



Date: Monday, August 17, 2009

Grubb & Ellis|BRE Commercial Market Trends

Grubb & Ellis|BRE Commercial 2Q2009 - San Diego Office Market Trends

- **Absorption:** In the second quarter, San Diego's office market recorded 516,224 SF of negative absorption countywide. Central County accounted for the majority of negative absorption – similar to the first quarter – followed by North and South Counties. Tenants are taking less space due to downsizing or rightsizing due to decreased optimism in regards to future expansion.
- **Vacancy Rates:** The countywide direct vacancy rate of 17.6 percent recorded in the second quarter gained 80 basis points from the first quarter of 2009 and 350 basis points from a year ago. The sublease vacancy rate of 3.4 percent decreased 60 basis points from the first quarter and increased 20 basis points from a year ago. North County recorded the highest direct vacancy rate at 26.9 percent compared to Central (15.5 percent) and South Counties (15.8 percent).
- **Asking Rent:** The countywide average asking rental rate for all classes was \$2.50 per square foot per month full service in the second quarter compared to \$2.67 a year ago. Effective rents are expected to decrease further as landlords offer more concessions to keep their tenants.
- **Construction Activity:** The disciplined addition of new space should help San Diego's office market deal with the recession. There are currently 461,960 SF under construction countywide representing less than one percent of the total countywide office inventory.

To view the complete report, [click here](#).

Grubb & Ellis|BRE Commercial 2Q2009 - San Diego Industrial Market Trends

- **Absorption:** In the first quarter, San Diego's industrial market recorded 976,090 SF of negative absorption countywide bringing year-to-date absorption to 2.2 million SF. In the second quarter, manufacturing space accounted for 43.0 percent of the 976,090 SF returned to the market, distribution accounted for 27.0 percent followed by IMT (18 percent) and R&D (12 percent). However year-to-date, distribution space accounted for only 7.0 percent of the 2.2 million SF returned to the market followed by R&D (12 percent), IMT (27 percent) and manufacturing leading the way by returning 53 percent or 1.2 million SF so far in 2009.
- **Vacancy Rates:** The countywide direct vacancy rate of 9.4 percent recorded in the second quarter gained 60 basis points from the first quarter of 2009 and 140 basis points from a year ago. The sublease vacancy rate of 1.8 percent increased 30 basis points from the first quarter but increased 80 basis points from a year ago resulting in a combined countywide industrial vacancy rate of 11.2 percent in the second quarter.
- **Asking Rent:** The countywide average asking rental rate for all product types was \$0.92 per square foot per month triple net (NNN) in the second quarter compared to \$0.97 in the first quarter and \$0.95 a year ago. In the second quarter of 2009, asking rents



- decreased \$0.08 for R&D space, \$0.06 for IMT space and remained the same for manufacturing (\$0.82) and distribution (\$0.65) space compared to a year ago.
- **Construction Activity:** There are currently 155,101 SF under construction countywide representing less than a half percent of the total countywide industrial inventory of 172.6 million SF. The construction activity is almost equally split between Central (84.0 percent) and South (16.0 percent) Counties with no construction activity in North County. Due to lack of available capital and developable land, new construction is limited. The disciplined addition of new space should help San Diego's industrial market deal with the recession and keep vacancies under control. To view the complete report, [click here](#).

Provided by:

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