



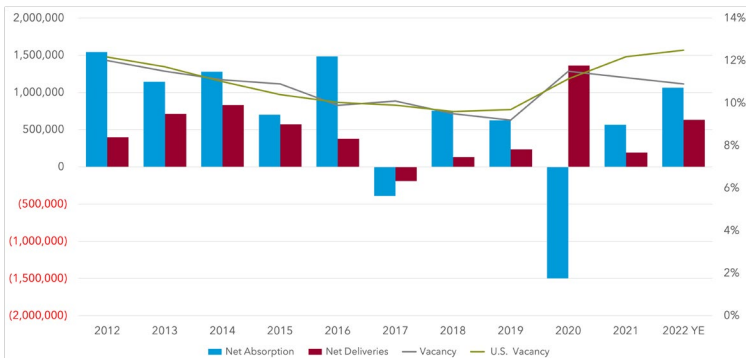
OFFICE MARKET OVERVIEW

JORDAN RIVKIN, Associate

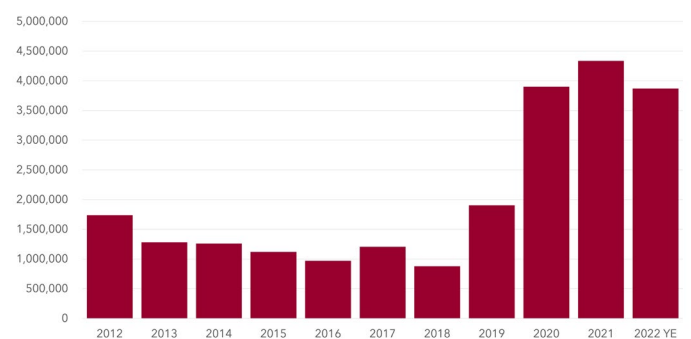
The fourth quarter showed further signs of a recovering office market in San Diego. Multiple large office projects, namely in the Rancho Bernardo submarket, are set to come online during the early parts of 2023. As the recession looms, office leasing velocity saw a slight uptick. An interesting office submarket to watch over the coming months is Downtown; the vacancy rates are at an all time high, and this unused square footage is spurring conversation of conversions to maximally utilize the space. Another trend to watch for is the increase of office "condoization." As tenants are using less space compared to pre-pandemic levels, more and more condos are coming out for sale. All and all, the 2023 office market will be one to watch with a close eye as things continue to develop.

| MARKET INDICATORS | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| ▼ 12 Mo. Net Absorption SF | 886,382 | 1,393,167 | 2,191,963 | 1,287,790 | 598,175 |
| ▲ Vacancy Rate | 10.90% | 10.80% | 10.50% | 11.10% | 11.20% |
| ◀▶ Avg NNN Asking Rate PSF | \$3.14 | \$3.14 | \$3.13 | \$3.11 | \$3.07 |
| ▼ SF Under Construction | 3,900,000 | 4,000,000 | 4,000,000 | 4,200,000 | 4,300,000 |
| ◀▶ Inventory SF | 119,000,000 | 119,000,000 | 119,000,000 | 119,000,000 | 119,000,000 |

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



| TOP SALE TRANSACTIONS BY SF | SIZE | SALE PRICE | BUYER / SELLER | BUILDING CLASS |
|--|-----------|------------------------------|--|----------------|
| 3838 Camino Del Rio N San Diego, CA | 94,612 SF | \$21,600,000 \$228.04 PSF | Bitwise At State Center LLC HighBrook Investors | Class B |
| 1959 Palomar Oaks Way San Diego, CA | 47,273 SF | \$10,100,000 \$213.79 PSF | MJL Properties Labrynth, Inc. | Class B |
| 1925 Palomar Oaks Way San Diego, CA | 46,065 SF | \$9,070,000 \$197.00 PSF | M.C. Strauss Company Brookwood Financial Partners LLC | Class B |

| TOP LEASE TRANSACTIONS BY SF | SIZE | LANDLORD | TENANT | TENANT INDUSTRY |
|---|------------|----------------------|-------------|-------------------|
| 8620 Spectrum Center Boulevard San Diego, CA | 120,209 SF | Sunroad Holding Corp | GSA | Government Agency |
| 1155 Genesis Avenue San Diego, CA | 36,000 SF | Phase 3 Real Estate | Excellos | Biotechnology |
| 4375 Jutland Drive San Diego, CA | 31,530 SF | Apex Real Estate Inc | Undisclosed | Undisclosed |

