

	YoY Chg	12-Mo. Forecast
5.9% Office Cap Rate*	▼	▲
5.9% Industrial Cap Rate*	▲	▲
\$792M Total Volume (USD)	▲	▲
99 Total Properties Sold	▼	▲
2.7 MSF Total SF	▼	▲

Source: RCA. Office & Industrial. Closed transactions between \$1-\$20M.

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
1.5M San Diego Employment	▲	▲
3.7% San Diego Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼
2.98% U.S. 10-Yr Treasury Yield	▲	▲

Source: BLS.

ECONOMIC OVERVIEW

The total nonfarm employment in San Diego grew by 83,900 or +5.9% year-over-year (YOY) between May 2021 through May 2022, with the leisure and hospitality sector accounting for the most significant gains or 36,900 jobs added (+23.3% YOY). During the same time, the monthly unemployment rate decreased from 6.6% last year to 2.7% and is currently 100 basis points (bps) below the quarterly average of 3.7%.¹ All employment sectors are expected to grow at a combined rate of 5.4% (+77,340 jobs) in 2022, while office employment is forecasted to grow by 3.3% (+12,500 jobs) and high-tech employment by 0.2% (+4,880 jobs). The annual unemployment rate is forecasted to decrease from 6.6% in 2021 to 3.8% in 2022 and 3.1% in 2023. San Diego's economy of \$252.3 billion as measured by 2021 gross regional product is forecasted to grow 5.2% in 2022 and 3.3% in 2023, above its 10-year average of 3.1%.²

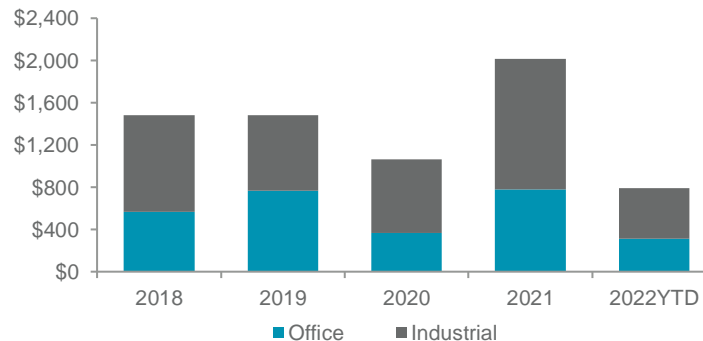
INVESTMENT OVERVIEW

San Diego's commercial real estate investment market transactions for office and industrial sales between \$1 and \$20 million (M) reached nearly \$792M in the first half of 2022, outpacing 2021 with a 12% growth YOY. Industrial sales were the main driver of total sales volume, accounting for approximately 60% of the total sales volume.

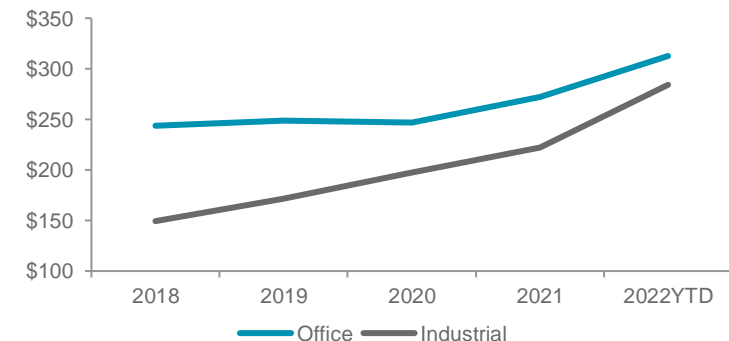
The average price per square foot (psf) for both office and industrial properties increased in the first half of 2022, with office sales averaging \$313 psf, a 16% increase over mid-year 2021. Industrial sales landed at \$284 psf, a major increase of 45% over the mid-year 2021 average of \$196 psf. Total annual deal volume in San Diego remained well above the 10-year long-term annual average of \$1.3 billion (B) for the last five consecutive years (2014-2019) before the recession, with 2020 volume just over \$1.0B. Sales volume broke well past this average in 2021 rising above \$2B.

Private investors remained the major player in deals in the sub \$20M range in 2022 after the pandemic slowed activity in 2020. Private investor market share decreased just slightly from 76% in 2021 to 74% as of mid-year 2022, well above their historical market share in San Diego and above their national share of 72%. Comparatively, institutional investors and REIT market share have remained a steady portion of buyers' market share at 13% and 4%, respectively. There continues to be a large contingent of exchange buyers, both inside and outside of the market, that continues to target and pay premiums on quality credit and stabilized cash flow.

INVESTMENT SALES VOLUME (\$M)



AVERAGE PRICE PER SQUARE FOOT



MARKETBEAT SAN DIEGO

Private Capital Q2 2022



INVESTMENT ACTIVITY

PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SF	PRICE / SF	Q2 CAP RATE
Office	43	\$312,313,560	998,982	\$312.63	5.9%
Industrial	56	\$479,219,118	1,687,957	\$283.90	5.9%
TOTAL	99	\$791,532,678	2,686,939	\$294.59	5.9%

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF	PURCHASE PRICE	PRICE / SF	MARKET
1695 Faraday Ave.	Industrial	LPC / Angelo Gordon	SMAC	62,062	\$19,000,000	\$301	Carlsbad
2655 Melksee St.	Industrial	Dalfen Industrial	Royal Flavor LLC	66,243	\$18,300,000	\$276	Otay Mesa
505 Lomas Santa Fe Dr.	Office	Lansing Companies	Beckman Properties	22,736	\$18,000,000	\$792	Solana Beach
3110-3160 Camino del Rio S.	Office	MC Strauss Company	City Group	79,215	\$17,961,000	\$227	Mission Valley
9431 Dowdy Dr.	Industrial	EverWest Real Estate	Stos Partners	55,544	\$17,354,545	\$312	Miramar
2650 Camino del Rio N.	Office	Katz Real Estate	Shopoff Realty	71,450	\$14,100,000	\$197	Mission Valley
6727 Flanders Dr.	Office	Hammer Ventures	Lee Real Estate LLC	24,949	\$13,900,000	\$557	Sorrento Mesa
2131 Faraday Ave.	Industrial	RAF Pacifica Group	NeoGenomics	47,075	\$12,376,840	\$263	Carlsbad
9555 Chesapeake Dr.	Office	Sason Organization	Radius Commercial	59,175	\$12,250,000	\$207	Kearny Mesa
1532-1536 N. Coast Hwy. 101	Office	Tower 16 Capital	Ranpac / Encinitas Prop.	8,000	\$7,900,000	\$988	Encinitas

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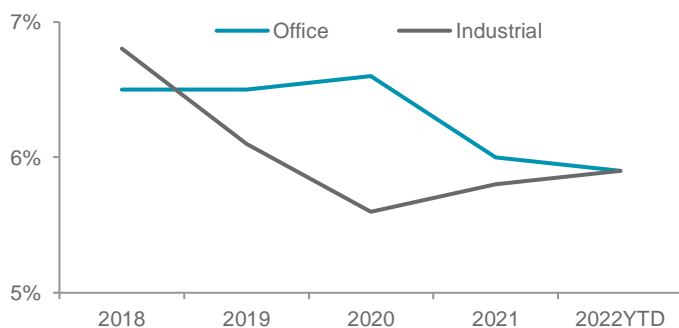
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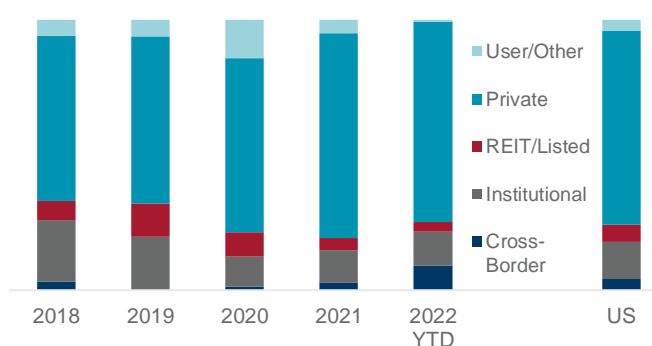
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AVERAGE CAP RATE



WHO IS BUYING IN SAN DIEGO?



Sources: ¹www.bls.gov; Moody's Analytics economy.com 6/2022; Real Capital Analytics, Cushman & Wakefield Research Closed transactions between \$1-20M.
*Cap rates represent weighted averages. Not all cap rates were reported. Please contact for additional details.