SAN DIEGO OFFICE REPORT

Yardi® Matrix

Market Analysis

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Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Chris Nebenzahl
Senior Analyst
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Veronica Grecu
Senior Real Estate Market Analyst
Veronica.Grecu@Yardi.com
(306) 955-1855 x7583

Author
Timea-Erika Papp
Associate Editor
Timea-Erika.Papp@Yardi.Com

Aggregated and anonymized expense and lease expiration data is available to Yardi Matrix subscribers. Please contact us for details!

For more information please contact:

Ron Brock, Jr.
Industry Principle, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

To Subscribe:

Hollie Zepke
Audience Development Specialist
Hollie.Zepke@Yardi.com
(800) 866-1124 x5389

Steady Southern California

The San Diego office market is on a steady course, as demand for quality space remains strong. The metro's office inventory encompasses more than 72 million square feet, with a relatively balanced distribution between Class A and Class B space. Vacancy is lowest in primary locations such as the central business district (CBD), which boasts relatively modest lease rates.

San Diego is an established life science cluster and continues to attract both tech and science tenants. With **some 27,000 jobs added** in the 12 months ending in December 2016, employment in the metro gained 1.9% year-over-year, surpassing the 1.56% national growth rate. Strong demand for space with labratories or research-and-development (R&D) components has boosted rental pricing in coveted submarkets such as Torrey Pines, where average lease rates have reached $42.20 per square foot.

Development activity has picked up compared to the previous year, as **more than 800,000 square feet** of space is expected to come online by the end of the year. Nearly 9 million square feet of space is under various phases of development, while planned projects account for 66% of the pipeline.

Total transaction volume reached $728.8 million in the 12 months ending in July, as investors kept looking for good relative value in less expensive office markets. The metro's CBD presents attractive investment opportunities at relatively modest prices ($213 per square foot). Meanwhile, Torrey Pines emerged as San Diego's most transacted submarket, with average asking rates reaching a solid $537.60 per square foot in July.

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