

OFFICE MARKET REPORT

Q3 - 2020



DETAILS

Vacancy Rate: The vacancy rate for office space in the 3rd quarter of 2020 for the San Diego market increased to 11.2% compared to 10% in the 2nd quarter of 2020.

Absorption: Net Absorption for office space at the end of the 3rd quarter in 2020 was negative (703,547) square feet compared to negative (429,863) square feet of net absorption at the end of the 2nd quarter.

Lease Rates: Average quoted asking rental rates for available office space, all classes, decreased in the 3rd quarter to \$2.89/sf/month compared to \$2.90 in the 2nd quarter.

Construction: There is 2,038,181 SF of office space is under construction in the 3rd quarter of 2020.

OVERVIEW

Summary: As might be expected given the uncertainty in the space markets and on valuations, deal flow and sales volume both cooled notably. Most of the recent sizable office deals have traded as redevelopment projects into lab space or for their land value.

As schools, businesses, and countless other ventures transition into a new normal to combat the spread of the coronavirus, the longer-term impact on the office market is still not fully known. However, what is clear is that leasing volume has fallen off dramatically since the outbreak while sublet

The slowdown in leasing comes as spec development has picked up. Kilroy is building 2100 Kettner in Little Italy, and Lincoln Property Group also broke ground on Aperture Del Mar at the beginning of 2020. Horton Plaza's redevelopment into a high-tech/life science hub started in 20Q2 with the first phase expected to be ready in 2022. space.

Q3 SUMMARY



Vacancy Rate Increased



Lease Rates Decreased



842,622 SF of office space delivered

MARKET STATISTICS

Location	# of Bldgs	Total RBA	Total Vacancy (SF)	Vacancy %	YTD Net Absorption	Under Construction (SF)	Market Rent (psf)
Del Mar/Carmel Valley	83	5,128,000	730,040	14.2%	208,725	217,000	\$4.30
Downtown	237	13,962,000	2,980,035	21.3%	(358,368)	1,073,000	\$2.94
Kearny Mesa	284	11,380,000	1,179,950	10.4%	(304,567)	125,000	\$2.63
Mission Valley	139	7,346,000	1,070,576	14.6%	(277,737)	0	\$2.71
Sorrento Mesa	139	9,666,000	1,157,230	12%	(114,472)	0	\$3.08
UTC	93	8,766,000	698,093	8.0%	(94,997)	369,000	\$3.76

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