

Technology Sector Fuels Real Estate Recovery

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The San Diego region is in the middle of a major boom in technology that is beginning to lead the area's battered economy back to better times.

Today's technology surge is more embedded in the region's economy and therefore impacts more than the economic fate of those companies directly involved. There's also more substantive technological innovation taking place this time around as evidenced by last month's Most Innovative New Products Awards event sponsored by San Diego Connect. As impressive as the locally based innovators were, they were but a small sampling of the scores of technology and life science companies that have begun taking office and lab spaces throughout the county.

This hasn't been an overnight phenomenon. Technology and life science companies have been nibbling at the county's vacancy rates for the past five quarters, absorbing more than three million square feet of vacant space thus far.

In Sorrento Valley, available space shrank from 31 percent of total inventory to 16 percent in just two years. In that same time period, available space fell from 30 percent to 18 percent along the I-15 corridor, while available space in Carmel Valley decreased from 29 to 21 percent. A year ago, Carlsbad had 31 percent of its inventory available; today it's only 26 percent.

In downtown San Diego's high-rise buildings, technology companies have leased more than a half dozen full-floor – or nearly full – office spaces in just the past few months. They're also now interested in low-rise buildings in Little Italy, East Village, and the Gaslamp Quarter. The trend is such that one has to wonder at first glance whether technology companies are formally bound to locate facilities in San Diego.

Price Comparison

That's not the case as I found out in talking to technology clients coming to downtown San Diego from Northern California. It's a far gentler nudge. San Diego is cheaper in terms of real estate and other cost-of-living factors than Silicon Valley and other corporate venues in the Bay Area. And, it's much easier to attract high-level programmers and engineers to a downtown San Diego office than it is elsewhere, which shouldn't surprise anyone. Once here, their employers enjoy the fact that downtown San Diego office rent is one third what it is in San Francisco, even for prime space.

That bodes well for downtown San Diego where a significant number of its former tenants have fled to the suburbs in recent years. The suburbs do offer some attractions, but it's exciting to see a rebirth in downtown's popularity among technology companies. Frankly, it's hard for outer areas to compete for young, entrepreneurial programming talent against a venue that has 300 restaurants, first-class hotels, fitness centers, urban transit and bay views.

Where employees want to work will become increasingly important to their employers as our society moves through the economic continuum. Today, we're moving into an entrepreneurial-centered economy in which the role of employees will become more like that of an entrepreneur in order to create more job opportunities. This economy will center on the role of employees – how and where they will work – and it will become the employment blueprint for the technology industry. This economy is still under construction, but one thing is for certain: Entrepreneur-employees will have a great deal to say about where they will work.

Will it surprise anyone that these employees will choose San Diego?

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