	<b>The Atrium 410 S Melrose Dr Vista, CA</b>	<b>Atrium II 2710 Loker Ave W Carlsbad, CA</b>	<b>Summit Office Building 1155 Sportfisher Drive Oceanside, CA</b>	<b>Freestanding Building 110 N Ditmar St Oceanside, CA</b>
<b>Size: 2,124 SF Price: \$1.99/+ELEC</b>	<b>Size: 1,754 SF Price: \$1.85/+UTIL</b>	<b>Size: 25,065 SF Price: \$2.20/+ELEC</b>	<b>Size: 2,221 SF Price: \$1.75/SF+UT/JA</b>	<b>Size: 1,560SF Price: \$-</b>
<b>Element 2236 Rutherford Road Carlsbad, CA</b>	<b>BeachHAUS Studios 1140 S Tremont Street Oceanside CA</b>	<b>Carlsbad Gateway Center 5650 El Camino Real Carlsbad, CA</b>	<b>Genesis Corporate Centre 5938 Priestly Drive Carlsbad, CA</b>	<b>Summit Office Building 1155 Sportfisher Drive Oceanside, CA</b>
<b>Size: 7,874 SF Price: \$</b>	<b>Size: 1,000 SF Price: \$0.75/FS Gross</b>	<b>Size: 1,437 SF Price: \$1.99/+ELEC</b>	<b>Size: 1,562 SF Price: \$1.80/+ELEC</b>	<b>Size: 1,277 SF Price: \$1.75/SF+UT/JA</b>

Source: CoStar

**FOR SALE!** Oceanside  
2191 S El Camino Real



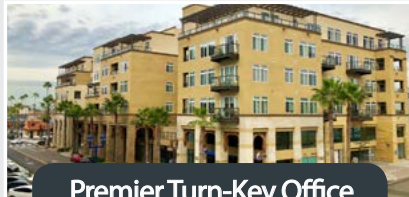
**Office Building with Existing Income**  
Building Size: 10,254 SF  
Lot Size: 0.534 Acres  
Lee & Associates - NSDC Agents:  
Tim Moore | Al Apuzzo

**FOR SALE!** San Diego  
8801 Kenamar Drive



**Freestanding Office Building**  
Building Size: 10,038 SF  
Two-story building with separate on-site storage building  
Lee & Associates - NSDC Agent:  
Tim Gosselin

**FOR SALE!** Oceanside  
301 Mission Ave, Ste 209



**Premier Turn-Key Office**  
Building Size: 2,193 SF  
Ocean View Premier Corner Office  
Lee & Associates - NSDC Agent:  
Jeff Abramson

**FOR SALE!** Escondido  
305 E. 2nd Avenue



**Freestanding Office Building**  
Building Size: 3,104 SF  
Lot Size: 5,111 SF  
Lee & Associates - NSDC Agent:  
Michael Golden

**FOR SUBLEASE!** San Diego  
4747 Viewridge Avenue



**Office Building**  
Condo Size: 3,258 SF - 13,297 SF  
Koi Pond and Meditation Area  
Lee & Associates - NSDC Agents:  
Alma Miluso | Greg Pieratt

**FOR LEASE!** San Diego  
7630 Carroll Rd, Ste 201



**Miramar Metroplex**  
Size: ±14,267 SF  
Lot Size: 1.73 Acres  
Lee & Associates - NSDC Agents:  
Tim Gosselin

**FOR LEASE!** San Marcos  
330-340 Rancheros Dr, Ste



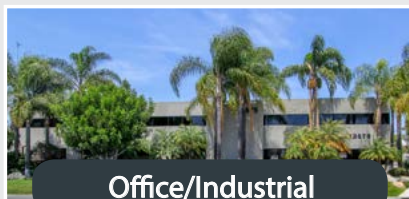
**Executive Suites, Retail/Flex & Office**  
Size: 1,217 SF - 7,348 SF  
Creative Tenant Improvement Options  
Lee & Associates - NSDC Agent:  
John Orlando

**FOR LEASE!** Oceanside  
2204 S El Camino Real, Ste 200



**Medical Office Suites**  
Rentable SF: 600 SF - 6,700 SF  
Ocean and lagoon views  
Lee & Associates - NSDC Agent:  
Jeff Abramson

**FOR LEASE!** Vista  
2575 Pioneer Ave, Ste 101



**Office/Industrial**  
Size: 4,957 SF  
Lush landscaped property  
Lee & Associates - NSDC Agents:  
Isaac Little | Marko Dragovic

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**ABOUT LEE & ASSOCIATES**

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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.



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