

## The Hottest Commercial Real Estate Markets

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High Tech is driving commercial real estate in Sorrento Mesa, UTC and Del Mar Heights. But downtown could be next.

By Jack Crittenden

David Marino has the hottest office space in San Diego. The commercial real estate broker moved his firm, Hughes Marino, into the old San Diego Magazine building in December, after transforming it into an employee's dream. The downtown building, which cost close to \$5 million to acquire and renovate, is so jaw-dropping that almost every local publication has written about its living room with grand piano, fitness gym, billiard table and putting green.

It's all part of Marino's plan to put his money where his mouth is.

"Class A office space used to be about image," said the La Jolla resident who represents tenants. "Today it is about appealing to employees. You need to give employees a work space where they will be productive and energized." Nowhere is that philosophy more important than in the high-tech industry. From Qualcomm to social media start-ups, companies are struggling to attract and retain talent. And where a company is located is often more appealing to potential employees than whether it offers health and other benefits.

San Diego's high-tech industry is centered on Sorrento Mesa, where Qualcomm continues to expand — recently announcing plans for another 200,000 square feet of office space.

"Currently, the tightest market is Sorrento Mesa because of the cluster of technology companies that are there," said Eric Northbrook, executive director at Cushman Wakefield.

But Sorrento Mesa is unlikely to accommodate the region's future growth, due to several obstacles.

Kilroy Realty will soon break ground on an 80,000 square foot three-story building, the first such building being built on speculation since the start of the recession. And the market will likely see more development soon. But as Northbrook himself points out, Sorrento Mesa is running out of space.

There are other problems with the market, including excessively long commute times, limited amenities, and Class B office space that will not seem as attractive once rents start to rise.

High-tech companies across the U.S. have struggled to attract top talent, with young techies preferring companies that offer all the things Sorrento Mesa can't offer — good public transportation along with urban nightlife, culture and housing.

Del Mar Heights has more to offer. But the small market has been filled with service providers over the past three years. Law firms, including Knobbe, Martenson, Pillsbury and Troutman Sanders, accounting firms and finance companies have moved in to take advantage of the lower rents. In the process, they helped make it the highest-priced market in the county.

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