

	YoY Chg	12-Mo. Forecast
<b>6.0%</b> Vacancy Rate	▼	▼
<b>118K</b> Net Absorption, SF	▲	▲
<b>\$3.42</b> Asking Rent, PSF	▲	▬

(Direct, All Property Classes)

### ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
<b>189K</b> San Diego Health Care Employment	▲	▲
<b>4.9%</b> San Diego Unemployment Rate	▼	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

### ECONOMIC OVERVIEW: Employment Fundamentals Rebounding

The total nonfarm employment in San Diego grew by 104,300 or +7.5% year-over-year (YOY) between February 2021 through February 2022, with the leisure and hospitality sector accounting for the most significant gains or 52,700 jobs added (+40.2% YOY). During the same time, the monthly unemployment rate decreased from 7.2% last year to 4.0% and is currently 90 basis points (bps) below the quarterly average of 4.9%.<sup>1</sup> All employment sectors are expected to grow at a combined rate of 4.7% (+66,010 jobs) in 2022, while office employment is forecasted to grow by 2.8% (+10,390 jobs) and high-tech employment by 3.6% (+5,060 jobs). The annual unemployment rate is forecasted to decrease from 6.5% in 2021 to 4.2% in 2022 and 3.1% in 2023. San Diego's economy of \$252.7 billion as measured by 2021 gross regional product is forecasted to grow 3.9% in 2022 and 3.5% in 2023, above its 10-year average of 3.1%.<sup>2</sup>

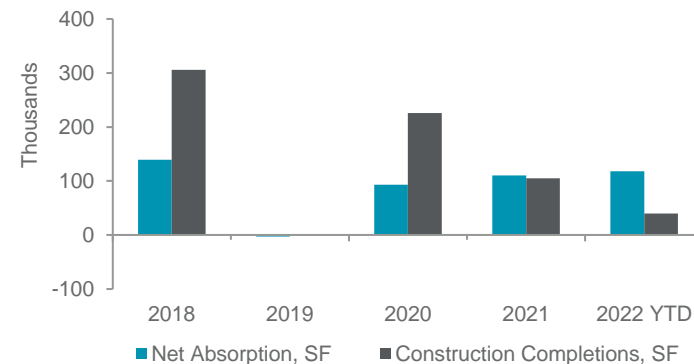
### SUPPLY AND DEMAND: Strong Quarter for North and Central Counties

San Diego's medical office direct vacancy was 6.0% at the end of Q1 2022, down 60 bps quarter-over-quarter (QOQ) and 40 bps YOY. The market absorbed 118,053 square feet (sf) in Q1 2022, with class A space absorbing 67,771 sf and class B absorbing 32,360 sf. North County recorded the highest occupancy gains of 50,027 sf led by Neighborhood Healthcare purchasing and occupying a half-vacant building. Vacancy rates for all submarkets also remained in the single digits for the 14<sup>th</sup> consecutive quarter. The highest vacancy was recorded in the I-15 Corridor submarket at 7.8% where tenants absorbed 14,904 sf. The lowest vacancy was recorded in the South County submarket at 3.7%. Major health systems, such as Palomar Health 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 140,100 sf under construction, all due 2022 or later.

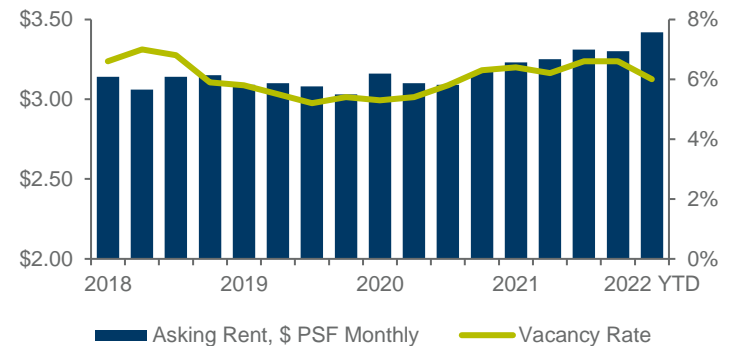
### PRICING: Class B Activity Drives Rent Growth

Average countywide asking rent across all classes was \$3.42 per square foot (psf) on a monthly full-service basis in Q1 2022, a 12-cent increase from the previous quarter (+3.6% QOQ) and a 19-cent increase from a year ago (+5.9% YOY). Class B rents drove this increase, rising 3.6% QOQ and 5.9% YOY to \$3.43 psf as a result of tightening availability across the market. Class A average rent increased 0.8% from the previous quarter and 4.7% from a year ago to \$3.80 psf, 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	3,856,147	7,700	150,187	3.9%	67,771	67,771	42,274	40,000	87,177	\$3.80	
Class B	7,605,571	14,033	555,163	7.3%	32,360	32,360	17,918	0	150,100	\$3.43	
Class C	1,986,520	1,650	106,846	5.4%	17,922	17,922	10,896	0	0	\$2.68	
North County	3,486,022	3,150	249,048	7.1%	55,027	55,027	50,481	0	87,177	\$3.30	\$3.60
Mid City	2,452,771	10,892	178,021	7.3%	-7,735	-7,735	5,530	0	10,000	\$4.02	\$4.48
I-15 Corridor	1,134,791	1,641	88,894	7.8%	14,904	14,904	6,757	0	0	\$3.59	\$4.25
Central Suburban	3,569,608	7,700	164,800	4.6%	46,943	46,943	1,250	40,000	140,100	\$3.24	\$4.08
East County	1,196,698	0	72,321	6.0%	5,434	5,434	6,151	0	0	\$3.06	\$3.57
South County	1,608,348	0	59,112	3.7%	3,480	3,480	919	0	0	\$2.99	\$3.24
On Campus	4,800,632	3,291	267,991	5.6%	82,472	82,472	10,564	40,000	0	\$3.36	\$3.93
Off Campus	8,647,606	20,092	544,205	6.3%	35,581	35,581	60,524	0	237,277	\$3.45	\$3.78
<b>SAN DIEGO TOTALS</b>	<b>13,448,238</b>	<b>23,383</b>	<b>812,196</b>	<b>6.0%</b>	<b>118,053</b>	<b>118,053</b>	<b>71,088</b>	<b>40,000</b>	<b>237,277</b>	<b>\$3.42</b>	<b>\$3.80</b>

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

## KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2067 W. Vista Way	North County	TPIRC	6,770	New Lease
285 N. El Camino Real	North County	Lightfully Behavioral Health	5,005	New Lease
6215 Ferris Sq.	Mid City	Spine Zone	3,381	New Lease
15706-15708 Pomerado Rd.	I-15 Corridor	Retina Consultants	2,430	Renewal
4150 Regents Park Row.	Mid City	Malone Surgical Partners	2,149	Expansion

## KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
7339 El Cajon Blvd.	East County	Reynolds Trust / Acuity La Mesa	26,858	\$6.0M / \$223
3300 Vista Way	North County	Sperlazza Family Trust / Winchester LLC	12,958	\$7.1M / \$551

## KEY PROJECTS UNDER CONSTRUCTION 2022 YTD

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.

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