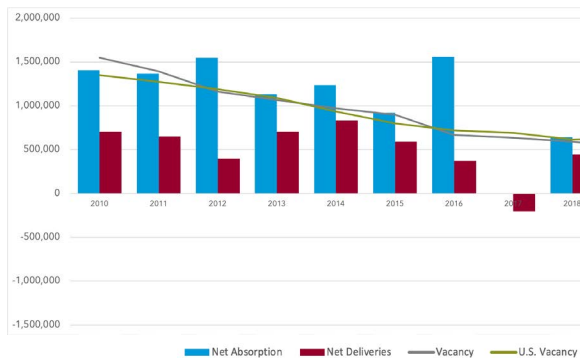**LEE & ASSOCIATES**
COMMERCIAL REAL ESTATE SERVICES

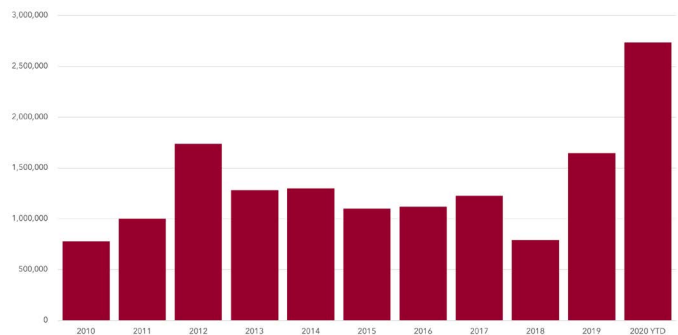## OFFICE MARKET OVERVIEW

JAMES BENGALA, *Senior Associate*

With the pandemic in full swing, the office market in NSDC experienced a turbulent Q2 2020. Lease and investment deals carrying over from Q1 had a 50/50 realization rate of closing while overall activity slowed significantly. Both tenants & investors sought out aggressive discounts while landlords and sellers held firm to pricing. California's moratorium on evictions assisted businesses hamstrung by the pandemic's economic disruption yet delayed the pain for many landlords ultimately proceeding with evictions. Landlords will experience an increase in vacancies in Q3 with tenants anticipating reduced rental rates and increased incentives/concessions.

MARKET INDICATORS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
▼ Net Absorption	(547,821) SF	53,022 SF	549,925 SF	660,019 SF	874,213 SF
▲ Vacancy Rate	10.00%	9.70%	9.30%	9.60%	9.30%
▲ Avg NNN Asking Rate	$34.88 PSF	$34.79 PSF	$34.39 PSF	$33.99 PSF	$33.55 PSF
▲ Under Construction	2,737,557 SF	1,975,557 SF	1,646,906 SF	1,380,088 SF	1,304,406 SF
◄► Inventory	117,702,706 SF	117,702,706 SF	117,594,683 SF	117,563,768 SF	117,433,636 SF

NET ABSORPTION, NET DELIVERIES, & VACANCY

UNDER CONSTRUCTION

TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
5796 Armada Dr Carlsbad, CA	75,000 SF	$28,250,000 $376.67 PSF	SENTRE, Inc. Miller Global Properties, LLC	Class A
585-593 E. Elder St Fallbrook, CA	24,987 SF	Undisclosed	Undisclosed Undisclosed	Undisclosed
240 S. Hickory St Escondido, CA	19,277 SF	$2,000,000 $103.75 PSF	Hotel Investment Group Alvin Illig	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
10265 Science Center Dr San Diego, CA	74,000 SF	Healthpeak Properties, Inc.	Cooley LLP	Law Firm
1050 Los Vallecitos Blvd San Marcos, CA	41,258 SF	Ashley Furniture Industries, Inc.	Undisclosed	Undisclosed
6602-6694 Convoy Ct San Diego, CA	40,431 SF	Chestnut Properties	Undisclosed	Undisclosed