



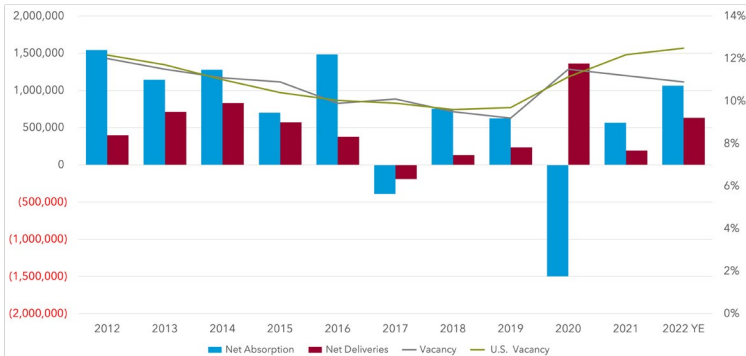
OFFICE MARKET OVERVIEW

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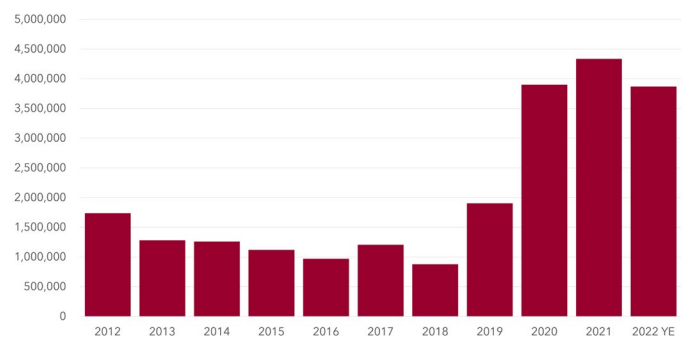
The fourth quarter showed further signs of a recovering office market in San Diego. Multiple large office projects, namely in the Rancho Bernardo submarket, are set to come online during the early parts of 2023. As the recession looms, office leasing velocity saw a slight uptick. An interesting office submarket to watch over the coming months is Downtown; the vacancy rates are at an all time high, and this unused square footage is spurring conversation of conversions to maximally utilize the space. Another trend to watch for is the increase of office "condoization." As tenants are using less space compared to pre-pandemic levels, more and more condos are coming out for sale. All and all, the 2023 office market will be one to watch with a close eye as things continue to develop.

MARKET INDICATORS	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
▼ 12 Mo. Net Absorption SF	886,382	1,393,167	2,191,963	1,287,790	598,175
▲ Vacancy Rate	10.90%	10.80%	10.50%	11.10%	11.20%
◀▶ Avg NNN Asking Rate PSF	\$3.14	\$3.14	\$3.13	\$3.11	\$3.07
▼ SF Under Construction	3,900,000	4,000,000	4,000,000	4,200,000	4,300,000
◀▶ Inventory SF	119,000,000	119,000,000	119,000,000	119,000,000	119,000,000

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
3838 Camino Del Rio N San Diego, CA	94,612 SF	\$21,600,000 \$228.04 PSF	Bitwise At State Center LLC HighBrook Investors	Class B
1959 Palomar Oaks Way San Diego, CA	47,273 SF	\$10,100,000 \$213.79 PSF	MJL Properties Labrynth, Inc.	Class B
1925 Palomar Oaks Way San Diego, CA	46,065 SF	\$9,070,000 \$197.00 PSF	M.C. Strauss Company Brookwood Financial Partners LLC	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
8620 Spectrum Center Boulevard San Diego, CA	120,209 SF	Sunroad Holding Corp	GSA	Government Agency
1155 Genesis Avenue San Diego, CA	36,000 SF	Phase 3 Real Estate	Excellos	Biotechnology
4375 Jutland Drive San Diego, CA	31,530 SF	Apex Real Estate Inc	Undisclosed	Undisclosed

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