

## Rising availability leads to an increase in options across the market

Overall and class A availability rates in San Diego increased year-over-year by 200 and 130 basis points, respectively, to 17.3% and 18.3% in the first quarter of 2019. With a total inventory of 63.3 million square feet, overall availabilities range from 4.7% in the South/Southeast Corridor submarket to 21.9% in the North County West submarket. The I-15 Corridor, North Cities, North County West, and South/Southeast corridor submarkets all saw some tightening in class A availability over the past year. In contrast, class A availability rates – and tenant options – sharply increased in the Central Suburban submarket where availability increased by a staggering 1,170 basis points over the year. The Highway 78 Corridor and Downtown submarkets also saw more space come to market over the year, but at more muted increases.

### Asking rents trend upwards with a few exceptions

Overall asking rents ended Q1 at \$34.98 per square foot (psf), reflecting an increase of 8.0% over the last year, while the average class A asking rent rose 8.2% over the same period, to \$39.03 psf. Year-over-year rent spikes were seen in the Central Suburban, North Cities, and Downtown submarkets, where overall rent increased by 26.0%, 9.1% and 5.6%, respectively. This could be due to strong movement in capital markets and expected delivery of new product. Rents in other submarkets escalated modestly, with the exception of the North County West submarket, which saw a year-over-year rent decline of 0.8%.

### Leasing activity sees a significant decline from previous year, Apple secures new campus

Total first-quarter leasing activity stood at 1.1 million square feet (msf), down 25.9% year-over-year. This marks one of the lowest first-quarter totals in the past five years. Very few large transactions were seen with no leases over 100,000 sf signed. New market entrants and relocations accounted for more than three-quarters of major transaction activity. Tech giant Apple signed the largest lease of the first quarter, committing to 96,543 sf of Class A space for a new 1,000-person campus at 9779 Towne Centre Drive in the North Cities submarket, while Qdoba moved its corporate headquarters to 34,000 sf at 350 Camino De La Reina in the Central Suburban submarket.

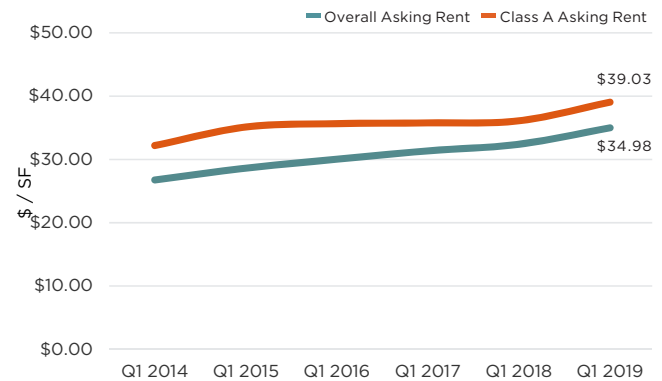
### Outlook

- Availability has fluctuated some over the past few quarters, but has not seen substantial change in two years' time
- Tenants can look to North County West and North Cities submarkets for abundant options and below average rents in class A space
- San Diego employment is expected to grow by 150,000 jobs in aggregate (2.0% per year) over the next five years, which could put downward pressure on availability if those new jobs translate to new office space needs

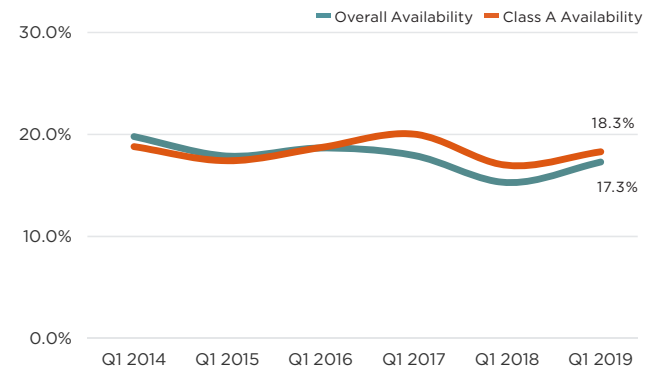
### KEY STATISTICS

	Q1 2018	Q1 2019	y-o-y Change
Inventory	63.3 MSF	<b>63.3 MSF</b>	◀▶
Availability Rate	15.3%	<b>17.3%</b>	▲
Asking Rental Rate	\$32.39	<b>\$34.98</b>	▲
Class A Asking Rental Rate	\$36.09	<b>\$39.03</b>	▲
Quarterly Leasing Activity	1.4 MSF	<b>1.1 MSF</b>	▼

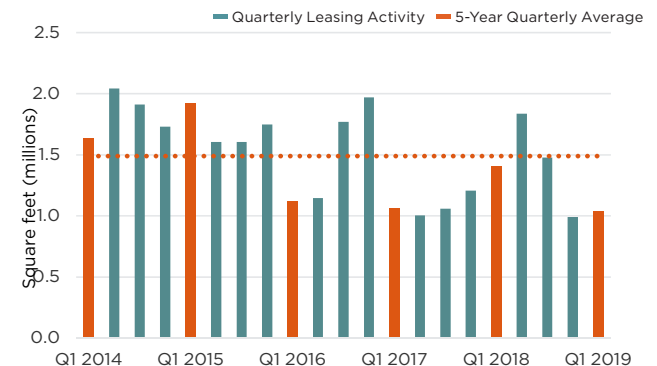
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

**76.8%**

of major transactions were **new market entrants or relocations**

**49.2%**

of large transactions occurred in the **North Cities** submarket

**31.6%**

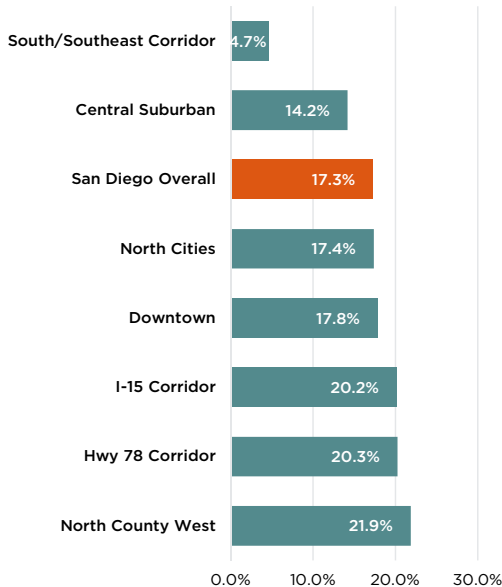
**Apple's** new lease represented 31.6% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Apple	96,543	9779 Towne Centre Drive	New Location	North Cities	TAMI
Qdoba	34,000	350 Camino De La Reina	Relocation	Central Suburban	Retail
Torrey Pines Bank	28,276	12220 El Camino Real	Renewal	North Cities	Financial Services
Tandem Diabetes	25,332	10935 Vista Sorrento Parkway	Relocation	North Cities	Healthcare
Columbia Care	25,234	9444 Balboa Avenue	New Location	Central Suburban	Healthcare
GSA - Department of Justice	22,505	1615 Murray Canyon Road	Relocation	Central Suburban	Government
Fagen Friedman & Fulfrost LLP	20,510	1525 Faraday Avenue	Expansion	North County West	Legal Services
Carrier Johnson	18,354	185 W F Street	Relocation	Downtown	Professional Services
The University Club atop Symphony Towers	17,212	750 B Street	Renewal	Downtown	Hospitality
Honma Golf	17,150	6023 Innovation Way	Relocation	North County West	Retail

Source Savills Research

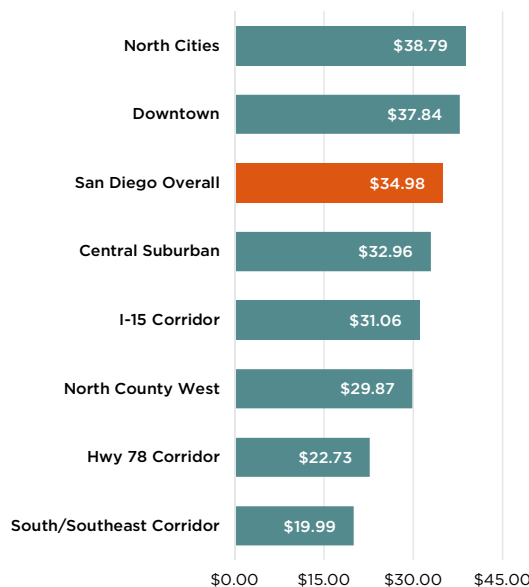
AVAILABILITY RATE COMPARISON

San Diego Submarkets



RENTAL RATE COMPARISON (\$/SF)

San Diego Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills compiled with the support of The CoStar Group.

Copyright © 2019 Savills

savills.us

For more information, please contact us:

**Savills**  
 3579 Valley Centre Drive  
 Suite 100  
 San Diego, CA 92130  
 +1 858 793 8600

**Michael Labelle**  
 Senior Vice President  
 mlabelle@savills.us

**About Savills Inc.**  
 Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

