

Key Takeaways

- Asking rental rates continue to increase, reaching \$6.50/SF triple net. This equated to a year-over-year (YoY) increase of 26%.
- Overall vacancy increased 15 basis points (BPS) in Q3 to stand at 6.64%. The vacancy rate includes direct vacant space (4.56%) and sub-lease vacant space (2.08%).
- Over 500,000 SF of new construction was completed in the nine months of this year. Del Mar Heights/Carmel Valley made up over 40% of the space completed.



San Diego County
Life Science
22Q3



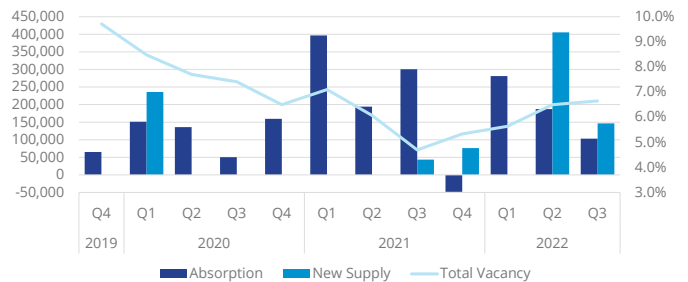
Life Science conversions are widespread

Life science continues to be the highest demanded segment in the county, as office conversions continue to create the most viable options for addressing demand and increasing inventory. Many of the North City submarkets such as Sorrento Mesa, Sorrento Valley, and UTC are seeing opportunistic investors reviving underused low-rise office and flex space into life science space as well as a focus on seeking alternate submarkets for new development to keep the accelerating growth in the sector. Venture capital funding (VC) remains strong, though it is slowing. San Diego life sciences secured nearly \$550 million during Q3. This amount is a decrease from the prior quarter and well below the all-time high of \$2B in Q1 2021.

Market Indicators



Historical Market Trends



San Diego County recorded 103,123 SF of net absorption in Q3 to bring net absorption to 571,141 SF year-to-date. Consistent positive net absorption over the past fourteen quarters, has resulted in vacancy plunging 307 BPS from 9.71% in Q4 2019 to 6.64% in Q3 2022. A total of 146,456 SF of construction was completed in Q3, this was the ARE Spectrum III project in Torrey Pines that was leased to Erasca.

Recent Transactions

 Lease 6055 Lusk Blvd Sorrento Mesa 94K SF	 Sublease 5717 Pacific Center Blvd Sorrento Mesa 54K SF	 Sale 3215 Merryfield Row \$214.2M Torrey Pines \$1,256/SF	 Sale 13112 Evening Creek Dr \$55.5M Rancho Bernardo \$506/SF	 Sale 7330-7360 Carrol Rd \$60M Sorrento Mesa \$737/SF
 Lease 9330 Scranton Rd Sorrento Mesa 51K SF	 Lease 10636 Scripps Summit Ct Scripps Ranch 39K SF	 Sale Aventine Portfolio II \$227.2M UTC \$695/SF	 Sale 10650 Scripps Ranch Blvd \$20.6M Scripps Ranch \$311/SF	

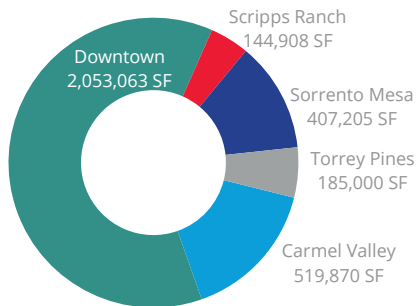
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Core & Emerging Submarkets

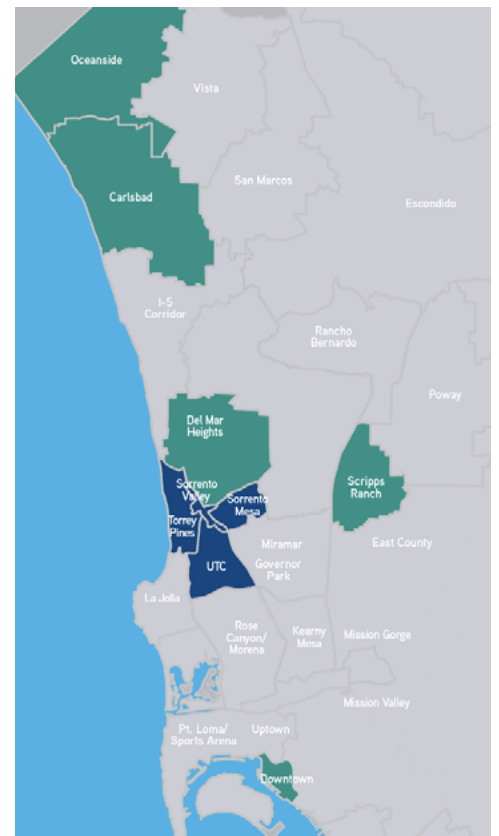
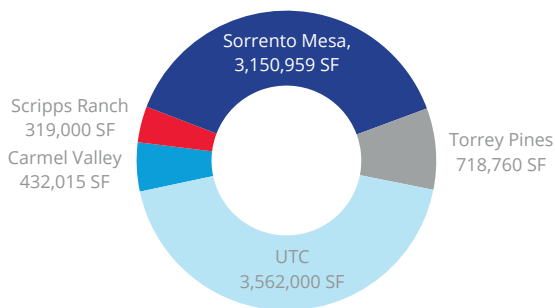


Market Submarket	Total Bldgs	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Total Vacancy Rate
Core Submarkets								
Sorrento Mesa	117	6,976,301	538,965	7.73%	108,998	1.56%	647,963	9.29%
Sorrento Valley	69	1,723,707	61,107	3.55%	75,696	4.39%	136,803	7.94%
Torrey Pines	71	5,719,473	87,531	1.53%	110,832	1.94%	198,363	3.47%
UTC	36	3,584,411	46,959	1.31%	93,602	2.61%	140,561	3.92%
TOTAL	293	18,003,892	734,562	4.08%	389,128	2.16%	1,123,690	6.24%
Emerging Submarkets								
Downtown	1	192,500	192,500	100.00%	0	0.0%	192,500	100.00%
Scripps Ranch	2	297,430	24,597	8.27%	0	0.0%	24,597	8.27%
Del Mar Heights	13	1,410,005	25,092	1.78%	87,944	6.2%	113,036	8.02%
Carlsbad	34	2,043,512	67,038	3.28%	0	0.0%	67,038	3.28%
Oceanside	6	943,380	0	0.00%	0	0.0%	0	0.00%
TOTAL	56	4,886,827	309,227	6.33%	87,944	1.8%	397,171	8.13%
San Diego County Total	349	22,890,719	1,043,789	4.56%	477,072	2.08%	1,520,861	6.64%

Projects Under Construction - 3,310,046 SF



Projects Proposed for Future Development - 8,182,734 SF



FOR MORE INFORMATION

Jack Blumenfeld
Associate
San Diego
+1 858 677 5316
jack.blumenfeld@colliers.com

Steve Holland
Senior Vice President
San Diego
+1 858 677 5364
steve.holland@colliers.com

Tom Nicholas
Senior Vice President
San Diego
+1 858 677 5323
tom.nicholas@colliers.com