

Apartment Market Cruises at Top of Commercial Space

REAL ESTATE: Increasing Office, Industrial Vacancies Attributed to Downsizing

By CONNIE LEWIS

While the office and industrial markets both saw increases in vacancies, one commercial real estate sector, apartments, showed improvement, according to MarketPointe Realty Advisors.

The vacancy rate for multifamily buildings averaged 4.4 percent in September, down from 5.3 percent in March, MarketPointe reported. The company releases bi-annual reports in September and March.

"Despite the high unemployment rate, there doesn't appear to be a big exodus from San Diego County," said Robert Martinez, director of research.

MarketPointe surveyed 809 complexes with a total of 116,770 units countywide. The average monthly rental rate in September was \$1,322, unchanged from March.

Vacancy stood at 2.25 percent in September 2008. According to analysts, however, a rental market with vacancies averaging between 5 percent and 7 percent is considered to be in balance.

"The South County continues to be home to the greatest number of complexes and units surveyed, but the North County continues to be the more expensive rental market," the report stated. Rent averaged \$1,388 per month in the North County, and the vacancy rate there was 3.96 percent

in September. In the South County, rent averaged \$1,261 and the vacancy rate was 4.79 percent.

Rents for studios throughout the county averaged \$1,025 while one-bedroom apartments went for \$1,142. Two-bedroom units averaged \$1,395, three-bedroom units averaged \$1,780 and four-bedroom units averaged \$2,194. One-bedroom apartments had the lowest vacancy rate at 4 percent while four-bedrooms had the highest at 7.38 percent.

Of the 22,708 new units added to the market since April 1998, 830 came on line within the last six months — a figure comparable to the prior six months. Meanwhile, an additional 220 condominiums were added as they were taken off the for-sale market.

Office Vacancies On The Upswing

Cushman & Wakefield commercial real estate brokers reported that office vacancy rates rose during the first half of the year while vacancies in the industrial market was dominated by downsizings, short-term renewals and relocations to less expensive space.

According to an August survey, office vacancy during the first half of the year was 15.8 percent, up from 14.1 percent at year-end 2008.

"Economic factors continue to cause downward pressure on tenant demand,"

said Eric Northbrook, executive director of the San Diego office. "Approximately 85 percent of the activity that is taking place is attributed to corporate downsizings or movement to more cost-effective locations."

Year-to-date at the end of June direct absorption was a negative 44,777 square feet, meaning that much office space went back on the market.

The average asking rent was \$2.45 per square foot versus \$2.85 per square foot at year-end 2008. The mid-city area, which includes Del Mar Heights, Governor Park, La Jolla, Miramar, Sorrento Mesa, Torrey Pines and University Towne Center, had the highest asking rent at \$2.96 per square foot, while the South Bay, including Chula Vista, had the lowest rate at \$2.60.

The total inventory of space countywide was 71.7 million square feet in 1,585 buildings. New construction completions amounted to 1.1 million square feet, while 478,250 square feet of space was under construction. Leasing activity totaled 2 million square feet.

Industrial Vacancies Also Up

"On the office side there's significant pressure on rents now as landlords compete against each other for transactions as small as 2,000 square feet," Northbrook said. "It's going to be competitive for the next six to nine months. There's too much space available, especially if you're looking for under 10,000 square feet."

A Cushman & Wakefield summary of

the county's industrial market year-to-date through June showed that countywide vacancy rose to 9.1 percent from 7.3 percent at the end of 2008.

"The most significant vacancy increase have occurred in the northern and southern regions of the county where new speculative inventory has been slow to absorb, said Senior Director Mickey Morera. "However, even mid-county, which has virtually no new speculative development in almost 10 years, is experiencing high vacancy as the slow economy prompt downsizing in virtually all business sectors."

The vacancy rate downtown was 6.6 percent. Otay Mesa had the highest vacancy at 19 percent, while Santee had the lowest at 3.3 percent.

Absorption countywide was a negative 2.4 million square feet.

Cushman & Wakefield's survey include a total inventory of 188 million square feet of industrial space in 6,619 buildings. Year-to-date leasing activity amounted to 3.3 million square feet. Absorption was negative 2.4 million square feet.

Recently completed construction added 950,611 square feet of space while 200,099 square feet was still under construction.

Second quarter asking rents for the industrial market averaged 95 cents per square foot. This compares with \$1.07 at year-end 2008.

"The moral of the story is that now is a great time to be a tenant," Northbrook said.

TOP 10 Construction Projects

Data provided by:



1 945 MARKET ST.



San Diego, 92101
Building Name: Strata
Year Built: 2010
Developer: The Hanover Co.
Leasing Company: Intracorp
Owner: Intracorp

2 5555 OVERLAND AVE.

San Diego, 92123
Year Built: 2010
Owner: San Diego County Credit Union

3 SCRIPPS POWAY PARKWAY

San Diego, 92131
Property Name: Building 1
Year Built: 2010
Developer: Reno Contracting
Leasing Company: Reno Contracting

4 PROGRESS STREET

Vista, 92083
Property: Lot G
Year Built: 2010
Leasing Company: Lee & Associates

5 2175 SALK AVE.

Carlsbad, 92008
Property Name: Building II
Year Built: 2009
Developer: Newport National Corp.
Leasing Company: Grubb & Ellis/BRE Commercial
Owner: Rio San Diego Plaza II Master

6 4056 FAIRMOUNT AVE.

San Diego, 92105
Property Name: The Shops at City Heights Square
Year Built: 2010
Developer: Price Charities
Leasing Company: Adlor
Owner: City Heights Realty

7 S. COAST HIGHWAY 101



Encinitas, 92024
Property Name: Pacific Station
Year Built: 2009
Leasing Company: CB Richard Ellis
Owner: Toy Factory 101 Encinitas

8 453-459 SIXTH AVE.

San Diego, 92101
Property Name: The Nolen
Year Built: 2009
Developer: Sand & Sea Equity Group
Leasing Company: Cushman & Wakefield
Owner: ENDEV

9 4300-4400 IMPERIAL AVE.

San Diego, 92113
Property Name: 24 Hour Fitness
Year Built: 2010
Leasing Company: Neece Commercial
Owner: Mesa Gardens Partners

10 662 ENCINITAS BLVD.

Encinitas, 92064
Property Name: Quail Garden Corporate Center
Developer: Wiegand Neglia Corp.
Leasing Company: Grubb & Ellis/BRE Commercial
Owner: ENDEV

TOP10 Office Leases

1 10240 SCIENCE CENTER DRIVE



San Diego, 92121
49,347 square feet
Leasing Company: CB Richard Ellis
Tenant Rep.: Cushman & Wakefield
Tenant: eBioscience

2 2051 PALOMAR AIRPORT ROAD



Carlsbad, 92009
29,099 square feet
Building Name: Palomar Center
Term: \$0.97/+utilities
Leasing Company: CB Richard Ellis
Tenant Rep.: Irving Hughes
Tenant: MaxLinear

3 600 B ST.

San Diego, 92101
20,914 square feet
Building Name: 600 B St. Building
Term: \$2.58/fs
Leasing Company: Grubb & Ellis/BRE Commercial
Tenant Rep.: Studley
Tenant: Robbins Umeda & Fink

4 655 W. BROADWAY

San Diego, 92101
28,427 square feet
Building Name: Advanced Equities Plaza
Leasing Company: CB Richard Ellis
Tenant Rep.: Finkelstein Associates
Tenant: Deloitte

5 10182 TELESIS COURT

Carlsbad, 92008
21,260 square feet
Building Name: Seaview Corporate Center, Phase II
Term: \$1.65/+utilities(est)
Leasing Company: Colliers International

6 7676 HAZARD CENTER DRIVE

San Diego, 92108
20,442 square feet
Building Name: Hazard Center Office Tower
Term: \$3.20/fs(est)
Leasing Company: Direct deal
Tenant Rep.: Direct deal
Tenant: Barrister Executives Suites

7 5898 COPLEY DRIVE

San Diego, 92111
19,788 square feet
Building Name: North Island Credit Union
Term: \$2.40/+utilities(est)
Leasing Company: Cushman & Wakefield
Tenant Rep.: Irving Hughes
Tenant: Lawyers Title Insurance Co.

8 1050 LOS VALLECITOS ROAD

San Marcos, 92069
19,312 square feet
Building Name: 78 Place
Term: \$1.45/nnn(est)
Leasing Company: Grubb & Ellis/BRE Commercial

9 4579 ALVARADO CANYON ROAD

San Diego, 92120
18,100 square feet
Building Name: Stadium Park
Leasing Company: The Caster Cos.
Tenant: KJM Enterprises

10 9171 TOWNE CENTER DRIVE

San Diego, 92122
17,298 square feet
Building Name: La Jolla Gateway II
Term: \$2.85/fs(est)
Leasing Company: The Irvine Co.

TOP10 Industrial Leases

1 10132 AIRWAY ROAD



San Diego, 92154
128,706 square feet
Tenant: FedEx Ground

2 7130 MIRAMAR ROAD



San Diego, 92121
114,000 square feet
Building Name: Miramar Commerce Park
Term: \$1.02/nnn
Leasing Company: Colliers International
Tenant Rep.: UGL Equis
Tenant: ATK

3 6154 NANCY RIDGE DRIVE

San Diego, 92121
75,600 square feet
Building Name: Arena Pharmaceuticals
Term: Direct deal
Leasing Company: Direct deal
Tenant Rep.: Direct deal
Tenant: Arena Pharmaceuticals

4 980 RANCHEROS DRIVE

San Marcos, 92069
48,000 square feet
Building Name: Dolphin Business Park
Tenant: Hocking International Chemical Co.

5 5823 NEWTON DRIVE

Carlsbad, 92008
47,829 square feet
Building Name: Carlsbad Research Center
Term: \$0.78/nnn(est)
Leasing Company: Grubb & Ellis/BRE Commercial
Tenant Rep.: Mission Equities Real Estate
Tenant: Pro Performance Sports

6 2311 BOSWELL ROAD

Chula Vista, 91914
40,000 square feet
Building Name: Eastlake Distribution Center
Term: \$0.60/nnn
Leasing Company: Cushman & Wakefield
Tenant Rep.: Westgate Industrial Properties
Tenant: Wal-Mart

7 13000 KIRKHAM WAY

Poway, 92064
34,843 square feet
Tenant: Masco Contractor Services

8 10547 VIPER WAY

San Diego, 92121
32,180 square feet
Term: \$0.80/ig(est)
Leasing Company: CB Richard Ellis
Tenant Rep.: Colliers International
Tenant: Sparta

9 1919 FRIENDSHIP DRIVE

El Cajon, 92020
31,244 square feet
Building Name: Gillespie Business Park
Term: \$0.85/ig(est)
Leasing Company: Cal West Real Estate

10 9340 DOWDY DRIVE

San Diego, 92126
31,114 square feet
Term: \$0.81/ig(est)
Leasing Company: AWS Commercial Real Estate
Tenant Rep.: Grubb & Ellis/BRE Commercial
Tenant: Fixtures Kitchen & Bath



Data provided by:

TOP 10 Office Sales

Data provided by: **CoSTAR GROUP**

1 3570 CARMEL MOUNTAIN ROAD



San Diego, 92130
197,832 square feet (two properties)
Buyer: PRll Gateway Torrey Hills CA
Seller: Torrey Hills Office Partners
Sale Price: \$77,057,500
Sale Date: 6/30/2009

3 8306 CENTURY PARK COURT

San Diego, 92123
199,121 square feet (three properties)
Buyer: Kearny Mesa Office Partners
Buyers Broker: CB Richard Ellis
Seller: BIT Holdings Sixty-Four
Listing Broker: CB Richard Ellis
Sale Price: \$40,340,000
Sale Date: 5/7/2009

5 2530 CAMPBELL PLACE

Carlsbad, 92009
41,000 square feet
Buyer: Lichter Equities
Seller: Danielson DSS
Sale Price: \$12,800,000
Sale Date: 5/8/2009

8 10179 HUENNEKENS ST.

San Diego, 92121
21,459 square feet
Buyer: Banco Popular North America
Seller: Witkin & Eisinger
Sale Price: \$2,200,000
Sale Date: 5/22/2009

4 350 CAMINO DE LA REINA



San Diego, 92108
417,000 square feet (two properties)
Buyer: The San Diego Union-Tribune
Seller: Copley Press Inc.
Sale Price: \$35,500,000
Sale Date: 5/4/2009

6 THE OCEAN COLLECTION AT BRESSIE RANCH

Carlsbad, 92009
Portfolio with six properties
Buyer: Dei LLC
Buyers Broker: CB Richard Ellis
Seller: EWB-1 LLC
Listing Broker: CB Richard Ellis
Sale Price: \$8,500,000
Sale Date: 6/16/2009

9 7541 EADS AVE.

La Jolla, 92037
4,000 square feet
Buyer: Even Yahalom Investments
Seller: Eads Avenue Partners
Sale Price: \$2,200,000
Sale Date: 5/19/2009

2 350 CAMINO DE LA REINA

San Diego, 92108
551,232 square feet (six properties)
Buyer: The San Diego Union-Tribune
Seller: Copley Press
Listing Broker: Grubb & Ellis/BRE Commercial
Sale Price: \$51,200,000
Sale Date: 5/4/2009

7 7701 HERSCHEL AVE.

La Jolla, 92037
10,236 square feet
Buyer: 7701 Herschel Avenue
Seller: Copley Press
Listing Broker: Grubb & Ellis/BRE Commercial
Sale Price: \$4,750,000
Sale Date: 5/4/2009

10 1068 BROADWAY

El Cajon, 92021
15,632 square feet
Buyer: Thomas L. and Cheryl A. Cantor
Seller: City of El Cajon
Sale Price: \$2,006,000
Sale Date: 6/10/2009

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