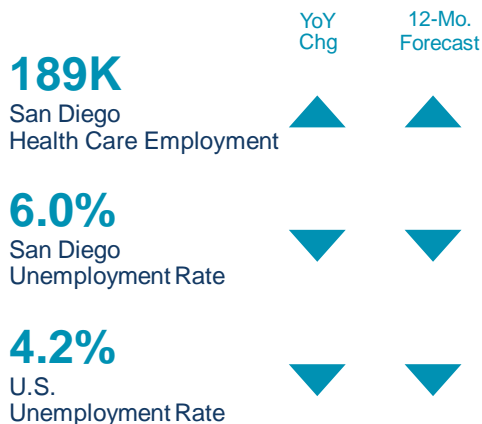


(Direct, All Property Classes)

ECONOMIC INDICATORS Q4 2021



Source: BLS, Moody's Analytics Economy.com.

ECONOMIC OVERVIEW: Employment Fundamentals Rebounding

The San Diego employment market has recovered 193,400 (83%) of the 248,000 jobs lost during the beginning of the pandemic between March and April of 2020. Nonfarm employment grew by 64,900 or +4.6% year-over-year (YOY) between November 2020 through November 2021, with the leisure and hospitality sector accounting for 28,500 jobs added (+20.2% YOY). During the same time, the monthly unemployment rate decreased from 6.8% last year to 4.6% and is notably lower compared to the 15.9% high recorded in April of 2020. The current monthly rate is also 140 bps (basis points) lower compared to the Q4 2021 quarterly average of 6.0%.¹ All employment sectors are expected to grow at a combined rate of 4.5% in 2022, while office employment is forecasted to grow 2.3% and high-tech employment 2.7%. San Diego's economy of \$252.7 billion as measured by 2021 gross regional product is forecasted to grow 4.9% in 2022 and 3.3% in 2023, above its 10-year average of 3.1%.²

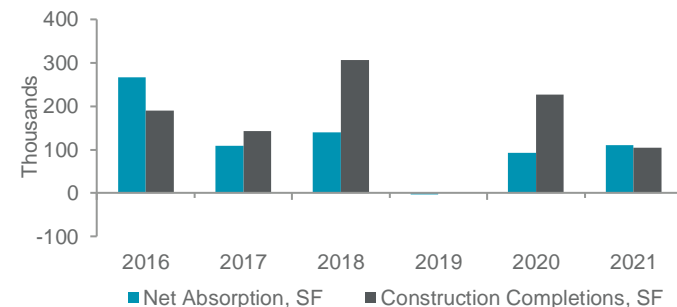
SUPPLY AND DEMAND: New Construction Drives Absorption

San Diego's medical office direct vacancy was 6.6% at the end of Q4 2021, unchanged from Q3 2021 and up 30 bps from a year ago. The market absorbed 9,931 sf in Q4 2021, with Class B space returning 29,561 sf, but Class A absorbing 37,905 sf. Vacancy rates for every submarket also remained in the single digits for the 13th consecutive quarter. The highest vacancy was recorded in the I-15 Corridor submarket at 9.1% where tenants returned 3,217 sf in Q4 2021. In 2021, occupancy grew by 110,375 sf across all submarkets with the Central Suburban submarket accounting for the most gains. The lowest vacancy was recorded in the South County submarket at 3.9%. Major health systems, such as Scripps and the Department of Veterans Affairs, all have build-to-suit projects planned or under construction across the county. The Central Suburban submarket will add the most to inventory with 180,100 sf under construction, all due 2022 or later.

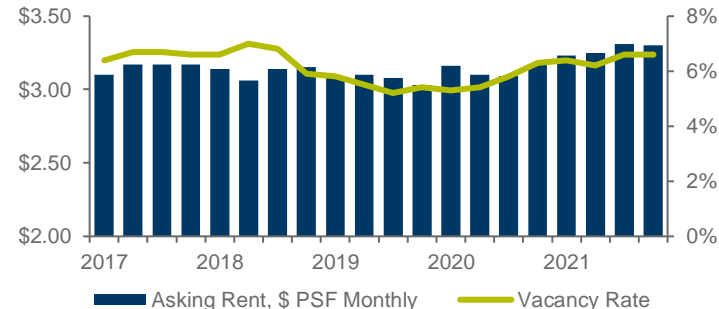
PRICING: Class B Activity Drives Rent Growth

Average countywide asking rent across all classes was \$3.30 per square foot (psf) on a monthly full-service basis in Q4 2021, a 1-cent decrease from the previous quarter (-0.03% QOQ) and a 13-cent increase from a year ago (+4.1% YOY). Class B Rents drove this increase, rising 0.9% from the previous quarter and 6.4% YOY to \$3.31 as a result of tightening availability across the market. Class A average rent increased 0.5% from the previous quarter and 1.3% from a year ago to \$3.77, with rents highest in Mid City and I-15 Corridor submarkets.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY / ASKING RENT



MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | DIRECT VACANCY RATE | CURRENT QTR DIRECT NET ABSORPTION (SF) | YTD DIRECT NET ABSORPTION (SF) | YTD LEASING ACTIVITY ** (SF) | YTD CONSTR COMPLETIONS (SF) | UNDER CNSTR (SF) | DIRECT AVG ASKING RENT (ALL CLASSES)* | DIRECT AVG ASKING RENT (CLASS A)* |
|-------------------------|-------------------|--------------------|--------------------|---------------------|--|--------------------------------|------------------------------|-----------------------------|------------------|---------------------------------------|-----------------------------------|
| Class A | 3,822,992 | 10,530 | 177,958 | 4.7% | 37,905 | 193,755 | 72,745 | 105,000 | 127,177 | \$3.77 | |
| Class B | 7,606,557 | 15,218 | 587,523 | 7.7% | -29,561 | -73,630 | 194,900 | 0 | 150,100 | \$3.31 | |
| Class C | 1,974,430 | 1,650 | 118,768 | 6.0% | 1,587 | -9,750 | 31,051 | 0 | 0 | \$2.39 | |
| North County | 3,487,008 | 3,150 | 304,075 | 8.7% | 5,059 | -756 | 74,138 | 0 | 87,177 | \$3.16 | \$3.70 |
| Mid City | 2,459,616 | 10,892 | 170,286 | 6.9% | -3,585 | -14,656 | 41,161 | 0 | 10,000 | \$3.95 | \$4.39 |
| I-15 Corridor | 1,134,791 | 2,826 | 103,798 | 9.1% | -3,217 | -5,319 | 41,213 | 0 | 0 | 3.55 | \$4.25 |
| Central Suburban | 3,517,814 | 7,700 | 165,743 | 4.7% | 2,007 | 126,186 | 118,370 | 105,000 | 180,100 | \$3.09 | \$3.84 |
| East County | 1,196,402 | 2,830 | 77,755 | 6.5% | 2,619 | 3,308 | 19,633 | 0 | 0 | \$2.87 | \$3.40 |
| South County | 1,608,348 | 0 | 62,592 | 3.9% | 7,048 | 1,612 | 4,181 | 0 | 0 | \$2.94 | \$3.24 |
| On Campus | 4,761,618 | 4,476 | 310,463 | 6.5% | 4,731 | 32,797 | 48,308 | 0 | 40,000 | \$3.15 | \$3.69 |
| Off Campus | 8,642,361 | 22,922 | 573,786 | 6.6% | 5,200 | 77,578 | 250,388 | 105,000 | 237,277 | \$3.41 | \$3.79 |
| SAN DIEGO TOTALS | 13,403,979 | 27,398 | 884,249 | 6.6% | 9,931 | 110,375 | 298,696 | 105,000 | 277,277 | \$3.30 | \$3.77 |

*Rental rates reflect full service asking. **Leasing includes renewals.

KEY LEASE TRANSACTIONS Q4 2021

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|-----------------------|------------------|---------------------------|-------|-----------|
| 9619 Chesapeake Dr. | Central Suburban | Activecare Living | 5,373 | Renewal |
| 2701 Loker Ave. W. | North County | Extraordinary Conceptions | 2,765 | Renewal |
| 4510 Executive Dr. | Mid City | Infusion Management | 2,651 | New Lease |
| 12396 World Trade Dr. | I-15 Corridor | Psychiatry Clinic | 2,157 | New Lease |
| 5650 El Camino Real | North County | Psychiatry Clinic | 1,994 | New Lease |

KEY SALES TRANSACTIONS Q4 2021

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$ PSF |
|---------------------------|--------------|--|--------|-----------------|
| 10435 Sorrento Valley Rd. | Mid City | Veterinary Facility Assocs. LLC / MDC Coastal 17 LLC | 42,628 | \$27.8M / \$653 |
| 1955 Citracado Pky. | North County | Makena Medical Buildings / NY Life RE & LPC | 44,261 | \$26.0M / \$587 |

KEY UNDER CONSTRUCTION Q4 2021

| PROPERTY | SUBMARKET | TENANT | SF | OWNER / DEVELOPER |
|-------------------------|------------------|--------------------------------|---------|------------------------|
| 8875 Aero Dr. | Central Suburban | Department of Veterans Affairs | 140,100 | Protea Properties |
| 2130 W. Citracado Pkwy. | North County | Palomar Health | 75,000 | JRMC Real Estate, Inc. |

JUSTIN BALAGTAS

Senior Research Analyst

+1 858 625 5245 / justin.balagtas@cushwake.com

JOLANTA CAMPION

Senior Director of Research, Nevada, Utah & San Diego

+1 858 625 5235 / jolanta.campion@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com