Hughes Marino

Hughes Marino San Diego Office Update Quarter 2

Thursday, July 14, 2011 | Hughes Marino

The beginning of the market recovery that everyone was hoping for this year has stalled. Of concern, sublease space Countywide spiked back up to 4.53M square feet after declining for the prior 6 quarters. While San Diego County absorbed a net 2.1M square feet of office, R&D and industrial space Countywide Q4, 2010 when total inventory fell to 48.3M from 50.4M, Q1 of 2011 flat-lined, and Q2 ended 48.4M. The "running in place" commercial marketplace continues. Meanwhile, there is wild speculation of a recovering market with commercial real estate buyers and investors. This is being driven more by an imbalance of the shortage in supply of good buildings to buy, and the oversupply of capital that has been raised in the last five years to chase the real estate asset class, versus sound fundamentals of a recovering economy and commercial real estate market. While 2010 was the bottom of the market, it appears that we are resting on a deep ocean floor of a market with very little traction towards any real recovery. This condition could protract for several years unless San Diego companies can start creating a lot more net jobs sooner than that.

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