



San Diego Office Submarkets Made Simple

Tuesday, November 8, 2011 | San Diego Metro Magazine | David Marino

Companies looking to lease space, or buy their own building, often ask us which office submarkets are the best to locate to. Some companies will locate in submarkets most convenient to where the CEO or business owner lives. However, most of our clients really care about where the entire employee base is commuting from, and want to understand how locations can help them attract future employees. Here is a simple summary of what is going on in the region.

Downtown: The Downtown work-live-play vision has become a reality, and Downtown has the best amenities, business infrastructure, mass transportation and hippest residential core in the region. More tech companies are choosing Downtown, and the migration out of Downtown has abated. CommNexus will be opening a new “EvoNexus” incubator Downtown in the AT&T building at 101 West Broadway. An entire floor is going to be dedicated to bringing next-generation tech and health care companies Downtown, providing them free space and the value-added advisory services that EvoNexus provides. Most importantly, Downtown is an “Enterprise Zone.” Companies paying income tax in California are entitled to tax credits for capital spending, and additional credits for hiring qualified employees.

Sorrento Mesa: Class A office space in Sorrento Mesa is now more expensive than UTC, so it’s time to look at other options. However, for Class B and Class C office space, it’s the cheapest in the region, and a glut of available space remains. Sorrento is also home of the best value in biotech space, and “flex” space for companies needing electronics lab or light manufacturing facilities. While Sorrento Mesa has one of the worst reputations for congestion, work is under way to extend Carroll Canyon Road under I-805.

Del Mar Heights: Candidly, I don’t agree with the price/value equation in Del Mar Heights. The only rational explanation for the premium rents is proximity to the affluent communities of Rancho Santa Fe and other North Coastal San Diego communities, where many business decision makers live. With a handful of exceptions, most of the buildings are lacking in architecture, views, amenities and quality. For \$2.60-\$3.30 per square foot “net of electricity” (add \$.20 per square foot more for electricity), you get some of the most generic office space in the region.

Carlsbad: Value, value, value ... but a brutal commute unless your company and employee base is already located there. It’s tough to get to Carlsbad from the I-15, and what used to be a reverse commute from communities as far south as La Jolla has now become horribly congested driving each way. Values are from \$1.75-\$2.25 net of electricity for the nicest space, and from \$1.40-\$1.65 for Class B and Class C office space.

I-15 Corridor: The submarkets from Scripps Ranch to Rancho Bernardo continue to be popular, particularly for business service, defense, electronics and some technology companies. Conveniently located close to extensive affordable housing, and solid school districts in Poway and Scripps Ranch, the I-15 Corridor is an excellent place for employers to consider. Class A office space ranges from the \$2.00-\$2.25 per square foot range, and Class B office space can be had from \$1.65-\$1.95.

Mission Valley: Mission Valley has a good thing going. There are great Class A office options in the low-\$2.00’s, and Class B and Class C office options for \$1.50-\$1.75. Access to the region’s key freeways and proximity to the affordable communities east on the I-8 has always kept Mission Valley at the top of tenants’ choices in the region.

Kearny Mesa: There aren’t many Class A office buildings or projects here to start with, and what does exist has very low vacancy. Tenants like Kearny Mesa for its very central proximity to the entire county, and for freeway access that can’t be beat. But with very few exceptions, the quality isn’t there relative to other newer and nicer



submarkets in Mission Valley to the south, or UTC to the north. However, Kearny Mesa remains popular for health care, engineering and other business service tenants.

UTC: I have written extensively in prior columns about the merits of UTC. Check out [“Tech Companies Call UTC Home”](#) to get a deeper sense of why so many companies are choosing to do business in UTC. It’s the perfect combination of the best amenities (second only to Downtown).

It’s still a tenants’ market out there, and the San Diego County submarkets have a lot to choose from for any office tenant.

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