

The Future of UTC

SD Metro | David Marino

Recently I led a presentation alongside Jerry Engen, SVP of Development at Westfield Shopping Centers, discussing the future of San Diego's University Towne Centre (UTC) neighborhood. Suffice it to say, the developments already underway, and those poised to begin, are going to absolutely transform this already upscale submarket of San Diego.

Transit

The single most significant mass transit connection in the central county is about to make getting around, or getting to work, much easier. The trolley line is being extended from Old Town to run parallel with the I-5 freeway, looping around the VA hospital and UCSD to then run south along Genesee Avenue on an elevated platform, terminating at the Westfield UTC mall. This new trolley line will allow visitors and employees to come to the UTC area to shop or to their places of employment, not just at Westfield UTC, but at all of the office buildings in the UTC submarket. As part of this trolley line extension, Westfield is building a new bus transit center, adjacent to Genesee Avenue at Westfield UTC, to provide for even more inter-connectivity in the UTC area.

This enormous mass transit undertaking makes a great deal of sense, and will take current and future cars off the freeway, considering the planned renovation of Westfield UTC.

Retail/Dining Expansion

Over the next three years, Westfield UTC will add more than 400,000 square feet of new retail space. The first phase will include a new flagship Nordstrom, including a new parking structure, both adjacent to Genesee Avenue. The existing Nordstrom and parking structure will be demolished to make room for an underground parking structure on the entire northwest portion of the existing Westfield UTC site, where a subsequent phase of 400,000 square feet of high-end fashion retail and upscale dining options will be constructed.

For those who drive to the mall, in addition to over 1,000 new parking spaces being added, Westfield UTC's renovation will also include a multi-lane valet parking option whereby drivers channel into multiple service lanes off La Jolla Village Drive and enter the mall up a grand staircase entry. Situated at the northwest corner of Genesee and La Jolla Village Drive, this ease of parking and accessibility to Westfield is bound to draw professionals looking for upscale venues for business lunches and dinners, which are very limited in the UTC submarket today.

Commercial Office Space

As for commercial office space in UTC, there is speculative building underway, with potential projects on the horizon as well. There is good reason for this



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new construction, as Class A office space vacancies in UTC have plummeted from 22% just three years ago to a mere 7% today. Things are so tight that a full-floor tenant only has three choices in the entire UTC market today for class A space. As such, The Irvine Company currently has a 306,000 square foot, LEED certified, Class A high rise named One La Jolla Center in progress, which just topped out construction this month, and will be ready for tenants to occupy by October 2015. There are no leases signed in One La Jolla Center, as The Irvine Company is building the new high rise for cash and, since they don't have a lender, they don't have a requirement for any preleasing. The Irvine

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Big changes underway in UTC include a re-imagined mall, a long-awaited trolley line and new options for class A office space.

Company is only considering multiple-floor tenants at this point in time, and is not rushing into any leasing as they feel they will benefit by waiting for market pricing to move upward in the next year.

Depending on the leasing success of One La Jolla Center, Hines is also considering development of La Jolla Commons III, which would be located at the northeast corner of La Jolla Village Drive and Judicial Drive, just one block from Westfield UTC. The new tower may include a hotel component combined with commercial office space, though decisions in that regard have yet to be made. Should this development proceed, its estimated date of completion will likely extend into 2017.

For tenants looking for value, UTC does have an abundance of Class B office space in 2-3 story buildings, sprinkled along Towne Centre Drive and Eastgate

mall. For 20-30% less cost than tenants will pay in Class A high rises, free parking is typically included. Likewise, there is no shortage of wet lab space available for roughly 20% less cost than lab spaces available in Torrey Pines, though it's worth mentioning that these labs are dated and will need some major rehabbing.

Any way you look at it, UTC is about to experience a major injection of sophistication and a further uptick in quality. Without revealing too much about Westfield UTC, as such plans have yet to get final approval and community support, it's safe to say that it's going to be a spectacular place to spend an afternoon or evening. It's also going to attract businesses and be a wonderful amenity to the commercial office tenants already in that submarket, and it's going to be a lot easier to get to, particularly for those coming from the south or the east, thanks

to the trolley line extension.

If you're interested in more detailed information about office space currently available, and soon to be available in UTC, please contact me directly at david@hughesmarino.com.

David Marino is executive vice president of Hughes Marino, a Southern California commercial real estate company specializing in tenant representation and building purchases.

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