

Class A Space in Short Supply as Companies Flock to Downtown San Diego

Downtown Dirt | Jason Hughes

What happened to Downtown San Diego? Over the past 6 months, Downtown has undergone an incredibly swift evolution. Starting as the “cost-effective” alternative, rents are quickly rising, though still not on par with the soaring rates of the suburbs. Today, Downtown is unequivocally the “It” place to be for companies focused on talent recruitment, employee retention, and being part of a thriving, energetic community. As a result, companies setting up shop downtown have gobbled up nearly all the Class A office space on the market.

Rest assured, this movement is not just in the tech arena. Kleinfelder, an international architecture and engineering firm, moved its team from Governor Park into a 40,000+ square foot space on 550 West C Street several months ago. Berkshire Hathaway has its eyes set on downtown too, moving out of 20,000+ square feet in Mission Valley into 30,000 sf at 525 B Street. AECOM has moved its team from 1420 Kettner and Governor Park into a 40,000+ square foot space in 401 West A Street. Bumble Bee Foods moved its global headquarters from Kearny Mesa to the Showley Brothers’ Candy Factory for 30,000+ square feet on the outfield of Petco Park.

So what gives? Why the movement to and buzz about Downtown?

1) It still is the most cost-effective alternative compared to other Class A and B space across the county. With rates in the \$2.30/square foot range for Class A with great views, Downtown is desirable to the tenants in Sorrento Valley, UTC, and Del Mar Heights that are paying nearly a dollar per square foot more than comparable space in downtown. At that rate, they are still coming out ahead by moving to Downtown even after factoring in parking costs (which have historically been a big deterrent to companies interested in Downtown). For Class B spaces there are also some incredible deals (low \$2.00/square foot for bay view space with free parking). It’s hard to say no to that!

2) Amenities, amenities, amenities. Downtown is the only true live-work-play environment in the county. It’s one of the most walkable large cities in the U.S. and has more restaurants than Sorrento Valley, UTC, and Del Mar Heights has combined!

3) It’s where the talent lives. Little Italy, San Diego, was just named the Millennial Capital of the U.S. and it is the most desirable place for young talent to live-work-play. When competing with



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the Googles and Twitters of the world, talent recruitment and retention is one of the most challenging aspects of running a successful company in San Diego. The best way to keep them happy is to make sure they love where they work.

The only issue with relocating to downtown? There is currently no new



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commercial construction underway. Downtown is one of the few markets to have zero commercial high-rises constructed in the last economic downturn. However, that's not to say we won't be seeing some of the city's best high-rises pop up in the next 5 years. BBL is considering breaking ground on a new tech-centric 6-story building to take the place of the existing Bank of America branch located at 450 B Street, Cisterra Partners is expected to complete Sempra's new 300,000 square foot build-to-suit just blocks from the ballpark in East Village (this will leave 347,000 square feet of vacant space in their existing building at 101 Ash Street). In addition, several developers are in the final rounds of competing for a mixed-use development, which would include office space, for the block directly north of Sempra's new

building. Manchester Financial is moving forward with its project on the waterfront, Manchester Pacific Gateway, which is expected to be a 2.9 million square foot mixed-use project with unobstructed bay views. And the IDEA Partners are with their tech and creative focused low-rise development in East Village, as is Rob Lankford's Makers Quarter.

It's an exciting time for Downtown San Diego - and for the companies hoping to be a part of it. If you'd like to learn more about options available downtown, give me a call at (619) 238-2111 or email jason@hughesmarino.com.

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