



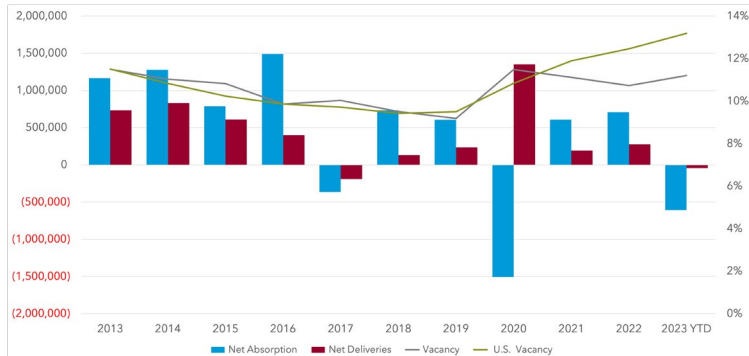
OFFICE MARKET OVERVIEW

SPENCER DOK, *Associate*

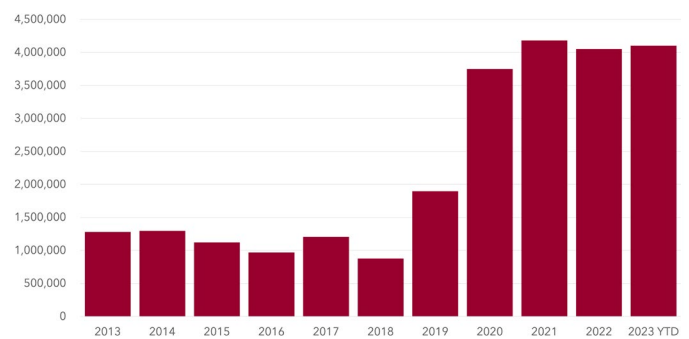
San Diego's office market benefits from a diverse mix of defense contractors, healthcare providers, life sciences firms, and tech companies supported by top universities. However, challenges persist, especially in biotech demand, leading to a decline in leasing activity for four consecutive quarters. The office market has become divided, with newer, well-located assets performing better than older properties. Despite positive net absorption, vacancy rates remain higher than pre-pandemic levels. Sublet space availability is at a 15-year high. Rent growth exceeds the national average, but adjusting for inflation, rents are falling. The market is set to witness a significant influx of speculative development, although cautious investor sentiment prevails due to rising interest rates.

MARKET INDICATORS	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
▼ 12 Mo. Net Absorption SF	(1,040,252)	233,917	708,631	1,241,518	2,091,072
▲ Vacancy Rate	11.2%	10.9%	10.7%	10.8%	10.4%
▲ Avg NNN Asking Rate PSF	\$3.21	\$3.20	\$3.19	\$3.18	\$3.16
▲ SF Under Construction	4,102,469	4,051,045	4,051,045	3,901,414	3,901,414
▼ Inventory SF	119,357,491	119,381,678	119,399,555	119,471,566	119,678,607

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
5825 Oberlin Drive San Diego, CA	60,518 SF	\$36,000,000 \$594.86 PSF	King Street Properties Nuveen	Class B
2581 Camino Del Rio S San Diego, CA	32,000 SF	\$6,695,000 \$209.22 PSF	CGSK Properties LLC 2581 Camino Del Rio LP	Class B
10085 Carroll Canyon Road San Diego, CA	22,532 SF	\$6,421,620 \$285.00 PSF	10085 Carroll Canyon LLC Rosner & Mansfield	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
4655 Executive Drive San Diego, CA	45,706 SF	Irvine Company	CoStar Group	Software
12830 El Camino Real San Diego, CA	30,294 SF	Kilroy Realty	Undisclosed	Undisclosed
9808 Scranton Road San Diego, CA	23,452 SF	CalSTRS / ARE	Undisclosed	Undisclosed

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