

	YoY Chg	12-Mo. Forecast
<b>5.5%</b> Office Cap Rate*	▼	▲
<b>5.9%</b> Industrial Cap Rate*	▲	▲
<b>\$342M</b> Total Volume (USD)	▲	▲
<b>46</b> Total Properties Sold	▼	▲
<b>909,454 SF</b> Total SF	▼	▲

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

### ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
<b>1.5M</b> San Diego Employment	▲	▲
<b>3.1%</b> San Diego Unemployment Rate	▼	▲
<b>3.5%</b> U.S. Unemployment Rate	▼	▲
<b>2.83%</b> U.S. 10-Yr Treasury Yield	▲	▲

Source: BLS.

### ECONOMIC OVERVIEW

The total nonfarm employment in San Diego grew by 59,600 or +4.1% year-over-year (YOY) between August 2021 through August 2022, with the leisure and hospitality sector accounting for the most significant gains or 25,300 jobs added (+14.1% YOY). During the same time, the monthly unemployment rate decreased from 6.5% last year to 3.4% and is currently 30 basis points (bps) above the quarterly average of 3.1%.<sup>1</sup>

All employment sectors are expected to grow at a combined rate of 5.3% (+76,370 jobs) in 2022, while office employment is forecasted to grow by 3.0% (+11,260 jobs) and high-tech employment by 2.9% (+4,140 jobs). The annual unemployment rate is forecasted to decrease from 6.5% in 2021 to 3.6% in 2022 and 3.3% in 2023. San Diego's economy of \$252.1 billion as measured by 2021 gross regional product is forecasted to grow 3.9% in 2022 and 1.9% in 2023.<sup>2</sup>

### INVESTMENT OVERVIEW

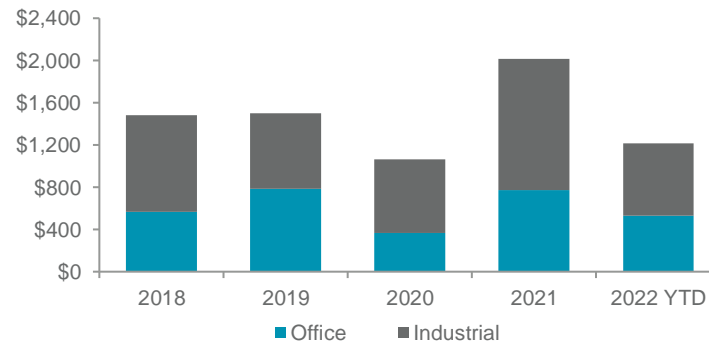
San Diego's commercial real estate investment market transactions for office and industrial sales between \$1 and \$20 million (M) reached over \$342M in Q3 2022, down 31% quarter-over-quarter (QOQ) and down 43% from \$602M recorded in Q3 2021. Office (\$174M) and industrial (\$168M) sales were nearly even of the total volume and properties sold.

The average price per square foot (psf) for both office and industrial properties increased in Q3 2022, with office sales averaging \$285 psf, up 5% QOQ and up 6% year-over-year (YOY). Industrial sales landed at \$271 psf, up 8% QOQ and a major increase of 25% from a year ago. While life sciences investment has slowed, its effects on pricing continue. Low vacancy among industrial properties and limited large blocks of space also drove pricing higher, especially for potential owner/user buyers.

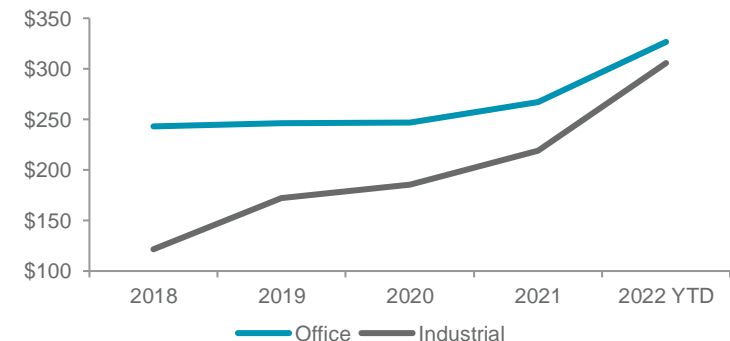
The leading buyers in 2022 year-to-date (YTD) in the sub \$20M range transactions were private investors (74% vs. 76% in 2021), followed by institutional at 9% (vs. 12% in 2021) and REITs at 7% (vs. 5% in 2021). Private investors' current market share of 74% is well above the historical 10-year average of 61%. 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.

Private sellers accounted for 76% of activity in 2022 YTD (vs. 75% in 2021), followed by institutional investors at 9% (vs. 8% in 2021) and REITs at 4% (vs. 3% in 2021).<sup>3</sup>

### INVESTMENT SALES VOLUME (\$M)



### AVERAGE PRICE PER SQUARE FOOT



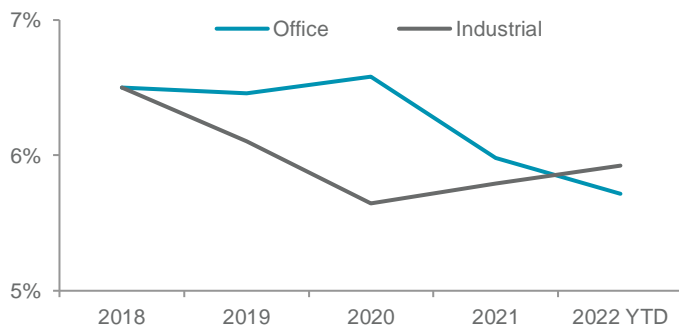
### INVESTMENT ACTIVITY

PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SF	PRICE / SF	Q3 CAP RATE
Office	23	\$173,981,607	459,713	\$378.46	5.5%
Industrial	23	\$168,424,885	449,741	\$374.49	5.9%
<b>TOTAL</b>	<b>46</b>	<b>\$342,406,492</b>	<b>909,454</b>	<b>\$376.50</b>	<b>5.4%</b>

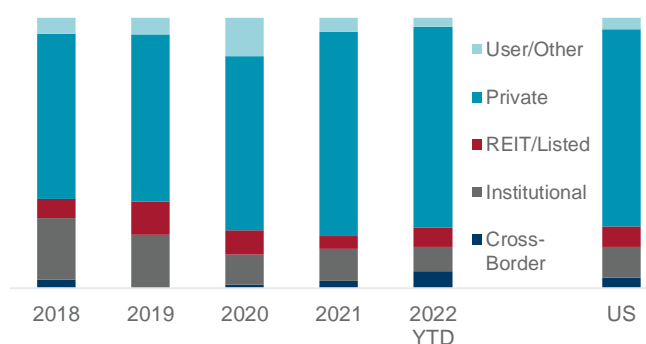
### SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF	PURCHASE PRICE	PRICE / SF	MARKET
674 Via de la Valle	Office	IQHQ	Fenway Properties	21,564	\$17,137,500	\$795	Del Mar/Solana Beach
10140 Mesa Rim Rd.	Industrial	James Robbins	Syko Properties	42,384	\$15,050,000	\$355	Sorrento Mesa
1500-1520 State St.	Office	Endeavor Real Estate	San Diego Comic-Con	29,100	\$14,500,000	\$498	Downtown
7520 Convoy Ct.	Industrial	San Diego County	CEG Capital	29,442	\$12,600,000	\$428	Kearny Mesa
6989 Corte Santa Fe	Industrial	Weinstein Joint Trust	Pacific Entertainment	29,491	\$12,200,000	\$414	Miramar
1305-1320 Union Plaza Ct.	Office	Classical Academies	3D Investments	114,848	\$11,800,000	\$103	Oceanside
6350 Palomar Oaks Ct.	Industrial	Nader Kashfian	NEO Tech	44,630	\$11,600,000	\$260	Carlsbad
7666 Formula Pl.	Industrial	First Industrial Realty	JLNI LLC	29,945	\$10,500,000	\$351	Kearny Mesa
9550-9558 Camino Ruiz	Industrial	Angelo Gordon & Co.	Brave Point LLC	28,570	\$10,000,000	\$350	Miramar
2002 Jimmy Durante	Office	Musser/Alexander Trusts	Hinds Investments	18,425	\$9,250,000	\$502	Del Mar/Solana Beach

### AVERAGE CAP RATE



### WHO IS BUYING IN SAN DIEGO?



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Sources: <sup>1</sup>[www.bls.gov](http://www.bls.gov) <sup>2</sup>Moody's Analytics economy.com 10/2022. <sup>3</sup>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.