

SPECIAL REPORT: COMMERCIAL REAL ESTATE

A Dynamic Moment for Downtown

Area Expected to Rebound Strongly After Pandemic, Experts Say

The ongoing redevelopment of Horton Plaza by Stockdale Capital Partners is aimed at attracting life science companies downtown.

Rendering courtesy of Stockdale Capital Partners

By RAY HUARD

Downtown San Diego is expected to rebound strongly from any troubles caused by the COVID-19 pandemic, according to many experts.

Retailers have been hard hit by the pandemic, especially restaurants, and the office market is also hurting but multi-family projects continue to chug along with two prominent sales since the beginning of the pandemic.

IQHQ's \$1.5 billion planned office project targeting life science companies also is seen as a game changer for downtown.

Coupled with the \$275 million redevelopment of Horton Plaza into a mix of life science office space and retail, the IQHQ San Diego Research and Development District (RaDD) is expected to bring a surge of activity, providing a long-awaited downtown employment hub.



Betsy Brennan
President and CEO
Downtown San Diego
Partnership

"The investors I've talked with in the last three months in particular have been very bullish on downtown," said **Betsy Brennan**, president and CEO of the **Downtown San Diego Partnership**. "San Diego is resilient."

David Malmuth, a downtown developer and lecturer at the **University of California San Diego**, said IQHQ's project makes this "a dynamic moment" for downtown.

A Renaissance

"It offers great possibility," Malmuth said. "A couple of years ago, there was not a lot of confidence that those kinds of businesses want to be downtown. With the investment IQHQ is doing, that changes that."

IQHQ based in Solana Beach in September acquired most of the Manchester Pacific Gateway site along the bay front.

John Bonanno, chief investment officer of IQHQ, said that despite the COVID-19 pandemic, "You're



David Malmuth
President
David Malmuth
Development



"It offers great possibility. A couple of years ago, there was not a lot of confidence that those kinds of businesses want to be downtown. With the investment IQHQ is doing, that changes that."

DAVID MALMUTH

starting to see a renaissance down there (downtown) that I would see continuing."

"What we saw with the acquisition of the Manchester project land was really a unique piece of land in what we see as really the right place to kick that off," Bonanno said. "We're not the only people. We know that all of our competitors have looked down there, have considered going down there."

For life sciences, "That market hasn't gotten weaker because of COVID, it's gotten bigger," Bonanno said.

Office Outlook

Vacancy in the general office market has reached 20% to 30% downtown, Brennan said, but she said bright spots for the downtown office market include Kilroy Realty's ongoing construction of a 219,000 square-foot office campus at 2100 Kettner Blvd. and redevelopment of the former San Diego County courthouse into a mixed use project by **Holland Partner Group** of Vancouver, WA. Called Courthouse Commons, the 37-story project at 220 W. Broadway by Holland is estimated to cost \$400 million and would include 270,493 square feet of office space, 18,595 square feet of commercial space, and 431 apartments.

The courthouse project could make that section of downtown "into a much more walkable area of downtown and it's right near the bay," Brennan said. "This could



John Bonanno
Chief Investment
Officer
IQHQ

Tower

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middle of COVID, I think it would be stronger.”

Demand

Nearly a third of the market rate apartments and nearly half of the low income apartments have been leased, Schertzner said.

“Some of the larger units, like the two-bedroom units, have been really leasing well. That’s probably people wanting more space working from home,” Schertzner said.

“From what we’ve seen, there’s still a huge demand for housing and rental housing,” Schertzner said. “There’s been a bit more competition in terms of attracting tenants in the market, but from what we’re seeing, there is really strong interest of people wanting to locate downtown.”

Like many other apartment complexes, The Meriam is offering concessions to attract tenants – up to eight weeks free rent, according to its website.

Typically, prior to the pandemic, developers often offered up to a month free rent on a new project when it opened.

“You have seen some higher concessions this year than in the past,” said **Rachel Parsons**, a director at the commercial real estate brokerage **Moran & Company**.

More telling, Parsons said, is that occupancy rates have maintained well.

Outdoor Space

Although The Merian was designed and was well under way when the pandemic hit in March, Schertzner said that “unknowingly, the project was really designed well for COVID given the outdoor space within the project.”

That includes an 8,500 square-foot outdoor amphitheater and terrace, a 5,600 square-foot community plaza and a 5,800 square-foot rooftop lounge and deck..

The plaza has a large outdoor video screen and a stage. There’s also 3,000 square feet of retail space along Park Boulevard. The **UC San Diego** building has additional ground floor commercial space.

Apartments range from 539 square feet to 2,120 square feet with monthly rents for the market rate apartments ranging from \$2,110 to \$11,850, according to The Merian’s website.

Apartment amenities include quartz countertops, stainless steel appliances, French door refrigerators, five-burner gas cooktops, under-cabinet kitchen lighting, vinyl plank flooring, USB power outlets and Nest thermostats.

Tyler Sinks, director of multi-family sales for Berkadia’s San Diego office, said The Merian was one of downtown’s standout projects.

The project has “unbelievable finishes, unbelievable common areas,” Sinks said.

Carrier Johnson was the architect on The Merian with interior designs by Vida Design.

Shared Site

The Merian shares the block at Park Boulevard and Market Street with an historic home that’s been incorporated into The Merian and a 67,000 square-foot building that the Holland Partner Group built as the downtown campus for the University of California San Diego.

Exterior work has been completed on the UC San Diego building but the university will make tenant improvements on the interior, Schertzner said.

Originally known by its address as Park + Market, Holland Partner Group changed the name of its project to The Merian as a way of noting the project’s connection to art and science programs that UC San Diego offers and its reputation as a research institution.

“We were actually pretty inspired by having UCSD as a neighbor next to the residential building,” Shertzner said.

Maria Merian, for whom the apartment tower has been named, was a German-born naturalist and scientific illustrator.

Her work was used as the inspiration of several of the many artworks in the complex that bears her name.

“That fit in with this idea of the intersection of art and science,” Schertzner said.

San Diego artists **Ron Miriello** and **Sean Kelly** did the art in the project.

As part of the overall project, Holland



Rachel Parsons
Director
Moran & Company



Brent Schetzner
Managing Director
Holland Partner Group



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BRENT SCHETZNER

Partners Group renovated the exterior of historic two-story Remmen Building that was built on the site in 1907. The building was reoriented on the site toward Park Boulevard.

“That gave us the ability to open up the courtyard to the public,” Schertzner said. “Right now, we’re looking for tenants to lease that as a restaurant, café or bar of some sort.” ■

Holland Partner Group

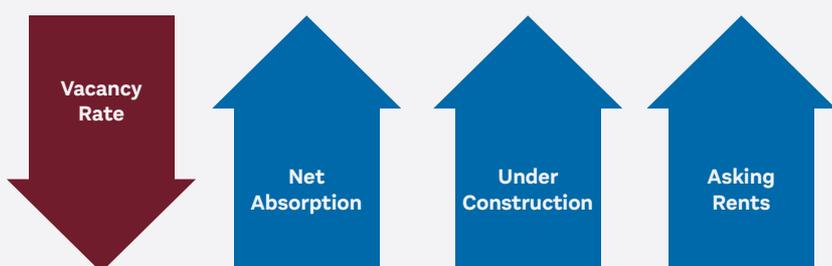
FOUNDED: 2001
CEO: Clyde Holland
HEADQUARTERS: Vancouver, WA
BUSINESS: commercial real estate developer
EMPLOYEES: 800
WEBSITE: www.hollandpartnergroup.com
NOTABLE: with California offices in Long Beach and Oakland, the company manages more than 16,800 apartments. It has California projects in Oakland, Los Angeles, West Hollywood and San Diego

INDUSTRIAL Market Statistics

Submarket	Market	Existing Buildings	Inventory SF	Vacancy Rate	12 Mo Net Absorp SF	12 Mo Net Delivered SF	Under Constr SF	Market Rent/SF
Mira Mesa/Miramar	San Diego - CA	806	18,190,791	4.9%	-77,973	0	0	\$1.43
Otay Mesa	San Diego - CA	348	16,501,374	7.7%	-233,648	299,579	4,602,157	\$0.86
Carlsbad	San Diego - CA	494	15,686,045	10.7%	288,328	50,150	0	\$1.42
Kearny Mesa	San Diego - CA	634	15,609,251	4.9%	-87,671	0	0	\$1.62
Vista	San Diego - CA	594	14,478,398	9.5%	-354,087	0	0	\$1.07
Sorrento Mesa	San Diego - CA	235	10,411,926	11.7%	197,758	28,000	0	\$1.89
Oceanside	San Diego - CA	437	10,345,126	3.3%	107,355	0	0	\$1.06
Chula Vista	San Diego - CA	406	10,205,539	6.5%	-248,428	0	95,500	\$1.21
El Cajon	San Diego - CA	528	10,029,905	3.6%	-218,530	0	0	\$1.15
Poway	San Diego - CA	247	9,731,759	1.6%	624,740	684,450	0	\$1.28
TOTALS	San Diego - CA	8,773	198,704,256	6.0%	193,314	1,223,506	4,893,754	\$1.38
All	San Diego - CA	8,773	198,704,256	6.0%	193,314	1,223,506	4,893,754	\$1.38
Flex	San Diego - CA	1,931	50,720,579	9.3%	-267,583	30,937	117,709	\$2.03
Logistics	San Diego - CA	3,533	81,416,334	5.3%	460,867	1,135,559	4,670,899	\$1.15
Specialized	San Diego - CA	3,309	66,567,343	4.2%	30	57,010	105,146	\$1.20

Source: CoStar
Data as of Sept. 30, 2020

Market Conditions



Analysis

Net absorption for industrial space was the highest since the third quarter of 2018, reaching more than 1.2 million square feet.

After creeping above the 5% mark, the overall vacancy rate is again below 5%.

Amazon is active in all areas of San Diego County in 2020, from Rose Canyon, to Otay Mesa, to Poway to Vista, and areas in between. The socially distant nature of 2020 has accelerated many societal changes, and e-commerce is growing very fast.

Four speculative development buildings, totaling nearly 775,000 square feet, were delivered in Q3 2020. Three of these, totaling 674,000 square feet, are in Central County and fully occupied upon completion. The remaining project in South County is at 30% occupancy upon completion.

Across the region, the market is the tightest for R&D space with direct vacancy at 4.1% in Q3 2020, 130 basis points lower than a year ago. Vacancy for manufacturing space now stands at 4.4% countywide, unchanged from a year ago. Distribution space has the highest vacancy at 5.7% as of Q3 2020, an increase of 90 basis points since last year.

Sources: CBRE, Cushman & Wakefield, Voit

THE LIST

TOP INDUSTRIAL COMMERCIAL REAL ESTATE LEASES

► Ranked by square footage of San Diego County properties leased Jan. 1, 2020 through Nov. 1, 2020

Rank	Building name Address	Square footage leased	Sign date	Tenant name	Tenant representative company Tenant agent(s)	Landlord representative company
1	Vantage Point 14400-14500 Kirkham Way	533,950	5/7/2020	Amazon	Lee & Associates Greg Pieratt	Kidder Mathews
2	Scripps Northridge Corporate Center 12121 Scripps Summit Drive	198,880	1/7/2020	Fate Therapeutics	Hughes Marino Craig Knox	JLL
3	Vista Business Park 2620 Commerce Way	197,104	10/9/2020	CUE Health, Inc	Hughes Marino Shane Poppen	CBRE
4	17087-17089 Via Del Campo 17087-17089 Via Del Campo	183,838	4/29/2020	Northrop Grumman	CBRE Tom Martinez & Evan Knudson	JLL
5	The Campus 2001 Sanyo Ave	170,782	7/1/2020	Panasonic Corp of North America	JLL Andy Irwin & Joe Anderson	JLL
6	Create 2827 Whiptail Loop	146,108	4/1/2020	SAFC Carlsbad, Inc	JLL Joe Anderson	Cushman & Wakefield
7	Sorrento Corporate Center 9940-9950 Carnes Canyon Rd	144,000	2/1/2020	Qualcomm	Cushman & Wakefield Kevin Meissner	JLL
8	RB Vista 16915 Via Del Campo	141,518	7/13/2020	Amazon	Lee & Associates Greg Pieratt	JLL
9	10394 & 10421 Pacific Center Court 10394 & 10421 Pacific Center Court	136,807	8/13/2020	Tanvex	Avison Young B. Cooper	JLL
10	The Boardwalk 10275-10285 Science Center Dr	117,929	10/1/2020	Zentalis Pharmaceuticals	Cushman & Wakefield T. Jacobs	CBRE

na Not applicable

Source: CBRE

To the best of our knowledge, this information is accurate as of press time. While every effort is made to ensure the accuracy and thoroughness of the list, omissions and typographical errors sometimes occur. Please send corrections or additions to the Research Department at the San Diego Business Journal. Eric Alderete, ealderete@sdbj.com. This list may not be reprinted in whole or in part without prior written permission from the editor. Some companies have declined to participate or did not return a survey by press time. It is not the intent of this list to endorse the participants or to imply a property's size or numerical rank indicates its quality.

THE LIST

TOP INDUSTRIAL COMMERCIAL REAL ESTATE SALES

► Ranked by sale price of San Diego County properties sold Jan. 1, 2020 through Nov. 1, 2020

Rank	Property name Address	Sale amount Sale date	Portfolio/ Complex/ Bldg. # of buildings	Sq. ft. of building Price per sq. ft.	Buyer Seller	Listing broker company
1	10770 Wateridge Circle/6325 Lusk Blvd 10770 Wateridge Circle/6325 Lusk Blvd	\$135,900,000 4/1/2020	Portfolio 2	183,565 \$740	Harrison Capital, Bioscience Properties	JLL
2	Vista Technology Center 1483-1499 Poinsettia Ave	\$49,400,000 2/3/2020	Portfolio 9	226,470 \$218	BKM Capital, The Blackstone Group, LP	Eastdil Secured, LLC
3	vec.tor 2882 Whiptail Loop E	\$44,000,000 6/8/2020	Bldg. 1	169,825 \$259	Lee Family Trust, RAF Pacifica Group, Inc.	Cushman & Wakefield
4	Pacific Coast Collection 1291 & 1322 Rocky Point Dr	\$43,500,000 12/24/2019	Bldg. 2	226,691 \$192	EastGroup Properties, Inc., Black Creek Industrial Property Trust	CBRE
5	Creekside 10220, 10240 & 10260 Sorrento Valley Rd	\$42,800,000 9/2/2020	Portfolio 3	124,473 \$343	Longfellow RE Partners, The Blackstone Group	CBRE
6	create 2827 Whiptail Loop	\$40,500,000 6/30/2020	Bldg. 1	146,100 \$277	BLT Enterprises, RAF Pacifica	Cushman & Wakefield
7	One Technology Place 10905-10949 Technology Place	\$39,000,000 7/16/2020	Complex 10	137,695 \$283	Healthcare Realty Trust, Menlo Equities	JLL
8	Sorrento Tech Center 10070, 10140, & 10180 Barnes Canyon Rd	\$39,000,000 5/19/2020	Portfolio 3	93,480 \$417	Longfellow RE Partners, BLT Enterprises	SD Realty Partners/ Cushman & Wakefield
9	Public Storage 12340 World Trade Dr	\$27,400,000 3/11/2020	Bldg. 1	81,980 \$334	Public Storage Inc, Wentworth Property Co	na
10	Vista Business Park 2620 Commerce Way	\$26,400,000 1/8/2020	Bldg. 1	197,104 \$134	Westcore Properties, EverWest Real Estate Investors	CBRE
11	10054 Old Grove Rd 10054 Old Grove Rd	\$22,700,000 9/24/2020	Bldg. 1	85,824 \$251	Padma Laxmi LLC, CapRock Partners	Cushman & Wakefield

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Downtown

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be really nice for connectivity between the waterfront and downtown, which is something we always wanted.

Holland Partner Group also recently completed a 34-story apartment/commercial project in East Village with 426 apartments – The Merian.

“Downtown’s office future is heavily reliant on its ability to attract new companies because it’s new companies that will create the growth in the downtown office market,” said Gary London, an economist and real estate advisor. “The existing companies mostly will compress to one extent or another, are going to develop hybrid solutions to how people work – some working at home, some working in the office.”

That said, London is optimistic about the downtown office market looking beyond the pandemic.

“The downtown office future will be quite bright because there’s potential for a bunch of new companies downtown, particularly with the right size high-tech,” London said. “That’s going to be tamped down a little bit by a compression in demand of existing companies. As their leases come up, they’re going to renegotiate

for smaller amounts of office space. But I’m pretty confident about it (downtown).”

Lynn Reaser, chief economist at Point Loma Nazarene University’s Fermanian Business & Economic Institute was more reserved in her assessment of the commercial real estate market downtown.

“Downtown will recover, but it will take time. Biotech could be a significant new player, but it will probably require a major pharmaceutical firm to enter or increase its presence in the San Diego region in a substantial way,” Reaser said.

“Downtown must compete with Torrey Pines, UTC, and Sorrento Mesa/Valley for life sciences tenants.”

Recovering

Derek Hulse, managing director of Cushman & Wakefield in San Diego, said that “2021 will be a slow recovery and return to the office for many companies, but we should see a significant increase in activity the latter part of 2021 and in the years to come.”

“While there may be some short term pain with excess inventory and low tenant demand, the future of the submarket is very promising,” Hulse said. “Long term, downtown San Diego is a vibrant and evolving submarket with immediate access to an international airport, public transportation connecting the downtown

submarket to Torrey Pines, UTC and two major universities (UC San Diego and San Diego State University).”

On the retail side, downtown is hurting, said Bill Shrader president and founder of Urban Property Group, a commercial real estate brokerage.

“I’m crossing my fingers that we have a Comic-Con next year. I think everybody is. That would be huge,” Shrader said.

Meanwhile, Shrader said more than 25 restaurants have closed downtown because of the pandemic.

“Traffic is down. The convention center is down. The hotel occupancy is very low. That’s just trickling through to the retail tenants as well. What’s hurting them also is the office buildings aren’t fully occupied,” Shrader said

Yet Shrader said his firm has seen a lot of activity.

Rents are down, and that gives people a chance to move into a better location that they may not have been able to afford before, Shrader said.

“The deals that we are doing is people who are improving their location,” Shrader said.

Investor Interest

While general office and retail is struggling downtown, the apartment market is one of the stronger players in commercial real estate downtown.



Derek Hulse
Managing Director
Cushman & Wakefield



Lynn Reaser
Chief Economist
Fermanian Business
& Economics Institute



Gary London
Senior Principal
London Moeder
Advisors

The market is softer than it was prior to the pandemic, but Brennan and Rachel Parsons, a director of the commercial real estate brokerage Moran & Company said the downtown apartment is doing better than some might think.

“There’s still a ton of investor interest,” Parsons said.

Downtown “is probably the most active as far as investment sale locations in all of San Diego County this year,” Parsons said.

Traffic is down, “but the overall economics of downtown San Diego is still pretty solid,” Parsons said. “There’s a lot of capital invested in downtown, which kind of creates a really positive vision looking forward.”

Big Deals

Among significant deals cited by Parsons were the September sale of the 129-unit AV8 apartments in Little Italy for \$70.1 million and the October sale of the 143-apartment Valentina at 1919 Pacific Highway for \$110 million.

Tyler Sinks, director of multifamily sales for Berkadia’s San Diego office, said that the Valentina sale was remarkable because it set a new record for the per unit price at more \$710,000.

“This COVID blip is literally a blip in the 10 or 15-year picture in what downtown



Bill Shrader
President and
Founder
Urban Property Group

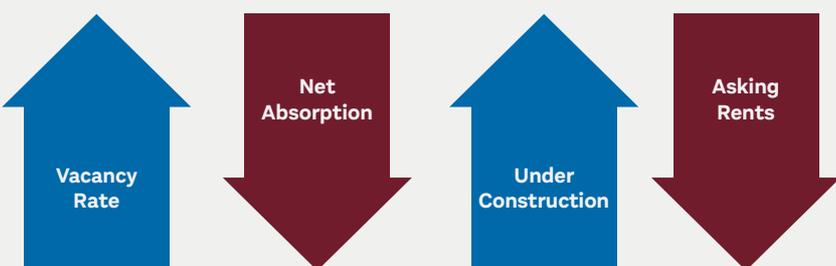
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RETAIL Market Statistics

Submarket	Market	Existing Buildings	Inventory SF	Vacancy Rate	12 Mo Net Absorp SF	12 Mo Net Delivered SF	Under Constr SF	Market Rent/SF
Escondido	San Diego - CA	852	9,811,802	3.6%	9,884	11,900	23,600	\$2.10
Chula Vista	San Diego - CA	750	9,128,451	3.6%	-57,976	10,801	0	\$2.43
El Cajon	San Diego - CA	848	8,771,737	3.7%	39,473	-7,643	0	\$1.76
Clarmnt/KM/Tierrasnta	San Diego - CA	499	7,599,120	2.1%	-5,992	11,352	5,740	\$2.34
Oceanside	San Diego - CA	712	7,566,285	6.1%	-72,770	1,591	49,081	\$2.22
Mid City/SE San Diego	San Diego - CA	1,238	7,377,033	2.5%	10,127	-7,016	15,000	\$2.00
Mission Valley	San Diego - CA	379	5,745,233	7.5%	-263,366	0	22,000	\$3.37
Carlsbad	San Diego - CA	116	5,408,824	2.7%	-102,752	-31,519	56,000	\$3.83
Cardiff/Encinitas	San Diego - CA	427	5,407,391	3.6%	-74,775	-144	3,100	\$3.25
Vista	San Diego - CA	552	5,216,387	6.0%	-31,243	33,225	0	\$1.91
TOTALS	San Diego - CA	13,828	139,379,829	4.8%	-1,182,590	-692,986	905,270	\$2.52
All	San Diego - CA	13,828	139,379,829	4.8%	-1,182,590	-692,986	905,270	\$2.52
General Retail	San Diego - CA	9,613	56,816,637	3.4%	-403,186	-821,432	499,093	\$2.36
Mall	San Diego - CA	181	13,070,522	4.8%	-205,302	0	233,000	\$3.29
Neighborhood Center	San Diego - CA	2,310	44,801,441	6.6%	-393,999	36,725	6,200	\$2.50
Other	San Diego - CA	39	1,917,551	4.9%	14,216	0	0	\$2.64
Power Center	San Diego - CA	377	11,845,146	3.3%	-120,876	69,858	81,812	\$2.84
Strip Center	San Diego - CA	1,299	10,852,884	6.0%	-73,443	21,863	85,165	\$2.07

Source: CoStar
Data as of Sept. 30, 2020

Market Conditions



Analysis

Shopping center fundamentals took another step back in Q3 amid the ongoing public health situation and ensuing government response, which has forced many retail operators to close their doors or remain open at limited capacity. Negative net absorption reached (300,102) square feet, but new leasing activity did pick up some, reaching 439,798 square feet, a 44% increase from Q2.

Giltner Realty Advisors broke ground on Arroyo Verde Shopping Center. The Strip Center will add 27,200 square feet in Oceanside.

The combined amount of retail property sold or leased during 3Q was approximately

800,000 square feet, a decrease from the 1.1 million square feet transacted in each of the first two quarters of the year.

Regency Centers and Alexandria Real Estate received approval from the San Diego Planning Commission to move forward on their plans for Costa Verde Center in UTC. The 178,000 square foot center is slated for a significant renovation/expansion to begin in spring 2021.

The road forward heavily depends on factors outside of traditional free market considerations, including COVID-19 vaccine development, state and local government restrictions on business operations, and economic stimulus actions.

Sources: CBRE, Voigt

THE LIST

TOP RETAIL COMMERCIAL REAL ESTATE LEASES

► Ranked by square footage of San Diego County properties leased Jan. 1, 2020 through Nov. 1, 2020

Rank	Building name Address	Square footage leased	Sign date	Tenant name	Tenant representative company Tenant agent(s)	Landlord representative company
1	Twin Peaks Plaza 14705-14969 Pomerado Rd	44,686	11/3/2020	Undisclosed Grocer	Undisclosed Grocer na	Regency Centers
2	Mission Valley Center West 1640 Camino del Rio N	41,256	3/3/2020	24 Hour Fitness USA, Inc	CBRE Dave Hagglund	EPR Properties
3	Chula Vista Crossings 1830-1870 Main Ct	37,413	8/4/2020	Bob's Discount Furniture	Bob's Discount Furniture na	Newmark Knight Frank
4	1240 W Morena Blvd 1240 W Morena Blvd	35,597	2/1/2020	Lyft	Studley Ben Shwartz	Retail Insite
5	Palomar Trolley Center 610-680 Palomar St	25,000	8/4/2020	DD's Discounts	DD's Discounts na	na
6	Palomar Trolley Center 610-680 Palomar St	24,957	3/18/2020	Ross Dress for Less	Ross Dress for Less na	Cushman & Wakefield
7	3245-3555 Sports Arena Blvd 3245-3555 Sports Arena Blvd	20,706	1/14/2020	Forever 21	Forever 21 na	Cushman & Wakefield
8	Mira Mesa Marketplace 10604-10789 Westview Pkwy	18,461	7/7/2020	La-Z-Boy	La-Z-Boy na	Retail Insite
9	Indian Creek Rd & Valley Center Indian Creek Rd & Valley Center	18,000	10/16/2020	Grocery Outlet	CBRE Dave Hagglund	CBRE
10	Centerside I 3111 Camino Del Rio N	16,656	5/8/2020	Truist Bank	CBRE William Dyke	Cushman & Wakefield

na Not applicable

Source: CBRE

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TOP RETAIL COMMERCIAL REAL ESTATE SALES

► Ranked by sale price of San Diego County properties sold Jan. 1, 2020 through Nov. 1, 2020

Rank	Property name Address	Sale amount Sale date	Portfolio/Complex/Bldg. Number of buildings	Sq. ft. of building Price per sq. ft.	Buyer Seller	Listing broker agent Listing broker company
1	Vons 4145 30th St	\$27,700,000 4/16/2020	Bldg. 1	44,000 \$630	Brad Broffman, Cardinal Capital Partners, Inc.	na na
2	Bel Villaggio 41221 Margarita Rd	\$26,100,000 12/27/2019	Portfolio 11	115,051 \$227	Deba Shyam, Pathfinder Partners	Kirk Brummer, Sean Heitzler CBRE
3	The Convoy Portfolio (Ret Portion) 4888, 4898 Convoy St. & 7700 Ronson St.	\$24,900,000 1/9/2020	Portfolio 3	52,386 \$475	Merlone Geier, McGrath Development, Inc.	Mark Caston & Randy LaChance Voit Real Estate Services
4	Town Center North 810-835 College Blvd	\$24,500,000 6/7/2020	Complex 2	43,800 \$559	Gershman Properties, Citivest	na Colliers International
5	1133 S Mission (Albertson's) 1133 S Mission Rd	\$23,600,000 1/8/2020	Bldg. 1	72,080 \$327	ULM II Holding Corp, Fortress	na Colliers International
6	Alberstons 655 14th St	\$22,200,000 5/5/2020	Bldg. 1	42,973 \$516	Robert Zakari, LLJ Ventures	Alvin Mansour, Kevin Mansour I Flocke & Avoyer, Michael Burton & Pasquale Ioele The Mansour Group
7	3930 5th Avenue 3930 5th Avenue	\$13,300,000 2/18/2020	Bldg. 1	107,676 \$467	Paragon RE Investments, Carleton Management Inc	Michael Spilky Location Matters
8	Flags on Mission 1527 Mission Ave.	\$12,300,000 2/18/2020	Bldg. 1	107,676 \$114	Milan Cap Mgmt, Doerken Properties - DPI Retail	Barbara Armendariz SharpLine Commercial Partners
9	Sprouts 1400 E Vista Way	\$11,300,000 5/28/2020	Bldg. 1	26,616 \$425	Joseph Rivani, Black Lion Investment Group	Patrick Luther, Matthew Mousavi SRS National Net Lease Group
10	Paseo Corners 877 E H St	\$7,240,000 2/14/2020	Bldg. 1	17,386 \$416	The Randhava Family Limited Partnership Two, LBG Real Estate Companies LLC	Reg Kobzi, Joel Wilson, Michael Peterson, Phil Voorhees CBRE

na Not applicable

Source: CBRE

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Area

→ from page 16

is going to look like,” Sinks said. “I would definitely continue to bank on downtown.”

On the downside, many apartment landlords are offering concessions in the form of free rent. Typically, landlords offer free rent for a limited time when a building first opens, but the concessions of late have been for longer periods – two months instead of one.

Still, the base rents have remained steady and Parsons said that “occupancies have maintained well.”

Brennan said that while there has been some movement to the suburbs and more rural areas from some people who want more room as a result of the pandemic, she said “There’s just as many people who want to live in an area that’s great for transit, that is easy to get out to the bay and the beaches.”



Brent Schertzner
Managing Director
Holland Partner Group



Tyler Sinks
Director
Berkadia



Rachel Parsons
Director
Moran & Company



Rendering courtesy of the Holland Partner Group

The former San Diego County courthouse will be replaced by a mixed-use project built by Holland Partner Group.

Similar, **Brent Schertzner** of the Holland Partner Group said “We’ve been pretty surprised. Everyone was saying there was going to be this big exodus from downtown.

“We, at least with this project (The Merian) haven’t been seeing that.” Schertzner said.

Brennan said she expects that the city’s tourism industry – a key element to the downtown economy - will be back to where it was pre-pandemic within 24 months.

“Now that there is supposedly some

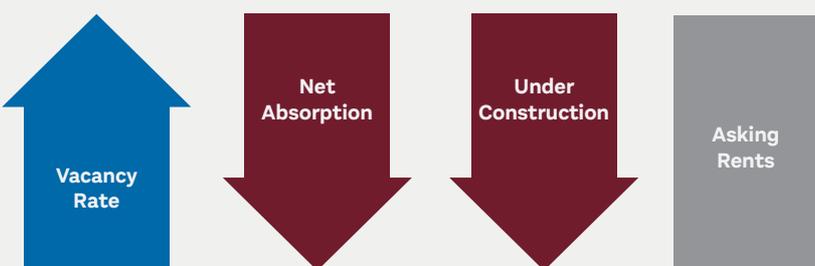
vaccines that seem to be safe and effective, as they roll out those maybe in a year or two years from now, I think we’ll see a really nice recovery for downtown, our downtown and all downtowns,” Brennan said. ■

OFFICE Market Statistics

Submarket	Existing Buildings	Inventory SF	Vacancy Rate	12 Mo Net Absorp SF	12 Mo Net Delivered SF	Under Constr SF	Market Rent/SF
Downtown	237	13,962,112	20.8%	-276,029	315,469	1,072,769	\$2.95
Kearny Mesa	284	11,380,411	10.1%	-245,456	90,000	125,000	\$2.63
Sorrento Mesa	139	9,666,106	11.7%	-95,508	0	0	\$3.09
UTC	93	8,765,631	7.2%	39,315	0	369,000	\$3.76
Carlsbad	337	7,640,620	15.6%	-52,540	12,074	0	\$2.89
Mission Valley	139	7,345,881	11.6%	-47,337	0	0	\$2.71
Rancho Bernardo	134	7,031,774	12.5%	-165,153	-5,030	0	\$3.02
East County	706	5,645,759	4.3%	-25,324	15,400	86,000	\$2.13
Del Mar Hts/Carmel Valley	83	5,128,476	15.8%	112,204	288,484	217,235	\$4.32
Chula Vista	274	3,449,351	5.9%	-12,678	0	0	\$2.53
TOTALS	5,532	118,393,445	11.2%	-1,214,624	892,473	2,124,181	\$2.89
All	5,532	118,393,445	11.2%	-1,214,624	892,473	2,124,181	\$2.89
Class A	304	39,130,139	15.3%	-200,467	740,548	1,580,004	\$3.52
Class B	2,049	55,873,553	10.6%	-687,923	231,427	544,177	\$2.71
Class C	3,173	23,371,383	5.9%	-325,780	-79,502	0	\$2.23

Source: CoStar
Data as of Sept. 30, 2020

Market Conditions



Analysis

Asking rates remained at \$3.15 for a full service gross lease, some 7 cents higher than the third quarter last year.

Some 1.58 million square feet was under construction in the quarter. While this is down from last quarter, construction activity is still much higher than any other time in the last five years.

At the end of Q3 2020, San Diego’s direct office vacancy was 13.3%, an increase of 70 basis points from the previous quarter and 150 basis points from a year ago.

Since the beginning of the year, over 622,000 square feet of speculative biotech product has broken ground. Cooley leased 73,800 square feet, an entire building at The Boardwalk, Healthpeak Properties’ newest Class A life sciences development located in Torrey Pines. Element Biosciences leased 104,200 square feet for a new building at Alexandria Tech Center which broke ground this quarter.

Apple contributed to two of the largest new leases in Q3 2020, signing for 78,000 square feet and 44,000 square feet in Eastgate. The rest of large new leasing came from the life sciences sector, including Guardant Health, Organogenesis and Helix.

Sources: CBRE, Cushman & Wakefield

THE LIST

TOP OFFICE COMMERCIAL REAL ESTATE LEASES

► Ranked by square footage of San Diego County properties leased Jan. 1, 2020 through Nov. 1, 2020

Rank	Building name Address	Square footage leased	Sign date	Tenant name	Tenant representative company Tenant agent(s)	Landlord representative company
1	Summit Rancho Bernardo 16620 W Bernardo Drive	196,734	2/20/2020	Confidential Tech Company	JLL Misty Moore/William Fleck	CBRE
2	Sorrento Towers North 5375 Mira Sorrento Place	148,000	9/27/2020	Dexcom	Cushman & Wakefield Darren Morgan	Cushman & Wakefield
3	Kilroy Centre Del Mar- Bldg 5 3811 Valley Centre Drive	118,912	7/1/2020	Scripps Health	Avison Young Jamie Enders-Keller	CBRE
4	1201 Park Center Dr 1201 Park Center Dr	83,775	9/8/2020	US Foods Inc	CBRE Chris Reynolds	Four-Sher Investments Inc
5	AXIOM 4550 Towne Centre Ct	83,008	8/7/2020	Apple	JLL Misty Moore/William Fleck	Biomed Realty Trust
6	The Boardwalk 10265 Science Center Dr	73,776	6/18/2020	Cooley, LLP	Cooley, LLP na	CBRE
7	Innovation Corporate Center 15051 Avenue of Science	69,967	8/10/2020	Northrop Grumman	CBRE Tom Martinez & Evan Knudson	JLL
8	The Foundry 5355 Mira Sorrento Pl	59,110	2/1/2020	Fairfield Residential	Hughes Marino David Marino	Cushman & Wakefield
9	Rancho Vista Corporate Center 16409 W Bernardo Dr	53,301	3/5/2020	Intel Corporation	Colliers International Tom Nicholas	CBRE
10	Fairway Corporate Center 5541 Fermi Ct	49,639	2/5/2020	Sound United	CBRE Ryan Sparks, Matt Carlson, Sean Williams, Blake Wilson	na

na No applicable

Source: CBRE

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THE LIST

TOP OFFICE COMMERCIAL REAL ESTATE SALES

► Ranked by sale price of San Diego County properties sold Jan. 1, 2020 through Nov. 1, 2020

Rank	Property name Address	Sale amount Sale date	Portfolio/ Complex/Bldg. # of buildings	Sq. ft. of building Price per sq. ft.	Buyer Seller	Listing broker agent(s)/ Listing broker company
1	The Foundry 9276 & 9330 Scranton Rd	\$130,000,000 10/12/2020	Bldg. 2	280,631 \$463	Longfellow Real Estate Partners, Shorenstein Properties	Nicolas Psyllos, Lynn LaChapelle, Sach Kirpalani/ JLL
2	The Elements at Wateridge 10201, 10221 & 10241 Wateridge Circle	\$104,500,000 3/20/2020	Bldg. 3	278,787 \$375	TPG Real Estate, Parallel Capital Partners/Equity Commonwealth	na/ Eastdil Secured, LLC
3	Enclave Sorrento 9808 & 9868 Scranton Rd	\$102,200,000 1/10/2020	Bldg. 2	217,920 \$469	Alexandria Real Estate, Alliance Bernstein & McCarthy Cook & Co.	Nicolas Psyllos/ JLL
4	1900, 1902, 1903 Wright Pl & 1917 Palomar Oaks Way 1900, 1902, 1903 Wright Pl & 1917 Palomar Oaks Way	\$34,200,000 3/6/2020	Portfolio 4	177,917 \$192	Harbor Associates LLC, Wasatch Group	Rick Reeder, Brad Tecca/ Cushman & Wakefield
5	Carmel Point Office Park 15010, 15030 & 15050 Avenue of Science	\$32,500,000 3/27/2020	Bldg. 3	120,202 \$270	ICW Group, The Blackstone Group (EQ Office)	Louay Alsadek, Hunter Rowe/ CBRE
6	Ocean Ridge at Carlsbad Ranch 5796 Armada Dr	\$28,200,000 6/4/2020	Complex 1	75,000 \$376	SENTRE, Inc., Miller Global Properties, LLC	Louay Alsadek, Hunter Rowe/ CBRE
7	La Place Court 5900 & 5950 La Place Court	\$15,700,000 2/12/2020	Bldg. 2	81,521 \$193	Intersection, Swift Real Estate Partners	Louay Alsadek, Matt Pourcho, Hunter Rowe, Adame Siegel/ CBRE
8	Viewridge Business Park 4711-4719 Viewridge Avenue	\$15,300,000 3/27/2020	Bldg. 3	78,803 \$210	Dollinger Properties, MIG Real Estate	Bob Prendergast, Lynn LaChapelle, Sach Kirpalani/ JLL
9	5405 Morehouse Dr 5405 Morehouse Dr	\$14,600,000 1/16/2020	Bldg. 1	51,589 \$283	Cedar Realty Group, Swift Real Estate Partners	Anthony DeLorenzo, Louay Alsadek, Hunter Rowe, Matt Pourcho/ CBRE
10	5505 Morehouse Dr. 5505 Morehouse Dr.	\$12,700,000 1/16/2020	Bldg. 1	75,424 \$169	Alexandria Real Estate Equities, SteelWave	Michael Moore, Rick Stumm, Brunson Howard, Andrew Pascale, Paul Jones/ Newmark Knight Frank

na Not applicable

Source: CBRE

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SAN DIEGO

Downtown's Largest Projects Represent

**BUILD
BETTER**

**BUILD
SAFER**

**BUILD
UNION**

**BUILD
with
LiUNA!**



6. 915 W. Grape Street

Cost: Undisclosed
Location: 915 W Grape St.
Description: 8- story, 70 apartments (6 affordable) 1k SF retail, 2k SF rooftop deck and two levels of subterranean parking.
Developer: Bayside SD., LLC
Contractor: Bayside SD., LLC
Architect: DeBartolo + Romanic Design Studio & DFH Architects
Estimated Completion: 2020



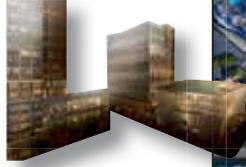
7. 3rd and A

Cost: Undisclosed
Location: 3rd and A Street
Description: 21- story with 231k SF, 270 apartment units.
Developer: The Hanover Company
Contractor: The Hanover Company
Architect: Carrier Johnson + CULTURE
Estimated Completion: 2020



5. San Diego Research and Development District (RaDD)

Cost: \$1.5 billion
Location: 12 acres bound by Broadway, Pacific Highway & Harbor Drive
Description: 17- story tower, 1.3M SF of space, several labs, up to five office buildings, and museum.
Developer: IQHQ
Contractor: Undisclosed
Architect: Undisclosed
Estimated Completion: First phase 2023



8. Courthouse Commons

Cost: \$400 Million (Estimated)
Location: 220 W. Broadway
Description: 37- story mixed-use, 270k SF of office space, 18k SF of commercial space, 431 apartment units- 87 affordable units.
Developer: Holland Partner Group of Vancouver
Contractor: Undisclosed
Architect: Carrier Johnson + CULTURE
Estimated Completion: Q2 2023



Source: Civic San Diego



GO RISING

More Than \$2 Billion in Construction



Balboa Park

163

5

4

1

3

2

1. 11th and Broadway

Cost: \$195 Million (Estimated)
Location: 11th and Broadway
Description: 32-story, 641k SF mixed use 623 apartments, 10k SF retail and six levels of below grade parking.
Developer: Pinnacle International
Contractor: Pinnacle International
Architect: Martinez + Cutri
Estimated Completion: Q4 2020



3. 7th & Market

Cost: \$400 Million
Location: 7th & Market
Description: 39-story, 763k SF mixed use with 153-room Ritz-Carlton hotel, 59 Ritz-Carlton branded luxury condominiums, 125 market rate apartments, and thirty-four affordable housing units. 150k SF office space and 40k SF retail space- including grocer and five levels of below grade parking.
Developer: Cisterra Development
Contractor: Suffolk
Architect: Carrier Johnson + CULTURE
Estimated Completion: 2023



4. Broadway Block

Cost: \$200 Million
Location: 702 Broadway
Description: 2 Towers- 720k SF mixed use, 620 apartment units and ground level retail/commercial space.
Developer: Bosa Development
Contractor: Undisclosed
Architect: Joseph Wong Design Associates
Estimated Completion: 2020



2. Modera

Cost: Undisclosed
Location: 241 14th Street
Description: Seven-story, 368 luxury apartments in East Village with subterranean parking. The community offerings include; sky lounge with pool/spa, bowling lounge, fitness studio & co-working spaces.
Developer: MCRT Investments, LLC
Contractor: Undisclosed
Architect: Carrier Johnson + CULTURE
Estimated Completion: Q1 2021



2,869

MEMBERS in San Diego County

1,080

PARTNERS

1,600

AGREEMENTS

LiUNA! Local 89

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