

	YoY Chg	12-Mo. Forecast
5.2% Office Cap Rate*	▼	▲
N/A Industrial Cap Rate*	▲	▲
\$310M Total Volume (USD)	▲	▲
37 Total Properties Sold	▼	▲
1.1M Total SF Sold	▼	▲

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

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
1.5M San Diego Employment	▲	▲
3.2% San Diego Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▼	▲
3.88% U.S. 10-Yr Treasury Yield	▲	▼

Source: BLS.

ECONOMIC OVERVIEW

The total nonfarm employment in San Diego grew by 48,400 or +3.2% year-over-year (YOY) between November 2021 through November 2022, with the leisure and hospitality sector accounting for the most significant gains or 19,900 jobs added (+10.9% YOY), followed by professional and business services adding 12,700 jobs (+4.6% YOY). During the same time, the monthly unemployment rate decreased from 4.5% last year to 3.3% and is currently 10 basis points (bps) above the quarterly average of 3.2%.¹

All employment sectors are expected to grow at a combined rate of 0.8% (+12,340 jobs) in 2023, while office employment is forecasted to contract by 1.5% (-5,610 jobs) and return to growth of 0.2% in 2024 (+670 jobs). The annual unemployment rate is forecasted to decrease from 3.6% in 2022 and 3.5% in 2023. San Diego's economy of \$260.0 billion as measured by 2022 gross regional product is forecasted to grow 1.2% in 2023.²

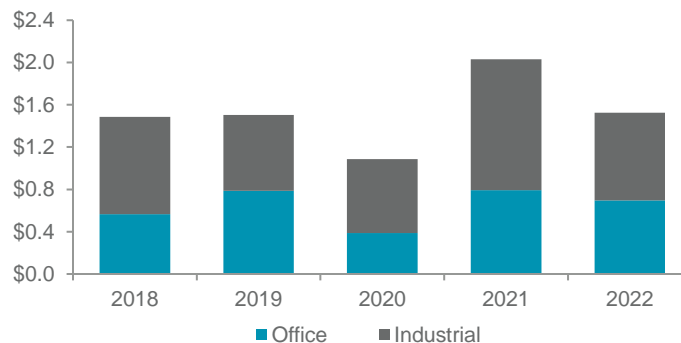
INVESTMENT OVERVIEW

San Diego's commercial real estate investment market transactions for office and industrial sales between \$1 and \$20 million (M) reached nearly \$310M in Q4 2022, down 15% quarter-over-quarter (QOQ) and down 56% from \$711M recorded in Q4 2021. Office (\$166M) and industrial (\$144M) sales were nearly even of the total volume and properties sold. On annual basis, total office and industrial sales were down 25% from \$2.0 billion (B) in 2021 to \$1.5B in 2022, with office sales down 12% YOY and industrial down 33% YOY.

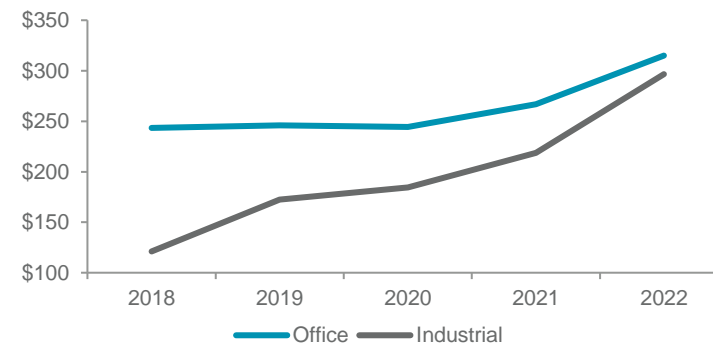
The average price per square foot (psf) for both office and industrial properties decreased QOQ and increased YOY in Q4 2022, with office pricing falling 23% QOQ to \$284 psf but rising 11% YOY. Industrial pricing landed at \$262 psf, down 29% QOQ but increasing 15% YOY. While life sciences investment 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 in the sub \$20M range transactions were private investors (75% vs. 76% in 2021), followed by institutional at 9% (vs. 12% in 2021) and REITs at 6% (vs. 5% in 2021). Private investors' current market share of 75% 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.

INVESTMENT SALES VOLUME (\$B)



AVERAGE PRICE PER SQUARE FOOT



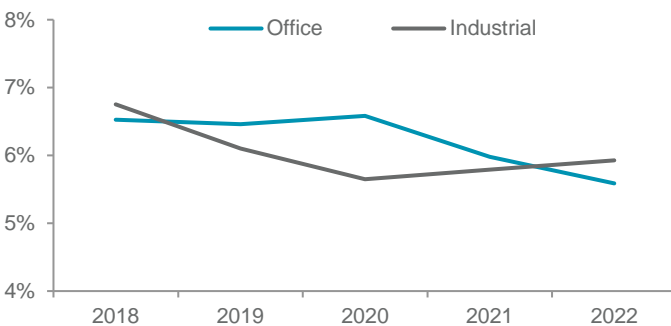
INVESTMENT ACTIVITY

PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SF	PRICE / SF	Q4 CAP RATE
Office	18	\$165,621,746	583,839	\$283.68	5.2%
Industrial	19	\$143,882,270	549,509	\$261.84	N/A
TOTAL	37	\$309,504,016	1,133,348	\$273.09	5.2%

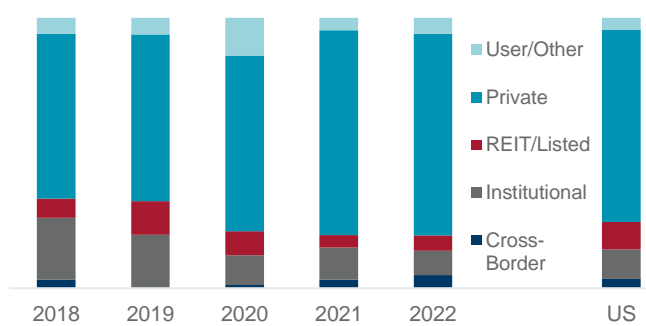
SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF	PURCHASE PRICE	PRICE / SF	MARKET
2425 Auto Park Way	Industrial	Stos Partners	Sound Image	88,690	\$20,000,000	\$226	Escondido
4180 Ruffin / 9370 Sky Park	Office	Solar Turbines	Gleich Family Trust	71,070	\$18,500,000	\$260	Kearny Mesa
10616 Scripps Summit Ct.	Office	Phase 3 Real Estate	EQT Exeter	49,855	\$17,000,000	\$341	Scripps
7828 Waterville Rd.	Industrial	Murphy Development	Honeywell International	101,435	\$15,250,000	\$150	Otay Mesa
Palomar Oaks / Thibodo	Office	MJL Properties	Labyrinth	70,963	\$13,943,904	\$197	Carlsbad / Vista
13955 Stowe Dr.	Industrial	Altemus Company	Stos Partners	37,530	\$13,875,000	\$370	Poway
2371 Fenton St.	Industrial	Harbor Springs Charter	North Palisade Partners	38,350	\$11,600,000	\$302	Chula Vista
3645-3655 Ruffin Rd.	Office	446 26 th St. Hlds. LLC	Manhattan Allians	40,805	\$11,200,000	\$274	Kearny Mesa
13535 Danielson St.	Industrial	4900 Edison LLC	Advancing Machining	31,400	\$11,000,000	\$350	Poway
9575 Aero Dr.	Industrial	JRC Real Estate	Arc of San Diego	48,635	\$10,579,000	\$218	Kearny Mesa

AVERAGE CAP RATE



WHO IS BUYING IN SAN DIEGO?



JUSTIN BALAGTAS

Senior Research Analyst
+1 858 625 5245

justin.balagtas@cushwake.com

JOLANTA CAMPION

Senior Research Director
Southern California
+1 858 625 5235

jolanta.campion@cushwake.com

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Sources: ¹www.bls.gov ²Moody's Analytics economy.com 12/2022. ³Real 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.