MARKETBEAT

SAN DIEGO

Medical Office Q2 2022

	YoY Chg	12-Mo. Forecast
6.0% Vacancy Rate		
144K Net Absorption, SF		
$3.45 Asking Rent, PSF		

(Direct, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
192K San Diego Health Care Employment		
3.7% San Diego Unemployment Rate		
3.6% U.S. Unemployment Rate		

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]

SUPPLY AND DEMAND

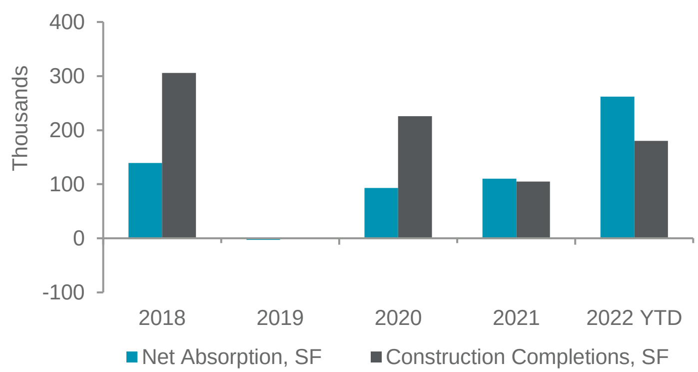
San Diego's medical office direct vacancy was 6.0% at the end of Q2 2022, unchanged quarter-over-quarter (QOQ) and a 20 bps decrease YOY. The market absorbed 143,899 square feet (sf) in Q2 2022, with class B space absorbing 165,853 sf while Class A and C space returned 18,958 sf and 2,996 sf, respectively. Central Suburban recorded the highest occupancy gains of 84,549 sf led by the delivery of a building for the Department of Veterans Affairs.

Vacancy rates for all submarkets also remained in the single digits for the 15th consecutive quarter. The highest vacancy was recorded in the I-15 Corridor submarket at 8.0% where tenants returned 1,373 sf. The lowest vacancy was recorded in the South County submarket at 3.8%. A build-to-suit for Palomar Health delivering later this year will contribute significantly to absorption, adding 75,000 sf.

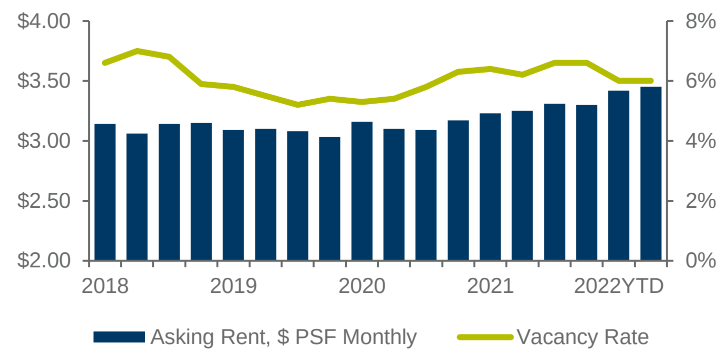
PRICING

Average countywide asking rent across all classes was $3.45 per square foot (psf) on a monthly full-service basis in Q2 2022, a 3-cent increase from the previous quarter (+0.9% QOQ) and a 20-cent increase from a year ago (+6.2% YOY). Class B rents rose 0.3% QOQ and 6.5% YOY to $3.44 psf as a result of tightening availability across the market. Class A average rent increased 1.6% from the previous quarter and 4.0% from a year ago to $3.86 psf, with rents highest in Mid City and I-15 Corridor submarkets.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY / ASKING RENT



MARKETBEAT

SAN DIEGO

Medical Office Q2 2022

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	3,987,907	9,118	177,249	4.4%	-18,958	48,813	88,976	40,000	87,177	$3.86	
Class B	7,761,598	12,952	551,474	7.1%	165,853	198,213	158,986	140,100	10,000	$3.44	
Class C	1,969,798	0	98,480	5.0%	-2,996	14,926	15,206	0	0	$2.51	
North County	3,485,067	3,150	238,739	6.9%	10,309	65,336	90,200	0	87,177	$3.42	$3.77
Mid City	2,452,771	7,650	152,778	6.2%	35,945	28,210	35,213	0	10,000	$3.98	$4.47
I-15 Corridor	1,134,951	0	90,267	8.0%	-1,373	13,531	56,244	0	0	$3.62	$4.25
Central Suburban	3,709,708	9,118	220,351	5.9%	84,549	131,492	62,941	180,100	0	$3.24	$4.16
East County	1,196,698	2,152	59,367	5.0%	12,954	18,388	15,343	0	0	$3.18	$3.57
South County	1,740,108	0	65,701	3.8%	1,515	4,995	3,227	0	0	$3.22	$3.53
On Campus	4,932,392	5,220	263,021	5.3%	13,074	95,546	71,272	40,000	0	$3.45	$3.82
Off Campus	8,786,911	16,850	564,182	6.4%	130,825	166,406	191,896	140,100	97,177	$3.44	$3.88
SAN DIEGO TOTALS	**13,719,303**	**22,070**	**827,203**	**6.0%**	**143,899**	**261,952**	**263,168**	**180,100**	**97,177**	**$3.45**	**$3.86**

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

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
9095 Rio San Diego Dr.	Central Suburban	Synergy Orthopedic Specialists	20,34	New
4130 La Jolla Village Dr.	Mid City	Gordon Schanzlin New Vision Institute	10,702	New
15725 Pomerado Rd.	I-15 Corridor	Arch Health Medical Group	9,790	New
161 Thunder Dr.	North County	Glenner Alzheimer's Family Centers	8,647	New
15706-15708 Pomerado Rd.	I-15 Corridor	North County Eye Center	5,249	Renewal

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
916 Sycamore Ave.	North County	Oncology Therapies of Vista / IRA Capital	7,092	$5.7M / $804
1930 Via Ctr.	North County	Morris Eye Group / Briggs & Alexander	4,995	$3.5M / $693

KEY PROJECTS UNDER CONSTRUCTION 2022 YTD

PROPERTY	SUBMARKET	TENANT	SF	OWNER / DEVELOPER
2130 W. Citracado Pkwy.	North County	Palomar Health	75,000	JRMC Real Estate, Inc.

Sources: [1]www.bls.gov [2]Moody's Analytics economy.com 6/2022.

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