MARKETBEAT

SAN DIEGO

Medical Office Q3 2022

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
6.0% Vacancy Rate	▼	▼
7K Net Absorption, SF	▲	▲
$3.48 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
201K San Diego Health Care Employment	▲	▬
3.1% San Diego Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

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%.[1] 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.[2]

SUPPLY AND DEMAND

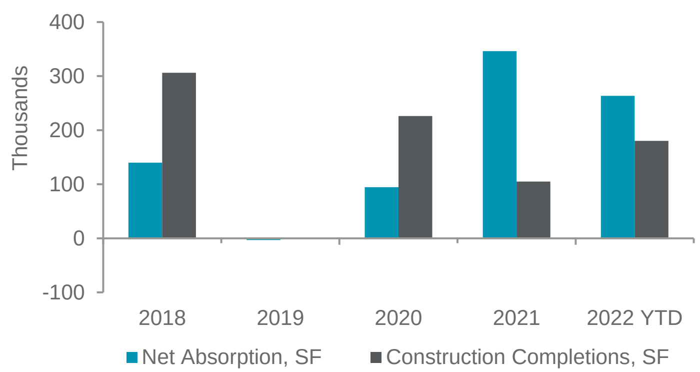
San Diego's medical office overall vacancy was 6.0% at the end of Q3 2022, down 20 bps quarter-over-quarter (QOQ) and a 90 bps decrease YOY. The market absorbed 6,874 square feet (sf) in Q3 2022, with class B space absorbing 9,285 sf while Class A space returned 4,830 sf. The I-15 Corridor recorded the highest occupancy gains of 10,137 sf followed by South County and East County.

Vacancy rates for all submarkets also remained in the single digits for the 16th consecutive quarter. The highest vacancy was recorded in the I-15 Corridor submarket at 7.1% followed by North County just 10 bps lower. The lowest vacancy was recorded in the South County submarket at 3.5%. A build-to-suit for Palomar Health set to deliver later this year will contribute significantly to absorption, adding 75,000 sf.

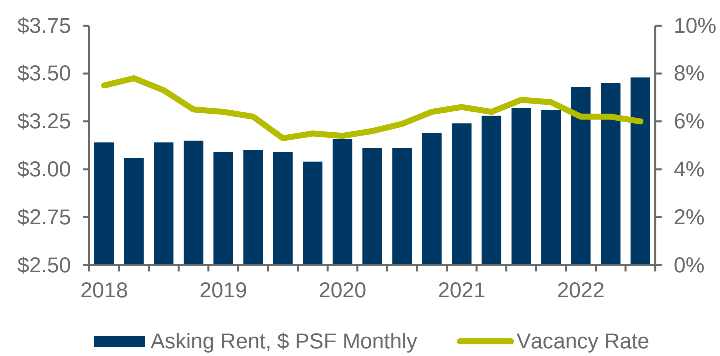
PRICING

Average countywide asking rent across all classes was $3.48 per square foot (psf) on a monthly full-service basis in Q3 2022, a 3-cent increase from the previous quarter (+0.9% QOQ) and a 16-cent increase from a year ago (+4.8% YOY). Class B rents rose 0.3% QOQ and 5.2% YOY to $3.46 psf as a result of tightening availability across the market. Class A average rent increased 0.8% from the previous quarter and 3.7% from a year ago to $3.88 psf, with rents highest in Mid City and I-15 Corridor submarkets.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY ** (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Class A	4,080,995	7,700	183,497	4.7%	-4,830	35,043	110,761	40,000	87,177	$3.88	
Class B	7,848,674	26,940	515,288	6.9%	9,285	211,109	229,530	140,100	10,000	$3.46	
Class C	1,969,798	0	96,061	4.9%	2,419	17,345	33,217	0	0	$2.54	
North County	3,454,079	3,150	238,757	7.0%	-2,229	52,450	102,320	0	87,177	$3.50	$3.82
Mid City	2,570,811	12,265	141,020	6.0%	-3,559	27,893	79,636	0	10,000	$3.92	$4.27
I-15 Corridor	1,134,951	0	80,132	7.1%	10,135	26,492	66,253	0	0	$3.69	$4.25
Central Suburban	3,803,685	17,073	218,963	6.2%	-6,567	123,507	100,882	180,100	0	$3.30	$4.07
East County	1,196,698	2,152	55,382	4.8%	3,985	23,051	16,387	0	0	$3.28	$3.73
South County	1,739,243	0	60,592	3.5%	5,109	10,104	8,030	0	0	$3.23	$3.56
On Campus	4,932,392	3,802	254,705	5.2%	0	158,100	0	40,000	0	$3.46	$3.84
Off Campus	8,967,075	30,838	540,141	6.4%	6,874	105,397	373,508	140,100	97,177	$3.49	$3.90
SAN DIEGO TOTALS	**13,899,467**	**34,640**	**794,846**	**6.0%**	**6,874**	**263,497**	**373,508**	**180,100**	**97,177**	**$3.48**	**$3.88**

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

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4130 La Jolla Village Dr.	Mid City	United Medical Doctors	5,861	New
5555 Reservoir Dr.	East County	Trumpet Behavioral Health	2,995	New
2970 5th Ave.	Central Suburban	Nexus Physical Therapy	2,934	New
1934 Via Centre	North County	California Skin Institute	2,728	New
3907 Waring Rd.	North County	North County Cardiovascular Specialists	2,172	New

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
4180 La Jolla Village Dr.	Mid City	Regent Properties / Welltower	100,000	$57.0M / $570
8975-8985 Balboa Ave.	Central Suburban	Jack Henry & Associates / Sharp Healthcare	94,988	$27.5M / $290

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 10/2022.

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